

Consolidated Financial Results Supplementary Document

Q2 FY23

November 2, 2023 / SIGMAXYZ Holdings Inc. (Stock code: 6088)



Outline of Financial Results for Q2 FY23

- Consolidated revenue was 10.63 billion yen and ordinary profit was 2.08 billion yen.
- Consulting business: By industry, projects that support client companies in mainly the transportation, finance, telecommunications, retail, trading, and manufacturing industries are driving business. Revenue increased 30% YoY.
- Investment business: An impairment loss was recorded on listed shares, resulting in a segment loss of 20 million yen. Made new investment in July worth approximately 0.9 billion yen. The cumulative balance of investment, including valuation differences, stood at approximately 2.8 billion yen as of the end of September.

Unit: JPY mn	Q2 FY22 (Apr to Sep)	Q2 FY23 (Apr to Sep)	YoY change	FY23 consolidated forecasts	Progress
Consolidated revenue	8,028	10,639	+33%	19,200	55%
(Consulting business)	8,060 (*)	10,451 (*)	+30%		
(Investment business)	18 (*)	262 (*)	+1,305%		
Ordinary profit	1,532	2,087	+36%	3,850	54%
(Ordinary profit rate)	19%	20%			
Profit	929	1,544	+66%		
Equity ratio	76%	76%			

* Includes internal revenue between segments.

Consolidated Statement of Income for Q2 FY23

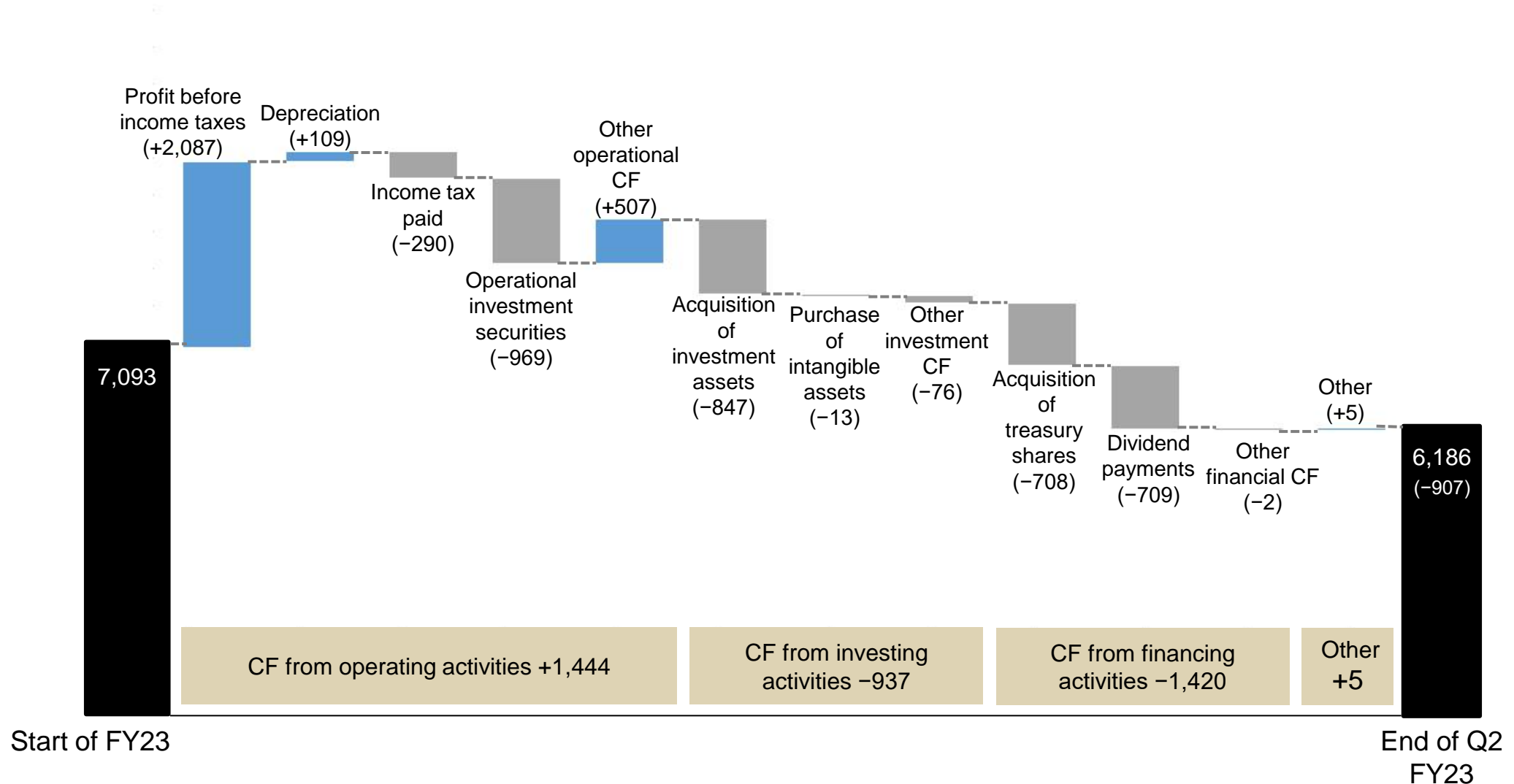
Unit: JPY mn	Q2 FY22 (Apr to Sep)	Q2 FY23 (Apr to Sep)	YoY change		Major changes
			Amount	Rate	
Revenue	8,028	10,639	+2,611	+33%	<ul style="list-style-type: none"> • Increase in outsourcing expenses on strong client demand • Increase in revenue • Increase in sundry expenses owing to higher headcount and revived face-to-face activities • Increase in recruiting expenses • Decrease in income taxes
Cost of revenue	4,079	5,678	+1,598	+39%	
Gross profit	3,948	4,961	+1,012	+26%	
S, G&A expenses	2,466	2,945	+479	+19%	
Operating profit	1,482	2,016	+533	+36%	
Ordinary profit	1,532	2,087	+555	+36%	
Profit before income taxes	1,532	2,087	+555	+36%	
Profit	929	1,544	+614	+66%	
Comprehensive income	1,146	1,367	+220	+19%	

