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October 30, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under IFRS)

Company name: Simplex Holdings, Inc.
Listing: Tokyo Stock Exchange
Securities code: 4373
URL: https://www.simplex.holdings/en/
Representative: Hideki Kaneko, Representative Director, President and CEO
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Scheduled date to file Semi-annual Securities Report: October 30, 2024
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 six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(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, 2024	21,876	11.9	3,915	(2.1)	3,879	(1.7)	2,594	(2.6)
September 30, 2023	19,543	15.9	4,000	19.4	3,947	20.6	2,664	20.7

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Six months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
September 30, 2024	2,594	(2.6)	2,677	0.1	44.52	43.29
September 30, 2023	2,664	20.7	2,674	18.4	46.41	44.49

(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, 2024	76,397	47,444	47,444	62.1	812.72
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	–	0.00			
Fiscal year ending March 31, 2025 (Forecast)			–	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
Fiscal year	46,800	15.0	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: Yes

*** 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 September 30, 2024	58,376,725 shares
As of March 31, 2024	58,182,950 shares

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

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

(iii) Average number of shares outstanding during the period

Six months ended September 30, 2024	58,278,903 shares
Six months ended September 30, 2023	57,403,264 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, 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, 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 541,084 shares 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

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

Revenue	21,876	million yen	(up 11.9% year-on-year)
Operating profit	3,915	million yen	(down 2.1% year-on-year)
Profit before tax	3,879	million yen	(down 1.7% year-on-year)
Profit attributable to owners of parent	2,594	million yen	(down 2.6% year-on-year)

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

(i) Revenue significantly increased year-on-year to 21,876 million yen (up 11.9% from 19,543 million yen for the same period last year), driven by robust sales in System Integration and Operation Service and new contracts won by Strategy/DX Consulting.

While gross profit increased year-on-year to 8,661 million yen (up 1.8% from 8,507 million yen for the same period last year), the gross profit margin decreased year-on-year to 39.6% (compared with 43.5% for the same period last year).

Selling, general and administrative expenses increased year-on-year to 3,870 million yen (up 15.5% from 3,350 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 1,003 million yen (up 17.2% from 856 million yen for the same period last year).

In addition, we recognized 87 million yen in amortization of identifiable assets (compared with 223 million yen for the same period last year), 321 million yen in other income, and 105 million yen in other expenses.

As a result, operating profit amounted to 3,915 million yen (down 2.1% from 4,000 million yen for the same period last year), and the operating profit margin came in at 17.9% (compared with 20.5% for the same period last year). Profit before tax decreased year-on-year to 3,879 million yen (down 1.7% from 3,947 million yen for the same period last year), with 17 million yen, 91 million yen, and 37 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 1,285 million yen (compared with 1,283 million yen for the same period last year) and profit attributable to owners of parent decreased year-on-year to 2,594 million yen (down 2.6% from 2,664 million yen for the same period last year).

(ii) By service category, revenue from Strategy/DX Consulting amounted to 3,203 million yen, which significantly exceeded revenue of 1,831 million yen for the same period last year, and the gross profit margin was 48.8%, which also exceeded the margin of 48.2% for the same period last year.

Revenue from System Integration amounted to 12,023 million yen, which exceeded revenue of 11,754 million yen for the same period last year, but the gross profit margin was 37.3%, which significantly fell short of the margin of 44.7% for the same period last year, due mainly to the effect of accounting for the decision to cancel an insurance system integration project.

Revenue from Operation Service amounted to 6,646 million yen, which exceeded revenue of 5,953 million yen for the same period last year, but the gross profit margin was 39.2%, which fell short of the margin of 39.8% for the same period last year.

(Reference)
Breakdown of revenue by service category

(Millions of yen, unless otherwise indicated)

	Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)			Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)			
	Revenue	Percentage of total revenue (%)	Gross profit margin (%)	Revenue	Percentage of total revenue (%)	Gross profit margin (%)	YoY change
Strategy/DX Consulting	1,831	9.4	48.2	3,203	14.6	48.8	1,372
System Integration	11,754	60.1	44.7	12,023	55.0	37.3	269
Operation Service	5,953	30.5	39.8	6,646	30.4	39.2	693
Other	4	0.0	100.0	3	0.0	100.0	(1)
Total	19,543	100.0	43.5	21,876	100.0	39.6	2,333

(2) Financial position

(Assets)
Total assets as of September 30, 2024 amounted to 76,397 million yen (down 2,851 million yen from the end of the previous fiscal year). This is primarily attributable to decreases in cash and cash equivalents of 1,255 million yen primarily due to the payments of bonuses and income taxes, and right-of-use assets of 928 million yen due to depreciation, as well as other financial assets of 530 million yen primarily due to the refund of leasehold and the fair value measurement of investment securities.

