

# XNET Corporation Medium-term Management Plan 2022-2025

The company aims to be an eXcellent Company  
that can continue to grow while collaborating with its clients

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Dividend Policy



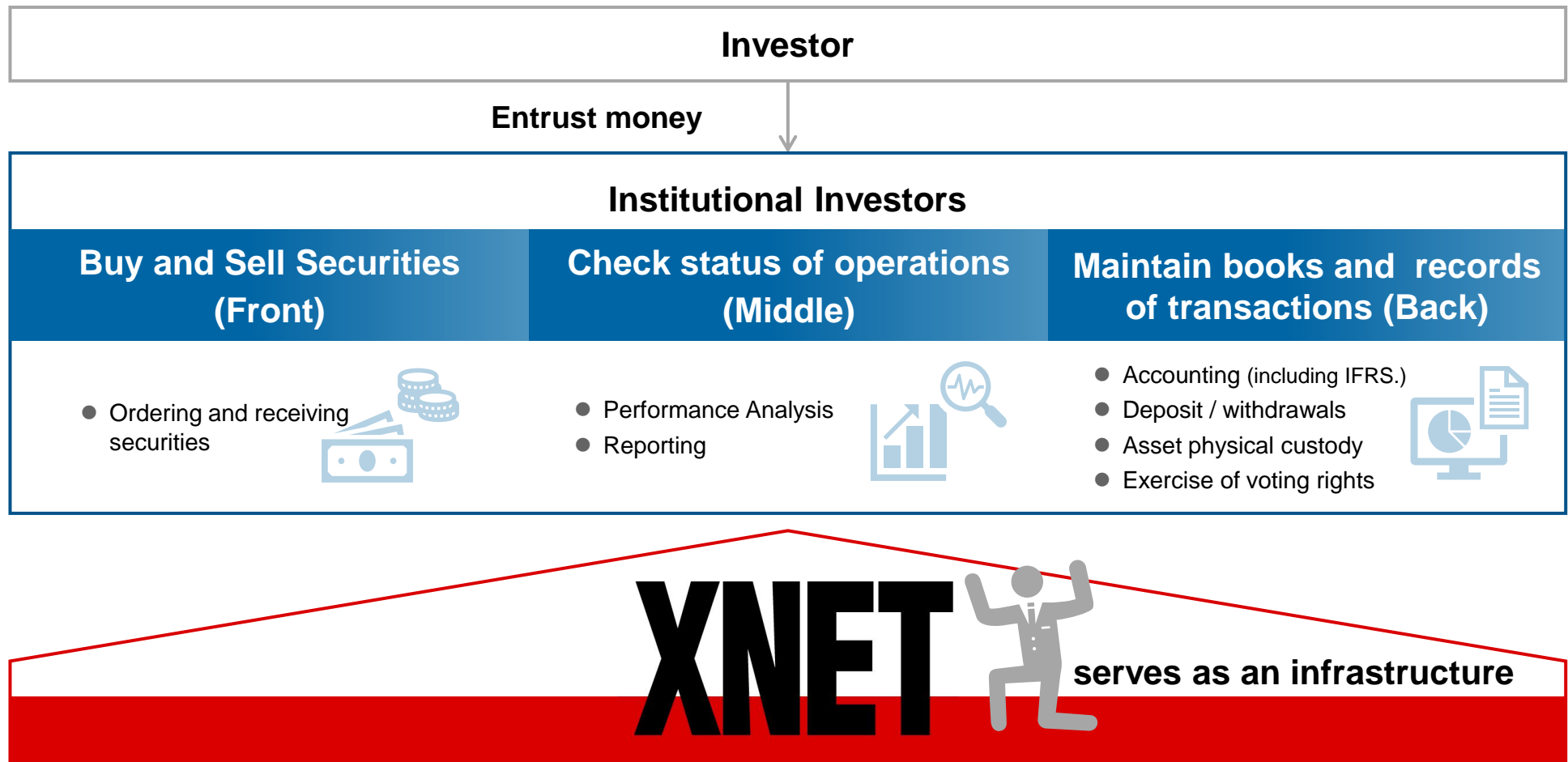
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# About XNET

# 1-1. Business Overview

XNET provides comprehensive support through a set of asset management operations that serve as an infrastructure. The services fall into three categories which are (1) Front, (2) Middle, and (3) Back operations.

## XNET's Service (a single business segment)

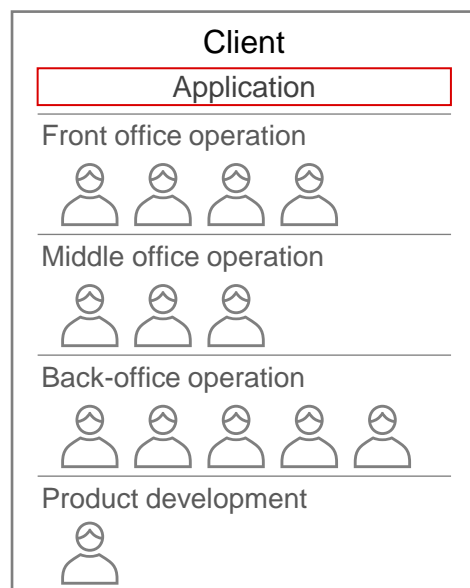


# 1-2. Overview of service offerings

XNET's customers, most of which are institutional investors, use dedicated system to handle their front/middle/back-office operations. XNET provides not only (1) applications software, but also (2) AMO, system operations outsourcing and (3) SO, business process outsourcing services.

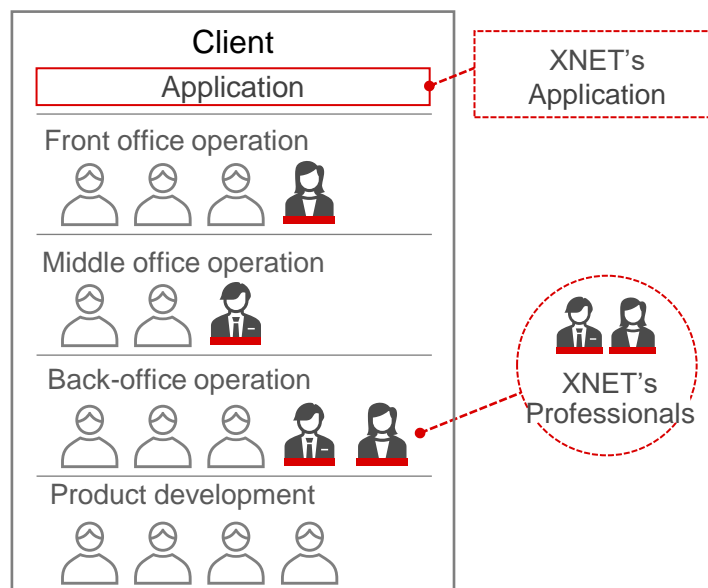
## ① Application

**Software** tailored to the customer's needs



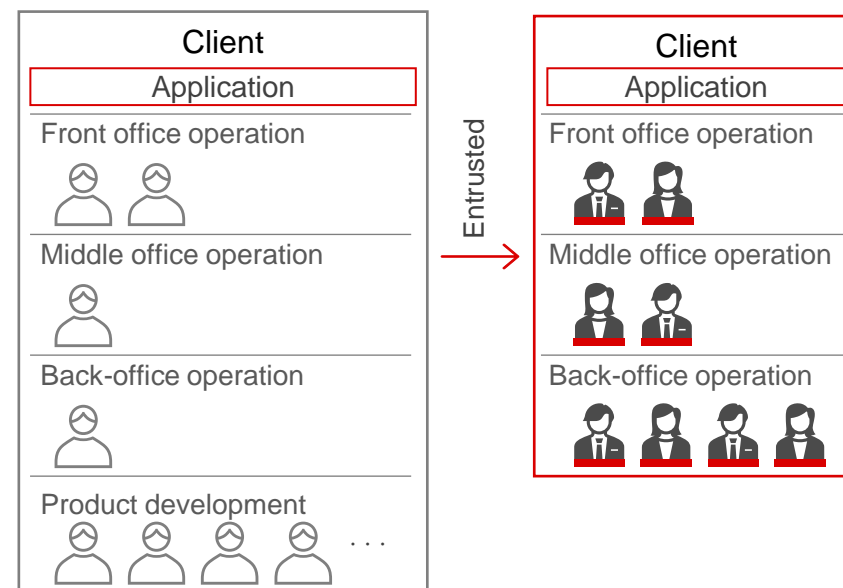
## ② AMO : Application Management Outsourcing

**The system operation is outsourced** to XNET, where our experts handle the application, implementation, operation, maintenance and updating for the customer.



