



# Results for the 2nd Quarter of FY March 2024

November 1, 2023  
BIPROGY Inc.



**1** Summary of the Results for H1 FYMar2024

**2** Progress under the Management Policies (2021-2023)

## FYMar2024 H1 Consolidated Performance Results

- ✓ A continued strength of System Services absorbed an increase of SG&A costs. As a result, operating profit increased by 22%.
- ✓ Orders intake generally continued to perform well. Order amount and order backlog amount increased compared with the same period of the previous fiscal year.

(Unit: Billion Yen)

	FYMar2023 H1 (Apr-Sep)	FYMar2024 H1 (Apr-Sep)	Changes		
Revenue	154.8	<b>173.0</b>	+18.2	(+11.8%)	<b>(Revenue)</b>
Gross Profit	41.4	<b>46.2</b>	+4.8	(+11.5%)	System services and outsourcing as well as products sales were driven based upon companies' vigorous appetites for making IT investments.
SG&A Expenses	-27.8	<b>-29.7</b>	-1.8	(+6.6%)	
Other income and expenses	0.0	<b>0.1</b>	+0.1		<b>(Operating Profit)</b>
Operating Profit	13.6	<b>16.6</b>	+3.0	(+21.9%)	A revenue increase mainly in system services and products sales pushed up gross profit even to the level of absorbing SG&A costs driven by strengthening investments. As a result, operating profit increased.
(Operating Margin)	(8.8%)	<b>(9.6%)</b>	(+0.8pt)		
Profit attributable to Owners of Parent	10.1	<b>12.8</b>	+2.7	(+26.8%)	<b>(Profit attributable to Owners of Parent)</b>
Adjusted Operating Profit*	13.6	<b>16.5</b>	+2.9	(+21.6%)	Profit grew attributable to the increase in operating profit.
(Adjusted Operating Margin)	(8.8%)	<b>(9.6%)</b>	(+0.8pt)		
Orders	153.5	<b>166.3</b>	+12.7	(+8.3%)	<b>(Orders and Order Backlogs)</b>
Order Backlogs	250.4	<b>267.2</b>	+16.7	(+6.7%)	System services and outsourcing took the lead in increasing orders. The strength of outsourcing increased order backlogs. Order backlogs scheduled to be posted as revenue within the fiscal year under review significantly increased, as well.
(Order backlogs in the current FY)	95.9	<b>104.3</b>	+8.4	(+8.8%)	

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

First, let me summarize our performance of the first half (H1) of the fiscal year ending March 2024.

Revenue in the first half was ¥173.0 billion, an increase of ¥18.2 billion compared with the same period of the previous fiscal year. System services and outsourcing as well as products sales were driven based upon companies' vigorous appetites for investing in IT assets.

An increase in gross profit driven by the revenue growth of services and products sales absorbed an increase in SG&A expenses such as personnel costs and R&D costs.

As a result, operating profit was ¥16.6 billion, an increase of ¥3.0 billion on a year-over-year basis. Adjusted operating profit was ¥16.5 billion, an increase of ¥2.9 billion.

