

[Translation for reference only]

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Translation



November 2, 2021

Consolidated Financial Results for the Fiscal Year Ended September 30, 2021 <under Japanese GAAP>

Company name: **Mitsubishi Research Institute, Inc.**
Listing: First Section of the Tokyo Stock Exchange
Stock code: 3636 URL: <https://www.mri.co.jp/en/>
Representative: Takashi Morisaki, President
Inquiries: Kyoko Adachi, General Manager, Management Accounting and Finance Division
E-mail: ir-info@ml.mri.co.jp
Scheduled date of annual general meeting of shareholders: December 17, 2021
Scheduled date to commence dividend payments: December 20, 2021
Scheduled date to submit Annual Securities Report: December 17, 2021
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

(Rounded down to the nearest million yen)

1. Consolidated performance for the fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2021	103,030	12.0	6,853	10.0	7,568	(9.8)	5,009	(29.4)
September 30, 2020	92,020	2.2	6,231	21.5	8,387	46.7	7,096	97.1

Note: Comprehensive income

For the fiscal year ended September 30, 2021: 5,448 million yen [(35.7)%]
For the fiscal year ended September 30, 2020: 8,478 million yen [167.9%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
September 30, 2021	308.60	—	9.1	7.7	6.7
September 30, 2020	436.64	—	13.9	9.3	6.8

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended September 30, 2021: 532 million yen
For the fiscal year ended September 30, 2020: 2,050 million yen

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
September 30, 2021	99,704	63,836	56.4	3,471.53
September 30, 2020	96,253	61,541	56.0	3,313.34

Reference: Equity (Net assets – Non-controlling interests)

As of September 30, 2021: 56,279 million yen
As of September 30, 2020: 53,857 million yen

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
September 30, 2021	3,252	(1,970)	(4,624)	29,097
September 30, 2020	8,637	(749)	(1,106)	32,438

2. Cash dividends

	Annual cash dividends per share					Total cash dividends	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter- end	Second quarter- end	Third quarter- end	Fiscal year- end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended September 30, 2020	–	50.00	–	85.00	135.00	2,217	30.9	4.3
Fiscal year ended September 30, 2021	–	55.00	–	60.00	115.00	1,888	37.3	3.4
Fiscal year ending September 30, 2022 (Forecast)	–	60.00	–	60.00	120.00		35.4	

Note: Breakdown of the year-end cash dividend of the fiscal year ended September 30, 2020: Ordinary dividend 55.00 yen and commemorative dividend 30.00 yen

**3. Consolidated earnings forecasts for the fiscal year ending September 30, 2022
(from October 1, 2021 to September 30, 2022)**

(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, 2022	113,000	9.7	7,200	5.1	8,200	8.3	5,500	9.8	339.26

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) 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

(3) Number of issued shares (common shares)

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

As of September 30, 2021	16,424,080 shares
As of September 30, 2020	16,424,080 shares

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

As of September 30, 2021	212,426 shares
As of September 30, 2020	169,376 shares

c. Average number of outstanding shares during the period

Fiscal year ended September 30, 2021	16,231,915 shares
Fiscal year ended September 30, 2020	16,251,835 shares

Note: For information on the number of shares used as the basis for calculating basic earnings per share (consolidated), please refer to “5. Consolidated financial statements and significant notes thereto (5) Notes to consolidated financial statements (Per share information)” on page 27 of the attached materials.

(Reference) Overview of non-consolidated performance

1. Non-consolidated performance for the fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2021	38,502	17.8	2,952	4.1	5,270	41.7	4,073	46.6
September 30, 2020	32,686	(0.5)	2,834	4.3	3,719	9.3	2,778	5.7

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
September 30, 2021	250.94	—
September 30, 2020	170.99	—

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
September 30, 2021	57,895	42,012	72.6	2,591.53
September 30, 2020	54,978	40,445	73.6	2,488.24

Reference: Equity (Net assets – Non-controlling interests)

As of September 30, 2021: 42,012 million yen

As of September 30, 2020: 40,445 million yen

* Reasons for differences between the non-consolidated financial results for the fiscal year ended September 30, 2021 and the actual results for the previous fiscal year

Net sales rose year on year due to firm demand for projects for public offices.

Meanwhile, ordinary profit and profit were both higher than the level a year earlier mainly due to an increase in dividend income from affiliates.

* Results are not subject to audit 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. MRI 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.

For information on assumptions underlying the business forecasts and other related information, please refer to “1. Overview of operating results and others, (4) Outlook for the next fiscal year” on page 4.

(Availability of supplementary material on financial results)

The supplementary material for results is posted on MRI’s website.

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(Attached Materials)

1. Overview of operating results and others

(1) Overview of operating results for the fiscal year under review

During the fiscal year under review (from October 1, 2020 to September 30, 2021), the global economy saw a gradual return to normal activity largely thanks to the rollout of COVID-19 vaccines. However, as demand began to rise again, bolstered by fiscal stimulus, surging freight rates and energy prices and shortages of semiconductors and other components hampered the economic recovery.

In Japan, the economic recovery has been weak, especially in domestic demand, as states of emergency have been intermittently declared since January 2021 due to the spread of COVID-19 infections. From mid-2021, severe cases were kept under control by a rapid vaccine rollout and other measures. However, given limitations in the capacity of healthcare delivery systems and other factors, personal spending, especially out-of-home consumption, was slow to recover. Exports exceeded pre-pandemic levels against the backdrop of a global economy rebounding from COVID-19 and growing semiconductor demand. Production was bolstered by a rebound in demand driven by foreign demand but growing supply constraints including delays procuring semiconductors and other components from overseas forced production cuts from mid-2021.

In this environment, Mitsubishi Research Institute, Inc. (“MRI”) and its consolidated subsidiaries (the “MRI Group”), which celebrated Mitsubishi Research Institute’s 50th anniversary last year, adopted the management philosophy: “We will continually envision a desirable future, resolve societal issues, and lead change in society to co-create a sustainable and abundant future.” Under its new management philosophy, the MRI Group, as a company which solves societal issues, leverages its knowledge of scientific methods, advanced scientific technologies, policies and systems that it has developed as a comprehensive think tank as well as its ability to provide comprehensive solutions to expand business while prioritizing quality and customer satisfaction.

The fiscal year under review is the first year of the Medium-Term Management Plan 2023 (“MP2023”).

In MP2023, the research and consulting business and the financial solutions business are positioned as core businesses, and the digital transformation (DX) business, the subscription-based business (provision of general services using intellectual assets), and the international business are positioned as growth businesses. The Group spent the year taking steps to achieve steady growth. Although the COVID-19 pandemic negatively affected the execution of certain operations, the impact on the MRI Group’s business results was limited partly because it also presented the Group with a wider range of business opportunities.

As examples of specific projects and initiatives in line with MP2023, the Group was involved in a wide range of operations including helping local governments implement DX through the use of AI systems to support and enhance government consultation services for local residents, and participating in the establishment of Z Energy Co., Ltd. with Osaka Gas Co., Ltd. and seven other companies for the realization of carbon neutrality by 2050. In addition, for realization of the MP2023 vision of a “resilient and sustainable society,” the MRI Group expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”), which was established by the Financial Stability Board, and also decided to participate in the TCFD Consortium, which is made up of corporations and financial institutions which support the recommendations.

Moreover, in the fiscal year under review, MRI made a secondary offering for a second time since listing, with its existing shareholders as sellers (offerors), aiming to improve the distribution of MRI’s shares and to increase liquidity.

As a result, in the fiscal year under review, the MRI Group performed solidly, largely due to strong orders in the previous fiscal year, and recorded net sales of 103,030 million yen (up 12.0% year on year) and operating profit of 6,853 million yen (up 10.0% year on year). Meanwhile, ordinary profit was 7,568 million yen (down 9.8% year on year) and profit attributable to owners of parent was 5,009 million yen (down 29.4% year on year). However, excluding the impact of one-time profits recorded

the previous fiscal year (share of profit of entities accounted for using equity method of 1,333 million yen and gain on sales of investment securities of 2,731 million yen), profits continued to trend upward.

The results in each segment are as follows.

