May 8, 2014

Summary of Consolidated Financial Results for the Year Ended March 31, 2014

Company name: SRA Holdings, Inc.
(URL: http://www.sra-hd.co.jp/)
Stock listing: Tokyo Stock Exchange
Code number: 3817
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Tel: (03)-5979-2666
Date of ordinary general meeting of shareholders: June 26, 2014
Scheduled commencement of dividend payment: June 12, 2014
Scheduled date of submission of financial reports: June 27, 2014
Results Supplement Materials: Yes
Results Presentation Meeting : Yes (for institutional investors)

1. Consolidated Financial Results for Fiscal 2014(from April 1, 2013 to March 31, 2014)

(1) Consolidated Operating Results (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	%
Fiscal 2014	35,146	9.3	2,807	15.2	3,324	15.3	2,134	27.0
Fiscal 2013	32,168	(3.7)	2,436	(2.2)	2,883	8.6	1,681	36.3

Attention：Comprehensive Income
Fiscal 2014: ¥ 2,162million （(1.9)%）
Fiscal 2013: ¥ 2,204million （80.7%）

	Net Income per Share	Net Income per Share after Dilution	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Profit to Total Assets	Ordinary Profit Ratio
	Yen	Yen	%	%	%
Fiscal 2014	168.05	166.79	12.4	11.5	8.0
Fiscal 2013	127.96	127.85	10.2	10.4	7.6

Reference: Gain (loss) on equity method investments:
Fiscal 2014: —
Fiscal 2013: —

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2014	29,527	17,083	57.7	1,427.78
Fiscal 2013	28,133	17,359	61.6	1,318.26

Reference: Shareholders' equity
Fiscal 2014: ¥ 17,051 million
Fiscal 2013: ¥ 17,319 million

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2014	2,131	192	(2,065)	7,909
Fiscal 2013	1,622	(2,896)	(906)	7,497

2. Dividends

	Dividend per Share					Total Dividends (for the year)	Dividend Propensity (consolidated)	Net Assets to Dividend Ratio (consolidated)
Record date	End of First Quarter	End of Second Quarter	End of Third Quarter	Year-end	For the year			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2013	—	0.00	—	45.00	45.00	591	35.2	3.6
Fiscal 2014	—	0.00	—	40.00	40.00	477	23.8	2.9
Fiscal 2015(forecast)	—	17.00	—	28.00	45.00	—	24.1	—

Attention： Year-end dividend per share for fiscal 2013: ordinary dividend ¥40.00, special dividend ¥5.00

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

(% change YoY is for the fiscal year or for interim period)

	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
Interim Period	17,000	4.2	1,130	17.0	1,230	3.0	790	18.8	66.15
Full Year	37,300	6.1	3,260	16.1	3,460	4.1	2,230	4.5	186.73

4. Others

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

Note: Changes in specified subsidiaries during the current period that caused changes in the scope of consolidation

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

Note: Application of simplified and special accounting for quarterly consolidated financial statements

(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 outstanding shares (common shares)

1. Shares issued at the end of term (including own shares)
   Fiscal 2014: 15,240,000 shares
   Fiscal 2013: 15,240,000 shares
2. Own shares at end of term
   Fiscal 2014: 3,297,610 shares
   Fiscal 2013: 2,101,709 shares
3. Average number of shares over period
   Fiscal 2014: 12,699,866 shares
   Fiscal 2013: 13,138,321 shares

[Reference] Summary of non-consolidated financial results

(Reference) Non-Consolidated Financial Results for Fiscal 2014 (from April 1, 2013 to March 31, 2014)

(1) Non-Consolidated Operating Results

(% change YoY)

	Net Sales		Operating Income		Ordinary Profit		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2014	2,541	113.2	2,224	159.7	2,210	161.2	2,155	155.1
Fiscal 2013	1,192	(3.9)	856	0.3	846	1.1	845	2.3

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
Fiscal 2014	155.19	154.13
Fiscal 2013	58.98	58.93

(2) Non-Consolidated Financial Position

	Net Income	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2014	9,452	9,404	99.1	713.64
Fiscal 2013	9,457	9,417	99.2	654.47

Reference: Shareholders' equity:
Fiscal 2014: ¥ 9,371million
Fiscal 2013: ¥ 9,377 million

Note: Forecast performance is predicted by the Company based on information currently available at the time of the forecast. Actual financial results may differ due to a number of factors.

1. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

(Business results for the fiscal year)

During the fiscal year (April 1, 2013 to March 31, 2014), the Japanese economy recovered moderately due to such factors as increases in personal consumption and production as well as to an improvement in 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.

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.

* Own IP products business: Business for our own-brand products covered by intellectual property rights

■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 Research Associates Nishi-Nihon, Inc. recorded increases in sales over the same period of the previous fiscal year. However, SRA AMERICA, INC. posted lower sales due to a reactionary decline after securing large-scale projects up to the previous fiscal year.

Meanwhile, to build a high-profit production structure we continued to promote initiatives for strengthening our staff allocation management and realizing an appropriate level of production overhead costs. As a result, the Systems Development business achieved a gross profit margin exceeding 20% for the third consecutive quarter.

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

We made additional business investments in Proxim Wireless Corporation, Shenzhen Kingnet Technology Co., Ltd. (Kingnet) and Cavirin Systems, Inc. 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.

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 an initiative for developing 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 Software Research Associates, Inc. (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 fiscal year were as follows.

In terms of net sales, all 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 ¥35,146 million, a 9.3% increase from the same period of the previous fiscal year.

At the profit level, operating income rose 15.2% from the same period of the previous fiscal year to ¥2,807 million due to an increase in gross profit accompanying growth in sales. Ordinary profit rose 15.3% from the same period of the previous fiscal year to ¥3,324 million. Net income increased 27.0% to ¥2,134 million due to gain on revision of retirement benefit plans that was recorded as an extraordinary gain.

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 fiscal year under review because of a recovery in stock prices.

