



President Ichiro Tsuge

BELLSYSTEM24 Holdings, Inc. (6183)



Company Information

Exchange	TSE 1st Section
Industry	Service business
President	Ichiro Tsuge
Address	8-11 Harumi 1-chome, Chuo-ku, Tokyo
Year-end	February
Homepage	https://www.bell24hd.co.jp/

Stock Information

Share Price	Number of shares issued (excluding treasury shares)		Total market cap	ROE Act.	Trading Unit
¥1,734	73,516,913 shares		¥127,478 million	12.1%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥42.00	2.4%	¥93.86	18.5 x	¥622.14	2.8 x

*The share price is the closing price on October 21. The number of shares issued was obtained by subtracting the number of treasury shares from the number of outstanding shares as of the end of the latest quarter. ROE and BPS were the values for the previous term.

Earnings Trend (IFRS)

Fiscal Year	Sales Revenue	Operating Income	Income before Income Taxes	Net Income*	EPS	DPS
February 2016 Act.	102,540	8,884	7,875	5,031	71.00	18.00
February 2017 Act.	108,916	8,172	7,196	4,304	58.86	36.00
February 2018 Act.	115,618	9,319	8,502	5,604	76.39	36.00
February 2019 Act.	121,113	8,580	7,944	5,397	73.37	36.00
February 2020 Est.	129,000	11,500	10,850	6,900	93.86	42.00

*The forecasted values were provided by the company.

*Net income is profit attributable to owners of the parent. Hereinafter the same apply.

* Unit: million yen, yen.

This Bridge Report overviews the business performance for the First Half of term ending February 2020 and describes the earnings forecast for the term ending February 2020, for BELLSYSTEM24 Holdings, Inc.

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Key Points

- **In the first half of the term ending February 2020, sales and operating income grew 4.9% and 10.0%, respectively, year on year. In addition to healthy growth of existing and new businesses (up 3.6% year on year), former BB Call and Spot operations also grew due to factors related to cashless payment and consumption tax. Profitability also improved as a result of reviewing low-profit projects in the previous fiscal year and continuing cost-cutting measures (operating income ratio: 8.9% → 9.3%).**
- **In the term ending February 2020, which is the final year of the mid-term management plan (starting in the term ended February 2018), the company is aiming for sales of 129 billion yen (up 6.5% year on year) and an operating income of 11.5 billion yen (up 34.0% year on year). Progress rates are steady with 48.9% for sales and 51.1% for operating income. In the second half, the company plans to increase expenses related to the new human resource (HR) system and advance rent payment in association with the establishment of bases, but there is no particular concern. It plans to pay a year-end dividend of 21 yen/share. Combining the dividend at the end of the second quarter, it is expected to pay a total dividend of 42 yen/share, an increase of 6 yen/share per year (expected payout ratio: 44.7%).**
- **Some people may be dissatisfied with the sales growth in the first half of the year, but the company focuses on the quality of its business and places more emphasis on operating income and operating margin than sales. As part of this effort, it reviewed contracts for low-profit projects and projects with no good prospect for partnerships in the previous fiscal year. As a result, the sales growth rate in the first half decreased by 1 to 2 points. In the first half of the year, Spot operations were healthy, and on-going operations also grew steadily. As for synergy with ITOCHU and synergy with Toppan Printing that the company is focusing on, the synergy with ITOCHU is expected to increase from 11 billion yen in the previous fiscal year to about 12 billion yen, and the synergy with Toppan Printing is expected to grow from 650 million yen in the previous fiscal year to about 3,000 million yen.**

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 company's subsidiaries are the following 6 companies: BELLSYSTEM24, Inc., which engages in operation of contact centers and auxiliary tasks, CTC First Contact Corporation (capital contribution ratio: 51%) specializing in IT service desks and Business Process Outsourcing (BPO), POCKE INC., which sells contents, BELL SOLEIL INC., a special subsidiary aimed at raising employment of people with disabilities, and BELLSYSTEM24 – HOASAO (capital contribution ratio: 49%), which engages in the contact center business in Vietnam, etc.

ITOCHU Corporation holds 40.79% of the company's voting rights and deems the company as a company accounted for using the equity method (the company has accepted 8 temporarily loaned workers). 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).

