
FY2020/9 1Q Financial Results

February 5, 2020

 **MITSUBISHI RESEARCH INSTITUTE, INC.**

1. FY2020/9 1Q Financial Results

2. FY2020/9 Full Year Forecasts

3. Topics

Summary

Net sales: 14,860 mil. yen
YoY change -360 mil. yen (-2.4%)

- ▣ Projects that recorded net sales in TTC in 1Q fell (no impact on full-year results).

Ordinary profit: 1,100 mil. yen
YoY change +2,260 mil. yen

- ▣ INES became an equity method affiliate and a share of profit of entities accounted for using the equity method (including an equivalent of negative goodwill) was posted.
- ▣ The impact by the project with quality issues in the previous fiscal year has been dissolved.

Profit: 2,310 mil. yen YoY change +3,330 mil. yen

- ▣ A gain on sale of shares in Minori Solutions (extraordinary income) was posted.

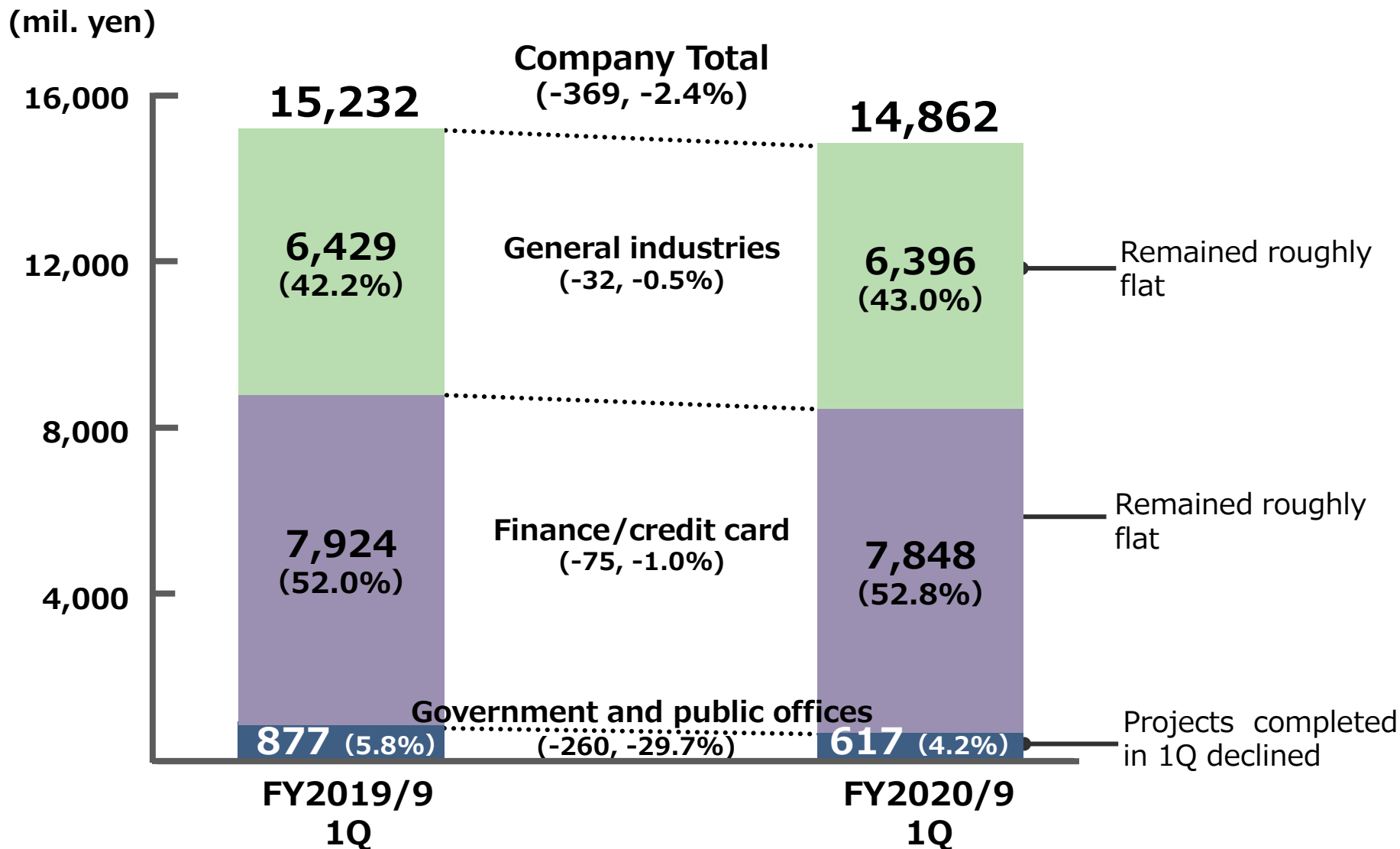
The earnings forecast was revised upward.

