

Presentation Material

for the Six Months Ended September 30, 2021

Simplex Holdings, Inc.
(Securities Code: 4373)

October 28, 2021

1. Company Outline

2. Medium-Term Business Plan (FY3/2022–FY3/2024)

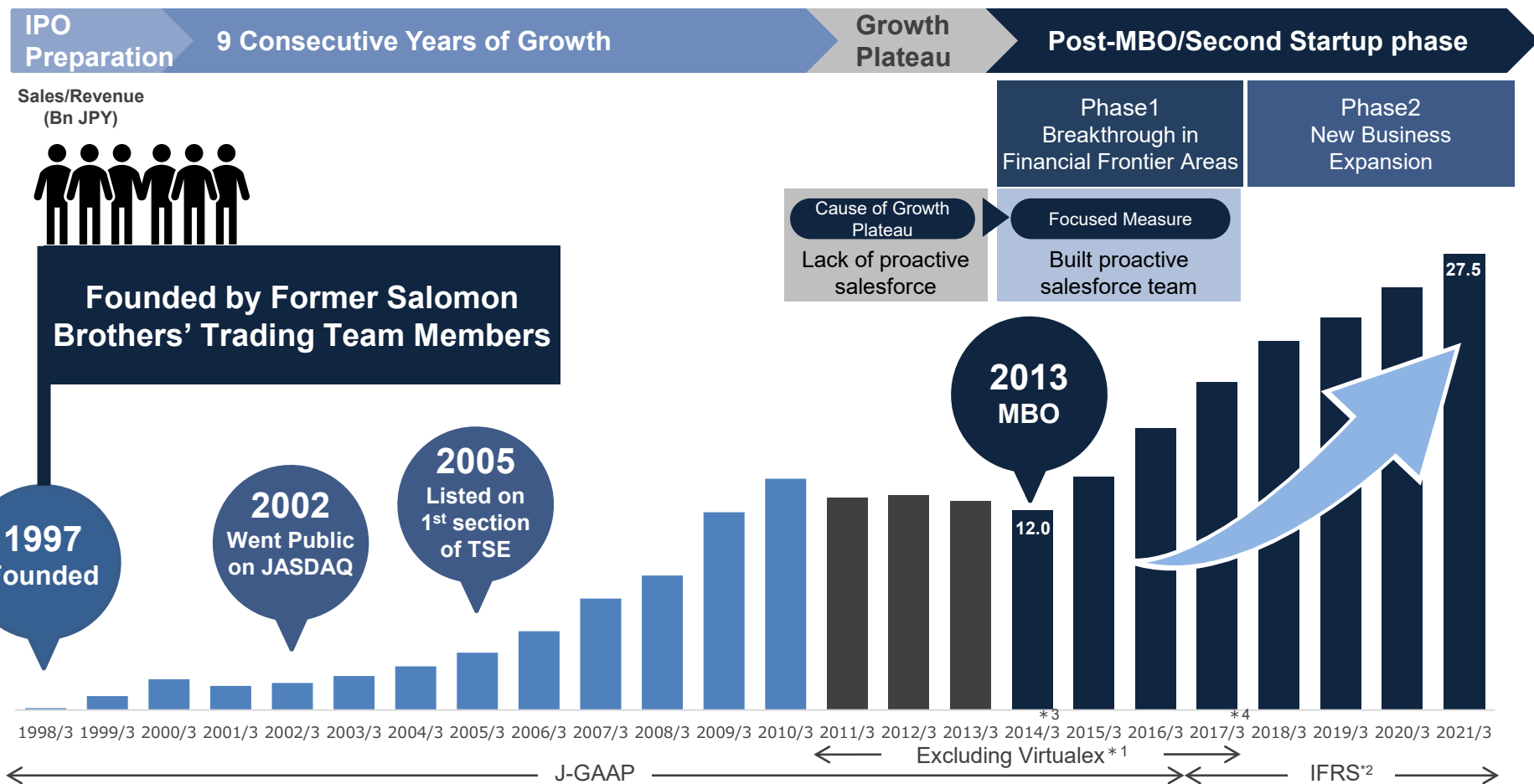
3. 2Q FY3/2022 Consolidated Results

4. Full-Year FY3/2022 Consolidated Forecast

5. Appendix

Company Outline

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



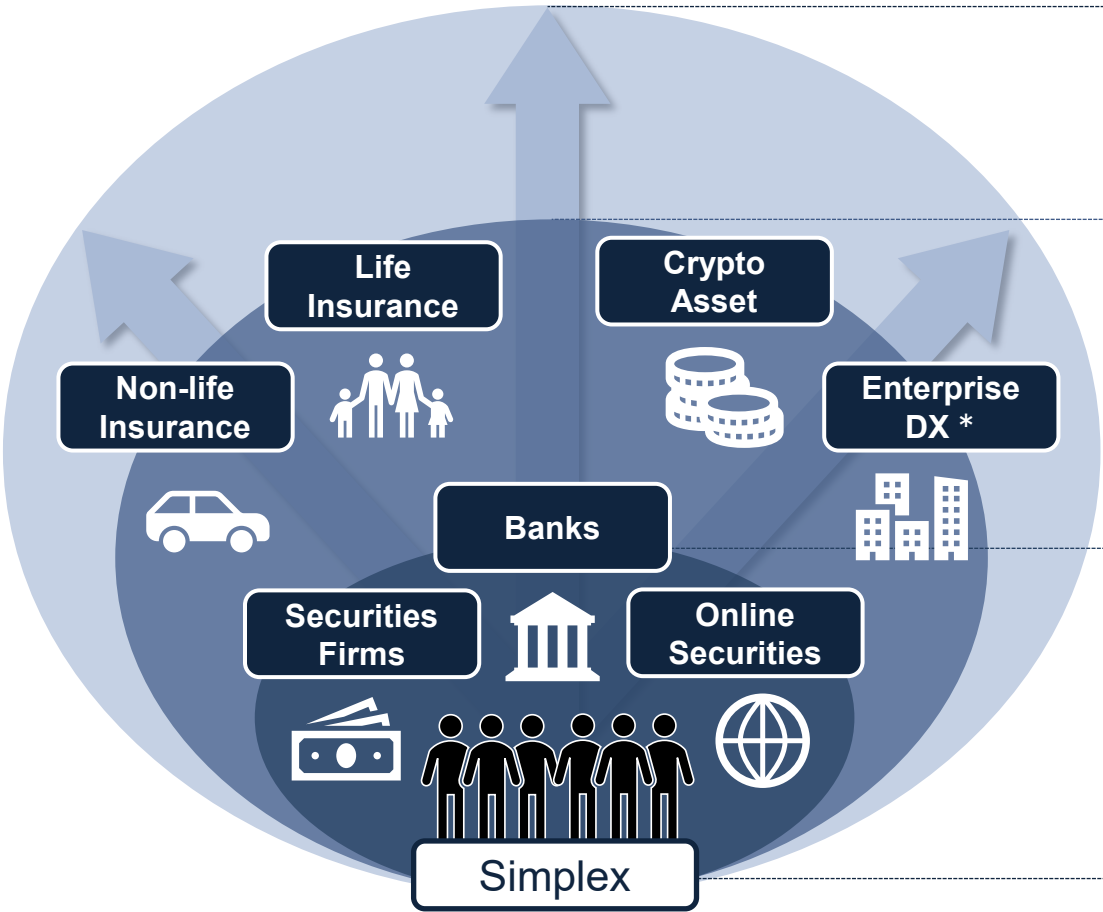
*1 From FY3/2011 to FY3/2017, the sales of Virtualex Consulting, Inc., which was a consolidated subsidiary from 8/2010 to 6/2016, are excluded

*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 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.

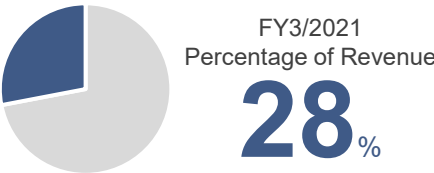


Cross Frontier Domain

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.

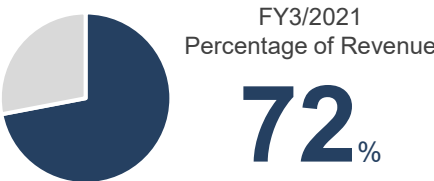
New Business Areas

Business areas we newly expanded into post MBO.



Financial Frontier Areas

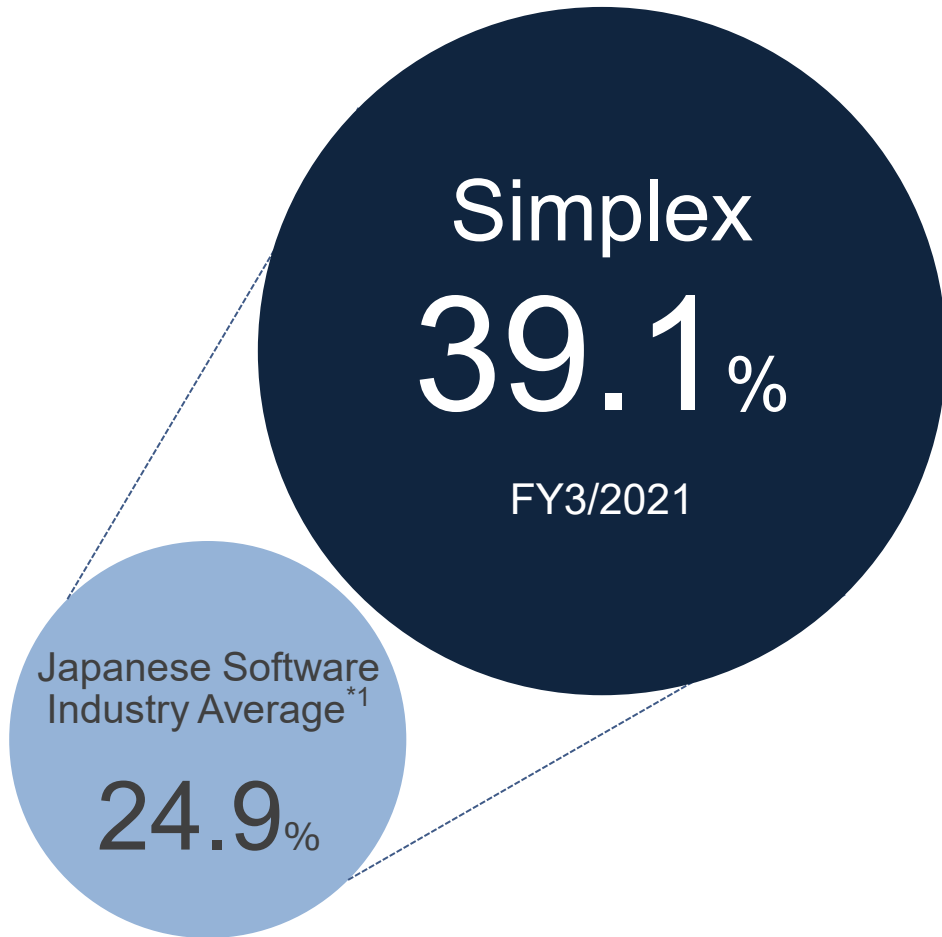
Areas in which we have assisted financial institution clients to improve their profitability.



