



Summary of Consolidated Financial Results for the Third Quarter of the Year Ending March 31, 2016

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 5, 2016
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 2016 (from April 1, 2015 to December 31, 2015)

(1) Consolidated Operating Results (cumulative total)

(All amounts rounded down, % change YoY)

	Net Sales		Operating Income		Ordinary Profit		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Third quarter of fiscal 2016	28,562	10.4	2,545	43.8	2,787	15.1	1,683	78.0
Third quarter of fiscal 2015	25,867	4.4	1,770	14.7	2,422	20.2	945	(17.0)

Note : Comprehensive Income

Third quarter of fiscal 2016: ¥1,756 million (11.5%)

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

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
Third quarter of fiscal 2016	139.56	138.79
Third quarter of fiscal 2015	78.74	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
Third quarter of fiscal 2016	33,327	19,979	59.9
Fiscal 2015	31,714	18,859	59.4

Reference: Shareholders' equity

Third quarter of fiscal 2016: ¥19,948 million

Fiscal 2015 : ¥18,834 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 2015	—	17.00	—	38.00	55.00
Fiscal 2016	—	25.00			
Fiscal 2016(forecast)			—	40.00	65.00

Note: Revision of dividend forecast in this quarter: No

3. Consolidated Earnings Forecast for Fiscal 2016 (from April 1, 2015 to March 31, 2016)

(% of change from FY2015)

	Net Sales		Operating Income		Ordinary Profit		Profit attributable to owners of the parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2016	37,300	2.1	3,360	10.2	3,450	(9.5)	2,260	37.9	187.34

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

4. Others

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

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

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

1. Changes caused by revision of accounting standards, etc. : Yes

2. Changes other than 1. above: No

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)
 Third quarter of fiscal 2016: 15,240,000 shares
 Fiscal 2015: 15,240,000 shares

2. Number of treasury stock
 Third quarter of fiscal 2016: 3,135,875 shares
 Fiscal 2015: 3,205,445 shares

3. Average number of shares over period (consolidated total for quarter)
 Third quarter of fiscal 2016: 12,063,766 shares
 Third quarter of fiscal 2015: 12,010,963 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 Third-Quarter Consolidated Business Results

(1) Explanation Concerning Business Results

During the third quarter of the fiscal year (April 1, 2015 to December 31, 2015), the Japanese economy continued a moderate recovery underpinned by brisk personal consumption, capital investment that remained generally unchanged and an improvement in corporate earnings.

In the information services industry, despite an increase in IT investments, mainly in manufacturing industries and the banking industry, the environment for securing orders remained severe due to intensifying competition.

Within this business environment, the SRA Holdings Group formulated a Medium-Term Management Strategy that covers the three-year period from fiscal 2016 through fiscal 2018 (from the fiscal year ending March 2016 to the fiscal year ending March 2018). Under this plan, we will seek to enhance corporate and shareholder value, promote earnings structure reform and establish a high-income model, while working to further enhance shareholder returns.

Accordingly, we will implement the following measures under the Medium-Term Management Strategy. (For a summary of the Medium-Term Management Strategy, please refer to Announcement of Medium-Term Management Strategy released on June 24, 2015 <http://www.sra-hd.co.jp/Portals/0/ir/index-en.html>).

1) Improving profitability in existing operations

- Further raise the gross profit margin

We worked to raise profitability by enhancing and strengthening project management, continuously reduce production overhead costs, carry out SRA's proprietary IP product business and promote the appropriate level of production staff. As a result, the gross profit margin rose 0.6 percentage point to 18.3% compared with the same period of the previous fiscal year.

- Improve selling, general and administrative (SGA) expense ratio

We strived to raise operation efficiency by introducing an account manager system while working to reduce operational costs of Head Office staff departments and SRA Professional Service, Co., Ltd., which handles a shared service. As a result, the SGA expense ratio improved significantly to 9.4%.

- Raise operating income ratio

The operating income ratio reached a record high of 8.9%, surpassing the previous high of 8.3% recorded in the third quarter of the fiscal year ended March 2008. Moreover, the ordinary profit ratio also rose to a record high of 9.8%.

- Expand orders and sales volume

A priority measure will be to increase customer share of wallet by deeply cultivating existing customers, and in doing so, we worked to expand orders and sales. As a result, domestic Group companies, beginning with Software Research Associates, Inc., (SRA) generally achieved increases in revenues.

Additionally, we deployed the "project management structure," which was previously implemented at SRA, at all Group companies in Japan. As a result, we built a system that can respond in advance to a shortage of projects.

