

[Translation for reference only]

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Translation



July 31, 2015

Consolidated Financial Results for the Nine Months of the Fiscal Year Ending September 30, 2015 <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 5, 2015
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, 2015 (from October 1, 2014 to June 30, 2015)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
June 30, 2015	66,308	(2.2)	4,765	(6.7)	5,011	(7.7)	3,201	8.3
June 30, 2014	67,830	7.4	5,109	6.0	5,428	8.5	2,956	11.7

Note: Comprehensive income

For the nine months ended June 30, 2015: 3,529 million yen [0.3%]

For the nine months ended June 30, 2014: 3,518 million yen [(6.2)%]

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended		
June 30, 2015	194.92	–
June 30, 2014	180.04	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2015	68,238	43,498	55.6
September 30, 2014	65,354	42,155	55.9

Reference: Equity (Net assets – Minority interests)

As of June 30, 2015: 37,917 million yen

As of September 30, 2014: 36,508 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, 2014	–	20.00	–	25.00	45.00
Fiscal year ending September 30, 2015	–	25.00	–		
Fiscal year ending September 30, 2015 (Forecast)				25.00	50.00

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

**3. Consolidated earnings forecasts for the fiscal year ending September 30, 2015
(from October 1, 2014 to September 30, 2015)**

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending September 30, 2015	87,000	(0.5)	5,600	(7.9)	5,900	(8.4)	3,500	2.8	213.10

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, 2015	16,424,080 shares
As of September 30, 2014	16,424,080 shares

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

As of June 30, 2015	212 shares
As of September 30, 2014	198 shares

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

Nine months ended June 30, 2015	16,423,874 shares
Nine months ended June 30, 2014	16,423,882 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, 2014 to June 30, 2015), the Japanese economy continued along a gradual recovery trend. There was a pickup in consumer activity reflecting an upturn in consumer confidence mainly on the back of improvements in employment and personal incomes and a fall in oil prices. Capital expenditure recovered mildly amid a favorable upswing in the corporate operating environment due to factors such as a decline in fuel costs resulting from the fall in oil prices and the yen's depreciation.

Outside Japan, overseas economies continued to lack strength. In emerging countries especially, the slowdown trend in the Chinese economy became more severe, while in resource-rich countries the fall in oil prices put downward pressure on growth.

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 making maximum use of its comprehensive functions and services, such as the scientific methods it has accumulated as a think tank. In particular, the MRI Group promoted management innovation support for private sector, which combines consulting and information and communication technology (ICT), and the development of information systems for financial institutions and a credit card company, among others. The MRI Group also worked to develop business in response to new needs in society, working on projects related to the healthcare sector, including nursing care, deregulation of the electric power industry, and regional revitalization.

Consequently, during the nine months under review, the MRI Group recorded net sales of 66,308 million yen, a year-on-year decrease of 2.2%. As a result of an increase in selling, general and administrative expenses such as sales activity costs and system amortization costs, operating income was 4,765 million yen, a year-on-year decline of 6.7%, and ordinary income was 5,011 million yen, a year-on-year fall of 7.7%. Net income rose by 8.3% year on year to 3,201 million yen, due to the recording of gain on sales of investment securities as extraordinary income.

The results by segment are as follows.

As noted in "3. Consolidated quarterly financial statements, (3) Segment information, etc.," from the first quarter of the fiscal year ending September 30, 2015, MRI has changed the classification of its reportable segments and changed the figures used for its segment profit from operating income to ordinary income. In the following year-on-year comparison, the results of the same period of the previous fiscal year have been restated in accordance with the segment classification after this change for comparison.

<Think tank and consulting services>

In the nine months under review, the following projects contributed to sales. Projects for government and public offices included government policy support for such operations as radioactive material removal and introduction of energy-efficient facilities, and information system development and upgrade support projects operated by the central government and local governments, while those for clients in the private sector included risk management support projects for financial institutions and customer data analysis projects. As a result, the segment reported net sales (outside sales) of 29,154 million yen, an increase of 7.1% year on year, and ordinary income of 3,765 million yen, a rise of 29.7% year on year.

<IT services>

In the nine months under review, projects that contributed to sales included computer hardware upgrade and basic software upgrade operations for a credit card company. Despite this contribution, there were also reactive declines mainly reflecting system infrastructure upgrade projects for financial institutions that occurred in the same period of the previous fiscal year, and the segment reported net sales (outside sales) of 37,153 million yen, a decrease of 8.5% year on year. In addition,

ordinary income was 1,207 million yen, down 53.5% year on year, due to the decline in sales and an increase in selling, general and administrative expenses.