As detailed above regarding consolidated results for the fiscal year, net sales increased from the previous fiscal year, while operating income, ordinary profit and net income all posted marked increases.

Net sales and operating income were below our full-year forecast while the figures for ordinary profit and net income exceeded our fiscal year forecast.

Consolidated Business Results (Millions of Yen)

	FY2010	FY2011	FY2012	FY2013	FY2014	
					Most recent forecast figures (announced May 9, 2013)	Actual
Net sales	34,053	33,164	33,416	32,168	34,900	35,146
Operating income	1,997	2,238	2,490	2,436	2,900	2,807
Ordinary profit	2,059	2,374	2,656	2,883	3,000	3,324
Net income	1,238	1,313	1,233	1,681	1,860	2,134

A summary of consolidated business results for the fiscal year by business segment is shown below.

1) Systems Development

Despite a decline in sales to electric power and manufacturing industries, the Systems Development business recorded increases in sales to banks and securities companies. As a result, net sales edged up 5.5% from the same period of the previous fiscal year to ¥18,364 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 6.9% from the same period of the previous fiscal year to ¥3,576 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 15.7% from the same period of the previous fiscal year to ¥13,206 million.

(**Outlook for the Next Fiscal Year**)

In the next fiscal year, there is a risk that decreased demand in reaction to a surge prior to an increase in the consumption tax rate and a slowing of overseas economies could put downward pressure on the economy. Nevertheless, there are expectations that the Japanese economy will remain on a recovery track owing to such factors as increases in household income and investments.

In the information services industry, a full-fledged recovery is expected on the back of increased IT investments in manufacturing industries, where a pick-up had been lagging.

Under these conditions, in the last year of its Medium-Term Management Plan, the SRA Group will increase and strengthen profitability and expand its business scale by accelerating efforts for “undertaking structural reforms in existing businesses.” At the same time, the SRA Group will aim to secure growth potential by our “own IP products business” x “overseas business,” which is our medium- and long-term growth strategy.

Regarding the outlook for consolidated results for the fiscal year ending March 2015, while implementing the above measures, we forecast net sales of ¥37,300 million, operating income of ¥3,260 million, ordinary profit of ¥3,460 million and net income of ¥2,230 million.

(2) Analysis of Financial Position

Total assets at the end of the fiscal year amounted to ¥29,527 million, an increase of 5.0% from the end of the previous fiscal year. Total liabilities increased 15.5% from the end of the previous fiscal year to ¥12,443 million and net assets decreased 1.6% to ¥17,083 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)

Short-term investment securities increased ¥2,110 million to ¥3,112 million due to the transfer of investment securities to current assets. Notes and accounts receivable—trade increased ¥555 million to ¥6,855 million due to a rise in trade receivables. Work in process increased ¥418 million to ¥1,430 million due to such factors as a rise in contracted development projects.

On the other hand, investment securities declined ¥3,519 million to ¥3,618 due to the transfer to current assets.

(Total Liabilities)

Accounts payable—trade increased ¥764 million to ¥3,211 million due to an increase in trade payables. Income taxes payable increased ¥358 million to ¥882 million due to a rise in corporate taxes.

On the other hand, provision for bonuses declined ¥43 million to ¥550 million.

(Total Net Assets)

Retained earnings increased ¥1,543 million to ¥14,332 million. Foreign currency translation adjustments when converting the impact of exchange rates on overseas subsidiaries increased ¥377 million to a positive ¥229 million. Conversely, treasury stock increased ¥1,432 million to negative ¥2,826 million due to the acquisition of treasury stock.

Cash and cash equivalents on a consolidated basis at the end of the fiscal year increased ¥411 million compared with at the previous fiscal year-end to ¥7,909 million.

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

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥2,131 million compared with ¥1,622 million in the previous fiscal year. This consisted mainly of such cash inflows as income before income taxes and minority interests of ¥3,623 million, an increase in notes and accounts payable—trade of ¥721 million and depreciation and amortization of ¥416 million, while cash outflows were primarily income taxes paid of ¥1,106 million, an increase in inventories of ¥468 million and an increase in notes and accounts receivable—trade of ¥377 million.

Cash Flows from Investing Activities

Net cash provided by investing activities amounted to ¥192 million compared with net cash used in investing activities of ¥2,896 million in the previous fiscal year. This consisted mainly of such inflows as ¥940 million in proceeds from sales of investment securities and ¥154 million from the collection of loans receivable, while outflows included ¥769 million for payments of loans receivable and ¥122 million for purchase of intangible assets.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥2,065 million compared with ¥906 million in the previous fiscal year). This was due mainly to such cash inflows as ¥91 million in proceeds from exercise of stock options and such cash outflows as ¥1,544 million for the purchase of treasury stock and ¥591 million in cash dividends paid.

Cash Flow Indicators

	FY2012	FY2013	FY2014
Shareholders' equity ratio (%)	57.0	61.6	57.7
Shareholders' equity ratio at market value (%)	46.1	49.2	56.0
Debt redemption years to cash flow (years)	0.7	0.9	0.7
Interest coverage ratio (times)	96.0	56.5	83.9

Notes:

Shareholders' equity ratio: Shareholders' equity/total assets

Shareholders' equity ratio at market value: Market capitalization/total assets

Debt redemption years to cash flow: Interest-bearing debt/operating cash flow

Interest coverage ratio: Operating cash flow/interest expense

1. All indicators were calculated using consolidated financial figures.
2. Market capitalization is calculated using the total number of shares outstanding at the end of the fiscal period excluding treasury shares.
3. Cash flows from operating activities is used for cash flow.
4. Interest-bearing debt includes all debt that pays interest as listed on the Consolidated Balance Sheets.

(3) Basic Policy on Profit Allocation and Dividends for the Fiscal Year under Review and the Next Fiscal Year

The Company's basic policy with respect to dividends is to actively make business investments for securing earnings power and growth potential with the aim of increasing the corporate value of the SRA Group. At the same time, the Company aims to allocate profits with a consolidated dividend payout ratio of 20% to enhance the redistribution of profits to shareholders.

