



Summary of Consolidated Financial Results for the Third Quarter of the Year Ending March 31, 2017

Company name:	SRA Holdings, Inc. (URL: http://www.sra-hd.co.jp/)
Stock listing:	Tokyo Stock Exchange
Code number:	3817
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Scheduled date of submission of quarterly securities report:	February 10, 2017
Scheduled commencement of dividend payment:	—
Quarterly Results Supplemental Materials	Yes
Quarterly Results Presentation Meeting	No

1. Consolidated results for the third quarter of the fiscal year ending March 2017 (from April 1, 2016 to December 31, 2016)

(1) Consolidated Operating Results (cumulative total)

(All amounts rounded down, % change YoY)

	Net Sales		Operating Income		Ordinary Profit		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Third quarter of fiscal 2016	28,293	(0.9)	2,820	10.8	3,100	11.3	1,971	17.1
Third quarter of fiscal 2015	28,562	10.4	2,545	43.8	2,787	15.1	1,683	78.0

Note : Comprehensive Income

Third quarter of fiscal 2016 ¥806 million ((54.1)%)

Third quarter of fiscal 2015 ¥1,756 million (11.5%)

	Net Income	Net Income
	per Share	per Share after Dilution
	Yen	Yen
Third quarter of fiscal 2016	162.53	161.78
Third quarter of fiscal 2015	139.56	138.79

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
Third quarter of fiscal 2016	33,062	18,761	56.6
Fiscal 2015	31,823	18,819	59.0

Reference: Shareholders' equity

Third quarter of fiscal 2016: ¥18,724 million

Fiscal 2015 : ¥18,789 million

2. Dividends

	Dividend per Share				
	End of First Quarter	End of Second Quarter	End of Third Quarter	Year-end	For the Year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2015	—	25.00	—	45.00	70.00
Fiscal 2016	—	30.00			
Fiscal 2016(forecast)			—	55.00	85.00

Note: Revision of dividend forecast in this quarter: No

3. Consolidated Earnings Forecast for Fiscal 2016 (from April 1, 2016 to March 31, 2017)

(% of change from FY2015)

	Net Sales		Operating Income		Ordinary Profit		Profit attributable to owners of the parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2016	40,000	2.2	3,940	5.4	4,125	7.1	2,667	475.2	219.82

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

4. Others

- (1) Changes to significant subsidiaries during the current period : No
- (2) Application of simplified accounting and application of special accounting : No
- (3) Changes in accounting principles and procedures, presentation, etc.
1. Changes caused by revision of accounting standards, etc. : Yes
 2. Changes other than 1. above: No
- (4) Number of shares outstanding (common stock)
1. Number of shares outstanding (including treasury stock)
 - Third quarter of fiscal 2016: 15,240,000 shares
 - Fiscal 2015: 15,240,000 shares
 2. Number of treasury stock
 - Third quarter of fiscal 2016: 3,094,575 shares
 - Fiscal 2015: 3,113,555 shares
 3. Average number of shares over period (consolidated total for quarter)
 - Third quarter of fiscal 2016: 12,132,906 shares
 - Third quarter of fiscal 2015: 12,063,766 shares

*Indication of quarterly review procedure implementation status

This earnings release is not subject to the quarterly review process as required by the Financial Instruments and Exchange Act of Japan. As of the date when this earnings release was issued, the review process on quarterly financial statements as required by the Financial Instruments and Exchange Act had been finished.

*Explanation relating to the appropriate use of results forecasts, and other noteworthy items

Forward-looking statements in this earnings release, such as forecasts of results of operations, are based on the information currently available and the certain assumptions that we regard as reasonable and therefore actual results may differ materially from those contained in or suggested by any forward-looking statements.

1. Qualitative Information Concerning Third-Quarter Consolidated Business Results

(1) Explanation Concerning Business Results

During the third quarter of the fiscal year (April 1, 2016 to December 31, 2016), the Japanese economy continued a moderate recovery, as corporate earnings trended at a high level although improvements stagnated, and capital investment also picked up. In the information services industry, despite a moderate increase in IT investments, the environment for securing orders remained severe due to intensifying competition.

