

[Translation for reference only]

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Translation



April 28, 2021

## Consolidated Financial Results for the Six Months of the Fiscal Year Ending September 30, 2021 <under Japanese GAAP>

Company name: **Mitsubishi Research Institute, Inc.**  
 Listing: First Section of the Tokyo Stock Exchange  
 Stock code: 3636 URL: <https://www.mri.co.jp/>  
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Scheduled date to submit Quarterly Securities Report: April 30, 2021  
 Scheduled date to commence dividend payments: June 7, 2021  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Rounded down to the nearest million yen)

### 1. Consolidated performance for the six months of the fiscal year ending September 30, 2021 (from October 1, 2020 to March 31, 2021)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
March 31, 2021	52,328	8.5	6,126	11.3	6,464	(10.6)	4,141	(36.0)
March 31, 2020	48,246	5.1	5,502	47.4	7,232	81.1	6,466	129.0

Note: Comprehensive income

For the six months ended March 31, 2021: 4,646 million yen [(35.1%)]  
 For the six months ended March 31, 2020: 7,162 million yen[235.9%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended				
March 31, 2021	254.81		-	
March 31, 2020	397.97		-	

### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of						
March 31, 2021	101,522		64,204		55.7	
September 30, 2020	96,253		61,541		56.0	

Reference: Equity (Net assets – Non-controlling interests)  
 As of March 31, 2021: 56,573 million yen  
 As of September 30, 2020: 53,857 million yen

### 2. Cash dividends

	Annual cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen				
Fiscal year ended September 30, 2020	-	50.00	-	85.00	135.00
Fiscal year ending September 30, 2021	-	55.00	-	-	-
Fiscal year ending September 30, 2021 (Forecast)	-	-	-	55.00	110.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

Breakdown of the year-end cash dividend of the fiscal year ended September 30, 2020: Ordinary dividend 55.00 yen and commemorative dividend 30.00 yen

### 3. Consolidated earnings forecasts for the fiscal year ending September 30, 2021 (from October 1, 2020 to September 30, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending September 30, 2021	97,000	5.4	6,600	5.9	7,500	(10.6)	4,800	(32.4)	295.30

Note: Revisions to the earnings forecasts most recently announced: None

**\*Notes**

- (1) Changes in significant subsidiaries during the six months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting in preparing consolidated quarterly financial statements: Yes  
Note: For details, please refer to “2. Consolidated financial statements and significant notes thereto (4) Notes to consolidated financial statements (Application of special accounting in preparing consolidated quarterly financial statements)” on page 10 of the attached materials.
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
- Changes in accounting policies due to revisions to accounting standards and other regulations: None
  - Changes in accounting policies due to other reasons: None
  - Changes in accounting estimates: None
  - Restatement of prior period financial statements after error corrections: None

- (4) Number of issued shares (common shares)

- a. Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2021	16,424,080 shares
As of September 30, 2020	16,424,080 shares

- b. Number of treasury shares at the end of the period

As of March 31, 2021	212,426 shares
As of September 30, 2020	169,376 shares

- c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

Six months ended March 31, 2021	16,252,291 shares
Six months ended March 31, 2020	16,248,940 shares

\* Quarterly results are not subject to quarterly review by a certified public accountant or the auditing firm.

\* Appropriate use of business forecasts; other special items

(Caution regarding forward-looking statements, etc.)

The earnings forecast is made based on information available at the time of publication of this document. The Company does not guarantee that it will achieve the forecast results. Actual sales and profits may differ from the forecast results due to uncertainties inherent in the forecast and changes in business conditions, among other factors.

(Availability of supplementary material on financial results)

The supplementary material for quarterly results is posted on the Company's website.

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**(Attached materials)****1. Qualitative information regarding settlement of accounts for the six months****(1) Explanation regarding operating results**

In the first six months of the fiscal year under review (October 1, 2020 to March 31, 2021), the global economy saw the stronger restraint on activities as the spread of the novel coronavirus infection disease (COVID-19) accelerated. Some countries gradually resumed economic activities in line with their progress in vaccination, and the global economy as a whole seemingly continued to recover from the COVID-19 crisis. In the United States economy, consumption--which accounts for 70% of U.S. GDP--maintained an upward trend thanks to the government's additional fiscal support and progress with vaccinations. The Chinese economy remained firm as domestic demand continued to increase, backed by government policy support. Exports of electronics that support digitalization, which is expanding worldwide, increased significantly. Meanwhile, activities in the European economy declined as a result of city lockdowns inevitably imposed due to a surge in COVID-19 variant cases.

