



President Shunsuke Noda

BELLSYSTEM24 Holdings, Inc. (6183)



Company Information

Exchange	TSE 1st Section
Industry	Service business
President	Shunsuke Noda
Address	1-1 Toranomom 4-chome, Minato-ku, Tokyo
Year-end	February
Homepage	https://www.bell24.co.jp/en/index.html

Stock Information

Share Price	Number of shares issued (excluding treasury shares)		Total market cap	ROE Act.	Trading Unit
¥1,630	73,653,107 shares		¥120,054 million	14.2%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥48.00	2.9%	¥105.90	15.4x	¥722.69	2.3x

*The share price is the closing price on May 28 . All figures are from the financial results for the fiscal year ended February 2021.

Earnings Trend (IFRS)

Fiscal Year	Sales Revenue	Operating Income	Income before Income Taxes	Net Income	EPS	DPS
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 Act.	126,663	11,105	10,534	7,006	95.29	42.00
February 2021 Act.	135,735	11,799	11,305	7,252	98.64	42.00
February 2022 Est.	139,000	12,200	11,869	7,800	105.90	48.00

* 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 overviews the business performance for the Fiscal Year ended February 2021 and others for BELLSYSTEM24 Holdings, Inc.

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Key Points

- The sales revenue for the term ended February 2021 was 135,735 million yen, up 7.2% year on year. Spot operations increased considerably, thanks to the receipt of large-scale orders related to the novel coronavirus. Continuing operations grew steadily, although the receipt of new orders was delayed. Operating income was 11,799 million yen, up 6.3% year on year. The sales growth offset the upfront investment and the augmentation of SG&A expenses in the CRM business. Both sales and profit exceeded the estimates.
- The sales revenue for the term ending February 2022 is estimated to be 139 billion yen, up 2.4% year on year. Spot operations will decrease, but continuing operations will grow, due to the healthy demand for outsourcing for BCPs, non-face-to-face transactions, etc. In the first half of the previous term, resources were allocated to spot operations related to the novel coronavirus, but in the second half, a new section for increasing clients was established, and the number of orders received is increasing. Operating income is projected to rise 3.4% year on year to 12.2 billion yen. Continuing operations will grow stably through the enhancement of new initiatives, etc. Strategic and upfront investments will augment due to the promotion of DX such as adopting the technologies for data analysis, security fortification, and voice recognition, but operating income is expected to increase, due to the rebound from the impairment loss in the previous term. The dividend is to be 48.00 yen/share, up 6.00 yen/share from the previous term. The estimated payout ratio is 45.3%.
- The company established a joint venture with Toppan Printing to offer BPO services for supporting enterprises in DX, and cooperates with ITOCHU and BrainPad in creating new services. Such alliances are noteworthy. The company plans to change its logo for the purpose of disseminating their evolution from an enterprise that operates contact centers to an enterprise that offers solutions for mainly the operation of contact centers, inside and outside of the company. We are keenly interested in the progress of various initiatives for utilizing huge amounts of data collected by their 30,000 operators, which is the forte of the company.
- The forecast for this term calling for a 2.4% increase in sales and a 3.4% rise in operating income seems insufficient, considering their average growth rate in the past five years (5.7% for sales revenue and 9.6% for operating income), but we would like to expect that they will grow sales and profit, based on the achievements in the previous term, in which they met needs from enterprises while increasing the satisfaction level of communicators amid the coronavirus pandemic.

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: 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 – HOA SAO (capital contribution ratio: 49%), which engages in the contact center business in Vietnam, True Touch Co., Ltd., in Thailand, (capital contribution ratio: 49.9%) 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 9 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

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.

Sales by segment

	FY 2/21
CRM business	134,559
Other	1,176
Consolidated sales revenue	135,735

* 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 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)

Sales by business industry

	FY 2/21	Composition ratio
Broadcasting/Publishing/Information services	342.4	27.6%
Transport/Communications	307.0	24.7%
Commerce (retail/wholesale)	199.0	16.0%
Finance	213.5	17.2%

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Manufacturing	114.7	9.2%
Electricity, gas, water, etc.	31.2	2.5%
Other	33.0	2.7%
Total	1,240.8	100.0%

* Unit: 100 million yen.

* For the top 300 companies with respect to the sales revenue of the CRM business.

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.

2. Fiscal Year ended February 2021 Earnings Results

2-1 Consolidated Earnings

	FY 2/20	Ratio to sales	FY 2/21	Ratio to sales	YoY	Ratio to the Estimates
Sales revenue	126,663	100.0%	135,735	100.0%	+7.2%	+2.8%
Gross profit	24,996	19.7%	27,441	20.2%	+9.8%	-
SG&A expenses	13,754	10.9%	14,930	11.0%	+8.6%	-
Operating income	11,105	8.8%	11,799	8.7%	+6.3%	+2.6%
Income before Income Taxes	10,534	8.3%	11,305	8.3%	+7.3%	+2.3%
Net income	7,006	5.5%	7,252	5.3%	+3.5%	+0.7%

*Unit: million yen

Sales and profit grew, exceeding the estimates.

