

Summary of Consolidated Financial Results for the Year Ended March 31, 2015

Company name: SRA Holdings, Inc.
 (URL: <http://www.sra-hd.co.jp/>)
Stock listing: Tokyo Stock Exchange
Code number: 3817
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Date of ordinary general meeting of shareholders: June 26, 2015
Scheduled commencement of dividend payment: June 12, 2015
Scheduled date of submission of financial reports: June 26, 2015
Results Supplement Materials: Yes
Results Presentation Meeting : Yes (for institutional investors)

1. Consolidated Financial Results for Fiscal 2015(from April 1, 2014 to March 31, 2015)

(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 2015	36,535	4.0	3,047	8.5	3,813	14.7	1,638	(23.2)
Fiscal 2014	35,146	9.3	2,807	15.2	3,324	15.3	2,134	27.0

Note : Comprehensive Income

Fiscal 2015: ¥ 2,373million (9.8%)

Fiscal 2014: ¥ 2,162million ((1.9)%)

	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 2015	136.34	—	9.1	12.5	8.3
Fiscal 2014	168.05	166.79	12.4	11.5	8.0

Reference: Gain (loss) on equity method investments:

Fiscal 2015: —

Fiscal 2014: —

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2015	31,714	18,859	59.4	1,565.05
Fiscal 2014	29,527	17,083	57.7	1,427.78

Reference: Shareholders' equity

Fiscal 2015: ¥ 18,834 million

Fiscal 2014: ¥ 17,051 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 2015	3,290	(1,626)	(932)	8,792
Fiscal 2014	2,131	192	(2,065)	7,909

2. Dividends

	Dividend per Share					Total Dividends (for the year)	Dividend Propensity (consolidated)	Net Assets to Dividend Ratio (consolidated)
	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 2014	—	0.00	—	40.00	40.00	477	23.8	2.9
Fiscal 2015	—	17.00	—	38.00	55.00	661	40.3	3.7
Fiscal 2016(forecast)	—	25.00	—	40.00	65.00		34.6	

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

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

	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
Interim Period	16,860	2.2	1,125	14.4	1,170	(8.1)	770	—	63.98
Full Year	37,300	2.1	3,360	10.2	3,450	(9.5)	2,260	37.9	187.79

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) 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

(3) Number of outstanding shares (common shares)

1. Shares issued at the end of term (including own shares)
 - Fiscal 2015: 15,240,000 shares
 - Fiscal 2014: 15,240,000 shares
2. Own shares at end of term
 - Fiscal 2015: 3,205,445 shares
 - Fiscal 2014: 3,297,610 shares
3. Average number of shares over period
 - Fiscal 2015: 12,016,780 shares
 - Fiscal 2014: 12,699,866 shares

(Reference) Non-Consolidated Financial Results for Fiscal 2015 (from April 1, 2014 to March 31, 2015)

(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 2015	756	(70.2)	519	(76.7)	498	(77.5)	181	(91.6)
Fiscal 2014	2,541	113.2	2,224	159.7	2,210	161.2	2,155	155.1

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
Fiscal 2015	13.75	—
Fiscal 2014	155.19	154.13

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2015	9,190	9,164	99.4	691.08
Fiscal 2014	9,452	9,404	99.1	713.64

Reference: Shareholders' equity:

Fiscal 2015: ¥ 9,139 million

Fiscal 2014: ¥ 9,371 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, 2014 to March 31, 2015), the Japanese economy sustained a moderate recovery thanks to a pickup in personal consumption, which had stagnated due to the impact of the consumption tax increase, as well as to an improvement in corporate earnings.

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

Amid this business environment, the SRA Holdings Group addressed the following issues during the final year of its Medium-Term Management Plan.

■Undertake structural reforms in existing businesses

We implemented the following measures to promote structural reforms in existing businesses.

1) Expand orders and sales by strengthening business capabilities

We focused on activities for securing orders in our fields of expertise (financial, manufacturing embedded systems, education), created new projects through proposal-based sales that leverage our “strengths,” and fortified our project and order management structure. As a result of these efforts, nine of 11 consolidated subsidiaries, beginning with core companies Software Research Associates, Inc. (SRA) and Advanced Integration Technology, Inc. (AIT), recorded increases in sales over the previous fiscal year.

2) Build a high-profit production structure

We also worked to raise the profitability of projects and strengthen the management of staff allocation to realize an appropriate level of production overhead costs. As a result, the Systems Development and System Operations and Infrastructure Development business both achieved a gross profit margin exceeding 20%.

