[Translation for reference only]
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Translation

November 7, 2011

Consolidated Financial Results for the Fiscal Year Ended September 30, 2011 <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 of annual general meeting of shareholders: December 20, 2011
Scheduled date to commence dividend payments: December 21, 2011
Scheduled date to submit Annual Securities Report: December 20, 2011
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, 2011 (from October 1, 2010 to September 30, 2011)

(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, 2011	72,503	(1.1)	2,537	(48.0)	2,905	(42.2)	1,255	(50.1)
September 30, 2010	73,323	(0.2)	4,875	(10.5)	5,030	(9.7)	2,516	(15.5)

Note: Comprehensive income
For the fiscal year ended September 30, 2011: 1,548 million yen [(34.8)%]
For the fiscal year ended September 30, 2010: 2,376 million yen [– %]

	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, 2011	76.45	–	4.2	5.5	3.5
September 30, 2010	153.22	–	8.8	10.0	6.6

Reference: Equity in earnings (losses) of affiliates
For the fiscal year ended September 30, 2011: 250 million yen
For the fiscal year ended September 30, 2010: 1 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, 2011	53,185	35,366	56.3	1,822.74
September 30, 2010	51,531	33,868	56.8	1,783.02

Reference: Equity (Net assets – Minority interests)
As of September 30, 2011: 29,936 million yen
As of September 30, 2010: 29,284 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, 2011	4,247	(1,889)	(1,124)	13,496
September 30, 2010	4,931	(4,079)	(895)	12,263

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, 2010	–	12.50	–	27.50	40.00	656	26.1	2.3
Fiscal year ended September 30, 2011	–	15.00	–	15.00	30.00	492	39.2	1.7
Fiscal year ending September 30, 2012 (Forecast)	–	15.00	–	15.00	30.00		28.0	

Note: The fiscal year-end cash dividends per share for the fiscal year ended September 30, 2010 consist of:
Ordinary cash dividends per share: 17.50 yen Commemorative cash dividends per share: 10.00 yen

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2012 (from October 1, 2011 to September 30, 2012)

(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, 2012	36,800	4.1	1,840	(7.6)	1,880	(15.5)	840	(16.2)	51.14
Fiscal year ending September 30, 2012	75,500	4.1	3,570	40.7	3,690	27.0	1,760	40.2	107.16

4. Others

(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 and procedures, and methods of presentation

a. Changes due to revisions to accounting standards and other regulations: Yes

b. Changes due to other reasons: None

Note: For the details, please refer to “Changes in significant matters forming the basis of preparing the consolidated financial statements” on page 23 of the attached materials.

(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, 2011	16,424,080 shares
As of September 30, 2010	16,424,080 shares

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

As of September 30, 2011	87 shares
As of September 30, 2010	51 shares

c. Average number of outstanding shares during the period

Fiscal year ended September 30, 2011	16,424,008 shares
Fiscal year ended September 30, 2010	16,424,062 shares

Note: For the number of shares as basis for calculating net income per share (consolidated), please refer to “Per share information” on page 27 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. 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. Operating results, (1) Analysis of operating results, B. Outlook for the next fiscal year” for information on assumptions underlying the business forecasts and other related information.

(Attached materials)

1. Operating results

(1) Analysis of operating results

A. Operating results for the current fiscal year

During the fiscal year under review (from October 1, 2010 to September 30, 2011), the Japanese economy showed signs in the first half of the fiscal year of a moderate recovery, but many companies remained wary towards the economic outlook and continued to take a prudent attitude with respect to forward-looking investment. In addition to the aforementioned, the Great East Japan Earthquake occurred in March 2011, causing not only damage to production facilities and distribution networks, but also a significant drop in production activity as a result of long-term electricity shortages. Damage was inflicted on many companies, both directly and indirectly. In the government and public offices sector as well, priority was placed on implementing emergency disaster recovery measures and also, owing to disruption of the political situation, budget execution was stalled and the market environment remained challenging for the Mitsubishi Research Institute, Inc. and its consolidated subsidiaries (the MRI Group).