The sales revenue for the term ended February 2021 was 135,735 million yen, up 7.2% year on year. Spot operations increased considerably, thanks to the receipt of large-scale orders related to the novel coronavirus. Continuing operations grew steadily, although the receipt of new orders was delayed. Operating income was 11,799 million yen, up 6.3% year on year. The sales growth offset the upfront investment and the augmentation of SG&A expenses in the CRM business. Both sales and profit exceeded the estimates.

2-2 Sales revenue /Operating income by segment

	FY 2/20	Ratio to sales	FY 2/21	Ratio to sales	YoY
Sales revenue	126,663	100.0%	135,735	100.0%	+7.2%
CRM business	125,142	98.8%	134,559	99.1%	+7.5%
└Continuing Operations	114,597	91.6%	117,106	87.0%	+2.2%
└Spot Operations	10,545	8.4%	17,453	13.0%	+65.5%
Other Businesses	1,521	1.2%	1,176	0.9%	-22.7%
Operating Income	11,105	8.8%	11,799	8.7%	+6.3%
CRM business	10,978	8.8%	12,367	9.2%	+12.7%
Other Businesses	127	8.3%	-568	-	-

*Unit: million yen. The ratio to sales of operating income means operating income margin.

The ratios to sales of continuing and spot operations mean the ratio to the sales revenue of the CRM business.

(1)CRM business

Despite the impact of the spread of the novel coronavirus, the spot demand for CRM as social infrastructure and sales of existing continuous transactions that began in the previous term grew, and the synergetic transactions were healthy thanks to the enhanced cooperation with ITOCHU and Toppan Printing. Profit rose, as personnel costs augmented due to the policy of equal pay for equal jobs, but sales grew and efforts for improving earnings paid off.

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**Trend of large clients**

	FY 2/16	FY 2/17	FY 2/18	FY 2/19	FY 2/20	FY 2/21
Sales revenue	457	532	588	617	666	678
No. of clients	31	37	38	40	43	42

*Unit: billion yen.

The number of clients whose annual sales revenue exceeds 500 million yen in continuing operations decreased from the previous term, but sales revenue grew.

ITOCHU Synergy

	FY 2/18	FY 2/19	FY 2/20	FY 2/21
Sales revenue	97.6	110.4	131.7	144.5

*Unit: billion yen. Spot operations are included.

Sales revenue increased 9.7% from the previous term.

Trend by Industry

	FY 2/21	YoY
Broadcasting/Publishing/Information services	342.4	+18.4%
Transport/Communications	307.0	+10.0%
Commerce (retail/wholesale)	199.0	-6.0%
Finance	213.5	+5.9%
Manufacturing	114.7	+11.7%
Electricity, gas, water, etc.	31.2	+36.2%
Other	33.0	-0.9%
Total	1,240.8	+8.8%

*Unit: billion yen. Top 300 companies contributing to the sales revenue of the CRM business are considered

The sales of information and communications services significantly increased.

◎Other businesses

Sales dropped, as the CSO business, which was included in other businesses in the previous term, was transferred and the revenue from contents sale declined.

Regarding the goodwill belonging to Pocke Inc., which is their consolidated subsidiary, an impairment test was conducted, and the company posted an impairment loss of 854 million yen.

2-3 Financial condition and Cash Flow (CF)**Financial condition**

	Feb. 20	Feb. 21	Increase/ decrease		Feb. 20	Feb.21	Increase/ decrease
Current assets	26,957	26,381	-576	Current liabilities	37,958	48,952	+10,994
Cash and deposits	7,767	5,518	-2,249	Trade debt	6,144	6,141	-3
Trade Receivables	17,967	19,644	+1,677	Loans payable	10,436	20,235	+9,799
Noncurrent assets	141,551	146,507	+4,956	Noncurrent liabilities	81,013	70,426	-10,587
Tangible assets	32,674	37,284	+4,610	Long-term loans payable	57,742	42,907	-14,835
Goodwill	96,250	95,396	-854	Total liabilities	118,971	119,378	+407
Total assets	168,508	172,888	+4,380	Total capital	49,537	53,510	+3,973

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Equity capital	49,168	53,113	+3,945
Total loans payable	68,178	63,142	-5,036

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

	Feb. 17	Feb. 18	Feb. 19	Feb. 20	Feb. 21
Net interest-bearing liabilities	726	711	650	604	576
Net D/E ratio	1.80	1.63	1.42	1.23	1.09
Equity ratio	28.9%	30.5%	32.7%	29.2%	30.7%

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

Total assets increased 4,380 million yen from the end of the previous term, due to the growth of tangible assets. Total liabilities augmented 407 million yen from the end of the previous term. Total capital rose 3,973 million yen from the end of the previous term, due to the increase in retained earnings, etc. Net interest-bearing liabilities declined, and net D/E ratio improved continuously.

Cash Flow

	FY 2/20	FY 2/21	Increase/decrease
Operating Cash Flow	16,717	14,886	-1,831
Investing Cash Flow	-3,213	-3,177	36
Free Cash Flow	13,504	11,709	-1,795
Financing Cash Flow	-11,799	-13,955	-2,156
Cash and Equivalents at Term End	7,767	5,518	-2,249

*Unit: million yen

The surpluses of operating CF and free CF shrank, due to the expansion of the increment in trade receivables.

