

[Translation for reference only]

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Translation



July 28, 2017

Consolidated Financial Results for the Nine Months of the Fiscal Year Ending September 30, 2017 <under Japanese GAAP>

Company name: **Mitsubishi Research Institute, Inc.**
Listing: First Section of the Tokyo Stock Exchange
Stock code: 3636
URL: <http://www.mri.co.jp/>
Representative: Takashi Morisaki, President
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Scheduled date to submit Quarterly Securities Report: August 2, 2017
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: None

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

1. Consolidated performance for the nine months of the fiscal year ending September 30, 2017 (from October 1, 2016 to June 30, 2017)

(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	%
Nine months ended								
June 30, 2017	67,646	1.2	4,158	(19.3)	4,603	(16.8)	2,816	(14.0)
June 30, 2016	66,845	0.8	5,151	8.1	5,531	10.4	3,274	2.3

Note: Comprehensive income

For the nine months ended June 30, 2017: 3,951 million yen [15.3%]
For the nine months ended June 30, 2016: 3,426 million yen [(2.9)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
June 30, 2017	172.46	–
June 30, 2016	199.40	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2017	72,352	48,936	58.8
September 30, 2016	71,777	46,910	56.9

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

As of June 30, 2017: 42,552 million yen
As of September 30, 2016: 40,870 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, 2016	–	30.00	–	35.00	65.00
Fiscal year ending September 30, 2017	–	35.00	–		
Fiscal year ending September 30, 2017 (Forecast)				35.00	70.00

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

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2017 (from October 1, 2016 to September 30, 2017)

(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, 2017	90,000	3.6	5,800	5.5	6,200	5.5	3,600	5.1	220.73

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

***Notes**

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

(4) Number of issued shares (common shares)

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

As of June 30, 2017	16,424,080 shares
As of September 30, 2016	16,424,080 shares

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

As of June 30, 2017	178,156 shares
As of September 30, 2016	212 shares

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

Nine months ended June 30, 2017	16,330,693 shares
Nine months ended June 30, 2016	16,423,868 shares

* Quarterly financial results reports are not required to be subjected to quarterly reviews.

* 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 nine months****(1) Explanation regarding operating results**

During the nine months under review (from October 1, 2016 to June 30, 2017), the Japanese economy continued its modest recovery. Consumer activity continued along a recovery trend, due to such factors as an improving environment for employment and personal incomes. Capital expenditure remained firm amid a pickup in production, improving corporate earnings and growth in IT investment. Exports grew, centered on China and other parts of Asia, supported by an upturn in the IT cycle worldwide.

Overseas economies continued to rebound overall. Growth in the Chinese economy was stable, while other emerging economies recovered at a moderate pace. In the US economy, consumer activity remained firm against the backdrop of a favorable employment environment and strengthening consumer sentiment. The European economy recovered at a moderate pace, supported by an improving employment environment and a recovery in business sentiment.

Against this backdrop, Mitsubishi Research Institute, Inc. and its consolidated subsidiaries (the MRI Group) continued to place the highest priority on quality and customer satisfaction, while developing businesses by utilizing the scientific methods and cutting edge technological insight it has accumulated as a think tank. 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. Leveraging its deep understanding of advanced technologies and their application settings, the MRI Group deployed its services to support innovation in frontline manufacturing and management.

In addition, the MRI Group worked to develop its business in the public and utilities sector and the social infrastructure sector to respond to economic and societal needs, which are undergoing a major structural transformation. Specifically, MRI focused on developing business in the energy sector, the healthcare and wellness sector and the transport and traffic sector based on policy innovation, such as electricity system reforms and health and nursing care insurance reform, as well as system development for financial institutions and credit card companies.

As a result, during the nine months under review, the MRI Group recorded net sales of 67,646 million yen, a year-on-year increase of 1.2%, operating profit was 4,158 million yen, a year-on-year decrease of 19.3%, ordinary profit was 4,603 million yen, a year-on-year decrease of 16.8%, and profit attributable to owners of parent was 2,816 million yen, a year-on-year decrease of 14.0%.

