(Questioner No.1)

Q: Please let us know about the recent situation in the overseas business.
A: In regard to Australia, I spoke about expectations for future recovery in the settlement of accounts in the first half of the fiscal year, and as predicted, orders are gradually recovering.

Q: Is the project for migrating to THE STAR for major securities firms proceeding well? Is it expected that there will be slightly negative top line growth in the medium term, but increased profitability?
A: The migration project for major securities firms is proceeding well and according to plan. The adoption projects for other companies are also proceeding well. We do not think that sales will be negatively affected. Although there were temporary sales due to the adoption work, we believe that profitability will increase more after the service starts to be used and earnings come in.

(Questioner No.2)

Q: When will the earnings come in from major securities firms? Also, can they be expected to be mostly flat, because sales for that quarter were only for development?
A: Operation starts from January 2022. Sales will remain mostly unchanged, or earnings will become larger. They may slightly increase on a year-to-year basis.

Q: There is much attention on DX, but how is the situation of inquiries for DX projects going into the second half of the fiscal year? Have inquiries for consulting projects been increasing?
A: Since inquiries from the private sector slumped until the first half of the fiscal year, we focused on government inquiries, but inquiries from the private sector are now gradually increasing and demand for consulting has mostly recovered.
Since those inquiries that we receive from government agencies are mostly about year-long projects, I believe there is some accumulation of short-term projects.

Q: In industrial IT, some manufacturing was affected by COVID-19, but how is the macro environment in the second half of the fiscal year? Also, how do NRI clients feel about IT investment?
A: Those greatly affected by COVID-19 are continuing to be. In industrial IT solutions, clients that think it is now a good time to invest have been making big moves, and we have also focused our resources on doing so. Industrial IT solutions is being driven by clients with an extremely strong appetite for investment. In the first half of the fiscal year, demand for enhancement has gradually recovered, even for existing clients that were holding back on projects, and the operation ratio is also increasing.

Q: Do you have sufficient engineer capacity?
A: We are doing the best we can with our current capacity. The rate of operation has increased in all segments.

(Questioner No.3)
Q: When agile development and no-code development becomes mainstream, how much will you be able to maintain the added-value and high competitiveness of your engineers compared to other companies?
A: I believe that the key point is that the upstream process for listening to the client and interpreting what kind of system should be created is the most valuable. Consultants and engineers visit a client together, consultants propose what to do in the future, and engineers take what the client wants and make it a reality. This requires various skills, and I believe that our employees have the capability for those parts. I believe that we can create value in the upstream process (talking with clients) and this will not change much.

Q: Do you think that the current position of general systems integrators does not change even when there is a shift to agile development?
A: I think that our solutions can handle projects of any scope, from large projects to small projects like agile development projects.

Q: What is the time line for IT investment for new business after IT investment for cost reductions has run its course? In light of COVID-19, how do you think other systems
integrators will act when DX2.0 becomes mainstream?
A: We are still planning how far DX2.0 will be able to go after COVID-19, but we would like to involve our clients in deciding the fields of business where we can create new social value, as it is not something we can easily do alone. We hope that we can discover common items such as social infrastructure as we are involved with several businesses or concepts held by individual companies. Our long-term approach is to provide services in the form of infrastructure for DX2.0.

Q: Does this mean that you are looking at linking or collaborating with systems integrators or other companies?
A: We plan to enhance partnerships with other clients, as we believe it will be difficult to do so alone. We may cooperate with other companies that have skills that we do not.

Q: Does this mean that you will draw out the strengths of DX2.0 with the same concept and strategy before and after COVID-19?
A: Precisely.

(Questioner No.4)
Q: Have any changes been seen in the recruiting environment from June?
A: Online access has enabled us to reach out to students living in regional areas, where previously new recruits were limited to students in urban areas. A desirable change was increased regional recruitment. Human resource fluidity has dropped for mid-career recruiting. There have been applications, but they did not lead to employment, and we have not met our targets. However, the outflow of human resources from NRI has decreased since last year, and it seems that people's movement has decreased.

