May 13, 2010

# Summary of Consolidated Financial Results for the Year Ended March 31, 2010

**Company name:** SRA Holdings, Inc.
(URL: http://www.sra-hd.co.jp/)
**Stock listing:** Tokyo Stock Exchange
**Code number:** 3817
**President:** Toru Kashima
**For inquiries, please contact:** Makoto Kitai, General Manager, Finance Department, Administrative Headquarters
**Tel:** (03)-5979-2666
**Date of ordinary general meeting of shareholders:** June 25, 2010
**Scheduled commencement of dividend payment:** June 11, 2010
**Scheduled date of submission of financial reports:** June 25, 2010

## 1. Consolidated Financial Results for Fiscal 2010 (from April 1, 2009 to March 31, 2010)

(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 2010 | 34,053 | (18.5) | 1,997 | (47.7) | 2,059 | (47.1) | 1,238 | (39.3) |
| Fiscal 2009 | 41,777 | (7.3) | 3,820 | (6.9) | 3,894 | (6.9) | 2,041 | (8.2) |

| | 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 2010 | 89.48 | — | 8.5 | 7.7 | 5.9 |
| Fiscal 2009 | 147.52 | — | 15.0 | 14.3 | 9.1 |

Reference: Gain (loss) on equity method investments:
Fiscal 2010: —
Fiscal 2009: —

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Shareholders' Equity Ratio | Shareholders' Equity per Share |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | % | Yen |
| Fiscal 2010 | 27,204 | 15,129 | 55.4 | 1,089.15 |
| Fiscal 2009 | 26,519 | 14,164 | 53.0 | 1,014.91 |

Reference: Shareholders' equity
Fiscal 2010: ¥15,073 million
Fiscal 2009: ¥14,046 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 2010 | 2,025 | (2,714) | (737) | 10,324 |
| Fiscal 2009 | 2,194 | (852) | (772) | 11,753 |

## 2. Dividends

| | Dividend per Share | | | | | Total Dividends (for the year) | Dividend Propensity (consolidated) | Net Assets to Dividend Ratio (consolidated) |
|---|---|---|---|---|---|---|---|---|
| Record date | End of First Quarter | End of Second Quarter | End of Third Quarter | Year-end | For the year | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| Fiscal 2009 | 0.00 | 0.00 | 0.00 | 40.00 | 40.00 | 553 | 27.1 | 4.1 |
| Fiscal 2010 | 0.00 | 0.00 | 0.00 | 40.00 | 40.00 | 553 | 44.7 | 3.8 |
| Fiscal 2011 (forecast) | 0.00 | 0.00 | 0.00 | 40.00 | 40.00 | — | 36.9 | — |

## 3. Consolidated Earnings Forecast for Fiscal 2011 (from April 1, 2010 to March 31, 2011)

(% 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 | 16,300 | (2.1) | 850 | (19.2) | 850 | (19.9) | 490 | (38.0) | 35.41 |
| Full Year | 35,500 | (4.2) | 2,600 | (30.1) | 2,600 | (26.2) | 1,500 | (21.1) | 108.38 |

## 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 2010: 15,240,000 shares
   Fiscal 2009: 15,240,000 shares
2. Own shares at end of term
   Fiscal 2010: 1,400,227 shares
   Fiscal 2009: 1,400,198 shares

[Reference] Summary of non-consolidated financial results

## 1. Non-Consolidated Financial Results for Fiscal 2010 (from April 1, 2009 to March 31, 2010)

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

| | Net Sales | | Operating Income | | Ordinary Profit | | Net Income | |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Fiscal 2010 | 1,153 | (29.1) | 790 | (24.4) | 787 | (23.9) | 859 | (16.8) |
| Fiscal 2009 | 1,626 | 26.8 | 1,046 | 55.6 | 1,034 | 57.2 | 1,033 | 62.6 |

| | Net Income per Share | Net Income per Share after Dilution |
|---|---|---|
| | Yen | Yen |
| Fiscal 2010 | 57.17 | — |
| Fiscal 2009 | 68.57 | — |

(2) Non-Consolidated Financial Position

| | Net Income | Net Assets | Shareholders' Equity Ratio | Shareholders' Equity per Share |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | % | Yen |
| Fiscal 2010 | 9,740 | 9,570 | 98.0 | 635.45 |
| Fiscal 2009 | 9,207 | 9,156 | 98.5 | 603.65 |

Reference: Shareholders' equity:
Fiscal 2010: ¥9,550 million
Fiscal 2009: ¥9,072 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.

# 1. Business Results

## (1) Analysis of Business Results

**(Business results for the fiscal year)**

During the fiscal year ended March 31, 2010, although an improvement could be seen in the Japanese economy due to a pickup in personal consumption and cessation of the decline in capital investment, difficult economic conditions persisted owing to a severe employment situation and deflation. In the information services industry, the harsh environment continued along with ongoing curbs in customers' IT investments that reflected a large decrease in corporate earnings.

