 President Hiroshi Kajiwara	BELLSYSTEM24 Holdings, Inc. (6183)
	

Company Information

Exchange	TSE Prime Section
Industry	Service business
Representative Director, President, Executive Officer, and CEO	Hiroshi Kajiwara
Address	6F Kamiyacho Trust Tower 4-1-1, Toranomon, Minato-ku, Tokyo
Year-end	February
Homepage	https://www.bell24.co.jp/en/

Stock Information

Share Price	Number of shares issued (Term-end)		Total market cap	ROE Act.	Trading Unit
¥1,390	73,753,310 shares		¥102,517 million	11.5%	100 shares
DPS Est.	Yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥60.00	4.3%	¥109.14	12.7 x	¥907.54	1.5 x

*The share price is the closing price on October 10. Share Outstanding, DPS and EPS are from the second quarter of the financial results for the fiscal year ending February 2025. ROE and BPS are actual results for the previous fiscal year.

Earnings Trend (IFRS)

Fiscal Year	Sales Revenue	Operating Income	Income before Income Taxes	Net Income	EPS	DPS
February 2021 Act.	135,735	11,799	11,305	7,252	98.64	42.00
February 2022 Act.	146,479	13,234	13,463	8,943	121.65	54.00
February 2023 Act.	156,054	14,917	14,157	9,330	126.82	60.00
February 2024 Act.	148,717	11,479	11,225	7,545	102.61	60.00
February 2025 Est.	153,000	12,500	12,200	8,000	109.14	60.00

* The forecast was made by the company. Unit: million-yen, yen. Net income is profit attributable to owners of parent. Hereinafter the same applies.

This Bridge Report introduces the earning results for the second quarter of the fiscal year ending February 2025 and other information of BELLSYSTEM24 Holdings, Inc.

Table of Contents

[Key Points](#)

[1. Company Overview](#)

[2. Second Quarter of Fiscal Year ending February 2025 Earnings Results](#)

[3. Fiscal Year ending February 2025 Earnings Forecasts](#)

[4. Market Environment and Priority Fields](#)

[5. Generative AI and Initiatives for New BPO](#)

[6. Conclusions](#)

[<Reference: Medium-Term Management Plan 2025>](#)

[<Reference: Regarding Corporate Governance>](#)

Key Points

- **In the second quarter of fiscal year ending February 2025, sales revenue declined 6.1% year on year to 72.0 billion yen. The sales of basic operations increased only 0.3% year on year, almost unchanged. New projects increased, but large-scale projects decreased. Almost all operations related to national policies for COVID-19, etc. have been finished, so the amount of such operations dropped significantly by 78.2% year on year. Operations related to other national policies for paying benefits, etc. increased. Operating income declined 26.3% year on year to 4.8 billion yen. Gross profit declined 9.8% year on year, due to the decrease of highly profitable operations related to national policies for COVID-19, etc. SG&A expenses decreased 5.9% year on year, thanks to the curtailment of indirect personnel expenses through optimal staffing and the significant reduction of costs for advertisement, equipment, etc., but it did not compensate for the decline in gross profit.**
- There is no revision to the earnings forecast. Sales and profit are forecast to increase in the fiscal year ending February 2025. Sales revenue is expected to increase 2.9% year on year to 153 billion yen. The company expects an increase in sales of basic operations and a decrease in sales of the operations related to national policies for COVID-19, etc. Operating income is forecast to rise 8.9% year on year to 12.5 billion yen. Gross profit is expected to grow due to larger sales from basic operations and growth in the performance of consolidated subsidiaries. SG&A expenses are also expected to augment due to higher costs from higher commodity prices and increased expenses associated with business expansion at consolidated subsidiaries. Still, the company expects to absorb these costs and increase profits. The company plans to pay a dividend of 60.00 yen per share, like in the previous fiscal year. Dividend payout ratio is expected to be 55.0%. The company aims to maintain a stable and continuous dividend payment based on a basic policy of a payout ratio of 50%.
- After the reclassification of the COVID-19 as Class 5 in May 2023, the needs for conventional call center operations declined due to the shift to digital technologies, which was accelerated during the COVID-19 pandemic, users' literacy improved through FAQ, the use of chatbots, etc., and the labor of dealing with inquiries decreased thanks to the digital transformation (DX) in enterprises. A certain level of demand is expected to persist, but it is difficult to expect that the conventional call center operation work will increase significantly. The company predicts that the performance of this business will be flat or slightly increase, through the oligopolization in this industry.
- Under such a market environment, they consider “the expansion of generative AI business/the sophistication of data utilization” and “the expansion of a new business process outsourcing (BPO) domain” as pillars of growth. In addition to the conventional call center operation, they will expand the BPO domain, develop hybrid systems with generative AI (automation), promote DX, develop and provide solutions by utilizing generative AI, with the aim of increasing sales revenue.
- The progress rate in the first half of the fiscal year was 47.1% for sales revenue, and 38.5% for operating income. In particular, the progress rate of operating income is remarkably low compared with the average. In addition to the completion of the tasks for large-scale projects, the improvement in profitability of basic operations and the revision of prices are taking more time than assumed. Another factor in the delay in the first half is the prolongation of optimization of business establishments that were increased to cope with operations related to COVID-19.

- **They are receiving a healthy number of orders for new projects, developing a stable revenue base, and the optimization of business establishments is progressing to reduce costs. Multiple M&A projects are ongoing, so the company believes that there is a high probability of achieving operating income of 12.5 billion yen.**
- **The results in the fiscal year ending February 2025 mean important steps for attaining the goal set in the medium-term management plan: “a sales revenue of 180 billion yen, an operating income of 16.5 billion yen, and an after-tax income of 11 billion yen” in the fiscal year ending February 2026. We would like to pay attention to their progress from the third quarter.**

1. Company Overview

The company, which is the holding company, and its 6 subsidiaries form a corporate group. The main businesses include the Customer Relationship Management (CRM) business in which a focus is given to the outsourcing of contact center operations, technology services, and consulting services.

The subsidiaries are BELLSYSTEM24, Inc. (capital contribution ratio: 100.0%), which operates contact centers and related services, CTC First Contact Corporation (capital contribution ratio: 51.0%), which provides IT service desk and business process undertaking services, Horizon One Inc. (capital contribution ratio: 51.0%), a joint venture with Layers Consulting Co., Ltd., which undertakes business processes and offers various consulting, and human resource activity support services in the areas of human resources and accounting, THINKER Inc. (capital contribution ratio: 70.0%), which utilizes data generated at customer contact points for corporate marketing DX and also develops AI solutions led by data analysts and engineers, BellSoleil, Inc. (capital contribution ratio: 100.0%), a special subsidiary aimed at promoting the employment of people with disabilities, and BELLSYSTEM24 VIETNAM Inc. (capital contribution ratio: 80.0%), which operates contact center business in Vietnam.

There are two affiliated companies accounted for by the equity method: TB Next Communications Co., Ltd. (capital contribution ratio: 49.0%), a joint venture with TOPPAN Inc. that supports DX promotion and develops next-generation BPO services, and TrueTouch Co., Ltd. (capital contribution ratio: 49.9%), which operates a contact center in Thailand and provides services to customers in Japan and overseas.

ITOCHU Corporation holds 40.7% of the company's voting rights and deems the company as a company accounted for using the equity method. In ITOCHU Corporation, which is focusing on business in non-resource sectors, especially the Consumer related Sector, the company, which engages in the call center business, plays a role as "the contact point between companies and consumers." Since the capital alliance entered into in October 2014, the company has built a broad range of alliances and successfully expanded the volume of transactions with ITOCHU Corporation (the company makes transactions with ITOCHU Group under the same transaction conditions as other client companies, and will continue to follow the policy).

BELLSYSTEM24, Inc., the core of the group, has been developing a wide range of task-undertaking businesses focusing on contact centers that serve as the interface between companies and consumers for approximately 40 years since its establishment in 1982 and has created a standard model for the industry.

Based on the operational expertise cultivated by combining the power of people and technology, the company is actively developing new solutions in addition to the conventional service provision methods that use the telephone as the primary service channel, with the aim of improving its business value.

【1-1 Corporate Philosophy】

The company pursues the following PURPOSE and VALUES.

In order to define in a single word what we should be and our commitments, the company has established a CORPORATE VOICE and a MANIFESTO for further clarification.

PURPOSE

To sustain the prosperity of society, through innovation and communication

VALUES

- Dialogue: Engaging to better understand concerns and ideas, working together toward resolutions and success.
- Creativity: Fusing the competence of on-site workers with the evolving technology to create unmatched value
- Diversity: Creating workplaces that enable each employee to thrive as individuals and discover hidden potential
- Partners in success: Committing success for our customers by using accumulated experience to achieve optimal solutions
- Co-creating prosperity: Increasing the experiential value of products and services to support precious moments for all

【1-2 Business Contents】

(1) Business Description

The company's business consists of the Customer Relationship Management (CRM) business, which is the segment to be reported, and other businesses, with the CRM business accounting for over 90% of consolidated sales.

