



Summary of Consolidated Financial Results for the Second 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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Tel:	(03)-5979-2666
Scheduled date of submission of quarterly securities report:	November 8, 2013
Scheduled commencement of dividend payment:	—
Quarterly Results Supplemental Materials	Yes
Quarterly Results Presentation Meeting	Yes

1. Consolidated results for the second quarter of the fiscal year ending March 2014 (from April 1, 2013 to September 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	%
Second quarter of fiscal 2014	16,321	7.6	966	7.4	1,193	24.6	664	30.1
Second quarter of fiscal 2013	15,165	(4.6)	899	10.6	957	8.0	511	(15.8)

Note : Comprehensive Income

Second quarter of fiscal 2014: ¥654 million(113%)

Second quarter of fiscal 2013: ¥307 million((39.3)%)

	Net Income	Net Income
	per Share	per Share after Dilution
	Yen	Yen
Second quarter of fiscal 2014	50.61	50.33
Second quarter of fiscal 2013	38.91	38.90

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
Second quarter of fiscal 2014	28,551	17,425	60.9
Fiscal 2013	28,133	17,359	61.6

Reference: Shareholders' equity

Second quarter of fiscal 2014: ¥17,382 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 2014 (from April 1, 2013 to March 31, 2014)

(% of change from FY2013)

	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	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, changes in accounting estimates, and restatements

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

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)

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

Second quarter of fiscal 2014:	2,101,724 shares
Fiscal 2013:	2,101,709 shares
3. Average number of shares over period (consolidated total for quarter)

Second quarter of fiscal 2014:	13,138,287 shares
Second quarter of fiscal 2013:	13,138,343 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 earnings 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 Second-Quarter Consolidated Business Results

(1) Explanation Concerning Business Results

During the second quarter of the fiscal year (April 1, 2013 to September 30, 2013), the Japanese economy moved from a pickup phase toward a recovery owing to an improvement in corporate earnings, mainly in manufacturing industries, supported by a rebound in personal consumption and exports and an increase in production.

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 “undertake structural reforms in existing businesses” as well as our “own IP products business” x “overseas business,” which is our medium- and long-term growth strategy.

■Undertake 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) 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.

■“Own IP products business” x “overseas business”

We made additional business investments in Proxim Wireless Corporation and Kingnet with the aim of further implementing our medium- and long-term growth strategy of promoting our own IP products business in such growth markets as China, India and ASEAN.

In our own IP products business in Japan, we focused on expanding sales of such products as our comprehensive education solutions “UniVision,” our mail archive “MailDepot,” our digital content service BELEGA-DC and our EC building service BELEGA-EC.

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

In terms of net sales, all three business segments, specifically the Systems Development business, the System Operations and Infrastructure Development business and the Product Sales business, recorded increases in net sales. As a result, consolidated net sales amounted to ¥16,321 million, a 7.6% increase from the same period of the previous fiscal year.

At the profit level, operating income rose 7.4% from the same period of the previous fiscal year to ¥966 million due to an increase in gross profit accompanying growth in sales. Ordinary profit rose 24.6% from the same period of the previous fiscal year to ¥1,193 million due to foreign exchange gains and net income increased 30.1% to ¥664 million.

A loss on valuation of investment securities recorded as an extraordinary loss in the first quarter was no longer

required to be recorded in the second quarter because of a recovery in stock prices.

The Company applied the reversal method for the impairment of investment securities during the quarter. Therefore, depending on the market value of securities at the end of the third quarter or at the end of this fiscal year, there is a possibility that a loss on valuation of investment securities will be recorded as an extraordinary loss.

As detailed above regarding consolidated results for the second quarter of the fiscal year, net sales and profits increased from the same period of the previous fiscal year. We maintained sales at virtually the same level as in our second quarter forecast of consolidated results and achieved an increase in ordinary profit above the amount in the same forecast.

A summary of consolidated business results for the second 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 7.6% from the same period of the previous fiscal year to ¥8,478 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 2.8% from the same period of the previous fiscal year to ¥1,718 million.

3) Product Sales

AIT recorded favorable sales, mainly in the financial sector and medical sector. As a result, net sales of the Product Sales business increased 9.1% from the same period of the previous fiscal year to ¥6,125 million.

