

Consolidated Financial Results Supplementary Document Q2 FY20

November 4, 2020/ SIGMAXYZ Inc. (Stock Code: 6088)



Outline of Financial Results for Q2 FY20

Summary		(YoY change)
● Consolidated revenue	6.74 billion yen	(-13%)
● Profit before income taxes	777 million yen	(-22%)
● Profit	366 million yen	(-41%)

- Despite a growth in the ERP cloud migration services, revenue decreased affected by decreased revenues from consulting services for the aviation industry, which has been severely affected by the COVID-19 pandemic, and from product sales due to a phased scale-down of the procurement of hardware and software products on behalf of clients, a service that is ancillary to call center projects in the retail industry and has contributed only marginally to profit.
- By the reassignment of consultants from aviation industry related projects to other projects, revenue from consulting services, other than from the aviation industry and product sales, increased from Q1.

Consolidated Income Statement for Q2 FY20

Unit: JPY mn	FY19 (Apr to Sep)	FY20 (Apr to Sep)	YoY change		Major changes
			Amount	Rate	
Revenue	7,774	6,747	-1,027	-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	2,899	2,594	-304	-10%	
S, G&A expenses	1,917	1,982	+64	+3%	- Increase in personnel and training costs, etc. associated with recruitment, investments for solution development and productivity improvement, and costs following measures taken for COVID-19.
Operating profit	981	612	-368	-38%	
Ordinary profit	999	630	-368	-37%	
Profit before income taxes	999	777	-222	-22%	- Profit from the sale of affiliate shares.
Profit	616	366	-250	-41%	- Impact from an increase in valuation allowance

Key Performance Index (KPI)

	Q2 FY19	Q2 FY20	YoY change
Number of employees	542	565	+4%
(Number of consultants)	(481)	(497)	(+3%)
Client Satisfaction (NSI*)	96	94	-2pts
Number of projects	636	588	-8%
Number of clients	148	169	+14%
Revenue per contract (Unit: JPY mn)	12.2	11.5	-6%

*** NSI (Net Satisfaction Index): Average score from 5 possible ratings for 10 questions evaluating project satisfaction.**