The Japanese economy, particularly domestic demand, was sluggish due to the spread of the COVID-19 pandemic. Consumption fell again after 2021 got underway due to voluntary restraints on outings, another declaration of a state of emergency, the suspension of consumption stimulus measures, and the worsening of the job market and income prospects. Capital spending showed signs of recovery thanks to investment in response to the COVID-19 pandemic, including the move to online and contactless meetings, and partial resumption of investment that had been postponed from the July-September period of 2020. Exports to Europe and the United States slowed, but exports to China and other countries in Asia were firm.

In this social situation and business environment, Mitsubishi Research Institute, Inc. and its consolidated subsidiaries (the "MRI Group"), which celebrated Mitsubishi Research Institute's 50th anniversary, have adopted a new management philosophy: "We will continually envision a desirable future, resolve societal issues, and lead change in society to co-create a sustainable and abundant future." Under this management philosophy, the Group, as a corporate group that provides solutions to social issues, leverages its knowledge of scientific methods, advanced scientific technologies, policies and systems that it has developed as a comprehensive think tank as well as its ability to provide comprehensive solutions to expand business while prioritizing quality and customer satisfaction.

The fiscal year under review is the first year of the Medium-Term Management Plan 2023 ("MP2023"). In MP2023, the research and consulting business and the financial solutions business are positioned as core businesses, and the digital transformation (DX) business, the stock-type business (provision of general services using intellectual assets), and the international business are positioned as growth businesses. The Group is taking steps to achieve steady growth in the period of MP2023.

No major impact of the COVID-19 pandemic is evident in the financial results of the MRI Group for the first six months of the fiscal year under review, and the business remained steady based on large orders received during the previous fiscal year.

The MRI Group engaged in a range of operations designed to address social issues, including operations related to the fifth-generation mobile communication systems (5G), a new communication standard, and simulation related to COVID-19 using artificial intelligence (AI), such as estimates of the impact of the disease on society and economy.

These factors resulted in net sales of 52,328 million yen (up 8.5% year on year) and operating profit of 6,126 million yen (up 11.3% year on year) in the MRI Group in the first six months of the fiscal year under review. Due to the absence of temporary profits (a share of profit of entities accounted for using equity method and a gain on sales of investment securities) posted in the previous fiscal year, operating profit and profit attributable to owners of parent declined from the year-ago level. Ordinary profit stood at 6,464 million yen (down 10.6% year on year), and profit attributable to owners of parent was 4,141 million yen (down 36.0% year on year).

The results in each segment are as follows.

## &lt;Think tank and consulting services&gt;

In the first six months under review, net sales (sales to outside clients) stood at 20,803 million yen (up 15.8% year on year), reflecting growth in projects for public offices such as simulation operations related to COVID-19 and large statistics operations and consulting for financial institutions. The ordinary profit came to 4,265 million yen (down 15.7% year on year) due to the absence of an amount equivalent to negative goodwill in relation to INES Corporation becoming an equity method affiliate posted in the first three months of the previous fiscal year.

## &lt;IT services&gt;

In the first six months under review, net sales (sales to outside clients) amounted to 31,524 million yen (up 4.1% year on year) chiefly due to sales from system infrastructure renewal projects for financial institutions. Ordinary profit totaled 2,197 million yen (up 1.2% year on year) thanks to profit growth that offset an increase in expenses, such as those for the improvement of corporate functions and prior investments.

**(2) Explanation regarding financial position****A. Financial position**

Total assets at the end of the first six months under review increased 5,269 million yen (up 5.5%) from the end of the previous fiscal year, to 101,522 million yen. Of which, current assets stood at 61,266 million yen (up 9.3%) and non-current assets were 40,256 million yen (up 0.1%). In current assets, there were a decrease of 11,563 million yen in cash and deposits from advance payment due to a seasonal factor, and increases of 13,074 million yen in notes and accounts receivable - trade, and 3,912 million yen in inventories.

Liabilities rose 2,606 million yen (up 7.5%) from the end of the previous fiscal year, to 37,318 million yen, chiefly reflecting an increase in accounts payable - trade of 5,876 million yen due to a seasonal factor.

Net assets climbed 2,662 million yen (up 4.3%) from the end of the previous fiscal year, to 64,204 million yen mainly due to an increase in retained earnings of 2,745 million yen.

