Mitsubishi Research Institute

Envisioning the future, leading change

1H Financial Results Briefing for the Fiscal Year Ending September 2025

April 25, 2025

Mitsubishi Research Institute

Summary

- Despite growth in general industries, revenue and profits decreased due to slow orders in 1Q (TTC) and unprofitable projects (ITS), etc.
- Both orders and order backlogs increased YoY, but fell short of plans.
- Taking the above into consideration, the full-year earnings forecast was revised (see page 11).

[billion yen]

	Results	YoY change
Net sales	65.43	(1.09)
	● Think Tank & Consulting Services (TTC): Failed to recover from slow orders in 1Q. ● IT Services (ITS): Despite contributions from government and public offices (for the public sector), human resources, and education-related projects, revenue decreased due to a decline in financial and credit card projects and the impact of unprofitable projects.	
Ordinary profit	7.64	(1.70)
	● TTC: Decreased due to the decrease in sales ● ITS: Deceased due to the additional cost of unprofitable projects and other factors	
Profit	4.88	(1.33)
	● While extraordinary losses associated with the withdrawal from new businesses were posted, corporate tax expenses decreased	

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Yabuta: This is Yabuta, President and Representative Director. I will now explain the financial results for 1H of the fiscal year ending September 2025 and the full-year earnings forecast for this fiscal year.

We are now at the halfway point of our medium-term management plan （MP2026）. As shown in the table, for 1H of the second year of the plan, net sales decreased by JPY1 billion YoY to JPY65.4 billion, ordinary profit decreased by JPY1.7 billion to JPY7.6 billion, and profit decreased by JPY1.3 billion to JPY4.8 billion, resulting in a YoY decrease in both net sales and profit, which is regrettable.

In the Think Tank and Consulting Services segment（TTC）, we were unable to fully recover the orders delayed in Q1. In the IT services segment（ITS）, additional losses from unprofitable projects occurred, resulting in these financial results.

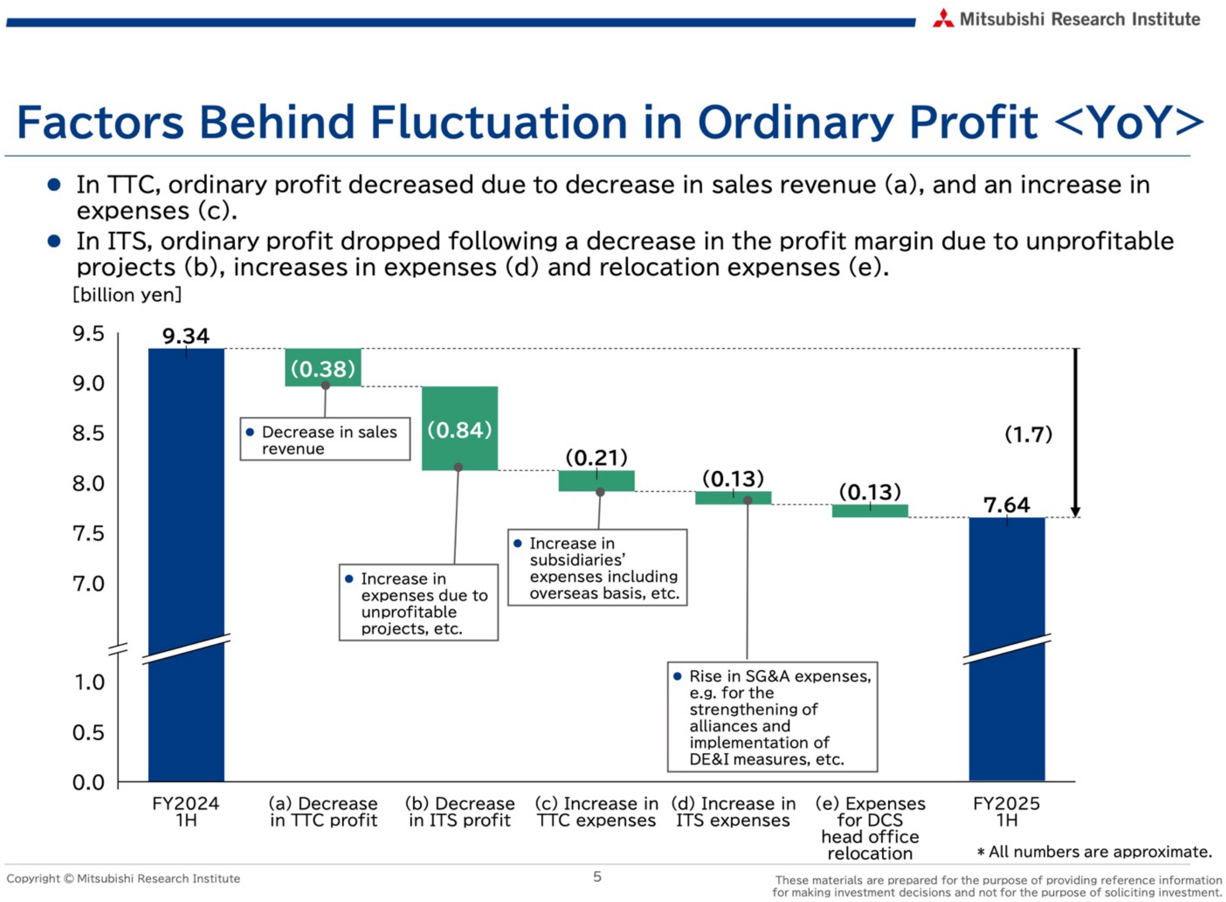
As I will explain later, although orders received and order backlog increased YoY, considering the progress of results in 1H, we have revised the full-year earnings forecast downward. Details by segment will be explained later.

1H Consolidated results <YoY>

[million yen]

	FY2024 1H	FY2025 1H	YoY change	
			Amount	Rate
Net sales	66,534	65,437	(1,096)	(1.6%)
Gross profit	17,331	16,439	(891)	(5.1%)
Gross profit margin	26.0%	25.1%	(0.9P)	
SG&A expenses	8,729	9,619	+889	+10.2%
Operating profit	8,601	6,819	(1,781)	(20.7%)
Operating profit margin	12.9%	10.4%	(2.5P)	
Ordinary profit	9,341	7,640	(1,701)	(18.2%)
Profit attributable to owners of parent	6,212	4,881	(1,330)	(21.4%)
Basic earnings per share (yen)	391.17	310.07	(81.10)	

Page four shows the consolidated statement of income for the results just mentioned. Please review it later.



See page five. This page shows the breakdown of factors affecting ordinary profit. Compared to JPY9.34 billion in ordinary profit for 1H of the fiscal year ended September 2024, the impact of decreased revenue in TTC was minus JPY380 million, additional costs for unprofitable projects in ITS were minus JPY840 million, and together with increased expenses in TTC and ITS and relocation costs for DCS headquarters, ordinary profit decreased by JPY1.7 billion to JPY7.64 billion.

