

Consolidated Financial Results Supplementary Document FY20

April 22, 2021/ SIGMAXYZ Inc. (Stock Code: 6088)



Outline of Financial Results for FY20

Summary		(YoY)
● Consolidated revenue	JPY 14.02 bn	(-12%)
● Profit before income taxes	JPY 1.94 bn	(-11%)
● Profit attributable to owners of parent	JPY 1.21 bn	(-14%)

- Despite the impact of the COVID-19 pandemic, the volumes of orders received for consulting services have recovered to near year-ago levels after 2Q FY20. We continued to deliver services by making maximum use of the digital workplace environment through the consolidated accounting period.
- Revenue decreased due to consulting services for the aviation industry, which has been severely affected by the COVID-19 pandemic, and also to a phased scale-down of hardware and software products procurement services on behalf of clients in the retail industry which have contributed only marginally to profit.
- ERP cloud migration services, DX strategy planning for companies, activation of human capitals and organizations, and projects that support new business and service developments contributed to the Group's business performance.

Consolidated Income Statement for FY20

Unit: JPY mn	FY19 (Apr to Mar)	FY20 (Apr to Mar)	YoY change		Major changes
			Amount	Rate	
Revenue	16,003	14,024	-1,978	-12%	Despite the growth in ERP cloud migration services, services for the aviation industry and product sales decreased due to the COVID-19 pandemic.
Gross profit	6,172	5,324	-848	-14%	
S, G&A expenses	3,961	3,576	-384	-10%	- Increase in personnel costs associated with recruitment, investments for solution development and productivity improvement, and costs following measures taken for COVID-19. Reduced other costs.
Operating profit	2,211	1,747	-463	-21%	
Ordinary profit	2,164	1,797	-366	-17%	
Profit before income taxes	2,176	1,945	-231	-11%	- Profit from the sale of investment securities.
Profit	1,407	1,210	-197	-14%	

Key Performance Index (KPI)

	FY19 (Apr to Mar)	FY20 (Apr to Mar)	YoY change
Number of employees	524	554	+6%
(Number of consultants)	(459)	(481)	(+5%)
Client Satisfaction (NSI*)	95	94	-1pt
Number of projects **	1,165	1,019	-13%
Number of clients ***	202	213	+5%
Revenue per contract (Million yen)	13.7	13.8	+0.7%

* NSI (Net Satisfaction Index): Average score from 5 possible ratings for 10 questions evaluating project satisfaction. Conducted in a questionnaire format for the client project owner. 5 ratings - 5: I really agree 100 points; 4: I agree 75 points; 3: I can't say either way 50 points; 2: I don't agree 25 points; 1: I don't agree at all 0 points

** Number of projects: Projects for which revenue has been recorded over the consolidated cumulative period are aggregated by contract.