Under these circumstances, the SRA Holdings Group worked to establish a structure for stable orders by creating new sales processes. Moreover, with the aim of securing gross profit, we strived to enhance efficiency by utilizing tools and methods to improve development efficiency, raise utilization rates by ensuring an appropriate allocation of development personnel, and restrain outsourcing expenses by promoting internal development and offshore development. To achieve an improvement in profits, we also continued to restrain selling, general and administrative (SG&A) expenses.

Additionally, as part of initiatives to "expand overseas business earnings opportunities," a priority issue under the medium-term management plan, in August 2009 SRA OSS, Inc., a subsidiary, formed a business and capital alliance with Proxim Wireless Corporation, which has a proven track record in the wireless communication connection equipment market. This alliance was formed to expand and upgrade business by adding the building of networks for wireless communications to system integration services, centered on systems development. Moreover, as a move for promoting our business in China, in December 2009 we acquired additional shares in SJI Inc., with which we already had a business and capital alliance, to further strengthen our relationship with that company.

As a result of these measures, our consolidated business results for the fiscal year were virtually in line with the figures of our revised results forecast announced in February 2010. Nevertheless, as detailed below, revenues and profits were below the amounts recorded in the previous fiscal year.

Consolidated net sales amounted to ¥34,053 million, a decrease of 18.5% from the previous fiscal year.

Advanced Integration Technology (AIT), Inc., a principal subsidiary, continued to post favorable sales of devices to the distribution, medical and telecommunications industries. Regarding the Systems Development business of Software Research Associates (SRA), Inc., a core company, despite a halt in the decline in orders in the third quarter and subsequent increase in sales to electric power and gas industries and schools, orders from the securities and manufacturing industries fell sharply. Software Science, Inc. recorded a decline in sales due to the shift by customers toward carrying out development projects internally.

At the profit level, gross profit declined due to lower net sales; a greater-than-anticipated drop in the unit prices of orders from the securities industry, which is a principal customer; and the continuation of a provision for loss on construction contracts that we recorded in the second quarter. Despite efforts to restrain selling, general and administrative (SG&A) expenses, operating income declined 47.7% from the previous fiscal year to ¥1,997 million and ordinary profit declined 47.1% to ¥2,059 million. SRA Holdings posted a gain on reversal of subscription rights to shares, and thus net income amounted to ¥1,238 million, a decrease of 39.3%.

**Trends in Consolidated Business Results** (¥ million)

| | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 | |
|---|---|---|---|---|---|---|
| | | | | | Most recent forecast figures (announced February 10) | Actual |
| Net sales | 34,145 | 36,765 | 45,058 | 41,777 | 34,000 | 34,053 |
| Operating income | 1,719 | 2,848 | 4,102 | 3,820 | 2,100 | 1,997 |
| Ordinary profit | 1,762 | 2,923 | 4,181 | 3,894 | 2,100 | 2,059 |
| Net income | 933 | 2,015 | 2,224 | 2,041 | 1,150 | 1,238 |

Note: The figures prior to FY2006 are consolidated figures for SRA.

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

**Systems Development**

The Systems Development business recorded a sharp decline in orders from the securities and manufacturing industries. As a result, net sales for this segment in the fiscal year amounted to ¥17,831 million, a decrease of 21.9% from the previous fiscal year.

**System Operations and Infrastructure Development**

In addition to a slight decline in school-related orders, System Operations and Infrastructure Development recorded a sharp decrease in orders from the corporate sector. Consequently, net sales in this segment amounted to ¥4,130 million, a decline of 18.7% from the previous fiscal year.

**Product Sales**

In Product Sales, although AIT recorded favorable mid-sized orders for devices, mainly servers, orders declined from the previous fiscal year when large orders from financial institutions were posted. Meanwhile, SRA recorded a decline in sales of packages. As a result, net sales for the fiscal year in this segment amounted to ¥12,091 million, a decline of 12.8% from the previous fiscal year.

(**Outlook for the Next Fiscal Year**)

Despite the persistent severity of the employment environment in the near term, the Japanese economy is expected to sustain a recovery on the back of improved corporate earnings. Nonetheless, there are a number of reasons for concern, such as deflation, and the outlook is uncertain.

In the information services industry, despite the continued recovery trend in corporate earnings, customers are still maintaining a cautious stance toward IT investments, and the harsh business environment is expected to continue in the future.

Under these conditions, the SRA Holdings Group will establish a structure for securing stable orders, raise the gross profit margin, as well as curb costs and upgrade and expand its overseas business as a springboard for significant growth and development in the future.

