



Takehiko Motani, President

XNET Corporation (4762)



## Company Information

Market	TSE Standard
Industry	Information and Communication
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Year-end	March
Homepage	<a href="https://www.xnet.co.jp/about/index_ab_en.html">https://www.xnet.co.jp/about/index_ab_en.html</a>

## Stock Information

Share Price	Shares Outstanding (Term-end)	Total Market Cap	ROE Act.	Trading Unit	
¥1,498	8,261,600 shares	¥12,375 million	9.0%	100 shares	
DPS Est.	Dividend Yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥45.00	3.0%	¥129.71	11.5 x	¥1,030.99	1.5x

\* The share price is the closing price on June 6. All figures are from the financial results for the fiscal year ended March 2024.

## Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2021 Act.	5,039	694	719	576	69.81	28.00
March 2022 Act.	5,419	968	995	718	86.95	28.00
March 2023 Act.	5,357	950	985	694	84.00	30.00
March 2024 Act.	5,547	1,066	1,101	741	89.74	30.00
March 2025 Est.	5,300	880	850	570	129.71	45.00

\*Unit: million yen. Estimates are those of the company. The EPS in the fiscal year ending March 2025 was forecast while taking into consideration the effects of the acquisition of treasury shares, which was determined on April 30, 2024.

This report outlines XNET Corporation's financial results for the fiscal year ended March 2024.

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## Key Points

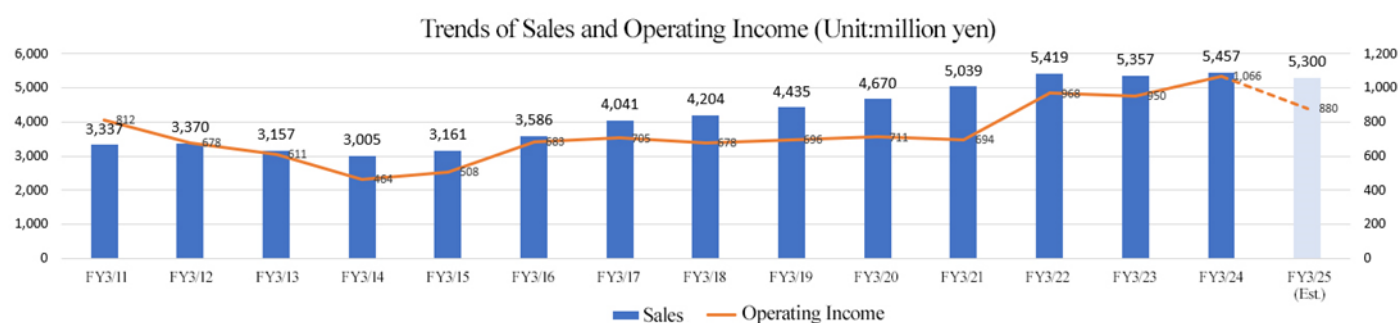
- In the fiscal year ended March 2024, sales were 5,547 million yen, up 3.5% year on year. All services performed favorably. Operating income was 1,066 million yen, up 12.2% year on year. In addition to increased sales, cost-of-sales ratio improved mainly due to decreased depreciation expenses due to investment in XNET applications. Gross profit increased 12.7% year on year, while gross profit margin rose 2.5 points. SG&A expenses also augmented due to various investments, but this was absorbed. Operating income margin was 19.2%, far exceeding the target of 15%. Like in the first half of the fiscal year, both sales and profit exceeded the forecast in the second half and annual profit hit a new record high, exceeding the record achieved in the fiscal year ended March 2022 (an operating income of 968 million yen and an ordinary income of 995 million yen).
- For the fiscal year ending March 2025, the company is forecasting sales of 5.3 billion yen, down 4.5% year on year, and an operating income of 880 million yen, down 17.5% year on year. They are expecting that sales and profit will decrease year on year in both the first and second halves of the fiscal year, but start rebounding in the second half of the fiscal year. Regarding sales, continuous steady performance is projected in all services. However, with regard to AMO services, projects concerning infrastructure refurbishment, for which the company received many orders in the fiscal year ended March 2024, will reach a milestone, and the company plans to withdraw from spot projects with comparatively low profitability. While it can be said that this is part of the optimization of human resources utilization as a step toward the “reinforcement of management foundations based on the expansion of core sales” stated in the Medium-term Management Plan, it will lead to a temporary decline in sales. Furthermore, regarding the impact of the treasury share acquisition announced on April 30, 2024, while there is virtually no impact on sales, it is projected that costs for various in-house systems, etc. will arise in step with leaving the NTT DATA GROUP. As a result, profit margin will slightly drop and the company plans to record the advisory fee pertaining to the treasury share acquisition as a non-operating expense.
- The company decided to pursue stable and proactive shareholder return while “being a company that does not decrease dividends” as a new dividend policy. For the fiscal year ending March 2025, they plan to pay an annual dividend of 45.00 yen/share (up 15.00 yen/share year on year), with each of the interim and year-end dividends being 22.50 yen/share. The expected payout ratio is 34.7%.
- Following the termination of the capital and business alliance agreement they had concluded with NTT DATA Corporation and the dissolution of capital alliance, the company concluded a new business alliance agreement. In this new business alliance, they aim for further elevation of the corporate value by supporting the foundations of the “Asset Management Nation” concept as they contribute to further streamlining of the asset management industry while utilizing the business partnership with NTT DATA as a company that offers independent solutions for asset management. Moreover, they acquired treasury shares on May 1, 2024, in step with the termination of the capital alliance.
- Regarding the aim of the treasury share acquisition in step with the termination of the capital alliance with NTT DATA, we would like to keep an eye on the “improvement of capital efficiency” and “expansion of shareholder

return” in addition to the “termination of listing of the parent company and its subsidiaries” and “ensuring of management independence.” The company possesses a total of 7.8 billion yen in cash and cash equivalents and the acquisition of treasury shares is one option for effective utilization.

- Regarding the improvement of capital efficiency, the company forecasts ROE to improve 1% to 10% in the fiscal year ending March 2025 as a result of trial calculation using the average of the equity ratio at the end of the fiscal year ended March 2024 prior to the treasury share acquisition and the equity ratio at the end of the fiscal year ending March 2025 after the treasury share acquisition. ROE in the fiscal year ending March 2026, which is calculated by using the average of the equity ratio at the end of the fiscal year ending March 2025 and the end of the fiscal year ending March 2026, is expected to show an even more significant growth, if sales and profit remain favorable, and the position of P/B ratio is likely to change. While the company forecasts a decrease in sales and profit for this fiscal year, we would like to pay attention to what kind of growth they can achieve, while receiving the tailwind of the business environment brought about by the “Asset Management Nation” concept, which is a government policy.

## 1. Company Overview

The company operates the “XNET Service,” which mainly provides securities management systems to more than 180 institutional investors, including life and non-life insurance companies, investment trust advisors, trust banks, and banks, for a monthly usage fee. Since its establishment, the company has led the industry as the de facto standard, holding a market share of around 90% in the life and non-life insurance industry in Japan. Currently, in addition to its securities business, it is expanding its management targets to include individual trusts and loans. It is also actively offering “SO service,” in which it not only provides systems, but also undertakes accounting and other tasks, aiming to further expand its business operations.



### [1-1 Corporate History up to stock listing]

The company was established in June 1991 and began offering “XNET Service,” its current mainstay service. In October of the same year, Nippon Life Insurance Company adopted the “XNET Service” for its middle-office operations, which was the first major order received by the company. Based on this achievement, it expanded its service domain to include back-office services for life and non-life insurance companies. The convenience and economic benefits of these services were highly evaluated, due to which the number of clients using it increased at leading firms in the asset management industry, resulting in the expansion of its business. It was listed on NASDAQ Japan of Osaka Exchange in June 2000, and on the First Section of the Tokyo Stock Exchange in March 2004.

In April 2022, it got listed on the standard market of Tokyo Stock Exchange due to market restructuring.

\*In March 2009, NTT DATA Corporation officially acquired the shares of XNET Corporation, making it a wholly-owned subsidiary of NTT DATA Corporation, but in May 2024, the capital and business alliance agreement was terminated and a new business alliance agreement was concluded.

### [1-2 Corporate Philosophy]

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

## BRIDGE REPORT



Its objectives as an “eXcellent Company” are as follows.

1. Become a “One-Stop Solution Company for Asset Management.”
2. Continue to make efforts to bring smiles to clients' 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.

