

Summary of Consolidated Financial Results for the Year Ended 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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Tel: (03)-5979-2666
Date of ordinary general meeting of shareholders: June 22, 2018
Scheduled commencement of dividend payment: June 7, 2018
Scheduled date of submission of financial reports: June 22, 2018
Results Supplement Materials: Yes
Results Presentation Meeting : Yes (for institutional investors)

1. Consolidated Financial Results for Fiscal 2018(from April 1, 2017 to March 31, 2018)

(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 2018	39,410	0.7	4,175	(0.1)	4,762	(13.1)	2,060	(22.2)
Fiscal 2017	39,142	(0.0)	4,180	11.9	4,211	9.4	2,646	470.8

Note : Comprehensive Income

Fiscal 2018: ¥2,772million (72.0%)

Fiscal 2017: ¥1,612million (111.6%)

	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 2018	168.07	167.12	10.0	13.1	10.6
Fiscal 2017	218.00	216.88	13.8	12.6	10.7

Reference: Gain (loss) on equity method investments:

Fiscal 2018: ¥687 million

Fiscal 2017: ¥(80) million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2018	37,756	21,438	56.6	1,737.59
Fiscal 2017	34,781	19,674	56.5	1,609.33

Reference: Shareholders' equity

Fiscal 2018: ¥21,379 million

Fiscal 2017: ¥19,640 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 2018	2,565	(760)	(1,047)	7,018
Fiscal 2017	3,900	(5,636)	(772)	6,265

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 2017	—	30.00	—	60.00	90.00	1,096	41.3	5.7
Fiscal 2018	—	40.00	—	70.00	110.00	1,351	65.4	6.6
Fiscal 2019(forecast)	—	40.00	—	65.00	105.00		46.1	

Note : 70 yen of year-end dividend for FY 2018 includes 10 yen of memorial dividend for the 50th anniversary of business establishment, and 65 yen of year-end dividend for FY 2019.

3. Consolidated Earnings Forecast for Fiscal 2019 (from April 1, 2018 to March 31, 2019)

(% 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	19,000	(5.0)	1,850	4.6	1,850	6.5	1,200	4.0	97.53
Full Year	40,000	1.5	4,400	5.4	4,400	(7.6)	2,800	35.9	227.56

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. : No
 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 2018: 15,240,000 shares
 - Fiscal 2017: 15,240,000 shares
 2. Own shares at end of term
 - Fiscal 2018: 2,935,755 shares
 - Fiscal 2017: 3,036,175 shares
 3. Average number of shares over period
 - Fiscal 2018: 12,257,719 shares
 - Fiscal 2017: 12,141,210 shares

(Reference) Non-Consolidated Financial Results for Fiscal 2018 (from April 1, 2017 to March 31, 2018)

(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 2018	1,995	592.7	1,720	-	1,700	-	1,631	-
Fiscal 2017	288	12.1	47	21.9	27	24.3	13	-

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
Fiscal 2018	121.30	120.67
Fiscal 2017	1.05	1.04

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2018	9,061	8,168	89.5	600.97
Fiscal 2017	8,799	7,678	86.9	570.76

Reference: Shareholders' equity:

Fiscal 2018: ¥ 8,109 million

Fiscal 2017: ¥ 7,644 million

*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. Analysis of Business Results and Financial Position

(1) Summary of Business Results

During the fiscal year (April 1, 2017 to March 31, 2018), 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 implemented the following measures during the third year of its Medium-Term Management Strategy.

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 reached an all-time high of 21.6%.

- 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. Nevertheless, sales administrative expenses increased due to investments to establish organizations for promoting new businesses and to raise the corporate value of overseas consolidated subsidiaries.

- Raise operating income ratio

The operating income ratio, at 10.6%, was maintained at a high level similar to that of the previous fiscal year.

- Expand orders and sales volume

Despite a decline in device sales by Advanced Integration Technology, Inc., we focused on increasing customer share of wallet by deeply cultivating existing customers and securing new customers in growth fields as we worked to expand orders and sales. As a result, sales increased 0.7% from the previous fiscal year.

