Translation

October 31, 2023

Consolidated Financial Results for the Fiscal Year Ended September 30, 2023 (Under Japanese GAAP)

Company name:	Mitsubishi Research Institute, Inc.
Listing:	Prime Market of the Tokyo Stock Exchange
Securities code:	3636
URL:	https://www.mri.co.jp/
Representative:	Kenji Yabuta, President
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Scheduled date of annual general meeting of shareholders:	December 19, 2023
Scheduled date to commence dividend payments:	December 20, 2023
Scheduled date to submit Annual Securities Report:	December 19, 2023
Preparation of supplementary material on financial results:	Yes
Holding of financial results presentation:	Yes (for institutional investors and analysts)

(Rounded down to the nearest million yen)

1. Consolidated financial results for the fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2023	122,126	4.7	8,688	(5.2)	10,002	(4.7)	6,287	(18.4)
September 30, 2022	116,620	13.2	9,165	33.7	10,493	38.6	7,707	53.9

Note: Comprehensive income For the fiscal year ended September 30, 2023: \7,831 million [(4.2)%]
For the fiscal year ended September 30, 2022: \8,174 million [50.0%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/ total assets	Operating profit/ net sales
Fiscal year ended	Yen	Yen	%	%	%
September 30, 2023	392.27	–	9.8	8.6	7.1
September 30, 2022	474.67	–	12.8	9.8	7.9

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended September 30, 2023: \964 million
For the fiscal year ended September 30, 2022: \1,022 million

Note: From the beginning of the fiscal year ended September 30, 2022, the Group began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. The figures for the fiscal year ended September 30, 2022 are the figures after the application of the relevant accounting standards.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
September 30, 2023	118,009	74,385	55.8	4,137.76
September 30, 2022	114,652	71,151	55.0	3,880.03

Reference: Equity
As of September 30, 2023: \65,800 million
As of September 30, 2022: \63,052 million

(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, 2023	5,695	(2,411)	(6,199)	24,926
September 30, 2022	9,256	(6,654)	(3,850)	27,857

Note: From the beginning of the fiscal year ended September 30, 2022, the Group began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. The figures for the fiscal year ended September 30, 2022 are the figures after the application of the relevant accounting standards.

2. Cash dividends

	Annual 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, 2022	—	60.00	—	80.00	140.00	2,299	29.5	3.8
Fiscal year ended September 30, 2023	—	75.00	—	75.00	150.00	2,406	38.2	3.7
Fiscal year ending September 30, 2024 (Forecast)	—	75.00	—	80.00	160.00		39.8	

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

(Percentages indicate year-on-year changes.)

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

*** 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: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

(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, 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 September 30, 2023	521,629 shares
As of September 30, 2022	173,507 shares

c. Average number of shares outstanding during the period

Fiscal year ended September 30, 2023	16,028,713 shares
Fiscal year ended September 30, 2022	16,237,915 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 25 of the attached materials.

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2023	47,792	3.2	2,440	(26.2)	5,058	(6.0)	4,224	(3.0)
September 30, 2022	46,314	20.3	3,305	12.0	5,383	2.1	4,353	6.9

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
September 30, 2023	263.53	—
September 30, 2022	268.10	—

Note: From the beginning of the fiscal year ended September 30, 2022, the Group began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. The figures for the fiscal year ended September 30, 2022 are the figures after the application of the relevant accounting standards.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
September 30, 2023	58,618	45,239	77.2	2,844.81
September 30, 2022	61,707	45,249	73.3	2,784.48

Reference: Equity (Net assets – Non-controlling interests)
As of September 30, 2023: \45,239 million
As of September 30, 2022: \45,249 million

Note: From the beginning of the fiscal year ended September 30, 2022, the Group began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. The figures for the fiscal year ended September 30, 2022 are the figures after the application of the relevant accounting standards.

* Financial results reports are not subject to audit by a certified public accountants or an 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 the MRI’s website.

Table of Contents of the 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, 2022 to September 30, 2023), the global economy continued to grow at a slower pace than before the COVID-19 pandemic. In the United States and Europe, although policy interest rate hikes are reaching an end, inflation persists. In addition, the demand-suppressing effects of monetary tightening are beginning to impact the economy. Although signs of recovery in China are visible thanks to the lifting of the zero-COVID policy and the economic measures taken by the government, the pace of recovery is slow due to the slump in the real estate market and the weak job market especially for young people.

The Japanese economy continues to pick up against the backdrop of a normalization of economic activities. Although consumption is somewhat restrained due to high prices, exports of automobiles have recovered, mainly to Europe and the United States, due to the easing of supply constraints.

Even as uncertainty regarding the international economy rises, companies maintain substantial investment plans, including increased investments related to digital transformation (DX) and green transformation (GX)(*). In addition, the government has formulated policies such as the acceleration of DX/GX and strengthening investment in people, such as through reskilling, in its Basic Policy for Economic and Fiscal Management and Reform 2023 (Basic Policy, June 2023). In addition to promoting corporate investment, these government policies are expected to act as a tailwind for the MRI Group's priority domains such as human resources, energy and a circular society, and ICT, as well as for our DX business.

The fiscal year under review is the last year (third year) of the Medium-Term Management Plan 2023 ("MP2023"), and we have been focusing on the overall completion of the plan.

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. MRI has been actively promoting initiatives with an eye toward this new normal for some time, and has pursued activities in order to steadily capture business opportunities from such trends as the recovery in social and economic activity and greater corporate capital investments. As a corporate group that aspires to resolve societal issues, we have vigorously dealt with the unprecedented challenge facing society in the form of COVID-19. We believe that, during the years covered by MP2023, we have produced significant results in both resolving societal issues and in our Group's business.

Under MP2023, we strove to manage the value chain (value creation process) consistently, from research & recommendations to real-world implementation in fields such as human resources, urban life and mobility, energy, healthcare, ICT, a circular society, food and agriculture, and resilience. In addition to refining our capacity to provide value in the research and consulting business and the financial solutions business, which form the core of the MRI Group, we also strengthened our research & recommendation function as a think tank and made upfront investments in growth areas such as the DX business.

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., which plays a central role in the IT Services segment, and progress is visible in sales and consulting activities as well, with an integrated approach linking both organizations.

The Group has also aggressively pursued opportunities, in the private sector, to provide support that combines DX consulting with cloud transition and digital marketing that utilizes big data analysis; in the public sector, to promote national government DX; and in the financial industry, to expand the business domain and customer base.

Utilizing cutting-edge technologies such as AI, and, in particular, promoting research and development based on trends perceived early on regarding generated AI, we used it extensively in-house and subsequently began providing an AI service with a function to detect and delete false information contained in generated texts, installed on an AI tool that automates the collection and reporting of information from the web.

The results of the above efforts have been evident in the orders received by government-related cloud and 5G-related businesses, the DX promotion support provided to the private sector such as disaster prevention-related projects utilizing digital technology, and businesses related to smart mobility.

As a result, in the fiscal year under review, the MRI Group recorded net sales of 122,126 million yen (up 4.7% year on year). On the other hand, as a result of aggressively promoting upfront investments for future growth, operating profit amounted to 8,688 million yen (down 5.2% year on year) and ordinary profit was 10,002 million yen (down 4.7% year on year). The Group posted profit attributable to owners of parent of 6,287 million yen (down 18.4% year on year), primarily due to having recorded a gain on sales of investment securities in the previous fiscal year.

(*) GX: Abbreviation for Green Transformation. An initiative aimed at achieving both environmental conservation and economic growth, through a strategy of growth that focuses on shifting to an industrial and social structure centered on renewable energy and reducing greenhouse gas emissions.

The results in each segment are as follows.