<Think tank and consulting services>

In the fiscal year under review, MRI's core businesses performed strongly in sectors such as the healthcare and wellness sector, especially simulation operations related to COVID-19, the advanced communications sector, and the energy sector. In addition, consulting and other services for financial institutions also expanded, and net sales (sales to outside clients) stood at 40,376 million yen (up 16.8% year on year). Ordinary profit came to 4,197 million yen (down 20.6% year on year) due to the recording of a provision for loss on order received in addition to the absence of the equivalent of negative goodwill in relation to INES Corporation becoming an equity method affiliate posted the previous fiscal year.

<IT services>

In the fiscal year under review, the segment reported net sales (sales to outside clients) of 62,653 million yen (up 9.1% year on year) mainly as a result of expansion in large-scale integration projects in the finance and credit cards sector. Ordinary profit amounted to 3,361 million yen (up 8.7% year on year).

(2) Overview of financial position for the fiscal year under review

Total assets at the end of the fiscal year under review increased 3,451 million yen (up 3.6%) from the end of the previous fiscal year, to 99,704 million yen. Of which, current assets stood at 59,142 million yen (up 5.6%) and non-current assets were 40,561 million yen (up 0.8%). Current assets rose 3,114 million yen, mainly due to a decrease of 3,341 million yen in cash and deposits, and increases of 4,139 million yen in notes and accounts receivable - trade, and 2,234 million yen in inventories, against a backdrop of growth in net sales and orders. Non-current assets grew 336 million yen, chiefly owing to the acquisition of hardware related to systems for customers through leasing.

Liabilities rose 1,155 million yen (up 3.3%) from the end of the previous fiscal year, to 35,867 million yen. This reflects increases of 1,914 million yen in accrued expenses, 756 million yen in advances received, and 792 million yen in provision for loss on order received, offsetting decreases of 1,896 million yen in income taxes payable and 400 million yen in long-term borrowings.

Net assets climbed 2,295 million yen (up 3.7%) from the end of the previous fiscal year, to 63,836 million yen mainly due to an increase in retained earnings of 2,709 million yen. The equity ratio stood at 56.4%.

(3) Overview of cash flow position for the fiscal year under review

Cash and cash equivalents at the end of the fiscal year under review fell 3,341 million yen from the end of the previous fiscal year, to 29,097 million yen. The status of each cash flow and the primary factors behind the results are as follows.

(Cash flows from operating activities)

Cash provided by operating activities was 3,252 million yen, compared with 8,637 million yen provided in the previous fiscal year. This primarily reflects 7,826 million yen in profit before income taxes and 3,615 million yen in depreciation, as well as a 4,139 million yen increase in notes and accounts receivable - trade, a 2,234 million yen increase in inventories, a 1,914 million yen increase in accrued expenses, and income taxes paid of 4,148 million yen.

Compared with the previous fiscal year, cash inflows decreased by 5,385 million yen, mainly due to a decrease of 3,125 million yen in profit before income taxes and an increase of 2,143 million yen in income taxes paid.

(Cash flows from investing activities)

Cash used in investing activities was 1,970 million yen, compared with 749 million yen used in the

previous fiscal year. Main factors include 1,037 million yen in proceeds from sales of investment securities, 491 million yen in purchase of investment securities, 951 million yen in purchase of property and equipment, and 1,665 million yen in purchase of intangible assets.

Compared with the previous fiscal year, cash inflows decreased by 1,221 million yen, chiefly owing to a decrease of 1,424 million yen in purchase of investment securities and a decrease of 2,785 million yen in proceeds from sales of investment securities.

(Cash flows from financing activities)

Cash used in financing activities was 4,624 million yen, compared with 1,106 million yen used in the previous fiscal year. This was chiefly attributable to repayments of long-term borrowings of 400 million yen, dividends paid of 2,298 million yen, and repayments of lease obligations of 1,051 million yen.

Compared with the previous fiscal year, cash inflows decreased by 3,518 million yen, largely due to a decrease of 1,700 million yen in proceeds from long-term borrowings, an increase of 400 million yen in repayments of long-term borrowings, and an increase of 655 million yen in dividends paid.

(4) Outlook for the next fiscal year

During the next fiscal year (from October 1, 2021 to September 30, 2022), the Japanese economy is predicted to recover at a pace above its potential growth rate, with the vaccine rollout and the increased capacity of the healthcare delivery system paving the way for more normal economic activity and with some of the excess savings accumulated during the COVID-19 crisis also expected to be spent.

Given the high level of uncertainty surrounding the situation in Japan and overseas, this outlook for the Japanese economy has numerous downside risks. First, there is the undeniable possibility of the emergence of new vaccine-resistant strains. In this case, the restrictions on economic activity would inevitably be tightened once again. Further, as economic activity begins to return to normal, the Fed and other central banks will ramp up moves towards exiting their crisis-response policies. If mounting inflationary pressures cause the Fed to normalize its monetary policy quicker than market participants expect, this could have a destabilizing effect on global financial markets. Another point which warrants attention is that if China fails to deal effectively with its prolonged energy shortage and fears of defaults at leading developers, China's economy, which has been the world's growth engine after COVID-19, may slow down and pose a downside risk to Japanese exports.

During the next fiscal year, the Group will invest in initiatives such as office integration to realize new work styles and cost reductions and will also continue to invest in R&D including new business development, in anticipation of growth through to the fiscal year ending September 30, 2023, which is the target year under "Medium-Term Management Plan 2023", and the Group forecasts net sales of 113,000 million yen (up 9.7% year on year), operating profit of 7,200 million yen (up 5.1% year on year), ordinary profit of 8,200 million yen (up 8.3% year on year), and profit attributable to owners of parent of 5,500 million yen (up 9.8% year on year).

In think tank and consulting services, we forecast net sales (sales to outside clients) of 44,000 million yen (up 9.0% year on year), and ordinary profit of 4,000 million yen (down 4.7% year on year). In areas such as orders in strategic policy fields for government and public offices and business operation and business innovation consulting and package solution-based ICT consulting for private-sector companies, we expect demand to remain firm. Meanwhile, under MP2023, we will continue to strengthen the digital transformation (DX) business, supporting government and regions in tackling digital transformation on the basis of partnerships forged by the MRI Group. We also plan to push ahead with office integration and renovation for the purpose of realizing new work styles and reducing expenses in the future and we anticipate a temporary increase in expenses (400 million yen) as upfront investment. Excluding the impact of such investment, in the next fiscal year, sales and profits are both expected to remain in an upward trend.

In IT services, we forecast net sales (sales to outside clients) of 69,000 million yen, up 10.1% year on year, and ordinary profit of 4,200 million yen, up 24.9% year on year. On the business front, whilst focusing on existing business, including growth of finance/credit card projects and expansion of

systems such as big data utilization platforms, services for junior and senior high schools and universities, and ICT-related BPO* services, we will also further strengthen partnerships as a Group for further development including growth in DX business for private non-financial corporations and the financial sector. The Group will continue laying the foundations for future growth and strengthening R&D, while also focusing on improving profitability by reducing selling, general and administrative expenses.

* Business Process Outsourcing: Outsourcing certain business processes such as human resources, accounting and payroll-related processes to a specialist outside company

Consolidated earnings forecasts for the fiscal year ending September 30, 2022

	Fiscal year ended September 30, 2021 (Actual result) (Million yen)	Fiscal year ending September 30, 2022 (Forecast) (Million yen)	Change	
			Amount (Million yen)	Rate (%)
Net sales	103,030	113,000	9,969	9.7
Think tank and consulting services	40,376	44,000	3,623	9.0
IT services	62,653	69,000	6,346	10.1
Operating profit	6,853	7,200	346	5.1
Ordinary profit	7,568	8,200	631	8.3
Think tank and consulting services	4,197	4,000	(197)	(4.7)
IT services	3,361	4,200	838	24.9
Profit attributable to owners of parent	5,009	5,500	490	9.8
Basic earnings per share (yen)	308.60	339.26	30.66	9.9

Note: Basic earnings per share is calculated using the average number of outstanding shares during the period.

Average number of outstanding shares during the period

Fiscal year ended September 30, 2021: 16,231 thousand shares

Fiscal year ending September 30, 2022: 16,211 thousand shares

The earnings forecast is made based on information available at the time of publication of this document. MRI 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.

