

[Translation for reference only]

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Translation



November 13, 2019

## Consolidated Financial Results for the Fiscal Year Ended September 30, 2019 <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/>  
Representative: Takashi Morisaki, President  
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Scheduled date of annual general meeting of shareholders: December 18, 2019  
Scheduled date to commence dividend payments: December 19, 2019  
Scheduled date to submit Annual Securities Report: December 18, 2019  
Preparation of supplementary material on financial results: Yes  
Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

### 1. Consolidated performance for the fiscal year ended September 30, 2019 (from October 1, 2018 to September 30, 2019)

#### (1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2019	90,029	(0.2)	5,130	3.4	5,718	6.6	3,599	5.8
September 30, 2018	90,250	0.9	4,963	(13.4)	5,364	(14.3)	3,402	(11.2)

Note: Comprehensive income

For the fiscal year ended September 30, 2019: 3,165 million yen [(28.1)%]  
For the fiscal year ended September 30, 2018: 4,401 million yen [(18.6)%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
September 30, 2019	221.58	–	7.6	7.0	5.7
September 30, 2018	209.46	–	7.5	7.0	5.5

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

For the fiscal year ended September 30, 2019: 427 million yen  
For the fiscal year ended September 30, 2018: 203 million yen

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2019	84,568	54,843	56.7	2,950.94
September 30, 2018	78,600	53,284	59.1	2,859.70

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

As of September 30, 2019: 47,940 million yen

As of September 30, 2018: 46,458 million yen

**(3) Consolidated cash flows**

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
September 30, 2019	8,726	(2,768)	(2,360)	25,657
September 30, 2018	7,013	(3,129)	(1,826)	22,062

**2. Cash dividends**

	Annual cash dividends per share					Total cash dividends	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter- end	Second quarter- end	Third quarter- end	Fiscal year- end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended September 30, 2018	–	40.00	–	45.00	85.00	1,396	40.6	3.1
Fiscal year ended September 30, 2019	–	45.00	–	50.00	95.00	1,560	42.9	3.3
Fiscal year ending September 30, 2020 (Forecast)	–	50.00	–	50.00	100.00		41.7	

**3. Consolidated earnings forecasts for the fiscal year ending September 30, 2020  
(from October 1, 2019 to September 30, 2020)**

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending September 30, 2020	94,000	4.4	5,200	1.3	6,000	4.9	3,900	8.3	240.06

**\*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
- 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

- (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, 2019	16,424,080 shares
As of September 30, 2018	16,424,080 shares

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

As of September 30, 2019	178,196 shares
As of September 30, 2018	178,156 shares

- c. Average number of outstanding shares during the period

Fiscal year ended September 30, 2019	16,245,885 shares
Fiscal year ended September 30, 2018	16,245,924 shares

Note: For the number of shares as 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 26 of the attached materials.

(Reference) Overview of non-consolidated performance

### 1. Non-consolidated performance for the fiscal year ended September 30, 2019 (from October 1, 2018 to September 30, 2019)

#### (1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2019	32,860	2.4	2,718	(0.2)	3,401	(4.6)	2,628	(3.6)
September 30, 2018	32,080	0.3	2,723	68.9	3,565	56.7	2,726	41.1

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
September 30, 2019	161.82	–
September 30, 2018	167.83	–

#### (2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2019	51,862	39,089	75.4	2,406.12
September 30, 2018	49,410	38,514	77.9	2,370.73

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

As of September 30, 2019: 39,089 million yen

As of September 30, 2018: 38,514 million yen

\* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

\* **Appropriate use of business forecasts; other special items**

(Caution regarding forward-looking statements, etc.)

In this document, statements other than historical facts are forward-looking statements that are based on information available at this moment. Therefore, they do not constitute a guarantee that they will be realized. These forward-looking statements involve uncertainties, future changes in our business climate and other factors that may cause our actual results and achievements to differ from those anticipated in these statements.

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

(Availability of supplementary material on financial results)

Supplementary material on financial results is made available on our website.

## Table of Contents of the Attached Materials

1. Overview of operating results and others .....	2
(1) Overview of operating results for the fiscal year under review .....	2
(2) Overview of financial position for the fiscal year under review.....	3
(3) Overview of cash flow position for the fiscal year under review .....	3
(4) Outlook for the next fiscal year .....	4
(5) Basic policy on profit distribution and dividends for the fiscal year under review and next fiscal year .....	5
2. Group companies.....	6
3. Management policy .....	8
(1) Management policy .....	8
(2) Management strategy.....	8
(3) Objective indicators to assess performance versus management targets, etc. ....	9
(4) Operating environment .....	10
(5) Business and financial issues to be addressed .....	11
4. Basic approach to selection of accounting standard.....	13
5. Consolidated financial statements and significant notes thereto .....	14
(1) Consolidated balance sheets .....	14
(2) Consolidated statements of income and consolidated statements of comprehensive income .....	16
Consolidated statements of income .....	16
Consolidated statements of comprehensive income .....	17
(3) Consolidated statements of changes in net assets .....	18
(4) Consolidated statements of cash flows .....	20
(5) Notes to consolidated financial statements .....	22
(Notes on going concern assumption).....	22
(Additional information) .....	22
(Segment information, etc.).....	23
(Per share information) .....	26
(Significant subsequent events).....	26
6. Non-consolidated financial statements and significant notes thereto.....	28
(1) Non-consolidated balance sheets .....	28
(2) Non-consolidated statements of income .....	30
(3) Non-consolidated statements of changes in net assets.....	31
7. Status of orders received and sales .....	33
(1) Status of orders received.....	33
(2) Sales performance.....	33

**(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, 2018 to September 30, 2019), the Japanese economy made a modest recovery, mainly in domestic demand, while overseas economies slightly slowed down, mainly due to the intensifying US-China trade friction. The distribution and services sector, etc., as well as the manufacturing sector, are investing heavily to improve the competitiveness of their products and services. As part of that trend, there is a growing need for consulting and IT services that utilize AI (artificial intelligence), IoT\* and cloud computing.

Against this backdrop, Mitsubishi Research Institute, Inc. and its consolidated subsidiaries (the MRI Group) place the highest priority on quality and customer satisfaction, while developing businesses by utilizing the scientific methods, insights into cutting-edge technologies, public policies and systems, and integrated solution proposal capabilities it has accumulated as a comprehensive think tank.

The fiscal year under review is the second year of the Medium-term Management Plan 2020 (Plan 2020), and we are moving ahead with initiatives based on the plan. In the plan, we have positioned the public sector and the finance/credit card sector as core business areas that leverage our traditional strengths and solidly support MRI's business. We have also positioned businesses providing consulting and IT solutions to private-sector companies leveraging insights into policies and systems in the public sector, and businesses utilizing AI and other technologies to provide new services as growth businesses, so as to balance our business portfolio. In new services, steady progress was made in our growth businesses, including expanding energy market prediction information services, starting demonstration of an AI-based screening service aimed at automating housing loan screening processes, and beginning full-scale development of residents' consultation service support using AI for local governments. Moreover, the Group has put in place a sales structure to implement these businesses quickly, and has been reinforcing its sales activities with a particular focus on areas including the energy sector, the healthcare and wellness sector, and the transport and traffic sector, and these efforts have been yielding results.

While steady progress was made on the plan as described above, due to the ongoing response to a project with quality issues, which arose in a large system development project in the IT services segment in the previous fiscal year, we recorded an additional provision for loss on order received in the fiscal year under review.

As a result, during the fiscal year under review, the MRI Group recorded net sales of 90,029 million yen, a year-on-year decrease of 0.2%, operating profit of 5,130 million yen, a year-on-year increase of 3.4%, and ordinary profit of 5,718 million yen, a year-on-year increase of 6.6%. Profit attributable to owners of parent was 3,599 million yen, a year-on-year increase of 5.8%.