【Corporate Philosophy】

Our mission

To support social affluence with innovation and communication

Our code of conduct

We will develop a comfortable workplace (community) where each employee can keep working happily with peace of mind while constantly taking on new challenges.

We will fulfill corporate social responsibility, and aim to achieve sustainable healthy growth.

We will return the value we would create to society, to contribute to the development of a beautiful future.

1-1 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. Other businesses include the sale of contents of POCKE INC.

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 slightly over 90% of sales, and spot operations, such as election-related tasks, constitute the remaining portion. Furthermore, sales from Softbank Corp. (operations of BB Call, Inc.) account for slightly over 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 by undertaking creation of websites, and data entry for client companies)

Others

The revenue from Pocke, Inc. and Belle Soleil, Inc. has been posted. Pocke, Inc. sells content to general consumers via mobile devices, PCs, etc. (monthly charges) and offers weather forecasts to enterprises. Belle Soleil, Inc. is an exceptional subsidiary for promoting the employment of disabled people and mainly undertakes general affairs and clerical tasks of the corporate group.

1-2 SDGs and CSR activities

As part of the Sustainable Development Goals (SDGs) initiatives, the company aims to “actualize various ways of workings for a broad range of personnel.” The company is striving to provide disabled people with workplaces, and develop an environment where female workers, who account for over 70% of communicators of the company, can flourish. To provide disabled people with workplaces, in addition to operating a chocolate factory (Toyohashi-shi, Aichi Prefecture) and a farm (Funabashi-shi, Chiba Prefecture), it operates a café in the company's lounge area where disabled people can extract and offer sustainable coffee.

In the term ended February 2019, the company established “CSR Division” in the Business Strategy Section to integrate business strategies and CSR activities to improve its corporate value. CSR Division is in charge of developing business strategies, conducting M&A, and adopting new technologies, including AI.

These efforts of the company have been recognized, and it received external accreditations such as “Eruboshi” (Minister of Health, Labor and Welfare) based on the Law for Promoting the Advancement of Women and the highest-ranking “Platinum Kurumin” as a company that is working on a high level of support for balancing childcare and work.

Participation in the “Sustainable Coffee Challenge (SCC)”

In August 2019, the company participated in the “Sustainable Coffee Challenge (SCC)” as part of its SDGs and CSR initiatives. SCC is an effort led by an International NGO Conservation International (CI) (headquarters: Arlington, Virginia, USA; CEO: M. Sanjayan) to make coffee a truly sustainable agricultural product. SCC calls coffee that considers sustainability, “sustainable coffee.” “Sustainable coffee” is a collective term for coffee that is produced and distributed with the aim of keeping the natural environment and people’s lives in good condition, considering not only the present, but also the future. Various NGOs, including environmental protection organizations, are working to promote the production and distribution of sustainable coffee.

As part of its participation in SCC, the company stated a “commitment” to open at least three cafes that offer sustainable coffee by 2021. By increasing the opportunities for people with disabilities to provide sustainable coffee, it will work on “environmental protection,” which is an important issue (materiality) as defined and announced, and, at the same time, will contribute to the SDGs.



(Source: the company)

2. First Half of Fiscal Year ending February 2020 Earnings Results

2-1 First Half of Fiscal Year (cumulative) Consolidated Earnings (IFRS)

	1H FY 2/19	Ratio to sales	1H FY 2/20	Ratio to sales	YoY
Sales revenue	60,068	100.0%	63,036	100.0%	+4.9%
Gross profit	12,017	20.0%	12,661	20.1%	+5.4%
SG&A expenses	6,617	11.0%	6,736	10.7%	+1.8%
Operating income	5,345	8.9%	5,880	9.3%	+10.0%
Income before Income Taxes	5,032	8.4%	5,614	8.9%	+11.6%
Net income	3,261	5.4%	3,707	5.9%	+13.7%

* Unit: million yen

Sales increased 4.9% year on year and operating income grew 10.0% year on year.

