



Summary of Consolidated Financial Results for the Second Quarter of the Year Ending March 31, 2010

Company name: SRA Holdings, Inc.
 (URL: <http://www.sra-hd.co.jp/>)
Stock listing: Tokyo Stock Exchange
Code number: 3817
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Scheduled date of submission of quarterly securities report: November 13, 2009
Scheduled commencement of dividend payment: —

1. Consolidated results for the second quarter of the fiscal year ending March 2010 (from April 1, 2009 to September 30, 2009)

(1) Consolidated Operating Results (cumulative total)

(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	%
Second quarter of fiscal 2010	15,967	(17.8)	687	(52.3)	709	(51.3)	355	(50.1)
Second quarter of fiscal 2009	19,430	—	1,440	—	1,455	—	711	—

	Net Income	Net Income
	per Share	per Share after Dilution
Second quarter of fiscal 2010	Yen 25.66	Yen —
Second quarter of fiscal 2009	51.41	51.36

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Second quarter of fiscal 2010	25,717	14,377	55.4	1,029.86
Fiscal 2009	26,519	14,164	53.0	1,014.91

Reference: Shareholders' equity

Second quarter of fiscal 2010: ¥14,252 million

Fiscal 2009: ¥14,046 million

2. Dividends

	Dividend per Share				
	End of First Quarter	End of Second Quarter	End of Third Quarter	Year-end	For the Year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2009	—	—	—	40.00	40.00
Fiscal 2010	—	—	—	40.00	40.00
Fiscal 2010 (forecast)	—	—	—	40.00	40.00

Note: Revision of dividend forecast in this quarter: No

3. Consolidated Earnings Forecast for Fiscal 2010 (from April 1, 2009 to March 31, 2010)

(% 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
Full Year	32,600	(22.0)	2,740	(28.3)	2,740	(29.6)	1,450	(29.0)	104.77

Note: Revision of consolidated results forecast in this quarter: No

4. Others

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

Newly consolidated — (Company names)

Removed from consolidation — (Company names)

(2) Simplified accounting procedures and accounting procedures specific to the preparation of quarterly consolidated financial statements: No

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

1. Changes due to change in accounting standards: Yes

2. Changes other than 1. above: No

Note: See “Qualitative Information and Financial Statements, 4. Others” on page 5 for more information.

(4) Number of outstanding shares (common shares)

1. Shares issued at the end of term (including own shares)

Second quarter of fiscal 2010: 15,240,000 shares

Fiscal 2009: 15,240,000 shares

2. Own shares at the end of term

Second quarter of fiscal 2010: 1,400,227 shares

Fiscal 2009: 1,400,198 shares

3. Average number of shares during the period (For the entire consolidated quarter)

Second quarter of fiscal 2010: 13,839,798 shares

Second quarter of fiscal 2009: 13,839,802 shares

* 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 “Qualitative Information and Financial Statements, 3. Qualitative Information Concerning Consolidated Results Forecast” on page 5.

Qualitative Information and Financial Statements

1. Qualitative Information Concerning Consolidated Business Results

During the second quarter of the fiscal year (April 1, 2009 to September 30, 2009), the Japanese economy moved toward a recovery due to the end of inventory adjustments and signs of resurgence in personal spending coupled with the positive effects of the government's economic stimulus package. Despite this, corporate earnings were down significantly, while capital investment decreased and the employment situation deteriorated, and as a result, the outlook remains uncertain. The harsh business environment is persisting in the information services industry on account of ongoing restraint in IT investment forced by the decline in corporate earnings.

Under these conditions, the SRA Holdings Group made efforts to establish a structure for stable orders through the creation of new sales procedures, raise productivity, increase the gross profit margin through offshore development, and reduce selling, general and administrative (SG&A) expenses. At the same time, as part of the initiative to "expand overseas business earnings opportunities," which is a priority issue under the medium-term management plan, SRA OSS, Inc., a subsidiary, formed a business and capital alliance with Proxim Wireless Corporation, which has proven results in the wireless communications field, in order to expand business by adding the building of networks for wireless communication to system integration services, including systems development, for this field. This subsequent move follows the business and capital alliance established between SRA Holdings (the "Company") and SJI Inc. in February of this year.

Consolidated business results for the second quarter were as follows.

