

Consolidated Financial Results Supplementary Document FY23

May 8, 2024 / SIGMAXYZ Holdings Inc. (Stock code: 6088)



Outline of Financial Results for FY23

- Consolidated revenue was 22.41 billion yen and ordinary profit was 4.33 billion yen.
- Consulting business: By industry, projects that support client companies are leading our business, particularly in the transportation, finance, information communications, trading, retail, and manufacturing sectors. Revenue increased 29% YoY.
- Investment business: A new investment of approximately 2.0 billion yen was made during the full year. The cumulative balance of investments, including valuation differences, stood at approximately 3.7 billion yen as of the end of March.

Unit: JPY mn	FY22	FY23	YoY change	FY23 consolidated forecasts	Achievement
Consolidated revenue	17,334	22,410	+29%	22,000	102%
(Consulting business)	17,259 (*)	22,203 (*)	+29%		
(Investment business)	167 (*)	345 (*)	+107%		
Ordinary profit	3,265	4,338	+33%	4,200	103%
(Ordinary profit rate)	19%	19%			
Profit	2,204	3,232	+47%		
Equity ratio	75%	72%			

* Includes internal revenue between segments.

FY23 Consolidated Earnings Forecast and Results / Annual Dividend

Unit: JPY mn	FY23 consolidated forecasts	FY23 result	Achievement
Revenue	22,000	22,410	102%
Operating profit	4,150	4,232	102%
Ordinary profit	4,200	4,338	103%
Profit attributable to owners of parent	3,150	3,232	103%

	FY23
Annual dividend per share	27 yen

Consolidated Statement of Income for FY23

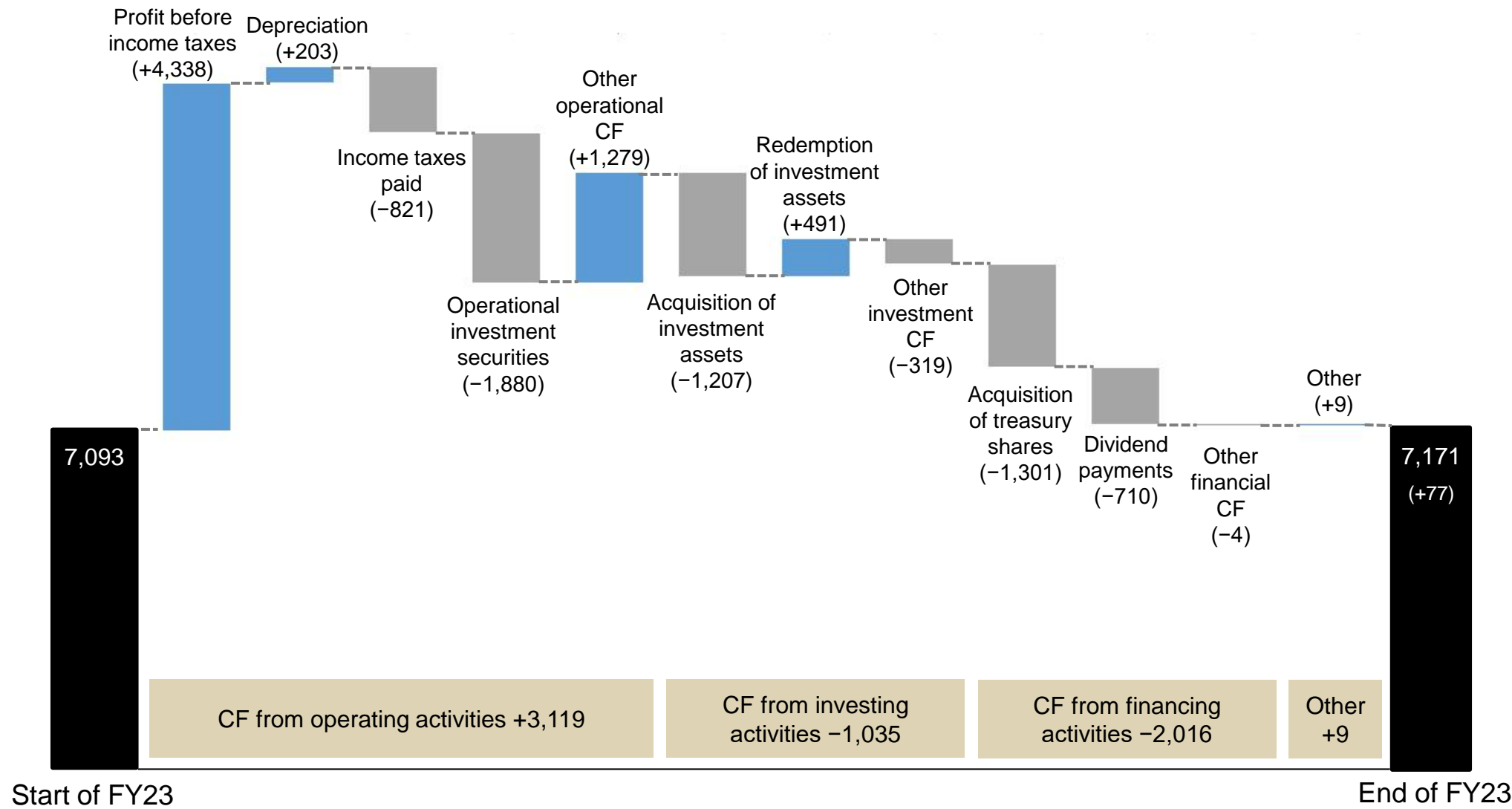
Unit: JPY mn	FY22	FY23	YoY change		Major changes
			Amount	Rate	
Revenue	17,334	22,410	+5,076	+29%	<ul style="list-style-type: none"> • Increase in outsourcing expenses on strong client demand • Increase in personnel expenses due to the establishment of a new performance bonus system, etc. • Increase in revenue • Increase in sundry expenses owing to higher headcount and revived face-to-face activities • Increase in recruiting expenses
Cost of revenue	8,960	12,400	+3,440	+38%	
Gross profit	8,374	10,009	+1,635	+20%	
S, G&A expenses	5,138	5,777	+638	+12%	
Operating profit	3,235	4,232	+997	+31%	
Ordinary profit	3,265	4,338	+1,073	+33%	
Profit before income taxes	3,263	4,338	+1,075	+33%	
Profit	2,204	3,232	+1,028	+47%	
Comprehensive income	2,516	3,141	+624	+25%	

