Presentation Material

for the Nine Months Ended December 31, 2021

Simplex Holdings, Inc.
(Securities Code: 4373)

January 28, 2022

1. 3Q FY3/2022 Consolidated Results
2. Major Topics
3. Full-Year FY3/2022 Consolidated Forecast
4. Appendix (Financial Results / Company Outline)

3Q FY3/2022
Consolidated Results

Consolidated P&L Highlights

Simplex

Solid sustainable DX Demand has expanded our revenue opportunities. GP Margin has improved due to our new pricing policy.

(Millions of yen)	3Q FY3/2021 (cumulative period) Actual	% Revenue	3Q FY3/2022 (cumulative period) Actual	% Revenue	YoY Change	YoY Change (%)
Revenue	**20,728**	100%	**23,262**	100%	+2,534	+12.2%
Cost of Sales	**12,845**	62.0%	**13,228**	56.9%	+383	+3.0%
Gross Profit	**7,883**	38.0%	**10,034**	43.1%	+2,152	+27.3%
Amortization of identifiable assets	**335**	1.6%	**335**	1.4%	±0	±0.0%
SG&A expenses	**2,957**	14.3%	**3,865**	16.6%	+908	+30.7%
R&D expenses	**1,044**	5.0%	**866**	3.7%	(178)	(17.0%)
Other income and expenses*2	**102**	0.5%	**182**	0.8%	+81	+79.5%
Operating Profit	**3,649**	17.6%	**5,150**	22.1%	+1,502	+41.2%
+ IPO related expenses	**5**	0.0%	**157**	0.7%	+152	-
Adjusted OP	**3,654**	17.6%	**5,308**	22.8%	+1,654	+45.3%
Adjusted EBITDA*3	**4,419**	21.3%	**6,042**	26.0%	+1,623	+36.7%
Adjusted profit attributable to owners of parent	**2,325**	11.2%	**3,478**	15.0%	+1,153	+49.6%

Revenue **23,262** (year-on-year : +12.2%)

- Expanding profit opportunity because of increase in demand for DX*1.
- Limited impact from COVID-19.

GP Margin **43.1%** (year-on-year : +5.1P)

- From FY21, we implemented a new *pricing policy* under which our estimates of projects costs include an additional *safety cushion* depending on the complexity and size of projects.
- Actual result of 3Q FY22 represented a best scenario where we completed projects without having to use the *safety cushion.*
- In line with the recent solid sustainable demand for DX, the business environment continues to allow us to be selective about which projects to take.

R&D expenses **866** (year-on-year : -17.0%)

- Research and development expenses decreased because we focused on our clients' actual development projects.

*1 Digital Transformation (DX) : DX refers to the use of digital technologies to transform businesses, create new business models and enhance competitiveness

*2 Subsidies for employment adjustment and cancellation settlement money resulting from a merger of clients were included in *other income* for 3Q FY3/2022 (cumulative from Apr. - Dec.)

*3 Adjusted EBITDA = Adjusted OP + Depreciation and amortization + Amortization of identifiable assets

Revenue/GP Margin by Service Category

Simplex

GP Margin for system integration has improved backed by steady progress of projects under the new pricing policy.

(Millions of yen)		3Q FY3/2021 (cumulative period) Actual	% Revenue	3Q FY3/2022 (cumulative period) Actual	% Revenue	YoY Change	YoY Change (%)
Strategy/DX Consulting		**-**	-	**708**	3.0%	+708	-
	GP Margin	-	-	42.5%	-	-	
System Integration		**13,418**	64.7%	**14,790**	63.6%	+1,372	+10.2%
	GP Margin	36.9%	-	43.3%	-	+6.4P	
Operation Services		**7,304**	35.2%	**7,739**	33.3%	+435	+6.0%
	GP Margin	40.1%	-	42.6%	-	+2.5P	
Other		**6**	0.0%	**26**	0.1%	+19	+306.7%
	GP Margin	100%	-	100%	-	±0.0P	
Total		**20,728**	100%	**23,262**	100%	+2,534	+12.2%
	GP Margin	38.0%	-	43.1%	-	+5.1P	

Analysis of Revenue by Business Area

Simplex

Strategic/DX Consulting business has been successfully launched. Revenue from capital market-related projects has remained strong, backed by the steady progress of projects for major banks.

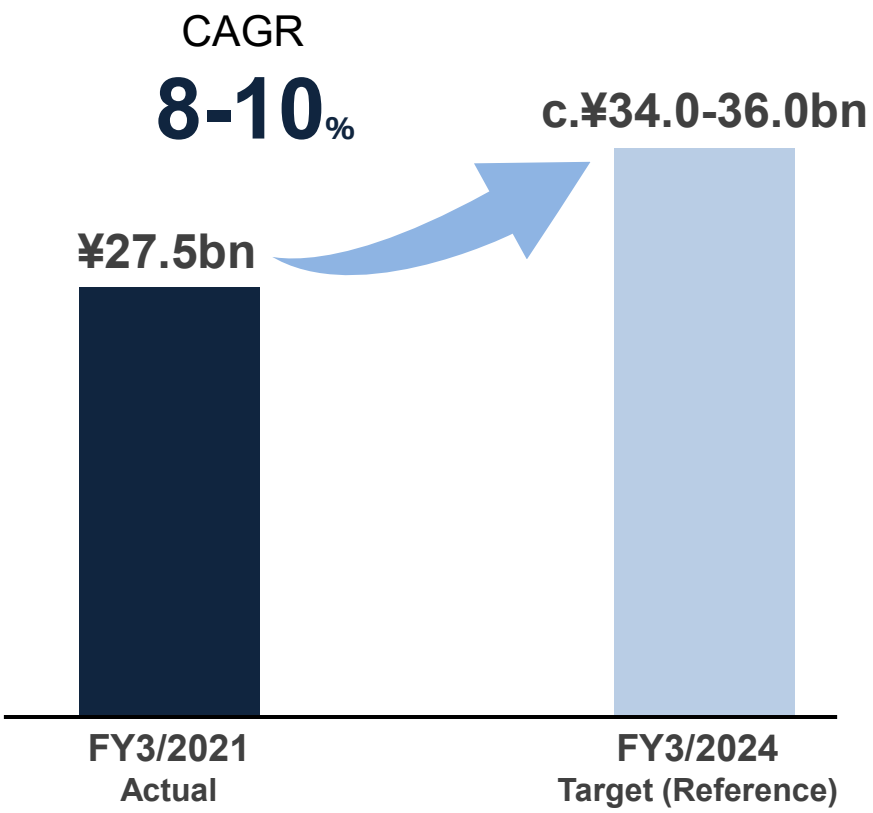
(Millions of yen)	3Q FY3/2021 (cumulative period) Actual	% Revenue	3Q FY3/2022 (cumulative period) Actual	% Revenue	YoY Change	Change(%)	Analysis of Revenue Contributing Factors: (+)Better/(-) Worse
Strategy/DX Consulting	-	-	**708**	3.0%	+708	-	+ DX consulting projects for financial/non-financial sector by Xspear, started in April 2021
Financial solutions	**16,179**	78.1%	**18,102**	77.8%	+1,924	+11.9%	
For capital markets*1	**8,753**	42.2%	**10,178**	43.8%	+1,424	+16.3%	+ Steady progress of projects, especially the platform construction project for a major bank
For retail*2	**7,425**	35.8%	**7,925**	34.1%	+500	+6.7%	+ *Deep Dive* is underway into major online securities firms
Life/Non-Life insurance	**2,555**	12.3%	**2,294**	9.9%	(261)	(10.2%)	− Focused on expanding Simplex library during FY2022 by intensively deploying top notch personnel into large-scale projects for life/non-life insurance clients, and to this end refrained from seeking smaller projects for now.
Enterprise DX*3	**1,970**	9.5%	**2,134**	9.2%	+164	+8.3%	− Suspended to receive new orders for ERP construction projects from general constructors + Driven by a large-scale project for a mortgage bank
Other	**24**	0.1%	**24**	0.1%	±0	(1.2%)	
Total	**20,728**	100%	**23,262**	100%	+2,534	+12.2%	

*1 Capital market: Business domain of trading and risk management for major banks and securities firms
*2 Retail: BtoBtoC services for retail investors through online securities trading, online FX trading, cryptoasset exchange
*3 We define enterprise DX as specific areas within the Cross Frontier Domain in which we have not achieved a certain threshold level of revenue.

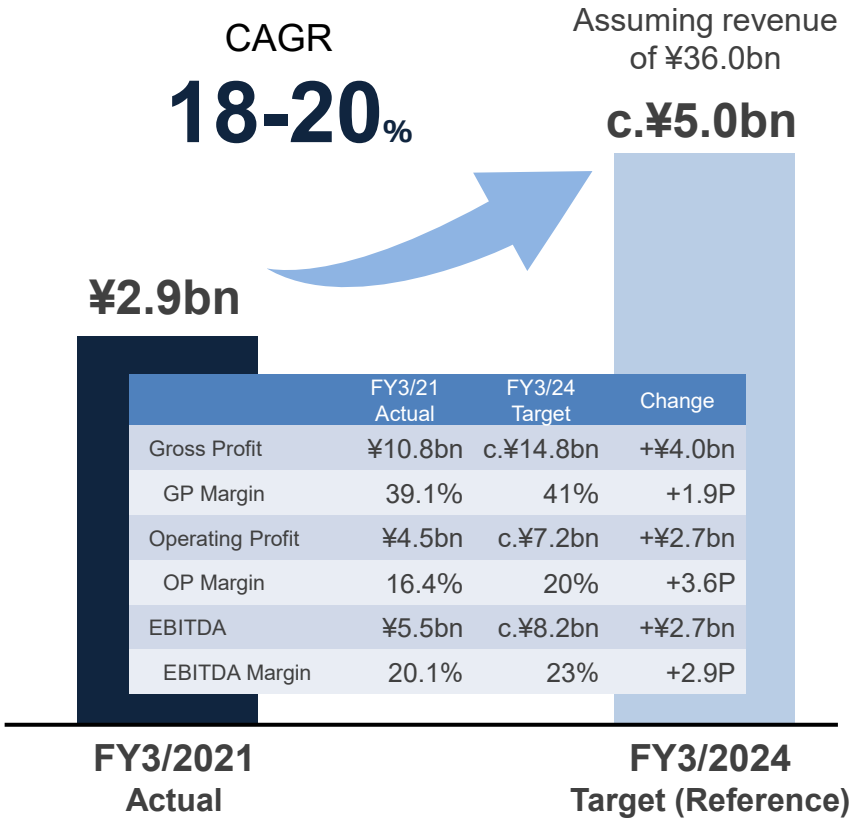
Major Topics

3-year medium-term business plan starting from FY3/2022: We aim for CAGR of 10% for revenue and 20% for profit.

Revenue



Profit attributable to owners of parent*



	FY3/21 Actual	FY3/24 Target	Change
Gross Profit	¥10.8bn	c.¥14.8bn	+¥4.0bn
GP Margin	39.1%	41%	+1.9P
Operating Profit	¥4.5bn	c.¥7.2bn	+¥2.7bn
OP Margin	16.4%	20%	+3.6P
EBITDA	¥5.5bn	c.¥8.2bn	+¥2.7bn
EBITDA Margin	20.1%	23%	+2.9P

* Profit attributable to owners of Simplex Holdings, Inc.

