

Consolidated Financial Results Supplementary Document FY19

May 7, 2020 / SIGMAXYZ Inc. (Stock Code: 6088)



Outline of Financial Results for FY19

| Summary | | (YoY) |
|------------------------|-------------|--------|
| ● Consolidated revenue | JPY 16.0 bn | (+20%) |
| ● Ordinary profit | JPY 2.16 bn | (+64%) |
| ● Profit | JPY 1.4 bn | (+55%) |

- Due to the steady increase in the number of consultants, services and product sales related to call center projects increased, in addition to the launch of ERP cloud migration services and growth in PMO services. (Product sales accounts for 6% of revenue which consists of product procurement of hardware and software on behalf of customers based on their requests. Profit contributions were negligible.)
- Selling, general, and administration expenses increased by 15% reflecting rises in personnel and other costs and expenses accompanying business expansion and training expenses centered on ERP cloud migration services and higher investment spending in solution development.
- Loss in equity-method investments arose, but ordinary profits increased by 64% as growth in operating profits.

Consolidated Income Statement for FY19

| Unit: JPY mn | FY18 (Apr to Mar) | FY19 (Apr to Mar) | YoY change | | Major changes |
|----------------------------|----------------------|----------------------|------------|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | Amount | Rate | |
| Revenue | 13,329 | 16,003 | +2,673 | +20% | <p>An increase in the number of consultants, the launch of ERP cloud migration services, growth in PMO services, and other factors.</p> <ul style="list-style-type: none"> - Business expansion led to an increase in spending on personnel, and employee training expenses and investment in solution development for ERP cloud migration services. - Loss on equity-method investments - Gain on sale of investment securities - Valuation loss on software |
| Gross profit | 4,712 | 6,172 | +1,459 | +31% | |
| S, G&A expenses | 3,443 | 3,961 | +517 | +15% | |
| Operating profit | 1,269 | 2,211 | +942 | +74% | |
| Ordinary profit | 1,322 | 2,164 | +842 | +64% | |
| Profit before income taxes | 1,308 | 2,176 | +868 | +66% | |
| Profit | 909 | 1,407 | +498 | +55% | |

Key Performance Index (KPI)

| | FY18 | FY19 | YoY change |
|----------------------------------------|-------|--------------|------------|
| Number of employees | 494 | 524 | + 6% |
| (Number of consultants) | (435) | (459) | (+ 6%) |
| Client Satisfaction (NSI*) | 93 | 95 | + 2pts |
| Number of projects | 1,119 | 1,165 | + 4% |
| Number of clients | 214 | 202 | - 6% |
| Revenue per contract (Unit: JPY mn) | 11.9 | 13.7 | + 15% |

