



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
¥1,499	73,725,662 shares		¥110,514 million	15.1%	100 shares
DPS Est.	Yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥60.00	4.0%	¥119.63	12.5 x	¥873.05	1.7 x

*The share price is the closing price on October 11. Share Outstanding, DPS and EPS are from the second quarter of the financial results for the FY24/2. ROE and BPS are actual results for the previous term.

Earnings Trend (IFRS)

Fiscal Year	Sales Revenue	Operating Income	Income before Income Taxes	Net Income	EPS	DPS
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 Act.	156,054	14,917	14,157	9,330	126.82	60.00
February 2024 Est.	157,000	13,800	13,400	8,800	119.63	60.00

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

This Bridge Report introduces the earning results for the second quarter of the fiscal year ending February 2024 and other information of BELLSYSTEM24 Holdings, Inc..

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Key Points

- In the second quarter of the term ending February 2024, sales were 76.6 billion yen, down 2.1% year on year. The sales from basic operations increased 7.9% year on year. As corporate business activities normalize due to the novel coronavirus crisis subsiding, demand for outsourcing is growing, so new and existing operations are increasing. Sales increased due to the addition of sales revenue from a subsidiary in Vietnam. Sales related to national policies, such as policies regarding the novel coronavirus, decreased 52.4% year on year due to a significant decrease of vaccine-related services. Operating income fell 20.2% year on year to 6.5 billion yen. Gross profit decreased 14.2% year on year due to a decrease in work related to national policies, such as the policies regarding the novel coronavirus. On the other hand, SG&A expenses increased 1.0% due to an increase in the installation and operation costs of a new accounting system. Net income was 4.5 billion yen, down 13.9% year on year. Investment profit/loss on equity method turned from a loss of 140 million yen in the same period of the previous year to a profit of 70 million yen.
- There are no changes to the earnings forecast. In the term ending February 2024, sales revenue is projected to rise 0.6% from the previous term to 157 billion yen. It is expected that operations related to national policies for COVID-19, etc. will decrease while basic operations will increase significantly. Operating income is forecast to decline 7.5% from the previous term to 13.8 billion yen. Gross profit is projected to drop, due to the decrease of profitable operations related to COVID-19. Costs are forecast to augment, due to the expenses for installing and operating a new accounting system, the rise in SGA of new consolidated subsidiaries, etc. The company plans to pay a dividend of 60.00 yen/share like in the previous term. The expected payout ratio is 50.2%. Under the basic policy of achieving a payout ratio of 50%, the company aims to keep increasing the dividend amount steadily.
- The medium-term management plan for 2025 has three priority measures: “Human resources: maximizing the utilization of a total of 40,000 people,” “Modeling: Advancing data utilization,” and “Co-creation: Cultivating the BPO field.” Among these, “Co-creation: Cultivating the BPO field” focuses on creating new BPO fields (NEW BPO) through mutual complementarity and operational capabilities (discovering BPO areas with high needs for large-scale/stable operation, establishing marketing BPO for CX (Customer Experience) evolution, and promoting R&D for next-generation BPO operations by applying new technology).
- The company expects the existing BPO market to expand by approximately 1 trillion yen over the next ten years, with the BPO market expanding due to factors such as a labor shortage. The company plans to capture this robust market by utilizing generative AI and expanding the NEW BPO field.
- Under these circumstances, new projects continue to be launched in the "NEW BPO" area, which aims to establish BPO business in areas where future growth is predicted, such as venture support and HR tech. Although it will probably take time for the business to make a full-fledged contribution to the company’s earnings, the seeds are being planted steadily, and we look forward to future growth. This fiscal year, sales revenue is expected to remain flat, and profit is projected to decline due to a decrease of highly profitable national policy-related tasks such as the policies regarding the novel

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coronavirus and an increase in SG&A expenses. We will continue to pay attention to the speed of sales and profit expansion from next fiscal year onward.

1. Company Overview

The company, which is the holding company, and its 5 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), BELL SOLEIL INC., a special subsidiary aimed at raising employment of people with disabilities, and BELLSYSTEM24 VIETNAM Inc. (capital contribution ratio: 80.0%) etc.

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

【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.

Sales by segment

	FY2/23
CRM business	155,158
Other	896
Consolidated sales revenue	156,054

* 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	<p>*Adopting renewable energy at the company's centers and data centers</p> <p>As the first step in the company's efforts to become carbon-neutral in 2040, it has adopted renewable energy at two of its contact centers and data centers, which are facilities targeted by the medium-term goals of its climate change policy. The five domestic locations will be operated as "sustainable centers" that do not emit greenhouse gases.</p>
S	<p>*Receiving the highest award at the "2023 J-Win Diversity Award" sponsored by the Cabinet Office and Ministry of Health, Labor and Welfare</p> <p>The company received the Grand Prize in the Advanced Division, the highest class, at the 2023 J-Win Diversity Award, organized by the NPO J-Win and sponsored by the Cabinet Office and the Ministry of Health, Labor and Welfare.</p> <p>*Supported LGBTQ+ events held in Sapporo and Osaka</p> <p>The company sponsored "Sapporo Rainbow Pride 2023" (Sapporo) and "Rainbow Festa! 2023" (Osaka). The company posted an advertisement as an "LGBTQ+ friendly company (*)" and participated in the parade.</p> <p>*LGBTQ+ friendly company</p> <p>They are companies that are working to create workplaces that are comfortable for LGBTQ+ people to work in, regardless of whether or not their employees have come out as LGBTQ+ to those around them.</p> <p>*Sponsoring the "CHALLENGE COFFEE BARISTA" barista competition for people with disabilities</p> <p>Like last year, the company supported the event as a main sponsor. The company's staff from "a café run by employees with disabilities" formed a team to compete in this competition.</p>

*Posted on the Q2 FY2/24 Explanatory Material

2. Second quarter of Fiscal Year ending February 2024 Earnings Results

2-1 Consolidated Earnings

	2Q of FY 2/23	Ratio to sales	2Q of FY 2/24	Ratio to sales	YoY
Sales revenue	78,291	100.0%	76,679	100.0%	-2.1%
Gross profit	16,447	21.0%	14,119	18.4%	-14.2%
SG&A expenses	8,398	10.7%	8,479	11.1%	+1.0%
Operating income	8,183	10.5%	6,529	8.5%	-20.2%
Income before Income Taxes	7,823	10.0%	6,423	8.4%	-17.9%
Quarterly net income	5,225	6.7%	4,501	5.9%	-13.9%

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

Revenue and profit down

Sales revenue fell by 2.1% YoY to 76.6 billion.

