

[Translation for reference only]

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Translation



July 28, 2016

Consolidated Financial Results for the Nine Months of the Fiscal Year Ending September 30, 2016 <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: Kyota Omori, President
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Scheduled date to submit Quarterly Securities Report: August 2, 2016
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, 2016 (from October 1, 2015 to June 30, 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	%
Nine months ended								
June 30, 2016	66,845	0.8	5,151	8.1	5,531	10.4	3,274	2.3
June 30, 2015	66,308	(2.2)	4,765	(6.7)	5,011	(7.7)	3,201	(8.3)

Note: Comprehensive income

For the nine months ended June 30, 2016: 3,426 million yen [(2.9)%]
For the nine months ended June 30, 2015: 3,529 million yen [0.3%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
June 30, 2016	199.40	–
June 30, 2015	194.92	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2016	70,093	46,563	58.0
September 30, 2015	67,094	44,134	57.3

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

As of June 30, 2016: 40,624 million yen
As of June 30, 2015: 38,433 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, 2015	–	25.00	–	30.00	55.00
Fiscal year ending September 30, 2016	–	30.00	–		
Fiscal year ending September 30, 2016 (Forecast)				30.00	60.00

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

**3. Consolidated earnings forecasts for the fiscal year ending September 30, 2016
(from October 1, 2015 to September 30, 2016)**

(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
Fiscal year ending September 30, 2016	88,000	3.1	5,800	4.5	6,150	5.8	3,550	(3.9)	216.15

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 materials.

(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: Yes

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

Note: For the details, please refer to “(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections” of “2. Matters regarding summary information (Notes)” on page 3 of the attached materials.

(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, 2016	16,424,080 shares
As of September 30, 2015	16,424,080 shares

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

As of June 30, 2016	212 shares
As of September 30, 2015	212 shares

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

Nine months ended June 30, 2016	16,423,868 shares
Nine months ended June 30, 2015	16,423,874 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 nine months****(1) Explanation regarding operating results**

During the nine months under review (from October 1, 2015 to June 30, 2016), the Japanese economy struggled to achieve recovery. Consumer activity remained sluggish amid diminishing consumer sentiment fueled by increasingly unstable financial markets due to an intensifying aversion to risk worldwide and the 2016 Kumamoto Earthquake. Capital expenditure has slowed to a gentle increase, affected by concerns of deterioration in corporate earnings owing to the appreciating yen and an uncertain outlook for the overseas economies. Exports also turned soft amid languishing economic performance in Asia.

Overseas economies have been lacking in strength and increased uncertain outlook. Among the emerging countries, the Chinese economic slowdown is continuing to put downward pressure on economic growth. The European economy remained stuck in an ongoing slump, despite a recovery in consumption. There are also concerns over the impact that the United Kingdom's decision to leave the European Union in June 2016 will have on the European economy. In the U.S. economy, exports and capital expenditure have been sluggish largely as a consequence of the strong dollar, while consumer momentum has also been somewhat soft due to a weakening in the pace of improvement in the employment market.

Against this backdrop, Mitsubishi Research Institute, Inc. and its consolidated subsidiaries (the MRI Group) have been placing the highest priority on quality and customer satisfaction, while developing businesses by making maximum use of its comprehensive functions and services which include the scientific methods it has accumulated as a think tank. In particular, the MRI Group promoted the management innovation support business for the private sector, which combines consulting and ICT, and the construction of systems for financial institutions and credit card companies. The MRI Group has also been working to develop business in response to new needs in society, such as those involving deregulation of Japan's electric power industry, reforms involving its social security system, and regional revitalization.

As a result, during the nine months under review, the MRI Group recorded net sales of 66,845 million yen, a year-on-year increase of 0.8%, operating income was 5,151 million yen, a year-on-year increase of 8.1%, ordinary income was 5,531 million yen, a year-on-year increase of 10.4%, and profit attributable to owners of parent was 3,274 million yen, a year-on-year increase of 2.3%.

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, this included various types of research services and system development administration projects for the public sector, in areas such as the environment and energy, social security, and international standardization. For clients in the private sector, although risk management and regulatory compliance support projects for financial institutions, and customer data analysis projects for railway companies contributed to sales, there was a reactionary decline in business as a result of the conclusion of large demonstration projects. As a result, the segment reported net sales (outside sales) of 27,748 million yen, a decrease of 4.8% year on year, and ordinary income of 3,211 million yen, a decrease of 14.7% year on year.

