

Summary of Consolidated Financial Results for the Third 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
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: February 8, 2013
Scheduled commencement of dividend payment: —
Quarterly Results Supplemental Materials Yes
Quarterly Results Presentation Meeting No

1. Consolidated results for the third quarter of the fiscal year ending March 2013 (from April 1, 2012 to December 31, 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	%
Third quarter of fiscal 2013	22,663	(4.1)	1,183	(4.1)	1,460	8.9	804	20.7
Third quarter of fiscal 2012	23,631	(0.0)	1,234	13.7	1,341	14.2	666	17.6

Note : Comprehensive Income

Third quarter of fiscal 2013: ¥ 672million(103.0%)

Third quarter of fiscal 2012: ¥ 331million(9.4) %

	Net Income	Net Income
	per Share	per Share after Dilution
Third quarter of fiscal 2013	Yen 61.23	Yen 61.22
Third quarter of fiscal 2012	48.81	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
Third quarter of fiscal 2013	26,509	15,834	59.6
Fiscal 2012	27,478	15,678	57.0

Reference: Shareholders' equity

Third quarter of fiscal 2013: ¥15,796 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)

	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	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 4 of the attached documents “2.Summary information(Note)(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)

Third quarter of fiscal 2013: 15,240,000 shares

Fiscal 2012: 15,240,000 shares

2. Number of treasury stock

Third quarter of fiscal 2013: 2,101,709 shares

Fiscal 2012: 2,101,630 shares

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

Third quarter of fiscal 2013: 13,138,331 shares

Third quarter of fiscal 2012: 13,653,580 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

Although during the third quarter of the fiscal year (April 1, 2012 to December 31, 2012) the Japanese economy showed a moderate recovery, reflecting such factors as demand for reconstruction following the Great East Japan Earthquake, the economy has been weak since the second quarter, as personal consumption generally remained flat and production and exports declined due to the impact of a slowdown in the world economy.

In the information services industry, despite an ongoing recovery in IT investments by customers, the environment for securing orders remained severe due to intensifying competition.

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 efforts to further strengthen project management from creating projects to securing orders, Software Research Associates, Inc. (SRA) and Software Science Inc. achieved year-on-year increases in sales. Despite a decline in sales as opposed to large-scale orders received in the same period of the previous year, Advanced Integration Technology, Inc. (AIT) posted a year-on-year increase in inquiries for business for the fourth quarter and continued to post robust orders. SRA (Europe) B.V. recorded lower sales due to the effects of restructuring at principal customers. SRA Tohoku, Inc. posted lower sales owing to the impact of the earthquake.

2. Build a high-profit production structure

The gross profit margin rose from the same period of the previous fiscal year. This was the result of continuing to strengthen the management of staff allocation and efforts to achieve an appropriate level of production overhead costs. Additionally, we maintained a gross profit margin exceeding 20% for the second consecutive quarter in the mainstay Systems Development business.

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 Group is implementing our “own IP products business” x “overseas business” by identifying opportunities for our advanced products in the United States in cloud computing, wireless data communications and other fields, and deploying these as our own IP products in China, India, ASEAN and other growth markets. During the third

quarter, we achieved progress in these efforts as detailed below.

1. Initiatives in cloud computing

Cavirin Systems, Inc.^{*1}, a new company, will work to further strengthen its sales structure and carry out its own IP products business centered on NOVA™ data center automation products and services and vNOVA™ for cloud computing, targeting the United States as well as growth markets (China, India, ASEAN and others).

2. Initiatives in wireless data communications

SRA invested in Shenzhen Kingnet Technology Co., Ltd. (KINGNET), which has powerful sales channels in China and manufactures and sells wireless devices. Through this investment, SRA has secured sales channels in China and is utilizing these channels to sell products of Proxim Wireless Corporation^{*2}, with which the SRA Group has business and capital alliances.

3. Initiatives in China business

With the aim of further strengthening our business and capital alliances with SJI, Inc. and expanding our China business, SRA accepted that company's callable unsecured convertible bond-type corporate bonds with share acquisition rights. To establish an industry top-level share in offshore development, SJI made the SinoCom Software Group Ltd. a subsidiary and is striving to strengthen profitability. In the event that SRA exercises the share acquisition rights, SJI would become an SRA equity-method affiliate and SJI's results would be included in SRA's consolidated results.

^{*1} Cavirin Systems, Inc.: This company was established in the United States in September 2012 to take over all assets, including intellectual property rights, of nSolutions, Inc., a leading company in data center automation services.

^{*2} Proxim Wireless Corporation: U.S.-based wireless device manufacturer that produces and sells cutting-edge products in wireless data communications. The company's products have been widely introduced in countries throughout the world.

Regarding our consolidated business results for the third quarter of the fiscal year, due to the above initiatives, in terms of net sales, although sales of the Systems Development business remained level, sales of the System Operations and Infrastructure Development business decreased slightly while sales of the Product Sales business declined. As a result, consolidated net sales amounted to ¥22,663 million, a 4.1% decrease from the same period of the previous fiscal year.

