

# Consolidated Financial Results Supplementary Document Q3 FY19

February 3, 2020 / SIGMAXYZ Inc. (Stock Code: 6088)



# Outline of Financial Results for Q3 FY19

Summary		(YoY)
● Consolidated revenue	JPY 11.8 bn	(+23%)
● Ordinary profit	JPY 1.6 bn	(+64%)
● Profit	JPY 942 mn	(+54%)

- 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 10% reflecting rises in personnel and other costs and expenses accompanying business expansion and training expenses centered on ERP cloud migration services and higher investment in solution development.
- Loss in equity-method investments arose, but ordinary profits increased by 64% as growth in operating profits.

# Consolidated Income Statement for Q3 FY19

Unit: JPY mn	FY18 (Apr to Dec)	FY19 (Apr to Dec)	YoY change		Major changes
			Amount	Rate	
Revenue	9,606	<b>11,809</b>	+2,203	+23%	<p>An increase in the number of consultants, the launch of ERP cloud migration services, growth in PMO services, and other factors.</p> <p>- Business expansion led to an increase in spending on personnel and employee training expenses for ERP cloud migration services and investment in solution development.</p> <p>- Loss in equity-method investments</p>
Gross profit	3,478	<b>4,485</b>	+1,006	+29%	
S, G&A expenses	2,580	<b>2,850</b>	+269	+10%	
Operating profit	897	<b>1,634</b>	+736	+82%	
Ordinary profit	975	<b>1,601</b>	+626	+64%	
Profit before income taxes	961	<b>1,601</b>	+640	+67%	
Profit	612	<b>942</b>	+329	+54%	

# Key Performance Index (KPI)

	3Q FY18	3Q FY19	YoY change
Client Satisfaction (NSI*)	94	<b>95</b>	+1pts
Number of projects	846	<b>886</b>	+5%
Number of clients	185	<b>170</b>	-8%
Revenue per contract (Unit: JPY mn)	11.4	<b>13.3</b>	+17%

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

- Format: Questionnaire
- Respondents: Project owners

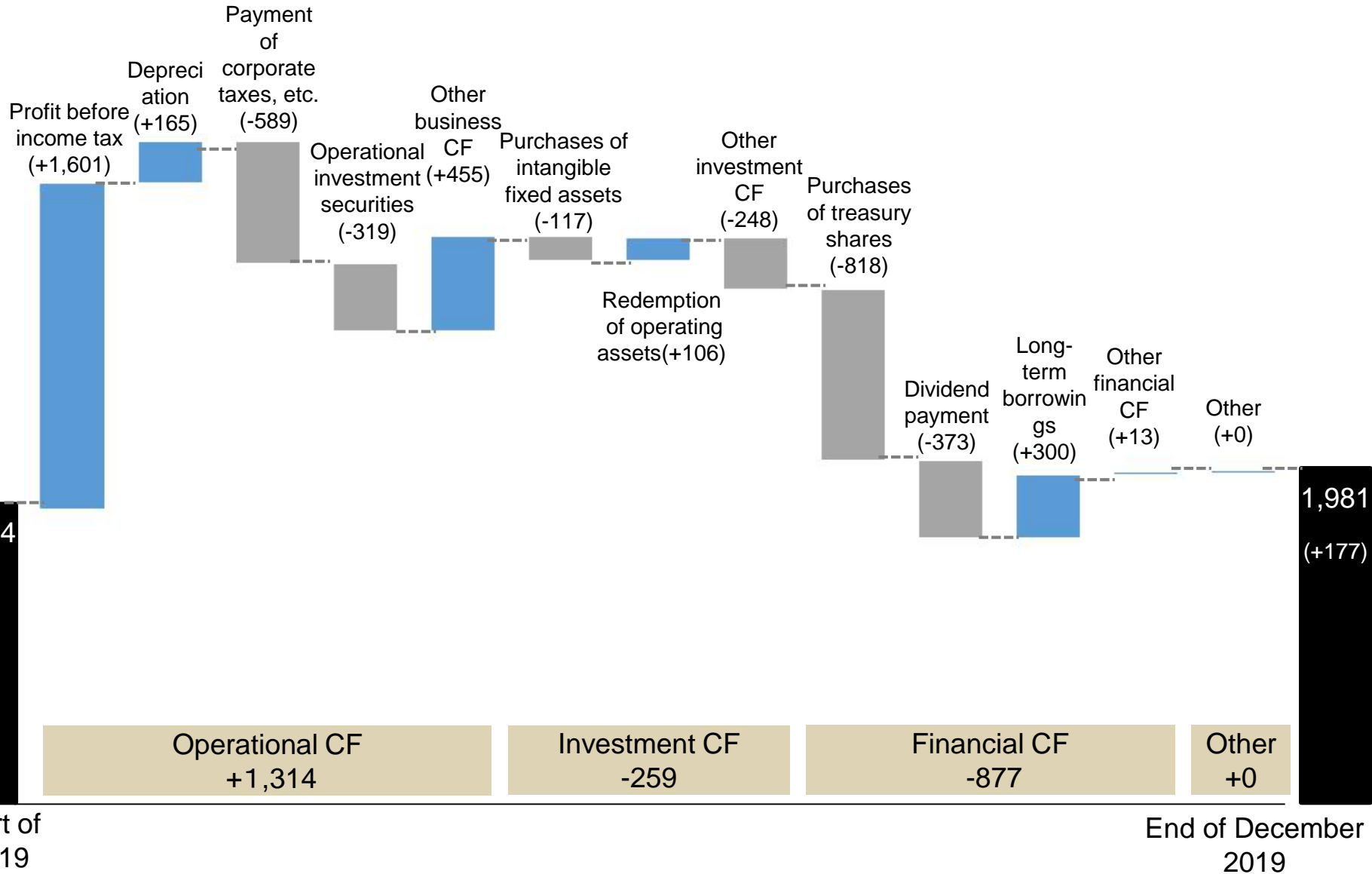
5: I really agree	100 points
4: I agree	75 points
3: I can't say either way	50 points
2: I don't agree	25 points
1: I don't agree at all	0 points

