

Consolidated Financial Results Supplementary Document Q1 FY19

August 5, 2019 / SIGMAXYZ Inc. (Stock Code: 6088)



Outline of Financial Results for Q1 FY19

Summary		(YoY)
● Consolidated revenue	JPY 3,804 mn	(+ 29%)
● Ordinary profit	JPY 297 mn	(+ 66%)
● Profit	JPY 161 mn	(+ 61%)

- Revenue for non-consolidated SIGMAXYZ increased by 33%, due to a steady increase in the number of consultants, the launch of ERP cloud migration services, growth in PMO services, and improvement in consultant productivity.
- Selling, general and administrative expenses increased by 10% reflecting rises in personnel and other costs accompanying business expansion and an increase in training costs centered on ERP cloud migration services.
- Loss in equity-method investments arose with the launch of a new joint venture, but ordinary profits increased by 66% due to the growth in operating profits.

Consolidated Income Statement for Q1 FY19

Unit: JPY mn	FY18 (Apr to Jun)	FY19 (Apr to Jun)	YoY Change		Major changes
			Amount	Rate	
Revenue	2,947	3,804	+856	+29%	Increase in the number of consultants, the launch of ERP cloud migration services, growth in PMO services, and improvement in consultant productivity
Gross profit	1,088	1,361	+272	+25%	
S,G&A expenses	960	1,051	+91	+10%	
Operating profit	127	309	+181	+142%	Rises in personnel and other costs accompanying business expansion and an increase in training costs centered on ERP cloud migration services.
Ordinary profit	178	297	+118	+66%	Loss in equity-method investments arose with the launch of a new joint venture.
Profit before income taxes	165	297	+132	80%	
Profit	100	161	+60	+61%	

Key Performance Index (KPI)

	Q1 FY18	Q1 FY19	YoY Change
Client Satisfaction(NSI*)	93	95	+2pts
Number of projects	354	398	+12%
Number of clients	130	114	-12%
Revenue per contract (Unit: JPY mn)	8	10	+15%

*** NSI (Net Satisfaction Index): Average score from 5 possible ratings for 10 questions evaluating project satisfaction.**

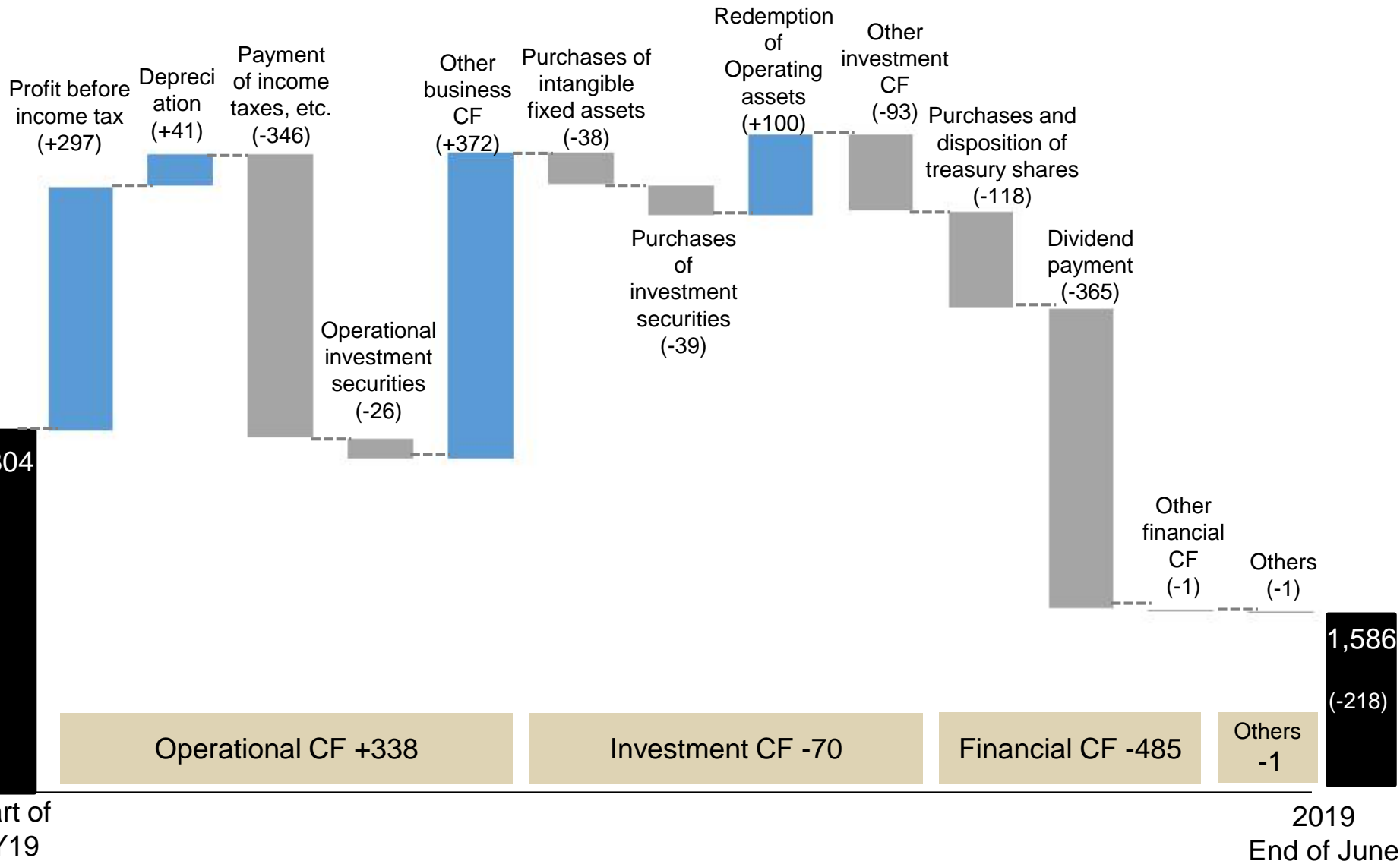
- Format: Questionnaire
- Respondents: Project owners

