

Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2012

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
Scheduled date of submission of quarterly securities report: August 12, 2011
Scheduled commencement of dividend payment: —
Quarterly Results Supplemental Materials Yes
Quarterly Results Presentation Meeting No

1. Consolidated results for the first quarter of the fiscal year ending March 2012 (from April 1, 2011 to June 30, 2011)

(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	%
First quarter of fiscal 2012	7,528	(4.1)	316	45.7	363	36.0	245	506.7
First quarter of fiscal 2011	7,848	(0.0)	217	(23.5)	267	(13.7)	40	(73.9)

Note : Comprehensive Income

First quarter of fiscal 2012: ¥276 million

First quarter of fiscal 2011: (¥41)million

	Net Income	Net Income
	per Share	per Share after Dilution
First quarter of fiscal 2012	Yen 17.72	Yen —
First quarter of fiscal 2011	2.92	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
First quarter of fiscal 2012	27,814	15,220	54.7
Fiscal 2011	26,451	15,522	58.5

Reference: Shareholders' equity

First quarter of fiscal 2012: ¥15,205 million

Fiscal 2011 : ¥15,482 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 2011	—	—	—	40.00	40.00
Fiscal 2012	—	—	—	—	—
Fiscal 2012(forecast)	—	—	—	40.00	40.00

Note: Revision of dividend forecast in this quarter: No

3. Consolidated Earnings Forecast for Fiscal 2011 (from April 1, 2011 to March 31, 2012)

(% of change from FY2011 First Half or FY2011)

	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
FY2012 First Half (for the six months ending September 30, 2011)	16,000	(1.8)	880	10.1	880	2.9	520	31.2	37.57
FY2012	33,500	1.0	2,300	2.7	2,300	(3.1)	1,355	3.1	97.91

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

4. Others

(1) Changes to significant subsidiaries during the current period : No

Note: Changes in specified subsidiaries during the current period that caused changes in the scope of consolidation

(2) Application of simplified accounting and application of special accounting : No

Note: Application of simplified and special accounting for quarterly consolidated financial statements

(3) Changes in accounting principles and procedures, presentation, etc.

1. Changes caused by revision of accounting standards, etc. : No

2. Changes other than 1. above: No

Note: Changes in significant accounting policies and procedures, presentation which are stated in "change in important matters in preparing quarterly consolidated financial statements"

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)

First quarter of fiscal 2012: 15,240,000 shares

Fiscal 2011: 15,240,000 shares

2. Number of treasury stock

First quarter of fiscal 2012: 1,400,230 shares

Fiscal 2011: 1,400,230 shares

3. Average number of shares over period (consolidated total for quarter)

First quarter of fiscal 2012: 13,839,770 shares

First quarter of fiscal 2011: 13,839,771 shares

*Indication of quarterly review procedure implementation status

This earnings release is not subject to the quarterly review process as required by the Financial Instruments and Exchange Act of Japan. As of the date when this earnings release was issued, the review process on quarterly financial statements as required by the Financial Instruments and Exchange Act had been finished.

*Explanation relating to the appropriate use of results forecasts, and other noteworthy items

Forward-looking statements in this earnings release, such as forecasts of results of operations, are based on the information currently available and the certain assumptions that we regard as reasonable and therefore actual results may differ materially from those contained in or suggested by any forward-looking statements.

1. Qualitative Information Concerning First-Quarter Consolidated Business Results

(1) Qualitative Information Concerning Consolidated Business Results

During the first quarter of the fiscal year (April 1, 2011 to June 30, 2011), although the Japanese economy remained weak due to the impact of the Great East Japan Earthquake, production and exports began turning upward after a previous decline, while signs of a halt in the decrease in personal consumption were also visible.

In the information services industry, the harsh business environment persisted as corporate customers maintained a cautious stance toward IT investment.

Under these circumstances, in the first fiscal year of our newly formulated Medium-Term Management Plan*, the SRA Holdings Group promoted the plan's management strategies of "undertaking structural reforms" and "fully promoting our own IP products business and undertaking new businesses overseas."

Specifically, in "undertaking structural reforms," we are working to expand orders by strengthening business capabilities, build a high-profit production structure and transform to a cost structure appropriate for our business scale. Regarding measures for "undertaking new business overseas," we will actively develop our business not only in Europe and the United States, where we have achieved business results over long years, but also in the growth markets of China, India and ASEAN. As part of our efforts to promote business in China, we established a new company in Shanghai to carry out such business as systems development and the building of servers. This newly established company has already commenced business operations.

Note: Outline of Medium-Term Management Plan (from the fiscal year ending March 2012 through the fiscal year ending March 2014)

1. Management Targets

[1] Promotion of structural reforms

Increase and strengthen profitability by undertaking structural reforms in existing businesses.

