

## Summary of Consolidated Financial Results for the Year Ended March 31, 2017

**Company name:** SRA Holdings, Inc. (URL: <http://www.sra-hd.co.jp/>)  
**Stock listing:** Tokyo Stock Exchange  
**Code number:** 3817  
**President:** Toru Kashima  
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**Tel:** (03)-5979-2666  
**Date of ordinary general meeting of shareholders:** June 23, 2017  
**Scheduled commencement of dividend payment:** June 8, 2017  
**Scheduled date of submission of financial reports:** June 23, 2017  
**Results Supplement Materials:** Yes  
**Results Presentation Meeting :** Yes (for institutional investors)

### 1. Consolidated Financial Results for Fiscal 2016(from April 1, 2016 to March 31, 2017)

#### (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 2016	39,142	(0.0)	4,180	11.9	4,211	9.4	2,646	470.8
Fiscal 2015	39,155	7.2	3,736	22.6	3,850	1.0	463	(71.7)

Note : Comprehensive Income

Fiscal 2016: ¥1,612million (111.6%)

Fiscal 2015: ¥761million ((67.9)%)

	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 2016	218.00	216.88	13.8	12.6	10.7
Fiscal 2015	38.40	38.17	2.5	12.1	9.5

Reference: Gain (loss) on equity method investments:

Fiscal 2016: ¥(80) million

Fiscal 2015: ¥12 million

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2016	34,781	19,674	56.5	1,609.33
Fiscal 2015	31,823	18,819	59.0	1,549.46

Reference: Shareholders' equity

Fiscal 2016: ¥19,640 million

Fiscal 2015: ¥18,789 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 2016	3,900	(5,636)	(772)	6,265
Fiscal 2015	3,493	(2,809)	(616)	8,833

### 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			
Fiscal 2015	—	25.00	—	45.00	70.00	847	182.3	4.5
Fiscal 2016	—	30.00	—	60.00	90.00	1,096	41.3	5.7
Fiscal 2017(forecast)	—	40.00	—	70.00	110.00		51.4	

Note : 60 yen of year-end dividend for FY 2016 includes 5 yen of special dividend, and 70 yen of year-end dividend for FY 2017 includes 10 yen of memorial dividend for the 50<sup>th</sup> anniversary of business establishment.

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

(% 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	19,240	2.1	1,760	(1.2)	1,760	19.2	1,106	18.4	90.63
Full Year	40,500	3.5	4,155	(0.6)	4,155	(1.3)	2,611	(1.4)	213.95

#### 4. Others

- (1) Changes to significant subsidiaries during the current period : No
- (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 2016: 15,240,000 shares
    - Fiscal 2015: 15,240,000 shares
  2. Own shares at end of term
    - Fiscal 2016: 3,036,175 shares
    - Fiscal 2015: 3,113,555 shares
  3. Average number of shares over period
    - Fiscal 2016: 12,141,210 shares
    - Fiscal 2015: 12,074,881 shares

#### (Reference) Non-Consolidated Financial Results for Fiscal 2016 (from April 1, 2016 to March 31, 2017)

##### (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 2016	288	(12.1)	47	21.9	27	24.3	13	(8,740.5)
Fiscal 2015	257	(66.0)	38	(92.5)	21	(95.6)	(0)	(100.1)

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
Fiscal 2016	1.05	1.04
Fiscal 2015	(0.01)	(0.01)

##### (2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2016	8,799	7,678	86.9	570.76
Fiscal 2015	8,987	8,679	96.2	649.47

Reference: Shareholders' equity:

Fiscal 2016: ¥ 7,644 million  
Fiscal 2015: ¥ 8,648 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) Summary of Business Results

During the fiscal year (April 1, 2016 to March 31, 2017), the Japanese economy continued a moderate recovery overall amid a visible pickup in capital investment and an improvement in corporate earnings.

In the information services industry, despite an increase in IT investments, mainly in manufacturing industries, 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/index-en.html>).

#### 1) Improving profitability in existing operations

- Further raise the gross profit margin

We worked to raise profitability by enhancing and strengthening project management, continuously reduce production overhead costs, promote SRA's proprietary IP product business and achieve the appropriate level of production staff. As a result, the gross profit margin rose 1.8 percentage points to 21.0% compared with the same period of the previous fiscal year.

