First inquirer (analyst, telephone attendee)

Q1: Was your increase in orders in the industrial IT segment in the third quarter due to projects from a small number of major clients as it had been during the first half, or did you receive more orders from a wider range of clients?
A1: The increase was driven by orders for large projects from specific major clients as in the first half. However, since the third quarter began, we have been receiving more orders from a wide range of clients for relatively smaller projects. It seems that clients who had been holding off on IT investment due to the COVID-19 pandemic have now begun taking action.

Q2: Will the favorable sales environment in the third quarter continue to positively impact performance in the fourth quarter and onward?
A2: While the state of emergency declaration issued this last January is cause for a bit of concern, we generally believe the favorable sales environment in the third quarter will continue. Since order backlog is already at a high level, we do not anticipate issues with performance this fiscal year. Our continued strength in receiving orders should also positively impact performance into next fiscal year.

Q3: Will the specific large projects that drove performance this fiscal year continue into the next year?
A3: Clients in the industrial field, where IT investment is active, tend to continue requesting projects after placing their first order. Therefore, we can expect to continue receiving projects from clients with whom we did significant business this fiscal year.

Q4: Are you concerned that your profit in the financial IT segment could decline as projects in shared online services come to an end next fiscal year?
A4: Compared to the development phase before implementation, projects in shared online services have a higher profit margin after they move to the operational
phase. For example, one project in progress with a major securities brokerage will be implemented and immediately go into operation next fiscal year. We believe that projects in shared online services will contribute more to profitability next fiscal year than they will this year.

Second inquirer (analyst, telephone attendee)

Q1: Why did your operating profit margin increase in the consulting segment?
A1: Since we have gained proficiency in working remotely, we were able to win projects at less expense than before, which resulted in a higher profit margin. Our sales and production activities had previously been directly client-facing, but the COVID-19 pandemic has forced us to take a different approach and this is the result.

Q2: Why did your order volume in the consulting segment decrease year-on-year in the third quarter?
A2: While we had many orders in consulting from the public sector in the first half, we did not have many from the private sector. Orders from the public sector have decreased since the third quarter began, but at the same time we have had more activity in projects from the private sector. While order volume was lower in the third quarter year-on-year, we believe our momentum in order from the private sector will continue as we approach the end of the fiscal year.

Q3: How was your order volume at overseas subsidiaries on a local currency basis in the third quarter?
A3: Even in terms of local currency, our order volume in Australia doubled year-on-year. The country has been moving past the COVID-19 pandemic even faster than Japan, and momentum for IT investments is starting to return. However, there has not been any movement toward recovery in terms of orders in North America.

Q4: How are your profit levels in Australia? Will you be able to break even after goodwill amortization?
A4: As of the third quarter our business in Australia is marginally profitable before goodwill amortization, marginally negative after goodwill amortization. We expect to break into profitability after goodwill amortization in the second half.
Q5: What upcoming business opportunities do you expect in your social security “my number” related business next fiscal year and onward?
A5: We have already deployed the e-Ninsho (authentication) and e-Shishobako (PO Box) platform services and have systems in place that enable these to be used widely in both the finance and industrial fields for any services that require personal authentication, such as opening an account. While we cannot expect these to contribute large numbers right away, we do expect usage numbers to increase and we hope this business continues to expand.

Third inquirer (analyst, telephone attendee)
Q1: Your orders in the domestic industrial IT segment have increased significantly, but do you anticipate any problems in readying the resources for these orders going forward?
A1: Our major clients in the industrial field want to do continuous business over the long term, and we are listening to their IT investment planning needs in advance while making preparations at the same time. Therefore, we do not need to have resources ready preemptively for any sudden spikes in development. We are able to put resources in place in an organized manner, so there are no problems in this regard.

Q2: What is causing the increase in usage volume for shared online services and the increase in BPO projects which are driving profit increases in the financial IT segment? And to what degree are each of these contributing to increased profit?
A2: Business remains strong in shared online services due to continued high trading volume in securities markets. BPO projects are also on the rise due to increases in new accounts being opened, including for individuals. Each of these are contributing roughly the same level of profit in the financial IT segment.

Q3: If the pace of new account openings were to slow, would that slow the increase in BPO projects?
A3: Yes, that is correct.

Q4: Your profit forecast for the fourth quarter is relatively conservative compared to the third quarter. Is this because you anticipate any decreases such as impairments for software?
A4: We steadily record impairments for software on a quarterly basis and these are factored into our performance forecast. We are not anticipating any particularly large monetary amounts.

**Fourth inquirer (analyst, telephone attendee)**

Q1: Is your profit forecast for the fourth quarter rather conservative? For example, roughly what profit level do you expect, ignoring the impact of the state of emergency declaration?

A1: The profit forecast takes into account a certain level of risk, including the circumstances of being under a state of emergency. We believe that we will be able to aim for about the same level of profit as the third quarter if no major risks surface.

