

Chapter 03

Growth Strategy

Contents

24 CFO Message

27 Strategy by Business Area

28 Strategy/DX Consulting

29 Capital Markets

30 Financial Retail

31 Insurance

32 Enterprise DX

CFO Message

Aiming for a leap forward with MTBP2027 to achieve Vision1000

In October 2023, Simplex Group announced its Medium-Term Business Plan covering the three-year period beginning in FY3/2025 (MTBP2027). This also represents the midpoint of Vision1000, our long-term growth strategy. MTBP2027 has our short-, medium-, and long-term implementation strategies. It expresses our commitment to achieving numerical targets for FY3/2027, the final year of MTBP2027. As CFO, I would like to look back on our previous Medium-Term Business Plan that ended on March 31, 2024, as well as provide an overview of MTBP2027 and the status of our ongoing sustainability initiatives.

MTBP2024: A period when our Group synergies were fully demonstrated

Reflecting on MTBP2024

MTBP2024 was the medium-term business plan announced in December 2020 covering the three years from FY3/2022. During that period, DX became an urgent management issue across all industries. We drove our business forward by focusing on “domain expansion” and “deep-diving into domains.” The domain expansion was led by Xspear, our consulting firm established in 2021, as a hook. The “deep-diving into domains” was led by Simplex, our tech firm, driven by “the Simplex Way.” As a result, Xspear grew at a rate beyond our expectations and created synergies with Simplex, enabling us to achieve the numerical targets originally set for the fiscal year ended March 31, 2023—one full year ahead of schedule. Comparing the consolidated results for FY3/2021, the year immediately prior to the start of MTBP2024, and FY3/2024, the final year covered by the plan, revenue increased from 27.5 billion yen to 40.7 billion yen (for a three-year CAGR of 13.9%), and operating profit grew from 4.5 billion yen to 8.8 billion yen (three-year CAGR of 25.2%). Furthermore, the gross profit margin, our most important KPI, improved by 3.8 points to 42.9%, and the operating profit margin increased by 5.3 points to 21.7%. As a result, ROE also improved from 9.8% to 13.9%.



Keisuke Enosawa
Director and CFO
Simplex Holdings, Inc.

Essential achievements made during the MTBP2024 period

Allow me to touch on some of the essential achievements that Xspear brought to the Simplex Group during the MTBP2024 period. In the days when Simplex operated as a single entity, we secured projects after a client company had decided to develop a system, and we handled everything from IT consulting to system development and operations and maintenance, which we call “full-cycle coverage.” In fact, Simplex has always garnered the overwhelming support of departments that were the users of the systems, such as dealers and traders at financial institutions. Then along came Xspear, which added strategic consulting to the Simplex Group's service portfolio. Expanding the scope of our services through the inclusion of strategic consulting has allowed us to be deeply embedded in business model development. This was intended to be an evolution of our unique business model, the Simplex Way, which is characterized by full-cycle coverage from upstream to downstream. As a result, we were able to engage directly with leadership at client companies, an area we had struggled to reach in the past. This brought about a major change in the very nature of our business.

Changes in operating results during the MTBP2024 period

(Billions of yen, unless otherwise indicated)

	Year prior to MTBP2024 FY3/2021	Final year of MTBP2024 FY3/2024	Change (ppt)	3-year CAGR
Revenue	27.5	40.7	+13.2	+13.9%
Revenue	4.5	8.8	+4.3	+25.2%
Revenue	39.1%	42.9%	+3.8	—
Revenue	16.4%	21.7%	+5.3	—
ROE	9.8%	13.9%	+4.1	—

MTBP2027 as the midpoint toward Vision1000

Themes of MTBP2027

In MTBP2027, we continue to build on the fundamental strategies of MTBP2024 and promote “domain expansion” and “deep-diving into domains” by further leveraging intra-Group synergies between Simplex and Xspear. In the context of domain expansion, Xspear, positioned as the spearhead in exploring new domains, makes approaches to clients’ management through leveraging strategic consulting as a hook. By enhancing the Simplex Group’s reputation, we aim to increase the number of clients who recognize us as a strategic partner. Next, in the context of deep-diving into domains, we explore building relationships similar to that which we have with SBI Holdings and SBI SECURITIES. Specifically, we aim to go beyond mere outsourcing client-vendor relationships to combine resources and expertise of both parties for system development projects and establish structures for these. In doing so, we are committed to exceeding client expectations with outstanding results.

