

XNET Corporation Medium-term Management Plan

- Review of the 1st Fiscal Year Ended March 2023 -

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

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XNET Corporation | Review of Medium-term Management Plan | June 2023

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A large, stylized 'X' logo 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 'X' is centered on the page.

1

Overview

1. Overview of Fiscal Year Ended March 2023

Progress as of March 2023 toward management goals

Core Sales	Operating Income Margin	ROE
FY3/26 Target 5 Billion Yen 4.44 Billion Yen (+1.3% YoY)	FY3/26 Target 15.0% 17.7%	FY3/26 Target 8.0% 8.9%

Major Initiatives in FY3/23

1 . Service development for the medium to long term

SO services are in place to **a second life/non-life insurance company**

2 . Application Service Expansion

Released "Future Earnings Simulation Service (basic function)"

Several other services are under development

3 . Expansion of Core Sales

Corporate loan management services to life/non-life insurance industry

4 . Human Resource Strategy

Promote recruiting method and **improve employee wage and training**

5 . System Investment

Support **OS upgrade & UI* Update**

*UI = User Interface



2

Financial Results for
Fiscal Year Ended March 2023

2-1. Results for Fiscal Year Ended March 2023

Sales and profit in the AMO service showed a reactionary decline from the previous year. Both operating income ratio and ROE exceeded the initial target with actuals of 17.7% and 8.9%, respectively.

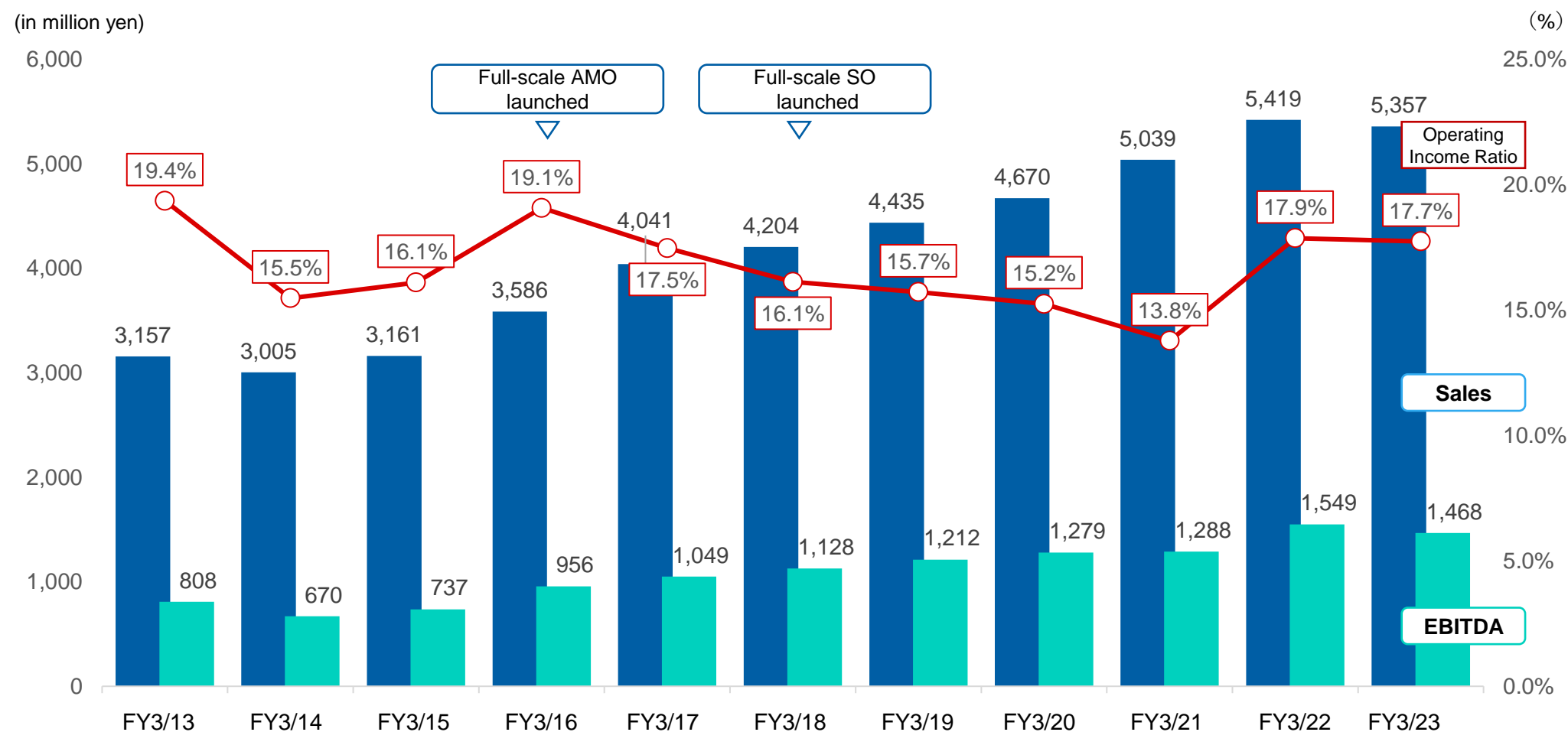
Financial Results of Fiscal Year ended March 2023 (M: in million yen)

	FY3/22	FY3/23	Change	
Sales	5,419 M	5,357 M	(▲ 1.1%)	
Core Sales	4,383 M	4,438 M	(+ 1.3%)	◀ +1.3% YoY
Operating Income	968 M	950 M	(▲ 1.8%)	
Operating Income Ratio	17.9 %	17.7 %	(▲ 0.2 pt)	◀ +2.7pt >target of 15.0%
ROE	9.8 %	8.9 %	(▲ 0.9 pt)	◀ +0.9pt >target of 8.0%

2-2. Key Financial Performance Indicators

XNET has generated stable revenues in recent years. Although the revenue and profit of AMO service in FY3/23 showed a reactionary decline, the operating income ratio exceeded the original target with actual 17.7%.

