

Summary of Consolidated Financial Results for the Third 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
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Scheduled commencement of dividend payment: —
Quarterly Results Supplemental Materials Yes
Quarterly Results Presentation Meeting —

1. Consolidated results for the third quarter of the fiscal year ending March 2012 (from April 1, 2011 to December 31, 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	%
Third quarter of fiscal 2012	23,631	(0.0)	1,234	13.7	1,341	14.2	666	17.6
Third quarter of fiscal 2011	23,635	(2.9)	1,085	(0.8)	1,174	3.7	566	(1.1)

Note : Comprehensive Income

Third quarter of fiscal 2012: ¥331 million

Third quarter of fiscal 2011: ¥365million

	Net Income	Net Income
	per Share	per Share after Dilution
	Yen	Yen
Third quarter of fiscal 2012	48.81	—
Third quarter of fiscal 2011	40.94	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
Third quarter of fiscal 2012	25,922	14,784	56.9
Fiscal 2011	26,451	15,522	58.5

Reference: Shareholders' equity

Third quarter of fiscal 2012 : ¥14,761 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	33,500	1.0	2,300	2.7	2,300	(3.1)	1,355	3.1	99.24

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)

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

Fiscal 2011: 15,240,000 shares

2. Number of treasury stock

Third quarter of fiscal 2012 : 2,101,630 shares

Fiscal 2011: 1,400,230 shares

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

Third quarter of fiscal 2012 : 13,653,580 shares

Third quarter of fiscal 2011 : 13,839,770 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 earning 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 Third-Quarter Consolidated Business Results

(1) Qualitative Information Concerning Consolidated Business Results

During the third quarter of the fiscal year (April 1, 2011 to December 31, 2011), the Japanese economy continued to face harsh conditions that included a decline in corporate earnings and flat exports as well as a decrease in personal consumption due to the impact of the Great East Japan Earthquake. Nonetheless, there were signs of a moderate pickup in production and other areas.

Despite hopes for a continued gradual recovery, the economic outlook remains uncertain due to constraints on power supplies and the effects of the nuclear power disaster as well as the risk of a downturn in overseas economies amid the government debt crises in Europe.

In the information services industry, the harsh environment persisted as numerous corporate customers take a cautious stance toward IT investments, reflecting the uncertain outlook for corporate earnings owing to the earthquake disaster, prolonged strengthening of the yen and flooding in Thailand. At the same time, the uninterrupted drop in order unit prices is continuing.

Amid this business environment, the SRA Group focused on “undertaking structural reforms in existing businesses” as well as its medium- and long-term growth strategy of “fully promoting our own IP products business* and undertaking new business overseas.”

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

■Undertaking Structural Reforms in Existing Businesses

1. Expand orders by strengthening project management

Amid a severe business environment, Software Research Associates, Inc. (SRA), a core business company that had continued to post year-on-year declines, worked to strengthen its project management from identifying projects to receiving orders. As a result, SRA achieved a turnaround, with positive growth in orders in its Systems Development business during the quarter, and recorded an increase in orders for the entire consolidated third quarter compared with the same period of the previous fiscal year.

2. Build a high-profit production structure

The gross profit margin in the Systems Development business exceeded 20% for three consecutive quarters. This was the result of efforts to achieve an appropriate level of production overhead costs by strengthening the management of staff allocation.

3. Transform to a cost structure appropriate for our business scale

We implemented such initiatives as reducing sales expenses by realizing appropriate levels of personnel in sales divisions.

■Fully promoting our own IP products business and undertaking new business overseas

We took our first step for developing our own IP products business in cloud computing, wireless data communications and other growth fields in such expanding markets as China. Specifically, we made concrete considerations for building a sales channel utilizing the sales networks of Chinese companies to undertake sales in China of products of Proxim Wireless Corporation, with which our Group company, SRA OSS, Inc., maintains a

business and capital alliance. (Proxim Wireless Corporation is a U.S.-based wireless device manufacturer that produces and sells cutting-edge products in wireless data communications, and these products have been widely introduced in countries throughout the world.)

Regarding our consolidated business results for the third quarter of the fiscal year, revenues were on a par with the previous third quarter and profits increased as described below.

Looking at sales, although sales increased in the Product Sales business, sales declined in the Systems Development business and in the System Operations and Infrastructure Development business. As a result, consolidated net sales amounted to ¥23,631 million, virtually unchanged from the same period of the previous fiscal year.

At the profit level, although gross profit remained flat, enhanced efficiency in selling, general and administrative (SG&A) expenses led to a 13.7% year-on-year increase in operating income to ¥1,234 million and a 14.2% increase in ordinary profit to ¥1,341 million. We recorded extraordinary income that included insurance benefits received and extraordinary losses that included company funeral expenses. At the same time, in accordance with a revision to tax laws, we recorded a reversal of deferred tax assets as income taxes-deferred. As a result, net income for the quarter increased 17.6% over the same quarter of the previous year to ¥666 million.

