

## Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2020

<b>Company name:</b>	SRA Holdings, Inc. (URL: <a href="https://www.sra-hd.co.jp/">https://www.sra-hd.co.jp/</a> )
<b>Stock listing:</b>	Tokyo Stock Exchange
<b>Code number:</b>	3817
<b>President:</b>	Toru Kashima
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<b>Scheduled date of submission of quarterly securities report:</b>	August 9, 2019
<b>Scheduled commencement of dividend payment:</b>	—
<b>Quarterly Results Supplemental Materials</b>	Yes
<b>Quarterly Results Presentation Meeting</b>	No

### 1. Consolidated results for the first quarter of the fiscal year ending March 2020 (from April 1, 2019 to June 30, 2019)

#### (1) Consolidated Operating Results (cumulative total)

(All amounts rounded down, % change YoY)

	Net Sales		Operating Profit		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 2020	10,012	2.5	824	11.6	674	(32.1)	53	(89.3)
First quarter of fiscal 2019	9,766	3.7	738	10.9	993	56.9	499	16.2

Note : Comprehensive Income

First quarter of fiscal 2020 ¥(588) million (-%)

First quarter of fiscal 2019 ¥ 202 million ((81.6)%)

	Earnings per Share	Earnings per Share after Dilution
	Yen	Yen
First quarter of fiscal 2020	4.34	-
First quarter of fiscal 2019	40.57	-

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
First quarter of fiscal 2020	35,935	19,898	55.4
Fiscal 2019	36,852	21,375	57.9

Reference: Shareholders' equity

First quarter of fiscal 2020: ¥19,898 million

Fiscal 2019 : ¥21,349 million

## 2. Dividends

	Dividends per Share				
	End of First Quarter	End of Second Quarter	End of Third Quarter	Year-end	For the Year
Fiscal 2019	Yen —	Yen 40.00	Yen —	Yen 70.00	Yen 110.00
Fiscal 2020	—				
Fiscal 2020(forecast)		40.00	—	70.00	110.00

Note: Revision of dividend forecast in this quarter: No

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

(Percentage indicate year-to-year changes)

	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
Six months ending September 30, 2019	20,200	1.2	1,950	12.9	2,000	(6.5)	1,070	25.7	86.73
Fiscal 2020	41,700	2.2	4,500	10.3	4,600	2.9	2,500	23.5	202.65

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 2020: 15,240,000 shares

Fiscal 2019: 15,240,000 shares

2. Number of treasury stock

First quarter of fiscal 2020: 2,903,279 shares

Fiscal 2019: 2,903,279 shares

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

First quarter of fiscal 2020: 12,336,721 shares

First quarter of fiscal 2019: 12,308,753 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**

Our consolidated business results for the first quarter of the fiscal year were as follows.

Although sales of the Systems Development business decreased, sales of the System Operations and Infrastructure Development and the Products Sales businesses increased. Therefore, consolidated net sales amounted to ¥10,012 million, a 2.5% 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 measures to improve the profit margin. Despite recording selling expenses of an overseas subsidiary that came into the scope of consolidation from the third quarter of the previous fiscal year, we made efforts to enhance efficiency that also included the selling expenses of Cavin Systems, Inc. As a result, sales, general and administrative (SG&A) (sales administrative) expenses decreased year on year and operating profit increased 11.6% from the same period of the previous year to ¥824 million. Ordinary profit decreased 32.1% year on year to ¥674 million due to the recording of non-operating expenses (foreign exchange losses) and profit attributable to owners of parent decreased 89.3% from the same period of the previous fiscal year to ¥53 million due the recording of extraordinary losses (loss on valuation of investment securities).

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

### **1) Systems Development**

The Systems Development business recorded a decrease in sales to some service industries. As a result, net sales decreased 4.2% year on year to ¥4,711 million.

### **2) System Operations and Infrastructure Development**

Orders from companies and university-related orders increased. As a result, net sales of the System Operations and Infrastructure Development business increased 13.5% from the same period in the previous fiscal year to ¥1,282 million.

### **3) Product Sales**

SRA and overseas subsidiaries posted increases in device sales. As a result, net sales of the Product Sales business increased 8.1% from the same period in the previous fiscal year to ¥4,017 million.

