transcosmos inc.

FY2025/3 Earnings Conference

April 30, 2025

Event Summary

[Company Name]	transcosmos inc.
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[Event Name]	FY2025/3 Earnings Conference
[Fiscal Period]	FY2025 Annual
[Date]	April 30, 2025
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[Time]	16:30 - 17:23 (Total: 53 minutes, Presentation: 40 minutes, Q&A: 13 minutes)
[Number of Speakers]	2 Masaaki Muta — Representative Director, Co-President Takeshi Kamiya — Representative Director, Co-President
[Analyst Names]*	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.

Presentation

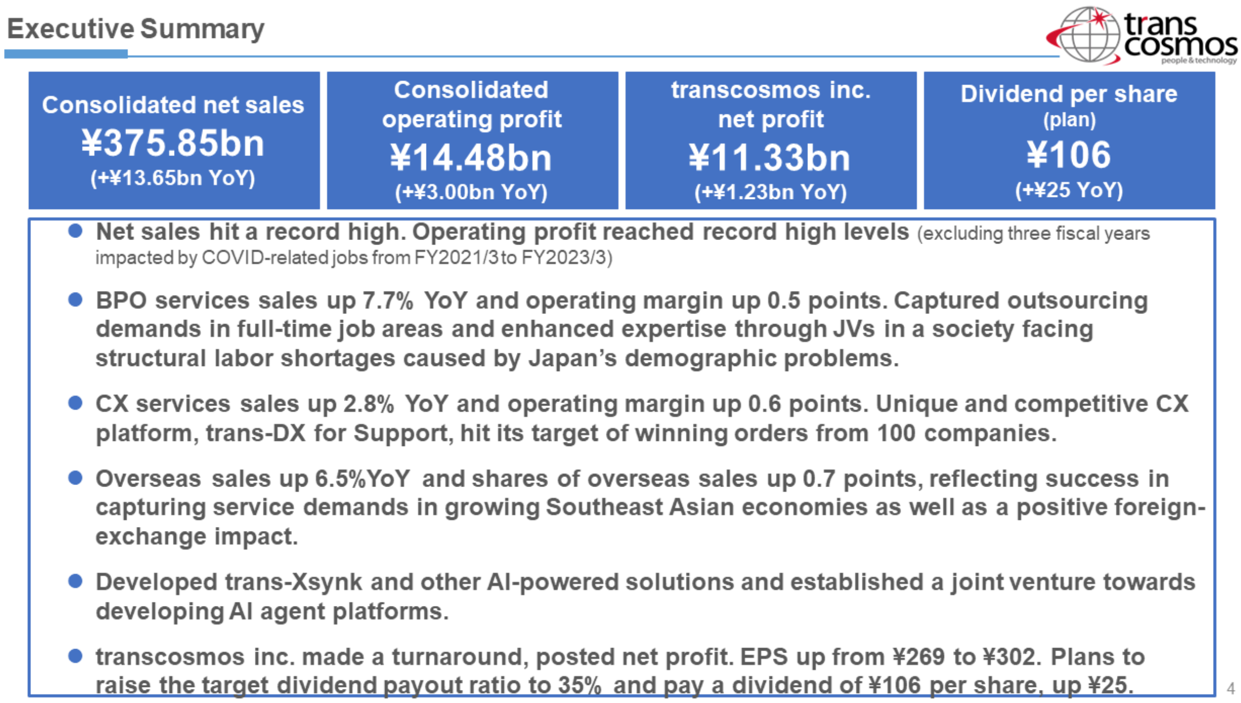
Moderator: Thank you very much for taking the time to join us today. We will now begin the briefing on the financial results of transcosmos inc. for the fiscal year that ended March 31, 2025.

First, let me introduce today's speakers. Masaaki Muta, Representative Director and Co-president. And Takeshi Kamiya, Representative Director and Co-president.

Today, we will provide an overview of our financial results and our performance by services, followed by a question-and-answer session.

Now, Co-president Kamiya, please go ahead.

Kamiya: First, I would like to start with an overview of our overall performance in FY2025.



This is an overall summary. Consolidated net sales were JPY375.85 billion, an increase of JPY13.65 billion compared with the previous year. Consolidated operating profit was JPY14.48 billion, achieving a year-over-year increase of JPY3 billion, and parent company net profit was JPY11.33 billion, a year-over-year increase of JPY1.23 billion. We plan to pay a dividend of JPY106 per share for the current fiscal year, an increase of JPY25 compared with the previous year.

We achieved our highest-ever sales. We also reached record-high operating profit, excluding the period from the fiscal year that ended March 31, 2021, to the fiscal year ended March 31, 2023, which was a bit unusual and quite high due to the impact of the coronavirus pandemic.

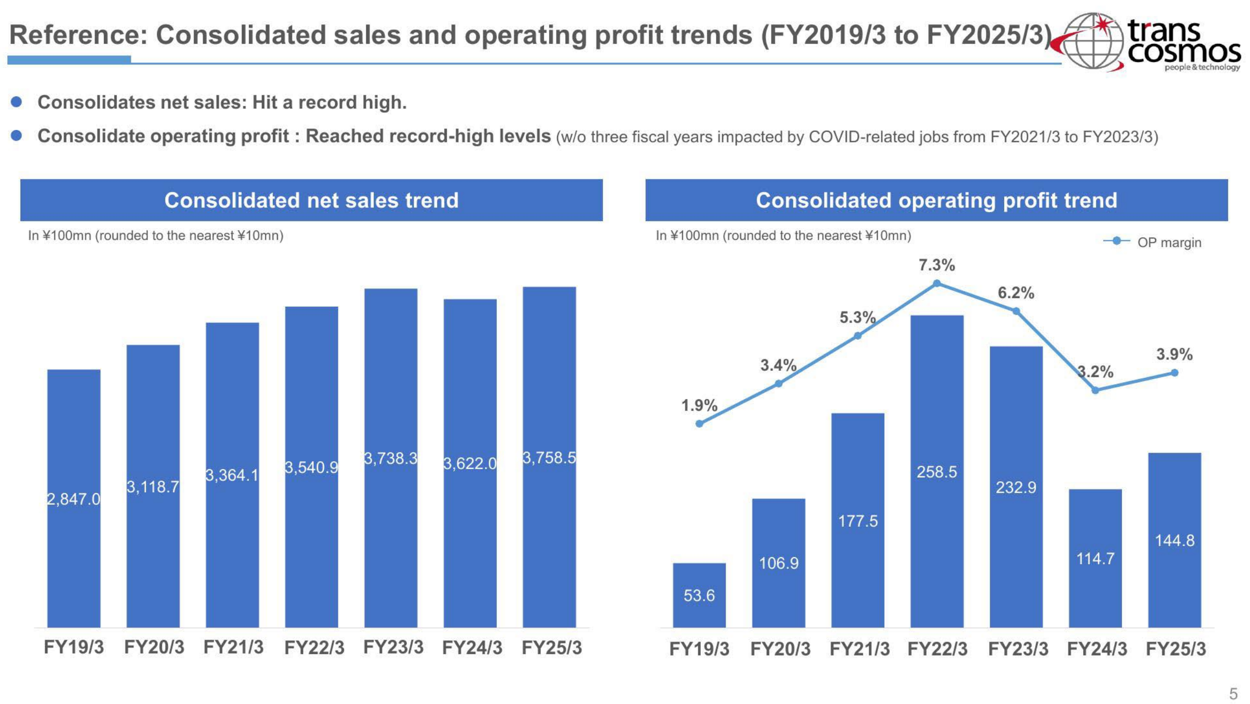
In BPO services, demand for outsourcing services, especially in full-time job areas, has been steadily increasing, and we have been able to strengthen our expertise through forming several joint ventures. In BPO services, sales increased by 7.7% compared to the previous year, and the operating profit margin also increased by 0.5 percentage points.

In the other CX business, we have been taking orders mainly for our proprietary CX platform, trans-DX for Support, and we achieved our target of 100 companies, resulting in a 2.8% increase in sales and a 0.6-point improvement in the operating margin compared to the previous year.

Overseas, we were able to capture the demand for services in growing Southeast Asian economies. Overseas sales increased 6.5% YoY, and the ratio of overseas sales increased 0.7 percentage points. Foreign exchange rates also made a positive impact.

We also receive many inquiries about AI utilization. Our trans-Xsynk service for the real estate industry captures document data and automatically converts them into a database. We are developing AI solutions including trans-Xsynk, and have recently announced the establishment of a joint venture with Mobilus Corporation, one of our investees, for the development of AI agent platforms.

Based on this, parent company net profit made a turnaround, and EPS increased from JPY269 to JPY302. Furthermore, the planned dividend per share will increase by JPY25 to JPY106 this fiscal year, as we have raised the dividend payout ratio to 35% from the existing ratio of around 30%.



The table above shows consolidated net sales and consolidated operating profit by fiscal year. Net sales are at an all-time high and so is operating profit, excluding the period impacted by the coronavirus pandemic.

Consolidated Income Statement Summary

In ¥100mn (rounded to the nearest ¥10mn)	FY2024/3		FY2025/3		Change	
	Amount	Mix	Amount	Mix	Amount	%Change
Net sales	3,622.0	100.0%	3,758.5	100.0%	+136.5	+3.8%
Net sales	2,367.2	65.4%	2,440.2	64.9%	+73.0	+3.1%
Domestic Affiliates	423.1	11.7%	432.9	11.5%	+9.8	+2.3%
Overseas Affiliates	956.7	26.4%	1,022.8	27.2%	+66.1	+6.9%
Elimination of intersegment transaction	-124.9	-3.5%	-137.4	-3.6%	-12.5	-10.0%
Gross profit	682.5	18.8%	722.4	19.2%	+39.9	+5.8%
SG&A expenses	567.8	15.7%	577.7	15.4%	+9.9	+1.7%
Operating profit	114.7	3.2%	144.8	3.9%	+30.0	+26.1%
Net sales	70.0	3.0%	71.2	2.9%	+1.1	+1.6%
Domestic Affiliates	19.2	4.5%	28.7	6.6%	+9.5	+49.3%
Overseas Affiliates	25.5	2.7%	46.4	4.5%	+21.0	+82.4%
Elimination of intersegment transaction	0.1	-	-1.5	-	-1.6	-
Non-operating income (loss)	23.1	0.6%	12.1	0.3%	-11.0	-47.6%
Ordinary profit	137.8	3.8%	156.8	4.2%	+19.0	+13.8%
Extraordinary income (loss)	25.8	0.7%	-0.6	-0.0%	-26.4	-
Profit attributable to owners of parent	101.0	2.8%	113.3	3.0%	+12.3	+12.2%

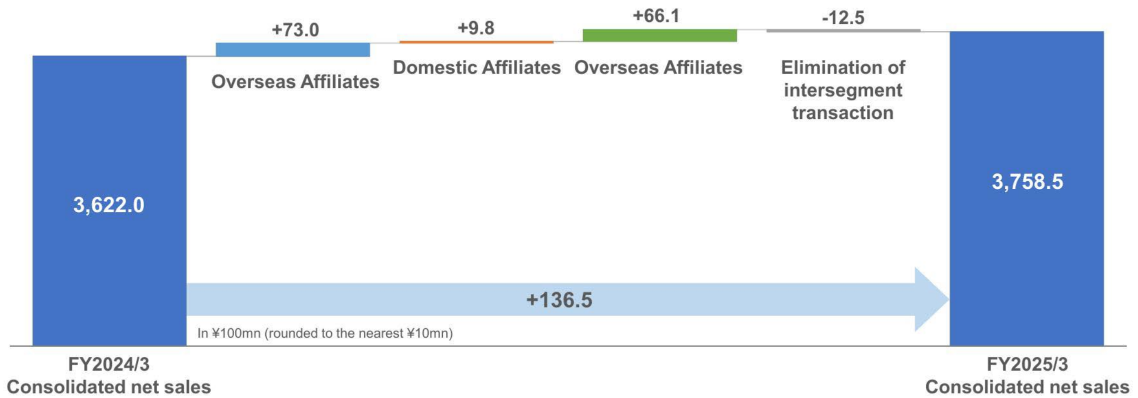
*For each segment profit row, figures in the Mix columns are profit margins.

Now, I will explain the financial results and a summary of the consolidated income statement. As you can see, each segment, namely parent company, domestic affiliates, and overseas affiliates, reported increases in sales and profit.

Consolidated Net Sales Analysis

- **Net sales up +13,650mn (+3.8%)**

Parent Company	Up reflecting higher sales in both BPO and CX services.
Domestic Affiliates	Up reflecting higher sales in listed subsidiaries.
Overseas Affiliates	Up reflecting higher sales in subsidiaries in South Korea, Southeast Asia and China as well as positive impact of currency fluctuations, etc.



