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Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2022 (Japanese Accounting Standards)

November 4, 2021

Company name: SIGMAXYZ Holdings Inc. Stock listing: Tokyo Stock Exchange
 Stock code: 6088 URL: <https://www.sigmaxyz.com/>
 Representative: Ryuichi Tomimura, Representative Director and President
 Inquiries: Shinya Tabata, CFO Telephone: +81-3-6430-3400
 Scheduled date of quarterly securities report filing: November 4, 2021
 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 Six Months Ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

(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, 2021	7,274	7.8	1,112	81.6	1,102	74.8	592	61.8
September 30, 2020	6,747	(13.2)	612	(37.6)	630	(36.9)	366	(40.6)

Note: Comprehensive Income Six months ended September 30, 2021: ¥592 million [61.8%]
 Six months ended September 30, 2020: ¥366 million [(40.6)%]

	Profit per Share	Profit per Share (Diluted)
	Yen	Yen
Six months ended September 30, 2021	28.55	—
September 30, 2020	19.09	19.06

Note: Profit per share (diluted) for the six months ended September 30, 2021 is not stated because there are no dilutive shares.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2021	12,805	9,660	75.4	452.55
March 31, 2021	10,283	5,462	53.1	287.61

Reference: Equity As of September 30, 2021: ¥9,660 million
 As of March 31, 2021: ¥5,462 million

2. Dividends

	Annual Dividend				
	First Quarter-End	Second Quarter-End	Third Quarter-End	Fiscal Year-End	Total
Fiscal year ended March 31, 2021	—	0.00	—	22.00	22.00
Fiscal year ending March 31, 2022	—	0.00			
Fiscal year ending March 31, 2022 (Forecast)			—	24.00	24.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(% 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, 2022	16,000	14.1	2,500	43.0	2,500	39.1	1,500	24.0	71.23

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, 2021	23,154,300 shares
As of March 31, 2021	21,104,300 shares

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

As of September 30, 2021	1,808,097 shares
As of March 31, 2021	2,110,564 shares

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

Six months ended September 30, 2021	20,771,706 shares
Six months ended September 30, 2020	19,197,030 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 documents.

Contents of the attached materials

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements	3
2. Quarterly Consolidated Financial Statements and Important Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	5
Quarterly Consolidated Statement of Income	
(Six months ended September 30, 2020 and 2021)	5
Quarterly Consolidated Statement of Comprehensive Income	
(Six months ended September 30, 2020 and 2021)	6
(3) Quarterly Consolidated Statement of Cash Flows	7
(4) Notes to Quarterly Consolidated Financial Statements	8
(Notes Regarding Assumption of a Going Concern)	8
(Notes on Significant Changes in the Amount of Shareholders' Equity)	8
(Changes in Accounting Policies)	9
(Segment Information, etc.)	9

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

Recently, the Japanese economy has continued to show signs of picking up from the challenging conditions persisted due to the fallout of the novel coronavirus (COVID-19) pandemic although the pick-up is slowing down. We expect the economy to recover down the road due to the promotion of vaccinations, various policies and improvement of overseas economies. However, we need to closely watch the increasing risk of economic deterioration caused by developments of the COVID-19 pandemic at home and abroad and its impact through supply chains, as well as the impact of fluctuations, etc. in the financial and capital markets.

In such an environment, the Group is engaged in value creation in a wide range of industries and companies such as making business strategy, M&As, business reform, organizational reform, utilization of digital technology and cloud solutions, project management, development of new business, promotion of collaboration between companies, business investment and creation of joint ventures. Our goal is to provide services toward realization of “Three Innovations” that promote digital transformation (DX) of companies, namely: (i) Streamlining existing business operations (Digital Transformation); (ii) Creating new value (Service Transformation); and (iii) Management platform reform (Management Transformation).

