

Summary of Consolidated Financial Results for the Year Ended March 31, 2020

Company name: SRA Holdings, Inc. (URL: <https://www.sra-hd.co.jp/>)
Stock listing: Tokyo Stock Exchange
Code number: 3817
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Date of ordinary general meeting of shareholders: June 24, 2020
Scheduled commencement of dividend payment: June 9, 2020
Scheduled date of submission of financial reports: July 8, 2020
Results Supplement Materials: Yes
Results Presentation Meeting : No

1. Consolidated Financial Results for Fiscal 2020(from April 1, 2019 to March 31, 2020)

(1) Consolidated Operating Results

(All amounts rounded down, % change YoY)

| | Net Sales | | Operating Profit | | Ordinary Profit | | Profit (loss) attributable to owners of parent | |
|-------------|-----------------|-----|------------------|-------|-----------------|-------|--|-------|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % |
| Fiscal 2020 | 43,642 | 7.0 | 4,948 | 21.3 | 4,951 | 10.8 | (612) | - |
| Fiscal 2019 | 40,793 | 3.5 | 4,078 | (2.3) | 4,469 | (6.2) | 2,023 | (1.8) |

Note : Comprehensive Income

Fiscal 2020: ¥51 million ((95.9)%)

Fiscal 2019: ¥1,257 million ((54.7)%)

| | Net Profit per Share | Net Profit per Share after Dilution | Ratio of Net Profit to Shareholders' Equity | Ratio of Ordinary Profit to Total Assets | Ordinary Profit Ratio |
|-------------|----------------------|-------------------------------------|---|--|-----------------------|
| | Yen | Yen | % | % | % |
| Fiscal 2020 | (49.68) | - | (3.0) | 13.8 | 11.3 |
| Fiscal 2019 | 161.14 | 164.08 | 9.5 | 12.0 | 10.0 |

Reference: Gain (loss) on equity method investments:

Fiscal 2020: ¥(118) million

Fiscal 2019: ¥10 million

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Shareholders' Equity Ratio | Shareholders' Equity per Share |
|-------------|-----------------|-----------------|----------------------------|--------------------------------|
| | Millions of Yen | Millions of Yen | % | Yen |
| Fiscal 2020 | 34,934 | 20,052 | 57.4 | 1,624.61 |
| Fiscal 2019 | 36,852 | 21,375 | 57.9 | 1,730.60 |

Reference: Shareholders' equity

Fiscal 2020: ¥20,042 million

Fiscal 2019: ¥21,349 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 2020 | 3,392 | (619) | (1,371) | 5,370 |
| Fiscal 2019 | 4,361 | (4,953) | (2,405) | 3,997 |

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 2019 | — | 40.00 | — | 70.00 | 110.00 | 1,357 | 67.0 | 6.3 |
| Fiscal 2020 | — | 40.00 | — | 70.00 | 110.00 | 1,357 | - | 6.6 |
| Fiscal 2020(forecast) | — | 40.00 | — | 70.00 | 110.00 | | 43.1 | |

3. Consolidated Earnings Forecast for Fiscal 2021 (from April 1, 2020 to March 31, 2021)

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

| | Net Sales | | Operating Profit | | Ordinary Profit | | Profit (loss) attributable to owners of parent | | Net Profit per Share |
|-----------|-----------------|-------|------------------|-------|-----------------|-------|--|---|----------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full Year | 42,700 | (2.2) | 4,500 | (9.1) | 4,500 | (9.1) | 3,150 | - | 255.34 |

Regarding the consolidated financial forecast for the fiscal year ending March 2021, it is difficult to calculate an accurate financial forecast because it is not possible to reasonably estimate the timing of the convergence of New Coronavirus Infection(COVID-19). Therefore the forecast is considered the apparent impact of COVID-19 only. The forecasts may change depending on the convergence of COVID-19 in the future.