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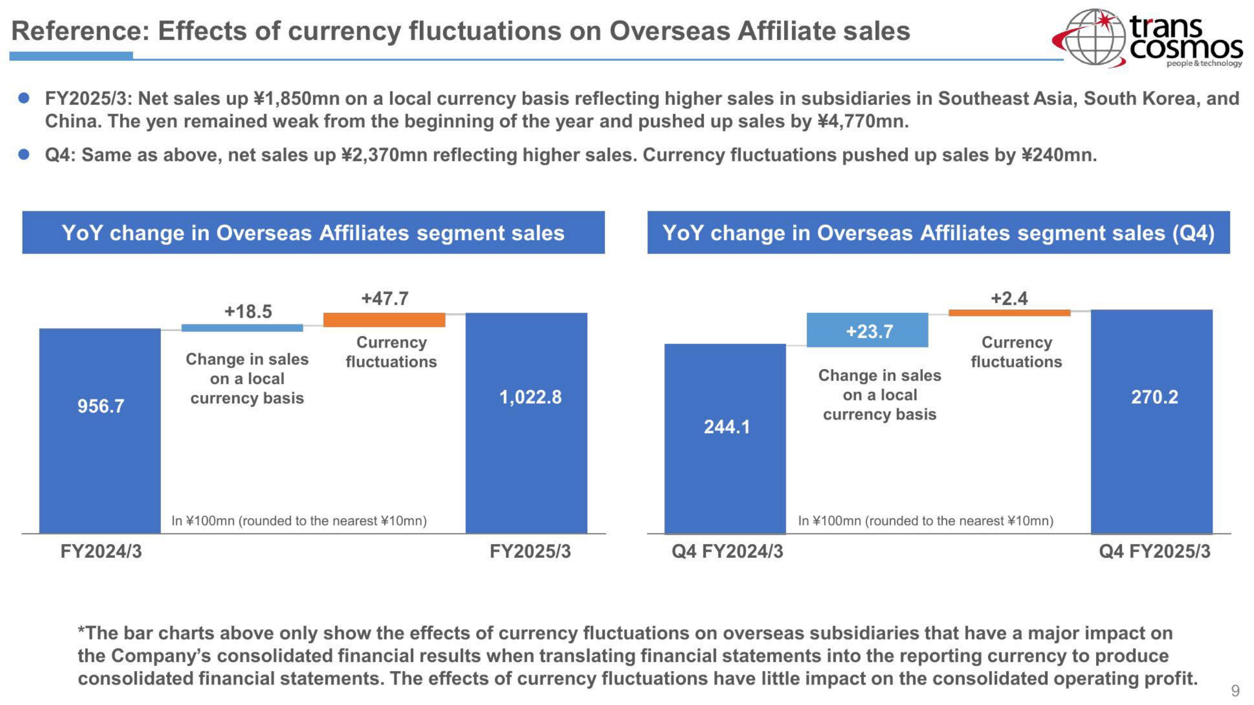
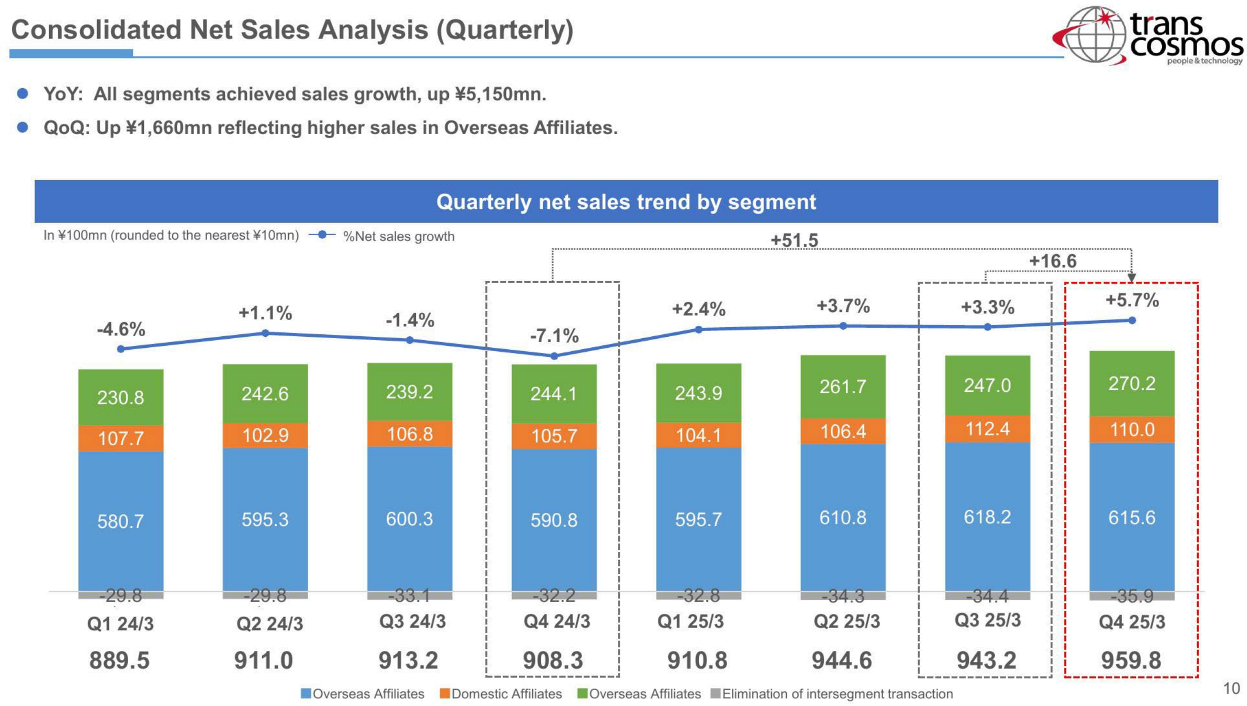
This is an analysis of the factors behind the fluctuation in consolidated net sales. Sales increased in each segment, and under the parent company segment, both BPO and CX services saw an increase in sales.

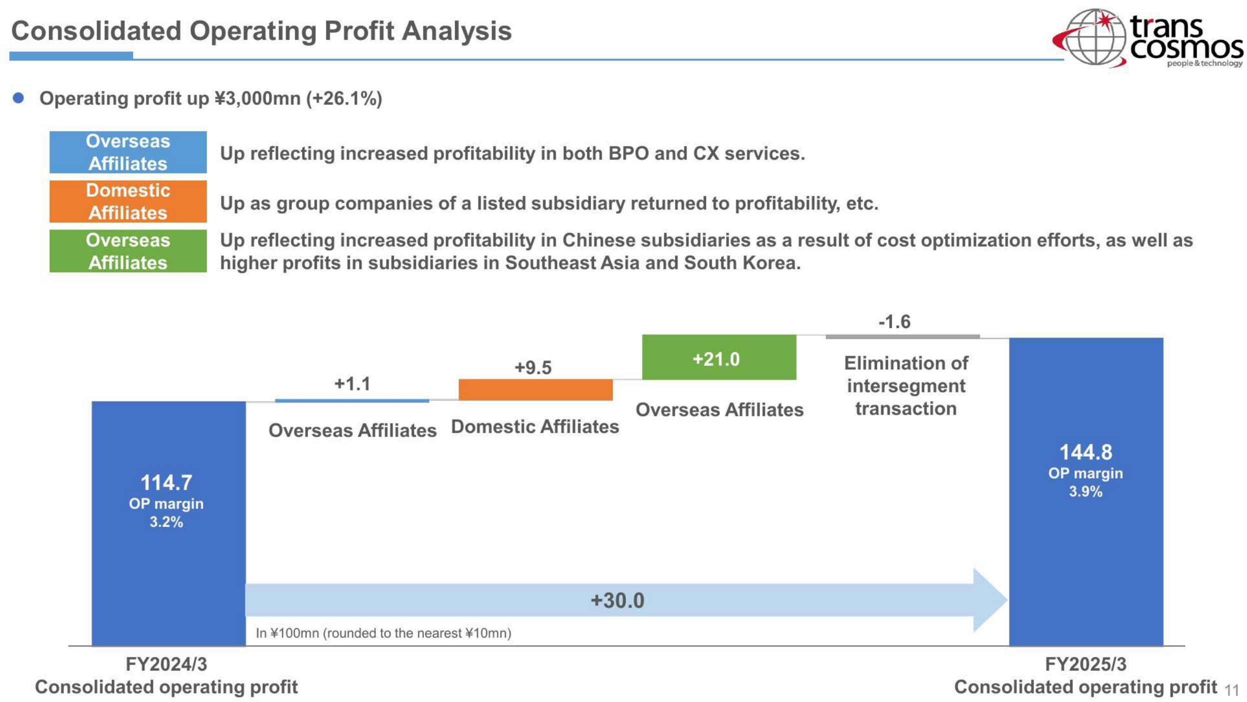
In the domestic affiliates segment, higher sales at listed subsidiaries led the sales increase. And, as I mentioned at the beginning, on top of increases in overseas sales at subsidiaries in South Korea, Southeast Asia, and China, exchange rate fluctuations also made a positive impact.



This slide shows the impact of the exchange rate. As you can see on the left, sales increased by JPY1.85 billion in foreign currency terms. Sales increased, but on top of that, the effects of foreign exchange rate fluctuations added another JPY4.77 billion. Until Q3, in particular, forex effects led the gains, but in Q4, real sales on a foreign currency basis increased more than the impact of foreign exchange rates, and we have established a solid growth trend in our overseas business.



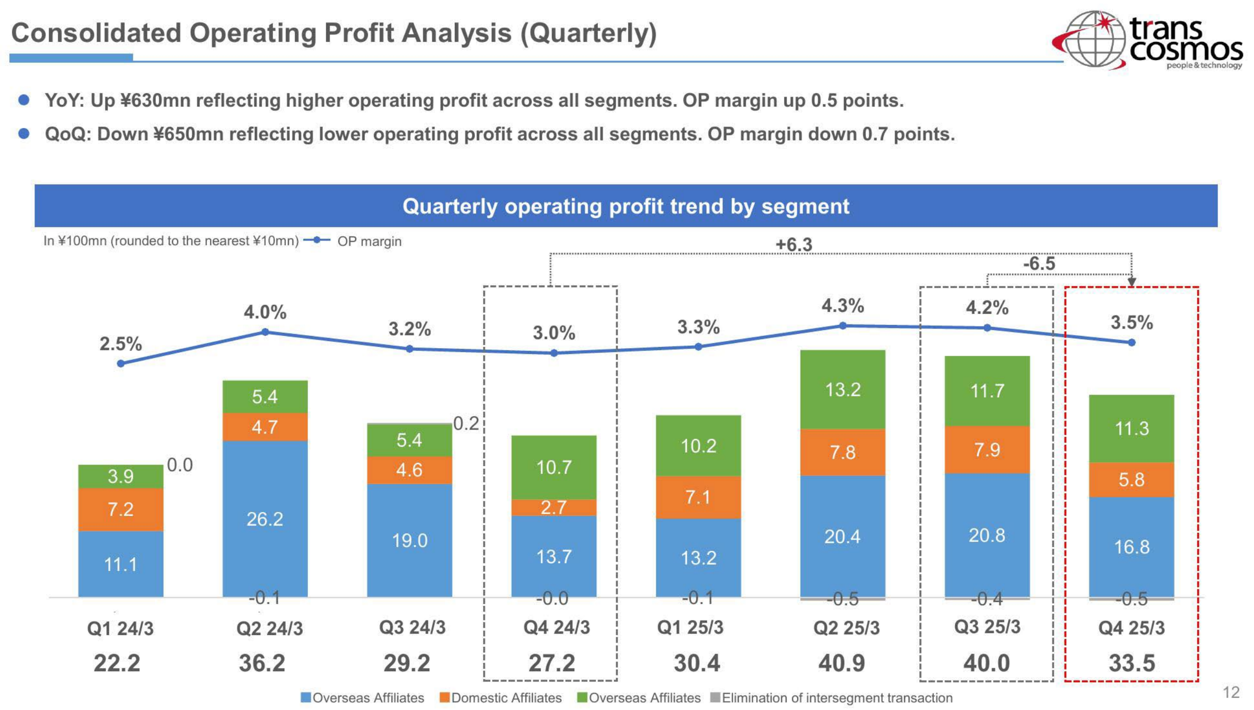
Quarterly trends. The trend is not so different from the overall trend for the full year, so I will not explain it, but we have been able to grow well on a quarterly basis.



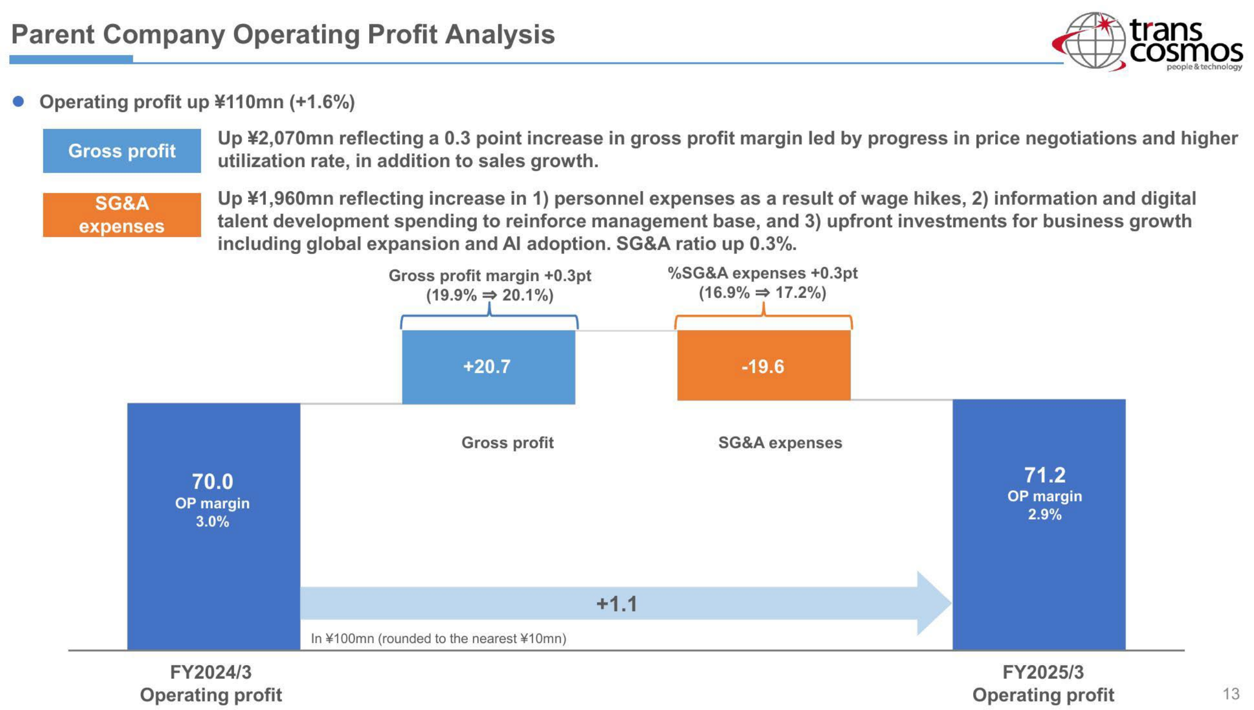
This is an analysis of changes in consolidated operating profit. While the overall profit increase was JPY3 billion, and the parent company segment managed to increase profit, albeit slightly, due to improved profitability in BPO and CX.

The domestic affiliates segment increased profit, partly because some of the listed subsidiary group companies, which were in the red, were able to turn into the black this fiscal year.

