

[Translation for reference only]

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Translation



April 27, 2017

Consolidated Financial Results for the Six 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: May 9, 2017
Scheduled date to commence dividend payments: June 6, 2017
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, 2017 (from October 1, 2016 to March 31, 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	%
Six months ended								
March 31, 2017	42,303	0.3	3,332	(8.9)	3,546	(7.8)	2,187	(2.6)
March 31, 2016	42,195	7.0	3,659	14.2	3,846	16.9	2,246	6.9

Note: Comprehensive income

For the six months ended March 31, 2017: 3,085 million yen [24.9%]
For the six months ended March 31, 2016: 2,469 million yen [3.4%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
March 31, 2017	133.62	–
March 31, 2016	136.80	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
March 31, 2017	78,404	48,716	54.0
September 30, 2016	71,777	46,910	56.9

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

As of March 31, 2017: 42,355 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: Yes

***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, 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 March 31, 2017	178,112 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)

Six months ended March 31, 2017	16,373,056 shares
Six months ended March 31, 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 six months****(1) Explanation regarding operating results**

During the six months under review (from October 1, 2016 to March 31, 2017), the Japanese economy continued its modest recovery. Consumer activity remained in a recovery phase due to such factors as improvement in personal incomes. Buoyed by resurgent overseas demand, capital expenditure grew due to a robust corporate investment appetite in digitalization and other areas. Exports also grew, centered on China and other parts of Asia.

Overseas economies continued to rebound overall, although regional differences were apparent. The Chinese economy continued to exhibit flat growth, and emerging economies experienced a modest recovery due to such factors as stable resource prices. The European economy failed to move out of a slump, but consumer activity continued to recover. In the US economy, consumer activity was firm, against the backdrop of a favorable employment environment and improved consumer 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. Specifically, the MRI Group is pushing ahead with businesses to support business-management and manufacturing innovation that utilizes AI (artificial intelligence) and big data. In addition, the MRI Group worked to develop business in response to societal and corporate needs, developing business in the energy sector and the healthcare and wellness 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 six months under review, the MRI Group recorded net sales of 42,303 million yen, a year-on-year increase of 0.3%, operating profit was 3,332 million yen, a year-on-year decrease of 8.9%, ordinary profit was 3,546 million yen, a year-on-year decrease of 7.8%, and profit attributable to owners of parent was 2,187 million yen, a year-on-year decrease of 2.6%.

The results by segment are as follows.

<Think tank and consulting services>

In the six months under review, the MRI Group engaged in various think tank and consulting services projects that contributed to sales. For government and public offices, this included research services supporting the development of medical devices and sophisticated new energy and electrical safety technologies. In the private sector, projects involving the analysis and application of marketing data for financial institutions contributed to sales. However, orders for ICT consulting for general private-sector companies were below our forecasts, leading to sales (outside sales) of 13,994 million yen, down 6.2% year on year. Ordinary profit decreased 30.4% year on year, to 1,315 million yen, affected by lower sales and a rise in selling, general and administrative expenses due to our efforts to augment our sales structure, among other factors.

<IT services>

In the six 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 28,309 million yen, an increase of 3.8% year on year, and ordinary profit of 2,177 million yen, an increase of 13.0% 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 78,404 million yen, an increase of 6,626 million yen, or 9.2%, compared with the end of the previous fiscal year. Broken down, current assets increased 14.5% to 50,452 million yen, and non-current assets increased 0.9% to 27,951 million yen. The increase in current assets mainly reflected increases of 6,393 million yen in notes and accounts receivable - trade and 5,643 million yen in inventories owing to seasonal factors, despite a decrease of 6,999 million yen in securities, which were held for short-term investment, due to redemption.

Liabilities increased 4,821 million yen, or 19.4%, compared with the end of the previous fiscal year to 29,687 million yen, mainly due to an increase of 5,627 million yen in accounts payable - trade owing to seasonal variation.

Net assets increased 1,805 million yen, or 3.8%, compared with the end of the previous fiscal year to 48,716 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 retained earnings grew 1,612 million yen.

B. Cash flow position

As of the end of the six months under review, cash and cash equivalents decreased 5,591 million yen compared with the end of the previous fiscal year to 15,356 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 3,215 million yen, compared with 5,653 million yen used in the same period of the previous fiscal year. The main reasons include increases of 6,393 million yen in notes and accounts receivable - trade, 5,643 million yen in inventories, and 5,627 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 used in investing activities was 1,021 million yen, compared with 553 million yen provided in the same period of the previous fiscal year.

Cash used in financing activities was 1,363 million yen, compared with 714 million yen used in the same period of the previous fiscal year.