As detailed in the aforementioned section on consolidated results for the third quarter, net sales remained level but operating income, ordinary profit and net income increased and are progressing in line with our assumptions for the full-year results forecast.

Consolidated business results for the third quarter by business segment are shown below.

1) Systems Development

Although sales to the non-life insurance industry increased, the Systems Development business posted declines in sales to electric power industries and manufacturing industries. As a result, net sales declined 8.4% from the same period of the previous fiscal year to ¥11,706 million.

2) System Operations and Infrastructure Development

System Operations and Infrastructure Development recorded decreases in network operations and infrastructure development as well as in system operations. By sector, university-related orders continued to decrease slightly while in corporate-related business there was a particular decrease in orders for system operations. As a result, net sales of the System Operations and Infrastructure Development business decreased 9.4% from the same period of the previous fiscal year to ¥2,535 million.

3) Product Sales

Although Software Research Associates, Inc. (SRA) recorded lower sales of devices, Advanced Integration Technology, Inc. (AIT) posted favorable sales of devices in the financial industry. As a result, net sales of the Product Sales business rose 16.6% from the same period of the previous fiscal year to ¥9,389 million.

(2) Qualitative Information Concerning Consolidated Financial Condition

[1] Assets, Liabilities and Net Assets

Regarding the financial condition for the third quarter, current assets at the end of the third quarter decreased ¥796 million from the end of the previous fiscal year to ¥17,462 million. Within current assets, work in progress increased ¥747 million and short-term investment securities rose ¥273 million because of a transfer from investment securities

to securities redeemable within one year. On the other hand, cash and cash deposits declined ¥1,896 million due to payments for the purchases of investment securities and the payment of bonuses, while notes and accounts receivable—trade declined ¥1,300 million due to the collection of receivables. Noncurrent assets increased ¥267 million to ¥8,459 million due to such factors as a rise in intangible assets. As a result, total assets decreased ¥529 million to ¥25,922 million.

On the liabilities side, total liabilities increased ¥208 million to ¥11,137 million due to a ¥450 million rise in accounts payable resulting from an increase in purchases and a ¥300 million increase in long-term loans payable. Total net assets declined ¥737 million to ¥14,784 million due to the payment of dividends and the purchase of treasury stock.

(3) Qualitative Information Concerning Consolidated Results Forecast

Regarding the consolidated results forecast, results for the third quarter were generally as planned and no revision has been made to the forecast announced on May 12, 2011. The direction of the economy is increasingly uncertain and we will quickly disclose information in the event we deem it necessary to revise our full-year business results projections due to future movements in the economy.

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 third quarter of fiscal 2012 (as of December 31, 2011)
ASSETS		
Current assets:		
Cash and deposits	7,940	6,043
Notes and accounts receivable—trade	6,118	4,817
Short-term investment securities	1,504	1,778
Merchandise and finished goods	316	459
Work in process	1,024	1,771
Deferred tax assets	433	444
Other	922	2,162
Allowance for doubtful accounts	(2)	(14)
Total current assets	18,259	17,462
Noncurrent assets:		
Property, plant and equipment		
Buildings	314	334
Accumulated depreciation	(191)	(212)
Buildings, net	123	122
Machinery, equipment and vehicles	561	560
Accumulated depreciation	(508)	(518)
Machinery, equipment and vehicles, net	52	41
Land	0	0
Other	100	100
Accumulated depreciation	(66)	(69)
Other, net	34	31
Total property, plant and equipment	211	196
Intangible assets		
Other	629	1,137
Total intangible assets	629	1,137
Investments and other assets		
Investment securities	4,252	4,333
Deferred tax assets	1,579	1,334
Guarantee deposits	460	440
Other	1,145	1,110
Allowance for doubtful accounts	(13)	(14)
Allowance for investment loss	(73)	(78)

Total investments and other assets	7,351	7,126
Total noncurrent assets	8,192	8,459
Total assets	26,451	25,922

(Millions of Yen)

	Fiscal 2011 (as of March 31, 2011)	End of third quarter of fiscal 2012 (as of December 31, 2011)
LIABILITIES		
Current liabilities:		
Accounts payable—trade	1,986	2,437
Short-term loans payable	1,901	1,674
Current portion of bonds	300	—
Accrued expenses	430	710
Income taxes payable	489	108
Accrued consumption taxes	296	199
Provision for bonuses	602	458
Provision for directors' bonuses	0	70
Provision for loss on construction contracts	151	268
Provision for loss on liquidation of subsidiaries and affiliates	14	26
Asset retirement obligations	—	3
Other	698	1,075
Total current liabilities	6,872	7,032
Noncurrent liabilities:		
Deferred tax liabilities	—	2
Long-term loans payable	—	300
Provision for retirement benefits	3,606	3,653
Provision for directors' retirement benefits	444	148
Negative goodwill	2	—
Other	2	1
Total noncurrent liabilities	4,057	4,105
Total liabilities	10,929	11,137
NET ASSETS		
Shareholders' equity		
Capital stock	1,000	1,000
Capital surplus	4,483	4,483
Retained earnings	10,963	11,076
Treasury stock	(894)	(1,393)
Total shareholders' equity	15,552	15,166
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	239	0
Foreign currency translation adjustments	(309)	(405)
Total accumulated other comprehensive income	(69)	(405)
Subscription rights to shares	39	23
Total net assets	15,522	14,784
Total liabilities and net assets	26,451	25,922

