

[Translation for reference only]

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

Translation



November 4, 2020

Consolidated Financial Results for the Fiscal Year Ended September 30, 2020 <under Japanese GAAP>

Company name: **Mitsubishi Research Institute, Inc.**
Listing: First Section of the Tokyo Stock Exchange
Stock code: 3636 URL: <https://www.mri.co.jp/>
Representative: Takashi Morisaki, President
Inquiries: Kyoko Adachi, General Manager, Management Accounting and Finance Division
E-mail: ir-info@ml.mri.co.jp
Scheduled date of annual general meeting of shareholders: December 18, 2020
Scheduled date to commence dividend payments: December 21, 2020
Scheduled date to submit Annual Securities Report: December 18, 2020
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

(Rounded down to the nearest million yen)

1. Consolidated performance for the fiscal year ended September 30, 2020 (from October 1, 2019 to September 30, 2020)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2020	92,020	2.2	6,231	21.5	8,387	46.7	7,096	97.1
September 30, 2019	90,029	(0.2)	5,130	3.4	5,718	6.6	3,599	5.8

Note: Comprehensive income

For the fiscal year ended September 30, 2020: 8,478 million yen [167.9%]
For the fiscal year ended September 30, 2019: 3,165 million yen [(28.1)%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
September 30, 2020	436.64	—	13.9	9.3	6.8
September 30, 2019	221.58	—	7.6	7.0	5.7

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended September 30, 2020: 2,050 million yen
For the fiscal year ended September 30, 2019: 427 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
September 30, 2020	96,253	61,541	56.0	3,313.34
September 30, 2019	84,568	54,843	56.7	2,950.94

Reference: Equity (Net assets – Non-controlling interests)

As of September 30, 2020: 53,857 million yen

As of September 30, 2019: 47,940 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	Million yen	Million yen	Million yen	Million yen
September 30, 2020	8,637	(749)	(1,106)	32,438
September 30, 2019	8,726	(2,768)	(2,360)	25,657

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	Million yen	%	%
Fiscal year ended September 30, 2019	–	45.00	–	50.00	95.00	1,560	42.9	3.3
Fiscal year ended September 30, 2020	–	50.00	–	85.00	135.00	2,217	30.9	4.3
Fiscal year ending September 30, 2021 (Forecast)	–	55.00	–	55.00	110.00		37.3	

Note: Breakdown of the year-end cash dividend of the fiscal year ended September 30, 2020: Ordinary dividend 55.00 yen and commemorative dividend 30.00 yen

**3. Consolidated earnings forecasts for the fiscal year ending September 30, 2021
(from October 1, 2020 to September 30, 2021)**

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending September 30, 2021	97,000	5.4	6,600	5.9	7,500	(10.6)	4,800	(32.4)	295.30

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
- Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - Changes in accounting policies due to other reasons: None
 - Changes in accounting estimates: Yes
 - Restatement of prior period financial statements after error corrections: None

Note: For details, please refer to “5. Consolidated financial statements and significant notes thereto (5) Notes to consolidated financial statements (Changes in accounting estimates)” on page 23 of the attached materials.

- (3) Number of issued shares (common shares)

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

As of September 30, 2020	16,424,080 shares
As of September 30, 2019	16,424,080 shares

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

As of September 30, 2020	169,376 shares
As of September 30, 2019	178,196 shares

- c. Average number of outstanding shares during the period

Fiscal year ended September 30, 2020	16,251,835 shares
Fiscal year ended September 30, 2019	16,245,885 shares

Note: For information on the number of shares used as the basis for calculating basic earnings per share (consolidated), please refer to “5. Consolidated financial statements and significant notes thereto (5) Notes to consolidated financial statements (Per share information)” on page 27 of the attached materials.

(Reference) Overview of non-consolidated performance

1. Non-consolidated performance for the fiscal year ended September 30, 2020 (from October 1, 2019 to September 30, 2020)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2020	32,686	(0.5)	2,834	4.3	3,719	9.3	2,778	5.7
September 30, 2019	32,860	2.4	2,718	(0.2)	3,401	(4.6)	2,628	(3.6)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
September 30, 2020	170.99	—
September 30, 2019	161.82	—

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
September 30, 2020	54,978	40,445	73.6	2,488.24
September 30, 2019	51,862	39,089	75.4	2,406.12

Reference: Equity (Net assets – Non-controlling interests)

As of September 30, 2020: 40,445 million yen

As of September 30, 2019: 39,089 million yen

* Results are not subject to audit by a certified public accountant or the auditing firm.

* Appropriate use of business forecasts; other special items

(Caution regarding forward-looking statements, etc.)

The results forecast is made based on information available at the time of publication of this document. The Company does not guarantee that it will achieve the forecast results. Actual sales and profits may differ from the forecast results due to uncertainties inherent in the forecast and changes in business conditions, among other factors.

For information on assumptions underlying the business forecasts and other related information, please refer to “1. Overview of operating results and others, (4) Outlook for the next fiscal year” on page 4.

(Availability of supplementary material on financial results)

The supplementary material for results is posted on the Company’s website.

Table of Contents of the Attached Materials

1. Overview of operating results and others	2
(1) Overview of operating results for the fiscal year under review	2
(2) Overview of financial position for the fiscal year under review.....	3
(3) Overview of cash flow position for the fiscal year under review	3
(4) Outlook for the next fiscal year	4
(5) Basic policy on profit distribution and dividends for the fiscal year under review and next fiscal year.....	5
2. Group companies.....	6
3. Management policy	7
(1) Management policy	7
(2) Management strategy.....	8
(3) Objective indicators to assess performance versus management targets, etc.	10
(4) Operating environment	11
(5) Business and financial issues to be addressed	12
4. Basic approach to selection of accounting standard.....	14
5. Consolidated financial statements and significant notes thereto	15
(1) Consolidated balance sheets	15
(2) Consolidated statements of income and consolidated statements of comprehensive income	17
Consolidated statements of income	17
Consolidated statements of comprehensive income	18
(3) Consolidated statements of changes in net assets	19
(4) Consolidated statements of cash flows	21
(5) Notes to consolidated financial statements	23
(Notes on going concern assumption).....	23
(Changes in accounting estimates).....	23
(Additional information)	23
(Segment information, etc.).....	24
(Per share information)	27
(Significant subsequent events).....	27
6. Non-consolidated financial statements and significant notes thereto.....	28
(1) Non-consolidated balance sheets	28
(2) Non-consolidated statements of income	30
(3) Non-consolidated statements of changes in net assets.....	31
7. Status of orders received and sales	33
(1) Status of orders received.....	33
(2) Sales performance.....	33

(Attached materials)**1. Overview of operating results and others****(1) Overview of operating results for the fiscal year under review**

During the fiscal year under review (from October 1, 2019 to September 30, 2020), the world economy grew moderately from October through December 2019 but then recorded a major contraction, more severe than during the Global Financial Crisis, during the first half of 2020 due to the spread of the novel coronavirus infection disease (COVID-19). From May, countries around the world moved to resume economic activity. However, the pace of recovery was slow, hampered by resurgences of COVID-19. In the US economy, the job market, especially the service sector, remained depressed due to COVID-19, causing a drag on consumption. While the European economy is through the worst, economic activities remain at a low ebb amid a resurgence of infections. The Chinese economy was the first major economy to see an upturn in economic activity, driven by domestic demand; however, this was largely attributable to increased investment backed by government policy support and consumption is still recovering.

The Japanese economy also suffered its worst contraction in the postwar era in the April-June quarter of 2020, attributable to the COVID-19 pandemic. Consumption remained depressed as the job market and income prospects worsened, despite signs of an upturn in consumption due to the gradual lifting of the state of emergency from mid-May and the introduction of a raft of measures to boost consumption. Capital spending appears to have been propped up by investment in response to COVID-19, including the move to online and contactless, but investors were cautious about investing due to a sense of overcapacity, cashflow concerns, and the increasingly uncertain outlook.

