May 9, 2013

Summary of Consolidated Financial Results for the Year Ended 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
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Tel: (03)-5979-2666
Date of ordinary general meeting of shareholders: June 26, 2013
Scheduled commencement of dividend payment: June 12, 2013
Scheduled date of submission of financial reports: June 26, 2013
Results Supplement Materials: Yes
Results Presentation Meeting : Yes (for institutional investors)

1. Consolidated Financial Results for Fiscal 2013(from April 1, 2012 to March 31, 2013)

(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 2013	32,168	(3.7)	2,436	(2.2)	2,883	8.6	1,681	36.3
Fiscal 2012	33,416	0.8	2,490	11.2	2,656	11.9	1,233	(6.1)

Attention：Comprehensive Income
Fiscal 2013: ¥ 2,204million（80.7%）
Fiscal 2012: ¥ 1,219million（26.7%）

	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 2013	127.96	127.85	10.2	10.4	7.6
Fiscal 2012	91.17	—	7.9	9.8	7.5

Reference: Gain (loss) on equity method investments:
Fiscal 2013: —
Fiscal 2012: —

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2013	28,133	17,359	61.6	1,318.26
Fiscal 2012	27,478	15,678	57.0	1,191.14

Reference: Shareholders' equity
Fiscal 2013: ¥ 17,319 million
Fiscal 2012: ¥ 15,649 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 2013	1,622	(2,896)	(906)	7,497
Fiscal 2012	2,836	(1,280)	(1,345)	9,496

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 2012	—	0.00	—	40.00	40.00	525	43.9	3.5
Fiscal 2013	—	0.00	—	45.00	45.00	591	35.2	3.6
Fiscal 2014(forecast)	—	0.00	—	40.00	40.00	—	28.3	—

3. Consolidated Earnings Forecast for Fiscal 2014 (from April 1, 2013 to March 31, 2014)

(% 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	16,450	8.5	1,070	19.0	1,120	16.9	695	35.9	52.90
Full Year	34,900	8.5	2,900	19.0	3,000	4.0	1,860	10.6	141.57

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 ".

(4) Number of outstanding shares (common shares)

1. Shares issued at the end of term (including own shares)
   Fiscal 2013: 15,240,000 shares
   Fiscal 2012: 15,240,000 shares
2. Own shares at end of term
   Fiscal 2013: 2,101,709 shares
   Fiscal 2012: 2,101,630 shares
3. Average number of shares over period
   Fiscal 2013: 13,138,321 shares
   Fiscal 2012: 13,525,481 shares

[Reference] Summary of non-consolidated financial results

(Reference) Non-Consolidated Financial Results for Fiscal 2013 (from April 1, 2012 to March 31, 2013)

(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 2013	1,192	(3.9)	856	0.3	846	1.1	845	2.3
Fiscal 2012	1,241	1.2	853	6.8	837	5.9	825	3.7

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
Fiscal 2013	58.98	58.93
Fiscal 2012	56.13	—

(2) Non-Consolidated Financial Position

	Net Income	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2013	9,457	9,417	99.2	654.47
Fiscal 2012	9,283	9,236	99.2	642.58

Reference: Shareholders' equity:
Fiscal 2013: ¥ 9,377million
Fiscal 2012: ¥ 9,207 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. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

(Business results for the fiscal year)

During the fiscal year (April 1, 2012 to March 31, 2013), the Japanese economy was sluggish as personal consumption was virtually flat and production and exports also declined due to the impact of a slowdown in the world economy. Nevertheless, the economy showed signs of a pickup at the end of 2012, reflecting such factors as a correction of the strong yen and a rise in stock prices.

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, SRA America, Inc. and Software Science Inc. achieved year-on-year increases in sales. Advanced Integration Technology, Inc. (AIT) posted a year-on-year decline in sales as opposed to large-scale orders received in the previous year. 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 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 third consecutive quarter in the mainstay Systems Development business. Moreover, the gross profit margin improved from the previous year in the Systems Operations and Infrastructure Development business and in the Product Sales business.

