



President Shunsuke Noda

BELLSYSTEM24 Holdings, Inc. (6183)



Company Information

Exchange	TSE Prime Section
Industry	Service business
President	Shunsuke Noda
Address	6F Kamiyacho Trust Tower 4-1-1, Toranomom, Minato-ku, Tokyo
Year-end	February
Homepage	https://www.bell24.co.jp/en/

Stock Information

Share Price	Number of shares issued (Excluding treasury shares)		Total market cap	ROE Act.	Trading Unit
¥1,393	73,715,734 shares		102,686 million	16.0%	100 shares
DPS Est	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥60.00	4.3%	¥125.08	11.1x	¥801.91	1.7x

*The share price is the closing price on October 19. Number of shares, DPS, EPS is from the financial results for second quarter of fiscal year ending February 2023. ROE and BPS are from previous year results.

Earnings Trend (IFRS)

Fiscal Year	Sales Revenue	Operating Income	Income before Income Taxes	Net Income	EPS	DPS
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 Act.	146,479	13,234	13,463	8,943	121.65	54.00
February 2023 Est.	148,000	14,000	13,900	9,200	125.08	60.00

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

This Bridge Report overviews the business performance for Second quarter of Fiscal Year ending February 2023 and others for BELLSYSTEM24 Holdings, Inc.

Table of Contents

[Key Points](#)

[1.Company Overview](#)

[2.Second quarter of Fiscal Year ending February 2023 Earnings Results](#)

[3.Fiscal Year ending February 2023 Earnings Forecasts](#)

[4.Progress of Mid-Term Management Plan 2022 \(FY2/21~FY2/23\)](#)

[5. Conclusions](#)

[<Reference1: Mid-Term Management Plan 2022 \(FY2/21~2/23\)>](#)

[<Reference2: Regarding Corporate Governance>](#)

Key Points

- **The sales revenue in the second quarter of the term ending February 2023 was 78.2 billion yen, up 7.1 % year on year. While the sales of basic business declined in the first quarter, they increased in the second quarter due to the expansion of personnel- and education-related business, non-face-to-face-related business such as e-commerce, delivery and mail order, and cashless payment-related business. The sales of spot business related to COVID-19, mainly dealing with vaccination and financial support, grew significantly by 51.2% year on year. Operating income increased 13.6% year on year to 8.1 billion yen. While gross profit rose 7.0% year on year owing to the increase in sales, personnel costs, advertising costs and IT system costs augmented as SG&A expenses, but this increase remained small as costs for relocating the headquarters which had arisen in the previous term were no longer posted.**
- **The earnings forecast remains unchanged. For the term ending February 2023, it is expected that sales revenue will increase 1.0% year on year to 148 billion yen and operating income will rise 5.8% year on year to 14 billion yen. The reactionary decline in sales of operations related to the novel coronavirus is assumed, but sales and profit are expected to grow, thanks to the strong demand for outsourcing from clients. The company plans to pay a dividend of 60.00 yen/share, up 6.00 yen/share from the previous term. The expected payout ratio is 48.0%. The company aims to steadily increase their dividends, to achieve a payout ratio of 50%.**
- **The three priority measures stated as the pillars of the mid-term management plan – “Maximizing operational force of 30,000 employees,” “Promoting DX by using voice data,” and “Growing with partners for credibility and co-creation” – are steadily progressing.**
- **The progress rate toward the full year forecast in the first half of the year reached 52.9% for sales and 58.5% for operating income, exceeding those in the past years. Although business related to COVID-19 is expected to decrease by about 20% this term from the previous term, vaccination against the omicron variant has been started in addition to the fourth vaccination. Some forecast that the eighth infection wave will come and there is a possibility that it will boost sales and profit. We would like to pay close attention to the progress toward the targets of “sales of 148 billion yen and an operating income of 14 billion yen” this term, which is the last fiscal year of the mid-term management plan 2022. We would also like to keep our eye on what kind of vision they are going to present in the next mid-term management plan.**

1. Company Overview

The company, which is the holding company, and its 3 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 group accepted 13 temporary 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

	FY2/22
CRM business	145,460
Other	1,019
Consolidated sales revenue	146,479

* 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)

1-2 ESG

(1) Initiatives

The company engages in activities for solving social issues, while considering its corporate ethos, important missions, and ESG.

E	<ul style="list-style-type: none"> * Formulation of a Policy for Coping with Climate Change * Announcement of goals for achieving carbon neutrality
S	<ul style="list-style-type: none"> * Empowerment of women <ul style="list-style-type: none"> • To raise the ratio of female managers • Received the second-place award in the advance section at 2022 J Win Diversity Award * Initiatives for diversity <ul style="list-style-type: none"> • Opened a café operated by disabled people in a center in Fukuoka • Received the Gold award, the highest rank of PRIDE Index for evaluating LGBTQ activities, for three consecutive years * Local activities and job creation * Revised the Policy for Human Rights
G	<ul style="list-style-type: none"> * Response to the amended Corporate Governance Code (CGC), including TCFD * Strengthened human capital by evolving the business model * Revised the Basic Policy for Preventing Bribery and Corruption * Formulated Guidelines for Handling Personal Data

The company appointed directors in charge of the policy for coping with climate change, the policy for human rights, the basic policy for preventing bribery and corruption, and the guidelines for handling personal data, respectively.

Since there was no recipient of the Grand Prix of 2022 J Win Diversity Award, the second-place award winners, BELLSYSTEM24 and IBM Japan, are virtually top-ranked. The company received this award for the first time in the field of contact centers.