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 2020: 15,240,000 shares
 - Fiscal 2019: 15,240,000 shares
2. Own shares at end of term
 - Fiscal 2020: 2,903,279 shares
 - Fiscal 2019: 2,903,279 shares
3. Average number of shares over period
 - Fiscal 2020: 12,336,721 shares
 - Fiscal 2019: 12,329,806 shares

(Reference) Non-Consolidated Financial Results for Fiscal 2020 (from April 1, 2019 to March 31, 2020)

(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 2020 | 2,592 | 53.1 | 2,243 | 56.6 | 2,227 | 57.2 | 2,172 | 68.7 |
| Fiscal 2019 | 1,693 | (15.1) | 1,432 | (16.8) | 1,416 | (16.7) | 1,288 | (21.0) |

| | Net Income per Share | Net Income per Share after Dilution |
|-------------|----------------------|-------------------------------------|
| | Yen | Yen |
| Fiscal 2020 | 160.63 | - |
| Fiscal 2019 | 95.27 | 95.24 |

(2) Non-Consolidated Financial Position

| | Total Assets | Net Assets | Shareholders' Equity Ratio | Shareholders' Equity per Share |
|-------------|-----------------|-----------------|----------------------------|--------------------------------|
| | Millions of Yen | Millions of Yen | % | Yen |
| Fiscal 2020 | 8,926 | 8,621 | 96.5 | 636.59 |
| Fiscal 2019 | 8,846 | 7,986 | 90.0 | 588.53 |

Reference: Shareholders' equity:

Fiscal 2020: ¥8,611 million
Fiscal 2019: ¥7,960 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, 2019 to March 31, 2020), the Japanese economy recorded a moderate recovery overall as capital investment gradually trended upward despite softening exports and a visible weakening of corporate earnings mainly in manufacturing industries. Nevertheless, from March the impact of COVID-19 exerted severe downward pressure on the economy and created a harsh situation.

The SRA Group positioned fiscal 2020 (year ended 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 implemented a variety of measures. In the Systems Development business we commenced new business for providing value in collaboration with client companies while in the System Operations and Infrastructure Development business and Product Sales business our shift to a high value-added model progressed and this has also become apparent in our business results. Moreover, considerations for collaboration with fast-growing companies involved with DX in the Asian region took shape. Additionally, we were able to start DX-related business in multiple industries by combining the basic technologies the Group has cultivated over long years with cutting-edge technologies that support DX such as AI, the cloud, Big Data/analytics and security as well as IoT, which is a comprehensive technology. We are carefully reviewing our execution plans for measures affected by the spread of COVID-19 in Japan and overseas and are focusing closely on these trends that we regard as new changes.

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

Sales of the Systems Development business were virtually level with the previous fiscal year but sales in the System Operations and Infrastructure Development business and Product Sales business increased. Therefore, consolidated net sales amounted to ¥43,642 million, a 7.0% increase from the previous fiscal year. At the profit level, we achieved an increase in gross profit and worked to enhance the efficiency of selling, general and administrative expenses. As a result, operating profit increased 21.3% from the previous year to ¥4,948 million and ordinary profit also increased 10.8% year on year to ¥4,951 million. Loss attributable to owners of parent (hereafter, net loss) amounted to ¥612 million (profit attributable to owners of parent of ¥2,023 million in the previous fiscal year) due to the recording of extraordinary losses (loss on valuation of investment securities and an impairment loss, etc.).

As detailed above, although consolidated net sales exceeded the full-year forecast, and operating profit and ordinary profit exceeded the full-year forecast, net income fell short of the full-year forecast.

Regarding dividends for the fiscal year ended March 31, 2020, operating profit and ordinary profit exceeded our full-year earnings forecast while the net loss will not result in any cash outflow. Therefore, to enhance the redistribution of profits to shareholders, the Company will pay year-end cash dividends per share of ¥70.00 (ordinary cash dividends) and full-year cash dividends per share of ¥110.00 (consisting of ordinary cash dividends per share of ¥110.00).