Consolidated Balance Sheet for Q2 FY23

Unit: JPY mn	End of FY22	End of Q2 FY23	YoY change	Major changes
Current assets	12,013	12,123	+109	<ul style="list-style-type: none"> Decrease in cash and deposits, increase in accounts receivable – trade and operational investment securities
Cash and deposits	7,093	6,186	-907	
Non-current assets	2,447	3,488	+1,040	<ul style="list-style-type: none"> Increase in investment securities
Total assets	14,461	15,612	+1,150	
Current liabilities	1,978	2,867	+889	<ul style="list-style-type: none"> Increase in accounts payable – trade and income taxes payable
Non-current liabilities	1,605	881	-723	
Total liabilities	3,583	3,749	+165	<ul style="list-style-type: none"> No borrowings
Net assets	10,878	11,863	+984	
Equity ratio	75%	76%	+1pt	

Changes in Consolidated Cash Flow

(Unit: JPY mn)



Outline of Earnings by Segment for Q2 FY23

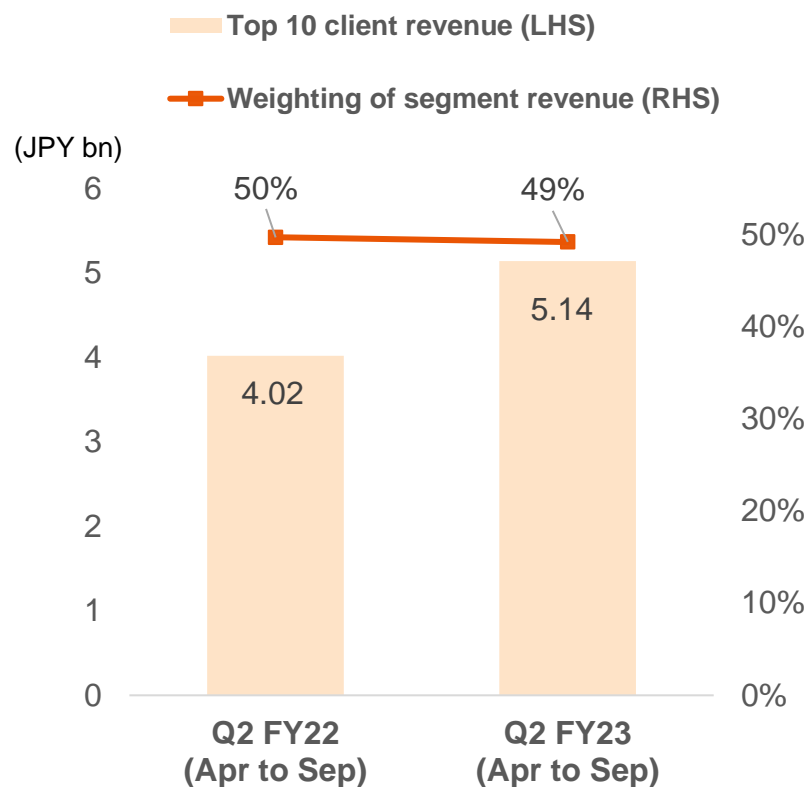
Unit: JPY mn	Q2 FY22 (Apr to Sep)	Q2 FY23 (Apr to Sep)	YoY change	
			Amount	Rate
Consolidated revenue	8,028	10,639	+2,611	+33%
(Consulting business)	8,060	10,451	+2,391	+30%
(Investment business)	18	262	+244	+1,305%
(Internal transactions)	-50	-74	-24	—
Segment profit	2,317	2,943	+626	+27%
(Consulting business)	2,465	2,966	+500	+20%
(Investment business)	-148	-22	+125	—
Segment profit rate for revenue ^(*)	29%	27%	-1pt	—
(Consulting business)	31%	28%	-2pts	—
(Investment business)	—	—	—	—

*Calculations of revenue include internal revenue between segments.

Reference: Segment Information

