

[Translation for reference only]

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Translation



August 2, 2021

Consolidated Financial Results for the Nine Months of the Fiscal Year Ending 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/>
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Scheduled date to submit Quarterly Securities Report: August 3, 2021
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 performance for the nine months of the fiscal year ending September 30, 2021 (from October 1, 2020 to June 30, 2021)

(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, 2021	80,402	13.9	6,641	12.6	7,364	(8.4)	5,046	(29.9)
June 30, 2020	70,590	2.2	5,896	42.6	8,043	68.8	7,199	122.5

Note: Comprehensive income

For the nine months ended June 30, 2021: 5,183 million yen [(36.6%)]
For the nine months ended June 30, 2020: 8,177 million yen [274.1%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
June 30, 2021	310.80	–
June 30, 2020	443.01	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2021	97,575	63,725	57.6
September 30, 2020	96,253	61,541	56.0

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

As of June 30, 2021: 56,185 million yen
As of September 30, 2020: 53,857 million yen

2. Cash dividends

	Annual cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended September 30, 2020	Yen	Yen	Yen	Yen	Yen
Fiscal year ending September 30, 2021	–	50.00	–	85.00	135.00
Fiscal year ending September 30, 2021 (Forecast)	–	55.00	–	55.00	110.00

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

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, 2021 (from October 1, 2020 to September 30, 2021)

(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, 2021	103,000	11.9	7,000	12.3	7,800	(7.0)	5,000	(29.5)	308.04

Note: Revisions to the earnings forecasts most recently announced: Yes

***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 9 of the attached materials.
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
- Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - Changes in accounting policies due to other reasons: None
 - Changes in accounting estimates: None
 - 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, 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 June 30, 2021	212,426 shares
As of September 30, 2020	169,376 shares

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

Nine months ended June 30, 2021	16,238,747 shares
Nine months ended June 30, 2020	16,250,871 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. 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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(Attached materials)**1. Qualitative information regarding settlement of accounts for the nine months****(1) Explanation regarding operating results**

In the first nine months of the fiscal year under review (October 1, 2020 to June 30, 2021), the global economy continued its trend of recovery from the COVID-19 pandemic. Although COVID-19 infections continue to spread, moves to resume economic activity have expanded at a steady pace in Western developed nations since April as vaccinations have proceeded. The US economy has seen a strong rebound in consumption against the backdrop of generous financial support and widespread vaccine availability, with gross domestic product (GDP) having now surpassed pre-pandemic levels. The Chinese economy remained firm as domestic demand continued to increase, backed by government policy support. Exports to the US and elsewhere have also increased considerably and remained strong. The European economy, despite being hit relatively hard by the pandemic in part due to the spread of new variants of COVID-19, is on the way to normalizing economic activity with the widespread availability of vaccinations and the phased easing of restrictions on activities.

In Japan, the economic recovery has been weak, especially in domestic demand, as states of emergency have been intermittently declared since January due to the spread of COVID-19 infections. Although consumption is on a gradual recovery track in part due to accelerating vaccinations, the recovery will remain moderate due to stay-at-home policies, the reissuance or extension of state of emergency declarations, and other factors. Exports have exceeded pre-pandemic levels against the backdrop of a global economy rebounding from COVID-19 and growing semiconductor demand.

In this social situation and business environment, Mitsubishi Research Institute, Inc. and its consolidated subsidiaries (the “MRI Group”), which celebrated Mitsubishi Research Institute’s 50th anniversary, have adopted a new 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 this management philosophy, the Group, as a corporate group that provides solutions to social 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 is taking steps to achieve steady growth in the period of MP2023.

No major impact of the ongoing COVID-19 pandemic is evident in the financial results of the MRI Group for the first nine months of the fiscal year under review, and the business remained steady based on large orders received during the previous fiscal year.

As examples of specific projects and initiatives in line with MP2023, the Group is involved with a number of operations that will help solve the challenges facing society including AI-based simulation operations related to COVID-19 (estimating infections and the impact on society and the economy, etc.), a service to detect a resurgence of infections at an early stage, and demonstration projects utilizing the new 5th Generation (5G) telecommunications standard. Additionally, in May the Company obtained accreditation as a “DX certified business operator” based on the DX Certification Program designated by the Ministry of Economy, Trade and Industry. The Company is also developing a big data analysis business through a business and capital alliance with the French company ForePaaS, which excels in big data analysis, as well as working to develop DX services for planning work by utilizing in-house DX efforts in the form of a thinktank.

These factors resulted in net sales of 80,402 million yen (up 13.9% year on year) and operating profit of 6,641 million yen (up 12.6% year on year) in the MRI Group in the first nine months of the fiscal year under review. Due to the absence of temporary profits (a share of profit of entities accounted for using equity method and a gain on sales of investment securities) posted in the previous fiscal year, ordinary profit amounted to 7,364 million yen (down 8.4% year on year) and profit attributable to owners of parent was 5,046 million yen (down 29.9% year on year).

The results in each segment are as follows.