Consolidated Business Results

(Millions of Yen)

| | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | |
|--|--------|--------|--------|--------|---|--------|
| | | | | | Most recent forecast figures (announced February 6, 2020) | Actual |
| Net sales | 39,155 | 39,142 | 39,410 | 40,793 | 41,700 | 43,642 |
| Operating profit | 3,736 | 4,180 | 4,175 | 4,078 | 4,500 | 4,948 |
| Ordinary profit | 3,850 | 4,211 | 4,762 | 4,469 | 4,600 | 4,951 |
| Profit (loss) attributable to owners of parent | 463 | 2,646 | 2,060 | 2,023 | 1,453 | (612) |

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

- **Systems Development**

The Systems Development business recorded an increase in sales to universities and service and other industries but posted a decrease in sales to manufacturing industries. As a result, net sales remained virtually level with the previous fiscal year at ¥22,104 million.

- **System Operations and Infrastructure Development**

Orders from companies and university-related orders both increased. As a result, net sales of the System Operations and Infrastructure Development business increased 6.1% from the previous fiscal year to ¥5,292 million.

- **Product Sales**

Device sales by Advanced Integration Technology, Inc. increased sharply and SRA and overseas subsidiaries also posted increases in device sales. As a result, net sales of the Product Sales business increased 18.6% from the previous fiscal year to ¥16,245 million.

(2) Summary of Financial Position

Total assets at the end of the fiscal year amounted to ¥34,934 million, a decrease of 5.2% from the end of the previous fiscal year. Total liabilities decreased 3.8% from the end of the previous fiscal year to ¥14,881 million and net assets decreased 6.2% to ¥20,052 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)

Notes and accounts receivable - trade increased ¥451 million to ¥7,406 million and accounts receivable - other increased ¥306 million to ¥3,121 million. On the other hand, investment securities decreased ¥2,115 million to ¥8,530 million and intangible assets decreased ¥1,171 million to ¥372 million due to an impairment loss on software.

(Total Liabilities)

Accounts payable - trade increased ¥366 million to ¥3,987 million. On the other hand, income taxes payable decreased ¥580 million to ¥548 million and accrued expenses decreased ¥223 million to ¥895 million.

(Total Net Assets)

Valuation difference on available-for-sale securities increased ¥639 million to ¥715 million. On the other hand, retained earnings decreased ¥1,969 million to ¥16,063 million.

(3) Summary of Cash Flows

Cash and cash equivalents on a consolidated basis at the end of the fiscal year increased ¥1,373 million compared with the previous fiscal year-end to ¥5,370 million. The status of cash flows and factors underlying changes in cash flows for the fiscal year are shown below.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥3,392 million compared with ¥4,361 million in the previous fiscal year.

This consisted mainly of such cash inflows as loss (gain) on valuation of investment securities of ¥3,958 million and impairment loss of ¥1,039 million, while cash outflows were primarily income taxes paid of ¥1,683 million.

Cash Flows from Investing Activities

Net cash used in investing amounted to ¥619 million compared with net cash used in investing activities of ¥4,953 million in the previous fiscal year. This consisted mainly of such inflows as ¥1,324 million in proceeds from withdrawal of time deposits, while outflows included ¥1,064 million for purchase of investment securities and ¥509 million for purchase of intangible assets.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥1,371 million compared with ¥2,405 million in the previous fiscal year. This was due mainly to such cash outflows as ¥1,357 million in dividends paid.

Cash Flow Indicators

| | FY2018 | FY2019 | FY2020 |
|--|--------|--------|---------|
| Shareholders' equity ratio (%) | 56.6 | 57.9 | 57.4 |
| Shareholders' equity ratio at market value (%) | 99.6 | 82.5 | 75.5 |
| Debt redemption years to cash flow (years) | 0.5 | — | 0.1 |
| Interest coverage ratio (times) | 67.0 | 206.0 | 1,018.0 |

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

- All indicators were calculated using consolidated financial figures.
- Market capitalization is calculated using the total number of shares outstanding at the end of the fiscal period excluding treasury stock.
- Cash flows from operating activities is used for cash flow.
- Interest-bearing debt includes all debt that pays interest as listed on the Consolidated Balance Sheets.