Within this business environment, the SRA Holdings Group formulated a Medium-Term Management Strategy that covers the three-year period from fiscal 2015 through fiscal 2017 (from the fiscal year ending March 2016 to the fiscal year ending March 2018). Under this plan, we will seek to enhance corporate and shareholder value, promote earnings structure reform and establish a high-income model, while working to further enhance shareholder returns. Accordingly, we will implement the following measures under the Medium-Term Management Strategy. (For a summary of the Medium-Term Management Strategy, please refer to Announcement of Medium-Term Management Strategy released on June 24, 2015 http://www.sra-hd.co.jp/Portals/0/ir/english/mng_strategy.pdf).

1) Improving profitability in existing operations

- Further raise the gross profit margin

We are working to raise profitability by enhancing and strengthening project management, continuously reduce production overhead costs and carry out SRA's proprietary IP product business. As a result, the gross profit margin rose to an all-time high of 20.8% for the third quarter.

- Improve SG&A expenses-to-sales ratio

We will strive to raise operation efficiency by introducing an account manager system while working to reduce operational costs of Head Office staff departments and SRA Professional Service, Co., Ltd., which handles a shared service.

- Raise the operating income ratio

Along with the rise in the gross profit margin, the operating income ratio reached an all-time high of 10.0% for the third quarter.

- Expand orders and sales

A priority measure will be to increase customer share of wallet by deeply cultivating existing customers, and in doing so, we will work to expand orders and sales.

2) Transforming the SRA business model

- The SRA Group will leverage its high technological capabilities and solid track record in manufacturing/embedding development, cloud computing and open source software and will combine these areas to promote new business in the Internet of Things (IoT) field beginning with in-vehicle software.

Additionally, Software Research Associates, Inc. (SRA), SRA AMERICA, INC. and SRA (Europe) B.V. are jointly developing solutions in wearables, one field within IoT, and began providing proposals to customers in Japan and overseas.

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

- We raised SRA's gross profit margin sharply by promoting proprietary IP product business in the Product Sales business, which up until now has a low gross profit margin compared with the Systems Development business and the System Operations and Infrastructure Development business. "Qt" (GUI application framework), which boasts an extensive track record in car navigation systems, OA equipment and other devices and applications, recorded growth in both sales and profits. In the future, the SRA Group will leverage its strengths in "embedded" development and in "Qt" to promote SRA's proprietary IP product business.

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

Despite an increase in sales of the System Operations and Infrastructure Development business, sales of the Systems Development business and the Product Sales business decreased. As a result, consolidated net sales amounted to ¥28,293 million, a 0.9% decrease from the same period of the previous fiscal year.

At the profit level, thanks to an increase in gross profit accompanying an improvement in the profit margin, operating income rose 10.8% from the same period of the previous fiscal year to ¥2,820 million, ordinary profit increased 11.3% from the same period of the previous fiscal year to ¥3,100 million and profit attributable to owners of the parent rose 17.1% from the same period of the previous fiscal year to ¥1,971 million.

As detailed above, we recorded an increase in profits compared with the same period of the previous fiscal year and consolidated results for the third quarter moved virtually in line with our forecast.

Additionally, operating income, the operating income ratio, ordinary profit, the ordinary profit ratio and profit attributable to owners of the parent all reached record highs for the third quarter.

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

1) Systems Development

Although the Systems Development business recorded increases in sales to some manufacturing industries, sales to banks and securities companies decreased. As a result, net sales decreased 2.2% from the same period of the previous fiscal year to ¥14,285 million.

2) System Operations and Infrastructure Development

Although university-related sales were flat, sales to companies increased. As a result, net sales of the System Operations and Infrastructure Development business increased 7.3% from the same period of the previous fiscal year to ¥3,161 million.

3) Product Sales

Despite an increase in package sales by SRA, device sales by Advanced Integration Technology, Inc. decreased. As a result, net sales of the Product Sales business decreased 1.4% from the same period of the previous fiscal year to ¥10,846 million.

