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October 26, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (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 26, 2023
 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, 2023 (from April 1, 2023 to September 30, 2023)

(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, 2023	19,543	15.9	4,000	19.4	3,947	20.6	2,664	20.7
September 30, 2022	16,867	8.0	3,350	(5.6)	3,272	(5.4)	2,207	(4.4)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended September 30, 2023	2,664	20.7	2,674	18.4	46.41	44.49
September 30, 2022	2,207	(4.4)	2,259	(0.5)	39.63	37.12

(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, 2023	71,447	43,385	43,385	60.7	753.63
March 31, 2023	70,266	41,984	41,984	59.7	733.34

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, 2023	—	0.00	—	25.00	25.00
Fiscal year ending March 31, 2024	—	0.00			
Fiscal year ending March 31, 2024 (Forecast)			—	30.00	30.00

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, 2024
(from April 1, 2023 to March 31, 2024)**

(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	40,000	14.5	8,800	18.1	8,667	18.8	5,920	9.0	5,920	9.0	102.64

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: Yes
 - (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, 2023	57,568,350 shares
As of March 31, 2023	57,250,675 shares

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

As of September 30, 2023	113 shares
As of March 31, 2023	113 shares

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

Six months ended September 30, 2023	57,403,264 shares
Six months ended September 30, 2022	55,682,876 shares

* 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, 2024 (from April 1, 2023 to March 31, 2024) based on the assumption that the average number of shares outstanding during the period will increase by 424,768 shares for the fiscal year from the total number of shares issued as of March 31, 2023 (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, 2023 (the period under review) are summarized as follows:

Revenue	19,543 million yen	(up 15.9% year-on-year)
Operating profit	4,000 million yen	(up 19.4% year-on-year)
Profit before tax	3,947 million yen	(up 20.6% year-on-year)
Profit attributable to owners of parent	2,664 million yen	(up 20.7% year-on-year)

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

- i) Revenue reached a record high of 19,543 million yen (up 15.9% from 16,867 million yen for the same period last year), driven by strong sales in System Integration and Operation Service and new contracts won by Strategy/DX Consulting.

Gross profit increased year-on-year to 8,507 million yen (up 21.0% from 7,028 million yen for the same period last year), significantly exceeding the results for the same period last year, with the gross profit margin of 43.5% (compared with 41.7% for the same period last year).

Selling, general and administrative expenses increased year-on-year to 3,350 million yen (up 19.0% from 2,814 million yen for the same period last year) due primarily to factors such as higher personnel expenses resulting from the increase in new graduate employees and enhancement of training. Research and development expenses increased year-on-year to 856 million yen (up 18.7% from 721 million yen for the same period last year).

In addition, we recognized 223 million yen in amortization of identifiable assets (unchanged year-on-year), 2 million yen in other income, and 80 million yen in other expenses.

As a result, operating profit amounted to 4,000 million yen (up 19.4% from 3,350 million yen for the same period last year), and the operating profit margin came in at 20.5% (compared with 19.9% for the same period last year). Profit before tax increased year-on-year to 3,947 million yen (up 20.6% from 3,272 million yen for the same period last year), with 23 million yen, 81 million yen, and 5 million yen recognized as finance income, finance costs, and share of profit of investments accounted for using equity method, respectively.

Income tax expense amounted to 1,283 million yen (compared with 1,065 million yen for the same period last year) and profit attributable to owners of parent increased year-on-year to 2,664 million yen (up 20.7% from 2,207 million yen for the same period last year).

- ii) By service category, revenue from Strategy/DX Consulting amounted to 1,831 million yen (compared with 885 million yen for the same period last year), significantly exceeding the results for the same period last year, and the gross profit margin was 48.2% (compared with 47.2% for the same period last year), also exceeding the results for the same period last year.

Revenue from System Integration amounted to 11,754 million yen (compared with 10,546 million yen for the same period last year), and the gross profit margin was 44.7% (compared with 42.8% for the same period last year), both having increased year-on-year.

Revenue from Operation Service amounted to 5,953 million yen (compared with 5,431 million yen for the same period last year), and the gross profit margin was 39.8% (compared with 38.6% for the same period last year), both having increased year-on-year.