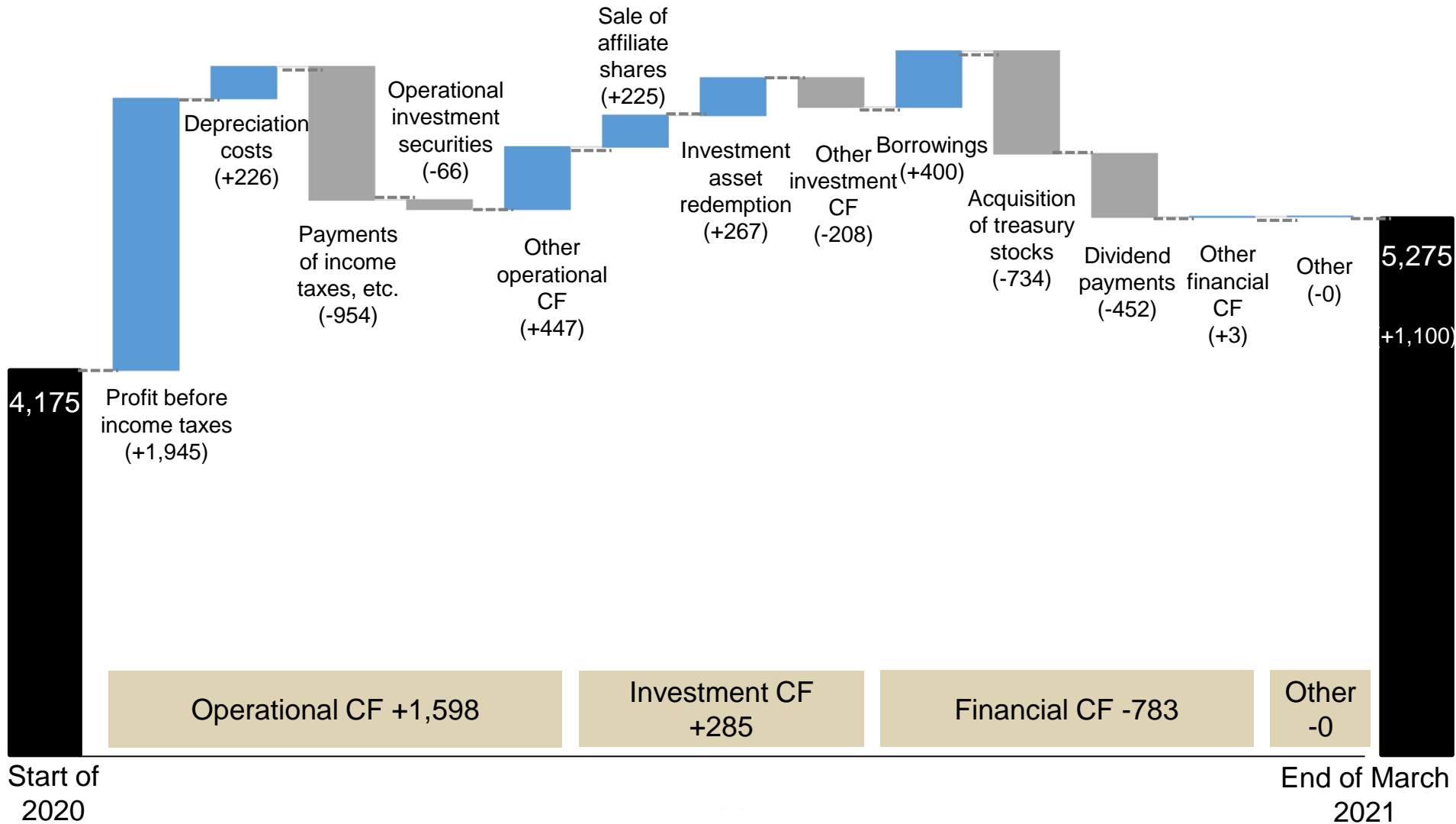
*** Number of clients: Clients of projects for which revenue has been recorded over the consolidated cumulative period are aggregated by corporation.

Consolidated Balance Sheet for FY20

Unit: JPY mn	End of FY19	End of FY20	YoY change (Amount)	Major changes
Current assets	6,943	8,015	+1,072	- Increase in cash and deposits, and decrease in accounts receivable
Cash and deposits	4,175	5,275	+1,100	- Borrowings and dividend payments
Non-current assets	2,725	2,267	-458	- Decrease in investment securities
Total assets	9,669	10,283	+614	
Current liabilities	3,424	3,239	-185	- Borrowings and the reduction of income tax payables, etc.
Non-current liabilities	1,208	1,581	+373	- Increase in provisions for share-based remuneration.
Total liabilities	4,632	4,821	+188	
Net assets	5,036	5,462	+426	- Reduction due to dividend payments
Equity ratio	52%	53%	+1%	(Reference) Estimation of equity ratio if short-term borrowings are repaid End of FY19: 59% End of FY20: 63%

Transitions in Consolidated Cash Flow

Unit: JPY mn



Migrating ERP to the Cloud

In readiness for the situation called the "2025 Digital Cliff," when the existing ERP maintenance support expires, we smoothly migrated our client's ERP to a cloud environment by carrying out organization/business transformation and change management. We also continued to support clients to enhance their corporate value based on the growth scenarios for clients that we provide.

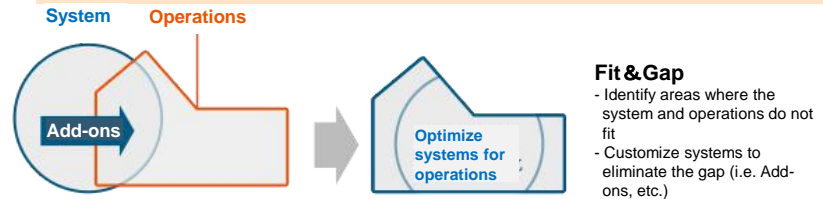
Established a stable delivery structure with 44 certified consultants (as of the end of March) who have acquired the certification for SAP S/4HANA Cloud, which is the symbolic "SaaS" ERP.

In the 2H FY20, several large projects led the business, including the implementation of SAP S/4HANA Cloud for SOLIZE Corporation.

