

Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2014

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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Scheduled date of submission of quarterly securities report:	August 9, 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 2014 (from April 1, 2013 to June 30, 2013)

(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 2014	7,628	4.8	246	(26.4)	434	15.3	(572)	-
First quarter of fiscal 2013	7,282	(3.3)	334	5.8	376	3.7	189	(22.7)

Note : Comprehensive Income

First quarter of fiscal 2014 (¥6) million(-%)

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

	Net Income	Net Income
	per Share	per Share after Dilution
First quarter of fiscal 2014	Yen (43.60)	Yen —
First quarter of fiscal 2013	14.43	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
First quarter of fiscal 2014	28,127	16,762	59.5
Fiscal 2013	28,133	17,359	61.6

Reference: Shareholders' equity

First quarter of fiscal 2014: ¥16,721 million

Fiscal 2013 : ¥17,319 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 2013	—	—	—	45.00	45.00
Fiscal 2014	—	—	—	—	—
Fiscal 2014(forecast)	—	—	—	40.00	40.00

Note: Revision of dividend forecast in this quarter: No

3. Consolidated Earnings Forecast for Fiscal 2011 (from April 1, 2013 to March 31, 2014)

(% of change from FY2011 First Half or FY2011)

	Net Sales		Operating Income		Ordinary Profit		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2014 First Half (for the six months ending September 30, 2013)	16,450	8.5	1,070	19.0	1,120	16.9	695	35.9	52.90
FY2014	34,900	8.5	2,900	19.0	3,000	4.0	1,860	10.6	141.57

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

4. Others

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

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

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

1. Changes caused by revision of accounting standards, etc. : No
2. Changes other than 1. above: No

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)

First quarter of fiscal 2014:	15,240,000 shares
Fiscal 2013:	15,240,000 shares
2. Number of treasury stock

First quarter of fiscal 2014:	2,101,709 shares
Fiscal 2013:	2,101,709 shares
3. Average number of shares over period (consolidated total for quarter)

First quarter of fiscal 2014:	13,138,291 shares
First quarter of fiscal 2013:	13,138,359 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) Explanation Concerning Business Results

During the first quarter of the fiscal year (April 1, 2013 to June 30, 2013), the Japanese economy recovered steadily, reflecting such factors as a pickup in personal consumption and production as well as an improvement in corporate earnings, mainly in manufacturing industries.

In the information services industry, IT investments are expected to remain on a recovery track thanks to demand for systems integration at megabanks and demand in the securities industry for program-related projects (Nippon Individual Savings Account (NISA) program for tax-free small-amount accounts). Nevertheless, the current environment for orders is expected to become increasingly severe due to continued intensifying competition.

Amid this business environment, in the third year of its Medium-Term Management Plan, the SRA Holdings Group implemented the following specific measures in line with efforts to “increase and strengthen profitability by undertaking structural reforms in existing businesses” as well as “secure growth potential by fully promoting our own IP products business and undertaking new business overseas,” which is our medium- and long-term growth strategy.

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

As measures to expand orders and sales by strengthening business capabilities, we created new projects through proposal-based sales and strengthened our order management structure. As a result of these efforts, Advanced Integration Technology, Inc. (AIT), SRA America, Inc. and Software Science Inc. recorded increases in sales over the same period of the previous fiscal year.

Meanwhile, to build a high-profit production structure we continued to promote initiatives for realizing an appropriate level of production overhead costs.

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

In working to further promote our “own IP products business” x “overseas business,” we made additional business investments in Proxim Wireless Corporation and in Kingnet.

Moreover, we strived to expand our own IP products business such as our comprehensive education solutions “UniVision” and our mail archive “MailDepot” and also launched our own new IP product BELEGA*.

* BELEGA: a digital content management, delivery and sales service platform.

Due to the above initiatives, our consolidated business results for the first quarter of the fiscal year were as follows.

In terms of net sales, although sales of the Systems Development business remained flat, sales of the System Operations and Infrastructure Development business increased slightly and sales of the Product Sales business rose sharply. As a result, consolidated net sales amounted to ¥7,628 million, a 4.8% increase from the same period of the previous fiscal year.

At the profit and loss level, a decline in gross profit resulted in a 26.4% year-on-year decrease in operating income to ¥246 million. However, ordinary profit rose 15.3% from the same period of the previous fiscal year to ¥434 million due a foreign exchange gain.

Because we recorded a loss on valuation of investment securities as an extraordinary loss, we posted a first quarter net loss of ¥572 million.