■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 this fiscal year, we achieved progress in these efforts as detailed below.

1. Initiatives in cloud computing

Cavirin Systems, Inc.[*1] 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

Software Research Associates, Inc. (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.

As a result of the preceding initiatives, consolidated business results for the fiscal year were as follows.
In terms of net sales, although sales of the Systems Development business increased slightly, sales of the System Operations and Infrastructure Development business and sales of the Product Sales business declined. As a result, consolidated net sales amounted to ¥32,168 million, a 3.7% decrease from the previous fiscal year.

At the profit level, gross profit remained level as a rise in the profit margin covered the impact of a decrease in net sales. Nevertheless, an increase in selling, general and administrative (SG&A) expenses due to the impact of the correction of the strong yen at U.S. consolidated subsidiaries resulted in a 2.2% decrease in operating income to ¥2,436 million. Ordinary profit rose 8.6% to ¥2,883 million because of the impact of a foreign exchange gain, and net income jumped 36.3% to ¥1,681 million.

As detailed above in the section on consolidated results for the fiscal year, net sales decreased slightly and operating income declined. On the other hand, ordinary profit and net income rose. Net sales and operating income were below our full-year forecast while the figures for ordinary profit and net income exceeded our fiscal year forecast.

Consolidated Business Results (Millions of Yen)

	FY2009	FY2010	FY2011	FY2012	FY2013	
					Most recent forecast figures (announced May 10, 2012)	Actual
Net sales	41,777	34,053	33,164	33,416	34,900	32,168
Operating income	3,820	1,997	2,238	2,490	2,600	2,436
Ordinary profit	3,894	2,059	2,374	2,656	2,700	2,883
Net income	2,041	1,238	1,313	1,233	1,660	1,681

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

Systems Development

Despite a decline in sales to electric power industries, the Systems Development business recorded increases in sales to manufacturing industries. As a result, net sales increased 1.7% from the previous fiscal year to ¥17,407 million.

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 3.6% from the previous fiscal year to ¥3,344 million.

Product Sales

AIT did not record orders comparable to the large orders in distribution sectors received in the previous fiscal year. As a result, net sales of the Product Sales business declined 11.0% from the previous fiscal year to ¥11,416 million.

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

In the next fiscal year, the Japanese economy is expected to head toward recovery owing to the effects of government economic and financial policies. In the information services industry, a moderate recovery is expected to continue.

Under these conditions, the SRA Group will increase and strengthen profitability and expand its business scale by accelerating efforts for "undertaking structural reforms in existing businesses," which is part of our Medium-Term Management Plan. At the same time, the SRA Group will implement its medium- and long-term growth strategy of "securing growth potential by fully promoting our own IP products business and undertaking new business overseas."

Regarding the outlook for consolidated results for the fiscal year ending March 2014, while implementing the above measures, we forecast net sales of ¥34,900 million, operating income of ¥2,900 million, ordinary profit of ¥3,000 million and net income of ¥1,860 million.

(2) Analysis of Financial Position

Despite a decline in cash and deposits, total assets at the end of the fiscal year increased ¥655 million from the end of the previous fiscal year due to an increase in investment securities. Total liabilities declined ¥1,025 million due to a decrease in short-term loans payable and a decrease in accounts payable—trade. Net assets increased ¥1,680 million from the end of the previous fiscal year due to an increase in retained earnings.

Cash and cash equivalents on a consolidated basis at the end of the fiscal year decreased ¥1,999 million compared with at the previous fiscal year-end to ¥7,497 million.

