



Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2018

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:	August 10, 2017
Scheduled commencement of dividend payment:	—
Quarterly Results Supplemental Materials	Yes
Quarterly Results Presentation Meeting	No

1. Consolidated results for the first quarter of the fiscal year ending March 2018 (from April 1, 2017 to June 30, 2017)

(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	%
First quarter of fiscal 2017	9,415	1.0	665	(17.0)	632	19.0	429	30.8
First quarter of fiscal 2016	9,325	7.9	801	46.0	531	(23.1)	328	(19.1)

Note : Comprehensive Income

First quarter of fiscal 2017 ¥1,101 million(-%)

First quarter of fiscal 2016 ¥(488) million(-%)

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
First quarter of fiscal 2017	35.17	35.00
First quarter of fiscal 2016	27.09	26.96

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
First quarter of fiscal 2017	35,841	20,118	56.0
Fiscal 2016	34,781	19,674	56.5

Reference: Shareholders' equity

First quarter of fiscal 2017: ¥20,086 million

Fiscal 2016 : ¥19,640 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 2016	—	30.00	—	60.00	90.00
Fiscal 2017	—				
Fiscal 2017(forecast)		40.00	—	70.00	110.00

Note: Revision of dividend forecast in this quarter: No

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 50th anniversary of business establishment.

3. Consolidated Earnings Forecast for Fiscal 2017 (from April 1, 2017 to March 31, 2018)

(% of change from FY2016 First Half or FY2016)

	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
FY2017 First Half (for the six months ending September 30, 2017)	19,240	2.1	1,760	(1.2)	1,760	19.2	1,106	18.4	90.54
FY2017	40,500	3.5	4,155	(0.6)	4,155	(1.3)	2,611	(1.4)	213.74

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. : No

2. Changes other than 1. above: No

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)

First quarter of fiscal 2017: 15,240,000 shares

Fiscal 2016: 15,240,000 shares

2. Number of treasury stock

First quarter of fiscal 2017: 2,992,234shares

Fiscal 2016: 3,036,175shares

3. Average number of shares over period (consolidated total for quarter)

First quarter of fiscal 2017: 12,215,544 shares

First quarter of fiscal 2016: 12,127,654 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.

*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 First-Quarter Consolidated Business Results

(1) Explanation Concerning Business Results

During the first quarter of the fiscal year (April 1, 2017 to June 30, 2017), the Japanese economy continued a moderate recovery due to an improvement in corporate earnings and a pickup in capital investment.

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. Under this medium-term strategy, 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.

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, carry out SRA's proprietary IP product business and promote the appropriate level of production staff.

- 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.

- 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

- We will work to promote a convergence between "SRA's proprietary IP product business and higher added value in existing operations." At the same time, we will strive to provide SRA's proprietary IP products and new services in such growth sectors as the Internet of Things (IoT), mobile computing, security, cloud computing, Big Data and social technology fields.

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

- We intend to expand and upgrade the line of SRA's proprietary IP products for growth fields as well as promote business that targets overseas markets, which are growth markets.

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

Sales of the Systems Development business and the System Operations and Infrastructure Development business increased. Therefore, consolidated net sales amounted to ¥9,415 million, a 1.0% increase from the same period of the previous fiscal year.

At the profit level, operating income decreased 17.0% from the same period of the previous fiscal year to ¥665 million due to such factors as the recording of a provision for loss on construction contracts. However, ordinary profit increased 19.0% from the same period of the previous fiscal year to ¥632 million and profit attributable to owners of the parent amounted to ¥429 million, a 30.8% increase from the same period of the previous fiscal year.

Orders received and the order backlog both increased significantly in all segments from the same period of the previous fiscal year.

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

1) Systems Development

The Systems Development business recorded increases in sales to manufacturing industries. As a result, net sales increased 3.0% from the previous fiscal year to ¥4,786 million.

2) System Operations and Infrastructure Development

University-related orders were flat, but orders from companies increased sharply. As a result, net sales of the System Operations and Infrastructure Development business increased 16.2% from the previous fiscal year to ¥1,142 million.