(5) Basic policy on profit distribution and dividends for the fiscal year under review and next fiscal year

MRI aims to achieve sustainable growth and increase its corporate value by contributing to the development of its customers and society and by creating value. MRI's basic policy on shareholder returns is to maintain stable dividends, while at the same time working to raise the level of dividends based on comprehensive consideration of a wide range of factors, including performance and financial soundness. MRI uses internal reserves to strengthen its financial position in case of any changes in the operating environment, and to make business investment and capital investment necessary for future business development.

Based on the above policy, we plan to pay a year-end ordinary dividend for the fiscal year under review of 60 yen, which represents an increase of 5 yen from the previous forecast. This, combined with the interim dividend of 55 yen, brings the annual dividend to 115 yen per share.

With regard to dividends for the next fiscal year, MRI expects to pay 60 yen per share for both the interim and year-end cash dividend, which will bring the annual dividend to 120 yen per share.

2. Group companies

The MRI Group comprises 16 companies (MRI, 10 subsidiaries (10 consolidated subsidiaries) and five affiliates of MRI (three entities accounted for using equity method and two entities not accounted for using equity method), operating across two segments. One of these business segments is the “think tank and consulting services” segment, which covers the provision of research and consulting services on public policies and general businesses. The other is “IT services,” which encompasses the provision of software development, operation, and maintenance, and information processing and outsourcing services.

<Think tank and consulting services>

Since its founding, MRI has drawn on its knowledge of policies and systems, its ability to identify and analyze social issues and its broad knowledge of next-generation technologies accumulated as a comprehensive think tank, as well as the quantitative analysis and evaluation techniques, prediction techniques and other analytical capabilities of its researchers specializing in the field of science and technology to provide research and consulting services.

We provide government and public offices with research and analysis, public policymaking and planning, consulting services, and business support in the social and public sector, which includes national land development, transportation and traffic, information and telecommunications, regional management, healthcare, nursing care, welfare, and education, and in the science and technology policy sector, which encompasses the environment, resources and energy, science and technology, and security policy.

Meanwhile, we provide private-sector companies with consulting services in areas such as management and business strategy, marketing strategy, human resource systems and organizational reforms, CSR management, and business innovation, as well as IT consulting for strengthening business competitiveness.

(Names of main companies)

Mitsubishi Research Institute, Inc. (MRI); consolidated subsidiaries MRI Business, Inc. and MRI Research Associates, Inc.; and entities accounted for using equity method Nippon Care Communications Co., Ltd., Japan Business Systems, Inc. and INES Corporation

<IT services>

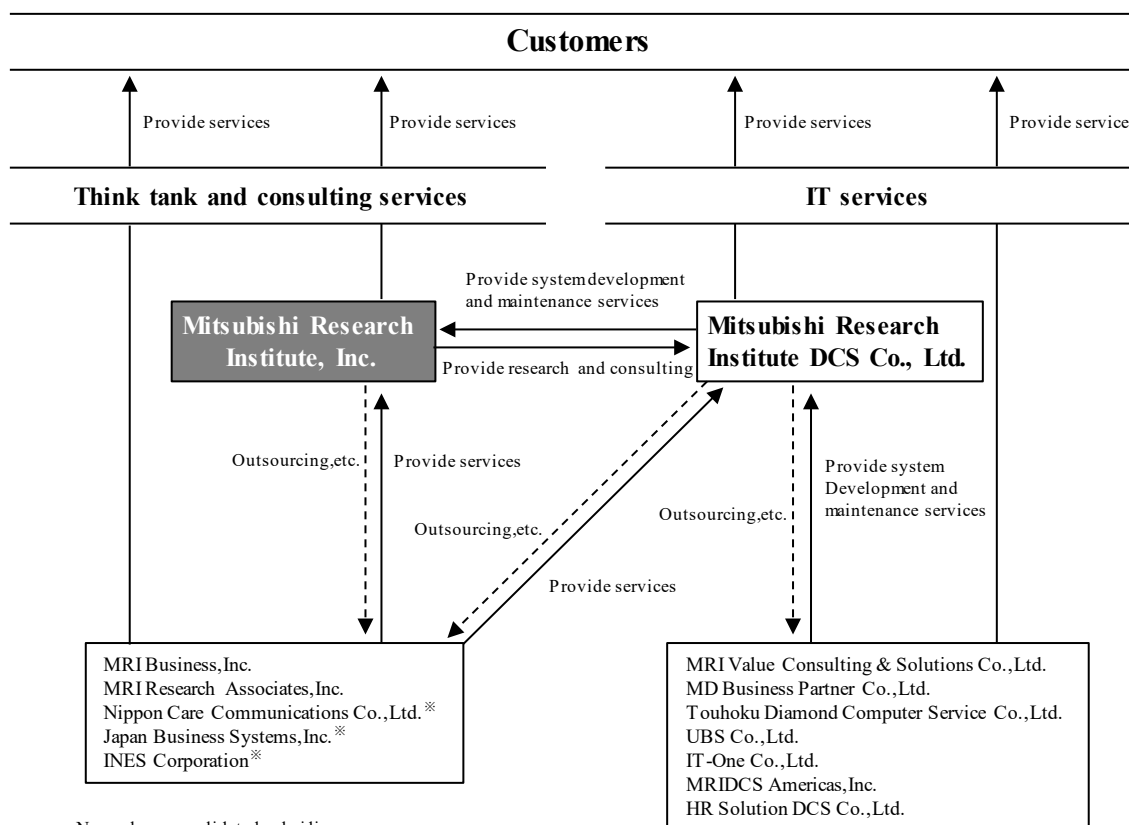
Mitsubishi Research Institute DCS Co., Ltd., MRI’s consolidated subsidiary, plays a core role in providing software development, operation and maintenance, and information processing and outsourcing services in areas such as finance, manufacturing, logistics, services, and education, based on the insights and cutting-edge ICT technologies accumulated in the think tank and consulting services segment. We also offer complete support for the integration of IT into upstream and downstream management processes, including IT-based management system innovation and Internet-based business model innovation.

Our outsourcing services consist of information processing services, mainly the PROSRV payroll and human resources service offered by Mitsubishi Research Institute DCS Co., Ltd., and mission-critical outsourcing and BPO using Chiba Information Center.

(Names of main companies)

Consolidated subsidiaries Mitsubishi Research Institute DCS Co., Ltd., MRI Value Consulting & Solutions Co., Ltd., MD Business Partner Co., Ltd., Touhoku Diamond Computer Service Co., Ltd., UBS Co., Ltd., IT-One Co., Ltd., MRIDCS Americas, Inc., and HR Solution DCS Co., Ltd.,

【Business Structure】



- (Notes)
1. UBS Co., Ltd. is excluded from consolidated subsidiaries of MRI from the next fiscal year following the sale of all its shares on November 1, 2021
 2. MRIDCS Americas, Inc. is undergoing liquidation as of September 30, 2021, following a resolution on its dissolution in March 2021.
 3. HR Solution DCS Co., Ltd. merged with Mitsubishi Research Institute DCS Co., Ltd. on October 1, 2021.

3. Management policy

The forward-looking statements in the document are based on the judgment of the Group as of the end of the fiscal year under review.

(1) Management policy

Since its establishment in 1970, the MRI Group has harnessed the advantage of its three main functions of think tank, consulting, and IT solutions capabilities to help create value for customers and contribute to the development of society through corporate activities based on creative insights.

To mark its 50th anniversary in 2020, MRI adopted Our Guiding Principles consisting of the three components (a mission, a vision and commitments) shown below.

<Our Guiding Principles>

We, the Mitsubishi Research Institute, will continually envision a desirable future, resolve societal issues, and lead change in society to co-create a prosperous, sustainable future.

A. Our Mission (What we strive to accomplish)

To resolve societal issues and co-create a prosperous, sustainable future

B. Our Vision (How we intend to do it)

Envisioning the future, leading change

C. Our Commitments (What our professionals are dedicated to)

1. Devotion to Growth: Continually honing our value to society and our customers
2. Collective Knowledge: Acting as a hub between diverse branches of knowledge
3. A Clear Stance: Using scientific insights to discern the proper path toward the ideal future
4. Taking on Challenges: Transforming the world in new ways
5. Reality: Devotion to feasible recommendations and their implementation

While based on the features and strengths of the MRI Group developed over the past 50 years, Our Guiding Principles anticipates the times and social trends that lie ahead and redefines our long-term purpose and value.

