

## **BIPROGY Inc.**

### **Small Meeting for Institutional Investors (held on June 9, 2025)**

#### **Principal Questions and Answers**

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

[Questioner A]

Q: I would like to know the status of the internal core system renewal project.

A: There were two options available in 2024 at the time of the decision to postpone the start of full-scale operation. As a system development professional, we could have forced ourselves to start operation as scheduled. However, we decided to postpone the launch because we were concerned that forcing the start of operation without reforming internal processes would prevent us from realizing the intended benefits of BPR. At that point, the impact of the postponement was unclear, so we decided to create a project to thoroughly examine the situation and then prepare a corresponding report. Although we did not expect any significant impact on costs, we failed to provide sufficient explanation, which led to a lack of transparency. Based on the examination, conducted from January to March 2025, we confirmed that most of the systems could be used as planned, and recorded impairment losses of several hundred million yen for some systems that would not be used. The project got off to a good start from April, and we expect to be able to start operation as planned.

Q: Have any new events that could surprise the stock market occurred in the first quarter of FY2025?

A: No, there have been no such events to this point. The entire management team reviewed the situation on a monthly basis and found no particular concerns.

Q: I would like to know about the progress of measures to strengthen cost control. Also, I would like to know the impact on business performance in the first quarter of FY2025 or full year of FY2025.

A: One of the risks for IT service companies is the occurrence of loss-making projects. We review project status on a weekly basis and have no concerns at this point. We will, of course, strive to prevent projects from falling into deficit. However, since situations may change depending on various circumstances in system development, when we expect this to happen, we will consider countermeasures to address the issues, the impact on costs, and recovery measures to achieve performance targets, and disclose them.

[Questioner B]

Q: Is the upward revision of performance targets in the Management Policies mainly due to external factors or due to an internal factor, namely business strategies progressing faster than expected?

A: Both. We have been clarifying and advancing each strategy over the period of a year, resulting in some areas progressing faster than planned. Conversely, personnel expenses have increased from the initial estimate. We believe it is important to provide appropriate compensation to our employees in line with societal conditions. We have decided to maintain the adjusted operating margin target at 11.0% based on the progress of each strategy, although it will be a challenging target given the impact of cost increases.

Q: I would like the President to talk about the strengths that they personally recognize in themselves, rather than the strengths of the Company.

A: I believe that the network I have built up over the years is one of my strengths. I have had opportunities to meet with many top executives of various companies, including those that are members of Keidanren (the Japan Business Federation). Through conversations with various customers, I have gained an accurate understanding of market trends, etc., through my own intuition, and share what I learn with the heads of each department for discussion. I believe this is a strength in a rapidly changing environment.

[Questioner C]

Q: I would like to know the reason why the revenue target in the Management Policies has been revised upward by 20 billion yen, while the net sales target for the focus areas in the core businesses remains almost unchanged.

A: In the Management Policies, we divide our business into the core businesses and growth businesses. The core business includes five focus areas and projects for important customers. Over the past year, we have focused on DX projects for customers, and as a result, areas not included in the focus areas have grown, so we have revised the revenue target upward. We believe that the most important thing now is to steadily increase DX projects in the core businesses while creating services in growth businesses to sow the seeds for future growth.

Q: I would like to know if there will be any impact, such as a review of IT investments by customers, due to Trump's tariffs.

A: Through conversations with the top executives of our customers, I understand many customers in the manufacturing industry are concerned about the impact on their business, and struggle to predict the future. Our company is responsible for very core areas, such as design and mold manufacturing, and designing houses for the housing industry. These areas cannot be deprioritized because doing so would, in itself, have a significant impact on our

customers' businesses. Therefore, we believe that the impact is currently limited, but that we nevertheless need to take precautions.

Q: I would like to know about UNIADEX's current sales policies.

A: Both stability and profitability in business performance will be improved by increasing operational and support services, and selling network equipment will increase these services. I believe that UNIADEX's strength is that its sales staff provide solid proposals for customers' DX. Until now, the main focus has been on equipment sales, but there has now been a transformation that allows new services to be planned and created within UNIADEX. In terms of profitability, UNIADEX has found that increasing support services, etc. can improve it, and employees feel rewarded by their achievements in expanding support services, which has changed the atmosphere at the company. We are also engaged in various initiatives to enhance the synergies between UNIADEX and BIPROGY.

Q: In UNIADEX's ITO service, does hardware basically become the customer's asset? Are there only a few contracts under which BIPROGY holds the hardware as an asset and receives usage fees?

A: We deliver hardware to customers as their assets and provide operational, network, and security services. We also provide operational services that cover customers' assets sold by other companies, and such cases are increasing.

Q: Are there any issues regarding personnel capacity or outsourcing arrangements at UNIADEX?

A: The situation is currently quite tight. It is not enough to simply secure the necessary number of personnel, so we are taking various measures, such as dispatching engineer managers from BIPROGY to improve the skills of our partner companies.

Q: Regarding BIPROGY on a non-consolidated basis, the securities report shows that ordinary income has remained at around 26 billion yen in the three years to the end of FY2024. On the other hand, UNIADEX has increased its ordinary income from 8.2 billion yen to 13.9 billion yen during the same period. Please explain the reasons behind the flat growth of BIPROGY on a non-consolidated basis and when you expect it to start growing.