## ③ SO : Smart Outsourcing

**Business processing is outsourced** to XNET, where our professionals handle accounting and reporting for the customer.

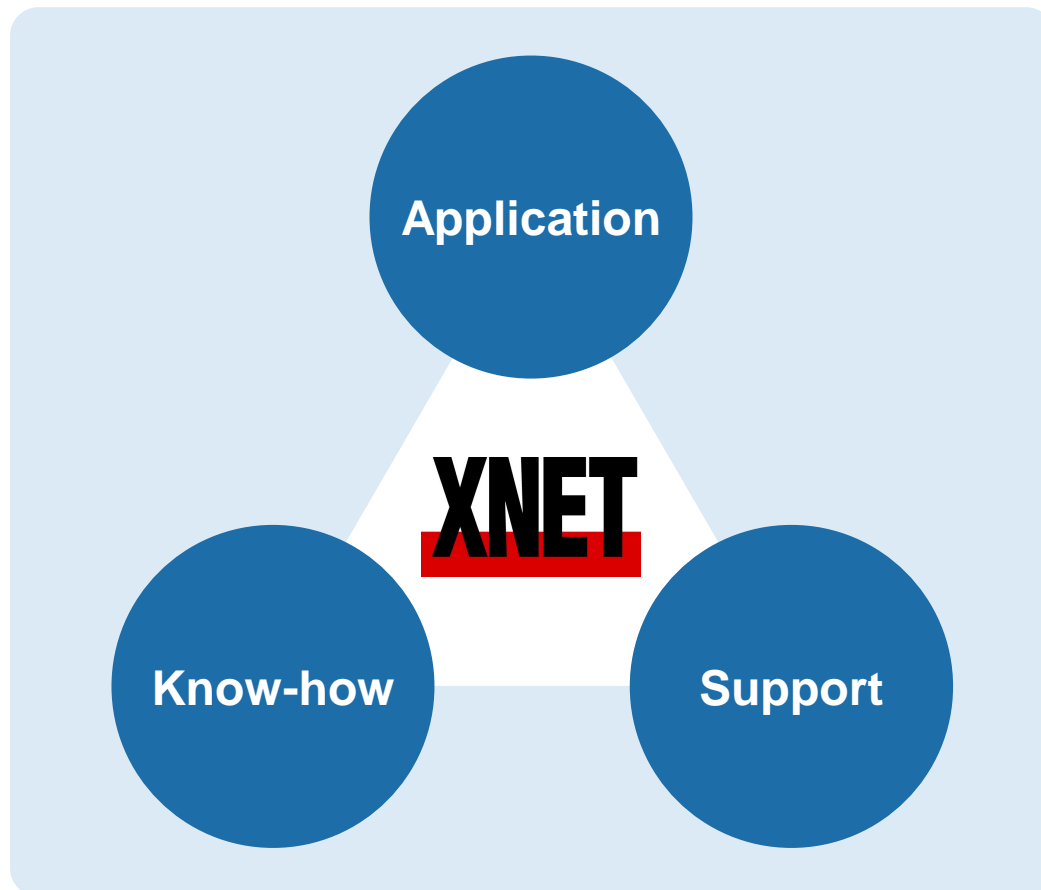


XNET's support for the front/middle/back-office operation allows customers to focus their resources on other important matters.

# 1-3. Value proposition

XNET creates high added value by providing high quality “applications”, “know-how” and “support” as an integrated service.

## Our value-added offerings



### Application

- ◆ No initial investment required
- ◆ Fixed monthly fee
- ◆ No maintenance fee required
- ◆ Freely combined from over 4000 applications (object-oriented)

### Know-how

- ◆ Attentive support system by customers and our customer representatives (CE)
- ◆ Accumulated know-how to keep your application up-to-date with latest features

### Support

- ◆ Attentive support by our customer representatives (CE)
- ◆ Knowledge of professionals in the asset management industry

# 1-4. Corporate Profile and History

XNET has been a specialist in securities management systems and support since its inception more than 30 years ago. Its customer base consists of more than 180 institutional investors, including life/non-life insurance companies, investment advisors, trust banks and banks.

## Corporate Profile

Name	XNET Corporation
Address	Sumitomo Fudosan Yotsuya Bldg. 4th Floor. 13-4 Araki-cho, Shinjuku-ku, Tokyo
Representative	Takehiko Motani, President
Established	June 3, 1991
Capital	783 million yen
Number of people	197 (As of March 2022)
Services	<ul style="list-style-type: none"><li>• “XNET” service: Outsourcing service of asset management application</li><li>• Portfolio data distribution service</li><li>• STP service (electronical instructions sent to a managing trust bank)</li></ul>
Customers	Institutional investors broadly defined, including banks

## History

1991	Founded (by three former employees of Nomura Securities and Nomura Research Institute)
1997	Started “Back office” service
1998	Started “Front office” service
2000	Listed on NASDAQ JAPAN as its first stock issue Started the center-type “STP” service
2001	Added “Contract basis accounting” in Back-office operation service
2003	Listed on the Second Section of the Tokyo Stock Exchange Started “Accounting service for investment trust management” service Started shareholder voting rights management (Stewardship Solutions)
2004	Listed on the First Section of the Tokyo Stock Exchange
2007	Added “Back office” operation to “Accounting service for investment trust management” service
2009	Became a consolidated subsidiary of NTT DATA Corporation
2015	Started “Trust management service for individuals” (for regional banks)
2017	Started Japan's first “Japan-domiciled foreign-currency investment trusts management” service Opened Sapporo office as SO service base
2021	Expanded the head office to strengthen SO service
2022	Listing market changed to the Standard Section of Tokyo Stock Exchange

# 1-5. Corporate Philosophy

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What XNET aims for

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The company aims to be an

**eXcellent Company**

that can continue to grow while collaborating with its clients

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As an eXcellent Company, XNET will strive to

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1. become a “One-Stop Solution Company” in asset management.
2. continue to make efforts to bring smiles to customers’ faces by transforming “Impossible” into “Possible.”
3. create a better society by developing “new frameworks” and “new value.”
4. implement management practices while being mindful of the well-being of employees and their families and the profit returns to shareholders.



# 1-6. Mission & Vision

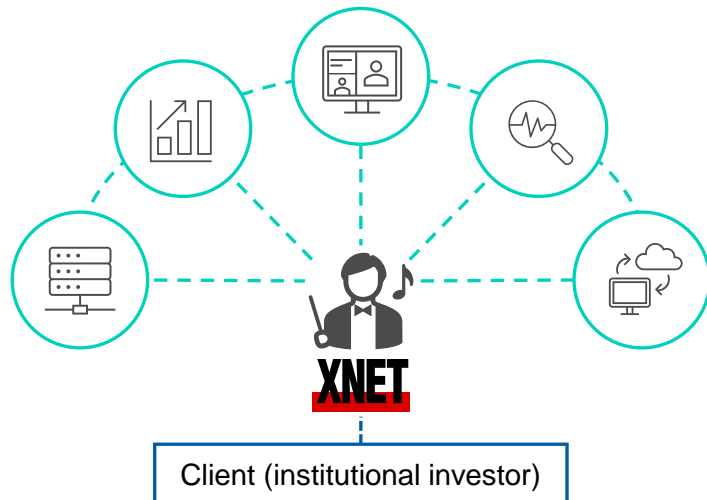
XNET aims to become an "ecosystem orchestrator" in the asset management industry, providing solutions that customers need.

In addition, XNET will contribute to helping Japanese people accumulate wealth by adopting the "Four-Way Satisfaction" mindset.

## Mission



As an "ecosystem orchestrator\* in the asset management industry", XNET aims to create a symbiotic environment by connecting it with any \*service or system that the customer requires without owning all the solutions.



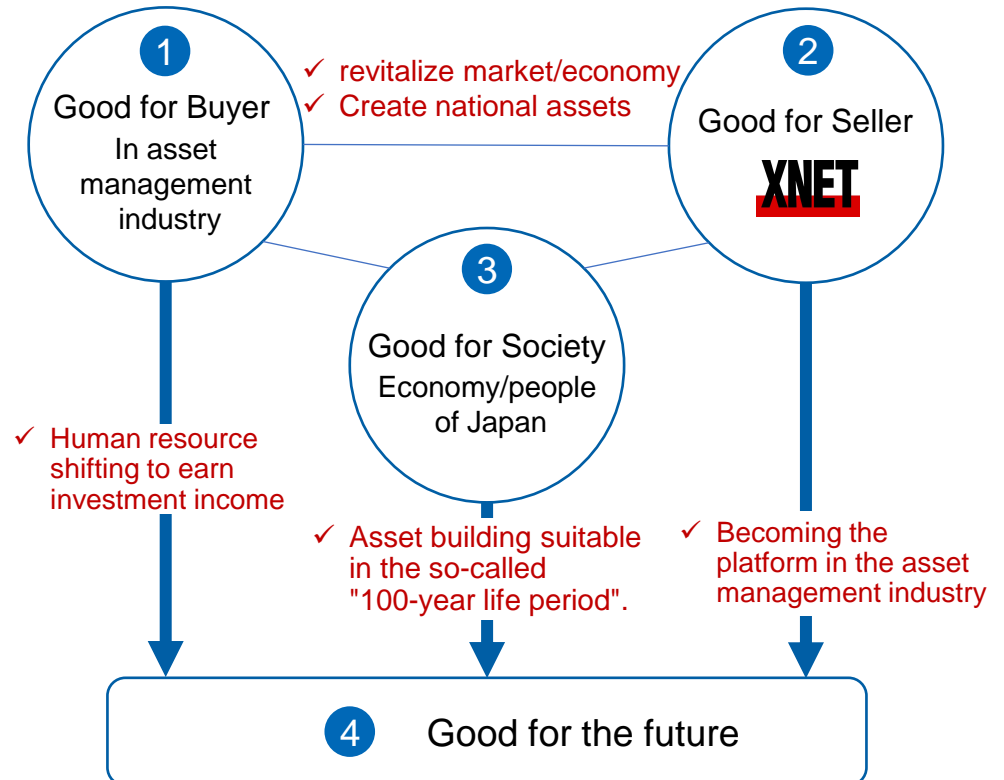
\*Includes those provided by third-party companies

