

FY2023/9 3Q Financial Results



August 1, 2023

- 1** FY2023/9 3Q Financial Results
- 2** FY2023/9 Full Year Forecasts
- 3** Topics

Summary

- ❑ Net sales hit a record high for 3Q, but ordinary profit declined due to an increase in expenses
- ❑ Despite a decline in profit due to increased expenses for TTC, ITS continued to be strong particularly for finance/credit card services

Net sales:	Results	96,878 mil. yen	YoY change	+5,205 mil. yen
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- ❑ Sales rose year on year, hitting record high for 3Q
- ❑ Think Tank & Consulting Services (TTC): Sales increased due to government cloud and 5G-related projects in government and public offices
- ❑ IT Services (ITS): Boosted by system infrastructure renewal projects for finance industry customers

Ordinary profit:	Results	9,519 mil. yen	YoY change	-911 mil. yen
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- ❑ TTC: Expenses increased due to outsourcing expenses for large-scale demonstration projects and upfront investment for future growth (personnel expenses, etc.)
- ❑ ITS: Profit rose due to sales growth

Profit	Results	5,934 mil. yen	YoY change	-1,885 mil. yen
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- ❑ Profit declined year on year in the absence of extraordinary income recorded in previous fiscal year (gain on sales of investment securities of 1,400 mil. yen)

