

[Translation for reference only]

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Translation



April 27, 2023

Consolidated Financial Results for the Six Months Ending September 30, 2023 (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: April 28, 2023
Scheduled date to commence dividend payments: June 7, 2023
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Rounded down to the nearest million yen)

1. Consolidated financial results for the six months ending September 30, 2023 (from October 1, 2022 to March 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	%
Six months ended								
March 31, 2023	73,325	7.4	9,291	(0.2)	9,836	(1.8)	6,533	(16.1)
March 31, 2022	68,265	—	9,314	—	10,012	—	7,788	—

Note: Comprehensive income For the six months ended March 31, 2023: ¥7,289 million [(7.3%)]
For the six months ended March 31, 2022: ¥7,867 million [—%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
March 31, 2023	404.40	—
March 31, 2022	480.03	—

Note: From the beginning of the first three months of the fiscal year ending September 30, 2022, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. began to be adopted. The figures for the first six months of the fiscal year ending September 30, 2022 are the figures after the application of the said accounting standard, etc., and percentages for year-on-year changes are not indicated.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
As of			
March 31, 2023	129,422	75,214	51.6
September 30, 2022	114,652	71,151	55.0

Reference: Equity (Net assets – Non-controlling interests)
 As of March 31, 2023: ¥66,845 million
 As of September 30, 2022: ¥63,052 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, 2022	—	60.00	—	80.00	140.00
Fiscal year ending September 30, 2023	—	75.00			
Fiscal year ending September 30, 2023 (Forecast)			—	75.00	150.00

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

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2023 (from October 1, 2022 to September 30, 2023)

(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, 2023	118,000	1.2	9,300	1.5	10,600	1.0	6,500	(15.7)	399.99

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

*** Notes**

(1) Changes in significant subsidiaries during the six 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 (4) Notes to consolidated financial statements (Application of special accounting in preparing consolidated quarterly financial statements)” on page 11 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 | : Yes |
| 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 March 31, 2023	16,424,080 shares
As of September 30, 2022	16,424,080 shares

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

As of March 31, 2023	521,594 shares
As of September 30, 2022	173,507 shares

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

Six months ended March 31, 2023	16,155,650 shares
Six months ended March 31, 2022	16,225,189 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 six months

(1) Explanation regarding operating results

In the six months of the fiscal year under review (October 1, 2022 to March 31, 2023), the global economy continued to grow but at a slower pace than before the COVID-19 pandemic. In addition to high inflation and tighter monetary policy against the backdrop of a slowdown in the United States' and European economies, there are concerns that the collapse of banks in March 2023 and related management instability could lead to instability in the financial system. In China, however, economic activity is steadily recovering as the country loosened its so-called zero-COVID policy in December 2022.

In Japan, too, economic activity is improving even though prices remain high and there continues to be COVID-19. Companies have started to become more aggressive with investments that were postponed during the COVID-19 pandemic, such as those related to DX and GX(*1) and capital investments. Turning to the government, the cabinet approved a bill to promote GX in February 2023. These developments are expected to provide a tail wind to companies' digital technology-related investments and make positive contributions to several of the Group's business, including those in the energy field and DX. Furthermore, with the release of ChatGPT in November 2022, so-called "generative AI," artificial intelligence (AI) that automatically creates text, has started to have the feel of becoming a major technological innovation.

Given this social situation and business environment, the Company is operating its businesses under its management philosophy: "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."

The fiscal year under review is the last year (third year) of the Medium-term Management Plan 2023 ("MP2023"). Although we achieved the financial targets of MP2023 ahead of the plan in the previous fiscal year, we are working toward further growth based on the results and challenges that we had over the past two years. Specifically, efforts are being made to improve the value provision capability of the research and consulting business and the financial solutions business, which are positioned as the Group's core businesses. At the same time, upfront investment is being made in enhancing the policy recommendation function exercised as a think tank, as well as in the DX business, subscription-based business, and global business as growth businesses, among others. The Company also conducts value creation process (VCP*2) management, with which it works on value chain ranging from Research & Recommendations to Societal Implementation consistently in fields including human resources, urban life and mobility, energy, healthcare, ICT, circular society, food and agriculture, and resilience, thus committing itself to acquiring new core businesses and new revenue sources.