Against this backdrop, the MRI Group, as a comprehensive think tank, actively proposed concrete measures related to the disaster recovery effort based on scenarios for Japan’s social and industrial development over the medium- and long-terms. Rather than focusing near-term disaster recovery efforts, the MRI Group proposed advancement of the agriculture, forestry and fisheries industries, the promotion of industry based on local production for local consumption, the creation of local employment and other such measures. Through providing various services such as strengthening infrastructure disaster protection measures, revising business continuity plans, and site location appraisal for data centers, the MRI Group continued to work together with its customers to bring about recovery.

During the fiscal year under review, the MRI Group experienced the postponement or cancellation of orders amid this difficult market environment and recorded net sales of 72,503 million yen, down 1.1% year on year. On the profit side, the MRI Group recorded operating income of 2,537 million yen, down 48.0% year on year, ordinary income of 2,905 million yen, down 42.2%, and net income of 1,255 million yen, down 50.1%. This decline in profitability reflected not only lower operating rates due to the drop in net sales, an increase in projects with significant outsourcing costs and the existence of projects with low profitability, but also forward-looking investments to relocate headquarters and boost future growth.

The results by segment are as follows.

<Think tank and consulting business>

In the fiscal year under review, the segment conducted various projects for private sector corporations such as market and technology forecasts, technical workforce development, and management integration support for the manufacturing and telecommunications industries and projects regarding the development of cost reduction and information security measures for financial institutions. The segment also worked to cultivate consulting projects in the private sector related to business continuity and operating environment forecasts. In the government and public offices sector, while focusing on securing orders for ongoing projects in strategic policy fields, such as medical and nursing care services, environment and energy, and small and mid-size enterprises support, the segment monitored budget revision trends associated with the support of recovery from the Great East Japan Earthquake and actively targeted projects related to disaster countermeasures. However, being significantly impacted by the Great East Japan Earthquake, the segment recorded net sales (outside sales) of 19,788 million yen, down 2.1% year on year, and operating income of 535 million yen, down 68.1%.

<IT solutions business>
In the fiscal year under review, the segment enjoyed firm sales from systems optimization support projects for government and public offices, projects to financial institutions such as the construction of risk-related systems and system requirement definition projects for core systems. However, customers in the segment exercised significant constraint throughout the period on investment for new system development. Moreover, some of the projects that were undertaken were not profitable and incurred quality control costs. As a result, even after including the additional positive contribution from IT-ONE CO., LTD., which became a consolidated subsidiary in the fiscal year under review, the segment recorded net sales (outside sales) of 52,714 million yen, down 0.7% year on year, and operating income of 1,976 million yen, down 37.8%.

B. Outlook for the next fiscal year

Looking at the future prospects of Japan's economy, in addition to the impact of the Great East Japan Earthquake, there remains uncertainty towards the future direction of the market due to the risk of global economic stalling and financial instability in Europe. On the other hand, the budget execution of government and public offices is expected to normalize and we expect a moderate recovery in the private sector market because of demand associated with post-earthquake recovery and the opportunity for change that accompanies such demand.

Concerning the consolidated outlook for the next fiscal year, the MRI Group plans to secure profits mainly by thoroughly cutting expenses and eliminating unprofitable projects. We forecast net sales of 75,500 million yen, up 4.1% compared with the fiscal year under review, operating income of 3,570 million yen, up 40.7%, ordinary income of 3,690 million yen, up 27.0%, and net income of 1,760 million yen, up 40.2%.

A breakdown by segment follows. In the think tank and consulting business, along with proactive efforts to support the recovery of the Great East Japan Earthquake, the MRI Group expects to receive orders for projects in strategic policy fields such as medical and nursing care services, environment and energy, food and agriculture, and small and mid-size enterprises support. We also expect, in the private sector market, demand for group management streamlining and cost cutting measures, and overseas development support and consulting for the manufacturing sector. However, because concern towards the future still remains, we expect revenue to fall below that of the fiscal year under review, with forecasted net sales (outside sales) of 19,600 million yen, down 1.0%.

