



**transcosmos inc.**

FY2024/3 Earnings Conference

April 30, 2024

## Event Summary

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[Company Name]	transcosmos inc.	
[Company ID]	9715-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	FY2024/3 Earnings Conference	
[Fiscal Period]	FY2024 Annual	
[Date]	April 30, 2024	
[Number of Pages]	50	
[Time]	16:00 – 17:01 (Total: 61 minutes, Presentation: 45 minutes, Q&A: 16 minutes)	
[Number of Company Representatives]	2	
	Masaaki Muta	Representative Director, Co-President
	Takeshi Kamiya	Representative Director, Co-President
[Analyst Names]*	Shingo Kumazawa	Daiwa Securities
	Asuka Sasao	SMBC Nikko Securities
	Satoshi Kurihara	SBI SECURITIES

\*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

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# Presentation

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**Moderator:** Thank you very much for taking time out of your busy schedule to join us today. The time has now arrived, so we will now begin the FY2024/3 Earnings Conference of transcosmos inc.

First, I would like to introduce today's speakers. Masaaki Muta, Representative Director and Co-President.

**Muta:** My name is Muta. Thank you.

**Moderator:** Representative Director and Co-President, Takeshi Kamiya.

**Kamiya:** My name is Kamiya. Thank you.

**Moderator:** Today's agenda begins with an overview of the financial results for the fiscal year ending March 31, 2024, by Kamiya. Then Muta will explain the progress of the Medium-term Business Plan and future initiatives, and finally, we hope to take your questions during the question-and-answer session.

Now, Co-President Kamiya, would you please begin?

**Kamiya:** Yes, thank you.

1	<b>FY2024/3 Financial Results</b>
1-1	<b>Financial Results Overview</b>
1-2	Dividend Policy
2	<b>Medium-term Business Plan: Progress &amp; Priorities</b>
2-1	Market Landscape
2-2	FY2025/3 Priorities
2-3	Medium-to Long-term Numeric Targets



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Let me begin right away. The overall flow of the presentation will begin with the financial results, followed by the progress of the Medium-term Business Plan and future initiatives.

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- Sales declined YoY due to a drop in COVID jobs and lower demands for China's e-commerce business. Yet, both CX and BPO Services, excluding COVID jobs, continued to grow. Order bookings expanded, riding the wave of social change, such as changing consumer behavior in a digital society, an aging and shrinking population, work style reform, global economic growth, etc.
  - CX services grew 3% YoY. Actively delivered unique platform services built on our patented TCI-DX model.
  - BPO services grew 2% YoY. Actively pushed platform services that combine our expertise and digital technology.
  - Overseas retained double digit growth, ASEAN continued to expand business with global companies.
- Operating income decreased due to temporary upfront investments made towards medium-term growth and SG&A headwind on top of a drop in COVID jobs. Despite this, operating margin in existing business excluding COVID 19 jobs stabilized due to a higher operating ratio.
- Although transcosmos inc. net income decreased, non-operating income and extraordinary profit increased.

**Consolidated Sales**  
**¥362.2B**  
 (YoY: -3.1%)

**Consolidated Operating Income**  
**¥11.5B**  
 (YoY: -¥11.8B)

**transcosmos inc. Net Income**  
**¥10.1B**  
 (YoY: -¥5.7B)

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First, let me explain the summary of the financial results.

Consolidated net sales were JPY362.2 billion, a decrease of 3.1% YoY. The main reasons for this were a reactionary decline in COVID-19-related business and the impact of lower demand from the e-commerce business in China.

On the other hand, sales of CX and BPO services, excluding COVID-19-related services, continued to grow. As for CX, excluding COVID-19, we saw a 3% YoY growth. In BPO, we have also seen a 2% YoY growth. We have been consciously promoting the platformization of both services, and this has led to an increase in revenue, excluding COVID-19.

Overseas, we continue to expand transactions with global companies in the ASEAN region, and we are achieving double-digit growth in the ASEAN region.

Consolidated operating income was JPY11.5 billion, a significant decrease from the previous year's figure of JPY11.8 billion. This was partly due to a reactionary decline in sales and gross profit from COVID-19-related business, but it was also due to a temporary upfront investment for medium-term growth. The decline in profit was due to upfront costs incurred in the process of winning orders for new projects, as well as an increase in SG&A expenses.

However, the profitability of existing businesses, excluding COVID-19-related businesses, has stabilized due to the stabilization of business operations.

Finally, the net income of the parent was JPY10.1 billion, a decrease of JPY5.7 billion YoY. However, non-operating income and expenses, such as equity in earnings of affiliates and foreign exchange gains and losses, and extraordinary gains and losses improved.

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## Consolidated Income Statement Summary

\*For each segment income row, figures in the Mix columns are profit margins.



In ¥100M (rounded to the nearest 100M)	FY2023/3		FY2024/3		Change	
	Amount	Mix	Amount	Mix	Amount	%Change
<b>Sales</b>	3,738	100.0%	3,622	100.0%	-116	-3.1%
Parent Company	2,445	65.4%	2,367	65.4%	-78	-3.2%
Domestic Affiliates	432	11.6%	423	11.7%	-9	-2.1%
Overseas Affiliates	983	26.3%	957	26.4%	-26	-2.7%
Elimination of intra segment transaction	-122	-3.3%	-125	-3.5%	-3	-2.4%
<b>Gross Profit</b>	765	20.5%	683	18.8%	-83	-10.8%
<b>SG&amp;A Expenses</b>	532	14.2%	568	15.7%	+35	+6.7%
<b>Operating Income</b>	233	6.2%	115	3.2%	-118	-50.7%
Parent Company	159	6.5%	70	3.0%	-89	-56.0%
Domestic Affiliates	37	8.7%	19	4.5%	-18	-48.7%
Overseas Affiliates	36	3.7%	25	2.7%	-11	-29.8%
Elimination of intra segment transaction	-0	-	0	-	+0	-
<b>Non-Operating Income (Loss)</b>	-2	-0.1%	23	0.6%	+25	-
<b>Ordinary Income</b>	231	6.2%	138	3.8%	-93	-40.3%
<b>Extraordinary Income (Loss)</b>	4	0.1%	26	0.7%	+22	+609.2%
<b>Net Income Attributable to Shareholders of transcosmos inc.</b>	158	4.2%	101	2.8%	-57	-36.0%

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The next slide shows the consolidated income statement. As I mentioned earlier, sales have decreased significantly, and gross profit has also decreased accordingly. In addition to this, SG&A expenses grew 6.7% YoY, so while sales decreased, the ratio of SG&A expenses also increased.

Operating income decreased in each segment, with a total decline of JPY11.8 billion. Non-operating income/loss and extraordinary income/loss were up 25% and 22% YoY, respectively, showing improvement.

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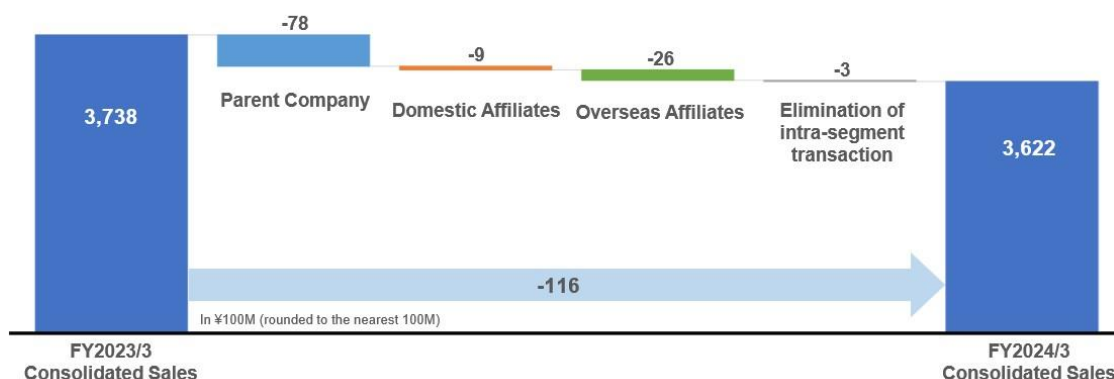


## Consolidated Sales Analysis



- Sales decreased by ¥11,600M (-3.1%)

<b>Parent Company</b>	Sales down due to a YoY drop in COVID jobs. Excluding COVID jobs, existing business grew bookings by actively pushing CX services built on patented TCI-DX model and BPO services that combine our expertise and digital technology.
<b>Domestic Affiliates</b>	Sales down mainly due to lower sales in a listed subsidiary and its group companies caused by lower demands for business areas that grew under the pandemic.
<b>Overseas Affiliates</b>	South Korean subsidiary continued to grow while ASEAN subsidiaries kept double-digit growth. Yet, sales declined in Chinese subsidiaries' e-commerce business unit.



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Next is the consolidated sales increase/decrease analysis.

As I will explain in detail, the parent company, domestic affiliates, and overseas affiliates all showed decreased net sales.

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## Consolidated Sales Analysis (Quarterly Trend by Segment)



- QoQ: Down ¥500M due to weaker sales in the Parent Company.
- YoY: Down ¥7,000M mainly due to a drop in COVID jobs in the Parent Company and lower sales in a domestic listed company and declined e-commerce business sales in Chinese subsidiaries.



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Next, the quarterly sales by segment, Q4 saw a significant decrease in sales of parent company services compared to Q3, resulting in a decrease of JPY500 million in sales.

Compared to last year's Q4, sales were down 7% due to a decrease in COVID-19-related services on a stand-alone basis, as well as a decrease in sales at listed subsidiaries in Japan. In addition, there was a decrease in sales from the EC business of our subsidiary in China. In previous years, the EC business, including Double-Eleven in China, has been a large part of our sales in Q4, but the impact of this and the decrease in sales caused a total decrease of JPY7 billion in sales.

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## Consolidated Sales Analysis (Quarterly Trend: CX Services)



- QoQ: Down ¥900M. Excluding COVID jobs, down ¥500M.
- YoY: Down ¥5,700M. Excluding COVID jobs, down ¥2,800M mainly due to lower sales in China's e-commerce business.
- Full-year: Down ¥6,100M. Excluding COVID jobs, up ¥6,400M, +2.7%.



\*Sales for each service are calculated based on the sales mix used for management accounting, and are not adjusted for intra-segment transactions.

- Demand expanded for services that match the needs of changing consumer behavior in a digital society.
- Grew orders with integrated services that combine the industry's leading contact center network and web development services.
- Actively pushed TCI-DX, our unique patented platform. Clients increased to 85 companies, up 66% YoY.
- Generative AI strategy made progress. Now offering GenAI-powered agent support systems, AI-powered chatbot services, and more.

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Next, by service type, first the CX service.

The quarterly trends are shown here, and each has been affected by COVID-19, but for the full year, sales decreased by JPY6.1 billion YoY, but excluding COVID-19-related sales, sales increased by JPY 6.4 billion, an increase of 2.7%.

The lower right-hand corner shows the increase in the number of companies using the patented TCI-DX platform. As Muta will explain later, we are expanding the content of our services, such as various services that utilize generative AI.

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## Consolidated Sales Analysis (Quarterly Trend: BPO Services)



- QoQ: Up ¥800M. Excluding COVID jobs, up ¥800M.
- YoY: Down ¥900M. Excluding COVID jobs, up ¥200M
- Full-year: Down ¥4,300M. Excluding COVID jobs, up ¥1,900M, +1.7% growth.



\*Sales for each service are calculated based on the sales mix used for management accounting, and are not adjusted for intra-segment transactions.

- Population aging and shrinking as well as workstyle reform accelerated, expanding service demand for business process and productivity enhancement.
- Grew orders by actively delivering platform services that combine our expertise and digital technology.
- Order momentum continued in DX services that meet the growing demands in the construction and manufacturing industries.
- Released HCM Analytics Platform that helps businesses make human capital information disclosure and GHG Emissions Calculation Solution that auto-collects/calculates GHG emissions data, responding to client needs to implement sustainability management.

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Next is BPO.

Compared to Q3 and Q4, and for the full year as well, excluding COVID-19, we have increased sales. I will explain the details of BPO services in detailed segments later.