(4) Future Outlook

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 toward 1) achieving sustainable growth, 2) improving profitability and 3) further enhancing shareholder returns

Reference: Notice Concerning the Establishment of the Medium-Term Management Strategy (Announced on May 9, 2019)

https://www.sra-.co.jp/ir/manage_policy.html (Written in Japanese)

Since March 2020, the Japanese and overseas economies have been rapidly worsening due to the impact of COVID-19, and various industries beginning with manufacturing industries are facing extremely harsh conditions. Corporate profits have also been declining sharply because of the impact of COVID-19 and extremely harsh conditions are expected to continue in the future due to the effects of the global spread of COVID-19. There are concerns that the impact of COVID-19 will also further undermine the Japanese and overseas economies.

The SRA Group as well has a high proportion of business in manufacturing industries and thus recognizes that it will be affected by COVID-19 to a measurable extent in the future.

With regards to the outlook for consolidated results for the fiscal year ending March 31, 2021, we forecast net sales of ¥42,700 million, operating profit of ¥4,500 million, ordinary profit of ¥4,500 million and profit attributable to owners of parent of ¥3,150 million.

Regarding dividends for the fiscal year ending March 31, 2021, we plan to pay ordinary cash dividends per share of ¥110.00 (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 43.1%.

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.

Regarding the consolidated earnings forecast for the fiscal year ending March 31, 2021, the SRA Group cannot reasonably estimate when COVID-19 will end. Therefore it is difficult to calculate a highly accurate results forecast and our forecast is thus based on the assumed amount of impact at the present time. Our earnings forecast could change depending on the ending of COVID-19 in the future.

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, 2019 | As of March 31, 2020 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and deposits | 5,121 | 5,489 |
| Notes and accounts receivable - trade | 6,955 | 7,406 |
| Securities | 95 | 64 |
| Merchandise and finished goods | 1,103 | 1,176 |
| Work in process | 957 | 980 |
| Short-term loans receivable | 2,935 | 3,160 |
| Accounts receivable - other | 2,814 | 3,121 |
| Other | 622 | 649 |
| Allowance for doubtful accounts | (16) | (11) |
| Total current assets | 20,589 | 22,036 |
| Non-current assets: | | |
| Property, plant and equipment | | |
| Buildings | 432 | 405 |
| Accumulated depreciation | (289) | (280) |
| Buildings, net | 142 | 124 |
| Machinery, equipment and vehicles | 547 | 579 |
| Accumulated depreciation | (505) | (533) |
| Machinery, equipment and vehicles, net | 41 | 45 |
| Other | 164 | 163 |
| Accumulated depreciation | (101) | (116) |
| Other, net | 63 | 46 |
| Total property, plant and equipment | 247 | 217 |
| Intangible assets | | |
| Other | 1,543 | 372 |
| Total intangible assets | 1,543 | 372 |
| Investments and other assets | | |
| Investment securities | 10,645 | 8,530 |
| Long-term loans receivable | 1,144 | 852 |
| Deferred tax assets | 2,059 | 2,171 |
| Guarantee deposits | 383 | 410 |
| Retirement benefit asset | 47 | 50 |
| Other | 218 | 320 |
| Allowance for doubtful accounts | (9) | (8) |
| Allowance for investment loss | (17) | (18) |
| Total investments and other assets | 14,471 | 12,308 |
| Total non-current assets | 16,263 | 12,898 |
| Total assets | 36,852 | 34,934 |

(Millions of Yen)

| | As of March 31, 2019 | As of March 31, 2020 |
|--|----------------------|----------------------|
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable - trade | 3,621 | 3,987 |
| Short-term borrowings | 198 | 198 |
| Accrued expenses | 1,119 | 895 |
| Income taxes payable | 1,129 | 548 |
| Accrued consumption taxes | 537 | 629 |
| Advances received | 3,448 | 3,289 |
| Provision for bonuses | 565 | 546 |
| Provision for bonuses for directors and other officers | 75 | 23 |
| Provision for loss on construction contracts | 340 | 330 |
| Other | 313 | 148 |
| Total current liabilities | 11,349 | 10,599 |
| Non-current liabilities: | | |
| Deferred tax liabilities | 9 | 40 |
| Retirement benefit liability | 3,926 | 4,018 |
| Provision for retirement benefits for directors and other officers | 182 | 218 |
| Other | 10 | 5 |
| Total non-current liabilities | 4,128 | 4,282 |
| Total liabilities | 15,477 | 14,881 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Share capital | 1,000 | 1,000 |
| Capital surplus | 4,704 | 4,702 |
| Retained earnings | 18,033 | 16,063 |
| Treasury shares | (2,402) | (2,402) |
| Total shareholders' equity | 21,335 | 19,363 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 76 | 715 |
| Foreign currency translation adjustment | 219 | 218 |
| Remeasurements of defined benefit plans | (282) | (256) |
| Total accumulated other comprehensive income | 14 | 678 |
| Share acquisition rights | 25 | 10 |
| Total net assets | 21,375 | 20,052 |
| Total liabilities and net assets | 36,852 | 34,934 |

