

**Q1 FY2026/3 Small Meeting for Sell-side Analysts Q&A Summary**

Date & Time: 16:30-17:10 Thursday, July 31, 2025

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Deputy Division Manager of Corporate Strategy Division

[Q]: It seems the Parent Company's gross profit margin is on an upward trend. Could we assume that this trend will continue?

[A]: The Parent Company's gross profit margin was 20.1%, and it is on an upward trend as you just said. This was driven by BPO services that have higher margins. And recently, Digital Contact Center (DCC) under the CX services domain has recovered positive growth, and we expect that profits will also improve from after Q2. On a consolidated basis, we believe we can offset the impact of downsizing of a high-profit project in Southeast Asia with the Parent Company's higher profitability, etc. And so, we expect margins to improve to a certain degree as a whole.

[Q]: It seems SG&A expenses control is in progress, is my understanding correct? Do you assume any drastic ups and downs going forward?

[A]: There are a lot of initiatives we want to execute for growth as well as things that we must work on such as taking security measures and enhancing the management base. And so, we don't think that the expenses have hit a ceiling in yen amount. Going forward, we will control costs and ensure margins by making investments in a phased approach, checking initiatives on our list and progress in sales and margins. Therefore, there won't be a drastic curb in SG&A expenses, however at the same time, we do not assume any sharp increases or decreases as the costs are well under control.

[Q]: In the BPO services description part of your supplemental material, it says "capturing outsourcing demands in highly specialized job areas usually performed by full-time employees." What do you mean by that?

[A]: Recently, an increasing number of companies began to outsource job areas that used to be outside the scope of outsourcing due to required expertise and the degree of difficulty. Our sales activities successfully captured such demands, and converted

into orders. This means, there is a new and growing outsourcing demand, and we are serving the demands. We believe the primary reason for our success is that we have accumulated know-how in managing core business operations in HR and accounting functions through strategic joint ventures with Fujitsu, Toshiba, and others. In addition, it is also backed by a lack of specialized talent in the society as a whole.

[Q]: Growth in domestic subsidiaries in the BPO services domain is slightly slowing, what are the factors behind this?

[A]: Our listed subsidiary, Applied Technology, has revised a part of its sales recognition standards, and some of the sales amounts previously reported in gross amount are now reported in net amount. This is the primary factor.

[Q]: CX services sales are growing nicely. You mentioned that it is not a temporary growth, so could we expect to see similar growth in Q2 and onward?

[A]: Sales growth in CX services is not a short-term, temporary growth. It is driven by the expansion of regular jobs primarily in DCC, not by the acquisition of new one-off jobs, etc. DCC tends to be considered as a hard-to-grow area due to the evolution of digital technologies such as AI. However, we have been expanding services that will optimize business-to-consumer communication such as “trans-DX,” our proprietary services model that integrates web and call channels. Now, our initiative began to bear fruit, and we are capturing share in a competitive market. For example, we have fully replaced client’s call center operations business from others. As for Digital Integration (DI), although its sales decreased due to the downsizing of some projects, we have set a goal to return to sales growth from Q2 and after, and are now working towards the goal. From Q2 onward, we are aiming to achieve some extra growth on top of Q1 growth rate.

[Q]: With regard to the recovery of DCC, you explained in the supplemental material for the previous earnings release that you have a good backlog of orders. I understand that they have been converted into sales, growing sales volume in Q1. Breaking it down, is my understanding correct that the growth is led by trans-DX? Or, could we assume that other deals are also on a positive trend?

[A]: As for DCC, we are expanding the total deal volume, and successfully converting them into orders. One of the success factors is the expansion of our proprietary platform, trans-DX, one of our strategic initiatives. Total deal volume has increased even more from the end of the previous fiscal year, and we expect to see steady

progress going forward.

[Q]: As for the downsizing of a high-profit deal in Southeast Asia, do you have a clear idea to offset the impact?

[A]: We have almost offset the sales decrease at this moment already. As for profit, we assume it will take time to offset the decrease as the project is a highly profitable business. However, we will increase new deals to offset the impact. When you see the Overseas segment as a whole, we can expect to see the positive impact from the reduction in losses as a result of a certain progress made in business restructuring in the U.S. and Europe. We will offset the negative impact from the downsized deal as a whole segment.

**[Note]**

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