In addition, the company aims to become “an ecosystem orchestrator\* in the asset management industry” by “becoming a master of asset management industry operations” and “further reducing costs associated with the asset management industry,” with the mission of “contributing to building Japanese people's overall assets.”

Furthermore, its vision is to achieve “Four-Way Satisfaction,” i.e., “Good for the Buyer: the asset management industry as a client,” “Good for the Seller: the company,” “Good for the Society: The Japanese economy and people,” and “Good for the Future: Three-Way Satisfaction.”

(\* ) Ecosystem Orchestrator

It is a role to create an ecosystem (a structure to create significant value through symbiosis) in the asset management industry. For this, it is necessary to become familiar with all information and elements related to asset management. The company aims to create a symbiotic environment by connecting it with any service or system that the customer requires without owning all the solutions.

### [1-3 Business Environment]

The amount of money management in Japanese asset management companies is on an increasing trend. As a result of the "Asset Management Nation" concept discussed below, the company's client market is expected to continue to expand steadily.



(Source: Compiled by FSA based on statistical data from the Japan Investment Advisers Association and the Investment Trusts Association, Japan. (Note: Figures are balances at the end of March of each year. Some are duplicate recurring.)

(From "Basic Data on Asset Management Nation (October 4, 2023)," Cabinet Secretariat)

Meanwhile, the company's clients are being affected by shifts in the business environment and facing resource shortages while being forced to focus on their core businesses, resulting in growing needs for below-mentioned services of undertaking tasks such as AMO and SO services as well as a growing market for these services.

Life & Non-Life Insurance	With the advancement of information technology, the demand for developing advanced insurance-related services is increasing. The company would like to focus its resources on developing these services more than operation.
Investment Trust Advisors	Making profits with conventional management methods is becoming increasingly challenging, and the business volume for Investment Trust Advisors is increasing due to the expansion of investments in alternative assets, etc., and compliance with new financial regulations.
Local Banks	The environment with extremely low interest rates continues, making it increasingly difficult to earn profits from providing loans, which is the core business of banks. The top priority is

	to increase profits through securities investment to compensate for this, however, there is a shortage of appropriate personnel, and the administrative burden is increasing.
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The Japanese government's "Asset Management Nation" concept is also likely to be a tailwind for the company's business.

In the Big-boned Policy 2023, approved by the Cabinet in June 2023, the government clearly stated that it will realize an Asset Management Nation that contributes to sustainable growth by releasing 2,000 trillion yen in household financial assets. The goal is to redirect household savings to investment, leading to "an increase in financial asset income" and "supplying high-risk high return funds to support corporate growth."

The main points of the "Basic Data on the Asset Management Nation" (October 4, 2023), prepared by the Administration Office for the Realization of New Capitalism, Cabinet Secretariat, are as follows.

#### ◎Asset Income Doubling Plan

Target	(1) Doubling the total number of NISA accounts (regular and savings) from 17 million to 34 million and doubling the amount of NISA purchases (from 28 trillion yen to 56 trillion yen) in 5 years (2) Subsequently, the goal is to double the amount invested by households (total balance of stocks, investment trusts, bonds, etc.). Through achieving these goals, the long-term objective is to double the asset management income itself.
Seven Pillar Initiatives	Pillar 1: Fundamentally promoting the expansion and permanent utilization of NISA to shift household financial assets from savings to investments Pillar 2: Reform the iDeCo system, for example, by raising the age of membership Pillar 3: Establish a mechanism to encourage the provision of neutral and reliable advice to consumers Pillar 4: Strengthen asset accumulation for employers Pillar 5: Enhance financial and economic education to promote the importance of stable asset formation Pillar 6: Creation of an international financial center that is open to the world Pillar 7: Ensure customer-oriented business operations

#### ◎Lecture by Prime Minister Kishida, hosted by the Economic Club of New York (September 21, 2023), Related part (extract)

①	Funds managed by the asset management sector in Japan are 800 trillion yen and have surged 1.5-fold over the past three years. Aiming to improve this performance, we will promote the sophistication of investment management and encourage new entrants. First, we will correct Japan's unique business practices, eliminate barriers to entry, and develop support programs for new entrants. In addition, deregulation will be implemented to allow outsourcing of back-office operations.
②	In order to promote the entry of foreign investors, we will create a special zone for asset management, and we will reform regulations so that administrative actions can be completed only in English and focus on improving the business and living environment. In order to promote reforms in line with the needs of investors worldwide, we would like to establish an asset management forum based in Japan and the U.S., with your participation.

#### ◎Household Financial Assets

①	From 2002 to the end of 2022, household financial assets (cash, deposits, bonds, stocks, etc.) in the U.S. and the U.K. have grown 3.3 times and 2.3 times, respectively, while in Japan they have increased only 1.5 times through June this year.
②	In Japan, cash and deposits account for a large share of household financial assets. Therefore, there is room for further asset management growth through the reform of the asset management industry and the promotion of new entrants and competition.

#### ◎Asset Management Companies

①	The amount under management (gross) by Japanese asset management companies is approximately 800 trillion yen. It has been increasing every year, and at present, after bottoming out due to the novel coronavirus, it has increased 1.5 times in 3 years. It has also increased 2.8 times in 10 years.
②	If we look at the number of asset management companies in Japan in recent years, we will see that the number has hardly changed, and new entrants into the investment trust management business have been limited.
③	In Japan, there is a unique practice (double calculation) in which an asset management company and a trust bank each calculate the NAV of an investment trust and reconcile them daily. This is pointed out as a factor of high costs and

	<p>barriers to entry in the asset management business, such as the introduction of investment trust accounting systems by asset management companies.</p> <p>In Europe and the United States, on the other hand, double calculation is rare, and in many cases, trust banks and specialized firms are responsible for this practice.</p>
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### ◎Promoting New Entry and Competition

①	<p>In Japan, there is a unique practice (double calculation) in which an asset management company and a trust bank each calculate the NAV of an investment trust and reconcile them daily. This is pointed out as a factor of high costs and barriers to entry in the asset management business, such as the introduction of investment trust accounting systems by asset management companies.</p> <p>In Europe and the United States, on the other hand, double calculation is rare, and in many cases, trust banks and specialized firms are responsible for this practice.</p>
②	<p>The public sales network through which asset management companies exchange daily information on investment trusts with distributors is operated by a small number of system vendors, each with its own specifications, and in some cases, requires manual work and multiple terminals for information exchange due to incompatibility in data linkage. An oligopoly is also developing for the investment trust accounting system used to calculate NAVs of investment trusts by offering the system as a package with terminals.</p>
③	<p>The Financial Services Agency/Finance Bureau provides prior consultation, registration procedures, and post-registration supervision in English for the registration of foreign asset management companies newly entering the Japanese market, and the Support Office for Establishing Bases in Japan was opened on January 12, 2021, to provide comprehensive services for these operations. To date, 27 business registrations and notifications have been completed.</p>
④	<p>In June 2021, Japan launched a project to provide free, comprehensive information, consultation, and support in terms of business start-up and daily life in English for foreign financial businesses (investment management companies, investment advisors/agents, etc.) that are establishing a base in Japan. A total of 35 businesses have been selected for support under the project so far, 15 of which have completed business registration and notification.</p>

The increase in assets under management and the rise in the number of new asset management companies are entirely positive factors for the company's business.

As the number of assets under management grows, the diversification of assets under management, such as alternative investments, is also expected to increase. As asset management firms seek to focus their resources more than ever on improving their operational capabilities, task undertaking services are expected to provide them with more opportunities to meet such needs.

Regarding new entrants, in addition to foreign-affiliated asset management companies, an increase in the number of start-up asset management companies is also expected in Japan.

The company has already built up a significant track record by providing start-up support services in cooperation with external partners in areas such as legal aspects, which is another positive factor.

The above abolition of double calculation and elimination of oligopoly in the public sales network are also noteworthy.

It is expected that NAV calculations for investment trusts will be performed by trust banks, and daily investment trust information exchange with distributors will be performed by trust banks. Trust banks are currently outside the framework of the public sales network. This is an opportunity to point out issues such as the lack of easy connections, and there are strong calls for a review of the public sales network, which has become an oligopoly.

The market share of the top vendors of the investment trust accounting system is about 70%. The company also provides accounting management services for investment trusts, but its market share is not large. The elimination of double calculation and the revision of the public sales network are expected to lead to share fluctuations, and for the company, the impact of these changes may be more positive than negative.