Basic operations increased by 7.9% YoY. New and existing operations expanded as demand for outsourcing increased as companies' business activities moved towards normalisation following the end of the Corona disaster. Revenue increased with the addition of sales revenue from the Vietnamese subsidiary. Revenue from corona and other national policy-related work fell by 52.4% YoY due to a significant decline in vaccine-related work.

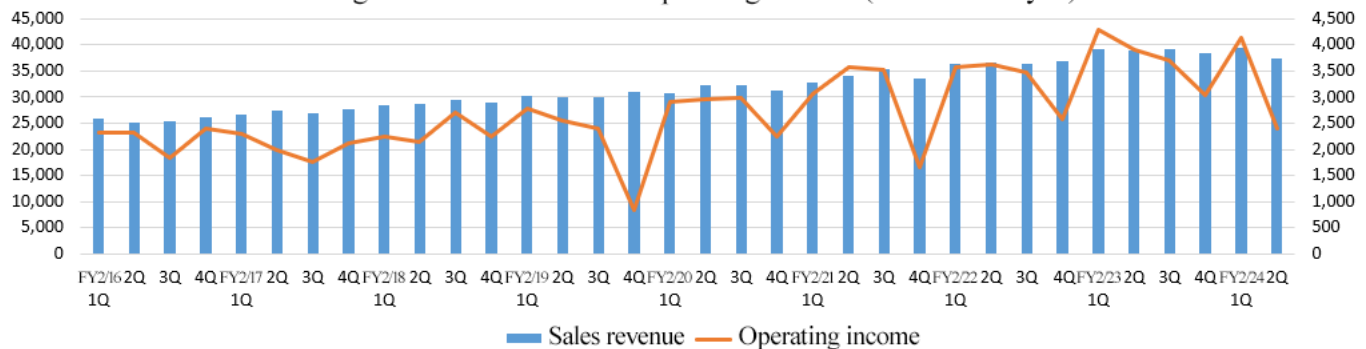
Operating profit fell by 20.2% YoY to 6.5 billion yen. Gross profit fell 14.2% YoY due to a decline in corona and other national policy-related work. Meanwhile, SG&A expenses increased by 1.0% YoY due to higher costs for the introduction and operation of a new accounting system.

Quarterly profits fell by 13.9% YoY to 4.5 billion yen. Equity in earnings of affiliated companies turned from a loss of 140 million yen in the same period of the previous year to a profit of 0.7 billion yen.

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

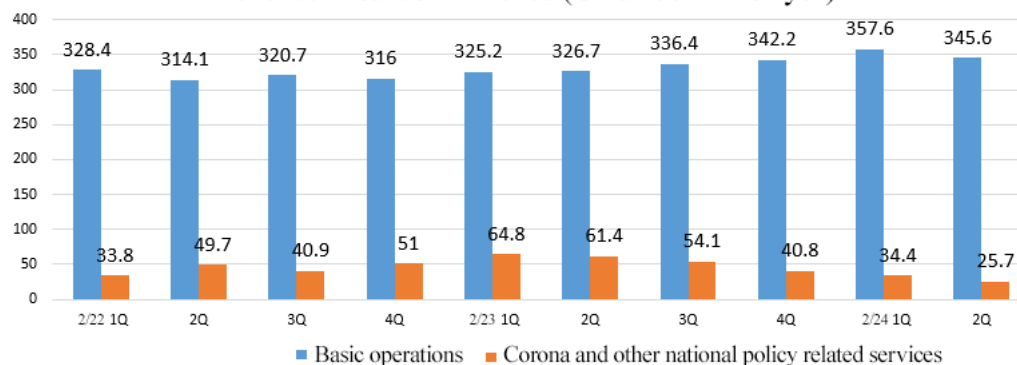


◎Revenue Breakdown

	2Q of FY 2/23	2Q of FY 2/24	YoY
Sales revenue	782.9	766.8	-2.1%
Basic operations	651.9	703.2	+7.9%
Corona and other national policy-related work	126.2	60.1	-52.4%
Others	4.8	3.5	-27.1%

*Unit: 100 million yen.

Revenue Breakdown Trends (Unit: 100 million yen)



2-2 Trends by segment

	2Q of FY 2/23	2Q of FY 2/24	YoY
Revenue	78,291	76,679	-2.1%
CRM business	77,809	76,332	-1.9%
Other business	482	347	-28.1%
Income before Income Taxes	7,823	6,423	-17.9%
CRM business	7,712	6,317	-18.1%
Other business	111	106	-4.1%

*Unit: million yen.

(1) CRM business

Sales and profit decreased.

Sales from existing ongoing projects from the previous fiscal year expanded, and synergy projects resulting from strengthened collaboration with ITOCHU Corporation and Toppan also performed well. However, sales due to spot demand decreased.

(2) Other businesses

The sales of contents declined. Content sales income decreased.

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2-3 business topics

(1) Revenue by Industry

	2Q of FY 2/23	2Q of FY 2/24	YoY
Services	197.9	204.3	+3.2%
Transportation/Communications	168.6	161.0	-4.5%
Wholesale/Retail	96.2	88.7	-7.8%
Finance/Insurance	110.8	118.8	+7.2%
Manufacturing	101.8	67.1	-34.1%
Electricity, gas, water, etc	18.2	20.2	+11.0%
Other	20.2	19.0	-5.9%
Sales revenue (Consolidated)	782.9	766.8	-2.1%

*Of which, basic operations.

	2Q of FY 2/23	2Q of FY 2/24	YoY
Services	148.5	175.6	+18.2%
Transportation/Communications	163.5	158.4	-3.1%
Wholesale/Retail	96.2	88.7	-7.8%
Finance/Insurance	109.9	118.5	+7.8%
Manufacturing	42.8	44.5	+4.0%
Electricity, gas, water, etc	18.2	20.2	+11.0%
Other	15.1	16.2	+7.3%

*Unit: 100 million yen.

*The sales revenue in each field indicates the sum of sales revenues from top 300 client companies of BELLSYSTEM24, Inc. (non-consolidated).