Learn more: <https://www.sigmaxyz.com/business/cloud/>

Adoption of "SaaS" ERP that requires organizational and business transformation capabilities

Eliminate add-ons, have no customizations, and standardize operations



Customer cases



Completed the migration of key systems to the cloud in about six months. Implemented multiple SAP S/4HANA Cloud modules all in one go, and supported BPR.



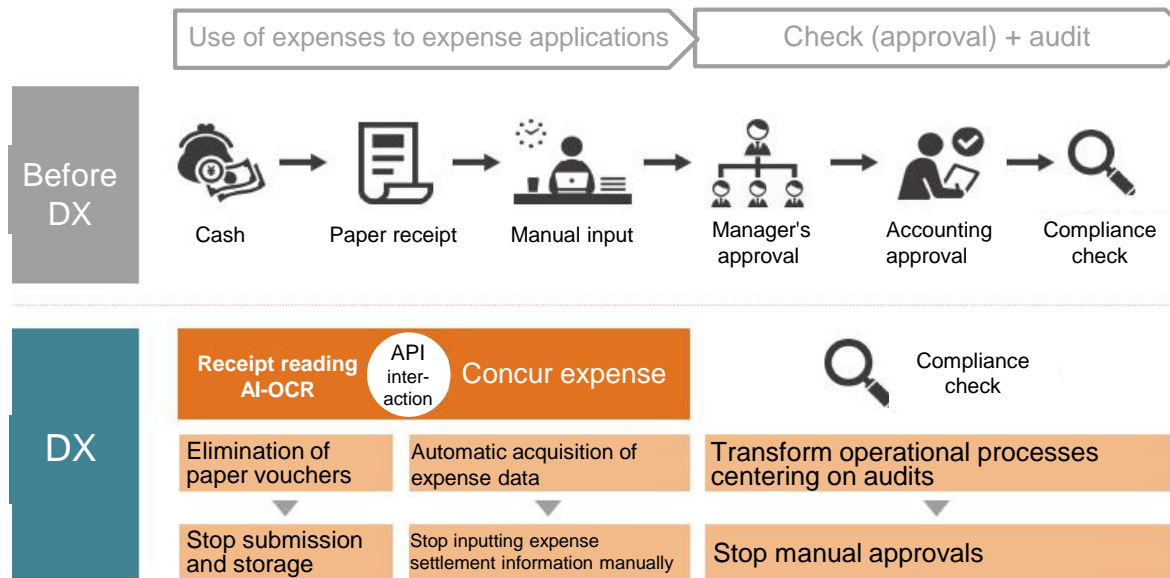
Supporting SAP S/4HANA Cloud implementation and BPR projects from October 2020.

Digital Transformation of Indirect Operations

SIGMAXYZ Inc. has achieved complete digitization of expense settlements and invoice management for indirect material purchases. Based on the knowledge we have gained from this, we have started providing a service for the "digital transformation of indirect operations."

In order to promote this service, we have developed solutions and partnerships, utilizing various types of SaaS, including Concur. Aiming for nationwide market expansion.

Image of process innovation with DX for expense settlement in the company



- Reduced the number of man-hours by 28% per employee
- Eliminated manager's approval process (average of 120 minutes per month)

Customer example

We assisted SHIONOGI & CO., LTD. in introducing an operational process and cloud services for expense settlements—both which comply with the Electronic Books Storage Act, and achieved complete digitization of the expense settlement process, including digitization of its vouchers. We completed the introduction of the new operational process and its system for all 5,000 employees in 10 months.



Nikkei Computer (issued on April 18, 2019)

Digital Workplace Environment

Since its inception in 2008, SIGMAXYZ has developed and maintained a digital workplace environment based on strict security policies.

The aim is to provide employees with the freedom to choose the time and location that best suits their value creation activities. Through the following environment and mechanisms, we will use the digital platform in all areas related to business operations, and develop business activities that are independent of office work.

- Access to digital and mobile tools for all employees
- Digital distribution of internal information and paperless operations
- Use of collaboration tools such as web conferencing and business chat systems
- Process various internal operations such as expense settlement digitally
- Use real-time operation management system to visualize operations
- Skill-based human capital evaluation system
- Office operations via company-wide free address system



Co-creation of Food-related Business

Community formation with a focus on food innovation

✓ Organizing the Smart Kitchen Summit Japan

Under the theme of "Food & Cooking x Technology," a conference that considers the future of Japanese kitchens is held by sharing the know-how and initiatives in a wide range of fields including food, home appliances, housing, restaurants, cooking, entrepreneurship, investing, design, and business creation. It has been held since 2017, co-organized by NextMarket Insights.