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.

**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"

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

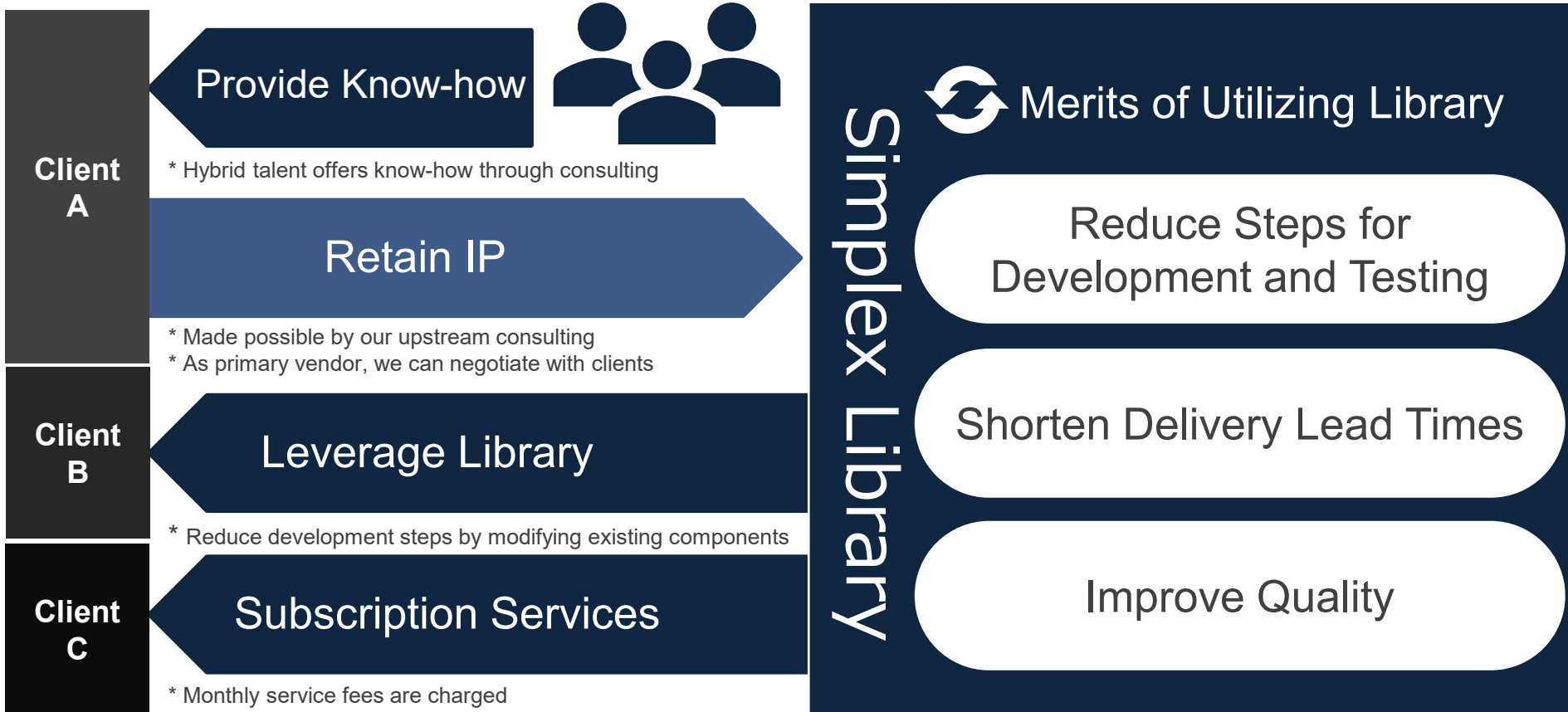
Ability to Plan Business Strategy

System Development
Outstanding Technology

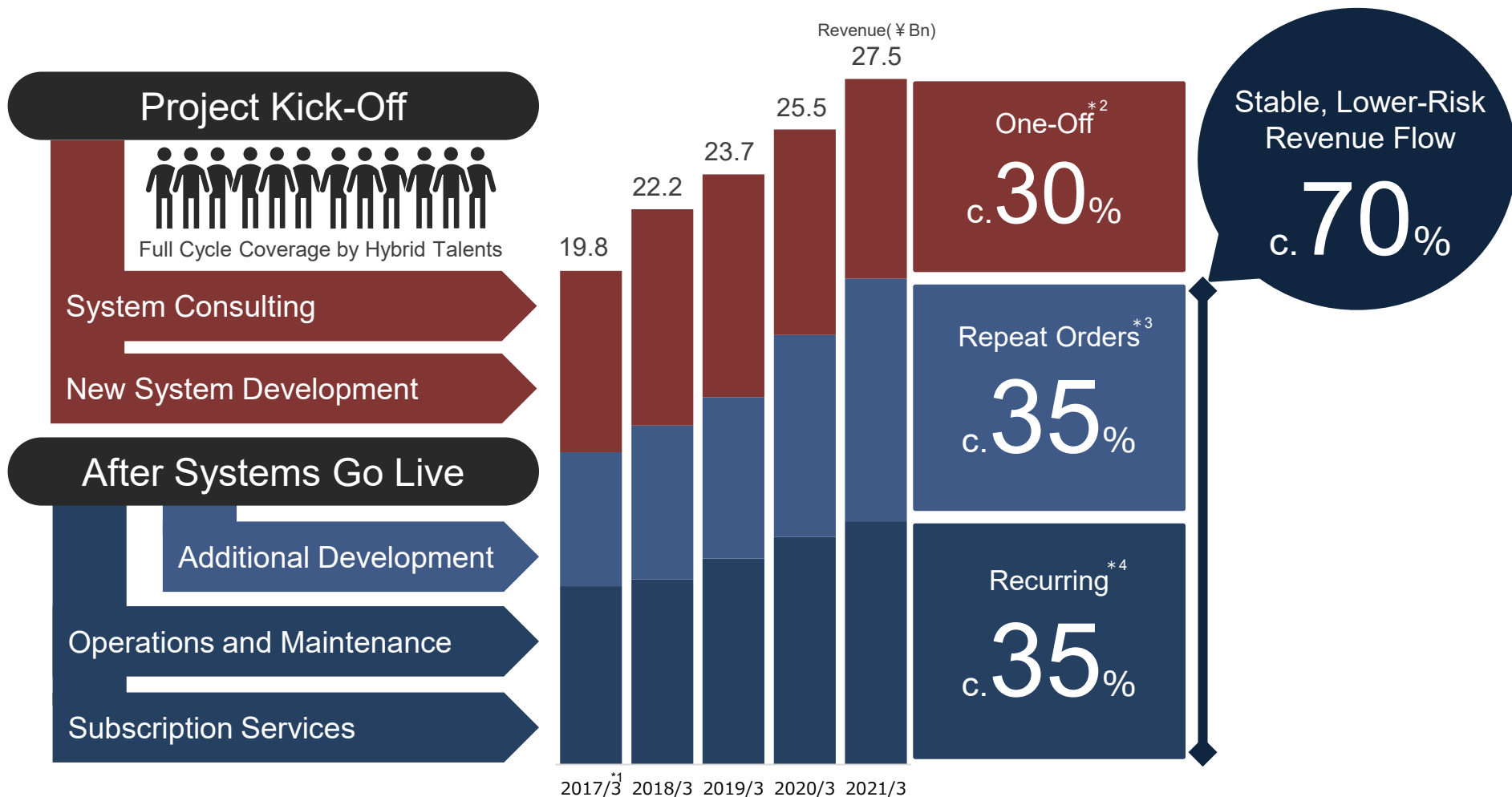
Clients



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.



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



2017/3^{*1} 2018/3 2019/3 2020/3 2021/3

*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.

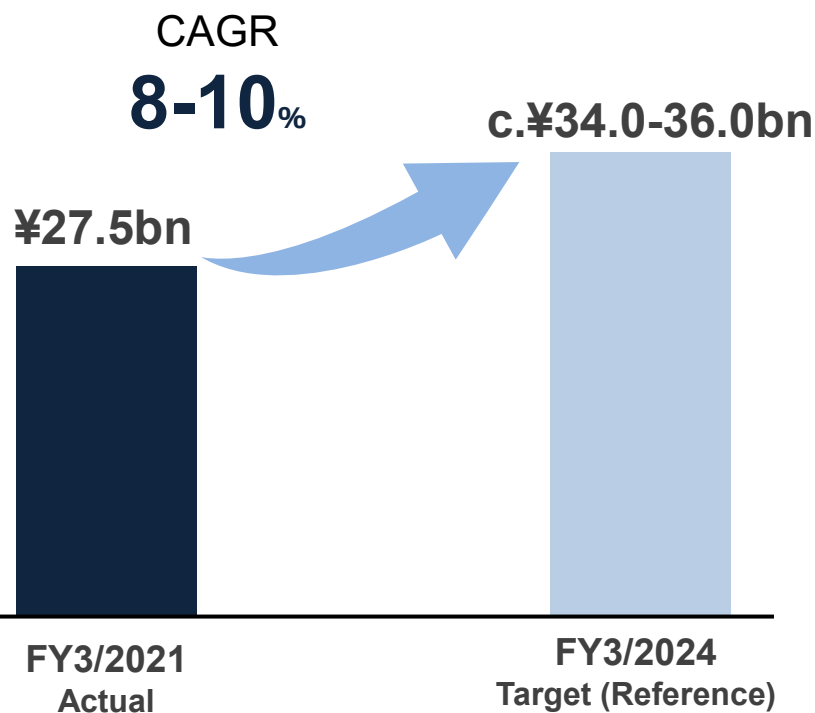
*4 Recurring Business: Operations and maintenance services and SaaS solutions.

