



# **FY2019/9 1H Financial Results**

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**April 26, 2019**

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Mitsubishi Research Institute, Inc.

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# 1. FY2019/9 1H Financial Results

## 2. FY2019 Full Year Forecasts

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# Summary

**Net sales: 45,903 mil. yen**

**YoY change  $\triangle$  567 mil. yen ( $\triangle$  1.2%)**

- Net sales remained mostly flat YoY due to decreased net sales for IT services (ITS), despite the increase for think tank and consulting services (TTC)

**Ordinary profit: 3,993 mil. yen**

**YoY change  $\triangle$  669 mil. yen**

- Decline in profit for ITS exceeded the increase for TTC.
- (When excluding the impact of a project with quality issues)  
Remained mostly flat YoY (Refer to p. 6)

**Profit: 2,823 mil. yen**

**YoY change  $\triangle$  119 mil. yen**

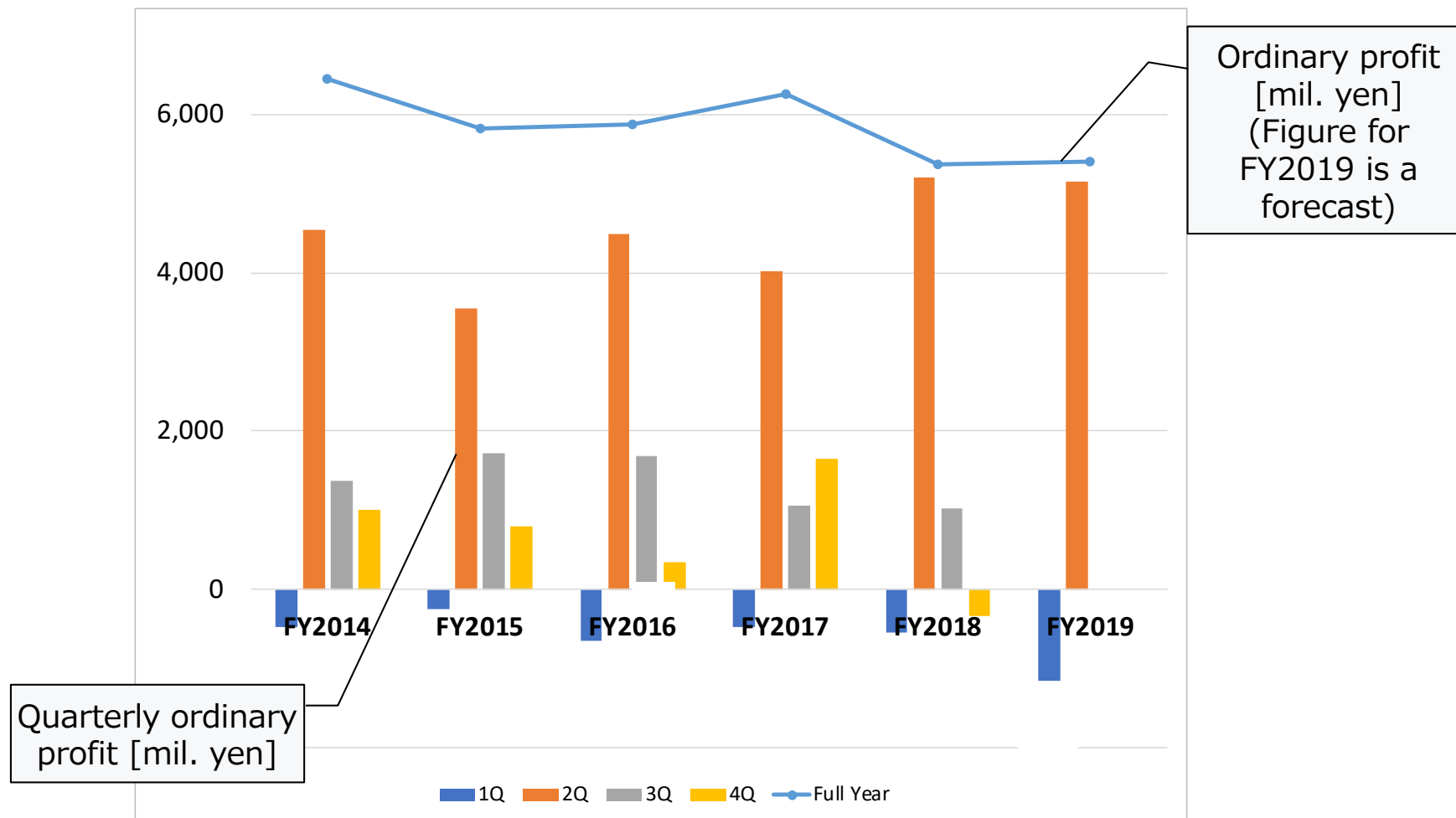
- Extraordinary income posted (sale of equity holdings)

