[Translation for reference only]
This is an English translation and excerpt of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

Translation

FASF MEMBERSHIP

November 8, 2010

Consolidated Financial Results for the Fiscal Year Ended September 30, 2010

Company name: **Mitsubishi Research Institute, Inc.**
Listing: First Section of the Tokyo Stock Exchange
Stock code: 3636
URL: http://www.mri.co.jp/
Representative: Masayuki Tanaka, President
Inquiries: Satoru Muto, Manager, Investor Relations Office
E-mail: ir-info@mri.co.jp

Scheduled date of annual general meeting of shareholders: December 17, 2010
Scheduled date to commence dividend payments: December 20, 2010
Scheduled date to submit Annual Securities Report: December 17, 2010

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

1. Consolidated performance for the fiscal year ended September 30, 2010 (from October 1, 2009 to September 30, 2010)

(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, 2010	73,323	(0.2)	4,875	(10.5)	5,030	(9.7)	2,516	(15.5)
September 30, 2009	73,481	(1.1)	5,444	(15.9)	5,573	(15.6)	2,979	8.0

	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, 2010	153.22	–	8.8	10.0	6.6
September 30, 2009	192.48	–	11.7	11.2	7.4

Reference: Equity in earnings (losses) of affiliates
For the fiscal year ended September 30, 2010: 1 million yen
For the fiscal year ended September 30, 2009: 6 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, 2010	51,531	33,868	56.8	1,783.02
September 30, 2009	49,396	32,535	56.1	1,687.79

Reference: Equity (Net assets – Minority interests)
As of September 30, 2010: 29,284 million yen
As of September 30, 2009: 27,720 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, 2010	4,931	(4,079)	(895)	12,263
September 30, 2009	3,375	(4,390)	1,502	12,306

2. Cash dividends

	Cash dividends per share					Total cash dividends (Annual)	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, 2009	–	0.00	–	30.00	30.00	492	15.6	1.9
Fiscal year ended September 30, 2010	–	12.50	–	27.50	40.00	656	26.1	2.3
Fiscal year ending September 30, 2011 (Forecast)	–	15.00	–	15.00	30.00		18.5	

Note: The fiscal year-end cash dividends per share for the fiscal year ended September 30, 2009 consist of:
Ordinary cash dividends per share: 25.00 yen Commemorative cash dividends per share: 5.00 yen

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, 2011 (from October 1, 2010 to September 30, 2011)

(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, 2011	35,500	(1.8)	2,580	(19.9)	2,590	(21.1)	1,291	(23.0)	78.60
Fiscal year ending September 30, 2011	75,200	2.6	5,080	4.2	5,150	2.4	2,670	6.1	162.57

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 for preparing the consolidated financial statements (changes described in the section of "Changes in significant matters forming the basis of preparing the consolidated financial statements")

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 19.

(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, 2010	16,424,080 shares
As of September 30, 2009	16,424,080 shares

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

As of September 30, 2010	51 shares
As of September 30, 2009	– shares

Note: For the number of shares as basis for calculating net income per share (consolidated), please refer to "Per share information" on page 22.

Note: 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 5 "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.

1. Operating results

(1) Analysis of operating results

A. Operating results for the current fiscal year

In the Japanese economy during the fiscal year under review (from October 1, 2009 to September 30, 2010), although underpinning support was provided by a recovery in exports, particularly to Asia, and policy responses by the government and the Bank of Japan, the level of uncertainty is rising amid financial instability in Europe and the continual appreciation of the yen. Economic recovery is therefore trudging along slowly in a market environment that continues to be difficult.

Operating under such conditions, the MRI Group, Mitsubishi Research Institute, Inc. (MRI) and its consolidated subsidiaries, steadfastly placed the highest priority on improving quality and customer satisfaction, and we continued to develop services that make maximum use of the scientific methods that we have accumulated as a think tank. As a result, we managed to secure net sales of 73,323 million yen, down 0.2% year on year, almost the same as the previous year. However, facing intensified competition, our think tank and consulting business suffered a decrease in profitability and operating income was 4,875 million yen, down 10.5%, ordinary income was 5,030 million yen, down 9.7% and net income was 2,516 million yen, down 15.5%.

The results by business segment are as follows.