Medium-Term Business Plan

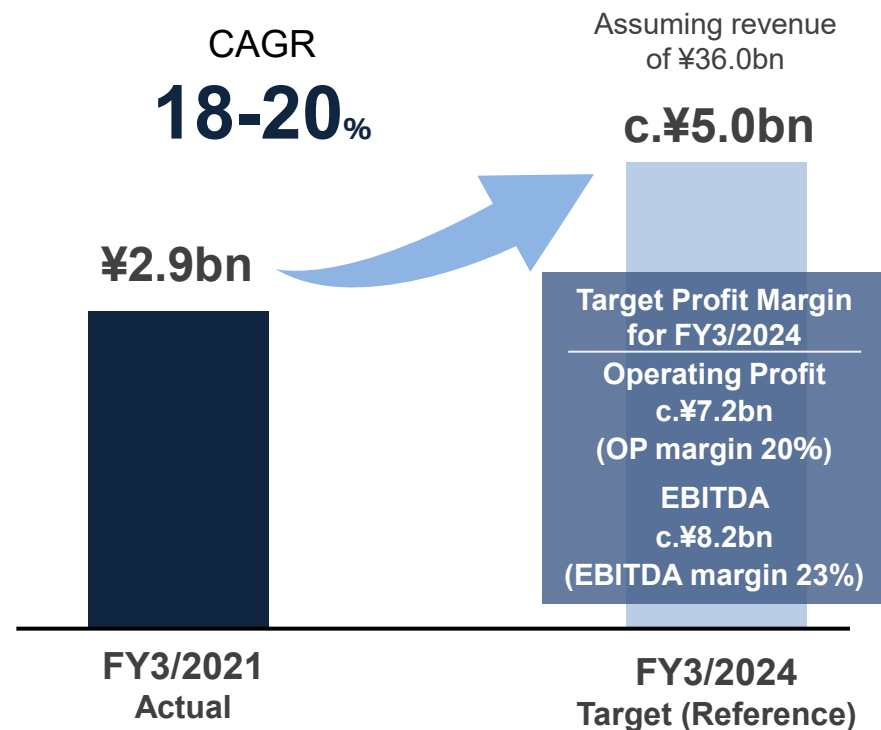
FY3/2022–FY3/2024

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

Revenue

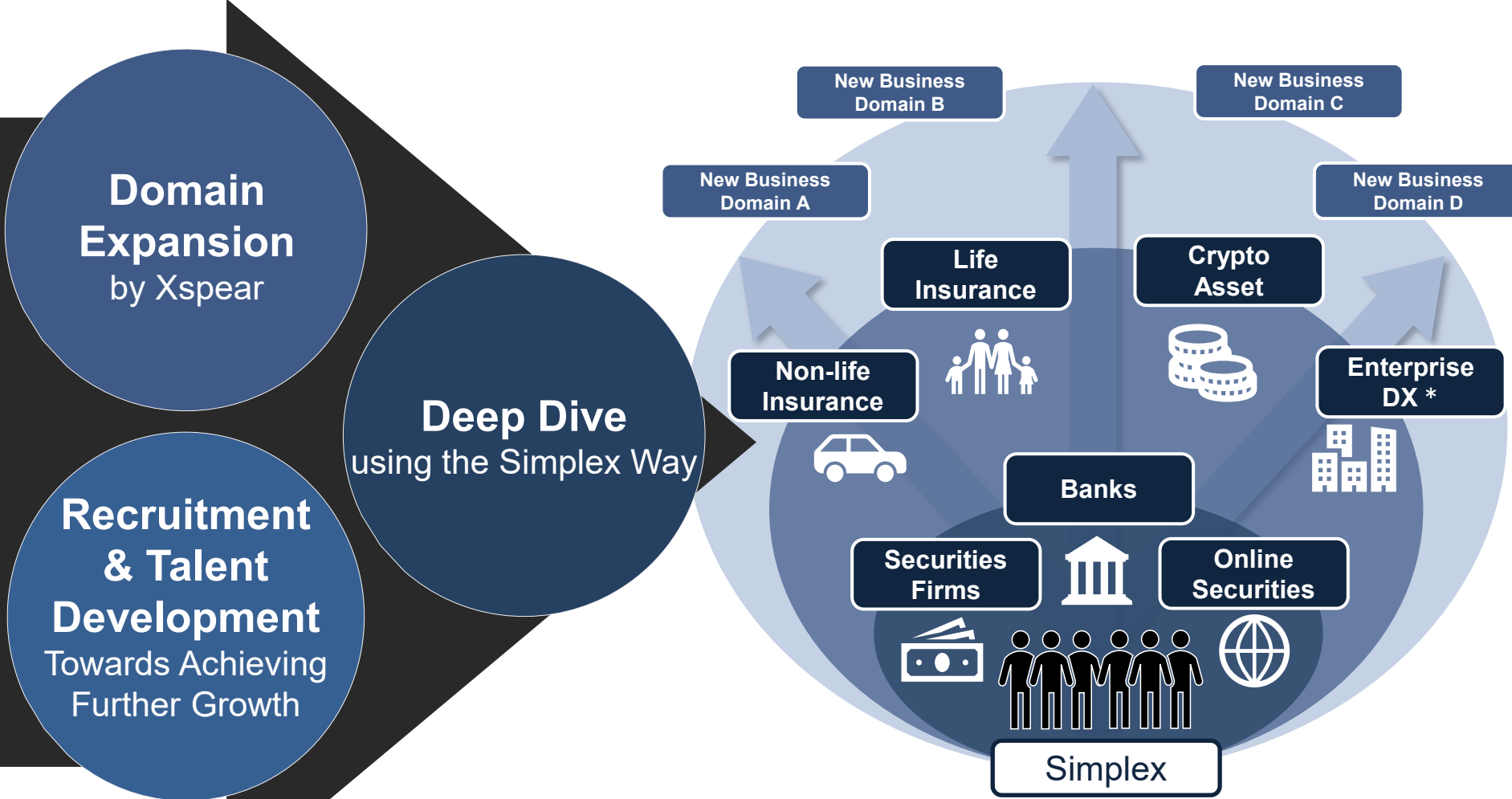


Profit attributable to owners of parent*



* Profit attributable to owners of Simplex Holdings, Inc.

We focus on *Deep Dive, Domain Expansion, and Recruitment & Talent Development.*



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

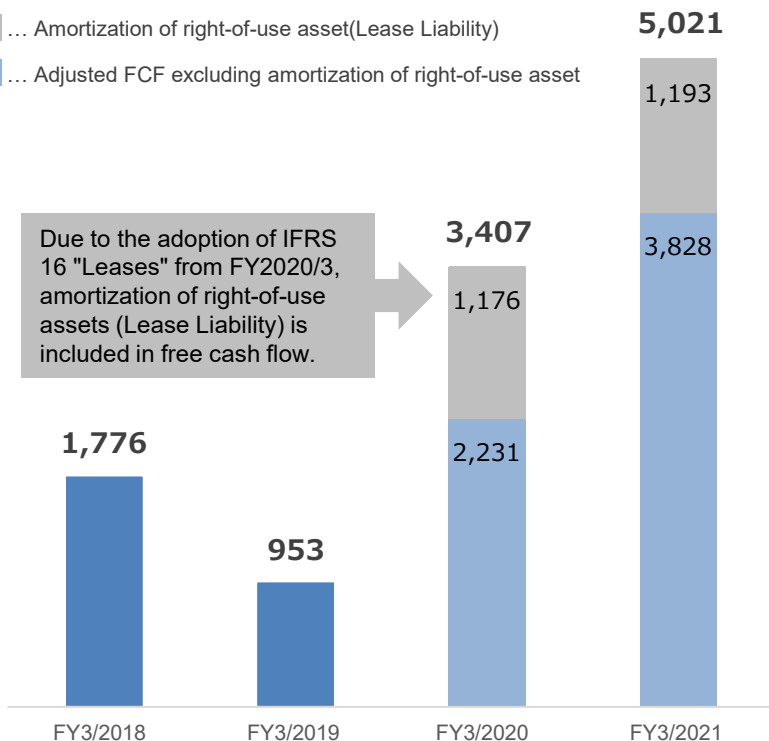
Free Cash Flow Transition

(Millions of yen)

■ ... FCF (Cash from Operations – Cash from Investing)

■ ... Amortization of right-of-use asset(Lease Liability)

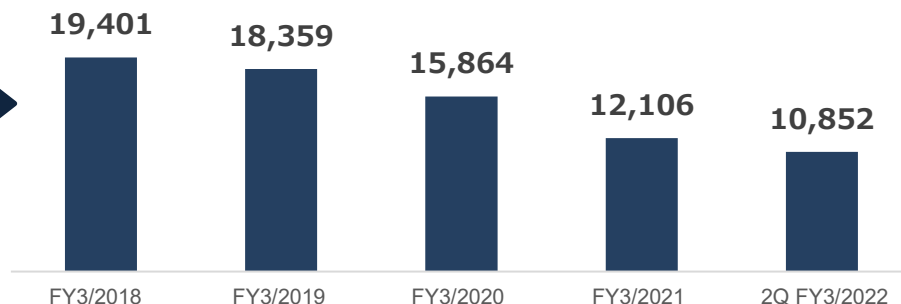
■ ... Adjusted FCF excluding amortization of right-of-use asset



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

2Q FY3/2022
Consolidated Results

Further increase in DX Demand has expanded our revenue opportunities.
GP Margin has improved due to our new pricing policy.