**B. Cash flow position**

Cash and cash equivalents at the end of the first six months of the fiscal year under review fell 11,563 million yen from the end of the previous fiscal year, to 20,874 million yen. Cash flows in each category in the first six months and major factors are as follows:

## (Cash flows from operating activities)

Cash used in operating activities stood at 6,649 million yen (cash used of 3,814 million yen in the same period of the previous fiscal year), chiefly reflecting an increase in sales and orders and seasonal factors, namely, an increase in trade receivables of 13,074 million yen, an increase in inventories of 3,912 million yen, and an increase in trade payables of 5,878 million yen. Many projects of the Group are completed in March and April, and expenses are posted ahead of revenue up to the first six months. As a result, cash flows from operating activities tend to be in negative territory.

## (Cash flows from investing activities)

Cash used in investing activities came to 2,101 million yen (cash provided of 637 million yen in the same period of the previous fiscal year), chiefly due to purchase of property and equipment of 920 million yen and purchase of intangible assets of 1,049 million yen.

## (Cash flows from financing activities)

Cash used in financing activities stood at 2,810 million yen (cash provided of 299 million yen in the same period of the previous fiscal year). The main reasons were 1,394 million yen in cash dividends paid, and 505 million yen in repayments of lease obligations.

**(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements**

The consolidated earnings forecasts published on November 4, 2020 remain unchanged.

## 2. Consolidated financial statements and significant notes thereto

### (1) Consolidated quarterly balance sheets

(Million yen)

	As of September 30, 2020	As of March 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	32,738	21,174
Notes and accounts receivable - trade	13,596	26,670
Inventories	7,620	11,532
Other	2,074	1,890
Allowance for doubtful accounts	(0)	(1)
Total current assets	56,028	61,266
Non-current assets		
Property and equipment		
Buildings and structures, net	7,461	7,225
Machinery, equipment and vehicles, net	7	24
Tools, furniture and fixtures, net	1,539	1,393
Land	720	720
Leased assets, net	843	742
Construction in progress	52	423
Total property and equipment	10,625	10,530
Intangible assets		
Software	2,983	3,518
Leased assets	2,066	1,733
Other	960	738
Total intangible assets	6,010	5,990
Investments and other assets		
Investment securities	15,880	16,073
Deferred tax assets	4,156	4,148
Other	3,556	3,517
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	23,589	23,734
Total non-current assets	40,224	40,256
Total assets	96,253	101,522

(Million yen)

	As of September 30, 2020	As of March 31, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	3,934	9,810
Current portion of long-term borrowings	400	400
Accounts payable - other	1,765	1,577
Accrued expenses	1,411	2,890
Income taxes payable	2,484	1,590
Provision for bonuses	4,556	2,401
Provision for loss on order received	124	56
Other	4,551	3,802
Total current liabilities	19,228	22,529
Non-current liabilities		
Long-term borrowings	1,300	1,100
Lease obligations	2,202	1,763
Provision for share-based compensation	435	390
Net defined benefit liability	10,019	10,009
Asset retirement obligations	1,516	1,518
Other	9	7
Total non-current liabilities	15,483	14,789
Total liabilities	34,712	37,318
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,765	4,765
Retained earnings	41,039	43,784
Treasury shares	(550)	(762)
Total shareholders' equity	51,589	54,123
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,239	2,404
Deferred gains or losses on hedges	(74)	(78)
Foreign currency translation adjustment	1	0
Remeasurements of defined benefit plans	100	123
Total accumulated other comprehensive income	2,267	2,449
Non-controlling interests	7,683	7,631
Total net assets	61,541	64,204
Total liabilities and net assets	96,253	101,522

**(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income****Consolidated quarterly statements of income**

(Million yen)

	Six months ended March 31, 2020	Six months ended March 31, 2021
Net sales	48,246	52,328
Cost of sales	35,598	38,227
Gross profit	12,647	14,100
Selling, general and administrative expenses	7,145	7,974
Operating profit	5,502	6,126
Non-operating income		
Interest income	0	0
Dividend income	90	62
Share of profit of entities accounted for using equity method	1,700	306
Other	20	22
Total non-operating income	1,812	392
Non-operating expenses		
Interest expenses	20	17
Foreign exchange losses	0	–
Loss on investments in silent partnership	40	13
Overseas withholding taxes	19	12
Other	0	9
Total non-operating expenses	82	53
Ordinary profit	7,232	6,464
Extraordinary income		
Gain on sales of investment securities	2,731	0
Total extraordinary income	2,731	0
Extraordinary losses		
Loss on retirement of non-current assets	22	1
Loss on revaluation of investment securities	29	401
Loss on cancellation of leases	0	0
Other	1	–
Total extraordinary losses	54	404
Profit before income taxes	9,909	6,061
Income taxes	2,663	1,607
Profit	7,245	4,454
Profit attributable to non-controlling interests	779	312
Profit attributable to owners of parent	6,466	4,141