# Consolidated Balance Sheet for Q3 FY19

Unit: JPY mn	End of FY18	End of Q3 FY19	YoY change (Amount)	Major changes
Current assets	4,123	<b>4,636</b>	+512	- Increase in operational investment securities
Cash and deposits	1,804	<b>1,981</b>	+177	- Growth of operating CF
Non-current assets	2,873	<b>2,924</b>	+50	
Total assets	6,997	<b>7,560</b>	+563	
Current liabilities	1,683	<b>1,869</b>	+185	
Non-current liabilities	757	<b>1,035</b>	+277	- Carried out long-term borrowings in line with the contribution period
Total liabilities	2,441	<b>2,904</b>	+463	
Net assets	4,556	<b>4,655</b>	+99	- Calculation of profit - Reduction owing to dividend payments
Equity ratio	65%	<b>62%</b>	-3pts	- Purchases of treasury shares

# Transitions in Consolidated Cash Flow

Unit: JPY mn

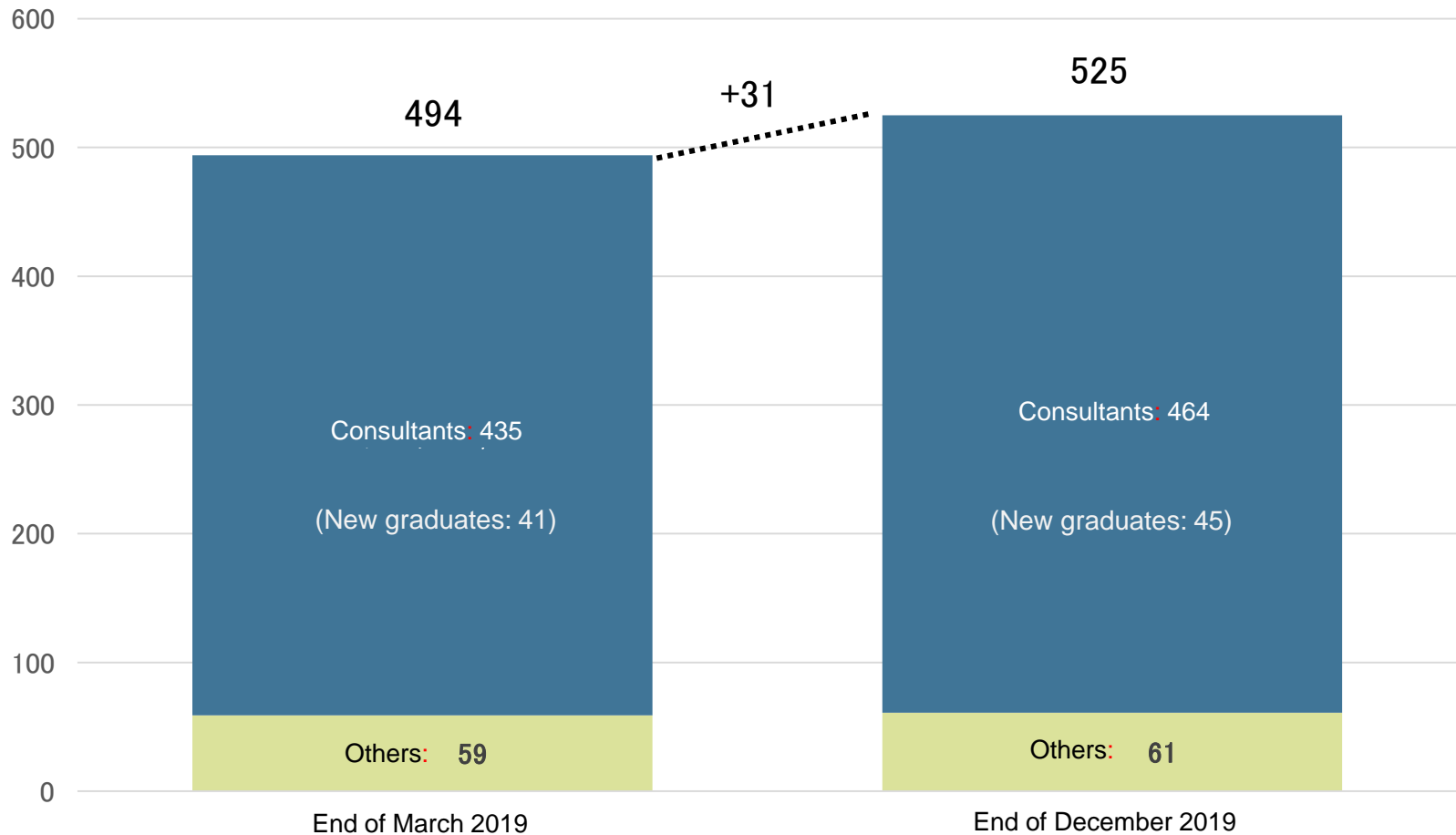


# Consolidated Number of Employees

The number of employees increased by 31 (6%) from the end of the previous fiscal year, mainly through hiring of new graduates.

Recruitment activity continues, but shifting skill sets of consultants caused the number of consultants to decrease by 17 from the end of 2Q FY19.

Unit: people



# 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 17 at the end of December.

## 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



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)

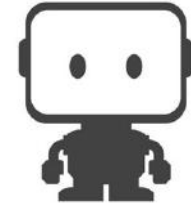
\* METI report (September 7, 2018)



# Machine Learning Consulting Service

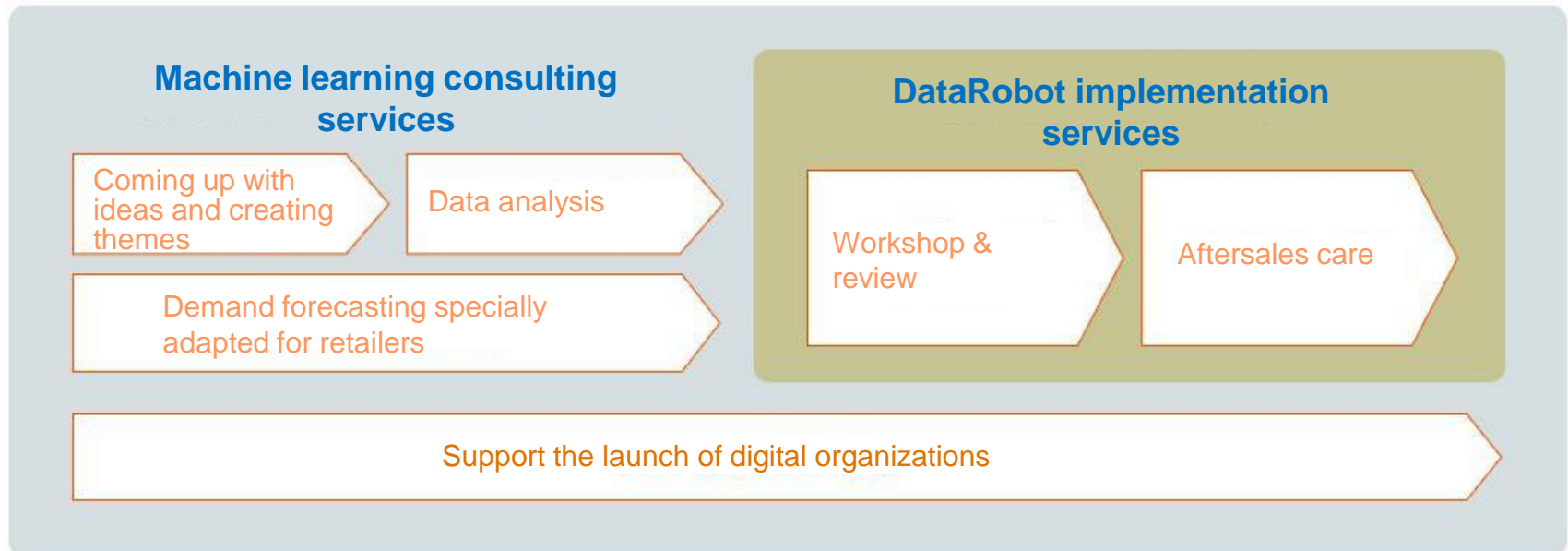
## DataRobot Introduction Service / License Sales