# 1H Consolidated results <YoY>

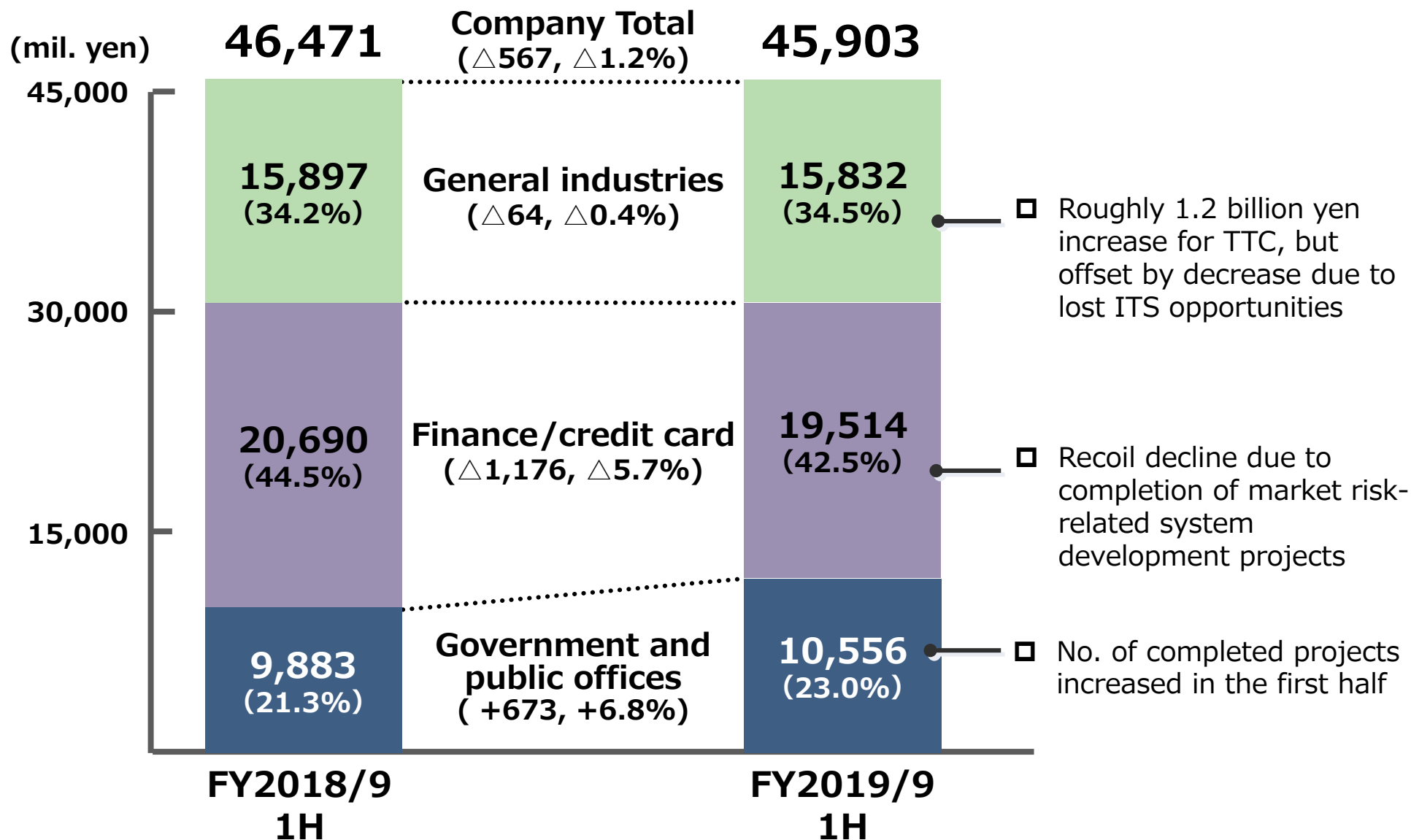
	(mil. yen)			
	FY 2018/9 1H	FY 2019/9 1H	Year-on-year	
			Amount	Rate
Net sales	46,471	45,903	△567	△1.2%
Gross profit	11,687	10,778	△908	△7.8%
Gross profit margin	25.1%	23.5%	△1.6P	
Selling, general and administrative expenses	7,107	7,045	△61	△0.9%
Operating profit	4,580	3,733	△847	△18.5%
Operating profit margin	9.9%	8.1%	△1.8P	
Ordinary profit	4,663	3,993	△669	△14.4%
Profit attributable to owners of parent	2,942	2,823	△119	△4.0%
Basic earnings per share(yen)	181.12	173.79	△7.33	