(2) Explanation Concerning Financial Condition

Total assets at the end of the third quarter amounted to ¥33,062 million, an increase of 3.9% from the end of the previous fiscal year. Total liabilities increased 10.0% from the end of the previous fiscal year to ¥14,300 million and net assets decreased 0.3% to ¥18,761 million from the end of the previous fiscal year. Details of the principal

increases and decreases from the end of the previous fiscal year are as follows.

(Total Assets)

Investment securities increased ¥2,221 million to ¥7,967 million due to the purchase of shares of an affiliated company. Work in process increased ¥640 million to ¥2,028 million due to such factors as a rise in contracted development projects and long-term loans receivable increased ¥606 million to ¥2,544 million. On the other hand, notes and accounts receivable—trade decreased ¥1,362 million to ¥5,521 million due to the collection of trade receivables and short-term investment securities declined ¥419 million to ¥90 million due to the redemption of investment bonds and other factors.

(Total Liabilities)

Other increased ¥1,883 million to ¥3,183 million due to an increase in advances received. On the other hand, income taxes payable decreased ¥272 million to ¥507 million owing to the payment of corporate income taxes and accounts payable—trade decreased ¥228 million to ¥3,060 million due to an increase in the payment of trade payables.

(Total Net Assets)

Retained earnings increased ¥1,062 million to ¥15,852 million. On the other hand, valuation difference on available-for-sale securities decreased ¥721 million to ¥270 million due to changes in the market prices of marketable and investment securities. Foreign currency translation adjustments decreased ¥450 million to ¥6 million.

(3) Explanation Concerning Consolidated Results Forecast and Other Future Projections

No revision has been made to forecasts in Summary of Consolidated Financial Results for the Year Ending March 31, 2017 released on May 16, 2016.

2. Summary Information (Notes)

(1) Significant changes involving subsidiaries during the period: None

There were no significant changes to specified subsidiaries. However, as of the second quarter, Hackett Enterprises Limited was included as an affiliated company accounted for by the equity method because SRA, a subsidiary of the Company, acquired a partial equity interest in Hackett Enterprises Limited.

(2) Application of simplified accounting methods and accounting methods specific to the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting principles, changes in accounting estimates and restatements

(Application of Practical Solution for a Change in Depreciation Method Due to Tax Reform 2016)

Effective beginning in the first quarter of the fiscal year ending March 31, 2017, SRA has adopted the “Practical Solution for a Change in Depreciation Method Due to Tax Reform 2016 (PITF No. 32 of June 17, 2016)” accompanying the revision of the Corporation Tax Act. Accordingly, the Company changed its depreciation method for structures and facilities attached to buildings acquired on and after April 1, 2016 from the declining-balance method to the straight-line method. The impact of this change on third quarter consolidated financial results is minimal.

(4)Additional information

(Adoption of Guidance on Recoverability of Deferred Tax Assets)

Effective from the first quarter of the fiscal year ending March 31, 2017, the Company has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016).”

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	FY2015 (as of March 31, 2016)	FY2016 (as of December 31, 2016)
ASSETS		
Current assets:		
Cash and deposits	8,813	6,619
Notes and accounts receivable—trade	6,884	5,521
Short-term investment securities	509	90
Merchandise and finished goods	751	718
Work in process	1,387	2,028
Short-term loans receivable	139	457
Accounts receivable—other	2,641	2,655
Deferred tax assets	569	479
Other	528	1,570
Allowance for doubtful accounts	(19)	(16)
Total current assets	22,204	20,124
Noncurrent assets:		
Property, plant and equipment		
Buildings	334	330
Accumulated depreciation	(251)	(249)
Buildings, net	82	80
Machinery, equipment and vehicles	555	509
Accumulated depreciation	(509)	(466)
Machinery, equipment and vehicles, net	46	42
Other	114	125
Accumulated depreciation	(83)	(78)
Other, net	31	47
Total property, plant and equipment	160	170
Intangible assets		
Goodwill	55	36
Other	1,061	1,289
Total intangible assets	1,117	1,325
Investments and other assets		
Investment securities	5,746	7,967
Long-term loans receivable	1,937	2,544
Deferred tax assets	1,005	1,337
Guarantee deposits	338	326
Net defined benefit asset	46	48
Other	565	559
Allowance for doubtful accounts	(1,282)	(1,324)
Allowance for investment loss	(16)	(17)

