

Financial Results for the Three Months of the Fiscal Year Ending September 30, 2019

February 5, 2019

 株式会社三菱総合研究所

Mitsubishi Research Institute, Inc.

1. Financial Results for the Three Months of the Fiscal Year Ending September 30, 2019

2. Earnings Forecasts for the Fiscal Year Ending September 30, 2019

3. Topics

Summary of the three months of the fiscal year ending September 30, 2019

Net sales: 15,230 million yen Up 360 million yen, or 2.5%, year-on-year

- Increase in sales to private sector in Think tank and consulting services (TTC)

Ordinary profit/loss: (1,150) million yen Down 600 million yen year-on-year

- Ordinary profit decreased due to cancellation of development of the main part of the project including quality issues in IT services (ITS), in addition to seasonal factors

Profit/loss: (1,010) million yen Down 370 million yen year-on-year

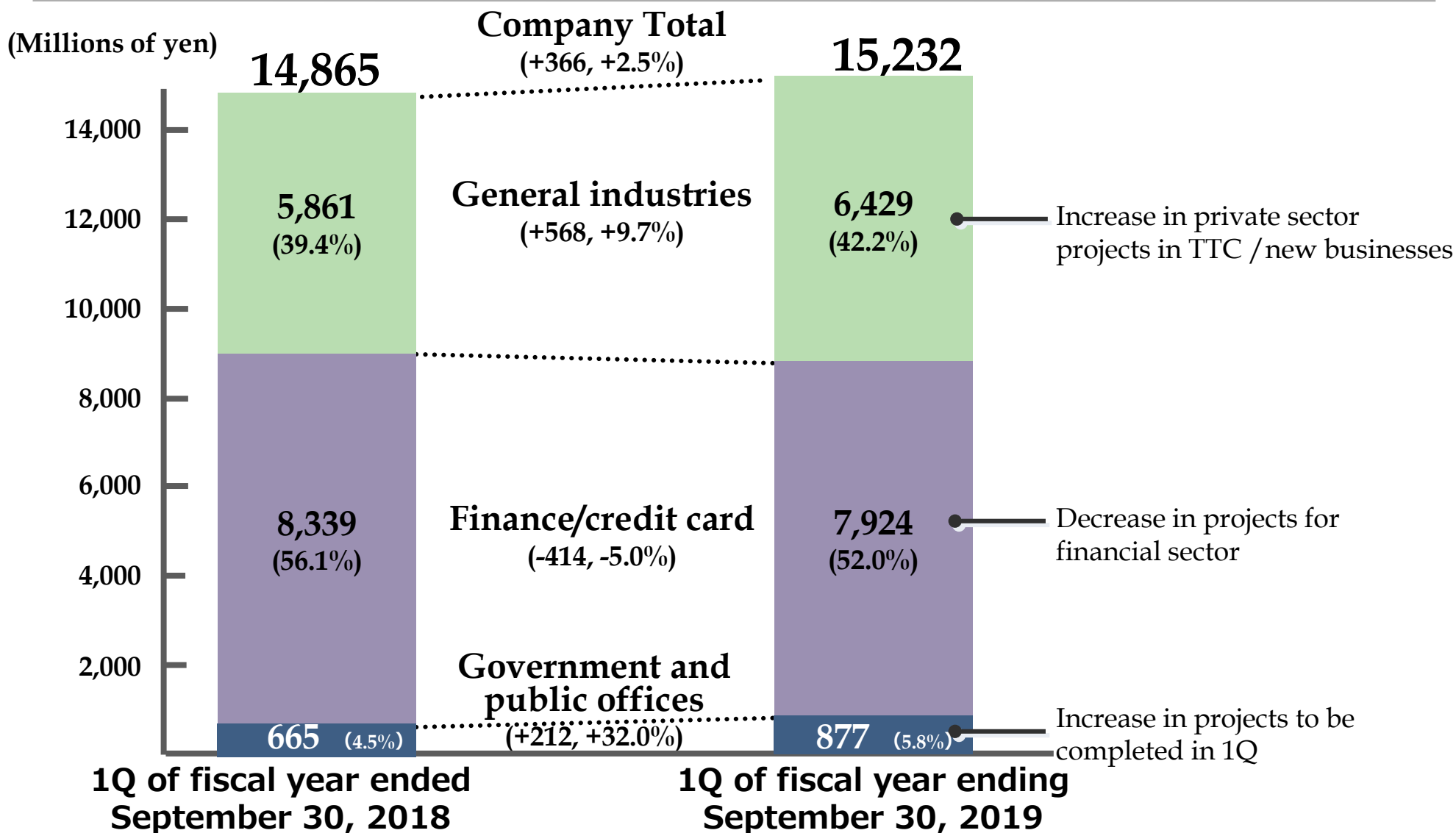
- Profit/loss in TTC improved but was unable to offset the impact of the project including quality issues in ITS, resulting in a year-on-year decline