The platform combines expertise and digital technology and is industry-specific, particularly in the manufacturing and construction industries. We are promoting specialized services and more general back-office services or IT back-office services. We are expanding orders in each of these areas.

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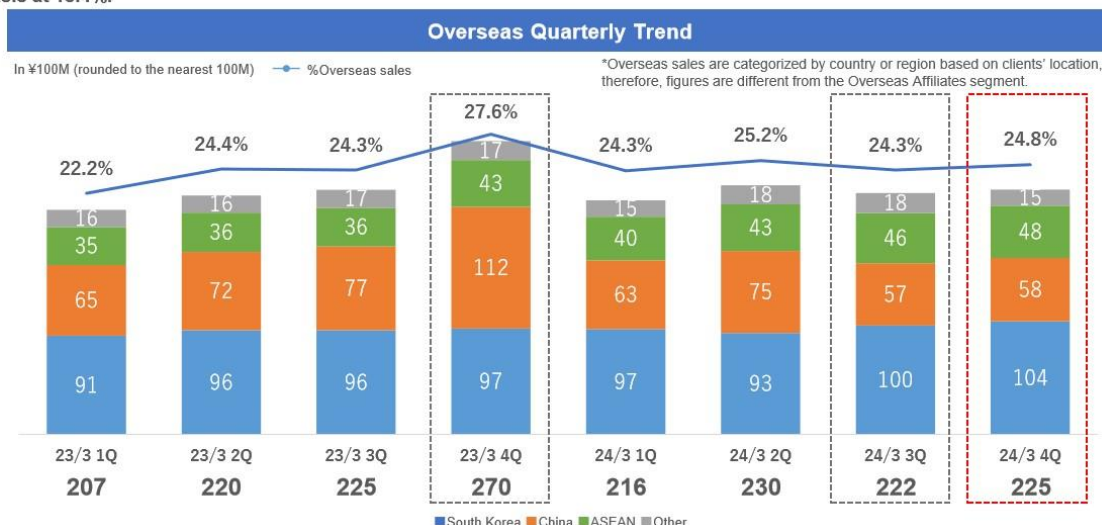
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## Consolidated Sales Analysis (Quarterly Trend by Geographic Market)



- South Korea: Up ¥400M QoQ, and ¥700M YoY. CX service orders expanded. Achieved full-year growth of +3.8%.
- China: Up ¥100M QoQ. Down ¥5,400M YoY. Bookings declined for the e-commerce business. On a full-year basis, down -22.0%.
- ASEAN: Up ¥200M QoQ, and ¥500M YoY. Business with global companies expanded. Continued double digit growth on a full-year basis at 18.4%.



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Next, I would like to explain the overseas business by region.

The blue color at the bottom of this page represents South Korea, where orders in Q1 and Q2 were down YoY but then turned upward in Q3 and Q4, with a 3.8% increase in sales for the full year due to an increase in orders for CX services in particular.

On the other hand, China had a particularly difficult time in Q3 and Q4, and as I explained earlier, the EC business, which sells products to China, saw a decline in orders, resulting in a 22% drop in sales for the full year.

In the ASEAN region, compared to Q3 and Q4 of the previous year, sales increased by JPY200 million and JPY500 million, respectively, especially in the ASEAN region, where transactions with global companies are expanding and double-digit growth is continuing, and we are maintaining very strong performance.

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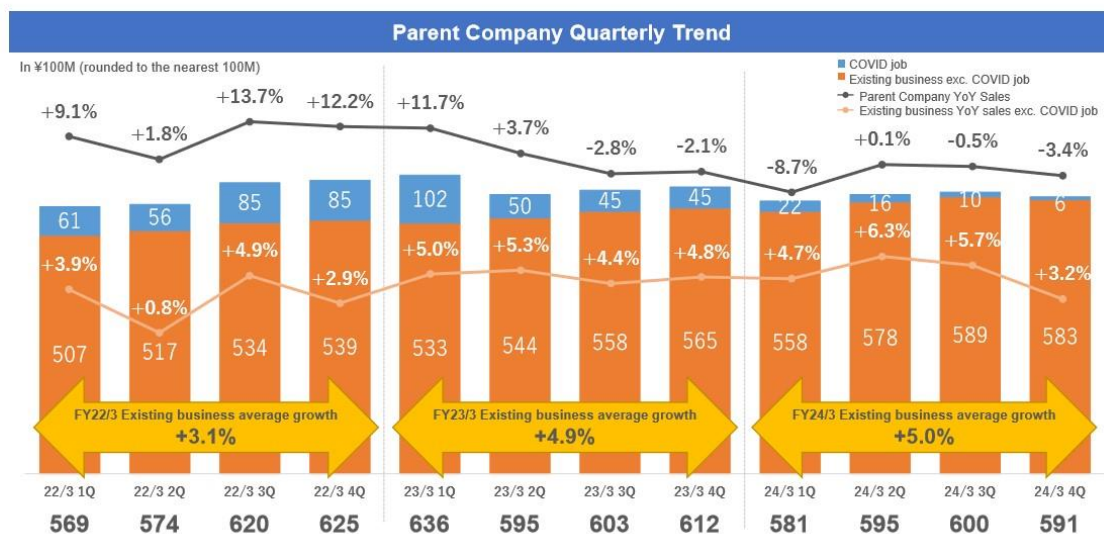
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## Parent Company Quarterly Sales Trend



- Although COVID jobs were on a downward trend as social needs subsided, average growth rate of existing business excluding COVID-related achieved 5.0%, with both CX and BPO services continue to grow order bookings.



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Now, looking at the parent company's quarterly sales trend.

It shows the areas related to COVID-19 and the other areas. The two areas are divided into blue and orange. As you can see, COVID-19-related services are declining as the social demand for such services slows down. The average sales growth rate of the existing business, excluding COVID-19, is 5%, which indicates that orders for this business are expanding steadily.

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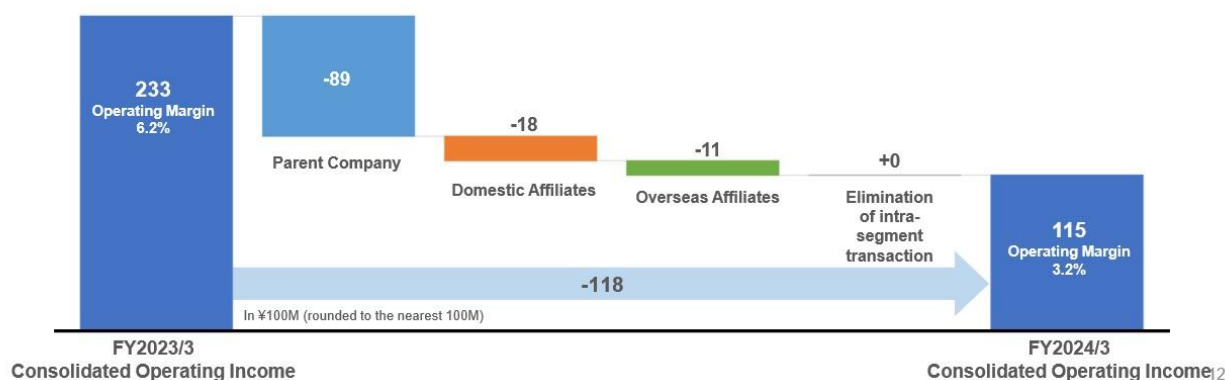


## Consolidated Operating Income Analysis



- Operating income decreased by ¥11,800M (-50.7%)

Parent Company	Down due to upfront investments made toward medium-term growth amid declining COVID jobs. Investment goals include service evolution, utilization of digital technology, and global expansion.
Domestic Affiliates	Down due to lower margin in a listed subsidiary and its group companies.
Overseas Affiliates	Down due to reduced work volume in some projects as well as surging personnel expenses in South Korean subsidiary and a declined profit in Chinese subsidiaries. ASEAN subsidiaries continued to grow their margins.



Next is the change in consolidated operating income. As for parent company services, as I mentioned earlier, there was a decrease in COVID-19-related business, but we also continued to make investments, which resulted in a large decrease in operating income.

Domestic affiliates saw declining profits due to the lower profitability of some listed subsidiaries and their group companies. As for overseas subsidiaries, although I mentioned earlier that sales in South Korea were strong, profits declined due to a decrease in the volume of work for some projects and an increase in labor costs. The Chinese subsidiary also saw a decrease in profit, resulting in a decline in income.

On the other hand, sales in ASEAN are strong, and profitability is also improving.

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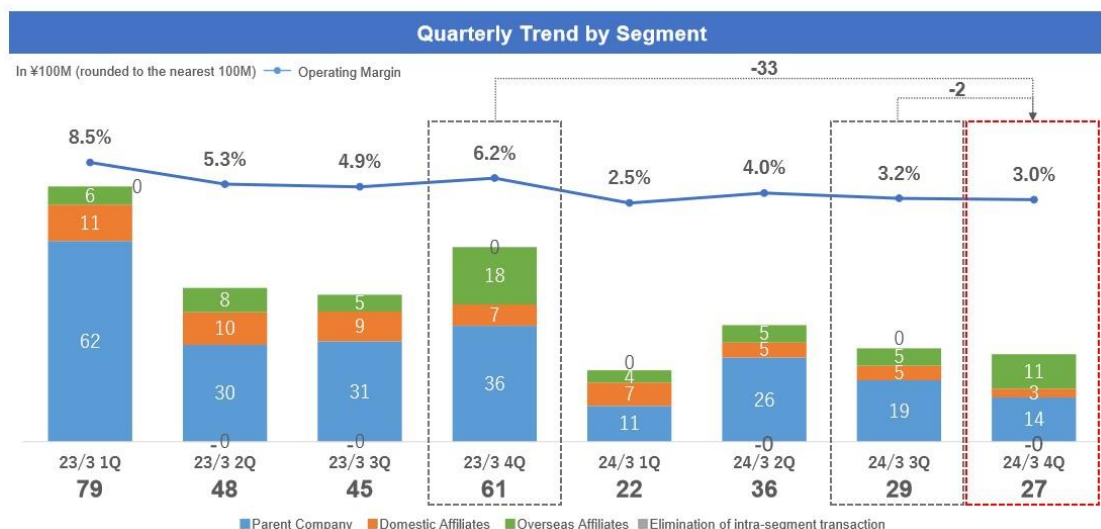
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## Consolidated Operating Income Analysis (Quarterly Trend by Segment)



- QoQ: Down ¥200M mainly due to lower sales and an increase in SG&A expenses in the Parent Company.
- YoY: Down ¥3,300M mainly due to a drop in COVID jobs and an increase in SG&A expenses in the Parent Company, as well as declined profit in a domestic listed company.



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Next, I would like to explain the quarterly trend of operating income by segment.

Compared to Q3, there was a slight decrease in profit, partly due to a decrease in SG&A expenses. Regarding the comparison with the previous quarter, operating income decreased by JPY3.3 billion compared with the previous year's Q4 due to the factors I have already explained.

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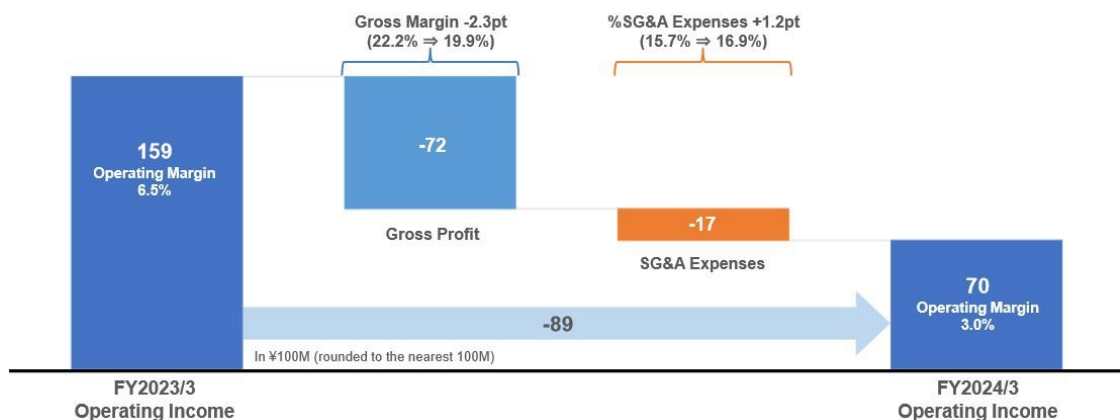


## Parent Company Operating Income Analysis



- Operating income decreased by ¥8,900M (-56.0%)

<b>Gross Profit</b>	Margin saw an upward trend despite a drop in gross profit due to upfront investments made toward medium-term growth and upfront expenses for project launches/operational stability amid declining COVID jobs.
<b>SG&amp;A Expenses</b>	Up ¥1,700M due to increased cost spent for strengthening sales activities, service competitiveness and business foundation. SG&A expense ratio up 1.2 points due to lower sales in addition to the factors mentioned.



