



Results for the 3rd Quarter of FY March 2024

February 1, 2024
BIPROGY Inc.



FYMar2024 Q3 Consolidated Performance Results

- ✓ **System services continuously took the lead in enabling strong businesses to cover increased SG&A expenses. As a result, operating profit shot up by 23%.**
- ✓ **Orders generally remained strong. Orders and order backlogs increased compared with the same period of the previous fiscal year.**

(Unit: Billion Yen)

	FYMar2023 Q3 (Apr-Dec)	FYMar2024 Q3 (Apr-Dec)	Changes		
Revenue	230.0	258.9	+28.9	(+12.6%)	(Revenue)
Gross Profit	61.7	68.7	+7.0	(+11.3%)	Revenues from all services segments such as system services and outsourcing as well as products sales increased based upon significant demands for IT investments.
SG&A Expenses	-42.4	-45.0	-2.6	(+6.2%)	
Other income and expenses	0.4	0.5	+0.1		
Operating Profit	19.6	24.1	+4.5	(+22.9%)	(Operating Profit)
(Operating Margin)	(8.5%)	(9.3%)	(+0.8pt)		Gross profit was driven by the increase in revenues mainly from system services and products sales. Thus, an increase in SG&A expenses as a result of strengthened investments was absorbed. Eventually, operating profit shot up. Profitability improved as well.
Profit attributable to Owners of Parent	13.6	18.2	+4.6	(+33.8%)	
Adjusted Operating Profit*	19.3	23.6	+4.4	(+22.6%)	(Profit attributable to Owners of Parent)
(Adjusted Operating Margin)	(8.4%)	(9.1%)	(+0.8pt)		The increased operating profit drove profit of the quarter.
Orders	228.6	251.2	+22.5	(+9.8%)	(Orders and Order Backlogs)
Order Backlogs	250.3	266.2	+15.8	(+6.3%)	System services and outsourcing took the lead in increasing orders. Outsourcing order backlogs steadily increased. Also, order backlogs to be posted as revenue within the fiscal year significantly increased.
(Order backlogs in the current FY)	71.4	78.7	+7.3	(+10.2%)	

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

First of all, I would like to brief you on the performance for the third quarter of the fiscal year ending March 2024.

We posted revenue of ¥258.9 billion, an increase of ¥28.9 billion compared with the third quarter of the previous fiscal year. This was enabled by a significant increase in all services segments such as system services and outsourcing as well as products sales driven by strong demands indicated by customers for IT investments.

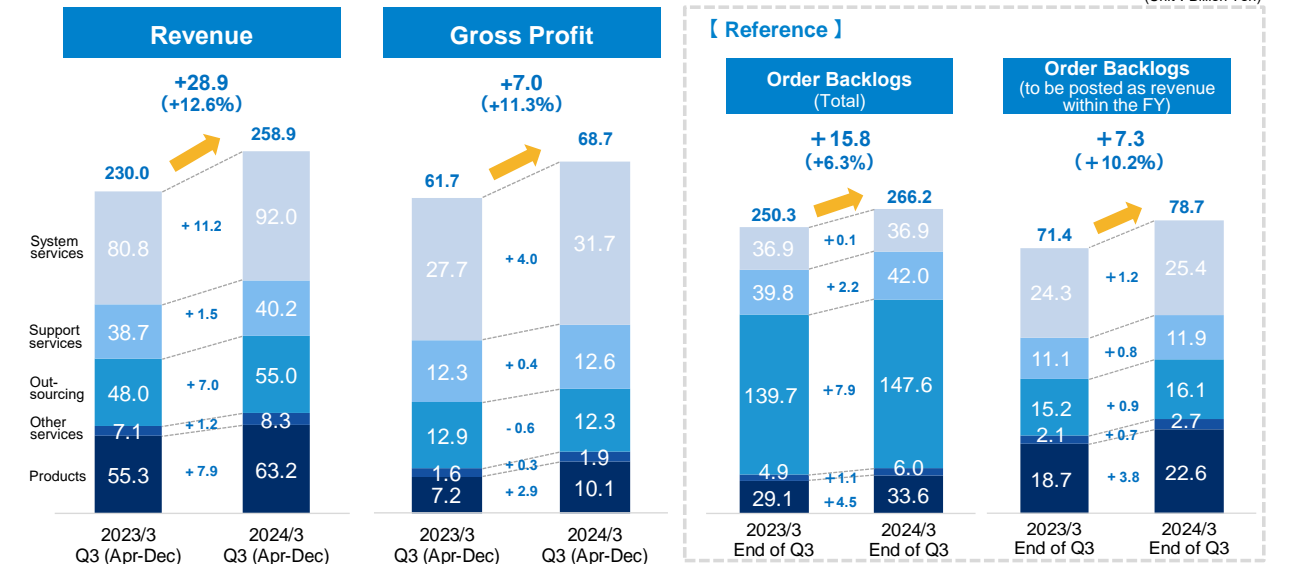
Personnel expenses and R&D expenses pushed up SG&A expenses. On the other hand, the increase in the revenues from services and products sales pushed up gross profit. Gross profit absorbed the increase in SG&A expenses. As a result, we posted operating profit of ¥24.1 billion, an increase of ¥4.5 billion compared with the same period of the previous fiscal year. We posted adjusted operating profit of ¥23.6 billion, an increase of ¥4.4 billion. Profit attributable to owners of parent is ¥18.2 billion, an increase of ¥4.6 billion, based upon the operating profit growth.

