

# Chapter 01

# About the Simplex Group

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## CEO Message

# Creating value added and delivering innovation with the best and brightest team

It has already been three years since our relisting in September 2021. As a manager, I am fully committed to driving business growth and enhancing our fundamental value as a company. I believe that what I am about to share will provide a context that will help you, as shareholders or investors, assess the future outlook of the Simplex Group.

In our first integrated report, I, as CEO, look back on the progress we have made to date and share with you the vision we aim to achieve at the Simplex Group. I hope that, in reading this report, you will gain some sense of what drives us as a company.

## Simplex Group's history of challenges

### Simplex Group's origins

The Simplex Group, with Simplex as a tech firm working in tandem with Xspear as a consulting firm, guides our clients throughout their entire digital transformation (DX) journey. Our core competencies are technology, consulting, and finance, these are skills that I first developed while working as a company employee. I joined Arthur Andersen (now Accenture) after graduating from college. Later, I moved to a Silicon Valley startup that developed trading tools, which sparked my interest in finance. I then moved on to Solomon Brothers Asia Securities (now Citigroup Securities), then regarded as the world's most powerful investment bank. There is no doubt that my experiences at these three companies are at the core of the Simplex Group.

One thing I felt strongly while working for these international companies was the high potential of a team of Japanese professionals. Through my experiences at the U.S. headquarters of these firms, I became confident that a team based out of Japan could compete on an equal footing with finance and IT professionals working in New York, London, and even Silicon Valley. However, in the eyes of the world, Japan as a country was often looked down as being second-rate in both finance and IT. The key factor for this ultimately comes down to corporate management and the industry structure peculiar to Japan. I was determined to build the best possible team capable of making an impact on the Japanese financial and IT industries by launching a company of my own, and ultimately, taking innovation from Japan to the rest of the world. It was with these resolutions and aspirations that I founded Simplex in September 1997.



Hideki Kaneko  
Representative Director, President and CEO

### First founding phase and IPO

After our founding in 1997, Simplex achieved consistent growth with a business model that defied the conventional wisdom of the industry and an “edgy” strategy that differed from other IT companies. One of the reasons for this steady growth was the lack of Japanese companies capable of proposing and building trading systems based on an understanding of financial engineering. Simplex successfully took the lead in this niche field and acquired most of the major financial institutions as clients without the need for organizing a sales force. Instead, project managers worked closely with the end users and provided solutions that truly impressed them. As a result of these business activities, Simplex achieved strong growth, listing on the JASDAQ market in February 2002, then moved to the First Section of the Tokyo Stock Exchange in September 2005.

## Earnings stagnation and MBO

However, after FY3/2010, Simplex's growth reached a plateau. This was due, in part, to the fact that we had run our course in terms of building systems for major financial institutions in niche fields. But more fundamentally, it was because the scope of our business activities had become limited by the strong brand image of Simplex as a firm that could only deal with complex projects in niche fields that other companies could not. I was acutely aware that we needed to focus on making our capabilities more widely known to our major financial institution clients. In addition, the business environment at that time was such that there was a need to provide major financial institutions with a one-stop platform for trading and risk management, in response to a trend toward enhancing risk management functionality that began after the collapse of Lehman Brothers in 2008. We therefore took the best people in the field off projects and set up a sales force, implementing a proactive consultative sales approach. This was a major shift in strategy as we decided to approach clients not only as a niche player but also as a player handling the entire platform. To that end, we began by targeting capital markets departments in major financial institutions and helping them create an IT roadmap for the next five years free of charge. Based on that roadmap, we intended to take on the construction of an entire platform that would go live in a few years. This measure naturally entailed the risk of stagnation in business performance during this period, since the top professionals on the frontline had to be taken off the client site. At the time, the Nikkei Stock Average was trading around multi-year lows, below 10,000 yen, due to the Great East Japan Earthquake and other factors. Simplex's share price was also on a downward trend. I determined that I could not allow shareholders to bear the risk of a decline in the share price due to stagnating earnings. Finally, in October 2013, we decided we would carry out an MBO.

