

## Summary of Consolidated Financial Results for the Year Ended March 31, 2019

**Company name:** SRA Holdings, Inc. (URL: <https://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 21, 2019  
**Scheduled commencement of dividend payment:** June 6, 2019  
**Scheduled date of submission of financial reports:** June 21, 2019  
**Results Supplement Materials:** Yes  
**Results Presentation Meeting :** Yes (for institutional investors)

### 1. Consolidated Financial Results for Fiscal 2019(from April 1, 2018 to March 31, 2019)

#### (1) Consolidated Operating Results

(All amounts rounded down, % change YoY)

	Net Sales		Operating Profit		Ordinary Profit		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal 2019	40,793	3.5	4,078	(2.3)	4,469	(6.2)	2,023	(1.8)
Fiscal 2018	39,410	0.7	4,175	(0.1)	4,762	13.1	2,060	(22.2)

Note : Comprehensive Income

Fiscal 2019: ¥1,257million ((54.7)%)

Fiscal 2018: ¥2,772million (72.0%)

	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 2019	161.14	164.08	9.5	12.0	10.0
Fiscal 2018	168.07	167.12	10.0	13.1	10.6

Reference: Gain (loss) on equity method investments:

Fiscal 2019: ¥10 million

Fiscal 2018: ¥687 million

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of Yen	Millions of Yen	%	Yen
Fiscal 2019	36,852	21,375	57.9	1,730.60
Fiscal 2018	37,756	21,438	56.6	1,737.59

Reference: Shareholders' equity

Fiscal 2019: ¥21,349 million

Fiscal 2018: ¥21,379 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 2019	4,361	(4,953)	(2,405)	3,997
Fiscal 2018	2,565	(760)	(1,047)	7,018

### 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 2018	—	40.00	—	70.00	110.00	1,351	65.4	6.6
Fiscal 2019	—	40.00	—	70.00	110.00	1,357	67.0	6.3
Fiscal 2029(forecast)	—	40.00	—	70.00	110.00		54.3	

Note : 70 yen of year-end dividend for FY 2018 includes 5 yen of special dividend.

### 3. Consolidated Earnings Forecast for Fiscal 2020 (from April 1, 2019 to March 31, 2020)

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

	Net Sales		Operating Profit		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	20,200	1.2	1,950	12.9	2,000	(6.5)	1,070	25.7	86.73
Full Year	41,700	2.2	4,500	10.3	4,600	2.9	2,500	23.5	202.65

#### 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 2019: 15,240,000 shares
    - Fiscal 2018: 15,240,000 shares
  2. Own shares at end of term
    - Fiscal 2019: 2,903,279 shares
    - Fiscal 2018: 2,935,755 shares
  3. Average number of shares over period
    - Fiscal 2019: 12,329,806 shares
    - Fiscal 2018: 12,257,719 shares

#### (Reference) Non-Consolidated Financial Results for Fiscal 2019 (from April 1, 2018 to March 31, 2019)

##### (1) Non-Consolidated Operating Results

(% change YoY)

	Net Sales		Operating Profit		Ordinary Profit		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal 2019	1,693	(15.1)	1,432	(16.8)	1,416	(16.7)	1,288	(21.0)
Fiscal 2018	1,995	592.7	1,720	-	1,700	-	1,631	-

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
Fiscal 2019	95.27	95.24
Fiscal 2018	121.30	120.67

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

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of Yen	Millions of Yen	%	Yen
Fiscal 2019	8,846	7,986	90.0	588.53
Fiscal 2018	9,061	8,168	89.5	600.97

Reference: Shareholders' equity:

Fiscal 2019: ¥ 7,960 million

Fiscal 2018: ¥ 8,109 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, 2018 to March 31, 2019), the Japanese economy recorded a moderate recovery overall as capital investment increased while the improvement in corporate earnings remains at a high level despite a noticeable standstill and visible weakness in some exports and production.

. In the information services industry, despite an increase in IT investments, mainly by large and medium-sized companies, the environment for securing orders remained severe due to intensifying competition.

Within this business environment, the SRA Holdings Group implemented the following key measures.

#### 1) Improving profitability in existing operations

- Further raise the gross profit margin

We implemented a variety of measures that included efforts 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 22.3%.