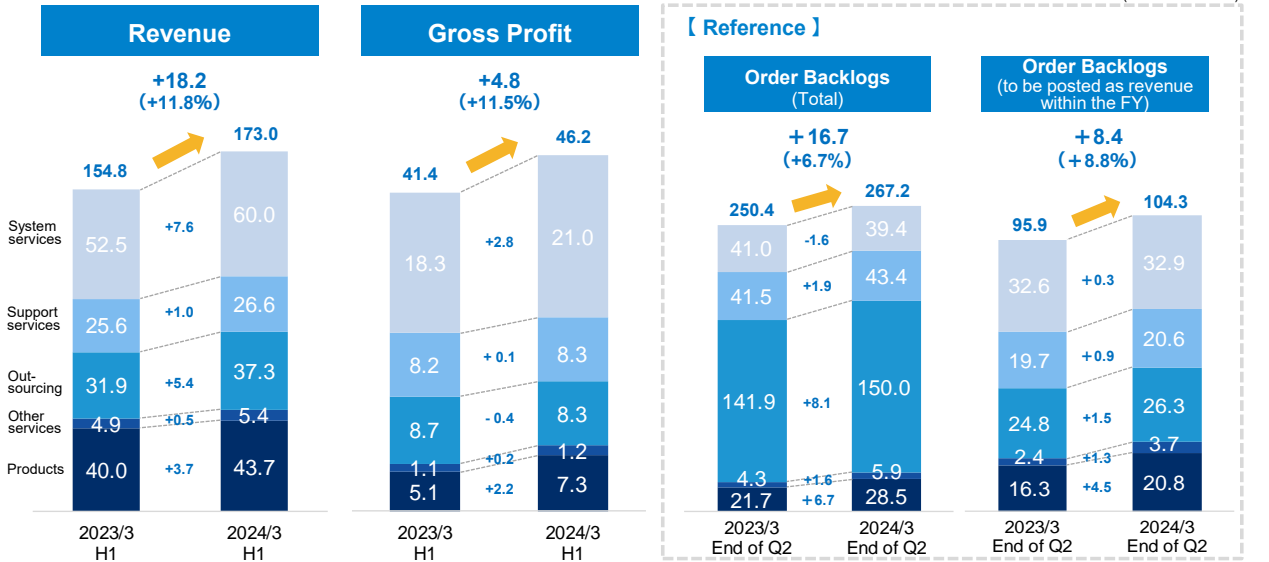
Profit attributable to owners of parent was ¥12.8 billion, an increase of ¥2.7 billion.

System services and outsourcing enabled a continued strength of orders. There was an increase in order backlogs of long-term outsourcing projects as well as those scheduled to be posted as revenue within the fiscal year under review.

We think that this indicates our making very good progress towards achieving the full-year forecast.

## FYMar2024 H1 Revenue and Gross Profit by Segment

(Unit : Billion Yen)



Next, let me brief you on revenue and gross profit by segment.

We saw continuously strong demands from financial institutions and customers of a wide range of business sectors such as distribution as well as manufacturing. As a result, we posted an increase in revenue and gross profit of system services.

An increase in highly profitable projects and furthermore improved productivity were conducive to an improved profitability of system services.

Outsourcing revenue grew on the basis of an increase in the sales of cloud services of other service providers than us and an increase in the use of service-based type businesses. However, gross profit was dampened due to an increase in operation costs.

Order backlogs increased compared with the end of the same period of the previous fiscal year. It is attributable to having received orders from financial institutions, a local government, and a manufacturing company mainly for long-term outsourcing projects.

We had posted multiple large projects of system services in the second quarter of the previous fiscal year. Thus, in comparison with the end of the previous period, system services order backlogs seem less powerful. However, orders for medium and small projects have taken the lead in continuing a strong intake of orders if we disregard the comparison effect.

We have already received an order for large-scale project scheduled for the third quarter. Furthermore, we expect to receive more of large orders in the future, and therefore, we will have an increase in order backlogs, as well.

## FYMar2024 H1 Outsourcing

### [Revenue by Outsourcing]

(Unit: Billion Yen)

	FYMar2023 H1 (Apr-Sep)	FYMar2024 H1 (Apr-Sep)	Changes
Entrusted operation-type	24.5	23.8	-0.8
Corporate DX-type	3.9	9.5	+5.7
(including revenue from selling cloud services provided by other companies)	0.0	3.4	+3.4
Service-based-type (business creation-type)	3.4	3.9	+0.5
<b>Total revenue</b>	31.9	37.3	+5.4

#### (Corporate DX-type outsourcing)

- ✓ "OptBAE", a use-type core-banking service for regional financial institutions, is stably operating for 11 financial institutions. We work on strengthening capabilities of the service in order to obtain more new users.
- ✓ BankVision on Azure began to operate for its third bank in May 2023.
- ✓ We saw an increase in the revenue from selling services related to remote work (cloud services offered by other providers than us and network services)

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

- ✓ There is an increase in the use of "DIGITAL'ATELIER", e-commerce platform service.
- ✓ There is a steady increase in the use of dashcams (driving recorders), digital code, etc.

