Mitsubishi Research Institute

Envisioning the future, leading change

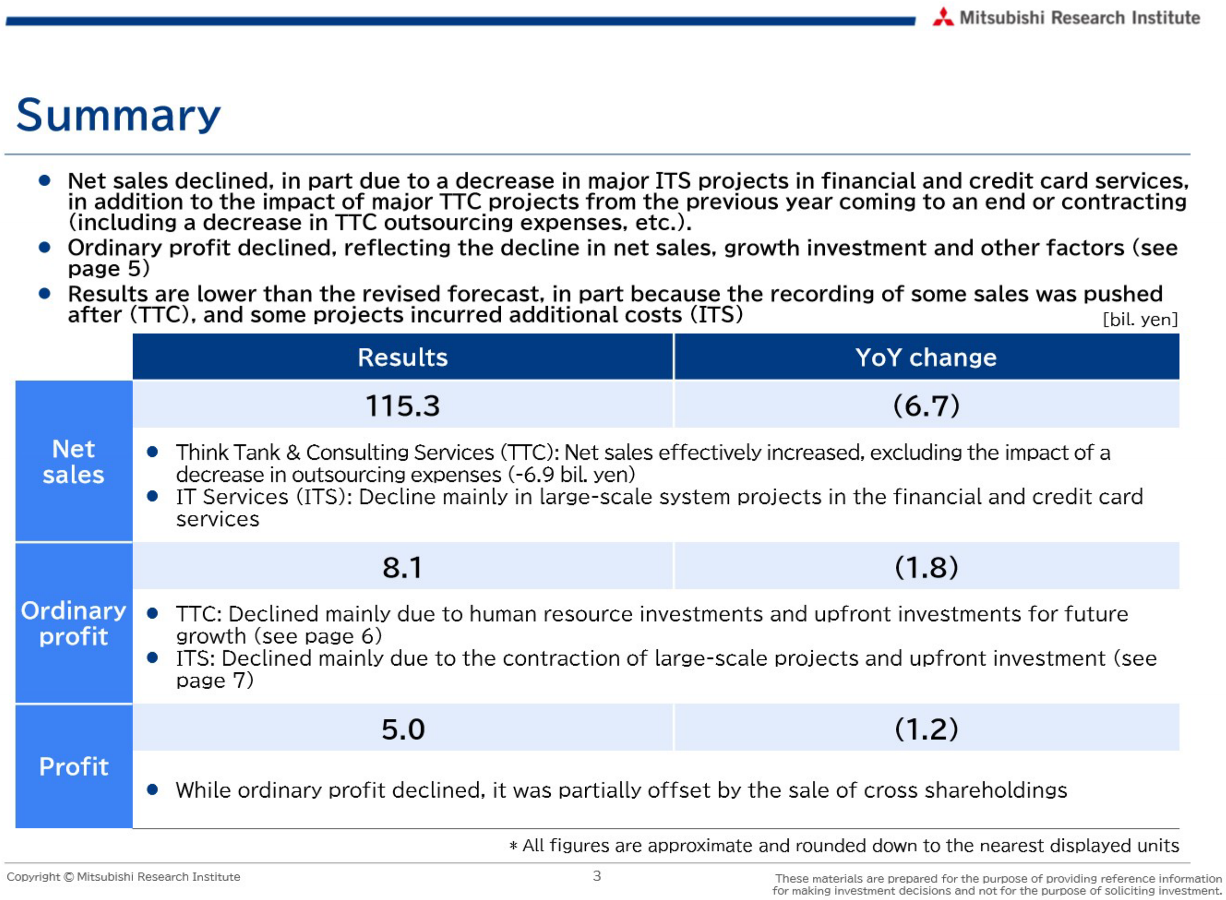
Financial Results Briefing for the Fiscal Year Ended September 2024

October 31, 2024

Presentation

Yabuta: My name is Yabuta, and I am the President.

I would now like to explain our financial results for the fiscal year ended September 30, 2024 （FY2024）, as well as our forecasts for the current fiscal year.



As shown in the table, net sales decreased JPY6.7 billion from the previous year to JPY115.3 billion, ordinary income decreased JPY1.8 billion to JPY8.1 billion, and net income decreased JPY1.2 billion to JPY5 billion, resulting in a decrease in both sales and income compared with the revised forecasts announced at the end of July.

In addition to the decline in revenues due to the drop-off and contraction of large projects at Think Tank and Consulting Services segment （TTC）, which had been the driving force during the previous medium-term management plan, and the peak-out of large financial card projects at IT Services segment （ITS）, the burden of upfront investment for growth in human resources and systems was a factor in the decline in profits.

With regard to the reasons for the lower-than-revised forecasts for TTC, this was due to the postponement of sales to a later date. For ITS, additional costs were incurred for some projects.

In addition, net income partially offset the decline in ordinary income, mainly due to the sale of a portion of shares held by policyholders.

Details by segment will be explained later.

Mitsubishi Research Institute

FY2024 Consolidated Results <YoY>

[mil. yen, unless otherwise indicated]

	FY2023/9	FY2024/9	YoY change		Earnings Forecast July 30, 2024	Compared to Earnings Forecasts
			Amount	Rate		
Net sales	122,126	115,362	(6,763)	(5.5%)	116,000	(637)
Gross profit	25,984	25,419	(564)	(2.2%)	—	—
Gross profit margin	21.3%	22.0%	+0.7P		—	—
SG&A expenses	17,295	18,358	+1,063	+6.1%	—	—
Operating profit	8,688	7,060	(1,627)	(18.7%)	7,500	(439)
Operating profit margin	7.1%	6.1%	(1.0P)		6.5%	(0.4P)
Ordinary profit	10,002	8,147	(1,855)	(18.5%)	8,800	(652)
Profit attributable to owners of parent	6,287	5,003	(1,284)	(20.4%)	5,200	(196)
Basic earnings per share (yen)	392.27	316.44	(75.83)		328.88	(12.44)
ROE (Return on Equity)	9. 8%	7. 5%	(2.3P)		—	—

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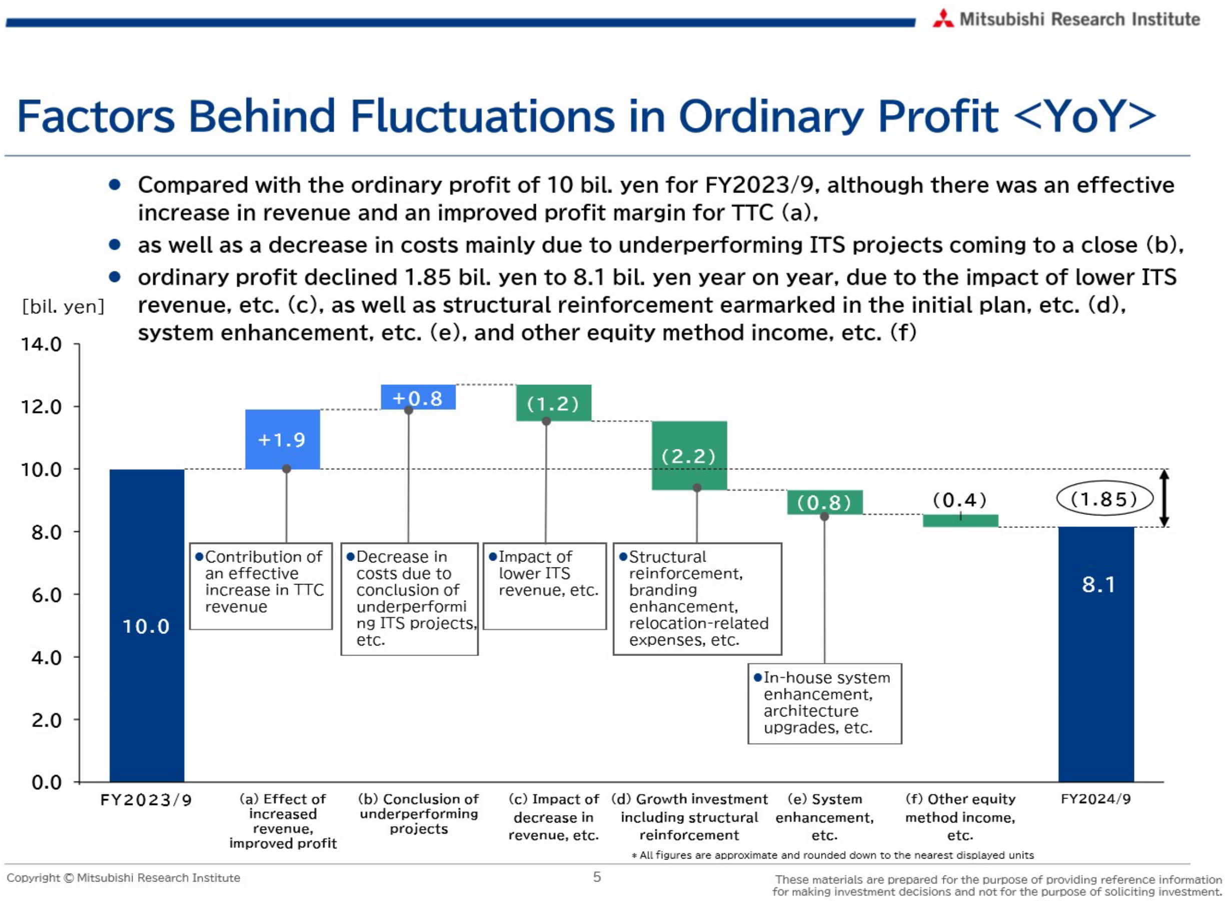
These materials are prepared for the purpose of providing reference information for making investment decisions and not for the purpose of soliciting investment.