In the IT solutions business, although we still expect some impact from constraint on investment for new system development due to the Great East Japan Earthquake, we expect to continue solidly with construction of risk measurement systems for financial institutions following the strengthening of the Basel Capital Accord by the Bank for International Settlements. Moreover, we not only expect deepening customer relations with existing customers including megabanks and regional banks, but also expect to expand into business formats such as securities and insurance companies. In addition, we expect the completion of projects related to the systems optimization support services for central government ministries and agencies can be covered by new projects such as systems optimization support services for local governments and extra-governmental organizations. In the IT solutions business, we expect revenue to be higher compared with that of the fiscal year under review, with forecasted net sales (outside sales) of 55,900 million yen, up 6.0%.

Consolidated earnings forecasts for the fiscal year ending September 30, 2012

		Fiscal year ended September 30, 2011 (Actual result) (Millions of yen)	Fiscal year ending September 30, 2012 (Forecast) (Millions of yen)	Change	
				Amount (Millions of yen)	Rate (%)
Net sales		72,503	75,500	2,996	4.1
	Think tank and consulting business	19,788	19,600	(188)	(1.0)
	IT solutions business	52,714	55,900	3,185	6.0
Operating income		2,537	3,570	1,032	40.7
Ordinary income		2,905	3,690	784	27.0
Net income		1,255	1,760	504	40.2
Net income per share		(Yen) 76.45	(Yen) 107.16	(Yen) 30.71	40.2

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, 2011: 16,424 thousand shares
Fiscal year ending September 30, 2012: 16,424 thousand shares

In this document, statements other than historical facts are forward-looking statements that are based on information available at this moment. 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 53,185 million yen, an increase of 1,654 million yen, or 3.2%, compared with the end of the previous fiscal year. Broken down, current assets rose 1.4% to 31,890 million yen, and noncurrent assets rose 6.0% to 21,295 million yen. The increase in current assets was the net result mainly of decreases of 1,266 million yen in cash and deposits and 548 million yen in inventories, which were offset by increases of 1,494 million yen in short-term investment securities and 809 million yen in notes and accounts receivable–trade. The main factor behind the increase in noncurrent assets was an increase of 964 million yen in property and equipment accompanying the relocation to the new head office building and investment in facilities at the Chiba Business Center.

Liabilities increased 156 million yen, or 0.9%, compared with the end of the previous fiscal year to 17,819 million yen, mainly due to an increase of 560 million yen in provision for retirement benefits.

Net assets stood at 35,366 million yen, up 1,497 million yen compared with the end of the previous fiscal year. The main factors behind this increase were increases of 557 million yen in retained earnings, 94 million yen in accumulated other comprehensive income and 845 million yen in minority interests. The equity ratio was 56.3% at the end of the fiscal year under review, roughly the same level at the end of the previous fiscal year when it stood at 56.8%.

B. Cash flow position

At the end of the fiscal year under review, cash and cash equivalents increased 1,232 million yen compared with the end of the previous fiscal year to 13,496 million yen.
The respective cash flow positions and the factors thereof are as follows.

Cash provided by operating activities was 4,247 million yen, compared with 4,931 million yen provided in the previous fiscal year. The main reasons were 2,350 million yen in income before income taxes and minority interests, 2,222 million yen in depreciation and amortization, a decrease of 636 million yen in inventories, an increase of 366 million yen in notes and accounts payable–trade, and income taxes paid of 1,819 million yen.

Cash used in investing activities was 1,889 million yen compared with 4,079 million yen used in the previous fiscal year, mainly because of 2,381 million yen expensed for the purchase of property and equipment.

Cash used in financing activities was 1,124 million yen compared with 895 million yen used in the previous fiscal year. The main reasons were 698 million yen in cash dividends paid and 334 million yen in repayments of lease obligations.