3) Product Sales

Although device sales by SRA increased, Advanced Integration Technology, Inc. recorded a decrease in device sales. As a result, net sales of the Product Sales business decreased 5.7% from the same period in the previous fiscal year to ¥3,486 million.

(2) Explanation Concerning Financial Condition

Total assets at the end of the first quarter amounted to ¥35,841 million, an increase of 3.0% from the end of the previous fiscal year. Total liabilities increased 4.1% from the end of the previous fiscal year to ¥15,722 million and net assets increased 2.3% to ¥20,118 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 ¥1,053 million to ¥8,783 million due to the purchase of shares of an affiliated

company. Long-term loans receivable increased ¥720 million to ¥3,669 million. Work in process increased ¥453 million to ¥1,893 million due to such factors as a rise in contracted development projects. On the other hand, notes and accounts receivable—trade decreased ¥1,899 million to ¥5,515 million due to the collection of trade receivables.

(Total Liabilities)

Advances received increased ¥390 million to ¥3,059 million. Accounts payable—trade increased ¥383 million to ¥3,625 million due to an increase in trade payables and provision for bonuses increased ¥352 million to ¥951 million. On the other hand, accrued consumption taxes decreased ¥754 million to ¥301 million due to the payment of consumption taxes.

(Total Net Assets)

Valuation difference on available-for-sale securities increased ¥750 million to ¥853 million due to changes in the market prices of marketable and investment securities. Retained earnings decreased ¥302 million to ¥16,224 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 11, 2017.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2017	As of June 30, 2017
ASSETS		
Current assets:		
Cash and deposits	6,794	7,326
Notes and accounts receivable—trade	7,414	5,515
Short-term investment securities	126	232
Merchandise and finished goods	609	991
Work in process	1,439	1,893
Short-term loans receivable	412	109
Accounts receivable—other	2,644	2,954
Deferred tax assets	646	716
Other	1,475	1,421
Allowance for doubtful accounts	(17)	(16)
Total current assets	21,545	21,144
Noncurrent assets:		
Property, plant and equipment		
Buildings	360	364
Accumulated depreciation	(253)	(257)
Buildings, net	106	107
Machinery, equipment and vehicles	510	511
Accumulated depreciation	(469)	(472)
Machinery, equipment and vehicles, net	41	39
Other	129	129
Accumulated depreciation	(82)	(84)
Other, net	46	45
Total property, plant and equipment	194	191
Intangible assets		
Goodwill	27	20
Other	1,265	1,300
Total intangible assets	1,293	1,321
Investments and other assets		
Investment securities	7,729	8,783
Long-term loans receivable	2,948	3,669
Deferred tax assets	1,413	1,106

Guarantee deposits	377	378
Net defined benefit asset	46	46
Other	559	557
Allowance for doubtful accounts	(1,308)	(1,339)
Allowance for investment loss	(19)	(19)
Total investments and other assets	11,747	13,182
Total noncurrent assets	13,235	14,696
Total assets	34,781	35,841

(Millions of Yen)

	As of March 31, 2017	As of June 30, 2017
LIABILITIES		
Current liabilities:		
Accounts payable-trade	3,242	3,625
Short-term loans payable	1,179	1,179
Accrued expenses	950	774
Income taxes payable	1,056	301
Accrued consumption taxes	467	242
Advances received	2,669	3,059
Provision for bonuses	598	951
Provision for directors' bonuses	97	44
Provision for loss on construction contracts	419	532
Other	167	684
Total current liabilities	10,849	11,396
Noncurrent liabilities:		
Deferred tax liabilities	5	7
Net defined benefit liability	4,097	4,156
Provision for directors' retirement benefits	154	160
Total noncurrent liabilities	4,257	4,325
Total liabilities	15,107	15,722
NET ASSETS		
Shareholders' equity		
Capital stock	1,000	1,000
Capital surplus	4,589	4,620
Retained earnings	16,527	16,224
Treasury stock	(2,545)	(2,497)
Total shareholders' equity	19,571	19,347
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	103	853
Foreign currency translation adjustments	313	233
Remeasurements of defined benefit plans	(349)	(347)
Total accumulated other comprehensive income	68	739
Subscription rights to shares	34	31
Non-controlling interests	-	0

