

FY2022/9 1H Financial Results



April 28, 2022

1 FY2022/9 1H Financial Results

2 FY2022/9 Full Year Forecasts

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Summary

- Significant year-on-year growth in sales and profit. Profit reached a record high for the first half of a fiscal year.
- Despite the adverse effect of an unprofitable project on TTC, both sales and profit effectively rose in both of the two segments (YoY comparison under the previous accounting standard) (p. 5).

Net sales:	Results	68,265 mil. yen	YoY change	+15,937 mil. yen
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- Impact of change in accounting standard: +11,171 mil. yen (p. 5); effective YoY change: up 4,766 mil. yen to 57,094 mil. yen, a record high
- Think Tank and Consulting Services (TTC): effectively +2,008 mil. yen in government and public offices (large projects, advanced ICT projects, etc.)
- IT Services (ITS): effectively +2,757 mil. yen due to growth in finance and credit card services

Ordinary profit:	Results	10,012 mil. yen	YoY change	+3,548 mil. yen
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- Effective YoY change +1,256 mil. yen
- TTC: Profit effectively rose, with the adverse effect of an unprofitable project more than offset by increases in projects at government and public offices and in the private sector (up 505 mil. yen).
- ITS: Profit effectively rose due in part to growth in finance and credit card services (up 755 mil. yen).

Profit:	Results	7,788 mil. yen	YoY change	+3,647 mil. yen
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- Effective YoY change +2,082 mil. yen
- Sales of cross-held shares and shares in a subsidiary (UBS Co. Ltd.)

1H Consolidated Results <YoY>

[Including the effect of accounting standard change]

- Sales and profit rose significantly, reflecting the advanced posting of net sales due to the change in accounting standard and sales primarily from projects at government and public offices and in the private sector.
- See the next page (p.5) for a comparison based on the previous accounting standard.

(mil. yen)

	FY2021/9 1H (Oct.-Mar.)	FY2022/9 1H (Oct.-Mar.)	YoY	
			Amount	Rate
Net sales	52,328	68,265	+15,937	+30.5%
Gross profit	14,100	17,670	+3,570	+25.3%
Gross profit margin	26.9%	25.9%	-1.0P	
SG&A expenses	7,974	8,356	+381	+4.8%
Operating profit	6,126	9,314	+3,188	+52.1%
Operating profit margin	11.7%	13.6%	+1.9P	
Ordinary profit	6,464	10,012	+3,548	+54.9%
Profit attributable to owners of parent	4,141	7,788	+3,647	+88.1%
Basic earnings per share (yen)	254.81	480.03	+225.22	

Consolidated Results <YoY>

[Comparison under the previous accounting standard]

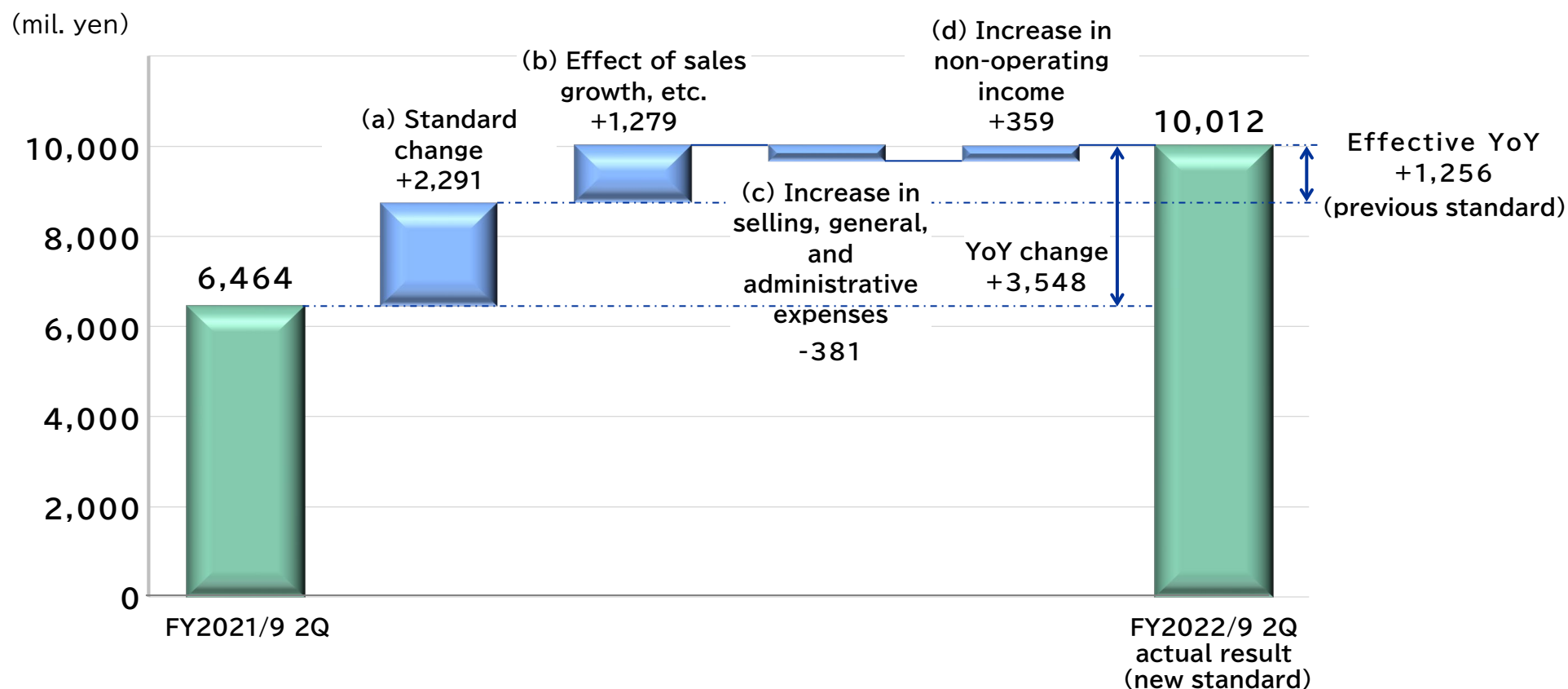
- Profit (operating profit) hit a record high for the first half of a fiscal year under the previous accounting standard (excluding the effect the accounting standard change).
- Profit attributable to owners of parent effectively increased YoY due to extraordinary income from sales of cross-held shares and sale of a subsidiary.