<Think Tank & Consulting Services>

In the fiscal year under review, net sales (sales to outside clients) amounted to 50,462 million yen (up 3.9% year on year), chiefly due to growth in public-sector 5G projects and demonstration projects in disaster prevention communications, digital-related projects such as government clouds, and healthcare-related projects (medical and nursing care). On the other hand, ordinary profit amounted to 4,428 million yen (down 14.7% year on year) due to an increase in outsourcing expenses for large-scale demonstration projects, investments in human resources for future growth, and upfront costs for strengthening research & recommendation functions.

<IT Services>

In the fiscal year under review, net sales (sales to outside clients) amounted to 71,663 million yen (up 5.3% year on year) and ordinary profit was 5,560 million yen (up 4.9% year on year), chiefly due to various system infrastructure development projects in the financial and credit card industry having contributed to sales, including system infrastructure renewal projects for financial institutions.

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

Total assets at the end of the fiscal year under review increased by 3,357 million yen (up 2.9%) from the end of the previous fiscal year, to 118,009 million yen. Of which, current assets stood at 71,154 million yen (down 3.7%) and non-current assets at 46,854 million yen (up 15.0%). In current assets, largely due to growth in sales, accounts receivable - trade and contract assets increased by 2,556 million yen and 2,143 million yen, respectively, while securities for short-term investment purposes decreased by 5,000 million yen. Non-current assets increased by 3,529 million yen in investment securities, mainly due to the purchase of held-to-maturity bonds and the difference in fair value of listed stocks.

Liabilities rose by 123 million yen (up 0.3%) from the end of the previous fiscal year, to 43,624 million yen. This reflects an increase of 3,557 million yen in accrued expenses, offset by a decrease of 2,932 million yen in income taxes payable, among others.

Net assets climbed 3,233 million yen (up 4.5%) from the end of the previous fiscal year to 74,385 million yen, mainly due to an increase of 3,798 million yen in retained earnings. The equity ratio stands at 55.8%.

(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 by 2,930 million yen from the end of the previous fiscal year to 24,926 million yen. The status of each cash flow category and the primary factors behind it are as follows.

<Cash flow from operating activities>

Cash flow from operating activities resulted in an inflow of 5,695 million yen (compared to a cash inflow of 9,256 million yen in the previous fiscal year). This is primarily due to 9,620 million yen in profit before income taxes and 3,753 million yen in depreciation, as well as a 4,700 million yen increase in trade receivables and contract assets due to growth in sales, a 3,557 million yen increase in accrued expenses, and income taxes paid of 5,365 million yen.

Compared with the previous fiscal year, although there was an increase of 5,399 million yen due to a decrease in the increased amount of trade receivables and contract assets and an increase of 1,608 million yen due to a decrease in gain on sales of investment securities, cash inflow was down by 3,560 million yen, due to a decrease of 2,539 million yen in profit before taxes, an increase of 3,859 million yen in income taxes paid, and a decrease of 3,280 million yen in trade payables.

<Cash flow from investing activities>

Cash flow from investing activities resulted in an outflow of 2,411 million yen (compared to an outflow of 6,654 million yen in the previous fiscal year). This is chiefly attributable to proceeds from the redemption of marketable securities of 5,000 million yen, purchase of property and equipment of 2,603 million yen, purchase of intangible assets of 2,873 million yen, and purchase of investment securities of 2,113 million yen.

Compared with the previous fiscal year, cash outflows decreased by 4,243 million yen, mainly reflecting a decrease of 5,000 million yen for the purchase of securities and an increase of 5,000 million yen in proceeds from redemption of marketable securities, notwithstanding an increase of 1,290 million yen for the purchase of property and equipment, an increase of 1,510 million yen for the purchase of investment securities, and a decrease of 1,194 million yen in proceeds from the sale of investment securities.

<Cash flow from financing activities>

Cash flow from financing activities resulted in an outflow of 6,199 million yen (compared to an outflow of 3,850 million yen in the previous fiscal year). This was chiefly attributable to repayments of lease obligations of 1,111 million yen, dividends paid of 2,517 million yen, and purchase of treasury shares of 1,884 million yen.

Compared with the previous fiscal year, cash outflows increased by 2,349 million yen, chiefly due to an increase of 545 million yen for dividends paid and an increase of 1,884 million yen for the purchase of treasury shares.

(4) Outlook for the next fiscal year

In the next fiscal year, we expect the Japanese economy to continue to recover led by domestic demand, spurred by a recovery in consumption due to rising wages and increased capital investment by companies. If wages continue to rise and price increases prove sustainable, the Bank of Japan is expected to proceed with the normalization of monetary policy.

There is a high degree of uncertainty surrounding the domestic and international economy, and there are downside risks to the outlook for the Japanese economy. Firstly, there is a risk that domestic demand will weaken as households become increasingly frugal. Although we assume that high wage growth will continue, if households become more frugal due to uncertainty about the future, consumption will be restrained. Secondly, there is a risk that the global economy will slow down. If high inflation flares up again in the US and Europe and monetary tightening continues for an prolonged period of time, the US and European economies may slide into recession. Growth in China's economy may slow due to debt problems and other factors. Such a slowdown in the global economy will cause a downturn in Japan's exports.

Although, as mentioned above, there are downside risks to the economy, none of them are considered to sharply undermine the need for investment in human resources, including investment in DX/GX and reskilling. Therefore, we expect the likelihood of such risks having an immediate impact on our Group's business to be small.

The MRI Group has formulated the Medium-Term Management Plan 2026 ("MP2026"), with the current fiscal year as its first year. MP2026 sets 2030 as the long-term target year, and divides the nine years leading up to it into three phases of three years each, starting from 2021 (the year in which the previous medium-term management plan started), respectively classified as "Hop", "Step" and "Jump", with MP2026 positioned as the "Step" in between. In MP2026, we aim to maintain and strengthen the basic approach of the previous medium-term management plan, while building a unique value creation model in business areas across the Group.

During the next fiscal year, the Group forecasts net sales of 118,000 million yen (down 3.4% year on year), operating profit of 8,400 million yen (down 3.3% year on year), ordinary profit of 10,000 million yen (down 0.0% year on year), and profit attributable to owners of parent of 6,400 million yen (up 1.8% year on year).

In Think Tank & Consulting Services, regarding priority policy area projects for the public sector (digital, ICT, energy, a circular society, healthcare, etc.) as well as business operation/business innovation consulting and package solution-based ICT consulting for the private-sector, we expect demand to remain solid. Under the previous medium-term management plan, we proactively made upfront investments, such as strengthening our research & recommendation functions and developing businesses that may prove to be our next source of income. Under MP2026, we expect to begin recouping our investment. Furthermore, we will continue to pursue research and development related to key themes of the DX business, new concepts of the future world, and generative AI. Based on the above, we forecast net sales (sales to outside clients) of 46,000 million yen (down 8.8% year on year), and ordinary profit of 5,400 million yen (up 21.9% year on year).

In IT Services, we will continue to actively invest with an eye towards the future, since finance and credit card services, which have been a strong driver of our business performance to date, are expected to peak, and large-scale projects are set to be completed during the period covered by MP2026. In addition, we will further strengthen risk management functions associated with system development, and invest in strengthening infrastructure and branding to further improve profit margins. Based on the above, we forecast net sales (sales to outside clients) of 72,000 million yen (up 0.5% year on year), and ordinary profit of 4,600 million yen (down 17.3% year on year).