Sales by segment

	FY 2/24
CRM business	148,107
Other	610
Consolidated sales revenue	148,717

* Unit: million yen

CRM Business

The CRM Business is the business field mainly of BELLSYSTEM24, Inc. and CTC First Contact Corporation. In addition to the conventional task of dealing with inbound and outbound calls, which use telephones as a major communication tool, in this business, a multitude of services that take advantage of Information Technology (IT), such as the Internet and social media, are offered to client companies. This is a stock business in which continuing operations make up around 90% of sales, and spot operations, such as election-related tasks, constitute the remaining portion. Furthermore, sales from Softbank Corp. account for around 10% of the total sales (continuing operations). The business is composed of the following 4 operations:

- 1) Customer support for client companies (mainly by dealing with inquiries about products and services of client companies)
- 2) Sales support for client companies (mainly by assisting client companies in promoting sales of their products and services)
- 3) Technical support for client companies (mainly by handling inquiries as to how to operate IT-based products of client companies)
- 4) BPO tasks (mainly undertaking routine tasks of client companies)

(2) Customers

The number of customers (basic services) at the end of February 2024 was 1,350, up 100 from the previous year.

The company's ability to respond to the needs of customers in diverse industries and business categories has been highly evaluated.

Industry Type	Overview
Service	Introduction of personnel, Internet-related services, broadcasting, electronic money, code settlement, point services, etc.
Transportation & Communication Industry	Communications carriers, providers, travel, transportation, etc.
Finance and Insurance	Banking, securities, life and non-life insurance, credit cards, etc.
Wholesale and Retail	Mail order, e-commerce, product sales services, etc.
Manufacturing	Manufacturers, food production, printing, pharmaceuticals, etc.
Other	Local governments, electricity, gas, water, housing, real estate, etc.

(3) Business establishments

As of the end of February 2024, the company had 37 offices and 19,900 booths in Japan. As overseas bases, the company has a consolidated subsidiary in Vietnam, a branch in Taiwan, and a group company in Thailand.

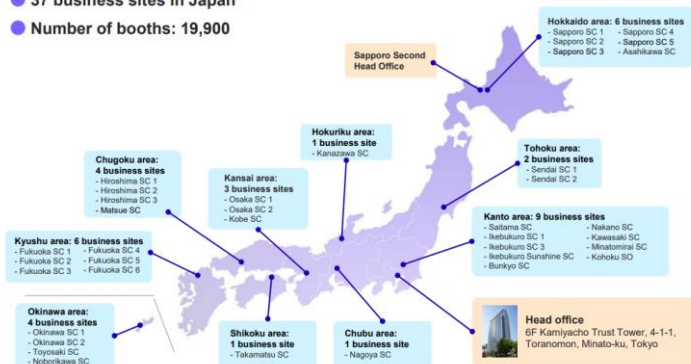
BRIDGE REPORT



Business Sites (as of the end of Feb. 2024)



- 37 business sites in Japan
- Number of booths: 19,900



- Overseas business site: Taiwan Branch (bell24-linghua)

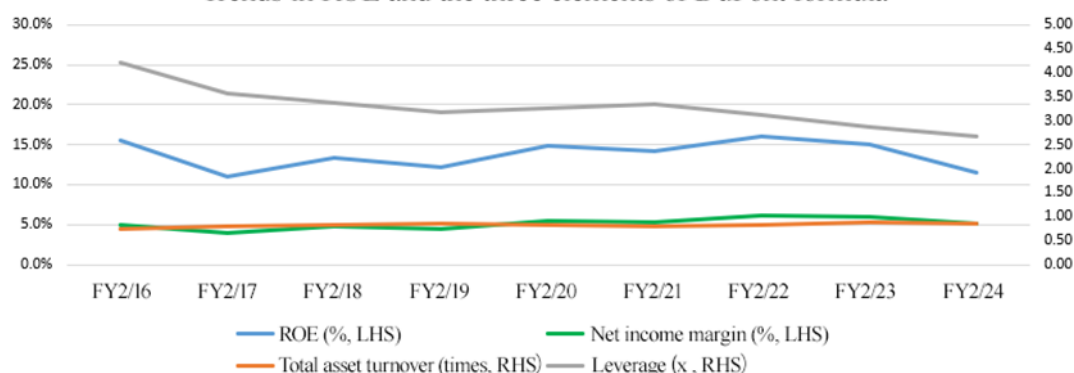
* The business site is an office of BELLSYSTEM24, Inc. that does contracted business.
SC: Solution Center SO: Small Office

(From the company's materials)

[1-3 ROE Analysis]

	FY 2/16	FY 2/17	FY 2/18	FY 2/19	FY 2/20	FY 2/21	FY 2/22	FY 2/23	FY 2/24
ROE (%)	15.6	11.0	13.4	12.1	14.8	14.2	16.0	15.1	11.5
Net income margin (%)	4.91	3.95	4.85	4.46	5.53	5.34	6.11	5.98	5.07
Total asset turnover (times)	0.75	0.79	0.82	0.86	0.82	0.80	0.83	0.88	0.85
Leverage (x)	4.22	3.56	3.37	3.16	3.25	3.34	3.13	2.88	2.69

Trends in ROE and the three elements of DuPont formula



Despite the downward trend in leverage, ROE has remained in the order of 10%, exceeding the 8% target that Japanese companies are generally considered to be aiming for. The company believes that there is significant room for further improvement in ROE through improved profitability.

[1-4 ESG]

They actively engage in activities for solving social issues while considering their corporate philosophy, important issues, and ESG. Such activities are highly evaluated by external organizations.

*Excerpt from the reference material for briefing the financial results in the second quarter of the fiscal year ending February 2025

◎ Chosen as one of stocks for calculating MSCI Japan ESG Select Leaders Index while GPIF announced that this index would be adopted

On March 4, 2024, Government Pension Investment Fund (GPIF) adopted “MSCI Japan ESG Select Leaders Index” as a major index for ESG investment, and the company was chosen as one of stocks for calculating this index. Accordingly, the share price of the company is now used for calculating 5 ESG indices adopted by GRIF for making decisions about ESG investment.

◎ **Rated as “Prime” in “ESG Corporate Rating” by ISS ESG for the first time.**

Bellsystem24 Holdings was rated as “Prime” in “ESG Corporate Rating (dated April 12, 2024)” by ISS ESG, which is the representative investment section of Institutional Shareholder Services, which gives advice on the exercise of voting rights in the U.S., and one of leading ESG rating institutions.

【1-5 Measures for realizing business administration conscious of capital cost and share price】

(Policies and recognition of the status quo)

Considering that the business administration deeply conscious of capital cost and profitability is essential for achieving sustainable growth and improving medium/long-term corporate value, the company adopted ROE as one of management indicators, and aims to improve capital profitability by keeping ROE higher than cost of shareholders’ equity.

In capital and financial strategies, they are striving to improve corporate value, by allocating the cash inflow through business to shareholder return, investment for growth, and repayment of interest-bearing liabilities in a balanced way. In fiscal year 2023, out of the operating cash inflow amounting to 13.5 billion yen, they allocated 4.4 billion yen to shareholder return, 3.1 billion yen to investment in business and equipment, and 5.9 billion yen to the repayment of interest-bearing liabilities.

The cost of shareholders’ equity in the fiscal year ended February 2024 is considered to be around 8%, and ROE was higher than that (being 11.5% in the fiscal year ended February 2024 with the average in the past five fiscal years being 14.3%).

PBR was around 1.9 as of the end of February 2024, and 1.6 to 2.3 as of the end of each fiscal year, remaining above 1.0 in the past five fiscal years. By making efforts to improve profitability and growth potential, they will aim to get higher valuations in the market and improve PBR.

(Concrete measures)

They will implement the following measures for improving their corporate value continuously.

- * In order to expand revenues and improve profitability, they will steadily carry out priority measures, including promoting employees to exercise their abilities to the maximum degree, the sophistication of data utilization, and the cultivation of a new BPO domain, in the “Medium-Term Management Plan 2025.”
- * While striving to maintain financial soundness, they plan to actively invest over 15 billion yen for growth in three years from the fiscal year ended February 2024.
- * The basic policy is to achieve a consolidated payout ratio of 50%, and the expected dividend amount for the fiscal year ending February 2025 is 60 yen per share. They will strive to increase the dividend amount by expanding profit.
- * In order to improve medium/long-term corporate value, they added sustainability-related items (employees’ engagement score, the ratio of female managers, and climate change) to performance-linked indicators for stock-based remuneration for executives.
- * In order to receive higher valuations in the market, they will continue constructive dialogues with shareholders and investors, and further enrich opportunities for dialogues.

