

Consolidated Financial Results Supplementary Document Q3 FY20

February 3, 2021/ SIGMAXYZ Inc. (Stock Code: 6088)



Earnings Results Outline for Q3 FY20

Summary		(YoY)
● Consolidated revenue	JPY 10.24 bn	(-13%)
● Profit before income taxes	JPY 1.35 bn	(-15%)
● Profit	JPY 743 mil	(-21%)

- Despite the growth in ERP cloud migration services, revenue decreased due to the decreased revenue from consulting services for the aviation industry, which has been severely affected by the COVID-19 pandemic. The decline is also due to the decreased revenue from product sales owing to a phased scale-down of the procurement of hardware and software products on behalf of clients in the retail industry which have contributed only marginally to profit.
- By acquiring new large-scale projects regarding ERP cloud migration services and reassigning the consultants from projects in the aviation industry to other projects, revenue in Q3 increased from Q2.

Consolidated Income Statement for Q3 FY20

Unit: JPY mn	FY19 (Apr to Dec)	FY20 (Apr to Dec)	YoY change		Major changes
			Amount	Rate	
Revenue	11,809	10,241	-1,568	-13%	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	4,485	3,989	-495	-11%	
S, G&A expenses	2,850	2,820	-29	-1%	- Increase in personnel costs associated with recruitment, investments for solution development and productivity improvement, and costs following measures taken for COVID-19. Decrease in other costs.
Operating profit	1,634	1,168	-466	-29%	
Ordinary profit	1,601	1,212	-389	-24%	
Profit before income taxes	1,601	1,359	-241	-15%	- Profit from the sale of investment securities.
Profit	942	743	-198	-21%	

Key Performance Index (KPI)

	FY19 (Apr to Dec)	FY20 (Apr to Dec)	YoY change
Number of employees	525	561	+7%
(Number of consultants)	(464)	(491)	(+6%)
Client Satisfaction (NSI*)	95	94	-1pts
Number of projects **	886	802	-9%
Number of clients ***	170	194	+14%
Revenue per contract (Million yen)	13.3	12.7	-5%

* 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.

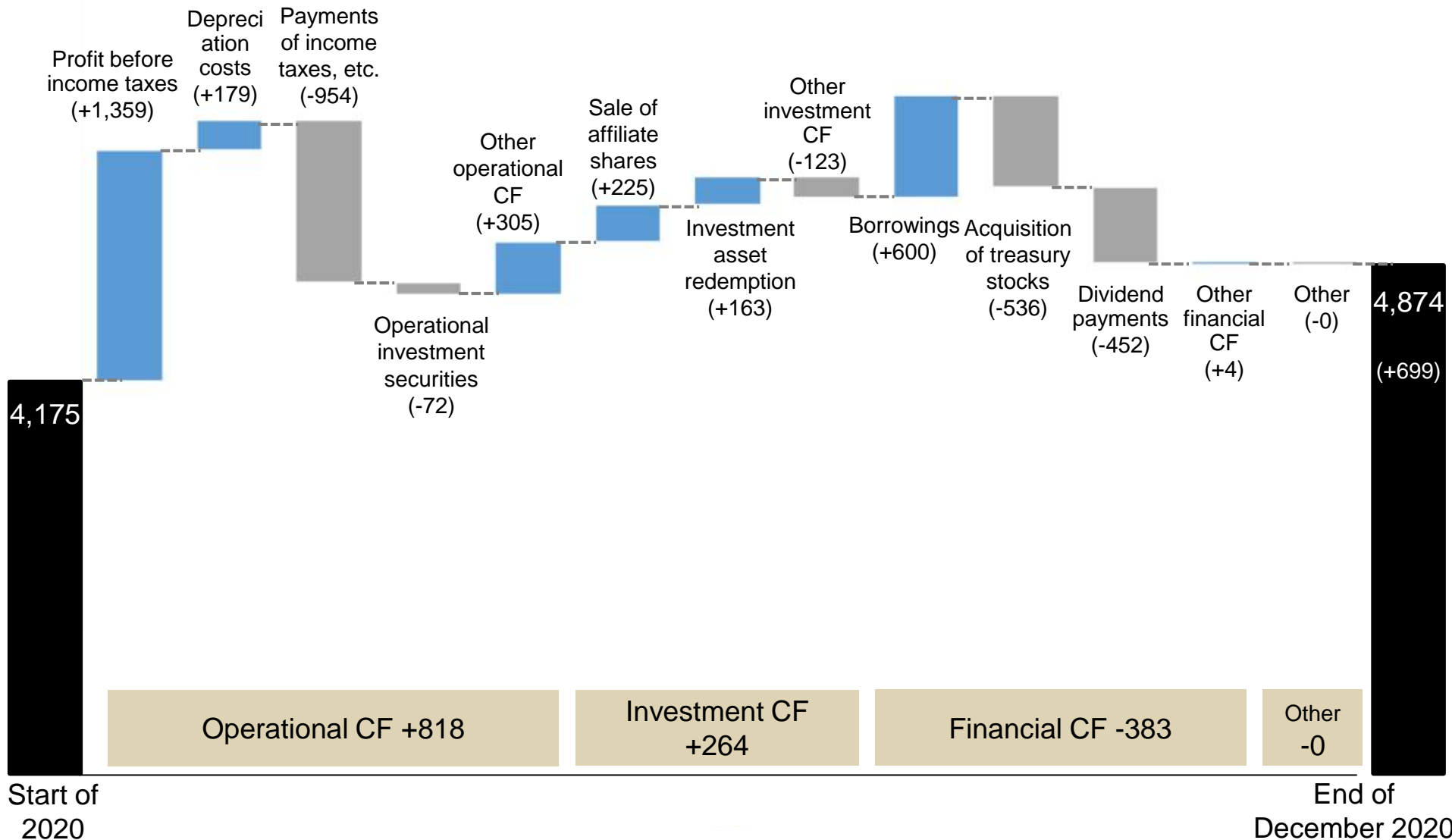
*** Number of clients: Clients of projects for which revenue has been recorded over the consolidated cumulative period are aggregated by corporation.

