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July 28, 2022

Consolidated Financial Results for the Three Months Ended June 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: July 28, 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 three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2022	8,048	2.1	1,340	(27.2)	1,305	(27.3)	890	(22.1)
June 30, 2021	7,885	13.2	1,841	40.9	1,796	42.2	1,142	39.3

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share (Note)	Diluted earnings per share (Note)
Three months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
June 30, 2022	890	(22.0)	938	(13.1)	16.02	14.98
June 30, 2021	1,142	38.8	1,079	22.5	23.65	20.68

EBITDA*: Three months ended June 30, 2022: 1,592 million yen [(23.9)%]
Three months ended June 30, 2021: 2,093 million yen [34.5%]
*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
June 30, 2022	68,549	36,997	36,997	54.0	665.20
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	–				
Fiscal year ending March 31, 2023 (Forecast)		0.00	–	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
First six months	16,293	4.3	2,890	(18.6)	2,805	(18.9)	1,946	(15.7)	1,946	(15.7)	34.51
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 June 30, 2022	55,618,275 shares
As of March 31, 2022	55,511,550 shares

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

As of June 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)

Three months ended June 30, 2022	55,554,744 shares
Three months ended June 30, 2021	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 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 first six months and 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 872,141 shares for the first six months and 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.

Contents of Attached Materials

1. Qualitative Information on Quarterly Consolidated Financial Results …… 2
(1) Operating results …… 2
(2) Financial position …… 4
(3) Forward-looking information including consolidated earnings forecast …… 4
2. Quarterly Condensed Consolidated Financial Statements and Major Notes …… 5
(1) Quarterly condensed consolidated statements of financial position …… 5
(2) Quarterly condensed consolidated statements of profit or loss and quarterly condensed consolidated statements of comprehensive income …… 6
(3) Quarterly condensed consolidated statements of changes in equity …… 8
(4) Quarterly condensed consolidated statements of cash flows …… 10
(5) Notes to quarterly condensed consolidated financial statements …… 11
(Going concern assumption) …… 11
(Segment information) …… 11

1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Operating results

Operating results for the three months ended June 30, 2022 (the period under review) are summarized as follows:

Revenue	8,048	million yen	(up 2.1% year-on-year)
Operating profit	1,340	million yen	(down 27.2% year-on-year)
Profit before tax	1,305	million yen	(down 27.3% year-on-year)
Profit attributable to owners of parent	890	million yen	(down 22.0% 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 1,592 million yen (down 23.9% from 2,093 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 8,048 million yen (up 2.1% from 7,885 million yen for the same period last year), driven mainly by new contracts won by Strategy/DX Consulting.

Gross profit decreased year-on-year to 3,357 million yen (down 6.0% from 3,570 million yen for the same period last year) with the gross profit margin of 41.7% (compared with 45.3% 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 1,532 million yen (up 16.3% from 1,317 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 339 million yen (up 14.7% from 295 million yen for the same period last year).

In addition, we recognized 112 million yen in amortization of identifiable assets (unchanged year-on-year), 3 million yen in other income, and 37 million yen in other expenses.

As a result, operating profit amounted to 1,340 million yen (down 27.2% from 1,841 million yen for the same period last year), and the operating profit margin came in at 16.7% (compared with 23.4% for the same period last year). Profit before tax decreased year-on-year to 1,305 million yen (down 27.3% from 1,796 million yen for the same period last year), with 7 million yen and 43 million yen recognized as finance income and finance costs, respectively.

Income tax expense amounted to 414 million yen (compared with 653 million yen for the same period last year) and profit attributable to owners of parent decreased year-on-year to 890 million yen (down 22.0% from 1,142 million yen for the same period last year).

ii) By service category, revenue from Strategy/DX Consulting amounted to 400 million yen, (compared with 175 million yen for the same period last year) with the gross profit margin of 44.3% (compared with 39.9% for the same period last year), both having significantly exceeded the results for the same period last year.

Revenue from System Integration amounted to 4,956 million yen (compared with 5,160 million yen for the same period last year), which was largely the same as the same period last year, but the gross profit margin decreased to 42.3% (compared with 45.7% for the same period last year).

