

[Translation for reference only]

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Translation



April 26, 2018

## Consolidated Financial Results for the Six Months of the Fiscal Year Ending September 30, 2018 <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 to submit Quarterly Securities Report: May 8, 2018  
Scheduled date to commence dividend payments: June 6, 2018  
Preparation of supplementary material on quarterly financial results: Yes  
Holding of quarterly 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 six months of the fiscal year ending September 30, 2018 (from October 1, 2017 to March 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
March 31, 2018	46,471	9.9	4,580	37.4	4,663	31.5	2,942	34.5
March 31, 2017	42,303	0.3	3,332	(8.9)	3,546	(7.8)	2,187	(2.6)

Note: Comprehensive income

For the six months ended March 31, 2018: 3,409 million yen [10.5%]  
For the six months ended March 31, 2017: 3,085 million yen [24.9%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
March 31, 2018	181.12	—
March 31, 2017	133.62	—

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
March 31, 2018	82,569	53,034	55.9
September 30, 2017	75,654	50,395	57.8

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

As of March 31, 2018: 46,169 million yen  
As of September 30, 2017: 43,738 million yen

## 2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2017	–	35.00	–	40.00	75.00
Fiscal year ending September 30, 2018	–	40.00			
Fiscal year ending September 30, 2018 (Forecast)			–	40.00	80.00

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

## 3. Consolidated earnings forecasts for the fiscal year ending September 30, 2018 (from October 1, 2017 to September 30, 2018)

(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, 2018	93,000	3.9	5,900	2.9	6,400	2.3	3,900	1.7	240.06

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

**\*Notes**

- (1) Changes in significant subsidiaries during the six months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting in preparing consolidated quarterly financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
- Changes in accounting policies due to revisions to accounting standards and other regulations: None
  - Changes in accounting policies due to other reasons: None
  - Changes in accounting estimates: None
  - Restatement of prior period financial statements after error corrections: None

## (4) Number of issued shares (common shares)

- a. Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2018	16,424,080 shares
As of September 30, 2017	16,424,080 shares

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

As of March 31, 2018	178,156 shares
As of September 30, 2017	178,156 shares

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

Six months ended March 31, 2018	16,245,924 shares
Six months ended March 31, 2017	16,373,056 shares

\* Quarterly financial results reports are exempt from quarterly reviews 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.

(Availability of supplementary material on financial results)

Supplementary material on quarterly financial results is made available on our website (only in Japanese).

**(Attached materials)****1. Qualitative information regarding settlement of accounts for the six months****(1) Explanation regarding operating results**

During the six months under review (from October 1, 2017 to March 31, 2018), the Japanese economy continued its modest recovery. Consumer activity increased, albeit at a moderate pace, supported by factors such as an improvement in the employment and income environment. Capital expenditure remained firm amid investment in automation and labor-saving processes to counter labor shortages and a growing lack of facilities. Exports primarily to markets in Asia, such as China, continued to increase, supported by an upturn in global demand for ICT products and parts.

Overseas, the real economy continued to expand overall, despite instability in financial markets amid an uncertain outlook caused by the shift to protectionism in the US and other factors. In the US economy, consumer activity was firm, supported by a favorable employment environment and continued improvement in consumer sentiment. The European economy continued to expand at an annualized rate of roughly 2.5%, supported by an improving employment environment. The Chinese economy was firm and other emerging economies continued to recover at a moderate pace.

Against this backdrop, Mitsubishi Research Institute, Inc. and its consolidated subsidiaries (the MRI Group) continue to place the highest priority on quality and customer satisfaction, while developing businesses by utilizing the scientific methods, cutting-edge technological insight and the provision of integrated solutions it has accumulated as a comprehensive think tank. Based on its deep understanding of advanced technologies including AI (artificial intelligence), IoT\* and cloud computing, and their application settings, the MRI Group deployed its services to support innovation in frontline manufacturing and business management. Also, in the financial sector, the MRI Group is developing systems for megabanks and credit card companies and targeting new business from trust banks, regional banks and other customers.

The MRI Group also developed its business in the public and utilities sector and the social infrastructure sector to respond to economic and societal needs, which are in a major structural transformation. Specifically, the MRI Group is conducting research and studies in the energy sector, the healthcare and wellness sector and the transport and traffic sector based on policy innovation, such as electricity system reforms, health and nursing care insurance reforms and regional revitalization. The MRI Group is also working to provide consulting and IT solutions that cut across the public and private sectors using systems and government policies in the public sector as a starting point.