\*Internet of Things: A term referring to the creation of an Internet of things, the state of products and processes, etc. connected to the Internet, and the aggregation, analysis, and utilization of digital information data obtainable as a result of such state.

The results by segment are as follows.

**<Think tank and consulting services>**

In the fiscal year under review, MRI's core business areas showed firm performance, including the energy sector, the transport and traffic sector, and the information and telecommunications sector. Moreover, in businesses for the private sector, for which the MRI Group has been working to strengthen its sales structure, there was growth in areas such as the IT system and security sector, consulting on new business development, and the new energy market prediction model, and growth in these services also contributed to profits. As a result, the segment reported net sales (outside

sales) of 34,099 million yen, an increase of 1.8% year on year, and ordinary profit of 3,351 million yen, an increase of 3.7% year on year.

<IT services>

In the fiscal year under review, sales decreased due to factors such as a recoil decline accompanying the completion of multiple system development projects and the revision of large-scale development plans by major customers. As a result, the segment reported net sales (outside sales) of 55,930 million yen, a decrease of 1.5% year on year. Meanwhile, the segment reported ordinary profit of 2,325 million yen, an increase of 13.4% year on year, mainly due to the reversal of provision for loss on order received recorded in the previous fiscal year.

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

As of the end of the fiscal year under review, total assets stood at 84,568 million yen, an increase of 5,967 million yen, or 7.6%, compared with the end of the previous fiscal year. Broken down, current assets increased 6.1% to 47,635 million yen, and non-current assets increased 9.5% to 36,932 million yen. In current assets, there were rises of 3,595 million yen in cash and deposits and 797 million yen in inventories, and a decrease of 1,640 million yen in notes and accounts receivable – trade. Non-current assets increased 3,217 million yen, mainly due to acquisition of software through leasing and an increase in investment securities due to additional investments.

Liabilities increased 4,408 million yen, or 17.4%, compared with the end of the previous fiscal year to 29,724 million yen. As with the factors for the increase in non-current assets, this mainly reflected the increase in lease obligations due to acquisition of software through leasing and the increase in accounts payable for investment securities.

Net assets increased 1,558 million yen, or 2.9%, compared with the end of the previous fiscal year to 54,843 million yen mainly due to an increase of 2,121 million yen in retained earnings, and a decrease of 836 million yen in valuation difference on available-for-sale securities. The equity ratio stood at 56.7%.

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

As of the end of the fiscal year under review, cash and cash equivalents increased 3,595 million yen compared with the end of the previous fiscal year to 25,657 million yen. The respective cash flow positions and main factors behind changes are as follows.

Cash provided by operating activities was 8,726 million yen, compared with 7,013 million yen provided in the previous fiscal year. The main reasons include 5,850 million yen in profit before income taxes and 3,660 million yen in depreciation.

Cash used in investing activities was 2,768 million yen, compared with 3,129 million yen used in the previous fiscal year. The main reasons were 1,111 million yen in purchase of investment securities, 1,048 million yen in purchase of property and equipment, and 893 million yen in purchase of intangible assets.

Cash used in financing activities was 2,360 million yen, compared with 1,826 million yen used in the previous fiscal year. The main reasons were 1,478 million yen in cash dividends paid and 753 million yen in repayments of lease obligations.

**(4) Outlook for the next fiscal year**

Although there is a strong possibility of temporary negative growth in the Japanese economy in the first half of the next fiscal year due to the impact of a recoil decline following the consumption tax rate hike, a moderate recovery is predicted through the second half. Consumer activity is expected to remain strong, buoyed by the firm employment and income environment, as well as various public policies aimed at reducing the burden on households from the tax hike. Robust investment is also expected, driven by strong investment needs aimed at addressing labor shortages and promoting digitization.

However, the situation overseas is highly uncertain and presents a downside risk to the outlook for the Japanese economy. There is a possibility for a major slowdown in the global economy against a backdrop of factors including the further intensification of the US-China trade friction. In such an event, it is expected that the flow of capital into risk assets, which is growing as interest rates are lowered worldwide, would backflow, resulting in a stronger yen and exerting downward pressure on stock prices in the Japanese financial markets. If these risks manifest, they would exert strong downward pressure on the Japanese economy through a negative impact on exports, corporate earnings and business and household sentiment.

For the fiscal year ending September 30, 2020, the MRI Group forecasts consolidated net sales of 94,000 million yen, up 4.4% compared with the fiscal year under review, operating profit of 5,200 million yen, up 1.3%, ordinary profit of 6,000 million yen, up 4.9%, and profit attributable to owners of parent of 3,900 million yen, up 8.3%. The forecasts fall short of the initial targets set in Plan 2020, in light of the following status by segment.

In think tank and consulting services, we forecast net sales (outside sales) of 36,000 million yen, up 5.6% year on year, and ordinary profit of 3,600 million yen, up 7.4% year on year. We expect to receive orders in strategic policy fields for government and public offices, an area where we have worked on under Plan 2020. We also forecast firm private-sector corporate demand related mainly to business operation and business innovation consulting, and ICT consulting utilizing package solutions. Meanwhile, we also plan to expand up-front investments targeting future growth, carry out activities relating to the 50th anniversary of MRI's founding, and further strengthen our security measures. However, we expect that the improvement in the profit margin and other factors will offset these increased expenses, and we therefore forecast increases in net sales and profit in the fiscal year ending September 30, 2020, as well as expect to achieve the initial targets of Plan 2020 in this segment.

In IT services, we forecast net sales (outside sales) of 58,000 million yen, up 3.7% year on year, and ordinary profit of 2,400 million yen, up 3.2% year on year. Although we expect increases in net sales and profit due to the ceasing of the negative impact from the recording of provision for loss on order received over the two fiscal years beginning in the fiscal year ended September 30, 2018, we did not achieve the growth in large-scale system development projects assumed in Plan 2020. Both net sales and profit are on a recovering trend mainly due to increases in finance/credit card projects, which we have positioned as a core business area, and expansion in areas including systems such as big data utilization platforms, services for junior and senior high schools as well as universities, and ICT-related BPO\* services. However, during the fiscal year ending September 30, 2020, we will prioritize the strengthening of our business foundation and investment into the future based on the issues over the past two years. Accordingly, while we project increases in net sales and profit, we expect to fall short of the initial targets in Plan 2020.

As noted under (Significant subsequent events) (Conversion into an affiliate accounted for using equity method through additional share acquisition), the impact of the conversion of INES Corporation into an affiliate accounted for using equity method on the financial results has not been determined at the present time, and therefore is not included in the consolidated earnings forecasts for the fiscal year ending September 30, 2020.

Additionally, the impact on the financial results in case the tender offer noted under (Significant subsequent events) (Tender of shares of an affiliate accounted for using equity method in a tender offer) is completed and all shares are transferred is not included in the consolidated earnings forecasts for the fiscal year ending September 30, 2020.



\* Business Process Outsourcing: Partial outsourcing of human resource, accounting, payroll, and other business processes to a dedicated external firm

### Consolidated earnings forecasts for the fiscal year ending September 30, 2020

	Fiscal year ended September 30, 2019 (Actual result) (Millions of yen)	Fiscal year ending September 30, 2020 (Forecast) (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Net sales	90,029	94,000	3,970	4.4
Think tank and consulting services	34,099	36,000	1,900	5.6
IT services	55,930	58,000	2,069	3.7
Operating profit	5,130	5,200	69	1.3
Ordinary profit	5,718	6,000	281	4.9
Think tank and consulting services	3,351	3,600	248	7.4
IT services	2,325	2,400	74	3.2
Profit attributable to owners of parent	3,599	3,900	300	8.3
Basic earnings per share	(Yen) 221.58	(Yen) 240.06	(Yen) 18.48	8.3

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, 2019: 16,245 thousand shares

Fiscal year ending September 30, 2020: 16,245 thousand shares

In this document, statements other than historical facts are forward-looking statements that are based on information available at this moment. Therefore, they do not constitute a guarantee that they will be realized. These forward-looking statements involve uncertainties, future changes in our business climate and other factors that may cause our actual results and achievements to differ from those anticipated in these statements.

