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July 25, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under IFRS)

Company name: Simplex Holdings, Inc.
Listing: Tokyo Stock Exchange
Securities code: 4373
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Scheduled date to commence dividend payments: –
Preparation of supplementary material on financial results: Yes
Holding of 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, 2024 (from April 1, 2024 to June 30, 2024)

(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, 2024	10,954	16.5	1,626	(4.8)	1,615	(4.6)	1,073	(5.9)
June 30, 2023	9,404	16.9	1,708	27.5	1,693	29.7	1,141	28.1

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Three months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
June 30, 2024	1,073	(5.9)	1,325	24.0	18.43	17.89
June 30, 2023	1,141	28.1	1,069	13.9	19.90	19.07

(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, 2024	75,712	46,035	46,035	60.8	789.68
March 31, 2024	79,248	47,089	47,089	59.4	809.33

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, 2024	–	0.00	–	42.00	42.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		0.00	–	50.00	50.00

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, 2025 (from April 1, 2024 to March 31, 2025)

(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	22,000	12.6	4,725	18.1	4,707	19.3	3,247	21.9	3,247	21.9	55.54
Fiscal year	46,000	13.0	10,600	19.8	10,554	20.7	7,280	17.5	7,280	17.5	123.97

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

*** Notes**

(1) Significant changes in the scope of consolidation during the period: 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, 2024	58,296,425 shares
As of March 31, 2024	58,182,950 shares

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

As of June 30, 2024	147 shares
As of March 31, 2024	147 shares

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

Three months ended June 30, 2024	58,226,406 shares
Three months ended June 30, 2023	57,317,023 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, 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, 2025 (from April 1, 2024 to March 31, 2025) based on the assumption that the average number of shares outstanding during the period will increase by 279,301 shares for the first six months and by 541,084 shares for the fiscal year from the total number of shares issued as of March 31, 2024 (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. Overview of Consolidated Financial Results

(1) Operating results for the period under review

Operating results for the three months ended June 30, 2024 (the period under review) are summarized as follows:

Revenue	10,954	million yen	(up 16.5% year-on-year)
Operating profit	1,626	million yen	(down 4.8% year-on-year)
Profit before tax	1,615	million yen	(down 4.6% year-on-year)
Profit attributable to owners of parent	1,073	million yen	(down 5.9% 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 for the quarter of 10,954 million yen (up 16.5% from 9,404 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.

While gross profit increased year-on-year to 4,546 million yen (up 9.5% from 4,154 million yen for the same period last year), the gross profit margin decreased year-on-year to 41.5% (compared with 44.2% for the same period last year).

Selling, general and administrative expenses increased year-on-year to 2,183 million yen (up 14.0% from 1,915 million yen for the same period last year) due mainly to the opening of a new office and the expansion of the existing one as well as the implementation of measures for strengthening mid-career recruitment. Research and development expenses increased year-on-year to 609 million yen (up 56.2% from 390 million yen for the same period last year).

In addition, we recognized 44 million yen in amortization of identifiable assets (compared with 112 million yen for the same period last year), 5 million yen in other income, and 90 million yen in other expenses.

As a result, operating profit amounted to 1,626 million yen (down 4.8% from 1,708 million yen for the same period last year), and the operating profit margin came in at 14.8% (compared with 18.2% for the same period last year). Profit before tax decreased year-on-year to 1,615 million yen (down 4.6% from 1,693 million yen for the same period last year), with 16 million yen, 43 million yen, and 16 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 542 million yen (compared with 552 million yen for the same period last year) and profit attributable to owners of parent decreased year-on-year to 1,073 million yen (down 5.9% from 1,141 million yen for the same period last year).

(ii) By service category, revenue from Strategy/DX Consulting amounted to 1,438 million yen, which significantly exceeded revenue of 809 million yen for the same period last year, and the gross profit margin was 48.1%, which also exceeded the margin of 46.5% for the same period last year.

Revenue from System Integration amounted to 6,276 million yen, which exceeded revenue of 5,590 million yen for the same period last year, but the gross profit margin was 41.8%, which fell short of the margin of 45.1% for the same period last year.

Revenue from Operation Service amounted to 3,238 million yen, which exceeded revenue of 3,002 million yen for the same period last year, but the gross profit margin was 38.0%, which fell short of the margin of 41.8% for the same period last year.

(Reference)
Breakdown of revenue by service category

(Millions of yen, unless otherwise indicated)

	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)			Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)			
	Revenue	Percentage of total revenue (%)	Gross profit margin (%)	Revenue	Percentage of total revenue (%)	Gross profit margin (%)	YoY change
Strategy/DX Consulting	809	8.6	46.5	1,438	13.1	48.1	629
System Integration	5,590	59.4	45.1	6,276	57.3	41.8	686
Operation Service	3,002	31.9	41.8	3,238	29.6	38.0	236
Other	3	0.0	100.0	2	0.0	100.0	(0)
Total	9,404	100.0	44.2	10,954	100.0	41.5	1,550

(2) Financial position as of the end of the period under review

(Assets)
Total assets as of June 30, 2024 amounted to 75,712 million yen (down 3,536 million yen from the end of the previous fiscal year). This is primarily attributable to decreases in cash and cash equivalents of 2,824 million yen mainly due to the payments of bonuses and income taxes, as well as trade and other receivables of 748 million yen due to the collection of receivables, which were partially offset by an increase in property, plant and equipment of 612 million yen due to the opening of a new office and the expansion of the existing one.

