

# Information Meeting For Financial Results For the Second Quarter of FY2014



**July 31, 2014**

**Future Architect, Inc.**

**1. Earnings Results for the Second Quarter of FY2014**

**2. Topics Related to the Second Quarter of FY2014**

**3. Future Outlook for the Second Half of FY2014**

# 1. Earnings Results for the Second Quarter of FY2014

## • Consolidated net sales

(Consolidated net sales reached a record high in the first half of the fiscal year.)

Consolidated net sales grew 20% year-on-year mainly thanks to a favorable performance at Future Architect and Future One and the consolidation of eSPORTS.

## • Consolidated income

(Operating income and ordinary income both reached a record high in the first half of the fiscal year.)

Future Architect, Future One, Ascendia, eSPORTS and Brightree saw their income increase mainly due to increased sales, contributing to consolidated income.

## • Orders received

Orders received remained robust, as orders were received continuously due to expansion of the client base and enhancement of the medium- and long-term relationship of mutual trust with clients.

# Consolidated Earnings Results for the First Half of FY2014

Challenge Together Future Architect, Inc. which designs management and IT.

(Million yen)	FY2014 Results for the first half	Compared with projected results		Year-on-year comparison	
		FY2014 Plan for the first half	Change	FY2013 Results for the first half	Change
Net sales	16,372	16,200	+1.1%	13,545	+20.9%
Operating income Operating income margin	1,875 11.5%	1,790 11.0%	+4.8%	1,570 11.6%	+19.5%
Ordinary income Ordinary income margin	1,882 11.5%	1,820 11.2%	+3.4%	1,697 12.5%	+10.9%
Net income Net income margin	1,031(*) 6.3%	1,060 6.5%	-2.7%	1,037 7.7%	-0.6%

\*Income before income taxes and minority interests increased from the corresponding period of the previous fiscal year in the first half of 2014. However, net income, which takes taxes into consideration, decreased year on year, partly because the tax burden was small in the first half of 2013. This is because loss carried over as a result of a merger with a subsidiary was taken over.

# Consolidated Balance Sheets

Challenge Together

Future Architect, Inc. which designs management and IT.

(Million yen)	End of Jun. 2014	End of Dec. 2013	Change
Current assets	14,408	13,978	+430
Non-current assets	5,092	5,246	-153
<b>Total assets</b>	<b>19,501</b>	<b>19,225</b>	<b>+276</b>
Current liabilities	4,392	4,809	-417
Non-current liabilities	1,405	1,367	+37
<b>Total liabilities</b>	<b>5,797</b>	<b>6,177</b>	<b>-379</b>
<b>Total net assets</b>	<b>13,703</b>	<b>13,047</b>	<b>+656</b>
Shareholders' equity ratio	69.4%	67.1%	+2.3pts

## Main changes

(Million yen)

		End of Jun. 2014	End of Dec. 2013	Change
Current assets:	Increase in cash and deposits	7,507	6,892	+614
	Decrease in accounts receivable-trade	3,909	4,330	-421
Non-current assets:	Decrease in goodwill	692	823	-131
Current liabilities:	Decrease in accounts payable - trade	1,369	1,660	-290
Net assets:	Increase in retained earnings	11,180	10,506	+674

# Consolidated Cash Flows

(Million yen)	FY2014 results for the first half	FY2013 results for the first half	Change
Net cash provided by (used in) operating activities	1,184	1,638	-453
Net cash provided by (used in) investing activities	(196)	(1,072)	+876
Net cash provided by (used in) financing activities	(362)	(488)	+125
Effect of exchange rate change on cash and cash equivalents	37	27	+9
Increase (decrease) in cash and cash equivalents	662	105	
Cash and cash equivalents at beginning of the period	6,892	4,184	
Cash and cash equivalents at end of the period	7,555	4,290	

## Main changes

(Million yen)		First half of FY2014	First half of FY2013	Change
Operating CF:	Decrease (increase) in notes and accounts receivable - trade	393	(104)	+497
	Increase (decrease) in notes and accounts payable - trade	(285)	277	-563
	Income taxes paid	(1,078)	(515)	-563
Investing CF:	Purchase of shares of subsidiaries	-	(999)	+999
	Proceeds from collection of lease and guarantee deposits	0	153	-152
Financing CF:	Purchase of treasury shares	-	(148)	+148

# Consolidated Results by Segment

Challenge Together

Future Architect, Inc. which designs management and IT.

(Million yen)	FY2014 results for the first half	FY2013 results for the first half	Year-on-year change
<b>Net Sales</b>	<b>16,372</b>	<b>13,545</b>	<b>+20.9%</b>
IT Consulting	9,959	9,321	+6.8%
Package & Service	2,515	2,148	+17.1%
New Media & Web Service	1,967	182	+975.3%
Corporate Revitalization	2,249	2,257	-0.4%
Other	-	-	-
Adjustments	(318)	(365)	-
<b>Operating Income</b>	<b>1,875</b>	<b>1,570</b>	<b>+19.5%</b>
IT Consulting	1,664	1,388	+19.8%
Package & Service	211	127	+66.1%
New Media & Web Service	(20)	(8)	-
Corporate Revitalization	3	46	-92.8%
Other	0	(0)	-
Adjustments	16	17	-



# Consolidated Orders Received and Backlog by Segment

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Future Architect, Inc. which designs management and IT.

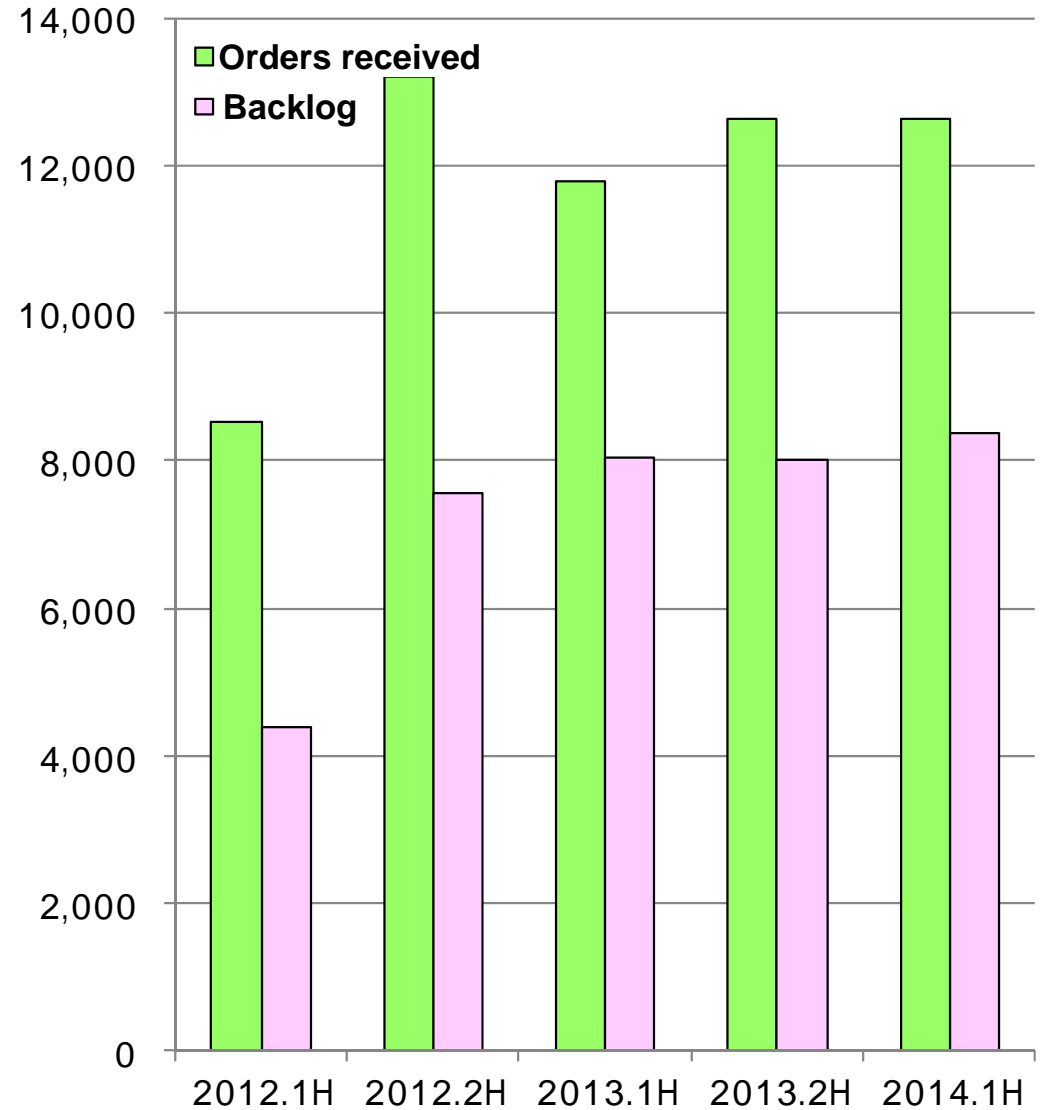
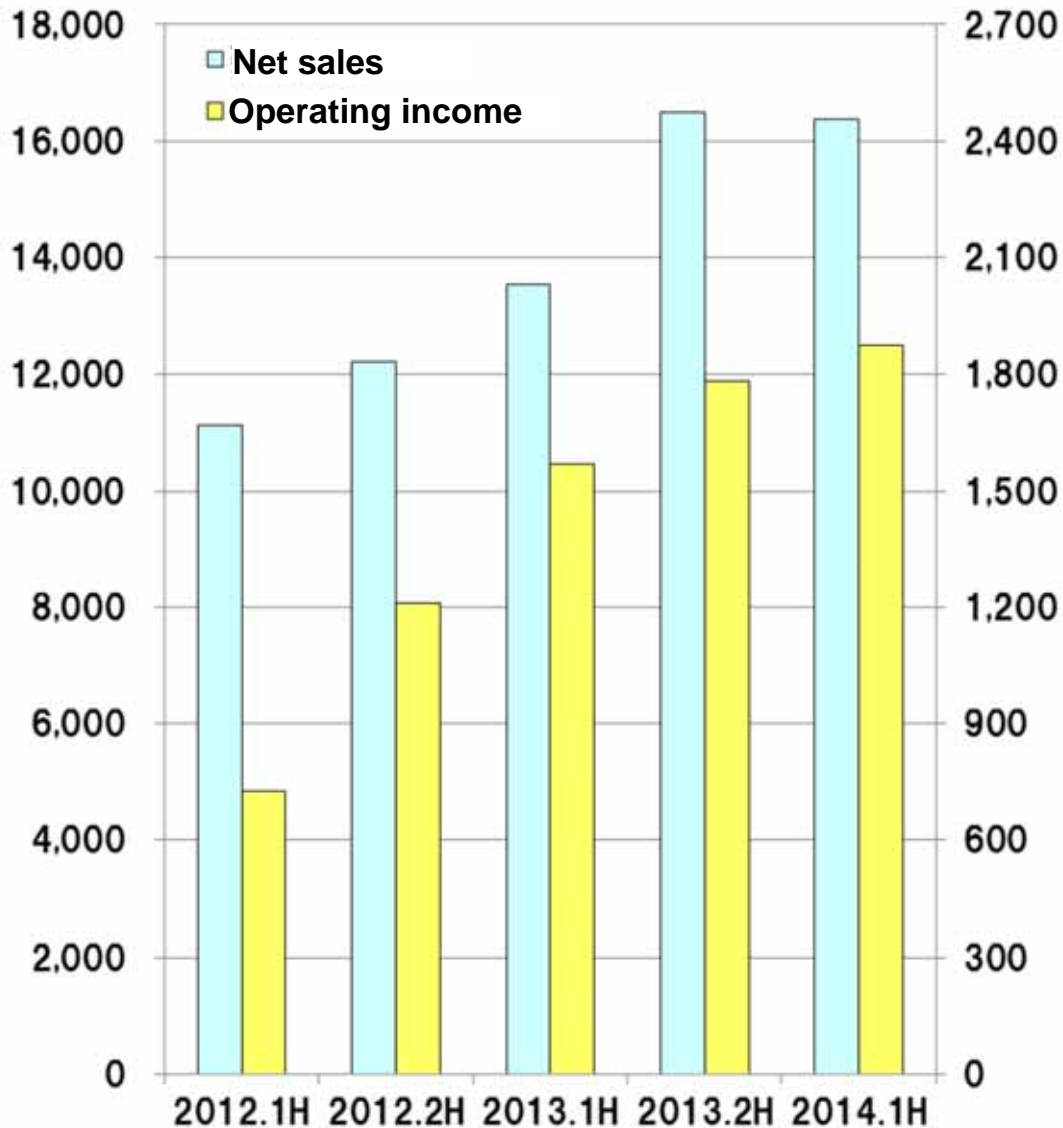
(Million yen)	Orders received			Backlog		
	First half of FY2014	First half of FY2013	Year-on-year change	First half of FY2014	First half of FY2013	Year-on-year change
IT Consulting Business	9,952	9,652	+3.1%	6,827	6,929	-1.5%
Package & Service Business	2,551	1,932	+32.1%	1,515	1,096	+38.3%
New Media & Web Service Business	138	192	(27.8%)	20	22	-11.7%
<b>Total</b>	<b>12,643</b>	<b>11,777</b>	<b>+7.4%</b>	<b>8,363</b>	<b>8,048</b>	<b>+3.9%</b>