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The next page analyzes changes in operating income for parent company services.

Gross profit on sales is still facing difficulties due to the expansion of investment amid the decline in COVID-19, but we believe that profitability is improving as a whole.

SG&A expenses increased by JPY1.7 billion due to various investments in sales activities, service competitiveness, and strengthening of the management base, especially in the first year of the Medium-term Business Plan. In particular, the ratio of SG&A expenses to net sales has worsened by 1.2 percentage points due to the impact of the decrease in sales.

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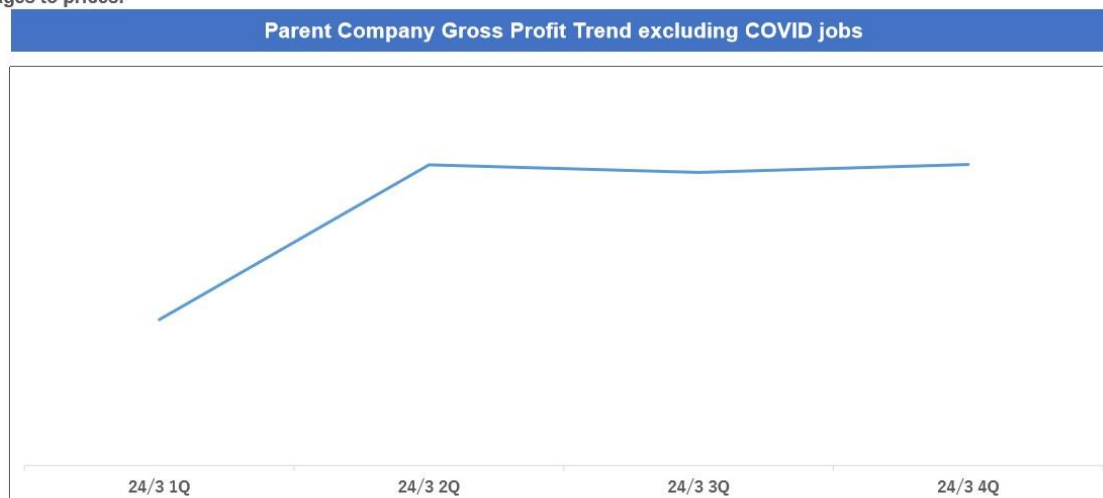




## Parent Company Gross Profit Trend excluding COVID jobs



- Despite a surge in personnel expenses, profit margin of existing business, excluding COVID jobs, remained steady due to the recovery of the upfront investment made for project launches, a higher operating ratio, etc.
- Aim to achieve higher gross profit next fiscal year through full-scale price negotiations including the pass-through of surging wages to prices.



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The next page, as I mentioned earlier, shows trends in gross profit from operations excluding COVID-19-related operations, with Q1 showing a difficult situation in terms of profit due to the startup of upfront projects.

In Q2, Q3, and Q4, labor costs soared. This is already a trend in the world, but the full-fledged negotiations on price hikes, including price transfers of such items, have been partially effective, and the results have been stable.

However, we expect that the full-fledged effects of price negotiations will emerge in the current fiscal year, and we believe that we can improve gross profit a little more than this level.

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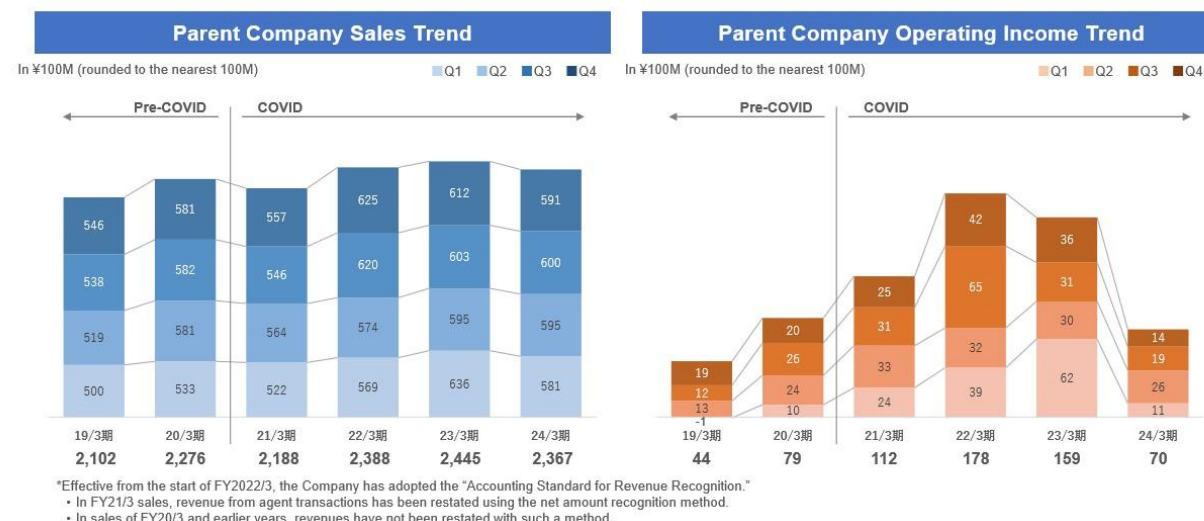




## Parent Company Six-year Sales/Operating Income Trend



- Compared to pre-COVID years, sales grew steadily. Operating income was slightly below pre-COVID levels mainly due to an increase in personnel expenses along with project upsizing and in administrative expenses associated with the expansion and reinforcement of overseas business.



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The next slide compares the past six years, including the period before COVID-19. Regarding Q3 and Q4 of this fiscal year, compared to the fiscal year ended March 31, 2020, pre-COVID-19 disaster, the operating income on the right side of Q3 and Q4 has deteriorated.

Here, as we have expanded the scale of our business, we have strengthened our personnel and various other systems, and while SG&A expenses have increased, the growth in sales has been slower than in Q1 and Q2, compared to the Q1 before COVID-19. The situation is that operating income is now at a lower level than before COVID-19.

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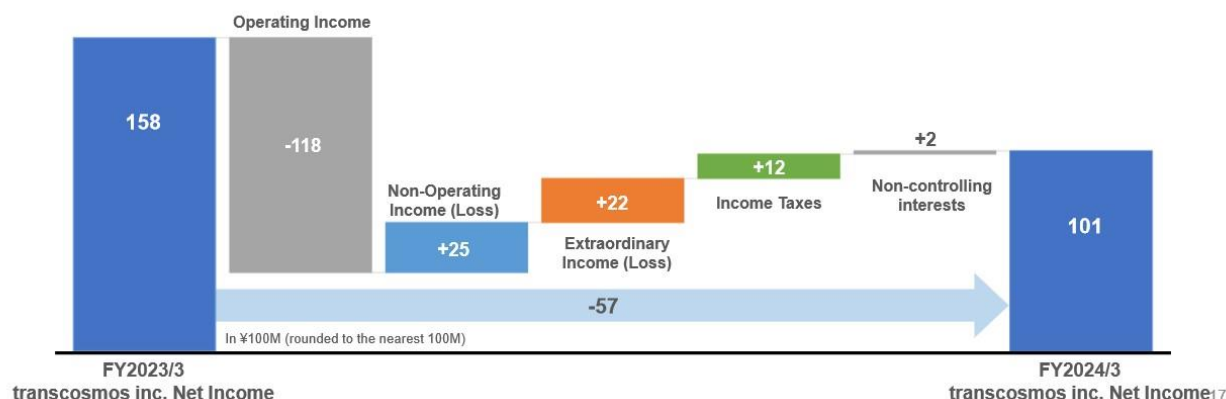


## transcosmos inc. Net Income Analysis



- transcosmos inc. Net Income decreased by ¥5,700M (-36.0%)

Non-Operating Income (Loss)	Increased by ¥2,500M mainly due to the recording of share of profit of entities accounted for using equity method (share of loss posted in the same period last year) and an increase in exchange gain.
Extraordinary Income (Loss)	Increased by ¥2,200M mainly due to the recording of gain on sale of investment securities.
Income Taxes	Decreased by ¥1,200M due to a decrease in income before income taxes.



Next, I would like to explain the change in the parent company's net income.

While operating income deteriorated, non-operating income/loss and extraordinary income/loss improved. Non-operating income/loss has turned positive due to the decrease in the deficit of UNQ, an affiliated company. In terms of extraordinary income/loss, we sold investment securities of PFSweb in the US, and the gain from the sale of these securities has positively affected each of these items.

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## Consolidated Balance Sheet Summary



- **Current Assets:** Cash and deposits increased, including the impact of bank holidays of around ¥3,200M.
- **Fixed Assets:** Investment securities decreased due to the market-to-market valuation of shareholdings.
- **Liabilities:** The Company's long-term loans payable increased. Accounts payable-trade decreased.
- **Net Assets:** Retained earnings increased.

In ¥100M (rounded to the nearest 100M)	End of Mar. 2023	End of Mar. 2024	Change	
<b>Current Assets</b>	1,354	1,448	+94	• Cash and deposits +137 • Notes and accounts receivables – trade -32
<b>Fixed Assets</b>	584	547	-38	• Investment securities-38 • Shares of subsidiaries and associates +10 • Deferred tax assets -18
<b>Total Assets</b>	1,938	1,994	+56	
<b>Current Liabilities</b>	664	630	-34	• Accounts payable-trade -25 • Accrued expenses +19 • Accrued income taxes -22
<b>Fixed Liabilities</b>	150	184	+33	
<b>Total Liabilities</b>	815	814	-1	• Long-term loans payable +40
<b>Net Assets</b>	1,124	1,181	+57	• Retained earnings +57
<b>Liabilities/Net Assets Total</b>	1,938	1,994	+56	
<b>Cash and deposits</b>	512	648	+137	
<b>Interest-bearing debt</b>	163	186	+24	
<b>Net cash*</b>	349	462	+113	
<b>Net cash* to monthly sales ratio</b>	1.1	1.5	+0.4	

\*Net cash = Cash and deposits – interest-bearing debt

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Next is a summary of the consolidated balance sheet.

Cash and deposits have increased, but this increase was partly due to the fact that the end of the fiscal year happened to fall on a bank holiday, and some of the scheduled payments at the end of the month were postponed to another month, which had a negative impact of JPY3.2 billion, but even excluding this, the cash and deposits have increased.

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## Consolidated Cash Flow Statement



- Operating cash flow: Cash inflow from profit before income taxes decreased.
- Investing cash flow: Cash inflow from proceeds from sale of investment securities increased.  
Cash outflow for the purchase of property, plant and equipment decreased.
- Financing cash flow: Cash outflows for the purchase of treasury shares and repayments of long-term borrowings decreased.

In ¥100M (rounded to the nearest 100M)	FY2023/3	FY2024/3	Change
Cash flows from operating activities	243	183	-60
Cash flows from investing activities	-78	-6	72
Cash flows from financing activities	-319	-38	281
Balance of cash and cash equivalents	494	644	151
Free cash flow *	164	177	12

\*Free cash flow = Cash flows from operating activities + Cash flows from investing activities.

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Next is a summary of the cash flow statement.