(mil. yen)

	FY2021/9 1H (Oct.-Mar.)	FY2022/9 1H (Oct.-Mar.)			Effective YoY	
		Actual result (new standard)	Effect of the standard change	Effective result (previous standard)	Effective amount	Effective rate
Net sales	52,328	68,265	+11,171	57,094	+4,766	+9.1%
Gross profit	14,100	17,670	+2,291	15,379	+1,278	+9.1%
Gross profit margin	26.9%	25.9%	—	26.9%	-0.0P	
SG&A expenses	7,974	8,356	0	8,356	+381	+4.8%
Operating profit	6,126	9,314	+2,291	7,022	+896	+14.6%
Operating profit margin	11.7%	13.6%	—	12.3%	+0.6P	
Ordinary profit	6,464	10,012	+2,291	7,720	+1,256	+19.4%
Profit attributable to owners of parent	4,141	7,788	+1,564	6,223	+2,082	+50.3%
Basic earnings per share (yen)	254.81	480.03	—	383.60	+128.79	

Factors Behind Fluctuation of Ordinary Profit<YoY>

- Compared with an ordinary profit of 6,464 mil. yen in FY2021/9 2Q, ordinary profit was 10,012 mil. yen, a record high, in FY2022/9 2Q due to the effect of the accounting standard change (a) and the effect of a rise in sales, etc. (b).
- An increase in SG&A expenses (c) was almost offset by non-operating income (share of profit of entities accounted for using equity method) (d).
- Effective YoY ((b) + (c) + (d)) excluding the effect of the accounting standard change(a) was +1,256 mil. yen.



Think Tank and Consulting Services (TTC)

(mil. yen)

	FY2021/9 1H (Oct.-Mar.)	FY2022/9 1H (Oct.-Mar.)			Effective YoY	
		Actual result (new standard)	Effect of the standard change	Effective result (previous standard)	Effective amount	Effective rate
Net sales	20,803	34,221	11,408	22,812	+2,008	+9.7%
Operating profit	4,009	6,337	2,131	4,205	+196	+4.9%
Operating profit margin	19.3%	18.5%	—	18.4%	-0.9P	
Ordinary profit	4,265	6,902	2,131	4,770	+505	+11.8%
Orders received	28,072	25,849	—	25,849	-2,222	-7.9%
Order backlog	38,364	25,211	-19,487	44,699	+6,334	+16.5%

Key points

- Net sales effectively rose significantly (22,812 mil. yen), driven by large projects in the public sector, including AI simulations, and projects related to advanced ICT.
- Despite a loss recorded in a certain project, ordinary profit hit a record high (4,770 mil. yen) effectively for a first-half period (excl. special factors).
- Orders declined 2,222 mil. yen due to orders for large projects in the previous fiscal year but were still at a high level (25,849 mil. yen).
- Order backlog effectively rose 16.5% 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 1H (Oct.-Mar.)	FY2022/9 1H (Oct.-Mar.)			Effective YoY	
		Actual result (new standard)	Effect of the standard change	Effective result (previous standard)	Effective amount	Effective rate
Net sales	31,524	34,044	-237	34,282	+2,757	+8.7%
Operating profit	2,114	2,979	159	2,819	+705	+33.3%
Operating profit margin	6.7%	8.8%	—	8.2%	+1.5P	
Ordinary profit	2,197	3,113	159	2,953	+755	+34.4%
Orders received	36,276	37,122	—	37,122	+845	+2.3%
Order backlog	47,188	47,245	-2,914	50,159	+2,971	+6.3%