1Q Consolidated results <YoY>

(mil. yen)

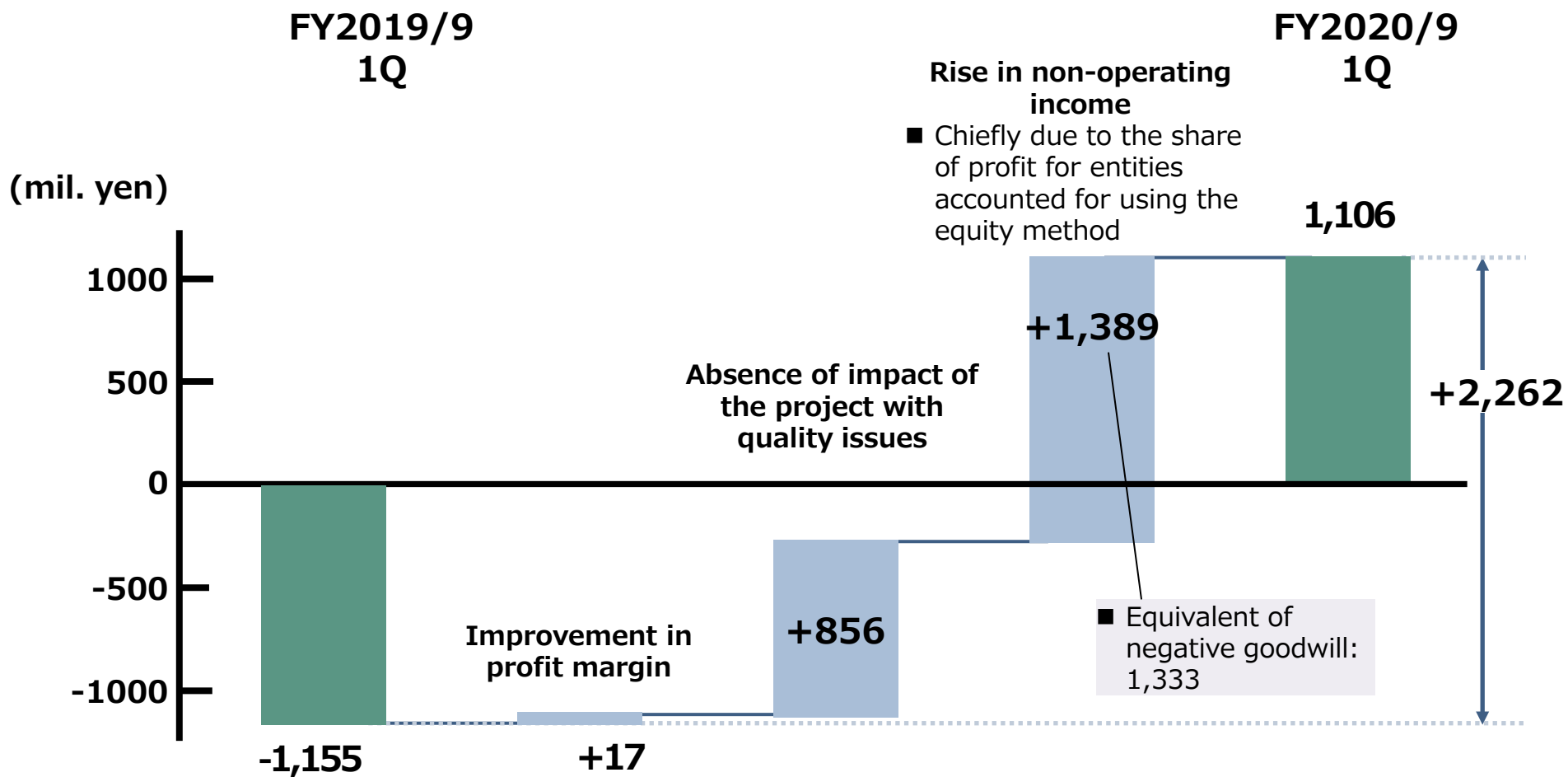
	FY2019/9 1Q (Oct.-Dec.)	FY2020/9 1Q (Oct.-Dec.)	Year-on-year	
			Amount	Rate
Net sales	15,232	14,862	-369	-2.4%
Gross profit	2,097	3,054	+956	+45.6%
Gross profit margin	13.8%	20.5%	+6.7P	
SG&A expenses	3,463	3,546	+83	+2.4%
Operating profit (loss)	-1,365	-492	+873	—
Operating profit margin	-9.0%	-3.3%	+5.7P	
Ordinary profit	-1,155	1,106	+2,262	—
Profit attributable to owners of parent	-1,016	2,319	+3,335	—

Net sales by industry of customer <YoY>



Factors behind fluctuation of ordinary profit /loss <YoY>

- Profit rose due to INES becoming an equity method affiliate and the absence of the impact of losses from the project with quality issues.



