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October 28, 2021

Consolidated Financial Results for the Six Months Ended September 30, 2021 (Under IFRS)

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 Listing: Tokyo Stock Exchange
 Securities code: 4373
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 Scheduled date to file Quarterly Securities Report: October 28, 2021
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Amounts less than a million yen are rounded off to the nearest million yen.)

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)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2021	15,614	14.3	3,549	47.6	3,458	49.5	2,309	52.9
September 30, 2020	13,659	15.5	2,404	110.8	2,312	136.0	1,510	154.0

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share (Note)	Diluted earnings per share (Note)
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended						
September 30, 2021	2,308	52.5	2,269	37.8	47.79	41.50
September 30, 2020	1,514	151.9	1,647	160.7	31.35	27.36

*EBITDA: Six months ended September 30, 2021 4,043 million yen (39.0%)
 Six months ended September 30, 2020 2,909 million yen (78.8%)

*The Company uses EBITDA as a key performance indicator.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share (Note)
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of					
September 30, 2021	62,297	33,795	33,795	54.2	697.20
March 31, 2021	61,678	31,462	31,457	51.0	651.40

Note: In accordance with a resolution of the Board of Directors' meeting held on June 24, 2021, the Company conducted a 100-for-1 stock split of ordinary shares effective on July 10, 2021. Basic earnings per share, diluted earnings per share, and equity attributable to owners of parent per share were calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2021.

2. Cash dividends

	Annual dividends per share				
	Q1-end	Q2-end	Q3-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	0.00	—	0.00	0.00
Fiscal year ending March 31, 2022	—	0.00			
Fiscal year ending March 31, 2022 (Forecast)			—	23.00	23.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year	30,300	10.1	5,612	24.4	5,437	25.7	3,751	26.1	3,750	25.7	77.65

Note: Revisions to the forecast of consolidated financial results most recently announced: None

* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

- (i) Changes in accounting policies required by IFRS: None
- (ii) Changes in accounting policies due to reasons other than (i) above: None
- (iii) Changes in accounting estimates: None

(3) Number of shares issued (ordinary shares)

(i) Total number of shares issued at the end of the period (including treasury shares)

As of September 30, 2021	48,472,950 shares
As of March 31, 2021	48,291,800 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2021	– shares
As of March 31, 2021	– shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2021	48,295,781 shares
Six months ended September 30, 2020	48,291,800 shares

Note: In accordance with a resolution of the Board of Directors' meeting held on June 24, 2021, the Company conducted a 100-for-1 stock split of ordinary shares effective on July 10, 2021. The total number of shares issued at the end of the period, the number of treasury shares at the end of the period and the average number of shares outstanding during the period were calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2021.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecast, and other special matters

(Disclaimer with respect to earnings and other forecasts)

The forward-looking statements including earnings forecast contained in this document are based on information currently available to us and certain assumptions that we believe to be reasonable. Accordingly, the Company does not guarantee the achievement of the forecast, and the actual results may differ materially due to various factors.

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Operating results

Operating results for the six months ended September 30, 2021 (the period under review) are summarized as follows:

Revenue	15,614	million yen	(up 14.3% year-on-year)
Operating profit	3,549	million yen	(up 47.6% year-on-year)
Profit before tax	3,458	million yen	(up 49.5% year-on-year)
Profit attributable to owners of parent	2,308	million yen	(up 52.5% year-on-year)

Note that EBITDA, which is operating profit before depreciation and amortization (excluding amortization of identifiable assets) and amortization of identifiable assets, representing cash flows generated from business operations, amounted to 4,043 million yen (up 39.0% from 2,909 million yen for the same period last year).

* Operating profit = Gross profit – Amortization of identifiable assets – Selling, general and administrative expenses – Research and development expenses + Other income – Other expenses

EBITDA = Operating profit + Depreciation and amortization + Amortization of identifiable assets

Matters worthy of note with respect to earnings for the period under review are as follows:

- i) Revenue significantly increased year-on-year to 15,614 million yen (up 14.3% from 13,659 million yen for the same period last year), driven mainly by strong sales from System Integration and new contracts won by Strategy/DX Consulting.

Gross profit increased markedly year-on-year to 6,858 million yen (up 31.0% from 5,233 million yen for the same period last year) with the gross profit margin of 43.9% (compared with 38.3% for the same period last year), backed primarily by the improved profit margin in System Integration.