Revenue from Operation Service increased year-on-year to 2,688 million yen (compared with 2,528 million yen for the same period last year), but the gross profit margin decreased to 40.2% (compared with 44.3% 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 Three months ended June 30, 2021 (actual)	Fiscal year ending March 31, 2023 Three months ended June 30, 2022 (actual)	Fiscal year ending March 31, 2023 (forecast)
Operating profit	1,841	1,340	6,777
(Adjustment) + Listing expenses (Note)	4	–	–
Adjusted operating profit	1,845	1,340	6,777
(Adjustments) + Depreciation and amortization + Amortization of identifiable assets	 140 112	 140 112	 501 446
Adjusted EBITDA	2,097	1,592	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 Three months ended June 30, 2021 (actual)	Fiscal year ending March 31, 2023 Three months ended June 30, 2022 (actual)	Fiscal year ending March 31, 2023 (forecast)
Profit attributable to owners of parent	1,142	890	4,586
(Adjustment) + Listing expenses (Note)	4	–	–
Related tax adjustment	(1)	–	–
Adjusted profit attributable to owners of parent	1,145	890	4,586
Adjusted basic earnings per share (Yen)	23.70	16.02	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)

	Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)			Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)			
	Revenue	Percentage of total revenue (%)	Gross profit margin (%)	Revenue	Percentage of total revenue (%)	Gross profit margin (%)	YoY change
Strategy/DX Consulting	175	2.2	39.9	400	5.0	44.3	225
System Integration	5,160	65.4	45.7	4,956	61.6	42.3	(203)
Operation Service	2,528	32.1	44.3	2,688	33.4	40.2	161
Other	23	0.3	100.0	3	0.0	100.0	(20)
Total	7,885	100.0	45.3	8,048	100.0	41.7	162

(2) Financial position

(Assets)
As of the end of the period under review, total assets amounted to 68,549 million yen (up 1,615 million yen from the end of the previous fiscal year). This is primarily attributable to increases in right-of-use asset of 4,207 million yen as a result of adjustments to estimate reasonable option periods, trade and other receivables of 749 million yen, and other current assets of 706 million yen, which were partially offset by decreases in cash and cash equivalents of 4,353 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 31,552 million yen (up 1,912 million yen from the end of the previous fiscal year). This is primarily attributable to decreases in provisions of 1,883 million yen due to bonus payments and in income taxes payable of 944 million yen due to income tax payments, which were partially offset by an increase in lease liabilities of 4,200 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 36,997 million yen (down 297 million yen from the end of the previous fiscal year) and the ratio of equity attributable to owners of parent came in at 54.0% (compared with 55.7% as of the end of the previous fiscal year).

(3) 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 June 30, 2022)
Assets		
Current assets		
Cash and cash equivalents	13,966	9,613
Trade and other receivables	5,743	6,492
Inventories	8	54
Other current assets	913	1,619
Total current assets	20,630	17,777
Non-current assets		
Property, plant and equipment	1,325	1,209
Right-of-use assets	2,660	6,866
Goodwill	36,476	36,476
Intangible assets	1,158	1,125
Other financial assets	3,466	3,816
Deferred tax assets	910	946
Other non-current assets	309	333
Total non-current assets	46,304	50,772
Total assets	66,934	68,549
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	2,278	2,588
Borrowings	1,140	1,140
Lease liabilities	1,407	1,411
Other financial liabilities	1	25
Income taxes payable	1,485	541
Provisions	2,921	1,038
Other current liabilities	1,014	1,205
Total current liabilities	10,246	7,948
Non-current liabilities		
Borrowings	17,947	17,960
Lease liabilities	1,182	5,379
Provisions	264	264
Total non-current liabilities	19,394	23,603
Total liabilities	29,640	31,552
Equity		
Share capital	814	835
Capital surplus	26,622	26,656
Retained earnings	9,431	9,045
Treasury shares	(0)	(0)
Other components of equity	427	461
Total equity attributable to owners of parent	37,294	36,997
Total equity	37,294	36,997
Total liabilities and equity	66,934	68,549

(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)

	Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)
Revenue	7,885	8,048
Cost of sales	(4,315)	(4,691)
Gross profit	3,570	3,357
Amortization of identifiable assets	(112)	(112)
Selling, general and administrative expenses	(1,317)	(1,532)
Research and development expenses	(295)	(339)
Other income	1	3
Other expenses	(6)	(37)
Operating profit	1,841	1,340
Finance income	0	7
Finance costs	(46)	(43)
Profit before tax	1,796	1,305
Income tax expense	(653)	(414)
Profit	1,142	890
Profit attributable to:		
Owners of parent	1,142	890
Non-controlling interests	0	–
Profit	1,142	890
Earnings per share		
Basic earnings per share (Yen)	23.65	16.02
Diluted earnings per share (Yen)	20.68	14.98

