

# FY2023/9 1H Financial Results

---



April 27, 2023

- 1** FY2023/9 1H Financial Results
- 2** FY2023/9 Full Year Forecasts
- 3** Direction of the Next Medium-term Management Plan
- 4** Topics

# Summary

- Net sales hit record high for 1H as firm progress toward ordinary profit target was made despite slight year-on-year decline.
- TTC remained firm, and ITS continued with strong sales to the finance/credit card sector. services.

<b>Net sales:</b>	<b>Results</b>	<b>73,325 mil. yen</b>	<b>YoY change</b>	<b>+5,059 mil. yen</b>
-------------------	----------------	------------------------	-------------------	------------------------

- Rose year on year, hitting record high for 1H.
- Think Tank & Consulting Services (TTC): Rose primarily because of large-scale 5G projects.
- IT Services (ITS): Grew due to continuing firm sales to the finance/credit card sector.

<b>Ordinary profit:</b>	<b>Results</b>	<b>9,836 mil. yen</b>	<b>YoY change</b>	<b>-176 mil. yen</b>
-------------------------	----------------	-----------------------	-------------------	----------------------

- TTC: Steady progress toward target despite year-on-year decline due to outsourcing expenses, human resource investments for future growth, etc.
- ITS: Historic high for 1H due to growth, particularly of finance and credit card related services (ordinary profit margin exceeded 10%).

<b>Profit:</b>	<b>Results</b>	<b>6,533 mil. yen</b>	<b>YoY change</b>	<b>-1,255 mil. yen</b>
----------------	----------------	-----------------------	-------------------	------------------------

- Profit declined year on year in the absence of extraordinary income recorded in previous fiscal year (gain on sales of cross-held shares and shares in subsidiary 1,400 mil. yen).