The deficit of financing CF expanded, due to the decrease in short-term and long-term debts.

The cash position declined.

2-4 Major topics

① Established a new company specializing in BPO for supporting DX with Toppan Printing

In May 2020, the company founded TB Next Communications Co., Ltd., which specializes in the BPO field for helping enterprises proceed with DX, as a joint venture with Toppan Printing.

Capital contribution ratio is 51% for Toppan Printing and 49% for BELLSYSTEM24 Holdings.

Toppan Printing and BELLSYSTEM24 formed capital and business alliances in November 2017, and have cooperated while utilizing the strengths of the two companies in the BPO field, producing good results.

On the other hand, companies are reforming workstyles and suffering from the shortage of manpower due to the decline in the productive-age population, so the market environment surrounding BPO demands the shift from the conventional labor-intensive BPO services (in which manpower accounts for a large portion) to the knowledge-intensive BPO services (which utilize knowledge and the latest technologies, such as AI and IoT).

By establishing this new company, they will differentiate their services from those of competitors based on the advanced security infrastructure of Toppan Printing, increased business opportunities based on their broad network, utilization of their capability of designing business operations, and incorporation of the knowledge of BELLSYSTEM24 that has been accumulated for over 30 years through the operation of contact centers, to swiftly respond to the above social issues and offer next-generation BPO services.

The new company aims to achieve sales of around 10 billion yen.

② Released a service specializing in the operation of contact centers based on their original artificial intelligence (AI) technology

In July 2020, the company established the Innovation & Communication Science Institute for the purpose of developing a next-generation contact center, fusing people and new technologies in cooperation with Sony Computer Science Laboratories, Inc.

Based on their original AI-based search engine, Mopas™, and the AI knowledge maintenance function, Knowledge Creator™, the company released a new AI service specializing in the operations at contact centers for streamlining and reducing the tasks of dealing with inquiries by email.

③ Concluded a business alliance contract with a subsidiary of Chunghwa Telecom Co., Ltd., which is the largest general communications company in Taiwan, to establish a branch in Taiwan

In February 2020, the company signed a business alliance contract with HongHwa International Corporation, which conducts the contact center business and a 100% subsidiary of Chunghwa Telecom Co., Ltd., which is the largest general communications company in Taiwan, to operate contact centers in the Taiwanese market. Based on this business alliance contract, the company established a Taiwanese branch of the subsidiary BELLSYSTEM24 while utilizing the technology of HongHwa International and enlisting their cooperation and support in business in Taiwan.

Based on the Taiwanese branch, the company aims to cultivate and expand the contact center outsourcing market in Taiwan for Japanese and local enterprises, including mail-order enterprises, by taking full advantage of HongHwa International's knowledge of customer support and information/communications services of the Chunghwa Telecom. Following Vietnam and Thailand, the company has launched business in the third foreign country.

④ To create new services for supporting DX in the marketing field in cooperation with ITOCHU and BrainPad

In April 2021, ITOCHU Corporation, BELLSYSTEM24 Holdings Inc., and BrainPad Inc. reached an agreement to cooperate in creating new services for supporting enterprises in DX in the marketing field.

【Assumed Contents of New Services】

<Based on data, the company aims to improve customer experience>

1. To develop a system for adding value to the voices of citizens (citizens' insight) by combining the dialogue data, including qualitative information unique to end users, such as their hobbies and preferences, obtained at contact centers, and digital contact data, including the website browsing information and click records, and support the marketing actions of client enterprises while covering the contact points with citizens.

2. To develop services of annotation, data cleansing, and processing of unstructured data, such as voices and images, for utilizing data. As data for grasping the complicated needs from citizens, digital data, such as behavioral data on websites, typically SNS, and huge amounts of unstructured data (with no structural definition, such as voices, images, and videos), such as dialogue data including qualitative information unique to end users, including their hobbies and preferences, accumulated at contact centers, attract attention. On the other hand, unstructured data are undeveloped for DX in most enterprises, so there are growing needs for organizing and real-time analyzing/utilizing data, so the company will try to meet such needs.

3. Fiscal Year ending February 2022 Earnings Forecasts

3-1 Consolidated Earnings forecast

	FY 2/21	Ratio to sales	FY 2/22 (Est)	Ratio to sales	YoY
Sales revenue	135,735	100.0%	139,000	100.0%	+2.4%
Operating income	11,799	8.7%	12,200	8.8%	+3.4%
Income before Income Taxes	11,305	8.3%	11,869	8.5%	+5.0%
Net income	7,252	5.3%	7,800	5.6%	+7.6%

*Unit: million yen.

Forecast increase in sales and profit

The sales revenue for the term ending February 2022 is estimated to be 139 billion yen, up 2.4% year on year. Spot operations will decrease, but continuing operations will grow, due to the healthy demand for outsourcing for BCPs, non-face-to-face transactions, etc. In the first half of the previous term, resources were allocated to spot operations related to the novel coronavirus, but in the second half, a new section for increasing clients was established, and the number of orders received is increasing. Operating income is projected to rise 3.4% year on year to 12.2 billion yen. Continuing operations will grow stably through the enhancement of new initiatives, etc.