Accordingly, one of the Company's management targets is to "achieve and maintain double-digit consolidated ROE" and we aim to carry out management that emphasizes the efficient use of shareholders' equity.

Regarding dividends for the fiscal year ended March 31, 2014, in accordance with our basic dividend policy, the

Company will pay regular cash dividends per share of ¥40.00.

Regarding dividends for the fiscal year ending March 31, 2015, we plan to increase ordinary dividends per share by ¥5.00 and pay cash dividends per share of ¥45.00. In the event that these dividends are paid, the consolidated payout ratio will be 24.1%.

To the present, the Company paid annual dividends only at the end of each fiscal year. From the perspective of appropriately redistributing profits to shareholders and as a result of deliberations on this matter, from the next fiscal year the Company will pay interim dividends and intends to pay interim cash dividends per share of ¥17.00 and year-end dividends of ¥28.00 for total annual dividends per share of ¥45.00.

Along with the payment of interim dividends, from the next fiscal year the Company will eliminate its shareholder special benefit plan that was commenced from the fiscal year ended March 31, 2008 (under this plan, the Company presented three rice gift certificates to those shareholders with 100 or more shares and who were listed in the shareholders' registry as of September 30 of each year).

We also regard the acquisition of treasury shares as an effective means of redistributing profits to shareholders. Accordingly, we make such acquisitions appropriately while considering such factors as our stock price trends and financial condition.

(4) Business and Other Risks

The following principal risks could have an impact on the business results and financial condition of the Company as the Group's controlling company.

"Forward-looking" statements contained in this report represent judgments by the Group based on information currently available to management as of the end of the fiscal period.

[1] Risk of fluctuations in business results of Group companies

An abrupt fluctuation in business results of Group companies due to various factors could have an adverse impact on the Company's business results.

[2] Maintaining confidentiality of customer information

In addition to being aware that it is an information processing company with numerous opportunities for handling personal information, the SRA Holdings Group also sufficiently recognizes the critical nature of protecting personal information, and thus, has established an internal monitoring structure. Concurrently, the SRA Holdings Group provides education for its Group employees and business partners and makes efforts to protect personal information. However, in the event of the unexpected leakage of information, besides losing the trust of business partners, the SRA Holdings Group could become liable for payment of compensatory damages, which could have an effect on the Group's business results.

[3] Overseas Business Investments

As part of its business strategy, the SRA Group implements a policy of utilizing its "global reach," which is a strength, and actively makes business investments that include forming business and capital alliances with local companies and carrying out M&A with the aim of cultivating overseas growth markets.

When making business investments, besides implementing preliminary surveys, the Company sufficiently exchanges opinions with the management teams of the companies in which we invest. Following the investment as well, we regularly manage the state of progress of businesses.

Nevertheless, the Company's overseas businesses could inevitably be exposed to country risk due to factors such as unforeseen rapid public unrest, market deterioration and exchange rate volatility or differences in politics, cultures, systems, laws and business practices. Additionally, there is a possibility of changes of the management team, capital structure and business strategies of investee companies. Such factors could prevent the Company from realizing expected profits and lead to losses that could have an impact on the Company's business results.

In addition to the above, the Company comprehensively incurs business and other risks of the SRA Holdings Group, which consists of SRA, a main subsidiary, and its subsidiaries.

The following principal risks could have an impact on the business results and financial condition of the SRA Holdings Group.

[1] Responses of business partners when production volume fluctuates

In the Systems Development and the System Operations and Infrastructure Development businesses, besides its own in-house engineers, the SRA Holdings Group utilizes business partners for the planned augmentation of its staff of in-house engineers and expansion of business, as well as to augment those areas where it does not possess technologies and to respond flexibly to changes in production volumes during peak production.

The SRA Holdings Group also utilizes business partners as one means of reducing production costs.

Nonetheless, in the event of a sudden unforeseen fluctuation in production volume, the inability to secure enough business partners possessing requisite skills or to arrange for business partners to take timely action could have an impact on the Group's business results.

[2] Project profitability in Systems Development

In the core Systems Development business, the SRA Holdings Group concludes bulk subcontracting contracts, whereby it handles the entire system development and is responsible to its customers for completion. Therefore, even for projects for which a certain amount of income is expected at the time the order is received, there are instances when profitability worsens because of such factors as customer requests for specification changes after commencing development activities or a work process that exceeds the initial estimate. Moreover, incurring additional expenses such as those related to defect guarantees after the confirmation of sales could result in lower profitability.

To prevent the occurrence of these projects, the Group reviews risk factors at the time an order is received and works to improve the precision of its estimates while strengthening its project management structure in an organized manner. Nevertheless, any project incurring a large loss could have an effect on the Group's business results.

[3] Maintaining confidentiality of customer information

Along with being aware that it is an information processing company with numerous opportunities for handling personal information, the Group also sufficiently recognizes the critical nature of personal information, and thus, has established an internal monitoring structure. Concurrently, as a company that has acquired Privacy Mark certification, the SRA Holdings Group provides education for its Group employees and outsourced staff and makes efforts to protect personal information. However, in the event of the unexpected leakage of information, besides losing the trust of business partners, the SRA Holdings Group could become liable for payment of compensatory damages, which could have an effect on the Group's business results.

2. Management Policy

(1) The Company's Basic Management Policy

The SRA Holdings Group adheres to a basic management policy of maximizing user satisfaction through IT based on its management principle of "contributing to the future of humanity through professional practice that fosters progress in the fields of computer science," which has been our guiding principle since the founding of SRA. In accordance with this basic management policy, amid a rapidly changing business environment, we will strive to meet the expectations of the information services industry while raising profits for shareholders and increasing corporate value by pursuing profitability and growth.

Regarding the management of the SRA Holdings Group, under our management vision of "creating new value together with people through a global perspective and technologies," we will raise the overall capabilities of the Group with the aim of enhancing corporate value.