The Group has made the transition to a holding company system in October 2021. Under the umbrella of the holding company SIGMAXYZ Holdings Inc., Group companies, including SIGMAXYZ Inc., the new subsidiary that handles the consulting business, and SIGMAXYZ Investment Inc. that handles the investment business, will promote their business and strive to achieve further growth of the Group as a whole through services strengthened by collaboration. Furthermore, a capital and business alliance with ITOCHU Corporation was concluded in April 2021. Based on the alliance, collaboration with ITOCHU and its group companies has commenced in each business domain.

The consolidated financial results and key business indicators for the six months ended September 30, 2021 are as follows.

Revenue was ¥7,274 million (up 7.8% year on year). Some projects to support client companies contributed to the Group’s business performance. Such projects include services to assist ERP cloud migration services, formulation of digital transformation strategies for companies, revitalization of organizations and personnel, and development of new businesses and services. Reducing outsourcing costs by strengthening the internal delivery system for ERP cloud migration services projects resulted in an improvement in profit margin. In addition, SIGMAXYZ Investment Inc., which was newly established in April 2021, also commenced business successfully and has already made new investments and divesture of assets. In September 2021, we made 5% equity participation in Wellness Communications Corporation which is engaged in health management SaaS business in the corporate wellness field.

Selling, general and administrative expenses were ¥2,099 million (up 5.9% year on year) as activities increased following an increase in revenue.

Due to an increase in revenue and a decrease in cost of revenue, gross profit increased by ¥616 million to ¥3,211 million (up 23.8% year on year), operating profit increased by ¥499 million to ¥1,112 million (up 81.6% year on year), and ordinary profit increased by ¥471 million to ¥1,102 million (up 74.8% year on year).

Profit attributable to owners of parent came to ¥592 million (up 61.8% year on year).

On the hiring front, the Company added 4 mid-career recruits and 50 new graduates in the six months ended September 30, 2021. The training for new graduates has been completed successfully in a hybrid format combining a remote work environment and face-to-face training. They have started working on their job in October. As of September 30, 2021, the total number of employees was 571 (up 6 year on year) including 501 consultants.

Project satisfaction remained high at 93 points, and the number of projects was 571, while the number of clients was 142.

(2) Explanation of Financial Position

(Assets)

Total assets as of September 30, 2021 stood at ¥12,805 million (up ¥2,521 million from the end of the previous fiscal year). This was mainly attributable to an increase in cash and deposits (up ¥2,222 million from the end of the previous fiscal year) and an increase in operational investment securities (up ¥382 million from the end of the previous fiscal year).

(Liabilities)

Liabilities as of September 30, 2021 totaled ¥3,144 million (down ¥1,676 million from the end of the previous fiscal year). This was mainly attributable to a decrease in short-term borrowings (down ¥1,600 million from the end of the previous fiscal year).

(Net assets)

Total assets as of September 30, 2021 stood at ¥9,660 million (up ¥4,197 million from the end of the previous fiscal year). This mainly reflected increases in share capital and capital surplus (each up ¥1,778 million from the end of the previous fiscal year) due to the impact of a third-party allocation of shares.

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

The consolidated earnings forecasts for the fiscal year ending March 31, 2022 have not changed from the forecasts included in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2021,” released on April 22, 2021.

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

(Thousands of yen)

