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Translation



February 5, 2024

Consolidated Financial Results for the Three Months of the Fiscal Year Ending September 30, 2024 (Under Japanese GAAP)

Company name: **Mitsubishi Research Institute, Inc.**
 Listing: Prime Market of the Tokyo Stock Exchange
 Securities code: 3636
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Scheduled date to submit Quarterly Securities Report: February 6, 2024
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: None

(Rounded down to the nearest million yen)

1. Consolidated financial results for the three months of the fiscal year ending September 30, 2024 (from October 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
December 31, 2023	27,668	0.8	2,037	(13.6)	2,437	(9.0)	1,178	(6.5)
December 31, 2022	27,459	8.3	2,358	28.6	2,677	19.4	1,261	(37.8)

Note: Comprehensive income For the three months ended December 31, 2023: ¥ 1,503 million [(7.5%)]
 For the three months ended December 31, 2022: ¥ 1,625 million [(13.6%)]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
December 31, 2023	74.13	—
December 31, 2022	77.60	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Million yen	Million yen	%
December 31, 2023	115,144	74,507	57.3
September 30, 2023	118,009	74,385	55.8

Reference: Equity (Net assets – Non-controlling interests)
 As of December 31, 2023: ¥ 65,959 million
 As of September 30, 2023: ¥ 65,800 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2023	—	75.00	—	75.00	150.00
Fiscal year ending September 30, 2024	—				
Fiscal year ending September 30, 2024 (Forecast)		80.00	—	80.00	160.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2024 (from October 1, 2023 to September 30, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
Fiscal year ending September 30, 2024	118,000	(3.4)	8,400	(3.3)	10,000	(0.0)	6,400	1.8	402.45

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

(1) Changes in significant subsidiaries during the three months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of special accounting in preparing consolidated quarterly financial statements: Yes

Note: For details, please refer to “2. Consolidated financial statements and significant notes thereto (3) Notes to consolidated financial statements (Application of special accounting in preparing consolidated quarterly financial statements)” on page 8 of the attached materials

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

- a. Changes in accounting policies due to revisions to accounting standards and other regulations : None
- b. Changes in accounting policies due to other reasons : None
- c. Changes in accounting estimates : None
- d. Restatement of prior period financial statements after error corrections : None

(4) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	16,424,080 shares
As of September 30, 2023	16,424,080 shares

b. Number of treasury shares at the end of the period

As of December 31, 2023	507,697 shares
As of September 30, 2023	521,629 shares

c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

Three months ended December 31, 2023	15,904,399 shares
Three months ended December 31, 2022	16,251,876 shares

* Quarterly results are not subject to quarterly review by a certified public accountant or the auditing firm.

* Appropriate use of business forecasts; other special items

(Caution regarding forward-looking statements, etc.)

The earnings forecast is made based on information available at the time of publication of this document. The Company does not guarantee that it will achieve the forecast results. Actual sales and profits may differ from the forecast results due to uncertainties inherent in the forecast and changes in business conditions, among other factors.

(Availability of supplementary material on financial results)

The supplementary material for quarterly results is posted on the Company’s website.

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1. Qualitative information regarding settlement of accounts for the three months

(1) Explanation regarding operating results

In the first three months of the fiscal year under review (October 1, 2023, to December 31, 2023), the global economy continued to grow at a slower pace than before the COVID-19 pandemic. The outbreak of the Israel-Hamas conflict has brought further international instability, affecting supply chains and other areas. The U.S. and European economies continue to experience persistent inflation, and the impact of tighter monetary policy aimed at restraining demand is growing. In China, although the government has implemented measures to stimulate the economy, the pace of economic recovery has remained sluggish due to the prolonged slump in the real estate market, which accounts for a large share of GDP.

The Japanese economy has seen a pause in its recovery, with a decline in exports due to a slowdown in overseas economies and high prices affecting consumption. Despite this, there are some encouraging signs. Consumption by inbound tourists is higher than before the COVID-19 crisis, and companies are maintaining aggressive capital investment plans, given labor shortages and the need to invest more in digital transformation (DX) and green transformation (GX)(*). As for climate change and AI, discussions centered on international frameworks are making progress. COP28 (28th Conference of the Parties to the UN Framework Convention on Climate Change), held in Dubai, as well as the Asia Zero Emission Community (AZEC) Summit, are expected to advance ASEAN-Japan collaboration on decarbonization. The G7 also agreed on the Hiroshima AI Process, which aims to create international rules for generative AI. Against this backdrop, we expect that Japan will strengthen its efforts in the DX and GX fields, providing a tailwind for Mitsubishi Research Institute's (MRI) related businesses.