Think Tank and Consulting Services (TTC)

[million yen]

	FY2024 1H	FY2025 1H	YoY change	
			Amount	Rate
Net sales	30,433	28,914	(1,518)	(5.0%)
Operating profit	5,659	4,995	(664)	(11.7%)
Operating profit margin	18.6%	17.3%	(1.3P)	
Ordinary profit	6,233	5,648	(584)	(9.4%)
Orders received	25,144	31,207	+6,062	+24.1%
Order backlog	22,799	28,094	+5,295	+23.2%

Key points

- Although orders received in 2Q recovered from a slow start in 1Q (orders received (0.01) bn YoY, backlog (2.2) bn YoY), sales in 1H could not fully offset the drop due to the backlash from large projects for the public sector.
- Profits increased in the energy, information & telecommunications, transportation sectors, but decreased as a result due to the above-mentioned decline in sales in 1H.
- Orders received and the order backlog increased substantially YoY.
- Order backlog was driven by government and public offices (up 4.5 billion YoY), with financial and credit card and general industries also up YoY.

Next, I will explain the results by segment. First, TTC, which roughly corresponds to the results of Mitsubishi Research Institute itself, recorded net sales of JPY28.9 billion and ordinary profit of JPY5.6 billion, both a decrease in revenue and profit.

In Q1, orders received decreased by JPY10 million YoY and order backlog decreased by JPY2.2 billion YoY, which put us behind. Although we focused on accumulating order execution in Q2 to recover, the execution of large projects in the previous year led to a significant YoY decrease in net sales by JPY1.5 billion.

On the profit side, projects for energy, information and communications, and transportation grew and contributed to increased profit, but the impact of decreased revenue from large projects resulted in a decrease of JPY500 million in ordinary profit. On the other hand, as of the end of March, orders received increased by JPY6 billion YoY, up 24.1%, and order backlog increased by JPY5.2 billion YoY, up 23.2%, showing steady growth.

Order backlog was driven by an increase of JPY4.5 billion in government and public offices, but orders for finance and credit card, and general industries also increased YoY, and we are steadily accumulating encouraging factors for 2H and beyond.

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IT Services (ITS)

[million yen]

	FY2024 1H	FY2025 1H	YoY change	
			Amount	Rate
Net sales	36,101	36,523	+422	+1.2%
Operating profit	2,937	1,832	(1,105)	(37.6%)
Operating profit margin	8.1%	5.0%	(3.1P)	
Ordinary profit	3,104	1,999	(1,105)	(35.6%)
Orders received	35,559	36,225	+666	+1.9%
Order backlog	46,684	49,307	+2,623	+5.6%

Key points

- Sales revenue increased due to growth in large-scale ERP projects for general industries and public sector systems projects, etc.
- Profits decreased due to a reduction in development projects accompanying the peaking out of large-scale projects in the financial and credit card business, and additional expenses incurred for unprofitable projects.
- Orders received increased YoY, with increases in public sector and general industries projects offsetting YoY decline in financial and credit card business.
- Order backlog was driven by public sector and financial and credit card business, resulting in significant YoY growth.

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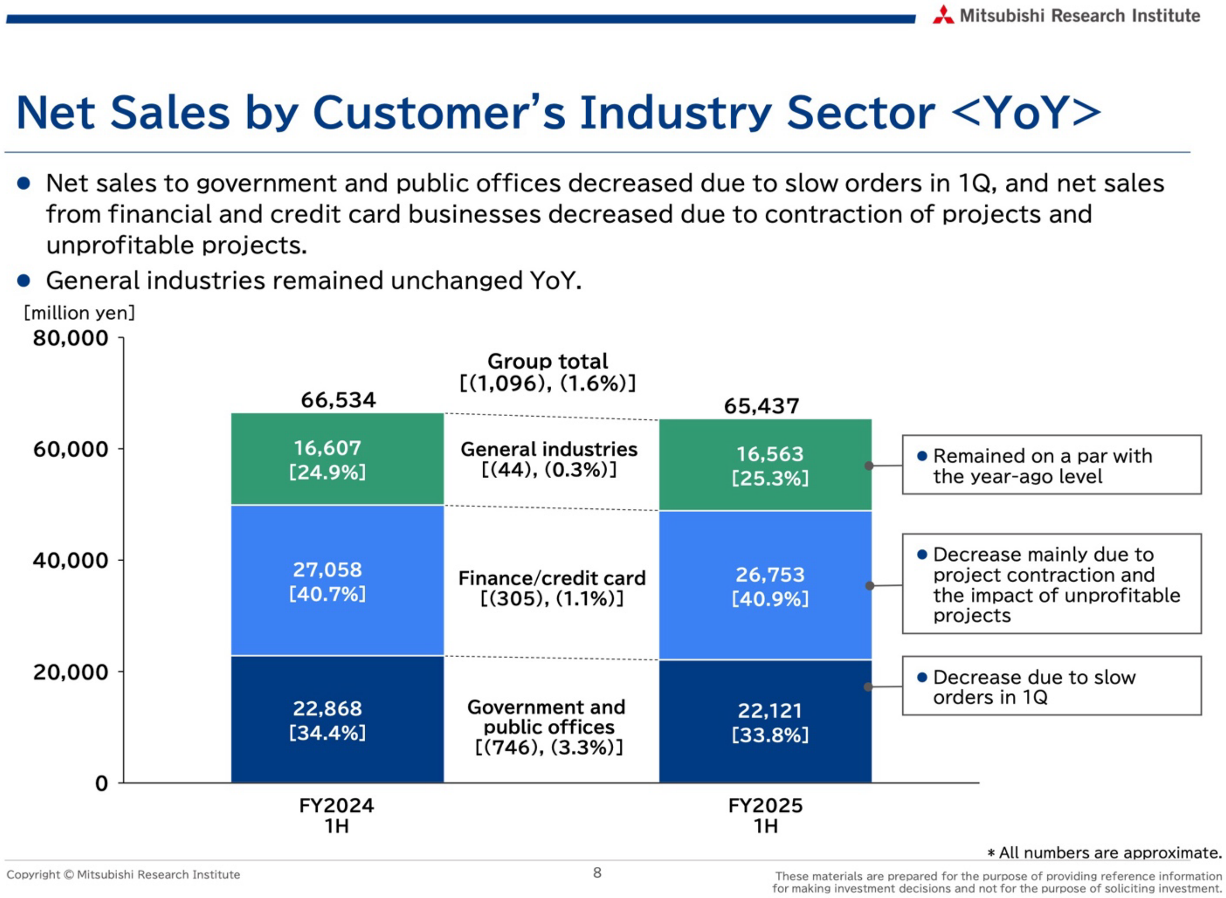
Next, IT Services (ITS), which mainly reflects the results of the Mitsubishi Research Institute DCS Group.

Net sales were JPY36.5 billion and ordinary profit was JPY1.9 billion, showing an increase in sales but a decrease in profit. Growth in large ERP projects and public and general industry system projects contributed to higher net sales. However, ordinary profit decreased by JPY1.1 billion due to the reduction of large system projects in the finance and credit card sector and additional costs for unprofitable projects.

Regarding the unprofitable projects in the finance and credit card sector that occurred in Q1, we have focused on resolving them as quickly as possible, but the situation still requires attention. We are reallocating and assigning resources company-wide to bring these projects to a close, resulting in additional costs.

Orders received increased by JPY600 million YoY, and order backlog increased by JPY2.6 billion YoY, driven by public sector and finance and credit card sector projects, and projects are steadily accumulating in ITS as well.