**Consolidated quarterly statements of comprehensive income**

(Million yen)

	Six months ended March 31, 2020	Six months ended March 31, 2021
Profit	7,245	4,454
Other comprehensive income		
Valuation difference on available-for-sale securities	(98)	172
Deferred gains or losses on hedges	9	(4)
Foreign currency translation adjustment	0	(1)
Remeasurements of defined benefit plans	10	8
Share of other comprehensive income of entities accounted for using equity method	(4)	16
Total other comprehensive income	(83)	191
Comprehensive income	7,162	4,646
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,385	4,323
Comprehensive income attributable to non- controlling interests	777	322

**(3) Consolidated quarterly statements of cash flows**

(Million yen)

	Six months ended March 31, 2020	Six months ended March 31, 2021
<b>Cash flows from operating activities</b>		
Profit before income taxes	9,909	6,061
Depreciation	1,626	1,736
Increase (decrease) in provision for bonuses	(1,685)	(2,154)
Decrease (increase) in retirement benefit asset	0	0
Increase (decrease) in retirement benefit liability	20	0
Increase (decrease) in allowance for doubtful accounts	27	0
Increase (decrease) in provision for share-based compensation	54	77
Increase (decrease) in provision for loss on order received	(427)	(68)
Interest and dividend income	(91)	(63)
Interest expenses	20	17
Share of loss (profit) of entities accounted for using equity method	(1,700)	(306)
Loss (gain) on investments in silent partnerships	40	13
Loss on retirement of non-current assets	22	1
Loss (gain) on sales of investment securities	(2,731)	(0)
Loss (gain) on valuation of investment securities	29	401
Decrease (increase) in trade receivables	(10,996)	(13,074)
Decrease (increase) in inventories	(2,552)	(3,912)
Increase (decrease) in trade payables	3,437	5,878
Increase (decrease) in accrued consumption taxes	529	(985)
Increase (decrease) in advances received	373	395
Other	1,258	1,719
<b>Subtotal</b>	<b>(2,831)</b>	<b>(4,260)</b>
Interest and dividends received	167	165
Interest paid	(22)	(17)
Income taxes paid	(1,127)	(2,537)
<b>Net cash provided by (used in) operating activities</b>	<b>(3,814)</b>	<b>(6,649)</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(631)	(920)
Purchase of intangible assets	(663)	(1,049)
Purchase of investment securities	(1,789)	(148)
Proceeds from sales of investment securities	3,720	3
Loan advances	(1)	(0)
Collection of loans receivable	2	2
Payments of leasehold and guarantee deposits	(6)	(5)
Proceeds from refund of leasehold and guarantee deposits	5	4
Other	-	12
<b>Net cash provided by (used in) investing activities</b>	<b>637</b>	<b>(2,101)</b>

(Million yen)

	Six months ended March 31, 2020	Six months ended March 31, 2021
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	1,700	–
Repayments of long-term borrowings	–	(200)
Repayments of lease obligations	(479)	(505)
Dividends paid	(821)	(1,394)
Dividends paid to non-controlling interests	(98)	(375)
Purchase of treasury shares	–	(334)
Net cash provided by (used in) financing activities	299	(2,810)
Effect of exchange rate change on cash and cash equivalents	0	(1)
Net increase (decrease) in cash and cash equivalents	(2,876)	(11,563)
Cash and cash equivalents at beginning of period	25,657	32,438
Cash and cash equivalents at end of period	22,781	20,874

**(4) Notes to consolidated financial statements**

**(Notes on going concern assumption)**

Not applicable

**(Notes in the case of material changes in shareholders' equity)**

Not applicable

**(Application of special accounting in preparing consolidated quarterly financial statements)**

(Calculation of tax expenses)

Tax expenses are calculated by multiplying profit before income taxes in the first six months under review by a reasonably estimated effective tax rate after the application of tax effect accounting for profit before income taxes in the consolidated fiscal year including the second quarter under review.