In particular, in the investment cash flow section, compared to the previous fiscal year, there was an improvement in the expenditure for acquiring property, plant, and equipment, suggesting that investment is being restrained. On the other hand, the proceeds from the sale of investment securities increased.

As for financial cash flow, in the previous fiscal year, there was a large negative balance due to the acquisition of treasury stock, but since there was no such negative balance in the current fiscal year, the amount of increase/decrease is a plus of JPY28.1 billion. This is a positive effect.

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## CAPEX, Amortization/Depreciation, Employees, Service Bases



### Capital expenditures/Depreciation expenses

In ¥100M (rounded to the nearest 100M)	FY2023/3	FY2024/3	%Change
Capital expenditures	65	53	-17.7%
Depreciation expenses	53	57	6.6%

- CAPEX  
Capital expenditures decreased mainly in the Parent Company.
- Depreciation  
Depreciation expenses increased mainly due to the Parent Company's center openings in the previous fiscal year.

### Number of Employees

	End of Mar. 2023	End of Mar. 2024	Change
Consolidated basis	40,582	40,793	+211
(Temporary employees)	29,709	28,971	-738
Parent Company	16,791	17,325	+534
(Temporary employees)	22,179	21,626	-553

- Consolidated basis  
On top of an increase in the Parent Company, headcount increased in ASEAN due to project launches and upscaling of existing jobs.
- Parent Company  
Employees increased due to new graduate hires and increased projects. Temporary employees decreased due to COVID project completions.

### Service Bases

	End of Mar. 2023	End of Mar. 2024	Change
Service bases	170	180	+10
(Japan)	70	71	+1
(Overseas)	100	109	+9

- Japan  
Opened BPO center in Osaka.
- Overseas  
Opened Mexico City Center and Bengaluru Center in India. Affiliated companies in Europe and Latin America increased business locations.

\*Service bases included the Company's own bases, head offices, branches, sales offices and bases of subsidiaries, associates, and partners.

20

Next, regarding CapEx, amortization/depreciation, number of employees, and service bases, although there is not much that needs to be noted, there was a slight decrease in CapEx for the parent Company.

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## Dividend Policy



- The Company pays an annual dividend with a focus on the dividend payout ratio, which is closely related to business performance.
- The Company ensures a 30% or higher dividend payout ratio, and aims for stable dividend increases underpinned by business growth.

	FY2020/3	FY2021/3	FY2022/3	FY2023/3	FY2024/3 (Plan)
Dividends per share (yen)	46	93 Ordinary dividend 73 Special dividend 20	156	117	81
Consolidated dividends payout ratio (%)	30.4	38.5	30.1	30.1	30.1

22

Next, I would like to explain our dividend policy.

Before I explain the dividend policy, today we announced the cancellation of treasury stock, so please switch the screen.

At the Board of Directors' meeting today, we decided to cancel 4.93 million shares of our common stock, which is 10.11% of the total number of shares issued and outstanding before cancellation. We appreciate your understanding in this matter.

Next, please.

As for our dividend policy, based on the current financial results, we have decided to pay a dividend payout ratio of 30% or more once a year, which is linked to the Company's business performance. Based on this policy, we plan to pay a dividend of JPY81 per share for the current fiscal year, representing a consolidated dividend payout ratio of 30.1%.

This concludes my explanation of the overall financial results for the fiscal year under review. Next, Muta will talk about the progress of the Medium-term Business Plan and our future initiatives.

**Muta:** I would like to begin.

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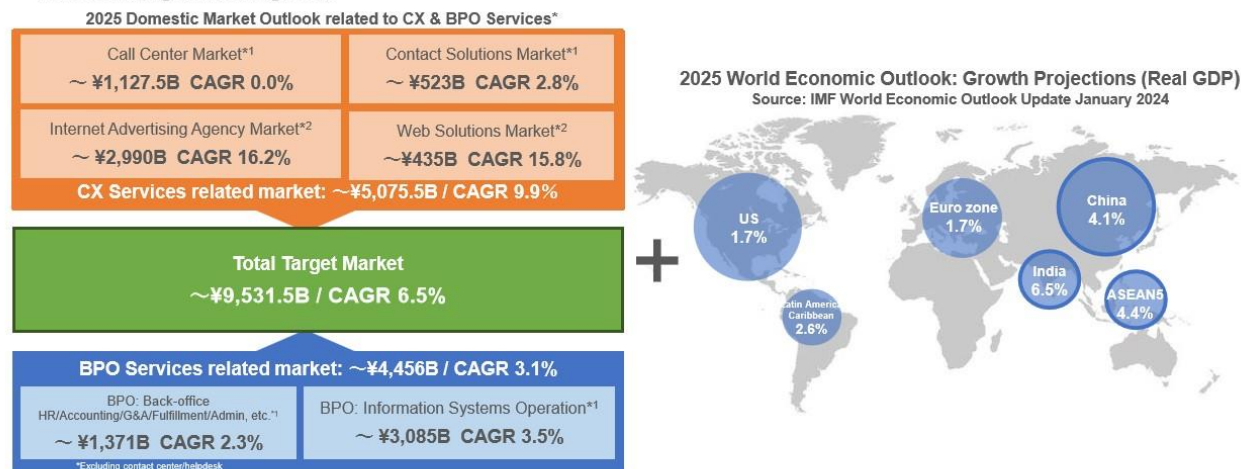




## Market trends impacting transcocosmos business



- Domestic markets related to the Company's CX and BPO Services are expected to reach ¥9,531.5B in 2025 with a high average growth rate of 6.5% along with accelerated demands for CX and DX.
- Among overseas markets, Asia - the Company's core overseas market that includes China, India and ASEAN-5 - is projected to achieve strong economic growth.



\*Sources: Created by transcocosmos inc. based on historical and projected data provided by the following reports. CAGR: FY2021/3 to FY2025/3. \*1 Reports: Call Center Market 2023 (Yano Research Institute Ltd.), Business Process Outsourcing (BPO) Market 2023-2024 (Yano Research Institute Ltd.) \*2 Internet Advertising & Web Solutions Market 2023 (Deloitte Tohmatsu MIC Research Institute Co., Ltd.)

24

First of all, to understand or recognize the market environment, on page 24, we have the market we are dealing with in Japan on the left. On the right is the global economic growth forecast, which is a little rough, but I used data from the Yano Research Institute and MIC.

The orange area is the CX area, and we have been receiving questions about what will happen to the call center market, but the domestic market is currently expected to be flat. However, the market for solutions is growing very rapidly, so we would like to position ourselves in a way that we can capture that market while linking it to our business.

The CAGR for online advertising is rising at an impressive rate, and in the solutions business, which is the area of web production, the rate is 15.8%, which means that almost all of the services we currently offer are on track to increase.

The blue area is the BPO service-related market, and we are in a situation where more and more employee areas are being outsourced by a variety of external factors. For example, human resources, accounting, general affairs, fulfillment, and clerical work are increasing at a rate of 2.3%. The information systems area, which is substituted for the IT helpdesk area, is also rising very rapidly.

Our challenge is capturing the enormous growth potential overseas, especially in Asia, which we recognize as a market growing 6.5% in terms of our total target.

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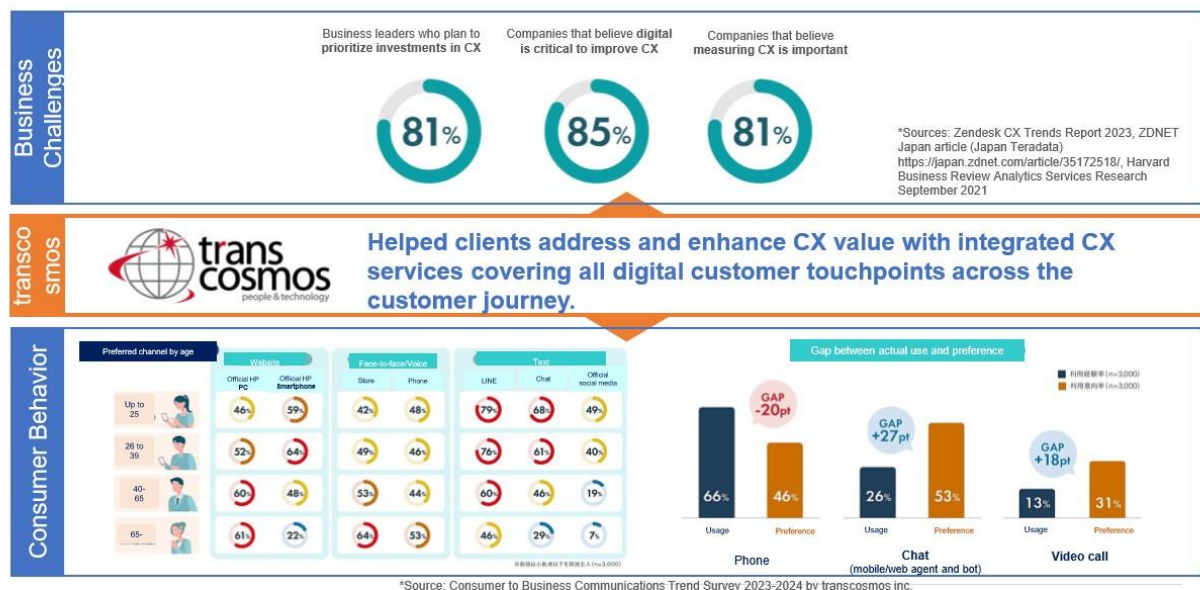




## Demand trends: Adapt to changing consumer behavior



- Amid growing attention on CX, helped clients solve CX challenges with CX services that embrace changing consumer behavior.



25

The next section shows a reassessment of the market in terms of consumer behavior.

The above business challenges are based on the CX Trend Survey. 81% of business leaders and companies consider CX to be a priority investment, 85% consider the use of digital technology to be important, and 81% consider measurement to be important. Business leaders and companies feel that the importance of CX is quite high.

The bottom row, consumer behavior, is a communication survey we conduct annually. We survey the actual status of websites, smartphone sites, stores, phone calls, face-to-face communication, text communication, LINE, and chat, etc., for each age group.

In this survey, we often receive questions about how text communication is used by the young middle class up to the age of 39, but from 40 to 65, we often receive questions about how it is used after that. Currently, people up to 65 years old say that text communication is easier to use, and while the telephone perspective will not disappear, we recognize that the focus is shifting mainly among the older age groups.

Interesting data is shown on the right side, where it says “usage,” “preference,” “usage,” “preference,” and so on; what this means is that while only 46% of consumers say they prefer to use the telephone, 66% of them have used it. In other words, 20% of consumers have no choice but to use a channel they do not prefer. As for chat, 53% of the respondents expressed their willingness to use it, but only 26% have used it.

In other words, there is a negative gap. There is a discrepancy between the corporate channel that the users prefer and the implementation on the corporate side, and users are currently communicating through a channel other than the one they prefer.

We have been communicating this to the corporate side, and we have been working to turn this into a business opportunity for us. This is the CX field.