<Think tank and consulting business>

In the fiscal year under review, there was a continuation of downscaling or suspension of orders for consulting projects for general industry such as the manufacturing sector and services sector as a result of the slow pace of economic recovery. However consulting projects for public service corporations such as electric power and transport related corporations and contracted research and study business for government and public offices in fields such as environment, energy, food and agriculture increased, allowing the segment to achieve net sales (outside sales) of 20,222 million yen, about the same as the previous fiscal year (down 1.2%) but higher than the initial target. However, due to intensification of competition, profitability decreased and operating income fell 26.1% year on year to 1,676 million yen.

<IT solutions business>

In the fiscal year under review, the segment achieved solid performance from large projects such as systems optimization support services for government and public offices and construction of risk measurement systems for financial institutions. In addition, the increase in system development projects accompanying legal revision response by card companies and new large projects such as development of business management systems for the services sector and construction of revenue management systems for the transportation sector (construction of revenue optimization systems based on demand prediction) also contributed, allowing the segment to achieve net sales (outside sales) of 53,101 million yen, up 0.2% year on year, and operating income of 3,175 million yen, up 0.1%.

B. Outlook for the next fiscal year

Looking at the future prospects of Japan's economy, although a growth in exports is expected to continue accompanying the solid growth of the economies of the emerging countries, there are concerns that the economy will be impacted by the slow pace of the economic recovery in Europe and the United States and the consequential strong yen. Also taking into account the anticipated weakening of consumption following the termination of the various consumption stimulus measures in Japan, the difficult market environment is expected to continue.

The MRI Group's consolidated outlook for the next fiscal year, taking into account an additional head office relocation expense of about 400 million yen, is for net sales of 75,200 million yen, up 2.6% compared with the fiscal year under review, operating income of 5,080 million yen, up 4.2%, ordinary income of 5,150 million yen, up 2.4%, and net income of 2,670 million yen, up 6.1%.

A breakdown by business segment follows. In the think tank and consulting business, we not only expect an increase in orders for the government and public offices market for the priority policy fields such as the further development of environment protection measures, reform of medical and nursing systems, food and agriculture related, and tourism industry development, we also expect, in the private sector market, an increased demand for group management streamlining, cost cutting measures and overseas development support and consulting for the manufacturing sector. In the think tank and consulting business, we expect revenue to exceed that of the fiscal year under review, with forecasted net sales (outside sales) of 22,070 million yen, up 9.1%.

In the IT solutions business, while 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, we not only expect deepening customer relations with existing customers including megabanks and regional banks, but also expect to expand laterally into non-bank business formats such as securities and insurance companies. In addition, although we expect the completion of projects related to the systems optimization support services for central government ministries and agencies and legal revision response for card company systems, we expect to cover this with new projects such as systems optimization support services for local governments and next-generation integrated system development for card companies. In the IT solutions business, we expect roughly the same performance as the fiscal year under review, with forecasted net sales (outside sales) of 53,130 million yen, up 0.1%.

Consolidated earnings forecasts for the fiscal year ending September 30, 2011

	Fiscal year ended September 30, 2010 (Actual result) (Millions of yen)	Fiscal year ending September 30, 2011 (Forecast) (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Net sales	73,323	75,200	1,877	2.6
Think tank and consulting business	20,222	22,070	1,848	9.1
IT solutions business	53,101	53,130	29	0.1
Operating income	4,875	5,080	205	4.2
Ordinary income	5,030	5,150	120	2.4
Net income	2,516	2,670	154	6.1
Net income per share	(Yen) 153.22	(Yen) 162.57	(Yen) 9.35	6.1

Note: Net income per share is calculated using the average number of shares during the period.
Average number of shares during the period
Fiscal year ended September 30, 2010: 16,424 thousand shares
Fiscal year ending September 30, 2011: 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 51,531 million yen, an increase of 2,134 million yen, or 4.3%, compared with the end of the previous fiscal year. Broken down, current assets rose 6.9% to 31,441 million yen, and noncurrent assets rose 0.5% to 20,089 million yen. The major factors behind the increase in current assets were increases of 1,855 million yen in cash and deposits and 802 million yen in notes and accounts receivable–trade, offsetting a decrease of 656 million yen in inventories. The main factor behind the increase in noncurrent assets was an increase of 783 million yen in lease and guarantee deposits, primarily due to the lease deposit for the new head office building.