2) Transforming the SRA business model

- Regarding "transforming the SRA business model," in wearable solutions, which have recently attracted a high level of attention, we have commenced such initiatives as the "inspection work confirmation system" that leverages our high technological strengths and our wealth of experience in "embedded development" and utilizes wearable devices such as smart glass.

- We also made group-wide efforts to target higher added value in existing operations.

3) Strengthening links between SRA's proprietary IP product business and overseas operations

- We raised the gross profit margin sharply by promoting SRA's proprietary IP product business in the Product Sales business, which has a low gross profit margin compared with the Systems Development business and the System Operations and Infrastructure Development business. "Qt," which boasts an extensive track record in embedded and mobile application building, recorded growth in both sales and profits. In the future, plans call for also proactively developing the Qt business in the field of Internet of Things (IoT), which is gaining a high degree of attention.

Meanwhile, "cavirin" (Cavirin Systems, Inc.'s proprietary IP product), a solution for cloud computing that responds to high market needs for "security" and "compliance management," is earning high acclaim for its technological superiority such as by being selected for a top rank in a ranking of noteworthy companies in the cyber security industry carried out by a prominent U.S. research company. The name recognition of "cavirin" has also risen and this product is being steadily introduced by major companies.

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

Sales of the Systems Development business, the System Operations and Infrastructure Development business and the Product Sales business all increased. As a result, consolidated net sales amounted to ¥28,562 million, a 10.4% increase from the same period of the previous fiscal year.

At the profit level, due to an increase in gross profit accompanying growth in sales and a streamlining of SG&A expenses, operating income rose 43.8% from the same period of the previous fiscal year to ¥2,545 million while ordinary profit increased 15.1% from the same period of the previous fiscal year to ¥2,787 million and profit attributable to owners of the parent amounted to ¥1,683 million, a 78.0% increase from the same period of the previous fiscal year.

As detailed above regarding consolidated results for the third quarter, net sales and profits increased from the same period of the previous fiscal year and moved virtually in line with our forecast.

Additionally, ordinary profit, profit attributable to owners of the parent and net income per share each reached a record high for the third quarter.

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

● Systems Development

The Systems Development business recorded increases in sales to the manufacturing, banking, electric power and distribution sectors. As a result, net sales increased 8.4% from the previous fiscal year to ¥14,612 million.

● System Operations and Infrastructure Development

Although university-related orders were flat, there was an increase in orders from companies. As a result, net sales of the System Operations and Infrastructure Development business increased 3.2% from the previous fiscal year to ¥2,945 million.

● Product Sales

Although sales by SRA Inc. declined, Advanced Integration Technology, Inc. (AIT) posted an increase in device sales. As a result, net sales of the Product Sales business rose 15.4% from the previous fiscal year to ¥11,004 million.

(2) Explanation Concerning Financial Condition

Total assets at the end of the third quarter amounted to ¥33,327 million, an increase of 5.1% from the end of the previous fiscal year. Total liabilities increased 3.8% from the end of the previous fiscal year to ¥13,347 million and net assets increased 5.9% to ¥19,979 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)

Investment securities increased ¥2,084 million to ¥6,261 million due to the purchase of shares of an affiliated company. Work in process increased ¥368 million to ¥2,046 million due to such factors as a rise in contracted development projects. On the other hand, merchandise and finished goods decreased ¥211 million to ¥572 million due to the increase in sales, and deferred tax assets decreased ¥189 million to ¥469 million.

(Total Liabilities)

Short-term loans payable increased ¥500 million to ¥1,679 million and accounts payable—trade increased ¥355 million to ¥3,820 million due to an increase in trade payables. On the other hand, income taxes payable decreased ¥433 million to ¥446 million due to the payment of income taxes and accrued consumption taxes decreased ¥229 million to ¥392 million due to the payment of consumption taxes.

(Total Net Assets)

Retained earnings increased ¥924 million to ¥16,212 million, and valuation difference on available-for-sale securities increased ¥118 million to ¥712 million due to changes in the market prices of marketable and investment securities. Conversely, foreign currency translation adjustments when converting the impact of exchange rates on overseas subsidiaries decreased ¥53 million to ¥531 million due to the impact of exchange rates.

(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, 2015 released on May 14, 2015.

2. Summary Information (Notes)**(1) Significant changes involving subsidiaries during the period: None**

There were no significant changes to specified subsidiaries. However, during the second quarter, Kingnet was included as an affiliated company accounted for by the equity method because SRA, a subsidiary of the Company, acquired a partial equity interest in Kingnet and underwrote a capital increase in Kingnet.