*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 nine months under review, the MRI Group engaged in various think tank and consulting services projects that contributed to sales. For government and public offices, projects included support for the utilization of health data and the development of medical devices, and research studies into promoting regional tourism, establishing regional industries and realizing a low-carbon society. In the private sector, projects involving the analysis of risk management and marketing data for financial institutions contributed to sales. However, these projects were insufficient to cover a drop in orders for ICT consulting for general private-sector companies, leading to sales (outside sales) of 26,799 million yen, down 3.4% year on year. Ordinary profit declined 39.3% year on year, to 1,949 million yen, reflecting higher costs associated with demonstration projects for government and public offices and an increase in selling, general and administrative expenses due to efforts to

augment the sales structure, among other factors.

<IT services>

In the nine months under review, the MRI Group engaged in various 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 40,846 million yen, an increase of 4.5% year on year, and ordinary profit of 2,563 million yen, an increase of 13.5% year on year.

(2) Explanation regarding financial position

As of the end of the third quarter under review, total assets stood at 72,352 million yen, an increase of 575 million yen, or 0.8%, compared with the end of the previous fiscal year. Broken down, current assets increased 0.6% to 44,347 million yen, and non-current assets increased 1.1% to 28,004 million yen. The increase in current assets mainly reflected increases of 1,013 million yen in cash and deposits and 3,499 million yen in securities, which were held for short-term investment, despite a decrease of 5,302 million yen in accounts receivable - trade.

Liabilities decreased 1,450 million yen, or 5.8%, compared with the end of the previous fiscal year to 23,415 million yen, due to decreases of 1,461 million yen in income taxes payable and 1,583 million yen in provision for bonuses.

Net assets increased 2,026 million yen, or 4.3%, compared with the end of the previous fiscal year to 48,936 million yen. Treasury shares increased (net assets decreased) by 578 million yen due to the introduction of a share-based compensation system linked to operating performance, but there were rises of 1,666 million yen in retained earnings and 622 million yen in valuation difference on available-for-sale securities.

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

There is no change to the consolidated earnings forecasts announced on April 27, 2017.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of September 30, 2016	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	14,548	15,561
Accounts receivable - trade	13,998	8,696
Securities	6,999	10,499
Inventories	5,395	5,906
Deferred tax assets	1,608	1,618
Other	1,538	2,069
Allowance for doubtful accounts	(12)	(5)
Total current assets	44,075	44,347
Non-current assets		
Property and equipment		
Buildings and structures, net	6,392	6,226
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures, net	1,470	1,564
Land	720	720
Leased assets, net	925	759
Construction in progress	125	101
Total property and equipment	9,635	9,373
Intangible assets		
Software	5,008	4,417
Other	467	558
Total intangible assets	5,475	4,976
Investments and other assets		
Other	12,641	13,659
Allowance for doubtful accounts	(50)	(4)
Total investments and other assets	12,590	13,655
Total non-current assets	27,701	28,004
Total assets	71,777	72,352

(Millions of yen)

	As of September 30, 2016	As of June 30, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	3,584	3,248
Accounts payable - other	1,059	1,346
Accrued expenses	1,150	978
Income taxes payable	1,910	448
Provision for bonuses	3,484	1,900
Provision for loss on order received	54	39
Other	2,529	4,212
Total current liabilities	13,772	12,175
Non-current liabilities		
Net defined benefit liability	10,485	10,656
Provision for share-based compensation	–	73
Other	608	509
Total non-current liabilities	11,093	11,239
Total liabilities	24,866	23,415
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,859	4,774
Retained earnings	28,690	30,357
Treasury shares	(0)	(579)
Total shareholders' equity	39,885	40,889
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,416	2,039
Deferred gains or losses on hedges	(1)	(2)
Foreign currency translation adjustment	6	14
Remeasurements of defined benefit plans	(436)	(388)
Total accumulated other comprehensive income	984	1,663
Non-controlling interests	6,040	6,384
Total net assets	46,910	48,936
Total liabilities and net assets	71,777	72,352

