

Summary of Consolidated Financial Results for the Third 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
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Scheduled date of submission of quarterly securities report:	February 6, 2015
Scheduled commencement of dividend payment:	—
Quarterly Results Supplemental Materials	Yes
Quarterly Results Presentation Meeting	No

1. Consolidated results for the third quarter of the fiscal year ending March 2015 (from April 1, 2014 to December 31, 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	%
Third quarter of fiscal 2015	25,867	4.4	1,770	14.7	2,422	20.2	945	(17.0)
Third quarter of fiscal 2014	24,765	9.3	1,543	30.4	2,015	38.0	1,139	41.6

Note : Comprehensive Income

Third quarter of fiscal 2015: ¥ 1,575millions (28.6%)

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

	Net Income	Net Income
	per Share	per Share after Dilution
	Yen	Yen
Third quarter of fiscal 2015	78.74	—
Third quarter of fiscal 2014	87.86	87.31

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
Third quarter of fiscal 2015	30,199	18,053	59.7
Fiscal 2014	29,527	17,083	57.7

Reference: Shareholders' equity

Third quarter of fiscal 2015: ¥ 18,036millions

Fiscal 2014 : ¥ 17,051millions

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	185.66

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)

Third quarter of fiscal 2015:	15,240,000 shares
Fiscal 2014:	15,240,000 shares
2. Number of treasury stock

Third quarter of fiscal 2015:	3,205,445 shares
Fiscal 2014:	3,394,210 shares
3. Average number of shares over period (consolidated total for quarter)

Third quarter of fiscal 2015:	12,010,963 shares
Third quarter of fiscal 2014:	12,963,848 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, 2014 to December 31, 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, during the final fiscal year of its Medium-Term Management Plan the SRA Holdings Group implemented the following specific measures as part of efforts to “undertake structural reforms in existing businesses” as well as promote 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 implemented the following measures for undertaking our “own IP products business” x “overseas business,” (medium- and long-term growth strategy) to promote our own IP products business in China, India, ASEAN and other growth markets.

1) We made additional business investments in Cavin Systems, Inc. and Proxim Wireless Corporation with the aim of further implementing our medium- and long-term growth strategy.

2) Proxim Wireless fully commenced the licensing business for its leading-edge wireless products in the BRICs.

3) In July 2014, Cavin Systems commenced U.S. sales of cavin, an advanced solution for responding to ever-larger and increasingly complex data centers and cloud computing. A number of well-known major companies have already introduced this solution. Backed by this track record, in January 2015 we also began sales of cavin in Japan, where cloud computing is rapidly advancing. Going forward, we plan to promote our business in the growth fields of “cloud computing” and “security.”

4) In our own IP products 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 are focusing 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.

5) The SRA Group company CreDist, Inc. has begun providing the ILD Cloud Service, a cloud service for manufacturing industries developed based on the IBM “Platform Computing Cloud Service.”

6) 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 third quarter of the fiscal year were as follows.

In terms of net sales, higher sales were recorded in all businesses that include the Systems Development business, the System Operations and Infrastructure Development business and the Product Sales business. As a result, consolidated net sales amounted to ¥25,867 million, a 4.4% increase from the same period of the previous fiscal year.

At the profit level, operating income rose 14.7% from the same period of the previous fiscal year to ¥1,770 million due to growth in sales and an improvement in the gross profit margin, and ordinary profit increased 20.2% from the same period of the previous fiscal year to ¥2,422 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, net income decreased 17.0% from the same period of the previous fiscal year to ¥945 million.

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 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 third 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, net income decreased due to the recording of an extraordinary loss.

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

1) Systems Development

The Systems Development business recorded increases in sales to banks, securities companies, universities and manufacturing industries. As a result, net sales increased 5.2% from the same period of the previous fiscal year to ¥13,479 million.

2) System Operations and Infrastructure Development

Although university-related sales were flat, there was a large increase in orders from companies. As a result, net sales of the System Operations and Infrastructure Development business increased 8.6% from the same period of the previous fiscal year to ¥2,854 million.

3) Product Sales

Although device sales by Advanced Integration Technology, Inc. (AIT) remained flat, SRA posted a sharp increase in sales. As a result, net sales of the Product Sales business increased 2.2% from the same period of the previous fiscal year to ¥9,533 million.

