

# FY2022/9 1Q Financial Results

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February 9, 2022

**1** FY2022/9 1Q Financial Results

**2** FY2022/9 Full Year Forecasts

**3** Topics

# Summary

- ❑ Significant year-on-year growth in sales and profit
- ❑ While results of TTC were impacted by an unprofitable project, both sales and profit effectively rose in ITS due to growth in finance and credit card services.

**Net sales :      Results    25,358 mil. yen    YoY change    +9,429 mil. yen**

- ❑ Effective YoY change (under the previous accounting standard): +1,912 mil. yen
- ❑ Think Tank and Consulting Services (TTC): Remained effectively flat
- ❑ IT Services (ITS): Sales increased both actually and effectively due to growth in finance and credit card services.

**Ordinary profit :      Results    2,243 mil. yen    YoY change    +2,637 mil. yen**

- ❑ Effective YoY change -220 mil. yen
- ❑ TTC: Profit effectively declined due to a loss from an unprofitable projects.
- ❑ ITS: Profit effectively rose due in part to growth in finance and credit card services.

**Profit :                  Results    2,026 mil. yen    YoY change    +2,749 mil. yen**

- ❑ Effective YoY change +824 mil. yen
- ❑ Sales of cross-held shares and shares in UBS, one of our subsidiaries

# 1Q consolidated results <YoY>

[Including the effect of accounting standard change]

- Sales rose significantly due to the advanced posting of net sales, reflecting the change in accounting standard.
- See the next page (page 5) for a comparison based on the previous accounting standard.

(mil. yen)

	FY2021/9 1Q (Oct.-Dec.)	FY2022/9 1Q (Oct.-Dec.)	Y o Y	
			Amount	Rate
Net sales	15,929	25,358	+9,429	+59.2%
Gross profit	3,271	5,997	+2,726	+83.3%
Gross profit margin	20.5%	23.7%	+3.2P	
SG&A expenses	3,910	4,162	+252	+6.5%
Operating profit (loss)	-639	1,834	+2,473	—
Operating profit margin	-4.0%	7.2%	+11.2P	
Ordinary profit	-394	2,243	+2,637	—
Profit attributable to owners of parent	-722	2,026	+2,749	—

# Consolidated results <YoY>

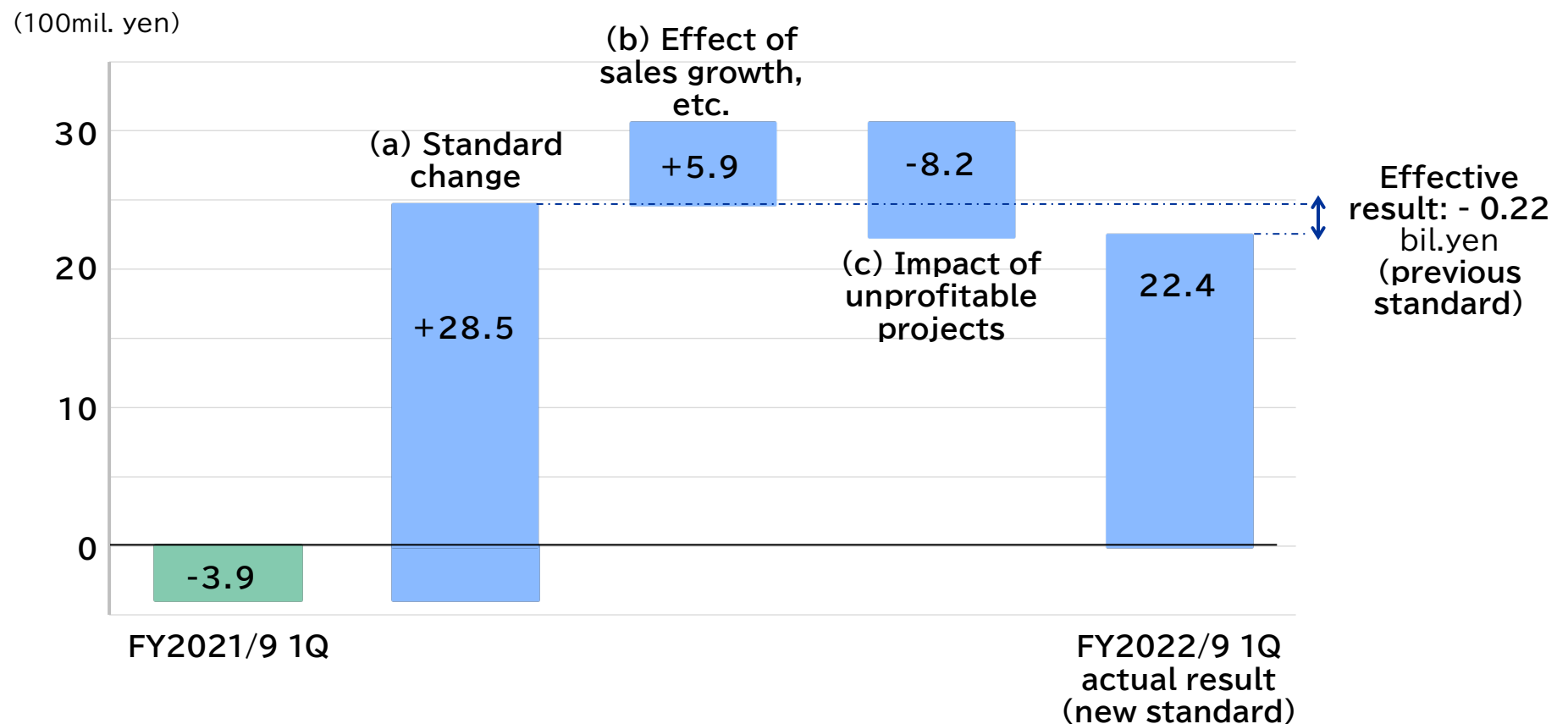
## [Comparison under the previous accounting standard]

