



Results for the 2nd Quarter of FY March 2023

November 1, 2022
BIPROGY Inc.



We caused significant anxieties and concerns due to a loss of USB flash drives that contained personal details of Amagasaki residents in June 2022.

Once again, we hereby extend our heartfelt apologies to Amagasaki residents and Amagasaki municipal authorities and other stakeholders as we did in the wake of the incident.

Our company group has positioned ensuring information security and protecting personal information as the material issues. We have maintained and operated our arrangements for information management, and we have conducted training and provided guidance to all executives and employees of our subcontractors as well as our group companies.

We of the entire company take this incident seriously. We will ensure that our information management arrangements will be revised and operated without fail, our management of subcontractors will be improved. Furthermore, we will ensure again that our subcontractors as well as all executives and employees will receive our training and guidance in order to prevent recurrence. We will make all-out efforts to regain trust from our stakeholders.

We established a Third-Party Investigation Committee in July 2022. Our Group has been thoroughly cooperating with the committee for the investigations and verifications.

We will take actions immediately after receiving reports from the committee in the future.

1

Summary of the Results for H1 FYMar2023

2

Initiatives for Medium and Long-term Growth

FYMar2023 H1 Consolidated Performance Results

- ✓ An increase in the system services revenue covered an increase in SG&A costs. As a result, operating profit was driven.
- ✓ Order intake increased based on the accumulated projects of system services and outsourcing.

(Unit: Billion Yen)

	FYMar2022 H1 (Apr-Sep)	FYMar2023 H1 (Apr-Sep)	Changes		
Revenue	145.9	154.8	+8.9	(+6.1%)	(Revenue)
Gross Profit	39.0	41.4	+2.4	(+6.2%)	Projects related to digital transformation (DX) mainly contributed to a steady growth of system services. As a result, revenue showed a continuous strength and increased.
SG&A Expenses	-26.2	-27.8	-1.7	(+6.4%)	
Other income and expenses	0.1	0.0	-0.1		
Operating Profit	13.0	13.6	+0.7	(+5.3%)	(Operating Profit)
(Operating Margin)	(8.9%)	(8.8%)	(-0.1pt)		The increased revenue and improved profitability drove gross profit. This enabled operating profit to increase despite an increase in SG&A expenses.
Profit attributable to Owners of Parent	9.4	10.1	+0.7	(+7.9%)	
Adjusted Operating Profit*	12.8	13.6	+0.8	(+5.9%)	(Profit attributable to Owners of Parent)
(Adjusted Operating Margin)	(8.8%)	(8.8%)	(-0.0pt)		Profit grew attributable to the increase in operating profit and an increase in finance income.
Orders	145.9	153.5	+7.6	(+5.2%)	(Orders and Order Backlogs)
Order Backlogs	242.3	250.4	+8.1	(+3.3%)	Orders increased on a year-over-year basis due to an increase in system services and outsourcing. Order backlogs scheduled to be posted as revenue within the fiscal year under review were accumulated steadily.
(Order backlogs in the current FY)	88.1	95.9	+7.7	(+8.8%)	

* Adjusted operating profit is the result obtained after deducting SG&A expenses and cost of sales from revenue.

First of all, let me summarize our performance for the first half of the fiscal year ending March 2023.

Revenue for the first half of the fiscal year was ¥154.8 billion, an increase of ¥8.9 billion from the same period of the previous fiscal year. The increase was enabled by a continued strength of system services reflected mainly in the digital transformation (DX) -related projects.

Gross profit increased, ascribable to improved profitability as well as the revenue growth. As a result, impacts of an increase in SG&A expenses due to renewing our internal core systems were absorbed. Operating profit was recorded at ¥13.6 billion, an increase of ¥0.7 billion on a year-over-year basis.