## Second founding phase and re-listing

The key factor for the MBO was to achieve breakthroughs in existing businesses and to launch new ones. As a result, immediately after the MBO, we did indeed make breakthroughs in existing businesses and put several new ones on track, aided by factors such as the trend toward more robust risk management. With the confidence that we had proven the reproducibility of the Simplex business model in new businesses, we achieved a re-listing in September 2021. In June 2024, we held a long-awaited shareholders' reception after the annual shareholders' meeting, which had previously been postponed due to the pandemic. Although it had been over 11 years since the MBO, some of the shareholders at that time were in attendance, which was quite an emotional experience.

## Innovation we are trying to achieve

Simplex was founded with the strong conviction that we wanted to create innovation that had never existed before and take this from Japan to the rest of the world. However, the kind of innovation we are referring to is fundamentally different from the kind that Steve Jobs brought about when he transformed the world with his smartphone. The innovation achieved by a visionary manager like Steve Jobs requires an ability to see a future that ordinary people cannot imagine. So, what kind of innovation Simplex Group is trying to achieve? There are certain problems in the world that have an ideal solution that everyone can envisage, but too many barriers exist to make it happen. The kind of innovation we are referring to is achieved by solving these kinds of problems in a hands-on and tenacious manner, and before other companies.

## 5DNAs as a code of conduct

To realize such innovation, we established the 5DNAs as our code of conduct in 2010. Of these, "No. 1" is the one we emphasize most, namely that we will steadily deal with difficult problems one at a time to reach ideal solutions envisioned by everyone in the fastest possible time. The ability to create the kind of innovation we have in mind should only be possible for a company with the No. 1 competency in its business area. That is why the 5DNAs start with "No. 1." And for the 27 years since our founding, we have made it our mission to become the No.1 company in the domains we serve. The 5 DNAs, starting with "No. 1," are central to everything we do within the Group on a daily basis. This is also an important guideline for recruiting talent. The Simplex Group values diversity among our employees, as we require a wide variety of talents to innovate. At the same time, we need a strong culture that we all share in order to continue creating added value. The core of this culture is our 5DNAs.

In terms of employee diversity, with the establishment of Xspear in 2021, we have been strengthening our recruitment of mid-career talent on top of hiring new graduates. Our policy of recruiting and training the top 10% of talent in the market, regardless of whether they are new graduates or mid-career hires, remains unchanged. People are the cornerstone of the Simplex Group's entire strategy, and they support us in achieving sustainable growth and high profitability. The Simplex Group is a place where outstanding professionals with different talents can achieve self-fulfillment. I hope that the Simplex Group will continue to play a meaningful role in the life journeys of our employees.

## Sustainable management in pursuit of reproducibility

FY3/2024 was a year in which we clearly demonstrated our commitment to sustainability. We identified our materiality issues and set specific goals for each of them, with a focus on human capital management—the most important element in our operations (►Page 33 Materiality Issues and Major Risks).

The sustainable management I am striving for is to hire the top 10% of talent in the market who share our 5DNAs and provide an environment where they can maximize their abilities. The success of these individuals will serve as a catalyst for bringing more new people onboard with high aspirations for growth. Once this virtuous cycle has been set in motion, we will be able to respond flexibly to any changes in the times and create a new cycle of innovation down the line.

It is important that all our employees share the process to acquire the capabilities required of them at any given time—a requirement that goes hand in hand with "reproducibility." In this instance, reproducibility refers to the ability to continue producing results with a steep learning curve in a short period of time. This can be achieved by leveraging accumulated know-how through legitimate and sustained efforts in the right direction. This is why we always emphasize reproducibility, not only in consulting and system development, but also in employee training and evaluation.