As described above, the Asset Management Nation may work positively for the company in macroeconomic terms, and it can also benefit from the actual policy management.

**[1-4 Business Description]**

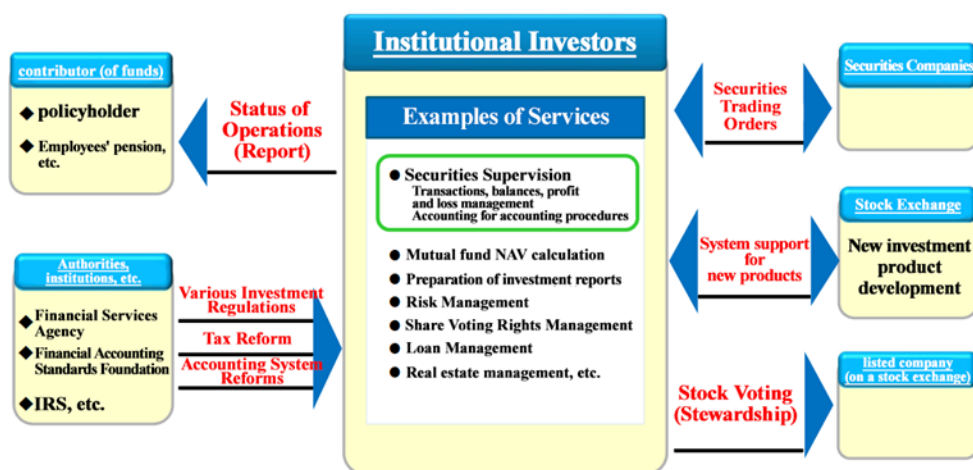
The company provides “XNET Service,” a specialized asset management system developed by the company, to over 180 institutional investors, including life and non-life insurance companies, investment trust companies, investment advisors, trust banks, and banks.

It has a single business segment, the XNET service business. The services can be categorized into “XNET Service” and “Equipment Sales.” However, “Equipment Sales” service is provided to clients who wish to install computers and other equipment while adopting “XNET Service” and accounts for about 0-1% of total sales.

**◎XNET Service**

**1. Clients' Situation**

The institutional investors who are the company's clients invest in thousands of securities, including stocks and bonds, and have invested in various high-cost systems to manage their securities, including transactions, balances, profits/losses, and accounting processes.



(Taken from the company’s documents)

Many Japanese companies have conventionally built such systems and used them exclusively in-house. In cases of system outsourcing, where development and management are outsourced to an external company, the system is often the company-specific system, with all development and maintenance costs borne by the company.

In response to this situation, the company developed its own information system since its foundation and came up with a unique business model, which it named “XNET Service,” to offer this system to multiple clients for a monthly fee only. It also provides comprehensive support for asset management operations from front to back office, including providing the stock information.

The company currently has approximately 180 clients.

**(2) Main Service Lineup**

① Front Office for Securities	A service for institutional investors and securities companies to provide functions related to placing and receiving orders for securities.
② Middle Office for Securities	A service to provide performance analysis, reporting to beneficiaries, and other functions for financial products invested by institutional investors.
③ Back Office for Securities	A service to provide management functions such as journal entries, deposits, withdrawals, and actual item storage for financial products invested by institutional investors.
④ Back Office for IM	A service to provide investment trust advisory companies with functions for investment trust accounting operations (calculating base prices of investment trusts and creating management reports and other forms).
⑤ Center-type Indicative STP	A service allowing investors to electronically send trust instructions to a managing trust bank.

⑥ Disclosure of Trust-linked Data	A service allowing users to receive portfolio data (transactions, balances, portfolio attributes) in XNET format for special funds, fund trusts, etc., which are re-trusted by the managing trust bank.
⑦ Loan Management	A service that offers functions to manage all loan-related operations, including primary, secondary, syndicated, and mortgage loans, on a uniform platform regardless of the loan type.
⑧ Stewardship Solutions	A service providing functions to support the administrative operations of shareholder voting rights.
⑨ Report Manager	Support services for preparing external forms required in the investment trust and investment advisory business. In addition to providing application service (basic service), it offers data creation support (optional service) services.
⑩ XNET-AMO (Application Management Outsourcing) Service	A service in which dedicated CEs provide comprehensive support from “installation” “operation /maintenance” to “design/development” related to XNET application use from the customer's perspective, supporting the business operation of XNET applications suitable for the clients.
⑪ SO (Smart Outsourcing) Service	A service using XNET services (back-office, middle-office, investment trust, etc.) to execute work duties, such as accounting and producing reports, in place of clients.
⑫ Remuneration Management Service	Support services for managing operations related to remuneration for investment advisory companies.
⑬ Trust Management for Individuals	It is possible to provide “beneficial interest management” and “jointly managed money trust/investment account management” for a representative trust for wills. It can be used independently by a trust bank or by a trust bank in partnership with a local financial institution as an agent.
⑭ Support Service for Investment Trust Management Business	Comprehensive support services for launching an investment trust management business, starting from establishing a company and preparing investment applications to starting the business.
⑮ Support Service for Discretionary Investment Business	Comprehensive support services for launching a discretionary investment business, starting from establishing a company and preparing investment applications to starting the business.

In addition to providing software customized to customer needs, the company is focusing on expanding its outsourced system management and business process services, including “10) XNET-AMO Service” and “11) Smart Outsourcing (SO) Service.” By having the company's professional human resources undertake front, middle, and back-office operations, clients are able to focus their resources on other tasks.

The company views SO services as their second pillar, following application services.

### (3) Business Model: Adopting a subscription model

Since its launch in 1991, the “XNET Service” has been offering its services on a subscription model, receiving a fixed monthly subscription fee on a continuous basis.

It is a pioneer in the “subscription” business model, an innovative business model distinct from the “in-house development type,” in which SI vendors and software houses develop software on contract, and the “package type,” in which package vendors provide packages.

In the “in-house development type,” all costs are borne by the ordering company, and the risk of unsuccessful development is borne solely by one company.

In the “package type,” it is cheaper to install a pre-existing system, but the cost of modification and additional development is high.

In contrast, the “XNET Service,” developed under the concept of “collaboration with clients,” differs significantly from the “in-house development” and “package type” services. The reason for this is that after the launch, it is improved and refined with clients, with no initial cost and additional investment required.



The company owns the copyrights to the application and provides it to other users, thereby increasing profitability as the number of users grows.

In addition, a major advantage for both the clients and the company is that all the know-how accumulated through collaboration with multiple clients can be stored in the XNET application to facilitate knowledge sharing.

Merits for users	<ul style="list-style-type: none"> <li>* No initial investment required</li> <li>* Quick installment period</li> <li>* No additional investment required</li> <li>* Overall cost is low because many users pay for one system</li> <li>* Incorporate ideas from many users so advanced know-how can be shared (knowledge sharing)</li> <li>* Constantly updated so the system does not get outdated</li> </ul>
Merits for the company	<ul style="list-style-type: none"> <li>* Stable revenue due to monthly fees, unlike selling the entire system outright.</li> <li>* Discontinuation of the service is difficult</li> <li>* High profitability due to collaborative use of the same application</li> </ul>

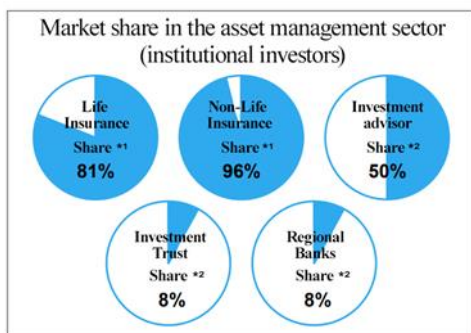
Another feature of the “XNET Service” is the low number of service cancellations owing to the fact that users are unlikely to switch to another company's system due to the significant burden of transferring historical data once the XNET system has been installed.

**[1-5 Features, Strengths, Competitive Advantages]**

**(1) Largest Market Share**

XNET utilization accounts for 81% of the total amount of securities under management for all companies affiliated with The Life Insurance Association of Japan and 96% of non-life insurance.

The convenience and economic advantages of the comprehensive XNET service are evaluated highly, and the track record of the company's asset management system, including front, middle, and back-office services, is ranked predominantly No. 1 in the life and non-life insurance industry.