Note: eSPORTS and Uoei are not included in the above table, since they are not engaged in production on orders.

# Trends of Half-Yearly Consolidated Results

Challenge Together

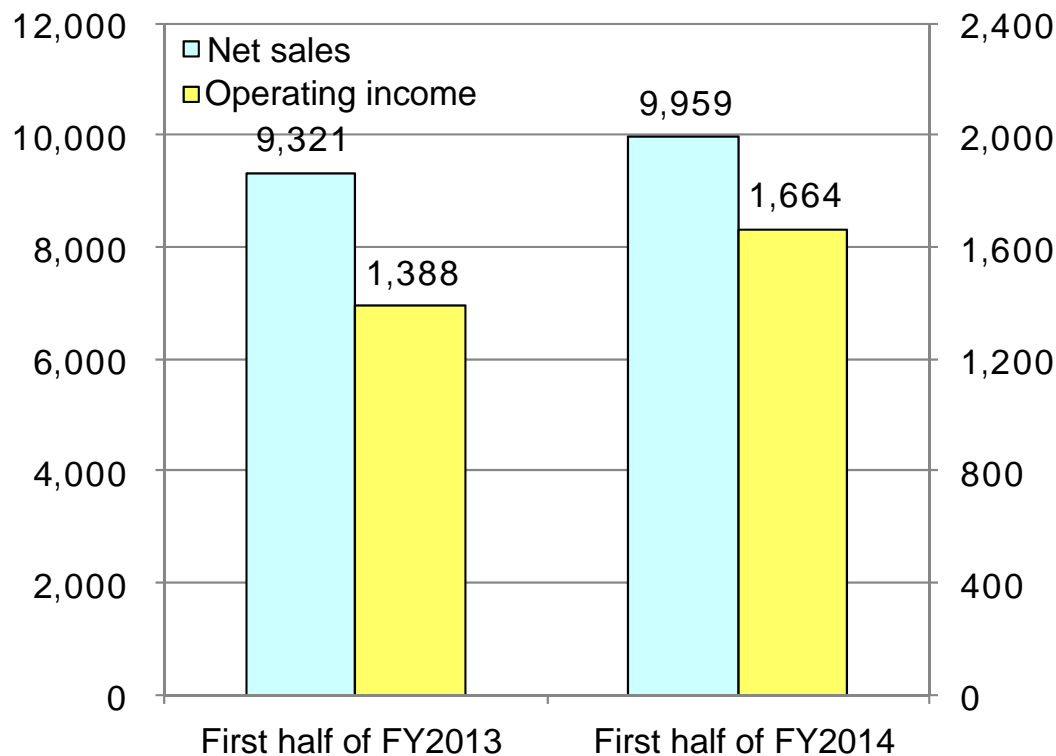
Future Architect, Inc. which designs management and IT.



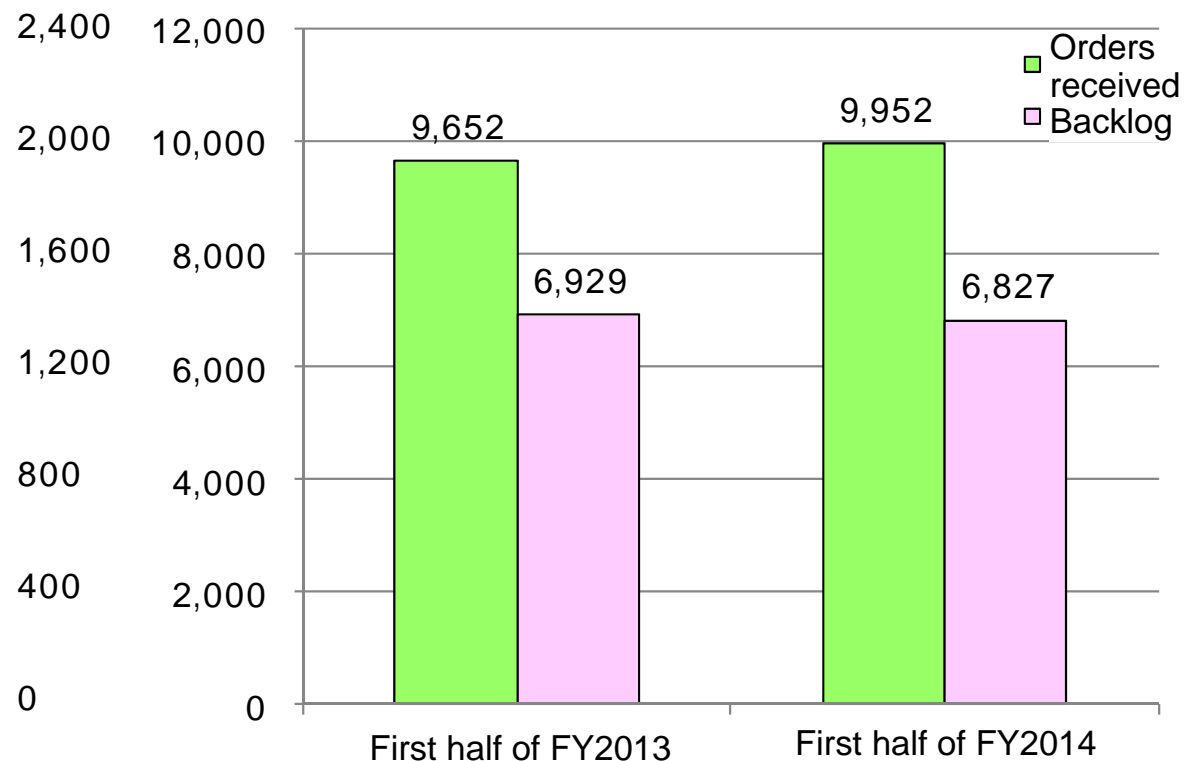
# Results by Segment (IT Consulting Business)

- Future Architect saw sales increase as both the number and scale of projects expanded. Its operating income also increased mainly thanks to the effect of improvement of capacity utilization rate and a decline in selling, general and administrative expenses.
- With regard to business in Southeast Asia, the number of clients increased in each country, and earnings in Malaysia and Thailand grew.