The Company applied the reversal method for the impairment of investment securities during the quarter. Therefore, depending on the market value of securities during the fiscal year ending March 2014 or at the end of this fiscal year, there is a possibility the amount of the first quarter extraordinary loss could change or that no extraordinary loss will be recorded.

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

1) Systems Development

Despite a decline in sales to electric power industries, the Systems Development business recorded increases in sales to banks, securities companies and non-life insurance companies. As a result, net sales edged up 0.2% from the same period of the previous fiscal year to ¥3,731 million.

2) System Operations and Infrastructure Development

Although there was a slight decrease in university-related orders, there was an increase in orders from companies. As a result, net sales of the System Operations and Infrastructure Development business increased 2.4% from the same period of the previous fiscal year to ¥831 million.

3) Product Sales

AIT recorded favorable sales, mainly in the financial sector. As a result, net sales of the Product Sales business increased 11.6% from the same period of the previous fiscal year to ¥3,065 million.

(2) Explanation Concerning Financial Condition

With regard to financial condition for the first quarter, total assets amounted to ¥28,127 million, a decrease of 0.0% from the end of the previous fiscal year. Total liabilities increased 5.5% from the end of the previous fiscal year to ¥11,364 million and net assets decreased 3.4% to ¥16,762 million from the end of the previous fiscal year. Details of the principal increases and decreases from the end of the previous fiscal year are as follows.

(Total Assets)

Work in process rose ¥579 million to ¥1,591 million due to such factors as an increase in contracted development projects. On the other hand, due to the redemption of securities, short-term investment securities declined ¥346 million to ¥656 million and investment securities declined ¥540 million to ¥6,597 million.

(Total Liabilities)

Provision for bonuses increased ¥328 million to ¥922 million. On the other hand, income taxes payable decreased ¥234 million to ¥289 million.

(Total Net Assets)

Due to the payment of dividends amounting to ¥591 million and a first quarter net loss of ¥572 million, retained earnings amounted to ¥11,625 million.

(3) Explanation Concerning Consolidated Results Forecast and Other Future Projections

No revision has been made to forecasts in Summary of Consolidated Financial Results for the Year Ended March 31, 2013 released on May 9, 2013.

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: None

3. Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of Yen)

	Fiscal 2013 (as of March 31, 2013)	End of first quarter of fiscal 2014 (as of June 30, 2013)
ASSETS		
Current assets:		
Cash and deposits	7,197	8,381
Notes and accounts receivable—trade	6,299	4,870
Short-term investment securities	1,002	656
Merchandise and finished goods	242	299
Work in process	1,011	1,591
Deferred tax assets	531	734
Other	1,222	1,720
Allowance for doubtful accounts	(35)	(31)
Total current assets	17,473	18,222
Noncurrent assets:		
Property, plant and equipment		
Buildings	349	346
Accumulated depreciation	(253)	(253)
Buildings, net	96	93
Machinery, equipment and vehicles	569	556
Accumulated depreciation	(522)	(511)
Machinery, equipment and vehicles, net	46	45
Other	119	120
Accumulated depreciation	(77)	(80)
Other, net	42	40
Total property, plant and equipment	184	178
Intangible assets		
Other	894	848
Total intangible assets	894	848
Investments and other assets		
Investment securities	7,137	6,597
Deferred tax assets	1,049	809
Guarantee deposits	402	401
Other	1,093	1,180
Allowance for doubtful accounts	(14)	(15)
Allowance for investment loss	(87)	(95)
Total investments and other assets	9,580	8,878

Total noncurrent assets	10,660	9,905
Total assets	28,133	28,127

(Millions of Yen)

	Fiscal 2013 (as of March 31, 2013)	End of first quarter of fiscal 2014 (as of June 30, 2013)
LIABILITIES		
Current liabilities:		
Accounts payable—trade	2,447	2,552
Short-term loans payable	1,229	1,239
Accrued expenses	590	712
Income taxes payable	523	289
Accrued consumption taxes	241	144
Provision for bonuses	594	922
Provision for directors' bonuses	50	0
Provision for loss on construction contracts	181	308
Asset retirement obligations	17	15
Other	807	1,096
Total current liabilities	6,683	7,282
Noncurrent liabilities:		
Long-term loans payable	300	300
Deferred tax liabilities	3	5
Provision for retirement benefits	3,620	3,615
Provision for directors' retirement benefits	165	143
Others	0	17
Total noncurrent liabilities	4,090	4,082
Total liabilities	10,774	11,364
NET ASSETS		
Shareholders' equity		
Capital stock	1,000	1,000
Capital surplus	4,483	4,483
Retained earnings	12,789	11,625
Treasury stock	(1,393)	(1,393)
Total shareholders' equity	16,879	15,715
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	588	1,002
Foreign currency translation adjustments	(148)	3
Total accumulated other comprehensive income	439	1,006
Subscription rights to shares	39	40
Total net assets	17,359	16,762
Total liabilities and net assets	28,133	28,127