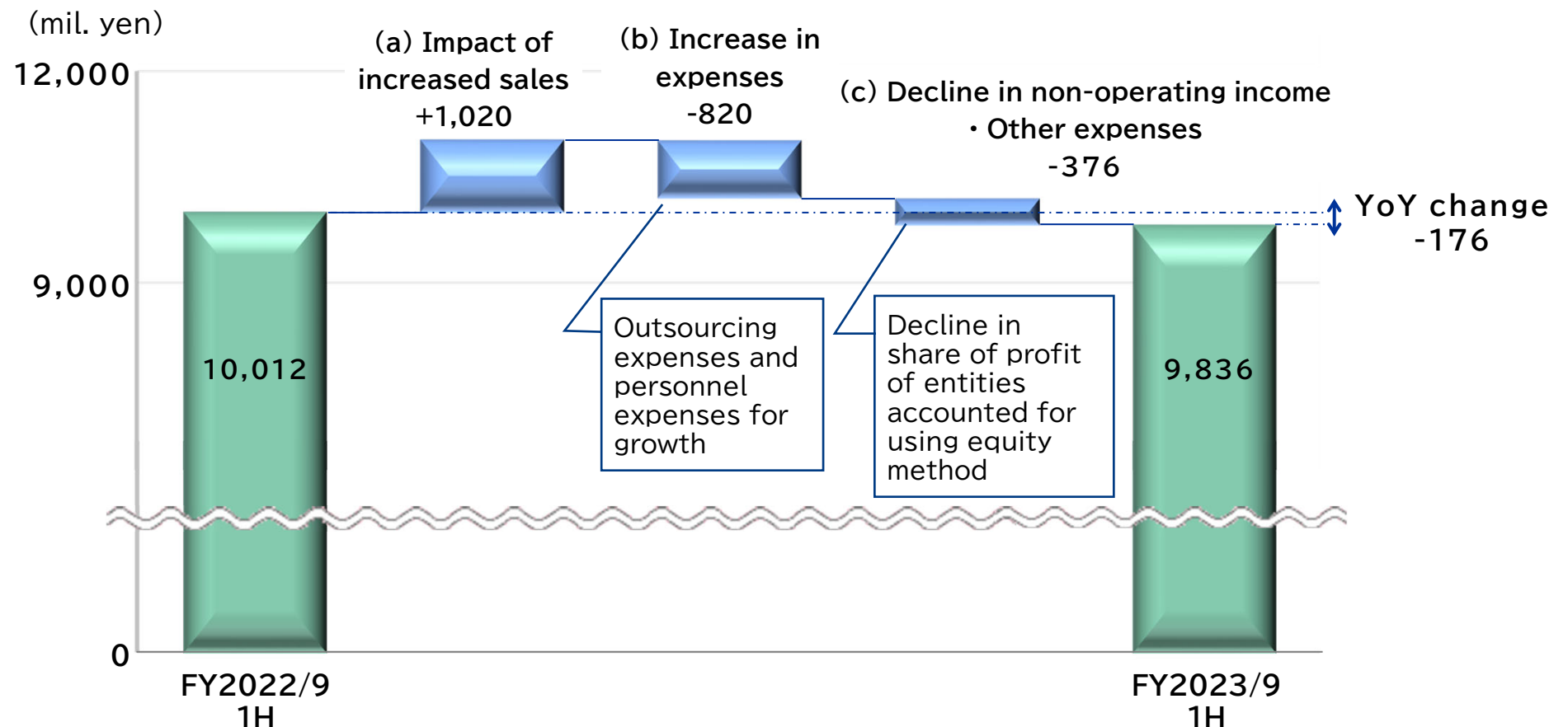
# 1H Consolidated Results <YoY>

(mil. yen)

	FY2022/9 1H (Oct.-Mar.)	FY2023/9 1H (Oct.-Mar.)	YoY change	
			Amount	Rate
Net sales	68,265	73,325	+5,059	+7.4%
Gross profit	17,670	17,765	+94	+0.5%
Gross profit margin	25.9%	24.2%	-1.7P	
SG&A expenses	8,356	8,473	+116	+1.4%
Operating profit	9,314	9,291	-22	-0.2%
Operating profit margin	13.6%	12.7%	-0.9P	
Ordinary profit	10,012	9,836	-176	-1.8%
Profit attributable to owners of parent	7,788	6,533	-1,255	-16.1%
Basic earnings per share (yen)	480.03	404.40	-75.63	

# Factors Behind Fluctuation of Ordinary Profit <YoY>

- Although sales increased (a),
- such expenses as outsourcing expenses and personnel expenses for growth rose (b), and
- non-operating income declined and other expenses rose (c), resulting in ordinary profit of 9,836 mil yen, 176 mil. yen less than the 10,012 mil. yen for 1H FY2022/9.



# Think Tank & Consulting Services (TTC)

(mil yen)

	FY2022/9 1H (Oct.-Mar.)	FY2023/9 1H (Oct.-Mar.)	YoY change	
			Amount	Rate
Net sales	34,221	36,236	+2,015	+5.9%
Operating profit	6,337	5,705	-632	-10.0%
Operating profit margin	18.5%	15.7%	-2.8P	
Ordinary profit	6,902	6,102	-799	-11.6%
Orders received	25,849	23,895	-1,954	-7.6%
Order backlog	25,211	22,527	-2,683	-10.6%

## Key points

- Net sales rose chiefly because of large-scale 5G-related demonstration projects.
- Profit fell for such reasons as an increase in outsourcing expenses accompanying large-scale demonstration projects and increase in human resource investments for future growth.
- Orders fell off due to orders for large-scale projects in the previous fiscal year, and many orders were carried forward to the following year.
- While firm progress was made toward targets for the full fiscal year, sales activities will be further strengthened due to orders for large projects in the next fiscal year.

# IT Services (ITS)

(mil. yen)