2. Second Quarter of Fiscal Year ending February 2025 Earnings Results

【2-1 Consolidated Earnings】

	2Q of FY 2/24	Ratio to sales	2Q of FY 2/25	Ratio to sales	YoY
Sales revenue	76,679	100.0%	72,040	100.0%	-6.1%
Gross profit	14,119	18.4%	12,733	17.7%	-9.8%
SG&A expenses	8,479	11.1%	7,977	11.1%	-5.9%
Operating income	6,529	8.5%	4,810	6.7%	-26.3%
Income before Income Taxes	6,423	8.4%	4,665	6.5%	-27.4%
Quarterly net income	4,501	5.9%	3,024	4.2%	-32.8%

*Unit: million yen. Quarterly net income is profit attributable to owners of the parent.

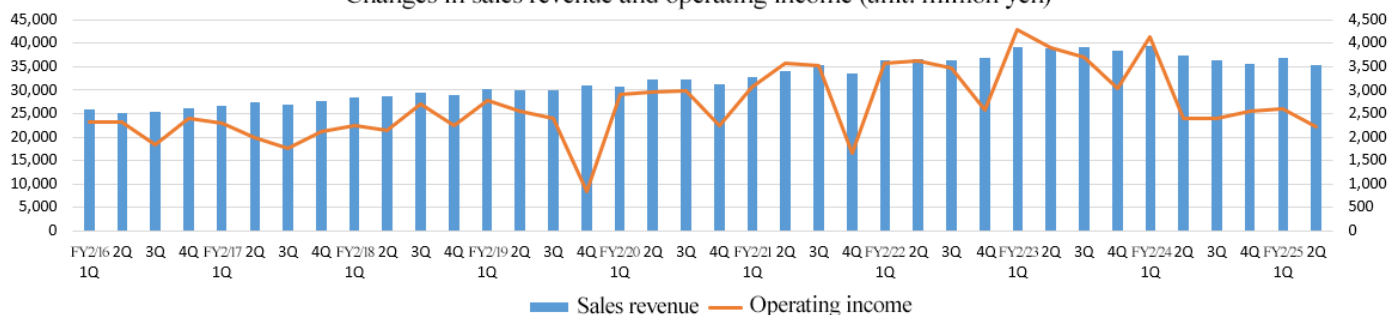
Revenue and profit down

Sales revenue declined 6.1% year on year to 72.0 billion yen.

The sales of basic operations increased only 0.3% year on year, almost unchanged. New projects increased, but large-scale projects decreased. Almost all operations related to national policies for COVID-19, etc. have been finished, so the amount of such operations dropped significantly by 78.2% year on year. Operations related to other national policies for paying benefits, etc. increased.

Operating income declined 26.3% year on year to 4.8 billion yen. Gross profit declined 9.8% year on year, due to the decrease of highly profitable operations related to national policies for COVID-19, etc. SG&A expenses decreased 5.9% year on year, thanks to the curtailment of indirect personnel expenses through optimal staffing and the significant reduction of costs for advertisement, equipment, etc., but it did not compensate for the decline in gross profit.

Changes in sales revenue and operating income (unit: million yen)



◎Revenue Breakdown

	2Q of FY 2/24	2Q of FY 2/25	YoY
Sales revenue	766.8	720.4	-6.1%
Basic operations	703.2	705.1	+0.3%
Operations related to national policies for COVID-19, etc.	60.1	13.1	-78.2%
Others	3.5	2.2	-37.1%

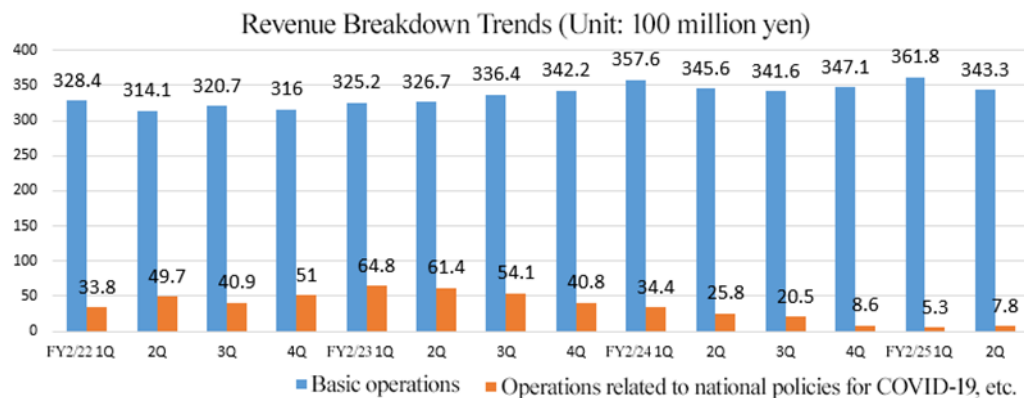
*Unit: 100 million yen.

◎Basic Operations

New projects increased, but large-scale projects decreased, so the growth of sales revenue was slight. Although large-scale projects decreased, new clients are increasing steadily, so the company believes that this will contribute to the performance from the second half of the fiscal year.

◎Operations related to national policies for COVID-19, etc.

Almost all of the operations related to COVID-19 have been completed.



【2-2 Business Topics】

(1) Sales revenue in each industry (Basic operations)

	2Q of FY 2/24	2Q of FY 2/25	YoY
Service industry	176	166	-5.7%
Transportation/communication	159	149	-6.3%
Finance/insurance industry	119	131	+10.1%
Wholesale/retail	89	83	-6.7%
Manufacturing industry	45	38	-15.6%
Other	37	40	+8.1%

*Unit: 100 million yen. The sales revenue in each field indicates the sum of sales revenues from top 300 client companies of BELLSYSTEM24, Inc. (non-consolidated). The year-on-year percentage change is calculated by Investment Bridge based on the company's data.

(Increase in sales)

Finance/Insurance: Despite the decline from the large spot transactions in the first quarter, sales grew thanks to the healthy performance of the business related to life and non-life insurance.

Other: Tasks for supporting the DX in municipalities and new electric power services increased steadily.

(Decrease in sales)

Services: Large-scale projects for introducing personnel and Internet-related services decreased, but new projects increased, so the sales revenue in the second quarter (June to August) is almost unchanged from the previous year.

Transportation/communications: For communications carriers, mainly the sales revenue from services for individuals declined.

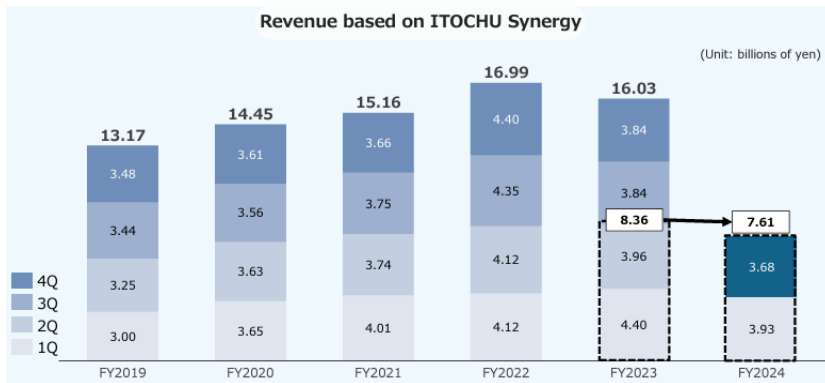
Wholesale and retail: The sales revenue related to healthy food products in the fields of mail order and e-commerce increased, but overall sales revenue decreased.

Manufacturing: Sales revenue declined due to the decrease of tasks, including the response to the rise in electricity charges, but the sales revenue related to pharmaceutical products was healthy.

(2) ITOCHU Synergy

The sales revenue in the second quarter were 7.61 billion yen, down 9.0% year on year. Their performance was affected by the end of tasks for some large-scale projects in the previous fiscal year.

BRIDGE REPORT



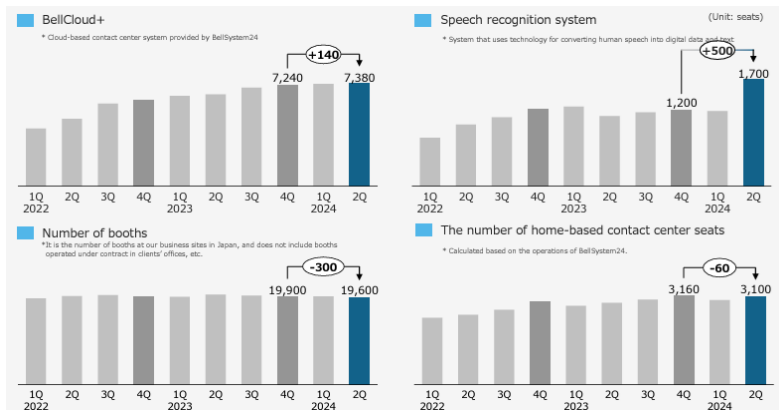
(From the company’s materials)

(3) Quarterly variations in the number of contact center booths, etc.

The number of desks with the voice recognition system (which converts speaking voices into digital data and transcribe them into text) in which they concentrate on increased by 500 from the end of the previous fiscal year, as new desks were prepared for large-scale projects. They aim to install the voice recognition system in more desks for analyzing data and utilizing or promoting generative AI technologies.