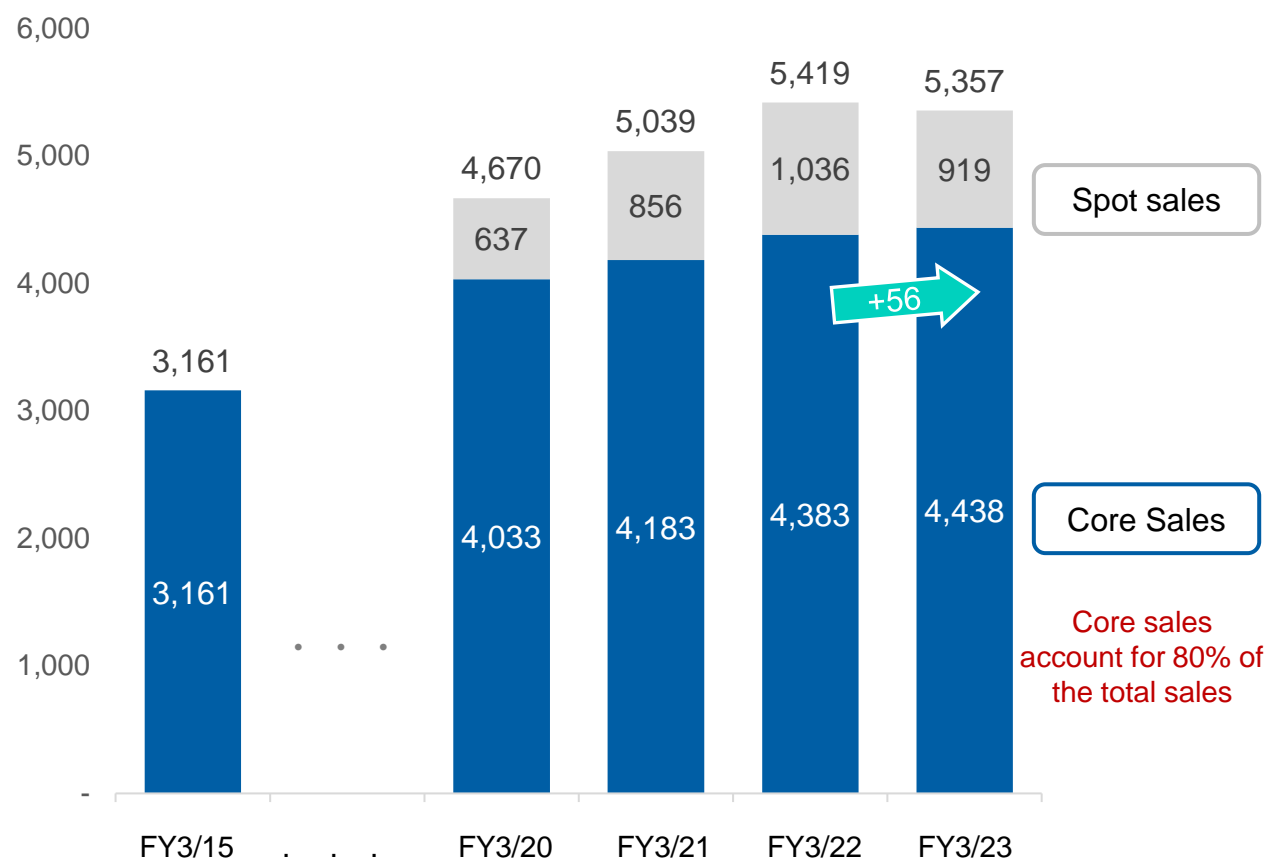
Trends of Sales, Operating Income, EBITDA



2-3. Trends by Sales Mix

Although total revenue is down, core revenue source, which is our key management indicator for XNET, is on the rise.

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】

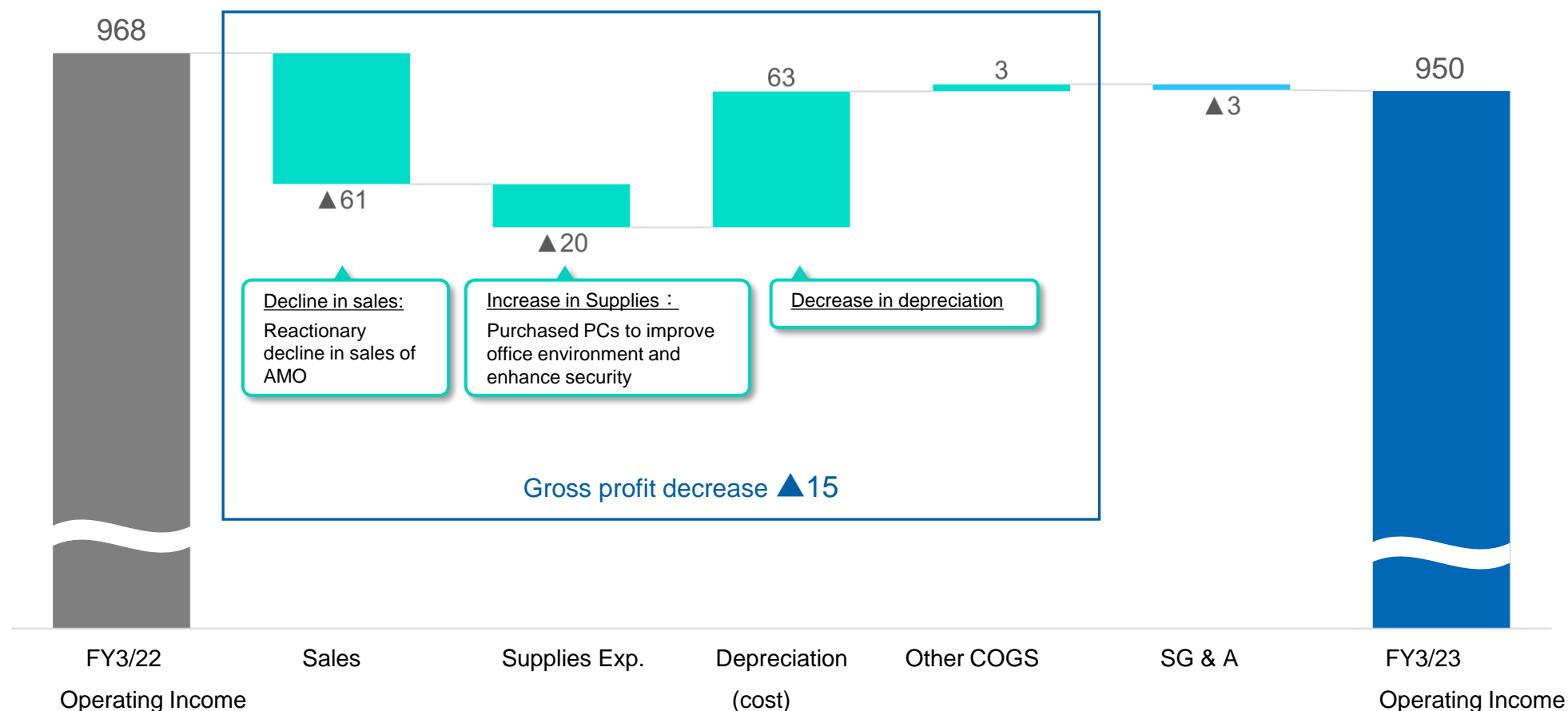
Revenues from one-time transactions, although necessary to maintain core sales

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

2-4. Factors for change in operating income

Gross profit decreased approx. 15 million yen due to a reactionary decrease in AMO service sales, while operating income decreased approx. 18 million yen due to an increase in SG&A expenses of approx. 3 million yen.

Change in Operating Income from FY3/22 to FY3/23 (in million yen)



3

Initiatives undertaken in the Fiscal Year Ended March 2023

3-1. Development in the medium- to long-term

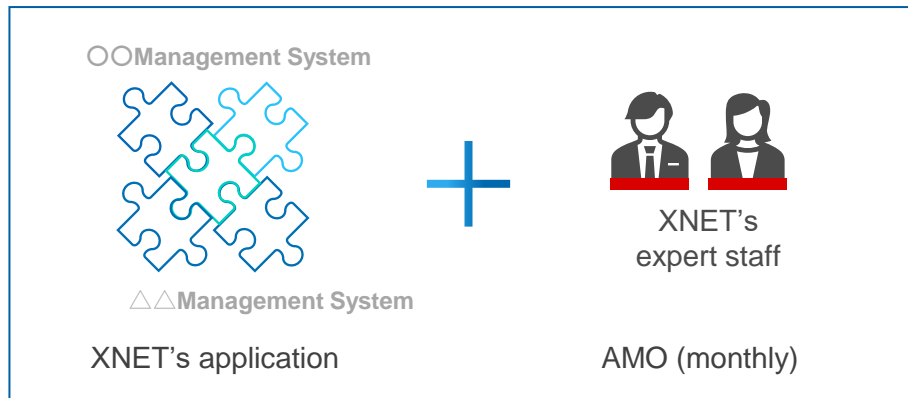
- AMO & SO Expansion -

New application offerings will always be bundled with AMO (monthly) service, which consists of core sales, thereby increasing the total amount of core sales segment.