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

	Fiscal year ended September 30, 2007	Fiscal year ended September 30, 2008	Fiscal year ended September 30, 2009	Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011
Equity ratio (%)	42.6	46.9	56.1	56.8	56.3
Market value equity ratio (%)	–	–	83.5	53.5	42.8
Interest-bearing debt to cash flow ratio (%)	20.8	0.0	0.0	0.0	1.2
Interest coverage ratio (factor)	194.7	224.5	120.5	479.5	505.2

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

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 as of the end of the period (excluding treasury shares).

* 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, 2011, sales from work for government and public offices made up 24.1% 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 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, 2011, sales from work for the financial sector made up 32.3% 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, 2011, 31.5% 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, 2010				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
Net sales	12,128	24,024	21,559	15,610	73,323
Operating income (loss)	(358)	3,572	1,581	80	4,875

(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

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. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of September 30, 2010	As of September 30, 2011
Assets		
Current assets		
Cash and deposits	10,263	8,996
Notes and accounts receivable–trade	9,287	10,096
Short-term investment securities	3,999	5,494
Inventories	4,986	4,438
Prepaid expenses	1,119	1,050
Deferred tax assets	1,669	1,751
Other	123	72
Allowance for doubtful accounts	(8)	(10)
Total current assets	31,441	31,890
Noncurrent assets		
Property and equipment		
Buildings and structures	12,783	13,505
Accumulated depreciation	(7,223)	(7,163)
Buildings and structures, net	5,560	6,342
Machinery, equipment and vehicles	261	226
Accumulated depreciation	(219)	(209)
Machinery, equipment and vehicles, net	41	16
Tools, furniture and fixtures	4,577	4,740
Accumulated depreciation	(3,450)	(3,619)
Tools, furniture and fixtures, net	1,127	1,120
Land	1,035	1,035
Lease assets	348	650
Accumulated depreciation	(96)	(152)
Lease assets, net	251	497
Construction in progress	140	109
Total property and equipment	8,158	9,122
Intangible assets		
Software	1,685	1,585
Goodwill	–	403
Other	285	517
Total intangible assets	1,971	2,506
Investments and other assets		
Investment securities	3,498	4,062
Long-term loans receivable	12	9
Lease and guarantee deposits	3,430	2,684
Deferred tax assets	2,641	2,653
Other	382	262
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	9,960	9,667
Total noncurrent assets	20,089	21,295
Total assets	51,531	53,185

(Millions of yen)

	As of September 30, 2010	As of September 30, 2011
Liabilities		
Current liabilities		
Accounts payable–trade	2,900	3,443
Accounts payable–other	1,049	863
Accrued expenses	2,121	2,083
Income taxes payable	1,160	408
Accrued consumption taxes	608	569
Advances received	324	126
Provision for bonuses	1,626	1,646
Provision for loss on order received	43	74
Other	869	1,040
Total current liabilities	10,702	10,256
Noncurrent liabilities		
Provision for retirement benefits	6,379	6,940
Other	580	622
Total noncurrent liabilities	6,959	7,562
Total liabilities	17,662	17,819
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,851	4,851
Retained earnings	18,072	18,630
Treasury stock	(0)	(0)
Total shareholders' equity	29,260	29,817
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24	118
Total accumulated other comprehensive income	24	118
Minority interests	4,584	5,430
Total net assets	33,868	35,366
Total liabilities and net assets	51,531	53,185

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

(Millions of yen)

	Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011
Net sales	73,323	72,503
Cost of sales	57,984	58,549
Gross profit	15,338	13,953
Selling, general and administrative expenses	10,462	11,416
Operating income	4,875	2,537
Non-operating income		
Interest income	8	10
Dividends income	80	74
Equity in earnings of affiliates	1	250
Rent income	15	5
Dividends income of insurance	20	24
Subsidy income	46	–
Other	31	27
Total non-operating income	204	393
Non-operating expenses		
Interest expenses	10	8
Loss on investments in partnership	25	5
Rent expenses	8	9
Other	4	1
Total non-operating expenses	49	24
Ordinary income	5,030	2,905
Extraordinary income		
Gain on sales of investment securities	–	7
Gain on valuation of investment securities by change in equity	101	–
Gain on change in equity	–	25
Other	3	0
Total extraordinary income	105	34
Extraordinary loss		
Non-recurring depreciation on noncurrent assets	50	226
Loss on retirement of noncurrent assets	50	52
Loss on valuation of investment securities	26	179
Head office transfer cost	103	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	100
Other	33	30
Total extraordinary losses	263	589
Income before income taxes and minority interests	4,872	2,350
Income taxes–current	2,058	1,048
Income taxes–deferred	130	(135)
Total income taxes	2,188	913
Income before minority interests	–	1,437
Minority interests in income	167	181
Net income	2,516	1,255