2) Strengthening linkages between SRA's proprietary IP product business and overseas operations and transforming the SRA business model

We expanded and upgraded the line of SRA's proprietary IP products for growth fields as well as promoted business that targets overseas markets, which are growth markets. This included commencing the provision of a new mobile service for trust banks utilizing the SRA Group's technologies and business know-how in the financial field and the technological superiority of Tagit Pte. Ltd., with which we concluded business and capital alliances in April 2016, in the mobile banking market in Asia.

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

Despite a decrease in sales of the Product Sales business, sales of the Systems Development business and the System Operations and Infrastructure Development business increased. As a result, consolidated net sales amounted to ¥39,410 million, an increase of 0.7% from the previous fiscal year.

At the profit level, despite an increase in gross profit resulting from measures to improve the gross profit margin, operating income decreased 0.1% from the previous year to ¥4,175 million due to an increase in sales administrative expenses. Ordinary profit increased 13.1% from the previous fiscal year to ¥4,762 million due to the recording of non-operating income (transitory income by an equity method affiliate) and profit attributable to owners of the parent decreased 22.2% from the previous fiscal year to ¥2,060 million due to the recording of an extraordinary loss (a loss on litigation).

As detailed above, consolidated net sales increased from the previous fiscal year, operating income remained level, ordinary profit increased and profit attributable to owners of the parent decreased from the previous fiscal year.

Additionally, operating income, ordinary profit and profit attributable to owners of the parent all exceeded the full-year forecast.

Regarding dividends for the fiscal year ended March 31, 2018, to enhance the redistribution of profits to shareholders, the Company will pay year-end cash dividends per share of ¥70.00 (includes a 50th anniversary commemorative dividend of ¥10.00) and full-year dividends per share of ¥110.00 (consisting of ordinary cash dividends per share of ¥100.00 and a 50th anniversary commemorative dividend of ¥10.00 for a total ¥20.00 increase in dividends, with a consolidated payout ratio of 65.4%).

Consolidated Business Results

(Millions of Yen)

	FY2014	FY2015	FY2016	FY2017	FY2018	
					Most recent forecast figures (announced December 27, 2017)	Actual
Net sales	35,146	36,535	39,155	39,142	40,500	39,410
Operating income	2,807	3,047	3,736	4,180	4,155	4,175
Ordinary profit	3,324	3,813	3,850	4,211	4,155	4,762
Net income	2,134	1,638	463	2,646	1,779	2,060

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

● Systems Development

The Systems Development business recorded increases in sales to some manufacturing industries as well as to banks and service industries. As a result, net sales increased 5.5% from the previous fiscal year to ¥21,843 million.

● System Operations and Infrastructure Development

University-related orders and orders from companies both increased. As a result, net sales of the System Operations and Infrastructure Development business increased 5.4% from the previous fiscal year to ¥4,640 million.

● Product Sales

Device sales by Advanced Integration Technology, Inc. decreased. As a result, net sales of the Product Sales business decreased 7.9% from the previous fiscal year to ¥12,926 million.

(2) Summary of Financial Position

Total assets at the end of the fiscal year amounted to ¥37,756 million, an increase of 8.6% from the end of the previous fiscal year. Total liabilities increased 8.0% from the end of the previous fiscal year to ¥16,317 million and net assets increased 9.0% to ¥21,438 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 ¥1,623 million to ¥9,353 million due to the purchase of shares of an affiliated company. Long-term loans receivable increased ¥231 million to ¥3,179 million due to an increase in loans. On the other hand, notes and accounts receivable—trade decreased ¥481 million to ¥6,932 million due to the collection of trade receivables.

(Total Liabilities)

Provision for loss on litigation of ¥1,198 million was recorded. On the other hand, accounts payable—trade decreased ¥371 million to ¥2,871 million due to an increase in the payment of trade payables.

(Total Net Assets)

Retained earnings increased ¥837 million to ¥17,364 million. Valuation difference on available-for-sale securities increased ¥550 million to ¥654 million due to changes in the market prices of short-term investment securities and investment securities.

