

Summary of Consolidated Financial Results for the Second Quarter of the Year Ending March 31, 2015

Company name:	SRA Holdings, Inc. (URL: http://www.sra-hd.co.jp/)
Stock listing:	Tokyo Stock Exchange
Code number:	3817
President:	Toru Kashima
For inquiries, please contact:	Makoto Kitai, General Manager, Finance Department, Administrative Headquarters
Tel:	(03)-5979-2666
Scheduled date of submission of quarterly securities report:	November 7, 2014
Scheduled commencement of dividend payment:	November 28, 2014
Quarterly Results Supplemental Materials	Yes
Quarterly Results Presentation Meeting	Yes

1. Consolidated results for the second quarter of the fiscal year ending March 2015 (from April 1, 2014 to September 30, 2014)

(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 2015	16,503	1.1	983	1.8	1,273	6.7	(96)	—
Second quarter of fiscal 2014	16,321	7.6	966	7.4	1,193	24.6	664	30.1

Note : Comprehensive Income

Second quarter of fiscal 2015: ¥245 million((62.4)%)

Second quarter of fiscal 2014: ¥654 million(113.0%)

	Net Income	Net Income
	per Share	per Share after Dilution
Second quarter of fiscal 2015	Yen (8.01)	Yen —
Second quarter of fiscal 2014	50.61	50.33

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
Second quarter of fiscal 2015	28,644	16,920	59.0
Fiscal 2014	29,527	17,083	57.7

Reference: Shareholders' equity

Second quarter of fiscal 2015 : ¥16,911 million

Fiscal 2014 : ¥17,051 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 2014	—	0.00	—	40.00	40.00
Fiscal 2015	—	17.00	—	—	—
Fiscal 2015 (forecast)	—	—	—	28.00	45.00

Note: Revision of dividend forecast in this quarter: No

3. Consolidated Earnings Forecast for Fiscal 2015 (from April 1, 2014 to March 31, 2015)

(% of change from FY2014)

	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
FY2015	37,300	6.1	3,260	16.1	3,460	4.1	2,230	4.5	185.85

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. : Yes
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 2015:	15,240,000 shares
Fiscal 2014:	15,240,000 shares
2. Number of treasury stock

Second quarter of fiscal 2015:	3,210,445 shares
Fiscal 2014:	3,297,610 shares
3. Average number of shares over period (consolidated total for quarter)

Second quarter of fiscal 2015:	11,999,102 shares
Second quarter of fiscal 2014:	13,138,287 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 Second-Quarter Consolidated Business Results

(1) Explanation Concerning Business Results

During the second quarter of the fiscal year (April 1, 2014 to September 30, 2014), the Japanese economy continued its moderate recovery thanks to an increasingly visible pickup in personal consumption, which had previously weakened in reaction to a last-minute surge in demand prior to the consumption tax increase, as well to the continuation of such trends as a rise in capital investment and improved corporate earnings.

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

Within this business environment, the SRA Holdings Group set the goal of surpassing its all-time high in consolidated net income during the final fiscal year of its Medium-Term Management Plan. In doing so, the Group implemented the following specific measures as part of 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 that utilize our strong points and fortified our order management structure. As a result of these efforts, Software Research Associates, Inc. (SRA) recorded an increase in sales over the same period of the previous fiscal year. Meanwhile, to build a high-profit production structure we continued working to strengthen our staff allocation management and realize an appropriate level of production overhead costs.

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

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

Proxim Wireless fully commenced the licensing business for its leading-edge wireless products in the BRICs. Cavirin Systems began sales of the cavirin solution for IT infrastructures in the United States in July and has already formed contracts with a number of prominent companies. Backed by these achievements, Cavirin Systems announced that it will begin sales of cavirin in the Japanese market, where cloud computing is advancing rapidly. This solution responds to needs for strengthening compliance based on standards such as ISO 27000 and for sophisticated security measures against cyberattacks.

In our own IP business in Japan, as new products we began supplying TestDepot, an embedded software automated test support tool that responds to demand in the manufacturing industry; ProjDepot, an integrated management platform for team development that aims at streamlining systems development; and “UniVision viewing time management” solution for universities. In conjunction, 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.

Additionally, in the healthcare field, where markets are expected to grow, we promoted business for HEALTHPLAYER, a platform for comprehensive support for the digital health business in collaboration with Practechs, Inc. as an initiative for building a new business model.

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, although sales in the Product Sales business declined, the Systems Development business

posted higher sales while the System Operations and Infrastructure Development business recorded a sharp increase in sales. As a result, consolidated net sales amounted to ¥16,503 million, a 1.1% increase from the same period of the previous fiscal year.