Consolidated earnings forecasts for the fiscal year ending September 30, 2024

	Fiscal year ended September 30, 2023 (Actual results) (million yen)	Fiscal year ending September 30, 2024 (Forecast) (million yen)	Change	
			Amount (million yen)	Rate (%)
Net sales	122,126	118,000	(4,126)	(3.4)
Think Tank & Consulting Services	50,462	46,000	(4,462)	(8.8)
IT Services	71,663	72,000	336	0.5
Operating profit	8,688	8,400	(288)	(3.3)
Ordinary profit	10,002	10,000	(2)	(0.0)
Think Tank & Consulting Services	4,428	5,400	971	21.9
IT Services	5,560	4,600	(960)	(17.3)
Profit attributable to owners of parent	6,287	6,400	112	1.8
Basic earnings per share (yen)	392.27	402.45	10.18	2.6

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, 2023: 16,028 thousand shares
Fiscal year ending September 30, 2024: 15,902 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 enhance its corporate value by contributing to the progress of its customers and society and by creating value. MRI's basic policy on shareholder returns is to maintain stable dividends, making decisions based on a comprehensive consideration of the balance between performance, future capital needs, and financial soundness. We aim for a consolidated payout ratio of 40%. MRI will use internal reserves to make investments in human resources, investments in research & recommendations, business investments and capital investments necessary for future business development, and strategic investments such as M&A, in order to realize sustainable growth.

MRI will determine whether or not to implement a share buyback as an additional measure to return capital to shareholders, by taking into consideration its capital structure, market conditions, opportunities for investment aimed at growth, and other factors.

Based on the above policy, we plan to pay a year-end ordinary dividend for the fiscal year under review of 75 yen. This, combined with the interim dividend of 75 yen, brings the annual dividend for the fiscal year under review to 150 yen per share.

With regard to dividends for the next fiscal year, MRI expects to pay 80 yen per share for both the interim and year-end cash dividend, which will bring the annual dividend to 160 yen per share.

2. Group companies

The MRI Group comprises 15 companies (nine 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 & Consulting Services" segment, which comprises research and consulting services on public policies and general business. The other is "IT Services," which comprise software development, operation, and maintenance, together with information processing and outsourcing services.

Think Tank & Consulting Services

Since its founding, MRI has drawn on its knowledge of policies and systems, its ability to identify and analyze societal 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 the public sector with research and analysis, public policymaking and planning, consulting services, and business support in such social and public fields as national land development, transportation and traffic, ICT, regional management, healthcare, long-term care, welfare, and education, and in such science and technology policy fields as the environment, resources, energy, science and technology, and security.

Meanwhile, we provide the private sector 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 improving business competitiveness.

(Names of main companies)

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

IT Services

Mitsubishi Research Institute DCS Co., Ltd. (DCS), a subsidiary of MRI, plays a core role in providing software development, operation and maintenance together with information processing and outsourcing services in areas such as finance, manufacturing, logistics, services, and education, based on the knowledge and cutting-edge ICT technologies accumulated through the Think Tank & 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.

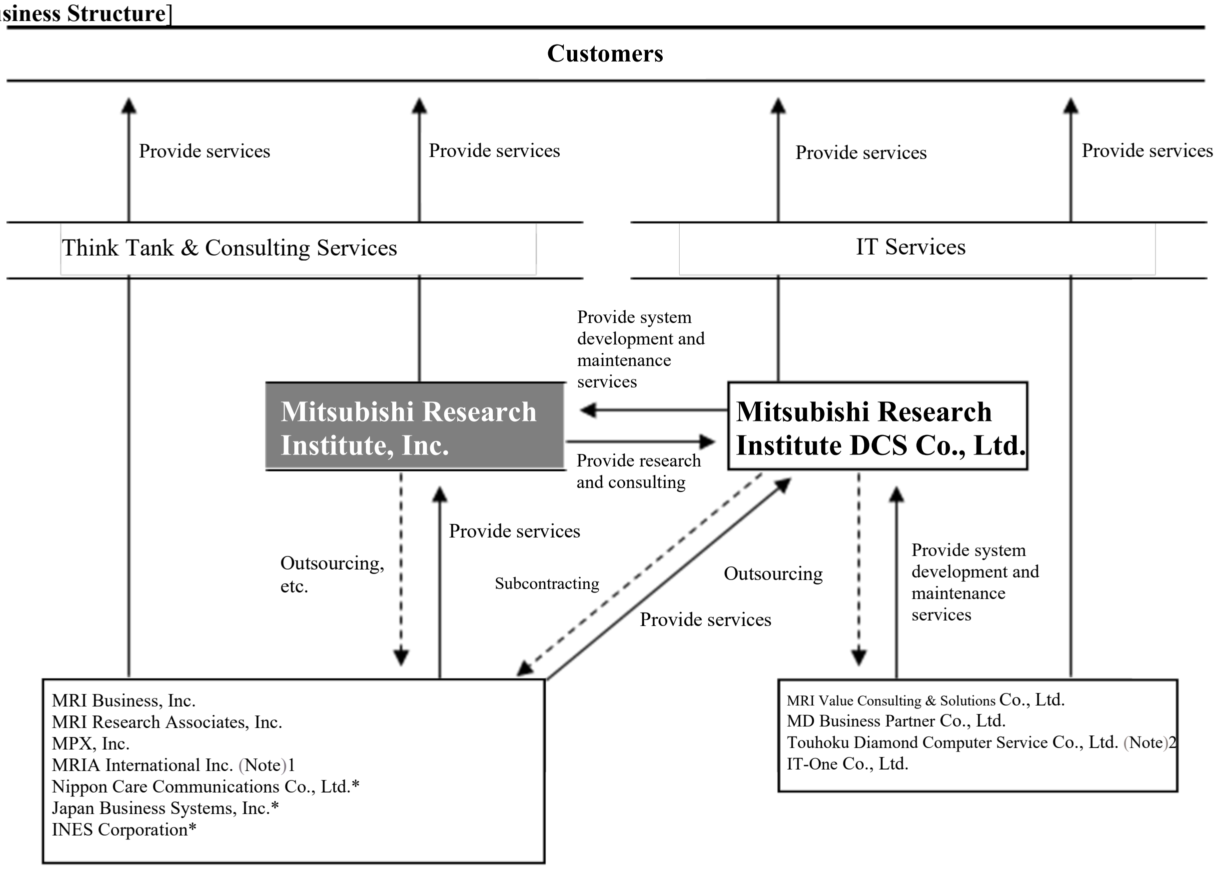
Our outsourcing services consist of information processing services centered on the PROSRV payroll and human resources system offered by Mitsubishi Research Institute DCS Co., Ltd., and outsourcing and BPO (*) of core systems through the Chiba Information Center.

(*) Business Process Outsourcing: Outsourcing certain business processes such as human resources, accounting and payroll-related processes to external specialist companies

(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., and IT-One Co., Ltd.

[**Business Structure**]



No mark: consolidated subsidiary *: Affiliate (entity accounted for using the equity method)

(Notes) 1. MRIA International Inc. was established in May 2023 to provide research and consulting services in the United States.
2. Touhoku Diamond Computer Service Co., Ltd. merged with Mitsubishi Research Institute DCS Co., Ltd. on October 1, 2023.