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

We commenced a shared service within the Group and worked to enhance the operational cost efficiency of SRA Professional Service, Co., Ltd., which handles this service. As a result, we achieved an improvement in the selling, general and administrative (SG&A)-to-sales ratio at SRA.

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

We adopted the following measures to implement our “own IP products business” x “overseas business” (medium- and long-term growth strategy), which involves discovering cutting-edge and promising own IP products in the United States and promoting these 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) Cavin Systems commenced U.S. sales of cavin, an advanced solution for responding to data centers and cloud computing. A number of well-known major companies, beginning with SugarCRM, Inc., have introduced this solution and business inquiries are increasing. Backed by this track record, we also began sales in Japan, where cloud computing is rapidly advancing.

■Realize even higher added value in existing businesses

In line with “realize even higher added value in existing businesses,” an initiative that began on a full-scale basis in the fiscal year ending March 2016, we are collaborating with Red Hat, Inc. (announcement made in April 2015, with SRA becoming the first Embedded Distributor Partner in Japan) and leveraging our technological capabilities and solid track record in open source and embedded fields as we aim to develop our business in the Internet of Things (IoT) field*.

*Internet of Things (IoT) field

Traditionally, only IT devices were connected with the Internet. However, the Internet of Things (IoT) is a structure that realizes new services by connecting a variety of “things,” beginning with home appliances, to the Internet. This market is expected to expand globally in the future.

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

In terms of net sales, the Product Sales business recorded only a slight increase in net sales, but the Systems Development business and the System Operations and Infrastructure Development business posted steady increases in net sales. As a result, consolidated net sales amounted to ¥36,535 million, a 4.0% increase from the previous fiscal year.

At the profit level, operating income rose 8.5% from the previous fiscal year to ¥3,047 million due to an increase in gross profit accompanying growth in sales and a streamlining of SG&A expenses. Ordinary profit rose 14.7% from the previous fiscal year to ¥3,813 million due to an increase in non-operating income concerning business investments (foreign exchange gains and other).

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 amounted to ¥1,638 million, a 23.2% decline from the previous fiscal year.

As detailed above regarding consolidated results for the fiscal year, net sales increased from the previous fiscal year, while operating income and ordinary profit also rose. However, net income declined due to the recording of an extraordinary loss.

Consolidated Business Results

(Millions of Yen)

	FY2011	FY2012	FY2013	FY2014	FY2015	
					Most recent forecast figures (announced May 7, 2015)	Actual
Net sales	33,164	33,416	32,168	35,146	36,535	36,535
Operating income	2,238	2,490	2,436	2,807	3,047	3,047
Ordinary profit	2,374	2,656	2,883	3,324	3,813	3,813
Net income	1,313	1,233	1,681	2,134	1,638	1,638

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

1) Systems Development

The Systems Development business recorded increases in sales to banks and securities companies as well as to manufacturing industries and universities. As a result, net sales increased 5.0% from the previous fiscal year to ¥19,288 million.

2) System Operations and Infrastructure Development

Although university-related orders rose only slightly, orders from companies increased sharply. As a result, net sales of the System Operations and Infrastructure Development business increased 8.9% from the previous fiscal year to ¥3,894 million.

3) Product Sales

Sales by AIT were flat, but SRA posted a slight increase in sales. As a result, sales of the Product Sales business rose 1.1% from the previous fiscal year to ¥13,353 million.

(Outlook for the Next Fiscal Year)

In the next fiscal year, the Japanese economy is expected to recover moderately due in part to the effects of declining crude oil prices as well as the impact of various policies amid the trend toward ongoing improvements in the employment and income environments.

Under these conditions, the Group will aim to reform its earnings structure (establish a high-earnings model) and will work to “raise profitability of existing businesses (raise the gross profit margin and improve the SG&A-to-sales ratio),” “reform its business model,” and strengthen its “own IP products business” x “overseas business.”

Regarding the outlook for consolidated results for the fiscal year ending March 2016, while implementing the above measures, we forecast net sales of ¥37,300 million, operating income of ¥3,360 million, ordinary profit of ¥3,450 million and profit attributable to owners of the parent of ¥2,260 million.