Trends of net sales and operating income



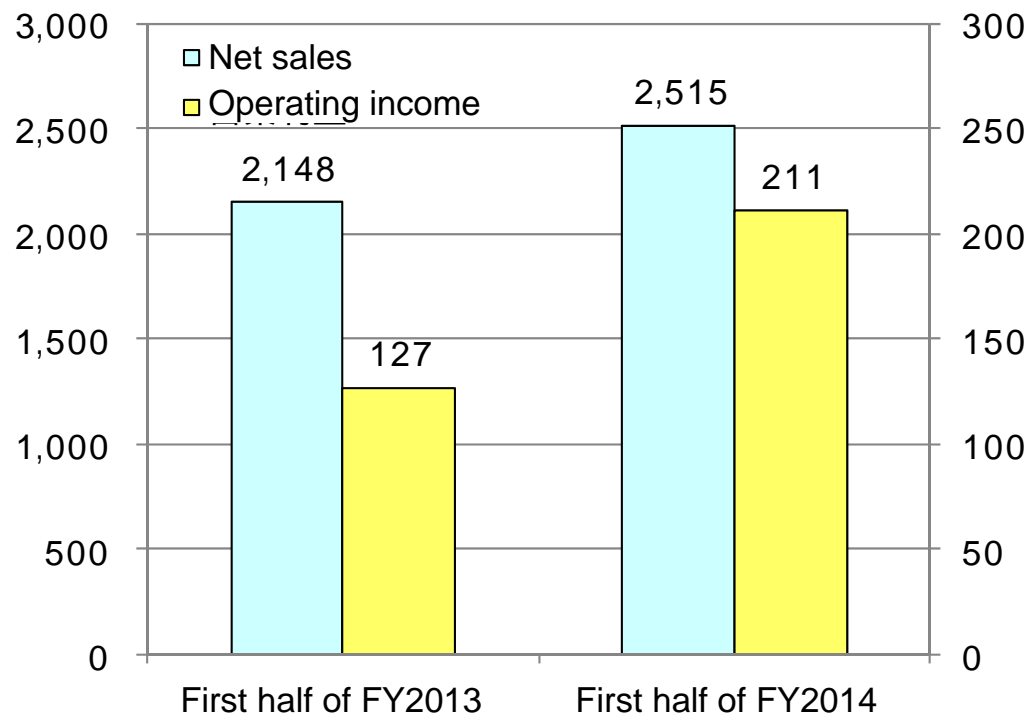
Trends of orders received and backlog



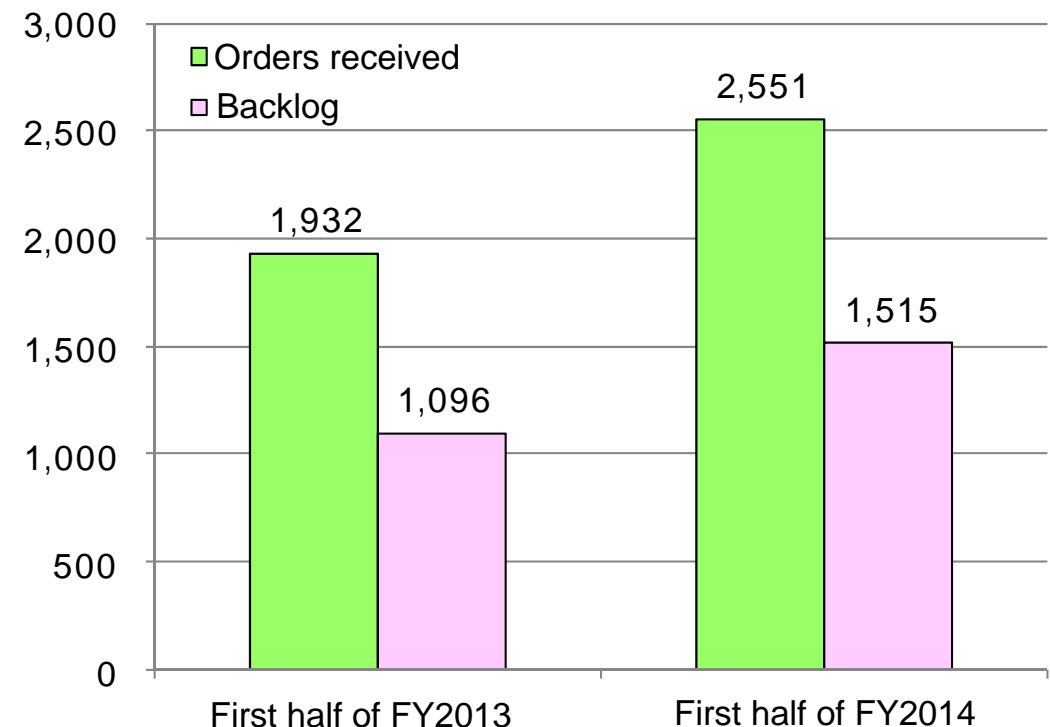
# Results by Segment (Package & Service Business)

- Future One saw an increase in both sales and income mainly thanks to upgrading due to the impetus of the revision of the consumption tax rate, in addition to the start of operations of multiple principal projects.
- Operating income margin of Ascendia improved as the start and acceptance inspection of projects proceeded favorably.

Trends of net sales and operating income



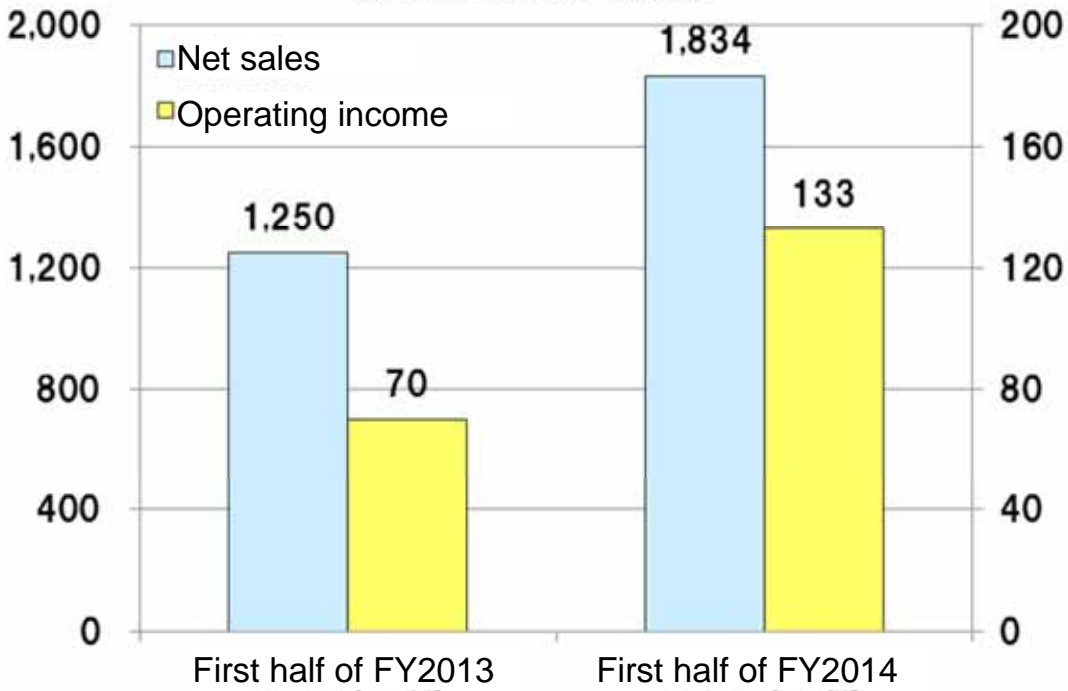
Trends of orders received and backlog



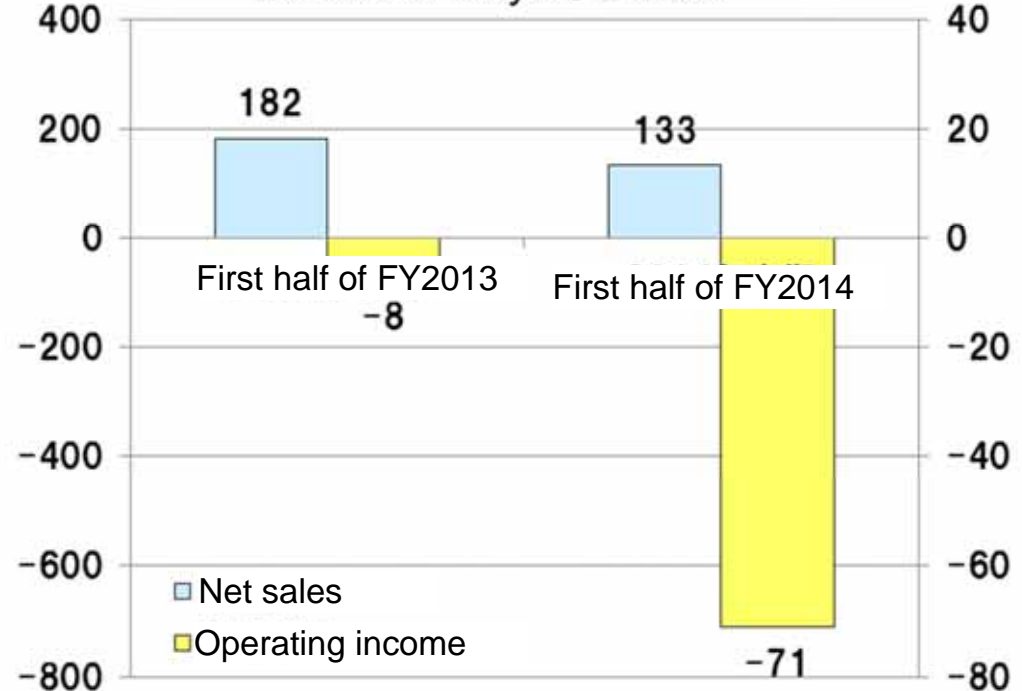
# Results by Segment (New Media & Web Service Business)

- eSPORTS saw both sales and income remain strong due to the success of purchase and sale of a fitness product (“WONDER Core”) before it becomes a trend, in addition to robust online sales of sports and outdoor gear.
- Tokyo Calendar saw its deficit increase temporarily because of prior investment in new online services/renewal of magazines, which will be released in the second half of the year.

