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October 27, 2022

## Consolidated Financial Results for the Six Months Ended September 30, 2022 (Under IFRS)

Company name: Simplex Holdings, Inc.  
 Listing: Tokyo Stock Exchange  
 Securities code: 4373  
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 Scheduled date to file Quarterly Securities Report: October 27, 2022  
 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 securities 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, 2022 (from April 1, 2022 to September 30, 2022)

#### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2022	16,867	8.0	3,350	(5.6)	3,272	(5.4)	2,207	(4.4)
September 30, 2021	15,614	14.3	3,549	47.6	3,458	49.5	2,309	52.9

  

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share (Note)	Diluted earnings per share (Note)
Six months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
September 30, 2022	2,207	(4.4)	2,259	(0.5)	39.63	37.12
September 30, 2021	2,308	52.5	2,269	37.8	47.79	41.50

EBITDA\*: Six months ended September 30, 2022: 3,847 million yen [(4.9)%]

Six months ended September 30, 2021: 4,043 million yen [39.0%]

\*The Company uses EBITDA as a key performance indicator.

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 and diluted earnings 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, 2022.

#### (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
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
September 30, 2022	69,322	38,438	38,438	55.4	686.73
March 31, 2022	66,934	37,294	37,294	55.7	671.83

## 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, 2022	—	0.00	—	23.00	23.00
Fiscal year ending March 31, 2023	—	0.00			
Fiscal year ending March 31, 2023 (Forecast)			—	25.00	25.00

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, 2023 (from April 1, 2022 to March 31, 2023)

(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	33,700	10.2	6,777	6.5	6,610	6.8	4,586	9.1	4,586	9.1	80.10

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, 2022	55,972,800 shares
As of March 31, 2022	55,511,550 shares

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

As of September 30, 2022	113 shares
As of March 31, 2022	113 shares

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

Six months ended September 30, 2022	55,682,876 shares
Six months ended September 30, 2021	48,295,781 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 average number of shares outstanding during the period was calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2022.

\* 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

We calculated basic earnings per share for the fiscal year specified in the forecast of consolidated financial results for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023) based on the assumption that the average number of shares outstanding during the period will increase by 1,744,282 shares for the fiscal year from the total number of shares issued as of March 31, 2022 (excluding treasury shares) through the exercise of share acquisition rights.

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, 2022 (the period under review) are summarized as follows:

Revenue	16,867 million yen (up 8.0% year-on-year)
Operating profit	3,350 million yen (down 5.6% year-on-year)
Profit before tax	3,272 million yen (down 5.4% year-on-year)
Profit attributable to owners of parent	2,207 million yen (down 4.4% 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 3,847 million yen (down 4.9% from 4,043 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 reached a record high of 16,867 million yen (up 8.0% from 15,614 million yen for the same period last year) for both the accounting period and the cumulative period, driven mainly by strong sales in system integration and new contracts won by Strategy/DX Consulting.

Gross profit increased year-on-year to 7,028 million yen (up 2.5% from 6,858 million yen for the same period last year), but the gross profit margin decreased year-on-year to 41.7% (compared with 43.9% for the same period last year), mainly due to the resolution of the situation in the same period last year in which an excessive burden was temporarily placed on engineers.

Selling, general and administrative expenses increased year-on-year to 2,814 million yen (up 7.0% from 2,629 million yen for the same period last year) due primarily to further strengthening of recruitment strategies. Research and development expenses increased year-on-year to 721 million yen (up 31.1% from 550 million yen for the same period last year).

In addition, we recognized 223 million yen in amortization of identifiable assets (unchanged year-on-year), 135 million yen in other income, and 54 million yen in other expenses.

As a result, operating profit amounted to 3,350 million yen (down 5.6% from 3,549 million yen for the same period last year), and the operating profit margin came in at 19.9% (compared with 22.7% for the same period last year). Profit before tax decreased year-on-year to 3,272 million yen (down 5.4% from 3,458 million yen for the same period last year), with 7 million yen and 85 million yen recognized as finance income and finance costs, respectively.

Income tax expense amounted to 1,065 million yen (compared with 1,149 million yen for the same period last year) and profit attributable to owners of parent decreased year-on-year to 2,207 million yen (down 4.4% from 2,308 million yen for the same period last year).