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

(Millions of yen)

	Nine months ended June 30, 2016	Nine months ended June 30, 2017
Net sales	66,845	67,646
Cost of sales	51,577	52,789
Gross profit	15,268	14,857
Selling, general and administrative expenses	10,117	10,699
Operating profit	5,151	4,158
Non-operating income		
Interest income	3	0
Dividend income	105	118
Share of profit of entities accounted for using equity method	223	255
Other	59	78
Total non-operating income	392	453
Non-operating expenses		
Interest expenses	7	7
Other	4	0
Total non-operating expenses	12	7
Ordinary profit	5,531	4,603
Extraordinary income		
Gain on sales of investment securities	141	46
Total extraordinary income	141	46
Extraordinary losses		
Loss on sales of non-current assets	-	0
Loss on retirement of non-current assets	21	13
Loss on sales of investment securities	0	2
Early extra retirement payments	9	-
Office transfer expenses	-	6
Other	2	3
Total extraordinary losses	34	25
Profit before income taxes	5,638	4,624
Income taxes	2,067	1,447
Profit	3,570	3,176
Profit attributable to non-controlling interests	295	360
Profit attributable to owners of parent	3,274	2,816

Consolidated quarterly statements of comprehensive income

(Millions of yen)

	Nine months ended June 30, 2016	Nine months ended June 30, 2017
Profit	3,570	3,176
Other comprehensive income		
Valuation difference on available-for-sale securities	(104)	719
Deferred gains or losses on hedges	3	(0)
Foreign currency translation adjustment	(18)	6
Remeasurements of defined benefit plans	(1)	47
Share of other comprehensive income of entities accounted for using equity method	(23)	1
Total other comprehensive income	(144)	774
Comprehensive income	3,426	3,951
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,159	3,495
Comprehensive income attributable to non- controlling interests	267	455

Segment information, etc.

I Nine months ended June 30, 2016

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	27,748	39,097	66,845	–	66,845
Inter-segment sales and transfers	97	1,235	1,332	(1,332)	–
Total	27,845	40,332	68,178	(1,332)	66,845
Segment profit	3,211	2,259	5,470	60	5,531

Notes: 1. The adjustment of 60 million yen on segment profit includes 22 million yen as inter-segment transaction eliminations, negative 2 million yen as inventory adjustments and 39 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 nine months.

II Nine months ended June 30, 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	26,799	40,846	67,646	–	67,646
Inter-segment sales and transfers	108	594	702	(702)	–
Total	26,908	41,441	68,349	(702)	67,646
Segment profit	1,949	2,563	4,512	90	4,603

Notes: 1. The adjustment of 90 million yen on segment profit includes 29 million yen as inter-segment transaction eliminations, 2 million yen as inventory adjustments, and 58 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 nine 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	Nine months ended June 30, 2017			
	Orders received	Year-on-year change (%)	Balance	Year-on-year change (%)
Think tank and consulting services	25,537	(7.9)	22,882	(0.3)
IT services	45,339	10.7	41,234	7.4
System development	30,660	20.6	23,236	16.9
Outsourcing services	14,678	(5.6)	17,998	(2.7)
Total	70,876	3.2	64,117	4.6

- 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 June 30, 2017 is recorded in the balance of orders received.

(2) Sales performance

Sales performance by segment is as shown below.

(Millions of yen)

Segment name	Nine months ended June 30, 2017	Year-on-year change (%)
Think tank and consulting services	26,799	(3.4)
IT solutions services	40,846	4.5
System development	25,603	7.1
Outsourcing services	15,242	0.4
Total	67,646	1.2

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