In accordance with its new guiding principles, the MRI Group will help solve a wide range of societal issues and realize a desirable future, for the sustainable development of society and its customers.

(2) Management strategy

(Medium-Term Management Plan 2023)

The fiscal year under review is the first year of the Medium-Term Management Plan 2023 (“MP2023”). Whilst covering a three-year period from the fiscal year ended September 30, 2021 to the fiscal year ending September 30, 2023, MP2023 is positioned as a strategy which looks out 5 years and more based on Our Guiding Principles described earlier.

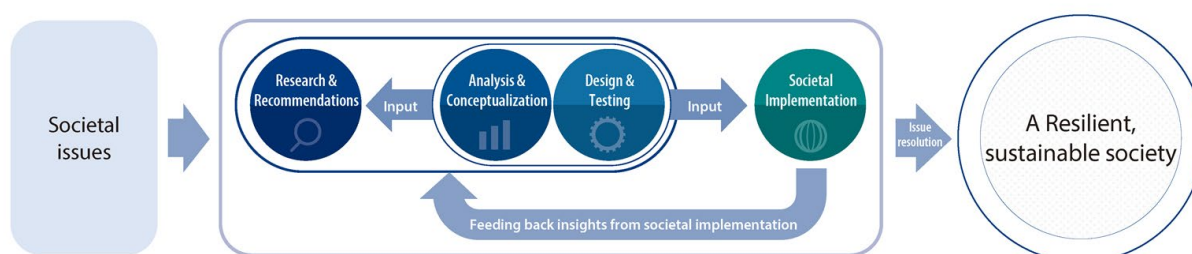
In MP2023, we defined our vision for society and the MRI Group as follows.

- Vision for society: a resilient, sustainable “autonomous, distributed and cooperative” society
- Vision for MRI Group: a company to resolve societal issues
~ Envisioning the future and leading change by overcoming societal issues based on our guiding principles.

For realization of this vision for society and vision for MRI Group, we are promoting businesses based on the following three basic policies.

(1) VCP management

VCP stands for Value Creation Process. VCP refers to the process of developing the MRI Group’s value chain (see figure below), in other words, aiming to improve the value provided to customers and society and sustainable growth by using societal issues as a starting point and setting their resolution and realization of a desirable future world as goals. Implementing management based upon an awareness of the importance of VCP will help maximize financial, non-financial and societal value respectively.



We have four value chain key components:

- “Research and Recommendations” as a think tank (VCP-A)
- “Analysis and Conceptualization” of the current status and issues of our customers and society, and “conceptualization” of strategies and policies (VCP-B)
- “Design and Testing” of businesses and systems (VCP-C)
- “Societal Implementation” of solutions for society and customers (VCP-D)

We aim to realize social innovation by integrating the MRI Group’s four value creation capabilities (VCP-A~D) and implementing Group business activities based on the VCP approach.

The capabilities which have always been our strength as a comprehensive think tank and have underpinned our earnings thus far are “Analysis & Conceptualization” (VCP-B and VCP-C). However, it is imperative that we strengthen and grow “Research & Recommendations” (VCP-A) and “Societal Implementation” (VCP-D) in the future if we are to actually solve societal issues and realize social innovation. While maintaining our core “Analysis & Conceptualization” business (VCP-B and VCP-C), we will make strategic investments to accelerate the growth by linking

“Research & Recommendations” (VCP-A) and “Societal Implementation” (VCP-D), which are the start point and end point of the process respectively.

The MRI Group’s VCP is a unique process which sees all businesses as activities for resolving societal issues and also encompasses concepts such as the SDGs*1 and ESG*2. We plan to implement such VCP management as an approach that is uniquely our own.

*1 SDGs: Sustainable Development Goals set in September 2015 by the United Nations General Assembly and intended to be achieved by the year 2030

*2 ESG: Refers to the Environmental, Social and Governance criteria used to judge whether a company is capable of sustainable growth

(2) Consolidation management

To enhance the effectiveness of VCP management, we will seek further business diversification through consolidation management, increasing our competitiveness as a Group both defensively and offensively. In particular, we will further strengthen consolidation management from the viewpoint of strengthening “Societal Implementation” (VCP-D) including IT solutions and real-world implementation services (business) and achieving sustainable growth as a Group (management base).

MRI and its core subsidiary Mitsubishi Research Institute DCS will lead the way in further expanding business in the “Societal Implementation” (VCP-D) domain through collaboration with diverse partners including equity-method affiliates Japan Business Systems (JBS) and INES.

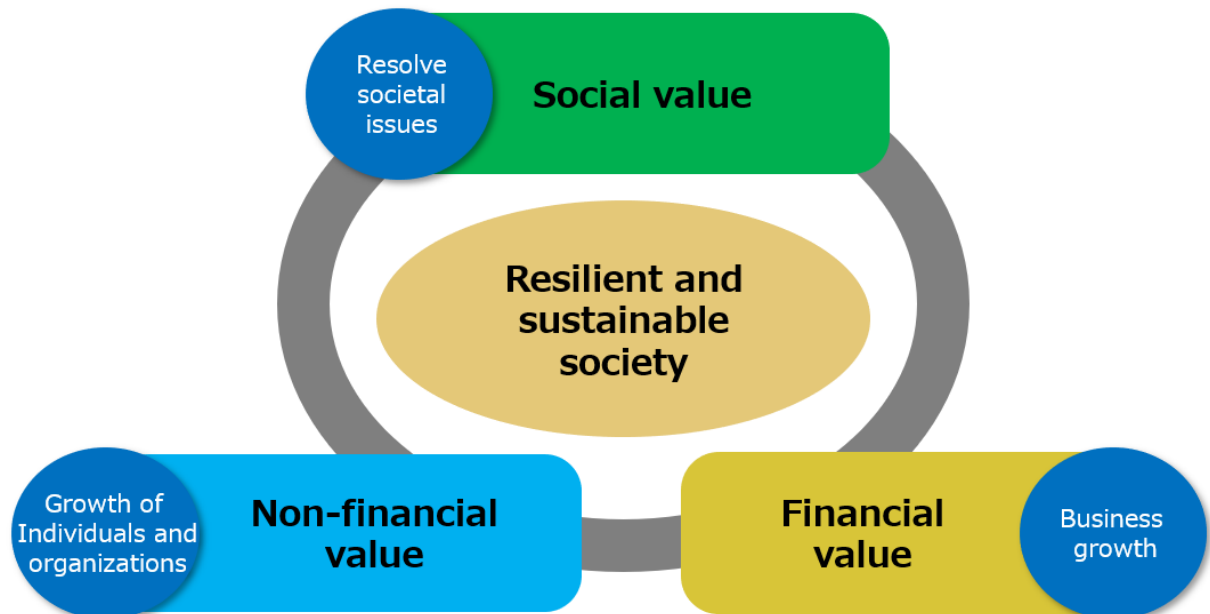
(3) New normal management

Societies and business environments will remain dramatically different in the future until the COVID-19 pandemic comes to an end and we move from life with COVID to the post-COVID era. The protracted pandemic has dealt a huge blow to business and earnings in many sectors and at many companies and the MRI Group’s business with private-sector-customers may also continue being negatively impacted in the future. However, circumstances such as these offer an opportunity to solve long-standing societal issues and also represent a business opportunity for the MRI Group.

In face of this situation, we will leverage the scientific insights that are our strength to promote “new normal” management, leading reforms for a new society through the use of ICT, AI, IoT and other advanced technologies. Besides strengthening analysis and research of new trends and recommendations (VCP-A domain), we will strengthen, through transformation of the MRI Group itself, consulting, concrete methods and knowhow, and other tools for responding to conditions that necessitate reform to accelerate business for the new normal.

(3) Objective indicators to assess performance versus management targets, etc.

The MRI Group will realize a virtuous circle for improving the three types of value created, namely social value (resolution of societal issues), non-financial value (sustainable growth of people and organizations) and financial value (business growth), and will aim to achieve both improvement in the various types of value provided and sustainable growth.



To resolve the societal issues necessary to realize a “resilient and sustainable society” (=improvement of social value), the MRI Group will encourage the growth of people and organizations (=improvement of non-financial value) whilst at the same time achieving business growth (=improvement of financial value).

