



# Financial Results Briefing for the Fiscal Year Ended March 2010

**SRA Holdings, Inc.**

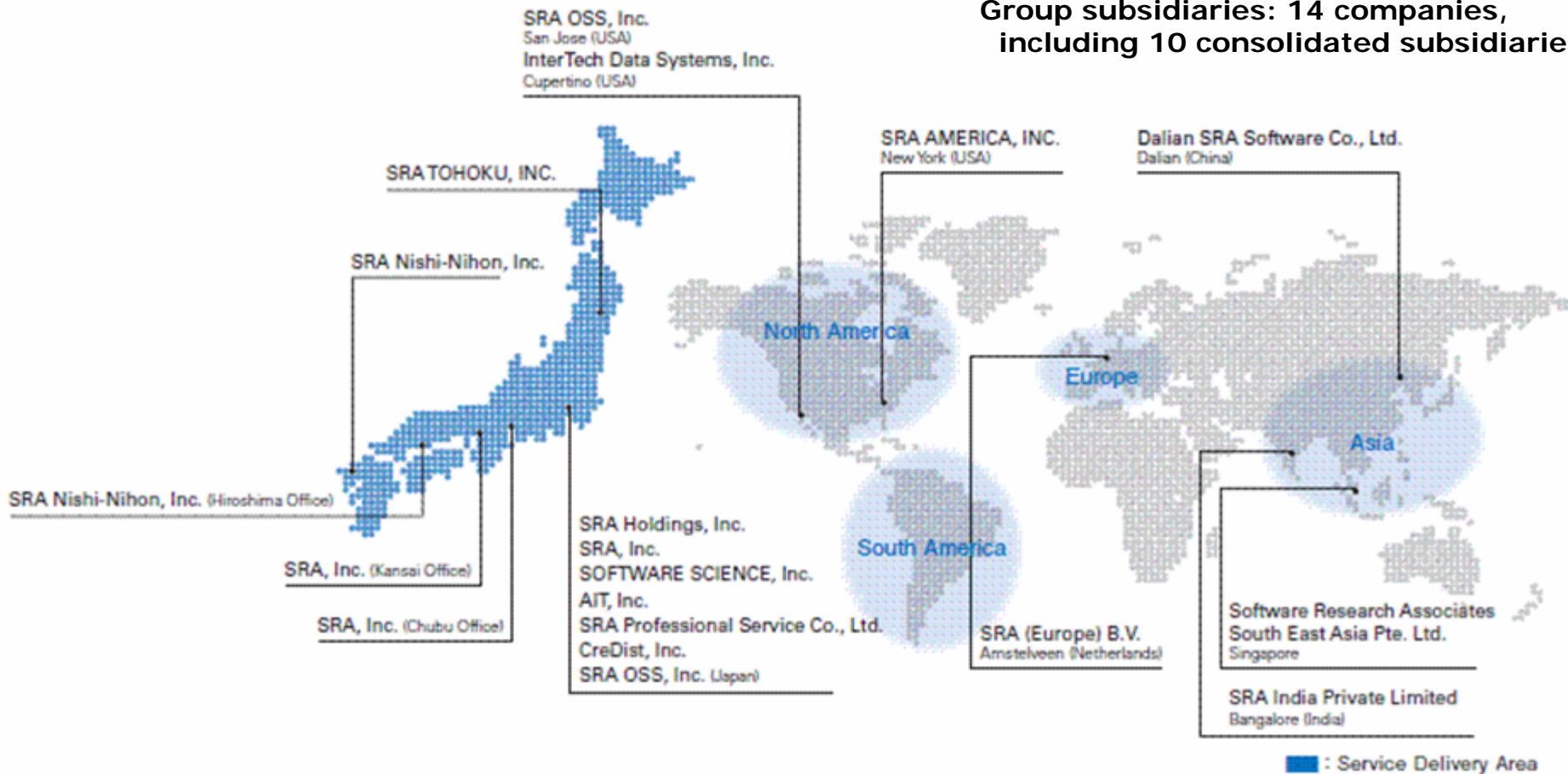
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President, SRA Holdings, Inc,**

**May 19, 2010**

# SRA Group




Group subsidiaries: 14 companies,  
including 10 consolidated subsidiaries



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(1) Overview of Financial Results for  
the Fiscal Year Ended March 2010

# Targets (Announced in February 2010) and Results for Fiscal 2010

Millions of yen

	Fiscal 2010 Results	Fiscal 2010 Targets	Difference
<b>Net sales</b>	34,053	34,000	53
YoY	(18.5%)	(18.6%)	0.1%
<b>Operating income</b>	1,997	2,100	(102)
Operating profit ratio	5.9%	6.2%	(0.3%)
<b>Ordinary profit</b>	2,059	2,100	(40)
Ordinary profit ratio	6.0%	6.2%	(0.2%)
<b>Net income</b>	1,238	1,150	88

# Net Sales by Segment for Fiscal 2010 (Consolidated basis)

Millions of yen

	Fiscal 2010 Results	Fiscal 2009 Results	Difference
Systems Development	17,831	22,837	-5,006
System Operations and Infrastructure Development	4,130	5,078	-948
Product Sales	12,091	13,861	-1,769
Total	34,053	41,777	-7,724

# Net Sales by Major Subsidiaries for Fiscal 2010

Millions of yen

	Fiscal 2010 Results	Fiscal 2009 Results	Difference
SRA, Inc.	17,685	23,093	-5,407
AIT, Inc.	10,536	11,355	-819
Domestic Development Subsidiary	3,878	4,659	-781
Overseas Subsidiary	2,879	3,495	-615

※ Figures are prior to offsetting on a consolidated basis.