At the profit level, operating income declined 4.1% to ¥1,183 million due to a decrease in gross profit accompanying the decline in net sales. Meanwhile ordinary profit rose 8.9% to ¥1,460 million due to the impact of a foreign exchange gain owing to the weakening of the yen while net income increased 20.7% to ¥804 million.

As detailed above regarding consolidated results for the third quarter, although net sales and operating income declined from the same period of the previous fiscal year, ordinary profit and net income both increased. Moreover, ordinary profit and net income are moving virtually in line with our full-year forecast of consolidated results. Although operating income is slightly below our forecast, we aim to maintain the forecast amount by promoting measures to increase profits that include focusing on our Product Sales business and further enhancing the efficiency of costs.

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

1) Systems Development

Despite declines in sales to banks and securities companies, the Systems Development business achieved increases in sales to manufacturing industries and the real estate industry. As a result, net sales increased 0.4% from the same period of the previous fiscal year to ¥11,752 million.

2) System Operations and Infrastructure Development

Although there was 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 decreased 2.0% from the same period of the previous fiscal year to ¥2,485 million.

3) Product Sales

AIT did not record orders comparable to the large orders in distribution sectors received in the same period of the previous fiscal year. As a result, net sales of the Product Sales business declined 10.3% from the same period of the previous fiscal year to ¥8,425 million.

(2) Qualitative Information Concerning Consolidated Financial Condition

Financial Position

Total assets at the end of the third quarter decreased 3.5% from the end of the previous fiscal year to ¥26,509 million, total liabilities declined 9.5% to ¥10,675 million and total net assets increased 1.0% to ¥15,834 million.

Details of increases and decreases from the end of the previous fiscal year are as follows.

Total Assets

Notes and accounts receivable—trade declined ¥1,398 million to ¥5,045 million due to the collection of receivables.

Total intangible assets decreased ¥139 million to ¥965 million due to depreciation.

Total Liabilities

Accounts payable—trade declined ¥477 million to ¥2,326 million due to the payment of operating payables.

Income taxes payable decreased ¥475 million to ¥92 million due to the payment of income taxes.

Total Net Assets

Valuation difference on available-for-sale securities decreased ¥159 million to ¥131 million because of the impact of stock markets. On the other hand, retained earnings increased ¥278 million to ¥11,921 million.

(3) Qualitative Information Concerning Consolidated Results Forecast

No revision has been made to forecasts in the Summary of Consolidated Financial Results for the Year Ended March 31, 2012 released on May 10, 2012.

2. Summary Information (Notes)

(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

(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 third 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 third quarter of fiscal 2013 (as of December 31, 2012)
ASSETS		
Current assets:		
Cash and deposits	8,697	5,948
Notes and accounts receivable—trade	6,444	5,045
Short-term investment securities	1,529	1,104
Merchandise and finished goods	349	394
Work in process	982	1,606
Deferred tax assets	498	401
Short-term loans	139	438
Other	664	907
Allowance for doubtful accounts	(28)	(25)
Total current assets	19,277	15,820
Noncurrent assets:		
Property, plant and equipment		
Buildings	331	331
Accumulated depreciation	(215)	(232)
Buildings, net	115	98
Machinery, equipment and vehicles	568	573
Accumulated depreciation	(517)	(513)
Machinery, equipment and vehicles, net	50	59
Land	0	—
Other	100	101
Accumulated depreciation	(69)	(71)
Other, net	31	29
Total property, plant and equipment	197	188
Intangible assets		
Other	1,104	965
Total intangible assets	1,104	965
Investments and other assets		
Investment securities	4,082	6,813
Deferred tax assets	1,289	1,274
Guarantee deposits	413	405
Other	1,205	1,135
Allowance for doubtful accounts	(14)	(14)

Allowance for investment loss	(78)	(78)
Total investments and other assets	6,897	9,535
Total noncurrent assets	8,200	10,689
Total assets	27,478	26,509

(Millions of Yen)

	Fiscal 2012 (as of March 31, 2012)	End of third quarter of fiscal 2013 (as of December 31, 2012)
LIABILITIES		
Current liabilities:		
Accounts payable—trade	2,804	2,326
Short-term loans payable	1,609	1,674
Accrued expenses	661	681
Income taxes payable	568	92
Accrued consumption taxes	290	178
Provision for bonuses	616	401
Provision for directors' bonuses	58	71
Provision for loss on construction contracts	167	167
Provision for loss on liquidation of subsidiaries and affiliates	41	—
Other	865	954
Total current liabilities	7,682	6,547
Noncurrent liabilities:		
Long-term loans payable	300	300
Deferred tax liabilities	1	4
Provision for retirement benefits	3,659	3,663
Provision for directors' retirement benefits	154	158
Others	1	1
Total noncurrent liabilities	4,116	4,127
Total liabilities	11,799	10,675
NET ASSETS		
Shareholders' equity		
Capital stock	1,000	1,000
Capital surplus	4,483	4,483
Retained earnings	11,642	11,921
Treasury stock	(1,393)	(1,393)
Total shareholders' equity	15,732	16,011
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	290	131
Foreign currency translation adjustments	(373)	(346)
Total accumulated other comprehensive income	(83)	(215)
Subscription rights to shares	29	37
Total net assets	15,678	15,834
Total liabilities and net assets	27,478	26,509