(Financial value)

For improvement in financial value, we will use ordinary profit and ROE as key management indicators and, with sustainable improvement in these indicators as our medium- to long-term management goal, we will strive for sustainable improvement in shareholder value. During the fiscal year ended September 30, 2021, which is the first fiscal year of MP2023, we maintained upward trends in sales and profits whilst expanding investments for growth and made progress according to plan.

Targets for the final year of MP2023 (Fiscal year ending September 30, 2023)

- Consolidated ordinary profit: 10.0 billion yen
- ROE: 10%

(Non-financial value)

To encourage people and organizations to grow and to get to grips with realizing our vision of a desirable society in line with our basic management policy, we will work on improving non-financial value.

More specifically, we will focus on improving our “ESG” performance from the perspectives of corporate responsibility and the Group’s sustainable growth, in addition to our ability to resolve societal issues as a comprehensive think tank and the three sources of this ability namely “human value,” “intellectual value,” and “relationship value.”

Over the course of MP2023, we will assess progress made with the improvement of such non-financial value, examining and monitoring appropriate indicators and adding or changing them where necessary.

(Social value)

We will invest our financial and non-financial capital into realizing our vision for society. The MRI Group will seek to create and increase social value through the resolution of customer issues and collective impact, in addition to real-world implementation in collaboration with its partners.

MRI has been actively involved in clarifying the societal issues which need to be tackled both through its own activities and in collaboration with a wide range of companies, research institutions, public bodies and other parties. We are actively focusing on the “VCP fields,” which we have identified as particularly important fields in which the MRI Group has a business base and can be expected to help resolve issues, namely “healthcare,” “human resources,” “energy,” “MaaS*,” “ICT infrastructure,” “food and agriculture,” “recycling” and “resilience.”

For each of these eight fields, we will determine goals for our vision of a desirable society and the MRI Group’s business-related indicators that relate to these goals and we will assess progress towards their achievement.

* MaaS: Mobility as a Service, a solution which meets the mobility needs of residents and tourists by combining multiple public and private transportation services into a single platform to facilitate the finding, booking, and payment of individual trips.

(4) Operating environment

Today, as we try to conduct economic activity amidst the COVID-19 pandemic, we are living in an even more VUCA* world. Japan has to overcome a mountain of issues, including solving long-standing structural problems, extracting itself from deflation, and improving the international competitiveness of its industries and businesses, and customers and companies are facing increasingly diverse and complex issues. Meanwhile, as the digital transformation (DX) of all aspects of society picks up pace, new technologies such as ICT and AI are emerging one after another, and society and businesses are under pressure to make radical sometimes disruptive transformations.

For half a century since its foundation, the MRI Group has achieved business growth by providing government and public offices, financial institutions, private-sector businesses and other customers with services which combine its think tank, consulting and IT solutions capabilities. To mark our 50th anniversary, we renewed our corporate philosophy, adopting “Envisioning the future, leading change” as our vision.

In an age of uncertainty where there is not always only one correct answer, there is great value in building on our existing strengths in areas such as public policymaking and planning, recommendations and research, and analysis for government and public offices, financial institutions and other customers, to embark on the implementation and realization of solutions for customers and society. We are committed to strengthening this value chain and delivering even greater value to customers and society in line with the VCP management approach indicated in MP2023.

We have envisioned a desirable future world as our goal within global frameworks such as the SDGs and ESG, opening up further opportunities and domains where we can work with many stakeholders to seek solutions to societal issues through autonomous, distributed and cooperative business. Meanwhile, as the importance of ICT, AI and DX as instruments for innovation becomes more widely recognized, the competition is intensifying, with the emergence of various business entities wanting to lead the way. Based on our guiding principles and MP2023, we aim to establish a unique position as “a company to resolve societal issues” and is leading the way to the realization of a desirable future world, thus fulfilling our mission, while expanding business opportunities and achieving sustainable growth.

* VUCA stands for Volatility, Uncertainty, Complexity and Ambiguity.

(5) Business and financial issues to be addressed

To realize its vision for society and its corporate vision, the MRI Group is committed to transforming the five businesses mentioned in MP2023 as well as its management base and to tackling business and financial issues.

A. Transformation of growth businesses

The continued provision of highly original services is essential for the MRI Group's sustainable growth. The Group will, therefore, position DX business, subscription-based business (provision of general-purpose services utilizing intellectual property) and global business as growth businesses and seek to establish a new revenue base and reform its business model and business portfolio based on VCP management (value creation process management).

More specifically, we aim to establish a new revenue base using the revenue generated by our core businesses, where government and public offices and financial institutions are our main customers, to actively make strategic upfront investments in growth businesses, invest in business partners and partners for future collaboration, and form business alliances.

In the DX business, we will further promote collaboration between MRI, DCS, JBS and INES and strive for groupwide business expansion while at the same time strategically investing resources into areas where we can utilize the strengths of each company and into the customers in these areas. In the fiscal year under review, the new MRI-DCS interface organization and sales integration proved effective and results in the form of new orders in areas such as public DX were evident. Synergies and progress in terms of cross-selling were also observed in the collaborative relationship between all four companies including INES and JBS.

In subscription-based business, we will leverage our analytical ability in relation to the identification and use of elemental technologies which might solve societal problems, our policy proposal capability and our insight to try to offer continuous and general purpose value creation through the use of intellectual property. With healthcare, human resources, energy, MaaS, ICT infrastructure, food and agriculture, recycling, and resilience positioned as primary fields, we will aim to expand business through the four-way collaboration described earlier and through flexible partnerships and strategic business management that allow us to demonstrate our strengths even further.

In global business, we established two sites in Hanoi and Dubai. These sites were opened in the midst of the COVID-19 pandemic, leading to constraints on the activities we had initially planned. However, we proceeded to develop projects and conduct activities to win orders to the extent possible and succeeded in winning orders for some projects. We will continue to step up activities at overseas sites and will use the business conceptualization capability and knowhow developed through our experience of tackling societal issues in Japan as a starting point for expanding business that addresses local issues and needs.

B. Transformation of core businesses

To make strategic investments in growth businesses and to create a cycle of value creation, it is necessary to further strengthen our core businesses, which are the source of the value provided by MRI Group and its competitiveness. In our core businesses, namely research and consulting, and financial solutions, we will reform business domains and business value, and promote transformation aimed at improving quality and productivity.

In research and consulting business, we flexibly expand business and create projects by proposing a vision for society and systems to government and public offices, local governments, and private-sector businesses in fields in which action by the public and private sector is deemed necessary from a medium-to-long-term perspective such as healthcare, environment and energy, mobility, the HR cycle, information infrastructure (5G and radio waves), and food and agriculture. Going forward, we will further pursue business expansion based on an awareness of real-world implementation within the context of VCP management.

In the financial solutions business, we are collaborating within the Group and with partners to branch out into new areas based on VCP management, including the multi-faceted utilization of data in finance, the creation of business promoting DX, and the creation of business based on

recommendations on the nature of finance and financial administration and compliance with regulations. During the fiscal year under review, collaboration over market risk management and compliance with new regimes reaped rewards in the form of growth in orders. However, issues such as the sustainability of existing business and insufficient resources also emerged. We will continue seeking to maintain and reform operations by improving value provided in response to the operating environment customers are facing.

C. Transformation of think tank business

The starting point of VCP management is “Research & Recommendations.” Through transformation of the think tank business, we will provide creative research and recommendations to lead social innovation whilst strengthening our ability to communicate information to stakeholders, including participating in government policy forums and making policy proposals. Furthermore, through our own digitalization and use of AI technology aka “think tank DX” initiatives, we will realize new value creation and aim to achieve disruptive creation in the think tank industry.

In our research and recommendation activities, we continue to disseminate information in our “New Coronavirus (COVID-19) Crisis Countermeasures: Analysis and Recommendations” column on wide range of fields including economics, fiscal policy, society, healthcare and the environment (carbon neutrality).

To strengthen our innate research and recommendation capabilities as a think tank, we will continue seeking to improve the quality of our research through the training and development of researchers, the establishment of research processes, and the utilization of outside networks.

In “think tank DX” initiatives, we made progress with the development of environments for DX tools and launched a planning operations DX service in June 2021, mainly targeted at the planning, research & development, and sales & marketing departments of corporations and government and public offices.