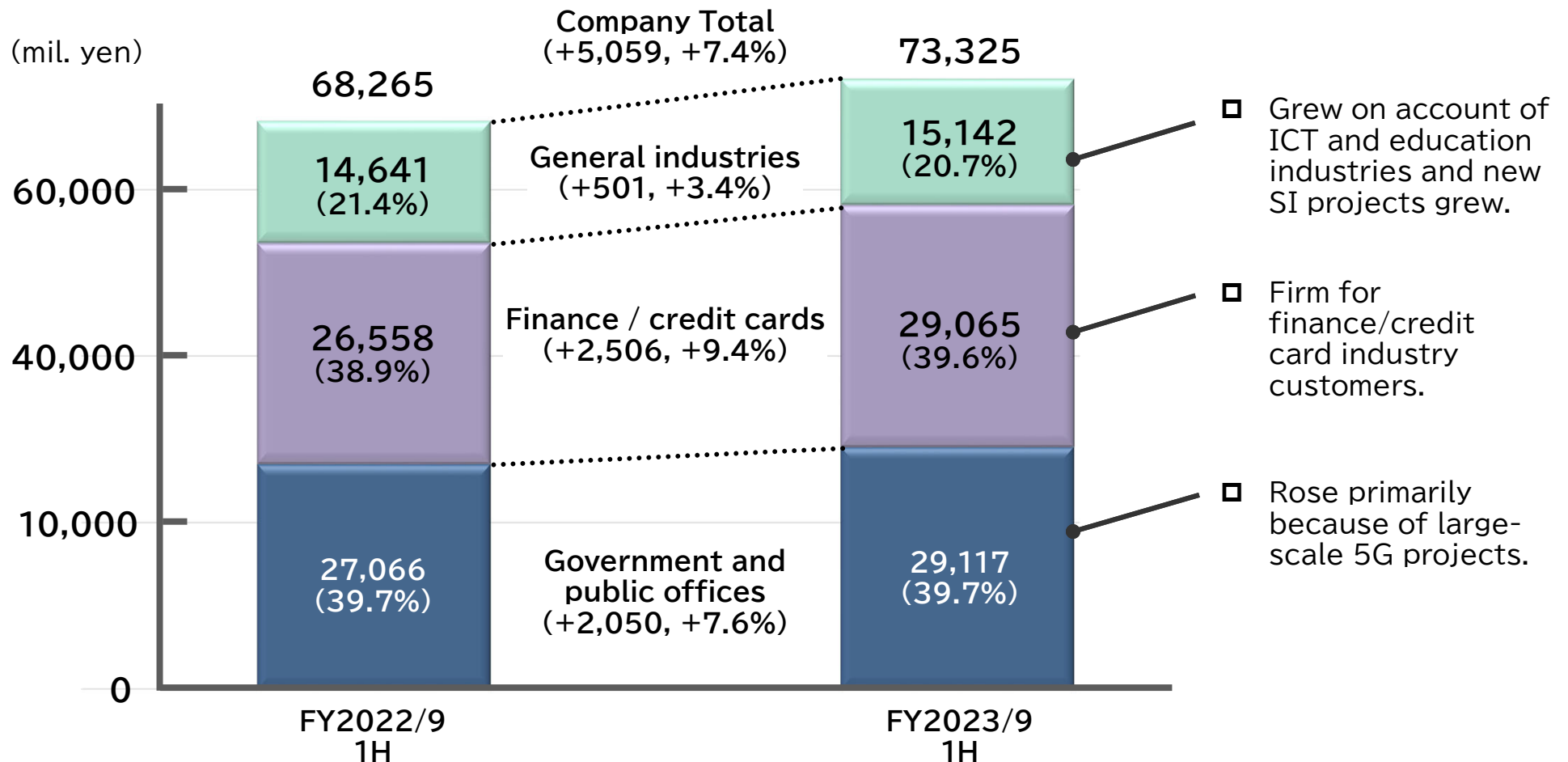
	FY2022/9 1H (Oct.-Mar.)	FY2023/9 1H (Oct.-Mar.)	YoY change	
			Amount	Rate
Net sales	34,044	37,088	+3,044	+8.9%
Operating profit	2,979	3,581	+601	+20.2%
Operating profit margin	8.8%	9.7%	+0.9P	
Ordinary profit	3,113	3,728	+615	+19.8%
Orders received	37,122	34,936	-2,186	-5.9%
Order backlog	47,245	44,993	-2,251	-4.8%

## Key points

- Both net sales and profit rose, driven primarily by finance and credit card services.
- Orders received fell as some were brought forward last year, and the order backlog declined as sales were recorded smoothly.
- Earnings remained strong, and efforts will be made to increase orders by strengthening sales activities.

# Net Sales by Industry of Customer <YoY>

- Net sales rose year on year for all industries of customers.
- Net sales for finance/credit card industry customers remained firm (+9.4%).
- Government and public offices net sales rose due to large-scale 5G-related projects, etc. (+7.6%).