<IT services>

In the nine months under review, the MRI Group engaged in various IT services projects that contributed to sales. This included system development for a mega-bank, computer hardware upgrades and large system integration for a credit card company, and system development for an electric power company corresponding to deregulation of Japan's electric power industry. As a result, the segment reported net sales (outside sales) of 39,097 million yen, an increase of 5.2% year on year, and ordinary income of 2,259 million yen, an increase of 87.1% year on year.

* ICT stands for “information and communications technology.”

(2) Explanation regarding financial position

As of the end of the third quarter under review, total assets stood at 70,093 million yen, an increase of 2,998 million yen, or 4.5%, compared with the end of the previous fiscal year. Broken down, current assets increased 5.8% to 42,287 million yen, and non-current assets increased 2.6% to 27,805 million yen. The increase in current assets mainly reflected an increase of 6,595 million yen in cash and deposits, despite decreases of 2,499 million yen in securities, which were held for short-term investment, due to redemption, and 1,906 million yen in notes and accounts receivable - trade. Liabilities increased 569 million yen, or 2.5%, compared with the end of the previous fiscal year to 23,529 million yen, mainly due to an increase of 584 million yen in income taxes payable. Net assets increased 2,429 million yen, or 5.5%, compared with the end of the previous fiscal year to 46,563 million yen, largely due to an increase of 2,289 million yen 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 April 27, 2016.

2. Matters regarding summary information (Notes)

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

Not applicable

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

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

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

(Application of Accounting Standard for Business Combinations, etc.)

Effective from the first quarter ended December 31, 2015, MRI has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of recording the amount of difference caused by changes in MRI’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of MRI was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter ended December 31, 2015, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period to which the date of business combination belongs. In addition, the presentation method for “net income” and other related items was changed, and the presentation of “minority interests” was changed to “non-controlling interests.” To reflect these changes, MRI has reclassified its quarterly and full-year consolidated financial statements for the first nine months of the previous fiscal year and the previous fiscal year.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. MRI is applying the said standard, etc. prospectively from the beginning of the first quarter ended December 31, 2015.

As a result, income before income taxes and minority interests for the nine months of the fiscal year ending September 30, 2016 decreased 8 million yen. Furthermore, capital surplus as of the end of the nine months of the fiscal year ending September 30, 2016 increased 8 million yen.

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

Following the revision to the Corporation Tax Act, MRI has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the third quarter ended June 30, 2016, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight line method.

The effect of this application on the consolidated financial statements for the nine months of the fiscal year ending September 30, 2016 is immaterial.

(4) Additional information

(Effect of change in income taxes rates)

The Act for Partial Revision of the Income Tax Act, etc. (Act No. 15 of 2016) and the Act on Partial Revision of the Local Tax Act, etc. (Act No. 13 of 2016) were promulgated on March 31, 2016.

With these revisions, corporation tax rates will be lowered from the fiscal year beginning on or after April 1, 2016, among other changes.

As a result of this tax rate change, income taxes payable and income taxes both increased by 164 million yen for the nine months under review.

3. Consolidated quarterly financial statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of September 30, 2015	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	11,055	17,651
Notes and accounts receivable - trade	10,747	8,840
Securities	9,499	6,999
Inventories	5,595	5,498
Deferred tax assets	1,389	1,395
Other	1,711	1,908
Allowance for doubtful accounts	(11)	(7)
Total current assets	39,987	42,287
Non-current assets		
Property and equipment		
Buildings and structures, net	5,962	6,495
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures, net	1,490	1,390
Land	720	720
Leased assets, net	1,131	893
Construction in progress	515	72
Total property and equipment	9,820	9,572
Intangible assets		
Software	4,472	4,849
Other	698	725
Total intangible assets	5,170	5,575
Investments and other assets		
Other	12,120	12,708
Allowance for doubtful accounts	(5)	(51)
Total investments and other assets	12,115	12,657
Total non-current assets	27,106	27,805
Total assets	67,094	70,093

(Millions of yen)

