

BIPROGY Inc.

Small Meeting for Institutional Investors (held on December 4, 2024)

Principal Questions and Answers

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

[Questioner A]

Q : Can you tell me about your internal system renovation project?

I would like to know the current situation and how it will impact your future business.

A : We launched a work team in October. The team began to peruse the development situation. It is considering a future recovery plan and arrangements. We froze a project that we had run up to that time for the moment. We will create a project that will be run based upon a new organigram in January. We will have employees of departments (such as sales department, accounting department, and purchase department) performing on-site operations through an actual use of the system join the project and begin activities together with employees of IT system department. Although I would prefer to shy away from giving you an exact period of a production operation at this point in time, we have begun perusals based upon the assumption that we postpone the originally planned launch of April 2025 for one or two years. We would like to clarify future prospects partly in light of costs before the end of this fiscal year. The intention of the internal system renovation is not a migration to SAP. Rather, we aimed partly at a reduction in business operation costs through Business Process Reengineering, BPR. We now know that the renovation project is not conducive in that regard despite our expectations. Therefore, we are forced to make this painful decision of rescheduling a production operation. We have already had some software capitalized. The premise is that we will put the software into use, and so we will have impairment risks reduced. Also, we expect to have costs slightly reduced below the amount that we had been prepared for in the beginning of this fiscal year. This is attributable to freezing the project for the moment in this fiscal year. We now expect to incur costs in and after the next fiscal year not as much as we did in this fiscal year. We will peruse costs up to the end of this fiscal year, and publicly announce specific numbers. We will keep the numerical targets of the final fiscal year of the Management Policies intact. We mean that we aim to achieve the targets through increasing revenue and profit enough for making up for the costs.

[Questioner B]

Q : You said that you would keep the costs for your internal system renovation for the fiscal year ending March 2026 not more than the amount of costs in the fiscal year ending March 2025. Are you based on the assumption that a production operation planned for April 2025 will be postponed for one year?

A : We are based upon our premise that we will postpone a production operation s for one year. We have worked on the project for the three years so far. When employees of departments performing on-site operation participated in a test phase at the end of the first half, we

convinced ourselves of the fact that a reduction of operations costs is now out of the picture of our initial visions. We have already finished interfaces to enable coordination between SAP and other subsystems on the periphery of SAP. We are much close to the end of the final phase of the project. The problem is with migration to SAP. It has become apparent that we will face backlash from the SAP Fit to Standard approach of forcibly adjusting to SAP. We will end up running business operations less efficiently. In this connection, we are in the situation that we are considering countermeasures partly in light of creating several subsystems, rather than putting every part of the system in the SAP scheme.

Q : You referred to a low utilization rate of system services engineers (83%) of the first half of the fiscal year. May I ask what it will be in the second half and thereafter?

A : The actual utilization rate of engineers in the first half reflects a mix of projects being at their respective processes. There was a large-scale project that was in the development process in the same period of the previous fiscal year. It is settled down in this fiscal year. On the other hand, we have small and medium-scale projects in a pipeline at this point in time. Thus, we expect that the utilization rate of engineers will not sag any further in the second half.

[Questioner C]

Q : Your company took care of capital markets and made movements after your announcement of Management Policies in April this year. May I ask how your management team evaluates?

A : We held a briefing session about our performance results of the fourth quarter in April. We were short of explanations that we provided to capital markets about what should be the core of the Management Policies, partly due to time constraints. Thus, we held a briefing session about the Management Policies separately. Also, we have been spending time more than ever before on promoting internal understandings partly through nationwide discussions with the intention of having all employees of the BIPROGY Group facing the same direction. We have launched a campaign throughout the entire group in order to instill what is aimed at and what values are provided to customers as indicated in the Management Policies. That is an opportunity for us promoting strategies to have customers join and give us their feedback. We think that we have performed carefully one thing at a time. We think that we could provide easy-to-understand talks when we face capital markets if we can cite specific customer names. However, we emphasize delicateness involved in disclosing customer names before our receiving orders, and thus we are consciously reconciled to insufficiently talk to capital markets. In addition, we happen to have System Services appear monetarily low key in this fiscal year. Coincidentally, projects are in the processes of requirement definitions and tests before production operation. Having said that, we have seen a big fat pipeline. It is imperative that we indicate our strength by definitely transforming what is inside of the pipeline into orders.

[Questioner D]

Q : May I have your thoughts on employee demography and personnel costs in the future?

A : We have many employees reach the retirement age in the two to three years. We have established an employment system that enables a certain category of engineers or sales representatives (the 'Expert employees') to continuously work up to age 70. We are aware of the fact that more employees will enter an extended employment period after the mandatory retirement year by year in the future. Thus, we do not expect to face a plunge in the number of employees. Also, we have worked on ensuring employees and strengthening work forces through deploying strategies in collaboration with partner companies. Our intention is to raise the outsourcing ratio from 1(developments by our internal system engineers) :3 (developments by our external partners) to 1:5. We have made a steady progress as we intended. We hope that we can increase SI businesses through collaboration with partner companies. We have seen the basic wage raised here at us and also at our partner companies. We raised the starting salary and increased pay for young employees in the previous fiscal year. We will surely return profits to employees with an eye on securing new graduates and mid-career workers.

[Questioner E]

Q : Your Outsourcing revenue increased by 15% in the first half compared with the same period of the previous fiscal year. Can you give some perspectives in light of a progress in the first fiscal year of the Management Policies?