For the fiscal year ending March 31, 2011, we are forecasting consolidated net sales of ¥35,500 million, consolidated operating income of ¥2,600 million, consolidated ordinary profit of ¥2,600 million and consolidated net income of ¥1,500 million.

## (2) Analysis of Financial Position

Cash and cash equivalents on a consolidated basis at the end of the fiscal year decreased ¥1,428 million to ¥10,324 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 mainly of such cash inflows as income before income taxes and minority interests of ¥2,115 million and a decrease in notes and accounts receivable—trade of ¥1,328 million. Cash outflows were primarily income taxes paid of ¥1,100 million and an increase in inventories of ¥394 million.

**Cash Flows from Investing Activities**

Net cash used in investing activities amounted to ¥2,714 million. This was due mainly to the outflow of ¥2,243 million for purchases of investment securities and ¥456 million for purchases of property, plant and equipment and purchases of intangible assets.

**Cash Flows from Financing Activities**

Net cash used in financing activities amounted to ¥737 million. This was due mainly to such cash outflows as ¥553 million in cash dividends paid and a net decrease in short-term loans payable amounting to ¥174 million.

**Trends in Cash Flows Indicators**

| | FY2008 | FY2009 | FY2010 |
|---|---|---|---|
| Shareholders' equity ratio (%) | 47.0 | 53.0 | 55.4 |
| Shareholders' equity ratio at market value (%) | 93.9 | 37.3 | 43.0 |
| Debt redemption years to cash flow (years) | 1.4 | 1.2 | 1.2 |
| Interest coverage ratio (times) | 38.2 | 41.4 | 52.5 |

Notes:

Shareholders' equity ratio: Shareholders' equity/total assets

Shareholders' equity ratio at market value: Market capitalization/total assets

Debt redemption years to cash flow: 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 using the total number of shares outstanding at the end of the fiscal period excluding treasury shares.
3. Cash flows from operating activities is used for cash flow.
4. Interest-bearing debt includes all debt that pays interest as listed on the Consolidated Balance Sheets.

## (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 on September 20, 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, 2010, in accordance with our dividend policy of striving to realize a consolidated payout ratio of 20% while considering various factors, the Company will pay regular cash dividends per share of ¥40.00.

Regarding dividends for the fiscal year ending March 31, 2011, the Company plans to maintain ordinary cash dividends per share of ¥40.00 for the reasons detailed below. In the event that these dividends are paid, the consolidated payout ratio will be 36.9%.

1. 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.

2. Therefore, we are implementing a policy of making proactive investments (such as investments for M&A) in our main businesses in working to ensure the Group’s growth.

3. At the same time, we also continually consider “redistributing profits to shareholders” from the perspective of efficient use of shareholders’ equity.

4. Taking into consideration our ample liquidity in hand at present, as part of efforts to contribute to the efficient utilization of assets and capital, we have decided that “redistributing profits to shareholders” is a high priority and in the fiscal year ending March 31, 2010, we thus plan to maintain cash dividends per share of ¥40.00.

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 Systems Development and the System Operations and Infrastructure Development 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 46.0% of manufacturing costs as of the end of the fiscal period.

**[2] Project profitability in Systems Development**

In the core Systems 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. Management Policy

### (1) The Company's Basic Management Policy

The SRA Holdings Group adheres to a basic management policy of maximizing user satisfaction through IT based on its management principle of "contributing to the future of humanity through professional practice that fosters progress in the fields of computer science," which has been our guiding principle since the founding of SRA. In accordance with this basic management policy, amid a rapidly changing business environment, we will strive to meet the expectations of the information services industry while raising profits for shareholders and increasing corporate value by pursuing profitability and growth.

Regarding the management of the SRA Holdings Group, under our holding company structure centering on SRA Holdings, we will strengthen the Group's operating structure while taking concrete measures, such as implementing M&A, and raise the overall capabilities of the Group with the aim of enhancing corporate value.

### (2) Management Indicator Targets

The SRA Holdings Group has adopted "ordinary profit margin" as a representative indicator of the Company's overall earnings power and has set the medium- and long-term numerical target of quickly attaining and maintaining an ordinary profit margin of 10% or higher."

Also, the SRA Holdings Group continues to use return on equity (ROE) as an indicator of efficient deployment of shareholders' equity. The Group has established the numerical target of "attaining and maintaining double-digit consolidated ROE."

The Group's consolidated ordinary profit margin and ROE are as shown below.

| | Consolidated ordinary profit margin | Consolidated ROE |
|---|---|---|
| FY2007 (actual) | 8.0% | 18.8% |
| FY2008 (actual) | 9.3% | 18.0% |
| FY2009 (actual) | 9.3% | 15.0% |
| FY2010 (actual) | 6.0% | 8.5% |
| FY2011 target | 7.3% (plan) | 10.0% (plan) |

### (3) Medium- and Long-term Management Strategy

The Group is implementing its three-year management plan, in which fiscal 2010 was the second year.

