

**BIPROGY Inc.**  
**Small Meeting for Institutional Investors**  
**(held on June 17, 2024)**

**Principal Questions and Answers**

(with certain details modified in an attempt to provide readers with a deeper understanding.)

[Questioner A]

Q : According to your projections about the fiscal year ending March 2025, the growth rates for revenue and profits will slow down. May I ask about the current situations of orders?

A : We see pipelines being created for various segments. Also, we find good contents in the projects awarded to us. Thus, we hold strong expectations.

Furthermore, we have many small and medium-sized projects, and these will contribute to the revenue of this fiscal year.

[Questioner B]

Q : You had a decline in your stock price after the announcement of financial results for the fiscal year ending March 2024. What gaps did you find through your communications with investors?

A : In the fiscal year ending March 2024, we posted record-high revenue and profits. Also, we enjoyed a stable strength of orders. Despite this situation, we had a decline in the stock price. We recognized that this indicates a gap in light of expectations from the stock market.

We feel that our briefing deliveries were not good enough at the briefing session for our performance results, about: unexpected costs being the major factor that kept us from achieving the predictions; more efforts to monitor costs trajectories; an increase in the SG&A costs being only temporary and used for making investments conducive to future cost reductions; and, the strength of our growth. We will continuously endeavor to enable briefing deliveries good enough to gain your sufficient understandings.

Q : Please give us reasons why you did not actively conduct share repurchases in the past. Also, please let us know why you now add share repurchases as part of your efforts of shareholder returns, pursuant to your new management policies.

A : We held the shareholder returns policy of steadily accumulating profits and returning profits to shareholders in the form of dividends. Our new management policies give first priority to investments for growth, and at the same time the new management policies refer to share repurchases as part of various options besides dividends. The intention is to indicate our resolve to furthermore strengthen shareholder returns.

Also, our management policies state that we aim to become a company that has a corporate value of JPY 1 trillion. As we are developing into a company that is valued by people and becomes worth that much, we will become able to see our customers and employees of the BIPROGY group willingly go along with us and work with us. Stock prices are a typical

measure of corporate value. We would like to face squarely our investors.

[Questioner C]

Q : Please tell us your thoughts on resources plans during the period of the management policies.

A : We value services improvements for customers. We also value services deliveries that entice customers to say that they depend on us with a peace of mind. This means that we do not aim to overexert ourselves in receiving many orders. Rather, this means that we deliver proper services to customers. This posture keeps us from suffering situations where system development projects do not go well or systems do not work properly after delivery.

On the other hand, what is crucial in tandem with narrowing down projects is to strengthen system engineers at our partner companies as well as our own personnel.

In Japan, all IT services providers suffer a shortage of workers. We predicted the situation. We have worked on strategies about our partners for six to seven years. We narrowed them down to around 100 core partner companies. We join them in making workforce plans. We intend to raise the current outsourcing ratio of 1 (developments by our internal system engineers) : 3 (developments by our external partners) to 1:5.

We have been making smooth progress in securing personnel through Chinese companies that have local subsidiaries in Japan and our group subsidiary in Vietnam as well as companies in Japan.

Furthermore, we want to increase productivity through the use of knowledge and expertise that we have held in the Company such as those in deliverables accumulated in the past. This will help us ensure profit.

Q : Your predictions about the fiscal year ending March 2025 tell us a small growth rate of 1.5 % increase in the system services revenue on a year-over-year basis.

How much more do you expect the system services revenue to increase partly through your efforts to increase the outsourcing ratio?

A : If the outsourcing ratio can be increased, the productivity per system engineer will also increase. Therefore, we would like to aim at a double-digit growth as we did in the past.

Having said that, if we go too much drastically, we are concerned with risks of distortions that entail accidents in projects. We took risks into consideration and gave a conservative prediction for this term. We will monitor each quarter and revise the number as needed.

Q : You referred to making efforts for expanding your five focus areas as you described in the management policies. Do I correctly understand that you also expect to see outsourcing businesses grow as a result of the efforts?

A : We will enhance outsourcing businesses through investing in the areas of focus. We will put a specific focus on creating service-based type businesses in outsourcing.

will focus on creating businesses that might be likened to service-based type businesses in the outsourcing business category. With Vision 2030 in mind, the Group will steadily build a foothold for its five business areas of focus for the three years.

Rather than a cold start of businesses in a new area, we will focus our resources painstakingly on areas where we have our customer base established and we can use our assets.

Q : May I ask for an approximate value of operating margin that you intend to achieve in the future after the period of the current management policies ?

