



*Envisioning the future, leading change*

## **Business Briefing**

June 20, 2022

# Presentation

**Yabuta:** I'm Yabuta, President.

Thanks to your support, our group has announced strong first-half results and upwardly revised its earnings forecast. On the other hand, we have been receiving comments on a regular basis that there are aspects of the Group's growth strategy and business activities that are difficult to understand. Today, for the first time, we have decided to hold a business briefing to help you better understand our main business activities.

I will begin with a brief review of the overall project and its future direction, after which officers in charge will provide more specifics and answer questions.

 Mitsubishi Research Institute

## Medium-Term Management Plan 2023 (MP2023): Financial Targets and Key Initiatives

Basic Policy		Sustainable growth for individuals and the organization	
		FY2023/9	FY2020/9 results
Financial targets	1. Ordinary profit	10,000 mil. yen	7,000 mil. yen (excluding special factors)
	2. ROE	10%	8.9% (excluding special factors)
	CAGR (ordinary profit)	12%	—
Key Initiatives	<b>1 VCP* management</b> Using societal issues as a starting point, we will strengthen the value chain <small>*Value Creation Process</small>		
	<b>2 Consolidation management</b> We will enhance the DX business based on collaboration between the four Group companies** <small>** MRL, DCS, JBS and INES (→p. 22)</small>		
	<b>3 New normal management</b> We will transform work styles and governance to strengthen the management base		

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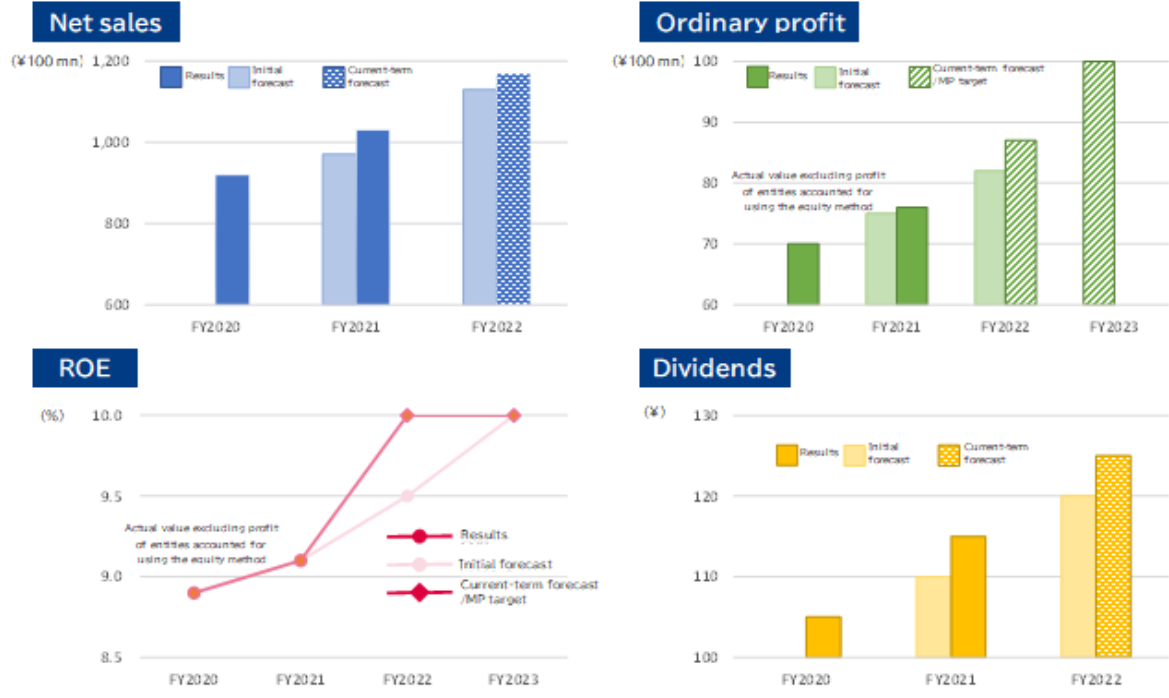
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Please see page three.

The financial targets of this medium-term plan are ordinary income of JPY10 billion, ROE of 10%, and average annual profit growth of 12%.

There are three main measures shown. Today, I would like to focus on VCP (Value Creation Process) management that focuses on social issues and the strengthening of DX business on a consolidated basis. We hope to exchange views with you on the progress and relevance of the two main measures and their contribution to business expansion.

# Progress of Key Financial Figures



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Page four shows the progress of key figures.

Sales, ordinary income, ROE, and dividends are all ahead of plan.

## Progress of VCP Management

### Increasing awareness of “societal issues” among corporations and greater society

- Expectations for VCP management’s value type “A”; Research & Recommendations
- Expansion of business provided by the MRI group, whose core function is as a think tank

### The transformation of the research and consulting business is making steady progress (⇒p. 11)

- Qualitative reforms of VCP management’s value types “B”; Analysis & Conceptualization and “C”; Design & Testing

### Breaking away from man-month dependent business with the expansion of recurring business (⇒p. 12, 15)

- Strengthening of VCP management’s value type “D”; Societal Implementation, achieved through DX and collaboration with business partners

Next is a review of key measures. Page five is about VCP management.

VCP management is an initiative to strengthen our social-issue-driven business, which is one of our strengths. We see this as an opportunity to further expand our business opportunities as societal, corporate, and individual issues synchronize and as interest in and expectations for our various research and advocacy activities increase.

In fact, the research and consulting business, our core business, has been making steady progress in qualitative reforms that focus on social issues, and is strongly driving the Group’s performance while adding more value.

In addition, a new initiative, the recurring social implementation business, is also realizing several growth patterns through a variety of DX combinations and partner collaborations. Mr. Iwase, the officer in charge, will explain in detail later.

## Progress of Consolidation Management

### The IT Services segment is delivering solid profits, driven by finance and credit card business

- FY2020/9: Net sales 57,400 mil. yen; ordinary profit 3,000 mil. yen; ordinary profit margin 5.4%
- FY2022/9 (Forecast): Net sales 69,000 mil. yen; ordinary profit 4,400 mil. yen; ordinary profit margin 6.4%

### Strengthening the DX business through collaboration among the four MRI group companies (Strategic Consulting x SI and IT Services) (=p. 22)

### Accelerating growth by leveraging non-organic growth in priority fields (=p. 24)

Page six shows the progress of consolidated management.

In the core IT services segment, earnings continued to expand with improved profit margins, driven by the core business of finance and credit card services. In the current medium-term management plan, we have identified the area where MRI's strategic consulting function overlaps with the SI/IT functions of Mitsubishi Research Institute DCS, Japan Business Systems (JBS), and INES as the DX business, and have made strengthening this business a pillar of our growth strategy.

There have been moves toward pairing of related organizations, organizational integration, and integration of account strategies, leading to pipeline strengthening and social implementation in the VCP field.

One of our group's strengths is that we have a series of functions in the DX area within the Group, from strategic consulting to IT implementation.

In the future, we will identify priority areas and engage inorganic growth to accelerate increase by leveraging our strengths. The details will be explained by Mr. Ito, the officer in charge, but we would like to expand the DX business, which currently accounts for about 30% of our consolidated business, to about 50% in the medium to long term.

## Progress of New Normal Management

### Implementing transformation of offices and workstyles

- Completed office integration (of MRI subsidiaries) and renovations
- The resulting cost reduction will become apparent beginning in FY2022/9 2H (200 mil. yen/year)
- Policies set for personnel system reforms and diversity & inclusion

### Insufficient human resources is the biggest management challenge

- Priority allocation of growth investment in order to increase the headcount and develop our human resources (⇒p. 8)

### Strengthening the governance structure (sustainability management, upgraded risk management)

Page seven shows the progress of the new normal management.

Office and work style reforms are on track, but the greatest management challenge is the shortage of human resources, and we will allocate investments for growth as a priority.

As for strengthening governance, we are working on sustainability management and upgrading risk management, but I will not go into details.

## Growth Investment Policy

Invest cash provided from business mainly to the four areas below.