The cloud-type contact center “BellCloud+,” which is the base for DX utilizing voice data, is expanding steadily. “BellCloud+” is the company’s strategic system equipped with the functions for voice recognition, emotion analysis, Chatbot, Voicebot, and telework, which are required for contact center operations.

On the other hand, they are decreasing contact centers mainly in the Tokyo Metropolitan Area while relocating them to local areas in response to the decrease of projects related to COVID-19 and the completion of tasks for large-scale projects, so the number of contact center booths and the number of home-based contact center desks decreased from the end of the previous fiscal year.



(From the company’s materials)

(4) Progress of the Investment in the Medium-term Management Plan

The total investment amount for the three years until the fiscal year 2025 announced in the Medium-Term Management Plan 2025 amounted to more than 15 billion yen. The investment is scheduled to be focused on the following areas:

1. Investment in equipment at business establishments, etc.
2. Business investment
3. Investment for data-based solutions and human capital enhancement

The total investment amount in the second quarter of the fiscal year ending February 2025 was 1.89 billion yen. The details were as follows.

Category	Investment amount	Breakdown
Capital investment	890 million yen	<ul style="list-style-type: none"> ▪ Data utilization solutions: investment in voice infrastructure (Bellcloud, Bellcloud+, etc.) ▪ IT infrastructure investment: investment in IT equipment and software development ▪ Facility investment: facility investment in business establishments
Business investment	700 million yen	<ul style="list-style-type: none"> ▪ Investment in IT companies and venture companies
Investment expenses	300 million yen	<ul style="list-style-type: none"> ▪ Data utilization solutions: data analysis investment, AI and DX-related investment ▪ Strengthening human capital: investment in human resources training, investment in improving the environment of business establishments and engagement
Total	1.89 billion yen	-

[2-3 Financial condition and Cash Flow (CF)]

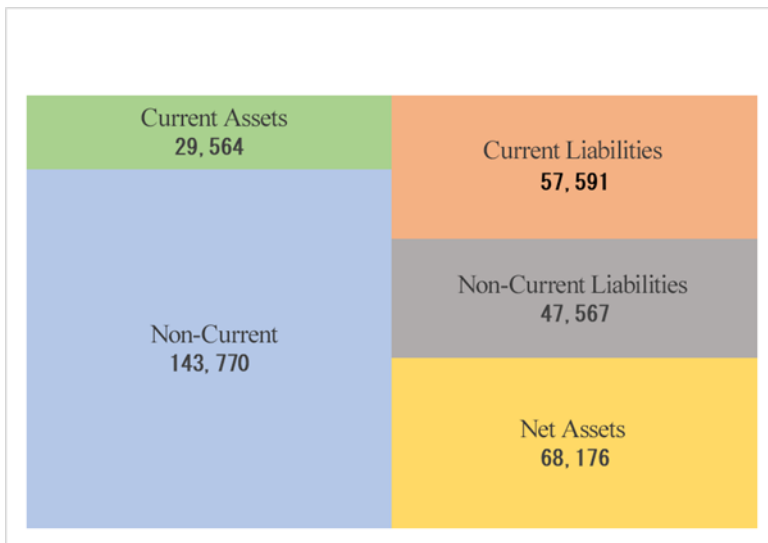
Financial condition

	Feb. 24	Aug. 24	Increase/ decrease		Feb. 24	Aug. 24	Increase/ decrease
Current assets	28,297	29,564	+1,267	Current liabilities	48,599	57,591	+8,992
Cash and deposits	7,213	9,036	+1,823	Trade debt	5,531	5,266	-265
Trade Receivables	19,195	18,558	-637	Loans payable	23,000	28,300	+5,300
Noncurrent assets	147,168	143,770	-3,398	Noncurrent liabilities	59,127	47,567	-11,560
Tangible assets	35,828	32,176	-3,652	Long-term loans payable	33,234	24,740	-8,494
Goodwill	96,772	96,718	-54	Total liabilities	107,726	105,158	-2,568
Total assets	175,465	173,334	-2,131	Total capital	67,739	68,176	+437
				Equity capital(*)	66,730	67,287	+557
				Total loans payable	56,234	53,040	-3,194

*Unit: million yen. Equity capital is total equity attributable to owners of the parent.

Total assets decreased 2.1 billion yen from the end of the previous fiscal year, mainly due to the decreases in fixed tangible assets. Total liabilities decreased 2.5 billion yen from the end of the previous fiscal year, as debt shrank 3.1 billion yen. Total shareholders' equity increased 400 million yen from the end of the previous fiscal year, as retained earnings grew while capital surplus decreased. Capital-to-asset ratio increased 0.8 points from the end of the previous term to 38.8%.

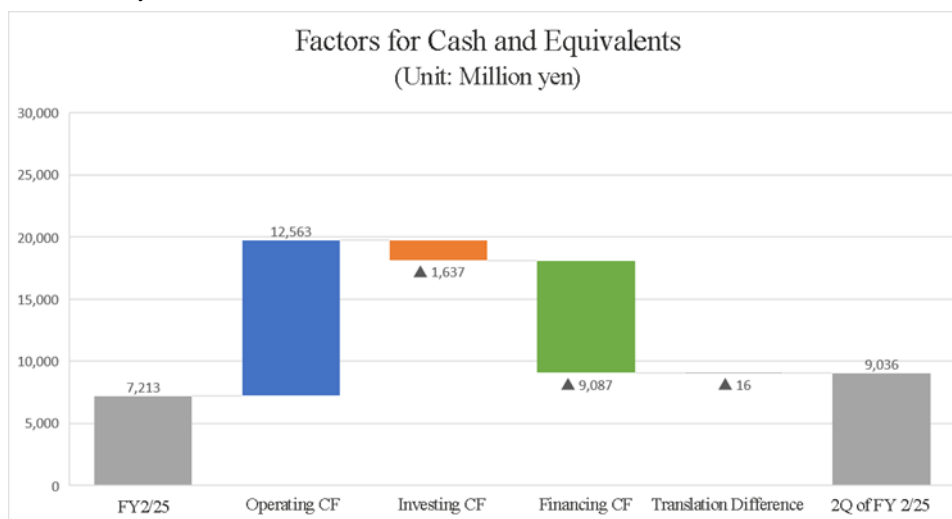
BRIDGE REPORT



◎Cash Flow

	2Q of FY 2/24	2Q of FY 2/25	Increase/ decrease
Operating Cash Flow	8,401	12,563	+4,162
Investing Cash Flow	-2,112	-1,637	+475
Free Cash Flow	6,289	10,926	+4,637
Financing Cash Flow	-5,967	-9,087	-3,120
Cash and Equivalents at Term End	7,329	9,036	+1,707

*Unit: million yen.



The cash inflow from operating activities and the surplus of free cash flow grew from the interim period of the fiscal year ended February 2024, as the decrease in operating payables shrank and the increase in consumption tax payable expanded, while pretax interim profit dropped.

The cash positions have improved.

3. Fiscal Year ending February 2025 Earnings Forecasts

3-1 Consolidated Earnings forecast

	FY 2/24	Ratio to sales	FY 2/25 Est.	Ratio to sales	YoY	Rate of progress
Sales revenue	148,717	100.0%	153,000	100.0%	+2.9%	47.1%
Gross profit	27,139	18.2%	29,800	19.5%	+9.8%	42.7%
SG&A expenses	16,598	11.2%	17,300	11.3%	+4.2%	46.1%
Operating income	11,479	7.7%	12,500	8.2%	+8.9%	38.5%
Income before Income Taxes	11,225	7.5%	12,200	8.0%	+8.7%	38.2%
Net income	7,545	5.1%	8,000	5.2%	+6.0%	37.8%

*Unit: million yen.

No revision to the earnings forecast. Sales and profit are forecast to increase.

There is no revision to the earnings forecast. Sales revenue is expected to increase 2.9% year on year to 153 billion yen. The company expects an increase in sales of basic operations and a decrease in sales of the operations related to national policies for COVID-19, etc. Operating income is forecast to rise 8.9% year on year to 12.5 billion yen. Gross profit is expected to grow due to larger sales from basic operations and growth in the performance of consolidated subsidiaries. SG&A expenses are also expected to augment due to higher costs from higher commodity prices and increased expenses associated with business expansion at consolidated subsidiaries. Still, the company expects to absorb these costs and increase profits.

The company plans to pay a dividend of 60.00 yen per share, like in the previous fiscal year. Dividend payout ratio is expected to be 55.0%. The company aims to maintain a stable and continuous dividend payment based on a basic policy of a payout ratio of 50%.

◎Revenue Breakdown

	FY 2/24	FY 2/25 Est.	YoY	Rate of progress
Revenue	1,487.2	1,530.0	+2.9%	47.1%
Basic operations	1,391.9	1,493.0	+7.3%	47.2%
Operations related to COVID-19	89.2	30.0	-66.4%	43.7%
Other	6.1	7.0	+14.8%	31.4%

*Unit: 100 million yen.

*Basic operations

The company forecasts an increase in sales. Expansion of demand for outsourcing due to personnel shortages and new services such as DX solutions will contribute to sales growth.