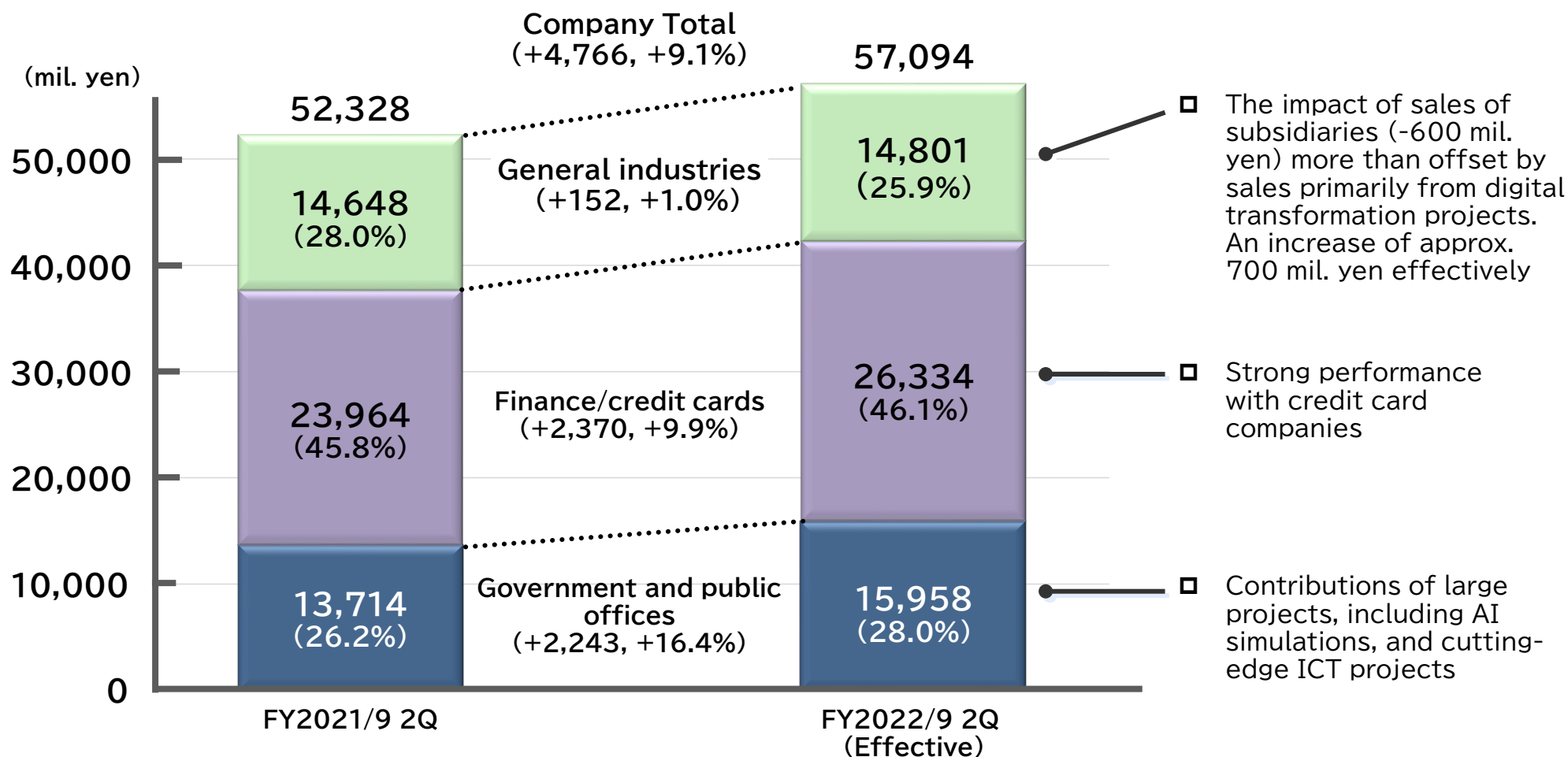
Key points

- Growth in the finance and credit card business resulted in an effective rise in both sales (+2,757 mil. yen) and profit (+755 mil. yen) were record-high for the first half of a fiscal year.
- Net sales and operating profit margin (8% range) improved, reflecting an increase in highly profitable projects.
- 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>

- Net sales were driven by Government and public offices, in which sales increased 16.4%, or 2,243 mil. yen, and Finance/credit cards, in which sales rose 9.9%, or 2,370 mil. yen.
- See the next page (page 10) for the actual values (new standard).



(Reference) Net Sales by Segment and Industry of Customer <YoY>

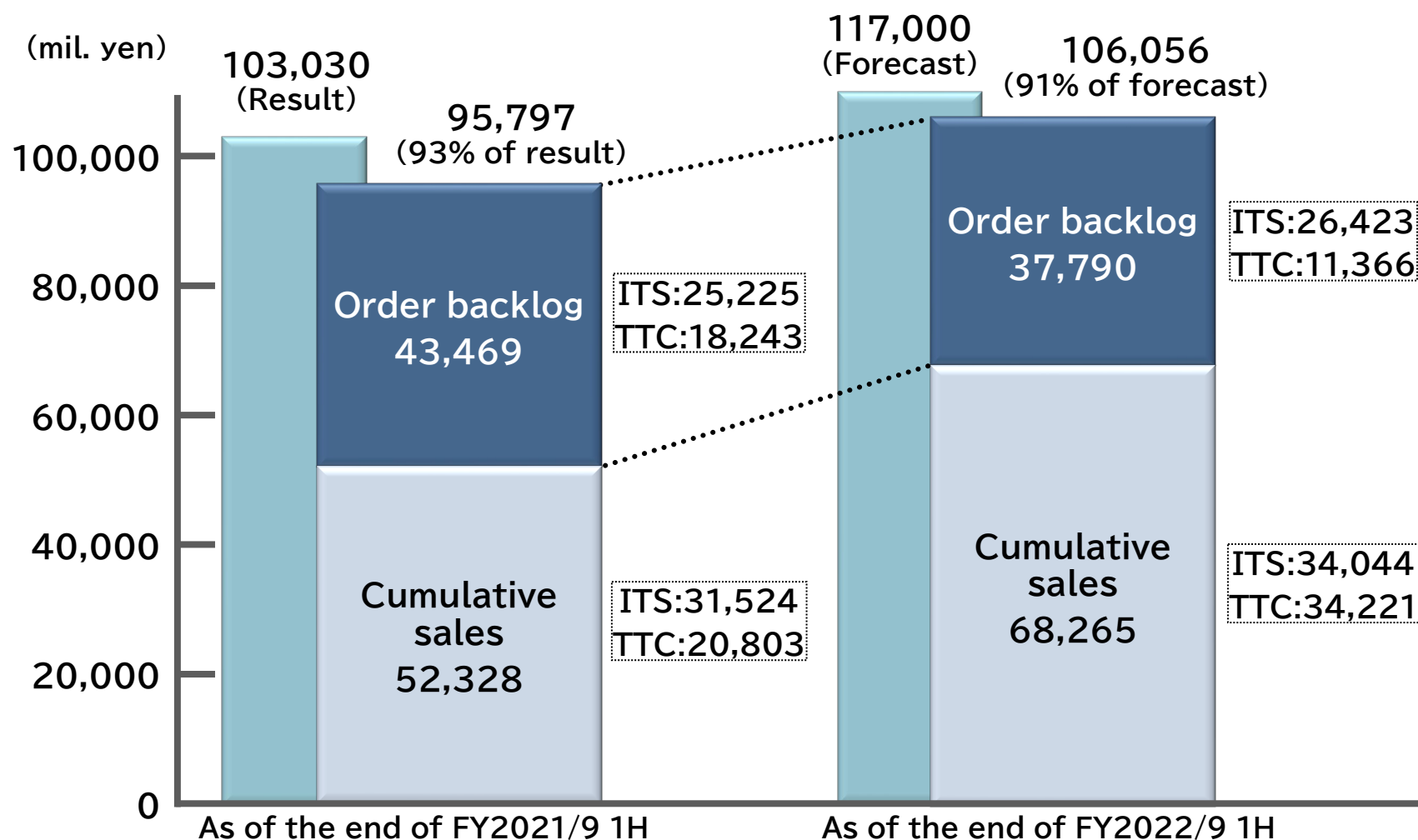
(mil. yen)