Q: Will changes to the recruiting environment affect the company plan from the next fiscal year?
A: Our mid-career recruiting plan was not achieved but we do not consider this something that will affect our numerical plans. We have achieved our target for new employees next spring, and will continue our activities for mid-career recruiting in the future.

Q: What change has there been to the appetite of overseas clients for investment?
A: Many of the IT projects in Australia are government projects, and although the government said they would reduce IT investment due to COVID-19, they ended up
announcing that this would not be the case, and it is looking like demand will recover. ASG performance is recovering, and we think Australia will be fine. The situation in the United States is uncertain, but since the scope of our business is small, damage to our overall performance will be low.

(Questioner No.5)
Q: Please let us know about the situation faced by Japanese IT service vendors overseas.
A: Since we do not have a large presence in places other than Australia, we do not conflict with other companies and cannot make comparisons. We want to become a major player in Australia, but it is difficult to do so organically, so we want to utilize M&A to build a position which enables us to promote our presence. Competition will come later.

Q: In Japan, you work on DX-related initiatives in collaboration with companies close to your clients. Do you plan to increase such joint ventures in the future?
A: We want to enhance partnerships with client companies. There is talk of creating business together, being put in charge of IT, and creating joint ventures that we can both invest in. We create capital relationships when meaningful. We may talk about such projects in future press releases.

(Questioner No.6)
Q: Will the fact that you did not have summer internships affect later recruitment of new graduates?
A: We do not think that this will have a major impact on recruitment. We are having some winter internships, and want to have face-to-face internships at the office where possible also in the future.

(Questioner No.7)
Q: Please let us know your forecast for the next fiscal year, particularly for financial IT solutions for each industry.
A: Assuming that COVID-19 will not have such a great impact on our overall business next fiscal year, we expect that our securities business will grow strongly thanks to THE STAR adoption projects. Our insurance business will greatly depend on whether major life insurance firms come back. The insurance business often involves system integration (SI), and our sales can greatly vary depending on whether or not we receive orders for big projects that last for one or two years. We will continue our sales activities for major
life insurance firms. Our bank business has completed a cycle. Internet SI projects have passed the peak and sales may struggle in the next fiscal year. Overall, there has been no major downturn in the financial segment and our Medium-Term Management Plan is proceeding smoothly toward being achieved.

Q: Are there any signs of large industrial IT projects in 2021? Can any large projects be expected for clients such as Seven & i Holdings?
A: We will continue to contact and encourage our top-level clients in each industry, mainly as a consultant. We aim to receive orders for large projects, but do not know when this will be. We cannot see any for next fiscal year at the current point in time. We are calmly proceeding with projects for Seven & i Holdings. We are not sure what will change with large projects. This year, there was a client that chose our company due to COVID-19. We may also come across such clients next fiscal year.

Q: We have not heard anything about joint venture projects in the telecommunications industry. How is progress going?
A: The telecommunications industry is prospering due to the impact of COVID-19. There is talk of reduced fees, but IT investment remains active. This has led to increased orders compared to the previous year. We planned for a joint venture to handle projects for a major telecommunications firm and create customers together with that firm, but we changed our priority because the project for that company is currently thriving.

Q: Are there any cases of sales and administration costs not being fully used up because of work from home? Please let us know how you feel about the costs for the second half of the year. Can we expect a better profit ratio than expected?
A: Costs for business trips have decreased, but the operating profit ratio is about the same as the first half of the fiscal year because we need to prepare to migrate the work environment online a bit more than before.

Q: It seems like the target of 100 billion in the Medium-Term Management Plan it still attainable. Is this interpretation correct?
A: We do not have any plans to revise the Medium-Term Management Plan at this point in time, and will continue to aim for the target.