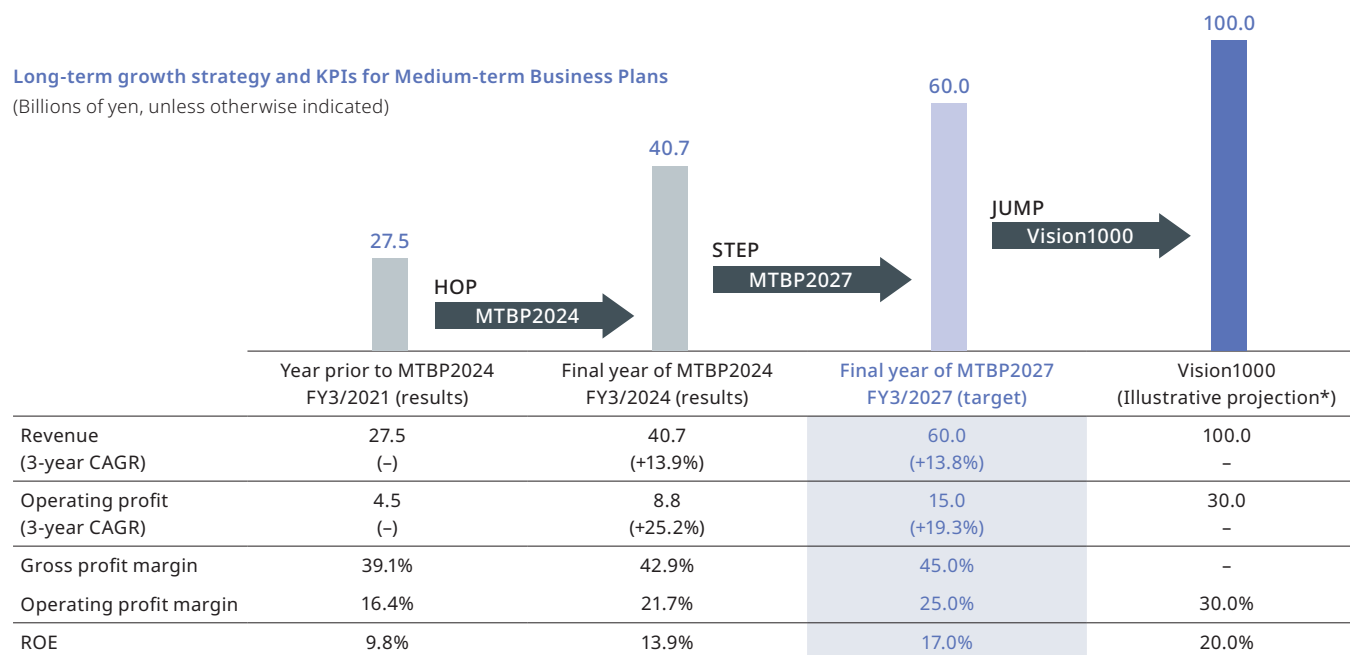
► Page 22 Case Study

Numerical targets of MTBP2027

Regarding numerical targets for the MTBP, we have set the figures for FY3/2027, the final year of the plan, as follows (changes versus the figures for FY3/2024, the previous fiscal year are shown in parenthesis). For FY3/2027, we plan to achieve revenue of 60 billion yen (an increase from 40.7 billion with a three-year CAGR of 13.8%) and operating profit of 15 billion (an increase from 8.8 billion yen with a three-year CAGR of 19.3%). In terms of profitability, the gross profit margin is expected to increase by 2.1 percentage points to 45.0%, due to a mixture of an increase in the proportion of revenue from Strategy/DX Consulting and improved productivity. The operating profit margin is expected to increase by 3.3 points to 25%, primarily due to an improved gross profit margin and a decline in the SG&A expenses ratio. We are also targeting an increase in ROE of 3.1 points to 17%. For FY3/2025, the first year of MTBP2027, we are targeting operating profit of 10.6 billion yen, up 19.8% year on year.

