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Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2024 (Japanese Accounting Standards)

February 6, 2024

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 Stock code: 6088 URL: <https://www.sigmaxyz.com/>
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 Scheduled date of quarterly securities report filing: February 8, 2024
 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, 2023 (from April 1, 2023 to December 31, 2023)

(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, 2023	16,378	32.5	3,299	47.1	3,371	48.3	2,379	77.2
December 31, 2022	12,364	9.4	2,244	7.6	2,273	9.3	1,342	5.7

Note: Comprehensive Income
 Nine months ended December 31, 2023: ¥2,174 million [44.2%]
 Nine months ended December 31, 2022: ¥1,507 million [18.7%]

	Profit per Share		Profit per Share (Diluted)	
	Yen	Yen	Yen	Yen
Nine months ended				
December 31, 2023	56.43	–	–	–
December 31, 2022	31.71	–	–	–

Note: Profit per share (diluted) for the nine months ended December 31, 2022 and 2023 are 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				
December 31, 2023	16,447	12,303	74.8	290.83
March 31, 2023	14,461	10,878	75.2	261.53

Reference: Equity
 As of December 31, 2023: ¥12,303 million
 As of March 31, 2023: ¥10,878 million

2. Dividends

	Annual Dividend				
	First Quarter-End	Second Quarter-End	Third Quarter-End	Fiscal Year-End	Total
Fiscal year ended					
March 31, 2023	–	0.00	–	16.00	16.00
Fiscal year ending					
March 31, 2024	–	0.00	–		
Fiscal year ending					
March 31, 2024 (Forecast)				27.00	27.00

Note: Revisions to the most recently announced dividend forecast: Yes

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(% 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, 2024	22,000	26.9	4,150	28.3	4,200	28.6	3,150	42.9	74.65

Note: Revisions to the most recently announced earnings forecasts: Yes

* 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 (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 7 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 December 31, 2023	46,308,600 shares
As of March 31, 2023	46,308,600 shares

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

As of December 31, 2023	4,005,336 shares
As of March 31, 2023	4,713,594 shares

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

Nine months ended December 31, 2023	42,160,166 shares
Nine months ended December 31, 2022	42,326,905 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 materials.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Japanese economy is gradually recovering, although stagnation was seen in some areas. In terms of future prospects, amid the improvements in employment and personal income situations, a gradual recovery is expected to continue owing to the effects of various policies. However, there is a risk that a downturn in overseas economies will put downward pressure on Japan's economy due to the impact of monetary tightening worldwide, etc. In addition, sufficient heed must be paid to impacts caused by rising prices, changes in the financial and capital markets, etc.

In such an environment, with a synergy between "consulting services" and "investment," the Group creates value in a wide range of industries and companies and creates new markets that solve social issues. In consulting business, we define the key three transformations that companies must address in the digital economy as; "Digital Transformation" to transform the core business model and achieve significant performance improvements through a productivity revolution, "Service Transformation" to build a business model that will serve as a new growth engine in growth markets, and "Management Transformation" to build a management platform. We have professionals with diverse skills who are working to solve corporate issues, create new value, and co-create new businesses and industries through collaboration among companies. In the investment business, the focus is on the "regenerative & wellbeing" area, such as city development, food, and wellness. Through the linkage with our consulting business, we support the growth and enhancement of our investee companies' corporate value.

The Group's revenue for the nine months ended December 31, 2023 amounted to ¥16,378 million (up 32.5% year on year).

Cost of revenue stood at ¥8,925 million (up 40.0% year on year). In a response to strong demand, outsourcing expenses increased.

Selling, general and administrative expenses were ¥4,152 million (up 10.9% year on year) due to the increase in sundry expenses and recruiting expenses associated with the increase in the number of personnel and the revived face-to-face activities.

Due to an increase in revenue, gross profit increased by ¥1,463 million to ¥7,452 million (up 24.4% year on year), operating profit increased by ¥1,055 million to ¥3,299 million (up 47.1% year on year), and ordinary profit increased by ¥1,098 million to ¥3,371 million (up 48.3% year on year).

Profit before income taxes came to ¥3,371 million (up 48.3% year on year), and profit attributable to owners of parent came to ¥2,379 million (up 77.2% year on year). Also, comprehensive income attributable to owners of parent came to ¥2,174 million (up 44.2% year on year).

Operating results for each segment are as follows.

(Consulting Business)

The financial results of the Consulting Business for the nine months ended December 31, 2023 show revenue of ¥16,196 million (up 30.5% year on year) and segment profit of ¥4,623 million (up 23.5% year on year).

The Consulting Business was 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, information communication, trading, retail, and manufacturing industries.