### [Order Backlogs by Outsourcing]

(Unit: Billion Yen)

	FYMar2023 End of H1	FYMar2024 End of H1	Changes
<b>Order backlogs</b>	141.9	150.0	+8.1
(to be posted as revenue within the FY)	24.8	26.3	+1.5

Next, let me brief you on the situations of outsourcing business.

Revenue of corporate DX-type outsourcing and service-based-type (business creation-type) outsourcing steadily increase as it did in the first quarter.

Entrusted operation-type outsourcing revenue decreased. The decrease is mainly attributable to shinkin bank customers sequentially leaving our past service for our use-type core-banking service OptBAE in the latter half of the previous fiscal year. It is also ascribable to multiple customers having shifted to BankVision on Azure.

Gross margin of entrusted operation-type outsourcing is compromised on a year-over-year basis. It is ascribable to our conventional outsourcing services for shinkin banks becoming less profitable as a result of shinkin banks having become OptBAE users. Also, it is due to our spending time in taking measures to deal with a recent drastic increase in costs. We will work on improving the gross margin through measures to furthermore optimize operational efficiency in the future.

We saw an increase in the financial institutions that use OptBAE and BankVision on Azure. We also increased sales of cloud services by other service providers than us. As a result, revenue of corporate DX-type outsourcing has been steadily increasing.

Gross margin of corporate DX-type outsourcing was dampened. It is due to having spent costs for strengthening OptBAE functions as well as an increase in sales of cloud services provided by other service providers than us. If we disregard the impacts, the gross margin is improved massively. Our selling cloud services of other service providers is part of our efforts to enable managed services, etc. Our strengthening OptBAE capabilities is an up-front investment that is necessary in order to increase users. These will enable us to expect an increase in future profit.

More customers have implemented DIGITAL'ATELIER, e-commerce platform service. We have seen a steady increase in the use of dashcams (driving recorders) of enhanced functions and services related to cashless economy. As a result, we have continuously maintained a high level of profitability of service-based-type (business creation-type) outsourcing business.

## Full-Year Performance Forecast for FYMar2024

- ✓ The forecast numbers announced at the beginning of the fiscal year under review have not been revised.
- ✓ We see no risks that may significantly impact our performance of the latter half at this point in time.

(Unit: Billion Yen)

	FYMar2023 Full-Year Results	FYMar2024 Full-Year Forecast	Changes	
Revenue	339.9	<b>350.0</b>	+10.1	(+3.0%)
Operating Profit	29.7	<b>32.5</b>	+2.8	(+9.5%)
(Operating Margin)	(8.7%)	<b>(9.3%)</b>	(+0.6pt)	
Profit attributable to Owners of Parent	20.2	<b>22.0</b>	+1.8	(+8.9%)
Adjusted Operating Profit*	29.4	<b>32.0</b>	+2.6	(+8.9%)
(Adjusted Operating Margin)	(8.6%)	<b>(9.1%)</b>	(+0.5pt)	

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

Next, let me brief you on our full-year performance forecast for the fiscal year ending March 2024.

We do not revise the forecast numbers that we announced at the beginning of the fiscal year under review.

We have seen a steady progress in the first half of FYMar2024 in light of the full-year forecast that we announced in the beginning of the fiscal year.

We expect that customers will keep a strong appetite for investing in IT assets in the second half, as well. We have identified none of risks that may significantly impact our performance such as projects becoming unprofitable and an increase in SG&A expenses at this point in time.