Simplex

Having expanded into the *Cross Frontier* business domain, we now focus on *Deep Dive, Domain Expansion and Strengthening Recruitment & Development.*

Medium-Term Business Plan: Business Focused

Xspear

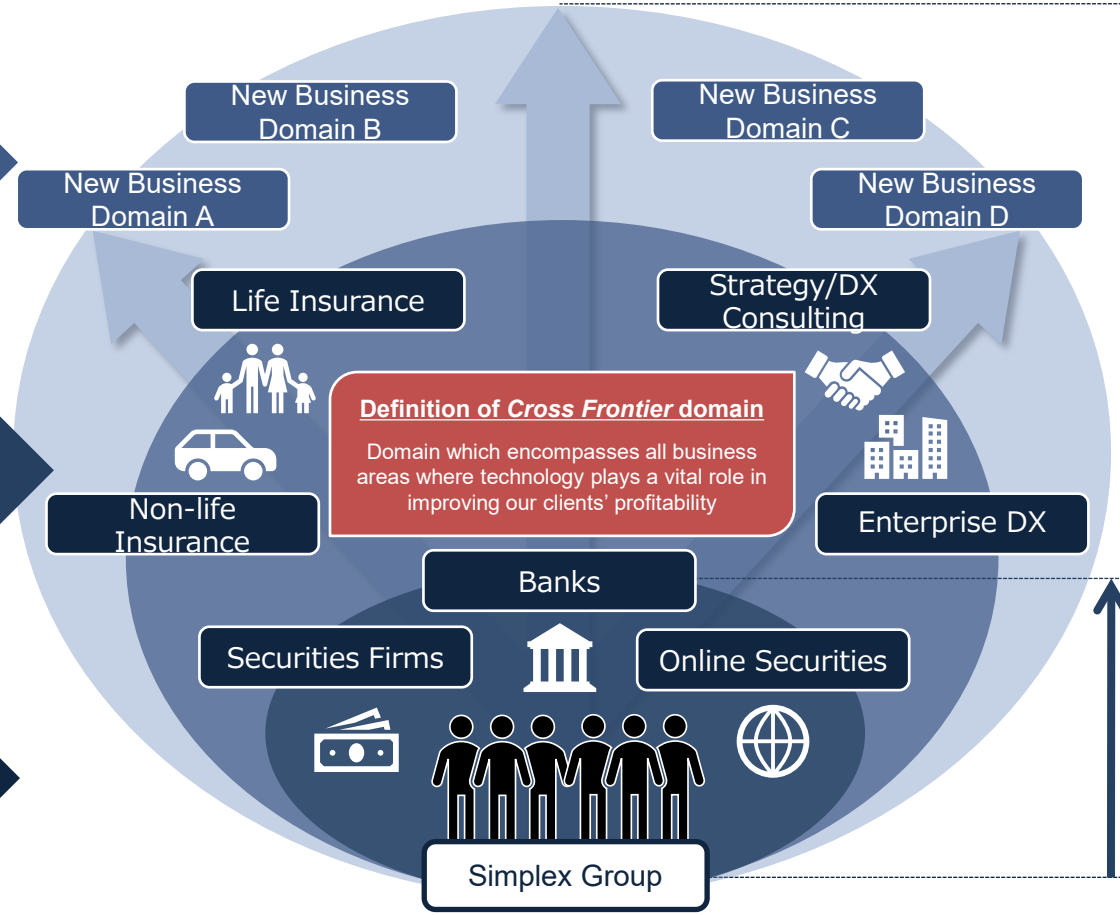
Domain Expansion
by Xspear, a strategy/DX consulting firm, as a spearhead

Simplex Inc.

Deep Dive
using the Simplex Way characterized by full cycle coverage/direct client engagement

Simplex Group

Strengthening Recruitment & Development
towards achieving further growth of Simplex Group as a whole



Strategy/DX Consulting Firm: Xspear

Started in April 2021 with 33 employees, Xspear, as of January 2022, has 56 employees. It generated revenue of 700 million yen during the nine months ending Dec. 31, 2021 and aims to achieve 1.0 bn yen revenue by the end of FY2022.

Simplex Group's Major Subsidiaries

Simplex Holdings, Inc.
(Holding company)

Simplex

Engaged in business management of subsidiaries and businesses incidental or related thereto

Simplex Inc.
(Group's core company)
Founded in Sep. 1997

Simplex Inc.

Providing system consulting, system development and operation and maintenance services

Xspear Consulting, Inc.
(Strategy/DX consulting firm)
Started in Apr. 2021

xspear

Providing consulting services focused on strategy and DX

Major Projects by Xspear

Government	Central Government Agency	• AI-based research and study of COVID-19 • Research and study on the formulation of AI-related guidelines and their provisions • Provided support for the service design business of an administrative agency to accelerate its DX efforts • Feasibility study of reinforcing the supervisory framework for subcontract transactions through the use of AI technology • Best practice study on employee engagement and effective ways to utilize them, etc.
	Incorporated Administrative Agency	• Study on supply chain risk management for cloud services • Study on security measures for SMEs taken by local financial institutions
Financial Institutions	Financial Institution	• Upgraded IT functions company wide (CIO advisory) • Provided close follow-up support for a system development project • Formulated the concept of a large-scale system revamp project • DX talent development lectures + New business planning workshops, etc.
Insurance	Life/Non-life Insurance	• Formulated the concept of a new service using HR tech • Developed project management talent for new business development
Non-financial Institutions	Entertainment Company	• Provided support for the implementation of the medium-term business plan and the launch of a new business, including NFT
	Retailer	• Analyzed issues and developed strategies to expand sales through BtoB EC channels
	Manufacturer	• Provided DX support for production, sales, and maintenance in collaboration with an AI startup
	Tech Venture	• Conducted a benchmark survey on business models and system functions of web services • Provided a range of support to launch an organization
	HR Tech Company	• Conducted a survey on best practices and supported the launch of operations with the aim of expanding HR technology business
	Manufacturer	• Conducted a benchmark survey on corporate governance
	TV Station	• Designed a web content online portal

Major Topics in the Financial/Insurance Sector

Simplex

Deep Dive into major online securities firms by leveraging group synergies, while vigorously engaging in DX matters for both life and non-life insurance companies.

	Major clients	Latest DX themes	Xspear's initiatives	Simplex's initiatives
Finance / Capital market	Banks Securities	✓ Enhancement of risk management ✓ Integration of banking and securities/IB business units ✓ Development of DX talents	• DX talent development support for major banks and securities firms • New service development support	• Support for constructing group-wide trading/risk management platforms for mega banks and other financial service providers
Finance / Retail	Online securities	✓ Enhancement of IT functions ✓ Discovering wider range of revenue sources	• Support for company-wide enhancement of IT functions for a major online securities firm, shifting from in-house only development	• Provision of subscription services that support to launch secure and agile financial services Robo Advisor
Insurance	Life insurance Non-life insurance	✓ Response to rapid digital transformation ✓ Market entry by non-insurance companies ✓ Retirement of legacy systems	• Support for launching insurance services leveraging digital technology	• Supplying total solutions that cover entire front-to-back operations of life insurance companies and construct a library • Support for replacing an existing system (provided by an overseas package solution vendor) for non-life insurance companies and construct a library

Awards

Ranked within top 100 for 10 consecutive years on the IDC FinTech Rankings, one of the most prominent rankings for technology vendors in the financial services industry

IDC FINTECH RANKINGS 2020 TOP 100

Received the "APN Competency Partner of the Year - Financial Service" award, given to a competency partner that has most significantly contributed to the AWS business

aws partner network

Validated

Financial Services ISV

Major Topics in Enterprise DX (for Non-Financial Sectors)

Simplex

As DX pioneers, leveraging our expertise acquired through assisting our financial clients. Xspear's consulting service will spearhead our expansion into non-financial sectors.

Enterprise DX (Non-financial sectors)

Major clients	Latest DX themes	Simplex Group's capabilities	Distinctive DX projects
General contractors	✓ Promotion of DX for core business processes	**Simplex** • Released the first ERP for a major general constructor in FY22 • Full-year forecasted revenue from general constructors for FY22:c. ¥900mn • We are not expecting any sales increase for a while (already included in the medium-term business plan)	 Provided support to build a secure cloud services platform (AWS),including data analytics
Mortgage banks	✓ Adopting digitalization and the cloud	**Simplex** • Our extensive knowledge and experience in the cloud were highly valued, and we assisted them adopt digitalization and the cloud of our first client mortgage bank	
Tech driven ventures	✓ Formulation of DX strategies	**Xspear** • Provided support for DX strategy planning/support for launch of an organization • Formulated the sales strategy for a job search engine service • Provided consulting on operations and supported implementation of AI solutions	 Developed measures to increase sales through digital channels using technologies represented by NFT
Entertainment companies	✓ Entry into the NFT business	**Xspear** • Developed measures to increase sales through digital channels using technologies represented by NFT	
Government agencies	✓ Adopting to New Normal	**Xspear** • AI-based research and study of COVID-19	Deep Percept for remote work Provided AI-based remote work solutions to enhance security with the increase in working from home

We are making a group-wide effort to strengthen recruitment and curb turnover rate. We are also revising labor income share as part of measures to attract and retain talent.

Simplex's initiatives

1 Accelerating **New Graduate Recruitment**

✓ Utilizing track record and brand

For FY2023/FY2024 Annual Target	For FY2023 New grads who accepted offer*1
200 / year	c.220

2 Focusing on **Mid-Career Recruitment**

✓ From FY 2022, we started focusing on strategic recruitment.

Mid-career employees hired in FY3/2021	Mid-career employees to be hired in FY3/2022
33	68

3 **Turnover rate** Improvement

✓ Revising the labor income share in view of a raise in bonuses and salaries which is aimed at winning the competition for hiring talent

✓ Having reflected related costs(¥0.6bn) in earnings forecast for FY3/2022

FY3/21 Turnover rate
11%



Xspear's initiatives

1 Focusing on **Mid-Career Recruitment**

✓ Hire senior, experienced consultants from other top-tier consulting firms

Annual Target	Current Status (Apr.-Dec. 2021)
30 / year	Hiring 2.5 people/month

2 Generating **Group Synergies**

✓ Junior professional at Simplex want to pursue a career in consulting are eligible to be seconded from Simplex

Junior professional seconded from Simplex as of January 2022	Xspear's employees as of January 2022
9	56

Xspear's Personnel Composition (Target) as of the end of March 2024*2

April 2021 (Actual)	+	Experienced Recruitment (Target) *2	+	Junior professional seconded (Target)	=	As of the end of March 2024 (Target)
33		75		50		150+

Major topics



Placed recruitment ad on YouTube to gain company name recognition

openwork AWARDS 働きがいのある企業 2022

Ranked #23 on OpenWork Awards' "TOP 50 Great Places to Work 2022"

