

[Translation for reference only]

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Translation



January 31, 2014

## Consolidated Financial Results for the Three 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: February 3, 2014  
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, 2014 (from October 1, 2013 to December 31, 2013)

#### (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, 2013	13,974	2.3	(526)	–	(471)	–	(747)	–
December 31, 2012	13,653	6.5	(317)	–	(272)	–	(310)	–

Note: Comprehensive income

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

For the three months ended December 31, 2012: 91 million yen [–%]

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended		
December 31, 2013	(45.53)	–
December 31, 2012	(18.91)	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2013	59,290	39,277	55.9
September 30, 2013	61,047	40,115	55.7

Reference: Equity (Net assets – Minority interests)

As of December 31, 2013: 33,159 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	–				
Fiscal year ending September 30, 2014 (Forecast)		20.00	–	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
Six months ending March 31, 2014	38,200	0.8	2,520	(12.8)	2,570	(13.5)	1,170	(24.5)	71.24
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 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
- 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 December 31, 2013	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 December 31, 2013	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)

Three months ended December 31, 2013	16,423,882 shares
Three months ended December 31, 2012	16,423,983 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, 2013 to December 31, 2013) the Japanese economy saw healthy consumer spending supported by a surge in demand ahead of the consumption tax hike, amid positive developments in the market environment such as the further depreciation of the yen and a strong equity market. Corporate capital expenditure also reflected confidence and public spending remained strong due to the full-scale implementation of the government's Supplementary Budget for FY2012. Furthermore, the global economy moved to an overall recovery track, although some concerns were evident in emerging economies other than China.

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 future 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 three months under review, the MRI Group recorded net sales of 13,974 million yen, up 2.3% year on year, an operating loss of 526 million yen (compared with an operating loss of 317 million yen in the same period of the previous fiscal year), an ordinary loss of 471 million yen (compared with an ordinary loss of 272 million yen in the same period of the previous fiscal year), and a net loss of 747 million yen (compared with a net loss of 310 million yen in the same period of the previous fiscal year).

The MRI Group, particularly its think tank and consulting business, 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 quarter of the MRI Group's fiscal year tend to be substantially lower than in the other quarters.

The results by segment are as follows.

**<Think tank and consulting business>**

In the three months under review, projects that contributed to sales included overseas energy-related research services for government and public offices and consulting projects related to management strategy, service development, and intellectual property evaluation for clients in the private sector. However, as there were only few projects reaching completion during the period under review, the segment reported net sales (outside sales) of 851 million yen, a decrease of 23.6% year on year, and an operating loss of 806 million yen (compared with an operating loss of 565 million yen in the same period of the previous fiscal year).

**<IT solutions business>**

In the three months under review, projects that contributed to sales included core system and risk-related system projects for financial institutions, credit card new application assessment system projects, customer data analysis projects, and projects to manage business support systems for government and public offices. As a result, the segment reported net sales (outside sales) of 13,122 million yen, an increase of 4.7% year on year. Meanwhile, operating income was 293 million yen, a year-on-year decrease of 24.0%, because selling, general and administrative expenses increased due to upfront investments for information system upgrades and other items.

**(2) Explanation regarding financial position**

As of the end of the three months under review, total assets stood at 59,290 million yen, a decrease of 1,757 million yen, or 2.9%, compared with the end of the previous fiscal year. Broken down, current assets decreased 8.1% to 33,082 million yen, while noncurrent assets increased 4.5% to 26,207 million yen. The major factors behind the decrease in current assets were decreases of 3,487 million yen in notes and accounts receivable–trade and 5,999 million yen in redemption of short-term investment securities offsetting an increase of 4,763 million yen in inventories owing to seasonal variation.

Liabilities decreased 918 million yen, or 4.4%, compared with the end of the previous fiscal year to 20,012 million yen, due to a decrease in income taxes payable.

Net assets decreased 838 million yen, or 2.1%, compared with the end of the previous fiscal year to 39,277 million yen, mainly due to the recording of a net loss.

**(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 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 and minority interests for the three months under review by the reasonably estimated effective tax rate after applying tax effect accounting for the fiscal year including the three months under review.

