



Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2020 (Japanese Accounting Standards)

November 5, 2019

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 Scheduled date of dividend payment: -
 Preparation of supplementary materials on quarterly financial results: Yes
 Schedule of quarterly financial results presentation meeting: None

(Amounts of less than ¥1 million are rounded down)

1. Consolidated Financial Results for the Six Months Ended September 30, 2019 (April 1, 2019 to September 30, 2019)

(1) Consolidated Operating Results (Cumulative)

(% figures indicate year-on-year changes)

	Revenue		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2019	7,774	24.9	981	129.5	999	99.8	616	109.1
Six months ended September 30, 2018	6,224	18.4	427	27.9	500	27.6	295	28.4

Note: Comprehensive Income Six months ended September 30, 2019: ¥616 million (109.1%)
 Six months ended September 30, 2018: ¥295 million (28.0%)

	Profit per Share		Profit per Share (Diluted)	
	Yen		Yen	
Six months ended September 30, 2019	31.84		31.69	
Six months ended September 30, 2018	15.15		15.04	

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2019	7,185	4,719	65.7	243.68
March 31, 2019	6,997	4,556	65.1	236.63

Reference: Equity As of September 30, 2019: ¥4,719 million
 As of March 31, 2019: ¥4,556 million

2. Dividends

	Annual Dividend				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Fiscal Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	—	0.00	—	18.00	18.00
Fiscal year ending March 31, 2020	—	0.00			
Fiscal year ending March 31, 2020 (est.)			—	20.00	20.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Percentage figures indicate year-on-year changes)

	Revenue		Ordinary Profit		Profit before Income Taxes		Profit Attributable to Owners of Parent		Profit per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2020	15,000	12.5	1,500	13.4	1,650	26.1	1,050	15.5	54.21

Note: Revisions to the most recently announced earnings forecasts: None

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries affecting the scope of consolidation):
None
- (2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements
- 1) Changes in accounting policies associated with revisions to accounting standards: None
- 2) Changes in accounting policies other than those in item 1) above: None
- 3) Changes in accounting estimates: None
- 4) Retrospective restatements: None

(4) Number of shares issued (common stock)

1) Shares issued as of the end of the period (including treasury shares)	Six months ended September 30, 2019	21,000,300 shares	Fiscal year ended March 31, 2019	20,967,900 shares
2) Treasury shares as of the end of the period	Six months ended September 30, 2019	1,634,034 shares	Fiscal year ended March 31, 2019	1,713,261 shares
3) Average during the period (cumulative from the start of the fiscal year)	Six months ended September 30, 2019	19,373,200 shares	Six months ended September 30, 2018	19,469,416 shares

Note: Treasury shares excluded from the calculation of “Treasury shares as of the end of the period” and from “Average during the period (cumulative from the start of the fiscal year)” include Company shares held by Trust & Custody Services Bank, Ltd. (Trust Account E) as trust assets for the Employee Stock Ownership Plan (J-ESOP), and Company shares held by Japan Trustee Services Bank, Ltd. (Trust Account) as trust assets for a performance-linked stock compensation program.

* These quarterly financial statements are outside the scope of quarterly review procedures by certified public accountants or audit corporations.

* Explanation regarding proper use of financial forecasts, and other special matters

The earnings forecasts and other forward-looking statements presented in these materials reflect information currently available to the Company and assumptions that are deemed to be reasonable, but the Company does not guarantee the achievement of these targets. Actual results may differ significantly as a consequence of numerous factors. For more information on the Company’s earnings forecasts and underlying assumptions, please refer to “Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements” on page 2 of the attached documents.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Company resolves challenges faced by its customers mainly through the provision of digital technology services (including Program Management Office [PMO¹] support and artificial intelligence [AI]), Enterprise Resource Planning (ERP) cloud migration services, and organizational and personnel revitalization services as a Sherpa guide that helps realize strategies to support the digital transformation of companies.

As a result of the aforementioned activities, revenue for the six months ended September 30, 2019 came to ¥7,774 million (+24.9% year on year), operating profit to ¥981 million (+129.5% year on year), ordinary profit to ¥999 million (+99.8% year on year), profit before income taxes to ¥999 million (+105.4% year on year), and profit attributable to owners of parent to ¥616 million (+109.1% year on year).

Revenue expanded on the launch of ERP cloud migration services, growth in PMO services, and increases in services and product sales for call center projects. Product sales, which involved the procurement of hardware and software products based on customer requests, accounted for approximately 7% of total revenue but corresponding profit contributions were negligible. As of the end of September 2019, the Company had 16 SAP S/4HANA Cloud certified consultants, who are in charge of ERP cloud migration services.