The consulting business is being 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. In the investment business, we made a new investment of approximately 0.9 billion yen in July, and the investment balance, including valuation differences, as the end of September stood at approximately 2.8 billion yen.

Consulting Business



Reference:
Number of projects, clients, and revenue per contract at SIGMAXYZ Inc.

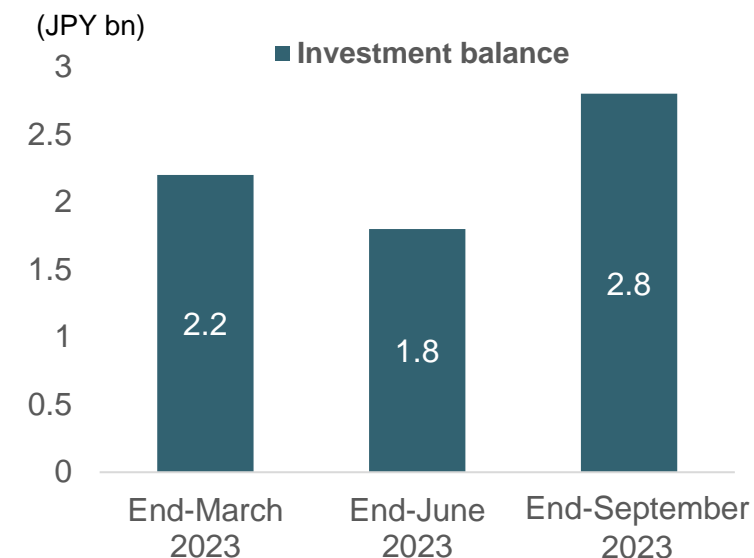
	Q2 FY22 (Apr to Sep)	Q2 FY23 (Apr to Sep)	YoY change
Number of projects*	540	615	+14%
Number of clients**	125	136	+9%
Revenue per contract (JPY mn)	14.6	16.9	+16%

SXA and SXF excluded in all calculations (figures for Q2 FY22 retroactively recalculated).

*Number of projects: The total number of projects for which revenue was recorded during the period.

**Number of clients: The total number of client companies of projects for which revenue was recorded during the period.

Investment Business



- New investments worth approximately 0.9 billion yen in July
- Investment balance of around 2.8 billion yen at end-September
- Recorded impairment of listed shares

Introduced Generative AI Research Lab, a generative AI service

In May 2023, SIGMAXYZ joined the Generative AI Research Lab launched by ITOCHU Corporation.

The lab, in which ITOCHU Techno-Solutions Corporation and BrainPad Inc. also participate, uses the skills of each participating company, applying generative AI such as ChatGPT to support companies on their business transformation and new business development. Using its knowledge of generative AI and know-how for business applications, SIGMAXYZ proposed and narrowed down generative AI use cases in ITOCHU's operations. We formulated business system concepts, created a roadmap for implementation, and provided implementation support.

