BIPROGY Inc.
Briefing Session
for the First Quarter of the Fiscal Year Ending March 2027
held on August 5, 2026

Principal Questions and Answers
(with certain details modified in an attempt to provide readers with a deeper understanding)

[Questioner A]

Q: Regarding the deferral of approximately 6.0 billion yen in revenue caused by the renewal of internal core systems, what was the impact on profit and what were the causes?

A: The impact of the approximately 6.0 billion yen revenue deferral on gross profit was a little over 1.0 billion yen. The deferral occurred because, when UNIADEX's sales management systems were integrated into BIPROGY's systems in conjunction with the migration to the new core system on April 20, 2026, data inconsistencies occurred in some of the migrated data due to insufficient test cases. In addition, UNIADEX's business operations changed as a result of the system integration, and delays occurred in purchasing operations such as ordering, shipping, receiving, and invoicing due to insufficient familiarity with the new processes. The issues gradually became apparent after the Golden Week holidays in May 2026 and affected the results for Q1 (April to June) of the fiscal year ending March 2027.

Q: Even excluding the impact of the deferral, adjusted operating profit has decreased slightly, making it appear weaker. Is this a matter of timing?

A: The apparent weakness in adjusted operating profit for Q1 is a matter of timing. In Q1, product sales at UNIADEX were also deferred, causing results to fall short of the internal plan. In addition to the impact of delivery delays caused by the renewal of internal core systems, sales resources were concentrated on securing large-scale projects, which led to weaker order accumulation for small- and mid-sized projects. However, we have received orders for large-scale projects totaling approximately 20.0 billion yen, and although revenue will be recognized in the second half, we believe this will cover the shortfall in Q1. We will also continue to consider appropriate measures, including cost control.

Q: Although the full-year performance forecast remains unchanged, will the issues associated with the renewal of internal core systems be resolved in Q2 (July to September)? Will the approximately 6.0 billion yen in revenue deferred in Q1 be recognized in Q2?

A: We are working diligently to resolve the issues associated with the renewal of internal core systems in Q2. The approximately 6.0 billion yen in revenue deferred in Q1 will not all be recognized in Q2; some is expected to be recognized in the second half of the fiscal year.

Q: Regarding the AI-related business orders received in Q1, what are the details of the GPU infrastructure platform construction project, its impact on results, and its profitability?
A: The project is a large-scale GPU infrastructure platform construction project in which we are responsible for GPU server procurement, physical design, cluster construction, high-speed network implementation, and overall project PMO. Total revenue from hardware, software, and other items is approximately 20.0 billion yen, and some system services are also included. We expect a gross margin of around 10%.

[Questioner B]
Q: Regarding the decrease in revenue and profit in support services, what was the impact of the deferral of product sales?
A: The deferral of hardware sales caused a further deferral of revenue from initial services at the time of equipment installation, resulting in an impact in the low hundreds of millions of yen. This impact is included in the approximately 6.0 billion yen revenue deferral. In addition, increased outsourcing costs associated with the expansion of the product lineup, including GPUs, are one factor behind the decline in profitability. We aim to improve profitability by shifting to internal resources.

Q: Regarding outsourcing segment, what was the impact of the consolidation of Catalina Marketing Japan and what is the situation for BIPROGY excluding that impact?
A: Of the outsourcing revenue in Q1, the impact of consolidating Catalina Marketing Japan was just under 4.0 billion yen, with the remainder attributable to BIPROGY. The increase in orders was mainly an increase at BIPROGY, and the consolidation impact of Catalina Marketing Japan was limited.

[Questioner C]
Q: Have any additional costs or expenses such as penalties for delivery delays been incurred as a result of addressing the issues caused by the renewal of internal core systems?
A: Although unplanned additional costs have been incurred due to increased overtime and additional personnel, we plan to keep them within our full-year plan. We will also address this by incorporating new technologies such as generative AI to improve efficiency. In addition, although no penalties have been paid to customers, in some cases in which we were unable to meet customers' desired delivery dates, they sourced them from other vendors, resulting in a slight impact from lost orders.

Q: Has there been any impact on sales activities, such as a decline in sales efficiency, as a result of renewing internal core systems?

A: Although there was some impact on sales activities, we have built up a sufficient project pipeline, and we believe we can achieve the full-year performance forecast.

Q: Regarding the profit contribution from Catalina Marketing Japan will the impact on operating profit be zero as assumed at the beginning of the fiscal year?

