

BIPROGY Inc.
Briefing Session
for the Second Quarter of the Fiscal Year Ending March 2026
held on November 5, 2025

Principal Questions and Answers

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

[Questioner A]

Q: Regarding the project at risk of becoming unprofitable, was it recorded under system services in Q2 (July to September)? Or will it be recorded in Q3 (October to December) or later? What is the estimated scale of the impact?

A: It was not recorded in Q2. If it is to be recorded, it will be in Q3 or later. Though it is a system development project, it is under an outsourcing contract. The estimated scale of the loss is currently expected to be around 1.0 billion yen.

Q: Orders for system services appeared to be very strong in Q2, partly due to the recording of large-scale projects for financial institutions and the service industry. Excluding the impact of these large-scale projects, do you see the general trend remaining strong in Q3 and beyond?

A: As a general trend, we believe orders for system services will remain strong, as DX demand continues to be robust and we have a solid project pipeline. We also expect large-scale system services associated with new adoption of "BankVision" to contribute in the future. Even excluding that, we see active DX investment from many customers, including small- and mid-sized projects.

Q: Regarding product sales (software and hardware), Q2 orders decreased due to the impact of large-scale projects recorded in the same period last year. Can we expect IT infrastructure investment demand to remain strong in Q3 and beyond?

A: We anticipate investment demand to remain robust in Q3 and beyond, maintaining its steady momentum.

[Questioner B]

Q: Regarding the project at risk of becoming unprofitable, is 1.0 billion yen the scale of the project's revenue, or is it the amount of loss? What is the estimated level of certainty that it will become unprofitable? Is this based on an assumption that the project will be recorded in the second half of the year (H2)? Also, at what cutover date are you assuming that the provision will be recorded?

A: 1.0 billion yen is the amount of loss. Currently, we are negotiating with the customer and scrutinizing costs, but we believe there is a high probability it will become unprofitable. The full-year performance forecast is based on the assumption that a 1.0-billion-yen loss will be recorded in H2. Because it is an outsourcing project, we will not record the provision at the

time of cutover; rather, we will record it when it is determined to be unrecoverable, based on the amount calculated by discounting revenues and costs over the remaining period of the outsourcing contract to their present value.

Q: Regarding support services, you revised the initial full-year forecast downward. What caused the profit decline in Q2 to be larger than that in Q1, and what is the background to the forecast of a recovery in H2?

A: In Q2, we were affected by a decrease in rebates. Additionally, price revisions at UNIADDEX, which are necessary to account for rising personnel expenses, have been delayed. While there is some uncertainty as this involves negotiations, we expect price revisions to progress from H2 onward.

Q: Regarding outsourcing, what was the impact of new adoption of "BankVision" on H1 performance? Was it in line with expectations, including the monetary amount?

A: Initial revenue amounted to approximately 1.0 billion yen in revenue, and it was highly profitable, which was in line with our expectations. We had planned to record this in H2, but it was recorded ahead of schedule.

[Questioner C]

Q: You revised revenue upward, but what is the background for assuming that in H2, software revenue will decrease and hardware revenue will remain flat?

A: For software, in Q4 (January to March) of the previous fiscal year, there was a large-scale project worth approximately 3.0 billion yen involving mainframes and in-house software for a homebuilder. Although H1 orders increased, we are anticipating a drop-off from that large project last year. For hardware, there was a large-scale project in H2 of the previous year, but we expect another large-scale projects in H2 this year, so we are forecasting it to be flat.

Q: Regarding AI-driven development, what is the outlook for productivity improvements and the progress of its implementation in customer projects?

A: We are trying to change the development process itself. The percentage of productivity improvement varies depending on whether it is productivity in development from scratch or a switch to packaged software, so we have not set uniform target values. Internally, we have set targets and are challenging ourselves not only in system development but in improving operational efficiency and applying AI in upstream processes. We will make efforts to disclose this in some form at the time of the full-year earnings announcement.

Q: Regarding the share of profit of investments accounted for using equity method for H1, it doubled from 0.46 billion yen in the previous year to 0.98 billion yen. Why?

A: This is due to the impact of recording temporary income in Q1 resulting from the sale of part of a business of a company accounted for using the equity method.

[Questioner D]

Q: Recording of initial revenue for “BankVision” happened earlier than expected. Will development also begin in H2?

A: It will be a multi-phase contract. Going forward, we will proceed to the fit-and-gap analysis phase and the development phase, with the development volume increasing in the second and third years.

Q: What is the status of the next customer pipeline for “BankVision”?

A: We have a pipeline, but we are actively engaged in sales so we are not at a stage where we can make an announcement.

Q: What is the progress status of the internal core systems renewal?

A: We completed integration testing in H1. We are now conducting acceptance testing, including with the user departments. We believe we can go live in April 2026 as scheduled. Costs are progressing as planned.

[Questioner E]

Q: Regarding the project at risk of becoming unprofitable, you mentioned time remains on the outsourcing contract. By recording the loss this fiscal year, will the project be break-even until the contract expires? Or can we expect normal profits from the next fiscal year onward?

A: Because it is an outsourcing contract, a portion of the assets are being recorded as intangible assets. We will calculate the estimated recoverable amount by discounting the expected future revenue and anticipated costs to their present value. We then plan to compare this calculated recoverable amount with the book value of the intangible assets and record an impairment loss for the portion where the book value exceeds the estimated recoverable amount. After that, assuming there are no changes in revenue or costs, we expect that only the interest portion will be recorded.

(Note)

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