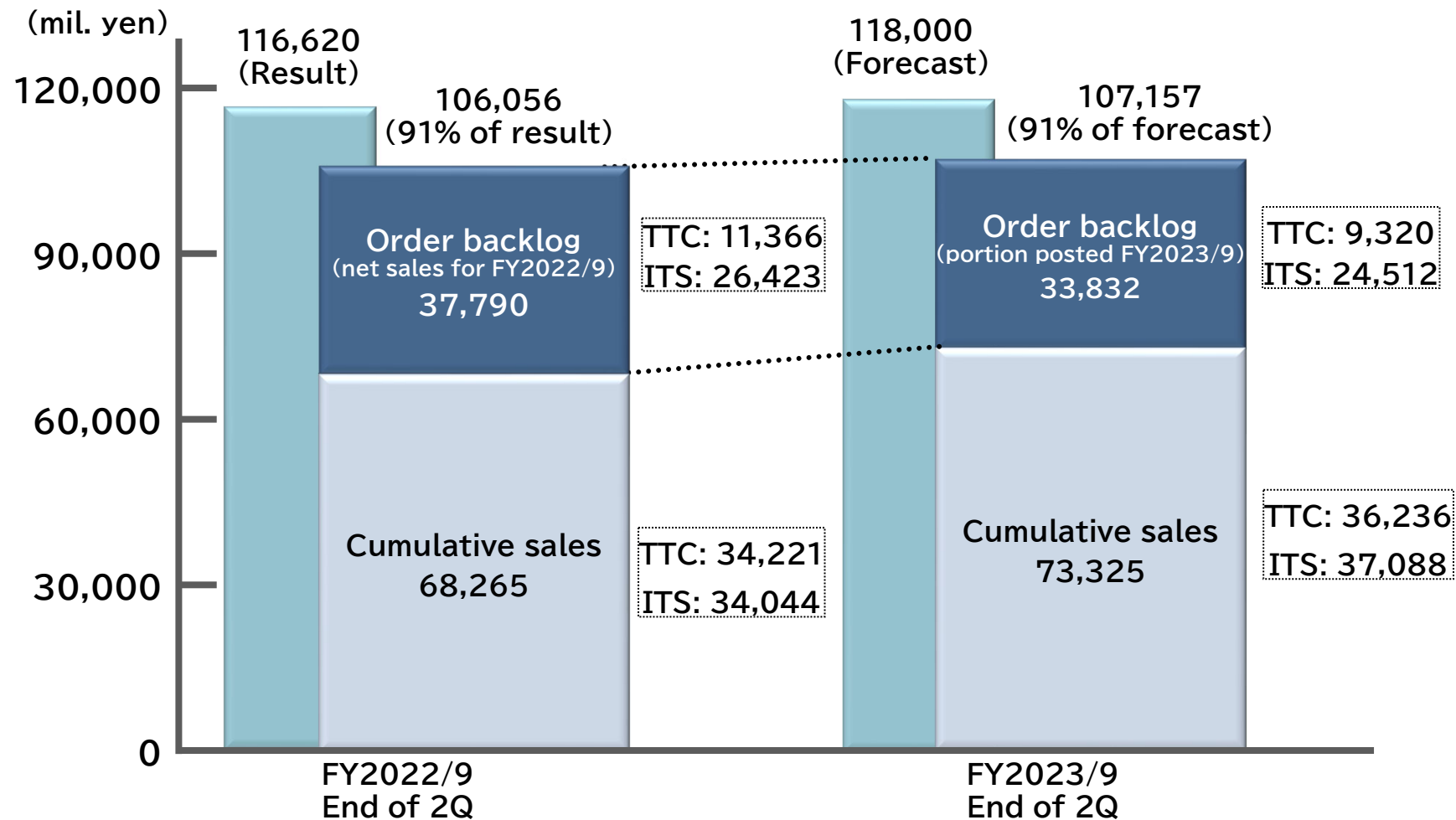
# (Reference) Net Sales by Segment and Industry of Customer <YoY>

(mil. yen)

		FY2022/9 1H (Oct.-Mar.)	FY2023/9 1H (Oct.-Mar.)	YoY change	
				Amount	Rate
T T C	Government and public offices	26,618	28,705	+2,086	+7.8%
	Finance/credit cards	2,125	1,885	-240	-11.3%
	General industries	5,476	5,645	+168	+3.1%
	TTC total	34,221	36,236	+2,015	+5.9%
I T S	Government and public offices	447	411	-35	-8.0%
	Finance/credit cards	24,432	27,179	+2,747	+11.2%
	General industries	9,164	9,497	+332	+3.6%
	ITS total	34,044	37,088	+3,044	+8.9%
<b>Total</b>		<b>68,265</b>	<b>73,325</b>	<b>+5,059</b>	<b>+7.4%</b>

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

- Progress was around 91% of target for the full fiscal year, about the same as that for 1H of the previous fiscal year.
- Order backlog carried forward was about the same as that for the 1H of the previous fiscal year, and efforts will continue to be made to strengthen sales activities.



- 1** FY2023/9 1H Financial Results
- 2** FY2023/9 Full Year Forecasts
- 3** Direction of the Next Medium-term Management Plan
- 4** Topics

# FY2023/9 Full Year Forecasts

(no change from initial forecasts)

