

[Translation for reference only]

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Translation



April 25, 2014

Consolidated Financial Results for the Six Months of the Fiscal Year Ending September 30, 2014 <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: May 8, 2014
Scheduled date to commence dividend payments: June 4, 2014
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the six months of the fiscal year ending September 30, 2014 (from October 1, 2013 to March 31, 2014)

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

Six months ended	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2014	42,211	11.4	3,960	37.0	4,061	36.7	2,106	35.8
March 31, 2013	37,898	3.6	2,891	51.6	2,970	51.3	1,550	127.1

Note: Comprehensive income

For the six months ended March 31, 2014: 2,410 million yen [(4.5)%]

For the six months ended March 31, 2013: 2,523 million yen [140.9%]

Six months ended	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2014	128.23	—
March 31, 2013	94.41	—

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
March 31, 2014	69,575	41,293	51.5
September 30, 2013	61,047	40,115	55.7

Reference: Equity (Net assets – Minority interests)

As of March 31, 2014: 35,843 million yen

As of September 30, 2013: 34,033 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, 2013	–	15.00	–	20.00	35.00
Fiscal year ending September 30, 2014	–	20.00			
Fiscal year ending September 30, 2014 (Forecast)			–	20.00	40.00

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

**3. Consolidated earnings forecasts for the fiscal year ending September 30, 2014
(from October 1, 2013 to September 30, 2014)**

(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, 2014	86,800	7.0	5,500	2.4	5,650	1.5	2,940	1.9	179.01

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

***Notes**

- (1) Changes in significant subsidiaries during the six months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting in preparing consolidated quarterly financial statements: Yes
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
- Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - Changes in accounting policies due to other reasons: None
 - Changes in accounting estimates: None
 - Restatement of prior period financial statements after error corrections: None

(4) Number of issued shares (common stock)

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

As of March 31, 2014	16,424,080 shares
As of September 30, 2013	16,424,080 shares

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

As of March 31, 2014	198 shares
As of September 30, 2013	198 shares

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

Six months ended March 31, 2014	16,423,882 shares
Six months ended March 31, 2013	16,423,980 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 six months****(1) Explanation regarding operating results**

During the six months under review (from October 1, 2013 to March 31, 2014), the Japanese economy maintained a basic recovery trend driven by healthy internal demand. Household spending and housing investment grew steadily, supported by positive developments in the market environment such as an improved employment environment, the yen's depreciation and strong equity market, and a surge in demand ahead of the consumption tax hike. On the investment front, corporate capital expenditure appeared to have bottomed out due to an improvement in corporate earnings. Furthermore, the global economy moved to an overall recovery track, although growth has slowed somewhat in emerging economies.

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, while actively pursuing initiatives to support earthquake-related restoration, the MRI Group pushed ahead with the creation of new social frameworks, consulting related to sales strategies and business innovation for private companies, and the construction of systems for financial institutions. The Group also worked to develop new businesses under its "Think & Act Tank" concept, with a view to offering even higher value to customers and society.

As a result, during the six months under review, the MRI Group recorded net sales of 42,211 million yen, up 11.4% year on year, operating income of 3,960 million yen, up 37.0%, ordinary income of 4,061 million yen, up 36.7%, and net income of 2,106 million yen, up 35.8%.

The results by segment are as follows.

<Think tank and consulting business>

In the six months under review, projects that contributed to sales included research services for government and public offices related to global warming such as climate change forecasts and natural disaster risk evaluations, as well as research services related to national science and technology policies and international standardization strategies. Projects for clients in the private sector included cost management projects for financial institutions and research and consulting projects based on MRI's Market Intelligence & Forecast system. Furthermore, since sales were booked early in March ahead of the consumption tax hike, the segment reported net sales (outside sales) of 9,068 million yen, an increase of 25.7% year on year, and operating income of 1,413 million yen, an increase of 62.6% year on year.

<IT solutions business>

In the six months under review, projects that contributed to sales included system infrastructure upgrades and risk-related system projects for financial institutions, customer data analysis projects, and system upgrade plan support projects for overseas financial institutions, as well as projects to manage business support systems for government and public offices. Among these, the Group saw growth in system development projects for financial institutions, resulting in the segment reporting net sales (outside sales) of 33,142 million yen, an increase of 8.0% year on year, and operating income of 2,593 million yen, up 23.5% year on year.