- Improve SG&A expenses-to-sales ratio

We strived 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. On the other hand, the SG&A expenses-to-sales ratio increased to 12.3% due to higher research and development expenses and selling expenses at Cavin Systems, Inc. as well as the inclusion of sales, general and administrative (SG&A) (sales administrative) expenses of an overseas subsidiary that was incorporated into consolidated business results from the third quarter of the fiscal year.

- Raise operating profit ratio

The operating profit ratio, at 10.0%, was maintained at a high level similar to that of the previous fiscal year.

- Expand orders and sales

Priority measures will be to increase customer share of wallet by deeply cultivating existing customers as well as to focus on securing new customers in growth fields, and in doing so, we worked to expand orders and sales.

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

Besides promoting a convergence between "SRA's proprietary IP product business and higher added value in existing operations," we aimed to expand and upgrade the line of SRA's proprietary IP products for growth fields as well as promoted business that targets overseas markets, which are growth markets.

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

Sales of the Systems Development business, System Operations and Infrastructure Development business and Product Sales business all increased. Therefore, consolidated net sales amounted to ¥40,793 million, a 3.5% increase from the same period of the previous fiscal year. At the profit level, we achieved an increase in gross profit while the gross profit margin also improved as a result of a focus on measures to improve the profit margin. Nevertheless, SG&A (sales administrative) expenses increased year on year and operating profit decreased 2.3% from the previous year to ¥4,078 million due to higher research and development expenses and selling expenses at Cavin Systems,

Inc. in addition to the inclusion of the SG&A (sales administrative) expenses of an overseas subsidiary into our consolidated business results from the third quarter of the fiscal year. Moreover, ordinary profit decreased 6.2% year on year to ¥4,469 million and profit attributable to owners of parent (hereafter, net income) decreased 1.8% from the previous fiscal year to ¥2,023 million due to an increase in income taxes.

As detailed above, although consolidated net sales increased from the previous fiscal year, operating profit, ordinary profit and net income all decreased from the previous fiscal year. Additionally, operating profit and net income fell short of the full-year forecast while net sales and ordinary profit exceeded the full-year forecast.

Given that ordinary profit exceeded the full-year forecast and profit before income taxes also increased year on year in the fiscal year ended March 31, 2019, to enhance the redistribution of profits to shareholders the Company will pay year-end cash dividends per share of ¥70.00 (ordinary cash dividends), an increase of ¥5.00 versus our dividend forecast (May 10, 2018), and full-year cash dividends per share of ¥110.00 (consisting of ordinary cash dividends per share of ¥110.00, with a consolidated payout ratio of 67.0%).

\*For details, please refer to the following.

Notice Concerning the Dividend Distribution (Increased Dividend) for Surplus Earnings

<https://www.sra-hd.co.jp/news/?Year=2019> (Written in Japanese)

**Consolidated Business Results**

(Millions of Yen)

	FY2015	FY2016	FY2017	FY2018	FY2019	
					Most recent forecast figures (announced November 8, 2018)	Actual
Net sales	36,535	39,155	39,142	39,410	40,000	40,793
Operating Profit	3,047	3,736	4,180	4,175	4,400	4,078
Ordinary profit	3,813	3,850	4,211	4,762	4,400	4,469
Net income	1,638	463	2,646	2,060	2,800	2,023

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 manufacturing industries. As a result, net sales increased 1.2% from the previous fiscal year to ¥22,106 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 7.5% from the previous fiscal year to ¥4,988 million.

- **Product Sales**

Device sales by Advanced Integration Technology, Inc. increased. As a result, net sales of the Product Sales business increased 6.0% from the previous fiscal year to ¥13,698 million.

## (2) Summary of Financial Position

Total assets at the end of the fiscal year amounted to ¥36,852 million, a decrease of 2.4% from the end of the previous fiscal year. Total liabilities decreased 5.1% from the end of the previous fiscal year to ¥15,477 million and net assets decreased 0.3% to ¥21,375 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 ¥1,291 million to ¥10,645 million and merchandise and finished goods increased ¥456 million to ¥1,103 million. On the other hand, long-term loans receivable decreased ¥2,035 million to ¥1,144 million and work in process decreased ¥609 million to ¥957 million.

### (Total Liabilities)

Accounts payable - trade increased ¥750 million to ¥3,621 million and advances received increased ¥540 million to ¥3,448 million. On the other hand, provision for loss on litigation decreased ¥1,198 million and short-term loans payable decreased ¥980 million to ¥198 million.