In this situation, Mitsubishi Research Institute, Inc. and its consolidated subsidiaries (the “MRI Group”) leveraged its knowledge of scientific methods, advanced scientific technologies, policies and systems that it has developed as a comprehensive think tank as well as its ability to provide comprehensive solutions to expand business while giving top priority to quality and customer satisfaction.

During the consolidated fiscal year under review, which was the final year of the Medium-Term Management Plan 2020 (“MP2020”), the MRI Group focused on bringing the plan to a conclusion. Under the plan, the MRI Group adopted a more varied approach to its business operations, positioning the government and public sector and the finance and credit cards businesses, which draw on the MRI Group's existing strengths, to underpin MRI's business as core businesses, while positioning the business of applying its knowledge of public policies and systems to consulting and IT solutions for private-sector companies and the business of providing new services based on cutting edge technologies such as AI as growth businesses. In new services, growth businesses also showed steady progress, with expansion of energy market prediction services and the full-scale rollout of AI-based consultation service support for local governments. The Group established a sales framework to accelerate the expansion of these growth businesses and stepped up sales activities. The effects of these measures were also evident in priority sectors such as the energy sector, the healthcare and wellness sector, and the transport and traffic sector.

While the MRI Group was affected by the fallout from the COVID-19 pandemic, including the suspension of operations, changes in specifications, and the cancellation and postponement of projects, consolidated results for the fiscal year under review do not appear to have been severely impacted, partly thanks to the achievement of steady progress in line with MP2020.

Meanwhile, the work of addressing the quality issue that occurred in the IT services segment in the fiscal year ended September 30, 2018 was completed.

As a result, in the fiscal year under review, the MRI Group recorded net sales of 92,020 million yen (up 2.2% year on year) and operating profit of 6,231 million yen (up 21.5% year on year). Meanwhile, ordinary profit rose significantly to 8,387 million yen (up 46.7% year on year) and profit attributable to owners of parent also increased substantially to 7,096 million yen (up 97.1% year on year), due to the recording of share of profit of entities accounted for using equity method and a gain on the sale of investment securities.

The results by segment are as follows.

<Think tank and consulting services>

During the fiscal year under review, MRI's core businesses performed strongly in sectors such as the energy sector and the healthcare and wellness sector. In addition, consulting and other services for financial institutions also expanded, contributing to profit growth. As a result, the segment reported net sales (outside sales) of 34,581 million yen (up 1.4% year on year) and ordinary profit of 5,283 million yen (up 57.6% year on year), reflecting the contribution to non-operating income of INES Corporation, which became an equity method affiliate.

<IT services>

In the fiscal year under review, the segment reported net sales (outside sales) of 57,438 million yen (up 2.7% year on year) mainly as a result of expansion in projects in the finance and credit cards sector. Meanwhile, ordinary profit amounted to 3,092 million yen (up 32.9% year on year), mainly due to the reversal of a provision for loss on order received relating to the project with the quality issue.

(2) Overview of financial position for the fiscal year under review

Total assets at the end of the fiscal year under review increased 11,685 million yen (up 13.8%) from the end of the previous fiscal year, to 96,253 million yen. Of which, current assets stood at 56,028 million yen (up 17.6%) and non-current assets were 40,224 million yen (up 8.9%). In current assets, there were increases of 6,781 million yen in cash and deposits, 461 million yen in notes and accounts receivable - trade, and 705 million yen in inventories. Non-current assets increased 3,292 million yen mainly owing to an increase in property and equipment associated with recognition of asset retirement obligations and an increase in investment securities due to additional investment.

Liabilities rose 4,987 million yen (up 16.8%) from the end of the previous fiscal year, to 34,712 million yen. This increase chiefly reflected the recognition of asset retirement obligations and borrowing of funds for investment.

Net assets climbed 6,698 million yen (up 12.2%) from the end of the previous fiscal year, to 61,541 million yen, mainly due to an increase in retained earnings of 5,453 million yen and an increase in valuation difference on available-for-sale securities of 332 million yen. The equity ratio stood at 56.0%.

(3) Overview of cash flow position for the fiscal year under review

Cash and cash equivalents at the end of the fiscal year under review increased 6,781 million yen from the end of the previous fiscal year, to 32,438 million yen. The status of each cash flow and the primary factors behind the results are as follows.

(Cash flows from operating activities)

Cash provided by operating activities was 8,637 million yen, compared with 8,726 million yen provided in the previous fiscal year. This primarily reflects 10,952 million yen in profit before income taxes and 3,348 million yen in depreciation, as well as 2,050 million yen in share of profit of entities accounted for using equity method and 2,731 million yen in gain on the sale of investment securities.

(Cash flows from investing activities)

Cash used in investing activities was 749 million yen, compared with 2,768 million yen used in the previous fiscal year. Main factors include 3,822 million yen in proceeds from the sale of investment securities, 1,916 million yen in purchase of investment securities, 851 million yen in purchase of property and equipment, and 1,809 million yen in purchase of intangible assets.

(Cash flows from financing activities)

Cash used in financing activities was 1,106 million yen, compared with 2,360 million yen used in the previous fiscal year. The main reasons were 1,700 million yen in proceeds from long-term loans payable, 1,642 million yen in cash dividends paid, and 996 million yen in repayments of lease obligations.

(4) Outlook for the next fiscal year

During the next fiscal year (from October 1, 2020 to September 30, 2021), the Japanese economy is expected to stage a modest recovery as society adapts to a new normal on the assumption that COVID-19 is here for the long term. However, bankruptcies and job losses that had not materialized before are likely to increase due to the gradual withdrawal of government support, especially in sectors hit the hardest by COVID-19, such as the food service, hospitality and transport sectors. Until vaccines and treatments become readily available, economic activity is expected to remain depressed to some degree, impeding Japan's economic recovery.

Given the high level of uncertainty surrounding the situation in Japan and overseas, this outlook for the Japanese economy has numerous downside risks. If COVID-19 escalates in Japan and overseas, the global economic downturn will last a long time and any acceleration in the spread of the virus or increase in critically ill patients in Japan could lead to stronger calls for people to stay at home and businesses to close voluntarily. Meanwhile, any further intensification in the standoff between the US and China, which is expected to continue regardless of the outcome of the presidential election, would cause deterioration in the export environment. Moreover, from a more long-term perspective, given the side effects of the large fiscal stimulus packages introduced by governments around the world such as capital flight to higher risk assets, the increasing risk of a full-blown financial crisis also needs to be monitored.

During the next fiscal year, the Group will focus on upfront investment in anticipation of growth three years later in 2023, which is the target year under "Medium-term Management Plan 2023", and the Group forecasts net sales of 97,000 million yen (up 5.4% year on year), operating profit of 6,600 million yen (up 5.9% year on year), ordinary profit of 7,500 million yen (down 10.6% year on year), and profit attributable to owners of parent of 4,800 million yen (down 32.4% year on year). Excluding the temporary impact of share of profit of entities accounted for using equity method and gain on the sale of investment securities recorded in the fiscal year under review, ordinary profit and profit attributable to owners of parent are expected to be higher than level a year earlier. Regarding the impact of COVID-19, the forecast is based on the assumption that the current situation will persist and a contraction of economic activity comparable to that during the state of emergency in April and May 2020 is not anticipated.

In think tank and consulting services, we forecast net sales (outside sales) of 36,000 million yen (up 4.1% year on year), and ordinary profit of 4,100 million yen (down 22.4% year on year). In areas where we made steady progress under the previous "Medium-term Management Plan 2020" such as orders in strategic policy fields for government and public offices and business operation and business innovation consulting and package solution-based ICT consulting for private-sector companies, we expect demand to remain firm. Meanwhile, under MTP2023, we will focus on strengthening the digital transformation (DX) business, supporting government and regions in tackling digital transformation on the basis of partnerships forged by the MRI group. Accordingly, we forecast increases in upfront investment for future growth, personnel expenses and other expenses. However, these higher expenses will be more than offset by business growth and, excluding the impact of temporary factors during the fiscal year under review, we forecast gains in sales and profits next fiscal year.