## Vision

From "Sampo-yoshi" to "Shiho-yoshi"

- ✓ Focus on core business
- ✓ Reduce operational cost

- ✓ Earn revenue
- ✓ Enhance intellectual / human capital





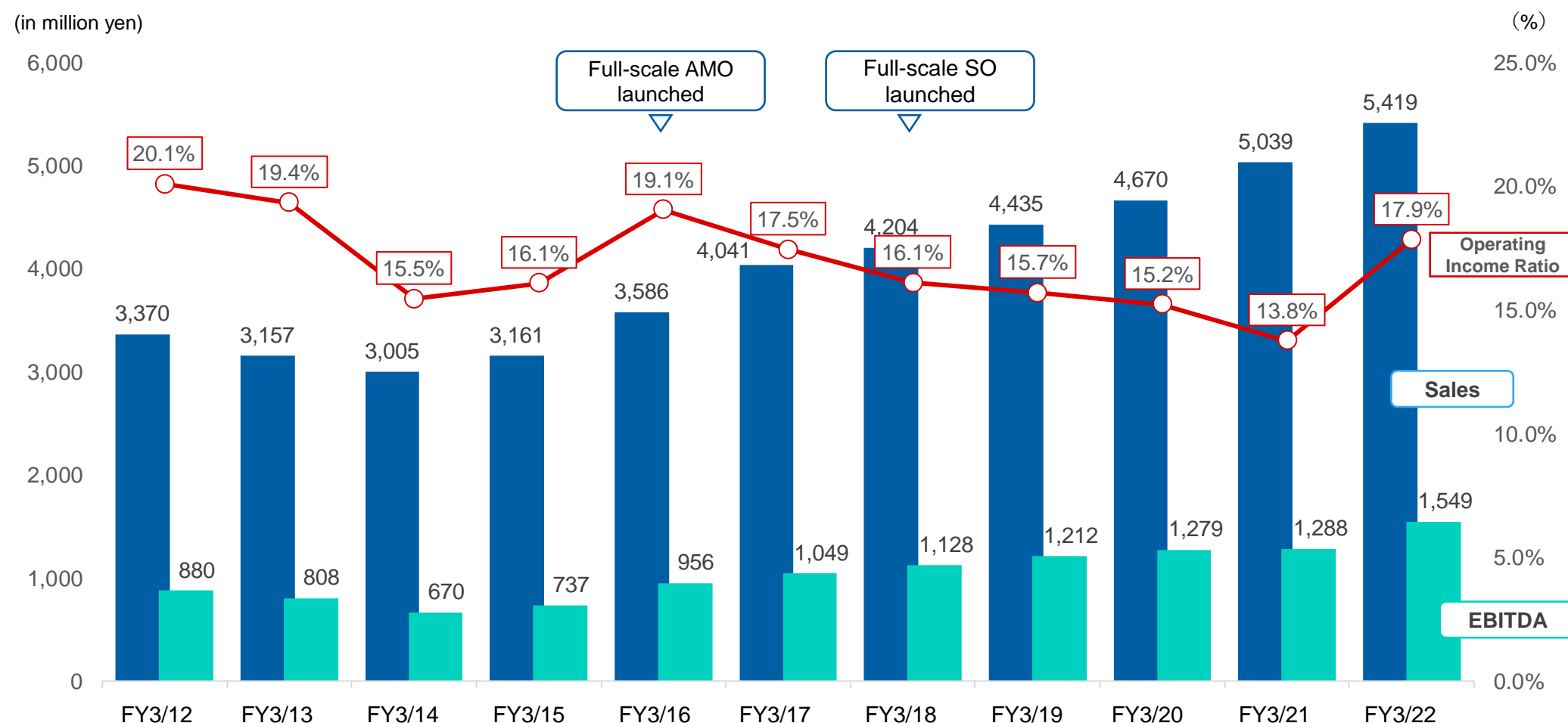
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# Review of Prior Fiscal Years

# 2-1. Financial Highlights

XNET has generated stable revenues in recent years, and in the fiscal year ended March 2022, it achieved its highest sales ever, mainly due to the large transaction related to highly profitable AMO, thereby significantly improved operating profit.

## Trends of Sales, Operating Income, EBITDA



## 2-2. Growth drivers and past business strategy

XNET has increased its market share by specializing in the asset management industry (institutional investors) and by attracting the largest corporations as customers, with continued delivery of customized services as a growth driver.

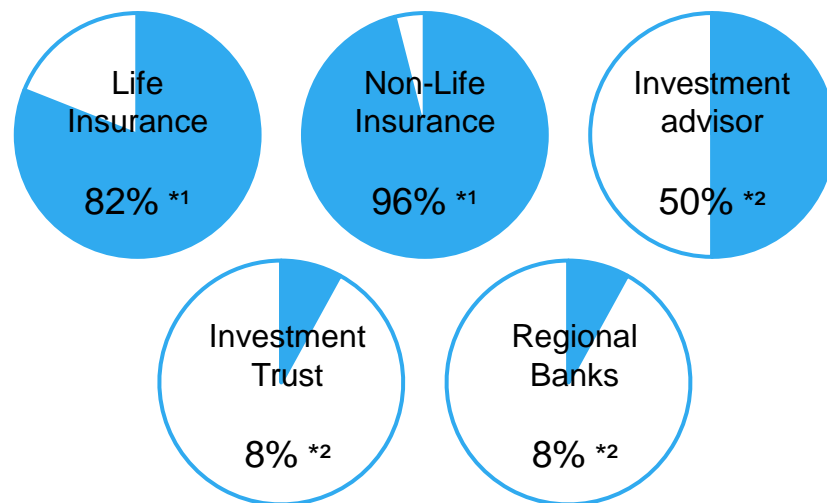
### Market share focus on asset management industry



Focusing on the asset management sector (institutional investors)



Market share in the asset management sector (institutional investors)



\*1 The share is calculated based on total assets under management. (as of 2022)

\*2 The share is calculated based on our simplified estimates. (as of 2022)

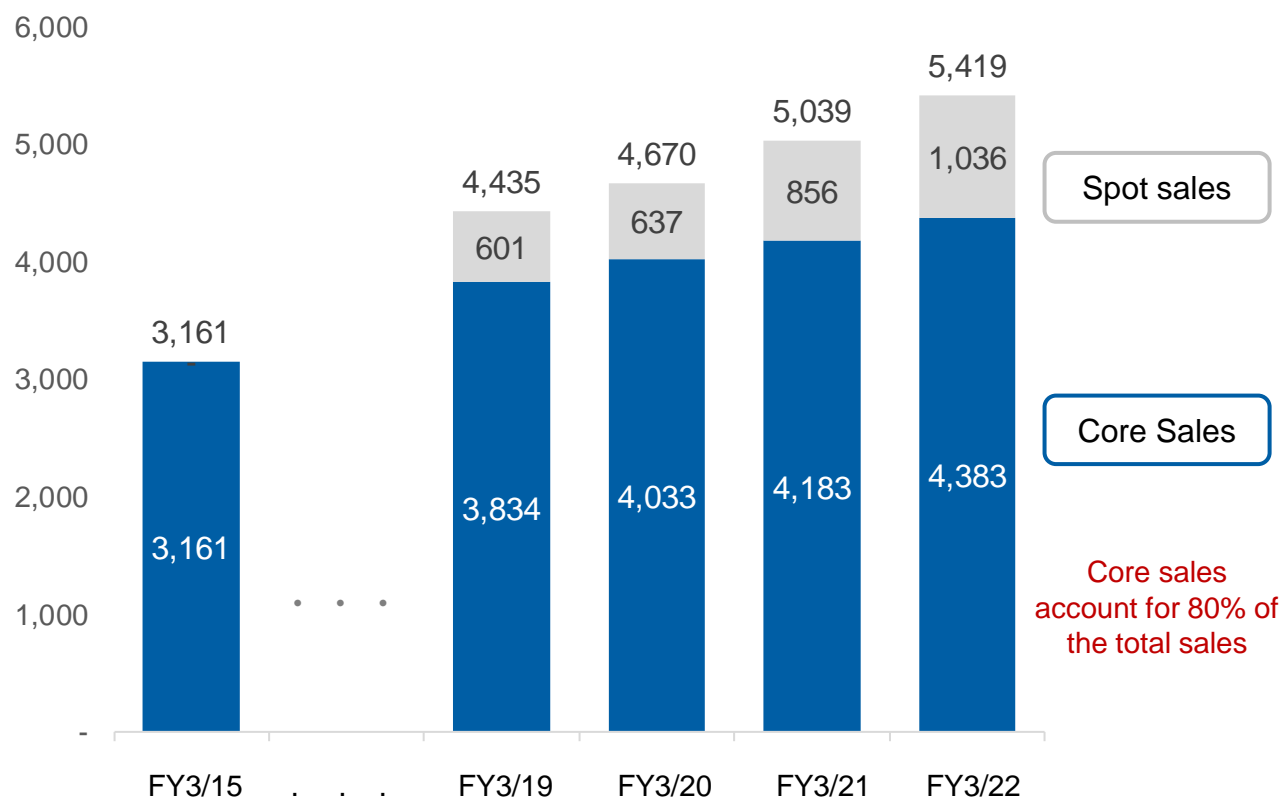
### Service offerings aligned with industry needs

