
Supplementary Materials for the Financial Results for Quarter Three of the Fiscal Year Ending Feb. 2025

(March 2024 - November 2024)

Creating Better Communities through Communication

BELLSYSTEM24 Holdings, Inc.

January 9, 2025

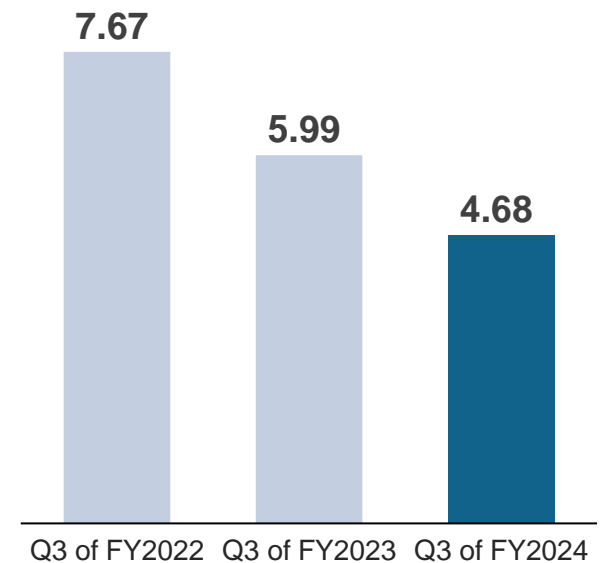
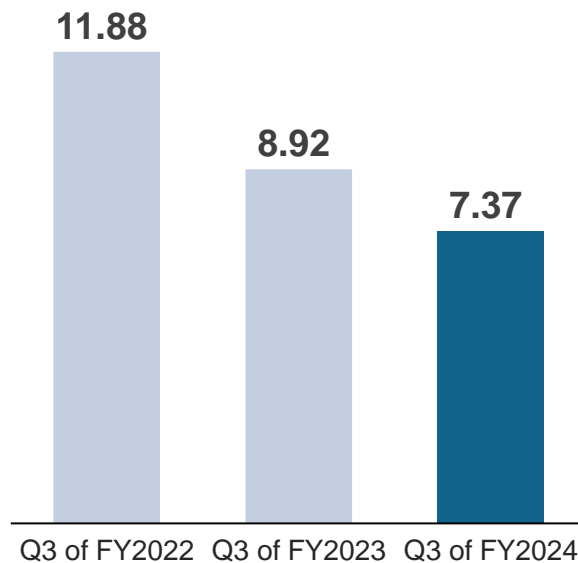
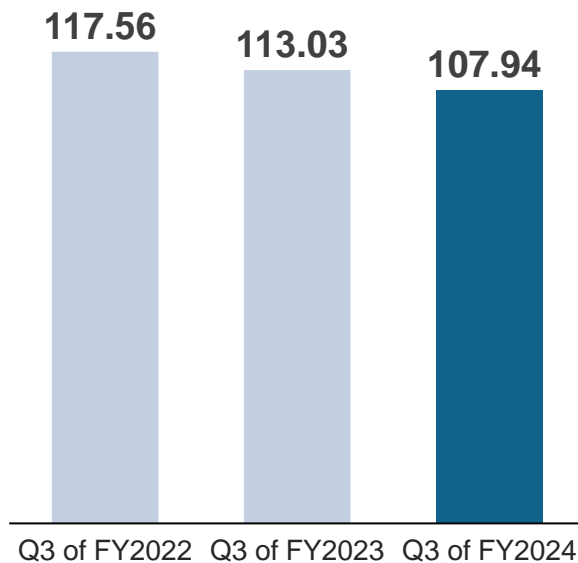
Securities code: 6183



Q3 of FY Ending Feb. 2025 Financial Results

Both revenue and operating profit fell from the same period in the previous year due to the continued effect of a decrease in business related to national policy matters including COVID-19.

Revenue	Operating income	Net income attributable to owners of the parent
<p>107.9 billion yen</p> <p>Same period YoY -5.09 billion yen (-4.5%)</p>	<p>7.4 billion yen</p> <p>Same period YoY -1.55 billion yen (-17.4%)</p>	<p>4.7 billion yen</p> <p>Same period YoY -1.31 billion yen (-21.9%)</p>



Overview of Consolidated Statement of Income for Q3 of FY Ending Feb. 2025

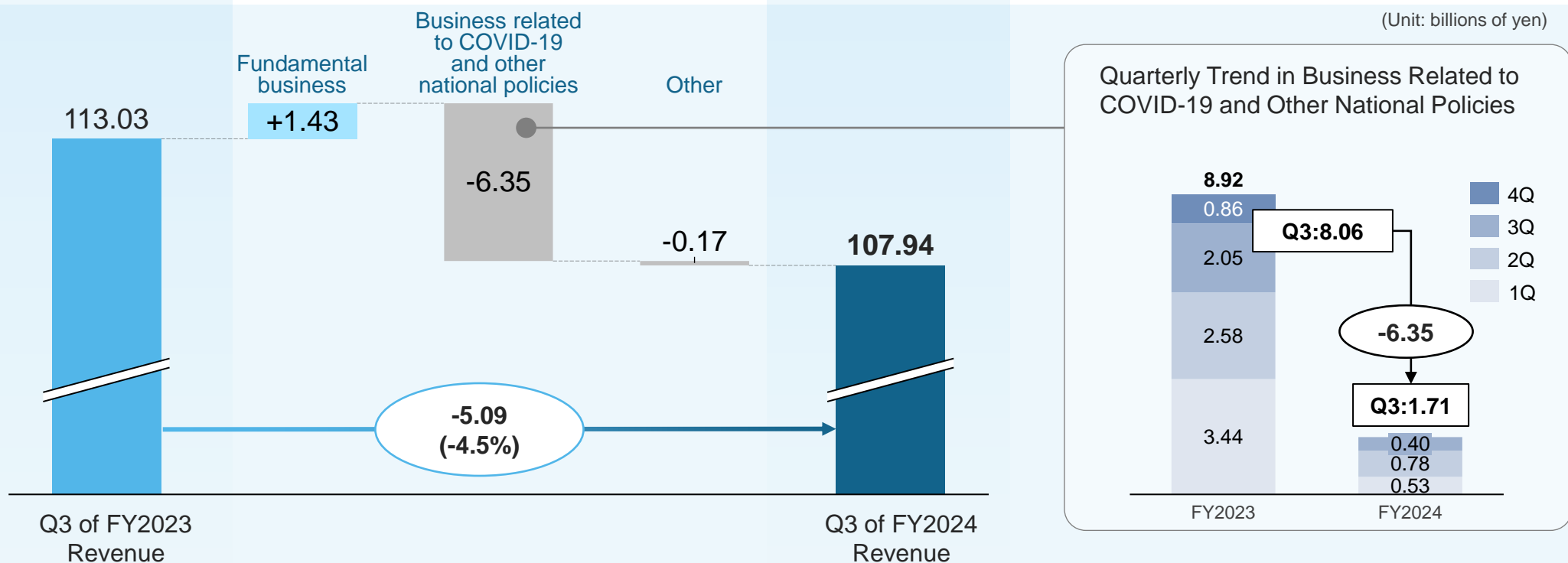


(Unit: billions of yen)

	Q3 of FY2023	Q3 of FY2024	Same period YoY Change	Same period YoY Percent Change	Consolidated Earnings Forecast (Planned)	Progress rate
Revenue	113.03	107.94	-5.09	-4.5%	153.00	70.5%
Fundamental business	104.48	105.91	+1.43	+1.4%	149.30	70.9%
Business related to COVID-19	8.06	1.71	-6.35	-78.8%	3.00	57.0%
Other	0.49	0.32	-0.17	-34.7%	0.70	45.7%
Gross profit	20.60	19.23	-1.37	-6.7%	29.80	64.5%
Selling, general and administrative expenses	-12.61	-12.00	+0.61	-4.8%	-17.30	
Other income (expenses)	0.93	0.14	-0.79	-84.9%	0.00	
Operating income	8.92	7.37	-1.55	-17.4%	12.50	59.0%
Operating profit ratio	7.9%	6.8%			8.2%	
Share of profit (loss) of investments accounted for using equity method	0.11	0.13	+0.02	+18.2%	0.14	
Financial income/costs	-0.29	-0.36	-0.07	+24.1%	-0.44	
Net income attributable to owners of the parent	5.99	4.68	-1.31	-21.9%	8.00	58.5%