(2) Explanation Concerning Financial Condition

(Financial Condition)

With regard to financial condition for the second quarter, total assets amounted to ¥28,551 million, an increase of 1.5% from the end of the previous fiscal year. Total liabilities increased 3.3% from the end of the previous fiscal year to ¥11,126 million and net assets increased 0.4% to ¥17,425 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 increased ¥596 million to ¥1,608 million due to such factors as a rise in contracted development projects. Merchandise and finished goods rose ¥382 million to ¥624 million owing to such factors as an increase in transactions for device sales. On the other hand, notes and accounts receivable—trade decreased ¥705 million to ¥5,594 million due to the collection of trade receivable and investment securities declined ¥633 million to ¥6,504 million due to the sale and redemption of securities.

(Total Liabilities)

Accounts payable—trade increased ¥496 million to ¥2,944 million due to a rise in trade payables. Provision for loss on construction contracts for commissioned development increased ¥165 million to ¥347 million. On the other hand, income taxes payable decreased ¥125 million to ¥398 million owing to the payment of corporate income taxes.

(Total Net Assets)

Foreign currency translation adjustments when converting the impact of exchange rates on overseas subsidiaries increased ¥209 million to a positive ¥60 million. Retained earnings increased ¥73 million to ¥12,863 million. On the other hand, valuation difference on available-for-sale securities decreased ¥220 million to ¥368 million because short-term investment securities and investment securities were marked to market.

Status of Cash Flows

Cash and cash equivalents (hereafter cash) on a consolidated basis during the second quarter of the fiscal year increased ¥511 million to ¥8,008 million compared with at the end of the previous fiscal year-end (an increase of ¥1,086 million from the same quarter of the previous fiscal year).

The status of cash flows and factors underlying changes in cash flows for the second quarter of the fiscal year are shown below.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥855 million (compared with ¥1,053 million in the same quarter of the previous fiscal year). This consisted mainly of such cash inflows as income before income taxes and minority interests of ¥1,193 million, a decrease in notes and accounts receivable—trade of ¥815 million and an increase in notes and accounts payable—trade of ¥472 million, while cash outflows consisted primarily of an increase in inventories of ¥974 million and income taxes paid of ¥678 million.

Cash Flows from Investing Activities

Net cash provided by investing activities amounted to ¥189 million (compared with ¥3,094 million used in investing activities in the same quarter of the previous fiscal year). This consisted mainly of such cash inflows as proceeds from sales of investment securities of ¥798 million and proceeds from the liquidation of subsidiaries and affiliates of ¥82 million, while cash outflows consisted mainly of payments of loans receivable of ¥603 million and payments into time deposits of ¥80 million.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥612 million (compared with ¥525 million used in financing activities in the same quarter of the previous fiscal year). This consisted mainly of such cash outflows as cash dividends paid of ¥591 million and a net decrease in short-term loans payable of ¥20 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, 2014 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 second quarter of fiscal 2014 (as of September 30, 2013)
ASSETS		
Current assets:		
Cash and deposits	7,197	7,789
Notes and accounts receivable—trade	6,299	5,594
Short-term investment securities	1,002	505
Merchandise and finished goods	242	624
Work in process	1,011	1,608
Deferred tax assets	531	520
Other	1,222	1,597
Allowance for doubtful accounts	(35)	(32)
Total current assets	17,473	18,208
Noncurrent assets:		
Property, plant and equipment		
Buildings	349	326
Accumulated depreciation	(253)	(230)
Buildings, net	96	96
Machinery, equipment and vehicles	569	557
Accumulated depreciation	(522)	(509)
Machinery, equipment and vehicles, net	46	47
Other	119	111
Accumulated depreciation	(77)	(69)
Other, net	42	41
Total property, plant and equipment	184	186
Intangible assets		
Other	894	770
Total intangible assets	894	770
Investments and other assets		
Investment securities	7,137	6,504
Deferred tax assets	1,049	1,209
Guarantee deposits	402	401
Other	1,093	1,383
Allowance for doubtful accounts	(14)	(14)
Allowance for investment loss	(87)	(97)
Total investments and other assets	9,580	9,385

Total noncurrent assets	10,660	10,342
Total assets	28,133	28,551

(Millions of Yen)

