[Translation for reference only]
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Translation

November 2, 2012

Consolidated Financial Results for the Fiscal Year Ended September 30, 2012 <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: Kyoko Adachi, Manager, Investor Relations Office
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Scheduled date of annual general meeting of shareholders: December 19, 2012
Scheduled date to commence dividend payments: December 20, 2012
Scheduled date to submit Annual Securities Report: December 19, 2012
Preparation of supplementary material on financial results: Yes
Holding of 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 fiscal year ended September 30, 2012 (from October 1, 2011 to September 30, 2012)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2012	75,365	3.9	3,091	21.8	3,262	12.3	1,140	(9.2)
September 30, 2011	72,503	(1.1)	2,537	(48.0)	2,905	(42.2)	1,255	(50.1)

Note: Comprehensive income
For the fiscal year ended September 30, 2012: 1,604 million yen [3.6%]
For the fiscal year ended September 30, 2011: 1,548 million yen [(34.8)%]

	Net income per share	Diluted net income per share	Net income/ equity	Ordinary income/ total assets	Operating income/ net sales
Fiscal year ended	Yen	Yen	%	%	%
September 30, 2012	69.45	–	3.7	6.0	4.1
September 30, 2011	76.45	–	4.2	5.5	3.5

Reference: Equity in earnings (losses) of affiliates
For the fiscal year ended September 30, 2012: 53 million yen
For the fiscal year ended September 30, 2011: 250 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2012	56,088	36,458	55.1	1,882.39
September 30, 2011	53,185	35,366	56.3	1,822.74

Reference: Equity (Net assets – Minority interests)
As of September 30, 2012: 30,916 million yen
As of September 30, 2011: 29,936 million yen

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
September 30, 2012	4,157	(3,165)	(830)	13,658
September 30, 2011	4,247	(1,889)	(1,124)	13,496

2. Cash dividends

	Annual cash dividends per share					Total cash dividends	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended September 30, 2011	–	15.00	–	15.00	30.00	492	39.2	1.7
Fiscal year ended September 30, 2012	–	15.00	–	15.00	30.00	492	43.2	1.6
Fiscal year ending September 30, 2013 (Forecast)	–	15.00	–	15.00	30.00		22.8	

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2013 (from October 1, 2012 to September 30, 2013)

(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, 2013	37,550	2.7	2,390	25.3	2,410	22.8	1,250	83.1	76.11
Fiscal year ending September 30, 2013	78,500	4.2	4,000	29.4	4,100	25.7	2,160	89.4	131.51

***Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) 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: None

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

(3) Number of issued shares (common stock)

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

As of September 30, 2012	16,424,080 shares
As of September 30, 2011	16,424,080 shares

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

As of September 30, 2012	87 shares
As of September 30, 2011	87 shares

c. Average number of outstanding shares during the period

Fiscal year ended September 30, 2012	16,423,993 shares
Fiscal year ended September 30, 2011	16,424,008 shares

Note: For the number of shares as basis for calculating net income per share (consolidated), please refer to "Per share information" on page 25 of the attached materials.

* Indication regarding execution of audit procedures

At the time of disclosure of this financial results report, audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act are in progress.

* Appropriate use of business forecasts; other special items

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.

Please refer to page 2 "1. Analysis of operating results and financial position, (1) Analysis of operating results, B. Outlook for the next fiscal year" for information on assumptions underlying the business forecasts and other related information.

(Availability of supplementary material on financial results)

Supplementary material on financial results is made available on our website (only in Japanese).

(Attached materials)

1. Analysis of operating results and financial position

(1) Analysis of operating results

A. Operating results for the current fiscal year

During the fiscal year under review (from October 1, 2011 to September 30, 2012), the Japanese economy showed signs of recovery, supported by growing momentum in reconstruction demand after the Great East Japan Earthquake and firm personal consumption. However, the pace of recovery was slow due to developments overseas such as the sovereign debt crisis in Europe, continued weakness in the U.S. economy and a slowdown in emerging economies, as well as the strong yen. Moreover, the Chinese economy, which has driven growth in recent years, lost momentum due to weak exports to the U.S. and Europe and slowing domestic demand such as consumption and investment. This contributed to an increasingly uncertain outlook for the global economy.

Against this backdrop, Mitsubishi Research Institute, Inc. and its consolidated subsidiaries (the MRI Group) remained fully committed to improving quality and customer satisfaction as its highest priority and continued to develop businesses that make maximum use of the scientific methods that it has accumulated as a think tank. In particular, while actively pursuing initiatives to support earthquake-related restoration, such as efforts to remove radioactive material and to promote cooperation among agriculture, commerce and industry centering on plant factories, we contributed to the creation of future social frameworks, including helping to develop medium-term perspectives and solutions in the environment, energy, information-communication, medical nursing care and tourism fields.

As a result, during the fiscal year under review, the MRI Group recorded net sales of 75,365 million yen, up 3.9% year on year, operating income of 3,091 million yen, up 21.8%, and ordinary income of 3,262 million yen, up 12.3%. Net income totaled 1,140 million yen, down 9.2% year on year, reflecting an increase in income taxes due to a change in the corporation tax rates following tax code revisions.

The results by segment are as follows.

<Think tank and consulting business>

In the fiscal year under review, the segment reported net sales (outside sales) of 21,079 million yen, up 6.5% year on year. This reflected contributions from the abovementioned earthquake recovery-related projects, and projects for government and public offices consisting of resource recycling and energy-related research and consulting, support for the formulation of regulatory reforms and industry creation in the medical nursing care field, and a feasibility study into exports of transportation systems, as well as consulting projects related to medium-term marketing strategy and new business development for private sector customers. Operating income significantly improved 280.3% year on year to 2,034 million yen, reflecting the growth in sales, as well as the benefits of cost reduction and improvement in capacity utilization rates due to strong orders.

<IT solutions business>

In the fiscal year under review, the segment reported net sales (outside sales) of 54,286 million yen, up 3.0% year on year, owing to firm sales generated by projects for the assistance of system update and migration for government and public offices and local governments, projects for the construction of core systems and risk-related systems for financial institutions, and revenue management systems for the transportation sector (revenue optimization systems based on demand prediction). However, operating income declined 41.3% year on year to 1,159 million yen. This sharp drop reflected a deficit of 1,171 million yen including provisions for additional costs that the MRI Group expects to incur in the next fiscal year for unprofitable and complicated projects. These projects occurred in the previous fiscal year, but are taking longer than expected to be completed.

B. Outlook for the next fiscal year

We expect the Japanese economy to lack strength through to the end of 2012 due to falling exports at domestic companies amid weakness in Europe and the slowdown in China. However, from 2013, we forecast a return to the recovery trend, supported by an upturn in exports as emerging economies pick up and by the full-scale spread of reconstruction demand in Japan after the Great East Japan Earthquake to the private sector.

