



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

<b>Company name:</b>	SRA Holdings, Inc. (URL: <a href="http://www.sra-hd.co.jp/">http://www.sra-hd.co.jp/</a> )
<b>Stock listing:</b>	Tokyo Stock Exchange
<b>Code number:</b>	3817
<b>President:</b>	Toru Kashima
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<b>Tel:</b>	(03)-5979-2666
<b>Scheduled date of submission of quarterly securities report:</b>	February 13, 2014
<b>Scheduled commencement of dividend payment:</b>	—
<b>Quarterly Results Supplemental Materials</b>	Yes
<b>Quarterly Results Presentation Meeting</b>	No

### 1. Consolidated results for the third quarter of the fiscal year ending March 2014 (from April 1, 2013 to December 31, 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	%
Third quarter of fiscal 2014	24,765	9.3	1,543	30.4	2,015	38.0	1,139	41.6
Third quarter of fiscal 2013	22,663	(4.1)	1,183	(4.1)	1,460	89	804	20.7

Note : Comprehensive Income

Third quarter of fiscal 2014: ¥ 1,225millions (82.2%)

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

	Net Income	Net Income
	per Share	per Share after Dilution
	Yen	Yen
Third quarter of fiscal 2014	87.86	87.31
Third quarter of fiscal 2013	61.23	61.22

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
Third quarter of fiscal 2014	28,498	16,459	57.6
Fiscal 2013	28,133	17,359	61.6

Reference: Shareholders' equity

Third quarter of fiscal 2014: ¥ 16,416millions

Fiscal 2013 : ¥ 17,319millions

### 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	—	0.00	—	45.00	45.00
Fiscal 2014	—	0.00			
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	146.59

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

\*In the third quarter of the consolidated fiscal year, the Company acquired 1,300,000 treasury shares. The Company calculated "Net income per share" in the Consolidated Earnings Forecast using the average number of shares over the period that reflected the acquisition of the aforementioned treasury shares.

### 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)
 

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

Third quarter of fiscal 2014:	3,394,210 shares
Fiscal 2013:	2,101,709 shares
3. Average number of shares over period (consolidated total for quarter)
 

Third quarter of fiscal 2014:	12,963,848 shares
Third quarter of fiscal 2013:	13,138,331 shares

\*Indication of quarterly review procedure implementation status

This earnings release is not subject to the quarterly review process as required by the Financial Instruments and Exchange Act of Japan. As of the date when this earning release was issued, the review process on quarterly financial statements as required by the Financial Instruments and Exchange Act had been finished.

\*Explanation relating to the appropriate use of results forecasts, and other noteworthy items

Forward-looking statements in this earnings release, such as forecasts of results of operations, are based on the information currently available and the certain assumptions that we regard as reasonable and therefore actual results may differ materially from those contained in or suggested by any forward-looking statements.

## 1. Qualitative Information Concerning Third-Quarter Consolidated Business Results

### (1) Explanation Concerning Business Results

During the third quarter of the fiscal year (April 1, 2013 to December 31, 2013), the Japanese economy sustained a moderate recovery owing to such factors as a pickup in personal consumption and production as well as to an improvement in corporate earnings.

In the information services industry, IT investments moved on track to a recovery 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 remained harsh 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, Kingnet and Cavin Systems, Inc. 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.

In the healthcare field, where markets are expected to grow, we made a business investment in Practechs, Inc. as a new business model. Along with this investment, we collaborated with Practechs and developed and began providing the HEALTHPLAYER\* application for smartphones.

\* HEALTHPLAYER utilizes cloud computing to safely record and store such healthcare data as a person’s height, weight, and calorie consumption that are obtained from users via their smartphones and other devices. This application is useful for personal health management. Practechs is using SRA’s recommendation technologies and performing analysis for distributing articles and related advertisements, such as those about lifestyle modifications, tailored to the health condition of each individual user.

Due to the above initiatives, our consolidated business results for the third 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 ¥24,765 million, a 9.3% increase from the same period of the previous fiscal year.

At the profit level, operating income rose 30.4% from the same period of the previous fiscal year to ¥1,543 million due to an increase in gross profit accompanying growth in sales. Ordinary profit rose 38.0% from the same period of the previous fiscal year to ¥2,015 million due to foreign exchange gains and net income increased 41.6% to ¥1,139 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 third quarter because of a recovery in stock prices.

The Company applied the reversal method (*araigae* method, allows for upward revisions at the beginning of the next fiscal period) for the impairment of investment securities during the quarter and applies the lower of cost or market method (*kirihanashi* method, with the same carrying values at the end of the period and the beginning of the next period) at the end of the fiscal year. Therefore, depending on the market value of securities at the end of this fiscal year, there is the possibility that a loss on the valuation of securities will be recorded as an extraordinary loss.

As detailed above regarding consolidated results for the third quarter of the fiscal year, net sales and profits increased from the same period of the previous fiscal year.

A summary of consolidated business results for the third 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 9.0% from the same period of the previous fiscal year to ¥12,814 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 5.7% from the same period of the previous fiscal year to ¥2,627 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 10.7% from the same period of the previous fiscal year to ¥9,324 million.