### (Total Net Assets)

Retained earnings increased ¥669 million to ¥18,033 million. On the other hand, valuation difference on available-for-sale securities decreased ¥578 million to ¥76 million and foreign currency translation adjustment decreased ¥226 million to ¥219 million.

**(3) Summary of Cash Flows**

Cash and cash equivalents on a consolidated basis at the end of the fiscal year decreased ¥3,021 million compared with the previous fiscal year-end to ¥3,997 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 ¥4,361 million compared with ¥2,565 million in the previous fiscal year. This consisted mainly of such cash inflows as profit before income taxes of ¥4,050 million and an increase in notes and accounts payable - trade of ¥625 million, while cash outflows were primarily income taxes paid of ¥1,206 million and of decrease in provision for loss on litigation of ¥1,198 million.

**Cash Flows from Investing Activities**

Net cash used in investing amounted to ¥4,953 million compared with net cash used in investing activities of ¥760 million in the previous fiscal year. This consisted mainly of such inflows as ¥110 million in proceeds from sales of investment securities, while outflows included ¥2,288 million for the purchase of investment securities and ¥1,887 million for payments of loans receivable.

**Cash Flows from Financing Activities**

Net cash used in financing activities amounted to ¥2,405 million compared with ¥1,047 million in the previous fiscal year. This was due mainly to such cash inflows as ¥58 million in proceeds from exercise of share options and such cash outflows as ¥1,354 million in cash dividends paid.

**Cash Flow Indicators**

	FY 2017	FY2018	FY2019
Shareholders' equity ratio (%)	56.5	56.6	57.9
Shareholders' equity ratio at market value (%)	103.3	99.6	82.5
Debt redemption years to cash flow (years)	0.3	0.5	—
Interest coverage ratio (times)	101.7	67.0	206.0

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 sustain a recovery centering on domestic demand amid the progression of an economic virtuous cycle with continuous improvements in the employment and income environments. Nevertheless, the impact of trade problems on the global economy, uncertainties in overseas economies, the impact of fluctuations in financial and capital markets and other matters require close attention.

Under these conditions, the SRA Holdings Group aims to raise corporate value and shareholder value and establish a foundation for existing businesses while vigorously promoting “digital transformation (DX)” that will serve as the core of new business promotion as we make efforts toward achieving sustainable growth, improving profitability and further enhancing shareholder returns.

Reference: Notice Concerning the Establishment of the Medium-Term Management Strategy (Announced on May 9, 2018)

[https://www.sra-co.jp/ir/manage\\_policy.html](https://www.sra-co.jp/ir/manage_policy.html) (Japanese only)

With regards to the outlook for consolidated results for the fiscal year ending March 31, 2020, we forecast net sales of ¥41,700 million, operating profit of ¥4,500 million, ordinary profit of ¥4,600 million and profit attributable to owners of parent of ¥2,500 million.

Regarding dividends for the fiscal year ending March 31, 2020, we plan to pay ordinary cash dividends per share of ¥110.00 (consisting of a ¥40.00 interim dividend and a year-end dividend of ¥70.00). In the event that these dividends are paid, the consolidated payout ratio is expected to be 54.3%.

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, 2018	As of March 31, 2019
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	7,629	5,121
Notes and accounts receivable - trade	6,932	6,955
Securities	108	95
Merchandise and finished goods	647	1,103
Work in process	1,566	957
Short-term loans receivable	416	2,935
Accounts receivable - other	2,874	2,814
Other	1,922	622
Allowance for doubtful accounts	(37)	(16)
Total current assets	22,061	20,589
<b>Non-current assets:</b>		
Property, plant and equipment		
Buildings	376	432
Accumulated depreciation	(268)	(289)
Buildings, net	107	142
Machinery, equipment and vehicles	530	547
Accumulated depreciation	(491)	(505)
Machinery, equipment and vehicles, net	39	41
Other	136	164
Accumulated depreciation	(91)	(101)
Other, net	45	63
Total property, plant and equipment	192	247
Intangible assets		
Other	1,310	1,543
Total intangible assets	1,310	1,543
Investments and other assets		
Investment securities	9,353	10,645
Long-term loans receivable	3,179	1,144
Deferred tax assets	2,211	2,059
Guarantee deposits	384	383
Net defined benefit asset	46	47
Other	555	218
Allowance for doubtful accounts	(1,519)	(9)
Allowance for investment loss	(19)	(17)
Total investments and other assets	14,191	14,471
Total non-current assets	15,695	16,263
<b>Total assets</b>	<b>37,756</b>	<b>36,852</b>



