



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

February 3, 2020

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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 Nine Months Ended December 31, 2019 (April 1, 2019 to December 31, 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	%
Nine months ended December 31, 2019	11,809	22.9	1,634	82.1	1,601	64.2	942	53.8
December 31, 2018	9,606	15.2	897	11.4	975	17.4	612	20.1

Note: Comprehensive Income
 Nine months ended December 31, 2019: ¥942 million (53.8%)
 Nine months ended December 31, 2018: ¥612 million (20.1%)

	Profit per Share		Profit per Share (Diluted)	
	Yen		Yen	
Nine months ended December 31, 2019	48.69		48.48	
December 31, 2018	31.49		31.26	

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2019	7,560	4,655	61.6	242.49
March 31, 2019	6,997	4,556	65.1	236.63

Reference: Equity
 As of December 31, 2019: ¥4,655 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
Fiscal year ended March 31, 2019	—	0.00	—	18.00	18.00
Fiscal year ending March 31, 2020	—	0.00	—		
Fiscal year ending March 31, 2020 (est.)				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)

(% 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	15,500–16,000	16.3–20.0	1,850–2,050	39.9–55.0	1,850–2,050	41.4–56.7	1,100–1,250	21.0–37.5	56.96–64.73

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)	Nine months ended December 31, 2019	21,024,300 shares	Fiscal year ended March 31, 2019	20,967,900 shares
2) Treasury shares as of the end of the period	Nine months ended December 31, 2019	1,823,734 shares	Fiscal year ended March 31, 2019	1,713,261 shares
3) Average during the period (cumulative from the start of the fiscal year)	Nine months ended December 31, 2019	19,346,793 shares	Nine months ended December 31, 2018	19,454,844 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 Program Management Office [PMO¹] support, digital technology services including artificial intelligence [AI], 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 nine months ended December 31, 2019 came to ¥11,809 million (+22.9% year on year), operating profit to ¥1,634 million (+82.1% year on year), ordinary profit to ¥1,601 million (+64.2% year on year), profit before income taxes to ¥1,601 million (+66.6% year on year), and profit attributable to owners of parent to ¥942 million (+53.8% year on year).

Revenue expanded on the launch of ERP cloud migration services, growth in PMO services, and increases in services and product sales for call center projects. Product sales, which involved the procurement of hardware and software products based on customer requests, accounted for roughly 6% of total revenue but corresponding profit contributions were negligible. As of the end of December 2019, the Company had 17 SAP S/4HANA Cloud certified consultants, who are in charge of ERP cloud migration services.

Selling, general and administrative expenses came to ¥2,850 million (+10.4% year on year), reflecting rises in personnel and other costs accompanying business expansion, an increase in training costs centered on ERP cloud migration services, and higher investments in solutions development.

Ordinary profit came to ¥1,601 million, marking a 64.2% increase from the same period of the previous fiscal year as growth in operating profit offset a share of loss of entities accounted for using equity method of ¥88 million.

Profit attributable to owners of parent came to ¥942 million, marking a 53.8% increase from the same period of the previous fiscal year.

On the hiring front, the Company added 35 mid-career recruits and 45 new graduates in the nine months ended December 31, 2019. This brought its total workforce up to 525 people (+43 year on year).

Note:

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) Explanation of Financial Position

(Assets)

Total assets as of December 31, 2019 stood at ¥7,560 million (up ¥563 million from the end of the previous fiscal year). This mainly reflected an increase in cash and deposits (up ¥177 million from the end of the previous fiscal year), an increase in operational investment securities (up ¥319 million from the end of the previous fiscal year), and a decline in investment securities (down ¥107 million from the end of the previous fiscal year).

(Liabilities)

Liabilities as of December 31, 2019 totaled ¥2,904 million (up ¥463 million from the end of the previous fiscal year). This was mainly attributable to an increase in long-term borrowings (up ¥300 million from the end of the previous fiscal year).