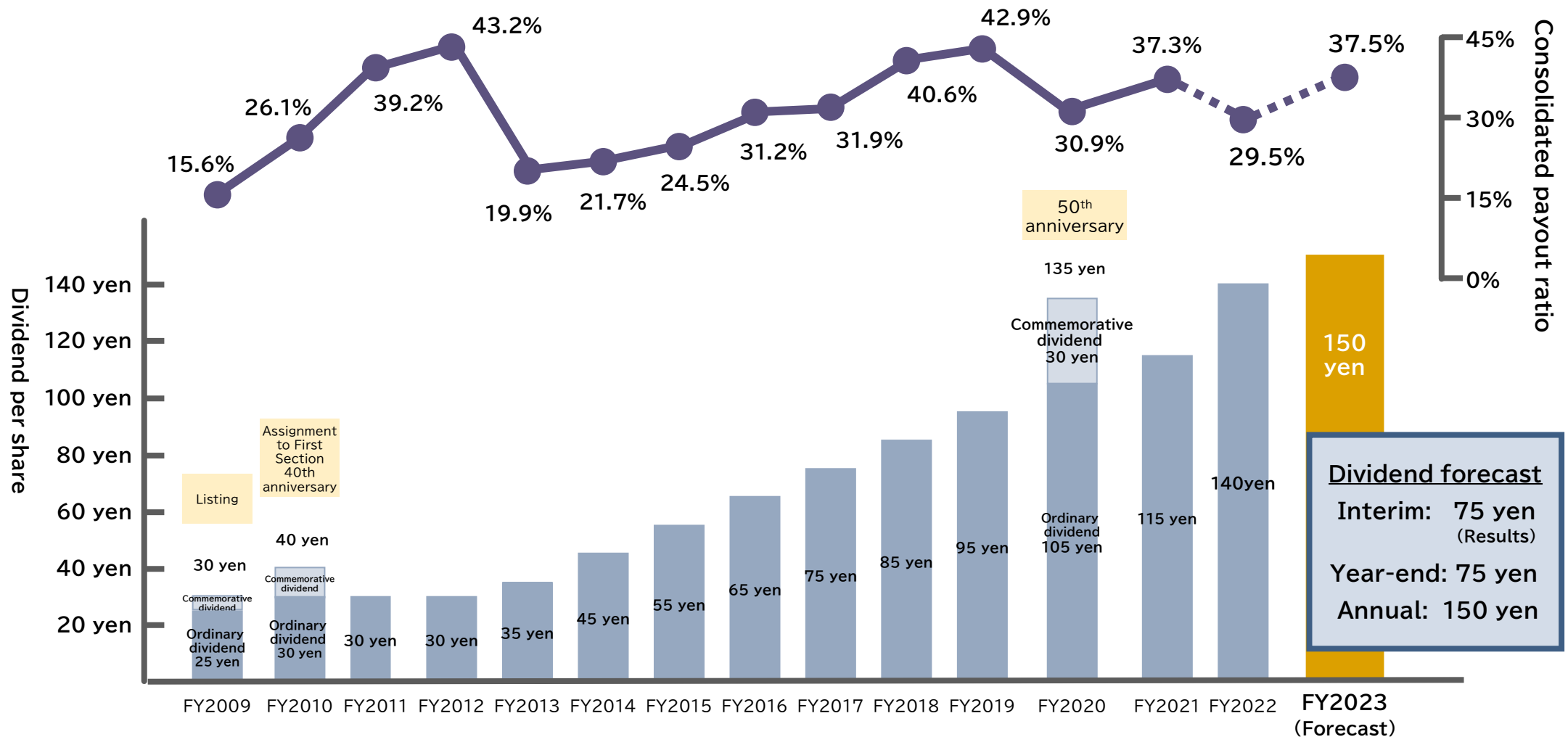
(mil. yen)

	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	

# FY2023/9 Dividends (no change from initial forecasts)

## Dividend Policy

The basic policy is to continue to pay stable dividends. We will strive to raise the dividend level, taking into comprehensive consideration results, future demand for funds, and financial soundness.



- 1** FY2023/9 1H Financial Results
- 2** FY2023/9 Full Year Forecasts
- 3** Direction of the Next Medium-term Management Plan
- 4** Topics

# Direction of the Next Medium-term Management Plan

## Summary of Medium-term Management Plan (1)

	Goal	Progress
Financial value	<p>Ordinary profit:  <b>10,000 mil. yen</b>                      ROE: <b>10%</b></p>	<ul style="list-style-type: none"> <li>● Ordinary profit <b>10,493 mil. yen</b> and ROE of <b>12.8%</b> (FY2022/9)</li> <li>● Achieved financial goals one year earlier than expected.</li> <li>● Profit margin improved to about 8%.</li> <li>● Made steady progress as of FY2023/9 2Q.</li> </ul>
Non-financial value	<p>Set goals for two fields—ability to resolve societal issues and ESG</p>	<ul style="list-style-type: none"> <li>● Formulated basic sustainability policy and D&amp;I*<sup>2</sup>.</li> <li>● Undertook disclosure in line with TCFD*<sup>3</sup></li> <li>● Continued initiatives related to work-life balance, health and productivity, and diversity and inclusion.</li> </ul>
Social value	<p>Set social and business targets for each VCP*<sup>1</sup> field</p>	<ul style="list-style-type: none"> <li>● Will take time for benefits to society to materialize, and there is room to improve measurement of the Company's contributions.</li> </ul>

\*1 MRI's own Value Creation Process, which creates a linked value chain that extends from research & recommendations to societal implementation in order to overcome the issues facing society.  
 \*2 Abbreviation for diversity and inclusion. The idea of accepting diversity and using that for social and corporate activity.  
 \*3 Abbreviation for Task Force on Climate-related Financial Disclosures, which released a report that recommend disclosure of climate-related information that impacts finances.