Consolidated Balance Sheet for Q3 FY20

Unit: JPY mn	End of FY19	End of Q3 FY20	YoY change (Amount)	Major changes
Current assets	6,943	7,487	+544	- Increase in cash and deposits, and decrease in accounts receivable
Cash and deposits	4,175	4,874	+699	- Borrowings and dividend payments
Non-current assets	2,725	2,249	-476	- Decrease in investment securities
Total assets	9,669	9,736	+67	
Current liabilities	3,424	3,336	-87	- Borrowings and the reduction of income tax payables, etc.
Non-current liabilities	1,208	1,398	+190	- Increase in provisions for share-based remuneration.
Total liabilities	4,632	4,735	+102	
Net assets	5,036	5,000	-35	- Reduction due to dividend payments
Equity ratio	52%	51%	-1pts	(Reference) Estimation of equity ratio if short-term borrowings are repaid End of FY19: 59% End of 3Q 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.

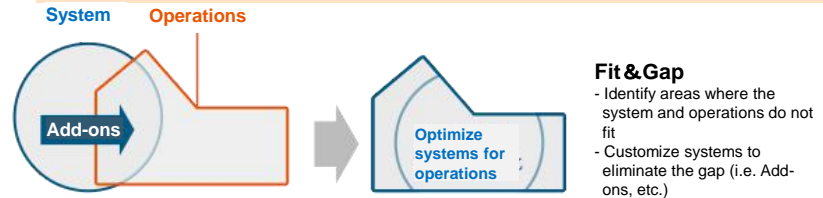
Established a stable delivery structure with 43 certified consultants (as of the end of December) who have acquired the certification for SAP S/4HANA Cloud, which is the symbolic "SaaS" ERP.

In the third quarter, 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



Fit & Gap
- Identify areas where the system and operations do not fit
- Customize systems to eliminate the gap (i.e. Add-ons, etc.)



Fit to Standard
- Identify areas where the system and operations do not fit
- Customize work processes and work rules to eliminate the gap (= to adjust to Standard)

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.