- Rapidly changing industry environment  
Product trends and regulatory requirements change quickly and require significant investment to keep up.  
XNET offers subscription-type services (detailed later).  
► Our services eliminate large capital investments for our customers.
- Industry-specific situation (1) Mainstream: Insurance  
Many insurance companies tend to outsource their asset management operation to focus more on their core business.  
XNET provides an integrated asset management services that serve as an infrastructure.  
► Our services allow customers to focus their resources on their key services.
- Industry-specific situation (2) Increasing burden of system investment on small businesses.  
Many investment advisors and mutual funds are small businesses, and it is difficult for them to afford large system investment.  
► Our subscription business model eliminates the need for large investments (detailed later)
- High barriers to system deployment and outsourcing  
Asset management operations require a high level of stability and reliability, so regardless of in-house or outsource, decision making is very challenging.  
We have a solid track record and the trust of the largest companies.  
► Our track record lowers the barriers for customers to deploy or outsource.

## 2-3. Sales Mix

Revenue source can be divided into two categories, Core and Spot, of which Core accounts for approximately 80%. By focusing on Core, XNET can further strengthen its management foundation, with stable revenue coming from the subscription model of applications, AMO, and SO.

### Trends of core and spot sales (in million yen)



#### 【Core】

Segment with stable sales through subscription model

► **Our stable revenue base**

Target services Applications,  
AMO (monthly) · SO

#### 【Spot】

Revenues from one-time transactions, although necessary to maintain core sales

Service Line :  
AMO (spot) \* New installation, infrastructure  
renewal

## 2-4-1. Service Format

### – Subscription model –

XNET's business model pioneered the subscription-based model and is an advanced service format that helps us differentiate ourselves.

Our “service-type” system is an application service with a fixed monthly fee and no additional costs.

#### Pioneer of subscription-based business model

Since its inception (1991), XNET has developed a subscription model with a fixed monthly fee.

#### XNET “Service-type” systems

##### Advantage of XNET service-type system

1. No initial investment required
2. Available at a fixed monthly fee
3. No maintenance fee required
4. No additional cost for functional changes and updates

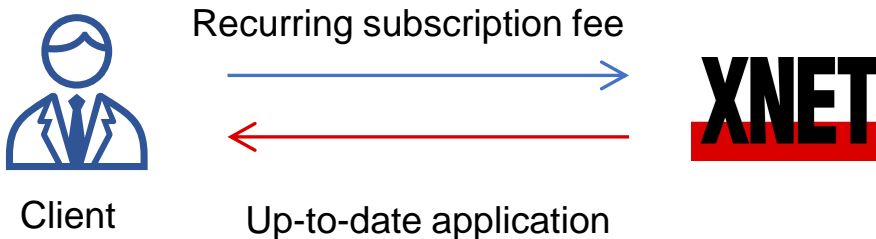
##### Compared to our competitors' system

##### < In-house type >

- Because it is custom made, all costs and risks are borne by the customer.

##### < Package type >

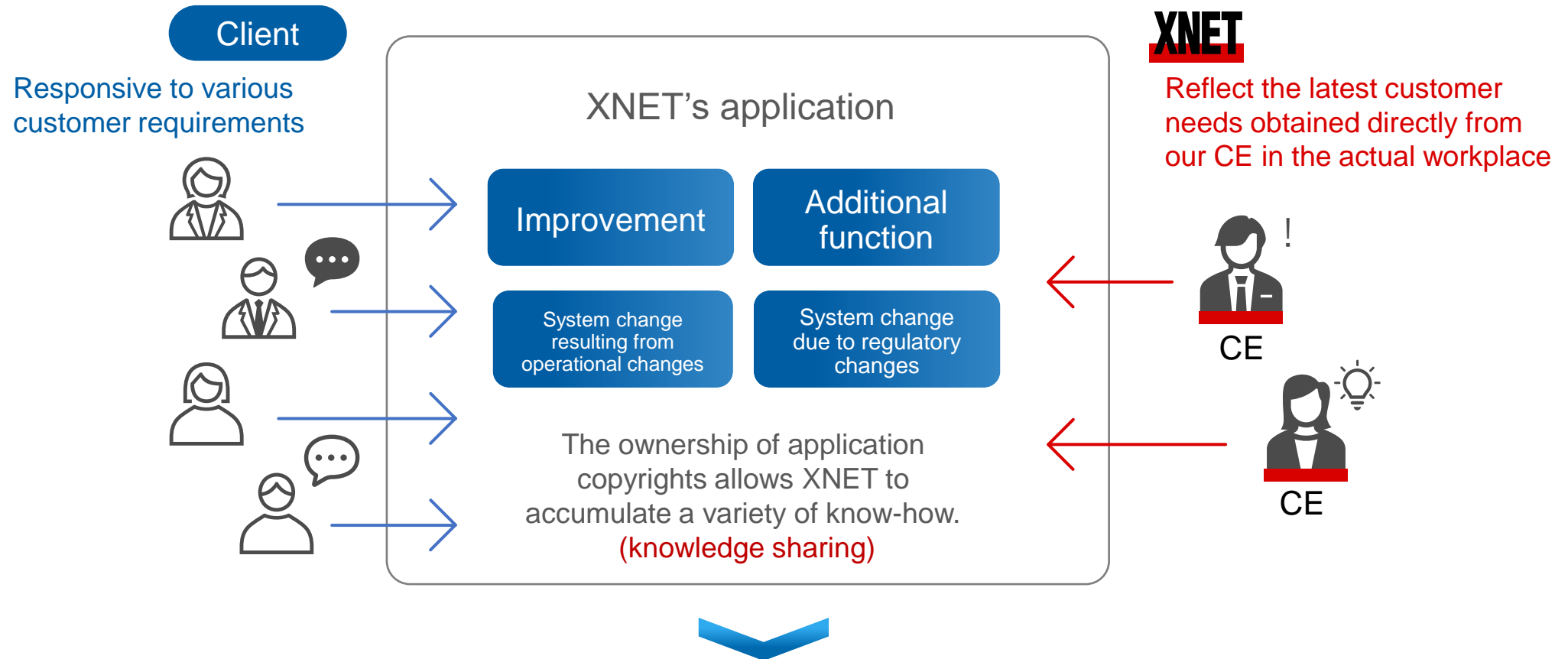
- Package-type is less expensive, but additional costs can be high if the system needs to change functionality.



## 2-4-2. Evolving Service Capability

XNET delivers the latest and best applications through continuous improvement efforts.

We always have the latest needs and know-how, reflecting the voice of our customers and CEs (employees)

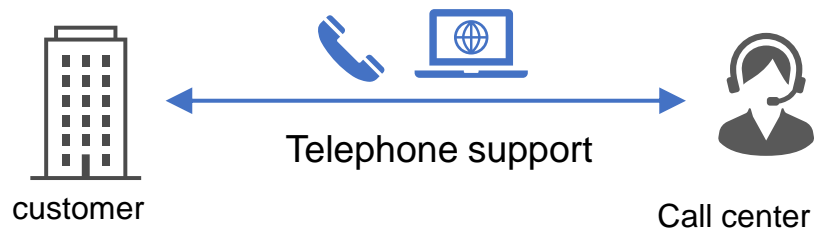


XNET's commitment to the "latest and best" allows us to deliver applications that will never be obsolete.

