May 15, 2008

Summary of Consolidated Financial Results

for the year ended March 31, 2008

Company name: SRA Holdings, Inc.
(URL: http://www.sra-hd.co.jp/)
Code number: 3817
President: Toru Kashima
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Date of ordinary general meeting of shareholders: June 26, 2008
Scheduled commencement of dividend payment: June 12, 2008
Scheduled date of submission of financial reports: June 26, 2008
Stock listing: Tokyo Stock Exchange

1. Consolidated Financial Results for Fiscal 2008 (from April 1, 2007 to March 31, 2008)

(1)Consolidated Operating Results (All amounts rounded down, % change YoY)

	Net Sales		Operating Income		Ordinary Profit		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2008	45,058	22.6	4,102	44.0	4,181	43.0	2,224	10.4
Fiscal 2007	36,765	—	2,848	—	2,923	—	2,015	—

	Net Income per Share	Net Income per Share after Dilution	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Profit to Total Assets	Ordinary Profit Ratio
	Yen	Yen	%	%	%
Fiscal 2008	160.74	160.35	18.0	15.9	9.1
Fiscal 2007	145.67	145.35	18.8	12.6	7.7

Reference: Gain (loss) on equity method investments:
Fiscal 2008: —
Fiscal 2007: —

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2008	27,967	13,224	47.0	950.22
Fiscal 2007	24,622	11,632	47.2	838.97

Reference: Shareholders' equity
Fiscal 2008: ¥13,150 million
Fiscal 2007: ¥11,611 million

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2008	2,025	(434)	(238)	11,265
Fiscal 2007	2,846	1,665	(219)	9,919

2. Dividends

	Dividend per Share			Total Dividends (for the year)	Dividend Propensity (consolidated)	Net Assets to Dividend Ratio (consolidated)
Record date	Interim	Year-end	For the year			
	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2007	—	25.00	25.00	345	17.2	3.2
Fiscal 2008	—	40.00	40.00	553	24.9	4.5
Fiscal 2009 (forecast)	—	40.00	40.00	—	24.1	—

Note: Of the year-end dividend for the year ending March 31, 2008, ¥10.00 was issued as a commemorative dividend.

3. Consolidated Earnings Forecast for Fiscal 2009 (from April 1, 2008 to March 31, 2009)

(% change YoY is for the fiscal year or for interim period)

	Net Sales		Operating Income		Ordinary Profit		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim Period	20,000	1.1	1,750	2.8	1,750	1.1	950	3.4	68.64
Full Year	46,000	2.1	4,400	7.3	4,400	5.2	2,300	3.4	166.19

4. Others

(1) Changes to significant subsidiaries during the term (changes in specified subsidiaries due to change in scope of consolidation): No

(2) Changes in accounting principles, methods or reporting procedures

1. Changes due to change in accounting standards: Yes
2. Changes other than 1. above: No

(3) Number of outstanding shares (common shares)

1. Shares issued at the end of term (including own shares)
   Fiscal 2008: 15,240,000 shares
   Fiscal 2007: 15,240,000 shares
2. Own shares at end of term
   Fiscal 2008: 1,400,198 shares
   Fiscal 2007: 1,400,198 shares

[Reference] Summary of non-consolidated financial results

1. Non-Consolidated Financial Results for Fiscal 2008 (from April 1, 2007 to March 31, 2008)

(1)Non-Consolidated Operating Results (% change YoY)

	Revenues		Operating Income		Ordinary Profit		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2008	1,282	100.3	672	62.2	657	57.7	635	48.1
Fiscal 2007	640	—	414	—	417	994.4	429	130.6

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
Fiscal 2008	41.68	41.59
Fiscal 2007	49.47	49.28

(2) Non-Consolidated Financial Position

	Net Income	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2008	9,150	9,058	98.4	591.00
Fiscal 2007	8,806	8,762	99.4	574.32

Reference: Shareholders' equity:
Fiscal 2008: ¥9,006 million
Fiscal 2007: ¥8,752 million

Note: Forecast performance is predicted by the Company based on information currently available at the time of the forecast. Actual financial results may differ due to a number of factors. For further information, please see page 5 of the attached reference.

