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Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2022 (Japanese Accounting Standards)

February 7, 2022

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 Stock code: 6088 URL: <https://www.sigmaxyz.com/>
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 Scheduled date of quarterly securities report filing: February 9, 2022
 Scheduled date of dividend payment: -
 Preparation of supplementary materials on quarterly financial results: Yes
 Schedule of quarterly financial results presentation meeting: None

(Amounts of less than ¥1 million are rounded down)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

(1) Consolidated Operating Results (Cumulative)

(% figures indicate year-on-year changes)

	Revenue		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2021	11,303	10.4	2,084	78.4	2,080	71.6	1,269	70.7
December 31, 2020	10,241	(13.3)	1,168	(28.5)	1,212	(24.3)	743	(21.0)

Note: Comprehensive Income Nine months ended December 31, 2021: ¥1,269 million [70.7%]
 Nine months ended December 31, 2020: ¥743 million [(21.0)%]

	Profit per Share	Profit per Share (Diluted)
Nine months ended	Yen	Yen
December 31, 2021	60.62	—
December 31, 2020	38.81	38.76

Note: Profit per share (diluted) for the nine months ended December 31, 2021 is not stated because there are no dilutive shares.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2021	13,052	9,636	73.8	456.95
March 31, 2021	10,283	5,462	53.1	287.61

Reference: Equity As of December 31, 2021: ¥9,636 million
 As of March 31, 2021: ¥5,462 million

2. Dividends

	Annual Dividend				
	First Quarter-End	Second Quarter-End	Third Quarter-End	Fiscal Year-End	Total
Fiscal year ended March 31, 2021	—	0.00	—	22.00	22.00
Fiscal year ending March 31, 2022	—	0.00	—		
Fiscal year ending March 31, 2022 (Forecast)				26.00	26.00

Note: Revisions to the most recently announced dividend forecast: Yes

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(% figures indicate year-on-year changes)

	Revenue		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Profit per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2022	16,000	14.1	2,700	54.5	2,700	50.2	1,650	36.4	78.65

Note: 1. Revisions to the most recently announced earnings forecasts: Yes
 2. For details on the consolidated earnings forecasts, please refer to the “Notice Concerning Revisions to Earnings and Dividend Forecasts” announced on February 7, 2022 (Japanese Only).

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries affecting the scope of consolidation):
None

(2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

1) Changes in accounting policies associated with revisions to accounting standards: Yes

2) Changes in accounting policies other than those in item 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatements: None

Note: For details, please refer to “2. Quarterly Consolidated Financial Statements and Important Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 7 of the attached materials.

(4) Number of shares issued (common stock)

1) The number of shares issued as of the end of the period (including treasury shares)

As of December 31, 2021	23,154,300 shares
As of March 31, 2021	21,104,300 shares

2) The number of treasury shares as of the end of the period

As of December 31, 2021	2,064,597 shares
As of March 31, 2021	2,110,564 shares

3) Average number of shares outstanding during the period (cumulative from the start of the fiscal year)

Nine months ended December 31, 2021	20,943,543 shares
Nine months ended December 31, 2020	19,166,340 shares

Note: The number of treasury shares excluded from the calculation of the number of treasury shares as of the end of the period and average number of shares outstanding during the period (cumulative from the start of the fiscal year) include the shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets for the Employee Stock Ownership Plan (J-ESOP) and those held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for a performance-linked stock compensation program.

* These quarterly financial statements are outside the scope of quarterly review procedures by certified public accountants or audit corporations.

* Explanation regarding proper use of financial forecasts, and other special matters

The earnings forecasts and other forward-looking statements presented in these materials reflect information currently available to the Company and assumptions that are deemed to be reasonable, but the Company does not guarantee the achievement of these targets. Actual results may differ significantly as a consequence of various factors. For more information on the Company’s earnings forecasts and underlying assumptions, please refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements” on page 3 of the attached documents.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Japanese economy is still in a dire situation due to the impact of COVID-19. In terms of future prospects, while the economy is expected to recover, partly owing to the effects of various policies and improving overseas economies, as the economic and social activities head toward normalization, sufficient heed must be paid to downward risks also. It is necessary to closely observe the impacts of COVID-19, including variants, on national and international economies as well as on changes in the financial and capital markets.