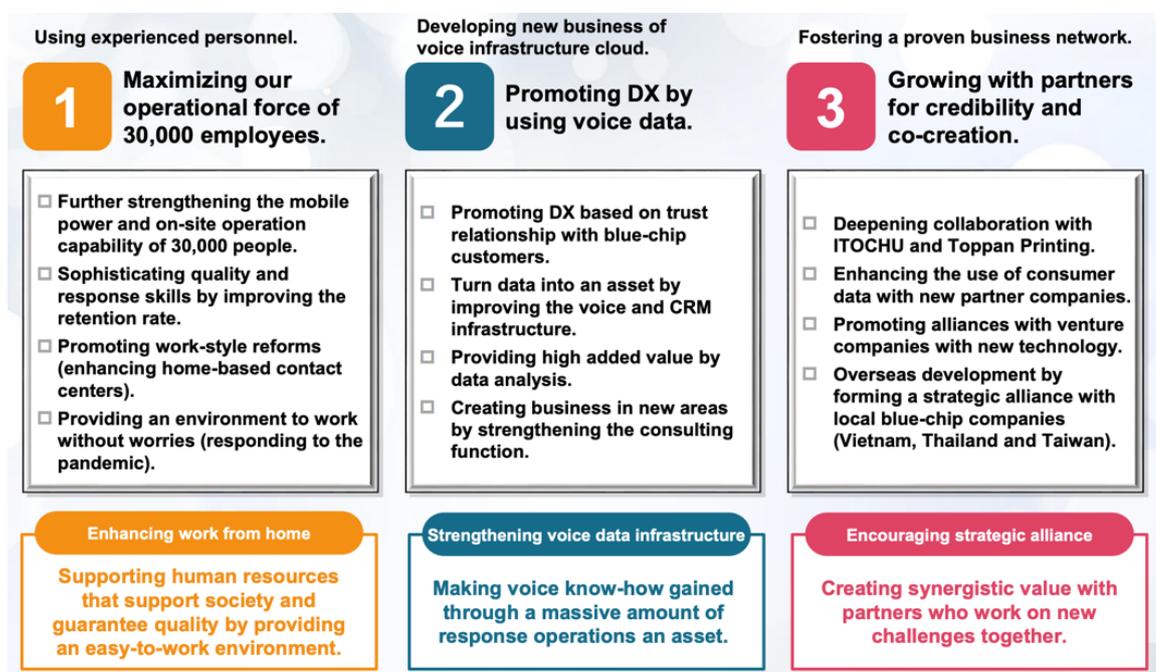
Strategic and upfront investments will augment due to the promotion of DX such as adopting the technologies for data analysis, security fortification, and voice recognition, but operating income is expected to increase, due to the rebound from the impairment loss in the previous term. The dividend is to be 48.00 yen/share, up 6.00 yen/share from the previous term. The estimated payout ratio is 45.3%.

Sales by segment

	FY 2/21	FY 2/22 (Est)	YoY
Sales revenue	1357.4	1390.0	+32.6
CRM business	1345.6	1377.0	+31.4
continuing operations	1171.1	1247.0	+75.9
spot operations	174.5	130.0	-44.5
Other	11.8	13.0	+1.2

*Unit: billion yen. Developed by Investment Bridge Co., Ltd. based on the Company data.

4. Progress of Mid-Term Management Plan 2022 (FY 2/21 to FY 2/23)



(From the company's materials)

Three priority measures are stated as the pillars of the mid-term management plan: (1) Maximization of the performance of 30,000 employees (workforce strengthening), (2) DX promotion utilizing voice data, and (3) growth of partnerships based on trust and co-creation (cooperation with partners).

Examples of the progress of each measure are as follows.

4-1 Maximization of the performance of 30,000 employees

The company aims to increase the number of contact center seats from 1,300 as of the end of February 2021 to 2,400 and some more by the end of February 2022.

Until the term ended February 2020, the company focused on securing advantages in regard to recruitment, but being affected by the coronavirus crisis and from the viewpoint of BCP as well, the company is thinking that resilience is vital to avoid closing contact centers in any kind of situation, and is implementing corresponding initiatives.

Example 1: In-home contact centers

A client company had to increase the number of communicators 1.5 times in a short period of time to deal with the release of a new

model of video game console.

Regarding this demand, the company newly recruited 60 communicators dedicated to in-home work by utilizing its call center infrastructure, Bell@Home, and thus realized a 1.5-fold increase in a short period of time. In addition, it managed to construct a system allowing for dealing with the minimum number of inquiries in case the centers are closed down due to the pandemic.

Example 2: New-normal workstyle

In addition to avoiding face-to-face contact through the office layout and paying out allowances for in-home work, the company developed the same environment in home and at the centers.

As a result of creating an environment that allows for work without worries, no significant problems concerning communication arose and more than 70% of communicators responded that this encourages them to keep working at the company.

Example 3: Complete shift to in-home work

Shifting all processes including application, interview, training, and actual work to telework regarding a certain matter resulted in 100 new recruitments.