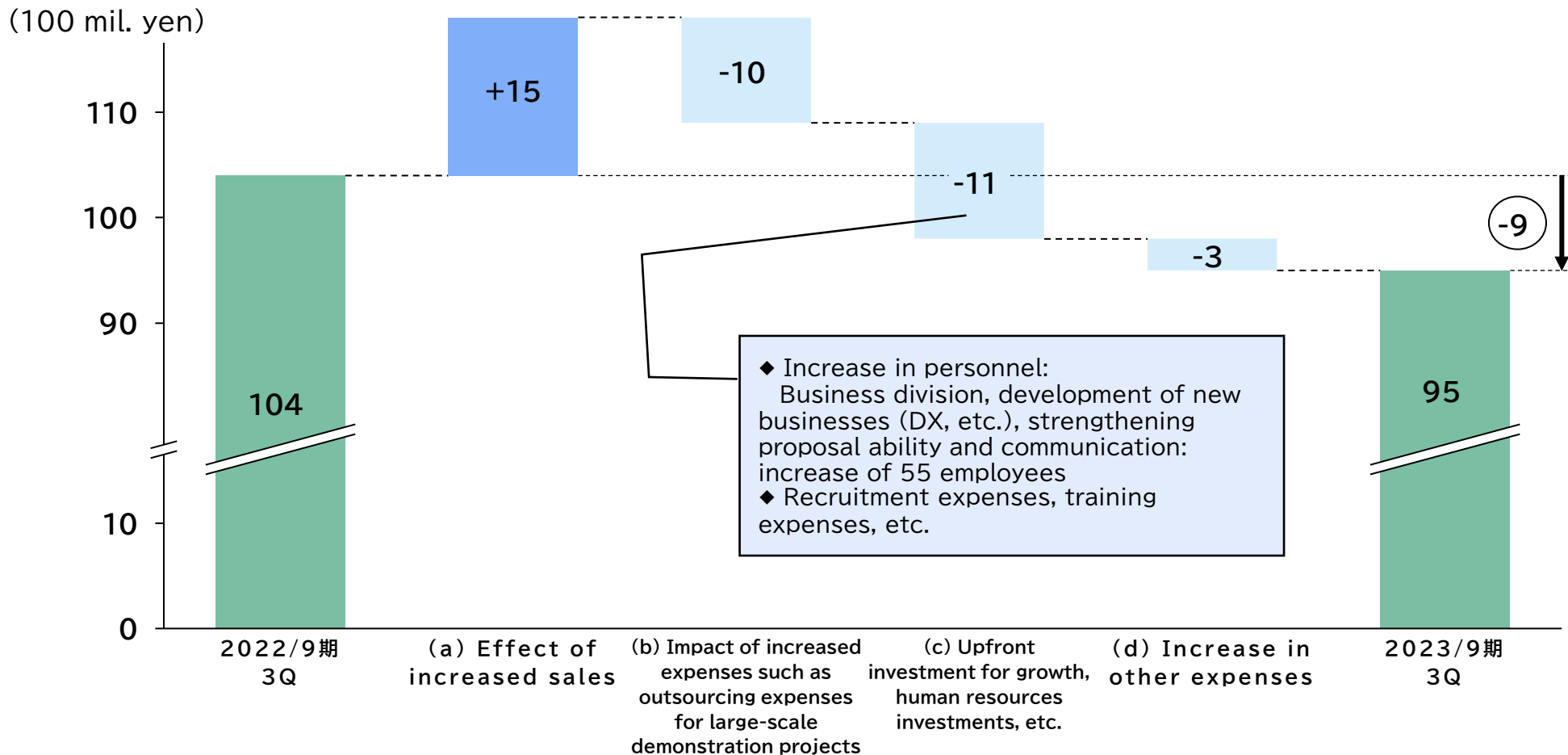
3Q Consolidated Results <YoY>

(mil. yen)

	FY2022/9 3Q (Oct.-Jun.)	FY2023/9 3Q (Oct.-Jun.)	YoY change	
			Amount	Rate
Net sales	91,673	96,878	+5,205	+5.7%
Gross profit	22,250	21,479	-771	-3.5%
Gross profit margin	24.3%	22.2%	-2.1P	
SG&A expenses	12,914	13,092	+178	+1.4%
Operating profit	9,335	8,386	-949	-10.2%
Operating profit margin	10.2%	8.7%	-1.5P	
Ordinary profit	10,430	9,519	-911	-8.7%
Profit attributable to owners of parent	7,819	5,934	-1,885	-24.1%
Basic earnings per share (yen)	481.69	369.25	-112.44	

Factors Behind Fluctuation of Ordinary Profit <YoY>

- Although sales increased (a),