- Effective YoY was positive for net sales and profit attributable to owners of parent and negative for operating profit and ordinary profit.
  - TTC was affected by a loss from unprofitable projects. Both sales and profit increased in ITS.
  - Profit attributable to owners of parent rose due to extraordinary income from sales of cross-held shares and sale of a subsidiary.
- (mil. yen)

	FY2021/9 1Q (Oct.-Dec.)	FY2022/9 1Q (Oct.-Dec.)			Effective Y o Y	
		Actual result (new standard)	Effect of the standard change	Effective result (previous standard)	Effective amount	Effective rate
Net sales	15,929	25,358	+7,516	17,841	+1,912	+12.0%
Gross profit	3,271	5,997	+2,857	3,139	-131	-4.0%
Gross profit margin	20.5%	23.7%	—	17.6%	-2.9P	
SG&A expenses	3,910	4,162	—	4,162	+252	+6.5%
Operating profit (loss)	-639	1,834	+2,857	-1,023	-384	—
Operating profit margin	-4.0%	7.2%	—	-5.7%	-1.7P	
Ordinary profit	-394	2,243	+2,857	-614	-220	—
Profit attributable to owners of parent	-722	2,026	+1,925	101	+824	—

# Factors behind fluctuation of ordinary profit/loss <YoY>

- -0.39 bil.yen in FY2021/9 1Q (seasonal variation)
- The actual result in FY2020/9 1Q moved into the black with an ordinary profit of 2.24 bil.yen due to the effect of the accounting standard change (a), the effect of a rise in sales mainly from ITS (b), and the impact of an unprofitable project in TTC (C).
- Effective YoY excluding the effect of the accounting standard change (a) was -0.22 bil.yen.



# Think Tank and Consulting Services (TTC)

(mil. yen)

	FY2021/9 1Q (Oct.-Dec.)	FY2022/9 1Q (Oct.-Dec.)			Effective Y o Y	
		Actual result (new standard)	Effect of the standard change	Effective result (previous standard)	Effective amount	Effective Rate
Net sales	2,378	9,035	6,637	2,397	+18	+0.8%
Operating profit (loss)	-1,031	568	2,416	-1,847	-816	-
Operating profit margin	-43.4%	6.3%	-	-77.1%	-33.7P	
Ordinary profit	-829	899	2,416	-1,517	-687	-
Orders received (1Q)	5,747	5,628	-	5,628	-119	-2.1%
Order backlog	34,463	30,176	-14,716	44,892	+10,428	+30.3%

## Key points

- The significant increase in actual net sales (under the new standard) mainly reflects the advanced posting of net sales reflecting the standard change. Effectively, net sales remained flat.
- Operating profit declined 0.81 bil.yen mainly due to the impact of an unprofitable projects. (+0.12 bil.yen in share of profit of entities accounted for using the equity method and -0.68 bil.yen in ordinary profit)
- Orders received remained flat YoY while the order backlog effectively rose 30.3% YoY. (The YoY decline in the actual value reflects the posting of net sales with the percentage-of-completion method.)