Liabilities increased 801 million yen, or 4.8%, compared with the end of the previous fiscal year to 17,662 million yen, mainly due to an increase of 478 million yen in provision for retirement benefits.

Net assets increased 1,333 million yen compared with the end of the previous fiscal year to 33,868 million yen. Although retained earnings increased 1,818 million yen after deducting dividend payments of 698 million yen due to net income of 2,516 million yen, there were decreases of 254 million yen in valuation and translation adjustments accompanying a drop in market valuation of investment securities and 230 million yen in minority interests. The equity ratio improved 0.7 percentile points from 56.1% at the end of the previous fiscal year to 56.8% at the end of the fiscal year under review.

B. Cash flow position

At the end of the fiscal year under review, cash and cash equivalents decreased 43 million yen compared with the end of the previous fiscal year to 12,263 million yen.

The respective cash flow positions and the factors thereof are as follows.

Cash flows from operating activities

Cash provided by operating activities was 4,931 million yen, compared with 3,375 million yen provided in the previous fiscal year. The main contributing factors of this increase were 4,872 million yen in net income before income taxes and minority interests and 1,943 million yen in depreciation and amortization partially offset by an increase of 838 million yen in accounts receivable–trade, and income taxes paid of 1,823 million yen.

Cash flows from investing activities

Cash used in investing activities was 4,079 million yen compared with 4,390 million yen used in the previous fiscal year. The main reasons for expenditure were an outflow of 2,000 million yen to purchase short-term investment securities (negotiable certificates of deposit) for operation of short-term investments, an outflow of 580 million yen to purchase property and equipment, an outflow of 612 million yen to purchase intangible assets, and an outflow of 808 million yen to pay for lease and guarantee deposits such as the lease deposit for the new head office building.

Cash flows from financing activities

Cash used in financing activities was 895 million yen compared with 1,502 million yen provided in the previous fiscal year. The main reason for this was cash dividends paid of 698 million yen.

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

	Fiscal year ended September 30, 2006	Fiscal year ended September 30, 2007	Fiscal year ended September 30, 2008	Fiscal year ended September 30, 2009	Fiscal year ended September 30, 2010
Equity ratio (%)	–	42.6	46.9	56.1	56.8
Market value equity ratio (%)	–	–	–	83.5	53.5
Interest-bearing debt to cash flow ratio (%)	–	20.8	0.0	0.0	0.0
Interest coverage ratio (factor)	–	194.7	224.5	120.5	479.5

Preparation of consolidated financial statements commenced from the fiscal year ended September 30, 2007, and, accordingly, indicators are not presented for the fiscal year ended September 30, 2006.

In addition, as, in the fiscal year ended September 30, 2008 and earlier, MRI was unlisted 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 while comprehensively considering the operating performance trends and financial position on a consolidated basis, MRI aims to gradually raise the consolidated dividend payout ratio to 20−25%, providing it is appropriate to do so. Internal reserve funds are funds set in reserve for quality improvement, R&D and capital investment, expanding human resources and so forth.

The annual dividend distribution for the fiscal year under review is planned to be 30 yen per share for ordinary cash dividends, an increase of 5 yen per share compared with the previous fiscal year with an additional 10 yen per share planned to commemorate assignment of MRI stock to the First Section of the Tokyo Stock Exchange and MRI’s 40th anniversary since establishment, making a total of 40 yen per share. MRI has already paid an interim dividend of 12.5 yen per share, and accordingly plans to pay a year-end dividend of 27.5 yen per share (including a commemorative dividend of 10 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, there is continuing uncertainty over the future prospects of earnings, and 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, 2010, sales from work for government and public offices made up 25.2% 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 the environment, energy, 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, 2010, sales from work for the financial sector made up 29.8% of consolidated net sales.

