

Results for the 1st Quarter of FY March 2023

August 3, 2022
BIPROGY Inc.



FYMar2023 Q1 Consolidated Performance Results (IFRS)

- ✓ An increase in the system services revenue covered an increase in SG&A expenses. As a result, operating profit remained at the same level of the previous fiscal year.
- ✓ Order intake increased based on the continuingly strong performance of system services as well as accumulated projects of outsourcing.

(Unit: Billion Yen)

	FYMar2022 Q1 (Apr-Jun)	FYMar2023 Q1 (Apr-Jun)	Changes		
Revenue	67.6	70.5	+2.9	(+4.3%)	(Revenue)
Gross Profit	17.7	18.2	+0.6	(+3.1%)	Projects related to digital transformation (DX) mainly contributed to a steady growth of system services. As a result, revenue was driven up.
SG&A Expenses	-13.0	-13.5	-0.5	(+3.7%)	
Other income and expenses	0.1	0.0	-0.0		(Operating Profit)
Operating Profit	4.8	4.8	+0.0	(+0.5%)	Gross profit grew mainly on the basis of the increased revenue and improved profitability of system services. This enabled operating profit to remain unchanged on a year-over-year basis despite an increase in SG&A expenses.
(Operating Margin)	(7.0%)	(6.8%)	(-0.3pt)		
Profit attributable to Owners of Parent	3.5	3.9	+0.4	(+11.4%)	
Adjusted Operating Profit*	4.7	4.8	+0.1	(+1.5%)	(Profit attributable to Owners of Parent)
(Adjusted Operating Margin)	(6.9%)	(6.8%)	(-0.2pt)		Profit grew mainly due to an increase in finance income.
Orders	58.9	69.6	+10.7	(+18.1%)	(Orders and Order Backlogs)
Order Backlogs	233.6	250.7	+17.1	(+7.3%)	Orders and order backlogs increased more than the same period of the previous fiscal year, due to steadily accumulated outsourcing projects in addition to a continuing strength of system services. Order backlogs scheduled to be posted as revenue within the fiscal year under review were accumulated steadily.
(Order backlogs in the current FY)	99.4	115.0	+15.6	(+15.7%)	

* Adjusted operating profit is the result obtained after deducting SG&A expenses and cost of sales from revenue.

I would like to brief you on our performance summary for the first quarter of the fiscal year ending March 2023.

We posted revenue of ¥70.5 billion, an increase of ¥2.9 billion compared with the same quarter of the previous fiscal year. This was enabled by a continuingly stable increase in the system services projects related to digital transformation (DX).

Gross profit was driven up by an increase in the system services revenue and impacted by the improved profitability of system services. This enabled operating profit of ¥4.8 billion, unchanged on a year-over-year basis, despite an increase in SG&A expenses due to renovating internal core systems.