- Japan's first consulting partner, with abundant experience ranging from practical use of DataRobot, to implementation in actual business settings.
- Specialist teams provide extensive support not only for data analysis but also for work applications, and support for getting projects to yield results
- Supports the execution of short-term projects, human resource development, and data analysis / launching digital organizations.



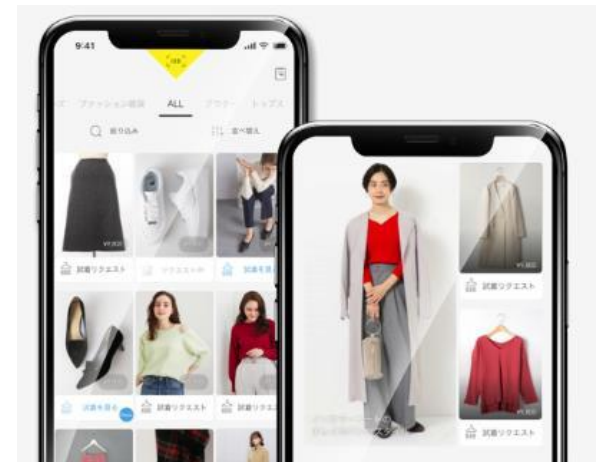
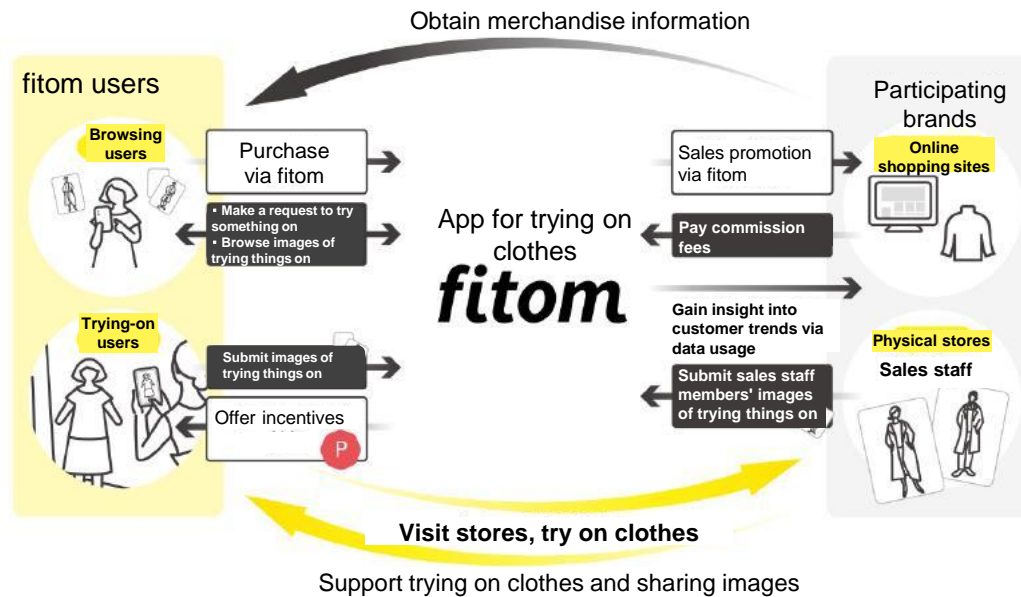
**DataRobot**

DataRobot is the world's most advanced automation platform for machine learning.



# “fitom,” a Fitting-Sharing App for Trying on Clothes

We launched fitom Inc., a new joint venture with United Arrows Ltd. and Hakuholdo DY Media Partners Inc. Through the development and operation of fitom, a Fitting-Sharing app for trying on clothes, the business aims to boost clothing e-commerce websites, make better use of physical stores and sales staff, and create a new omni-channel shopping experience.