- ii) By service category, revenue from Strategy/DX Consulting amounted to 885 million yen, (compared with 443 million yen for the same period last year) with the gross profit margin of 47.2% (compared with 42.3% for the same period last year), both having significantly exceeded the results for the same period last year.

Revenue from System Integration amounted to 10,546 million yen (compared with 10,012 million yen for the same period last year), which was higher than the same period last year, but the gross profit margin decreased to 42.8% (compared with 44.1% for the same period last year).

Revenue from Operation Service increased year-on-year to 5,431 million yen (compared with 5,136 million yen for the same period last year), but the gross profit margin decreased to 38.6% (compared with 43.4% 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 ended March 31, 2022 Six months ended September 30, 2021 (actual)	Fiscal year ending March 31, 2023 Six months ended September 30, 2022 (actual)	Fiscal year ending March 31, 2023 (forecast)
Operating profit	3,549	3,350	6,777
(Adjustment) + Listing expenses (Note)	157	—	—
Adjusted operating profit	3,706	3,350	6,777
(Adjustments) + Depreciation and amortization	271	273	501
+ Amortization of identifiable assets	223	223	446
Adjusted EBITDA	4,200	3,847	7,725

<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 ended March 31, 2022 Six months ended September 30, 2021 (actual)	Fiscal year ending March 31, 2023 Six months ended September 30, 2022 (actual)	Fiscal year ending March 31, 2023 (forecast)
Profit attributable to owners of parent	2,308	2,207	4,586
(Adjustment) + Listing expenses (Note)	157	—	—
Related tax adjustment	(48)	—	—
Adjusted profit attributable to owners of parent	2,417	2,207	4,586
Adjusted basic earnings per share (Yen)	50.04	39.63	80.10

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.

Note that we do not expect any non-recurring expenses to be incurred in the forecast of consolidated financial results for the fiscal year ending March 31, 2023.

(Reference)

Breakdown of revenue by service category

(Millions of yen, unless otherwise indicated)

	Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)			Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)			
	Revenue	Percentage of total revenue (%)	Gross profit margin (%)	Revenue	Percentage of total revenue (%)	Gross profit margin (%)	YoY change
Strategy/DX Consulting	443	2.8	42.3	885	5.2	47.2	442
System Integration	10,012	64.1	44.1	10,546	62.5	42.8	535
Operation Service	5,136	32.9	43.4	5,431	32.2	38.6	295
Other	24	0.2	100.0	4	0.0	100.0	(20)
Total	15,614	100.0	43.9	16,867	100.0	41.7	1,252

## **(2) Financial position**

### **(Assets)**

As of the end of the period under review, total assets amounted to 69,322 million yen (up 2,388 million yen from the end of the previous fiscal year). This is primarily attributable to increases in right-of-use asset of 3,873 million yen as a result of adjustments to estimate reasonable option periods, trade and other receivables of 1,368 million yen, and other financial assets of 347 million yen, which were partially offset by decreases in cash and cash equivalents of 3,221 million yen mainly due to payments of bonuses and income taxes.

### **(Liabilities)**

As of the end of the period under review, total liabilities amounted to 30,884 million yen (up 1,244 million yen from the end of the previous fiscal year). This is primarily attributable to decreases in provisions of 1,308 million yen due to bonus payments, borrowings of 544 million yen due to the repayment, and income taxes payable of 289 million yen due to income tax payments, which were partially offset by an increase in lease liabilities of 3,860 million yen due to an increase in right-of-use asset.

### **(Equity)**

As of the end of the period under review, total equity amounted to 38,438 million yen (up 1,144 million yen from the end of the previous fiscal year) and the ratio of equity attributable to owners of parent came in at 55.4% (compared with 55.7% as of the end of the previous fiscal year).

## **(3) Cash flows**

Cash and cash equivalents (“net cash”) as of the end of the period under review amounted to 10,745 million yen (up 1,965 million yen from the end of the same period last year). The status of cash flows and reasons for changes during the period under review are as follows:

### **(Cash flows from operating activities)**

Net cash used in operating activities amounted to 232 million yen (compared with 1,904 million yen provided for the same period last year). This is primarily attributable to an increase in cash flow resulting from the recording of profit before tax of 3,272 million yen and amortization of right-of-use assets of 690 million yen, and a decrease in cash flow resulting from income taxes paid of 1,484 million yen, an increase in trade and other receivables of 1,368 million yen, and a decrease in provisions for bonuses of 1,308 million yen.