# IT Services (ITS)

(mil. yen)

	FY2021/9 1Q (Oct.-Dec.)	FY2022/9 1Q (Oct.-Dec.)			Effective Y o Y	
		Actual result (new standard)	Effect of the standard change	Effective result (previous standard)	Effective amount	Effective rate
Net sales	13,550	16,323	879	15,444	+1,893	+14.0%
Operating profit (loss)	395	1,257	441	816	+420	+106.2%
Operating profit margin	2.9%	7.7%	—	5.3%	+2.4P	
Ordinary profit	438	1,336	441	894	+455	+103.9%
Orders received (1Q)	15,591	19,023	—	19,023	+3,431	+22.0%
Order backlog	44,477	46,867	-4,031	50,899	+6,421	+14.4%

## Key points

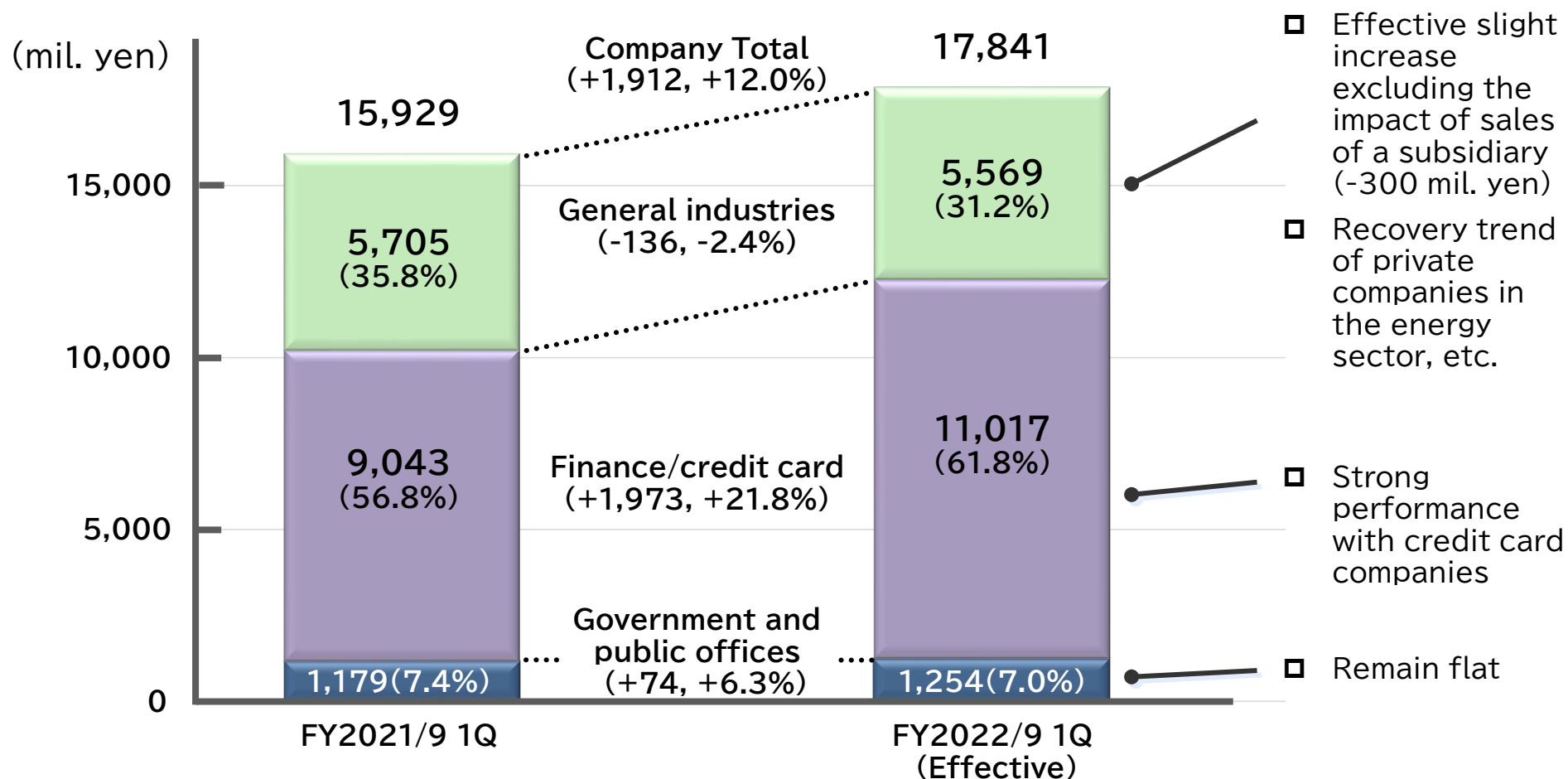
- Growth in the finance and credit card business resulted in an effective rise in both sales (+1.89 bil.yen ) and operating profit (+0.42 bil.yen ).
- The rise in sales resulted in an increase in profit by a larger amount and an improved profit margin.
- Both orders received and the order backlog were driven by finance and credit card services, resulting in effective YoY growth.