Long-term growth strategy and KPIs for Medium-term Business Plans

(Billions of yen, unless otherwise indicated)



* Aim to achieve by early 2030s (timeframe not specified)

MTBP2027's basic policy on capital allocation

We invest in growth that will lead to strengthening our business foundation. Among others, we place the highest emphasis on investing in our human resources. Positioning human capital as the most important type of management resource for value creation, the Simplex Group is committed to recruiting and training the top 10% of talent in the market. In MTBP2027, we will continue to actively recruit new graduates and mid-career professionals, while striving to create a system and corporate culture that promotes diverse career choices and employee growth. ► Page 39 ESG: Social

In addition, to realize Vision1000, it is also important to invest in new and growth domains. We have set a ratio of R&D expenses versus revenue at approximately 4% for each fiscal year. With a view to achieving further growth after MTBP2027, we intend to aggressively conduct R&D to expand our portfolio in growth domains. Regarding M&A, we will aim to acquire

or merge with companies that directly contribute toward strengthening the Simplex Group's core competencies, such as boutique consulting firms (that offer sophisticated expertise and services despite their relatively small size) and tech firms that boast high profitability. In particular, we intend to be more aggressive in acquiring boutique consulting firms and have factored in approximately 3.5 billion yen in revenue from inorganic growth for FY3/2027. On the other hand, we will also make minor investments in areas that indirectly contribute to strengthening our core competencies. One example of a minor investment undertaken during MTBP2024 was the investment in CIRCULATION Co., Ltd. This was done with the purpose of improving our ability to recruit DX professionals.

In line with this strategy, whenever attractive investment opportunities arise, we will first allocate free cash flow to additional investments. Then, if funding is required, we prioritize debt financing. We aim for a net leverage ratio of approximately three times as a guideline for raising funds.

Recognition of goodwill

Due to our MBO in 2013, our paid-in capital is larger than that of a typical company of its size. Our cost of capital is therefore less likely to reflect what the company requires. The funds for the MBO were mainly provided by debt financing and equity investments from the Carlyle Group's investment fund, (a private equity fund), on top of cash on hand and investments by our founding members. For this reason, our largest shareholder post-MBO was the Carlyle Group. Subsequently, in 2016, an absorption-type merger was carried out by a special purpose company with the Development Bank of Japan as the main investor. This was for the purpose of acquiring the company's shares held by the Carlyle Group's investment fund, resulting in the recognition of 36.4 billion yen of goodwill. All of the shares held by Development Bank of Japan were sold at our re-listing in 2021.

In light of this situation, we have made it our policy to set an ROE target as one of our KPIs. Assuming the absence of inorganic growth through M&A or other measures, we aim for a must-achieve target level of 17% ROE by the final year of the MTBP 2027 period, in addition to a long-term target of 20% ROE, a globally-recognized level.

ROE targets and shareholder returns

As we are committed to capital efficiency-conscious management, we recognize that shareholder returns, which contribute to improving capital efficiency, are also an important measure in capital allocation. Specifically, we will strive to enhance shareholder returns through dividends, considering business performance trends, ROE levels, growth investment opportunities, and other factors.

With regard to dividends, we have adopted a strategy of stable and sustainable increases in dividend per share through profit growth, and in March 2024, we changed our policy to raise the baseline dividend payout ratio from 30% to 40%. In addition, in line with our desire to have a shareholder return policy that contributes to improving capital efficiency, we intend to flexibly implement share buybacks, taking into account market conditions, including stock prices, on top of the aforementioned considerations regarding dividend decisions.

Sustainability initiatives

For us to continue growing sustainably in a changing business environment, we must look to the future of society as a whole (the source of our growth), and contribute to solving the issues we feel we can address. With this in mind, we intend to fulfill our social responsibilities and give back to society by continuously innovating and enhancing our competitiveness.

In our sustainability initiatives, we place particular emphasis on maximizing human capital. Our Sustainability Council was established in 2023 and is chaired by our Representative Director, President and CEO. In that forum, we discuss and make decisions on the Simplex Group's overall approach to sustainability, including the maximization of human capital.

In FY3/2024, as CFO and a process owner, I focused on identifying materiality issues and enhancing the information provided in our Annual Securities Report and corporate website. The creation of this Integrated Report is a further measure aimed at enhancing our disclosure. Although we still have a long way to go, we would greatly appreciate any feedback from our shareholders and investors on the Integrated Report, which we will use as valuable inspiration for future activities.

These efforts have also led to improvements in external third-party evaluations. For example, our latest MSCI (Morgan Stanley Capital International) ESG rating improved from BB to BBB. On the other hand, while our governance scores improved, our social and (in particular) human capital ratings remain low. We take the results of these evaluations very seriously and will continue to strengthen our information disclosure to ensure that our efforts are appropriately recognized.

External ESG rating

MSCI BBB

As of 2024, Simplex Holdings, Inc. received an MSCI ESG Rating of BBB.