In light of these social and business conditions, MRI's management philosophy can be summarized as "striving to continually envision a desirable future, resolve societal issues, and lead change in society to co-create a prosperous, sustainable future."

The fiscal year under review is the first year of the Medium-Term Management Plan 2026 ("MP2026"). The nine-year period starting from the first year of the previous plan, MP2023, is divided into three phases of three years each, corresponding to "Step" phase named after the steps in the triple jump, "Hop", "Step" and "Jump."

Under MP2026, we aim to achieve growth by enhancing the three values of financial, non-financial, and social value in accordance with the MRI Group's management philosophy, as well as by scaling up through growth of the DX business, improving profitability through quality reform of core businesses, and accelerating the transformation of our business portfolio by fostering and expanding next-generation businesses.

In particular, in terms of business strategy, MRI has defined strategic domains in the three business axes of Societal and Public Innovation, Digital Innovation, and Financial System Innovation, and is further strengthening collaboration in terms of sales and consulting activities between itself and Mitsubishi Research Institute DCS Co., Ltd., which plays a central role in our company and its subsidiaries. The Group continues its active efforts to promote national government DX for the public sector, and to provide support that combines DX consulting and cloud transition for the private sector, as well as digital marketing that uses big data analysis, and to expand the business domain and customer base for the financial industry.

In the first quarter of the fiscal year under review, which is the first year under MP2026, MRI has worked to disseminate its objectives, aims, and specific strategies within the Group, as well as to deepen external understanding of the plan through shareholders' meetings and dialogues with investors. Efforts in strategic areas have started smoothly, and we are steadily building a track record in DX, the environment, and medical/healthcare-related fields.

Such efforts have resulted in net sales of 27,668 million yen (up 0.8% year on year), operating profit of 2,037 million yen (down 13.6% year on year), ordinary profit of 2,437 million yen (down 9.0% year on year), and profit attributable to owners of parent of 1,178 million yen (down 6.5% year on year) for the MRI Group in the first three months of the fiscal year under review.

(*) GX: Green Transformation. Refers to a transition from a fossil-fuel centered economy, society, and industrial structure to one that is centered on renewable energy, resulting in a transformation of the overall socio-economic system.

The results in each segment are as follows.

<Think Tank & Consulting Services>

During first three months of the fiscal year under review, net sales (sales to outside customers) stood at 9,563 million yen (up 8.1% year on year), and ordinary profit at 995 million yen, (up 6.0% year on year), reflecting contributions to sales from projects overhauling analog regulations and demonstration projects in medical and long-term care for the public sector, and systems and IT-related work for the private sector.

<IT Services>

Despite growth in system renewal projects for the private sector, during the first three months of the fiscal year under review net sales (sales to outside customers) stood at 18,105 million yen (down 2.7% year on year) and ordinary profit at 1,437 million yen (down 17.1% year on year) due to timing differences in recording sales in finance and credit card services.

(2) Explanation regarding financial position

Total assets at the end of the first three months under review fell 2,865 million yen (down 2.4%) from the end of the previous fiscal year, to 115,144 million yen. A breakdown of this shows that current assets stood at 67,741 million yen (down 4.8% year on year) and non-current assets at 47,403 million yen (up 1.2% year on year). Regarding current assets, notes and accounts receivable-trade and contract assets increased by 5,933 million yen due to seasonal fluctuations, whereas cash and deposits decreased by 9,540 million yen. The increase in non-current assets was mainly due to the recording of the valuation difference in investment securities.

Liabilities fell by 2,987 million yen from the end of the previous fiscal year to 40,637 million yen (down 6.8%), primarily because of the decline in bonus provisions.

Net assets increased by 122 million yen (up 0.2%) from the end of the previous fiscal year to 74,507 million yen, mainly due to an increase in the valuation difference on available-for-sale securities.

(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements

There are no revisions to the consolidated earnings forecast announced on October 31, 2023.