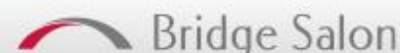
\*1 The share is calculated based on total assets under management. (as of 2023)  
 \*2 The share is calculated based on our simplified estimates. (as of 2023)

(Taken from the company’s documents)

The source of this competitive advantage is extensive information on securities and applications updated constantly to reflect the information and know-how.

In addition to revising rules and systems in the securities investment and management industry, it is necessary to stay updated on new investment targets, such as cryptocurrencies. Additionally, it is essential to incorporate the information into logic and reflect it in the application rather than simply having it as information.

The “XNET System” incorporates not only the information and know-how accumulated by the company, but also the know-how acquired by its clients through securities management into the application, making it the best and most up-to-date application that accumulates a variety of know-how at any time.

**BRIDGE REPORT****(2) Provide High-added Value**

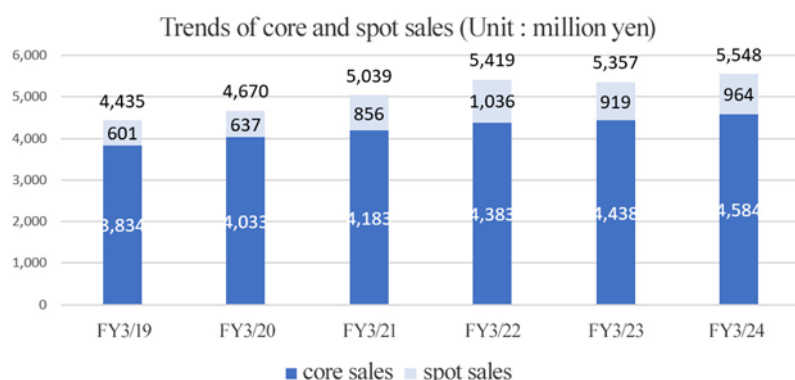
The company creates high-added value by providing high-level “applications,” “know-how,” and “support” as an integrated package.

**(3) Stable Profit Structure**

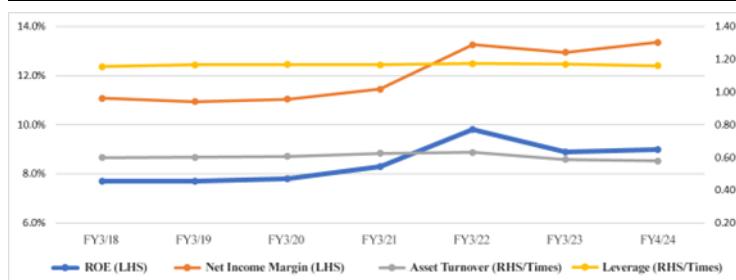
Core sales account for about 80% of the company's sales. It is striving to establish a stable revenue base by expanding its core sales.

The Medium-term Management Plan targets core sales of 5 billion yen for the fiscal year ending March 2026.

Sales Type	Summary	Target Service
Core	Stable sales through a subscription model	Application, AMO (monthly), SO
Spot	Sales from one-time transactions only, although necessary to maintain core	AMO (spot) *New installation and platform renewal

**[1-6 ROE Analysis]**

	FY 3/18	FY 3/19	FY 3/20	FY 3/21	FY 3/22	FY 3/23	FY 3/24
<b>ROE (%)</b>	<b>7.7</b>	<b>7.7</b>	<b>7.8</b>	<b>8.3</b>	<b>9.8</b>	<b>8.9</b>	<b>9.0</b>
Net income margin (%)	11.08	10.94	11.04	11.44	13.25	12.95	13.36
Total asset turnover (times)	0.60	0.60	0.61	0.63	0.63	0.59	0.58
Leverage (x)	1.15	1.17	1.17	1.17	1.17	1.17	1.16



\*Prepared by Investment Bridge Co., Ltd. based on disclosed material.

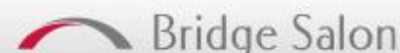
While net income margin rose in the fiscal year ended March 2024, ROE remained almost the same as in the previous fiscal year due to a drop in total asset turnover and leverage. However, it is above 8.0%, which is generally said to be the target for Japanese companies and which the company stated in their Medium-term Management Plan as a target for the fiscal year ending March 2026.

In addition, ROE is projected to further grow due to the acquisition of treasury stock in step with the recent termination of the capital alliance with NTT DATA.

**[1-7 Shareholder return]**

The company considers the securing of stable management foundations and the elevation of shareholder profits based on dividends as an important management measure and their policy was to provide return to shareholders stably and proactively.

## BRIDGE REPORT



However, they decided to take another step in the fiscal year ending March 2025 and pursue stable and proactive shareholder return while “being a company that does not decrease dividends” as a new dividend policy.

## 2. Fiscal Year ended March 2024 Earnings Results

### [2-1 Overview of Financial Results]

	FY 3/23	Ratio to sales	FY 3/24	Ratio to sales	YoY	Compared with forecast
Sales	5,357	100.0%	5,547	100.0%	+3.5%	+1.8%
Gross Profit	1,506	28.1%	1,698	30.6%	+12.7%	-
SG&A	556	10.4%	631	11.4%	+13.6%	-
Operating Income	950	17.7%	1,066	19.2%	+12.2%	+11.1%
Ordinary Income	985	18.4%	1,101	19.8%	+11.8%	+11.2%
Net Income	694	13.0%	741	13.4%	+6.8%	+10.6%

\*Unit: million yen.

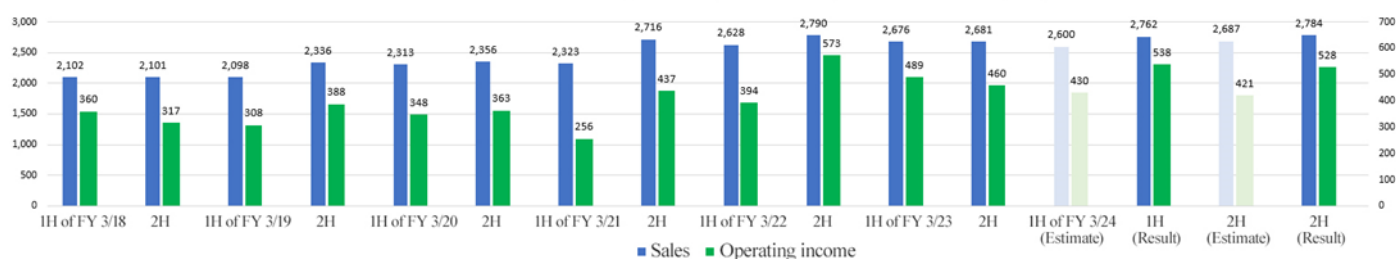
### Sales and profit increased, exceeding the forecast. Annual profit hit a new record high, exceeding the record achieved in the fiscal year ended March 2022.

Sales were 5,547 million yen, up 3.5% year on year. All services performed favorably.

Operating income was 1,066 million yen, up 12.2% year on year. In addition to increased sales, cost-of-sales ratio improved mainly due to decreased depreciation expenses due to investment in XNET applications. Gross profit increased 12.7% year on year, while gross profit margin rose 2.5 points. SG&A expenses also augmented due to various investments, but this was absorbed. Operating income margin was 19.2%, far exceeding the target of 15%.

Like in the first half of the fiscal year, both sales and profit exceeded the forecast in the second half and annual profit hit a new record high, exceeding the record achieved in the fiscal year ended March 2022 (an operating income of 968 million yen and an ordinary income of 995 million yen), due to the growth in core sales and spot sales, mainly from infrastructure public offering projects, which exceeded expectations.

Trends of sales and operating income (Unit: million yen)



### [2-2 Trend of each service]

	FY 3/23	Composition ratio	FY 3/24	Composition ratio	YoY
XNET services	5,353	99.9%	5,536	99.8%	+3.4%
Application services	3,779	70.5%	3,827	69.0%	+1.2%
AMO/SO service	1,574	29.4%	1,709	30.8%	+8.6%
Equipment sales, etc.	4	0.1%	11	0.2%	+180.0%
Total sales	5,357	100.0%	5,547	100.0%	+3.5%

\*Unit: million yen.

#### ◎Application services

Regarding the securities management system, which is the mainstay, the company has begun to develop and provide new services to proactively promote the linkage with systems of other companies as an “ecosystem orchestrator of the asset management industry” in addition to expanding the adoption of the system in the Shinkin bank industry. Service cancellations from existing clients are rare and the service continues to perform stably as a pillar that supports the performance.