	Fiscal 2013 (as of March 31, 2013)	End of second quarter of fiscal 2014 (as of September 30, 2013)
LIABILITIES		
Current liabilities:		
Accounts payable—trade	2,447	2,944
Short-term loans payable	1,229	1,509
Accrued expenses	590	513
Income taxes payable	523	398
Accrued consumption taxes	241	133
Provision for bonuses	594	641
Provision for directors' bonuses	50	31
Provision for loss on construction contracts	181	347
Asset retirement obligations	17	—
Other	807	816
Total current liabilities	6,683	7,336
Noncurrent liabilities:		
Long-term loans payable	300	—
Deferred tax liabilities	3	5
Provision for retirement benefits	3,620	3,617
Provision for directors' retirement benefits	165	149
Others	0	17
Total noncurrent liabilities	4,090	3,789
Total liabilities	10,774	11,126
NET ASSETS		
Shareholders' equity		
Capital stock	1,000	1,000
Capital surplus	4,483	4,483
Retained earnings	12,789	12,863
Treasury stock	(1,393)	(1,393)
Total shareholders' equity	16,879	16,953
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	588	368
Foreign currency translation adjustments	(148)	60
Total accumulated other comprehensive income	439	429
Subscription rights to shares	39	42
Total net assets	17,359	17,425
Total liabilities and net assets	28,133	28,551

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

(Millions of Yen)

	Consolidated cumulative total for second quarter of fiscal 2013 (from April 1, 2012 to September 30, 2012)	Consolidated cumulative total for second quarter of fiscal 2014 (from April 1, 2013 to September 30, 2013)
Net sales	15,165	16,321
Cost of sales	12,488	13,505
Gross profit	2,677	2,815
Selling, general and administrative expenses	1,777	1,849
Operating income	899	966
Non-operating income		
Interest received	87	94
Dividends received	25	33
Foreign exchange gains	–	51
Other	32	75
Total non-operating income	144	255
Non-operating expenses		
Interest expenses	14	13
Transfer agent processing fee	10	13
Other	61	0
Total non-operating expenses	86	27
Ordinary profit	957	1,193
Extraordinary income		
Gain on sales of investment securities	11	4
Reversal of allowance for investment loss	–	2
Other	0	0
Total extraordinary income	12	6
Extraordinary loss		
Loss on retirement of noncurrent assets	0	2
Loss on liquidation of subsidiaries and affiliates	–	4
Other	0	0
Total extraordinary loss	0	6

Income before income taxes and minority interests	969	1,193
Income taxes-current	474	553
Income taxes-deferred	(16)	(24)
Total income taxes	458	528
Income before minority interests	511	664
Net income	511	664

(Quarterly Consolidated Statements of Comprehensive Income)

(Consolidated Cumulative Total for Second Quarter)

Income before minority interests	511	664
Other comprehensive income		
Valuation difference on available-for-sale securities	(170)	(220)
Foreign currency translation adjustments	(33)	209
Total other comprehensive income	(203)	(10)
Comprehensive income	307	654
(breakdown)		
Comprehensive income attributable to parent company shareholders	307	654
Comprehensive income attributable to minority shareholders	—	—

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	Consolidated cumulative total for second quarter of fiscal 2013 (from April 1, 2012 to September 30, 2012)	Consolidated cumulative total for second quarter of fiscal 2014 (from April 1, 2013 to September 30, 2013)
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	969	1,193
Depreciation and amortization	212	199
Increase (decrease) in provision for retirement benefits	(2)	(4)
Increase (decrease) in provision for directors' retirement benefits	(1)	(15)
Increase (decrease) in provision for bonuses	6	47
Increase (decrease) in provision for directors' bonuses	(24)	(18)
Increase (decrease) in allowance for doubtful accounts	10	(1)
Increase (decrease) in allowance for investment loss	–	(2)
Interest and dividend income	(112)	(128)
Interest expense	14	13
Loss (gain) on valuation of investment securities	0	–
Loss (gain) on sales of investment securities	(11)	(4)
Loss (gain) on sales of noncurrent assets	(0)	(0)
Loss on retirement of noncurrent assets	0	2
Decrease (increase) in notes and accounts receivable—trade	1,089	815
Decrease (increase) in inventories	(499)	(974)
Increase (decrease) in notes and accounts payable—trade	(63)	472
Increase (decrease) in other liabilities	155	(120)
Increase (decrease) in accrued consumption taxes	(128)	(107)
Other, net	65	77
Subtotal	1,679	1,443
Interest and dividends income received	85	105
Interest expenses paid	(14)	(14)
Income taxes paid	(697)	(678)
Net cash provided by operating activities	1,053	855
Net cash provided by (used in) investing activities:		
Purchase of property, plant and equipment	(31)	(12)
Proceeds from sale of property, plant and equipment	2	0
Purchase of intangible assets	(106)	(41)
Purchase of investment securities	(664)	(55)
Proceeds from sales of investment securities	520	798
Proceeds from liquidation of subsidiaries and affiliates	–	82
Payments of loans receivable	(3,323)	(603)