In July 2023, ITOCHU began providing a business chat based on generative AI, Azure OpenAI to 4,200 of its employees.

Going forward, while we strive to boost business productivity by integrating the technology with its business systems, we aim to expand adoption to ITOCHU group companies and use the technology in their new business development, helping strengthen the value creation capabilities of the entire group.



Tsukuba City “Survey on Collaboration in Medical Care and Long-Term Care Using IoT Devices and Telehealth Devices” adopted as Cabinet Office research project

In cooperation with Z-Works Inc. and TXP Medical Co., Ltd., SIGMAXYZ submitted an application for the “survey on collaboration in medical care and long-term care using IoT devices and telehealth devices” to the Cabinet Office’s public offering project; “research project for developing and constructing advanced services and on data linkage for implementing advanced services, etc.” This survey was adopted in July 2023.

The purpose of the survey by these three companies is to examine the possibility of providing collaborative services for medical and long-term care, which use IoT sensors for home-based long-term care as well as telehealth devices, at homes and long-term care facilities. By enabling an environment where people can receive medical care and peace of mind at any time and from anywhere, such technology could support Tsukuba Healthcare, an advanced medical and long-term care service being pursued by Tsukuba City, Ibaraki Prefecture, which was designated as a Super City National Strategic Special Zone in April 2022.

In this survey, We will use our know-how and achievements in the fields of DX and healthcare, built up through our consulting business, and promote overall survey implementation while coordinating with Tsukuba City.

Related link: Press Release (September 21, 2023)

Adopted as a “research project for developing and constructing advanced services and on data linkage for implementing advanced services, etc.” in a Super City National Strategic Special Zone

https://www.sigmaxyz.com/news/release_20230921/

[Implementation area] Tsukuba City, Ibaraki Prefecture

(Homes of the elderly under home-based long-term care, long-term care facilities, hospitals, etc. in the city)

[Each Company’s Role]



- Coordination with Tsukuba City
- Overall survey implementation



- Installation of LiveConnect long-term care support system at homes of the elderly under home-based long-term care and long-term care facilities
- Analysis of collected data