SO services are in place to a second life/non-life insurance company, and is expected to increase.

AMO (monthly) : Application software bundled offer

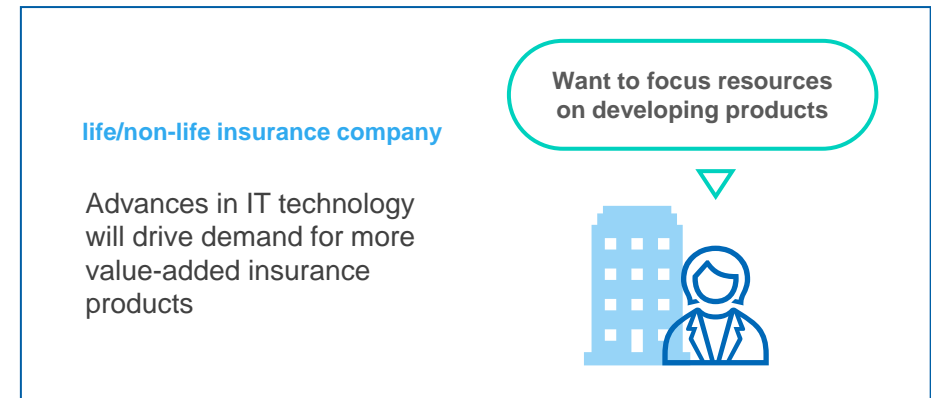
AMO : System operation outsourcing, where XNET's experts take care of the application, implementation, operation, maintenance and updating for the client.



Application **bundled with AMO (monthly)** services allow customers to focus their resource on other important matters

SO : Installing to a second life/non-life insurance company

SO: Business process outsourcing, where XNET's professionals handle accounting and reporting for the client.



Growing demand in the industry is likely the factor behind the new **installation to a second life/non-life insurance company**

BPR (Business Process Reengineering:)

In addition to the above, "BPR" has been increasingly discussed with our customers in recent years, and there is growing interest in our SO as a tool for achieving BPR.

3-2. Application Service Expansion

In November 2022, XNET released a future earnings simulation service (basic function) for the life and non-life insurance industry for the fiscal year ending March 2023.

(Background)

The burden of managing bonds in the life/non-life Insurance industry

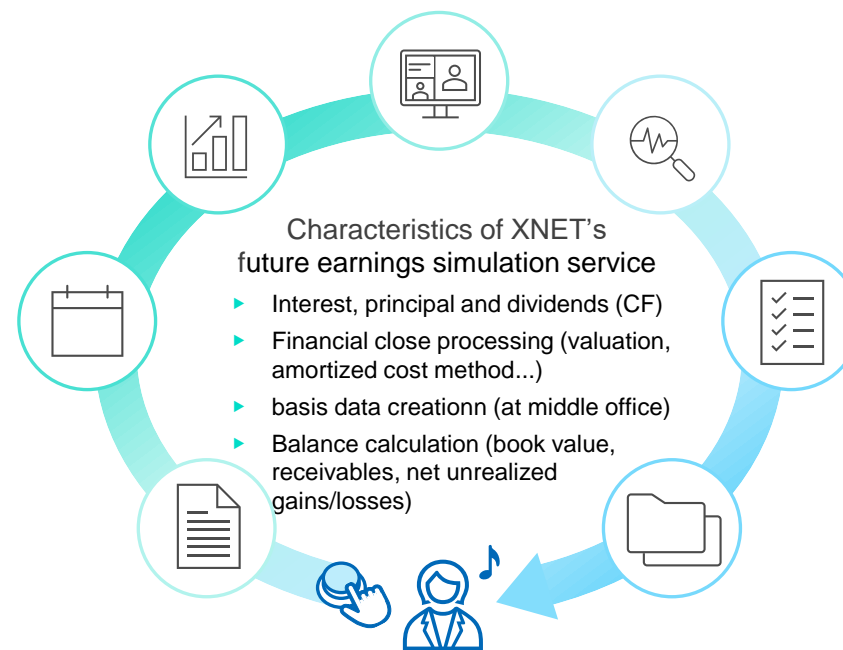
Life and non-life insurance companies invest in many bonds and hold them for long periods of time.

Calculating future returns on these bond investments is done using spreadsheet that is **troublesome to use and manage.**



XNET's future earnings simulation service

XNET's Future Return Simulation Service **relieves clients of the complexities of bond management** by using original data from each company managed by XNET.