## Reference: Ordinary profit by quarter

- Ordinary profit for 2Q/FY2019 stayed at previous fiscal year's level.
- Concentration of sales and profit in 2Q due to seasonal factors continues.

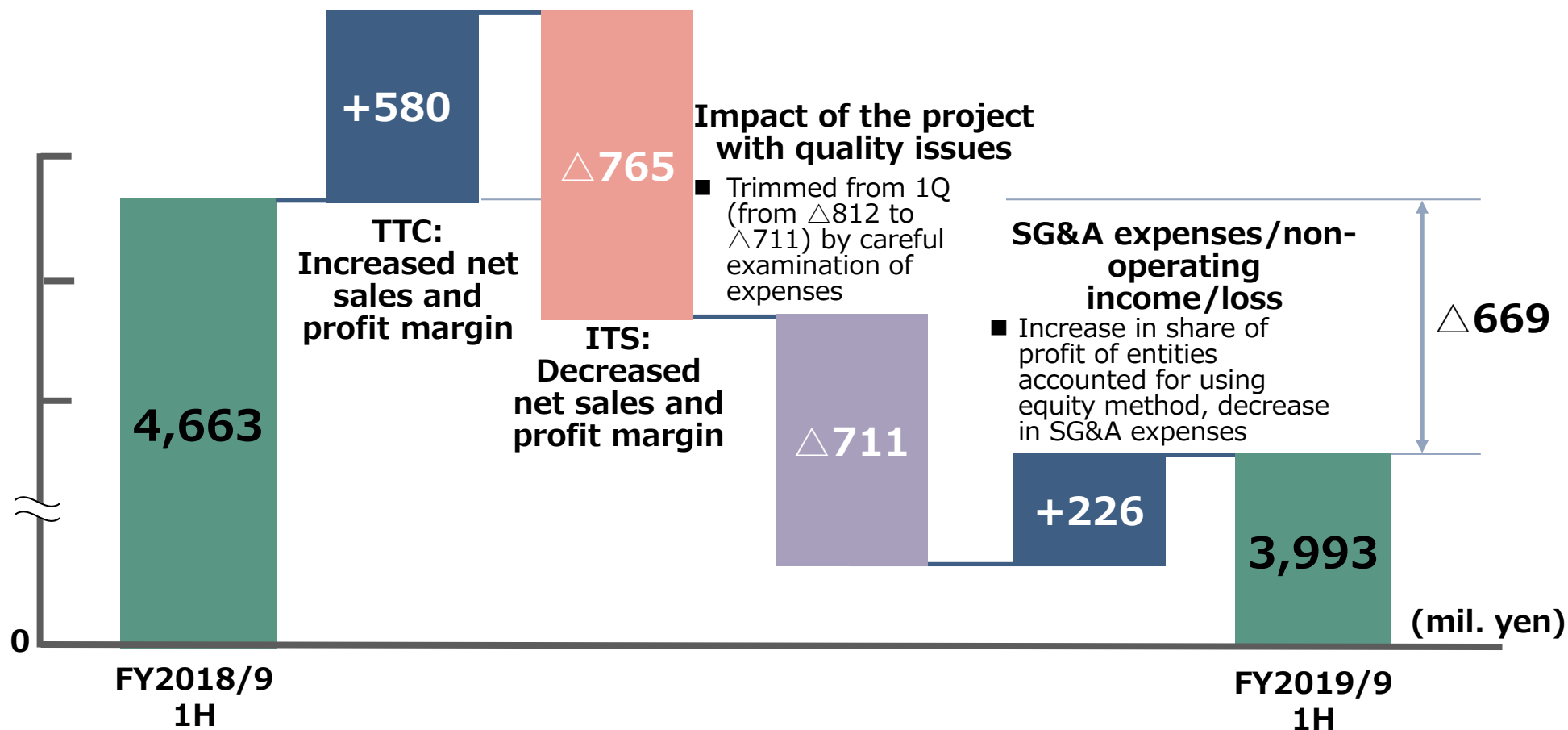


# Net sales by industry of customer <YoY>



# Factors behind fluctuation of ordinary profit /loss

- YoY decrease ( $\Delta 699$ ) attributed mostly to the project with quality issues ( $\Delta 711$ : trimmed loss of 100 million yen from 1Q)



# Think Tank and Consulting Services (TTC)

(mil. yen)

	FY 2018/9 1H	FY 2019/9 1H	Year-on-year	
			Amount	Rate
Net sales	16,400	17,768	+1,367	+8.3%
Operating profit	2,353	2,849	+496	+21.1%
Operating profit margin	14.3%	16.0%	+1.7P	
Ordinary profit	2,328	2,969	+641	+27.5%
Orders received (2Q)	18,049	16,258	△1,790	△9.9%
Order Backlog*	24,682	23,490	△1,191	△4.8%

## Key points

- Increases in private-sector projects and new business (subscription-based model) projects; increase in net sales owing to rise in public-sector projects that completed in the first half
- Increase in profit for public and private sectors
- Increase in completed projects in the first half brought Order Backlog down, but selective order receipt bearing fruit (improved profit margin)

\* "Order Backlog" refers to the figure obtained by subtracting 2Q net sales from cumulative orders received (orders carried forward from the previous period + 2Q orders received) and includes "expected sales during the period" and "expected sales for the next period and thereafter"