In addition, in comparison with regular office work recruitment, applications for in-home positions increased 2.5 times. Accordingly, the company once again recognized the importance of relieving anxiety toward the coronavirus crisis. It also became clear that a great number of young people in their twenties and thirties tend to apply for such positions.

4-2 DX promotion utilizing voice data

To implement DX promotion utilizing voice data, the company will utilize a cloud voice infrastructure, BellCloud+, and voice recognition solution infrastructure, AmiVoice. It is aiming for installation in 7,000 seats in the next fiscal year.

As for services aimed at client enterprises, the company will provide added values such as the expansion of chatbots, constant analysis of the voices of consumers, and FAQ improvement. In addition, it will support business at the center sites through a real-time Pop-Up function of FAQs, reduction of manhours for quality checks, retirement detection, and stress detection.

A press release concerning this initiative was issued in April 2021. The company will go on to pitch the initiative of voice data utilization even more proactively through press releases etc. to increase transactions.

Example 1: Utilization of voice data

The company proposed and realized the visualization and analysis of VOC (voice data) and corresponding website renewal to a client enterprise seeking to acquire new users. As a result, the acquisition rate of new users rose by 13% from the previous state.

This is an example of the company being able to analyze quantitative data from various aspects, draw an effective hypothesis, and reflect it on the measures because it understood the business and listened to the voice of the client enterprise on a daily basis.

Example 2: Support for in-house work

As a result of supporting communicators with the company's AI chatbot Suzune, (referring to personnel and labor Q&A, information transmission, survey implementation, referring to salary and remaining paid vacations, and condition checks), sufficient communication was possible even during the coronavirus crisis with a registration rate of 89%, a rate of covering FAQs of 90%, and a correct answer rate of 94%, due to which the company was able to recognize that the chatbot is a vital communication instrument during the coronavirus crisis.

In addition, the company automatically produced data on the attendance status of each organization or individual, which had been managed and deployed at each office, in a unified format by utilizing the visual analysis platform, Tableau. As a result, it streamlined the business operations of administrators, including the improvement in precision of attendance analysis, the reduction in person-hours, and the improvement in the attendance status.

4-3 Growth of partnerships based on trust and joint creation (cooperation with partners)

The company will further elevate cooperation with strong partner enterprises such as ITOCHU and Toppan Printing.

They will take full advantage of the client infrastructure and business infrastructure, marketing capability, information related to new technologies, international networks, etc. at the disposal of ITOCHU and Toppan Printing.

In the previous term, a Taiwanese branch was also established. Alliance with enterprises abroad also progressed.

5. Conclusions

The company established a joint venture with Toppan Printing to offer BPO services for supporting enterprises in DX, and cooperates with ITOCHU and BrainPad in creating new services. Such alliances are noteworthy. The company plans to change its logo for the purpose of disseminating their evolution from an enterprise that operates contact centers to an enterprise that offers solutions for mainly the operation of contact centers, inside and outside of the company. We are keenly interested in the progress of various initiatives for utilizing huge amounts of data collected by their 30,000 operators, which is the forte of the company.

The forecast for this term calling for a 2.4% increase in sales and a 3.4% rise in operating income seems insufficient, considering their average growth rate in the past five years (5.7% for sales revenue and 9.6% for operating income), but we would like to expect that they will grow sales and profit, based on the achievements in the previous term, in which they met the needs from enterprises while increasing the satisfaction level of communicators amid the coronavirus pandemic.

<Reference 1: Mid-Term Management Plan 2022 (FY2/21~FY2/23)>

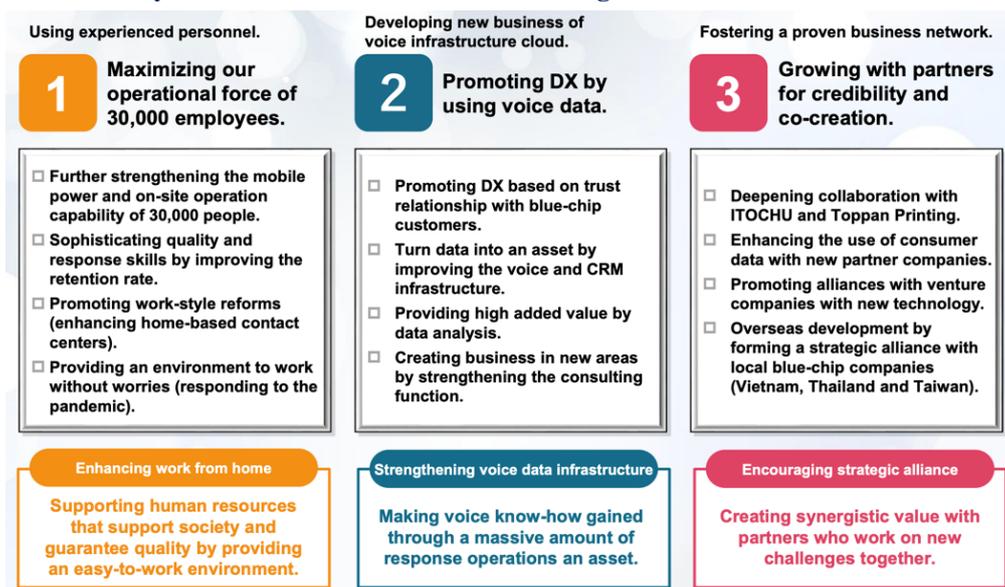
Environmental Change Estimated in the Mid-term Management Plan

The current coronavirus crisis is bringing significant changes to daily life and the market is also changing greatly in reaction to this. Specifically, the decrease in face-to-face contact and the rise of online systems will lead to the accumulation of daily actions in the form of data, and from now on the success or failure of enterprises will be determined by how they can utilize this data. In this situation, the company will be expected to establish a new contact center with importance placed on BCP, utilize the data from consumers and become a true best partner who makes it possible to create a new business model along with the client who is not a mere outsourcer.