1. Business Results

(1) Analysis of Business Results

[1] Business results for the fiscal year

Although the Japanese economy sustained recovery during the fiscal year ended March 31, 2008, there was a growing perception of uncertainty regarding the direction of the economy due to such factors as changes in financial and capital markets triggered by the subprime loan problem in addition to high crude oil prices and rising raw materials prices.

In the information services industry, strategic IT investments by such corporate customers as financial institutions and manufacturers remained brisk. Nonetheless, the harsh business environment persisted, as companies faced pressure to respond promptly and accurately to increasingly sophisticated and diverse customer needs, including for security countermeasures, in addition to meeting demands for high quality and short delivery times.

Under these conditions, all companies comprising the SRA Holdings Group worked in unison to achieve the targets established for the fiscal year under review, which was the final year of our medium-term management plan.

While securing robust orders, Software Research Associates (SRA), Inc., the core company of SRA Holdings, implemented thorough system development cycle management—covering functions ranging from order receiving to production and acceptance inspection—as a system for managing orders and production based on “Software Engineering.” In doing so, we promoted the “standardization of processes.” By taking these initiatives, we are working to equalize our order and sales levels while preventing the emergence of unprofitable projects. Additionally, to actively reap opportunities in the favorable business environment, we focused on expanding business in embedded systems for manufacturing industries. Moreover, a Singapore-based subsidiary, which was established as a relay base for offshore development in India, began operational functions during the fiscal year. Thanks to these measures, we recorded all-time highs in net sales and ordinary profit. Advanced Integration Technology (AIT) Inc., a principal subsidiary, achieved favorable results, owing largely to increased sales of devices, while other subsidiaries recorded solid results overall.

Consequently, SRA Holding’s net sales and profits significantly exceeded initial forecasts, and the Company recorded the following results. SRA Holdings recorded consolidated net sales of ¥45,058 million, an increase of 22.6% from the previous fiscal year. At the profit level, we recorded sharp increases over the previous fiscal year, as operating income surged 44.0% to ¥4,102 million and ordinary profit soared 43.0% to ¥4,181 million. These increases were due to an increase in gross profit accompanying higher net sales in addition to an improvement in productivity as well as the ongoing curbing of SG&A expenses. Despite an improved gross profit margin in our mainstay System Development business, the overall gross profit margin remained at the same level as in the previous fiscal year due in part to the effects of large-scale sales of devices. Net income rose 10.4% from the previous year to ¥2,224 million, surpassing ¥2,015 million recorded in the previous year when we posted a one-off gain of ¥986 million on the disposal of fixed assets accompanying the sale of the Technical Center in Yokohama.

Consolidated results compared with the previous fiscal year and initial forecast

(Millions of yen)

	Net sales	Operating income	Ordinary profit	Net income
Consolidated results for FY2008 ended March 31, 2008	45,058	4,102	4,181	2,224
Consolidated results for FY2007 ended March 31, 2007	36,765	2,848	2,923	2,015
Amount of change from previous fiscal year (percentage change from previous fiscal year)	8,293 (+ 22.6%)	1,253 (+44.0)	1,257 (+43.0%)	208 (+10.4%)
Initial results forecast for FY2008 (announced on May 15, 2007)	40,000	3,400	3,400	1,900
Amount of change from initial forecast (percentage change compared with initial forecast)	5,058 (+12.6%)	702 (+20.6)	781 (+23.0%)	324 (+17.1%)

A summary of business results for the fiscal year by business segment is shown below.

[System Development]

The System Development business recorded brisk sales on the back of increased orders, mainly from the manufacturing and distribution industries as well as financial institutions. As a result, net sales for the fiscal year amounted to ¥24,205 million, an increase of 11.5% from the previous fiscal year.

[Network & Systems Services]

The Network & Systems Services business recorded robust growth in school-related orders in addition to an increase company orders. Therefore, net sales amounted to ¥4,664 million, an increase of 6.2% from the previous fiscal year.

[Consulting & Other Services]

In the Consulting & Other Services business, we recorded sharp growth in sales of devices by responding accurately to demand from customers, beginning with financial institutions. Additionally, we focused on sales of software products and recorded robust sales of Qt and other development support tools. As a result, net sales soared 51.7% from the previous fiscal year to ¥16,189 million.