Analysis of Change in Revenue for Q3 of FY Ending Feb. 2025

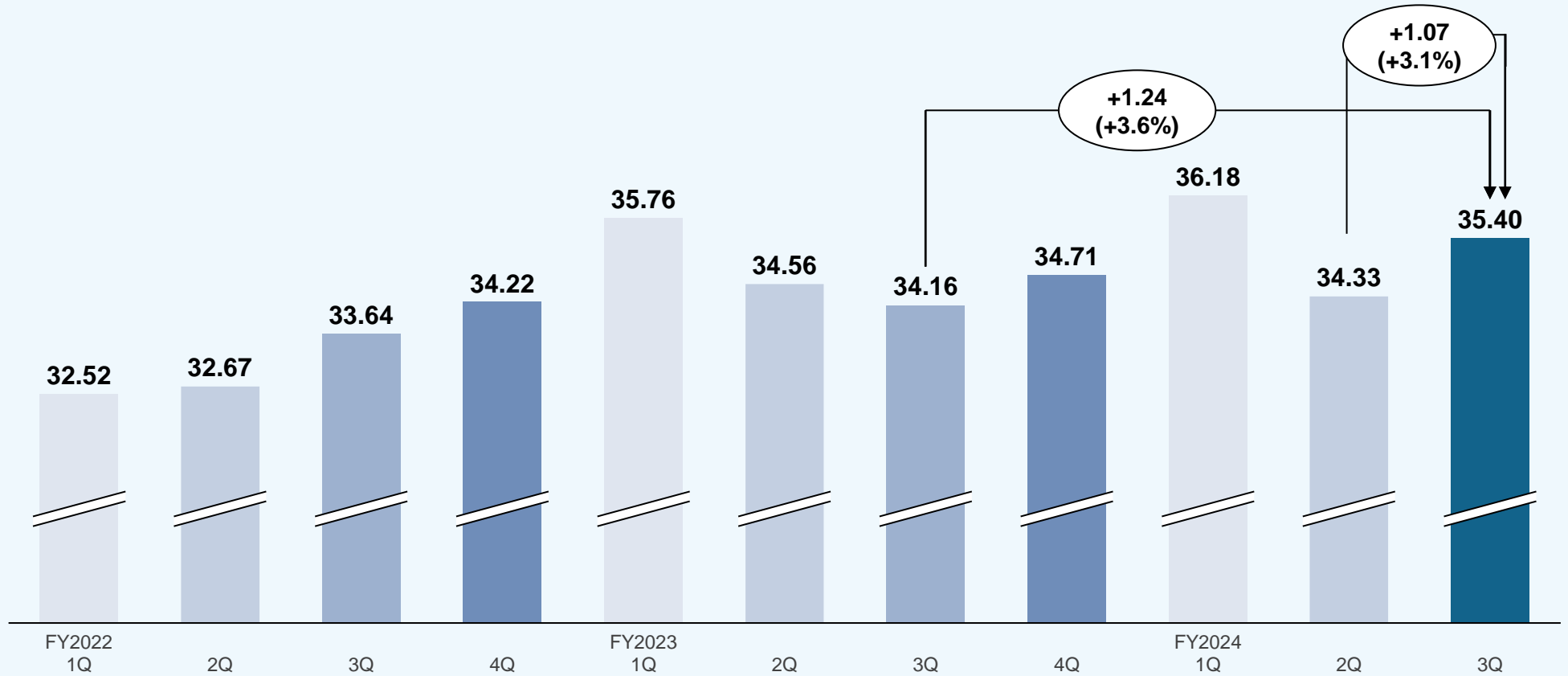
- Revenue stood at 107.94 billion yen, down 5.09 billion yen, or 4.5%, from 113.03 billion yen in the same period of previous fiscal year.
- Revenue from fundamental business increased 1.43 billion yen or 1.4% year on year.
 - In the first six months revenue from fundamental business only increased 0.19 billion yen, but over the first nine months increases in new and existing projects as well as election-related business contributed to the increase.
- Business related to national policy matters including COVID-19 decreased 6.35 billion yen, or 78.8%, year on year.
 - The year-on-year decrease in Q3 revenue widened further. However, since business downsizing had already been progressing steadily in the previous fiscal year, on a quarterly basis the extent of the decline is decreasing.



The quarterly trend in revenue (fundamental business) increased 1.07 billion yen from Q2 in part due to an increase in new projects this Q3, and 1.24 billion yen for Q3 year on year, from the effects of election-related business and other factors.

Fundamental business

(Unit: billions of yen)



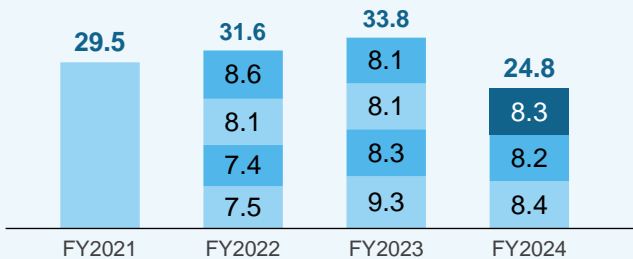
A breakdown of fundamental business revenue by client industry shows notable year-on-year declines in each industry in Q1 and Q2, but an overall increasing trend this Q3.

(Unit: billions of yen)

Services

(Human resources placement, Internet services, broadcasting, electric money, code payment, point rewards service, etc.)

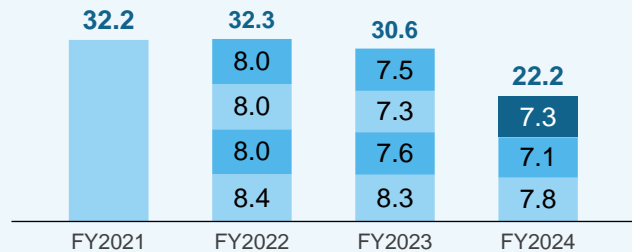
In Q1 major projects declined year on year especially in human resources placement, and from Q2 onward new services under Internet services increased.



Transportation/Communications

(Communication carriers, providers, travel, transportation, etc.)

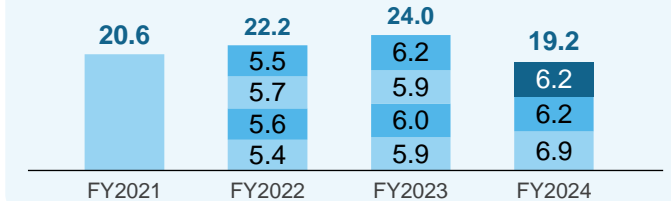
Revenue increased this Q3 compared with Q2 in part due to product recall-related business.



Finance/Insurance

(Banking, securities, life and non-life insurance, credit cards, etc.)

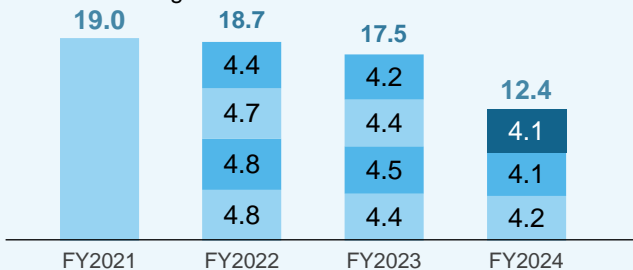
This fiscal year included large spot transactions in Q1 leading to a year-on-year increase. In Q2 and Q3 insurance-related business was firm, particularly life and non-life insurance.



Wholesale/Retail

(Mail-order sales, e-commerce, product sales services, etc.)

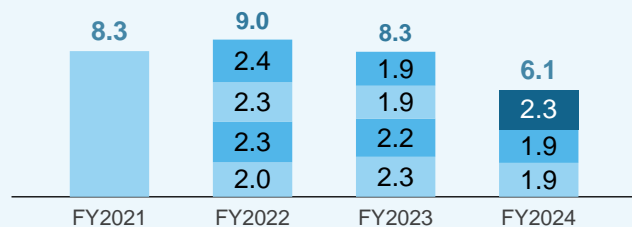
Revenue declined year on year from Q1 to Q3. This fiscal year mail-order sales and e-commerce have been weak overall, but health foods and similar categories have remained strong.



Manufacturing

(Manufacturers, food manufacturing, printing, medical care and pharmaceuticals, etc.)

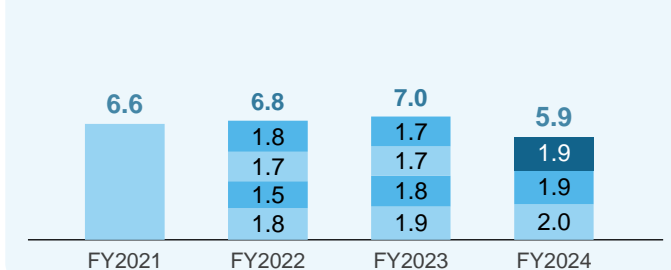
This fiscal year revenue increased in Q3 due to election-related business connected with the Lower House elections. (Orders received from major newspapers and news agencies)



Other

(Local government, electricity, gas, water, housing, real estate, etc.)