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

		FY2021/9 2Q	FY2022/9 2Q (effective) (previous standard)	Effective YoY		<Reference>	
				Effective amount	Effective rate	FY2022/9 2Q (actual/new standard)	Effect of the standard change
TTC	Government and public offices	13,399	15,511	+2,112	+15.8%	26,618	11,107
	Finance/credit cards	2,212	2,086	-126	-5.7%	2,125	39
	General industries	5,191	5,214	+22	+0.4%	5,476	262
	TTC total	20,803	22,812	+2,008	+9.7%	34,221	11,408
ITS	Government and public offices	315	447	+131	+41.7%	447	—
	Finance/credit cards	21,751	24,248	+2,496	+11.5%	24,432	184
	General industries	9,456	9,586	+129	+1.4%	9,164	-421
	ITS total	31,524	34,282	+2,757	+8.7%	34,044	-237
Total		52,328	57,094	+4,766	+9.1%	68,265	11,171

Order Backlog (net sales for FY2022/9)

- 91% of FY2022/9 forecast (orders received to be sold in FY2022/9 and cumulative sales)
- Progress is less than the year-earlier level. Sales recognized by the percentage of completion method from projects that orders will be received for in the second half which will be completed in the next fiscal year will be added.



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FY2022/9 Full Year Forecasts

Full-year earnings forecast was revised upward.

- Both net sales and profit were strong in the first half. Orders were steadily accumulated.
- Full-year earnings forecast revised upward for both sales (up 4,000 mil. yen) and profit (up 500 mil. yen) (p.14)

The dividend forecast is revised upward.

- Due to the upward revision of the full-year forecast, the year-end dividend forecast is revised up 5 yen, to 65 yen. (The annual dividend forecast is 125 yen.) (p.15)

FY2022/9 Full Year Forecasts (Revised from the initial forecast)

(mil. yen)

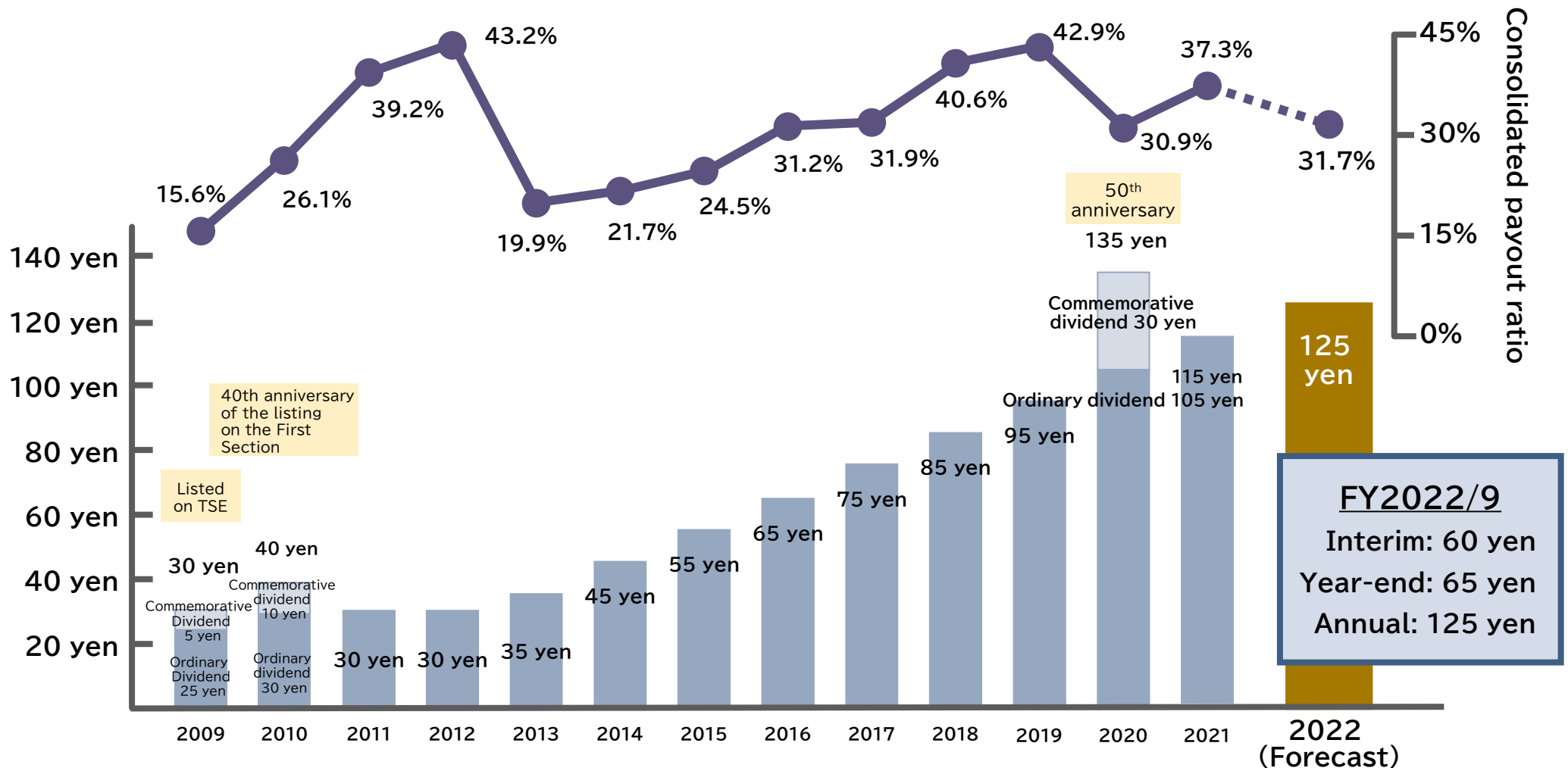
	FY2021/9 (Results)	FY2022/9 (Initial forecast)	FY2022/9 (Forecast) (After Revision)	Amount of the revision	YoY	
					Amount	Rate
Net sales	103,030	113,000	117,000	+4,000	+13,969	+13.6%
Think tank and consulting services	40,376	44,000	48,000	+4,000	+7,623	+18.9%
IT services	62,653	69,000	69,000	—	+6,346	+10.1%
Operating profit	6,853	7,200	7,700	+500	+846	+12.3%
Operating profit margin	6.7%	6.4%	6.6%	+0.2P	-0.1P	
Ordinary profit	7,568	8,200	8,700	+500	+1,131	+14.9%
Think tank and consulting services	4,197	4,000	4,300	+300	+102	+2.4%
IT services	3,361	4,200	4,400	+200	+1,038	+30.9%
Profit attributable to owners of parent	5,009	5,500	6,400	+900	+1,390	+27.8%
Basic earnings per share (yen)	308.60	339.26	394.14	+54.88	+85.54	