For the fiscal year ending September 30, 2013, the MRI Group forecasts consolidated net sales of 78,500 million yen, up 4.2% compared with the fiscal year under review, operating income of 4,000 million yen, up 29.4%, ordinary income of 4,100 million yen, up 25.7%, and net income of 2,160 million yen, up 89.4%. We see this growth coming on expansion in fields such as assistance for the recovery effort in disaster-affected areas, new energy, and the construction of core systems and risk-related systems for financial institutions. We also plan to increase profits by thoroughly eliminating unprofitable projects.

In the think tank and consulting business, along with proactive efforts to support the recovery from the Great East Japan Earthquake, we expect the MRI Group to receive orders for projects in strategic policy fields such as medical and nursing care services, environment and energy, small and mid-size enterprise support, and transportation system exports. We also forecast demand in the private sector market for assistance in developing new businesses and products, and for consulting projects related to the development of personnel, organizations and operations to support global business expansion. Based on the above, we forecast net sales (outside sales) of 22,200 million yen, up 5.3% year on year.

In the IT solutions business, we forecast continued solid demand for the construction of core systems and risk-related systems for financial institutions. We expect growth to be supported by a deepening of relationships with existing customers including megabanks and regional banks, and an expansion into sectors such as credit card services, securities and insurance. In addition, in systems optimization support services for government and public offices, we plan to develop our business targeting government-designated cities and other major cities, complementing our existing focus on central government customers. Based on the above, we forecast net sales (outside sales) of 56,300 million yen, up 3.7% year on year.

Consolidated earnings forecasts for the fiscal year ending September 30, 2013

		Fiscal year ended September 30, 2012 (Actual result) (Millions of yen)	Fiscal year ending September 30, 2013 (Forecast) (Millions of yen)	Change	
				Amount (Millions of yen)	Rate (%)
Net sales		75,365	78,500	3,134	4.2
	Think tank and consulting business	21,079	22,200	1,120	5.3
	IT solutions business	54,286	56,300	2,013	3.7
Operating income		3,091	4,000	908	29.4
Ordinary income		3,262	4,100	837	25.7
Net income		1,140	2,160	1,019	89.4
Net income per share		(Yen) 69.45	(Yen) 131.51	(Yen) 62.06	89.4

Note: Net income per share is calculated using the average number of outstanding shares during the period.
Average number of outstanding shares during the period
Fiscal year ended September 30, 2012: 16,423 thousand shares
Fiscal year ending September 30, 2013: 16,423 thousand shares

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.

(2) Analysis of financial position

A. Financial position

At the end of the fiscal year under review, total assets stood at 56,088 million yen, an increase of 2,902 million yen, or 5.5%, compared with the end of the previous fiscal year. Broken down, current assets increased 8.3% to 34,541 million yen, while noncurrent assets increased 1.2% to 21,546 million yen. The major factors behind the rise in current assets were increases of 1,661 million yen in cash and deposits, 796 million yen in notes and accounts receivable–trade, and 528 million yen in inventories. The rise in noncurrent assets mainly reflected an increase of 667 million yen in intangible assets related to the construction of a company-wide information system.

Liabilities increased 1,811 million yen, or 10.2%, compared with the end of the previous fiscal year to 19,630 million yen. This increase mainly reflected increases of 645 million yen in income taxes payable and 460 million yen in provision for retirement benefits.

Net assets increased 1,091 million yen, or 3.1%, compared with the end of the previous fiscal year to 36,458 million yen. This mainly reflected increases of 647 million yen in retained earnings and 331 million yen in accumulated other comprehensive income. The equity ratio stood at 55.1%.

B. Cash flow position

At the end of the fiscal year under review, cash and cash equivalents increased 161 million yen compared with the end of the previous fiscal year to 13,658 million yen. The respective cash flow positions and the factors thereof are as follows.

Cash provided by operating activities was 4,157 million yen, compared with 4,247 million yen provided in the previous fiscal year. The main reasons were 2,873 million yen in income before income taxes and minority interests, 2,089 million yen in depreciation and amortization, and income taxes paid of 813 million yen.

Cash used in investing activities was 3,165 million yen, compared with 1,889 million yen used in the previous fiscal year. The main reasons were 1,446 million yen in purchase of intangible assets and 835 million yen in the purchase of property and equipment.

Cash used in financing activities was 830 million yen, compared with 1,124 million yen used in the previous fiscal year. The main reasons were 492 million yen in cash dividends paid and 260 million yen in repayments of lease obligations.

(Reference) Trends in cash flow indicators are as shown below.

	Fiscal year ended September 30, 2008	Fiscal year ended September 30, 2009	Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011	Fiscal year ended September 30, 2012
Equity ratio (%)	46.9	56.1	56.8	56.3	55.1
Market value equity ratio (%)	–	83.5	53.5	42.8	48.6
Interest-bearing debt to cash flow ratio (%)	0.0	0.0	0.0	1.2	0.4
Interest coverage ratio (factor)	224.5	120.5	479.5	505.2	350.2

Because MRI was unlisted in the fiscal year ended September 30, 2008 and it is not possible to provide market capitalization for the period, the market value equity ratio is not presented for the aforesaid year.

Equity ratio: Equity (Net assets – Minority interests) / Total assets

Market value equity ratio: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / Paid interest

* All indicators are calculated using consolidated-based financial indicators.
* Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of issued shares at the end of the period (excluding treasury stock).
* The figure used for “Cash flow,” is “Net cash provided by operating activities” on the consolidated statement of cash flows.
* Interest-bearing debt includes all liabilities recorded on the consolidated balance sheet on which we paid interest.
* Regarding the paid interest, we use “Interest expenses paid” on the consolidated statement of cash flows.

(3) Basic policy on profit distribution and dividends for current fiscal year and next fiscal year

MRI considers a policy of achieving sustained growth while effectively contributing to the development and value creation of society to be the most important measure for returns to shareholders. MRI therefore follows a policy of steadily raising the consolidated dividend payout ratio based on sustained maximization of corporate value through the utilization of internal reserves for growth-oriented investment. In future, while maintaining necessary internal reserves and comprehensively considering the operating performance trends and financial position on a consolidated basis, MRI intends to pay dividends roughly targeting at the consolidated dividend payout ratio of 20–25%, as determined as appropriate. Internal reserve funds are funds set in reserve for quality improvement, R&D and capital investment, expanding human resources and so forth.

MRI plans to pay 30 yen per share as the annual dividend distribution for the fiscal year under review. MRI has already paid an interim cash dividend of 15 yen per share, and accordingly plans to pay a year-end dividend of 15 yen per share.