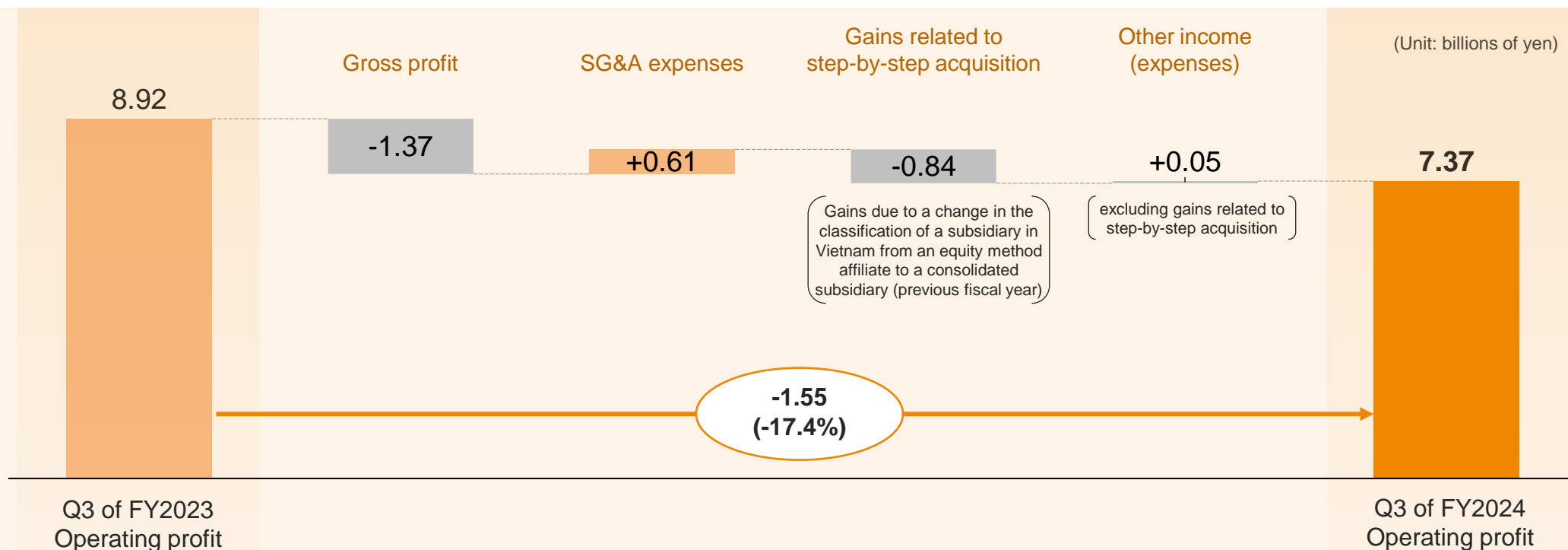
Revenue from new energy service businesses and business related to local governments remained steady.



* Breakdown by industry of BELLSYSTEM24's non-consolidated revenue in the fundamental business from its top 300 clients

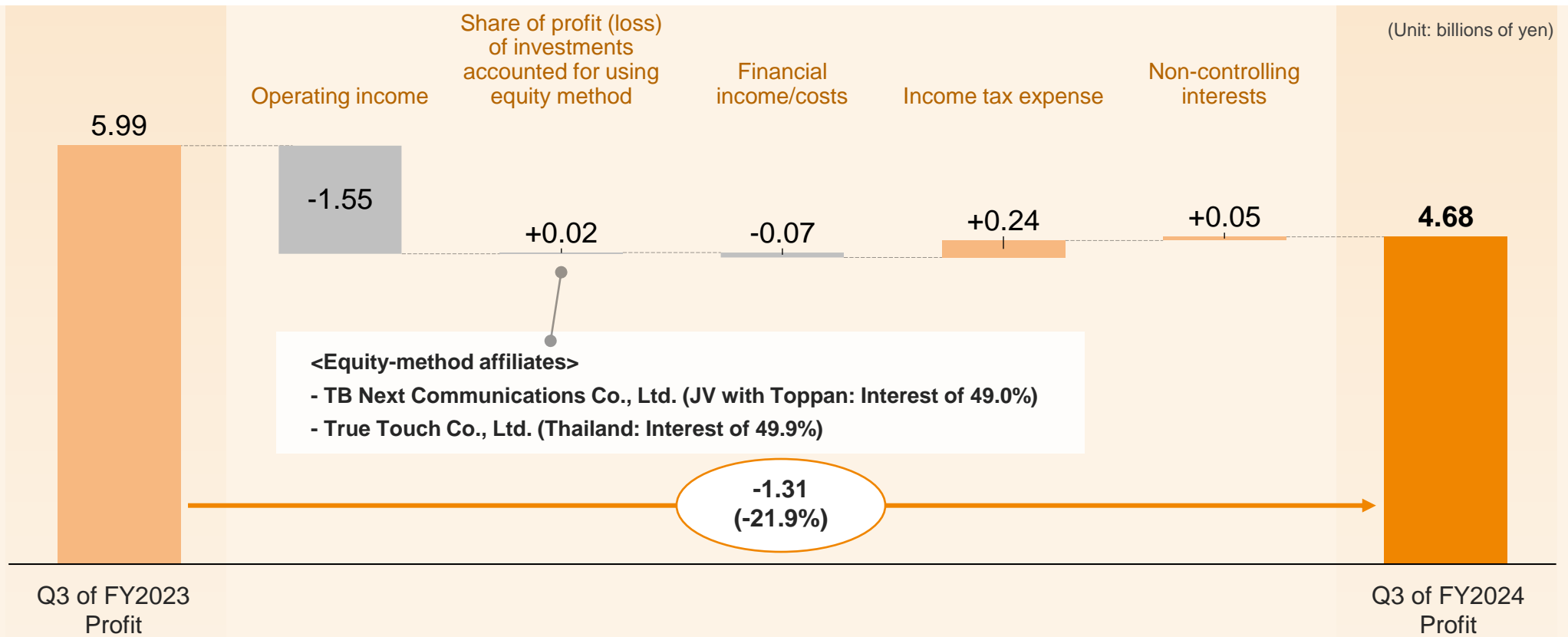
Analysis of Change in Operating Profit for Q3 of FY Ending Feb. 2025

- Operating profit reached 7.37 billion yen, down 1.55 billion yen or 17.4% year on year.
- Gross profit fell 1.37 billion yen year on year.
 - In the fundamental business, revenue including from election-related business and measures to improve profitability contributed to profits, but the impact from the decline in high-revenue business related to national policy matters such as COVID-19 continued.
- Selling, general and administrative expenses decreased 0.61 billion yen year on year (positive factor).
 - Despite a rise in expenses from site consolidation, indirect personnel expenses, advertising expenses and facility-related expenses fell.



Analysis of Change in Profit for Q3 of FY Ending Feb. 2025

- Profit reached 4.68 billion yen, down 1.31 billion yen or 21.9% year on year.
- The share of profit of investments accounted for using the equity method was mostly unchanged year on year.



* Profit refers to profit attributable to owners of parent.

■ Transfer of Shares in CTC First Contact Corporation

As part of a strategic initiative for business growth through expansion of the BPO field, the Company decided to transfer some of its shares in the consolidated subsidiary CTC First Contact Corporation (CTCFC) to SIGMAXYZ Holdings Inc., and concluded a share transfer agreement accordingly.

● Background to the Share Transfer

The BPO business requires the provision of consistent services from the upstream, including strategy formulating and consulting, to the downstream, such as business operations. CTCFC has made the provision of advanced BPO for the information system divisions of enterprises a new priority focus, and this led to this recent initiative to coordinate with the SIGMAXYZ Group, which positions itself upstream to support enterprise digital transformation efforts. Through this initiative, the Company also aims to work across a wide range of fields to capture BPO demand that is newly emerging due to the decline in the working population.

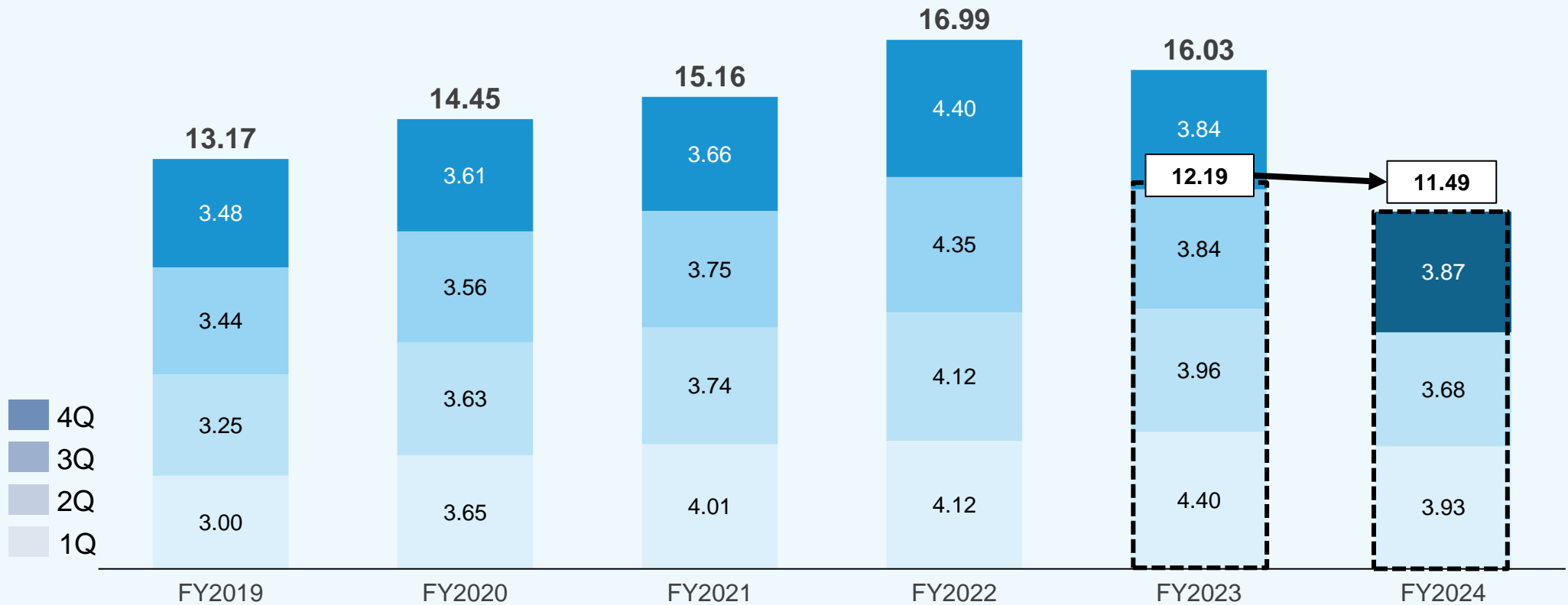
● Future Outlook

- Due to the share transfer, CTCFC will shift from being a consolidated subsidiary of the Company to being an equity method affiliate.
- During the consolidated accounting period of Q4 of FY ending Feb. 2025, a gain on valuation of remaining equity interest to the value of approx. 3.5 billion yen will be recorded under "other income."