Under this plan, we aim to establish a position in the industry as an independent company that provides truly optimal choices from a neutral standpoint without bias toward any specific vendors and manufacturers and to strengthen our business strategies and business structures to achieve continual development. At the same time, we will lay the cornerstone for future growth.

**1. Establish a position as an independent company**

- Raise the constitution of management for the purpose of strengthening our corporate competitiveness (steadily raise important management indicators)

**2. Strengthen our business strategies and business structures to achieve continual development**

[1] Strengthen business strategies by rebuilding business segments

- Systems Development business: Shift weighting toward promising markets (financial, embedded systems, education, and others)

- System Operations and Infrastructure Development business: Shift weighting toward such high-profit businesses as building server systems
- Product Sales business: Undertake an exhaustive review of product and sales structures with the aim of expanding markets and achieving a large improvement in profit ratios (strengthen the solutions business and product business as well as bolster sales structures)
- Promote the lifecycle business
- Rebuild the production structure (employees, offshore, and domestic business partners) and strengthen the production management system

[2] Strengthen our business structure by realizing Group synergies

- Strategically carry out business in the embedded systems, education, product sales, and electric power fields as well as in China through "virtual" organizations

**3. Lay the cornerstone for advancing the SRA Holdings Group's business capabilities over the medium- and long-term**

[1] Strengthen our business portfolio through initiatives focused on the "product business"

[2] Realize SRA's strengths by "establishing business models for leading-edge technologies"

[3] Expand overseas business earnings opportunities by upgrading and expanding business in Europe and the United States and building a foundation for growth in Asia

### (4) Issues to Be Addressed by the Company

The SRA Holdings Group will execute the following tasks.

1. Securing stable order flow.

(1) Refine business processes.

- Refine a process for creating opportunities (projects) and ensuring that this can reliably lead to the securing of new orders.

(2) Refine a solid customer base and strengthen order-generating activities for creating new opportunities.

- Expand existing customer base and extend business to other divisions and Group companies.
- Promote lifecycle sales.
- Expand sales in the securities and manufacturing (embedded) industries and disperse risk by increasing Group presences in other markets (electric power, education, and rail transport).
- Exploit synergies by sharing order acquisition strategies.

2. Increasing gross profit margins and curbing costs.

(1) Increasing gross profit margin by strengthening cost management.

- Boost production efficiency (share project management environment, unify development frameworks, implement company-wide use of source code search tools).
- Promote offshore development (India and China).

(2) Continue to control SG&A expenses.

(3) Promote the high-profit “product business” (including meeting the demand for migration services).

Note: Migration refers to work for the conversion of programs and data accompanying system migration. In the case of transferring an application to a different OS system, it is necessary to transfer programs and data and modify data. These are also types of migration.

3. Expand and enhance overseas operation (Europe, America, China, Asia) as a foundation for dramatic growth and development.

(1) Carry out business development in the China market through collaboration with SJI and DCH.

Note: DCH is a core company of the Lenovo Group and is China’s largest IT products wholesaler as well as a leading IT service provider in principal industries.

(2) Cultivate SI and wireless communication business in Europe, America and growth markets (BRICs) based on business alliances with SRA OSS, Inc. and Proxim.

**(5) Other Important Management Matters**

None

# 3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

| | FY2009<br>(as of March 31, 2009) | FY2010<br>(as of March 31, 2010) |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and deposits | 10,335 | 8,957 |
| Notes and accounts receivable—trade | 7,613 | 6,275 |
| Short-term investment securities | 1,503 | 1,504 |
| Merchandise and finished goods | 558 | 385 |
| Work in process | 571 | 1,140 |
| Deferred tax assets | 461 | 467 |
| Other | 591 | 610 |
| Allowance for doubtful accounts | (37) | (4) |
| Total current assets | 21,599 | 19,337 |
| **Noncurrent assets:** | | |
| Property, plant and equipment | | |
| Buildings | 254 | 257 |
| Accumulated depreciation | (157) | (173) |
| Buildings, net | 97 | 83 |
| Machinery, equipment and vehicles | 717 | 697 |
| Accumulated depreciation | (646) | (641) |
| Machinery, equipment and vehicles, net | 71 | 56 |
| Land | 0 | 0 |
| Other | 100 | 101 |
| Accumulated depreciation | (66) | (69) |
| Other, net | 33 | 31 |
| Total property, plant and equipment | 202 | 172 |
| Intangible assets | | |
| Other | 429 | 701 |
| Total intangible assets | 429 | 701 |
| Investments and other assets | | |
| Investment securities | 1,314 | 4,069 |
| Deferred tax assets | 1,677 | 1,586 |
| Guarantee deposits | 531 | 529 |
| Other | 882 | 949 |
| Allowance for doubtful accounts | (10) | (48) |
| Allowance for investment loss | (107) | (93) |
| Total investments and other assets | 4,287 | 6,993 |

| | | |
|---|---|---|
| Total noncurrent assets | 4,920 | 7,867 |
| **Total assets** | 26,519 | 27,204 |