Investment in growth	Specific measures	Example initiatives
(1) Human Resources	<ul style="list-style-type: none"> <li>• <b>Hiring more people</b> (increasing 210 people by FY2023)</li> <li>• <b>Doubling opportunities for career development</b>, optimal placement</li> <li>• Transferring more human resources to partners for cultivating them</li> </ul>	<ul style="list-style-type: none"> <li>• Diversification of recruitment methods</li> <li>• Establishing the Company's unique human resources development model</li> <li>• Dispatching to venture capital</li> </ul>
(2) Research and Recommendations	<ul style="list-style-type: none"> <li>• <b>Joint research and recommendations with research institutions in Japan and overseas</b> (Macroeconomics, next-generation communications after 5G, etc.)</li> <li>• Personnel exchange, visiting members</li> </ul>	<ul style="list-style-type: none"> <li>• Partners (including expected ones)                             <ul style="list-style-type: none"> <li>- Chatham House (UK)</li> <li>- CEPS (Belgium)</li> <li>- Georgetown university (USA)</li> <li>- University of Tokyo, Osaka University</li> </ul> </li> </ul>
(3) R&D	<ul style="list-style-type: none"> <li>• Development and demonstration of <b>applications</b></li> <li>• Development and demonstration of <b>AI engines</b></li> <li>• Medium, large capital expenditures</li> </ul>	<ul style="list-style-type: none"> <li>• Local digital currency</li> <li>• AI and big data analysis</li> <li>• Renovations of our data center</li> </ul>
(4) Business Foundations	<ul style="list-style-type: none"> <li>• Expanding foundations and partners in <b>DX and social implementation</b></li> <li>• <b>Strategic investment</b> in focus areas (investment, JV, M&amp;A, etc.)</li> <li>• <b>Expanding venture businesses and venture capitals investment</b> (establishing a dedicated organization)</li> </ul>	<ul style="list-style-type: none"> <li>• Establishes an operation and capital alliance with French ForePaaS SAS                             <ul style="list-style-type: none"> <li>➡ Business collaboration with OVHcloud (French)</li> </ul> </li> <li>• Capital and business alliance with Nextremer, an AI venture</li> </ul>

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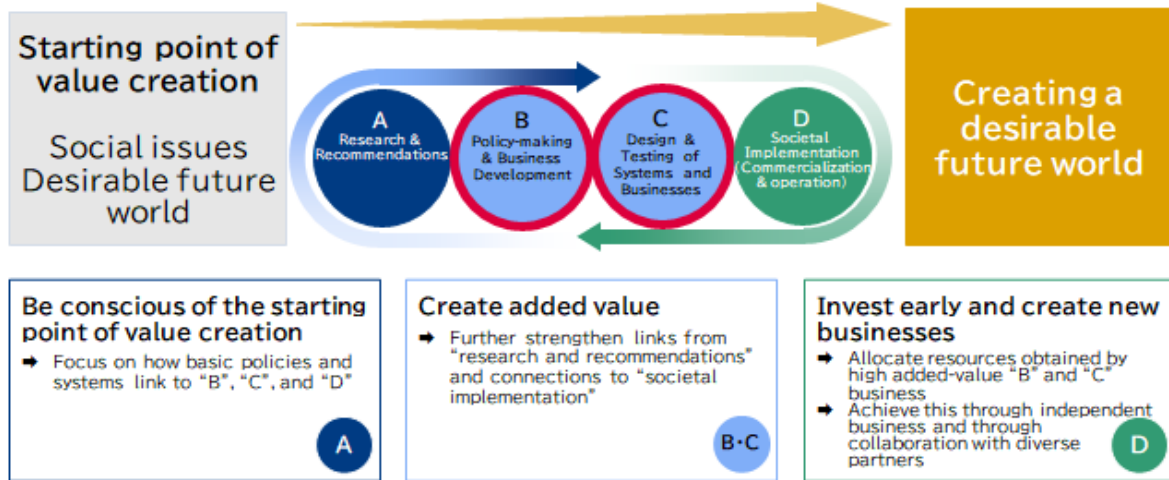
On page eight is our approach to future growth investment, which we introduced at the financial results briefing for the first half of the fiscal year.

Cash generated from operations will be allocated to business infrastructure investments, including human capital investment, research and proposal investment, R&D investment, and non-organic investments.

Thereafter, we will begin to explain the specifics.

# A Value Chain using Societal Issues as a Starting Point (Value Creation Process)

- Leverage our **existing strengths as a think tank** (“B” and “C” in the diagram below)
- Strengthen efforts between “B”; Research and Recommendations and “C”; Societal Implementation **as value chain pipelines**
- Uncover and identify new issues after “D”; Societal Implementation, and **provide feedback on and recirculate those issues** to “A”; Research and Recommendations



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**Iwase:** I’m Iwase, and I am in charge of VCP management.

Today, we would like to introduce our efforts to strengthen business from the perspective of social issues.

Please see page 10.

VCP means value chain starting from social issues. Today, many companies are trying to manage and operate their businesses by overlaying the world’s major social issues on their business challenges. For example, if we look at the top 30 companies by market capitalization in the prime market of Tokyo Stock Exchange, more than 80% of them have made carbon neutrality a major management priority.

We are committed to increasing the value we provide to our clients by supporting them in addressing their larger policy and management issues based on the solutions to social issues that we provide through our research and recommendations in “A”.

In addition, we are working to increase the size and added value of projects by conducting reality-based demonstration projects in “C” that lead to the social implementation in “D”.

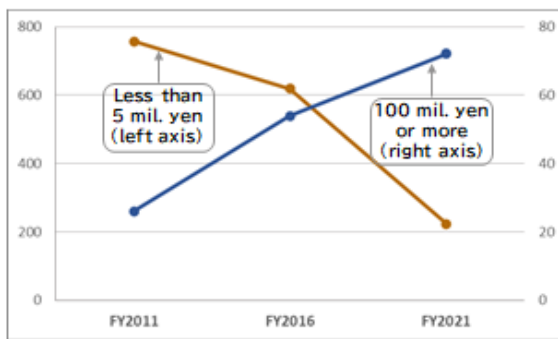
Furthermore, we will enhance the value of the think tank by creating a cycle in which new issues discovered through social implementation in “D” are returned to research and proposals in “A”.



## Progress in the Shift to Focus on Quality (creating added value in “B” and “C” businesses)

- While major projects (of over 100 mil. yen) have significantly increased, small-scale projects (of less than 5 mil. yen) have decreased sharply
  - Projects have gotten progressively larger in scale, and the total number of projects has decreased by around 30% over a 10-year period on an MRI non-consolidated basis
- Sales and profit have increased
  - Even with the large decrease in volume, sales and profit have both grown
- By creating added value, progress has been made in the shift to focusing on quality

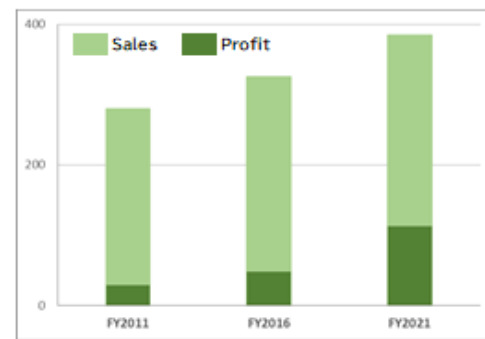
Number of projects (MRI non-consolidated)



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Sales and profit (100 mil. yen) (MRI non-consolidated)



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On page 11, we show the qualitative transformation of MRI’s non-consolidated “B” and “C” business.

The graph on the left shows that by assisting clients with more important management issues, we have greatly reduced the number of small research projects of less than JPY5 million to about one-third of what it was five years ago. For example, all companies are now under pressure to respond to the need to achieve a carbon-neutral society. In addition to emissions calculations for the TCFD, there is a growing need to consider larger materiality studies, and we are working to meet such needs.

On the other hand, the number of large projects of JPY100 million or more for consulting and demonstration projects has increased by approximately 40% compared to five years ago. For example, we have been commissioned to undertake large-scale projects such as technology verification and business verification for 5G, which will be fully implemented in the near future. These economies of scale have greatly contributed to improving profitability.

Furthermore, by assisting with various demonstrations targeting the next business opportunity, we have also had the effect of exploring opportunities for the Group’s own business development.

While the total number of projects has decreased by approximately 30% over the past 10 years, sales and profits have both increased, as shown in the graph on the right. I think we can see a situation where there is a qualitative shift in projects due to high value addition.

Now, in order to realize and implement solutions to social issues, it will be necessary to realize new optimal solutions for society. This often requires a variety of functions, such as balancing supply and demand based on new values demanded by society, forecasting such balance, revolutionary efficiency improvement, or risk assessment.