### **(Cash flows from investing activities)**

Net cash used in investing activities amounted to 608 million yen (compared with 48 million yen used for the same period last year). This is primarily attributable to purchase of investment securities of 300 million yen and purchase of property, plant, and equipment of 172 million yen resulting from the expansion of office space.

### **(Cash flows from financing activities)**

Net cash used in financing activities amounted to 2,401 million yen (compared with 1,146 million yen used for the same period last year). This is primarily attributable to cash dividends paid of 1,277 million yen, repayments of lease liabilities of 708 million yen, and repayments of long-term borrowings of 570 million yen.

## **(4) Forward-looking information including consolidated earnings forecast**

The consolidated earnings forecast announced on April 28, 2022 has remained unchanged. We will aim to achieve the published numerical targets by consistently implementing our management strategies.

## 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, 2022)	Current quarter (as of September 30, 2022)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	13,966	10,745
Trade and other receivables	5,743	7,111
Inventories	8	9
Other current assets	913	1,228
Total current assets	20,630	19,092
Non-current assets		
Property, plant and equipment	1,325	1,123
Right-of-use assets	2,660	6,533
Goodwill	36,476	36,476
Intangible assets	1,158	990
Other financial assets	3,466	3,812
Deferred tax assets	910	956
Other non-current assets	309	339
Total non-current assets	46,304	50,229
Total assets	66,934	69,322
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Trade and other payables	2,278	2,214
Borrowings	1,140	1,140
Lease liabilities	1,407	1,412
Other financial liabilities	1	1
Income taxes payable	1,485	1,196
Provisions	2,921	1,613
Other current liabilities	1,014	602
Total current liabilities	10,246	8,179
Non-current liabilities		
Borrowings	17,947	17,403
Lease liabilities	1,182	5,038
Provisions	264	264
Total non-current liabilities	19,394	22,705
Total liabilities	29,640	30,884
Equity		
Share capital	814	891
Capital surplus	26,622	26,733
Retained earnings	9,431	10,361
Treasury shares	(0)	(0)
Other components of equity	427	453
Total equity attributable to owners of parent	37,294	38,438
Total equity	37,294	38,438
Total liabilities and equity	66,934	69,322



**(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, 2021 (from April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)
Revenue	15,614	16,867
Cost of sales	(8,757)	(9,839)
Gross profit	6,858	7,028
Amortization of identifiable assets	(223)	(223)
Selling, general and administrative expenses	(2,629)	(2,814)
Research and development expenses	(550)	(721)
Other income	107	135
Other expenses	(14)	(54)
Operating profit	3,549	3,350
Finance income	0	7
Finance costs	(92)	(85)
Profit before tax	3,458	3,272
Income tax expense	(1,149)	(1,065)
Profit	2,309	2,207
Profit attributable to:		
Owners of parent	2,308	2,207
Non-controlling interests	0	—
Profit	2,309	2,207
Earnings per share		
Basic earnings per share (Yen)	47.79	39.63
Diluted earnings per share (Yen)	41.50	37.12

Quarterly condensed consolidated statements of comprehensive income

(Millions of yen)

	Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)
Profit	2,309	2,207
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(39)	33
Total of items that will not be reclassified to profit or loss	(39)	33
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(0)	19
Total of items that may be reclassified to profit or loss	(0)	19
Other comprehensive income, net of tax	(39)	52
Comprehensive income	2,269	2,259
Comprehensive income attributable to:		
Owners of parent	2,269	2,259
Non-controlling interests	0	-
Comprehensive income	2,269	2,259

**(3) Quarterly condensed consolidated statements of changes in equity**

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
Balance at April 1, 2021	285	25,833	5,227	560	8
Profit	–	–	2,308	–	–
Other comprehensive income	–	–	–	–	(0)
Comprehensive income	–	–	2,308	–	(0)
Exercise of share acquisition rights	19	19	–	–	–
Changes due to additional acquisitions of interests in subsidiaries	–	–	–	–	–
Share-based payment transactions	–	–	–	31	–
Total transactions with owners	19	19	–	31	–
Balance at September 30, 2021	304	25,852	7,535	591	8