At the profit level, operating income surged 1.8% from the same period of the previous fiscal year to ¥983million due to growth in sales and an improvement in the gross profit margin, and ordinary profit rose 6.7% from the same period of the previous fiscal year to ¥1,273 million.

A loss on valuation of investment securities for shares in SJI Inc. held by the SRA Group was posted as an extraordinary loss. As a result, a net loss of ¥96 million was recorded.

The Company applied the reversal method (*araigae* method, which allows for upward revisions at the beginning of the next fiscal period) for the valuation of investment securities. Therefore, depending on the market value of securities during or at the end of this fiscal year, there is the possibility that the amount of this extraordinary loss will change or that no extraordinary loss will be recorded on the valuation of securities.

As detailed above regarding consolidated results for the second quarter of the fiscal year, net sales increased from the same period of the previous fiscal year, while operating income and ordinary profit also rose. However, a net loss was recorded in the second quarter due to an extraordinary loss.

Net sales and ordinary profit generally moved in line with our forecast for consolidated results for the second quarter, but at the net income level results were significantly below the forecast due to the recording of a net loss.

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

1) Systems Development

The Systems Development business recorded increases in sales to banks and securities companies. As a result, net sales edged up 3.1% from the same period of the previous fiscal year to ¥8,744 million.

2) System Operations and Infrastructure Development

Although university-related orders rose just slightly, there was a large increase in orders from companies. As a result, net sales of the System Operations and Infrastructure Development business increased 11.5% from the same period of the previous fiscal year to ¥1,915 million.

3) Product Sales

Although SRA posted an increase in sales, large-scale orders (device sales) by Advanced Integration Technology, Inc. (AIT) were pushed back to the second half of the year. As a result, net sales of the Product Sales business decreased 4.6% from the same period of the previous fiscal year to ¥5,843 million.

(2) Explanation Concerning Financial Condition

Total assets at the end of the fiscal year amounted to ¥28,644 million, a decrease of 3.0% from the end of the previous fiscal year. Total liabilities decreased 5.8% from the end of the previous fiscal year to ¥11,723 million and net assets decreased 1.0% to ¥16,920 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 increased ¥771 million to ¥1,072 million due to a rise in device sales. Work in process increased ¥400 million to ¥1,831 million due to such factors as a rise in contracted development projects. On the

other hand, notes and accounts receivable—trade decreased ¥1,535 million to ¥5,320 million due to the collection of trade receivables. Investment securities decreased ¥294 million to ¥3,323 million due to such factors as changes in market prices.

(Total Liabilities)

Provision for bonuses increased ¥90 million to ¥640 million. Income taxes payable decreased ¥431 million to ¥451 million owing to the payment of corporate income taxes. Short-term loans payable decreased ¥300 million to ¥1,209 million due to the repayment of loans.

(Total Net Assets)

Valuation difference on available-for-sale securities increased ¥351 million to ¥589 million due to changes in the market prices of marketable and investment securities. On the other hand, retained earnings decreased ¥573 million to ¥13,758 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 8, 2014.

2. Summary Information (Notes)

- (1) Significant changes involving subsidiaries during the period: None
- (2) Application of simplified accounting methods and accounting methods specific to the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting principles, changes in accounting estimates and restatements

(Change in Accounting Policies)

Effective from the first quarter of the fiscal year ending March 31, 2015, the Company adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012, hereafter, “Standard”) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012, hereafter, “Guidance”), as set out in the main clause of paragraph 35 of the Standard and the main clause of paragraph 67 of the Guidance. Accordingly, the methods for calculating retirement benefit obligations and service costs have been revised. The method of attributing expected benefit payments to periods has been changed from a point basis to the benefit formula basis and the method of determining the discount rate has been changed from a discount rate based on the approximate number of years of the average remaining service period of employees for the liability period that serves as the basis for determining the discount rate to a single weighted average discount rate reflecting the expected timing and amount of benefit payment in each period.

The adoption of the Standard and the Guidance conforms with the transitional treatment stipulated by paragraph 37 of the Standard.