- Revenue based on ITOCHU Synergy decreased to 11.49 billion yen (down 0.70 billion yen or 5.7% year on year).
 - Revenue increased compared with Q2 of this fiscal year, in part due to expanded orders from existing clients and the securing of new projects.

Revenue based on ITOCHU Synergy

(Unit: billions of yen)



Overview of Consolidated Statement of Financial Position for Q3 of FY Ending Feb. 2025



(Unit: billions of yen)

	End of Feb. 2024	End of Nov. 2024	Change	Remarks
Current assets	28.30	30.38	+2.09	
Cash and cash equivalents	7.21	8.95	+1.74	
Trade receivables	19.20	19.42	+0.23	
Non-current assets	147.17	142.33	-4.84	
Property, plant and equipment (excluding right-of-use assets)	8.45	7.98	-0.47	
Right-of-use assets	27.38	22.80	-4.58	Decrease mainly due to site consolidation
Goodwill	96.77	96.73	-0.05	
Total assets	175.47	172.71	-2.76	
Current liabilities	48.60	58.74	+10.14	
Borrowings	23.00	30.20	+7.20	Increase due to reclassification from long-term borrowings, etc.
Non-current liabilities	59.13	46.26	-12.87	
Long-term borrowings	33.23	24.00	-9.24	Decrease due to reclassification to current portion and scheduled payment
Other long-term financial liabilities	21.85	18.09	-3.76	
Equity	67.74	67.71	-0.03	
Of which, shareholders' equity	66.73	66.76	+0.03	Increase due to profit, decrease due to dividends
Of which, non-controlling interest	1.01	0.95	-0.06	Decreased due mainly to dividends from subsidiaries
Total liabilities and equity	175.47	172.71	-2.76	
Ratio of shareholders' equity to total assets	38.0%	38.7%	+0.7%	
Net interest-bearing debt	49.02	45.24	-3.78	
Net DER	0.73 times	0.68 times	-0.05 times	

* Shareholders' equity refers to equity attributable to owners of parent.

Overview of Consolidated Statement of Cash Flow for Q3 of FY Ending Feb. 2025



(Unit: billions of yen)

	Q3 of FY2023	Q3 of FY2024	Change	Remarks
Income before income taxes	8.74	7.14	-1.60	
Depreciation and amortization	6.84	7.08	+0.25	
Gains related to step-by-step acquisition	-0.84	—	+0.84	Gains due to a change in the classification of a subsidiary in Vietnam in the previous fiscal year
Increase/decrease of working capital	1.15	1.88	+0.73	
Income taxes paid	-4.89	-2.39	+2.50	Decline in tax payments due to lower profit
Other	0.18	1.84	+1.65	Increase in funds for tax payments and other items due to financial institutions being closed at the end of November
Net cash provided by (used in) operating activities	11.18	15.55	+4.37	
Capital expenditures	-1.85	-1.20	+0.65	Upgrading of IT equipment and office equipment, etc.
Business investment	-0.86	-0.70	+0.16	Investment in IT company and startup in FY2024
Other	0.03	-0.04	-0.07	
Net cash provided by (used in) investment activities	-2.68	-1.95	+0.74	
Free cash flow	8.50	13.61	+5.11	
Increase/decrease in borrowings	1.55	-2.05	-3.60	
Dividends paid	-4.41	-4.41	-0.00	
Repayments of lease liabilities	-5.24	-5.18	+0.06	
Other	-0.33	-0.21	+0.12	
Net cash provided by (used in) financing activities	-8.43	-11.85	-3.42	
Cash and cash equivalents at end of period	7.08	8.95	+1.88	

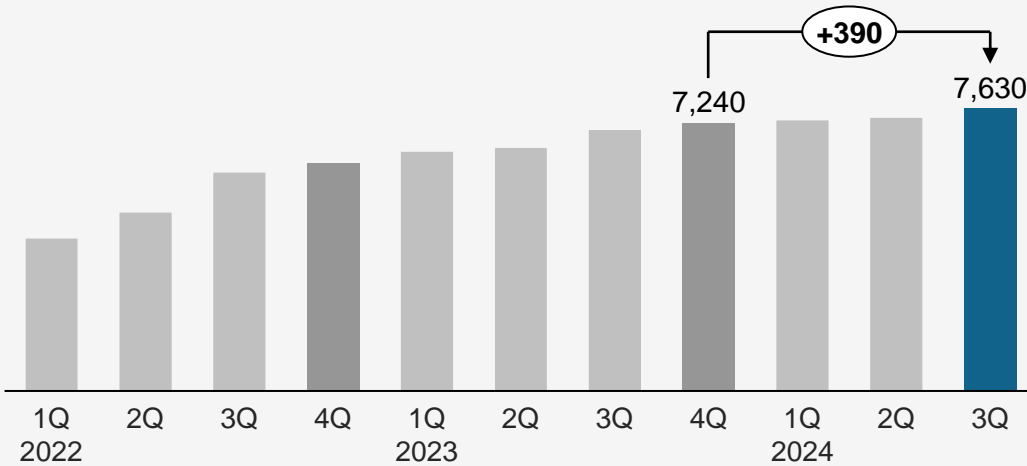
* Free cash flow = Net cash provided by (used in) operating activities + Net cash provided by (used in) investment activities

Quarterly Trend in BellCloud+/Number of Booths at Business Sites, etc.

- The number of Bellcloud+ seats expanded steadily to 7,630 as of the end of Q3**
- The number of booths at business sites declined to 18,600 as of the end of Q3, reflecting consolidation and streamlining associated with the contraction of COVID-19-related services**

BellCloud+

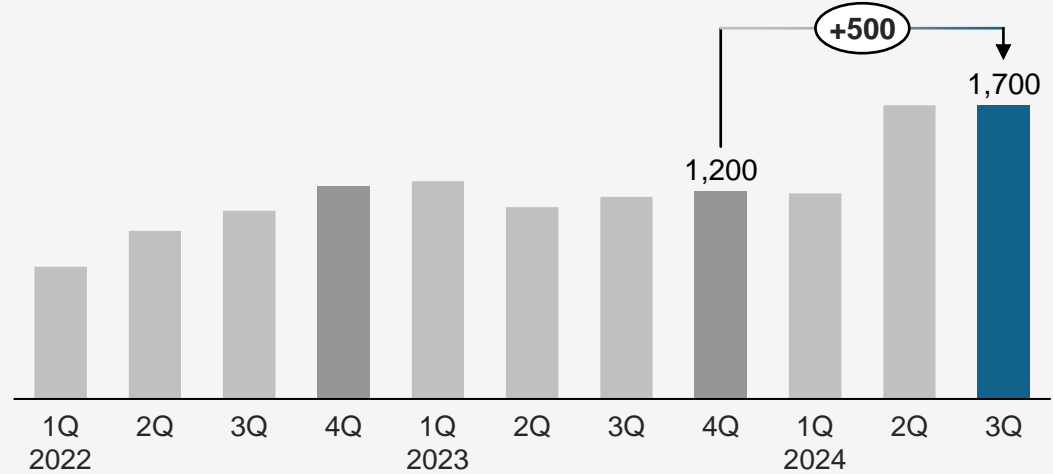
* Cloud-based contact center system provided by BellSystem24