Selling, general and administrative expenses increased year-on-year to 2,629 million yen (up 30.9% from 2,008 million yen for the same period last year) due primarily to enhanced recruiting efforts and strengthened sales activities for winning Strategy/DX Consulting contracts besides the recognition of listing expenses of 157 million yen. By contrast, research and development expenses decreased year-on-year to 550 million yen (down 8.1% from 598 million yen for the same period last year).

In addition, we recognized 223 million yen in amortization of identifiable assets (unchanged year-on-year), 107 million yen in other income, and 14 million yen in other expenses.

As a result, operating profit amounted to 3,549 million yen (up 47.6% from 2,404 million yen for the same period last year), and the operating profit margin came in at 22.7% (compared with 17.6% for the same period last year). Profit before tax increased significantly year-on-year to 3,458 million yen (up 49.5% from 2,312 million yen for the same period last year), with 0 million yen and 92 million yen recognized as finance income and finance costs, respectively

Income tax expense amounted to 1,149 million yen (compared with 803 million yen for the same period last year) and profit attributable to owners of parent significantly increased year-on-year to 2,308 million yen (up 52.5% from 1,514 million yen for the same period last year).

- ii) By service category, Strategy/DX Consulting, launched in full scale during the current fiscal year, has performed strongly, generating revenue of 443 million yen with the gross profit margin of 42.3%.

Revenue from System Integration amounted to 10,012 million yen (compared with 8,784 million yen for the same period last year) with the gross profit margin of 44.1% (compared with 36.8% for the same period last year), both having significantly exceeded the results for the same period last year.

Revenue from Operation Service amounted to 5,136 million yen (compared with 4,872 million yen for the same period last year) with the gross profit margin of 43.4% (compared with 41.0% for the same period last year), both having exceeded the results for the same period last year.

Simplex Group regards adjusted operating profit, adjusted EBITDA, adjusted profit attributable to owners of parent, and adjusted basic earnings per share as key performance indicators (KPIs), besides those set out under IFRS. This is aimed at providing investors with useful financial information by eliminating the impact of certain non-recurring expenses not considered as those incurred in the normal course of business so that they can more accurately assess the Group's performance and build a pure growth scenario for estimating the corporate value.

<Reconciliations to adjusted operating profit and adjusted EBITDA>

(Millions of yen)

Fiscal year	Fiscal year ending March 31, 2022 (estimate)	Six months ended September 30, 2021 (actual)	Fiscal year ended March 31, 2021 (actual)
Operating profit	5,612	3,549	4,510
(Adjustment)			
+ Listing expenses (Note)	175	157	30
Adjusted operating profit	5,787	3,706	4,540
(Adjustments)			
+ Depreciation and amortization	579	271	574
+ Amortization of identifiable assets	446	223	446
Adjusted EBITDA	6,812	4,200	5,561

<Reconciliations to adjusted profit attributable to owners of parent and adjusted basic earnings per share>

(Millions of yen unless otherwise indicated)

Fiscal year	Fiscal year ending March 31, 2022 (estimate)	Six months ended September 30, 2021 (actual)	Fiscal year ended March 31, 2021 (actual)
Profit attributable to owners of parent	3,750	2,308	2,984
(Adjustments)			
+ Listing expenses (Note)	175	157	30
Related tax adjustment	(53)	(48)	(9)
Adjusted profit attributable to owners of parent	3,873	2,417	3,005
Adjusted basic earnings per share (Yen)	80.15	50.04	62.23

Note: Listing expenses consist of one-time expenses associated with our listing on stock exchange, including legal fees for listing, advisory fees on listing preparation, expenses for listing examination, and audit fee for an offering circular in English, and fees to audit firms.

(Reference)

Breakdown of revenue by service category

	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 (Millions of yen)	Percentage of total revenue (%)	Gross profit margin (%)	Revenue (Millions of yen)	Percentage of total revenue (%)	Gross profit margin (%)	YoY change (Millions of yen)
Strategy/DX Consulting	–	–	–	443	2.8	42.3	443
System Integration	8,784	64.3	36.8	10,012	64.1	44.1	1,228
Operation Service	4,872	35.7	41.0	5,136	32.9	43.4	264
Other	4	0.0	100.0	24	0.2	100.0	20
Total	13,659	100.0	38.3	15,614	100.0	43.9	1,955

(2) Financial position

(Assets)

As of the end of the period under review, total assets amounted to 62,297 million yen (up 619 million yen from the end of the previous fiscal year). This is primarily attributable to increases in cash and cash equivalents of 712 million yen due to the recording of profit, and trade and other receivables of 439 million yen resulting from the progress of projects, which were partially offset by a decrease in right-of-use assets of 414 million yen due to amortization.