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 ¥1,622 million, a decrease of 42.8% from the previous fiscal year. This consisted mainly of such cash inflows as income before income taxes and minority interests of ¥2,884 million and depreciation and amortization of ¥453 million, while cash outflows were primarily income taxes paid of ¥1,163 million and a decrease in notes and accounts payable—trade of ¥390 million.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥2,896 million, an increase of 126.2% from the previous fiscal year. This consisted mainly of such inflows as ¥820 million in proceeds from sales of investment securities and ¥505 million from the collection of loans receivable, while outflows included ¥3,600 million for payments of loans receivable and ¥674 million for the purchase of investment securities.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥906 million, a decrease of 32.6% from the previous fiscal year. This was due mainly to such cash outflows as ¥525 million in cash dividends paid and a net decrease in short-term loans payable of ¥380 million.

Cash Flow Indicators

	FY2011	FY2012	FY2013
Shareholders' equity ratio (%)	58.5	57.0	61.6
Shareholders' equity ratio at market value (%)	42.9	46.1	49.2
Debt redemption years to cash flow (years)	1.5	0.7	0.9
Interest coverage ratio (times)	42.8	96.0	56.5

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, 2013, 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. In addition, the Company will pay a special ¥5.00 dividend to commemorate the 45th anniversary of the founding of SRA, for total cash dividends per share of ¥45.00.

Regarding dividends for the fiscal year ending March 31, 2013, 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 28.3%.

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.

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] Responses of business partners when production volume fluctuates

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, in the event of a sudden unforeseen fluctuation in production volume, the inability to secure enough business partners possessing requisite skills or to arrange for business partners to take timely action could have an impact on the Group's business results.

The utilization of business partners accounted for 45.0% 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. 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, incurring additional expenses such as those related to defect guarantees after the confirmation of sales could result in lower profitability.

To prevent the occurrence of these 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 management vision of "creating new value together with people through a global perspective and technologies," we will 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
FY2009 (actual)	9.3%	15.0%
FY2010 (actual)	6.0%	8.5%
FY2011 (actual)	7.2%	8.6%
FY2012 (actual)	7.9%	7.9%
FY2013 (actual)	9.0%	10.2%
FY2014 (target)	8.6% (plan)	10.4% (plan)

(3) Medium- and Long-term Management Strategy

With the aim of further raising profitability, the SRA Group has formulated and will implement a new Medium-Term Management Plan running from the fiscal year ending March 2012 through the fiscal year ending March 2014. A summary of the plan follows.

1. Management Targets

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

[2] Secure medium- and long-term growth potential by fully promoting our own IP products businesses and undertaking new businesses overseas.

[3] In the fiscal year ending March 2014, the final year of our Medium-Term Management Plan, strive to record “operating income,” “ordinary profit” “and “net income” that exceeds 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 (fiscal 2007).

2. Management Strategies

The SRA Group made the following changes to its Medium-Term Management Plan, which it is implementing over a three-year period from fiscal 2011 (the year ended March 2012) through fiscal 2013 (the year ending March 2014).

[1] **Extension of the implementation period of the Medium-Term Management Plan and revisions to management targets**

As issues under its Medium-Term Management Plan, over the past two years the SRA Group has focused on efforts to “increase and strengthen profitability by undertaking structural reforms in existing businesses” as well as “secure the Group’s growth potential by fully promoting our own IP products business and undertaking new business overseas."

Nevertheless, the business environment surrounding the SRA Group has changed dramatically from when the Medium-Term Management Plan was formulated and the impact of the Great East Japan Earthquake was significant. Because of these factors, the Company will extend the final year of the Medium-Term Management Plan by one year to fiscal 2014 (the fiscal year ending March 2015) while also revising its management targets.

[2] Management target values (consolidated)

Regarding "net income" for the final fiscal year (fiscal 2014) of the Medium-Term Management Plan, we have not changed the thinking underlying our initial target of "exceeding results for the fiscal year ended March 2008" (fiscal 2007), namely record-high profits with net income of ¥2.2 billion. Therefore, we have set a "net income" target of ¥2,230 million.

* Other figures represent provisional targets at the present time.

	Final year FY2015 targets
Net sales	36,650
Operating income	3,400
Ordinary profit	3,600
Net income	**2,230**
EPS (yen)	**169.73**

[3] Medium- and Long-Term Growth Strategies

(1) Utilize technological progressiveness, one of our strengths, and promote high-profit "product businesses."