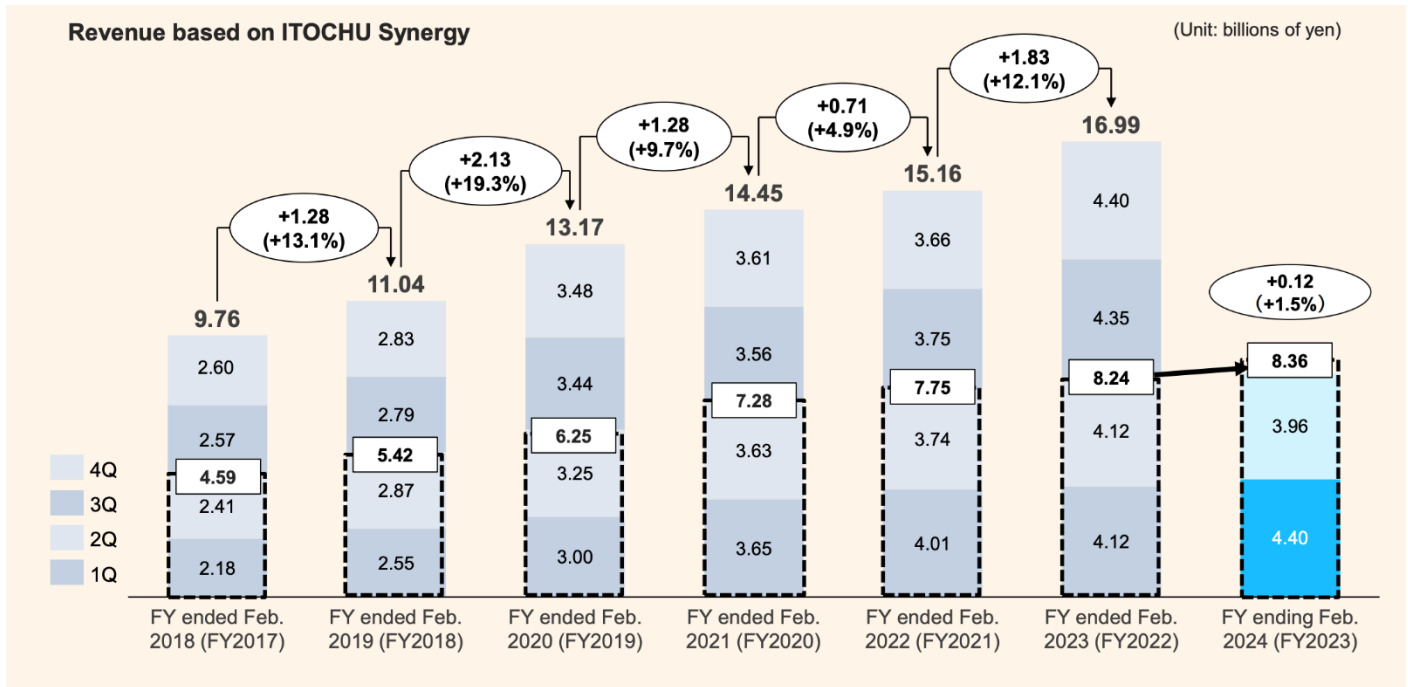
In human resources and education-related operations among basic operations, the number of people changing jobs has increased as employment continues to become more fluid, and operations related to mid-career recruitment have remained steady.

In non-face-to-face operations, although insurance-related operations have remained stable, e-commerce and delivery-related operations have decreased due to the relaxation of restrictions on activities.

In cashless payment-related operations, in addition to an increase in sales of credit card-related operations, e-money and QR code payment-related operations are also performing well.

(2) ITOCHU Synergy

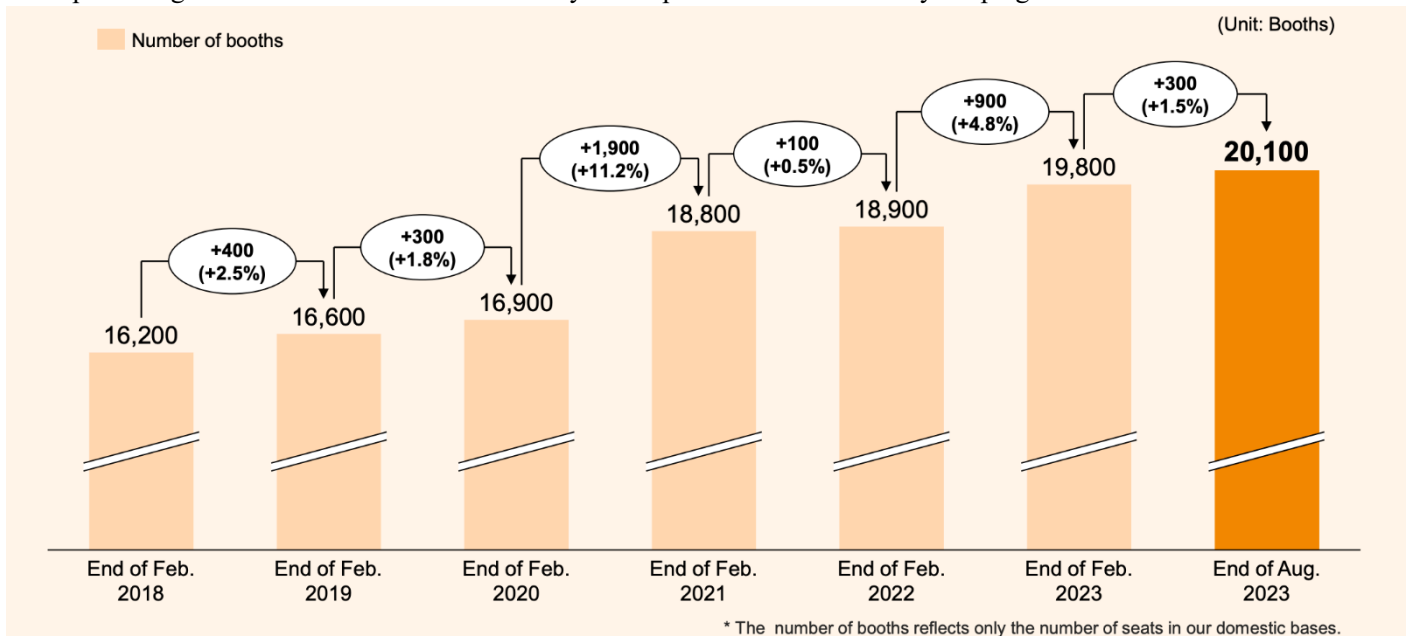
Revenue increased by 1.5% YoY.