## 2-4-3. Customer-Focused Approach

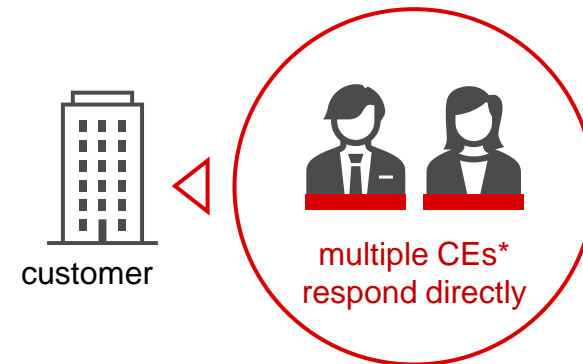
XNET assigns expert CEs (Client Executive) to each customer to provide attentive, knowledgeable support.

### Competitors' call center



- Customer makes inquiry by phone only
- Not sure if support is available in case of emergency
- Cannot provide prompt professional support  
(Request may be handled by outsourced resource)
- Policy manual based, inflexible handling

### XNET's support structure



- CEs in charge are available
- CEs are also available in case of emergencies
- CEs provide prompt professional support
- CEs provide attentive response appropriate to each customer's unique situation

\*CE (Client Executive) is a full-time employee of XNET who has a wealth of expertise in asset management.

Multiple CEs are assigned to each customer to ensure complete support.

**XNET**

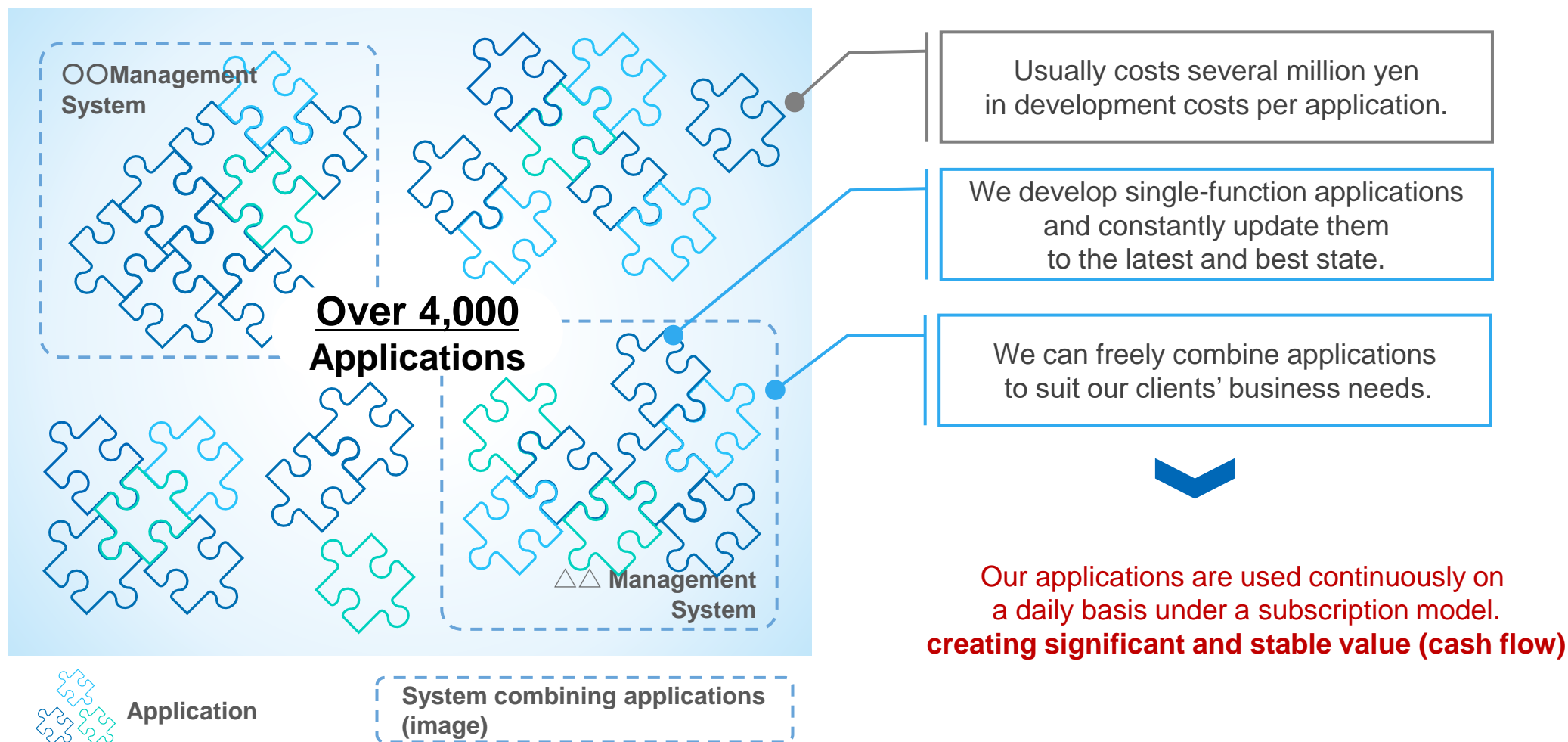


## 2-4-4. Intangible Asset

### – Software Application –

XNET generates significant value (cash flow) from its 4,000 latest and best applications.

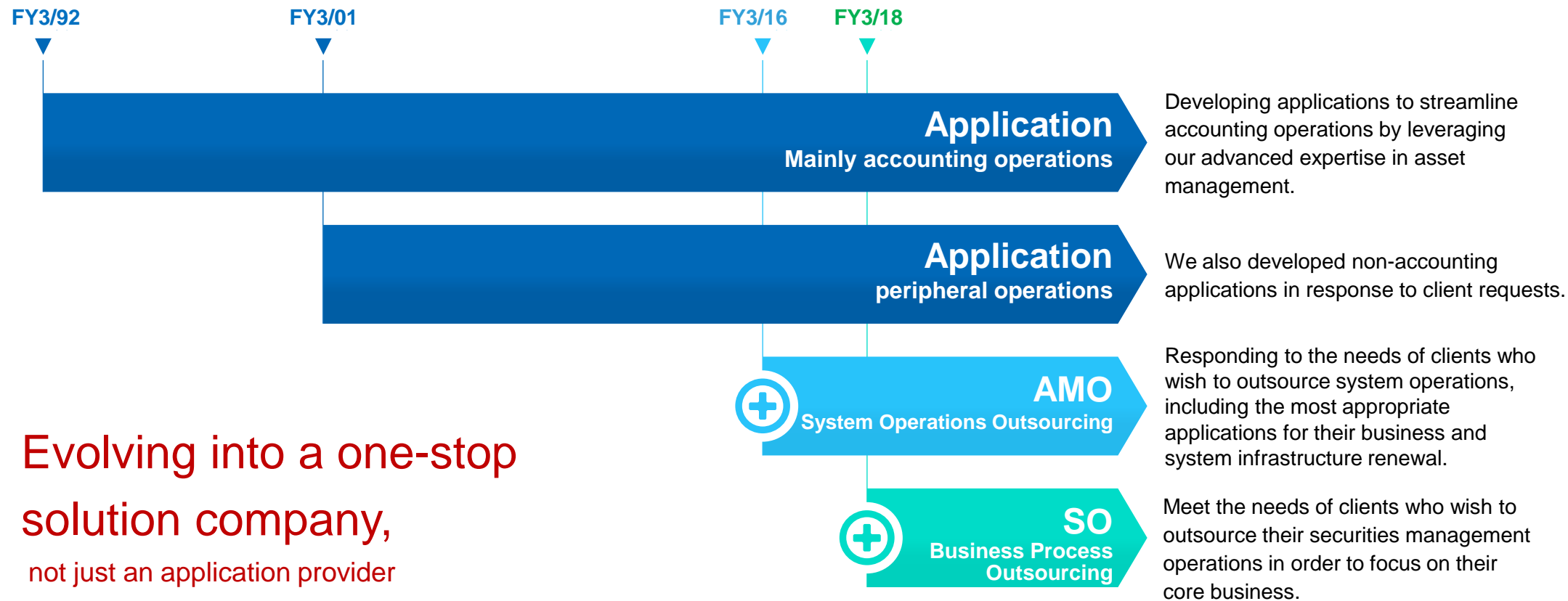
#### Applications owned by XNET



## 2-5-1. Evolving into a one-stop solution company

In addition to XNET's mainstream service (software), it provides additional value to our customers by providing AMO (undertaking application management) and SO (undertaking business operations) services which stem from customers' limited resources and strategy to focus on their core business.