(Millions of yen)

	2Q FY3/2021 (cumulative period)		2Q FY3/2022 (cumulative period)		YoY	
	Actual	% Revenue	Actual	% Revenue	Change	Change (%)
Revenue	13,659	100%	15,614	100%	+1,955	+14.3%
Cost of Sales	8,426	61.7%	8,757	56.1%	+331	+3.9%
Gross Profit	5,233	38.3%	6,858	43.9%	+1,625	+31.0%
Amortization of identifiable assets	223	1.6%	223	1.4%	±0	±0.0%
SG&A expenses	2,008	14.7%	2,629	16.8%	+621	+30.9%
R&D expenses	598	4.4%	550	3.5%	(48)	(8.1%)
Other income and expenses *1	1	0.0%	94	0.6%	+93	-
Operating Profit	2,404	17.6%	3,549	22.7%	+1,145	+47.6%
+ IPO related expenses	5	0.0%	157	1.0%	+152	-
Adjusted OP	2,409	17.6%	3,706	23.7%	+1,297	+53.8%
Adjusted EBITDA *2	2,914	21.3%	4,200	26.9%	+1,286	+44.1%
Adjusted profit attributable to owners of parent	1,517	11.1%	2,417	15.5%	+899	+59.3%

Revenue
15,614
(year-on-year +14.3%)

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

GP Margin
43.9%
(year-on-year +5.6P)

- 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 1H FY22 represented a best scenario where we completed projects without having to use the *safety cushion*.
- Strong demand structure for DX-related services has enabled us to be selective in taking on new projects.

*1 Other income for the first half of FY3/2022 includes subsidies for employment adjustment.

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

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

		2Q FY3/2021 (cumulative period)		2Q FY3/2022 (cumulative period)		YoY	
		Actual	% Revenue	Actual	% Revenue	Change	Change (%)
		(Millions of yen)					
Strategy/DX Consulting		-	-	443	2.8%	+443	-
	GP Margin	-		42.3%		-	
System Integration		8,784	64.3%	10,012	64.1%	+1,228	+14.0%
	GP Margin		36.8%	44.1%		+7.3P	
Operation Services		4,872	35.7%	5,136	32.9%	+264	+5.4%
	GP Margin		41.0%	43.4%		+2.4P	
Other		4	0.0%	24	0.2%	+20	+562.4%
	GP Margin		100%	100%		±0.0P	
Total		13,659	100%	15,614	100%	+1,955	+14.3%
	GP Margin		38.3%	43.9%		+5.6P	

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

(Millions of yen)	2Q FY3/2021 (cumulative period)		2Q FY3/2022 (cumulative period)		YoY		
	Actual	% Revenue	Actual	% Revenue	Change	Change(%)	Analysis of Revenue Contributing Factors: (+)Better/(-) Worse
Strategy/DX Consulting	-	-	443	2.8%	+443	-	+ DX consulting projects for financial/non-financial sector by Xspear, founded in April this year
Financial solutions	10,487	76.8%	12,137	77.7%	+1,649	+15.7%	
For capital markets*1	5,474	40.1%	7,039	45.1%	+1,565	+28.6%	+ Steady progress of projects, especially the platform construction project for a major bank
For retail*2	5,013	36.7%	5,097	32.6%	+85	+1.7%	± Largely unchanged year-on-year
Life/Non-Life insurance	1,794	13.1%	1,475	9.4%	(319)	(17.8%)	- 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	1,363	10.0%	1,545	9.9%	+182	+13.3%	- Suspended to receive new orders for ERP construction projects from general constructors + Driven by a large-scale project for a mortgage bank
Other	16	0.1%	16	0.1%	+0	+0.6%	
Total	13,659	100%	15,614	100%	+1,955	+14.3%	

*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

**Xspear's revenue for 1H FY3/2022 was 443 million yen.
We are poised to achieve the target of 1.0 bn yen annual revenue by recruiting 2 to 3 professionals every month.**



- ✓ Spearheading domain expansion for the group
- ✓ New pillar of group revenue supported by DX tailwind

**Strengthen
Strategy/DX Consulting**

**Enter New Business Area
through Strategy/DX Consulting**



Major Projects by Xspear

Government	Public Administration	AI-based research and study of COVID-19
	Major Financial Institution	DX talent development lectures + New business planning workshops
Financial Institutions	Major Financial Institution	Upgraded IT functions company wide (CIO advisory)
	Major Financial Institution	Studied the feasibility of using AI for improving operational efficiency
	Major Financial Institution	Supported the development of a system concept with the aim of launching new services
	Major Retailer	Analyzed issues and developed strategies to expand sales through BtoB EC channels
Non-Financial Institutions	Entertainment Company	Developed solutions to increase sales on digital channel, and provided support to establish the client's business structure
	Major Manufacturer	Provided DX support for production, sales, and maintenance in collaboration with an AI startup
	Tech Venture	Provided a range of support to launch an organization, from setting recruitment requirements to actual recruitment activities.
	Tech Venture	Formulated the sales strategy for a job search engine service
	HR Tech Company	Conducted a survey on best practices and supported the launch of operations with the aim of expanding HR technology business
	AI Startup	Provided consulting on operations of and supported implementation of AI solutions

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 Inc.

1 Accelerating **New Graduate Recruitment**

- ✓ Utilizing track record and brand in new grad recruitment market
- ✓ Accelerating hiring of new grads through implementation of CEO recruitment seminar

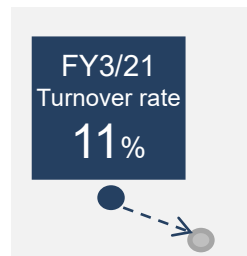


2 Focusing on **Mid-Career Recruitment**

- ✓ Implementing strategic recruiting measures in full swing from FY3/2022
- ✓ Demonstrating how employees have enjoyed working to attract new talent, and providing on-boarding programs to make new joiners ready for work in a short time

3 **Turnover rate** Improvement

- ✓ Revising the labor income share in view of high profit levels in recent months and 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



*1 As of Aug 2021

*2 Target after considering estimated turnover rate (historical turnover rate is not available because Xspear started operations in April 2021).

XSPear

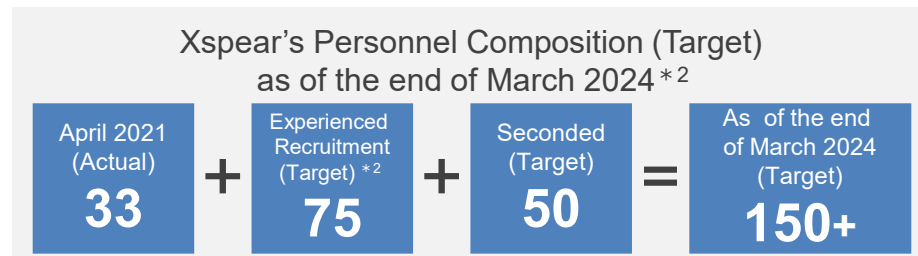
1 Focusing on **Mid-Career Recruitment**

- ✓ Attracting mid-career talent with the fact that we also have Simplex, a company with great technical capability
- ✓ Hire senior, experienced consultants from other top-tier consulting firms



2 Generating **Group Synergies**

- ✓ Junior professional at Simplex who have good technical skills and want to pursue a career in consulting are eligible to be seconded from Simplex
- ✓ Retain employees who consider changing jobs to consulting firms by providing them with diverse career paths in consulting



Full-Year FY3/2022 Consolidated Forecast

While both revenue and profit for 1H progressed very well, we will maintain our conservative forecast unchanged for the full-year for FY3/2022 (announced on August 19th).

	Full-year FY3/2021		Full-year FY3/2022		YoY		
	(Millions of yen)	Actual	% Revenue	Forecast	% Revenue	Change	Change(%)
Revenue		27,532	100%	30,300	100%	+2,768	+10.1%
Cost of Sales		16,775	60.9%	17,421	57.5%	+646	+3.9%
Gross Profit		10,757	39.1%	12,879	42.5%	+2,122	+19.7%
Amortization of identifiable assets		446	1.6%	446	1.5%	±0	±0.0%
SG&A expenses		4,011	14.6%	5,114	16.9%	+1,103	+27.5%
R&D expenses		1,883	6.8%	1,800	5.9%	(83)	(4.4%)
Other income and expenses		93	0.3%	94	0.3%	+1	+0.7%
Operating Profit		4,510	16.4%	5,612	18.5%	+1,102	+24.4%
+ IPO related expenses		30	0.1%	175	0.6%	+145	+483.3%
Adjusted OP		4,540	16.5%	5,787	19.1%	+1,247	+27.5%
Adjusted EBITDA*		5,561	20.2%	6,812	22.5%	+1,251	+22.5%
Adjusted profit attributable to owners of parent		3,005	10.9%	3,873	12.8%	+868	+28.9%

* Adjusted EBITDA = Adjusted OP + Depreciation + Amortization of identifiable assets

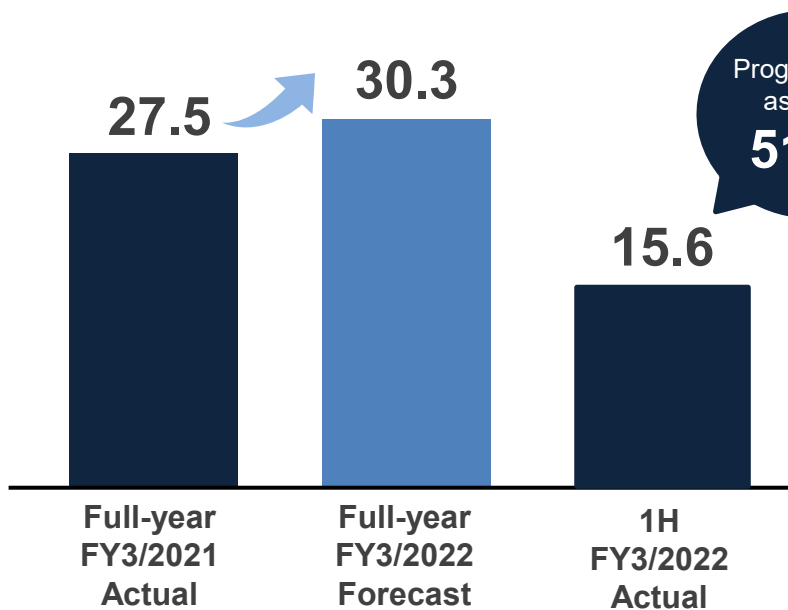
The current tailwind business environment continues, allowing us to be selective about which projects to take. We are on track to achieve the full-year target.

