

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

<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
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<b>Scheduled date of submission of quarterly securities report:</b>	November 6, 2020
<b>Scheduled commencement of dividend payment:</b>	November 30, 2020
<b>Quarterly Results Supplemental Materials</b>	Yes
<b>Quarterly Results Presentation Meeting</b>	Yes (for institutional investors) *Held online<Zoom>

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

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

(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	%
Second quarter of fiscal 2021	19,155	(6.1)	2,169	4.8	2,137	9.2	1,041	-
Second quarter of fiscal 2020	20,402	2.2	2,069	19.8	1,957	(8.5)	(1,131)	-

Note : Comprehensive Income

Second quarter of fiscal 2021 ¥1,439million (-%)

Second quarter of fiscal 2020 ¥(716)million (-%)

	Net Profit per Share	Net Profit per Share after Dilution
	Yen	Yen
Second quarter of fiscal 2021	84.42	-
Second quarter of fiscal 2020	(91.69)	-

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
Second quarter of fiscal 2021	34,484	20,638	59.8
Fiscal 2020	34,934	20,052	57.4

Reference: Shareholders' equity

Second quarter of fiscal 2021 : ¥20,617million

Fiscal 2020 : ¥20,042million

## 2. Dividends

	Dividend 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	—	40.00			
Fiscal 2021(forecast)			—	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)

(% of change from FY 2020)

	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
FY2021	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

## 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)
 

Second quarter of fiscal 2021:	15,240,000 shares
Fiscal 2020:	15,240,000 shares
  2. Number of treasury stock
 

Second quarter of fiscal 2021:	2,903,322 shares
Fiscal 2020:	2,903,279 shares
  3. Average number of shares over period (consolidated total for quarter)
 

Second quarter of fiscal 2021:	12,336,680 shares
Second 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. As of the date when this earning release was issued, the review process on quarterly financial statements as required by the Financial Instruments and Exchange Act had been finished.

### \*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 Second-Quarter Consolidated Business Results**

### **(1) Explanation Concerning Business Results**

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

Despite the limited impact of COVID-19, even though sales of the System Operations and Infrastructure Development business increased, sales of the Systems Development and sales of the Products Sales businesses decreased. Therefore, consolidated net sales amounted to ¥19,155 million, a 6.1% decrease from the same period of the previous fiscal year. At the profit level, gross profit remained virtually flat while the gross profit margin improved. Additionally, due to efforts to enhance the efficiency of selling, sales, general and administrative (SG&A) (sales administrative) expenses, operating profit increased 4.8% from the same period of the previous year to ¥2,169 million. Ordinary profit increased 9.2% year on year to ¥2,137 million and profit attributable to owners of parent increased to ¥1,041 million despite the recording of extraordinary losses (loss on valuation of investment securities), as both these profit categories also achieved increases.

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

### **1) Systems Development**

The Systems Development business recorded a decrease in sales in manufacturing industries although sales to service industries increased. As a result, net sales decreased 2.2% year on year to ¥9,907 million.

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

Orders from companies increased. As a result, net sales of the System Operations and Infrastructure Development business increased 3.2% from the same period in the previous fiscal year to ¥2,692 million.

### **3) Product Sales**

Despite an increase in device sales by overseas subsidiaries, device sales by Advanced Integration Technology, Inc. and SRA decreased. As a result, net sales of the Product Sales business decreased 14.4% from the same period in the previous fiscal year to ¥6,555 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 second quarter amounted to ¥34,484 million, a decrease of 1.3% from the end of the previous fiscal year. Total liabilities decreased 7.0% from the end of the previous fiscal year to ¥13,846 million and net assets increased 2.9% to ¥20,638 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 ¥2,008 million to ¥7,497 million and work in process increased ¥373 million to ¥1,353 million. On the other hand, notes and accounts receivable - trade decreased ¥1,734 million to ¥5,672 million due to the collection of trade receivables and accounts receivable - other decreased ¥562 million to ¥2,559 million.

### **(Liabilities)**

Advances received increased ¥281 million to ¥3,571 million. On the other hand, accounts payable – trade decreased ¥906 million to ¥3,081 million and accrued expenses decreased ¥330 million to ¥564 million