Selling, general and administrative expenses came to ¥1,917 million (+8.4% year on year), reflecting rises in personnel and other costs accompanying business expansion, an increase in training expenses centered on ERP cloud migration services, and higher investment in solutions development.

Ordinary profit came to ¥999 million, marking a 99.8% increase from the same period of the previous fiscal year as growth in operating profit offset an equity-method loss of ¥28 million associated with investment in a new joint venture.

Profit attributable to owners of parent came to ¥616 million, marking a 109.1% increase from the same period of the previous fiscal year.

On the hiring front, the Company added 24 mid-career recruits and 45 new graduates in the six months ended September 30, 2019. This brought its total workforce up to 542 people (+64 year on year).

Note:

¹ PMO: Provision of services including project stakeholder management, vendor management, and project progress management on behalf of clients with regard to multiple large-scale projects (such as upgrades to core systems).

(2) Explanation of Financial Position

(Assets)

Total assets as of September 30, 2019 stood at ¥7,185 million (up ¥188 million from the end of the previous fiscal year). This mainly reflected a decline in cash and deposits (down ¥224 million from the end of the previous fiscal year), an increase in accounts receivable-trade (up ¥161 million from the end of the previous fiscal year), and an increase in operational investment securities (up ¥323 million from the end of the previous fiscal year).

(Liabilities)

Liabilities as of September 30, 2019 totaled ¥2,466 million (up ¥25 million from the end of the previous fiscal year). This was mainly attributable to a decline in accounts payable-other (down ¥208 million from the end of the previous fiscal year) and an increase in long-term borrowings (up ¥300 million from the end of the previous fiscal year).

(Net assets)

Net assets as of September 30, 2019 came to ¥4,719 million (up ¥162 million from the end of the previous fiscal year). This mainly reflected the booking of profit attributable to owners of parent and ¥374 million in dividends paid (compared to ¥306 million in the same period of the previous fiscal year).

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements

The consolidated earnings forecasts for the fiscal year ending March 31, 2020 have not changed from the forecasts included in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2019,” released on May 7, 2019.

2. Quarterly Consolidated Financial Statements and Important Notes
 (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	Fiscal year ended March 31, 2019 (As of March 31, 2019)	Six months ended September 30, 2019 (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	1,804,601	1,579,743
Accounts receivable-trade	1,652,362	1,814,030
Operational investment securities	341,460	664,787
Other	325,503	288,011
Total current assets	4,123,928	4,346,573
Non-current assets		
Property, plant and equipment	201,590	179,180
Intangible assets		
Software	272,828	374,277
Software in progress	219,973	125,034
Other	2,604	6,616
Total intangible assets	495,407	505,927
Investments and other assets		
Investment securities	1,689,949	1,598,636
Deferred tax assets	162,128	105,379
Other	324,546	450,042
Total investments and other assets	2,176,624	2,154,058
Total non-current assets	2,873,622	2,839,166
Total assets	6,997,550	7,185,739
Liabilities		
Current liabilities		
Accounts payable-trade	351,471	361,531
Accounts payable-other	677,506	468,795
Income taxes payable	401,148	363,368
Provision for share-based remuneration	140,684	234,083
Other	112,765	113,151
Total current liabilities	1,683,576	1,540,929
Non-current liabilities		
Long-term borrowings	-	300,000
Lease obligations	7,792	4,000
Provision for share-based remuneration	239,764	64,789
Provision for share-based remuneration for directors (and other officers)	510,167	556,888
Total non-current liabilities	757,723	925,678
Total liabilities	2,441,300	2,466,607
Net assets		
Shareholders' equity		
Share capital	2,824,227	2,829,994
Capital surplus	1,074,227	1,079,994
Retained earnings	2,148,958	2,372,595
Treasury shares	(1,491,162)	(1,563,452)
Total shareholders' equity	4,556,250	4,719,132
Total net assets	4,556,250	4,719,132
Total liabilities and net assets	6,997,550	7,185,739

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
 (Quarterly Consolidated Statement of Income)
 Six months ended September 30, 2019

(Thousands of yen)

	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Revenue	6,224,469	7,774,847
Cost of revenue	4,027,697	4,875,786
Gross profit	2,196,771	2,899,060
Selling, general and administrative expenses	1,769,254	1,917,890
Operating profit	427,517	981,169
Non-operating income		
Interest income	2,263	2,855
Dividend income	14,988	15,674
Share of profit of entities accounted for using equity method	22,477	-
Miscellaneous income	33,835	32,551
Total non-operating income	73,565	51,081
Non-operating expenses		
Interest expenses	387	485
Foreign exchange losses	-	700
Share of loss of entities accounted for using equity method	-	28,961
Miscellaneous loss	337	2,593
Total non-operating expenses	725	32,740
Ordinary profit	500,356	999,510
Extraordinary losses		
Loss on retirement of non-current assets	13,846	-
Total extraordinary losses	13,846	-
Profit before income taxes	486,510	999,510
Income taxes-current	228,743	325,885
Income taxes-deferred	(37,285)	56,748
Total income taxes	191,457	382,634
Profit	295,052	616,876
Profit attributable to owners of parent	295,052	616,876