(2) Management Indicator Targets

The SRA Holdings Group has adopted "ordinary profit margin" as a representative indicator of the Company's overall earnings power and has set the medium- and long-term numerical target of quickly attaining and maintaining an ordinary profit margin of 10% or higher."

Also, the SRA Holdings Group continues to use return on equity (ROE) as an indicator of efficient deployment of shareholders' equity. The Group has established the numerical target of "attaining and maintaining double-digit consolidated ROE."

The Group's consolidated ordinary profit margin and ROE are as shown below.

	Consolidated ordinary profit margin	Consolidated ROE
FY2010 (actual)	6.0%	8.5%
FY2011 (actual)	7.2%	8.6%
FY2012 (actual)	7.9%	7.9%
FY2013 (actual)	9.0%	10.2%
FY2014 (actual)	9.5%	12.4%
FY2015 (target)	9.3% (plan)	12.5% (plan)

(3) Medium- and Long-term Management Strategy

With the aim of further raising profitability, the SRA Group has formulated and will implement a new Medium-Term Management Plan running from the fiscal year ending March 2012 through the fiscal year ending March 2015. A summary of the plan is as follows.

1. **Management Targets**

[1] Increase and strengthen profitability by undertaking structural reforms in existing businesses
• Surpass the all-time high net income of ¥2.22 billion in the final fiscal year
[2] Medium- and Long-Term Growth Strategies
• Promote our own IP products business (Generate 10% of consolidated sales in fiscal 2014)
• Undertake new business overseas (Generate 20% of consolidated sales in fiscal 2016)

2. **Management Strategies (Measures for Attaining Management Objectives)**

[1] Undertake structural reforms
• Increase and strengthen profitability by fortifying the foundation of existing businesses
• Expand orders and sales by strengthening business capabilities
• Build a high-profit production structure

• Transform to a cost structure appropriate for our business scale

[2] Medium- and Long-term Management Strategy (“our own IP products business” x “overseas business”)

• Fully promote “our own IP products business”

Offer our own company IP products in growth fields (including advanced, high-profit products in Japan and overseas)

• Undertake new overseas business

Undertake business in growth markets (China, India and ASEAN, etc.)

(**4) Issues to Be Addressed by the Company**

The SRA Group will address the following specific issues with regard to the aim of the Medium-Term Management Plan to “increase and strengthen profitability by undertaking structural reforms in existing businesses” as well as “secure the Group’s growth potential by fully promoting our own IP products business and undertaking new business overseas.”

■Increase and strengthen profitability by undertaking structural reforms in existing businesses

1. Expand orders and sales by strengthening business capabilities

[Systems Development]

・Create new projects through proposal-based sales that utilize our “strengths”

・Strengthen our project order management structure that ensures projects reliably and efficiently lead to the securing of new orders

・Specialize in fields of expertise in existing businesses (manufacturing embedded systems, financial, education)

・Transform business models for an expansion in orders (advance into the healthcare field, etc.)

[System Operations and Infrastructure Development]

・Make responses to customer needs (cost reductions, quality improvements, etc.) that utilize our experience in system operations

・Concentrate efforts toward education-related network operation business

・Respond to virtualization and cloud computing in IDC

[Product Sales]

・Expand target customers in device sales (manufacturing, securities, insurance, etc.)

・Expand collaborative business with manufacturers that utilizes our competitive advantage in cloud computing fields

・Expand sales of our own IP products

2. Build a high-profit production structure

[1] Ensure appropriate production overhead costs

[2] Increase the profitability of projects

[3] Actively utilize offshore development

3. Transform to a cost structure appropriate for our business scale

・Ensure appropriate production costs and SG&A expenses

■Secure the Group’s growth potential by fully promoting our own IP products business and undertaking new overseas business

1. Further promote “our own IP products business” x “overseas business”

[1] Invest in U.S. venture companies that handle cutting-edge products in growth fields (Cavirin Systems, Inc., which engages in the data center automation business through cloud computing, and Proxim Wireless Corporation, which carries out the wireless network business)

[2] Invest in Kingnet, of China, with the aim of building sales channels in growth markets (China, India, ASEAN, etc.)

2. Expand China business by making business investments in SJI, Inc. (SRA’s acceptance of that company’s callable unsecured convertible bond-type corporate bonds with share acquisition rights, etc.)

3. Expand business for our own IP products business (comprehensive education solutions UniVision, mail archive MailDepot, digital content service BELEGA-DC and EC building service BELEGA-EC, etc.) and develop and sell our own new IP products

(5) Other Important Management Matters

None

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	FY2013 (as of March 31, 2013)	**FY2014** (as of March 31, 2014)
ASSETS		
Current assets:		
Cash and deposits	7,197	7,689
Notes and accounts receivable—trade	6,299	6,855
Short-term investment securities	1,002	3,112
Merchandise and finished goods	242	300
Work in process	1,011	1,430
Deferred tax assets	531	546
Other	1,222	2,208
Allowance for doubtful accounts	(35)	(27)
Total current assets	17,473	22,117
Noncurrent assets:		
Property, plant and equipment		
Buildings	349	346
Accumulated depreciation	(253)	(249)
Buildings, net	96	97
Machinery, equipment and vehicles	569	575
Accumulated depreciation	(522)	(517)
Machinery, equipment and vehicles, net	46	58
Other	119	114
Accumulated depreciation	(77)	(75)
Other, net	42	39
Total property, plant and equipment	184	195
Intangible assets		
Other	894	672
Total intangible assets	894	672
Investments and other assets		
Investment securities	7,137	3,618
Deferred tax assets	1,049	1,421
Guarantee deposits	402	370
Other	1,093	1,249
Allowance for doubtful accounts	(14)	(13)
Allowance for investment loss	(87)	(104)
Total investments and other assets	9,580	6,542
Total noncurrent assets	10,660	7,410
Total assets	28,133	29,527