On the hiring front, the Consulting Business added 69 mid-career recruits and 61 new graduates in the nine months ended December 31, 2023. The training for new graduates has been completed successfully, and they have started working on their project delivery in October. The number of consultants was 582 as of the end of December 2023. Project satisfaction remained high at 93 points.

(Investment Business)

The financial results of the Investment Business for the nine months ended December 31, 2023 show revenue of ¥285 million (up 1,076.4% year on year), and segment loss of ¥87 million (compared to a segment loss of ¥205 million in the same period of the previous fiscal year) as a result of recognizing an impairment loss for listed shares held in the second quarter.

In December, we made a new investment with a total value of approximately ¥400 million in Social Interior Inc., which operates a marketplace for furniture and interiors, bringing the cumulative balance of investments on December 31 to approximately ¥3.2 billion, including valuation differences. We continue to promote investments contributing to social value creation.

(2) Explanation of Financial Position

(Assets)

Total assets as of December 31, 2023 stood at ¥16,447 million (up ¥1,985 million from the end of the previous fiscal year). This was mainly attributable to an increase in operational investment securities (up ¥1,039 million from the end of the previous fiscal year) and an increase in investment securities (up ¥978 million from the end of the previous fiscal year).

(Liabilities)

Liabilities as of December 31, 2023 totaled ¥4,143 million (up ¥560 million from the end of the previous fiscal year). This mainly reflected an increase in income taxes payable (up ¥521 million from the end of the previous fiscal year).

(Net assets)

Total net assets as of December 31, 2023 stood at ¥12,303 million (up ¥1,424 million from the end of the previous fiscal year). This mainly reflected the recording of profit attributable to owners of parent and dividends paid of ¥711 million (¥591 million in the same period of the previous fiscal year).

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

After the first nine months of the fiscal year ending March 31, 2024, revenue has grown sharply, driven by a higher-than-planned the utilization rate of internal personnel backed by strong demand, an increase in unit prices, and utilization of business partners. The business outlook to the end of the current fiscal year has become clear, to a certain extent, and we have made revisions to the consolidated earnings forecasts for the fiscal year ending March 31, 2024 announced on June 27, 2023 and dividend forecasts announced on November 2, 2023.

Furthermore, profits forecasts are calculated in consideration of the effect of stock compensation, etc. paid to employees, etc. according to business performance and usually recorded in the fourth quarter of each fiscal year.

For details, please refer to “Notice Concerning Amendments to Consolidated of Earnings Forecasts and Dividend Forecasts,” announced on February 6, 2024

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

(Thousands of yen)

	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Nine months ended December 31, 2023 (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	7,093,890	6,107,715
Notes and accounts receivable - trade, and contract assets	2,263,554	2,548,978
Operational investment securities	2,171,591	3,211,299
Other	600,834	906,642
Allowance for doubtful accounts	(116,122)	–
Total current assets	12,013,748	12,774,637
Non-current assets		
Property, plant and equipment	253,366	232,383
Intangible assets		
Software	400,943	314,744
Software in progress	34,635	59,216
Other	7,105	6,252
Total intangible assets	442,685	380,213
Investments and other assets		
Investment securities	797,759	1,776,085
Deferred tax assets	316,670	409,451
Other	637,403	874,348
Total investments and other assets	1,751,832	3,059,885
Total non-current assets	2,447,884	3,672,483
Total assets	14,461,633	16,447,120
Liabilities		
Current liabilities		
Accounts payable - trade	237,169	480,575
Accounts payable - other	842,657	995,936
Income taxes payable	339,489	860,727
Provision for bonuses	–	306,795
Provision for share awards	326,059	382,022
Other	232,954	236,139
Total current liabilities	1,978,330	3,262,197
Non-current liabilities		
Lease liabilities	5,681	2,739
Provision for share awards	340,542	128,548
Provision for share awards for directors (and other officers)	1,106,107	595,224
Asset retirement obligations	86,444	86,444
Other	66,238	68,728
Total non-current liabilities	1,605,014	881,684
Total liabilities	3,583,345	4,143,881
Net assets		
Shareholders' equity		
Share capital	3,000,000	3,000,000
Capital surplus	4,768,396	4,781,572
Retained earnings	6,762,154	8,430,123
Treasury shares	(3,972,854)	(4,023,968)
Total shareholders' equity	10,557,696	12,187,728
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	320,592	115,511
Total accumulated other comprehensive income	320,592	115,511
Total net assets	10,878,288	12,303,239
Total liabilities and net assets	14,461,633	16,447,120

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
 (Quarterly Consolidated Statement of Income)
 (Nine months ended December 31, 2022 and 2023)

(Thousands of yen)