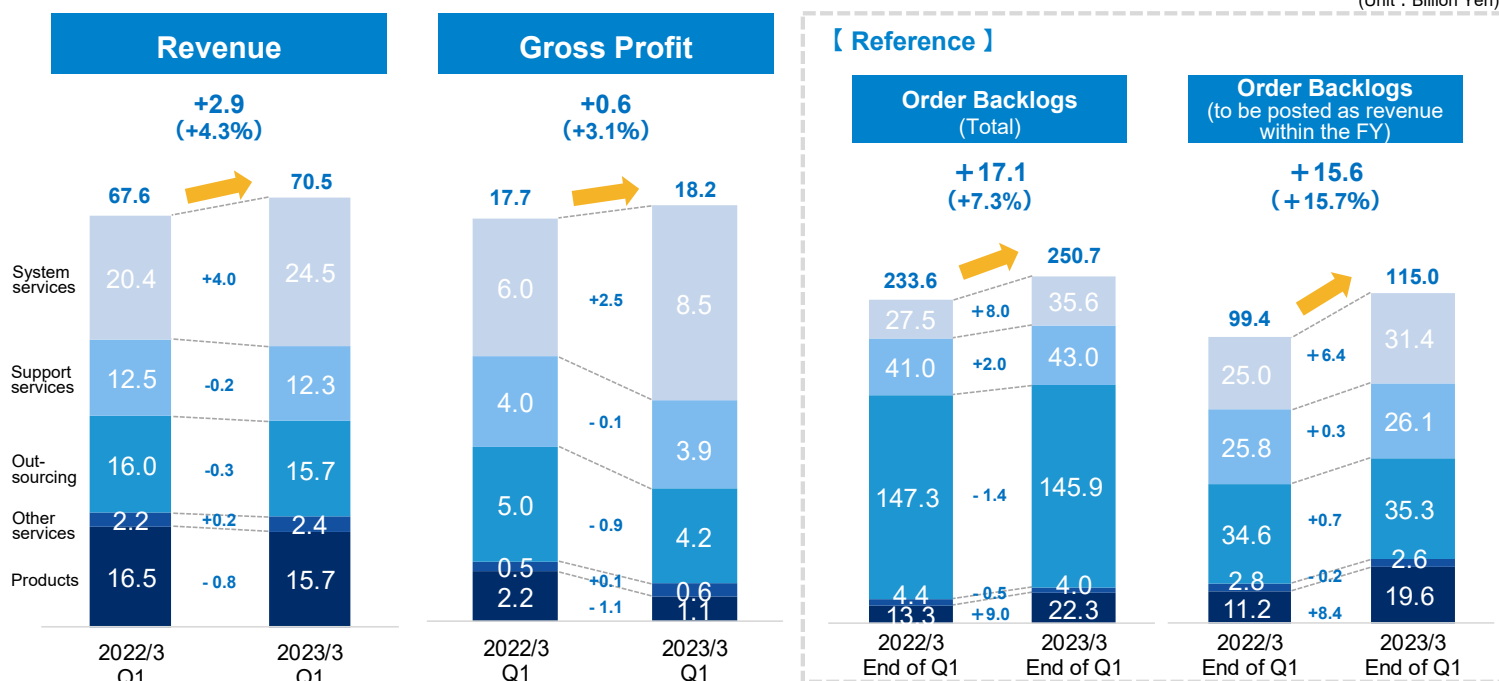
Profit attributable to owners of parent was ¥3.9 billion, an increase of ¥0.4 billion from the first quarter of the previous fiscal year, partly due to an increase in finance income.

Adjusted operating profit was ¥4.8 billion, an increase of ¥0.1 billion. Adjusted operating margin was 6.8%.

A continued strength of system services was enabled mainly by DX projects. Outsourcing long-term projects accumulated. Thus, orders and order backlogs exceeded the same quarter of the previous fiscal year.

FYMar2023 Q1 Revenue and Gross Profit by Segment (IFRS)

(Unit : Billion Yen)



Next, I would like to brief you on the revenue and gross profit by segment.

We had an increase in the system services revenue and gross profit, attributable to a steady increase in DX projects for customers of various industries including finance, retail, and services.

Outsourcing revenue and gross profit are smaller compared with the first quarter of the previous fiscal year when initial sales of outsourcing service implementation were posted collectively. However, we have seen a steady increase in customers of the platform service for e-commerce business operators and financial institutions. Furthermore, services of implementing the platform service scheduled to be launched in the fiscal year under review have been in progress as planned.

Order backlogs increased compared with the end of the same quarter of the previous fiscal year, ascribable to an increase in the system services order intake and an accumulation of product projects. Order backlogs to be posted as revenue within the fiscal year have been steadily accumulated, as well.

FYMar2023 Q1 Outsourcing (IFRS)

【Revenue by Outsourcing】

(Unit: Billion Yen)

	FYMar2022 Q1 (Apr-Jun)	FYMar2023 Q1 (Apr-Jun)	Changes
Entrusted operation-type	13.2	12.2	-0.9
Corporate DX-type	1.5	1.9	+0.5
Service-based-type (business creation-type)	1.4	1.6	+0.1
Total revenue	16.0	15.7	-0.3

【Order Backlogs by Outsourcing】

(Unit: Billion Yen)

	FYMar2022 End of Q1	FYMar2023 End of Q1	Changes
Order backlogs	147.3	145.9	-1.4
(to be posted as revenue within the FY)	34.6	35.3	+0.7

(Corporate DX-type outsourcing)

- ✓ “OptBAE”, a use-type core-banking service for regional financial institutions, has been working for multiple customers since January 2022. A service of implementing OptBAE scheduled to be launched for customers in the second half has been in progress as planned.
- ✓ There is a steady increase in the use of the energy management services for electricity retailers.