Q2: What is the progress of your Medium-Term Management Plan? Are you making better progress than expected even despite the COVID-19 pandemic?

A2: Since our financial results exceeded plan last fiscal year (FY March 2020), our current progress is in line with the plan after taking the impact of the pandemic into consideration.

Q3: Since the NVANTAGE joint venture has been dissolved, what business collaborations with Nomura Holdings do you expect in the future?

A3: We will be considering new types of collaborations going forward, without confining ourselves to our past ways of thinking. Our business relationship with Nomura Holdings is ongoing, so we intend to provide whatever support would be best according to discussions with Nomura Holdings management as to what global strategy to pursue.

**Fifth inquirer (analyst, telephone attendee)**

Q1: In terms of profit and loss, how much of a loss did your overseas business produce in the first half?

A1: In Australia where we do the bulk of our overseas business, we recorded a loss of roughly the equivalent of our goodwill amortization cost in the first half, and the extend of losses for our overseas business overall can be considered about the same. Our quarterly goodwill amortization cost is just under 800 million yen, so the loss in the first half was double that.
Q2: Is it possible that you could stop producing losses overseas in the second half and turn profitable next fiscal year?
A2: We believe that our overseas business will be contributing increased profit next fiscal year.

Q3: Your operating profit is at a high level compared to the past. What were the temporary or ongoing drivers of increased profit in the third quarter?
A3: The biggest driver was increased transaction volume in shared online services. Additionally, our progress has been very steady. Despite working on quite a large number of projects there were very few that we struggled to manage. We have never been in such a position in the past as we are in now. All of our operating resources seem to have contributed to profitability in the third quarter.

Q4: Around what level of unprofitable projects did you have in the third quarter of last year?
A4: There were no large unprofitable projects, so we did not see any increased profit due to a bounce-back from such projects. We normally have some projects that are not necessarily unprofitable but dampen profitability. However, we currently have relatively few such projects and many are proceeding according to plan.

Q5: Do you expect to maintain your current high level of operating profit? Are there any factors that could lead to a decrease next fiscal year?
A5: While there are potential factors such as worsening market conditions that could potentially impact our operating profit, we will strive to be able to maintain our high profit margin.

Q6: Do you have any plans to restrict R&D investment?
Q6: We do not.

Sixth inquirer (analyst, telephone attendee)

Q1: An increasing portion of your projects are contributing to performance next fiscal year in addition to this year. What kind of projects are increasing?
A1: What is different from the previous year is that there are more projects from which we can expect long-term ongoing business, and many for which we can
plan the resources we want to put in place from a long-term perspective.

Q2: Is it that client needs in DX are growing, and projects to accommodate those needs are increasing?
A2: Projects that are based on long-term business relationships are increasing. This is not limited only to DX.

Q3: As for improving your profit margin in consulting, you say that working remotely has had the effect of reducing fixed costs by roughly 500 million yen. Do you expect to be able to maintain the current high profit margin going forward?
A3: Due to the COVID-19 situation we are communicating with clients without travelling out to visit them, but we do not expect this to continue forever. Our expenses will gradually increase once the state of emergency declaration is lifted. Rather than trying to maintain our current profit margin, we are more focused on making solid proposals to our clients.

Seventh inquirer (analyst, telephone attendee)

Q1: Are sales for non-DX projects increasing more than for DX-related projects because deals outside of DX that were held back in the first half are returning just as they are in DX?
A1: Many of the deals that are picking up again with clients who had held back on investment are for maintenance and functionality additions to existing systems. This includes many deals unrelated to DX.

Q2: Sales for non-DX turned positive after falling in the first half, but next fiscal year do you expect the growth rate of DX to overtake conventional forms of investment again?
A2: DX sales ratio is a results indicator, and it is difficult to predict. We work on existing systems when they are necessary for clients’ business to continue functioning, even if it means dealing with legacy mechanisms. We support clients according to their levels of need and urgency, rather than only handling projects that are DX.

Q3: Are there clients for whom DX projects start to arise after first working on their existing systems?
A3: Yes, we do have such clients. We hope that DX projects increase as an added
bonus, and we do not make over-aggressive proposals to convert existing systems.

Eighth inquirer (analyst, telephone attendee)

Q1: Are long-term projects increasing because you maintain long relationships with clients who order smaller projects and eventually order larger ones, or is it that long-term projects are increasing among existing major clients?
A1: The answer is both. In some cases, projects with existing major clients are increasing in size, and in some cases clients with whom we do not have long relationships want to implement projects for major solutions along with the business we are already doing with them.

Q2: If there are even more clients who desire long-term business relationships next fiscal year, will you have the resources to handle it?
A2: We cannot take on projects on an impromptu basis. Once projects start coming into view, we gradually put resources in place to handle them. Thus, if more clients want to do long-term business, we can handle it.

End