3. Management policy

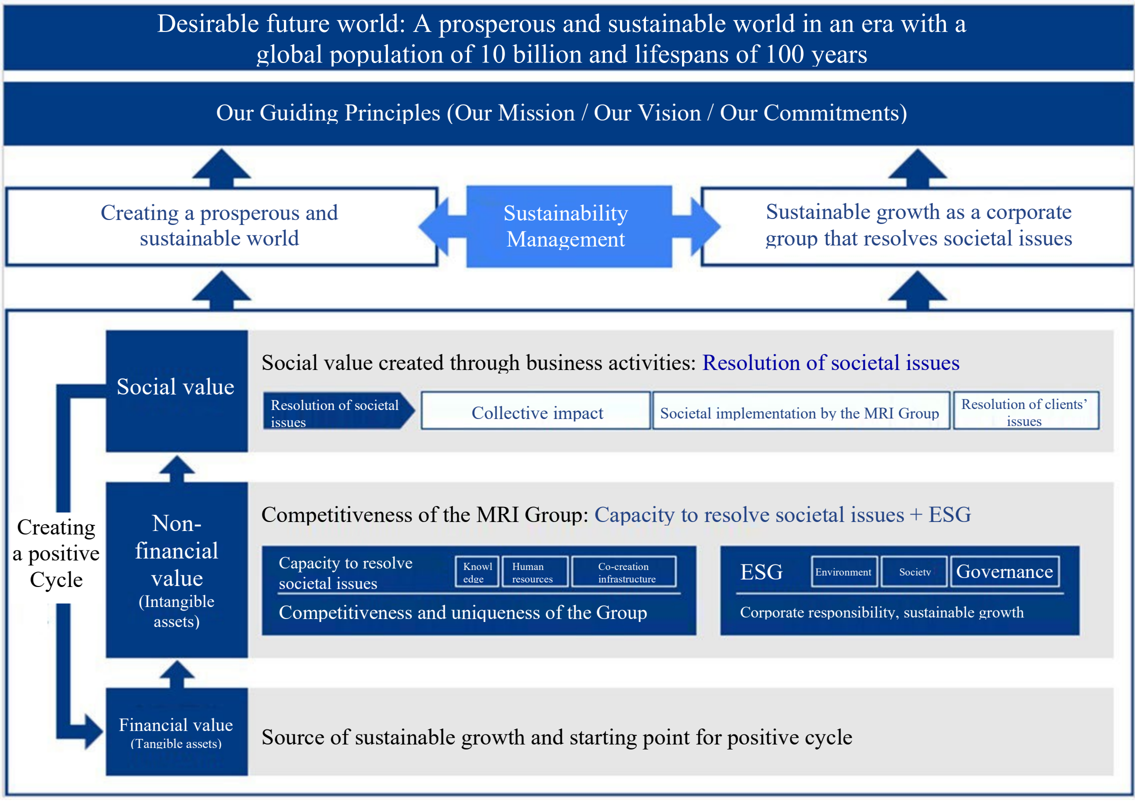
The forward-looking statements in the document are based on the judgment of the MRI Group as of the end of the fiscal year under review.

(1) Management policy

The MRI Group aims to create social value and resolve societal issues through its business operations, with the goal of creating a prosperous and sustainable world in the coming era, with a global population of 10 billion and lifespans of 100 years.

In order to create a prosperous and sustainable world, we will tackle the challenges facing society by expanding and creating a cycle of three key values: social value, non-financial value, and financial value. The Group will seek to create and improve social value by enhancing customer value through business activities and resolving societal issues through co-creation with various partners. In order to do so, it will be necessary to increase the Group's non-financial value, which can be done by expanding and strengthening our human infrastructure, intellectual/co-creation infrastructure, and social trust foundation, which are the sources of the Group's competitiveness. While seeking to improve financial value as the source of growth and the starting point for a positive cycle that makes such enhancements possible, we will continue to invest the proceeds from our sales and profit realized through social value and non-financial value, with an eye towards further growth.

Through this cycle, the Group aims to grow in a sustainable manner and to sustain both the society and the Group itself.



Based on the above management policy, the MRI Group has defined a total of six material issues from two aspects: Building a prosperous and sustainable world through our business, and achieving the sustainable growth of the Group.

<Building a prosperous and sustainable world through the Group's business>

Materiality		Themes of the Group's Initiatives
Individual well-being	Ensure health, self-fulfillment, and connection	• Healthcare • Human resources • Urban life and mobility
Social sustainability	Ensure safety, security and global sustainability	• Finance and credit card services • Food and agriculture • Information and communication • Resilience (*) • Energy and a circular society
Social transformation through technology	Implement innovative technology throughout society and transform business and society	• DX • Research on advanced technology • Focus on development of societal implementation businesses

(*) Resilience: Meaning "the ability to recover" and "the ability to bounce back", it refers to the capacity to respond to a crisis, such as a natural disaster, and the capacity to recover quickly from situations of damage (fortitude).

<Achieving the sustainable growth of the MRI Group>

Materiality		Themes of the Group's Initiatives
Human foundation	Sustainable growth of our people and the organization	• Securing and developing human resources • Work-life balance, health & productivity management • DE&I
Intellectual/co-creation infrastructure	Demonstrate value of collective knowledge and co-creation infrastructure	• Research & recommendations, accumulation of intellectual property • Formation of customer and business partner networks • Group management
Social trust foundation	Maintain and improve social trust	• Risk management • Information security • Corporate governance • Decarbonization

(2) Management strategy

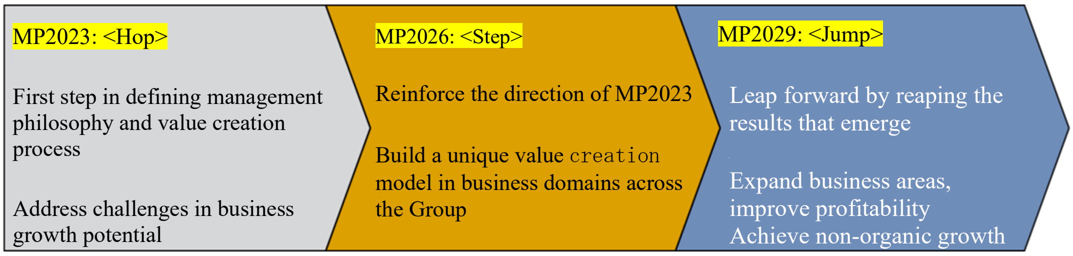
(Medium-Term Management Plan 2026)

Our society is undergoing rapid changes, affected by the rapid progress and increased diffusion of DX and innovative AI technologies, in addition to China's expanding influence, the destabilization of the balance of power due to the situation in Ukraine and the Middle East, the spread of inflation, and the ever-growing importance of sustainability and economic security. From another perspective, the need to resolve societal issues appears greater than ever.

The environment surrounding the MRI Group is characterized by continued promotion of DX and commitment to IT investment by the public and private sectors, further intensifying the competition to capture market growth. In particular, the ICT industry is actively pursuing high profit margins through M&A and servitization.

Based on a recognition of such developments, the Group aims to brand and differentiate itself as a corporate group that resolves social issues, thereby accentuating its presence in the market. To this end, we drew up the Medium-Term Management Plan 2026 ("MP2026") in October 2023, to realize our vision of where we want to be in 2030.

MP2026 is positioned as the intermediate stage of a nine-year plan starting from the previous Medium-Term Management Plan 2023 ("MP2023") leading up to 2030, which is divided into three phases of three years each. The three phases are respectively classified as "Hop", "Step" and "Jump", with MP2026 positioned as the "Step". In MP2026, we will further press ahead for the realization of our management philosophy and the Value Creation Process, for which we took the first step in MP2023. At the same time, we will tackle emerging issues and build a unique value creation model in business domains across the Group. On top of that, we aim to further expand business areas and improve profitability during the "Jump" phase.



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

Based on the above, we have established the following basic policies: a. Business strategy, b. Infrastructure strategy, and c. Value creation strategy.

a. Business strategy

We will build a one-stop model fusing the aspects of digital × consulting × think tank, accelerate group-wide DX efforts, and foster next-generation businesses.

To promote such a business strategy throughout the Group, we have defined strategic domains along the business axis, and are promoting four businesses: Think Tank, Societal and Public Innovation, Digital Innovation, and Financial System Innovation.