# Analysis of Business Results (Consolidated basis): Net Sales

■ Net sales ¥34,053 million

Decreased ¥7,724 (18.5%) vs. FY2009

## <Factors>

### ◎Systems Development

Sharp decline in orders from the securities and manufacturing industries

### ◎System Operations and Infrastructure Development

Slight decline in school-related orders and a sharp decrease in orders from the corporate sector

### ◎Product Sales

AIT: Although mid-sized orders for devices, mainly servers, were favorable, orders declined from the previous fiscal year when large orders from financial institutions were posted

SRA: Decline in sales of packages

# Analysis of Business Results (Consolidated basis): Operating Income and Ordinary Profit

■ Operating income	¥1,997 million (decreased 47.7% vs. FY2009 )
Operating profit ratio	5.9% (←9.1% in FY2009)
■ Ordinary profit	¥ 2,059 million (decreased 47.1% vs. FY2009)
Ordinary profit ratio	6.0% (← 9.3% in FY2009)

## <Factors>



◎Decrease in gross profit

- Decrease in net sales
- A greater-than-anticipated drop in the unit prices of orders from the securities industry, which is a principal customer
- Continuation of a provision for loss on construction contracts recorded in the second quarter



◎Restraining of selling, general and administrative (SG&A) expenses

# Analysis of Business Results (Consolidated basis): Net Income

- Net income for FY2010      ¥1,238 million  
(decreased 39.3% vs. FY2009)
- Net income per share      ¥89.48  
(decreased ¥58.04 vs. FY2009)

# Reference: Cash Flows for Fiscal 2010 (Consolidated basis)



	FY2010	FY2009
Net cash provided by operating activities (millions of yen)	2,025	2,194
Cash flow margin (%)	5.9%	5.3%
Net cash used in investing activities (millions of yen)	(2,714)	(852)
Net cash used in financing activities (millions of yen)	(737)	(772)
Net increase (decrease) in cash and cash equivalents (millions of yen)	(1,428)	487
Cash and cash equivalents at the end of period (millions of yen)	10,324	11,753

## <Major Factors>

### ◎ Cash flows from operating activities

Positive factors: Income before income taxes and minority interests amounting to ¥2,115 million, decrease in notes and accounts receivable-trade of ¥1,328 million

Negative factors: Income taxes paid totaling ¥1,100 million, increase in inventories of ¥394 million, etc.

### ◎ Cash flows from investing activities

Negative factors: Purchases of investment securities totaling ¥2,243 million, purchases of property, plant and equipment and purchases of intangible assets amounting to ¥456 million, etc.

### ◎ Cash flows from financing activities

Negative factors: Cash dividends paid totaling ¥553 million, net decrease in short-term loans payable amounting to ¥174 million, etc.

# Reference: Enhancement of Corporate Value

## Meet expectations of stakeholders centered on shareholders

### ■ Redistribution of profits to shareholders

#### 【Payout ratio】 **Aim for a consolidated payout ratio of 20%**

FY2009: 27.1%

FY2010: 44.7%

FY2011: 36.9% (forecast)

#### 【Dividend per share】

FY2009: ¥40 [ordinary cash dividends per share]

FY2010: ¥40 [ordinary cash dividends per share]

FY2011: ¥40 (forecast) [ordinary cash dividends per share]

### ■ Aim to **achieve and maintain double-digit consolidated ROE**

FY2009: 15.0%

FY2010: 8.5%

FY2011: 10.0% (forecast)

Reference:

# Non-consolidated Results of SRA, Inc. for FY2010

Millions of yen


	FY2008	FY2009	FY2010
Net sales	25,711	23,093	17,685
Operating income	2,949	2,504	1,076
Ordinary profit	3,190	2,810	1,342
Net income	1,884	1,658	853

Reference:

# Business Results of SRA Subsidiaries for Fiscal 2010

Millions of yen

	FY2008		FY2009		FY2010	
	Net sales	Ordinary profit	Net sales	Ordinary profit	Net sales	Ordinary profit
AIT, Inc.	12,317	745	11,355	762	10,536	506
Software Science, Inc.	2,328	210	2,245	60	1,516	100
Software Research Associates Nishi-Nihon, Inc.	1,282	154	1,300	159	1,133	129
SRA Tohoku, Inc.	1,092	65	1,113	68	1,228	21
SRA America, Inc. SRA (Europe) B.V.	2,233	228	1,946	274	1,986	165
SRA OSS, Inc.	1,568	93	1,808	79	1,136	29
CreDist, Inc	259	32	327	44	219	6
Other subsidiaries	1,094	10	1,001	(14)	629	14
Subsidiaries total	22,177	1,540	21,099	1,435	18,386	974