Orders remained strong in the third quarter based upon receiving multiple orders for large-scale system services and the strength of outsourcing businesses even more than compensating for the lack in this quarter of orders commensurate with the large-scale orders posted in the third quarter of the previous fiscal year. Order backlogs of long-term outsourcing projects increased. Also, order backlogs to be posted as revenue within the fiscal year increased.

We think that we have made extremely strong progresses towards an achievement as indicated in the full-year performance forecast.

FYMar2024 Q3 Revenue and Gross Profit by Segment

(Unit : Billion Yen)



Next, let me summarize the situations by segment.

The revenue and gross profit of system services increased. This is ascribed to strong demands from customers in a wide range of business sectors such as financial institutions as well as distributors and manufacturers.

The profitability was improved partly due to an increase in highly profitable projects and our enhanced efforts to improve productivity.

The revenue of outsourcing increased. This is ascribed to an increase in the use of our service-type businesses as well as an increase in the sales from cloud services provided by other companies. However, an increase in the operating costs pushed down gross profit.

Order backlogs increased at the end of this quarter compared with the end of the same period of the previous fiscal year. The increase was attributable to receiving orders for long-term outsourcing projects from financial institutions, local autonomous bodies, and manufacturers.

Products sales and outsourcing took the lead in increasing order backlogs to be posted as revenue within the fiscal year.

We expect a continued strength based upon orders in the pipeline piling up neatly at this point in time to transform into sales in the next period and thereafter.

FYMar2024 Q3 Outsourcing

[Revenue by Outsourcing]

	(Unit: Billion Yen)		
	FYMar2023 Q3 (Apr-Dec)	FYMar2024 Q3 (Apr-Dec)	Changes
Entrusted operation-type	36.5	36.0	-0.5
Corporate DX-type	6.3	13.2	+6.9
(including revenue from selling cloud services provided by other companies)	0.1	3.8	+3.7
Service-based-type (business creation-type)	5.2	5.9	+0.8
Total revenue	48.0	55.0	+7.0

[Order Backlogs by Outsourcing]

	(Unit: Billion Yen)		
	FYMar2023 End of Q3	FYMar2024 End of Q3	Changes
Order backlogs	139.7	147.6	+7.9
(to be posted as revenue within the FY)	15.2	16.1	+0.9

(Corporate DX-type outsourcing)

- ✓ "OptBAE", use-type core-banking service for regional financial institutions, has been serving 11 financial institutions. Attempts to enhance capabilities have been made continuously in order to have more users.
- ✓ "BankVision on Azure" began to serve its third financial institution in May 2023. (It will serve its fourth customer in the first quarter of the next fiscal year.)
- ✓ We saw an increase in the revenues from cloud-computing services provided by other companies and network services related to remote work.

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

- ✓ The use of dashcam(Drive Recorder), digital codes, etc. steadily increased.
- ✓ Active sales efforts have been made in order to increase the use of "DIGITAL'ATELIER" (EC platform service).

Next, let me brief you on Outsourcing business.

Revenues from Corporate DX-type Outsourcing and Service-based-type (business creation-type) Outsourcing increased steadily in the third quarter as well as in the past.

The revenue of Entrusted Operation-type Outsourcing decreased. This is due to some Shinkin banks, users of our previous services, sequentially having become users of "OptBAE" mainly in the fourth quarter of the previous fiscal year. Also, it is due to multiple customers having migrated to "BankVision on Azure". However, Entrusted Operation-type Outsourcing services provided by UNIADDEX steadily increased.

The gross margin was pushed down due to the profitability decreasing for the existing outsourcing services targeted for Shinkin banks as a result of Shinkin banks leaving for "OptBAE", and the recent drastic increase in costs. We will furthermore work on improving operational efficiency in order to improve the gross margin.

The Corporate DX-type Outsourcing revenue steadily increased, attributable to an increase in the customers that use "OptBAE" and "BankVision on Azure" as well as an increase in the sales of cloud services provided by other companies. The gross margin remained small in this quarter mainly due to an increase in the sales of cloud services provided by other companies and up-front investments aimed at strengthening "OptBAE" functions. We will work on improving the gross margin of the Outsourcing through initiatives to improve the OptBAE profitability in light of increasing users and improving the operational efficiency, as well as accelerated efforts to entice cloud services and other services customers to also use our managed services and attempts to create our platform services rapidly.