Smart Kitchen Summit Japan 2020 **December 17 to 19, 2020 <Online event>**

<http://www.food-innovation.co/sksj2020/>

Participants: 890 people (243 companies)

Presenters: 240 people

Sponsors: 28 companies



✓ Organizing the Food Tech Venture Day

An event that attracts 100 people is held to support venture growth, carry out business matching between large companies and ventures, and share the latest trends in food and the efforts of venture companies. It has been held twice a year since 2019.

✓ Food-related community management

Food Innovation Support Project

Activities supporting food innovation, including business matching, for companies related to food, home appliances, logistics, etc., and activities supporting management transformation in order to achieve this.

Presenting Information as a Leading Company in Food Innovation

We have participated in government-led workshops as a core member. We have also received media coverage, and provided information through lectures, contributions, and publications. We supervised "The Future of Food Tech" in 2018; and released "The Food-Tech Revolution" in July 2020, the first food business book in Japan, in which consultants thoroughly detail how "food" acts in the era of COVID-19 and post COVID-19, and the cutting-edge food business.

- ✓ "The Future of Food Tech 2019-2025" (Nikkei BP, 2018)
- ✓ "Food Tech Revolution" (Nikkei BP, 2020)



Food Tech Revolution [Best seller-6th print run]

Ranked 1st in Amazon's
"General Service & Retailing",
"Food Manufacturing Industry",
"Agriculture Industry"

Pen (November 1, 2020)
Must-read of the Month
Chosen by Pen

Toyo Keizai Online (January 5)
Ranked 58th in Best seller in
business books in Amazon



Enhancing Non-financial Value (SDGs and ESG initiatives)

We believe that the value of a company is a synthesis of financial and non-financial value, and place importance on Sustainable Development Goals (SDGs) and Environmental, Social and Governance (ESG) factors in promoting our business.

SDGs

- On commencement of the project, a forum for consensus building is set up with the client concerning which items pertaining to the SDGs' 17 goals are to be achieved, and how.
- We strive to expand value-added activities to address social problems as well as our clients' issues.



ESG

Contributing to society through business activities such as the promotion of digital transformation in Japanese companies

- We are working on building "social multi-sided platforms" to form an ecosystem where people in Japan and overseas who empathize with and support our initiatives gather to address social issues. As a part of these initiatives, we have concluded the "Comprehensive Partnership Agreement for Achieving Next-generation Infrastructure" with Obuse Town (Nagano prefecture) in September, 2020.
- We have implemented paperless internal information sharing processes*, and have stopped offering beverages in PET bottles and switching clear folders made of plastic materials to paper-based ones in our business premises.
(*Monthly number of copy/print paper used per employee for the fiscal year ending March 31, 2020 : 160 sheets [12% decrease from the previous year])
- With regard to the corporate governance system, the ratio of independent outside directors is 58%, and all of the members of the Audit & Supervisory Committee and the Compensation Committee are outside directors.
- While supporting the revitalization of domestic industries and local communities, we will continue to work toward the formation of an ecosystem that will generate new value through employment and procurement in local areas of more than 80% of our business transactions

Alliance Business

We offer support in the form of a joint venture, providing human capital and funds to address customers' business challenges. The "contingent fees" for solving the issues are gained from the profit earned by selling shares. Depending on the purpose of investment and voting rights ratio, the fees are included in the calculation as operating income or extraordinary income in accordance with accounting standards.