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

(Consolidated Statements of Income)

(Millions of Yen)

| | As of March 31, 2019 | As of March 31, 2020 |
|--|----------------------|----------------------|
| Net sales | 40,793 | 43,642 |
| Cost of sales | 31,707 | 34,053 |
| Gross profit | 9,086 | 9,588 |
| Selling, general and administrative expenses | 5,007 | 4,639 |
| Operating profit | 4,078 | 4,948 |
| Non-operating income | | |
| Interest income | 148 | 201 |
| Dividend income | 48 | 92 |
| Foreign exchange gains | 200 | — |
| Other | 46 | 54 |
| Total non-operating income | 444 | 348 |
| Non-operating expenses | | |
| Interest expenses | 22 | 6 |
| Foreign exchange losses | — | 176 |
| Stock transfer agency service fee | 15 | 15 |
| Share of loss of entities accounted for using equity method | — | 118 |
| Commission expenses | 7 | 13 |
| Other | 7 | 15 |
| Total non-operating expenses | 53 | 344 |
| Ordinary profit | 4,469 | 4,951 |
| Extraordinary income | | |
| Gain on sales of investment securities | 479 | 35 |
| Gain on reversal of loss on valuation of investment securities | 13 | 7 |
| Gain on reversal of share acquisition rights | 54 | 25 |
| Other | 1 | — |
| Total extraordinary income | 549 | 68 |
| Extraordinary losses | | |
| Impairment loss | — | 1,039 |
| Loss on valuation of investment securities | 542 | 3,958 |
| Provision of allowance for doubtful accounts | 406 | — |
| Other | 20 | 35 |
| Total extraordinary losses | 968 | 5,033 |
| Profit (loss) before income taxes | 4,050 | (13) |
| Income taxes-current | 1,646 | 970 |
| Income taxes-deferred | 379 | (370) |
| Total income taxes | 2,026 | 599 |
| Profit (loss) | 2,023 | (612) |
| Profit (loss) attributable to owners of parent | 2,023 | (612) |

(Consolidated Statements of Comprehensive Income)

(Millions of Yen)

| | As of March 31, 2019 | As of March 31, 2020 |
|---|----------------------|----------------------|
| Profit (loss) | 2,023 | (612) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (578) | 639 |
| Foreign currency translation adjustment | (155) | (1) |
| Remeasurements of defined benefit plans, net of tax | 37 | 25 |
| Share of other comprehensive income of entities accounted for using equity method | (70) | — |
| Total other comprehensive income | (766) | 664 |
| Comprehensive income | 1,257 | 51 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of parent | 1,257 | 51 |
| Comprehensive income attributable to non-controlling interests | — | — |

(3) Consolidated Statement of Changes in Equity

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

(Millions of Yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|-----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholder s' equity |
| Balance at beginning of period | 1,000 | 4,671 | 17,364 | (2,437) | 20,598 |
| Changes during period | | | | | |
| Dividends of surplus | | | (1,354) | | (1,354) |
| Profit (loss) 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 during period | – | 33 | 669 | 34 | 736 |
| Balance at end of 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 during period | | | | | | |
| Dividends of surplus | | | | – | | (1,354) |
| Profit (loss) 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 during period | (578) | (226) | 37 | (766) | (33) | (63) |
| Balance at end of period | 76 | 219 | (282) | 14 | 25 | 21,375 |

FY2020 (April 1, 2019-March 31, 2020)