- such expenses as outsourcing expenses for large-scale demonstration projects rose (b), and upfront investments, etc. (c) and
- other expenses (d) rose, resulting in ordinary profit of 9,519 million yen, 911 million yen less than the 10,430 million yen for FY2022/9 3Q



Think Tank & Consulting Services (TTC)

(mil. yen)

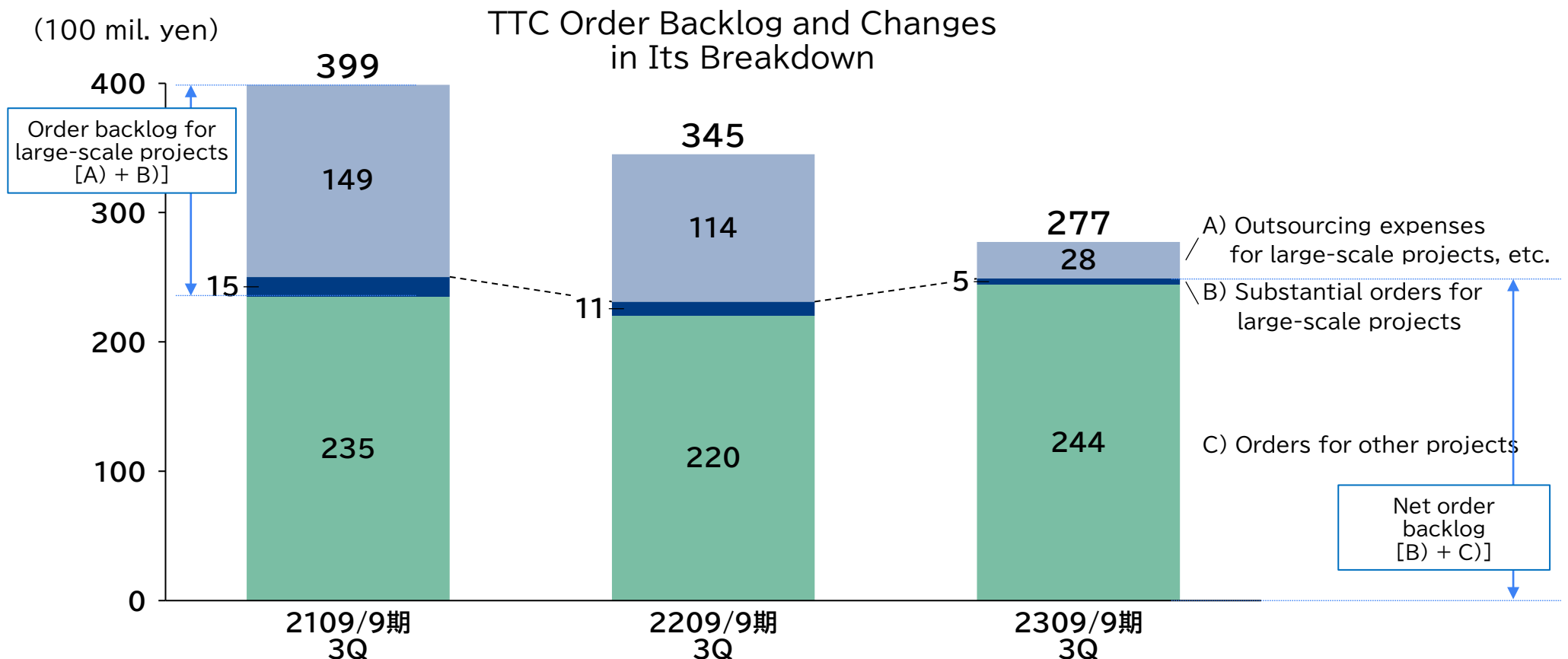
	FY2022/9 3Q (Oct.-Jun.)	FY2023/9 3Q (Oct.-Jun.)	YoY change	
			Amount	Rate
Net sales	40,848	42,666	+1,818	+4.5%
Operating profit	5,359	4,005	-1,353	-25.3%
Operating profit margin	13.1%	9.4%	-3.7P	
Ordinary profit	6,212	4,819	-1,393	-22.4%
Orders received	41,774	35,535	-6,239	-14.9%
Order backlog	34,508	27,736	-6,771	-19.6%