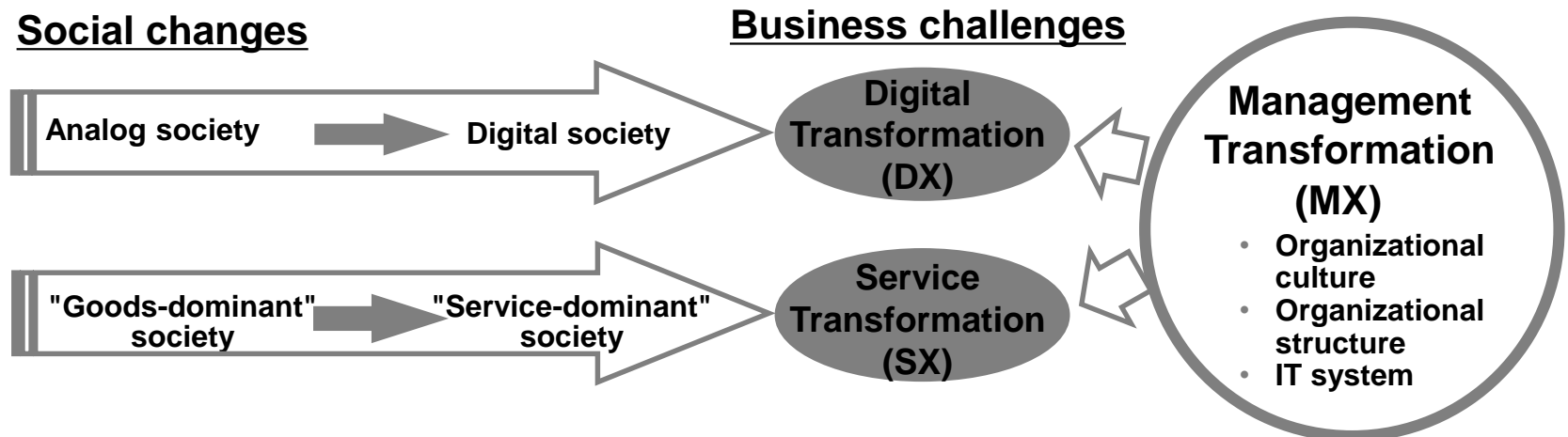


- Extraordinary income came to JPY146 million due to the sale of the Company's entire shares in Lawson Digital Innovation Inc. to Lawson, Inc. in April 2020.
- During the third quarter of the fiscal year, we sold shares in SALA Lifestyle Innovation Co., Ltd. and Toletta Cats Inc.

In April 2021, we established SIGMAXYZ Investment Inc., our 100% subsidiary, which invests in various business and promotes the establishment of joint ventures through linkage with the consulting services, aiming to add value on our alliance business.

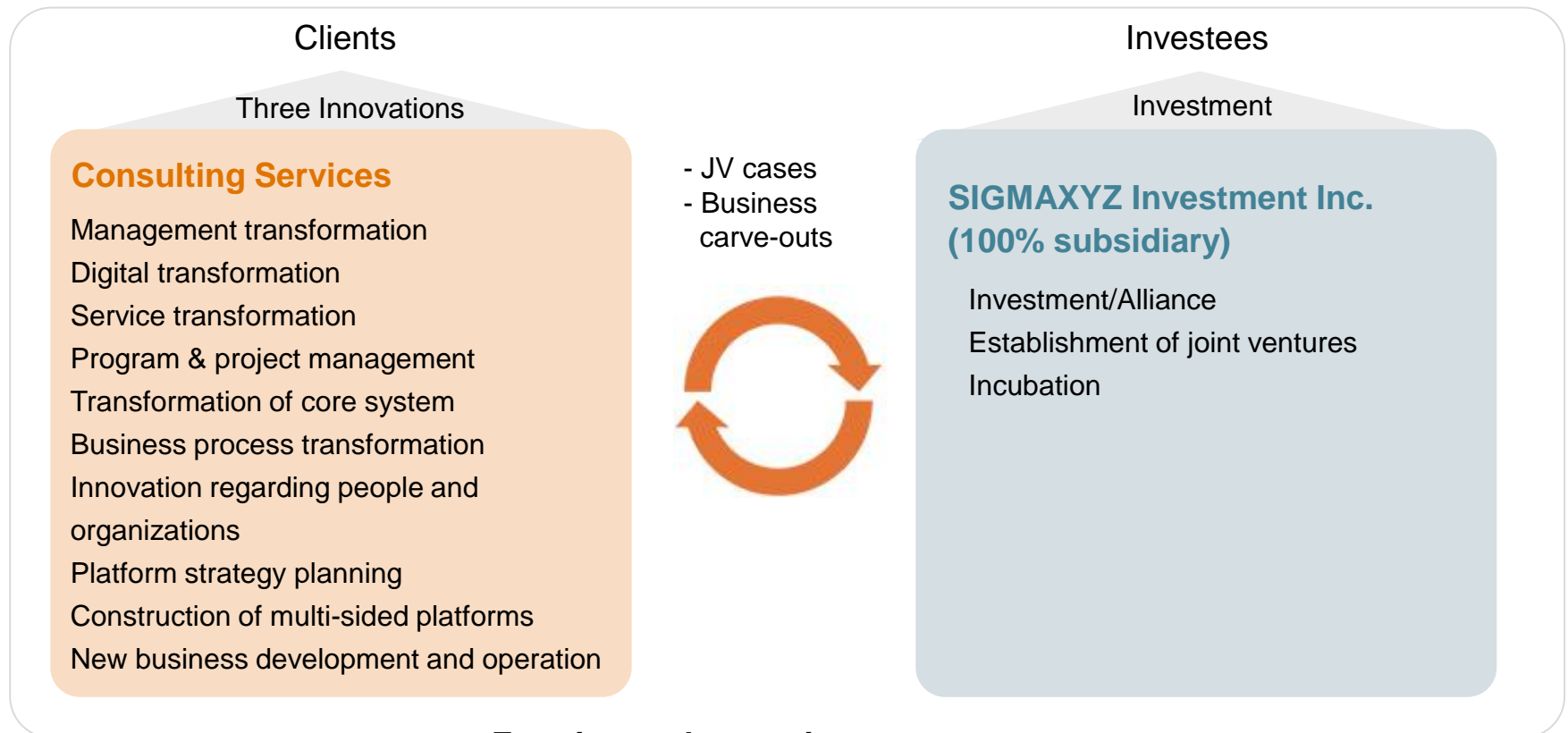
Our Digital Transformation: Three Innovations

