

[Translation for reference only]

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August 1, 2023

Consolidated Financial Results for the Nine 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: August 2, 2023

Scheduled date to commence dividend payments: —

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results presentation meeting: None

(Rounded down to the nearest million yen)

1. Consolidated financial results for the nine months ending September 30, 2023 (from October 1, 2022 to June 30, 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	%
Nine months ended								
June 30, 2023	96,878	5.7	8,386	(10.2)	9,519	(8.7)	5,934	(24.1)
June 30, 2022	91,673	—	9,335	—	10,430	—	7,819	—

Note: Comprehensive income For the nine months ended June 30, 2023: ¥7,113 million [(11.9%)]
For the nine months ended June 30, 2022: ¥8,076 million [—%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
June 30, 2023	369.25	—
June 30, 2022	481.69	—

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 nine 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
As of	Million yen	Million yen	%
June 30, 2023	116,384	73,667	56.1
September 30, 2022	114,652	71,151	55.0

Reference: Equity (Net assets – Non-controlling interests)
As of June 30, 2023: ¥65,316 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 nine months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

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

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

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

- a. Changes in accounting policies due to revisions to accounting standards and other regulations : 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 June 30, 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 June 30, 2023	521,629 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)

Nine months ended June 30, 2023	16,071,262 shares
Nine months ended June 30, 2022	16,233,649 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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I. Qualitative information regarding settlement of accounts for the nine months

(1) Explanation regarding operating results

During the nine months under review (from October 1, 2022 to June 30, 2023), the global economy continued to grow overall, but at a slower pace than before the COVID-19 pandemic. The United States' and European economies are slowing down against the backdrop of persistently high inflation, rapid monetary tightening, and banks adopting a more cautious attitude when lending. In China, while the zero-COVID policy has been lifted and economic activity is picking up, the pace of recovery remains moderate against the backdrop of a worsening export environment, a sluggish real estate market, and weak employment and wage environments.

The Japanese economy is picking up, centered on domestic demand and against the backdrop of a normalization of economic activities, even as prices continue to rise. In addition to making investments that they had put off because of the COVID-19 pandemic, as well as an increase in investments related to digital transformation (DX) and GX (*1), companies have formulated strong investment plans for FY2023 as well, taking an aggressive stance toward capital investment. In April 2023, the government held the first general meeting of the Public-Private Partnership-type Disaster Prevention DX Promotion Council, which signaled the start of a public-private partnership toward the digitalization of disaster prevention services in earnest. In addition, the GX Promotion Act (formally, Act for Promoting a Smooth Transition to a Decarbonized Growth-Oriented Industrial Structure; translation tentative) and the GX Decarbonization Power Supply Act (formally, Act on the Amendment of Part of the Electricity Business Act, etc. to Establish an Electricity Supply System for the Realization of a Decarbonized Society; translation tentative) were enacted in May 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.

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"), and 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, social and economic activity are accelerating toward a post-pandemic "new normal" with the reclassification of COVID-19 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: the private sector, the public sector, and the 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 with a function for detecting and deleting incorrect information included in generated text to the AI tools that automatically collect and report information from the Internet.

During the nine months under review, the results of these efforts have been evident in the orders received by government-related cloud and 5G-related businesses, disaster prevention-related businesses utilizing digital technology, businesses that support for promoting DX in private companies, and businesses related to smart mobility.

These factors resulted in net sales of 96,878 million yen (up 5.7% year on year) in the nine months of the fiscal year under review. On the other hand, as a result of aggressively promoting upfront investments for future growth, operating profit amounted to 8,386 million yen (down 10.2% year on year) and ordinary profit was 9,519 million yen (down 8.7% year on year). The Group posted profit attributable to owners of parent of 5,934 million yen (down 24.1% year on year), primarily as a result of having recorded a gain on sales of investment securities 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>

During the nine months under review, net sales (sales to outside clients) stood at 42,666 million yen (up 4.5% year on year) due to growth in large-scale projects, including government cloud and public safety wireless system demonstration projects in government and public offices, and 5G-related demonstration projects; renewable energy-related research and demonstration projects; and system implementation and management consulting projects for the transportation and telecommunications industries. On the other hand, ordinary profit amounted to 4,819 million yen (down 22.4% year on year) due to an increase in outsourcing expenses for large-scale demonstration projects, human resource investments for future growth, and upfront costs for strengthening recommendation and communication functions.

