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Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2024 (Japanese Accounting Standards)

November 2, 2023

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 Scheduled date of quarterly securities report filing: November 7, 2023
 Scheduled date of dividend payment: -
 Preparation of supplementary materials on quarterly financial results: Yes
 Schedule of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)
 * To be held online

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(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, 2023	10,639	32.5	2,016	36.0	2,087	36.2	1,544	66.2
September 30, 2022	8,028	10.4	1,482	33.3	1,532	39.0	929	56.7

Note: Comprehensive Income Six months ended September 30, 2023: ¥1,367 million [19.3%]
 Six months ended September 30, 2022: ¥1,146 million [93.3%]

	Profit per Share	Profit per Share (Diluted)
Six months ended	Yen	Yen
September 30, 2023	36.74	—
September 30, 2022	21.90	—

Note: Profit per share (diluted) for the six months ended September 30, 2022 and 2023 are not stated because there are no dilutive shares.

(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, 2023	15,612	11,863	76.0	278.66
March 31, 2023	14,461	10,878	75.2	261.53

Reference: Equity As of September 30, 2023: ¥11,863 million
 As of March 31, 2023: ¥10,878 million

2. Dividends

	Annual Dividend				
	First Quarter-End	Second Quarter-End	Third Quarter-End	Fiscal Year-End	Total
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2023	—	0.00	—	16.00	16.00
Fiscal year ending					
March 31, 2024	—	0.00			
Fiscal year ending					
March 31, 2024 (Forecast)			—	25.00	25.00

Note: Revisions to the most recently announced dividend forecast: Yes

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(% figures indicate year-on-year changes)

	Revenue		Operating Profit		Ordinary Profit		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, 2024	19,200	10.8	3,850	19.0	3,850	17.9	2,900	31.6	68.56

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: Yes

2) Changes in accounting policies other than those in item 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatements: None

Note: For details, please refer to “2. Quarterly Consolidated Financial Statements and Important Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 8 of the attached materials.

(4) Number of shares issued (common stock)

1) The number of shares issued as of the end of the period (including treasury shares)

As of September 30, 2023	46,308,600 shares
As of March 31, 2023	46,308,600 shares

2) The number of treasury shares as of the end of the period

As of September 30, 2023	3,737,704 shares
As of March 31, 2023	4,713,594 shares

3) Average number of shares outstanding during the period (cumulative from the start of the fiscal year)

Six months ended September 30, 2023	42,023,074 shares
Six months ended September 30, 2022	42,422,098 shares

Note: The number of treasury shares excluded from the calculation of the number of treasury shares as of the end of the period and average number of shares outstanding during the period (cumulative from the start of the fiscal year) include the shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets for the Employee Stock Ownership Plan (J-ESOP) and those held by Custody Bank of Japan, 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 various factors. For more information on the Company's earnings forecasts and underlying assumptions, please refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements” on page 3 of the attached materials.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Japanese economy is gradually recovering. In terms of future prospects, amid the improvements in employment and personal income situations, a gradual recovery is expected to continue owing to the effects of various policies. However, there is a risk that a downturn in overseas economies will put downward pressure on Japan's economy due to the impact of monetary tightening worldwide, etc. In addition, sufficient heed must be paid to impacts caused by rising prices, changes in the financial and capital markets, etc.

In such an environment, with a synergy between “consulting services” and “investment,” the Group creates value in a wide range of industries and companies and creates new markets that solve social issues. In consulting business, we define the key three transformations that companies must address in the digital economy as; “Digital Transformation” to transform the core business model and achieve significant performance improvements through a productivity revolution, “Service Transformation” to build a business model that will serve as a new growth engine in growth markets, and “Management Transformation” to build a management platform. We have professionals with diverse skills who are working to solve corporate issues, create new value, and co-create new businesses and industries through collaboration among companies. In the investment business, the focus is on the “regenerative & wellbeing” area, such as city development, food, and wellness. Through the linkage with our consulting business, we support the growth and enhancement of our investee companies' corporate value.

The Group's revenue for the six months ended September 30, 2023 amounted to ¥10,639 million (up 32.5% year on year).

Cost of revenue stood at ¥5,678 million (up 39.2% year on year). In a response to strong demand, outsourcing expenses increased.