(Millions of Yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 1,000 | 4,704 | 18,033 | (2,402) | 21,335 |
| Changes during period | | | | | |
| Dividends of surplus | | | (1,357) | | (1,357) |
| Profit (loss) attributable to owners of parent | | | (612) | | (612) |
| Disposal of treasury shares | | (1) | | | (1) |
| Net change of items other than shareholders' equity | | | | | — |
| Total changes during period | — | (1) | (1,969) | — | (1,971) |
| Balance at end of period | 1,000 | 4,702 | 16,063 | (2,402) | 19,363 |

| | 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 | 76 | 219 | (282) | 14 | 25 | 21,375 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | — | | (1,357) |
| Profit (loss) attributable to owners of parent | | | | — | | (612) |
| Disposal of treasury shares | | | | — | | (1) |
| Net change of items other than shareholders' equity | 639 | (1) | 25 | 664 | (14) | 649 |
| Total changes during period | 639 | (1) | 25 | 664 | (14) | (1,322) |
| Balance at end of period | 715 | 218 | (256) | 678 | 10 | 20,052 |

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

| | As of March 31, 2019 | As of March 31, 2020 |
|---|----------------------|----------------------|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | 4,050 | (13) |
| Depreciation | 512 | 466 |
| Impairment loss | — | 1,039 |
| Increase (decrease) in retirement benefit liability | (208) | 91 |
| Increase (decrease) in provision for retirement benefits for directors and other officers | 17 | 36 |
| Increase (decrease) in provision for bonuses | (0) | (18) |
| Increase (decrease) in provision for bonuses for directors and other officers | 25 | (52) |
| Increase (decrease) in allowance for doubtful accounts | 14 | (4) |
| Increase (decrease) in allowance for investment loss | (1) | 0 |
| Increase (decrease) in provision for loss on construction contracts | (440) | (9) |
| Increase (decrease) in provision for loss on litigation | (1,198) | — |
| Interest and dividend income | (197) | (293) |
| Interest expenses | 22 | 6 |
| Commission expenses | 7 | 13 |
| Foreign exchange losses (gains) | (200) | 176 |
| Share of loss (profit) of entities accounted for using equity method | (10) | 118 |
| Loss (gain) on valuation of investment securities | 542 | 3,958 |
| Loss (gain) on sales of investment securities | (479) | (35) |
| Loss on retirement of non-current assets | 2 | 34 |
| Decrease (increase) in trade receivables | 35 | (463) |
| Decrease (increase) in inventories | 207 | (90) |
| Increase (decrease) in trade payables | 625 | 377 |
| Decrease (increase) in other current assets | 1,409 | (174) |
| Increase (decrease) in other liabilities | 681 | (533) |
| Increase (decrease) in accrued consumption taxes | 31 | 92 |
| Other, net | (23) | 79 |
| Subtotal | 5,425 | 4,801 |
| Interest and dividends received | 163 | 278 |
| Interest paid | (21) | (3) |
| Income taxes paid | (1,206) | (1,683) |
| Net cash provided by operating activities | 4,361 | 3,392 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (60) | (64) |
| Purchase of intangible assets | (269) | (509) |
| Purchase of investment securities | (2,288) | (1,064) |

| | | |
|--|----------------|----------------|
| Proceeds from sales of investment securities | 110 | 86 |
| Purchase of shares of subsidiaries and associates | (92) | — |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (35) | — |
| Loan advances | (1,887) | (188) |
| Collection of loans receivable | 55 | 157 |
| Payments into time deposits | (531) | (312) |
| Proceeds from withdrawal of time deposits | 45 | 1,324 |
| Payments for guarantee deposits | (0) | (27) |
| Proceeds from refund of guarantee deposits | 0 | 0 |
| Other, net | (0) | (23) |
| Net cash used in investing activities | (4,953) | (619) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (1,109) | — |
| Proceeds from share issuance to non-controlling shareholders | 5 | — |
| Purchase of treasury shares | (0) | — |
| Dividends paid | (1,354) | (1,357) |
| Proceeds from exercise of employee share options | 58 | — |
| Commission expenses | (4) | (11) |
| Other, net | 0 | (2) |
| Net cash used in financing activities | (2,405) | (1,371) |
| Effect of exchange rate change on cash and cash equivalents | (23) | (27) |
| Net increase (decrease) in cash and cash equivalents | (3,021) | 1,373 |
| Cash and cash equivalents at beginning of period | 7,018 | 3,997 |
| Cash and cash equivalents at end of period | 3,997 | 5,370 |