Think Tank and Consulting Services (TTC)

(mil. yen)

	FY2019/9 1Q (Oct.-Dec.)	FY2020/9 1Q (Oct.-Dec.)	Year-on-year	
			Amount	Rate
Net sales	2,621	2,098	-523	-20.0%
Operating profit(loss)	-867	-984	-116	-
Operating profit margin	-33.1%	-46.9%	-13.8P	
Ordinary profit	-747	493	+1,240	-
Orders received (1Q)	4,952	5,044	+91	+1.9%
Order Backlog*	27,331	29,253	+1,921	+7.0%

Key points

- Net sales decreased due to a fall in projects, including large projects, completed in 1Q (no impact on full-year results).
- Ordinary profit rose due to non-operating income related to a new equity method affiliate.
- The order backlog at the beginning of FY2020/9 was high and orders remained strong in 1Q.

* Order backlog is cumulative orders (orders carried over from the previous fiscal year plus orders in 1Q), fewer net sales in 1Q, and includes sales planned in the fiscal year under review and sales planned from the next fiscal year.

IT Services (ITS)

(mil. yen)

	FY2019/9 1Q (Oct.-Dec.)	FY2020/9 1Q (Oct.-Dec.)	Year-on-year	
			Amount	Rate
Net sales	12,611	12,764	+153	+1.2%
Operating profit (loss)	-482	501	+984	—
Operating profit margin	-3.8%	3.9%	7.7P	
Ordinary profit	-392	623	+1,016	—
Orders received (1Q)	12,369	14,147	+1,778	+14.4%
Order Backlog	36,236	41,756	+5,520	+15.2%

Key points

- Net sales remained roughly flat YoY.
- Profit rose due to the absence of the impact of a loss from the project with quality issues posted in previous 1Q.
- The order backlog at the beginning of FY2020/9 was high and orders remained strong in 1Q.

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FY2020 Full Year Forecasts

Revised from previous forecast (12/16/2019)

The net sales forecast remains unchanged.

Operating profit: 4,900 mil. Yen
YoY change: -230 mil. yen (-4.5%)

- TTC: Expecting increase in:
Upfront investment in new business and expenses for performance-linked bonuses
- -300 mil. yen (compared with the previous forecast)

Ordinary profit: 7,000 mil. Yen
YoY change: +1,280 mil. yen (+22.4%)

- TTC: Reflecting a share of profit of entities accounted for using the equity method posted in 1Q.
- +1,000 mil. yen (compared with the previous forecast)

Profit: 6,300 mil. Yen
YoY change: +2,700 mil. yen (+75.0%)

- +1,100 mil. yen (compared with the previous forecast)

FY2020 Full Year Forecasts

Revised from previous forecast (12/16/2019)

(mil. yen)

	FY2019/9 (Results)	FY2020/9 Revised forecasts	Year-on-year		Previous forecasts 12/16/2019	Change
			Amount	Rate		
			Net sales	90,029		
TTC	34,099	36,000	+1,900	+5.6%	36,000	-
ITS	55,930	58,000	+2,069	+3.7%	58,000	-
Operating profit	5,130	4,900	-230	-4.5%	5,200	-300
Operating profit margin	5.7%	5.2%	-0.5P		5.5%	-0.3P
Ordinary profit	5,718	7,000	+1,281	+22.4%	6,000	+1,000
TTC	3,351	4,600	+1,248	+37.2%	3,600	+1,000
ITS	2,325	2,400	+74	+3.2%	2,400	-
Profit attributable to owners of parent	3,599	6,300	+2,700	+75.0%	5,200	+1,100
Basic earnings per share (yen)	221.58	387.65			320.08	

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Topics

Established the Regional Digital Transformation Business Division (announced on January 8)

- ❑ Brought together specialists with the objective of building and expanding social systems related to digital regional currency and mobility as a service (MaaS) (January 1, 2020)
- ❑ Demonstration projects for Kintetsu Shimakaze Coin and Tokyo Your Coin are underway.

www.mri.co.jp/news/press/20200108-02.html



Alliance Agreement with NTT Docomo for the use of ICT at local governments (announced on January 23)

- ❑ Formed an alliance with NTT Docomo to provide a new service, aiming to extend healthy life expectancy and reduce medical and long-term care expenses using data from local governments.
- ❑ Aiming to launch by the end of FY2020, a reasonable, effective policy making (EBPM*) service based on data.

*Evidence-based policy making

www.mri.co.jp/news/press/20200123.html



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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