- Format: Questionnaire
- Respondents: Project owners

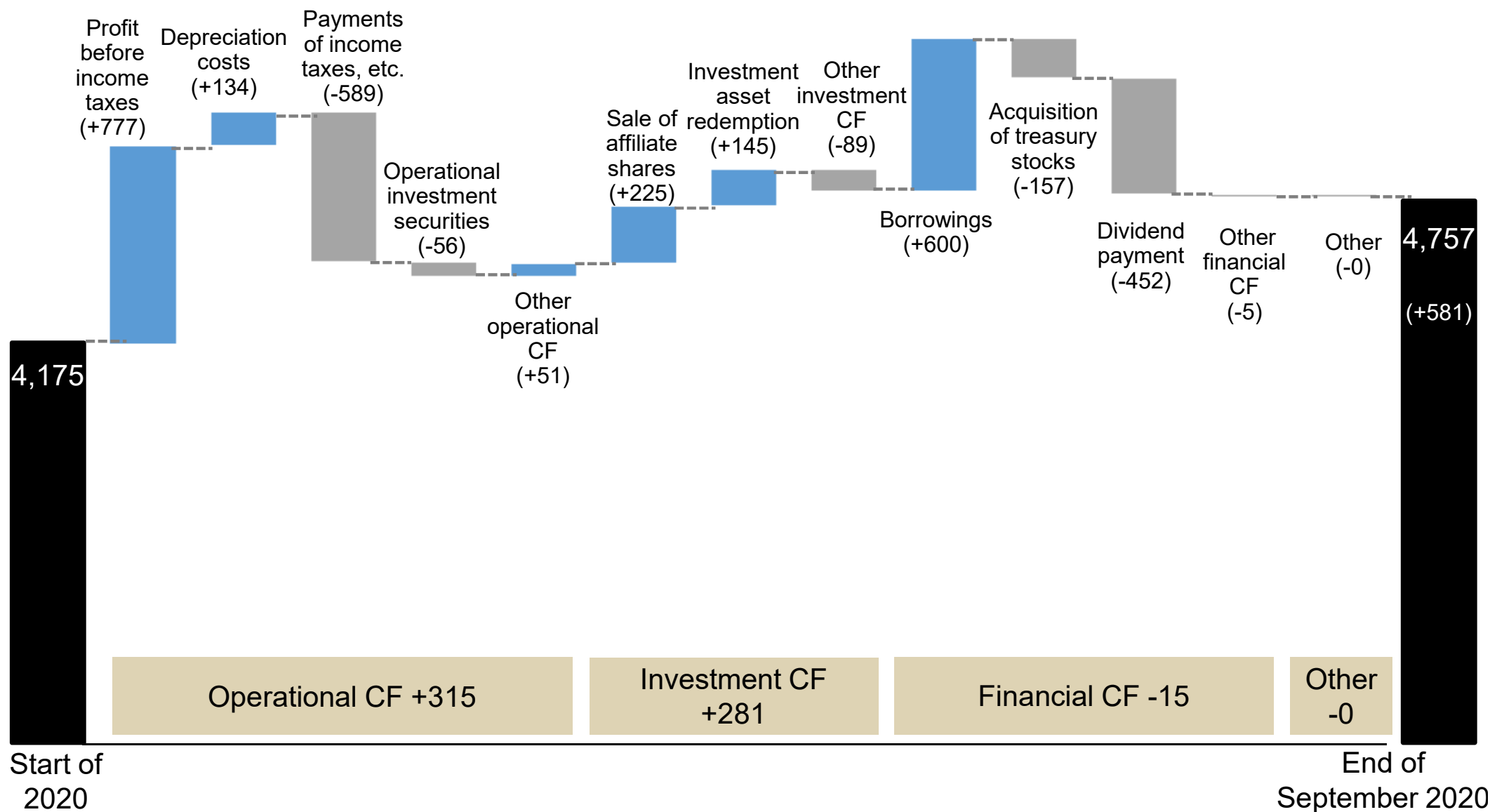
- 5: I really agree 100 points
- 4: I agree 75 points
- 3: I can't say either way 50 points
- 2: I don't agree 25 points
- 1: I don't agree at all 0 points

Consolidated Balance Sheet for Q2 FY20

Unit: JPY mn	End of FY19	End of Q2 FY20	YoY change (Amount)	Major changes
Current assets	6,943	7,423	+480	- Increase in cash and deposits, and decrease in accounts receivable
Cash and deposits	4,175	4,757	+581	- Borrowings and dividend payments
Non-current assets	2,725	2,343	-382	- Decrease in investment securities
Total assets	9,669	9,767	+97	
Current liabilities	3,424	3,384	-39	- Borrowings and the reduction of income tax payables, etc.
Non-current liabilities	1,208	1,392	+184	- Increase in provisions for share-based remuneration.
Total liabilities	4,632	4,777	+144	
Net assets	5,036	4,989	-47	- 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 2Q FY20: 63%

