

[Translation for reference only]

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Translation



February 3, 2017

## Consolidated Financial Results for the Three 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: February 7, 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 three months of the fiscal year ending September 30, 2017 (from October 1, 2016 to December 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
December 31, 2016	14,606	8.7	(605)	–	(469)	–	(558)	–
December 31, 2015	13,432	(3.8)	(752)	–	(640)	–	(593)	–

Note: Comprehensive income

For the three months ended December 31, 2016: (60) million yen [–%]

For the three months ended December 31, 2015: (443) million yen [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
December 31, 2016	(33.98)	–
December 30, 2015	(36.12)	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2016	68,218	46,149	58.7
September 30, 2016	71,777	46,910	56.9

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

As of December 31, 2016: 40,043 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	–				
Fiscal year ending September 30, 2017 (Forecast)		35.00	–	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 income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending March 31, 2017	43,000	1.9	3,720	1.7	3,900	1.4	2,300	2.4	140.04
Fiscal year ending September 30, 2017	90,000	3.6	6,300	14.6	6,700	14.0	3,900	13.9	237.46

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

Note: For the details, please refer to “(2) Application of special accounting in preparing consolidated quarterly financial statements” of “2. Matters regarding summary information (Notes)” on page 3 of the attached documents.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards and other regulations: None

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatement of prior period financial statements after error corrections: None

(4) Number of issued shares (common shares)

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

As of December 31, 2016	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 December 31, 2016	212 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)

Three months ended December 31, 2016	16,423,868 shares
Three months ended December 31, 2015	16,423,868 shares

**\* Indication regarding execution of quarterly review procedures**

At the time of disclosure of this quarterly financial results report, review procedures for the quarterly financial statements pursuant to the Financial Instruments and Exchange Act are in progress.

**\* 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 three months****(1) Explanation regarding operating results**

During the three months under review (from October 1, 2016 to December 31, 2016), the Japanese economy showed a trend of gradual recovery. Although consumer activity remained weak, reflecting rising fresh food prices and concerns about the future, particularly among middle-aged and elderly consumers, capital expenditure showed firmness amid a pickup in external demand. Improved business sentiment has also appeared, particularly in the manufacturing sector, amid significant yen depreciation and high stock prices following the U.S. presidential election in November.

Overseas economies were trending toward recovery overall. Among the emerging countries, with the Chinese economic growth rate remaining flat, and inflationary pressures easing in other countries, gentle economic recovery was maintained. In the U.S. economy, consumer activity was firm thanks to a robust employment environment and the wealth effect generated by high stock prices. The European economy remained stuck in an ongoing slump, although consumer activity continued to recover.

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 pushed ahead with businesses to support business-management and manufacturing innovation that utilizes AI (artificial intelligence), IoT\* and big data. In addition, the MRI Group also worked to develop business in response to such needs in society as business development in the energy sector, the healthcare and wellness sector, and regional revitalization sector based on policy innovation, such as electricity sector reforms, and health and nursing care insurance reform.

As a result, during the three months under review, the MRI Group recorded net sales of 14,606 million yen, a year-on-year increase of 8.7%, operating loss was 605 million yen (compared with operating loss of 752 million yen in the same period of the previous fiscal year), ordinary loss was 469 million yen (compared with ordinary loss of 640 million yen in the same period of the previous fiscal year), and loss attributable to owners of parent of 558 million yen (compared with loss attributable to owners of parent of 593 million yen in the same period of the previous fiscal year). The MRI Group, particularly in its think tank and consulting services, tends to book a large proportion of sales in the March to April period, as the fiscal year of major clients such as government and public offices and corporations ends in March and begins in April. Consequently, operating results for the first three months of the MRI Group's fiscal year tend to be substantially lower than in the other quarters.

\*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 three months under review, the MRI Group engaged in various projects that contributed to sales which, for our services to government and public offices, included system development administration projects as well as satellite ground facility-related research services, and for our services to clients in the private sector, included risk management and regulatory compliance support consulting projects for financial institutions and customer data analysis projects. As a result, the segment reported net sales (outside sales) of 2,150 million yen, an increase of 4.2% year on year, and ordinary loss of 1,025 million yen (compared with ordinary loss of 893 million yen in the same

period of the previous fiscal year).