Selling, general and administrative expenses were ¥2,945 million (up 19.4% year on year) due to the increase in sundry expenses and recruiting expenses associated with the increase in the number of personnel and the revived face-to-face activities.

Due to an increase in revenue, gross profit increased by ¥1,012 million to ¥4,961 million (up 25.7% year on year), operating profit increased by ¥533 million to ¥2,016 million (up 36.0% year on year), and ordinary profit increased by ¥555 million to ¥2,087 million (up 36.2% year on year).

Profit before income taxes came to ¥2,087 million (up 36.2% year on year), and profit attributable to owners of parent came to ¥1,544 million (up 66.2% year on year). Also, comprehensive income attributable to owners of parent came to ¥1,367 million (up 19.3% year on year).

Operating results for each segment are as follows.

(Consulting Business)

The financial results of the Consulting Business for the six months ended September 30, 2023 show revenue of ¥10,451 million (up 29.7% year on year) and segment profit of ¥2,966 million (up 20.3% year on year). The Consulting Business was driven by projects supporting the introduction of SaaS core systems, the promotion of digital transformation, the launch of new services and the compliance with regulations for clients targeted by industry, mainly in the transportation, finance, telecommunications, retail, trading, and manufacturing industries.

On the hiring front, the Consulting Business added 57 mid-career recruits and 61 new graduates in the six months ended September 30, 2023. The training for new graduates has been completed successfully, and they have started working on their project delivery in October. The number of consultants was 584 as of the end of September 2023. Project satisfaction remained high at 94 points.

(Investment Business)

The financial results of the Investment Business for the six months ended September 30, 2023 show revenue of ¥262 million (up 1,305.1% year on year), and segment loss of ¥22 million (compared to a segment loss of ¥148 million in the same period of the previous fiscal year) as a result of recognizing an impairment loss for listed shares held in the second quarter.

In July, we carried out new investments with a total value of about ¥900 million, including GVA TECH Co., Ltd., which provides legal tech services, and i GRID SOLUTIONS Inc., which mainly operates a solar power generation business and a GX Solutions business, as well as made additional investments in current investees. The cumulative balance of investment as of the end of September stood at approximately ¥2.8 billion, including valuation differences. We continued to actively promote investment activities.

(2) Explanation of Financial Position

(Assets)

Total assets as of September 30, 2023 stood at ¥15,612 million (up ¥1,150 million from the end of the previous fiscal year). This was mainly attributable to an increase in investment securities (up ¥935 million from the end of the previous fiscal year).

(Liabilities)

Liabilities as of September 30, 2023 totaled ¥3,749 million (up ¥165 million from the end of the previous fiscal year). This mainly reflected an increase in income taxes payable (up ¥357 million from the end of the previous fiscal year).

(Net assets)

Total net assets as of September 30, 2023 stood at ¥11,863 million (up ¥984 million from the end of the previous fiscal year). This mainly reflected the recording of profit attributable to owners of parent.

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

The consolidated earnings forecasts for the fiscal year ending March 31, 2024 have remained unchanged from the forecasts included in “Notice Concerning Revisions of Earnings Forecasts and Dividend Forecasts,” announced on June 27, 2023 (in Japanese only).

The dividend forecasts for the fiscal year ending March 31, 2024 have been revised from the dividend forecasts announced on June 27, 2023. For details, please refer to “Notice Concerning Revisions of Dividend Forecasts,” announced on November 2, 2023 (in Japanese only).

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

(Thousands of yen)