Page eight shows net sales by customer’s industry sector. At the top of the graph, general industries were roughly flat YoY. At the bottom, government and public offices sales were down 3% due to delayed orders in Q1. In the middle, finance and credit card sales were down 1% due to the reduction of large system projects.

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(Reference) Net Sales by Segment and Customer’s Industry Sector <YoY>

[million yen]

		FY2024 1H	FY2025 1H	YoY change	
				Amount	Rate
TTC	Government and public offices	22,442	21,238	(1,203)	(5.4%)
	Finance/credit card	1,288	1,268	(19)	(1.6%)
	General industries	6,702	6,407	(295)	(4.4%)
	Subtotal TTC	**30,433**	**28,914**	**(1,518)**	**(5.0%)**
ITS	Government and public offices	425	882	+457	+107.5%
	Finance/credit card	25,770	25,485	(285)	(1.1%)
	General industries	9,905	10,155	+250	+2.5%
	Subtotal ITS	**36,101**	**36,523**	**+422**	**+1.2%**
Total		**66,534**	**65,437**	**(1,096)**	**(1.6%)**

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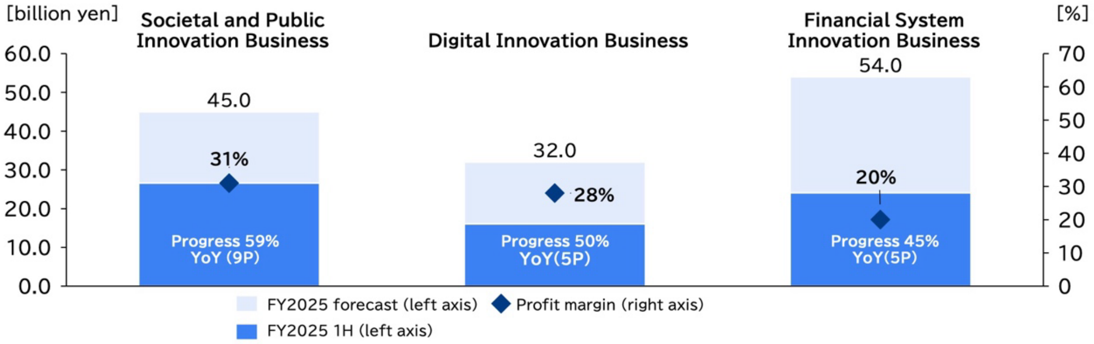
These materials are prepared for the purpose of providing reference information for making investment decisions and not for the purpose of soliciting investment.

Page nine breaks down segment sales by customer’s industry sector. Please check it later.

(Reference) Outlook and Progress for FY2025 by Business Segment

- Progress of 1H in the Societal and Public Innovation, Digital Innovation and Financial System Innovation Businesses is 45-59%.
- The Societal and Public Innovation Business has the highest rate of progress, but has not reached the planned level due to significant seasonality.



Main business	Business scale (progress rate) for 1H of FY2025	Profit margin (YoY % change)	FY2025 forecast
Societal and Public Innovation	26.6 billion yen (59%)	31.0% (+0.0Pt)	45.0 billion yen
Digital Innovation	16.1 billion yen (50%)	27.6% (-3.6Pt)	32.0 billion yen
Financial System Innovation	24.1 billion yen (45%)	20.1% (-3.8Pt)	54.0 billion yen

* Societal and Public Innovation and Digital Innovation Businesses include some duplicate descriptions of work promoted in collaboration.
* The profit margin represents the gross profit margin.
* All numbers are approximate.

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Please turn to page 10. This page shows the progress of the three business axes set out in MP2026. Note that the profit here refers to gross profit. Also, company-wide indirect expenses and other figures outside this scope are not included, so the total does not match the consolidated gross profit.

The progress rates for the three businesses are 59% for Societal and Public Innovation business, 50% for Digital Innovation business, and 45% for Financial System Innovation business. All progress rates are below those of the same period last year, and both the digital and financial system businesses have lower profit margins YoY.

FY2025 Full Year Forecasts (changed from initial forecasts)

- Revised earnings forecast in light of 1H results, current order situation, and future projects.

	Forecast (after revision)	Comparisons with Initial Forecast / and with Actual Results of FY2024
Net sales	122.0 billion yen	(6.0 billion yen) / +6.6billion yen
	• The forecast was revised downward based on 1H results, order backlog, and materials on hand.	
Ordinary profit	7.5 billion yen	(2.0 billion yen) / (0.6 billion yen)
	• Failure to achieve TTC plan for 1H and unprofitable ITS projects had an impact.	
Profit	4.1 billion yen	(1.5 billion yen) / (0.9 billion yen)
	• **Ordinary profit decreased, as did tax burden, etc.**	

＊Annual dividend forecast remains unchanged (160 yen)

Next, I will explain the earnings forecast for the fiscal year ending September 2025. Please see page 12.

Taking into account the 1H results, recent orders, and future projects, we have revised the full-year earnings forecast downward as shown in the table. Net sales have been revised down by JPY6 billion to JPY122 billion, ordinary profit by JPY2 billion to JPY7.5 billion, and profit by JPY1.5 billion to JPY4.1 billion. Details by segment will be explained on the next page.

FY2025 Full Year Forecasts (changed from initial forecasts)

[million yen]

	FY2024 (Results)	FY2025 (Forecast)	YoY change Amount	YoY change Rate	Previous forecast	Change
Net sales	115,362	122,000	+6,637	+5.8%	128,000	(6,000)
Think Tank & Consulting Services	45,419	48,000	+2,580	+5.7%	50,000	(2,000)
IT Services	69,942	74,000	+4,057	+5.8%	78,000	(4,000)
Operating profit	7,060	6,200	(860)	(12.2%)	8,300	(2,100)
Operating profit margin	6.1%	5.1%	(1.0P)		6.5%	(1.4P)
Ordinary profit	8,147	7,500	(647)	(7.9%)	9,500	(2,000)
Think Tank & Consulting Services	4,237	4,700	+462	+10.9%	5,300	(600)
IT Services	3,909	2,800	(1,109)	(28.3%)	4,200	(1,400)
Profit attributable to owners of parent	5,003	4,100	(903)	(18.1%)	5,600	(1,500)
Basic earnings per share (yen)	316.44	260.37	(56.07)		355.76	(95.39)

* All numbers are approximate.

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Please see page 13. For TTC, although we maintain the forecast for increased net sales and ordinary profit at JPY48 billion and JPY4.7 billion, respectively, net sales have been revised down by JPY2 billion and ordinary profit by JPY600 million.

For ITS, the net sales forecast has been revised down by JPY4 billion to JPY74 billion, which is still JPY4 billion higher than last year, and the ordinary profit forecast has been revised down by JPY1.4 billion to JPY2.8 billion, which is JPY1.1 billion lower than last year. We take very seriously the fact that we have missed the plan for three consecutive years.