With regard to dividend distribution in the next fiscal year, MRI plans to pay 15 yen per share for both interim and year-end cash dividends to make an annual dividend distribution of 30 yen per share.

(4) Business risk factors

Among matters relating to the status of business operations, financial conditions and other related affairs of the MRI Group, those matters considered as a potential risk factor are mentioned below. While recognizing the possibility that the named risks could occur, the MRI Group is ready to respond when action is required to avoid occurrence or when a risk occurs. Some of the matters mentioned here are not necessarily considered as a business related risk for the MRI Group, but are considered important for the investment decisions of investors or for understanding the business activities of the MRI Group and therefore presented from a perspective of proactive information disclosure to investors.

Matters in this text that relate to the future are judgments by the MRI Group that were valid as of the date of announcement of this consolidated financial results report.

A. Concerning the information services industry

a. Business environment of the information services industry

In the information services industry to which the MRI Group belongs, against the backdrop of the risk of global economic stalling, financial instability in Europe, and priority on disaster countermeasures in response to the Great East Japan Earthquake and large-scale wind and water damage, customer corporations are very prudent when making information related investment, spending money for consulting services and the like. In this environment, the price competition and fierce technological development competition amongst the industry are further escalating.

Moreover, the MRI Group has developed a system to provide a seamless array of services including consulting, system development and operation and BPO (Business Process Outsourcing: Contracted services for outsourced business processes, primarily related to data entry and retrieval required by administrative departments of corporations that handle human resources, accounting, payroll and other tasks) and also devotes much effort to further improving planning proposal capabilities, quality and productivity. However, it is possible that earnings will be affected in the event that corporate investment recovers more slowly than anticipated or if the MRI Group is slow to respond to intensification of price competition or technological innovation within the industry.

b. System development

Although system development in the IT solutions business is mainly based on contract agreements, it is possible that profitability will not be securable in the event that a project, even if it were deemed profitable at the time of order, requires additional man hours due to occurrences of system problems after delivery, requests to alter the client's system midway through development, or occurrences of additional specifications.

To avoid unprofitable projects, the MRI Group gets third parties to conduct project management reviews to review administration at the onset of a SI-type solutions project and administration for the execution of such a project. However, it is possible that earnings will be affected in the event that unexpected events occur and the profitability of the project worsens.

c. Outsourcing services (data processing services)

The data processing services provided by the MRI Group require necessary upgrade investment and initial investment for equipment in operation, systems, and other elements essential for information center operations. The investment amount is recouped over multiple years from the proceeds of data processing service contracts. The aforesaid investment is decided based on comprehensive examination of customer needs, business forecasts, investment profitability and other factors. However, it is possible that earnings will be affected in the event of a greater-than-expected change in the business environment or changes to the business situation of major clients where it becomes no longer possible to recoup the initial investment amount.

In addition, an important element in data processing services is the stable operation of systems. It is possible that earnings will be affected in the event of natural disaster, accident, human error, or any other factor leading to system problem or failure.

B. Transactions with government and public offices

In the fiscal year ended September 30, 2012, sales from work for government and public offices made up 22.4% of consolidated net sales.

In government and public offices, changes are being made to order-placing systems, budgets are being reassessed based on the screening of businesses, and there could be other changes.

The shift of priority policy to fields such as earthquake-related restoration, medical and nursing care services, environment and energy, and food and agriculture has been a boon for the MRI Group as it is those fields in which we have a wealth of proven experience and in which we can demonstrate such strengths. However, it is possible that earnings will be affected in the event that the reduction of the budgets for government and public offices or the intensification of competition for orders exceeds our expectation.

C. Transactions with the financial sector

In the fiscal year ended September 30, 2012, sales from work for the financial sector made up 42.8% of consolidated net sales.

In the work for the financial sector, in addition to a burgeoning of new investment in digitalization investment and information security investment related to response to legal regulations and systems, the MRI Group continues to receive orders for product development through analysis of internal data and for consulting services related to risk management and other aspects of business. Looking forward, the MRI Group expects transactions with the financial sector to continue steadily. However, it is possible that earnings will be affected in the event of sudden change in the business environment, changes to the business situation of major clients and changes to information system investment policy.

D. Relationship between subsidiary Mitsubishi Research Institute DCS Co., Ltd. and its minority-interest shareholder (Mitsubishi UFJ Financial Group, Inc.)

Mitsubishi Research Institute DCS Co., Ltd. (hereinafter in this section “DCS”), which plays a leading role in the MRI Group’s IT solutions business, was established in July 1970 when the department for commissioned computer-based calculations of the Mitsubishi Bank (currently the Bank of Tokyo-Mitsubishi UFJ, Ltd.; hereinafter in this section “BTMU”) was spun out as an independent company. In December 2004, MRI, aiming to construct a system by which to provide a comprehensive range of solution services in a one-stop format, invested a 25.0% equity stake in DCS, which was a wholly owned subsidiary of the Mitsubishi UFJ Financial Group, and then steadily increased its equity stake, raising it to 60.3% in March 2005 and then to 80.0% in December 2008. As of the date of announcement of this report, the composition of shareholders of DCS is MRI holding 80.0% and Mitsubishi UFJ Financial Group holding 20.0%. Currently, BTMU, a subsidiary of the Mitsubishi UFJ Financial Group, is a major and important client of DCS as described below, and there is bilateral agreement for both shareholders to maintain the current ownership ratios.

In the fiscal year ended September 30, 2012, 32.7% of DCS’s net sales were from transactions with BTMU. Although there are multiple system development companies in which BTMU invests, DCS has a proven track record, spanning many years, of receiving contracts for work related to system development, maintenance and operation for core systems and in the future, MRI expects the favorable work transaction relationship with BTMU to continue satisfactorily.

As of the date of announcement of this report, of the 11 corporate officers who are either directors or auditors of DCS, 3 hold concurrent positions as officer or employee of MRI and 1 officer is from MRI. There is currently 1 DCS officer holding a concurrent position as officer or employee at BTMU and 5 are from BTMU. A management structure has been constructed to ensure governance of DCS functions in a way that is appropriate for a consolidated subsidiary of MRI. Moreover, in the future, MRI will continue to ensure the appointment of useful and appropriate personnel with specialist business knowledge and management experience from inside and outside DCS.

E. Seasonal variation

Because most projects of the MRI Group are completed around March or April of each year due to the fiscal year of major clients, including government and public offices and corporations, earnings of the second and third quarters are higher compared with the other quarters, in the second quarter in particular, and operational efficiency is also high, which results in the likelihood of operating income being higher than at any other time of the fiscal year.