In terms of overseas operations, our subsidiary in China improved profitability largely due to cost optimization, while our subsidiaries in Southeast Asia and South Korea were able to increase earnings both in terms of sales and profits, and overall, the increase in profits in overseas operations contributed significantly to the improvement in overall profits.



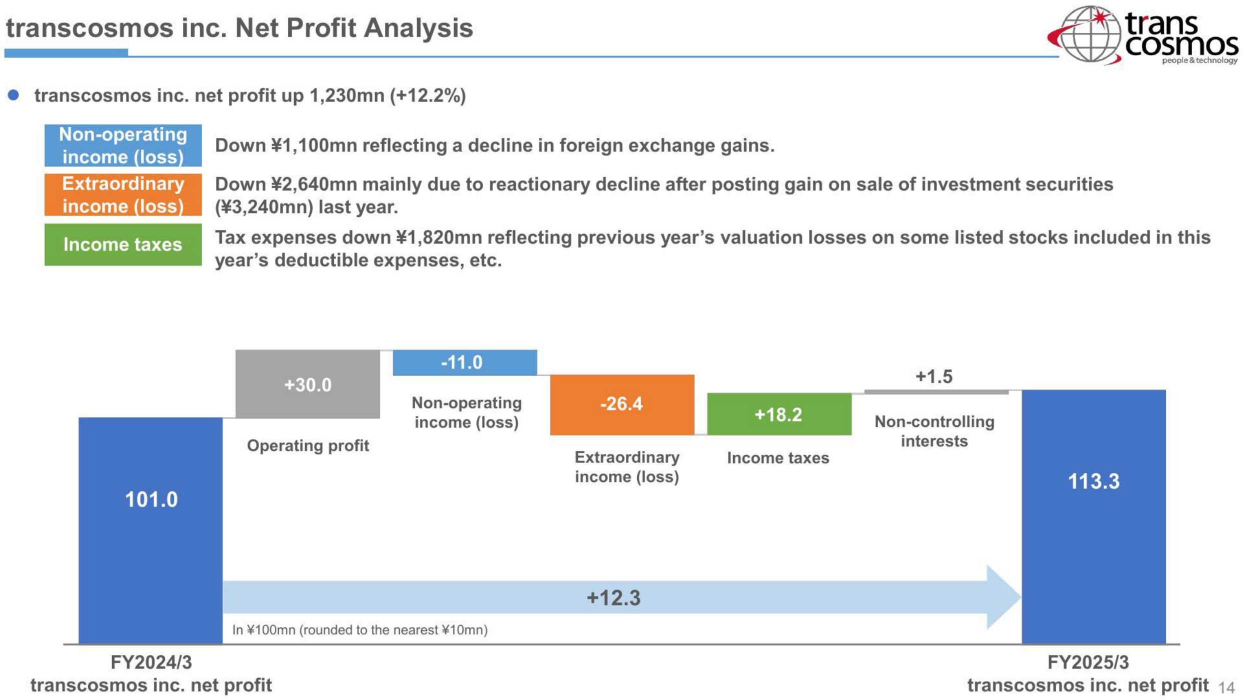
The quarterly trend has not changed significantly here either, so we will not provide an explanation here.



The analysis of changes in operating profit for the parent company segment is as I explained earlier, that we managed to secure an increase in profit.

Overall, gross profit margin improved by 0.3 percentage point, partly due to the increase in sales, partly due to progress in price negotiations, and partly due to an increase in facility utilization rates. Profitability is improving in terms of the gross profit margin.

In contrast, the SG&A ratio worsened slightly. This was due to an increase in personnel expenses in line with the trend toward higher wages, an increase in personnel expenses in SG&A, the need to invest in information systems and digital human resource development to strengthen the management base, and up-front investments for future business activities, such as global expansion and AI utilization. SG&A expenses increased by JPY1.96 billion overall, leading to an increase in the SG&A ratio.



This is an analysis of changes in parent company net profit. Overall, sales and profit increased by JPY1.23 billion. Operating profit was as I explained earlier, while non-operating income decreased by JPY1.1 billion due to a decrease in foreign exchange gains.

Extraordinary income (loss) decreased by more than JPY2.6 billion due to the lack of a large gain on the sale of investment securities posted in the previous year.

Income taxes decreased by about JPY1.8 billion due to the write-down of some listed stocks in previous years, and those losses were included in the current year's deductible expenses. The total increase was JPY1.23 billion as a result of these factors.

Consolidated Balance Sheet Summary

- Current assets: Cash and deposits mainly reflecting an increase in cash flows from operating activities.
- Non-current assets: Tools, furniture and fixtures, net decreased due to depreciation, etc.
- Liabilities: The Company's long-term borrowings decreased.
- Net assets: Retained earnings increased.

In ¥100mn (rounded to the nearest ¥10mn)	End of Mar. 2024	End of Mar. 2025	Change
Current assets	1,447.9	1,546.6	+98.7
Non-current assets	546.6	533.3	-13.3
Total assets	1,994.5	2,079.8	+85.4
Current liabilities	630.1	620.1	-10.0
Non-current liabilities	183.7	169.0	-14.7
Total liabilities	813.8	789.2	-24.7
Net assets	1,180.7	1,290.7	+110.0
Total liabilities & net assets	1,994.5	2,079.8	+85.4
Cash and deposits	648.4	735.0	+86.6
Interest-bearing liabilities	186.4	165.3	-21.1
Net cash*	462.1	569.7	+107.6
Net cash* to monthly sales ratio	1.5	1.8	+0.3

- Cash and deposits +86.6
- Notes and accounts receivable – trade +17.5

- Property, plant and equipment -11.8
- Investment securities -9.9
- Shares of subsidiaries and associates +11.8

- Accrued expenses -14.8
- Provision for bonuses +6.3

- Long-term borrowings -20.6

- Retained earnings +83.0
- Foreign currency translation adjustment +21.4

*Net cash = Cash and deposits – interest-bearing liabilities

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Balance sheet summary. Cash flow from operating activities increased resulting in an increase in cash and deposits.

Consolidated Cash Flow Statement

- Operating cash flow: Profit before income taxes decreased.
- Investing cash flow: Proceeds from sale of investment securities decreased.
- Financing cash flow: Proceeds from long-term borrowings recorded on last year's consolidated financial statements decreased.

In ¥100M (rounded to the nearest ¥10M)	FY2024/3	FY2025/3	Change
Cash flows from operating activities	182.6	173.1	-9.4
Cash flows from investing activities	-6.0	-36.7	-30.7
Cash flows from financing activities	-37.5	-60.3	-22.7
Balance of cash and cash equivalents	644.2	731.3	+87.1
Free cash flow *	176.6	136.4	-40.1

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

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There is not much to say about cash flow, but the negative investment cash flow was approximately JPY3.07 billion larger than the previous year. This was due to last year's sale of investment securities, as I mentioned earlier.

CAPEX, Amortization/Depreciation, Employees, Service Bases

- Capital expenditures/Depreciation expenses

In ¥100mn (rounded to the nearest ¥10mn)	FY2024/3	FY2025/3	%Change
Capital expenditures	53.2	41.5	-22.0%
Depreciation expenses	56.8	61.4	+8.2%

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

- Number of Employees

	End of Mar. 2024	End of Mar. 2025	Change
Consolidated basis	40,793	41,682	+889
(Temporary employees)	28,971	28,971	0
Parent Company	17,325	17,910	+585
(Temporary employees)	21,626	21,002	-624

- Consolidated basis
Employees increased in Parent Company and Overseas Affiliates, mostly in China and South Korea.
- Parent Company
Employees increased due to new graduate hires. Temporary employees decreased due to COVID project completions.

- Service Bases

	End of Mar. 2024	End of Mar. 2025	Change
Service bases	180	184	+4
(Japan)	71	72	+1
(Overseas)	109	112	+3

- Japan
Opened BPO Center Nagasaki Stadium City
- Overseas
Opened new operation centers in South Korea and the Greater China region.

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

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Capital expenditures and depreciation.

We have shown our service locations at the bottom of the page. In Japan, BPO Center Nagasaki Stadium City has been newly established, and overseas, operation centers have been newly established in South Korea and Greater China, resulting in a total of four more operations bases this past fiscal year.

Muta will explain the details of our performance by service and region.

Reference: Service portfolio

CX Services (~70% of consolidated net sales)		BPO services (~30% of consolidated net sales)	
Front-office services: Integrated services covering all digital customer touchpoints across the customer journey from marketing to customer care		Back-office services: Common back-end functions outsourcing (e.g. accounting, HR, IT) as well as industry-specific engineering BPO	
Japan	**Digital contact center** Customer support	Japan	**Common back-end functions digital outsourcing** Accounting, HR, procurement & purchasing, order management, sales admin and IT system operations & maintenance
	Digital integration Website & app development, improvement and operations services, social platform operations including LINE apps		**Industry-specific digital engineering BPO** Services to support systems and operations for the manufacturing and construction industries
	Digital advertisement Internet ads services		
	E-commerce one-stop E-commerce site development & operations, and fulfillment services		
Overseas (mainly contact center and e-commerce) South Korea, China, Southeast Asia, and Europe and the U.S.		**Overseas** South Korea, China, Southeast Asia, and Europe and the U.S.	

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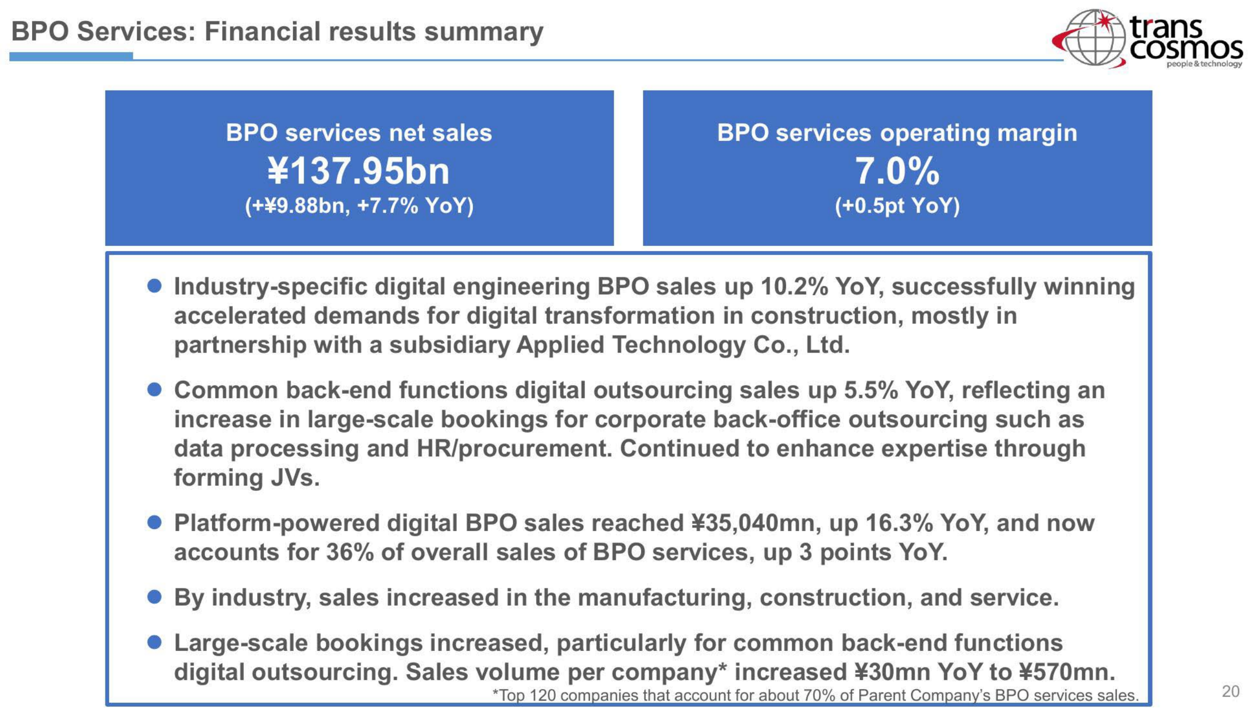
Muta: I will talk about the details of CX services and BPO services.

This slide details the operations available in Japan and overseas under our CX service, which accounts for 70% of group sales. Services in Japan consist of digital contact centers, website development or what we call digital integration, advertising promotion, and e-commerce one-stop service, while overseas, among those, contact centers and e-commerce are the key CX services.

BPO services, which account for 30% of total sales, are divided into two categories for ease of understanding: industry-specific engineering digital BPO (industry-specific digital BPO) and common back-end functions outsourcing (common back-end digital BPO). Common back-end digital BPO includes corporate accounting, human resources, purchasing, order management, and help desk services, regardless of the industry.

Industry-specific digital BPO services are developed tailored to the manufacturing or construction industry or each type of business. Overseas, in South Korea, China, Southeast Asia, and Europe and the United States, we are promoting common back-end areas.