In Japan, it appears that social and economic activity will accelerate toward a post-pandemic "new normal" when COVID-19 is reclassified as a type 5 disease under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases on May 8. The Company will more actively promote initiatives with an eye toward this new normal and will work so that it can steadily capture business opportunities from such trends as the recovery in social and economic activity and greater corporate capital investments.

In the DX business, which is positioned as a driving force for the growth businesses, the Group has set three fields for further expansion: private sector, public sector, and financial industry. Efforts are also being made to further strengthen collaboration between MRI and Mitsubishi Research Institute DCS Co., Ltd., the core of the IT Services segment, with both organizations linked and integrated in their sales and consulting activities as well. The Group has been proactively working to provide support that combines DX consulting and cloud transition and encourage digital marketing that uses big data analysis for the private sector, promote national government DX for the public sector, and expand the business domain and customer base for the financial industry. Furthermore, regarding the use of advanced technology, such as AI, the Group is moving forward with development and research by quickly capturing the generative AI-related trend. In April 2023, the Group introduced an AI service that adds a function for detecting and deleting incorrect information included in generated text to AI tools that automatically collect and report information from the Internet.

During the six months under review, these efforts resulted in such successes as orders for products and services for various types of projects, including government cloud and 5G-related ones and ones related to promoting and supporting DX at private-sector companies and smart mobility.

These factors resulted in net sales of 73,325 million yen (up 7.4% year on year), operating profit of 9,291 million yen (down 0.2% year on year), and ordinary profit of 9,836 million yen (down 1.8% year on year) for the MRI Group in the first six months of the fiscal year under review. The Group posted profit attributable to owners of parent of 6,533 million yen (down 16.1% year on year), primarily as a result of a decline in gain on sales of investment securities recorded in the same period of the previous fiscal year.

- (*1) GX: Green Transformation. Transition of fossil-fuel centered economy, society, and industrial structure to ones centered on renewable energy, resulting in a transformation of the overall socioeconomic systems.
- (*2) VCP: Value Creation Process. VCP refers to the process of developing the Group's value chain, in other words, aiming to improve the value provided to customers and society and generate sustainable growth by using societal issues as a starting point and setting their resolution and the realization of a desirable future world as goals.

The results in each segment are as follows.

<Think Tank & Consulting Services>

In the first six months under review, net sales (sales to outside clients) stood at 36,236 million yen (up 5.9% year on year), mainly contributed by government office 5G and cloud projects and operations related to system and business strategy support for companies in the energy, transportation, and IT fields. On the other hand, ordinary profit amounted to 6,102 million yen (down 11.6%) as outsourcing expenses due to large-scale demonstration projects and the cost of upfront investments (human resources) for future growth.

<IT Services>

In the first six months under review, net sales (sales to outside clients) amounted to 37,088 million yen (up 8.9% year on year) and ordinary profit reached 3,728 million yen (up 19.8% year on year), due to an increase in sales primarily associated with growth in the finance and credit card services.

(2) Explanation regarding financial position

① Financial position

Total assets at the end of the first six months under review increased 14,769 million yen (up 12.9%) from the end of the previous fiscal year to 129,422 million yen.

Of which, current assets stood at 86,865 million yen (up 17.5% year on year) and non-current assets were 42,556 million yen (up 4.5% year on year). The increase in current assets was chiefly the result of an increase in notes and accounts receivable - trade, and contract assets of 32,180 million yen despite a decline in cash and deposits of 14,213 million yen for seasonal factors. The increase in non-current assets was primarily the result of recording construction in progress.

Liabilities rose 10,706 million yen (up 24.6%) from the end of the previous fiscal year to 54,207 million yen, chiefly reflecting an increase in accounts payable - trade of 11,679 million yen due to a seasonal factor.

Net assets rose 4,062 million yen (up 5.7%) from the end of the previous fiscal year to 75,214 million yen chiefly due to an increase in retained earnings and treasury shares.