Dividends

Dividend Policy

The basic policy is to continue to pay stable dividends. We will strive to raise the dividend level, taking into comprehensive consideration results and financial soundness.

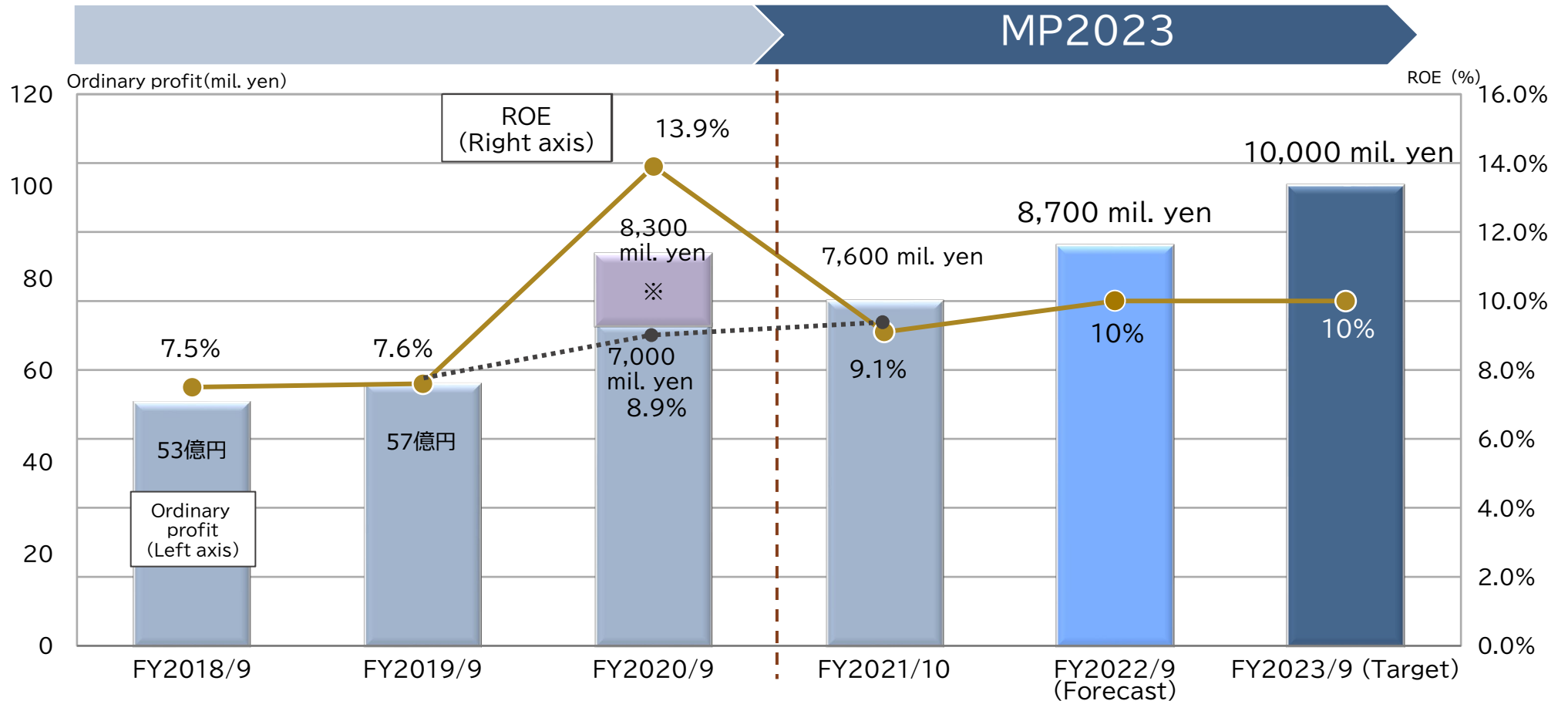
(Note) The year-end dividend forecast is revised up 5 yen. The annual dividend will be 125 yen.



FY2022/9
 Interim: 60 yen
 Year-end: 65 yen
 Annual: 125 yen

MP2023 Financial Targets

- Targets for FY2023/9:**
 - Ordinary profit 10,000 mil. yen
 - ROE 10%
 - CAGR 12% (ordinary profit; excl. special factors in FY2020)



*Share of profit of entities accounted for using equity method + 1,300 mil. yen

Midterm summary for FY2022/9 and MP2023

(1) Summary for FY2022/9

- TTC: Government and public offices (large projects, security, digital) and Private sector (finance, energy) grew.

The impact of an unprofitable project was offset.

Office transformation and the development of internal infrastructure are almost completed. Expenses were curbed.