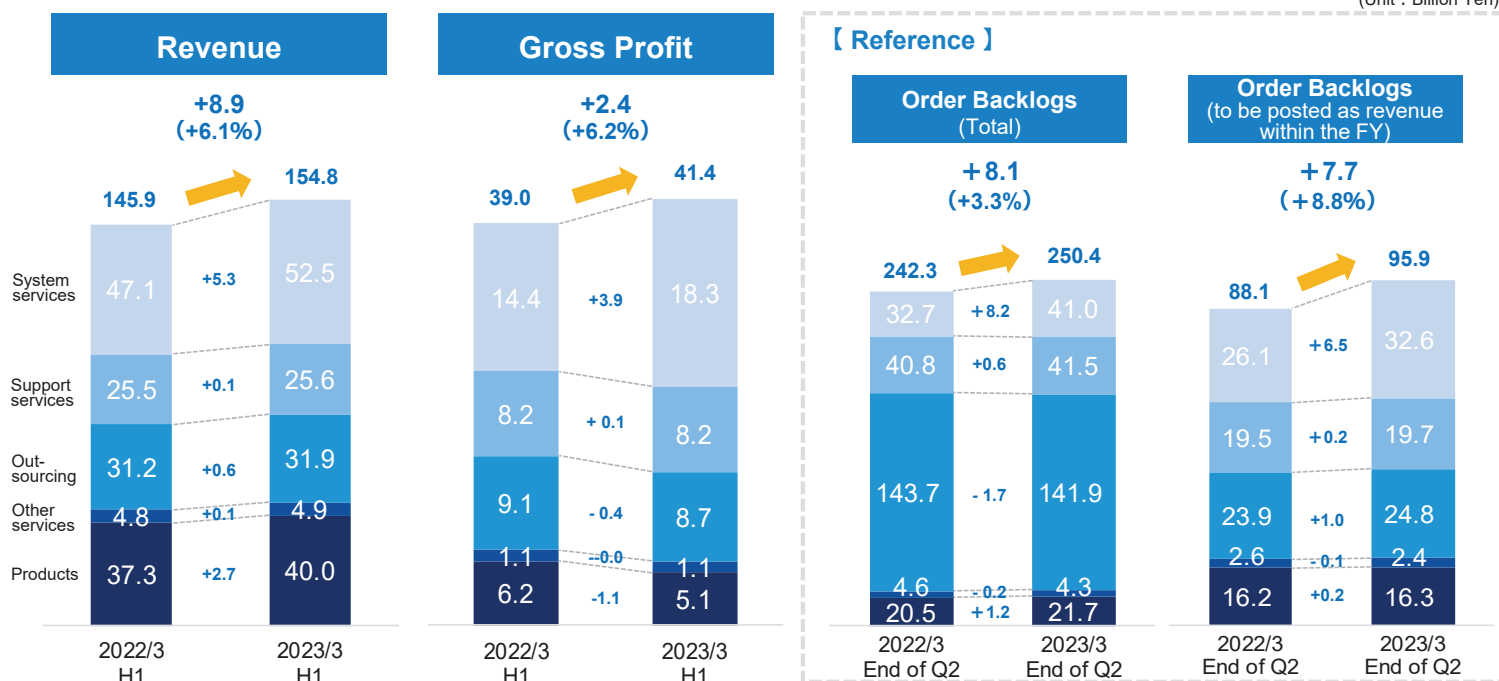
Profit attributable to owners of parent was ¥10.1 billion, an increase of ¥0.7 billion attributable to an increase in financial income as well as the increase in operating profit. Adjusted operating profit was ¥13.6 billion, an increase of ¥0.8 billion. Adjusted operating margin was 8.8%.

There was a continuous increase in system services and outsourcing projects steadily accumulated. As a result, orders increased on a year-over-year basis.

Backlogs of orders increased including those scheduled to be posted as revenue of the fiscal year under review.

FYMar2023 H1 Revenue and Gross Profit by Segment

(Unit : Billion Yen)



Next, let me summarize the situations by segment.

First of all, system services revenue and gross profit increased. This is attributable to the continued strength of DX projects for customers of a wide range of industries such as financial institutions, retailers, and service businesses.

The outsourcing revenue increased due to an increase in the use of platform services and the provision of implementation services for financial institutions and e-commerce (EC) business operators.

Order backlogs increased in comparison with those at the end of the same period of the previous fiscal year. The increase is based on system services being steadily accumulated.

Order backlogs mainly of system services and outsourcing scheduled to be posted as revenue of the fiscal year under review steadily increased.