(Millions of Yen)

| | FY2009 (as of March 31, 2009) | FY2010 (as of March 31, 2010) |
|---|---|---|
| **LIABILITIES** | | |
| **Current liabilities:** | | |
| Accounts payable—trade | 2,702 | 2,818 |
| Short-term loans payable | 2,358 | 2,184 |
| Current portion of long-term loans payable | 10 | — |
| Accrued expenses | 658 | 570 |
| Income taxes payable | 743 | 522 |
| Accrued consumption taxes | 414 | 243 |
| Provision for bonuses | 568 | 569 |
| Provision for directors' bonuses | 0 | 0 |
| Provision for loss on construction contracts | — | 148 |
| Other | 542 | 518 |
| Total current liabilities | 7,999 | 7,576 |
| **Noncurrent liabilities:** | | |
| Bonds payable | 300 | 300 |
| Deferred tax liabilities | — | 135 |
| Provision for retirement benefits | 3,620 | 3,632 |
| Provision for directors' retirement benefits | 422 | 422 |
| Negative goodwill | 13 | 8 |
| Total noncurrent liabilities | 4,356 | 4,498 |
| **Total liabilities** | 12,355 | 12,075 |
| **NET ASSETS** | | |
| **Shareholders' equity** | | |
| Capital stock | 1,000 | 1,000 |
| Capital surplus | 4,483 | 4,483 |
| Retained earnings | 9,518 | 10,202 |
| Treasury stock | (894) | (894) |
| Total shareholders' equity | 14,107 | 14,792 |
| **Valuation and translation adjustments** | | |
| Valuation difference on available-for-sales securities | 60 | 414 |
| Foreign currency translation adjustments | (121) | (133) |
| Total valuation and translation adjustments | (61) | 281 |
| **Subscription rights to shares** | 83 | 19 |
| **Minority interests** | 34 | 36 |
| **Total net assets** | 14,164 | 15,129 |
| **Total liabilities and net assets** | 26,519 | 27,204 |

## (2) Consolidated Statements of Income

(Millions of Yen)

| | **FY2009** (April 1, 2008- March 31, 2009) | **FY2010** (April 1, 2009- March 31, 2010) |
|---|---|---|
| **Net sales** | 41,777 | 34,053 |
| **Cost of sales** | 33,430 | 28,341 |
| Gross profit | 8,346 | 5,711 |
| **Selling, general and administrative expenses** | 4,525 | 3,713 |
| Operating income | 3,820 | 1,997 |
| **Non-operating income** | | |
| Interest received | 34 | 30 |
| Dividends received | 15 | 20 |
| Technical guidance fee | 9 | 0 |
| Sales incentives | 48 | 12 |
| Dividends income of insurance | ― | 14 |
| Gain on sales of securities | 5 | ― |
| Other | 40 | 44 |
| Total non-operating income | 153 | 122 |
| **Non-operating expenses** | | |
| Interest expenses | 52 | 39 |
| Transfer agent processing fee | 15 | 10 |
| Other | 11 | 10 |
| Total non-operating expenses | 79 | 61 |
| **Ordinary profit** | 3,894 | 2,059 |
| **Extraordinary income** | | |
| Gain on sales of noncurrent assets | ― | 0 |
| Gain on reversal of subscription rights to shares | ― | 73 |
| Reversal of provision for directors' retirement benefits | ― | 18 |
| Total extraordinary income | ― | 91 |
| **Extraordinary loss** | | |
| Loss on retirement of noncurrent assets | 1 | 1 |
| Provision of allowance for investment loss | ― | 22 |
| Loss on valuation of investment securities | 70 | 8 |
| Loss on valuation of stocks of subsidiaries and affiliates | 10 | ― |
| Loss on valuation of memberships | 27 | ― |
| Other | ― | 3 |
| Total extraordinary loss | 110 | 35 |

| | | |
|---|---|---|
| **Income before income taxes and minority interests** | 3,784 | 2,115 |
| Income taxes-current | 1,810 | 879 |
| Income taxes-deferred | (81) | (4) |
| Total income taxes | 1,729 | 875 |
| Minority interests in income | 13 | 1 |
| **Net income** | 2,041 | 1,238 |