(Final fiscal year target: ordinary profit margin of 10.6%)

[2] Medium- and long-term growth strategies

Promote our own IP products businesses. (Final fiscal year target: generate 10% of consolidated net sales)

Undertake new businesses overseas. (For the fiscal year ending March 2016: generate 10% of consolidated net sales)

*Own IP products business: Business for our own-brand products covered by intellectual property rights.

[3] Operating income, ordinary profit and net income

In the final year of the Medium-Term Management Plan, strive to record "operating income," "ordinary profit" and "net income" that exceed our previous record for profits (operating income and ordinary profit of ¥4,100 million and net income of ¥2,200 million) recorded for the fiscal year ended March 2008.

2. Management Strategies

[1] Promotion of structural reforms

[Systems Development and System Operations and Infrastructure Development]

Increase profitability by strengthening the foundations of existing businesses.

◎Expand orders by strengthening our business capabilities.

- ◎Build a high-profit production structure.
- ◎Transform to a cost structure appropriate for our business scale.

[Product Sales]

Secure growth potential by expanding business.

- ◎Expand into new fields (manufacturing, securities, municipalities, others).
- ◎Promote new businesses (solutions business [sales + service], cloud computing).
- ◎Develop business overseas (infrastructure development business and others in China).

[2] Medium- and long-term growth strategies

- ◎Fully promote our own IP products businesses.

Offer our own IP products businesses in growth areas (including advanced, high-profit products in Japan and overseas).

- ◎Undertake businesses overseas.

Undertake business in growth markets overseas (China, India and ASEAN).

Regarding our consolidated business results for the first quarter of the fiscal year, due to the above initiatives, revenues declined and profits increased as described below. Looking at sales, although sales increased in the Product Sales business, sales declined the Systems Development business and the System Operations and Infrastructure Development business. As a result, consolidated net sales declined 4.1% from the same period of the previous fiscal year to ¥7,528 million.

At the profit level, a decline in provision for loss on construction contracts and a rise in gross profit margins at Group companies SRA America, Inc. and Advanced Integration Technology, Inc. (AIT) led to an increase in gross profit, while operating income rose 45.7% from the same period of previous fiscal year to ¥316 million and ordinary profit increased 36.0% to ¥363 million. Meanwhile, net income for the quarter jumped 6.1 times, or 506.7%, from the same period of the previous fiscal year to ¥245 million due to a sharp decline in such extraordinary losses as loss on valuation of stocks of subsidiaries and affiliates and loss on valuation of investment securities.

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

1) Systems Development

The Systems Development business posted declines in sales to manufacturing and electric power industries. As a result, net sales declined 15.0% from the same period of the previous fiscal year to ¥3,529 million.

2) System Operations and Infrastructure Development

Although university-related orders were at virtually the same level, corporate-related orders declined due to a shift to internal production and a decrease in order unit prices. Therefore, net sales of the System Operations and Infrastructure Development business declined 12.1% from the same period of the previous fiscal year to ¥826 million.

3) Product Sales

Net sales of the Product Sales business increased 15.0% from the same period of the previous fiscal year to ¥3,172 million due to robust sales of devices at AIT, mainly in the financial sector, and an increase in sales of packages and other products at Software Research Associates, Inc. (SRA).

(2) Qualitative Information Concerning Consolidated Financial Condition

Regarding financial condition for the first quarter, current assets at the end of the first quarter increased ¥1,331 million from the end of the previous fiscal year to ¥19,590 million. Although notes and accounts receivable—trade declined ¥1,347 million due to the collection of receivables, short-term investment securities increased ¥1,256 million because of a transfer from investment securities and other factors, while merchandise and finished goods and work in progress rose ¥611 million and ¥415 million, respectively. Noncurrent assets increased ¥31 million to ¥8,223 million. Despite a ¥422 million decline in investment securities, this increase was due to such factors as a ¥376 million rise in intangible assets. As a result, total assets increased ¥1,362 million to ¥27,814 million.

On the liabilities side, total liabilities increased ¥1,664 million to ¥12,594 million due to a ¥453 million rise in accounts payable—trade as well as to a ¥359 million increase in provision for bonuses.

Total net assets declined ¥302 million to ¥15,220 million due mainly to cash dividends paid.

(3) Qualitative Information Concerning Consolidated Results Forecast

No revision has been made to forecasts in Summary of Consolidated Financial Results for the Year Ended March 31, 2011 released on May 12, 2011.