Sales increased 4.9% year on year to 63,036 million yen. The CRM business grew 6.9% year on year to 60,620 million yen, although Others decreased due to business transfer and decrease in consolidated companies. As for the CRM business, both existing and new businesses steadily grew due to expansion of the scale of synergy with ITOCHU and significant growth of synergy with Toppan Printing. Furthermore, sales of former BB Call grew 20 % year on year due to factors related to cashless payment, and Spot operations also grew 20% year on year due to factors related to election, consumption tax and recall.

In terms of profits, an increase in HR costs (440 million yen) due to improved treatment of operators and cost increases associated with strategic investments and upfront investments (330 million yen associated with the introduction of a new HR system, etc.) were absorbed by sales increase (790 million yen), optimization of contract prices (reviewing low-profit projects) and improved profitability (660 million yen) through the optimization and streamlining of HR.

In second quarter (June-August), sales and operating income reached record high on a quarterly basis

	18/2-1Q	2Q	3Q	4Q	19/2-1Q	2Q	3Q	4Q	20/2-1Q	2Q
Sales revenue	28,561	28,584	29,476	28,997	30,154	29,914	29,973	31,072	30,840	32,196
Operating Income	2,251	2,136	2,694	2,238	2,787	2,558	2,398	837	2,920	2,960
profit margin	7.9%	7.5%	9.1%	7.7%	9.2%	8.6%	8.0%	2.7%	9.5%	9.2%

* Unit: million yen

In the second quarter (June-August), sales revenue and operating income reached a record high on a quarterly basis. Operating margin remained over 9% for the second consecutive quarter, exceeding the full-year earnings estimate (the target of the medium-term management plan) of 8.9%. According to the company, profitability improvement measures are more effective than anticipated.

2-2 Sales revenue / operating income by segment

	1H FY 2/19	Ratio to sales • Profit margin	1H FY 2/20	Ratio to sales • Profit margin	YoY
Sales revenue	60,068	100.0%	63,036	100.0%	+4.9 %
CRM business	56,725	94.4%	60,620	96.2%	+6.9 %
Continuing operations	Existing operations + New operations 45,644	76.0%	47,269	75.0%	+3.6 %
Existing (former BB Call) operations	7,221	12.0%	8,690	13.8%	+20.3 %
Spot operations	3,859	6.4%	4,661	7.4%	+20.8 %
Others	3,343	5.6%	2,416	3.8%	- 27.7 %
Operating Income	5,345	8.9%	5,880	9.3%	+10.0 %
CRM business	5,239	9.2%	5,908	9.7%	+12.8 %
Others	106	3.2%	-28	-	-

* Unit: million yen

CRM business

Sales revenue was 60,620 million yen (up 6.9% year on year) and operating income was 5,908 million yen (up 12.8% year on year). The increase in sales revenue was contributed to the expansion of the existing projects, which began in the previous fiscal year, steady growth of synergy projects with ITOCHU, and expansion of synergy operation with Toppan Printing through strengthened collaboration. Furthermore, former BB Call increased sales revenue by 200 million yen from points-related business. The Spot operations also contributed to the growth in sales revenue from the House of Councilor election business (about 400 million yen), consumption tax related projects, and synergy with Toppan Printing.

In terms of profits, in addition to the effect of increased sales, results of continuous profitability improvement measures such as the ending of low-profit projects in the previous fiscal year and the improvement of productivity appeared.

Sales by business industry (regarding top 300 companies with highest sales in the CRM Business, excluding former BB Call operations)

	1H FY 2/19	Ratio to sales	1H FY 2/20	Ratio to sales	YoY
Broadcasting/publishing/information services	136.0	26%	145.5	26%	+7.0%
Finance	141.3	27%	142.0	25%	+0.5%
Distribution(retail/wholesale)	102.0	19%	104.3	18%	+2.2%
Transport/communication	94.3	18%	96.7	17%	+2.6%
Manufacturing	30.9	6%	52.7	9%	+70.7%
Utilities	11.0	2%	10.5	2%	-4.5%
Other	14.1	3%	16.3	3%	+16.1%
Total	529.6	100%	568.0	100%	+7.3%

* Unit: million yen

Others

Sales revenue was 2,416 million yen (down 27.7% year on year) and operating loss was 28 million yen (profit of 106 million yen in the same period of the previous year). Sales revenue decreased and went below the breakeven point due to the transfer of the CSO business of BI Medical, Inc., deconsolidation of Bell24Cellproduct, Inc., and reduction in revenue from content sales.