### **(Net Assets)**

Valuation difference on available-for-sale securities increased ¥323 million to ¥1,039 million due to changes in the market prices of investment securities and retained earnings increased ¥177 million to ¥16,241 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. In the future, we will quickly disclose relevant information if there is a need to revise the forecast of financial results.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2020	As of September 30, 2020
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	5,489	7,497
Notes and accounts receivable - trade	7,406	5,672
Securities	64	138
Merchandise and finished goods	1,176	1,013
Work in process	980	1,353
Short-term loans receivable	3,160	3,221
Accounts receivable – other	3,121	2,559
Other	649	645
Allowance for doubtful accounts	(11)	(6)
<b>Total current assets</b>	<b>22,036</b>	<b>22,095</b>
<b>Non-current assets:</b>		
Property, plant and equipment		
Buildings	405	409
Accumulated depreciation	(280)	(287)
Buildings, net	124	122
Machinery, equipment and vehicles	579	498
Accumulated depreciation	(533)	(456)
Machinery, equipment and vehicles, net	45	41
Other	163	155
Accumulated depreciation	(116)	(109)
Other, net	46	46
<b>Total property, plant and equipment</b>	<b>217</b>	<b>210</b>
Intangible assets		
Other	372	346
<b>Total intangible assets</b>	<b>372</b>	<b>346</b>
Investments and other assets		
Investment securities	8,530	8,397
Long-term loans receivable	852	868
Deferred tax assets	2,171	1,826
Guarantee deposits	410	402
Retirement benefit asset	50	51
Other	320	312
Allowance for doubtful accounts	(8)	(8)
Allowance for investment loss	(18)	(17)

Total investments and other assets	12,308	11,832
Total non-current assets	12,898	12,388
<b>Total assets</b>	<b>34,934</b>	<b>34,484</b>

(Millions of Yen)

	As of March 31, 2020	As of September 30, 2020
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable – trade	3,987	3,081
Short-term borrowings	198	195
Accrued expenses	895	564
Income taxes payable	548	453
Accrued consumption taxes	629	442
Advances received	3,289	3,571
Provision for bonuses	546	681
Provision for bonuses for directors and other officers	23	89
Provision for loss on construction contracts	330	330
Other	148	135
Total current liabilities	10,599	9,546
<b>Non-current liabilities:</b>		
Deferred tax liabilities	40	25
Retirement benefit liability	4,018	4,044
Provision for retirement benefits for directors and other officers	218	225
Other	5	4
Total non-current liabilities	4,282	4,299
<b>Total liabilities</b>	<b>14,881</b>	<b>13,846</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Share capital	1,000	1,000
Capital surplus	4,702	4,702
Retained earnings	16,063	16,241
Treasury shares	(2,402)	(2,402)
Total shareholders' equity	19,363	19,541
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	715	1,039
Foreign currency translation adjustment	218	259
Remeasurements of defined benefit plans	(256)	(222)
Total accumulated other comprehensive income	678	1,075
<b>Share acquisition rights</b>	10	20
<b>Total net assets</b>	<b>20,052</b>	<b>20,638</b>
<b>Total liabilities and net assets</b>	<b>34,934</b>	<b>34,484</b>

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income  
 (Quarterly Consolidated Statements of Income)  
 (Consolidated Cumulative Total for Second Quarter)

(Millions of Yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
<b>Net sales</b>	20,402	19,155
<b>Cost of sales</b>	15,918	14,687
Gross profit	4,483	4,468
<b>Selling, general and administrative expenses</b>	2,414	2,299
Operating profit	2,069	2,169
<b>Non-operating income</b>		
Interest income	90	87
Dividend income	46	60
Compensation income	—	30
Other	17	11
Total non-operating income	154	189
<b>Non-operating expenses</b>		
Interest expenses	23	1
Foreign exchange losses	225	189
Stock transfer agency service fee	8	9
Share of loss of entities accounted for using equity method	—	3
Other	8	17
Total non-operating expenses	266	221
<b>Ordinary profit</b>	1,957	2,137
<b>Extraordinary income</b>		
Gain on sales of investment securities	14	96
Gain on reversal of share acquisition rights	25	0
Other	—	0
Total extraordinary income	39	97
<b>Extraordinary losses</b>		
Loss on valuation of investment securities	3,344	567
Other	0	4
Total extraordinary losses	3,345	571
<b>Profit (loss) before income taxes</b>	(1,348)	1,663
Income taxes-current	455	455
Income taxes-deferred	(671)	166
Total income taxes	(216)	622



<b>Profit (loss)</b>	(1,131)	1,041
<b>Profit (loss) attributable to owners of parent</b>	(1,131)	1,041

(Quarterly Consolidated Statements of Comprehensive Income)

(Consolidated Cumulative Total for Second Quarter)

(Millions of Yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit (loss)	(1,131)	1,041
Other comprehensive income		
Valuation difference on available-for-sale securities	385	323
Foreign currency translation adjustment	(2)	40
Remeasurements of defined benefit plans, net of tax	32	33
Total other comprehensive income	415	397
Comprehensive income	(716)	1,439
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(716)	1,439
Comprehensive income attributable to non-controlling interests	—	—