*** 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 |

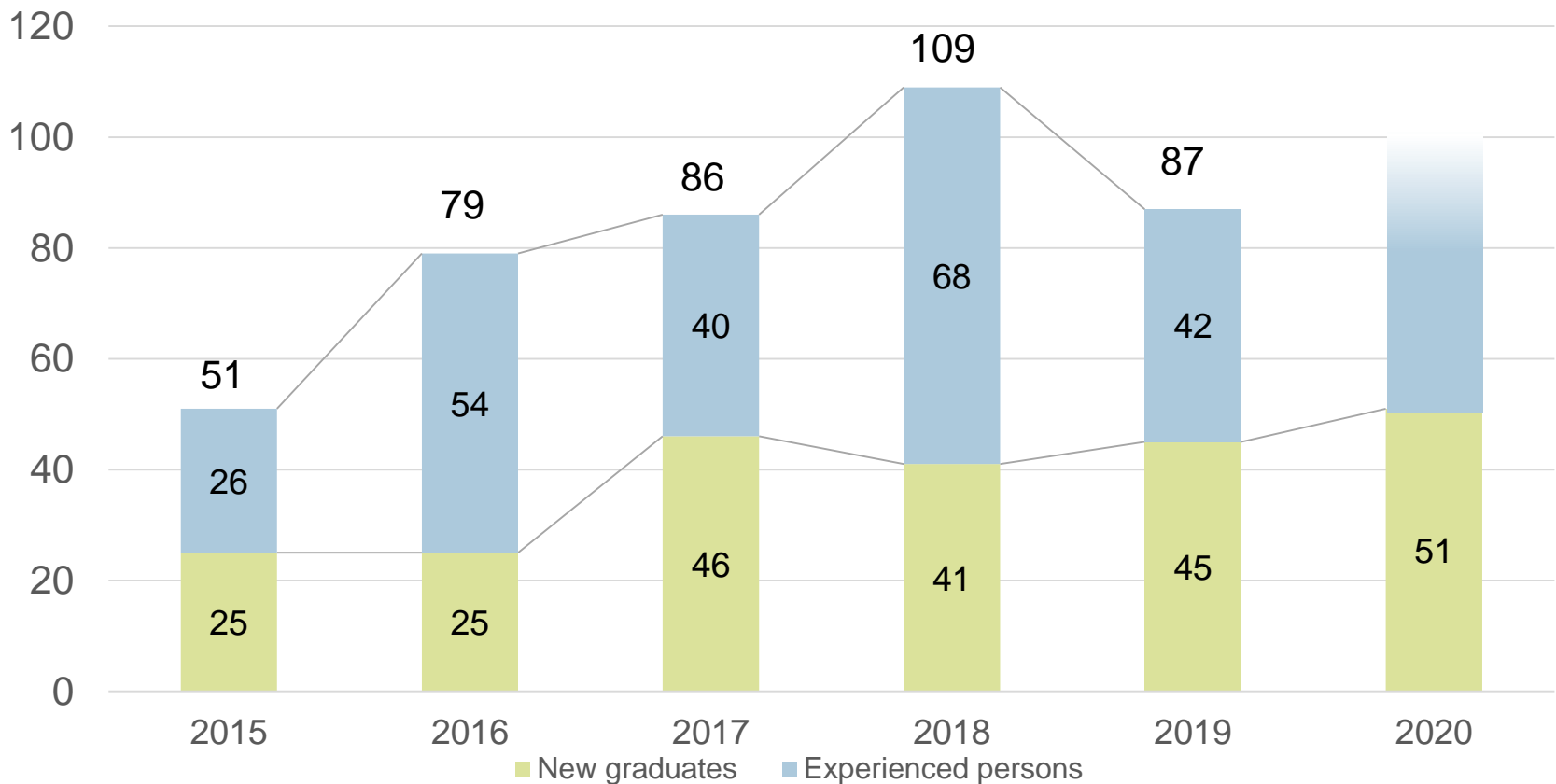
FY20 Recruitment Policy

51 new graduates were employed in FY20.

Experienced persons will be hired as necessary, while keeping an eye on demand.