Consolidated Balance Sheets for FY23

Unit: JPY mn	End of FY22	End of FY23	YoY change	Major changes
Current assets	12,013	14,463	+2,450	• Increase in operational investment securities
Cash and deposits	7,093	7,171	+77	
Non-current assets	2,447	3,831	+1,383	
Total assets	14,461	18,295	+3,833	• Increase in investment securities
Current liabilities	1,978	3,913	+1,935	
Non-current liabilities	1,605	1,188	-416	
Total liabilities	3,583	5,102	+1,518	• Increase in accounts payable - other, income taxes payable, etc. • Increase in accounts payable - trade for outsourcing
Net assets	10,878	13,193	+2,315	
Equity ratio	75%	72%	-3pts	

Changes in Consolidated Cash Flow

(Unit: JPY mn)



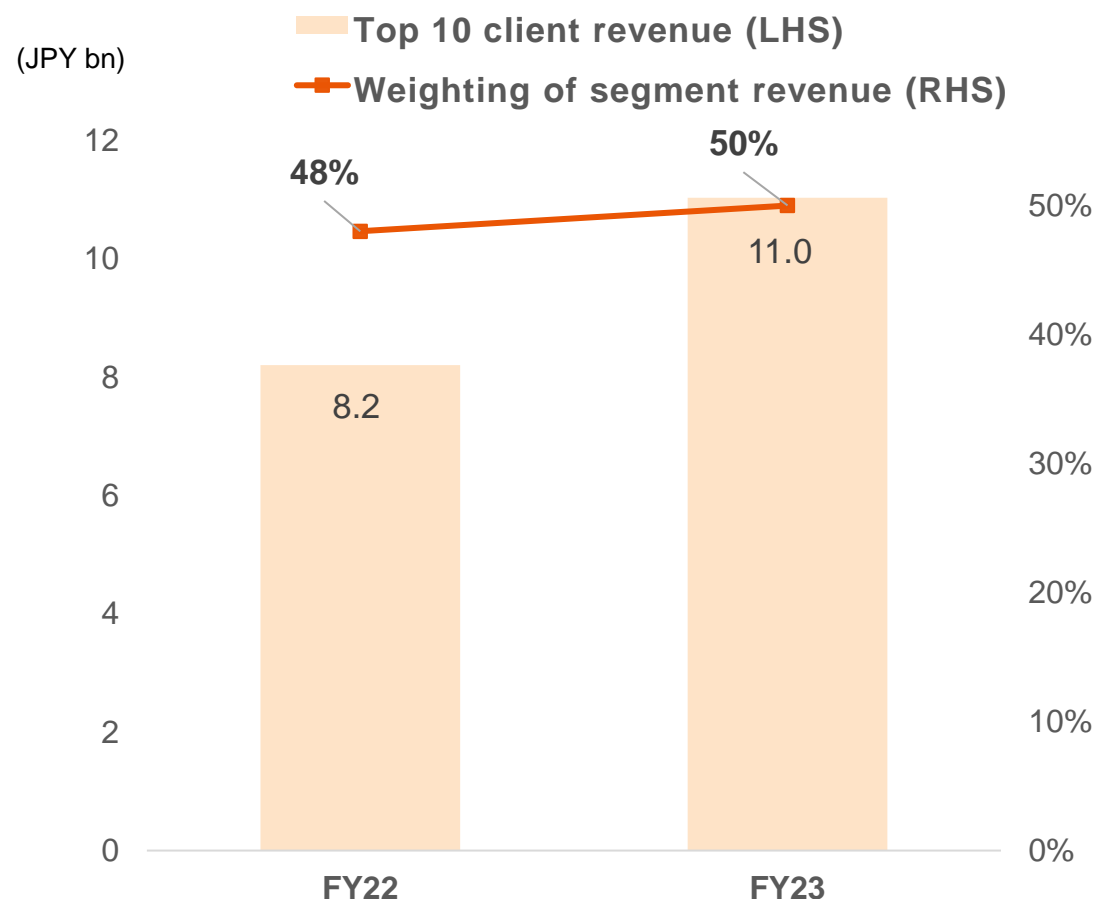
Outline of Earnings by Segment for FY23

Unit: JPY mn	FY22	FY23	YoY change	
			Amount	Rate
Consolidated revenue	17,334	22,410	+5,076	+29%
(Consulting business)	17,259	22,203	+4,944	+29%
(Investment business)	167	345	+178	+107%
(Internal transactions)	-92	-138	-46	—
Segment profit	4,901	5,992	+1,091	+22%
(Consulting business)	5,032	6,109	+1,077	+21%
(Investment business)	-130	-117	+13	—
Segment profit rate for revenue ^(*)	28%	27%	-2pts	—
(Consulting business)	29%	28%	-2pts	—
(Investment business)	—	—	—	—

*Calculations of revenue include internal revenue between segments.