## Toward sustainable development of all of society

Over the past ten years, the Simplex Group has become a leading cultivator of talent. Today, many startups and publicly listed companies have former Simplex employees in CEO or CTO positions. While it is with some sadness that I have seen these talented people leave, I am also personally delighted to see them step up to the next level. Every day I am reminded that the success of ex-Simplex professionals enhances our reputation as a company that cultivates talent. The formation of this "Simplex Ecosystem" is my greatest joy as a manager. I believe that the success of ex-Simplex professionals, who have honed their skills with us, contributes in a variety of industries to sustainable development of the whole society.

## Vision1000 as a long-term growth strategy

### Trend and challenge of DX in Japan

The DX of Japanese companies now lags that of Europe and US companies. One of the reasons for this situation is the "third generation banking online system," an interbank remittance system that was considered the most advanced in the world in the 1980s. Prior to the bubble era, the third generation banking online system was a symbol of Japan leading the world in technology. However, its convenience meant no change was required through DX, and as a result, Japan fell behind Western economies.

Looking at this in another way, there is still solid DX demand in Japan. We believe that by capturing this demand, we can expect sustained growth and high profitability. However, many Japanese companies also face an important challenge when it comes to DX, which is the limitations of in-house system development.

While Japanese companies are increasingly willing to utilize in-house system development, this brings high barriers for non-tech companies. One example would be the lack of IT personnel. There is a need for staff who can assess and make a judgment on how a company's business model should change with the evolution of IT, especially at the management level. However, it takes a long time to develop such personnel.

There are also structural issues that get in the way of in-house system development. Especially in non-tech companies, talented staff tend to be assigned to core businesses and rarely to the systems department function. In addition, the larger the company, the larger and heavier legacy existing systems there are that cannot be easily untangled. These compounding factors make bringing the in-house system development a challenging task for many Japanese companies.

### Simplex Group's vision

In order for us to have a certain social impact in the midst of this DX trend, we believe it is important to first aim for 100 billion yen in revenue. Based on this belief, we have formulated Vision1000, which defines the Simplex Group's vision and also serves as a long-term growth strategy for sustainable enhancement of corporate value. And as a halfway point on our journey toward Vision1000, we have also formulated our Medium-Term Business Plan (MTBP2027) covering three years from FY3/2025.

There are three goals that we aim to achieve with Vision1000. The first is to be the one and only strategic partner for our clients. SBI SECURITIES, the leading comprehensive online securities company in Japan in terms of number of accounts and market share, has selected us to be its one and only strategic partner. We aim to be similarly chosen by leading firms in various industries. Second, for our employees, the Simplex Group will continue to be the dominant Biz x Tech innovator. Innovation in the DX field is at the forefront of the times, and the exciting appeal of this challenge is attracting many talented people. In order to continue to draw in such talent, Simplex Group will continue to aspire to be a dominant innovator in the field of Biz x Tech. The third is to be the game changer in the age of DX for society. While more and more Japanese companies are facing challenges in DX, we are of the view that in-house production is not the only answer, and we aim to be the game changer who can have an impact on society.

Vision1000 sets out indicative targets of 100 billion yen in revenue, a 30% operating profit margin, and a 20% ROE by the early 2030s. If we can reach this level, we should finally be able to draw close to the top tier players in the IT industry in terms of operating profit.

# Vision1000

The Simplex Group Aspires to Be

**The one and only strategic partner**  
for Clients

**The dominant Biz x Tech innovator**  
for Employees

**The game changer in the age of DX**  
for Society

Indicative targets with an assumed  
achievement timeframe of the early 2030s

Revenue

**1,000** billion yen

Operating profit margin

**30**%

Return on equity

**20**%





### A passion to evolve myself from an Entrepreneur to a Leader

For FY3/2025, the first fiscal year of MTBP2027, the Simplex Group has set a target of exceeding 10 billion yen in operating profit for the first time since its founding. I am aware that there are only a few dozen managers in Japan who have consistently achieved operating profit of 10 billion yen or more in their own start-up companies. Although I am not a type of person who is eager to set personal goals, I feel that I will be able to make the transition from an Entrepreneur to a Leader only when I can generate 10 billion yen in operating profit on a regular basis. In that sense, while achieving 10 billion yen in operating profit is one step along the way for Vision1000, it is a number that I personally consider very important. Although it is my personal story, I am making my own preparations for FY3/2025, which will see me make the leap from an Entrepreneur to a Leader.