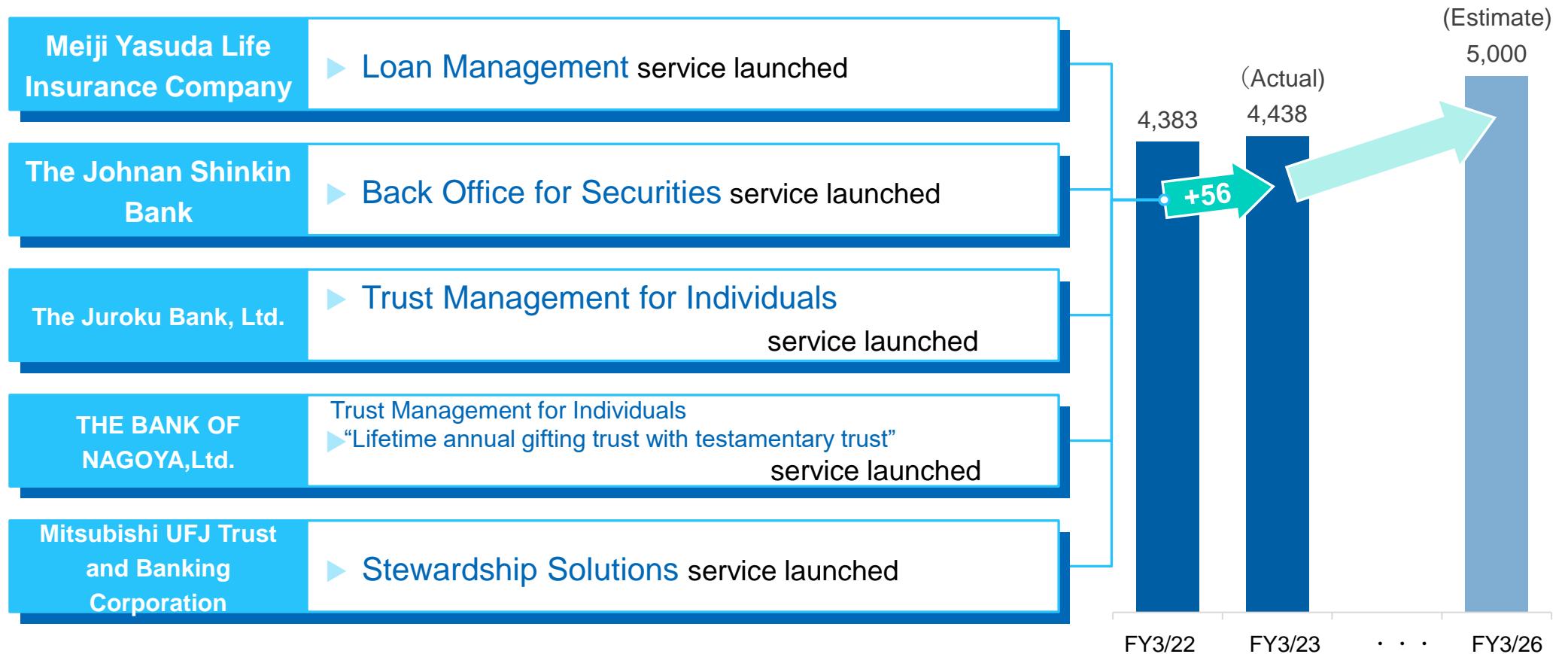


3-3. Medium-term Growth Strategy - Core sales expansion -

By acquiring new customers for its system services, XNET is steadily expanding its core revenue.

Significant Transaction in the Fiscal Year Ended March 2023

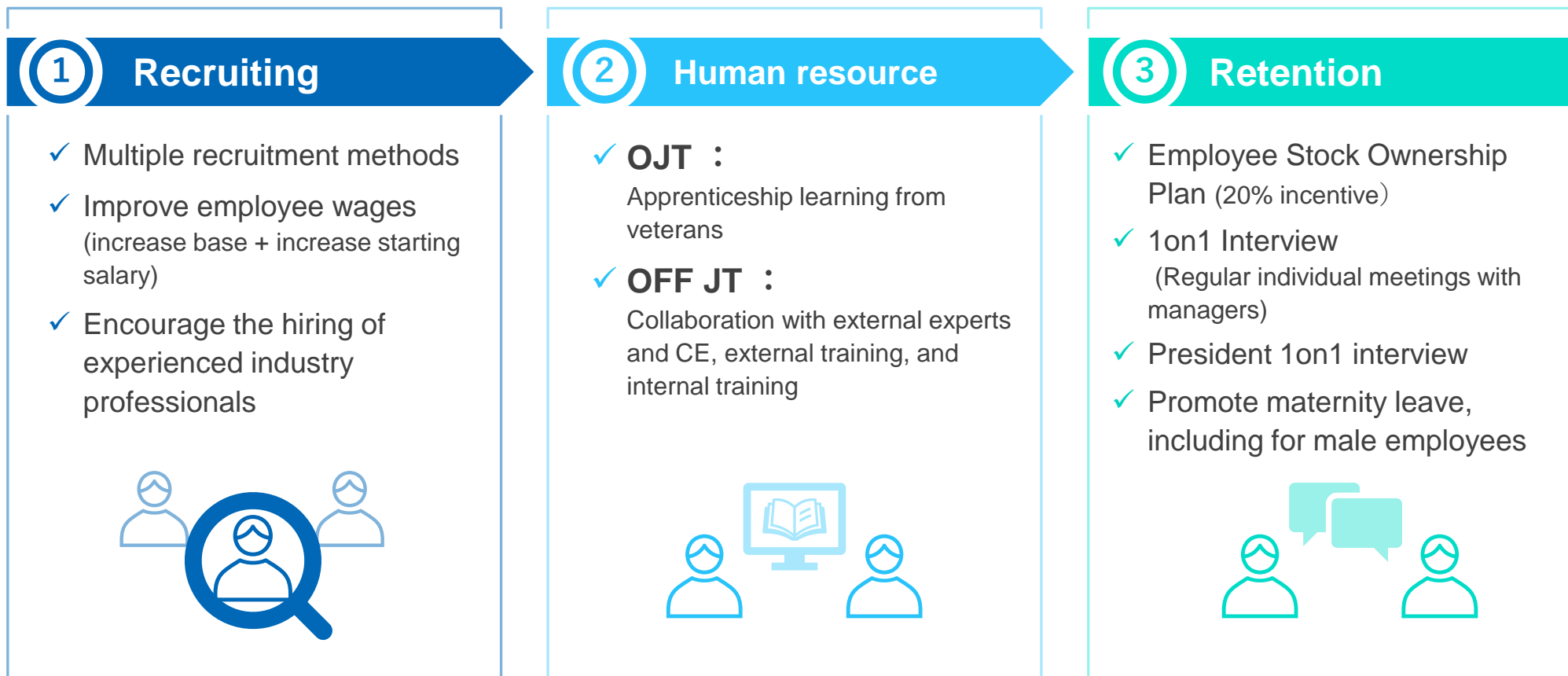
Core sales development



3-4. Human Resource Strategy

In the fiscal year ended March, 2023, XNET struggled to retain talent as the environment for hiring new graduates intensified. We will focus more on recruitment activities by implementing measures such as (1) multiple recruitment methods and (2) improving employee wages to strengthen the recruitment of *second-time entrants.

*Second-time entrants refers to individuals who are recent college graduates with less than three years of work experience.



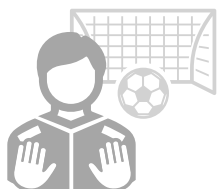
3-5. System Investment

In the fiscal year ended March 2023, XNET completed the OS renewal support in May 2022 to maintain its services as our defensive investment, in addition to the development of the application for securities (new asset) management. XNET will continue our efforts to maintain and continue our services.

Moreover, XNET is redesigning the user interface of about 79% of its applications to improve and enhance existing applications.

Defensive
Investment

= System update to ensure quality service



- ✓ System upgrading associated with OS* updating

*OS : Operating System



XNET applications migrated to
Red Hat Enterprise Linux 8
in May 2022

Aggressive
Investment

= Improve the existing applications



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



UI updates for approximately
79% of our applications

3-6. Shareholder Initiatives - New Shareholder Benefits Program -

As announced on June 28, 2022, XNET has established the new shareholder benefit program.