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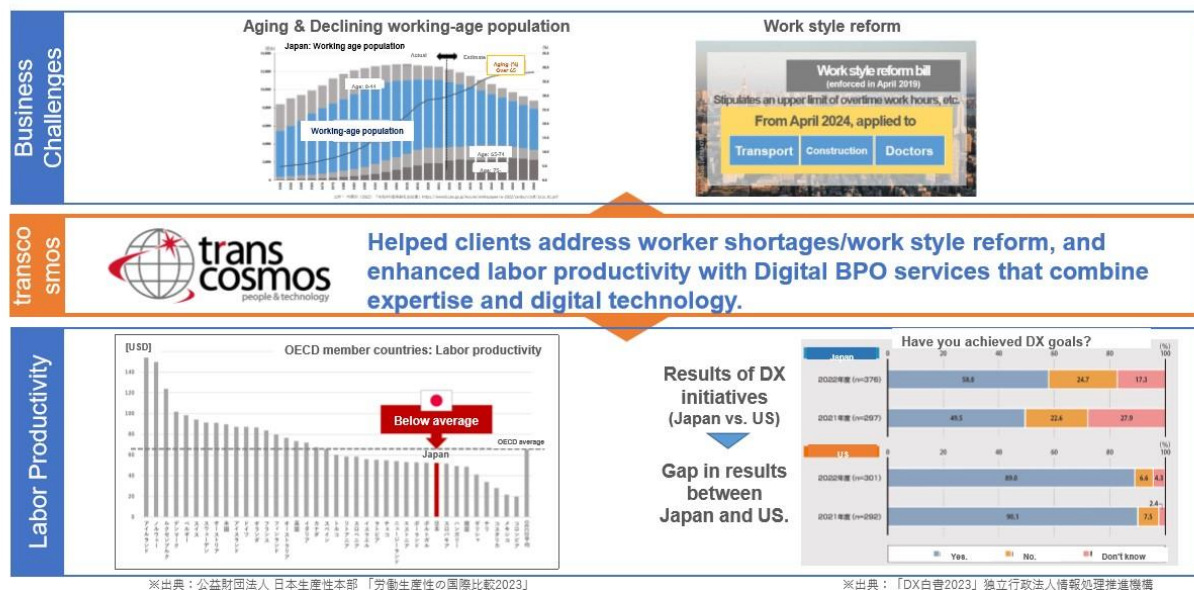
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## Demand trends: Enhance labor productivity



- Helped clients address labor shortages, work style reform, and ultimately enhanced labor productivity with Digital BPO services.



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The next section is from the perspective of BPO. Naturally, we are all aware of the domestic issues of the aging and declining working population, and the reform of work styles has led to a shortage of workers in various industries and various other issues.

In terms of labor productivity, while Japan's labor productivity is very low on a global scale, from the perspective of BPO, we are working to turn this into a business opportunity through our expertise and digital technology.

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- (1) Secure competitive edge with differentiated services**
- (2) Drive growth focusing on burgeoning Asian market**
- (3) Accelerate growth strategy by making the most of AI**
- (4) Win new & expand existing clients with robust sales capability**
- (5) Further integrate Sustainability Management into business and strengthen the Group's management base**

28

As for our priority initiatives, please turn two pages; we have listed five differentiated services. As I mentioned earlier, we have acquired patents, and in Digital BPO, we have created a platform and are doing various other things, but we would like to differentiate our services by firmly establishing a competitive advantage.

We do not want to fall into complete competition and engage in price wars; thus, in this sense, we are determined to differentiate our CX and BPO services. We are still working on this, but we were not able to complete it in time for the current and previous fiscal years. We are already working on this but would like to improve it further this fiscal year.

Secondly, we are still working on this, but we will further expand aggressively into the Asian market.

Third, we are actively utilizing AI. This will replace, for example, call centers and audio. I think this will lead to the question of whether companies in the call center business will be okay, but we have analyzed the logs with considerable expertise and created the current platform, so we are working in a way that makes full use of ChatGPT, constantly linking AI to it and monetizing it.

Fourth, especially to the outside directors, we have been repeatedly told that transcosmos has a strong sales department, so this time, we have included new acquisitions and the existing situation in our sales capabilities as some of the company's strengths.

Fifth, although it is not only to strengthen the management foundation of the group, we would like to report on our efforts to promote sustainability in the company's management.

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 **SCRIPTS**  
Asia's Meetings, Globally

## Priority (1) Secure competitive edge with differentiated services



- Achieve sustainable business growth by 1) capturing demands with the Company's unique service portfolio and global service network and 2) executing medium-term business strategies effectively.

CX Services	BPO Services
<ul style="list-style-type: none"><li>● Offer integrated services covering all digital customer touchpoints across the consumer journey from marketing to customer care.</li><li>● Focus on promoting TCI-DX, the Company's proprietary platform built on VoC, which now empowers 85 client companies.</li></ul>	<ul style="list-style-type: none"><li>● Offer common IT &amp; back-office support services across all industries as well as industry specific services from design, construction to manufacturing.</li><li>● Focus on promoting Digital BPO Services that combine expertise and digital technology.</li></ul>

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Regarding the two areas of CX and BPO services, I would like to introduce our competitive advantage, including some case studies, firstly, our CX services.

We are currently developing a platform called TCI-DX, which uses VOC to solve the gap between marketing, customer care, and the customer contact points I mentioned earlier for 85 companies, thereby creating an element of differentiation.

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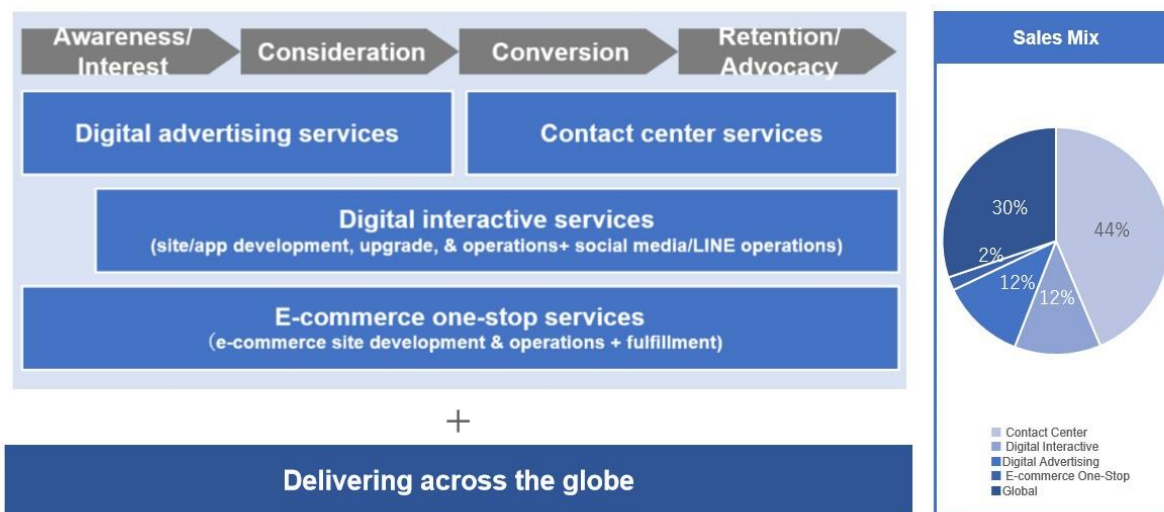
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## CX Services: Service portfolio covering all digital customer touchpoints



- Deliver integrated services covering all digital customer touchpoints across consumer journey from marketing to customer care.



30

While we are expanding this platform further, we have included all of our services on page 30, as you may be surprised to see transcosmos as a CX service and call center company.

We do a lot of digital advertising. The call center layer, web production, digital interactive services, website application development, and social media management, we do quite a bit. We do a lot of social media operations. I think we are the largest company in Asia. Our contact center is also the largest in Asia, so one of our major differentiating factors is how we link these services together.

Since we also do advertising, as I mentioned earlier, adding these services together creates a single form of EC one-stop service, and our portfolio of CX services, including platforms, is to develop such EC one-stop services globally.

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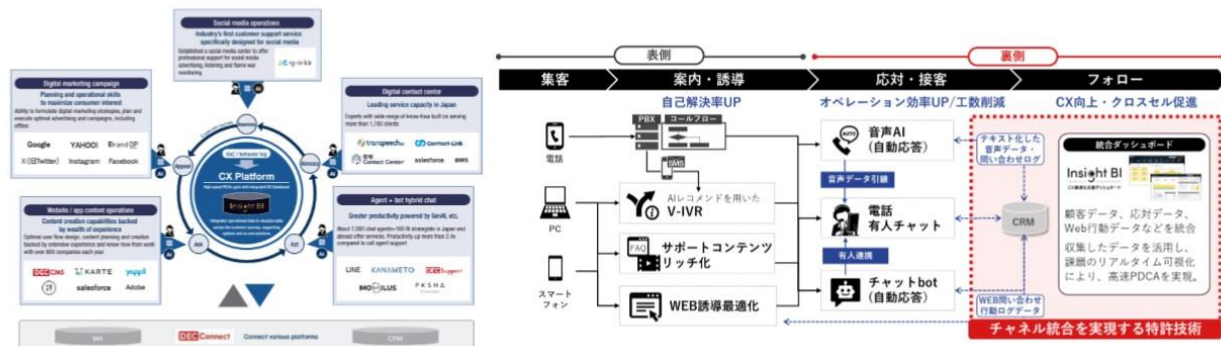




## CX Services: Platform



- Built a unique platform based on customer journey success cases achieved in serving thousands of clients.
- The platform optimizes CX at every customer touchpoint by doubling online/app self-service rate with the use of VoC data on social media, and seamlessly connecting call centers and hybrid chat channels that deliver roughly three times higher productivity than the call channel.
- Delivered an unrivaled platform that integrates ever diversifying customer channels and ensures optimum operations with cutting-edge technologies and patented technology. The proprietary platform enhances usability and saves man-hours at the same time.



### Mid-term Business Plan KPI progress

Sales: ¥460,000M (progress rate 62%) Clients: 85 (progress rate 57%)

\*Progress rate: progress made against the target set for the final year of the mid-term plan (fiscal year ending March 31, 2026).

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Among them, page 31 is the patented TCI-DX support system, which I mentioned earlier. As I mentioned earlier, users are now entering the site through the smartphone site, where they are able to resolve issues on their own, but when they are unable to resolve issues on their own, they actually flow to the customer service.

We are the largest in Asia in terms of customer call centers, yet we suggest to our customers that they should reduce them. How can we reduce it, I can already tell you simply it will decrease as the number of resolutions on those smartphones increases.

There are two major reasons why they don't resolve. The fact is, there are quite a few users who have not reached the content, approximately half. Half of them are looking at the content, but some of them don't understand it.

So, they come to the contact center, which is manned. Therefore, by looking at the logs that come into the contact center, we can learn what we need to do to improve the website and traffic flow. By providing this feedback, we are working to strengthen the Web.

It is a simple thing to do, but the reason why this has not happened is that there are no companies in the world that do both. There are companies that do only web, and there are companies that do only contact centers. Therefore, companies that only do Web are more focused on promotion than on logs, and companies that only do call centers do not take such actions because they do not want to lose calls. We are planning to take that step.

The other is between the two; as you saw earlier, chat and text communication are in very high demand, so we are going to incorporate them. This will increase productivity about threefold. By creating a bot and manned hybrid chat, productivity can be increased. So, we are working on a chat and bot linkage for calls, as well as a web linkage; in fact, half of the voices are currently escaping. In other words, the voices leak out on social, so we are working on attaching all of those logs as we go along.

The overall cost will drop by more than 20%. We are trying to compete on a platform that improves usability, and we are currently working with 85 companies, but we are not sure why they are not advancing and why

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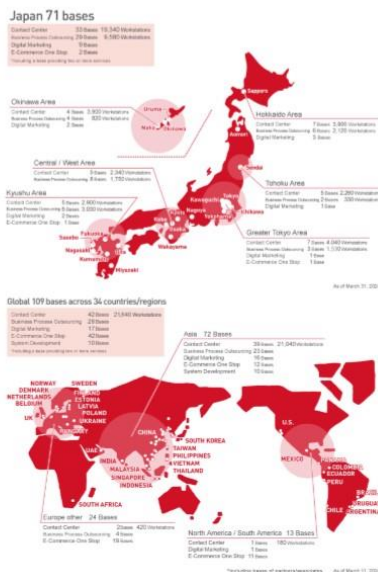
they are not interested in such a great product. The organizational structure of the companies is vertically divided. There is a web team and a call team.

So, we have created a DX manager, and we have been talking to them and to top management as we progressed. We have achieved a lot of success. However, the DX flow led to a lot of discussion and business negotiations with the COVID-19 disaster, which led to large-scale proposals being put on hold because of the emergence of generative AI. In the meantime, we are in the process of making a new proposal to strengthen this platform while creating a solution for generative AI.

## CX Services: Capability



- Meeting clients' CX needs in Japan and abroad with one of the largest operations networks in Asia.