Trends of net sales and operating income at eSPORTS



Trends of net sales and operating income at Tokyo Calendar

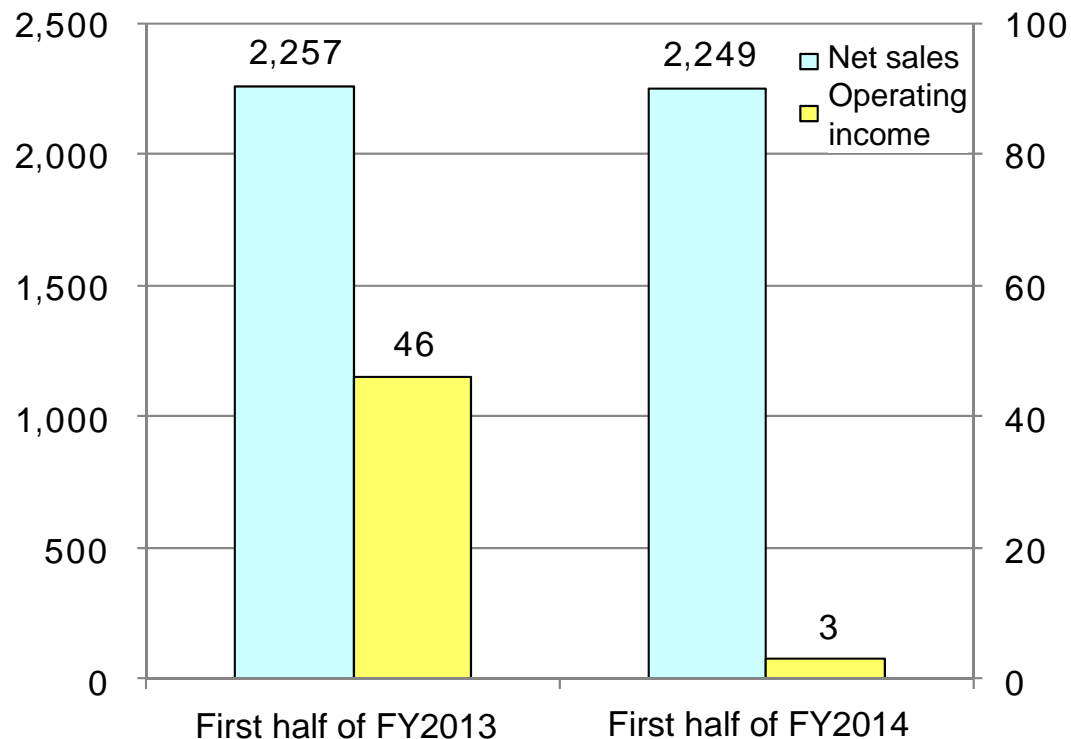


Note: Figures of eSPORTS for the first half of 2013 are those before it was turned into a subsidiary. Amortization of goodwill is not taken into consideration to make conditions the same.

# Result by Segment (Corporate Revitalization Business)

- Sales remained almost unchanged from the previous year mainly thanks to measures including effective use of store space, despite price hikes following the increase in the consumption tax rate.
- Operating income decreased due to an increase in selling, general and administrative expenses, reflecting a rise in personnel expenses and a hike in power rates, etc.

Trends of net sales and operating income



## 2. Topics Related to the Second Quarter of FY2014

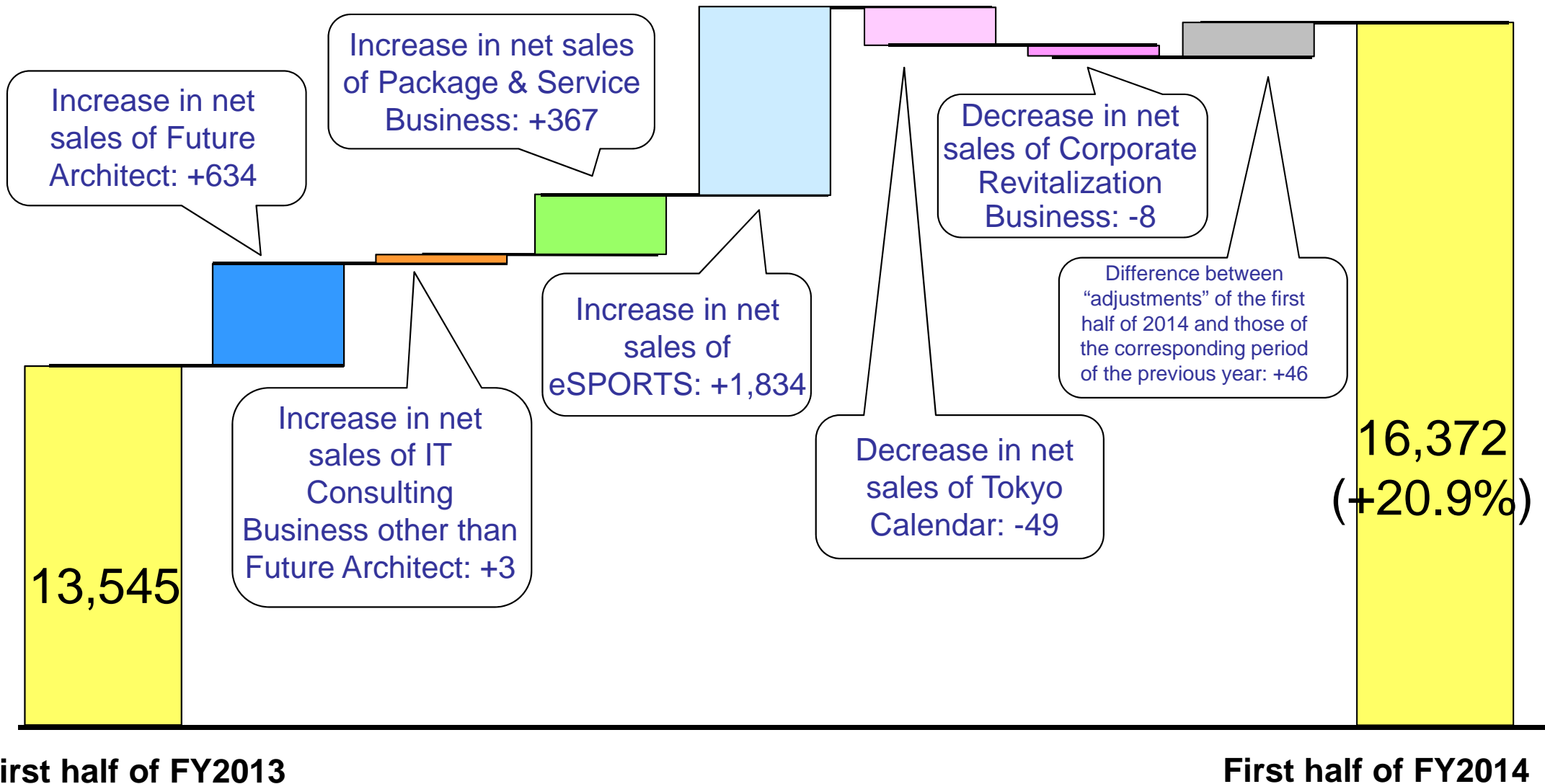
- Consolidated Analysis of Changes in Net Sales
- Consolidated Analysis of Changes in Operating Income
- Sales Analysis of IT Consulting Business: non-consolidated
- Consolidated Trends of Net Sales of Subsidiaries
- Press Releases in the First Half of the Year (Extracts)

# Consolidated Analysis of Changes in Net Sales

Challenge Together

Future Architect, Inc. which designs management and IT.