FYMar2023 H1 Outsourcing

【Revenue by Outsourcing】

(Unit: Billion Yen)

	FYMar2022 H1 (Apr-Jun)	FYMar2023 H1 (Apr-Jun)	Changes
Entrusted operation-type	25.2	24.5	-0.7
Corporate DX-type	3.1	3.9	+0.8
Service-based-type (business creation-type)	2.9	3.4	+0.4
Total revenue	31.2	31.9	+0.6

【Order Backlogs by Outsourcing】

(Unit: Billion Yen)

	FYMar2022 End of H1	FYMar2023 End of H1	Changes
Order backlogs	143.7	141.9	-1.7
(to be posted as revenue within the FY)	23.9	24.8	+1.0

(Corporate DX-type outsourcing)

- ✓ “OptBAE”, a use-type core-banking service for regional financial institutions, has been working for multiple customers since January 2022. The OptBAE revenue increased. (OptBAE began to serve new customers of Shinkin Bank in October. A service of implementing OptBAE at customers has been in progress as planned in order to begin to serve the customer in the fourth quarter.)
- ✓ There is a steady increase in the use of BankVision on Azure, a public cloud-based full-banking system. (BankVision on Azure began to serve its second customer in October 2022.)

(Service-based-type (business creation-type) outsourcing)

- ✓ There is a steady increase in the “DIGITAL’ATELIER” (platform service for e-commerce) business. Sales activities are strengthened in order to win new customers

Next, I will explain the status of the outsourcing business.

Revenue of Corporate DX-type Outsourcing and Service-based-type (business creation-type) Outsourcing steadily increased as it did in the past.

In the area of Corporate DX-type Outsourcing business, we enabled an incessant increase in the mission-critical platform services that support DX efforts at regional financial institutions. This is exemplified by OptBAE, use-type core-banking service, beginning to serve new customers in October 2022. Implementation services for OptBAE scheduled to serve customers in the fourth quarter have been on the track as planned. Also, we saw a steady increase in the financial institutions that use “BankVision on Azure”, a full-banking system operated on a public cloud. The service began to serve its second customer in October.

Implementation services of “DIGITAL’ATELIER” (EC platform service) have been making progress steadily at customers that plan to use the service in the fiscal year under review and the following fiscal year. We receive many inquiries from large EC business operators about DIGITAL’ATELIER that can provide all EC mission-critical system services in a single unit. We will intensify our sales activities in order to have new users.

Full-Year Performance Forecast for FYMar2023

✓ We made a progress as planned with the full-year forecast kept in mind.
Thus, we do not revise our predictions that we announced in the beginning of the fiscal year.

(Unit: Billion Yen)

	FYMar2023 H1			FYMar2023 H2			FYMar2023 Full-Year		
	Actual	Changes		Forecast	Changes		Forecast	Changes	
Revenue	154.8	+8.9	(+6.1%)	175.2	+3.5	(+2.1%)	330.0	+12.4	(+3.9%)
Operating Profit	13.6	+0.7	(+5.3%)	15.4	+0.9	(+6.1%)	29.0	+1.6	(+5.7%)
(Operating Margin)	(8.8%)	(-0.1pt)		(8.8%)	(+0.3pt)		(8.8%)	(+0.2pt)	
Profit attributable to Owners of Parent	10.1	+0.7	(+7.9%)	9.9	-1.2	(-11.1%)	20.0	-0.5	(-2.4%)
Adjusted Operating Profit*	13.6	+0.8	(+5.9%)	15.4	+1.6	(+11.4%)	29.0	+2.3	(+8.7%)
(Adjusted Operating Margin)	(8.8%)	(-0.0pt)		(8.8%)	(+0.7pt)		(8.8%)	(+0.4pt)	

*Adjusted operating profit is the result obtained after deducting SG&A expenses and cost of sales from revenue.

I would like to brief you on our full-year earnings forecast for the FY March 2023.

No revisions are made about the full-year earnings forecast that we announced at the beginning of the fiscal year.

