

BIPROGY Inc.
Briefing Session
for the Third Quarter of the Fiscal Year Ending March 2025
held on February 4, 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 progress of the internal system renewal project and the cost forecast for the current and next fiscal years.

A : We organized a new task force and have been carefully examining the schedule and costs of the recovery plan since January 2025. We announced the establishment of a BPR promotion project today and will promote the project under the new organizational structure from April 1.

We are currently examining the future cost forecast and plan to explain its details at the full-year financial results announcement in April. Regarding the forecast for the current fiscal year, we expect the costs to ultimately align with the initial plan at the beginning of the fiscal year as we temporarily stopped the project at the end of last year.

Q : I would like to know the reasons for the increase in orders for system services in Q3 (October–December).

A : While we received multiple orders for large-scale system development projects in Q3 of the previous fiscal year, we have seen an increase in small- and medium-sized projects, particularly for financial institutions and retailers, in Q3 of the current fiscal year.

[Questioner B]

Q : I would like to know the background to the decrease in operating profit in Q3 and the progress made compared to the plan as of Q3. Did you leave the profit forecast unchanged because the increase in SG&A expenses was greater than the estimate?

A : The factors that reduced profits in Q3 compared to the previous fiscal year were unexpected increases through Q3 in internal system expenses and in upfront expenses, such as sales support expenses, that contribute to future business.

Please note that we expect internal system expenses, which have increased through Q3, to decrease compared to Q4 of the previous fiscal year due to the suspension of the development.

Although personnel expenses have increased compared to the same period of the previous fiscal year due to factors including revisions to the personnel system and the impact of base wage increases, the increase is within expectations.

[Questioner C]

Q : I would like to know how much expense was incurred in strengthening the functions

associated with outsourcing services in Q3.

A : Expense for Q3 was approximately 100 to 200 million yen. Concerning the outsourcing segment in Q3, revenue decreased compared to the previous quarter (Q2) due to a decrease in revenue from other companies' cloud services, and gross profit decreased because profits from highly profitable projects were recorded on a lump-sum basis in Q2, resulting in a decline in profitability as well.

Q : I understand that you explained that you would expect to record revenue from a large mainframe project in the second half. Was it recorded in Q3?

A : Currently, we expect to record revenue of approximately 2 billion yen in the software segment in Q4, not in Q3.

[Questioner D]

Q : In the "Reasons for Revising the Performance Forecast" on page 5 of the Consolidated Financial Report for the Third Quarter of Fiscal Year Ending March 31, 2025, you stated that you would not revise your profit forecast because the recording of revenue from high-margin projects in the current fiscal year is currently uncertain. I would like to know the scale of these projects. Did you include these in your full-year forecast?

A : In terms of scale, we expect revenue from a project to be approximately to be approximately 1 billion yen, with a profit of a similar amount. We did not include this project in the full-year forecast. We will refrain from mentioning any details of this project as they are still under negotiation.

Q : I would like to know how much expense was incurred in the renewal of the internal system in Q3. How much do you think you can reduce the expense in Q4?

A : In the first nine months of the year, the expense increased by approximately 1.4 billion yen compared to the same period of the previous fiscal year. Compared to the initial plan at the beginning of the fiscal year, it increased by approximately 300 to 400 million yen. We expect the expense to decrease by approximately 500 to 600 million yen in Q4 compared to the same period of the previous fiscal year.

[Questioner E]

Q : I would like to know the net sales and operating profit of UNIADDEX for the first nine months.

A : Net sales were approximately 120 billion yen (an increase of approximately 18 billion yen compared to the same period of the previous fiscal year), and operating income was approximately 12 billion yen (an increase of approximately 4 billion yen compared to the same period of the previous fiscal year). The operating margin improved by approximately 2 points compared to the same period of the previous fiscal year.

Q : Regarding SG&A expenses in Q3, you mentioned that some costs were higher than expected. Will these costs likely continue to increase in Q4 as well?

A : At this stage, it is difficult for us to make any comments, but we plan to control expenses in Q4.

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(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, the economy and other factors. Thus, the certainty of these forecasts is not guaranteed by the Company Group.

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