② Cash Flows

Cash and cash equivalents at the end of the first six months of the fiscal year under review fell 14,213 million yen from the end of the previous fiscal year to 13,643 million yen. Cash flows in each category in the first six months and major factors are as follows:

(Cash flows from operating activities)

Cash used in operating activities stood at 13,059 million yen (cash used of 4,819 million yen in the same period of the previous fiscal year). This was chiefly the result of profit before income taxes of 9,766 million yen, an increase in trade receivables and contract assets of 32,180 million yen due to an growth in sales and orders and seasonal factors, and an increase in trade payables of 11,679 million yen. Many projects of the Group are completed in March and April, and expenses are posted ahead of revenue for the first six months. As a result, cash flows from operating activities tend to be in negative. Compared with the first six months of the previous fiscal year, cash used increased 8,240 million yen, primarily because of an increase in trade receivables and contract assets of 3,529 million yen, a decline in trade payables of 527 million yen, advance expenses due to large demonstration projects, and an increase in income taxes paid of 3,006 million yen.

(Cash flows from investing activities)

Cash provided by investing activities came to 2,920 million yen (cash provided of 462 million yen in the same period of the previous fiscal year). This is chiefly attributable to proceeds from the redemption of marketable securities of 5,000 million yen, the purchase of property and equipment of 1,148 million yen, and purchase of intangible assets of 966 million yen. Compared with the first six months of the previous fiscal year, cash provided increased 2,458 million, mainly reflecting an increase in proceeds from redemption of marketable securities of 5,000 million yen, an increase in the purchase of property and equipment of 830 million yen, and a decline in proceeds from sales of investment securities of 781 million yen.

(Cash flows from financing activities)

Cash used in financing activities stood at 4,061 million yen (cash used of 1,913 million yen in the same period of the previous fiscal year). The main reasons were 1,884 million yen in purchase of treasury shares and 1,315 million yen in dividends paid. Compared with the first six months of the previous fiscal year, cash used increased 2,147 million yen, chiefly due to an increase in purchase of treasury shares of 1,884 million yen and increase in dividends paid of 328 million yen.

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

There were no revisions to the consolidated earnings forecasts announced on November 4, 2022.

2. Consolidated financial statements and significant notes thereto

(1) Consolidated quarterly balance sheets

(Million yen)

	As of September 30, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	28,157	13,943
Notes and accounts receivable - trade, and contract assets	38,076	70,257
Securities	5,000	—
Inventories	336	190
Other	2,353	2,475
Allowance for doubtful accounts	(2)	(2)
Total current assets	73,921	86,865
Non-current assets		
Property and equipment		
Buildings and structures, net	6,748	6,487
Machinery, equipment and vehicles, net	15	304
Tools, furniture and fixtures, net	1,332	1,501
Land	720	720
Leased assets, net	1,568	1,437
Construction in progress	273	1,189
Total property and equipment	10,659	11,640
Intangible assets		
Software	3,664	3,872
Leased assets	782	453
Other	1,041	1,208
Total intangible assets	5,488	5,534
Investments and other assets		
Investment securities	16,317	16,868
Deferred tax assets	4,727	4,529
Other	3,538	3,985
Allowance for doubtful accounts	(0)	(2)
Total investments and other assets	24,582	25,381
Total non-current assets	40,730	42,556
Total assets	114,652	129,422

(Million yen)

	As of September 30, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	5,871	17,551
Current portion of long-term borrowings	400	400
Accounts payable - other	1,317	1,942
Accrued expenses	8,120	10,228
Income taxes payable	3,516	2,638
Provision for bonuses	6,679	5,079
Provision for bonuses for directors, etc.	–	106
Provision for loss on order received	85	60
Other	4,247	2,916
Total current liabilities	30,239	40,923
Non-current liabilities		
Long-term borrowings	500	300
Lease obligations	1,531	1,304
Provision for share-based compensation	418	350
Net defined benefit liability	9,321	9,799
Asset retirement obligations	1,489	1,479
Other	0	50
Total non-current liabilities	13,261	13,284
Total liabilities	43,500	54,207
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,785	4,908
Retained earnings	50,721	55,940
Treasury shares	(622)	(2,392)
Total shareholders' equity	61,220	64,791
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,624	1,794
Deferred gains or losses on hedges	(3)	35
Foreign currency translation adjustment	10	–
Remeasurements of defined benefit plans	201	222
Total accumulated other comprehensive income	1,832	2,053
Non-controlling interests	8,099	8,369
Total net assets	71,151	75,214
Total liabilities and net assets	114,652	129,422