A: BIPROGY is impacted by factors such as the allocation method for costs related to group-wide common expenses, including SG&A expenses. BIPROGY's revenue and gross profit on a non-consolidated basis are not stagnant, rather BIPROGY absorbs the increase in SG&A expenses incurred by the entire group, so that BIPROGY's gross profit is higher than that of UNIADEX. UNIADEX appears to have a higher profitability because it bears fewer group-wide common expenses. We would like you to look at the performance of the BIPROGY Group as a whole.

[Questioner D]

Q: Regarding profitability improvements in FY2025, please provide qualitative factors other than the impact of increased revenue, such as unit price increases, added value improvements, and productivity improvements.

A: I think the main factor is a change in cost-consciousness for each individual project. We, as management, have cultivated cost-consciousness, which is leading to corresponding results. Another factor is the increasing number of service-based businesses with high profitability, and businesses such as support services, where costs are relatively fixed and gross profit increases as revenue increases. It will take time to expand these businesses, but we are striving to do this over the three years as covered by the Management Policies. Setting outsourcing revenue as a KPI in the previous Management Policies was based on the same intention. Increasing the number of businesses whose profitability can rise rapidly through expansion is a key challenge. Although these initiatives will take time, a very ambitious target was set in the previous Management Policies aiming for quick achievement. The current Management Policies focus is on balancing the core businesses and growth businesses, so that we continue to work hard on the core businesses while also creating new sources of revenue. As service-based businesses increase, I believe that the BIPROGY Group will become an increasingly interesting company.

Q: Is the company providing any support such that improving the profitability of each project does not rely on the skills of individual salespeople? For example, creating a database of estimates and projects to help promote popular products?

A: We believe that differentiating our solutions and services from those of others is important. For example, rather than just proposing a server, if customers favor our proposal that they will be able to use new solutions in the future if they purchase from us, then we can expect high profitability. We are focusing on our own services such as “BankVision” and “CoreCenter”, which we believe is important.

It is also important to hold internal contests and establish evaluation systems to enhance motivation. In addition, it is important that staff in various departments, such as product planning and public relations, provide sales staff with valuable products and information so that the sales staff can deliver these to customers. To that end, we are improving our internal web sites and enabling AI chatbots to readily answer inquiries from sales and engineering staff. Sales power represents the overall strength of a company, so we are prioritizing these initiatives.

Q: I would like to know if you have introduced a recommendation system for sales that utilizes AI, and if it has produced any results.

A: Yes, we have. We believe that it will lead to improved productivity. At present, we are

implementing company-wide training, including lessons on best practices.

[Questioner E]

Q: I would like to know about the current hiring environment, personnel structure, and your thoughts on mid-career recruitment.

A: In terms of the hiring environment, we are not having any difficulty recruiting new graduates. We receive a large number of applications. We, including management, are actively working to build relationships with universities and other institutions. On the other hand, we are facing challenges in mid-career recruitment. In particular, we are struggling to recruit people in their late 20s to 30s, as other companies are also strengthening their recruitment activities aimed at people in this age group. There are cases where employees leave because of a mismatch in requirements after joining the company, so we are strengthening our employees' ability to evaluate suitability. We believe that it is important to both train new graduates so that they can quickly make a contribution, and to hire mid-career employees who can contribute immediately.

Q: I heard that you hired approximately 250 new graduates for FY2024 and for FY2025. Will you hire around 250 new graduates for FY2026 as well?

A: Yes, we plan to hire approximately the same number of new graduates.

[Questioner F]

Q: Are there any changes in pipelines regarding M&A? I would like to know about the situation both in Japan and overseas, including prices.

A: In Japan, we are always considering M&A opportunities with companies that can increase value by providing services in conjunction with us in the focus areas of the core businesses, and in the areas of data and AI utilization and managed services that we are planning to pursue in growth businesses. These are areas that are regarded as strengthening necessary functions, and, within such areas, joining our group may not result in any sudden, dramatic increase in revenue or profits, so that the effects will not appear immediately. Most M&A in these areas are therefore small in scale. However, we are seriously considering any relevant opportunities because they could lead to businesses that complement our strategies in the focus areas and growth businesses. Although there are pipelines, since the strategy was established in FY2024, only one year has passed, so we have progressed to business alliances but not yet engaged in M&A. I have experience as a President of Corporate Venture Capital (CVC), and M&A of exiting start-ups could be an option, but I have not come across any such cases. I believe that the fact that start-ups do not grow to a particularly large size is one of the challenges faced in Japan.

Regarding overseas markets, we are focusing on ASEAN and have made two companies

consolidated subsidiaries in FY2024. We have a number of pipelines in ASEAN countries, but will proceed cautiously without taking unnecessary risks, as we have seen many cases of other companies in the same industry struggling with global large-scale M&A deals.

Q: I would like to know what changes you think have happened since you became President.

A: During the time of the former President, I worked with him as CMO for eight years. Before that, as a Corporate Officer, or in the distribution division, I worked with him for many years on planning and technology development. The former President's strength lies in his being a visionary, and able to come up with new ideas one after another. I focus on advancing matters steadily from my own perspective and providing clear explanations. I have always focused on communicating the former president's vision to employees and markets in an easily understandable manner. I believe this is one of my strengths. I also believe that I am good at understanding markets, customers, and partners, accelerating collaboration, and turning these into significant profits. I want to be a leader recognized as someone who has improved performance, introduced many good services, and increased the number of customers since taking on the role of President.

(Note)

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