Challenges and commitments as CFO

I joined Simplex as a new graduate in 2007. As an engineer, I fully dedicated myself to improving the profitability of our client companies. Later, after working in the corporate planning department, I was appointed CFO at our re-listing in 2021. Since then, I have been working closely alongside President and CEO Kaneko to implement IR activities. I recognize that one of our current challenges is to improve the liquidity of our shares in the stock market. To address this issue, we intend to broaden our investor base by holding discussions with shareholders and investors and implementing measures to increase awareness of Simplex Group.

In line with this aim, after the annual shareholders' meeting in June 2024, we held a shareholders' reception. This was the first reception of its kind since our re-listing (and the first in 11 years). The reception was attended by more than 200 of our shareholders and provided a wonderful opportunity for our management team, including outside directors, to engage in dialogue with them. We intend to reward our shareholders by returning profits through dividends from retained earnings and other means, as well as by increasing our corporate value. We will continue to devote ourselves to building a relationship of trust with our shareholders and investors through sincere IR activities.



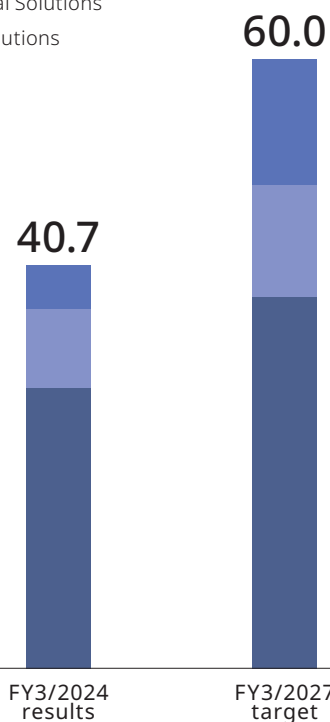
Strategy by Business Area

As the Simplex Group operates a single segment that develops business activities centered on the provision of IT solutions that contribute to the success of client's business, we do not disclose information by segment. Nevertheless, we do disclose information by business area after classifying into five areas based on major customers and markets. In MTBP2027, we have positioned Strategy/DX Consulting as our largest focus area and are promoting efforts for domain expansion and deep-diving in this area.

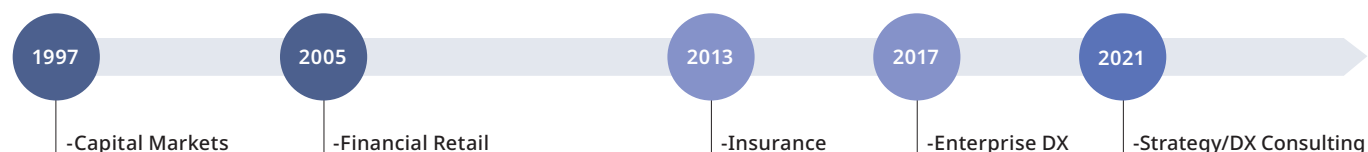
Change in sales portfolio projected in MTBP2027 (illustrative)

■ Strategy/DX Consulting
■ Non-financial Solutions
■ Financial Solutions

(Billions of yen)



Our history of business area expansion



Business area		Details of solutions and services	Revenue for FY3/2024
Non-financial Solutions	Strategy/DX Consulting	Provides management and corporate planning divisions across a wide range of industry sectors with DX-focused strategy formulation and execution support based on cutting-edge technologies such as AI, UI/UX, cloud, and web3.	¥4.2bn Provider Xspear
	Enterprise DX	Provides IT solutions specialized in DX support to non-financial institutions for government agencies, and sectors such as telecommunications, manufacturing, and entertainment.	¥2.7bn Provider Simplex
	Insurance	Provides IT solutions to support several insurance business processes from insurance design and application to policy management mainly for life and non-life insurers.	¥5.1bn Provider Simplex
Financial Solutions	Financial Retail	Provides IT solutions such as financial instrument trading platforms for individual investors to financial institutions particularly for online brokerage firms, online FX firms, and cryptoasset exchange service providers.	¥14.1bn Provider Simplex
	Capital Markets	Provides trading and risk management platforms and other IT solutions for institutional investors to financial institutions, mainly banks and comprehensive securities firms.	¥14.3bn Provider Simplex

For more detailed information, please visit our website.
https://www.simplex.holdings/en/ir/library/business_plan/



Strategy/DX Consulting

Aims to achieve further group synergies as a team of professionals who can directly deal with client management teams.