(Quarterly Consolidated Statement of Comprehensive Income)
Six months ended September 30, 2019

	(Thousands of yen)	
	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Profit	295,052	616,876
Comprehensive income	295,052	616,876
Comprehensive income attributable to:		
Owners of parent	295,052	616,876

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Profit before income taxes	486,510	999,510
Depreciation	66,093	97,713
Amortization of goodwill	589	589
Increase (decrease) in provision for share-based remuneration	54,814	80,818
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	220,009	211,545
Interest and dividend income	(17,251)	(18,529)
Interest expenses	387	485
Foreign exchange losses (gains)	(8,038)	700
Share of loss (profit) of entities accounted for using equity method	(22,477)	28,961
Loss on retirement of non-current assets	13,846	-
Decrease (increase) in investment securities for sale	(60,000)	(323,326)
Decrease (increase) in trade receivables	(233,132)	(161,667)
Decrease (increase) in inventories	(35,015)	40,756
Decrease (increase) in prepaid expenses	(51,089)	(29,203)
Increase (decrease) in trade payables	81,756	10,060
Increase (decrease) in accounts payable-other	(108,446)	(198,791)
Other	(41,786)	2,890
Subtotal	346,772	742,514
Interest and dividends received	17,793	19,506
Interest paid	(387)	(485)
Income taxes paid	(251,158)	(346,588)
Income taxes refund	-	2,571
Net cash provided by (used in) operating activities	113,019	417,518
Cash flows from investing activities		
Purchase of property, plant and equipment	(29,273)	(755)
Purchase of intangible assets	(90,668)	(83,123)
Purchase of investment securities	(499,426)	(39,000)
Proceeds from redemption of investment securities	200,000	100,714
Loan advances to subsidiaries and associates	-	(39,000)
Other payments	(30,005)	(96,527)
Net cash provided by (used in) investing activities	(449,374)	(157,692)
Cash flows from financing activities		
Repayments of lease obligations	(3,720)	(3,850)
Proceeds from long-term borrowings	-	300,000
Purchase of treasury shares	(349,652)	(418,377)
Proceeds from issuance of shares	663,733	11,534
Dividends paid	(305,777)	(373,288)
Net cash provided by (used in) financing activities	4,583	(483,983)
Effect of exchange rate change on cash and cash equivalents	8,038	(700)
Net increase (decrease) in cash and cash equivalents	(323,733)	(224,857)
Cash and cash equivalents at the beginning of the period	1,867,617	1,804,601
Cash and cash equivalents at the end of the period	1,543,883	1,579,743

(4) Notes to Quarterly Consolidated Financial Statements
 (Notes Regarding Assumption of a Going Concern)
 No applicable matters to report.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

I. Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

1. Dividends paid

Resolution	Type of shares	Total amount of dividends (Thousands of yen)	Dividend per share (yen)	Record date	Effective date	Appropriated from
May 7, 2018 board resolution	Common stock	306,466	15	March 31, 2018	June 13, 2018	Retained earnings

Note: "Total amount of dividends" includes ¥18 million in dividends for shares held in trust accounts for the Employee Stock Ownership Plan (J-ESOP) and performance-linked stock compensation program.

2. Dividends whose record date falls in the six months ended September 30, 2018, but whose effective date comes after September 30, 2018
 No applicable matters to report.

3. Significant changes in the amount of shareholders' equity

On June 27, 2018, the Company received payment for a third-party allocation of shares to SMBC Nikko Securities Inc. As a result, share capital and legal capital surplus both increased by ¥331 million in the six months ended September 30, 2018, reaching ¥2,817 million and ¥1,067 million, respectively, by September 30, 2018.

II. Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

1. Dividends paid

Resolution	Type of shares	Total amount of dividends (Thousands of yen)	Dividend per share (yen)	Record date	Effective date	Appropriated from
May 7, 2019 board resolution	Common stock	374,397	18	March 31, 2019	June 10, 2019	Retained earnings

Notes: "Total amount of dividends" includes ¥27 million in dividends for shares held in trust accounts for the Employee Stock Ownership Plan (J-ESOP) and performance-linked stock compensation program.

2. Dividends whose record date falls in the six months ended September 30, 2019, but whose effective date comes after September 30, 2019
 No applicable matters to report.

(Segment Information, etc.)

[Segment information]

The SIGMAXYZ Group mainly operates in the consulting business. Information for other operations has been omitted as they are not significant.