Reference: Segment Information – Consulting Business

- The utilization rate of internal personnel has remained above the planned level, and revenue has grown sharply owing to higher unit prices and increased outsourcing.
- By industry, the consulting business has been driven by projects such as support for upgrading clients' mission-critical systems to become SaaS-based, support for promotion of digital transformation, support for launching new services, and various regulatory compliance support for clients mainly in the transportation, finance, information communications, trading, retail, and manufacturing industries.



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

	FY22	FY23	YoY change
Number of projects*	1,035	1,111	+7%
Number of clients**	168	169	+1%
Revenue per contract (JPY mn)	16.4	19.8	+21%

SXA and SXF excluded in all calculations

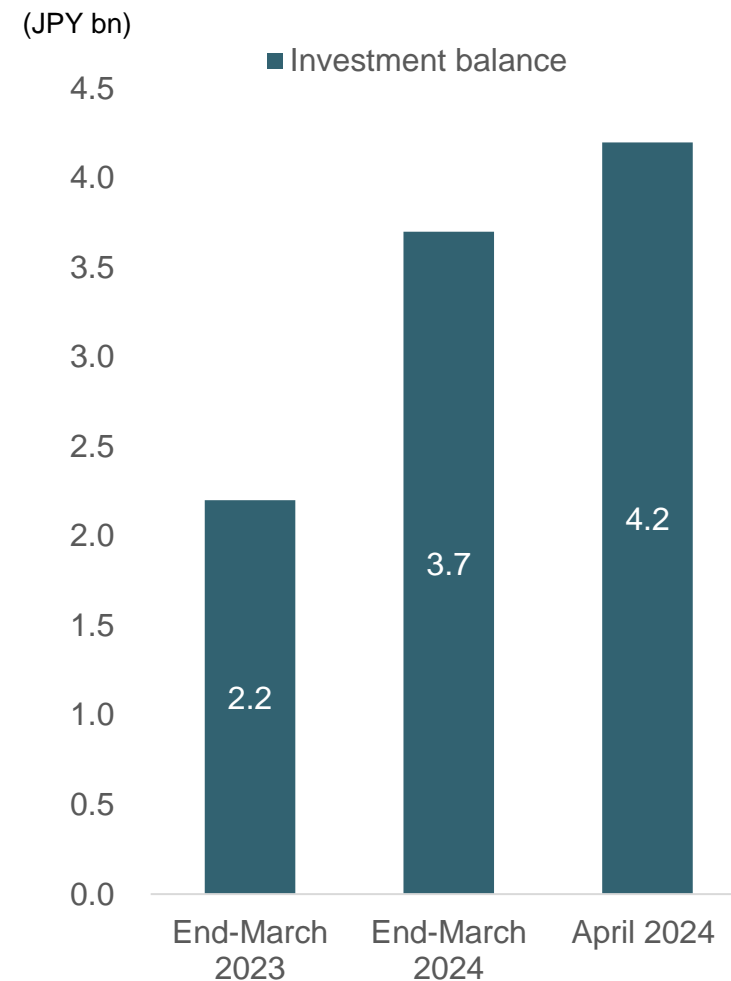
*Number of projects: The total number of projects for which revenue was recorded during the period.

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

Reference: Segment Information – Investment Business

- The investment business made new investment of approximately 2.0 billion yen during the full year, and the cumulative balance of investments, including valuation differences, stood at approximately 3.7 billion yen as of the end of March.
- In April, we invested approximately 500 million yen in Syuppin Co., Ltd. We continue to promote investments contributing to social value creation.

Investment year	Company
2018	GHELIA INC.
2019	Creww, Inc.
	Monstarlab Holdings Inc. (TSE Growth Market 5255)
2022	Shizen Energy Inc.
	eWeLL Co., Ltd. (TSE Growth Market 5038)
	Forest Energy Inc.
	Mental Health Technologies. Co., Ltd. (TSE Growth Market 9218)
	DORAEVER Co. Ltd
2023	GVA TECH, Inc.
	i GRID SOLUTIONS Inc.
	Social Interior Inc.
2024	EUCALIA Inc.
	Syuppin Co., Ltd. (TSE Prime Market 3179) *Invested in April 2024



Capital and business alliance with Syuppin

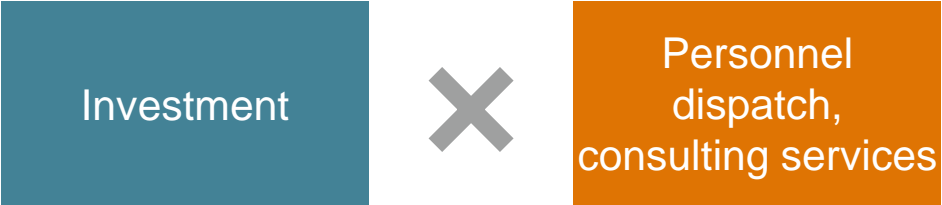
Together carrying out industry innovations with Revalue × Technology

Syuppin Co., Ltd.

Syuppin Co., Ltd. operates a revalue business centered on EC. Aiming to achieve the goals of its mid-term business plan, it has concluded a capital and business alliance agreement with the SIGMAXYZ Group in order to accelerate business growth utilizing technology in the business area of high-added-value and high-price products, which remains undeveloped by EC.