Consolidated financial results for the three months of the fiscal year ending September 30, 2019 (year-on-year)

(Millions of yen)

	1Q of fiscal year ended September 30, 2018 (from October to December)	1Q of fiscal year ending September 30, 2019 (from October to December)	Year-on-year	
			Amount	Rate
Net sales	14,865	15,232	366	2.5%
Gross profit	2,970	2,097	(873)	(29.4)%
Gross profit margin	20.0%	13.8%	(6.2)P	
Selling, general and administrative expenses	3,570	3,463	(107)	(3.0)%
Operating profit (loss)	(599)	(1,365)	(766)	—
Operating profit margin	(4.0)%	(9.0)%	(5.0)P	
Ordinary profit (loss)	(546)	(1,155)	(608)	—
Profit (loss) attributable to owners of parent	(645)	(1,016)	(370)	—

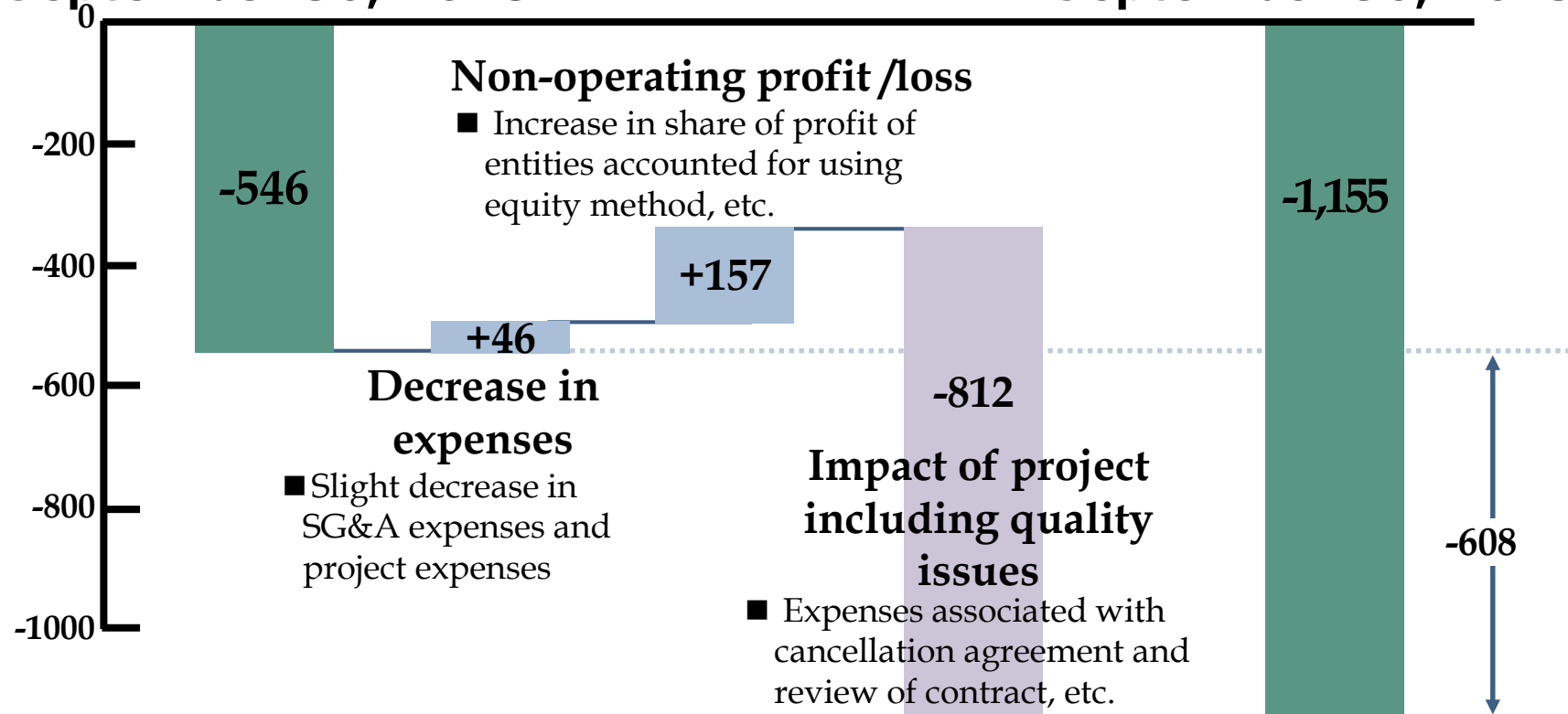
Net sales by industry of customer (year-on-year)