Page four is a consolidated income statement of the current financial results. Please check back later.



See page five. This is a breakdown of the factors contributing to the change in ordinary income.

Compared to JPY10 billion for FY2023, (a) TTC's actual revenue increase and improved profit margin will add JPY1.9 billion, (b) ITS's cost decrease due to the convergence of unprofitable projects will add JPY800 million, and (c) ITS's revenue decrease will have a negative impact of JPY1.2 billion.

In addition, there are upfront and growth investments, such as (d) increased expenses of JPY2.2 billion for system reinforcement, (e) the negative impact of JPY800 million for internal system reinforcement and architecture renewal, and (f) the negative impact of JPY400 million for other equity method investment income, etc.

After subtracting these items, ordinary income decreased by JPY1.8 billion to JPY8.1 billion.

Think Tank and Consulting Services (TTC)

[mil. yen]

	FY2023/9	FY2024/9	YoY change	
			Amount	Rate
Net sales	50,462	45,419	(5,042)	(10.0%)
Operating profit	3,443	3,402	(40)	(1.2%)
Operating profit margin	6.8%	7.5%	+0.7P	
Ordinary profit	4,428	4,237	(191)	(4.3%)
Orders received	43,682	43,133	(548)	(1.3%)
Order backlog	28,087	25,801	(2,286)	(8.1%)

Key points

- Net sales effectively increased, excluding a decline in outsourcing expenses (-6.9 bil. yen) associated with a decrease in multiple projects for the public sector involving significant outsourcing expenses
- Growth in net sales from analog regulatory reform and digitalization-related projects, as well as systems for the energy and transportation sectors
- Decline in profit due to human resource investments and upfront investments for future growth, in addition to lower income from equity method investments
- Orders received were steady, reflecting ongoing analog regulatory reform, and transportation- and energy-related projects for the private sector
- The effective order backlog was on par with the previous year, excluding the portion paid to external entities (approx. 2.2 bil. yen)

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Then, here are the results by segment.

First, TTC, which roughly corresponds to the performance of Mitsubishi Research Institute, Inc. (MRI) itself, posted sales of JPY45.4 billion and an ordinary income of JPY4.2 billion.

Excluding the JPY6.9 billion decrease in outsourcing and other expenses, sales have increased by JPY1.9 billion in real terms. The growth was driven by analog regulatory reform and digitalization-related products for the public sector and system-related products for the energy and transportation industries in the private sector.

Operating income remained at the same level as the previous year as the increased revenue absorbed the burden of growth investments in human resources and other areas, but ordinary income declined by JPY200 million due to a decrease in equity in earnings of affiliates.

Orders received were down JPY0.5 billion from the previous fiscal year, and the order backlog was down JPY2.2 billion from the previous fiscal year. Of this amount, approximately JPY2.2 billion is attributable to outflows from external customers, so the order backlog is essentially unchanged from the previous fiscal year.

Orders for analog regulatory reform for the public sector and transportation and energy-related orders for the private sector remained strong.

Mitsubishi Research Institute

IT Services (ITS)

[mil. yen]

	FY2023/9	FY2024/9	YoY change	
			Amount	Rate
Net sales	71,663	69,942	(1,720)	(2.4%)
Operating profit	5,232	3,657	(1,574)	(30.1%)
Operating profit margin	7.3%	5.2%	(2.1P)	
Ordinary profit	5,560	3,909	(1,650)	(29.7%)
Orders received	71,743	72,322	+579	+0.8%
Order backlog	47,225	49,605	+2,379	+5.0%

Key points

- Growth in system upgrade projects, etc. in the industrial and public sectors
- Decrease in net sales and profit mainly due to the downsizing of large-scale system projects in finance and credit card services, a decline in profit margin, and upfront investments earmarked in the initial plan (including those for system infrastructure upgrades, human resource development and hiring enhancements)
- A year-on-year increase both in orders received and the order backlog due to a build-up of new large projects (system development) in finance and credit card services and for the public sector

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IT Services, or ITS.

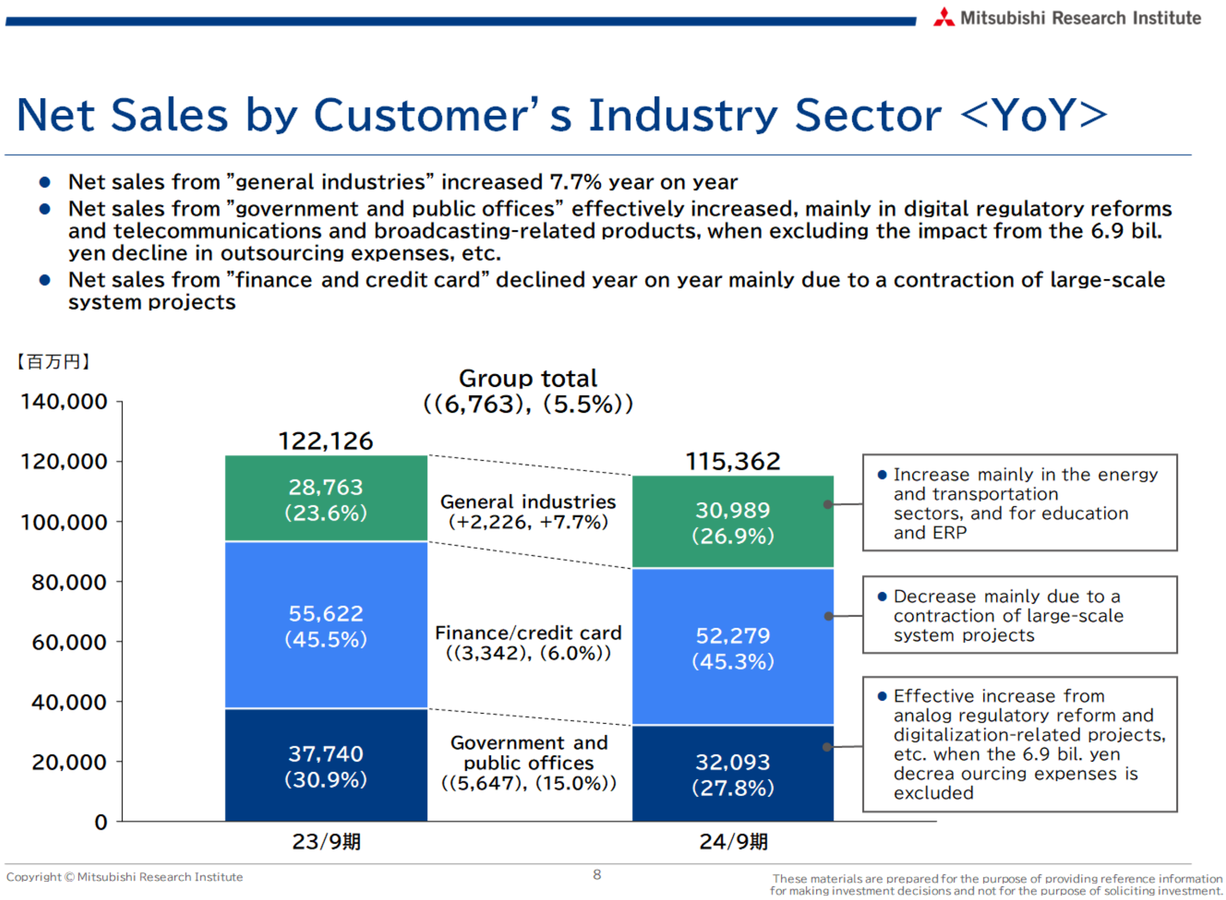
This is generally the performance of the Mitsubishi Research Institute DCS Group （DCS）．

Net sales were JPY69.9 billion, and ordinary income was JPY3.9 billion, which led to a decrease in both sales and income.

The decline in sales of JPY1.7 billion was due to the shrinkage of large system projects in the financial and credit card sectors, which was partially offset by the industrial and public sector but not enough to make up for the decline.

Operating income and ordinary income decreased by JPY1.5 billion and JPY1.6 billion, respectively, due to the effect of lower revenue and the increased burden of system infrastructure renewal and human resources investment.

Orders received increased JPY0.5 billion from the previous fiscal year, and the order backlog increased JPY2.3 billion from the previous fiscal year, indicating a steady buildup of projects. Particularly in Q3, we received orders for new large-scale system development projects in the public sector, which is a focus of the current medium-term plan, contributing to the increase in the balance.