In product businesses, offer our own company IP products as well as advanced, high-profit products in Japan and overseas.

[Targeted value]

Make IP products account for 10% of consolidated net sales in the year ending March 31, <u>2015</u> (the final year of the Medium-Term Management Plan).

(2) Utilize "global reach," one of our strengths, and undertake business in growth markets, beginning with China, India and ASEAN.

[Targeted value]

Make overseas business account for 20% of consolidated net sales in the fiscal year ending March <u>2017</u>.

* Underlined sections show parts that have changed.

(4) Issues to Be Addressed by the Company

The SRA Group will address the following specific issues with regard to the Medium-Term Management Plan's aim to "increase and strengthen profitability by undertaking structural reforms in existing businesses" as well as "secure the Group's growth potential by fully promoting our own IP products business and undertaking new business overseas."

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

1. Expand orders and sales by strengthening business capabilities

[Systems Development]

･Create new projects through proposal-based sales that utilize our "strengths."

･Strengthen our order management structure that ensures projects reliably and efficiently lead to the securing of new orders.

･Specialize in fields of expertise in existing businesses (manufacturing embedded systems, financial, education).

･Transform business models for an expansion in orders (migration business, etc.).

[System Operations and Infrastructure Development]

･Make responses to customer needs (cost reductions, quality improvements, etc.) that utilize our experience in system operations.

･Concentrate efforts toward education-related network operation business

･Respond to virtualization and cloud computing in IDC

[Product Sales]

･Expand target customers in device sales (manufacturing, securities, insurance, etc.).

･Expand collaborative business with manufacturers that utilizes our competitive advantage in cloud computing fields.

･Expand sales of our own IP products.

2. Build a high-profit production structure.

[1] Ensure appropriate production overhead costs.

[2] Increase the profitability of projects.

[3] Actively utilize offshore development.

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

▪ Ensure appropriate production costs and SG&A expenses.

■Secure the Group's growth potential by fully promoting our own IP products business and undertaking new business

1. Further promote "our own IP products business" x "overseas business."

[1] Invest in U.S. venture companies that handle cutting-edge products in growth fields (Cavirin Systems, Inc., which engages in the cloud computing business, and Proxim Wireless Corporation, which carries out the wireless network business).

[2] Invest in Kingnet, of China, with the aim of building sales channels in growth markets (China, India, ASEAN, etc.).

2. Expand China business by making business investments in SJI, Inc. (SRA's acceptance of that company's callable unsecured convertible bond-type corporate bonds with share acquisition rights, etc.)

3. Expand business for our own IP products business (comprehensive education solutions "UniVision," mail archive

"MailDepot," etc.) and develop and sell our own new IP products.

(5) Other Important Management Matters

None

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	FY2012 (as of March 31, 2012)	FY2013 (as of March 31, 2013)
ASSETS		
Current assets:		
Cash and deposits	8,697	7,197
Notes and accounts receivable—trade	6,444	6,299
Short-term investment securities	1,529	1,002
Merchandise and finished goods	349	242
Work in process	982	1,011
Deferred tax assets	498	531
Other	804	1,222
Allowance for doubtful accounts	(28)	(35)
Total current assets	19,277	17,473
Noncurrent assets:		
Property, plant and equipment		
Buildings	331	349
Accumulated depreciation	(215)	(253)
Buildings, net	115	96
Machinery, equipment and vehicles	568	569
Accumulated depreciation	(517)	(522)
Machinery, equipment and vehicles, net	50	46
Other	101	119
Accumulated depreciation	(69)	(77)
Other, net	31	42
Total property, plant and equipment	197	184
Intangible assets		
Other	1,104	894
Total intangible assets	1,104	894
Investments and other assets		
Investment securities	4,082	7,137
Deferred tax assets	1,289	1,049
Guarantee deposits	413	402
Other	1,205	1,093
Allowance for doubtful accounts	(14)	(14)
Allowance for investment loss	(78)	(87)
Total investments and other assets	6,897	9,580
Total noncurrent assets	8,200	10,660