# Solving societal issues and “D” business

## Solving Societal Issues Through DX

To solve societal issues, we need to use data, analyze it, and then deploy it in order to manage existing demand and resources, to optimize services to suit individuals, and to settle payments electronically. **DX is essential for all of these needs.**

Area	Examples of solutions for issues	Functions needed	Corresponding DX component
Carbon neutrality	Distributed renewable energy resources, operational adjustments for storage batteries	Optimization of both the supply and the demand side amidst fluctuations in supply and demand capabilities	• Data collection, analysis, optimization logic, high-speed information processing
	Build power networks that can easily accept renewable energy	Improved supply and demand forecasting	• Simulations
		Long-term projections for the introduction of distributed energy resources for capital investment in systems	• Digitalization of business operations, simulations
Wellbeing	Provide individually customized opportunities for activities	Selection and recommendation from among many services that fits the individual's circumstances	• Matching logic, auto suggest
		Provision of method of transportation in order to use the service	• Centralized management of transportation routes, optimization, digital payments
	Promote behavioral changes that contribute to climate change countermeasures and improved health	Management of points awarded based on level of contribution and use of points for a wide variety of goods and services, as well as payment	• Supplier/user management • Offering points/coins, digital payments

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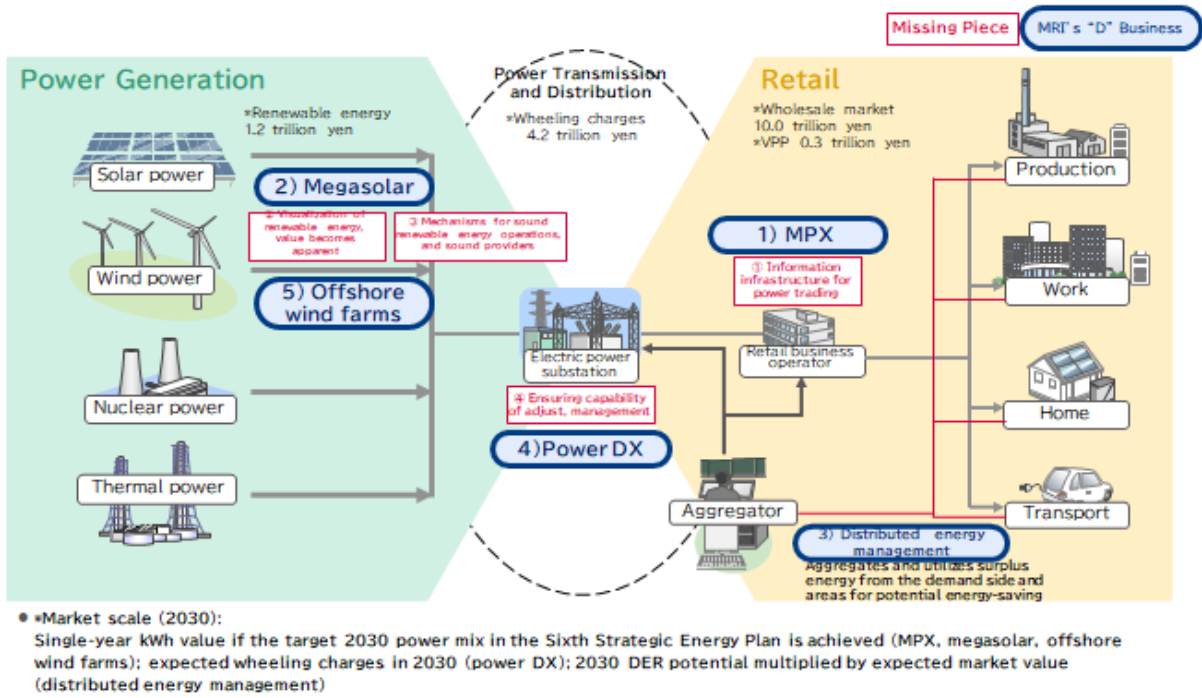
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On page 12, we show the various functions required to solve these issues, using the example of achieving carbon neutrality and improving wellbeing, which are currently major social issues.

We would like to contribute to solving social issues by providing these functions as a DX business, leveraging our data analysis capabilities, which is one of our strengths as a think tank. In the following sections, we will show you the specifics of these efforts.

# Progress of Carbon Neutrality Initiatives



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On page 13, we show an example in carbon neutral.

The left side of the figure shows a lineup of power generation entities. In order to achieve carbon neutrality, it is essential to significantly introduce and establish renewable energy as well as stable power generation such as conventional thermal and nuclear power.

On the other hand, renewable energy is unstable power generation that is easily affected by weather conditions and fluctuates in power generation. For a safe and stable supply, various regulating capabilities, such as the storage battery function, are essential.

We are also participating in new renewable energy projects such as mega solar and wind power generation, and are planning to provide supply and demand coordination functions that will serve as the interface between the supply side of power generation and the retail side of power generation.

In particular, as shown on the right side of the figure, various types of consumers have begun to have their own power generation functions, such as solar power generation. This has made balancing supply and demand very complicated.

We expect that the expected shift to EVs and other factors will spur this trend. Our goal is to provide these new functions as a DX business based on our data analysis capabilities, which is one of the strengths of a think tank.

## Progress in Region Ring, a Local Digital Currency Service to Solve Local Issues

### What is Region Ring®?

- A platform service that helps issue digital currencies, electronic money, coins, points, electronic gift certificates, and so on.

### Features

- Uses blockchain technology and has high reliability.
- Enables the user to issue and manage different points, coins, etc. using the same platform and thereby to cut initial costs.
- Has a function to change (reduce) value according to periods of campaigns and events and thereby to encourage use (a patent has been obtained).

### Examples of introduction

- Kintetsu Harukas Coin, Shimakaze Coin: Stimulating consumption at retail facilities and in communities
- Tokyo Your Coin: a demonstration project for promoting SDGs activities
- Points for the Otemachi, Marunouchi, and Yurakucho (Dai-Marū-Yū) areas: promoting SDGs activities
- Kin-shachi money: (news release on April 25, 2022)

- ➡ **The total amount is expected to be 21,800 mil. yen, one of the largest in Japan.**  
**Stimulating consumption and promoting cashless transactions to solve local issue**  
 A total of 21,800 mil. yen (paper, electronic) (of which, 8,500 mil. yen will be from electronic money, certificates, etc.)



On page 14, we show a platform service called Region Ring.

Region Ring is an infrastructure service that enables the issuance of digital currency, electronic money, coins, points, and electronic gift certificates. Blockchain technology is used to ensure a high level of reliability. The main feature of this system is that different types of points and coins can be issued and managed on a single platform, and the introduction cost can be kept low.

By combining this payment function with the point function, non-marketable value can be circulated and exchanged as monetary value, and we believe that this can be used, for example, to stimulate environmentally friendly behavior.

From here, we believe that not only the happiness of individuals, but also the good state of people, society, and the earth, or the relationship between them, can be enhanced, or what we call wellbeing can be improved.

The Kin-shachi Money service is scheduled to begin this Thursday, June 23, in Nagoya City, and our Region Ring provides the basic functionality for this service.

## “D” Business Shifting from Investment to Returns

- **Since the service was launched, we have undertaken just under 10 projects and activities related to “D” business**
  - AI-based scoring service of application forms (PRaiO), wholesale power transaction forecasting service (MPX), megasolar business etc.: net sales are in the multiples of 100 mil. yen
  - Our service providing online applications for admissions to junior and senior high schools (miraicompass) has sales of over 1,000 mil. yen
- **Moving into the returns stage while investment continues**
  - In response to the shift to focusing on quality in “B” and “C” businesses, progress has been made with expansion of “D” business, improving its profitability, and business collaborations, and from the next MP period it will start recovering its investment
  - We are aiming for further development of new business at the same time
- **Thanks to the expansion of recurring business, we are able to transition from a business that is dependent on man-month factors**



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Please see page 15.

Business “D” is a business that provides solutions to such social issues. What was previously in the investment phase is gradually moving into the payback phase. These are generally in the range of several hundred million yen to several billion yen per case, and although the number of cases is currently less than 10, we will continue to focus on them and promote them in the recovery phase of the next medium-term management plan.

By expanding these recurring-type businesses, we hope to increase the percentage of our business that does not rely on manpower from the traditional manpower-intensive business of survey consulting.

That’s all for my explanation.

## Question & Answer

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**Question:** I would like to know how much the story you are talking about is reflected in your company's medium-term management plan, and if you have any opinions on the areas that are above or below the plan, could you please tell us about them?

**Answer:** You asked how the business through VCP management is incorporated into the MP2023.

Regarding the business, we have not yet reached the recovery stage with certainty. Therefore, in the MP2023, we are at the stage of expanding the value chain through these business activities and building up the business. I hope you will understand that this process is incorporated in the MP2023.

**Question:** I have a question about how to get to business "D" in the VCP. I think you have a lot of experience and credibility in research and recommendations, analysis, conception, design, and demonstration. I feel that the last part, connecting to social implementation, is a very high hurdle.

As you explained, I think you have achieved results, but I would appreciate it if you could tell us more about the innovations to bring it to social implementation and how to clear that step so that you can go to the end by making changes in a certain way in the future.

**Answer:** As you point out, we recognize that there is a rather large gap between "A" to "C" and "D". In fact, in the previous mid-term plan before the MP2023, we focused on business "D" here, or new business development for us. However, there were still some things that did not take off well.

Therefore, by connecting "A", "B", and "C", we are able to add more value or create uniqueness, and for the first time, we are gaining a better understanding of the implications of this business and the partners who would be willing to collaborate with us.

By extending these value chains and capturing businesses within these value chains, we aim to grow business "D" and improve its viability.

There are many solutions in business "D" that are not different in content from general solutions or services. However, by linking "A", "B", and "C" together as a solution to a societal issue, we have been able to obtain the support of many companies.

**Question:** Do you think that if you strengthen cooperation with "B" and "C" in the future, the number of solutions to be realized will increase?

**Answer:** Yes. In discussions with potential partners, we are often convinced that our solutions to societal issues are indeed such and such. We believe that we can increase the number of partner companies in the future.

**Answer2:** I believe you asked us two questions regarding how VCP management is reflected in the MP2023, and how we plan to revitalize business "D" in the future.