[2] Outlook for the Next Fiscal Year

The direction of the Japanese economy still remains unclear and several factors of concern such as trends in stock prices and crude oil prices continue to warrant close scrutiny. In the information services industry, although robust IT investments by companies are expected to continue, the environment for new orders is likely to remain harsh due to intensifying competition. Also, there is a risk of a fall in demand for IT investments should perceptions of an economic slowdown persist over the long term.

Under these conditions, the SRA Holdings Group will strengthen and expand its business foundation and business structure and firmly establish and progress with the development of its new businesses. Further, we will undertake concerted efforts to achieve the set targets of the next medium-term management plan.

For the fiscal year ending March 31, 2009, we are forecasting consolidated net sales of ¥46,000 million, consolidated operating income of ¥4,400 million, consolidated ordinary profit of ¥4,400 million, and consolidated net income of ¥2,300 million. Our forecast for consolidated net sales of ¥46,000 million represents a 2.1% increase from the previous fiscal year. However, when excluding the large-scale sale of devices to a financial institution that amounted to ¥2,859 million, net sales for fiscal 2008 would have amounted to ¥42,199 million. Compared with this figure, our net sales forecast for fiscal 2009 thus represents a 9.0% increase from the previous fiscal year.

(2) Analysis of Financial Position

Cash and cash equivalents on a consolidated basis at the end of the fiscal year increased ¥1,346 million to ¥11,265 million compared with at the previous fiscal year-end.

The status of cash flows and factors underlying changes in cash flows for the fiscal year are shown below.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥2,025 million. This consisted of such cash inflows as income before income taxes and minority interests of ¥4,139 million and an increase in accounts and notes payable—trade of ¥481 million. Cash outflows included an increase in accounts and notes receivable—trade of ¥1,172 million, an increase in inventories of ¥895 million and income taxes paid and refunded of ¥1,110 million.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥434 million. This was due mainly to the outflows of ¥208 million for purchases of fixed assets, ¥108 million for purchases of investment securities, and ¥100 million for disbursements for investments in term deposits.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥238 million. This was due mainly to such cash outflows as ¥345 million in cash dividends paid and ¥40 million in the repayments of long-term debt as well as such cash inflows as ¥148 million in increase in short-term loans.

Trends in cash flows indicators for the SRA Holdings Group (the Company and its consolidated subsidiaries) are shown below.

	FY ended March 31, 2007	FY ended March 31, 2008
Shareholders’ equity ratio (%)	47.2	47.0
Shareholders’ equity ratio at market value (%)	105.4	93.9
Debt redemption (years)	1.0	1.4
Interest coverage ratio	68.5	38.2

Notes:

Shareholders’ equity ratio: Shareholders’ equity/total assets

Shareholders’ equity ratio at market value: Total market capitalization/total assets

Debt redemption: Interest-bearing debt/operating cash flow

Interest coverage ratio: Operating cash flow/interest expense

1. All indicators were calculated using consolidated financial figures.
2. Market capitalization is calculated by multiplying the closing stock price at the end of the fiscal period by the total number of shares outstanding at the end of the fiscal period.

Operating cash flow represents cash flows from operating activities on the Consolidated Statements of Cash Flows. Interest-bearing debt includes all debt that pays interest as listed on the Consolidated Balance Sheets. Interest expense is the amount of interest paid as listed on the Consolidated Statements of Cash Flows.

(3) Basic Policy on Profit Allocation and Dividends for the Fiscal Year under Review and the Next Fiscal Year

The Company's basic policy regarding the allocation of profits is to enhance the redistribution of profits to shareholders in accordance with the state of its earnings, while also retaining earnings for R&D and the establishment of a development environment for responding to the rapid and revolutionary technological advances within the industry as well as to prepare for future business development.

The Company aims to allocate profits with a consolidated dividend payout ratio of 20%. Moreover, at the Ordinary General Meeting of Shareholders held in September 2006, the Articles of Incorporation were changed to allow for a flexible distribution of retained earnings as dividends based on resolutions by the Board of Directors.