(Liabilities)

As of the end of the period under review, total liabilities amounted to 28,502 million yen (down 1,714 million yen from the end of the previous fiscal year). This is primarily attributable to decreases in provisions of 699 million yen mainly as a result of the payment of bonuses, borrowings of 543 million yen due to the repayment, and lease liabilities of 423 million yen primarily due to the payment of leasing fees.

(Equity)

As of the end of the period under review, total equity amounted to 33,795 million yen (up 2,333 million yen from the end of the previous fiscal year) and the ratio of equity attributable to owners of parent came in at 54.2% (compared with 51.0% as of the end of the previous fiscal year).

(3) Forward-looking information including consolidated earnings forecast

As announced in “Notice of Financial Results, etc. of the Company in Connection with Listing on the First Section of the Tokyo Stock Exchange” (available in Japanese only) dated September 22, 2021, we will aim to achieve the published numerical targets by consistently implementing our management strategies. The consolidated earnings forecast announced on September 22, 2021 has remained unchanged.

2. Quarterly Condensed Consolidated Financial Statements and Major Notes

(1) Quarterly condensed consolidated statements of financial position

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current quarter (As of September 30, 2021)
Assets		
Current assets		
Cash and cash equivalents	8,068	8,779
Trade and other receivables	6,297	6,735
Inventories	7	3
Other current assets	550	815
Total current assets	14,921	16,333
Non-current assets		
Property, plant and equipment	1,456	1,265
Right-of-use assets	3,269	2,856
Goodwill	36,476	36,476
Intangible assets	1,726	1,441
Other financial assets	2,562	2,540
Deferred tax assets	993	1,034
Other non-current assets	274	353
Total non-current assets	46,756	45,964
Total assets	61,678	62,297
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	1,708	1,854
Borrowings	1,140	1,140
Lease liabilities	1,193	1,250
Other financial liabilities	1	1
Income taxes payable	1,085	1,242
Provisions	2,675	1,965
Other current liabilities	1,110	759
Total current liabilities	8,912	8,211
Non-current liabilities		
Borrowings	19,034	18,491
Lease liabilities	2,042	1,562
Provisions	223	233
Deferred tax liabilities	4	4
Total non-current liabilities	21,304	20,290
Total liabilities	30,216	28,502
Equity		
Share capital	285	304
Capital surplus	25,833	25,852
Retained earnings	5,227	7,535
Other components of equity	112	104
Total equity attributable to owners of parent	31,457	33,795
Non-controlling interests	5	–
Total equity	31,462	33,795
Total liabilities and equity	61,678	62,297

(2) Quarterly condensed consolidated statements of profit or loss and quarterly condensed consolidated statements of comprehensive income

Quarterly condensed consolidated statements of profit or loss

(Millions 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	13,659	15,614
Cost of sales	(8,426)	(8,757)
Gross profit	5,233	6,858
Amortization of identifiable assets	(223)	(223)
Selling, general and administrative expenses	(2,008)	(2,629)
Research and development expenses	(598)	(550)
Other income	25	107
Other expenses	(25)	(14)
Operating profit	2,404	3,549
Finance income	6	0
Finance costs	(98)	(92)
Profit before tax	2,312	3,458
Income tax expense	(803)	(1,149)
Profit	1,510	2,309
Profit attributable to:		
Owners of parent	1,514	2,308
Non-controlling interests	(4)	0
Profit	1,510	2,309
Earnings per share		
Basic earnings per share (Yen)	31.35	47.79
Diluted earnings per share (Yen)	27.36	41.50

Quarterly condensed consolidated statements of comprehensive income

(Millions 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	1,510	2,309
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	140	(39)
Total of items that will not be reclassified to profit or loss	140	(39)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(3)	(0)
Total of items that may be reclassified to profit or loss	(3)	(0)
Other comprehensive income, net of tax	138	(39)
Comprehensive income	1,647	2,269
Comprehensive income attributable to:		
Owners of parent	1,651	2,269
Non-controlling interests	(4)	0
Comprehensive income	1,647	2,269

(3) Quarterly condensed consolidated statements of changes in equity

Six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Other components of equity		
				Share acquisition rights	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance at April 1, 2020	285	25,833	2,243	470	8	425
Profit	–	–	1,514	–	–	–
Other comprehensive income	–	–	–	–	(3)	140
Comprehensive income	–	–	1,514	–	(3)	140
Share-based payment transactions	–	–	–	41	–	–
Total transactions with owners	–	–	–	41	–	–
Balance at September 30, 2020	285	25,833	3,757	511	5	565