(2) Topics

In April 2022, the share price of the company was adopted for the first time in the calculation of FTSE Blossom Japan Sector Relative Index, a share price index of Japanese enterprises that satisfy the global standards of ESG.

FTSE Blossom Japan Sector Relative Index was established by FTSE Russell, which is a global index provider. It reflects the performance of Japanese enterprises that engage in excellent activities for the environment, society, and governance (ESG) in each sector, and it was designed to be sector neutral.

The FTSE Blossom Japan Sector Relative Index is also adopted by Government Pension Investment Fund (GPIF), which manages and invests public pension funds in Japan, for making judgments about ESG investment.

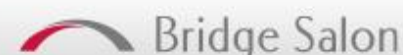
2. Second quarter of Fiscal Year ending February 2023 Earnings Results

2-1 Consolidated Earnings

	FY 2/22 2Q	Ratio to sales	FY 2/23 2Q	Ratio to sales	YoY
Sales revenue	73,110	100.0%	78,291	100.0%	+7.1%
Gross profit	15,367	21.0%	16,447	21.0%	+7.0%
SG&A expenses	8,311	11.4%	8,398	10.7%	+1.0%
Operating income	7,200	9.8%	8,183	10.5%	+13.6%
Income before Income Taxes	7,346	10.0%	7,823	10.0%	+6.5%
Quarterly net income	4,918	6.7%	5,225	6.7%	+6.2%

*Unit: million yen

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**sales and earnings increase**

The sales revenue in the second quarter of the term ending February 2023 was 78.2 billion yen, up 7.1 % year on year. While the sales of basic business declined in the first quarter, they increased in the second quarter due to the expansion of personnel- and education-related business, non-face-to-face-related business such as e-commerce, delivery and mail order, and cashless payment-related business. The sales of spot business related to COVID-19, mainly dealing with vaccination and financial support, grew significantly by 51.2% year on year.

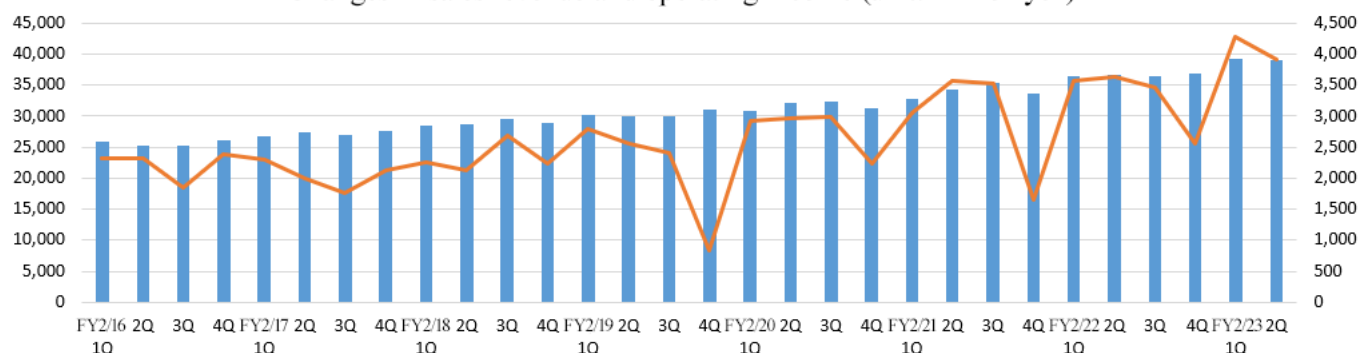
Operating income increased 13.6% year on year to 8.1 billion yen. While gross profit rose 7.0% year on year owing to the increase in sales, personnel costs, advertising costs and IT system costs augmented as SG&A expenses, but this increase remained small as costs for relocating the headquarters which had arisen in the previous term were no longer posted.

◎Revenue Breakdown

	FY 2/22 2Q	FY 2/23 2Q	YoY
Revenue	731.1	782.9	+7.1%
Fundamental business	642.5	651.9	+1.5%
Business related to COVID-19	83.5	126.2	+51.2%
Other	5.1	4.8	-5.7%

*Unit: 100 million yen.。

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

**2-2 Trends by segment**

	FY 2/22 2Q	FY 2/23 2Q	YoY
Revenue	73,110	78,291	+7.1%
CRM business	72,600	77,809	+7.2%
Other business	510	482	-5.5%
Income before Income Taxes	7,346	7,823	+6.5%
CRM business	7,185	7,712	+7.3%
Other business	161	111	-31.1%

*Unit: million yen.。

(1) CRM business

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 Inc. and Toppan Printing Inc. 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.

(2) Other businesses

The sales of contents declined.

2-3 business topics**(1) Revenue by Industry**

	FY 2/22 2Q	FY 2/23 2Q	YoY
Services	185.1	197.9	+6.9%
Transportation/Communications	169.6	168.6	-0.6%
Wholesale/Retail	97.2	96.2	-1.0%
Finance/Insurance	103.4	110.8	+7.2%
Manufacturing	78.6	101.8	+29.5%
Electricity, gas, water, etc	17.5	18.2	+4.0%
Other	14.4	20.2	+40.3%
Total	665.8	713.7	+7.2%

*Unit: 100 million yen.