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

Not applicable

### 3. Consolidated quarterly financial statements

#### (1) Consolidated quarterly balance sheets

(Millions of yen)

	As of September 30, 2013	As of December 31, 2013
<b>Assets</b>		
Current assets		
Cash and deposits	10,185	11,527
Notes and accounts receivable–trade	10,922	7,435
Securities	5,999	–
Inventories	5,803	10,566
Deferred tax assets	1,880	1,993
Other	1,196	1,563
Allowance for doubtful accounts	(8)	(3)
Total current assets	35,979	33,082
Noncurrent assets		
Property and equipment		
Buildings and structures, net	6,926	6,905
Machinery, equipment and vehicles, net	2	1
Tools, furniture and fixtures, net	1,564	1,666
Land	720	720
Lease assets, net	763	1,242
Construction in progress	174	203
Total property and equipment	10,153	10,740
Intangible assets		
Software	1,988	1,968
Software in progress	1,962	2,270
Other	248	223
Total intangible assets	4,198	4,462
Investments and other assets		
Other	10,720	11,008
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	10,715	11,003
Total noncurrent assets	25,067	26,207
Total assets	61,047	59,290

(Millions of yen)

	As of September 30, 2013	As of December 31, 2013
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	3,883	4,307
Accounts payable–other	1,211	1,547
Accrued expenses	1,036	1,582
Income taxes payable	1,668	323
Provision for bonuses	3,438	984
Provision for loss on order received	48	32
Other	1,705	2,842
Total current liabilities	12,991	11,621
Noncurrent liabilities		
Provision for retirement benefits	7,432	7,507
Other	507	883
Total noncurrent liabilities	7,940	8,391
Total liabilities	20,931	20,012
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,851	4,851
Retained earnings	21,704	20,627
Treasury stock	(0)	(0)
Total shareholders' equity	32,891	31,815
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,131	1,334
Foreign currency translation adjustment	9	9
Total accumulated other comprehensive income	1,141	1,344
Minority interests	6,082	6,117
Total net assets	40,115	39,277
Total liabilities and net assets	61,047	59,290



**(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, 2012	Three months ended December 31, 2013
Net sales	13,653	13,974
Cost of sales	11,110	11,425
Gross profit	2,543	2,549
Selling, general and administrative expenses	2,861	3,076
Operating loss	(317)	(526)
Non-operating income		
Interest income	1	0
Dividends income	18	21
Equity in earnings of affiliates	17	30
Other	10	5
Total non-operating income	47	58
Non-operating expenses		
Interest expenses	2	2
Other	0	0
Total non-operating expenses	2	2
Ordinary loss	(272)	(471)
Extraordinary income		
Gain on sales of noncurrent assets	15	0
Subsidy income	–	1
Total extraordinary income	15	1
Extraordinary loss		
Loss on retirement of noncurrent assets	5	6
Other	1	1
Total extraordinary losses	7	7
Loss before income taxes and minority interests	(263)	(477)
Income taxes	(19)	197
Loss before minority interests	(244)	(674)
Minority interests in income	66	73
Net loss	(310)	(747)

**Consolidated quarterly statements of comprehensive income**

(Millions of yen)

	Three months ended December 31, 2012	Three months ended December 31, 2013
Loss before minority interests	(244)	(674)
Other comprehensive income		
Valuation difference on available-for-sale securities	335	243
Foreign currency translation adjustment	–	(0)
Share of other comprehensive income of associates accounted for using equity method	0	0
Total other comprehensive income	335	243
Comprehensive income	91	(431)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(40)	(544)
Comprehensive income attributable to minority interests	132	113

**(3) Segment information, etc.****I Three months ended December 31, 2012****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	1,115	12,538	13,653	–	13,653
Inter-segment sales and transfers	103	593	697	(697)	–
Total	1,218	13,132	14,351	(697)	13,653
Segment profit (loss)	(565)	386	(178)	(138)	(317)

Notes: 1. The adjustment of negative 138 million yen on segment profit (loss) includes negative 92 million yen as inter-segment transaction eliminations, negative 13 million yen as inventory adjustments and negative 32 million yen as noncurrent asset adjustments.