- Improve the SG&A expenses-to-sales ratio

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

- Raise operating income ratio

The operating income ratio reached a record high of 10.7%. Additionally, the operating income ratio at core company Software Research Associates, Inc. (SRA) and at Advanced Integration Technology, Inc. (AIT) also rose to record highs.

- Expand orders and sales volume

A priority measure will be to increase customer share of wallet by deeply cultivating existing customers [as we work](#) to expand orders and sales. Additionally, we deployed the "project management structure," which was previously implemented at SRA, at all Group companies in Japan. As a result, we built a system that can respond in advance to a shortage of projects.

#### 2) Transforming the SRA business model

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

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

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

- We raised the gross profit margin sharply during the fiscal year under review as well by promoting SRA's proprietary IP product business in the Product Sales business, which has a low gross profit margin compared with the Systems Development business and the System Operations and Infrastructure Development business. "Qt," which boasts an extensive track record especially in embedded and mobile application building, achieved growth in both sales and profits.

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

Sales of the Systems Development business and the Product Sales business decreased but sales of the System Operations and Infrastructure Development business increased. As a result, consolidated net sales amounted to ¥39,142 million, a slight decrease from the previous fiscal year.

At the profit level, due to an increase in gross profit resulting from an improvement in the gross profit margin, operating income rose 11.9% from the previous fiscal year to ¥4,180 million while ordinary profit increased 9.4% from the previous fiscal year to ¥4,211 million and profit attributable to owners of the parent amounted to ¥2,646 million, a 470.8% increase from the previous fiscal year.

As detailed above, although consolidated net sales remained level with the previous fiscal year, operating income, ordinary profit and profit attributable to owners of the parent all increased from the previous fiscal year. Additionally, operating income and ordinary profit exceeded the full-year forecast.

Regarding dividends for the fiscal year ended March 31, 2017, to enhance the redistribution of profits to shareholders, the Company will pay year-end cash dividends per share of ¥60.00 (includes a ¥5.00 special dividend increase) and full-year dividends per share of ¥90.00 (consisting of ordinary cash dividends per share of ¥85.00 and a ¥5.00 special dividend increase for a total ¥20.00 increase in dividends with a consolidated payout ratio of 41.3%).

### Consolidated Business Results

(Millions of Yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	
					Most recent forecast figures (announced May 16, 2016)	Actual
Net sales	32,168	35,146	36,535	39,155	40,000	39,142
Operating income	2,436	2,807	3,047	3,736	3,940	4,180
Ordinary profit	2,883	3,324	3,813	3,850	4,125	4,211
Net income	1,681	2,134	1,638	463	2,667	2,646

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

#### • 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 0.9% from the previous fiscal year to ¥20,710 million.

### ● System Operations and Infrastructure Development

University-related orders were flat, but orders from companies increased. As a result, net sales of the System Operations and Infrastructure Development business increased 10.7% from the previous fiscal year to ¥4,403 million.

### ● Product Sales

Despite an increase in package sales by SRA, device sales by Advanced Integration Technology, Inc. (AIT) decreased. As a result, net sales of the Product Sales business decreased 1.7% from the previous fiscal year to ¥14,027 million.

## (2) Summary of Financial Position

Total assets at the end of the fiscal year amounted to ¥34,781 million, an increase of 9.3% from the end of the previous fiscal year. Total liabilities increased 16.2% from the end of the previous fiscal year to ¥15,107 million and net assets increased 4.5% to ¥19,674 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 ¥1,983 million to ¥7,729 million due to the purchase of shares of an affiliated company. Long-term loans receivable increased ¥1,011 million to ¥2,948 million due to an increase in loans. Notes and accounts receivable—trade increased ¥530 million to ¥7,414 million due to such factors as a rise in contracted development projects. On the other hand, short-term investment securities decreased ¥383 million to ¥126 million due to the redemption of bonds and other factors.

#### (Total Liabilities)

Advances received increased ¥1,674 million to ¥2,669 million, income taxes payable increased ¥277 million to ¥1,056 million and Accrued expenses increased ¥139 million to ¥950 million. On the other hand, accounts payable—trade decreased ¥46 million to ¥3,242 million due to an increase in the payment of trade payables.

#### (Total Net Assets)

Retained earnings increased ¥1,737 million to ¥16,527 million. On the other hand, valuation difference on available-for-sale securities decreased ¥888 million to ¥103 million due to changes in the market prices of marketable and investment securities.

