

[Translation for reference only]

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Translation



January 30, 2015

## Consolidated Financial Results for the Three 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  
Inquiries: Yutaka Kochi, General Manager, Management Accounting and Finance Division  
E-mail: [ir-info@mri.co.jp](mailto:ir-info@mri.co.jp)

Scheduled date to submit Quarterly Securities Report: February 2, 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 three months of the fiscal year ending September 30, 2015 (from October 1, 2014 to December 31, 2014)

#### (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	%
Three months ended								
December 31, 2014	13,967	(0.0)	(318)	-	(252)	-	(472)	-
December 31, 2013	13,974	2.3	(526)	-	(471)	-	(747)	-

Note: Comprehensive income

For the three months ended December 31, 2014: (288) million yen [-%]

For the three months ended December 31, 2013: (431) million yen [-%]

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
December 31, 2014	(28.74)	-
December 31, 2013	(45.53)	-

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2014	61,650	40,185	56.2
September 30, 2014	65,354	42,155	55.9

Reference: Equity (Net assets – Minority interests)

As of December 31, 2014: 34,649 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	–				
Fiscal year ending September 30, 2015 (Forecast)		25.00	–	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
Six months ending March 31, 2015	40,200	(4.8)	3,210	(18.9)	3,340	(17.8)	1,850	(12.2)	112.64
Fiscal year ending September 30, 2015	90,000	3.0	6,100	0.3	6,500	0.9	3,700	8.6	225.28

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

**\*Notes**

(1) Changes in significant subsidiaries during the three 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 December 31, 2014	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 December 31, 2014	198 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)

Three months ended December 31, 2014	16,423,882 shares
Three months ended December 31, 2013	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 three months****(1) Explanation regarding operating results**

During the three months under review (from October 1, 2014 to December 31, 2014), the Japanese economy continued along a gradual recovery trend, although the pace was slow. While consumer confidence continued to be weak, there was a gradual pick-up in consumer activity supported by an improvement in employment and personal incomes. Moreover, the corporate operating environment also improved due to factors such as the yen's depreciation and a decline in fuel costs because of the fall in oil prices. This led to signs of recovery in export trends and firm capital expenditure.

On the other hand, overseas economies except for the U.S. continued to lack strength overall. In emerging countries especially, the Chinese economy saw a stronger deceleration trend, while in other countries the internal demand that has supported growth appears to be showing signs of weakening due to inflation and monetary tightening, among other factors.

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 the management innovation support business for private companies, which combines consulting and information and communication technology (ICT), and the construction of systems for financial institutions, among others. The MRI Group also worked to develop business in response to new needs in society, such as the healthcare sector, including nursing care, and deregulation of electric power and regional revitalization.

As a result, during the three months under review, the MRI Group recorded net sales of 13,967 million yen, a year on year decrease of 0.0%, operating loss of 318 million yen (compared with operating loss of 526 million yen in the same period of the previous fiscal year), ordinary loss of 252 million yen (compared with ordinary loss of 471 million yen in the same period of the previous fiscal year), and net loss of 472 million yen (compared with net loss of 747 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.

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 or loss from operating income or loss to ordinary income or loss. 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 three months under review, of the projects that contributed to sales, those for government and public offices included infrastructure export-related research services and basic planning projects for systems operated by local governments, while projects 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 1,895 million yen, an increase of 15.8% year on year, and ordinary loss of 916 million yen (compared with ordinary loss of 1,035 million yen in the same period of the previous fiscal year).

<IT services>

In the three months under review, projects that contributed to sales included system equipment upgrade and basic software upgrade projects for a credit card company. Despite this contribution, the segment reported net sales (outside sales) of 12,071 million yen, a decrease of 2.1% year on year, and ordinary income of 674 million yen, up 13.2% year on year.

**(2) Explanation regarding financial position**

As of the end of the first quarter under review, total assets stood at 61,650 million yen, a decrease of 3,704 million yen, or 5.7%, compared with the end of the previous fiscal year. Broken down, current assets decreased 8.7% to 33,538 million yen, and non-current assets decreased 1.7% to 28,111 million yen. The decrease in current assets mainly reflected decreases of 3,885 million yen in notes and accounts receivable - trade and 6,499 million yen in securities, which were held for short-term investment, due to redemption, offsetting an increase of 4,862 million yen in inventories owing to seasonal variation.

Liabilities decreased 1,734 million yen, or 7.5%, compared with the end of the previous fiscal year to 21,465 million yen, due to decreases in income taxes payable and provision for bonuses, in particular, offsetting an increase in net defined benefit liability following the revision of the Accounting Standard for Retirement Benefits and relevant regulations.

Net assets decreased 1,969 million yen, or 4.7%, compared with the end of the previous fiscal year to 40,185 million yen, due to the effect of the revision of the Accounting Standard for Retirement Benefits and relevant regulations, the recording of a net loss and cash dividends paid, in particular.

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

There is no change to the consolidated earnings forecasts announced on October 31, 2014.

## **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 income 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**

(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 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 as well as 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 that uses 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 first quarter of the fiscal year ending September 30, 2015.

As a result, net defined benefit liability as of the beginning of the first quarter 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 loss, ordinary loss and loss before income taxes and minority interests for the three months ended December 31, 2014 are immaterial.