(Liabilities)
Total liabilities as of September 30, 2024 amounted to 28,953 million yen (down 3,205 million yen from the end of the previous fiscal year). This is primarily attributable to decreases in provisions of 1,025 million yen primarily due to the payment of bonuses, lease liabilities of 885 million yen due to the payment of fees, income taxes payable of 605 million yen primarily due to the payment of income taxes, and borrowings of 547 million yen due to the repayment.

(Equity)
Total equity as of September 30, 2024 amounted to 47,444 million yen (up 355 million yen from the end of the previous fiscal year) and the ratio of equity attributable to owners of parent came in at 62.1% (compared with 59.4% as of the end of the previous fiscal year).

(3) Cash flows

Cash and cash equivalents (“net cash”) as of September 30, 2024 amounted to 12,476 million yen (down 225 million yen year-on-year). The status of cash flows and reasons for changes during the six months ended September 30, 2024 are as follows:

(Cash flows from operating activities)
Net cash provided by operating activities amounted to 2,790 million yen (compared with 3,028 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 3,879 million yen, which were partially offset by a decrease in cash flow resulting from a decrease in provisions of 1,025 million yen primarily due to the payment of bonuses.

(Cash flows from investing activities)
Net cash used in investing activities amounted to 219 million yen (compared with 599 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 876 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 and proceeds from refund of leasehold and guarantee deposits of 251 million yen.

(Cash flows from financing activities)
Net cash used in financing activities amounted to 3,819 million yen (compared with 2,572 million yen used for the same period last year). This is primarily attributable to cash dividends paid of 2,444 million yen, repayments of lease liabilities of 920 million yen, and the repayment of long-term borrowings of 570 million yen.

(4) Forward-looking information including consolidated earnings forecast

Please refer to “Notice Concerning Revisions to the Consolidated 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. Semi-annual Condensed Consolidated Financial Statements and Major Notes

(1) Semi-annual condensed consolidated statements of financial position

(Millions of yen)

	Previous fiscal year (as of March 31, 2024)	Current period (as of September 30, 2024)
Assets		
Current assets		
Cash and cash equivalents	13,731	12,476
Trade and other receivables	10,093	9,680
Inventories	1	23
Other current assets	1,787	1,538
Total current assets	25,611	23,717
Non-current assets		
Property, plant and equipment	1,521	1,987
Right-of-use assets	5,732	4,804
Goodwill	36,476	36,476
Intangible assets	317	192
Investments accounted for using equity method	1,859	1,896
Other financial assets	5,359	4,829
Deferred tax assets	1,510	1,640
Other non-current assets	863	856
Total non-current assets	53,637	52,680
Total assets	79,248	76,397
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	2,837	2,849
Borrowings	16,906	16,358
Lease liabilities	1,909	2,011
Other financial liabilities	2	1
Income taxes payable	2,243	1,637
Provisions	2,966	1,941
Other current liabilities	1,082	928
Total current liabilities	27,945	25,726
Non-current liabilities		
Lease liabilities	3,805	2,818
Provisions	408	409
Total non-current liabilities	4,214	3,227
Total liabilities	32,159	28,953
Equity		
Share capital	1,189	1,246
Capital surplus	27,153	27,236
Retained earnings	18,350	18,771
Treasury shares	(0)	(0)
Other components of equity	399	190
Total equity attributable to owners of parent	47,089	47,444
Total equity	47,089	47,444
Total liabilities and equity	79,248	76,397

(2) Semi-annual condensed consolidated statements of profit or loss and semi-annual condensed consolidated statements of comprehensive income

Semi-annual condensed consolidated statements of profit or loss

(Millions of yen)

	Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)	Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)
Revenue	19,543	21,876
Cost of sales	(11,036)	(13,215)
Gross profit	8,507	8,661
Amortization of identifiable assets	(223)	(87)
Selling, general and administrative expenses	(3,350)	(3,870)
Research and development expenses	(856)	(1,003)
Other income	2	321
Other expenses	(80)	(105)
Operating profit	4,000	3,915
Finance income	23	17
Finance costs	(81)	(91)
Share of profit of investments accounted for using equity method	5	37
Profit before tax	3,947	3,879
Income tax expense	(1,283)	(1,285)
Profit	2,664	2,594
Profit attributable to:		
Owners of parent	2,664	2,594
Profit	2,664	2,594
Earnings per share		
Basic earnings per share (Yen)	46.41	44.52
Diluted earnings per share (Yen)	44.49	43.29

Semi-annual condensed consolidated statements of comprehensive income

(Millions of yen)

	Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)	Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)
Profit	2,664	2,594
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(1)	91
Total of items that will not be reclassified to profit or loss	(1)	91
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	11	(8)
Total of items that may be reclassified to profit or loss	11	(8)
Other comprehensive income, net of tax	10	83
Comprehensive income	2,674	2,677
Comprehensive income attributable to:		
Owners of parent	2,674	2,677
Comprehensive income	2,674	2,677

(3) Semi-annual condensed consolidated statements of changes in equity

Six months ended September 30, 2023 (from April 1, 2023 to September 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	–	–	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 fair value 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

Six months ended September 30, 2024 (from April 1, 2024 to September 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	–	–	2,594	–	–
Other comprehensive income	–	–	–	–	–
Comprehensive income	–	–	2,594	–	–
Exercise and forfeiture of share acquisition rights	57	84	–	–	(26)
Dividends	–	–	(2,444)	–	–
Share-based payment transactions	–	–	–	–	6
Transfer from other components of equity to retained earnings	–	–	271	–	–
Total transactions with owners	57	84	(2,173)	–	(20)
Balance at September 30, 2024	1,246	27,236	18,771	(0)	230

	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	–	–	–	2,594
Other comprehensive income	(8)	91	83	83
Comprehensive income	(8)	91	83	2,677
Exercise and forfeiture of share acquisition rights	–	–	(26)	115
Dividends	–	–	–	(2,444)
Share-based payment transactions	–	–	6	6
Transfer from other components of equity to retained earnings	–	(271)	(271)	–
Total transactions with owners	–	(271)	(291)	(2,323)
Balance at September 30, 2024	30	(69)	190	47,444

(4) Semi-annual condensed consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)	Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)
Cash flows from operating activities		
Profit before tax	3,947	3,879
Depreciation and amortization	296	357
Amortization of identifiable assets	223	87
Amortization of right-of-use assets	763	953
Finance income	(23)	(17)
Finance costs	81	91
Share of loss (profit) of investments accounted for using equity method	(5)	(37)
Decrease (increase) in trade and other receivables	(369)	413
Decrease (increase) in inventories	11	(23)
Increase (decrease) in trade and other payables	381	12
Increase (decrease) in provisions	(764)	(1,025)
Decrease (increase) in other current assets	(335)	249
Increase (decrease) in other current liabilities	(282)	(154)
Other	(325)	(202)
Subtotal	3,599	4,583
Interest and dividends received	23	17
Interest paid	(54)	(66)
Income taxes paid	(923)	(2,258)
Income taxes refund	383	514
Net cash provided by (used in) operating activities	3,028	2,790
Cash flows from investing activities		
Purchase of property, plant and equipment	(375)	(876)
Purchase of intangible assets	(1)	(4)
Proceeds from sale of investment securities	–	412
Payments of leasehold and guarantee deposits	(223)	(2)
Proceeds from refund of leasehold and guarantee deposits	–	251
Net cash provided by (used in) investing activities	(599)	(219)
Cash flows from financing activities		
Repayments of long-term borrowings	(570)	(570)
Repayments of lease liabilities	(729)	(920)
Proceeds from exercise of share acquisition rights	158	115
Cash dividends paid	(1,431)	(2,444)
Net cash provided by (used in) financing activities	(2,572)	(3,819)
Net increase (decrease) in cash and cash equivalents	(144)	(1,248)
Cash and cash equivalents at beginning of period	12,832	13,731
Effect of exchange rate changes on cash and cash equivalents	12	(7)
Cash and cash equivalents at end of period	12,701	12,476

(5) Notes to semi-annual 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:

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

Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024) (Millions of yen)

	Service category				Other	Total
	Strategy/DX Consulting	System Integration	Operation Service	Total		
Revenue	3,203	12,023	6,646	21,873	3	21,876
Gross profit	1,563	4,487	2,607	8,657	3	8,661

* 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.