2. Summary Information (Others)

- (1) Significant changes involving subsidiaries during the period: None
- (2) Application of simplified accounting methods and accounting methods specific to the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting principles, changes in accounting estimates, and restatements: None

3. Important Matters Regarding Assumptions of a Going Concern

None

4. Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of Yen)

	Fiscal 2011 (as of March 31, 2011)	End of first quarter of fiscal 2012 (as of June 30, 2011)
ASSETS		
Current assets:		
Cash and deposits	7,940	8,185
Notes and accounts receivable—trade	6,118	4,771
Short-term investment securities	1,504	2,760
Merchandise and finished goods	316	928
Work in process	1,024	1,439
Deferred tax assets	433	672
Other	922	841
Allowance for doubtful accounts	(2)	(9)
Total current assets	18,259	19,590
Noncurrent assets:		
Property, plant and equipment		
Buildings	314	318
Accumulated depreciation	(191)	(199)
Buildings, net	123	118
Machinery, equipment and vehicles	561	562
Accumulated depreciation	(508)	(513)
Machinery, equipment and vehicles, net	52	49
Land	0	0
Other	100	101
Accumulated depreciation	(66)	(67)
Other, net	34	33
Total property, plant and equipment	211	202
Intangible assets		
Other	629	1,006
Total intangible assets	629	1,006
Investments and other assets		
Investment securities	4,252	3,830
Deferred tax assets	1,579	1,546
Guarantee deposits	460	460
Other	1,145	1,275
Allowance for doubtful accounts	(13)	(14)
Allowance for investment loss	(73)	(82)

Total investments and other assets	7,351	7,015
Total noncurrent assets	8,192	8,223
Total assets	26,451	27,814

(Millions of Yen)

	Fiscal 2011 (as of March 31, 2011)	End of first quarter of fiscal 2012 (as of June 30, 2011)
LIABILITIES		
Current liabilities:		
Accounts payable—trade	1,986	2,440
Short-term loans payable	1,901	1,969
Current portion of bonds	300	300
Accrued expenses	430	658
Income taxes payable	489	286
Accrued consumption taxes	296	133
Provision for bonuses	602	961
Provision for directors' bonuses	0	2
Provision for loss on construction contracts	151	191
Provision for loss on liquidation of subsidiaries and affiliates	14	14
Asset retirement obligations	—	3
Other	698	1,552
Total current liabilities	6,872	8,513
Noncurrent liabilities:		
Provision for retirement benefits	3,606	3,637
Provision for directors' retirement benefits	444	435
Negative goodwill	2	1
Others	2	5
Total noncurrent liabilities	4,057	4,080
Total liabilities	10,929	12,594
NET ASSETS		
Shareholders' equity		
Capital stock	1,000	1,000
Capital surplus	4,483	4,483
Retained earnings	10,963	10,654
Treasury stock	(894)	(894)
Total shareholders' equity	15,552	15,244
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	239	261
Foreign currency translation adjustments	(309)	(299)
Total accumulated other comprehensive income	(69)	(38)
Subscription rights to shares	39	14
Total net assets	15,522	15,220
Total liabilities and net assets	26,451	27,814

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)

(Millions of Yen)

	Consolidated cumulative total for first quarter of fiscal 2011 (from April 1, 2010 to June 30, 2010)	Consolidated cumulative total for first quarter of fiscal 2012 (from April 1, 2011 to June 30, 2011)
Net sales	7,848	7,528
Cost of sales	6,704	6,285
Gross profit	1,143	1,242
Selling, general and administrative expenses	926	925
Operating income	217	316
Non-operating income		
Interest received	12	28
Dividends received	13	23
Gain on allocation of investment securities	21	—
Other	19	12
Total non-operating income	67	64
Non-operating expenses		
Interest expenses	9	7
Foreign exchange losses	—	4
Transfer agent processing fee	3	2
Other	4	2
Total non-operating expenses	17	17
Ordinary profit	267	363
Extraordinary income		
Gain on reversal of subscription rights to shares	—	29
Total extraordinary income	—	29
Extraordinary loss		
Loss on valuation of investment securities	51	1
Loss on valuation of stocks of subsidiaries and affiliates	86	—
Loss on application of Accounting Standard for Asset Retirement Obligations	13	—
Provision of allowance for investment loss	—	9
Other	3	1
Total extraordinary loss	155	13

Income before income taxes and minority interests	112	379
Income taxes-current	238	374
Income taxes-deferred	(166)	(240)
Total income taxes	72	134
Income before minority interests	39	245
Minority interests in income (loss)	(0)	—
Net income	40	245

(Quarterly Consolidated Statements of Comprehensive Income)

Income before minority interests	39	245
Other comprehensive income		
Valuation difference on available-for-sale securities	(39)	21
Foreign currency translation adjustments	(42)	9
Total other comprehensive income	(81)	31
Comprehensive income	(41)	276
(breakdown)		
Comprehensive income attributable to parent company shareholders	(40)	276
Comprehensive income attributable to minority shareholders	(0)	—