The impact of this change on net defined benefit liability and retained earnings at the beginning of the second quarter as well as on operating income, ordinary profit and income before income taxes and minority interests in the second quarter of the fiscal year was immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	FY2014 (as of March 31, 2014)	End of second quarter of FY2015 (as of September 30, 2014)
ASSETS		
Current assets:		
Cash and deposits	7,689	7,612
Notes and accounts receivable—trade	6,855	5,320
Short-term investment securities	3,112	3,332
Merchandise and finished goods	300	1,072
Work in process	1,430	1,831
Deferred tax assets	546	576
Other	2,208	2,172
Allowance for doubtful accounts	(27)	(35)
Total current assets	22,117	21,883
Noncurrent assets:		
Property, plant and equipment		
Buildings	346	309
Accumulated depreciation	(249)	(222)
Buildings, net	97	87
Machinery, equipment and vehicles	575	584
Accumulated depreciation	(517)	(520)
Machinery, equipment and vehicles, net	58	63
Other	114	110
Accumulated depreciation	(75)	(73)
Other, net	39	36
Total property, plant and equipment	195	187
Intangible assets		
Other	672	597
Total intangible assets	672	597
Investments and other assets		
Investment securities	3,618	3,323
Deferred tax assets	1,421	1,231
Guarantee deposits	370	348
Net defined benefit asset	42	45
Other	1,206	1,141
Allowance for doubtful accounts	(13)	(13)
Allowance for investment loss	(104)	(100)
Total investments and other assets	6,542	5,976
Total noncurrent assets	7,410	6,761
Total assets	29,527	28,644

(Millions of Yen)

	FY2014 (as of March 31, 2014)	End of second quarter of FY2015 (as of September 30, 2014)
LIABILITIES		
Current liabilities:		
Accounts payable—trade	3,211	3,264
Short-term loans payable	1,509	1,209
Accrued expenses	583	493
Income taxes payable	882	451
Accrued consumption taxes	255	274
Provision for bonuses	550	640
Provision for directors' bonuses	50	25
Provision for loss on construction contracts	416	485
Asset retirement obligations	18	—
Other	851	737
Total current liabilities	8,329	7,581
Noncurrent liabilities:		
Deferred tax liabilities	9	9
Net defined benefit liability	3,926	3,987
Provision for directors' retirement benefits	161	130
Other	17	14
Total noncurrent liabilities	4,114	4,142
Total liabilities	12,443	11,723
NET ASSETS		
Shareholders' equity		
Capital stock	1,000	1,000
Capital surplus	4,475	4,468
Retained earnings	14,332	13,758
Treasury stock	(2,826)	(2,727)
Total shareholders' equity	16,982	16,500
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	238	589
Foreign currency translation adjustments	229	213
Remeasurements of defined benefit plans	(399)	(392)
Total accumulated other comprehensive income	68	410
Subscription rights to shares	32	9
Total net assets	17,083	16,920
Total liabilities and net assets	29,527	28,644

(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 2014 (from April 1, 2013 to September 30, 2013)	Consolidated cumulative total for second quarter of fiscal 2015 (from April 1, 2014 to September 30, 2014)
Net sales	16,321	16,503
Cost of sales	13,505	13,631
Gross profit	2,815	2,872
Selling, general and administrative expenses	1,849	1,888
Operating income	966	983
Non-operating income		
Interest received	94	93
Dividends received	33	13
Foreign exchange gains	51	119
Guarantee commission received	34	60
Other	41	36
Total non-operating income	255	323
Non-operating expenses		
Interest expenses	13	13
Stock transfer agency service fee	13	12
Other	0	7
Total non-operating expenses	27	33
Ordinary profit	1,193	1,273
Extraordinary income		
Gain on reversal of subscription rights to shares	—	21
Other	6	—
Total extraordinary income	6	21
Extraordinary loss		
Loss on retirement of noncurrent assets	2	14
Loss on valuation of investment securities	—	866
Other	4	20
Total extraordinary loss	6	901
Income before income taxes and minority interests	1,193	393
Income taxes-current	553	527
Income taxes-deferred	(24)	(37)
Total income taxes	528	489
Income (loss) before minority interests	664	(96)
Net income (loss)	664	(96)

(Quarterly Consolidated Statements of Comprehensive Income)

(Consolidated Cumulative Total for Second Quarter)

Income (loss) before minority interests	664	(96)
Other comprehensive income		
Valuation difference on available-for-sale securities	(220)	351
Foreign currency translation adjustments	209	(15)
Remeasurements of defined benefit plans, net of tax	—	6
Total other comprehensive income (loss)	(10)	342
Comprehensive income	654	245
(breakdown)		
Comprehensive income attributable to parent company shareholders	654	245
Comprehensive income attributable to minority shareholders	—	—