As a result, during the six months under review, the MRI Group recorded net sales of 46,471 million yen, a year-on-year increase of 9.9%, operating profit was 4,580 million yen, a year-on-year increase of 37.4%, ordinary profit was 4,663 million yen, a year-on-year increase of 31.5%, and profit attributable to owners of parent was 2,942 million yen, a year-on-year increase of 34.5%.

\*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 six months under review, a large number of research and demonstration projects for government and public offices were completed. In addition to services for financial institutions, other contributions to sales came from projects to investigate new services (AI-enabled entry sheet diagnostic services, big data marketing, etc.) for other private sector companies in line with strategies in their medium-term management plans. As a result, the segment reported a significant improvement exemplified by net sales (outside sales) of 16,400 million yen, an increase of 17.2% year on year, and ordinary profit of 2,328 million yen, an increase of 76.9% year on year.

## &lt;IT services&gt;

In the six months under review, the MRI Group engaged in various IT services projects that contributed to sales. This included credit data analysis and risk measurement projects for financial institutions, system integration projects for a credit card company, and charge calculation system development for an electric power company. As a result, the segment reported net sales (outside sales) of 30,070 million yen, an increase of 6.2% year on year, and ordinary profit of 2,289 million yen, an increase of 5.2% year on year.

**(2) Explanation regarding financial position****A. Financial position**

As of the end of the second quarter under review, total assets stood at 82,569 million yen, an increase of 6,914 million yen, or 9.1%, compared with the end of the previous fiscal year. Broken down, current assets increased 13.8% to 54,030 million yen, and non-current assets increased 1.3% to 28,538 million yen. The increase in current assets mainly reflected increases of 8,217 million yen in notes and accounts receivable - trade owing to seasonal factors and 3,355 million yen in inventories despite a decrease of 6,999 million yen in securities, which were held for short-term investment, due to redemption.

Liabilities increased 4,275 million yen, or 16.9%, compared with the end of the previous fiscal year to 29,534 million yen, mainly due to an increase of 3,585 million yen in accounts payable - trade owing to seasonal variation.

Net assets increased 2,638 million yen, or 5.2%, compared with the end of the previous fiscal year to 53,034 million yen, mainly due to an increase of 2,285 million yen in retained earnings.

**B. Cash flow position**

As of the end of the six months under review, cash and cash equivalents decreased 1,700 million yen compared with the end of the previous fiscal year to 18,304 million yen. The respective cash flow positions for the six months under review and main factors behind changes are as follows.

Cash used in operating activities was 2,084 million yen, compared with 3,215 million yen used in the same period of the previous fiscal year. The main reasons include increases of 8,216 million yen in notes and accounts receivable - trade, 3,354 million yen in inventories, and 3,584 million yen in notes and accounts payable - trade, all owing to seasonal factors. Because the MRI Group completes large numbers of projects during the March to April period, it incurs substantial cash expenditures in advance of cash receipts during the first six months of respective fiscal years and accordingly tends to generate negative cash flows from operating activities in the first half.

Cash provided in investing activities was 1,294 million yen, compared with 1,021 million yen used in the same period of the previous fiscal year.

Cash used in financing activities was 911 million yen, compared with 1,363 million yen used in the same period of the previous fiscal year.

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

There is no change to the consolidated earnings forecasts announced on October 31, 2017.

**2. Consolidated financial statements and significant notes thereto****(1) Consolidated quarterly balance sheets**

(Millions of yen)

	As of September 30, 2017	As of March 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	16,304	18,604
Notes and accounts receivable - trade	15,062	23,279
Securities	6,999	-
Inventories	5,502	8,857
Deferred tax assets	1,636	1,698
Other	2,003	1,628
Allowance for doubtful accounts	(14)	(37)
Total current assets	47,493	54,030
Non-current assets		
Property and equipment		
Buildings and structures, net	6,185	5,960
Machinery, equipment and vehicles, net	0	18
Tools, furniture and fixtures, net	1,510	1,582
Land	720	720
Leased assets, net	679	605
Construction in progress	142	340
Total property and equipment	9,237	9,228
Intangible assets		
Software	4,282	4,094
Other	776	873
Total intangible assets	5,059	4,967
Investments and other assets		
Investment securities	8,193	8,667
Other	5,674	5,680
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	13,863	14,343
Total non-current assets	28,161	28,538
Total assets	75,654	82,569