Advanced Integration Technology (AIT), Inc., a core subsidiary, recorded a slight improvement in results compared with the same period of the previous fiscal year due to vigorous sales and marketing activities amid a tough business environment. Orders from key customers in securities, manufacturing and telecommunications industries declined significantly at Software Research Associates (SRA), Inc., a core company, despite efforts to increase orders in its mainstay Systems Development business. Orders were down at Software Science, Inc. due to a continued shift by customers towards internal development. Orders also decreased substantially at certain overseas subsidiaries due to the economic downturn in the United States. As a result, consolidated net sales amounted to ¥15,967 million, a decline of 17.8% from the same period of the previous fiscal year.

At the profit level, efforts were made to secure gross profit by promoting offshore development, shifting towards internal development and raising productivity, as well as to cut SG&A expenses. However, gross profit decreased due to the decline in sales and a higher-than-expected decrease in order unit price in the securities industry. Also, expenses were recorded as provision for loss on construction contracts, in which potential additional major expenses have been estimated corresponding to customer demands in ongoing projects in which inspection and final delivery will occur in the second half of the fiscal period. As a result, operating income decreased 52.3% from the same period of the previous fiscal year to ¥687 million, ordinary profit decreased 51.3% to ¥709 million, and net income decreased 50.1% to ¥355 million.

A summary of business results for the second quarter by business segment is shown below.

1. Systems Development

The environment surrounding the Systems Development business remained severe, driving a significant decline in orders from securities, manufacturing and telecommunications industries. As a result, net sales for the second quarter

amounted to ¥8,368 million, a decrease of 21.6% from the same period of the previous fiscal year.

2. System Operations and Infrastructure Development

School-related orders and orders from the corporate sector declined in the System Operations and Infrastructure Development business, and as a result, net sales for this segment amounted to ¥2,091 million, a decrease of 15.3% from the same period of the previous fiscal year.

3. Product Sales

In Product Sales, despite large orders for devices at AIT, notably servers, sales of devices and packages were weak at SRA, and as a result, net sales in this segment amounted to ¥5,506 million, a decrease of 12.3% compared with the same period of the previous fiscal year.

2. Qualitative Information Concerning Consolidated Financial Condition

Regarding financial condition for the second quarter, current assets declined ¥2,028 million from the end of the previous fiscal year to ¥19,570 million. Although there was a ¥677 million increase in work in progress and a ¥519 million increase in short-term loans from the end of the previous fiscal year, notes and accounts receivable—trade decreased ¥2,578 million owing to the collection of sales receivables, and cash and deposits decreased ¥818 million due to payments of notes and accounts payable—trade. Fixed assets increased ¥1,226 million to ¥6,146 million due primarily to the acquisition and mark-to-market valuation of investment securities. As a result, total assets decreased ¥801 million to ¥25,717 million.

On the liabilities side, total liabilities decreased ¥1,015 million to ¥11,339 million due to a ¥644 million decline in accounts payable—trade and a ¥410 million decline in income taxes payable accompanying the payment of income taxes. Net assets increased ¥213 million to ¥14,377 million due mainly to an increase in valuation difference on available-for-sales securities.

Analysis of Consolidated Cash Flows

Cash and cash equivalents, up ¥587 million year on year, decreased by ¥869 million to ¥10,883 million from the end of the previous fiscal year.

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

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥1,177 million. This consisted mainly of such cash inflows as a decrease in notes and accounts receivable—trade of ¥2,589 million and income before income taxes and minority interests amounting to ¥665 million. Cash-reducing factors included income taxes paid totaling ¥789 million, a decrease in notes and accounts payable—trade of ¥640 million and an increase in inventories of ¥534 million.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥1,466 million. This was due mainly to ¥846 million for purchases of investment securities and ¥506 million in payments for loans receivable.

Cash Flows from Financial Activities

Net cash used in financing activities amounted to ¥584 million. This was due mainly to such outflows as ¥553 million in cash dividends paid.

3. Qualitative Information Concerning Consolidated Results Forecast

The Company recorded provision for loss on construction contracts in the second quarter in line with a projected continuation of the tough business environment based on an understanding of market value trends pursuant to international accounting standards and the need to swiftly disclose downside risk. The Company also recognizes that there is still adequate potential to reduce cost generation by negotiating with customers. Additionally, in the second half of the fiscal period, the SRA Holdings Group as a whole is promoting a plan to recover the portion of gross profit targets not achieved by respective group companies in the second quarter. Accordingly, no revision has been made to the consolidated results forecast for the year ending March 31, 2010 announced on May 14, 2009.

