

Summary of Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2021

Company name:	SRA Holdings, Inc. (URL: https://www.sra-hd.co.jp/)
Stock listing:	Tokyo Stock Exchange
Code number:	3817
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Scheduled date of submission of quarterly securities report:	August 6, 2020
Scheduled commencement of dividend payment:	—
Quarterly Results Supplemental Materials	Yes
Quarterly Results Presentation Meeting	No

1. Consolidated results for the first quarter of the fiscal year ending March 2021 (from April 1, 2020 to June 30, 2020)

(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 2021	9,750	(2.6)	935	13.5	961	42.4	254	376.1
First quarter of fiscal 2020	10,012	2.5	824	11.6	674	(32.1)	53	(89.3)

Note : Comprehensive Income

First quarter of fiscal 2020 ¥ 339 million (-%)

First quarter of fiscal 2019 ¥ (588) million (-%)

	Earnings per Share	Earnings per Share after Dilution
	Yen	Yen
First quarter of fiscal 2021	20.65	-
First quarter of fiscal 2020	4.34	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
First quarter of fiscal 2021	34,045	19,533	57.3
Fiscal 2020	34,934	20,052	57.4

Reference: Shareholders' equity

First quarter of fiscal 2021: ¥ 19,518 million

Fiscal 2020 : ¥ 20,042 million

2. Dividends

	Dividends per Share				
	End of First Quarter	End of Second Quarter	End of Third Quarter	Year-end	For the Year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2020	—	40.00	—	70.00	110.00
Fiscal 2021	—				
Fiscal 2021(forecast)		40.00	—	70.00	110.00

Note: Revision of dividend forecast in this quarter: No

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

(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
Fiscal 2021	42,700	(2.2)	4,500	(9.1)	4,500	(9.1)	3,150	-	255.34

Note: Revision of consolidated results forecast in this quarter: No

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) 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 2021: 15,240,000 shares

Fiscal 2020: 15,240,000 shares

2. Number of treasury stock

First quarter of fiscal 2021: 2,903,322shares

Fiscal 2020: 2,903,279shares

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

First quarter of fiscal 2021: 12,336,681 shares

First quarter of fiscal 2020: 12,336,721 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 and the System Operations and Infrastructure Development business increased, sales of the Products Sales businesses decreased. Therefore, consolidated net sales amounted to ¥9,750 million, a 2.6% decrease 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 such factors as a shift to high-profit businesses. Additionally, due to efforts to enhance the efficiency of selling expenses, selling, sales, general and administrative (SG&A) (sales administrative) expenses decreased year on year and operating profit increased 13.5% from the same period of the previous year to ¥935 million and ordinary profit also increased 42.4% year on year to ¥961 million. Profit attributable to owners of parent increased 376.1% from the same period of the previous fiscal year to ¥254 million despite 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 an increase in sales to service industries although sales in manufacturing industries decreased. As a result, net sales increased slightly year on year to ¥4,713 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 2.1% from the same period in the previous fiscal year to ¥1,309 million.

3) Product Sales

SRA and overseas subsidiaries posted decreases in device sales. As a result, net sales of the Product Sales business decreased 7.2% from the same period in the previous fiscal year to ¥3,727 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 2021 (year ending March 31, 2021) as a “year for business development” and will leverage our achievements in the previous fiscal year to further 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 ¥34,045 million, a decrease of 2.5% from the end of the previous fiscal year. Total liabilities decreased 2.5% from the end of the previous fiscal year to ¥14,512 million and net assets decreased 2.6% to ¥19,533 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.

(Assets)

Cash and deposits increased ¥530 million to ¥6,020 million and work in process increased ¥402 million to ¥1,382 million. On the other hand, notes and accounts receivable - trade decreased ¥1,233 million to ¥6,173 million due to the collection of trade receivables and investment securities decreased ¥539 million to ¥7,991 million due to such factors as changes in market prices.

(Liabilities)

Advances received increased ¥389 million to ¥3,679 million and provision for bonuses increased ¥372 million to ¥919 million. On the other hand, in the new fiscal year the cancellation of accrued accounts proceeded, beginning with a ¥608 million decrease in accounts payable - trade due to the progress of payments and a ¥318 million decrease in income taxes payable owing to the payment of income taxes, and total liabilities decreased ¥369 million to ¥14,512 million.

(Net Assets)

Profit amounted to ¥254 million while on the other hand dividends paid amounted to ¥863 million. As a result, retained earnings decreased ¥608 million to ¥15,455 million. Due mainly to these factors, total net assets decreased ¥519 million to ¥19,533 million.