SIGMAXYZ Investment Inc. invested approximately 500 million yen. By dispatching consultants from SIGMAXYZ, we will propose plans for individual business strategies aimed at achieving the company's mid-term business plan, and will provide support for personnel training in system planning and development. We will also provide consulting services for carrying out individual strategies such as renovation of EC systems, advancing the level of operations through the use of digital technologies, using AI to strengthen algorithms, and utilizing AI in marketing areas.

SIGMAXYZ has been providing consulting services to the company since 2013. In this framework as well, we will act as a sherpa and accompany Syuppin on its way to strengthening the foundation for sustained growth and transforming itself into a technology company.



Related link: [Press release] Capital and business alliance between Syuppin and SIGMAXYZ Group - Together carrying out industry innovations with Revalue × Technology
https://www.sigmaxyz.com/ja/news/release_240327.html

Support for new business development and operation

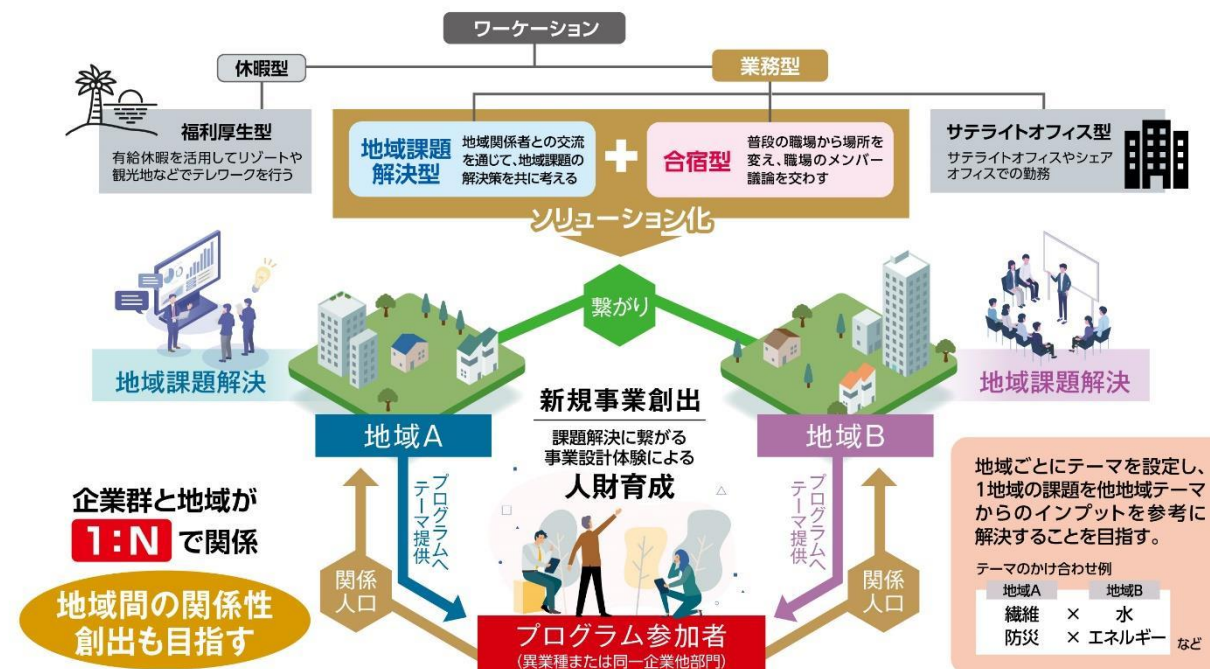
JALPAK Co., Ltd.

SIGMAXYZ is supporting new business development and operation of JALPAK Co., Ltd., a company whose main business is planning, operation, sales, and management of domestic and overseas package tours.

JALPAK has developed “communication, co-creation, and camp-type business solution packages (BSP)” and began sales in December 2023. The goal is to create value for both corporations and local communities through business development camps for corporations that include local experiences. Based on a business design for resolving local issues, these packages are expected to provide multiple advantages for corporations and local communities including personnel training and expanding the population who are involved. Use of JALPAK assets allows it to provide fully integrated packages that include local transportation and accommodation arrangements.

SIGMAXYZ has provided support for JALPAK’s new business development, commercialization, and differentiation since 2023. We will support the operations of JALPAK in the future, including providing workshops as part of its packages, and will accompany the company as it contributes to personnel training and expanding the involved local population through its own business growth.

Overview of business solutions packages



Related link: JAL Solution Service Site introducing solutions provided by the JAL Group

[Experiencing continual new business creation aimed at resolving local issues in Atami \(Example of providing BSP\)](https://www.jal.co.jp/solution/lp-case/bsp1/)