Transitions in Consolidated Cash Flow

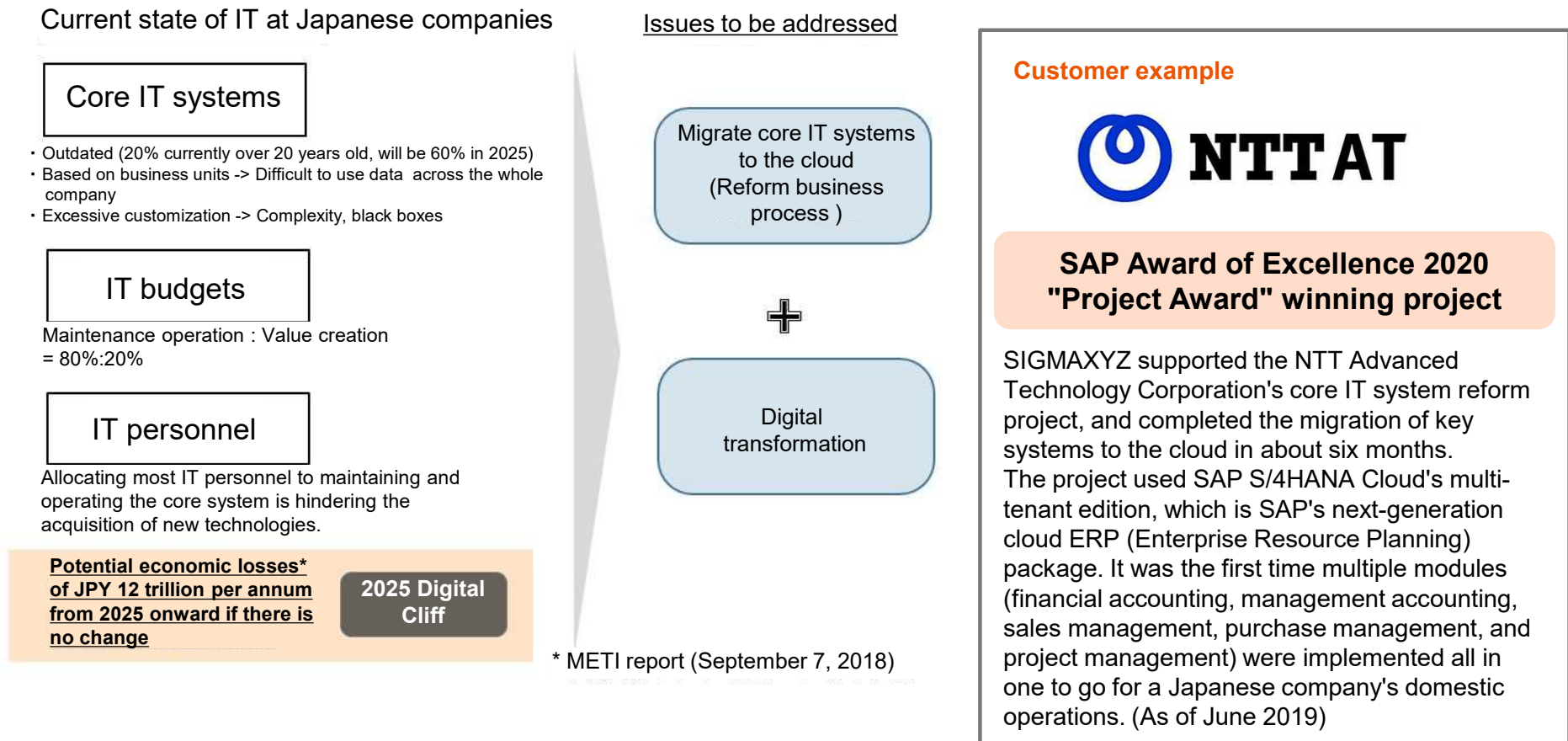
Unit: JPY mn



Topics: Migrating ERP to the Cloud

In readiness for the situation called the "2025 Digital Cliff," when the existing ERP maintenance support expires, SIGMAXYZ supports clients to enhance their corporate value by smoothly migrating their ERP to a cloud environment, and carries out organization/business transformation and change management, based on the growth scenarios for clients that we provide.

As of September 30, 2020, the number of consultants with SAP S/4HANA® Cloud certifications, who oversee its ERP cloud migration services projects, has increased to 43. We are a leader in the industry in terms of the total number of certifications acquired.