2-3 Financial condition and Cash Flow (CF)

Financial condition

	Feb. 19	Aug. 19		Feb. 19	Aug. 19
Cash and deposits	5,971	8,077	Trade debt	5,396	5,888
Trade receivables	17,402	18,751	Accrued employee benefits	8,778	9,983
Total current assets	25,589	27,597	Borrowings	70,986	70,893
Goodwill	96,250	96,250	Total liabilities	93,247	120,606
Total noncurrent assets	114,150	140,774	Total shareholders' equity	45,737	47,422
Total assets	139,739	168,371	Total capital	46,492	47,765

* Unit: million yen

Total assets at the end of the second quarter were 168,371 million yen, up 28,632 million yen from the end of the previous term. Of the increase, approximately 26,500 million yen was due to the application of IFRS16. Specifically, operating leases that were previously off-balanced as lease transactions were now on-balanced (and associated with this, the depreciation of the right-of-use asset and the interest expense related to the lease liability were recorded).

Cash Flow

	1H FY 2/19	1H FY 2/20	YoY	
Operating Cash Flow	6,723	8,053	+1,330	+19.8%
Investing Cash Flow	-1,464	-1,015	+449	-
Financing Cash Flow	-4,818	-5,023	-205	-
Cash and Equivalents at Term End	5,765	8,077	+2,312	+40.1%

* Unit: million yen

An operating CF of 8,053 million yen was secured as a result of a profit before tax of 5,614 million yen (5,032 million yen in the same period of the previous year), depreciation and amortization of 3,451 million (1,131 million yen in the same period of the previous year), and a corporate income tax of negative 2,221 million yen (negative 1,520 million yen in the same period of the previous year).

3. Mid-term management plan final year plan (FY ending February 2020 Earnings Forecasts)

3-1 Mid-term Management Plan (from FY 2/18 to FY 2/20)

	FY 2/17 Act.	FY 2/18 Act.	FY 2/19 Act.	FY 2/20 Plan
Sales revenue (¥100mn)	1,089	1,156	1,211	1,290
Operating Income(¥100mn)	82	93	86	115
profit margin	7.5%	8.1%	7.1%	8.9%
ROE	11.0%	13.4%	12.1%	14.5%
NET DER	1.80 x	1.63 x	1.42 x	1.23 x

* FY 2/19 was affected by the restructuring of the pharmaceutical business in terms of profits. Excluding this effect, operating income was 10.2 billion (profit margin 8.4%).

Profit targets for the final year of the mid-term management plan is within range.

The targets for the final year of the mid-term management plan (full-year forecast) are sales of 129 billion yen (up 6.5% year on year) and an operating income of 11.5 billion yen (up 34.0% year on year). Progress toward targets has been steady with sales of 48.9% and

an operating income of 51.1%. In the second half, operating expenses are expected to increase from the first half due to an increase in expenses related to the new HR system, advance rent payment associated with the establishment of bases, and costs to introduce Windows 10 (PC OS replacement). However, these expenses can be absorbed by business expansion and improved profitability. Operating income of 11.5 billion yen has come within range. Sales revenue may slightly fluctuate depending on the trends of the Spot operations.

Sales Revenue / Operating Income

	FY 2/ 19 Act.	Ratio to sales	FY 2/ 20 Plan	Ratio to sales	YoY	
Sales revenue	121,113	100.0%	129,000	100.0%	+6.5%	
CRM business	114,824	94.8%	124,350	96.4%	+8.3%	
Continuing operations	Existing operations + new operations	92,944	76.7%	97,540	75.6%	+4.9%
	Existing (former BB Call) operations	14,429	11.9%	17,800	13.8%	+23.4%
Spot operations	7,450	6.2%	9,010	7.0%	+20.9%	
Others	6,289	5.2%	4,650	3.6%	-26.1%	

* Unit: million yen

3-2 Growth strategies (three approaches) and CSR activities

Three growth strategies (approaches) aimed at achieving the targets of the mid-term management plan includes growing existing businesses, expanding into new fields, and strengthening HR management.