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In December 2023, as risk management in the life and non-life insurance industry grew even more important, they started to offer the “To Aladdin Linking System,” which allows for linking the XNET system with risk management systems without requiring any effort, time or cost.

With regard to individual trusts, such as living trusts, the company stably provides the system despite a slight decline in the number of new clients. The variety of system functions is broadening as financial institutions expand the variation of trust products and as the market keeps growing due to the aging of the population, reinforcing the company’s position as a system vendor on this market.

The loan management system, which they started to provide to Meiji Yasuda Life Insurance Company in the fiscal year ended March 2023, is operating smoothly and the number of clients who use it is increasing. There are many inquiries concerning the loan management system also from life and non-life insurance clients and it is projected that the business scale will expand from now on.

#### ◎AMO services

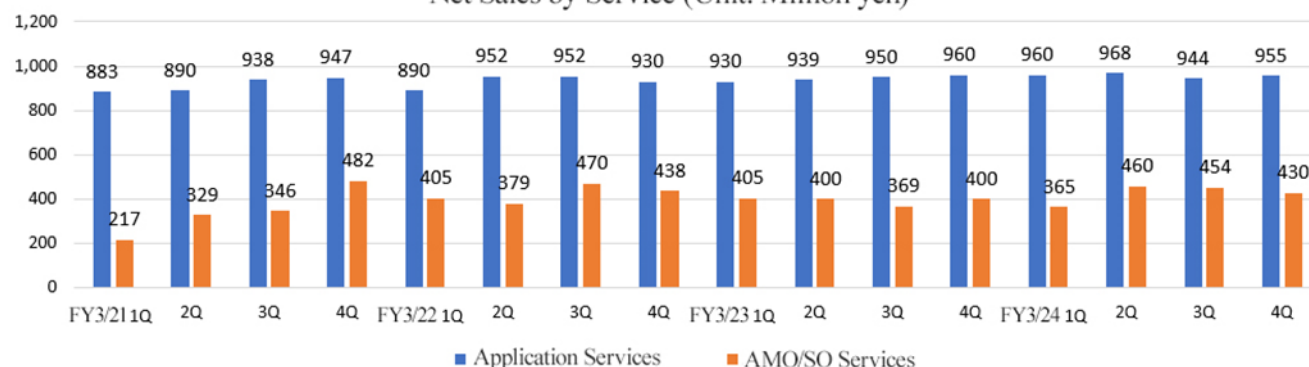
The company’s capability to provide support is recognized amid the shortage of IT human resources at financial institutions and orders for continuous system maintenance projects are being received steadily, contributing to the expansion of core sales. In the fiscal year ended March 2024, orders received for spot projects concerning infrastructure refurbishment, etc. were favorable, contributing to the overall growth in sales of XNET services.

#### ◎SO services

Regarding the provision of SO services to the life and non-life insurance industry, the company started to offer services to the second company and the adoption of services was decided at the third company. They are currently forging ahead with preparations for the adoption at multiple life and non-life insurance companies. “Easier requirements for entry into the investment management business (such as outsourcing of back-office operations)” have been stated as an initiative for the realization of the “Asset Management Nation” concept upheld by Prime Minister Kishida and it is projected that there will be further opportunities for providing the system, especially in the trust investment advisory industry.

Core sales, which consist of the sales from application services, monthly application management services, and task undertaking services, and which ensure stable sales through a subscription model, grew steadily by 3.3% year on year to 4,583 million yen.

Net Sales by Service (Unit: Million yen)



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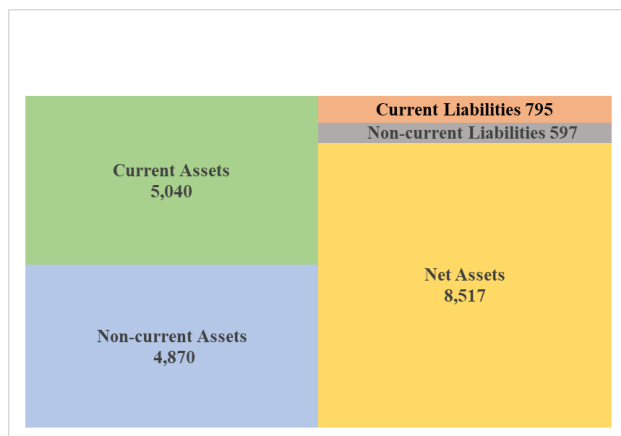


## [2-3 Financial Standing and Cash Flows]

## ◎Main Balance Sheet

	End of March 2023	End of March 2024	Increase/ Decrease		End of March 2023	End of March 2024	Increase/ Decrease
Current assets	4,243	5,040	+796	Current liabilities	669	795	+126
Cash and deposits	2,258	3,038	+779	Accounts payable	289	306	+17
Deposit paid in subsidiaries and affiliates	1,463	1,481	+18	Income taxes payable	150	232	+82
Non-current assets	5,037	4,870	-166	Non-current liabilities	587	597	+10
Intangible assets	1,218	1,136	-82	Total liabilities	1,257	1,393	+136
Software	1,217	1,135	-82	Net assets	8,024	8,517	+493
Investment, others	3,725	3,642	-83	Retained earnings	5,779	6,273	+493
Total assets	9,281	9,910	+629	Total liabilities and net assets	9,281	9,910	+629

\*Unit: million yen. The software contains temporary accounts.



\*Prepared by Investment Bridge Co., Ltd. based on disclosed material.

Total assets increased 629 million yen from the end of the previous term to 9,910 million yen due to the increase in cash and deposits etc.

Total liabilities increased 136 million yen from the end of the previous term to 1,393 million yen.

Net assets grew 493 million yen from the end of the previous term to 8,517 million yen due to the increase in retained earnings.

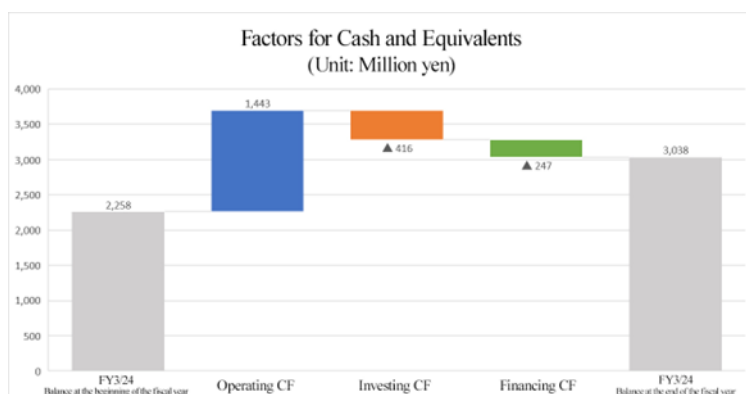
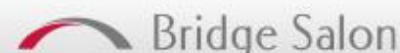
Equity ratio was 85.9%, down 0.6 points from the end of the previous term.

## ◎CF

	FY 3/23	FY 3/24	Increase/ Decrease
Operating Cash Flow	1,156	1,443	+287
Investing Cash Flow	-523	-416	+107
Free Cash Flow	632	1,027	+394
Financing Cash Flow	-239	-247	-8
Balance of Cash and Equivalents	2,258	3,038	+779

\*Unit: million yen.

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\*Prepared by Investment Bridge Co., Ltd. based on disclosed materials.

Cash inflow from operating activities and the surplus of free cash flow increased due to a growth in operating income, etc. The cash position improved.

## [2-4 Topics]

### (1) Terminating the capital alliance with NTT DATA Corporation and concluding a new business alliance agreement

On April 30, 2024, the company announced that they decided to terminate the capital and business alliance agreement they had concluded with NTT DATA Corporation and dissolve their capital ties, and to conclude a new business alliance agreement aimed at building a new business partnership. The termination of the capital and business alliance agreement and the new agreement will come into effect on May 1, 2024.

(Reasons for the cancellation of the capital alliance and conclusion of a new business alliance agreement)

From January 2009, XNET and NTT DATA Corporation have collaborated through a capital and business alliance with XNET being responsible for NTT DATA solutions in the field of funds and securities. NTT DATA clients have been introduced to XNET and they have made joint proposals concerning solutions for funds and securities and they have built foundations for a certain collaborative relationship between both parties, aiming for the elevation of corporate value.

On this occasion, the company received a request from NTT DATA, the parent company, that they would like to consider their future partnership with the development of both companies in mind, on the premise of selling all ordinary shares of XNET and promoting a new business partnership.