(2) Explanation regarding financial position**A. Financial position**

As of the end of the six months under review, total assets stood at 69,575 million yen, an increase of 8,527 million yen, or 14.0%, compared with the end of the previous fiscal year. Broken down, current assets increased 19.6% to 43,024 million yen, while noncurrent assets increased 5.9% to 26,550 million yen. The major factors behind the rise in current assets were increases of 7,580 million yen in notes and accounts receivable–trade and 5,878 million yen in inventories, both owing to seasonal variation, offsetting a decrease of 5,999 million yen in redemption of short-term investment securities.

Liabilities increased 7,349 million yen, or 35.1%, compared with the end of the previous fiscal year to 28,281 million yen. This increase mainly reflected a rise of 4,877 million yen in accounts payable–trade owing to seasonal variation.

Net assets increased 1,177 million yen, or 2.9%, compared with the end of the previous fiscal year to 41,293 million yen.

B. Cash flow position

As of the end of the six months under review, cash and cash equivalents decreased 5,470 million yen compared with the end of the previous fiscal year to 9,715 million yen. The respective cash flow positions for the six months under review and main factors behind changes are as follows.

Cash used in operating activities was 4,726 million yen, compared with 4,162 million yen used in the same period of the previous fiscal year. The main reasons include increases of 7,580 million yen in notes and accounts receivable–trade, 5,878 million yen in inventories, and 4,877 million yen in notes and accounts payable–trade, all owing to seasonal variation. The cash flow of operating activities tends to be negative in the first six months, because, in the first two quarters, payments, which precede receipts in nature, exceed receipts for the many projects of the MRI Group that are completed during the March to April period.

Cash used in investing activities was 1,695 million yen, compared with 201 million yen provided in the same period of the previous fiscal year.

Cash provided by financing activities was 945 million yen, compared with 81 million yen used in the same period of the previous fiscal year.

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

There is no change to the consolidated earnings forecasts announced on October 31, 2013.

2. Matters regarding summary information (Notes)

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

Not applicable

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

Tax expenses for the six months under review are calculated by multiplying income before income taxes and minority interests for the six months under review by the reasonably estimated effective tax rate after applying tax effect accounting for the fiscal year including the six months under review.

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

Not applicable

(4) Additional information

(Effect of change in corporation tax rates)

The “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 10 of 2014) was promulgated on March 31, 2014. With this revision, the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will no longer be imposed from the fiscal year beginning on or after April 1, 2014.

As a result of the tax rate change in accordance with this revision, income taxes payable and income taxes both increased by 70 million yen for the six months under review.

3. Consolidated quarterly financial statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of September 30, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and deposits	10,185	9,715
Notes and accounts receivable–trade	10,922	18,502
Securities	5,999	–
Inventories	5,803	11,681
Deferred tax assets	1,880	1,895
Other	1,196	1,256
Allowance for doubtful accounts	(8)	(26)
Total current assets	35,979	43,024
Noncurrent assets		
Property and equipment		
Buildings and structures, net	6,926	6,785
Machinery, equipment and vehicles, net	2	1
Tools, furniture and fixtures, net	1,564	1,794
Land	720	720
Lease assets, net	763	1,215
Construction in progress	174	75
Total property and equipment	10,153	10,593
Intangible assets		
Software	1,988	2,064
Software in progress	1,962	2,644
Other	248	340
Total intangible assets	4,198	5,049
Investments and other assets		
Other	10,720	10,911
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	10,715	10,907
Total noncurrent assets	25,067	26,550
Total assets	61,047	69,575

(Millions of yen)