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1H Results Summary and Countermeasures

- A summary of 1H results and the main measures already initiated are as follows.
- <u>In addition to the forecast for the next fiscal year, we plan to present the positioning of the MP2026 and MP2029 toward our goals for 2030 and our strategy for further growth at this fiscal year's end.</u>

	1H Results Summary	Countermeasures
TTC	◆ Investing in growth and hiring more new graduates and career professionals ◆ Shortage of core human resources affects the ability to win and execute projects	➢ Reallocation of core human resources to meet increasing consulting needs ➢ Deploying human resources in focus areas (energy, medical/nursing care, etc.) ⇒Partial effect as order backlog increased at the end of 1H ➢ Discontinuation of new businesses that are difficult to improve profitability
ITS	◆ Additional costs due to unprofitable projects in the finance and settlement sectors and sluggishness in new business development ◆ Progress and inquiries increased in the industrial and public sectors, but expansion of human resources is still in progress	➢ Additional resources inputs and strengthening of project management and quality to eliminate unprofitable projects as soon as possible ➢ Reallocation and reskilling of personnel ➢ Expansion of new business development and services through collaboration with alliances partners ➢ Review of head office relocation and other expenses

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Please see page 14. We have analyzed the factors that led to this situation and are already implementing possible countermeasures sequentially.

In TTC, while we have been expanding growth investments and hiring more new graduates and mid-career professionals, there has been an overall shortage of core personnel at the business frontlines, which has hindered our ability to win and execute projects.

To steadily convert the strong consulting demand from clients into increased orders, we are reallocating core personnel to the business frontlines and, in particular, strengthening staffing in focus areas such as energy and medical/nursing care. The effects of these efforts are beginning to appear, as seen in the significant recent increases in TTC orders and order backlog, which I explained earlier.

Furthermore, continuing from the previous fiscal year, we have decided to discontinue several new businesses where we determined that improving profitability would be difficult.

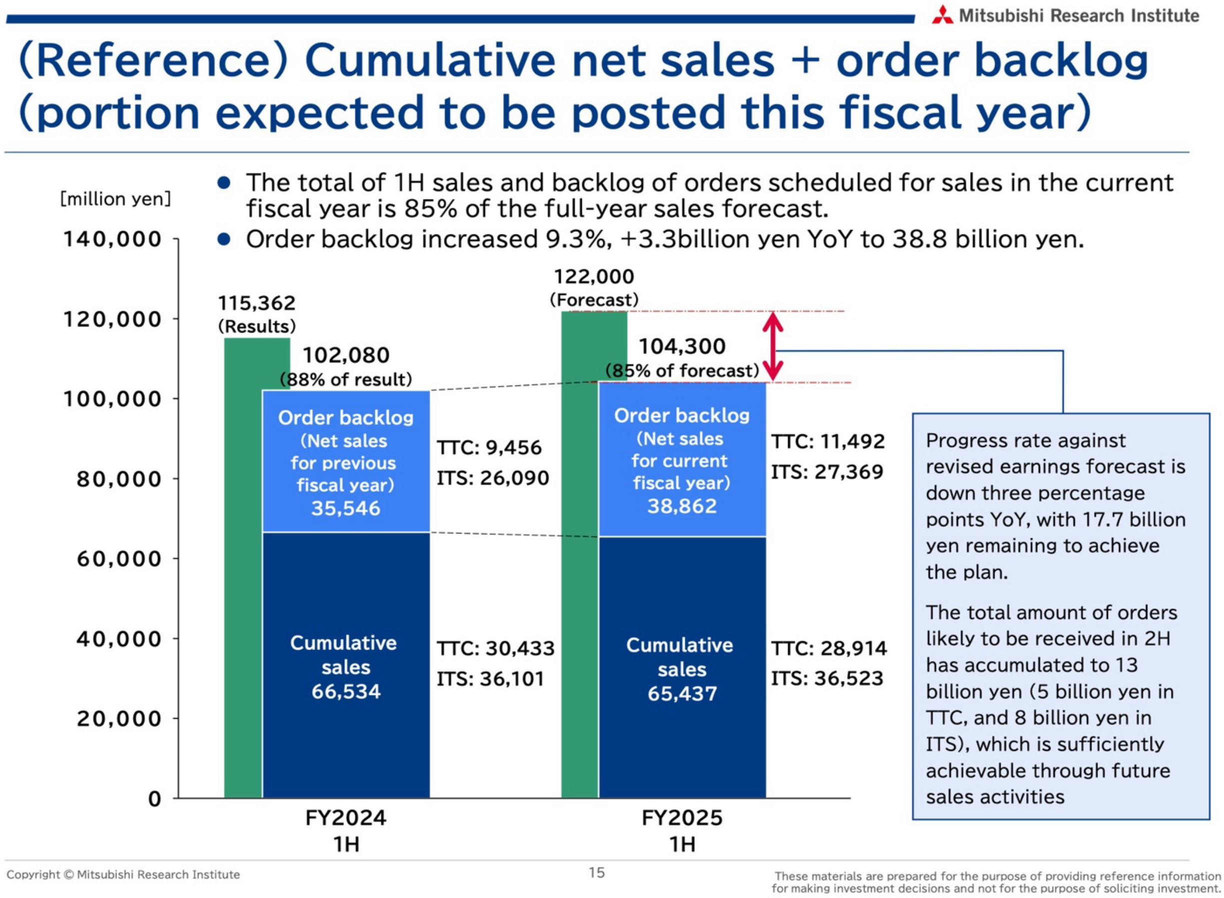
In ITS, in addition to incurring additional costs for unprofitable projects in the financial and settlement sectors, we also struggled with new business development. While there was certain progress and expanding inquiries in the industrial and public sectors, we were unable to meet our plans due to ongoing efforts to strengthen personnel.

To quickly eliminate unprofitable projects, we are deploying additional resources, enhancing project management, and strengthening quality with company-wide support. We are also focusing on reallocating personnel to the industrial and public sectors, where inquiries are strong, as well as reskilling our workforce.

In addition, we are working on new business development and service expansion through alliances, as well as reviewing strategies and measures such as revisiting head office relocation costs.

Given the downward revision of this fiscal year’s earnings forecast, it is realistically quite difficult to achieve the original target levels of MP2026 in its final year, FY2026.

At the time of the full-year financial results announcement for FY2025, we plan to present not only the earnings forecast for the next fiscal year but also MP2026 and MP2029 toward our vision for 2030, as well as strategies for further growth beyond that.