- ITS: Driven by card projects and large SI projects

Core
businesses

- TTC: Region Ring (local digital currency) and other concrete cases developed.

- ITS: Developed projects in the private sector in cooperation with MD.

Growth
businesses

(2) Midterm summary for MP2023 (Medium-term Management Plan 2023)

- Developed Core Businesses under three major policies: VCP(Value Creation Process) management, consolidated/consolidation management, and management under the "new normal."
- Core Businesses and growth businesses made progress. Meanwhile, challenges materialized.
 - ◆ Lack of human resources for the business portfolio
 - ◆ Accelerating business transformation
- Investment for growth is necessary to address challenges (p. 18)

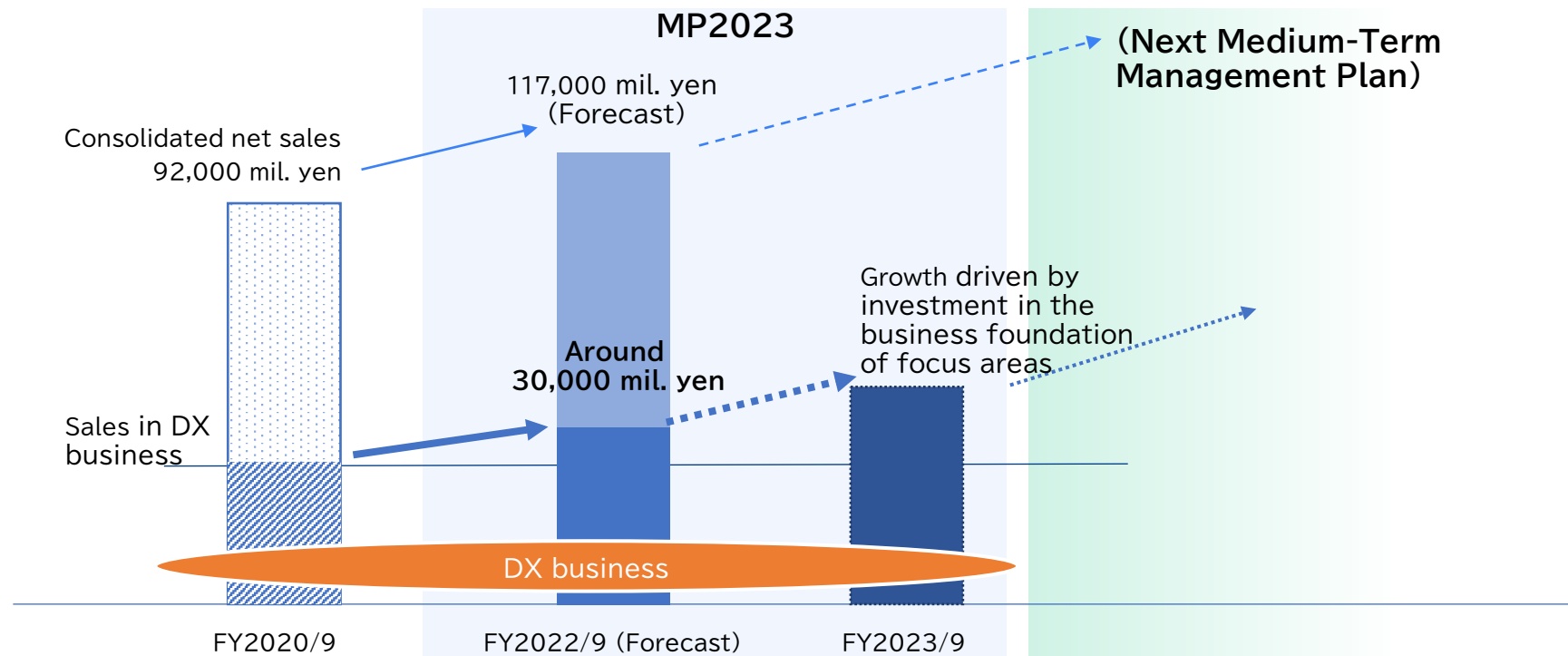
Growth Investment Policy

- Invest cash provided from business mainly to the four areas below.

Investment in growth	Specific measures	Example initiatives
(1) Human Resources	<ul style="list-style-type: none"> ➤ Hiring more people (increasing 210 people by FY2023) ➤ Doubling opportunities for career development, optimal placement ➤ Transferring more human resources to partners for cultivating them 	<ul style="list-style-type: none"> • Diversification of recruitment methods • Establishing the Company's own human resources development model • Dispatching to venture capital
(2) Research and Recommendations	<ul style="list-style-type: none"> ➤ Joint research and recommendations with research institutions in Japan and overseas (Macroeconomics, next-generation communications after 5G, etc.) ➤ Personnel exchange, visiting members 	<ul style="list-style-type: none"> • Partners (including expected ones) <ul style="list-style-type: none"> • Chatham House (UK) • CEPS (Belgium) • Georgetown university (USA) • University of Tokyo, Osaka University
(3) R&D	<ul style="list-style-type: none"> ➤ Development and demonstration of applications ➤ Development and demonstration of AI engines ➤ Medium, large capital expenditures 	<ul style="list-style-type: none"> • Local digital currency (>page 22) • AI and big data analysis • Renovations of data centers
(4) Business Foundations	<ul style="list-style-type: none"> ➤ Expanding foundations and partners in digital transformation and social implementation ➤ Strategic investment in focus areas (investment, JV, M&A, etc.) ➤ Expanding Venture Businesses and Venture Capitals investment (establishing a dedicated organization) 	<ul style="list-style-type: none"> • Establishes an operation and capital alliance with French ForePaaS SAS • Capital and business alliance with Nextremer, an AI venture

Growth Driven by Digital Transformation Business

- Sales of the digital transformation business are expected to grow to approximately 30,000 mil. yen in the fiscal year under review (profit margin will be around 15%).
- Growth investment primarily in focus areas where the Group can take advantage of its strengths