**(Additional information)**

(Share-based compensation system linked to operating performance for directors, executives and research fellows)

At the 47th annual shareholders' meeting held on December 19, 2016, the Company resolved to introduce a performance-based stock compensation plan ("the Plan") for its directors (excluding outside directors, non-executive directors and directors living outside Japan), executive officers and research fellows who have signed an engagement agreement (excluding those living outside Japan) (collectively referred to as the "Directors, Etc."). The Plan has been introduced to raise awareness of contributions to improving operating results at the MRI Group and enhancing the corporate value in the medium to long term. The Plan is an officers' compensation system that is closely connected to the MRI Group's results, transparent and objective.

The accounting for the Plan is in line with the Practical Solution on Transactions of Delivering the Company's Own Stock to employees through trusts (ASBJ PITF No. 30, March 26, 2015).

1) Overview of transaction

The Plan has a mechanism called a Board Incentive Plan trust ("BIP Trust"). After the resignation of the Directors, Etc. (or the death of the Directors, Etc.), the Company grants shares of the Company held by the BIP Trust or provides money equivalent to the shares to the Directors, Etc. according to the performance target achievement level.

2) MRI's shares remaining in the trust

The book value of the shares held by the BIP Trust (excluding the incidental expense) is posted in net assets as treasury shares. The book value of the treasury shares and the number of treasury shares were 549 million yen and 168,000, respectively, in the previous fiscal year and 761 million yen and 212,000, respectively in the first six months under review.

(Accounting estimates related to the impact of COVID-19)

There are no significant changes in the note (additional information) (accounting estimate of the impact of the spread of the COVID-19 pandemic) of 5. Status of Accounting in the annual security report for the previous fiscal year.

The impact of the COVID-19 pandemic, however, is highly unpredictable and may affect the financial position and operating results of the MRI Group depending on future developments.

**(Segment information, etc.)**

## I. Six months ended March 31, 2020

## 1. Information regarding amounts of net sales and profit/loss by reportable segment

(Million yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated quarterly statement of income (Note 2)
	Think tank and consulting services	IT services			
Net sales					
Outside customers	17,963	30,282	48,246	–	48,246
Inter-segment sales and transfers	34	630	664	(664)	–
Total	17,997	30,913	48,910	(664)	48,246
Segment profit	5,058	2,171	7,229	2	7,232

Notes: 1. The adjustment to segment profit all represents the elimination of inter-segment transactions.

2. Segment profit is adjusted in accordance with ordinary profit in the consolidated statements of income.

2. Information regarding impairment loss of non-current assets or regarding goodwill by reportable segment  
(Significant gain on bargain purchase)

In the think tank and consulting services segment, an amount equivalent to negative goodwill of 1,333 million yen, which occurred in relation to an additional acquisition of shares in INES Corporation and the application of the equity method, is posted as the share of profit of entities accounted for using the equity method.

## II. Six months ended March 31, 2021

## 1. Information regarding amounts of net sales and profit/loss by reportable segment

(Million yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated quarterly statement of income (Note 2)
	Think tank and consulting services	IT services			
Net sales					
Outside customers	20,803	31,524	52,328	–	52,328
Inter-segment sales and transfers	31	645	676	(676)	–
Total	20,834	32,170	53,004	(676)	52,328
Segment profit	4,265	2,197	6,462	1	6,464

Notes: 1. The adjustment to segment profit all represents the elimination of inter-segment transactions.

2. Segment profit is adjusted in accordance with ordinary profit in the consolidated statements of income.

2. Information regarding impairment loss of non-current assets or regarding goodwill by reportable segment  
There are no significant items in the first six months under review.

### 3. Supplementary information

#### Status of orders received and sales

##### (1) Status of orders received

The table below shows orders by segment.

(Million yen)

Segment name	Six months ended March 31, 2021			
	Orders received	Year-on-year change (%)	Order backlog	Year-on-year change (%)
Think tank and consulting services	28,072	38.6	38,364	34.1
IT services	36,276	16.3	47,188	14.3
System development	18,668	(5.1)	21,119	0.3
Outsourcing services	17,608	52.6	26,068	28.8
Total	64,349	25.0	85,552	22.4

- Notes: 1. Inter-segment transactions are offset against each other.  
 2. The numbers exclude consumption tax.  
 3. For services that are provided continually and paid for based on performance, expected sales for a year after the end of the second quarter under review are stated in the order backlog column.

##### (2) Sales performance

The table below shows sales by segment.

(Million yen)

Segment name	Six months ended March 31, 2021	Year-on-year change (%)
Think tank and consulting services	20,803	15.8
IT services	31,524	4.1
System development	19,329	2.6
Outsourcing services	12,194	6.5
Total	52,328	8.5

- Notes: 1. Inter-segment transactions are offset against each other.  
 2. The numbers exclude consumption tax.