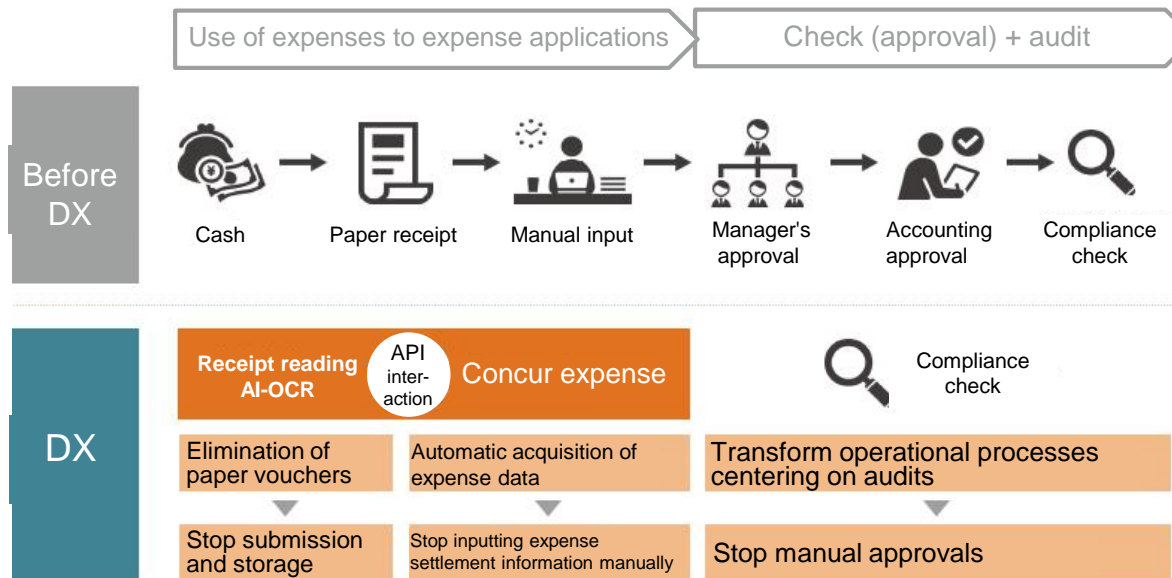
Supporting SAP S/4HANA Cloud implementation and BPR projects from October 2020.

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.



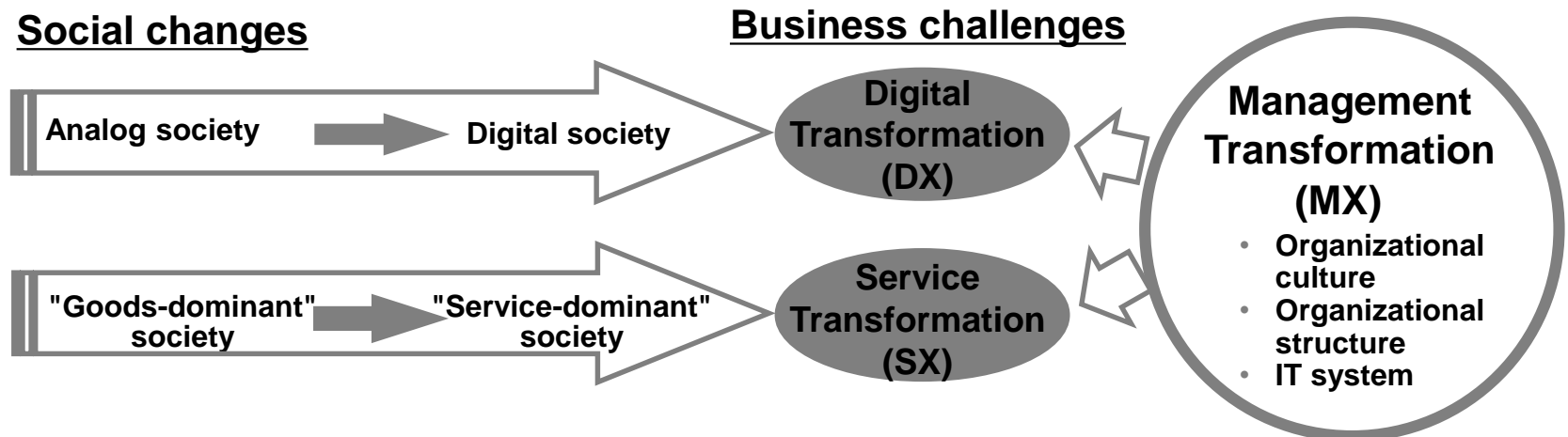
- Extraordinary income came to JPY146 million due to the sale of the Company's entire shares in Lawson Digital Innovation Inc. to Lawson, Inc. in April 2020.
- Lawson Digital Innovation is a joint venture established in 2016 primarily for the purpose of promoting the digitalization of the Lawson business. We sold our shares in the company as we achieved the intended purpose.



- During the third quarter of the fiscal year, we sold shares in SALA Lifestyle Innovation Co., Ltd. and Toletta Cats Inc.

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, and launches and operates related forms of business.

In addition, 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.