In IT services, we forecast net sales (outside sales) of 61,000 million yen, up 6.2% year on year, and ordinary profit of 3,400 million yen, up 10.0% year on year. In this segment, our policy is to consolidate the business base to realize future growth and strengthen research and development. We will also focus on improving profit margins and curbing SG&A expenses relative to sales growth, and

based on such measures, we forecast gains in sales and profits next fiscal year. On the business front, whilst focusing on existing business, including growth of finance/credit card projects and expansion of systems such as big data utilization platforms, services for junior and senior high schools and universities, and ICT-related BPO* services, we will also further strengthen partnerships as a Group for further development including growth in DX business for private non-financial corporations and the financial sector.

* Business Process Outsourcing: Outsourcing certain business processes such as human resources, accounting and payroll-related processes to a specialist outside company

Consolidated earnings forecasts for the fiscal year ending September 30, 2021

	Fiscal year ended September 30, 2020 (Actual result) (Million yen)	Fiscal year ending September 30, 2021 (Forecast) (Million yen)	Change	
			Amount (Million yen)	Rate (%)
Net sales	92,020	97,000	4,980	5.4
Think tank and consulting services	34,581	36,000	1,419	4.1
IT services	57,438	61,000	3,562	6.2
Operating profit	6,231	6,600	369	5.9
Ordinary profit	8,387	7,500	(887)	(10.6)
Think tank and consulting services	5,283	4,100	(1,183)	(22.4)
IT services	3,092	3,400	308	10.0
Profit attributable to owners of parent	7,096	4,800	(2,296)	(32.4)
Basic earnings per share	(Yen) 436.64	(Yen) 295.30	(Yen) (141.34)	(32.4)

Note: Basic earnings 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, 2020: 16,251 thousand shares
Fiscal year ending September 30, 2021: 16,254 thousand shares

The earnings forecasts are made based on information available at the time of publication of this document and MRI Group does not guarantee that it will achieve the forecast results. Actual sales and profits may differ from the forecast results due to factors such as uncertainties inherent in the forecasts and changes in business conditions.

(5) Basic policy on profit distribution and dividends for the fiscal year under review and next fiscal year

MRI aims to achieve sustainable growth and increase its corporate value by contributing to the development of its customers and society and by creating value. MRI's basic policy on shareholder returns is to maintain stable dividends, while at the same time working to raise the level of dividends based on comprehensive consideration of a wide range of factors, including performance and financial soundness. MRI uses internal reserves to strengthen its financial position in case of any changes in the operating environment, and to make business investment and capital investment necessary for future business development.

Based on the above policy, we plan to pay a year-end ordinary dividend for the fiscal year under review of 55 yen, which represents an increase of 5 yen from the previous forecast. In addition, MRI marked its 50th anniversary in September 2020, and to show our appreciation to our shareholders, we plan to pay a commemorative dividend of 30 yen. This brings the year-end dividend to 85 yen per share (ordinary dividend of 55 yen and commemorative dividend of 30 yen), which combined with the interim dividend of 50 yen, brings the annual dividend for the fiscal year under review to 135 yen per share (ordinary dividend of 105 yen and commemorative dividend of 30 yen).

With regard to dividends for the next fiscal year, MRI expects to pay 55 yen per share for both the interim and year-end cash dividend, which will bring the annual dividend to 110 yen per share.

2. Group companies

The MRI Group comprises 16 companies (MRI, 10 subsidiaries (10 consolidated subsidiaries) and five affiliates of MRI (three entities accounted for using equity method and two entities not accounted for using equity method), operating across two segments. One of these business segments is the “think tank and consulting services” segment, which covers the provision of research and consulting services on public policies and general businesses. The other is “IT services,” which encompasses the provision of software development, operation, and maintenance, and information processing and outsourcing services.

<Think tank and consulting services>

Since its founding, MRI has drawn on its knowledge of policies and systems, its ability to identify and analyze social issues and its broad knowledge of next-generation technologies accumulated as a comprehensive think tank, as well as the quantitative analysis and evaluation techniques, prediction techniques and other analytical capabilities of its researchers specializing in the field of science and technology to provide research and consulting services.

We provide government and public offices with research and analysis, public policymaking and planning, consulting services, and business support in the social and public sector, which includes national land development, transportation and traffic, information and telecommunications, regional management, healthcare, nursing care, welfare, and education, and in the science and technology policy sector, which encompasses the environment, resources and energy, science and technology, and security policy.

Meanwhile, we provide private-sector companies with consulting services in areas such as management and business strategy, marketing strategy, human resource systems and organizational reforms, CSR management, and business innovation, as well as IT consulting for strengthening business competitiveness.

(Names of main companies)

Mitsubishi Research Institute, Inc. (MRI); consolidated subsidiaries MRI Business, Inc. and MRI Research Associates, Inc.; and entities accounted for using equity method Nippon Care Communications Co., Ltd., Japan Business Systems, Inc. and INES Corporation

<IT services>

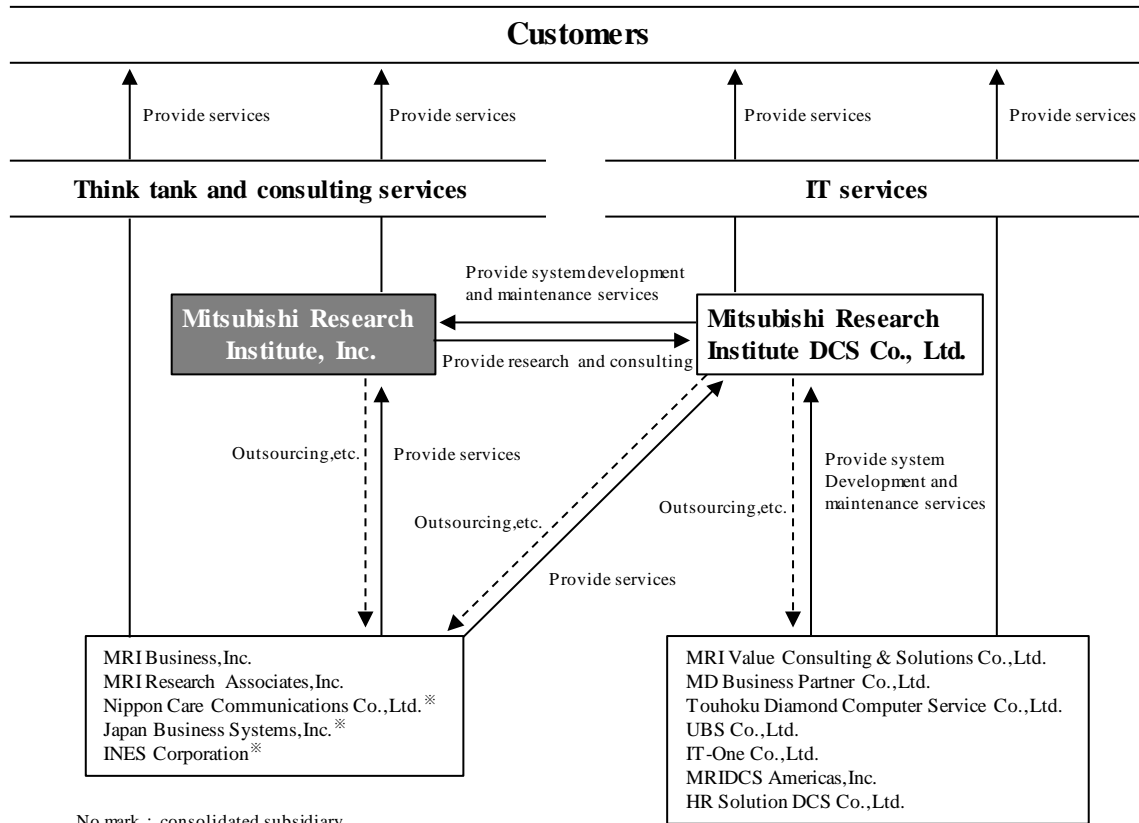
Mitsubishi Research Institute DCS Co., Ltd., MRI’s consolidated subsidiary, plays a core role in providing software development, operation and maintenance, and information processing and outsourcing services in areas such as finance, manufacturing, logistics, services, and education, based on the insights and cutting-edge ICT technologies accumulated in the think tank and consulting services segment. We also offer complete support for the integration of IT into upstream and downstream management processes, including IT-based management system innovation and Internet-based business model innovation.