In addition, in the first and fourth quarters, where net sales are lowest, operating losses may occur due to evenness throughout the four quarters of expenses such as selling, general and administrative expenses.

The table below shows the MRI Group's operating results for the last two fiscal years on a quarterly basis.

(Millions of yen)

	Fiscal year ended September 30, 2011				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
Net sales	11,866	23,493	20,199	16,942	72,503
Operating income (loss)	(980)	2,968	305	244	2,537

(Millions of yen)

	Fiscal year ended September 30, 2012				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
Net sales	12,821	23,748	20,788	18,007	75,365
Operating income (loss)	(823)	2,729	894	290	3,091

Note: Consumption taxes are not included in net sales.

F. Outsourcing

The MRI Group outsources part of its work to utilize the knowledge and knowhow of outside specialists or to boost productivity.

In addition to the outsourcing of software programming work for system development in the IT solutions business, we outsource part of other work such as various studies and data entry work in the think tank and consulting business.

The MRI Group strives to maintain stable ties with outsourcing partners such as by routinely examining the level of quality and management structure of outsourcing partners and by providing guidance for improvement when necessary. However, it is possible that earnings will be affected in the event that unexpected circumstances occur on the contracting partners' side, leading to an increase in cost to maintain quality or compensation for damages paid to clients due to late delivery.

G. Securing and training personnel

The MRI Group provides services to solve a wide range of customer needs. We therefore recognize the immense importance to secure and train personnel who possess advanced specialist skills, originality and creativity in order for us to maintain or expand our business size.

With this goal in mind, the MRI Group strives to ensure that its work environments and employment conditions are conducive to flexible and vigorous performance by enhancement of new-graduate and mid-career recruitment, implementation of human resource development programs, and enhancement of welfare benefits such as a child-rearing support system. However, it is possible that earnings will be affected in the event that personnel possessing high specialist skills cannot be adequately secured as a result of recruitment difficulty arising from the declining birthrate or an outflow of personnel due to high fluidity in the overall labor market.

H. Management of personal information and confidential information

As part of business operations, the MRI Group handles a large amount of personal information, confidential information of clients and other such information. The information management and security management that this requires is a matter of utmost importance. Accordingly, the MRI Group strengthens information management and ensures its strict practice through measures such as management of people's entry/exit of office, security measures for information and network equipment, and regular training for employees. However, it is possible that earnings will be affected in the event of information being leaked, lost, or destroyed that leads to a claim of compensation for damages from a client etc. or the loss of trust in the MRI Group.

I. Intellectual property

The MRI Group recognizes intellectual property as an important management resource from the perspective of ensuring competitive business strength. Accordingly we make proactive efforts to protect intellectual property. At the same time, we respect and do not infringe the intellectual property rights of third parties.

However, it is possible that earnings will be affected in the event that infringement of a third party's intellectual property rights or other rights occurs resulting in a claim of compensation for damages or the loss of trust in the MRI Group.

J. Retirement benefit obligations

The retirement benefit expenses and the retirement benefit obligations of the MRI Group are calculated based on actuarial assumptions such as discount rates and expected rate of return on plan assets. However, it is possible that earnings will be affected in the event that retirement benefit expenses increase due to a fall in the fair value of plan assets, changes to the interest environment or other factors.

2. Management policy

(1) Basic management policy

The MRI Group has three main functions: think tank, consulting and IT solutions services. Guided by our corporate mission defined below, our basic policy is to utilize this globally unique strength of the MRI Group in order to contribute to the development of society.

A. We constantly strive to be a knowledge-creating company, contributing to the prosperity of our customers as well as society.
B. We maintain the utmost social trust and faith from our customers by pursuing our corporate activities with fairness and transparency.
C. We encourage the self-fulfillment of our talented employees and further comprehensive competence through the integration of a diverse workforce.

Based on this corporate mission, we provide services to help customers solve the wide-ranging issues they face and to contribute to the creation of an ideal future society. This will underpin our efforts to build a prosperous future in partnership with our customers. Through these activities, we are aiming to become a corporate group that meets the expectations of all our stakeholders:

- Meet the expectations of society by contributing to the creation of an ideal future society and by taking a progressive approach to corporate social responsibility.
- Meet the expectations of customers by building a prosperous future for them through the creation of new value based on the highest-quality services.
- Meet the expectations of shareholders by ensuring sustainable business development supported by a solid financial base and strong earnings power, and by contributing to the creation of an ideal future society.
- Meet the expectations of employees by creating a working environment and open corporate culture that allows them to fully demonstrate their initiative, distinctiveness and creativity.

(2) Management targets

The MRI Group seeks to boost the growth potential and earnings power of its businesses while ensuring business risk remains at an appropriate level. Based on this thinking, we use net sales and gross profit as key indicators of growth potential, and operating margin and ROE as key indicators of profitability. Delivering sustained improvement in these indicators is one of our medium-to-long-term management targets.

(3) Medium-to-long-term management strategy

Japan continues to face a large number of issues that need to be overcome—recovery and reconstruction after the Great East Japan Earthquake, solving long-term structural issues (societal aging, environmental and economic issues), restoring the international competitiveness of Japanese industry and companies, and utilizing advanced information and communication technologies (ICT).

Given our basic role as a think tank, we believe our corporate mission is to help society and customers solve these issues and to contribute to the development of future society. Leveraging the MRI Group's scientific capabilities in information analysis and its network of experts in industry, academia and government, built up over many years, our basic policy is to provide integrated solutions that help customers implement and commercialize ideas developed through our research and study and policy and strategy development, through a think tank approach that brings together consulting and IT solutions.

Based on this approach and policy, we are focusing on business structure reform and business process reform. We strive to boost growth potential and earnings power by actively implementing and accelerating these two approaches and maximizing our results.

A. Business structure reform

Of the issues and key themes for society, government and companies today, we identified 10 fields as company-wide growth businesses where we can leverage our strengths as a Group. We have channeled personnel and resources from across the Company and the MRI Group into these areas to develop them into new growth businesses. After one year using this approach, we reassessed social and economic trends and business opportunities, and evaluated progress against our targets. Following a revision of some themes and strategies, we have continued to develop businesses in these fields.

In addition, in existing core businesses, we are stepping up efforts to identify and channel resources into strategic areas in order to shift personnel and resources to company-wide growth businesses.