2. Segment profit (loss) is adjusted with operating loss 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 three months under review.

**II 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 statements of income (Note 2)
	Think tank and consulting business	IT solutions business			
Net sales					
Outside customers	851	13,122	13,974	–	13,974
Inter-segment sales and transfers	67	520	588	(588)	–
Total	919	13,643	14,563	(588)	13,974
Segment profit (loss)	(806)	293	(512)	(14)	(526)

Notes: 1. The adjustment of negative 14 million yen on segment profit (loss) includes negative 5 million yen as inter-segment transaction eliminations, negative 10 million yen as inventory adjustments and 1 million yen as noncurrent asset adjustments.

2. Segment profit (loss) is adjusted with operating loss 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 three months under review.

**(4) Per share information**

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

	Three months ended December 31, 2012	Three months ended December 31, 2013
Net loss per share (yen)	(18.91)	(45.53)
(Basis for calculating)		
Net loss (millions of yen)	(310)	(747)
Profit not attributable to common shareholders (millions of yen)	–	–
Net loss related to common stock (millions of yen)	(310)	(747)
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 a net loss per share was recorded and MRI has not issued potential shares.

**(5) Significant subsequent events**

1. Additional acquisition of IT-ONE CO., LTD. shares by a subsidiary

Mitsubishi Research Institute DCS Co., Ltd. (hereinafter in this section “DCS”), a consolidated subsidiary of MRI, concluded a share transfer agreement on January 31, 2014 with the existing shareholders of its subsidiary IT-ONE CO., LTD. (a sub-subsidiary of MRI; hereinafter in this section “IT-ONE”), concerning the additional acquisition of IT-ONE shares.

(1) Purpose of the share acquisition

DCS acquired 51.0% of the shares of IT-ONE on June 24, 2011, making it a subsidiary of DCS (a sub-subsidiary of MRI).

After acquiring the shares, DCS has exploited synergies with IT-ONE’s system-platform building capabilities to expand the scope and improve the quality of its service offerings for financial institutions and other clients. Moreover, IT-ONE is contributing to the MRI Group’s overall IT solutions business and enhancing it, for example by participating in an MRI project for the construction, maintenance, and operation of a customer data analysis platform for the credit card industry. Furthermore, IT-ONE’s business performance is also increasing steadily due to synergies from its links with the MRI Group.

Looking ahead, by acquiring an overwhelming majority of IT-ONE’s shares, MRI will utilize IT-ONE as a powerful lever for accelerating further enhancement of human resources (personnel exchanges and development of system infrastructure engineers), improvement of development capabilities, and efficient operation and resource optimization for the MRI Group’s overall IT solutions business. These efforts will enable the MRI Group to increase both productivity and profitability.

(2) Counterparties in share acquisition

40 individual shareholders (founder of the company subject to share acquisition, etc.)

## (3) Name, business lines and scale of the target company

Trade name	IT-ONE CO., LTD.
Representative	Ryouhei Hashimoto, President & CEO
Location	2-8-8 Shinjuku, Shinjuku-ku, Tokyo
Establishment	December 1998
Business lines	System development services, solution services
Scale	Capital stock 309 million yen (as of September 30, 2013) Net sales 4,907 million yen, net income 179 million yen (fiscal year ended September 30, 2013)

## (4) Date of execution of share transfer

February 5, 2014 (planned)

## (5) Number of shares to be acquired and share ownership status before and after acquisition

1) Number of shares to be acquired	28,885 shares
2) Number of shares owned before acquisition	30,377 shares (percentage held: 51.0%)
3) Number of shares owned after acquisition	59,262 shares (percentage held: 99.5%)

## 2. Capital and business alliance with JBS, Inc.

MRI and DCS will cooperate with Japan Business Systems, Inc. in conjunction with a collaboration platform business. To strengthen this cooperation, MRI announced on January 31, 2014 that it had resolved at its Board of Directors meeting held on the same day to make joint subscription with DCS of 21.0% of the total number of issued shares of JBS, Inc., the holding company of Japan Business Systems, Inc., by means of a capital increase through third-party allocation of shares.