Our outsourcing services consist of information processing services, mainly the PROSRV payroll and human resources service offered by Mitsubishi Research Institute DCS Co., Ltd., and mission-critical outsourcing and BPO using Chiba Information Center.

(Names of main companies)

Consolidated subsidiaries Mitsubishi Research Institute DCS Co., Ltd., MRI Value Consulting & Solutions Co., Ltd., MD Business Partner Co., Ltd., Touhoku Diamond Computer Service Co., Ltd., UBS Co., Ltd., IT-One Co., Ltd., MRIDCS Americas, Inc., and HR Solution DCS Co., Ltd.

【Business Structure】



3. Management policy

The forward-looking statements in the document are based on the judgment of the Group as of the end of the fiscal year under review.

(1) Management policy

Since its establishment in 1970, the MRI Group has harnessed the advantage of its three main functions of think tank, consulting, and IT solutions capabilities to help create value for customers and contribute to the development of society through corporate activities based on creative insights.

To mark its 50th anniversary in 2020, MRI adopted a new Our Guiding Principles consisting of the three components (a mission, a vision and commitments) shown below.

<Our Guiding Principles>

We, the Mitsubishi Research Institute, will continually envision a desirable future, resolve societal issues, and lead change in society to co-create a sustainable and abundant future.

A. Our Mission (What we strive to accomplish)

To resolve societal issues and co-create a sustainable, abundant future

B. Our Vision (How we intend to do it)

Envisioning the future, leading change

C. Our Commitments (What our professionals are dedicated to)

1. Devotion to Growth: Continually honing our value to society and our customers
2. Collective Knowledge: Acting as a hub between diverse branches of knowledge
3. A Clear Stance: Using scientific insights to discern the proper path toward the ideal future
4. Taking on Challenges: Transforming the world in new ways
5. Reality: Devotion to feasible recommendations and their implementation

While based on the features and strengths of the MRI Group developed over the past 50 years, Our Guiding Principles anticipates the times and social trends that lie ahead and redefines our long-term purpose and value.

In accordance with its new guiding principles, the MRI Group will help solve a wide range of societal issues and realize a desirable future, for the sustainable development of society and its customers.

(2) Management strategy

(Review of Previous Medium-term Management Plan)

Under the previous Medium-term Management Plan (MP2020), the MRI Group focused on three key reforms "(1) Business policy reforms," "(2) Business model reforms," and "(3) Work style reforms," in line with a basic policy of "sustainable growth for individuals and the organization."

(1) In business portfolio reforms, we implemented reforms such as expanding business for the private sector through government-private co-creation and strengthening sales capabilities.

(2) In business model reforms, we implemented reforms aimed at resolving societal issues, including investing in new businesses and developing subscription-type businesses. These are still on the way to growth. Meanwhile, we started to strengthen and improve the governance framework in light of the areas for improvement which came to light as a result of occurrence of a quality issue and we will build on these efforts in the next Medium-term Management Plan.

(3) In work style reforms, we worked to reduce workloads during busy periods and to develop an environment which enables diverse working styles. As a result of these efforts, we easily transitioned to remote work in response to the COVID-19 pandemic.

The reforms outlined above were mostly implemented in line with our initial goals and more recently we have also taken appropriate steps in response to the COVID-19 pandemic. We reflected unmet MP2020 goals such as growth of subscription-type business as well as new issues in our next medium-term management plan and plan to address them in the future.

(Medium-term Management Plan 2023)

The MRI Group formulated Medium-term Management Plan 2023 (MP2023), which covers the three-year period from the fiscal year ending September 30, 2021 to the fiscal year ending September 30, 2023. Whilst covering a three-year period, MP2023 is positioned as a strategy which looks out 5 years and more with our new corporate philosophy.

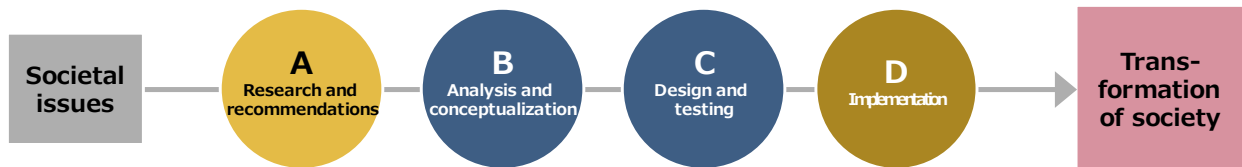
When formulating MP2023, we defined our vision for society and the MRI Group in light of current COVID-19 situation as follows.

- Vision for society: a resilient, sustainable "autonomous-decentralized, collaborative" society
- Vision for MRI Group: a company which solves societal issues
 - ~ We will be at the forefront of social innovation, solving societal issues based on our new corporate philosophy.

Under MP2023, we will promote businesses based on the following three basic policies for realization of this vision.

(1) VCP management

VCP stands for Value Creation Process. VCP refers to the process of developing the MRI Group's value chain (see figure), in other words, aiming for improvement of value provided and sustainable growth by using societal issues as a starting point and setting their resolution and realization of a desirable future society as goals. Implementing management based upon an awareness of the importance of VCP will help maximize financial, non-financial and societal value.



We have four value chain key components:

- “Research and recommendations” as a think tank (VCP-A)
- “Analysis” of the current status and issues of our customers and society, and “conceptualization” of strategies and policies (VCP-B)
- “Design and testing” of businesses and systems (VCP-C)
- “Implementation” of solutions for society and customers (VCP-D)

We aim to realize social innovation by integrating the MRI Group's four capabilities VCP-A~D and implementing all Group activities based on the VCP approach.

The capabilities which have always been our strength as a comprehensive think tank and have underpinned our earnings thus far are VCP-B and VCP-C. However, it is imperative that we strengthen and grow the VCP-A and VCP-D domains in the future if we are to actually solve societal issues and realize social innovation. Whilst maintaining VCP-B and VCP-C, we will make strategic investments to accelerate the growth of VCP-A and VCP-D.

The MRI Group's VCP is a unique process which sees all businesses as activities for resolving societal issues and also encompasses concepts such as the SDGs*1 and ESG*2. We plan to implement such VCP management as an approach that is uniquely our own.

*1 SDGs: Sustainable Development Goals set in September 2015 by the United Nations General Assembly and intended to be achieved by the year 2030

*2 ESG: Refers to the Environmental, Social and Governance criteria used to judge whether a company is capable of sustainable growth

(2) Consolidation management

To enhance the effectiveness of VCP management, we will seek further business diversification through consolidation management, increasing our competitiveness as a Group both defensively and offensively. In particular, we will further strengthen consolidation management from the viewpoint of strengthening VCP-D including IT solutions and implementation services (business) and achieving sustainable growth as a group (management base).

MRI and its core subsidiary Mitsubishi Research Institute DCS will lead the way in further expanding business in the VCP-D domain through collaboration with diverse partners including equity-method affiliates Japan Business Systems (JBS) and INES.