Global Contact Center	75 centers with 41,000 seats (approx.)
Global chat/social media services	11,000 seats (approx.)
Work-At-Home Center	10,000 seats (approx.)
Virtual Contact Center	Contact centers on the metaverse
Global Digital Marketing (Digital ads/Digital interactive)	26 centers with 3,300 agents (approx.)
Global E-commerce One-stop services	46 countries and regions

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Next is capability. We have 75 contact centers around the world, and global chat and home-based services, which are not restricted by facilities, can lead to cost reductions, depending on the way we do things. However, there are, of course, various issues, such as security and productivity, so we are working to overcome these issues as we move forward.

In addition, we are also working on the CX service by virtually connecting the bases and conducting business as if they were a single base.

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**Offered one-stop services covering all digital customer touchpoints**  
(Client: A leading financial institution)

- Managed all digital customer touchpoints at one-stop.
- 360-degree support covering all customer touchpoints from web/apps, social, to call centers with digital tools and operations.



**Web development/operations**

- Website development/improvement
- Mobile app development/improvement
- Application form design
- Design/branding

**Analytics/Improvement**

- Website development/improvement using A/B test
- Business customer service by segment
- Session log analysis/optimization

**Internet banking**

- Website development/improvement
- Mobile app development/improvement
- Website delivery - Design component optimization/improvement

**Messaging**

- Website development/improvement
- Mobile app development/improvement
- Website delivery - Design component optimization/improvement
- LINE rich menu development/improvement

**Apps**

- Website development/improvement
- Mobile app development/improvement
- Website delivery - Design component optimization/improvement
- LINE rich menu development/improvement

**Call Center & Social Communication**

- Support tools
- Instant design
- Design guideline management framework
- Design review for CX/UX training

**Chat services**

- QA operations support
- Chat operations

**Call center**

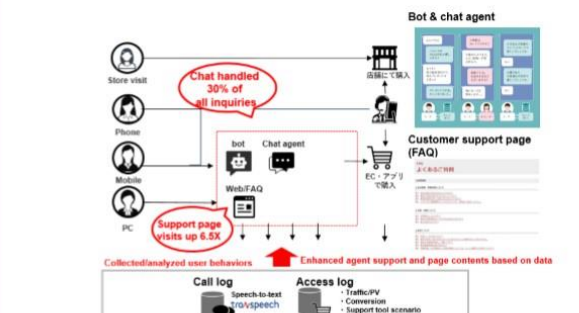
- On-site-based support
- Digital operation using latest technologies including speech recognition
- Customer service for internet banking and mobile banking
- Website and content improvement using XEC
- COPC certification

**Analytics**

- Quality management
- Report management
- Report for customer NPS assessment

**Delivered VoC analytics & digitization services to achieve higher self-service completion rate**  
(Client: A leading distributor)

- Achieved contact center DX to increase user self-service rate and reduce call volumes.
- Along with an increase in registered members, overall inquiries went up. Among all inquiries, **supported about 30% via chat** (bots + agents). On pages with a user self-service feature (FAQ, etc.), **PV up approximately 6.5X**.



**Bot & chat agent**

- Chat handled 30% of all inquiries
- Support page visits up 6.5X

**Customer support page (FAQ)**

- EC - アプリ
- WEB

**Call log**

- Speech-to-text
- Novispeech

**Access log**

- Traffic/PV
- Conversion
- Support tool scenario

**Collected/analyzed user behaviors**

**Enhanced agent support and page contents based on data**

33

Page 33 is an example of a case where we handle the entire digital front on the left-hand side.

The web, apps, call center, chat, and social services. We have done all the digital fronts for megabanks.

Incidentally, all megabanks are involved in web production, and the next company is also involved, but in particular, I would like to show you the most beautiful form of a bank that is highly evaluated for its applications.

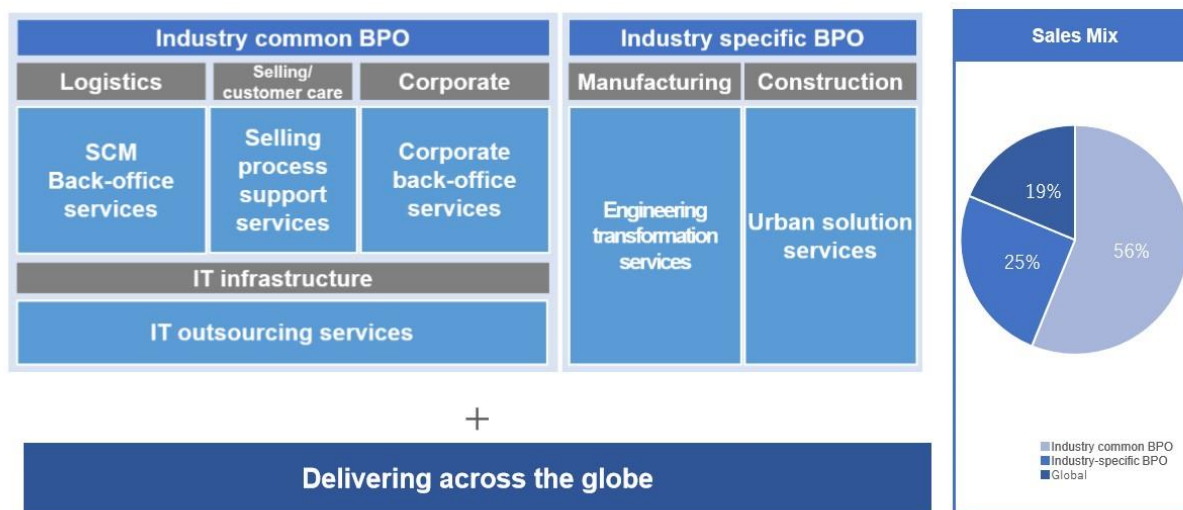
On the right side, we are working with the web, call center, and chat services, which used to receive a large number of inquiries via voice mail; we first applied SEO to their external site and created a flow of traffic to their web smartphone site, and the number of site visits increased 6.5 times.

It's also led to a pretty good self-resolution. Instead of spilling over to the voice, this is an example of a scheme that spills over to the chat, which has also led to a considerable reduction in man-hours.

## BPO Services: Service portfolio covering a range of business processes



- Deliver services ranging from common IT & back-office support across all industries as well as industry specific services from design, construction to manufacturing.



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Next, BPO. Of course, we offer BPO services in two broad categories: help desks and corporate back-office operations that are common to all industries, as well as industry-specific BPO services for the construction industry.

We believe that the key to BPO is expertise and digitalization, which is why we have included on the next page a contact center, which may give a strong image of CX, but we are originally a BPO company that began as a puncher and have been in the BPO business for 59 years.

As a result, the BPO flow has expanded, and we have a platform for SCM, which is supply chain management, and we accept orders mainly from Kumamoto, especially for frozen foods, and to the extent that I can say we also accept orders for building materials from LIXIL Corporation. Next to that, there is the back-office work of the sales department. The back-office work of the personnel, accounting, and general affairs departments that I mentioned earlier is a growing trend right now.

The IT outsourcing service, which is shown below, is a help desk service that has been expanding and is also growing rapidly under the COVID-19 disaster.

In the area of industry-specific services, there is the Engineering Transformation Service. We provide assistance in automotive design and other such services. We have 200 people in each of the three major manufacturers. Actually, we also do airplane galley design.

As for the construction industry on the side, as I will show you later, we are using CAD and BIM, and that is part of our business. In particular, we are turning the shortage of human resources in the construction industry, including construction management, into a business opportunity and are promoting it.

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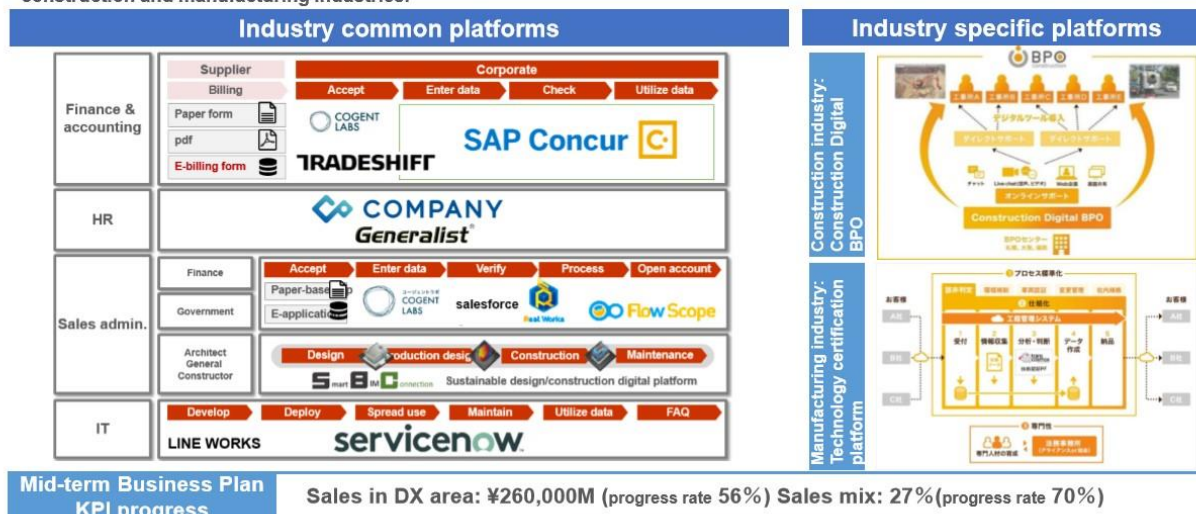
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## BPO Services: Platform



- Industry common BPO: Combining versatile SaaS platform and the Company's operational excellence, delivering platform services from designing business processes, to implementation to operations.
- Industry specific BPO: Delivering proprietary platform services specifically designed for highly specialized processes in the construction and manufacturing industries.

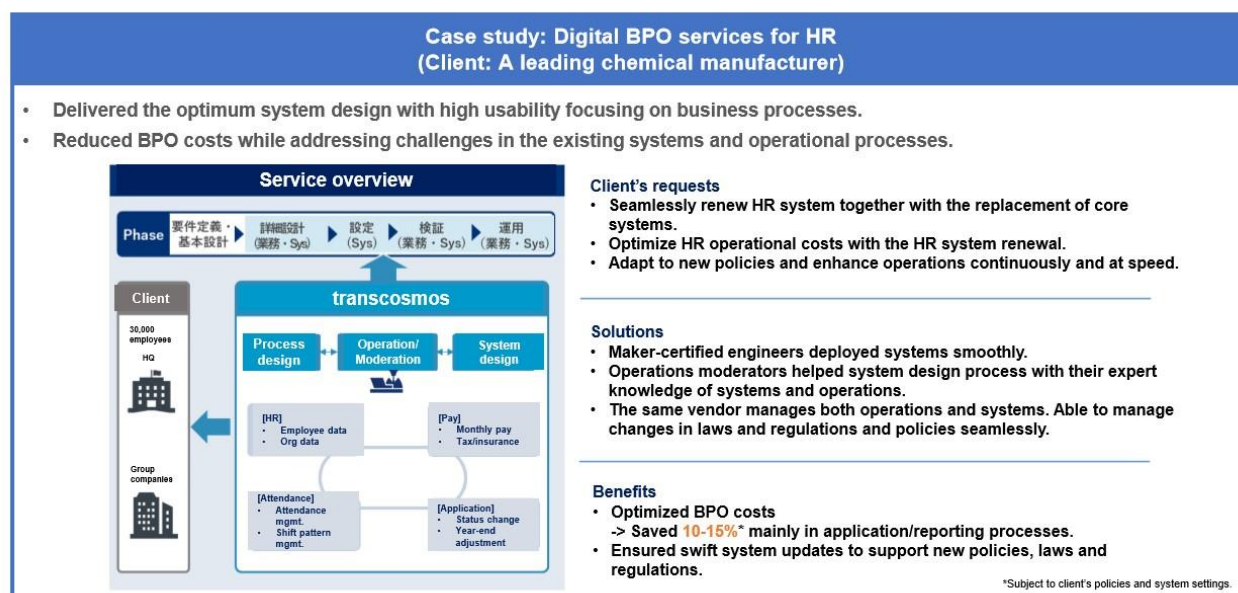


\*Sales and sales mix include DX-related tools and services in addition to sales from platform services.  
Process rate: progress made against the target set for the final year of the mid-term plan (fiscal year ending March 31, 2026).