Consulting Services

Digital transformation
Program & project management
ERP cloud migration services
Business process transformation
Innovation regarding people and organizations
M&A strategy planning
Platform strategy planning
Construction of multi-sided platforms



- Expertise, knowledge
- Human resources
- Networks
- Funds

Alliance

New business development
Business investment
Establishment and management of joint ventures
Development and delivery of joint services
Incubation

Forming and operating an ecosystem

Skill Teams

Organizing projects by combining professionals with diverse skills

Industry Sherpa

Understands industry characteristics and business processes, and draws transformation scenarios

Retail	Manufacturing	Logistics
Aviation	Transportation	Communication
Consumer goods	Insurance and finance	Public and infrastructure
Pharmaceuticals	Trading companies	Media and entertainment

Heuristic Sherpa

Innovation regarding people and organizations to transform management and connect companies in order to create value

Vision Forest*
Organizational design
Multi-sided platforms

* Art-based human resources activation program

PS** Sherpa

Drives enterprise transformation with Project Management (PMO) and SaaS

Project management	Change management
Vendor management	SaaS solutions
Stakeholder management	SaaS integration
Integration management	Rapid development management

** Abbreviation for PMO & SaaS

Digital Sherpa

Implements digital technology in companies' business operations

Digital transformation	AI
Digital architecture	IoT & robotics
Digital application design	Service design
Process design	IT planning

Alliance

New business development, business investment, establishment and operation of joint ventures, development and delivery of joint services, and incubation

Alliances

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



Subsidiaries




Affiliates






Companies we invest in





Subsidiaries and Affiliates

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

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 (Sony Computer Science Laboratories, Inc., World Innovation Lab, LLC., and Mizuho FinTech Investment Limited Partnership)	AI solution business
 <p>Monstar Lab, Inc.</p>	2019	A digital-product development company that provides optimal resources, using IT engineers and creators all over the world

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

FY20 Consolidated Earnings Forecasts (Revised on February 3, 2021)

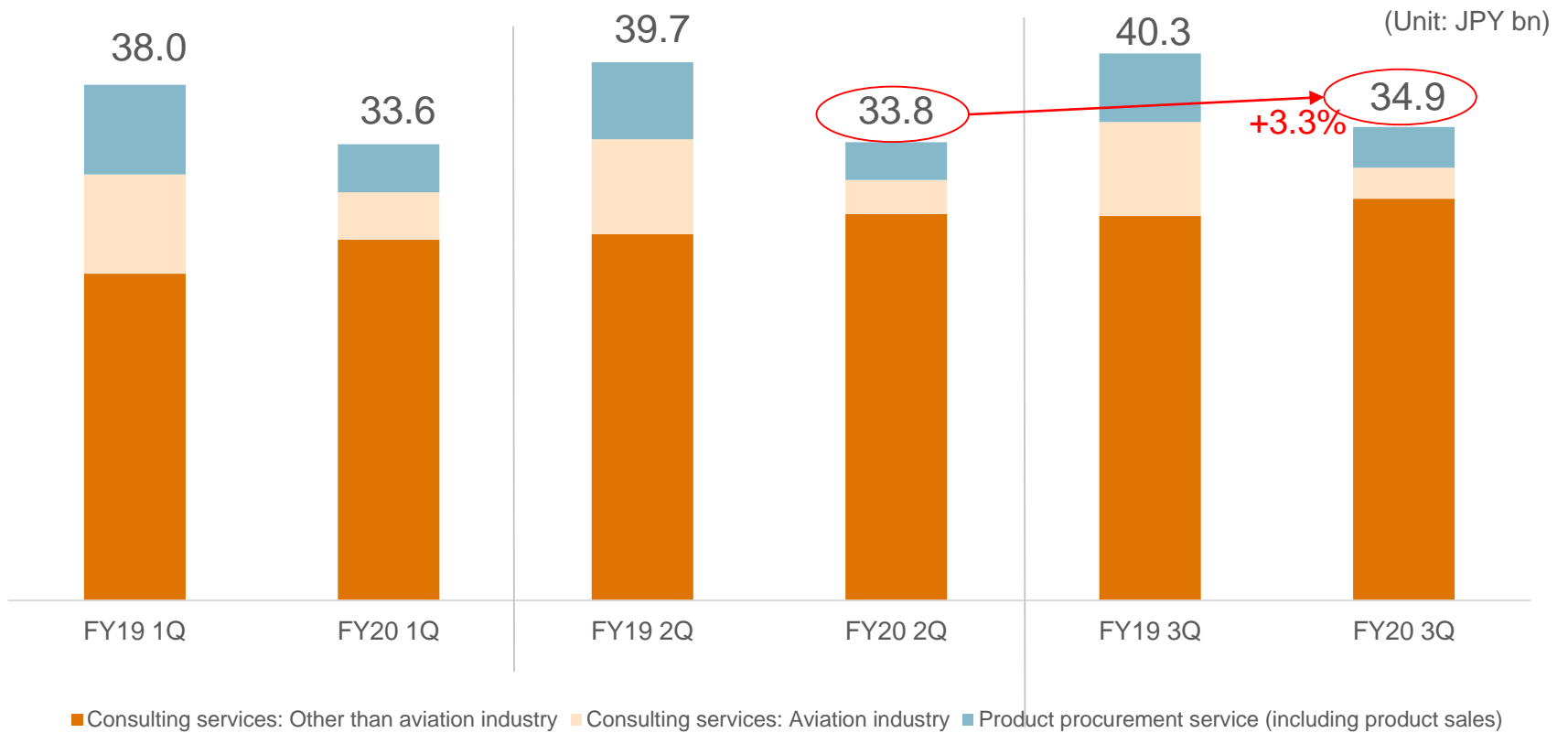
Unit: JPY mn	FY 20	Increased/decreased amount to the previous fiscal year	Increased/decreased rate to the previous fiscal year
Revenue	14,500 to 15,500	-1,503 to -503	-9% to -3%
Profit before income taxes	1,850 to 2,300	-326 to +123	-15% to +6%
Profit attributable to owners of parent	1,100 to 1,500	-307 to +92	-22% to +7%