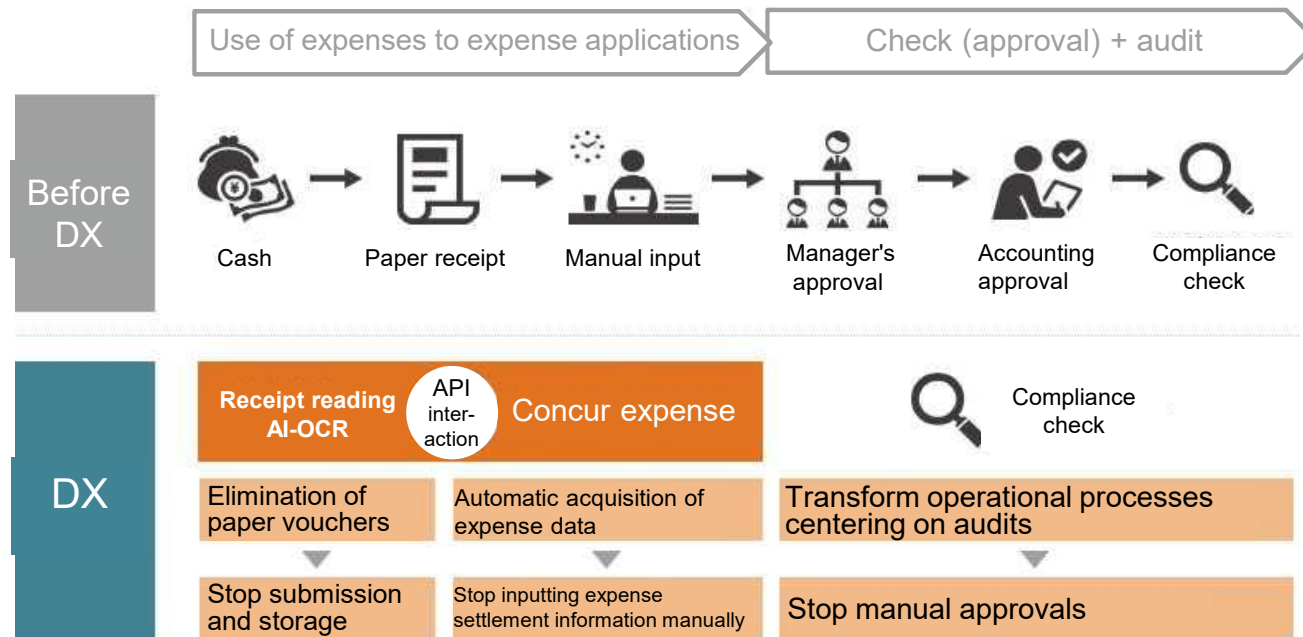


Digital Transformation of Indirect Operations

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



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.

In July 2020, consultants in this field published the first food business book in Japan, "The Food-Tech Revolution", in which they 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]

Nikkei Sangyo Shimbun
(October 16)
Best seller in business books
No.7

MarkeZine (October 9)
Best seller in "marketing"
books in September 2020
Amazon rank
No.1

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



**Smart Kitchen
Summit Japan 2020
will be held online
From December 17 to 19**

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

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

- We strive to expand value-added activities to address social problems as well as our clients' issues.

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.



<https://www.un.org/sustainabledevelopment/>

ESG

- 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])

- We are working on building a "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.
- 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.

Alliance Business

We offer support in the form of a joint venture, providing human capital and funds to address customers' business challenges.

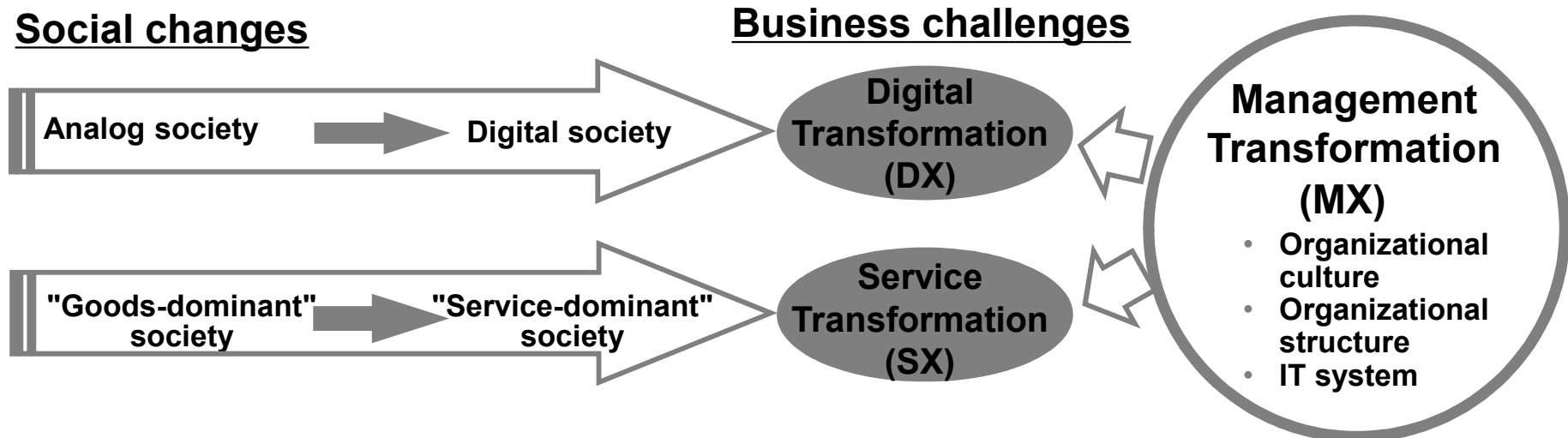
The "contingent fees" for solving the issues are gained from the profit earned by selling shares. Depending on the purpose of investment and voting rights ratio, the fees are included in the calculation as operating income or extraordinary income in accordance with accounting standards.