# Direction of the Next Medium-term Management Plan

## Summary of Medium-term Management Plan (2)

	Goal	Progress
<b>VCP management</b>	<ul style="list-style-type: none"> <li>Maximize financial, non-financial, and social value.</li> <li>Promote qualitative reforms.</li> <li>Foster and accelerate growth businesses. (DX, subscription services, overseas)</li> </ul>	<ul style="list-style-type: none"> <li>Expanded VCP field and created related system.</li> <li>Promoted quality reforms, captured large-scale projects, and drove earnings.</li> <li>Human resources are stretched, which is placing a constraint on orders.</li> <li>DX sales 27,000 mil. yen (FY2020/9) → 32,000 mil. yen (FY2022/9)</li> <li>Subscription-based services*/overseas** are in the upfront investment phase *Subscription-service sales: 6,800 mil. yen (FY2020/9) → 8,100 mil. yen (FY2022/9) **Overseas sales: 1,700 mil. yen (FY2020/9) → 2,000 mil. yen (FY2022/9)</li> </ul>
<b>Consolidated management</b>	<ul style="list-style-type: none"> <li>Grew business in DX market by integrating MRI and DCS.</li> <li>Moved forward with business portfolio reforms.</li> </ul>	<ul style="list-style-type: none"> <li>Moved forward with MRI/DCS integration through creation of face-to-face organization.</li> <li>Increased collaborative project orders e.g., DX projects for government and public offices.</li> <li>ITS ordinary profit margin 5.4%(FY2020/9) → 7.8%(FY2022/9)</li> <li>Developed new businesses and expanded subscription-based businesses.</li> </ul>
<b>Management under the new normal</b>	<ul style="list-style-type: none"> <li>Strengthened recruiting (MRI: 120, MRI DCS: 190 increase respectively).</li> <li>New-normal work styles and office reforms</li> <li>Flexible response to new businesses and new-normal risks</li> </ul>	<ul style="list-style-type: none"> <li>Recruiting About 580 employees, net increase of more than 100 (total for two fiscal years, FY2021/9 and FY2022/9)</li> <li>Remote work took root 40%–50% work from office, and 16 employees used the system for moving to regional cities.</li> <li>Used renovated office fully introduced free address system, etc.</li> <li>Increased sophistication of risk management and new business quality management.</li> </ul>



# Direction of the Next Medium-term Management Plan

## Basic Direction

### Vision for 2030

- Corporate group that combines the strengths of TTC and ITS and provides unique value
- Grow the business to the next stage

### Guidelines on Initiatives in the Next Medium-term Management Plan (-FY2026)

- Creating one-stop model that combines digital, consulting, and think thank services
  - Foster and accelerate quality reforms to core businesses, DX business and new businesses
- Increasing sophistication of management and business foundation
  - Make strategic investments to promote Group integration and growth, etc.
- Leveraging human resources and virtuous cycle for financial, non-financial, and social value
  - Strengthen recruiting and training, undertake sustainability management, and reinforce engagement with stakeholders

# Direction of the Next Medium-term Management Plan

## Composition and direction of key businesses

- Continue to generate growth by leveraging the strengths of the businesses for public sector and financial institutions, which are the core of financial foundation.
- Accelerate the DX business throughout the Group.
- Accelerate initiatives to foster new businesses for next generation.

Key businesses	Examples of actual businesses	Scale of current businesses	Future direction
(a) Businesses for public and private sector that leverage knowledge of government policies	<ul style="list-style-type: none"> <li>● Research and consulting</li> <li>● National government DX</li> <li>● Services</li> </ul>	about 45,000 mil. Yen	Core financial foundation Growth that leverages strengths Greater profitability
(b) Private-sector DX business to resolve customers' management issues	<ul style="list-style-type: none"> <li>● DX consulting</li> <li>● ERP introduction</li> <li>● Data analysis</li> <li>● AI</li> </ul>	About 20,000 mil. yen	Capture and dramatically expand growth markets Dramatically grow
(c) Businesses for financial institutions that leverage financial system knowledge	<ul style="list-style-type: none"> <li>● SI/maintenance for banks and card companies</li> <li>● Financial consulting</li> <li>● Financial DX</li> </ul>	About 50,000 mil. yen	Core financial foundation Growth that leverages strengths Increase profit margins

- 1** FY2023/9 1H Financial Results
- 2** FY2023/9 Full Year Forecasts
- 3** Direction of the Next Medium-term Management Plan
- 4** Topics