We have decided to keep our full-year forecast as it is at this point in time. We expect our business performance will continue to be strong in the second half.

This concludes my summary of our performance.

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**2** Progress under the Management Policies (2021-2023)

# Summary of the Management Policies (2021-2023)

## Purpose

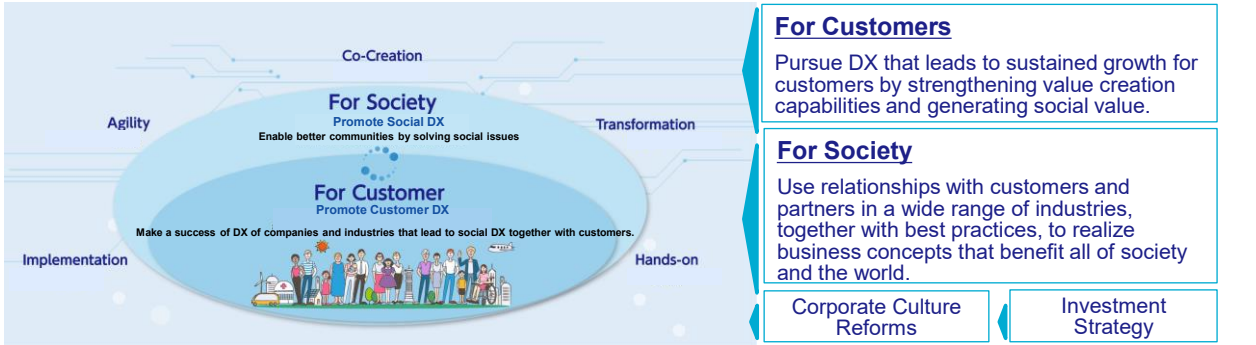
Create a sustainable society using foresight and insight to unlock the full potential of technology.

## Vision2030

We will develop the Digital Commons which is a platform that helps create a society where everyone can live happily.

## Basic Policy

BIPROGY Group will achieve the Vision 2030 plan by pursuing digital transformation (DX) for both customers and society, developing its business through a large framework that encompasses all of society, and working with partners and the community to expand business ecosystems.



As indicated in this summary of our Management Policies (2021-2023), we have been working to create both social value and economic value pursuant to the basic strategies of promoting customer DX (For Customers) and social DX (For Society), toward the realization of Vision 2030.

This period is the final fiscal year of the Management Policies. We strongly feel that we have been able to strongly advance on our way to realizing Vision 2030.

## Toward Achieving the Full-Year Performance Forecast (System Services)

**System services continued to be strong based upon brisk DX investments made in a wide variety of business sectors and industries**

### **[System Services]**

<b>Financial Sector</b>	✓ An increase in orders for solutions about international financial instruments, financial market transaction solutions, and trust financial instruments
	✓ Many inquiries from regional financial institutions about our solutions conducive to regional financial institutions that intend to strengthen customer interactions through real-physical and digital front-end duties at customer touchpoints
<b>Logistics &amp; Distribution Sector</b>	✓ Remaining busy in responding to inquiries about CoreCenter for Retail, merchandising (MD) system for retailers
	✓ An increase in stores served by our solutions that promote customer DX such as AI-driven automated ordering system and Electronic Shelf Label
<b>Manufacturing Sector</b>	✓ An increase in the projects related to housing and automobiles
	✓ Many inquiries about eBuyerBrains, comprehensive procurement solution conducive to reforming supply chains
<b>Public &amp; Government Sector</b>	✓ A strong accumulation mainly of passenger-related businesses in the area of new business creation
	✓ Environmental value business and regional micro-grid business taking the lead in the energy-management area

First, let me summarize system services situation in light of achieving the full-year forecast.

We have focused our efforts on obtaining orders for our system services products that can meet strong DX demands at customers in a wide variety of business sectors and industries.