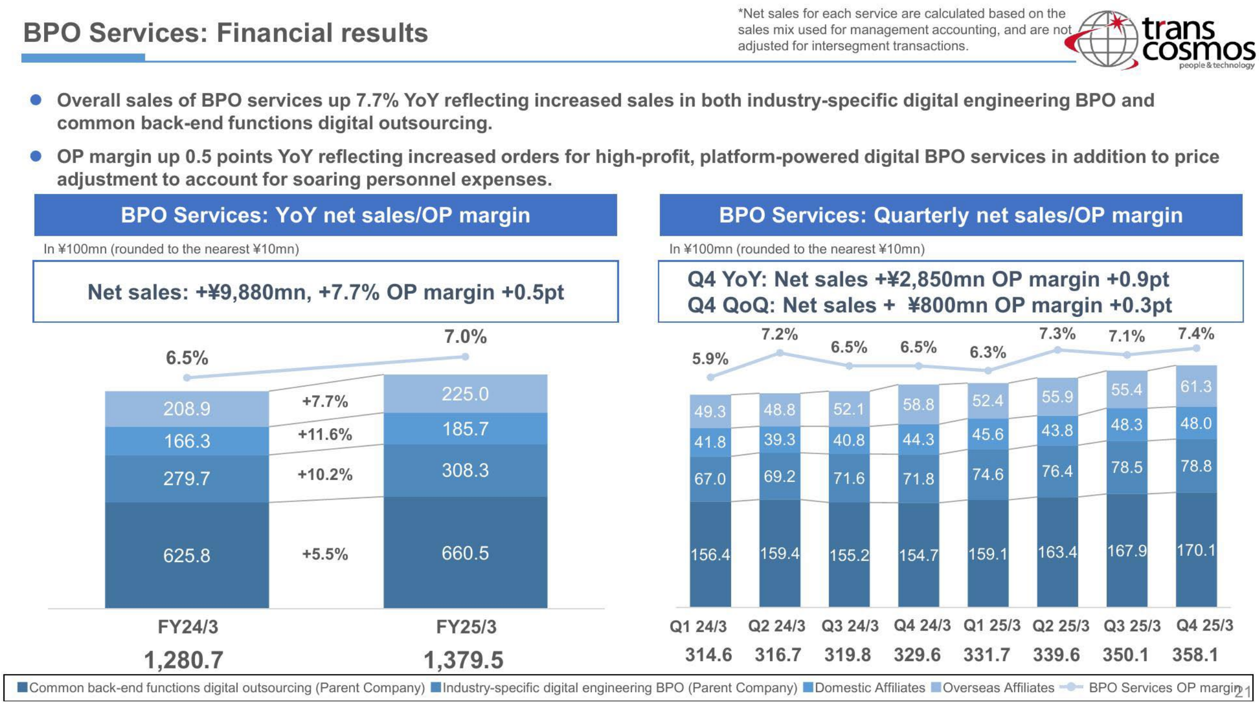


Focusing on BPO services, net sales were JPY137.95 billion, this represents a YoY increase of about 7.7%, and the operating profit margin also improved by 0.5 percentage point.

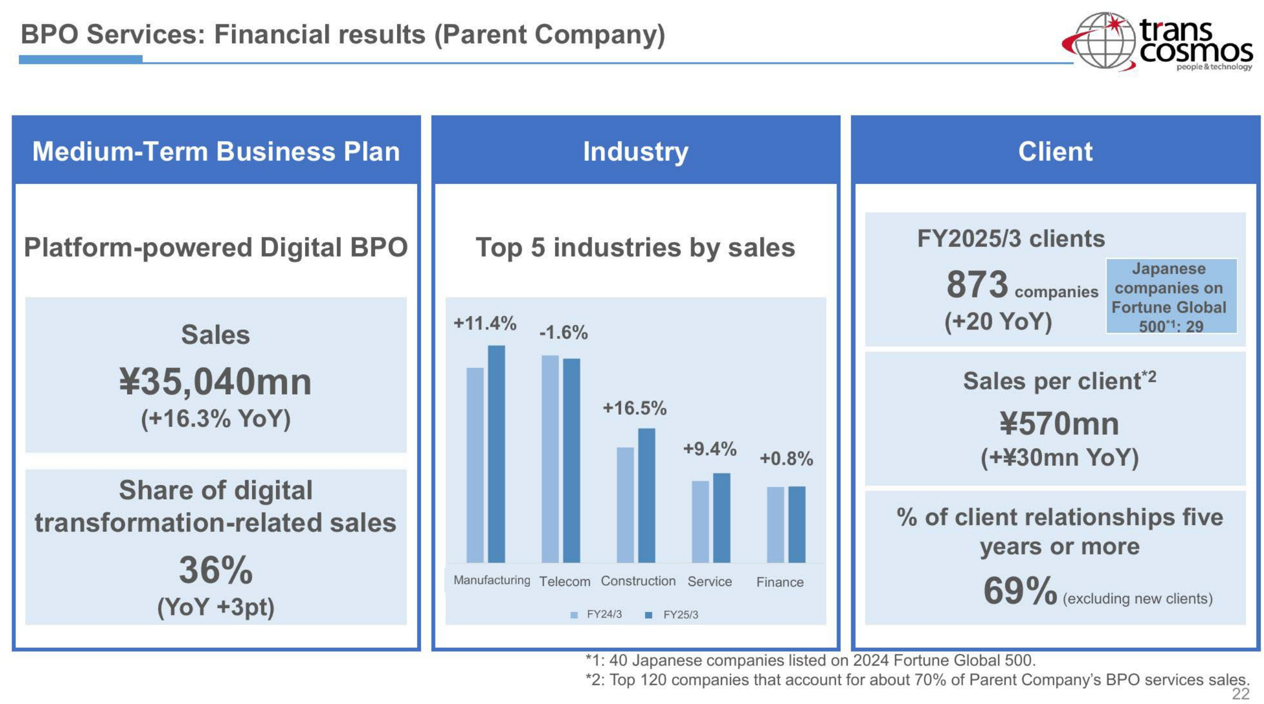
As the construction industry had to deal with a so-called 2024 problem, or a labor shortage, sales increased considerably as demand reaped. In addition, we were able to increase sales by capturing demand in the back-end, corporate data processing, HR, procurement, and other non-competitive areas that had originally been full-time employees' job areas, and we have been receiving orders from various companies. We have been able to increase the number of businesses because we have expertise in these areas, and we have also formed specialized JVs, which has contributed to the increase in sales.

In terms of how much we have done in the area of digital BPO as a platform, in the current fiscal year, about JPY35.04 billion of BPO services was generated in data processing without human intervention, which is about 36% of the total. We are planning to increase profitability as we continue to increase this percentage.

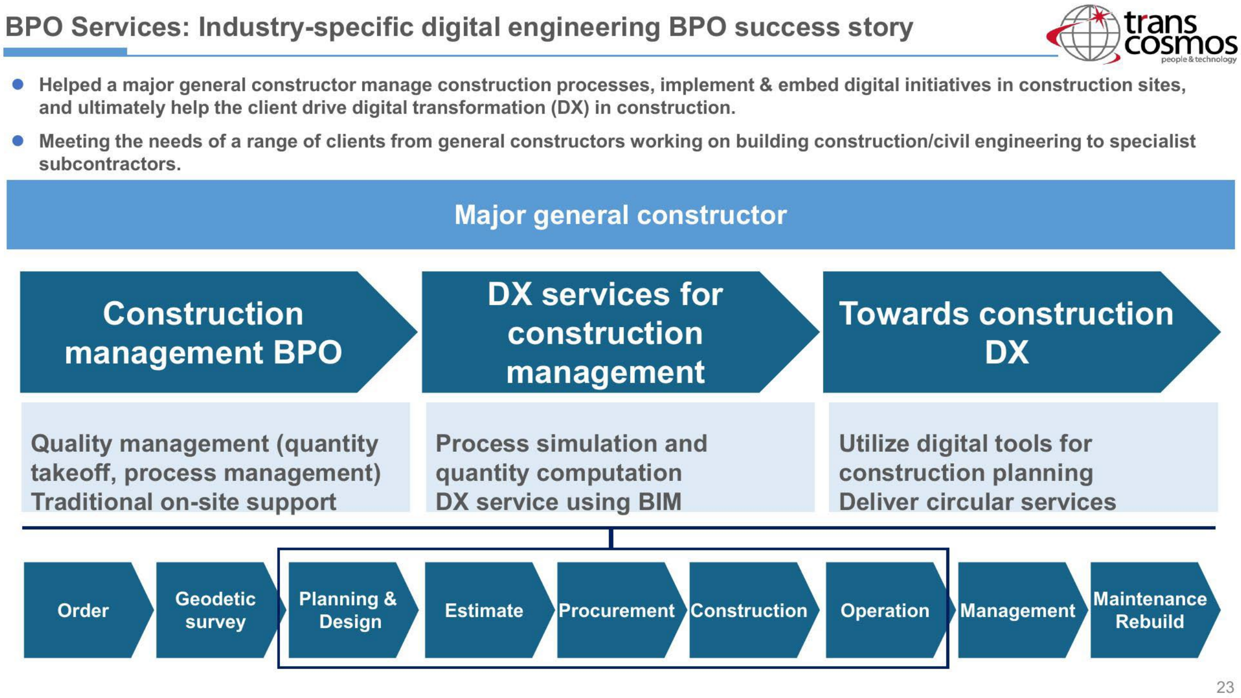
In addition, BPO sales per company are now at JPY570 million, which is an increase of about JPY30 million compared with the previous fiscal year.



The figure on the left shows a breakdown of BPO services. The four levels of BPO are, from the bottom, common back-end digital BPO, industry-specific digital BPO, then the domestic affiliates segment, and the overseas affiliates segment. The current situation is that all of these areas are making progress, with gains in both profit and sales.



The percentage of digital transformation-related sales is 36%, and here we also show the top five industries by sales. Manufacturing, construction, services, and finance were up from the previous year. Although the number of telecommunications companies has decreased overall, the total has increased, and the number of companies using our BPO services is now at 873, with the number of Fortune Global 500 companies at 29. We have a very large number of customers who have been doing business with us for more than five years, accounting for nearly 70% of our customers.



This shows a further breakdown of the industry-specific type BPO service. We have made strong gains, particularly in the construction industry, where we have been providing BIM and CIM software services. Now we have demand for construction management, and we are providing construction management services using digital technology, targeting general contractors. Our strength is that we have solutions for digital transformation (DX) in construction.

BPO Services: Large-scale common back-end functions digital outsourcing project

- Multi-year, multibillion project bookings increased for common back-end functions digital outsourcing.

Social welfare organization	Major real estate company	National R&D agency
Digitization service for application	**HR system deployment & management**	**BPO for procurement & purchasing and accounting functions**
Helped the client build new data processing workflows and implement DX with AI-OCR to streamline paper-based and digital application processing.	Helped the client deploy and manage an integrated HR system, COMPANY, to centralize, streamline, and enhance HR operations across client Group.	Offering BPO services for procurement & purchasing as well as accounting functions. Helped drive business optimization via creating ideal processes and centralizing our service centers, etc.

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We have received an especially large BPO order, in the billions of yen over a multi-year period, and we would really like to name the company, but we can't. We have also received a large multi-year BPO order from a social insurance business organization for digitization of applications, an order for HR system implementation and operations from a major real estate company, and an order for procurement and accounting BPO services from a national research and development corporation.

BPO Services: Enhanced common back-end functions digital outsourcing via JVs

- Leveraging business insight and expertise gained through forming JVs, enhancing common back-end functions digital outsourcing services while meeting client outsourcing needs for full-time jobs.

Feb. 2016
Formed JV with Fujitsu
TCI ownership: 51%
transcosmos FT HRpro

Jul./Nov. 2019
Formed JV with Toshiba
TCI ownership: 80.5%
transcosmos TTPM
TCI ownership: 84.9%
transcosmos TT HAS

Oct. 2023
Formed JV with Tohoku Electric Power
TCI ownership: 49%
TETRAmp

Jul. 2025 (planned) JV with OMRON

OMRON (Ownership 51%) X transcosmos (Ownership 49%)

OMRON TRANSCOSMOS PROCESS INNOVATION Co., Ltd.
(Business outline)
Shared services for HR, finance & accounting, and general administration at OMRON Group

*Source: transcosmos press release

Aug. 2025 (planned) JV with Toshiba Tech

Toshiba Tech (Ownership 14.9%) X transcosmos (Ownership 85.1%)

TT Tech Creation
(Business description)
Sales support services for Toshiba Tech

*Source: transcosmos press release

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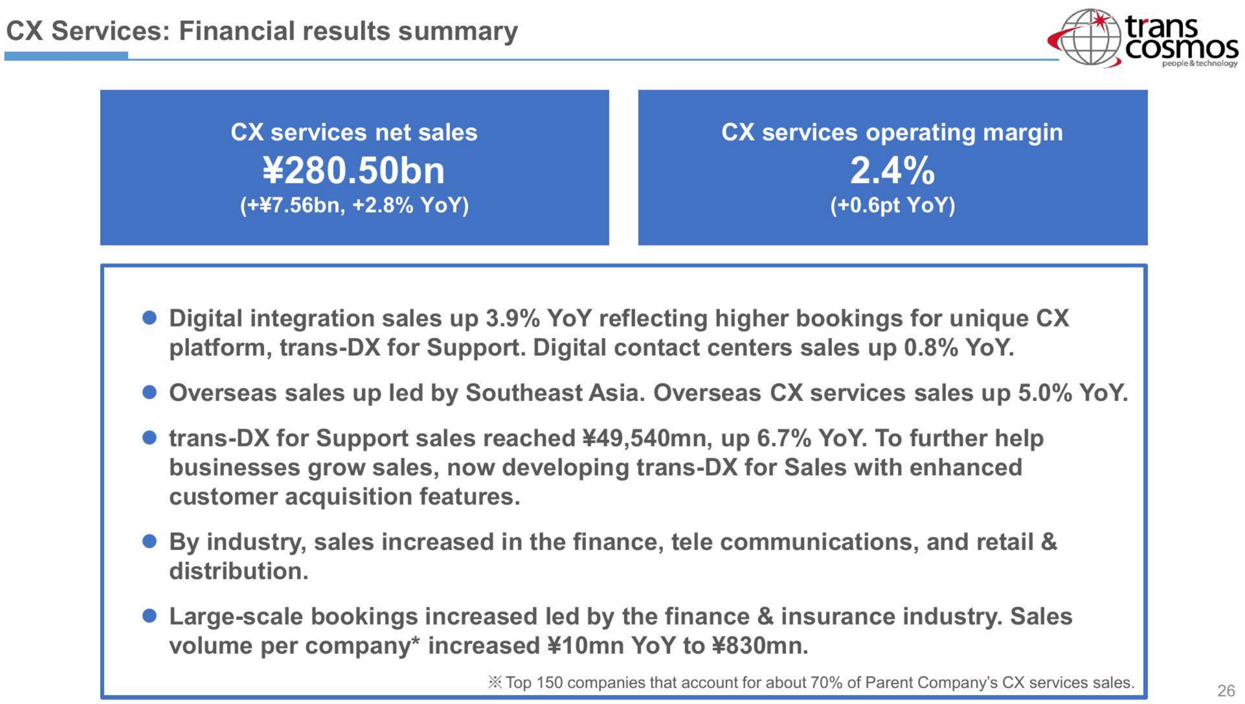
I mentioned earlier about joint ventures, and the ones on the left are JVs we already have---JV with Fujitsu, one with Toshiba, and one with the Tohoku Electric Power Company. In July 2025, we will enter into a new JV with OMRON Corporation to provide shared services in human resources, accounting and finance, and general affairs for the OMRON Group. This will start at 51% for Omron and 49% for transcosmos.