(2) Explanation regarding financial position

As of the end of the third quarter under review, total assets stood at 68,238 million yen, an increase of 2,883 million yen, or 4.4%, compared with the end of the previous fiscal year. Broken down, current assets rose 11.0% to 40,792 million yen, and non-current assets decreased 4.1% to 27,446 million yen. The increase in current assets reflected rises of 2,865 million yen in cash and deposits and 4,999 million yen in securities, which were held for short-term investment, despite a fall of 3,789 million yen in notes and accounts receivable - trade. The decrease in non-current assets reflected a decline of 401 million yen in intangible assets, related to the commencement of amortization of a group-wide information system and others, and a fall of 629 million yen in investments and other assets, mainly owing to the sales of investment securities.

Liabilities increased 1,540 million yen, or 6.6%, compared with the end of the previous fiscal year to 24,739 million yen, due to a rise of 1,285 million yen in net defined benefit liability following the revision of the Accounting Standard for Retirement Benefits and relevant regulations.

Net assets were up 1,343 million yen, or 3.2%, compared with the end of the previous fiscal year to 43,498 million yen.

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

There is no change to the consolidated earnings forecasts announced on April 28, 2015.

2. Matters regarding summary information (Notes)

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

Not applicable

In a matter unrelated to changes in specified subsidiaries, MRI conducted an absorption-type merger on Intellectual Property Information Services Co., Ltd., which was a consolidated subsidiary, on April 1, 2015. As a result, the aforesaid company was removed from the scope of consolidation effective from the third quarter under review.

(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

(Adoption of the Accounting Standard for Retirement Benefits and relevant regulations)

With regard to the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012), the provisions of the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits were adopted effective from the first quarter of the fiscal year ending September 30, 2015, and MRI reviewed its calculation method for retirement benefit obligations and service costs. Accordingly, MRI changed its method of attributing expected benefits to periods from the straight-line basis to the benefit formula basis. MRI also changed the method for determining the discount rate from one that uses a discount rate based on a period approximate to the expected average remaining working lives of employees to one using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

Application of the Accounting Standard for Retirement Benefits and the Guidance on Accounting Standard for Retirement Benefits is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits, and the effect of the change to the calculation method for retirement benefit obligations and service costs has been added to or deducted from retained earnings as of the beginning of the nine months of the fiscal year ending September 30, 2015.

As a result, net defined benefit liability as of the beginning of the nine months of the fiscal year ending September 30, 2015 increased 1,668 million yen, deferred tax assets increased 594 million yen, and retained earnings decreased 1,073 million yen. The effect of this application on operating income, ordinary income and income before income taxes and minority interests for the nine months ended June 30, 2015 are immaterial.

(4) Additional information

(Effect of change in income taxes rates)

The Act for Partial Revision of the Income Tax Act, etc. (Act No. 9 of 2015) and the Act on Partial Revision of the Local Tax Act, etc. (Act No. 2 of 2015) were promulgated on March 31, 2015. With these revisions, corporation tax rates will be lowered from the fiscal year beginning on or after April 1, 2015, among other changes.

As a result of this tax rate change, income taxes payable and income taxes both increased by 341 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, 2014	As of June 30, 2015
Assets		
Current assets		
Cash and deposits	8,880	11,746
Notes and accounts receivable - trade	12,096	8,306
Securities	6,499	11,498
Inventories	6,165	5,770
Deferred tax assets	1,838	1,828
Other	1,277	1,648
Allowance for doubtful accounts	(9)	(6)
Total current assets	36,747	40,792
Non-current assets		
Property and equipment		
Buildings and structures, net	6,466	6,105
Machinery, equipment and vehicles, net	1	0
Tools, furniture and fixtures, net	1,708	1,558
Land	720	720
Leased assets, net	1,195	1,170
Construction in progress	51	458
Total property and equipment	10,143	10,013
Intangible assets		
Software	2,083	4,488
Software in progress	3,043	330
Other	276	182
Total intangible assets	5,402	5,001
Investments and other assets		
Other	13,064	12,435
Allowance for doubtful accounts	(4)	(5)
Total investments and other assets	13,060	12,430
Total non-current assets	28,607	27,446
Total assets	65,354	68,238

(Millions of yen)

	As of September 30, 2014	As of June 30, 2015
Liabilities		
Current liabilities		
Accounts payable - trade	4,320	3,110
Accounts payable - other	999	1,404
Accrued expenses	2,288	1,054
Income taxes payable	1,345	1,023
Provision for bonuses	2,633	1,941
Provision for loss on order received	–	5
Other	2,402	5,715
Total current liabilities	13,988	14,256
Non-current liabilities		
Net defined benefit liability	8,499	9,785
Other	711	697
Total non-current liabilities	9,211	10,483
Total liabilities	23,199	24,739
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,851	4,851
Retained earnings	24,453	25,759
Treasury shares	(0)	(0)
Total shareholders' equity	35,640	36,946
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,398	1,496
Deferred gains or losses on hedges	(2)	(5)
Foreign currency translation adjustment	9	32
Remeasurements of defined benefit plans	(537)	(552)
Total accumulated other comprehensive income	868	971
Minority interests	5,646	5,581
Total net assets	42,155	43,498
Total liabilities and net assets	65,354	68,238