(2) Explanation Concerning Financial Condition

Total assets at the end of the third quarter amounted to ¥30,199 million, an increase of 2.3% from the end of the previous fiscal year. Total liabilities decreased 2.4% from the end of the previous fiscal year to ¥12,146 million and net assets increased 5.7% to ¥18,053 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 ¥546 million to ¥1,976 million due to such factors as a rise in contracted development projects. Cash and deposits increased ¥417 million to ¥8,106 million due to the collection of trade receivables. Merchandise and finished goods increased ¥323 million to ¥623 million due to a rise in device sales transactions. On the other hand, notes and accounts receivable—trade decreased ¥1,305 million to ¥5,550 million due to the collection of trade receivables.

(Total Liabilities)

Accrued consumption taxes increased ¥219 million to ¥474 million and accrued expenses rose ¥141 million to ¥725 million. On the other hand, income taxes payable decreased ¥610 million to ¥272 million owing to the payment of corporate income taxes.

(Total Net Assets)

Valuation difference on available-for-sale securities increased ¥429 million to ¥668 million due to changes in the market prices of marketable and investment securities. On the other hand, retained earnings increased ¥263 million to ¥14,596 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 third quarter as well as on operating income, ordinary profit and income before income taxes and minority interests in the third 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 third quarter of FY2015 (as of December 31, 2014)
ASSETS		
Current assets:		
Cash and deposits	7,689	8,106
Notes and accounts receivable—trade	6,855	5,550
Short-term investment securities	3,112	3,393
Merchandise and finished goods	300	623
Work in process	1,430	1,976
Deferred tax assets	546	699
Other	2,208	2,504
Allowance for doubtful accounts	(27)	(35)
Total current assets	22,117	22,819
Noncurrent assets:		
Property, plant and equipment		
Buildings	346	316
Accumulated depreciation	(249)	(227)
Buildings, net	97	89
Machinery, equipment and vehicles	575	566
Accumulated depreciation	(517)	(505)
Machinery, equipment and vehicles, net	58	61
Other	114	111
Accumulated depreciation	(75)	(75)
Other, net	39	35
Total property, plant and equipment	195	186
Intangible assets		
Other	672	555
Total intangible assets	672	555
Investments and other assets		
Investment securities	3,618	3,833
Deferred tax assets	1,421	1,164
Guarantee deposits	370	324
Net defined benefit asset	42	46
Other	1,206	1,391
Allowance for doubtful accounts	(13)	(14)
Allowance for investment loss	(104)	(108)
Total investments and other assets	6,542	6,639
Total noncurrent assets	7,410	7,380
Total assets	29,527	30,199

(Millions of Yen)

	FY2014 (as of March 31, 2014)	End of third quarter of FY2015 (as of December 31, 2014)
LIABILITIES		
Current liabilities:		
Accounts payable—trade	3,211	3,324
Short-term loans payable	1,509	1,179
Accrued expenses	583	725
Income taxes payable	882	272
Accrued consumption taxes	255	474
Provision for bonuses	550	381
Provision for directors' bonuses	50	71
Provision for loss on construction contracts	416	553
Asset retirement obligations	18	—
Other	851	1,013
Total current liabilities	8,329	7,997
Noncurrent liabilities:		
Deferred tax liabilities	9	0
Net defined benefit liability	3,926	3,997
Provision for directors' retirement benefits	161	135
Other	17	15
Total noncurrent liabilities	4,114	4,148
Total liabilities	12,443	12,146
NET ASSETS		
Shareholders' equity		
Capital stock	1,000	1,000
Capital surplus	4,475	4,468
Retained earnings	14,332	14,596
Treasury stock	(2,826)	(2,727)
Total shareholders' equity	16,982	17,337
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	238	668
Foreign currency translation adjustments	229	420
Remeasurements of defined benefit plans	(399)	(389)
Total accumulated other comprehensive income	68	698
Subscription rights to shares	32	17
Total net assets	17,083	18,053
Total liabilities and net assets	29,527	30,199