(From the company's materials)

(3) Situation concerning center booths

At the end of August 2023, there were 38 domestic offices. The number of booths increased slightly, partly due to the prior increase in floor space at regional offices as the shift from the Tokyo metropolitan area to the countryside progresses.



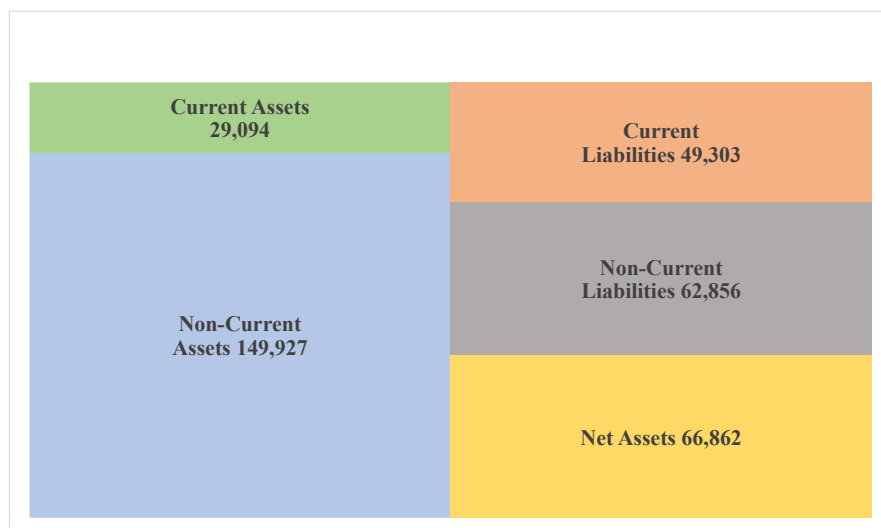
(From the company's materials)

2-4 Financial condition and Cash Flow (CF)

Financial condition

	Feb. 23	Oct. 23	Increase/ decrease		Feb. 23	Oct. 23	Increase/ decrease
Current assets	30,673	29,094	-1,579	Current liabilities	46,238	49,303	+3,065
Cash and deposits	6,998	7,329	+331	Trade debt	7,634	6,159	-1,475
Trade Receivables	21,232	19,720	-1,512	Loans payable	16,600	20,200	+3,600
Noncurrent assets	145,577	149,927	+4,350	Noncurrent liabilities	65,101	62,856	-2,245
Tangible assets	37,007	38,375	+1,368	Long-term loans payable	38,221	34,767	-3,454
Goodwill	94,900	96,761	+1,861	Total liabilities	111,339	112,159	+820
Total assets	176,250	179,021	+2,771	Total capital	64,911	66,862	+1,951
				Equity capital (*)	64,224	66,022	+1,798
				Total loans payable	54,821	54,967	+146

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

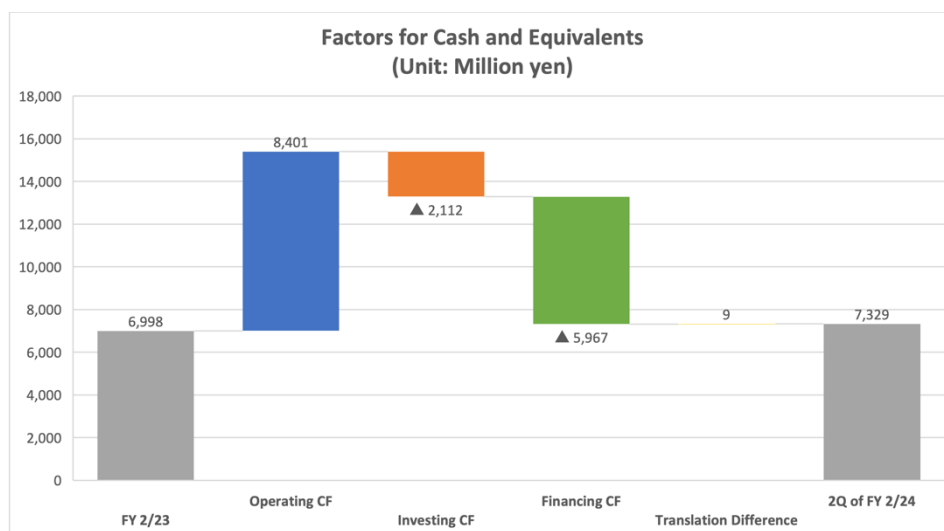


Total assets increased 2.7 billion yen from the end of the previous term due to mainly due to increases in property, plant and equipment and goodwill. Total liabilities decreased 0.8 billion yen from the end of the previous term due to decrease in borrowings. Total capital increased 1.9 billion yen from the end of the previous term due to an increase in retained earnings. Capital-to-asset ratio increased 0.5 points from the end of the previous term to 36.9%.

◎Cash Flow

	2Q of FY 2/23	2Q of FY 2/24	Increase/ decrease
Operating Cash Flow	9,683	8,401	-1,282
Investing Cash Flow	524	-2,112	-2,636
Free Cash Flow	10,207	6,289	-3,918
Financing Cash Flow	-8,457	-5,967	+2,490
Cash and Equivalents at Term End	7,958	7,329	-629

*Unit: million yen.



The surpluses of operating CF and free CF shrank due to a decrease in net income before taxes and the absence of proceeds from the sale of securities in the first half, which were posted in the same period of the previous year.

The cash positions have fallen.

3. Fiscal Year ending February 2024 Earnings Forecasts

3-1 Consolidated Earnings forecast

	FY 2/23	Ratio to sales	FY 2/24 (Est)	Ratio to sales	YoY	Rate of progress
Sales revenue	156,054	100.0%	157,000	100.0%	+0.6%	48.8%
Operating income	14,917	9.6%	13,800	8.8%	-7.5%	47.3%
Income before Income Taxes	14,157	9.1%	13,400	8.5%	-5.3%	47.9%
Net income	9,330	6.0%	8,800	5.6%	-5.7%	51.1%

*Unit: million yen.