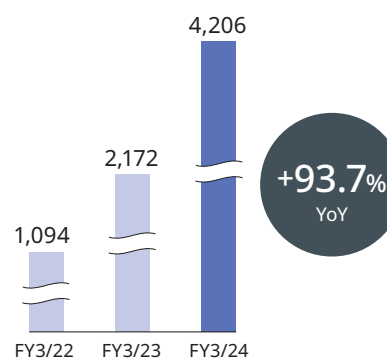
Strategy/DX Consulting provides management and corporate planning divisions for a wide range of industry sectors with DX-focused strategy formulation and execution support based on cutting-edge technologies such as AI, UI/UX, cloud, and web3.

Broad category Strategy/DX Consulting

Market entry 2021

Provider  X S P E A R

Revenue (Millions of yen)



Why Choose Xspear?

The foundation of Xspear lies on technological knowledge and insight cultivated by Simplex Group and in-depth understanding of specialized business field possessed by each consultant. Our strengths lie in our DX-focused strategic formulation and execution support so that clients in a wide range of industry sectors can optimize the use of cutting-edge technology, a critical driver of business today. In this way, we provide IT solutions for clients both in the financial domain, as well as in government agencies, telecommunications, manufacturing, software, media, entertainment, and venture businesses.

We are committed to navigating the stormy waves of the digital shift alongside our clients using our capability to make solid proposals and execute. The four values of Xspear are set out below. This should pave the way to success with a high degree of flexibility and mobility.

Value 1: Integrating cutting-edge technology and diverse domain-specific knowledge

We contribute to the development of clients' businesses by integrating ever-evolving technology with diverse domain-specific knowledge. Our consultants, who are knowledgeable about the client's business domain, ensure projects proceed smoothly.

Value 2: Solving issues through full cycle coverage from strategy formulation to implementation

Merely making proposals is not the end point for our goal. We aim to provide support through full cycle coverage from strategy formulation to research, verification, and implementation. Our engineers and consultants share the client's aspirations, and work with them to achieve their goals or go on to assess the effectiveness of our solutions and help them improve outcomes should this be necessary.

Value 3: Always approaching projects with a customer-first mentality

Our goal is to lead the client to success. We place the client's business domains, management policy, and problem-solving approach at the center of our solution development, and by responding flexibly to these factors, we provide highly satisfactory solutions.

Value 4: Accompanying and supporting clients until they can run on their own

We contribute to the development of highly capable human resources and provide accompaniment and support until our clients can run on their own. Xspear believes that experiencing processes of problem solving enhances individual skills and promotes personal growth.

Future Growth Strategy

In addition to active mid-career recruitment of experienced consulting professionals, Xspear also promotes intra-group transfers from Simplex, which has technological expertise and a proven track record. In this way, Xspear deploys personnel with practical skills to promote DX from both consulting and technological perspectives, and this is exactly what differentiates us from other consulting firms. We will continue to increase the number of consultants through mid-career hiring of experienced consultants and intra-group transfers from Simplex.

In addition, as another priority measure, we will explore opportunities to acquire boutique consulting firms that are relatively small but provide advanced expertise and services.

Strategy/DX Consulting, which is positioned as the largest area of focus in MTBP2027, will continue to support clients as a strategic partner to help them seize the future by meticulously solving various issues that differ from client to client and providing effective and comprehensive DX support. (▶ Page 20 COO Message)

[Reference] FAQs about Strategy/DX Consulting

- Q. Why did you carve out the consulting business as a separate operating company?
- Q. Why does demand for consulting in Japan remain strong?
- Q. What is Xspear's competitive advantage over its competitors?
- Q. What attracts senior consultants to Xspear as a career change destination?
- Q. Why can talent seconded from Simplex also actively play their role at Xspear?
- Q. What is the progress of M&A of boutique consulting firms?

Capital Markets

Accelerates talent development and the acquisition of cutting-edge technologies in the environment where advanced “Biz x Tech” is required

In our Capital Markets business, we provide trading and risk management platforms and other IT solutions for institutional investors to financial institutions, mainly banks and comprehensive securities firms.

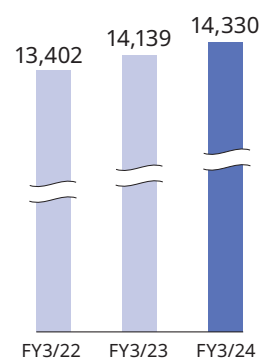
Broad category Financial Solutions

Market entry 1997

Provider

Simplex Inc.

Revenue (Millions of yen)



+1.3%
YoY

History of Capital Markets

Simplex is a unique tech firm that has been helping financial institutions increase their value by focusing on advanced financial technologies primarily for trading and risk management. Capital Markets, a core business domain that has remained unchanged since the firm was founded in 1997, has gone through three major phases of deep-diving.