Regarding the former, the content of the "B" and "C" business has changed considerably over the past five years. In addition to the larger scale, the business is designed to provide a path for concrete, actual solutions to societal issues.

We have shifted our emphasis to businesses and projects that can easily lead to business “D”, and our consultants and employees involved in business “B” and “C” have been dealing with these projects with a keen awareness of their social implementation and commercialization, so we feel that the number of seeds that can lead to concrete business implementation is increasing.

Another thing, in addition to collaboration with partners, we still believe that DX will be a major cut-through. In this regard, we believe that having a group of companies that implement IT services, including DCS, is a great strength of ours.

In addition, in working with our partners, it is necessary for them to understand our unique strengths. To this end, several concrete examples have emerged of collaboration and investment with venture businesses to develop them into larger businesses, while collaborating with destinations that have very strong technologies. While building on these efforts, we hope to contribute to earnings and business performance in business “D” from the MP2023 to the next mid-term business plan.

**Answer3:** Here are some current examples with partners.

We have been aware of this as a movement gradually since before the MP2023. In fact, there was a case at the start of the current plan where we thought it would be possible to expand our business with a client or manufacturer with whom we had a relationship in the form of consulting or research.

In the energy sector, we are looking at the adjustment of supply and demand as an issue, but we cannot achieve this alone. Up to now, we have been providing information and other services to our energy-related customers, but in this new business venture, we are now discussing the possibility of collaborating with companies that have been our customers in the past. We hope to overcome any hurdles in this way.

That is all for my explanation.

**Question:** On page 10 of the presentation, there is a cycle of “A”, “B”, “C”, and “D”. How is this cycle different from that of a typical Sler or consulting or IT consulting firm, which goes from upstream consulting and IT consulting to requirements definition, development, detailed design, operation, and maintenance?

**Answer:**

When thinking about the “A”, “B”, “C”, “D” model, I had actually imagined that the Sler world also has a process cycle of issue, requirements definition, and design/development. However, the current Sler cycle would probably fall somewhere from the right side of “B” to the middle of “D” in this diagram.

We are originally a think tank and consulting firm at our core, so our focus is on “B” and “C”, shown in red in the diagram. We have been involved in the upstream and fundamental management policies at “B” as well. Furthermore, in “A”, we go back and examine what exactly are societal issues and what policies are necessary to solve them.

As for “A”, we do not just research and disseminate information, but we are also involved in government committee activities, and are actually involved in policy making.

Therefore, we are conscious of the cycle that can be followed in the operation of business “D”. For example, if, in the course of operating business “D”, an issue arises that could be addressed by improving this part of the system to make the project run better, we can return to the policy proposal in “A”. This is where we can develop to the point where societal issues can be solved through both policy and business while changing the system.

Thus, we hope you understand that we are taking a fairly broad view of the “A”, “B”, “C”, and “D” value chain.

**Question:** In business “D” example on page 15 of the slides, for example, I think the top example, entry sheet and “miraicompass” service, are projects that are being developed in partnership with business companies. Are these services available to other companies in the same industry, etc.?

In other words, if services cannot be horizontally deployed and packaged, the “A” to “D” cycle will become a vertical and individual cycle for each customer, and cannot be deployed horizontally, which will not give much of an image of improved profitability through leverage. I would like to hear your opinion on this point.

**Answer:** Your point is a very important one. For example, when we provide tools that help our clients improve efficiency, we do so based on societal issues, so our goal is not just that they be used by our clients, but that they take root in society more broadly.

Therefore, we offer our services to our customers and to those who have become our partners from our customers, while discussing the possibility of horizontal development, or jointly developing products with them.

If there are functions or services that we want to establish in the industry, we work together with companies that have jointly developed them, and discuss with industry associations, for example, how they can be established in the industry while we develop our business.

**Question:** Is it possible that the fact that you are developing services in business “D” by linking them to societal issues and proposals is in fact narrowing the target clients?

If there is a service that is easy to use, it seems to me that it would scale better to simply carve it out as an independent service.

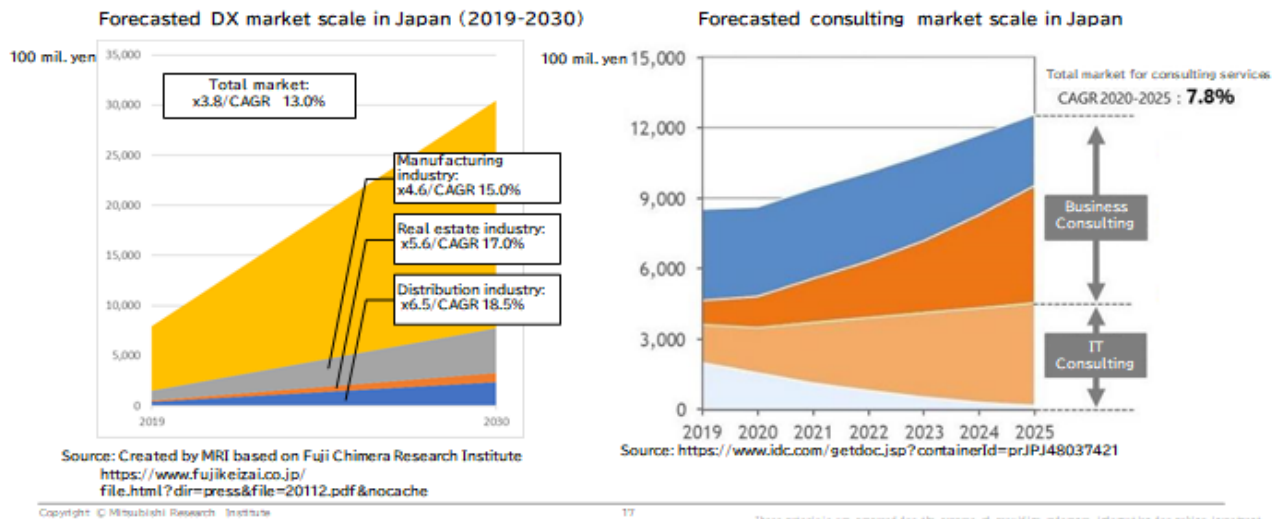
We are very aware that your company is technologically superior. On the other hand, with regard to other businesses, I believe that the monetization and profit margin improvement parts of your business are probably a little lower than those of other businesses in your industry. Do you have any thoughts in terms of monetization?

**Answer:** Unlike most business companies, we do not have a business foundation. The provision of such services is an aspect on which business enterprises must depend to a large extent. As for monetization, as you pointed out, we have just started and there is still room for improvement. However, we would rather receive such know-how from companies to help us expand our business development and improve our earnings, and then participate in the business by providing added value, thereby increasing our profitability.



## Rapid Growth of the DX Market

- The scale of the domestic DX market will be over 3 trillion yen in 2030  
(⇒Left: CAGR 13%)
- The domestic consulting market will be worth in 1.25 trillion yen in 2025  
(⇒Right: CAGR 7.8%)
- **Digital-related business consulting and the logistics and manufacturing fields will be the market drivers**



**Ito:** I'm Ito, and I am in charge of the DX business. Today, we will introduce our group's DX business policy and examples of our efforts.

Please turn to page 17. First, a brief introduction to market trends.

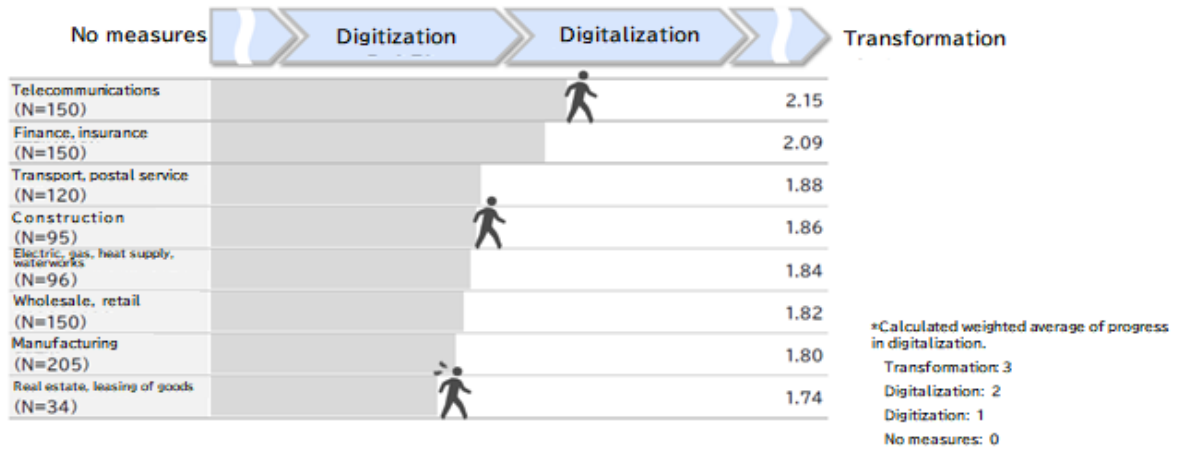
In the current medium-term plan, we have set forth a policy to strengthen the DX field, and among other things, we have strengthened our response to growth areas such as cloud computing, big data utilization, and the new normal.