➤ Examples of priority areas

- ◆ Digital transformation in production and distribution: decarbonization in the entire supply chain, smart factories, smart distribution
- ◆ Accompanying-type support for digital transformation overall: IoT, digital transformation using high volume, high speed communication (5G·6G)
- ◆ Management emphasizing data, support for AI use: a big data analysis platform for an entire process

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Promoting Sustainability Management

- Aim to achieve sustainability management, which MRI has been pursuing, both in name and reality and advance it
- Disclose more information as a company listed on to the Prime Market

(1) Formulating a sustainability management policy

- Create an abundant and sustainable world in the coming era, with a global population of 10 billion and lifespans of 100 years, and achieve sustainable growth for the Group
- Create a sustainability page of the official website







(2) Defining material issues related to sustainability

- Define six material issues (p. 22)

(3) Disclosing information in compliance with the TCFD recommendations

- Can expand business opportunities, which will more than offset climate change risk, by helping examine policies related to carbon neutrality and expanding consulting to private companies (scenario analysis)
- Conduct scenario analysis etc. to achieve carbon neutrality in 2050 and disclose the results of the analysis
 ⇒ Sustainability page of MRI's official website (climate change, disclosure of environmental information (TCFD))
 <<https://www.mri.co.jp/sustainability/environment/tcfd.html>>

MRI Group Material Issues

Material Issues		Examples of MRI Group initiatives
Building a prosperous and sustainable world through business	 Individual wellbeing Ensuring health, self-fulfillment, and connection	<ul style="list-style-type: none"> • Healthcare business • Human resources business • Urban mobility business (e.g. MaaS)
	 Societal sustainability Ensuring safety, security, and global sustainability	<ul style="list-style-type: none"> • Finance & credit card business • ICT business • Energy and recycling business • Food and agriculture business • Resilience business
	 Technology transforming society Societal implementation of innovative technologies, transformation of companies and society	<ul style="list-style-type: none"> • DX business • Research into cutting-edge technologies • Focused development of societal implementation business
Sustainable growth of the Group	 Human infrastructure Sustainable improvement of our people and the organization	<ul style="list-style-type: none"> • Securing professionals, human resources development • Work-life balance, health and productivity management • Diversity and inclusion
	 Knowledge and co-creation infrastructure Utilizing the value of collective knowledge and our co-creation infrastructure	<ul style="list-style-type: none"> • Research and recommendation activities, accumulation of intellectual property • Customer and business partner network formulation • Group management
	 Societal trust infrastructure Maintaining and improving societal trust in the Group	<ul style="list-style-type: none"> • Risk management and information security • Corporate governance • MRI Group decarbonization initiatives

Progress in Region Ring, a Local Digital Currency Service to Solve Local Issues

What is [Region Ring®](#)?

- A platform service that helps issue digital currencies, electronic money, coins, points, electronic gift certificates, and so on.

<Features>

- Uses blockchain technology and has high reliability.
- Enables the user to issue and manage different points, coins, etc. using the same platform and thereby to cut initial costs.
- Has a function to change (reduce) value according to periods of campaigns and events and thereby to encourage use (a patent has been obtained).

<Examples of introduction>

- [Kintetsu Harukas Coin](#), [Shimakaze Coin](#): Stimulating consumption at retail facilities and in communities
- [Tokyo Your Coin](#): a demonstration project for promoting SDG activities
- [Points for the Otemachi, Marunouchi, and Yurakucho \(Dai-Marū-Yū\) areas](#): promoting SDG activities
- [Kinsyachi money](#): (news release on April 25, 2022)

⇒ **The total amount is expected to be 21,800 mil. yen, one of the largest in Japan.**

Stimulating consumption and promoting cashless transactions to solve local issues

- A total of 21,800 mil. yen (paper, electronic) (electronic money, certificates, etc. of 8,500 mil. yen)



DX business

Expansion of Partnerships Related to Digital Transformation and ICT

MRI Joins Forces with France-Based OVHcloud [\(News Release on April 22, 2022\)](#)

<Overview>

- MRI has formed an alliance with Europe's largest cloud services provider.
- Has agreed on cooperation in data analysis field in the Japanese market.
- Aims to promote digital transformation in the Asia-Pacific region.

<Background>

- France-based ForePaaS, with which MRI formed a capital and business alliance, was acquired by OVHcloud. Subsequently MRI expanded collaboration.
- OVHcloud provides cloud services to 1.6 million customers in 140 countries.

MRI Starts Consulting Using Service of US-based SecurityScorecard, Inc. [\(New Release on April 11, 2022\)](#)

<Overview>

- MRI has started consulting using SecurityScorecard, a security risk qualitative assessment service of SecurityScorecard, Inc.
- Helps companies identify supply chain risks and establish a supply chain risk management system.
- Aims to promote digital transformation in the Asia-Pacific region.

<Background>

- SecurityScorecard analyses on its own corporate security information worldwide gathered through the Internet and evaluates risk status quantitatively on a 100-point scale.

Topics: Recent News Releases

【MRI】

(Note) All releases below are only in Japanese except for certain releases.