Forecast increase in sales and decrease in income.

In the term ending February 2024, sales revenue is projected to rise 0.6% from the previous term to 157 billion yen. It is expected that operations related to national policies for COVID-19, etc.

Operating income is forecast to decline 7.5% from the previous term to 13.8 billion yen. Gross profit is projected to drop, due to the decrease of profitable operations related to COVID-19. Costs are forecast to augment, due to the expenses for installing and operating a new accounting system, the rise in SGA of new consolidated subsidiaries, etc.

The company plans to pay a dividend of 60.00 yen/share like in the previous term. The expected payout ratio is 50.2%. Under the basic policy of achieving a payout ratio of 50%, the company aims to keep increasing the dividend amount steadily.

◎Revenue Breakdown

	FY 2/23	FY 2/24 Est.	YoY	Rate of progress
Revenue	1,560.5	1,570.0	+0.6%	48.8%
Fundamental business	1,330.5	1,451.0	+9.1%	48.5%
Business related to COVID-19	221.1	110.0	-50.2%	54.6%
Other	9.0	9.0	+0.0%	38.9%

*Unit: 100 million yen.

The sales from basic operations are expected to grow, as the demand for outsourcing is forecast to recover to the pre-pandemic level due to the subsiding of the coronavirus pandemic and the company will post the sales from BELLSYSTEM24 VIETNAM, which became a consolidated subsidiary in March.

Regarding operations related to national policies for the novel coronavirus, etc., the operations related to COVID-19 are forecast to decrease considerably, but it is assumed that the company will undertake tasks related to measures against the increase in commodity prices, etc.

4. Progress of Medium-Term Management Plan 2025

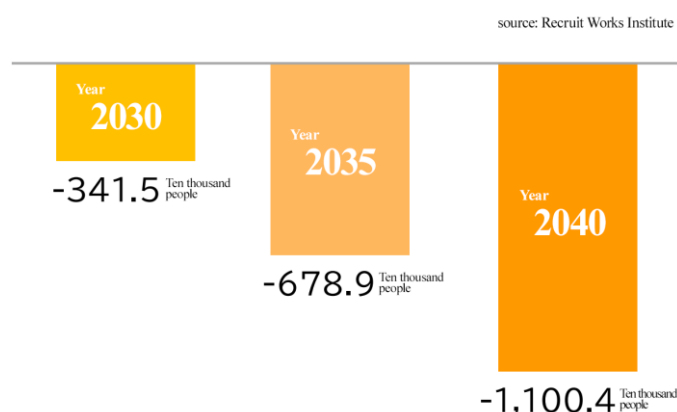
In the Medium-term Management Plan 2025, the three priority measures are “Human Resources: maximizing the activities of a total of 40,000 employees,” “Structuring: enhancing data utilization,” and “Co-creation: cultivating the BPO domain.”

Among these, the theme of “Co-creation: cultivating the BPO domain” is to create a new BPO domain (NEW BPO) through mutual complementation and operational capabilities (identifying a BPO domain with large-scale/stable operation needs, establishing marketing BPO to advance CX (customer experience), and promoting R&D of next-generation BPO operations by applying new technologies).

The progress of the NEW BPO establishment is as follows.

4-1 Outlook for the BPO Market

According to the company's data (source: Recruit Works Institute), Japan's workforce shortage will increase from 3.42 million workers in 2030 to 11 million workers in 2040. It is expected to become even more severe in the future.



(From the company's materials)

In response to this shortage of human resources, companies are expected to secure the workforce for their core operations, while the trend to adopt BPO for back-office operations and other tasks that can be outsourced is expected to intensify.

In addition, in order to appropriately respond to the increase in the number of permanent employees, direct employment under the revised Worker Dispatching Act, restrictions on overtime work, etc., operations cannot be handled by employees, resulting in the need to compensate for shortages with BPO.

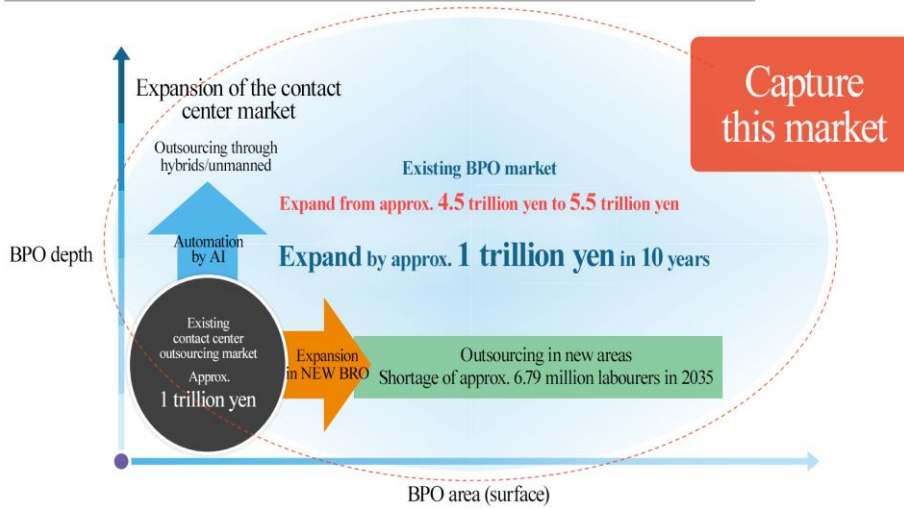
In addition, while DX is essential for improving operational efficiency, it is also necessary to conduct BPO for operations that cannot be digitalized in-house.

4-2 Strategies & Market Approaches

Under these circumstances, the BPO domain and market are expected to expand further in the future.

The company believes that the BPO market is expanding against the backdrop of workforce shortages and other factors, and the scale of the existing BPO market is expected to expand by about 1 trillion yen over the next decade. The company intends to capture this robust market by utilizing generative AI and expanding the NEW BPO domain.

Beyond 2030



(From the company's materials)

4-3 Progress of NEW BPO Expansion

By leveraging the resources of its group and the ITOCHU Group, the company will expand NEW BPO by systematizing and streamlining its business operations.



(From the company's materials)

-Specific examples of progress-

(1) Marketing BPO: Initiatives with Thinker Inc.