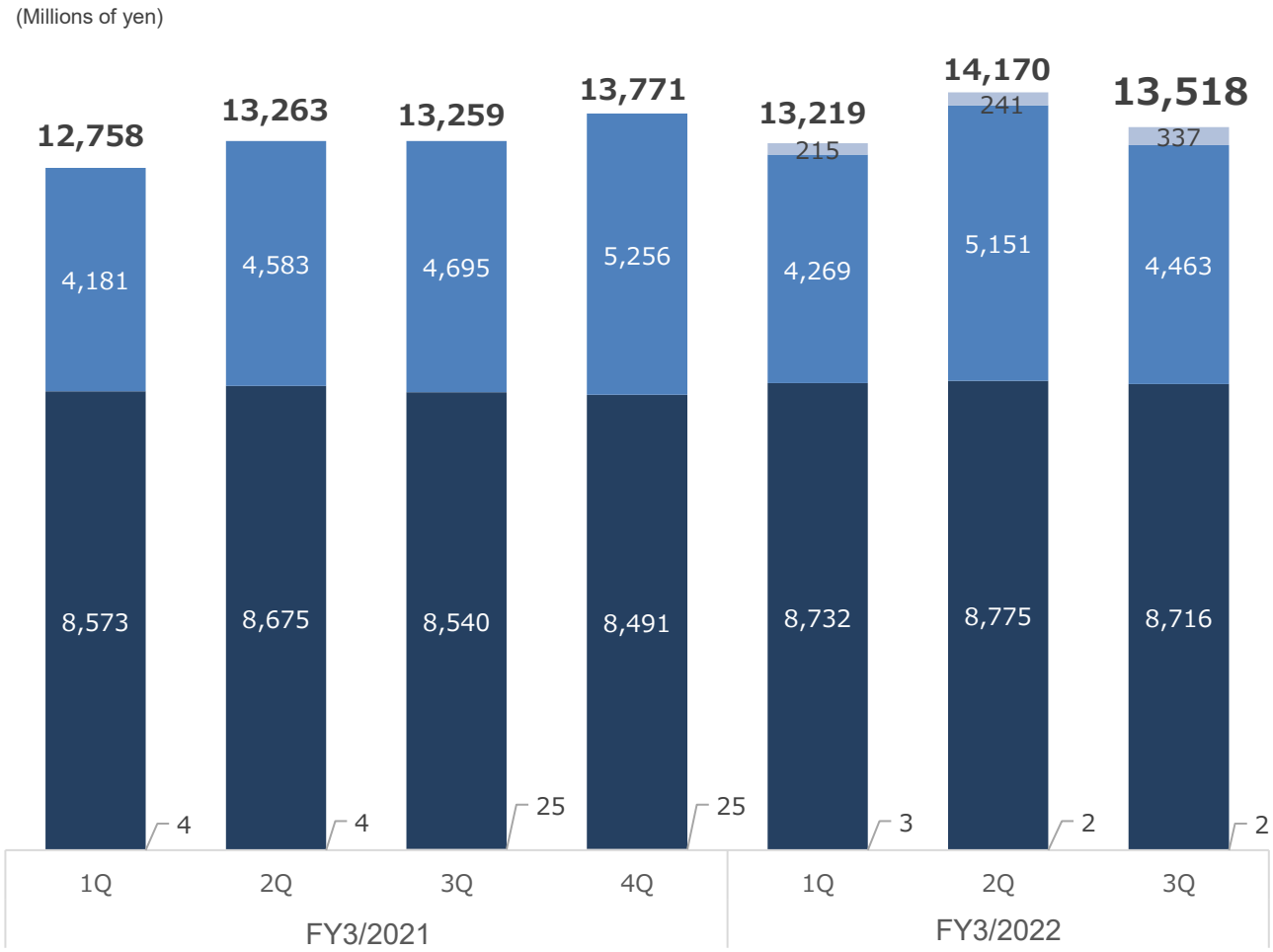
*1 As of Jan 2022 *2 Target after considering estimated turnover rate (historical turnover rate is not available because Xspear started operations in April 2021)

Full-Year FY3/2022 Consolidated Forecast

Balance of Outstanding Project Orders by Service Category

Simplex

The growth of the balance of outstanding project orders, driven mainly by operation services for recurring business, has increased steadily.



Balance as of end of 3Q FY3/2022

13,518 million yen

(year-on-year : +2.0%)

Of which, the balance of orders whose revenue will be recognized during the current fiscal year

5,513 million yen

- Strategy/DX Consulting
- System Integration
- Operation Service
- Other

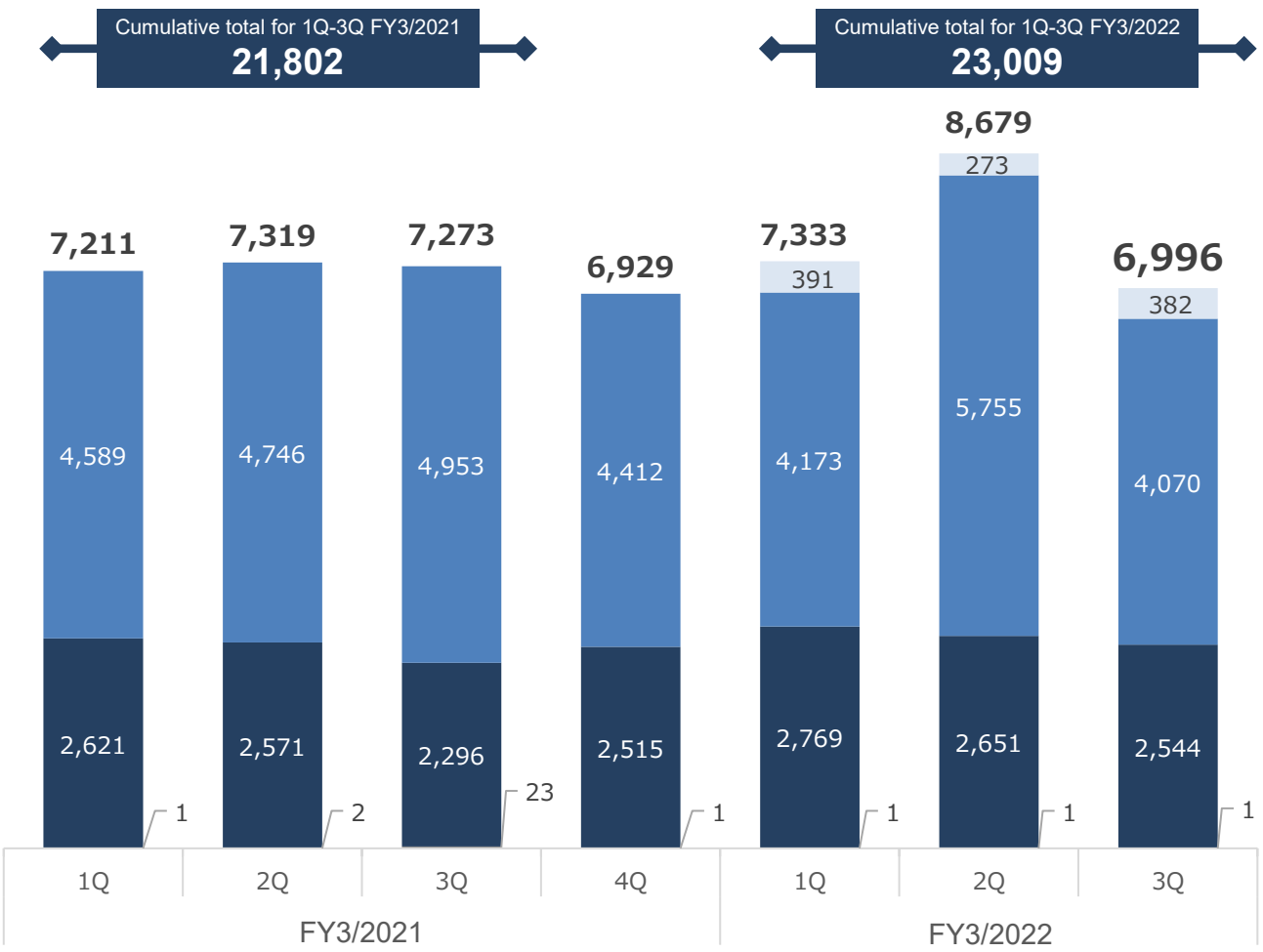
＊ For projects that require the development period of one year or longer until client acceptance, only the orders of which revenue will be recognized within a year are included in the balance of outstanding project orders.

＊ According to the past trends, we record the annual revenue of roughly 1.0 billion yen (each quarter revenue of roughly 0.25 billion yen) from the subscription services as pay-for-performance fee; however, we do not include it in the balance of outstanding project orders because it is not confirmed revenue.

Amount of Orders Received by Service Category

We determine that the cumulative orders received for 1Q-3Q FY3/2022 in the *System Integration* business are strong, despite the marginal drop from the highly concentrated 2Q to the 3Q.

(Millions of yen)



Orders received in 3Q FY3/2022 (Oct. – Dec.)

6,966 million yen

(year-on-year : -3.8%)

Orders received in 1Q-3Q FY3/2022 (Apr. – Dec.)

23,009 million yen

(year-on-year : +5.5%)

- Strategy/DX Consulting
- System Integration
- Operation Service
- Other

＊ For projects that require the development period of one year or longer until client acceptance, only the orders of which revenue will be recognized within a year are included in the amount of orders received.

Full-Year Earnings Forecast for FY3/2022

Simplex

In light of the progress up to Q3, we revised the full-year earnings forecast. We also revised the forecast of adjusted operating profit upward by 600 million yen, but we maintained the forecast of revenue and cash dividends.

(Millions of yen unless otherwise indicated)	Full-year FY3/2021 Actual	% Revenue	Full-year FY3/2022 Forecast as of Jan. 28	% Revenue	Change	Change(%)	Full-year FY3/2022 Previous forecast	Change from previous forecast
Revenue	**27,532**	100%	**30,300**	100%	+2,768	+10.1%	**30,300**	±0
Cost of Sales	**16,775**	60.9%	**17,242**	56.9%	+467	+2.8%	**17,421**	−179
Gross Profit	**10,757**	39.1%	**13,058**	43.1%	+2,301	+21.4%	**12,879**	+179
Amortization of identifiable assets	**446**	1.6%	**446**	1.5%	±0	±0.0%	**446**	±0
SG&A expenses	**4,011**	14.6%	**5,114**	16.9%	+1,103	+27.5%	**5,114**	±0
R&D expenses	**1,883**	6.8%	**1,450**	4.8%	−433	−23.0%	**1,800**	−350
Other income and expenses*1	**93**	0.3%	**182**	0.6%	+89	+96.0%	**94**	+89
Operating Profit	**4,510**	16.4%	**6,230**	20.6%	+1,721	+38.2%	**5,612**	+618
+ IPO related expenses	**30**	0.1%	**157**	0.5%	+127	+424.4%	**175**	−18
Adjusted OP	**4,540**	16.5%	**6,388**	21.1%	+1,848	+40.7%	**5,787**	+600
Adjusted EBITDA*2	**5,561**	20.2%	**7,381**	24.4%	+1,820	+32.7%	**6,812**	+568
Adjusted profit attributable to owners of parent	**3,005**	10.9%	**4,280**	14.1%	+1,275	+42.4%	**3,873**	+407
Annual dividends per share *3 (yen)	**—**	—	**23.00**	—	—	—	**23.00**	±0

Major reasons for the revisions

Revenue
30,300
Change from the previous forecast
±0

GP margin
43.1%
Change from the previous forecast
+0.6P
Previous forecast 42.5%
Due to strong DX demand, the business environment continues to allow us to be selective about which projects to take. A decline in unprofitable projects also contributed to the upward revision

Research and development expenses
1,450
Change from the previous forecast
(350)
We expect a decrease in research and development expenses because we prioritized actual clients' projects.

Adjusted OP
6,388
Change from the previous forecast
+600

*1 Subsidies for employment adjustment and cancellation settlement money resulting from a merger of clients were included in *other income* for 3Q FY3/2022 (cumulative from Apr. - Dec.)
*2 Adjusted EBITDA = Adjusted OP + Depreciation + Amortization of identifiable assets
*3 For cash dividends for FY3/2022, our policy is to pay the dividends once a year at the end of the fiscal year, aiming at a payout ratio of 30% of profit attributable to owners of parent.

Progress of Revenue as of the End of 3Q Compared to the Full-Year Forecast

Simplex

Progress of revenue as of 3Q end compared to the full-year forecast : 95.7%
The balance of outstanding project orders to be reported as revenue for the current fiscal year also showed a strong result.