In the work for the financial sector, although core-system related large system development projects connected with the integration of banks have ended, there is a burgeoning of new investment in digitalization investment and information security investment related to response to legal regulations and systems. In addition, 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 “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 “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, 2010, 24.6% 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, 2009				
	First quarter	Second quarter	Third quarter	Fiscal year	Total
Net sales	12,563	23,315	22,369	15,233	73,481
Operating income (loss)	111	3,329	2,251	(247)	5,444

(Millions of yen)

	Fiscal year ended September 30, 2010				
	First quarter	Second quarter	Third quarter	Fiscal year	Total
Net sales	12,128	24,024	21,559	15,610	73,323
Operating income (loss)	(358)	3,572	1,581	80	4,875

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 information 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, 2009	As of September 30, 2010
Assets		
Current assets		
Cash and deposits	8,407	10,263
Notes and accounts receivable–trade	8,485	9,287
Short-term investment securities	3,998	3,999
Inventories	5,642	4,986
Prepaid expenses	852	1,119
Deferred tax assets	1,831	1,669
Other	191	123
Allowance for doubtful accounts	(11)	(8)
Total current assets	29,398	31,441
Noncurrent assets		
Property and equipment		
Buildings and structures	12,687	12,783
Accumulated depreciation	(6,643)	(7,223)
Buildings and structures, net	6,044	5,560
Machinery, equipment and vehicles	261	261
Accumulated depreciation	(186)	(219)
Machinery, equipment and vehicles, net	74	41
Tools, furniture and fixtures	4,399	4,577
Accumulated depreciation	(3,098)	(3,450)
Tools, furniture and fixtures, net	1,300	1,127
Land	1,035	1,035
Lease assets	82	348
Accumulated depreciation	(2)	(96)
Lease assets, net	79	251
Construction in progress	–	140
Total property and equipment	8,535	8,158
Intangible assets		
Software	1,828	1,685
Other	161	285
Total intangible assets	1,989	1,971
Investments and other assets		
Investment securities	3,784	3,498
Long-term loans receivable	13	12
Lease and guarantee deposits	2,647	3,430
Deferred tax assets	2,552	2,641
Other	479	382
Allowance for doubtful accounts	(6)	(4)
Total investments and other assets	9,472	9,960
Total noncurrent assets	19,997	20,089
Total assets	49,396	51,531

(Millions of yen)

	As of September 30, 2009	As of September 30, 2010
Liabilities		
Current liabilities		
Accounts payable–trade	2,882	2,900
Accounts payable–other	952	1,049
Accrued expenses	2,219	2,121
Income taxes payable	973	1,160
Accrued consumption taxes	671	608
Advances received	184	324
Provision for bonuses	1,419	1,626
Provision for loss on order received	293	43
Other	763	869
Total current liabilities	10,360	10,702
Noncurrent liabilities		
Provision for retirement benefits	5,900	6,379
Other	600	580
Total noncurrent liabilities	6,501	6,959
Total liabilities	16,861	17,662
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,851	4,851
Retained earnings	16,254	18,072
Treasury stock	–	(0)
Total shareholders' equity	27,441	29,260
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	278	24
Total valuation and translation adjustments	278	24
Minority interests	4,814	4,584
Total net assets	32,535	33,868
Total liabilities and net assets	49,396	51,531

(2) Consolidated statements of income

(Millions of yen)

	Fiscal year ended September 30, 2009	Fiscal year ended September 30, 2010
Net sales	73,481	73,323
Cost of sales	57,468	57,984
Gross profit	16,013	15,338
Selling, general and administrative expenses	10,568	10,462
Operating income	5,444	4,875
Non-operating income		
Interest income	14	8
Dividends income	76	80
Amortization of negative goodwill	11	–
Equity in earnings of affiliates	6	1
Rent income	31	15
Dividends income of insurance	–	20
Subsidy income	47	46
Other	23	31
Total non-operating income	212	204
Non-operating expenses		
Interest expenses	28	10
Loss on investments in partnership	13	25
Rent expenses	9	8
Stock issuance cost	16	–
Going public expenses	13	–
Other	3	4
Total non-operating expenses	83	49
Ordinary income	5,573	5,030
Extraordinary income		
Gain on valuation of investment securities by change in equity	–	101
Gain on prior period maintenance cost adjustment	24	–
Other	–	3
Total extraordinary income	24	105
Extraordinary loss		
Loss on valuation of investment securities	–	26
Non-recurring depreciation on noncurrent assets	115	50
Loss on retirement of noncurrent assets	68	50
Head office transfer cost	–	103
Other	17	33
Total extraordinary losses	201	263
Income before income taxes and minority interests	5,396	4,872
Income taxes–current	2,033	2,058
Income taxes–deferred	(6)	130
Total income taxes	2,027	2,188
Minority interests in income	389	167
Net income	2,979	2,516