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

MRI aims to increase corporate value by achieving sustained growth through contributing to its customers and the development of society and creating value. MRI's policy on shareholder returns is based on maintaining a stable dividend, while also working to raise the level of dividends after taking into account a comprehensive range of factors, such as earnings performance and the financial soundness. MRI uses internal reserves to reinforce its financial structure in preparation for any changes in the operating environment, and to make investments to support future business development and carry out capital investment.

Despite the continued impact of the project with quality issues for which provision for loss on order received was recorded, based on the fact that a year-on-year increase in profit was reported, we plan to revise and increase the year-end dividend forecast for the fiscal year under review by 5 yen, compared with the previous forecast, to 50 yen per share. Combined with the interim cash dividend of 45 yen per share, the annual dividend distribution will amount to 95 yen per share for the fiscal year under review.

With regard to dividend distribution in the next fiscal year, MRI expects to pay 50 yen per share for both interim and year-end cash dividends to make an annual dividend distribution of 100 yen per share.

## 2. Group companies

The MRI Group consists of 17 companies, including MRI, 11 subsidiaries (11 consolidated subsidiaries) and five affiliates of MRI (three entities accounted for using equity method and two entities not accounted for using equity method), which are divided into two segments. The first is “think tank and consulting services,” which provides research and consulting services on public policies and general businesses. The second is “IT services,” which provides software development, operation, and maintenance, and information processing and outsourcing services.

### <Think tank and consulting services>

Since its founding, MRI has provided research and consulting services leveraging its insights and capabilities it has accumulated as a comprehensive think tank, including insights into public policies and systems, ability to discover and analyze social issues, broad expertise in next-generation cutting-edge technologies, and analytical capabilities, including quantitative analysis and evaluation techniques as well as prediction techniques, of its researchers specializing in the field of science and technology.

For government and public offices, we provide research and analysis, public policy making and planning, and consulting services, as well as business support in the social and public sector, including national land development, transportation and traffic, information and telecommunications, regional management, healthcare, nursing care and welfare, and education, as well as the science and technology policy sector, such as the environment, resources and energy, as well as science, technology, and security policy.

For the private sector, we provide consulting services in areas including management and business strategy, marketing strategy, human resource systems and organizational reforms, CSR management, and business innovation, as well as IT consulting aimed at making businesses more competitive.

### (Names of main companies)

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

### <IT services>

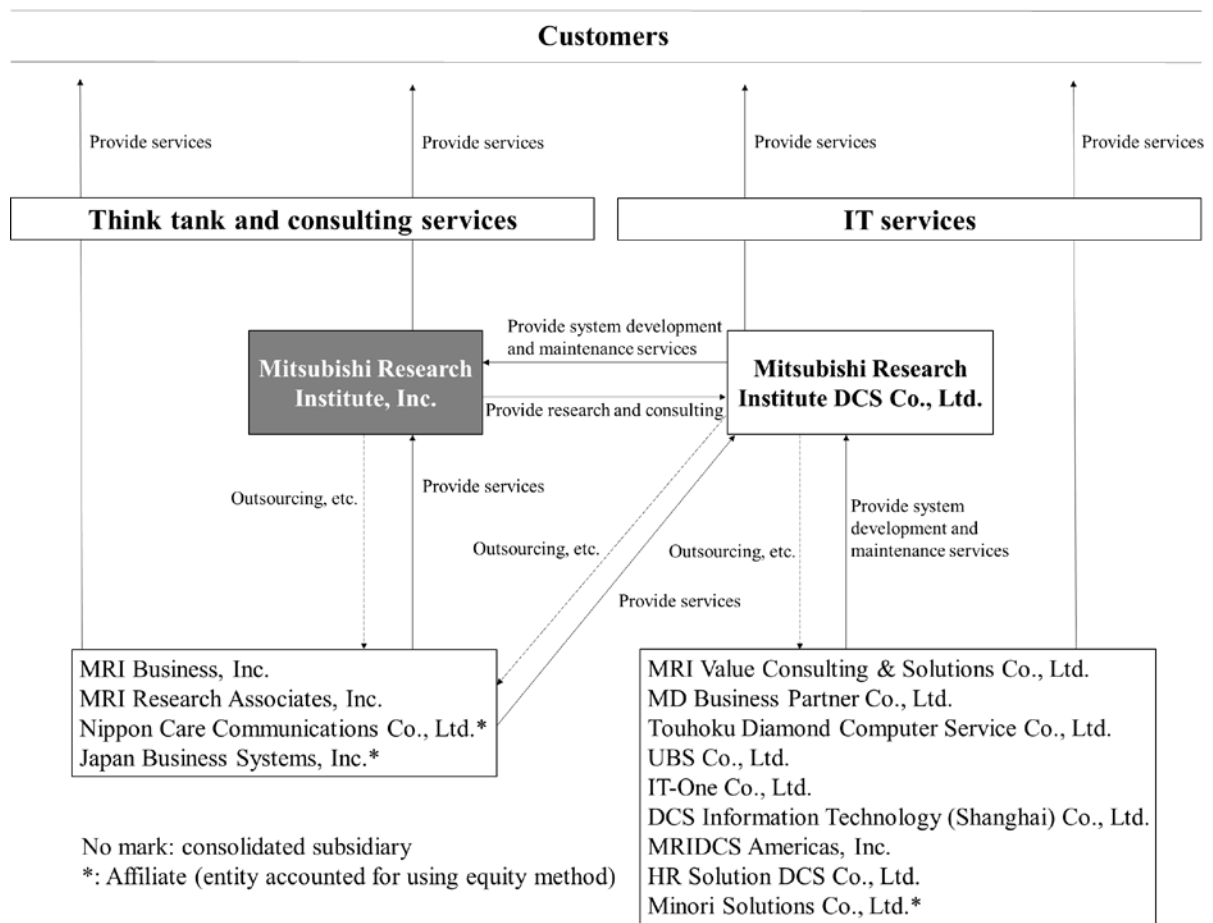
Mitsubishi Research Institute DCS Co., Ltd., MRI’s consolidated subsidiary, forms the core of our IT services segment. The segment leverages the insights and cutting-edge ICT technologies we have accumulated in our think tank and consulting services to provide software development, operation, and maintenance, as well as information processing and outsourcing services in areas such as finance, manufacturing, logistics, services, and education. It also offers end-to-end support for integrating IT into management from upstream to downstream, in areas including management system innovation utilizing IT and business model innovation utilizing the Internet.

Our outsourcing service provides information processing service, the core of which is the PROSRV payroll and human resources service offered by Mitsubishi Research Institute DCS Co., Ltd., as well as outsourcing and BPO of core systems using Chiba Information Center.

### (Names of main companies)

Consolidated subsidiaries Mitsubishi Research Institute DCS Co., Ltd., MRI Value Consulting & Solutions Co., Ltd., MD Business Partner Co., Ltd., Touhoku Diamond Computer Service Co., Ltd., UBS Co., Ltd., IT-One Co., Ltd., DCS Information Technology (Shanghai) Co., Ltd., MRIDCS Americas, Inc., and HR Solution DCS Co., Ltd., and entity accounted for using equity method Minori Solutions Co., Ltd.

[Business Structure]



Note: In the think tank and consulting services segment, INES Corporation became an entity accounted for using equity method of MRI as of October 1, 2019.

### 3. Management policy

#### (1) Management policy

The MRI Group's basic policy is to utilize its strength in having the three main functions of think tank, consulting, and IT solutions to contribute to the creation of value for customers and the development of society through corporate activities based on creative insights.