	Fiscal year ended March 31, 2021 (As of March 31, 2021)	Six months ended September 30, 2021 (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	5,275,769	7,498,257
Accounts receivable - trade	1,787,267	–
Notes and accounts receivable - trade, and contract assets	–	1,906,489
Operational investment securities	714,796	1,097,448
Other	238,149	436,985
Allowance for doubtful accounts	–	(14,520)
Total current assets	8,015,983	10,924,661
Non-current assets		
Property, plant and equipment	179,058	155,753
Intangible assets		
Software	327,340	290,607
Software in progress	167,221	212,172
Other	6,177	8,213
Total intangible assets	500,739	510,993
Investments and other assets		
Investment securities	986,176	653,400
Deferred tax assets	220,136	146,471
Other	381,795	413,932
Total investments and other assets	1,588,109	1,213,805
Total non-current assets	2,267,907	1,880,552
Total assets	10,283,891	12,805,213
Liabilities		
Current liabilities		
Accounts payable - trade	221,061	257,566
Short-term borrowings	1,600,000	–
Accounts payable - other	598,999	497,081
Income taxes payable	384,674	506,428
Provision for share awards	203,025	352,550
Other	231,597	227,574
Total current liabilities	3,239,357	1,841,200
Non-current liabilities		
Long-term borrowings	300,000	–
Lease obligations	10,704	8,008
Provision for share awards	259,163	74,751
Provision for share awards for directors (and other officers)	925,517	1,134,524
Asset retirement obligations	86,444	86,444
Total non-current liabilities	1,581,828	1,303,729
Total liabilities	4,821,186	3,144,929
Net assets		
Shareholders' equity		
Share capital	2,848,506	4,626,881
Capital surplus	1,150,829	3,030,816
Retained earnings	3,938,630	4,077,796
Treasury shares	(2,475,262)	(2,075,210)
Total shareholders' equity	5,462,704	9,660,284
Total net assets	5,462,704	9,660,284
Total liabilities and net assets	10,283,891	12,805,213

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
 (Quarterly Consolidated Statement of Income)
 (Six months ended September 30, 2020 and 2021)

(Thousands of yen)

	Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
Revenue	6,747,662	7,274,497
Cost of revenue	4,152,887	4,062,810
Gross profit	2,594,775	3,211,687
Selling, general and administrative expenses	1,982,068	2,099,271
Operating profit	612,706	1,112,415
Non-operating income		
Interest income	3,242	1,950
Share of profit of entities accounted for using equity method	3,290	3,470
Gain on investments in securities	4,837	1,012
Royalty income	4,500	36
Miscellaneous income	3,930	5,016
Total non-operating income	19,800	11,487
Non-operating expenses		
Interest expenses	1,734	1,282
Share issuance costs	–	19,748
Miscellaneous losses	144	415
Total non-operating expenses	1,878	21,446
Ordinary profit	630,628	1,102,456
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	146,373	–
Total extraordinary income	146,373	–
Profit before income taxes	777,002	1,102,456
Income taxes - current	333,908	435,812
Income taxes - deferred	76,680	73,665
Total income taxes	410,588	509,477
Profit	366,413	592,978
Profit attributable to owners of parent	366,413	592,978

(Quarterly Consolidated Statement of Comprehensive Income)
(Six months ended September 30, 2020 and 2021)

(Thousands of yen)

	Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
Profit	366,413	592,978
Comprehensive income	366,413	592,978
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	366,413	592,978