My responsibility as a manager to our shareholders and investors is nothing less than to aim for sustainable growth and high profitability. The numerical performance targets in MTBP2027 are my commitment, and I am prepared to take full responsibility as management if we fail to achieve them. In terms of our share price, we will continue to be mindful of conducting IR activities based on transparency and consistency so that volatility will be kept within a certain range, taking into consideration CAGR for both revenue and operating profit margin as indicated in MTBP2027.

Innovation is the source of our profitability and continued growth. What it takes to bring that innovation is creativity of our people. We will continue to focus on recruiting and training the top 10% of talent in the market who are passionate about making clients happy and who derive a sense of accomplishment through work. Finally, I would like to thank all of our employees for their dedication to creating innovation, and I would also like to thank our shareholders and investors for their continued support.

A handwritten signature in black ink, reading "Hideki Kaneko".

Hideki Kaneko

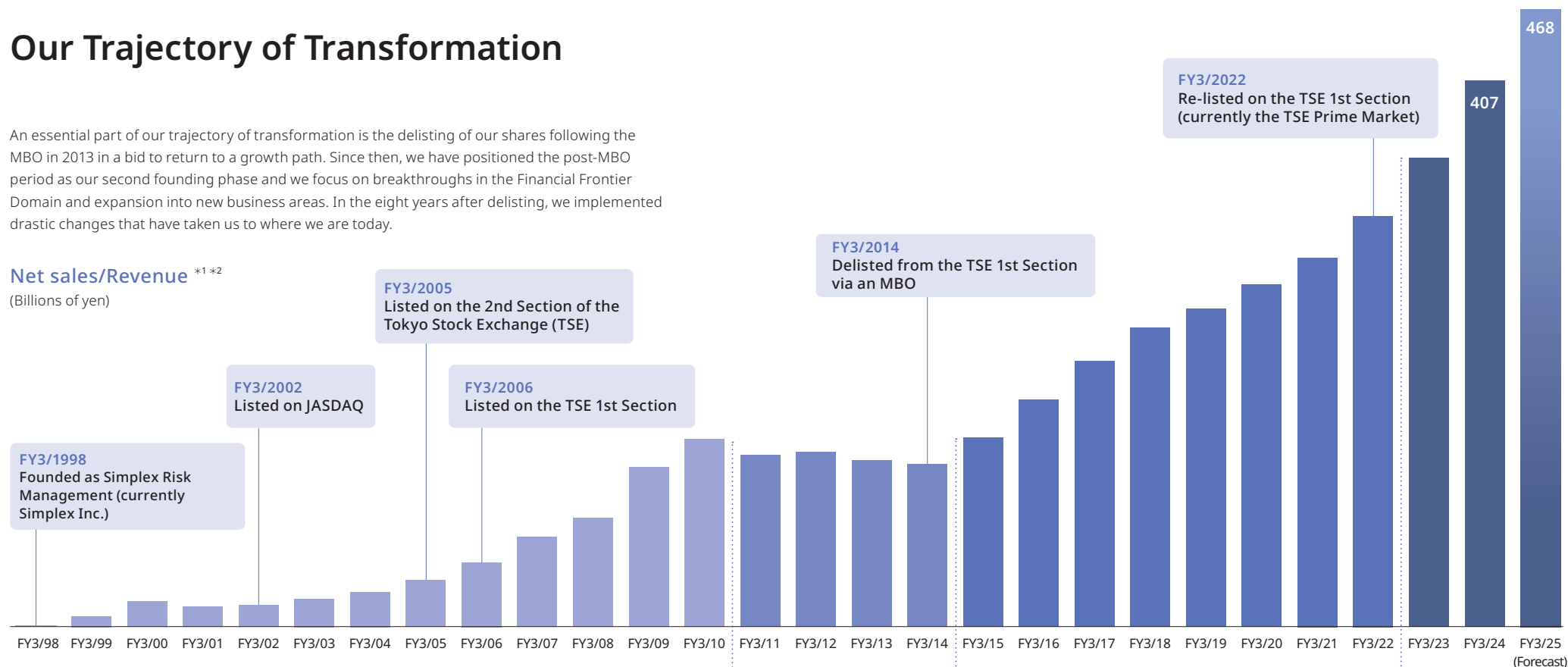
Representative Director, President and CEO