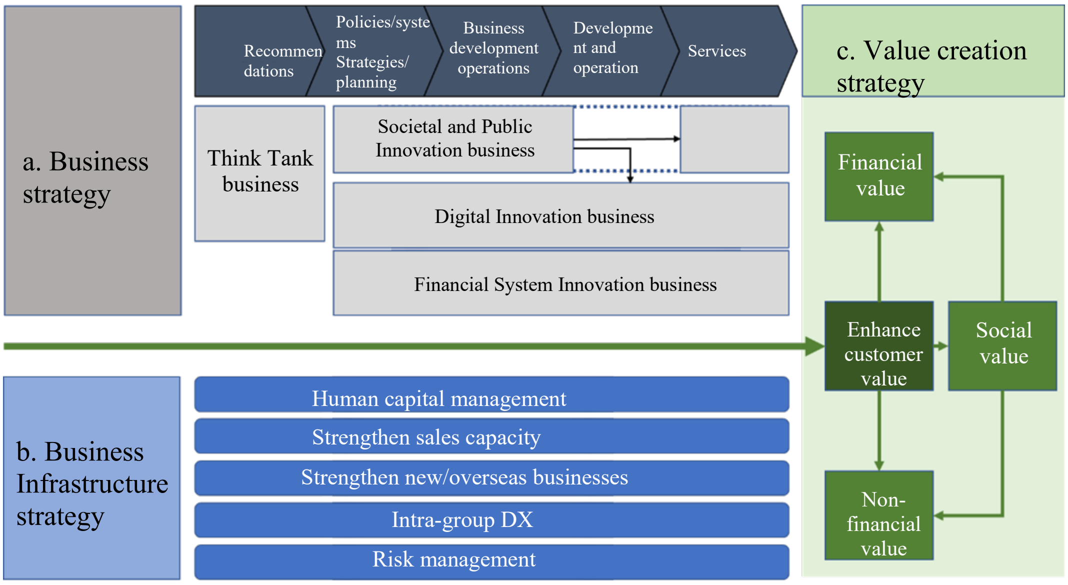
- Think Tank business:
  This will shape social trends toward the realization of a future world through research & recommendations, and will carry out the function of enhancing the social value of the entire MRI Group.
- Societal and Public Innovation business:
  We will bolster this as the Group's core business aimed at the public and private sectors, and carry out real-world implementation of solutions to issues, as well as offer research, DX, and consulting services by utilizing our policy knowledge.
- Digital Innovation business:
  Along with management and DX consulting, we will offer DX solutions for the manufacturing and distribution sectors where market growth is expected to be robust, and promote services utilizing data analysis and AI.

- Financial System Innovation business:
  Centered on existing services aimed at financial institutions, we will offer more comprehensive financial consulting services and expand into the financial DX domain.

b. Business Infrastructure strategy
We will develop and upgrade the infrastructure for business growth from the following five perspectives.

- Human capital management:
  We will enhance our human capital as a source of our competitiveness, and achieve an optimal human resource portfolio for the Group as a whole.
- Strengthen sales capacity:
  We will strengthen the marketing and promotion functions of the DX business through a system of collaboration within the Group.
- Strengthen new/overseas businesses:
  We will position a service-providing model that is not overly limited by human resources as a new business, and will search for and strengthen the development of a variety of new businesses that are suited to the Group. We will also promote our overseas businesses by supporting our overseas customers and business partners, as well as our customers in Japan, in developing their businesses globally, starting from our overseas bases in Hanoi and Dubai.
- Intra-group DX:
  We aim to provide further customer value by improving the productivity of the entire Group through the use of generative AI, project management DX, and other means.
- Risk management:
  In line with the expansion of the Group's operations and the development of businesses that utilize AI and other technologies, we will further upgrade our risk management system, and ensure that project management systems for system development, legal functions, and information system security function well and are reinforced throughout the entire Group.

c. Value creation strategy
We will promote the Group's sustainability management by enhancing the value we provide to our customers based on the above business and infrastructure strategies, and by creating a positive cycle and expansion of the three values of financial, non-financial, and social values. Through Group public relations and IR aimed at stakeholders, we will proactively explain and promote our social value, as well as the non-financial capital and value we possess, in order to gain recognition and trust as a corporate group that resolves societal issues, thereby anchoring the brand image of the Group as a whole.



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

a. Financial value
We use ordinary profit and ROE as key management indicators and have set target levels in MP2026 as follows. We have also set a net sales target that represents an intermediate point leading to further business expansion in 2030. Through efforts to achieve these goals, we will strive to enhance corporate value and improve capital efficiency.

Targets for the final year of MP2026 (fiscal year ending September 30, 2026)
- Net sales : 135,000 mil. yen
- Consolidated ordinary profit : 14,000 mil. yen
- ROE : 12%

b. Non-financial value

Based on the materiality established for the MRI Group, we have set specific non-financial value indicators that express our capacity to resolve societal issues, and aim to achieve these targets. Specifically, the ratio of female employees, the number of patent applications and registrations, the ratio of renewable energy, and others are set as indicators classified under the three elements of human infrastructure, intellectual/co-creation infrastructure, and social trust infrastructure, and their degree of achievement is used as a partial factor when calculating variable compensation (stock compensation) for internal directors, thereby reflecting the results in officer compensation.

c. Social value

Based on the materiality established for the MRI Group, we have connected the relevant businesses operated by the Group with the social values we aim to create and the social values created by our Group's strengths, and have set indicators such as the scale of the human resources/healthcare business, the scale of the GX-related business, and the number of startup companies fostered, in order to clarify our social values.

(4) Operating environment

The MRI Group has positioned the public-sector business in the Think Tank & Consulting Services segment ("TTC") and financial and credit card services in the IT Services segment ("ITS") as core businesses that represent the strengths of the Group. Mitsubishi Research Institute, Inc. plays a core role in the TTC segment, as does Mitsubishi Research Institute DCS Co., Ltd. in the ITS segment. The two companies have collaborated to maintain and expand a stable business base, achieving growth.

As the challenges facing society become increasingly more sophisticated and complex, wide-ranging and highly specialized expertise, urgency, and agility are increasingly required in policy planning and system design aimed at resolving such issues. In the TTC segment, we have used our wide-ranging expertise and integrated strengths to lead the way in addressing socially impactful, high-priority issues in areas such as the response to COVID-19, energy, healthcare, transport, mobility and telecommunications. As a result, we have steadily won numerous public sector contracts. In addition, resolving societal issues now requires not only research or system design, but also more in-depth involvement, such as presenting concrete solutions that actually work, demonstrating and confirming their effectiveness, and applying and commercializing them in the real world. Such changes also indicate the possibility of developing new businesses, shifting from a business model that is heavily limited by the number of personnel deployed to a business model that is not overly limited by human resources.

In the financial sector, with the rapid spread and development of ICT, adapting to new technologies such as Fintech has become a matter of urgency. In addition, new international financial regulations and corresponding systemic responses are being required to address issues such as money laundering and the management of various market risks that have emerged with increased globalization. In the ITS segment, we have been expanding our business by perceiving such changes in the financial sector and tapping into demand such as that for the development of important infrastructure systems. At the same time, there is a rapidly growing demand for system requirements that are different from what existed before, such as flexible and low-cost systems based on AI and cloud computing and mobile payment systems that rely on Fintech. In order to meet customer needs, consultative functions must be enhanced.

In order to respond to such changes in the environment and achieve further growth, we will further strengthen and accelerate Group-wide efforts, setting up our strategic domains along the business axis. In addition, we will push ahead with the reform of our portfolio, allocating resources to priority businesses in a focused and efficient manner. For further growth, we will build on the strengths we have developed to date to predict and forecast changes in the much larger private-sector market, with a focus on "implementation," in other words, delivering solutions based on cutting-edge ICT technologies, notably DX. In addition, we will augment our human resources, which are the source of our strength, and our ability to disseminate information, and expand collaboration with various partners both within and outside the Group.

(5) Business and financial issues to be addressed

a. Strengthening human capital management

We will enhance our human capital as a source of our competitiveness, secure the talent needed to realize a scenario for growth for the Group as a whole in line with our business strategy, and achieve an optimal human resources portfolio. We will develop recruitment and training strategies to address the shortage in talent, as well as improve compensation and focus on augmenting human resources in growth areas.

In addition, from the perspective of Group management, we will support career development by utilizing Group-wide resources.