	Equity attributable to owners of parent		Non-controlling interests	Total
	Other components of equity	Total		
	Total			
Balance at April 1, 2020	903	29,264	15	29,279
Profit	–	1,514	(4)	1,510
Other comprehensive income	138	138	–	138
Comprehensive income	138	1,651	(4)	1,647
Share-based payment transactions	41	41	–	41
Total transactions with owners	41	41	–	41
Balance at September 30, 2020	1,082	30,956	11	30,967

Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Other components of equity		
				Share acquisition rights	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance, April 1, 2021	285	25,833	5,227	560	8	(456)
Profit	–	–	2,308	–	–	–
Other comprehensive income	–	–	–	–	(0)	(39)
Comprehensive income	–	–	2,308	–	(0)	(39)
Exercise of share acquisition rights	19	19	–	–	–	–
Changes due to additional acquisitions and sale of interests in subsidiaries	–	–	–	–	–	–
Share-based payment transactions	–	–	–	31	–	–
Total transactions with owners	19	19	–	31	–	–
Balance, September 30, 2021	304	25,852	7,535	591	8	(495)

	Equity attributable to owners of parent		Non-controlling interests	Total
	Other components of equity	Total		
	Total			
Balance at April 1, 2021	112	31,457	5	31,462
Profit	–	2,308	0	2,309
Other comprehensive income	(39)	(39)	–	(39)
Comprehensive income	(39)	2,269	0	2,269
Exercise of share acquisition rights	–	38	–	38
Changes due to additional acquisitions and sale of interests in subsidiaries	–	–	(5)	(5)
Share-based payment transactions	31	31	–	31
Total transactions with owners	31	69	(5)	64
Balance, September 30, 2021	104	33,795	–	33,795

(4) Quarterly condensed consolidated statements of cash flows

(Millions 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 tax	2,312	3,458
Depreciation and amortization	282	271
Amortization of identifiable assets	223	223
Amortization of right-of-use assets	596	597
Finance income	(6)	(0)
Finance costs	98	92
Decrease (increase) in trade and other receivables	(593)	(439)
Decrease (increase) in inventories	(174)	4
Increase (decrease) in trade and other payables	(144)	146
Increase (decrease) in provisions	(859)	(709)
Increase (decrease) in other current liabilities	72	(351)
Other	24	(234)
Subtotal	1,831	3,057
Interest and dividends received	5	0
Interest paid	(68)	(62)
Income taxes paid	(1,118)	(1,091)
Net cash provided by (used in) operating activities	650	1,904
Cash flows from investing activities		
Purchase of property, plant and equipment	(58)	(10)
Purchase of intangible assets	(0)	(1)
Payments of leasehold and guarantee deposits	–	(36)
Net cash provided by (used in) investing activities	(59)	(48)
Cash flows from financing activities		
Repayments of long-term borrowings	(570)	(570)
Repayments of lease liabilities	(613)	(614)
Proceeds from exercise of share acquisition rights	–	38
Net cash provided by (used in) financing activities	(1,183)	(1,146)
Net increase (decrease) in cash and cash equivalents	(592)	711
Cash and cash equivalents at beginning of period	5,393	8,068
Effect of exchange rate changes on cash and cash equivalents	(3)	1
Cash and cash equivalents at end of period	4,799	8,779

(5) Notes to quarterly condensed consolidated financial statements

(Going concern assumption)

Not applicable

(Segment information)

(1) Overview of reportable segments

The Group's business consists mainly of providing IT solutions related to system consulting, system development and system operation and maintenance for success of our clients. Because there are no separate segments into which the business should be classified, there is only one reportable segment.

(2) Information concerning revenue and gross profit by service category

Our services are categorized into Strategy/DX Consulting, System Integration, and Operation Service. Revenue and gross profit from each of these services are as follows:

Six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020) (Millions of yen)

	Service				Other	Total
	Strategy/DX Consulting	System Integration	Operation Service	Total		
Revenue	–	8,784	4,872	13,656	4	13,659
Gross profit	–	3,232	1,998	5,230	4	5,233

Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021) (Millions of yen)

	Service				Other	Total
	Strategy/DX Consulting	System Integration	Operation Service	Total		
Revenue	443	10,012	5,136	15,590	24	15,614
Gross profit	187	4,415	2,231	6,834	24	6,858

* System Integration includes system engineering and other services.

Operation Service includes operation and maintenance, common interests services, and licensing.

Other consists primarily of the sale of goods, such as hardware and middleware.