<https://www.jal.co.jp/solution/lp-case/bsp1/>

Support for new business concepts and development projects

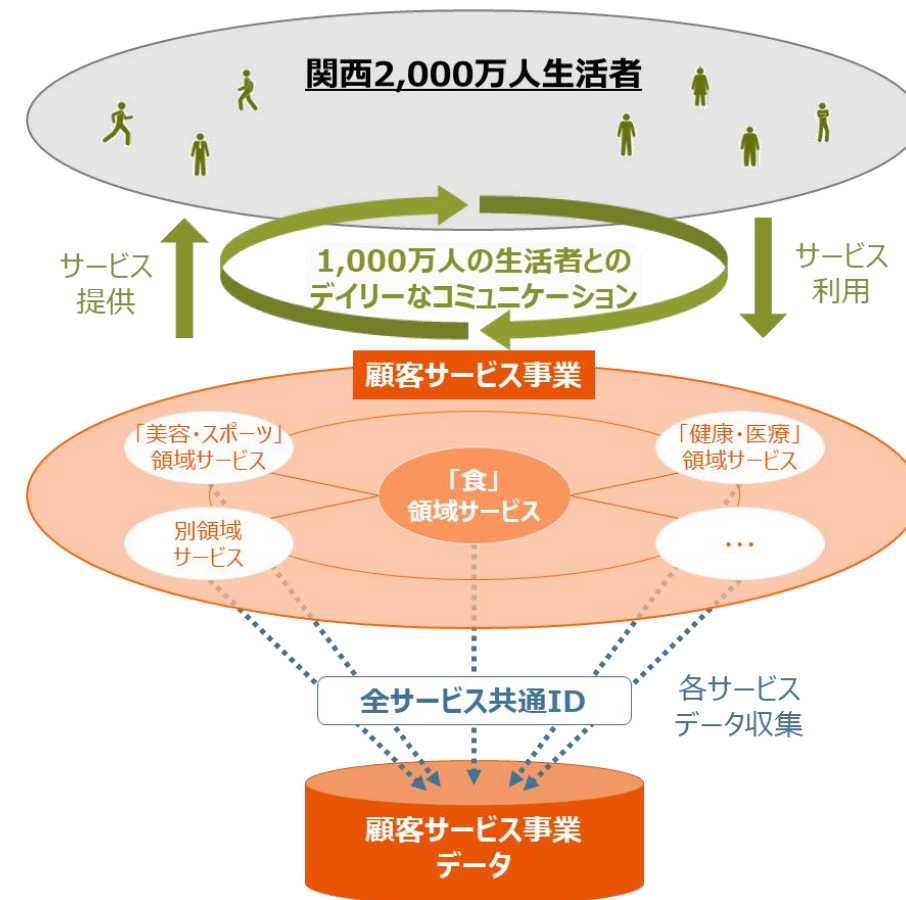
Client service business structure

H2O Retailing Corporation

H2O Retailing Corporation operates a business centered on retail, and SIGMAXYZ is providing support for its new business concepts and development projects.

H2O Retailing formulated a new mid-term business plan in July 2021, and as the foundation of the plan, began working on an online-centered customer service business. With an eye towards the creation of B2B business, it aims to acquire 10 million active customers in the Kansai region using a fusion of IT and digital with existing business. As the first step, it is developing the “Machiuma” app service. Trial operation began in the Takatsuki area of Osaka in May 2023, and the number of registered app members was 55,000 at ten months after release, exceeding the pace of projections.

Beginning in 2020, SIGMAXYZ has provided integrated support for concept formulation, operation and function design, app development and release, post-release verification and improvement, and operation for H2O Retailing new business concepts and development projects. In the future, we will continue to accompany H2O Retailing through its transformation into the new retail business that it seeks to become.



Related link:

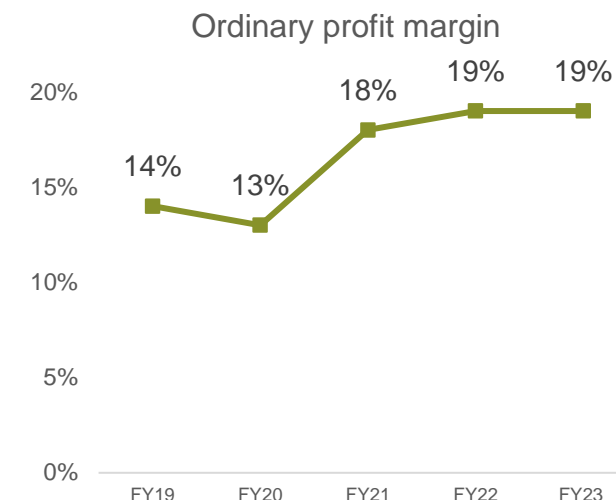
H2O Retailing Corporation, H2O Communication NEXT Co., Ltd. press release

[Service for the H2O Retailing app “Machiuma” started in the Takatsuki area on May 15 - Beginning of a new business model “Customer Service Business”](https://data.swcms.net/file/h2o-retailing/ja/news/auto_20230511565644/pdfFile.pdf)

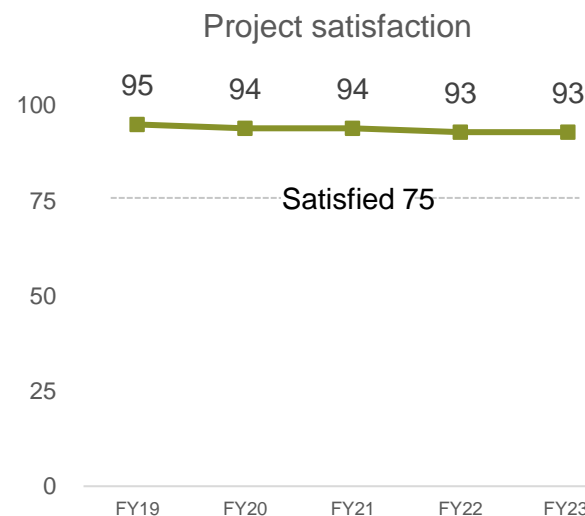
https://data.swcms.net/file/h2o-retailing/ja/news/auto_20230511565644/pdfFile.pdf