D. Transformation of human resources and corporate culture

Highly skilled professionals in a wide range of fields are the MRI Group’s most important management resource. As we raise the level of our own businesses and the value provided for the resolution of societal issues and the realization of a desirable future world, the human resources we need and job requirements are also changing. To attract, retain and develop talented human resources and to further enhance the working environment to enable the full demonstration of potential, we will transform our human resources and corporate culture including work style reform.

Our human resources strategy for creating the human resources portfolio most suited to the implementation of VCP management and consolidation management is to strengthen both new graduate and mid-career recruitment and to gradually establish personnel systems and career development planning based on an awareness of diversity and expertise. In terms of corporate culture, we are instilling our renewed corporate philosophy and code of conduct throughout the Group and creating a culture that encourages employees to rise to the challenge of innovation.

In work style reform, we formulated “Work Styles for the New Normal” with the aim of achieving the best mix of in-office and remote working, and we have also made progress developing an infrastructure which can be adapted in response to future environmental changes (ICT, diversification of forms of employment, changes in attitudes, etc.).

E. Transformation of management systems

To achieve sustainable corporate growth and enhancement of corporate value in the medium and long term, we must continuously improve corporate governance, making transparent, fair, speedy and bold decisions based upon consideration of the standpoints of shareholders, customers, employees, local communities and other stakeholders.

At the same time, given that it is quality which builds trust in the MRI Group, it is important for us to satisfy our customers by providing high quality services, while ensuring and maintaining a

high level of reliability in terms of information security. When keeping pace with dizzying advances in ICT, both “offensive” action, in other words, expansion of DX business and improvement of business productivity through ICT, and “defensive” action such as information security are essential to maintain and strengthen our corporate brand and trust in the MRI Group. Accordingly, we are focusing on continuously enhancing governance and ensuring high quality and reliability through transformation of the management system.

More specifically, we will further enhance our management structure, including committees under the Executive Committee for consulting on important matters. We will also strengthen our overall ability to address risks in consolidation management and proactively address risks in relation to new businesses and the new normal. In addition, we will implement both offensive and defensive measures, including developing a highly reliable digital infrastructure as the infrastructure system supporting management and promoting digital transformation that will contribute to new value creation.

4. Basic approach to selection of accounting standard

The MRI Group applies Japanese GAAP.

We intend to take action as appropriate regarding the adoption of IFRS, taking the situation in Japan and overseas into consideration.

5. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Million yen)

	As of September 30, 2020	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	32,738	29,397
Notes and accounts receivable - trade	13,596	17,735
Inventories	7,620	9,854
Prepaid expenses	1,945	1,877
Other	129	279
Allowance for doubtful accounts	(0)	(1)
Total current assets	56,028	59,142
Non-current assets		
Property and equipment		
Buildings and structures	17,633	17,913
Accumulated depreciation	(10,171)	(10,758)
Buildings and structures, net	7,461	7,154
Machinery, equipment and vehicles	30	48
Accumulated depreciation	(22)	(27)
Machinery, equipment and vehicles, net	7	21
Tools, furniture and fixtures	6,298	6,340
Accumulated depreciation	(4,758)	(5,060)
Tools, furniture and fixtures, net	1,539	1,279
Land	720	720
Leased assets	1,643	2,800
Accumulated depreciation	(800)	(932)
Leased assets, net	843	1,867
Construction in progress	52	266
Total property and equipment	10,625	11,310
Intangible assets		
Software	2,983	4,000
Software in progress	957	242
Leased assets	2,066	1,405
Other	2	3
Total intangible assets	6,010	5,652
Investments and other assets		
Investment securities	15,880	15,712
Long-term loans receivable	5	3
Lease and guarantee deposits	2,839	2,662
Net defined benefit asset	8	19
Deferred tax assets	4,156	4,307
Other	702	893
Allowance for doubtful accounts	(4)	(0)
Total investments and other assets	23,589	23,599
Total non-current assets	40,224	40,561
Total assets	96,253	99,704

(Million yen)

	As of September 30, 2020	As of September 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	3,934	4,166
Current portion of long-term borrowings	400	400
Accounts payable - other	1,765	1,596
Accrued expenses	1,411	3,326
Lease obligations	984	1,172
Income taxes payable	2,484	588
Accrued consumption taxes	2,325	1,889
Advances received	393	1,149
Provision for bonuses	4,556	4,405
Provision for loss on order received	124	917
Other	848	1,007
Total current liabilities	19,228	20,618
Non-current liabilities		
Long-term borrowings	1,300	900
Lease obligations	2,202	2,454
Provision for share-based compensation	435	432
Net defined benefit liability	10,019	9,936
Asset retirement obligations	1,516	1,521
Other	9	5
Total non-current liabilities	15,483	15,249
Total liabilities	34,712	35,867
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,765	4,785
Retained earnings	41,039	43,749
Treasury shares	(550)	(762)
Total shareholders' equity	51,589	54,108
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,239	2,068
Deferred gains or losses on hedges	(74)	(70)
Foreign currency translation adjustment	1	2
Remeasurements of defined benefit plans	100	169
Total accumulated other comprehensive income	2,267	2,170
Non-controlling interests	7,683	7,557
Total net assets	61,541	63,836
Total liabilities and net assets	96,253	99,704

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

(Million yen)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Net sales	92,020	103,030
Cost of sales	70,779	79,582
Gross profit	21,240	23,447
Selling, general and administrative expenses	15,008	16,593
Operating profit	6,231	6,853
Non-operating income		
Interest income	2	7
Dividend income	190	166
Share of profit of entities accounted for using equity method	2,050	532
Other	60	90
Total non-operating income	2,303	797
Non-operating expenses		
Interest expenses	43	40
Loss on investments in silent partnership	61	–
Overseas withholding taxes	33	31
Other	9	10
Total non-operating expenses	148	82
Ordinary profit	8,387	7,568
Extraordinary income		
Gain on sales of investment securities	2,731	683
Other	–	1
Total extraordinary income	2,731	684
Extraordinary losses		
Loss on retirement of non-current assets	35	12
Loss on revaluation of investment securities	128	401
Loss on cancellation of leases	0	4
Other	2	8
Total extraordinary losses	166	427
Profit before income taxes	10,952	7,826
Income taxes - current	3,197	2,269
Income taxes - deferred	(226)	(43)
Total income taxes	2,970	2,226
Profit	7,981	5,600
Profit attributable to non-controlling interests	885	591
Profit attributable to owners of parent	7,096	5,009

Consolidated statements of comprehensive income

(Million yen)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Profit	7,981	5,600
Other comprehensive income		
Valuation difference on available-for-sale securities	434	(255)
Deferred gains or losses on hedges	79	4
Foreign currency translation adjustment	(11)	0
Remeasurements of defined benefit plans	18	(4)
Share of other comprehensive income of entities accounted for using equity method	(23)	102
Total other comprehensive income	497	(151)
Comprehensive income	8,478	5,448
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,530	4,912
Comprehensive income attributable to non- controlling interests	948	536

(3) Consolidated statements of changes in net assets

Fiscal year ended September 30, 2020

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,336	4,765	35,585	(579)	46,107
Changes of items during period					
Dividends of surplus			(1,642)		(1,642)
Profit attributable to owners of parent			7,096		7,096
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				28	28
Change in ownership interest of parent due to transactions with non-controlling interests					–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	5,453	28	5,482
Balance at end of current period	6,336	4,765	41,039	(550)	51,589

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,906	(153)	11	69	1,833	6,902	54,843
Changes of items during period							
Dividends of surplus							(1,642)
Profit attributable to owners of parent							7,096
Purchase of treasury shares							(0)
Disposal of treasury shares							28
Change in ownership interest of parent due to transactions with non-controlling interests							–
Net changes of items other than shareholders' equity	332	79	(9)	31	434	781	1,215
Total changes of items during period	332	79	(9)	31	434	781	6,698
Balance at end of current period	2,239	(74)	1	100	2,267	7,683	61,541