Unit: people

Number of people hired per annum

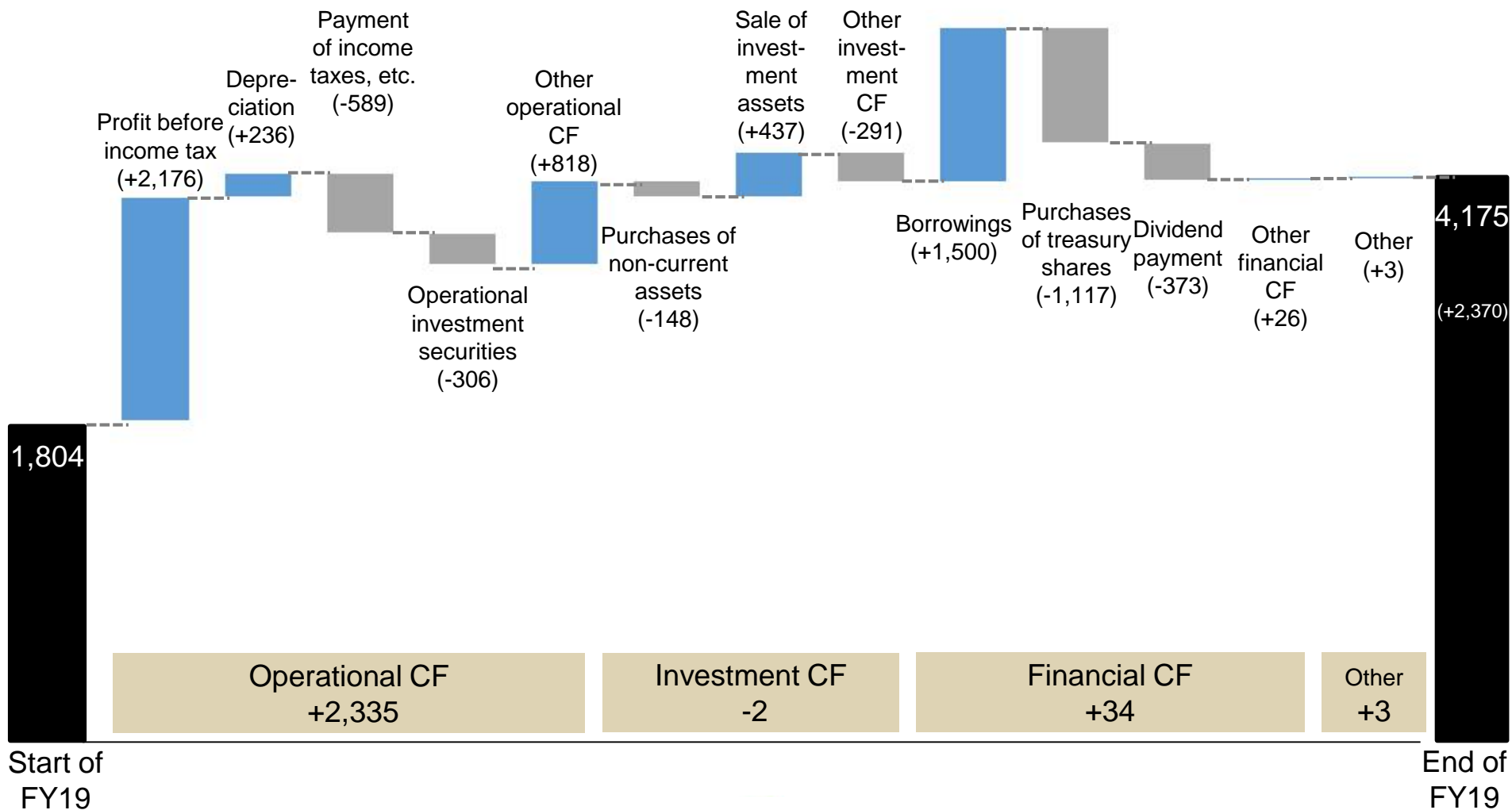


Consolidated Balance Sheet for FY19

| Unit: JPY mn | End of FY18 | End of FY19 | YoY change (Amount) | Major changes |
|-------------------------|-------------|--------------|---------------------|-------------------------------------------------------------------------|
| Current assets | 4,123 | 6,943 | +2,819 | - Increase in cash and deposits, and operational investment securities |
| Cash and deposits | 1,804 | 4,175 | +2,370 | - Borrowings / Growth of operating CF |
| Non-current assets | 2,873 | 2,725 | -147 | |
| Total assets | 6,997 | 9,669 | +2,671 | |
| Current liabilities | 1,683 | 3,424 | +1,741 | - New borrowings |
| Non-current liabilities | 757 | 1,208 | +450 | - Carried out long-term borrowings in line with the contribution period |
| Total liabilities | 2,441 | 4,632 | +2,191 | |
| Net assets | 4,556 | 5,036 | +480 | - Calculation of profit - Reduction owing to dividend payments |
| Equity ratio | 65% | 52% | -13 pts | - Borrowings / Purchases of treasury shares |

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, 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. The number of certified consultants for the SAP S/4HANA Cloud—which is responsible for the cloud migration services for ERP—increased to 18 at the end of March.

Current state of IT at Japanese companies

Core IT systems

- Outdated (20% currently over 20 years old, will be 60% in 2025)
- Based on business units -> Difficult to use data across the whole company
- Excessive customization -> Complexity, black boxes

IT budgets

Maintenance operation : Value creation
= 80%:20%

IT personnel

Allocating most IT personnel to maintaining and operating the core system is hindering the acquisition of new technologies.

**Potential economic losses*
of JPY 12 trillion per annum
from 2025 onward if there is
no change**

**2025 Digital
Cliff**

Issues to be addressed

Migrate core IT systems
to the cloud
(Reform business
process)



Digital
transformation

Customer example



**SAP Award of Excellence 2020
"Project Award" winning project**

SIGMAXYZ supported the NTT Advanced Technology Corporation's core IT system reform project, and completed the migration of key systems to the cloud in about six months. The project used SAP S/4HANA Cloud's multi-tenant edition, which is SAP's next-generation cloud ERP (Enterprise Resource Planning) package. It was the first time multiple modules (financial accounting, management accounting, sales management, purchase management, and project management) were implemented all in one to go for a Japanese company's domestic operations. (As of June 2019)