5: I really agree 100 points
 4: I agree 75 points
 3: I can 't say either way 50 points
 2: I don't agree 25 points
 1: I don't agree at all 0 points

Consolidated Balance Sheet for Q1 FY19

Unit: JPY mn	End of FY18	End of Q1 FY19	YoY Change (Amount)	Major changes
Current assets	4,123	3,849	-273	Reduction owing to inflow of dividend payments and treasury shares (employee ESOP)
Cash and deposits	1,804	1,586	-218	
Non-current assets	2,873	2,849	-24	
Total assets	6,997	6,699	-298	
Current liabilities	1,683	1,687	+4	Reduction of provisions for stock benefits
Non-current liabilities	757	629	-128	
Total liabilities	2,441	2,316	-124	
Net assets	4,556	4,382	-173	Calculation of profit Reduction owing to dividend payments
Equity ratio	65%	65%	+0pts	

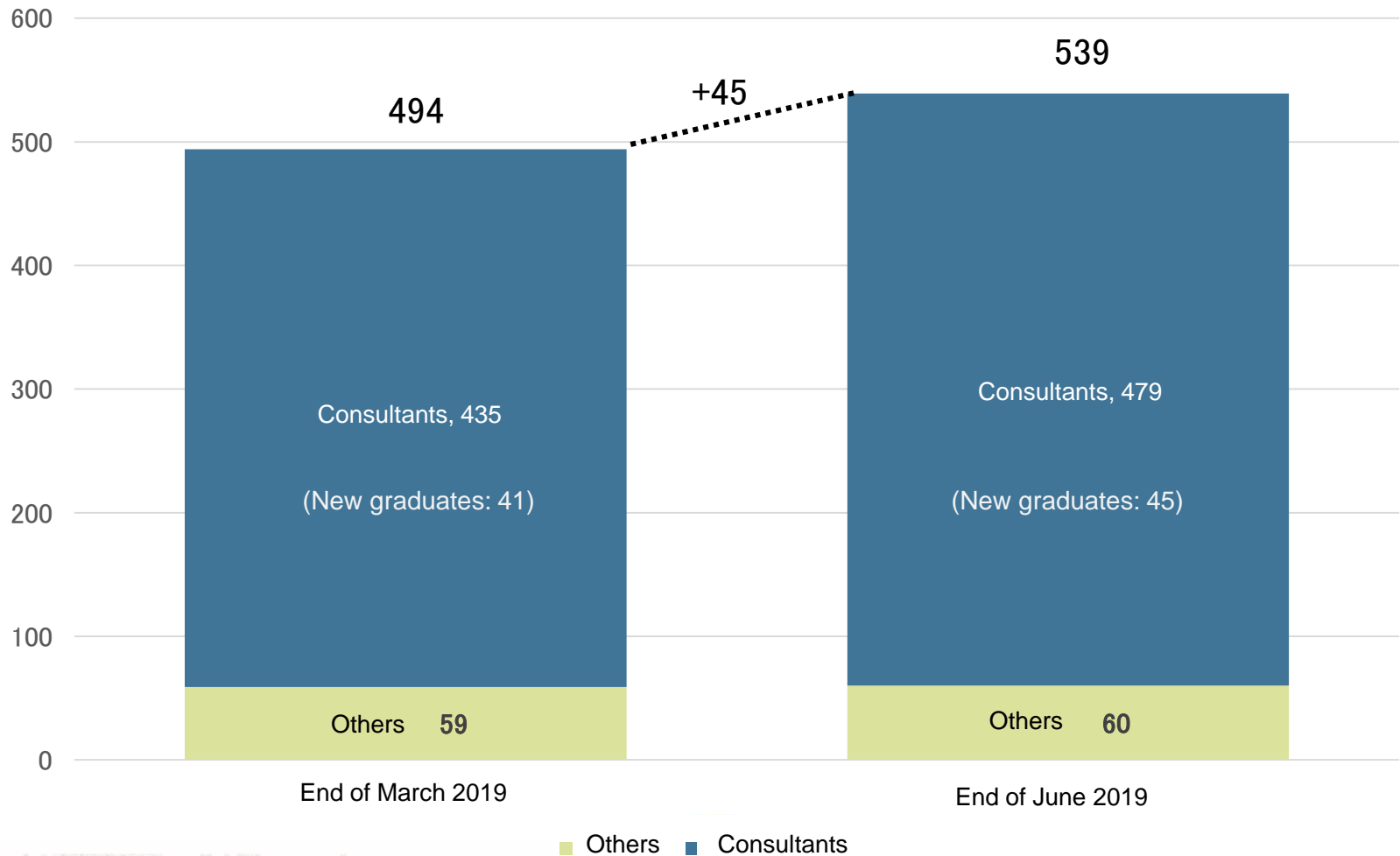
Transitions in Consolidated Cash Flow



Consolidated Number of Employees

The number of employees increased by 45 (9%) from the end of the previous fiscal year, mainly regarding new graduates.

Unit: people



Migrating ERP to the Cloud

In readiness for the situation called the "2025 Digital Cliff," when the existing ERP maintenance support expires, SIGMAXYZ supports clients to enhance their corporate value by smoothly migrating their ERP to a cloud environment, and carry out organization/business transformation and change management, based on the growth scenarios for clients we provide.

Current state of IT at Japanese companies

Core IT systems

- Outdated (20% currently over 20 years old, will be 60% in 2025)
- Based on business units -> Difficult to use data across the whole company
- Excessive customization -> Complexity, black boxes

IT budgets

Maintenance operation: Value creation
= 80%:20%

IT personnel

Allocating most IT personnel to maintain and operate the core system is hindering the acquisition of new technologies.

**Potential economic losses*
of JPY 12 trillion per annum
from 2025 onward if there is
no change**

**2025 Digital
Cliff**

Issues to be addressed

Migrate core IT systems
to the cloud
(Reform business
process)