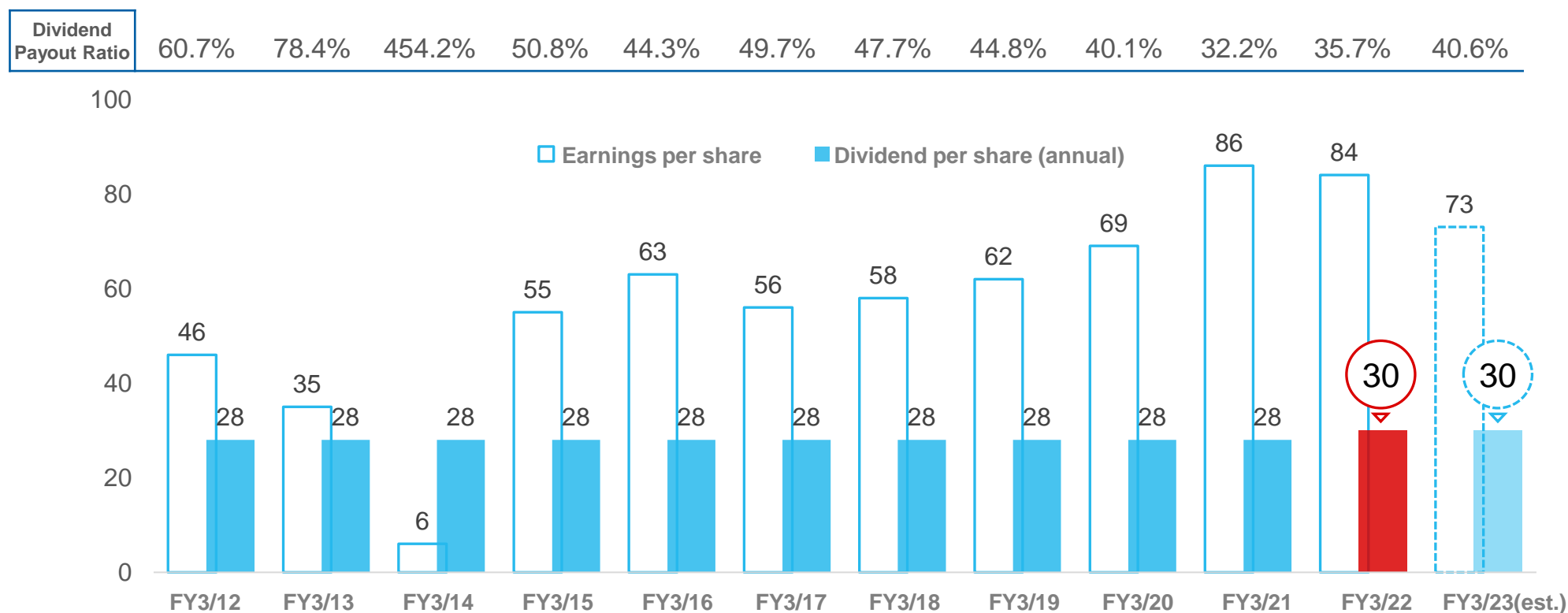
XNET's Shareholder Benefit Program

Period	April 1, 2022 to March 31, 2026 (in accordance with the medium term management plan period)		
Eligible Shareholders	Shareholders who are registered or entered in the share register as of the last day of September and March and who hold one unit (100 shares) or more of the Company's stock during the above-mentioned.		
Benefit to be offered	QUO Cards	Number of shares held	Benefit to be offered
		1unit (100shares) or more	500 Yen QUO CARD
Time of distribution	<ul style="list-style-type: none">For shareholders as of September 30: To be enclosed in the "Interim Report" and delivered in late November or early DecemberFor shareholders as of March 31: To be enclosed in the "Notice of resolutions of the General Meeting of Shareholders" and delivered in late June		

3-7. 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, we plan to increase the dividend to 30 yen per share.

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



*1 As XNET has conducted stock splits, calculations and descriptions are based on the current number of shares



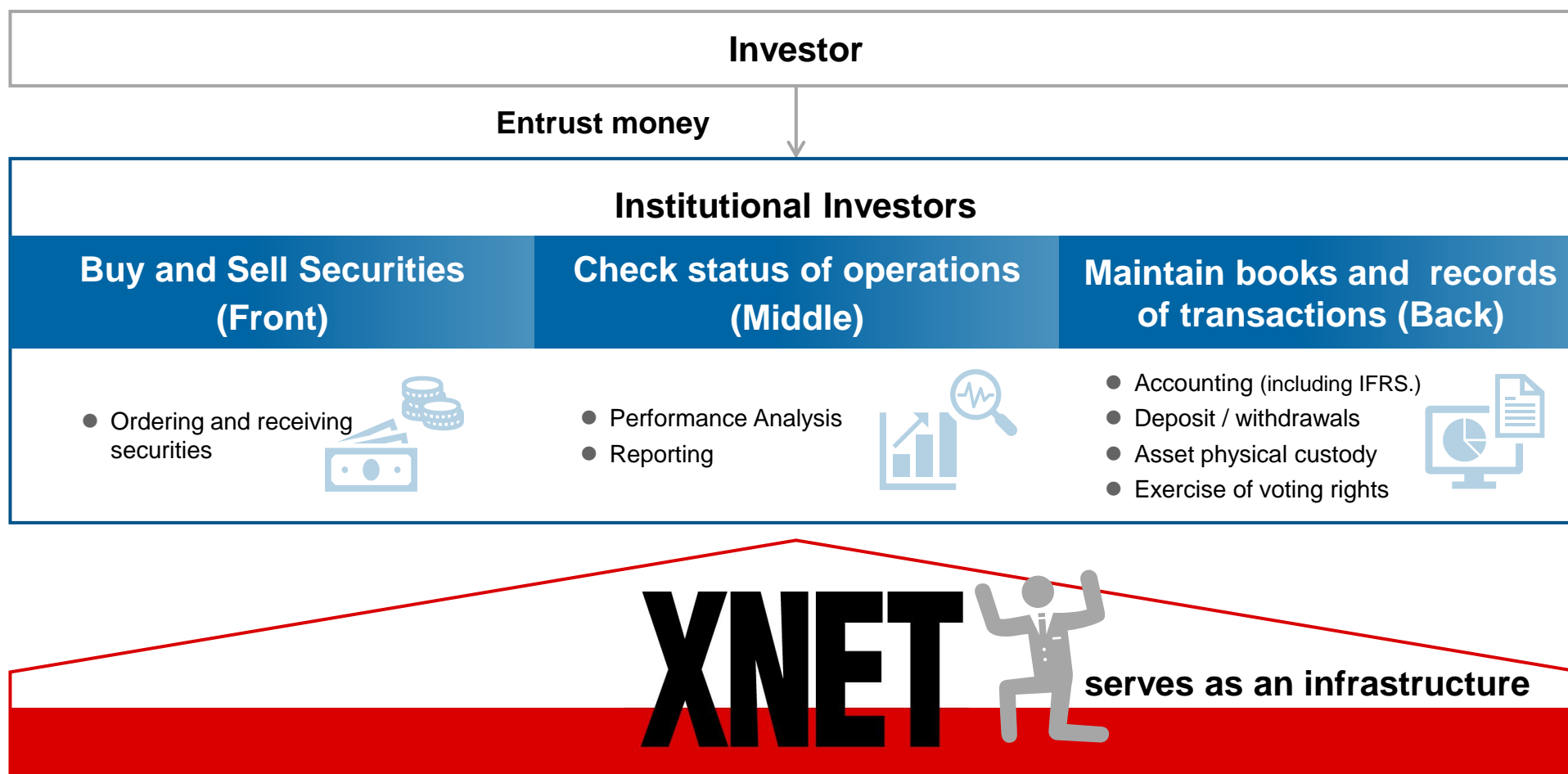
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About XNET

4-1. 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)

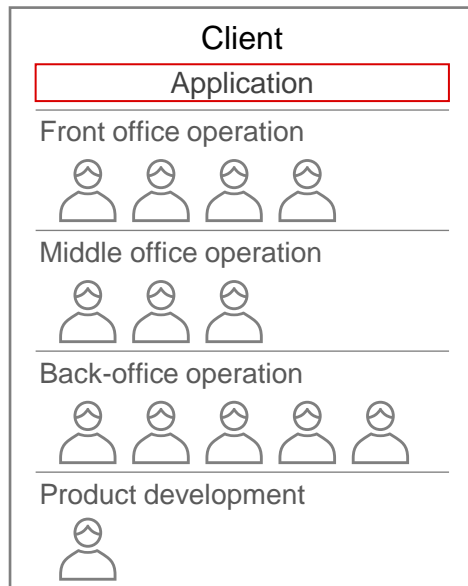


4-2. Overview of service offerings

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.