(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 2012 (from April 1, 2011 to December 31, 2011)	Consolidated cumulative total for third quarter of fiscal 2013 (from April 1, 2012 to December 31, 2012)
Net sales	23,631	22,663
Cost of sales	19,684	18,758
Gross profit	3,947	3,904
Selling, general and administrative expenses	2,712	2,720
Operating income	1,234	1,183
Non-operating income		
Interest received	88	143
Dividends received	31	34
Foreign exchange gains	–	87
Other	47	62
Total non-operating income	167	327
Non-operating expenses		
Interest expenses	22	21
Transfer agent processing fee	14	16
Other	22	13
Total non-operating expenses	60	51
Ordinary profit	1,341	1,460
Extraordinary income		
Gain on sales of investment securities	1	11
Reversal of allowance for investment loss	–	3
Other	170	0
Total extraordinary income	172	16
Extraordinary loss		
Loss on retirement of noncurrent assets	2	0
Other	56	0
Total extraordinary loss	58	0

Income before income taxes and minority interests	1,454	1,475
Income taxes-current	508	582
Income taxes-deferred	279	88
Total income taxes	788	670
Income before minority interests	666	804
Net income	666	804

(Quarterly Consolidated Statements of Comprehensive Income)

Income before minority interests	666	804
Other comprehensive income		
Valuation difference on available-for-sale securities	(239)	(159)
Foreign currency translation adjustments	(95)	27
Total other comprehensive income	(335)	(131)
Comprehensive income	331	672
(breakdown)		
Comprehensive income attributable to parent company shareholders	331	672
Comprehensive income attributable to minority shareholders	—	—

(3) Notes Concerning Premise of Going Concern

None

(4) Notes on Significant Changes in Shareholders' Equity

None

(5) Segment Information

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.

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

None

II. Consolidated cumulative total for third quarter of fiscal 2013 (from April 1, 2012 to December 31, 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}
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Sales						
(1) Sales to Customers	11,752	2,485	8,425	22,663	—	22,663
(2) Intersegment sales or transfers	36	254	380	670	(670)	—
Total sales	11,788	2,740	8,805	23,333	(670)	22,663
Operating income	1,294	462	367	2,123	(940)	1,183

Notes:

1. The segment income adjustment of minus ¥940 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 third quarter was immaterial.

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

None

(6) Significant Subsequent Events

1. The Board of Directors of Company subsidiary SRA convened on January 15, 2013 and resolved to provide loans to Proxim Wireless Corporation with the aims of strengthening the capital alliance between that company and the SRA Group and of promoting the global development of our own IP products business in Japan, China, India and ASEAN. A payment of US\$1,400 thousand was made on January 16, 2013, with the repayment date set at January 31, 2014.
2. The Board of Directors of Company subsidiary SRA convened on January 15, 2013 and resolved to provide a guarantee of liabilities for ¥1.5 billion in financing from Mizuho Bank, Ltd. for funds for use by SJI for the purchase of shares of SinoCom Software Group Ltd. A guarantee of liabilities contract was signed on January 31, 2013. The period of guarantee of liabilities is up to March 29, 2013.

5. Other Information

1. Status of Production, Purchases, Orders and Sales

(1) Production amounts

Production by segment in the third quarter of the fiscal year ending March 31, 2013 is as follows.

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2013 (from April 1, 2012 to December 31, 2012)	% change YoY
Systems Development (Millions of Yen)	12,669	102.3
System Operations and Infrastructure Development (Millions of Yen)	2,530	99.3
Total (Millions of Yen)	15,200	101.8

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, 2013 are as follows.

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2013 (from April 1, 2012 to December 31, 2012)	% change YoY
Product Sales (Millions of Yen)	5,387	83.9
Total (Millions of Yen)	5,387	83.9

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, 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	12,357	96.8	4,468	97.7

System Operations and Infrastructure Development	1,931	102.6	848	109.6
Product Sales	8,444	83.7	3,569	96.5
Total	22,733	91.9	8,885	98.2

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, 2013 are as follows.

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2013 (from April 1, 2012 to December 31, 2012)	% change YoY
Systems Development (Millions of Yen)	11,752	100.4
System Operations and Infrastructure Development (Millions of Yen)	2,485	98.0
Product Sales (Millions of Yen)	8,425	89.7
Total (Millions of Yen)	22,663	95.9

Notes:

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