## (3) Summary of Cash Flows

Cash and cash equivalents on a consolidated basis at the end of the fiscal year decreased ¥2,567 million compared with at the previous fiscal year-end to ¥6,265 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 ¥3,900 million compared with ¥3,493 million in the previous fiscal year. This consisted mainly of such cash inflows as income before income taxes and minority interests of ¥4,188 million and an increase in other liabilities of ¥1,702 million, while cash outflows were primarily income taxes paid of ¥1,443 million and an increase in notes and accounts receivable—trade of ¥549 million.

### Cash Flows from Investing Activities

Net cash used in investing amounted to ¥5,636 million compared with net cash used in investing activities of ¥2,809 million in the previous fiscal year. This consisted mainly of such inflows as ¥473 million in collection of loans receivable, while outflows included ¥3,705 million for purchase of stocks of subsidiaries and affiliates, ¥1,782 million for payments of loans receivable and ¥618 million for purchase of intangible assets.

### Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥772 million compared with ¥616 million in the previous fiscal year. This was due mainly to such cash inflows as ¥134 million in proceeds from exercise of stock option and such cash outflows as ¥909 million in cash dividends paid.

### Cash Flow Indicators

	FY2014	FY2015	FY2016
Shareholders' equity ratio (%)	59.4	59.0	56.5
Shareholders' equity ratio at market value (%)	62.8	98.7	103.3
Debt redemption years to cash flow (years)	0.4	0.3	0.3
Interest coverage ratio (times)	131.6	117.2	101.7

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.

### (4) Future Outlook

In the next fiscal year, the Japanese economy is expected to move toward a modest recovery due in part to the effects of various policies amid continued improvements in corporate earnings and in the employment and income environments. Nevertheless, uncertainties in overseas economies and the impact of fluctuations in financial and capital markets require close attention.

Under these conditions, the SRA Holdings Group will aim to reform its earnings structure (establish a high-earnings model) and will work toward "Improving profitability in existing operations (raise the gross profit margin and improve the SG&A expenses-to-sales ratio)," "Transforming the SRA business model" and "Strengthening links between SRA's proprietary IP product business and overseas operations."

Regarding the outlook for consolidated results for the fiscal year ending March 31, 2018, while implementing the above measures, we forecast net sales of ¥40,500 million, operating income of ¥4,155 million, ordinary profit of ¥4,155 million and profit attributable to owners of the parent of ¥2,611 million.

Regarding dividends for the fiscal year ending March 31, 2018, we plan to increase ordinary dividends per share by ¥20.00 and pay cash dividends per share of ¥110.00 (consisting of a ¥100.00 ordinary dividend and a 50th

anniversary commemorative dividend of ¥10.00). In the event that these dividends are paid, the consolidated payout ratio is expected to reach 51.4%, which exceeds the 50% target for the final fiscal year (the fiscal year ending March 2018) of our Medium-Term Management Strategy.

## **2. 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.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of Yen)

	<b>FY2015</b> (as of March 31, 2016)	<b>FY2016</b> (as of March 31, 2017)
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	8,813	6,794
Notes and accounts receivable—trade	6,884	7,414
Short-term investment securities	509	126
Merchandise and finished goods	751	609
Work in process	1,387	1,439
Short-term loans receivable	139	412
Accounts receivable—other	2,641	2,644
Deferred tax assets	569	646
Other	528	1,475
Allowance for doubtful accounts	(19)	(17)
<b>Total current assets</b>	<b>22,204</b>	<b>21,545</b>
<b>Noncurrent assets:</b>		
Property, plant and equipment		
Buildings	334	360
Accumulated depreciation	(251)	(253)
Buildings, net	82	106
Machinery, equipment and vehicles	555	510
Accumulated depreciation	(509)	(469)
Machinery, equipment and vehicles, net	46	41
Other	114	129
Accumulated depreciation	(83)	(82)
Other, net	31	46
<b>Total property, plant and equipment</b>	<b>160</b>	<b>194</b>
Intangible assets		
Goodwill	55	27
Other	1,061	1,265
<b>Total intangible assets</b>	<b>1,117</b>	<b>1,293</b>
Investments and other assets		
Investment securities	5,746	7,729
Long-term loans receivable	1,937	2,948
Deferred tax assets	1,005	1,413
Guarantee deposits	338	377
Net defined benefit asset	46	46
Other	565	559
Allowance for doubtful accounts	(1,282)	(1,308)
Allowance for investment loss	(16)	(19)
<b>Total investments and other assets</b>	<b>8,341</b>	<b>11,747</b>