Revenue full-year forecast	30.3 bn yen

Amount of outstanding project orders to be reported as revenue for the current fiscal year (as of 3Q end)	29.0 bn yen
Revenue (1Q-3Q actual)	23.2 bn yen
Amount of outstanding project orders (to be reported as revenue for the current fiscal year)	5.5 bn yen
Amount of pay-for-performance fees from subscription services (to be reported as revenue for the current fiscal year)*	0.25 bn yen

Progress of revenue against its forecast as of the end of 3Q FY3/2022	95.7 %
(Ref.) Progress of revenue against its forecast as of the end of 3Q FY3/2021	94.9 %

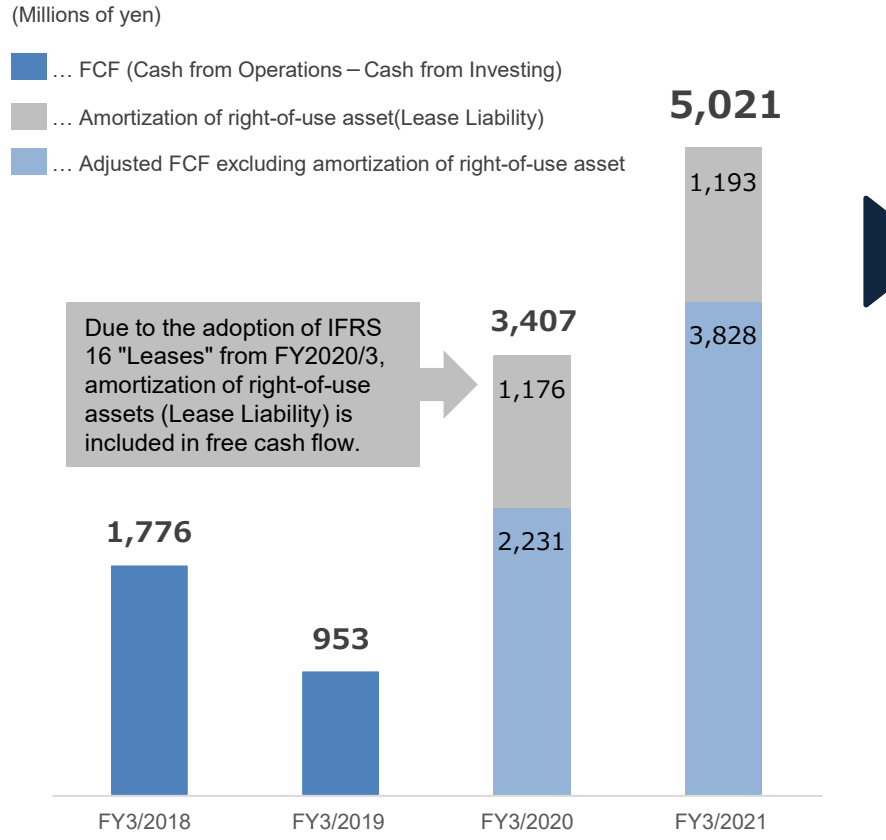
* Amount of pay-for-performance fees from subscription services to be reported as revenue for the current fiscal year is our estimate based on currently available information, and therefore, the actual amount may differ significantly from the estimate.

Appendix
Financial Results

Simplex

Aim for continuous and stable dividend payout from strong cash flow.

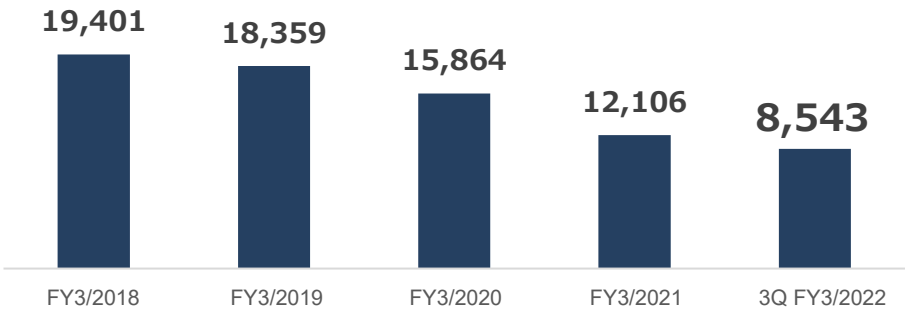
Free Cash Flow Transition



Capital Allocation

1. Strengthen financial soundness

Net Debt (Millions of yen)*1



2. Stable shareholder returns

- Aim to maintain dividend payout ratio of around 30%
- Consider share repurchases as an alternative method of delivering shareholder returns

3. Potential investments for growth within FCF

- Allocate FCF in case to identify attractive inorganic growth opportunities such as M&A

*1 Net debt : Debt - Cash and Equivalents

Financials Highlights BS/CF (Main Items)

Simplex

Balance Sheet

(Millions of yen)	End of 3/2021	End of 12/2021	Change %
Current assets	**14,921**	**18,698**	+25.3%
Cash and cash equivalents	8,068	11,102	+37.6%
Accounts receivable and other receivable	6,297	6,519	+3.5%
Non-current assets	**46,756**	**46,565**	(0.4%)
Property, plant and equipment	1,456	(38)	(102.6%)
Goodwill	36,476	36,476	±0.0%
Intangible assets	1,726	1,299	(24.8%)
Current and non-current liabilities	**30,216**	**28,976**	(4.1%)
Debt	20,174	19,644	(2.6%)
Equity	**31,462**	**36,287**	+15.3%
Equity attributable to owners of parent	31,457	36,287	+15.4%
Capital	285	746	+161.8%
Capital surplus	25,833	26,439	+2.3%
Retained earnings	5,227	8,596	+64.5%

	End of 3/2021	End of 12/2021
D/E ratio*1	**0.64**	**0.54**
Net D/E ratio*2	**0.38**	**0.24**
Goodwill / Equity (%)*3	**115.9**	**100.5**

*1 D/E ratio : Debt ÷ Equity attributable to owners of parent
*2 Net D/E ratio : Net debt ÷Equity attributable to owners of parent
(Net debt : Debt - Cash And Equivalents)
*3 Goodwill / Equity : Goodwill ÷ Equity

Cash Flow

(Millions of yen)	3Q FY3/2021	3Q FY3/2022	Change %
Cash from Operations	**1,965**	**3,865**	+96.7%
Cash from Investing	**(170)**	**(257)**	+51.2%
Cash from Financing	**(1,490)**	**(578)**	(61.2%)
Cash and cash equivalents at end of year	**5,692**	**11,102**	+95.0%

Goodwill

- Initially recognized goodwill of 36,476 million yen due to absorption-type merger by a Special Purpose Corporation whose main investor is Development Bank of Japan, Ltd., which aimed to acquire former Simplex shares held by the Carlyle Group's investment fund, which was the largest shareholder as of December 1, 2016
- All of the goodwill is allocated to a single segment as a single cash-generating unit, and impairment tests are conducted each period to confirm that the recoverable amount exceeds the carrying amount

Loan Repayment Plan

- Contract repayment of 570mn yen at the end of September and the end of March every year

Net interest-bearing debt (End of 3Q FY3/2022)

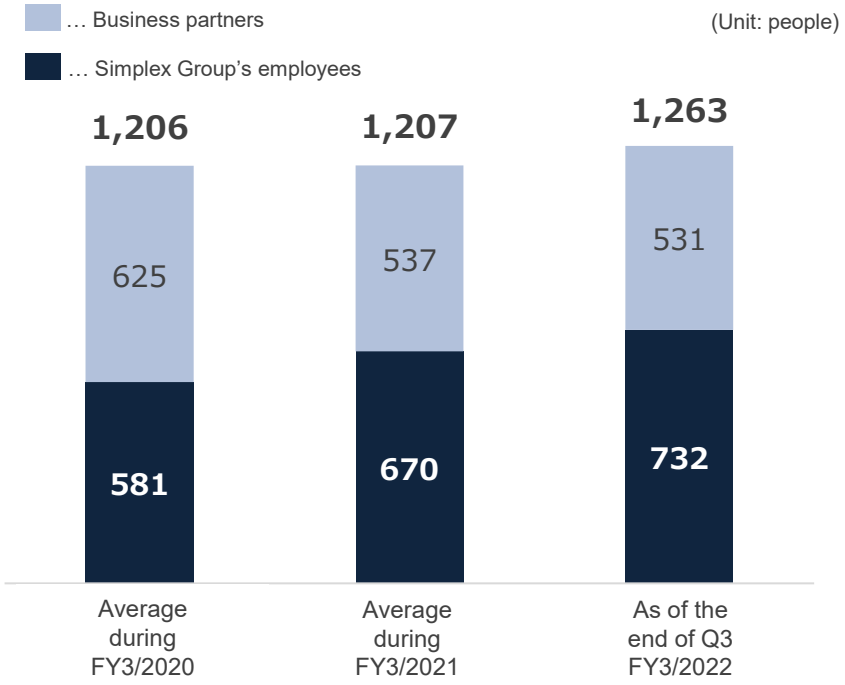
- Interest-bearing debt : 19,644 ¥Mn
- Cash and cash equivalents : 11,102 ¥Mn
- Net interest-bearing debt : 8,543 ¥Mn
- Free cash flow (for 9 months) : 3,608 ¥Mn

✓ Net interest-bearing debt: interest-bearing debt - cash and cash equivalents at the end of year
✓ Free CF : CF from operations - CF from investing
*Free CF, under IFRS 16 “Lease”, includes right-of-use asset amortization of 597mn JPY

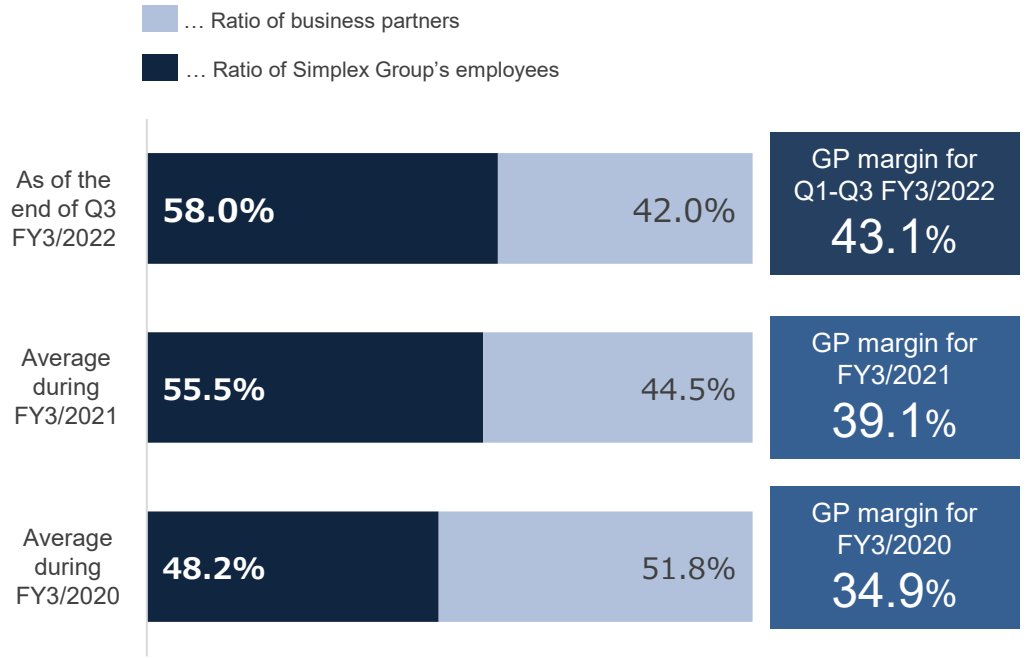
Numbers of Consultants and Engineers

The number of our employees compared to business partners is on the rise, because of our enhanced recruitment efforts. There is an increase in gross profit margin as a result of strengthened productivity and quality.

Numbers of Consultants and Engineers

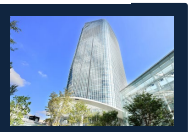


Ratio of Simplex Group's Employees and Gross Profit Margin



■ Definition of Simplex Group's employees
Consultants and engineers who are employees of the Simplex Group

■ Definition of business partners
Consultants and engineers sent from our business partners to work with our own human resources (Group's employees) at our offices



* The figures do not include employees in administrative departments or new graduates in training.
* Personnel expenses for consultants and engineers are charged either to cost of sales or research and development expenses.
* New graduates (joined in April) are assigned to worksites in August after 4-month training every year (They are assigned to administrative departments during the training).
* The consolidated number of employees, including those in administrative departments, as of the end of December 2021 was 824.