Phase 1: Entry into the Securities Industry

Simplex demonstrated its value as a tech firm capable of implementing a full stack of services, from low-layer source code development to mission-critical system construction and 24/7 operations and maintenance. While major system companies were mainly localizing overseas packages, it did not take long for Simplex's bond front office system to become the de facto standard in the securities industry.

Phase 2: Expansion into banking

Since the 2000s, we expanded our business domain to the banking industry. Our trading systems can be used for more than 200 types of financial instruments, from plain vanilla products to small-volume exotic products and have become synonymous with Simplex. Based on our advanced financial technology and engineering capabilities, including a high-speed computing platform that enables real-time risk monitoring, we have become a household name in the banking industry.

Phase 3: Transition from individual optimization to overall optimization

We were responsible for building systems on a financial instrument-by-instrument basis in Phase 1 and Phase 2. For this reason, what we pursued during these phases was individual optimization. In contrast, Phase 3 after the MBO in 2013 was truly a challenge to achieve total optimization. Another major turning point was the need for regulatory response to strengthen risk management triggered by the collapse of Lehman Brothers in 2008. By providing a single platform that integrates trading and risk management for several major banks and securities firms that were facing advanced risk management challenges, we have achieved true business transformation that is not superficial DX.

Future Growth Strategy

Leading financial institutions, which are the major clients in Capital Markets, are enhancing their competitiveness and strengthening risk management through long-term IT investments with an eye to the future. We at Simplex Group have a strong belief that we can work with these clients to contribute to the development of capital markets. Based on this belief, we will continue our proactive consulting sales approach and focus on winning important projects that will benefit from our one-platform offering.

The modest growth rate for Capital Markets targeted in MTBP2027 is a strategic decision to focus our engineering resources on other growth areas. However, Capital Markets remains our core of core areas, as it brings evolution in our digital capabilities such as ultra-low latency, massive cloud, AI, and web3.

Also, this is an ideal area for the development of hybrid professionals, as Capital Markets requires not only advanced financial engineering, but also a high degree of business understanding. Simplex Group aims to maximize client value in capital markets and achieve sustainable growth through these innovations and talent development.

[Reference] FAQs about Capital Markets

- Q. What is the value of the one-platform offering?
- Q. How should we view the contribution of one platform to our business performance?
- Q. How much room is there for development of clients who are interested in one-platform offering?
- Q. What factors contributed to your breakthrough after the MBO?
- Q. Why is the growth rate in MTBP2027 so modest?
- Q. To what extent do you expect sales to expand over the medium to long term?

Financial Retail

Drives growth targeted in MTBP2027 and leads the joint venture to overwhelming success as its biggest mission

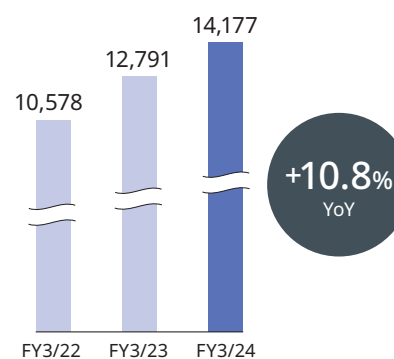
Financial Retail provides IT solutions such as financial instrument trading platforms for individual investors to financial institutions mainly consisting of online brokerage firms, online FX firms, and cryptoasset exchange service providers.

Broad category **Financial Solutions**

Market entry **2005**

Provider **Simplex Inc.**

Revenue (Millions of yen)



History of Financial Retail

In the early 2000s, widespread use of the internet and advances in technology enabled individual investors to trade stocks and other financial instruments online. Simplex has been a technology partner to financial institutions since those early days, evolving ourselves with the growth of the industry.

Phase 1: Launch of subscription services

We aspire to be a true technology partner committed to improving the profitability of financial institutions. With this in mind, we have launched a SaaS-type subscription service that provide systems planned and developed ourselves to multiple financial institutions as a service. A unique feature of this service is that in addition to the basic monthly fee, a portion of the financial institution's revenue generated through the use of the service is charged as a contingency fee. The advantages of low initial costs and quick business start-up have been highly evaluated, and we have been able to increase the number of clients who have adopted this service, particularly for stock and futures option systems.

Phase 2: Become the de facto standard for FX systems

FX systems that are the de facto standard have been essential to the growth of Financial Retail. Our FX system is equipped with an easy-to-use and intuitive UI/UX, infrastructure that can withstand rapid increases in trading volume, and complete security technology to protect personal information and trading data. The expertise we nurtured in FX systems is indispensable to our value creation in our technological capability that differs from that of Capital Markets.