Regarding the development of human resources, we are working on measures such as introducing and implementing our unique FLAP Cycle (*), which supports the development and growth of employees according to their individual aspirations. In addition, we have transitioned to a job-based personnel system based on the concept of a multi-track career, with roles assigned to each. We will continue to pursue work style reforms, thereby pursuing health and productivity management, encouraging employee activities, enhancing diversity, and strengthening and enhancing employee engagement, with the aim of becoming a corporate group with an appealing work environment that allows talented people to fulfill their potential and play an active role.

Although such initiatives as work style reforms will result in a cost increase in the short term, we view them as essential to the sustainable growth of the Group, as we believe that human resources are the Group's largest and most important asset. At the same time, however, we will continue our efforts to improve productivity and pass on costs to customers, as well as to increase customer value through constant efforts to maintain and improve quality.

(*) FLAP cycle: A unique MRI method that encourages individual career development through the following cycle: "Find" one's aptitude and occupational requirements, "Learn" the knowledge necessary to improve one's skills, "Act" to advance in one's desired direction, and then "Perform" on one's new career stage.

b. Acceleration of DX business, new businesses, etc.

The Group continues to promote ambidextrous management, investing in growth businesses and fostering next-generation core businesses over the medium to long term while augmenting earnings from its core businesses. DX, GX, and human resources, which represent a trend in our current policy and management issues, are the key elements needed for business development and growth in the domains designated in the business strategy of MP2026, such as Societal and Public Innovation, Digital Innovation, and Financial System Innovation. We will design businesses mindful of these factors.

We also consider it important to foster businesses that will support the future, and to hasten the transformation of our business portfolio. Specifically, we will work to expand the scale and profitability of service-providing businesses that are not overly limited by human resources, develop new services to follow up on existing leading services such as PROSRV and miraicompass, and develop global businesses.

c. Strengthening research & recommendation activities and actively utilizing generative AI

We recognize that research & recommendation activities form the starting point of the Group's value chain, and needs further reinforcement. Through research & recommendations, we will shape social trends toward the realization of a future world and enhance the social value of the entire MRI Group. Specifically, we will implement timely and autonomous initiatives and offer recommendations based on scientific knowledge (evidence), thereby contributing to the formulation of major public-sector policies and corporate strategies.

The emergence, rapid development, and spread of generative AI is expected to affect many industries and professions, and our operations are no exception. Various future risks may emerge, including a fundamental shift in business models, the emergence of competitors from unexpected industries, and loss of competitive advantage. In order to take advantage of such risks as business opportunities, the Group is actively promoting the use of generated AI within the Group, and promoting DX in project management, among other measures. Through these efforts, we aim to improve the productivity of the entire Group and further enhance customer value.

d. Strengthening the ability to manage risk

As our business expands, there are more opportunities to carry out large-scale projects and business formats that had not existed before, and project management is becoming increasingly important. In addition, when undertaking new business initiatives, the Group may face risks that it does not have the accumulated experience or knowledge to counter, and therefore it is necessary to identify such risks early on and respond promptly.

We will improve our understanding of rising or falling trends in risk and improve predictive management by setting up and operating a dashboard that can list up, comprehensively manage and understand risks, ensure that project management systems for system development function well and are reinforced throughout the Group, and further strengthen legal functions and information security.

4. Basic approach to selection of accounting standard

The MRI Group applies Japanese GAAP.

Also, 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, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	28,157	25,226
Accounts receivable - trade	23,515	26,071
Contract assets	14,561	16,704
Securities	5,000	—
Inventories	336	342
Prepaid expenses	1,992	2,023
Other	361	784
Allowance for doubtful accounts	(2)	(0)
Total current assets	73,921	71,154
Non-current assets		
Property and equipment		
Buildings and structures	18,061	18,313
Accumulated depreciation	(11,313)	(11,875)
Buildings and structures (net)	6,748	6,437
Machinery, equipment and vehicles	48	362
Accumulated depreciation	(33)	(176)
Machinery, equipment and vehicles (net)	15	186
Tools, furniture and fixtures	6,467	6,932
Accumulated depreciation	(5,134)	(5,301)
Tools, furniture and fixtures (net)	1,332	1,631
Land	720	720
Leased assets	2,861	2,564
Accumulated depreciation	(1,293)	(1,283)
Leased assets (net)	1,568	1,281
Construction in progress	273	1,856
Total property and equipment	10,659	12,114
Intangible assets		
Software	3,664	4,524
Software in progress	1,038	1,600
Leased assets	782	124
Other	3	4
Total intangible assets	5,488	6,253
Investments and other assets		
Investment securities	16,317	19,847
Long-term loans receivable	2	1
Lease and guarantee deposits	2,424	2,418
Net defined benefit asset	9	649
Deferred tax assets	4,727	4,443
Other	1,102	1,131
Allowance for doubtful accounts	(0)	(4)
Total investments and other assets	24,582	28,487
Total non-current assets	40,730	46,854
Total assets	114,652	118,009

(Million yen)

	As of September 30, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	5,871	4,296
Current portion of long-term borrowings	400	500
Accounts payable - other	1,317	2,672
Accrued expenses	8,120	11,677
Lease obligations	1,098	466
Income taxes payable	3,516	584
Accrued consumption taxes	2,005	2,152
Contract liabilities	716	754
Provision for bonuses	6,679	6,143
Provision for bonuses for directors, etc.	—	175
Provision for loss on order received	85	759
Other	427	594
Total current liabilities	30,239	30,777
Non-current liabilities		
Long-term borrowings	500	—
Lease obligations	1,531	1,121
Provision for retirement benefits for directors	—	4
Provision for share-based compensation	418	397
Net defined benefit liability	9,321	9,839
Asset retirement obligations	1,489	1,483
Other	0	—
Total non-current liabilities	13,261	12,846
Total liabilities	43,500	43,624
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,785	4,908
Retained earnings	50,721	54,520
Treasury shares	(622)	(2,393)
Total shareholders' equity	61,220	63,371
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,624	2,229
Deferred gains or losses on hedges	(3)	(3)
Foreign currency translation adjustment	10	(2)
Remeasurements of defined benefit plans	201	205
Total accumulated other comprehensive income	1,832	2,429
Non-controlling interests	8,099	8,584
Total net assets	71,151	74,385
Total liabilities and net assets	114,652	118,009

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

(Million yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Net sales	116,620	122,126
Cost of sales	90,039	96,142
Gross profit	26,580	25,984
Selling, general and administrative expenses	17,415	17,295
Operating profit	9,165	8,688
Non-operating income		
Interest income	8	2
Dividend income	169	216
Share of profit of entities accounted for using equity method	1,022	964
Gain on investments in silent partnerships	144	79
Other	58	144
Total non-operating income	1,403	1,408
Non-operating expenses		
Interest expenses	34	23
Overseas withholding taxes	39	47
Other	1	23
Total non-operating expenses	75	94
Ordinary profit	10,493	10,002
Extraordinary income		
Gain on sales of investment securities	1,641	33
Gain on change in equity	217	—
Total extraordinary income	1,858	33
Extraordinary losses		
Loss on sales of non-current assets	1	—
Loss on retirement of non-current assets	41	67
Impairment losses	84	238
Loss on revaluation of investment securities	57	—
Loss on change in equity	—	96
Other	7	12
Total extraordinary losses	192	415
Profit before income taxes	12,160	9,620
Income taxes - current	4,423	2,540
Income taxes - deferred	(874)	(58)
Total income taxes	3,548	2,482
Profit	8,611	7,138
Profit attributable to non-controlling interests	904	850
Profit attributable to owners of parent	7,707	6,287

Consolidated statements of comprehensive income

(Million yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Profit	8,611	7,138
Other comprehensive income		
Valuation difference on available-for-sale securities	(523)	678
Deferred gains or losses on hedges	66	(0)
Foreign currency translation adjustment	9	(15)
Remeasurements of defined benefit plans	19	(23)
Share of other comprehensive income of entities accounted for using equity method	(8)	54
Total other comprehensive income	(436)	693
Comprehensive income	8,174	7,831
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,369	6,884
Comprehensive income attributable to non-controlling interests	805	946

