

BIPROGY Inc.
Briefing Session
for the First Quarter of the Fiscal Year Ending March 2025
held on July 29, 2024

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 an amount of provision for an unprofitable system services project of Q1 and also the future outlook.

A : We posted approx. JPY 0.1 billion as an additional provision for an unprofitable project that took place in the previous fiscal year. Partly due to reasons of a customer, we postponed the start of a production operation from October this year to January next year. We added the provision for the costs.

Q : Even if impacts of the unprofitable project is excluded, the gross margin of system services seems to be lowered. May I ask why?

A : We had multiple projects of high gross margin in the first quarter of the previous fiscal year. Although we have highly profitable projects for this first quarter, we see a decrease in the quantity compared with the same quarter of the previous fiscal year. This resulted in the decline in the gross margin of system services in Q1.

Q : You had an increase in the orders for system services of Q1. Were you able to obtain orders from projects as you expected at the beginning of the period?

A : Some orders for system services projects were awarded in Q1. We have more remaining in the pipeline. Furthermore, we expect to see orders awarded from multiple projects that we have got. We feel good about system developments being on track as well as sales activities going well, be it for medium-size projects or large-size projects.

Q : I had the impression about your Q1 performance that while you had a decrease in the gross margin of services you had good performance of hardware and software products. What is your prospect for Q2 onward?

A : We had many highly profitable system development projects in the first quarter of the previous fiscal year. And thus, this Q1 performance pales in comparison. On the other hand, we have been able to have orders awarded stably. Therefore, we expect an increase in the gross margin of system services and outsourcing in Q2 and thereafter.

[Questioner B]

Q : Your forecast refers to an increase of approx.0.5 pts in the full-year system services gross margin compared with the previous fiscal year. Did you find your performance in Q1 on track

from the viewpoint of your full-year forecast?

A : We expect a performance achievement as indicated in the full-year forecast. We were faced with an occurrence of unprofitable project, etc. in Q1. However, we expect projects in Q2 onwards that will absorb the impacts. Furthermore, we will work on improving development productivity. Eventually, we will have an increase in the system services gross margin in the future.

Q : What are the driving factors that enabled significant strength of orders for as well as revenue and gross profit of support services in Q1?

A : We had extremely strong demands for network devices. That eventually drove support services that are related to hardware products sales.

[Questioner C]

Q : You had an increase of JPY 0.6 billion in the internal system costs in Q1 on a year-over-year basis. Did you spend costs as planned? I would like to know the current progress situations of the project to renew your internal core systems.

A : We had an increase in the costs in Q1. We expect improvements of the costs in the second half, compared with the same period of the previous fiscal year. We have been able to recover much in light of the progress in renewing our core systems. We work on with an aim to finish the project within the year and be always ready in January next year and thereafter for switching over to new systems.

Q : You had a decrease in operating profits from businesses in the focus area in Q1. Despite that, your full-year forecast still refers to an increase in operating profits. How do you put your Q1 results in the picture?

A : We promote five focus areas as indicated in the management policies. Operating profits were slightly dragged down in Q1 partly due to starting new services and making upfront investments for adding functions to the existing services. We feel good about our possibilities of catching up with the profit forecasts in light of the first-half/full-year performance.

[Questioner D]

Q : You referred to the policy of holding treasury shares up to 3% at maximum. Do I correctly understand that you will use the treasury shares as compensation for the executives and employees?

A : Correct. We aim to furthermore strengthen our corporate group through implementing stock compensation for employees as well in the future.

Q : What is Dai Nippon Printing Co., Ltd. your major shareholder, going to do with their BIPROGY shares?

A : This is not to be commented on by us. We heard that Dai Nippon Printing Co., Ltd. holds BIPROGY shares not for the purposes of cross-shareholdings, from the viewpoint of Dai

Nippon Printing Co., Ltd. We and the company have made collaboration on various fronts. We are accounted for by the equity method from the viewpoint of the company. We will surely fulfill our roles and make efforts with an aim to have our shares continuously held by the company.

[Questioner E]

Q : You made an announcement about purchasing treasury shares in response to Mitsui & Co., Ltd. intending to sell its BIPROGY shares, at the same time as your announcing the performance. Would this sale by Mitsui & Co., Ltd. reduce the BIPROGY shares held by the company to zero? Even if Mitsui & Co., Ltd. sells all of the BIPROGY shares that it holds (2.44 million shares), there is a possibility that the upper limit (3.0 million shares) will not be reached. What do you intend to do with the remaining shares? Also, what is going to happen to your relationship with the company after the company selling all of your shares that it holds?

A : Mitsui & Co., Ltd. will sell all of the BIPROGY shares that they hold. We included room for adjustment of approx. 20% as a buffer in a maximum number of shares to be repurchased. It is due to our repurchasing through ToSTNet-3. We took into consideration the possibilities about other shareholders applying for selling the BIPROGY shares that they held through ToSTNet-3. As a result of our deliberations on various advantages and disadvantages, we decided to repurchase the treasury shares at this timing and through this method. Mitsui & Co., Ltd. has continuously had an extremely deep business relationship with UNIADDEX, Ltd. our group company, as well as BIPROGY Inc. Mitsui & Co., Ltd. is one of the top 50 customers in the revenue rankings. Therefore, we think that we will have our friendly relationship continued.

(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.