The company will continue its price revision efforts periodically.

*Operations related to national policies for COVID-19, etc.

A large decrease in sales is forecasted. In the previous fiscal year, large-scale operations related to COVID-19 such as vaccination inquiries were almost completed. The company anticipates securing projects related to the disbursement of various subsidies by the national government and local governments.

4. Market Environment and Priority Fields

The market environment surrounding the company and the company's priority fields are as follows.

【4-1 Contact Center Outsourcing Market】

After the reclassification of the COVID-19 as Class 5 in May 2023, the needs for conventional call center operations declined due to the shift to digital technologies, which was accelerated during the COVID-19 pandemic, users' literacy improved through FAQ, the use of chatbots, etc., and the labor of dealing with inquiries decreased thanks to the digital transformation (DX) in enterprises.

A certain level of demand is expected to persist, but it is difficult to expect that the conventional call center operation work will increase significantly. The company predicts that the performance of this business will be flat or slightly increase, through the oligopolization in this industry.

【4-2 Priority fields of the company】

Under such a market environment, they consider “the expansion of generative AI business/the sophistication of data utilization” and “the expansion of a new business process outsourcing (BPO) domain” as pillars of growth.

Regarding “the expansion of generative AI business/the sophistication of data utilization,” they concentrate on the development of generative AI solutions specializing in respective business scenes and the automation of contact centers. The initiative of streamlining some business operation processes of client enterprises with generative AI, the support for marketing with generative AI, etc. have been already started. Full automation will take some time, but they expect the progress of the “co-pilot” stage in which generative AI gives appropriate instructions to operators according to the situation, so they are preparing for the provision of related services.

Regarding “the expansion of a new BPO domain,” they are cementing the relationships with enterprises that possess unique strengths through M&A and alliances. By utilizing the resources of each company, they will standardize and streamline the entrusted operations for accounting, personnel affairs, data marketing, the primary industry, municipalities, and so on, to cultivate a new BPO market.

In addition to the conventional call center operation, they will expand the BPO domain, develop hybrid systems with generative AI (automation), promote DX, develop and provide solutions by utilizing generative AI, with the aim of earning a sales revenue of 200 billion yen.

5. Generative AI and Initiatives for New BPO

(1) Launch of Generative AI Co-Creation Lab.

In June 2024, Bellsystem24 launched the “Generative AI Co-Creation Lab.” to share cases among participating companies, with the aim of building a hybrid contact center that combines “generative AI” and “humans.”

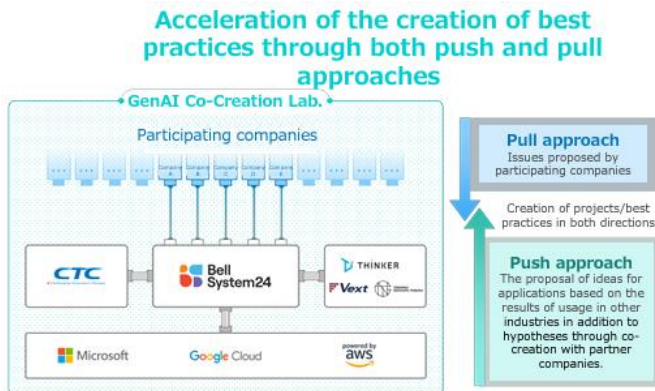
In order to solve the growing labor shortage in Japan, a demonstration experiment is underway to establish contact center operations using generative AI. In order to create advanced examples of generative AI in contact centers, the company has established a co-creation program with the participation of user companies to address such issues as technology and environmental challenges and the lack of successful examples.

The program will operate contact centers using the AI technologies and expertise of companies such as ITOCHU Techno-Solutions Corporation, Microsoft Japan Co., Ltd., which is at the forefront of generative AI development, Google Cloud, Amazon Web Services Japan LLC (AWS), Thinker Inc., which provides support in the data marketing domain, and Vext Inc., which provides support in the natural language processing domain. The program will continue to encourage similar companies to join.

Participating companies will be provided with a step-up menu of support services tailored to their needs and the stage of discussions for using generative AI. Bellsystem24 will act as a hub between user companies and vendors to tackle the challenges of installing generative AI in contact centers, which would be difficult for a single company to tackle on its own.

Specifically, the project will involve a wide range of activities, including sharing knowledge from past demonstration experiments, clarifying objectives through study sessions and workshops based on advanced global case studies, validating AI models using real data, and providing and implementing solutions by organizing projects with the most appropriate vendor. In the medium/long term, the project will also involve developing new joint services that utilize generative AI.

Through this initiative, Bellsystem24 aims for full-scale installation in 30 user companies by the end of fiscal year 2025, and will promote joint service development. Both user companies and vendors intend to revitalize the contact center industry and improve their presence by utilizing new technologies.



(From the company’s materials)

(2) Transferring veteran knowledge to generative AI

In August 2024, TSUNAGU Community Analytics, which operates the data science business of the Chubu Electric Power Group, joined the Generative AI Co-Creation Lab.

The company will “transfer the know-how” it has cultivated in the energy industry through the use of generative AI to contact centers and develop a joint service with Bellsystem24.

In the past, in order to pass on the knowledge of veteran employees to the next generation, it was necessary for veteran employees to perform their duties while providing guidance themselves, but there is a large amount of tacit knowledge that is difficult to verbalize. In order to solve this problem, the company has developed a system that enables the transfer of long-standing know-how and knowledge of veteran employees to generative AI.

BELLSYSTEM24 consultants will interview veterans, convert their past responses into textbook data, and build a generative AI that replicates the veterans. By converting new responses thereafter into textbooks in real time, the company will support the continuous updating of the generative AI.

This service was realized by combining TSUNAGU Community Analytics' know-how on the use of generative AI, which has a DX track record in the Chubu Electric Power Group, with Bellsystem24's diverse experience in contact center operations.

(3) Data marketing BPO

In June 2024, the company started working with Brainpad, Inc. to provide a full range of support and outsourcing services, from planning to execution and operation, for social listening and UGC utilization by collecting and analyzing UGC (User Generated Content: content such as word-of-mouth and reviews posted voluntarily by users) using Brainpad's social media analysis tool “Brandwatch Consumer Research.”

This is a marketing BPO service in which a team of SNS operation specialists collect and analyze UGC on behalf of personnel from marketing, product development, and customer support. UGC is collected in real time and quickly from over 1.7 trillion sources of data, including X (formerly Twitter), Instagram, Facebook, TikTok, YouTube, blogs, and word-of-mouth, and reviews to uncover new business insights.

In one case, a major coffee chain that wanted to know more about user response to a new product used the service to identify users who responded better than their initial target, allowing them to focus their promotions and increase sales.

(4) Collaboration between Generative AI and Data Marketing BPO

In October 2024, the company conducted a demonstration experiment of a next-generation word-of-mouth analysis tool that utilizes istyle, which operates Japan's largest cosmetics and beauty website, “@cosme.” and generative AI, in collaboration with its data marketing subsidiary Thinker.

By using generative AI to automatically create customer personas from review data and converting the vast amount of review data into quantitative information such as customer interests and needs, it is now possible to compare the issues and competitive advantages of the target product with those of competitor companies.

The experiment demonstrated the tool's potential to not only provide speedy and concise analysis using generative AI, but also present new suggestions that comprehensively cover data that do not depend on human subjectivity.

Based on this verification, Bellsystem24 and Thinker, together with istyle, will support product development toward official launch as a service.

In addition, by applying the generative AI technology realized in this verification, which converts the huge amount of text data into quantitative information, the company plans to actively promote the utilization of VOC data accumulated in contact centers and to expand the technology beyond the cosmetics industry to other industries.

(5) Support for DX in local governments

① Concluded a business alliance agreement with Blueship Co., Ltd. for the development of resident contact point services to support DX in local governments

In May 2024, the company signed a business alliance agreement with Blueship Co., Ltd., which provides a wide range of support services for local governments such as DX for administrative service procedures, with the aim of developing and promoting sales of new resident contact point services that support DX in local governments.

Through this alliance, the two companies aim to further strengthen their collaborative relationship and solve issues unique to local governments, while developing and providing services tailored to themes common to local governments.

As the first project based on this alliance, in July 2024, the two companies began working together on the “Priority Support Grant in view of Price Hikes for Households Exempt from Residential Tax” program for Setagaya Ward, Tokyo. The service provides integrated support for the entire workflow of electronic applications, screening, and approvals, as well as the management of inquiries from applicants.

② Started a demonstration experiment in collaboration with Kamakura City, Kanagawa Prefecture, to demonstrate how the environmental center can respond to inquiries.

In July 2024, the company signed an “Agreement on Call Center Demonstration Experiment for Call Center Operations” with Kamakura City, Kanagawa Prefecture, and began a demonstration experiment for handling telephone inquiries from citizens, with the aim of verifying the effectiveness in improving convenience for citizens and operational efficiency for staff members.

The company's contact center handled inquiries at the Environmental Center (Imaizumi Clean Center) in Kamakura City from July 2024 through the end of September 2024.