(3) New normal management

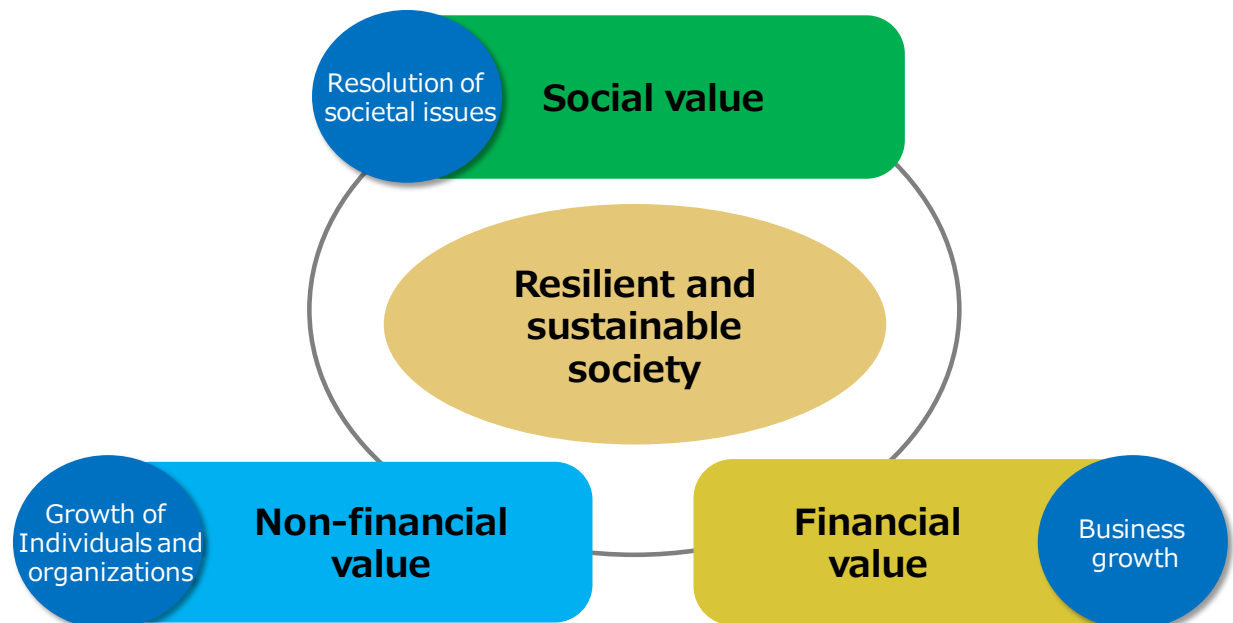
Societies and business environments will remain dramatically different in the future until the COVID-19 pandemic comes to an end and we move from life with COVID to the post-COVID era. The protracted pandemic has dealt a huge blow to business and earnings in many sectors and at many companies and the MRI Group's business with private-sector-customers may also continue being negatively impacted in the future. However, circumstances such as these offer an opportunity to solve long-standing societal issues and also represent a business opportunity for the MRI Group.

In face of this situation, we will leverage the scientific insights that are our strength to promote "new normal" management, leading reforms for a new society through the use of ICT, AI, IoT and other

advanced technologies. Besides strengthening analysis and research of new trends and recommendations (VCP-A domain), we will strengthen consulting, concrete methods and knowhow, and other tools for responding to conditions that necessitate reform to accelerate business for the new normal.

(3) Objective indicators to assess performance versus management targets, etc.

The MRI Group will realize a virtuous cycle for maximizing the sum total of the three types of value created namely social value (resolution of societal issues), non-financial value (sustainable growth of people and organizations) and financial value (business growth), and will aim to achieve both improvement in the various types of value provided and sustainable growth.



To resolve the societal issues necessary to realize a “resilient and sustainable society” (= improvement of social value), the MRI Group will encourage the growth of people and organizations (= improvement of non-financial value) whilst at the same time achieving business growth (= improvement of financial value).

For improvement in financial value, we will use ordinary profit and ROE as key management indicators and, with sustainable improvement in these indicators as our medium- to long-term management goal, we will strive for sustainable improvement in shareholder value.

(Targets for the final year of MP2023 – fiscal year ending September 30, 2023)

- Consolidated ordinary profit: 10.0 billion yen
- ROE: 10%

(Non-financial value)

To encourage people and organizations to grow and to get to grips with realizing our vision of a desirable society in line with our basic management policy (VCP management), we will work on improving non-financial value.

More specifically, we will approach the improvement of non-financial value not only from the perspectives of “human value,” “intellectual value,” and “social value,” which are key sources of the value we provide, but also from the perspectives of “environmental impact,” “work-life balance” and “health and productivity management,” which are important ESG considerations.

Over the course of MP2023, we will assess progress made with the improvement of such non-financial value, examining and monitoring appropriate indicators and adding or changing them where necessary.

(Social value)

We will invest the MRI Group's financial and non-financial capital into realizing our vision for a desirable society and creating and improving social value through such activities.

MRI has been actively involved in clarifying the societal issues which need to be tackled both through its own activities and in collaboration with a wide range of companies, research institutions, public bodies and other parties. Moving forward, we will actively focus on "five primary fields" which we have identified as particularly important fields in which the MRI Group has a business base and can be expected to help resolve issues, namely "healthcare," "human resources," "energy," "MaaS*" and "ICT infrastructure."

For each of these five fields, we will determine goals for our vision of a desirable society and the MRI Group's business-related indicators that relate to these goals and we will assess progress towards their achievement.

* MaaS: Mobility as a Service, a solution which meets the mobility needs of residents and tourists by combining multiple public and private transportation services into a single platform to facilitate the finding, booking, and payment of individual trips.

(4) Operating environment

Today, we are living in an even more VUCA* world, amplified by the COVID-19 crisis. Japan has to overcome a mountain of issues, including solving long-standing structural problems, extracting itself from deflation, and improving the international competitiveness of its industries and businesses, and customers and companies are facing increasingly diverse and complex issues. Meanwhile, as the digital transformation (DX) of all aspects of society picks up pace, new technologies such as ICT and AI are emerging one after another, and society and businesses are under pressure to make radical sometimes disruptive transformations.

For half a century since its foundation, the MRI Group has achieved business growth by providing government and public offices, financial institutions, private-sector businesses and other customers with services which combine its think tank, consulting and IT solutions capabilities. To mark our 50th anniversary, we adopted a new corporate philosophy with "We aim to be at the forefront of innovation by constantly envisioning the future" as our vision.

In an age of uncertainty where there is not always only one correct answer, there is great value in building on our existing strengths in areas such as public policymaking and planning, recommendations and research, and analysis for government and public offices, financial institutions and other customers, to embark on the implementation and realization of solutions for customers and society. We are committed to strengthening this value chain and delivering even greater value to customers and society in line with the VCP management approach indicated in MP2023.

We have moved beyond CSR and envisioned a desirable future society as our goal within frameworks such as the SDGs and ESG, opening up further opportunities and domains where we can work with many stakeholders to seek solutions to societal issues through autonomous, decentralized and collaborative business. Meanwhile, as the importance of ICT, AI and DX as instruments for innovation becomes more widely recognized, the competition is intensifying, with the emergence of various business entities wanting to lead the way. Based on its new management philosophy and MP2023, the MRI Group intends to draw on the strengths it has developed over half a century to provide even greater value. By doing this, we aim to establish a unique position as a "company which solves societal issues" and is leading the way to the realization of a desirable future society, thus fulfilling our mission, while expanding business opportunities and achieving sustainable growth.

* VUCA stands for Volatility, Uncertainty, Complexity and Ambiguity.

(5) Business and financial issues to be addressed

To realize its vision for society and its corporate vision, the MRI Group is committed to transforming its businesses and management base and tackling business and financial issues based on MP2023.

A. Transformation of growth businesses

Initiatives that support growth such as the continued provision of highly original services are essential for the MRI Group's sustainable growth.

We will position DX business, subscription-type business and international business as growth businesses and seek to establish a new revenue base and reform our business model and business portfolio through the transformation of these businesses.