Total investments and other assets	8,341	11,442
Total noncurrent assets	9,619	12,938
Total assets	31,823	33,062

(Millions of Yen)

	FY2015 (as of March 31, 2016)	FY2016 (as of December 31, 2016)
LIABILITIES		
Current liabilities:		
Accounts payable—trade	3,288	3,060
Short-term loans payable	1,179	1,179
Accrued expenses	811	754
Income taxes payable	779	507
Accrued consumption taxes	507	392
Provision for bonuses	559	421
Provision for directors' bonuses	60	129
Provision for loss on construction contracts	415	443
Asset retirement obligations	5	–
Other	1,300	3,183
Total current liabilities	8,906	10,072
Noncurrent liabilities:		
Deferred tax liabilities	–	2
Net defined benefit liability	3,953	4,076
Provision for directors' retirement benefits	144	148
Total noncurrent liabilities	4,097	4,228
Total liabilities	13,004	14,300
NET ASSETS		
Shareholders' equity		
Capital stock	1,000	1,000
Capital surplus	4,524	4,542
Retained earnings	14,790	15,852
Treasury stock	(2,628)	(2,607)
Total shareholders' equity	17,686	18,787
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	992	270
Foreign currency translation adjustments	457	6
Remeasurements of defined benefit plans	(347)	(340)
Total accumulated other comprehensive income	1,102	(63)
Subscription rights to shares	30	37
Total net assets	18,819	18,761
Total liabilities and net assets	31,823	33,062

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
 (Quarterly Consolidated Statements of Income)
 (Consolidated Cumulative Total for Third Quarter)

(Millions of Yen)

	Consolidated cumulative total for third quarter of fiscal 2015 (from April 1, 2015 to December 31, 2015)	Consolidated cumulative total for third quarter of fiscal 2016 (from April 1, 2016 to December 31, 2016)
Net sales	28,562	28,293
Cost of sales	23,335	22,420
Gross profit	5,227	5,873
Selling, general and administrative expenses	2,681	3,053
Operating income	2,545	2,820
Non-operating income		
Interest received	167	61
Dividends received	33	26
Foreign exchange gains	6	194
Guarantee commission received	6	–
Other	61	45
Total non-operating income	276	329
Non-operating expenses		
Interest expenses	19	30
Stock transfer agency service fee	14	13
Other	0	5
Total non-operating expenses	34	48
Ordinary profit	2,787	3,100
Extraordinary income		
Gain on sales of investment securities	20	0
Reversal of loss on valuation of investment securities	–	3
Other	1	–
Total extraordinary income	22	3
Extraordinary loss		
Loss on retirement of noncurrent assets	0	1
Loss on valuation of investment securities	87	–
Loss on valuation of golf club membership	–	9
Provision for allowance for investment loss	–	3
Other	2	0
Total extraordinary loss	89	14
Income before income taxes	2,719	3,089
Income taxes-current	893	1,043
Income taxes-deferred	142	73
Total income taxes	1,035	1,117

Net income	1,683	1,971
Profit attributable to owners of the parent	1,683	1,971

(Quarterly Consolidated Statements of Comprehensive Income)

(Consolidated Cumulative Total for Third Quarter)

(Millions of Yen)

	Consolidated cumulative total for third quarter of fiscal 2015 (from April 1, 2015 to December 31, 2015)	Consolidated cumulative total for third quarter of fiscal 2016 (from April 1, 2016 to December 31, 2016)
Net income	1,683	1,971
Other comprehensive income		
Valuation difference on available-for-sale securities	118	(721)
Foreign currency translation adjustments	(53)	(450)
Remeasurements of defined benefit plans, net of tax	7	6
Total other comprehensive income	72	(1,165)
Comprehensive income	1,756	806
(breakdown)		
Comprehensive income attributable to owners of the parent	1,756	806
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes Concerning Consolidated Financial Statements for the Third Quarter