Total noncurrent assets	9,619	13,235
<b>Total assets</b>	<b>31,823</b>	<b>34,781</b>

(Millions of Yen)

	<b>FY2015</b> (as of March 31, 2016)	<b>FY2016</b> (as of March 31, 2017)
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable—trade	3,288	3,242
Short-term loans payable	1,179	1,179
Accrued expenses	811	950
Income taxes payable	779	1,056
Accrued consumption taxes	507	467
Advances received	994	2,669
Provision for bonuses	559	598
Provision for directors' bonuses	60	97
Provision for loss on construction contracts	415	419
Asset retirement obligations	5	–
Other	305	167
<b>Total current liabilities</b>	<b>8,906</b>	<b>10,849</b>
<b>Noncurrent liabilities:</b>		
Deferred tax liabilities	–	5
Net defined benefit liability	3,953	4,097
Provision for directors' retirement benefits	144	154
<b>Total noncurrent liabilities</b>	<b>4,097</b>	<b>4,257</b>
<b>Total liabilities</b>	<b>13,004</b>	<b>15,107</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	1,000	1,000
Capital surplus	4,524	4,589
Retained earnings	14,790	16,527
Treasury stock	(2,628)	(2,545)
<b>Total shareholders' equity</b>	<b>17,686</b>	<b>19,571</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	992	103
Foreign currency translation adjustments	457	313
Remeasurements of defined benefit plans	(347)	(349)
<b>Total accumulated other comprehensive income</b>	<b>1,102</b>	<b>68</b>
<b>Subscription rights to shares</b>	<b>30</b>	<b>34</b>
<b>Total net assets</b>	<b>18,819</b>	<b>19,674</b>
<b>Total liabilities and net assets</b>	<b>31,823</b>	<b>34,781</b>

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

(Consolidated Statements of Income)

(Millions of Yen)

	<b>FY2015</b> (April 1, 2015- March 31, 2016)	<b>FY2016</b> (April 1, 2016- March 31, 2017)
<b>Net sales</b>	39,155	39,142
<b>Cost of sales</b>	31,638	30,928
Gross profit	7,517	8,213
<b>Selling, general and administrative expenses</b>	3,780	4,033
Operating income	3,736	4,180
<b>Non-operating income</b>		
Interest received	205	78
Dividends received	34	40
Refunded consumption taxes	34	22
Foreign exchange gains	–	19
Guarantee commission received	7	–
Other	87	38
Total non-operating income	370	200
<b>Non-operating expenses</b>		
Interest expenses	29	38
Foreign exchange losses	208	–
Stock transfer agency service fee	16	15
Provision of allowance for doubtful accounts	–	32
Equity in losses of affiliates	–	80
Other	1	2
Total non-operating expenses	256	169
<b>Ordinary profit</b>	3,850	4,211
<b>Extraordinary income</b>		
Gain on sales of investment securities	20	0
Gain on reversal of loss on valuation of investment securities	1	3
Other	0	–
Total extraordinary income	23	3
<b>Extraordinary loss</b>		
Loss on retirement of noncurrent assets	42	1
Loss on valuation of investment securities	657	10
Provision of allowance for doubtful accounts	1,271	–
Loss on valuation of golf club membership	–	9
Provision of allowance for investment loss	–	4
Other	2	1
Total extraordinary loss	1,973	26
<b>Income before income taxes and minority interests</b>	1,899	4,188
Income taxes-current	1,290	1,631

Income taxes-deferred	145	(89)
Total income taxes	1,436	1,542
<b>Net income</b>	463	2,646
Profit attributable to owners of the parent	463	2,646

## (Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	<b>FY2015</b> (April 1, 2015- March 31, 2016)	<b>FY2016</b> (April 1, 2016- March 31, 2017)
Net income	463	2,646
Other comprehensive income		
Valuation difference on available-for-sale securities	397	(888)
Foreign currency translation adjustments	(127)	(143)
Remeasurements of defined benefit plans, net of tax	28	(2)
Total other comprehensive income	298	(1,034)
Comprehensive income	761	1,612
(breakdown)		
Comprehensive income attributable to parent company shareholders	761	1,612
Comprehensive income attributable to non-controlling interests	-	-

## (3) Consolidated Statements of Changes in Net Assets

FY2015 (April 1, 2015-March 31, 2016)