In September 2023, the company announced the acquisition of 70% of the shares issued by Thinker Inc. (Chiyoda-ku, Tokyo), a company engaged in data marketing business and AI solution development, making it its subsidiary.

(Background of converting it into a subsidiary)

Regarding the marketing activities of companies, the Cookie regulations under the "Amended Telecommunications Business Act" enacted in June 2023 forced us to reconsider the use of VOC accumulated at contact centers, such as phone calls, e-mails, and chats, as one of customer data, in addition to 1st party data, such as purchase data at stores and websites owned by companies.

In addition, as the needs from consumers diversify, an increasing number of companies are introducing tools such as CDP (Customer Data Platform), a data platform that collects, integrates, and analyzes attributes or behavioral data, and MA (Marketing Automation), which visualizes and automates marketing activities, to utilize data in order to achieve the optimal customer service for each "individual" customer.

On the other hand, many companies have challenges in terms of resources and skills to plan measures based on their own marketing strategies and issues, design data utilization, select and develop solutions, and implement the measures.

In order to solve these issues, the company will build a data-utilizing marketing BPO system from design to development and operation by combining the know-how and skills of Thinker Inc. in data marketing and AI-related product development with the expertise of Bellsystem24 Group in the design and operation of customer contact points and VOC utilization in contact centers for more than 1,000 client companies.

(Key initiatives by both companies)

① Service development in the data marketing business

To establish a one-stop BPO system in the data marketing domain.

To develop an AI prediction model using VOC for sales promotion and sales activities optimized for each “individual customer” and customer service.

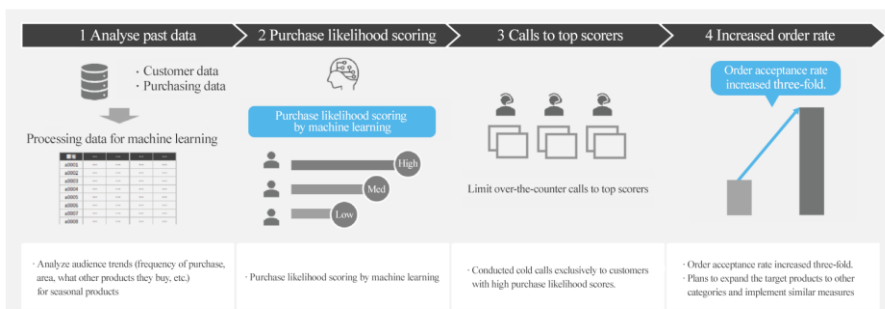
② Human resource development in the area of data marketing

To strengthen the development of digital human resources with specialized skills such as data engineers, data analysts, and marketing planners within the Bellsystem24 Group by promoting joint projects between both companies.

(Specific examples)

Created an outbound list of priority products for a major department store.

In order to propose premium food products to existing customers, the company used AI for analyzing historical data to create a list of customers with high purchase potential and called them, resulting in a threefold increase in order receipt rate.



Tripling of the order rate by telephoning the top potential customers as a result of data analysis.

(From the company’s materials)

(2) BPO for the Primary Industry: Initiatives with Eco-Pork co., ltd.

Eco-Pork co., ltd. (Sumida-ku, Tokyo), a start-up company promoting DX in the pig industry, and Bellsystem24 concluded a capital and business alliance agreement in September 2023 to create and develop new services aimed at solving issues at pig farms by combining the "human" strengths of Bellsystem24 and the "technology" of Eco-Pork.

(Background of collaboration)

The food self-sufficiency rate in Japan was 38% in 2021, making it the lowest among developed countries. In the pig industry, while the number of producers continues to decline, the scale of operations is increasing in order to maintain sustainable production. As a result, the number of pigs managed by each employee has increased, posing an urgent challenge to improve operational efficiency in the pig farms.

Against this backdrop, Eco-Pork, which is engaged in improving the productivity of pig farming using ICT, IoT, and AI by providing the “AI Farm Manager Porker*,” a cloud-based support system for pig farming management with a market share of over 10%, together with Bellsystem24, which operates about 3,000 tasks for more than 1,000 client companies, aim to develop and provide new services to improve operational efficiency in the pig and livestock industries in a joint effort to solve social issues related to food problems.

***AI Farm Manager Porker**

A cloud-based support system for pig management that improves pig farming with three technologies: AI, ICT, and IoT. By linking data with various sensors, it is possible to visualize production, identify issues, and support online problem solving, thereby realizing production management and reducing environmental impact.

(Details of collaboration)

① Expanding new BPO services for pig producers

The duties of workers on the pig farm can be divided into two main categories: “field work” and “office work.”

Most of the “field work” is directly related to productivity, such as observation of pigs and maintenance of the rearing site, that are time-consuming unless done by skilled workers.

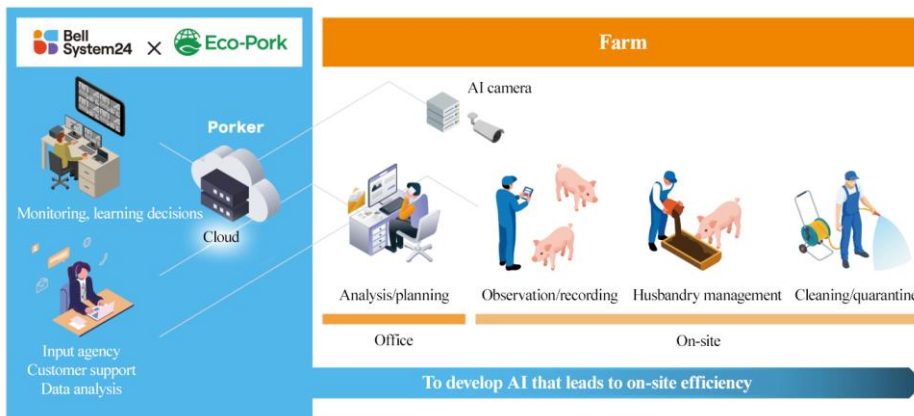
The “office work” is an important task to improve production by managing overall numerical values through data entry, such as work records and sharing information within the farm. However, it is a burden for field workers to find the time for daily work records.

Through this collaboration, the two companies will develop new BPO services with the aim of “creating core working hours for on-site workers.”