(Millions of Yen)

	FY2013 (as of March 31, 2013)	FY2014 (as of March 31, 2014)
LIABILITIES		
Current liabilities:		
Accounts payable—trade	2,447	3,211
Short-term loans payable	1,229	1,509
Accrued expenses	590	583
Income taxes payable	523	882
Accrued consumption taxes	241	255
Provision for bonuses	594	550
Provision for directors' bonuses	50	50
Provision for loss on construction contracts	181	416
Asset retirement obligations	17	18
Other	807	851
Total current liabilities	6,683	8,329
Noncurrent liabilities:		
Long-term loans payable	300	–
Deferred tax liabilities	3	9
Provision for retirement benefits	3,620	–
Net defined benefit liability	–	3,926
Provision for directors' retirement benefits	165	161
Others	0	17
Total noncurrent liabilities	4,090	4,114
Total liabilities	10,774	12,443
NET ASSETS		
Shareholders' equity		
Capital stock	1,000	1,000
Capital surplus	4,483	4,475
Retained earnings	12,789	14,332
Treasury stock	(1,393)	(2,826)
Total shareholders' equity	16,879	16,982
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	588	238
Foreign currency translation adjustments	(148)	229
Remeasurements of defined benefit plans	–	(399)
Total accumulated other comprehensive income	439	68
Subscription rights to shares	39	32
Total net assets	17,359	17,083
Total liabilities and net assets	28,133	29,527

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

(Millions of Yen)

	FY2013 (April 1, 2012- March 31, 2013)	**FY2014** (April 1, 2013- March 31, 2014)
Net sales	32,168	35,146
Cost of sales	26,094	28,659
Gross profit	6,074	6,487
Selling, general and administrative expenses	3,637	3,679
Operating income	2,436	2,807
Non-operating income		
Interest received	201	193
Dividends received	37	49
Foreign exchange gains	176	133
Guarantee commission received	5	89
Other	85	101
Total non-operating income	507	568
Non-operating expenses		
Interest expenses	29	25
Transfer agent processing fee	20	24
Other	10	1
Total non-operating expenses	60	51
Ordinary profit	2,883	3,324
Extraordinary income		
Gain on revision of retirement benefit plans	–	297
Other	16	14
Total extraordinary income	16	312
Extraordinary loss		
Loss on retirement of noncurrent assets	3	3
Loss on valuation of stocks of subsidiaries and affiliates	–	4
Loss on liquidation of subsidiaries and affiliates	–	4
Other	11	0
Total extraordinary loss	15	13
Income before income taxes and minority interests	2,884	3,623
Income taxes-current	1,120	1,461
Income taxes-deferred	83	27
Total income taxes	1,203	1,488
Income before minority interests	1,681	2,134
Net income	1,681	2,134

(Consolidated Statements of Comprehensive Income)

Income before minority interests	1,681	2,134
Other comprehensive income		
Valuation difference on available-for-sale securities	297	(349)
Foreign currency translation adjustments	225	377
Total other comprehensive income	523	27
Comprehensive income	2,204	2,162
(breakdown)		
Comprehensive income attributable to parent company shareholders	2,204	2,162
Comprehensive income attributable to minority shareholders	—	—

(3) Consolidated Statements of Changes in Net Assets

FY2013 (April 1, 2012-March 31, 2013)

(Millions of Yen)

	Shareholders' equity				
	Capital stock	**Capital surplus**	**Retained earnings**	**Treasury stock**	**Total shareholders' equity**
Balance at beginning of period	1,000	4,483	11,642	(1,393)	15,732
Changes of items during the period					
Dividends from surplus			(525)		(525)
Net income			1,681		1,681
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock					–
Change of scope of consolidation			(8)		(8)
Net change of items other than shareholders' equity					–
Total change during the period	―	―	1,146	(0)	1,146
Balance at the end of current period	1,000	4,483	12,789	(1,393)	16,879

	Accumulated other comprehensive income				**Subscription rights to shares**	**Total net assets**
	Valuation difference on available-for-sale securities	**Foreign currency translation adjustment**	**Remeasure-ments of defined benefit plans**	**Total accumu-lated other comprehen-sive income**		
Balance at beginning of period	290	(373)	―	(83)	29	15,678
Changes of items during the period						
Dividends from surplus						(525)
Net income						1,681
Purchase of treasury stock						(0)
Disposal of treasury stock						–
Change of scope of consolidation						(8)
Net change of items other than shareholders' equity	297	225	–	523	10	533
Total change during the period	297	225	–	523	10	1,680
Balance at the end of current period	588	(148)	–	439	39	17,359

FY2014 (April 1, 2013-March 31, 2014)

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	1,000	4,483	12,789	(1,393)	16,879
Changes of items during the period					
Dividends from surplus			(591)		(591)
Net income			2,134		2,134
Purchase of treasury stock				(1,544)	(1,544)
Disposal of treasury stock		(7)		111	104
Change of scope of consolidation					–
Net change of items other than shareholders' equity					–
Total change during the period	―	(7)	1,543	(1,432)	102
Balance at the end of current period	1,000	4,475	14,332	(2,826)	16,982

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumu-lated other comprehen-sive income		
Balance at beginning of period	588	(148)	―	439	39	17,359
Changes of items during the period						
Dividends from surplus						(591)
Net income						2,134
Purchase of treasury stock						(1,544)
Disposal of treasury stock						104
Change of scope of consolidation						–
Net change of items other than shareholders' equity	(349)	377	(399)	(371)	(6)	(377)
Total change during the period	(349)	377	(399)	(371)	(6)	(275)
Balance at the end of current period	238	229	(399)	68	32	17,083