(3) Consolidated Statements of Changes in Net Assets

(Millions of Yen)

| | FY2009 (April 1, 2008- March 31, 2009) | FY2010 (April 1, 2009- March 31, 2010) |
|---|---|---|
| **Shareholders' equity** | | |
| **Capital stock** | | |
| Balance at end of previous period | 1,000 | 1,000 |
| Changes of items during the period | | |
| Total change during the period | — | — |
| Balance at end of current period | 1,000 | 1,000 |
| **Capital surplus** | | |
| Balance at end of previous period | 4,519 | 4,483 |
| Changes of items during the period | | |
| Decrease due to purchase of treasury stock from consolidated subsidiaries | (35) | — |
| Total change of items during the period | (35) | — |
| Balance at the end of period | 4,483 | 4,483 |
| **Retained earnings** | | |
| Balance at the end of previous period | 8,029 | 9,518 |
| Changes of items during the period | | |
| Dividends from surplus | (553) | (553) |
| Net income | 2,041 | 1,238 |
| Total change of items during the period | 1,488 | 684 |
| Balance at the end of period | 9,518 | 10,202 |
| **Treasury stock** | | |
| Balance at the end of previous period | (894) | (894) |
| Changes of items during the period | | |
| Purchase of treasury stock | — | (0) |
| Total change of items during the period | — | (0) |
| Balance at end of current period | (894) | (894) |
| **Total shareholders' equity** | | |
| Balance at the end of previous period | 12,654 | 14,107 |
| Changes of items during the period | | |
| Dividends from surplus | (553) | (553) |
| Net income | 2,041 | 1,238 |
| Decrease due to purchases of treasury stock from consolidated subsidiary | (35) | — |
| Total change of items during the period | 1,452 | 684 |
| Balance at the end of period | 14,107 | 14,792 |

| | | |
|---|---|---|
| **Valuation and translation adjustments** | | |
| **Valuation difference on available-for-sale securities** | | |
| Balance at the end of previous period | 480 | 60 |
| Changes of items during the period | | |
| Net change of items other than shareholders' equity | (420) | 354 |
| Total change of items during the period | (420) | 354 |
| Balance at the end of current period | 60 | 414 |
| **Foreign currency translation adjustment** | | |
| Balance at the end of previous period | 15 | (121) |
| Changes of items during the period | | |
| Net change of items other than shareholders' equity | (137) | (11) |
| Total change of items during the period | (137) | (11) |
| Balance at the end of current period | (121) | (133) |
| **Total valuation and translation adjustments** | | |
| Balance at end of previous period | 495 | (61) |
| Changes of items during the period | | |
| Net change of items other than shareholders' equity | (557) | 342 |
| Total change of items during the period | (557) | 342 |
| Balance at the end of current period | (61) | 281 |
| **Subscription rights to shares** | | |
| Balance at end of previous period | 52 | 83 |
| Changes of items during the period | | |
| Net change of items other than shareholders' equity | 31 | (64) |
| Total change of items during the period | 31 | (64) |
| Balance at the end of current period | 83 | 19 |
| **Minority interests** | | |
| Balance at end of previous period | 21 | 34 |
| Changes of items during the period | | |
| Net change of items other than shareholders' equity | 13 | 1 |
| Total change of items during the period | 13 | 1 |
| Balance at the end of current period | 34 | 36 |

| | | |
|---|---|---|
| **Total net assets** | | |
| Balance at end of previous period | 13,224 | 14,164 |
| Changes of items during the period | | |
| Dividends from surplus | (553) | (553) |
| Net income | 2,041 | 1,238 |
| Purchase of treasury stock | — | (0) |
| Decrease due to purchase of treasury shares from consolidated subsidiary | (35) | — |
| Net change of items other than shareholders' equity | (512) | 280 |
| Total change of items during the period | 939 | 965 |
| Balance at end of current period | 14,164 | 15,129 |

## (4) Consolidated Statements of Cash Flows

(Millions of Yen)