Date		Title
2022.4.27	DX	MRI Provides an SDGs Point App to Dai-Maru-Yu SDGs ACT5 as in the Previous Fiscal Year Enhances the functionality of Region Ring®, a local digital currency service for solving local issues
2022.4.26	Over seas	Mitsubishi Research Institute and SIRC Sign MoU to transform waste recycling sector in Saudi Arabia (Note) An English-language release is available.
2022.4.25	DX	MRI Provides Region Ring®, a Local Digital Currency Service for Solving Local Issues, for the First Electronic Gift Certificate in Nagoya Starts to accept applications to purchase kinsyachi money—electronic gift certificates, the amount of which is one of the largest in Japan—on April 27
2022.4.22	DX	Mitsubishi Research Institute Joins Forces with France-Based OVHcloud (Note) An English-language release is available.
2022.4.11	DX	MRI Starts a Consulting Service to Help Strengthen the Security of Supply Chains
2022.4.7	DX	MRI Launches HACCP Navi Smart Audits and Inspections Achieves at the same time the efficiency and sophistication of plant audits and inspections carried out manually, using digital transformation
2022.4.1	DX	MRI Agrees with Japan Worker’s Credit Fund Association on the Introduction of an AI Credit Assessment Service Expands Web-completion type credit assessment using automatic AI assessment
2022.3.24	DX	MRI Concludes a Basic Agreement with Resona Holdings on a Local Digital Currency Examines a joint project for local revitalization in Osaka
2022.3.14	DX	MRI Publishes the Results of a Demonstration Experiment to Take SDG Action in the Dai-Maru-Yu Area
2022.3.1	DX	MRI Conducts a Demonstration Experiment of an Unmanned Ship Operation System in an Unmanned Ship Project, MEGURI2040, in Which It Participates

Topics: Recent News Releases

[DCS]

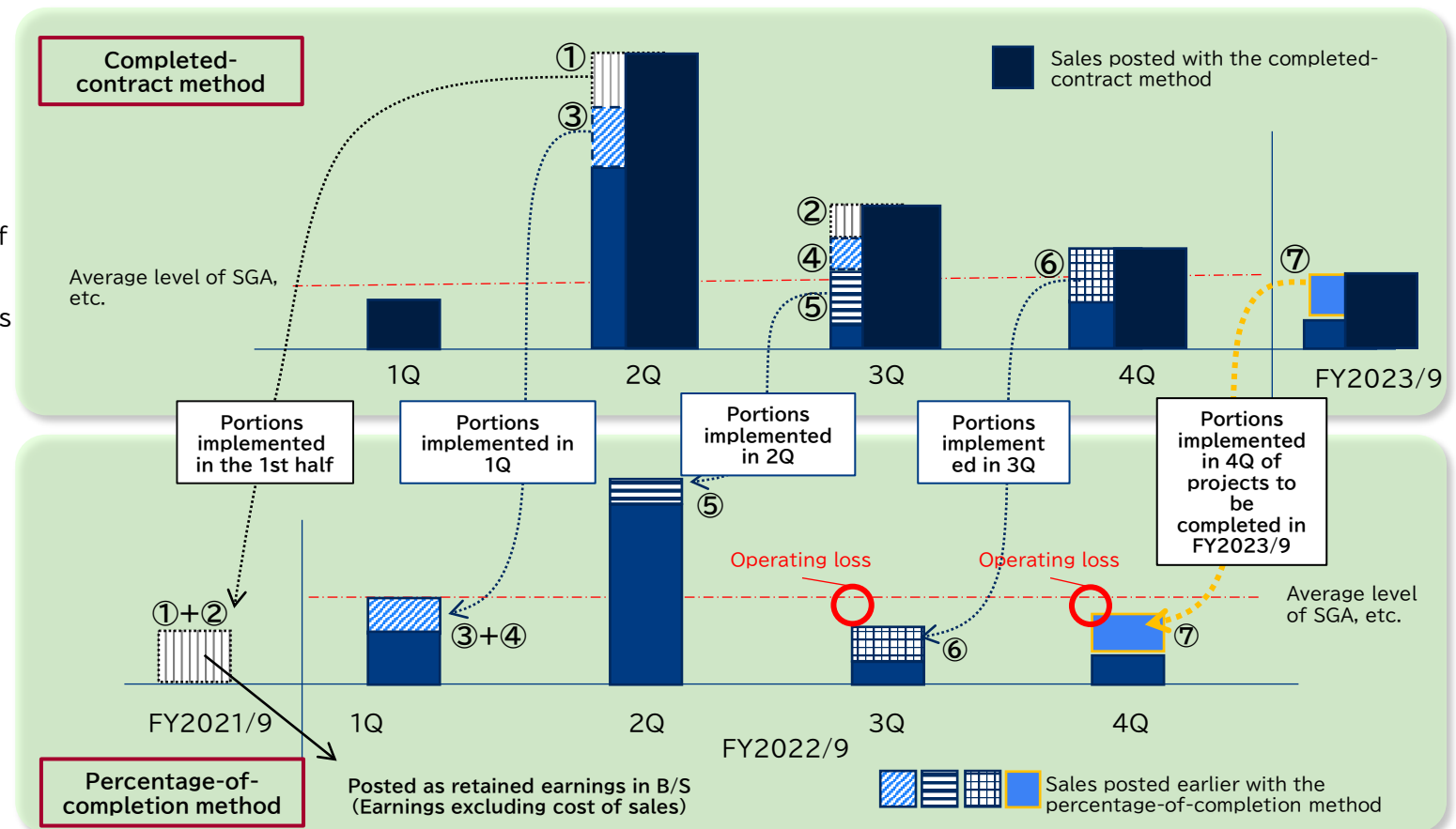
※All releases below are only in Japanese

Date	DX	Title
2022.4.18	DX	MRI DCS unveils a free Web service to immediately assess points necessary for zero trust Supports companies' zero trust initiatives
2022.3.28	DX	MRI DCS Participates in Open Data Hackathon Demo Day Wins the grand prize as a digital service using Tokyo's open data
2022.3.17	DX	Takaishi, Osaka and MRI DCS Conclude a Comprehensive Partnership Agreement for Local Revitalization Using ICT
2022.3.14	DX	A Report on a Demonstration Experiment to Use AI to Reproduce Technical Skills That Are Difficult to Pass Down to the Younger Generation Cooperates with Nakajima Alloy Castings, a manufacturer specializing in non-ferrous-metal sand casting

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.
 - ⇒ **An increase of 11,100 mil. yen in the first half (7,500 mil. yen in 1Q and 3,600 mil. yen in 2Q) ((3) to (5))** ⇒ Sales that had been posted in the second half were posted earlier.

- 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 p. 3 of the Consolidated Financial Results in 1Q)
- 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.

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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Envisioning the future, leading change