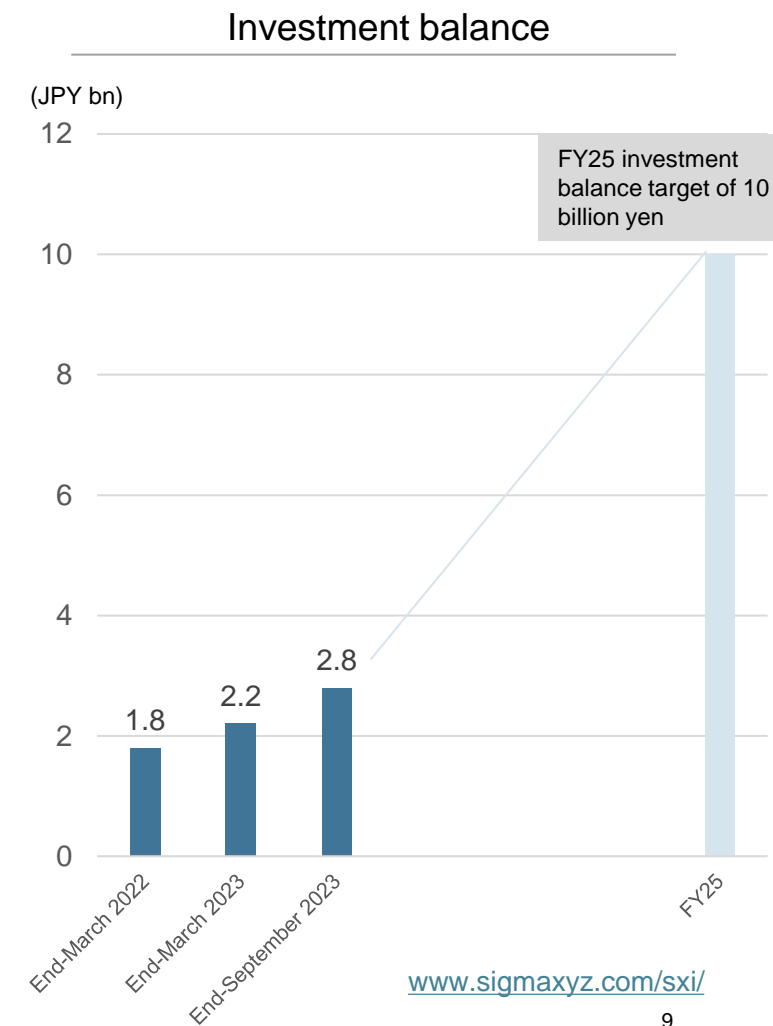
TXP
Medical

- Advice from a medical point of view based on knowledge as healthcare experts

List of Investee Companies

- In the investment business, we primarily invest in the regenerative and well-being domains that span multiple industries. We also provide consulting services to investees with a focus on value improvement so as to support the enhancement of corporate value.
- As of September 30, 2023, the cumulative balance of investments stood at approximately 2.8 billion yen (including valuation differences).

Investment year	Company	Business description	Remarks
2018	GHELIA INC.	AI solutions	
2019	Creww, Inc.	Startup community management	
	Monstarlab Holdings Inc. (TSE Growth Market 5255)	Digital consulting Software development	
2022	Shizen Energy Inc.	Electricity generation from renewable energy (e.g. solar, wind, small-scale hydro) in Japan and overseas	
	eWeLL Co., Ltd. (TSE Growth Market 5038)	Developing and providing SaaS that supports operations for electronic medical charts for home-visit nursing care	
	Forest Energy Inc.	Electricity generation from wood biomass from locally grown trees	
	Mental Health Technologies. Co., Ltd. (TSE Growth Market 9218)	Services pertaining to corporate employee health care	
	DORAEVER Co. Ltd	Internet-based support services for transport companies	
2023	GVA TECH Co., Ltd	Development and provision of legal tech services	July 2023: New investment
	i GRID SOLUTIONS Inc.	Solar power generation and GX solutions	July 2023: New investment



Key Performance Indicators (KPIs)

	Q2 FY22	Q2 FY23	YoY change
Consolidated revenue ordinary profit margin	19%	20%	+1%

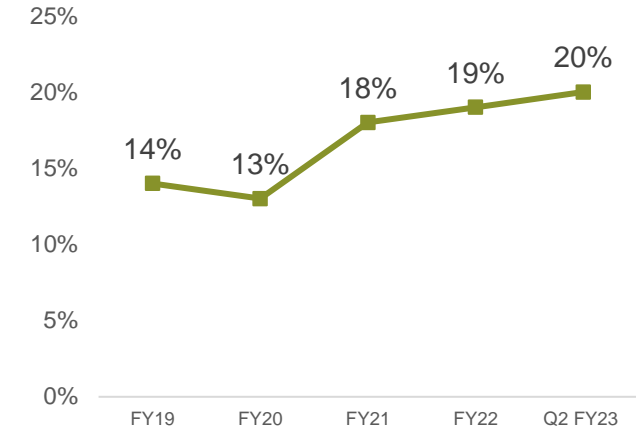
Consulting Business

	Q2 FY22	Q2 FY23	YoY change
Number of consultants	521	584	+12%
Project satisfaction (NSI*)	94	94	—

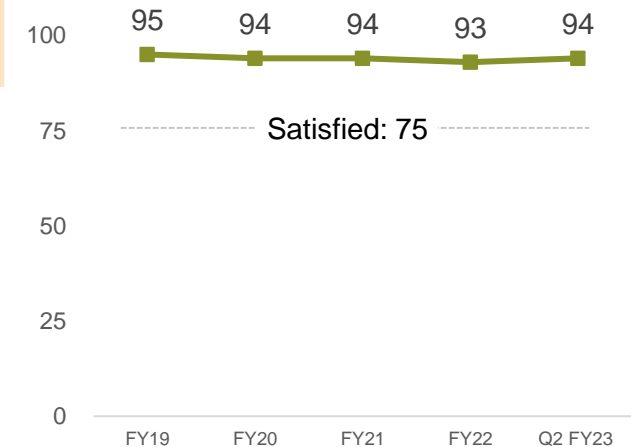
Investment Business

	End of FY22	End of Q2 FY23	Change
Investment balance	Approx. 2.2 billion yen	Approx. 2.8 billion yen	+ Approx. 0.6 billion yen