Looking more closely, by industry, the real estate, manufacturing and distribution sectors, or digital-related consulting markets are expected to grow significantly. We plan to strengthen our response in these areas as well.

Pages 18 to 20 are excerpts from our market research on DX progress.

## Progress by Industry

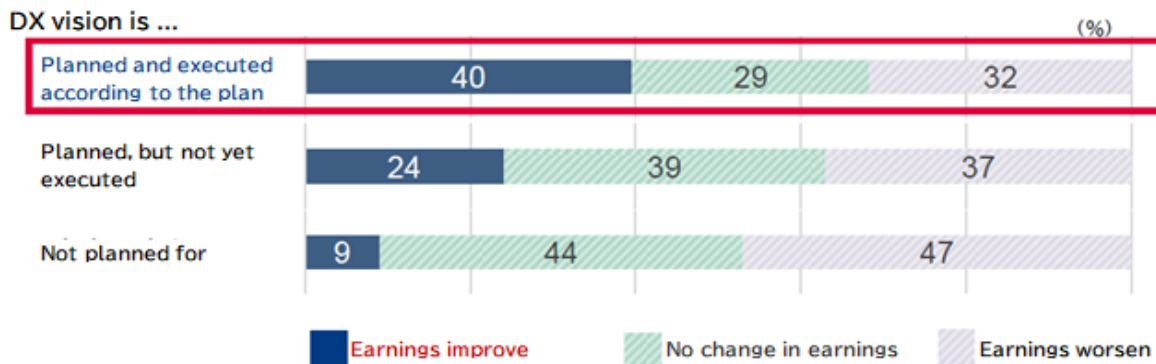
Telecommunications and finance are ahead, while manufacturing, real estate, and leasing of goods lag behind



Please move on to page 18. Looking at the progress of DX by industry, we can see that the real estate, manufacturing, and distribution sectors are lagging behind. Based on the market trends mentioned earlier, we expect DX investments to accelerate in these areas in the future.

## Correlation of Corporate Earnings with Implementation of the DX Vision

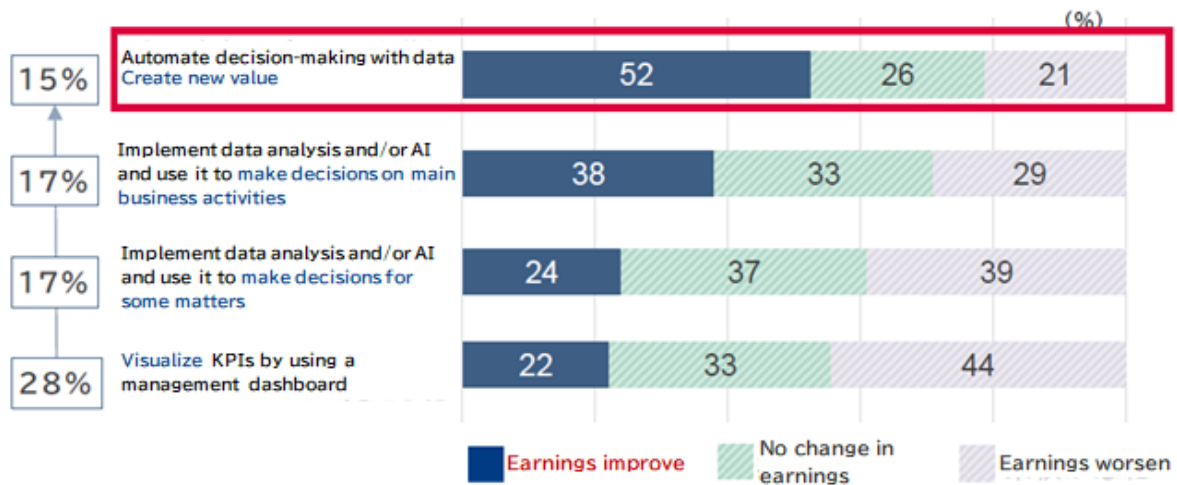
While progress on DX has no bearing on corporate earnings, the degree to which the vision is implemented does



On page 19, we show how the DX vision and the steady implementation of the plan have been found to correlate very strongly with corporate performance.

# Correlation of Corporate Earnings with Utilization of Data

Companies that are actively using data (for decision-making and value creation) have higher rates of earnings improvement



Page 20. We have found that the degree of progress in data utilization is still strongly correlated with business performance.

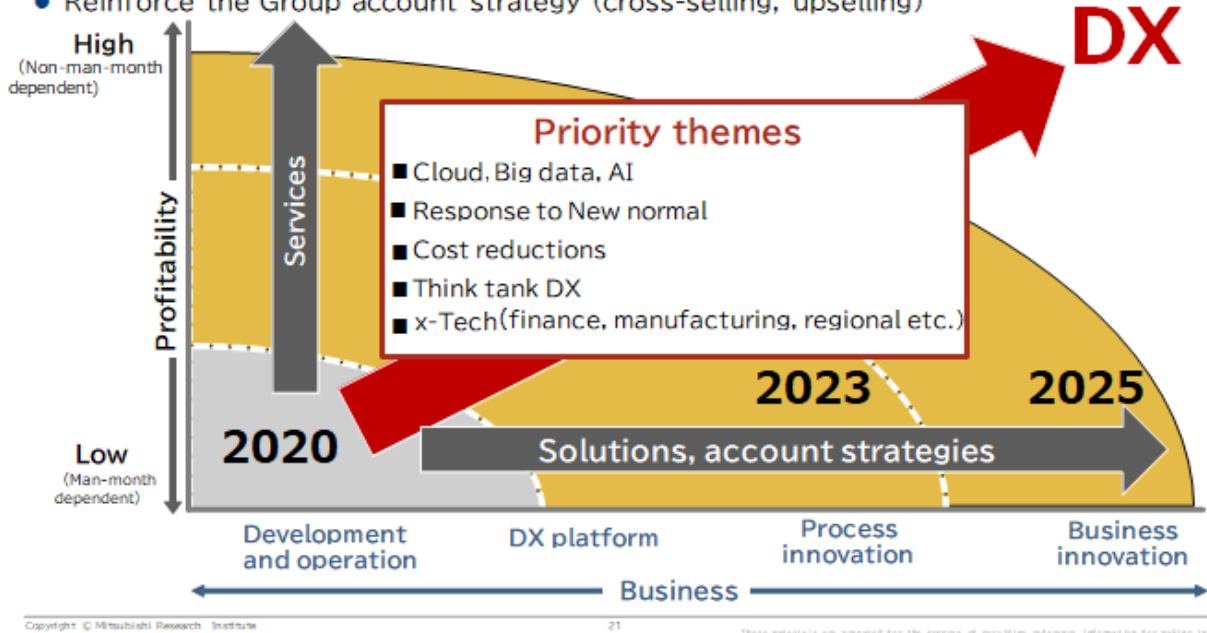
In conducting this study, we hypothesized that corporate performance would be affected by the three phases of DX, i.e., positioning of digitalization and transformation. Rather, we have found that the more qualitative aspects of the DX vision, such as planning, steady implementation, and data utilization efforts, are considerably more influential.

I mentioned earlier that the DX-related business consulting market is expected to grow rapidly, and I believe that these points will be the ones we need to strengthen.

The results of this survey were published on our website on May 25, so please see it if you are interested.

## MP2023: DX Policy

- Combine capabilities and strengths held across the Group to enhance the solutions and services we provide
- Reinforce the Group account strategy (cross-selling, upselling)



Page 21. This is the basic policy of the current mid-term plan, which has already been announced, but I will briefly introduce it here.

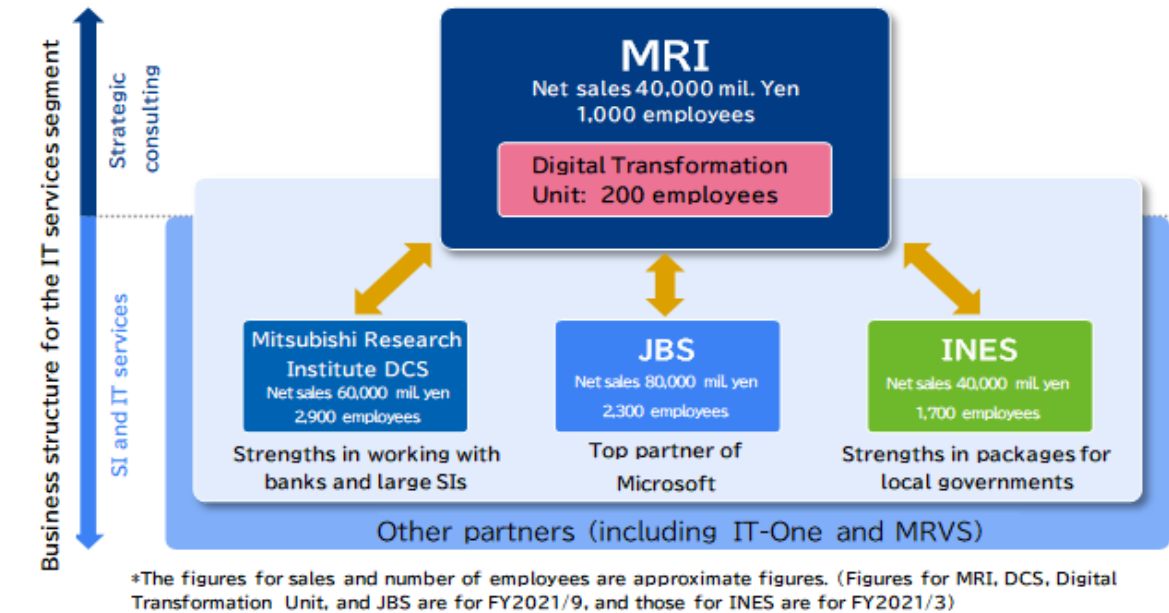
First, we are taking two major axes for business expansion. One is to expand our business. In the past, we have worked on one-off items and projects as SI, but we are now developing our business as a generalized solution. The other is to enhance services to improve profitability. These have been our two main policies.