Speech recognition system

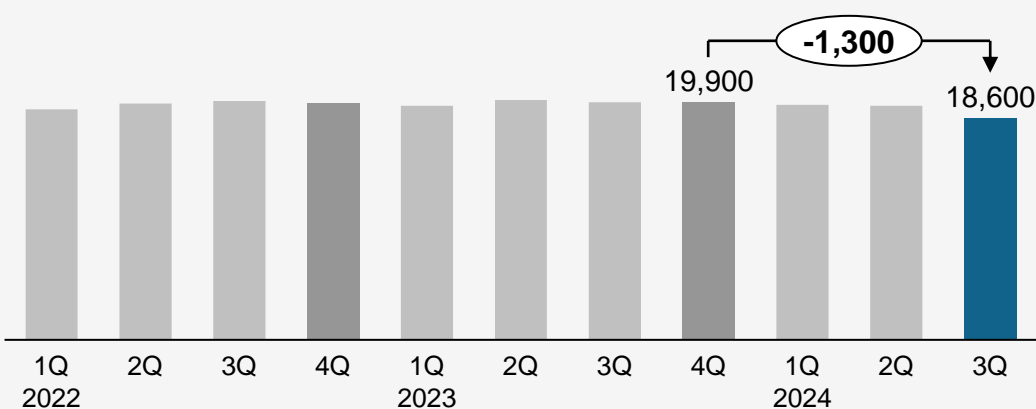
(Unit: seats)

* System that uses technology for converting human speech into digital data and text



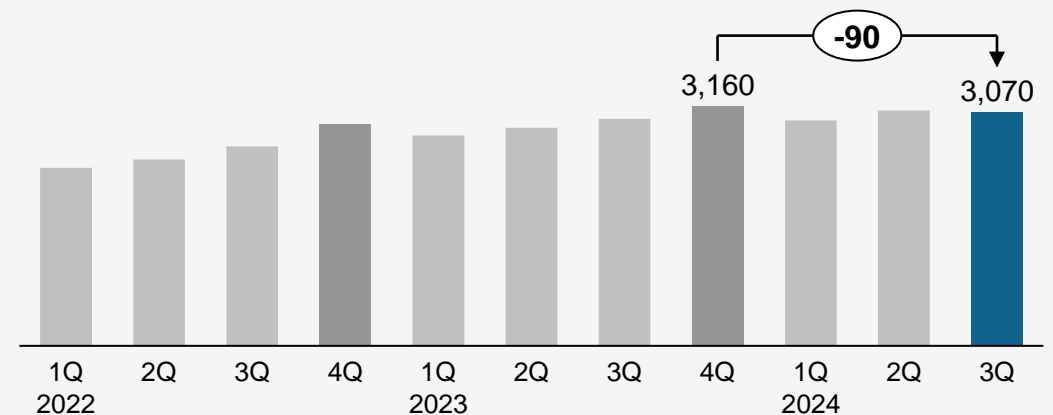
Number of booths

*It is the number of booths at our business sites in Japan, and does not include booths operated under contract in clients' offices, etc.



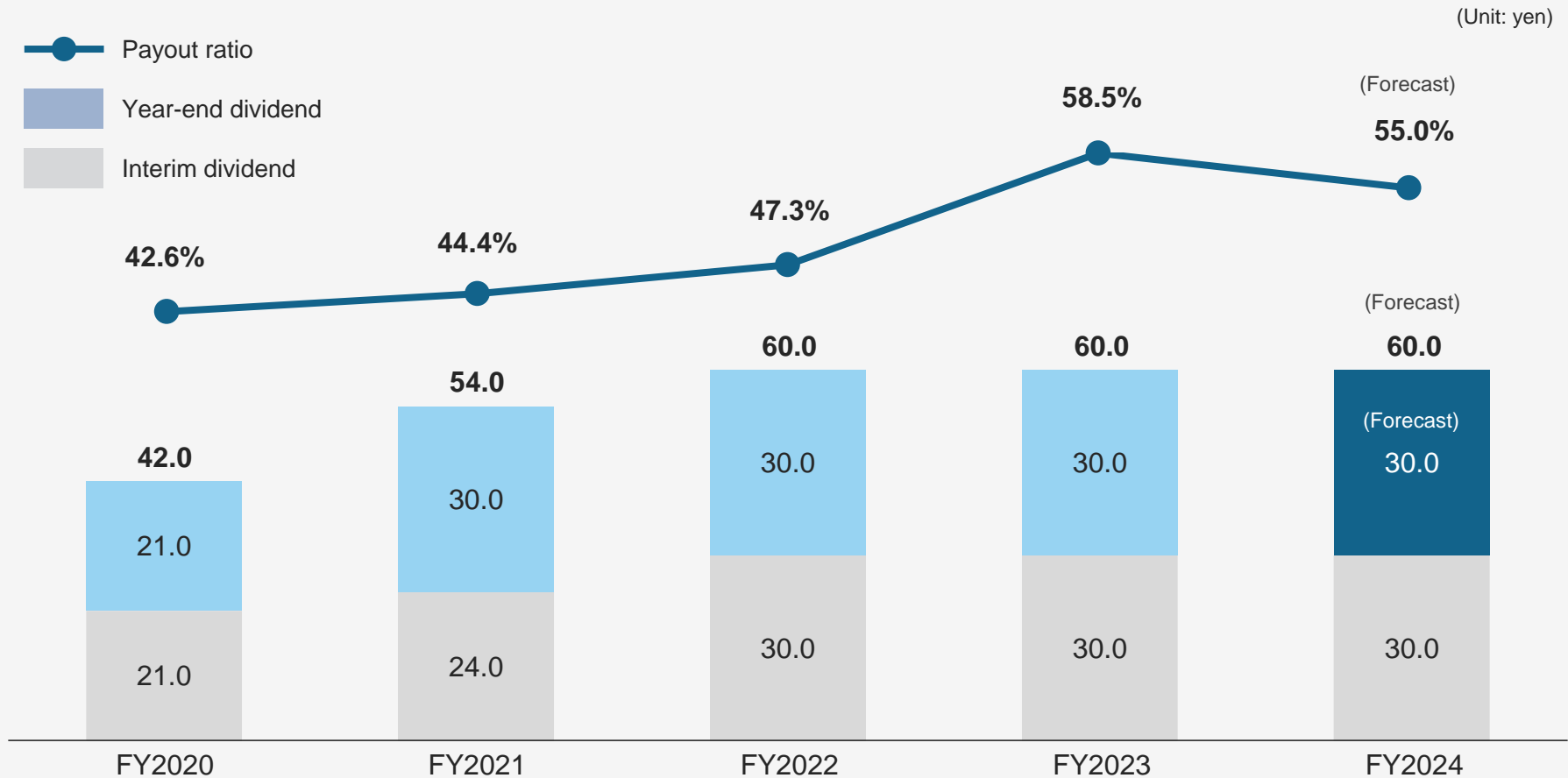
The number of home-based contact center seats

* Calculated based on the operations of BellSystem24.



- We currently have no change for our initial announced dividend forecast for this fiscal year.
- We will continue striving to increase dividends through expansion in profit, with a basic policy of maintaining the consolidated payout ratio at 50%.

Dividends per share and dividend payout ratio



Market Environment and Our Initiatives in Q3

Since May 2023 (Downgrade of COVID-19 to Class 5 disease)

Demand for conventional-type call center business has been decreasing, reflecting the acceleration of digital transformation due to the COVID-19 pandemic.

- User literacy has been improving through the utilization of FAQs and chat bots.
- Demand for the business of handling inquiries has been declining due to companies' digital transformation.

Demand for conventional-type call center business is not expected to grow significantly.

Expand the generative AI business and increase the sophistication of data utilization.

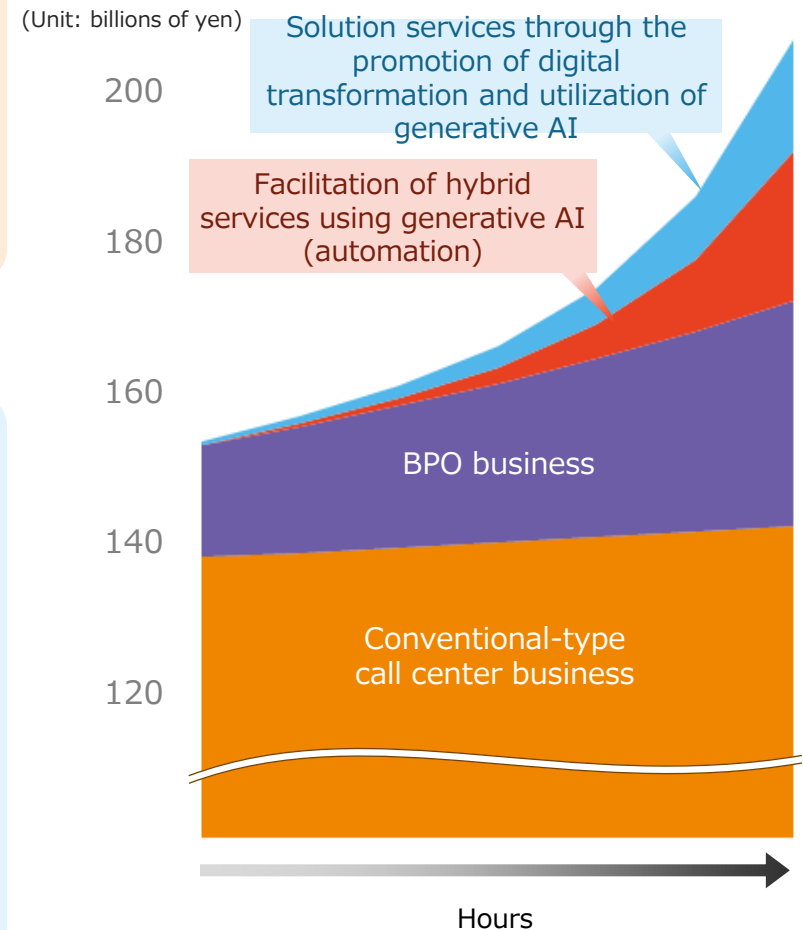
Promote the offering of use case-focused generative AI solutions and the automation of contact centers