<IT services>

In the three months under review, the MRI Group engaged in various projects that contributed to sales. This included 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 12,455 million yen, an increase of 9.6% year on year, and ordinary income of 536 million yen, an increase of 122.1% year on year.

**(2) Explanation regarding financial position**

As of the end of the first quarter under review, total assets stood at 68,218 million yen, a decrease of 3,558 million yen, or 5.0%, compared with the end of the previous fiscal year. Broken down, current assets decreased 8.7% to 40,232 million yen, and non-current assets increased 1.0% to 27,986 million yen. The decrease in current assets mainly reflected decreases of 4,869 million yen in notes and accounts receivable - trade and 2,999 million yen from redemption of securities, which were held for short-term investment, despite a rise of 3,693 million yen in inventories owing to seasonal variation.

Liabilities decreased 2,796 million yen, or 11.2%, compared with the end of the previous fiscal year to 22,069 million yen, largely due to decreases in income taxes payable and provision for bonuses.

Net assets were down 761 million yen, or 1.6%, compared with the end of the previous fiscal year to 46,149 million yen, largely due to a decrease in retained earnings.

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

There is no change to the consolidated earnings forecasts announced on October 31, 2016.

**2. Matters regarding summary information (Notes)**

**(1) Changes in significant subsidiaries during the three months under review**

Not applicable

**(2) Application of special accounting in preparing consolidated quarterly financial statements**

Tax expenses for the three months under review are calculated by multiplying profit before income taxes for the three months under review by the reasonably estimated effective tax rate after applying tax effect accounting for the fiscal year including the first quarter under review.

**(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections**

Not applicable

### 3. Consolidated quarterly financial statements

#### (1) Consolidated quarterly balance sheets

(Millions of yen)

	As of September 30, 2016	As of December 31, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	14,548	14,472
Notes and accounts receivable - trade	13,998	9,129
Securities	6,999	3,999
Inventories	5,395	9,088
Deferred tax assets	1,608	1,747
Other	1,538	1,802
Allowance for doubtful accounts	(12)	(7)
Total current assets	44,075	40,232
Non-current assets		
Property and equipment		
Buildings and structures, net	6,392	6,325
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures, net	1,470	1,610
Land	720	720
Leased assets, net	925	861
Construction in progress	125	26
Total property, plant and equipment	9,635	9,544
Intangible assets		
Software	5,008	4,959
Other	467	357
Total intangible assets	5,475	5,316
Investments and other assets		
Other	12,641	13,129
Allowance for doubtful accounts	(50)	(4)
Total investments and other assets	12,590	13,125
Total non-current assets	27,701	27,986
Total assets	71,777	68,218

(Millions of yen)

	As of September 30, 2016	As of December 31, 2016
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	3,584	3,516
Accounts payable - other	1,059	1,430
Accrued expenses	1,150	1,524
Income taxes payable	1,910	323
Provision for bonuses	3,484	1,168
Provision for loss on order received	54	78
Other	2,529	2,948
Total current liabilities	13,772	10,991
Non-current liabilities		
Net defined benefit liability	10,485	10,521
Other	608	555
Total non-current liabilities	11,093	11,077
Total liabilities	24,866	22,069
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,859	4,774
Retained earnings	28,690	27,557
Treasury shares	(0)	(0)
Total shareholders' equity	39,885	38,668
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,416	1,792
Deferred gains or losses on hedges	(1)	(1)
Foreign currency translation adjustment	6	4
Remeasurements of defined benefit plans	(436)	(420)
Total accumulated other comprehensive income	984	1,375
Non-controlling interests	6,040	6,105
Total net assets	46,910	46,149
Total liabilities and net assets	71,777	68,218



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

(Millions of yen)