(Liabilities)
Total liabilities as of June 30, 2024 amounted to 29,676 million yen (down 2,482 million yen from the end of the previous fiscal year). This is primarily attributable to decreases in income taxes payable of 1,619 million yen primarily due to the payment of income taxes and provisions of 1,532 million yen primarily due to the payment of bonuses, which were partially offset by an increase in trade and other payables of 1,081 million yen primarily due to the end of the period under review falling on a holiday.

(Equity)
Total equity as of June 30, 2024 amounted to 46,035 million yen (down 1,054 million yen from the end of the previous fiscal year) and the ratio of equity attributable to owners of parent came in at 60.8% (compared with 59.4% as of the end of the previous fiscal year).

(3) Cash flows for the period under review

Cash and cash equivalents ("net cash") as of June 30, 2024 amounted to 10,907 million yen (down 1,034 million yen year-on-year). The status of cash flows and reasons for changes during the three months ended June 30, 2024 are as follows:

(Cash flows from operating activities)
Net cash provided by operating activities amounted to 422 million yen (compared with 1,084 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 1,615 million yen and an increase in trade and other payables of 1,081 million yen primarily due to the end of the period under review falling on a holiday, which were partially offset by a decrease in cash flow resulting from income taxes paid of 2,258 million yen.

(Cash flows from investing activities)
Net cash used in investing activities amounted to 455 million yen (compared with 275 million yen used for the same period last year). This is primarily attributable to a decrease in cash flow due to payments for purchase of property, plant and equipment of 863 million yen as a result of the opening of a new office and the expansion of the existing one, which was partially offset by an increase in cash flow due to proceeds from sale of investment securities of 412 million yen.

(Cash flows from financing activities)
Net cash used in financing activities amounted to 2,798 million yen (compared with 1,710 million yen used for the same period last year). This is primarily attributable to cash dividends paid of 2,444 million yen and repayments of lease liabilities of 411 million yen.

(4) Forward-looking information including consolidated earnings forecast

The consolidated earnings forecast announced on April 25, 2024 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, 2024)	Current quarter (as of June 30, 2024)
Assets		
Current assets		
Cash and cash equivalents	13,731	10,907
Trade and other receivables	10,093	9,345
Inventories	1	10
Other current assets	1,787	1,650
Total current assets	25,611	21,912
Non-current assets		
Property, plant and equipment	1,521	2,133
Right-of-use assets	5,732	5,293
Goodwill	36,476	36,476
Intangible assets	317	252
Investments accounted for using equity method	1,859	1,875
Other financial assets	5,359	5,303
Deferred tax assets	1,510	1,575
Other non-current assets	863	892
Total non-current assets	53,637	53,800
Total assets	79,248	75,712
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	2,837	3,919
Borrowings	16,906	16,917
Lease liabilities	1,909	2,008
Other financial liabilities	2	28
Income taxes payable	2,243	624
Provisions	2,966	1,434
Other current liabilities	1,082	1,015
Total current liabilities	27,945	25,946
Non-current liabilities		
Lease liabilities	3,805	3,322
Provisions	408	409
Total non-current liabilities	4,214	3,731
Total liabilities	32,159	29,676
Equity		
Share capital	1,189	1,218
Capital surplus	27,153	27,197
Retained earnings	18,350	17,250
Treasury shares	(0)	(0)
Other components of equity	399	371
Total equity attributable to owners of parent	47,089	46,035
Total equity	47,089	46,035
Total liabilities and equity	79,248	75,712

(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, 2023 (from April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)
Revenue	9,404	10,954
Cost of sales	(5,251)	(6,408)
Gross profit	4,154	4,546
Amortization of identifiable assets	(112)	(44)
Selling, general and administrative expenses	(1,915)	(2,183)
Research and development expenses	(390)	(609)
Other income	1	5
Other expenses	(30)	(90)
Operating profit	1,708	1,626
Finance income	23	16
Finance costs	(40)	(43)
Share of profit of investments accounted for using equity method	2	16
Profit before tax	1,693	1,615
Income tax expense	(552)	(542)
Profit	1,141	1,073
Profit attributable to:		
Owners of parent	1,141	1,073
Profit	1,141	1,073
Earnings per share		
Basic earnings per share (Yen)	19.90	18.43
Diluted earnings per share (Yen)	19.07	17.89

Quarterly condensed consolidated statements of comprehensive income

(Millions of yen)