(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****(Application of Accounting Standard for Business Combinations and other accounting standards)**

In the third quarter of the current consolidated fiscal year under review, we began applying the Accounting Standard for Business Combinations (ASBJ Statement No. 21 of September 13, 2013 (hereinafter referred to as the Business Combinations Accounting Standard)), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013) (hereinafter referred to as the Consolidated Accounting Standard)), and Accounting

Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013) (hereinafter referred to as the Business Divestitures Accounting Standard)). According to the application of these and other accounting standards, differences caused by the change in the equity of our subsidiaries that we have control over were recorded as capital surplus. Acquisition costs were recorded as costs in the consolidated fiscal year when the acquisition costs were incurred. For the business combinations that will be conducted after the beginning of the third quarter of the current consolidated fiscal year under review, when provisional accounting treatments are confirmed, the acquisition cost allocations will be revised in the Quarterly Consolidated Financial Statements to which the dates of the business combinations belong. In addition, we changed how we record quarterly net income and other items, and minority interests were recorded as non-controlling interests. In order to reflect these changes in the records, the Quarterly Consolidated Financial Statements and the Consolidated Financial Statements for the third quarter of the previous consolidated fiscal year and the previous consolidated fiscal year were revised.

In the consolidated statements of cash flows for the third quarter, the Company shifted to a method whereby cash flows related to the acquisition or sale of shares in a subsidiary not involving changes in the scope of consolidation are listed under cash flows from financing activities while cash flows concerning expenses related to the acquisition of shares in a subsidiary involving changes in the scope of consolidation as well as expenses incurred in the acquisition or sale of shares in a subsidiary not involving changes in the scope of consolidation are listed cash flows from operating activities.

For the application of the Business Combinations Accounting Standard and other accounting standards, we follow the transitional arrangements stipulated in Paragraph 58-2 (4) of the Business Combinations Accounting Standard, Paragraph 44-5 (4) of the Consolidated Accounting Standard and Paragraph 57-4 (4) of the Business Divestitures Accounting Standard and have been applying these since the beginning of the first quarter of the current consolidated fiscal year under review.

These changes had no material effect on the quarterly consolidated financial statements in the third quarter.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	FY2015 (as of March 31, 2015)	End of third quarter of FY2016 (as of December 31, 2015)
ASSETS		
Current assets:		
Cash and deposits	8,672	7,933
Notes and accounts receivable—trade	6,223	6,398
Short-term investment securities	3,392	595
Merchandise and finished goods	784	572
Work in process	1,677	2,046
Short-term loans receivable	1,767	1,196
Deferred tax assets	658	469
Other	977	3,630
Allowance for doubtful accounts	(27)	(24)
Total current assets	24,126	22,816
Noncurrent assets:		
Property, plant and equipment		
Buildings	317	327
Accumulated depreciation	(231)	(244)
Buildings, net	85	83
Machinery, equipment and vehicles	566	552
Accumulated depreciation	(510)	(510)
Machinery, equipment and vehicles, net	55	42
Other	113	115
Accumulated depreciation	(78)	(82)
Other, net	35	32
Total property, plant and equipment	175	158
Intangible assets		
Other	520	474
Total intangible assets	520	474
Investments and other assets		
Investment securities	4,177	6,261
Long-term loans receivable	1,060	1,963
Deferred tax assets	1,243	1,229
Guarantee deposits	324	332
Net defined benefit asset	44	48
Other	171	172
Allowance for doubtful accounts	(12)	(12)
Allowance for investment loss	(118)	(117)
Total investments and other assets	6,891	9,878
Total noncurrent assets	7,588	10,511
Total assets	31,714	33,327

(Millions of Yen)

	FY2015 (as of March 31, 2015)	End of third quarter of FY2016 (as of December 31, 2015)
LIABILITIES		
Current liabilities:		
Accounts payable—trade	3,465	3,820
Short-term loans payable	1,179	1,679
Accrued expenses	593	736
Income taxes payable	880	446
Accrued consumption taxes	621	392
Provision for bonuses	568	405
Provision for directors' bonuses	53	71
Provision for loss on construction contracts	662	461
Asset retirement obligations	-	5
Other	714	1,144
Total current liabilities	8,739	9,163
Noncurrent liabilities:		
Deferred tax liabilities	2	-
Net defined benefit liability	3,957	4,030
Provision for directors' retirement benefits	140	153
Other	15	-
Total noncurrent liabilities	4,116	4,183
Total liabilities	12,855	13,347
NET ASSETS		
Shareholders' equity		
Capital stock	1,000	1,000
Capital surplus	4,468	4,511
Retained earnings	15,288	16,212
Treasury stock	(2,727)	(2,652)
Total shareholders' equity	18,030	19,071
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	594	712
Foreign currency translation adjustments	585	531
Remeasurements of defined benefit plans	(375)	(367)
Total accumulated other comprehensive income	804	876
Subscription rights to shares	25	31
Total net assets	18,859	19,979
Total liabilities and net assets	31,714	33,327