(Millions of Yen)

	As of March 31, 2018	As of March 31, 2019
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable - trade	2,871	3,621
Short-term loans payable	1,179	198
Accrued expenses	859	1,119
Income taxes payable	735	1,129
Accrued consumption taxes	506	537
Advances received	2,908	3,448
Provision for bonuses	565	565
Provision for directors' bonuses	49	75
Provision for loss on construction contracts	780	340
Provision for loss on litigation	1,198	—
Other	294	313
Total current liabilities	11,949	11,349
<b>Non-current liabilities:</b>		
Deferred tax liabilities	68	9
Net defined benefit liability	4,134	3,926
Provision for directors' retirement benefits	165	182
Other	—	10
Total noncurrent liabilities	4,368	4,128
<b>Total liabilities</b>	<b>16,317</b>	<b>15,477</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	1,000	1,000
Capital surplus	4,671	4,704
Retained earnings	17,364	18,033
Treasury shares	(2,437)	(2,402)
Total shareholders' equity	20,598	21,335
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	654	76
Foreign currency translation adjustment	445	219
Remeasurements of defined benefit plans	(319)	(282)
Total accumulated other comprehensive income	780	14
<b>Share acquisition rights</b>	<b>59</b>	<b>25</b>
<b>Total net assets</b>	<b>21,438</b>	<b>21,375</b>
<b>Total liabilities and net assets</b>	<b>37,756</b>	<b>36,852</b>

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

(Consolidated Statements of Income)

(Millions of Yen)

	As of March 31, 2018	As of March 31, 2019
<b>Net sales</b>	39,410	40,793
<b>Cost of sales</b>	30,896	31,707
Gross profit	8,514	9,086
<b>Selling, general and administrative expenses</b>	4,338	5,007
Operating profit	4,175	4,078
<b>Non-operating income</b>		
Interest income	78	148
Dividend income	94	48
Foreign exchange gains	—	200
Share of profit of entities accounted for using equity method	687	10
Other	45	36
Total non-operating income	905	444
<b>Non-operating expenses</b>		
Interest expenses	38	22
Foreign exchange losses	253	—
Stock transfer agency service fee	16	15
Commission expenses	—	7
Other	9	7
Total non-operating expenses	318	53
<b>Ordinary profit</b>	4,762	4,469
<b>Extraordinary income</b>		
Gain on sales of investment securities	328	479
Other	3	69
Total extraordinary income	332	549
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	0	2
Loss on valuation of investment securities	3	542
Provision of allowance for doubtful accounts	311	406
Loss on litigation	1,612	17
Other	20	—
Total extraordinary losses	1,948	968
<b>Profit before income taxes</b>	3,146	4,050
Income taxes-current	1,476	1,646
Income taxes-deferred	(390)	379
Total income taxes	1,086	2,026
<b>Profit</b>	2,060	2,023
Profit (loss) attributable to non-controlling interests	(0)	—
Profit attributable to owners of parent	2,060	2,023

## (Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	As of March 31, 2018	As of March 31, 2019
Profit	2,060	2,023
Other comprehensive income		
Valuation difference on available-for-sale securities	550	(578)
Foreign currency translation adjustment	60	(155)
Remeasurements of defined benefit plans, net of tax	30	37
Share of other comprehensive income of entities accounted for using equity method	70	(70)
Total other comprehensive income	712	(766)
Comprehensive income	2,772	1,257
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,772	1,257
Comprehensive income attributable to non-controlling interests	(0)	—

## (3) Consolidated Statement of Changes in Equity

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

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholder s' equity
Balance at beginning of period	1,000	4,589	16,527	(2,545)	19,571
Changes of items during the period					
Dividends of surplus			(1,222)		(1,222)
Profit attributable to owners of parent			2,060		2,060
Capital increase of consolidated subsidiaries		3			3
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		78		108	186
Net change of items other than shareholders' equity					–
Total changes of items during period	–	81	837	107	1,026
Balance at the end of 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 of surplus						(1,222)
Profit attributable to owners of parent						2,060
Capital increase of consolidated subsidiaries						3
Purchase of treasury shares						(0)
Disposal of treasury shares						186
Net change of items other than shareholders' equity	550	131	30	712	25	737
Total changes of items during period	550	131	30	712	25	1,764
Balance at the end of period	654	445	(319)	780	59	21,438