As a result, we had a strong increase in revenue and profits. Furthermore, we have been able to obtain assets that may drive our future outsourcing business. We intend to aim at a furthermore business growth through the use of assets that we have thus obtained.

First, we have received more orders in the financial sector mainly for solutions about international financial instruments, marketable financial instruments, and trust financial instruments, as well as core-banking systems specialized for regional financial institutions. Also, we have received many inquiries about solutions designed to strengthen customer interactions at front-end customer touchpoints, such as banking apps and systems for bank branch offices.

We expect a continuing strength of our business as well in logistics and distribution sector, based upon an increase in orders for our merchandizing and other solutions.

We have witnessed an increase in our manufacturing business related to housing and automobiles. Also, we have seen inquiries about a comprehensive procurement solution increase due to an interest in sustainable procurement.

We have seen a strong accumulation composed of passenger-related businesses mainly related to new business creation in the public & government sector. Furthermore, we aim to furthermore increase business on the basis of our growth in the energy-management area mainly driven by environmental value business and regional micro-grid business.



## Toward Achieving the Full-Year Performance Forecast (Outsourcing/Products & Others)

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Brisk network-related business in addition to Corporate DX-type Outsourcing business leading our growth

### [Outsourcing]

- Entrusted operation-type** ✓ A decrease in the revenue due to impacts of our customers in the financial sector furthermore using core-banking systems in an advanced mode, the corporate DX-type outsourcing
- Corporate DX-type**
  - ✓ Many inquiries came mainly from financial institutions and retailers
  - ✓ We are promoting to offer managed services through the use of combinations of cloud services provided by other solution-providers and our own services.
- Service-based-type (business creation-type)**
  - ✓ An increase in the users of No-Accident Program DR, business-grade dashcam specialized for corporations
  - ✓ Actively rolling out sales activities for our EC platform services

### [Products & Others]

- Infrastructure** ✓ UNIADDEX operates a brisk network-related business that matches the needs of customer DX. As a result, order backlogs increased.
- Generative AI** ✓ We are witnessing an increase in the projects about services of creating environments at companies for using generative AI. Deliberations about incorporating generative AI into solutions gather speed.

We saw a decrease in the revenue from the entrusted operation-type outsourcing. It is due to core-banking systems becoming furthermore used in an advanced mode which is the corporate DX-type outsourcing. In the area of our Corporate-DX-Type outsourcing business, we have continuously received many inquiries from financial institutions and retailers about our core-system outsourcing solutions. We expect those inquiries to increase more in the future.

We are working on providing cloud services of other service providers in the form of managed services as we attempt to increase the added value of those cloud services by incorporating our Group assets.

We have seen results from having made efforts to enhance capabilities conducive to the Service-based-type outsourcing business. We saw an increase in the destinations of providing No-Accident Program DR.

Furthermore, we have received many inquiries about and began to implement our EC platform services for new customers as well.

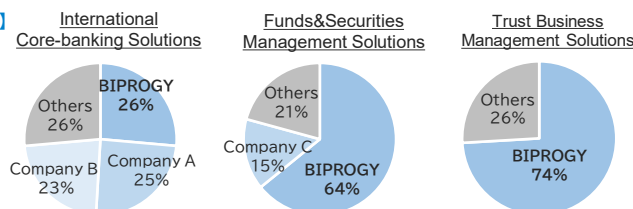
We have seen brisk capital investments by companies emerging from the COVID-19 pandemic. UNIADDEX's strong businesses centered on network drove significantly the entire business in the area of Products & Others. As a result, we saw order backlogs for products accumulating more than we did in the previous period. Also, we began to provide a service of creating environments for using generative AI. Our latest initiatives include a technical verification for financial institutions attempting to use generative AI for the purpose of improving customer satisfaction at branch offices. With the aim of creating services based upon knowledge and expertise obtained therefrom, we will work on furthermore strengthening our technical capabilities.