(Service-based-type (business creation-type) outsourcing)

- ✓ “DIGITAL’ATELIER” (platform service for e-commerce) began to serve a major mail order firm in Q1. We have strengthened sales activities in order to obtain more new users.
- ✓ There is a steady increase in the use of dashcam (Drive Recorder) service. The Value Card business have remained firm.

Next, I would like to brief you on the outsourcing business.

We have seen a basic tone of steady revenue increase continuing for the outsourcing businesses in the first quarter: the Corporate DX-type Outsourcing and the Service-based-type (business creation-type) Outsourcing.

The Corporate DX-type Outsourcing is exemplified by OptBAE, use-type core-banking service that promotes DX attempts at customers, regional financial institutions. The service began to serve multiple customers in January 2022. It is conducive to an increase in the Corporate DX-type Outsourcing revenue. We plan to launch the service for many more customers in the second half. We have seen a steady progress of implementing the service towards the launch as planned.

“DIGITAL’ATELIER” (platform service for e-commerce) of the service-based-type (business creation-type) outsourcing began to operate for a major mail-order firm in the first quarter. We have scheduled the service launch for a new customer in the second half. We will strengthen our sales activities in order to obtain new users.

The Company Group has worked on enhancing the outsourcing business by shifting towards a service-provision type business model as indicated in the Management Policies (2021-2023) that we launched in the previous fiscal year. We aim to achieve the targets as indicated in the management policies. For this, we will create and expand new services continuously, and we will furthermore accelerate servitization by using knowledge and expertise that we have accumulated through providing services to customers.

Full-Year Performance Forecast for FYMar2023 (IFRS)

✓ We do not revise our predictions that we announced in the beginning of the fiscal year, partly due to order backlogs being accumulated steadily at this point in time.

(Unit: Billion Yen)

	FYMar2022 Full-Year Results	FYMar2023 Full-Year Forecast	Changes	
Revenue	317.6	330.0	+12.4	(+3.9%)
Operating Profit	27.4	29.0	+1.6	(+5.7%)
(Operating Margin)	(8.6%)	(8.8%)	(+0.2pt)	
Profit attributable to Owners of Parent	20.5	20.0	-0.5	(-2.4%)
Adjusted Operating Profit*	26.7	29.0	+2.3	(+8.7%)
(Adjusted Operating Margin)	(8.4%)	(8.8%)	(+0.4pt)	

*Adjusted operating profit is the result obtained after deducting SG&A expenses and cost of sales from revenue.

Next, I would like to brief you on the full-year performance forecast for the fiscal year ending March 2023.

We do not revise the full-year performance forecast that we announced in the beginning of the fiscal year.

We have seen customers show a continued strong appetite for DX investment, and we have steadily accumulated order backlogs at this point in time. Thus, we forecast revenue of ¥330.0 billion, operating profit of ¥29.0 billion, and profit of ¥20.0 billion.

We expect adjusted operating profit of ¥29.0 billion.

We have been working on efforts to describe measures to prevent recurrence of the incident that the Amagasaki City suffered for customers including the City and implement the measures. We think that we have not seen a significant impact of the incident on our business at this point in time. We are fully prepared to make every endeavor to prevent recurrence and regain trust.

This concludes the summary of the financial results.



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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, economy and other factors. Thus, the certainty of these forecast is not guaranteed by our Group. Also, the information is subject to change without prior notice in future. Information in this document is intended to provide further understanding of the Company Group and is not intended to solicit investment. This Company shall not be held responsible for any damages whatsoever incurred as a result of utilizing the information provided in this document.