In such an environment, the Group is engaged in value creation in a wide range of industries and companies such as making business strategy, M&As, business reform, organizational reform, utilization of digital technology and cloud solutions, project management, development of new business, promotion of collaboration between companies, business investment and creation of joint ventures. Our goal is to provide services toward realization of “Three Innovations” that promote digital transformation (DX) of companies, namely: (i) Streamlining existing business operations (Digital Transformation); (ii) Creating new value (Service Transformation); and (iii) Management platform reform (Management Transformation).

The Group has made the transition to a holding company system in October 2021. Under the umbrella of the holding company SIGMAXYZ Holdings Inc., Group companies, including SIGMAXYZ Inc., the new subsidiary that handles the consulting business, and SIGMAXYZ Investment Inc. that handles the investment business, will promote their business and strive to achieve further growth of the Group as a whole through services strengthened by collaboration.

The Group’s revenue for the nine months ended December 31, 2021 amounted to ¥11,303 million (up 10.4% year on year). Selling, general and administrative expenses were ¥3,134 million (up 11.1% year on year) as activities increased following an increase in revenue.

Due to an increase in revenue and a decrease in cost of revenue, gross profit increased by ¥1,229 million to ¥5,219 million (up 30.8% year on year), operating profit increased by ¥916 million to ¥2,084 million (up 78.4% year on year), and ordinary profit increased by ¥867 million to ¥2,080 million (up 71.6% year on year).

Profit attributable to owners of parent came to ¥1,269 million (up 70.7% year on year).

From the nine months ended December 31, 2021, the Group has begun to report segment information for the following two segments as the importance of “investment business” increased: “Consulting Business” and “Investment Business.” Operating results for each segment are as follows.

(Consulting Business)

The financial results of the Consulting Business for the nine months ended December 31, 2021 shows revenue of ¥11,170 million and operating profit of ¥3,173 million. The consulting business was driven by projects supporting companies in their formulation of digital transformation strategies for companies, revitalization of organizations and personnel, and development of new businesses and services.

On the hiring front, the Company added 9 mid-career recruits and 50 new graduates in the nine months ended December 31, 2021. The training for new graduates has been completed successfully in a hybrid format combining a remote work environment and face-to-face training. They have started working on their job in October. The number of consultants was 485 as of the end of December, 2021. Project satisfaction remained high at 93 points.

(Investment Business)

The financial results of the Investment Business for the nine months ended December 31, 2021 shows revenue of ¥256 million and operating profit of ¥95 million. They derived mainly from assistance to invested companies and proceeds from sale of equities.

During the six months ended September 30, 2021, the Group sold its entire equity interest in JTB Benefit Service, inc. With regard to new investment, during the first six months ended September 30, 2021, the Group invested in Wellness Communications Corporation, which conducts health management SaaS and other businesses in the area of corporate wellness through ITOCHU Corporation’s network. Furthermore, during the first nine months ended December 31, 2021, the Group made investment in PROGRIT Inc., which offers English learning and coaching services.

(2) Explanation of Financial Position

(Assets)

Total assets as of December 31, 2021 stood at ¥13,052 million (up ¥2,768 million from the end of the previous fiscal year). This was mainly attributable to an increase in cash and deposits (up ¥1,564 million from the end of the previous fiscal year) and an increase in operational investment securities (up ¥515 million from the end of the previous fiscal year).

(Liabilities)

Liabilities as of December 31, 2021 totaled ¥3,415 million (down ¥1,405 million from the end of the previous fiscal year). This was mainly attributable to a decrease in short-term borrowings (down ¥1,600 million from the end of the previous fiscal year).

(Net assets)

Total assets as of December 31, 2021 stood at ¥9,636 million (up ¥4,174 million from the end of the previous fiscal year). This mainly reflected increases in share capital and capital surplus (each up ¥1,778 million from the end of the previous fiscal year) due to the impact of a third-party allocation of shares.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements

The Company has revised its consolidated earnings forecasts announced on April 22, 2021. For details, please refer to the “Notice Concerning Revisions to Earnings and Dividend Forecasts” announced on February 7, 2022 (Japanese Only).