We are planning a JV with Toshiba Tec Corporation, especially in the area of sales support services, starting in August. We have been receiving many requests for collaboration, resulting in those JVs.

From their point of view, there is the advantage of making the fixed cost of labor variable by forming a JV, and from our point of view, we can do business with the entire group and further increase our knowledge and expertise in their business. From there, we will be able to make profit and add other businesses, which is what we are aiming for.

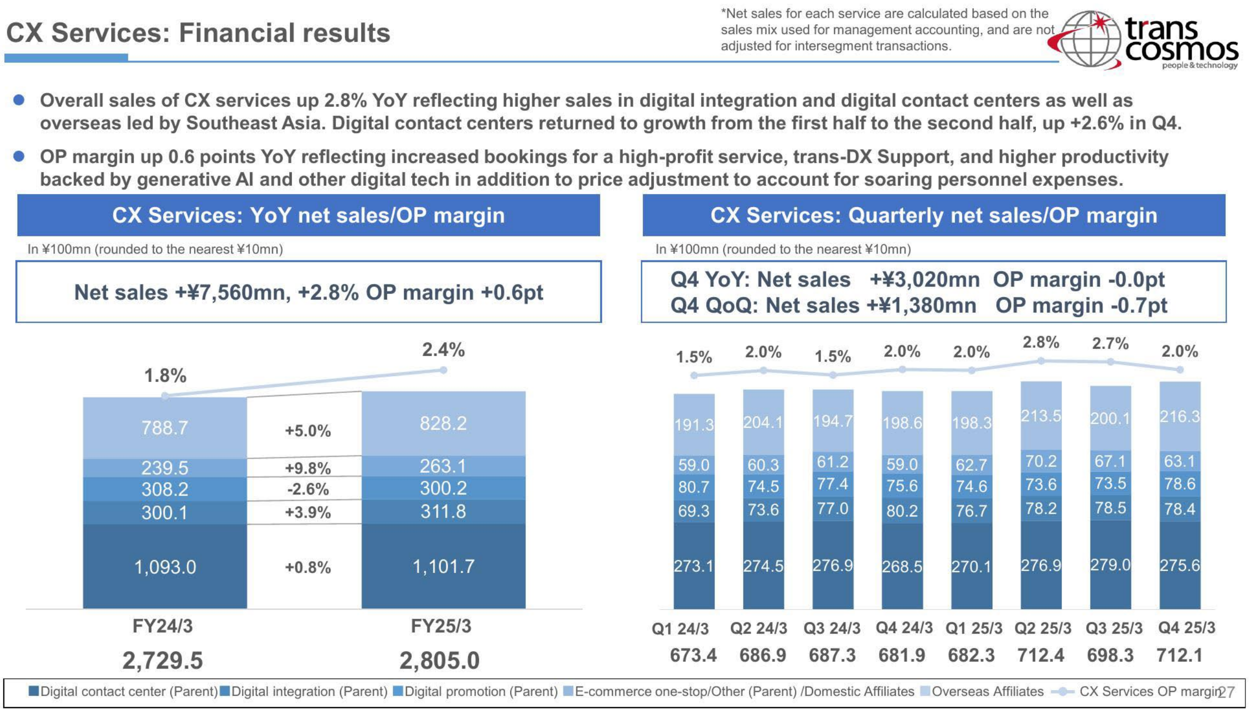


CX services. Sales were JPY280.5 billion, also a YoY increase, and we were able to raise the operating profit margin.

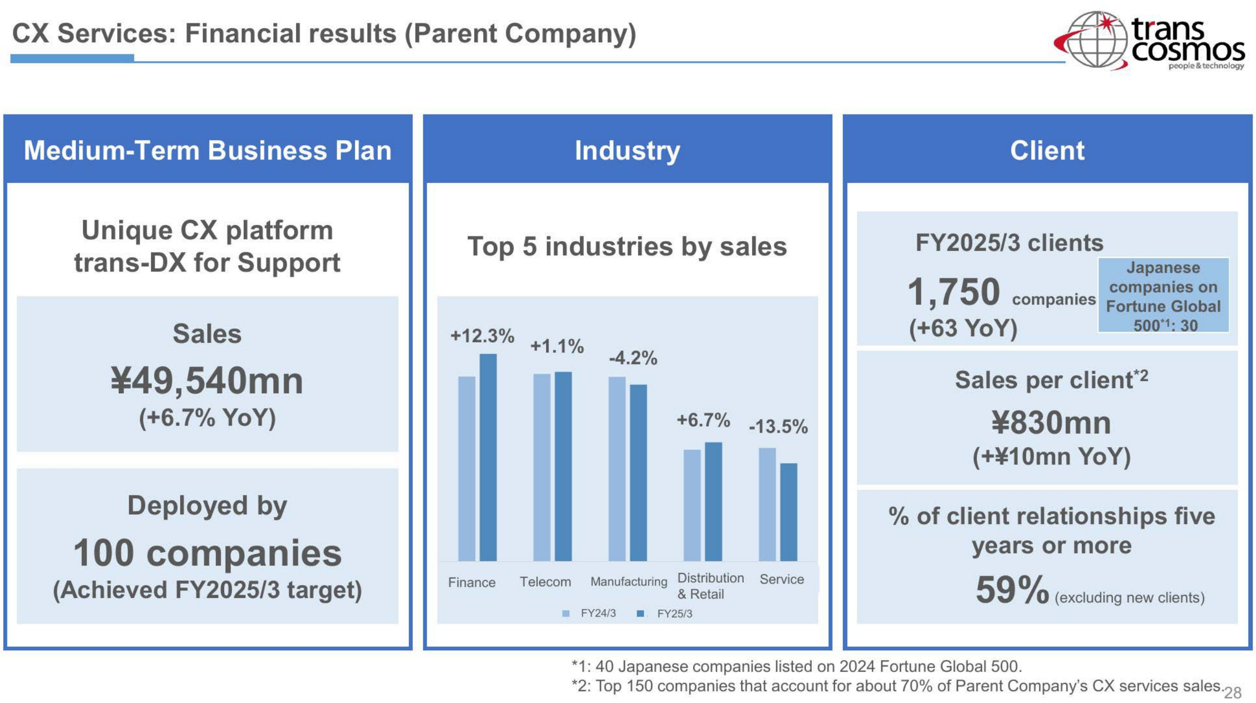
Orders for our platform, trans-DX for Support, exceeded 100s, but in fact, the platform has not yet been used by 100 companies or for a full year. I expect that this will continue to strengthen our earnings base for next year and the year after that.

However, sales of trans-DX for Support have already reached JPY49.54 billion, an increase of 6.7% compared with the previous year. I will explain later, but there is something that other companies cannot do, that is unique to us, a differentiator.

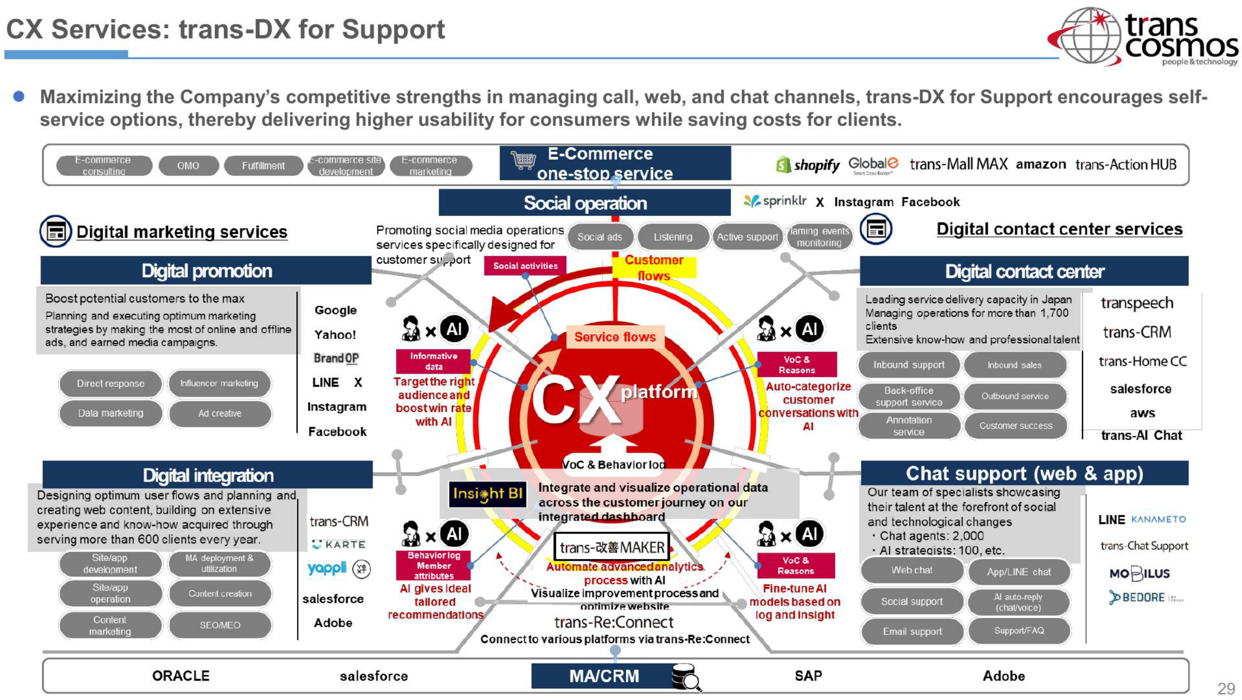
In CX, sales per company stood at roughly JPY830 million.



From the bottom, the digital contact center under the parent company segment, the second level is the digital integration or web production. The third level is digital promotion, and then our e-commerce one-stop service, and overseas affiliates. Unfortunately, sales of digital promotion and the e-commerce one-stop service declined compared with the previous fiscal year. In terms of revenue, although to a small extent, the e-commerce one-stop service has increased, and so, the service that saw a decrease in sales and profit was promotion.



CX's proprietary platform sales and number of companies, as well as industry, were positive for finance, information technology, and distribution and retail. Unfortunately, we lost companies in the areas of manufacturing and services, but we believe we have managed to cover all industries quite well. We have 1,750 clients, 30 of which are Fortune Global 500 companies.

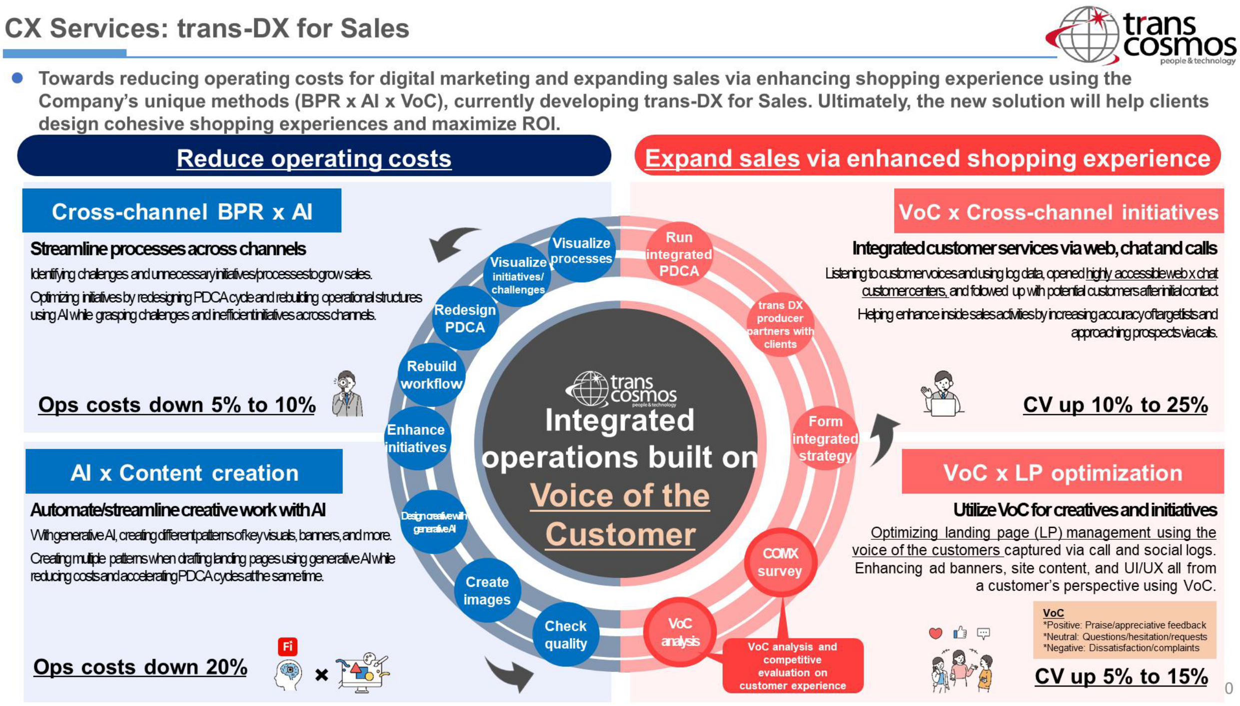


The next page shows our own platform-based support services that received orders from 100 companies. From the left side, we have digital promotion and digital integration, and on the right side, chat support, contact center, and social operation.

Currently, consumer touchpoints start from the left, and when they have some kind of inquiry that cannot be resolved on the Web, they move to the right, or they tweet about it on social networks. We provide services across all these areas, and no other company in Japan or overseas is doing this.

As we cover almost all front-end user touchpoints, we believe we can optimize these touchpoints. We will utilize VoC to try to resolve user problems on the Web, which is the first point of contact for users. Since current users prefer text-based communication, we try to resolve user inquiries with chat before they shift to voice customer services. We currently have about 7,000 chat workstations, and by using chat, we can increase productivity by 2.5 times compared to call support in Japan and overseas.