<Think tank and consulting services>

In the first nine months under review, net sales (sales to outside clients) stood at 33,735 million yen (up 17% year on year), reflecting growth in projects for public offices such as simulation operations related to COVID-19, 5G-related demonstration projects, large statistics operations and consulting for financial institutions. The ordinary profit came to 4,944 million yen (down 16.4% year on year) due to the absence of an amount equivalent to negative goodwill in relation to INES Corporation becoming an equity method affiliate posted in the first three months of the previous fiscal year.

<IT services>

In the first nine months under review, net sales (sales to outside clients) amounted to 46,667 million yen (up 11.7% year on year) chiefly due to sales from system infrastructure renewal projects for financial institutions. Ordinary profit totaled 2,419 million yen (up 13.9% year on year) thanks to profit growth that offset an increase in expenses, such as those for the improvement of corporate functions and prior investments.

(2) Explanation regarding financial position

Total assets at the end of the first nine months under review increased 1,322 million yen (up 1.4%) from the end of the previous fiscal year, to 97,575 million yen. Of which, current assets stood at 56,745 million yen (up 1.3%) and non-current assets were 40,830 million yen (up 1.5%). Changes in current assets were mainly due to a decrease of 2,218 million yen in notes and accounts receivable - trade, and increases in both cash and deposits and inventories of 1,234 million yen and 1,167 million yen respectively. The main factor behind the increase in non-current assets was the increase in tangible fixed assets of 833 million yen, in part due to the acquisition of hardware related to systems for customers through leasing.

Liabilities declined 862 million yen to 33,850 million yen (down 2.5% year on year) from the end of the previous fiscal year, chiefly reflecting an increase in accounts payable - trade of 993 million yen, a decrease in income taxes payable of 1,944 million yen, and a decline in long-term borrowings of 300 million yen.

Net assets climbed 2,184 million yen (up 3.5%) from the end of the previous fiscal year, to 63,725 million yen mainly due to an increase in retained earnings of 2,747 million yen.

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

The MRI Group has revised its consolidated earnings forecasts and full-year earnings forecasts by segment for the fiscal year ending September 30, 2021, as presented below in response primarily to the results for the first nine months of the fiscal year under review.

In the Think Tank & Consulting Services segment, net sales and ordinary profit are expected to exceed the forecasts announced at the beginning of the fiscal year due to steady demand for government projects to overcome the issues facing society, including responding to COVID-19.

In the IT Services segment there was an increase in up-front investment costs for system strengthening, etc., but the Group expanded projects for cards, which represent the customer base, and net sales and ordinary profit are expected to exceed the forecasts announced at the beginning of the fiscal year.

Revision of full-year consolidated earnings forecasts (from October 1, 2020 to September 30, 2021)

	Consolidated net sales	Consolidated operating profit	Consolidated ordinary profit	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecasts (A)	97,000	6,600	7,500	4,800	295.30
Revised forecasts (B)	103,000	7,000	7,800	5,000	308.04
Change (B) – (A)	6,000	400	300	200	–
Percent change	6.2	6.1	4.0	4.2	–
(Ref.) Consolidated results for the previous fiscal year (ended Sep. 2020)	92,020	6,231	8,387	7,096	436.64

Revision of full-year earnings forecasts by segment (from October 1, 2020 to September 30, 2021)

	Think tank and consulting services		IT services	
	Net sales	Ordinary profit	Net sales	Ordinary profit
	Million yen	Million yen	Million yen	Million yen
Previous forecasts (A)	36,000	4,100	61,000	3,400
Revised forecasts (B)	40,000	4,300	63,000	3,500
Change (B) – (A)	4,000	200	2,000	100
Percent change	11.1	4.9	3.3	2.9
(Ref.) Results by segment in the previous fiscal year (ended Sep. 2020)	34,581	5,283	57,438	3,092

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.

2. Consolidated financial statements and significant notes thereto

(1) Consolidated quarterly balance sheets

(Million yen)

	As of September 30, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	32,738	33,973
Notes and accounts receivable - trade	13,596	11,377
Inventories	7,620	8,787
Other	2,074	2,607
Allowance for doubtful accounts	(0)	(0)
Total current assets	56,028	56,745
Non-current assets		
Property and equipment		
Buildings and structures, net	7,461	7,070
Machinery, equipment and vehicles, net	7	22
Tools, furniture and fixtures, net	1,539	1,315
Land	720	720
Leased assets, net	843	1,955
Construction in progress	52	373
Total property and equipment	10,625	11,459
Intangible assets		
Software	2,983	3,765
Leased assets	2,066	1,567
Other	960	376
Total intangible assets	6,010	5,710
Investments and other assets		
Investment securities	15,880	15,754
Deferred tax assets	4,156	4,298
Other	3,556	3,606
Allowance for doubtful accounts	(4)	(0)
Total investments and other assets	23,589	23,660
Total non-current assets	40,224	40,830
Total assets	96,253	97,575

(Million yen)