Key points

- Growth in government cloud and 5G-related demonstration projects in government and public offices, renewable energy-related research and demonstration projects, and system implementation projects for the transportation and telecommunications industries
- Profit fell for such reasons as an increase in outsourcing expenses for large-scale demonstration projects (→ page 13) and upfront investments (personnel expenses) for future growth
- Orders received and order backlog declined due to fall-off in large-scale projects in government and public offices (orders received in 3Q of the previous fiscal year) (but has contributed to sales in the current fiscal year)
- If excluding the impact of projects involving high outsourcing expenses, our net order backlog is at the same level as in the past two fiscal years (→ page 7)

Breakdown of TTC Order Backlog for 3Q

- ❑ Projects with a high proportion of outsourcing expenses, etc. (→ page 13) have been extracted from large-scale projects included in the order backlog
 - Orders for large-scale projects correspond to A) + B) in the chart below
- ❑ The net order backlog that contributes to our profit is B) + C)
- ❑ The net order backlog for 3Q of the current fiscal year is about the same as that for the past two fiscal years



IT Services (ITS)

(mil. yen)

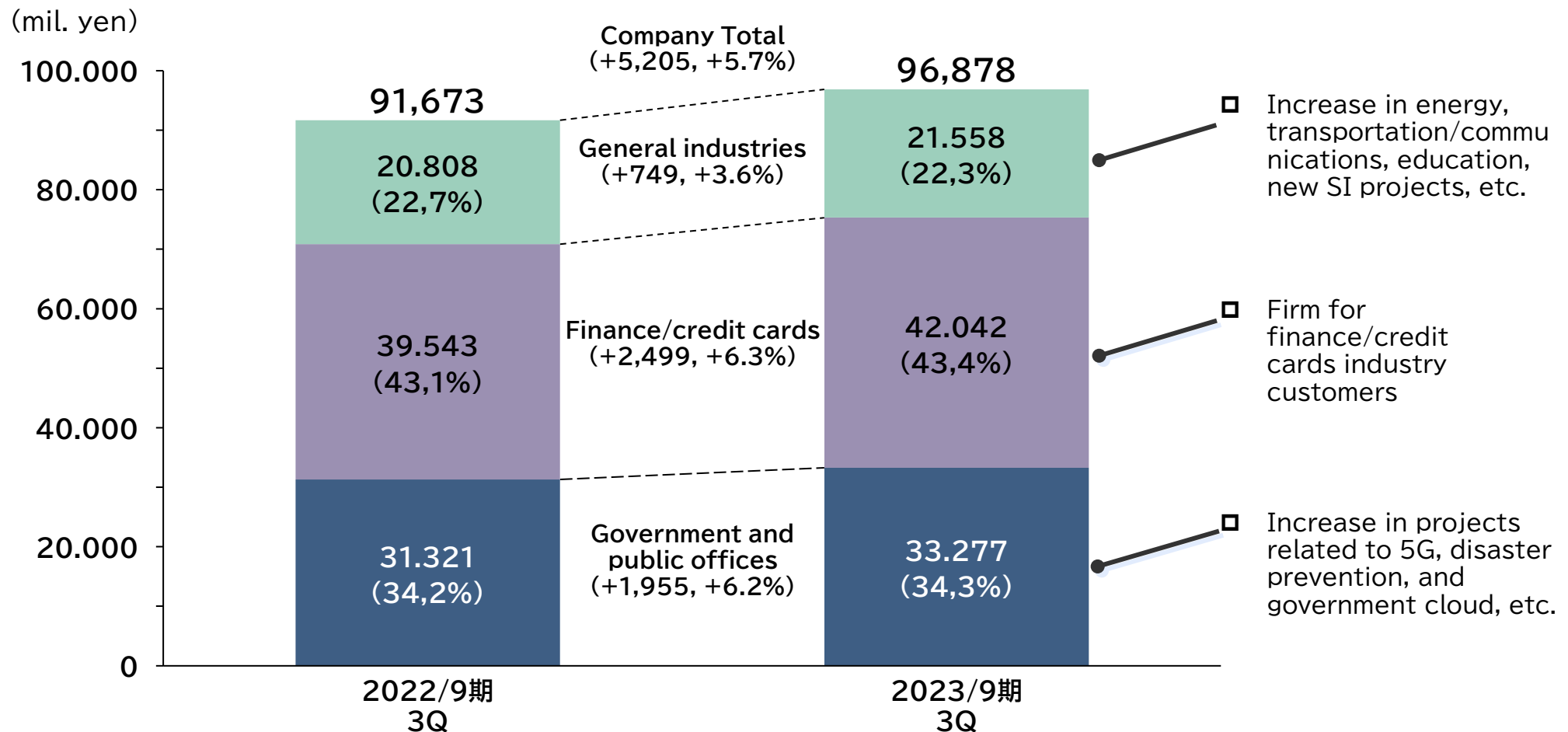
	FY2022/9 3Q (Oct.-Jun.)	FY2023/9 3Q (Oct.-Jun.)	YoY change	
			Amount	Rate
Net sales	50,824	54,211	+3,387	+6.7%
Operating profit	3,978	4,370	+392	+9.9%
Operating profit margin	7.8%	8.1%	+0.3P	
Ordinary profit	4,220	4,691	+470	+11.2%
Orders received	52,942	53,337	+394	+0.7%
Order backlog	46,285	46,271	-14	-0.0%

Key points

- Both net sales and profit rose, driven primarily by system infrastructure renewal projects for finance industry customers
- Orders received and order backlog was generally about the same as that for the 3Q of the previous fiscal year

Net Sales by Industry of Customer <YoY>

- Nets sales rose year on year for all industries of customers
- Net sales remained firm for finance/credit cards (+6.3%) and government and public offices (+6.2%)
- General industries net sales rose (+3.6%) due to growth in energy, transportation/communications, and education industries, etc.