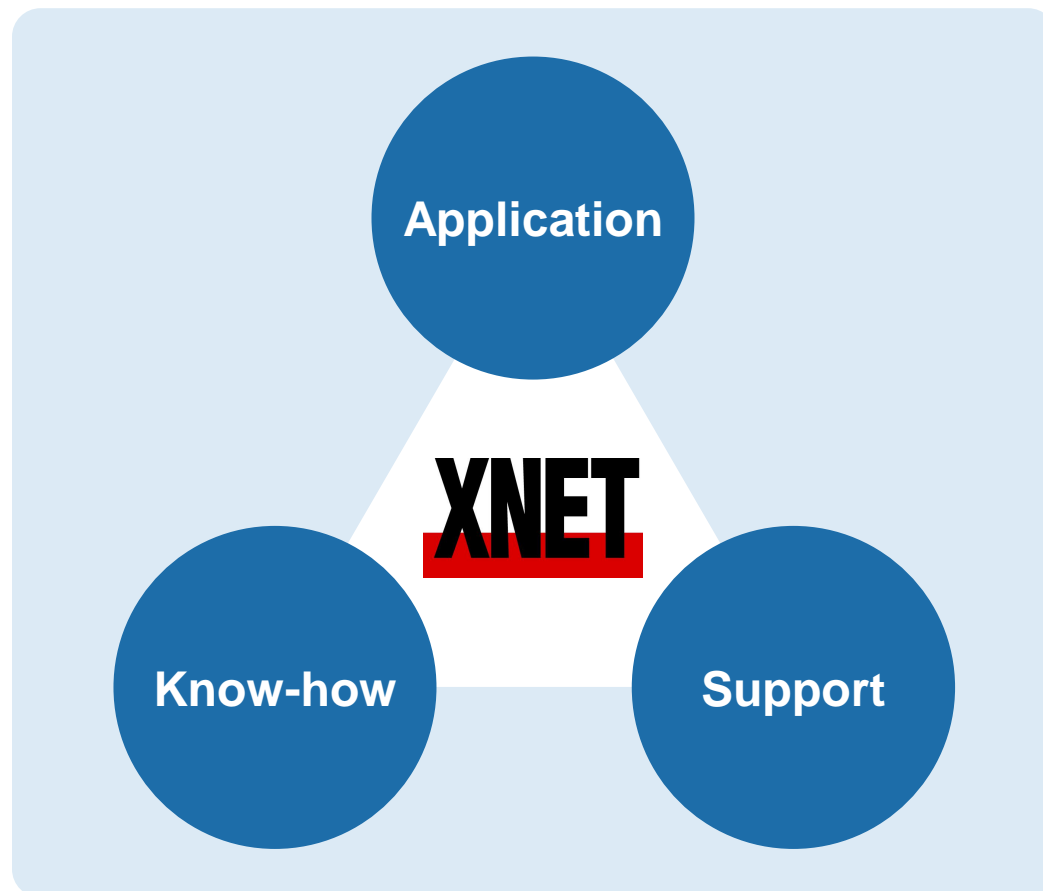
### Our Solution Transition



## 2-5-2. Value proposition (Reprint)

XNET creates high added value by providing high quality "applications", "know-how" and "support" as an integrated service.

Reprint Our value-added offerings



### Application

- ◆ No initial investment required
- ◆ Fixed monthly fee
- ◆ No maintenance fee required
- ◆ Freely combined from over 4000 applications (object-oriented)

### Know-how

- ◆ Attentive support system by customers and our customer representatives (CE)
- ◆ Accumulated know-how to keep your application up-to-date with latest features

### Support

- ◆ Attentive support by our customer representatives (CE)
- ◆ Knowledge of professionals in the asset management industry

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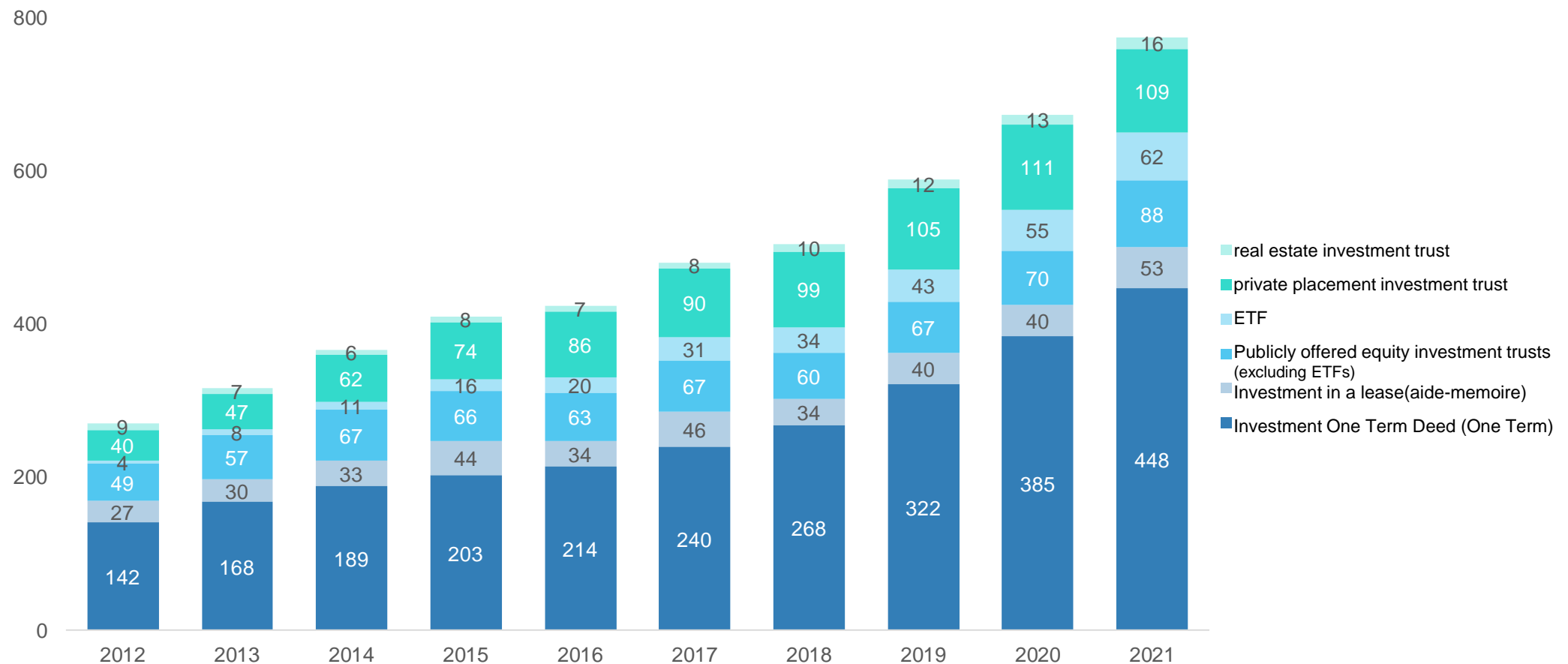
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# External Environment

## 3-1. External Environment – Asset Management Market Size –

Japanese asset management companies are on the rise in terms of assets under management. The customer market of XNET is in a state of constant growth.

Amount under management by asset management companies (in trillion yen)



Compiled from the Financial Services Agency's "Asset Management Upgrading Progress Report 2021" and statistical data from The Investment Trusts Association, Japan and the Investment Advisers Association, Japan.

## 3-2. External Environment – Trends in Asset Management Outsourcing –

Our customers are faced with the need to focus on their core business while experiencing a lack of resources in a rapidly changing business climate. This trend is accelerating the need for outsourcing services and market expansion.

### Asset Management Trends by Industry

#### Life/non-life insurance

##### ■ Business Climate

As information technology continues to evolve, **advanced insurance products need to be developed.**

Want to focus resources on developing products rather than asset management

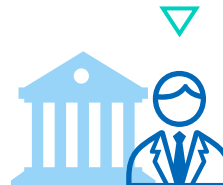


#### Investment trust advisor

##### ■ Business Climate

Conventional investment methods are not as profitable as they used to be, **while the need for alternative investments and compliance with new financial regulations is urgent.**

The difficulty in finding the human resources prevents from doing what needs to be done.



#### Regional bank

##### ■ Business Climate

As ultra-low interest rates continue, it has become difficult to generate profits from lending, the core business of regional banks. To compensate for this, **revenue from securities investment has become a top priority.**

There is a lack of staff and the administrative burden is increasing.



**The needs for outsourcing services (AMO & SO) in on the rise**



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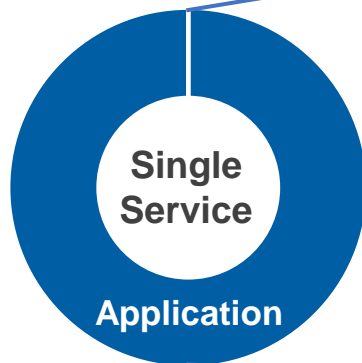
# Growth Strategy

## 4-1. Growth Strategy – Service development for the medium to long term –

In the medium to long term, XNET aims to become a true one-stop solution company by developing AMO (undertaking application management) & SO (undertaking business operation) businesses, thereby offering a diversified product mix that meets the needs of Asset Management.