(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 2015 (from April 1, 2014 to December 31, 2014)	Consolidated cumulative total for third quarter of fiscal 2016 (from April 1, 2015 to December 31, 2015)
Net sales	25,867	28,562
Cost of sales	21,293	23,335
Gross profit	4,574	5,227
Selling, general and administrative expenses	2,804	2,681
Operating income	1,770	2,545
Non-operating income		
Interest received	145	167
Dividends received	24	33
Foreign exchange gains	363	6
Guarantee commission received	90	6
Other	69	61
Total non-operating income	692	276
Non-operating expenses		
Interest expenses	20	19
Stock transfer agency service fee	18	14
Other	2	0
Total non-operating expenses	40	34
Ordinary profit	2,422	2,787
Extraordinary income		
Gain on sales of investment securities	18	20
Gain on reversal of subscription rights to shares	21	–
Other	2	1
Total extraordinary income	41	22
Extraordinary loss		
Loss on retirement of noncurrent assets	14	0
Loss on valuation of investment securities	835	87
Other	20	2
Total extraordinary loss	871	89
Income before income taxes and minority interests	1,592	2,719
Income taxes-current	792	893
Income taxes-deferred	(145)	142
Total income taxes	646	1,035
Net income	945	1,683
Profit attributable to owners of the parent	945	1,683

(Quarterly Consolidated Statements of Comprehensive Income)

(Consolidated Cumulative Total for Third Quarter)

(Millions of Yen)

	Consolidated cumulative total for third quarter of fiscal 2015 (from April 1, 2014 to December 31, 2014)	Consolidated cumulative total for third quarter of fiscal 2016 (from April 1, 2015 to December 31, 2015)
Net income	945	1,683
Other comprehensive income		
Valuation difference on available-for-sale securities	429	118
Foreign currency translation adjustments	190	(53)
Remeasurements of defined benefit plans, net of tax	9	7
Total other comprehensive income	629	72
Comprehensive income	1,575	1,756
(breakdown)		
Comprehensive income attributable to owners of the parent	1,575	1,756
Comprehensive income attributable to non-controlling interests	—	—

(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 the 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
Segment 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 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 2016 (from April 1, 2015 to December 31, 2015)

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	14,612	2,945	11,004	28,562	—	28,562
(2) Intersegment sales or transfers	12	226	250	489	(489)	—
Total sales	14,624	3,172	11,254	29,052	(489)	28,562
Segment income	1,790	669	996	3,455	(910)	2,545

Notes:

1. The segment income adjustment of minus ¥910 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 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 SRA convened on February 4, 2016 and resolved to provide a new loan totaling US\$6,000 thousand to Cavin Systems, Inc. and provided a portion of this loan in the amount of US\$1,400 thousand on the same date with the aim of expanding business with that company.

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, 2016 is as follows.

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2016 (from April 1, 2015 to December 31, 2015)	% change YoY
Systems Development (Millions of Yen)	15,331	107.5
System Operations and Infrastructure Development (Millions of Yen)	2,953	102.5
Total (Millions of Yen)	18,284	106.6

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, 2016 are as follows.

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2016 (from April 1, 2015 to December 31, 2015)	% change YoY
Product Sales (Millions of Yen)	6,427	104.1
Total (Millions of Yen)	6,427	104.1

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, 2016 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	15,443	108.4	5,243	101.2
System Operations and Infrastructure Development	2,156	98.6	818	85.7
Product Sales	9,812	95.1	3,190	90.8
Total	27,412	102.4	9,252	95.9

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 third quarter of the fiscal year ending March 31, 2016 are as follows.

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2016 (from April 1, 2015 to December 31, 2015)	% change YoY
Systems Development (Millions of Yen)	14,612	108.4
System Operations and Infrastructure Development (Millions of Yen)	2,945	103.2
Product Sales (Millions of Yen)	11,004	115.4
Total (Millions of Yen)	28,562	110.4

Notes:

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