Appendix
Company Outline

Overview of Simplex Group

Simplex group was founded in 1997 as a financial start-up and has been providing services mainly to leading financial institutions in Japan. The group specializes in *Cross Frontier Domain,* in which technologies contribute greatly to clients' business success.

Overview of Simplex Holdings

Company Name	Simplex Holdings, Inc.
Established	September 16, 1997
Description of Business	Consulting service, system development, System operation and maintenance
Headquarter	Minato-ku, Tokyo, Japan
Capital	JPY 746Mn (as of December 31, 2021)
Additional Capital	JPY 26,439Mn (as of December 31, 2021)
Major Subsidiaries	Simplex Inc. Deep Percept Inc. Xspear Consulting, Inc.
Employees	865 (as of April 1, 2021)

Major Solutions and Percentage of Revenue

Post-MBO New Businesses Areas
(Life/Non-Life Insurance/Cryptoassets/Enterprise DX etc.)

Pre-MBO Financial Frontier Domain
(Banks/Securities Firms/Online Securities etc.)



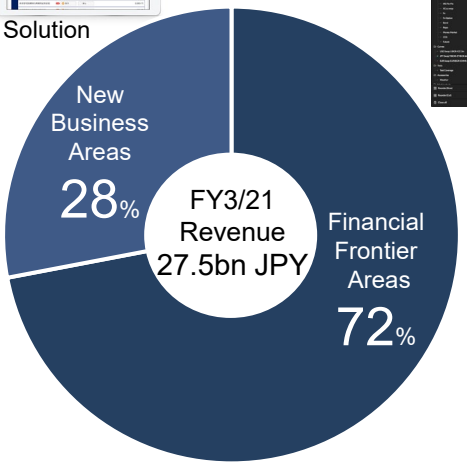
Insurance Solution



Trading and risk management systems for institutional investors



Crypto Asset Solution





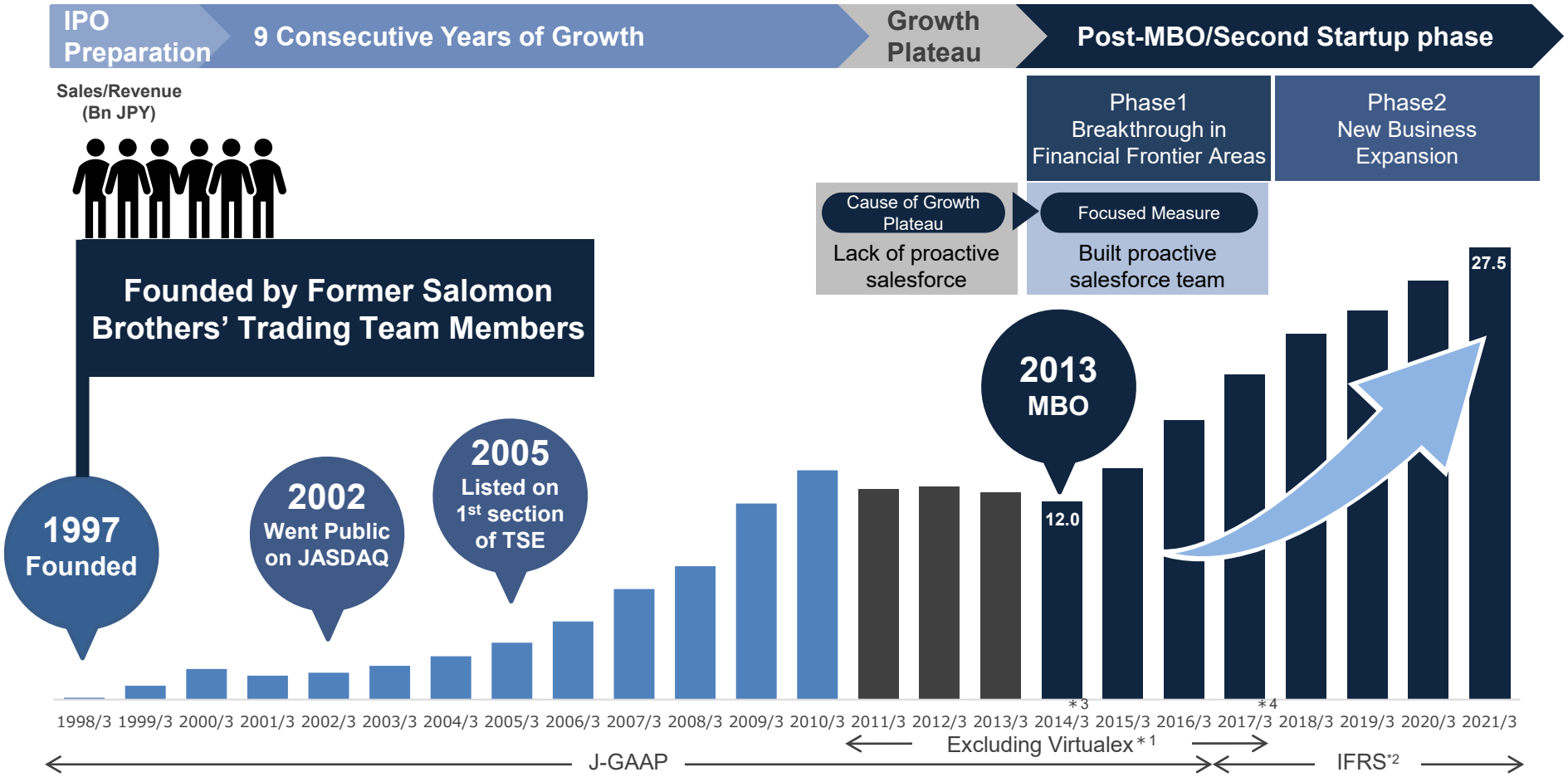


Trading solution for retail investors
(FX, equity, etc.)

6 Unique Attributes of Simplex Group

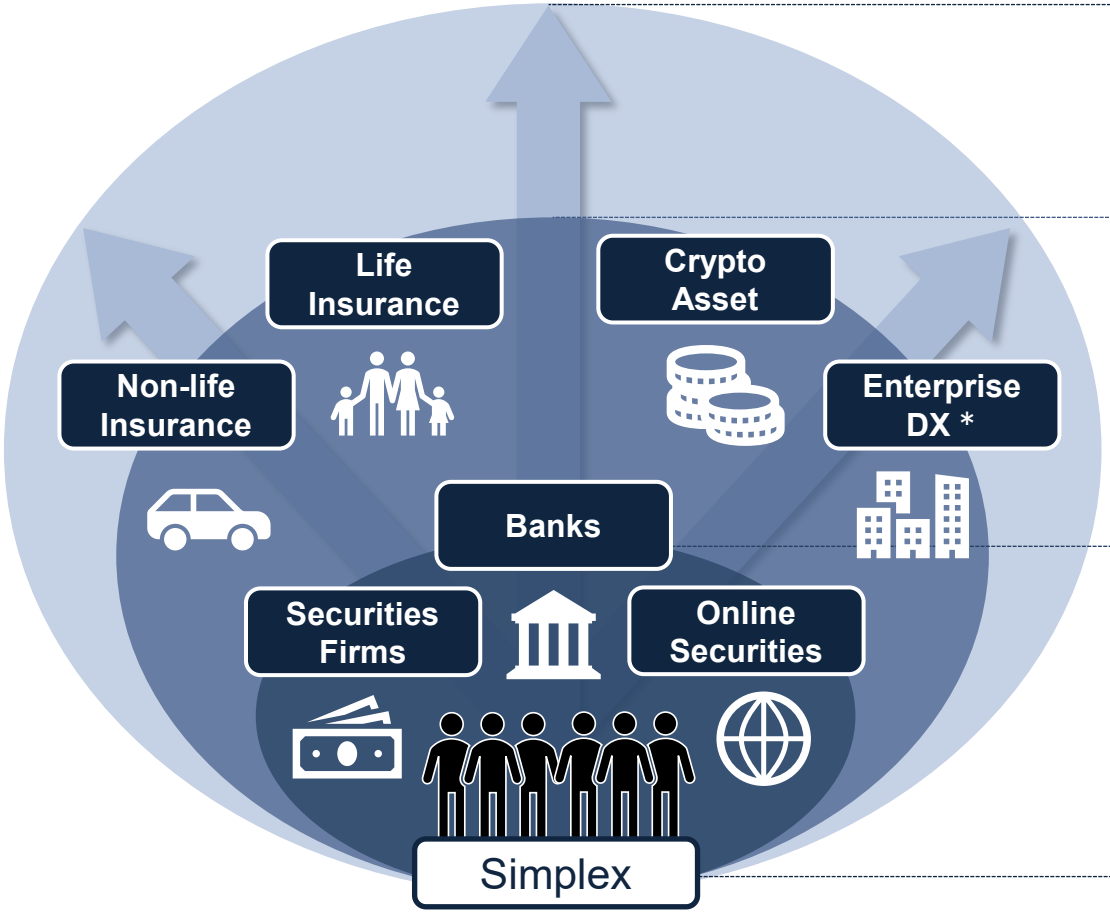
1	Founded in 1997 by Former Members of Salomon Brothers Trading Team
2	Reached the Top Fintech Firm Position in the Financial Frontier at the Forefront of Capital Markets
3	Achieved Industry-Leading Profitability, Business Continuation Rate, and Recurring Rate, Using the Simplex Way
4	Business Consulting Firm × System Integrator × SaaS Company
5	Expanding Businesses in a Wider Range of Industries by Leveraging Our Track Record and Expertise Gained from the Financial Frontier
6	Promoting the DX of Japanese Companies in the Cross Frontier Where Technology Plays a Vital Role in Clients' Business Success

Founded by a group of Salomon Brothers trading team members in 1997. Continuing consecutive growth since MBO to the most recent fiscal year.



*1 From FY3/2011 to FY3/2017, the sales of Virtualex Consulting, Inc., which was a consolidated subsidiary from 8/2010 to 6/2016, are excluded
*2 Started preparing financial statements based on IFRS from FY3/2017
*3 The figure for FY3/2014 are the simple combined results of former Simplex and Simplex Holdings excluding (i) the results of Virtualex Consulting, Inc. and (ii) the results of former Simplex (formerly named SCK Holdings Co., Ltd., established for the MBO in April 1, 2013) from April 1, 2013 to December 31, 2013, the period prior to its merger with Simplex Holdings
*4 The figure for FY3/2017 is the simple combined results of (i) current Simplex from December 1, 2016 to March 31, 2017 and (ii) the results of former Simplex from April 1, 2016 to November 30, 2016 prior to the absorption-type merger with a special company established on December 1, 2016 with the aim of acquiring Simplex shares held by the Carlyle Group's investment fund

We have been expanding in the *Cross Frontier* business domain where technology plays a vital role in improving our clients' profitability.



Cross Frontier Domain

Domain which encompasses all business areas where technology plays a vital role in improving our clients' profitability, including New Business Areas and Financial Frontier Areas.

New Business Areas

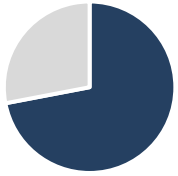
Business areas
we newly expanded into post MBO.



FY3/2021
Percentage of Revenue
28%

Financial Frontier Areas

Areas in which we have assisted financial institution clients to improve their profitability.