(2) Analysis of Financial Position

Total assets at the end of the fiscal year amounted to ¥31,714 million, an increase of 7.4% from the end of the previous fiscal year. Total liabilities increased 3.3% from the end of the previous fiscal year to ¥12,855 million and net assets increased 10.4% to ¥18,859 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)

Cash and deposits increased ¥983 million to ¥8,672 million due to such factors as the collection of trade receivables. Short-term loans receivable increased ¥708 million to ¥1,767 million. Investment securities increased ¥559 million to ¥4,177 million due to the acquisition of stock. On the other hand, notes and accounts receivable—trade decreased ¥631 million to ¥6,223 million due to the collection of trade receivables.

(Total Liabilities)

Accrued consumption taxes increased ¥366 million to ¥621 million. Accounts payable—trade increased ¥253 million to ¥3,465 million due to an increase in trade payables. On the other hand, short-term loans payable decreased ¥330 million to ¥1,179 million due to repayment to financial institutions.

(Total Net Assets)

Retained earnings increased ¥956 million to ¥15,288 million. Valuation difference on available-for-sale securities increased ¥356 million to ¥594 million due to fluctuations in the market value of short-term investment securities and investment securities. Foreign currency translation adjustments when converting the impact of exchange rates on overseas subsidiaries increased ¥355 million to ¥585 million.

Cash and cash equivalents on a consolidated basis at the end of the fiscal year increased ¥883 million compared with at the previous fiscal year-end to ¥8,792 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 ¥3,290 million compared with ¥2,131 million in the previous fiscal year. This consisted mainly of such cash inflows as income before income taxes and minority interests of ¥2,981 million, loss on valuation of investment securities of ¥825 million and a decrease in notes and accounts receivable—trade of ¥715 million, while cash outflows were primarily income taxes paid of ¥1,125 million and an increase in inventories of ¥729 million.

Cash Flows from Investing Activities

Net cash used in investing activities amounted ¥1,626 million compared with net cash provided by investing activities of ¥192 million in the previous fiscal year. This consisted mainly of such inflows as ¥443 million from the collection of loans receivable and ¥255 million in proceeds from sales of investment securities, while outflows included ¥940 million for purchases of investment securities and ¥898 million for payments of loans receivable.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥932 million compared with ¥2,065 million in the previous fiscal year. This was due mainly to such cash inflows as ¥80 million in proceeds from exercise of stock option and such cash outflows as ¥682 million in cash dividends paid and ¥300 million for the repayments of long-term loans payable.

Cash Flow Indicators

	FY2013	FY2014	FY2015
Shareholders' equity ratio (%)	61.6	57.7	59.4
Shareholders' equity ratio at market value (%)	49.2	56.0	62.8
Debt redemption years to cash flow (years)	0.9	0.7	0.4
Interest coverage ratio (times)	56.5	83.9	131.6

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 expenses

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 stock.
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, 2015, to further enhance the redistribution of profits to shareholders on the basis of trends in business results, upon taking into consideration the payout ratio and dividend yield, the Company will increase ordinary dividends per share by ¥15.00 and pay cash dividends per share of ¥55.00 (consisting of a ¥17.00 interim dividend and a ¥38.00 year-end dividend).

Regarding dividends for the fiscal year ending March 31, 2016, we plan to increase ordinary dividends per share by ¥10.00 and pay cash dividends per share of ¥65.00 (consisting of a ¥25.00 interim dividend and a ¥40.00 year-end dividend). In the event that these dividends are paid, the consolidated payout ratio is expected to be 34.6%.

In our new Medium-Term Management Plan (fiscal 2016 – fiscal 2018) that is currently being formulated, we are considering re-evaluating our target consolidated payout ratio to further enhance the redistribution of profits to shareholders.

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 "operating income 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 operating income 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 operating income margin and ROE are as shown below.

	Consolidated operating income margin	Consolidated ROE
FY2011 (actual)	6.8%	8.6%
FY2012 (actual)	7.5%	7.9%
FY2013 (actual)	7.6%	10.2%
FY2014 (actual)	8.0%	12.4%
FY2015 (actual)	8.3%	9.1%
FY2016 (target)	9.0% (plan)	11.5% (plan)

(3) Medium- and Long-term Management Strategy

The SRA Holdings Group is currently formulating a new Medium-Term Management Plan covering the three-year period from fiscal 2016 (year ending March 2016) through fiscal 2018 (year ending March 2018). The orientation of this plan is as follows.

1. We will reform our earnings structure to raise corporate value and shareholder value, or more specifically, aim for the establishment of a high-earnings model that secures the industry's top level of profitability (operating profit ratio). Our management tasks for attaining this target are as follows.