<IT Services>

During the nine months under review, net sales (sales to outside clients) amounted to 54,211 million yen (up 6.7% year on year) and ordinary profit reached 4,691 million yen (up 11.2% year on year), with system infrastructure renewal projects for finance industry customers contributing to sales.

(2) Explanation regarding financial position

Total assets at the end of the first nine months under review increased by 1,731 million yen (up 1.5%) from the end of the previous fiscal year to 116,384 million yen. Of which, current assets stood at 70,457 million yen (down 4.7% year on year) and non-current assets were 45,926 million yen (up 12.8% year on year). In current assets, although cash and deposits increased by 4,571 million yen for seasonal factors, notes and accounts receivable - trade, and contract assets decreased by 3,454 million yen, and marketable securities decreased by 5,000 million yen due to the redemption of money trusts. The increase in non-current assets was primarily the result of recording construction in progress and the purchase of investment securities.

Liabilities decreased by 783 million yen (down 1.8%) from the end of the previous fiscal year to 42,717 million yen, mainly due to decreases of 2,987 million yen in income taxes payable and 2,952 million yen in provision for bonuses, respectively, despite increases of 1,522 million yen in accounts payable - other and 2,943 million yen in accrued expenses, respectively.

Net assets rose 2,515 million yen (up 3.5%) from the end of the previous fiscal year to 73,667 million yen, chiefly due to an increase in retained earnings.

(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 June 30, 2023
Assets		
Current assets		
Cash and deposits	28,157	32,728
Notes and accounts receivable - trade, and contract assets	38,076	34,621
Securities	5,000	—
Inventories	336	287
Other	2,353	2,819
Allowance for doubtful accounts	(2)	(0)
Total current assets	73,921	70,457
Non-current assets		
Property and equipment		
Buildings and structures, net	6,748	6,357
Machinery, equipment and vehicles, net	15	245
Tools, furniture and fixtures, net	1,332	1,555
Land	720	720
Leased assets, net	1,568	1,357
Construction in progress	273	1,718
Total property and equipment	10,659	11,954
Intangible assets		
Software	3,664	3,763
Leased assets	782	288
Other	1,041	1,953
Total intangible assets	5,488	6,005
Investments and other assets		
Investment securities	16,317	19,557
Deferred tax assets	4,727	4,347
Other	3,538	4,062
Allowance for doubtful accounts	(0)	(2)
Total investments and other assets	24,582	27,965
Total non-current assets	40,730	45,926
Total assets	114,652	116,384

(Million yen)

	As of September 30, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	5,871	5,273
Current portion of long-term borrowings	400	400
Accounts payable - other	1,317	2,840
Accrued expenses	8,120	11,063
Income taxes payable	3,516	529
Provision for bonuses	6,679	3,726
Provision for bonuses for directors, etc.	—	159
Provision for loss on order received	85	65
Other	4,247	5,501
Total current liabilities	30,239	29,559
Non-current liabilities		
Long-term borrowings	500	200
Lease obligations	1,531	1,221
Provision for share-based compensation	418	377
Net defined benefit liability	9,321	9,826
Asset retirement obligations	1,489	1,482
Other	0	50
Total non-current liabilities	13,261	13,157
Total liabilities	43,500	42,717
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,785	4,908
Retained earnings	50,721	54,166
Treasury shares	(622)	(2,393)
Total shareholders' equity	61,220	63,017
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,624	2,059
Deferred gains or losses on hedges	(3)	3
Foreign currency translation adjustment	10	—
Remeasurements of defined benefit plans	201	236
Total accumulated other comprehensive income	1,832	2,298
Non-controlling interests	8,099	8,350
Total net assets	71,151	73,667
Total liabilities and net assets	114,652	116,384