Issues for Japan	Company-wide growth businesses: 10 fields
Recovery and reconstruction after the Great East Japan Earthquake	1. Supporting recovery in disaster-affected areas
	2. Strengthening society's ability to respond to disasters
Solving long-term structural issues	3. Promoting the Platinum Society concept
	4. Medium-to-long-term environmental and energy strategy
Restoring corporate competitiveness	5. Supporting overseas business development
	6. Enhancing corporate competitiveness and the industry
	7. New-normal marketing business (Note 1)
Utilizing advanced ICT	8. ICT social infrastructure implementation (Note 2)
	9. Advanced IT solutions
	10. Utilizing information technology infrastructure

Notes: 1. The collapse of Lehman Brothers and the Great East Japan Earthquake have led to the emergence of new values and behavior in society (the new normal). We help client companies step up their marketing strategies by scientifically analyzing new business opportunities and threats associated with these developments from both a macro and micro economic standpoint.

2. We help develop, design and implement new concepts for social infrastructure that utilize ICT, such as the introduction of citizen ID numbers, the use of open data, and cyber security. We assess the new technology in cooperation with a wide range of related parties to ensure the process is efficient, effective, safe and secure.

B. Business process reform

We identify key issues and tackle them across the Company to promote sustainable business growth, improvements in productivity and quality, and stronger corporate organizations. Results have been achieved through initiatives such as reducing expenses, adopting shared services for back-office operations and using human resources strategically. We plan to step up our efforts in this field by continuing to reflect changes in the operating environment and the latest business issues in our approach.

3. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of September 30, 2011	As of September 30, 2012
Assets		
Current assets		
Cash and deposits	8,996	10,658
Notes and accounts receivable–trade	10,096	10,893
Short-term investment securities	5,494	5,200
Inventories	4,438	4,966
Prepaid expenses	1,050	988
Deferred tax assets	1,751	1,692
Other	72	153
Allowance for doubtful accounts	(10)	(11)
Total current assets	31,890	34,541
Noncurrent assets		
Property and equipment		
Buildings and structures	13,505	12,793
Accumulated depreciation	(7,163)	(6,815)
Buildings and structures, net	6,342	5,977
Machinery, equipment and vehicles	226	146
Accumulated depreciation	(209)	(143)
Machinery, equipment and vehicles, net	16	2
Tools, furniture and fixtures	4,740	4,646
Accumulated depreciation	(3,619)	(3,438)
Tools, furniture and fixtures, net	1,120	1,207
Land	1,035	887
Lease assets	650	1,082
Accumulated depreciation	(152)	(245)
Lease assets, net	497	836
Construction in progress	109	–
Total property and equipment	9,122	8,912
Intangible assets		
Software	1,585	1,984
Goodwill	403	309
Other	517	879
Total intangible assets	2,506	3,173
Investments and other assets		
Investment securities	4,062	4,469
Long-term loans receivable	9	7
Lease and guarantee deposits	2,684	2,483
Deferred tax assets	2,653	2,333
Other	262	173
Allowance for doubtful accounts	(4)	(6)
Total investments and other assets	9,667	9,461
Total noncurrent assets	21,295	21,546
Total assets	53,185	56,088

(Millions of yen)

	As of September 30, 2011	As of September 30, 2012
Liabilities		
Current liabilities		
Accounts payable–trade	3,443	3,209
Accounts payable–other	863	1,198
Accrued expenses	2,083	2,008
Income taxes payable	408	1,054
Accrued consumption taxes	569	617
Advances received	126	171
Provision for bonuses	1,646	1,698
Provision for loss on order received	74	193
Other	1,040	1,385
Total current liabilities	10,256	11,537
Noncurrent liabilities		
Provision for retirement benefits	6,940	7,401
Other	622	691
Total noncurrent liabilities	7,562	8,092
Total liabilities	17,819	19,630
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,851	4,851
Retained earnings	18,630	19,278
Treasury stock	(0)	(0)
Total shareholders' equity	29,817	30,465
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	118	450
Total accumulated other comprehensive income	118	450
Minority interests	5,430	5,541
Total net assets	35,366	36,458
Total liabilities and net assets	53,185	56,088

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

(Millions of yen)

	Fiscal year ended September 30, 2011	Fiscal year ended September 30, 2012
Net sales	72,503	75,365
Cost of sales	58,549	60,943
Gross profit	13,953	14,422
Selling, general and administrative expenses	11,416	11,331
Operating income	2,537	3,091
Non-operating income		
Interest income	10	16
Dividends income	74	85
Equity in earnings of affiliates	250	53
Other	57	40
Total non-operating income	393	195
Non-operating expenses		
Interest expenses	8	11
Loss on investments in partnership	5	5
Rent expenses	9	7
Other	1	0
Total non-operating expenses	24	24
Ordinary income	2,905	3,262
Extraordinary income		
Gain on sales of noncurrent assets	–	56
Gain on sales of investment securities	7	–
Gain on change in equity	25	–
Other	0	–
Total extraordinary income	34	56
Extraordinary loss		
Loss on sales of noncurrent assets	–	23
Non-recurring depreciation on noncurrent assets	226	–
Loss on retirement of noncurrent assets	52	37
Loss on valuation of investment securities	179	201
Office transfer expenses	–	128
Compensation for damage, etc.	–	50
Loss on adjustment for changes of accounting standard for asset retirement obligations	100	–
Other	30	3
Total extraordinary losses	589	444
Income before income taxes and minority interests	2,350	2,873
Income taxes–current	1,048	1,459
Income taxes–deferred	(135)	190
Total income taxes	913	1,649
Income before minority interests	1,437	1,224
Minority interests in income	181	83
Net income	1,255	1,140

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended September 30, 2011	Fiscal year ended September 30, 2012
Income before minority interests	1,437	1,224
Other comprehensive income		
Valuation difference on available-for-sale securities	107	380
Share of other comprehensive income of associates accounted for using equity method	4	0
Total other comprehensive income	111	380
Comprehensive income	1,548	1,604
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,350	1,472
Comprehensive income attributable to minority interests	198	132

(3) Consolidated statements of changes in net assets

(Millions of yen)

	Fiscal year ended September 30, 2011	Fiscal year ended September 30, 2012
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	6,336	6,336
Balance at the end of current period	6,336	6,336
Capital surplus		
Balance at the beginning of current period	4,851	4,851
Balance at the end of current period	4,851	4,851
Retained earnings		
Balance at the beginning of current period	18,072	18,630
Changes of items during the period		
Dividends from surplus	(698)	(492)
Net income	1,255	1,140
Total changes of items during the period	557	647
Balance at the end of current period	18,630	19,278
Treasury stock		
Balance at the beginning of current period	(0)	(0)
Changes of items during the period		
Purchase of treasury stock	(0)	–
Total changes of items during the period	(0)	–
Balance at the end of current period	(0)	(0)
Total shareholders' equity		
Balance at the beginning of current period	29,260	29,817
Changes of items during the period		
Dividends from surplus	(698)	(492)
Net income	1,255	1,140
Purchase of treasury stock	(0)	–
Total changes of items during the period	557	647
Balance at the end of current period	29,817	30,465