	As of September 30, 2020	As of June 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	3,934	4,928
Current portion of long-term borrowings	400	400
Accounts payable - other	1,765	1,438
Accrued expenses	1,411	2,193
Income taxes payable	2,484	540
Provision for bonuses	4,556	2,266
Provision for loss on order received	124	427
Other	4,551	5,933
Total current liabilities	19,228	18,128
Non-current liabilities		
Long-term borrowings	1,300	1,000
Lease obligations	2,202	2,739
Provision for share-based compensation	435	412
Net defined benefit liability	10,019	10,043
Asset retirement obligations	1,516	1,520
Other	9	6
Total non-current liabilities	15,483	15,721
Total liabilities	34,712	33,850
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,765	4,765
Retained earnings	41,039	43,787
Treasury shares	(550)	(762)
Total shareholders' equity	51,589	54,126
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,239	1,943
Deferred gains or losses on hedges	(74)	(67)
Foreign currency translation adjustment	1	2
Remeasurements of defined benefit plans	100	180
Total accumulated other comprehensive income	2,267	2,059
Non-controlling interests	7,683	7,540
Total net assets	61,541	63,725
Total liabilities and net assets	96,253	97,575

(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, 2020	Nine months ended June 30, 2021
Net sales	70,590	80,402
Cost of sales	53,790	61,415
Gross profit	16,799	18,986
Selling, general and administrative expenses	10,903	12,345
Operating profit	5,896	6,641
Non-operating income		
Interest income	2	3
Dividend income	174	152
Share of profit of entities accounted for using equity method	2,045	586
Other	44	58
Total non-operating income	2,266	800
Non-operating expenses		
Interest expenses	33	30
Loss on investments in silent partnership	49	9
Overseas withholding taxes	28	27
Other	8	10
Total non-operating expenses	119	77
Ordinary profit	8,043	7,364
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	25	7
Loss on revaluation of investment securities	40	401
Loss on cancellation of leases	0	3
Other	1	0
Total extraordinary losses	67	414
Profit before income taxes	10,708	7,635
Income taxes	2,744	2,151
Profit	7,964	5,483
Profit attributable to non-controlling interests	764	436
Profit attributable to owners of parent	7,199	5,046

Consolidated quarterly statements of comprehensive income

(Million yen)

	Nine months ended June 30, 2020	Nine months ended June 30, 2021
Profit	7,964	5,483
Other comprehensive income		
Valuation difference on available-for-sale securities	162	(397)
Deferred gains or losses on hedges	73	6
Foreign currency translation adjustment	(0)	1
Remeasurements of defined benefit plans	15	13
Share of other comprehensive income of entities accounted for using equity method	(36)	76
Total other comprehensive income	213	(300)
Comprehensive income	8,177	5,183
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,379	4,838
Comprehensive income attributable to non- controlling interests	798	345

(3) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable

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

Not applicable

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

(Calculation of tax expenses)

Tax expenses are calculated by multiplying profit before income taxes in the first nine 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 third quarter 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, the Company 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 the Company'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.), the Company grants shares of the Company 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, in the previous fiscal year and 761 million yen and 212,000, respectively in the first nine months under review.

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

There are no significant changes in the note (additional information) (accounting estimate of the impact of the spread of the COVID-19 pandemic) of 5. Status of Accounting in the annual security report for the previous fiscal year.

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.)

I. Nine months ended June 30, 2020

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 and consulting services	IT services			
Net sales					
Outside customers	28,828	41,762	70,590	–	70,590
Inter-segment sales and transfers	38	873	911	(911)	–
Total	28,867	42,635	71,502	(911)	70,590
Segment profit	5,912	2,125	8,037	6	8,043

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

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

2. Information regarding impairment loss of non-current assets or regarding goodwill by reportable segment
(Significant gain on bargain purchase)

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.

II. Nine months ended June 30, 2021

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 and consulting services	IT services			
Net sales					
Outside customers	33,735	46,667	80,402	–	80,402
Inter-segment sales and transfers	32	895	928	(928)	–
Total	33,767	47,563	81,330	(928)	80,402
Segment profit	4,944	2,419	7,364	(0)	7,364

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

2. Segment profit is adjusted in accordance with ordinary profit in the consolidated 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.

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	Nine months ended June 30, 2021			
	Orders received	Year-on-year change (%)	Order backlog	Year-on-year change (%)
Think tank and consulting services	42,527	46.6	39,887	50.6
IT services	50,356	16.9	46,125	10.6
System development	25,983	(1.1)	19,828	(6.4)
Outsourcing services	24,373	45.0	26,297	28.1
Total	92,883	28.8	86,012	26.1

- Notes: 1. Inter-segment transactions are offset against each other.
 2. The numbers exclude consumption tax.
 3. For services that are provided continually and paid for based on performance, expected sales for a year after the end of the third quarter under review are stated in the order backlog column.

(2) Sales performance

The table below shows sales by segment.

(Million yen)

Segment name	Nine months ended June 30, 2021	Year-on-year change (%)
Think tank and consulting services	33,735	17.0
IT services	46,667	11.7
System development	27,936	10.3
Outsourcing services	18,731	14.0
Total	80,402	13.9

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