Phase 3: To be the one and only strategic partner in a JV scheme

In the fiscal year ended March 31, 2024, the capital and business alliance with SBI Holdings and SBI SECURITIES, a comprehensive online securities company with the largest number of accounts and market share in Japan, attracted a great deal of interest from various stakeholders. Since the establishment of the joint venture in February 2023, we and SBI SECURITIES have gone beyond a mere client-vendor relationship and have been working as one team to promote system development projects and the establishment of the required structure.

Future Growth Strategy

Enhancing services for individual investors using digital technology is an important theme for financial institutions as they seek to improve customer satisfaction and strengthen competitiveness. We will continue to provide highly reliable platforms by leveraging our expertise as the top brand in Japan. In addition, we will work alongside financial institutions to help maximize their profits through detailed consulting services in response to market trends.

Currently, we are also expanding our business with in-house-oriented financial institutions that have long followed a policy of developing platforms in-house. We aim to achieve further growth in Financial Retail by using Xspear's consulting services as a spearhead to expand the scope of our support and earn the trust of clients' management teams.

One of the themes of MTBP2027 is to respond to SBI SECURITIES, which has chosen us as its one and only strategic partner, with overwhelming results. We believe the key to our sustainable growth lies in proving the effectiveness of this JV scheme by bringing together the resources and know-how of both parties to promote system development projects and the establishment of the required structure. (► Page 20 Case Study)

[Reference] FAQs about Financial Retail

- Q. How much room do you have to develop Financial Retail?
- Q. Do you have a plan to work on systems other than front systems in the future?
- Q. How do you see the contribution to earnings from the JV scheme with SBI SECURITIES?
- Q. What specific support services do you provide?
- Q. Will you be expanding the scope to include securities companies outside the SBI Group?
- Q. Is the JV scheme a scalable business model?

Insurance

Focusing on the expansion of library and the development of major insurer clients in a bid to win legacy system renewal projects.

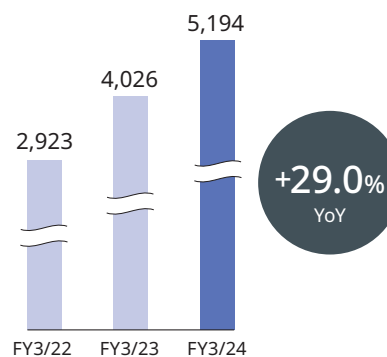
Insurance provides IT solutions that support a series of insurance business processes from insurance design and application to policy management mainly for life and non-life insurers.

Broad category Non-financial Solutions

Market entry 2013

Provider **Simplex Inc.**

Revenue (Millions of yen)



History of Insurance

Since 2010, competition in the Japanese insurance industry has intensified due to the emergence of online-only insurance companies and deregulation that has encouraged new entrants. Simplex entered the insurance market in 2013, and since then has been promoting DX in the insurance industry by leveraging its digital capabilities cultivated in the Financial Solutions domain.

Phase 1: Emergence of Online-only Insurance Companies

Our first insurance project was the construction of a front desk system for LIFENET INSURANCE COMPANY, a pioneer in the online insurance industry. They highly evaluated the UI/UX capability that we had cultivated over many years in Financial Retail, which was key to securing the contract. This experience subsequently led to the expansion of the online sales channel of a comprehensive insurance company, and the number of clients has been growing since then.

Phase 2: Establishment of a core system

The deregulation of the life insurance industry has encouraged new entrants into the industry, and this has brought a turning point for Simplex. We received an order for a core system construction project from a company entering the life insurance industry from a different industry sector. Around the same time, in 2022, we won a contract from an online-only, non-life insurance company for a project to renew their core system to feature an overseas package. We also built a core system covering all tasks of insurance operations, with a focus on policy administration, which plays an important role in operations for any insurance company.

Phase 3: For legacy system renewal

Traditional Japanese insurance companies are undertaking important initiatives to revamp legacy systems. However, they are struggling to find effective solutions due to difficulties in migrating data and a shortage of human resources. Our goal under Vision1000, to be achieved in the early 2030s, is to be a company that can assist major insurance companies in legacy system renewal efforts. Currently, through various system construction projects, we are working to expand the library required for large-scale legacy system renewal. (▶Page 17 Acquisition of IP Rights)

Future Growth Strategy

As we found out during our success in Capital Markets and Financial Retail, there are several essential processes to establishing top positions in niche areas. First, you must start any business with a challenger mindset. Even when achieving small successes, there will still be various challenges to tackle next. You can only become No. 1 by overcoming these. And to remain No. 1, you need to continue to take on the challenges that keep on coming.