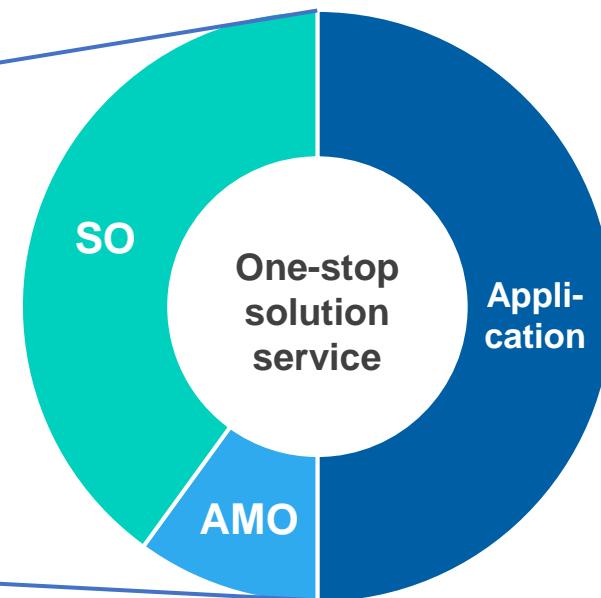
### Medium- to long-term service development

Before FY3/14



- Application only

What we are aiming for



- Expand AMO and SO
- Provide all kinds of solutions for asset management by building product mix





## 4-2. Growth Strategy – Application Service Expansion –

XNET aims to improve profitability by expanding and enhancing application service delivery for asset management and financial peripherals.

### Development of new application services

			Institutional Investor				
			Life/non-life Insurance	Investment Trust/Advisor	Banks	Other Finance	Other Business Companies
Support Service	Assets Management	Securities					
		Corporate Loans					
		Personal Trusts					
		Loans & Deposit					
		Reporting					
		Securities - new assets class					
		Personal loans					
		Real estate					
		(other areas)					
	Peripherals Business	Voting Rights Exercise					
		Compensation Calculation					
		IFRS Management					
		Company Foundation Support					
		(other areas)					
	Data Provision	Market Data and Others					

 Our Service Areas (Current)
  Service Areas with Room for Expansion

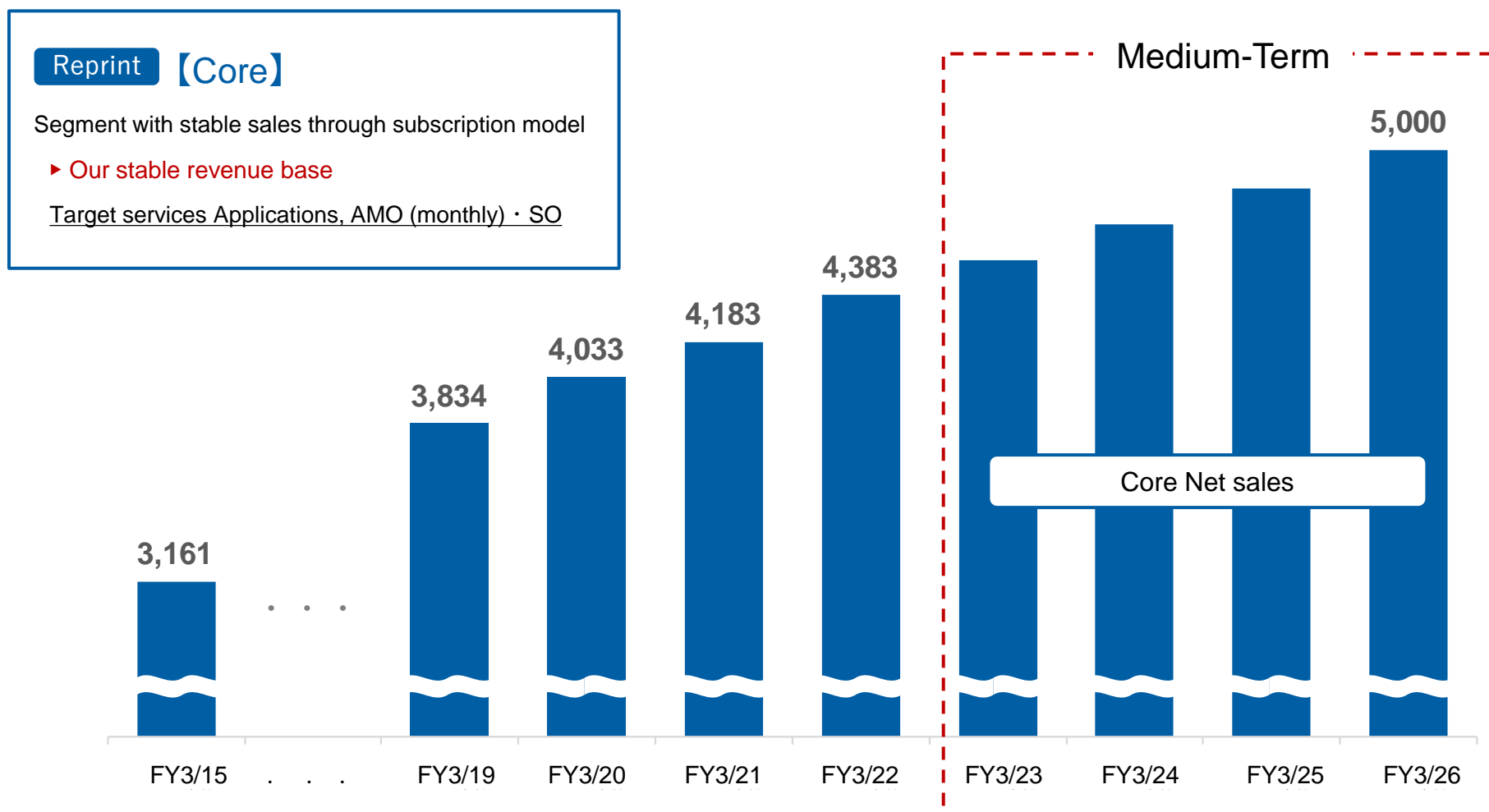
Actively develop new solutions in “Asset Management” and “Peripheral Business”

Specifically, we will expand our application services and customer base in areas where we are not yet able to provide our applications as described on the left.

## 4-3. Growth Strategy – Growth Strategy for the medium-term –

In the medium term, XNET will continue to strengthen its core businesses to maintain a high rate of return, thereby strengthening its business foundation and further enhancing shareholder value.

### Core Net sales in the Medium-Term Management Plan Period (in million yen)





5

# Management Goal

## 5. Management Goal

XNET aims to achieve 5 billion yen in core sales in FY3/26 and a return rate of 15% or higher, resulting in an ROE of 8.0% or higher.

### Management Goal

Core Sales	Operating Income Margin	ROE
FY3/26 <b>5 Billion Yen</b>	<b>15.0%</b>	<b>8.0%</b>

A large, stylized 'X' graphic composed of two overlapping diagonal bands. The top-left and bottom-right bands are a light blue color, while the top-right and bottom-left bands are a slightly darker blue. The number '6' is centered over the intersection of these bands.

6

# Investment Strategy

# 6-1. Investment Strategy

## – Human Resource Strategy –

XNET will actively invest in human resources development as its most important asset and will continue to focus on hiring people with industry experience while training younger employees with no experience to become professionals.

In addition, we will continue to improve our work environment to increase productivity.

### Recruiting Strategy

Continue to focus on recruiting highly specialized and ready to work talent, particularly asset management industry veterans.

Asset  
management  
professionals

- ✓ Experienced human resources with extensive experience (incl. retirees)

► They play an important role in the company's growth. As a successful employment case, we will continue to make this a top priority.

The  
inexperienced  
in asset  
management

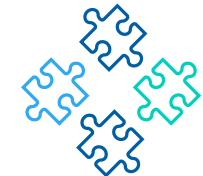
- ✓ Encourage the hiring of young talent, including inexperienced workers and recent high school graduates

### Human Resource Strategy

Develop future professional human resources by fully utilizing the know-how of veteran employees and the expertise accumulated in the application business.



Veteran with  
experience and  
know-how



The expertise gained from  
application development &  
services

Apprenticeship  
learning from  
veterans



Gain expertise by  
learning how to respond  
to customer needs



Growth as a professional

## 6-2. Investment Strategy – Development of new application services –

We will expand the application service business area, which is an important source of value for XNET, through the development of new value-added solutions.