Expansion of new BPO areas

(BPO for accounting and human resources matters/BPO for data-based marketing/BPO for primary industry/BPO for local government services)

Breakdown of changes in revenue

Revenue target: 200 billion yen

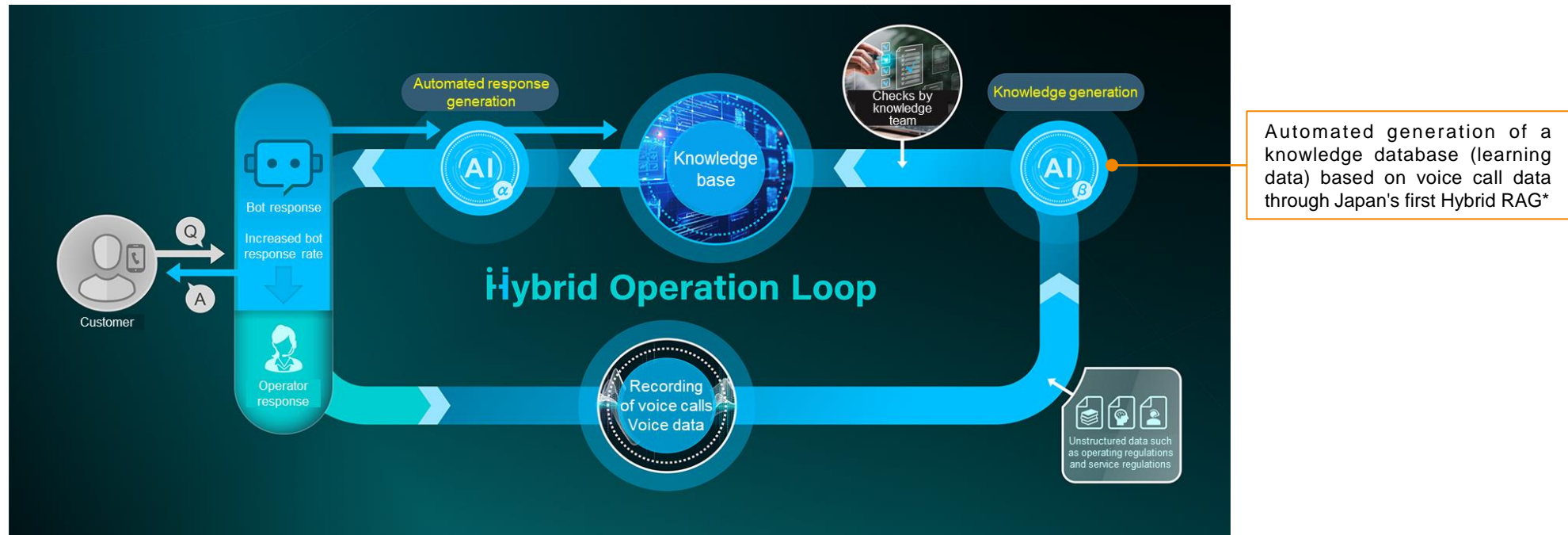


Japan's first automated generation of a knowledge database from voice call data

We aim to automate contact center operations by establishing a proprietary operation loop process with a "human-in-the-loop" hybrid approach where artificial intelligence (AI) and humans work on a joint basis to carry out tasks. We have begun development of a knowledge database leveraging Japan's first Hybrid RAG*, which produces responses to a high degree of accuracy.

Key Points

- Rather than streamlining a subset of operations such as summaries and recommendations, the solution hybridizes and automates the inquiry handling operations themselves.
- As generative AI output is determined by the accuracy of inputs, the key to automation lies in the optimum development of a knowledge database.
- To significantly improve response accuracy we utilize Hybrid RAG, which generates responses that take relevancy into account in addition to searching for past similar information.
- Through a system that combines automation through generative AI with human checks to produce feedback comprising AI learning and confirmation by a person when decisions are made, we achieve an auto loop that minimizes hallucination.



Automated generation of a knowledge database (learning data) based on voice call data through Japan's first Hybrid RAG*

* **Hybrid RAG:** Retrieval-Augmented Generation (RAG) is a technology that combines text generation through a large-scale language model (LLM) with external information searches to improve response accuracy. Hybrid RAG is a technology that incorporates semantic search taking relevancy into account with conventional RAG-based keyword searching, improving search functionality by combining different search approaches.

The service consolidates the unstructured information that is essential for generative AI, such as the response history accumulated at a contact center, manuals, FAQs, personal memories and tacit knowledge. Designs are provided to develop mechanisms and build systems that generate knowledge as data that can be easily understood and searched using AI.

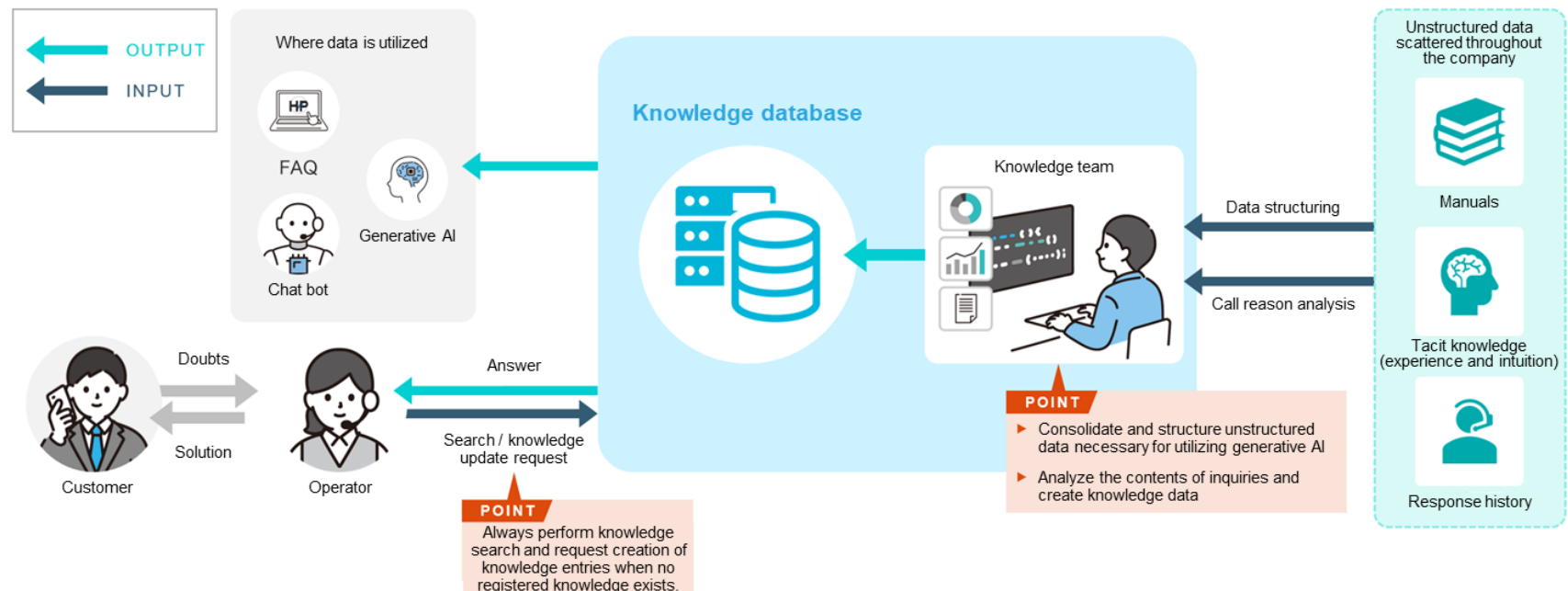
To utilize AI, databases of knowledge such as product information, operating manuals, talk scripts and FAQs are essential. But before committing vast amounts of time or costs, many customers share feedback that they have not yet consolidated the knowledge needed ahead of generative AI adoption, or are unsure of what knowledge needs to be developed for generative AI adoption. Given these challenges, we have launched a service to suggest how to develop and design the knowledge databases needed to utilize generative AI.

Key Points

- To build and establish the latest knowledge, we provide total support from operational assessment and the development and creation of knowledge such as FAQs, to operational design and system introduction.
- Based on KCS*, a dedicated team incorporate registration work into business processes and keeps the knowledge infrastructure continually up to date, such as by instantly registering the required knowledge.
- Through comprehensive analysis performed by dedicated consultants, an entire operating flow that anticipates the division of roles between AI and humans at the time of generative AI adoption can be designed.

* **KCS (Knowledge-Centered Service)**: HDI, the world's largest membership organization in IT support services, provides training, awards, and assessments on practical knowledge management processes and methodologies. It summarizes how to use and manage knowledge that can provide the best approaches to constantly changing situations in responding to customers, along with values, introduction methods, user education, essential tool requirements, and process integration requirements.