(3) Summary of Cash Flows

Cash and cash equivalents on a consolidated basis at the end of the fiscal year increased ¥752 million compared with the previous fiscal year-end to ¥7,018 million.

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

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥2,565 million compared with ¥3,900 million in the previous fiscal year. This consisted mainly of such cash inflows as income before income taxes and minority interests of ¥3,146 million and an increase in provision for loss on litigation of ¥1,198 million, while cash outflows were primarily income taxes paid of ¥1,978 million.

Cash Flows from Investing Activities

Net cash used in investing amounted to ¥760 million compared with net cash used in investing activities of ¥5,636 million in the previous fiscal year. This consisted mainly of such inflows as ¥1,308 million in proceeds from sales of investment securities and ¥1,020 million in collection of loans receivable, while outflows included ¥1,446 million for payments of loans receivable and ¥932 million for the purchase of investment securities.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥1,047 million compared with ¥772 million in the previous fiscal year. This was due mainly to such cash inflows as ¥172 million in proceeds from exercise of stock option and such cash outflows as ¥1,222 million in cash dividends paid.

Cash Flow Indicators

	FY 2016	FY2017	FY2018
Shareholders' equity ratio (%)	59.0	56.5	56.6
Shareholders' equity ratio at market value (%)	98.7	103.3	99.6
Debt redemption years to cash flow (years)	0.3	0.3	0.5
Interest coverage ratio (times)	117.2	101.7	67.0

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 continue a modest recovery due in part to the effects of various policies amid ongoing improvements in the employment and income environments. Nevertheless, uncertainties in overseas economies and the impact of fluctuations in financial and capital markets require close monitoring. Under these conditions, the SRA Holdings Group will continue working to achieve sustainable growth and improve profitability in existing operations, establish a high-earnings model by leveraging its proprietary IP products and services, and promote its overseas business.

We will proactively proceed with various considerations toward raising corporate value for the overseas business investments already undertaken.

Furthermore, we will extend the period of the Medium-Term Management Strategy that was announced in June 2015. We aim to attain the goals of the Medium-Term Management Strategy and with regards to the outlook for consolidated results for the fiscal year ending March 31, 2019, we forecast net sales of ¥40,000 million, operating income of ¥4,400 million, ordinary profit of ¥4,400 million and profit attributable to owners of the parent of ¥2,800 million.

Regarding dividends for the fiscal year ending March 31, 2019, we plan to increase ordinary dividends per share by ¥5.00 and pay cash dividends per share of ¥105.00 (consisting of a ¥40.00 interim dividend and a year-end dividend of ¥65.00). In the event that these dividends are paid, the consolidated payout ratio is expected to be 46.1%.

Based on our policy of enhancing shareholder returns, we will strive to pay “stable and high dividends” with the aim of attaining a 50% payout ratio as in the past.

We regard the purchase of treasury stock as one effective means of returning profits to shareholders and will appropriately respond while taking into consideration such factors as stock price trends and our financial condition.

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)

	As of March 31, 2017	As of March 31, 2018
ASSETS		
Current assets:		
Cash and deposits	6,794	7,629
Notes and accounts receivable—trade	7,414	6,932
Short-term investment securities	126	108
Merchandise and finished goods	609	647
Work in process	1,439	1,566
Short-term loans receivable	412	416
Accounts receivable—other	2,644	2,874
Deferred tax assets	646	1,075
Other	1,475	1,922
Allowance for doubtful accounts	(17)	(37)
Total current assets	21,545	23,136
Noncurrent assets:		
Property, plant and equipment		
Buildings	360	370
Accumulated depreciation	(253)	(268)
Buildings, net	106	107
Machinery, equipment and vehicles	510	530
Accumulated depreciation	(469)	(491)
Machinery, equipment and vehicles, net	41	39
Other	129	136
Accumulated depreciation	(82)	(91)
Other, net	46	45
Total property, plant and equipment	194	192
Intangible assets		
Goodwill	27	—
Other	1,265	1,310
Total intangible assets	1,293	1,310
Investments and other assets		
Investment securities	7,729	9,353
Long-term loans receivable	2,948	3,179
Deferred tax assets	1,413	1,136
Guarantee deposits	377	384
Net defined benefit asset	46	46
Other	559	555
Allowance for doubtful accounts	(1,308)	(1,519)
Allowance for investment loss	(19)	(19)
Total investments and other assets	11,747	13,116