As for our consolidated earnings forecasts for the FY ending March 2021, we have narrowed down our forecast range of "Profit before income taxes" and "Profit attributable to owners of parent", since the progress for Q3 FY20 became clear.

(Note) Actual results may differ from the expected figures due to various factors, including the impact of the COVID-19 pandemic which may continue to spread and the accompanying declaration of state of emergency which may be extended.

(Reference) Revenue by Category

- By achieving new large-scale projects regarding ERP cloud migration services and reassigning the consultants from projects in the aviation industry to other projects, revenue in Q3 FY20 increased by 3.3% from Q2. Projects in the aviation industry and product procurement services for Q3 FY20 remained at about the same level as in Q2.
- Hardware and software product procurement services, which is not our core business, will be gradually scaled down.

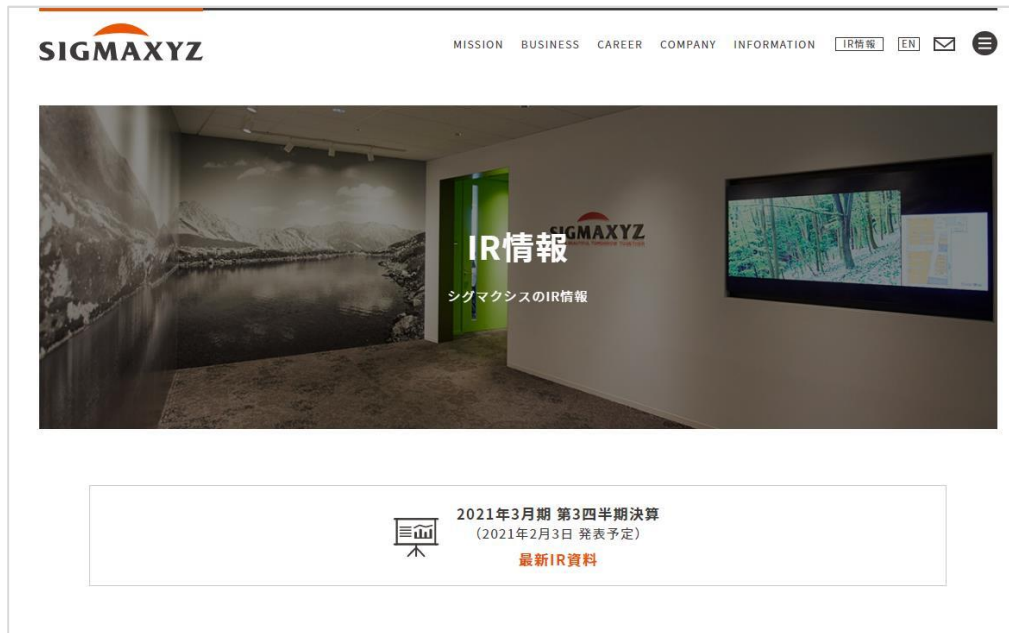


Dividend Policy

- 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.

(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.

URL: www.sigmaxyz.com

Inquiry: sigmaxyz_ir@sigmaxyz.com