Factors behind fluctuation of ordinary profit /loss (year-on-year)

1Q of fiscal year ended
September 30, 2018

1Q of fiscal year ending
September 30, 2019



(Millions of yen)

Think tank and consulting services (TTC)

(Millions of yen)

	1Q of fiscal year ended September 30, 2018 (from October to December)	1Q of fiscal year ending September 30, 2019 (from October to December)	Year-on-year	
			Amount	Rate
Net sales	1,827	2,621	793	43.4%
Operating profit (loss)	(1,006)	(867)	139	—
Operating profit margin	(55.1)%	(33.1)%	22.0P	
Ordinary profit (loss)	(1,007)	(747)	260	—
Orders received (1Q)	6,435	4,952	(1,482)	(23.0)%
Balance of orders received*	27,641	27,331	(310)	(1.1)%

Key points

- Sales increased and profit/loss improved due to increase in private sector projects and new businesses (commission-based)
- High beginning balance, orders received decreased year-on-year for the period from October to December. Level of the balance of orders received is almost unchanged from the previous fiscal year

* "Balance of orders received" refers to the figure obtained by subtracting 1Q net sales from cumulative orders received (orders carried forward from the previous period + 1Q orders received) and includes "expected sales during the period" and "expected sales for the next period and thereafter"

IT services (ITS)

(Millions of yen)

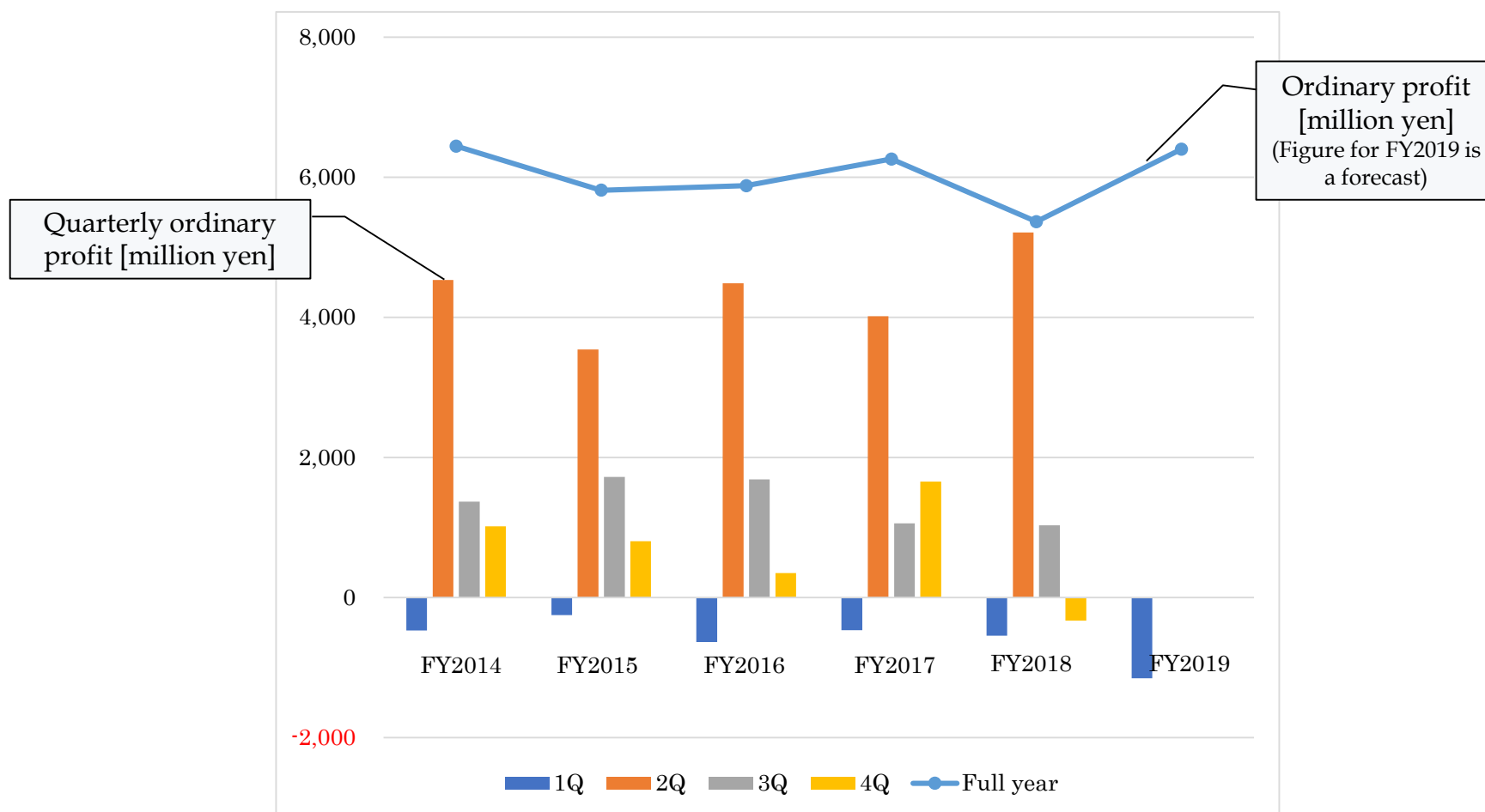
	1Q of fiscal year ended September 30, 2018 (from October to December)	1Q of fiscal year ending September 30, 2019 (from October to December)	Year-on-year	
			Amount	Rate
Net sales	13,037	12,611	(426)	(3.3)%
Operating profit (loss)	391	(482)	(873)	—
Operating profit margin	3.0%	(3.8)%	(6.8)P	
Ordinary profit (loss)	445	(392)	(838)	—
Orders received (1Q)	13,756	12,369	(1,386)	(10.1)%
Balance of orders received	36,984	36,236	(748)	(2.0)%