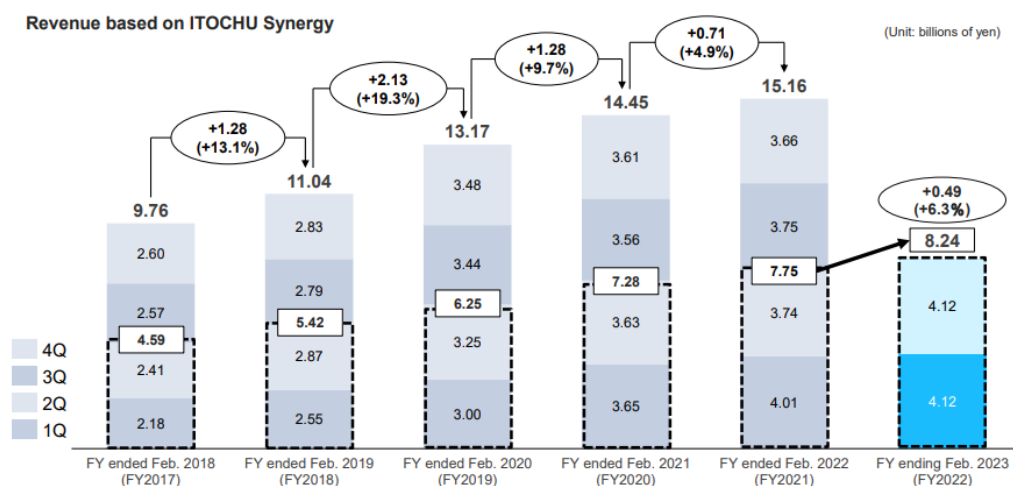
Revenue from Services increased mainly due to the expansion of personnel- and education-related business, business related to e-commerce, etc.

Revenue from Finance/Insurance rose owing to the expansion of business related to insurance, cashless payments, etc.

Revenues from Manufacturing and Other grew mainly due to the expansion of business related to COVID-19.

(2) ITOCHU Synergy

Sales increased 6.3% year on year, mainly due to the growth of cashless payment-related business and non-face-to-face-related business.



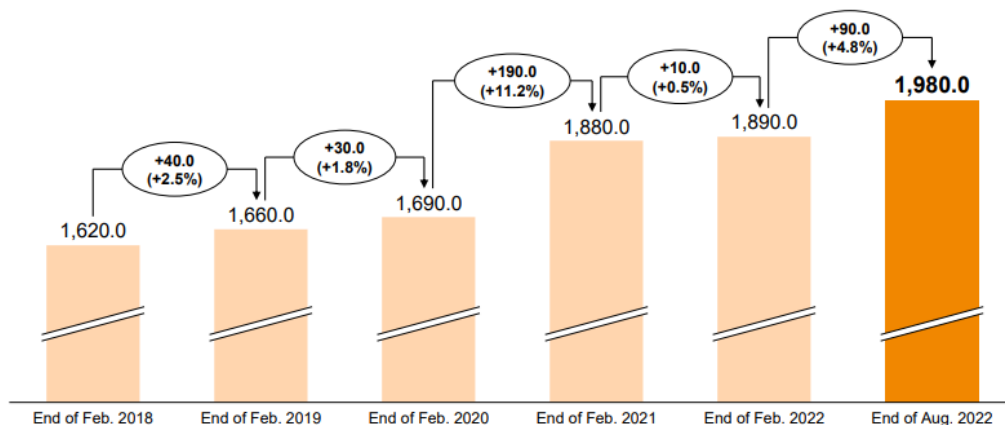
(From the company's materials)

(3) Situation concerning center booths

The company built two centers: Ikebukuro Solution Center 3 in the Greater Tokyo and Fukuoka Solution Center 6 in the Kyushu Area. The number of booths as of the end of August 2022 was 19,800, up about 900 from the end of the previous term.

While awaiting the right time to expand the fundamental business, the company plans to continue building new centers and extending existing centers to increase the number of booths.

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* The data above pertains to the number of booths for contact-center operations in our business sites in Japan. The figure does not include around 15,000 booths in clients' offices and rental offices.

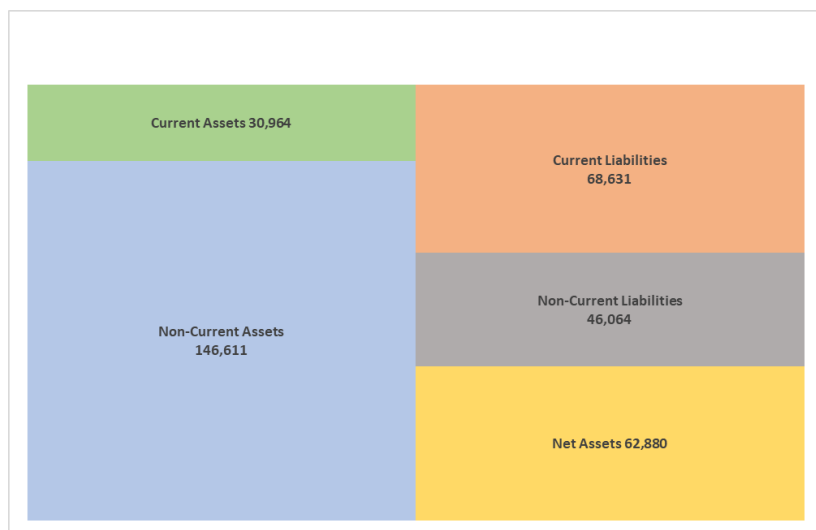
(From the company's materials)