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On the next page, you will see the various solutions we offer. We are supporting solutions by utilizing the famous SAP Concur in the field of accounting and finance, COMPANY in the field of human resources, and Salesforce in the field of sales and marketing.

## BPO Services: Success cases



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Next, we have a case study of a major chemical manufacturer in which we supported the implementation of COMPANY to reduce the overall cost by about 15%.

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### Case study: Digital BPO services for accounting (Client: Ajinomoto Co. Inc.)

- Helped Ajinomoto achieve work style reform by stabilizing expense processing operations and shifting and centralizing management resources.
- Visualized adequate man-hours & costs based on research and analytics.
- Stabilized expense processing operations with BPO.
- Freed-up 80% of operations hours\*** in the Accounting and Finance dept., and shifted resources. \*General accounting work.



### Case study: Construction DX (Client: A leading constructor)

- Helped a leading general constructor developed DX projects in its design and construction processes.
- Offered diverse services such as design support for BIM/CIM data creation, on-site construction management support for preparing data and documents, and on-site deployment support for digital twin apps, etc. Aiming to deliver the solution to other players.



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Next, this is a case study of Ajinomoto, which is using Concur, and we are supporting the introduction of Concur and handling the implementation, but in Ajinomoto's case, paper is still being used in factories and other areas where Concur cannot be used. Therefore, with our intervention, we reduced the number of man-hours required by the accounting and finance staff onsite by firmly supporting both Concur and paper-based systems.

The example of DX promotion in the construction industry is a solution we created with a major construction company. Although we have been providing a great deal of assistance in design, there was a considerable shortage of personnel in the area of construction as well, so we created a solution for construction management that allows everyone to share information and work together using cameras and various other digital tools. This is an example of horizontal development within the construction industry.

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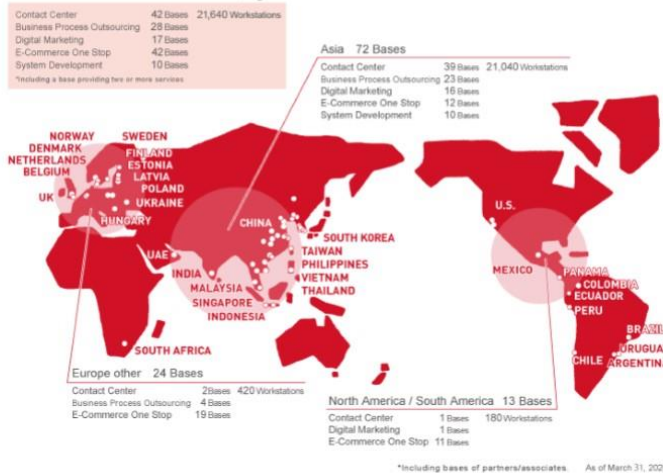


## Priority (2) Drive growth focusing on burgeoning Asian market



- Delivering CX & BPO Services tailored to each market across 34 overseas countries and regions with 109 locations.
- Launched the India Business to capture India's strong economic growth.
- Drive Select & Focus approach in the global services framework including intensive investments in Asia and reorganization in unprofitable markets.

Global 109 bases across 34 countries/regions



### Launched the India Business in March, 2024

- In March, 2024, opened Bangalore Center, an operations center with 300 workstations.
- Launched CX Services (contact center) for the India local market.
- Introducing CX Services for the India market to clients in Japan, China, South Korea, and ASEAN.



On October 17, 2023, established transcosmos India Private Limited. Operating CX Services and other related businesses.

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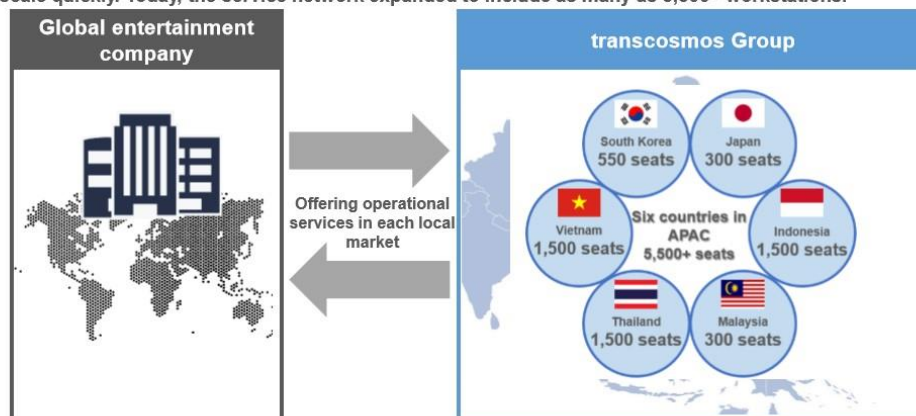
Next, in the second section, we have been discussing how to create special characteristics, build a position, and expand in a place without complete competition or price competition. Secondly, the Asian market is one of the markets where we are trying to capture the world's growth, and as you can see from the current list of bases in Asia, Europe, North and South America, we have decided to place a greater emphasis on Asia, which is why we launched our business in India in March 2024.

## Priority (2) Drive growth focusing on burgeoning Asian market (Success case)



### Case study: Global account

- Offering Trust & Safety services for a global entertainment company from six countries in APAC.
- Launched operation in 2020. Highly recognized for our capabilities in adapting to local cultures and changing operational policies as well as its ability to scale quickly. Today, the service network expanded to include as many as 5,500+ workstations.



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Next, this is a global expansion of a company originating from China, and as you can see, China is not included in the list, but this is one example of how we are advancing in other countries while taking various seats in our global account. We are doing monitoring under the name of Trust & Safety.

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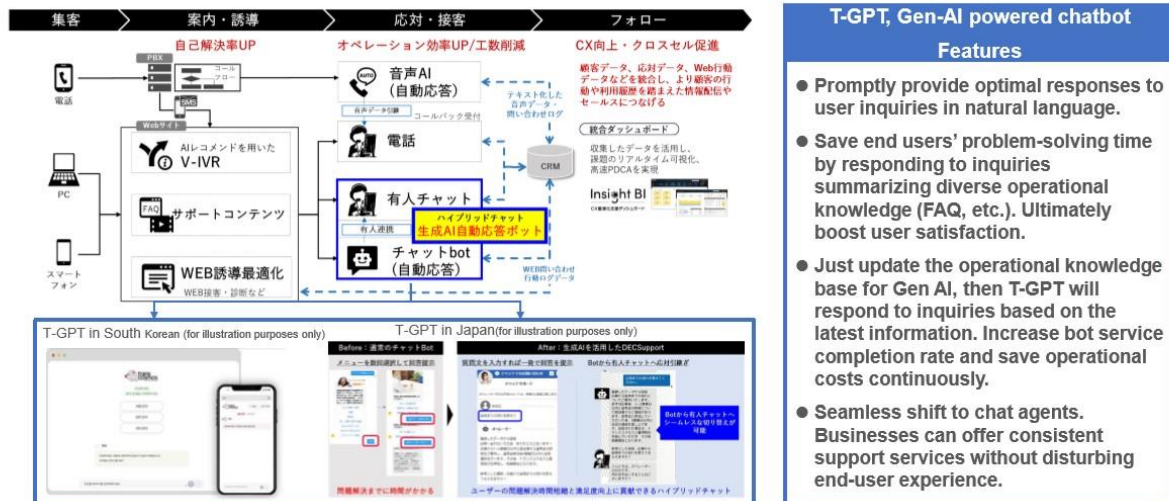
33

### Priority (3) Accelerate growth strategy by making the most of AI

(achievements & success cases)



- Consolidating expertise gained through operating one of the largest call center service networks in Asia, developed T-GPT, a proprietary chatbot powered by generative AI (Gen AI).
- Integrating T-GPT into TCI-DX platform that optimizes CX across all customer touchpoints, launched the service in South Korea and Japan.
- Starting from 85 clients already on the platform, aiming to deploy the service to 300 clients globally by FY2026/3.



41

On page 41, the third item I mentioned earlier, we have introduced Generative AI. We are also developing various bots, such as the one I mentioned earlier at the beginning of text communication, and we have already completed the development of T-GPT in Korea and Japan, which utilizes generative AI.

By interjecting text communication at the first point of first communication that comes from the site, whether it is a user's app or smartphone, we would like to monetize this by making the monetization fee a pay-as-you-go system.

The other thing is that we are looking to expand our market share. As I mentioned earlier, if we convert our call center personnel to chat rooms, add GPT, and pay fixed costs for the Web, the number of users will decrease. However, if we reduce the cost, from the user's point of view, it means that the entire budget will be reduced, so we are proceeding with this scheme in such a way that the overall budget can be reduced if transcosmos is entrusted with it. Therefore, we are working on the assumption that T-GPT will be fully utilized in such a way that we will be able to handle all of our client's digital fronts.

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## Priority (3) Accelerate growth strategy by making the most of AI (achievements & success cases)



### Case study: Streamlined operations with an AI summarization tools (Client; Housing maker)

- Saved after-call-work **10%+ (more than 60sec.)** with an AI-powered summarization tool, replacing manual CRM data entry process.
- Achieved higher efficiency by converting customer dialogue into text with speech recognition tools such as transpeech, input the text data to the AI-powered summarization tool, and pasting the summarized data to CAM data.

### Tool for assisting support desk agents Quick Support Cloud with GAI

- Released Quick Support Cloud with GAI, a tool for assisting support desk agents with the power of generative AI.
- Combining generative AI (GAI) with 3 features, save man-hours for manual operations, boost productivity and ensure stable service quality.

Quick Support Cloud with GAI: Feature correlation diagram

3 functions	+ Gen AI (GAI)	Outcome per value
Chatbot responds to inquiries using input knowledge and training data.	+ GAI creates training data for chatbot, 4 to 5 talk scripts per knowledge.	Avg. man-hours: 5min GAI maximum: 5min (max-time saved: 40min)
Summarize incoming user inquiries via voice, voice bot and email, and register data to a system.	+ GAI summarizes inquiries. + Add the data to Quick Support Cloud with GAI and register as knowledge.	Avg. man-hours: 5min GAI maximum: 5min (max-time saved: 40min)
Create Q&As from inquiry logs.	+ GAI creates the right Q&As from logs. + Able to divide questions and answers.	Avg. man-hours: 30min GAI maximum: 5min (max-time saved: 25min)

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Next, we have an example of AI, which is different from the one on the left, but this is an example of a housing manufacturer that has made great use of CRM data summarized by using AI.

The support desk assistant on the right side is using generative AI. Since the helpdesk area is documented, we have already released this product to the world ahead of others in the form of Quick Support Cloud with GAI, and this is an example of how we are making it a business, or rather, a commercial business.

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## Priority (3) Accelerate growth strategy by making the most of AI (achievements & success cases)



### Case study: AI-OCR x Gen AI (Client: Tokyo Tatemono Real Estate Sales Co., Ltd.)

- Automated most of the property information registration processes by 1) converting the information from atypical formats to text data using AI-OCR and 2) extracting and summarizing necessary text data using Gen AI.
- PoC results saw accuracy of data conversion into text increased from **60% to 90%** with the power of AI-OCR and Gen AI. Also **saved man-hours by 80%** in the check & correct process.

**Automate data entry process** to the greatest extent possible with the power of DX solution

### China: AI-powered live streaming

- 24/7 AI-powered live streaming achieved **3X ROI** at a lower hourly rate.
- Increased brand fans and conversion with interactive features by pre-setting product information and expected Q&As.

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The next page is AI-OCR. AI-OCR is not a rare technology by any means, but it is an example of how Tokyo Tatemono uses AI-OCR to convert various data from real estate sales to solid documents while using AI to generate them.

The entry point to the site is the various types of information, and the real estate information is not in a neat format. Therefore, it is important to correct the information that comes in various forms or to make sure that the handwritten numbers are handwritten in very good handwriting, etc., by automating these processes as much as possible. This is an example of using AI to digitize the part that used to be done by humans.