Taking into consideration that NTT DATA wishes to sell the ordinary shares of XNET, XNET decided to acquire treasury shares and dissolve capital ties as a step toward building the new relationship.

Meanwhile, XNET and NTT DATA decided to conclude a new agreement and establish a new business partnership based on the collaborative relationship they have built so far with the objective of contributing to further elevation of the corporate value of both companies.

From now on, XNET will aim for further elevation of corporate value by supporting the foundations of the “Asset Management Nation” concept as they contribute to further streamlining of the asset management industry while utilizing the business partnership with NTT DATA as a company that offers independent solutions for asset management.

(Details of the termination of the capital alliance)

NTT DATA used to own about 4,210,000 common shares of XNET (whose ratio to the total number of outstanding shares excluding treasury shares: 51.3%), but they sold all of these shares in step with the termination of the capital alliance. On May 1, 2024, XNET acquired about 4,080,000 treasury shares through ToSTNeT-3 (ratio to the total number of outstanding shares: 49.4%).

(Details of the new business alliance following the termination of the capital alliance)

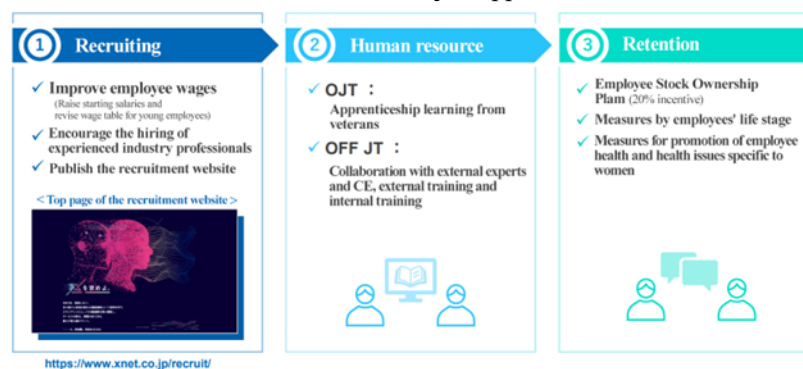
XNET and NTT DATA decided to form a business alliance in the field of funds and securities based on a new contract which consists of the following items as a step toward the business growth of both parties. In order to facilitate the new business alliance, XNET plans to accept a part-time director dispatched from NTT DATA based on their request.

- Continuous joint provision of services for clients
- Joint planning and development of new asset management solutions
- Joint expansion of sales of the solutions of both companies to clients
- Mutual support in terms of marketing measures, such as the introduction of solutions of both companies
- Placement of a responsible person and interaction between personnel to promote collaboration based on the business alliance
- Information exchange concerning technology alliances, trends in advanced IT information, etc.

## (2) Human Resources Strategy, investments

### ① Human Resources Strategy

The company takes various measures concerning recruitment, training and retention in order to enhance human capital. In the fiscal year ended March 2024, they published a recruitment site to further convey the charm of their business, leading to an increase in communication with job applicants.



(Taken from the company's documents)

### ② Investment in systems

In the fiscal year ended March 2024, they started working on OS upgrade to maintain services as a defensive investment in addition to the continuous improvement and expansion of application services. In this way, they are striving to continuously maintain services.

Moreover, when it comes to the improvement and betterment of the existing applications, they have upgraded UI for about 92% of their applications.

## 3. Fiscal Year ending March 2025 Earnings Forecasts

### [3-1 Earnings Forecast]

	FY 3/24	Ratio to sales	FY3/25 (Est)	Ratio to sales	YoY
Sales	5,547	100.0%	5,300	100.0%	-4.5%
Operating Income	1,066	19.2%	880	16.6%	-17.5%
Ordinary Income	1,101	19.8%	850	16.0%	-22.8%
Net Income	741	13.4%	570	10.8%	-23.1%

\*Unit: million yen. Estimates are those of the company.

### Sales and profit are expected to decrease.

The company is forecasting sales of 5.3 billion yen, down 4.5% year on year, and an operating income of 880 million yen, down 17.5% year on year.

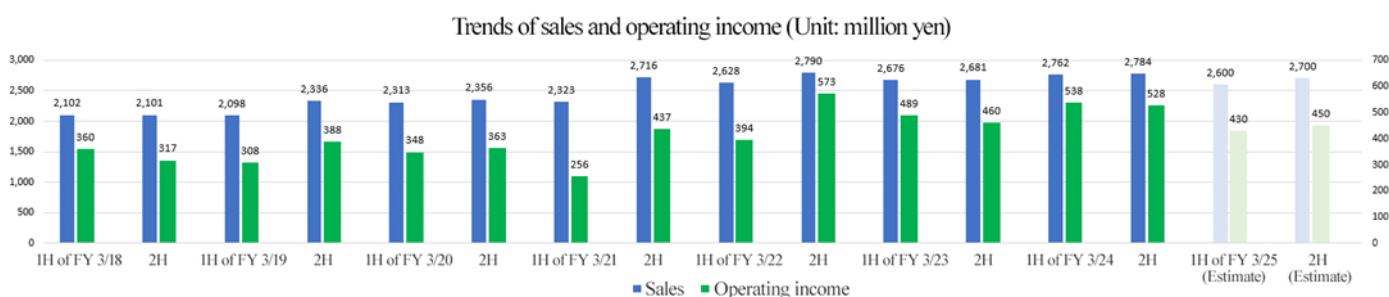
They are expecting that sales and profit will decrease year on year in both the first and second halves of the fiscal year, but start rebounding in the second half of the fiscal year.

Regarding sales, continuous steady performance is projected in all services. However, with regard to AMO services, projects concerning infrastructure refurbishment, for which the company received many orders in the fiscal year ended March 2024, will reach a milestone, and the company plans to withdraw from spot projects with comparatively low profitability. While it

can be said that this is part of the optimization of human resources utilization as a step toward the “reinforcement of management foundations based on the expansion of core sales” stated in the Medium-term Management Plan, it will lead to a temporary decline in sales.

Furthermore, regarding the impact of the treasury share acquisition announced on April 30, 2024, while there is virtually no impact on sales, it is projected that costs for various in-house systems, etc. will arise in step with leaving the NTT DATA GROUP. As a result, profit margin will slightly drop and the company plans to record the advisory fee pertaining to the treasury share acquisition as a non-operating expense.

As mentioned in 【1-7 Shareholder return】 of Section 1 “Company Overview,” the company decided to pursue stable and proactive shareholder return while “being a company that does not decrease dividends” as a new dividend policy. For the fiscal year ending March 2025, they plan to pay an annual dividend of 45.00 yen/share (up 15.00 yen/share year on year), with each of the interim and year-end dividends being 22.50 yen/share. The expected payout ratio is 34.7%.



## 4. Conclusions

Regarding the aim of the treasury share acquisition in step with the termination of the capital alliance with NTT DATA, we would like to keep an eye on the “improvement of capital efficiency” and “expansion of shareholder return” in addition to the “termination of listing of the parent company and its subsidiaries” and “ensuring of management independence.”

The company possesses a total of 7.8 billion yen in cash and cash equivalents and the acquisition of treasury shares is one option for effective utilization. For the fiscal year ending March 2025, they plan to pay an annual dividend of 45.00 yen/share (up 15.00 yen/share year on year) based on their basic policy of pursuing stable and proactive shareholder return while “being a company that does not decrease dividends.” The company further enhances shareholder returns through a significant increase in dividends and share buybacks.

Regarding the improvement of capital efficiency, the company forecasts ROE to improve 1% to 10% in the fiscal year ending March 2025 as a result of trial calculation using the average of the equity ratio at the end of the fiscal year ended March 2024 prior to the treasury share acquisition and the equity ratio at the end of the fiscal year ending March 2025 after the treasury share acquisition. ROE in the fiscal year ending March 2026, which is calculated by using the average of the equity ratio at the end of the fiscal year ending March 2025 and the end of the fiscal year ending March 2026, is expected to show an even more significant growth, if sales and profit remain favorable, and the position of P/B ratio is likely to change. While the company forecasts a decrease in sales and profit for this fiscal year, we would like to pay attention to what kind of growth they can achieve, while receiving the tailwind of the business environment brought about by the “Asset Management Nation” concept, which is a government policy.