2-4 Financial condition and Cash Flow (CF)

Financial condition

	Feb. 22	Aug. 22	Increase/ decrease		Feb. 22	Aug. 22	Increase/ decrease
Current assets	28,809	30,964	+2,155	Current liabilities	67,403	68,631	+1,228
Cash and deposits	6,196	7,958	+1,762	Trade debt	6,691	6,698	+7
Trade Receivables	21,181	21,551	+370	Loans payable	37,481	38,547	+1,066
Noncurrent assets	149,503	146,611	-2,892	Noncurrent liabilities	51,420	46,064	-5,356
Tangible assets	40,067	38,461	-1,606	Long-term loans payable	21,971	17,976	-3,995
Goodwill	94,900	94,900	-	Total liabilities	118,823	114,695	-4,128
Total assets	178,312	177,575	-737	Total capital	59,489	62,880	+3,391
				Equity capital(*)	58,986	62,303	+3,317
				Total loans payable	59,452	56,523	-2,929

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



*Prepared by Investment Bridge Inc. based on disclosed materials.

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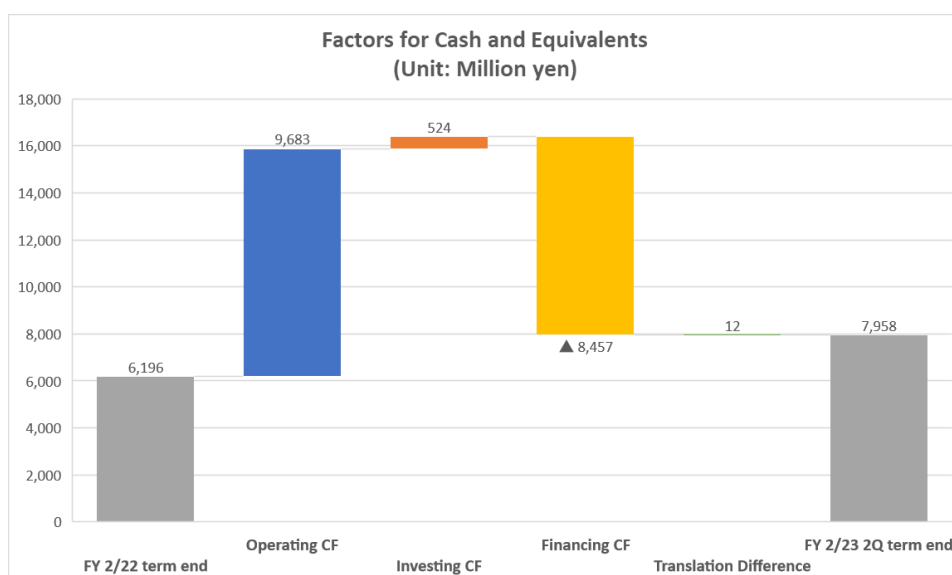


Total assets decreased 737 million yen from the end of the previous term due to an increase in cash and deposits, decrease in tangible assets, etc. Total liabilities decreased 4,128 million yen from the end of the previous term due to decrease in loans payable. Total capital increased 3,391 million yen from the end of the previous term due to an increase in retained earnings. Capital-to-asset ratio increased 2.0 points from the end of the previous term to 35.1%.

◎Cash Flow

	FY 2/22 2Q	FY 2/23 2Q	YoY
Operating Cash Flow	8,369	9,683	+1,314
Investing Cash Flow	-1,502	524	+2,026
Free Cash Flow	6,867	10,207	+3,340
Financing Cash Flow	-4,620	-8,457	-3,837
Cash and Equivalents at Term End	7,770	7,958	+188

*Unit: million yen.



*Prepared by Investment Bridge Inc. based on disclosed materials.

The increase in operating CF and free CF expanded due to an increase in net income before tax.

The cash position increased.

3. Fiscal Year ending February 2023 Earnings Forecasts

3-1 Consolidated Earnings forecast

	FY 2/22	Ratio to sales	FY 2/23 (Est)	Ratio to sales	YoY	Rate of progress
Sales revenue	146,479	100.0%	148,000	100.0%	+1.0%	52.9%
Operating income	13,234	9.0%	14,000	9.5%	+5.8%	58.5%
Income before Income Taxes	13,463	9.2%	13,900	9.4%	+3.2%	56.3%
Net income	8,943	6.1%	9,200	6.2%	+2.9%	56.8%

*Unit: million yen.

The earnings forecast remains unchanged, forecasted increase in sales and profit

The earnings forecast remains unchanged. For the term ending February 2023, it is expected that sales revenue will increase 1.0% year on year to 148 billion yen and operating income will rise 5.8% year on year to 14 billion yen.

The reactionary decline in sales of operations related to the novel coronavirus is assumed, but sales and profit are expected to grow, thanks to the strong demand for outsourcing from clients.

The company plans to pay a dividend of 60.00 yen/share, up 6.00 yen/share from the previous term. The expected payout ratio is 48.0%. The company aims to steadily increase their dividends, to achieve a payout ratio of 50%.