	As of September 30, 2015	As of June 30, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	3,467	2,995
Accounts payable - other	1,191	1,160
Accrued expenses	1,055	1,243
Income taxes payable	877	1,462
Provision for bonuses	3,080	1,942
Provision for loss on order received	1	65
Asset retirement obligations	-	9
Other	2,836	4,201
Total current liabilities	12,510	13,080
Non-current liabilities		
Net defined benefit liability	9,790	9,939
Other	659	508
Total non-current liabilities	10,449	10,448
Total liabilities	22,960	23,529
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,851	4,859
Retained earnings	26,250	28,540
Treasury shares	(0)	(0)
Total shareholders' equity	37,437	39,735
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,451	1,349
Deferred gains or losses on hedges	(5)	(1)
Foreign currency translation adjustment	36	20
Remeasurements of defined benefit plans	(486)	(478)
Total accumulated other comprehensive income	995	889
Non-controlling interests	5,700	5,939
Total net assets	44,134	46,563
Total liabilities and net assets	67,094	70,093

(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, 2015	Nine months ended June 30, 2016
Net sales	66,308	66,845
Cost of sales	51,383	51,577
Gross profit	14,924	15,268
Selling, general and administrative expenses	10,158	10,117
Operating income	4,765	5,151
Non-operating income		
Interest income	3	3
Dividend income	103	105
Share of profit of entities accounted for using equity method	117	223
Other	36	59
Total non-operating income	260	392
Non-operating expenses		
Interest expenses	10	7
Other	4	4
Total non-operating expenses	14	12
Ordinary income	5,011	5,531
Extraordinary income		
Gain on sales of investment securities	475	141
Total extraordinary income	475	141
Extraordinary losses		
Loss on retirement of non-current assets	15	21
Loss on cancellation of leases	8	2
Early extra retirement payments	—	9
Other	0	0
Total extraordinary losses	24	34
Income before income taxes and minority interests	5,463	5,638
Income taxes	2,021	2,067
Profit	3,441	3,570
Profit attributable to non-controlling interests	240	295
Profit attributable to owners of parent	3,201	3,274

Consolidated quarterly statements of comprehensive income

(Millions of yen)

	Nine months ended June 30, 2015	Nine months ended June 30, 2016
Profit	3,441	3,570
Other comprehensive income		
Valuation difference on available-for-sale securities	82	(104)
Deferred gains or losses on hedges	(2)	3
Foreign currency translation adjustment	25	(18)
Remeasurements of defined benefit plans	(18)	(1)
Share of other comprehensive income of entities accounted for using equity method	1	(23)
Total other comprehensive income	88	(144)
Comprehensive income	3,529	3,426
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,303	3,159
Comprehensive income attributable to non- controlling interests	225	267

(3) Segment information, etc.**I** Nine months ended June 30, 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	29,154	37,153	66,308	–	66,308
Inter-segment sales and transfers	50	1,466	1,516	(1,516)	–
Total	29,204	38,620	67,824	(1,516)	66,308
Segment profit	3,765	1,207	4,973	38	5,011

- Notes: 1. The adjustment of 38 million yen on segment profit includes 3 million yen as inter-segment transaction eliminations, 3 million yen as inventory adjustments and 31 million yen as non-current asset adjustments.
2. Segment profit is adjusted with ordinary income 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, 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 income 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.

(4) Per share information

Basic earnings per share and basis for calculating basic earnings per share are as shown below.

	Nine months ended June 30, 2015	Nine months ended June 30, 2016
Basic earnings per share (yen)	194.92	199.40
(Basis for calculating)		
Profit attributable to owners of parent (millions of yen)	3,201	3,274
Profit not attributable to common shareholders (millions of yen)	–	–
Profit attributable to owners of parent related to common shares (millions of yen)	3,201	3,274
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 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	Nine months ended June 30, 2016			
	Orders received	Year-on-year change (%)	Balance	Year-on-year change (%)
Think tank and consulting services	27,717	14.3	22,944	11.9
IT services	40,963	15.8	38,375	10.7
System development	25,414	18.3	19,880	16.5
Outsourcing services	15,549	11.8	18,495	5.1
Total	68,680	15.2	61,320	11.1

- 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, 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	Nine months ended June 30, 2016	Year-on-year change (%)
Think tank and consulting services	27,748	(4.8)
IT solutions services	39,097	5.2
System development	23,909	6.3
Outsourcing services	15,188	3.6
Total	66,845	0.8

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