In addition, as themes, we have been working to strengthen areas such as cloud support and big data.

While adhering to this major direction, we intend to take a more vigorous approach in the future, taking into account the market trends I mentioned earlier.

## Structure for Implementing Group DX Business

As the four Group companies collaborate to strengthen the DX business, the **Digital Transformation Unit is driving the Group DX business**



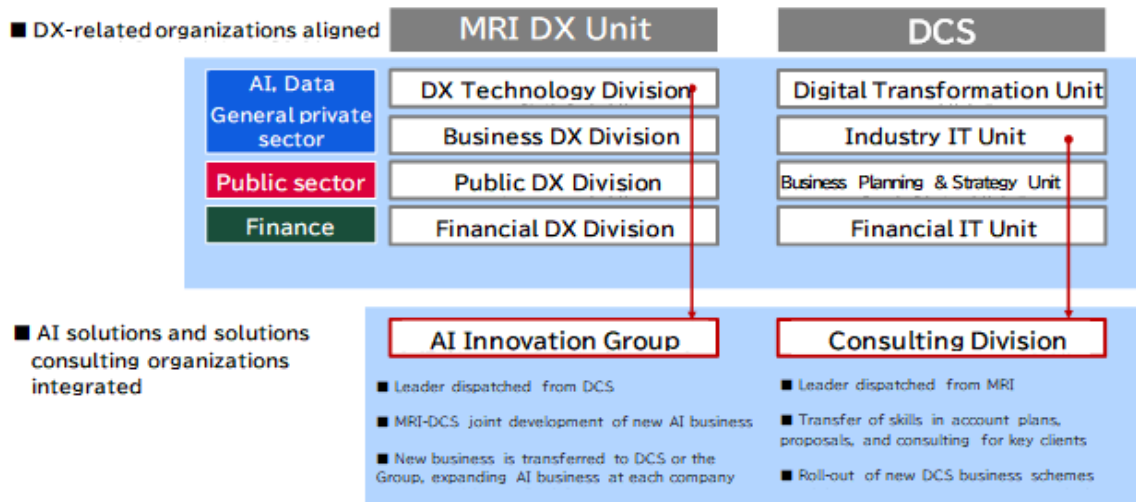
Page 22 is the promotion structure.

As shown in the figure, looking at the vertical axis, the Company is responsible for the strategic areas. Group companies have implemented and strengthened the system to seamlessly support customers' DX realization, including upstream and downstream.

The group companies are Mitsubishi Research Institute DCS, a consolidated subsidiary that specializes in the solid construction of large-scale systems, JBS, which has strength in Microsoft solutions, and INES, which has a track record in the local government business, as well as a wide range of other partners. We have been promoting co-creation with a wide range of partners.

## Strengthening Collaboration between MRI and DCS

- DX-related organizations were aligned (from 2021/9)
- AI solutions and solutions consulting organizations were integrated (from 2022/9)
- Other: strategic integration of data analysis business, integration of sales organizations, etc. (from 2022/9)



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Page 23 describes our efforts to strengthen consolidated management of the Company and DCS, which are particularly core among them.

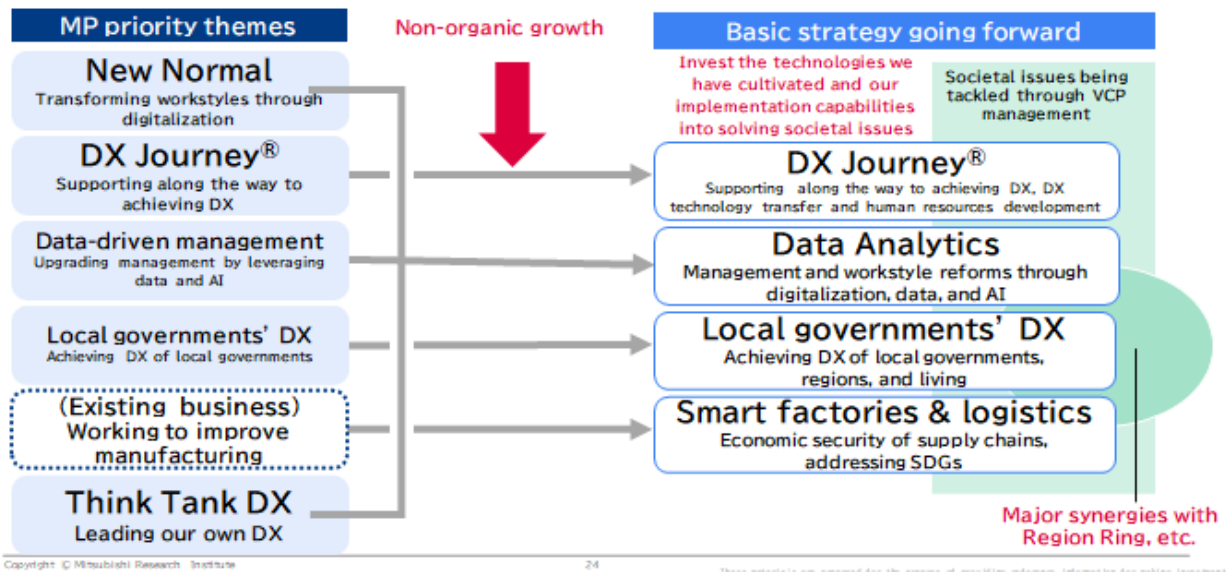
In conjunction with the start of the current medium-term management plan, the Company's DX division and DCS business organization were brought face to face in the previous fiscal year. This is the section shown in the upper part of the figure.

We are working to strengthen collaboration among each pair of business organizations while holding steering committees on a regular basis. In the current fiscal year, both companies' organizations were strategically integrated into a new organization to take AI solution development and implementation-side solution consulting one step further.

Thus, integration in consolidated management is steadily progressing.

## Basic Strategy Going Forward

- Enhance DX Journey,<sup>®</sup> digital x data, and AI x workstyle reforms
- Use X-Tech to strengthen local governments and smart factories & logistics
- Accelerate implementation by investing the technologies we have cultivated into solutions for societal issues being tackled through VCP management



Please see page 24. Here is our basic strategy for the future.

In the current medium-term business plan, we have been working on the themes on the left side of the chart, which are the new normal, DX journey, data-driven management, municipal DX, and think tank DX that pioneers DX on its own, as our priority areas.

Of these, the results of data-driven management and think tank DX have proven to be results that have a very significant impact on the way we work. In the future, we would like to integrate digital, data/AI, and work style reform as our data analytics business, and strengthen it together with the DX journey that accompanies our clients from their DX visions.

Another area is what is known as X-tech. Traditionally, we have worked on municipal DX. Based on recent market trends and the Group's track record, we will newly strengthen the manufacturing field and the smart factory and logistics business.

Since the organizational structure is still lacking in some areas to accelerate these efforts, we will consider non-organic measures to expand our human resources, capability, and business scale.

We also intend to accelerate the resolution of social issues by applying the digital technology we have developed in this process to the resolution of social issues that we are working on through VCP management.

And it is not just that we are responsible for technical implementation; for example, Region Ring, which we are working on as part of VCP management, has a deep connection with municipal DX. There are many strategic synergies in this area, and we intend to strengthen this aspect of our business and strongly emphasize it as one of our characteristics.



We are convinced that our strength lies in our ability to promote VCP initiatives that are rooted in social issues and initiatives that are rooted in management issues, while moving back and forth between them.

## MP2023: Priority Themes and Results

- Advancing more than 40 projects with the new normal, DX Journey®, data-driven management, and local governments' DX as priority DX themes. In addition, promoting independent DX as Think Tank DX.
- While focusing our efforts on service development in operational DX and industrial IT fields, we also invest in our own research in new technological domains, such as AI and robotics.