A : Our management policies specify growth drivers applicable also for the five areas of focus. Also, the management policies indicate that we aim at an 11% adjusted operating margin for the entire businesses. We will set our internal goals with standards at other companies in the same industry set as benchmarks. We intend to aim at a higher adjusted operating margin with an eye on 2030.

[Questioner D]

Q : When you are looking to make proposals about DX to your customers, you will need personnel capable of business consulting. May I ask about your efforts in this light?

A : Our human resources strategies describe that we will increase employees referred to as business architects. Business architects can understand industries of customers and join customers in solving management problems as well as satisfy customers' needs. We work on improving skills of our personnel and also focus on mid-career recruitment. We will work on business alliances with companies that have strengths in business consulting in the future. We intend to eventually increase our own employees that have the specific skills. We used to believe in the mission of project managers of keeping promises on costs, quality and delivery dates pursuant to the waterfall methodology. However, we are now expected to implement more advanced project managements partly through using generative AI and developing cloud-native applications. We will work on training employees to command advanced skills.

Q : How much progresses have you made in light of using generative AI for your system development?

A : We have already finished a PoC phase. We will enter an actual use phase. For example, we will automatically generate programs or automatically perform tests through generative AI reading design documents. Right now, we are capable of using generative AI only in a limited area. We will dare to try in areas distant from using generative AI. We will incorporate generative AI in our solutions in the future. We will work on various types of efforts from the viewpoint of business strategies, as well.

Q : How much have you done in using your internal expertise and knowledge for the past decade? What is needed in order to further accelerate your attempts?

A : The divisions of engineers and the divisions of sales representatives were linked to each other for each business department, a decade ago. Engineers and sales reps were integrated and organized vertically. After that, engineers were put together into a single division. Knowledge and expertise have come to be shared across the division.

Employees in the distribution services department and public utilities services department can view assets created at the financial services department. Assets are not closed off. We have seen gross margin of system services exceeding 30% for the past few years. This is part of the tangible results from the efforts that we have made. We have already visualized the use of knowledge and expertise in large-scale projects. However, visualization has not completely taken root as yet in small and medium-sized projects. This constitutes part of our current issues. We will aim to furthermore increase gross margin by increasing the re-use ratio in small and medium-sized projects.

[Questioner E]

Q : You referred to an increase in orders for small and medium-sized projects. Is profitability different by industry?

A : We do not see any significant differences. We keep almost the same profitability.

Q : Do you intend to improve operating margin through improving gross margin?

A : We intend to increase operating margin through improving gross margin and also reducing SG&A costs. We aim to increase gross margin by increasing service-based businesses. Service-based businesses gross margin is spurred dramatically once a break-even point is exceeded. We are aware of a heavy burden of SG&A costs for the previous fiscal year, this fiscal year, and the next fiscal year. It is due to an increase in personnel expenses as a result of a transition to a new personnel system as well as renewing our internal systems. We aim to furthermore increase operating margin beyond that. We will increase sales and improve gross margin as well as reduce costs.

[Questioner F]

Q : You predict a significant increase of JPY 2.8 billion in SG&A costs for the fiscal year ending March 2025 compared with the previous fiscal year. May I have your predictions about the fiscal year ending March 2026?

A : We are prepared to have a heavy burden of SG&A costs. It is partly due to transient costs such as reviewing facilities and transiting to a new personnel system in the fiscal year ending March 2025 and the fiscal year ending March 2026. Having said that, at this point in time, we do not expect an increase of the same amount in the fiscal year ending March 2026 as in the fiscal year ending March 2025. Later, we will make estimates of how much figures will be accumulated for the fiscal year ending March 2026, though.

[Questioner G]

Q : You said that you intend to promote the use of your knowledge and expertise. Do you make efforts such as those for reflecting the use in the personnel evaluation standards and those for setting incentives?

A : We have not established an incentive scheme at this point in time. We think that it is necessary to have employees raise sensitivity to earnings from a medium-to long-term perspective.

CEO takes an initiative in talking frankly to employees at town hall meetings and selling the use of expertise and knowledge. Also, we check how much it is bought among the employees.

Q : Have you been able to make proposals that customers just use solutions as proposed without customization?

A : We have been enticing customers to use our knowledge and expertise proposed in the offers. This is well exemplified in the BankVision business. We think that it is necessary to put together the offers in the form of case studies, and have sales representatives re-use case studies. The focus areas indicated in the management policies are constituted of solutions and services of our strength. The focus areas indicated in the management policies contain solutions and services of our strengths. The areas also benefit from stable quality of engineers, high percentages of re-use, and accidents less likely to happen. Therefore, the areas are directly conducive to earnings. We are looking to develop knowledge and expertise here in the focus areas and provide it to customer in other areas.

(Note)

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