(3) Consolidated statements of changes in net assets

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,336	4,785	43,749	(762)	54,108
Cumulative effects of changes in accounting policies			1,235		1,235
Restated balance	6,336	4,785	44,984	(762)	55,343
Changes of items during period					
Dividends of surplus			(1,970)		(1,970)
Profit attributable to owners of parent			7,707		7,707
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				139	139
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	5,736	139	5,876
Balance at end of current period	6,336	4,785	50,721	(622)	61,220

	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	2,068	(70)	2	169	2,170	7,557	63,836
Cumulative effects of changes in accounting policies							1,235
Restated balance	2,068	(70)	2	169	2,170	7,557	65,071
Changes of items during period							
Dividends of surplus							(1,970)
Profit attributable to owners of parent							7,707
Purchase of treasury shares							(0)
Disposal of treasury shares							139
Changes of items other than shareholders' equity (net)	(444)	66	7	32	(338)	541	203
Total changes of items during period	(444)	66	7	32	(338)	541	6,080
Balance at end of current period	1,624	(3)	10	201	1,832	8,099	71,151

Fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,336	4,785	50,721	(622)	61,220
Changes of items during period					
Dividends of surplus			(2,517)		(2,517)
Profit attributable to owners of parent			6,287		6,287
Purchase of treasury shares				(1,884)	(1,884)
Disposal of treasury shares				114	114
Change in ownership interest of parent due to transactions with non-controlling interests		122			122
Change in scope of application of the equity method			28		28
Net changes of items other than shareholders' equity					
Total changes of items during period	—	122	3,798	(1,770)	2,150
Balance at end of current period	6,336	4,908	54,520	(2,393)	63,371

	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	1,624	(3)	10	201	1,832	8,099	71,151
Changes of items during period							
Dividends of surplus							(2,517)
Profit attributable to owners of parent							6,287
Purchase of treasury shares							(1,884)
Disposal of treasury shares							114
Change in ownership interest of parent due to transactions with non-controlling interests							122
Change in scope of application of the equity method							28
Net changes of items other than shareholders' equity (net)	605	(0)	(12)	4	596	485	1,082
Total changes of items during period	605	(0)	(12)	4	596	485	3,233
Balance at end of current period	2,229	(3)	(2)	205	2,429	8,584	74,385

(4) Consolidated statements of cash flows

(Million yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	12,160	9,620
Depreciation	3,610	3,753
Impairment losses	84	238
Increase (decrease) in provision for bonuses	2,337	(536)
Increase (decrease) in provision for bonuses for directors	—	175
Increase (decrease) in provision for share-based compensation	125	94
Decrease (increase) in net defined benefit asset	—	(133)
Increase (decrease) in net defined benefit liability	(532)	(22)
Increase (decrease) in provision for retirement benefits for directors	—	4
Increase (decrease) in allowance for doubtful accounts	2	1
Increase (decrease) in provision for loss on order received	(373)	674
Interest and dividend income	(177)	(219)
Interest expenses	34	23
Share of loss (profit) of entities accounted for using equity method	(1,022)	(964)
Loss (gain) on sales of non-current assets	1	—
Loss on retirement of non-current assets	41	67
Loss (gain) on sales of investment securities	(1,641)	(33)
Loss (gain) on valuation of investment securities	57	—
Loss (gain) on on change in equity	(217)	96
Decrease (increase) in trade receivables and contract assets	(10,099)	(4,700)
Increase (decrease) in inventories	(67)	(6)
Increase (decrease) in trade payables	1,701	(1,579)
Increase (decrease) in accrued expenses	4,793	3,557
Increase (decrease) in accrued consumption taxes	157	153
Increase (decrease) in contract liabilities	(103)	38
Other	(507)	108
Subtotal	10,364	10,412
Interest and dividends received	432	672
Interest paid	(34)	(23)
Income taxes paid	(1,506)	(5,365)
Cash flows from operating activities	9,256	5,695
Cash flow from investing activities		
Purchase of marketable securities	(5,000)	—
Proceeds from redemption of marketable securities	—	5,000
Purchase of property and equipment	(1,312)	(2,603)
Purchase of intangible assets	(1,874)	(2,873)
Proceeds from sales of intangible assets	—	3
Purchase of investment securities	(602)	(2,113)
Proceeds from sales of investment securities	1,359	165
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	533	—
Loan advances	(0)	(1)
Collection of loans receivable	2	1
Payments of leasehold and guarantee deposits	(27)	(28)
Proceeds from refund of leasehold and guarantee deposits	262	33
Other	4	4
Cash flow from investing activities	(6,654)	(2,411)

(Million yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Cash flow from financing activities		
Repayments of long-term borrowings	(400)	(400)
Repayments of lease obligations	(1,114)	(1,111)
Cash dividends paid	(1,972)	(2,517)
Dividends paid to non-controlling interests	(362)	(465)
Purchase of treasury shares	(0)	(1,884)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	—	180
Cash flow from financing activities	(3,850)	(6,199)
Effect of exchange rate change on cash and cash equivalents	9	(15)
Net increase (decrease) in cash and cash equivalents	(1,239)	(2,930)
Cash and cash equivalents at the beginning of the fiscal year	29,097	27,857
Cash and cash equivalents at fiscal year-end	27,857	24,926

(5) 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 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 financial statements.

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

(Segment information, etc.)
[Segment information]

1. Overview of reportable segments

The reportable segments of MRI are constituent units of the MRI Group on which separate financial information is available, and which are regularly reviewed by the Board of Directors for resource allocation and performance evaluation.

The Group classifies its businesses according to the type and nature of services and similarities in business forms, and pursues business activities by formulating comprehensive strategies for the products and services it handles.

<Think Tank & 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 figures relating to 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 figures relating to net sales, profit or loss, assets, liabilities, and other items by reportable segment

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(Million yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated financial statements (Note 2)
	Think Tank & Consulting Services	IT Services			
Net sales					
Outside customers	48,548	68,072	116,620	—	116,620
Inter-segment sales and transfers	68	1,458	1,527	(1,527)	—
Total	48,616	69,531	118,147	(1,527)	116,620
Segment profit	5,190	5,301	10,492	1	10,493
Segment assets	47,724	67,062	114,786	(134)	114,652
Other items					
Depreciation	623	3,006	3,629	(18)	3,610
Interest income	8	0	8	—	8
Interest expenses	6	28	34	—	34
Share of profit of entities accounted for using equity method	905	117	1,022	—	1,022
Investment in equity method affiliates	10,066	712	10,779	—	10,779
Increase in property and equipment, and intangible assets (Note 3)	1,601	1,372	2,974	(21)	2,953

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, 2023 (from October 1, 2022 to September 30, 2023)

(Million yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated financial statements (Note 2)
	Think Tank & Consulting Services	IT Services			
Net sales					
Outside customers	50,462	71,663	122,126	—	122,126
Inter-segment sales and transfers	73	1,477	1,550	(1,550)	—
Total	50,535	73,140	123,676	(1,550)	122,126
Segment profit	4,428	5,560	9,989	13	10,002
Segment assets	47,172	70,973	118,146	(136)	118,009
Other items					
Depreciation	816	2,955	3,772	(18)	3,753
Interest income	0	2	2	—	2
Interest expenses	3	19	23	—	23
Share of profit of entities accounted for using equity method	879	85	964	—	964
Investment in equity method affiliates	10,529	746	11,275	—	11,275
Increase in property and equipment, and intangible assets (Note 3)	2,105	4,174	6,279	(5)	6,274

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.

(Per share information)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Net assets per share	3,880.03 yen	4,137.76 yen
Basic earnings per share	474.67 yen	392.27 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 173,000 shares, which included 173,000 shares of MRI held by the BIP Trust. At the end of the fiscal year under review, the number of treasury shares was 521,000 shares, which included 141,000 shares of MRI held by the BIP Trust.

