

BIPROGY Inc.
Briefing Session
for the First Quarter of the Fiscal Year Ending March 2026
held on July 31, 2025

Principal Questions and Answers

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

[Questioner A]

Q: You said that you recorded temporary income through profit of investments accounted for using the equity method in Q1 (April to June). Is it correct to assume that the increase of approximately 500 million yen from the same period of the previous year is due to the effects of such temporary income? In the full-year forecast of financial results, you plan to record 600 million yen in profit of investments accounted for using the equity method as well as other income and expenses. Is this temporary income not included in the full-year forecast of financial results? Is this temporary income likely to bring an increase in full-year profits?

A: Your assumption is correct. Temporary income is roughly 500 million yen, and if it is excluded, Q1 profits remained almost on the same level. The company involved in cashless business has transferred part of its business. Since the timing for selling off the business could not be identified at the beginning of the fiscal year, the business transfer was not included in the full-year forecast of financial results. Since the remaining business continues to be strong, full-year financial results may improve slightly.

Q: With respect to the progress of “BankVision”, I understand that the recording of initial revenue is included in the full-year forecast of financial results. Is my understanding correct that such revenue has not been recorded for Q1? When do you expect them to be recorded?

A: It has not been recorded for Q1. It is difficult to reply at this moment when it will be recorded in the future because the bank is in the process of making considerations, but we assume that it may be recorded during the second half of the year.

[Questioner B]

Q: I want to confirm the environment regarding orders of system services. I believe that orders were affected by the reactionary decrease in Q1. What drove the absorption of the reactionary decrease and increase in the number of orders accepted? Is this expected to continue in Q2 (July to September) and onwards?

A: Orders for large-scale projects for financial institutions and other businesses were recorded. The project for a financial institution has already been recorded as revenue and contributed to the improvement of profitability. We cannot give details of it, but the scale of the project is expanding because it proceeded from the process of defining conditions to that of design and development, and in addition, small- and mid-sized projects are also increasing in number. Efforts to increase productivity, improve the outsourcing ratio, and set appropriate prices in consideration of inflation are also contributing to higher profitability. The pipeline of projects for financial institutions and public services is growing steadily. For these reasons, orders will continue at this pace in Q2 and onwards.

Q: I want to confirm the trends of orders at UNIADDEX and the environment regarding demand. The gross margin from support services declined in Q1. Was this caused by temporary factors?

A: Orders are continuing steadily. The temporary factor for the decline in the gross profit from support services was the decrease of approximately 200 million yen in reaction to the rebates recorded in the same period of the previous year. Since rebates were recorded in Q1 and Q2 of the previous year, the gross profit is likely to fall in Q2 too by the same degree as in Q1. With the increase in base pay and the revision of the new personnel system at UNIADDEX, personnel expenses are rising, but they have not fully been reflected in pricing.

Q: You have started to control SG&A expenses more tightly. Are you feeling that your efforts are bearing fruit? Is the spending of SG&A expenses progressing as planned, including the internal core system renewal project?

A: Compared to the forecasts, progress in the spending of SG&A expenses is as planned. During the whole year, personnel expenses and R&D expenses are expected to grow by 1.4 billion yen and 1.2 billion yen, respectively, but we will control them firmly by monitoring them monthly. We will absorb increases in base pay and bonuses in personnel expenses and R&D expenses as investments in future growth areas by increasing revenue and improving profitability.

The internal core systems renewal project passed a check point in June and is proceeding from the unit testing process to the integration and testing process. In the second half of the year, the project will enter the final system test involving operational departments. Costs have been reduced by approximately 300 million yen on a year-on-year basis. The project is progressing smoothly, and we feel that in April 2026, the internal core systems will be able to start operation as scheduled.

[Questioner C]

Q: I want you to provide some more details regarding the large-scale project for a financial

institution. Will it continue in the fiscal year ending March 2027 as well?

A: This project is for a regional bank. Since it is a large-scale project, we expect that a certain degree of revenue will be recorded in the fiscal year ending March 2027, too.

Q: Sales of hardware and software are growing significantly. Are the large-scale projects for government agencies one-off occurrences? Did UNIADDEX build cloud computing and security platforms and security platforms for the projects?

A: UNIADDEX had a project for the Digital Agency. The company also won an order regarding an AI server procurement project for an information and communications research institute, which allows it to continue support services for the next five years or so. UNIADDEX is planning large-scale projects in Q2 as well.

[Questioner D]

Q: You said that you had transferred part of the business of a company accounted for using the equity method. In the future, do you expect to continue recording almost the same amount of profit as in the previous fiscal year? Or will full-year profits decrease due to the business transfer?

A: The recent business transfer did not involve a major business, and the remaining business is expected to continue growing steadily in the future. Therefore, in the months to come, we expect that we will continue to record approximately 300 million yen in profits quarterly—a level at which temporary income (approximately 500 million yen) is deducted from profit of investments accounted for using the equity method in Q1.

Q: I understand that you do not have many customers engaged in export-oriented manufacturing. Are they not directly affected by tariffs?

A: At present, they are not affected by tariffs. There are some customers who are cautious about investments, but at present, there are no specific effects from tariffs.

[Questioner E]

Q: Even if the decrease in rebate at UNIADDEX is taken into account, it appears that improvements are not being made in the gross margin from support services as compared to the full-year forecast of financial results. The full-year forecast of financial results indicates a gross margin of around 35%. When do you expect the gross margin to start improving?

A: It is difficult to reflect rises in personnel and other expenses in pricing immediately. We expect that the gross margin will start to improve in around Q2 or Q3.

Q: My impression is that the progress of focus areas such as growth businesses and core businesses is slightly slow as compared to the full-year targets. Will this progress accelerate in Q2 and onwards?

A: In particular, the retail, energy, and mobility sectors in the core businesses were affected by raising operating costs and a reactionary decrease due to a highly profitable one-off project in the previous fiscal year. We will review our schemes to reduce operating costs. There is a substantial pipeline for Q2 and onwards. We are confident that we are making progress as planned as we strive to achieve the full-year targets.

[Questioner F]

Q: Actual revenue and gross profit from product sales (software and hardware) in Q1 exceeded the increase in revenue and profit expected in the full-year forecast of financial results. Are there any risk factors in relation to a decrease in revenue and gross profit in Q2 and onwards?

A: If results for Q1 and order backlogs are taken into consideration, revenue and gross profit may rise in Q2 and onwards. However, revenue and gross profit may also be affected by the time when they are recorded. Therefore, at the moment, we consider them to be in line with the forecast at the beginning of the year.

Q: I think that the costs to renew and update the internal core systems were expected to decrease by 300 million yen during the whole year, but they fell by 300 million yen in Q1. Will they remain almost on the same level in Q2 and onwards? Is there a possibility that they can be reduced more than forecast at the beginning of the year?

A: So far, we have been able to reduce the costs by more than what was forecast at the beginning of the year. There is also a possibility that the costs can be reduced further if the project progresses smoothly in Q2 and onwards. However, since the final acceptance test and the transition test begin in the second half of the year, we would like to advance the project so that the system can start full-scale operation as scheduled. We expect a reduction in cost burdens during Q2 and Q3. Meanwhile, in Q4 of the previous fiscal year, the project was suspended briefly for replanning, and this brought a reduction in costs. For this reason, in Q4 of the current fiscal year, cost burdens may grow on a year-on-year basis.

(Note)

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