◎Revenue Breakdown

	FY 2/22	FY 2/23 Est.	YoY	Rate of progress
Revenue	1,464.8	1,480.0	+1.0%	52.9%
Fundamental business	1,279.2	1,331.0	+4.1%	49.0%
Business related to COVID-19	175.4	140.0	-20.2%	90.1%

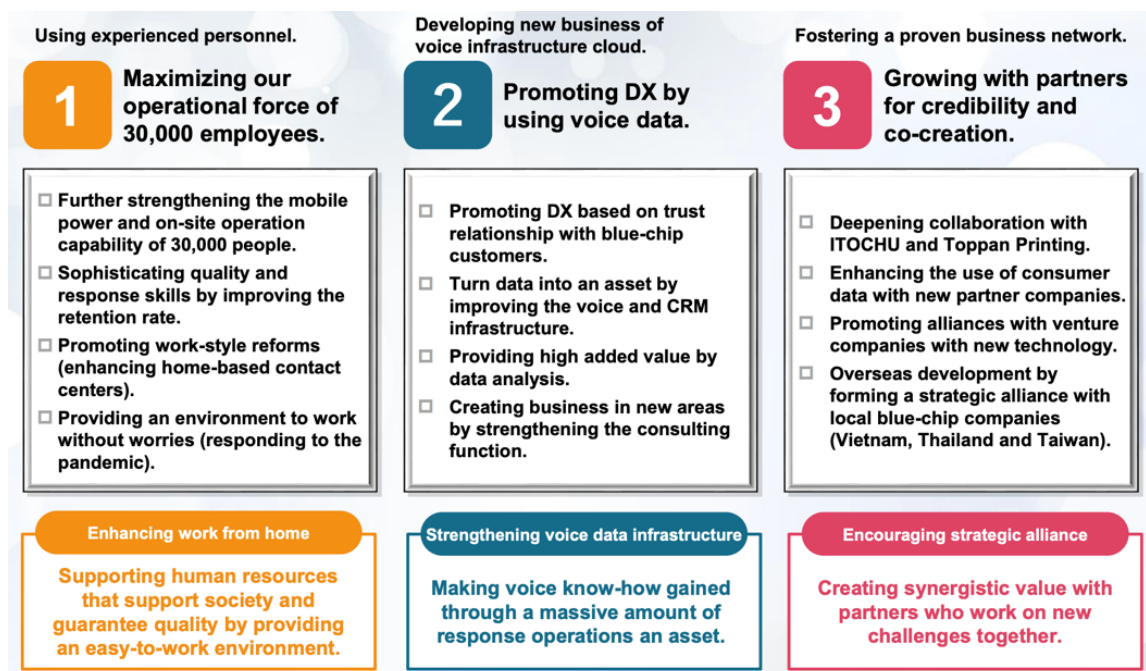
*Unit: 100 million yen.

Since many of conventional spot operations are continuous, so they decided to lump conventional continuing operations and ordinary spot operations into the same category called “basic operations.”

The sales of basic operations are projected to increase steadily, thanks to the growth of demand through the energization of corporate activities in parallel with the progress of anti-pandemic measures, the resumption of campaigns, etc.

On the other hand, the sales of operations related to the novel coronavirus are forecast to decline due to the recoil from the performance in the previous term. However, the progress toward the forecast for the whole fiscal year reaches a high level.

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



Using experienced personnel.

1 Maximizing our operational force of 30,000 employees.

- Further strengthening the mobile power and on-site operation capability of 30,000 people.
- Sophisticating quality and response skills by improving the retention rate.
- Promoting work-style reforms (enhancing home-based contact centers).
- Providing an environment to work without worries (responding to the pandemic).

Enhancing work from home

Supporting human resources that support society and guarantee quality by providing an easy-to-work environment.

Developing new business of voice infrastructure cloud.

2 Promoting DX by using voice data.

- Promoting DX based on trust relationship with blue-chip customers.
- Turn data into an asset by improving the voice and CRM infrastructure.
- Providing high added value by data analysis.
- Creating business in new areas by strengthening the consulting function.

Strengthening voice data infrastructure

Making voice know-how gained through a massive amount of response operations an asset.

Fostering a proven business network.

3 Growing with partners for credibility and co-creation.

- Deepening collaboration with ITOCHU and Toppan Printing.
- Enhancing the use of consumer data with new partner companies.
- Promoting alliances with venture companies with new technology.
- Overseas development by forming a strategic alliance with local blue-chip companies (Vietnam, Thailand and Taiwan).

Encouraging strategic alliance

Creating synergistic value with partners who work on new challenges together.

(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 Progress of priority measures

(1) Maximization of the performance of 30,000 employees

The company concentrates on the expansion of home-based contact centers, to support the BCP of client enterprises, improve the company's profitability, increase job applications from young people, retain young employees, and reduce the costs of rents for contact centers.

The company realized completely online recruitment processes, including aptitude tests, job interviews, employment procedures, and training. As a result, it succeeded in enhancing its recruitment capability, increasing job applicants, holding job interviews, and conducting recruitment in a broader range of regions.

While pursuing the improvement in employee engagement as a priority measure, the company holds a company-wide survey on employee engagement, and is renovating lounges for employees around Japan one after another.

The number of home-based contact center booths increased from 1300 at the end of February 2021 to over 2300 at the end of February 2022. The company is planning to increase the number of booths to 4000 by the end of this term and to over 5000 in the next fiscal year or later.

(2) DX promotion utilizing voice data

To realize DX promotion utilizing voice data, the company will utilize voice recognition as an OS in all operations by using the cloud voice base BellCloud + and the voice recognition solution base AmiVoice.

They will adopt "AmiVoice," which contributes to quality improvement, streamlining and profitability elevation and also enables "the detection of retirement" by analyzing emotions, in a wide variety of occupations and business.