(3) Notes Concerning Premise of Going Concern

None

(4) Segment Information

I. Consolidated cumulative total for first quarter of fiscal 2011 (from April 1, 2010 to June 30, 2010)

1. Information Concerning Net Sales and Income or Losses for each Reporting Segment

(Millions of yen)

	Systems Development	System Operations and Infrastructure Development	Product Sales	Total	Adjustment amount ^{*1}	Amount recorded on the quarterly consolidated statements of income ^{*2}
Sales						
(1) Sales to Customers	4,150	940	2,757	7,848	—	7,848
(2) Intersegment sales or transfers	3	46	109	159	(159)	—
Total sales	4,153	987	2,866	8,007	(159)	7,848
Operating income	309	198	170	678	(461)	217

Notes:

- The segment income adjustment of minus ¥461 million is a company-wide expense not apportioned to any reporting segment. Company-wide expenses are general and administrative expenses and R&D expenses not attributed to any reporting segment.
- Segment operating income is adjusted in operating income on the quarterly consolidated statements of income.

2. Information concerning impairment loss on fixed assets or goodwill for each reporting segment

None

II. Consolidated cumulative total for first quarter of fiscal 2012 (from April 1, 2011 to June 30, 2011)

1. Information Concerning Net Sales and Income or Losses for each Reporting Segment

(Millions of yen)

	Systems Development	System Operations and Infrastructure Development	Product Sales	Total	Adjustment amount ^{*1}	Amount recorded on the quarterly consolidated statements of income ^{*2}
Sales						
(1) Sales to Customers	3,529	826	3,172	7,528	—	7,528
(2) Intersegment sales or transfers	7	58	100	166	(166)	—

Total sales	3,537	884	3,272	7,694	(166)	7,528
Operating income	358	125	178	663	(346)	316

Notes:

1. The segment income adjustment of minus ¥346 million is a company-wide expense not apportioned to any reporting segment. Company-wide expenses are general and administrative expenses and R&D expenses not attributed to any reporting segment.
2. Segment operating income is adjusted in operating income on the quarterly consolidated statements of income.

2. Information concerning impairment loss on fixed assets or goodwill for each reporting segment

None

(5) Notes on Significant Changes in Shareholders' Equity

None

(6) Significant subsequent events

None

5. Other Information

1. Status of Production, Orders and Sales

(1) Production amounts

Production by segment in the first quarter of the fiscal year ending March 31, 2012 is as follows.

Segment information by type of business	Consolidated cumulative total for first quarter of fiscal 2012 (from April 1, 2011 to June 30, 2011)	% change YoY
Systems Development (Millions of Yen)	3,986	80.0
System Operations and Infrastructure Development (Millions of Yen)	833	86.0
Total (Millions of Yen)	4,820	80.9

Notes:

1. Amounts are based on sales price.
2. The amounts above do not include consumption tax.
3. Intersegment transactions are offset.

(2) Purchase amounts

Production by segment in the first quarter of the fiscal year ending March 31, 2012 is as follows.

Segment information by type of business	Consolidated cumulative total for first quarter of fiscal 2012 (from April 1, 2011 to June 30, 2011)	% change YoY
Product Sales (Millions of Yen)	2,797	152.5
Total (Millions of Yen)	2,797	152.5

Notes:

1. Amounts are based on purchase price.
2. The amounts above do not include consumption tax.
3. Intersegment transactions are offset.

(3) Status of orders

Production by segment in the first quarter of the fiscal year ending March 31, 2012 is as follows.

Segment information by type of business	Orders received (Millions of Yen)	% change YoY	Order backlog (Millions of Yen)	% change YoY
Systems Development	4,134	89.8	4,123	90.2
System Operations and Infrastructure Development	567	75.8	1,167	85.8
Product Sales	3,840	159.1	3,670	159.9
Total	8,541	110.0	8,961	108.9

Notes:

1. Amounts are based on sales price.
2. The amounts above do not include consumption tax.
3. Intersegment transactions are offset.

(4) Sales amounts

Production by segment in the first quarter of the fiscal year ending March 31, 2012 is as follows.

Segment information by type of business	Consolidated cumulative total for first quarter of fiscal 2012 (from April 1, 2011 to June 30, 2011)	% change YoY
Systems Development (Millions of Yen)	3,529	85.0
System Operations and Infrastructure Development (Millions of Yen)	826	87.9
Product Sales (Millions of Yen)	3,172	115.0
Total (Millions of Yen)	7,528	95.9

Notes:

1. Amounts are based on sales price.
2. The amounts above do not include consumption tax.
3. Intersegment transactions are offset.