Revenue

(Billions of yen)

YoY

+10.1%

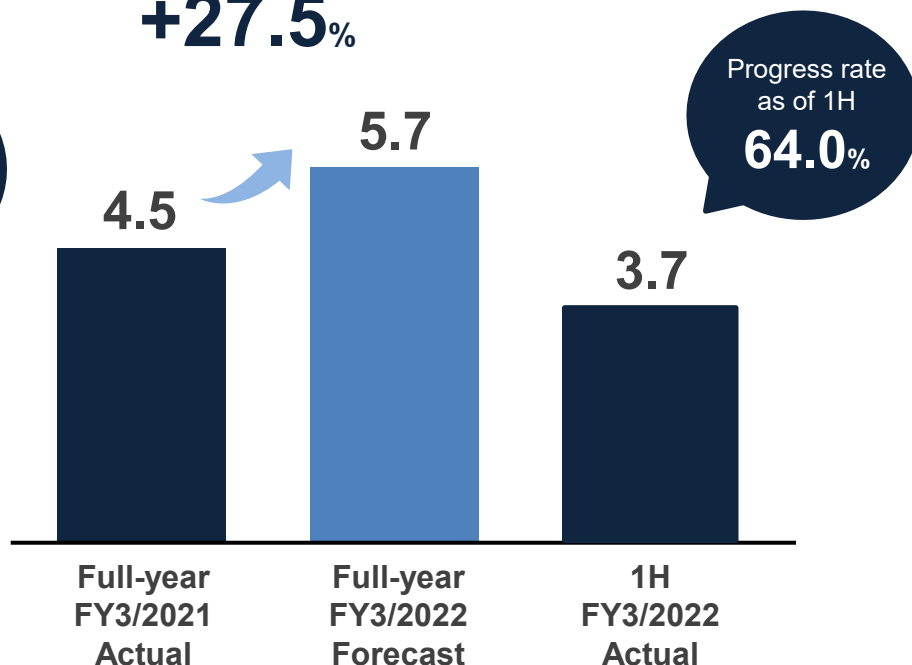


Adjusted OP

(Billions of yen)

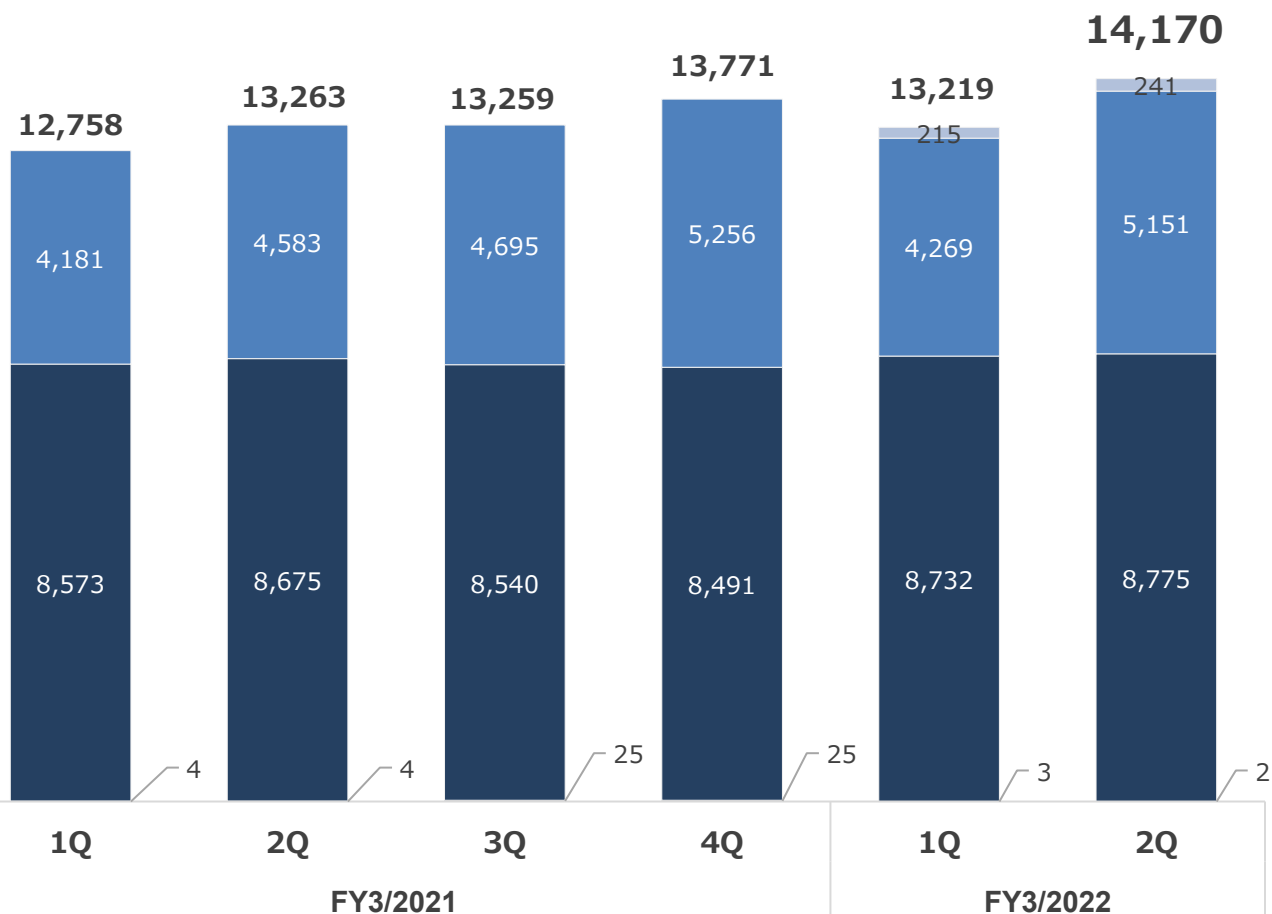
YoY

+27.5%



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

(Millions of yen)



Balance as of end of 2Q FY3/2022

14,170 million yen
(year-on-year +6.8%)

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

9,431 million yen

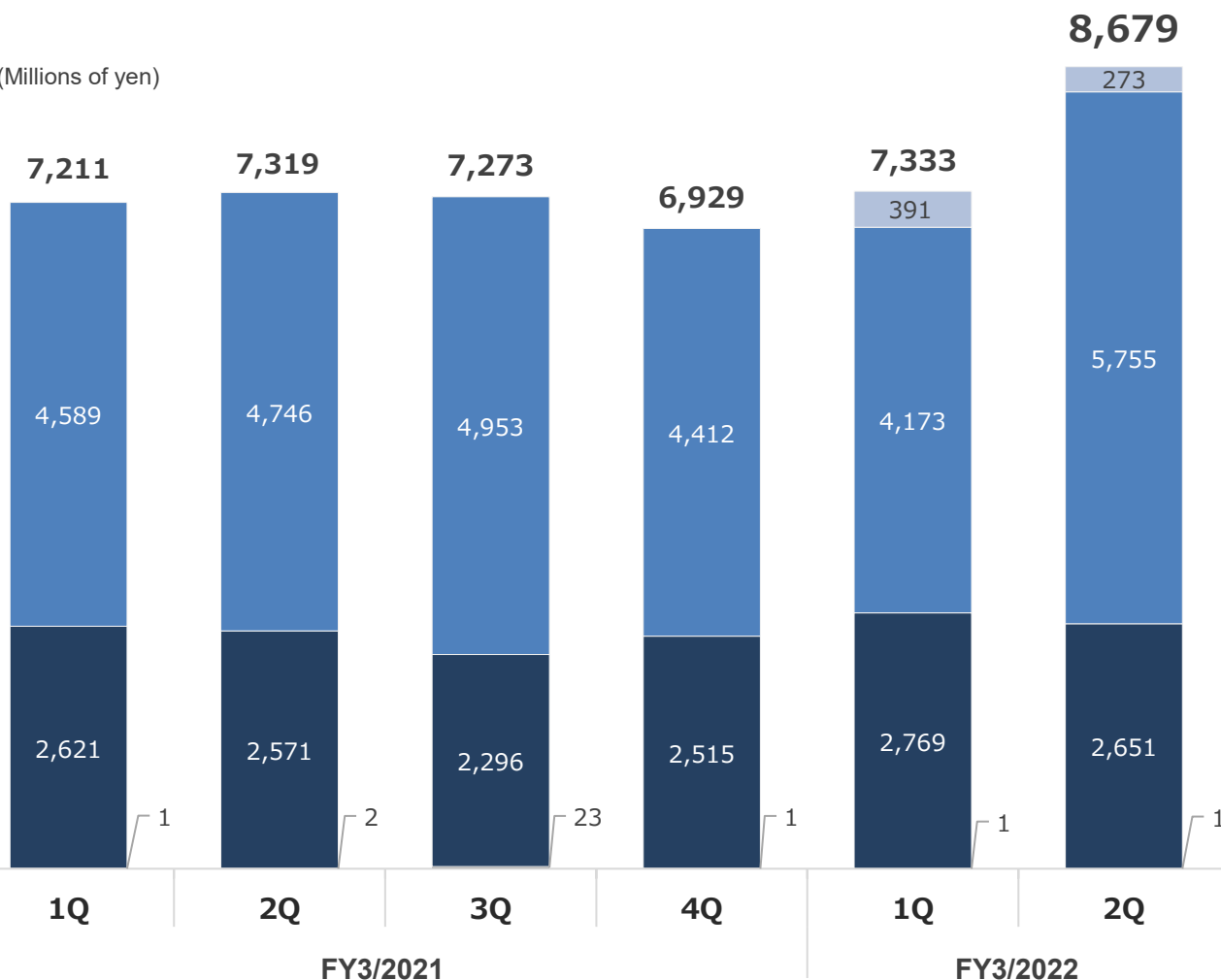
- Strategy/DX Consulting
- System Integration
- Operation Service
- Other

* 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 (the half-year revenue of roughly 0.5 billion yen) from the subscription services as incentive revenue; however, we do not include it in the balance of outstanding project orders because it is not confirmed revenue.