Page eight shows sales by customer industry.

At the top of the graph, general industry is plus 7.7% due to growth in energy, transportation, education, ERP, etc.

At the bottom of the graph, government and public offices are plus 8% in real terms, excluding the JPY6.9 billion in outflows such as outsourcing costs. Projects related to analog regulatory reform and digitalization increased.

On the other hand, finance and credit cards, which are in the middle, was minus 6%, mainly due to the reduction of large system projects.

Mitsubishi Research Institute

(Reference) Net Sales by Segment and Customer's Industry Sector <YoY>

[mil. yen]

		FY2023/9	FY2024/9	YoY change	
				Amount	Rate
TTC	Government and public offices	36,991	31,127	(5,863)	(15.9%)
TTC	Finance/credit card	3,165	2,438	(726)	(22.9%)
TTC	General industries	10,306	11,853	+1,547	+15.0%
TTC	Subtotal TTC	50,462	45,419	(5,042)	(10.0%)
ITS	Government and public offices	749	965	+216	+28.9%
ITS	Finance/credit card	52,457	49,840	(2,616)	(5.0%)
ITS	General industries	18,456	19,136	+679	+3.7%
ITS	Subtotal ITC	71,663	69,942	(1,720)	(2.4%)
Total		122,126	115,362	(6,763)	(5.5%)

Page nine breaks down segment sales by customer industry. Please check back later.

Mitsubishi Research Institute

Results for FY2024/9 by Business Segment as Set Out in MP2026

[bil. yen]

Main business		FY2024/9 Results	YoY change		vs. Plan
			Amount	Rate	
Societal and Public Innovation	Net sales	39.6	(5.5)	(12%)	(0.4)
	Profit	10.4	+0.2	+2%	(0.4)
	Profit margin	26.5%	+3.7P		(0.9P)
Digital Innovation	Net sales	27.9	+2.2	+9%	(1.0)
	Profit	7.5	+2.1	+40%	+0.4
	Profit margin	27.0%	+6.0P		+2.5P
Financial System Innovation	Net sales	48.7	(2.4)	(5%)	(1.2)
	Profit	10.9	(1.7)	(14%)	(1.2)
	Profit margin	22.5%	(2.2P)		(1.9P)

* Societal and Public Innovation and Digital Innovation Businesses include some duplicate descriptions of work promoted in collaboration.

※ All numbers are approximate.

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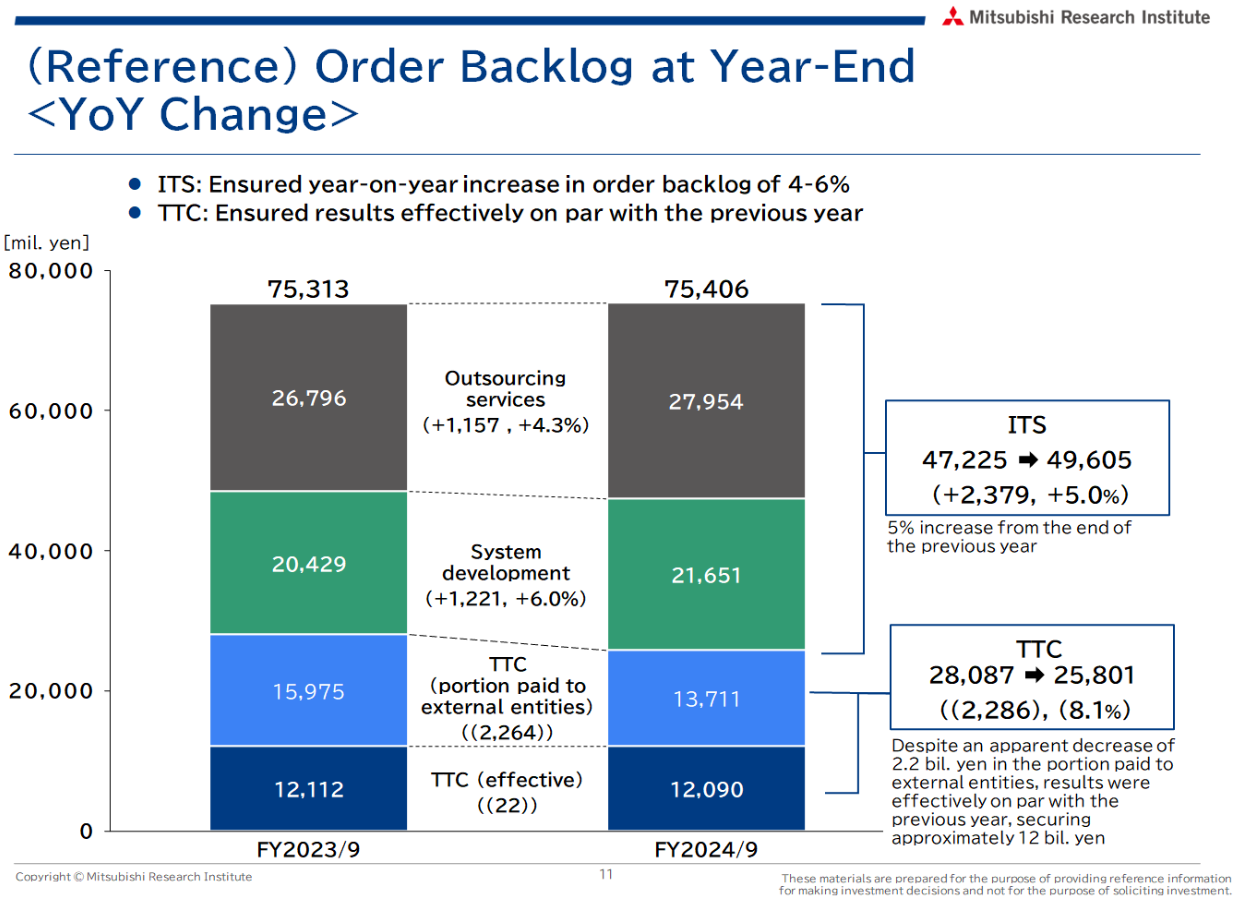
See page 10.

In the Medium-term Management Plan 2026 （MP2026）, three new business axes were established, and target values were set for each. This table shows the results.

We have previously explained only net sales, but for the closing of accounts, we are also presenting profits and profit margins. The profit here is the so-called gross profit. Please note that there are also coefficients outside this framework, such as overhead expenses common to the entire company, so the total will not be equal to gross profit on a consolidated basis.

Both sales and profits of the societal and public innovation and financial system innovation businesses fell short of their targets, but the digital innovation business, which is expected to grow at a high rate in this midterm plan, saw sales increase by about 9% and profits by 40%, in line with the direction the Company is aiming for in the midterm plan.



Page 11 shows the YoY change in order backlog at the end of the fiscal year by subsegment and the effect of TTC's outflow from external customers.

In ITS, both outsourcing and system development were solid, and in TTC, the order backlog was virtually unchanged from the previous year.

FY2024/9 Full Year Forecasts

[mil. yen]

	FY2024/9 (Results)	FY2025/9 (Forecast)	YoY change	
			Amount	Rate
Net sales	115,362	128,000	+12,637	+11.0%
Think Tank & Consulting Services	45,419	50,000	+4,580	+10.1%
IT Services	69,942	78,000	+8,057	+11.5%
Operating profit	7,060	8,300	+1,239	+17.5%
Operating profit margin	6.1%	6.5%	+0.4P	
Ordinary profit	8,147	9,500	+1,352	+16.6%
Think Tank & Consulting Services	4,237	5,300	+1,062	+25.1%
IT Services	3,909	4,200	+290	+7.4%
Profit attributable to owners of parent	5,003	5,600	+596	+11.9%
Basic earnings per share (yen)	316.44	355.76	+39.32	+12.4%
ROE	7.5%	8.1%	+0.6P	

Forecasts for FY2025. See page 13.

For FY2025, the Company plans net sales of JPY128 billion, up JPY12.6 billion from the previous year, and an ordinary income of JPY9.5 billion, up JPY1.3 billion from the previous year. We also plan to post a net income of JPY5.6 billion, an increase of JPY0.6 billion, and for ROE to recover to the 8% level.

Specific measures to achieve these goals are explained on the following page.

MRI

Key Measures for Business Growth

- TTC business growth
  - GX (green): Electric power solutions, overseas projects, etc.
  - DX (digital): DX Journey® (DX consulting), big data analysis / AI, etc.
  - HX (healthcare, human resources): Human capital management consulting, healthcare and nursing solutions, etc.
  - Selection and concentration in new business development [Revise business plans and make swift decisions about whether to continue with or withdraw from businesses]
- ITS business growth
  - ERP-related solutions for the industrial and public sectors, big data-related rollout, etc.
  - Acquiring new customers in the financial and credit card business, launching new business models, etc.
- Human resource strategy
  - Increase in hiring [Increases: over 80 people in TTC, over 100 people in ITS]
  - Increase in personnel in operating departments (reassignment of personnel, increase in operating personnel, control of resignations) [TTC: approx. 20 people reassigned, etc.]
  - Organizational reskilling, revision to human resource policy (active participation of senior employees, etc.)
- Improving profitability
  - Boosting per-employee productivity
    [TTC: improving around 6% mainly through think tank DX promotion and marketing efforts, ITS: reskilling in the financial and credit card business]

See page 14. These are the main measures for growth in FY2025.