We expect to continuously see customers keep a strong intention of making DX investments in the second half of the fiscal year. Also, order backlogs scheduled to be posted as revenue in the fiscal year have been accumulated. Thus, we maintain our forecasts for revenue of ¥330 billion, operating profit of ¥29.0 billion, and profit attributable to owners of parent of ¥20.0 billion.

Adjusted operating profit is expected to be ¥29.0 billion.

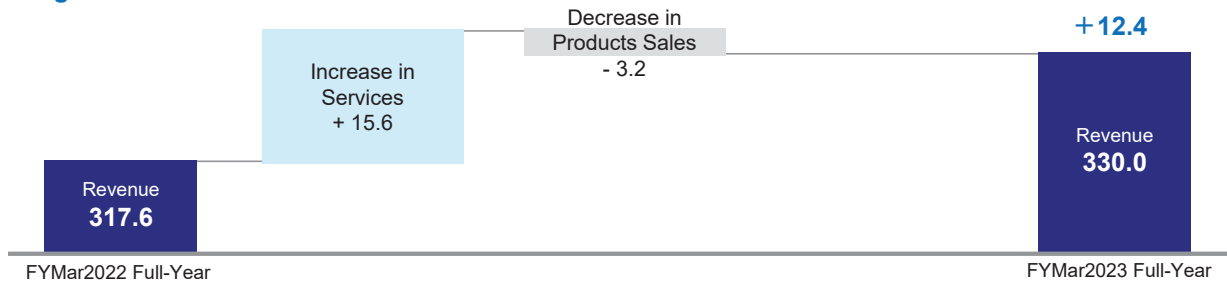
This is the summary of the financial results.

(Reference) Full-Year Performance Forecast for FYMar2023

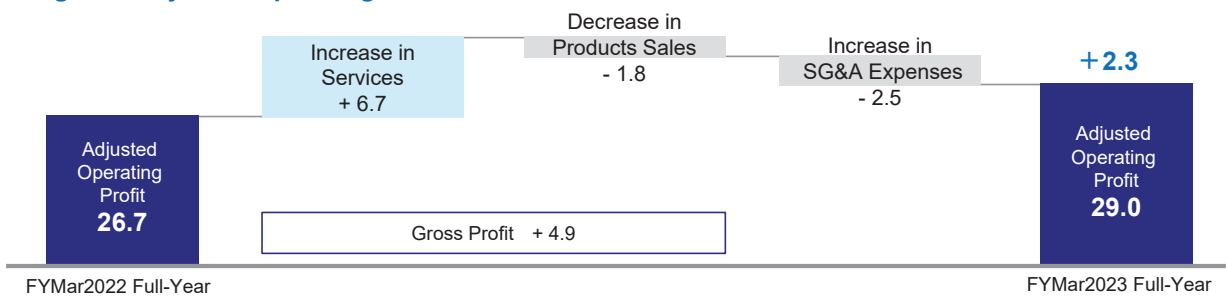
Breakdown Details

(Unit: Billion of Yen)

【Changes in Revenue】



【Changes in Adjusted Operating Profit】



1 Summary of the Results for H1 FYMar2023

2 **Initiatives for Medium and Long-term Growth**

Let me summarize our initiatives for the medium and long-term growth.

Towards Achieving the Full-Year Targets

【 System Services 】

Continuously strong system services to remain in the future

- ✓ Win orders about large-scale projects from passenger and transportation companies with the corona-19 pandemic fading away as well as from retailers
- ✓ Customer DX projects for public services such as power and gas have accumulated
- ✓ Increase in the services to support back-office administrative duties at sales offices, as well as projects to implement BankVision and OptBAE, the financial services

【 Outsourcing 】

Due to our being preoccupied with strong demands for system services, it takes us time before acquiring and promoting pipelines for outsourcing businesses.

- ✓ Enquiries mainly from financial institutions and retailers about the corporate DX-type outsourcing business to continue in the second half.
- ✓ Create synergies speedily in the BIPROGY Group by shifting focus from system services to the entrusted operation type business capable of enhancing added value and the corporate DX type business, and putting the businesses together with managed services such as those about cloud security.
- ✓ Develop functions that fit changes in the market environments and integrate into the service-based type (business creation type) business, and provide to more new customers.