(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, 2014	Nine months ended June 30, 2015
Net sales	67,830	66,308
Cost of sales	53,213	51,383
Gross profit	14,616	14,924
Selling, general and administrative expenses	9,507	10,158
Operating income	5,109	4,765
Non-operating income		
Interest income	3	3
Dividend income	182	103
Share of profit of entities accounted for using equity method	95	117
Other	51	36
Total non-operating income	331	260
Non-operating expenses		
Interest expenses	12	10
Other	0	4
Total non-operating expenses	12	14
Ordinary income	5,428	5,011
Extraordinary income		
Gain on sales of non-current assets	0	-
Gain on sales of investment securities	-	475
Subsidy income	1	-
Total extraordinary income	1	475
Extraordinary losses		
Loss on retirement of non-current assets	20	15
Loss on cancellation of leases	2	8
Other	2	0
Total extraordinary losses	25	24
Income before income taxes and minority interests	5,405	5,463
Income taxes	2,131	2,021
Income before minority interests	3,274	3,441
Minority interests in income	317	240
Net income	2,956	3,201

Consolidated quarterly statements of comprehensive income

(Millions of yen)

	Nine months ended June 30, 2014	Nine months ended June 30, 2015
Income before minority interests	3,274	3,441
Other comprehensive income		
Valuation difference on available-for-sale securities	244	82
Deferred gains or losses on hedges	(0)	(2)
Foreign currency translation adjustment	2	25
Remeasurements of defined benefit plans	-	(18)
Share of other comprehensive income of entities accounted for using equity method	(1)	1
Total other comprehensive income	244	88
Comprehensive income	3,518	3,529
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,160	3,303
Comprehensive income attributable to minority interests	358	225

(3) Segment information, etc.

I Nine months ended June 30, 2014

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	27,211	40,619	67,830	–	67,830
Inter-segment sales and transfers	52	2,002	2,054	(2,054)	–
Total	27,263	42,621	69,885	(2,054)	67,830
Segment profit	2,902	2,597	5,499	(71)	5,428

Notes: 1. The adjustment of negative 71 million yen on segment profit includes negative 0 million yen as inter-segment transaction eliminations, 6 million yen as inventory adjustments and negative 77 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, 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.

C. Matters regarding changes in reportable segments

Change in reportable segment classification

Following a reorganization conducted in October 2014 based on the business strategy of its new medium-term management plan, from the first quarter of the fiscal year ending September 30, 2015, the reportable segments have been changed to “Think tank and consulting services” and “IT services.”

As a result of this change, the IT consulting and solutions services that had been included in “IT solutions business” under the previous segment classification are now included in “Think tank and consulting services” under the new segment classification.

The principal products and services of each reportable segment after the change are as follows.

Reportable segments	Principal products and services
Think tank and consulting services	Research and study, and consulting services regarding public policies and general businesses, management consulting services, and IT consulting and solutions services
IT services	Software development, maintenance and operation, data processing services, outsourcing services, and sales of system equipment

From the first quarter of the fiscal year ending September 30, 2015, the figures used for segment profit were changed from operating income to ordinary income.

The information relating to net sales and segment profit for each reportable segment for the segment information of the nine months ended June 30, 2014 have been prepared based on the above changes.

(4) Per share information

Net income per share and basis for calculating net income per share are as shown below.

	Nine months ended June 30, 2014	Nine months ended June 30, 2015
Net income per share (yen)	180.04	194.92
(Basis for calculating)		
Net income (millions of yen)	2,956	3,201
Profit not attributable to common shareholders (millions of yen)	–	–
Net income related to common shares (millions of yen)	2,956	3,201
Average number of outstanding shares of common shares during the period (thousand shares)	16,423	16,423

Note: Please note that diluted net income per share is not shown because MRI has not issued potential shares.

4. Supplementary information

Status of orders received and sales

Changes have been made to the classification of reportable segments from the first quarter of the fiscal year ending September 30, 2015. The year-on-year change figures are comparisons made against values retroactively adjusted to reflect the segment classification after the change.

(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, 2015			
	Orders received	Year-on-year change (%)	Balance	Year-on-year change (%)
Think tank and consulting services	24,249	(13.3)	20,509	(10.5)
IT services	35,382	(13.6)	34,673	(10.0)
System development	21,477	(17.8)	17,067	(18.2)
Outsourcing services	13,905	(6.1)	17,606	(0.4)
Total	59,632	(13.5)	55,182	(10.2)

- 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, 2015 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, 2015	Year-on-year change (%)
Think tank and consulting services	29,154	7.1
IT solutions services	37,153	(8.5)
System development	22,487	(13.2)
Outsourcing services	14,666	(0.4)
Total	66,308	(2.2)

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