The company plans to expand the number of centers booth equipped with the equipment for voice recognition to 7000 by the end of this term (the end of February 2023) and to over 10,000 in the next fiscal year or later.

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

The company will further elevate domestic and international cooperation with strong partner.

They are proactively engaging in collaboration with not only enterprises, but also municipalities.

① Comprehensive business tie-up with Shimane Prefectural Government for building a sustainable society

In July 2022, the company concluded an agreement concerning a comprehensive business alliance with Shimane Prefecture, aiming to create sustainable towns through initiatives for creating appealing employment opportunities by supporting the sophistication of the IT industry in the prefecture, etc.

They will exchange technologies and organize seminars and study sessions with IT companies in the prefecture, and through such activities they will forge ahead with initiatives to expand new domains of the IT industry, such as joint research into the metaverse and collaborative business arrangements. Moreover, they will engage in a wide variety of activities for solving local challenges such as providing work opportunities for the disabled based on the employment support and sports promotion support, and supporting the expansion of sales channels for selling prefectural products. The company will also newly set up a DX development team in their Matsue Solution Center as a potential workplace for young people and cooperate with higher educational institutions in the prefecture to accept interns, etc.

② Online seminar on How to Start Working from Home jointly held with Asahikawa City Government to facilitate work from home

In March 2022, Asahikawa City and Asahikawa Council for Local Industry Revitalization jointly organized a free online seminar for job seekers, "How to start working from home."

Taking into consideration the characteristics of the region (such as commuting by car when it is snowing), the company will promote the popularization of working from home, which allows one to feel at ease working, alongside making steps to secure human resources for home-based contact centers.

4-2 ESG initiatives

(1) Upgraded from “BBB” to “A” in MSCI ESG rating

In October 2022, the rank of the company in the representative ESG rating, “MSCI ESG rating,” was upgraded from “BBB” to “A.” In the MSCI ESG rating, MSCI Inc. analyzes the initiatives concerning the environment, society and governance and risk management capability of over 8,500 companies in the whole world and evaluates them using seven ranks, from the highest rank of AAA to the lowest rank of CCC.

(2) Starting support for the Women’s Empowerment Principles (WEPs)

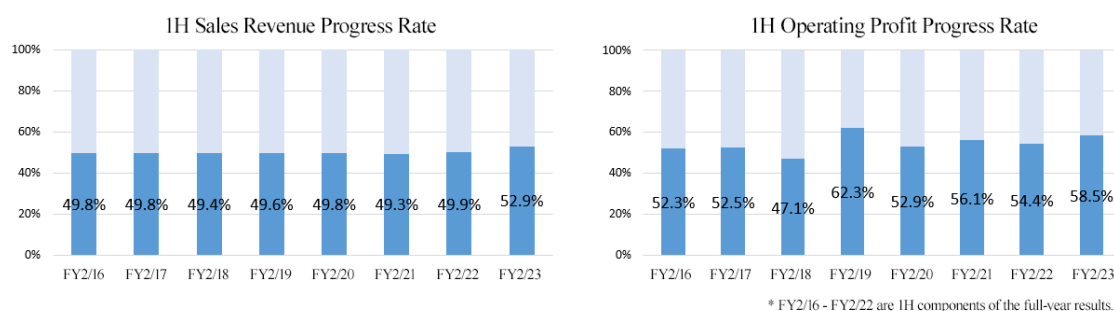
In October 2022, the company made a signature to express their endorsement of the “Women Empowerment Principles (WEPs),” a set of principles for proactive engagement in promoting the advancement of women, and was approved as a participating company in September 2022.

WEPs are a set of principles for enterprises to position gender equality in the core of their management and make independent endeavors to accomplish it. They were formulated in 2013 by the United Nations Global Compact and the UN Women entity, aiming for the elevation of the economic and social value of the enterprises while achieving gender equality indispensable for sustainable and inclusive economic growth.

In order to realize their corporate philosophy of “supporting social affluence with innovation and communication,” the company treats “the diversity of human resources and workstyles” including the advancement of women as the most important challenge in terms of management and arranges an environment which allows staff with diverse backgrounds to fully demonstrate their strengths.

5. Conclusions

The progress rate toward the full year forecast in the first half of the year reached 52.9% for sales and 58.5% for operating income, exceeding those in the past years. Although business related to COVID-19 is expected to decrease by about 20% this term from the previous term, vaccination against the omicron variant has been started in addition to the fourth vaccination. Some forecast that the eighth infection wave will come and there is a possibility that it will boost sales and profit. We would like to pay close attention to the progress toward the targets of “sales of 148 billion yen and an operating income of 14 billion yen” this term, which is the last fiscal year of the mid-term management plan 2022. We would also like to keep our eye on what kind of vision they are going to present in the next mid-term management plan.