(Questioner No.8)
Q: What fields do overseas investors have expectations for? What fields do they see as...
A risky?

A: We are often asked about the effect of COVID-19, projects for migrating to the shared online system for major securities firms, and the situation in Australia. In regard to Australia, we tell investors that our ability to reduce costs has allowed us to improve the situation, and I think that that has alleviated their concerns.

Q: Do you have a policy for joint ventures that limits each company to one field of business?

A: We do not have a policy, but this does seem to be the case. For consulting, we interact with the ventures even if they are competitors in the same field. I think that it would be difficult to conduct various types of investment within one field of business.

Q: After the closure of the AUSIEX deal, there are expectations for rolling out shared online solutions cultivated in Japan to Australia. Are there any technical or legal obstacles to doing so?

A: AUSIEX is first being shaped as a company, and we do not intend to bring in our solutions from the start. Whether there are things which can be used will be thought about after operations settle down. There is no set plan at the moment.

Q: In regard to the law, are there any limitations on deploying NRI expertise overseas?

A: Financial regulations are completely different in each country. We do not take these differences into account as we conduct manufacturing in Japan. Since the things that we manufacture in Japan are created according to Japanese law, it would not be easy to use them overseas without making changes.

(Questioner No.9)

Q: What kind of investment themes are now common? Do the themes remain the same as when surveyed in May, which were remote work, paperless operation, digitalization of sales channels, and non-contact technology? Will these themes continue in 2021 and manifest as investment?

A: Our fields of investment have not changed and we continue to work on inquiries for projects regarding non-contact technology. We also invest by arming our external sales representatives with information. We believe that IT investment will continue from the next fiscal year.

Q: Does this mean that industrial IT will continue to reap the benefits of DX in the next fiscal year?
A: We believe so. We will probably also continue to receive inquiries about AI algorithms for solving problems in some fields, such as making logistics more efficient.

(Questioner No.10)
Q: Will the cost structure change after COVID-19?
A: When the movement of people returns to normal, I feel that in-person contact with clients will also return. Since consulting involves frequent business trips, those activities will surely also return. Switching to online conferences has not reduced costs and although office space may be consolidated, it will only be a small amount.

Q: At the joint venture with a major telecommunications firm, are you quietly proceeding with DX projects or thinking to aim for large projects and use those to enter other fields of business?
A: We are quietly proceeding with projects for using our joint venture to approach other fields of business. Resources are focused on projects for the major telecommunications firm, as they are currently active. This company was created with the goal of creating DX projects that can only be done together with a major telecommunications firm, and this has not changed.

(Questioner No.11)
Q: Was the sale of Recruit shares included in the company plan at the start of the fiscal year? How big an impact will it have?
A: The sale of some kind of cross shareholdings was included in the company plan at the start of the fiscal year. Therefore, there were no changes caused by this sale that would require us to revise our performance forecast. Since we held these shares at an extremely low book value, most of the sale was profit. This does not indicate that this sale will have some kind of negative impact.

Q: What is the background behind the issue of bonds payable?
A: Refinancing due to CP repayment.

Q: Do you have any plans for upcoming investment? Will you continue overseas investment?
A: We are continuing to consider multiple M&A in Australia.

(Questioner No.12)
Q: Excluding COVID-19, what are you most worried about now?
A: There are always risks, but quality risks are particularly damaging to our company. When resources are tight, operating profit, etc., rises but there may be on-site distortion. If there is a quality problem, it can be very damaging. We are worried that such problems may be occurring where they cannot be seen. Although this can also be considered part of the impact of COVID-19, the corporate culture of worrying about quality face-to-face is changing and I am concerned that we may not be focusing on the same things as before.

(Questioner No.13)
Q: What happened with NRI Digital, which saw an increase in manpower at the start of the fiscal year?
A: We moved a whole team that was conducting development for a major telecommunications firm to NRI Digital. The project is extremely active and the team is being given more work than expected.

End