First, TTC will focus on three strategic areas to capture the robust consulting business of the public and private sectors. In GX, we will grow power solutions and overseas projects; in DX, DX consulting, big data analysis, and solution services using generative AI; and in HX, management consulting related to human capital and medical care solutions.

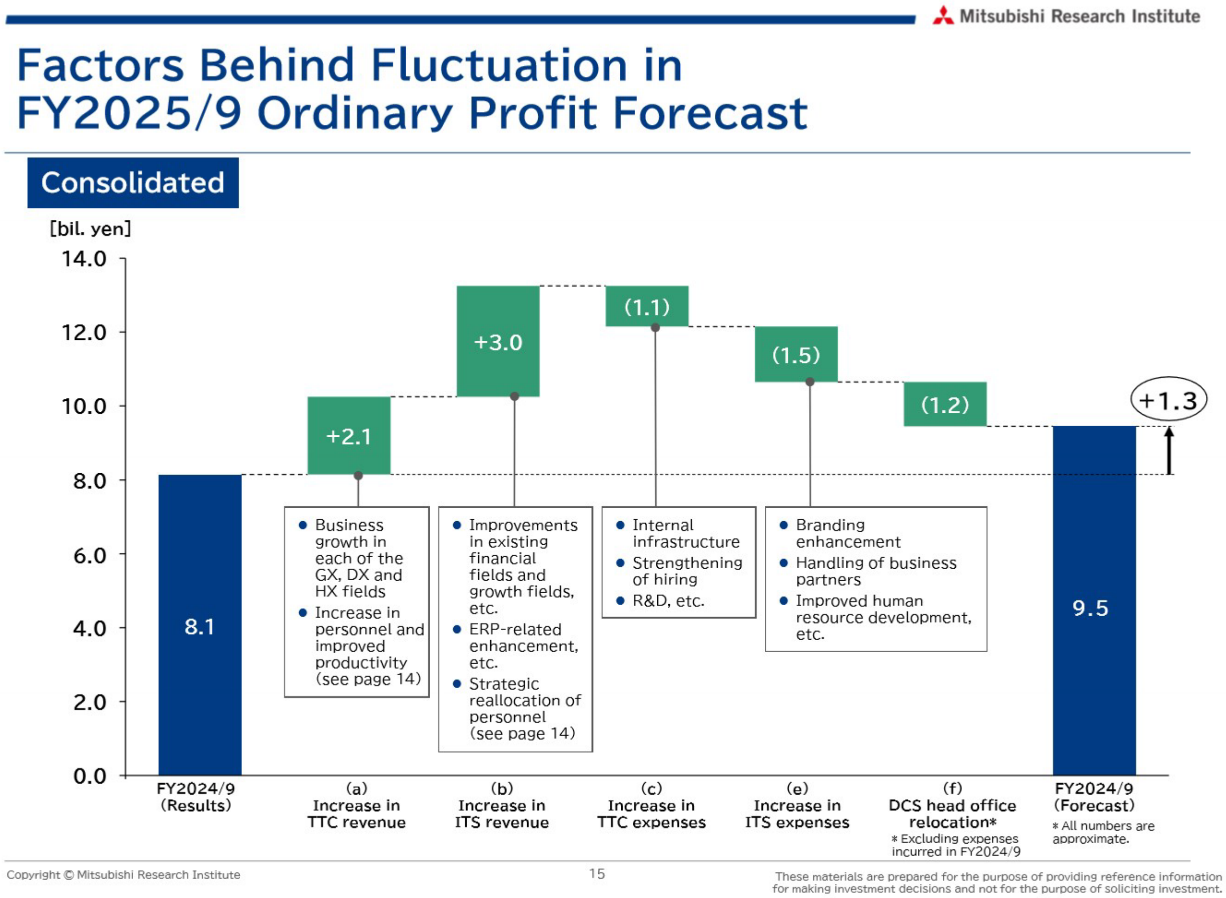
In new business development, energy-related services, shown on page 23, will contribute to sales and earnings growth, while we withdrew from four unprofitable businesses last fiscal year and will continue to select and focus on winning businesses this fiscal year.

In ITS, which is expected to grow significantly in this medium-term business plan, the Company will expand solutions around ERP and promote horizontal development of big data-related businesses, leading to an increase in deal size and profitability and the acquisition of new clients.

In the mainstay financial and credit card fields, in addition to maintaining and expanding existing clients and existing areas, we plan to strengthen measures to acquire new clients and new business, aiming to increase sales and earnings.

In terms of human resources to support business growth, we plan to increase the number of employees by 80 at TTC and 100 at ITS, as well as strategically assign personnel, increase utilization, and review the personnel system with a focus on organizational reskilling and senior success.

At the same time, we will work to continuously improve profitability by increasing operational efficiency and productivity through the use of AI, appropriate pricing policies, and reduction of low-profit and loss-making projects.



See page 15.

The following chart shows the growth in ordinary income from FY2024 to FY2025, broken down by major variable factors.

Compared to the ordinary income of JPY8.1 billion in the previous year, (a) the contribution from increased TTC revenue is forecasted to be JPY2.1 billion, and (b) the contribution from increased ITS revenue will be JPY3 billion.

On the other hand, we expect (c) an increase in expenses of JPY1.1 billion for TTC and (d) JPY1.5 billion for ITS due to business restructuring and upfront investments for medium- and long-term growth, as well as a temporary decrease in profit this fiscal year due to the relocation of DCS's head office, which is expected to cost JPY1.2 billion. This JPY1.2 billion figure is calculated by subtracting JPY200 million in relocation-related expenses incurred in FY2024 from the JPY1.4 billion in expenses incurred in the current fiscal year.

As a result of this, the ordinary income forecast for this fiscal year is JPY9.5 billion, an increase of JPY1.35 billion from the previous fiscal year.

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Outlook for FY2025/9 by Business

[bil. yen]

Key business		FY2025/9 Plan	YoY change		FY2024/9 Results
			Amount	Rate	
Societal and Public Innovation	Net sales	45.0	+5.4	+14%	39.6
	Profit	12.0	+1.6	+15%	10.4
	Profit margin	26.7%	+0.2P		26.5%
Digital Innovation	Net sales	32.0	+4.1	+15%	27.9
	Profit	9.0	+1.5	+20%	7.5
	Profit margin	28.1%	+1.1P		27.0%
Financial System Innovation	Net sales	54.0	+5.3	+11%	48.7
	Profit	13.0	+2.1	+19%	10.9
	Profit margin	24.1%	+1.6P		22.5%

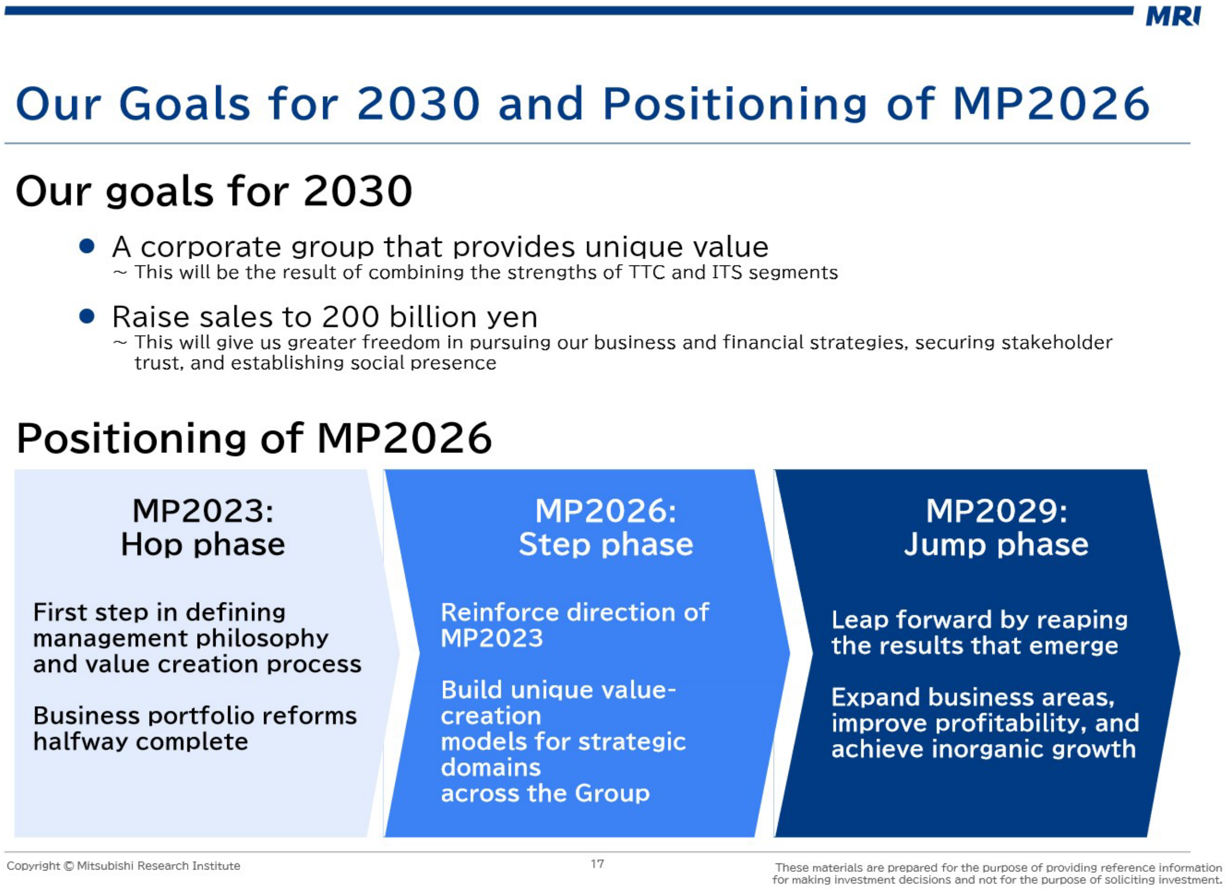
* Societal and Public Innovation and Digital Innovation Businesses include some duplicate descriptions of work promoted in collaboration.