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	1,000	4,468	15,288	(2,727)	18,030
Changes of items during the period					
Dividends from surplus			(759)		(759)
Profit attributable to owners of the parent			463		463
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		56		98	155
Change of scope of consolidation			(202)		(202)
Net change of items other than shareholders' equity					—
Total change during the period	—	56	(498)	98	(343)
Balance at the end of current period	1,000	4,524	14,790	(2,628)	17,686

	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	594	585	(375)	804	25	18,859
Changes of items during the period						
Dividends from surplus				—		(759)
Profit attributable to owners of the parent				—		463
Purchase of treasury stock				—		(0)
Disposal of treasury stock				—		155
Change of scope of consolidation				—		(202)
Net change of items other than shareholders' equity	397	(127)	28	298	5	303
Total change during the period	397	(127)	28	298	5	(40)
Balance at the end of current period	992	457	(347)	1,102	30	18,819

FY2016 (April 1, 2016-March 31, 2017)

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	1,000	4,524	14,790	(2,628)	17,686
Changes of items during the period					
Dividends from surplus			(909)		(909)
Profit attributable to owners of the parent			2,646		2,646
Capital increase of consolidated subsidiaries		2			2
Purchase of treasury stock				0	0
Disposal of treasury stock		62		83	145
Net change of items other than shareholders' equity					—
Total change during the period	—	64	1,737	83	1,884
Balance at the end of current period	1,000	4,589	16,527	(2,545)	19,571

	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	992	457	(347)	1,102	30	18,819
Changes of items during the period						
Dividends from surplus				—		(909)
Profit attributable to owners of the parent				—		2,646
Capital increase of consolidated subsidiaries				—		2
Purchase of treasury stock				—		0
Disposal of treasury stock				—		145
Net change of items other than shareholders' equity	(888)	(143)	2	(1,029)	3	(1,025)
Total change during the period	(888)	(143)	2	(1,029)	3	859
Balance at the end of current period	103	313	(344)	73	34	19,674

## (4) Consolidated Statements of Cash Flows

(Millions of Yen)

	<b>FY2015</b> (April 1, 2015- March 31, 2016)	<b>FY2016</b> (April 1, 2016- March 31, 2017)
<b>Net cash provided by (used in) operating activities:</b>		
Income before income taxes and minority interests	1,899	4,188
Depreciation and amortization	388	465
Amortization of goodwill	27	27
Increase (decrease) in net defined benefit liability	(4)	143
Increase (decrease) in provision for directors' retirement benefits	3	10
Increase (decrease) in provision for bonuses	(8)	39
Increase (decrease) in provision for directors' bonuses	7	36
Increase (decrease) in allowance for doubtful accounts	1,261	30
Increase (decrease) in allowance for investment loss	(102)	3
Interest and dividend income	(240)	(119)
Interest expenses	29	38
Loss (gain) on valuation of investment securities	656	-
Loss (gain) on sales of investment securities	(20)	0
Loss on retirement of noncurrent assets	42	1
Decrease (increase) in notes and accounts receivable—trade	(678)	(549)
Decrease (increase) in inventories	322	88
Increase (decrease) in notes and accounts payable—trade	(159)	(30)
Increase (decrease) in other liabilities	873	1,702
Increase (decrease) in accrued consumption taxes	(113)	(39)
Other, net	440	(726)
<b>Subtotal</b>	<b>4,626</b>	<b>5,313</b>
Interest and dividends income received	171	69
Interest expenses paid	(29)	(38)
Income taxes paid	(1,274)	(1,443)
<b>Net cash provided by operating activities</b>	<b>3,493</b>	<b>3,900</b>
<b>Net cash provided by (used in) investing activities:</b>		
Proceeds from sales of short-term investment securities	300	-
Purchase of property, plant and equipment	(27)	(59)
Proceeds from sale of property, plant and equipment	0	0
Purchase of intangible assets	(800)	(618)
Purchase of investment securities	(1,423)	(138)
Proceeds from sales of investment securities	164	320
Purchase of stocks of subsidiaries and affiliates	(383)	(3,705)
Payments of loans receivable	(597)	(1,782)
Collection of loans receivable	72	473
Payments into time deposits	(100)	(80)
Payments for guarantee deposits	(10)	(50)
Proceeds from collection of guarantee deposited	1	11
Other, net	(5)	(7)



Net cash used in investing activities	(2,809)	(5,636)
<b>Net cash provided by (used in) financing activities:</b>		
Proceeds from share issuance to controlling shareholders	–	2
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(759)	(909)
Proceeds from exercise of stock option	143	134
Other	(0)	–
Net cash used in financing activities	(616)	(772)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(58)	(59)
<b>Net increase (decrease) in cash and cash equivalents</b>	8	(2,567)
<b>Cash and cash equivalents at beginning of period</b>	8,792	8,833
<b>Change of scope of net increase (decrease) in cash and cash equivalents</b>	31	–
<b>Cash and cash equivalents at the end of period</b>	8,833	6,265

(Change in accounting policies)

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

Effective beginning in the fiscal year ended 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 fiscal year consolidated financial results is minimal.