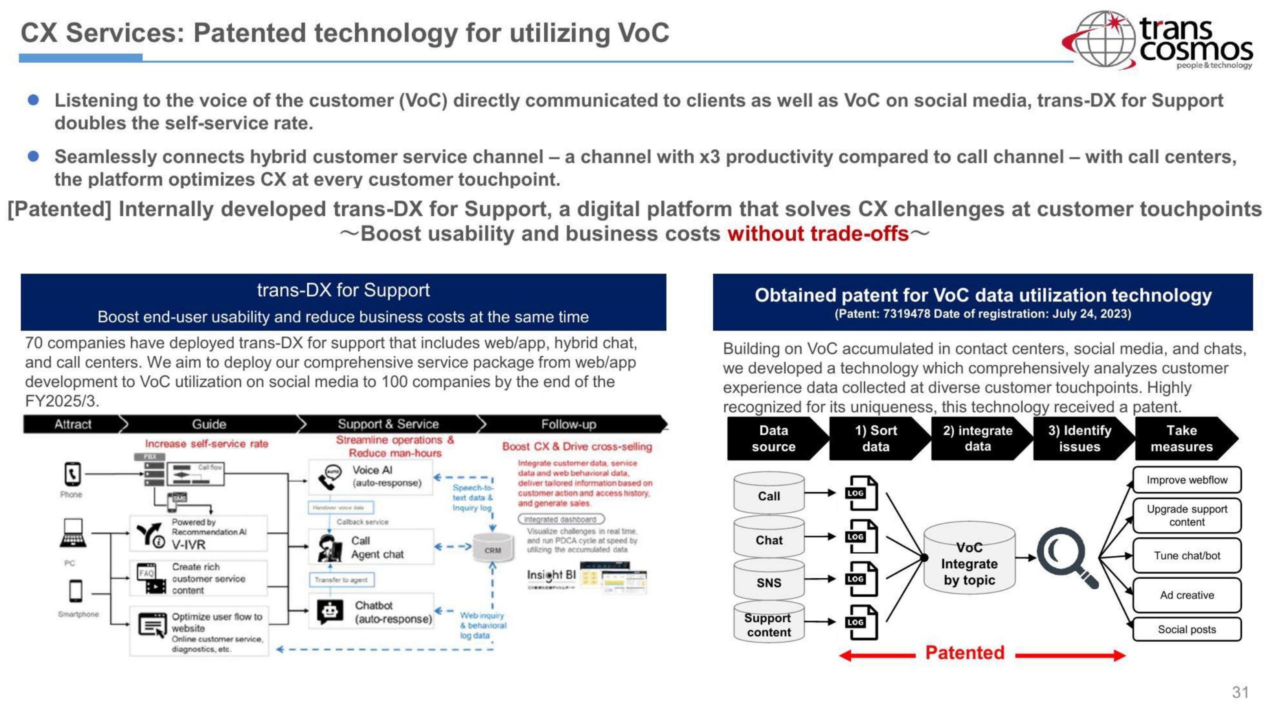
Since call centers are still very helpful in managing customer emotions at speed, and so, I don't think they become obsolete immediately. But we are using a model that closely connects the Web, chat, and call centers based on VoC. And we also confirm and use customer feedback posted on social. We are servicing 100 companies, aiming to expand our revenue and differentiate ourselves by optimizing our services.



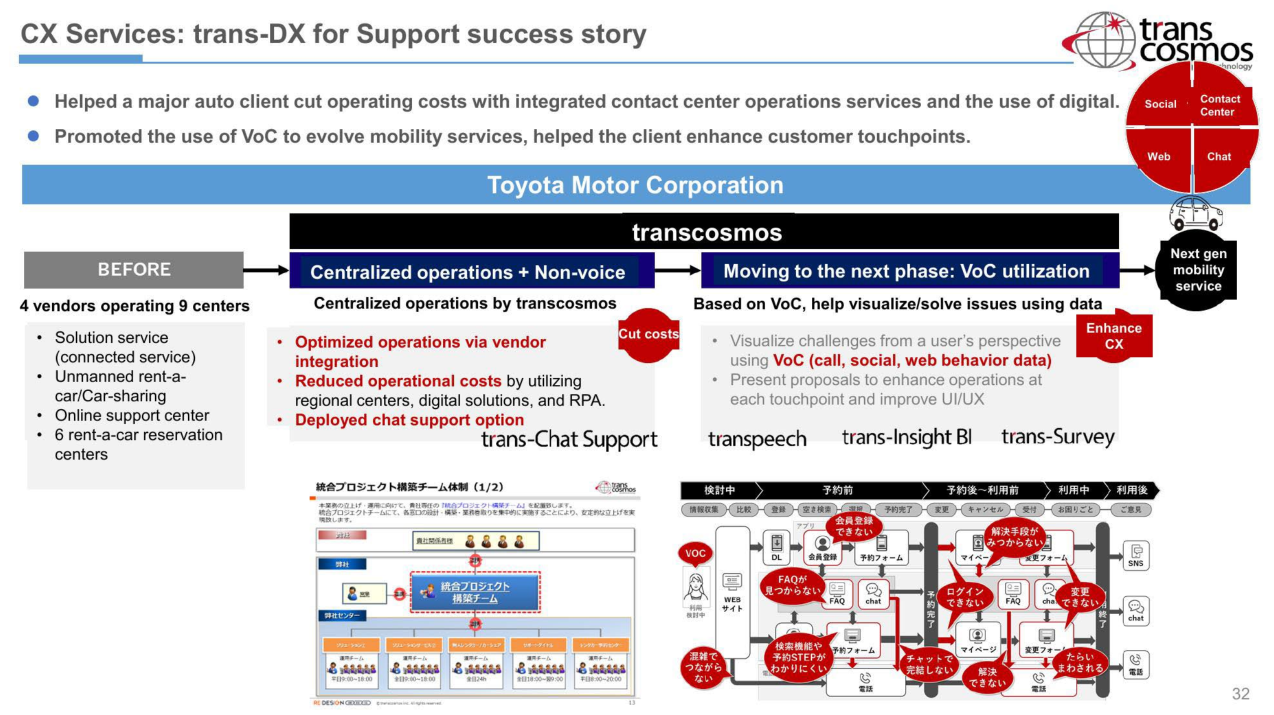
The next page says the service is under development, but we are actually already using it.

There are many things that we can do for sales activities using the same VoC. When we analyze user feedback, we can visualize if there are misunderstandings or points that are overemphasized, and things like that.

We will continue to utilize VoC creatively, run promotions, and increase transactions on websites from promotions. There is no other company that manages both advertising and Web services, so we will enhance and promote our "for Sales" service using the PDCA model following the "for Support" service.



We have obtained a patent on the VoC I just mentioned, and we are in the process of putting it to good use.

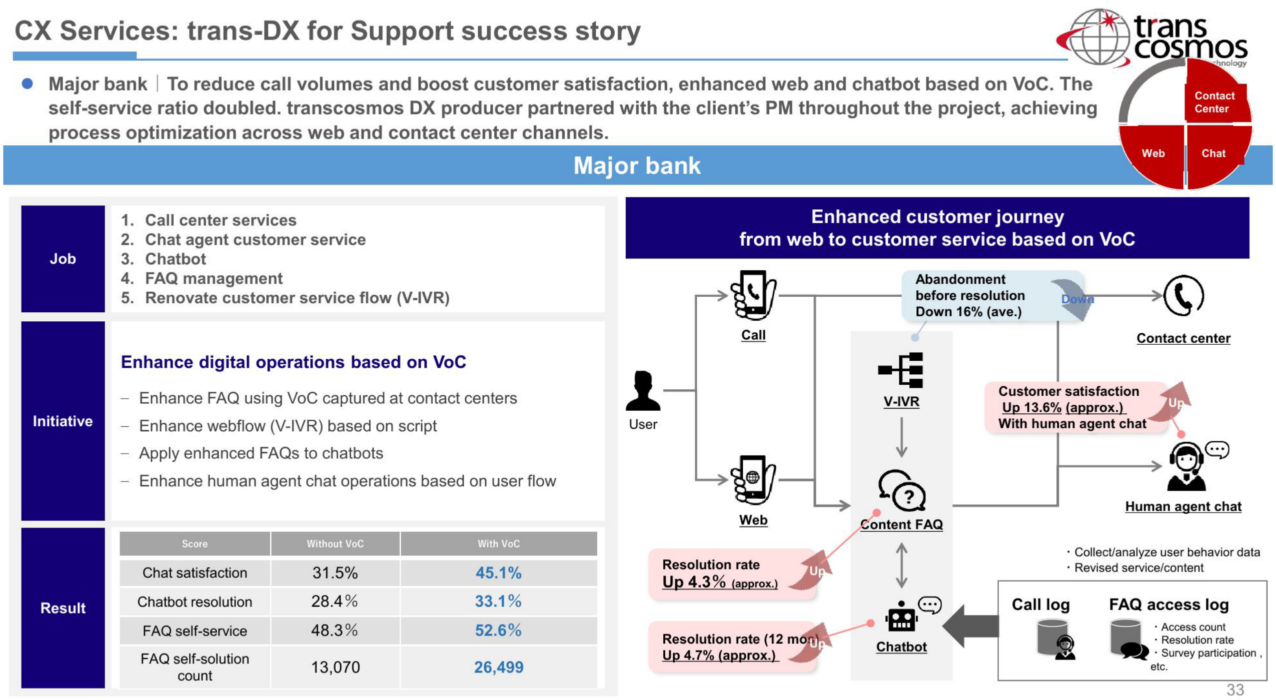


We have several use cases. We have received the approval from this client to use its name, Toyota Motor Corporation. Nine contact points were operated by four companies, but now we have integrated and are managing all touchpoints.

We optimize the call center itself, but we are also applying the model I mentioned earlier to optimize the overall support process by using VoC on the Web by introducing a new chat support system. This was for

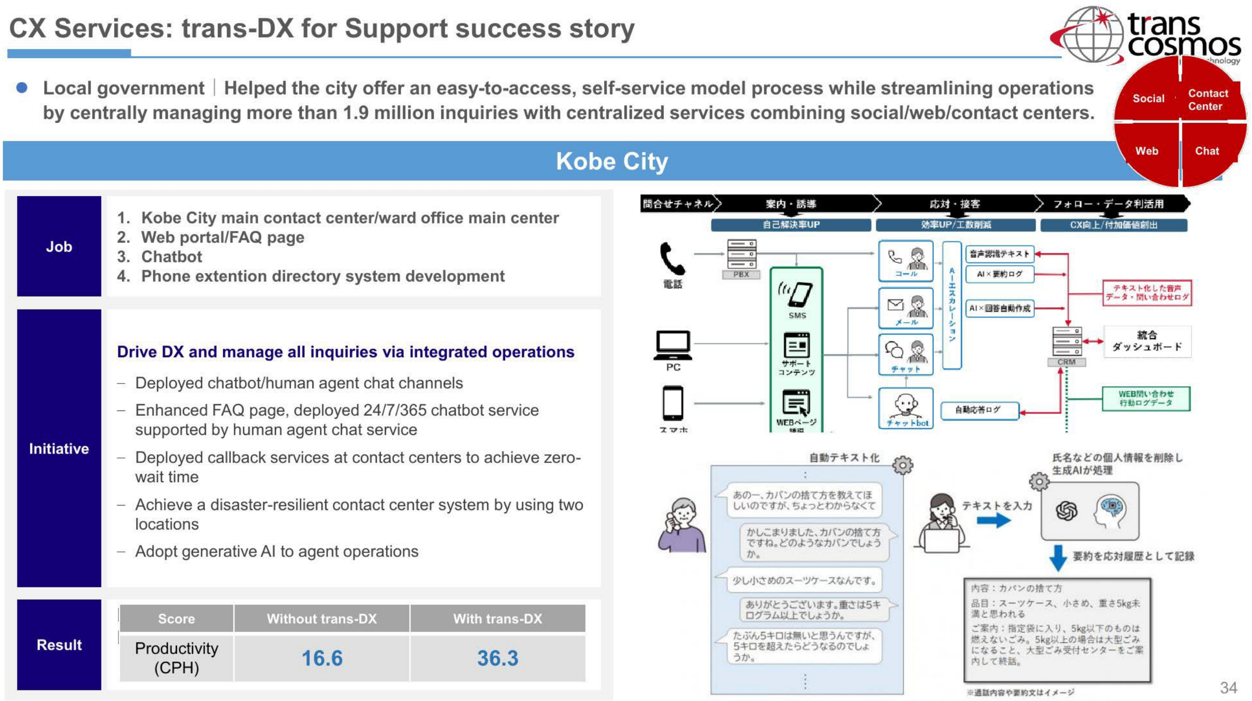
Toyota's Rent a Car and car sharing services. Since duplicated costs and quality had been an issue, we have integrated all customer support service contacts to our center, and successfully resolved the issue.

DX has been introduced to the back-end, and although it is not mentioned in this report, reservation centers are using RPA in the form of virtual clerks in the back-end, which has also been very well received.

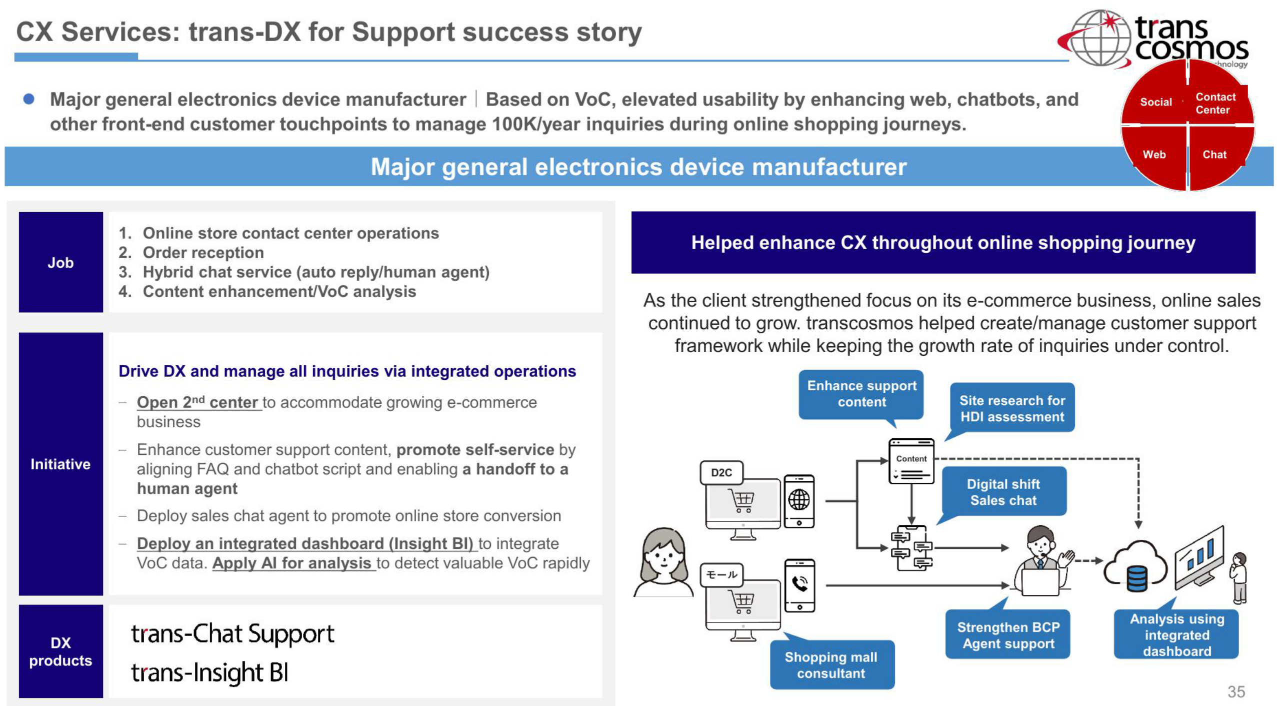


Although the client here is a major bank, the work involved in this project was support for bank-related telephone and chat inquiries, including enhancement of the chatbot and operation of FAQ content. We have also created a flow to respond to, and visualize user feedback on social media, which includes neutral, positive, and negative feedback.