## (2) Explanation Concerning Financial Condition

With regard to financial condition for the third quarter, total assets amounted to ¥28,498 million, an increase of 1.3% from the end of the previous fiscal year. Total liabilities increased 11.7% from the end of the previous fiscal year to ¥12,038 million and net assets decreased 5.2% to ¥16,459 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)

Merchandise and finished goods rose ¥756 million to ¥998 million owing to such factors as an increase in transactions for device sales. Work in process increased ¥787 million to ¥1,798 million due to such factors as a rise in contracted development projects.

Short-term investment securities increased ¥2,607 million while investment securities declined by a corresponding amount due to the transfer of this amount to current assets.

(Total Liabilities)

Accounts payable—trade increased ¥1,050 million to ¥3,497 million due to a rise in purchases. Short-term loans payable increased ¥315 million to ¥1,544 million. On the other hand, provision for bonuses declined ¥242 million to ¥351 million. Income taxes payable decreased ¥221 million to ¥302 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 ¥272 million to a positive ¥124 million. Retained earnings increased ¥547 million to ¥13,337 million. Conversely, treasury stock increased ¥1,536 million to negative ¥2,930 million due to the acquisition of treasury stock.

### **(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 third quarter of fiscal 2014 (as of December 31, 2013)
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	7,197	7,796
Notes and accounts receivable—trade	6,299	4,568
Short-term investment securities	1,002	3,113
Merchandise and finished goods	242	998
Work in process	1,011	1,798
Deferred tax assets	531	439
Other	1,222	2,090
Allowance for doubtful accounts	(35)	(31)
Total current assets	17,473	20,774
<b>Noncurrent assets:</b>		
Property, plant and equipment		
Buildings	349	336
Accumulated depreciation	(253)	(237)
Buildings, net	96	99
Machinery, equipment and vehicles	569	571
Accumulated depreciation	(522)	(515)
Machinery, equipment and vehicles, net	46	55
Other	119	111
Accumulated depreciation	(77)	(72)
Other, net	42	39
Total property, plant and equipment	184	193
Intangible assets		
Other	894	718
Total intangible assets	894	718
Investments and other assets		
Investment securities	7,137	3,885
Deferred tax assets	1,049	1,196
Guarantee deposits	402	370
Other	1,093	1,469
Allowance for doubtful accounts	(14)	(15)
Allowance for investment loss	(87)	(96)
Total investments and other assets	9,580	6,810

Total noncurrent assets	10,660	7,723
<b>Total assets</b>	<b>28,133</b>	<b>28,498</b>

(Millions of Yen)

	Fiscal 2013 (as of March 31, 2013)	End of third quarter of fiscal 2014 (as of December 31, 2013)
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable—trade	2,447	3,497
Short-term loans payable	1,229	1,544
Accrued expenses	590	704
Income taxes payable	523	302
Accrued consumption taxes	241	176
Provision for bonuses	594	351
Provision for directors' bonuses	50	63
Provision for loss on construction contracts	181	387
Asset retirement obligations	17	9
Other	807	1,182
Total current liabilities	6,683	8,218
<b>Noncurrent liabilities:</b>		
Long-term loans payable	300	—
Deferred tax liabilities	3	4
Provision for retirement benefits	3,620	3,641
Provision for directors' retirement benefits	165	155
Others	0	17
Total noncurrent liabilities	4,090	3,819
<b>Total liabilities</b>	<b>10,774</b>	<b>12,038</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	1,000	1,000
Capital surplus	4,483	4,483
Retained earnings	12,789	13,337
Treasury stock	(1,393)	(2,930)
Total shareholders' equity	16,879	15,890
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	588	420
Foreign currency translation adjustments	(148)	124
Total accumulated other comprehensive income	439	526
<b>Subscription rights to shares</b>	<b>39</b>	<b>43</b>
<b>Total net assets</b>	<b>17,359</b>	<b>16,459</b>
<b>Total liabilities and net assets</b>	<b>28,133</b>	<b>28,498</b>



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

(Millions of Yen)

	Consolidated cumulative total for third quarter of fiscal 2013 (from April 1, 2012 to December 31, 2012)	Consolidated cumulative total for third quarter of fiscal 2014 (from April 1, 2013 to December 31, 2013)
<b>Net sales</b>	22,663	24,765
<b>Cost of sales</b>	18,758	20,440
Gross profit	3,904	4,325
<b>Selling, general and administrative expenses</b>	2,720	2,782
Operating income	1,183	1,543
<b>Non-operating income</b>		
Interest received	143	144
Dividends received	34	44
Foreign exchange gains	87	200
Other	62	123
Total non-operating income	327	513
<b>Non-operating expenses</b>		
Interest expenses	21	20
Transfer agent processing fee	16	19
Other	13	0
Total non-operating expenses	51	41
<b>Ordinary profit</b>	1,460	2,015
<b>Extraordinary income</b>		
Gain on sales of investment securities	11	5
Gain on reversal of loss on valuation of investment securities	–	6
Reversal of allowance for investment loss	3	2
Other	0	0
Total extraordinary income	16	14
<b>Extraordinary loss</b>		
Loss on retirement of noncurrent assets	0	2
Loss on liquidation of subsidiaries and affiliates	–	4
Other	0	0
Total extraordinary loss	0	7