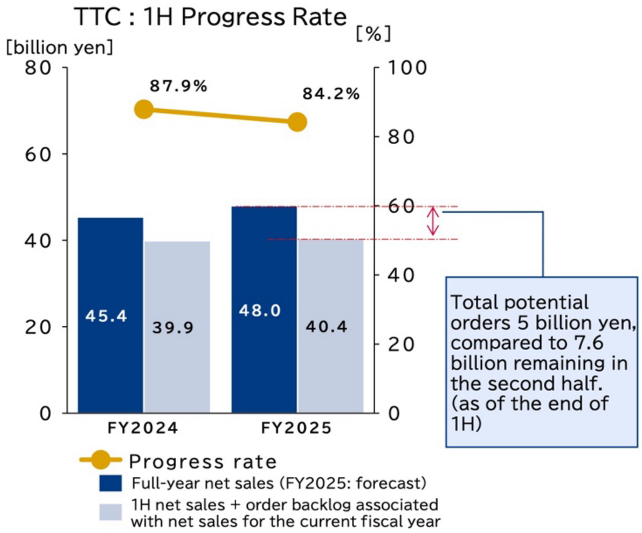


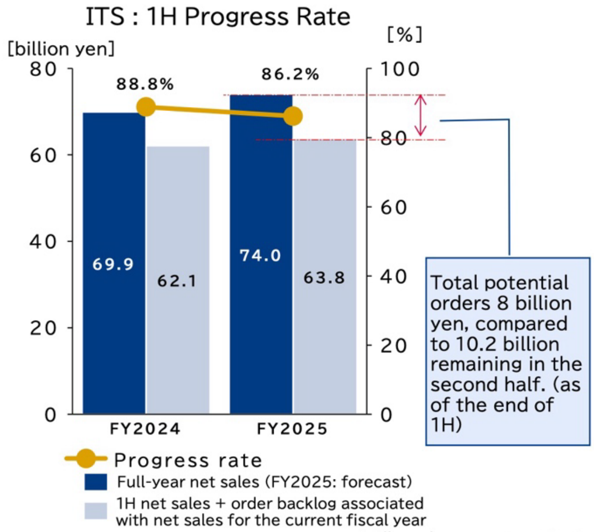
Page 15 shows, by comparing with the same period last year, the progress rate against the revised earnings forecast for the total amount of net sales up to 1H and the order backlog for projects expected to generate net sales during the current fiscal year.

Against the revised earnings forecast of JPY122 billion, the total of cumulative net sales and order backlog is JPY104.3 billion, for a progress rate of 85%. This is 3 percentage points lower than the same period last year, but considering the current accumulation of projects, we judge that achieving the revised target is fully possible.

(Reference) 1H progress rate (for net sales + order backlog by segment)

- 1H sales + order backlog against revised forecast
  - TTC accounted for 84.2%, with 7.6 billion yen remaining. Projects prior to the booking of orders has accumulated to approximately 5 billion yen.
  - ITS 86.2%, 10.2 billion yen remaining. Likewise, accumulated to approx. 8 billion yen.
- Progress rate is down YoY, but potential orders are steadily accumulating.





* All numbers are approximate.

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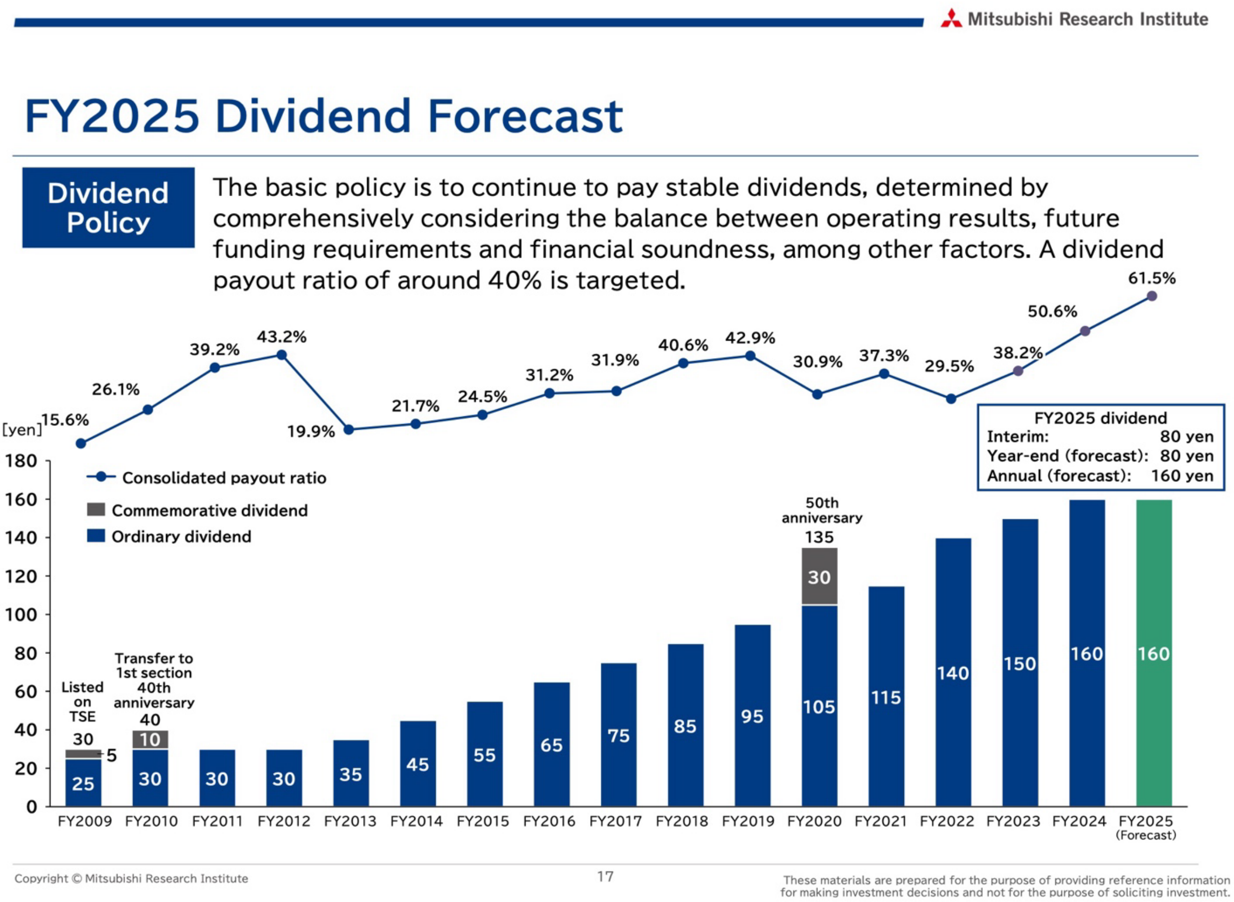
Page 16 shows the progress of the 1H results against the revised forecast just explained by segment. Please check this later.



Please see page 17. This is our dividend policy. There is no change to the policy as stated.

For the fiscal year ending September 2025, in line with our policy of maintaining stable and continuous dividends, the interim dividend will be JPY80 per share as initially forecast, and with a year-end dividend forecast of JPY80 per share, the annual dividend will be JPY160 per share. As a result, the payout ratio is expected to be 61.5%.

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(Reference) Update to "Management Based on an Awareness of Cost of Capital and Share Prices"

- With regard to the "Management Based on an Awareness of Cost of Capital and Share Prices" disclosed in 2Q of FY2024, the Corporate Governance Report has been updated as follows, incorporating additional information on engagement with investors and other stakeholders, and cross shareholdings.

1. Cost of capital estimates

■ Cost of capital demanded by the market has been updated.

(Current) The cost of capital required by the stock market is estimated to be around 9%

(Revised) The cost of capital required by the stock market is estimated to be around <u>9 to 10%.</u>

2. Approach to the level of cross shareholdings and cash and deposits

■ The following two points were added.