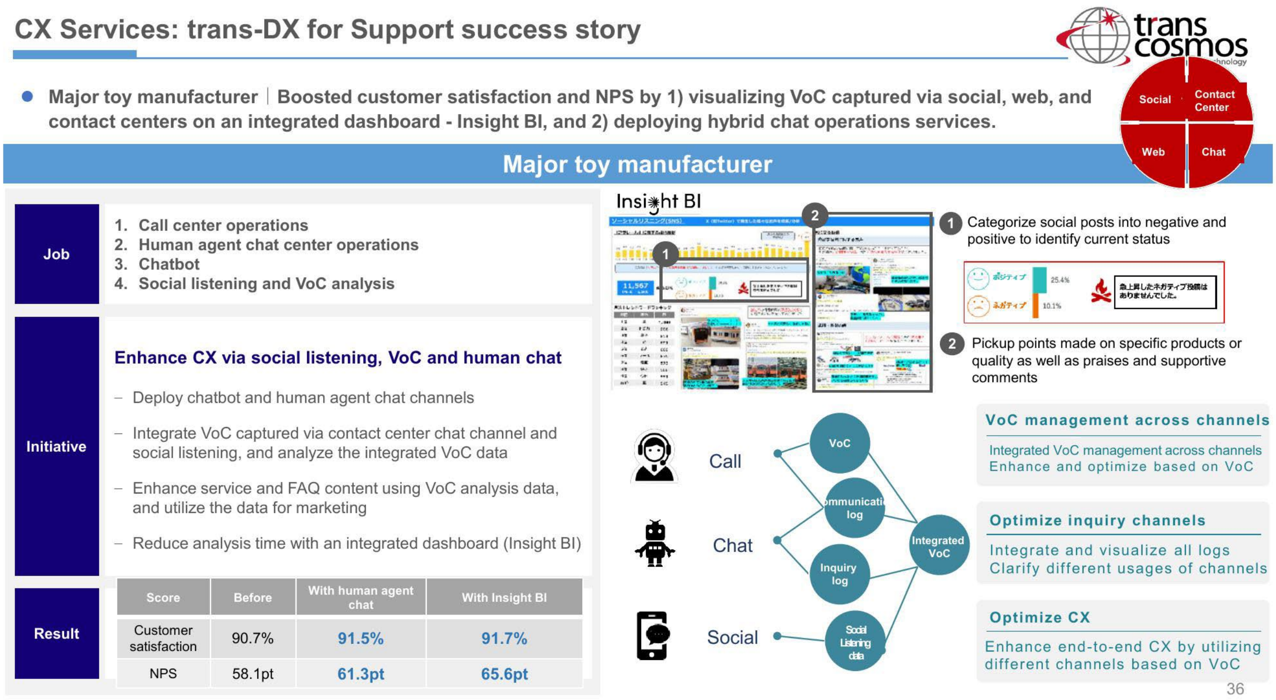
As a result, we are proud to report that we were able to increase the resolution rate by 4.3%, reduce attrition before reaching an answer by 16%, and increase satisfaction by 13.6% with the introduction of manned chat, which is quite impressive.



The name of the client is Kobe City, which receives about 1.1 million inquiries per year. This is another example of how we are trying to create an environment where residents can solve their own problems and not have to make inquiries, and how we believe that providing 24-hour, 365-day service to citizens is the best way to serve them. This is an example of how AI was used to improve the efficiency of the operator's work and the needs of the customer, with a call-back function introduced for times when phone lines are busy.



This is a manufacturing company. This is a case study of how we solved 100,000 inquiries per year that were occurring during online purchases by analyzing the VoC and clarifying the touchpoints of customers and consumers. We were a partner in the expansion of e-commerce business, which is expected to continue and increase, and we were also involved in opening an actual center.



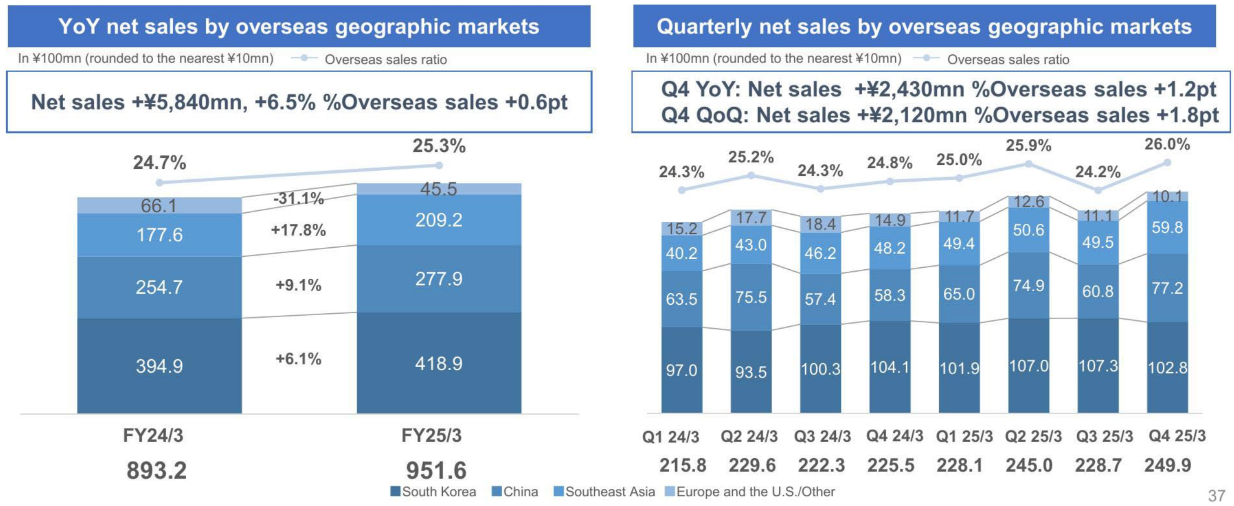
A major toy manufacturer. We have an integrated dashboard. As I mentioned earlier, users first enter through the website and try to resolve issues on their own, and if they are unable to do so, two out of three shift to chat, and the rest shift to call centers. And a certain number of users post on social media. And this is a dashboard which visualizes all of this feedback while running the PDCA cycle.

With the dashboard, the client has successfully utilized and visualized VoC data, and also raised customer satisfaction levels (as shown in the lower left-hand corner). The client's customer satisfaction level was high from before, but we helped the client to increase it further. NPS also increased significantly, and so our service is highly recognized by the client.

Overseas: Financial results by geographic markets

*Overseas sales are categorized by country or region based on clients' location, therefore, figures are different from the Overseas Affiliates segment.

- South Korea: Sales up 6.1%. CX services remain on a growth path.
- China: Sales up 9.1%. Contact center business increased sales.
- Southeast Asia: Sales up 17.8%. Global deals continue to increase sales.
- Europe and the U.S./Other: Sales down 31.1%. Business restructuring going on in Europe and the U.S. to turn a profit.



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In general, overseas performance is evaluated by region rather than by CX and BPO service segment, so we have organized them in the form of, starting at the bottom, South Korea, China, Southeast Asia, and Europe and the United States.

In Europe and the US, we have intentionally scaled back our operations a little, and are now steering our business toward Southeast Asia, or Asia as a whole, our priority area. And we are succeeding in growing both sales and profit as planned in our focus market.

Overseas: Growing business with the world's top multinational companies

Clients	HQ location	Coverage (countries/regions)										
		Total	Japan	Greater China (Mainland /Taiwan)	South Korea	Thailand	Indonesia	Vietnam	Philippines	Malaysia	U.S.	Europe
General electronics company	Japan	9	O	O	O	O	O	O	O	O	O	
Tech firm	China	6	O		O	O	O	O		O		
Auto manufacturer	Japan	5	O		O	O	O	O				
E-commerce company	Singapore	5				O	O	O	O	O		
Digital entertainment	Japan	5	O		O	O		O		O		
General electronics company	South Korea	4	O	O	O			O				
Telecom equipment vendor	China	4		O		O			O			O
E-commerce company	U.S.	4				O	O		O	O		
General electronics company	Japan	4	O	O				O		O		
Toy manufacturer	Japan	4	O	O	O						O	
General electronics company	Singapore	2		O	O							
Tech firm	U.S.	2	O		O							
E-commerce company	South Korea	2		O	O							

*Only shows clients with annual sales of ¥1bn above, and have business with us in multiple countries.

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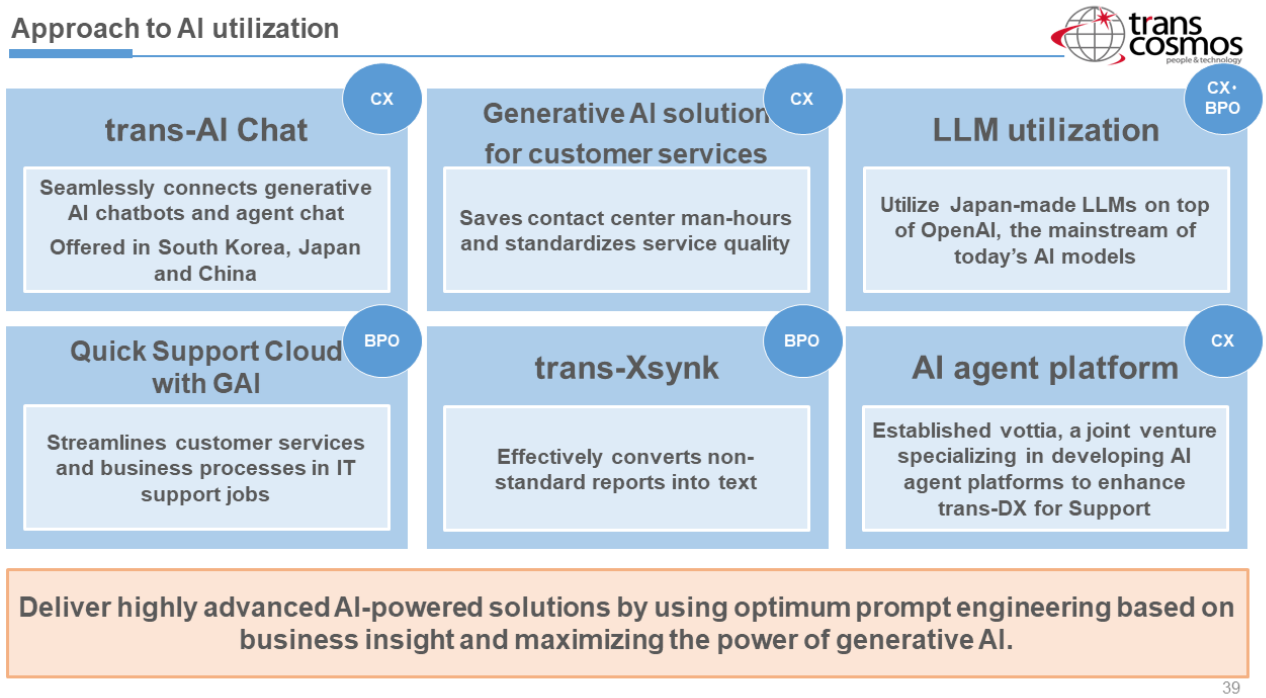
This slide shows our business with multinational companies. For the company shown on the top, we are providing services from nine locations, and we use at least two locations for companies listed here. We have a fairly broad coverage in Asia, which is well-received by our customers. We are also expanding business with customers that use our US locations.