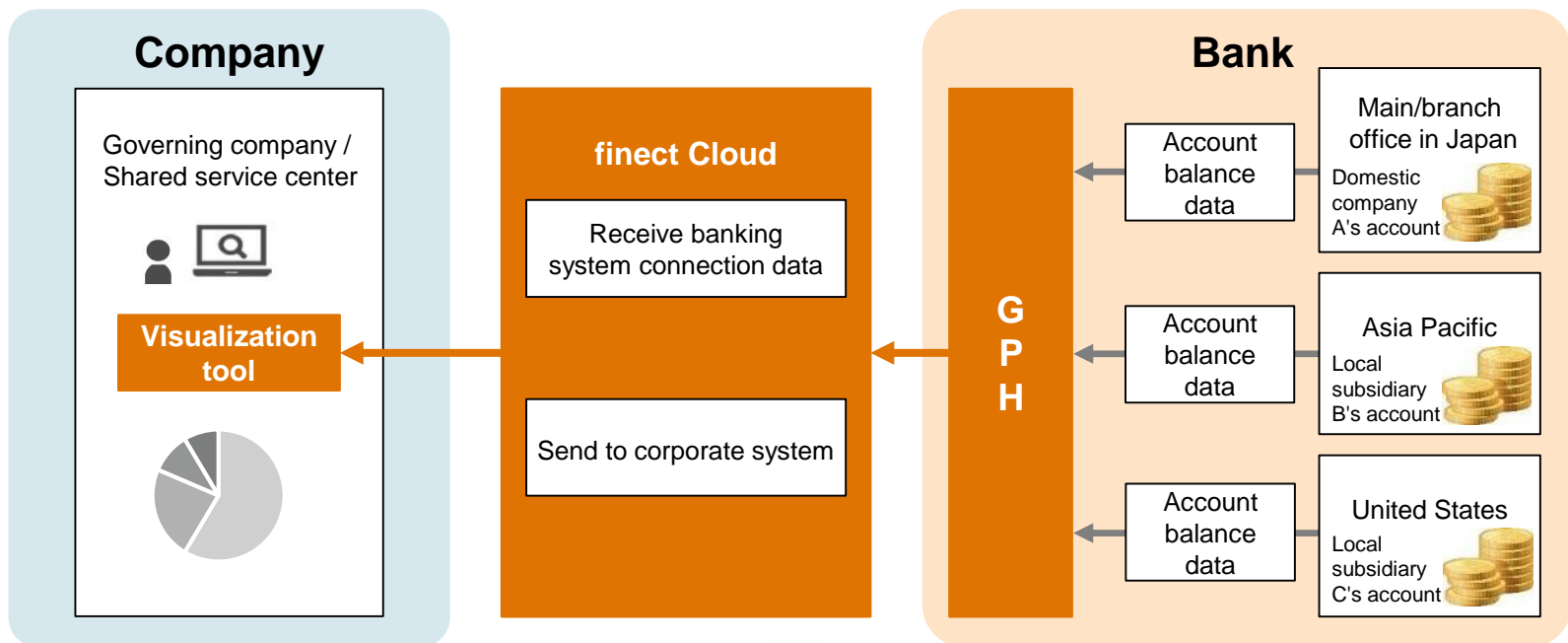
* METI report (September 7, 2018)

finect Cloud Services

SXF, a wholly owned subsidiary of SIGMAXYZ established in February 2019, provides "finect Cloud services" to help global companies improve their governance and optimize operations pertaining to their financial management. It connects corporate accounting systems and banking host services through Cloud computing to provide visibility and automated bank transfers for global funds. SXF entered into an agreement with MUFG Bank, Ltd. and Mizuho Bank, Ltd. regarding electronic settlements and other agency services.

In January 2020, "Global Treasury Service," which links the above services and those of MUFG Bank, Ltd., was developed and introduced into Nippon Express Co., Ltd.

Conceptual Diagram of Funds Visualization Services



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 of experts in a wide range of fields including food, home appliances, housing, restaurants, cooking specialists, entrepreneurs, investors, designers, and business creators. It has been held since 2017, co-organized by NextMarket Insights.

- ✓ 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

Dissemination of information as a leader in food innovation

Media interviews, lectures, contributions, and books, as well as participation as core members in government-led study sessions

