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January 28, 2022

Consolidated Financial Results for the Nine Months Ended December 31, 2021 (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: January 28, 2022
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes (The video is available for viewing on our corporate website.)

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

1. Consolidated financial results for the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2021	23,262	12.2	5,150	41.2	5,022	43.1	3,369	45.5
December 31, 2020	20,728	12.8	3,649	80.8	3,510	97.4	2,316	111.0

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share (Note)	Diluted earnings per share (Note)
Nine months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
December 31, 2021	3,369	45.1	3,861	61.2	68.56	57.98
December 31, 2020	2,322	110.1	2,395	114.7	48.08	41.99

*EBITDA: Nine months ended December 31, 2021 5,885 million yen (33.3%)
Nine months ended December 31, 2020 4,414 million yen (60.5%)
*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)
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
December 31, 2021	65,263	36,287	36,287	55.6	663.82
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	6,230	38.2	6,046	39.8	4,172	40.3	4,171	39.8	84.88

Note: Revisions to the forecast of consolidated financial results most recently announced: Yes

*** 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 December 31, 2021	54,663,900 shares
As of March 31, 2021	48,291,800 shares

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

As of December 31, 2021	75 shares
As of March 31, 2021	– shares

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

Nine months ended December 31, 2021	49,143,299 shares
Nine months ended December 31, 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 nine months ended December 31, 2021 (the period under review) are summarized as follows:

Revenue	23,262	million yen	(up 12.2% year-on-year)
Operating profit	5,150	million yen	(up 41.2% year-on-year)
Profit before tax	5,022	million yen	(up 43.1% year-on-year)
Profit attributable to owners of parent	3,369	million yen	(up 45.1% 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 5,885 million yen (up 33.3% from 4,414 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 23,262 million yen (up 12.2% from 20,728 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 10,034 million yen (up 27.3% from 7,883 million yen for the same period last year) with the gross profit margin of 43.1% (compared with 38.0% 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 3,865 million yen (up 30.7% from 2,957 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 866 million yen (down 17.0% from 1,044 million yen for the same period last year).

In addition, we recognized 335 million yen in amortization of identifiable assets (unchanged year-on-year), 211 million yen in other income, and 29 million yen in other expenses.

As a result, operating profit amounted to 5,150 million yen (up 41.2% from 3,649 million yen for the same period last year), and the operating profit margin came in at 22.1% (compared with 17.6% for the same period last year). Profit before tax increased significantly year-on-year to 5,022 million yen (up 43.1% from 3,510 million yen for the same period last year), with 7 million yen and 136 million yen recognized as finance income and finance costs, respectively.

Income tax expense amounted to 1,652 million yen (compared with 1,195 million yen for the same period last year) and profit attributable to owners of parent significantly increased year-on-year to 3,369 million yen (up 45.1% from 2,322 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 708 million yen with the gross profit margin of 42.5%.

Revenue from System Integration amounted to 14,790 million yen (compared with 13,418 million yen for the same period last year) with the gross profit margin of 43.3% (compared with 36.9% for the same period last year), both having significantly exceeded the results for the same period last year.

Revenue from Operation Service amounted to 7,739 million yen (compared with 7,304 million yen for the same period last year) with the gross profit margin of 42.6% (compared with 40.1% 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)	Nine months ended December 31, 2021 (actual)	Fiscal year ended March 31, 2021 (actual)
Operating profit	6,230	5,150	4,510
(Adjustment) + Listing expenses (Note)	157	157	30
Adjusted operating profit	6,388	5,308	4,540
(Adjustments) + Depreciation and amortization + Amortization of identifiable assets	 546 446	 400 335	 574 446
Adjusted EBITDA	7,381	6,042	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)	Nine months ended December 31, 2021 (actual)	Fiscal year ended March 31, 2021 (actual)
Profit attributable to owners of parent	4,171	3,369	2,984
(Adjustment) + Listing expenses (Note)	157	157	30
Related tax adjustment	(48)	(48)	(9)
Adjusted profit attributable to owners of parent	4,280	3,478	3,005
Adjusted basic earnings per share (Yen)	87.09	70.78	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

	Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)			Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 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	—	—	—	708	3.0	42.5	708
System Integration	13,418	64.7	36.9	14,790	63.6	43.3	1,372
Operation Service	7,304	35.2	40.1	7,739	33.3	42.6	435
Other	6	0.0	100.0	26	0.1	100.0	19
Total	20,728	100.0	38.0	23,262	100.0	43.1	2,534

(2) Financial position

(Assets)

As of the end of the period under review, total assets amounted to 65,263 million yen (up 3,585 million yen from the end of the previous fiscal year). This is primarily attributable to increases in cash and cash equivalents of 3,034 million yen and other financial assets of 889 million yen mainly due to fair value measurement, which were partially offset by a decrease in intangible assets of 428 million yen mainly due to amortization.