Quarterly condensed consolidated statements of comprehensive income

(Millions of yen)

	Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)
Profit	1,142	890
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(62)	35
Total of items that will not be reclassified to profit or loss	(62)	35
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1)	13
Total of items that may be reclassified to profit or loss	(1)	13
Other comprehensive income, net of tax	(63)	48
Comprehensive income	1,079	938
Comprehensive income attributable to:		
Owners of parent	1,079	938
Non-controlling interests	0	-
Comprehensive income	1,079	938

(3) Quarterly condensed consolidated statements of changes in equity

Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

(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, 2021	285	25,833	5,227	560	8
Profit	–	–	1,142	–	–
Other comprehensive income	–	–	–	–	(1)
Comprehensive income	–	–	1,142	–	(1)
Changes due to additional acquisitions of interests in subsidiaries	–	–	–	–	–
Share-based payment transactions	–	–	–	15	–
Total transactions with owners	–	–	–	15	–
Balance at June 30, 2021	285	25,833	6,369	574	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	–	–	1,142	0	1,142
Other comprehensive income	(62)	(63)	(63)	–	(63)
Comprehensive income	(62)	(63)	1,079	0	1,079
Changes due to additional acquisitions of interests in subsidiaries	–	–	–	(5)	(5)
Share-based payment transactions	–	15	15	–	15
Total transactions with owners	–	15	15	(5)	10
Balance at June 30, 2021	(518)	64	32,551	–	32,551

Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(Millions of yen)

	Equity attributable to owners of parent				
					Other components of equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	Share acquisition rights
Balance at April 1, 2022	814	26,622	9,431	(0)	360
Profit	–	–	890	–	–
Other comprehensive income	–	–	–	–	–
Comprehensive income	–	–	890	–	–
Exercise and forfeiture of share acquisition rights	22	34	–	–	(12)
Dividends	–	–	(1,277)	–	–
Share–based payment transactions	–	–	–	–	(1)
Total transactions with owners	22	34	(1,277)	–	(14)
Balance at June 30, 2022	835	26,656	9,045	(0)	347

	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	–	–	–	890
Other comprehensive income	13	35	48	48
Comprehensive income	13	35	48	938
Exercise and forfeiture of share acquisition rights	–	–	(12)	43
Dividends	–	–	–	(1,277)
Share–based payment transactions	–	–	(1)	(1)
Total transactions with owners	–	–	(14)	(1,235)
Balance at June 30, 2022	29	85	461	36,997

(4) Quarterly condensed consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)
Cash flows from operating activities		
Profit before tax	1,796	1,305
Depreciation and amortization	140	140
Amortization of identifiable assets	112	112
Amortization of right–of–use assets	298	345
Finance income	(0)	(7)
Finance costs	46	43
Decrease (increase) in trade and other receivables	338	(749)
Decrease (increase) in inventories	(21)	(46)
Increase (decrease) in trade and other payables	222	310
Increase (decrease) in provisions	(1,286)	(1,883)
Decrease (increase) in other current assets	(206)	(706)
Increase (decrease) in other current liabilities	(172)	191
Other	25	121
Subtotal	1,291	(825)
Interest and dividends received	0	7
Interest paid	(5)	(4)
Income taxes paid	(1,090)	(1,484)
Net cash provided by (used in) operating activities	196	(2,307)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4)	(156)
Purchase of intangible assets	(1)	(15)
Purchase of investment securities	−	(300)
Net cash provided by (used in) investing activities	(5)	(471)
Cash flows from financing activities		
Repayments of lease liabilities	(303)	(354)
Proceeds from exercise of share acquisition rights	−	43
Cash dividends paid	−	(1,277)
Net cash provided by (used in) financing activities	(303)	(1,587)
Net increase (decrease) in cash and cash equivalents	(112)	(4,365)
Cash and cash equivalents at beginning of period	8,068	13,966
Effect of exchange rate changes on cash and cash equivalents	(0)	12
Cash and cash equivalents at end of period	7,956	9,613

(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:

Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021) (Millions of yen)

	Service category				Other	Total
	Strategy/DX Consulting	System Integration	Operation Service	Total		
Revenue	175	5,160	2,528	7,862	23	7,885
Gross profit	70	2,357	1,121	3,548	23	3,570

Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022) (Millions of yen)

	Service category				Other	Total
	Strategy/DX Consulting	System Integration	Operation Service	Total		
Revenue	400	4,956	2,688	8,045	3	8,048
Gross profit	177	2,097	1,080	3,354	3	3,357

* 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.