## <Reference 1: Medium-term Management Plan 2022-2025>

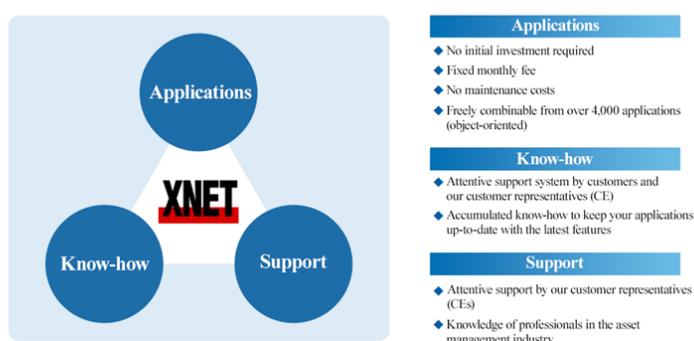
The company, which achieved record sales and profit in the fiscal year ended March 2022, plans to promote growth strategies and effectively utilize its assets to refine its “earning” and “spending capabilities” in order to continue to improve its corporate value and sustainable growth.

To this end, the company has formulated a Medium-term Management Plan with the fiscal year ended March 2023, as its first year. This is the first Medium-term Management Plan made public.

### [1. Sources of Added Value of the Company]

The three sources of added value of the company are “applications,” “know-how,” and “support.” The company generates higher added value by fusing all the above at an advanced level.

#### Our value-added offerings



(Taken from the company’s documents)

### (1) Application

As mentioned in “1. Company Overview,” the company’s “XNET service” is an application service with a fixed monthly fee and no additional charges.

It is a pioneering subscription model and an advanced business model, distinct from the services of other companies.

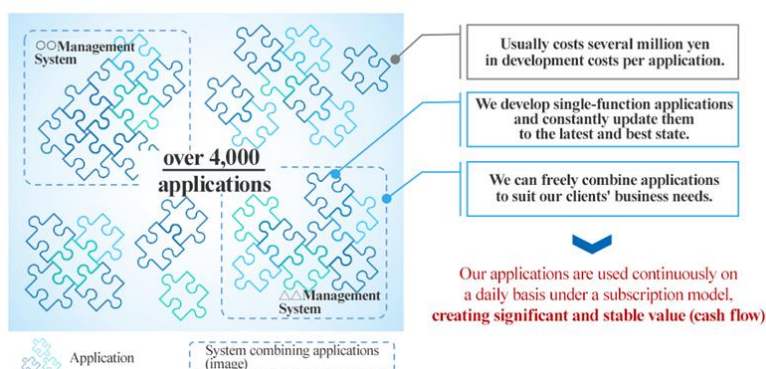
The company currently has approximately 4,000 applications.

It possesses the latest and best applications by accumulating know-how over the applications it develops.

The development cost per application is typically 2-3 million yen, but the value of each application goes beyond this amount, when it is considered that it is the latest application with accumulated know-how.

The 4,000 high-value-added applications generate stable high value or cash flow through the subscription model.

#### Applications owned by XNET



(Taken from the company’s documents)

### (2) Know-how

The company’s applications are improved and mounted with new functions, reflecting not only the voices of customers, but also the latest needs that the company’s employees grasp on site, and changed on a daily basis according to the operational

and institutional changes.

In addition, as the company owns the copyrights to the applications and has accumulated various types of in-house know-how, it can provide the “latest and the best” at all times, ensuring that its applications do not become obsolete.

**(3) Support**

The company is more deeply customer-oriented than its competitors. It assigns a Client Executive (CE) for each customer to meticulously serve them and offer expertise-based support.

In many cases, the call centers of general system companies are either unaware of whether they can handle emergency requests received over a phone call or are incapable of providing an immediate response if professional support is required.

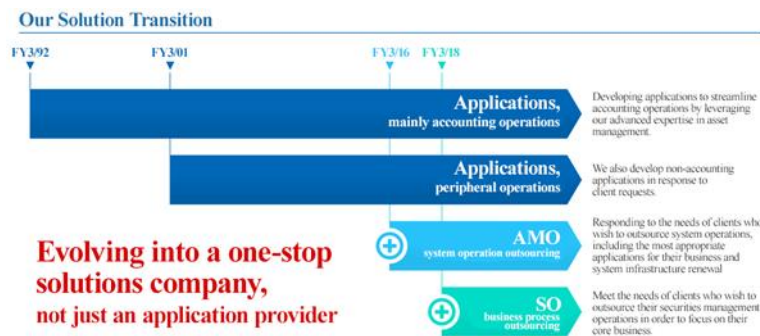
In contrast, the company’s CEs can directly respond to customers in an emergency. It can also provide immediate, specialized support and meticulously serve the customers as per the customer’s unique circumstances.

**[2 Key Business Domains for Sustainable Growth]**

To further strengthen its “earning capacity,” the company aims to become a “one-stop solution company” that not only provides applications, but also offers a full range of solutions for asset management.

**(1) Evolution into a One-Stop Solution Company**

In addition to the provision of applications (software), the company provides further added value by AMO (undertaking application management) and SO (undertaking business operations) services.

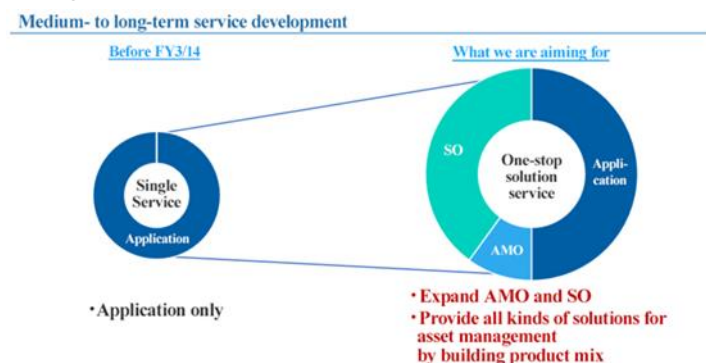


(Taken from the company’s documents)

**(2) Medium- to Long-Term Service Deployment: Growth of the businesses of AMO and SO**

Over the medium to long term, the company will grow the businesses of AMO (undertaking application management) and SO (undertaking business operations) services to become a true one-stop solution company.

By achieving significant growth of these businesses, the company will create a product mix that meets the needs for asset management.



(Taken from the company’s documents)

**(3) Business Strategy During the Medium-Term Management Plan**

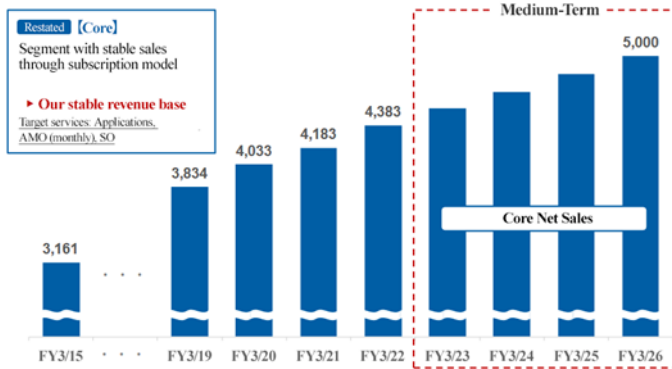
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The company will further strengthen its “core” segment, which secures stable sales through a subscription model, and maintain high profitability.

Focusing on the “core” will provide the basis for “earning capacity,” strengthen the management base, and further increase corporate value.

**Core Net Sales in the Medium-Term Management Plan Period**



(Taken from the company’s documents)

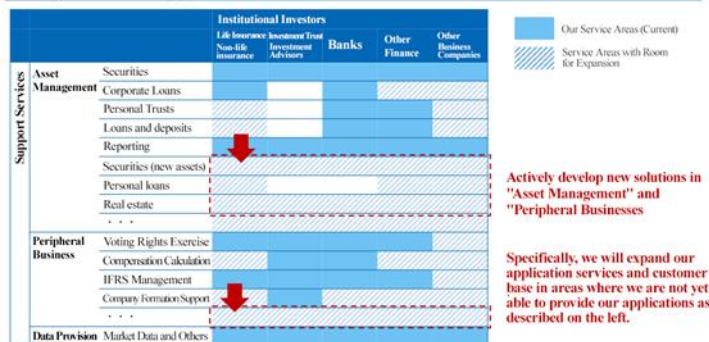
**[3. Investment Strategy]**

The company will actively invest in applications, systems, and human resources while refining the “spending capacity.”

**(1) Development of New Application Services**

The company will actively develop new solutions and further expand its application service, one of its sources of added value. It intends to actively promote the development of new solutions in uncultivated areas of “asset management” and “peripheral businesses.”