(Change in presentation method)

(Consolidated balance sheets)

Because of increased monetary importance, Advances received, which was included within Other in Current liabilities in the previous fiscal year, is listed independently from the current fiscal year. To reflect this change in presentation method, the Company has reclassified the consolidated financial statements for the previous fiscal year.

As a result, ¥1,300 million expressed as Other under Current liabilities on the consolidated balance sheets in the previous fiscal year has been reclassified as Advances received of ¥994 million and Other of ¥305 million.

(Consolidated statements of income)

Because of increased monetary importance, Refunded consumption taxes, which was included within Other in Non-operating income in the previous fiscal year, is listed independently from the current fiscal year. To reflect this change in presentation method, the Company has reclassified the consolidated financial statements for the previous fiscal year.

As a result, ¥121 million expressed as Other under Non-operating income on the consolidated statements of income in the previous fiscal year has been reclassified as Refunded consumption taxes of ¥34 million and Other of ¥87 million.

Because of increased monetary importance, Gain on reversal of loss on valuation of investment securities, which was included within Other in Extraordinary income in the previous fiscal year, is listed independently from the current fiscal year. To reflect this change in presentation method, the Company has reclassified the consolidated

financial statements for the previous fiscal year.

As a result, ¥2 million expressed as Other under Extraordinary income on the consolidated statements of income in the previous fiscal year has been reclassified as Gain on reversal of loss on valuation of investment securities of ¥1 million and Other of ¥0 million.

Because of decreased monetary importance, Gain on reversal of subscription rights to shares, which was included within Extraordinary income in the previous fiscal year, is listed within Other from the current fiscal year. To reflect this change in presentation method, the Company has reclassified the consolidated financial statements for the previous fiscal year.

As a result, ¥0 million expressed as Gain on reversal of subscription rights to shares under Extraordinary income and ¥1 million expressed as Other on the consolidated statements of income in the previous fiscal year have been reclassified as Other of ¥1 million.

## Segment Information and Others

### Segment Information

#### 1. Summary of Reporting Segments

The SRA Holdings Group's reporting segments are those for which financial information separate from that of other units comprising the SRA Holdings 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 SRA Holdings 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"> <li>● Integrated system development ranging from defining requirements to development and maintenance of mainframe-based large systems</li> <li>● System integration covering system planning, development and introduction of open systems</li> <li>● Solutions business offering business tools that utilize various products and tools</li> <li>● Open source business that offers technical support for systems through open source software</li> </ul>
System Operations and Infrastructure Development	<ul style="list-style-type: none"> <li>● Operation management of computer systems and network systems</li> <li>● Overall operation that includes data management and facilities management</li> <li>● Building of network systems</li> <li>● Outsourcing services</li> </ul>
Product Sales	<ul style="list-style-type: none"> <li>● Sales of packaged software that includes licensing</li> <li>● Sales of system devices, centering on servers, in integration services</li> <li>● Consulting services related to the introduction of IT</li> </ul>

#### 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 2015 (from April 1, 2015 to March 31, 2016)

(Millions of Yen)

	Systems Development	System Operations and Infrastructure Development	Product Sales	Total	Adjustment amount <sup>*1</sup>	Amount recorded on the consolidated statements of income <sup>*2</sup>
Sales						
(1) Sales to customers	20,901	3,978	14,275	39,155	—	39,155
(2) Intersegment sales or transfers	37	292	328	658	(658)	—
Total sales	20,939	4,270	14,604	39,813	(658)	39,155
Operating income	2,838	947	1,113	4,900	(1,163)	3,736
Assets	8,813	1,330	5,809	15,953	15,870	31,823
Others						
Depreciation	59	8	312	380	3	384
Amortization of goodwill	—	—	27	27	—	27
Increase of tangible and intangible assets	26	3	796	826	—	826