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2013 (April 1, 2012- March 31, 2013	**FY2014** (April 1, 2013- March 31, 2014
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	2,884	3,623
Depreciation and amortization	453	416
Increase (decrease) in provision for retirement benefits	(41)	(3,622)
Increase (decrease) in net defined benefit liability	–	3,305
Increase (decrease) in provision for directors’ retirement benefits	11	(3)
Increase (decrease) in provision for bonuses	(22)	(44)
Increase (decrease) in provision for directors’ bonuses	(8)	–
Increase (decrease) in allowance for doubtful accounts	6	(9)
Increase (decrease) in allowance for investment loss	0	(2)
Interest and dividend income	(239)	(243)
Interest expense	29	25
Loss (gain) on valuation of investment securities	10	–
Loss (gain) on sales of investment securities	(11)	(5)
Loss on valuation of stocks of subsidiaries and affiliates	—	4
Loss (gain) on sales of noncurrent assets	(0)	(0)
Loss on retirement of noncurrent assets	3	3
Decrease (increase) in notes and accounts receivable—trade	227	(377)
Decrease (increase) in inventories	80	(468)
Increase (decrease) in notes and accounts payable—trade	(390)	721
Increase (decrease) in other liabilities	(140)	24
Increase (decrease) in accrued consumption taxes	(49)	13
Other, net	(131)	(242)
Subtotal	2,671	3,118
Interest and dividends income received	142	144
Interest expenses paid	(28)	(25)
Income taxes paid	(1,163)	(1,106)
Net cash provided by operating activities	1,622	2,131
Net cash provided by (used in) investing activities:		
Purchase of property, plant and equipment	(42)	(61)
Proceeds from sale of property, plant and equipment	2	0
Purchase of intangible assets	(172)	(122)
Purchase of investment securities	(674)	(67)
Proceeds from sales of investment securities	820	940
Proceeds from liquidation of subsidiaries and affiliates	10	82
Payments of loans receivable	(3,600)	(769)
Collection of loans receivable	505	154
Payments into time deposits	—	(80)

Payments for guarantee deposits	(4)	(20)
Proceeds from collection of guarantee deposited	15	51
Other, net	244	85
Net cash provided by (used in) investing activities	(2,896)	192
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(380)	(20)
Purchase of treasury stock	(0)	(1,544)
Cash dividends paid	(525)	(591)
Proceeds from exercise of stock option	—	91
Other	(0)	(0)
Net cash used in financing activities	(906)	(2,065)
Effect of exchange rate changes on cash and cash equivalents	125	153
Net increase (decrease) in cash and cash equivalents	(2,054)	411
Cash and cash equivalents at beginning of period	9,496	7,497
Change of scope of net increase (decrease) in cash and cash equivalents	55	—
Cash and cash equivalents at the end of period	7,497	7,909

(Change in Accounting Policies)

Effective from the year ended March 31, 2014, 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”), except for items stated in paragraph 35 of the Standard and paragraph 67 of the Guidance. In accordance with this adoption, accounting treatment for retirement benefits has been changed to record net defined benefit liability, which is calculated by subtracting the amount of plan assets from retirement benefit obligations and posting unrecognized actuarial gains/losses and unrecognized prior service costs in net defined benefit liability.

The adoption of the Standard and the Guidance conforms with the transitional treatment stipulated by paragraph 37 of the Standard and the effect of the said change is adjusted in remeasurements of defined benefit plans of accumulated other comprehensive income at the end of the fiscal year ended March 31, 2014.

As a result, net defined benefit liability of ¥3,926 million was recorded and accumulated other comprehensive income decreased ¥399 million.

Net assets per share declined ¥33.42.

(Additional information)

Consolidated subsidiary SRA previously adopted a defined-benefit corporate pension as a retirement benefit scheme. However, from March 1, 2014 it transitioned to a defined-contribution pension for its currently active employees. As accounting treatment accompanying this transition, the company has adopted Accounting for Transitions in Retirement Benefit Plans (ASBJ Guidance No. 1). Along with this transition, the company recorded ¥297 million in gain on revision of retirement benefit plans as extraordinary income.

Segment Information and Others

Segment Information

1. Summary of Reporting Segments

The Group's reporting segments are those for which financial information separate from that of other units comprising the Group can be obtained. Periodic reviews are made of reporting segments by the Board of Directors for determining the allocation of management resources and assessment of business results.

The Company carries out overall management of subsidiaries engaged in the three businesses of "Systems Development," "System Operations and Infrastructure Development" and "Product Sales." Therefore, the Group's three reporting segments are "Systems Development," "System Operations and Infrastructure Development" and "Product Sales."

Principal contents of business in each segment

Business segment	Content of business
Systems Development	● Integrated system development ranging from defining requirements to development and maintenance of mainframe-based large systems ● System integration covering system planning, development and introduction of open systems ● Solutions business offering business tools that utilize various products and tools ● Open source business that offers technical support for systems through open source software
System Operations and Infrastructure Development	● Operation management of computer systems and network systems ● Overall operation that includes data management and facilities management ● Building of network systems ● Outsourcing services
Product Sales	● Sales of packaged software that includes licensing ● Sales of system devices, centering on servers, in integration services ● Consulting services related to the introduction of IT

2. Accounting Treatment Method of Net Sales and Income or Losses, Assets, Liabilities and Others for Each Reporting Segment

The accounting treatment method for the reporting business segments is the same as that described in Principal Items that Serve as the Basis for Preparing the Consolidated Financial Statements.

Inventories are valued at an amount prior to the writing down of carrying value.

The figures for segment profits are on the basis of operating income.

Intersegment sales or transfers are based on current market prices.