### Reprint Development of new application services

			Institutional Investor				
			Life/non-life Insurance	Investment Trust/Advisor	Banks	Other Finance	Other Business Companies
Support Service	Assets Management	Securities					
		Corporate Loans					
		Personal Trusts					
		Loans & Deposit					
		Reporting					
		Securities - new assets class					
		Personal loans					
		Real estate					
		(other areas)					
	Peripherals Business	Voting Rights Exercise					
		Compensation Calculation					
		IFRS Management					
		Company Foundation Support					
		(other areas)					
	Data Provision	Market Data and Others					

Our Service Areas (Current)

Service Areas with Room for Expansion

Actively develop new solutions in “Asset Management” and “Peripheral Business”

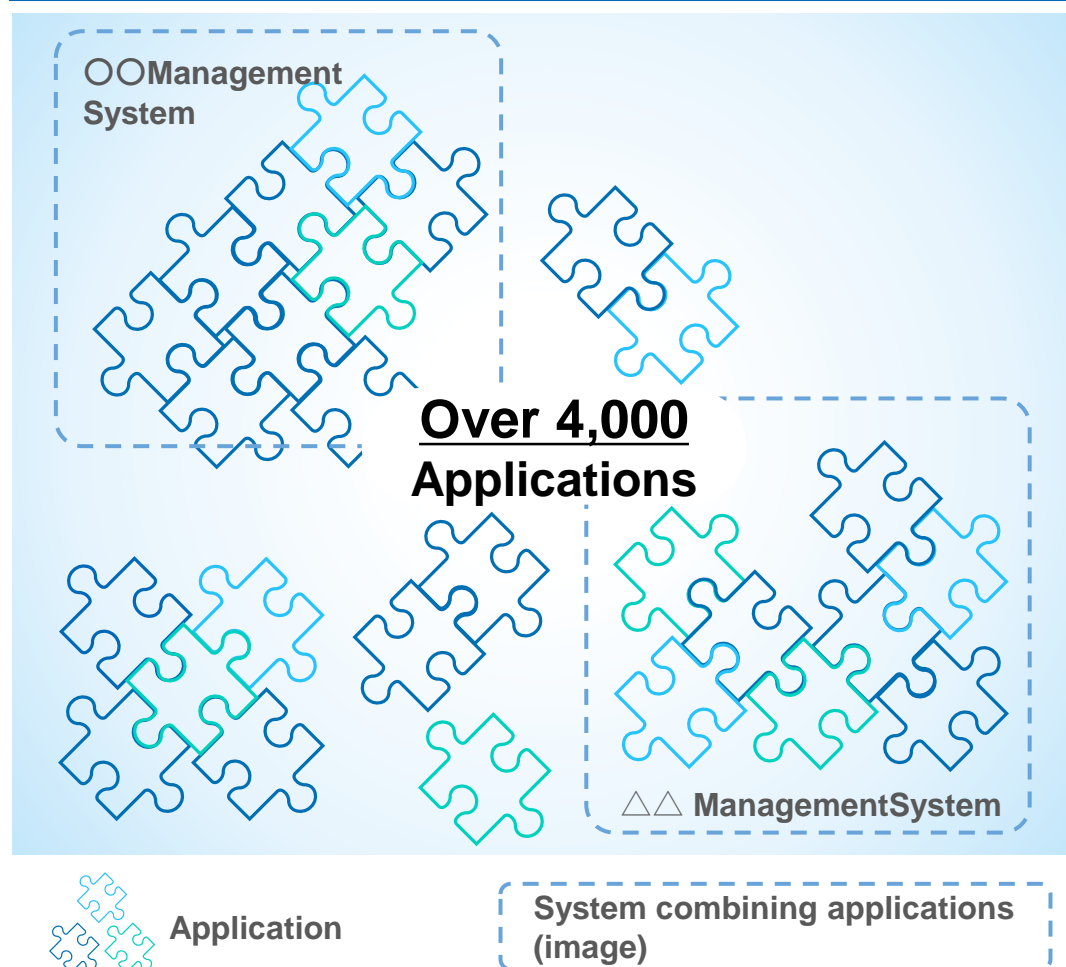
Specifically, we will expand our application services and customer base in areas where we are not yet able to provide our applications as described on the left.

## 6-3. Investment Strategy – System Investment –

XNET will fully invest in the improvement and enhancement of existing applications for the benefit of our customers. (Aggressive Investment)

At the same time, we must ensure system upgrades associated with OS refreshes to sustain our business. (Defensive Investment)

### System Investment



#### Aggressive Investment

Improve the existing applications

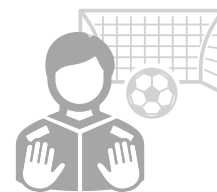


- ✓ Develop new solution services
- ✓ Improve convenience for customers



#### Defensive Investment

System update to ensure quality service



- ✓ System upgrading associated with OS\* updating

\*OS : Operating System





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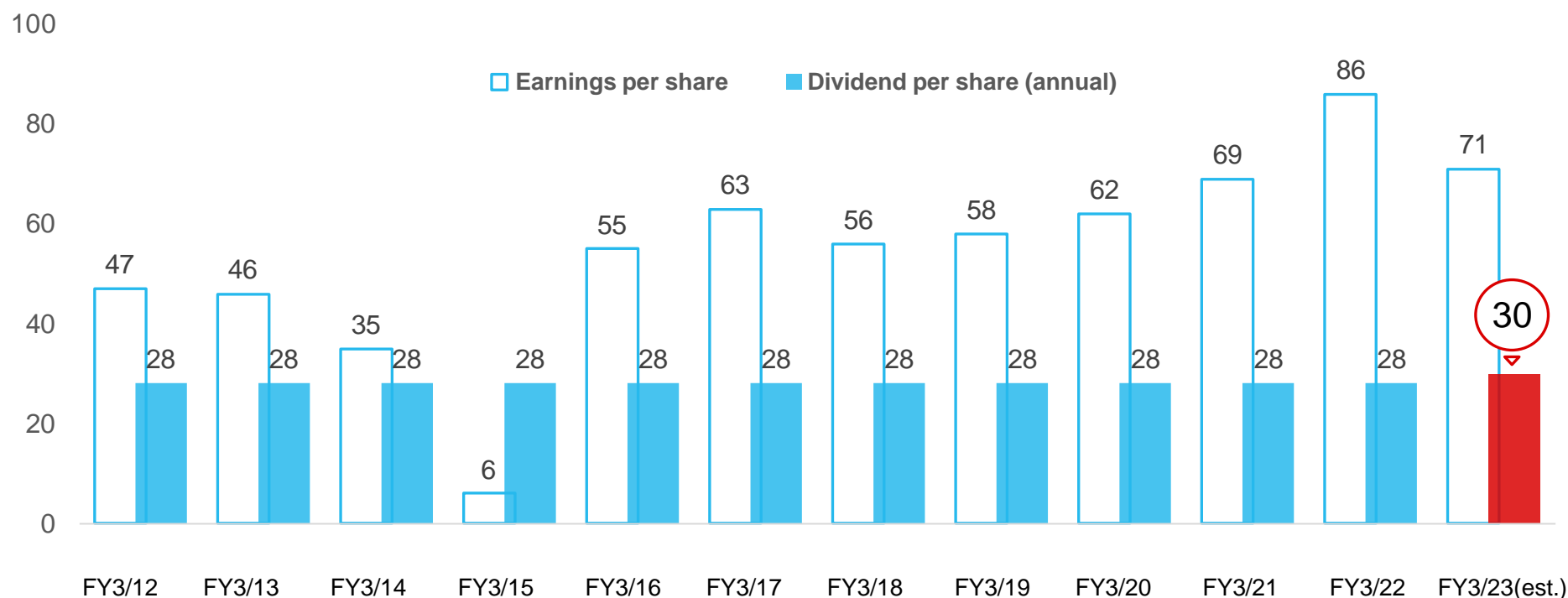
# Dividend Policy

# 7. Dividend Policy

XNET's policy is to return earnings to shareholders through stable, long-term dividends. Our dividend payout has been maintained, including the fiscal year ended March, 2015, when an impairment charge was recorded. For the fiscal year ending March 2024 (projected), we plan to increase the dividend to 30 yen per share.

## Dividend \*1 - Actual / projected (in Japanese yen)

Dividend Payout Ratio	59.3%	60.7%	78.4%	454.2%	50.8%	44.3%	49.7%	47.7%	44.8%	40.1%	32.2%	42.0%
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\*1 As XNET has conducted stock splits, calculations and descriptions are based on the current number of shares

### (Disclaimer)

- This material contains forward-looking statements regarding future plans, projections, strategies, policies and outlooks.
- These forward-looking statements are based on judgments made in accordance with information available at the time this material was prepared and on certain assumptions and are subject to change in the future as a result of economic trends and market conditions, trends in XNET's related industries, and other internal and external factors.
- Therefore, XNET does not guarantee the accuracy of the information contained in this material.
- This information is subject to change without notice.
- XNET assumes no obligation to update the information in this material.

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