Concept

In accordance with its corporate philosophy “To support social affluence with innovation and communication”, the company supports social infrastructure, such as medical and elderly care, electricity, gas and water supply, politics and government, finance and insurance, telecommunications and mobile services, and food products and daily supplies. As going out was difficult in the coronavirus crisis, online communication with enterprises and individuals arose. The contact center, supporting an important part of the back office of those communications, was able to boost its performance and the company recognized once again that the contact center operations are indispensable. The company aims to assume the role of receiving the voices of worries and anxieties from consumers who use social infrastructure.

Three Priority Measures of the New Mid-term Management Plan



(From the company's materials)

Three priority measures stated as the pillars of the mid-term management plan are, (1) maximization of competence of 30,000 employees (strengthening human resources), (2) promotion of digital transformation (DX) by utilizing voice data, and (3) growth and cooperation with partners based on trust and co-creation.

With regard to the maximization of competence of 30,000 employees, the company will boost the service quality by creating a comfortable working environment for its 30,000 operators, raising the retention rate, and increasing the number of veteran employees. Furthermore, the company will make efforts to improve work efficiency by taking advantage of new technology such as AI. Until now, the company has been recruiting more communicators in response to the increase in sales, but from now on they will establish a system utilizing new technologies to efficiently carry out the work.

With regard to DX promotion by utilizing voice data, the company will develop solutions utilizing the direct opinions of consumers (voice data) which are its greatest asset. Specifically, a consulting team with extensive hands-on knowledge will discern issues among the direct opinions of consumers, prepare the optimal solution, and implement it on-site.

With regard to partner cooperation and growth, the company will further elevate the cooperation with strong partner companies such as

ITOCHU Cooperation and Toppan Printing. Furthermore, thanks to the partnership with Sony Computer Science Laboratories, Inc., the company has also started to provide AI services specialized for contact center businesses.

The company will produce results through certain and quick implementation of these three priority measures.

Three Priority Measures and Mission

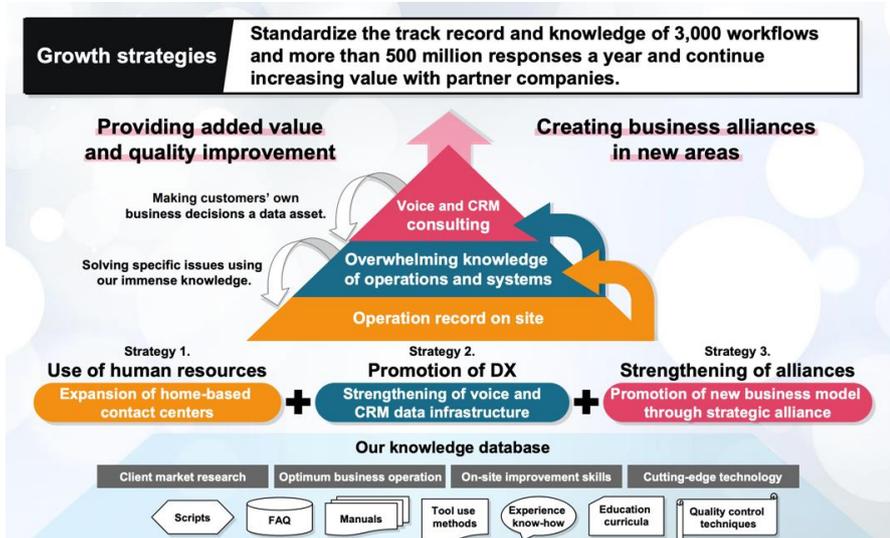


(From the company’s materials)

These three measures are not stand-alone, but closely intertwined. It seems that the promotion of the advancement of women, childcare support, LGBT initiatives, etc. in which the company has been engaged for the past several years has begun to garner critical acclaim from outside. The company will continue to create a comfortable working environment, including in-home work, and promoting workstyle innovation in order to improve staff retention rate, develop human resources with high-level skills, and provide high quality service to client companies.

Furthermore, based on the cooperation with partner companies such as Sony Computer Science Laboratories and start-up companies, the company plans to incorporate new technologies and promote DX mainly focused on the utilization of voice data, which is the company’s forte. The company plans to present the image of a new contact center, which will fuse high-grade human resources and new technology, within the period of this mid-term management plan.