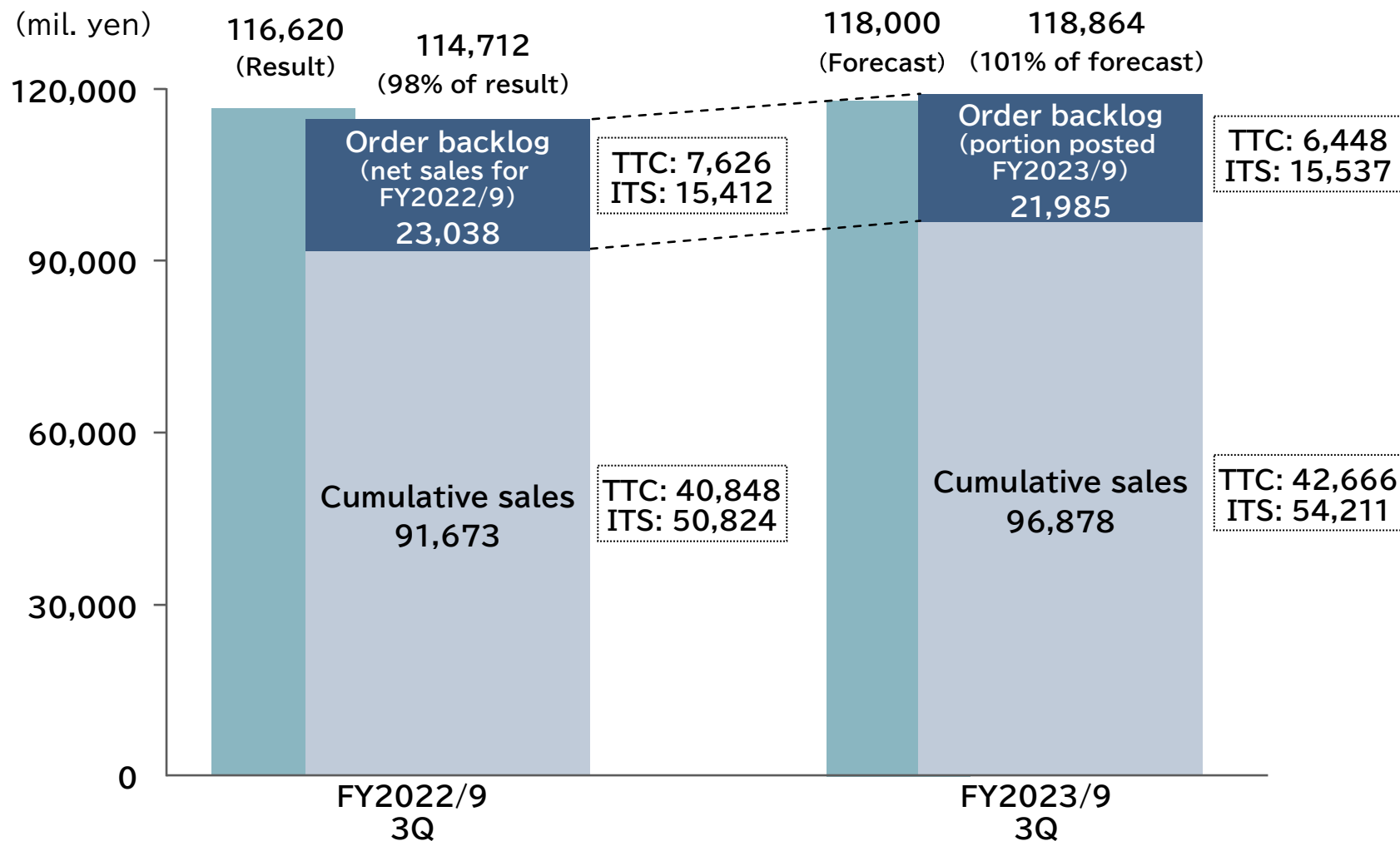
(Reference) Net Sales by Segment and Industry of Customer <YoY>

(mil. yen)

		FY2022/9 3Q (Oct.-Jun.)	FY2023/9 3Q (Oct.-Jun.)	YoY change	
				Amount	Rate
T T C	Government and public offices	30,718	32,699	+1,981	+6.4%
	Finance/credit cards	2,871	2,451	-420	-14.6%
	General industries	7,258	7,515	+257	+3.5%
	TTC total	40,848	42,666	+1,818	+4.5%
I T S	Government and public offices	602	577	-25	-4.2%
	Finance/credit cards	36,671	39,591	+2,920	+8.0%
	General industries	13,550	14,042	+492	+3.6%
	ITS total	50,824	54,211	+3,387	+6.7%
Total		91,673	96,878	+5,205	+5.7%

