

Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2013

Company name: SRA Holdings, Inc.
 (URL: <http://www.sra-hd.co.jp/>)
Stock listing: Tokyo Stock Exchange
Code number: 3817
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Scheduled date of submission of quarterly securities report: August 10, 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 2013 (from April 1, 2012 to June 30, 2012)

(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 2013	7,282	(3.3)	334	5.8	376	3.7	189	(22.7)
First quarter of fiscal 2012	7,528	(4.1)	316	45.7	363	36.0	245	506.7

Note : Comprehensive Income

First quarter of fiscal 2013: ¥190 million((31.1)%)

First quarter of fiscal 2012: ¥276million

	Net Income	Net Income
	per Share	per Share after Dilution
First quarter of fiscal 2013	Yen 14.43	Yen —
First quarter of fiscal 2012	17.72	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
First quarter of fiscal 2013	27,029	15,349	56.7
Fiscal 2012	27,478	15,678	57.0

Reference: Shareholders' equity

First quarter of fiscal 2013: ¥15,315 million

Fiscal 2012 : ¥15,649 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 2012	—	—	—	40.00	40.00
Fiscal 2013	—	—	—	—	—
Fiscal 2013 (forecast)	—	—	—	40.00	40.00

Note: Revision of dividend forecast in this quarter: No

3. Consolidated Earnings Forecast for Fiscal 2013 (from April 1, 2012 to March 31, 2013)

(% of change from FY2012 First Half or FY2012)

	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
FY2013 First Half (for the six months ending September 30, 2012)	16,370	3.0	920	13.1	970	9.4	600	(1.2)	45.67
FY2013	34,900	4.4	2,600	4.4	2,700	1.7	1,660	34.6	126.35

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, changes in accounting estimates, and restatements

1. Changes caused by revision of accounting standards, etc. : Yes
2. Changes other than 1. above: No
3. Changes in accounting estimates: Yes
4. Restatements: No

Notes: Corresponds to "a case having difficulty in distinguishing changes in accounting principles from changes in accounting estimates".

The details are referred to page 3 of the attached documents "2.Summary information(others)(3)Changes in accounting principles, changes in accounting estimates, and restatements".

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)

First quarter of fiscal 2013:	15,240,000 shares
Fiscal 2012:	15,240,000 shares
2. Number of treasury stock

First quarter of fiscal 2013:	2,101,651 shares
Fiscal 2012:	2,101,630 shares
3. Average number of shares over period (consolidated total for quarter)

First quarter of fiscal 2013:	13,138,359 shares
First quarter of fiscal 2012:	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 First-Quarter Consolidated Business Results

(1) Qualitative Information Concerning Consolidated Business Results

During the first quarter of the fiscal year (April 1, 2012 to June 30, 2012), although conditions in the Japanese economy remained harsh due to the impact of the Great East Japan Earthquake, personal consumption increased moderately while production, exports and corporate earnings showed signs of a pickup.

In the information services industry, despite signs of a recovery in IT investments by corporate customers, the uninterrupted drop in order unit prices continues and the environment for securing orders remained severe.

Amid this business environment, in the second year of its Medium-Term Management Plan, the SRA Holdings Group continued to make group-wide efforts to “increase and strengthen profitability by undertaking structural reforms in existing businesses” as well as implemented our medium- and long-term growth strategy of “securing growth potential by 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.

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

1. Expand orders and sales by strengthening business capabilities

As a result of focusing efforts on such areas as strengthening project management, from identifying projects to securing orders, Software Research Associates, Inc. (SRA), a core business, achieved a year-on-year increase in orders for the third consecutive quarter, mainly in its Systems Development business.

2. Build a high-profit production structure

SRA's gross profit margin rose from the same quarter of the previous fiscal year in Systems Development and System Operations and Infrastructure Development. 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 continued making efforts to realize appropriate production costs and selling, general and administrative (SG&A) expenses.

■Secure growth potential by fully promoting our own IP products business and undertaking new business overseas (“own IP products business” x “overseas business”)

The SRA Holdings Group is implementing our “own IP products business” x “overseas business” for leveraging our own IP products business in the United States in wireless data communications, cloud computing and other growth fields, and developing this business in China and other growth markets.

As part of efforts to promote its China business, SRA acquired 50,000 additional shares of SJI Inc. held by King Tech Service HK Limited, with the aim of strengthening business and capital alliances with SJI. As a result, the SRA Group increased its shareholdings in SJI from 50,500 shares (6.1% equity stake) to 100,500 shares (12.1% equity stake).

SRA also provided SJI with loans (¥2.5 billion) for a portion of the funds needed for acquiring shares of SinoCom Software Group Ltd., which is working to expand offshore development business for Japanese companies in China.

Regarding our consolidated business results for the first quarter of the fiscal year, due to the above initiatives, in terms of sales, although sales increased in the Systems Development business, sales were virtually flat in the System Operations and Infrastructure Development business while sales in the Product Sales business declined. As a result, consolidated net sales amounted to ¥7,282 million, a decrease of 3.3% from the same period of the previous fiscal year.

