

BIPROGY Inc.
Briefing Session
for the Second Quarter of Fiscal Year Ending March 2025
held on November 1, 2024

Principal Questions and Answers

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

[Questioner A]

Q : Outsourcing gross margin in Q2 (the July-September period) was improved compared with the second quarter of the previous fiscal year. May I ask for reasons?

A : The improvement in outsourcing gross margin was enabled in Q2, partly due to a transient factor that we posted a lump-sum revenue from highly profitable project.

Q : Your performance at this juncture shows a growth in sales of products such as software products and hardware products as well as support services that accompany product sales. On the other hand, if I read the performance of system services and outsourcing without the transient factor taken into consideration, it seems to me that the businesses do not increase much. That said, product sales are likely to continuously show strength in the second half as well, partly owing to order backlogs being accumulated. However, may I ask if you feel positive about system services orders at this point in time? Do you think that you will receive more orders for system services projects compared with the same period of the previous fiscal year?

A : Product sales have been pretty much conducive to our present performance. Our management policies partly refer to product sales that go further than simply selling off products and even help us expand our reach over to businesses of support services and managed services. In this sense, we think that a growth in the sales of products such as network products is an upside. Many of the system services projects that we now have deal with upstream processes such as requirement definition process. If we obtain orders dealing with development processes down the road, following the projects, we expect an increase in order backlogs. Thus, this is not a downside. We think that the orders here with us have very good contents, but that may not be conveyed well only by reading static numbers by segment.

Q : May I have your evaluation of the progress that you made in the focus areas in the first half? It would seem to me that results are slightly weak in the financial area and results are pretty much strong in the mobility area in light of the full-year revenue targets.

A : There are slight differences in the business situations depending on which focus areas you talk about. Although some focus areas perform on track, there are other focus areas that look weaker due to a backlash from having had a large project in the previous fiscal year. We obtained projects in the financial business area. The projects will be reflected in numbers in the second half. We made a good start with retail businesses including service-type business. Thus, we expect a strong progress in the second half. We had a range of actual results of the

focus areas in the first half. We feel good in light of achieving our full-year targets.

[Questioner B]

Q : May I ask why the outsourcing gross profit in the second quarter increased compared with the first quarter?

A : The increase was ascribable to posting in a lump sum a one-time project (of revenue JPY0.4 billion or gross profit of JPY0.3 billion) in addition to continued strength of ITO services, etc.

Q : When do you think that you can expect projects such as BankVision that may help to expand your reach over to system services and outsourcing?

A : For example, we hope that a large-scale system development project of BankVision will be launched in the near future. We expect outsourcing revenue and profit down the road. Likewise, recurring revenues are likely enabled through delivering support service as an extension of, or delivering outsourcing service as an add-on for, having sold hardware or having developed and created networks. Selling hardware products is better in the sense of beginning outsourcing services relatively quickly compared with developing systems.

Q : I would like to know the reasons for a decrease in finance income and finance cost. Also, I would like to have your future predictions.

A : In the same period of the previous fiscal year, we had a depreciation of JPY16 due to exchange rate fluctuations from the beginning of the period to the end of September. In this period under review, we had an appreciation of JPY 9. As a result, we had loss (gain) on valuation of funds turn negative. This constituted the main reason. We have to take into account future movements of the exchange rate. That said, if the current exchange rate of JPY153 continues to stay as it is, I think that the loss (gain) on valuation at the end of the period may recover and show what it was.

[Questioner C]

Q : May I ask why you had strong hardware orders in the second quarter? Also, I would like to know about profitability.

A : We had a very solid business of system network as exemplified by a government project. We used to often sell products such as PCs and servers that are hardly fit for adding value. Unlike in the past, we deal with projects related to system networks. It means that we come to deal with services, software, etc. in company with dealing with network devices. This enhances profitability. The government project took the lead in increasing orders in the second quarter. More than that, we were able to obtain a variety of orders such as a large project for hospital. Our capability of creating system networks enables us to expand our reach over to managed services, etc. after network creation. We do not leave upon simply implementing hardware products. It is imperative that we continue to expand business in light of what follows. Furthermore, we will acquire expertise about creating system network through working on the government project. It is extremely significant that we can re-use the expertise for our

businesses in other business sectors.

Q : I would like to know about your progress in renewing your internal systems. May I ask about costs in the second half and also the next fiscal year?

A : When we had an announcement of performance results of the first quarter (on July 29) , we described that we made progress as planned. After the announcement, we had a delay in part of the project. We have been catching up on the delay. The situation was not favorable slightly at the end of September. We launched a new work team in October. The team has been working on examining the project since then. At this point in time, even if we can launch operation in April 2025 as planned, merits of the BPR project may not be enjoyed in some areas unlike envisioned in the beginning of the project. We will deliberate how we will go ahead with the project in the future. UNIADDEX, Ltd. our group company plans to integrate their sales management systems and purchasing and accounting systems. They are faced with issues that may cause inefficiency specifically with the sales management systems. At this juncture, we plan to sort out issues that were identified this time before the end of this year. We will implement strengthening of and changes in the arrangements pursuant to a recovery plan that we will make. We plan to work on the efforts. We saw cost movements as planned in the first half. We do not assume costs to be significantly driven in excess of our plan in the second half, either, at this point in time. That said, we cannot deny that in the next fiscal year we may see impacts on costs depending upon a recovery plan we make.

Q : Many companies struggle with SAP system in light of data migration. May I ask if the complexity of your system at BIPROGY is as comparable as that? May I ask if you do not have concerns about implementing SAP systems for your future customers?

A : We have had our business models deal with importing and selling mainframe and other products overseas, and even providing support services, and then come to operate SI businesses and SaaS-type businesses. Accordingly, the master files have come to contain a gigantic amount of products data. When we made attempts to migrate the data to SAP system, we found a significant increase in the size. It is difficult to migrate the entire data as it is. At this juncture, we have an extremely difficult task of identifying and striking a balance between where we apply the Fit to Standard operation and where we use external systems for complementing purposes. By the way, our Group does not majorly deliver SAP business. It would be appreciated if you could have this specific situation separated from your evaluating our entire business.

[Questioner D]

Q : The revenue from the focus areas for Core Business and Growth Business stand at approx. JPY70 billion as of the end of the first half. May I ask for your predictions about changes in the revenue in the final fiscal year of the Management Policies?

A : We identified as focus areas what should constitute growth engines for the BIPROGY Group in the future. Our group has strength in the focus areas of Core Business as exemplified by

many customers as well as services and solutions. We will solve social issues through operating businesses in the areas. We regard Growth Business as our future growth driver. We aim to see Growth Business becoming a core of our businesses in the future. We are endeavoring with an eye on the focus areas conducive to approx. half of the entire revenue in the final fiscal year of the Management Policies.

[Questioner E]

Q : You referred to strong ITO services. Will you give me a sense of the strength in the first quarter and the second quarter of this fiscal year?

A : Revenue from operation services of UNIADDEX in the first quarter was JPY5.7 billion (up by JPY 0.6 billion from the same quarter of the previous fiscal year). It was JPY5.9 billion (up by JPY0.5 billion on a year-over-year basis) in the second quarter. The numbers do not represent ITO services exclusively, though.

Q : May I know about performance by UNIADDEX in the first half?

A : UNIADDEX posted a revenue increase of more than JPY 10 billion on a year-over-year basis. The subsidiary is majorly conducive to the entire corporate performance and significantly robust, with strength in the current pipelines. The company posted operating margin of approx. 11% or an improvement of 2 percentage points approx. compared with the same period of the previous fiscal year.

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(Note)

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