# IT Services (ITS)

(mil. yen)

	FY 2018/9 1H	FY 2019/9 1H	Year-on-year	
			Amount	Rate
Net sales	30,070	28,135	△1,934	△6.4%
Operating profit	2,181	871	△1,309	△60.0%
Operating profit margin	7.3%	3.1%	△4.2P	
Ordinary profit	2,289	1,013	△1,276	△55.8%
Orders received (2Q)	28,120	28,332	+211	+0.8%
Order Backlog	34,316	36,674	+2,357	+6.9%

## Key points

- Lost opportunities on the project with quality issues (large system development) in the previous fiscal year brought net sales down
- Profit decreased due to impact of the project with quality issues (provision in 1Q\*) and decreased sales
- Order Backlog is steady mainly for new services/sectors and outsourcing (1.5 billion yen out of YoY increase of 2.3 billion yen account for sales for next fiscal year)

\* Balance of provision for the project with quality issues is 1,164 million yen

## 1. FY2019/9 1H Financial Results

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## 2. FY2019 Full Year Forecasts

# FY2019 Full Year Forecasts

Revised from last forecast (10/30/2018)

**Downward revision of full-year earnings forecasts  
(Narrowed increases in net sales and profits)**

**Net sales : 91,000 mil. yen Change  $\Delta$ 3,000 mil. yen**

- ITS  $\Delta$ 3,000 mil. yen: Decrease in sales due to current status of orders