(Liabilities)

As of the end of the period under review, total liabilities amounted to 28,976 million yen (down 1,240 million yen from the end of the previous fiscal year). This is primarily attributable to decreases in borrowings of 529 million yen due to the repayment and lease liabilities of 321 million yen primarily due to the payment of leasing fees.

(Equity)

As of the end of the period under review, total equity amounted to 36,287 million yen (up 4,825 million yen from the end of the previous fiscal year) and the ratio of equity attributable to owners of parent came in at 55.6% (compared with 51.0% as of the end of the previous fiscal year).

(3) Forward-looking information including consolidated earnings forecast

Please refer to “Notice Concerning Revisions to the Forecast of Full-year Financial Results” that we have disclosed today. Note that the forecast of consolidated financial results of Simplex Group stated in the said disclosure material represents our judgment based on information currently available to us. Accordingly, the actual results may differ from the forecast due to various factors in the future.

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 December 31, 2021)
Assets		
Current assets		
Cash and cash equivalents	8,068	11,102
Trade and other receivables	6,297	6,519
Inventories	7	3
Other current assets	550	1,075
Total current assets	14,921	18,698
Non-current assets		
Property, plant and equipment	1,456	1,247
Right-of-use assets	3,269	2,968
Goodwill	36,476	36,476
Intangible assets	1,726	1,299
Other financial assets	2,562	3,451
Deferred tax assets	993	804
Other non-current assets	274	320
Total non-current assets	46,756	46,565
Total assets	61,678	65,263
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	1,708	1,881
Borrowings	1,140	1,140
Lease liabilities	1,193	1,381
Other financial liabilities	1	27
Income taxes payable	1,085	989
Provisions	2,675	2,518
Other current liabilities	1,110	733
Total current liabilities	8,912	8,668
Non-current liabilities		
Borrowings	19,034	18,504
Lease liabilities	2,042	1,534
Provisions	223	264
Deferred tax liabilities	4	4
Total non-current liabilities	21,304	20,307
Total liabilities	30,216	28,976
Equity		
Share capital	285	746
Capital surplus	25,833	26,439
Retained earnings	5,227	8,596
Treasury shares	–	(0)
Other components of equity	112	506
Total equity attributable to owners of parent	31,457	36,287
Non-controlling interests	5	–
Total equity	31,462	36,287
Total liabilities and equity	61,678	65,263

(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)

	Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)
Revenue	20,728	23,262
Cost of sales	(12,845)	(13,228)
Gross profit	7,883	10,034
Amortization of identifiable assets	(335)	(335)
Selling, general and administrative expenses	(2,957)	(3,865)
Research and development expenses	(1,044)	(866)
Other income	128	211
Other expenses	(27)	(29)
Operating profit	3,649	5,150
Finance income	7	7
Finance costs	(145)	(136)
Profit before tax	3,510	5,022
Income tax expense	(1,195)	(1,652)
Profit	2,316	3,369
Profit attributable to:		
Owners of parent	2,322	3,369
Non-controlling interests	(6)	0
Profit	2,316	3,369
Earnings per share		
Basic earnings per share (Yen)	48.08	68.56
Diluted earnings per share (Yen)	41.99	57.98

Quarterly condensed consolidated statements of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)
Profit	2,316	3,369
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	84	489
Total of items that will not be reclassified to profit or loss	84	489
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(5)	2
Total of items that may be reclassified to profit or loss	(5)	2
Other comprehensive income, net of tax	79	491
Comprehensive income	2,395	3,861
Comprehensive income attributable to:		
Owners of parent	2,401	3,860
Non-controlling interests	(6)	0
Comprehensive income	2,395	3,861

(3) Quarterly condensed consolidated statements of changes in equity

Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)

(Millions of yen)