We have seen customers beginning to resume their IT investments that were compromised during the covid-19 pandemic peak period. We had an increase in the orders that we received from air carriers and transportation companies. Furthermore, we enabled an increase in the DX projects that we conduct for power and gas companies in the public service sector. Thus, we expect a continued strength of system services for the rest of the fiscal year.

Due to our being preoccupied with strong demands for system services, it takes us time before acquiring and promoting pipelines for outsourcing businesses. We have received many inquiries about mission-critical outsourcing solutions from financial institutions and logistics companies. We will continue to newly implement the solutions.

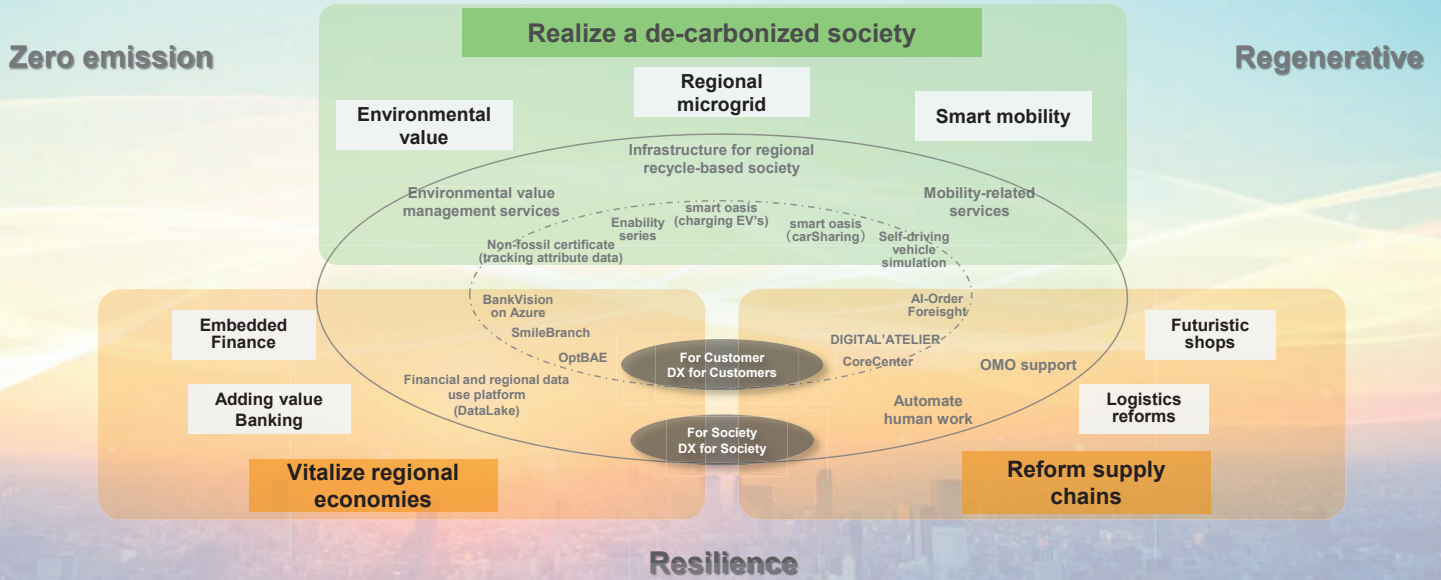
Also, we aim to enable the entrusted operation-type business and the corporate DX-type business on the basis of the strength of system services. This is exemplified by shifting our outsourcing business focus to the IT outsourcing business with high added value enabled by a combination of maintenance/support services and infrastructure platforms.

Furthermore, we can avail ourselves of the Group's synergistic effects of a combination of managed services such as cloud security services and technical support services about cloud service operations. This will enable us to enhance outsourcing business by providing collectively peripheral services that accompany cloud services.

We will focus on increasing new customers of service-based-type (business creation-type) outsourcing by continually investing in and promoting functionality implementations that meet changes in the market environment.

Towards our Future Growth

Focus on and invest business resources in realizing a de-carbonized society as well as vitalizing regional economies and reforming supply chains



Next, I will brief you on the priority areas towards our future growth.