Fiscal year ended September 30, 2021

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,336	4,765	41,039	(550)	51,589
Changes of items during period					
Dividends of surplus			(2,299)		(2,299)
Profit attributable to owners of parent			5,009		5,009
Purchase of treasury shares				(334)	(334)
Disposal of treasury shares				123	123
Change in ownership interest of parent due to transactions with non-controlling interests		20			20
Net changes of items other than shareholders' equity					
Total changes of items during period	-	20	2,709	(211)	2,518
Balance at end of current period	6,336	4,785	43,749	(762)	54,108

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,239	(74)	1	100	2,267	7,683	61,541
Changes of items during period							
Dividends of surplus							(2,299)
Profit attributable to owners of parent							5,009
Purchase of treasury shares							(334)
Disposal of treasury shares							123
Change in ownership interest of parent due to transactions with non-controlling interests							20
Net changes of items other than shareholders' equity	(170)	4	0	68	(97)	(126)	(223)
Total changes of items during period	(170)	4	0	68	(97)	(126)	2,295
Balance at end of current period	2,068	(70)	2	169	2,170	7,557	63,836

(4) Consolidated statements of cash flows

(Million yen)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Cash flow from operating activities		
Profit before income taxes	10,952	7,826
Depreciation	3,348	3,615
Increase (decrease) in provision for bonuses	773	(151)
Decrease (increase) in net defined benefit asset	1	(10)
Increase (decrease) in net defined benefit liability	(23)	(89)
Increase (decrease) in allowance for doubtful accounts	(13)	(4)
Increase (decrease) in provision for share-based compensation	163	119
Increase (decrease) in provision for loss on order received	(1,102)	792
Interest and dividend income	(192)	(174)
Interest expenses	43	40
Share of loss (profit) of entities accounted for using equity method	(2,050)	(532)
Loss on retirement of non-current assets	35	12
Loss (gain) on sales of investment securities	(2,731)	(683)
Loss (gain) on valuation of investment securities	128	401
Decrease (increase) in trade receivables	(462)	(4,139)
Decrease (increase) in inventories	(705)	(2,234)
Increase (decrease) in trade payables	590	231
Increase (decrease) in accrued expenses	331	1,914
Increase (decrease) in accrued consumption taxes	1,304	(293)
Increase (decrease) in advances received	75	756
Other, net	(151)	(329)
Subtotal	10,315	7,068
Interest and dividend income received	373	372
Interest paid	(45)	(40)
Income taxes paid	(2,005)	(4,148)
Net cash provided by (used in) operating activities	8,637	3,252
Cash flow from investing activities		
Purchase of property and equipment	(851)	(951)
Purchase of intangible assets	(1,809)	(1,665)
Purchase of investment securities	(1,916)	(491)
Proceeds from sales of investment securities	3,822	1,037
Purchase of shares of subsidiaries	–	(95)
Loan advances	(2)	(1)
Collection of loans receivable	4	3
Payments of leasehold and guarantee deposits	(9)	(34)
Proceeds from refund of leasehold and guarantee deposits	13	209
Other, net	–	17
Net cash provided by (used in) investing activities	(749)	(1,970)

(Million yen)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Cash flow from financing activities		
Proceeds from long-term borrowings	1,700	–
Repayments of long-term borrowings	–	(400)
Repayments of lease obligations	(996)	(1,051)
Cash dividends paid	(1,642)	(2,298)
Dividends paid to non-controlling interests	(165)	(539)
Purchase of treasury shares	(0)	(334)
Net cash provided by (used in) financing activities	(1,106)	(4,624)
Effect of exchange rate change on cash and cash equivalents	(1)	0
Net increase (decrease) in cash and cash equivalents	6,781	(3,341)
Cash and cash equivalents at beginning of period	25,657	32,438
Cash and cash equivalents at end of period	32,438	29,097

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Additional information)

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

At the 47th annual shareholders' meeting held on December 19, 2016, MRI resolved to introduce 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 were 549 million yen and 168,000, respectively, at the end of the previous fiscal year and 761 million yen and 212,000, respectively, at the end of the fiscal year under review.

(Accounting estimates related to the impact of COVID-19)

While COVID-19 may impact the Group in various ways, including the suspension of ongoing operations, changes in specifications, and the cancelation, postponement, etc. of projects in progress, the impact on the MRI Group's consolidated results is expected to be limited. The MRI Group has made its accounting estimates based on these assumptions.

The impact of the COVID-19 pandemic, however, is highly unpredictable and may affect the financial position and operating results of the MRI Group depending on future developments.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The reportable segments of MRI are constituent units of the MRI Group about which separate financial information is available. These segments are regularly reviewed by the Board of Directors to allocate resources to and assess the performance of the operating segments.

When classifying its businesses into segments, the MRI Group considers the type and nature of service, the similarities of business formats and other factors. We expand our business activities by proposing comprehensive strategies for the products and services handled.

<Think tank and consulting services>

Services provided in this segment include research and consulting services regarding public policies and general businesses, management consulting services, IT consulting and solutions services.

<IT services>

Activities in this segment include software development, operation and maintenance, data processing services, outsourcing services, and sales of system equipment.

2. Method of calculation for amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment

The accounting methods applied to reported segments are consistent with the accounting policies used to prepare the consolidated financial statements. Figures for the profits of reportable segments are based on ordinary profit. Inter-segment sales and transfers between segments are based on market prices.

3. Information regarding amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment

Fiscal year ended September 30, 2020 (from October 1, 2019 to September 30, 2020)

(Million yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated financial statements (Note 2)
	Think tank and consulting services	IT services			
Net sales					
Outside customers	34,581	57,438	92,020	–	92,020
Inter-segment sales and transfers	64	1,230	1,295	(1,295)	–
Total	34,645	58,669	93,315	(1,295)	92,020
Segment profit	5,283	3,092	8,375	11	8,387
Segment assets	40,347	55,972	96,319	(66)	96,253
Other items					
Depreciation and amortization	497	2,874	3,371	(22)	3,348
Interest income	0	1	2	–	2
Interest expenses	11	31	43	–	43
Share of profit of entities accounted for using equity method	1,988	62	2,050	–	2,050
Investment in equity method affiliates	8,275	536	8,811	–	8,811
Increase in property and equipment, and intangible assets (Note 3)	584	3,097	3,681	(9)	3,671

Notes: 1. Adjustments to segment profit, segment assets and other items represent the elimination of inter-segment transactions.

2. Segment profit is adjusted with ordinary profit in the consolidated financial statements.

3. The increase in property and equipment and intangible assets does not include assets corresponding to asset retirement obligations.

Fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

(Million yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated financial statements (Note 2)
	Think tank and consulting services	IT services			
Net sales					
Outside customers	40,376	62,653	103,030	–	103,030
Inter-segment sales and transfers	53	1,341	1,394	(1,394)	–
Total	40,429	63,994	104,424	(1,394)	103,030
Segment profit	4,197	3,361	7,559	9	7,568
Segment assets	43,734	56,147	99,882	(178)	99,704
Other items					
Depreciation and amortization	541	3,091	3,633	(18)	3,615
Interest income	7	0	7	–	7
Interest expenses	8	31	40	–	40
Share of profit of entities accounted for using equity method	495	36	532	–	532
Investment in equity method affiliates	8,672	567	9,240	–	9,240
Increase in property and equipment, and intangible assets (Note 3)	673	3,385	4,058	(9)	4,049

Notes: 1. Adjustments to segment profit, segment assets and other items represent the elimination of inter-segment transactions.

2. Segment profit is adjusted with ordinary profit in the consolidated financial statements.

3. The increase in property and equipment and intangible assets does not include assets corresponding to asset retirement obligations.

[Information on negative goodwill incurred by reportable segment]

Fiscal year ended September 30, 2020 (from October 1, 2019 to September 30, 2020)

In the think tank and consulting services segment, an amount equivalent to negative goodwill of 1,333 million yen, which occurred in relation to an additional acquisition of shares in INES Corporation and the application of the equity method, is posted as the share of profit of entities accounted for using the equity method.

Fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

Not applicable

(Per share information)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Net assets per share	3,313.34 yen	3,471.53 yen
Basic earnings per share	436.64 yen	308.60 yen

Notes: 1. For the purposes of calculating net assets per share, shares of MRI held in the BIP Trust are included in the treasury shares excluded from the total number of issued shares at the end of the fiscal year. The number of treasury shares at the end of the previous fiscal year was 169 thousand, which included 168 thousand shares of MRI held by the BIP Trust. At the end of the fiscal year under review, the number of treasury shares was 212 thousand, which included 212 thousand shares of MRI held by the BIP Trust.