(Millions of yen)

	As of September 30, 2017	As of March 31, 2018
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	4,030	7,615
Accounts payable - other	1,371	1,676
Accrued expenses	1,141	2,201
Income taxes payable	941	1,630
Provision for bonuses	3,732	2,357
Provision for loss on order received	3	36
Other	3,078	2,963
Total current liabilities	14,299	18,480
Non-current liabilities		
Provision for share-based compensation	91	144
Net defined benefit liability	10,427	10,528
Asset retirement obligations	51	51
Other	388	329
Total non-current liabilities	10,959	11,054
Total liabilities	25,258	29,534
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,774	4,774
Retained earnings	31,374	33,660
Treasury shares	(579)	(579)
Total shareholders' equity	41,906	44,192
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,199	2,294
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	14	17
Remeasurements of defined benefit plans	(382)	(334)
Total accumulated other comprehensive income	1,832	1,977
Non-controlling interests	6,656	6,864
Total net assets	50,395	53,034
Total liabilities and net assets	75,654	82,569

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

(Millions of yen)

	Six months ended March 31, 2017	Six months ended March 31, 2018
Net sales	42,303	46,471
Cost of sales	32,033	34,783
Gross profit	10,269	11,687
Selling, general and administrative expenses	6,937	7,107
Operating profit	3,332	4,580
Non-operating income		
Interest income	0	0
Dividend income	48	55
Share of profit of entities accounted for using equity method	142	19
Other	28	15
Total non-operating income	219	90
Non-operating expenses		
Interest expenses	5	3
Foreign exchange losses	–	2
Compensation for damage	–	1
Other	0	0
Total non-operating expenses	5	7
Ordinary profit	3,546	4,663
Extraordinary income		
Gain on sales of investment securities	46	0
Total extraordinary income	46	0
Extraordinary losses		
Loss on sales of non-current assets	0	–
Loss on retirement of non-current assets	8	10
Loss on sales of investment securities	2	–
Loss on cancellation of leases	1	8
Other	–	2
Total extraordinary losses	12	22
Profit before income taxes	3,580	4,640
Income taxes	1,086	1,394
Profit	2,493	3,245
Profit attributable to non-controlling interests	305	303
Profit attributable to owners of parent	2,187	2,942



**Consolidated quarterly statements of comprehensive income**

(Millions of yen)

	Six months ended March 31, 2017	Six months ended March 31, 2018
Profit	2,493	3,245
Other comprehensive income		
Valuation difference on available-for-sale securities	547	105
Deferred gains or losses on hedges	0	(0)
Foreign currency translation adjustment	8	2
Remeasurements of defined benefit plans, net of tax	31	46
Share of other comprehensive income of entities accounted for using equity method	4	9
Total other comprehensive income	592	163
Comprehensive income	3,085	3,409
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,723	3,087
Comprehensive income attributable to non- controlling interests	362	322

**(3) Consolidated quarterly statements of cash flows**

(Millions of yen)

	Six months ended March 31, 2017	Six months ended March 31, 2018
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,580	4,640
Depreciation	1,599	1,522
Amortization of goodwill	14	14
Increase (decrease) in provision for bonuses	(1,280)	(1,375)
Decrease (increase) in net defined benefit asset	–	5
Increase (decrease) in net defined benefit liability	148	168
Increase (decrease) in allowance for doubtful accounts	(28)	23
Increase (decrease) in provision for share-based compensation	49	52
Increase (decrease) in provision for loss on order received	(32)	32
Interest and dividend income	(48)	(55)
Interest expenses	5	3
Share of (profit) loss of entities accounted for using equity method	(142)	(19)
Loss (gain) on sales of non-current assets	0	–
Loss on retirement of non-current assets	8	10
Loss (gain) on sales of investment securities	(43)	(0)
Decrease (increase) in notes and accounts receivable - trade	(6,393)	(8,216)
Decrease (increase) in inventories	(5,643)	(3,354)
Increase (decrease) in notes and accounts payable - trade	5,627	3,584
Increase (decrease) in accrued consumption taxes	(592)	(470)
Increase (decrease) in advances received	676	599
Other, net	1,062	1,351
<b>Subtotal</b>	<b>(1,433)</b>	<b>(1,481)</b>
Interest and dividend income received	71	81
Interest expenses paid	(5)	(3)
Income taxes paid	(1,848)	(681)
<b>Net cash provided by (used in) operating activities</b>	<b>(3,215)</b>	<b>(2,084)</b>
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	300	–
Proceeds from redemption of securities	–	2,999
Purchase of property, plant and equipment	(400)	(560)
Proceeds from sales of property, plant and equipment	0	–
Purchase of intangible assets	(611)	(785)
Purchase of investment securities	(135)	(317)
Proceeds from sales of investment securities	69	0
Payments of loans receivable	(1)	(2)
Collection of loans receivable	1	1
Payments for lease and guarantee deposits	(268)	(62)
Proceeds from collection of lease and guarantee deposits	25	44
Other, net	0	(23)
<b>Net cash provided by (used in) investing activities</b>	<b>(1,021)</b>	<b>1,294</b>