Integrating ICT and other rapidly advancing new technologies is an urgent issue for society and business and there is a growing impetus for digital transformation initiatives; in other words, the application of ICT to transform business processes and to develop new products and services. In the DX business, we will seek increased collaboration between MRI, Mitsubishi Research Institute DCS, JBS and INES and groupwide business expansion while at the same time strategically investing resources into areas and customers which allow us to utilize the strengths of each company.

In subscription-type business, we will leverage our analytical ability in relation to the identification and use of elemental technologies which might solve societal problems, our policy proposal capability and our insight to roll out general-purpose services. With health care, human resources, energy, MaaS and information infrastructure positioned as primary fields, we will aim to expand business through partnerships and strategic business management.

We believe that the approach of resolving societal issues based on VCP management can be applied not only in Japan but also overseas. In international business, we will strengthen our local capability through the establishment of sites overseas and, using the resolution of societal issues as a starting point for the conceptualization of business, we will expand business that addresses local issues and needs.

Under MP2023, we aim to establish a new revenue base using the revenue generated by our core businesses, where government public offices and financial institutions are our main customers, to actively make strategic upfront investments in growth businesses and investment in business partners and partners for future collaboration.

B. Transformation of core businesses

To make strategic investments in growth businesses and to create a cycle of value creation, it is also necessary to further strengthen our core businesses, which are the source of the value provided by MRI Group and its competitiveness. In our core businesses, namely research and consulting, and financial solutions, we will reform business domains and business value, and promote transformation aimed at improving quality and productivity.

In research and consulting business, we will propose a vision for society and systems to government and public offices and private-sector businesses, focusing on fields which are positioned as primary fields under VCR management and in which action by the public and private sector is deemed necessary from a medium-to-long-term perspective such as healthcare, environment and energy, mobility, the HR cycle, and information infrastructure (5G and radio waves). This approach will improve quality and also broaden the range of our activities, allowing us to flexibly expand business and create projects. Meanwhile, through VCP management which focuses on all four value chain components from VCP-A to VCP-D, we will integrate our "knowledge" as a thinktank and seek to further improve value provided.

In the financial solutions business, we will seek to maintain and reform operations by improving value provided in response to the operating environment customers are facing. In addition, we will collaborate within the Group and with partners to branch out into new areas based on VCP management, including creating new business to support digital transformation and creating business based on recommendations on the nature of finance and financial administration and compliance with regulations.

C. Transformation of think tank business

Facing a myriad of societal issues, Japan is grappling with the question of how to design and realize a sustainable society for the future. This question needs to be addressed through nonpartisan cooperation and collaboration based on collective wisdom and an overview of the issues and how they are interconnected.

With a think tank as the parent company, the MRI Group also has an important role to play, conceptualizing a desirable society and making wide-reaching policy recommendations.

The activities which provide the starting point for the MRI Group's VCP management are "research and consulting" activities and, through transformation of the think tank business," we will provide creative research and recommendations to lead social innovation whilst strengthening our ability to communicate information to stakeholders. We will also realize new value creation through "digital think tank" initiatives and be at the very vanguard of disruptive creation in the think tank industry.

In our research and recommendation activities, we will focus our research and communication on the primary fields, for realization of our vision of a new post-COVID society. To strengthen our innate research and recommendation capabilities as a think tank, we will seek to improve the quality of our research through the training and development of researchers, the establishment of research processes, and the utilization of outside networks.

In "digital think tank" initiatives, we will prioritize investment to strengthen our competitiveness through the digital transformation of our own business processes and businesses in anticipation of the post-COVID era. We will then use this as a starting point for commercializing new research and consulting DX services (for the digital transformation of customers business processes).

D. Transformation of human resources and corporate culture

Highly skilled professionals in a wide range of fields are the MRI Group's most important management resource. As we transform our own businesses and the value provided for the resolution of societal issues and the realization of a desirable future society, the human resources we need and job requirements are also changing.

To attract, retain and develop talented human resources and to further enhance the working environment so that our human resources can fully demonstrate their potential, we will transform our human resources and corporate culture including work style reform.

In terms of human resources strategy, to implement VCP management, we will seek to strengthen both new graduate and mid-career recruitment based on our existing human resources portfolio, and gradually strengthen our personnel systems and career development planning so that human resources with wide-ranging expertise can play an active part.

In terms of transforming the corporate culture, we will instill our new corporate philosophy and new code of conduct throughout the Group and create a culture that encourages employees to rise to the challenge of innovation.

In work style reform, we will further develop the infrastructure for optimizing and improving remote working in the "new normal." With the establishment of pandemic- and disaster-resilient work styles, we will lead the way in putting new work styles for the "new normal" into practice in society.

E. Transformation of management systems

To achieve sustainable corporate growth and enhancement of corporate value in the medium and long term, we must continuously improve corporate governance, making transparent, fair, speedy and bold decisions based upon consideration of the standpoints of shareholders, customers, employees, local communities and other stakeholders.

At the same time, given that it is quality which builds trust in the MRI Group, it is important for us to satisfy our customers by providing high quality services, while ensuring and maintaining a high level of reliability in terms of information security. We recognize that, when keeping pace with dizzying advances in ICT, both action to expand business and improve business through ICT

and "defensive" action such as information security are essential to maintain and strengthen our corporate brand and trust in the MRI Group.

Accordingly, we will focus on continuously improving governance and ensuring high quality and reliability through transformation of the management system.

More specifically, we will further enhance our management structure, including committees under the Management Meeting, as a framework for conducting VCP management. Additionally, we will strengthen our overall ability to address risks in consolidation management and proactively address risks in relation to new businesses and the new normal.

As for the platforms and systems which support management, we will implement both offensive and defensive measures, including developing a highly reliable digital infrastructure (defensive) and promoting digital transformation that will contribute to new value creation (offensive).

4. Basic approach to selection of accounting standard

The MRI Group applies Japanese GAAP.

We intend to take action as appropriate regarding the adoption of IFRS, taking the situation in Japan and overseas into consideration.

5. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Million yen)

	As of September 30, 2019	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	25,957	32,738
Notes and accounts receivable - trade	13,134	13,596
Inventories	6,914	7,620
Prepaid expenses	1,478	1,945
Other	162	129
Allowance for doubtful accounts	(12)	(0)
Total current assets	47,635	56,028
Non-current assets		
Property and equipment		
Buildings and structures	15,649	17,633
Accumulated depreciation	(9,639)	(10,171)
Buildings and structures, net	6,010	7,461
Machinery, equipment and vehicles	33	30
Accumulated depreciation	(22)	(22)
Machinery, equipment and vehicles, net	11	7
Tools, furniture and fixtures	6,085	6,298
Accumulated depreciation	(4,754)	(4,758)
Tools, furniture and fixtures, net	1,330	1,539
Land	720	720
Leased assets	1,527	1,643
Accumulated depreciation	(945)	(800)
Leased assets, net	582	843
Construction in progress	191	52
Total property and equipment	8,846	10,625
Intangible assets		
Software	3,270	2,983
Software in progress	132	957
Leased assets	2,632	2,066
Other	1	2
Total intangible assets	6,036	6,010
Investments and other assets		
Investment securities	14,398	15,880
Long-term loans receivable	8	5
Lease and guarantee deposits	2,842	2,839
Net defined benefit asset	10	8
Deferred tax assets	4,164	4,156
Other	630	702
Allowance for doubtful accounts	(6)	(4)
Total investments and other assets	22,049	23,589
Total non-current assets	36,932	40,224
Total assets	84,568	96,253

(Million yen)