# Our Trajectory of Transformation

An essential part of our trajectory of transformation is the delisting of our shares following the MBO in 2013 in a bid to return to a growth path. Since then, we have positioned the post-MBO period as our second founding phase and we focus on breakthroughs in the Financial Frontier Domain and expansion into new business areas. In the eight years after delisting, we implemented drastic changes that have taken us to where we are today.

## Net sales/Revenue <sup>\*1 \*2</sup>

(Billions of yen)



### First founding phase and listing on the stock exchange (FY3/1998–FY3/2010)

Simplex, founded in September 1997 as Simplex Risk Management, expanded its client base and solution offerings by engaging in a system development business, with a focus on the Financial Frontier Domain. We supported financial institutions in improving profitability from a technology perspective, and steadily increased our earnings. Our shares were listed on the JASDAQ market in February 2002, and then on the 1st Section of the Tokyo Stock Exchange in September 2005. After the IPO, we continued to achieve steady earnings growth through FY3/2010 toward securing a position as Japan's leading provider in the Financial Frontier Domain.

### Earnings stagnation and MBO (FY3/2011–FY3/2014)

However, after FY3/2010, our earnings entered a downward trend to the extent that sustainable growth in the future could no longer be expected without drastic business restructuring. Under these circumstances, we decided to conduct a tender offer with the support of the Carlyle Group. We believed that, for us to sustainably increase our corporate value over the medium to long term, we needed to delist our shares by means of an MBO and establish a structure that would enable us to quickly and boldly implement management reforms under a consistent policy. After the completion of the tender offer, our shares were delisted from the 1st Section of the Tokyo Stock Exchange in October 2013.

### Second founding phase and re-listing (FY3/2015–FY3/2022)

While defining the period after the delisting due to the MBO as a second founding phase, we then spent the first four years on achieving a breakthrough in the Financial Frontier Domain, which had reached a plateau in its growth. This was done by thoroughly implementing a proactive consulting sales approach. During the latter four years, we developed the key technologies from the Financial Frontier Domain and took these into several new business areas that broadened our target clients outside financial institutions. In order to achieve further growth, we newly defined the Cross Frontier Domain as a business area in which technology could make a significant contribution to improving the profitability of client companies. In September 2021, we relisted on the 1st Section of the Tokyo Stock Exchange (currently the Prime Market of the Tokyo Stock Exchange).

\*1 Net sales for the period from FY3/2011 to FY3/2017 exclude those of Virtualex Consulting, which was a consolidated subsidiary from August 2010 to June 2016.

\*2 Revenue for FY3/2017 and beyond were prepared in accordance with International Financial Reporting Standards (IFRS).

## Group Overview

Since its founding in 1997, Simplex, the core company of the Simplex Group, has developed its business as a technology partner of Japan's leading financial institutions. Today, Simplex is recognized by clients in a variety of industries for its extensive know-how cultivated through building mission-critical systems to support the core operations of financial institutions and developing financial services to bring new user experiences. As such, we are given opportunities to support both financial institutions as well as public institutions and leading companies in various industries in promoting their digital transformation (DX).