1) Raise the profitability of existing businesses

- Further raise the gross profit margin and improve the SG&A-to-sales ratio

2) Reform our business model

- Promote our own IP products business + realize even higher added value in existing businesses
- Build new business models

3) Strengthen “our own IP products business” x “overseas business”

2. Enhance the redistribution of profits to shareholders

1) Re-evaluate the consolidated payout ratio and shareholder dividends

- Gradually raise the consolidated payout ratio

2) Continuously raise ROE

- Stably and continuously secure ROE of 10% or higher

(4) Issues to Be Addressed by the Company

The SRA Holdings Group will undertake the following specific tasks to reform its earnings structure (establish a high-earnings model that secures the industry's top level of profitability) toward raising corporate value and shareholder value.

1. Raise the profitability of existing businesses

1) Further raise gross profit margins

- Eliminate large-scale unprofitable projects, expand offshore order placements, raise precision of project management, continuously reduce production overhead costs and ensure the appropriate number of production personnel

2) Improve SG&A expenses-to-sales ratio

- Raise operating efficiency by introducing the account manager system
- Reduce operational costs at SRA Professional Service, which handles Head Office staff and shared services

3) Expand orders and sales

- Increase customer share of wallet by deeply cultivating existing customers

2. Reform our business model

1) Promote our own IP products business + realize even higher added value in existing businesses

2) Build new business models (own IP products, new services) in such growth fields as the IoT, mobile, security, cloud computing, Big Data/analytics and social technologies markets

3. Strengthen our “own IP products business” x “overseas business”

•Incorporate the results of business investments into the Group’s earnings

(5) Other Important Management Matters

None

3. Basic Thinking Concerning Adoption of Accounting Standard

In preparation for the future adoption of International Financial Reporting Standards (IFRS), discussion is progressing regarding the establishment of in-house manuals and guidelines and the timing of adoption.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	FY2014 (as of March 31, 2014)	FY2015 (as of March 31, 2015)
ASSETS		
Current assets:		
Cash and deposits	7,689	8,672
Notes and accounts receivable—trade	6,855	6,223
Short-term investment securities	3,112	3,392
Merchandise and finished goods	300	784
Work in process	1,430	1,677
Short-term loans receivable	1,058	1,767
Deferred tax assets	546	658
Other	1,150	977
Allowance for doubtful accounts	(27)	(27)
Total current assets	22,117	24,126
Noncurrent assets:		
Property, plant and equipment		
Buildings	346	317
Accumulated depreciation	(249)	(231)
Buildings, net	97	85
Machinery, equipment and vehicles	575	566
Accumulated depreciation	(517)	(510)
Machinery, equipment and vehicles, net	58	55
Other	114	113
Accumulated depreciation	(75)	(78)
Other, net	39	35
Total property, plant and equipment	195	175
Intangible assets		
Other	672	520
Total intangible assets	672	520
Investments and other assets		
Investment securities	3,618	4,177
Long-term loans receivable	948	1,060
Deferred tax assets	1,421	1,243
Guarantee deposits	370	324
Net defined benefit asset	42	44
Other	258	171
Allowance for doubtful accounts	(13)	(12)
Allowance for investment loss	(104)	(118)
Total investments and other assets	6,542	6,891
Total noncurrent assets	7,410	7,588
Total assets	29,527	31,714

(Millions of Yen)

	FY2014 (as of March 31, 2014)	FY2015 (as of March 31, 2015)
LIABILITIES		
Current liabilities:		
Accounts payable—trade	3,211	3,465
Short-term loans payable	1,509	1,179
Accrued expenses	583	593
Income taxes payable	882	880
Accrued consumption taxes	255	621
Provision for bonuses	550	568
Provision for directors' bonuses	50	53
Provision for loss on construction contracts	416	662
Asset retirement obligations	18	—
Other	851	714
Total current liabilities	8,329	8,739
Noncurrent liabilities:		
Deferred tax liabilities	9	2
Net defined benefit liability	3,926	3,957
Provision for directors' retirement benefits	161	140
Other	17	15
Total noncurrent liabilities	4,114	4,116
Total liabilities	12,443	12,855
NET ASSETS		
Shareholders' equity		
Capital stock	1,000	1,000
Capital surplus	4,475	4,468
Retained earnings	14,332	15,288
Treasury stock	(2,826)	(2,727)
Total shareholders' equity	16,982	18,030
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	238	594
Foreign currency translation adjustments	229	585
Remeasurements of defined benefit plans	(399)	(375)
Total accumulated other comprehensive income	68	804
Subscription rights to shares	32	25
Total net assets	17,083	18,859
Total liabilities and net assets	29,527	31,714