We will focus on our initiatives to maximize three social impacts: resilience, regenerative and zero emissions indicated as our business implementation guide in Vision 2030. We aim to improve our corporate value over the medium to long term.

The initiatives are partly reflected in our joint efforts with regional financial institutions about promoting business model transformation to enable data-driven business models capable of providing high added value conducive to revitalizing regional economies. We have seen a steady increase in the number of financial institutions to use BankVision and OptBAE. We will continuously promote the efforts to create mechanisms towards solving issues of regional business operators and consumers.

Also, we have offered logistics companies and retailers our support in reforming workstyles and achieving zero-emission targets through our services to enable supply chain reforms in light of streamlining duties at shops suffering staff insufficiency and reducing loss and waste. We have received many inquiries about solutions, "AI-Orders Foresight" and "DEGITAL'ATELIER", and we will accelerate implementation efforts in order to have the solutions serve many customers in the future.

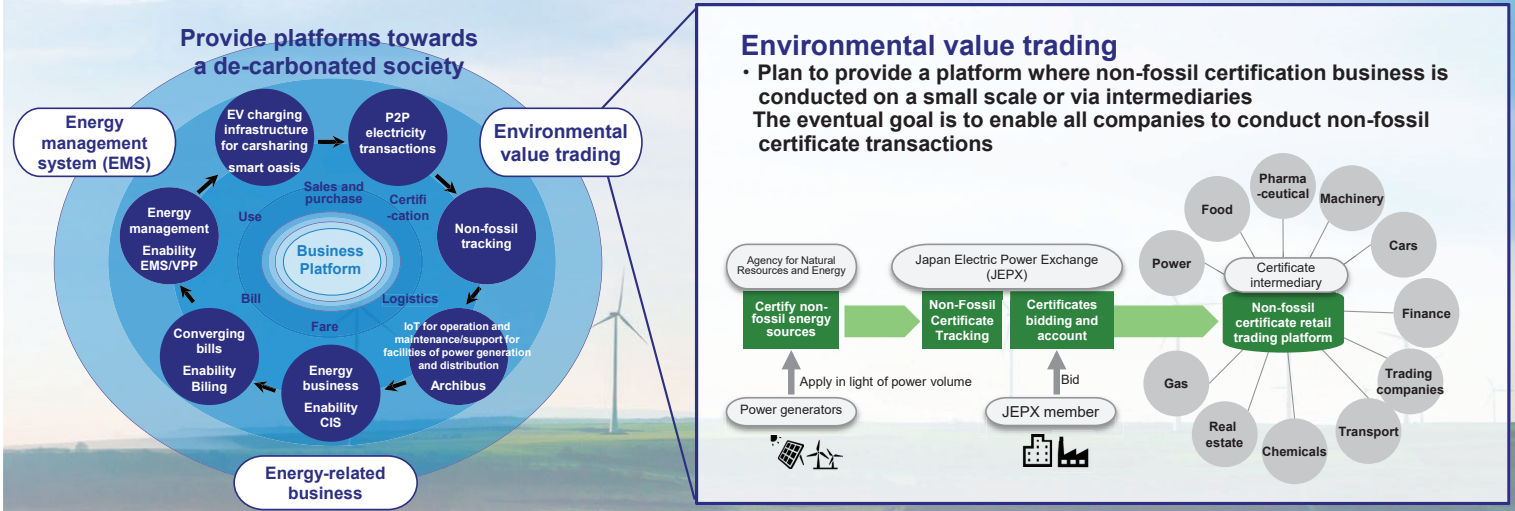
Furthermore, we will strengthen our focus on the area of "energy x mobility" in addition to our efforts for financial institutions and logistics companies with an eye on realizing a decarbonized society. We will use expertise and knowledge that we have acquired through providing "Enableity" (power retailing cloud solution) and "smart oasis" (EV & PHV charging station service) in order to promote environmental value transactions and enable regional microgrids businesses.

We will make these investments proactively of business resources of the BIPROGY group with the aim of solving business issues and social issues which our customers are faced with.

Initiatives towards carbon neutrality and a de-carbonated society

Provide clean energy and environmental value to all people and companies.