(Million yen)

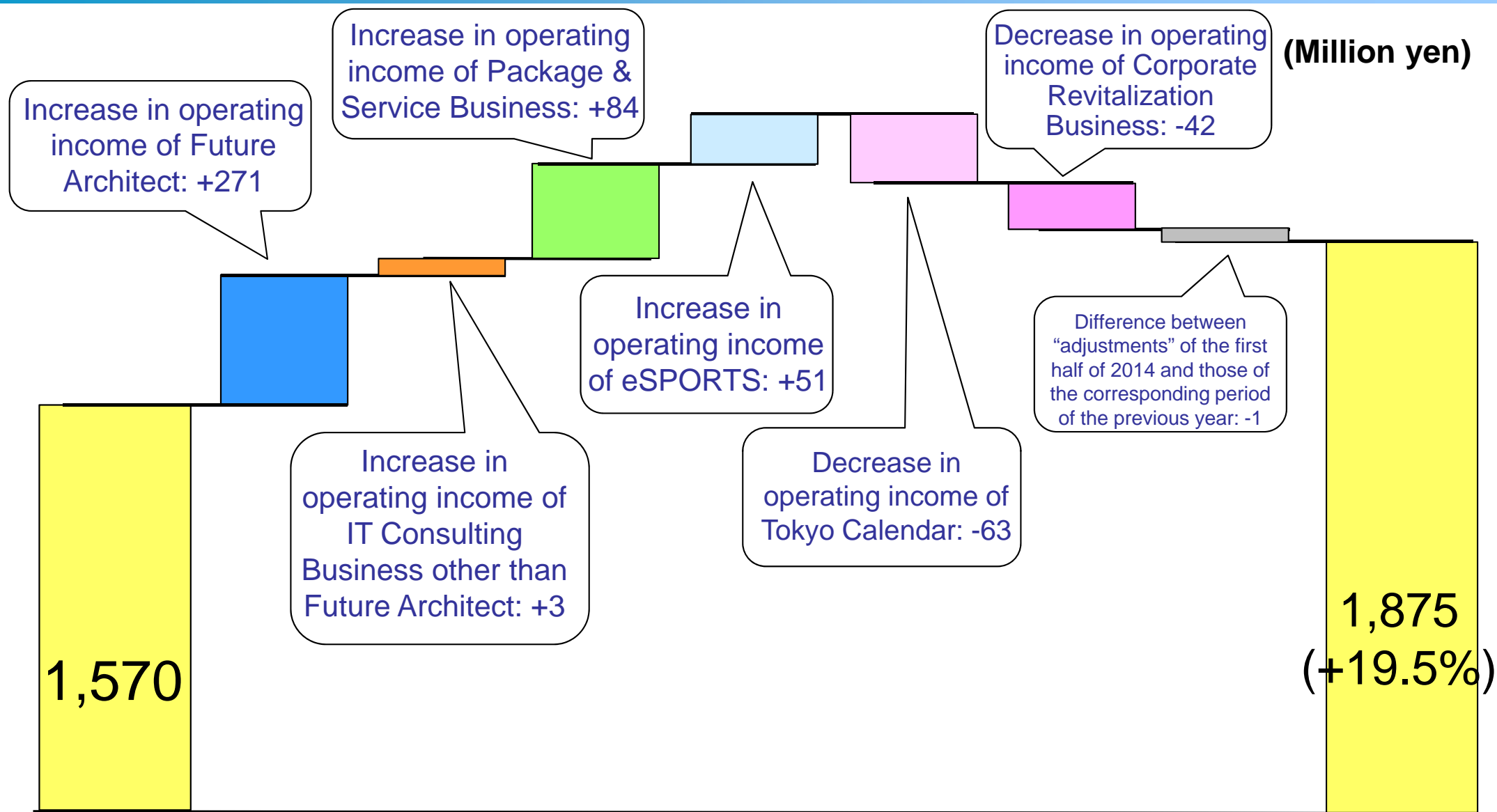


First half of FY2013

First half of FY2014



# Consolidated Analysis of Changes in Operating Income

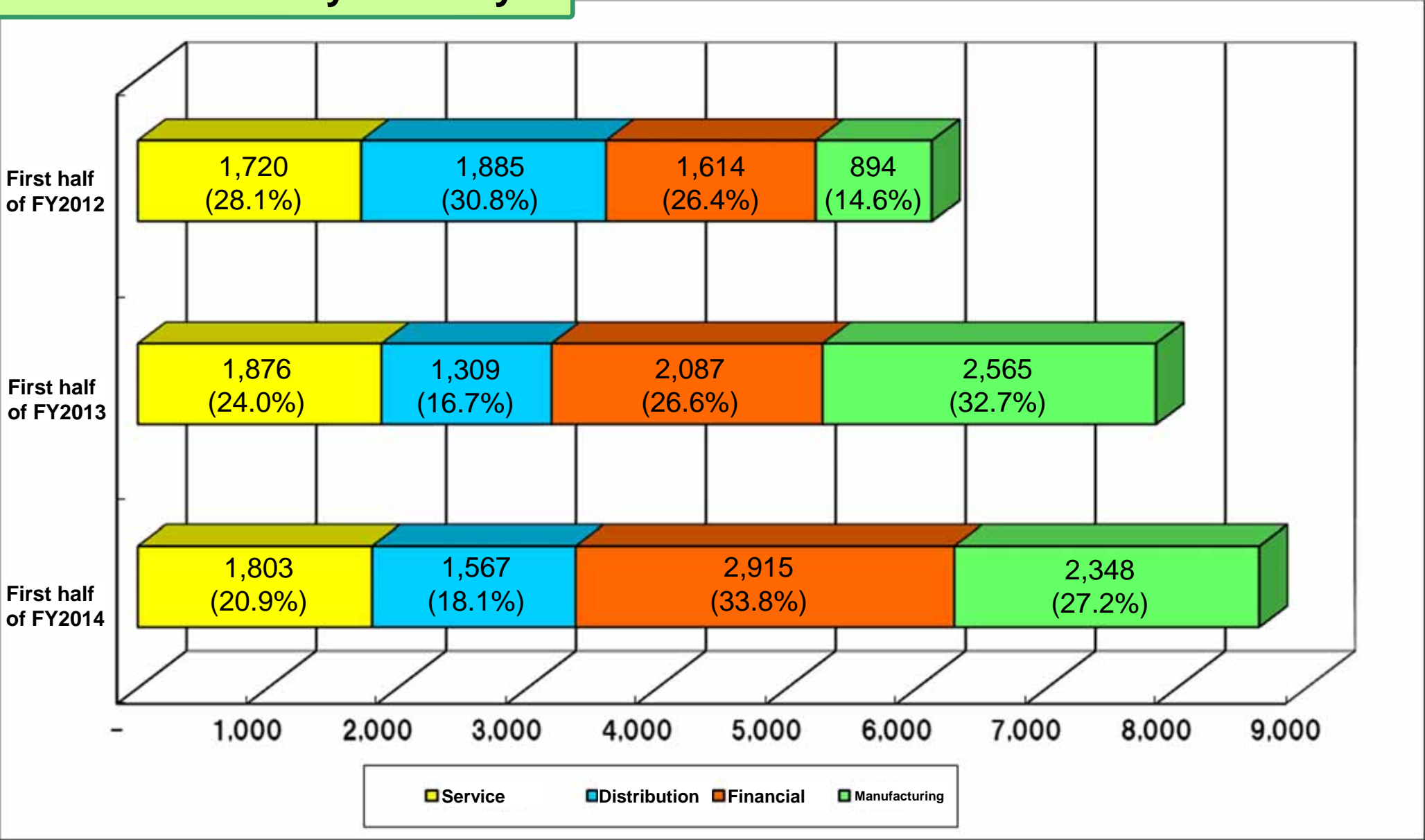


First half of FY2013

First half of FY2014

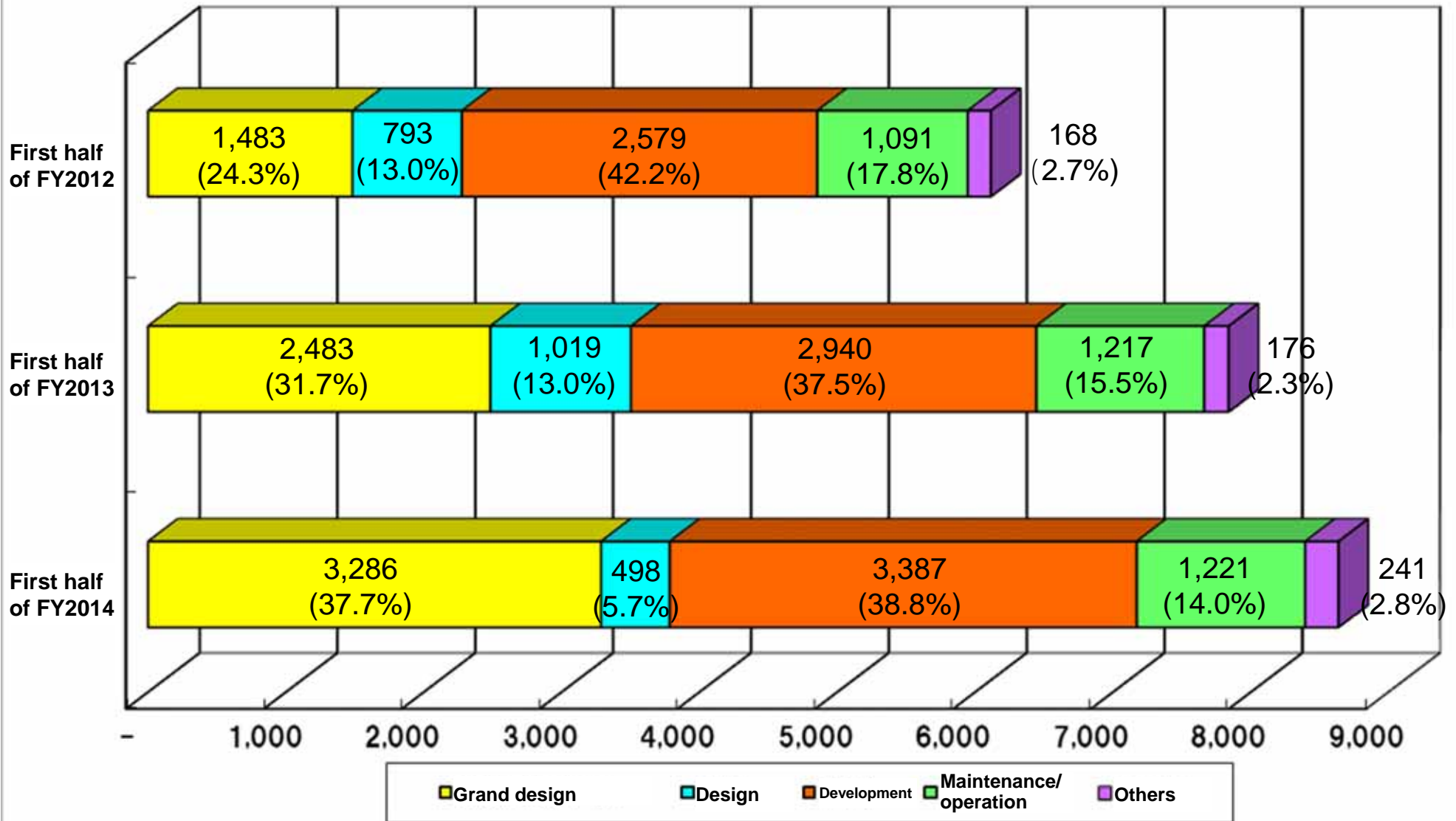
# Sales Analysis of IT Consulting Business: non-consolidated (1/3)