<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 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

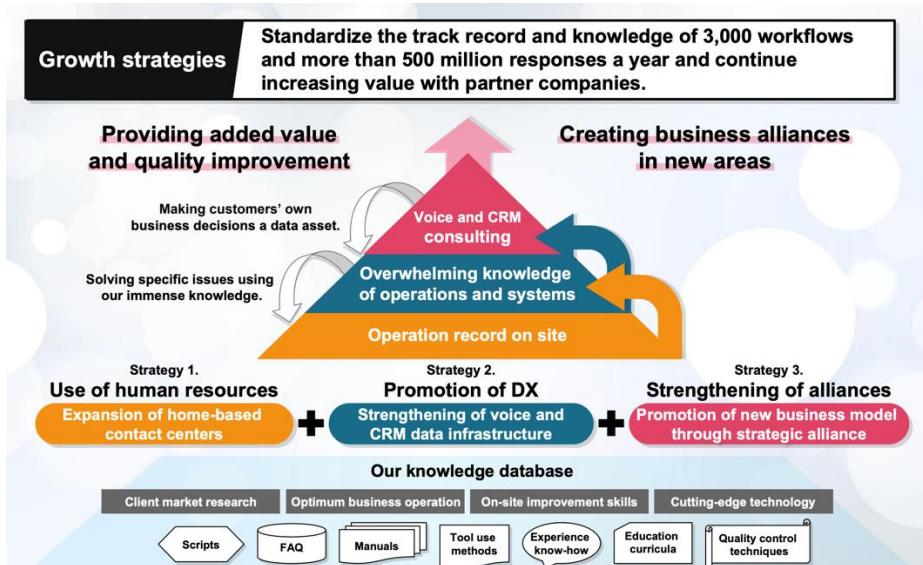


(From the company’s materials)

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

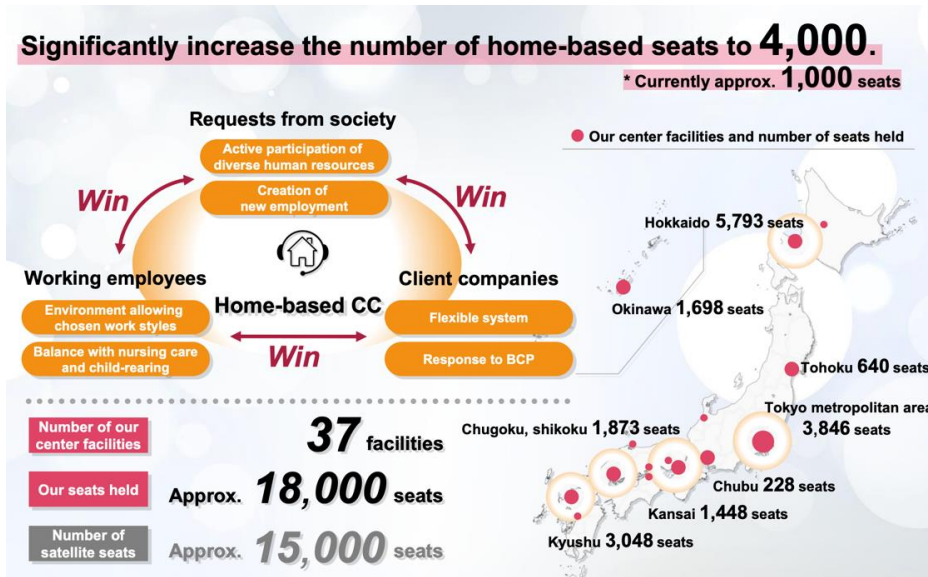


(From the company’s materials)

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

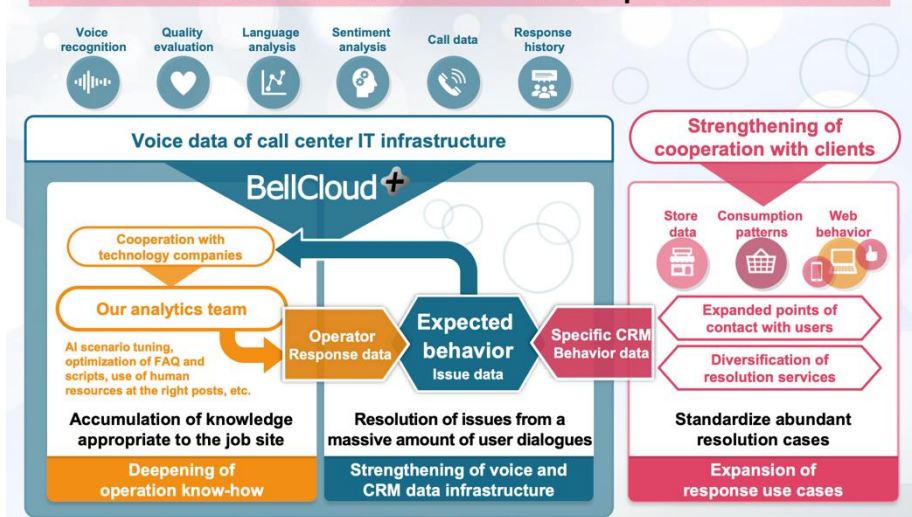


(From the company’s materials)

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

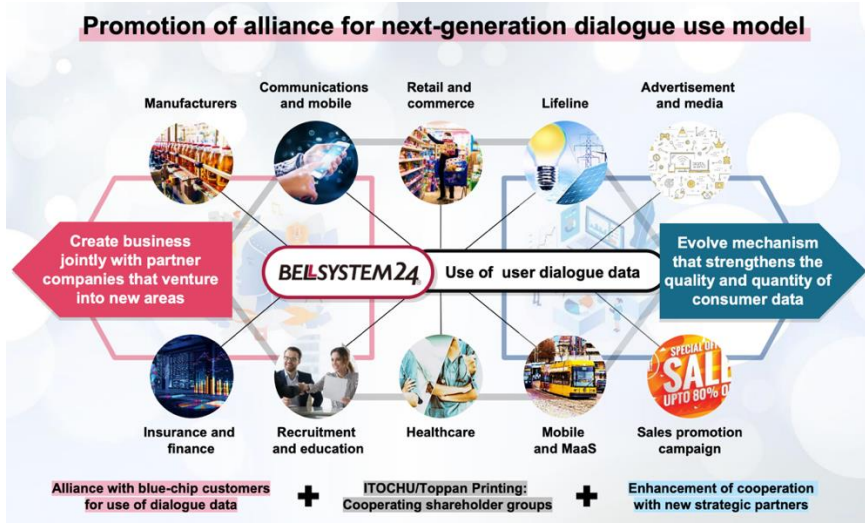
Voice and CRM Data Infrastructure for DX of expected user behavior