(2) Targets and Key Initiatives for  
the Fiscal Year Ending March 2011

# Targets for Fiscal 2011

Millions of yen

	<b>FY2011 Targets</b>	<b>FY2010 Results</b>	<b>YoY</b>	<b>YoY (%)</b>
Net sales	35,500	34,053	1,446	4.2%
Gross profit	7,100	5,711	1,388	24.3%
Gross profit margin	20.0%	16.8%	3.2%	
SG&A expenses	4,500	3,713	786	
SG&A expense ratio	12.7%	10.9%	1.8%	
Operating income	2,600	1,997	602	30.1%
Ordinary profit	2,600	2,059	540	26.2%
Ordinary profit ratio	7.3%	6.0%	1.3%	
Net income	1,500	1,238	261	
Net income per share	¥108.38	¥89.48	¥18.9	
Dividend per share	¥40	¥40	—	—

\*Investments are included in SG&A expenses for FY2011 targets.

# Targets for Fiscal 2011 (Net Sales by Segment)

Millions of yen

	First Half of FY2011	Second Half of FY2011	FY2011 Targets	FY2010 Results
Systems Development	8,500	10,200	18,700	17,831
System Operations and Infrastructure Development	2,180	2,120	4,300	4,130
Product Sales	5,620	6,880	12,500	12,091
Total	16,300	19,200	35,500	34,053

# Targets for Fiscal 2011

(Net Sales by Main Subsidiaries)

Millions of yen

	<b>Fiscal 2011 Targets</b>	<b>Fiscal 2010 Results</b>	<b>YoY</b>
<b>SRA, Inc.</b>	18,800	17,685	1,115
<b>ALT, Inc.</b>	11,000	10,536	464
<b>Domestic Development Subsidiary</b>	4,000	3,878	122
<b>Overseas Subsidiary</b>	2,880	2,879	0

\*Figures are prior to offsetting on a consolidated basis.

# Targets for Fiscal 2011

## (Basic Policy on Profit Allocation and Dividends)

FY2011 = Expect to maintain ordinary cash dividends per share of ¥40.00

### <Basic Policy on Profit Allocation and Dividends>

- ① Dividend policy = Aim to allocate profits with a consolidated dividend payout ratio of 20%
- ② One of the Company's management targets is to "achieve and maintain double-digit consolidated ROE" and we aim to carry out management that emphasizes the efficient use of shareholders' equity
- ③ From the perspective of efficient utilization of assets and capital, the Company places a high priority on "redistributing profits to shareholders" along with promoting investments in working to ensure the Group's growth

# Key Initiatives for Fiscal 2011



Ongoing challenges  
from the previous  
fiscal year

① **Securing stable order flow**

② **Increasing gross profit margins and curbing costs**

③ **Laying the foundation for dramatic growth**

# Key Initiatives for Fiscal 2011



## ① Securing stable order flow

- Refine business processes
  - ◎ Create “opportunities”
    - ⇒ Ensure acquisition of new orders
      - Expand existing customer base and extend business to other divisions and Group companies
      - Promote lifecycle sales
      - Spread success stories across the Group
      - Expand sales in the securities and manufacturing (embedded) industries, and disperse risk by increasing Group presence in other markets (electric power, education and rail transport)
      - Share order acquisition strategies
        - ⇒ Exploit Group synergies

# Key Initiatives for Fiscal 2011

## ② Increasing gross profit margins and curbing costs

- Strengthen cost management
  - ◎ Boost production efficiency
    - Share project management environment
    - Unify development frameworks: Implement company-wide use of UniVision products developed by SRA
    - Foster company-wide use of source code search tools (CodeDepot products developed by SRA)
- Promote offshore development (India and China)
  - Order placement: 700 person-months in FY2010 (result);  
1,020 person-months in FY2011 (target)
- Control SG&A expenses
  - FY2010 results: ¥3,713 million (SG&A expense ratio: 10.9%)
  - FY2011 plan: ¥4,500 million (SG&A expense ratio : 12.7%, including [investments](#))
- Promote “product business” (including meeting the demand for migration services)

# Key Initiatives for Fiscal 2011

## ③ Laying the foundation for dramatic growth

- Expand and enhance overseas operations (Europe, America, China, Asia)
  - ◎ Carry out business development in the China market through collaboration with SJI and DCH  
First step: Target Japanese-affiliated global companies  
Secure business opportunities for social infrastructure investments in local regions
  - ◎ Cultivate SI and wireless communications business in Europe, America and growth markets (BRICs) based on business alliances with SRA OSS, Inc. and Proxim



## <Notice Regarding Forecasts>

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