(6) Accounting and HR BPO, Primary Industry BPO

① Horizon One Inc., a joint venture, signs a location agreement with Kumamoto City for the opening of its third office

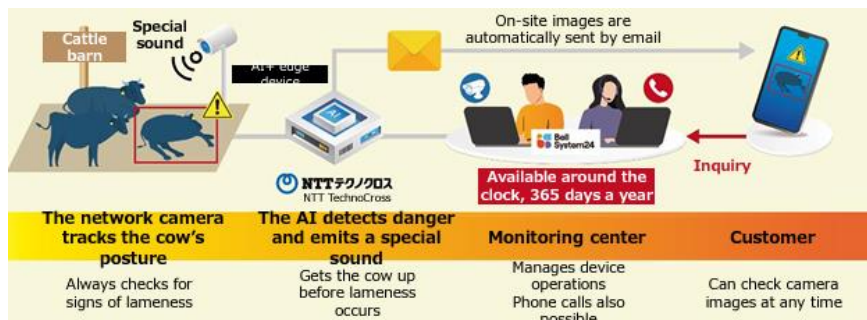
In June 2024, Horizon One Inc., a joint venture with Layers Consulting Co., Ltd., signed a location agreement with Kumamoto City in the presence of Kumamoto Prefecture. Based on this agreement, the company opened its third office in Kumamoto City, the “Kumamoto Shirakawa BPO Center,” in September 2024. The company plans to hire approximately 100 new employees. In the future, the company aims to actively create local employment and promote regional development under mutual cooperation with Kumamoto Prefecture and Kumamoto City.

② Launch of “BUJIDAS,” Japan's first AI service to help prevent the difficulty in standing through special sounds for cattle

In April 2024, in collaboration with NTT TechnoCross Corporation, the company began offering “BUJIDAS,” an AI service that calls out to cattle to prevent them from having difficulty standing up, as a service aimed at solving problems in the domestic livestock industry.

Fatal accidents caused by cattle being unable to stand up while sleeping are a major issue for livestock farmers, with losses per cow said to be as much as 1 million yen. This service aims to reduce the burden on farmers by realizing DX that patrols barns on a regular basis at night, etc. using Japan's first AI developed by NTT TechnoCross to prevent cattle from having difficulty standing up, annotation BPO provided by BELLSYSTEM24, and a remote 24/7 support system.

The company plans to operate primary industry BPO in the beef cattle market, which is worth over 800 billion yen, and to continue to expand BPO in the primary industry field with new partners.

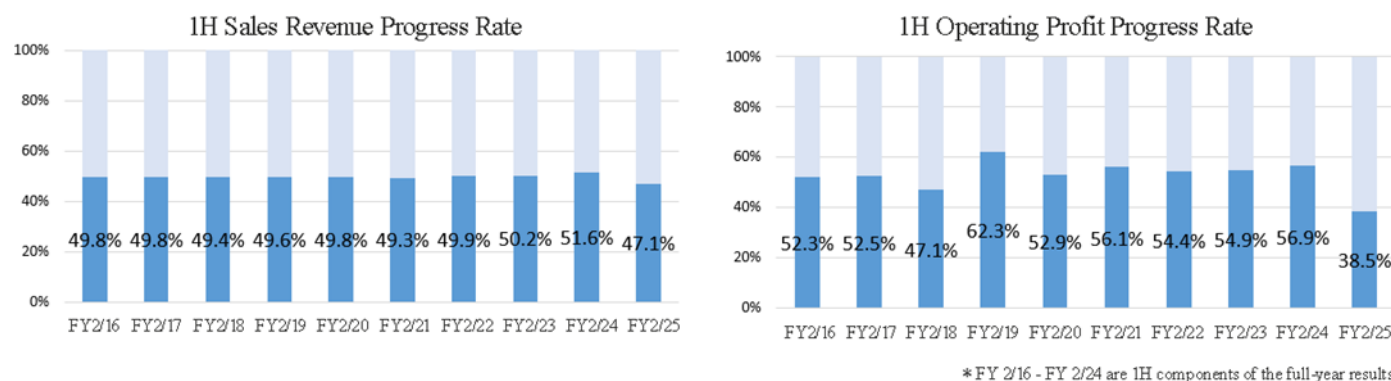


(From the company's materials)

6. Conclusions

The progress rate in the first half of the fiscal year was 47.1% for sales revenue, and 38.5% for operating income. In particular, the progress rate of operating income is remarkably low compared with the average. In addition to the completion of the tasks for large-scale projects, the factor in the delay in the first half is the prolongation of optimization of business establishments that were increased to cope with operations related to COVID-19.

They are receiving a healthy number of orders for new projects, developing a stable revenue base, and the optimization of business establishments is progressing to reduce costs. Multiple M&A projects are ongoing, so the company believes that there is a high probability of achieving operating income of 12.5 billion yen. We would like to pay attention to their progress from the third quarter.



Although the company is forecasting the growth of sales and profit for the fiscal year ending February 2025 compared to the decreases in sales and profit in the fiscal year ended February 2024, its initial forecast for sales revenue is 153 billion yen, falling short of its largest record of 156 billion yen in the fiscal year ended February 2023 and the initial forecast of the fiscal year ended February 2024, which was 157 billion yen.

Amid a decline in operations related to national policies for COVID-19, etc., it remains to be seen how much recovery the company will achieve in the basic operations thanks to the growth of new client projects, where it did not receive orders for large projects as expected in the previous year. We would also like to keep an eye on the progress made in price revisions.

On the other hand, there are many inquiries from clients and system vendors for the company's expertise in utilizing generative AI, as they are well-versed in field operations. Thus, their future releases are highly anticipated.

<Reference: Medium-Term Management Plan 2025>

(1) Overview

The theme of the Mid-Term Management Plan is NEW BPO—To Pursue, Connect, and Widen all “The Voices.”

After COVID-19 has subsided, society is seeing changes, such as “the normalization of economic activities and the resulting labor market tightening,” “the emergence of various management issues with an uncertain outlook arising from complex risks,” “the growth of marketing needs due to technological evolution and the complexity of customer contact points.”

In addition, the market is expected to see changes and increasing needs such as “rising labor costs due to a shortage of human resources and a shift toward automated customer service,” “increasing demand for effective BPO in both offensive and defensive areas amid various management challenges,” “marketing through the use of technology and the necessity to secure highly skilled professionals who can play an active role.”

In such a business environment, the company aims to provide new BPO services to its clients by listening to all voices (needs), including those of society, businesses, and consumers, and transforming them into value related to management decisions, process standardization, and data utilization for realizing optimal actions.

NEW also means “Next, Engage, Widen.”

(2) Priority Measures

The three priority measures are “Human resources: To have 40,000 employees exert their abilities to the maximum degree,” “Standardization: Advancement of data utilization,” and “Co-creation: Cultivating the BPO domain.”

Priority Measures	Summary/ Theme
1. Human Resources	Systematizing growth opportunities and creating the next-generation working environment. *Evolve and expand to a complete home-based operation *Maximizing the capabilities of individuals through job matching *Promoting diverse and flexible workstyle reforms in all aspects
2. Standardization	Pursuing and expanding CX operations to meet customer needs *Improving performance through pursuit of technology and analysis of voice data *Sophisticating data linkage to meet customer needs *Pursuing a hybrid operation of automation and human resources
3. Co-creation	Creating a new BPO domain with mutually beneficial and operational capabilities *Discovering BPO areas with high demand for large scale/stable operation needs. *Establishing marketing BPO for the evolution of CX *Promoting R&D for next-generation BPO operations with the application of new technologies

※CX: Customer eXperience

To Pursue “1. Human Resources” and “2. Standardization,” realize collaboration with partners, which the company have been working on since the previous medium-term plan (connect), and aim to develop a new BPO domain through “3. Co-creation” (widen).



(From the company’s materials)

① Human resources: To have 40,000 employees exert their abilities to the maximum degree

◎ Promotion of complete home-based operations

Building a workplace where employees “mutually” optimize diversity and efficiency to overcome place and time constraints.

Establishing a sustainable way of working that does not require going out and allows for the fulfilment of life and work with the goal of securing excellent human resources, reducing labour shortages, and promoting the efficiency of the canter.

◎ Enhancement of aptitude and job matching

To that end, the company, in collaboration with DUMSCO, Inc., a company that uses AI to analyse human resources data and develop applications, has developed a “business-matching recruitment model” that combines the use of an AI prediction model based on in-house HR data with a new company-wide unified recruitment standard and process and has begun operating its company-wide for the purpose of recruiting and retaining long-term employees.

The company believes that this will provide applicants with relevant and diverse employment opportunities to play an active role, and by streamlining the hiring process, it will further enhance follow-up services such as post-recruitment training and prevent resignation further.

② Standardization: To pursue CX operations

◎ Aim of CX operations

To advance CX operations by utilizing data and deliver new value

To build a system in which 40,000 employees can feel the pleasure of working and everyone can play an active role, and compile data on the voices of both consumers and clients.