3. Information Concerning Net Sales and Income or Losses, Assets, Liabilities and Others for Each Reporting Segment

I. Fiscal 2013 (from April 1, 2012 to March 31, 2013)

(Millions of Yen)

	Systems Development	System Operations and Infrastructure Development	Product Sales	Total	Adjustment amount[*1]	Amount recorded on the consolidated statements of income [*2]
Sales (1) Sales to customers	17,407	3,344	11,416	32,168	—	32,168
(2) Intersegment sales or transfers	65	351	509	926	(926)	—
Total sales	17,473	3,696	11,925	33,095	(926)	32,168
Operating income	2,375	703	561	3,640	(1,204)	2,436
Assets	8,135	1,294	5,443	14,873	13,260	28,133
Others Depreciation	166	13	268	448	5	453
Increase of tangible and intangible assets	43	9	152	205	—	205

Notes:

1. The adjustment amounts are as follows:

(1) The segment income adjustment of minus ¥1,204 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) Total Company assets amounted to ¥13,260 million for the fiscal year. These consisted mainly of the Group’s surplus operating assets (cash, deposits and marketable securities), short-term loans receivable, long-term invested assets (investment securities and long-term loans receivable) and deferred tax assets.

(3) Depreciation expenses and increases of tangible and intangible assets included depreciation and additions to long-term prepaid expenses, respectively.

2. Segment operating income is adjusted in operating income on the consolidated statements of income.

II. Fiscal 2014 (from April 1, 2013 to March 31, 2014)

(Millions of Yen)

	Systems Development	System Operations and Infrastructure Development	Product Sales	Total	Adjustment amount[*1]	Amount recorded on the consolidated statements of income [*2]
Sales						
(1) Sales to customers	18,364	3,576	13,206	35,146	—	35,146
(2) Intersegment sales or transfers	41	288	499	830	(830)	—
Total sales	18,406	3,864	13,705	35,977	(830)	35,146
Operating income	2,265	814	929	4,010	(1,202)	2,807
Assets	8,983	1,282	6,361	16,627	12,900	29,527
Others						
Depreciation	153	14	245	413	3	416
Increase of tangible and intangible assets	73	15	90	179	—	179

Notes:

1. The adjustment amounts are as follows:

(1) The segment income adjustment of minus ¥1,202 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) Total Company assets amounted to ¥13,180 million for the fiscal year. These consisted mainly of the Group’s surplus operating assets (cash, deposits and marketable securities), short-term loans receivable, long-term invested assets (investment securities and long-term loans receivable) and deferred tax assets.

(3) Depreciation expenses and increases of tangible and intangible assets included depreciation and additions to long-term prepaid expenses, respectively.

2. Segment operating income is adjusted in operating income on the consolidated statements of income.

(Significant Subsequent Events)

1. Granting of Stock Options Linked to the Medium-Term Management Plan

At the Board of Directors Meeting convened on April 15, 2014, the Board resolved to issue stock options as detailed below and allotted the stock options on May 1, 2014. This resolution was in response to a previous resolution passed at the Company's 23rd Ordinary Meeting of Shareholders convened on June 26, 2013 to entrust to the Board of Directors with the issuing of subscription rights to shares in the form of stock options to the Company's Board of Directors and employees as well as to the Board of Directors, executive officers and employees of subsidiaries. The stock options are issued with the aim of attaining the Medium-Term Management Plan from the Company's 22nd fiscal term (the term ended March 31, 2012) to the 25th fiscal term (the term ending March 31, 2015).

1) Details of stock options, upper limit on number of options, consideration price and name

(1) Details of subscription rights to shares

<1> Name of the stock options: SRA Holdings 11th subscription rights to shares

<2> Number issued: 780 subscription rights

<3> Issuance price: No charge

<4> Total value of share issuance: ¥242,892,000

<5> Number and type of shares allotted to subscription rights to shares:

156,000 common shares of the Company (Number of shares per one (1) subscription right shall be 200 shares (hereafter, "number of granted shares"))

In the event of a stock split of common shares (includes no charge stock allotments) or in the event of a stock consolidation, the number of granted shares shall be adjusted using the following formula. However, such adjustment shall be made only in respect of the number of granted shares of subscription rights to shares which are not exercised at that time and any fractions less than one (1) share resulting from such adjustment shall be disregarded.

$$\text{Number of granted shares after adjustment} = \text{Number of granted shares before adjustment} \times \text{Split or consolidation ratio}$$

In the event the Company is the surviving company following a merger with another company, or if the Company carries out a share exchange with another company and becomes a wholly owning parent company through a share exchange or also in the event the Company must adjust the number of granted shares pursuant to the aforementioned cases, the Company may also appropriately adjust the number of granted shares to a reasonable and necessary extent.

<6> Value of assets to be invested when subscription rights to shares are exercised

Value of assets to be invested when subscription rights to shares are (when one (1) subscription right to shares is) exercised shall be the exercise price (hereafter the exercise price) per one (1) share multiplied by number of granted shares per one (1) subscription right to shares. The exercise price shall be ¥311,400 per one (1) subscription right to shares (¥1,557 per one (1) share).

In the event the Company carries out a stock split or consolidation, the exercise price shall be adjusted using the following formula and any fractions less than ¥1 resulting from such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Split or consolidation ratio}}$$

In the event of the issuance of new shares or disposition of treasury stock at a price less than the market price (excluding the issuance of new shares through the execution of subscription rights to shares), the Exercise Price shall be adjusted using the following formula and any fractions less than ¥1 resulting from such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued and outstanding} + \dfrac{\text{Number of shares newly issued} \times \text{Subscription price per one (1) share}}{\text{Share price before new issue}}}{\text{Number of shares issued and outstanding} + \text{Number of shares newly issued}}$$

In the formula above, “Number of shares issued and outstanding” shall mean the number calculated by the number of outstanding shares less the number of treasury stock held by the Company. In the event of the disposition of treasury stock, “Shares newly issued” and “Subscription price per one (1) share” shall be read as “Treasury stock disposed” and “Disposal price per one (1) share,” respectively.

In the event the Company is the surviving company following a merger with another company, or if the Company carries out a share exchange with another company and becomes a wholly owning parent company through a share exchange or also in the event the Company must adjust the exercise price pursuant to the aforementioned cases, the Company may also appropriately adjust the exercise price to a reasonable and necessary extent.