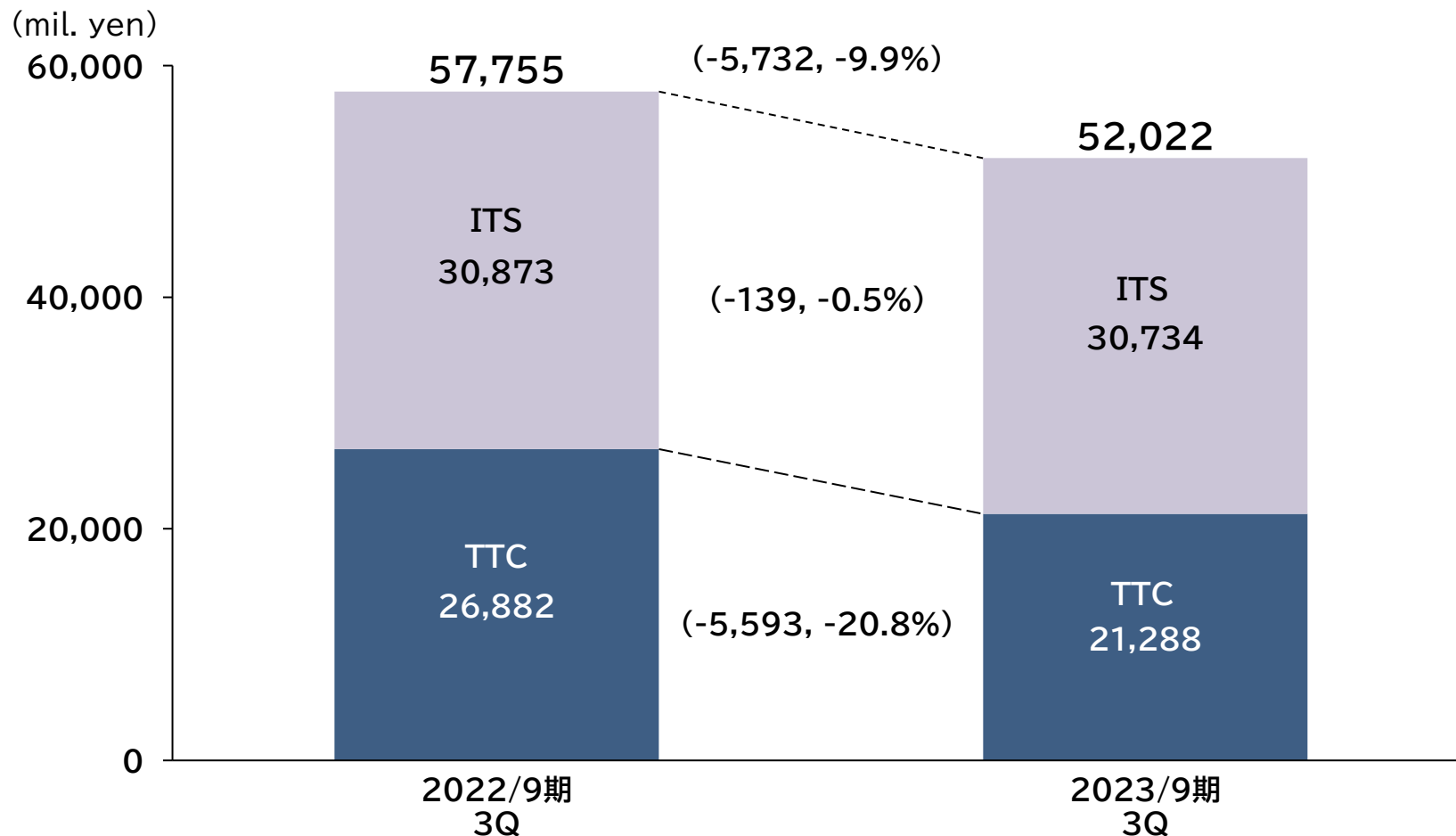
Progress: Cumulative net sales + order backlog (portion expected to be posted this fiscal year)

- Cumulative sales for 3Q + order backlog to be posted FY2023/9 comes to 101% of the forecast for the current fiscal year (98% in FY2022/3Q)



Order backlog (carried forward to the next fiscal year)

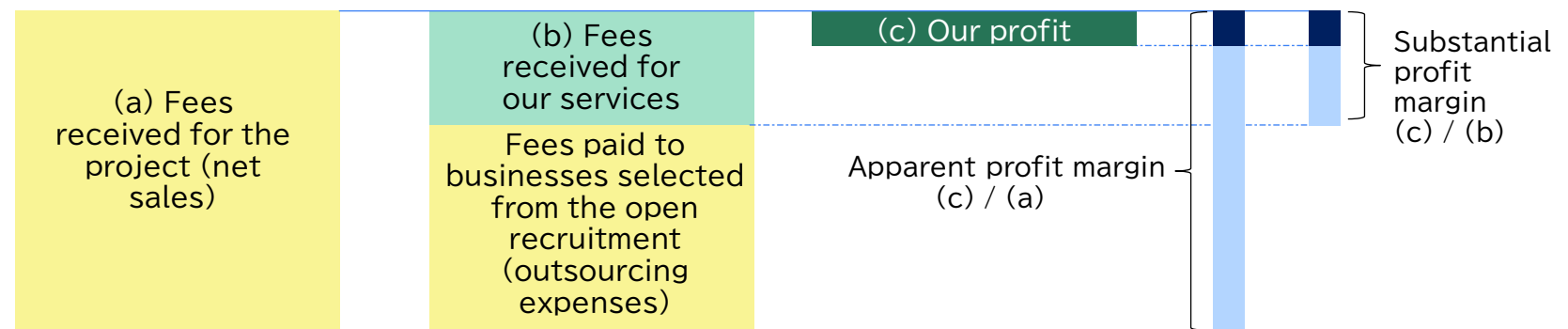
- Significant decrease in the order backlog (-5,593 million yen) due to the fall off of large-scale TTC projects (orders received in 3Q of the previous fiscal year and completed in the current fiscal year)
- Net order backlog, excluding the impact of large-scale projects with a high proportion of outsourcing expenses, is at the same level as the past two fiscal years (→ See pages 7 and 13)