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011
Income before minority interests	–	1,437
Other comprehensive income		
Valuation difference on available-for-sale securities	–	107
Share of other comprehensive income of associates accounted for using equity method	–	4
Total other comprehensive income	–	111
Comprehensive income	–	1,548
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	–	1,350
Comprehensive income attributable to minority interests	–	198

(3) Consolidated statements of changes in net assets

(Millions of yen)

	Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011
Shareholders' equity		
Capital stock		
Balance at the end of previous period	6,336	6,336
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	6,336	6,336
Capital surplus		
Balance at the end of previous period	4,851	4,851
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	4,851	4,851
Retained earnings		
Balance at the end of previous period	16,254	18,072
Changes of items during the period		
Dividends from surplus	(698)	(698)
Net income	2,516	1,255
Total changes of items during the period	1,818	557
Balance at the end of current period	18,072	18,630
Treasury stock		
Balance at the end of previous period	–	(0)
Changes of items during the period		
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	(0)	(0)
Total shareholders' equity		
Balance at the end of previous period	27,441	29,260
Changes of items during the period		
Dividends from surplus	(698)	(698)
Net income	2,516	1,255
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	1,818	557
Balance at the end of current period	29,260	29,817

(Millions of yen)

	Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	278	24
Changes of items during the period		
Net changes of items other than shareholders’ equity	(254)	94
Total changes of items during the period	(254)	94
Balance at the end of current period	24	118
Total accumulated other comprehensive income		
Balance at the end of previous period	278	24
Changes of items during the period		
Net changes of items other than shareholders’ equity	(254)	94
Total changes of items during the period	(254)	94
Balance at the end of current period	24	118
Minority interests		
Balance at the end of previous period	4,814	4,584
Changes of items during the period		
Net changes of items other than shareholders’ equity	(230)	845
Total changes of items during the period	(230)	845
Balance at the end of current period	4,584	5,430
Total net assets		
Balance at the end of previous period	32,535	33,868
Changes of items during the period		
Dividends from surplus	(698)	(698)
Net income	2,516	1,255
Purchase of treasury stock	(0)	(0)
Net changes of items other than shareholders’ equity	(484)	940
Total changes of items during the period	1,333	1,497
Balance at the end of current period	33,868	35,366

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	4,872	2,350
Depreciation and amortization	1,893	1,995
Non-recurring depreciation on noncurrent assets	50	226
Amortization of goodwill	4	99
Increase (decrease) in provision for bonuses	218	(119)
Increase (decrease) in provision for retirement benefits	476	560
Increase (decrease) in allowance for doubtful accounts	(4)	1
Increase (decrease) in provision for loss on order received	(249)	30
Interest and dividends income	(88)	(84)
Interest expenses	10	8
Equity in (earnings) losses of affiliates	(1)	(250)
Loss on retirement of noncurrent assets	50	52
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 by change in equity	(101)	–
Loss (gain) on valuation of investment securities	26	179
Decrease (increase) in notes and accounts receivable–trade	(838)	(138)
Decrease (increase) in inventories	653	636
Increase (decrease) in notes and accounts payable–trade	34	366
Increase (decrease) in accrued consumption taxes	(57)	(52)
Increase (decrease) in advances received	139	(213)
Other, net	(410)	235
Subtotal	6,678	5,978
Interest and dividends income received	86	95
Interest expenses paid	(10)	(8)
Income taxes paid	(1,823)	(1,819)
Net cash provided by (used in) operating activities	4,931	4,247