FY2019 (April 1, 2018-March 31, 2019)

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' equity
Balance at beginning of period	1,000	4,671	17,364	(2,437)	20,598
Changes of items during the period					
Dividends of surplus			(1,354)		(1,354)
Profit attributable to owners of parent			2,023		2,023
Capital increase of consolidated subsidiaries		5			5
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		28		35	63
Net change of items other than shareholders' equity					-
Total changes of items during period	-	33	669	34	736
Balance at the end of current period	1,000	4,704	18,033	(2,402)	21,335

	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	654	445	(319)	780	59	21,438
Changes of items during the period						
Dividends of surplus				-		(1,354)
Profit attributable to owners of parent				-		2,023
Capital increase of consolidated subsidiaries				-		5
Purchase of treasury shares				-		(0)
Disposal of treasury shares				-		63
Net change of items other than shareholders' equity	(578)	(226)	37	(766)	(33)	(800)
Total changes of items during period	(578)	(226)	37	(766)	(33)	(63)
Balance at the end of current period	76	219	(282)	14	25	21,375

## (4) Consolidated Statements of Cash Flows

(Millions of Yen)

	As of March 31, 2018	As of March 31, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,146	4,050
Depreciation	444	512
Amortization of goodwill	26	—
Increase (decrease) in net defined benefit liability	37	(208)
Increase (decrease) in provision for directors' retirement benefits	10	17
Increase (decrease) in provision for bonuses	(32)	(0)
Increase (decrease) in provision for directors' bonuses	(47)	25
Increase (decrease) in allowance for doubtful accounts	298	14
Increase (decrease) in allowance for investment loss	1	(1)
Increase (decrease) in provision for loss on construction contracts	360	(440)
Increase (decrease) in provision for loss on litigation	1,198	(1,198)
Interest and dividend income	(172)	(197)
Interest expenses	38	22
Commission expenses	—	7
Foreign exchange losses (gains)	253	(200)
Share of loss (profit) of entities accounted for using equity method	(687)	(10)
Loss (gain) on valuation of investment securities	3	542
Loss (gain) on sales and valuation of investment securities	(328)	(479)
Loss on retirement of non-current assets	0	2
Decrease (increase) in notes and accounts receivable - trade	458	35
Decrease (increase) in inventories	(165)	207
Increase (decrease) in notes and accounts payable - trade	(368)	625
Decrease (increase) in other current assets	(475)	1,409
Increase (decrease) in other liabilities	315	681
Increase (decrease) in accrued consumption taxes	38	31
Other, net	72	(23)
Subtotal	4,426	5,425
Interest and dividend income received	155	163
Interest expenses paid	(38)	(21)
Income taxes paid	(1,978)	(1,206)
Net cash provided by operating activities	2,565	4,361
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(77)	(60)
Purchase of intangible assets	(459)	(269)
Purchase of investment securities	(932)	(2,288)
Proceeds from sales of investment securities	1,308	110

Purchase of shares of subsidiaries and associates	—	(92)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(35)
Payments of loans receivable	(1,446)	(1,887)
Collection of loans receivable	1,020	55
Payments into time deposits	(150)	(531)
Proceeds from withdrawal of time deposits	—	45
Payments for guarantee deposits	(6)	(0)
Proceeds from collection of guarantee deposits	0	0
Other, net	(17)	(0)
<b>Net cash used in investing activities</b>	<b>(760)</b>	<b>(4,953)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	—	(1,109)
Proceeds from share issuance to non-controlling shareholders	3	5
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1,222)	(1,354)
Proceeds from exercise of share options	172	58
Commission expenses	—	(4)
Other, net	—	0
<b>Net cash used in financing activities</b>	<b>(1,047)</b>	<b>(2,405)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(4)</b>	<b>(23)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>752</b>	<b>(3,021)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>6,265</b>	<b>7,018</b>
<b>Cash and cash equivalents at end of period</b>	<b>7,018</b>	<b>3,997</b>

(5) Notes to the Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

None

(Changes to significant subsidiaries during the consolidated fiscal period)

None

There were no changes to specified subsidiaries. However, in the second quarter, Proxim Wireless Corporation, which became a subsidiary due to the acquisition of an additional equity interest, is included in the scope of consolidation.