## Trends of sales by industry



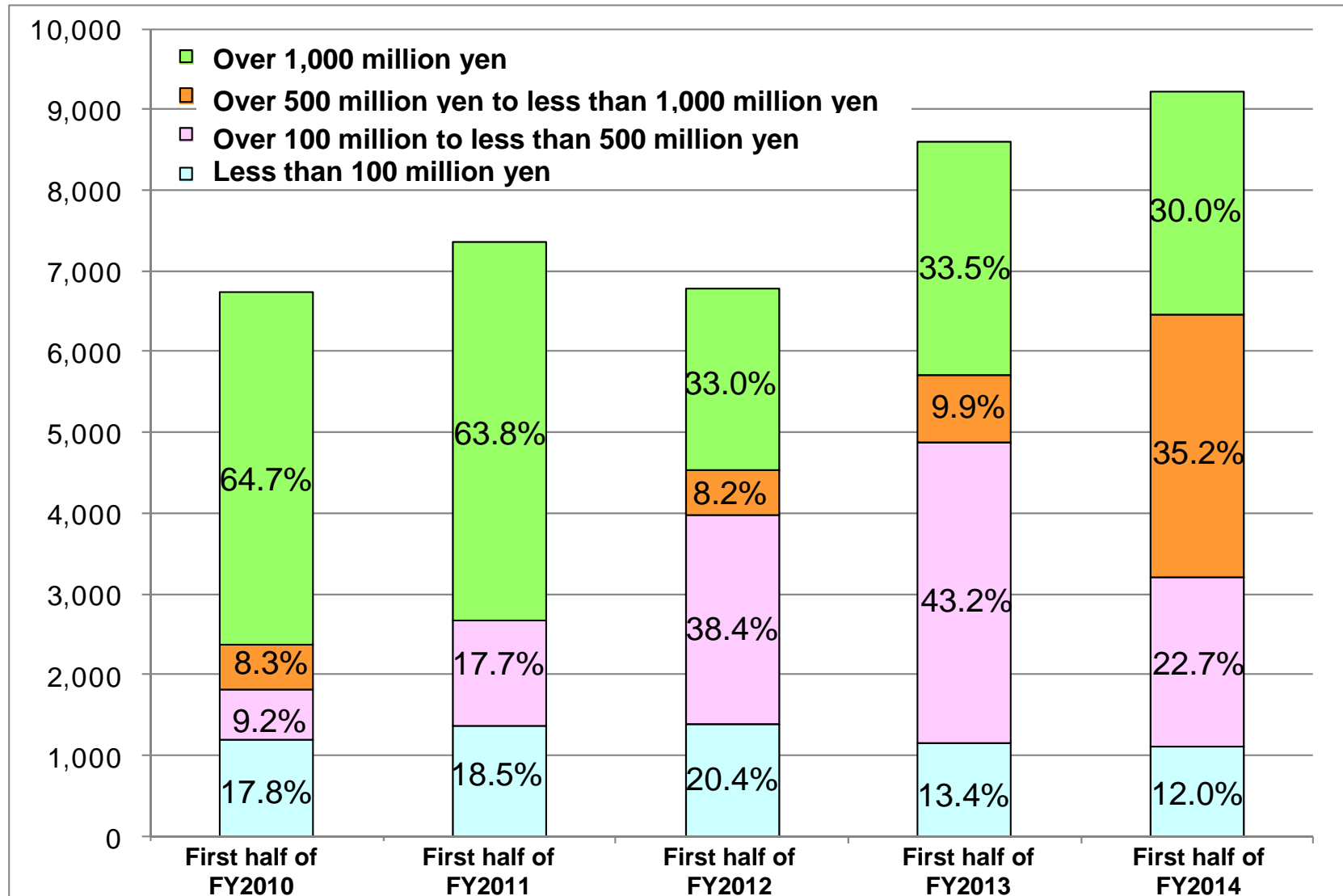
# Sales Analysis of IT Consulting Business: non-consolidated (2/3)

## Trends of sales by phase



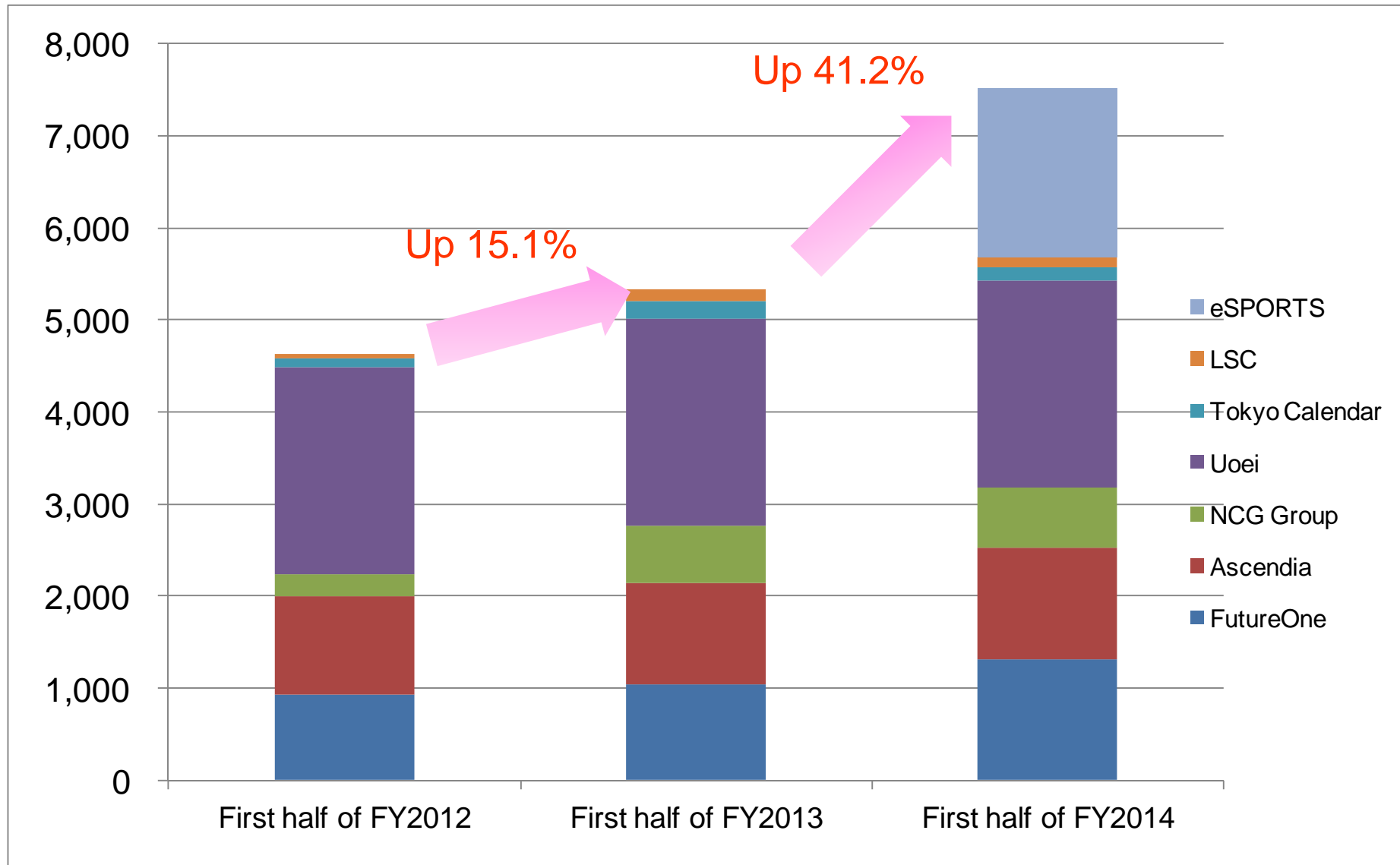
# Sales Analysis of IT Consulting Business: non-consolidated (3/3)

## Trends of sales composition ratios by scale of project



# Consolidated Trends of Net Sales of Subsidiaries

(Million yen)