Theme	Outline	Actual examples of customers
New Normal	<ul style="list-style-type: none"> <li>• Improving employee engagement, Work-style transformation by digital technology</li> <li>• Detection of sign of absence from work/prevention of resignation, transformation of experiences, techniques and operations into AI, zero-trust</li> </ul>	Securities companies Beverages
DX Journey®	<ul style="list-style-type: none"> <li>• Departure from the dilemma of innovation, appropriate implementation of DX</li> <li>• Accelerating DX based on strategy, improving digital literacy, improving environment</li> </ul>	Factoring companies Chemical manufacturers Prefectures
Data-driven management	<ul style="list-style-type: none"> <li>• Improving capability of making changes happen in the unpredictable era, responding to destructive changes</li> <li>• Using AI, providing dashboard to monitor necessary data and prediction-based utilization of big data</li> </ul>	Banks, insurance companies, credit card companies Electric power companies, Organizations *Please refer to the actual examples
Local governments' DX	<ul style="list-style-type: none"> <li>• Sustainable growth of regions (maintaining the quality of life and government services)</li> <li>• Digitalizing governments' support services for residents, accelerating DX of local governments' operations</li> </ul>	Prefectures City/town/village government
Think Tank DX	<ul style="list-style-type: none"> <li>• Pioneering DX, promotion of internal disruption</li> <li>• Promotion of DX in the field of planning, non-routine and cognitive work</li> </ul>	(Trial use inside our company prior to market implementation)

I would like to briefly introduce the key themes of the current medium-term plan that I have just introduced, as the results are shown on page 25.

It has been a year and a half since we started our DX journey project, which is shown on the left side of the table. This is a solution in which we work closely with the client to support the implementation of the client's DX strategy. We have already received orders for more than dozens of projects centered on this business and data-driven management.

We will be discussing case studies of data and AI-related projects around the data analytics business, which is a particular focus of this report, on pages 26 to 28.

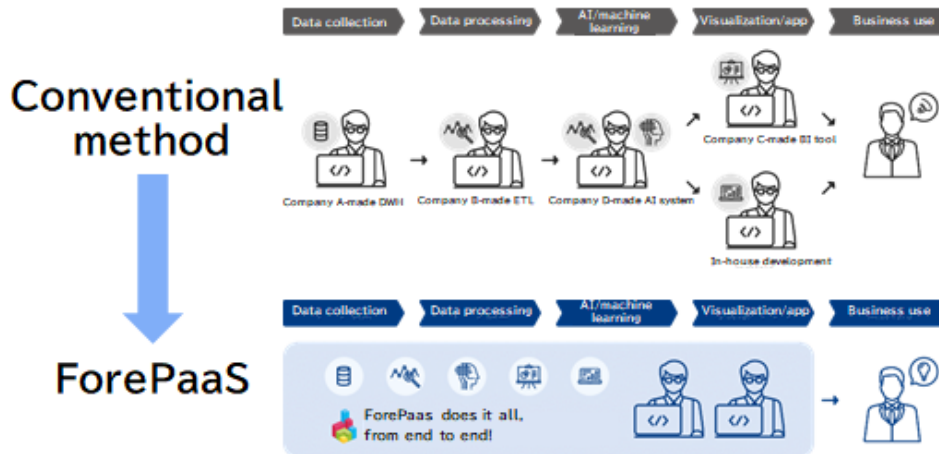
# Actual example 1: ForePaaS data analytics platform

- A one-stop, code-free data analytics platform
- Quick data analysis and dashboard utilization for innovation in operations

Case study

Client: Nippon Kaiji Kyokai (ClassNK)

The GHG emissions management tool "ClassNK ZETA" was taken from start of build to trials in two months, and officially released within six months.



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Page 26 is an example of our investment in and work with a French venture called ForePaaS. It is easier to understand if you imagine traditional big data analysis. Traditionally, tools for collecting data, analyzing the data, and visualizing the results have been separate from each other. In the meantime, the data editing and migration process was very time-consuming.

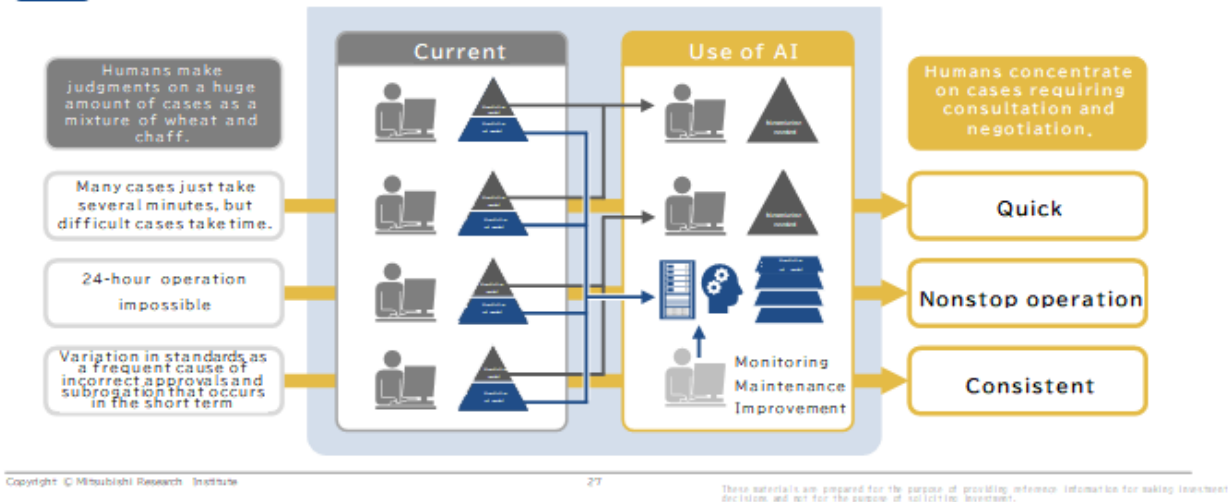
This can be achieved with a single platform and non-coding. It is a non-code, which is very popular these days, where the work proceeds automatically as you select from a pull-down menu. It is a platform for data that is very light and quick to work with. We are developing this business as a foundation for our big data and data analytics businesses.

In particular, this one is only a platform, so the customer's introduction part, this is the entrance consultation. On top of that, the application that meets the customer's specifications is also put together, and this will involve some development and coding, but when it is operated within the customer, it will become a stock type and become a recurring type. The model is that as this volume is increased, the entrance is handled by consultants, but the profit margin gradually increases.

## Actual example 2: AI-based loan application examination service – workstyle reforms for white collar workers

- An AI model that has learned to make judgements on whether to provide loans or not enables digitalization of credit screening
- It can be implemented easily through an API connection with the financial institution's business systems

**Case study** Clients that are using or considering using this service: Mitsubishi Motors Finance Co., Ltd., MerryGate Guarantee, Japan Worker's Credit Fund Association, Mebuki Financial Group, etc.



Page 27 is the screening AI. This is an initiative to improve efficiency by replacing the part of the loan evaluation and decision-making process that until now has been based on the know-how of skilled and experienced personnel, with AI.

The entrance here is also consultative, but once the system is introduced to a client, the rest becomes subscription-based, basically increasing profits. The key to our business is how to cultivate this. Since we began our efforts, we have already seen results from several companies, mainly financial institutions. We will promote these initiatives in the future.

## Actual example 3: Craft brewery AI – workstyle reforms for front-line workers

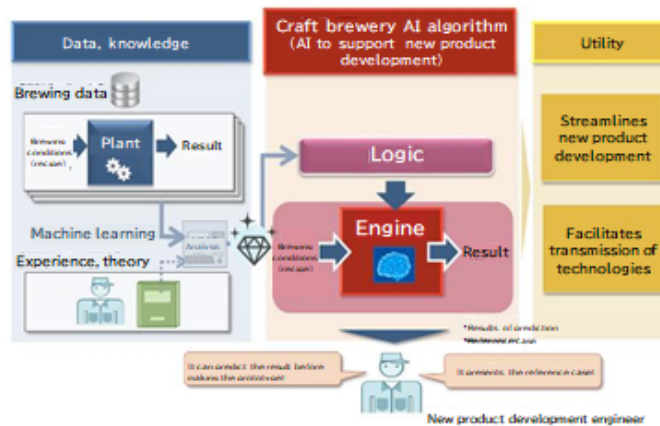
- AI that learns from the experience and know-how of expert technicians is used to help develop new kinds of beer
- This facilitates the transmission of manufacturing technologies that rely heavily on skilled workers and streamlines product development

**Case study**

Client: Kirin Holdings Company, Limited

Product development is streamlined with a function that predicts the results of the prototype based on the recipe (the conditions set for ingredients used), and a function that predicts what recipe will be used on the target flavor.