The MRI Group's corporate mission is as follows.

##### <Corporate Mission>

- A. Use wisdom and information to contribute to society  
We constantly strive to be a knowledge-creating company, contributing to the prosperity of our customers as well as society.
- B. Maintain integrity and fairness in business activities  
We maintain the utmost social trust and faith from our customers by pursuing integrity and fairness in business activities.
- C. Apply integrated strengths by combining the ability of diverse individuals  
We demonstrate comprehensive competence as an organization by encouraging each employee to fulfill their individual goals using advanced, specialist skills and by combining the ability of diverse individuals.

Based on this corporate mission, the MRI Group will provide pioneering services to help customers and society solve the wide-ranging issues they face and contribute to the creation of an ideal future society. This will underpin our efforts to promote the "co-creation of a brighter future" with our customers to build a prosperous future and create ways for societies, communities and companies to develop sustainably.

##### <Business Mission>

- A. Explore and predict the future  
Use our think tank function to map out concepts for customers
- B. Develop concrete policies for the future  
Use our consulting function to show customers the way ahead
- C. Realize the future  
Use our IT solution function to make the future a reality for customers

#### (2) Management strategy

Japan faces a number of societal challenges, such as system reforms to address a projected decline in the birth rate and an aging society, effective use of resources and energy, and regional revitalization. The MRI Group, which is primarily a comprehensive think tank, operates a "Think & Act business." This involves scientifically and constructively analyzing issues faced by society and customers based on a broad overview of social, economic and technological trends, and working with partners in industry, the public sector and academia to address those issues by providing support for solution development through to implementation.

As an action plan supporting that approach, we have formulated and been implementing the three-year Medium-term Management Plan 2020 (Plan 2020), which covers the period from the fiscal year ended September 30, 2018 to the fiscal year ending September 30, 2020. Under the plan, our policy is to achieve sustainable growth by leveraging the MRI Group's strengths as a comprehensive think tank, using social issues as a starting point to co-create business opportunities and drive forward three areas of reform.

Having completed the second year of Plan 2020, we have made steady progress on businesses growth and new business development based on the three areas of reform, while facing difficulties in reaching the levels of our initial financial targets due to the impact of a project with quality issues that occurred in the previous fiscal year. However, as seen from the performance of the think tank and consulting services segment, our reforms have yielded results, and we are firmly maintaining

this course. The fiscal year ending September 30, 2020 will mark the 50th anniversary of MRI's founding, and will also be a year to formulate our next Medium-term Management Plan. We will steadily carry out each measure in order to complete the current Plan 2020, while laying the foundation for the next plan.

#### A. Business portfolio reforms

We will define the MRI Group's growth businesses and core businesses and allocate staff, research & development funds and other resources in line with this business portfolio. One of the Group's growth businesses is the "government-private co-creation solution business." "Government-private co-creation" refers to the provision of services that link public and private sectors, leveraging the MRI Group's strengths. Backed up by expertise in public policy accumulated in the government and public offices business, we will grow our business in the private-sector consulting and IT solutions fields by narrowing our focus into the provision of unique services and added value.

Another growth business is the "private sector corporate business (including overseas markets)," which is focused on new technologies. The MRI Group has a broad understanding of technological trends and how they are applied in society. The Group also has an extensive consulting track record related to new business development that harnesses new technologies. Services that use technologies such as AI and blockchain can deliver business innovation, cost reduction and other improvements. We have identified these services as having real potential to drive market growth and we intend to focus on them to accelerate business expansion.

#### B. Business model reforms

The MRI Group will advance its "Think & Act business," which provides support to customers for solution development through to implementation, based on cooperation between internal teams and functions and with external partners. Through internal and external partnerships, we will dramatically expand the visionary scope of the business and grow operations through a scale-up of major business development linking business activities from consulting to IT solutions.

In particular, we will focus on developing and rolling out services (subscription-based model) that will help resolve social issues, utilizing AI, blockchain, and other technologies. This is a business model that provides common services and platforms to multiple customers, and we intend to concentrate our resources in this area, including up-front investments.

#### C. Work style reforms

Targeting "sustainable growth for individuals and the organization," the MRI Group will continue to implement comprehensive human assets development initiatives and reform business models and work styles in order to create highly productive, pleasant and motivating workplaces. Cultivating highly skilled professional human resources and harnessing the capabilities of all employees are particularly important issues that have a direct impact on corporate competitiveness. The MRI Group will therefore strategically implement initiatives to achieve those goals, including investing in human assets. In addition, the MRI Group will push ahead with various other work style reforms to tackle similarly important issues, such as making use of ICT and information/knowledge sharing to boost productivity, improving working conditions such as work hours, and promoting diversity.

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

The MRI Group manages its business through policies designed to enable sustainable business growth and increased earnings power and capital efficiency from a medium- to long-term perspective. Based on this thinking, we use net sales, ordinary profit and ROE as key management indicators. Delivering sustained improvement in these indicators is one of our medium- to long-term management targets. We will strive to continuously enhance the shareholder value.

We have revised the targets for the final year of Plan 2020 as follows, based on our performance in the fiscal year under review, the second year of Plan 2020.

(Targets for the final year of Plan 2020 – fiscal year ending September 30, 2020)

- Consolidated net sales: 94.0 billion yen
- Consolidated ordinary profit: 6.0 billion yen
- ROE: 8%

#### **(4) Operating environment**

Since it was founded roughly 50 years ago, the MRI Group has expanded its business by providing services to government and public offices, financial institutions, private-sector companies and other customers by combining its think tank, consulting and IT solutions functions.

Japan continues to face a large number of issues that need to be overcome, such as resolving long-term structural issues, breaking free from economic deflation and improving the international competitiveness of Japanese industry and companies. Issues faced by customers and society are also becoming increasingly diverse and complex. In addition, ICT, AI and other new technologies are emerging all the time, which are likely to result in drastic, and sometimes destructive, change for society and companies.

The MRI Group is committed to helping society and companies transform themselves to address these far-reaching changes, which is its social mission and presents a major business opportunity for the MRI Group. In particular, in an uncertain age where there are no true answers, increased value is placed not only on the MRI Group's traditional strengths of proposing and suggesting public policies and strategies, but also on implementing them for society and customers, thus expanding the expectations and opportunities for providing the Act business.

The MRI Group's mission is to stay ahead of changing trends in society and cutting-edge technologies, ascertain their impact on society and help customers strategically and preemptively address those changes. We are implementing Plan 2020 in line with this mission.

**(5) Business and financial issues to be addressed**

The business environment surrounding the MRI Group is undergoing changes on multiple fronts, including the social situations, trends in technology, industries, and markets, and labor supply and demand. Based on these, in addition to the progress in business plans, the issues to be addressed are as follows.

**A. Contributing to solve social issues by co-creating the future**

Japan faces many social issues. We therefore must design and realize a society that is sustainable into the future. In order to accomplish this, we must address these issues by taking a holistic view of the issues and understanding how they interact with each other, bringing together the wisdom of all parts of society, and collaborating and cooperating with partners beyond traditional boundaries.

The MRI Group will work to solve these issues through its efforts to promote the “co-creation of a brighter future” based on its corporate mission to “use wisdom and information to contribute to society,” by using the extensive insights and network in industry, the public sector, and academia that it has accumulated over many years.

**B. Responding to social changes and new technologies**

New technologies are advancing at a dizzying pace, especially in the area of ICT. Responding to these new technologies has become a pressing issue for society and companies. ICT must be addressed in two ways: an “offensive” approach of applying ICT to business innovation and the development of new products and services, and a “defensive” approach, chief among which is information security. Offensive initiatives help launch new businesses, expand existing ones, and improve the productivity of business processes. Defensive initiatives are essential for maintaining and enhancing corporate brands and reputations.