(Millions of yen)

	Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	(2,000)	(992)
Proceeds from redemption of securities	–	2,000
Purchase of property and equipment	(580)	(2,381)
Proceeds from sales of property and equipment	16	25
Purchase of intangible assets	(612)	(890)
Purchase of investment securities	(10)	(284)
Proceeds from sales of investment securities	–	77
Purchase of investments in subsidiaries	–	(34)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	–	(67)
Payments of loans receivable	(8)	(4)
Collection of loans receivable	8	8
Payments for lease and guarantee deposits	(808)	(951)
Proceeds from collection of lease and guarantee deposits	15	1,623
Other, net	(98)	(16)
Net cash provided by (used in) investing activities	(4,079)	(1,889)
Net cash provided by (used in) financing activities		
Repayments of lease obligations	(96)	(334)
Cash dividends paid	(698)	(698)
Cash dividends paid to minority shareholders	(84)	(66)
Other, net	(16)	(25)
Net cash provided by (used in) financing activities	(895)	(1,124)
Net increase (decrease) in cash and cash equivalents	(43)	1,232
Cash and cash equivalents at beginning of period	12,306	12,263
Cash and cash equivalents at end of period	12,263	13,496

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

	Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011
1. Scope of consolidation	(1) Number of consolidated subsidiaries: 10 Names of principal companies: MRI Business Co., Ltd. MRI Research Associates Co., Ltd. MRI Staff Service Co., Ltd. Mitsubishi Research Institute DCS Co., Ltd. MRI Value Consulting Inc. DC Operations Co., Ltd. Tohoku DCS Co., Ltd. MRV Solutions Co., Ltd. DCS Business Partners Co., Ltd. UBS Co., Ltd. Changes in the fiscal year under review are as follows: UBS Co., Ltd. was included in the scope of consolidation as our consolidated subsidiary Mitsubishi Research Institute DCS Co., Ltd. newly acquired its shares as of April 1, 2010. Diamond Fuji Soft Co., Ltd. conducted a company split as of June 1, 2010 and changed its trade name to MRV Solutions Co., Ltd. as the splitting company.	(1) Number of consolidated subsidiaries: 11 Names of principal companies: MRI Business Co., Ltd. MRI Research Associates Co., Ltd. MRI Staff Service Co., Ltd. Mitsubishi Research Institute DCS Co., Ltd. DC Operations Co., Ltd. Tohoku DCS Co., Ltd. DCS Business Partners Co., Ltd. OPT JAPAN Co., Ltd. UBS Co., Ltd. MRI Value Consulting & Solutions Co., Ltd. IT-ONE CO., LTD. Changes in the fiscal year under review are as follows: OPT JAPAN Co., Ltd. was included in the scope of consolidation as our consolidated subsidiary Mitsubishi Research Institute DCS Co., Ltd. newly acquired its shares and, in addition, subscribed to its shares through a private placement as of October 1, 2010. IT-ONE CO., LTD. was included in the scope of consolidation as our consolidated subsidiary Mitsubishi Research Institute DCS Co., Ltd. newly acquired its shares as of June 24, 2011. As of October 1, 2010, our consolidated subsidiary MRV Solutions Co., Ltd. conducted an absorption-type merger with MRI Value Consulting Inc., also our consolidated subsidiary, and changed its trade name to MRI Value Consulting & Solutions Co., Ltd. as the surviving company.
	(2) Names of principal unconsolidated subsidiaries Not applicable because there is no unconsolidated subsidiary.	(2) Names of principal unconsolidated subsidiaries Same as left.
2. Application of the equity method	(1) Number of affiliates accounted for by the equity method: 1 Name of principal company: MRC Information Systems Co., Ltd.	(1) Number of affiliates accounted for by the equity method: 1 Name of principal company: Minori Solutions Co., Ltd. Changes in the fiscal year under review are as follows: Minori Solutions Co., Ltd. was included in the scope of equity method companies as our consolidated subsidiary Mitsubishi Research Institute DCS Co., Ltd. additionally acquired its shares as of November 11, 2010. MRC Information Systems Co., Ltd. was excluded from the scope of equity method companies as MRI sold all shares in the company as of July 22, 2011.

	Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011
	(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 provisionally settles the account on the consolidated balance sheet date.	(2) Same as left. (3) Same as left.
3. Fiscal year-end dates of consolidated subsidiaries	The balance sheet date of the consolidated subsidiaries coincides with the consolidated balance sheet date. UBS Co., Ltd. has changed its balance sheet date from March 31 to September 30.	The balance sheet date of the consolidated subsidiaries coincides with the consolidated balance sheet date.
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).	A. Securities Same as left. B. Derivatives Same as left. C. Inventories Same as left.
(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.)	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.)

	Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011
	The estimated useful lives of major items are as follows: Buildings and structures: 3 to 65 years Machinery, equipment and vehicles: 5 years Tools, furniture and fixtures: 2 to 15 years	The estimated useful lives of major items are as follows: Buildings and structures: 3 to 65 years Machinery, equipment and vehicles: 5 to 10 years Tools, furniture and fixtures: 2 to 15 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 (3 to 5 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 (3 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.	C. Lease assets Same as left.
(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.	A. Allowance for doubtful accounts Same as left.
	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.	B. Provision for bonuses Same as left.
	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.	C. Provision for loss on order received Same as left.

	Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011
	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. Change in accounting policies Effective October 1, 2009, MRI has adopted the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19, July 31, 2008). There was no effect of this change on profit or loss, or segment information.	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.

	Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011
(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 <u>Change in accounting policies</u> Revenue arising from made-to-order software was previously accounted for by the completed-contract method. Effective October 1, 2009, MRI has adopted the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007). For the construction contracts starting in the fiscal year under review, the percentage-of-completion method (the cost to cost method is used to estimate the percentage of completion) is applied to the contracts if the outcome of construction activity is deemed to be definite during the course of the activity by the end of the fiscal year, while the completed-contract method is applied otherwise. As a result, in the fiscal year under review, net income increased by 494 million yen, and operating income, ordinary income, and income before income taxes and minority interests each increased by 127 million yen. The effects on segment information are shown in the relevant section.	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.	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.	Same as left.
(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.	Accounting for consumption taxes Same as left.

(6) Changes in significant matters forming the basis of preparing the consolidated financial statements

Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011
Adoption of Accounting Standard for Business Combinations and related regulations MRI has adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), the “Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, December 26, 2008), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, December 26, 2008), the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, December 26, 2008) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008).	――――――
――――――	**Adoption of Accounting Standard for Asset Retirement Obligations and related regulations** Effective October 1, 2010, MRI has adopted the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008). As a result, in the fiscal year under review, operating income and ordinary income each decreased by 5 million yen, and income before income taxes and minority interests decreased by 106 million yen.
――――――	**Adoption of “Accounting Standard for Equity Method of Accounting for Investments” and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”** Effective October 1, 2010, MRI has adopted the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ PITF No. 24, March 10, 2008). There was no effect of this change on ordinary income or income before income taxes and minority interests.

(7) Changes in presentation

Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011
―――――	**Consolidated balance sheets** The goodwill, included in other under intangible assets in the previous fiscal years, is reported separately since the amount became material. As of September 30, 2010, the amount of the item was 36 million yen.
Consolidated statements of income The dividends income in insurance, included in other under non-operating income in the previous fiscal year, is reported separately for the fiscal year under review since the amount of the item exceeded 10% of the total non-operating income. In the previous fiscal year, the amount of the item was 2 million yen.	**Consolidated statements of income** Effective October 1, 2010, the "Cabinet Office Ordinance for Partial Revision of the Ordinance on Terminology, Forms and Preparation Methods of Financial Statements" (Cabinet Office Ordinance No. 5, March 24, 2009) has been adopted based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), and an account line item of "Income before minority interests" is newly presented in the consolidated statement of income. The subsidy income (which amounts to 4 million yen for the fiscal year under review), reported separately in the previous fiscal year, was included in other under non-operating income, since the amount became immaterial. The head office transfer cost (which amounts to 7 million yen for the fiscal year under review), reported separately in the previous fiscal year, was included in other under extraordinary loss, since the amount of the item became 10% or less of the total extraordinary loss.
Consolidated statements of cash flows The repayments of lease obligations, included in other under net cash provided by (used in) financing activities in the previous fiscal year, is reported separately since the amount became material for the fiscal year under review. In the previous fiscal year, other under net cash provided by (used in) financing activities included the cash outflow of 2 million yen for repayments of lease obligations.	―――――