Total assets	27,478	28,133

(Millions of Yen)

	FY2012 (as of March 31, 2012)	FY2013 (as of March 31, 2013)
LIABILITIES		
Current liabilities:		
Accounts payable—trade	2,804	2,447
Short-term loans payable	1,609	1,229
Accrued expenses	661	590
Income taxes payable	568	523
Accrued consumption taxes	290	241
Provision for bonuses	616	594
Provision for directors' bonuses	58	50
Provision for loss on construction contracts	167	181
Asset retirement obligations	—	17
Other	906	807
Total current liabilities	7,682	6,683
Noncurrent liabilities:		
Long-term loans payable	300	300
Deferred tax liabilities	1	3
Provision for retirement benefits	3,659	3,620
Provision for directors' retirement benefits	154	165
Others	1	0
Total noncurrent liabilities	4,116	4,090
Total liabilities	11,799	10,774
NET ASSETS		
Shareholders' equity		
Capital stock	1,000	1,000
Capital surplus	4,483	4,483
Retained earnings	11,642	12,789
Treasury stock	(1,393)	(1,393)
Total shareholders' equity	15,732	16,879
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	290	588
Foreign currency translation adjustments	(373)	(148)
Total accumulated other comprehensive income	(83)	439
Subscription rights to shares	29	39
Total net assets	15,678	17,359
Total liabilities and net assets	27,478	28,133

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

(Consolidated Statements of Income)

(Millions of Yen)

	FY2012 (April 1, 2011- March 31, 2012)	FY2013 (April 1, 2012- March 31, 2013)
Net sales	33,416	32,168
Cost of sales	27,369	26,094
Gross profit	6,047	6,074
Selling, general and administrative expenses	3,556	3,637
Operating income	2,490	2,436
Non-operating income		
Interest received	120	201
Dividends received	34	37
Foreign exchange gains	16	176
Other	57	91
Total non-operating income	228	507
Non-operating expenses		
Interest expenses	30	29
Transfer agent processing fee	18	20
Other	13	10
Total non-operating expenses	63	60
Ordinary profit	2,656	2,883
Extraordinary income		
Gain on sales of investment securities	1	11
Reversal of allowance for investment loss	—	3
Gain on reversal of subscription rights to shares	29	0
Other	141	0
Total extraordinary income	172	16
Extraordinary loss		
Loss on retirement of noncurrent assets	2	3
Loss on valuation of investment securities	227	10
Other	120	0
Total extraordinary loss	350	15
Income before income taxes and minority interests	2,477	2,884
Income taxes-current	1,019	1,120
Income taxes-deferred	224	83
Total income taxes	1,244	1,203
Income before minority interests	1,233	1,681
Net income	1,233	1,681

(Consolidated Statements of Comprehensive Income)

Income before minority interests	1,233	1,681
Other comprehensive income		
Valuation difference on available-for-sale securities	51	297
Foreign currency translation adjustments	(64)	225
Total other comprehensive income	(13)	523
Comprehensive income	1,219	2,204
(breakdown)		
Comprehensive income attributable to parent company shareholders	1,219	2,204
Comprehensive income attributable to minority shareholders	—	—

(3) Consolidated Statements of Changes in Net Assets

(Millions of Yen)