	As of September 30, 2013	As of March 31, 2014
Liabilities		
Current liabilities		
Accounts payable–trade	3,883	8,760
Short-term loans payable	–	1,500
Accounts payable–other	1,211	1,101
Accrued expenses	1,036	2,237
Income taxes payable	1,668	1,667
Provision for bonuses	3,438	2,129
Provision for loss on order received	48	36
Other	1,705	2,467
Total current liabilities	12,991	19,900
Noncurrent liabilities		
Provision for retirement benefits	7,432	7,549
Other	507	831
Total noncurrent liabilities	7,940	8,380
Total liabilities	20,931	28,281
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,851	4,851
Retained earnings	21,704	23,481
Treasury stock	(0)	(0)
Total shareholders' equity	32,891	34,668
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,131	1,160
Deferred gains or losses on hedges	–	(0)
Foreign currency translation adjustment	9	14
Total accumulated other comprehensive income	1,141	1,174
Minority interests	6,082	5,449
Total net assets	40,115	41,293
Total liabilities and net assets	61,047	69,575

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

(Millions of yen)

	Six months ended March 31, 2013	Six months ended March 31, 2014
Net sales	37,898	42,211
Cost of sales	29,274	32,054
Gross profit	8,623	10,156
Selling, general and administrative expenses	5,732	6,195
Operating income	2,891	3,960
Non-operating income		
Interest income	2	1
Dividends income	22	25
Equity in earnings of affiliates	39	63
Other	21	18
Total non-operating income	86	108
Non-operating expenses		
Interest expenses	5	8
Loss on investments in partnership	2	–
Other	0	0
Total non-operating expenses	7	8
Ordinary income	2,970	4,061
Extraordinary income		
Gain on sales of noncurrent assets	15	0
Gain on sales of investment securities	14	–
Subsidy income	–	1
Other	0	–
Total extraordinary income	30	1
Extraordinary loss		
Loss on retirement of noncurrent assets	6	16
Other	5	3
Total extraordinary losses	11	19
Income before income taxes and minority interests	2,989	4,043
Income taxes	1,193	1,670
Income before minority interests	1,795	2,372
Minority interests in income	244	266
Net income	1,550	2,106

Consolidated quarterly statements of comprehensive income

(Millions of yen)

	Six months ended March 31, 2013	Six months ended March 31, 2014
Income before minority interests	1,795	2,372
Other comprehensive income		
Valuation difference on available-for-sale securities	720	26
Deferred gains or losses on hedges	–	(0)
Foreign currency translation adjustment	2	5
Share of other comprehensive income of associates accounted for using equity method	4	5
Total other comprehensive income	727	38
Comprehensive income	2,523	2,410
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,157	2,139
Comprehensive income attributable to minority interests	365	271

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	Six months ended March 31, 2013	Six months ended March 31, 2014
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,989	4,043
Depreciation and amortization	1,046	1,015
Amortization of goodwill	46	44
Increase (decrease) in provision for bonuses	233	(1,308)
Increase (decrease) in provision for retirement benefits	151	117
Increase (decrease) in allowance for doubtful accounts	9	18
Increase (decrease) in provision for loss on order received	(54)	(11)
Interest and dividends income	(24)	(26)
Interest expenses	5	8
Equity in (earnings) losses of affiliates	(39)	(63)
Loss (gain) on sales of noncurrent assets	(15)	(0)
Loss on retirement of noncurrent assets	6	16
Loss (gain) on sales of investment securities	(14)	–
Decrease (increase) in notes and accounts receivable–trade	(5,764)	(7,580)
Decrease (increase) in inventories	(5,417)	(5,878)
Increase (decrease) in notes and accounts payable–trade	3,800	4,877
Other, net	(166)	1,705
Subtotal	(3,208)	(3,024)
Interest and dividends income received	38	42
Interest expenses paid	(5)	(7)
Income taxes paid	(986)	(1,737)
Net cash provided by (used in) operating activities	(4,162)	(4,726)
Net cash provided by (used in) investing activities		
Proceeds from redemption of securities	2,205	999
Purchase of property and equipment	(1,337)	(595)
Proceeds from sales of property and equipment	238	0
Purchase of intangible assets	(925)	(1,121)
Purchase of investment securities	(3)	(3)
Proceeds from sales of investment securities	19	–
Purchase of investments in subsidiaries	–	(974)
Payments of loans receivable	(0)	(0)
Collection of loans receivable	2	1
Payments for lease and guarantee deposits	(10)	(16)
Proceeds from collection of lease and guarantee deposits	6	13
Other, net	6	1
Net cash provided by (used in) investing activities	201	(1,695)