※ All numbers are approximate.

Page 16 shows the actual results for the previous fiscal year and the planned values for the current fiscal year for the three businesses set forth in the MP2026.

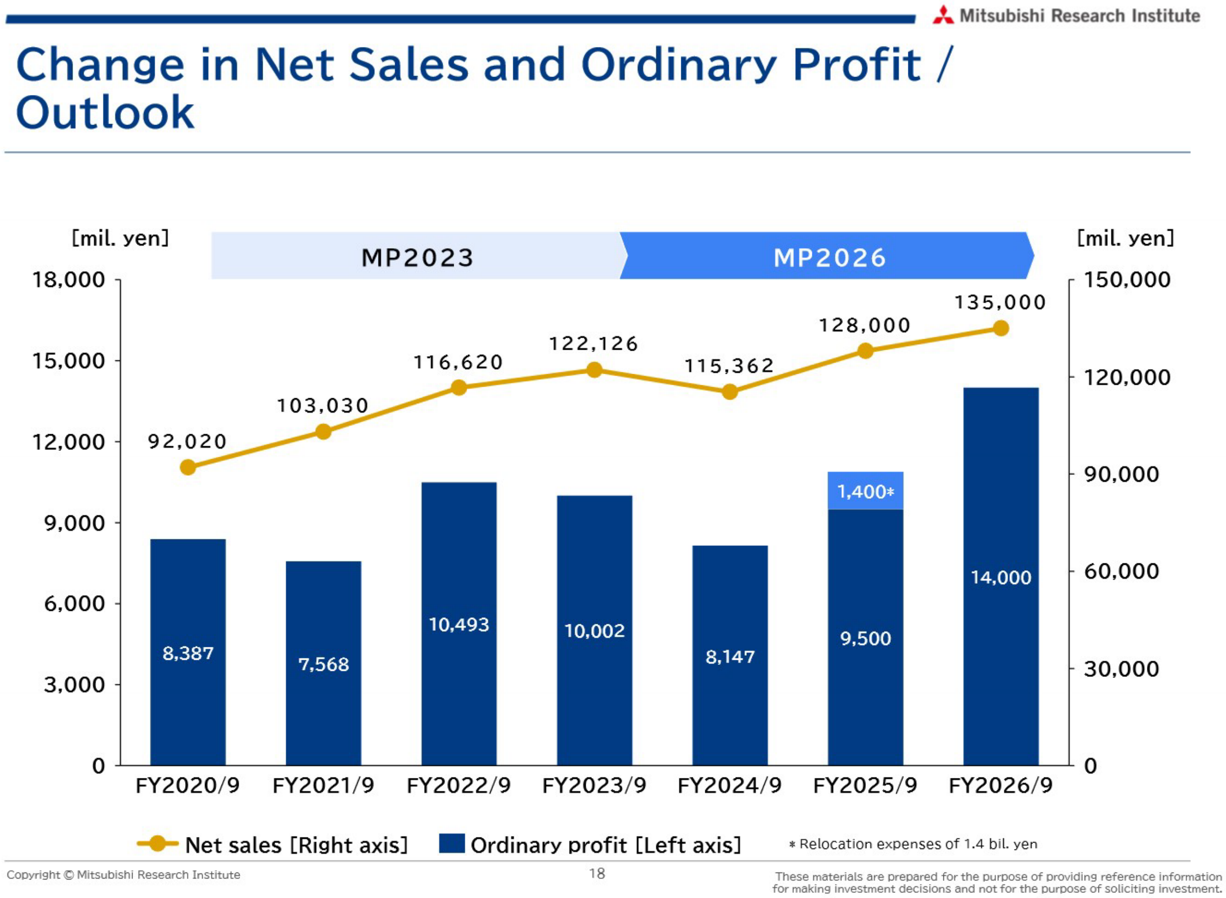
Societal and public innovation is expected to grow by 14% to JPY45 billion, digital innovation by 15% to JPY32 billion, and financial system innovation by 11% to JPY54 billion.

We are also projecting double-digit YoY profits for all three businesses and plan to target an increase of JPY1.5 billion to JPY2.1 billion.



We have included the MP2026 again, including some restatements, from page 17 onward.

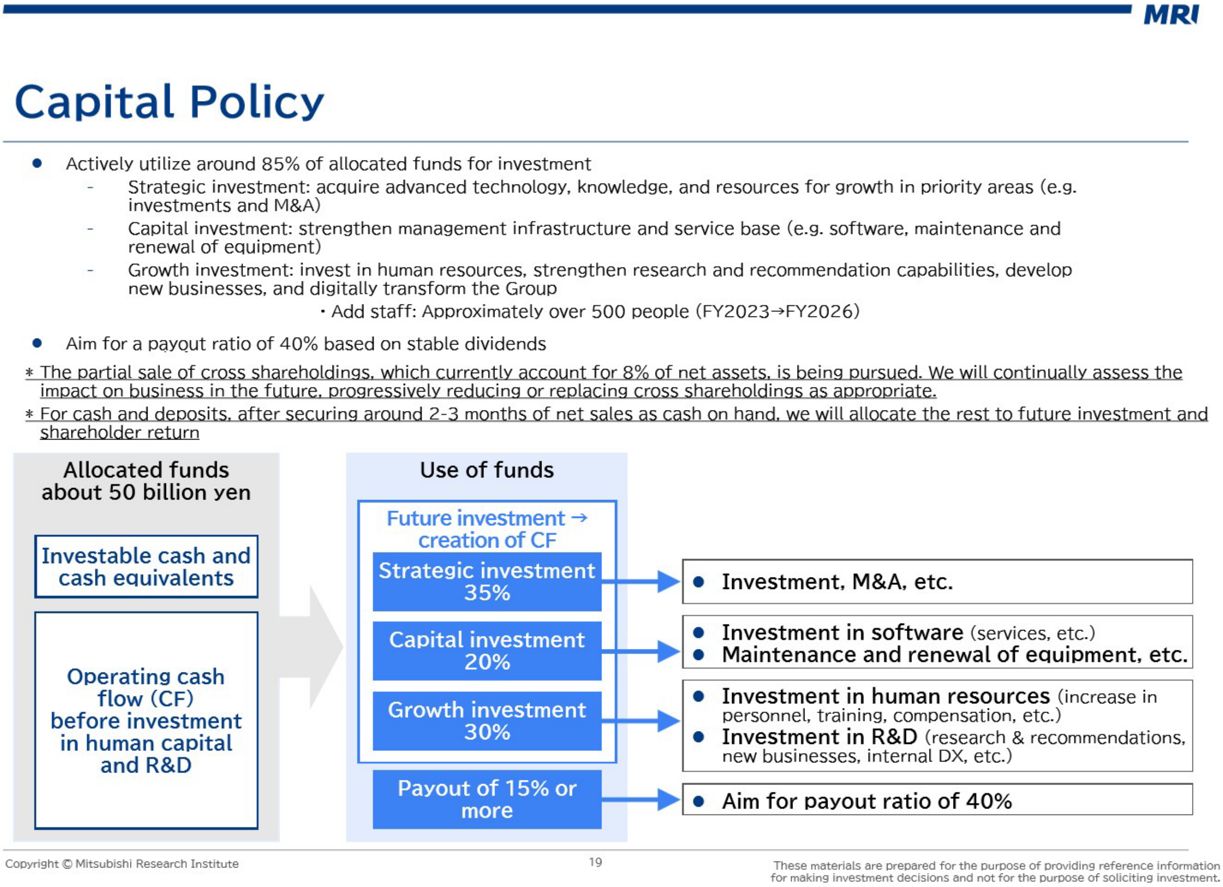
Toward our ideal vision for 2030, we have positioned the three midterm plan periods as a hop, step, and jump, and the step that falls right in the middle is the current MP2026.