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Profit before income taxes	777,002	1,102,456
Depreciation	134,153	93,938
Share issuance costs	–	16,770
Increase (decrease) in allowance for doubtful accounts	(26,400)	14,520
Increase (decrease) in provision for share awards	80,983	173,966
Increase (decrease) in provision for share awards for directors (and other officers)	368,628	209,007
Interest and dividend income	(3,242)	(1,950)
Interest expenses	1,734	1,282
Foreign exchange losses (gains)	76	(2,191)
Share of loss (profit) of entities accounted for using equity method	(3,290)	(3,470)
Loss (gain) on sale of shares of subsidiaries and associates	(146,373)	–
Decrease (increase) in investment securities for sale	(56,584)	(246,595)
Decrease (increase) in trade receivables	226,030	(119,221)
Decrease (increase) in inventories	(20,992)	–
Decrease (increase) in prepaid expenses	(19,308)	43,583
Increase (decrease) in trade payables	(127,504)	36,505
Increase (decrease) in accounts payable - other	(406,111)	(101,549)
Other, net	80,551	65,491
Subtotal	859,354	1,282,542
Interest and dividends received	3,874	2,346
Dividends received from entities accounted for using equity method	44,100	–
Interest paid	(1,734)	(1,282)
Income taxes paid	(589,735)	(334,305)
Net cash provided by (used in) operating activities	315,858	949,301
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,650)	(1,177)
Purchase of intangible assets	(92,585)	(68,042)
Proceeds from sale of shares of subsidiaries and associates	225,420	–
Purchase of investment securities	–	(100,000)
Proceeds from redemption of investment securities	145,212	300,254
Other payments	–	(43,018)
Other proceeds	4,982	1,065
Net cash provided by (used in) investing activities	281,379	89,081
Cash flows from financing activities		
Repayments of lease obligations	(5,902)	(2,971)
Increase (decrease) in short-term borrowings	600,000	(1,600,000)
Repayments of long-term borrowings	–	(300,000)
Purchase of treasury shares	(157,459)	(74)
Proceeds from issuance of shares	–	3,539,979
Dividends paid	(452,336)	(455,021)
Net cash provided by (used in) financing activities	(15,698)	1,181,912
Effect of exchange rate change on cash and cash equivalents	(76)	2,191
Net increase (decrease) in cash and cash equivalents	581,462	2,222,487
Cash and cash equivalents at beginning of period	4,175,567	5,275,769
Cash and cash equivalents at end of period	4,757,030	7,498,257

(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, 2020 (From April 1, 2020 to September 30, 2020)

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, 2020 board resolution	Common stock	453,318	22	March 31, 2020	June 8, 2020	Retained earnings

Note: Total amount of dividends includes ¥33 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, 2020, but whose effective date comes after September 30, 2020
 No applicable matters to report.

II. Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

1. Dividends paid

Resolution	Type of shares	Total amount of dividends (Thousands of yen)	Dividend per share (yen)	Record date	Effective date	Appropriated from
April 22, 2021 board resolution	Common stock	453,813	22	March 31, 2021	June 7, 2021	Retained earnings

Note: Total amount of dividends includes ¥35 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, 2021, but whose effective date comes after September 30, 2021
 No applicable matters to report.

3. Significant changes in the amount of shareholders' equity

On May 10, 2021, the Company received payment from ITOCHU Corporation for a third-party allocation of shares. As a result, share capital and capital surplus both increased by ¥1,778 million in the six months ended September 30, 2021, reaching ¥4,626 million and ¥2,876 million, respectively, by September 30, 2021.

(Changes in Accounting Policies)

Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the three months ended June 30, 2021, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. As a result, the revenue that was recognized at once at the time of acceptance inspection for service contracts is now recognized over a certain period as performance obligations transferred to the customer are fulfilled in cases where the requirements for the transfer of control of goods or services to the customer are fulfilled over a certain period.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year ending March 31, 2022 is added to or deducted from the retained earnings at the beginning of the fiscal year ending March 31, 2022, and the new accounting policy is applied from the beginning of that period. The impact on profit or loss during the six months ended September 30, 2021 is immaterial. Furthermore, there is no impact on retained earnings at the beginning of the period.

Due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, “Accounts receivable - trade” under “Current assets” in the Consolidated Balance Sheet for the fiscal year ended March 31, 2021 has been included in “Notes and accounts receivable - trade, and contract assets” from the three months ended June 30, 2021. Furthermore, “Contract liabilities” are included in “Other” under “Current assets” and the balance for the six months ended September 30, 2021 is ¥99 million. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the fiscal year ended March 31, 2021 have not been restated in accordance with the new approach to presentation.

Application of the Accounting Standard for Fair Value Measurement, etc.

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) is applied from the beginning of the three months ended June 30, 2021, and the new accounting methods stipulated in the Accounting Standard for Fair Value Measurement, etc. are applied into the future in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This change in accounting policy has no impact.

(Segment Information, etc.)

[Segment information]

This information has been omitted as the SIGMAXYZ Group mainly operates in the consulting business, and other operations are not significant.