Digital
transformation

Customer example

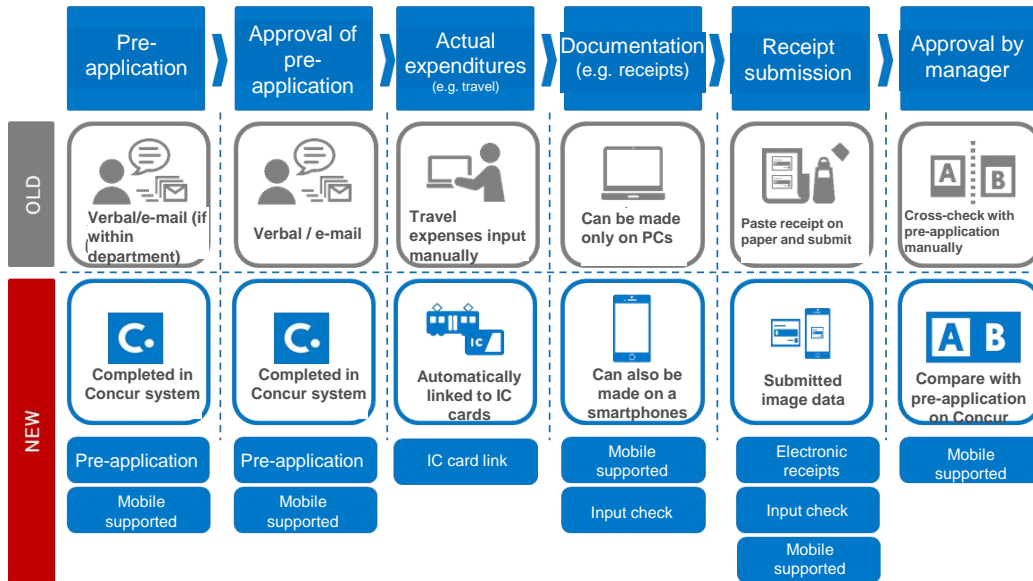


SIGMAXYZ supported the NTT Advanced Technology Corporation's core IT system reform project, and completed the migration of key systems to the cloud in about six months. The project used SAP S/4HANA Cloud's multi-tenant edition, which is SAP's next-generation cloud ERP (Enterprise Resource Planning) package. It was the first time multiple modules (financial accounting, management accounting, sales management, purchase management, and project management) were implemented all in one to go for a Japanese company's domestic operations. (As of June 2019)

* METI report (September 7, 2018)

Next-generation Expense Settlement

By supporting the introduction of cloud-based services for expense settlement and workflows that comply with the Electronic Books Maintenance Act, SIGMAXYZ successfully achieved the complete computerization of the expense settlement process for Shionogi & Co., Ltd. (including switching to electronic receipts), and fully introduced the new business processes and systems for all 5,000 employees in 10 months.



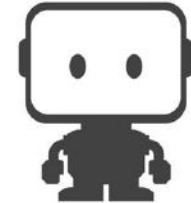
Nikkei Computer (April 18, 2019 issue)

Concur press release: : <https://www.concur.co.jp/newsroom/article/pr-shionogi-adopts-sapconcur>
 Nikkei XTECH: <https://tech.nikkeibp.co.jp/atcl/nxt/news/18/04068/>

Machine Learning Consulting Service

DataRobot Introduction Service / License Sales

- Japan's first consulting partner, with an abundant experience ranging from practical use of DataRobot, to implementation in actual business.
- Specialist teams provide extensive support not only for data analysis but also for work applications, and support for getting projects to yield results
- Supports the execution of short-term projects, human resource development, and data analysis/launching digital organizations.



DataRobot

DataRobot is the world's most advanced automation platform for machine learning.

Machine learning consulting services

Coming up with ideas and creating themes

Data analysis

Demand forecasting specially adapted for retailers

DataRobot implementation services

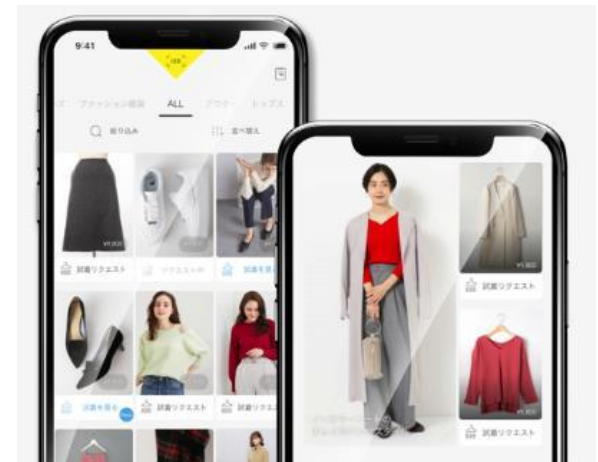
Workshop & review

Aftersales care

Support a launch of digital organizations

“fitom,” a Fitting-Sharing App for Trying on Clothes

We launched fitom Inc., a new joint venture with United Arrows Ltd. and Hakuholdo DY Media Partners Inc. Through the development and operation of fitom, a Fitting-Sharing app for trying on clothes, the business aims to boost clothing e-commerce websites, make better use of physical stores and sales staff, and create a new Omni-channel shopping experience.