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	Consolidated cumulative total for second quarter of fiscal 2014 (from April 1, 2013 to September 30, 2013)	Consolidated cumulative total for second quarter of fiscal 2015 (from April 1, 2014 to September 30, 2014)
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	1,193	393
Depreciation and amortization	199	205
Increase (decrease) in provision for retirement benefits	(4)	–
Increase (decrease) in net defined benefit liability	–	61
Increase (decrease) in provision for directors' retirement benefits	(15)	(31)
Increase (decrease) in provision for bonuses	47	89
Increase (decrease) in provision for directors' bonuses	(18)	(24)
Increase (decrease) in allowance for doubtful accounts	(1)	8
Increase (decrease) in allowance for investment loss	(2)	0
Interest and dividend income	(128)	(106)
Interest expenses	13	13
Loss (gain) on valuation of investment securities	–	866
Loss on retirement of noncurrent assets	2	14
Decrease (increase) in notes and accounts receivable—trade	815	1,538
Decrease (increase) in inventories	(974)	(1,172)
Increase (decrease) in notes and accounts payable—trade	472	45
Increase (decrease) in other liabilities	(120)	(231)
Increase (decrease) in accrued consumption taxes	(107)	18
Other, net	73	(79)
Subtotal	1,443	1,609
Interest and dividends income received	105	75
Interest expenses paid	(14)	(13)
Income taxes paid	(678)	(668)
Net cash provided by operating activities	855	1,003
Net cash provided by (used in) investing activities:		
Purchase of short-term investment securities	–	(300)
Purchase of property, plant and equipment	(12)	(43)
Purchase of intangible assets	(41)	(73)
Purchase of investment securities	(55)	(0)
Proceeds from sales of investment securities	798	100
Proceeds from liquidation of subsidiaries and affiliates	82	–
Payments of loans receivable	(603)	(363)
Collection of loans receivable	101	314
Payments into time deposits	(80)	(0)
Payments for guarantee deposits	(11)	(0)
Proceeds from collection of guarantee deposited	11	30

Other, net	(0)	(0)
Net cash provided by (used in) investing activities	189	(337)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(20)	–
Repayment of long-term loans payable	–	(300)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(591)	(477)
Proceeds from exercise of stock option	–	80
Other	(0)	(0)
Net cash used in financing activities	(612)	(697)
Effect of exchange rate changes on cash and cash equivalents	77	(44)
Net increase (decrease) in cash and cash equivalents	511	(76)
Cash and cash equivalents at beginning of period	7,497	7,909
Cash and cash equivalents at the end of period	8,008	7,832

(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 and others)

[Segment Information]

I. 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}
Sales						
(1) Sales to Customers	8,478	1,718	6,125	16,321	—	16,321
(2) 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

II. Consolidated cumulative total for second quarter of fiscal 2015 (from April 1, 2014 to September 30, 2014)

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	8,744	1,915	5,843	16,503	—	16,503
(2) Intersegment sales or transfers	4	149	294	449	(449)	—
Total sales	8,749	2,065	6,138	16,953	(449)	16,503
Operating income	752	423	430	1,606	(622)	983

Notes:

1. The segment income adjustment of minus ¥622 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)

Subsidiary SRA provided a liability guarantee for short-term borrowings by SJI Inc., with which it has a business alliance and capital alliance. However, based upon a request by that company for an extension of the guarantee period, the Board of Directors of SRA passed a resolution and extended the liability guarantee period as detailed below at a meeting of the Board of Directors of SRA convened on October 16, 2014.

Amount of liability guarantee: ¥1,500 million

Period of liability guarantee before change: October 31, 2014

Period of liability guarantee after change: November 28, 2014

4. Other Information

1. Status of Production, Orders and Sales

- Production amounts

Production by segment in the second quarter of the fiscal year ending March 31, 2015 is as follows.

Segment information by type of business	Consolidated cumulative total for second quarter of fiscal 2015 (from April 1, 2014 to September 30, 2014)	% change YoY
Systems Development (Millions of Yen)	9,108	100.7
System Operations and Infrastructure Development (Millions of Yen)	1,937	111.8
Total (Millions of Yen)	11,045	102.4

Notes:

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

- Purchase amounts

Purchases by segment in the second quarter of the fiscal year ending March 31, 2015 are as follows.

Segment information by type of business	Consolidated cumulative total for second quarter of fiscal 2015 (from April 1, 2014 to September 30, 2014)	% change YoY
Product Sales (Millions of Yen)	4,224	97.9
Total (Millions of Yen)	4,224	97.9

Notes:

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

- Status of orders

Status of orders by segment in the second quarter of the fiscal year ending March 31, 2015 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	9,336	92.5	5,002	85.1
System Operations and Infrastructure Development	1,578	108.9	1,285	107.5
Product Sales	6,695	96.4	3,579	88.9
Total	17,610	95.2	9,866	88.9

Notes:

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

- Sales amounts

Sales by segment in the second quarter of the fiscal year ending March 31, 2015 are as follows.

Segment information by type of business	Consolidated cumulative total for second quarter of fiscal 2015 (from April 1, 2014 to September 30, 2014)	% change YoY
Systems Development (Millions of Yen)	8,744	103.1
System Operations and Infrastructure Development (Millions of Yen)	1,915	111.5
Product Sales (Millions of Yen)	5,843	95.4
Total (Millions of Yen)	16,503	101.1

Notes:

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