	FY2012 (April 1, 2011- March 31, 2012	**FY2013** (April 1, 2012- March 31, 2013
Shareholders' equity		
Capital stock		
Balance at beginning of period	1,000	1,000
Changes of items during the period		
Total change during the period	—	—
Balance at the end of current period	1,000	1,000
Capital surplus		
Balance at beginning of period	4,483	4,483
Changes of items during the period		
Total change of items during the period	—	—
Balance at the end of current period	4,483	4,483
Retained earnings		
Balance at beginning of period	10,963	10,642
Changes of items during the period		
Dividends from surplus	(553)	(525)
Net income	1,233	1,681
Change of scope of consolidation	—	(8)
Total change of items during the period	679	1,146
Balance at the end of current period	11,642	12,789
Treasury stock		
Balance at beginning of period	(894)	(1,393)
Changes of items during the period		
Purchase of treasury stock	(499)	0
Total change of items during the period	(499)	0
Balance at the end of current period	(1,393)	(1,393)
Total shareholders' equity		
Balance at beginning of period	15,552	15,732
Changes of items during the period		
Dividends from surplus	(553)	(525)
Net income	1,233	1,681
Purchase of treasury stock	(499)	0
Change of scope of consolidation	—	(8)
Total change of items during the period	180	1,146
Balance at the end of current period	15,732	16,879

Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at beginning of period	239	290
Changes of items during the period		
Net change of items other than shareholders' equity	51	297
Total change of items during the period	51	297
Balance at the end of current period	290	588
Foreign currency translation adjustment		
Balance at beginning of period	(309)	(373)
Changes of items during the period		
Net change of items other than shareholders' equity	(64)	225
Total change of items during the period	(64)	225
Balance at the end of current period	(373)	(148)
Total accumulated other comprehensive income		
Balance at beginning of period	(69)	(83)
Changes of items during the period		
Net change of items other than shareholders' equity	(13)	523
Total change of items during the period	(13)	523
Balance at the end of current period	(83)	439
Subscription rights to shares		
Balance at beginning of period	39	29
Changes of items during the period		
Net change of items other than shareholders' equity	(10)	10
Total change of items during the period	(10)	10
Balance at the end of current period	29	39
Total net assets		
Balance at beginning of period	15,522	15,678
Changes of items during the period		
Dividends from surplus	(553)	(525)
Net income	1,233	1,681
Purchase of treasury stock	(499)	0
Change of scope of consolidation	—	(8)
Net change of items other than shareholders' equity	(23)	533
Total change of items during the period	156	1,680
Balance at the end of current period	15,678	17,359

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2012 (April 1, 2011- March 31, 2012	FY2013 (April 1, 2012- March 31, 2013
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	2,477	2,884
Depreciation and amortization	342	453
Increase (decrease) in provision for retirement benefits	27	(41)
Increase (decrease) in provision for directors' retirement benefits	(290)	11
Increase (decrease) in provision for bonuses	13	(22)
Increase (decrease) in provision for directors' bonuses	57	(8)
Increase (decrease) in allowance for doubtful accounts	27	6
Increase (decrease) in allowance for investment loss	8	0
Interest and dividend income	(155)	(239)
Interest expense	30	29
Loss (gain) on valuation of investment securities	227	10
Loss (gain) on sales of investment securities	(1)	(11)
Loss on valuation of stocks of subsidiaries and affiliates	51	—
Loss (gain) on sales of noncurrent assets	—	(0)
Loss on retirement of noncurrent assets	2	3
Decrease (increase) in notes and accounts receivable—trade	(348)	227
Decrease (increase) in inventories	5	80
Increase (decrease) in notes and accounts payable—trade	823	(390)
Increase (decrease) in other liabilities	427	(140)
Increase (decrease) in accrued consumption taxes	(5)	(49)
Other, net	(17)	(131)
Subtotal	3,703	2,671
Interest and dividends income received	104	142
Interest expenses paid	(29)	(28)
Income taxes paid	(942)	(1,163)
Net cash provided by operating activities	2,836	1,622
Net cash provided by (used in) investing activities:		
Purchase of property, plant and equipment	(42)	(42)
Proceeds from sale of property, plant and equipment	0	2
Purchase of intangible assets	(799)	(172)
Purchase of investment securities	(2,467)	(674)
Proceeds from sales of investment securities	1,878	820
Payments of loans receivable	(1,407)	(3,600)
Collection of loans receivable	1,357	505
Payments into time deposits	(74)	—
Payments for guarantee deposits	(10)	(4)