<b>Income before income taxes and minority interests</b>	1,475	2,022
Income taxes-current	582	835
Income taxes-deferred	88	48
Total income taxes	670	883
Income before minority interests	804	1,139
<b>Net income</b>	804	1,139

(Quarterly Consolidated Statements of Comprehensive Income)

(Consolidated Cumulative Total for Third Quarter)

Income before minority interests	804	1,139
Other comprehensive income		
Valuation difference on available-for-sale securities	(159)	(189)
Foreign currency translation adjustments	27	272
Total other comprehensive income	(131)	86
Comprehensive income	672	1,225
(breakdown)		
Comprehensive income attributable to parent company shareholders	672	1,225
Comprehensive income attributable to minority shareholders	—	—

## (3) Notes Concerning Consolidated Financial Statements for the Third Quarter

(Notes Concerning Premise of Going Concern)

None

(Notes on Significant Changes in Shareholders' Equity)

In accordance with a resolution by the Board of Directors on November 19, 2013, the Company determined matters concerning the repurchase of treasury stock pursuant to Article 156 of the Corporate Law of Japan as applicable pursuant to the provisions of Article 165, Paragraph 3 of the Corporation Law of Japan, and the Company repurchased treasury stock on November 20, 2013.

Type of shares repurchased: Common shares  
 Number of shares repurchased: 1,300 thousand shares  
 Total repurchase price: ¥1,544 million  
 Repurchase method: Purchased through Tokyo Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading System (ToSTNeT-3)

(Segment Information)

## I. Consolidated cumulative total for third quarter of fiscal 2013 (from April 1, 2012 to December 31, 2012)

## 1. Information concerning net sales and income or losses for each reporting segment

(Millions of yen)

	Systems Development	System Operations and Infrastructure Development	Product Sales	Total	Adjustment amount <sup>*1</sup>	Amount recorded on the quarterly consolidated statements of income <sup>*2</sup>
Sales						
(1) Sales to Customers	11,752	2,485	8,425	22,663	—	22,663
(2) Intersegment sales or transfers	36	254	380	670	(670)	—
Total sales	11,788	2,740	8,805	23,333	(670)	22,663
Operating income	1,294	462	367	2,123	(940)	1,183

Notes:

- The segment income adjustment of minus ¥940 million is a company-wide expense not apportioned to any reporting segment. Company-wide expenses are general and administrative expenses and R&D expenses not attributed to any reporting segment.
- Segment operating income is adjusted in operating income on the quarterly consolidated statements of income.

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

None

## II. Consolidated cumulative total for third quarter of fiscal 2014 (from April 1, 2013 to December 31, 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 <sup>*1</sup>	Amount recorded on the quarterly consolidated statements of income <sup>*2</sup>
Sales						
(3) Sales to Customers	12,814	2,627	9,324	24,765	—	24,765
(4) Intersegment sales or transfers	26	215	355	597	(597)	—
Total sales	12,841	2,842	9,679	25,363	(597)	24,765
Operating income	1,342	537	602	2,483	(939)	1,543

Notes:

1. The segment income adjustment of minus ¥939 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 SRA Group provided a loan to Proxim Wireless Corporation with the aim of strengthening its business and capital alliances with that company. The Board of Directors of SRA convened on January 21, 2014 and resolved to extend the repayment date for an existing loan.

Amount of loan: US\$7,375 thousand  
 Load repayment date before change: January 4, 2014  
 Loan period after change: January 4, 2015

#### 4. Other Information

##### 1. Status of Production, Orders and Sales

###### (1) Production amounts

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

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2014 (from April 1, 2013 to December 31, 2013)	% change YoY
Systems Development (Millions of Yen)	13,536	106.8
System Operations and Infrastructure Development (Millions of Yen)	2,646	104.6
Total (Millions of Yen)	16,182	106.5

Notes:

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

###### (2) Purchase amounts

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

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2014 (from April 1, 2013 to December 31, 2013)	% change YoY
Product Sales (Millions of Yen)	6,598	122.5
Total (Millions of Yen)	6,598	122.5

Notes:

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

###### (3) Status of orders

Status of orders by segment in the third quarter of the fiscal year ending March 31, 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	14,302	115.7	5,747	128.6

System Operations and Infrastructure Development	2,045	105.9	881	103.9
Product Sales	10,818	128.1	4,700	131.7
Total	27,166	119.5	11,329	127.5

Notes:

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

#### (4) Sales amounts

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

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2014 (from April 1, 2013 to December 31, 2013)	% change YoY
Systems Development (Millions of Yen)	12,814	109.0
System Operations and Infrastructure Development (Millions of Yen)	2,627	105.7
Product Sales (Millions of Yen)	9,324	110.7
Total (Millions of Yen)	24,765	109.3

Notes:

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