(8) Additional information

Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011
―――――	**Adoption of Accounting Standard for Presentation of Comprehensive Income** Effective October 1, 2010, MRI has adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010). However, the amounts of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" as of September 30, 2010 indicate the amounts of "Valuation and translation adjustments" and "Total valuation and translation adjustments," respectively.

(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 business; 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, 2010 (from October 1, 2009 to September 30, 2010)

(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	20,222	53,101	73,323	–	73,323
Inter-segment sales and transfers	764	402	1,166	(1,166)	–
Total	20,987	53,503	74,490	(1,166)	73,323
Segment profit	1,676	3,175	4,851	23	4,875
Segment assets	10,246	36,199	46,446	5,085	51,531
Other items					
Depreciation and amortization	261	1,698	1,959	(16)	1,943
Amortization of goodwill	–	4	4	–	4
Investment in equity method affiliates	–	42	42	–	42
Increase in property and equipment, and intangible assets	194	1,378	1,573	(7)	1,565

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

(1) The adjustment of 23 million yen on segment profit includes 23 million yen in inter-segment transaction eliminations.

(2) The adjustment of 5,085 million yen on segment assets includes corporate assets of 24,376 million yen not allocated to any reportable segment and negative 19,290 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 7 million yen on increase in property and equipment, and intangible assets represents negative 7 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, 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 includes 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.

(10) Per share information

Fiscal year ended September 30, 2010		Fiscal year ended September 30, 2011	
Net assets per share	1,783.02 yen	Net assets per share	1,822.74 yen
Net income per share	153.22 yen	Net income per share	76.45 yen
Please note that diluted net income per share is not shown because MRI has not issued potential shares.		Please note that diluted net income per share is not shown because MRI has not issued potential shares.	

Note: Basis for calculating net income per share is as shown below.

(Millions of yen)

	Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011
Net income	2,516	1,255
Profit not attributable to common shareholders	–	–
Net income related to common stock	2,516	1,255
Average number of outstanding shares of common stock during the fiscal year (thousand shares)	16,424	16,424

(11) Significant subsequent events

Fiscal year ended September 30, 2010

Not applicable.

Fiscal year ended September 30, 2011

Not applicable.

3. 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, 2011	Year-on-year change (%)
Think tank and consulting business	19,988	(1.6)
IT solutions business	45,308	(0.7)
Total	65,296	(1.0)

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, 2011			
	Orders received	Year-on-year change (%)	Balance	Year-on-year change (%)
Think tank and consulting business	20,039	(5.5)	13,360	1.9
IT solutions business	52,265	2.5	35,997	(1.2)
IT consulting and system development	34,514	(0.3)	18,968	(5.5)
Outsourcing services	17,750	8.6	17,029	4.0
Total	72,305	0.2	49,358	(0.4)

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, 2011	Year-on-year change (%)
Think tank and consulting business	19,788	(2.1)
IT solutions business	52,714	(0.7)
IT consulting and system development	35,614	(0.9)
Outsourcing services	17,100	(0.5)
Total	72,503	(1.1)

Notes: 1. Inter-segment transactions have been eliminated.
2. 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, 2010		Fiscal year ended September 30, 2011	
	Amount	Ratio (%)	Amount	Ratio (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,801	17.5	14,957	20.6
Nihon Card Processing Co., Ltd.	11,336	15.5	7,209	9.9

3. Consumption taxes are not included in the above amounts.