Benefits for fitom users

- 1 Ease anxiety of online shopping
- 2 View actual images of customers trying things on
- 3 Receive incentives by submitting images of trying things on
- 4 Receive positive feedback for own images of trying things on

Benefits for participating brands

- 1 Improve online sales by easing customer anxiety
- 2 Boost sales by offering images of users and sales staff trying things on (instead of professional models)
- 3 Utilize fitting data of physical stores for online sales
- 4 Use fitting request, fitting photo, and sales data to improve merchandising and creating store space.

Alliances

We create value through collaboration with our business partners and group companies, and companies we invest in



Affiliates






Companies we invest in









Subsidiaries



Subsidiaries and Affiliates

Company name	Year of incorporation / start of business / capital participation (Joint venture partners, share of voting rights)	Business description
SXA Inc.	2014 (100% subsidiary)	Providing M&A advisory services (Financial advisory / due diligence / valuation / business turnaround advisory / development of in-house M&A systems)
SXF Inc.	2019 (100% subsidiary)	Providing various services related to financial EDI Electronic payment agency: Director-General of the Kanto Local Finance Bureau (Electronic Payment Agency) No. 40
 AnalySys. Inc.	2014 (Joint venture with Plan·Do·See Inc., 49%)	Providing cloud services for bridal management applications / developing and providing SIGMAXYZ solutions
 Lawson Digital Innovation Inc.	2016 (Joint venture with Lawson, Inc., 34%)	Digitizing Lawson's business, and designing, developing, implementing, and operating Lawson's next-generation systems
 fitom Inc.	2019 (Joint venture with UNITED ARROWS LTD. and HakuHodo DY Media Partners Inc., 39%)	Developing and operating digital platforms for apparel companies

Companies We Invest In

Company name	Year of incorporation / start of business / capital participation (Joint venture partners / main shareholders)	Business description
 <p>MC Data Plus, Inc.</p>	<p>2015 (Joint venture with Mitsubishi Corporation and other companies)</p>	<p>Providing one of the largest cloud system services in Japan for the construction industry / planning and developing new business using big data</p>
 <p>SALA Lifestyle Innovation Co., Ltd.</p>	<p>2017 (Joint venture with SALA CORPORATION)</p>	<p>Marketing and platform business in the SALA Group</p>
 <p>SX Capital, Inc.</p>	<p>2016</p>	<p>Management and administration of assets for investment associations, etc. targeting privately-owned IT venture companies</p>
 <p>Ghelia Inc.</p>	<p>2018 (Sony Computer Science Laboratories, Inc., World Innovation Lab, LLC., and Mizuho FinTech Investment Limited Partnership)</p>	<p>AI solution business</p>
 <p>Monstar Lab, Inc.</p>	<p>2019</p>	<p>A digital-product development company that provides optimal resources, using IT engineers and creators all over the world</p>
 <p>Creww Inc.</p>	<p>2019</p>	<p>Managing one of the largest start-up communities in Japan, and offering a variety of services for start-up companies</p>

LP (Limited Partner) Investment

We have become Limited Partners of below investment funds in order to expand our network with domestic and international start-ups and venture companies.

SX Capital



The No. 3 Fund, established with venture capital companies with which we have a capital and business alliance.

SX Capital invests in start-up companies that offer IT-related services and services that use IT.

Purpose: To promote supporting the growth of venture companies in various ways, including supporting new business development and management

Fresco Capital



A new 3-billion-yen fund, established by U.S. venture capital company Fresco Capital.

Fresco Capital invests in start-up companies in the U.S., Europe and Asia, focusing on themes such as education, the future of work, and health care.

Purpose: To expand networks with foreign venture companies and strengthen Japanese companies' abilities and systems regarding supporting reform

No. 2 Fund investment affiliates (extract)



FY19 Consolidated Earnings Forecast

Unit: JPY mn	FY19	YoY change	
		Amount	Rate
Revenue	15,000	+1,670	+13%
Ordinary profit	1,500	+177	+13%
Profit before income taxes	1,650	+341	+26%
Profit	1,050	+140	+15%

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.
 - Plan to raise the dividend per share for FY19 by JPY2 to JPY20.

About the Use of This Document

This Document mentions not only the trends in 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 Inc. cannot guarantee that the statements about future prospects and forecasts are correct, and it is possible the results may be significantly different from the future prospects.

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