(Change in presentation method)

Consolidated Balance Sheets

\*The Company has adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year under review and deferred tax assets are presented in investments and other assets and deferred tax liabilities are presented in non-current liabilities. As a result, deferred tax assets (¥1,075 million in the previous fiscal year) that were classified within current assets in the previous fiscal year are included in deferred tax assets of ¥2,211 million presented in investments and other assets in the fiscal year under review.



## 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 profit.

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

(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>
<b>Sales</b>						
(1) Sales to customers	21,843	4,640	12,926	39,410	—	39,410
(2) Intersegment sales or transfers	27	210	371	608	(608)	—
<b>Total sales</b>	<b>21,870</b>	<b>4,850</b>	<b>13,297</b>	<b>40,019</b>	<b>(608)</b>	<b>39,410</b>
<b>Operating profit</b>	<b>3,654</b>	<b>1,202</b>	<b>835</b>	<b>5,692</b>	<b>(1,516)</b>	<b>4,175</b>
<b>Assets</b>	<b>10,410</b>	<b>1,773</b>	<b>6,298</b>	<b>18,482</b>	<b>19,273</b>	<b>37,756</b>
<b>Others</b>						
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 profit is adjusted in operating profit on the consolidated statements of income.

**Fiscal 2019 (from April 1, 2018 to March 31, 2019)**

(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	22,106	4,988	13,698	40,793	—	40,793
(2) Intersegment sales or transfers	11	210	246	467	(467)	—
Total sales	22,118	5,198	13,944	41,261	(467)	40,793
Operating profit	3,909	1,254	370	5,534	(1,455)	4,078
Assets	8,973	1,486	6,697	17,157	19,695	36,852
Others						
Depreciation	50	9	451	511	0	511
Increase of tangible and intangible assets	74	22	254	351	—	351

Notes:

1. The adjustment amounts are as follows:

- (1) The segment income adjustment of minus ¥1,455 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 ¥19,990 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 profit is adjusted in operating profit on the consolidated statements of income.

(Per share information)

As of March 31, 2018		As of March 31, 2019	
Net assets per share	1,737.59	Net assets per share	1,730.60
Earnings per share	168.07	Earnings per share	164.14
Diluted earnings per share	167.12	Diluted earnings per share	164.08

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

	As of March 31, 2018	As of March 31, 2019
Earnings per share		
Profit attributable to owners of parent (million yen)	2,060	2,023
Amount not belonging to ordinary shareholders (million yen)	—	—
Profit attributable to owners of parent in relation to common stock (million yen)	2,060	2,023
Average number of shares during the fiscal year (1,000 shares)	12,257	12,329
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (million yen)	—	—
Increase in number of shares of common stock (1,000 shares)	70	4
(Including subscription rights to new shares (1,000 shares))	(70)	(4)
Outline of potential shares not included in calculation of current net income per share after adjustments on potential shares due to no dilution effect.	—	The 16th subscription rights to shares 147,000 shares

(Significant subsequent events)

Not applicable

(Additional information)

(Regarding the filing of a damage lawsuit)

2. Software Research Associates, Inc. (a company subsidiary, hereafter SRA) 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, 2019 is as follows.

Segment information by type of business	As of March 31, 2019 (April 1, 2018-March 31, 2019)	% change YoY
Systems Development (Millions of Yen)	21,417	97.2
System Operations and Infrastructure Development (Millions of Yen)	4,980	107.0
Total (Millions of Yen)	26,398	98.9

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, 2019 are as follows.

Segment information by type of business	As of March 31, 2019 (April 1, 2018-March 31, 2019)	% change YoY
Product Sales (Millions of Yen)	8,026	109.1
Total (Millions of Yen)	8,026	109.1

Notes:

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

## (3) Status of orders

Status of orders by segment in the fiscal year ended March 31, 2019 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	21,308	96.6	4,020	83.4
System Operations and Infrastructure Development	5,010	104.0	2,211	101.0
Product Sales	14,095	105.8	3,986	111.1
Total	40,415	100.5	10,219	96.4

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, 2019 are as follows.

Segment information by type of business	As of March 31, 2019 (April 1, 2018-March 31, 2019)	% change YoY
Systems Development (Millions of Yen)	22,106	101.2
System Operations and Infrastructure Development (Millions of Yen)	4,988	107.5
Product Sales (Millions of Yen)	13,698	106.0
Total (Millions of Yen)	40,793	103.5

Notes:

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