(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

(Change in presentation method)

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

(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 | 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 | 512 |
| 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) The segment asset adjustment of ¥19,695 million includes intersegment eliminations of minus ¥295 million and company-wide assets of ¥19,990 million not apportioned to any reporting segment. Company-wide assets 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, 2019 to March 31, 2020)

(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 | 22,104 | 5,292 | 16,245 | 43,642 | — | 43,642 |
| (2) Intersegment sales or transfers | 11 | 239 | 147 | 398 | (398) | — |
| Total sales | 22,116 | 5,531 | 16,392 | 44,040 | (398) | 43,642 |
| Operating profit | 3,840 | 1,425 | 1,020 | 6,287 | (1,338) | 4,948 |
| Assets | 9,738 | 1,601 | 5,317 | 16,657 | 18,277 | 34,934 |
| Others | | | | | | |
| Depreciation | 48 | 9 | 407 | 465 | 0 | 466 |
| Increase of tangible and intangible assets | 69 | 21 | 458 | 548 | 1 | 550 |

Notes:

1. The adjustment amounts are as follows:

- (1) The segment income adjustment of minus ¥1,338 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) The segment asset adjustment of ¥18,277 million includes intersegment eliminations of minus ¥289 million and company-wide assets of ¥18,566 million not apportioned to any reporting segment. Company-wide assets 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, 2019 | | As of March 31, 2020 | |
|----------------------------|----------|----------------------------|----------|
| Net assets per share | 1,730.60 | Net assets per share | 1,624.61 |
| Earnings per share | 164.14 | Earnings per share | (49.68) |
| Diluted earnings per share | 164.08 | Diluted earnings per share | — |

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

| | As of March 31, 2019 | As of March 31, 2020 |
|--|---|---|
| Earnings per share | | |
| Profit (loss) attributable to owners of parent (million yen) | 2,023 | (612) |
| Amount not belonging to ordinary shareholders (million yen) | — | — |
| Profit (loss) attributable to owners of parent in relation to common stock (million yen) | 2,023 | (612) |
| Average number of shares during the fiscal year (1,000 shares) | 12,329 | 12,336 |
| 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) | 4 | — |
| (Including subscription rights to new shares (1,000 shares)) | (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 | The 17th subscription rights to shares 154,000 shares |

Note: Diluted earnings per share for the current consolidated fiscal year is omitted because a net loss per share was recorded.

(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, 2020 (April 1, 2019-March 31, 2020) | % change YoY |
|--|---|--------------|
| Systems Development (Millions of Yen) | 22,391 | 4.5 |
| System Operations and Infrastructure Development (Millions of Yen) | 5,273 | 5.9 |
| Total (Millions of Yen) | 27,664 | 4.8 |

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, 2020 (April 1, 2019-March 31, 2020) | % change YoY |
|---|---|--------------|
| Product Sales (Millions of Yen) | 9,487 | 18.2 |
| Total (Millions of Yen) | 9,487 | 18.2 |

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, 2020 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 | 22,186 | 4.1 | 4,103 | 2.0 |
| System Operations and Infrastructure Development | 5,512 | 10.0 | 2,432 | 10.0 |
| Product Sales | 16,481 | 16.9 | 4,223 | 5.9 |
| Total | 44,181 | 9.3 | 10,758 | 5.3 |

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, 2020 are as follows.

| Segment information by type of business | As of March 31, 2020 (April 1, 2019-March 31, 2020) | % change YoY |
|--|---|--------------|
| Systems Development (Millions of Yen) | 22,104 | (0.0) |
| System Operations and Infrastructure Development (Millions of Yen) | 5,292 | 6.1 |
| Product Sales (Millions of Yen) | 16,245 | 18.6 |
| Total (Millions of Yen) | 43,642 | 7.0 |

Notes:

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