(Reference)

Breakdown of revenue by service category

(Millions of yen, unless otherwise indicated)

	Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)			Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)			
	Revenue	Percentage of total revenue (%)	Gross profit margin (%)	Revenue	Percentage of total revenue (%)	Gross profit margin (%)	YoY change
Strategy/DX Consulting	885	5.2	47.2	1,831	9.4	48.2	946
System Integration	10,546	62.5	42.8	11,754	60.1	44.7	1,208
Operation Service	5,431	32.2	38.6	5,953	30.5	39.8	522
Other	4	0.0	100.0	4	0.0	100.0	0
Total	16,867	100.0	41.7	19,543	100.0	43.5	2,676

(2) Financial position

(Assets)

As of the end of the period under review, total assets amounted to 71,447 million yen (up 1,181 million yen from the end of the previous fiscal year). This is primarily attributable to increases in right-of-use assets of 455 million yen as a result of office relocation and space expansion, trade and other receivables of 369 million yen, and other current assets of 335 million yen.

(Liabilities)

As of the end of the period under review, total liabilities amounted to 28,062 million yen (down 220 million yen from the end of the previous fiscal year). This is primarily attributable to decreases in provisions of 764 million yen due mainly to bonus payments and borrowings of 546 million yen due to repayments, which were partially offset by increases in income taxes payable of 496 million yen and lease liabilities of 494 million yen due to an increase in right-of-use assets.

(Equity)

As of the end of the period under review, total equity amounted to 43,385 million yen (up 1,401 million yen from the end of the previous fiscal year) and the ratio of equity attributable to owners of parent came in at 60.7% (compared with 59.7% 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 12,701 million yen (up 1,956 million yen year-on-year). The status of cash flows and reasons for changes during the six months ended September 30, 2023 are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 3,028 million yen (compared with 232 million yen used 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 3,947 million yen and a decrease in provisions of 764 million yen due mainly to bonus payments.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 599 million yen (compared with 608 million yen used for the same period last year). This is primarily attributable to purchase of property, plant and equipment of 375 million yen resulting from office relocation and space expansion, as well as payments of leasehold and guarantee deposits of 223 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 2,572 million yen (compared with 2,401 million yen used for the same period last year). This is primarily attributable to cash dividends paid of 1,431 million yen, repayments of lease liabilities of 729 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 27, 2023 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, 2023)	Current quarter (as of September 30, 2023)
Assets		
Current assets		
Cash and cash equivalents	12,832	12,701
Trade and other receivables	8,820	9,189
Inventories	17	6
Other current assets	1,245	1,581
Total current assets	22,915	23,477
Non-current assets		
Property, plant and equipment	978	1,113
Right-of-use assets	3,327	3,782
Goodwill	36,476	36,476
Intangible assets	721	439
Investments accounted for using equity method	98	103
Other financial assets	4,465	4,686
Deferred tax assets	953	1,009
Other non-current assets	333	363
Total non-current assets	47,351	47,970
Total assets	70,266	71,447
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	2,335	2,716
Borrowings	1,140	1,140
Lease liabilities	1,249	1,569
Other financial liabilities	1	2
Income taxes payable	911	1,407
Provisions	2,610	1,827
Other current liabilities	956	674
Total current liabilities	9,203	9,335
Non-current liabilities		
Borrowings	16,858	16,312
Lease liabilities	2,009	2,182
Provisions	213	233
Total non-current liabilities	19,080	18,727
Total liabilities	28,282	28,062
Equity		
Share capital	1,013	1,092
Capital surplus	26,903	27,014
Retained earnings	13,587	14,820
Treasury shares	(0)	(0)
Other components of equity	481	459
Total equity attributable to owners of parent	41,984	43,385
Total equity	41,984	43,385
Total liabilities and equity	70,266	71,447

(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, 2022 (from April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)
Revenue	16,867	19,543
Cost of sales	(9,839)	(11,036)
Gross profit	7,028	8,507
Amortization of identifiable assets	(223)	(223)
Selling, general and administrative expenses	(2,814)	(3,350)
Research and development expenses	(721)	(856)
Other income	135	2
Other expenses	(54)	(80)
Operating profit	3,350	4,000
Finance income	7	23
Finance costs	(85)	(81)
Share of profit of investments accounted for using equity method	—	5
Profit before tax	3,272	3,947
Income tax expense	(1,065)	(1,283)
Profit	2,207	2,664
Profit attributable to:		
Owners of parent	2,207	2,664
Profit	2,207	2,664
Earnings per share		
Basic earnings per share (Yen)	39.63	46.41
Diluted earnings per share (Yen)	37.12	44.49