(Millions of yen)

	Six months ended March 31, 2013	Six months ended March 31, 2014
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	300	1,500
Repayments of lease obligations	(122)	(141)
Cash dividends paid	(246)	(328)
Cash dividends paid to minority shareholders	(7)	(78)
Other, net	(5)	(5)
Net cash provided by (used in) financing activities	(81)	945
Effect of exchange rate change on cash and cash equivalents	2	6
Net increase (decrease) in cash and cash equivalents	(4,039)	(5,470)
Cash and cash equivalents at beginning of period	13,658	15,185
Cash and cash equivalents at end of period	9,618	9,715

(4) Segment information, etc.**I Six months ended March 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 statements of income (Note 2)
	Think tank and consulting business	IT solutions business			
Net sales					
Outside customers	7,212	30,686	37,898	–	37,898
Inter-segment sales and transfers	226	1,014	1,241	(1,241)	–
Total	7,438	31,701	39,139	(1,241)	37,898
Segment profit	869	2,099	2,968	(77)	2,891

Notes: 1. The adjustment of negative 77 million yen on segment profit includes negative 23 million yen as inter-segment transaction eliminations, negative 20 million yen as inventory adjustments and negative 33 million yen as noncurrent asset adjustments.

2. Segment profit is adjusted with operating income in the consolidated quarterly statements of income.

B. Information regarding impairment loss of noncurrent assets or regarding goodwill by reportable segment

There are no significant matters for the six months under review.

II Six months ended March 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 statements of income (Note 2)
	Think tank and consulting business	IT solutions business			
Net sales					
Outside customers	9,068	33,142	42,211	–	42,211
Inter-segment sales and transfers	182	1,309	1,492	(1,492)	–
Total	9,251	34,452	43,703	(1,492)	42,211
Segment profit	1,413	2,593	4,006	(46)	3,960

Notes: 1. The adjustment of negative 46 million yen on segment profit includes 3 million yen as inter-segment transaction eliminations, negative 9 million yen as inventory adjustments and negative 40 million yen as noncurrent asset adjustments.

2. Segment profit is adjusted with operating income in the consolidated quarterly statements of income.

B. Information regarding impairment loss of noncurrent assets or regarding goodwill by reportable segment

There are no significant matters for the six months under review.

(5) Per share information

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

	Six months ended March 31, 2013	Six months ended March 31, 2014
Net income per share (yen)	94.41	128.23
(Basis for calculating)		
Net income (millions of yen)	1,550	2,106
Profit not attributable to common shareholders (millions of yen)	–	–
Net income related to common stock (millions of yen)	1,550	2,106
Average number of outstanding shares of common stock 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.

(6) Significant subsequent events

Capital and business alliance with JBS, Inc.

MRI resolved on January 31, 2014 at its Board of Directors meeting to make a joint subscription with Mitsubishi Research Institute DCS Co., Ltd. to 21.0% of the total number of issued shares of JBS, Inc. by means of a capital increase through third-party allocation of shares and concluded an agreement with JBS, Inc. on February 10, 2014. Payment for the shares was made on April 8, 2014, and JBS, Inc. became an equity-method affiliate of MRI.

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	Six months ended March 31, 2014			
	Orders received	Year-on-year change (%)	Balance	Year-on-year change (%)
Think tank and consulting business	13,433	42.7	23,033	31.7
IT solutions business	33,935	12.2	42,490	4.6
IT consulting and system development	23,685	11.3	24,650	4.4
Outsourcing services	10,249	14.4	17,839	4.9
Total	47,368	19.4	65,523	12.8

- Notes:
1. Inter-segment transactions have been eliminated.
 2. Consumption taxes are not included in the above amounts.
 3. For services where services are continually rendered and fees commensurate with performance are received, an estimate of sales for a year after March 31, 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	Six months ended March 31, 2014	Year-on-year change (%)
Think tank and consulting business	9,068	25.7
IT solutions business	33,142	8.0
IT consulting and system development	23,149	6.9
Outsourcing services	9,992	10.6
Total	42,211	11.4

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