(Net assets)

Net assets as of December 31, 2019 came to ¥4,655 million (up ¥99 million from the end of the previous fiscal year). This mainly reflected the booking of profit attributable to owners of parent and ¥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 the “Notice of Revisions to Earnings Forecasts,” released on December 23, 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)	Nine months ended December 31, 2019 (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	1,804,601	1,981,759
Accounts receivable-trade	1,652,362	1,657,899
Operational investment securities	341,460	660,830
Other	325,503	335,576
Total current assets	4,123,928	4,636,066
Non-current assets		
Property, plant and equipment	201,590	274,612
Intangible assets		
Software	272,828	349,844
Software in progress	219,973	141,810
Other	2,604	6,437
Total intangible assets	495,407	498,092
Investments and other assets		
Investment securities	1,689,949	1,582,596
Deferred tax assets	162,128	105,633
Other	324,546	463,660
Total investments and other assets	2,176,624	2,151,889
Total non-current assets	2,873,622	2,924,594
Total assets	6,997,550	7,560,660
Liabilities		
Current liabilities		
Accounts payable-trade	351,471	309,363
Accounts payable-other	677,506	756,103
Income taxes payable	401,148	384,010
Provision for share-based remuneration	140,684	343,534
Other	112,765	76,211
Total current liabilities	1,683,576	1,869,222
Non-current liabilities		
Long-term borrowings	-	300,000
Lease obligations	7,792	17,851
Provision for share-based remuneration	239,764	74,365
Provision for share-based remuneration for directors (and other officers)	510,167	556,888
Asset retirement obligations	-	86,444
Total non-current liabilities	757,723	1,035,549
Total liabilities	2,441,300	2,904,772
Net assets		
Shareholders' equity		
Share capital	2,824,227	2,834,266
Capital surplus	1,074,227	1,084,266
Retained earnings	2,148,958	2,697,792
Treasury shares	(1,491,162)	(1,960,437)
Total shareholders' equity	4,556,250	4,655,888
Total net assets	4,556,250	4,655,888
Total liabilities and net assets	6,997,550	7,560,660

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
 (Quarterly Consolidated Statement of Income)
 Nine months ended December 31, 2019

(Thousands of yen)

	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)
Revenue	9,606,294	11,809,864
Cost of revenue	6,127,409	7,324,448
Gross profit	3,478,885	4,485,415
Selling, general and administrative expenses	2,580,886	2,850,539
Operating profit	897,999	1,634,875
Non-operating income		
Interest income	4,235	3,972
Dividend income	14,988	15,674
Share of profit of entities accounted for using equity method	23,386	-
Foreign exchange gains	8,346	614
Lecture fees and other income	12,657	14,099
Miscellaneous income	15,213	25,264
Total non-operating income	78,827	59,625
Non-operating expenses		
Interest expenses	557	865
Share of loss of entities accounted for using equity method	-	88,722
Miscellaneous loss	832	3,062
Total non-operating expenses	1,390	92,650
Ordinary profit	975,436	1,601,850
Extraordinary losses		
Loss on retirement of non-current assets	13,846	-
Total extraordinary losses	13,846	-
Profit before income taxes	961,590	1,601,850
Income taxes-current	387,441	603,282
Income taxes-deferred	(38,524)	56,494
Total income taxes	348,917	659,776
Profit	612,673	942,074
Profit attributable to owners of parent	612,673	942,074

(Quarterly Consolidated Statement of Comprehensive Income)
Nine months ended December 31, 2019

	(Thousands of yen)	
	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)
Profit	612,673	942,074
Comprehensive income	612,673	942,074
Comprehensive income attributable to:		
Owners of parent	612,673	942,074

(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. Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 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 nine months ended December 31, 2018, but whose effective date comes after December 31, 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. In addition, the Company purchased 167,900 of its own shares based on a resolution adopted at the meeting of its Board of Directors held on November 5, 2018. As a result, share capital and legal capital surplus both increased by ¥333 million and treasury shares by ¥525 million in the nine months ended December 31, 2019. As of December 31, 2019, capital and legal capital surplus stood at ¥2,819 million and ¥1,069 million, respectively, and treasury shares at ¥1,391 million.

II. Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 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 nine months ended December 31, 2019, but whose effective date comes after December 31, 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.