Moreover, the emergence of technologies such as AI, IoT, robotics, and blockchain holds the potential to fundamentally transform society and business.

The MRI Group combines its insights into public policies, science, and technology with its implementation skills and practical know-how in IT solutions to offer its customers advanced and practical solutions to their challenges.

**C. Continuously creating value for society and customers**

The expectations of society and our customers do not end with creating strategies and plans, as their expectations have increased to include implementation and execution thereof. The MRI Group is therefore proactively advancing its “Think & Act business,” which offers comprehensive solutions that combine the MRI Group’s specialized functions of a think tank, consulting, and IT solutions, covering the business domains of “thinking” through to “acting.” Furthermore, we will create innovative businesses and services by utilizing open innovation that widely incorporates external technologies, ideas, and services.

The MRI Group will continuously create value for society and its customers through the Think & Act business.

**D. Strengthening initiatives to maintain and improve quality**

Quality is the wellspring of trust in the MRI Group. We recognize that our top priority for developing our business is to satisfy our customers with the high quality of services that we provide. Initiatives to improve quality require management of individual projects, as well as educating and improving the skills of our employees, and we will advance these initiatives continually in a multi-faceted way.

With system development in particular, quality has an enormous impact on the management and business. For this reason, we had enhanced our functions for acceptance screening and progress monitoring and management, and thoroughly checked the progress at each phase; nonetheless, a project with quality issues occurred in the previous fiscal year. We are responding by revising

our project management and risk management systems across the MRI Group, and we will work to prevent recurrence by further raising the level of our risk management functions.

E. Accelerating the creation of new businesses

In order for the MRI Group to grow sustainably, it is essential to continually offer highly unique services. To this end, we will continuously invest in the creation of new businesses, and establish systems for advancing them, including alliances with third parties.

The development of services utilizing new technologies in particular is a race against the clock, and we will advance this development with a sense of urgency, collaborating proactively with other companies. Moreover, through the utilization of intellectual assets, we will create services that continuously provide value, and dramatically increase the value creation for society and our customers.

F. Strengthening capabilities to conceive and propose ideas

With its origin as a think tank, an important mission of the MRI Group is to conceptualize a vision for society and make broad public policy proposals to achieve that vision. We are proactively making proposals that only a think tank can, based on comprehensive analysis and scientific grounding.

Because these proposals are also an important activity that leads to expanding business opportunities, we are advancing comprehensive efforts, including human resource development, enhancement of company-wide R&D systems, and establishment of information dissemination functions. We will also work to make more effective conceptualizations and proposals based on practical knowledge and actual issues obtained through the Act business.

The MRI Group will enhance its public policy proposals and creation of business opportunities by strengthening its capabilities to conceive and propose ideas.

G. Enhancing advanced professional human resources

Advanced professional human resources in a wide range of fields are the most important management resource of the MRI Group. By positioning hiring talented human resources as one of the most important issues for our management strategy, we will develop human resources in a comprehensive and planned manner, investing proactively in their development and advancing work style reforms that enhance worker friendliness and motivation. In addition, we will work toward diversity to achieve our corporate mission of “applying integrated strengths by combining the ability of diverse individuals,” by expanding our hiring of women and their opportunities for success, and promoting the hiring of global human resources.

The MRI Group will achieve the “sustainable growth for individuals and the organization” by developing advanced professional human resources and establishing a working environment in which these human resources can work actively with high motivation.

H. Promoting corporate social responsibility (CSR) management

Based on the MRI Group’s business mission of co-creating a brighter future alongside customers, we position “contribution to the sustainable development of society through business activities” and “promotion of corporate activities that allow us to earn the trust of society” as the two pillars of approach to CSR management.

Our basic policies of CSR activities are to “contribute to society by providing knowledge,” “contribute to society by developing human resources,” and “fulfill our corporate social responsibilities.” In addition to solving social issues through our main business, including public policy proposals, dissemination of information, and project implementation, we work proactively to contribute to university education, participate in committees and academic conferences, and nurture junior and senior high school students who will lead our future. In addition, we will take account of ISO 26000, the international standard for corporate social responsibility, and also promote CSR management from a global perspective, including supporting the United Nations Sustainable Development Goals (SDGs) and becoming a signatory and participant in the Global Compact.



The MRI Group will advance CSR management not only through its main business, but also by working proactively to contribute to society, leveraging its unique corporate characteristics.

I. Initiatives to improve governance

In order for a company to achieve sustainable growth and improve its corporate value over the medium to long term, it must constantly improve its governance to make transparent, fair, swift and decisive decisions by taking into account the perspectives of its shareholders as well as customers, employees, local communities, and other stakeholders.

The MRI Group has established systems and rules to improve governance, and strives to disclose information, including the publication of a corporate governance report. In April 2016, we formulated the Mitsubishi Research Institute Corporate Governance Guidelines, whose aim is to achieve effective corporate governance by continuously improving corporate value, which is the sum of four components of value: social value, customer value, shareholder value, and employee value.

In light of the project with quality issues that occurred in the previous fiscal year, we recognized anew the need for further improvement of governance in the MRI Group, during the process of summarizing the project and compiling measures to prevent recurrence. Consequently, we are working to revise and strengthen our governance, not only in the IT services segment in which the project with quality issues occurred, but also in the MRI Group as a whole.

The MRI Group is committed to continuously improving the valuation and trust of society through its ceaseless efforts to improve governance.

**4. Basic approach to selection of accounting standard**

The MRI Group applies the Japanese GAAP.

We intend to respond appropriately to the adoption of IFRS giving consideration to the situation in Japan and overseas.

## 5. Consolidated financial statements and significant notes thereto

### (1) Consolidated balance sheets

(Millions of yen)

	As of September 30, 2018	As of September 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	22,362	25,957
Notes and accounts receivable - trade	14,774	13,134
Inventories	6,116	6,914
Prepaid expenses	1,461	1,478
Other	184	162
Allowance for doubtful accounts	(14)	(12)
Total current assets	44,884	47,635
Non-current assets		
Property and equipment		
Buildings and structures	15,196	15,649
Accumulated depreciation	(9,203)	(9,639)
Buildings and structures, net	5,993	6,010
Machinery, equipment and vehicles	33	33
Accumulated depreciation	(17)	(22)
Machinery, equipment and vehicles, net	15	11
Tools, furniture and fixtures	6,058	6,085
Accumulated depreciation	(4,591)	(4,754)
Tools, furniture and fixtures, net	1,466	1,330
Land	720	720
Leased assets	1,919	1,527
Accumulated depreciation	(1,368)	(945)
Leased assets, net	550	582
Construction in progress	44	191
Total property and equipment	8,790	8,846
Intangible assets		
Software	4,285	3,270
Software in progress	332	132
Goodwill	7	-
Leased assets	42	2,632
Other	1	1
Total intangible assets	4,669	6,036
Investments and other assets		
Investment securities	12,975	14,398
Long-term loans receivable	5	8
Lease and guarantee deposits	2,842	2,842
Net defined benefit asset	15	10
Deferred tax assets	3,768	4,164
Other	653	630
Allowance for doubtful accounts	(4)	(6)
Total investments and other assets	20,255	22,049
Total non-current assets	33,715	36,932
Total assets	78,600	84,568

(Millions of yen)