FY3/2021
Percentage of Revenue
72%

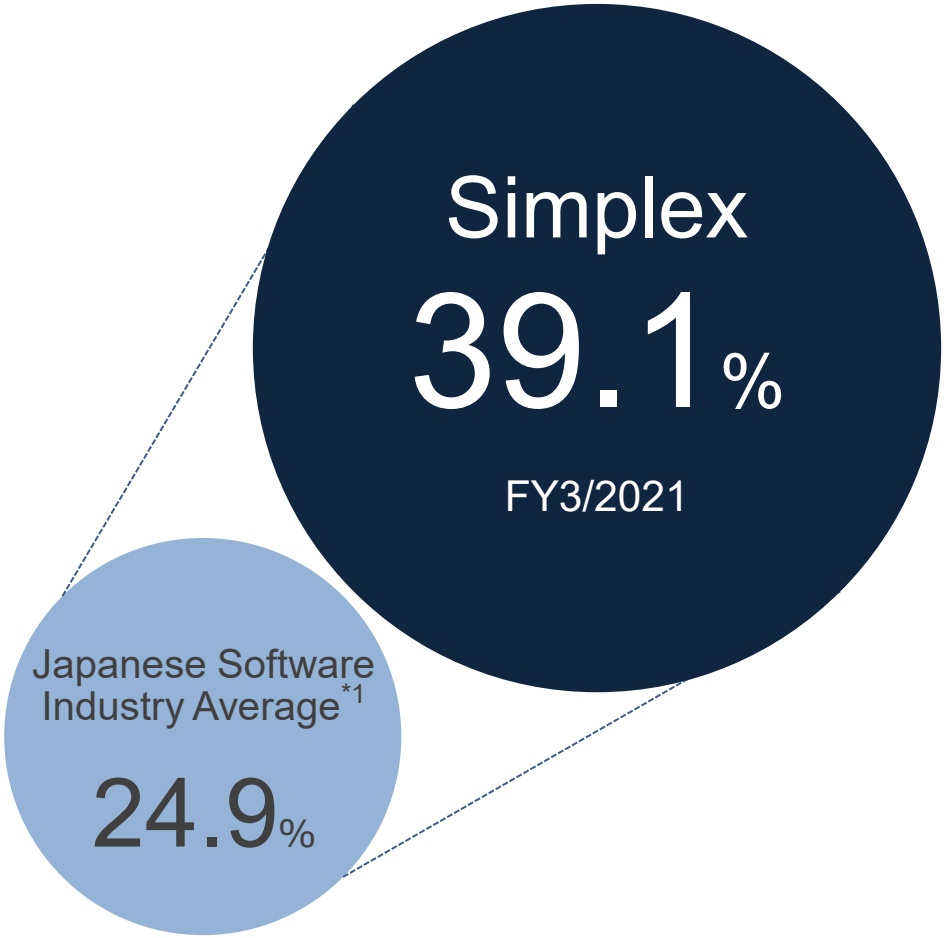
Including Financial Frontier &New Business Areas

∗ We define enterprise DX as specific areas within the Cross Frontier Domain in which we have not achieved a certain threshold level of revenue.
∗ Digital Transformation (DX) : DX refers to the use of digital technologies to transform businesses, create new business models and enhance competitiveness.

Gross Profit Margin as KPI

Simplex

GP margin has been our most important KPI since our inception. We aim to achieve industry-leading profitability.



3 Reasons Why We Emphasize GP Margin

1. Higher value of our consultants and engineers, which is majority of our cost, compared to those of our competitors.
2. Our ability to consistently and sustainably improve the productivity of highly skilled professionals.
3. The willingness of our clients to pay for the services we provide at prices reflecting the value we add.

GP margin indicates how much our clients value our services. Thus, we consider gross profit margin as our most important KPI.

*1 The software industry average is the gross profit margin of “Software Industry” in FY2018 according to the Ministry of Economy, Trade and Industry's Basic Survey on Corporate Activities "2019 Corporate Activity Basic Survey Confirmation Report-FY2018 Results" announced on June 29, 2020

Sources : Published documents of each company, the Ministry of Economy, Trade and Industry's Basic Survey on Corporate Activities "2019 Corporate Activity Basic Survey Confirmation Report-FY2018 Results"

Due to the impact of COVID-19, demand for DX continues to grow, underscoring the inadequacy of multi-layered vendor hierarchy in the domestic IT industry.

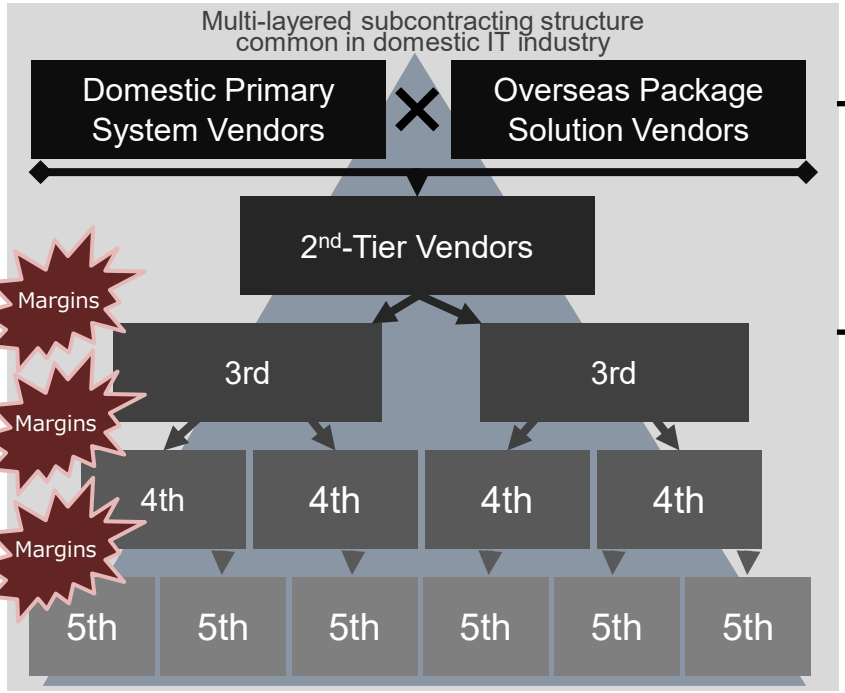
Clients

Large Consulting Firms

Up-stream

Project Phase

Down-stream



Market issues we have identified

Clear shortage of qualified personnel for DX
- ✓ Shortage of resources both at clients and their IT subsidiaries.
- ✓ Core systems tend to be obsolete and "black-boxed"

Lack of commitment to future expansion phases, which are the core of DX deployment
- ✓ Higher demand for technology-driven consulting
- ✓ Many of these firms do not engage in development or operations and maintenance phases in most cases

Overseas packaged solutions lack flexibility
- ✓ Domestic primary systems integrators promote overseas package solution vendors, but these solutions lack flexibility for customization and tend to be "black-boxed"

Intermediary margins caused by multi-layered vendor hierarchy
- ✓ Development and maintenance contracts are passed to downstream firms, giving rise to intermediary margins, and costs are transferred to clients

Industry structure with little commitment for clients' business success
- ✓ Engineers at lower-tiers who actually write source code and conduct operations and maintenance are paid lower compensation, and are structurally less incentivized to prioritize clients' success
- ✓ The most high compensated staff at the top of the hierarchy engage primarily in managing lower-tier vendors

Our Business Model : The Simplex Way

We achieve efficiency and industry-leading profitability through our business model that disrupts the prevailing multi-layered vendor hierarchy in Japan.

Simplex

Simplex Way

Full Cycle Coverage
Engagement in all phases from upstream consulting to downstream maintenance

Direct Client Engagement
Aiming primary vendor and developing in entire projects without outsourcing to lower-tiers

Hybrid Talent Development
Training of talent proficient both in business and technology

Operations Services
Ability to Keep Enhancing

Hybrid Talents Offer Services as One Team

Consulting
Ability to Plan Business Strategy

System Development
Outstanding Technology

Clients



Improving Productivity by Standardizing Our Expertise

Simplex

We retain the rights to IP that we develop through our consulting services. By leveraging our accumulated know-how in the Simplex library, we can provide new solutions faster with fewer steps.

Client A

Provide Know-how



* Hybrid talent offers know-how through consulting

Retain IP

* Made possible by our upstream consulting
* As primary vendor, we can negotiate with clients

Client B

Leverage Library

* Reduce development steps by modifying existing components

Client C

Subscription Services

* Monthly service fees are charged

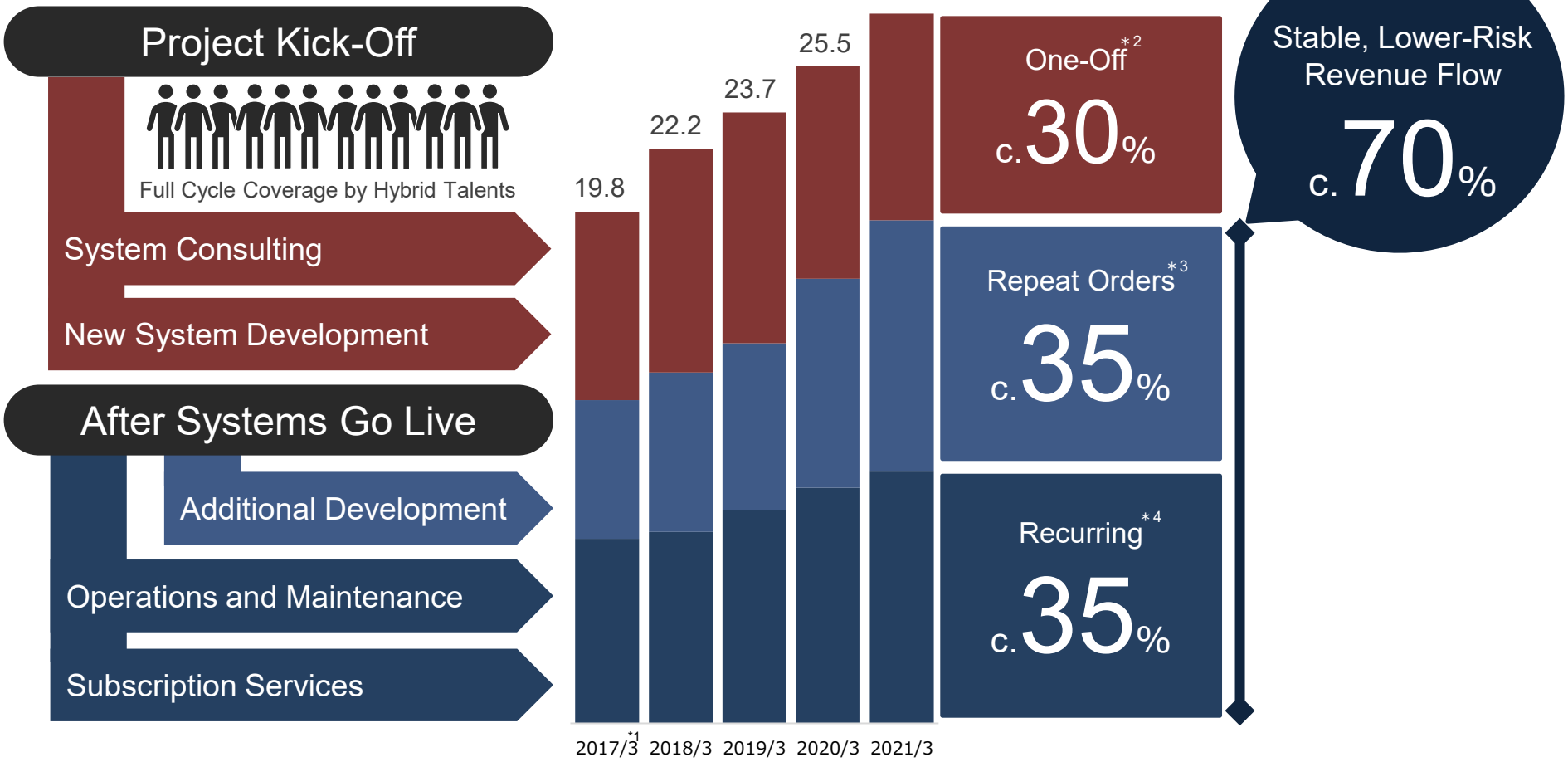
Simplex Library

Merits of Utilizing Library

- Reduce Steps for Development and Testing
- Shorten Delivery Lead Times
- Improve Quality

Simplex

Our business model enables us to capture stable, lower-risk revenue flows from repeat orders and recurring business.