We are also involved in e-commerce, the largest of which is in China, and we have been promoting live AI broadcasting, which is not difficult or unusual but is a common practice.

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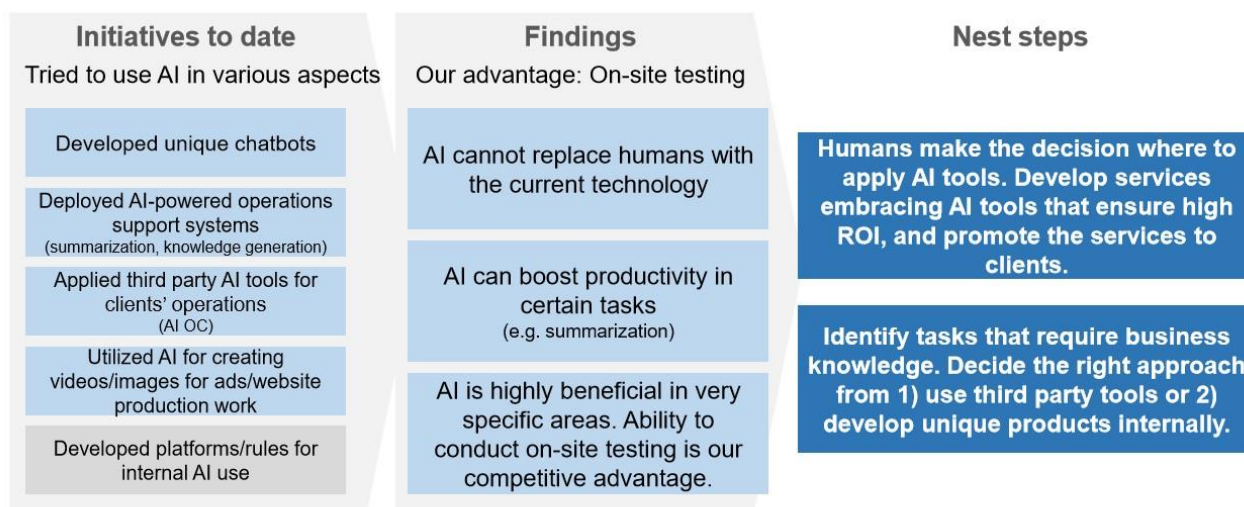
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### Priority (3) Accelerate growth strategy by making the most of AI (Next steps)



- Promote the use of generative AI to evolve services and boost profitability.



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Page 44. By actively utilizing the AI I have just mentioned, further standardizing the human aspects of the current work, visualizing the areas to be automated, and converting those areas to AI, we will be able to reduce the manual part of the work as much as possible. We will also increase speed. By increasing accuracy, we intend to strengthen the position of transcosmos, and we will further strengthen this area in the future.

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## Priority (4) Win new & expand existing clients with robust sales capability



- Win new deals and expand existing projects in Japan and abroad with a robust Sales organization.



\*1: Number of new client companies includes those who have started business with new services.

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Fourth, as I mentioned earlier, in terms of our strong sales force, I believe we have more sales personnel than our competitors. We have nearly 600 salespeople both in Japan and overseas, with about 450 of them still in Japan, and we are thinking of expanding our overseas operations in the future, but in fact, every year we make new sales to more than 500 companies and cross-sell to about 500 companies annually.

As a result, we are doing business with about 3,500 to 4,000 companies annually, and our clients are in the information and telecommunications, manufacturing, finance and insurance, services, wholesale, construction, and government sectors.

To give you a little more information on the characteristics of our business, we have 626 major companies with JPY100 billion or more, and 41 Japanese companies in the Fortune Global 500, all of which have transactions with us, and 70% of our customers have been with us for a long time, and we would like to further promote our business.

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#### Priority (4) Win new & expand existing clients with robust sales capability



- Identify client wants & needs through close communication and maximize business opportunity.

#### Offer services that meet market trends and client needs



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Next, a bit more process-oriented, but I have actually tabulated the results. We have visited a total of 316,000 customer companies.

Forums and seminars are held annually on a global basis, including CX and BPO, but as you can see here, we have mobilized more than 10,000 people, and if you ask how many companies provide multiple services, 642 companies provide two or more services.

Especially for our top 100 customers, we have 3.4 services in our database. I think the key point is how we can expand that number.

This is why our business efficiency is so much higher. Of course, we are in close contact with the top level, so we are promoting various cross-sales, and the CX platform, which I mentioned earlier, is a complex service.

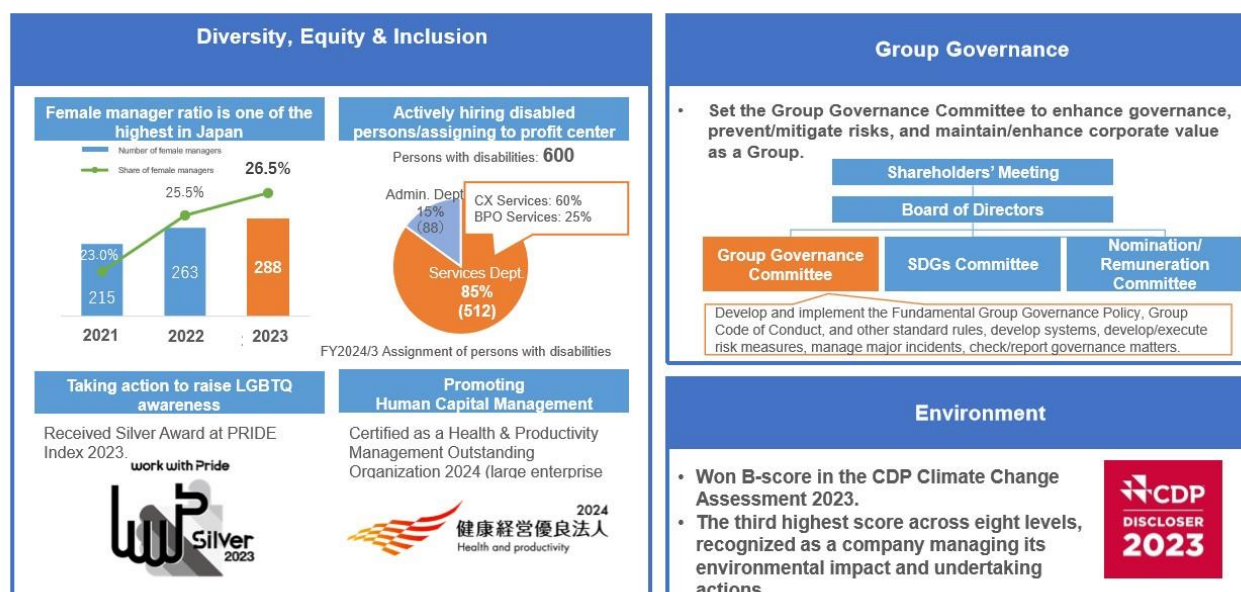
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## Priority (5) Further integrate Sustainability Management into business and strengthen the Group's management base



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Fifth, in the area of promoting sustainable management and strengthening the Group's management foundation, as well as diversity, equity, and inclusion, I have heard that the percentage of women in management positions is one of the top three in Japan.

However, although there are many managers, we feel that the number of board members is an issue, and we would like to address this issue. As a company with many employees, we employ a large number of people with disabilities, and of course, we have many people, so we would like to strengthen our human capital management, including LGBTQ matters.

Since we have many group companies, we are working to strengthen governance by establishing a Group Governance Committee and an SDGs Committee.

We do not have any factories, so the scope of what we can do in the area of decarbonization is limited to a certain extent, but we are working hard to ensure that we are able to respond to these issues.

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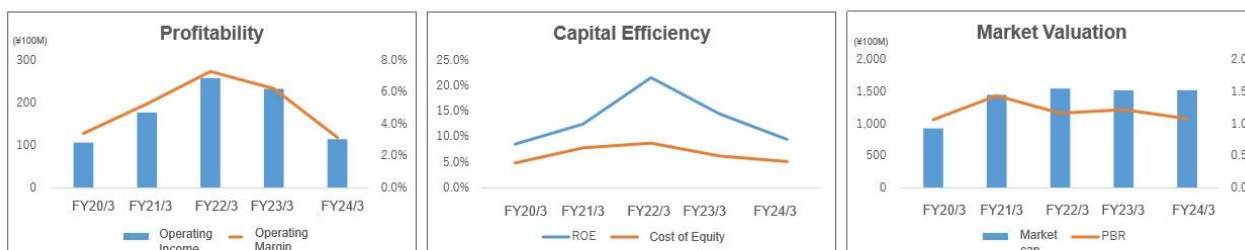




## Reference: Action to Implement Management that is Conscious of Cost of Capital and Stock Price



- Enhance capital efficiency by 1) growing business and increasing profitability through steady execution of the medium-term business plan and 2) making capital allocation, striking a right balance between growth investment, financial health and shareholder returns.
- Take proactive IR activities to promote Sustainability Management and enhance dialogue with capital market participants.



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The next page, capital cost, stock price, and management realization with an awareness of the stock price are also areas in which we need to do more, especially since Kamiya is a specialist in this area, and we will strengthen these areas firmly.

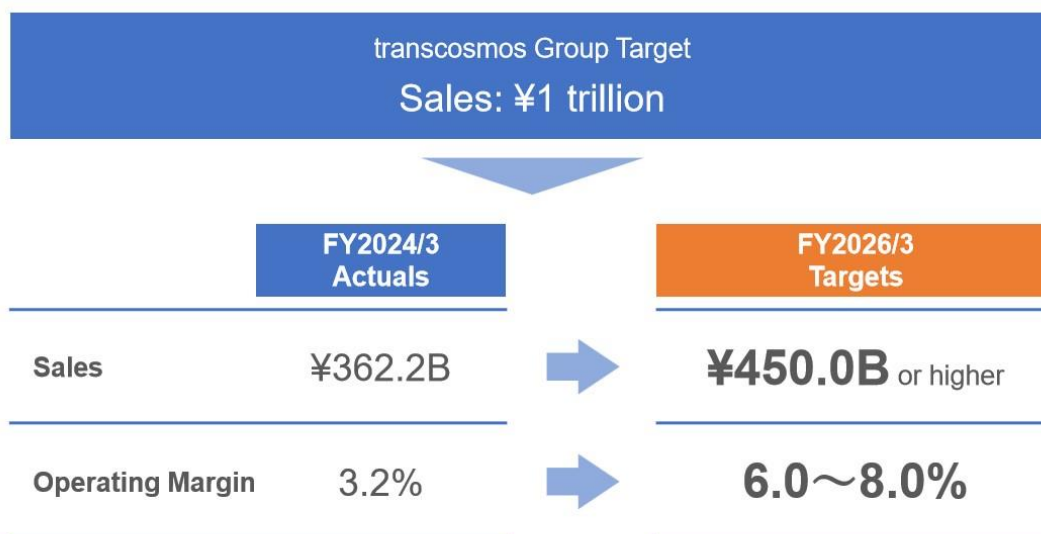
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This is a recapitulation, but in terms of the medium- to long-term, 2026 2024 was very disappointing, and I have a lot of regrets about that.

There were many things that we regret, such as the fact that our efforts have not yet taken shape, but we are heading in the right direction, and the most important point is how to increase the speed of our efforts. We are determined to move forward to achieve the 2026 goal we have previously set.

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On the next page is the outline of the plan, which is also reiterated here. We will aim to achieve this goal by firmly focusing on operational areas and then on solutions and upstream, which is what we mean when we say “bigger and better.” We will also aim to become the number one company in Asia. We are also committed to responding to the needs of all stakeholders, including employees.

Our strategy is to create a platform for our business model, which overlaps with the example I mentioned earlier. While increasing the differentiation factor, we will also standardize services, improve quality, and reform the profit structure, which will lead to the automation field. The global network will be strengthened, and we will also reinforce the structure and human resource development to support global market growth. The other is the Group. I would like to reiterate that we will also strengthen the group’s management foundation.

Although we have fallen a bit from the framework to the methodology, we will do our best this year to make a firm change from last year, which was filled with so many regrets. This is all.

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1. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
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