	Three months ended December 31, 2015	Three months ended December 31, 2016
Net sales	13,432	14,606
Cost of sales	10,874	11,807
Gross profit	2,557	2,799
Selling, general and administrative expenses	3,309	3,405
Operating loss	(752)	(605)
Non-operating income		
Interest income	1	0
Dividend income	27	28
Share of profit of entities accounted for using equity method	81	85
Other	6	23
Total non-operating income	117	139
Non-operating expenses		
Interest expenses	2	2
Other	3	0
Total non-operating expenses	5	2
Ordinary loss	(640)	(469)
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	0	2
Loss on sales of investment securities	—	2
Loss on cancellation of leases	0	1
Total extraordinary losses	0	7
Loss before income taxes	(499)	(430)
Income taxes	67	68
Loss	(567)	(498)
Profit attributable to non-controlling interests	25	59
Loss attributable to owners of parent	(593)	(558)

**Consolidated quarterly statements of comprehensive income**

(Millions of yen)

	Three months ended December 31, 2015	Three months ended December 31, 2016
Loss	(567)	(498)
Other comprehensive income		
Valuation difference on available-for-sale securities	141	421
Deferred gains or losses on hedges	2	0
Foreign currency translation adjustment	(5)	(1)
Remeasurements of defined benefit plans	4	15
Share of other comprehensive income of entities accounted for using equity method	(19)	2
Total other comprehensive income	124	437
Comprehensive income	(443)	(60)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(476)	(167)
Comprehensive income attributable to non- controlling interests	33	106

**(3) Segment information, etc.**

## I Three months ended December 31, 2015

## 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	2,064	11,367	13,432	–	13,432
Inter-segment sales and transfers	19	391	410	(410)	–
Total	2,083	11,759	13,843	(410)	13,432
Segment profit (loss)	(893)	241	(651)	11	(640)

Notes: 1. The adjustment of 11 million yen on segment profit (loss) includes 7 million yen as inter-segment transaction eliminations, negative 10 million yen as inventory adjustments and 14 million yen as non-current asset adjustments.

2. Segment profit (loss) is adjusted with ordinary loss 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 three months.

## II Three months ended December 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	2,150	12,455	14,606	–	14,606
Inter-segment sales and transfers	38	201	240	(240)	–
Total	2,188	12,657	14,846	(240)	14,606
Segment profit (loss)	(1,025)	536	(489)	19	(469)

Notes: 1. The adjustment of 19 million yen on segment profit (loss) includes 8 million yen as inter-segment transaction eliminations, negative 9 million yen as inventory adjustments, and 20 million yen as non-current asset adjustments.

2. Segment profit (loss) is adjusted with ordinary loss 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 three months.

**(4) Per share information**

Loss per share and basis for calculating loss per share are as shown below.

	Three months ended December 31, 2015	Three months ended December 31, 2016
Loss per share (yen)	(36.12)	(33.98)
(Basis for calculating)		
Loss attributable to owners of parent (millions of yen)	(593)	(558)
Loss not attributable to common shareholders (millions of yen)	–	–
Loss attributable to owners of parent related to common shares (millions of yen)	(593)	(558)
Average number of outstanding shares of common shares during the period (thousand shares)	16,423	16,423

Note: Please note that diluted earnings per share is not shown because loss per share was recorded and MRI has not issued potential shares.

## 4. 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	Three months ended December 31, 2016			
	Orders received	Year-on-year change (%)	Balance	Year-on-year change (%)
Think tank and consulting services	6,258	17.3	28,253	7.7
IT services	13,319	(5.0)	37,605	(4.0)
System development	8,502	(6.7)	19,270	(8.2)
Outsourcing services	4,817	(1.9)	18,335	0.9
Total	19,577	1.2	65,858	0.7

- 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 December 31, 2016 is recorded in the balance of orders received.

#### (2) Sales performance

Sales performance by segment is as shown below.

(Millions of yen)

Segment name	Three months ended December 31, 2016	Year-on-year change (%)
Think tank and consulting services	2,150	4.2
IT solutions services	12,455	9.6
System development	7,410	14.1
Outsourcing services	5,045	3.6
Total	14,606	8.7

- Notes:
1. Inter-segment transactions have been eliminated.
  2. The MRI Group, particularly in its think tank and consulting service, completes only a small number of projects during the first three months as the fiscal year of major clients such as government and public offices and corporations ends in March and begins in April. Consequently, sales results for the first three months of the MRI Group's fiscal year tend to be substantially lower than in the other quarters.
  3. Consumption taxes are not included in the above amounts.