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

In our think tank and consulting services, progress on orders from general private-sector companies is slower than forecast. Due to an increase in large demonstration projects for government and public offices, which involve significant outsourcing costs, we now expect to maintain sales in line with our initial forecast, although we expect ordinary profit to be below our initial forecast.

As a result, the MRI Group has revised its consolidated earnings forecasts, earnings forecasts by segment and non-consolidated earnings forecasts for the fiscal year ending September 30, 2017 (announced October 31, 2016). Details are as follows.

Revised figures of the consolidated earnings forecasts for the fiscal year ending September 30, 2017
(from October 1, 2016 to September 30, 2017)

	Consolidated net sales	Consolidated operating profit	Consolidated ordinary profit	Profit attributable to owners of parent	Consolidated basic earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	90,000	6,300	6,700	3,900	237.46
Revised forecast (B)	90,000	5,800	6,200	3,600	220.73
Amount change (B-A)	–	(500)	(500)	(300)	(16.73)
Rate change (%)	–	(7.9)	(7.5)	(7.7)	(7.0)
(Reference) Actual results of the fiscal year ended September 30, 2016	86,904	5,495	5,877	3,425	208.55

Revised figures of the earnings forecasts by segment for the fiscal year ending September 30, 2017
(from October 1, 2016 to September 30, 2017)

	Think tank and consulting services		IT services	
	Net sales	Ordinary profit	Net sales	Ordinary profit
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Previous forecast (A)	34,000	2,900	56,000	3,800
Revised forecast (B)	34,000	2,400	56,000	3,800
Amount change (B-A)	–	(500)	–	–
Rate change (%)	–	(17.2)	–	–
(Reference) Actual results of the fiscal year ended September 30, 2016	33,014	2,875	53,889	2,931

Revised figures of the non-consolidated earnings forecasts for the fiscal year ending September 30, 2017 (from October 1, 2016 to September 30, 2017)

	Net sales	Ordinary profit	Net income	Basic earnings per share
	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	33,500	3,200	2,200	133.95
Revised forecast (B)	33,500	2,700	2,200	134.89
Amount change (B-A)	–	(500)	–	0.94
Rate change (%)	–	(15.6)	–	0.7
(Reference) Actual results of the fiscal year ended September 30, 2016	32,516	2,906	2,066	125.81

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2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of September 30, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	14,548	15,656
Notes and accounts receivable - trade	13,998	20,392
Securities	6,999	–
Inventories	5,395	11,038
Deferred tax assets	1,608	1,664
Other	1,538	1,730
Allowance for doubtful accounts	(12)	(30)
Total current assets	44,075	50,452
Non-current assets		
Property and equipment		
Buildings and structures, net	6,392	6,225
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures, net	1,470	1,550
Land	720	720
Leased assets, net	925	781
Construction in progress	125	29
Total property and equipment	9,635	9,307
Intangible assets		
Software	5,008	4,706
Other	467	469
Total intangible assets	5,475	5,176
Investments and other assets		
Other	12,641	13,473
Allowance for doubtful accounts	(50)	(4)
Total investments and other assets	12,590	13,468
Total non-current assets	27,701	27,951
Total assets	71,777	78,404

(Millions of yen)

	As of September 30, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	3,584	9,212
Accounts payable - other	1,059	1,028
Accrued expenses	1,150	2,208
Income taxes payable	1,910	1,283
Provision for bonuses	3,484	2,203
Provision for loss on order received	54	22
Other	2,529	2,599
Total current liabilities	13,772	18,558
Non-current liabilities		
Net defined benefit liability	10,485	10,588
Provision for share-based compensation	–	49
Other	608	491
Total non-current liabilities	11,093	11,128
Total liabilities	24,866	29,687
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,859	4,774
Retained earnings	28,690	30,303
Treasury shares	(0)	(579)
Total shareholders' equity	39,885	40,835
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,416	1,908
Deferred gains or losses on hedges	(1)	(1)
Foreign currency translation adjustment	6	16
Remeasurements of defined benefit plans	(436)	(403)
Total accumulated other comprehensive income	984	1,520
Non-controlling interests	6,040	6,360
Total net assets	46,910	48,716
Total liabilities and net assets	71,777	78,404

(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, 2016	Six months ended March 31, 2017
Net sales	42,195	42,303
Cost of sales	31,871	32,033
Gross profit	10,323	10,269
Selling, general and administrative expenses	6,664	6,937
Operating profit	3,659	3,332
Non-operating income		
Interest income	2	0
Dividend income	45	48
Share of profit of entities accounted for using equity method	119	142
Other	27	28
Total non-operating income	195	219
Non-operating expenses		
Interest expenses	5	5
Other	3	0
Total non-operating expenses	8	5
Ordinary profit	3,846	3,546
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	18	8
Loss on sales of investment securities	0	2
Other	1	1
Total extraordinary losses	20	12
Profit before income taxes	3,967	3,580
Income taxes	1,467	1,086
Profit	2,500	2,493
Profit attributable to non-controlling interests	253	305
Profit attributable to owners of parent	2,246	2,187