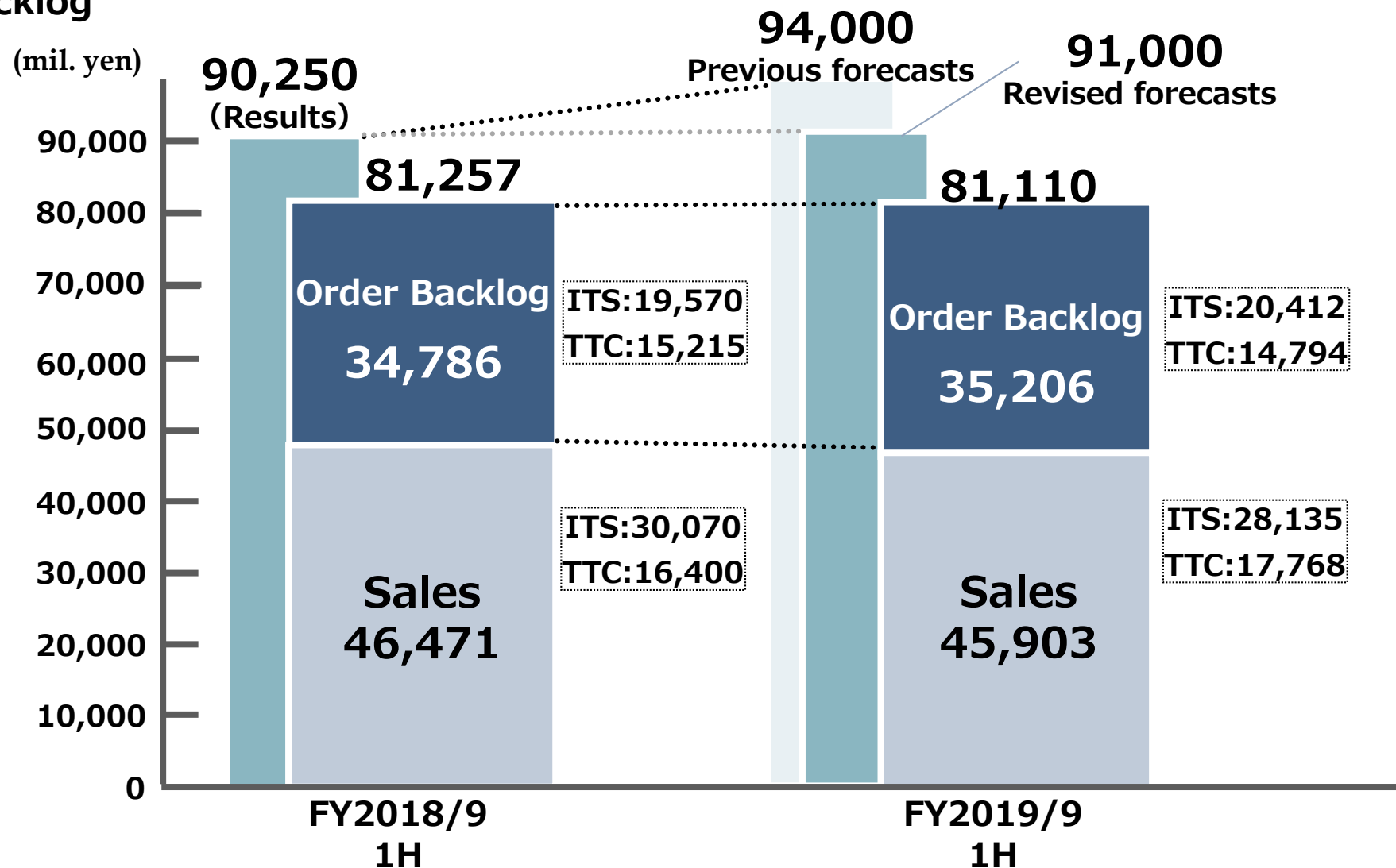
**Ordinary profit : 5,400 mil. yen Change  $\Delta$ 1,000 mil. yen**

- TTC +200 mil. yen: Maintain strong performance in the first half
- ITS  $\Delta$ 1,200 mil. yen: Decrease in profit due to impact of loss resulting from the project with quality issues and declined sales

**Profit attributable to owners of parent :  
3,500 mil. Yen Change  $\Delta$  400 mil. yen**

# Sales + Consolidated Order Backlog

- Revised earnings forecasts considering status of cumulative sales and Order Backlog



## Forecasts for FY 2019

Revised from last forecast (10/30/2018)