Ordinary profit margin



Project satisfaction

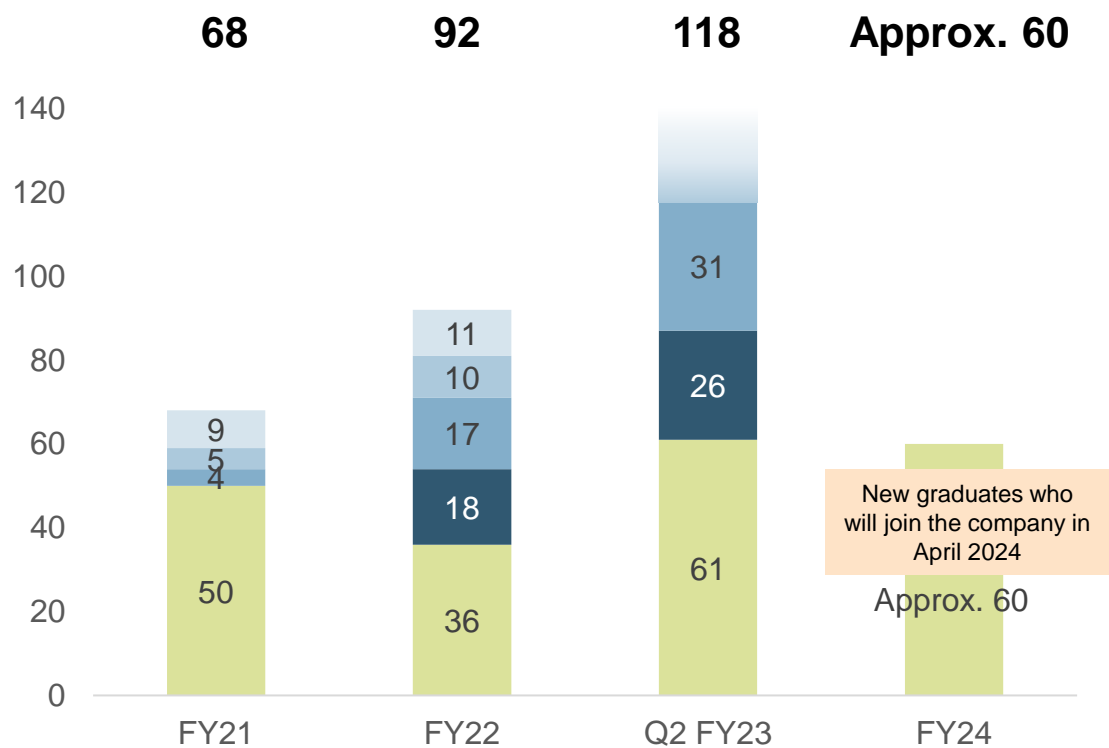


* Net Satisfaction Index: Average score from five possible ratings for each question evaluating project satisfaction. Conducted in a questionnaire format for client project owners. Points are distributed on a five-point scale as follows.
 5: Very satisfied, 100 points; 4: Satisfied, 75 points; 3: Cannot say either way, 50 points; 2: Dissatisfied, 25 points; 1: Very dissatisfied, 0 points.