Incoming orders for System Integration business continue to be strong, and the Strategy/DX Consulting business has also shown a healthy start.

(Millions of yen)



Orders received in
2Q FY3/2022 (Jul. - Sep.)
8,679 million yen
(year-on-year +18.6%)

- 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.

Progress of Revenue as of the End of 2Q Compared to the Full-Year Forecast

Progress of revenue as of 2Q end compared to the full-year forecast : 84.2%
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 2Q end)	25.5 bn yen
Revenue (1H actual)	15.6 bn yen
Amount of outstanding project orders (to be reported as revenue for the current fiscal year)	9.4 bn yen
Amount of incentive fees from subscription services (to be reported as revenue for the current fiscal year)*	0.5 bn yen
Progress of revenue against its forecast as of the end of 2Q FY3/2022	84.2 %
(Ref.) Progress of revenue against its forecast as of the end of 2Q FY3/2021	82.0 %

* Amount of incentive 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.

We are keeping the forecast for both revenue and profit unchanged from the numbers we announced on August 19th, 2021.

At the moment, our progress has been steady as expected.

(Millions of yen)	Full-year FY3/2022 Forecast	1H FY3/2022 Actual	2H FY3/2022 Forecast	vs. 1H Change	1H actual vs. 2H forecast Major factors for increase/decrease
Revenue	30,300	15,614	14,686	(928)	<p>Revenue We expect revenue to decrease from 1H in light of production capacity, as R&D relatively concentrate in 2H.</p> <p>R&D Expenses We expect R&D expenses to increase from 1H as we accelerate R&D to achieve both <i>Domain Expansion</i> and <i>Deep Dive</i>.</p> <p>Of the investments scheduled for 2H of 1.25 billion yen, we have decided where to invest 0.6 billion yen as of October. In cases where we fail to invest the entire budget, profit may increase by a maximum of about 0.4 billion yen.</p> <p>Gross Profit We expect gross profit to decrease from 1H due to decreased revenue and declined GP margin.</p> <p>GP Margin We expect GP margin to decline 2.9P from 1H based on the assumption that we use some <i>safety cushion</i>.</p> <p>In the event we can complete projects without using the <i>safety cushion</i> like in 1H, profit may increase by a maximum of about 0.4 billion yen.</p>
Cost of Sales	17,421	8,757	8,664	(93)	
Gross Profit	12,879	6,858	6,021	(837)	
GP Margin	42.5%	43.9%	41.0%	(2.9P)	
Amortization of identifiable assets	446	223	223	±0	
SG&A expenses	5,114	2,629	2,485	(144)	
R&D expenses	1,800	550	1,250	+700	
Other income and expenses	94	94	0	(94)	
Operating Profit	5,612	3,549	2,063	(1,486)	

Idea about full-year forecast of operating profit for FY3/2022
Depending on R&D expenses and the extent of the *safety cushion* used, profit may fluctuate respectively by a maximum of about 0.4 billion.

GP margin finished high at 43.9% due in part to the new pricing policy.

1H

We launched a thorough revision of labor income share as part of the measures to attract talent. The related costs (¥0.6bn) have already been reflected into earnings forecast for FY3/2022.

Xspear, a Strategy/DX consulting firm, has been performing strongly since its inception in April.

We have 220 new grads with job offers for FY3/2023 and Xspear has also successfully started its mid-career recruiting.

Full-year

While the balance of outstanding project orders is high, we have kept full-year earnings forecast at a conservative level.

Profit may fluctuate depending on the R&D expenses, and the extent of the usage of safety cushion. The maximum cushion of each being about 0.4 billion yen.

We will revise our earnings forecast as needed after taking stock of the amount of R&D expenses and the extent of the *safety cushion* used in the future.

Appendix

Features of Simplex

- 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**

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 285 million (as of March 31, 2021)
Additional Capital	JPY 25,833mn (as of March 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.)





Founder of Simplex Group

Hideki Kaneko (CEO)

He graduated 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.

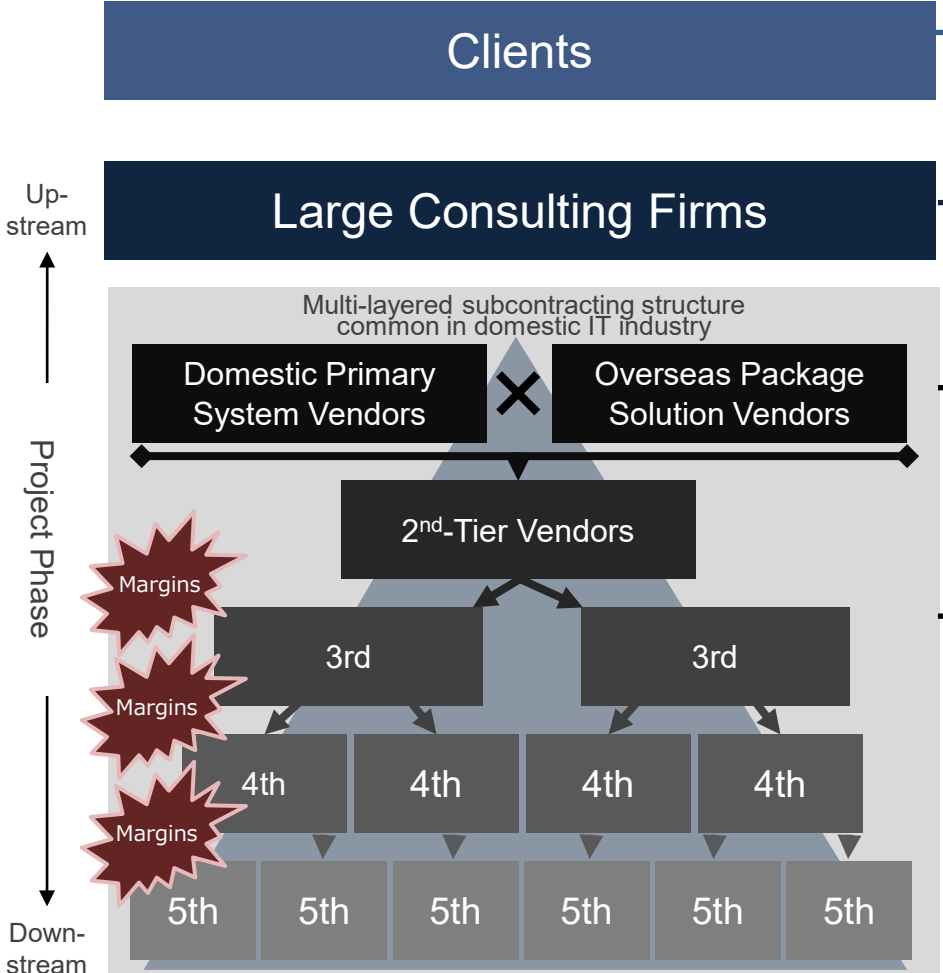
* COO : Chief Operating Officer

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).

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.

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 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



Hire talent with potential to become top-tier business people.

2



At the beginning, immerse new hires thoroughly in technology training, and assign them system development projects.

3



Have employees focus on niche business areas and obtain professional knowledge and skills through on-the-job training.



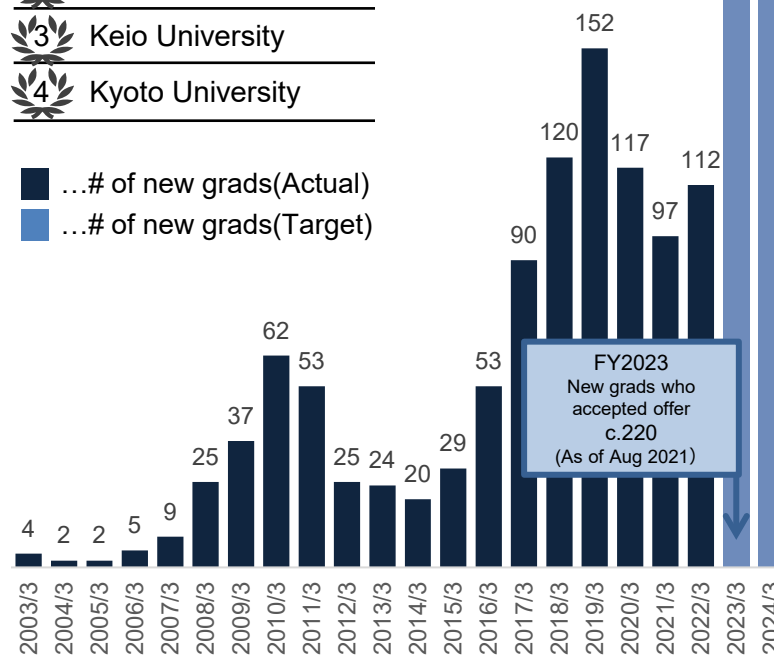
Business × Technology

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

■ ...# of new grads(Actual)
■ ...# of new grads(Target)



*1 Enrolled employees as of April 2021 (General staff only)