Key points

- Profit decreased year-on-year due to recording of additional loss in connection with the project including quality issues (large system development) in the previous fiscal year
 - Concluded an agreement to cancel the main part due to cancellation of development of such part. Currently discussing the review of the contract for other parts
 - Estimated relevant expenses and additionally recorded provision for loss on order received
- Orders received decreased due to completion of large projects in the previous fiscal year and the impact of the project including quality issues. Level of the balance of orders received is almost unchanged from the previous fiscal year

Reference: Ordinary profit by quarter

- Ordinary profit for each quarter is concentrated in 2Q due to seasonal factors and tends to record a loss in 1Q



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the Fiscal Year Ending September 30, 2019

**2. Earnings Forecasts for the Fiscal Year Ending
September 30, 2019**

3. Topics

Consolidated earnings forecasts for the fiscal year ending September 30, 2019 (unchanged from forecasts at the beginning of the fiscal year)

(Millions of yen)

	Actual result of fiscal year ended September 30, 2018	Forecast for fiscal year ending September 30, 2019	Year-on-year	
			Amount	Rate
Net sales	90,250	94,000	3,750	4.2%
Think tank and consulting services	33,489	35,000	1,511	4.5%
IT services	56,760	59,000	2,239	3.9%
Operating profit	4,963	6,000	1,037	20.9%
Operating profit margin	5.5%	6.4%	0.9P	
Ordinary profit	5,364	6,400	1,036	19.3%
Think tank and consulting services	3,233	3,100	(133)	(4.1)%
IT services	2,050	3,300	1,249	60.9%
Profit attributable to owners of parent	3,402	3,900	497	14.6%
Basic earnings per share (yen)	209.46	240.06	30.60	14.6%

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Topics

World Expo Office (released on Jan. 10)

- ❑ Aims to realize the themes and concepts of World Expo 2025 held in Osaka, Kansai
- ❑ Makes use of abundant knowledge in supporting the hosting of expos including the 2005 World Exposition, Aichi, Japan and Expo 2020 Dubai
- ❑ Setting up a study group in March with a view to making a successful testing ground for future society through co-creation mainly with local communities, companies, ventures and research institutes

www.mri.co.jp/news/press/announcement/028445.html (only in Japanese)

Developed functions that efficiently improve accuracy of dialogue by means of AI (released on Jan. 16)

- ❑ Broaden the scope of support through AI dialogue system, whereby enabling the contribution to expanding the benefit of system introduction
- ❑ Trial provision of joint research results with Nextremer

www.mri.co.jp/news/press/public_office/028443.html
(only in Japanese)

Joint demonstration test of communication robot by Mitsubishi Research Institute DCS (released on Jan. 21)

- ❑ Demonstration test at several facilities in Japan jointly with Japan Third Party to provide communication robot services to children and the elderly
- ❑ Utilization of “Hitomean,” DCS’s original cloud-based AI dialogue engine



www.dcs.co.jp/history/news/2019/190121.html (only in Japanese)

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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