In MTBP2027, along with the expansion of our library, an important theme is to enhance Simplex Group's reputation among major insurance companies. For the time being, we intend to work on improving our reputation through a variety of projects, including support for cloud migration and the establishment of core systems limited to certain products.

In addition, in renewing heavy legacy systems, it is essential to conduct a detailed analysis of existing systems and develop a renewal strategy that minimizes risks associated with data migration. By leveraging group synergies with our consulting firm Xspear, we hope to grow Insurance into a major pillar of our business, on par with Capital Markets and Financial Retail.

[Reference] FAQs about Insurance

- Q. What factors have enabled you to expand Insurance domain in such a short period of time?
- Q. Is the insurance system easy to generalize?
- Q. Are you also allowed to retain IP rights in the Insurance domain?
- Q. Tell us about the growth potential and strategies in the Insurance domain.
- Q. How do you plan to develop major insurance companies?
- Q. Are there any characteristics that differ between life and non-life insurance companies?

Enterprise DX

Aims to maximize synergies with Xspear by promoting the winning of projects using cutting-edge technology cultivated in the Financial Solutions.

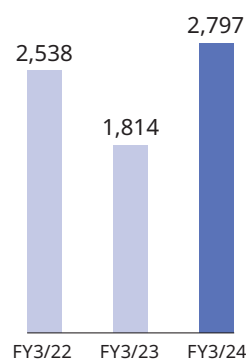
Enterprise DX provides IT solutions specialized in DX support to non-financial institutions such as government agencies, and sectors such as telecommunications, manufacturing, and entertainment.

Broad category Non-financial Solutions

Market entry 2017

Provider **Simplex Inc.**

Revenue (Millions of yen)



+54.2%
YoY

Defining Enterprise DX

We have a group of clients in non-financial sectors whose orders to Simplex Group do not reach a certain amount on an industry-by-industry basis. We collectively group these kind of industry sectors under "Enterprise DX." Therefore, we assume once the revenue from a sector in Enterprise DX reaches a certain size, the sector will be separated out as an independent business domain. Insurance has already been carved out as an independent domain ahead of other sectors, and the same process is expected in other sectors.

Why Choose Simplex?

The financial industry, also described as the information industry, is an early adopter of cutting-edge technology ahead of other industries. Here we demonstrate our digital capabilities, by which we have provided added value to the financial sector since our founding. These capabilities are also essential for non-financial sectors such as government agencies, telecommunications, manufacturing, and entertainment which are looking to promote DX to create new business models, improve operational efficiency, and enhance user experience.

Capability 1: AI

We provide AI solutions that can immediately accommodate to any client need, from strategy formulation to business implementation.

Capability 2: UI/UX

A team of UI/UX experts with a deep understanding of any client business will help the clients develop products with a focus on user experience.

Capability 3: Cloud

We support clients in implementing cloud services consistent with business strategies by leveraging our unparalleled knowledge gained from advanced case studies.

Capability 4: web3

Experts with extensive knowledge of crypto assets, the metaverse, NFTs, etc. work with clients to solve problems.

Future Growth Strategy

Our greatest group synergies are found in materializing business models and systemization concepts developed by Xspear, a consulting firm specializing in DX, with Simplex's digital capabilities. Specifically, Xspear discovers non-financial sector clients and provides system development projects to Simplex.

To expand the non-financial domain by leveraging these group synergies, we will continue to seek to maximize group synergies with Xspear in Enterprise DX. In addition, we will continue to promote winning projects that leverage cutting-edge technologies cultivated in the Financial Solutions domain, such as AI, UI/UX, cloud, and web3.

In light of the premise of Enterprise DX, which is to carve out an industry sector as an independent domain when its revenue reaches a certain size, we will aim for further expansion in promising industries such as government agencies, telecommunications, manufacturing, and entertainment.

[Reference] FAQs about Enterprise DX

- Q. How are you developing the Non-financial Solutions domain?
- Q. Are there any industry sectors that could be carved out as a new domain like Insurance?
- Q. Are you also allowed to retain IP rights in the Enterprise DX domain?
- Q. Why is the gross profit margin so high as in the Financial Solutions domain?
- Q. Tell us about projects that show the characteristics of Enterprise DX.
- Q. What can explain the high volatility of revenue from Enterprise DX?