Key Performance Indicators (KPIs)

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



Consulting Business		FY22	FY23	YoY change
	Number of consultants	511	571	+12%
	Project satisfaction (NSI*)	93	93	—



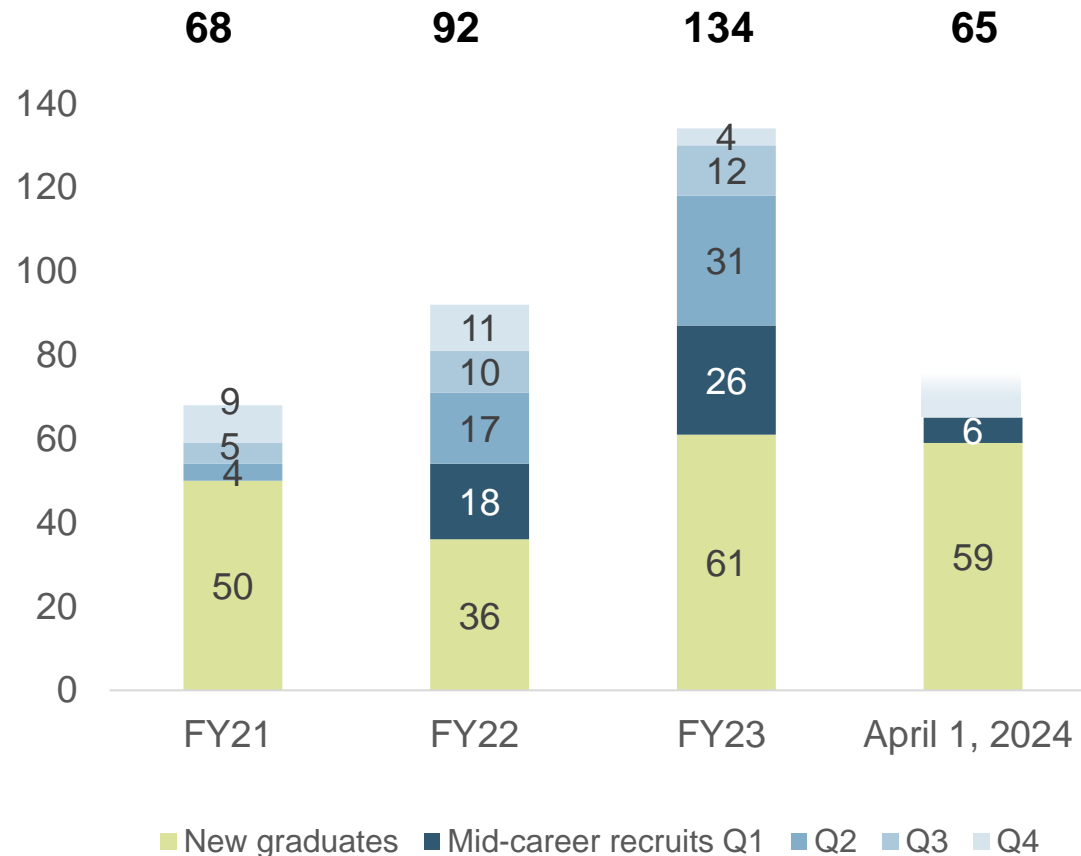
Investment Business		End of FY22	End of FY23	Change
	Investment balance	Approx. 2.2 billion yen	Approx. 3.7 billion yen	+ Approx. 1.5 billion yen

* 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.

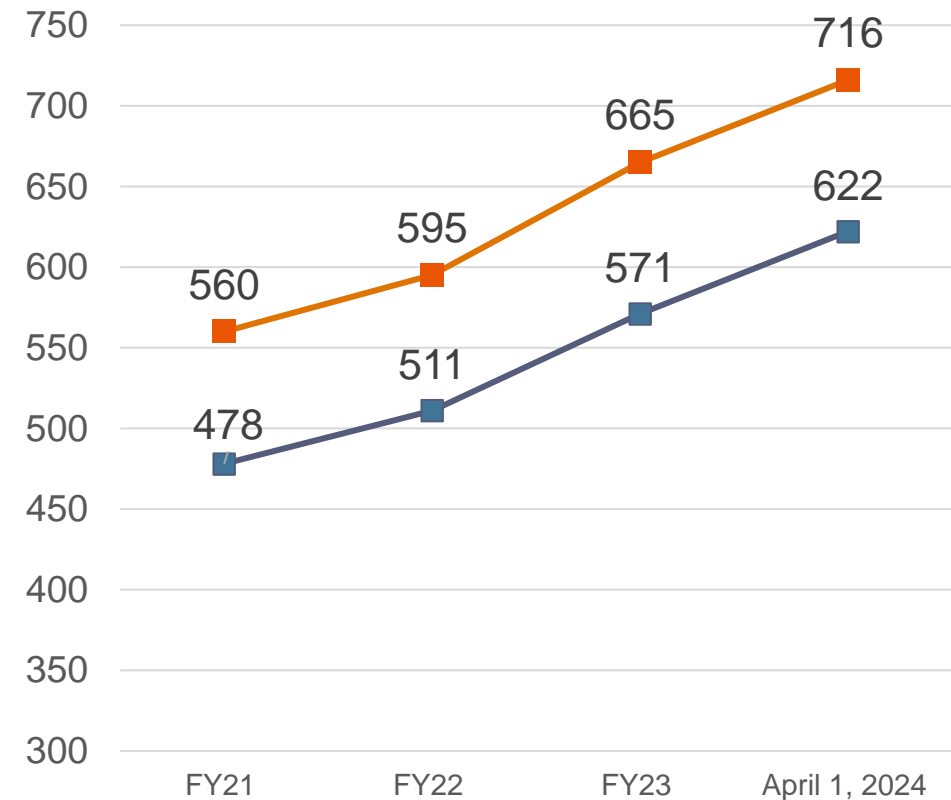
Hiring Activities

We hired 73 mid-career recruits and 61 new graduates in FY23, and hired 6 mid-career recruits and 59 new graduates on April 1, 2024. We are conducting hiring activities aiming for around 80 new graduates joining the company in April 2025.