	Equity attributable to owners of parent			Non-controlling interests	Total
	Other components of equity		Total		
	Financial assets measured at fair value through other comprehensive income	Total			
Balance at April 1, 2021	(456)	112	31,457	5	31,462
Profit	–	–	2,308	0	2,309
Other comprehensive income	(39)	(39)	(39)	–	(39)
Comprehensive income	(39)	(39)	2,269	0	2,269
Exercise of share acquisition rights	–	–	38	–	38
Changes due to additional acquisitions of interests in subsidiaries	–	–	–	(5)	(5)
Share-based payment transactions	–	31	31	–	31
Total transactions with owners	–	31	69	(5)	64
Balance at September 30, 2021	(495)	104	33,795	–	33,795

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Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(Millions of yen)

	Equity attributable to owners of parent				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity
					Share acquisition rights
Balance at April 1, 2022	814	26,622	9,431	(0)	360
Profit	–	–	2,207	–	–
Other comprehensive income	–	–	–	–	–
Comprehensive income	–	–	2,207	–	–
Exercise and forfeiture of share acquisition rights	77	111	–	–	(34)
Dividends	–	–	(1,277)	–	–
Share-based payment transactions	–	–	–	–	8
Total transactions with owners	77	111	(1,277)	–	(26)
Balance at September 30, 2022	891	26,733	10,361	(0)	335

	Equity attributable to owners of parent			
	Other components of equity			Total
	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income	Total	
Balance at April 1, 2022	16	50	427	37,294
Profit	–	–	–	2,207
Other comprehensive income	19	33	52	52
Comprehensive income	19	33	52	2,259
Exercise and forfeiture of share acquisition rights	–	–	(34)	154
Dividends	–	–	–	(1,277)
Share-based payment transactions	–	–	8	8
Total transactions with owners	–	–	(26)	(1,115)
Balance at September 30, 2022	36	83	453	38,438

**(4) Quarterly condensed consolidated statements of cash flows**

(Millions of yen)

	Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Profit before tax	3,458	3,272
Depreciation and amortization	271	273
Amortization of identifiable assets	223	223
Amortization of right-of-use assets	597	690
Finance income	(0)	(7)
Finance costs	92	85
Decrease (increase) in trade and other receivables	(439)	(1,368)
Decrease (increase) in inventories	4	(1)
Increase (decrease) in trade and other payables	146	(64)
Increase (decrease) in provisions	(709)	(1,308)
Decrease (increase) in other current assets	(266)	(315)
Increase (decrease) in other current liabilities	(351)	(412)
Other	32	(75)
Subtotal	3,057	995
Interest and dividends received	0	7
Interest paid	(62)	(57)
Income taxes paid	(1,091)	(1,484)
Income taxes refund	–	307
Net cash provided by (used in) operating activities	1,904	(232)
Cash flows from investing activities		
Purchase of property, plant and equipment	(10)	(172)
Purchase of intangible assets	(1)	(136)
Purchase of investment securities	–	(300)
Payments of leasehold and guarantee deposits	(36)	–
Net cash provided by (used in) investing activities	(48)	(608)
Cash flows from financing activities		
Repayments of long-term borrowings	(570)	(570)
Repayments of lease liabilities	(614)	(708)
Proceeds from exercise of share acquisition rights	38	154
Cash dividends paid	–	(1,277)
Net cash provided by (used in) financing activities	(1,146)	(2,401)
Net increase (decrease) in cash and cash equivalents	711	(3,241)
Cash and cash equivalents at beginning of period	8,068	13,966
Effect of exchange rate changes on cash and cash equivalents	1	20
Cash and cash equivalents at end of period	8,779	10,745

**(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, 2021 (from April 1, 2021 to September 30, 2021) (Millions of yen)

	Service category				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

Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022) (Millions of yen)

	Service category				Other	Total
	Strategy/DX Consulting	System Integration	Operation Service	Total		
Revenue	885	10,546	5,431	16,863	4	16,867
Gross profit	418	4,511	2,095	7,024	4	7,028

\* 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.