4. Others

(1) Significant changes involving subsidiaries during the period (changes involving specific subsidiaries accompanying changes in the scope of consolidation): None

(2) Application of simplified accounting methods and accounting methods specific to the preparation of the quarterly consolidated financial statements: None

(3) Changes of accounting principles, procedures and presentation methods related to the preparation of the quarterly consolidated financial statements.

Changes in Items Pertaining to Accounting Standards

Although the Company previously used the completed contract method in accounting standards for income from contract construction, the Company adopted Accounting Standard for Construction Contracts (ASBJ Statement No. 15, December 27, 2007) and Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, December 27, 2007) in the first quarter of the fiscal year ending March 31, 2010. For construction contracts entered into in the first quarter, the percentage-of-completion method shall be applied if the outcome of construction activity up until the second quarter is deemed certain (In this method, the outcome of the construction contract is divided into work processes with costs allocated to each process. The percentage of completion is based on the proportion of costs incurred before the close of the tax year for a process relative to the total cost of all processes). The Company adopts the completed contract method for all other construction.

The effect of these changes on net sales, operating income, ordinary profit and income before income taxes is minimal.

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of Yen)

	End of the second quarter of fiscal 2010 (as of September 30, 2009)	Consolidated balance sheets at the end of fiscal 2009 (summary) (as of March 31, 2009)
ASSETS		
Current assets:		
Cash and deposits	9,516	10,335
Notes and accounts receivable—trade	5,022	7,613
Short-term investment securities	1,502	1,503
Merchandise and finished goods	418	558
Work in process	1,249	571
Deferred tax assets	520	461
Other	1,346	591
Allowance for doubtful accounts	(4)	(37)
Total current assets	19,570	21,599
Noncurrent assets:		
Property, plant and equipment		
Buildings	254	254
Accumulated depreciation	(165)	(157)
Buildings, net	89	97
Machinery, equipment and vehicles	728	717
Accumulated depreciation	(659)	(646)
Machinery, equipment and vehicles, net	69	71
Land	0	0
Other	101	100
Accumulated depreciation	(68)	(66)
Other, net	33	33
Total property, plant and equipment	192	202
Intangible assets		
Other	451	429
Total intangible assets	451	429
Investments and other assets		
Investment securities	2,641	1,314
Deferred tax assets	1,595	1,677
Other	1,443	1,413
Allowance for doubtful accounts	(40)	(10)
Allowance for investment loss	(136)	(107)
Total investments and other assets	5,502	4,287

Total noncurrent assets	6,146	4,920
Total assets	25,717	26,519

(Millions of Yen)

	End of the second quarter of fiscal 2010 (as of September 30, 2009)	Consolidated balance sheets at the end of fiscal 2009 (summary) (as of March 31, 2009)
LIABILITIES		
Current liabilities:		
Accounts payable—trade	2,058	2,702
Short-term loans payable	2,337	2,368
Income taxes payable	332	743
Accrued consumption taxes	161	414
Accrued expenses	550	658
Provision for bonuses	603	568
Provision for directors' bonuses	5	0
Provision for loss on construction contracts	245	—
Other	659	542
Total current liabilities	6,954	7,999
Noncurrent liabilities:		
Bonds payable	300	300
Provision for retirement benefits	3,639	3,620
Provision for directors' retirement benefits	434	422
Negative goodwill	11	13
Total noncurrent liabilities	4,385	4,356
Total liabilities	11,339	12,355
NET ASSETS		
Shareholders' equity		
Capital stock	1,000	1,000
Capital surplus	4,483	4,483
Retained earnings	9,319	9,518
Treasury stock	(894)	(894)
Total shareholders' equity	13,909	14,107
Valuation and translation adjustments		
Valuation difference on available-for-sales securities	470	60
Foreign currency translation adjustments	(127)	(121)
Total valuation and translation adjustments	343	(61)
Subscription rights to shares	89	83
Minority interests	35	34
Total net assets	14,377	14,164
Total liabilities and net assets	25,717	26,519

(2) Quarterly Consolidated Statements of Income

(Millions of Yen)