## Benefits for fitom users

- 1 Ease anxiety of online shopping
- 2 View actual images of customers trying things on
- 3 Receive incentives by submitting images of trying things on
- 4 Receive positive feedback for own images of trying things on

## Benefits for participating brands

- 1 Improve online sales by easing customer anxiety
- 2 Boost sales by offering images of users and sales staff trying things on (instead of professional models)
- 3 Utilize fitting data of physical stores for online sales
- 4 Use fitting request, fitting photo, and sales data to improve merchandising and create store spaces.

# Smart Kitchen Summit Japan

With the theme "Food & Cooking x Technology," SIGMAXYZ held the Smart Kitchen Summit Japan jointly with NextMarket Insights. The purpose of the event was to think about the future of kitchens in Japan from 2017 onward. It included presentations and panel discussions with experts from a wide variety of areas, including food tech companies, kitchen furnishing manufacturers, service providers, cooking experts, entrepreneurs, investors, designers, and business creators.



Smart Kitchen Summit Japan 2019  
held from August 8 to 9, 2019  
BASE Q (6F Tokyo Midtown Hibiya)

<https://food-innovation.co/sksj2019/>

## Smart Kitchen Summit Japan 2019 Highlights

- 446 people from 187 companies in 13 areas attended, including home appliance manufacturers and food-related companies
- 57 professionals from a wide variety of areas held 40 sessions
- 11 sponsor and speaker companies set up exhibition / food sampling booths
- The special exhibition project "MOVE" was carried out by 5 startup companies
- 70 people of the press attended from 45 media organizations

2018 Digest video <https://bcove.video/2DtZM1a>

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# Alliances

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



## Subsidiaries

M&A advisory  
**SXA Inc.**



Financial EDI services  
**SXF Inc.**






## 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
<b>SXA Inc.</b>	2014 (100% subsidiary)	Providing M&A advisory services (Financial advisory / due diligence / valuation / business turnaround advisory / development of in-house M&A systems)
<b>SXF Inc.</b>	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
 <b>AnalySys. Inc.</b>	2014 (Joint venture with Plan·Do·See Inc., 49%)	Providing cloud services for bridal management applications / developing and providing SIGMAXYZ solutions
 <b>Lawson Digital Innovation Inc.</b>	2016 (Joint venture with Lawson, Inc., 34%)	Digitizing Lawson's business, and designing, developing, implementing, and operating Lawson's next-generation systems
 <b>fitom Inc.</b>	2019 (Joint venture with UNITED ARROWS LTD. and HakuHodo DY Media Partners Inc., 39%)	Developing and operating digital platforms for apparel companies



# Companies We Invest In (1 of 2)

Company name	Year of incorporation / start of business / capital participation (Joint venture partners / main shareholders)	Business description
 <b>MC Data Plus, Inc.</b>	2015 (Joint venture with Mitsubishi Corporation and other companies)	Providing one of the largest cloud system services in Japan for the construction industry / planning and developing new business using big data
 <b>SX Capital, Inc.</b>	2016	Management and administration of assets for investment associations, etc. targeting privately-owned IT venture companies
 <b>SALA Lifestyle Innovation Co., Ltd.</b>	2017 (Joint venture with SALA CORPORATION)	Marketing and platform business in the SALA Group
 <b>Ghelia Inc.</b>	2018 (Sony Computer Science Laboratories, Inc., World Innovation Lab, LLC., and Mizuho FinTech Investment Limited Partnership)	AI solution business

# Companies We Invest In (2 of 2)

Company name	Year of incorporation / start of business / capital participation (Joint venture partners / main shareholders)	Business description
 <b>Monstar Lab, Inc.</b>	2019	A digital-product development company that provides optimal resources, using IT engineers and creators all over the world
 <b>Creww Inc.</b>	2019	Managing one of the largest start-up communities in Japan, and offering a variety of services for start-up companies
 <b>JTB BENEFIT SERVICE, Inc.</b>	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
 <b>Hachi Tama Inc.</b>	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)





# FY19 Consolidated Earnings Forecast

Unit: JPY mn	FY19	YoY change	
		Amount	Rate
Revenue	<b>15,500 – 16,000</b>	+2,170 – 2,670	+16 – 20%
Ordinary profit	<b>1,850 – 2,050</b>	+527 – 727	+40 – 55%
Profit before income taxes	<b>1,850 – 2,050</b>	+541 – 741	+41 – 57%
Profit	<b>1,100 – 1,250</b>	+190 – 340	+21 – 38%

# 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.
  - Plan to raise the dividend per share for FY19 by JPY 2 to JPY 20.

## 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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