Founded

1997

Revenue

407 billion yen

Revenue

88 billion yen

Gross profit margin

42.9%

Operating profit margin

21.7%

ROE

13.9%

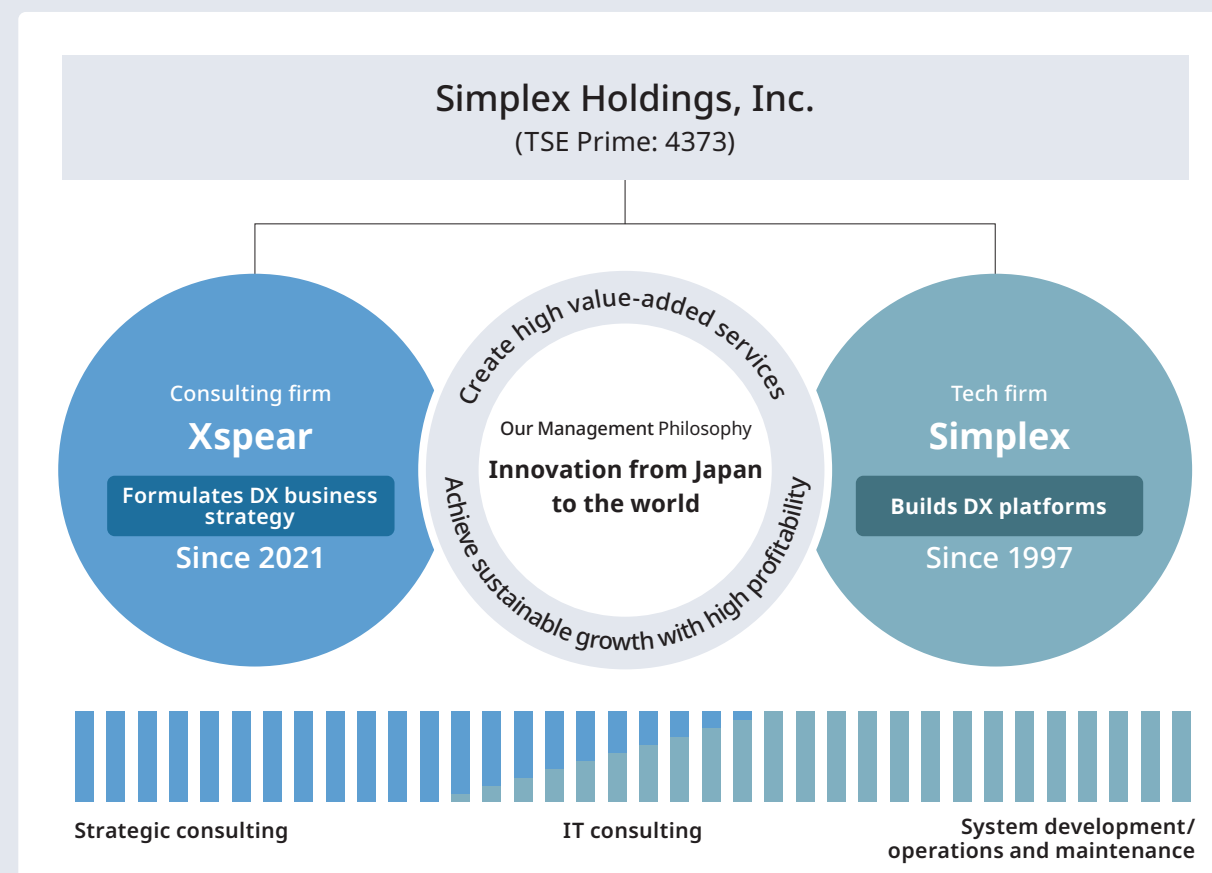
Number of employees

1,350

### Basic Management Policy

With the goal of bringing "Innovation from Japan to the world," all of us are united in our pursuit of "Creating high value-added services" that contribute to the business success of our clients. Our basic management policy is to contribute to clients as a technology partner with a solid understanding of their business and to constantly strive for achieving sustainable growth with high profitability. Currently, Simplex Holdings, a listed company, comprises Simplex, a tech firm founded in 1997 and Xspear, a