(Reference) Large-scale projects in government and public offices with high outsourcing expenses

- ❑ Some of the large-scale projects commissioned by government and public offices include app development/demonstration, demonstration projects, tests, investigative studies, etc.
- ❑ For such projects, we openly recruit companies and research institutes that will actually carry out the development/demonstration, etc. based on the proposal adopted
- ❑ We provide support for the open recruitment and selection process, manage the progress of development/demonstration, etc., and check the results.
- ❑ Fees received for a project may include costs to be paid to the business selected for outsourcing, and while the proportion of outsourcing expenses, etc. is higher than in ordinary projects, the apparent profit margin tends to be low

How projects are structured (image)



Specific examples (Please refer to our [website](https://pubjit.mri.co.jp/publicoffer/index.html)) URL: <https://pubjit.mri.co.jp/publicoffer/index.html> ※Only in Japanese

- Investigative Study for the Development of a Technology Map (Technical Demonstration, etc. for Overhauling Analog Regulations) (Digital Agency project)
- Study on Technologies to Secure the Means of Communication of Public Broadband Mobile Communication Systems at the Time of Disaster (Ministry of Internal Affairs and Communications project)
- Investigative Study Services to Assist Reviewing of Reasonable Infection Control Measures for Living With COVID-19 (Cabinet Secretariat project)

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FY2023/9 Full Year Forecasts

(no change from initial forecasts)

- Consolidated **progress** against the earnings forecast on a consolidated basis: **Net sales 82%, Ordinary profit 90%**
- Considering the seasonality of our business results (especially since recorded TTC sales and profits tend to be inclined towards 1H (October to March)), we have left our earnings forecast unchanged

	FY2022/9 (Results)	FY2023/9 (Forecast)	YoY change	
			Amount	Rate
Net sales	116,620	118,000	+1,379	+1.2%
Think Tank & Consulting Services	48,548	46,000	-2,548	-5.3%
IT Services	68,072	72,000	+3,927	+5.8%
Operating profit	9,165	9,300	+134	+1.5%
Operating profit margin	7.9%	7.9%	+0.0P	
Ordinary profit	10,493	10,600	+106	+1.0%
Think Tank & Consulting Services	5,190	4,900	-290	-5.6%
IT Services	5,301	5,700	+398	+7.5%
Profit attributable to owners of parent	7,707	6,500	-1,207	-15.7%
Basic earnings per share (yen)	474.67	399.99	-74.68	

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DX Business Initiatives

DX Event “[MRI DX DAY] - Break Through ‘DX Fatigue’ ” Held



- Event held for the 2nd time following last year's
- Subtitled “Practical Points in Overcoming Barriers in the GPT Era,” we introduced ways to overcome challenges and barriers in the course of promoting DX, for leaders who are charged with the work of implementing DX projects in their respective companies
- Total of about 670 participants (largest for a DX event held by the Company and around 20% more than last year)
- Archived and available for view on our website
- After last year's event, we received orders for projects totaling over 100 million yen

[Overview of the Event]











- Date: Wednesday, July 19, 2023 9:40-16:00
- Organized by: MRI and Mitsubishi Research Institute DCS Co., Ltd.
- Co-sponsored by: INES Corporation, Japan Business Systems, Inc.

(Reference) [“Survey on DX Promotion in Japanese Companies”](https://www.mri.co.jp/news/press/20230405.html) (MRI and Mitsubishi Research Institute DCS, conducted December 2022)
<https://www.mri.co.jp/news/press/20230405.html>

※Only in Japanese

Recent News Releases (MRI)

* All releases below are only in Japanese except for certain releases.