(Notes Concerning Premise of Going Concern)

None

(Notes on Significant Changes in Shareholders' Equity)

None

(Segment Information and others)

[Segment Information]

I. Consolidated cumulative total for third quarter of fiscal 2015 (from April 1, 2015 to December 31, 2015)

1. Information Concerning Net Sales and Income or Losses for each Reporting Segment

(Millions of Yen)

	Systems Development	System Operations and Infrastructure Development	Product Sales	Total	Adjustment amount ^{*1}	Amount recorded on the quarterly consolidated statements of income ^{*2}
Sales						
(1) Sales to Customers	14,612	2,945	11,004	28,562	—	28,562
(2) Intersegment sales or transfers	12	226	250	489	(489)	—
Total sales	14,624	3,172	11,254	29,052	(489)	28,562
Segment income	1,790	669	996	3,455	(910)	2,545

Notes:

1. The segment income adjustment of minus ¥910 million is a company-wide expense not apportioned to any reporting segment. Company-wide expenses are general and administrative expenses and R&D expenses not attributed to any reporting segment.
2. Segment income is adjusted in operating income on the quarterly consolidated statements of income.

2. Information concerning impairment loss on fixed assets or goodwill for each reporting segment

None

II. Consolidated cumulative total for third quarter of fiscal 2016 (from April 1, 2016 to December 31, 2016)

1. Information Concerning Net Sales and Income or Losses for each Reporting Segment

(Millions of Yen)

	Systems Development	System Operations and Infrastructure Development	Product Sales	Total	Adjustment amount ^{*1}	Amount recorded on the quarterly consolidated statements of income ^{*2}
Sales						
(1) Sales to Customers	14,285	3,161	10,846	28,293	—	28,293
(2) Intersegment sales or transfers	11	164	265	440	(440)	—
Total sales	14,296	3,325	11,112	28,734	(440)	28,293
Segment income	2,193	745	953	3,892	(1,072)	2,820

Notes:

1. The segment income adjustment of minus ¥1,072 million is a company-wide expense not apportioned to any reporting segment. Company-wide expenses are general and administrative expenses and R&D expenses not attributed to any reporting segment.
2. Segment income is adjusted in operating income on the quarterly consolidated statements of income.

2. Information concerning impairment loss on fixed assets or goodwill for each reporting segment

None

(Significant subsequent events)

None

4. Other Information

1. Status of Production, Orders and Sales

- Production amounts

Production by segment in the third quarter of the fiscal year ending March 31, 2017 is as follows.

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2016 (from April 1, 2016 to December 31, 2016)	% change YoY
Systems Development (Millions of Yen)	14,947	97.5
System Operations and Infrastructure Development (Millions of Yen)	3,213	108.8
Total (Millions of Yen)	18,160	99.3

Notes:

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

- Purchase amounts

Purchases by segment in the third quarter of the fiscal year ending March 31, 2017 are as follows.

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2016 (from April 1, 2016 to December 31, 2016)	% change YoY
Product Sales (Millions of Yen)	6,460	100.5
Total (Millions of Yen)	6,460	100.5

Notes:

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

- Status of orders

Status of orders by segment in the third quarter of the fiscal year ending March 31, 2017 is as follows.

Segment information by type of business	Orders received (Millions of Yen)	% change YoY	Order backlog (Millions of Yen)	% change YoY
Systems Development	15,053	97.5	5,343	101.9
System Operations and Infrastructure Development	2,646	122.7	1,106	135.2
Product Sales	10,978	111.9	3,279	102.8
Total	28,678	104.6	9,729	105.2

Notes:

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

- Sales amounts

Sales by segment in the third quarter of the fiscal year ending March 31, 2017 are as follows.

Segment information by type of business	Consolidated cumulative total for third quarter of fiscal 2016 (from April 1, 2016 to December 31, 2016)	% change YoY
Systems Development (Millions of Yen)	14,285	97.8
System Operations and Infrastructure Development (Millions of Yen)	3,161	107.3
Product Sales (Millions of Yen)	10,846	98.6
Total (Millions of Yen)	28,293	99.1

Notes:

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