- Extraordinary income came to ¥146 million due to the sale of the Company's entire stake 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 stake in the company as we achieved the intended purpose.

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
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
 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>SALA Lifestyle Innovation Co., Ltd.</p>	2017 (Joint venture with SALA CORPORATION)	Marketing and platform business in the SALA Group
 <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
 <p>Toletta Cats Toletta Cats Inc.</p>	2019	Pet-related services

FY20 Consolidated Earnings Forecasts

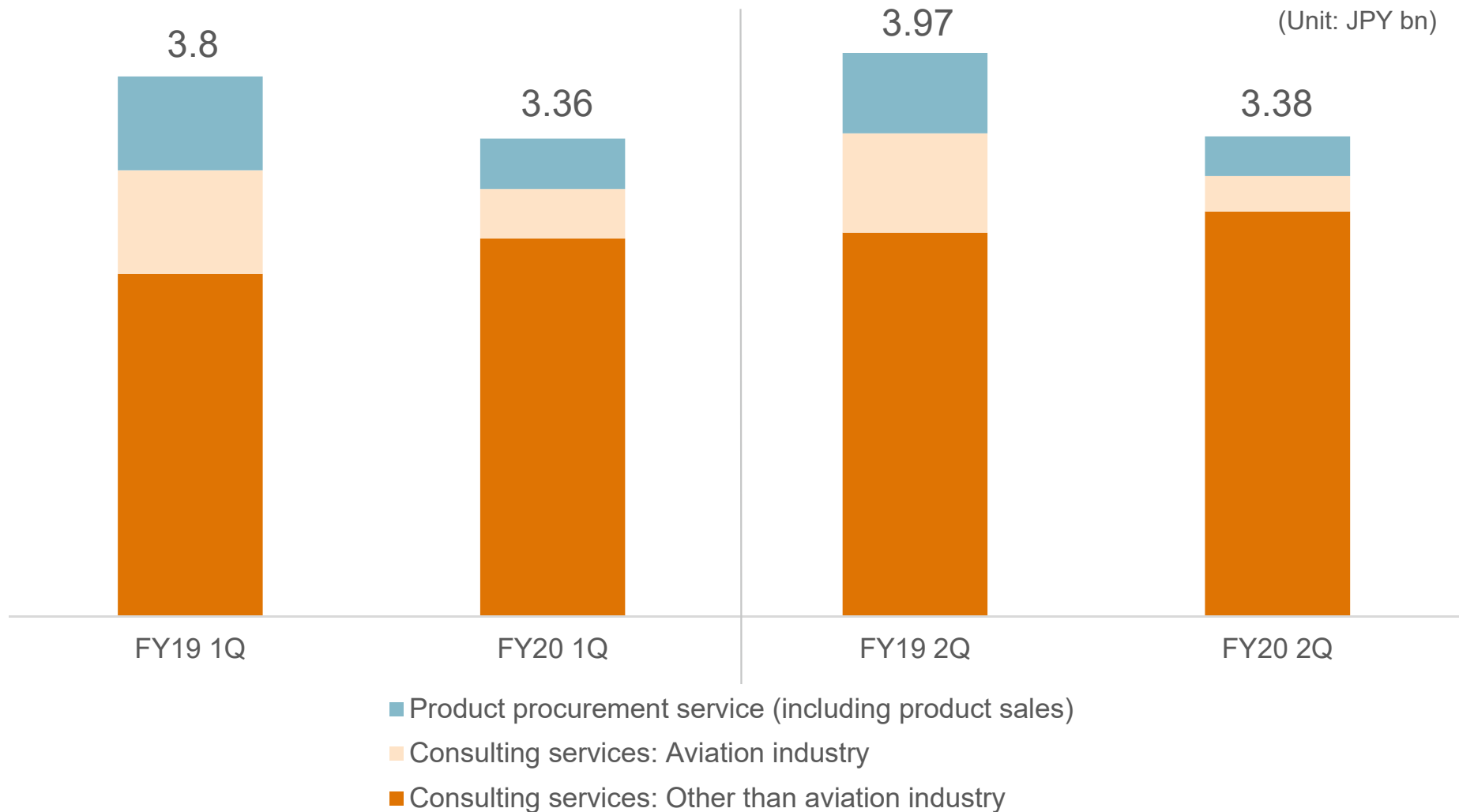
Unit: Million yen	FY 20	Increased/decreased amount to the previous fiscal year	Increased/decreased rate to the previous fiscal year
Revenue	14,500 to 15,500	-1,503 to -503	-9% to -3%
Profit before income taxes	1,750 to 2,350	-426 to +173	-20% to +8%
Profit attributable to owners of parent	1,050 to 1,520	-357 to +112	-25% to +8%