	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Six months ended September 30, 2023 (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	7,093,890	6,186,107
Notes and accounts receivable - trade, and contract assets	2,263,554	2,520,387
Operational investment securities	2,171,591	2,818,168
Other	600,834	598,721
Allowance for doubtful accounts	(116,122)	–
Total current assets	12,013,748	12,123,384
Non-current assets		
Property, plant and equipment	253,366	224,144
Intangible assets		
Software	400,943	338,196
Software in progress	34,635	43,820
Other	7,105	6,536
Total intangible assets	442,685	388,553
Investments and other assets		
Investment securities	797,759	1,733,192
Deferred tax assets	316,670	421,304
Other	637,403	721,496
Total investments and other assets	1,751,832	2,875,993
Total non-current assets	2,447,884	3,488,691
Total assets	14,461,633	15,612,076
Liabilities		
Current liabilities		
Accounts payable - trade	237,169	487,455
Accounts payable - other	842,657	877,464
Income taxes payable	339,489	697,435
Provision for bonuses	–	95,820
Provision for share awards	326,059	458,420
Other	232,954	251,323
Total current liabilities	1,978,330	2,867,920
Non-current liabilities		
Lease liabilities	5,681	3,287
Provision for share awards	340,542	128,548
Provision for share awards for directors (and other officers)	1,106,107	595,224
Asset retirement obligations	86,444	86,444
Other	66,238	67,641
Total non-current liabilities	1,605,014	881,146
Total liabilities	3,583,345	3,749,066
Net assets		
Shareholders' equity		
Share capital	3,000,000	3,000,000
Capital surplus	4,768,396	4,781,572
Retained earnings	6,762,154	7,594,978
Treasury shares	(3,972,854)	(3,657,072)
Total shareholders' equity	10,557,696	11,719,478
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	320,592	143,530
Total accumulated other comprehensive income	320,592	143,530
Total net assets	10,878,288	11,863,009
Total liabilities and net assets	14,461,633	15,612,076

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
 (Quarterly Consolidated Statement of Income)
 (Six months ended September 30, 2022 and 2023)

	(Thousands of yen)	
	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Revenue	8,028,773	10,639,893
Cost of revenue	4,079,968	5,678,128
Gross profit	3,948,804	4,961,765
Selling, general and administrative expenses	2,466,341	2,945,613
Operating profit	1,482,463	2,016,151
Non-operating income		
Interest income	1,999	1,606
Foreign exchange gains	9,040	5,913
Lectures fee income	30,915	44,773
Sponsorship money income	10,335	21,977
Miscellaneous income	4,985	7,754
Total non-operating income	57,276	82,025
Non-operating expenses		
Interest expenses	89	67
Non-deductible consumption taxes	4,838	3,453
Loss on investment securities	-	5,964
Miscellaneous losses	2,399	1,027
Total non-operating expenses	7,328	10,512
Ordinary profit	1,532,411	2,087,665
Extraordinary losses		
Loss on sale of non-current assets	-	81
Loss on retirement of non-current assets	-	56
Total extraordinary losses	-	137
Profit before income taxes	1,532,411	2,087,528
Income taxes - current	508,464	613,718
Income taxes - deferred	94,806	(70,255)
Total income taxes	603,271	543,462
Profit	929,139	1,544,065
Profit attributable to owners of parent	929,139	1,544,065

(Quarterly Consolidated Statement of Comprehensive Income)
(Six months ended September 30, 2022 and 2023)

	(Thousands of yen)	
	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Profit	929,139	1,544,065
Other comprehensive income		
Valuation difference on available-for-sale securities	216,887	(177,061)
Total other comprehensive income	216,887	(177,061)
Comprehensive income	1,146,027	1,367,004
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,146,027	1,367,004

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Profit before income taxes	1,532,411	2,087,528
Depreciation	98,017	109,000
Increase (decrease) in allowance for doubtful accounts	–	(116,122)
Increase (decrease) in provision for bonuses	–	95,820
Increase (decrease) in provision for share awards	173,578	246,426
Increase (decrease) in provision for share awards for directors (and other officers)	66,337	26,237
Interest and dividend income	(1,999)	(1,606)
Interest expenses	89	67
Foreign exchange losses (gains)	(9,040)	(5,913)
Loss (gain) on sale of non-current assets	–	81
Loss on retirement of non-current assets	–	56
Loss (gain) on investment securities	–	5,964
Decrease (increase) in operational investment securities	(184,629)	(969,406)
Decrease (increase) in trade receivables	221,076	(256,832)
Decrease (increase) in prepaid expenses	158,210	34,804
Increase (decrease) in trade payables	(29,442)	250,286
Increase (decrease) in accounts payable - other	(605,665)	32,994
Other, net	10,154	188,626
Subtotal	1,429,099	1,728,011
Interest and dividends received	2,106	1,606
Interest paid	(89)	(67)
Income taxes paid	(842,206)	(290,185)
Income taxes refund	–	5,026
Net cash provided by (used in) operating activities	588,910	1,444,391
Cash flows from investing activities		
Purchase of property, plant and equipment	(54,086)	(814)
Purchase of intangible assets	(42,013)	(13,843)
Purchase of investment securities	(100,000)	(847,050)
Proceeds from redemption of investment securities	100,000	–
Other payments	(31,560)	(83,247)
Other proceeds	8,408	7,356
Net cash provided by (used in) investing activities	(119,250)	(937,600)
Cash flows from financing activities		
Repayments of lease liabilities	(2,734)	(2,394)
Purchase of treasury shares	(999,565)	(708,367)
Dividends paid	(592,101)	(709,726)
Net cash provided by (used in) financing activities	(1,594,401)	(1,420,487)
Effect of exchange rate change on cash and cash equivalents	9,040	5,913
Net increase (decrease) in cash and cash equivalents	(1,115,701)	(907,782)
Cash and cash equivalents at beginning of period	7,721,528	7,093,890
Cash and cash equivalents at end of period	6,605,826	6,186,107