● Conceptual image of operation



We are conducting a webinar aimed at companies pursuing 'Contact Center Automation,' featuring Mr. Nishiwaki, an evangelist from Microsoft Japan, and Mr. Morita from OMRON, who has successfully implemented knowledge management leading to the utilization of generative AI.

"We are conducting a webinar on January 29th to acquire client partners from various industries who will collaborate with us towards our goal of achieving partial automation of contact center operations by fiscal year 2025.

The levels of automation implementation have been established in reference to autonomous driving in automobiles, ranging from Level 1 (automation of knowledge generation) to Level 3 (full automation).

We have already achieved Level 1 and are now intensifying efforts to acquire client partners for expansion into other industries."



**日本マイクロソフト西脇氏と
AIの回答精度を
飛躍的にあげる手法に迫る!!**

**無料
オンラインセミナー
1/29 (wed)
16:00-17:30**

AI活用の鍵を握る最新のナレッジ自動生成

 西脇 資哲 氏 日本マイクロソフト株式会社 業務執行役員 エバングェリスト	 森田 尚起 氏 オムロン株式会社 ソリューション営業本部 カスタマーサポート部 部長	 矢島 竜児 氏 株式会社リックテレコム 月刊コールセンタージャパン編集部 編集長	 加藤 寛 株式会社ベルシステム24 執行役員 兼 デジタルCX本部長
			

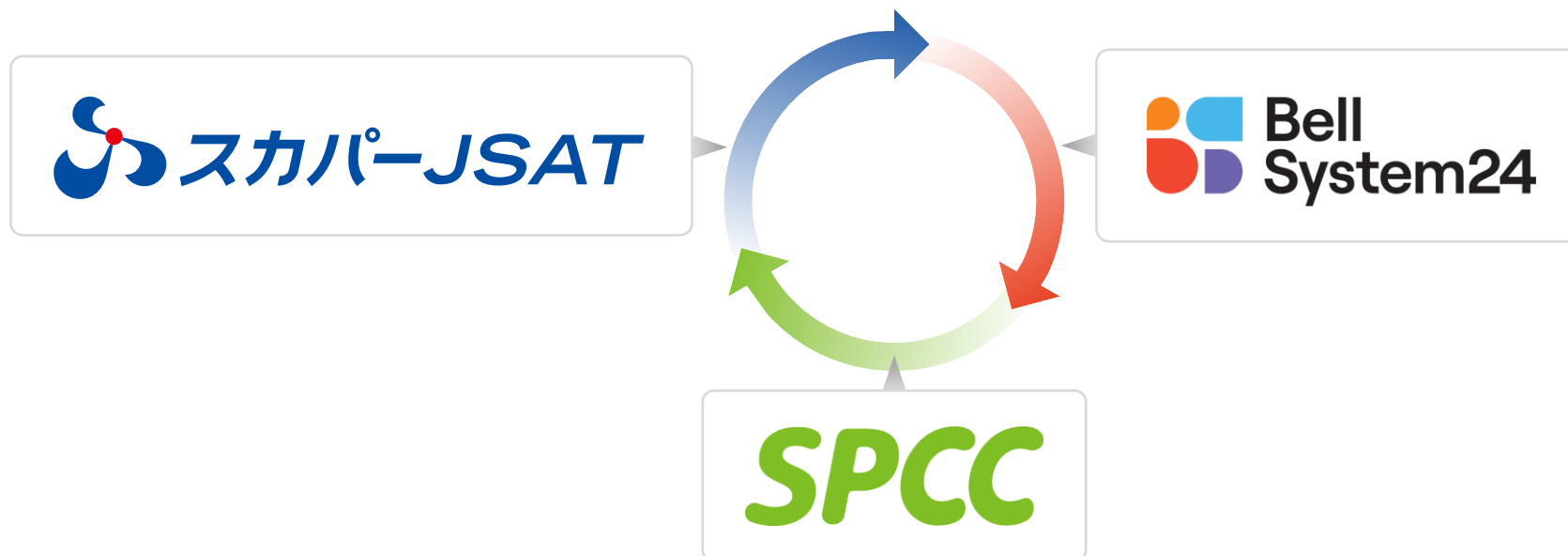
We regret to inform you that participation will be declined for those whom we deem to be competitors, individuals without corporate status, and those applying with free email addresses.

We have acquired 51% of shares in SKY Perfect Customer-relations Corporation (SPCC), which operates customer centers for the SKY PerfectTV! service provided by SKY Perfect JSAT Corporation, making it a subsidiary.

Against the backdrop of in-house contact centers being carved out at an accelerating rate due to a declining working population and delays responding to generative AI and other emerging technologies (due to difficulties responding in-house), we have sped up strategic acquisitions of a potential market (in-house contact centers) believed to be worth over 1.2 trillion yen. As the first step in this strategy, we have worked with SKY Perfect JSAT Corporation to launch an initiative to adapt inquiry desk services for Sky Perfect TV! as a revolutionary hybrid contact center based on a combination of generative AI and human operations.

Key Points

- By coordinating with SKY Perfect JSAT Corporation, the main client of SPCC, we have achieved the further streamlining of SPCC operations.
- By working with SKY Perfect JSAT Corporation, we have swiftly driven the implementation of initiatives aimed at quickly launching a hybrid contact center based on a combination of generative AI and human operations.
- We have accelerated external sales of high-quality services that have won numerous awards, including earning the highest 3-star rating across three categories in assessments from HDI, the global customer service rating organization.
- The initiative has sped up the development of a model case serving as a precedent for capturing parts of the in-house contact center market in the future.



Horizon One, which provides BPO services to major companies, has opened the Kyoto Office, its fourth site.

Our subsidiary Horizon One, which provides HR and accounting BPO services, opened the Kyoto BPO Center on November 1, 2024. This represents Horizon One's fourth site. Horizon One will accelerate the hiring of dedicated staff in the Kansai region, and will continue to strengthen its ability to handle large projects, including reshoring demand from major companies.

■ Horizon One's Track Record in BPO Services (Partial)

Sector	Company Size	Outsourced Operations	Overview
Major rail operator	Approx. 23,000	Accounting (claims, liabilities, settlements, etc.)	Overseas business operations were shifted to Japan as a measure to deal with country risks
Major material manufacturer	Approx. 22,000	HR (all personnel affairs)	Additional acceptance of customer employees (transfers, secondment), provision of all HR services
Major construction company	Approx. 2,000	Accounting + HR + general affairs + sales administration (all administrative work)	Serving as a catch-all for administrative services including general affairs and sales administration in addition to accounting and HR
Central government agency	—	Accounting + sales administration + inquiry handling	Introduction of new government measures and administrative operations Provision of services to all citizens in two months

FEED ONE, one of the largest companies in the Japanese feed industry, has become a sales partner for BUJIDAS, Japan's first cattle lameness prevention AI service

FEED ONE, one of the largest companies in the Japanese feed industry, has become a sales partner for BUJIDAS, a cattle lameness prevention AI service provided as a service to solve issues facing the livestock industry provided by NTT TechnoCross and BELLSYSTEM24.

Referrals for the service will be made through FEED ONE's network of beef cattle producers, with NTT TechnoCross handling solution development, and BELLSYSTEM24 providing customer support and other services. The widespread adoption of the service will accelerate the expansion of BPO infrastructure for primary industry.



Taiwan branch was made into a local subsidiary as BELLSYSTEM24 TAIWAN, Inc.

BELLSYSTEM24 TAIWAN, Inc. has been newly established as a wholly owned subsidiary in Taiwan. (In the future, the Taiwan Branch will transfer its business to BELLSYSTEM24 TAIWAN.) By expanding contact center services combining our expertise and local needs, and implementing a business alliance with Taiwan's Intumit Inc., a cutting-edge AI platform developer and provider, we will accelerate the enhancement of customer support leveraging AI. We regard the ASEAN region including Taiwan, Vietnam and Thailand as a key area of our overseas strategy, and are working to expand our areas of operation in line with market needs while further reinforcing our operating structure overseas.



In preparation for the Ministry of Health, Labour and Welfare making customer harassment measures mandatory, we launched a Customer Harassment Action Service for contact centers

In addressing customer harassment, which differs in nature depending on the industry and sector, we offer total support for specific customer harassment measures that are optimized for client companies. Customer harassment measures can be developed with a short lead time, covering everything from the formulation of customer harassment policies to the visualization of customer harassment through voice of customer (VOC) analysis, the development of customer handling manuals for each type of operation, and a range of training programs specifically designed to deal with customer harassment.

■ Service outline

	Phase 1 (Clarification of policies)	Phase 2 (Advance preparations)	Phase 3 (Post-incident handling)
Consulting	(1) Support in formulating customer harassment policies (Workshop-type consulting)	(2) Development of response manuals* (Workshop-type consulting)	
	(3) VOC analysis		
Education and training/BPO		(4) Customer harassment training - Training on dealing with customers	(5) In-house consultation desk
Solutions		(6) Speech recognition and emotion analytics	(7) Social listening (monitoring of social media)

* (2) is provided as an optional extra under (1)

ESG Initiatives

Received Tokyo Metropolitan Government's Excellent Company Award for Employment of Persons with Disabilities (Bureau of Industrial and Labor Affairs Director's Award)

Winners of the Excellent Company Award for Employment of Persons with Disabilities are selected by the Tokyo Metropolitan Government from among Tokyo-based companies that have achieved the statutory employment rate for persons with disabilities, recognizing those companies that have engaged in outstanding initiatives to develop the capabilities of persons with disabilities, actively improve their treatment, and so on. The awards include the Tokyo Governor's Award and Bureau of Industrial and Labor Affairs Director's Award.