| | **FY2009** (April 1, 2008- March 31, 2009) | **FY2010** (April 1, 2009- March 31, 2010) |
|---|---|---|
| **Net cash provided by (used in) operating activities:** | | |
| Income before income taxes and minority interests | 3,784 | 2,115 |
| Depreciation and amortization | 258 | 238 |
| Loss on valuation of memberships | 27 | 0 |
| Increase (decrease) in provision for retirement benefits | 201 | 6 |
| Increase (decrease) in provision for directors' retirement benefits | 21 | 0 |
| Increase (decrease) in provision for bonuses | (84) | 0 |
| Increase (decrease) in provision for directors' bonuses | (73) | (0) |
| Increase (decrease) in allowance for doubtful accounts | 14 | 5 |
| Increase (decrease) in allowance for investment loss | — | (13) |
| Interest and dividend income | (49) | (51) |
| Interest expense | 52 | 39 |
| Loss (gain) on valuation of investment securities | 81 | 8 |
| Loss (gain) on sales of noncurrent assets | — | (0) |
| Loss on retirement of noncurrent assets | 1 | 1 |
| Decrease (increase) in notes and accounts receivable—trade | 1,245 | 1,328 |
| Decrease (increase) in inventories | 609 | (394) |
| Increase (decrease) in notes and accounts payable—trade | (740) | 121 |
| Increase (decrease) in other liabilities | (552) | 14 |
| Increase (decrease) in accrued consumption taxes | 21 | (170) |
| Other, net | 96 | (129) |
| Subtotal | 4,915 | 3,121 |
| Interest and dividends income received | 49 | 43 |
| Interest expenses paid | (53) | (38) |
| Income taxes paid | (2,718) | (1,100) |
| Net cash provided by operating activities | 2,194 | 2,025 |
| **Net cash provided by (used in) investing activities:** | | |
| Purchases of property, plant and equipment | (57) | (33) |
| Proceeds from sale of property, plant and equipment | 0 | 2 |
| Purchases of intangible assets | (174) | (422) |
| Purchases of investment securities | (588) | (2,243) |
| Proceeds from sales of investment securities | 0 | 24 |
| Payments of loans receivable | (48) | (527) |
| Collection of loans receivable | 47 | 568 |
| Payments into time deposits | (105) | (70) |
| Proceeds from withdrawal of time deposits | 105 | 20 |
| Payment for guarantee deposited | (10) | (35) |

| | | |
|---|---|---|
| Proceeds from collection of guarantee deposited | 3 | 36 |
| Other, net | (23) | (34) |
| Net cash used in investing activities | (852) | (2,714) |
| **Net cash provided by (used in) financing activities:** | | |
| Net increase (decrease) in short-term loans payable | (196) | (174) |
| Repayments of long-term loans payable | (22) | (10) |
| Proceeds from issuance of bonds | 300 | — |
| Redemption of bonds | (300) | — |
| Purchase of treasury stock | — | (0) |
| Cash dividends paid | (553) | (553) |
| Net cash provided used in financing activities | (772) | (737) |
| **Effect of exchange rate changes on cash and cash equivalents** | (82) | (2) |
| **Net increase (decrease) in cash and cash equivalents** | 487 | (1,428) |
| **Cash and cash equivalents at beginning of period** | 11,265 | 11,753 |
| **Cash and cash equivalents at the end of period** | 11,753 | 10,324 |

## Segment Information

a. Segment Information by Type of Business

**Fiscal 2009 (from April 1, 2008 to March 31, 2009)**

(Millions of yen)

| | Systems Development | System Operations and Infrastructure Development | Product Sales | Total | Eliminations/ Corporate | Consolidated |
|---|---|---|---|---|---|---|
| **I** Net Sales, Operating Income and Expenses | | | | | | |
| Sales<br>(1) Sales to customers | 22,837 | 5,078 | 13,861 | 41,777 | — | 41,777 |
| (2) Intersegment sales or transfers | 77 | 323 | 497 | 897 | (897) | — |
| Total sales | 22,915 | 5,401 | 14,358 | 42,675 | (897) | 41,777 |
| Operating expenses | 18,988 | 4,122 | 13,247 | 36,358 | 1,597 | 37,956 |
| Operating income | 3,926 | 1,279 | 1,110 | 6,316 | (2,495) | 3,820 |
| **II** Assets, depreciation expenses and capital-related expenditures | | | | | | |
| Assets | 8,077 | 1,829 | 4,719 | 14,626 | 11,893 | 26,519 |
| Depreciation expenses | 164 | 28 | 64 | 256 | 1 | 258 |
| Capital-related expenditures | 129 | 40 | 52 | 222 | 0 | 222 |

Notes:

1. Change in the Names of Business Segments

Previously, the Company expressed its business segments as “System Development,” “Network & Systems Services,” and “Consulting & Other Services.” From fiscal 2009, the Company changed the names of these business segments to the “Systems Development,” “System Operations and Infrastructure Development,” and “Product Sales” segments, respectively. This change had no impact on business segment information.

2. Principal contents of business in each segment.

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

3. Unallocatable operating expenses in Eliminations/Corporate amounted to ¥2,495 million for the fiscal year. These consisted mainly of R&D expenses and expenses related to the Group’s management divisions.
4. Total Company assets in Eliminations/Corporate amounted to ¥12,075 million for the fiscal year. These consisted mainly of the Group’s 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.