	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Revenue	12,364,507	16,378,541
Cost of revenue	6,375,652	8,925,700
Gross profit	5,988,855	7,452,841
Selling, general and administrative expenses	3,744,739	4,152,845
Operating profit	2,244,116	3,299,995
Non-operating income		
Interest income	2,920	2,461
Foreign exchange gains	–	1,239
Lectures fee income	33,569	46,128
Sponsorship money income	10,335	21,977
Miscellaneous income	8,083	11,628
Total non-operating income	54,909	83,435
Non-operating expenses		
Interest expenses	129	96
Foreign exchange losses	17,142	–
Non-deductible consumption taxes	4,536	3,708
Loss on investment securities	–	5,964
Miscellaneous losses	3,814	2,181
Total non-operating expenses	25,622	11,950
Ordinary profit	2,273,402	3,371,480
Extraordinary losses		
Loss on sale of non-current assets	–	81
Loss on retirement of non-current assets	–	56
Total extraordinary losses	–	137
Profit before income taxes	2,273,402	3,371,343
Income taxes - current	823,297	1,055,742
Income taxes - deferred	107,769	(63,609)
Total income taxes	931,067	992,132
Profit	1,342,335	2,379,210
Profit attributable to owners of parent	1,342,335	2,379,210

(Quarterly Consolidated Statement of Comprehensive Income)
(Nine months ended December 31, 2022 and 2023)

(Thousands of yen)

	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Profit	1,342,335	2,379,210
Other comprehensive income		
Valuation difference on available-for-sale securities	164,997	(205,080)
Total other comprehensive income	164,997	(205,080)
Comprehensive income	1,507,332	2,174,130
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,507,332	2,174,130

(3) 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, 2022 (From April 1, 2022 to December 31, 2022)

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 9, 2022 board resolution	Common stock	591,152	26	March 31, 2022	June 6, 2022	Retained earnings

Note: Total amount of dividends includes ¥39 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 nine months ended December 31, 2022, but whose effective date comes after December 31, 2022.

No applicable matters to report.

3. Significant changes in the amount of shareholders' equity

Based on the resolution of the 14th Annual General Meeting of Shareholders held on June 24, 2022, the Company conducted a capital reduction without compensation and reduced share capital by ¥1,626 million and legal capital surplus by ¥1,626 million, respectively, effective July 29, 2022, and transferred the amount to other capital surplus. As a result of this and other factors, share capital, legal capital surplus and other capital surplus stood at ¥3,000 million, ¥1,250 million and ¥3,534 million, respectively, as of December 31, 2022.

II. Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)

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 9, 2023 board resolution	Common stock	711,241	16	March 31, 2023	June 7, 2023	Retained earnings

Note: Total amount of dividends includes ¥45 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 nine months ended December 31, 2023, but whose effective date comes after December 31, 2023.

No applicable matters to report.

(Changes in Accounting Policies)

Application of the Accounting for and Disclosure of the Issuance and Holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities, etc.

“Accounting for and Disclosure of the Issuance and Holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities, etc.” (ASBJ Practical Solution No. 43, August 26, 2022) is applied from the beginning of the first quarter of the fiscal year ending March 31, 2024. There is no impact as a result of the change in this accounting policy.

(Segment Information, etc.)

[Segment information]

I. Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)

Information on the amounts of revenue and profit or loss for each reportable segment

(Thousands of yen)

	Reportable Segment			Adjustments (Note 1)	Quarterly Consolidated Statement of Income (Note 2)
	Consulting Business	Investment Business	Total		
Revenue					
Revenue from external clients	12,352,339	12,168	12,364,507	–	12,364,507
Internal revenue or transfer among segments	57,750	12,060	69,810	(69,810)	–
Total	12,410,089	24,228	12,434,317	(69,810)	12,364,507
Segment profit (loss)	3,744,190	(205,951)	3,538,238	(1,294,122)	2,244,116

Notes: 1. Adjustments of segment profit (loss) consist of company-wide expenses, etc. of ¥1,294 million.

2. Segment profit (loss) is adjusted with operating profit recorded in the quarterly consolidated statement of income.

II. Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)

Information on the amounts of revenue and profit or loss for each reportable segment

(Thousands of yen)

	Reportable Segment			Adjustments (Note 1)	Quarterly Consolidated Statement of Income (Note 2)
	Consulting Business	Investment Business	Total		
Revenue					
Revenue from external clients	16,134,141	244,400	16,378,541	–	16,378,541
Internal revenue or transfer among segments	62,596	40,620	103,216	(103,216)	–
Total	16,196,737	285,020	16,481,758	(103,216)	16,378,541
Segment profit (loss)	4,623,809	(87,365)	4,536,444	(1,236,448)	3,299,995

Notes: 1. Adjustments of segment profit (loss) consist of company-wide expenses, etc. of ¥1,236 million.

2. Segment profit (loss) is adjusted with operating profit recorded in the quarterly consolidated statement of income.