	Consolidated cumulative total for second quarter of fiscal 2009 (April 1, 2008-September 30, 2008)	Consolidated cumulative total for second quarter of fiscal 2010 (April 1, 2009-September 30, 2009)
Net sales	19,430	15,967
Cost of sales	15,585	13,409
Gross profit	3,844	2,557
Selling, general and administrative expenses	2,404	1,869
Operating income	1,440	687
Non-operating income		
Interest received	20	9
Dividends received	8	19
Gain on sales of securities	5	—
Other	29	26
Total non-operating income	63	55
Non-operating expenses		
Interest expenses	27	19
Other	20	14
Total non-operating expenses	48	33
Ordinary profit	1,455	709
Extraordinary income		
Gain on sales of noncurrent assets	—	0
Total extraordinary income	—	0
Extraordinary loss		
Provision of allowance for investment loss	—	29
Loss on valuation of investment securities	—	10
Loss on valuation of stocks of subsidiaries and affiliates	10	—
Loss on valuation of memberships	22	—
Other	1	3
Total extraordinary loss	34	43
Income before income taxes and minority interests	1,420	665
Income taxes-current	775	383
Income taxes-deferred	(75)	(73)
Total income taxes	700	310
Minority interests in income	8	0
Net income	711	355

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of Yen)

	Consolidated cumulative total for second quarter of fiscal 2009 (April 1, 2008-September 30, 2008)	Consolidated cumulative total for second quarter of fiscal 2010 (April 1, 2009-September 30, 2009)
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	1,420	665
Depreciation and amortization	121	113
Loss on valuation of memberships	22	0
Increase (decrease) in provision for retirement benefits	83	17
Increase (decrease) in provision for directors' retirement benefits	6	12
Increase (decrease) in provision for bonuses	5	34
Increase (decrease) in provision for directors' bonuses	(33)	4
Increase (decrease) in allowance for doubtful accounts	11	(1)
Increase (decrease) in allowance for investment loss	—	29
Interest and dividend income	(28)	(28)
Interest expense	27	19
Loss (gain) on valuation of investment securities	—	10
Loss (gain) on sales of noncurrent assets	—	(0)
Loss on retirement of noncurrent assets	1	0
Loss on valuation of stocks of subsidiaries and affiliates	10	—
Decrease (increase) in notes and accounts receivable—trade	1,552	2,589
Decrease (increase) in inventories	(756)	(534)
Increase (decrease) in notes and accounts payable—trade	(492)	(640)
Increase (decrease) in other liabilities	(494)	208
Increase (decrease) in accrued consumption taxes	(173)	(253)
Other, net	26	(290)
Subtotal	1,309	1,957
Interest and dividends income received	28	28
Interest expenses paid	(28)	(18)
Income taxes paid	(1,715)	(789)
Net cash provided by (used in) operating activities	(405)	1,177
Net cash provided by (used in) investing activities:		
Purchases of property, plant and equipment	(37)	(18)
Proceeds from sale of property, plant and equipment	—	1
Purchases of intangible assets	(53)	(59)
Purchases of investment securities	(65)	(846)

Proceeds from sales of investment securities	—	19
Payments of loans receivable	(21)	(506)
Collection of loans receivable	7	12
Payments into time deposits	—	(70)
Proceeds from withdrawal of time deposits	—	20
Other, net	(30)	(18)
Net cash used in investing activities	(200)	(1,466)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	227	(21)
Repayments of long-term loans payable	(14)	(10)
Proceeds from issuance of bonds	300	—
Redemption of bonds	(300)	—
Purchase of treasury stock	—	(0)
Cash dividends paid	(553)	(553)
Net cash provided by (used in) financing activities	(341)	(584)
Effect of exchange rate change on cash and cash equivalents	(22)	3
Net increase (decrease) in cash and cash equivalents	(969)	(869)
Cash and cash equivalents at beginning of period	11,265	11,753
Cash and cash equivalents at end of period	10,296	10,883

(4) Notes Concerning Premise of Going Concern

None

(5) Segment Information

Segment Information by Type of Business

Consolidated cumulative total for second quarter (from April 1, 2008 to September 30, 2008)

(Millions of yen)

	Systems Development	System Operations and Infrastructure Development	Product Sales	Total	Eliminations/Corporate	Consolidated
Net Sales						
(1) Sales to customers	10,679	2,471	6,279	19,430	—	19,430
(2) Intersegment sales or transfers	14	125	262	402	(402)	—
Total sales	10,693	2,596	6,542	19,832	(402)	19,430
Operating income	1,634	557	543	2,736	(1,295)	1,440