	Equity attributable to owners of parent				
				Other components of equity	
	Share capital	Capital surplus	Retained earnings	Share acquisition rights	Exchange differences on translation of foreign operations
Balance at April 1, 2020	285	25,833	2,243	470	8
Profit	–	–	2,322	–	–
Other comprehensive income	–	–	–	–	(5)
Comprehensive income	–	–	2,322	–	(5)
Share-based payment transactions	–	–	–	64	–
Total transactions with owners	–	–	–	64	–
Balance at December 31, 2020	285	25,833	4,565	535	3

	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, 2020	425	903	29,264	15	29,279
Profit	–	–	2,322	(6)	2,316
Other comprehensive income	84	79	79	–	79
Comprehensive income	84	79	2,401	(6)	2,395
Share-based payment transactions	–	64	64	–	64
Total transactions with owners	–	64	64	–	64
Balance at December 31, 2020	509	1,047	31,729	9	31,738

Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

(Millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Share acquisition rights	Exchange differences on translation of foreign operations
Balance at April 1, 2021	285	25,833	5,227	–	560	8
Profit	–	–	3,369	–	–	–
Other comprehensive income	–	–	–	–	–	2
Comprehensive income	–	–	3,369	–	–	2
Exercise of share acquisition rights	461	606	–	–	(145)	–
Purchase of treasury shares				(0)	–	–
Changes due to additional acquisitions of interests in subsidiaries	–	–	–	–	–	–
Share-based payment transactions	–	–	–	–	48	–
Total transactions with owners	461	606	–	(0)	(97)	–
Balance at December 31, 2021	746	26,439	8,596	(0)	462	11

	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	–	–	3,369	0	3,369
Other comprehensive income	489	491	491	–	491
Comprehensive income	489	491	3,860	0	3,861
Exercise of share acquisition rights	–	(145)	922	–	922
Purchase of treasury shares	–	–	(0)	–	(0)
Changes due to additional acquisitions of interests in subsidiaries	–	–	–	(5)	(5)
Share-based payment transactions	–	48	48	–	48
Total transactions with owners	–	(97)	970	(5)	965
Balance at December 31, 2021	33	506	36,287	–	36,287

(4) Quarterly condensed consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)
Cash flows from operating activities		
Profit before tax	3,510	5,022
Depreciation and amortization	430	400
Amortization of identifiable assets	335	335
Amortization of right-of-use assets	894	901
Finance income	(7)	(7)
Finance costs	145	136
Decrease (increase) in trade and other receivables	(1,240)	(222)
Decrease (increase) in inventories	(52)	5
Increase (decrease) in trade and other payables	(44)	173
Increase (decrease) in provisions	(156)	(156)
Increase (decrease) in other current liabilities	203	(377)
Other	(199)	(238)
Subtotal	3,820	5,971
Interest and dividends received	6	7
Interest paid	(74)	(66)
Income taxes paid	(1,788)	(2,041)
Net cash provided by (used in) operating activities	1,965	3,870
Cash flows from investing activities		
Purchase of property, plant and equipment	(166)	(69)
Purchase of intangible assets	(4)	(2)
Payments of leasehold and guarantee deposits	–	(186)
Net cash provided by (used in) investing activities	(170)	(257)
Cash flows from financing activities		
Repayments of long-term borrowings	(570)	(570)
Repayments of lease liabilities	(920)	(930)
Proceeds from exercise of share acquisition rights	–	922
Additional acquisitions of interests in subsidiaries	–	(5)
Purchase of treasury shares	–	(0)
Net cash provided by (used in) financing activities	(1,490)	(583)
Net increase (decrease) in cash and cash equivalents	305	3,030
Cash and cash equivalents at beginning of period	5,393	8,068
Effect of exchange rate changes on cash and cash equivalents	(6)	4
Cash and cash equivalents at end of period	5,692	11,102

(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:

Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020) (Millions of yen)

	Service				Other	Total
	Strategy/DX Consulting	System Integration	Operation Service	Total		
Revenue	–	13,418	7,304	20,721	6	20,728
Gross profit	–	4,948	2,928	7,876	6	7,883

Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021) (Millions of yen)

	Service				Other	Total
	Strategy/DX Consulting	System Integration	Operation Service	Total		
Revenue	708	14,790	7,739	23,237	26	23,262
Gross profit	301	6,409	3,299	10,009	26	10,034

* 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.