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

(Million yen)

	Nine months ended June 30, 2022	Nine months ended June 30, 2023
Net sales	91,673	96,878
Cost of sales	69,422	75,399
Gross profit	22,250	21,479
Selling, general and administrative expenses	12,914	13,092
Operating profit	9,335	8,386
Non-operating income		
Interest income	8	0
Dividend income	166	212
Share of profit of entities accounted for using equity method	840	818
Other	135	177
Total non-operating income	1,151	1,209
Non-operating expenses		
Interest expenses	26	18
Overseas withholding taxes	29	47
Other	0	10
Total non-operating expenses	56	76
Ordinary profit	10,430	9,519
Extraordinary income		
Gain on sales of investment securities	1,641	—
Total extraordinary income	1,641	—
Extraordinary losses		
Loss on sales of non-current assets	1	—
Loss on retirement of non-current assets	26	13
Impairment losses	—	59
Loss on revaluation of investment securities	29	—
Other	7	9
Total extraordinary losses	64	82
Profit before income taxes	12,008	9,436
Income taxes	3,390	2,866
Profit	8,617	6,570
Profit attributable to non-controlling interests	797	636
Profit attributable to owners of parent	7,819	5,934

Consolidated quarterly statements of comprehensive income

(Million yen)

	Nine months ended June 30, 2022	Nine months ended June 30, 2023
Profit	8,617	6,570
Other comprehensive income		
Valuation difference on available-for-sale securities	(601)	541
Deferred gains or losses on hedges	43	6
Foreign currency translation adjustment	4	(13)
Remeasurements of defined benefit plans	14	10
Share of other comprehensive income of entities accounted for using equity method	(1)	(2)
Total other comprehensive income	(541)	542
Comprehensive income	8,076	7,113
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,395	6,400
Comprehensive income attributable to non-controlling interests	680	712

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

(Segment information, etc.)

[Segment information]

I. Nine months ended June 30, 2022 (from October 1, 2021 to June 30, 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	40,848	50,824	91,673	—	91,673
Inter-segment sales and transfers	51	1,051	1,103	(1,103)	—
Total	40,900	51,876	92,776	(1,103)	91,673
Segment profit	6,212	4,220	10,432	(1)	10,430

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 nine months under review.

II. Nine months ended June 30, 2023 (from October 1, 2022 to June 30, 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	42,666	54,211	96,878	—	96,878
Inter-segment sales and transfers	57	1,019	1,076	(1,076)	—
Total	42,724	55,231	97,955	(1,076)	96,878
Segment profit	4,819	4,691	9,510	9	9,519

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

During the nine months under review, 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.

Segment name	Nine months ended June 30, 2023			
	Orders received (Million yen)	Year-on-year change (%)	Order backlog (Million yen)	Year-on-year change (%)
Think Tank & Consulting Services	35,535	(14.9)	27,736	(19.6)
IT Services	53,337	0.7	46,271	(0.0)
System development	31,654	(4.0)	19,901	(4.5)
Outsourcing services	21,683	8.6	26,369	3.6
Total	88,872	(6.2)	74,008	(8.4)

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

(2) Sales performance

The table below shows sales by segment.

Segment name		Nine months ended June 30, 2023	Year-on-year change (%)
Think Tank & Consulting Services	(Million yen)	42,666	4.5
IT Services	(Million yen)	54,211	6.7
System development	(Million yen)	34,035	14.3
Outsourcing services	(Million yen)	20,176	(4.1)
Total	(Million yen)	96,878	5.7

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