### 3. Consolidated quarterly financial statements

#### (1) Consolidated quarterly balance sheets

(Millions of yen)

	As of September 30, 2014	As of December 31, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	8,880	10,742
Notes and accounts receivable - trade	12,096	8,210
Securities	6,499	-
Inventories	6,165	11,027
Deferred tax assets	1,838	2,005
Other	1,277	1,558
Allowance for doubtful accounts	(9)	(6)
Total current assets	36,747	33,538
Non-current assets		
Property and equipment		
Buildings and structures, net	6,466	6,343
Machinery, equipment and vehicles, net	1	1
Tools, furniture and fixtures, net	1,708	1,625
Land	720	720
Leased assets, net	1,195	1,149
Construction in progress	51	8
Total property and equipment	10,143	9,849
Intangible assets		
Software	2,083	4,831
Software in progress	3,043	155
Other	276	244
Total intangible assets	5,402	5,231
Investments and other assets		
Other	13,064	13,035
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	13,060	13,030
Total non-current assets	28,607	28,111
Total assets	65,354	61,650

(Millions of yen)

	As of September 30, 2014	As of December 31, 2014
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	4,320	3,803
Accounts payable - other	999	1,511
Accrued expenses	2,288	1,409
Income taxes payable	1,345	323
Provision for bonuses	2,633	1,093
Provision for loss on order received	-	4
Other	2,402	3,065
Total current liabilities	13,988	11,212
Non-current liabilities		
Net defined benefit liability	8,499	9,606
Other	711	646
Total non-current liabilities	9,211	10,252
Total liabilities	23,199	21,465
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,851	4,851
Retained earnings	24,453	22,496
Treasury shares	(0)	(0)
Total shareholders' equity	35,640	33,683
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,398	1,481
Deferred gains or losses on hedges	(2)	(4)
Foreign currency translation adjustment	9	20
Remeasurements of defined benefit plans	(537)	(532)
Total accumulated other comprehensive income	868	965
Minority interests	5,646	5,535
Total net assets	42,155	40,185
Total liabilities and net assets	65,354	61,650

**(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, 2013	Three months ended December 31, 2014
Net sales	13,974	13,967
Cost of sales	11,425	10,977
Gross profit	2,549	2,990
Selling, general and administrative expenses	3,076	3,309
Operating loss	(526)	(318)
Non-operating income		
Interest income	0	1
Dividend income	21	33
Share of profit of entities accounted for using equity method	30	28
Other	5	8
Total non-operating income	58	71
Non-operating expenses		
Interest expenses	2	3
Foreign exchange losses	–	1
Other	0	0
Total non-operating expenses	2	5
Ordinary loss	(471)	(252)
Extraordinary income		
Gain on sales of non-current assets	0	–
Subsidy income	1	–
Total extraordinary income	1	–
Extraordinary losses		
Loss on retirement of non-current assets	6	1
Loss on cancellation of leases	0	8
Other	1	–
Total extraordinary losses	7	10
Loss before income taxes and minority interests	(477)	(262)
Income taxes	197	139
Loss before minority interests	(674)	(402)
Minority interests in income	73	70
Net loss	(747)	(472)

**Consolidated quarterly statements of comprehensive income**

(Millions of yen)

	Three months ended December 31, 2013	Three months ended December 31, 2014
Loss before minority interests	(674)	(402)
Other comprehensive income		
Valuation difference on available-for-sale securities	243	97
Deferred gains or losses on hedges	–	(2)
Foreign currency translation adjustment	(0)	11
Remeasurements of defined benefit plans	–	2
Share of other comprehensive income of entities accounted for using equity method	0	5
Total other comprehensive income	243	114
Comprehensive income	(431)	(288)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(544)	(374)
Comprehensive income attributable to minority interests	113	86

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

## I Three months ended December 31, 2013

## 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	1,637	12,337	13,974	–	13,974
Inter-segment sales and transfers	7	726	734	(734)	–
Total	1,645	13,063	14,708	(734)	13,974
Segment profit (loss)	(1,035)	595	(440)	(31)	(471)

Notes: 1. The adjustment of negative 31 million yen on segment profit (loss) includes negative 21 million yen as inter-segment transaction eliminations, negative 11 million yen as inventory adjustments and negative 1 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, 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	1,895	12,071	13,967	–	13,967
Inter-segment sales and transfers	4	523	527	(527)	–
Total	1,900	12,595	14,495	(527)	13,967
Segment profit (loss)	(916)	674	(242)	(10)	(252)

Notes: 1. The adjustment of negative 10 million yen on segment profit (loss) includes negative 1 million yen as inter-segment transaction eliminations, negative 16 million yen as inventory adjustments and 8 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.

### 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 or loss were changed from operating income or loss to ordinary income or loss.

The information relating to net sales and segment profit (loss) for each reportable segment for the segment information of the three months ended December 31, 2013 have been prepared based on the above changes.

#### (4) Per share information

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

	Three months ended December 31, 2013	Three months ended December 31, 2014
Net loss per share (yen)	(45.53)	(28.74)
(Basis for calculating)		
Net loss (millions of yen)	(747)	(472)
Profit (loss) not attributable to common shareholders (millions of yen)	–	–
Net loss related to common shares (millions of yen)	(747)	(472)
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 a net loss per share was recorded and 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	Three months ended December 31, 2014			
	Orders received	Year-on-year change (%)	Balance	Year-on-year change (%)
Think tank and consulting services	4,835	(25.2)	28,353	5.0
IT services	10,803	(32.3)	35,176	(15.9)
IT consulting and system development	6,441	(40.7)	17,374	(27.6)
Outsourcing services	4,361	(14.4)	17,801	(0.1)
Total	15,639	(30.2)	63,530	(7.7)

- 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, 2014 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, 2014	Year-on-year change (%)
Think tank and consulting services	1,895	15.8
IT solutions services	12,071	(2.1)
IT consulting and system development	7,143	(4.4)
Outsourcing services	4,927	1.4
Total	13,967	(0.0)

- 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.