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

(Million yen)

	Six months ended March 31, 2022 (From October 1, 2021 to March 31, 2022)	Six months ended March 31, 2023 (From October 1, 2022 to March 31, 2023)
Net sales	68,265	73,325
Cost of sales	50,594	55,559
Gross profit	17,670	17,765
Selling, general and administrative expenses	8,356	8,473
Operating profit	9,314	9,291
Non-operating income		
Interest income	8	0
Dividend income	58	66
Share of profit of entities accounted for using equity method	618	439
Other	49	89
Total non-operating income	734	595
Non-operating expenses		
Interest expenses	18	13
Overseas withholding taxes	17	28
Other	0	9
Total non-operating expenses	36	50
Ordinary profit	10,012	9,836
Extraordinary income		
Gain on sales of investment securities	1,411	—
Total extraordinary income	1,411	—
Extraordinary losses		
Loss on sales of non-current assets	1	—
Loss on retirement of non-current assets	20	7
Impairment losses	—	59
Loss on revaluation of investment securities	29	—
Other	4	3
Total extraordinary losses	56	70
Profit before income taxes	11,367	9,766
Income taxes	2,934	2,725
Profit	8,433	7,040
Profit attributable to non-controlling interests	645	507
Profit attributable to owners of parent	7,788	6,533

Consolidated quarterly statements of comprehensive income

(Million yen)

	Six months ended March 31, 2022 (From October 1, 2021 to March 31, 2022)	Six months ended March 31, 2023 (From October 1, 2022 to March 31, 2023)
Profit	8,433	7,040
Other comprehensive income		
Valuation difference on available-for-sale securities	(616)	233
Deferred gains or losses on hedges	18	38
Foreign currency translation adjustment	1	(13)
Remeasurements of defined benefit plans	9	7
Share of other comprehensive income of entities accounted for using equity method	20	(16)
Total other comprehensive income	(566)	249
Comprehensive income	7,867	7,289
Comprehensive income attributable to		
Owners of parent	7,346	6,754
Non-controlling interests	521	535

(3) Consolidated quarterly statements of cash flows

(Million yen)

	Six months ended March 31, 2022 (From October 1, 2021 to March 31, 2022)	Six months ended March 31, 2023 (From October 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	11,367	9,766
Depreciation	1,795	1,819
Impairment losses	—	59
Increase (decrease) in provision for bonuses	(17)	-(1,600)
Increase (decrease) in provision for bonuses for directors	—	106
Decrease (increase) in net defined benefit asset	—	16
Increase (decrease) in net defined benefit liability	(59)	(18)
Increase (decrease) in allowance for doubtful accounts	2	1
Increase (decrease) in provision for share-based compensation	52	47
Increase (decrease) in provision for loss on order received	278	(25)
Interest and dividend income	(66)	(66)
Interest expenses	18	13
Share of loss (profit) of entities accounted for using equity method	(618)	(439)
Loss (gain) on sales of non-current assets	1	—
Loss on retirement of non-current assets	20	7
Loss (gain) on sales of investment securities	(1,411)	—
Loss (gain) on valuation of investment securities	29	—
Decrease (increase) in trade receivables and contract assets	(28,650)	(32,180)
Decrease (increase) in inventories	42	146
Increase (decrease) in trade payables	12,206	11,679
Increase (decrease) in accrued expenses	1,894	2,108
Increase (decrease) in accrued consumption taxes	(929)	(1,016)
Increase (decrease) in contract liabilities	30	(50)
Other	(560)	(250)
Subtotal	(4,572)	(9,877)
Interest and dividends received	222	327
Interest paid	20	(13)
Income taxes paid	(490)	(3,497)
Net cash provided by (used in) operating activities	(4,819)	(13,059)
Cash flow from investing activities		
Proceeds from redemption of marketable securities	—	5,000
Purchase of property and equipment	(318)	(1,148)
Proceeds from sales of property and equipment	0	—
Purchase of intangible assets	(788)	(966)
Purchase of investment securities	(38)	(11)
Proceeds from sales of investment securities	826	44
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	533	—
Loan advances	(0)	—
Collection of loans receivable	1	0
Payments of leasehold and guarantee deposits	(15)	(21)
Proceeds from refund of leasehold and guarantee deposits	260	18
Other	2	4
Net cash provided by (used in) investing activities	462	2,920