Consolidated cumulative total for second quarter (from April 1, 2009 to September 30, 2009)

(Millions of yen)

	Systems Development	System Operations and Infrastructure Development	Product Sales	Total	Eliminations/Corporate	Consolidated
Net Sales						
(1) Sales to customers	8,368	2,091	5,506	15,967	—	15,967
(2) Intersegment sales or transfers	13	132	225	370	(370)	—
Total sales	8,381	2,224	5,731	16,337	(370)	15,967
Operating income	764	470	317	1,553	(866)	687

Notes:

1. Businesses are classified into segments according to similarities that include the types and characteristics of services.
2. The Company adopted Accounting Standard for Construction Contracts (ASBJ Statement No. 15, December 27, 2007) and Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, December 27, 2007) in the first quarter of the fiscal year ending March 31, 2010. The effect of these changes on respective business segments is minimal.

Geographical Segments

Consolidated cumulative total for second quarter (from April 1, 2008 to September 30, 2008)

(Millions of yen)

	Japan	Other Regions	Total	Eliminations/ Corporate	Consolidated
Net Sales					
(1) Sales to customers	17,408	2,021	19,430	—	19,430
(2) Intersegment sales or transfers	13	18	31	(31)	—
Total sales	17,421	2,039	19,461	(31)	19,430
Operating income	1,564	167	1,732	(291)	1,440

Consolidated cumulative total for second quarter (from April 1, 2009 to September 30, 2009)

(Millions of yen)

	Japan	Other Regions	Total	Eliminations/ Corporate	Consolidated
Net Sales					
(1) Sales to customers	14,399	1,568	15,967	—	15,967
(2) Intersegment sales or transfers	167	13	180	(180)	—
Total sales	14,566	1,581	16,147	(180)	15,967
Operating income	707	162	869	(182)	687

Notes:

1. Countries and regions are categorized based on geographic proximity.
2. Because only small amounts of net sales were recorded in each country and region outside Japan, these countries and regions are aggregated under Other Regions.

Principal countries included in Other Regions are the United States and the Netherlands.

3. The Company adopted Accounting Standard for Construction Contracts (ASBJ Statement No. 15, December 27, 2007) and Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, December 27, 2007) in the first quarter of the fiscal year ending March 31, 2010. The effect of these changes on each business segment is minimal.

Overseas Sales

Consolidated cumulative total for second quarter (from April 1, 2008 to September 30, 2008)

(Millions of yen)

	Other Regions	Total
I Overseas Sales	2,024	2,024
II Consolidated net sales	—	19,430
III Overseas sales as a percentage of consolidated net sales (%)	10.4	10.4

Consolidated cumulative total for second quarter (from April 1, 2009 to September 30, 2009)

(Millions of yen)

	Other Regions	Total
I Overseas Sales	1,568	1,568
II Consolidated net sales	—	15,967
III Overseas sales as a percentage of consolidated net sales (%)	9.8	9.8

Notes:

1. Countries and regions are categorized based on geographic proximity.
2. Because only small amounts of net sales were recorded in each country and region outside Japan, these countries and regions are aggregated under Other Regions.
Principal countries included in Other regions are the United States and the Netherlands.
3. Overseas sales are those recorded by the Company and its consolidated subsidiaries in countries and regions outside Japan.

6. Other Information

Status of Production, Orders and Sales

Consolidated cumulative total for second quarter (from April 1, 2009 to September 30, 2009)

(1) Production amounts

Segment information by type of business	Millions of yen	% change YoY
Systems Development	8,937	75.3
System Operations and Infrastructure Development	2,110	84.3
Total	11,048	76.8

(2) Purchase amounts

Segment information by type of business	Millions of yen	% change YoY
Product Sales	3,238	96.4
Total	3,238	96.4

(3) Status of orders

Segment information by type of business	Orders received (Millions of yen)	(% change YoY)	Order backlog (Millions of yen)	(% change YoY)
Systems Development	9,257	71.0	4,323	57.7
System Operations and Infrastructure Development	1,639	62.5	1,335	68.6
Product Sales	5,894	98.5	3,010	114.9
Total	16,791	77.6	8,669	71.9

(4) Sales amounts

Segment information by type of business	Millions of yen	% change YoY
Systems Development	8,368	78.4
System Operations and Infrastructure Development	2,091	84.7
Product Sales	5,506	87.7
Total	15,967	82.2