## (3) Quarterly Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	(1,348)	1,663
Depreciation	293	63
Increase (decrease) in retirement benefit liability	46	26
Increase (decrease) in provision for retirement benefits for directors and other officers	17	6
Increase (decrease) in provision for bonuses	176	134
Increase (decrease) in provision for bonuses for directors and other officers	18	66
Increase (decrease) in allowance for doubtful accounts	(1)	(4)
Increase (decrease) in allowance for investment loss	0	(0)
Increase (decrease) in provision for loss on construction contracts	(9)	—
Interest and dividend income	(136)	(148)
Interest expenses	23	1
Commission expenses	7	6
Foreign exchange losses (gains)	225	189
Share of loss (profit) of entities accounted for using equity method	(7)	3
Loss (gain) on valuation of investment securities	3,344	567
Loss (gain) on sales of investment securities	(14)	(96)
Loss on retirement of non-current assets	0	4
Decrease (increase) in trade receivables	868	1,720
Decrease (increase) in inventories	(22)	(266)
Increase (decrease) in trade payables	(305)	(896)
Decrease (increase) in other current assets	43	227
Increase (decrease) in other liabilities	(865)	(41)
Increase (decrease) in accrued consumption taxes	(158)	(187)
Other, net	(11)	(56)
Subtotal	2,184	2,982
Interest and dividends received	150	144
Interest paid	(23)	(10)
Income taxes paid	(1,462)	(155)
Net cash provided by operating activities	849	2,960
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(62)	(28)

Proceeds from sales of property, plant and equipment	—	0
Purchase of intangible assets	(279)	(48)
Purchase of investment securities	(1,029)	(291)
Proceeds from sales of investment securities	29	423
Loan advances	(181)	(61)
Proceeds from collection of loans receivable	156	28
Payments into time deposits	(200)	(0)
Payments of guarantee deposits	(3)	(0)
Proceeds from refund of guarantee deposits	0	—
Other, net	(0)	6
<b>Net cash provided by (used in) investing activities</b>	<b>(1,569)</b>	<b>27</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	500	—
Purchase of treasury shares	—	(0)
Dividends paid	(863)	(863)
Commissions paid	(5)	(5)
Other, net	(1)	(1)
<b>Net cash used in financing activities</b>	<b>(370)</b>	<b>(869)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(36)</b>	<b>(33)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,126)</b>	<b>2,084</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3,997</b>	<b>5,370</b>
<b>Cash and cash equivalents at end of period</b>	<b>2,870</b>	<b>7,454</b>

(4) Notes Concerning Consolidated Financial Statements for the Second 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 second quarter of the previous fiscal year (April 1, 2019 to September 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	10,131	2,608	7,662	20,402	—	20,402
(2) Intersegment sales or transfers	4	117	87	209	(209)	—
Total sales	10,135	2,725	7,749	20,611	(209)	20,402
Segment income	1,654	663	498	2,815	(746)	2,069

Notes:

- The segment income adjustment of minus ¥746 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

II. Consolidated cumulative total for second quarter of the fiscal year under review (April 1, 2020 to September 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* <sup>1</sup>	Amount recorded on the quarterly consolidated statements of income* <sup>2</sup>
Sales						
(1) Sales to Customers	9,907	2,692	6,555	19,155	—	19,155
(2) Intersegment sales or transfers	18	121	47	187	(187)	—
Total sales	9,926	2,813	6,602	19,342	(187)	19,155
Segment income	1,524	765	648	2,937	(768)	2,169

Notes:

- The segment income adjustment of minus ¥768 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 second quarter of the fiscal year under review is as follows.

Segment information by type of business	Six months ended September 30, 2020	% change YoY
Systems Development (Millions of Yen)	10,118	(4.4)
System Operations and Infrastructure Development (Millions of Yen)	2,741	4.9
Total (Millions of Yen)	12,860	(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 second quarter of the fiscal year under review are as follows.

Segment information by type of business	Six months ended September 30, 2020	% change YoY
Product Sales (Millions of Yen)	3,333	(14.3)
Total (Millions of Yen)	3,333	(14.3)

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 second 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	10,714	(3.7)	4,910	(2.1)
System Operations and Infrastructure Development	2,090	(7.0)	1,829	(1.1)
Product Sales	6,205	(10.0)	3,873	20.4
Total	19,010	(6.2)	10,613	5.3

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 second quarter of the fiscal year under review are as follows.

Segment information by type of business	Six months ended September 30, 2020	% change YoY
Systems Development (Millions of Yen)	9,907	(2.2)
System Operations and Infrastructure Development (Millions of Yen)	2,692	3.2
Product Sales (Millions of Yen)	6,555	(14.4)
Total (Millions of Yen)	19,155	(6.1)

Notes:

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