## (1) Purpose of the capital and business alliance

Japan Business Systems, Inc. deals with major corporate clients in all industries. As a competency partner of Microsoft Japan Co., Ltd., Japan Business Systems, Inc. provides services centered on Microsoft products, including solution implementation, operation, maintenance, and support, as well as helping clients adopting thin clients and cloud computing services. Japan Business Systems, Inc. has an outstanding track record and technical capabilities particularly in the field of information-related systems, such as collaboration and communication, and has frequently been awarded Microsoft Japan's Partner of the Year Award.

In the MRI Group, MRI provides consulting on business process innovation and IT concept formulation, while DCS undertakes system construction, operation, and outsourcing. Through this structure the Group provides wide-ranging solution services spanning upstream to downstream, mainly targeting the finance field, where the demand for security is particularly high.

MRI, DCS and JBS, Inc. have decided to make a business alliance to further expand their businesses by leveraging the strengths of each company to increase their overall capabilities. In particular, as globalization, group reorganization, and office work innovation gain momentum, internal and external corporate collaboration using information and communication technologies (ICT) will have an even more important role to play. The three partners will form a comprehensive line-up of platform services stretching from upstream to downstream to ensure successful introduction of such ICT strategies.

## (2) Content of the capital and business alliance

## 1) Content of business alliance

MRI, DCS, and Japan Business Systems, Inc. will cooperate to provide an internal and external corporate collaboration platform service and to develop new “Human cross ICT (HxI)” services based on combining the capabilities of humans with ICT.

## 2) Content of capital alliance

To ensure a sustainable and developmental business alliance, MRI and DCS will subscribe to a third-party allocation of 6,231 shares of common stock from JBS, Inc. This will bring the MRI Group’s ratio of voting rights in JBS, Inc. to 21.0% (MRI 16.0%, DCS 5.0%), making JBS, Inc. an equity method company of MRI.

## 3) Number of shares to be acquired by alliance partner and ratio of issued shares

The alliance partner will not newly acquire any shares of MRI and DCS under this capital and business alliance.

## (3) Outline of counterparty in the capital and business alliance

Trade name	JBS, Inc.
Representative	Yukihiro Makita, President
Location	Shiba-koen First Bldg., 8-2, Shiba 3-chome, Minato-ku, Tokyo
Establishment	September 2013
Business lines	IT consultation; SI, IT services; application development; business management of subsidiaries and group companies engaged in operations such as dispatching engineers and operations incidental thereto
Capital stock	10 million yen (as of September 30, 2013)
Operating results	This company was incorporated in September 2013. The operating results of its major subsidiary, Japan Business Systems, Inc., are as follows. Net sales 20,681 million yen, net income 330 million yen (fiscal year ended September 30, 2013)

## (4) Date of conclusion of agreement and date of payment

Date of conclusion of agreement	February 10, 2014 (planned)
Date of payment	April 8, 2014 (planned)

## 4. Supplementary information

### Status of orders received and sales

#### (1) Status of orders received

Status of orders received by segment is as shown below.

(Millions of yen)

Segment name	Three months ended December 31, 2013			
	Orders received	Year-on-year change (%)	Balance	Year-on-year change (%)
Think tank and consulting business	4,381	19.1	22,197	24.4
IT solutions business	18,039	18.2	46,613	6.5
IT consulting and system development	12,945	21.6	28,798	8.7
Outsourcing services	5,094	10.4	17,814	3.1
Total	22,420	18.4	68,811	11.7

- 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, 2013 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, 2013	Year-on-year change (%)
Think tank and consulting business	851	(23.6)
IT solutions business	13,122	4.7
IT consulting and system development	8,260	1.7
Outsourcing services	4,861	10.2
Total	13,974	2.3

- Notes:
1. Inter-segment transactions have been eliminated.
  2. The MRI Group, particularly its think tank and consulting business, completes only a small number of projects during the first quarter 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 quarter 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.