To attend to consumers for meeting various needs to improve customers’ experience and optimize the business process of each client to contribute to their business growth

◎ Pursuit from two aspects

In addition to enhancing the utilization of voice data in existing contact center operations, CX will be extended in two aspects: IT utilization and business improvement that leads to management support.

The first is to “standardize” the use of systems in the CX area through the utilization of IT. To offer digital CX consulting via IT optimized for customer response.

The second is to “standardize” business performance improvement by utilizing CX. To provide management support through the DX Direct Center, which directly contributes to the financial figures by improving customer operations.

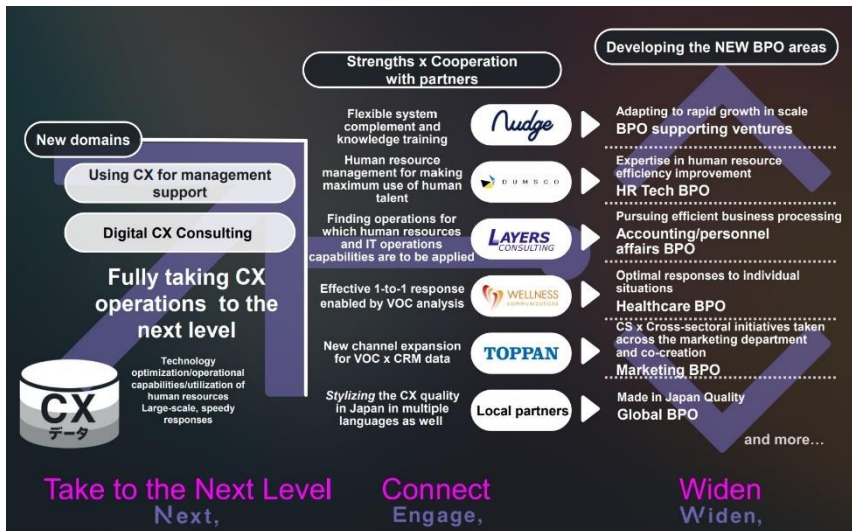
◎ Hybrid operations combining automation and human resources

With the spread of numerous automation technologies due to labour shortages, the company believes that it is important to achieve CX that impresses customers through hybrid operations of automation and manpower, as the evaluation and expectation of providing value filled with hospitality unique to humans will further increase.

③ Co-creation: Exploring a new domain

◎ New domain “NEW BPO”

The company aims to establish BPO businesses in promising fields, including venture support and HR tech.



(From the company’s materials)

◎ Marketing BPO where VOC* can be utilized

To create CX communications that maintain good relationships with consumers through co-creation with each partner, including Toppan Inc. To achieve “moderate push” and “value enhancement” in all customer channels with advanced CX response and IT operational capabilities. To create a “two-way marketing” model that delivers sustained results.

※ VOC: Voice Of Customer

(3) Quantitative targets

Results	Mid-term Management Plan target	
FY ended Feb. 2023	FY ending Feb. 2024 (First fiscal year)	FY ending Feb. 2026 (Final fiscal year)
Net sales 156.1 billion yen	Net sales 157.0 billion yen	Net sales 180.0 billion yen
Operating profit 14.9 billion yen (9.6%)	Operating profit 13.8 billion yen (8.8%)	Operating profit 16.5 billion yen (9.2%)
Income after taxes 9.3 billion yen	Income after taxes 8.8 billion yen	Income after taxes 11.0 billion yen
ROE 15.1 %	ROE 13.2%	ROE 14.4 %
Payout ratio 47.3%	Payout ratio 50%	Payout ratio 50%

Net sales +7.1%/year
Income after taxes +11.8%/year

Key measures

1. Maximizing the active participation of our workforce of 40,000 employees
2. Taking CX operations to the next level
3. Exploring new domains

Investment policy

Coming 3 years: Investing more than 15.0 billion yen in total in initiatives

- (1) Data utilization solutions
- (2) Enhancing human capital
- (3) Venture investments and M&A
- (4) Branding

(From the company’s materials)

For the fiscal year ending February 2026, the company targets “a sales revenue of 180 billion yen, an operating income of 16.5 billion yen, and an after-tax profit of 11 billion yen.”

The company aims to achieve an ROE of 14.4% and a dividend payout ratio of 50%.

(4) Human capital strategy

To achieve sustainable development, the company will aggressively invest in human capital for employees and the environment and build a company that attracts “professionals” and provides worthwhile jobs.

Specifically, RE-Skilling and UP-Skilling will be promoted through a career map, and the company will define more than 20 job categories, prepare a wide range of career paths, and carry out strategic training and placement.

In addition, the company will evolve its personnel system to bring out employees’ abilities to the maximum degree, review the compensation system to secure digital and other human resources, and promote contract employees to permanent employees.

To further promote D&I (diversity and inclusion) and health management.

(5) Sustainability

Material issues have been identified, and goals have been set for the year 2025.

With regard to climate change, the company aims to reduce GHG emissions by 30% from the level in 2019.

In terms of strengthening human capital, the company aims to increase investment in training by 10% from the current level, so that it will account for 0.33% of sales, and increase the ratio of female executives to 10% or higher, and increase the ratio of female managers to 20% or higher.

Important themes	Risks, opportunities, and our material issues	Related SDGs	2025 target
Environment Responding to climate change	<ul style="list-style-type: none"> Enhancing corporate value by participating proactively in solutions to social issues Participating in local communities (Supporting climate change mitigation and elimination of disparities) 		<ul style="list-style-type: none"> Reducing greenhouse gas emissions by 30% from the 2019 level
Society Respect for human rights	<ul style="list-style-type: none"> Clarifying corporate stance on human resources Increasing competitiveness by improving social trust 		<ul style="list-style-type: none"> With stakeholders, launching a new initiative to support elimination of disparities, mainly for children
Society Secure and cultivate human resources	<ul style="list-style-type: none"> Improving the continuity of the business foundations by increasing human capital Diversity of human resources and their workstyles improved performance of human resources 		<ul style="list-style-type: none"> Increasing the amount of investment in training by 10% from the current level, thus increasing its ratio to sales to 0.33% Increasing the female executive ratio to 10% or higher and the female manager ratio to 20% or higher
Governance Risk management	<ul style="list-style-type: none"> Increasing competitiveness by improving the risk-related resilience of the overall company Risk management sophistication 		<ul style="list-style-type: none"> Enhancing corporate value by driving company-wide risk management Overall management of risks by the CEO, Management Committee, and CRO
Business growth Business model evolution	<ul style="list-style-type: none"> Improving the ability to develop businesses in various industries and of different scales, and enhancing the use of technology Innovation in business models (Evolution of the revenue model) 		<ul style="list-style-type: none"> Achieving more sophisticated data utilization Developing the NEW BPO areas

(From the company’s materials)

<Reference: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	company with corporate auditors
Directors	8 directors, including 5 outside ones (including 3 independent executives)
Auditors	3 auditors, including 2 outside ones (including 1 independent executive)

◎ Corporate Governance Report Updated on May 24, 2024

Basic Views

Our company is striving to enhance management efficiency and manage the company that ensures transparency and soundness based on the recognition that in order to maximize corporate value, it is indispensable to establish a good relationship with all stakeholders surrounding the company and the group companies (collectively referred to as the “Group”), including our shareholders, clients, business partners, and employees and gain their trust, and to achieve it, enhancement of corporate governance is one of the important management tasks.

<Reasons for Non-Compliance with the Principles of the Corporate Governance Code>**【Supplementary Principle 4-1-3 Appropriate supervision of succession plans for the CEO and other top executives】**

Although our board of directors has not formulated any succession plan for the CEO and executive officer who concurrently serves as the president that is the highest managerial position, the board recognizes the importance of the roles that stakeholders expect the president to play.

The nominating committee exercises comprehensive judgment about such matters as whether candidates satisfy the criteria for selection of candidates for the president, which are specified in the criteria for the appointment and dismissal of directors, including the ability to make business decisions, courage as a corporate manager, multifaceted vision and foresight, and makes proposal to the board of directors.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>**【Principle 1-4 Strategically held shares】**

As a basic policy, when conducting any investment other than net investment, we discuss whether our group's business will have synergetic effects through the business tie-up, information sharing, etc. with an invested company, and when reducing investment, we discuss whether there will be synergetic effects. Furthermore, on respective stock which does not have dividends or with sluggish performance, we examine whether we should keep holding or reduce their shares for capital efficiency improvement every year, by analyzing expected business performance and recoverability from the viewpoints of economic reasonability.

As for strategically held shares of listed companies, the Board of Directors discussed whether or not to keep holding the shares of a company (balance sheet amount 15 million yen) and decided to continuously hold it.

With regard to exercise of the voting rights for strategically held shares, our company basically makes comprehensive judgment for individual proposals about such matters as whether or not doing so will boost the corporate value and the shareholder return of the companies in which we invest for the medium- and long-term, and whether or not doing so will contribute to enhancing our corporate group's value through maximization of synergy that is our company's goal of investment.