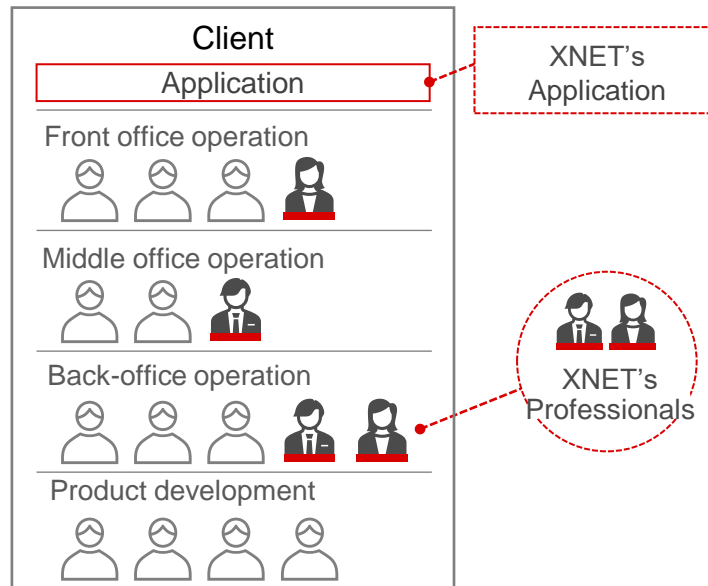
① Application

Software tailored to the customer's needs



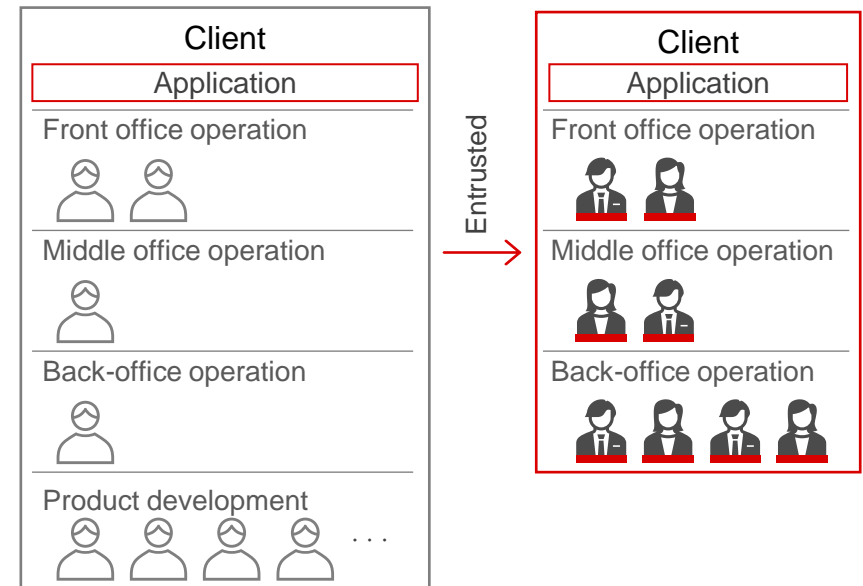
② AMO : Application Management Outsourcing

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.

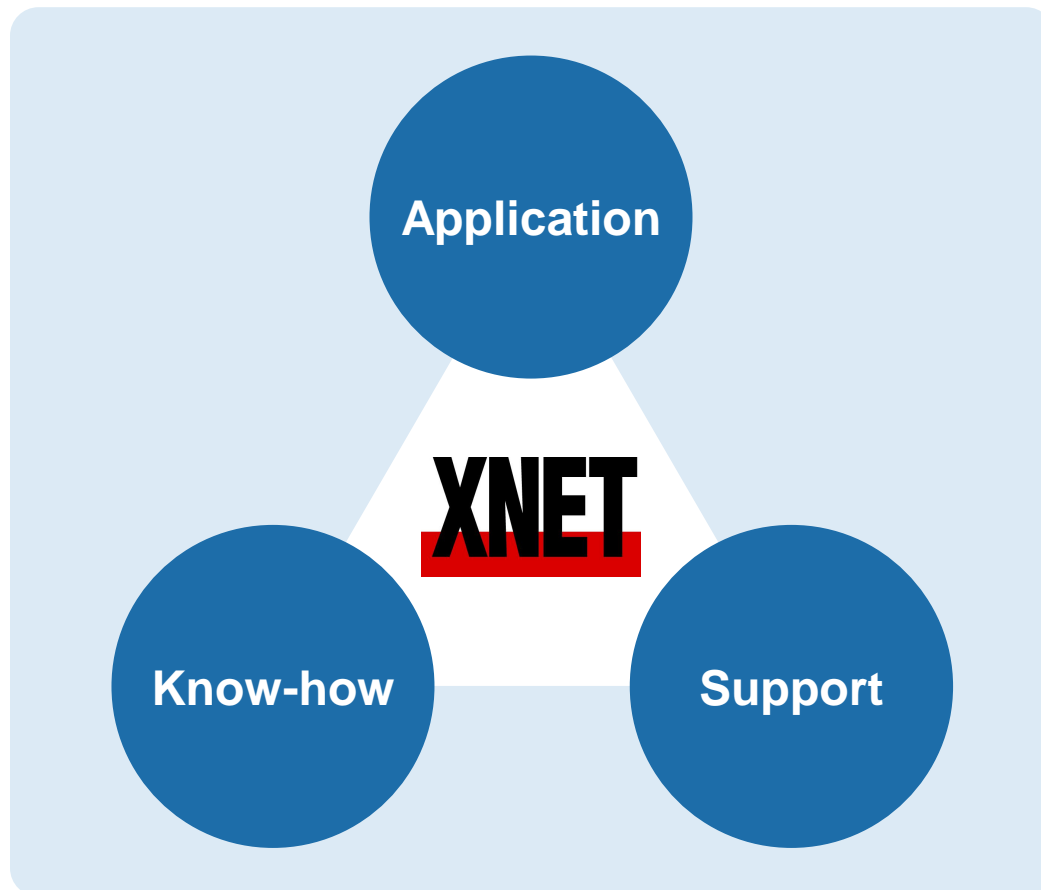


XNET's support for the front/middle/back-office operation allows customers to focus their resources on other important matters.

4-3. Value proposition

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

The added value XNET offers



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

4-4. 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 in million yen
Number of people	188 (As of March 2023)
Services	<ul style="list-style-type: none">• “XNET” service: Outsourcing service of asset management application)• Portfolio data distribution service• STP service (electronical instructions sent to a managing trust bank)
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

4-5. Corporate Philosophy

What XNET aims for

The company aims to be an

eXcellent Company

that can continue to grow while collaborating with its clients

As an eXcellent Company, XNET will strive to

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.