Growth Story for Quality Improvement and Business Creation

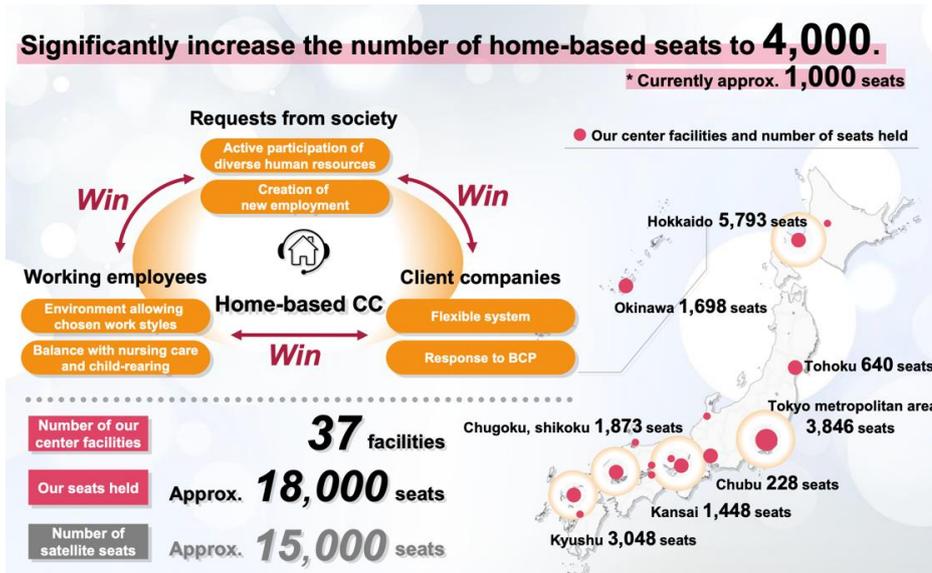


(From the company’s materials)

The company deals with 3,000 tasks and 500 million inquiries every year. From now on, it will utilize these as its original knowledge database. Furthermore, the company will aim for differentiation through spot operations which cannot be imitated by consulting companies, the development and operation of the optimal contact center system, and new proposals which take marketing and other activities into consideration. During the period of this mid-term management plan, the company plans to broaden the consulting range and start creating business in new areas with client companies.

Pivotal Initiatives of the Three Measures

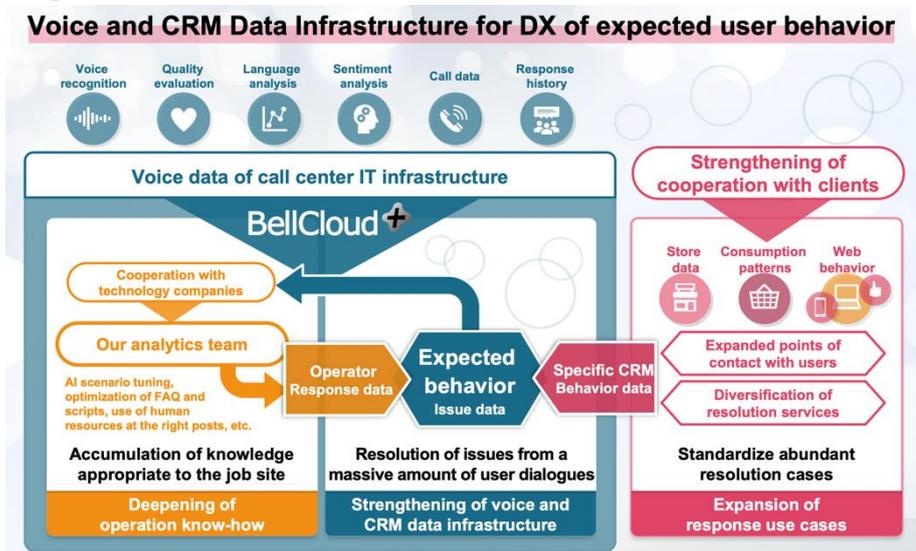
Human resources utilization: Expanding in-home contact centers



(From the company’s materials)

The company will expand the number of in-home contact center seats in operation from 1,000 to 4,000 (accounting for over 10% of the whole). Amid the coronavirus crisis, the mindset of the client companies has changed, and in-home work has been on the rise from the viewpoint of BCP, but the company had been pushing for in-home contact centers since before the outbreak of the novel coronavirus to realize diverse workstyles. The company’s policy is to continuously promote in-home work and realize diverse workstyles for diverse human resources. Based on this, the company will establish advantages for recruitment, which will lead to securing outstanding human resources and improving retention rate.