## Fiscal 2010 (from April 1, 2009 to March 31, 2010)

(Millions of yen)

| | Systems Development | System Operations and Infrastructure Development | Product Sales | Total | Eliminations/ Corporate | Consolidated |
|---|---|---|---|---|---|---|
| **I** Net Sales, Operating Income and Expenses | | | | | | |
| Sales<br>(1) Sales to customers | 17,831 | 4,130 | 12,091 | 34,053 | — | 34,053 |
| (2) Intersegment sales or transfers | 56 | 234 | 476 | 767 | (767) | — |
| Total sales | 17,887 | 4,364 | 12,567 | 34,820 | (767) | 34,053 |
| Operating expenses | 15,871 | 3,394 | 11,764 | 31,030 | 1,024 | 32,055 |
| Operating income | 2,016 | 970 | 803 | 3,789 | (1,791) | 1,997 |
| **II** Assets, depreciation expenses and capital-related expenditures | | | | | | |
| Assets | 8,345 | 1,941 | 4,869 | 15,156 | 11,912 | 27,069 |
| Depreciation expenses | 167 | 19 | 49 | 236 | 1 | 237 |
| Capital-related expenditures | 193 | 68 | 86 | 348 | — | 348 |

Notes:

1. Principal contents of business in each segment.

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

2. Unallocatable operating expenses in Eliminations/Corporate amounted to ¥1,791 million for the fiscal year. These consisted mainly of R&D expenses and expenses related to the Group's management divisions.
3. Total Company assets in Eliminations/Corporate amounted to ¥12,038 million for the fiscal year. These consisted mainly of the Group's surplus operating assets (cash, deposits, and marketable securities), long-term invested assets (investment securities), and deferred tax assets.

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

b. Geographical Segments

**Fiscal 2009 (from April 1, 2008 to March 31, 2009)**

(Millions of yen)

| | Japan | Other Regions | Total | Eliminations/ Corporate | Consolidated |
|---|---|---|---|---|---|
| **I** Net Sales, Operating Income and Expenses | | | | | |
| Sales<br>(1) Sales to customers<br>(2) Intersegment sales or transfers | <br>38,260<br><br>113 | <br>3,516<br><br>43 | <br>41,777<br><br>156 | <br>—<br><br>(156) | <br>41,777<br><br>— |
| Total sales | 38,373 | 3,559 | 41,933 | (156) | 41,777 |
| Operating expenses | 34,340 | 3,231 | 37,572 | 384 | 37,956 |
| Operating income | 4,033 | 328 | 4,361 | (540) | 3,820 |
| **II** Assets | 24,570 | 1,019 | 25,589 | 929 | 26,519 |

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 accounted for more than 10% of total consolidated sales during the first quarter and thus geographic segment information has been included from the first quarter of the current fiscal year.
4. Unallocatable operating expenses in Eliminations/Corporate amounted to ¥532 million for the fiscal year. These consisted mainly of expenses related to SRA Holdings.
5. Total Company assets in Eliminations/Corporate amounted to ¥945 million for the fiscal year. These consisted mainly of the Group’s surplus operating assets (cash, deposits) and long-term invested assets (investment securities).

**Fiscal 2010 (from April 1, 2009 to March 31, 2010)**

(Millions of yen)

| | Japan | Other Regions | Total | Eliminations/ Corporate | Consolidated |
|---|---|---|---|---|---|
| **I** Net Sales, Operating Income and Expenses | | | | | |
| Sales<br>(1) Sales to customers<br>(2) Intersegment sales or transfers | 31,286<br>265 | 2,766<br>15 | 34,053<br>280 | —<br>(280) | 34,053<br>— |
| Total sales | 31,551 | 2,782 | 34,333 | (280) | 34,053 |
| Operating expenses | 29,307 | 2,669 | 31,977 | 78 | 32,055 |
| Operating income | 2,243 | 113 | 2,356 | (359) | 1,997 |
| **II** Assets | 24,041 | 1,727 | 25,769 | 1,300 | 27,069 |

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. Unallocatable operating expenses in Eliminations/Corporate amounted to ¥359 million for the fiscal year. These consisted mainly of expenses related to SRA Holdings.
4. Total Company assets in Eliminations/Corporate amounted to ¥1,478 million for the fiscal year. These consisted mainly of the Group’s surplus operating assets (cash, deposits) and long-term invested assets (investment securities).

c. Overseas Sales

**Fiscal 2009 (from April 1, 2008 to March 31, 2009)**

(Millions of yen)

| | Other Regions | Total |
|---|---|---|
| **I** Overseas Sales | 3,518 | 3,518 |
| **II** Consolidated net sales | — | 41,777 |
| **III** Overseas sales as a percentage of consolidated net sales (%) | 8.4 | 8.4 |

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.
4. Overseas sales accounted for more than 10% of total consolidated sales in the first quarter of the current fiscal year and thus overseas sales are included in segment information from first quarter of the current fiscal year.

**Fiscal 2009 (from April 1, 2009 to March 31, 2010)**

(Millions of yen)

| | Other Regions | Total |
|---|---|---|
| **I** Overseas Sales | 2,767 | 2,767 |
| **II** Consolidated net sales | — | 34,053 |
| **III** Overseas sales as a percentage of consolidated net sales (%) | 8.1 | 8.1 |

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.