- | | |
|-----------------------------------|---|
| 1) Digital Transformation (DX) | Streamline existing business operations |
| 2) Service Transformation (SX) | Create new value |
| 3) Management Transformation (MX) | Management platform reform |



SIGMAXYZ's Business

- In response to the various business challenges that companies face, SIGMAXYZ provides consulting services in a wide range of fields.
- SIGMAXYZ Investment Inc., our 100% subsidiary, invests in various business and promotes the establishment of joint ventures through linkage with the consulting services.
- We aim to promote value creation activities that go beyond the boundaries of a single company or industry, by forming an ecosystem through networks with a diversity of professionals and companies.



Forming and operating an ecosystem

Business Operation System

Restructuring the system to promote "How about this?" proposals, taking into consideration fundamental issues of customers and the industries

Client Interface

Industry Sherpa

Understands industry characteristics and business processes, and draws transformation scenarios

Retail	Public sector	Digital media	Trading companies
Aviation	Communication and platforms	Insurance	Logistics
Pharmaceuticals	Broadcasting and advertisements	Manufacturing	Transportation
Finance and banks	Services	Utilities	

Digital & SaaS Sherpa

Drives enterprise transformation by implementing digital technology and with SaaS

Project management	Change management	Digital architecture	AI
Vendor management	SaaS solutions	Digital application design	IoT & robotics
Stakeholder management	SaaS integration	Digital academy	Service design
Integration management	Agile development management	Process design	IT planning

Heuristic Sherpa Promotion of "Three Innovations" / Resolves CxO agenda with innovation regarding people and organizations

Management transformation	Vision Forest*
Digital transformation	Organizational design
Service transformation	Multi-sided platforms

* Art-based human resources activation program

Cutting-Edge Technology Application Center

Cutting-edge technology research and demonstration experiments for business application / Building networks with technology companies

Offering Development

**SIGMAXYZ
Investment
Inc.**

(100%
subsidiary)

Investment/
Alliance

Forming and operating an ecosystem

We create value through collaboration with our business partners and group companies, and companies we invest in



As of the end of April 2021

Subsidiaries

M&A advisory **SXA Inc.**
 Financial EDI services **SXF Inc.**
 Investment Business **SIGMAXYZ Investment Inc.**

Oaklins central

As of the end of April 2021

Affiliates




As of the end of March 2021

Companies we invest in






As of the end of March 2021



Subsidiaries and Affiliates

Company name	Year of incorporation / start of business / capital participation (Joint venture partners, share of voting rights)	Business description
SXA Inc.	2014 (100% subsidiary)	Providing M&A advisory services (Financial advisory / due diligence / valuation / business turnaround advisory / development of in-house M&A systems)
SXF Inc.	2019 (100% subsidiary)	Providing various services related to financial EDI Electronic payment agency: Director-General of the Kanto Local Finance Bureau (Electronic Payment Agency) No. 40
SIGMAXYZ Investment Inc.	2021 (100% subsidiary)	Investment Business / Alliance Business / Corporate Due Diligence, Investment Planning, Consulting on Corporate Management and M&A
 AnalySys. Inc.	2014 (Joint venture with Plan·Do·See Inc., 49%)	Providing cloud services for bridal management applications / developing and providing SIGMAXYZ solutions

Companies We Invest In (1 of 2)

Company name	Year of incorporation / start of business / capital participation (Joint venture partners / main shareholders)	Business description
 <p>invest in wonder</p> <p>SX Capital, Inc.</p>	2016	Management and administration of assets for investment associations, etc. targeting privately-owned IT venture companies
 <p>Ghelia Inc.</p>	2018 (World Innovation Lab, LLC. , Sony Computer Science Laboratories, Inc. and others)	AI solution business
 <p>Monstar Lab, Inc.</p>	2019	The company has 25 global offices powered by 1,200 strategists, designers and engineers who excel at strategy and delivery. Specializing in providing end-to-end enterprise-level digital solutions, the company has successfully delivered more than 2,200 projects.