Going forward, we will continue to pursue initiatives aimed at the employment of people with disabilities through company-wide efforts based around employee participation, in an effort to establish an environment where employees from diverse backgrounds can work with peace of mind over the long term.



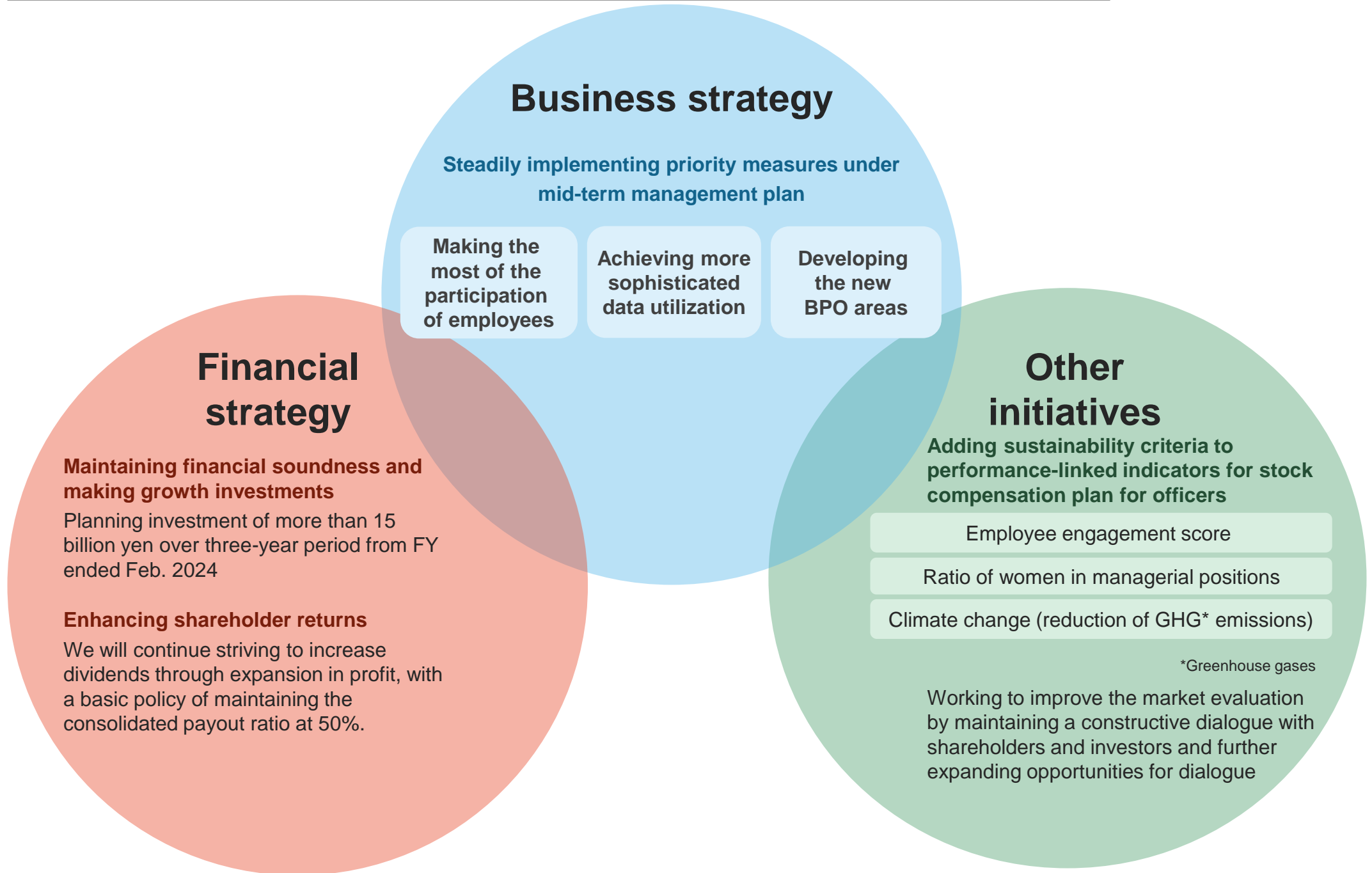
In 2024 we obtained the Pride Index's highest rating, the gold rating, for the sixth consecutive year. The Pride Index recognizes LGBTQ+ initiatives.

Under Pride Index 2024, formulated by the Japanese voluntary association "work with Pride" to evaluate the LGBTQ+ workplace initiatives implemented by companies and organizations, we received the highest Gold rating, indicating that all standards for certification have been met, for a sixth consecutive year.

The Pride Index was formulated by "work with Pride" in 2016 to encourage comfortable workplace development for LGBTQ+ workers in Japan, and is Japan's first index evaluating LGBTQ+ initiatives at companies and other organizations.



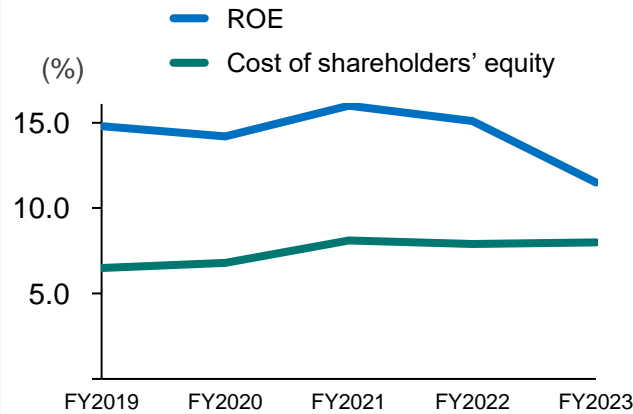
Actions to enable management with an awareness of capital costs and share price



Return on equity (ROE)

Current status

- The cost of equity was around 8% in FY2023, and we maintained an ROE that exceeded the cost of equity.



* Cost of shareholders' equity = Risk-free rate + β (sensitivity) \times Market risk premium

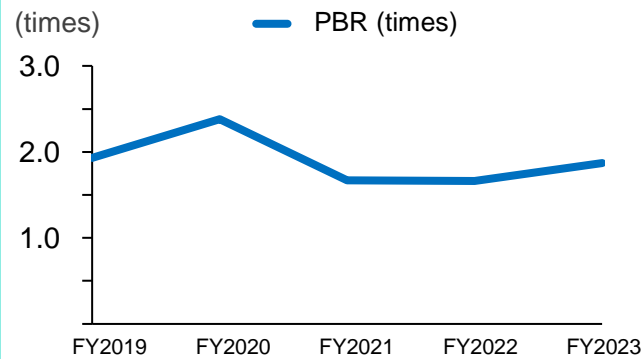
Policies and initiatives

- Adopt ROE as a KPI.
- Aim to improve the profitability of equity by maintaining a situation in which ROE exceeds the cost of shareholder's equity.

Price book-value ratio (PBR)

Current status

- Our PBR was around 1.9 x in FY2023 and over the past five years has constantly far exceeded 1.0 x.



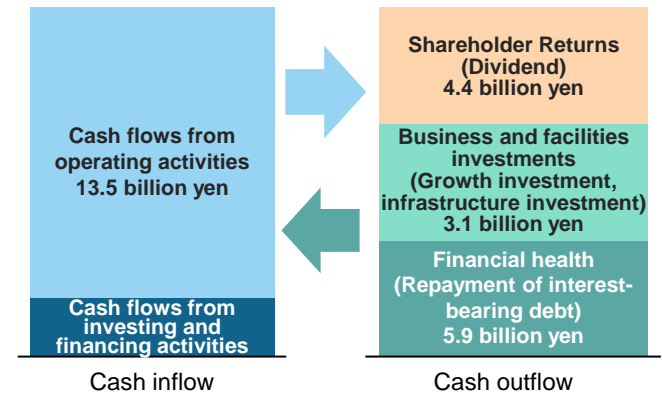
Policies and initiatives

- Pursue improvement in market evaluation and seek further improvement in PBR.

Cash allocation

Current status

- FY2023 results
We had cash flow from operating activities of 13.5 billion yen and used 4.4 billion yen for shareholder returns, 3.1 billion yen for business investment and capital investment, and 5.9 billion yen for the repayment of interest-bearing debt.



Policies and initiatives

- Allocate cash flow from operating activities in a well-balanced manner to shareholder returns, growth investment, and the repayment of interest-bearing debt.

Note

The content of these explanations and reference materials contains forecasts about the future financial results of the Company. These forecasts are based on the judgment of the Company using information that is currently available, and thus they contain potential risks and uncertainties regarding their feasibility. Please note that actual results may differ materially from the forecasts in this document.