(Millions of yen)

	Fiscal year ended September 30, 2011	Fiscal year ended September 30, 2012
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	24	118
Changes of items during the period		
Net changes of items other than shareholders' equity	94	331
Total changes of items during the period	94	331
Balance at the end of current period	118	450
Total accumulated other comprehensive income		
Balance at the beginning of current period	24	118
Changes of items during the period		
Net changes of items other than shareholders' equity	94	331
Total changes of items during the period	94	331
Balance at the end of current period	118	450
Minority interests		
Balance at the beginning of current period	4,584	5,430
Changes of items during the period		
Net changes of items other than shareholders' equity	845	111
Total changes of items during the period	845	111
Balance at the end of current period	5,430	5,541
Total net assets		
Balance at the beginning of current period	33,868	35,366
Changes of items during the period		
Dividends from surplus	(698)	(492)
Net income	1,255	1,140
Purchase of treasury stock	(0)	–
Net changes of items other than shareholders' equity	940	443
Total changes of items during the period	1,497	1,091
Balance at the end of current period	35,366	36,458

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended September 30, 2011	Fiscal year ended September 30, 2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,350	2,873
Depreciation and amortization	1,995	2,089
Non-recurring depreciation on noncurrent assets	226	–
Amortization of goodwill	99	95
Increase (decrease) in provision for bonuses	(119)	51
Increase (decrease) in provision for retirement benefits	560	460
Increase (decrease) in allowance for doubtful accounts	1	2
Increase (decrease) in provision for loss on order received	30	118
Interest and dividends income	(84)	(101)
Interest expenses	8	11
Equity in (earnings) losses of affiliates	(250)	(53)
Loss (gain) on sales of noncurrent assets	–	(32)
Loss on retirement of noncurrent assets	52	37
Loss on adjustment for changes of accounting standard for asset retirement obligations	100	–
Loss (gain) on sales of investment securities	(7)	–
Loss (gain) on valuation of investment securities	179	201
Decrease (increase) in notes and accounts receivable–trade	(138)	(796)
Decrease (increase) in inventories	636	(528)
Increase (decrease) in notes and accounts payable–trade	366	(233)
Increase (decrease) in accrued consumption taxes	(52)	80
Increase (decrease) in advances received	(213)	44
Other, net	235	541
Subtotal	5,978	4,861
Interest and dividends income received	95	121
Interest expenses paid	(8)	(11)
Income taxes paid	(1,819)	(813)
Net cash provided by (used in) operating activities	4,247	4,157

(Millions of yen)

	Fiscal year ended September 30, 2011	Fiscal year ended September 30, 2012
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	(992)	(2,205)
Proceeds from redemption of securities	2,000	992
Purchase of property and equipment	(2,381)	(835)
Proceeds from sales of property and equipment	25	230
Purchase of intangible assets	(890)	(1,446)
Payments for asset retirement obligations	–	(110)
Purchase of investment securities	(284)	(6)
Proceeds from sales of investment securities	77	–
Proceeds from redemption of investment securities	–	9
Purchase of investments in subsidiaries	(34)	–
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(67)	–
Payments of loans receivable	(4)	(4)
Collection of loans receivable	8	6
Payments for lease and guarantee deposits	(951)	(15)
Proceeds from collection of lease and guarantee deposits	1,623	216
Other, net	(16)	2
Net cash provided by (used in) investing activities	(1,889)	(3,165)
Net cash provided by (used in) financing activities		
Repayments of lease obligations	(334)	(260)
Cash dividends paid	(698)	(492)
Cash dividends paid to minority shareholders	(66)	(42)
Other, net	(25)	(34)
Net cash provided by (used in) financing activities	(1,124)	(830)
Net increase (decrease) in cash and cash equivalents	1,232	161
Cash and cash equivalents at beginning of period	12,263	13,496
Cash and cash equivalents at end of period	13,496	13,658

(5) Significant matters forming the basis of preparing the consolidated financial statements

1. Scope of consolidation
   (1) Number of consolidated subsidiaries: 10
   Names of principal companies:
   MRI Business Co., Ltd.
   MRI Research Associates Co., Ltd.
   Mitsubishi Research Institute DCS Co., Ltd.
   MD Business Partner Co., Ltd.
   Tohoku DCS Co., Ltd.
   OPT JAPAN Co., Ltd.
   UBS Co., Ltd.
   MRI Value Consulting & Solutions Co., Ltd.
   IT-ONE CO., LTD.
   DCS Information Technology (Shanghai) Co., Ltd.

   Changes in the fiscal year under review are as follows:
   DCS Information Technology (Shanghai) Co., Ltd. was included in the scope of consolidation as our consolidated subsidiary Mitsubishi Research Institute DCS Co., Ltd. newly established the company as of September 25, 2012.
   Our consolidated subsidiary DCS Business Partners Co., Ltd. is no longer included in the scope of consolidation as it was dissolved as of December 31, 2011 through an absorption-type merger with our consolidated subsidiary Mitsubishi Research Institute DCS Co., Ltd., which became the surviving company.
   Our consolidated subsidiary MRI Staff Service, Inc. is no longer included in the scope of consolidation as it was dissolved as of April 1, 2012 through an absorption-type merger with our consolidated subsidiary MD Business Partner Co., Ltd. (trade name of former DC Operations Co., Ltd. after trade name change on December 26, 2011), which became the surviving company.
   (2) Names of principal unconsolidated subsidiaries
   Not applicable because there is no unconsolidated subsidiary.

2. Application of the equity method
   (1) Number of affiliates accounted for by the equity method: 1
   Name of principal company:
   Minori Solutions Co., Ltd.

   (2) The affiliates that are not accounted for by the equity method (Eco-assist Co., Ltd. and other 3 affiliates) are excluded from the scope of equity method companies since such exclusion has immaterial effect on MRI's consolidated financial statements in terms of net income or loss (amount corresponding to MRI's equity position), retained earnings (amount corresponding to MRI's equity position) and others, and they, as a whole, are not material.

   (3) Since the balance sheet date of the equity method company is different from the consolidated balance sheet date, the company's financial statements prepared based on the recent quarterly balance sheet date were used for consolidation purposes.

3. Fiscal year-end dates of consolidated subsidiaries
   The balance sheet date of the consolidated subsidiaries excluding DCS Information Technology (Shanghai) Co., Ltd. coincides with the consolidated balance sheet date.
   The balance sheet date of DCS Information Technology (Shanghai) Co., Ltd. is December 31.
   Since this company was established on September 25, 2012, its financial statements as of the date of incorporation were used to prepare consolidated financial statements.