- Enhance environmental value trading by promoting non-fossil certificate business on a small scale or via intermediaries.
- Develop services with an eye on enabling regional microgrids that would enhance regional resilience as well as locally generating and locally consuming renewable energies.



Next, I will explain in detail our efforts with the aim of enabling carbon neutrality and a decarbonized society.

We have conducted a business about non-fossil certification as well as non-fossil energy certificate with attribute tracking information since FY2018. A non-fossil value trading market where power consumers can purchase was launched in November 2021 by JEPX (Japan Electric Power Exchange). The BIPROGY Group has provided a mechanism to manage bidding information and accounts since August 2022. We aim to continuously offer clean energy and environmental benefits to all people and companies in the environment where companies listed on the Prime Market are expected to disclose information about climate change countermeasures. We will promote efforts for carbon neutrality by offering business operators of all sectors our support in vitalizing and efficiently managing non-fossil certificate transactions on a small scale and through intermediaries.

Also, there is a growing awareness about the significance of strengthening resilience in response to large-scale blackouts due to natural disasters in the recent years. In this connection, a regional microgrid concept to locally produce and locally consume renewable energies is gathering attention.

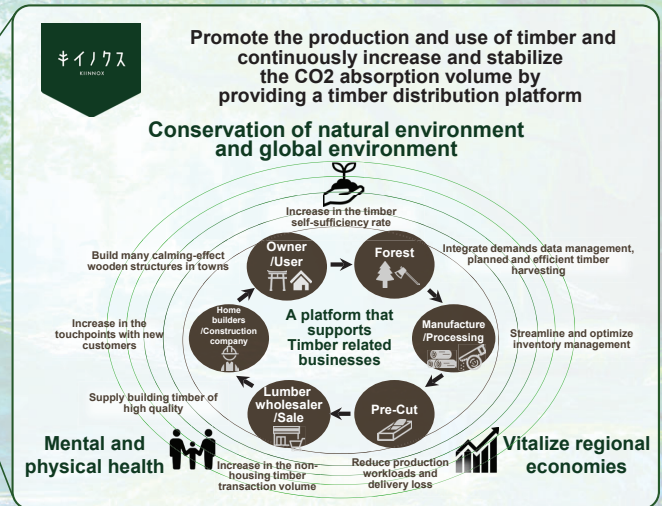
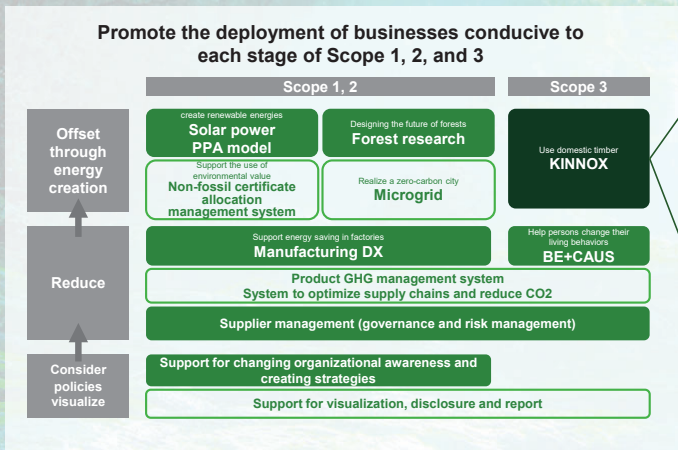
Currently, we are promoting a business of making regional microgrids implementation plans in cooperation with five business operators including Tottori City. We will support regional efforts to strengthen resilience and realize de-carbonization with system services necessary for implementation that we will develop.

As above, we will contribute to strengthening regional resilience and realizing a carbon neutral and de-carbonized society through the use of combinations of our knowledge, expertise and other assets.

Contribute to the Environment through our Businesses

Harness digital capabilities and promote initiatives towards realizing a zero-emission society

- Disclose services conducive to each customer achieving carbon neutrality that fits their purposes and issues.
- Establish Green Digital & Innovation Inc. and deploy a platform for timber distribution
- UNIADEX, Ltd. working on the resource recycling digital platform verification project with an eye on recycling wastes



Next, I will brief you on our environmental contributions through our businesses.