See page 18.

The graph shows the transition of sales and ordinary income since FY2020.

This fiscal year, we plan to put both sales and profits on a growth trajectory. By steadily implementing a variety of measures aimed at business growth and structural reforms, we will make this year a year to increase the probability of achieving our midterm plan goals.



Page 19 shows our capital policy.

There is no change in our basic policy, which is to actively use about 85% of our distribution resources for investment in growth and to maintain a dividend payout ratio of 40% based on stable dividends, but we have added our policy-on-policy stockholdings and cash and cash equivalents, as indicated by the asterisks in the middle of the document.

Policy stockholdings currently account for about 8% of net assets, but we will continue to reduce and replace these holdings as we assess the impact on our business.

Cash and cash equivalents will be set aside for approximately two to three months of sales, and other cash and cash equivalents will be used for future investments and shareholder returns.

Capital Policy: Cancellation of Treasury Share (October 30, 2024 release)

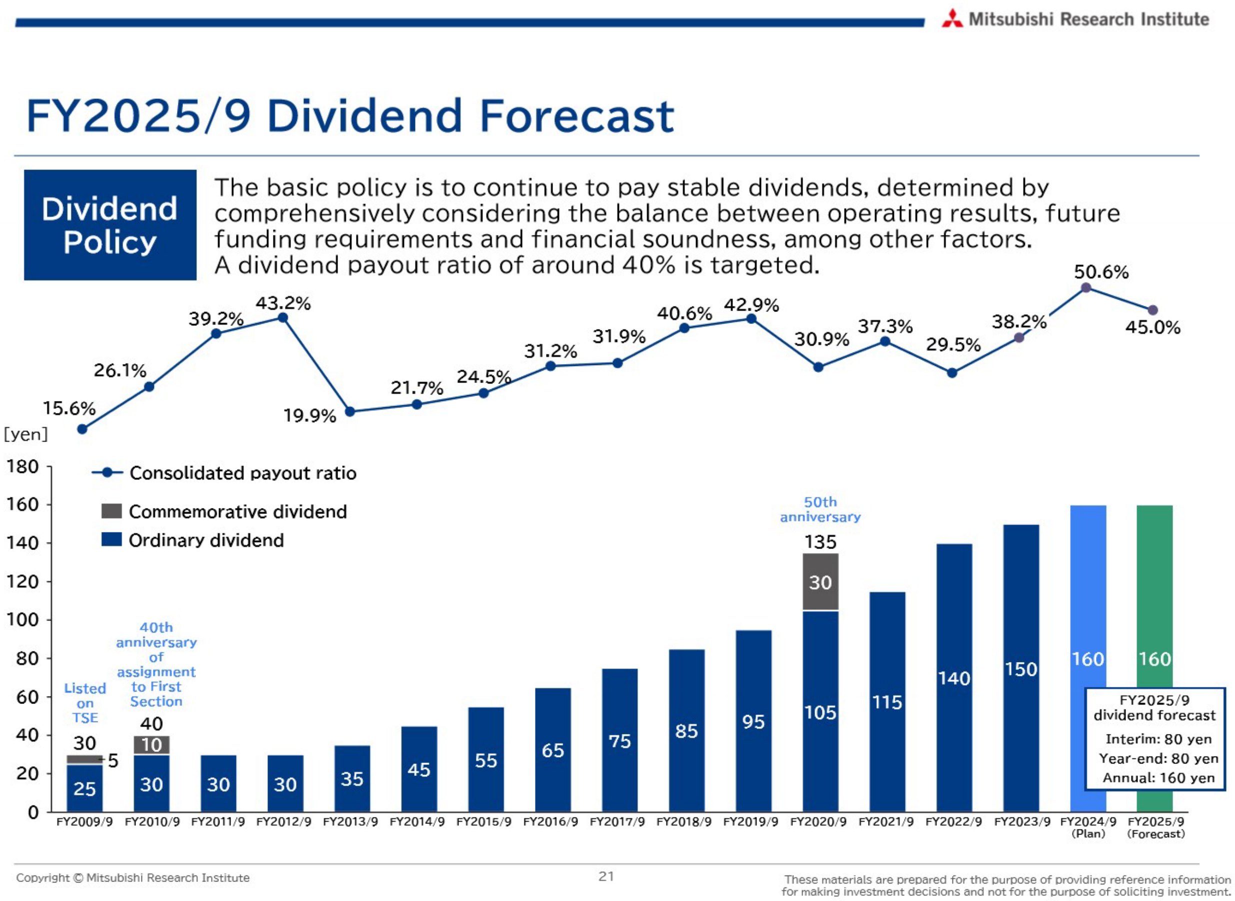
- The decision was made to cancel the treasury shares acquired in February 2023, as over a year since the acquisition, no specific use for the shares including stock swaps had been determined in the latest review of investment opportunities
- Ordinary shares in the company to be cancelled: 380,080 shares
  - Percentage of issued shares: 2.31%
  - Scheduled cancellation date: November 22, 2024
  - Number of issued shares following cancellation: 16,044,000 shares
  - Number of treasury shares following cancellation: 449

  * Calculated based on the number of treasury shares as of September 30, 2024
- Whether to implement further acquisitions of treasury shares in the future will be determined in light of capital structure, market conditions and growth investment opportunities as part of additional shareholder return

See page 20. In connection with our capital policy, yesterday, we announced the retirement of treasury stock.

The Company acquired treasury stock last February and decided to write off the shares in the latest review of investment opportunities.

The Company will determine whether or not to implement future share repurchases based on the capital policy approach we have just presented.



See page 21.

The dividend policy remains unchanged as described.

The annual dividend for FY2024 was expected to be JPY160 per share, a payout ratio of 50.6%, as forecasted at the beginning of the fiscal year.

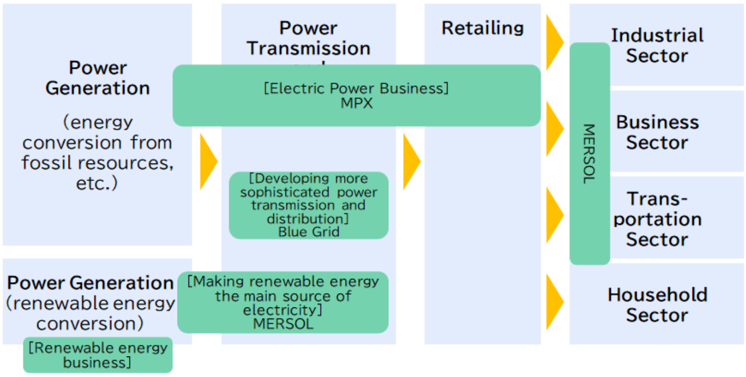
The dividend forecast for FY2025 is the same amount, JPY160, and the dividend payout ratio is expected to be 45%.

GX

Topics: Energy-related Services

1) MPX
- Information service for electric power trading and risk management that was launched in FY2016/9 and spun off in FY2022/9
- The main focus is on the distribution of price indexes and market price forecasts for electric power trading. Leading domestic performance in this field has been achieved.
- Around 100 companies subscribe to the service, and net sales have grown at around 25% per year (last 3 fiscal periods)

2) MERSOL
- Launched in FY2023/9. Comprises business feasibility evaluation service (Simulations segment) and storage battery operational support service (Operations segment) for storage battery business operators. The Simulations segment has achieved profitability.



3) BlueGrid
- Provides long-term demand forecasting services to general power transmission and distribution companies
- The service has achieved profitability by gradually accumulating orders