2. Consolidated financial statements and significant notes thereto

(1) Consolidated quarterly balance sheets

(million yen)

	As of September 30, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	25,226	15,686
Notes and accounts receivable - trade, and contract assets	42,776	48,710
Inventories	342	285
Other	2,808	3,057
Allowance for doubtful accounts	(0)	(0)
Total current assets	71,154	67,741
Non-current assets		
Property and equipment		
Buildings and structures, net	6,437	8,199
Machinery, equipment and vehicles, net	186	126
Tools, furniture and fixtures, net	1,631	1,529
Land	720	720
Leased assets, net	1,281	1,249
Construction in progress	1,856	402
Total property and equipment	12,114	12,227
Intangible assets		
Software	4,524	4,532
Leased assets	124	14
Other	1,604	1,957
Total intangible assets	6,253	6,504
Investments and other assets		
Investment securities	19,847	20,175
Deferred tax assets	4,443	4,342
Other	4,201	4,156
Allowance for doubtful accounts	(4)	(3)
Total investments and other assets	28,487	28,671
Total non-current assets	46,854	47,403
Total assets	118,009	115,144

(million yen)

As of September 30, 2023

As of December 31, 2023

	As of September 30, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	4,296	4,254
Current portion of long-term borrowings	500	400
Accounts payable - other	2,672	2,432
Accrued expenses	11,677	12,050
Income taxes payable	584	1,088
Provision for bonuses	6,143	2,659
Provision for bonuses for directors, etc.	175	51
Provision for loss on order received	759	605
Other	3,968	4,221
Total current liabilities	30,777	27,763
Non-current liabilities		
Lease obligations	1,121	1,075
Provision for retirement benefits for directors	4	5
Provision for share-based compensation	397	475
Net defined benefit liability	9,839	9,831
Asset retirement obligations	1,483	1,484
Total non-current liabilities	12,846	12,873
Total liabilities	43,624	40,637
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,908	4,908
Retained earnings	54,520	54,495
Treasury shares	(2,393)	(2,343)
Total shareholders' equity	63,371	63,396
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,229	2,300
Deferred gains or losses on hedges	(3)	28
Foreign currency translation adjustment	(2)	2
Remeasurements of defined benefit plans	205	230
Total accumulated other comprehensive income	2,429	2,562
Non-controlling interests	8,584	8,547
Total net assets	74,385	74,507
Total liabilities and net assets	118,009	115,144

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income

Consolidated quarterly statements of income

	(million yen)	
	Three months ended December 31, 2022	Three months ended December 31, 2023
Net sales	27,459	27,668
Cost of sales	20,873	21,312
Gross profit	6,586	6,356
Selling, general and administrative expenses	4,227	4,319
Operating profit	2,358	2,037
Non-operating income		
Interest income	0	3
Dividend income	53	62
Share of profit of entities accounted for using equity method	238	312
Other	50	36
Total non-operating income	341	414
Non-operating expenses		
Interest expenses	7	4
Overseas withholding taxes	15	5
Loss on investment partnership management	—	4
Other	0	0
Total non-operating expenses	22	14
Ordinary profit	2,677	2,437
Extraordinary losses		
Loss on retirement of non-current assets	3	11
Impairment losses	53	—
Loss on revaluation of investment securities	—	29
Other	3	0
Total extraordinary losses	60	42
Profit before income taxes	2,617	2,394
Income taxes	1,130	1,033
Profit	1,486	1,361
Profit attributable to non-controlling interests	225	182
Profit attributable to owners of parent	1,261	1,178

Consolidated quarterly statements of comprehensive income

(million yen)

	Three months ended December 31, 2022	Three months ended December 31, 2023
Profit	1,486	1,361
Other comprehensive income		
Valuation difference on available-for-sale securities	163	84
Deferred gains or losses on hedges	(0)	32
Foreign currency translation adjustment	(13)	4
Remeasurements of defined benefit plans	3	21
Share of other comprehensive income of entities accounted for using equity method	(15)	(1)
Total other comprehensive income	138	142
Comprehensive income	1,625	1,503
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,378	1,311
Comprehensive income attributable to non-controlling interests	247	191

(3) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Notes in the case of material changes in shareholders' equity)

Not applicable

(Application of special accounting in preparing consolidated quarterly financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by multiplying profit before income taxes in the first three months under review by a reasonably estimated effective tax rate after the application of tax effect accounting to profit before income taxes in the consolidated fiscal year, including the first three months under review.