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

(Consolidated Statements of Income)

(Millions of Yen)

	FY2014 (April 1, 2013- March 31, 2014)	FY2015 (April 1, 2014- March 31, 2015)
Net sales	35,146	36,535
Cost of sales	28,659	29,850
Gross profit	6,487	6,685
Selling, general and administrative expenses	3,679	3,637
Operating income	2,807	3,047
Non-operating income		
Interest received	193	202
Dividends received	49	31
Foreign exchange gains	133	357
Guarantee commission received	89	119
Other	101	100
Total non-operating income	568	812
Non-operating expenses		
Interest expenses	25	25
Stock transfer agency service fee	24	21
Other	1	0
Total non-operating expenses	51	46
Ordinary profit	3,324	3,813
Extraordinary income		
Gain on sales of investment securities	5	19
Gain on reversal of subscription rights to shares	–	21
Gain on revision of retirement benefit plans	297	–
Other	9	2
Total extraordinary income	312	43
Extraordinary loss		
Loss on retirement of noncurrent assets	3	14
Loss on valuation of investment securities	–	825
Other	9	34
Total extraordinary loss	13	874
Income before income taxes and minority interests	3,623	2,981
Income taxes-current	1,461	1,475
Income taxes-deferred	27	(132)
Total income taxes	1,488	1,343
Income before minority interests	2,134	1,638
Net income	2,134	1,638

(Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	FY2014 (April 1, 2013- March 31, 2014)	FY2015 (April 1, 2014- March 31, 2015)
Income before minority interests	2,134	1,638
Other comprehensive income		
Valuation difference on available-for-sale securities	(349)	356
Foreign currency translation adjustments	377	355
Remeasurements of defined benefit plans, net of tax	—	23
Total other comprehensive income	27	735
Comprehensive income	2,162	2,373
(breakdown)		
Comprehensive income attributable to parent company shareholders	2,162	2,373
Comprehensive income attributable to minority shareholders	—	—

(3) Consolidated Statements of Changes in Net Assets

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
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	Remeasurements of defined benefit plans	Total accumulated other comprehensive 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
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

FY2015 (April 1, 2014-March 31, 2015)

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	1,000	4,475	14,332	(2,826)	16,982
Changes of items during the period					
Dividends from surplus			(682)		(682)
Net income			1,638		1,638
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(7)		99	92
Net change of items other than shareholders' equity					
Total change during the period	—	(7)	956	99	1,048
Balance at the end of current period	1,000	4,468	15,288	(2,727)	18,030

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	238	229	(399)	68	32	17,083
Changes of items during the period						
Dividends from surplus						(682)
Net income						1,638
Purchase of treasury stock						(0)
Disposal of treasury stock						92
Net change of items other than shareholders' equity	356	355	23	735	(7)	728
Total change during the period	356	355	23	735	(7)	1,776
Balance at the end of current period	594	585	(375)	804	25	18,859

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2014 (April 1, 2013- March 31, 2014)	FY2015 (April 1, 2014- March 31, 2015)
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	3,623	2,981
Depreciation and amortization	416	389
Increase (decrease) in provision for retirement benefits	(3,622)	–
Increase (decrease) in net defined benefit liability	3,305	31
Increase (decrease) in provision for directors' retirement benefits	(3)	(21)
Increase (decrease) in provision for bonuses	(44)	17
Increase (decrease) in provision for directors' bonuses	–	3
Increase (decrease) in allowance for doubtful accounts	(9)	(0)
Increase (decrease) in allowance for investment loss	(2)	(0)
Interest and dividend income	(243)	(234)
Interest expenses	25	25
Loss (gain) on valuation of investment securities	–	825
Loss (gain) on sales of investment securities	(5)	(19)
Loss on valuation of stocks of subsidiaries and affiliates	4	–
Loss (gain) on sales of noncurrent assets	(0)	–
Loss on retirement of noncurrent assets	3	14
Decrease (increase) in notes and accounts receivable—trade	(377)	715
Decrease (increase) in inventories	(468)	(729)
Increase (decrease) in notes and accounts payable—trade	721	204
Increase (decrease) in other liabilities	24	(175)
Increase (decrease) in accrued consumption taxes	13	365
Other, net	(242)	(113)
Subtotal	3,118	4,279
Interest and dividends income received	144	161
Interest expenses paid	(25)	(24)
Income taxes paid	(1,106)	(1,125)
Net cash provided by operating activities	2,131	3,290
Net cash provided by (used in) investing activities:		
Purchase of short-term investment securities	–	(300)
Purchase of property, plant and equipment	(61)	(62)
Proceeds from sale of property, plant and equipment	0	0
Purchase of intangible assets	(122)	(141)
Purchase of investment securities	(67)	(940)
Proceeds from sales of investment securities	940	255
Proceeds from liquidation of subsidiaries and affiliates	82	–
Payments of loans receivable	(769)	(898)
Collection of loans receivable	154	443
Payments into time deposits	(80)	(100)