**Development of new application services**



(Taken from the company’s documents)

**(2) System Investment**

The company will invest “aggressively” and “defensively” in its existing services.

**\*Aggressive Investment**

The company will invest for improving and upgrading over 4,000 existing applications, which are their high-quality assets, to develop new solution services and improve convenience for customers.

**\*Defensive Investment**

The company will ensure that the system is updated with the upgraded operating system to maintain a high level of service.

**(3) Human Resources Strategy**

The company will actively invest in human resources, which are vital.

The company will continue to focus on actively recruiting experienced personnel.

At the same time, it will utilize the expertise of veterans and the know-how accumulated in the applications to train young personnel for the future. In addition, the company will create an improved environment to enhance productivity.

The company's strength is its ability to recruit industry veterans ready to work immediately in the face of the shortage of IT personnel.

#### [4. Management Goals]

The following targets have been set for the final year of the plan, that is, the fiscal year ending March 2026.

Core Sales	5 billion yen
Operating Income Margin	15.0% or higher
ROE	8.0% or higher

#### [5. Shareholder Return]

The company considers the securing of stable management foundations and the elevation of shareholder profit based on dividends as an important management measure and their policy was to provide return to shareholders stably and proactively. However, they decided to take another step in the fiscal year ending March 2025 and pursue stable and proactive shareholder return while “being a company that does not decrease dividends” as a new dividend policy.

They have a shareholder benefit program to express their gratitude to shareholders, deepen their understanding of the Medium-term Management Plan, and encourage them to hold shares over the medium to long term.

(Overview of the Shareholder Benefit Plan)

\*Effective Period

In line with the period of the Medium-term Management Plan (April 1, 2022, to March 31, 2026).

\*Eligible Shareholders

Shareholders whose names are recorded in the shareholder's register on the record date, that is, the end of September or the end of March of each year during the effective period, and who have held at least one trading lot (100 shares) of the company.

\*Benefits

All shareholders with at least 1 trading lot will receive a QUO Card worth 500 yen.

## <Reference 2: Regarding Corporate Governance>

### ◎ Organization type, and the composition of directors and auditors

Organization type	Company with audit and supervisory committee
Directors	9 directors, including 3 outside directors (of which 3 are independent directors)

### ◎ Corporate Governance Report

Last update date: July 10, 2023

<Basic Policy>

We recognize that continuous improvement of business performance contributes to the development of society, enhances corporate value, and meets the expectations of our shareholders and other stakeholders. To this end, we believe that it is important for corporate governance to function effectively, realize a system that can appropriately respond to changes in the business environment, and conduct fair and transparent corporate management.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

[Supplementary Principle 3-1-2]

Considering the company's foreign shareholder ratio (0.4% as of March 2023), the scale of its business, and the cost of

disclosure in English, the company has determined that it is premature to disclose and provide information in English at this time.

It will discuss the necessity of English-language disclosure at meetings of the Board of Directors and other forums while taking into consideration the trends in the ratio of foreign shareholders, the scale of its business, and the status of its overseas business operations.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

[Principle 1-4]

Currently, we do not hold any listed shares for strategic shareholding. Although we do not plan to hold such shares in the future, if the possibility of holding listed shares should arise, we will take sufficient time to thoroughly examine and verify the purpose, benefits, and risks in advance, based on this principle, and will disclose the results of such examination and establish and disclose the criteria for exercising voting rights.

[Supplementary Principle 2-4-1]

(1) Human resources development and in-company environment development policies, and their statuses

Our approach to human resources development is based on on-the-job training (OJT), which is supplemented by off-the-job (OffJT) training, mainly the training programs listed below, to proactively support employees in strengthening their skills.

- Group training for new employees
- Business training by level
- Training on basic financial knowledge
- Training on individual themes
- Introductory training in system development
- Others

In addition, as an initiative to complement employee development, we are promoting the hiring of the following people

- Hiring people who want to give back to the industry, such as veterans and retirees who have been active in the asset management industry for many years
- Hiring women left the industry after maternity or childcare and resigned employees who are experienced in the asset management industry
- Rehiring highly skilled and highly motivated former employees who are recognized by all
- Hiring people (such as temporary staff) who are employed with us and who love our corporate culture and values
- Hiring fresh graduates from high school

We actively hire people who understand our corporate culture and values, and we will continue to upgrade their skills as we integrate them within the company.

(2) Ensuring diversity

In order to create and provide services that continue to be sought after in the asset management industry, we continuously hire diverse human resources, including mid-career hires with a variety of work experience, and allocate them in a manner that respects their motivation and abilities so that each and every employee can grow to become a professional.

<Promoting women in managerial positions>

We believe that diversity in human resources, or diversity in values, is essential for maintaining the vitality of an organization. In this context, we are developing and improving various support systems to promote the active participation of women and enable them to work in a more flexible and diverse manner. As a result, the ratio of women in managerial positions is increasing and will continue to do so in the future.

<Promoting non-Japanese employees in managerial positions>

At present, the percentage of non-Japanese employees is very low due to the fact that our business domain is limited to the domestic domain, and we have no track record of promoting non-Japanese employees to managerial positions. For the same reason, we do not set or disclose targets for the ratio of non-Japanese managers. However, it is our basic policy to evaluate employees based on their abilities and achievements regardless of their nationality.

<Promoting mid-career hires to managerial positions>

In order to secure diverse human resources, our company has adopted mid-career hiring as a general rule since its founding, and mid-career hires account for 100% of our managerial positions. We will continue to focus on mid-career hiring based on

our policy of cultivating and securing diverse human resources specializing in asset management IT and maintain the high ratio of mid-career hires in managerial positions, which is one of our company's unique characteristics.

Please refer to our website for information on the status of our employees, managers, and our training policy.

Developing Human Resources Specializing in Asset Management IT <https://www.xnet.co.jp/if/sus2.html>

[Supplementary Principle 3-1-3]

(1) Initiatives for sustainability

Recognizing the importance of ESG (Environmental, Social, and Corporate Governance) in improving corporate value over the medium term, we have posted our policy on sustainability and other initiatives for sustainable growth on our website. For more information on our approach toward sustainability, policies, and initiatives, please visit our website.

Sustainability [https://www.xnet.co.jp/if/index\\_sus.html](https://www.xnet.co.jp/if/index_sus.html)

(2) Investment in human capital

In addition to supporting the diverse work styles of our diverse human resources, we are developing and improving our work-life balance support system to enable our employees to realize their ideal work styles in order to meet the demand from society, such as promoting the active participation of women and rectifying long working hours.

In addition, human resources are essential for creating and providing services that continue to be sought after in the asset management industry. To this end, we actively support the growth of each employee so that they can become professionals. Please refer to our website for more information on our efforts to provide diverse work styles and human resources development initiatives.

<https://www.xnet.co.jp/if/sus2.html>

(3) Investment in intellectual property

As a provider of securities management systems and related services, we recognize that intellectual property is an important corporate asset. Our policy is to maintain and manage these assets appropriately and utilize them effectively as our strength. By securing intellectual property rights that are beneficial to our business as needed, and working on intellectual property activities, we aim to differentiate our services and secure a competitive advantage in the market, as well as to prevent infringement of intellectual property rights of third parties, including customers and business partners, and intend to reduce legal risks in our business operations. In addition to maintaining regulations in the divisions in charge, we are working to raise awareness of intellectual property rights by providing educational and enlightening opportunities for employees in cooperation with NTT DATA Corporation.

[Principle 5-1]

Our company proactively responds to requests for individual interviews, including those from shareholders, taking into consideration the equality of information disclosure and the necessity from the perspective of improving corporate value, and the President and Representative Director responds to such requests.

Our policy for dialogue with shareholders and other stakeholders is as follows.

(i) The President and Representative Director oversees IR activities and promotes activities to promote dialogue with shareholders.

(ii) In conducting IR activities, the personnel in charge of corporate planning, IR, legal affairs, general affairs, accounting, and other areas within the Administration Division, under the direction of the President and Representative Director, are directly involved in everything from the preparation of IR materials to company briefings and interviews with individual shareholders, in an effort to ensure continuous internal information coordination while paying close attention to insider information and to ensure fairness of information in dialogues.

(iii) The President and Representative Director reports to the Board of Directors on the opinions received from shareholders and others during IR activities and discusses how to respond to them after sharing and exchanging opinions on the requirements and issues.

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