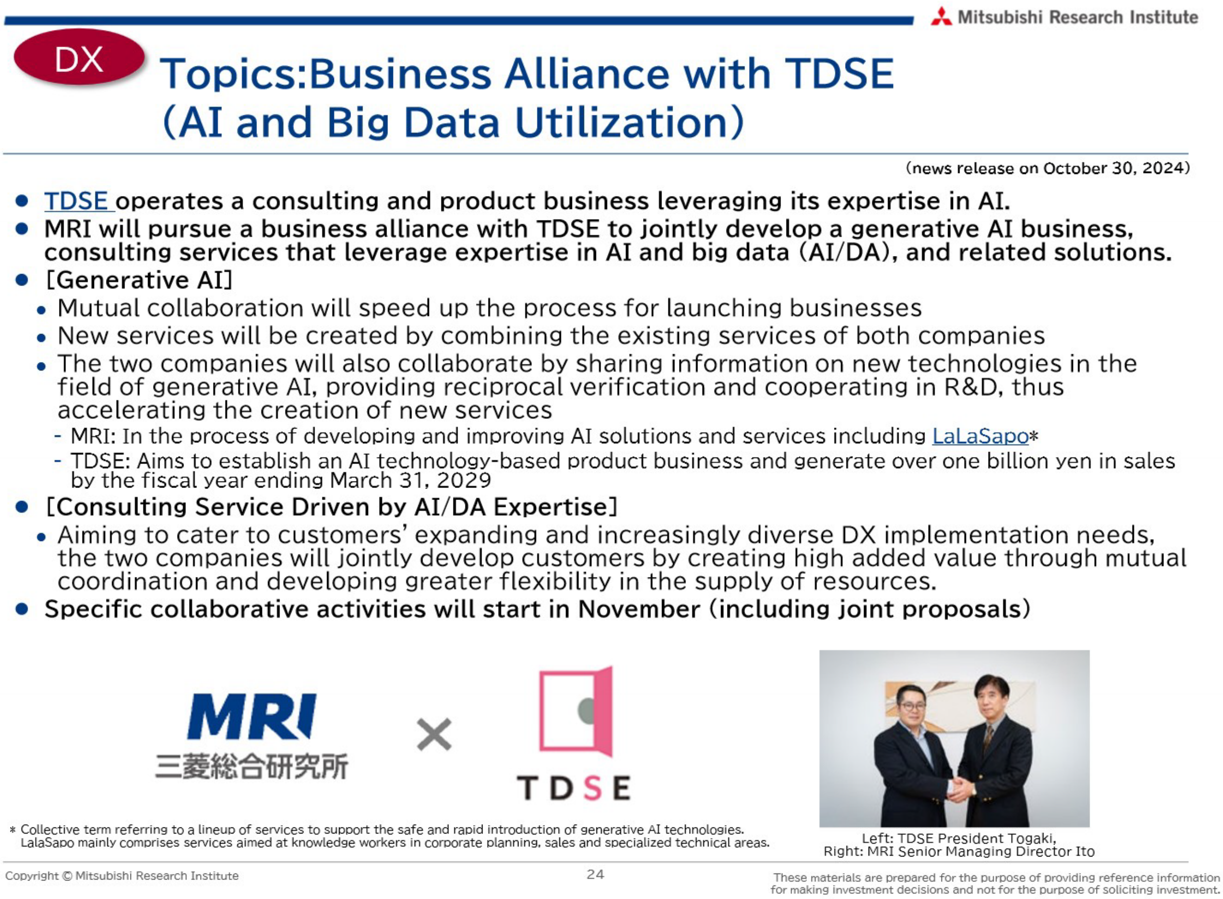
4) Renewable Energy Business
- Development and operation of in-house solar power plants, investment in Z-energy
- Renewable energy business asset management (AM) service leveraging the Company's expertise
- Four in-house projects, five asset management service projects

The following are the main topics that we have been working on during this period. The following is an introduction to GX (Green Transformation), DX (Digital Transformation), and HX (Healthcare / Human Resource Transformation), each of which has been identified as a strategic area in this medium-term business plan.

First, GX. See page 23.

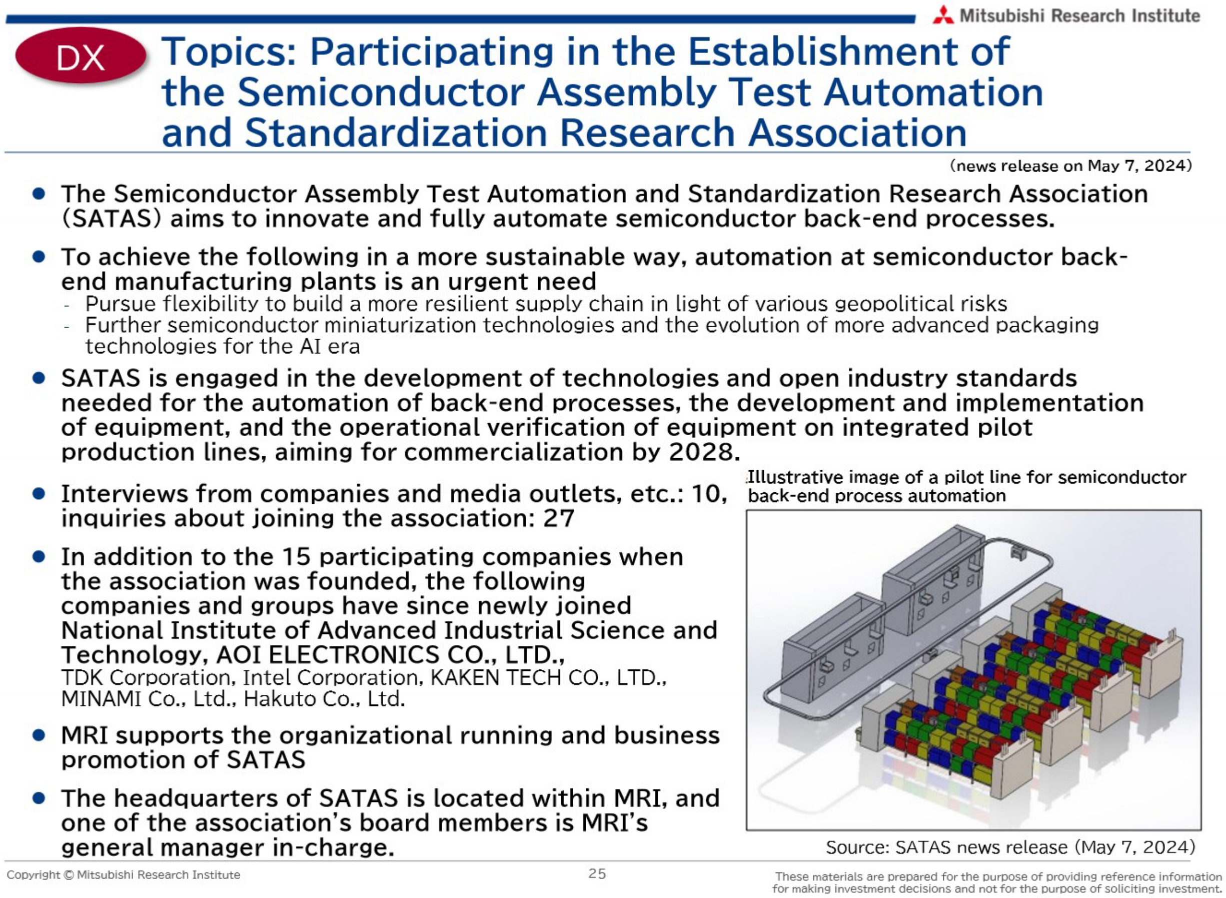
This matrix shows the overall picture of our energy-related services, with the value chain of power generation, transmission and distribution, and power retailing on the horizontal axis, and customer segments, such as industry, business, transportation, and households, on the vertical axis.

We are developing services that leverage our knowledge and strengths, including MPX, which has the top market share in Japan, MERSOL, and BlueGrid, and are building a track record of success.



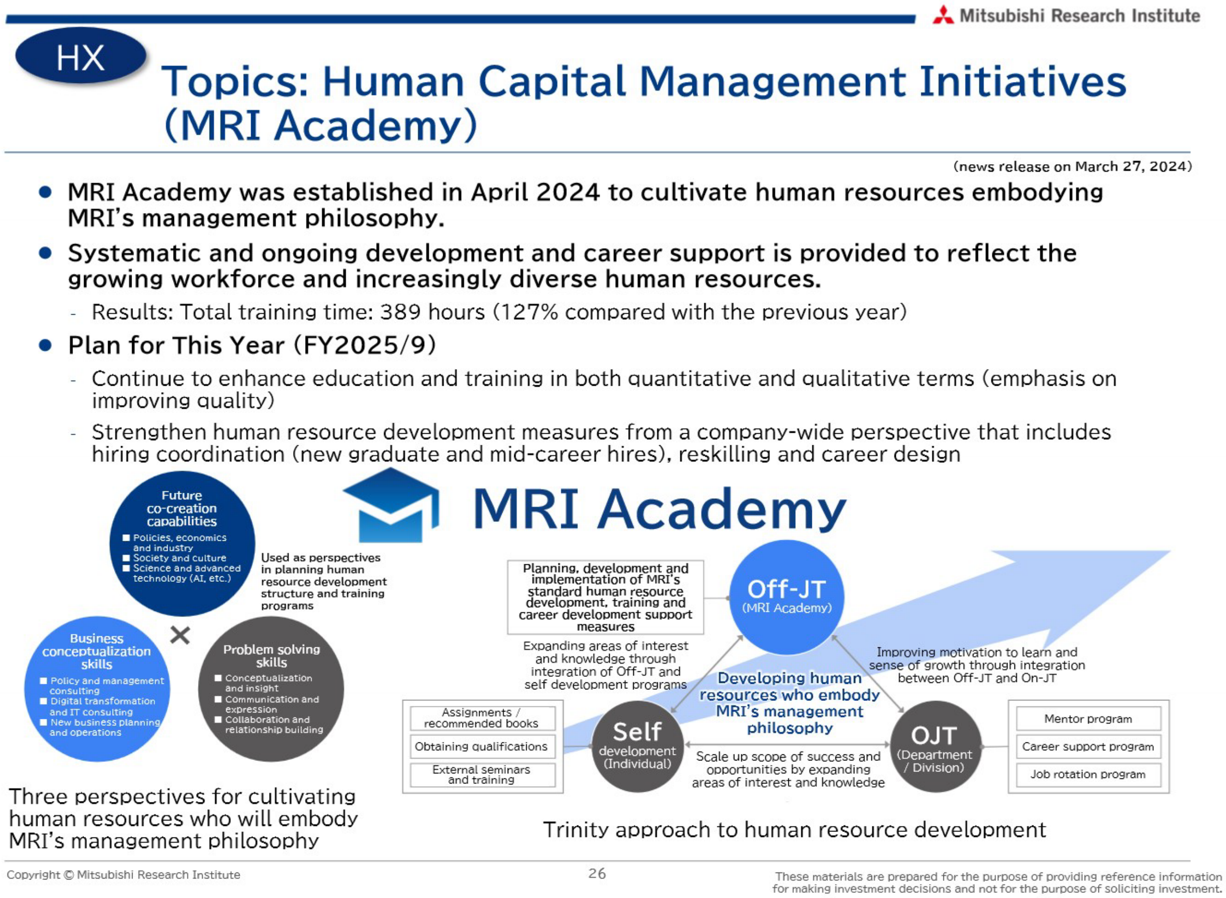
On page 24 is the business alliance with TDSE announced yesterday.

