

Summary of Consolidated Financial Results for the Third 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:	February 5, 2021
Scheduled commencement of dividend payment:	-
Quarterly Results Supplemental Materials	Yes
Quarterly Results Presentation Meeting	No

1. Consolidated results for the Third quarter of the fiscal year ending March 2021 (from April 1, 2020 to December 31, 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	%
Third quarter of fiscal 2021	28,535	(8.0)	3,277	3.7	3,206	(3.3)	1,930	-
Third quarter of fiscal 2020	31,006	3.9	3,161	15.4	3,316	7.9	(1,321)	-

Note : Comprehensive Income

Third quarter of fiscal 2021 ¥2,887million(-%)

Third quarter of fiscal 2020 ¥(752)million(-%)

	Net Profit per Share	Net Profit per Share after Dilution
	Yen	Yen
Third quarter of fiscal 2021	156.45	-
Third quarter of fiscal 2020	(107.15)	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
Third quarter of fiscal 2021	35,875	21,603	60.1
Fiscal2020	34,934	20,052	57.4

Reference: Shareholders' equity

Third quarter of fiscal 2021 : ¥21,573million

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

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)

Third quarter of fiscal 2021: 15,240,000 shares

Fiscal 2020: 15,240,000 shares

2. Number of treasury stock

Third 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)

Third quarter of fiscal 2021: 12,336,679 shares

Third 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 Third-Quarter Consolidated Business Results

(1) Explanation Concerning Business Results

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

Although sales of the System Operations and Infrastructure Development business increased, sales of the Systems Development and sales of the Products Sales businesses decreased due to the impact of COVID-19. Therefore, consolidated net sales amounted to ¥28,535 million, an 8.0% decrease from the same period of the previous fiscal year. At the profit level, although the gross profit remained flat, as a result of efforts to enhance the efficiency of selling, sales, general and administrative (SG&A) (sales administrative) expenses, operating profit increased 3.7% from the same period of the previous year to ¥3,277 million. Ordinary profit decreased 3.3% year on year to ¥3,206 million due to the recording of foreign exchange losses.

Profit attributable to owners of parent increased to ¥1,930 million due to a decrease in loss on valuation of investment securities and because no impairment losses on property, plant and equipment were recorded during the fiscal period.

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

1) Systems Development

The Systems Development business recorded a decrease in sales in manufacturing industries despite such factors as an increase in sales to financial industry and service industries. As a result, net sales decreased 3.7% year on year to ¥14,819 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 3.7% from the same period in the previous fiscal year to ¥4,010 million.

3) Product Sales

Device sales by Advanced Integration Technology, Inc. and SRA decreased. As a result, net sales of the Product Sales business decreased 17.4% from the same period in the previous fiscal year to ¥9,705 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 third quarter amounted to ¥35,875 million, an increase of 2.7% from the end of the previous fiscal year. Total liabilities decreased 4.1% from the end of the previous fiscal year to ¥14,272 million and net assets increased 7.7% to ¥21,603 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 ¥2,386 million to ¥7,876 million, investment securities increased ¥800 million to ¥9,330 million and work in process increased ¥482 million to ¥1,462 million. On the other hand, notes and accounts receivable – trade decreased ¥1,517 million to ¥5,889 million due to the collection of trade receivables and accounts receivable – other decreased ¥576 million to ¥2,544 million.

(Liabilities)

Advances received increased ¥157 million to ¥3,447 million. On the other hand, accounts payable – trade decreased ¥891 million to ¥3,096 million and accrued expenses decreased ¥158 million to ¥736 million.

(Net Assets)

Valuation difference on available-for-sale securities increased ¥744 million to ¥1,460 million due to changes in the market prices of investment securities and retained earnings increased ¥572 million to ¥16,636 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 December 31, 2020
ASSETS		
Current assets:		
Cash and deposits	5,489	7,876
Notes and accounts receivable – trade	7,406	5,889
Securities	64	138
Merchandise and finished goods	1,176	934
Work in process	980	1,462
Short-term loans receivable	3,160	3,116
Accounts receivable – other	3,121	2,544
Other	649	860
Allowance for doubtful accounts	(11)	(10)
Total current assets	22,036	22,812
Non-current assets:		
Property, plant and equipment		
Buildings	405	408
Accumulated depreciation	(280)	(291)
Buildings, net	124	117
Machinery, equipment and vehicles	579	497
Accumulated depreciation	(533)	(458)
Machinery, equipment and vehicles, net	45	38
Other	163	155
Accumulated depreciation	(116)	(111)
Other, net	46	43
Total property, plant and equipment	217	199
Intangible assets		
Other	372	364
Total intangible assets	372	364
Investments and other assets		
Investment securities	8,530	9,330
Long-term loans receivable	852	868
Deferred tax assets	2,171	1,559
Guarantee deposits	410	402
Retirement benefit asset	50	52
Other	320	308
Allowance for doubtful accounts	(8)	(6)
Allowance for investment loss	(18)	(18)

Total investments and other assets	12,308	12,498
Total non-current assets	12,898	13,062
Total assets	34,934	35,875

(Millions of Yen)