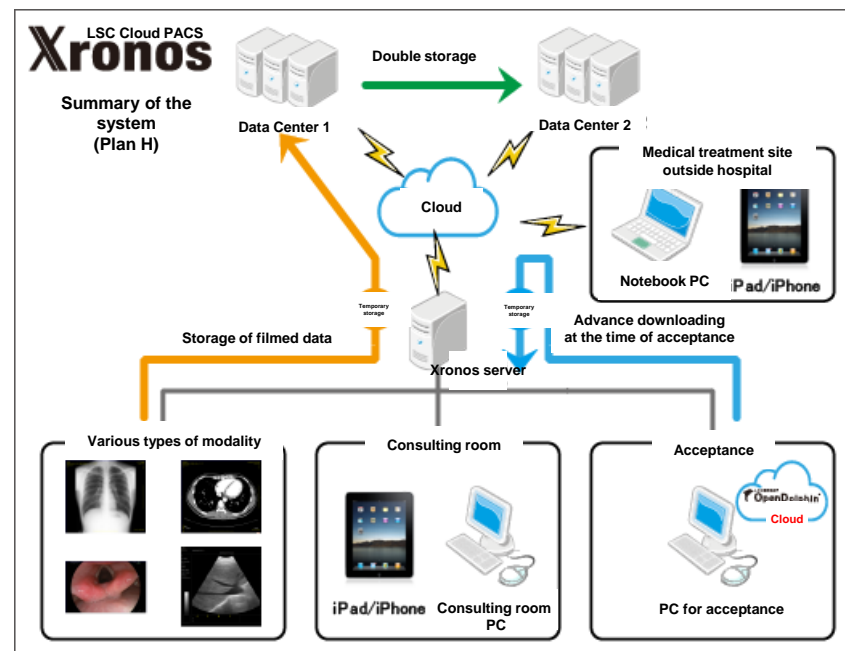
# Press Releases in the First Half of the Year (Extracts)

- Provision of “Xronos,” Cloud Computing for PACS (LSC)
- Provision of “ICT-Moral,” Cloud Computing-Based Learning Service for Corporations (Ascendia)
- Receipt of “Best CRM Strategic Partner Award 2013” of SAP (NCG Thailand)
- Construction of Sales and Financing Support System for the Joyo Bank, Ltd. (Future Architect)
- Innovation of Mission-Critical System for ORBIS Inc. (Future Architect)
- Construction of Big Data Analysis Infrastructure for Sagawa Express Co., Ltd. (Future Architect)

# Provision of “Xronos,” Cloud Computing for PACS

Challenge Together Future Architect, Inc. which designs management and IT.

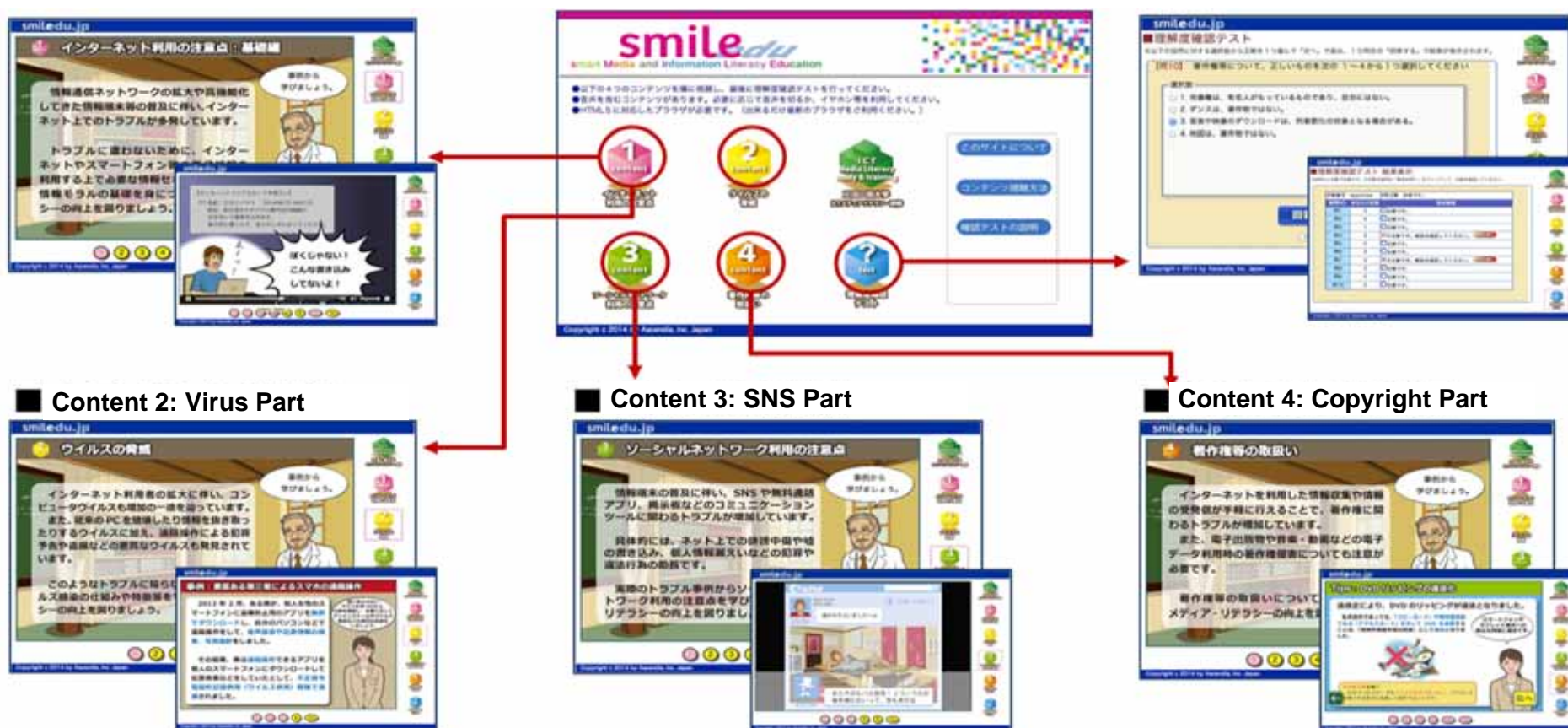
- Life Science Computing Corporation (LSC) stores filmed medical images on the cloud.
- The images can be interpreted twenty-four hours a day using notebook PCs, iPad and iPhone via the Internet.
- The service is linked seamlessly with the “OpenDolphin” cloud electronic medical chart of LSC.
- The service conforms to the securities guidelines of relevant ministries and government offices.





# Provision of Cloud Computing-Based Learning Service for Corporations

- Ascendia started “ICT-Moral” cloud computing-based e-learning service for corporations.
- Teaching materials in the form of case study, concerning information security and information morality
- Educational know-how, which had been implemented for 200 educational institutions and over 10,000 students and staffers, has been turned into a cloud computing-based service.





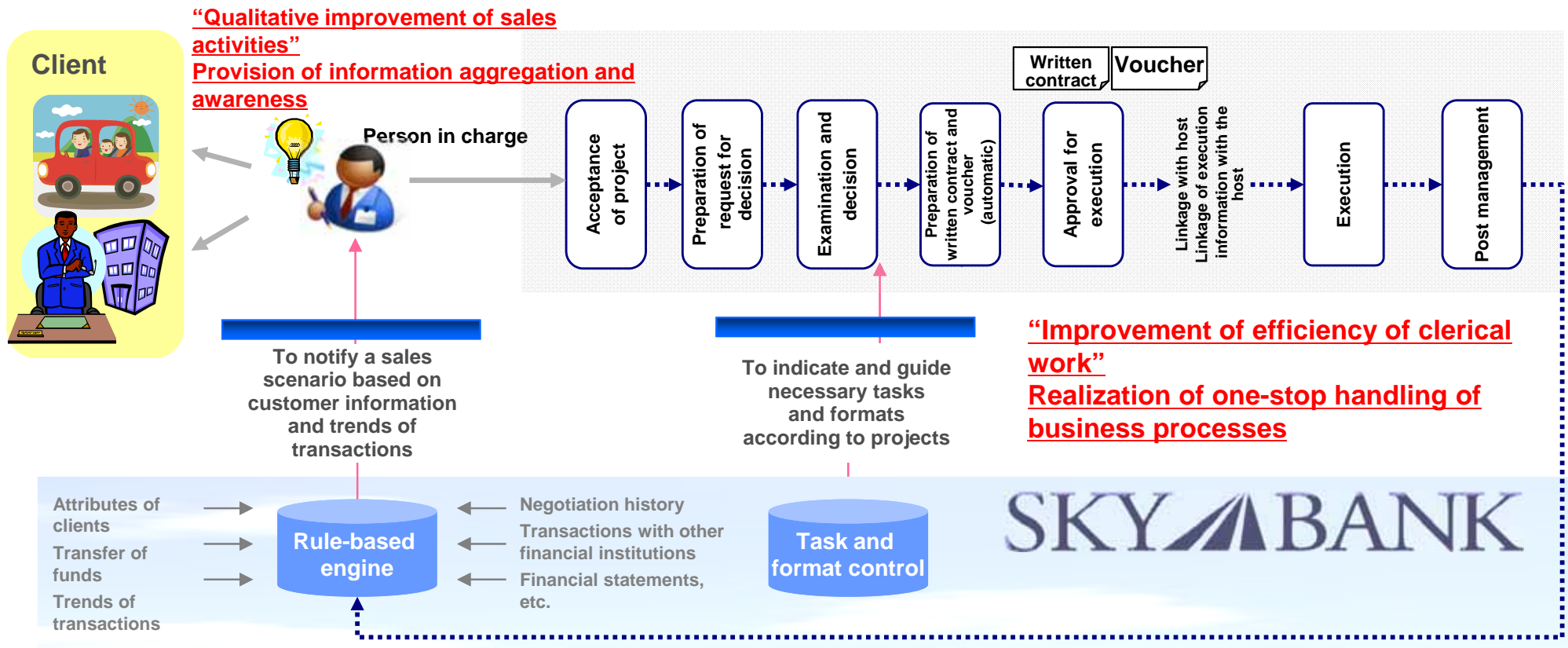
# Receipt of “Best CRM Strategic Partner Award 2013” of SAP

- NCG Thailand won “Best CRM Strategic Partner Award 2013” of SAP AG.
- Quality of projects to introduce customer relationship management (CRM) solutions of SAP to numerous clients in the petroleum and gas industries and contributions to clients are highly valued by SAP.
- NCG Singapore, NCG Malaysia and NCG Thailand all have been certified as SAP Global Partner concerning introduction of ERP of SAP.