At the profit level, despite a decline in gross profit due to a decrease in net sales, efforts to raise profit margins and promote efficiency in SG&A expenses led to a 5.8% year-on-year increase in operating income to ¥334 million and a 3.7% rise in ordinary profit to ¥376 million. We recorded extraordinary income that included gain on sale of investment securities but posted a decline in income taxes-deferred along with a revision to the tax law. As a result, net income for the first quarter declined 22.7% from the same period of the previous fiscal year to ¥189 million.

As detailed above in the section on consolidated results for the first quarter, although net sales declined slightly from the same period of the previous fiscal year, operating income and ordinary profit increased. Moreover, operating income and ordinary profit are also moving in line with the assumptions of our plan.

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

1) Systems Development

Although sales to banks and manufacturing industries declined, the Systems Development business recorded increases in sales to universities and the real estate industry. As a result, net sales increased 5.5% from the same period of the previous fiscal year to ¥3,723 million.

2) System Operations and Infrastructure Development

Despite an increase in university-related orders, there was a decline in orders from companies. As a result, net sales of the System Operations and Infrastructure Development business declined 1.8% from the same period of the previous fiscal year to ¥811 million.

3) Product Sales

Advanced Integration Technology, Inc. (AIT) recorded declines mainly in distribution and financial sectors, while SRA posted a decline in package sales. As a result, net sales of the Product Sales business declined 13.4% from the same period of the previous fiscal year to ¥2,746 million.

(2) Qualitative Information Concerning Consolidated Financial Condition

With regard to financial condition for the first quarter, although work in process rose ¥369 million, current assets declined ¥781 million from the end of the previous fiscal year to ¥18,496 million due to a ¥1,867 million decrease in notes and accounts receivable—trade accompanying the collection of trade accounts receivable. Despite a ¥58 million decline in intangible assets due to depreciation, noncurrent assets increased ¥333 million to ¥8,533 million due to such factors as a ¥352 million increase in investment securities. As a result, total assets decreased ¥448 million to ¥27,029 million.

On the liabilities side, provision for bonuses rose ¥343 million, but accounts payable—trade declined ¥306 million due to the payment of accounts payable and income taxes payable decreased ¥303 million due to the payment of income taxes. As a result, total liabilities decreased ¥119 million to ¥11,680 million. Total net assets decreased ¥335

SRA Holdings, Inc. (3817) Summary of First-Quarter Consolidated Financial Results for the Year Ending March 31, 2013
million to ¥15,349 million due to the payment of dividends.

(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, 2012 released on May 10, 2012.

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

(Change in accounting policy that is difficult to distinguish from change in accounting estimate)

Along with the revision of the Corporation Tax Act of Japan, from the first quarter of the fiscal year the Company and its domestic consolidated subsidiaries have changed their method of depreciation based on the revised Corporation Tax Act for tangible fixed assets acquired on or after April 1, 2012.

The impact of this change on operating income, ordinary profit and net income before income taxes in the first quarter was immaterial.

3. Important Matters Regarding Assumptions of a Going Concern

None

4. Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of Yen)

	Fiscal 2012 (as of March 31, 2012)	End of first quarter of fiscal 2013 (as of June 30, 2012)
ASSETS		
Current assets:		
Cash and deposits	8,697	7,213
Notes and accounts receivable—trade	6,444	4,576
Short-term investment securities	1,529	801
Merchandise and finished goods	349	464
Work in process	982	1,351
Deferred tax assets	498	649
Other	804	3,473
Allowance for doubtful accounts	(28)	(35)
Total current assets	19,277	18,496
Noncurrent assets:		
Property, plant and equipment		
Buildings	331	331
Accumulated depreciation	(215)	(221)
Buildings, net	115	110
Machinery, equipment and vehicles	568	564
Accumulated depreciation	(517)	(518)
Machinery, equipment and vehicles, net	50	46
Land	0	0
Other	100	102
Accumulated depreciation	(69)	(71)
Other, net	31	31
Total property, plant and equipment	197	188
Intangible assets		
Other	1,104	1,046
Total intangible assets	1,104	1,046
Investments and other assets		
Investment securities	4,082	4,434
Deferred tax assets	1,289	1,272
Guarantee deposits	413	407
Other	1,205	1,282
Allowance for doubtful accounts	(14)	(14)
Allowance for investment loss	(78)	(84)

Total investments and other assets	6,897	7,297
Total noncurrent assets	8,200	8,533
Total assets	27,478	27,029

(Millions of Yen)