(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 third quarter of fiscal 2011 (from April 1, 2010 to December 31, 2010)	Consolidated cumulative total for third quarter of fiscal 2012 (from April 1, 2011 to December 31, 2011)
Net sales	23,635	23,631
Cost of sales	19,706	19,684
Gross profit	3,928	3,947
Selling, general and administrative expenses	2,843	2,712
Operating income	1,085	1,234
Non-operating income		
Interest received	37	88
Dividends received	19	31
Other	91	47
Total non-operating income	149	167
Non-operating expenses		
Interest expenses	26	22
Foreign exchange losses	17	12
Transfer agent processing fee	11	14
Other	5	9
Total non-operating expenses	60	60
Ordinary profit	1,174	1,341
Extraordinary income		
Insurance benefits received	—	141
Other	—	30
Total extraordinary income	—	172
Extraordinary loss		
Loss on valuation of investment securities	51	1
Loss on valuation of stocks of subsidiaries and affiliates	86	—
Loss on liquidation of subsidiaries and affiliates	23	12
Company funeral expenses	—	39
Other	36	4
Total extraordinary loss	198	58

Income before income taxes and minority interests	976	1,454
Income taxes-current	397	508
Income taxes-deferred	12	279
Total income taxes	410	788
Income before minority interests	566	666
Net income	566	666

(Quarterly Consolidated Statements of Comprehensive Income)

Income before minority interests	566	666
Other comprehensive income		
Valuation difference on available-for-sale securities	(39)	(239)
Foreign currency translation adjustments	(161)	(95)
Total other comprehensive income (loss)	(200)	(335)
Comprehensive income	365	331
(Breakdown)		
Comprehensive income attributable to parent company shareholders	365	331
Comprehensive income attributable to minority shareholders	—	—

(3) Notes Concerning Premise of Going Concern

None

(4) Segment Information

I. Consolidated cumulative total for third quarter of fiscal 2011 (from April 1, 2010 to December 31, 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	12,785	2,798	8,051	23,635	—	23,635
(2) Intersegment sales or transfers	31	180	302	513	(513)	—
Total sales	12,816	2,978	8,353	24,149	(513)	23,635
Operating income	1,375	548	565	2,488	(1,403)	1,085

Notes:

1. The segment income adjustment of minus ¥1,403 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

II. Consolidated cumulative total for third quarter of fiscal 2012 (from April 1, 2011 to December 31, 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	11,706	2,535	9,389	23,631	—	23,631
(2) Intersegment sales or transfers	23	216	315	555	(555)	—
Total sales	11,729	2,751	9,705	24,186	(555)	23,631
Operating income	1,422	410	387	2,219	(985)	1,234

Notes:

1. The segment income adjustment of minus ¥985 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.
3. From the first quarter of fiscal 2011 (from April 1, 2010 to June 30, 2010), the Company changed the measurement method for each business segment along with a change to its standards for evaluating segment business results in undertaking its business management. Compared with when applying the previous method, segment income declined by ¥169 million in Systems Development, ¥40 million in System Operations and Infrastructure Development and ¥156 million in Product Sales.

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 third quarter of the fiscal year ending March 31, 2012 is as follows.

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2012 (from April 1, 2011 to December 31, 2011)	% change YoY
Systems Development (Millions of Yen)	12,386	90.1
System Operations and Infrastructure Development (Millions of Yen)	2,549	90.0
Total (Millions of Yen)	14,935	90.1

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

Purchases by segment in the third quarter of the fiscal year ending March 31, 2012 are as follows.

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2012 (from April 1, 2011 to December 31, 2011)	% change YoY
Product Sales (Millions of Yen)	6,418	127.9
Total (Millions of Yen)	6,418	127.9

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

Status of orders by segment in the third 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	12,764	97.7	4,575	104.1
System Operations and Infrastructure Development	1,882	88.5	773	87.8
Product Sales	10,084	116.7	3,697	114.6
Total	24,731	103.8	9,047	106.4

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

Sales by segment in the third quarter of the fiscal year ending March 31, 2012 are as follows.

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2012 (from April 1, 2011 to December 31, 2011)	% change YoY
Systems Development (Millions of Yen)	11,706	91.6
System Operations and Infrastructure Development (Millions of Yen)	2,535	90.6
Product Sales (Millions of Yen)	9,389	116.6
Total (Millions of Yen)	23,631	100.0

Notes:

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