Companies We Invest In (2 of 2)

Company name	Year of incorporation / start of business / capital participation (Joint venture partners / main shareholders)	Business description
 <p>Creww Inc.</p>	2019	Managing one of the largest start-up communities in Japan, and offering a variety of services for start-up companies
 <p>JTB BENEFIT SERVICE, Inc.</p>	2019 (JTB Corp.)	Offering various solutions in the business areas of welfare, health support, life design support, and CRM support, and incentives for employees of client companies

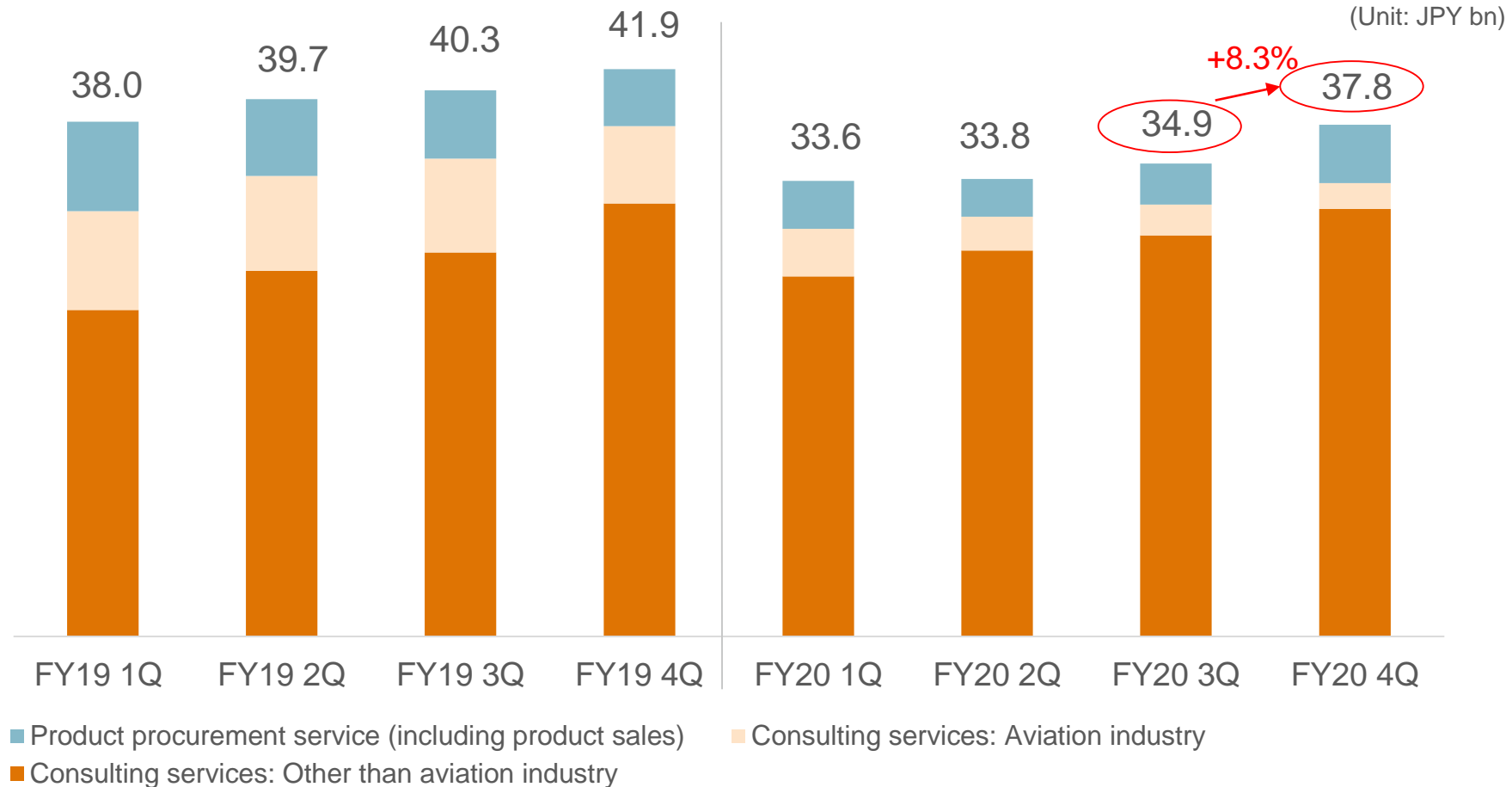
FY21 Consolidated Earnings Forecasts

Unit: JPY mn	FY 21	Increased/decreased amount to the previous fiscal year	Increased/decreased rate to the previous fiscal year
Revenue	16,000	1,975	14%
Operating profit	2,500	752	43%
Ordinary profit	2,500	702	39%
Profit attributable to owners of parent	1,500	289	24%