# Construction of Sales and Financing Support System for the Joyo Bank, Ltd.

- Business process reengineering (BPR) of sales and financing clerical work and innovation of systems
- Integration of a dozen systems covering processes from management of projects to execution of loans
- Realization of real-time linkage with accounting systems
- High-quality introduction procedures based on SKYBANK solutions

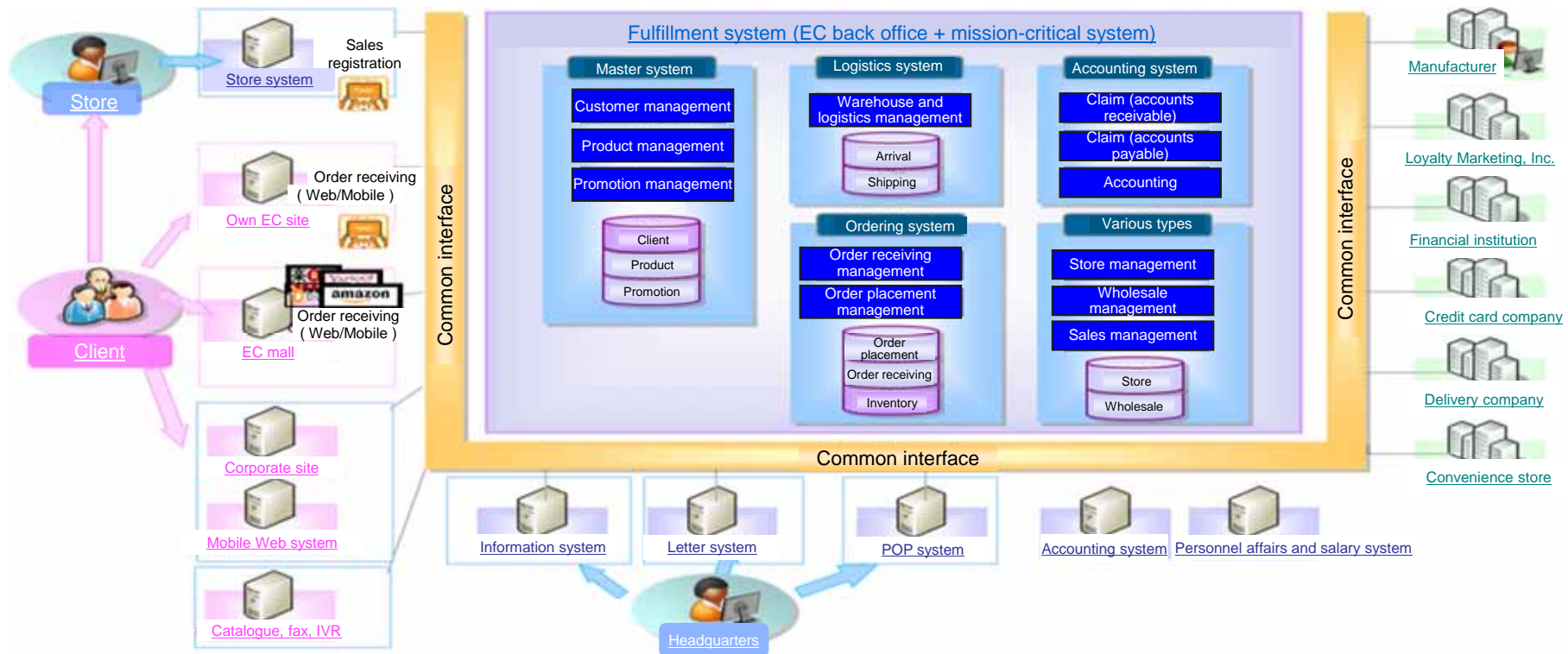


# Innovation of Mission-Critical System for ORBIS Inc.

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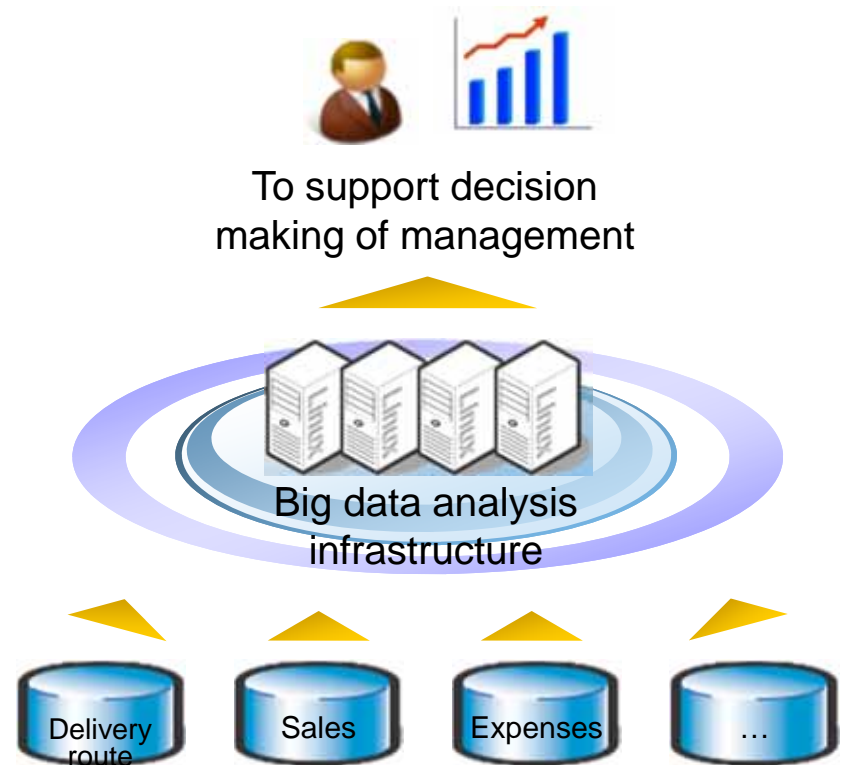
- Business process reengineering (BPR) of cosmetics EC mission-critical systems and innovation of systems
- Unified integration and real-time management of sales, logistics and accounting data from multiple channels, including EC, stores, call centers and fax
- Realization of “one-to-one” marketing by collecting individual needs of each client and reflecting them in prices and through other measures



# Construction of Big Data Analysis Infrastructure for Sagawa Express Co., Ltd.

- Data analysis infrastructure for improvement of customer services and management reform
- Management analysis system that visualizes business earnings structure, covering a huge amount of stored data and giving maximum consideration to protection of personal information
- About 1.2 billion pieces of delivery data are targeted.

- > Processing 5 billion transactions per month
- > Data capacity of over 70 terabytes
- > About 10 times higher performance than that of conventional databases
- > Security of expandability concerning processing capability and data capacity
- > Composed of only commercially available H/W, not using dedicated H/W



## **3. Future Outlook for the Second Half of FY2014**

- Achievement of Plan for the Full Fiscal Year
- Toward Growth in the Next Fiscal Year

# Achievement of Plan for the Full Fiscal Year

Challenge Together

Future Architect, Inc. which designs management and IT.

(Million yen)	Full-year forecast for FY2014	Compared with the first half (progress)		Compared with the previous fiscal year	
		FY2014 Results for the first half	Achievement rate	Full-year results for FY2013	Change
Net sales	33,400	16,372	49.0%	30,049	+11.1%
Operating income Operating income margin	4,000 12.0%	1,875 11.5%	46.9%	3,352 11.2%	+19.3%
Ordinary income Ordinary income margin	4,040 12.1%	1,882 11.5%	46.6%	3,454 11.5%	+17.0%
Net income Net income margin	2,280 6.8%	1,031 6.3%	45.2%	2,027 6.7%	+12.4%



# Toward Growth in the Next Fiscal Year

Challenge Together

Future Architect, Inc. which designs management and IT.

## New Media & Web Service (Next-generation EC business)

Tokyo  
Calendar

eSPORTS

■ ■ ■

Next-generation IT platform

## Package & Service (Future One: focused businesses)

Overseas  
package  
introduction  
service

Own package  
introduction  
service

Domestic  
package  
introduction  
service

## IT Consulting (Future Architect: core businesses)

Grand design

- Business reform
- IT organizational reform

System  
innovation

(Including near-shore and  
off-shore operation)

Maintenance and  
operation of  
systems

(Including near-shore and  
off-shore operation)

Data centers &  
cloud computing  
services

- Operation-specific model

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<http://www.future.co.jp/ir/>

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