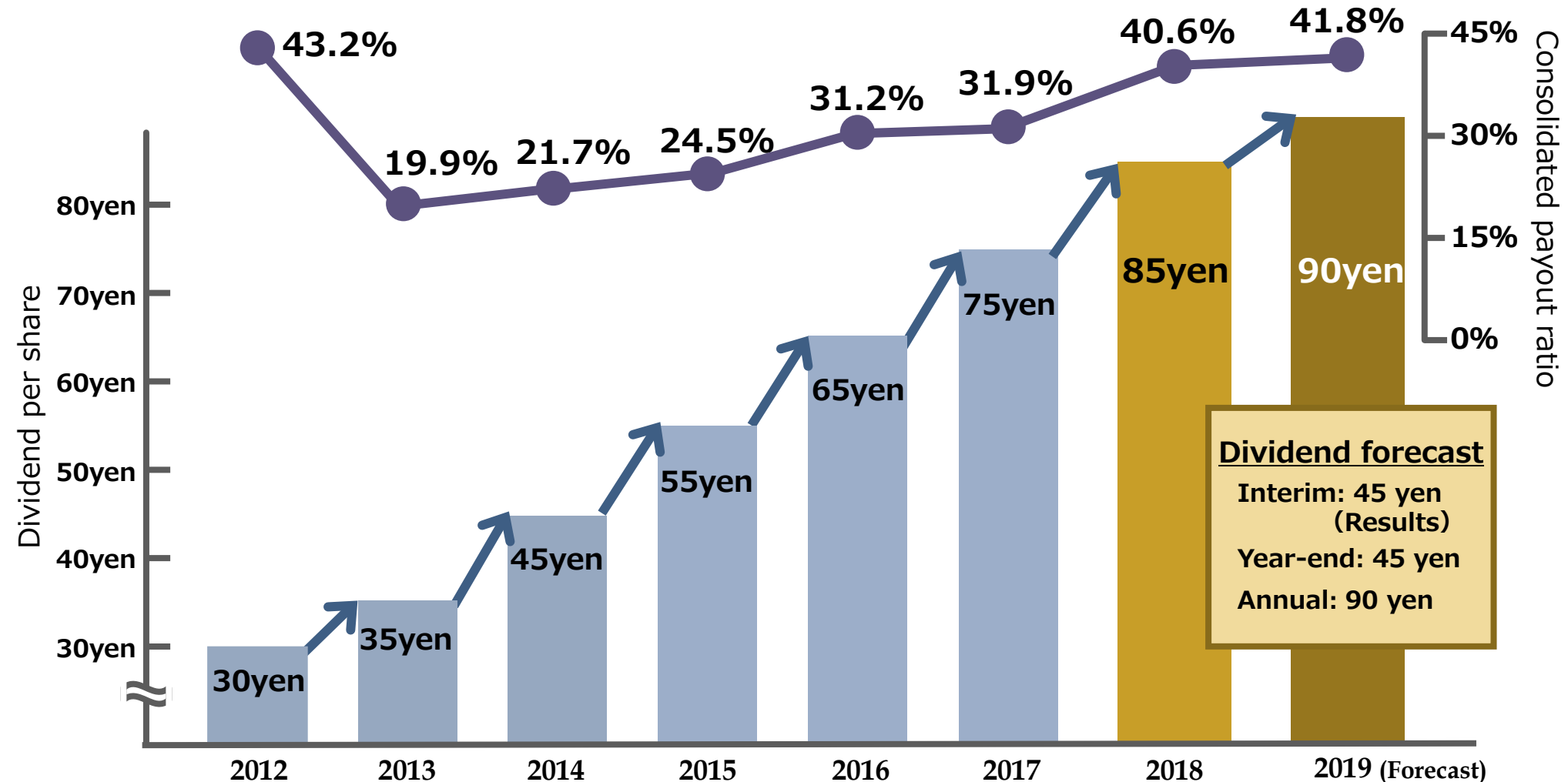
(mil. yen)

	FY2018/9 (Results)	FY 2019/9				
		Revised forecasts	Year-on-year		Previous forecasts 10/30/2018	Change
			Amount	Rate		
Net sales	90,250	91,000	+749	+0.8%	94,000	△3,000
TTC	33,489	35,000	+1,510	+4.5%	35,000	—
ITS	56,760	56,000	△760	△1.3%	59,000	△3,000
Operating profit	4,963	5,000	+36	+0.7%	6,000	△1,000
Operating profit margin	5.5%	5.5%	△0.0P		6.4%	△0.9P
Ordinary profit	5,364	5,400	+35	+0.7%	6,400	△1,000
TTC	3,233	3,300	+66	+2.1%	3,100	+200
ITS	2,050	2,100	+49	+2.4%	3,300	△1,200
Profit attributable to owners of parent	3,402	3,500	+97	+2.9%	3,900	△400
Basic earnings per share (yen)	209.46	215.44	+5.98	+2.9%	240.06	△24.62

# Dividends

## Dividend Policy

We aim to increase our dividend level while taking a holistic view balancing such factors as performance and fiscal soundness, while continuing to pay stable dividends



## 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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