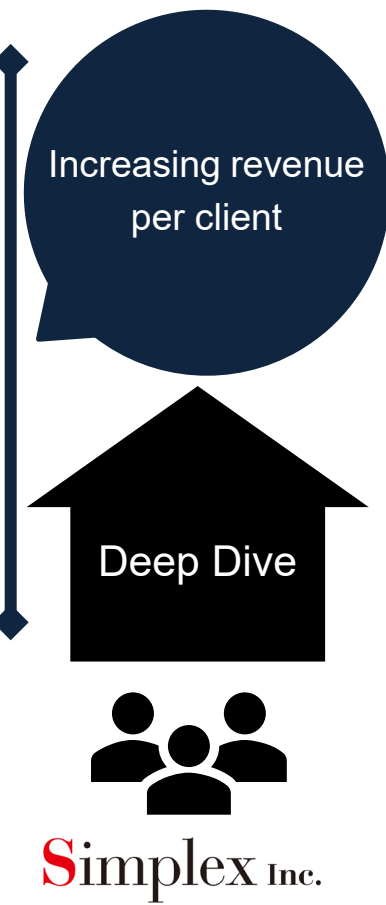
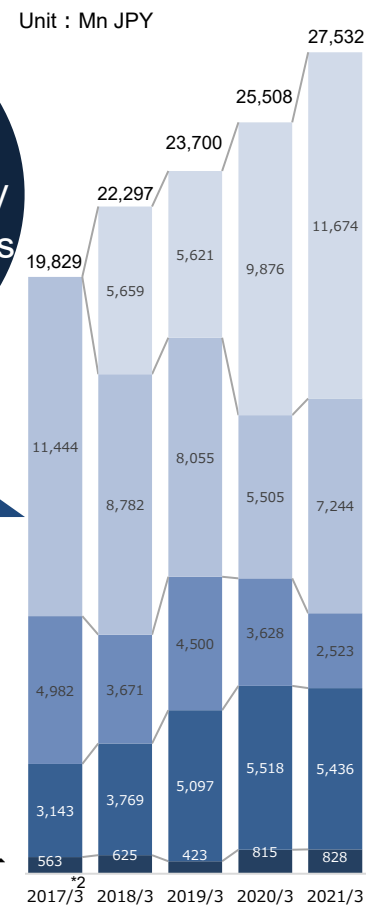
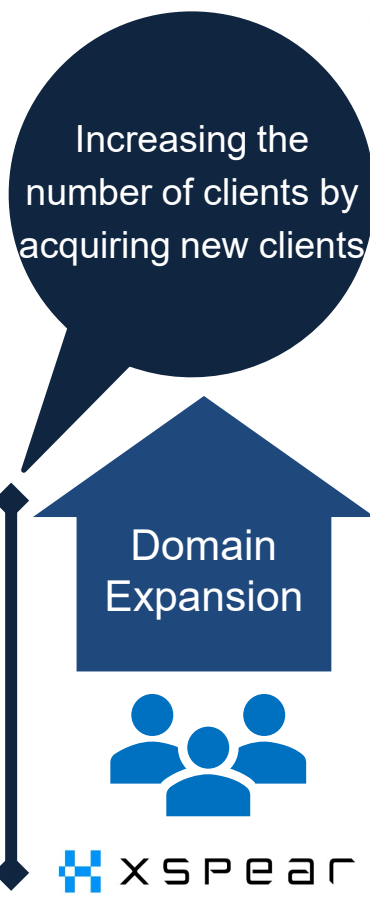
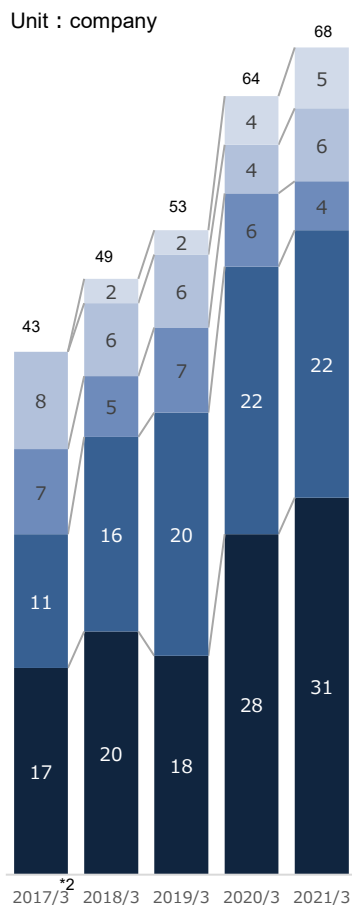
*2 For all employees hired as new graduates, as of October 2020

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

Client Breakdown by Annual Aggregate Contract Size*1

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

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



*1 Counted based on contracts with all group companies

*2 The figure for FY3/2017, the sales of Virtualx 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.

Since founding, we have been supporting capital market trading operations that have been changing with continuous challenges.

Challenges by Decade

2000s

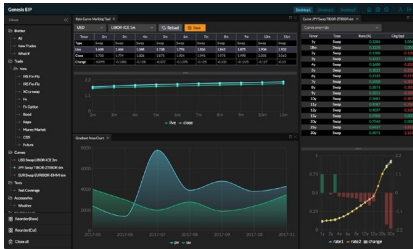
- Derivatives became very popular for customer trades.
- Advancement in Structured Products and Exotic Derivatives.

2010s

- Stringent Regulatory Compliance Requirements (Basel III, LIBOR Reform)
- Large banks expanding businesses in Asia outside of Japan
- Interbank trading on electronic platform

2020s

- Consolidation of banking and brokerage business units among large institutions. (Wider product offering)
- Stringent Regulatory Compliance Requirement (Derivative trade reporting, etc.)
- Adopting DX in systems including back office



Rich in contents

- Trade management
- Risk management
- Scenario analysis
- Portfolio valuation
- Stress Test
- Regulatory Compliance Support

Wide asset class coverage

- Rates derivatives
- Credit derivatives
- Fixed Income
- FX derivatives
- Equity derivatives
- Listed instruments

Progression of our deep-dive history

- ✓ Have been supporting quants, traders, and risk managers in capital markets from inception.
- ✓ We contributed to the value growth of financial institutions with quantitative financial technology



Involved in System Integration projects between banking and security/IB business units

Built trading platforms

- ◆ Assisted development of core business applications and algorithms, including:
 - AI-driven market prediction
 - Auto-delta hedging
 - Risk advisory for individual investors
 - Customer turnover rate forecast
- ◆ Created an agile develop procedure to facilitate biweekly update release cycles.

Assisted mega banks business expansion in Asia

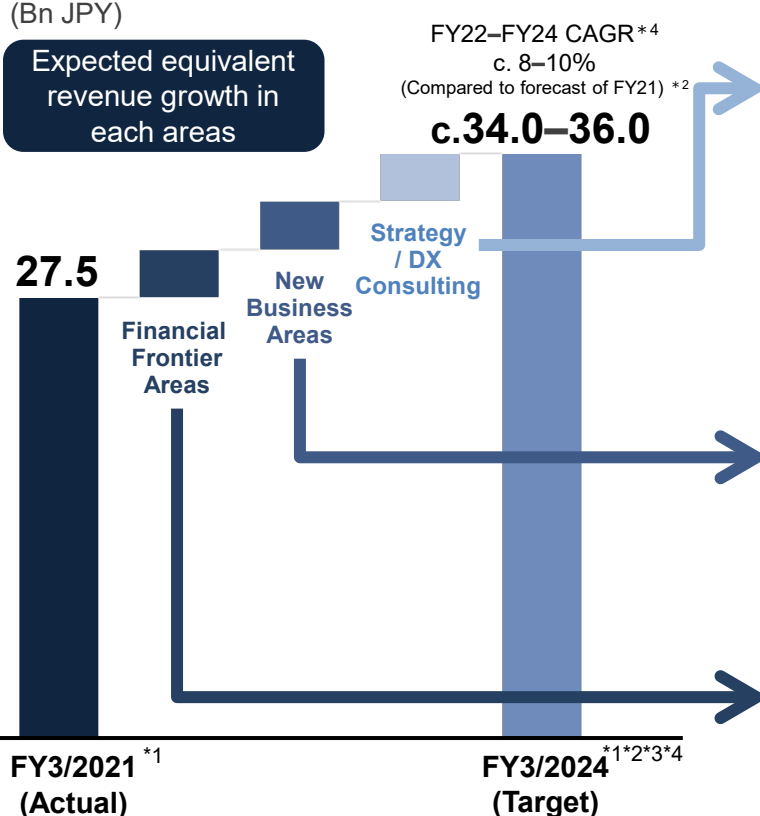
Assisted clients draw IT roadmap

Strategy/DX Consulting expected to spearhead our entry into new business areas. We expect equivalent revenue growth in each area.