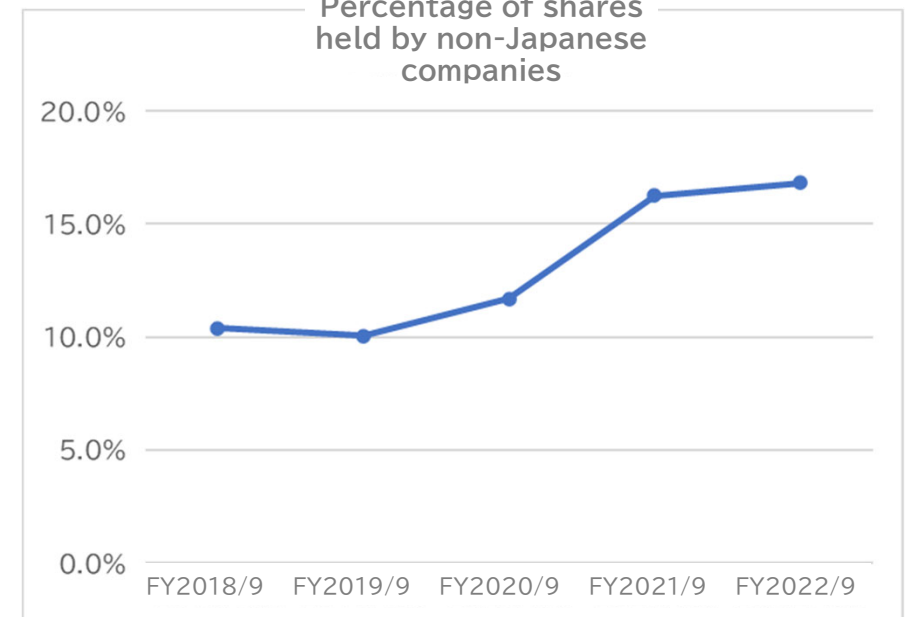
# Market engagement, etc.

- Promote market engagement, etc.
  - Have managers actively participate in both buy and sell side meetings.
  - Number of meetings rose more than 50% between FY2018/9 and FY2022/9 (same level on sell side, but about doubled on buy side).
- Increase the number of non-Japanese companies that are shareholders.
  - Shareholders include 205 institution investors (trust banks, insurance companies, financial product businesses, overseas companies, etc.) such as Schroder Investment Management (Japan) Limited (submitted large shareholding report).
  - Percentage of shares held by non-Japanese companies (share basis) rose to 16.8% (FY2022/9) from 10.4% (FY2018/9).

Number of IR engagements



Percentage of shares held by non-Japanese companies



# Release: Web survey AI "Robolisa" (Apr 20, 2023)

Uses GPT to automatically create reports and then detects and deletes incorrect information, which increases the reliability of reports.

- Make use of generative AI such as ChatGPT to automatically create prose.
- ChatGPT creates natural prose using a large language model (LLM), but the issue is that at times incorrect information is included.
- "Robolisa" has a function that detects and deletes incorrect information, which increases the reliability of reports.

Example of report generated by "Robolisa"

MRI

## 大規模言語モデルの最新動向

キーワード: プロジェクト, ビッグサイエンス, NLP, 言語モデル, AI

- 最新動向の概要

- 1950年から2018年までの言語モデルのモデルサイズは7桁増加した。
- LMentryは、モデルのパフォーマンスの「アームズレース」を避けるために、コンパクトなタスクに焦点を当てたベンチマークです。
- 大規模言語モデルの提供者は、リスクを緩和する必要があり、トレーニングに必要な高品質のデータは2026年までに枯渇する可能性がある。

大規模言語モデルが社会に与える悪影響	GPT-3とは？	大規模言語モデルのビジネス導入・活用事例
<ul style="list-style-type: none"> <li>● 大規模な言語モデルの台頭は、コミュニケーションに革命をもたらす可能性を秘めているが、さまざまなリスクも伴う。</li> <li>● 人間のフィードバックからの強化学習 (RLHF) は、人間が介入し、AI モデルを望ましい答えに近づける方法だ。</li> <li>● 新しい研究は、単純な自然言語命令が大規模な言語モデルを操作して、善の少ないコンテンツを生成できることを示現している。</li> <li>● ただし、この方法でも、比較的少量の良のデータで軽減できる問題が残る。</li> <li>● そのため、LLM を大規模に実装する前に、LLM を使用することの潜在的な影響を考慮し、良のデータがトレーニング プロセスに含まれるようにすることが重要だ。1 2 3 4 5</li> </ul>	<ul style="list-style-type: none"> <li>● GPT-3は、OpenAIによって開発された人工知能システムであるGPTの3番目のバージョン。</li> <li>● GPT-3には1,750億のパラメーターがあり、570GBのデータセットで事前にトレーニングされている。</li> <li>● GPT-3は、英語の電子メールテキストとプレゼンテーション資料を生成するために使用される。</li> <li>● 開発者は、独自のデータでGPT-3を微調整して、アプリケーションに合わせたカスタムバージョンを作成できるようになった。</li> <li>● 微調整により、あるAPIの顧客は正しい出力を83%から95%に増やすことができた。1 2 3 4 5</li> </ul>	<ol style="list-style-type: none"> <li>1. 自然言語処理(NLP)の応用である自動顧客サポートチャットボットやバーチャルアシスタントは、コンテンツを作成し、効率を高め、供給と需要を拡大するために使用できる。</li> <li>2. ボイス検索やバーチャルアシスタントなどのテキスト読み上げ(TTS)アプリケーションは、音声形式のコンテンツを生成するために使用できる。</li> <li>3. 自動翻訳文書やウェブページなどの翻訳アプリケーションは、複数言語でコンテンツを作成し、効率を高め、供給と需要を拡大するために使用できる。</li> <li>4. LLMはデータのパターンを見つけ、説明するために使用でき、企業は大規模なデータセットから洞察を得られる。1 2 3 4 5</li> </ol>