Regarding dividends for the fiscal year ended March 31, 2008, in consideration of the Company's favorable consolidated business results as highlighted by record-high profits, and in accordance with our dividend policy of striving to realize a consolidated payout ratio of 20%, the Company will pay cash dividends per share of ¥40.00 (representing a consolidated payout ratio of 24.9%), consisting of a regular cash dividend per share of ¥30.00 in addition to a ¥10.00 commemorative dividend to mark the 40th anniversary of our founding.

To ensure dividends reach shareholders as quickly as possible, we have moved up the dividend payment date to June 12.

Concerning dividends for the fiscal year ending March 31, 2009, as a measure of appreciation to shareholders for their continual support, we plan to pay cash dividends per share of ¥40.00, with the additional ¥10.00 per share paid in fiscal 2008 as commemorative dividend to mark the 40th anniversary of the SRA Group becoming part of the regular dividend.

We also regard the acquisition of treasury shares as an effective means of redistributing profits to shareholders. Accordingly, we make such acquisitions appropriately while considering such factors as our stock price trends and financial condition.

(4) Business and Other Risks

The following principal risks could have an impact on the business results and financial condition of the Company as the Group's controlling company.

"Forward-looking" statements contained in this report represent judgments by the Group based on information currently available to management as of the end of the fiscal period.

[1] Risk of fluctuations in business results of Group companies

An abrupt fluctuation in business results of Group companies due to various factors could have an adverse impact on the Company's business results.

[2] Maintaining confidentiality of customer information

In addition to being aware that it is an information processing company with numerous opportunities for handling personal information, the SRA Holdings Group also sufficiently recognizes the critical nature of protecting personal information, and thus, has established an internal monitoring structure. Concurrently, the SRA Holdings Group provides education for its Group employees and business partners and makes efforts to protect personal information. However, in the event of the unexpected leakage of information, besides losing the trust of business partners, the SRA Holdings Group could become liable for payment of compensatory damages, which could have an effect on the Group's business results.

In addition to the above, the Company comprehensively incurs business and other risks of SRA, a main subsidiary.

SRA

* The below-mentioned "SRA Holdings Group" consists of Software Research Associates (SRA), Inc., and its subsidiaries. The following principal risks could have an impact on the business results and financial condition of the SRA Holdings Group.

(1) Securing business partners during times of expansion of production volume

In the System Development and the Network & Systems Services businesses, besides its own in-house engineers, the SRA Holdings Group utilizes business partners for the planned augmentation of its staff of in-house engineers and expansion of business, as well as to augment those areas where it does not possess technologies and to respond flexibly to changes in production volumes during peak production. The SRA Holdings Group also utilizes business partners as one means of reducing production costs.

Nonetheless, the inability to sufficiently secure business partners possessing requisite skills could have an impact on the Group's business results. The utilization of business partners accounted for 54.4% of manufacturing costs as of the end of the fiscal period.

(2) Project profitability in System Development

In the core System Development business, the SRA Holdings Group concludes bulk subcontracting contracts whereby it handles the entire system development and is responsible to its customers for completion. There are also projects during which more than one year elapses from the time the order is obtained to system completion and handover. Therefore, even for projects for which a certain amount of income is expected at the time the order is received, there are instances when profitability worsens because of such factors as customer requests for specification changes after commencing development activities or a work process that exceeds the initial estimate. Moreover, the incurrence of additional expenses such as those related to defect guarantees after the confirmation of sales could ultimately result in an unprofitable project.

To prevent the occurrence of unprofitable projects, the Group reviews risk factors at the time an order is received and works to improve the precision of its estimates while strengthening its project management structure in an organized manner. Nevertheless, any project incurring a large loss could have an effect on the Group's business results.

(3) Maintaining confidentiality of customer information

Along with being aware that it is an information processing company with numerous opportunities for handling personal information, the Group also sufficiently recognizes the critical nature of personal information, and thus, has established an internal monitoring structure. Concurrently, as a company that has acquired Privacy Mark certification, the SRA Holdings Group provides education for its Group employees and outsourced staff and makes efforts to protect personal information. However, in the event of the unexpected leakage of information, besides losing the trust of business partners, the SRA Holdings Group could become liable for payment of compensatory damages, which could have an effect on the Group's business results.