(3) Consolidated statements of changes in net assets

(Millions of yen)

	Fiscal year ended September 30, 2009	Fiscal year ended September 30, 2010
Shareholders' equity		
Capital stock		
Balance at the end of previous period	5,302	6,336
Changes of items during the period		
Issuance of new shares	1,034	–
Total changes of items during the period	1,034	–
Balance at the end of current period	6,336	6,336
Capital surplus		
Balance at the end of previous period	3,817	4,851
Changes of items during the period		
Issuance of new shares	1,034	–
Total changes of items during the period	1,034	–
Balance at the end of current period	4,851	4,851
Retained earnings		
Balance at the end of previous period	13,660	16,254
Changes of items during the period		
Dividends from surplus	(385)	(698)
Net income	2,979	2,516
Total changes of items during the period	2,593	1,818
Balance at the end of current period	16,254	18,072
Treasury stock		
Balance at the end of previous period	–	–
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)
Total shareholders' equity		
Balance at the end of previous period	22,780	27,441
Changes of items during the period		
Issuance of new shares	2,068	–
Dividends from surplus	(385)	(698)
Net income	2,979	2,516
Purchase of treasury stock	–	(0)
Total changes of items during the period	4,661	1,818
Balance at the end of current period	27,441	29,260

(Millions of yen)

	Fiscal year ended September 30, 2009	Fiscal year ended September 30, 2010
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	606	278
Changes of items during the period		
Net changes of items other than shareholders' equity	(328)	(254)
Total changes of items during the period	(328)	(254)
Balance at the end of current period	278	24
Total valuation and translation adjustments		
Balance at the end of previous period	606	278
Changes of items during the period		
Net changes of items other than shareholders' equity	(328)	(254)
Total changes of items during the period	(328)	(254)
Balance at the end of current period	278	24
Minority interests		
Balance at the end of previous period	8,948	4,814
Changes of items during the period		
Net changes of items other than shareholders' equity	(4,133)	(230)
Total changes of items during the period	(4,133)	(230)
Balance at the end of current period	4,814	4,584
Total net assets		
Balance at the end of previous period	32,335	32,535
Changes of items during the period		
Issuance of new shares	2,068	–
Dividends from surplus	(385)	(698)
Net income	2,979	2,516
Purchase of treasury stock	–	(0)
Net changes of items other than shareholders' equity	(4,461)	(484)
Total changes of items during the period	199	1,333
Balance at the end of current period	32,535	33,868

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended September 30, 2009	Fiscal year ended September 30, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	5,396	4,872
Depreciation and amortization	2,074	1,893
Non-recurring depreciation on noncurrent assets	115	50
Amortization of goodwill	–	4
Amortization of negative goodwill	(11)	–
Increase (decrease) in provision for bonuses	(80)	218
Increase (decrease) in provision for retirement benefits	625	476
Increase (decrease) in allowance for doubtful accounts	7	(4)
Increase (decrease) in provision for loss on order received	57	(249)
Interest and dividends income	(91)	(88)
Interest expenses	28	10
Equity in (earnings) losses of affiliates	(6)	(1)
Loss on retirement of noncurrent assets	68	50
Loss (gain) on valuation of investment securities by change in equity	–	(101)
Loss (gain) on valuation of investment securities	–	26
Decrease (increase) in notes and accounts receivable–trade	(1,297)	(838)
Decrease (increase) in inventories	143	653
Increase (decrease) in notes and accounts payable–trade	(261)	34
Increase (decrease) in accrued consumption taxes	38	(57)
Increase (decrease) in advances received	(283)	139
Other, net	(679)	(410)
Subtotal	5,841	6,678
Interest and dividends income received	95	86
Interest expenses paid	(28)	(10)
Income taxes paid	(2,533)	(1,823)
Net cash provided by (used in) operating activities	3,375	4,931
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	–	(2,000)
Proceeds from redemption of securities	1,494	–
Purchase of property and equipment	(911)	(580)
Proceeds from sales of property and equipment	–	16
Purchase of intangible assets	(806)	(612)
Purchase of investment securities	(17)	(10)
Purchase of investments in subsidiaries	(4,143)	–
Payments of loans receivable	(7)	(8)
Collection of loans receivable	10	8
Payments for lease and guarantee deposits	(44)	(808)
Proceeds from collection of lease and guarantee deposits	14	15
Other, net	22	(98)
Net cash provided by (used in) investing activities	(4,390)	(4,079)

