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Q1 FY2027 Small Meeting for Sell-side Analysts Q&A Summary

Date & Time: 16:30-17:00 Friday, July 31, 2026

Presenters: Takeshi Kamiya, Representative Director, Co-president
Kenichi Ooya, Corporate Senior Officer

[Q]: The parent company's gross profit margin improved to 20.3% in Q1. Should we expect this improvement to continue from Q2 onward?

[A]: We expect gross profit margin to continue increasing from Q2 onward. At the parent company, particularly in the CX business, higher utilization rates, price revisions, and a focus on higher-margin projects are progressing steadily, resulting in continued gains in profitability. In addition, in the BPO business, the impact of upfront costs is expected to diminish and utilization rates on certain large-scale projects are expected to rise. Accordingly, we aim to achieve a further increase in gross profit margin from Q2 onward.

[Q]: The overseas business reported lower profit in Q1. What were the main factors behind the decline?

[A]: The main factors behind the decline in profit in the overseas business were the impact of the downsizing of a large-scale project in Southeast Asia and lower profit in the China offshore development business.

[Q]: Will the impact of the downsizing of the large-scale project in Southeast Asia continue from Q2 onward?

[A]: We believe the downsizing of the large-scale project has largely run its course in Q1. However, for the overseas business as a whole, we recognize that there are certain hurdles to profit recovery on a year-over-year basis due to the impact of the China offshore development business and the absence of temporary factors associated with an inventory clearance in the China e-commerce business that boosted both sales and profit in the second half of the previous fiscal year.

[Q]: Has the China business been affected by Japan-China relations and China's economic security policies?

[A]: In the China offshore development business serving Japanese companies, those clients have adopted a more cautious approach to data handling in China in response to China's economic security policies, resulting in a certain degree of impact on the business.

[Q]: How did Q1 results compare with your internal plan?

[A]: Q1 results were largely in line with our internal plan.

[Q]: Could you provide an update on the status and progress of AI utilization?

[A]: We are advancing initiatives across our various businesses. At present, most projects remain at the PoC stage, although inquiries are increasing. At the same time, it remains difficult at this stage to complete all operations using AI alone. We are therefore steadily advancing these initiatives while assessing the potential for AI utilization in actual business operations.

[Note**]**

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