# Net sales by industry of customer

<YoY/previous accounting standard>

- Finance/credit card achieved +21.8% growth.
- Excluding a fall in sales (-300 mil. yen) that resulted from sales of a subsidiary, effectively sales from general industries rose slightly (recovery of private companies in the energy sector, etc.).
- See the next page (page 10) for the actual values (new standard).



# (Reference) Net sales by segment and industry of customer <YoY>

(mil. yen)

(Breakdown of results in the figure on the previous page 9)

(Actual values under the new standard)

		FY2021/9 1Q	FY2022/9 1Q (virtual) (previous standard)	Effective Y o Y		<Reference>	
				Effective amount	Effective rate	FY2021/9 1Q (actual/new standard)	Effect of the standard change
TTC	Government and public offices	1,014	1,009	-5	-0.5%	5,617	4,607
	Finance/credit card	285	254	-31	-10.9%	906	652
	General industries	1,078	1,133	+55	+5.1%	2,511	1,377
	TTC total	2,378	2,397	+18	+0.8%	9,035	6,637
ITS	Government and public offices	165	245	+80	+48.6%	245	—
	Finance/credit card	8,758	10,763	+2,004	+22.9%	11,320	557
	General industries	4,627	4,435	-191	-4.1%	4,757	321
	ITS total	13,550	15,444	+1,893	+14.0%	16,323	879
<b>Total</b>		<b>15,929</b>	<b>17,841</b>	<b>+1,912</b>	<b>+12.0%</b>	<b>25,358</b>	<b>7,516</b>

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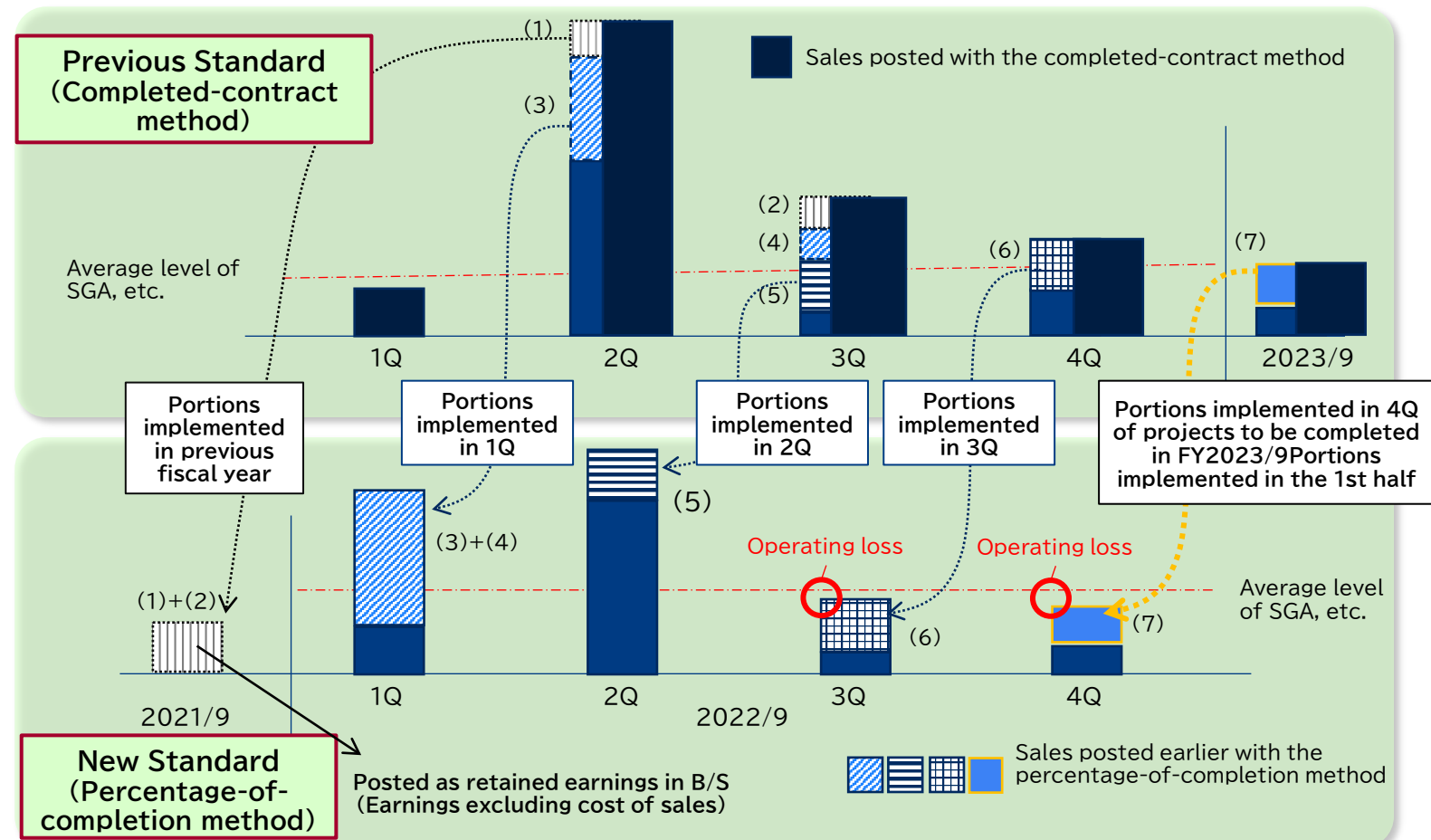
# FY2022 Full Year Forecasts (no change from initial forecasts)