	As of September 30, 2018	As of September 30, 2019
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	3,402	3,344
Accounts payable - other	1,334	2,880
Accrued expenses	1,023	1,079
Lease obligations	236	882
Income taxes payable	1,140	1,257
Accrued consumption taxes	1,222	1,169
Advances received	225	317
Provision for bonuses	3,186	3,782
Provision for loss on order received	1,705	1,226
Other	862	785
Total current liabilities	14,340	16,726
Non-current liabilities		
Lease obligations	317	2,553
Provision for share-based compensation	198	301
Net defined benefit liability	10,396	10,068
Asset retirement obligations	51	51
Other	12	23
Total non-current liabilities	10,975	12,998
Total liabilities	25,315	29,724
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,765	4,765
Retained earnings	33,463	35,585
Treasury shares	(579)	(579)
Total shareholders' equity	43,985	46,107
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,742	1,906
Deferred gains or losses on hedges	–	(153)
Foreign currency translation adjustment	14	11
Remeasurements of defined benefit plans	(284)	69
Total accumulated other comprehensive income	2,472	1,833
Non-controlling interests	6,825	6,902
Total net assets	53,284	54,843
<b>Total liabilities and net assets</b>	<b>78,600</b>	<b>84,568</b>

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

(Millions of yen)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Net sales	90,250	90,029
Cost of sales	70,975	70,134
Gross profit	19,274	19,895
Selling, general and administrative expenses	14,311	14,764
Operating profit	4,963	5,130
Non-operating income		
Interest income	0	0
Dividend income	169	219
Share of profit of entities accounted for using equity method	203	427
Other	54	56
Total non-operating income	428	703
Non-operating expenses		
Interest expenses	7	28
Foreign exchange losses	1	12
Loss on investments in silent partnership	16	73
Other	2	0
Total non-operating expenses	27	115
Ordinary profit	5,364	5,718
Extraordinary income		
Gain on sales of non-current assets	-	0
Gain on sales of investment securities	0	252
Settlement received	-	40
Other	-	0
Total extraordinary income	0	293
Extraordinary losses		
Loss on sales of non-current assets	-	1
Loss on retirement of non-current assets	27	26
Impairment loss	33	-
Loss on revaluation of investment securities	1	112
Loss on liquidation of subsidiaries and affiliates	-	20
Loss on cancellation of leases	32	2
Other	10	-
Total extraordinary losses	106	162
Profit before income taxes	5,257	5,850
Income taxes - current	1,832	2,013
Income taxes - deferred	(263)	(72)
Total income taxes	1,569	1,941
Profit	3,688	3,908
Profit attributable to non-controlling interests	285	308
Profit attributable to owners of parent	3,402	3,599

**Consolidated statements of comprehensive income**

(Millions of yen)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Profit	3,688	3,908
Other comprehensive income		
Valuation difference on available-for-sale securities	610	(936)
Deferred gains or losses on hedges	0	(153)
Foreign currency translation adjustment	0	(3)
Remeasurements of defined benefit plans	96	352
Share of other comprehensive income of entities accounted for using equity method	4	(2)
Total other comprehensive income	712	(742)
Comprehensive income	4,401	3,165
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,043	2,960
Comprehensive income attributable to non- controlling interests	358	204

**(3) Consolidated statements of changes in net assets**

Fiscal year ended September 30, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,336	4,774	31,374	(579)	41,906
Changes of items during period					
Dividends of surplus			(1,313)		(1,313)
Profit attributable to owners of parent			3,402		3,402
Purchase of treasury shares					
Change in ownership interest of parent due to transactions with non-controlling interests		(9)			(9)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(9)	2,089	–	2,079
Balance at end of current period	6,336	4,765	33,463	(579)	43,985

	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	2,199	(0)	14	(382)	1,832	6,656	50,395
Changes of items during period							
Dividends of surplus							(1,313)
Profit attributable to owners of parent							3,402
Purchase of treasury shares							
Change in ownership interest of parent due to transactions with non-controlling interests							(9)
Net changes of items other than shareholders' equity	542	0	(0)	97	640	168	809
Total changes of items during period	542	0	(0)	97	640	168	2,888
Balance at end of current period	2,742	–	14	(284)	2,472	6,825	53,284

Fiscal year ended September 30, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,336	4,765	33,463	(579)	43,985
Changes of items during period					
Dividends of surplus			(1,478)		(1,478)
Profit attributable to owners of parent			3,599		3,599
Purchase of treasury shares				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	2,121	(0)	2,121
Balance at end of current period	6,336	4,765	35,585	(579)	46,107

	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	2,742	–	14	(284)	2,472	6,825	53,284
Changes of items during period							
Dividends of surplus							(1,478)
Profit attributable to owners of parent							3,599
Purchase of treasury shares							(0)
Change in ownership interest of parent due to transactions with non-controlling interests							
Net changes of items other than shareholders' equity	(836)	(153)	(3)	354	(639)	76	(562)
Total changes of items during period	(836)	(153)	(3)	354	(639)	76	1,558
Balance at end of current period	1,906	(153)	11	69	1,833	6,902	54,843

**(4) Consolidated statements of cash flows**

(Millions of yen)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,257	5,850
Depreciation	3,207	3,660
Impairment loss	33	-
Amortization of goodwill	29	7
Increase (decrease) in provision for bonuses	(545)	595
Decrease (increase) in net defined benefit asset	1	5
Increase (decrease) in net defined benefit liability	108	180
Increase (decrease) in allowance for doubtful accounts	(0)	0
Increase (decrease) in provision for share-based compensation	106	103
Increase (decrease) in provision for loss on order received	1,702	(478)
Interest and dividend income	(170)	(219)
Interest expenses	7	28
Share of loss (profit) of entities accounted for using equity method	(203)	(427)
Loss (gain) on investments in silent partnership	16	73
Loss (gain) on sales of non-current assets	-	1
Loss on retirement of non-current assets	27	26
Loss (gain) on sales of investment securities	9	(252)
Loss (gain) on valuation of investment securities	1	112
Decrease (increase) in notes and accounts receivable - trade	287	1,639
Decrease (increase) in inventories	(614)	(797)
Increase (decrease) in notes and accounts payable - trade	(628)	(57)
Increase (decrease) in accrued consumption taxes	(50)	146
Increase (decrease) in advances received	(363)	92
Other, net	106	110
Subtotal	8,327	10,400
Interest and dividend income received	224	284
Interest expenses paid	(6)	(28)
Income taxes paid	(1,531)	(1,929)
Net cash provided by (used in) operating activities	7,013	8,726
<b>Cash flows from investing activities</b>		
Proceeds from redemption of securities	2,999	-
Purchase of property and equipment	(837)	(1,048)
Proceeds from sales of property and equipment	-	2
Purchase of intangible assets	(1,470)	(893)
Purchase of investment securities	(3,804)	(1,111)
Proceeds from sales of investment securities	28	285
Payments of loans receivable	(3)	(8)
Collection of loans receivable	3	5
Payments for lease and guarantee deposits	(70)	(11)
Proceeds from collection of lease and guarantee deposits	49	11
Other, net	(24)	0
Net cash provided by (used in) investing activities	(3,129)	(2,768)



(Millions of yen)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
<b>Cash flows from financing activities</b>		
Repayments of lease obligations	(313)	(753)
Cash dividends paid	(1,313)	(1,478)
Dividends paid to non-controlling interests	(190)	(127)
Purchase of treasury shares	–	(0)
Other, net	(8)	–
Net cash provided by (used in) financing activities	(1,826)	(2,360)
Effect of exchange rate change on cash and cash equivalents	(0)	(2)
Net increase (decrease) in cash and cash equivalents	2,058	3,595
Cash and cash equivalents at beginning of period	20,004	22,062
Cash and cash equivalents at end of period	22,062	25,657

**(5) Notes to consolidated financial statements**

(Notes on going concern assumption)

Not applicable

(Additional information)

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

At the Annual General Meeting of Shareholders held on December 19, 2016, MRI passed a resolution approving the introduction of a share-based compensation system linked to operating performance (hereinafter, “the plan”) for MRI’s directors (excluding outside directors, non-executive directors and directors living outside Japan) and for executives and research fellows contractually bound to MRI (excluding individuals living outside Japan; hereinafter, collectively with directors, “directors, etc.”). The plan is designed to raise awareness of contributing to improving the MRI Group’s earnings performance and corporate value over the medium to long term. The plan is closely linked to the MRI Group’s earnings performance and will be a highly transparent, objective compensation system for MRI’s directors, etc.