	As of September 30, 2019	As of September 30, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	3,344	3,934
Current portion of long-term borrowings	–	400
Accounts payable - other	2,880	1,765
Accrued expenses	1,079	1,411
Lease obligations	882	984
Income taxes payable	1,257	2,484
Accrued consumption taxes	1,169	2,325
Advances received	317	393
Provision for bonuses	3,782	4,556
Provision for loss on order received	1,226	124
Other	785	848
Total current liabilities	16,726	19,228
Non-current liabilities		
Long-term borrowings	–	1,300
Lease obligations	2,553	2,202
Provision for share-based compensation	301	435
Net defined benefit liability	10,068	10,019
Asset retirement obligations	51	1,516
Other	23	9
Total non-current liabilities	12,998	15,483
Total liabilities	29,724	34,712
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,765	4,765
Retained earnings	35,585	41,039
Treasury shares	(579)	(550)
Total shareholders' equity	46,107	51,589
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,906	2,239
Deferred gains or losses on hedges	(153)	(74)
Foreign currency translation adjustment	11	1
Remeasurements of defined benefit plans	69	100
Total accumulated other comprehensive income	1,833	2,267
Non-controlling interests	6,902	7,683
Total net assets	54,843	61,541
Total liabilities and net assets	84,568	96,253

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

(Million yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Net sales	90,029	92,020
Cost of sales	70,134	70,779
Gross profit	19,895	21,240
Selling, general and administrative expenses	14,764	15,008
Operating profit	5,130	6,231
Non-operating income		
Interest income	0	2
Dividend income	219	190
Share of profit of entities accounted for using equity method	427	2,050
Other	56	60
Total non-operating income	703	2,303
Non-operating expenses		
Interest expenses	28	43
Foreign exchange losses	12	–
Loss on investments in silent partnership	73	61
Overseas withholding taxes	–	33
Other	0	9
Total non-operating expenses	115	148
Ordinary profit	5,718	8,387
Extraordinary income		
Gain on sales of non-current assets	0	–
Gain on sales of investment securities	252	2,731
Settlement received	40	–
Other	0	–
Total extraordinary income	293	2,731
Extraordinary losses		
Loss on sales of non-current assets	1	–
Loss on retirement of non-current assets	26	35
Loss on revaluation of investment securities	112	128
Loss on liquidation of subsidiaries and affiliates	20	–
Loss on cancellation of leases	2	0
Other	–	2
Total extraordinary losses	162	166
Profit before income taxes	5,850	10,952
Income taxes - current	2,013	3,197
Income taxes - deferred	(72)	(226)
Total income taxes	1,941	2,970
Profit	3,908	7,981
Profit attributable to non-controlling interests	308	885
Profit attributable to owners of parent	3,599	7,096

Consolidated statements of comprehensive income

(Million yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Profit	3,908	7,981
Other comprehensive income		
Valuation difference on available-for-sale securities	(936)	434
Deferred gains or losses on hedges	(153)	79
Foreign currency translation adjustment	(3)	(11)
Remeasurements of defined benefit plans	352	18
Share of other comprehensive income of entities accounted for using equity method	(2)	(23)
Total other comprehensive income	(742)	497
Comprehensive income	3,165	8,478
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,960	7,530
Comprehensive income attributable to non- controlling interests	204	948

(3) Consolidated statements of changes in net assets

Fiscal year ended September 30, 2019

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,336	4,765	33,463	(579)	43,985
Changes of items during period					
Dividends of surplus			(1,478)		(1,478)
Profit attributable to owners of parent			3,599		3,599
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	2,121	(0)	2,121
Balance at end of current period	6,336	4,765	35,585	(579)	46,107

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,742	–	14	(284)	2,472	6,825	53,284
Changes of items during period							
Dividends of surplus							(1,478)
Profit attributable to owners of parent							3,599
Purchase of treasury shares							(0)
Net changes of items other than shareholders' equity	(836)	(153)	(3)	354	(639)	76	(562)
Total changes of items during period	(836)	(153)	(3)	354	(639)	76	1,558
Balance at end of current period	1,906	(153)	11	69	1,833	6,902	54,843

Fiscal year ended September 30, 2020

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,336	4,765	35,585	(579)	46,107
Changes of items during period					
Dividends of surplus			(1,642)		(1,642)
Profit attributable to owners of parent			7,096		7,096
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				28	28
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	5,453	28	5,482
Balance at end of current period	6,336	4,765	41,039	(550)	51,589

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,906	(153)	11	69	1,833	6,902	54,843
Changes of items during period							
Dividends of surplus							(1,642)
Profit attributable to owners of parent							7,096
Purchase of treasury shares							(0)
Disposal of treasury shares							28
Net changes of items other than shareholders' equity	332	79	(9)	31	434	781	1,215
Total changes of items during period	332	79	(9)	31	434	781	6,698
Balance at end of current period	2,239	(74)	1	100	2,267	7,683	61,541

(4) Consolidated statements of cash flows

(Million yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	5,850	10,952
Depreciation	3,660	3,348
Amortization of goodwill	7	–
Increase (decrease) in provision for bonuses	595	773
Decrease (increase) in net defined benefit asset	5	1
Increase (decrease) in net defined benefit liability	180	(23)
Increase (decrease) in allowance for doubtful accounts	0	(13)
Increase (decrease) in provision for share-based compensation	103	163
Increase (decrease) in provision for loss on order received	(478)	(1,102)
Interest and dividend income	(219)	(192)
Interest expenses	28	43
Share of loss (profit) of entities accounted for using equity method	(427)	(2,050)
Loss (gain) on investments in silent partnership	73	61
Loss (gain) on sales of non-current assets	1	–
Loss on retirement of non-current assets	26	35
Loss (gain) on sales of investment securities	(252)	(2,731)
Loss (gain) on valuation of investment securities	112	128
Decrease (increase) in notes and accounts receivable - trade	1,639	(462)
Decrease (increase) in inventories	(797)	(705)
Increase (decrease) in notes and accounts payable - trade	(57)	590
Increase (decrease) in accrued consumption taxes	146	1,304
Increase (decrease) in advances received	92	75
Other, net	110	118
Subtotal	10,400	10,315
Interest and dividend income received	284	373
Interest expenses paid	(28)	(45)
Income taxes paid	(1,929)	(2,005)
Net cash provided by (used in) operating activities	8,726	8,637
Cash flows from investing activities		
Purchase of property and equipment	(1,048)	(851)
Proceeds from sales of property and equipment	2	–
Purchase of intangible assets	(893)	(1,809)
Purchase of investment securities	(1,111)	(1,916)
Proceeds from sales of investment securities	285	3,822
Payments of loans receivable	(8)	(2)
Collection of loans receivable	5	4
Payments for lease and guarantee deposits	(11)	(9)
Proceeds from collection of lease and guarantee deposits	11	13
Other, net	0	–
Net cash provided by (used in) investing activities	(2,768)	(749)

(Million yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Cash flows from financing activities		
Proceeds from long-term borrowings	–	1,700
Repayments of lease obligations	(753)	(996)
Cash dividends paid	(1,478)	(1,642)
Dividends paid to non-controlling interests	(127)	(165)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(2,360)	(1,106)
Effect of exchange rate change on cash and cash equivalents	(2)	(1)
Net increase (decrease) in cash and cash equivalents	3,595	6,781
Cash and cash equivalents at beginning of period	22,062	25,657
Cash and cash equivalents at end of period	25,657	32,438

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Changes in accounting estimates)

(Change in estimates of asset retirement obligations)

During the fiscal year under review, the MRI Group obtained new information about asset retirement obligations relating to restoration associated with real estate lease contracts in the process of examining office use in connection with workstyle reform and, as a result, changed estimates relating to restoration costs and the useful life of fixed assets.

As a result of these changes in estimates, buildings and structures and asset retirement obligations increased by 1,464 million yen.

These changes in estimates have no impact on profit/loss for the fiscal year under review because they were made at the end of the fiscal year under review.

(Additional information)

(Share-based compensation system linked to operating performance for directors, executives and research fellows)

At the 47th annual shareholders' meeting held on December 19, 2016, the Company resolved to introduce a performance-based stock compensation plan ("the Plan") for its directors (excluding outside directors, non-executive directors and directors living outside Japan), executive officers and research fellows who have signed an engagement agreement (excluding those living outside Japan) (collectively referred to as the "Directors, Etc."). The Plan has been introduced to raise awareness of contributions to improving operating results at the MRI Group and enhancing the corporate value in the medium to long term. The Plan is an officers' compensation system that is closely connected to the MRI Group's results, transparent and objective.