Based on the Medium-Term Management Strategy (year ending March 31, 2020 to year ending March 31, 2022), the SRA Group aims to improve corporate value and enhance shareholder returns and will strive to strengthen the foundation of its existing businesses while also vigorously promoting new businesses as the Group works in unison toward 1) achieving sustainable growth, 2) improving profitability and 3) furthering enhancing shareholder returns. We have positioned fiscal 2020 (year ending March 31, 2020) as a “year for building a foundation” to promote our growth strategies (Transforming the SRA business model, Expanding our global business and Responding to digital

transformation (DX)) and we will focus on attaining the targets for the final fiscal year of this strategy.

## **(2) Explanation Concerning Financial Condition**

Total assets at the end of the first quarter amounted to ¥35,935 million, a decrease of 2.5% from the end of the previous fiscal year. Total liabilities increased 3.6% from the end of the previous fiscal year to ¥16,037 million and net assets decreased 6.9% to ¥19,898 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)**

Deferred tax assets increased ¥492 million to ¥2,552 million, work in process increased ¥370 million to ¥1,327 million, and accounts receivable - other increased ¥368 million to ¥3,182 million. On the other hand, notes and accounts receivable—trade decreased ¥1,172 million to ¥5,782 million due to the collection of trade receivables and investment securities decreased ¥843 million to ¥9,802 million due to such factors as changes in market prices.

### **(Total Liabilities)**

Advances received increased ¥582 million to ¥4,031 million, provision for bonuses increased ¥396 million to ¥961 million and accounts payable—trade increased ¥286 million to ¥3,907 million due to an increase in trade payables. On the other hand, income taxes payable decreased ¥862 million to ¥266 million owing to the payment of income taxes.

### **(Total Net Assets)**

Foreign currency translation adjustments increased ¥112 million to ¥332 million due to fluctuations in exchange rates. On the other hand, retained earnings decreased ¥810 million to ¥17,223 million. Valuation difference on available-for-sale securities decreased ¥770 million to minus ¥693 million due to changes in the market prices of securities and investment securities.

## **(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, 2020 released on May 9, 2019.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2019	As of June 30, 2019
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	5,121	5,149
Notes and accounts receivable - trade	6,955	5,782
Securities	95	90
Merchandise and finished goods	1,103	1,030
Work in process	957	1,327
Short-term loans receivable	2,935	2,830
Accounts receivable - other	2,814	3,182
Other	622	647
Allowance for doubtful accounts	(16)	(16)
<b>Total current assets</b>	<b>20,589</b>	<b>20,024</b>
<b>Non-current assets:</b>		
Property, plant and equipment		
Buildings	432	432
Accumulated depreciation	(289)	(291)
Buildings, net	142	141
Machinery, equipment and vehicles	547	545
Accumulated depreciation	(505)	(506)
Machinery, equipment and vehicles, net	41	39
Other	164	183
Accumulated depreciation	(101)	(117)
Other, net	63	66
<b>Total property, plant and equipment</b>	<b>247</b>	<b>246</b>
Intangible assets		
Other	1,543	1,570
<b>Total intangible assets</b>	<b>1,543</b>	<b>1,570</b>
Investments and other assets		
Investment securities	10,645	9,802
Long-term loans receivable	1,144	1,114
Deferred tax assets	2,059	2,552
Guarantee deposits	383	385
Retirement benefit asset	47	47
Other	218	218
Allowance for doubtful accounts	(9)	(9)

Allowance for investment loss	(17)	(18)
Total investments and other assets	14,471	14,093
Total non-current assets	16,263	15,911
<b>Total assets</b>	<b>36,852</b>	<b>35,935</b>

(Millions of Yen)

	As of March 31, 2019	As of June 30, 2019
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable – trade	3,621	3,907
Short-term borrowings	198	195
Accrued expenses	1,119	898
Income taxes payable	1,129	266
Accrued consumption taxes	537	292
Advances received	3,448	4,031
Provision for bonuses	565	961
Provision for bonuses for directors (and other officers)	75	45
Provision for loss on construction contracts	340	338
Other	313	910
<b>Total current liabilities</b>	<b>11,349</b>	<b>11,848</b>
<b>Non-current liabilities:</b>		
Deferred tax liabilities	9	23
Retirement benefit liability	3,926	3,965
Provision for retirement benefits for directors (and other officers)	182	190
Other	10	9
<b>Total non-current liabilities</b>	<b>4,128</b>	<b>4,189</b>
<b>Total liabilities</b>	<b>15,477</b>	<b>16,037</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Share capital	1,000	1,000
Capital surplus	4,704	4,704
Retained earnings	18,033	17,223
Treasury shares	(2,402)	(2,402)
<b>Total shareholders' equity</b>	<b>21,335</b>	<b>20,525</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	76	(693)
Foreign currency translation adjustment	219	332
Remeasurements of defined benefit plans	(282)	(266)
<b>Total accumulated other comprehensive income</b>	<b>14</b>	<b>(627)</b>
<b>Share acquisition rights</b>	<b>25</b>	<b>-</b>