Illustrative of Revenue Increase/Decrease

(Bn JPY)

Expected equivalent revenue growth in each areas



Key Topic by Category

Consulting for non-financial	<ul style="list-style-type: none"> Differentiation through capabilities acquired in Financial Frontier areas
Consulting for financial	<ul style="list-style-type: none"> Acquire projects that are not limited to the Financial Frontier areas
Life Insurance	<ul style="list-style-type: none"> Sales promotion of full package life insurance solution
Non-Life Insurance	<ul style="list-style-type: none"> Replace of global de-facto package
Cryptoassets	<ul style="list-style-type: none"> Promote POC projects that shall utilize blockchain in other industries
Enterprise DX	<ul style="list-style-type: none"> Construction ERP introduction projects for major general contractors (not included in the medium-term business plan)
	<ul style="list-style-type: none"> Mortgage bank projects are expanding in size
Banks	<ul style="list-style-type: none"> Collaboration between banks and securities firms
Securities Firms	<ul style="list-style-type: none"> Regulatory compliance support DX promotion including back-office system
Online Securities	<ul style="list-style-type: none"> Deep Dive into the biggest domestic online securities

*1 Consolidated basis under IFRS

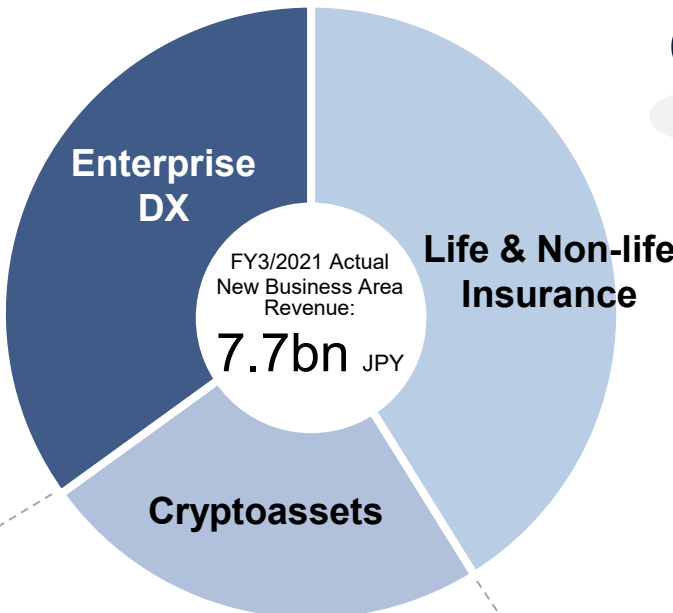
*2 Forecasted revenue for FY3/2021 is the forecasted value (about 27 billion yen) at the time of the announcement of the medium-term business plan (as of December 4, 2020).

*3 The targets shown above include the result of 8% CAGR (about 34 billion yen) and 10% CAGR (about 36 billion yen), which are calculated based on the forecasted revenue for FY 3/2021 (about 27 billion yen) at the time of the announcement of the medium-term business plan (as of December 4, 2020). Actual results may differ materially from the targets shown above due to various risks and uncertainties, including unanticipated changes in domestic and overseas political, economic, and financial conditions, risks relating to changes in the business or regulatory environment including regulations applicable to our business or the financial sector where our business is concentrated, intensifying competition with other companies and our ability to secure talent to maintain our competitiveness

*4 CAGR to FY3/2024 is calculated using forecasted revenue for FY3/2021(about 27 billion yen) at the time of the announcement of the medium-term business plan (as of December 4, 2020).

We help clients launch new and highly profitable businesses rapidly with our DX expertise acquired in the financial domain.

Revenue from New Business Areas by Category



Development of construction ERP

Developed the core project management system for one of the largest construction companies in Japan



Development of a mortgage bank system

Our knowledge of AWS and technology expertise was highly valued, and we assisted with the DX project of our first client



Development of cryptocurrency trading system

We provided trading infrastructure as SaaS utilizing our deep knowledge in FX trading.

Online life insurance company front office system development

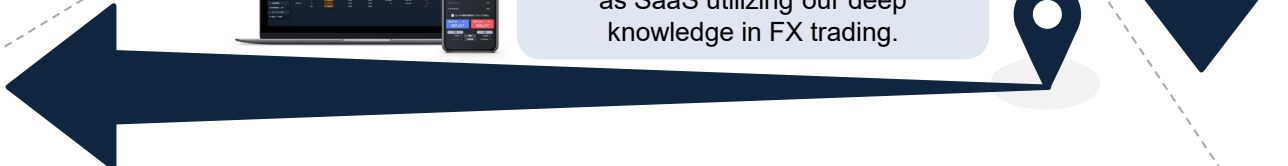
Development of front office system to online life insurance. Our UI/UX was highly evaluated.

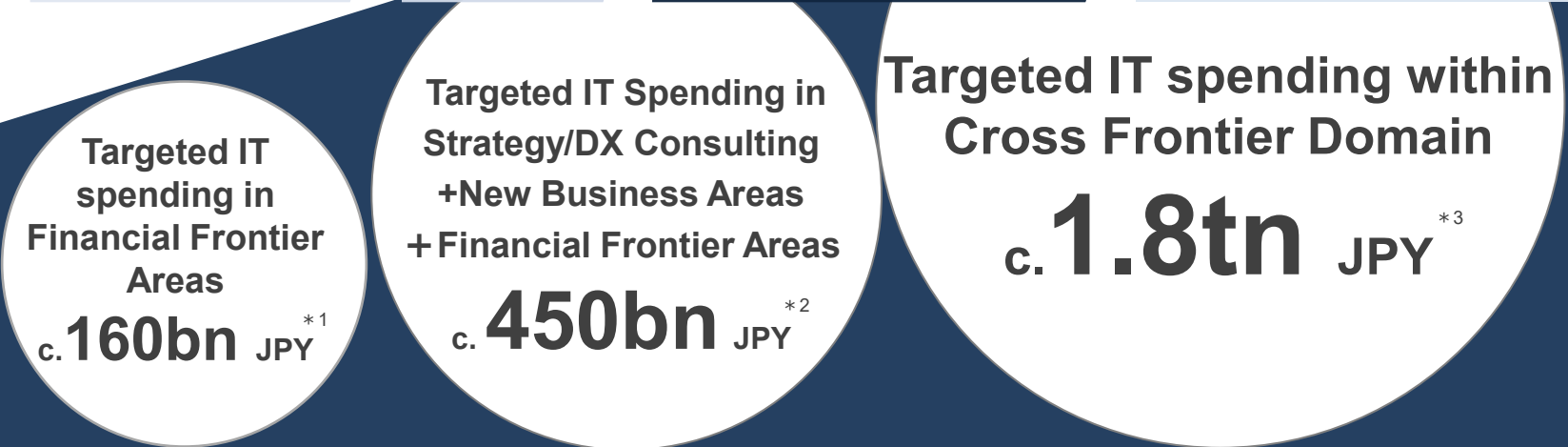
Selected by a large retail life insurance company to replace their core system

The system covered their entire core business operations, which we transformed into a library.

Development of the non-life insurance core system

Aiming to replace the de facto industry-standard solution from an overseas software vendor.





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) in 2021 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)

Balance Sheet

(Millions of yen)	End of 3/2021	End of 9/2021	Change %
Current assets	14,921	16,333	+9.5%
Cash and cash equivalents	8,068	8,779	+8.8%
Accounts receivable and other receivable	6,297	6,735	+7.0%
Non-current assets	46,756	45,964	(1.7%)
Property, plant and equipment	1,456	1,265	(13.2%)
Goodwill	36,476	36,476	±0.0%
Intangible assets	1,726	1,441	(16.6%)
Current and non-current liabilities	30,216	28,502	(5.7%)
Debt	20,174	19,631	(2.7%)
Equity	31,462	33,795	+7.4%
Equity attributable to owners of parent	31,457	33,795	+7.4%
Capital	285	304	+6.6%
Capital surplus	25,833	25,852	+0.1%
Retained earnings	5,227	7,535	+44.2%

	End of 3/2021	End of 9/2021
D/E ratio *1	0.64	0.58
Net D/E ratio *2	0.38	0.32
Goodwill / Equity (%) *3	115.9	107.9

*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)	1H FY3/2021	1H FY3/2022	Change %
Cash from Operations	650	1,904	+192.9%
Cash from Investing	(59)	(48)	(18.6%)
Cash from Financing	(1,183)	(1,146)	(3.1%)
Cash and cash equivalents at end of year	4,799	8,779	+82.9%

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 2Q FY3/2022)

- Interest-bearing debt : 19,631 ¥Mn
- Cash and cash equivalents : 8,779 ¥Mn
- Net interest-bearing debt : 10,852 ¥Mn
- Free cash flow (for 6 months) : 1,856 ¥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

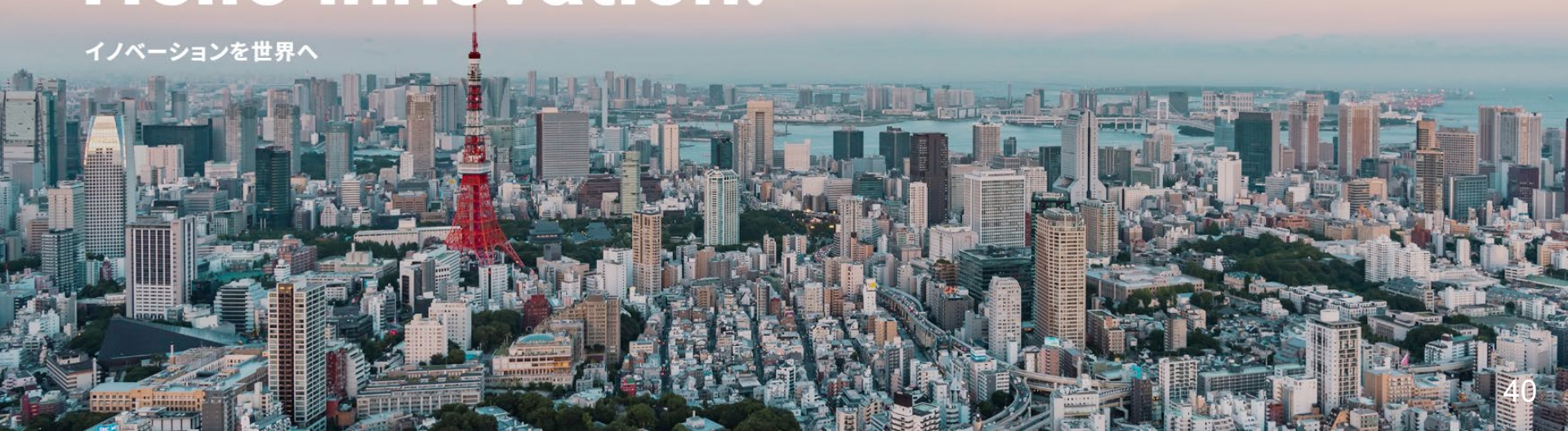
*Free CF, under IFRS 16 "Lease", includes right-of-use asset amortization of 597mn JPY

“Innovations from Japan to the world”

Since our inception in 1997, we have pursued the value creation based on this management philosophy.

**Hello world,
Hello innovation.**

イノベーションを世界へ



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.

Appendix
Sustainability Policy

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

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

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.



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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