*1 Revenue for FY3/2017 are the simple combined results of (i) current Simplex from December 1, 2016 to March 31, 2017 and (ii) the results of former Simplex from April 1, 2016 to November 30, 2016 prior to the absorption-type merger with a special company established on December 1, 2016 with the aim of acquiring Simplex shares held by the Carlyle Group's investment fund. Revenue for FY3/2017 excludes the sales of Virtualex Consulting, Inc., which was a consolidated subsidiary from 8/2010 to 6/2016.

*2 One-off Business: Business that builds a relationship with a client and generates revenue from discrete projects.

*3 Repeat Orders: Orders as additional orders we receive from existing clients in our systems integration business relating to previously completed systems integration projects.

*4 Recurring Business: Operations and maintenance services and SaaS solutions.

Our Training Method to Develop Hybrid Talents

Simplex

Our recruitment focuses on hiring new graduates and giving them effective training. Roughly 70% of our current employees*1 were initially hired as new graduates.

Hybrid Talent Training Method

1
- Leverage our brand recognition built over many years of hosting and participating in new grad recruitment events.
- Hire many graduates from top universities in japan who have potential to become top-tier professionals.

2
- Assign new hires and prospective hires to clients' on-sites after they finish the new recruitment training in August.
- In order to immerse new hires thoroughly in technology training, assign them to system development projects for the first several years.

3
- Utilize our proprietary business model, the *Simplex Way,* characterized by Full Cycle Coverage and Direct Client Engagement in niche business areas.
- Employees then obtain professional knowledge and skills through on-the-job training.

Business × Technology

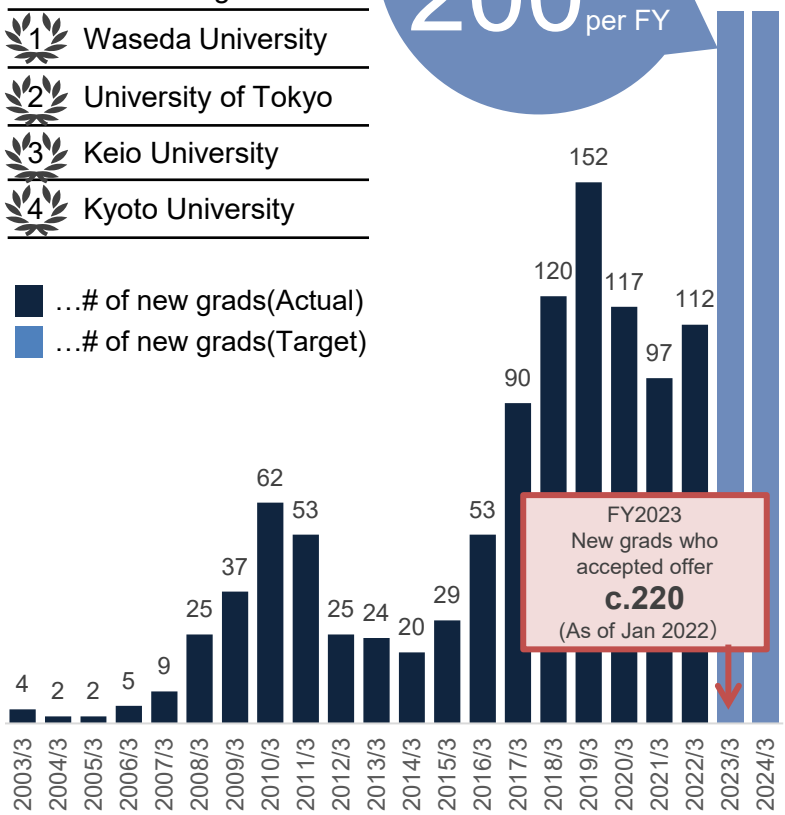
Train employees to be hybrid talent proficient both in business and technology

Top universities where we recruit new grads*2

1. Waseda University
2. University of Tokyo
3. Keio University
4. Kyoto University

New Grads Hiring Targets for FY23 and FY24

200 per FY

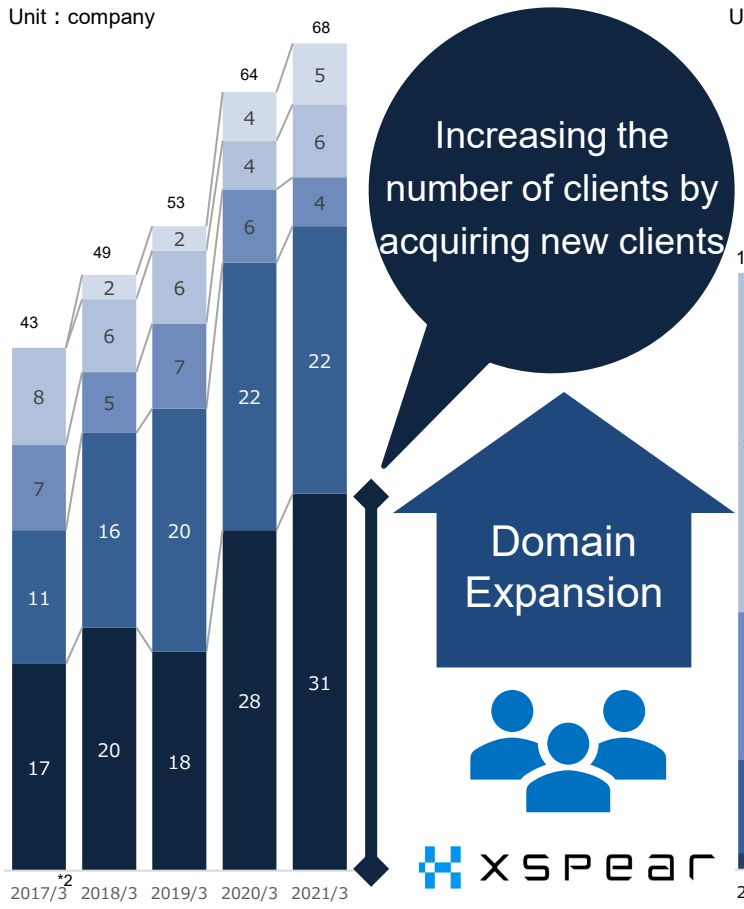


*1 Enrolled employees as of April 2021 (General staff only)
*2 For all employees hired as new graduates, as of October 2020

Domain Expansion by acquiring new clients and *Deep Dive* by increasing revenue per client

Category 1	Client with 2bn+ JPY annual aggregate contract size
Category 2	Client with 1–2bn JPY annual aggregate contract size
Category 3	Client with 0.5–1bn JPY annual aggregate contract size
Category 4	Client with 0.1–0.5bn JPY annual aggregate contract size
Category 5	Client with less than 0.1bn JPY annual aggregate contract size

Client Breakdown by Annual Aggregate Contract Size*1

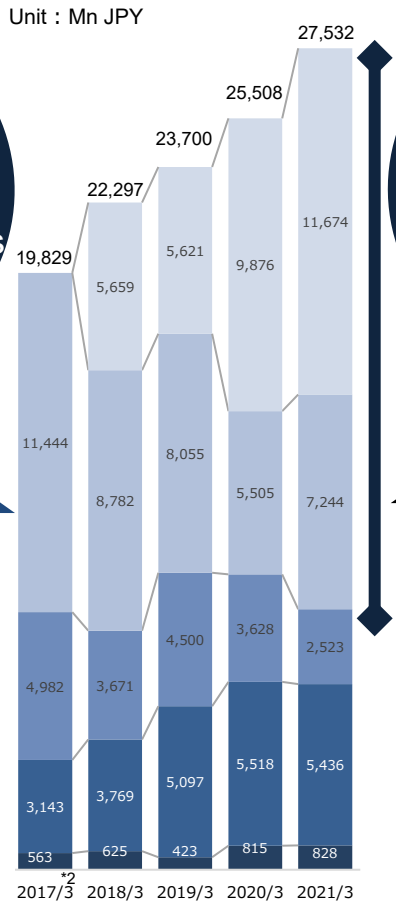


Increasing the number of clients by acquiring new clients

Domain Expansion

xspear

Revenue Breakdown by Client Size based on Annual Aggregate Contract Size *1



Increasing revenue per client

Deep Dive

Simplex Inc.

*1 Counted based on contracts with all group companies

*2 The figure for FY3/2017, the sales of Virtualex Consulting, Inc., which was a consolidated subsidiary from 8/2010 to 6/2016, are excluded. Also, since a special company was established on December 1, 2016 to perform an absorption-type merger with the aim of acquiring Simplex shares held by the Carlyle Group's investment fund, the figures for FY3/2017 includes the old Simplex's result from April 1, 2016 to November 30, 2016 before the merger.

Illustrative of Mid- to Long-Term Growth

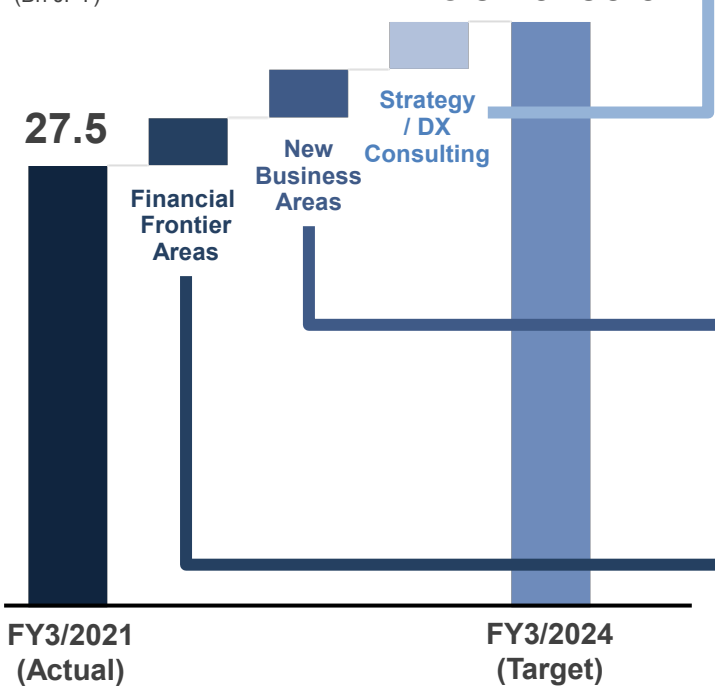
Simplex

We now focus on *Deep Dive, Domain Expansion and Strengthening Recruitment & Development.* We expect equivalent revenue in each area.