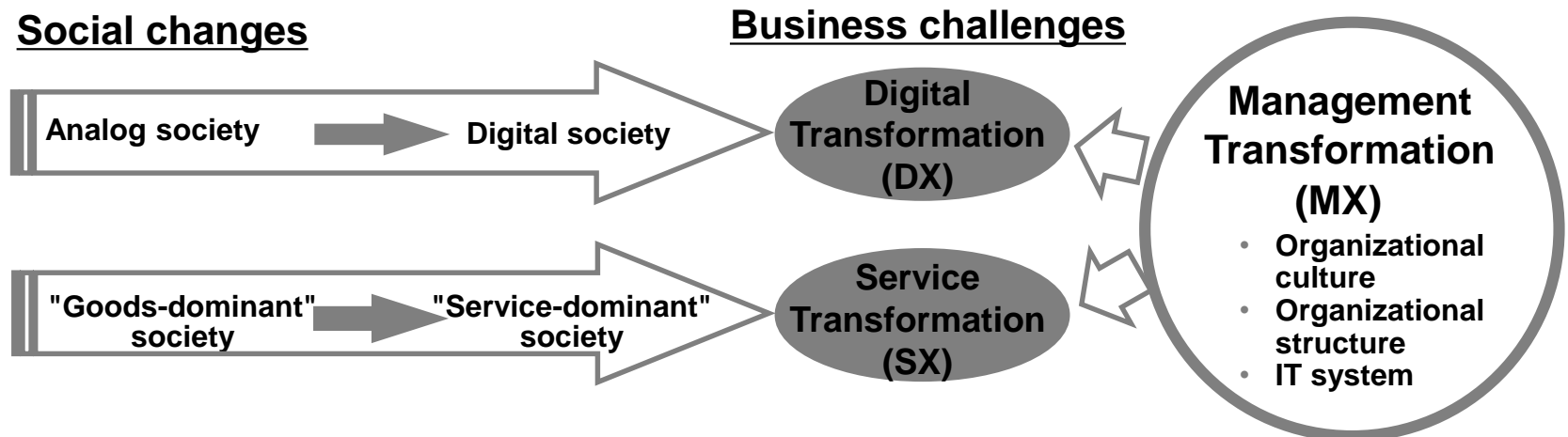
Food Innovation Support Project

Activities supporting food innovation, including business matching, for companies related to food, home appliances, logistics, etc.



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



* Transfer of all stock to Lawson is planned to take place in 1Q FY20





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 |
|  Lawson Digital Innovation Inc. | 2016 (Joint venture with Lawson, Inc., 34%) | Digitizing Lawson's business, and designing, developing, implementing, and operating Lawson's next-generation systems * Transfer of all stock to Lawson is planned to take place in 1Q FY20 |
|  fitom Inc. | 2019 (Joint venture with UNITED ARROWS LTD. and Hakuhodo DY Media Partners Inc., 39%) | Developing and operating digital platforms for apparel companies * Dissolved in April |

Companies We Invest In (1 of 2)

| Company name | Year of incorporation / start of business / capital participation (Joint venture partners / main shareholders) | Business description |
|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
|  invest in wonder SX Capital, Inc. | 2016 | Management and administration of assets for investment associations, etc. targeting privately-owned IT venture companies |
|  SALA Lifestyle Innovation Co., Ltd. | 2017 (Joint venture with SALA CORPORATION) | Marketing and platform business in the SALA Group |
|  Ghelia Inc. | 2018 (Sony Computer Science Laboratories, Inc., World Innovation Lab, LLC., and Mizuho FinTech Investment Limited Partnership) | AI solution business |
|  Monstar Lab, Inc. | 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>Hachi Tama Inc.</p> | 2019 | Pet-related services |

LP (Limited Partner) Investment

We have become Limited Partners of the below investment funds in order to expand our network with domestic and international start-ups and venture companies.

SX Capital



The No. 3 Fund, established with venture capital companies with which we have a capital and business alliance.

SX Capital invests in start-up companies that offer IT-related services and services that use IT.

Purpose: To promote supporting the growth of venture companies in various ways, including supporting new business development and management

Fresco Capital



A new 3-billion-yen fund, established by U.S. venture capital company Fresco Capital.

Fresco Capital invests in start-up companies in the U.S., Europe and Asia, focusing on themes such as education, the future of work, and health care.

Purpose: To expand networks with foreign venture companies and strengthen Japanese companies' abilities and systems regarding supporting reform

No. 3 Fund investment affiliates (extract)



FY20 Consolidated Earnings Forecasts

It is difficult for the Company to prepare reasonable consolidated earnings forecasts at present because the global spread of the novel coronavirus disease is expected to further affect economic and social conditions in Japan and abroad, preventing an accurate assessment of business decisions and operations at client and partner companies from the second quarter of the fiscal year ending March 31, 2021. Consequently, the Company has not released a consolidated earnings outlook for the fiscal year ending March 31, 2021.

The Company will carefully assess impact of the pandemic on its businesses going forward, and promptly release consolidated earnings forecasts when it can prepare them with a reasonable degree of accuracy.

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.
 - Raise the dividend per share for FY19 by JPY 4 to JPY 22.
- The Company has kept its dividend forecast for the fiscal year ending March 31, 2021 in line with the previous fiscal year because it is difficult to prepare reasonable consolidated earnings forecasts at present. It will review its dividend forecast when it can prepare consolidated earnings forecasts with a reasonable degree of accuracy.

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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