(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, 2022 (From April 1, 2022 to September 30, 2022)

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 9, 2022 board resolution	Common stock	591,152	26	March 31, 2022	June 6, 2022	Retained earnings

Note: Total amount of dividends includes ¥39 million of 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, 2022, but whose effective date comes after September 30, 2022.
 No applicable matters to report.

3. Significant changes in the amount of shareholders' equity

Based on the resolution of the 14th Annual General Meeting of Shareholders held on June 24, 2022, the Company conducted a capital reduction without compensation and reduced share capital by ¥1,626 million and legal capital surplus by ¥1,626 million, respectively, effective July 29, 2022, and transferred the amount to other capital surplus. As a result of this and other factors, share capital, legal capital surplus and other capital surplus stood at ¥3,000 million, ¥1,250 million and ¥3,534 million, respectively, as of September 30, 2022.

II. Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)

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 9, 2023 board resolution	Common stock	711,241	16	March 31, 2023	June 7, 2023	Retained earnings

Note: Total amount of dividends includes ¥45 million of 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, 2023, but whose effective date comes after September 30, 2023.
 No applicable matters to report.

(Changes in Accounting Policies)

Application of the Accounting for and Disclosure of the Issuance and Holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities, etc.

“Accounting for and Disclosure of the Issuance and Holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities, etc.” (ASBJ Practical Solution No. 43, August 26, 2022) is applied from the beginning of the first quarter of the fiscal year ending March 31, 2024. There is no impact as a result of the change in this accounting policy.

(Segment Information)

I. Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)

Information on the amounts of revenue and profit or loss for each reportable segment

(Thousands of yen)

	Reportable Segment			Adjustments (Note 1)	Quarterly Consolidated Statement of Income (Note 2)
	Consulting Business	Investment Business	Total		
Revenue					
Revenue from external clients	8,022,127	6,646	8,028,773	–	8,028,773
Internal revenue or transfer among segments	37,971	12,060	50,031	(50,031)	–
Total	8,060,098	18,706	8,078,804	(50,031)	8,028,773
Segment profit (loss)	2,465,854	(148,230)	2,317,624	(835,160)	1,482,463

Notes: 1. Adjustments of segment profit (loss) consist of company-wide expenses, etc. of ¥835 million.

2. Segment profit (loss) is adjusted with operating profit recorded in the quarterly consolidated statement of income.

II. Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)

Information on the amounts of revenue and profit or loss for each reportable segment

(Thousands of yen)

	Reportable Segment			Adjustments (Note 1)	Quarterly Consolidated Statement of Income (Note 2)
	Consulting Business	Investment Business	Total		
Revenue					
Revenue from external clients	10,410,192	229,700	10,639,893	–	10,639,893
Internal revenue or transfer among segments	41,012	33,150	74,162	(74,162)	–
Total	10,451,205	262,850	10,714,055	(74,162)	10,639,893
Segment profit (loss)	2,966,639	(22,756)	2,943,883	(927,731)	2,016,151

Notes: 1. Adjustments of segment profit (loss) consist of company-wide expenses, etc. of ¥927 million.

2. Segment profit (loss) is adjusted with operating profit recorded in the quarterly consolidated statement of income.