Although the impact of the COVID-19 pandemic is unclear, we have created the forecasts based on the information confirmed at present. If there is any changes in the situation, we will update them where appropriate.

(Reference) Revenue by Category

- In addition to the growth in ERP cloud migration services and reassignment of the consultants from projects in the aviation industry to other projects, the sales increase in product procurement services at the end of the fiscal year have increased the revenue in Q4 FY20 by 8.3% from Q3.
- Hardware and software product procurement services, which is not our core business, will be gradually scaled down.

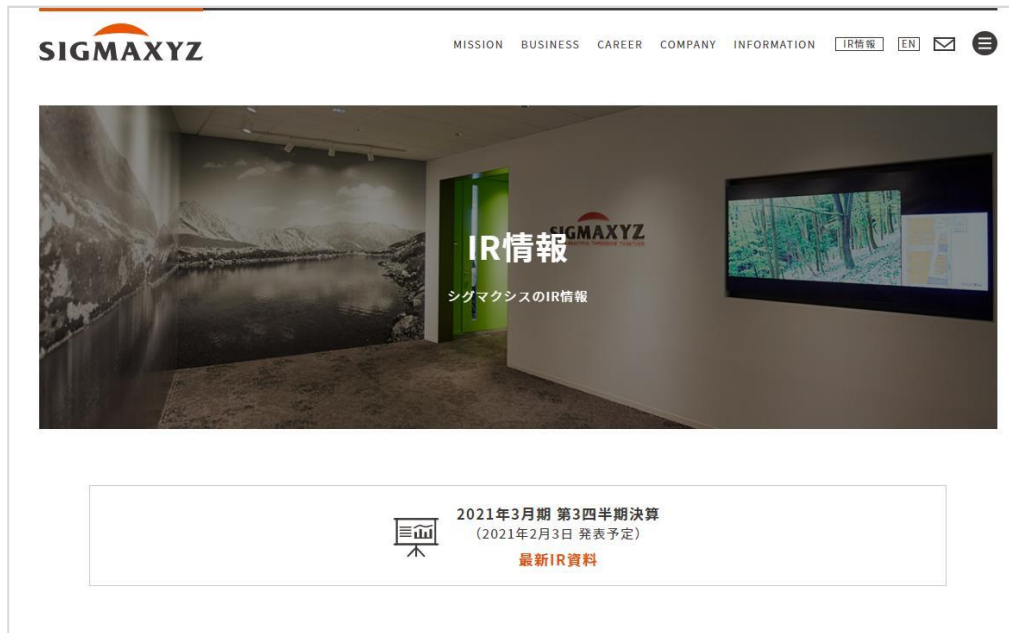


Dividend Policy

- Focus on striking a balance between shareholder returns and internal reserves, in order to strengthen the financial structure and prepare for future development of business.
- Ensure consistent and stable payment of dividends.
 - The dividend per share for FY20 : JPY 22.
 - The dividend per share for FY21 : JPY 24. (Plan)

(Reference) Audio Report for Financial Results Supplementary Documents

An audio report for the documents is posted on our website at 6:00 pm on the day the results are disclosed.



SIGMAXYZ IR information
<https://www.sigmaxyz.com/ir/>



About the Use of This Document

This document discusses not only the trends in the SIGMAXYZ Group's business and the industry, but also future prospects based on current plans, estimates, expectations, and forecasts.

Statements regarding these future prospects include various risks and uncertainties. It is possible that known or unknown risks, uncertainties, or other factors may lead to results that differ from the content of the statements regarding future prospects. SIGMAXYZ Inc. cannot guarantee that the statements about future prospects and forecasts are correct, and it is possible that the results may be significantly different from the future prospects.

The statements about future prospects in this document were created by SIGMAXYZ Inc. on the basis of information that was available when the document was being prepared. As such, they do not reflect future events and situations, or update or change any other statements about future prospects.

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