(mil. yen)

	FY2021/9 (Results)	FY2022/9 (Forecast)	Y o Y	
			Amount	Rate
Net sales	103,030	113,000	+9,969	+9.7%
TTC	40,376	44,000	+3,623	+9.0%
ITS	62,653	69,000	+6,346	+10.1%
Operating profit	6,853	7,200	+346	+5.1%
Operating profit margin	6.7%	6.4%	-0.3P	
Ordinary profit	7,568	8,200	+631	+8.3%
TTC	4,197	4,000	-197	-4.7%
ITS	3,361	4,200	+838	+24.9%
Profit attributable to owners of parent	5,009	5,500	+490	+9.8%
Basic earnings per share (yen)	308.60	339.26	+30.66	

# Reference) Effect of the accounting standard change on sales and profit (for illustration purposes only)

- Under the new standard, net sales, which used to be posted in a lump sum at the time of completion, are posted over the period of implementation.  
--> Sales posted earlier than before ((1) to (7))
- Usually, there are many projects, mainly for government and public offices, in which orders are received in 3Q and the delivery date is set in 2Q of the following year.  
--> Sales increase during 1Q to 2Q because execution of operation peaks toward completion in 2Q. (Advanced posting: (3) to (5))
- In the second half, implemented portions of projects in which orders were received in the second half and which will be completed in the following fiscal year are reflected in sales. (Posting front-loaded from the next fiscal year to the second half of the current fiscal year: (6) and (7))  
--> Depending on when the orders were received and how much progress has been made, the amount of sales may be too small to cover SGA, etc., which are generated almost equally every quarter.  
= Operating loss expected (As described on page 3 of the Consolidated Financial Results)  
--> Depending on when the orders were received and how much progress has been made, the amount of sales may be too small to cover SGA, etc., which are generated almost equally every quarter.
- Fluctuates according to trends in orders received during the fiscal year











Note: The figure is only to illustrate the effect of application of the Accounting Standard for Revenue Recognition. The figures are not the official forecasts of net sales in the respective quarters of the current fiscal year.

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# Topics: Recent News Releases

※All releases below are only in Japanese

Date		Title
[MRI]		
2022.2.1		<a href="#"><u>Demonstration experiment of drone delivery of pharmaceuticals (one of publicly offered projects commissioned by the Tokyo Metropolitan Government)</u></a>
2022.1.31		<a href="#"><u>Collaboration agreement signed with SCSK Minori Solutions Corporation over the Region Ring® local digital currency service</u></a>
2021.12.21		<a href="#"><u>Award granted by Oxford University in recognition of overseas internship</u></a>
2021.12.15		<a href="#"><u>Launch of demonstration of an AI loan application examination service with Mebuki Financial Group, Inc.</u></a>
2021.12.2		<a href="#"><u>Announcement of findings from research aimed at building a hybrid employment system</u></a>
2021.11.30		<a href="#"><u>Launch of commercial operation of a mega solar plant in Agano City, Niigata</u></a>
[DCS]		
2021.12.13		<a href="#"><u>Launch of a demonstration experiment of using AI as an alternative to the tacit knowledge of skilled workers</u></a>
2021.12.8		<a href="#"><u>Launch of <i>nokos</i>, a Microsoft Teams Recording Service that provides a fully automatic service of recording phone calls and conference calls on the cloud -- Adoption of <i>Dibertas</i>, a multiple cloud storage service conforming to the FISC safety standards --</u></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.

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