2. Medium- and Long-term Management Strategy

The SRA Holdings Group proceeded with the implementation of a three-year management plan, with fiscal 2008 marking the plan's final year. We significantly surpassed the specific targets for the plan's final year, namely growth in sales surpassing 8% and an ordinary profit-to-sales ratio exceeding 8%. Overall, various measures were implemented and proceeded smoothly during the plan's execution period.

To maintain the favorable trends in our business results realized during the past three years and achieve further growth, on May 22, 2008 we plan to announce our new three-year management plan. This plan is currently being formulated and will run from the fiscal year ending March 31, 2009 through the fiscal year ending March 31, 2011.

Under the new medium-term management plan, the SRA Holdings Group aims to position itself as an independent company that offers a truly optimal range of choices, taking a neutral stance without relying on particular vendors and manufacturers. To attain this goal, we will strengthen our business strategies and business structure as we strive for continuous growth while also moving strategically to advance the Group's business capabilities as we look to the future.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	FY2007 (as of March 31, 2007)		FY2008 (as of March 31, 2008)		Increase (Decrease)
	Amount	%	Amount	%	
ASSETS					
Current assets:					
Cash and bank deposits	8,306		9,351		1,044
Notes and accounts receivable	7,790		8,940		1,149
Marketable securities	1,999		2,003		4
Inventories	846		1,740		894
Deferred income taxes	383		471		88
Other current assets	689		657		(32)
Allowance for doubtful accounts	(5)		(22)		(16)
Total current assets	20,010	81.3	23,143	82.8	3,133
Fixed assets:					
Tangible assets:					
Buildings	95		103		7
Machinery and equipment	106		91		(15)
Land	0		0		—
Other tangible assets	33		32		(1)
Total tangible assets	237	1.0	228	0.8	(8)
Intangible assets:					
Software	568		376		(192)
Other intangible assets	31		64		33
Total intangible assets	600	2.4	440	1.5	(159)
Investments and other assets:					
Investment securities	1,919		1,510		(408)
Deferred income taxes	998		1,318		320
Guarantee money deposited	556		553		(2)
Other assets	357		889		531
Allowance for doubtful accounts	(8)		(10)		(2)
Allowance for loss on investments	(50)		(107)		(57)
Total investments and other assets	3,774	15.3	4,155	14.9	380
Total fixed assets	4,611	18.7	4,824	17.2	212
Total assets	24,622	100.0	27,967	100.0	3,345

(Millions of Yen)

	FY2007 (as of March 31, 2007)		FY2008 (as of March 31, 2008)		Increase (Decrease)
	Amount	%	Amount	%	
LIABILITIES					
Current liabilities:					
Accounts payable	3,041		3,502		460
Debentures due for redemption within one year	—		300		300
Short-term loans	2,446		2,576		130
Income taxes payable	615		1,640		1,024
Accrued consumption tax	362		392		29
Accrued expenses	1,169		963		(206)
Allowance for bonuses payable	679		653		(25)
Allowance for directors' bonuses payable	54		74		20
Other	737		798		60
Total current liabilities	9,106	37.0	10,901	39.0	1,795
Long-term liabilities:					
Debentures	300		—		(300)
Long-term debt	32		10		(22)
Accrued employees' retirement benefi	3,149		3,412		262
Directors' retirement benefits	375		400		25
Negative goodwill	25		19		(5)
Total long-term liabilities	3,882	15.8	3,842	13.7	(40)
Total liabilities	12,989	52.8	14,743	52.7	1,754
NET ASSETS					
Shareholders' equity					
Common stock	1,000	4.1	1,000	3.6	—
Capital susplus	4,519	18.3	4,519	16.1	—
Earned surplus	6,151	25.0	8,029	28.7	1,878
Treasury stock, at cost	(894)	(3.6)	(894)	(3.2)	—
Total shareholders' equity	10,776	43.8	12,654	45.2	1,878
Valuation and translation adjustments					
Net unrealized holding gains on other securities	796	3.2	480	1.7	(316)
Translation adjustments	37	0.2	15	0.1	(22)
Total valuation and translation adjustments	834	3.4	495	1.8	(338)
Stock options	9	0.0	52	0.2	42
Minority interests	11	0.0	21	0.1	9
Total net assets	11,632	47.2	13,224	47.3	1,591
Total liabilities and net assets	24,622	100.0	27,967	100.0	3,345