Growing existing businesses	Strengthening relationships with customers, synergy with ITOCHU, further pursuit of quality superiority
Expanding into new fields	Advanced CRM Platform, advanced BPO, overseas business development, synergy with Toppan Printing
Strengthening human resource management	Prevention of resignation, strengthening recruitment, and refining on-site HR management

Growing existing businesses

Synergy with ITOCHU continues to expand, and in the first half of this fiscal year, sales were 6,240 million yen, an increase of 820 million yen from the same period of the previous year. In addition, synergy with Toppan Printing has become apparent through existing businesses and Spot operations.

The company established a new 400-seat center (34th base in Japan, 9th base in the Tokyo metropolitan area) with “SUDAchi,” an education facility for recruiting and educating job seekers, at Ikebukuro Sunshine 60 to gain superiority in quality. The company also opened a “Bell Flagship Center” with a partner company to address common issues in the mail order industry. Through “Bell Flagship Center,” it will strengthen relationships with customers by facilitating mutual collaboration among mail-order companies that handle products such as cosmetics, health foods, beverages/food, and daily necessities, consolidating common issues and solutions in the mail-order industry, and leading to solutions.

Expanding into new fields

The company begun providing the Merged Reality (MR) solution that remotely supports customer support in remote locations and the “BellCloud AI” solution that realizes a hybrid response between “humans” and “AI.” The MR solution uses the remote support tool “Help Lightning” operated by MR to remotely support complex work such as customer support and in-house support in remote areas that is difficult to support with voice alone, using integrated video streaming, etc. Meanwhile, “BellCloud AI” automates part of communication with consumers using AI. It is not just automation, but knowledge can be evolved day by day through the interactive flow of knowledge and feedback of results from “humans to AI” and “AI to humans.”

In addition, the company started testing the home-based contact center from the viewpoint of securing human resources.

Strengthening human resource management

The company established a new employment support facility in Sapporo, called “SUDAchi,” which secures personnel who were previously not hired and develops industry-ready people through employment support. Its third in-house nursery, “Bell Kids Sapporo Nursery,” was also established to reinstate employees after maternity and childcare leave, support the balancing of childcare and work, and accept job seekers who are raising children in neighboring areas. Furthermore, in order to improve the treatment of employees with various partner relationships, the company’s personnel and labor regulations were revised to add “same-sex partner” and “persons who are in a de facto state of marriage” in the definition of “spouse.”

CSR Activities

As part of SDGs/CSR activities, the company participated in the “Sustainable Coffee Challenge,” which is an initiative led by Conservation International, an international NGO, to make coffee a truly sustainable agricultural product. It also established a “Café operated by people with disabilities” in Sapporo Call Center, where people with disabilities extract coffee from high-quality beans and offer premium coffee under the production of Mi Cafeto Co., Ltd. which promotes the realization of the SDGs through coffee (First in the Hokkaido area).

3-3 Direction of the next mid-term management plan — To be the best CX partner

Aiming to be the “best CX partner,” the company will work on reducing waste and stress by highly hybridizing “people” and “technology.” In recent years, communication between companies and end users is diversifying, and more end users are seeking quick solutions in every channel. If the company can solve issues quickly without waste, it can reduce stress and increase satisfaction of the end users. It is the contact center that serves as the point of contact with end users. However, in the midst of hiring difficulty, the contact center is required to undergo drastic changes to secure human resources, and there is an urgent need to switch to a new operation model that utilizes AI, which is rapidly evolving.

For this reason, the company will incorporate shift systems and senior recruitment, advance mechanization of operations by using AI, etc., where possible and build a system that allows people to handle advanced tasks that are difficult to be done by AI. The idea is to reduce waste and stress of operators. The company has already started providing a solution called “BellCloud AI” which realizes the hybrid correspondence between “humans” and “AI.” In addition, the company is also considering the operation of a home-based contact center from the viewpoint of securing human resources, and its test use has already begun. For the full-scale operation, it is necessary to establish security and the education/training system. The company is intending to work on them in the next mid-term management plan.