Overview of the craft brewery AI algorithm



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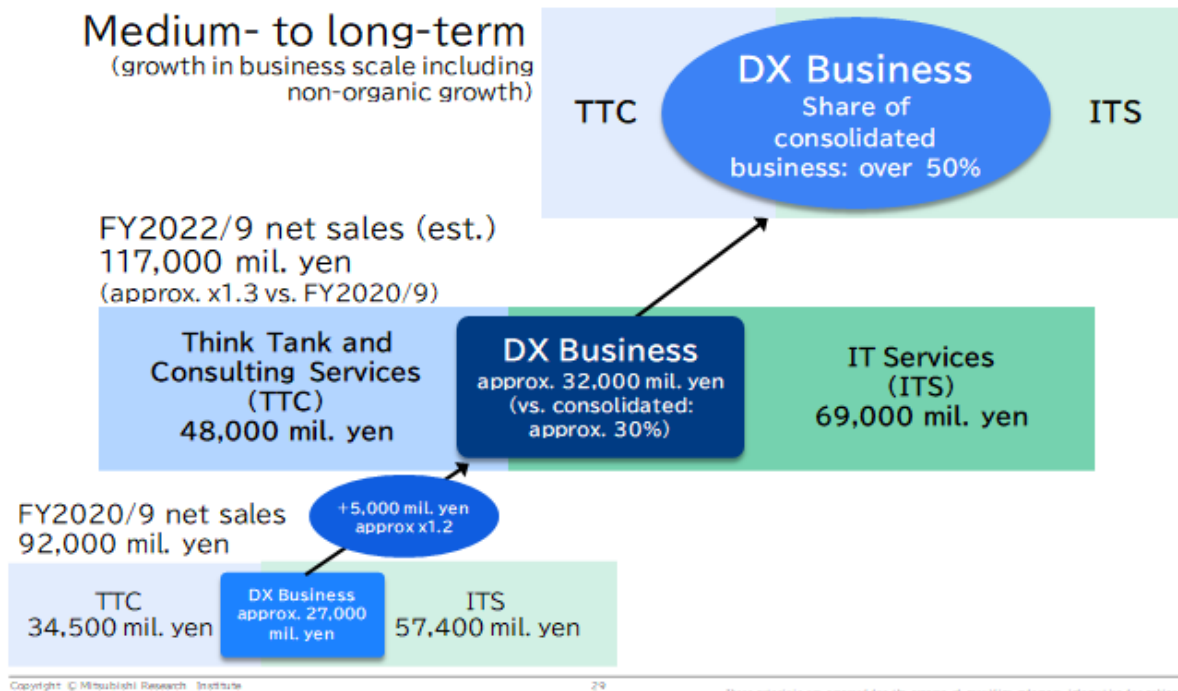
The next page is the last, but not least, is the Brewing Takumi AI.

We have already announced this initiative, which we are promoting together with the beverage manufacturer listed. This is another example of the world of craftsmanship that relies on the intuition, experience, and skills of skilled craftspeople, but is now white boxed and handled by AI.

Modeling is also an important point here, and we intend to develop it by utilizing our technological capabilities.

Each of the items introduced today is a major contributor to what is known as white-collar productivity or the productivity of front-line workers who have a job site. We would like to focus our efforts on these areas in the future.

## Medium- to Long-term Growth Image



Now let's move on to page 29. Finally, we would like to explain our medium- to long-term growth image.

The DX business was at a level of less than JPY30 billion on a sales basis in the fiscal year ending September 2020. At the end of the period under review, this figure had grown 1.2 times to JPY32 billion, a commensurate increase.

Currently, the share of consolidated sales is about 30%, but through the synergies with VCP that I have explained, selection and concentration on priority themes, further integration of strategy and implementation, and inorganic measures, we will accelerate our efforts with the aim of growing to a scale that will account for 50% of consolidated sales in the medium to long term.

That's all for my explanation.

## Question & Answer

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**Question:** Two points, please. The first point is about the DX four-company collaboration, but I would like to hear some more specific results.

I have heard about the introduction of chatbots in municipalities in cooperation with INES, but I would like to know if it is possible to do something more like this in the future, or in fact, how far you have already come. I would like to ask you about the current status of the four-company collaboration, and what we should imagine the potential for the future.

**Answer:** You asked about specific results of the four-company collaboration.

As you pointed out, in the municipal business with INES, we have already launched a service called AI consultation partner, which supports face-to-face consultation services for municipalities, and AI chatbots – “AI Staff”, which have been developed and are being provided by our group, including JBS. Although the customer’s backyard systems have been digitized and electronicized to a large extent, the load on the part of the customer to deal with residents is very high, and this is the concept that we have been working on to digitize communication between residents and the government. This has been implemented by more than several dozen organizations.

Another thing, for example, in the past, the group companies other than MRI had little experience in the public sector, with the exception of the INES for municipality. On the other hand, we have considerable upstream expertise, and we have been able to leverage this experience to develop new systems for government projects, for example, DCS received an order to develop a new system in a new area, and DCS’ solutions have been deployed in local governments in collaboration with the Group.

In terms of our company taking responsibility for the upstream strategy and the group company for implementation, we have seen examples of financial companies receiving orders for projects, our company providing consulting services upstream, and DCS seamlessly supporting the implementation from there.

After all, the scale will increase by receiving orders for implementation, so we would like to strengthen horizontal development as a similar case study.

**Question:** The second point is about ForePaaS’ big data analysis. I understand that this is a very good service, but your earlier explanation seems to have been confined to the Japanese distributor. For example, what kind of service possibilities do you see in the future by using this? For example, I know that your company does quite large-scale survey work, and I would like you to explain a little more about how this could be used to improve the efficiency of such work.

In addition, please let me know if there are any changes that can be made to the OVHcloud acquisition, or anything that can be updated.

**Answer:** We are in the process of discussing with OVHcloud, so I would like to refrain from explaining the situation here.

As for the former, as you pointed out, we ourselves handle the data, so there is an area that is similar to our own business reforms, which is to first utilize the data as a foundation. We are promoting our own self-improvement efforts as a Think Tank DX, and we are working on self-improvement through our own proactive DX initiatives. For example, in our work, research work involves collecting information from the Internet as

public information, summarizing it under a certain theme, and then compiling it. These will be tasked and automated. We are also considering it as a tool to reform the way we work.

If it is useful and usable, we will be able to deploy it in other areas, and we are currently considering ForePaaS-based development in areas such as planning work.

Another point is that we have actually had customers use our platform and deploy very good dashboards. This will be developed into a template. The goal is to develop a solution-oriented approach from this point of entry.

**Question:** On the last page of the presentation, the sales of DX is shown, but is this your first publication?

**Answer:** The approximate sales scale of the DX business, approximately JPY30 billion, is shown in the explanatory materials for the recent financial results briefing for the first half of the fiscal year. Basically, the approximate figure of JPY30 billion remains the same, but we have presented the figures in a refined form, along with the scale of the past fiscal year ended September 2020.

**Question:** Please tell us the operating margin and operating income results and forecast for the DX business for the fiscal year ended September 2020 and the fiscal year ending September 2022.

**Answer:** We have been able to grasp the profits of the DX business in the so-called management accounting system, but we are not able to fully grasp the profits in a way that is consistent with the financial results. At the first half results briefing, I said that the profit margin was approximately 15%, and I hope you understand that this is about the same level when viewed as a business. Since this figure cannot be regarded as equivalent to operating income for so-called financial accounting purposes, we have refrained from including it at this time.

**Question:** With the ForePaaS solution, I believe that your company is very strong in Microsoft services originally at JBS. I understand that it will certainly span many different systems, but in the end, if you use MySQL, SQL Edge, and the Power Platform within Microsoft, everything can be completed consistently within Microsoft. This would make it possible for your company, JBS, to handle everything from infrastructure construction and application development to data capture, even when building cloud environments, etc. Why are you working with ForePaaS?

**Answer:** We understand that this is a very important point.

To put it simply, if the data is analyzed by a company that has implemented Microsoft solutions and is using them consistently, it will be closed there, and the world will be complete within the Microsoft solutions as you have pointed out.

In reality, there are various mission-critical systems and retrofitted applications, and their data is not being captured properly. Everyone is having a great deal of difficulty in consolidating that data. Or, we hear that when such company talk to vendors, they propose for data warehousing, which costs a lot of money.

The strength of ForePaaS is that it is relatively easy to collect data as long as the API is in effective, and then drive the data inside in a pseudo data warehouse-like fashion, which is a major feature. We probably have a very large number of customers who are not closed in Microsoft solutions, so we think this is a very effective mechanism in that aspect.

We invested in this business in order to launch another such business as well as a business in collaboration with JBS.

**Moderator:** It's now time to conclude today's business briefing.

Finally, our company would like to inform you of an event.

On July 27, the MRI Group plans to hold its first online event, MRI DX DAY. Under the theme of DX Restart, the event will feature a number of outside speakers who will introduce DX businesses. Although this is not a so-called IR event, we believe it will be useful in further deepening your understanding of our group's DX business and DX trends.

We have already set up a special page on our official website, and we will send you an e-mail invitation as soon as possible.

Please do not hesitate to contact us by e-mail with any additional questions about today's presentation or requests for individual meetings.

Thank you very much for taking time out of your busy schedule to join us today.