Revenues from the Service-based-type (business creation-type) Outsourcing business steadily increased and the gross margin continues to be at a high level. This is partly due to an increase in the use of cashless payment services and dashcam as well as services related to the environment, and an increase in the users of DIGITAL'ATELIER, our e-commerce platform service.

Full-Year Performance Forecast for FYMar2024

✓ The Company revised upward the full-year performance predictions, based upon the progresses up to Q3.

(Unit: Billion Yen)

	FYMar2023 Full-Year	FYMar2024 Full-Year				
	Actual	Forecasts (February 1, 2024)	Changes		Forecast (April 28, 2023)	Changes
Revenue	339.9	368.0	+28.1	(+8.3%)	350.0	+18.0 (+5.1%)
Operating Profit	29.7	34.0	+4.3	(+14.6%)	32.5	+1.5 (+4.6%)
(Operating Margin)	(8.7%)	(9.2%)	(+0.5pt)		(9.3%)	(-0.0pt)
Profit attributable to Owners of Parent	20.2	23.5	+3.3	(+16.3%)	22.0	+1.5 (+6.8%)
Adjusted Operating Profit*	29.4	34.0	+4.6	(+15.7%)	32.0	+2.0 (+6.3%)
(Adjusted Operating Margin)	(8.6%)	(9.2%)	(+0.6pt)		(9.1%)	(+0.1pt)
						(Unit: Yen)
Dividens per share	80	95	+15	(+18.8%)	90	+5 (+5.6%)
Mid-term Dividend	40	45	+5	(+12.5%)	45	-
Year-end Dividend	40	50	+10	(+25.0%)	45	+5 (+11.1%)
Dividend Payout Ratio	(39.8%)	(40.6%)	(+0.8pt)		(41.1%)	(-0.5pt)

* 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 Full-Year Performance Forecast for FYMar2024.

We revised upward the full-year performance predictions, based upon having seen a steady progress in light of the forecast at the beginning of the fiscal year, and also seeing strong demands continuously indicated from our customers at this point in time.

Our revised full-year forecast predicts: revenue of ¥368.0 billion up by ¥28.1 billion compared with the previous fiscal year; operating profit of ¥34.0 billion up by ¥4.3 billion; and profit of ¥23.5 billion up by ¥3.3 billion.

Also, we expect adjusted operating profit to be ¥34.0 billion up by ¥4.6 billion.

We plan an annual dividend of ¥95 per share (an increase of ¥5 per share from the latest forecast or ¥15 per share from the previous period) on the premise of the profit ¥23.5 billion to be enabled as expected.

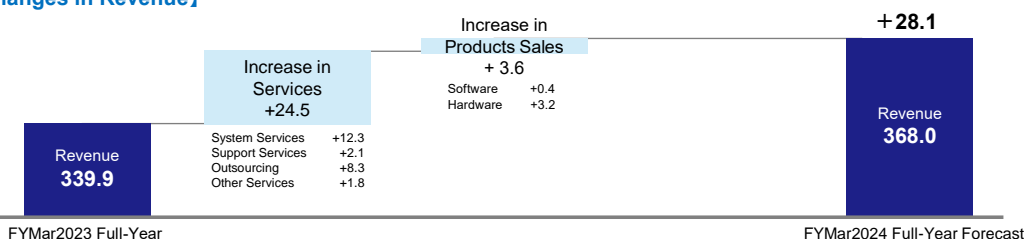
This fiscal year is the final fiscal year for the three-year business management policy. We have two months to go. We are prepared to accumulate our efforts in light of performance and order with an eye on making a good management policy for the next period.

This is the summary of the financial results.

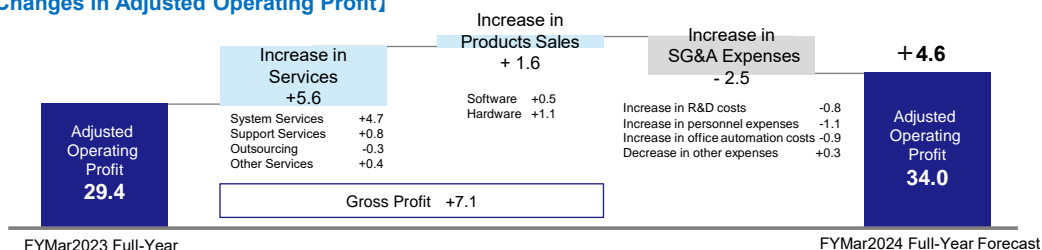
(Reference) Full-Year Performance Forecast for FYMar2024 Breakdown Details

(Unit: Billion of Yen)

[Changes in Revenue]



[Changes in Adjusted Operating Profit]



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(Note)

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