TDSE is a consulting and product business based on AI know-how. This company will jointly develop consulting services and related solutions and promote sales collaboration based on their expertise in generative AI business and AI and big data.



On page 25 is the Semiconductor Assembly Test Automation and Standardization Research Association, which I have previously introduced.

Since the announcement, we have received a tremendous response and have received an increasing number of interviews and inquiries, as well as new participating companies and organizations.



Page 26 is an internal initiative.

Strengthening human resources is key to achieving sustainable business growth. The MRI Academy, launched in April, systematized and strengthened the company-wide education and training program, increasing training hours per employee by 127% to 389 hours.

In the current fiscal year, the Company plans to expand the range of its training measures, including recruitment, reskilling, and career design.

Similarly, DCS has established a digital academy to utilize and educate DX human resources, conduct reskilling, and operate an in-house certification system, thereby fostering the organizational strengthening of human resources.

Pages 27 through 30 organize subsequent updates to the projects we have introduced, including the most recent release. We hope you will check back with us later on to discuss the progress of each of these projects.

From page 31 onward, we introduce the initiatives of the Company and the Group released during this period by the main businesses of the medium-term management plan. We hope you will see this information later as well.

This concludes my explanation. Thank you very much for your kind attention.

A **:** First, please explain a little more about the unprofitable ITS projects that were a downside factor in Q4.

Answer 2: The ITS unprofitable projects that caused a downward swing in Q4 were relatively large financial projects. The reason for the downward swing in Q4 was that there were some quality problems in the process of those projects, which caused the project load to increase.

However, we are in a situation where the project will not be unprofitable anymore for completion.

In addition to this, we are also checking to see if there are any other items that are unprofitable in a similar manner, and there are no such concerns currently.

A **:** Second question. The initial forecast for ordinary income for FY2024 was JPY10 billion, but it landed at JPY8.1 billion. What factors or points of reflection caused you to differ from your initial expectations?

Answer 1: We have been operating for a year with the initial forecast of JPY10 billion, with the aim of securing profits on par with the previous year. We have been working on a plan to firmly expand sales while meeting the burden of upfront investments, business structure reforms, and future investments for sustainable growth at both MRI and DCS.

In terms of the difference between the original plan and the results, MRI's sales shortfall compared to the forecast was quite large. As for DCS, there was not such a large downturn in the core business. However, as “Answer 2” just mentioned, the unprofitable projects that came up near the end of the fiscal year were different from our initial forecast.

TTC recorded sales that exceeded the previous year by approximately JPY1.9 billion as a substantial sales, but we had expected a slightly higher growth than planned.

In particular, we had ambitious plans for each of our businesses, including digital-related businesses, private-sector business development, and newly launched service businesses. Although we received a sufficient number of inquiries from both digital and private sector clients, we were unable to respond to many of them because we could not allocate sufficient manpower to them.

As for the service-type business, as I explained earlier, we have expanded our energy-related business considerably more than planned. However, there are still a number of projects that are sluggish and for which growth cannot be expected. This is one of the main reasons why our sales did not grow as much as we had hoped for in FY2024 and why we did not meet our initial expectations.

We have also included in our plan for FY2025 more on-site manpower and new hires. We will also shift more from in-house manpower to paid operations. Since demand from our customers continues to be strong, we would like to operate in FY2025 in a way that we can make the most of this in our business while taking measures such as flexibly deploying manpower to areas where demand from our customers is strong.

In the service-type business, we closed four unprofitable businesses last fiscal year, so the bottom line is now fairly solid. Therefore, for FY2025, we believe that the areas where growth is expected and where sales are expected to increase will contribute to and be reflected in our revenues.

A **:** Third question. ITS' ordinary profit for FY2025 is expected to be plus JPY300 million, but the hurdle appears to be high considering the negative impact of DCS' head office relocation of minus JPY1.2 billion. Is it achievable?

Answer 1: Many of you may be thinking that the ordinary income forecast for FY2025 of the MRI Group as a whole, is quite ambitious. I would like to start by explaining the overall impression.

If you look at the order backlog at the end of the fiscal year on page 11, the total is JPY75.4 billion. This is roughly 59% of our goal for this fiscal year. About 59% of the orders have already been received. As you know, both MRI and DCS have a large number of contract-based projects, so we believe that how the ratio here compares to previous years will be a mérkmal to determine how high the target hurdle will be.

In this respect, this figure was 64% based on last year's results, so the figure is about 5 percentage points lower this fiscal year.

As a whole, there has been a shift from projects commissioned by public agencies to those commissioned by the private sector. As a result, looking at changes over the years, the percentage of projects that were funded at the end of the previous fiscal year has tended to decline, but we still think the figure of 59% is much low number.

As you can see in the table on page 11, the amount of contracts for ITS was up 5% from the previous year, while the amount of contracts for TTC was down. Excluding outflows, the TTC figure remained flat, almost unchanged from the previous year. On the other hand, the TTC's ratio is lower than in previous years, and in terms of the target ratio , the TTC's ratio should be higher this year.

As I mentioned, inquiries for projects have been very strong, and although we have not yet signed contracts, there are projects that are in progress. The number of inquiries ranges from fairly high to low, but taking these into consideration and including the expectation base, the amount of orders received and the amount of open projects are actually higher than last year. In that sense, I would like you to consider that the TTC also has appropriate amount at this point.

However, since we have set a much higher target this year compared to previous year, we have a lot of projects to accumulate during the term. We will continue to manage the progress of these projects while establishing checkpoints to ensure that they are on track. If we do not make progress as targeted, we will take new measures. We are also planning to spend a considerable amount of money on growth investments for both MRI and DCS, so we would like to take measures including overall cost control in this area.

Answer 2: I will answer regarding ITS. First of all, in terms of orders, we are receiving a steady stream of orders from our existing large clients in both the financial settlement sector and the industrial and public sector.

One of the reasons why we did not achieve our targets for FY2024 was that we were slightly behind in our efforts to develop new areas in the financial settlement sector. Also, in the industrial and public sector area, there was a slight delay in our aggressive launch of a new ERP-related business, and we were not able to receive orders as quickly as we had initially hoped. In 2H of FY2024, we have been receiving orders in this area since 2H of the previous fiscal year, and in the financial sector, we have been strengthening our sales force and alliances with other partners in order to develop new customers.

As I explained earlier, the order backlog itself has been increasing significantly, so although the hurdle is not low, I believe that it is an achievable level for ITS.

A **:** Fourth question. The current political situation in Japan is unstable, including the possibility of a minority ruling party or coalition government. Could this political climate have a negative impact on TTC's orders?

Answer 1: We are watching the future administration and political situation very carefully. Of course, we are not aware of any specific impact or potential impact at this time, so for the time being, we will continue to formulate and accept projects in the same manner as before.

It is possible that the political situation will become unstable, which will inevitably delay the consistency of policies and the timing of planning and execution of projects. Therefore, we, including our front-line sales staff and management, will continue to monitor the trends of our clients and provide them with the necessary support.

B **:** You announced the cancellation of treasury stock. Could you please explain a little more about your aim? Is it correct to say that the Company will actively take measures to return profits to shareholders, such as share buybacks, in the future?

Answer 1: The treasury stock that was redeemed this time was acquired in February 2023. In response to the U.S. Financial Regulation Act, we acquired the shares as treasury stock from MUFG Group shareholders in order to avoid restrictions on our overseas business activities. We hold these shares for use in alliances for future business growth and, in some cases, for use in M&A share exchanges.

About a year and a half has passed since then, and after reviewing our future policies and strategies, we have decided to redeem our treasury stockholdings. In addition to eliminating the risk of dilution in the future by having these shares go outside the Company, this decision was made in consideration of the positive impact on the future share price as the liquidity ratio will increase as a result.

We will consider share buybacks as part of our overall capital policy, taking into account the situation at the time, our growth strategy, and the trends of our shareholders.