(Additional information)

(Share-based compensation system linked to operating performance for directors, executives and research fellows)

MRI has introduced a performance-based stock compensation plan ("the Plan") for its directors (excluding outside directors, non-executive directors, and directors living outside Japan), executive officers and research fellows who have signed an engagement agreement (excluding those living outside Japan) (collectively referred to as the "Directors, Etc."). The Plan has been introduced to raise awareness of contributions to improving operating results at the MRI Group and enhancing the corporate value in the medium to long term. The Plan is an officers' compensation system that is closely connected to the MRI Group's results, transparent and objective.

The accounting for the Plan is in line with the Practical Solution on Transactions of Delivering MRI's Own Stock to Employees Through Trusts (ASBJ PITF No. 30, March 26, 2015).

1) Overview of transaction

The Plan has a mechanism called a Board Incentive Plan trust ("BIP Trust"). After the resignation of the Directors, Etc. (or the death of the Directors, Etc.), MRI grants shares of MRI held by the BIP Trust or provides money equivalent to the shares to the Directors, Etc. according to the performance target achievement level.

2) MRI's shares remaining in the trust

The book value of the shares held by the BIP Trust (excluding the incidental expense) is posted in net assets as treasury shares. The book value of the treasury shares and the number of treasury shares stood at 506 million yen and 141,000 shares at the end of the previous fiscal year, and 456 million yen and 127,000 shares at the end of the first three months under review.

(Segment information, etc.)

[Segment information]

I. Three months ended December 31, 2022 (from October 1, 2022 to December 31, 2022)

1. Information regarding amounts of net sales and profit/loss by reportable segment

(million yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated quarterly statements of income (Note 2)
	Think Tank & Consulting Services	IT Services			
Net sales					
Outside customers	8,846	18,613	27,459	—	27,459
Inter-segment sales and transfers	14	228	243	(243)	—
Total	8,860	18,842	27,702	(243)	27,459
Segment profit	938	1,734	2,672	4	2,677

Notes: 1. The adjustment to segment profit represents the elimination of inter-segment transactions.

2. Segment profit is adjusted in accordance with ordinary profit in the consolidated quarterly statements of income.

2. Information regarding impairment loss of non-current assets or regarding goodwill by reportable segment

For the three months ended December 31, 2022, MRI recorded impairment losses of 44 million yen for Think Tank & Consulting Services and 9 million yen for IT Services.

II. Three months ended December 31, 2023 (from October 1, 2023 to December 31, 2023)

1. Information regarding amounts of net sales and profit/loss by reportable segment

(million yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated quarterly statements of income (Note 2)
	Think Tank & Consulting Services	IT Services			
Net sales					
Outside customers	9,563	18,105	27,668	—	27,668
Inter-segment sales and transfers	15	320	336	(336)	—
Total	9,579	18,425	28,004	(336)	27,668
Segment profit	995	1,437	2,432	4	2,437

Notes: 1. The adjustment to segment profit represents the elimination of inter-segment transactions.

2. Segment profit is adjusted in accordance with ordinary profit in the consolidated quarterly statements of income.

2. Information regarding impairment loss of non-current assets or regarding goodwill by reportable segment

There are no significant items in the first three months under review.

3. Supplementary information

Status of orders received and sales

(1) Status of orders received

The table below shows orders by segment.

Segment name	Three months ended December 31, 2023			
	Orders received (million yen)	Year-on-year change (%)	Order backlog (million yen)	Year-on-year change (%)
Think Tank & Consulting Services	5,993	54.0	24,517	(18.0)
IT Services	16,959	1.5	46,080	1.9
System development	9,792	1.2	19,362	(4.3)
Outsourcing services	7,166	1.9	26,717	6.9
Total	22,952	11.4	70,597	(6.1)

Notes: 1. Inter-segment transactions are offset against each other.

2. For services that are provided continually and paid for based on performance, expected sales for a year after the end of the first three months under review are stated in the order backlog column.

(2) Sales performance

The table below shows sales by segment.

Segment name	Three months ended December 31, 2023	Year-on-year change (%)
Think Tank & Consulting Services (million yen)	9,563	8.1
IT Services (million yen)	18,105	(2.7)
System development (million yen)	10,860	(7.3)
Outsourcing services (million yen)	7,244	5.0
Total (million yen)	27,668	0.8

Notes: Inter-segment transactions are offset against each other.