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
 (Quarterly Consolidated Statements of Income)
 (Consolidated Cumulative Total for First Quarter)

(Millions of Yen)

	Consolidated cumulative total for first quarter of fiscal 2013 (from April 1, 2012 to June 30, 2012)	Consolidated cumulative total for first quarter of fiscal 2014 (from April 1, 2013 to June 30, 2013)
Net sales	7,282	7,628
Cost of sales	6,071	6,451
Gross profit	1,211	1,177
Selling, general and administrative expenses	876	930
Operating income	334	246
Non-operating income		
Interest received	41	46
Dividends received	19	31
Foreign exchange gains	—	72
Other	19	49
Total non-operating income	81	199
Non-operating expenses		
Interest expenses	7	6
Transfer agent processing fee	—	4
Other	32	0
Total non-operating expenses	39	11
Ordinary profit	376	434
Extraordinary income		
Gain on sales of investment securities	11	4
Other	—	0
Total extraordinary income	11	4
Extraordinary loss		
Loss on retirement of noncurrent assets	0	0
Loss on valuation of investment securities	0	778
Other	0	10
Total extraordinary loss	0	789

Income (loss) before income taxes and minority interests	388	(349)
Income taxes-current	346	411
Income taxes-deferred	(147)	(189)
Total income taxes	198	222
Income (loss) before minority interests	189	(572)
Net income (loss)	189	(572)

(Quarterly Consolidated Statements of Comprehensive Income)

(Consolidated Cumulative Total for First Quarter)

Income (loss) before minority interests	189	(572)
Other comprehensive income		
Valuation difference on available-for-sale securities	(33)	414
Foreign currency translation adjustments	34	152
Total other comprehensive income	1	566
Comprehensive income	190	(6)
(breakdown)		
Comprehensive income attributable to parent company shareholders	190	(6)
Comprehensive income attributable to minority shareholders	—	—

(3) Notes Concerning Consolidated Financial Statements for the First Quarter

(Notes Concerning Premise of Going Concern)

None

(Notes on Significant Changes in Shareholders' Equity)

None

(Segment Information)

(Segment Information)

I. 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:

- 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.
- 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 2014 (from April 1, 2013 to June 30, 2013)

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
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						income ^{*2}
Sales						
(3) Sales to Customers	3,731	831	3,065	7,628	—	7,628
(4) Intersegment sales or transfers	8	68	117	194	(194)	—
Total sales	3,740	900	3,182	7,823	(194)	7,628
Operating income	236	174	145	556	(309)	246

Notes:

1. The segment income adjustment of minus ¥309 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

(Significant subsequent events)

None

4. 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, 2014 is as follows.

Segment information by type of business	Consolidated cumulative total for first quarter of fiscal 2014 (from April 1, 2013 to June 30, 2013)	% change YoY
Systems Development (Millions of Yen)	4,286	102.6
System Operations and Infrastructure Development (Millions of Yen)	847	100.8
Total (Millions of Yen)	5,134	102.3

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, 2014 are as follows.

Segment information by type of business	Consolidated cumulative total for first quarter of fiscal 2014 (from April 1, 2013 to June 30, 2013)	% change YoY
Product Sales (Millions of Yen)	2,144	115.8
Total (Millions of Yen)	2,144	115.8

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, 2014 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	4,942	115.8	5,469	124.1
System Operations and Infrastructure Development	650	99.4	1,282	103.0

Product Sales	3,189	119.1	3,330	95.6
Total	8,782	115.5	10,082	110.4

Notes:

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

(4) Sales amounts

Sales by segment in the first quarter of the fiscal year ending March 31, 2014 are as follows.

Segment information by type of business	Consolidated cumulative total for first quarter of fiscal 2014 (from April 1, 2013 to June 30, 2013)	% change YoY
Systems Development (Millions of Yen)	3,731	100.2
System Operations and Infrastructure Development (Millions of Yen)	831	102.4
Product Sales (Millions of Yen)	3,065	111.6
Total (Millions of Yen)	7,628	104.8

Notes:

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