consulting firm established in 2021. The two core companies work to provide DX support to clients. Simplex and Xspear execute their business strategies as operating companies, while Simplex Holdings concentrates and strengthens its functions as a holding company to further enhance corporate value by formulating and promoting strategies and implementing appropriate governance and monitoring.





## Value-Creating Model



Top 10% of talent in the market



Extensive digital capabilities

►Page 11 Management Capitals

**Management capitals  
that drive value**



Reliability as a DX partner



Strong financial base

►Page 12 Business Model

Sources of Competitive Advantage

# Simplex Way

►Page 34 Materiality Issues

- ① Innovation and competitiveness
- ② Client relationship management
- ③ Human capital management
- ④ Product quality and safety
- ⑤ Response to environmental issues
- ⑥ Sophistication of governance

Foundations for Value Creation

- Page 35 Risk Management
- Page 49 Corporate Governance
- Page 55 Compliance
- Page 56 Information Security
- Page 57 Environmental Initiatives

►Page 11 Outcome



An organization where talented people thrive



Improvement in quality and evolution of digital capabilities

►Page 27 Strategy by Business Area

**High value-added services  
that contribute to clients'  
business success**



Domain expansion and high-quality revenue model



Achievement of sustainable growth with high profitability



# Management Capital

Capital classification	Human capital	Intellectual capital	Social and relationship capital	Financial capital
Management capital that creates value	<b>Top 10% of talent in the market</b> <ul style="list-style-type: none"> <li>Number of employees: 1,350</li> <li>Number of new graduate hires*1: 185</li> <li>Number of mid-career hires: 118</li> </ul>	<b>Extensive digital capabilities and IP rights</b> <ul style="list-style-type: none"> <li>Cutting-edge technology cultivated in the financial domain</li> <li>IP rights accumulated through contracted development</li> </ul>	<b>Reliability as a DX partner</b> <ul style="list-style-type: none"> <li>Ranked in the IDC FinTech Rankings, a ranking of the world's financial IT service providers, for the 12th consecutive year</li> </ul>	<b>Strong financial base</b> <ul style="list-style-type: none"> <li>Total assets: 79.2 billion yen</li> <li>Total capital: 47.0 billion yen</li> <li>Cash and cash equivalents: 13.7 billion yen</li> </ul>
	Positioning human capital as the most important management capital, we strive to recruit the top 10% of talent in the market and foster them. Hybrid talent well versed in both business and technology work as one team in pursuit of innovation by sharing the 5DNAs and the Simplex Philosophy.	Technologies such as AI, UI/UX, cloud and web3, which have been cultivated over many years in the financial domain, an early adopter of cutting-edge technologies, are also required for DX support in the non-financial domain. Through consulting inclusive of know-how provision, Simplex, as a tech firm, retains IP rights for substantially all systems	The Simplex Group has established a top brand position in Japan as a technology partner of major financial institutions, including Japan's leading banks, comprehensive securities firms, and online securities firms.	In order to prioritize investments for growth that will strengthen our business foundation, we are striving to maintain financial soundness based on our strong cash flow generating capability.
Outcome	<b>An organization where talented people thrive</b> <ul style="list-style-type: none"> <li>Turnover rate: 8%</li> <li>Rate of paid leave taken*2 :66.6%</li> <li>Proportion of female employees: 15.7%</li> <li>Proportion of female employees in managerial positions: 6.6%</li> </ul>	<b>Improvement in quality and evolution of digital capabilities</b> <ul style="list-style-type: none"> <li>Improvement in quality through re-use of IP rights</li> <li>Retention of IP rights in the non-financial domain</li> </ul>	<b>Domain expansion and high-quality revenue model</b> <ul style="list-style-type: none"> <li>Percentages of total revenue               <ul style="list-style-type: none"> <li>Revenue from Strategy/DX Consulting: 10%</li> <li>Revenue from non-financial Solutions: 20%</li> <li>Revenue from stable, lower-risk revenue sources: 63%</li> </ul> </li> </ul>	<b>Achievement of sustainable growth with high profitability</b> <ul style="list-style-type: none"> <li>Revenue: 40.7 billion yen</li> <li>Operating profit: 8.8 billion yen</li> <li>Gross profit margin: 42.9%</li> <li>Operating profit margin: 21.7%</li> <li>ROE: 13.9%</li> </ul>
