



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

August 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 Three Months Ended June 30, 2019 (April 1, 2019 to June 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	%
Three months ended June 30, 2019	3,804	29.1	309	141.9	297	66.2	161	60.7
June 30, 2018	2,947	16.1	127	209.4	178	110.0	100	228.7

Note: Comprehensive Income Three months ended June 30, 2019: ¥161 million (60.7%)
 Three months ended June 30, 2018: ¥100 million (225.1%)

	Profit per Share		Profit per Share (Diluted)	
	Yen	Yen	Yen	Yen
Three months ended June 30, 2019	8.33	8.29		
June 30, 2018	5.20	5.16		

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2019	6,699	4,382	65.4	226.37
March 31, 2019	6,997	4,556	65.1	236.63

Reference: Equity As of June 30, 2019: ¥4,382 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	—				
Fiscal year ending March 31, 2020 (est.)		0.00	—	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	54.23

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)	Three months ended June 30, 2019	20,967,900 shares	Fiscal year ended March 31, 2019	20,967,900 shares
2) Treasury shares as of the end of the period	Three months ended June 30, 2019	1,607,394 shares	Fiscal year ended March 31, 2019	1,713,261 shares
3) Average during the period (cumulative from the start of the fiscal year)	Three months ended June 30, 2019	19,360,167 shares	Three months ended June 30, 2018	19,277,098 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, artificial intelligence [AI], and Robotic Process Automation [RPA²]), 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 three months ended June 30, 2019 came to ¥3,804 million (+29.1% year on year), operating profit to ¥309 million (+141.9% year on year), ordinary profit to ¥297 million (+66.2% year on year), profit before income taxes to ¥297 million (+80.2% year on year), and profit attributable to owners of parent to ¥161 million (+60.7% year on year).

Revenue increased on the launch of ERP cloud migration services, growth in PMO services, and an improvement in consultant productivity.

Selling, general and administrative expenses came to ¥1,051 million, reflecting rises in personnel and other costs accompanying business expansion and an increase in training costs centered on ERP cloud migration services.

As a result, operating profit totaled ¥309 million, while ordinary profit came to ¥297 million due to an equity-method loss of ¥32 million associated with the start of a new joint venture.

Profit attributable to owners of parent came to ¥161 million, marking a 60.7% increase from the same period of the previous fiscal year.

The Company actively pushed ahead with hiring, adding 12 mid-career recruits and 45 new graduates in the three months ended June 30, 2019. This brought its total workforce up to 539 people.

As for investment in startups, the Company acquired a portion of the shares of Creww Inc., a company that manages startup communities.

Notes:

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 RPA: The application of software robots to automate or improve the efficiency of tasks usually performed by white-collar workers.

(2) Explanation of Financial Position

(Assets)

Total assets as of June 30, 2019 stood at ¥6,699 million (down ¥298 million from the end of the previous fiscal year). This mainly reflected declines in cash and deposits (down ¥218 million from the end of the previous fiscal year) and investment securities (down ¥94 million from the end of the previous fiscal year).

(Liabilities)

Liabilities as of June 30, 2019 totaled ¥2,316 million (down ¥124 million from the end of the previous fiscal year). This was mainly attributable to a decline in income taxes payable (down ¥276 million from the end of the previous fiscal year).

(Net assets)

Net assets as of June 30, 2019 came to ¥4,382 million (down ¥173 million from the end of the previous fiscal year). This mainly reflected a decline in retained earnings (down ¥232 million from the end of the previous fiscal year) due to impact of ¥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)	Three months ended June 30, 2019 (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	1,804,601	1,586,394
Accounts receivable-trade	1,652,362	1,595,549
Operational investment securities	341,460	367,460
Other	325,503	300,524
Total current assets	4,123,928	3,849,929
Non-current assets		
Property, plant and equipment	201,590	190,756
Intangible assets		
Software	272,828	302,798
Software in progress	219,973	193,821
Other	2,604	2,829
Total intangible assets	495,407	499,449
Investments and other assets		
Investment securities	1,689,949	1,595,716
Deferred tax assets	162,128	142,551
Other	324,546	421,137
Total investments and other assets	2,176,624	2,159,404
Total non-current assets	2,873,622	2,849,610
Total assets	6,997,550	6,699,540
Liabilities		
Current liabilities		
Accounts payable-trade	351,471	434,532
Accounts payable-other	677,506	615,397
Income taxes payable	401,148	124,946
Provision for share-based remuneration	140,684	205,809
Other	112,765	307,014
Total current liabilities	1,683,576	1,687,700
Non-current liabilities		
Lease obligations	7,792	6,002
Provision for share-based remuneration	239,764	66,371
Provision for share-based remuneration for directors (and other officers)	510,167	556,888
Total non-current liabilities	757,723	629,262
Total liabilities	2,441,300	2,316,963
Net assets		
Shareholders' equity		
Share capital	2,824,227	2,824,227
Capital surplus	1,074,227	1,074,227
Retained earnings	2,148,958	1,916,907
Treasury shares	(1,491,162)	(1,432,785)
Total shareholders' equity	4,556,250	4,382,577
Total net assets	4,556,250	4,382,577
Total liabilities and net assets	6,997,550	6,699,540

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

(Thousands of yen)

	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Revenue	2,947,851	3,804,470
Cost of sales	1,859,808	2,443,442
Gross profit	1,088,042	1,361,027
Selling, general and administrative expenses	960,177	1,051,686
Operating profit	127,864	309,340
Non-operating income		
Interest income	610	1,194
Dividend income	14,988	15,674
Share of profit of entities accounted for using equity method	20,559	-
Other	15,277	5,852
Total non-operating income	51,435	22,721
Non-operating expenses		
Interest expenses	201	137
Share of loss of entities accounted for using equity method	-	32,202
Other	143	2,241
Total non-operating expenses	345	34,580
Ordinary profit	178,955	297,481
Extraordinary losses		
Loss on retirement of non-current assets	13,846	-
Total extraordinary losses	13,846	-
Profit before income taxes	165,109	297,481
Income taxes-current	73,165	116,715
Income taxes-deferred	(8,338)	19,576
Total income taxes	64,826	136,292
Profit	100,282	161,188
Profit attributable to owners of parent	100,282	161,188

(Quarterly Consolidated Statement of Comprehensive Income)
Three months ended June 30, 2019

	(Thousands of yen)	
	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Profit	100,282	161,188
Comprehensive income	100,282	161,188
Comprehensive income attributable to:		
Owners of parent	100,282	161,188

(3) 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. Three months ended June 30, 2018 (From April 1, 2018 to June 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 three months ended June 30, 2018, but whose effective date comes after June 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, capital stock and legal capital surplus both increased by ¥330 million in the three months ended June 30, 2018, reaching ¥2,816 million and ¥1,066 million, respectively, by June 30, 2018.

II. Three months ended June 30, 2019 (From April 1, 2019 to June 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 three months ended June 30, 2019, but whose effective date comes after June 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.