Specifically, as part of the “office work,” the system will realize efficiency and high reliability by combining “technology and human power,” such as initial data transfer to “Porker,” daily input on behalf of the company, remote monitoring at night through AI cameras installed at pig farms, counting the number of pigs present, and detecting abnormalities.

② Joint development of new technology using the production management data of “Porker”

In order to accelerate the AI development of Eco-Pork, represented by the AI Camera, Bellsystem24 will support pre-processing operations such as annotating images and videos and statistical analysis of the huge amount of data accumulated in "Porker." In the future, they aim to realize efficient and environmentally friendly pig farming management by using generative AI to automate the creation of reports on feeding results, including daily work records and results, and jointly developing AI algorithms to improve productivity in the field.



(From the company’s materials)

(3) BPO for Local Governments: Initiatives with Blueship Co., Ltd.

In August 2023, in collaboration with Blueship Co., Ltd. (Shibuya-ku, Tokyo), the company announced that it would support the establishment of the "Fujisawa City Contact Center" for realizing a digital city hall in Fujisawa City, Kanagawa Prefecture, which began its operations on October 1, 2023.

(Background)

Fujisawa City considers it an urgent issue to improve citizen services by digitalizing all administrative work and creating resources to address new administrative issues in order to ensure continuity of administrative operations in the future, amid the shortage of workers due to the extremely low birthrate and aging population and the diversified lifestyles of citizens.

For this reason, the city is promoting the Digital City Hall initiative based on the basic concepts of “no needless visits to the city office (anywhere),” “information sharing customized to each citizen's needs (perfect fit),” and “to complete procedures in one step (easy).”

As part of this effort, Fujisawa Contact Center was established with the functions of “centralizing inquiries from citizens,” “creating FAQs based on historical data of inquiries,” and “planning support for new measures by utilizing knowledge.”

Bellsystem24 provides a variety of services, including support for business reform, introduction of the latest solutions such as AI and voice recognition, and support for the development of DX human resources, based on the knowledge it has cultivated in more than 250 contact centers and back-office operations for local governments. It supports local governments' DX initiatives to improve services for a variety of residents and increase staff's work efficiency.

Blueship Co., Ltd. is engaged in systemizing operations that require a short period of time from policy formulation to operational implementation, such as the provision of special fixed benefits, and is supporting the provision of fixed benefits to approximately 200,000 households. It also promotes the provision of DX services in line with the issues faced by local governments, helping improve services for residents and reduce the burden on local government employees.

By combining the knowledge of both companies for local government's DX, they decided to promote the development and operation of a center to solve the issues unique to local governments.

(Overview of Fujisawa Contact Center)

The center will encourage self-answering to various inquiries from citizens by posting “Frequently Asked Questions (FAQs)” on its newly launched website, the “Fujisawa Inquiry Resolving Platform (tentative name).”

For inquiries that cannot be resolved by self, in addition to conventional inquiries by phone or on the Fujisawa City website, the platform's inquiry form will allow users to select email or in-person chat to meet their specific needs.

Furthermore, the system for services uses the Now Platform®, an intelligent platform from ServiceNow®, which is also a no-code/low-code solution that enables application development and modification by city employees themselves, allowing them to centrally manage multi-channel inquiries.

By accumulating the entire inquiry response history as knowledge in the same system, it is possible to develop FAQs on the platform based on the history to improve the response of operators. It is also possible to utilize it for citizen service measures by Fujisawa City.

(Role of both companies)

*Bellsystem 24

Support for the development of contact center operations and the introduction and deployment of a contact center system for all Fujisawa City employees. Upon opening, the center will provide primary response to inquiries from citizens through a variety of channels, including telephone, e-mail, and live chat, according to the needs of citizens. It will also facilitate smooth coordination during secondary response by Fujisawa City staff using the platform and provide one-stop guidance. In addition, the response history data accumulated as knowledge will be analyzed and the FAQs will be modified accordingly to assist citizens in self-resolving their issues.

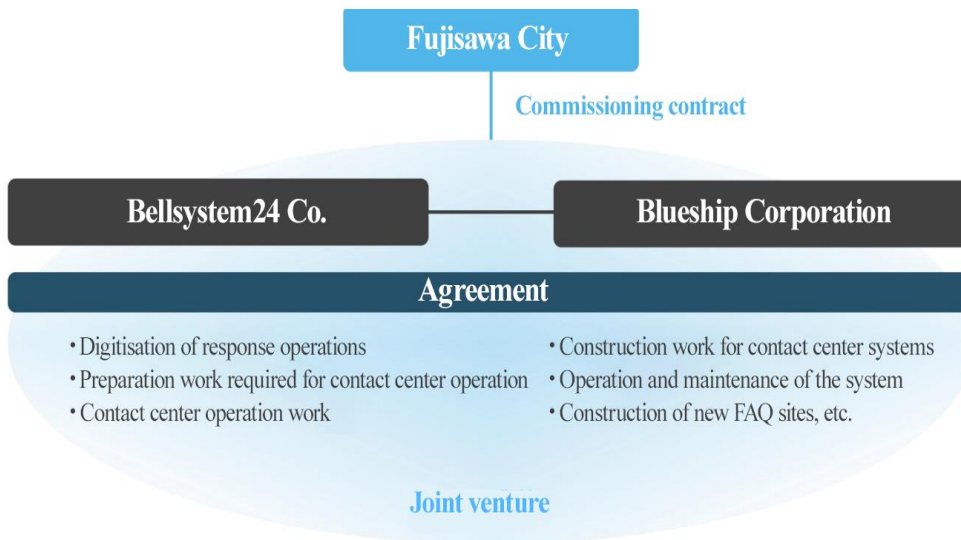
*Blueship Co., Ltd.

To develop a platform for FAQ sites, inquiry reception, and response history management, along with operation and maintenance of the systems.

(Future Development)

In addition to the inquiry function, Fujisawa City aims to realize its goal of “no needless visits to the city office (anywhere)” by providing a system where procedures can be completed online by seamlessly linking inquiries with electronic applications and cashless payments and by providing an “online contact center” service that provides remote assistance by simultaneously connecting by telephone and videos for remote support.

In the next fiscal year, the platform will provide services that will contribute to improving convenience for citizens, such as accepting various applications related to childcare and online reservations for city-owned facilities.