Quarterly condensed consolidated statements of comprehensive income

(Millions of yen)

	Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)
Profit	2,207	2,664
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	33	(1)
Total of items that will not be reclassified to profit or loss	33	(1)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	19	11
Total of items that may be reclassified to profit or loss	19	11
Other comprehensive income, net of tax	52	10
Comprehensive income	2,259	2,674
Comprehensive income attributable to:		
Owners of parent	2,259	2,674
Comprehensive income	2,259	2,674

(3) Quarterly condensed consolidated statements of changes in equity

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 fairvalue 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

Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

	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, 2023	1,013	26,903	13,587	(0)	313
Profit	—	—	2,664	—	—
Other comprehensive income	—	—	—	—	—
Comprehensive income	—	—	2,664	—	—
Exercise and forfeiture of share acquisition rights	79	112	—	—	(33)
Dividends	—	—	(1,431)	—	—
Share-based payment transactions	—	—	—	—	1
Total transactions with owners	79	112	(1,431)	—	(32)
Balance at September 30, 2023	1,092	27,014	14,820	(0)	280

	Equity attributable to owners of parent			
	Other components of equity			Total
	Exchange differences on translation of foreign operations	Financial assets measured at fairvalue through other comprehensive income	Total	
Balance at April 1, 2023	25	143	481	41,984
Profit	—	—	—	2,664
Other comprehensive income	11	(1)	10	10
Comprehensive income	11	(1)	10	2,674
Exercise and forfeiture of share acquisition rights	—	—	(33)	158
Dividends	—	—	—	(1,431)
Share-based payment transactions	—	—	1	1
Total transactions with owners	—	—	(32)	(1,273)
Balance at September 30, 2023	36	143	459	43,385

(4) Quarterly condensed consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Profit before tax	3,272	3,947
Depreciation and amortization	273	296
Amortization of identifiable assets	223	223
Amortization of right-of-use assets	690	763
Finance income	(7)	(23)
Finance costs	85	81
Share of loss (profit) of investments accounted for using equity method	—	(5)
Decrease (increase) in trade and other receivables	(1,368)	(369)
Decrease (increase) in inventories	(1)	11
Increase (decrease) in trade and other payables	(64)	381
Increase (decrease) in provisions	(1,308)	(764)
Decrease (increase) in other current assets	(315)	(335)
Increase (decrease) in other current liabilities	(412)	(282)
Other	(75)	(325)
Subtotal	995	3,599
Interest and dividends received	7	23
Interest paid	(57)	(54)
Income taxes paid	(1,484)	(923)
Income taxes refund	307	383
Net cash provided by (used in) operating activities	(232)	3,028
Cash flows from investing activities		
Purchase of property, plant and equipment	(172)	(375)
Purchase of intangible assets	(136)	(1)
Purchase of investment securities	(300)	—
Payments of leasehold and guarantee deposits	—	(223)
Net cash provided by (used in) investing activities	(608)	(599)
Cash flows from financing activities		
Repayments of long-term borrowings	(570)	(570)
Repayments of lease liabilities	(708)	(729)
Proceeds from exercise of share acquisition rights	154	158
Cash dividends paid	(1,277)	(1,431)
Net cash provided by (used in) financing activities	(2,401)	(2,572)
Net increase (decrease) in cash and cash equivalents	(3,241)	(144)
Cash and cash equivalents at beginning of period	13,966	12,832
Effect of exchange rate changes on cash and cash equivalents	20	12
Cash and cash equivalents at end of period	10,745	12,701

(5) Notes to quarterly condensed consolidated financial statements

(Going concern assumption)

Not applicable

(Changes in accounting policies)

The Group's significant accounting policies applied in these quarterly condensed consolidated financial statements are the same as those for the previous fiscal year except for IAS 12 *Income Taxes* (clarification of accounting for deferred tax related to assets and liabilities arising from a single transaction). These accounting policies have no material impact on the Group's quarterly condensed consolidated financial statements.

(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, 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

Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023) (Millions of yen)

	Service category				Other	Total
	Strategy/DX Consulting	System Integration	Operation Service	Total		
Revenue	1,831	11,754	5,953	19,538	4	19,543
Gross profit	882	5,250	2,370	8,502	4	8,507

* 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.