Illustrative of Revenue Increase/Decrease

Expected equivalent revenue growth in each areas

(Bn JPY)



Key Topic by Category

Consulting for non-financial	• Differentiation through capabilities acquired in Financial Frontier areas
Consulting for financial	• Acquire projects that are not limited to the Financial Frontier areas
Life Insurance	• Sales promotion of full package life insurance solution
Non-Life Insurance	• Replace of global de-facto package
Cryptoassets	• Promote POC projects that shall utilize blockchain in other industries
Enterprise DX	• Construction ERP introduction projects for major general contractors (not included in the medium-term business plan) • Mortgage bank projects are expanding in size • Enter new business areas through strengthening strategy/DX consulting
Banks Securities Firms	• Collaboration between banks and securities firms • Regulatory compliance support • DX promotion including back-office system
Online Securities	• Deep Dive into the biggest domestic online securities

What's in Our Horizon

Simplex

Before Simplex Started	Start of Simplex ~ up to MBO	Post-MBO	Simplex's Current Medium-Term Business Plan Period	After Medium-Term Business Plan Period
Heyday of Mainframe Computers	Legacy systems shifted to open architecture in the Financial Frontier ahead of other industries	Adopting DX becomes the top priority across many industries	"Transition period for full-scale DX" Acceleration to retire legacy systems across all industries	"Full-scale DX in every industry" Ture breakthrough from legacy system

Targeted IT spending in Financial Frontier Areas
c.160bn JPY *1

Targeted IT Spending in Strategy/DX Consulting +New Business Areas + Financial Frontier Areas
c.450bn JPY *2

Targeted IT spending within Cross Frontier Domain
c.1.8tn JPY *3

Target IT spending in New Business Areas

- Strategy/DX Consulting*2 c.186bn JPY
- Life/Non-life Insurance*2 c. 60bn JPY
- Enterprise DX*2 c. 23bn JPY
- Cryptoassets*2 c. 19bn JPY

Target IT spending in Financial Frontier Areas

- Banks*1 c.130bn JPY
- Securities Firms*1, Online Securities*1 c.30bn JPY

＊1 The Simplex group has calculated this amount assuming that 10% of the total estimated IT spending for Banking (1,332bn JPY) and Securities/Investment Services (339bn JPY) in 2021, according to IDC's report "Domestic IT Market LOB Expenditure Forecast by Industry / Company Size, 2021-2025 " (2021), is directed to the Financial Frontier areas. (Banking IT Spending is calculated as c. 130bn yen, and Securities/Investment Services IT Spending is calculated as c. 30bn yen)

＊2 450 bn yen is the sum of the estimated total IT spending for the Financial Frontier areas as of July 31, 2021, as described in 1 above, and the related targeted IT spending in strategy and DX consulting and new business areas (life and non-life insurance, cryptoassets and enterprise DX), calculated as follows. It is assumed that the proportion of domestic IT spending estimates for insurance and construction that are directed to Cross Frontier Domain are about the same as the estimated proportion for Financial Frontier areas

Strategy/DX consulting: the amount is based on digital-related business consulting spending (186.5bn JPY) of IDC's report "Japan Business Consulting Market Forecast, 2021-2025" (2021).
New Business Areas: Life/non-life insurance IT spending of c. 60bn yen is calculated as 10% of the total estimated domestic IT spending for this industry sector (598.8bn JPY) in 2021 based on IDC's report "Domestic IT Market LOB Expenditure Forecast by Industry / Company Size, 2021-2025" (2021). Cryptoassets IT spending of c.19bn yen is the estimated domestic blockchain related spending (19bn yen) in2021 based on IDC's report " Worldwide Blockchain Spending Guide 2021" (2021). Enterprise DX IT spending of c. 23bn yen are calculated as 10% of the total estimated IT spending for construction sector (230.8bn JPY) in 2021 based on IDC's report "Domestic IT Market LOB Expenditure Forecast by Industry / Company Size, 2021-2025" (2021).

＊3 The Simplex group estimates that about 10% of the total domestic IT spending forecast (2021: 18,377 bn yen / IDC Japan) will be directed to the Cross Frontier Domain. (Based on the Simplex group's assumption that "proactive IT investment" such as creating new business models and strengthening profitability is about 10% of total IT investment, considering the characteristics of Japanese companies which tend to invest in IT for inward-looking purposes, such as focusing on improving internal business efficiency and reducing costs)

Simplex Executives



Founder of Simplex Group

Hideki Kaneko (CEO)
He graduate from Hitotsubashi University, Department of Law, in 1987. Upon graduation, he joined Arthur Andersen (currently Accenture). He later worked at a foreign venture firm, and then joined Salomon Brothers Securities (currently Citigroup Global Markets Japan Inc.) in 1991. He established Simplex Risk Management, the predecessor to Simplex in 1997, and was appointed to his current position as CEO in 2000. Upon a sole share transfer in 2016, Simplex Holdings was established as a holding company, where Kaneko was appointed to his current position as CEO.



Kozo Sukema (Co-COO*)
He graduated from University of Tokyo, Department of Science, in 1996. He joined Arthur Andersen (currently Accenture) upon graduation and later worked as the head of the business division and corporate planning division of multiple internet-related companies before joining Simplex in 2008. He worked as the head of the corporate planning division and the general manager for major clients. He was appointed senior managing officer in 2014, senior managing director in 2016, then to his current position as co-COO in 2020. Since 2021, Sukema has also held the position of co-COO at Simplex Holdings.



Masataka Soda (Co-COO*)
He graduated from Keio University, Department of Science and Technology, in 2002 and joined Accenture. When he joined Simplex in 2011, he worked to launch new services for the securities and insurance industries as a manager in the financial domain. He was appointed as senior managing director in 2017, then to the position of co-COO in 2020. In 2021, Soda was appointed as co-COO of Simplex Holdings and as CEO of Xspear Consulting, a dedicated consulting firm established in April 2021.

* COO：Chief Operating Officer

Keisuke Enosawa (CFO)

In 2007, he graduated from the School of Political Science and Economics, Waseda University. In the same year, as a new graduate, he joined Simplex Technology, Inc. (present Simplex Inc.) as an engineer. In 2011, he was transferred to the corporate planning division to engage in various tasks, such as planning of and making proposals on new businesses, and development of business plans. In 2017, he was assigned the position of Group Head of the division. In 2021, he assumed the position of Director of Simplex Holdings, Inc. (current post).

Simplex

“Innovations from Japan to the world”
Since our inception in 1997, we have pursued the value creation based on this management philosophy.



In addition to our unique business model, we believe shared values among employees are critical to value creation.

5DNA	No.1	Leaders in innovation are always the top firms in their domains. We always strive to be the number one.
	Client First	Our priority is our clients' business success. Our goal is always to satisfy our clients by going above and beyond their expectations with our value-added solutions.
	Commitment	We adhere to the spirit of overcoming obstacles and completing our missions. We aim for specific targets for our clients and never lose sight of our goals.
	Professional	We seek the best results. We pinpoint the challenges at hand and look at them with critical eyes without being locked into entrenched beliefs.
	Global	We challenge ourselves to accomplish our corporate philosophy. We strive to send innovations out to the world. We welcome progress.
Simplex Philosophy	Player	The principle that we've been maintaining since our inception: No matter the role, everyone is a key player, and everyone contributes in value creation.
	Work for Simplex	Always keep in mind what each of us can do to bring Simplex's best value to clients. Always look at the big picture goal, not just one's own goal as an individual.
	Mutual Respect	A diversity of talents is necessary for the success of each individual project team. Employees should respect that diversity and draw upon it to help teach one another.
	God is in the Details	We are careful and thorough, all the way down to the last line of source code.

We operate our business in ways that contribute to realizing a sustainable society and aim to align our growth with global environmental and social sustainability.







Environment

- Energy Management
- BCP & Resilience

Society

- Diversity & Inclusion
- Employee Health & Safety
- Labor Practices

Governance

- Business Ethics
- Competitive Behavior
- Systemic Risk Management
- Customer Privacy
- Data Security

Environment (Sustainability Policy 1/3)

We recognize the need to reduce the environmental impact of our business activities and are proactively working to address environmental issues and collaborate with other companies that aim to realize a sustainable society.

Energy Management

Simplex Group has its offices in office buildings that take proactive and cutting-edge approaches to environmental issues. By proactively selecting sustainable business environments, we are engaging in responsible energy management.

For our internal systems, we actively use cloud servers, which are energy-efficient and help to reduce the burden on the global environment. Even in our client systems, we have developed support services for companies that choose to make use of the most advanced cloud computing. Since 2020, we have also participated in the "FISC※1-compliant APN※2 Consortium" by Amazon Web Services (AWS), a leading cloud server provider, with the aim of facilitating FISC compliance and promoting the use of AWS by financial institutions.

※1 FISC : The Center for Financial Industry Information Systems
※2 APN : Amazon Partner Network



powered by aws

BCP & Resilience

The Simplex Group is integrating a Business Continuity Plan (BCP) to ensure that the systems and services we provide are not susceptible to prolonged interruptions. We are dedicated to taking the measures necessary to safeguard our valuable information assets from disruptions and disasters, and to ensure the prompt resumption of business activities.

Our key focuses are on hiring and training people with great potential as businesspersons and providing a working environment where each person can realize their full potential.

Diversity & Inclusion

Since our inception, Simplex Group has done everything we can to support those who are interested, motivated, and passionate for self-fulfillment in the areas where the company takes on challenges, with no discrimination or categorization whatsoever. We are committed to fostering a corporate culture that enables meaningful and rewarding work, and where a diverse range of people can work together, have a distinct sense of ownership, and realize their potential to the fullest.

Employee Health & Safety

For a company to achieve sustainable growth, it is important that its employees are in a state where they can demonstrate their great potential at all times—in other words, they need to be healthy both physically and mentally. Simplex Group proactively focuses efforts on health and productivity management and is dedicated to providing an environment in which all employees can work with peace of mind and engage in work with health, vitality, and a sense of fulfillment.

Labor Practices

We believe that it is a company's responsibility to prioritize the job satisfaction and stable lives of its employees. As a company that supports self-fulfillment, we continuously work to realize a work environment in which each individual can challenge their goals with workstyles that are as flexible as possible under applicable laws and regulations.

Road to Tokyo 2020



A Para Equestrian athlete, who works for Simplex, participated in the Tokyo 2020 Paralympic Games.



Implementing health investment initiatives for our employees under the *Declaration of Health and Productivity Management* and promoting to design a system to allow diverse works styles.

By implementing highly effective policies in line with our business philosophy, we aim to achieve sustainable and sound corporate growth.

Business Ethics	Every one of our employees, as part of the organization and based on our business philosophy, is expected to guide their own actions and fulfill their duty as a member of society. We also strive to foster an awareness for compliance that compels employees to not only comply with legislation and contracts, but also act with high ethical standards aligned with social ethics.
Competitive Behavior	Integrity is the foundation of corporate activities. We comply with all laws and regulations related to fair competition and transactions, including the Antimonopoly Act and Subcontractor Act (Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors). To maintain fairness in our business activities, we familiarize all relevant persons with corporate ethics to ensure appropriate behavior.
Systemic Risk Management	Given the fact that financial institutions are our major clients, we believe that having measures against systemic risks is extremely important. Not only have we built a solid infrastructure that includes robust servers, we also follow guidelines of the Financial Services Agency to manage and prepare for financial systemic risks.
Customer Privacy	In addition to ensuring confidentiality in business-to-business transactions, we also provide robust products and services that ensure confidentiality of personal information handled by our clients.
Data Security	Since our inception, we have consistently had an advanced awareness of information security and accumulated extensive expertise and experience in this area. For our internal systems, we have adopted Microsoft 365 E5 security to provide comprehensive protection against the leakage of confidential information. Some solutions are validated under an Information Security Management System (ISMS), and we also regularly improve the awareness on and knowledge of security through measures such as monthly trainings for all employees as well as annual exams to ensure employees are adequately trained.

Contact in Relation to This Material

Simplex Holdings, Inc.
Yukiko Hirata, Investor Relations

https://www.simplex.holdings/en/contact/

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The Company's plans, forecasts, strategies and other statements contained in this document that are not historical facts are forward-looking statements about its future operating performance. These statements are based on the management's judgments made using currently available information. The statements therefore involve risks and uncertainties, which may cause actual results to differ significantly from forecasts. This material is not intended as a solicitation for investment, and you are requested to select stocks and make a final investment decision on your own.