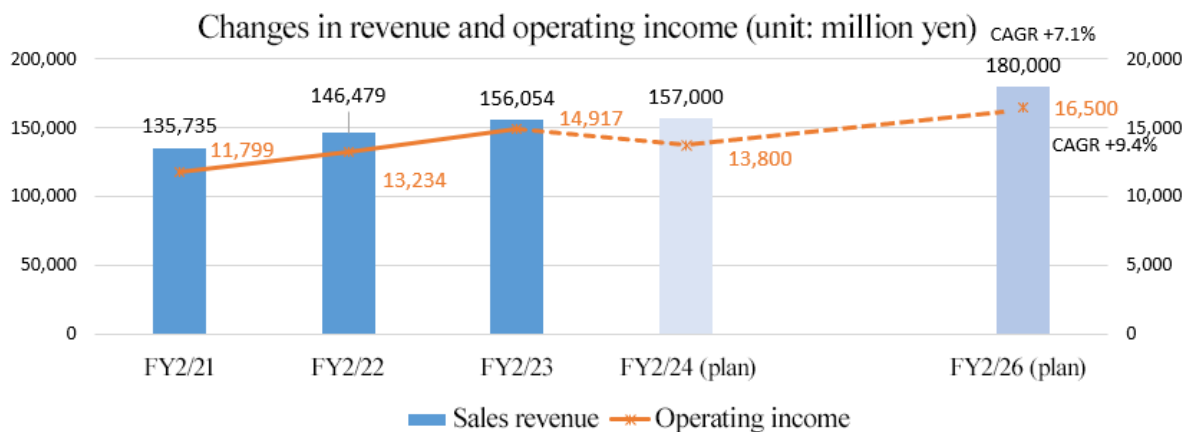
(From the company’s materials)

5. Conclusions

New projects continue to be released in the 'NEW BPO' area, which aims to establish a BPO business in areas where future growth is foreseen, such as venture accompaniment and HR tech.

Although it will take time for the business to make a full-scale contribution to earnings, the seeds are being steadily planted and we look forward to future growth.

Although sales and profits are expected to remain flat this year, and profits are expected to decrease due to a decline in highly profitable national policy-related work such as the coronavirus and an increase in SG&A expenses, we will continue to focus on the speed of sales and profit growth in the coming years and beyond.



* CAGR is the average annual growth rate for the two periods from FY2/24 to FY2/26. Operating income is created by Investment Bridge Inc.

<Reference : Medium-Term Management Plan 2025>

(1) Overview

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

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

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

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

NEW also means “Next, Engage, Widen.”

(2) Priority Measures

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

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

※CX: Customer eXperience

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



(From the company's materials)

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

◎ Promotion of complete home-based operations

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

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

Increasing the number of home-based seats from 3,000 at the end of the previous fiscal year to 10,000, which includes fully home-based seats.

◎ Enhancement of aptitude and job matching

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

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

DUMSCO, Inc. is a pioneering company in design and operation of AI that maximizes the performance of human resources, and Bellsystem24 Holdings has acquired 10.0% of DUMSCO's shares.

② Standardization: To pursue CX operations

◎ Aim of CX operations

To advance CX operations by utilizing data and deliver new value

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

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

◎ Pursuit from two aspects

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

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

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

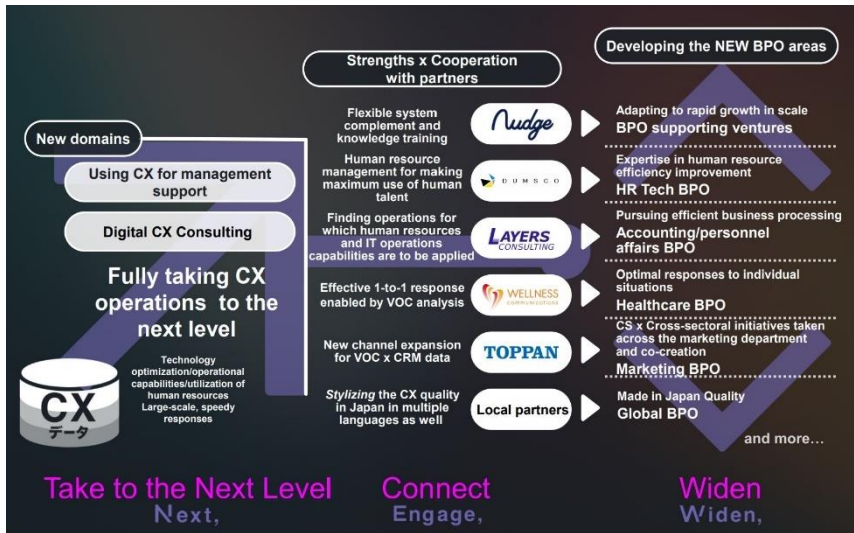
◎ Hybrid operations combining automation and human resources

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

③ Co-creation: Exploring a new domain

◎ New domain “NEW BPO”

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



(From the company’s materials)

◎ Marketing BPO where VOC* can be utilized

To create CX communications that maintain good relationships with consumers through co-creation with each partner, including Toppan Inc.

To achieve “moderate push” and “value enhancement” in all customer channels with advanced CX response and IT operational capabilities. To create a “two-way marketing” model that delivers sustained results.

※ VOC: Voice Of Customer

(3) Quantitative targets

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

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

Key measures

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

Investment policy

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

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

(From the company’s materials)

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

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

(4) Human capital strategy

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

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

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


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

(5) Sustainability

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

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

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

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

(From the company’s materials)

<Reference : Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	company with corporate auditors
Directors	9 directors, including 5 outside ones
Auditors	3 auditors, including 2 outside ones

◎ Corporate Governance Report Updated on May 26, 2023

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 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 (PURPOSE), our company respects the diversity in our employees and makes proactive efforts, including development of an environment that allows people with all attributes to work enthusiastically, establishment of a 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>

(3) Employment of Foreigners

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

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

Regarding investment in intellectual property, our medium-term management plan calls for deepening our CX (customer experience) operations, and it is making strategic investments in cutting-edge technologies such as AI.

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

On the other hand, the issue of climate change is a common global challenge, and the company also regards it as one of its most important management issues. At the Board of Directors meeting held in April 2022, the company formulated and resolved specific targets for greenhouse gas (GHG) emission reduction rates for 2025, 2030, and 2040.

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

【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.

BRIDGE REPORT



- (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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