Accounting treatment of the plan is based on the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30, March 26, 2015).

(1) Overview of transaction

The plan adopted the structure used for the Board Incentive Plan Trust (hereinafter, the “BIP Trust”). Following the resignation of a director, etc. (or following their death if the director, etc. has passed away), MRI will grant shares of MRI held in the BIP Trust, or provide funds equivalent to the liquidation value of the shares, corresponding to the achievement of the earnings performance targets.

(2) MRI’s shares remaining in the trust

MRI’s shares remaining in the trust are recorded at the book value (excluding associated expenses) of the trust and are reflected as treasury shares incorporated in net assets. The book value of the said treasury shares and the number of shares comprise 578 million yen and 177 thousand shares at the end of the previous fiscal year, and 578 million yen and 177 thousand shares at the end of the fiscal year under review.

(Provision for loss on order received)

At the end of the previous fiscal year, the MRI Group recorded provision for loss on order received of 1,680 million yen following the need for additional renovation work to ensure quality after failure occurred in the test phase for the large system development project undertaken by the Company’s consolidated subsidiary.

Regarding this project, after the customer indicated its intention to cancel the development of the main part, we concluded an agreement to cancel such part in January 2019 and discussed the response to such agreement and review of the contract for other parts with the customer. At the end of the fiscal year under review, we estimated the expenses associated with cancellation agreement and review of the contract based on the status of discussions with the customer, and recorded a loss expected to be incurred in the future of 1,188 million yen as provision for loss on order received. Inventories related to order contracts and provision for loss on order received that are expected to incur a loss are not offset and presented as is. The amount of inventories at the end of the fiscal year under review related to such project was 859 million yen. In addition, the effect on profit and loss during the fiscal year under review is cost of sales (provision for loss on order received) of 735 million yen.

Although we are making estimates reasonable as much as possible at the present time for such expenses, this may change depending on the progress and results of discussions in the future as we are discussing the execution schedule and tasks, among other things, with the customer.

(Segment information, etc.)

[Segment information]

**A. Overview of reportable segments**

The reportable segments of MRI are constituent units of the MRI Group about which separate financial information is available. These segments are regularly reviewed by the Board of Directors in deciding the allocation of business resources and in assessing performance.

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

<Think tank and consulting services>

The segment businesses provide research and study, and consulting services regarding public policies and general businesses; management consulting services; IT consulting and solutions services; etc.

<IT services>

The segment businesses provide software development, operation and maintenance; data processing services; outsourcing services; sales of system equipment; etc.

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

Fiscal year ended September 30, 2018 (from October 1, 2017 to September 30, 2018)

(Millions of yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated financial statements (Note 2)
	Think tank and consulting services	IT services			
Net sales					
Outside customers	33,489	56,760	90,250	–	90,250
Inter-segment sales and transfers	143	1,190	1,333	(1,333)	–
Total	33,632	57,950	91,583	(1,333)	90,250
Segment profit	3,233	2,050	5,284	79	5,364
Segment assets	32,267	46,883	79,150	(550)	78,600
Other items					
Depreciation	940	2,351	3,291	(84)	3,207
Amortization of goodwill	–	29	29	–	29
Interest income	0	0	0	–	0
Interest expenses	1	5	7	–	7
Share of profit of entities accounted for using equity method	62	140	203	–	203
Investment in equity method affiliates	1,169	1,177	2,347	–	2,347
Increase in property and equipment, and intangible assets	579	1,925	2,504	(11)	2,493

Notes: 1. Adjustment amounts for segment profit, segment assets and other items are all inter-segment transaction eliminations.

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

## Fiscal year ended September 30, 2019 (from October 1, 2018 to September 30, 2019)

(Millions of yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated financial statements (Note 2)
	Think tank and consulting services	IT services			
Net sales					
Outside customers	34,099	55,930	90,029	–	90,029
Inter-segment sales and transfers	82	1,373	1,455	(1,455)	–
Total	34,181	57,303	91,485	(1,455)	90,029
Segment profit	3,351	2,325	5,677	41	5,718
Segment assets	35,016	49,835	84,852	(284)	84,568
Other items					
Depreciation	1,014	2,736	3,751	(90)	3,660
Amortization of goodwill	–	7	7	–	7
Interest income	0	0	0	–	0
Interest expenses	2	26	28	–	28
Share of profit of entities accounted for using equity method	233	194	427	–	427
Investment in equity method affiliates	1,702	1,463	3,165	–	3,165
Increase in property and equipment, and intangible assets	638	4,773	5,411	(49)	5,361

Notes: 1. Adjustment amounts for segment profit, segment assets and other items are all inter-segment transaction eliminations.

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

## (Per share information)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Net assets per share	2,859.70 yen	2,950.94 yen
Basic earnings per share	209.46 yen	221.58 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 178 thousand, which included 177 thousand shares of MRI held by the BIP Trust. At the end of the fiscal year under review, the number of treasury shares was 178 thousand, which included 177 thousand shares of MRI held by the BIP Trust.
2. Diluted earnings per share is not shown because MRI has not issued potential shares.
3. Basis for calculating basic earnings per share is as shown below.

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Profit attributable to owners of parent (millions of yen)	3,402	3,599
Profit not attributable to common shareholders (millions of yen)	–	–
Profit attributable to owners of parent related to common shares (millions of yen)	3,402	3,599
Average number of outstanding common shares during the fiscal year (thousand shares)	16,245	16,245

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 178 thousand, which included an average 177 thousand shares of MRI held by the BIP Trust. During the fiscal year under review, the average number of treasury shares was 178 thousand, which included an average 177 thousand shares of MRI held by the BIP Trust.

## (Significant subsequent events)

## (Conversion into an affiliate accounted for using equity method through additional share acquisition)

At the Board of Directors meeting held on September 27, 2019, MRI passed a resolution approving the acquisition of additional shares of INES Corporation, in an effort to further strengthen the coordination between the two companies and to accelerate the joint initiatives by the two companies in new business fields, and concluded a share transfer agreement with Hitachi Solutions, Ltd. As a result, INES Corporation became an affiliate accounted for using equity method of the MRI Group, effective October 1, 2019.

## (1) Outline of the company to become an affiliate accounted for using equity method

- Name: INES Corporation
- Address: 26 Sanban-cho, Chiyoda-ku, Tokyo
- Established: July 28, 1964
- Capital stock: 15.0 billion yen
- Representative: Etsuroh Mori, President & Representative Director
- Main line of business: System development and operation, system maintenance, sales of information equipment, etc.

## (2) Details of the share acquisition

- Number of shares held prior to acquisition: 2,490,000 shares
- Number of shares acquired: 1,562,000 shares
- Number of shares held after acquisition: 4,052,000 shares (Percentage of voting rights held: 17.10%)

Note: The percentage of voting rights held has been calculated on the basis of the total number of voting rights of INES Corporation as of March 31, 2019 (236,843

voting rights).

(3) Schedule of the share transfer

- September 27, 2019: Conclusion of the share transfer agreement
- October 1, 2019: Share transfer

(4) Impact on financial results

The impact of this conversion into an affiliate accounted for using equity method on the financial results for the fiscal year ending September 30, 2020 has not been determined at this point.

(Tender of shares of an affiliate accounted for using equity method in a tender offer)

At the Board of Directors meeting held on November 1, 2019, MRI passed a resolution approving the tender of all 1,378,000 shares of common stock of Minori Solutions Co., Ltd. held by Mitsubishi Research Institute DCS Co., Ltd., a consolidated subsidiary of MRI, in a tender offer by SCSK Corporation.

(1) Price for purchase, etc.

