

FY2025/3 Earnings Conference Q&A Summary

Date & Time :16:30-17:30 Wednesday, April 30, 2025

Presenters : Masaaki Muta, Representative Director, Co-president

Takeshi Kamiya, Representative Director, Co-president

[Q]: Operating margin was 3.9% for the year ended March 2025, and your outlook for the next fiscal year remains flat at 3.9%. Please explain your expectation on year-over-year changes in profit margin by each segment; Parent Company, Domestic Affiliates, and Overseas Affiliates. Please also explain your margin outlook by CX and BPO services under the Parent Company segment.

[A]: At this moment, we do not expect to see significant changes in any of the segments. It is the same for CX and BPO services under the Parent Company segment. As for the Parent Company segment, we will continue to invest in upgrading systems and infrastructure. And so, we do not expect to see margin growth, but we may review our investment plans during the year based on the performance.

[Q]: I expect that growth in sales from trans-DX for Support and other platform-based services will also have a positive impact on profitability mix. Could we assume that the mix is becoming better already? And, for the next year, I understand that we cannot expect margin improvements in the short run as expenses will increase due to planned upfront investments, etc. But it would be helpful if you could guide us when we can expect to see margin growth.

[A]: The mix is improving steadily. The CX services market is becoming a mature market, and so, it is hard to grow profitability only with stand-alone services like contact centers. Now, with trans-DX for Support, we are providing integrated services that combine web, chat, contact centers, and more. trans-DX for Support enables us to differentiate from others, and show strong cost competitiveness and productivity even in such a market. We have implemented the service to 100 companies, and they will contribute to our performance in full-scale going forward. In addition, we will continue to deploy the service to more companies, and so we expect that the profitability mix will become even better over the medium term. At the same time, we must invest in AI next year, so we will make sure to strike a balance.

[Q]: From this fiscal year, you began disclosing your consolidated performance outlook for the next fiscal year. Will you continue to disclose the information from next fiscal year onwards?

[A]: Yes, we plan to continue the disclosure next year and beyond.

[Q]: In your next year plan, you mentioned that you will invest in digital over the medium term. Could you elaborate on that investment plan, please?

[A]: Investment in security takes up the highest share of expenses among all confirmed investments. There have been numerous reports on cybersecurity incidents in recent years. And so, we will invest to protect us from such risks. We also will make investments in improving working conditions to upskill and hire engineering talent.

[Q]: As for shareholder returns, you have announced that you will raise the current dividend payout ratio to 35% starting from the dividend for the year ended March 2025. Do you plan to continue raising the ratio? Or you don't have a plan to do so for a while?

[A]: I decline to comment on our future dividend policy. We will soon start shaping the next medium-term business plan. During the process, we will reconsider our cash allocation policy, taking into consideration how we balance out strategic investments and other factors.

[Q]: Is there anything we should be aware of regarding the potential impact from the recent moves in U.S. tariffs, etc.?

[A]: The current situation is still very fluid, and much remains uncertain. Rather than being directly affected by this, we believe our clients' business sentiment will affect our services. We have clients in industries that will be hit significantly by the current situation, most particularly those in the manufacturing industry, so we should take into account a potential drop in needs due to cost reduction measures, etc. However, we have a range of service offerings that help clients optimize costs and grow sales. We will present the optimum proposal to each client based on their situation.

[Note]

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