	Fiscal 2012 (as of March 31, 2012)	End of first quarter of fiscal 2013 (as of June 30, 2012)
LIABILITIES		
Current liabilities:		
Accounts payable—trade	2,804	2,498
Short-term loans payable	1,609	1,669
Accrued expenses	661	742
Income taxes payable	568	264
Accrued consumption taxes	290	136
Provision for bonuses	616	960
Provision for directors' bonuses	58	0
Provision for loss on construction contracts	167	196
Provision for loss on liquidation of subsidiaries and affiliates	41	41
Other	865	1,038
Total current liabilities	7,682	7,547
Noncurrent liabilities:		
Long-term loans payable	300	300
Deferred tax liabilities	1	3
Provision for retirement benefits	3,659	3,681
Provision for directors' retirement benefits	154	146
Others	1	1
Total noncurrent liabilities	4,116	4,132
Total liabilities	11,799	11,680
NET ASSETS		
Shareholders' equity		
Capital stock	1,000	1,000
Capital surplus	4,483	4,483
Retained earnings	11,642	11,306
Treasury stock	(1,393)	(1,393)
Total shareholders' equity	15,732	15,396
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	290	257
Foreign currency translation adjustments	(373)	(338)
Total accumulated other comprehensive income	(83)	(81)
Subscription rights to shares	29	34
Total net assets	15,678	15,349
Total liabilities and net assets	27,478	27,029

(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 2012 (from April 1, 2011 to June 30, 2011)	Consolidated cumulative total for first quarter of fiscal 2013 (from April 1, 2012 to June 30, 2012)
Net sales	7,528	7,282
Cost of sales	6,285	6,071
Gross profit	1,242	1,211
Selling, general and administrative expenses	925	876
Operating income	316	334
Non-operating income		
Interest received	28	41
Dividends received	23	19
Other	12	19
Total non-operating income	64	81
Non-operating expenses		
Interest expenses	7	7
Foreign exchange losses	4	20
Other	4	11
Total non-operating expenses	17	39
Ordinary profit	363	376
Extraordinary income		
Gain on sales of investment securities	–	11
Gain on reversal of subscription rights to shares	29	–
Total extraordinary income	29	11
Extraordinary loss		
Loss on retirement of noncurrent assets	1	0
Loss on sales of investment securities	–	0
Loss on valuation of investment securities	1	0
Other	9	–
Total extraordinary loss	13	0

Income before income taxes and minority interests	379	388
Income taxes-current	374	346
Income taxes-deferred	(240)	(147)
Total income taxes	134	198
Income before minority interests	245	189
Net income	245	189

(Quarterly Consolidated Statements of Comprehensive Income)

Income before minority interests	245	189
Other comprehensive income		
Valuation difference on available-for-sale securities	21	(33)
Foreign currency translation adjustments	9	34
Total other comprehensive income	31	1
Comprehensive income	276	190
(breakdown)		
Comprehensive income attributable to parent company shareholders	276	190
Comprehensive income attributable to minority shareholders	—	—

(3) Notes Concerning Premise of Going Concern

None

(4) Segment Information

I. 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:

- 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.
- 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 2013 (from April 1, 2012 to June 30, 2012)

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	3,723	811	2,746	7,282	—	7,282
(2) Intersegment sales or transfers	6	80	135	222	(222)	—

Total sales	3,729	892	2,882	7,504	(222)	7,282
Operating income	338	142	160	641	(306)	334

Notes:

1. The segment income adjustment of minus ¥306 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. Matters Concerning Change in Reportable Segments

As stated in “Change in accounting policy that is difficult to distinguish from change in accounting estimate,” along with the revision of the Corporation Tax Act of Japan, from the first quarter of the fiscal year the Company and its domestic consolidated subsidiaries have changed their method of depreciation based on the revised Corporation Tax Act for tangible fixed assets acquired on or after April 1, 2012. Accordingly, their method of depreciation for reportable segments has been changed to a method based on the revised Corporation Tax Law.

The impact of this change on profit in each segment in the first quarter was immaterial.

3. 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, 2013 is as follows.

Segment information by type of business	Consolidated cumulative total for first quarter of fiscal 2013 (from April 1, 2012 to June 30, 2012)	% change YoY
Systems Development (Millions of Yen)	4,176	104.8
System Operations and Infrastructure Development (Millions of Yen)	840	100.9
Total (Millions of Yen)	5,017	104.1

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 first quarter of the fiscal year ending March 31, 2013 are as follows.

Segment information by type of business	Consolidated cumulative total for first quarter of fiscal 2013 (from April 1, 2012 to June 30, 2012)	% change YoY
Product Sales (Millions of Yen)	1,851	66.2
Total (Millions of Yen)	1,851	66.2

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 first quarter of the fiscal year ending March 31, 2013 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	4,268	103.2	4,409	106.9
System Operations and Infrastructure Development	654	115.4	1,244	106.6
Product Sales	2,678	69.7	3,481	94.9
Total	7,601	89.0	9,134	101.9

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

Sales by segment in the first quarter of the fiscal year ending March 31, 2013 are as follows.

Segment information by type of business	Consolidated cumulative total for first quarter of fiscal 2013 (from April 1, 2012 to June 30, 2012)	% change YoY
Systems Development (Millions of Yen)	3,723	105.5
System Operations and Infrastructure Development (Millions of Yen)	811	98.2
Product Sales (Millions of Yen)	2,746	86.6

Total (Millions of Yen)	7,282	96.7
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Notes:

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