Total noncurrent assets	13,235	14,619
Total assets	34,781	37,756

(Millions of Yen)

	As of March 31, 2017	As of March 31, 2018
LIABILITIES		
Current liabilities:		
Accounts payable—trade	3,242	2,871
Short-term loans payable	1,179	1,179
Accrued expenses	950	859
Income taxes payable	1,056	735
Accrued consumption taxes	467	506
Advances received	2,669	2,908
Provision for bonuses	598	565
Provision for directors' bonuses	97	49
Provision for loss on construction contracts	419	780
Provision for loss on litigation	—	1,198
Other	167	294
Total current liabilities	10,849	11,949
Noncurrent liabilities:		
Deferred tax liabilities	5	68
Net defined benefit liability	4,097	4,134
Provision for directors' retirement benefits	154	165
Total noncurrent liabilities	4,257	4,368
Total liabilities	15,107	16,317
NET ASSETS		
Shareholders' equity		
Capital stock	1,000	1,000
Capital surplus	4,589	4,671
Retained earnings	16,527	17,364
Treasury stock	(2,545)	(2,437)
Total shareholders' equity	19,571	20,598
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	103	654
Foreign currency translation adjustments	313	445
Remeasurements of defined benefit plans	(349)	(319)
Total accumulated other comprehensive income	68	780
Subscription rights to shares	34	59
Total net assets	19,674	21,438
Total liabilities and net assets	34,781	37,756

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

(Consolidated Statements of Income)

(Millions of Yen)

	As of March 31, 2017	As of March 31, 2018
Net sales	39,142	39,410
Cost of sales	30,928	30,896
Gross profit	8,213	8,514
Selling, general and administrative expenses	4,033	4,338
Operating income	4,180	4,175
Non-operating income		
Interest received	78	78
Dividends received	40	94
Refunded consumption taxes	22	9
Foreign exchange gains	19	–
Equity in earnings of affiliates	–	687
Other	38	36
Total non-operating income	200	905
Non-operating expenses		
Interest expenses	38	38
Foreign exchange losses	–	253
Stock transfer agency service fee	15	16
Provision of allowance for doubtful accounts	32	–
Equity in losses of affiliates	80	–
Other	2	9
Total non-operating expenses	169	318
Ordinary profit	4,211	4,762
Extraordinary income		
Gain on sales of investment securities	–	328
Gain on reversal of loss on valuation of investment securities	3	2
Other	–	1
Total extraordinary income	3	332
Extraordinary loss		
Loss on retirement of noncurrent assets	1	0
Loss on valuation of investment securities	10	3
Provision of allowance for doubtful accounts	–	311
Loss on valuation of golf club membership	9	–
Provision of allowance for investment loss	4	–
Loss on litigation	–	1,612
Other	0	20
Total extraordinary loss	25	1,948
Income before income taxes and minority interests	4,188	3,146
Income taxes-current	1,631	1,476

Income taxes-deferred	(89)	(390)
Total income taxes	1,542	1,086
Net income	2,646	2,060
Profit (loss) attributable to non-controlling interests	–	(0)
Profit attributable to owners of the parent	2,646	2,060

(Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	As of March 31, 2017	As of March 31, 2018
Net income	2,646	2,060
Other comprehensive income		
Valuation difference on available-for-sale securities	(888)	550
Foreign currency translation adjustments	(143)	60
Remeasurements of defined benefit plans, net of tax	(2)	30
Share of other comprehensive income of affiliates accounted for using equity method	–	70
Total other comprehensive income	(1,034)	712
Comprehensive income	1,612	2,772
(breakdown)		
Comprehensive income attributable to parent company shareholders	1,612	2,772
Comprehensive income attributable to non-controlling interests	–	(0)