2,700 yen per common stock

(2) Period of purchase

From October 31, 2019 to December 12, 2019 (30 business days)

(3) Number of shares to be purchased

7,709,160 shares (Minimum: 4,839,600 shares, Maximum: - shares)

(4) Settlement commencement date

December 19, 2019

(5) Impact on financial results

If this tender offer is completed and all shares are transferred, Minori Solutions Co., Ltd. will no longer be an affiliate accounted for using equity method of MRI, and consequently, MRI is expected to report a gain on sales of investment securities of approximately 2.7 billion yen under extraordinary income in the consolidated statements of income for the fiscal year ending September 30, 2020.

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

(Millions of yen)

	As of September 30, 2018	As of September 30, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	7,594	9,150
Notes receivable - trade	18	-
Accounts receivable - trade	4,894	4,309
Work in process	4,592	4,251
Prepaid expenses	304	345
Other	201	314
Allowance for doubtful accounts	(14)	(12)
<b>Total current assets</b>	<b>17,591</b>	<b>18,358</b>
<b>Non-current assets</b>		
<b>Property and equipment</b>		
Buildings	130	119
Structures	-	32
Tools, furniture and fixtures	249	234
Land	1	1
Leased assets	180	131
Construction in progress	26	-
<b>Total property and equipment</b>	<b>588</b>	<b>518</b>
<b>Intangible assets</b>		
Software	1,112	824
Other	21	11
<b>Total intangible assets</b>	<b>1,134</b>	<b>836</b>
<b>Investments and other assets</b>		
Investment securities	5,857	7,197
Shares of subsidiaries and affiliates	20,083	20,431
Investments in capital of subsidiaries and affiliates	515	513
Lease and guarantee deposits	1,775	1,775
Long-term prepaid expenses	188	145
Deferred tax assets	1,662	2,067
Other	18	21
Allowance for doubtful accounts	(4)	(4)
<b>Total investments and other assets</b>	<b>30,096</b>	<b>32,148</b>
<b>Total non-current assets</b>	<b>31,819</b>	<b>33,503</b>
<b>Total assets</b>	<b>49,410</b>	<b>51,862</b>



(Millions of yen)

	As of September 30, 2018	As of September 30, 2019
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,496	1,346
Lease obligations	32	31
Accounts payable - other	619	2,292
Accrued expenses	406	400
Income taxes payable	782	624
Accrued consumption taxes	856	919
Advances received	157	261
Provision for bonuses	1,340	1,399
Other	125	141
Total current liabilities	5,815	7,418
Non-current liabilities		
Lease obligations	97	65
Long-term accounts payable - other	8	8
Provision for share-based compensation	198	301
Reserve for retirement benefits	4,776	4,979
Total non-current liabilities	5,080	5,354
<b>Total liabilities</b>	<b>10,895</b>	<b>12,772</b>
<b>Net assets</b>		
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	24,759	25,910
Total retained earnings	26,773	27,923
Treasury shares	(579)	(579)
Total shareholders' equity	37,381	38,531
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,133	711
Deferred gains or losses on hedges	–	(153)
Total valuation and translation adjustments	1,133	557
<b>Total net assets</b>	<b>38,514</b>	<b>39,089</b>
<b>Total liabilities and net assets</b>	<b>49,410</b>	<b>51,862</b>

**(2) Non-consolidated statements of income**

(Millions of yen)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Net sales	32,080	32,860
Cost of sales	23,991	24,907
Gross profit	8,089	7,952
Selling, general and administrative expenses		
Provision for share-based compensation	100	93
Bonuses	189	219
Provision for bonuses	227	227
Salaries and allowances	959	923
Outsourcing expenses	889	772
Rent expenses	631	611
Depreciation	760	776
Provision of allowance for doubtful accounts	0	(1)
Other	1,606	1,611
Total selling, general and administrative expenses	5,365	5,233
Operating profit	2,723	2,718
Non-operating income		
Interest and dividend income	832	746
Other	26	13
Total non-operating income	859	760
Non-operating expenses		
Interest expenses	0	3
Loss on investments in silent partnership	16	73
Other	0	0
Total non-operating expenses	17	77
Ordinary profit	3,565	3,401
Extraordinary income		
Gain on sales of investment securities	–	252
Settlement received	–	40
Total extraordinary income	–	292
Extraordinary losses		
Loss on retirement of non-current assets	8	10
Loss on cancellation of leases	31	2
Loss on revaluation of investment securities	–	112
Other	0	–
Total extraordinary losses	40	125
Profit before income taxes	3,524	3,568
Income taxes - current	971	1,090
Income taxes - deferred	(172)	(150)
Total income taxes	798	939
Profit	2,726	2,628

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

Fiscal year ended September 30, 2018

(Millions of yen)

	Shareholders' equity								Total shareholders' equity
	Capital stock	Capital surplus		Revenue reserve	Retained earnings		Treasury shares		
		Capital reserve	Total capital surplus		Other retained earnings	Total retained earnings			
				Other reserve	Earned surplus brought forward				
Balance at beginning of current period	6,336	4,851	4,851	171	1,842	23,347	25,360	(579)	35,968
Changes of items during period									
Dividends of surplus						(1,313)	(1,313)		(1,313)
Profit						2,726	2,726		2,726
Purchase of treasury shares									
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	-	1,412	1,412	-	1,412
Balance at end of current period	6,336	4,851	4,851	171	1,842	24,759	26,773	(579)	37,381

	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	884	(0)	884	36,852
Changes of items during period				
Dividends of surplus				(1,313)
Profit				2,726
Purchase of treasury shares				
Net changes of items other than shareholders' equity	249	0	249	249
Total changes of items during period	249	0	249	1,661
Balance at end of current period	1,133	-	1,133	38,514

Fiscal year ended September 30, 2019

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings				Treasury shares	Total shareholders' equity
		Capital reserve	Total capital surplus	Revenue reserve	Other retained earnings		Total retained earnings		
					Other reserve	Earned surplus brought forward			
Balance at beginning of current period	6,336	4,851	4,851	171	1,842	24,759	26,773	(579)	37,381
Changes of items during period									
Dividends of surplus						(1,478)	(1,478)		(1,478)
Profit						2,628	2,628		2,628
Purchase of treasury shares								(0)	(0)
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	-	1,150	1,150	(0)	1,150
Balance at end of current period	6,336	4,851	4,851	171	1,842	25,910	27,923	(579)	38,531

	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	1,133	-	1,133	38,514
Changes of items during period				
Dividends of surplus				(1,478)
Profit				2,628
Purchase of treasury shares				(0)
Net changes of items other than shareholders' equity	(421)	(153)	(575)	(575)
Total changes of items during period	(421)	(153)	(575)	574
Balance at end of current period	711	(153)	557	39,089

## 7. Status of orders received and sales

### (1) Status of orders received

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

(Millions of yen)

Segment name	Fiscal year ended September 30, 2019			
	Orders received	Year-on-year change (%)	Balance	Year-on-year change (%)
Think tank and consulting services	35,405	(0.1)	26,306	5.2
IT services	59,826	5.0	40,373	10.7
System development	37,381	4.6	20,223	18.4
Outsourcing services	22,444	5.7	20,149	3.9
Total	95,232	3.0	66,680	8.5

- Notes: 1. Inter-segment transactions have been eliminated.  
 2. Consumption taxes are not included in the above amounts.  
 3. For services where services are continually rendered and fees commensurate with performance are received, an estimate of sales for the next fiscal year is recorded in the balance of orders received.

### (2) Sales performance

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

(Millions of yen)

Segment name	Fiscal year ended September 30, 2019	Year-on-year change (%)
Think tank and consulting services	34,099	1.8
IT services	55,930	(1.5)
System development	34,234	(7.3)
Outsourcing services	21,695	9.5
Total	90,029	(0.2)

- Notes: 1. Inter-segment transactions have been eliminated.  
 2. Consumption taxes are not included in the above amounts.