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

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

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Profit attributable to owners of parent (million yen)	7,707	6,287
Profit not attributable to common shareholders (million yen)	―	―
Profit attributable to owners of parent related to common shares (million yen)	7,707	6,287
Average number of outstanding common shares during the fiscal year (thousand shares)	16,237	16,028

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 186,000 shares, which included an average 185,000 shares of MRI held by the BIP Trust. During the fiscal year under review, the average number of treasury shares was 395,000 shares, which included an average 151,000 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, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	12,254	8,021
Accounts receivable - trade	5,288	2,627
Contract assets	7,397	9,665
Work in process	105	84
Prepaid expenses	623	578
Other	200	567
Allowance for doubtful accounts	(0)	(0)
Total current assets	25,869	21,545
Non-current assets		
Property and equipment		
Buildings	855	886
Machinery and equipment	—	175
Tools, furniture and fixtures	289	293
Land	1	1
Leased assets	15	10
Construction in progress	79	—
Total property and equipment	1,242	1,367
Intangible assets		
Software	1,308	1,845
Other	607	852
Total intangible assets	1,916	2,698
Investments and other assets		
Investment securities	2,534	2,856
Shares of subsidiaries and affiliates	25,769	25,913
Investments in capital of subsidiaries and affiliates	407	384
Lease and guarantee deposits	1,559	1,562
Long-term prepaid expenses	58	40
Deferred tax assets	2,343	2,247
Other	6	6
Allowance for doubtful accounts	(0)	(3)
Total investments and other assets	32,679	33,006
Total non-current assets	35,837	37,072
Total assets	61,707	58,618

(Million yen)

	As of September 30, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	3,251	1,523
Current portion of long-term borrowings	400	500
Lease obligations	14	3
Accounts payable - other	784	1,257
Accrued expenses	540	566
Income taxes payable	1,017	116
Accrued consumption taxes	1,338	1,099
Contract liabilities	145	31
Provision for bonuses	2,395	2,161
Provision for bonuses for directors, etc.	—	175
Provision for loss on order received	78	19
Other	226	258
Total current liabilities	10,193	7,711
Non-current liabilities		
Long-term borrowings	500	—
Lease obligations	3	7
Provision for share-based compensation	418	397
Provision for defined benefit	4,721	4,637
Asset retirement obligations	621	624
Total non-current liabilities	6,264	5,666
Total liabilities	16,458	13,378
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	31,891	33,468
Total retained earnings	33,904	35,481
Treasury shares	(622)	(2,393)
Total shareholders' equity	44,469	44,276
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	783	967
Deferred gains or losses on hedges	(3)	(3)
Total valuation and translation adjustments	779	963
Total net assets	45,249	45,239
Total liabilities and net assets	61,707	58,618

(2) Non-consolidated statements of income

(Million yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Net sales	46,314	47,792
Cost of sales	36,793	38,907
Gross profit	9,521	8,884
Selling, general and administrative expenses		
Salaries and allowances	1,253	1,279
Provision for bonuses	671	655
Provision for bonuses for directors, etc.	—	98
Provision for share-based compensation	101	60
Outsourcing expenses	1,051	1,256
Rent expenses	588	584
Depreciation	206	217
Provision of allowance for doubtful accounts	0	3
Other	2,343	2,287
Total selling, general and administrative expenses	6,215	6,443
Operating profit	3,305	2,440
Non-operating income		
Interest and dividend income	1,972	2,578
Other	161	106
Total non-operating income	2,134	2,684
Non-operating expenses		
Interest expenses	8	5
Loss on investment partnership management	—	7
Overseas withholding taxes	39	47
Foreign exchange losses	7	—
Other	0	5
Total non-operating expenses	56	66
Ordinary profit	5,383	5,058
Extraordinary income		
Gain on sales of investment securities	229	—
Gain on sales of subsidiaries and affiliates' shares	—	176
Total extraordinary income	229	176
Extraordinary losses		
Impairment losses	—	222
Loss on retirement of non-current assets	16	53
Loss on revaluation of investment securities	57	—
Other	2	10
Total extraordinary losses	77	286
Profit before income taxes	5,536	4,948
Income taxes - current	1,515	709
Income taxes - deferred	(332)	15
Total income taxes	1,182	724
Profit	4,353	4,224

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

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(Million yen)

	Shareholders' equity								
		Capital surplus		Retained earnings					
					Other retained earnings				
	Capital stock	Capital reserve	Total capital surplus	Revenue reserve	Other reserve	Earned surplus brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,336	4,851	4,851	171	1,842	28,820	30,834	(762)	41,259
Cumulative effects of changes in accounting policies						687	687		687
Restated balance	6,336	4,851	4,851	171	1,842	29,508	31,522	(762)	41,947
Changes of items during period									
Dividends of surplus						(1,970)	(1,970)		(1,970)
Profit						4,353	4,353		4,353
Purchase of treasury shares								(0)	(0)
Disposal of treasury shares								139	139
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	2,382	2,382	139	2,522
Balance at end of current period	6,336	4,851	4,851	171	1,842	31,891	33,904	(622)	44,469

	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	823	(70)	753	42,012
Cumulative effects of changes in accounting policies				687
Restated balance	823	(70)	753	42,700
Changes of items during period				
Dividends of surplus				(1,970)
Profit				4,353
Purchase of treasury shares				(0)
Disposal of treasury shares				139
Net changes of items other than shareholders' equity	(40)	66	26	26
Total changes of items during period	(40)	66	26	2,548
Balance at end of current period	783	(3)	779	45,249

Fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(Million yen)

	Shareholders' equity								
		Capital surplus		Retained earnings					
					Other retained earnings				
	Capital stock	Capital reserve	Total capital surplus	Revenue reserve	Other reserve	Earned surplus brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,336	4,851	4,851	171	1,842	31,891	33,904	(622)	44,469
Changes of items during period									
Dividends of surplus						(2,517)	(2,517)		(2,517)
Profit						4,224	4,224		4,224
Purchase of treasury shares								(1,884)	(1,884)
Disposal of treasury shares								114	114
Decrease due to company split						(130)	(130)		(130)
Net changes of items other than shareholders' equity									
Total changes of items during period	—	—	—	—	—	1,576	1,576	(1,770)	(193)
Balance at end of current period	6,336	4,851	4,851	171	1,842	33,468	35,481	(2,393)	44,276

	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	783	(3)	779	45,249
Changes of items during period				
Dividends of surplus				(2,517)
Profit				4,224
Purchase of treasury shares				(1,884)
Disposal of treasury shares				114
Decrease due to company split				(130)
Net changes of items other than shareholders' equity	184	(0)	183	183
Total changes of items during period	184	(0)	183	(9)
Balance at end of current period	967	(3)	963	45,239

7. Status of orders received and sales

(1) Status of orders received

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

Segment name	Fiscal year ended September 30, 2023			
	Orders received (million yen)	Year-on-year change (%)	Order backlog (million yen)	Year-on-year change (%)
Think Tank & Consulting Services	43,682	(12.3)	28,087	(19.4)
IT Services	71,743	1.0	47,225	0.2
System development	43,459	(4.5)	20,429	(8.3)
Outsourcing services	28,283	10.6	26,796	7.8
Total	115,425	(4.5)	75,313	(8.2)

Notes: 1. Inter-segment transactions are offset against each other.
2. For services that are provided continually and paid for based on performance, 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.

Segment name		Fiscal year ended September 30, 2023	Year-on-year change (%)
Think Tank & Consulting Services	(million yen)	50,462	3.9
IT Services	(million yen)	71,663	5.3
System development	(million yen)	45,312	10.9
Outsourcing services	(million yen)	26,350	(3.2)
Total	(million yen)	122,126	4.7

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