- <u>The partial sale of cross shareholdings, which currently account for 8% of net assets, is being pursued. We will continually assess the impact on business in the future, progressively reducing or replacing cross shareholdings as appropriate.</u>
- <u>For cash and deposits, after securing around 2-3 months of net sales as cash on hand, we will allocate the rest to future investment and shareholder return.</u>

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On page 18, in response to a request from the Tokyo Stock Exchange, we disclosed information last year in the 1H results regarding management with awareness of capital cost and stock price. There have been no major changes to the basic policies on capital policy for our group, but we have updated and added information reflecting engagement with investors and additional information on policy shareholdings.

From page 19 onward, we introduce recent topics regarding initiatives by our company and group.

Topics: "Research and Recommendations"

List of Societal Issues 2025 Expected to be Solved through Innovation

- Each year, we publish a "List of Societal Issues Expected to be Solved through Innovation"
- The 2025 edition, released on March 28, adds DE&I*2 to the six areas*1 previously presented.

- The six existing areas will be reorganized from the perspectives of "Earth," "Society," and "People" in light of recent social conditions, and new themes will be added.
- To register, please visit this URL.

https://icf.mri.co.jp/research/research-389/?_gl=1*tfd3iy*_gcl_au*OTQ3NjQwNzU1LjE3NDE1NjMzODg.

*1:Six areas: energy and environment, food and agriculture, mobility, resilience, wellness, education and human resource development

*2:Diversity, Equity & Inclusion

Areas		Examples of new themes
Energy & Environment	:	Ensuring flexibility in electricity supply and demand operations with an eye to accelerating the introduction of renewable energy
Food & Agriculture	:	Addressing Environmental and Social Risks in the Food Production Supply Chain for Future ESG Responsiveness
Mobility	:	Realization of comfortable travel with guaranteed safety to improve wellbeing while on the move
Resilience	:	Ensuring trust and security in the digital space in the face of increasing cyber attacks
Wellness	:	Support children and youth and create an environment where the next generation can live vibrantly
Education & Human Resource Development	:	Promoting reforms in teacher work styles to reduce teacher busyness
DE&I	:	Promoting mutual understanding of diversity to address the lack of understanding of diversity within the local community

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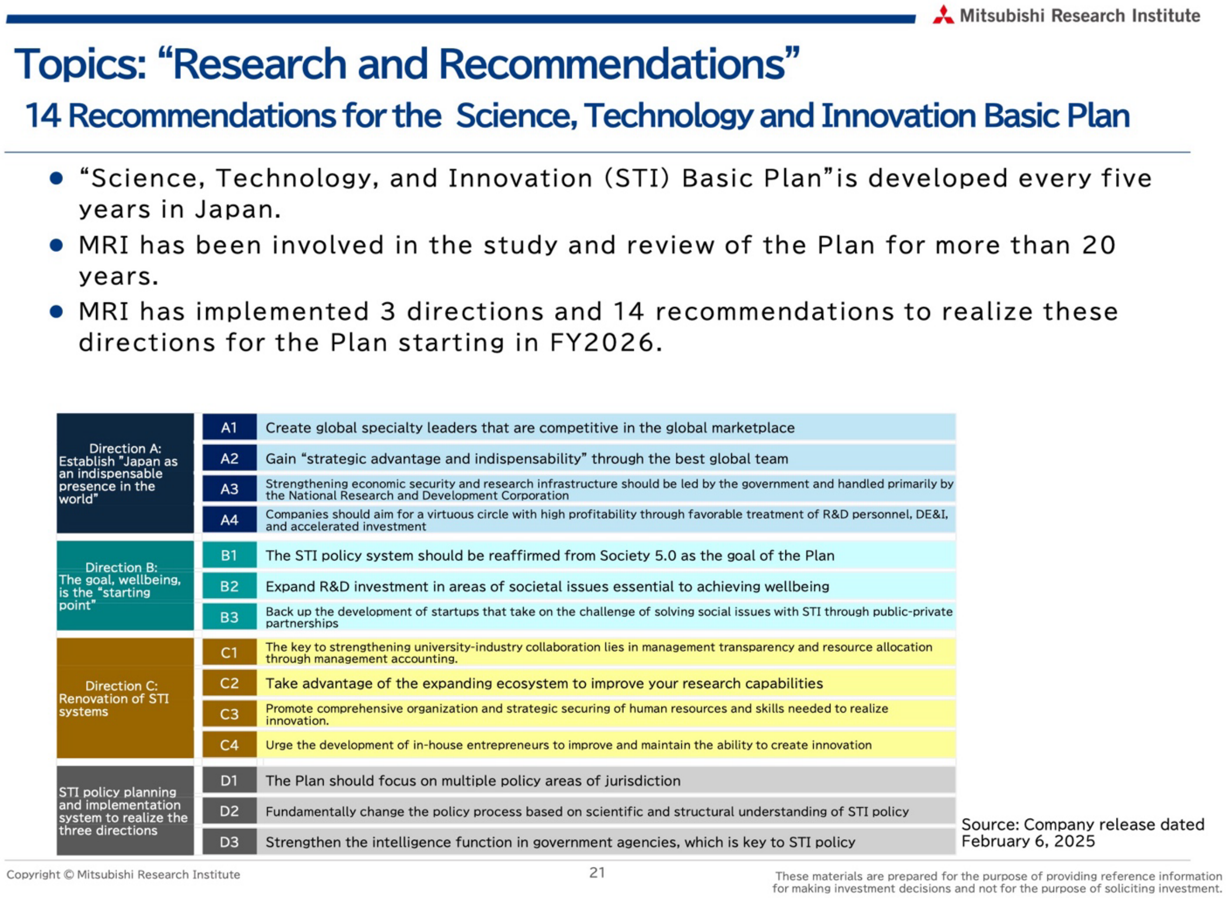
Page 20 presents a list of societal issues expected to be solved through innovation, which we publish annually as part of our research and policy proposal activities. The 2025 edition was issued on March 28.

Until now, we have organized themes into six areas, but this year we have added a new area: DE&I, namely diversity, equity, and inclusion, reorganizing into seven areas including the existing ones. Details are available on our website.

Every year, we receive high evaluations from various fields, and we hope this handbook will be useful for addressing social issues.