4. Conclusions

Sales in the first half were up 4.9% year on year. Some people may be dissatisfied with this sales growth, but the company focuses on the quality of its business and places more emphasis on operating income and operating margin than sales. As part of this effort, it reviewed contracts for low-profit projects and projects with no good prospect for partnerships in the previous fiscal year. As a result, the sales growth rate in the first half has decreased by 1 to 2 points. For this reason, the actual sales growth rate is from 6 to 7%, mainly in ongoing operations. In terms of ongoing operations, synergy with ITOCHU has already grown to 11 billion yen for the full year, and synergy with Toppan Printing is also gradually being established. Toppan Printing has customer assets, sales capabilities, and infrastructure, while the company has operational capabilities of the Group, such as BellSystem 24. By combining the strengths of the two companies, the ability to make proposals has been improved. As a result, synergy with Toppan Printing is expected to grow from 650 million yen in the previous fiscal year to about 3,000 million yen in the term ending February 2020 (synergy with ITOCHU is expected to grow from 11 billion yen in the previous fiscal year to 12 billion yen).

Many customers’ opinions that are collected at contact centers is a treasure-trove for business entities. They are big data that can be used for the development of products and services, sales and promotion activities, and the formulation of management plans. It is contact centers that collect opinions. Contact centers used to be a contact point for inquiries and complaints, but now they are a “profit center” that contributes to business activities. The company intends to provide call center solutions in partnership with client companies. We look forward to the next mid-term management plan, which aims to make a further leap forward with the aim of becoming the “best CX partner.”

<Reference: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with audit and supervisory board
Directors	9 directors, including 4 outside ones
Auditors	3 auditors, including 2 outside ones

◎ Corporate Governance Report Updated on April 29, 2019

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 (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. 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 12 million yen) and decided to continuously hold it. We have not specified concrete criteria for exercising the voting rights of strategically held shares, but our basic policy is to comprehensively judge whether the synergy, which is the purpose of investment, will be exerted to the maximum degree and contribute to the improvement in value of our corporate group, discuss proposed bills, and exercise voting rights.

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

【Principle 1-7 Related party transactions】

We have stipulated the rules regarding the management of related party transactions, etc., and the standards were established that require or do not require approval by the Board of Directors depending on the scale and nature of transactions. Regardless of the approval of the Board of Directors, it is requested to approve related party transactions at the beginning of each fiscal year, and it monitors the appropriateness of transactions. At present, we do not have a parent company. However, when a parent company is established and a need to have a transaction with the parent company arises, if the judgment of the Board of Directors differs from the opinion of an external director, that opinion will be disclosed in the business report.

【Supplementary principle 4-11-3 Analysis and evaluation of the effectiveness of the entire Board of Directors】

The Board of Directors again analyzed and evaluated the effectiveness of the entire Board of Directors based on the self-evaluation of each director and each auditor through a questionnaire during this fiscal year. A summary of the results is disclosed on our website.

<https://www.bell24hd.co.jp/jp/about/detail/governance/corporategovernance/>

Based on the results of this year, we will stimulate discussions at the Board of Directors by giving detailed prior explanations of important matters more carefully, enhance discussions on management strategies and business strategies with a more conscious awareness of profitability and capital efficiency, improve reports on the status of the progress, implement effective performance monitoring based on factor analysis on competitors and business environment, appoint officers in the Nomination Committee and Compensation Committee, and work on issues recognized by paying close attention to the status and involvement of independent external officers in the process of appointment and evaluation of officers at the Nominating Committee and Compensation Committee. The Board of Auditors also evaluated the effectiveness of the Board of Auditors during this fiscal year. Three auditors (one full-time auditor and two external auditors) reviewed the effectiveness of this term to discuss, evaluate, and analyze the activities of the auditors. The results are disclosed on our website.

<https://www.bell24hd.co.jp/jp/about/detail/governance/corporategovernance/>

During this fiscal year, with the aim of making the three-party audit liaison meeting attended by the internal audit department, accounting auditors, and full-time auditors held from the previous fiscal year more effective, the current situation and issues in the three-party audit

collaboration were discussed by the three parties and possible cooperation was proactively explored. As a result, common recognition for collaboration was achieved and a certain effect was observed. In recent years, many corporate scandals have surfaced and have been reported. We are committed to further strengthening our corporate governance system in collaboration with the Board of Directors by striving to monitor and verify the risk management system more than ever, and monitoring and verifying the effectiveness of IT governance and the effectiveness of information disclosure.

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