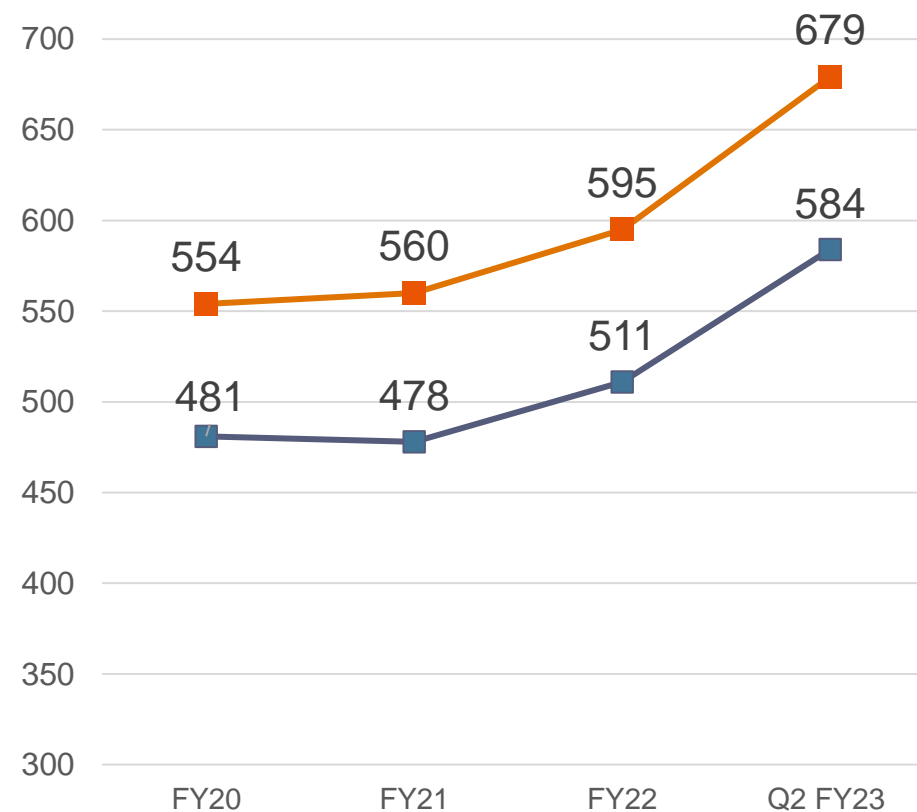
Hiring Activities

For the six months ended September 30, 2023, we hired 57 experienced persons and 61 new graduates. Recruitment activities are progressing smoothly, and together with experienced persons, approximately 60 new graduates will join the company in April 2024, in line with the plan.

Number of hires per annum (consultants)



Group employees (■) / Group consultants (■)



■ New graduates ■ Experienced persons Q1 ■ Q2 ■ Q3 ■ Q4

FY23 Consolidated Earnings Forecasts

Revised
on June 27, 2023

Unit: JPY mn	FY22 result	FY23 consolidated forecasts	YoY change	Q2 FY23 results	Progress
Revenue	17,334	19,200	+11%	10,639	55%
Operating profit	3,235	3,850	+19%	2,016	52%
Ordinary profit	3,265	3,850	+18%	2,087	54%
Profit attributable to owners of parent	2,204	2,900	+32%	1,544	53%

- The company proposes concepts for the co-creation of value, supports corporate transformation (the “Three Innovations”), supports the launch of new businesses and the sharing of business functions through collaboration among multiple companies, and promotes investment in and business support for venture companies.
- Consulting business: Continuing to expand the capabilities of consulting (skills x number of consultants) needed for business growth.
- Investment business: Planning new investments of 2 to 3 billion yen, especially in the energy and healthcare sectors. Earning income from past investment projects.

Note: In terms of the consolidated earnings forecast, the investment business is, by its nature, highly susceptible to developments in domestic and overseas stock markets and new listings; therefore, the profit level range may be greater than the forecast. However, our forecasts are based on information available as of now.

Dividend Policy

Revised
on November 2, 2023

- 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.
- Enhance shareholder returns based on our expectations for steady growth.

	FY22	FY23 forecast	YoY change
Annual dividend per share	16 yen	25 yen	+9 yen

Note: The above dividend forecast is based on information available as of the date of the publishing of this document. It may fluctuate due to various factors in the future.

Reference: Blueprint in FY25 (Fiscal Year Ending March 2026)

Announced
in August 2022

	<u>Blueprint in FY25</u>	<u>FY22 consolidated earnings forecasts</u>	<u>Compound annual growth rate (CAGR)</u>
Consolidated revenue	25 bn yen	17.2 bn yen	13%
Ordinary profit	7 bn yen	3.2 bn yen	30%
Profit rate	28%	19%	-
Number of employees	Approx. 800	Approx. 600	Approx. 10%

- In the current volatile market, we believe it is appropriate to actively review our business strategy every year and take it into account for the next fiscal year's business plan, so we do not formulate medium-term management plans.
- “Blueprint” is how we want to grow in the medium and long term, and is shared with our shareholders and investors every few years.

Reference: Audio Report for Financial Results Supplementary Documents

A Japanese audio report for the document is posted on our website at 6:00 p.m. JST on the day the results are disclosed.



IR information
www.sigmaxyz.com/ir/



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 Holdings 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 Holdings 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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