Revenue: Disclosed a range of amounts instead of a specific value because it includes product sales of hardware and software procurement services for call center projects in the retail industry.

Profit: Since capital gains and earnings from business investments, which are similar to contingency fees, may be special profits for accounting purposes, the ordinary profit will remain pending, and we will disclose a range of amounts of the profit before income taxes and profit attributable to owners of parent.

(Reference) Revenue by Category

- In 2Q FY20, by shifting the consulting services from projects in the aviation industry to other industries, revenue increased from Q1 for consulting services excluding the aviation industry, product procurement services, and product sales.
- Hardware and software product procurement services, which is not our core business, will be gradually scaled down.

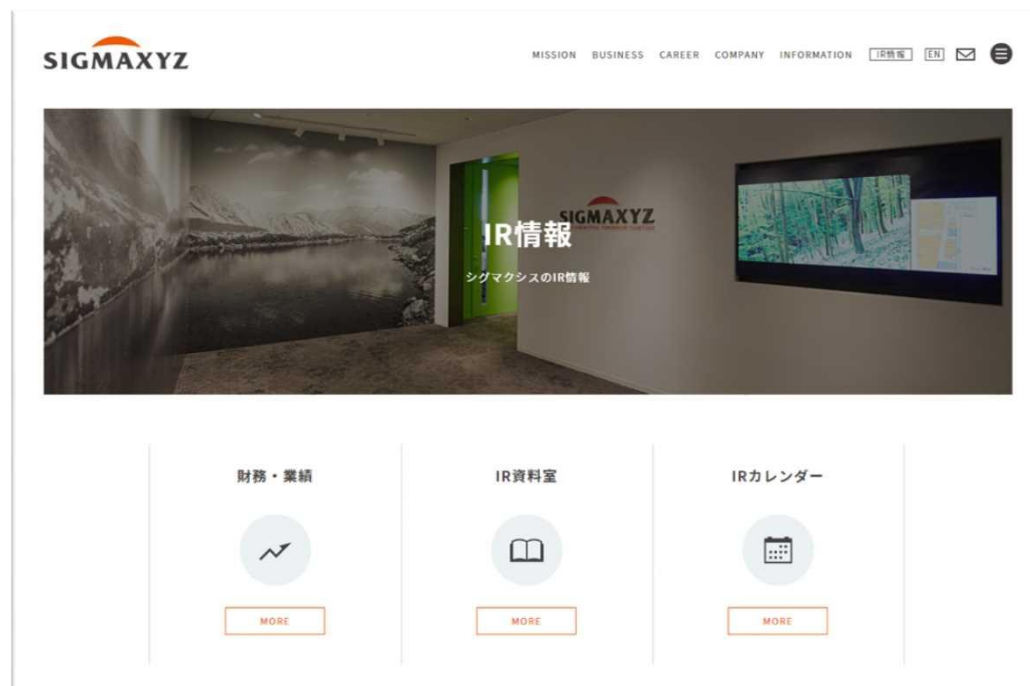


Dividend Policy

- 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.

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