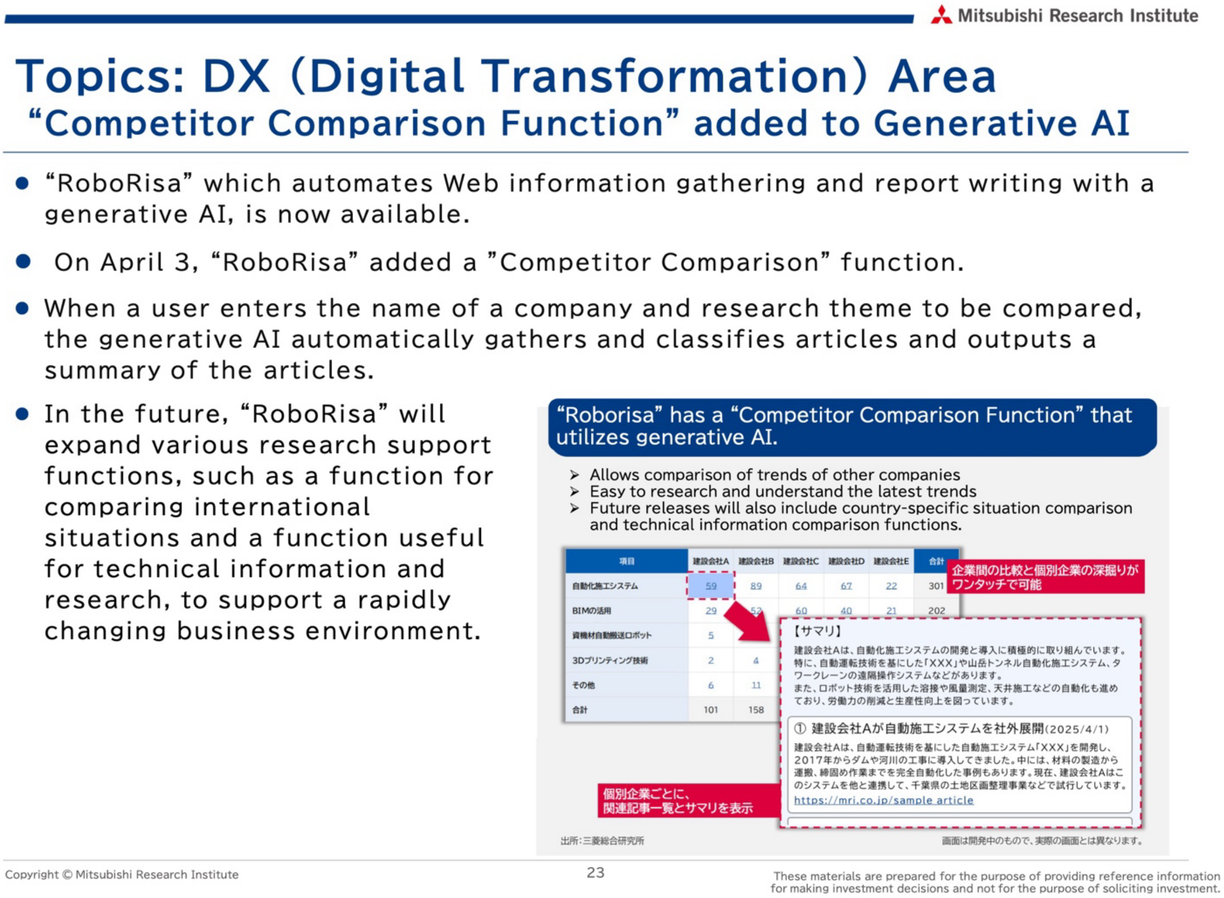


Page 21 is another example of our research and policy proposal activities. Japan’s Science, Technology and Innovation Basic Plan is formulated every five years, with the next plan scheduled to begin in FY2026.

We have been involved in research and examination related to this basic plan for over 20 years. For the next plan, we made three directions and 14 recommendations in February. We have received significant responses from relevant parties and are actively exchanging opinions.

Page 22 presents an example of our GX (Green Transformation) initiatives. At the currently ongoing Osaka-Kansai Expo, we are conducting a demonstration experiment of technology that enables wireless charging of electric vehicles.

Last year, the Company also served as a founding member in establishing the EV Wireless EV Alliance. Centered around this alliance, we are conducting experiments at the Expo site, as shown in the photo, to supply power to electric buses while they are in motion. The photo on the right shows the equipment for this purpose being embedded under the road.



Page 23 presents an example of our DX initiatives. We have long provided our customers with a service named RoboRisa, which automates everything from web-based information gathering to report creation using generative AI.

On April 3, we added a new competitor comparison function to this service. By simply entering a company name and research theme, RoboRisa automatically collects and classifies articles and outputs summaries. For our customers, competitive analysis is one of the most important tasks, and this function helps them to conduct such analysis efficiently.

RoboRisa is scheduled to further expand its research support functions in the future, such as comparing international situations and investigating technical information.

Topics: Recent News Releases

(Note) All releases below are only in Japanese
Otherwise indicated as ※

Date	Title
[Related to Societal and Public Innovation Business]	
April 24, 2025	Joint Field Experiment Conducted with Izumo City to Promote Tourism Using NFTs
April 1, 2025	Honda Mobility Land and MRI Sign Sustainability Partnership Agreement
March 27, 2025	Hokkaido Sapporo Storage Battery Co., Ltd. Established to Launch Grid Storage Battery Business
March 13, 2025	※ New Research on Indonesia's Decarbonization and Growth: BRIN and Mitsubishi Research Institute team up
[Related to Digital Innovation Business]	
April 10, 2025	MRI Announces Results of a Survey on the Status of DX Promotion by Japanese Companies (FY2025 Flash Report)
April 7, 2025	AI Automated Voice Response for Telephone Reservations to Arrange Shuttle Transportation for Bus Stops
April 3, 2025	Easy Comparison of Qualitative Information from Multiple Companies Using Generative AI!

Topics: Recent News Releases

(Note) All releases below are only in Japanese

Date	Title
[Related to Financial System Innovation Business]	
April 21, 2025	Supporting the Advancement and Democratization of Data Analysis Operations at Joyo Bank
[Think Tank Function (Recommendations and Dissemination of Information)] [Global Business]	
April 2, 2025	Announcement of 11 Proposals for Future Co-Creation Between Offshore Wind Power Generation and the Fisheries Industry
March 28, 2025	List of Social Issues Expected to be Solved Through Innovation: FY2025 Edition
February 6, 2025	Announcement of 14 Recommendations for the Next Science and Technology Innovation Basic Plan

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Topics: Recent News Releases

(Note) All releases below are only in Japanese

Date	Title
Group Companies, etc.	
April 23, 2025	[DCS] Launch of Partnership with Databricks and MILIZE
April 17, 2025	[DCS] Launch of Analytics Services to Support the AI Era
April 8, 2025	[JBS] Development of Sales AIgent (Tentative Name)—an AI Agent Specializing in sales
March 19, 2025	[JBS] Release of Service that Analyzes Microsoft 365 Copilot User Work Styles and Behavior to Support Improvements in Productivity Based on Data
February 27, 2025	[DCS] Protecting Cloud Assets from Threats! Launch of Cloud Security Operation Service
February 18, 2025	[JBS] Contributing to Improvement of Sustainable Management at Companies Through Development of Nikkei Sustainable Link
February 17, 2025	[DCS] Conclusion of Industry-Academia Collaboration Agreement with The University of Kitakyushu
February 12, 2025	[DCS] Introduction in as Little as Two Months! Launch of Smart Operations Platform to Improve Efficiency of Fault Management
February 10, 2025	[MPX] JERA Cross Introduces MPX's MPX-ETRM Energy Trading Risk Management System to Manage Market Risks Associated with Renewable Energy Sources

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These materials are prepared for the purpose of providing reference information for making investment decisions and not for the purpose of soliciting investment.

From page 24 onward, including the initiatives just mentioned, we have organized the initiatives released during this period by business segment as indicated in our medium-term management plan. We would appreciate it if you could review them later.

This concludes my explanation. Thank you very much for your attention.

A : I have three questions. First, could you please explain in more detail the reason for the additional loss on the unprofitable ITS project?

Second, regarding the JPY1.4 billion reduction in full-year ordinary profit for ITS, I understand that the additional loss in Q2 is around JPY500 million. Is this correct? Also, please explain the other factors behind the reduction.