(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 2014 (from April 1, 2013 to December 31, 2013)	Consolidated cumulative total for third quarter of fiscal 2015 (from April 1, 2014 to December 31, 2014)
Net sales	24,765	25,867
Cost of sales	20,440	21,293
Gross profit	4,325	4,574
Selling, general and administrative expenses	2,782	2,804
Operating income	1,543	1,770
Non-operating income		
Interest received	144	145
Dividends received	44	24
Foreign exchange gains	200	363
Guarantee commission received	61	90
Other	61	69
Total non-operating income	513	692
Non-operating expenses		
Interest expenses	20	20
Stock transfer agency service fee	19	18
Other	0	2
Total non-operating expenses	41	40
Ordinary profit	2,015	2,422
Extraordinary income		
Gain on sales of investment securities	5	18
Gain on reversal of subscription rights to shares	—	21
Other	9	2
Total extraordinary income	14	41
Extraordinary loss		
Loss on retirement of noncurrent assets	2	14
Loss on valuation of investment securities	—	835
Other	4	20
Total extraordinary loss	7	871
Income before income taxes and minority interests	2,022	1,592
Income taxes-current	835	792
Income taxes-deferred	48	(145)
Total income taxes	883	646
Income before minority interests	1,139	945
Net income	1,139	945

(Quarterly Consolidated Statements of Comprehensive Income)

(Consolidated Cumulative Total for Third Quarter)

	Consolidated cumulative total for third quarter of fiscal 2014 (from April 1, 2013 to December 31, 2013)	Consolidated cumulative total for third quarter of fiscal 2015 (from April 1, 2014 to December 31, 2014)
Income before minority interests	1,139	945
Other comprehensive income		
Valuation difference on available-for-sale securities	(186)	429
Foreign currency translation adjustments	272	190
Remeasurements of defined benefit plans, net of tax	—	9
Total other comprehensive income	86	629
Comprehensive income	1,225	1,575
(breakdown)		
Comprehensive income attributable to parent company shareholders	1,225	1,575
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)

None

(Segment Information and others)

[Segment Information]

I. 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 ^{*1}	Amount recorded on the quarterly consolidated statements of income ^{*2}
Sales						
(1) Sales to Customers	12,814	2,627	9,324	24,765	—	24,765
(2) 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:

- 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.
- 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 2015 (from April 1, 2014 to December 31, 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	13,479	2,854	9,533	25,867	—	25,867
(2) Intersegment sales or transfers	8	203	413	625	(625)	—
Total sales	13,488	3,057	9,946	26,492	(625)	25,867
Operating income	1,308	630	745	2,683	(913)	1,770

Notes:

1. The segment income adjustment of minus ¥913 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)

1. New loan and extension of loan repayment period

The Board of Directors of Company subsidiary SRA convened on January 15, 2015 and resolved to provide a new loan to Proxim Wireless Corporation, with which it has a business alliance and capital alliance, and provided the loan on the same date with the aim of expanding business with that company.

New loan

(1) Amount of loan: US\$1,350 thousand

(2) Loan period: From January 15, 2015 to January 4, 2017

Also, Company subsidiary SRA provided a loan to Proxim Wireless Corporation with the aim of establishing a business alliance and capital alliance with that company. However, the Board of Directors of SRA passed a resolution and extended the loan repayment period at a meeting of the Board of Directors of SRA convened on January 15, 2015.

Loan amount: US\$5,750 thousand

Loan repayment period after change: January 4, 2017

2. Extension of liability guarantee period

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 January 15, 2015.

Amount of liability guarantee: ¥1,500 million

Period of liability guarantee before change: January 30, 2015

Period of liability guarantee after change: February 27, 2015

4. Other Information

1. Status of Production, Orders and Sales

- Production amounts

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

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2015 (from April 1, 2014 to December 31, 2014)	% change YoY
Systems Development (Millions of Yen)	14,266	105.4
System Operations and Infrastructure Development (Millions of Yen)	2,879	108.8
Total (Millions of Yen)	17,146	106.0

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 third quarter of the fiscal year ending March 31, 2015 are as follows.

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2015 (from April 1, 2014 to December 31, 2014)	% change YoY
Product Sales (Millions of Yen)	6,173	93.6
Total (Millions of Yen)	6,173	93.6

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 third 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	14,251	103.4	5,181	109.1
System Operations and Infrastructure Development	2,186	106.9	955	108.4
Product Sales	10,318	95.4	3,513	74.7
Total	26,757	100.4	9,649	93.4

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 third quarter of the fiscal year ending March 31, 2015 are as follows.

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2015 (from April 1, 2014 to December 31, 2014)	% change YoY
Systems Development (Millions of Yen)	13,479	105.2
System Operations and Infrastructure Development (Millions of Yen)	2,854	108.6
Product Sales (Millions of Yen)	9,533	102.2
Total (Millions of Yen)	25,867	104.4

Notes:

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