4. Accounting policies
   (1) Valuation bases and methods of significant assets
   A. Securities
   (i) Bonds held to maturity
   Stated at amortized cost (straight-line method).
   (ii) Other securities (available-for-sale securities)
   Securities with available fair market values:
   Stated at fair value based on the market price or the like on the consolidated balance sheet date (unrealized gains and losses are included in a separate component of net assets, and cost of sales is determined based upon the moving-average method).
   Securities without available fair market values:
   Stated at cost using the moving-average method.

   B. Derivatives
   Valued at fair value.

C. Inventories
Stated mainly using the identified cost method (figures on the balance sheet are determined based on the method of writing down the book value in accordance with the declining in profitability of assets).

(2) Depreciation of significant depreciable assets
A. Property and equipment (except for lease assets)
Depreciated using the declining-balance method.
(However, the buildings and structures of Mitsubishi Research Institute DCS Co., Ltd.'s Chiba Business Center are depreciated using the straight-line method. In addition, buildings (except for building attachments) acquired on or after April 1, 1998 are depreciated using the straight-line method.)
The estimated useful lives of major items are as follows:
Buildings and structures: 3 to 50 years
Machinery, equipment and vehicles: 5 to 10 years
Tools, furniture and fixtures: 2 to 20 years

B. Intangible assets (except for lease assets)
Amortized using the straight-line method.
However, capitalized software for internal use is amortized using the straight-line method over their estimated useful lives as internally determined (2 to 5 years).
Software intended for commercial sale is amortized at either the amortization amount based on projected sales profit, or the equally allocated amount based on the residual estimated useful life (within 3 years), whichever is larger.

C. Lease assets
Lease assets in finance lease transactions that do not transfer ownership are depreciated using the straight-line method assuming that lease periods are useful lives and salvage values are zero.
However, finance lease transactions that do not transfer ownership whose transaction commenced on or before September 30, 2008 are continuously accounted for by the accounting treatment similar to that of ordinary rental transactions.

(3) Significant reserves
A. Allowance for doubtful accounts
To prepare for losses from bad debt, an estimated uncollectible amount is provided at the amount estimated by either using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as highly doubtful receivables.

B. Provision for bonuses
To prepare for payment of bonuses to employees, an amount MRI should bear during the fiscal year under review, among the estimated future bonus payment, is provided at certain consolidated subsidiaries.

C. Provision for loss on order received
To prepare for future loss on orders received, an estimated loss amount in or after the following fiscal year is provided for orders received outstanding as of the end of the fiscal year under review whose future loss is expected and whose loss amount is reasonably estimable.

D. Provision for retirement benefits
To prepare for payment of retirement benefits to employees, an amount deemed accrued at the end of the fiscal year under review, based on the projected retirement benefit obligation and the fair value of plan assets at the end of the fiscal year under review is provided. Certain consolidated subsidiaries adopt the conventional method to determine a provision for retirement benefits.
MRI amortizes net retirement benefit obligation at transition (2,381 million yen) at an amount equally allocated over 15 years. Unrecognized actuarial gains and losses are amortized at an amount equally allocated over a fixed number of years (10 years) set within the average remaining service period of employees as occurred, starting in the respective following fiscal years.
Mitsubishi Research Institute DCS Co., Ltd. charges to income full amounts of net retirement benefit obligation at transition and unrecognized actuarial gains and losses in the year when occurred. Prior service cost is amortized using the straight-line method over a fixed number of years (10 years) set within the average remaining service period of employees as occurred.

(4) Recognition of significant revenues and expenses
Recognition of net sales and cost of sales regarding made-to-order software
A. Construction activity whose outcome is deemed to be definite during the course of the activity by the end of the fiscal year under review
The percentage-of-completion method (the cost to cost method is used to estimate the percentage of completion)
B. Other construction activities
The completed-contract method

(5) Amortization and amortization period of goodwill
Goodwill is equally amortized over the period of the future economic benefits for each investment.
However, goodwill is amortized in lump-sum in the fiscal year when incurred if the amount is minimal.

(6) Definition of cash and cash equivalents in the consolidated statements of cash flows
Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hands, at-call deposits with banks, and short-term investments having maturities within 3 months from acquisition which are readily convertible to cash and involve only an insignificant risk in their value.

(7) Other significant matters forming the basis of preparing the consolidated financial statements
Accounting for consumption taxes
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(6) Accounting standards and relevant regulations that are not yet adopted

(1) Overview
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)
(2) Scheduled date for adoption
From the end of the fiscal year beginning on or after April 1, 2013
(3) Effects of adoption of new accounting standards and relevant regulations
Effects of the adoption of the new accounting standards and relevant regulations on consolidated financial statements when preparing those statements are currently under assessment.

(7) Changes in presentation

Consolidated statements of income

The rent income under non-operating income, reported separately in the previous fiscal year, was included in other under non-operating income in the fiscal year under review, since the amount became immaterial. To reflect this change to presentation, the consolidated financial statements of the previous fiscal year were reclassified.
As a result, 5 million yen presented as rent income under non-operating income in the consolidated statements of income of the previous fiscal year was reclassified to other under non-operating income.
The dividends income of insurance under non-operating income, reported separately in the previous fiscal year, was included in other under non-operating income in the fiscal year under review, since the amount became immaterial. To reflect this change to presentation, the consolidated financial statements of the previous fiscal year were reclassified.
As a result, 24 million yen presented as dividends income of insurance under non-operating income in the consolidated statements of income of the previous fiscal year was reclassified to other under non-operating income.

(8) Additional information

(Adoption of "Accounting Standard for Accounting Changes and Error Corrections" and its guidance)
MRI has adopted the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009) to accounting changes and corrections of prior period errors that were made on or after October 1, 2011.

(Changes in amounts of deferred tax assets and liabilities arising from changes in corporation tax rates)
The "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction from the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated on December 2, 2011, therefore corporation tax rates will be reduced, and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed for the fiscal years beginning on or after April 1, 2012. In line with these changes, the effective statutory tax rate used to measure deferred tax assets and liabilities will be changed from the present 40.7% to 38.0% for temporary differences expected to be eliminated in the fiscal year beginning in the period from April 1, 2012 to March 31, 2015 and to 35.6% for temporary differences expected to be eliminated in the fiscal years beginning on or after April 1, 2015.
The effect of this change in tax rate reduced the amount of deferred tax assets (net amount after deducting deferred tax liabilities) by 409 million yen, and increased income taxes–deferred by 458 million yen and valuation difference on available-for-sale securities by 48 million yen.

(9) Segment information

A. Overview of reportable segments

The reportable segments of MRI are constituent units of the MRI Group about which separate financial information is available. These segments are regularly reviewed by the Board of Directors in deciding the allocation of business resources and in assessing performance.