<b>Total net assets</b>	21,375	19,898
<b>Total liabilities and net assets</b>	36,852	35,935



(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, 2018	Three months ended June 30, 2019
<b>Net sales</b>	9,766	10,012
<b>Cost of sales</b>	7,763	7,928
Gross profit	2,002	2,084
<b>Selling, general and administrative expenses</b>	1,263	1,259
Operating profit	738	824
<b>Non-operating income</b>		
Interest income	24	44
Dividend income	30	33
Foreign exchange gains	189	-
Other	23	14
Total non-operating income	267	92
<b>Non-operating expenses</b>		
Interest expenses	10	12
Foreign exchange losses	-	222
Stock transfer agency service fee	2	2
Other	0	4
Total non-operating expenses	13	242
<b>Ordinary profit</b>	993	674
<b>Extraordinary income</b>		
Gain on sales of investment securities	-	14
Gain on reversal of share acquisition rights	54	25
Other	0	-
Total extraordinary income	54	39
<b>Extraordinary losses</b>		
Loss on valuation of investment securities	-	383
Loss on litigation	5	-
Other	-	0
Total extraordinary losses	5	384
<b>Profit before income taxes</b>	1,041	330
Income taxes-current	359	420
Income taxes-deferred	182	(143)

Total income taxes	542	276
<b>Profit</b>	499	53
<b>Profit attributable to owners of parent</b>	499	53

(Quarterly Consolidated Statements of Comprehensive Income)

(Consolidated Cumulative Total for First Quarter)

(Millions of Yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit	499	53
Other comprehensive income		
Valuation difference on available-for-sale securities	(57)	(770)
Foreign currency translation adjustments	(238)	112
Remeasurements of defined benefit plans, net of tax	(0)	16
Share of other comprehensive income of entities accounted for using equity method	(0)	-
Total other comprehensive income	(296)	(641)
Comprehensive income	202	(588)
(breakdown)		
Comprehensive income attributable to owners of parent	202	(588)
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 previous fiscal year (April 1, 2018 to June 30, 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 <sup>*1</sup>	Amount recorded on the quarterly consolidated statements of income <sup>*2</sup>
Sales						
(1) Sales to Customers	4,919	1,130	3,716	9,766	—	9,766
(2) Intersegment sales or transfers	2	51	67	121	(121)	—
Total sales	4,922	1,181	3,783	9,887	(121)	9,766
Segment income	751	276	115	1,143	(404)	738

Notes:

1. The segment income adjustment of minus ¥404 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 under review (April 1, 2019 to June 30, 2019)

## 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 <sup>*1</sup>	Amount recorded on the quarterly consolidated statements of income <sup>*2</sup>
Sales						
(1) Sales to Customers	4,711	1,282	4,017	10,012	—	10,012
(2) Intersegment sales or transfers	1	57	37	96	(96)	—
Total sales	4,713	1,340	4,055	10,109	(96)	10,012
Segment income	670	320	243	1,233	(409)	824

## Notes:

1. The segment income adjustment of minus ¥409 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 under review is as follows.

Segment information by type of business	Three months ended June 30, 2019	% change YoY
Systems Development (Millions of Yen)	5,146	(3.7)
System Operations and Infrastructure Development (Millions of Yen)	1,299	11.6
Total (Millions of Yen)	6,446	(0.9)

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 under review are as follows.

Segment information by type of business	Three months ended June 30, 2019	% change YoY
Product Sales (Millions of Yen)	2,193	(10.7)
Total (Millions of Yen)	2,193	(10.7)

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 under review 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	5,515	(1.6)	4,824	(12.4)
System Operations and Infrastructure Development	788	9.7	1,717	(3.4)
Product Sales	3,475	(5.4)	3,444	(2.9)
Total	9,779	(2.2)	9,986	(7.8)

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 under review are as follows.

Segment information by type of business	Three months ended June 30, 2019	% change YoY
Systems Development (Millions of Yen)	4,711	(4.2)
System Operations and Infrastructure Development (Millions of Yen)	1,282	13.5
Product Sales (Millions of Yen)	4,017	8.1
Total (Millions of Yen)	10,012	2.5

Notes:

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