Date		Title
[MRI]		
July 31, 2023		<u>Started utilizing Distribution Future Energy Scenarios (DFES) - First introduction in Japan for developing plans for power transmission and distribution facilities that support carbon neutrality -</u>
July 28, 2023		<u>Announced plans to cooperate with the Qatari government related to evaluation of carbon credits</u>
July 24, 2023		<u>Commissioned by the Ministry of Education, Culture, Sports, Science and Technology to conduct the Package Business for Investigative Study and Dissemination/Awareness Raising for Societal Implementation of Recurrent Education</u>
July 21, 2023		<u>Participated in the second stage aimed at societal implementation of The Nippon Foundation's Fully Autonomous Ship Program</u>
July 12, 2023		<u>Mitsubishi Research Institute and GHD collaborate for feasible energy transition in Middle East</u>
July 10, 2023		<u>NISSO CORPORATION and Mitsubishi Research Institute to jointly promote training and supply of human resources for semiconductor manufacturing</u>
July 6, 2023		<u>Became a participant in the Health Management Alliance</u>
July 4, 2023		<u>Held the ICF Business Acceleration Program 2023</u>
July 3, 2023		<u>Signed the Norms of Behavior for Commercial Space Operations (Washington Compact)</u>
July 3, 2023		<u>Commissioned by the Ministry of Economy, Trade and Industry to conduct a Study on the Integration of EVs and Electric Power Systems</u>






Recent News Releases (MRI)

* All releases below are only in Japanese

Date	Title
[MRI]	
June 29, 2023	 <u>Conducted demonstration experiments in co-creative promotion using local TV commercials</u>
June 28, 2023	 <u>Launched LALA SUPPO (LArge LAnguage model SUPPOrt) that supports the introduction of ChatGPT technology</u>
June 6, 2023	 <u>Mitsubishi Research Institute Group holds [MRI DX DAY - Break Through “DX Fatigue”]</u>
June 5, 2023	 <u>Daiwa Energy, Co., Ltd. and Mitsubishi Research Institute start joint study of renewable energy storage battery business</u>
May 31, 2023	 <u>Started the Investigation and Demonstration Project for Overhauling Analog Regulations</u>
May 22, 2023	 <u>MerryGate Holdings Group and Mitsubishi Research Institute conclude basic agreement on collaboration</u>
May 17, 2023	 <u>Held a seminar on impact investing in Vietnam</u>








Recent News Releases (DCS)

* All releases below are only in Japanese

Date	Title
[DCS]	
July 27, 2023	 <u>Received the Special Award at Biz J AWARD 2023</u> <u>- Won first large-scale composite project after joining as a partner -</u>
July 25, 2023	 <u>12.8% of companies intend to make an early start in considering payment of salaries in digital money</u> <u>- Conducted an independent questionnaire aimed at those in charge of personnel and payroll -</u>
June 27, 2023	 <u>Data analysis environments that can be built and used in as little as a month!</u> <u>Launching of Data Analysis Smart Start</u>
June 14, 2023	 <u>Mitsubishi Research Institute DCS and 3-shake collaborate to provide new security diagnostic service</u>
June 12, 2023	 <u>PROSRV on Cloud, a cloud-based personnel and payroll system, supports payment of salaries in digital money</u>

Recent News Releases (Japan Business Systems / equity-method affiliate)

* All releases below are only in Japanese

Date		Title
<u>[Japan Business Systems]</u>		
July 20, 2023		<u>Nine JBS engineers receive the first Microsoft Top Partner Engineer Award presented by Microsoft Japan</u>
June 28, 2023		<u>Won in two categories again at the 2023 Microsoft Japan Partner of the Year Awards, in a 11-year prizewinning streak</u>
June 6, 2023		<u>Concluded an authorized primary distributor agreement with Jamf, a provider of management solutions for Apple devices</u>
June 1, 2023		<u>Became a sponsor of Team Jadeite, a professional e-sports team</u>
May 22, 2023		<u>Commissioned by Date City in Hokkaido for Assistance to the CIO in Order to Enable Microsoft 365 to Become Established, and signed a collaboration agreement regarding dispatch and acceptance of digital human resources</u>
May 10, 2023		<u>Supported the development of cloud services aimed at the industrial equipment and plant industry provided by Chiyoda Corporation</u>
April 28, 2023		<u>Launched an introductory consulting service aimed at the safe and secure use of ChatGPT without the risk of confidential information leaking</u>

Notes concerning forward-looking statements

This presentation 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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Envisioning the future, leading change