## Notes:

1. The adjustment amounts are as follows:

- (1) The segment income adjustment of minus ¥1,163 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 ¥16,235 million for the fiscal year. These consisted mainly of the SRA Holdings 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 2016 (from April 1, 2016 to March 31, 2017)**

(Millions of Yen)

	Systems Development	System Operations and Infrastructure Development	Product Sales	Total	Adjustment amount <sup>*1</sup>	Amount recorded on the consolidated statements of income <sup>*2</sup>
Sales						
(1) Sales to customers	20,710	4,403	14,027	39,142	—	39,142
(2) Intersegment sales or transfers	20	231	384	636	(636)	—
Total sales	20,731	4,634	14,412	39,778	(636)	39,142
Operating income	3,264	1,079	1,187	5,530	(1,350)	4,180
Assets	9,865	1,667	6,288	17,821	16,959	34,781
Others						
Depreciation	59	9	391	459	3	463
Amortization of goodwill	—	—	27	27	—	27
Increase of tangible and intangible assets	58	14	632	705	—	705

Notes:

1. The adjustment amounts are as follows:

- (1) The segment income adjustment of minus ¥1,350 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 ¥17,317 million for the fiscal year. These consisted mainly of the SRA Holdings 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.

## [Related Information]

Previous fiscal year (from April 1, 2015 to March 31, 2016)

## 1. Information about each product and service

Information is omitted because the same information is disclosed as reportable segments.

## 2. Information about each region

## (1) Net sales

Information is omitted because net sales to external customers in Japan exceeded 90% of net sales stated in the consolidated statements of income.

## (2) Property, plant and equipment

Information is omitted because the amount of property, plant and equipment located in Japan exceeded 90% of that stated in the consolidated balance sheets.

## 3. Information on Each Major Customer (Unit: million yen)

Designation or name of customer	Net sales	Name of related segment
IBM Japan, Ltd.	4,936	Systems Development, System Operations and Infrastructure Development, Product Sales

Current fiscal year (from April 1, 2016 to March 31, 2017)

## 1. Information about each product and service

Information is omitted because the same information is disclosed as reportable segments.

## 2. Information about each region

## (1) Net sales

Information is omitted because net sales to external customers in Japan exceeded 90% of net sales stated in the consolidated statements of income.

## (2) Property, plant and equipment

Information is omitted because the amount of property, plant and equipment located in Japan exceeded 90% of that stated in the consolidated balance sheets.

## 3. Information on each major customer

Information is omitted because there were no customers who accounted for 10% of net sales for external customers stated in the consolidated statements of income.

## [Information on impairment loss of non-current assets by each reportable segment]

Previous fiscal year (from April 1, 2015 to March 31, 2016)

Not applicable

Current fiscal year (from April 1, 2016 to March 31, 2017)

Not applicable

[Information on the amortization of goodwill and the unamortized balance by reportable segment]

Previous fiscal year (from April 1, 2015 to March 31, 2016)

(Unit: million yen)

	Systems Development	System Operations and Infrastructure Development	Product Sales	Corporate and Eliminations	Total
Amortization during the fiscal year	—	—	27	—	27
Balance at the end of the year	—	—	55	—	55

Current fiscal year (from April 1, 2016 to March 31, 2017)

(Unit: million yen)

	Systems Development	System Operations and Infrastructure Development	Product Sales	Corporate and Eliminations	Total
Amortization during the fiscal year	—	—	27		27
Balance at the end of the year					27

[Information on gains on negative goodwill by reportable segment]

Previous fiscal year (from April 1, 2015 to March 31, 2016)

Not applicable

Current fiscal year (from April 1, 2016 to March 31, 2017)

Not applicable

(Per share information)

<b>FY2015</b> (April 1, 2015- March 31, 2016)		<b>FY2016</b> (April 1, 2016- March 31, 2017)	
Net assets per share	1,549.46	Net assets per share	1,609.33
Earnings per share	38.40	Earnings per share	218.00
Diluted earnings per share	38.17	Diluted earnings per share	216.88

Note: The basis for calculation of earnings per share and diluted earnings per share is as follows.