(2) Consolidated Statements of Income

(Millions of Yen)

	FY2007 (April 1, 2006-March 31, 2007)		FY2008 (April 1, 2007-March 31, 2008)		Increase (Decrease)
	Amount	%	Amount	%	
Net sales	36, 765	100. 0	45, 058	100. 0	8, 293
Cost of sales	29, 592	80. 5	36, 311	80. 6	6, 718
Gross profit	7, 173	19. 5	8, 747	19. 4	1, 574
Selling, general and administrative expenses	4, 324	11. 8	4, 645	10. 3	320
Operating income	2, 848	7. 7	4, 102	9. 1	1, 253
Non-operating income	151	0. 5	154	0. 4	3
Non-operating expenses	75	0. 2	75	0. 2	0
Ordinary profit	2, 923	8. 0	4, 181	9. 3	1, 257
Extraordinary income	987	2. 6	21	0. 0	(965)
Extraordinary loss	295	0. 8	63	0. 1	(232)
Income before income taxes and minority interests	3, 615	9. 8	4, 139	9. 2	524
Current income taxes	936	2. 5	2, 123	4. 7	1, 186
Deferred income taxes	630	1. 7	(217)	(0. 5)	(847)
Minority interests	31	(0. 1)	9	0. 0	(22)
Net income	2, 015	5. 5	2, 224	5. 0	208

(3) Consolidated Statements of Changes in Net Assets

Fiscal 2008 (April 1, 2007-March 31, 2008)

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	1,000	4,519	6,151	(894)	10,776
Changes during the period					
Cash dividends (note)			(345)		(345)
Net income			2,224		2,224
Net change in the items other than shareholders' equity during the period					
Total change during the period	―	―	1,878	―	1,878
Balance as of March 31, 2008	1,000	4,519	8,029	(894)	12,654

	Evaluation of conversion gain		
	Net unrealized holding gain on securities	Net foreign currency translation	Total evaluation or conversion gain
Balance as of March 31, 2007	796	37	834
Changes during the period			
Cash dividends (note)			
Net income			
Net change in the items other than shareholders' equity during the period	(316)	(22)	(338)
Total change during the period	(316)	(22)	(338)
Balance as of March 31, 2008	480	15	495

	Stock options	Minority interests	Total net assets
Balance as of March 31, 2007	9	11	11,632
Changes during the period			
Cash dividends (note)			(345)
Net income			2,224
Net change in the items other than shareholders' equity during the period	42	9	(287)
Total change during the period	42	9	1,591
Balance as of March 31, 2008	52	21	13,224

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2007 (April 1, 2006-March 31, 2007)	FY2008 (April 1, 2007-March 31, 2008)
	Amount	Amount
I. Cash flows from operating activities:		
Income before income taxes and minority interests	3,615	4,139
Depreciation and amortization	298	306
Increase in employees' retirement benefits, net of payments	192	246
Increase in directors' retirement benefits	13	25
Increase (decrease) in allowance for bonuses payable	3	(25)
Increase in allowance for directors' bonuses payable	—	20
Increase in allowance for doubtful accounts	2	19
Increase in allowance for loss on investments	25	57
Interest and dividend income	(25)	(51)
Interest paid	41	53
Loss on evaluation of investment securities	33	—
Gain on sale of investment securities	0	(7)
Gain on disposal of fixed assets	(956)	0
Loss on disposal of fixed assets	97	5
Increase in accounts and notes receivable−trade	(318)	(1,172)
Increase in inventories	(78)	(895)
Increase in accounts and notes payable−trade	468	481
Increase (decrease) in other operating liabilities	674	(105)
Increase in accrued consumption taxes payable	30	29
Directors' bonuses paid	(45)	—
Other, net	(144)	9
Subtotal	3,924	3,136
Interest and dividends receivable	25	51
Interest paid	(41)	(53)
Income taxes paid and refunded	(1,062)	(1,110)
Net cash provided by operating activities	2,846	2,025
II. Cash flows from investing activities:		
Purchases of fixed assets	(299)	(208)
Proceeds from sale of fixed assets	2,180	0
Purchases of investment securities	(94)	(108)
Proceeds from sale of investment securities	49	12
Purchases of additional stock of consolidated subsidiary	(112)	—
Proceeds from share exchange with parent company	2	—
Payments for loans receivable	(43)	(56)
Collection of loans receivable	25	42
Disbursements for investments in term deposits	0	(100)
Disbursements for deposits	(56)	(5)
Collection of deposits	51	7
Other, net	(37)	(16)
Net cash provided by (used in) investing activities	1,665	(434)
III. Cash flows from financing activities:		
Increase (decrease) in short-term loans	(54)	148
Proceeds from long-term debt	50	—
Repayments of long-term debt	(31)	(40)
Purchases of treasury stock	0	—
Cash dividends paid	(172)	(345)
Other, net	(10)	—
Net cash used in financing activities	(219)	(238)
IV. Effect of exchange rate changes on cash and cash equivalents	10	(6)
V. Net increase in cash and cash equivalents	4,301	1,346
VI. Cash and cash equivalents at beginning of period	5,617	9,919
VII. Cash and cash equivalents at end of period	9,919	11,265