(Millions of yen)

	Fiscal year ended September 30, 2009	Fiscal year ended September 30, 2010
Net cash provided by (used in) financing activities		
Proceeds from issuance of common stock	2,068	–
Proceeds from stock issuance to minority shareholders	51	–
Repayments of lease obligations	–	(96)
Cash dividends paid	(385)	(698)
Cash dividends paid to minority shareholders	(227)	(84)
Other, net	(2)	(16)
Net cash provided by (used in) financing activities	1,502	(895)
Net increase (decrease) in cash and cash equivalents	487	(43)
Cash and cash equivalents at beginning of period	11,818	12,306
Cash and cash equivalents at end of period	12,306	12,263

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

Fiscal year ended September 30, 2009	Fiscal year ended September 30, 2010
Application of "Accounting Standard for Lease Transactions" Before the change, finance lease transactions that do not transfer ownership were accounted for in a manner similar to accounting treatment for rental transactions. However, the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 [Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007]) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 [The Japanese Institute of Certified Public Accountants (JICPA) Accounting Standard Committee, January 18, 1994; revised March 30, 2007]) have been adopted effective from October 1, 2008 and such transactions are accounted for in a manner similar to accounting treatment for ordinary purchase and sale transactions. In addition, depreciation of leased assets in finance lease transactions that do not transfer ownership is computed on the straight-line method over the lease period as the useful life and assuming no residual value. This change has immaterial impact on profit or loss or segment information. Also, the accounting treatment for finance lease transactions that do not transfer ownership whose transaction commenced before the first fiscal year in which the Accounting Standard for Lease Transactions was applied continuously follows a method similar to accounting treatment for ordinary rental transactions.	――――――
――――――	**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 announced on 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).

Changes in presentation

Fiscal year ended September 30, 2009	Fiscal year ended September 30, 2010
Consolidated Statements of Income The gain on investments in partnership (which amounts to 0 million yen) and the dividends income on insurance (which amounts to 2 million yen), reported as separate line items of non-operating income in the previous fiscal year, were reclassified and included in other under non-operating income, since the amount of each item became 10% or less of the total non-operating income.	**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 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.

Segment information

A. Segment information by business

Segment information by business for the latest two fiscal years is as shown below.

Fiscal year ended September 30, 2009 (from October 1, 2008 to September 30, 2009)

(Millions of yen)

	Think tank and consulting business	IT solutions business	Total	Elimination & corporate	Consolidated Total
a. Net sales and operating income					
Net sales					
1) Outside customers	20,473	53,008	73,481	–	73,481
2) Inter-segment sales and transfers	765	514	1,280	(1,280)	–
Total	21,238	53,523	74,762	(1,280)	73,481
Operating expenses	18,970	50,350	69,321	(1,284)	68,037
Operating income	2,268	3,172	5,440	4	5,444
b. Assets, depreciation and amortization, loss on impairment and capital expenditure					
Assets	9,409	34,852	44,261	5,135	49,396
Depreciation and amortization	333	1,870	2,204	(14)	2,189
Capital expenditure	316	1,483	1,799	(26)	1,772

Notes: 1. Method of business segmentation

When classifying businesses into segments, consideration is given to the type and nature of service, its resemblance in business formats and other factors.

2. Major services belonging to each business

(1) Think tank and consulting business

Research and study, and consulting services regarding public policies and general business, management consulting services, etc.

(2) IT solutions business

IT consulting and solutions services, data processing services, software development, maintenance and operation, sales of system equipment, etc.

3. Assets unallocated into segments and included in the elimination and corporate column are 5,464 million yen. These 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.

4. Included in depreciation and amortization is 115 million yen in non-recurring depreciation and amortization on noncurrent assets (93 million yen in the think tank and consulting business and 21 million yen in the IT solutions business).