(3) Explanation Concerning Consolidated Results Forecast and Other Future Projections

No revision has been made to forecasts in the Summary of Consolidated Financial Results for the Year Ending March 31, 2020 released on May 27, 2020.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2020	As of June 30, 2020
ASSETS		
Current assets:		
Cash and deposits	5,489	6,020
Notes and accounts receivable - trade	7,406	6,173
Securities	64	229
Merchandise and finished goods	1,176	868
Work in process	980	1,382
Short-term loans receivable	3,160	3,025
Accounts receivable – other	3,121	3,154
Other	649	616
Allowance for doubtful accounts	(11)	(6)
Total current assets	22,036	21,465
Non-current assets:		
Property, plant and equipment		
Buildings	405	409
Accumulated depreciation	(280)	(283)
Buildings, net	124	126
Machinery, equipment and vehicles	579	580
Accumulated depreciation	(533)	(536)
Machinery, equipment and vehicles, net	45	43
Other	163	165
Accumulated depreciation	(116)	(116)
Other, net	46	49
Total property, plant and equipment	217	219
Intangible assets		
Other	372	380
Total intangible assets	372	380
Investments and other assets		
Investment securities	8,530	7,991
Long-term loans receivable	852	1,094
Deferred tax assets	2,171	2,151
Guarantee deposits	410	402
Retirement benefit asset	50	50
Other	320	316
Allowance for doubtful accounts	(8)	(8)
Allowance for investment loss	(18)	(17)

Total investments and other assets	12,308	11,979
Total non-current assets	12,898	12,579
Total assets	34,934	34,045

(Millions of Yen)

	As of March 31, 2020	As of June 30, 2020
LIABILITIES		
Current liabilities:		
Accounts payable – trade	3,987	3,379
Short-term borrowings	198	198
Accrued expenses	895	788
Income taxes payable	548	229
Accrued consumption taxes	629	411
Advances received	3,289	3,679
Provision for bonuses	546	919
Provision for bonuses for directors and other officers	23	40
Provision for loss on construction contracts	330	332
Other	148	245
Total current liabilities	10,599	10,223
Non-current liabilities:		
Deferred tax liabilities	40	4
Retirement benefit liability	4,018	4,060
Provision for retirement benefits for directors and other officers	218	218
Other	5	5
Total non-current liabilities	4,282	4,289
Total liabilities	14,881	14,512
NET ASSETS		
Shareholders' equity		
Share capital	1,000	1,000
Capital surplus	4,702	4,702
Retained earnings	16,063	15,455
Treasury shares	(2,402)	(2,402)
Total shareholders' equity	19,363	18,775
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	715	790
Foreign currency translation adjustment	218	212
Remeasurements of defined benefit plans	(256)	(239)
Total accumulated other comprehensive income	678	763
Share acquisition rights	10	14
Total net assets	20,052	19,533
Total liabilities and net assets	34,934	34,045

(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, 2019	Three months ended June 30, 2020
Net sales	10,012	9,750
Cost of sales	7,928	7,621
Gross profit	2,084	2,129
Selling, general and administrative expenses	1,259	1,193
Operating profit	824	935
Non-operating income		
Interest income	44	51
Dividend income	33	25
Compensation income	-	30
Other	14	5
Total non-operating income	92	113
Non-operating expenses		
Interest expenses	12	0
Foreign exchange losses	222	66
Stock transfer agency service fee	2	3
Share of loss of entities accounted for using equity method	-	11
Other	4	6
Total non-operating expenses	242	88
Ordinary profit	674	961
Extraordinary income		
Gain on sales of investment securities	14	29
Gain on reversal of share acquisition rights	25	-
Other	-	0
Total extraordinary income	39	30
Extraordinary losses		
Loss on valuation of investment securities	383	554
Other	0	4
Total extraordinary losses	384	559
Profit before income taxes	330	431
Income taxes-current	420	237
Income taxes-deferred	(143)	(60)
Total income taxes	276	177

Profit	53	254
Profit attributable to owners of parent	53	254

(Quarterly Consolidated Statements of Comprehensive Income)

(Consolidated Cumulative Total for First Quarter)

(Millions of Yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit	53	254
Other comprehensive income		
Valuation difference on available-for-sale securities	(770)	74
Foreign currency translation adjustment	112	(6)
Remeasurements of defined benefit plans, net of tax	16	16
Total other comprehensive income	(641)	85
Comprehensive income	(588)	339
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(588)	339
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, 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* ¹	Amount recorded on the quarterly consolidated statements of income* ²
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

II. Consolidated cumulative total for first quarter of the fiscal year under review (April 1, 2020 to June 30, 2020)

1. Information concerning net sales and income or losses for each reporting segment

(Millions of Yen)

	Systems Development	System Operations and Infrastructure Development	Product Sales	Total	Adjustment amount* ¹	Amount recorded on the quarterly consolidated statements of income* ²
Sales						
(1) Sales to Customers	4,713	1,309	3,727	9,750	—	9,750
(2) Intersegment sales or transfers	11	58	21	91	(91)	—
Total sales	4,724	1,368	3,749	9,841	(91)	9,750
Segment income	635	352	340	1,328	(392)	935

Notes:

- The segment income adjustment of minus ¥392 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.
- 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, 2020	% change YoY
Systems Development (Millions of Yen)	4,918	(4.4)
System Operations and Infrastructure Development (Millions of Yen)	1,358	4.6
Total (Millions of Yen)	6,276	(2.6)

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, 2020	% change YoY
Product Sales (Millions of Yen)	1,890	(13.8)
Total (Millions of Yen)	1,890	(13.8)

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	5,365	(2.7)	4,754	(1.5)
System Operations and Infrastructure Development	605	(23.2)	1,728	0.6
Product Sales	3,106	(10.6)	3,601	4.6
Total	9,076	(7.2)	10,084	1.0

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, 2020	% change YoY
Systems Development (Millions of Yen)	4,713	0.0
System Operations and Infrastructure Development (Millions of Yen)	1,309	2.1
Product Sales (Millions of Yen)	3,727	(7.2)
Total (Millions of Yen)	9,750	(2.6)

Notes:

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