A : We have seen more systems begin a production operation in this fiscal year after our having finished development. More systems are switched to an operation phase. In other words, more projects have become conducive to the Outsourcing revenue. Furthermore, we have seen a network products sales business becoming an opportunity for performing a network operations business. We aim at increasing revenue through an accumulation of various types of services regardless of size. What we find as an extremely positive sign in the focus areas is an increase in Services businesses as well as in SI businesses that can provide an opportunity of Outsourcing businesses. Having said that, we are aware of the intense competition in the area. We think that it is imperative to continuously invest in creating and providing attractive services in a short period of time. We hope to have support from customers and increase the use of services with an eye on improving a revenue structure.

Q : If your customers shift to Outsourcing Services, will System Services, an entrusted business, show signs of decreasing? will System Services, an entrusted business, show signs of decreasing?

A : We used to be entrusted to develop systems that fit customers as they wanted. As customers come to use our service-type services more, we will see less of System Services business and more of Outsourcing Services business. Having said that, when a new customer uses Outsourcing Services, we will definitely find opportunities of System Services business and implementation services business. We will work on a stable increase in System Services

business, as well.

Q : I see a small increase in the System Services business at this point in time. May I have your perspective about a future increase?

A : We have many large system development projects in this fiscal year. They are at the initial process or final process in light of process. It means that the projects are small. We have some of the large system development projects enter a process where we will see an increase in system development volume in the next fiscal year or the fiscal year after the next. Thus, we expect to see an increase in System Services business. Also, we expect to increase Outsourcing business if we obtain many orders for the type of projects as I mention.

[Questioner F]

Q : From the viewpoint of the management, have you seen or been aware of anything out there giving the impression that capital markets are concerned too much about or expect too much of your company?

A : There are many concerns voiced about our performance being impacted by an increase in personnel costs. We will accumulate profits through increasing Service Business. We will work on attempts to obtain understanding of customers about our passing on SI business prices boosted through cost inflation to customers. The management team will join in the efforts. We expect to see personnel costs continuously increase in the future. We will strengthen our profitability enough to absorb an increase in personnel costs.

Q : May I have your perspective about SCSK Corporation acquiring Net One Systems Co., Ltd.?

A : Customers want partners capable of delivering one-stop services that are fit for what they request. We have seen many companies in our industry running SI business separately from network business. They have come to show signs of merging the two into one. We have already had UNIADDEX, Ltd. in our Group. The company has strength in network businesses. We feel reassured that our business management turned out to be as it should be. At the same time, we are reminded again of our having to make efforts such as M&A pursuant to our strategies if we find some functions that we need.

[Questioner G]

Q : I would like to know the situation of your reflecting an increase in personnel costs onto prices and passing on to customers. Have you seen different responses from customers in different business sectors?

A : I think that we have seen little different responses from customers even if they are in different business sectors. We have had negotiations with customers for the past few years. On the other hand, we have long-term service deliveries such as those via Outsourcing Business. It is difficult to foresee how prices will fluctuate when we make service delivery agreements. We have provisions that entitle us to make price negotiations included in terms and conditions. We have utility costs fluctuate as well as personnel costs in running Outsourcing Business.

Thus, we keep our prices from being fixed in the moving markets. When we receive new orders we make agreements only after ensuring to include such provisions. There were agreements of long-term service delivery that we happened to execute without including those provisions in the past. We provide thorough and detailed explanations for each customer in this regard. Many of our customers kindly understand price increases from the viewpoint of movements in the entire world.

Q : Do you work on any measures for reducing costs and improving efficiency about operation and maintenance services for Outsourcing?

A : We have remote surveillance performed for BankVision and OptBAE services for regional financial institutions on a round-the-clock basis. We also work on reducing costs by sharing personnel. As a result, we have witnessed a progress of optimization every year. Furthermore, UNIADDEX prepares draft replies to customers through a combined use of knowledge accumulated so far and AI and have the drafts checked by internal experts. As a result, they can now reply in a few hours, not approx. one day that they needed in the past. In addition to internal cost reductions, we believe that this can be a use case from the viewpoint of sales strategies.

[Questioner H]

Q : How are you going to prepare your performance plan of the next fiscal year? In the event of any unplanned cost being incurred, we ask you to give us an early warning whenever you foresee any signs.

A : We use the rolling planning method by fiscal year for a three-year plan as indicated in the Management Policies. We plan by taking into consideration an expected increase in revenue based upon the current sales activities, investment plans, and an increase in personnel costs among others. We intended to keep capital markets from any surprise, and thus briefed you on the situation of an internal system renovation on the occasion of reporting on performance results of the second quarter. We will make efforts to obtain understanding from investors through repeated discussions based upon our reporting on situations including good things and bad things.

[Questioner I]

Q : Do you have any updates about your capital policies?

A : We announced our capital policies of the Management Policies partly in light of our investment strategies and shareholder return. We will surely abide by the policies. We acquired our own shares in July and cancelled our treasury shares that we had kept at us.

Our first priority will be to make investments with an eye on our future growth, and strengthen our earning capability in concurrence with having our employees also share earnings. We will strike a balance between investment and shareholder return. In an event where our investments do not go well as expected, we will think about furthermore measures conducive to returning to shareholders.

(Note)

Forecasts in this document rely on judgments and assumptions based on information available at present. Actual results may differ from the forecasts due to changes in risks, uncertainties, economy and other factors. Thus, the certainty of these forecast is not guaranteed by our Group. Also, the information is subject to change without prior notice in future. Information in this document is intended to provide further understanding of the Company Group and is not intended to solicit investment. This Company shall not be held responsible for any damages whatsoever incurred as a result of utilizing the information provided in this document.