(3) Consolidated Statements of Changes in Net Assets

FY2017 (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)	(1,034)	3	(1,030)
Total change during the period	(888)	(143)	(2)	(1,034)	3	854
Balance at the end of current period	103	313	(349)	68	34	19,674

FY2018 (April 1, 2017-March 31, 2018)

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	1,000	4,589	16,527	(2,545)	19,571
Changes of items during the period					
Dividends from surplus			(1,222)		(1,222)
Profit attributable to owners of the parent			2,060		2,060
Capital increase of consolidated subsidiaries		3			3
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		78		108	186
Net change of items other than shareholders' equity					—
Total change during the period	—	81	837	107	1,026
Balance at the end of current period	1,000	4,671	17,364	(2,437)	20,598

	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	103	313	(349)	68	34	19,674
Changes of items during the period						
Dividends from surplus				—		(1,222)
Profit attributable to owners of the parent				—		2,060
Capital increase of consolidated subsidiaries				—		3
Purchase of treasury stock				—		(0)
Disposal of treasury stock				—		186
Net change of items other than shareholders' equity	550	131	30	712	25	737
Total change during the period	550	131	30	712	25	1,764
Balance at the end of current period	654	445	(319)	780	59	21,438

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	As of March 31, 2017	As of March 31, 2018
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	4,188	3,146
Depreciation and amortization	465	444
Amortization of goodwill	27	26
Increase (decrease) in net defined benefit liability	143	37
Increase (decrease) in provision for directors' retirement benefits	10	10
Increase (decrease) in provision for bonuses	39	(32)
Increase (decrease) in provision for directors' bonuses	36	(47)
Increase (decrease) in allowance for doubtful accounts	30	298
Increase (decrease) in allowance for investment loss	3	1
Increase (decrease) in provision for loss on construction contracts	4	360
Increase (decrease) in provision for loss on litigation	–	1,198
Interest and dividend income	(119)	(172)
Interest expenses	38	38
Foreign exchange loss (gain)	(19)	253
Equity in (earnings) losses of affiliates	80	(687)
Loss (gain) on valuation of investment securities	10	3
Loss (gain) on sales of investment securities	0	(328)
Loss on retirement of noncurrent assets	1	0
Decrease (increase) in notes and accounts receivable—trade	(549)	458
Decrease (increase) in inventories	88	(165)
Increase (decrease) in notes and accounts payable—trade	(30)	(368)
Decrease (increase) in other current assets	(868)	(475)
Increase (decrease) in other liabilities	1,702	315
Increase (decrease) in accrued consumption taxes	(39)	38
Other, net	67	72
Subtotal	5,313	4,426
Interest and dividends income received	69	155
Interest expenses paid	(38)	(38)
Income taxes paid	(1,443)	(1,978)
Net cash provided by operating activities	3,900	2,565
Net cash provided by (used in) investing activities:		
Purchase of property, plant and equipment	(59)	(77)
Proceeds from sale of property, plant and equipment	0	–
Purchase of intangible assets	(618)	(459)
Purchase of investment securities	(138)	(932)
Proceeds from sales of investment securities	320	1,308
Purchase of stocks of subsidiaries and affiliates	(3,705)	–
Payments of loans receivable	(1,782)	(1,446)

Collection of loans receivable	473	1,020
Payments into time deposits	(80)	(150)
Payments for guarantee deposits	(50)	(6)
Proceeds from collection of guarantee deposited	11	0
Other, net	(7)	(17)
Net cash used in investing activities	(5,636)	(760)
Net cash provided by (used in) financing activities:		
Proceeds from share issuance to controlling shareholders	2	3
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(909)	(1,222)
Proceeds from exercise of stock option	134	172
Net cash used in financing activities	(772)	(1,047)
Effect of exchange rate changes on cash and cash equivalents	(59)	(4)
Net increase (decrease) in cash and cash equivalents	(2,567)	752
Cash and cash equivalents at beginning of period	8,833	6,265
Cash and cash equivalents at the end of period	6,265	7,018

- (5) Notes to the Consolidated Financial Statements
 (Notes on the Premise of a Going Concern)
 None

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"> ● 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 2017(from April 1, 2016 to March 31, 2017)

(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	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.