Proceeds from collection of guarantee deposited	6	15
Other, net	278	255
Net cash used in investing activities	(1,280)	(2,896)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(292)	(380)
Proceeds from long-term loans payable	300	—
Redemption of bonds	(300)	—
Purchase of treasury stock	(499)	(0)
Cash dividends paid	(553)	(525)
Other	(0)	(0)
Net cash used in financing activities	(1,345)	(906)
Effect of exchange rate changes on cash and cash equivalents	(23)	125
Net increase (decrease) in cash and cash equivalents	187	(2,054)
Cash and cash equivalents at beginning of period	9,309	9,496
Change of scope of net increase (decrease) in cash and cash equivalents	—	55
Cash and cash equivalents at the end of period	9,496	7,497

Segment Information and Others

Segment Information

1. Summary of Reporting Segments

The Group's reporting segments are those for which financial information separate from that of other units comprising the Group can be obtained. Periodic reviews are made of reporting segments by the Board of Directors for determining the allocation of management resources and assessment of business results.

The Company carries out overall management of subsidiaries engaged in the three businesses of "Systems Development," "System Operations and Infrastructure Development" and "Product Sales." Therefore, the Group's three reporting segments are "Systems Development," "System Operations and Infrastructure Development" and "Product Sales."

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 ● System integration covering system planning, development and introduction of open systems ● Solutions business offering business tools that utilize various products and tools ● 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 ● Overall operation that includes data management and facilities management ● Building of network systems ● Outsourcing services
Product Sales	● Sales of packaged software that includes licensing ● Sales of system devices, centering on servers, in integration services ● Consulting services related to the introduction of IT

2. Accounting Treatment Method of Net Sales and Income or Losses, Assets, Liabilities and Others for Each Reporting Segment

The accounting treatment method for the reporting business segments is the same as that described in Principal Items that Serve as the Basis for Preparing the Consolidated Financial Statements.

Inventories are valued at an amount prior to the writing down of carrying value.

The figures for segment profits are on the basis of operating income.

Intersegment sales or transfers are based on current market prices.

(Change in Method for the Allocation of Company-Wide Assets)

From the fiscal year ended March 31, 2013, the Company revised its method for the allocation of company-wide assets to more properly carry out segment business evaluation management.

Segment information for the previous fiscal year is prepared and disclosed based on the method for the allocation of company-wide assets used after the change.

3. Information Concerning Net Sales and Income or Losses, Assets, Liabilities and Others for Each Reporting Segment

I. Fiscal 2012 (from April 1, 2011 to March 31, 2012)

(Millions of Yen)

	Systems Development	System Operations and Infrastructure Development	Product Sales	Total	Adjustment amount*1	Amount recorded on the consolidated statements of income *2
Sales (1) Sales to customers	17,118	3,468	12,830	33,416	—	33,416
(2) Intersegment sales or transfers	57	283	441	782	(782)	—
Total sales	17,175	3,752	13,271	34,199	(782)	33,416
Operating income	2,475	631	655	3,762	(1,272)	2,490
Assets	7,964	1,447	5,558	14,970	12,507	27,478
Others Depreciation	150	13	176	340	2	342
Increase of tangible and intangible assets	120	2	675	799	16	815

Notes:

1. The adjustment amounts are as follows:

(1) The segment income adjustment of minus ¥1,272 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) Total Company assets amounted to ¥12,507 million for the fiscal year. These consisted mainly of the Group's surplus operating assets (cash, deposits and marketable securities), short-term loans receivable, long-term invested assets (investment securities and long-term loans receivable) and deferred tax assets.

(3) Depreciation expenses and increases of tangible and intangible assets included depreciation and additions to long-term prepaid expenses, respectively.