	"Be a player" is one of our values that fosters a structure and corporate culture that promotes diverse career choices and employee growth. As a result of the introduction of the Commitment Declaration System, which allows employees to declare their own monthly overtime hours, and efforts to improve the labor share rate, the turnover rate dropped by 1ppt year on year to 8%.	By reusing retained IP rights as a library, we are able to shorten development times and ensure system stability. We have retained IP rights both in the financial domain as well as in the non-financial domain, allowing us to build and leverage the library in various areas.	By developing cutting-edge technologies cultivated in the financial domain, we provide high value-added services to clients outside the financial services sector. In addition, we have built a high-quality revenue model, in which stable, low-risk revenue streams expand in a cascading fashion as the one-time-fee business expands.	Against the backdrop of firm domestic DX demand, both revenue and operating profit reached record highs. The gross profit margin improved 1.1ppt year on year to 42.9% due to the revenue mix effect of Strategy/DX Consulting, which has a high profit margin, and unused safety cushions.
Management capital required for further growth and response measures	In order to achieve sustainable growth with high profitability, we must continue to strengthen our recruitment of talent; in the fiscal year ending March 31, 2025, we plan to hire 150 mid-career workers in addition to the 185 new graduates who joined the company in April 2024.	In order to maintain a high level of competitiveness in DX support, we need to constantly update our cutting-edge technology. By investing in human resources and in new and growing business domains, we strive to respond to changes in our clients' demand and business environment.	Given the high sales dependency on specific industry sectors, such as securities and banking, we are working to diversify our business portfolio through sales expansion in non-financial business domains, in addition to business development of Strategy/DX Consulting through Xspear.	When attractive investment opportunities arise that will strengthen the business foundation, such as M&A, we will allocate free cash flow to additional investments, and if there is a shortfall, we will prioritize debt financing to raise funds.
Relevant content	▶ Page 39 ESG: Social	▶ Page 17 Business Model	▶ Page 17 Business Model ▶ Page 23 Growth Strategy	▶ Page 23 Growth Strategy
Relevant materiality issues	<ol style="list-style-type: none"> <li>Innovation and competitiveness</li> <li>Human capital management</li> <li>Product quality and safety</li> </ol>	<ol style="list-style-type: none"> <li>Innovation and competitiveness</li> <li>Client relationship management</li> <li>Human capital management</li> <li>Product quality and safety</li> </ol>	<ol style="list-style-type: none"> <li>Innovation and competitiveness</li> <li>Client relationship management</li> <li>Human capital management</li> <li>Product quality and safety</li> <li>Sophistication of governance</li> </ol>	<ol style="list-style-type: none"> <li>Innovation and Competitiveness</li> <li>Client relationship management</li> </ol>

\*1 Based on the number of employees decided to be hired during the current fiscal year, and the actual date of entry is April 1 of the following fiscal year.

\*2 Since annual paid leave is granted on the record date of January 1 of each year, the figures are based on the results for the period from January 1 to December 31, 2022 and 2023.