When classifying its businesses into segments, the MRI Group considers the type and nature of service, the similarities of business formats and other factors. We develop our business activities by proposing comprehensive strategies for the products and services handled.

Accordingly the MRI Group has two reportable segments, the “think tank and consulting business” and the “IT solutions business.”

<Think tank and consulting business>

The segment businesses provide research and study, and consulting services regarding public policies and general businesses; management consulting services; etc.

<IT solutions business>

The segment businesses provide IT consulting and solutions services; data processing services; software development, maintenance and operation; sales of system equipment; etc.

B. Method of calculating net sales, profit or loss, assets, liabilities, and other items by reportable segment

The accounting method for the business segments that are reported is largely the same as the description in “Significant matters forming the basis of preparing the consolidated financial statements.” The profit from reportable segments is the figure based on operating income. Inter-segment sales and transfers are based on actual market values.

C. Information regarding amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment

Fiscal year ended September 30, 2011 (from October 1, 2010 to September 30, 2011)

(Millions of yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated statements of income (Note 2)
	Think tank and consulting business	IT solutions business			
Net sales					
Outside customers	19,788	52,714	72,503	–	72,503
Inter-segment sales and transfers	797	416	1,214	(1,214)	–
Total	20,586	53,130	73,717	(1,214)	72,503
Segment profit	535	1,976	2,511	25	2,537
Segment assets	9,137	38,510	47,647	5,538	53,185
Other items					
Depreciation and amortization	312	1,927	2,239	(16)	2,222
Amortization of goodwill	–	99	99	–	99
Investment in equity method affiliates	–	610	610	–	610
Increase in property and equipment, and intangible assets	595	2,857	3,453	(2)	3,450

Notes: 1. The details of adjustment amounts are as follows:

(1) The adjustment of 25 million yen on segment profit represents 25 million yen in inter-segment transaction eliminations.

(2) The adjustment of 5,538 million yen on segment assets includes corporate assets of 24,983 million yen not allocated to any reportable segment and negative 19,444 million yen in inter-segment transaction eliminations. Corporate assets mainly consist of cash and deposits, surplus operating funds (short-term investment securities), long-term investment funds (investment securities) and other investments of MRI that are not attributable to any reportable segment.

(3) The adjustment of negative 16 million yen on depreciation and amortization represents negative 16 million yen in inter-segment transaction eliminations.

(4) The adjustment of negative 2 million yen on increase in property and equipment, and intangible assets represents negative 2 million yen in inter-segment transaction eliminations.

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

Fiscal year ended September 30, 2012 (from October 1, 2011 to September 30, 2012)

(Millions of yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated statements of income (Note 2)
	Think tank and consulting business	IT solutions business			
Net sales					
Outside customers	21,079	54,286	75,365	–	75,365
Inter-segment sales and transfers	593	1,297	1,890	(1,890)	–
Total	21,673	55,583	77,256	(1,890)	75,365
Segment profit	2,034	1,159	3,194	(103)	3,091
Segment assets	10,328	40,075	50,404	5,684	56,088
Other items					
Depreciation and amortization	250	1,853	2,103	(14)	2,089
Amortization of goodwill	–	95	95	–	95
Investment in equity method affiliates	–	643	643	–	643
Increase in property and equipment, and intangible assets	717	2,290	3,007	(117)	2,890

Notes: 1. The details of adjustment amounts are as follows:

(1) The adjustment of negative 103 million yen on segment profit represents negative 103 million yen in inter-segment transaction eliminations.

(2) The adjustment of 5,684 million yen on segment assets includes corporate assets of 25,503 million yen not allocated to any reportable segment and negative 19,819 million yen in inter-segment transaction eliminations. Corporate assets mainly consist of cash and deposits, surplus operating funds (short-term investment securities), long-term investment funds (investment securities) and other investments of MRI that are not attributable to any reportable segment.

(3) The adjustment of negative 14 million yen on depreciation and amortization represents negative 14 million yen in inter-segment transaction eliminations.

(4) The adjustment of negative 117 million yen on increase in property and equipment, and intangible assets represents negative 117 million yen in inter-segment transaction eliminations.

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

(10) Per share information

	Fiscal year ended September 30, 2011	Fiscal year ended September 30, 2012
Net assets per share	1,822.74 yen	1,882.39 yen
Net income per share	76.45 yen	69.45 yen

Notes: 1. Please note that diluted net income per share is not shown because MRI has not issued potential shares.
2. Basis for calculating net income per share is as shown below.

	Fiscal year ended September 30, 2011	Fiscal year ended September 30, 2012
Net income (millions of yen)	1,255	1,140
Profit not attributable to common shareholders (millions of yen)	–	–
Net income related to common stock (millions of yen)	1,255	1,140
Average number of outstanding shares of common stock during the fiscal year (thousand shares)	16,424	16,423

(11) Significant subsequent events

Not applicable.

4. Others

(1) Production performance

Production performance by segment for the fiscal year under review is as shown below.

(Millions of yen)

Segment name	Fiscal year ended September 30, 2012	Year-on-year change (%)
Think tank and consulting business	21,008	5.1
IT solutions business	46,779	3.2
Total	67,788	3.8

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

(2) Status of orders received

Status of orders received by segment for the fiscal year under review is as shown below.

(Millions of yen)

Segment name	Fiscal year ended September 30, 2012			
	Orders received	Year-on-year change (%)	Balance	Year-on-year change (%)
Think tank and consulting business	23,002	14.8	15,283	14.4
IT solutions business	59,352	13.6	41,064	14.1
IT consulting and system development	41,610	20.6	23,982	26.4
Outsourcing services	17,742	(0.0)	17,081	0.3
Total	82,355	13.9	56,347	14.2

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 the next fiscal year is recorded in the balance of orders received.

(3) Sales performance

Sales performance by segment for the fiscal year under review is as shown below.

(Millions of yen)

Segment name	Fiscal year ended September 30, 2012	Year-on-year change (%)
Think tank and consulting business	21,079	6.5
IT solutions business	54,286	3.0
IT consulting and system development	36,596	2.8
Outsourcing services	17,689	3.4
Total	75,365	3.9

Notes: 1. Inter-segment transactions have been eliminated.
2. Consumption taxes are not included in the above amounts.
3. The table below shows sales results by major transaction partner and the ratio to total sales results of those sales results for the last two fiscal years.

(Millions of yen)

Transaction partner	Fiscal year ended September 30, 2011		Fiscal year ended September 30, 2012	
	Amount	Ratio (%)	Amount	Ratio (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	14,957	20.6	16,321	21.7