(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 corporate auditors
Directors	9 directors, including 5 outside ones
Auditors	3 auditors, including 2 outside ones

◎ Corporate Governance Report Updated on May 27, 2022

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>

The following information is based on the Corporate Governance Code revised in June 2021:

[Supplementary Principle 1-2-4 Electronic exercise of voting rights and translation of convocation notices into English]

Our company began use of the electronic voting platform operated by ICJ, Inc. (Investor Communications Japan) at the general shareholder meeting held in May 2021. We do not prepare English versions of convocation notices at the moment; however, we will discuss our future action by considering changes in the situation surrounding voting rights exercised and the ratio of overseas investors.

[Supplementary Principle 4-1-3 Appropriate supervision of succession plans for the CEO and other top executives]

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

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

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

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

As for strategically held shares of listed companies, the Board of Directors discussed whether or not to keep holding the shares of a company (balance sheet amount 19 million yen) and decided to continuously hold it.

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

[Supplementary Principle 2-4-1 Ensuring diversity in the promotion to core human resources]

(1) Ensuring diversity

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

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

(2) Women

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

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

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

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

Our company promotes employment of human resources from all over the world regardless of nationality, and about 170 regular and non-regular employees with foreign nationalities are currently working at our company inside and outside Japan. While we are doing business mainly in Japan, we will promote human resources to managerial positions based not on their nationalities or genders, but on their abilities and business performance according to our business expansion overseas in the future.

(4) Employment of mid-career workers

Our company proactively employs mid-career workers (including workers whose employment status is changed from the contract employee to the regular employee) so as to secure work-ready human resources, and mid-career workers account for about 75% of all of our employees and make up about 80% of the employees in managerial positions, playing active roles in every level and post. We will continuously endeavor to further expand diversity in our company through proactive mid-career employment.

[Supplementary principle 3-1-3 Initiatives on sustainability]

In the medium-term management plan that our company disclosed on October 7, 2020, we have presented social issues to be addressed, and our image of achievement against the issues as of the end of fiscal year 2022 based on our corporate philosophy, important issues, and policies to focus on.

In addition, regarding investment in human capital, we not only secure skilled human resources by changing the contract type from fixed-term employment to the permanent employment, but also enhance our human capital by providing support to them so that they can work for a long period of time with a sense of security through opportunities of special pre-employment training that enable them to acquire necessary skills in advance.

Concerning investment in intellectual property, we make strategic investment in such items as AI and systems based on the objective of promoting digital transformation (DX) that we have defined in our medium-term management plan.

We expect that risks and revenue opportunities associated with climate change will have negligible impact on our company's business activities and earnings, and the environmental burdens that our business activities impose will also be limited.

We will identify risks and opportunities and set numerical targets after assessing the impact and risks that climate change issues may cause on our company's business, based on an understanding of the current situation and scenario analysis according to the framework of the Task Force on Climate-related Financial Disclosures (TCFD). Furthermore, we will strengthen our governance systems that are related to policy formulation and implementation, and apply them to our medium- and long-term strategies and roadmaps as appropriate.

[Supplementary Principle 4-11-1 Views on appropriate balance between knowledge, experience, and skills of the board of directors as a whole, and on the diversity and size of the board]

Our Articles of Incorporation specify that the maximum number of directors shall be 15. Our board of directors currently consists of nine members, which we consider to be in an optimal range that enables the board and our corporate group to function effectively and efficiently at their current sizes.

We have decided to appoint multiple independent outside directors and outside corporate auditors from the perspective of ensuring the diversity and objectivity of the board of directors and the board of corporate auditors, and currently, three out of the nine directors are independent outside directors and one out of the three corporate auditors is an independent outside auditor.

Our company selects candidates for directors and corporate auditors from individuals who have extensive experience, profound insight, and advanced expertise from the inside and outside of our company regardless of gender, age, or nationality, and independent outside directors and outside corporate auditors, in particular, shall be selected from those who fulfill the criteria for independence that our company has formulated based on the standards for independence of outside directors set forth by the Tokyo Stock Exchange (TSE) and are capable of giving opinions from independent and professional viewpoints by using their knowledge and experience in their fields of expertise. Our directors shall include at least one person who has experience with corporate management, and our corporate auditors shall contain at least one person with a considerable degree of knowledge regarding financial affairs and accounting. Our policy on appointment of candidates for directors and corporate auditors is to take into account diversity including gender and internationality, and attain a proper balance between knowledge, experience, and skills of the board of directors and the board of corporate auditors as a whole, and the nominating committee develops proposal for candidates and obtains approval of the board of directors. We started to disclose the knowledge, experience, and skills of the board of directors and the board of corporate auditors as a skill matrix in the convocation notice of the general shareholder meeting held in May 2021.

Currently, two out of the 12 members of the board of directors and the board of corporate auditors are women at our company.

[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.

BRIDGE REPORT



- (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

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