	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)
Profit	1,141	1,073
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(80)	245
Total of items that will not be reclassified to profit or loss	(80)	245
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	8	7
Total of items that may be reclassified to profit or loss	8	7
Other comprehensive income, net of tax	(72)	252
Comprehensive income	1,069	1,325
Comprehensive income attributable to:		
Owners of parent	1,069	1,325
Comprehensive income	1,069	1,325

(3) Quarterly condensed consolidated statements of changes in equity

Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(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, 2023	1,013	26,903	13,587	(0)	313
Profit	–	–	1,141	–	–
Other comprehensive income	–	–	–	–	–
Comprehensive income	–	–	1,141	–	–
Exercise and forfeiture of share acquisition rights	38	56	–	–	(18)
Dividends	–	–	(1,431)	–	–
Share-based payment transactions	–	–	–	–	(3)
Total transactions with owners	38	56	(1,431)	–	(21)
Balance at June 30, 2023	1,051	26,959	13,296	(0)	292

	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, 2023	25	143	481	41,984
Profit	–	–	–	1,141
Other comprehensive income	8	(80)	(72)	(72)
Comprehensive income	8	(80)	(72)	1,069
Exercise and forfeiture of share acquisition rights	–	–	(18)	76
Dividends	–	–	–	(1,431)
Share-based payment transactions	–	–	(3)	(3)
Total transactions with owners	–	–	(21)	(1,358)
Balance at June 30, 2023	33	64	388	41,695

Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(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, 2024	1,189	27,153	18,350	(0)	250
Profit	–	–	1,073	–	–
Other comprehensive income	–	–	–	–	–
Comprehensive income	–	–	1,073	–	–
Exercise and forfeiture of share acquisition rights	29	45	–	–	(16)
Dividends	–	–	(2,444)	–	–
Share-based payment transactions	–	–	–	–	7
Transfer from other components of equity to retained earnings	–	–	271	–	–
Total transactions with owners	29	45	(2,173)	–	(9)
Balance at June 30, 2024	1,218	27,197	17,250	(0)	241

	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, 2024	37	111	399	47,089
Profit	–	–	–	1,073
Other comprehensive income	7	245	252	252
Comprehensive income	7	245	252	1,325
Exercise and forfeiture of share acquisition rights	–	–	(16)	57
Dividends	–	–	–	(2,444)
Share-based payment transactions	–	–	7	7
Transfer from other components of equity to retained earnings	–	(271)	(271)	–
Total transactions with owners	–	(271)	(280)	(2,379)
Balance at June 30, 2024	44	86	371	46,035

(4) Quarterly condensed consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)
Cash flows from operating activities		
Profit before tax	1,693	1,615
Depreciation and amortization	156	178
Amortization of identifiable assets	112	44
Amortization of right-of-use assets	366	464
Finance income	(23)	(16)
Finance costs	40	43
Share of loss (profit) of investments accounted for using equity method	(2)	(16)
Decrease (increase) in trade and other receivables	820	748
Decrease (increase) in inventories	(15)	(9)
Increase (decrease) in trade and other payables	329	1,081
Increase (decrease) in provisions	(1,255)	(1,532)
Decrease (increase) in other current assets	(838)	137
Increase (decrease) in other current liabilities	613	(67)
Other	(9)	(1)
Subtotal	1,987	2,668
Interest and dividends received	23	16
Interest paid	(3)	(4)
Income taxes paid	(923)	(2,258)
Net cash provided by (used in) operating activities	1,084	422
Cash flows from investing activities		
Purchase of property, plant and equipment	(51)	(863)
Purchase of intangible assets	–	(2)
Proceeds from sale of investment securities	–	412
Payments of leasehold and guarantee deposits	(223)	(2)
Net cash provided by (used in) investing activities	(275)	(455)
Cash flows from financing activities		
Repayments of lease liabilities	(354)	(411)
Proceeds from exercise of share acquisition rights	76	57
Cash dividends paid	(1,431)	(2,444)
Net cash provided by (used in) financing activities	(1,710)	(2,798)
Net increase (decrease) in cash and cash equivalents	(900)	(2,831)
Cash and cash equivalents at beginning of period	12,832	13,731
Effect of exchange rate changes on cash and cash equivalents	9	7
Cash and cash equivalents at end of period	11,941	10,907

(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 primarily 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, 2023 (from April 1, 2023 to June 30, 2023) (Millions of yen)

	Service category				Other	Total
	Strategy/DX Consulting	System Integration	Operation Service	Total		
Revenue	809	5,590	3,002	9,401	3	9,404
Gross profit	377	2,519	1,256	4,151	3	4,154

Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024) (Millions of yen)

	Service category				Other	Total
	Strategy/DX Consulting	System Integration	Operation Service	Total		
Revenue	1,438	6,276	3,238	10,952	2	10,954
Gross profit	692	2,622	1,230	4,544	2	4,546

* System Integration includes system engineering and other services.
Operation Service includes operation and maintenance, subscription services, and licensing.
Other consists primarily of the sale of goods, such as hardware and middleware.