4-6. Mission & Vision

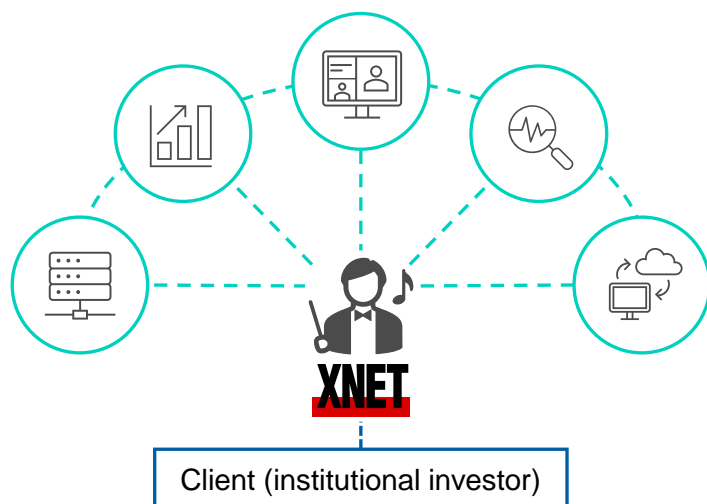
XNET aims to become an "ecosystem orchestrator" in the asset management industry, providing solutions that customers need.

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.



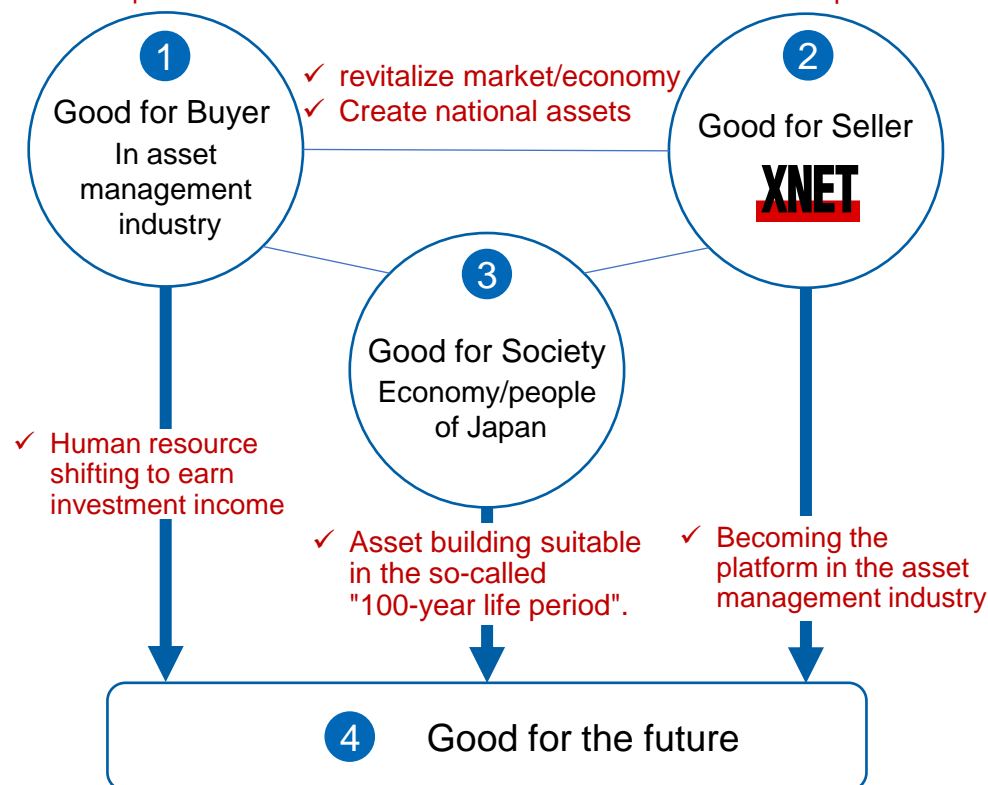
*Includes those provided by third-party companies

Vision

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

- ✓ Focus on core business
- ✓ Reduce operational cost

- ✓ Earn revenue
- ✓ Enhance intellectual / human capital



4-7. Business Area

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.

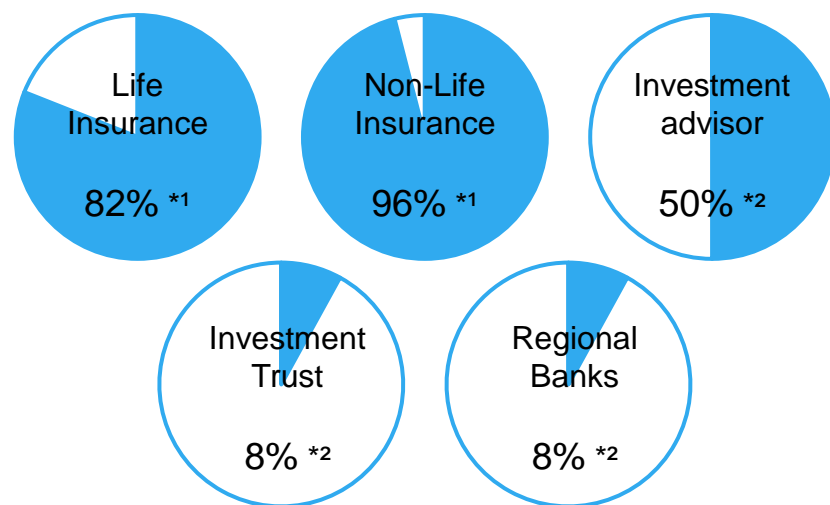
Market share focus on asset management industry



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.

4-8. Service Format

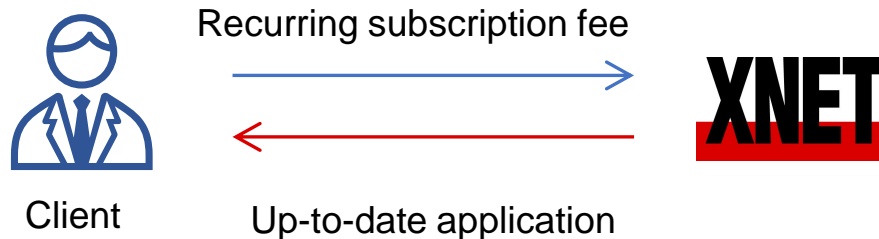
- Subscription model -

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.