2. Quarterly Consolidated Financial Statements and Important Notes
 (1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	Fiscal year ended March 31, 2021 (As of March 31, 2021)	Nine months ended December 31, 2021 (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	5,275,769	6,840,421
Accounts receivable - trade	1,787,267	-
Notes and accounts receivable - trade, and contract assets	-	2,040,432
Operational investment securities	714,796	1,229,816
Other	238,149	495,171
Allowance for doubtful accounts	-	(14,520)
Total current assets	8,015,983	10,591,322
Non-current assets		
Property, plant and equipment	179,058	166,978
Intangible assets		
Software	327,340	268,307
Software in progress	167,221	240,593
Other	6,177	7,944
Total intangible assets	500,739	516,845
Investments and other assets		
Investment securities	986,176	1,063,491
Deferred tax assets	220,136	194,043
Other	381,795	519,492
Total investments and other assets	1,588,109	1,777,026
Total non-current assets	2,267,907	2,460,851
Total assets	10,283,891	13,052,173
Liabilities		
Current liabilities		
Accounts payable - trade	221,061	248,610
Short-term borrowings	1,600,000	-
Accounts payable - other	598,999	727,530
Income taxes payable	384,674	513,928
Provision for share awards	203,025	409,328
Other	231,597	190,983
Total current liabilities	3,239,357	2,090,381
Non-current liabilities		
Long-term borrowings	300,000	-
Lease obligations	10,704	11,515
Provision for share awards	259,163	92,383
Provision for share awards for directors (and other officers)	925,517	1,134,524
Asset retirement obligations	86,444	86,444
Total non-current liabilities	1,581,828	1,324,867
Total liabilities	4,821,186	3,415,249
Net assets		
Shareholders' equity		
Share capital	2,848,506	4,626,881
Capital surplus	1,150,829	3,125,531
Retained earnings	3,938,630	4,754,345
Treasury shares	(2,475,262)	(2,869,833)
Total shareholders' equity	5,462,704	9,636,924
Total net assets	5,462,704	9,636,924
Total liabilities and net assets	10,283,891	13,052,173

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
 (Quarterly Consolidated Statement of Income)
 (Nine months ended December 31, 2020 and 2021)

(Thousands of yen)

	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Revenue	10,241,853	11,303,650
Cost of revenue	6,252,264	6,084,309
Gross profit	3,989,589	5,219,340
Selling, general and administrative expenses	2,820,800	3,134,427
Operating profit	1,168,788	2,084,913
Non-operating income		
Interest income	5,129	3,296
Share of profit of entities accounted for using equity method	3,604	4,529
Foreign exchange gains	–	5,427
Lectures fee income	18,242	–
Miscellaneous income	23,465	8,558
Total non-operating income	50,441	21,810
Non-operating expenses		
Interest expenses	4,450	1,321
Share issuance costs	–	21,148
Miscellaneous losses	2,132	3,890
Total non-operating expenses	6,583	26,360
Ordinary profit	1,212,647	2,080,363
Extraordinary income		
Gain on sale of investment securities	147,345	–
Total extraordinary income	147,345	–
Profit before income taxes	1,359,992	2,080,363
Income taxes - current	499,954	784,741
Income taxes - deferred	116,246	26,093
Total income taxes	616,201	810,835
Profit	743,791	1,269,527
Profit attributable to owners of parent	743,791	1,269,527

(Quarterly Consolidated Statement of Comprehensive Income)
(Nine months ended December 31, 2020 and 2021)

	(Thousands of yen)	
	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Profit	743,791	1,269,527
Comprehensive income	743,791	1,269,527
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	743,791	1,269,527

(3) Notes to Quarterly Consolidated Financial Statements
 (Notes Regarding Assumption of a Going Concern)
 No applicable matters to report.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

I. Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)

1. Dividends paid

Resolution	Type of shares	Total amount of dividends (Thousands of yen)	Dividend per share (yen)	Record date	Effective date	Appropriated from
May 7, 2020 board resolution	Common stock	453,318	22	March 31, 2020	June 8, 2020	Retained earnings

Note: Total amount of dividends includes ¥33 million of dividends for shares held in trust accounts for the Employee Stock Ownership Plan (J-ESOP) and performance-linked stock compensation program.

2. Dividends whose record date falls in the nine months ended December 31, 2020, but whose effective date comes after December 31, 2020.
 No applicable matters to report.

II. Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

1. Dividends paid

Resolution	Type of shares	Total amount of dividends (Thousands of yen)	Dividend per share (yen)	Record date	Effective date	Appropriated from
April 22, 2021 board resolution	Common stock	453,813	22	March 31, 2021	June 7, 2021	Retained earnings

Note: Total amount of dividends includes ¥35 million of dividends for shares held in trust accounts for the Employee Stock Ownership Plan (J-ESOP) and performance-linked stock compensation program.

2. Dividends whose record date falls in the nine months ended December 31, 2021, but whose effective date comes after December 31, 2021.
 No applicable matters to report.
3. Significant changes in the amount of shareholders' equity
 On May 10, 2021, the Company received payment from ITOCHU Corporation for a third-party allocation of shares. As a result, share capital and capital surplus both increased by ¥1,778 million in the nine months ended December 31, 2021, reaching ¥4,626 million and ¥2,876 million, respectively, by December 31, 2021

(Changes in Accounting Policies)

Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the three months ended June 30, 2021, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. As a result, the revenue that was recognized at once at the time of acceptance inspection for service contracts is now recognized over a certain period as performance obligations transferred to the customer are fulfilled in cases where the requirements for the transfer of control of goods or services to the customer are fulfilled over a certain period.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year ending March 31, 2022 is added to or deducted from the retained earnings at the beginning of the fiscal year ending March 31, 2022, and the new accounting policy is applied from the beginning of that period. The impact on profit or loss during the nine months ended December 31, 2021 is immaterial. Furthermore, there is no impact on retained earnings at the beginning of the period.

Due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, "Accounts receivable - trade" under "Current assets" in the Consolidated Balance Sheet for the fiscal year ended March 31, 2021 has been included in "Notes and accounts receivable - trade, and contract assets" from the three months ended June 30, 2021. Furthermore, "Contract liabilities" are included in "Other" under "Current assets" and the balance for the nine months ended December 31, 2021 is ¥87 million. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the fiscal year ended March 31, 2021 have not been restated in accordance with the new approach to presentation.

Application of the Accounting Standard for Fair Value Measurement, etc.

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) is applied from the beginning of the three months ended June 30, 2021, and the new accounting methods stipulated in the Accounting Standard for Fair Value Measurement, etc. are applied into the future in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This change in accounting policy has no impact.

(Segment Information, etc.)

[Segment information]

I. Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)

This information was omitted as SIGMAXYZ Group's operations other than consulting business, in which the Group mainly operates, are not significant.

II. Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

1. Information on the amounts of revenue and profit or loss for each reportable segment.

(Thousands of yen)

	Reportable Segment			Adjustments (Note 1)	Quarterly Consolidated Statement of Income (Note 2)
	Consulting Business	Investment Business	Total		
Revenue					
Revenue from external customers	11,094,882	208,768	11,303,650	—	11,303,650
Internal revenue or transfer among segments	75,567	48,045	123,612	(123,612)	—
Total	11,170,449	256,813	11,427,263	(123,612)	11,303,650
Segment profit	3,173,965	95,194	3,269,160	(1,184,246)	2,084,913

Note: 1 Adjustments of segment profit consist of company-wide expenses, etc. of negative ¥1,181 million and the elimination of intersegmental transactions of negative ¥2 million.

2. Segment profit is adjusted with operating profit recorded in the quarterly consolidated statement of income.

2. Matters Regarding Changes, etc. in Reportable Segments

The Group had previously omitted segment information since it had no material segments other than “consulting business.” As the importance of “investment business” increased as a result of transition to a holding company system on October 1, 2021 for the purpose of enhancing values offered by the Group as a whole through the growth and mutual collaboration of its subsidiaries in charge of “consulting business” and “investment business,” the reportable segments of the Group were changed to “consulting business” and “investment business” in the nine months ended December 31, 2021.

Notably, segment information for the nine months ended December 31, 2020 compiled in accordance with the segmentation of reportable segments for the nine months ended December 31, 2021 is not disclosed as it is practically difficult to compile requisite financial information retroactively.

In addition, since there were no material segments other than consulting business with regard to segment information for the nine months ended December 31, 2020, segment information for the nine months ended December 31, 2021 compiled in accordance with the segmentation for the former nine months is herein omitted.