<7> Exercise period for subscription rights to shares

From July 1, 2015 to June 30, 2017

<8> Matters concerning capital and capital reserve upon issuance of shares by exercise of subscription rights to shares

[1] The amount of the increase in capital upon issuance of shares by exercise of subscription rights to shares shall be 50% of the maximum increase amount of capital, etc., as calculated according to the Company Accounting Regulations, Article 17, Paragraph 1, with any fraction of less than ¥1 being rounded up.

[2] The amount of the increase in capital reserves upon issuance of shares by exercise of subscription rights to shares shall be the amount after deducting the increase in capital calculated in the above [1] from the maximum increase amount of capital, etc., listed in the above [1].

<9> Restrictions on acquiring subscription rights to shares through a transfer

Approval through a resolution by the Board of Directors of the Company shall be required for acquiring subscription rights to shares through a transfer.

<10> Conditions for acquiring subscription rights to shares

In the event of any action specified in Article 236-1-8-(a) to (e) of the Corporate Law of Japan, the Company may cancel without charge all of the said subscription rights to shares.

<11> Matters concerning the granting of subscription rights to shares in time of organizational restructuring

In the event of any action specified in Article 236-1-8-(a) to (e) of the Corporate Law of Japan, subscription rights to shares of an entity (hereafter “surviving company or other”) prescribed in the aforementioned (a) to (e) shall be granted to the Company’s holders of subscription rights to shares. However, for mergers, absorption-type company splits or share exchanges, this shall be conditional on receiving the consent of the other party to the merger agreement, absorption-type company split agreement, or share exchange agreement. Additionally, the number of granted shares for the subscription rights to shares of the “surviving company or other” that have been issued as well as the exercise price shall be in accordance with the allocation ratio. The other contents of the subscription rights to shares shall be equal to those of the Company’s subscription rights to shares. However, the Company may change these at its discretion based on its judgments.

<12> Conditions for exercising subscription rights to shares

[1] The holders of the subscription rights to shares shall be able to exercise the rights only when ordinary profit on the final Consolidated Statements of Income for the Company’s 25th fiscal term (the fiscal year ending March 2015) or for any prior fiscal term exceeds ¥3.6 billion or when net income for the same period exceeds ¥2.23 billion (hereafter “exercise standard target value”). However, in the event of such factors as an abrupt change in the management environment, the “exercise standard target value” may be changed within a range of ± 30% based on a resolution by the Board of Directors.

[2] Even during the period for exercising the subscription rights to shares, persons who are not directors and employees of the Company or directors, managing officers and employees of the Company’s subsidiaries shall not be allowed to exercise the subscription rights. However, this shall not be applied in cases in which a person leaves their position due to the expiration of the term of Director or mandatory retirement or for any other due reason.

[3] Inheritance of subscription rights to shares shall not be allowed

[4] The Board of Directors shall be able to attach other necessary conditions. However, conditions attached by the Board of Directors shall be effective only when stipulated by a “subscription rights to shares allocation agreement” concluded between the Company and the persons eligible for the allocation of subscription rights to shares.

2) Reason for soliciting persons to receive subscription rights to shares through particularly beneficial conditions

Subscription rights to shares shall be provided without charge with the aims of raising motivation and morale.

2. New loan

The Board of Directors of Company subsidiary SRA convened on April 15, 2014 and resolved to provide a new loan to Cavirin Systems, Inc. and provided the loan on the same date with the aim of expanding business with that company.

New loan

(1) Amount of loan: US$800 thousand

(2) Loan period: From April 24, 2014 to March 31, 2016

3. 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 an extraordinary meeting of the Board of Directors of SRA convened on April 30, 2014.

Amount of liability guarantee before change: ¥1,500 million
Period of liability guarantee: March 31, 2014
Amount of liability guarantee after change: ¥1,500 million
Period of liability guarantee: June 30, 2014

4. Extension of loan repayment period

Subsidiary SRA provided a loan to Kingnet with the aim of strengthening its relationship with that company. However, the Board of Directors of SRA passed a resolution and extended the loan repayment period at an extraordinary meeting of the Board of Directors of SRA convened on April 30, 2014.

Loan amount: US$8,000 thousand
Loan repayment period before change: April 30, 2014
Loan repayment period after change: July 31, 2014

(Additional information)

SRA, a Company subsidiary, filed a damage lawsuit against Happinet Corporation (hereafter Happinet) on March 31, 2011. In response, Happinet filed a lawsuit against SRA in the Tokyo District Court on April 6, 2011. These cases are currently being litigated. In accordance with the progress of the lawsuits, we will promptly provide information on any matters requiring disclosure.

4. Other Information

1. Status of Production, Orders and Sales

(1) Production amounts

Production by segment in the fiscal year ended March 31, 2014 is as follows.

Segment information by type of business	Consolidated cumulative total for fiscal 2014 (from April 1, 2013 to March 31, 2014)	% change YoY
Systems Development (Millions of Yen)	18,585	106.7
System Operations and Infrastructure Development (Millions of Yen)	3,574	106.2
Total (Millions of Yen)	22,160	106.6

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 fiscal year ended March 31, 2014 are as follows.

Segment information by type of business	Consolidated cumulative total for fiscal 2014 (from April 1, 2013 to March 31, 2014)	% change YoY
Product Sales (Millions of Yen)	8,377	119.1
Total (Millions of Yen)	8,377	119.1

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 fiscal year ended 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	19,940	112.0	5,835	137.0
System Operations and Infrastructure Development	3,734	109.6	1,622	110.8

Product Sales	12,727	115.0	2,727	85.1
Total	36,402	112.8	10,185	114.1

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 fiscal year ended March 31, 2014 are as follows.

Segment information by type of business	Consolidated cumulative total for fiscal 2014 (from April 1, 2013 to March 31, 2014)	% change YoY
Systems Development (Millions of Yen)	18,364	105.5
System Operations and Infrastructure Development (Millions of Yen)	3,576	106.9
Product Sales (Millions of Yen)	13,206	115.7
Total (Millions of Yen)	35,146	109.3

Notes:

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