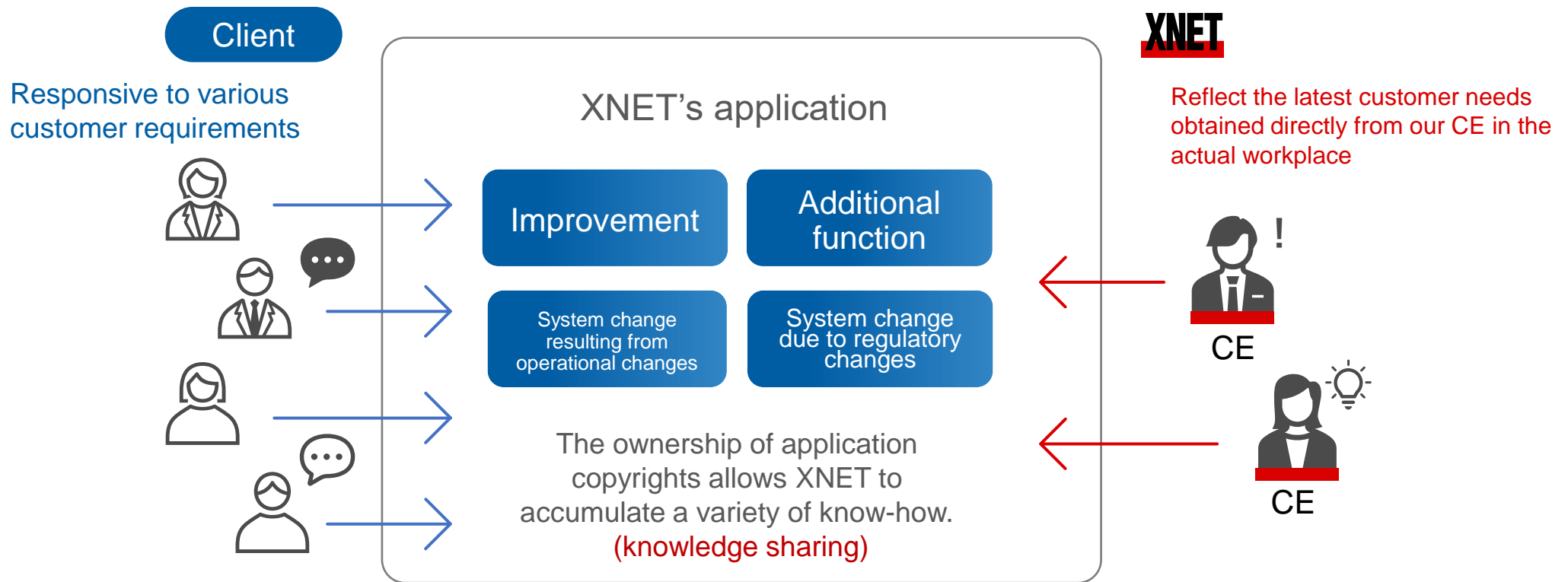
< Package type >

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

4-9. Characteristics of Services - 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)

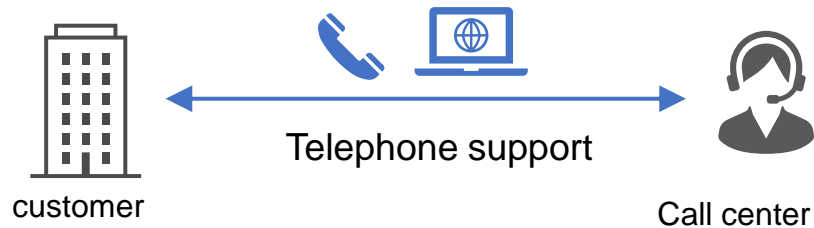


XNET's commitment to the "latest and best" allows us to deliver applications that will never be obsolete.

4-9. Characteristics of Services - Customer-focused approach -

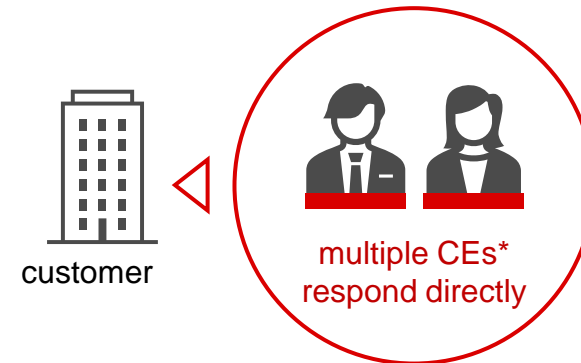
XNET assigns expert CEs (Client Executive) to each customer to provide attentive, knowledgeable support.

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.

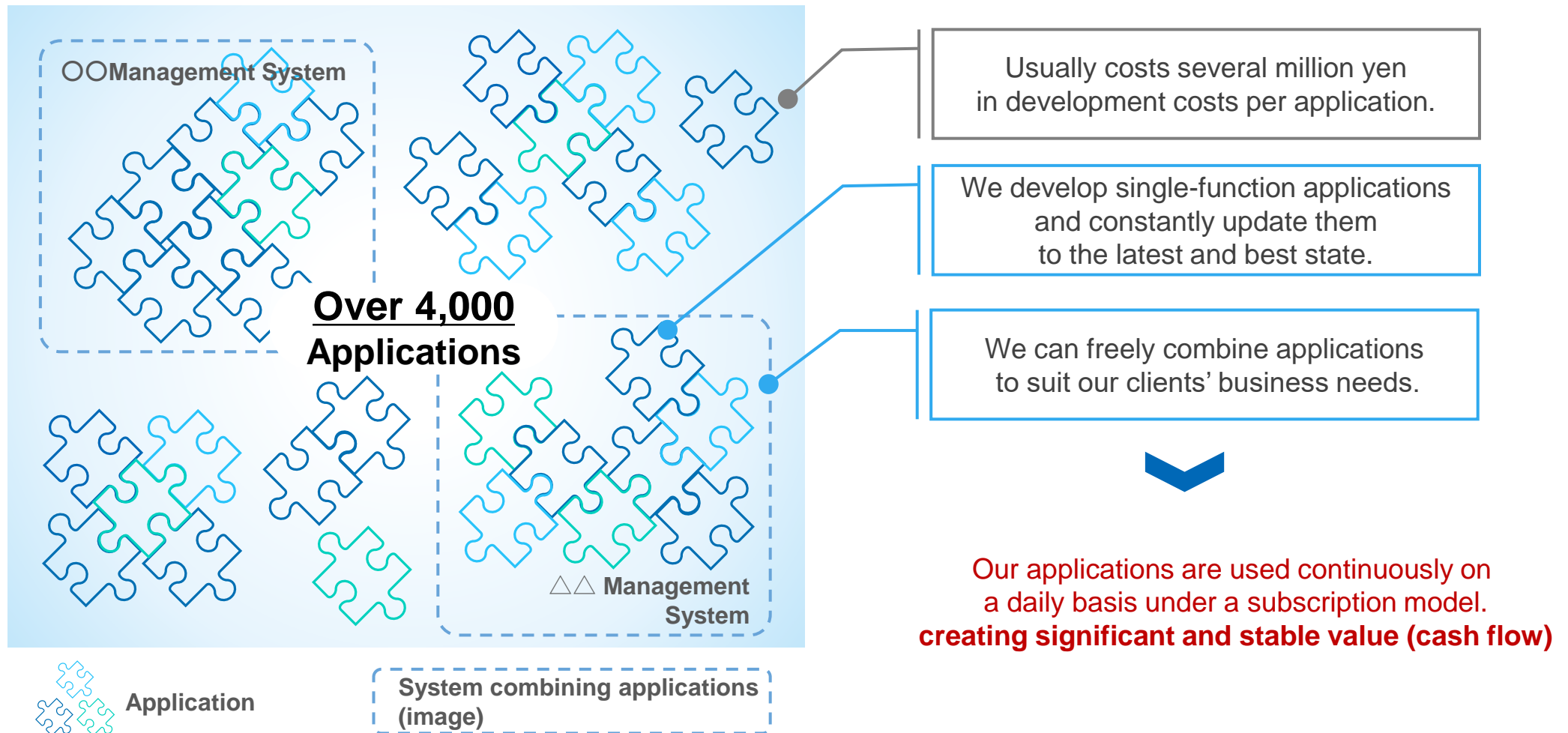
Multiple CEs are assigned to each customer to ensure complete support.

XNET

4-10. Software Application

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

Applications owned by XNET



(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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