## Our Financial Solutions, Leaders in the Industry

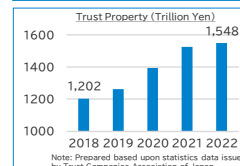
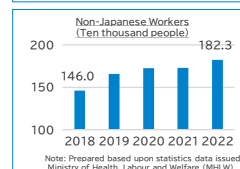
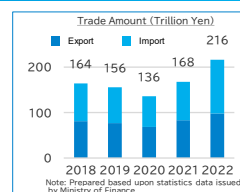
### Understand changes in the market environment, and increase the share of our solutions in the financial industry

- **International financial transactions solutions (International core-banking solutions, overseas remittance solutions)**
  - Begin to provide service-based-type OpenE'ARK-ONE, an international core-banking system
  - An increase in banks that use overseas remittance solution SurFIN in response to ISO20022
- **Financial market transactions solutions (funds & securities management solutions)**
  - Banks using Siatol-NE, funds & securities management system, have made progress in shifting over to the system in the SaaS mode.
- **Trust transactions solutions (Trust business management solutions)**
  - An increase in new users as a result of continuously enhancing functions and services of trust business solution

#### [Share of our Packaged Solutions\*]



Note: The share of our packaged solutions (international core-banking solutions and funds & securities management solutions) used in the regional financial institutions that have deposits of ¥3.0 trillion or more, and the share of our packaged solution (Trust business management solutions) used in trust banks and trust companies



We brief you on our business topics in the financial sector.

The BIPROGY Group will provide a financial service platform conducive to streamlining the existing financial business and accelerating use of data through external links. I will brief you on the situations in the three areas that have potential for growth.

Our efforts in the area of international financial transactions solutions are represented by our launching SurFIN, overseas remittance solution. This responds to an increase in overseas remittance, etc. due to an increase in the trade amount and non-Japanese workers. The solution has already served many financial institutions. It enabled benefits such as reducing the time of an acceptance procedure of overseas remittance that used to be one hour or more, down to approx. 10 min.

In the area of financial market transactions solutions, enhancing funds and securities management capabilities is expected in order to facilitate operations of excess funds as deposit balances grow. In this environment, we promote the use of Siatol Series, our financial market transactions solutions, in the mode of SaaS. This solution enables banks to reduce labor for system operations and respond quickly to institutional reforms. Accordingly, the service beneficiaries steadily increase.

We have seen an increase in trust assets to handle. Also, we have seen more businesses being enticed to enter the area of trust business in the environment of aging society. The BIPROGY group has increased its share in the area of solutions about trust business management. This has been enabled by our providing consultation services conducive to obtaining a license for trust business as well as providing enhanced technological capabilities and services of trust business management crystallized in TrustPORT.

In the future, we will continue to strengthen collaboration with various solutions, and thus we will remain around financial institutions and support them in the efforts to promote digitalization and transformation of business models.

## Create a society where everyone can live happily

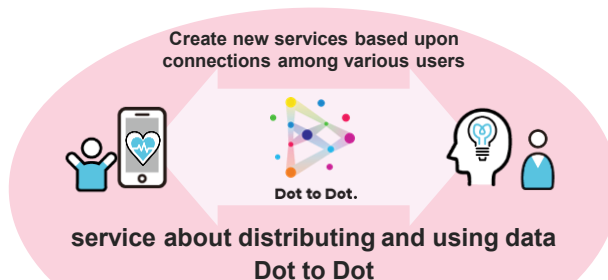
### A steady increase in the DIVP®, automated driving simulation platform

- Overseas suppliers as well as domestic automotive manufacturers and suppliers have begun to use the platform on a trial basis.
- We are deliberating DIVP® use scenarios based upon efforts of co-creation in cooperation with business operators related to mobility.