【Supplementary Principle 2-4-1 Ensuring diversity in the promotion to core human resources】**(1) Ensuring diversity**

Following our corporate philosophy (PURPOSE), our company respects the diversity in our employees and makes proactive efforts, including development of an environment that allows people with all attributes to work enthusiastically, establishment of a human resources system for realizing flexible workstyles, and provision of educational opportunities that support autonomous growth of our employees.

(2) Women

Our company has been taking proactive action for promoting active participation of women, and our efforts have gained recognition of outside organizations through various awards and certificates that we have received. We will continue our efforts, such as improvement of our workplace environment, provision of opportunities for broadening experience, and support for autonomous career development, and conduct activities aimed at building pipelines at each hierarchical level and increasing the ratio of female workers in various positions to raise the number of female workers who will be involved in business decision-making processes.

<<Target ratio of female workers in managerial positions: Database regarding Promotion of Women's Participation and Advancement by the Ministry of Health, Labor and Welfare>>

Visit the following website concerning the general employer action plans pursuant to the Women's Advancement Promotion Law:

<https://positive-ryouritsu.mhlw.go.jp/positivedb/detail?id=11012>

(3) Employment of Foreigners

Our company promotes employment of human resources from all over the world regardless of nationality, and about 200 regular and non-regular employees with foreign nationalities are currently working at our company inside and outside Japan. While we are doing business mainly in Japan, we will promote human resources to managerial positions based not on their nationalities or genders, but on their abilities and business performance according to our business expansion overseas in the future.

(4) Employment of mid-career workers

Our company proactively employs mid-career workers (including workers whose employment status is changed from the contract employee to the regular employee) so as to secure work-ready human resources, and mid-career workers account for about 75% of all of our employees and make up about 70% of the employees in managerial positions, playing active roles in every level and post. We will continuously endeavor to further expand diversity in our company through proactive mid-career employment.

【Supplementary principle 3-1-3 Initiatives on sustainability】

In the Basic Sustainability Promotion Policy, our company clearly states the identification of material issues, the resolution of social issues, and the role of the Board of Directors, and in the “Medium-Term Management Plan 2025” disclosed on April 12, 2023, our company discloses medium-term targets for "material issues," which are common for us and society, based on risks and profit opportunities, in addition to our corporate philosophy (PURPOSE) and important themes in our management strategy.

Regarding human capital, to ensure the company's sustainable growth, we will maximize employees' work engagement by proactively investing in the people we work with and the environment to create a workplace that attracts professionals and is rewarding to work in. By improving the number and quality of our human capital, we aim to realize our corporate philosophy (PURPOSE) by establishing a cycle of improving the quality of our services, providing them to our clients, improving our earnings, and giving back to society. As performance indicators, we collect and analyze the ratios of female directors and female managers, investment in training for human resource development, and the number of rotations to refine our human investment measures, thereby striving for long-term and sustainable improvement of corporate value.

Regarding investment in intellectual property, our “Medium-Term Management Plan 2025” calls for deepening our CX (customer experience) operations, and it is making strategic investments in cutting-edge technologies such as AI.

We assume that risks and profit opportunities related to climate change will have a small impact on our business activities and profit and that the environmental impact of our business activities will also be small.

On the other hand, the issue of climate change is a common global challenge, and the company also regards it as one of its most important management issues. At the Board of Directors meeting held in April 2022, the company formulated and resolved specific targets for greenhouse gas (GHG) emission reduction rates for 2025, 2030, and 2040. In addition, these target values were recognized by “SBT Initiative” in January 2024.

In the future, the company will monitor the established targets, strengthen the governance structure related to the planning and implementation of each measure, and reflect the results in the medium- and long-term strategies and roadmaps as appropriate.

Sustainability-related initiatives are disclosed in our website.

<https://www.bell24.co.jp/ja/csr/>

【Principle 5-1 Policy for constructive dialogue with shareholders】

In order to achieve sustainable growth and improve mid/long-term corporate value, our company will conduct constructive dialogues with shareholders within an appropriate range and an appropriate method in accordance with the following policies.

- (1) Executive officer in charge of IR (CFO) will be designated and said Executive officer (CFO) will manage all dialogues with shareholders.
- (2) The IR division will be established under the supervision of Executive officer in charge of IR (CFO) and promote the appropriate exchange of information and organic cooperation among the management planning division, the accounting/financial division, and other related divisions.
- (3) We will strive to enrich the dialogues with shareholders through results-briefing sessions held at the time of announcement of interim and full-year financial results, reports for shareholders, our website, etc. in addition to individual interviews.
- (4) Shareholders' opinions, etc. grasped through dialogues will be reported to the Executive officer in charge of IR (CFO) and relevant divisions and shared with the Board of Directors when necessary.
- (5) In dialogues, we respect the fair disclosure rules, prohibit the acts of conveying information and encouraging transactions, and follow the regulations for preventing insider trading, which specify necessary measures for limiting the retransmission of insider information.
- (6) We conduct surveys for identifying substantial shareholders.

(Situation of dialogues with shareholders)

Under the above “policy,” the IR section makes efforts to have dialogues with shareholders through various IR activities, including briefing sessions and individual interviews. In the fiscal year ended February 2024, we held IR interviews with a total of about 200 companies. In October 2023, we held a briefing session for individual investors, which was organized by an IR supporting company, to have dialogues with individual investors.

Recently, shareholders and investors have been showing a strong interest in the expansion of a new business foundation based on new technologies, including AI, and the growth of the outsourcing market due to the shrinkage of the working population. Accordingly, we have explained our advantages, initiatives for adopting new technologies, and the importance of investment in human capital. In response to requests from shareholders and investors for explanations on concrete directions and visions for our business during and after the period

of the medium-term management plan, we give additional explanations at results-briefing sessions, and so on to earn the understanding of shareholders and investors.

Regarding "the development of a work environment where diverse human resources can work in diverse styles" on which we place the most importance among common material issues of our company and society, we disclose target indicators related to the ratio of female executives, the ratio of female managers, the ratio of employees with disabilities, and the ratio of employees who have taken childcare leave.

The opinions and requests from shareholders and investors we receive in dialogues are reported at meetings of the board of directors and regular meetings involving section chiefs, to be shared by the management and the IR section when necessary.

【Measures for realizing business administration conscious of capital cost and stock price】

(Policies and recognition of the status quo)

Considering that the business administration deeply conscious of capital cost and profitability is essential for achieving sustainable growth and improving medium/long-term corporate value, our company adopted ROE as one of management indicators, and aims to improve capital profitability by keeping ROE higher than cost of shareholders' equity.

In capital and financial strategies, we are striving to improve corporate value, by allocating the cash inflow through business to shareholder return, investment for growth, and repayment of interest-bearing liabilities in a balanced way.

The cost of shareholders' equity in the fiscal year ended February 2024 is considered to be around 8%, and ROE was higher than that (being 11.5% in the fiscal year ended February 2024 with the average in the past five fiscal years being 14.3%). PBR was around 1.8 as of the end of February 2024, and 1.6 to 2.3 as of the end of each fiscal year, remaining above 1.0 in the past five fiscal years. By making efforts to improve profitability and growth potential, we will aim to get higher valuations in the market and improve PBR.

(Concrete measures)

We will implement the following measures for improving our corporate value continuously.

- In order to expand revenues and improve profitability, we will steadily carry out priority measures, including promoting employees to exercise their abilities to the maximum degree, the sophistication of data utilization, and the cultivation of a new BPO domain, in the "Medium-Term Management Plan 2025."
- While striving to maintain financial soundness, we plan to actively invest over 15 billion yen for growth in three years from the fiscal year ended February 2024.
- The basic policy is to achieve a consolidated payout ratio of 50%, and the expected dividend amount for the fiscal year ending February 2025 is 60 yen per share. We will strive to increase the dividend amount by expanding profit.
- In order to improve medium/long-term corporate value, we added sustainability-related items (employees' engagement score, the ratio of female managers, and climate change) to performance-linked indicators for stock-based remuneration for executives.
- In order to receive higher valuations in the market, we will continue constructive dialogues with shareholders and investors, and further enrich opportunities for dialogues.

The "Medium-Term Management Plan 2025" is disclosed in our website.

<https://contents.xj-storage.jp/xcontents/AS07594/a27ed7b0/3735/4d24/94a6/74103b8e71b2/140120230412545930.pdf>

This report is not intended for soliciting or promoting investment activities or offering any advice on investment or the like, but for providing information only. The information included in this report was taken from sources considered reliable by our company. Our company will not guarantee the accuracy, integrity, or appropriateness of information or opinions in this report. Our company will not assume any responsibility for expenses, damages or the like arising out of the use of this report or information obtained from this report. All kinds of rights related to this report belong to Investment Bridge Co., Ltd. The contents, etc. of this report may be revised without notice. Please make an investment decision on your own judgment.

Copyright(C) Investment Bridge Co., Ltd. All Rights Reserved.

The back number of Bridge Reports (BELLSYSTEM24 Holdings, Inc.:6183) and contents of Bridge Salon (IR seminars) can be seen at www.bridge-salon.jp/