Total net assets	19,674	20,118
Total liabilities and net assets	34,781	35,841

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

(Quarterly Consolidated Statements of Income)

(Consolidated Cumulative Total for First Quarter)

(Millions of Yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	9,325	9,415
Cost of sales	7,484	7,583
Gross profit	1,841	1,832
Selling, general and administrative expenses	1,039	1,166
Operating income	801	665
Non-operating income		
Interest received	28	16
Dividends received	12	25
Refunded consumption taxes	–	8
Foreign exchange gains	–	10
Other	18	8
Total non-operating income	59	70
Non-operating expenses		
Interest expenses	8	9
Foreign exchange losses	306	–
Stock transfer agency service fee	2	3
Provision of allowance for doubtful accounts	–	33
Equity in losses of affiliates	–	56
Other	12	0
Total non-operating expenses	330	103
Ordinary profit	531	632
Extraordinary income		
Gain on sales of investment securities	0	118
Other	–	1
Total extraordinary income	0	119
Extraordinary loss		
Loss on retirement of noncurrent assets	0	0
Loss on sales of investment securities	–	0
Other	0	–

Total extraordinary loss	0	0
Income before income taxes	530	751
Income taxes-current	268	416
Income taxes-deferred	(66)	(93)
Total income taxes	202	322
Net income	328	429
Profit attributable to owners of the parent	328	429

(Quarterly Consolidated Statements of Comprehensive Income)

(Consolidated Cumulative Total for First Quarter)

(Millions of Yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net income	328	429
Other comprehensive income		
Valuation difference on available-for-sale securities	(751)	750
Foreign currency translation adjustments	(67)	(80)
Remeasurements of defined benefit plans, net of tax	2	2
Total other comprehensive income	(817)	671
Comprehensive income	(488)	1,101
(breakdown)		
Comprehensive income attributable to owners of the parent	(488)	1,101
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes Concerning Consolidated Financial Statements for the First 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 first quarter of the fiscal year ended March 31, 2017

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	4,645	983	3,697	9,325	—	9,325
(2) Intersegment sales or transfers	1	56	81	139	(139)	—
Total sales	4,646	1,039	3,778	9,465	(139)	9,325
Segment income	656	217	315	1,189	(387)	801

Notes:

1. The segment income adjustment of minus ¥387 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 first quarter of the fiscal year ending March 31, 2018

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	4,786	1,142	3,486	9,415	—	9,415
(2) Intersegment sales or transfers	2	53	96	152	(152)	—
Total sales	4,789	1,196	3,583	9,568	(152)	9,415
Segment income	637	297	188	1,123	(457)	665

Notes:

1. The segment income adjustment of minus ¥457 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)

Not applicable

3. Other Information

1. Status of Production, Orders and Sales

- Production amounts

Production by segment in the first quarter of the fiscal year ending March 31, 2018 is as follows.

Segment information by type of business	Three months ended June 30, 2017	% change YoY
Systems Development (Millions of Yen)	5,293	107.4
System Operations and Infrastructure Development (Millions of Yen)	1,179	116.7
Total (Millions of Yen)	6,472	109.0

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 first quarter of the fiscal year ending March 31, 2018 are as follows.

Segment information by type of business	Three months ended June 30, 2017	% change YoY
Product Sales (Millions of Yen)	2,529	117.0
Total (Millions of Yen)	2,529	117.0

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 first quarter of the fiscal year ending March 31, 2018 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	5,510	111.3	5,814	119.1
System Operations and Infrastructure Development	752	112.1	1,622	123.8
Product Sales	4,146	108.2	3,855	117.4
Total	10,409	110.1	11,292	119.2

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 first quarter of the fiscal year ending March 31, 2018 are as follows.

Segment information by type of business	Three months ended June 30, 2017	% change YoY
Systems Development (Millions of Yen)	4,786	103.0
System Operations and Infrastructure Development (Millions of Yen)	1,142	116.2
Product Sales (Millions of Yen)	3,486	94.3
Total (Millions of Yen)	9,415	101.0

Notes:

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