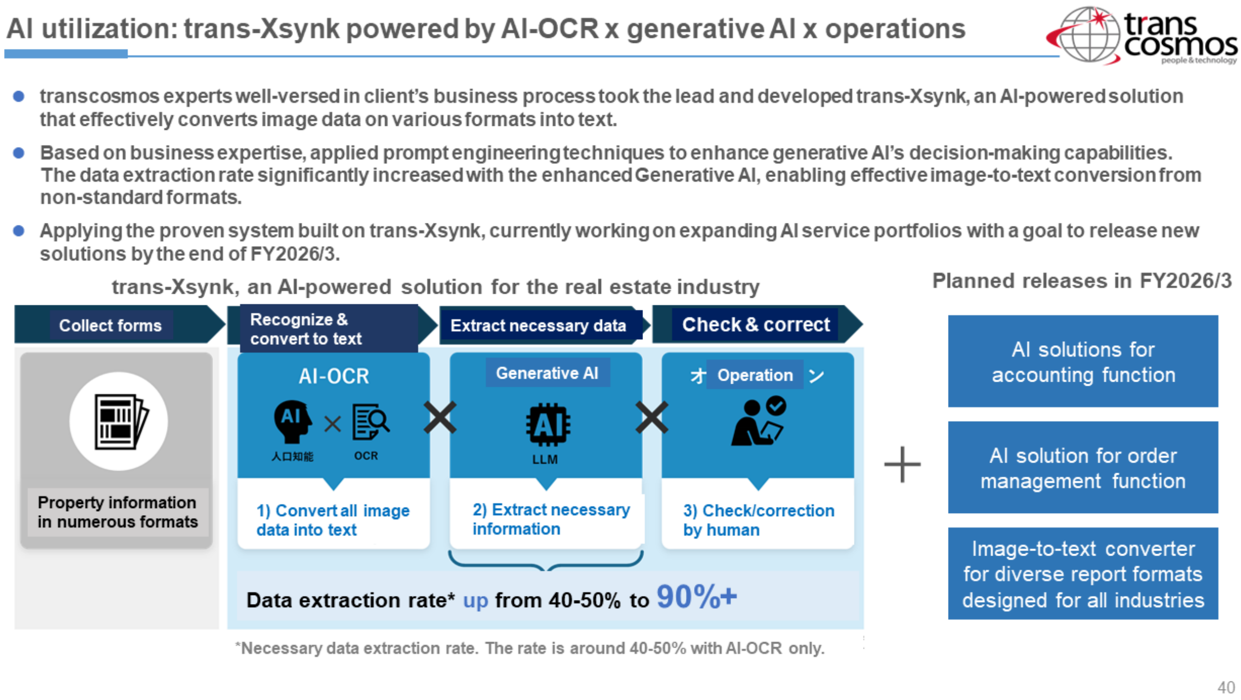
As we are often asked about AI utilization, we have prepared a brief summary. We have used generative AI quite a bit, and have applied it, namely open AI, in chatbot in Japan, China, and South Korea. However, the current system is not yet sufficient, and needs improvement. So, we are currently working on it to enhance the system.

Second, we have generative AI solutions for customer support services. This is where, as I mentioned earlier, we are using AI to produce FAQs to shorten contact center agent training, and improve the quality of responses.

It says here that we use various LLMs. Not only OpenAI, but we also use domestic products, including "tsuzumi." The reason is that OpenAI, as you may know, charges by stroke, so as the conversation with the user goes on, you are in essence charged for each stroke. We are now seeing quite a few price hikes in the US, including for OSs and various other things, so we feel this business model is risky considering the potential price hikes. The number of parameters of domestically produced LLM is less than 1/20th that of OpenAI, but we are thinking of using it with a fixed plus variable cost model. So we are trying to use it for various purposes.

In the lower middle section of the page, you can see examples of AI being used in the help desk, such as Quick Support Cloud with GAI, and trans-Xsynk, which I will explain in the next section, and which we are using by incorporating AI into the current solutions. And regarding AI agent platforms, in order to further strengthen the trans-DX for Support platform, we established a company called vottia to further enhance bots.

In addition to this, we also provide creative promotions and website production services, so we are currently working on a variety of projects, such as utilizing AI for creative services. We intend to make full use of prompt engineering and strengthen our position in this area.



Here is a more detailed explanation of trans-Xsynk.

Real estate information comes from real estate companies. There is no standard format in Japan to put information like area and layout, so each real estate company uses a different format. The information is the same, but it is in a different order or expressed in a slightly different way. And each branch office of these real estate companies are inputting the information digitally. So, when a branch is busy, they cannot keep the data up to date in real time.

AI-OCR is applied, but since the information was not in a standard form, it was difficult to enter the data in a format properly. We now have a solution that can digitize 90% of the documents without manual work by incorporating AI and standardizing data contents and workflow. We would like to further develop this solution for the real estate industry and promote the use of this solution for accounting, order management, etc., based on the same concept.

AI utilization: Further embracing AI to enhance trans-DX for Support | JV

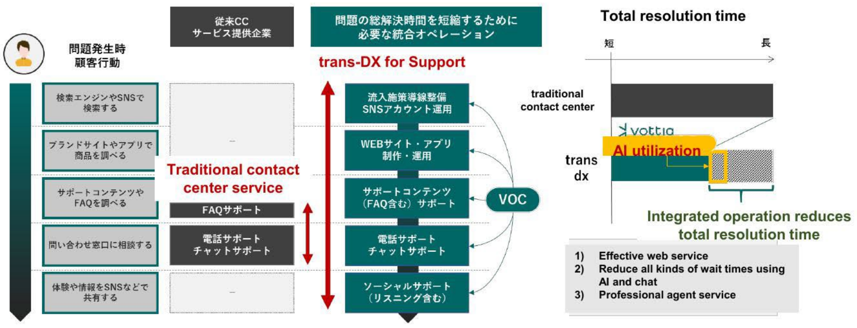
Formed a joint venture with Mobilus Corporation to increase usability for consumers and optimize costs for clients using trans-DX for Support. Launched a project to combine contact center operations expertise with AI.

Aiming to reduce total resolution time from initial contact to resolution by embracing AI more than ever.

vottia

- Ownership ratio: Mobilum Corporation 50% transcosmos inc. 50%
- Business: Development and operation of AI agent platforms
- Date of foundation: April 21, 2025

Most consumers are not satisfied with time/efforts when using customer service
Typical complaints are "I don't want to wait," and "I just want to solve my problem (chatbots can't solve)"
Further embrace the power of AI in addition to integrating and optimizing customer touchpoints to solve challenges



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This is one of the joint ventures I mentioned earlier. Mobilus has its own solutions, so we would like to provide our chatbots and a wider range of AI agent functions by choosing the optimum AI and produce output. As an AI user, we are also working on this area to enhance our services.

Financial outlook for FY2026/3

The Company expects

- Net sales and operating profit to increase backed by continued sales growth in CX and BPO services in Japan and overseas.
- To retain operating profit at last year's level by profitability enhancement and necessary investments for growth including security and strategic investments.
- Profit attributable to owners of parent to increase, despite an impact of a temporary drop in tax expenses in FY2025/3.
- To retain the growth trend. Does not expect to achieve numeric targets set under the Medium-Term Business Plan 2024/3-2026/3 (net sales: ¥450bn; operating profit: 6% to 8%) due to China's economic slowdown, businesses' cautious approach to investment in the post-COVID recovery, as well as ongoing price adjustments to absorb personnel expenses that surged more than expected, and technology costs.

In ¥100mn (rounded to the nearest ¥10mn)	FY2025/3 (Actual)		FY2026/3 (Forecast)		Change	
	Amount	Mix	Amount	Mix	Amount	%Change
Net sales	3,758.5	100.0%	4,000.0	100.0%	241.5	+6.4%
Operating profit	144.8	3.9%	155.0	3.9%	10.2	+7.1%
Ordinary profit	156.8	4.2%	170.0	4.3%	13.2	+8.4%
Profit attributable to owners of parent	113.3	3.0%	115.0	2.9%	1.7	+1.5%
EPS (Earnings per share) (yen)	302.4	-	306.9	-	4.5	+1.5%

Kamiya: The fiscal year ending March 2026 has begun. I would like to explain our plans for this fiscal year and other matters. This is the earnings forecast that we are announcing from this time. Our forecast for the fiscal year ending March 31, 2026, which you can see in the middle area of the slide, projects net sales of JPY400 billion, operating profit of JPY15.5 billion, ordinary profit of JPY17 billion, net profit of JPY11.5 billion, and EPS of JPY306.9.

We expect sales growth of 6.4%, which means that both domestic and overseas CX and BPO sales will continue to grow, and we are also forecasting an increase in profits.

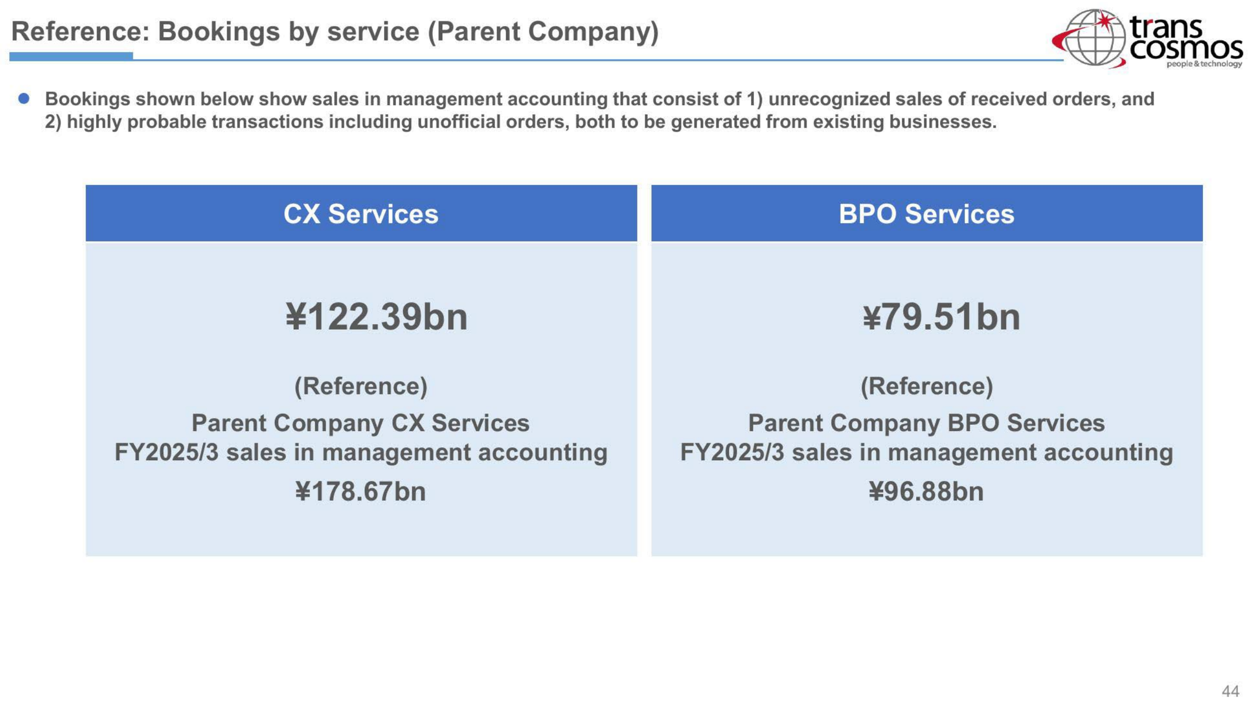
We will, of course, continue to improve the profitability of our business, but at the same time, we will need to continue to make the investments necessary for business growth, such as security measures, etc. Therefore, we will first maintain the operating profit margin at the same level as the previous year.

Regarding net profit attributable to shareholders of the parent, as I explained in the fiscal year that ended March 31, 2025, there was a one-time reduction in tax expenses. Although there is a certain reaction to this impact, we expect to maintain a steady increase in profit despite these factors.

The figures in this forecast are quite different from the initial targets of JPY450 billion in net sales and between 6% and 8% in operating profit margin disclosed in the Medium-Term Business Plan 2025.

The background to this is that this medium-term plan was formulated during the coronavirus pandemic, and we had expected a recovery in corporate investment sentiment once the pandemic ended. However, the Chinese economy was stagnant, and client companies were more cautious about investment than we had anticipated after the pandemic had ended.

In addition, labor costs have risen more than expected, and although price revisions are underway to cope with that, they are not at a level that will allow us to recover all of these costs, which means that we have not achieved our goal. However, we expect to maintain our growth trend.



For reference, the figures are based on the order backlog for the parent company segment that are currently being shown. These figures represent unrecorded sales of ongoing work for which orders have already been received, and sales in management accounting for projects for which there is a high probability of receiving an order, including informal orders.

So, this means around JPY122.4 billion for CX services, and for BPO, JPY79.5 billion. The parent company segment's CX services sales in management accounting for the previous fiscal year were approximately

JPY178.6 billion, so we have already seen about two-thirds of last year's sales. Regarding BPO, it was a little less than JPY97 billion, and we have already seen just less than JPY80 billion of that.

Shareholder returns

- In consideration of investments for growth, shareholder returns, and financial strength, the Company will distribute appropriate levels of dividends in line with its business performance with a target consolidated dividend payout ratio of 35% from dividend for FY2025/3. Also, in light of ensuring equal treatment for all shareholders, the Company will abolish its shareholder benefit program from FY2026/3, and change its dividend policy to concentrate on returning profits to shareholders through dividends and other means.
- To further clarify its commitment, the Company will deliver enhanced returns to shareholders by raising its consolidated dividend payout ratio to a level that exceeds the previous level (consolidated payout ratio of 30%).
- Based on the policy above, the Company plans to distribute a dividend of ¥106 per share for FY2025/3 (+¥25 YoY), and expects to pay a dividend of ¥108 per share for FY2026/3 (+¥2 YoY).

	FY2022/3	FY2023/3	FY2024/3	FY2025/3 (Plan)	FY2026/3 (Forecast)
Dividend per share (yen)	156	117	81	106	108
EPS (Earnings per share) (yen)	518.1	389.2	269.5	302.4	306.9
Consolidated dividend payout ratio (%)	30.1	30.1	30.1	35.1	35.2

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I would like to explain our policy on shareholder returns. We have explained that we will consider this in terms of achieving balance among growth investment, shareholder returns, and our financial health. As a result of this review, starting with the dividend for the fiscal year that ended March 31, 2025, we will distribute our dividends appropriately in accordance with business performance, based on a consolidated dividend payout ratio of 35%.

In addition to this, from the viewpoint of fair profit distribution, from the current fiscal year ending March 31, 2026, we would like to abolish the shareholder benefit plan and change the policy to concentrate on profit distribution through dividends and other means. We will further enhance returns to shareholders by clarifying our stance on shareholder returns, and raising the consolidated dividend payout ratio to a level higher than the approximately 30% consolidated dividend payout ratio that we had previously achieved.

Under this policy, we plan to pay a dividend of JPY106 per share for the fiscal year that ended March 31, 2025, which, as was mentioned at the beginning of this report, is an increase of JPY25 from the previous year. In addition, based on this forecast, for the fiscal year ending March 31, 2026, which is the current fiscal year that we just announced forecasts for, we are forecasting a dividend of JPY108 for this fiscal year, which is an increase of JPY2 from JPY106 for the fiscal year that ended March 31, 2025.

This concludes the explanation we prepared for the financial results briefing.

[END]

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Document Notes

1. This document has been translated by SCRIPTS Asia.

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