Number of hires per annum (consultants)



Group employees (■) / Group consultants (■)



FY24 Consolidated Earnings Forecasts

Unit: JPY mn	FY23 result	FY24 consolidated forecasts	YoY change
Revenue	22,410	25,000	+12%
Operating profit	4,232	5,050	+19%
Ordinary profit	4,338	5,100	+18%
Profit attributable to owners of parent	3,232	3,600	+11%

- 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, supports the growth of client companies through capital alliances, and promotes investment in and business support for venture companies.
- Consulting business: Continuing to expand the consulting capacity (in terms of both skills and workforce) needed for business growth.
- Investment business: Planning new investments especially in the energy and healthcare sectors, and joint investment with clients.
- Update on environment supporting value creation: A new training center was established in March. We are planning to expand the floor space at the current head office in July.

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

- 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.

	FY23	FY24 forecast	YoY change
Annual dividend per share	27 yen	32 yen	+5 yen

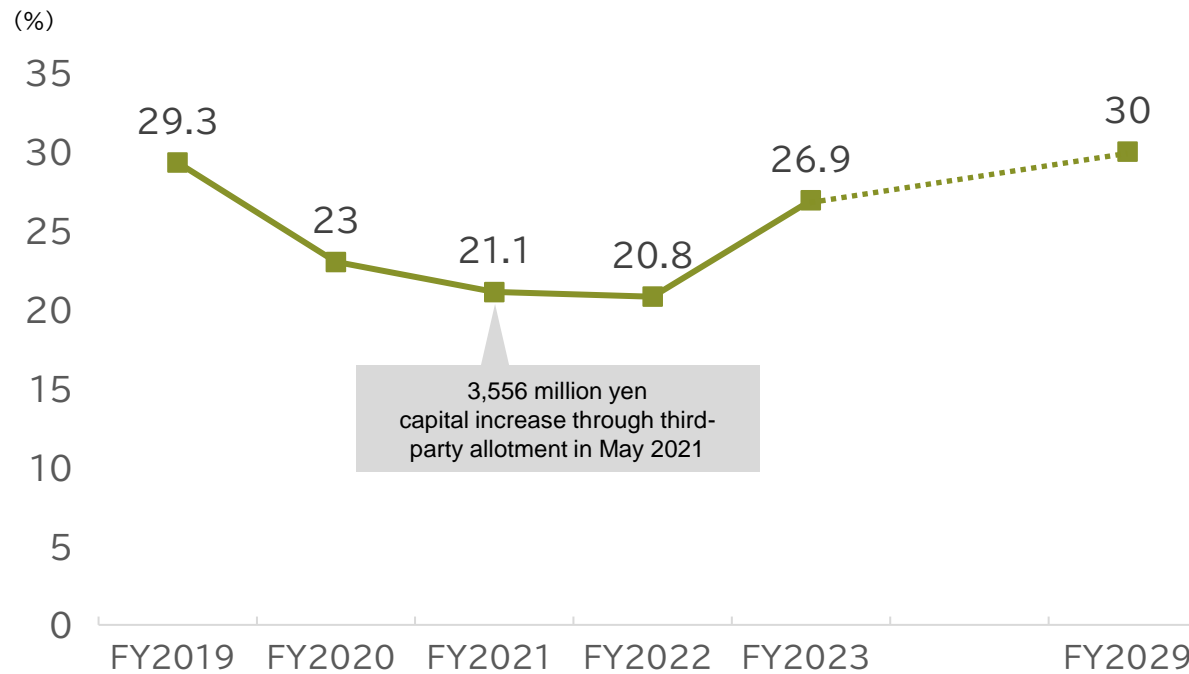
Note: The above dividend forecast is based on information available as of the date of the publishing of this document. It may fluctuate due to various factors in the future.