(Millions of yen)

	Six months ended March 31, 2017	Six months ended March 31, 2018
Cash flows from financing activities		
Repayments of lease obligations	(140)	(140)
Cash dividends paid	(574)	(657)
Dividends paid to non-controlling interests	(69)	(114)
Purchase of treasury shares	(578)	–
Net cash provided by (used in) financing activities	(1,363)	(911)
Effect of exchange rate change on cash and cash equivalents	8	1
Net increase (decrease) in cash and cash equivalents	(5,591)	(1,700)
Cash and cash equivalents at beginning of period	20,948	20,004
Cash and cash equivalents at end of period	15,356	18,304

**(4) Segment information, etc.****I Six months ended March 31, 2017****A. Information regarding amounts of net sales and profit/loss by reportable segment**

(Millions of yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated quarterly statement of income (Note 2)
	Think tank and consulting services	IT services			
Net sales					
Outside customers	13,994	28,309	42,303	–	42,303
Inter-segment sales and transfers	103	410	514	(514)	–
Total	14,097	28,719	42,817	(514)	42,303
Segment profit	1,315	2,177	3,493	53	3,546

Notes: 1. The adjustment of 53 million yen on segment profit includes 12 million yen as inter-segment transaction eliminations, 2 million yen as inventory adjustments and 37 million yen as non-current asset adjustments.

2. Segment profit is adjusted with ordinary profit in the consolidated quarterly statement of income.

**B. Information regarding impairment loss of non-current assets or regarding goodwill by reportable segment**

There are no significant matters for the six months.

**II Six months ended March 31, 2018****A. Information regarding amounts of net sales and profit/loss by reportable segment**

(Millions of yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated quarterly statement of income (Note 2)
	Think tank and consulting services	IT services			
Net sales					
Outside customers	16,400	30,070	46,471	–	46,471
Inter-segment sales and transfers	102	642	744	(744)	–
Total	16,503	30,712	47,215	(744)	46,471
Segment profit	2,328	2,289	4,618	45	4,663

Notes: 1. The adjustment of 45 million yen on segment profit includes 7 million yen as inventory adjustments and 37 million yen as non-current asset adjustments.

2. Segment profit is adjusted with ordinary profit in the consolidated quarterly statement of income.

**B. Information regarding impairment loss of non-current assets or regarding goodwill by reportable segment**

There are no significant matters for the six months.

### 3. Supplementary information

#### Status of orders received and sales

##### (1) Status of orders received

Status of orders received by segment is as shown below.

(Millions of yen)

Segment name	Six months ended March 31, 2018			
	Orders received	Year-on-year change (%)	Balance	Year-on-year change (%)
Think tank and consulting services	18,049	4.8	24,682	(9.8)
IT services	28,120	5.2	34,316	(2.4)
System development	17,756	6.5	16,494	(3.2)
Outsourcing services	10,364	3.0	17,822	(1.7)
Total	46,170	5.0	58,999	(5.7)

- 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 a year after March 31, 2018 is recorded in the balance of orders received.

##### (2) Sales performance

Sales performance by segment is as shown below.

(Millions of yen)

Segment name	Six months ended March 31, 2018	Year-on-year change (%)
Think tank and consulting services	16,400	17.2
IT solutions services	30,070	6.2
System development	19,548	9.8
Outsourcing services	10,522	0.2
Total	46,471	9.9

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