	<b>FY2015</b> (April 1, 2015- March 31, 2016)	<b>FY2016</b> (April 1, 2016- March 31, 2017)
Earnings per share		
Profit attributable to owners of the parent (million yen)	463	2,646
Amount not belonging to ordinary shareholders (million yen)	—	—
Profit attributable to owners of the parent in relation to common stock (million yen)	463	2,646
Average number of shares during the fiscal year (1,000 shares)	12,074	12,141
Diluted earnings per share		
Adjustment for profit attributable to owners of the parent (million yen)	—	—
Increase in number of shares of common stock (1,000 shares)	73	62
(Including subscription rights to new shares (1,000 shares))	(73)	(62)
Outline of potential shares not included in calculation of current net income per share after adjustments on potential shares due to no dilution effect.	—	—

(Significant subsequent events)

Not applicable



(Additional information)

(Adoption of Guidance on Recoverability of Deferred Tax Assets)

Effective from the fiscal year ended March 31, 2017, the Company has adopted the

“Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016).”

(Lawsuits)

1. Regarding the decision on a lawsuit by a consolidated subsidiary

Company subsidiary Software Research Associates, Inc. (hereafter SRA) filed a damage lawsuit against Happinet Corporation (hereafter Happinet) on March 31, 2011 for damage compensation. Meanwhile, Happinet filed a lawsuit against SRA in the Tokyo District Court on April 6, 2011 for the return of business consignment expenses. Both cases were unified through litigation procedures and examined jointly and on October 31, 2016 the first decision was announced at the Tokyo District Court. The details of the decision are as follows.

(1) Court where decision was made and date

Tokyo District Court on October 31, 2016

(2) Details of decision

- ① Happinet was ordered to pay SRA damage compensation of ¥22,325,625 as well as delinquent damages for this amount.
- ② SRA was ordered to pay Happinet for commission repayment and other claims of ¥822,322,500 as well as delinquent damages for this amount.
- ③ SRA and Happinet shall both dismiss remaining claims.
- ④ SRA shall pay three quarters of the lawsuit fees and Happinet the remaining one quarter.
- ⑤ This decision can be provisionally executed.

(3) Regarding the filing of appeals against the first decision on lawsuit

① Cause of lawsuit and course of events leading to the appeals

SRA objects to this first decision (hereafter: the Decision) and filed an appeal with the Tokyo High Court on November 8, 2016. In response, Happinet filed an appeal against SRA on November 11, 2016.

SRA’s appeal and Happinet’s appeal are being jointly examined upon being unified at the Tokyo High Court.

② Court where appeals filed, date and litigants

- 1) Court: Tokyo High Court
- 2) Date: November 11, 2016 (Date Petition of Appeal accepted: December 8, 2016)
- 3) Litigants: Appellant: Happinet  
Appellee: SRA

③ Details of appeals

The appeals were filed because of dissatisfaction with the Decision that acknowledged part of SRA’s claim and that dismissed part of Happinet’s claim.

④ Date of unification of appeals

Date: December 7, 2016

⑤ Future outlook

At the present time, the appeals will have no material impact on the Company’s consolidated business results

for the fiscal year ended March 31, 2017. We will promptly provide information on any matters requiring disclosure.

2. Regarding the filing of a damage lawsuit

SRA, a Company subsidiary, filed a damage lawsuit against Sanko Estate Co., Ltd., (hereafter Sanko Estate) on August 25, 2015. In response, Sanko Estate filed a lawsuit against SRA in the Tokyo District Court on October 6, 2015. 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, 2017 is as follows.

Segment information by type of business	Consolidated cumulative total for fiscal 2016 (from April 1, 2016 to March 31, 2017)	% change YoY
Systems Development (Millions of Yen)	20,750	99.6
System Operations and Infrastructure Development (Millions of Yen)	4,414	111.4
Total (Millions of Yen)	25,165	101.5

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, 2017 are as follows.

Segment information by type of business	Consolidated cumulative total for fiscal 2016 (from April 1, 2016 to March 31, 2017)	% change YoY
Product Sales (Millions of Yen)	8,367	101.6
Total (Millions of Yen)	8,367	101.6

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, 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	21,225	100.8	5,090	111.3
System Operations and Infrastructure Development	4,794	120.1	2,012	124.1
Product Sales	14,075	107.9	3,195	101.5
Total	40,095	105.2	10,298	110.2

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, 2017 are as follows.

Segment information by type of business	Consolidated cumulative total for fiscal 2016 (from April 1, 2016 to March 31, 2017)	% change YoY
Systems Development (Millions of Yen)	20,710	99.1
System Operations and Infrastructure Development (Millions of Yen)	4,403	110.7
Product Sales (Millions of Yen)	14,027	98.3
Total (Millions of Yen)	39,142	100.0

Notes:

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