Segment Information

(1) Segment Information by Type of Business

Fiscal 2007 (from April 1, 2006 to March 31, 2007)

(Millions of yen)

	System Development	Network & Systems Services	Consulting & Other Services	Total	Eliminations/ Corporate	Consolidated
I Net Sales and Operating Income Sales						
(1) Sales to customers	21,701	4,392	10,672	36,765	—	36,765
(2) Intersegment sales or transfers	79	208	964	1,252	(1,252)	—
Total sales	21,780	4,600	11,637	38,018	(1,252)	36,765
Operating expenses	18,398	3,715	10,426	32,540	1,376	33,916
Operating income	3,382	884	1,210	5,477	(2,629)	2,848
II Assets, depreciation expenses and capital-related expenditures						
Assets	8,200	1,831	3,871	13,902	10,719	24,622
Depreciation expenses	201	28	68	298	—	298
Capital-related expenditures	175	32	114	321	—	321

Fiscal 2008 (from April 1, 2007 to March 31, 2008)

(Millions of yen)

	System Development	Network & Systems Services	Consulting & Other Services	Total	Eliminations/ Corporate	Consolidated
I Net Sales and Operating Income Sales						
(3) Sales to customers	24,205	4,664	16,189	45,058	—	45,058
(4) Intersegment sales or transfers	63	383	480	926	(926)	—
Total sales	24,268	5,047	16,669	45,985	(926)	45,058
Operating expenses	20,156	3,918	15,375	39,451	1,504	40,956
Operating income	4,111	1,128	1,293	6,533	(2,431)	4,102
II Assets, depreciation expenses and capital-related expenditures						
Assets	9,241	1,971	5,002	16,215	11,752	27,967
Depreciation expenses	188	29	87	305	1	306
Capital-related expenditures	96	12	106	215	7	223

Notes

1. Businesses are classified into segments according to similarities that include the types and characteristics of services.
2. Principal contents of business in each segment.

Business segment	Content of business
System Development	● Integrated system development ranging from defining requirements to development and maintenance of mainframe-based large systems ● System integration covering system planning, development, and introduction of open systems ● Solutions business offering business tools that utilize various products and tools ● Open source business that offers technical support for systems through open source software
Network & Systems Services	● Operation management of computer systems and network systems ● Overall operation that includes data management and facilities management ● Building of network systems ● Outsourcing services
Consulting & Other Services	● Sales of packaged software that includes licensing ● Sales of system devices, centering on servers, in integration services ● Consulting services related to the introduction of IT

3. Unallocatable operating expenses in Eliminations/Corporate amounted to ¥2,431 million for the fiscal year. These consisted mainly of R&D expenses and expenses related to management divisions.

4. Total Company assets in Eliminations/Corporate amounted to ¥11,930 million for the fiscal year. These consisted mainly of surplus operating assets (cash, deposits and marketable securities), long-term invested assets (investment securities), and deferred tax assets.

5. Depreciation expenses and capital-related expenditures included depreciation and additions to long-term prepaid expenses, respectively.

(2) Geographical Segments

The amounts of net sales and assets in Japan exceed 90% of total sales and total assets for all segments and thus geographical segment information is omitted.

(3) Overseas Sales

Overseas net sales account for less than 10% of total consolidated net sales and are thus omitted.