Third, is there any change in the DCS headquarters relocation plan from what was previously announced?

Answer 1: Regarding this matter, “Answer 2” responds.

Answer 2: First, regarding the reason for the additional loss on the unprofitable project, as we proceeded with checking the project details and conducting tests, we recognized the need to further improve quality beyond our initial expectations.

As this is a very important project requiring high precision, we reviewed the situation while conducting additional tests and recognized the necessity to implement further quality improvement measures. As a result, we recorded the additional loss this time.

Second, regarding the JPY1.4 billion reduction in full-year ordinary profit forecast for ITS, your understanding is correct.

As for other factors, in the industrial and public sector and the finance and settlement sector, we support various clients and projects, and there have been cases where reductions occurred among these.

Regarding details related to individual clients, I would like to refrain from commenting here, but please understand that there are multiple factors involved.

Third, regarding the DCS headquarters relocation, as announced on our website, the relocation is scheduled to take place from April to June. About one-third of the move has been completed so far, and we plan to complete the relocation as scheduled by June.

Answer 1: I would like to add a few points regarding the second and third questions. Regarding the JPY1.4 billion downward revision of full-year ordinary profit for ITS, the impact of the unprofitable project is about JPY1 billion for the full year.

As for the rest, overall net sales have also been revised downward, so as explained earlier, the impact on profit due to the downward revision of net sales is also included.

Regarding the DCS headquarters relocation, it is proceeding as planned, but we are working to save costs compared to the initial plan.

B : Could you break down the downward revision of the earnings forecast, such as the shortfall against internal expectations for 1H and the reduction from the 2H plan? Also, please provide a breakdown of the profit reduction, such as net sales decrease, impact of unprofitable projects, and other increases or decreases. What is the outlook for the unprofitable projects?

Answer 1: Regarding this matter, "Answer 3" will provide an explanation.

Answer 3: The shortfall against internal expectations for 1H is both in TTC and ITS, with a certain degree of shortfall in the 1H performance. The reduction in the 2H plan also includes a certain degree of reduction in both TTC and ITS.

As for the breakdown of the profit reduction, the impact of unprofitable projects is about JPY1 billion, and the remainder is other increases and decreases.

As for the outlook for the unprofitable projects, it is as explained earlier.

Answer 1: Both TTC and ITS are operating as planned, but regarding earnings, we expect to catch up somewhat in 2H to make up for the shortfall in 1H.

As explained earlier, the order backlog as of the end of March for TTC and ITS has exceeded the previous year, we expect the result in 2H will be slightly strong.

Answer 2: To further explain about the unprofitable projects, testing is proceeding smoothly at present, and although there are still hurdles to clear, at this stage we have made estimates based on the maximum possible risk within our current understanding.

We have a certain outlook, and while there are, of course, still uncertainties, we will continue to respond with a thorough system. From the perspective of the outlook, the possibility of further losses beyond the figures already mentioned is considered low.

C : Is there any impact from the Trump administration's tariff policies?

Answer 1: We expect that various impacts may arise in the future. At this stage, the overall outcome of the tariff policies is still unclear. Our business is mainly domestic in both TTC and ITS, so we do not expect a significant direct impact from the tariff policies.

Rather, the indirect impact, both positively and negatively, will depend on the extent to which these tariffs affect the performance of various companies and their future investment plans, which may in turn affect our consulting services or IT Services.

On the other hand, the uncertain outlook may generate new consulting needs, which could be a positive factor. In any case, since nothing is certain at this point, the impact of the Trump administration's tariff policies is not included in the current revised plan.

If anything definitive or predictable arises in the future, we will incorporate it into our plans as appropriate.

D : Regarding the TSE's recently announced reduction of the minimum investment unit to below JPY100,000, does MRI have any response?

Answer 1: For us, expanding the investor base and ensuring liquidity have long been issues. Fundamentally, our response is to make our company an attractive investment target for shareholders by steadily delivering results and returns, including dividends.

Previously, the favorable minimum investment unit was JPY500,000, with a price of JPY5,000 per share, which was a upper limit guideline. If our share price consistently exceeds JPY5,000, we have considered the need to lower the investment unit.

The other day, TSE had announced their research result that many individual investors preferred below JPY100,000 as the minimum investment unit. We will carefully examine the details and consider our response as part of our future capital policy in line with this information.

E : Please provide details about the withdrawal from new businesses.

Answer 1: Regarding new businesses, we have been promoting selection and concentration over the past two years. In our core business areas and fields where we have significant expertise, new businesses have expanded to a certain scale and are in a situation where profits can continue to grow.

On the other hand, in areas where we lack sufficient expertise or where there are no customers or markets, we have struggled and have been sequentially withdrawing from such areas.

As for the withdrawal cases that are affecting this fiscal year's results, we are still coordinating with various customers, so I would like to refrain from providing details at this time. However, we are proceeding in line with the major policy just mentioned.

In 1H, we recorded losses from withdrawal, but from 2H onward, related depreciation and other expenses will be reduced. These factors are reflected in the plan for 2H.

B **:** First, excluding the impact of the large project for the company in financial and credit card field, what is the outlook for ITS's financial and card-related net sales?

Second, once the withdrawal from new businesses is completed, to what extent will this contribute to profit growth next fiscal year?

Answer 1: Regarding the profit growth factor for next fiscal year after the withdrawal from new businesses, I will answer.

The portion affected by withdrawal decisions and financial impact in 1H, we recorded impairment losses totaling about JPY600 million. Once the withdrawal is complete, we expect a reduction in costs of around JPY100 million, which will contribute to profit growth.

In addition, after completing necessary actions for customers, we expect to reassign internal personnel involved in these businesses to other areas, which should also have a positive effect on the top line in the future.

Answer 2: Regarding your first question, which was the impact of excluding the large project , I understand the question is about the situation after the project is completed.

Currently, total net sales for finance and settlement sectors are about JPY50 billion, and if the current large project is completed, the impact would be just under 20% for that area.

However, this 20% refers only to the area currently handled by that project.

After the project is completed, we expect new projects to be launched, and by handling these, we aim to cover the decrease in net sales as much as possible.

At this stage, it is difficult to specify how much each area will increase, as it depends on relationships with clients, but we intend to proceed in this manner.

The second question doesn't seem to relate to finance and settlement sector or ITS, but to clarify, in the ITS area, including finance and settlement sector and industries and public sectors, we do not handle many new businesses as a category.

Of course, we are conducting research and development on new businesses, but in terms of business, we are expanding new services to existing clients or developing new clients.

Therefore, there are no withdrawals or impacts in ITS in this regard.

B **:** With the withdrawal from new businesses, where will the personnel involved be assigned?

Answer 1: We have personnel with various skills and areas of expertise, so we will proceed with assignments in areas where they can be active within the Company, confirming their preferences as well.

[END]

Notes concerning forward-looking statements

This document contains forward-looking statements. These forward-looking statements, including forecasts, are based on the Company's assumptions in light of information available at this moment.

These statements do not guarantee future performance, and involve unpredictable risks and uncertainties. Accordingly, actual performance may differ from the outlook due to such various factors.

The Company is under no obligation to update or revise any forward-looking statements in light of future events, new information or other findings.

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