### Toward realizing a future city where healthcare is blended into everyday life Use 'Dot to Dot', services about distributing and using data

- Enhance social implementation of regional platforms such as healthcare regional platform
- Use 'Dot to Dot' for Osaka Healthcare Pavilion, Expo 2025 Osaka, Kansai. Plan to increase business operators about connections with the platform after the close



I will brief you on two cases conducive to realizing a sustainable society.

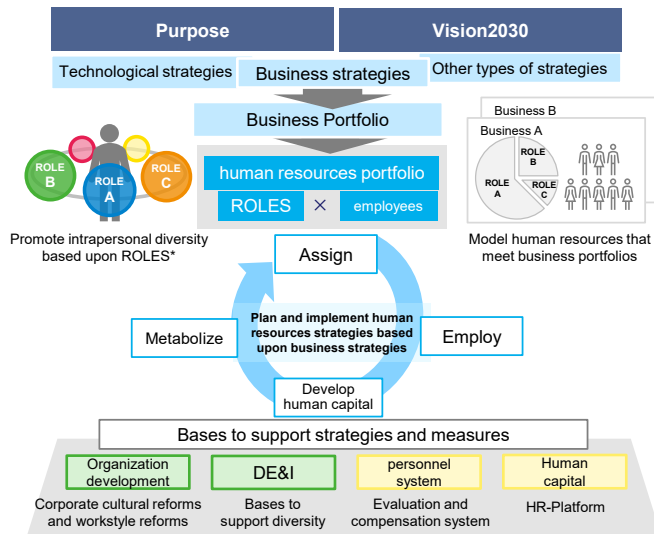
V-Drive® Technologies Inc. that we established in July 2022 provides the DIVP, automated driving (AD) simulation platform. The solution has steadily increased its users among major automotive manufacturers and suppliers at home and abroad. The company aims to distribute the solution in Europe and other parts of the world in an environment where there is a progress of an initiative for internationally standardizing technologies of the field. Also, the company has worked on solving social issues in light of automated driving through efforts of cocreation in cooperation with local governments and mobility-related business operators.

We have deliberated the use of Dot to Dot, service about distributing and using data, at various communities. We have enhanced the solution as a regional platform such as one for healthcare. The platform will be used for Osaka Healthcare Pavilion at Expo 2025 Osaka, Kansai in 2025. We will continuously provide the Dot to Dot service in cooperation with various business operators after the closing of Expo 2025.

Thus, we will create a society where everyone can live happily as indicated in Vision 2030 by combining technological capabilities that the BIPROGY Group has accumulated for many years and expertise and technical skills of various business partners.

# Strengthen Human Capital Management for the sake of a Sustained Growth

Promote new capabilities in order to strengthen value creation capabilities towards achieving Vision 2030



- ### Key Measures
- Visualize human capital and promote strategic resource management in order to implement business strategies
  - Focus on obtaining and developing human resources that lead key areas such as DX human resources and business producer human resources
  - Promote career self-reliance and reskilling and furthermore promote developments of mechanisms and environments such as personnel system and HR Platform as well as those conducive to corporate cultural reforms, in order to get the most value of human resources

\* ROLES: referring to roles played in business execution at the BIPROGY Group, a core concept for visualizing the types, qualities, and quantities of human capital

Human resources drive business. Human capital management to bring the best out of various employees is indispensable in order to maintain a sustained growth of the BIPROGY Group. We have increased human resources that lead key areas such as DX human resources and business producer human resources. We have visualized human resources based upon ROLES. Also, we have created a HR-Platform. Furthermore in April this year, we have established a new organization, Human Capital Management, dedicated for planning and promoting human resources strategies for the Group. We will model human resources with an eye on enabling distributions and planned assignments of human resources that match business portfolios, as we will further work on developing management leaders, implementing workstyle reforms, and developing organizations & human resources. Thus, we will strategically promote the efforts to produce human resources capable of creating furthermore value.

The entirety of the BIPROGY Group will continuously push on toward achieving Vision 2030 and improving our corporate value through working on structural reforms and transforming our business portfolios.



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(Note)

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