2. Segment operating income is adjusted in operating income on the consolidated statements of income.

II. Fiscal 2013 (from April 1, 2012 to March 31, 2013)

(Millions of Yen)

	Systems Development	System Operations and Infrastructure Development	Product Sales	Total	Adjustment amount*1	Amount recorded on the consolidated statements of income *2
Sales						
(1) Sales to customers	17,407	3,344	11,416	32,168	—	32,168
(2) Intersegment sales or transfers	65	351	509	926	(926)	—
Total sales	17,473	3,696	11,925	33,095	(926)	32,168
Operating income	2,375	703	561	3,640	(1,204)	2,436
Assets	8,135	1,294	5,443	14,873	13,260	28,133
Others						
Depreciation	166	13	268	448	5	453
Increase of tangible and intangible assets	43	9	152	205	—	205

Notes:

1. The adjustment amounts are as follows:

(1) The segment income adjustment of minus ¥1,204 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) Total Company assets amounted to ¥13,260 million for the fiscal year. These consisted mainly of the Group's surplus operating assets (cash, deposits and marketable securities), short-term loans receivable, long-term invested assets (investment securities and long-term loans receivable) and deferred tax assets.

(3) Depreciation expenses and increases of tangible and intangible assets included depreciation and additions to long-term prepaid expenses, respectively.

2. Segment operating income is adjusted in operating income on the consolidated statements of income.

3. 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 period was immaterial.

Significant Subsequent Events

Consolidated Fiscal Year (April 1, 2012 － March 31, 2013)

Company subsidiary SRA provided loans to Shenzhen Kingnet Technology Co., Ltd. (Kingnet) with the aim of strengthening ties with that company. The Board of Directors of SRA convened on May 9, 2013 and resolved to extend the repayment date for two existing loans and to provide a new loan.

(1) Extension of repayment date

[1] Amount of loan: US$1,500 thousand

Load period before change: from December 28, 2011 to April 30, 2013

Loan period after change: from December 28, 2011 to April 30, 2014

[2] Amount of loan: US$3,000 thousand

Loan period before change: from August 30, 2012 to April 30, 2013

Loan period after change: from August 30, 2012 to April 30, 2014

(2) New loan

[1] Amount of loan: US$3,500 thousand

[2] Loan period: from May 10, 2013 to April 30, 2014

(Additional information)

SRA, a Company subsidiary, filed a damage lawsuit against Happinet Corporation (hereafter Happinet) on March 31, 2011. In response, Happinet filed a lawsuit against SRA in the Tokyo District Court on April 6, 2011. These cases are currently being litigated. In accordance with the progress of the lawsuits, we will promptly provide information on any matters requiring disclosure.

4. Other Information

1. Status of Production, Orders and Sales

(1) Production amounts

Production by segment in the fiscal year ended March 31, 2013 is as follows.

Segment information by type of business	Consolidated cumulative total for fiscal 2013 (from April 1, 2012 to March 31, 2013)	% change YoY
Systems Development (Millions of Yen)	17,418	102.6
System Operations and Infrastructure Development (Millions of Yen)	3,365	97.3
Total (Millions of Yen)	20,783	101.7

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 fiscal year ended March 31, 2013 are as follows.

Segment information by type of business	Consolidated cumulative total for fiscal 2013 (from April 1, 2012 to March 31, 2013)	% change YoY
Product Sales (Millions of Yen)	7,035	84.2
Total (Millions of Yen)	7,035	84.2

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 fiscal year ended 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	17,803	101.9	4,259	110.2
System Operations and Infrastructure Development	3,406	98.9	1,463	104.4

Product Sales	11,071	82.8	3,205	90.3
Total	32,281	94.2	8,929	101.3

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 fiscal year ended March 31, 2013 are as follows.

Segment information by type of business	Consolidated cumulative total for fiscal 2013 (from April 1, 2012 to March 31, 2013)	% change YoY
Systems Development (Millions of Yen)	17,407	101.7
System Operations and Infrastructure Development (Millions of Yen)	3,344	96.4
Product Sales (Millions of Yen)	11,416	89.0
Total (Millions of Yen)	32,168	96.3

Notes:

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