Payments for guarantee deposits	(20)	(3)
Proceeds from collection of guarantee deposited	51	57
Other, net	85	63
Net cash provided by (used in) investing activities	192	(1,626)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(20)	(30)
Repayments of long-term loans payable	–	(300)
Purchase of treasury stock	(1,544)	(0)
Cash dividends paid	(591)	(682)
Proceeds from exercise of stock option	91	80
Other	(0)	(0)
Net cash used in financing activities	(2,065)	(932)
Effect of exchange rate changes on cash and cash equivalents	153	151
Net increase (decrease) in cash and cash equivalents	411	883
Cash and cash equivalents at beginning of period	7,497	7,909
Cash and cash equivalents at the end of period	7,909	8,792

(Change in Accounting Policies)

(Adoption of accounting standard for retirement benefits)

Effective from the fiscal year ended 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, March 26, 2015, 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 bond 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 to 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 fiscal year as well as on operating income, ordinary profit and income before income taxes and minority interests in the fiscal year was immaterial.

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	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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

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.

Fiscal 2015 (from April 1, 2014 to March 31, 2015)

(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	19,288	3,894	13,353	36,535	—	36,535
(2) Intersegment sales or transfers	31	264	554	851	(851)	—
Total sales	19,319	4,159	13,908	37,386	(851)	36,535
Operating income	2,306	925	1,066	4,298	(1,250)	3,047
Assets	8,516	1,382	4,622	14,521	17,193	31,714
Others						
Depreciation	121	12	251	385	3	389
Increase of tangible and intangible assets	69	15	126	212	2	214

Notes:

1. The adjustment amounts are as follows:

- (1) The segment income adjustment of minus ¥1,250 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 ¥17,523 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)

Subsidiary SRA accepted callable unsecured convertible bond-type corporate bonds with share acquisition rights from 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 maturity period, the Board of Directors of SRA passed a resolution and extended the maturity period as detailed below at an extraordinary meeting of the Board of Directors of SRA convened on April 28, 2015.

Corporate bonds with share acquisition rights: ¥2,500 million

Before change: April 30, 2015

After change: June 30, 2015

(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.

5. Other Information

1. Status of Production, Orders and Sales

(1) Production amounts

Production by segment in the fiscal year ended March 31, 2015 is as follows.

Segment information by type of business	Consolidated cumulative total for fiscal 2015 (from April 1, 2014 to March 31, 2015)	% change YoY
Systems Development (Millions of Yen)	19,301	103.8
System Operations and Infrastructure Development (Millions of Yen)	3,911	109.4
Total (Millions of Yen)	23,212	104.8

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, 2015 are as follows.

Segment information by type of business	Consolidated cumulative total for fiscal 2015 (from April 1, 2014 to March 31, 2015)	% change YoY
Product Sales (Millions of Yen)	8,886	106.1
Total (Millions of Yen)	8,886	106.1

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, 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	19,290	101.6	4,413	100.1
System Operations and Infrastructure Development	3,880	103.9	1,608	99.1
Product Sales	15,007	117.9	4,381	160.7
Total	38,179	107.7	10,403	118.8

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, 2015 are as follows.

Segment information by type of business	Consolidated cumulative total for fiscal 2015 (from April 1, 2014 to March 31, 2015)	% change YoY
Systems Development (Millions of Yen)	19,288	105.0
System Operations and Infrastructure Development (Millions of Yen)	3,894	108.9
Product Sales (Millions of Yen)	13,353	101.1
Total (Millions of Yen)	36,535	104.0

Notes:

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