The BIPROGY Group' material issues stipulate "Contribute to the environment through the use of digital technology and reduce the environmental burdens as a result of business activities in order to achieve a zero-emission society". Accordingly, we have been providing environment friendly services to promote carbon neutrality and circular economy.

We provide services suitable to customers in light of purposes and issues about achieving carbon neutrality in each stage, Scope 1, Scope 2, and Scope 3.

For example, we have been promoting environmental conservation efforts to absorb and fixate CO2 by streamlining timber logistics and distribution and through effective use of resources. The efforts have been deployed through KIINNOX projects on a timber logistics/distribution platform provided by Green Digital & Innovation Inc. of our group.

Furthermore, we have been working on our energy efforts in an accelerated manner, such as those for promoting Power Purchase Agreement (PPA) models conducive to propagating and promoting solar energy, as well as non-fossil certificate trading as I described on my previous slide.

In addition, our efforts to promote circular economy is exemplified by UNIADEX, Ltd. of our group working on a resource circulation digital platform demonstration project. The project was adopted by Bureau of Environment, Tokyo Metropolitan Government, as a model project for diversifying the 3R approaches towards business waste.

We aim to realize a zero-emission society through popularizing and encouraging the use of recycled products by further recycling wastes and using blockchain technologies for proving that the products are recycled products.

Take on the challenge of new business areas

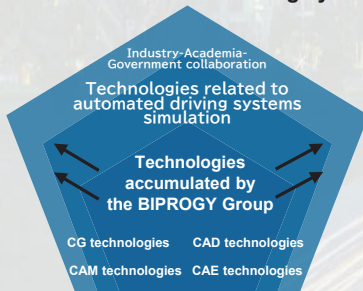
We launched a new business with global business deployment put in perspective

- We established V-Drive Technologies, a new subsidiary to provide platforms that enable verification of automated driving systems in a virtual space
- We aim to play a role in enabling global standards for safety evaluation platforms for automated driving systems and enter the global arena

V-Drive Technologies

Business Vision

Promote the arrival of a safer society with more reliable automated driving technologies by providing a simulation platform for automated driving systems



Aim to play a role in standardizing self-driving systems safety evaluation platforms on the basis of technologies accumulated by the BIPROGY Group for many years and those obtained through DIVP, an industry-academia-government research and development consortium

Solve social issues through automated driving systems

Get rid of accidents, traffic congestions, traffic refugees, and driver shortage

Conduct businesses globally mainly in Europe

Global standardization

Promote VIVID, a Japan-Germany collaboration project



Provide platforms for simulating automated a driving system

Market of simulators about self-driving systems:

¥170.0 billion in FY2025

(source: Markets and Markets report)

Let me brief you on examples of using technologies accumulated in the BIPROGY Group for new business areas.

We established a new subsidiary, V-Drive Technologies, in July 2022 to carry on the schemes and achievements of the DIVP Consortium, which brought together the wisdom of industry, academia, and government in an all Japan framework, and to conduct business in new fields such as automated driving development and simulation.

The new company enables verifications of self-driving vehicles tested in a virtual space under simulated various types of combined traffic and weather conditions not subject to easy reproduction in actual driving test environments, such as snow accumulations and traffic accidents.

V-Drive Technologies will contribute to early enabling self-driving systems by drastically reducing automated driving development processes on the basis of a safety evaluation platform that it provides for sensor manufacturers and auto parts manufacturers that play a key role of ensuring safety and security of automotive driving vehicles.

We will promote our efforts with an eye on enabling digital twins of sensors for automated driving vehicles that can map and collate actual travelling data and actual accident data on sensing simulators. Furthermore, we aim to launch our global business especially in Germany and other European nations by promoting use of and having the technologies accepted as global standards in mutual cooperation with the DIVP Consortium.

The BIPROGY Group will fuse our foresight and insight regarding social changes, technology centered on ICT, and formation of business ecosystems of various business partners, and will create new value and solve social issues through the Digital Commons.

We would like to grow and further develop the BIPROGY Group in the future in response to your expectations.



Names of companies or products herein described are trademarks or registered trademarks of their respective organizations.

(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.