- 関連記事











[1] 真の正しいデータが不足している時代に MIT が AI 言語モデルをトレーニングする方法	<a href="#">リンク</a>	2022-12-06
[2] Cerebras が LLM とジェネレーティブ AI ツールの新しいハードウェアを発表	<a href="#">リンク</a>	2022-11-29
[3] 大規模なコンピューティングを必要としない、より優れた言語モデル	<a href="#">リンク</a>	2022-11-29
[4] 大規模言語モデルにおける動向と特長	<a href="#">リンク</a>	2022-11-10
[5] LMentry: 現場業務タスクの良モデル ベンチマーク。(arXiv:2211.02669v1 [cs.CL])	<a href="#">リンク</a>	2022-11-03

Copyright © Mitsubishi Research Institute

Source: Mitsubishi Research Institute, text created by GPT-3.5 and the images by DALL-E2.



# Recent News Releases (MRI)



※All releases below are only in Japanese

Date		Title
[MRI]		
Apr 20, 2023		<a href="#">MRI Introduces Web Survey AI "Robolisa", Which Includes Automatic Report Writing Function Based on GPT</a>
Apr 13, 2023		<a href="#">Local Digital Currency "Region Ring"® Provided for Nagoya City's "Kinshachi Money 2023," the Largest Scale Digital Gift Certificates in Japan</a>
Mar 31, 2023		<a href="#">Demonstration Project for MRI Adult Education Support System Launched</a>
Mar 27, 2023		<a href="#">Demonstration of "Nowcasting" Based on Alternative Data</a>
Mar 6, 2023		<a href="#">Promoting Participation of Seniors through Merger of Digital and Real</a>
Feb 28, 2023		<a href="#">Athlete FLAP Support Business Launched</a>
Feb 27, 2023		<a href="#">Demonstration for Introduction of Assessment AI Service Launched with The 77 Bank, Ltd.</a>
Feb 16, 2023		<a href="#">MRI Presented the Minister's Award for 5th Japan Open Innovation Prize</a>
Feb 9, 2023		<a href="#">LINK-J, CIC, and MRI Consortium Selected As Ecosystem Promotor for Blockbuster Tokyo, a Tokyo Metropolitan Government's Pharmaceutical and Medical Startup Support Project</a>
Feb 9, 2023		<a href="#">Offering Risk Management Checkbook for Flying Cars and Industrial Drone Businesses Free of Charge—Ensuring Safety by Standardizing Risk Management for Next-Generation Airline Companies Through</a>

# Recent News Releases (MRI DCS, etc.)

※All releases below are only in Japanese

Date		Title
[DCS]		
Mar 1, 2023		<a href="#">Recreation Proxy Service for Long-Term Care Facilities for Seniors, Which Makes Use of Communication Robots Launched</a>
Feb 28, 2023		<a href="#">Neutrix Cloud Japan Launched Collaboration Promoting Use of Multi-Cloud/Hybrid-Cloud (FQ Smart+)</a>

Date		Title
[MRVS]		
Apr 12, 2023		<a href="#">MRI DCS Wins Service Partner of the Year Award from UiPath</a>
Mar 2, 2023		<a href="#">Business Partner Agreement Concluded with Software AG</a>

## **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.

- Contact

### **Mitsubishi Research Institute, Inc.**

Investor Relations Office,  
Corporate Planning Division

E-mail: [ir-info@ml.mri.co.jp](mailto:ir-info@ml.mri.co.jp)

URL: [www.mri.co.jp/en/index.html](http://www.mri.co.jp/en/index.html)



*Envisioning the future, leading change*