2. Diluted earnings per share is not shown because MRI has not issued potential shares.

3. Basis for calculating basic earnings per share is as shown below.

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Profit attributable to owners of parent (million yen)	7,096	5,009
Profit not attributable to common shareholders (million yen)	–	–
Profit attributable to owners of parent related to common shares (million yen)	7,096	5,009
Average number of outstanding common shares during the fiscal year (thousand shares)	16,251	16,231

Note: For the purposes of calculating basic earnings per share, shares of MRI held in the BIP Trust are included in the treasury shares excluded from the average number of outstanding common shares during the fiscal year. The average number of treasury shares during the previous fiscal year was 172 thousand, which included an average 171 thousand shares of MRI held by the BIP Trust. During the fiscal year under review, the average number of treasury shares was 192 thousand, which included an average 191 thousand shares of MRI held by the BIP Trust.

(Significant subsequent events)

Not applicable

6. Non-consolidated financial statements and significant notes thereto**(1) Non-consolidated balance sheets**

(Million yen)

	As of September 30, 2020	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	11,078	9,859
Accounts receivable - trade	4,468	5,804
Work in process	4,421	6,935
Prepaid expenses	480	613
Other	131	162
Allowance for doubtful accounts	(0)	(0)
Total current assets	20,581	23,376
Non-current assets		
Property and equipment		
Buildings	723	688
Structures	10	–
Tools, furniture and fixtures	238	216
Land	1	1
Leased assets	61	33
Total property and equipment	1,035	938
Intangible assets		
Software	964	1,195
Other	8	50
Total intangible assets	973	1,245
Investments and other assets		
Investment securities	2,657	2,694
Shares of subsidiaries and affiliates	25,195	25,195
Investments in capital of subsidiaries and affiliates	411	409
Lease and guarantee deposits	1,773	1,596
Long-term prepaid expenses	116	105
Deferred tax assets	2,217	2,325
Other	21	7
Allowance for doubtful accounts	(4)	(0)
Total investments and other assets	32,387	32,334
Total non-current assets	34,397	34,519
Total assets	54,978	57,895

(Million yen)

	As of September 30, 2020	As of September 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	1,637	2,352
Current portion of long-term borrowings	400	400
Lease obligations	30	21
Accounts payable - other	638	761
Accrued expenses	408	465
Income taxes payable	540	207
Accrued consumption taxes	1,189	1,076
Advances received	296	1,072
Provision for bonuses	1,842	1,596
Provision for loss on order received	11	873
Other	185	215
Total current liabilities	7,179	9,043
Non-current liabilities		
Long-term borrowings	1,300	900
Lease obligations	39	15
Provision for share-based compensation	435	432
Reserve for retirement benefits	4,961	4,871
Asset retirement obligations	616	619
Total non-current liabilities	7,353	6,839
Total liabilities	14,533	15,882
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus		
Capital reserve	4,851	4,851
Total capital surplus	4,851	4,851
Retained earnings		
Revenue reserve	171	171
Other retained earnings		
Other reserve	1,842	1,842
Earned surplus brought forward	27,047	28,820
Total retained earnings	29,060	30,834
Treasury shares	(550)	(762)
Total shareholders' equity	39,697	41,259
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	822	823
Deferred gains or losses on hedges	(74)	(70)
Total valuation and translation adjustments	748	753
Total net assets	40,445	42,012
Total liabilities and net assets	54,978	57,895

(2) Non-consolidated statements of income

(Million yen)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Net sales	32,686	38,502
Cost of sales	24,866	29,775
Gross profit	7,819	8,727
Selling, general and administrative expenses		
Provision for share-based compensation	135	99
Bonuses	228	338
Provision for bonuses	299	297
Salaries and allowances	904	1,208
Outsourcing expenses	740	988
Rent expenses	572	618
Depreciation	218	195
Provision of allowance for doubtful accounts	(12)	(4)
Other	1,896	2,033
Total selling, general and administrative expenses	4,984	5,775
Operating profit	2,834	2,952
Non-operating income		
Interest and dividend income	979	2,320
Other	11	41
Total non-operating income	991	2,361
Non-operating expenses		
Interest expenses	11	8
Loss on investments in silent partnership	61	-
Overseas withholding taxes	33	31
Other	0	2
Total non-operating expenses	106	42
Ordinary profit	3,719	5,270
Extraordinary losses		
Loss on retirement of non-current assets	8	0
Loss on cancellation of leases	0	1
Loss on revaluation of investment securities	128	401
Other	-	8
Total extraordinary losses	137	411
Profit before income taxes	3,581	4,858
Income taxes - current	1,036	895
Income taxes - deferred	(234)	(110)
Total income taxes	802	785
Profit	2,778	4,073

(3) Non-consolidated statements of changes in net assets

Fiscal year ended September 30, 2020

(Million yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Revenue reserve	Retained earnings			Treasury shares	Total shareholders' equity
		Capital reserve	Total capital surplus		Other retained earnings		Total retained earnings		
					Other reserve	Earned surplus brought forward			
Balance at beginning of current period	6,336	4,851	4,851	171	1,842	25,910	27,923	(579)	38,531
Changes of items during period									
Dividends of surplus						(1,642)	(1,642)		(1,642)
Profit						2,778	2,778		2,778
Purchase of treasury shares								(0)	(0)
Disposal of treasury shares								28	28
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	-	1,136	1,136	28	1,165
Balance at end of current period	6,336	4,851	4,851	171	1,842	27,047	29,060	(550)	39,697

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	711	(153)	557	39,089
Changes of items during period				
Dividends of surplus				(1,642)
Profit				2,778
Purchase of treasury shares				(0)
Disposal of treasury shares				28
Net changes of items other than shareholders' equity	111	79	190	190
Total changes of items during period	111	79	190	1,355
Balance at end of current period	822	(74)	748	40,445

Fiscal year ended September 30, 2021

(Million yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Revenue reserve	Retained earnings			Treasury shares	Total shareholders' equity
		Capital reserve	Total capital surplus		Other retained earnings		Total retained earnings		
					Other reserve	Earned surplus brought forward			
Balance at beginning of current period	6,336	4,851	4,851	171	1,842	27,047	29,060	(550)	39,697
Changes of items during period									
Dividends of surplus						(2,299)	(2,299)		(2,299)
Profit						4,073	4,073		4,073
Purchase of treasury shares								(334)	(334)
Disposal of treasury shares								123	123
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	-	1,773	1,773	(211)	1,562
Balance at end of current period	6,336	4,851	4,851	171	1,842	28,820	30,834	(762)	41,259

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	822	(74)	748	40,445
Changes of items during period				
Dividends of surplus				(2,299)
Profit				4,073
Purchase of treasury shares				(334)
Disposal of treasury shares				123
Net changes of items other than shareholders' equity	0	4	5	5
Total changes of items during period	0	4	5	1,567
Balance at end of current period	823	(70)	753	42,012

7. Status of orders received and sales

(1) Status of orders received

Status of orders received by segment for the fiscal year under review is as shown below.

(Million yen)

Segment name	Fiscal year ended September 30, 2021			
	Orders received	Year-on-year change (%)	Order backlog	Year-on-year change (%)
Think tank and consulting services	50,943	29.4	41,661	34.0
IT services	67,536	13.5	47,319	11.5
System development	36,370	(2.7)	20,622	(5.3)
Outsourcing services	31,166	41.0	26,696	29.2
Total	118,479	19.8	88,981	21.0

- Notes: 1. Inter-segment transactions are offset against each other.
 2. The numbers exclude consumption tax.
 3. For services where services are continually rendered and fees commensurate with performance are received, an estimate of sales for the next fiscal year is recorded in the balance of orders received.

(2) Sales performance

Sales performance by segment for the fiscal year under review is as shown below.

(Million yen)

Segment name	Fiscal year ended September 30, 2021	Year-on-year change (%)
Think tank and consulting services	40,376	16.8
IT services	62,653	9.1
System development	37,528	4.7
Outsourcing services	25,124	16.3
Total	103,030	12.0

- Notes: 1. Inter-segment transactions are offset against each other.
 2. The numbers exclude consumption tax.