A: In the full-year performance forecast, we expect the impact on operating profit to be zero. However, in Q1, the PPA process is still ongoing and no PPA amortization expenses have been recorded, resulting in operating profit being higher than expected.

[Questioner D]

Q: Regarding SG&A expenses, internal system expenses (office automation expenses) are planned to increase by 2.1 billion yen year on year for the full year. Is it correct that the increase of approximately 0.9 billion yen in Q1 is due to the costs of addressing the renewal of internal core systems? You mentioned that the related costs will be kept within the plan from Q2 onward. Does this mean that while internal system expenses may slightly exceed the plan, overall SG&A expenses will be adjusted to remain within the full-year performance forecast?

A: That is correct. The increase in internal system expenses in Q1 was partly due to the costs associated with addressing issues arising from the renewal of internal core systems. We will also consider measures such as deferring some planned items to the next fiscal year and reviewing other expenses, and plan to keep SG&A expenses within the level assumed in the full-year performance forecast.

Q: Will the deferred portion of Q1 revenue be recognized in Q2? Will there also be deferrals from Q2 to Q3 (October to December)? How much revenue do you expect to be deferred?

A: While we aim to recognize the deferred portion of Q1 revenue in Q2, some of it may be recognized in Q3. In addition, because sales resources were allocated to addressing matters carried over from Q1, some of the orders planned for Q2 may be deferred to Q3. However, order backlogs and the project pipeline are sufficient, and we do not expect this to affect the achievement of the full-year performance forecast.

Q: Do you plan to recognize revenue from the large-scale GPU infrastructure platform construction project in Q2 or in the second half of the fiscal year ending March 2027, leading to a significant increase in revenue and profit?

A: That is correct. We plan to recognize revenue from this project in the second half of the fiscal year.

[Questioner E]

Q: Is the large-scale GPU infrastructure platform construction project connected in any way with Noetra Corp. ("Noetra")? Are there any other Noetra-related projects that can be expected in the future, in addition to GPU infrastructure platforms?

A: The current large-scale GPU infrastructure platform construction project involves building GPU server clusters, which is usually handled by hardware manufacturers. We are working to acquire capabilities and skills in GPU server construction and are also working to expand our handling of GPU products as well as related businesses such as water-cooling and air-cooling facility construction. Please note that we are not involved with Noetra.

Q: Regarding the performance of Catalina Marketing Japan I understand that Q1 and Q3 tend to be strong due to seasonal factors. Do you expect the profit contribution in Q2 to be lower than in Q1?

A: We do not expect a significant difference between Q1 and Q2 for the fiscal year ending March 2027. However, as the PPA has not yet been finalized, no PPA amortization expenses were reflected in Q1. From Q2 onward, PPA amortization expenses will be reflected, so operating profit is expected to be lower than in Q1.

[Questioner F]

Q: Is the customer for the large-scale GPU infrastructure platform construction project with approximately 20.0 billion yen in revenue a data center operator? Is this expected to be an ongoing business?

A: We cannot disclose the name of the customer at this time, but we hope to continue winning projects and be involved in construction and operation going forward.

Q: Were there any unprofitable projects in Q1?

A: There were no unprofitable projects in Q1.

Q: Regarding support services, how much revenue from initial product installation is included? Have there been any cancellations or switches to other service providers?

A: Revenue from initial product installation is not particularly high. However, product sales have been increasing recently, and the initial installation services associated with them have also been on a slight upward trend. In addition, there have been no major cancellations switches to other service providers.

[Questioner G]

Q: Excluding the impact of the revenue deferral, by how much did operating profit fall short of the internal plan for Q1? Was the shortfall due to concentrating sales resources on securing large-scale projects, which resulted in weaker order accumulation for small and mid-sized projects centered on product sales?

A: We had set the internal plan for operating profit in Q1 at approximately the same level as the same period of the previous fiscal year. Compared with the internal plan, revenue fell short by approximately 5.0 billion yen, and operating profit by an amount on the order of several hundred million yen. The reasons for the shortfall are as you indicated.

Q: At the time of the migration of the internal core systems, was there an option to suspend the migration and continue using the old system, taking customer impact into consideration?

A: The old system remained as a backup, but the issues became apparent after the migration, and we chose to continue addressing them with the new system.

Q: What is the reason for the relatively low year-on-year growth rate in system services revenue?

A: Due to the renewal of internal core systems, some contract procedures were delayed. Although the impact is not large, some revenue was deferred from Q1.

Q: What was the scale of lost orders due to delivery delays associated with the renewal of internal core systems?

A: It is on the order of several hundred million yen.