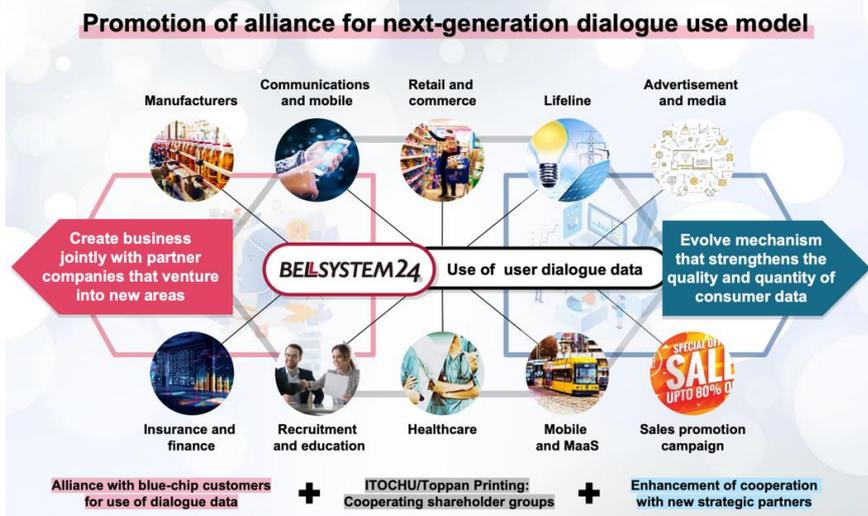
DX promotion: Fortification of voice/CRM data infrastructure



(From the company’s materials)

The company is already in the progress of developing human resources to utilize data and within the period of the new mid-term management plan, it will release comprehensive services for acquisition, utilization, analysis, and consultation of the consumers' voice data. This is data utilization in its true meaning, which could not be accomplished by conventional contact centers. Direct opinions of consumers or voice data received by the communicators are analyzed, and through consolidation with CRM data owned by the client companies, they are converted into data of expected actions required by consumers. This can be utilized to discern and grasp actual issues and solve those issues. By executing this chain process continuously at high speed and spiraling it up, the company aims for newer and advanced cooperation with client companies.

Alliance solidification: Promotion of a new business model in strategic cooperation



(From the company's materials)

The company is currently making transactions with client companies from a wide range of industries and many of these are the leading companies in their respective fields. These companies consider the company to be a vital business partner who functions as the last one mile for direct contact with consumers. Client companies expect the company to establish a higher-level contact center utilizing new technology and in order to fulfil these expectations, the company will take advantage of the resources ITOCHU Cooperation and Toppan Printing have to the fullest, such as client infrastructure, business infrastructure, business power, information related to new technologies, international network, etc. Furthermore, the company will provide its data to ITOCHU Cooperation and Toppan Printing. The information acquired through utilizing these business networks will be feedbacked to client companies.

Quantitative Goals of the New Mid-term Management Plan



(From the company's materials)

The company states its target for the term ending February 2023 to be 148 billion yen for sales, 14 billion yen for operating income (operating income margin of 9.5%), 9 billion yen for income after tax, an annual rate of 5.3% for sales growth, and an annual rate of 8.7% for income growth (income after tax). As for investments, the company is planning over 10 billion yen in total in following three years, and in cases where synergy can be expected in strategic fields, it will also proactively invest in venture firms and M&A.

Initiatives Regarding Societal Challenges

People and work styles	Disparity reduction	Environmental protection
 <p>Aim to achieve by the end of FY2022</p> <ul style="list-style-type: none"> • Diversity <ul style="list-style-type: none"> - Increase in the ratio of female managers - Employment of the disabled and measures for LGBT people • Work style innovation <ul style="list-style-type: none"> - Expansion of working from home and remote working - Stronger support for work-life balance 	 <p>Aim to achieve by the end of FY2022</p> <ul style="list-style-type: none"> • Jointly create a new employment model through new efforts with NPOs and other organizations to improve the high poverty rate among children 	 <p>Aim to achieve by the end of FY2022</p> <ul style="list-style-type: none"> • Review our business from an environmental protection perspective <ul style="list-style-type: none"> - Understanding and reduction of greenhouse gases (including facility buildings and commuting) - Environmental protection in our purchase and disposal ...and more

(From the company’s materials)

Taking into the account their corporate philosophy and important issues as well as SDGs, the company will engage in activities to solve societal challenges. With regard to SDGs, the company will contribute to achieve goals under three themes, which is, (1) people and workstyle (initiatives related to Goals 5, 8 and 10 of the SDGs), (2) inequality reduction (initiatives related to Goals 1 and 17 thereof), and (3) environment protection (initiatives related to Goal 13 thereof).

<Reference 2: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with audit and supervisory board
Directors	9 directors, including 5 outside ones
Auditors	3 auditors, including 2 outside ones

◎ Corporate Governance Report Updated on May 28, 2021

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. 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 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.

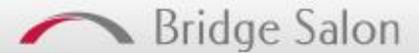
<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

[Principle 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) Directors in charge of IR will be designated, and said Directors will manage all dialogues with shareholders.
- (2) The IR division will be established under the supervision of Directors in charge of IR, and promote the appropriate exchange of information and organic cooperation among the management planning division, the accounting/financial division, and other related divisions.
- (3) In order to enrich the means of dialogues with shareholders, a session for briefing financial results will be held at the time of announcement of interim and full-year results.
- (4) Shareholders’ opinions, etc. grasped through dialogues will be reported to the Directors in charge of IR and relevant divisions, and shared with the Board of Directors when necessary.
- (5) We will conduct dialogues with shareholders pursuant to the regulations for preventing insider trading, which stipulate the prohibition of information transmission and promotion of transactions, and necessary measures for limiting the forwarding of insider information

BRIDGE REPORT



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