Fiscal year ended September 30, 2010 (from October 1, 2009 to September 30, 2010)

(Millions of yen)

	Think tank and consulting business	IT solutions business	Total	Elimination & corporate	Consolidated Total
a. Net sales and operating income					
Net sales					
1) Outside customers	20,222	53,101	73,323	–	73,323
2) Inter-segment sales and transfers	764	402	1,166	(1,166)	–
Total	20,987	53,503	74,490	(1,166)	73,323
Operating expenses	19,310	50,327	69,638	(1,190)	68,447
Operating income	1,676	3,175	4,851	23	4,875
b. Assets, depreciation and amortization, loss on impairment and capital expenditure					
Assets	10,246	36,199	46,446	5,085	51,531
Depreciation and amortization	261	1,698	1,959	(16)	1,943
Capital expenditure	194	1,378	1,573	(7)	1,565

Notes: 1. Method of business segmentation

When classifying businesses into segments, consideration is given to the type and nature of service, its resemblance in business formats and other factors.

2. Major services belonging to each business

(1) Think tank and consulting business

Research and study, and consulting services regarding public policies and general business, management consulting services, etc.

(2) IT solutions business

IT consulting and solutions services, data processing services, software development, maintenance and operation, sales of system equipment, etc.

3. Assets unallocated into segments and included in the elimination and corporate column are 5,342 million yen. These 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.

4. Included in depreciation and amortization is 50 million yen in non-recurring depreciation and amortization on noncurrent assets (41 million yen in the think tank and consulting business and 9 million yen in the IT solutions business).

5. Changes in accounting policy

As described in the section of "Changes in significant matters forming the basis of preparing the consolidated financial statements," from the fiscal year under review, 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). As a result of this change, compared with the previous method, in the fiscal year under review, net sales and operating income of the "think tank and consulting business" increased 4 million yen and 0 million yen, respectively, while net sales and operating income of the "IT solutions business" increased 489 million yen and 126 million yen, respectively.

B. Segment information by geographic area

Fiscal years ended September 30, 2009 and 2010

Information by geographic area is not disclosed because there were no consolidated subsidiaries and significant branches outside Japan.

C. Overseas sales

Fiscal years ended September 30, 2009 and 2010

The description of overseas sales is omitted because it is fewer than 10% of the consolidated net sales.

Per share information

Fiscal year ended September 30, 2009	Fiscal year ended September 30, 2010
Net assets per share 1,687.79 yen Net income per share 192.48 yen Please note that diluted net income per share is not shown because MRI has not issued potential shares.	Net assets per share 1,783.02 yen Net income per share 153.22 yen 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, 2009	Fiscal year ended September 30, 2010
Net income	2,979	2,516
Profit not attributable to common shareholders	–	–
Net income related to common stock	2,979	2,516
Average number of outstanding shares of common stock during the fiscal year (thousand shares)	15,478	16,424

Significant subsequent events

Fiscal year ended September 30, 2009

Not applicable.

Fiscal year ended September 30, 2010

Not applicable.

3. Others

(1) Production performance

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

(Millions of yen)

Business segment name	Fiscal year ended September 30, 2010	Year-on-year change (%)
Think tank and consulting business	20,315	0.1
IT solutions business	45,611	0.1
Total	65,927	0.1

Notes: 1. Amounts are based on sales prices. Inter-segment transactions have been eliminated.
2. Consumption taxes are excluded from the above amounts.

(2) Status of orders received

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

(Millions of yen)

Business segment name	Fiscal year ended September 30, 2010			
	Orders received	Year-on-year change (%)	Balance	Year-on-year change (%)
Think tank and consulting business	21,202	1.1	13,109	8.1
IT solutions business	50,967	(3.0)	36,446	(5.5)
IT consulting and system development	34,622	1.6	20,067	(6.1)
Outsourcing services	16,344	(11.6)	16,378	(4.9)
Total	72,169	(1.9)	49,556	(2.3)

Notes: 1. Inter-segment transactions have been eliminated.
2. Consumption taxes are excluded from 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 business segment for the fiscal year under review is as shown below.

(Millions of yen)

Business segment name	Fiscal year ended September 30, 2010	Year-on-year change (%)
Think tank and consulting business	20,222	(1.2)
IT solutions business	53,101	0.2
IT consulting and system development	35,920	2.3
Outsourcing services	17,180	(3.9)
Total	73,323	(0.2)

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, 2009		Fiscal year ended September 30, 2010	
	Amount	Ratio (%)	Amount	Ratio (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	14,880	20.3	12,801	17.5
Nihon Card Processing Co., Ltd.	10,986	15.0	11,336	15.5

3. Consumption taxes are excluded from the above amounts.