Consolidated quarterly statements of comprehensive income

(Millions of yen)

	Six months ended March 31, 2016	Six months ended March 31, 2017
Profit	2,500	2,493
Other comprehensive income		
Valuation difference on available-for-sale securities	(2)	547
Deferred gains or losses on hedges	3	0
Foreign currency translation adjustment	(9)	8
Remeasurements of defined benefit plans	(4)	31
Share of other comprehensive income of entities accounted for using equity method	(17)	4
Total other comprehensive income	(30)	592
Comprehensive income	2,469	3,085
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,224	2,723
Comprehensive income attributable to non- controlling interests	245	362

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	Six months ended March 31, 2016	Six months ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	3,967	3,580
Depreciation	1,419	1,599
Amortization of goodwill	48	14
Increase (decrease) in provision for bonuses	(924)	(1,280)
Decrease (increase) in net defined benefit asset	(0)	–
Increase (decrease) in net defined benefit liability	79	148
Increase (decrease) in allowance for doubtful accounts	66	(28)
Increase (decrease) in provision for share-based compensation	–	49
Increase (decrease) in provision for loss on order received	30	(32)
Interest and dividend income	(48)	(48)
Interest expenses	5	5
Share of (profit) loss of entities accounted for using equity method	(119)	(142)
Loss (gain) on sales of non-current assets	–	0
Loss on retirement of non-current assets	18	8
Loss (gain) on sales of investment securities	(141)	(43)
Decrease (increase) in notes and accounts receivable - trade	(10,934)	(6,393)
Decrease (increase) in inventories	(4,599)	(5,643)
Increase (decrease) in notes and accounts payable - trade	4,159	5,627
Other, net	2,177	1,146
Subtotal	(4,794)	(1,433)
Interest and dividend income received	72	71
Interest expenses paid	(5)	(5)
Income taxes paid	(925)	(1,848)
Net cash provided by (used in) operating activities	(5,653)	(3,215)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	–	300
Proceeds from redemption of securities	1,998	–
Purchase of property and equipment	(747)	(400)
Proceeds from sales of property and equipment	–	0
Purchase of intangible assets	(973)	(611)
Purchase of investment securities	(4)	(135)
Proceeds from sales of investment securities	271	69
Payments of loans receivable	(2)	(1)
Collection of loans receivable	2	1
Payments for lease and guarantee deposits	(5)	(268)
Proceeds from collection of lease and guarantee deposits	6	25
Other, net	7	0
Net cash provided by (used in) investing activities	553	(1,021)
Cash flows from financing activities		
Repayments of lease obligations	(156)	(140)
Cash dividends paid	(493)	(574)
Dividends paid to non-controlling interests	(65)	(69)
Purchase of treasury shares	–	(578)
Net cash provided by (used in) financing activities	(714)	(1,363)

(Millions of yen)

	Six months ended March 31, 2016	Six months ended March 31, 2017
Effect of exchange rate change on cash and cash equivalents	(9)	8
Net increase (decrease) in cash and cash equivalents	(5,823)	(5,591)
Cash and cash equivalents at beginning of period	18,255	20,948
Cash and cash equivalents at end of period	12,431	15,356

Segment information, etc.**I Six months ended March 31, 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	14,917	27,278	42,195	–	42,195
Inter-segment sales and transfers	68	844	913	(913)	–
Total	14,986	28,122	43,108	(913)	42,195
Segment profit	1,890	1,925	3,816	29	3,846

Notes: 1. The adjustment of 29 million yen on segment profit includes 9 million yen as inter-segment transaction eliminations, negative 2 million yen as inventory adjustments and 22 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, 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.

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, 2017			
	Orders received	Year-on-year change (%)	Balance	Year-on-year change (%)
Think tank and consulting services	17,218	(6.5)	27,369	3.4
IT services	26,733	(0.5)	35,166	(2.6)
System development	16,665	2.9	17,039	(3.1)
Outsourcing services	10,067	(5.7)	18,126	(2.0)
Total	43,951	(2.9)	62,535	(0.0)

- 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, 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	Six months ended March 31, 2017	Year-on-year change (%)
Think tank and consulting services	13,994	(6.2)
IT solutions services	28,309	3.8
System development	17,805	4.9
Outsourcing services	10,503	1.9
Total	42,303	0.3

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