	As of March 31, 2020	As of December 31, 2020
LIABILITIES		
Current liabilities:		
Accounts payable – trade	3,987	3,096
Short-term borrowings	198	193
Accrued expenses	895	736
Income taxes payable	548	498
Accrued consumption taxes	629	619
Advances received	3,289	3,447
Provision for bonuses	546	526
Provision for bonuses for directors and other officers	23	134
Provision for loss on construction contracts	330	330
Other	148	375
Total current liabilities	10,599	9,959
Non-current liabilities:		
Deferred tax liabilities	40	33
Retirement benefit liability	4,018	4,041
Provision for retirement benefits for directors and other officers	218	233
Other	5	4
Total non-current liabilities	4,282	4,312
Total liabilities	14,881	14,272
NET ASSETS		
Shareholders' equity		
Share capital	1,000	1,000
Capital surplus	4,702	4,702
Retained earnings	16,063	16,636
Treasury shares	(2,402)	(2,402)
Total shareholders' equity	19,363	19,936
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	715	1,460
Foreign currency translation adjustment	218	382
Remeasurements of defined benefit plans	(256)	(206)
Total accumulated other comprehensive income	678	1,636
Share acquisition rights	10	29
Total net assets	20,052	21,603
Total liabilities and net assets	34,934	35,875

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

(Millions of Yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales	31,006	28,535
Cost of sales	24,249	21,806
Gross profit	6,756	6,728
Selling, general and administrative expenses	3,594	3,451
Operating profit	3,161	3,277
Non-operating income		
Interest income	141	131
Dividend income	77	116
Compensation income	—	30
Other	48	20
Total non-operating income	268	299
Non-operating expenses		
Interest expenses	5	3
Foreign exchange losses	83	337
Stock transfer agency service fee	13	13
Other	11	15
Total non-operating expenses	112	370
Ordinary profit	3,316	3,206
Extraordinary income		
Gain on sales of investment securities	16	107
Gain on reversal of share acquisition rights	25	0
Other	7	2
Total extraordinary income	49	109
Extraordinary losses		
Impairment losses	1,046	—
Loss on valuation of investment securities	3,368	289
Other	0	5
Total extraordinary losses	4,415	294
Profit (loss) before income taxes	(1,049)	3,020
Income taxes-current	647	841
Income taxes-deferred	(375)	249
Total income taxes	272	1,090

Profit (loss)	(1,321)	1,930
Profit (loss) attributable to owners of parent	(1,321)	1,930

(Quarterly Consolidated Statements of Comprehensive Income)

(Consolidated Cumulative Total for Third Quarter)

(Millions of Yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Profit (loss)	(1,321)	1,930
Other comprehensive income		
Valuation difference on available-for-sale securities	619	744
Foreign currency translation adjustment	(98)	163
Remeasurements of defined benefit plans, net of tax	48	49
Total other comprehensive income	569	957
Comprehensive income	(752)	2,887
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(752)	2,887
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes Concerning Consolidated Financial Statements for the Third 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 third quarter of the previous fiscal year (April 1, 2019 to December 31, 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	15,389	3,866	11,750	31,006	—	31,006
(2) Intersegment sales or transfers	5	179	116	301	(301)	—
Total sales	15,395	4,045	11,866	31,308	(301)	31,006
Segment income	2,609	985	699	4,294	(1,133)	3,161

Notes:

1. The segment income adjustment of minus ¥1,133 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 profit on the quarterly consolidated statements of income.

2. Information concerning impairment loss on fixed assets or goodwill for each reporting segment

In the Product Sales segment, we carried out impairment accounting for software assets by reevaluating the asset value of a U.S. subsidiary and as a result we recorded a ¥1,046 million impairment loss on fixed assets.

II. Consolidated cumulative total for third quarter of the fiscal year under review (April 1, 2020 to December 31, 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	14,819	4,010	9,705	28,535	—	28,535
(2) Intersegment sales or transfers	33	177	69	281	(281)	—
Total sales	14,852	4,188	9,775	28,816	(281)	28,535
Segment income	2,363	1,127	940	4,431	(1,153)	3,277

Notes:

1. The segment income adjustment of minus ¥1,153 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 profit 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 third quarter of the fiscal year under review is as follows.

Segment information by type of business	Nine months ended December 31, 2020	% change YoY
Systems Development (Millions of Yen)	15,139	(6.9)
System Operations and Infrastructure Development (Millions of Yen)	4,115	5.0
Total (Millions of Yen)	19,255	(4.6)

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

Segment information by type of business	Nine months ended December 31, 2020	% change YoY
Product Sales (Millions of Yen)	4,773	(27.6)
Total (Millions of Yen)	4,773	(27.6)

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 third 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	15,314	(7.3)	4,598	(10.8)
System Operations and Infrastructure Development	2,868	(6.7)	1,289	(9.2)
Product Sales	9,224	(24.5)	3,741	(16.1)
Total	27,406	(13.9)	9,629	(12.7)

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

Segment information by type of business	Nine months ended December 31, 2020	% change YoY
Systems Development (Millions of Yen)	14,819	(3.7)
System Operations and Infrastructure Development (Millions of Yen)	4,010	3.7
Product Sales (Millions of Yen)	9,705	(17.4)
Total (Millions of Yen)	28,535	(8.0)

Notes:

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