Collection of loans receivable	503	101
Payments into time deposits	–	(80)
Other, net	6	(0)
Net cash provided by (used in) investing activities	(3,094)	189
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	–	20
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(525)	(591)
Other	(0)	(0)
Net cash used in financing activities	(525)	(612)
Effect of exchange rate changes on cash and cash equivalents	(6)	77
Net increase (decrease) in cash and cash equivalents	(2,574)	511
Cash and cash equivalents at beginning of period	9,496	7,497
Cash and cash equivalents at the end of period	6,922	8,008

(4) Notes Concerning Consolidated Financial Statements for the Second Quarter

(Notes Concerning Premise of Going Concern)

None

(Notes on Significant Changes in Shareholders' Equity)

None

(Segment Information)

I. Consolidated cumulative total for second quarter of fiscal 2013 (from April 1, 2012 to September 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	7,881	1,671	5,612	15,165	—	15,165
(2) Intersegment sales or transfers	20	169	256	447	(447)	—
Total sales	7,902	1,841	5,869	15,612	(447)	15,165
Operating income	910	306	294	1,511	(612)	899

Notes:

1. The segment income adjustment of minus ¥612 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 second quarter of fiscal 2014 (from April 1, 2013 to September 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 income ^{*2}
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Sales						
(3) Sales to Customers	8,478	1,718	6,125	16,321	—	16,321
(4) Intersegment sales or transfers	15	136	229	381	(381)	—
Total sales	8,494	1,854	6,355	16,703	(381)	16,321
Operating income	881	364	339	1,584	(618)	966

Notes:

1. The segment income adjustment of minus ¥618 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)

The Board of Directors of Company subsidiary Software Research Associates, Inc. convened on October 2, 2013 and resolved to provide a guarantee of liabilities for ¥500 million in financing provided to SJI Inc. by Mizuho Bank, Ltd. and a guarantee of liabilities contract was concluded on October 11, 2013. The period covered by the guarantee of liabilities is until December 27, 2013.

4. Other Information

1. Status of Production, Orders and Sales

(1) Production amounts

Production by segment in the second quarter of the fiscal year ending March 31, 2014 is as follows.

Segment information by type of business	Consolidated cumulative total for second quarter of fiscal 2014 (from April 1, 2013 to September 30, 2013)	% change YoY
Systems Development (Millions of Yen)	9,049	106.7
System Operations and Infrastructure Development (Millions of Yen)	1,733	102.1
Total (Millions of Yen)	10,782	105.9

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 second quarter of the fiscal year ending March 31, 2014 are as follows.

Segment information by type of business	Consolidated cumulative total for second quarter of fiscal 2014 (from April 1, 2013 to September 30, 2013)	% change YoY
Product Sales (Millions of Yen)	4,313	120.9
Total (Millions of Yen)	4,313	120.9

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 second 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	10,093	123.4	5,874	141.1

System Operations and Infrastructure Development	1,449	104.0	1,195	106.3
Product Sales	6,945	132.3	4,026	126.3
Total	18,489	124.7	11,096	130.9

Notes:

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

(4) Sales amounts

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

Segment information by type of business	Consolidated cumulative total for second quarter of fiscal 2014 (from April 1, 2013 to September 30, 2013)	% change YoY
Systems Development (Millions of Yen)	8,478	107.6
System Operations and Infrastructure Development (Millions of Yen)	1,718	102.8
Product Sales (Millions of Yen)	6,125	109.1
Total (Millions of Yen)	16,321	107.6

Notes:

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