(Million yen)

	Six months ended March 31, 2022 (From October 1, 2021 to March 31, 2022)	Six months ended March 31, 2023 (From October 1, 2022 to March 31, 2023)
Cash flow from financing activities		
Repayments of long-term borrowings	(200)	(200)
Repayments of lease obligations	(551)	(572)
Dividends paid	(986)	(1,315)
Dividends paid to non-controlling interests	(175)	(269)
Purchase of treasury shares	(0)	(1,884)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	–	180
Net cash provided by (used in) financing activities	(1,913)	(4,061)
Effect of exchange rate change on cash and cash equivalents	1	(13)
Net increase (decrease) in cash and cash equivalents	(6,269)	(14,213)
Cash and cash equivalents at beginning of period	29,097	27,857
Cash and cash equivalents at end of period	22,828	13,643

(4) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Changes in accounting policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Group decided to apply the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, hereinafter the “Fair Value Measurement Accounting Standard Guidance”) from the beginning of the first three months of the fiscal year under review. Accordingly, it decided to continue to apply the new accounting policies specified in the Fair Value Measurement Accounting Standard Guidance in line with the transitional measures prescribed in Paragraph 27(2) of said Guidance. This has no effect on the consolidated quarterly financial statements.

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

The Company purchased 380,000 treasury shares pursuant to Board of Directors resolution dated February 6, 2023. As a result, the value of treasury shares increased 1,884 million yen during the six months under review.

(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 six months under review by a reasonably estimated effective tax rate after the application of tax effect accounting for profit before income taxes in the consolidated fiscal year including the first six months under review.

(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 621 million yen and 173,000 shares, respectively, at the end of the previous fiscal year and 506 million yen and 141,000 shares, respectively, at the end of the first six months under review.

(Segment information, etc.)

[Segment information]

I Six months ended March 31, 2022 (from October 1, 2021 to March 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	34,221	34,044	68,265	—	68,265
Inter-segment sales and transfers	36	742	778	(778)	—
Total	34,257	34,787	69,044	(778)	68,265
Segment profit	6,902	3,113	10,015	(2)	10,012

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 six months under review.

II Six months ended March 31, 2023 (from October 1, 2022 to March 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	36,236	37,088	73,325	—	73,325
Inter-segment sales and transfers	41	719	761	(761)	—
Total	36,277	37,808	74,086	(761)	73,325
Segment profit	6,102	3,728	9,831	4	9,836

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 six months ended March 31, 2023, MRI recorded impairment losses of 44 million yen for Think Tank & Consulting Services and 15 million yen for IT Services.

3. Supplementary information

Status of orders received and sales

(1) Status of orders received

The table below shows orders by segment.

(Million yen)

Segment name	Six months ended March 31, 2023 (From October 1, 2022 to March 31, 2023)			
	Orders received	Year-on-year change (%)	Order backlog	Year-on-year change (%)
Think Tank & Consulting Services	23,895	(7.6)	22,527	(10.6)
IT Services	34,936	(5.9)	44,993	(4.8)
System development	19,901	(14.7)	18,740	(13.7)
Outsourcing services	15,035	9.1	26,253	2.8
Total	58,832	(6.6)	67,521	(6.8)

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 six months under review are stated in the order backlog column.

(2) Sales performance

The table below shows sales by segment.

(Million yen)

Segment name	Six months ended March 31, 2023 (From October 1, 2022 to March 31, 2023)	Year-on-year change (%)
Think Tank & Consulting Services (million yen)	36,236	5.9
IT Services	37,088	8.9
System development	23,444	21.6
Outsourcing services	13,644	(7.6)
Total	73,325	7.4

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