Fiscal 2018 (from April 1, 2017 to March 31, 2018)

(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	21,843	4,640	12,926	39,410	—	39,410
(2) Intersegment sales or transfers	27	210	371	608	(608)	—
Total sales	21,870	4,850	13,297	40,019	(608)	39,410
Operating income	3,654	1,202	835	5,692	(1,516)	4,175
Assets	10,410	1,773	6,298	18,482	19,273	37,756
Others						
Depreciation	49	8	385	443	0	444
Amortization of goodwill	—	—	27	27	—	27
Increase of tangible and intangible assets	88	17	393	500	1	502

Notes:

1. The adjustment amounts are as follows:

- (1) The segment income adjustment of minus ¥1,516 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 ¥19,710 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, 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 (Unit: million yen)

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.

Current fiscal year (from April 1, 2017 to March 31, 2018)

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, 2016 to March 31, 2017)

Not applicable

Current fiscal year (from April 1, 2017 to March 31, 2018)

Not applicable

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

Previous 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	—	27

Current fiscal year (from April 1, 2017 to March 31, 2018)

(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, 2016 to March 31, 2017)

Not applicable

Current fiscal year (from April 1, 2017 to March 31, 2018)

Not applicable

(Per share information)

As of March 31, 2017		As of March 31, 2018	
Net assets per share	1,609.33	Net assets per share	1,737.59
Earnings per share	218.00	Earnings per share	168.07
Diluted earnings per share	216.88	Diluted earnings per share	167.12

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

	As of March 31, 2017	As of March 31, 2018
Earnings per share		
Profit attributable to owners of the parent (million yen)	2,646	2,060
Amount not belonging to ordinary shareholders (million yen)	—	—
Profit attributable to owners of the parent in relation to common stock (million yen)	2,646	2,060
Average number of shares during the fiscal year (1,000 shares)	12,141	12,257
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)	62	70
(Including subscription rights to new shares (1,000 shares))	(62)	(70)
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)

(Regarding the filing of a damage lawsuit)

1. As announced in “Announcement Concerning Judgement on Lawsuit (Appeal) of Company Subsidiary” released on December 13, 2017, Company subsidiary SRA petitioned on December 27, 2017 for acceptance of a final appeal, with an objection to the appeal decision of the lawsuit with Happinet Corporation. In accordance with the progress of the lawsuit, we will promptly provide information on any matters requiring disclosure.

2. 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, 2018 is as follows.

Segment information by type of business	As of March 31, 2018 (April 1, 2017-March 31, 2018)	% change YoY
Systems Development (Millions of Yen)	22,044	106.2
System Operations and Infrastructure Development (Millions of Yen)	4,654	105.4
Total (Millions of Yen)	26,699	106.1

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, 2018 are as follows.

Segment information by type of business	As of March 31, 2018 (April 1, 2017-March 31, 2018)	% change YoY
Product Sales (Millions of Yen)	7,357	87.9
Total (Millions of Yen)	7,357	87.9

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, 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	22,057	103.9	5,304	104.2
System Operations and Infrastructure Development	4,817	100.5	2,189	108.8
Product Sales	13,320	94.6	3,589	112.3
Total	40,195	100.3	11,083	107.6

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, 2018 are as follows.

Segment information by type of business	As of March 31, 2018 (April 1, 2017-March 31, 2018)	% change YoY
Systems Development (Millions of Yen)	21,843	105.5
System Operations and Infrastructure Development (Millions of Yen)	4,640	105.4
Product Sales (Millions of Yen)	12,926	92.1
Total (Millions of Yen)	39,410	100.7

Notes:

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