Reference: Capital Efficiency, Shareholder Returns

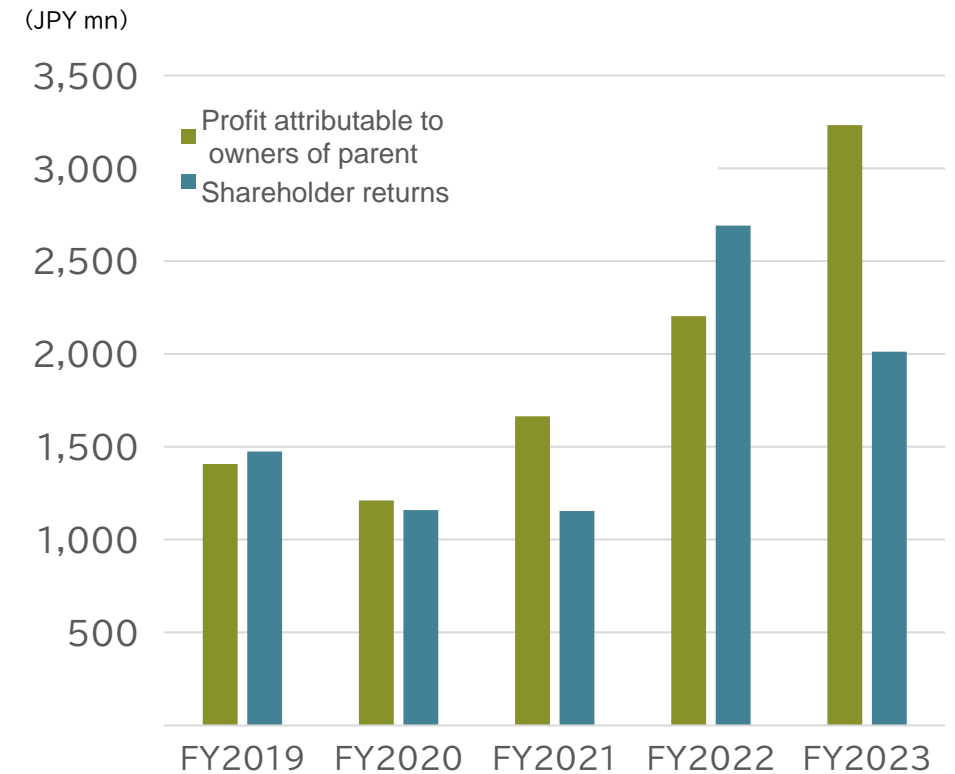
Updated
in May 2024

- The Company's Board of Directors recognizes ROE as an important management indicator of return on capital and aims to raise it to 30% by FY29.
- Shareholder returns will be provided through stable dividends and share buybacks.

Transition in ROE



Shareholder Returns (*)



ROE Improvement Policy

- Profit growth through the consulting business x investment business
- Active shareholder return through dividends + share buybacks

*Shareholder return: Dividends + share buybacks (includes additional contributions to stock compensation trust)

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

- We increased our utilization of outsourcing vendors in response to strong demand, which led to the pace of growth of our consolidated revenue exceeding expectations. As a result, we expect that our goal of consolidated revenue of ¥25.0 billion stated in the Group's vision for medium- to long-term growth "Blueprint" in the Fiscal Year Ending March 31, 2026," will be achieved one year early.
- We continue to aim for ordinary profit of ¥7.0 billion in the fiscal year ending March 31, 2026 through accelerating growth in our Consulting Business and realizing revenue contribution from our Investment Business.

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

Announced
in August 2022

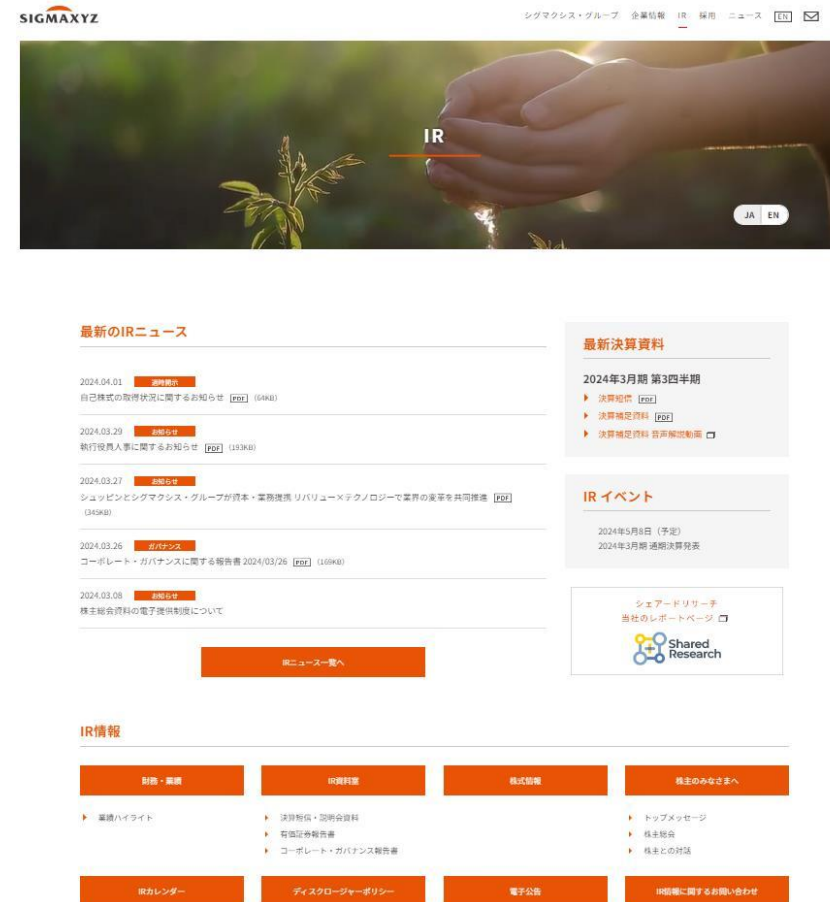
	<u>Blueprint in FY25</u>	<u>FY22 consolidated earnings forecasts</u>	<u>Compound annual growth rate (CAGR)</u>
Consolidated revenue	25 bn yen	17.2 bn yen	13%
Ordinary profit	7 bn yen	3.2 bn yen	30%
Profit rate	28%	19%	-
Number of employees	Approx. 800	Approx. 600	Approx. 10%

- 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 <https://www.sigmaxyz.com/ja/ir.html>



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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