The accounting for the Plan is in line with the Practical Solution on Transactions of Delivering the Company's Own Stock to employees through trusts (ASBJ PITF No. 30, March 26, 2015).

(1) Overview of transaction

The Plan has a mechanism called a Board Incentive Plan trust ("BIP Trust"). After the resignation of the Directors, Etc. (or the death of the Directors, Etc.), the Company grants shares of the Company held by the BIP Trust or provides money equivalent to the shares to the Directors, Etc. according to the performance target achievement level.

(2) MRI's shares remaining in the trust

The book value of the shares held by the BIP Trust (excluding the incidental expense) is posted in net assets as treasury shares. The book value of the treasury shares and the number of treasury shares were 578 million yen and 177,000, respectively, at the end of the previous fiscal year and 549 million yen and 168,000, respectively at the end of the fiscal year under review.

(Provision for loss on order received)

In the fiscal year ended September 30, 2018, failure occurred in the testing stage of a contract large-scale system development project at a consolidated subsidiary, and additional repair work was required for quality assurance. The customer indicated its intention to cancel development of key components of this development project and we concluded an agreement to cancel these components in January 2019. We also consulted the customer over action to be taken as a result of cancellation and revisions to the agreement for the other components and gradually proceeded with the work based on these consultations. During the fiscal year under review, this work was completed and underwent an acceptance inspection by the customer.

Accordingly, in the fiscal year under review, we recognized net sales and cost of sales with respect to the components of this development project which underwent an acceptance inspection by the customer and reversed the provision for loss on order received of 1,188 million yen recorded at the end of the previous fiscal year. The impact of this on profit/loss in the fiscal year under review is a decrease of 504 million yen in costs of sales (reversal of provision for loss on order received).

(Accounting estimates related to the impact of COVID-19)

On the assumption that the impact of COVID-19 will remain at the current level, the MRI Group does not expect that the same level of restrictions on economic activities as those in April and May 2020 following the declaration of a state of emergency will be imposed again. The suspension of ongoing operations, changes in specifications, and the cancelation, postponement, etc. of projects in progress have an impact on the MRI Group's consolidated results, which, however, is expected to be limited. The MRI Group has made its accounting estimates based on these assumptions.

The impact of the COVID-19 pandemic, however, is highly unpredictable and may affect the financial position and operating results of the MRI Group depending on future developments.

(Segment information, etc.)

[Segment information]

1. 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 to allocate resources to and assess the performance of the operating segments.

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 expand our business activities by proposing comprehensive strategies for the products and services handled.

<Think tank and consulting services>

Services provided in this segment include research and consulting services regarding public policies and general businesses, management consulting services, IT consulting and solutions services.

<IT services>

Activities in this segment include software development, operation and maintenance, data processing services, outsourcing services, and sales of system equipment.

2. Calculation method of net sales, profit or loss, assets, liabilities and other items in each reported segment

The accounting methods applied to reported segments are consistent with the accounting policies used to prepare the consolidated financial statements. Figures for the profits of reportable segments are based on ordinary profit. Inter-segment sales and transfers between segments are based on market prices.

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

Fiscal year ended September 30, 2019 (from October 1, 2018 to September 30, 2019)

(Million yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated financial statements (Note 2)
	Think tank and consulting services	IT services			
Net sales					
Outside customers	34,099	55,930	90,029	–	90,029
Inter-segment sales and transfers	82	1,373	1,455	(1,455)	–
Total	34,181	57,303	91,485	(1,455)	90,029
Segment profit	3,351	2,325	5,677	41	5,718
Segment assets	35,016	49,835	84,852	(284)	84,568
Other items					
Depreciation and amortization	1,014	2,736	3,751	(90)	3,660
Amortization of goodwill	–	7	7	–	7
Interest income	0	0	0	–	0
Interest expenses	2	26	28	–	28
Share of profit of entities accounted for using equity method	233	194	427	–	427
Investment in equity method affiliates	1,702	1,463	3,165	–	3,165
Increase in property and equipment, and intangible assets (Note 3)	638	4,773	5,411	(49)	5,361

Notes: 1. Adjustments to segment profit, segment assets and other items represent the elimination of inter-segment transactions.

2. Segment profit is adjusted with ordinary profit in the consolidated financial statements.

3. The increase in property and equipment and intangible fixed assets does not include assets corresponding to asset retirement obligations.

Fiscal year ended September 30, 2020 (from October 1, 2019 to September 30, 2020)

(Million yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated financial statements (Note 2)
	Think tank and consulting services	IT services			
Net sales					
Outside customers	34,581	57,438	92,020	–	92,020
Inter-segment sales and transfers	64	1,230	1,295	(1,295)	–
Total	34,645	58,669	93,315	(1,295)	92,020
Segment profit	5,283	3,092	8,375	11	8,387
Segment assets	40,347	55,972	96,319	(66)	96,253
Other items					
Depreciation and amortization	497	2,874	3,371	(22)	3,348
Interest income	0	1	2	–	2
Interest expenses	11	31	43	–	43
Share of profit of entities accounted for using equity method	1,988	62	2,050	–	2,050
Investment in equity method affiliates	8,275	536	8,811	–	8,811
Increase in property and equipment, and intangible assets (Note 3)	584	3,097	3,681	(9)	3,671

Notes: 1. Adjustments to segment profit, segment assets and other items represent the elimination of inter-segment transactions.

2. Segment profit is adjusted with ordinary profit in the consolidated financial statements.

3. The increase in property and equipment and intangible fixed assets does not include assets corresponding to asset retirement obligations.

[Information on negative goodwill incurred by reportable segment]

Fiscal year ended September 30, 2019 (from October 1, 2018 to September 30, 2019)

Not applicable

Fiscal year ended September 30, 2020 (from October 1, 2019 to September 30, 2020)

In the think tank and consulting services segment, an amount equivalent to negative goodwill of 1,333 million yen, which occurred in relation to an additional acquisition of shares in INES Corporation and the application of the equity method, is posted as the share of profit of entities accounted for using the equity method.

(Per share information)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Net assets per share	2,950.94 yen	3,313.34 yen
Basic earnings per share	221.58 yen	436.64 yen

Notes: 1. For the purposes of calculating net assets per share, shares of MRI held in the BIP Trust are included in the treasury shares excluded from the total number of issued shares at the end of the fiscal year. The number of treasury shares at the end of the previous fiscal year was 178 thousand, which included 177 thousand shares of MRI held by the BIP Trust. At the end of the fiscal year under review, the number of treasury shares was 169 thousand, which included 168 thousand shares of MRI held by the BIP Trust.

2. Diluted earnings per share is not shown because MRI has not issued potential shares.

3. Basis for calculating basic earnings per share is as shown below.

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Profit attributable to owners of parent (million yen)	3,599	7,096
Profit not attributable to common shareholders (million yen)	–	–
Profit attributable to owners of parent related to common shares (million yen)	3,599	7,096
Average number of outstanding common shares during the fiscal year (thousand shares)	16,245	16,251

Note: For the purposes of calculating basic earnings per share, shares of MRI held in the BIP Trust are included in the treasury shares excluded from the average number of outstanding common shares during the fiscal year. The average number of treasury shares during the previous fiscal year was 178 thousand, which included an average 177 thousand shares of MRI held by the BIP Trust. During the fiscal year under review, the average number of treasury shares was 172 thousand, which included an average 171 thousand shares of MRI held by the BIP Trust.

(Significant subsequent events)

Not applicable

6. Non-consolidated financial statements and significant notes thereto**(1) Non-consolidated balance sheets**

(Million yen)

	As of September 30, 2019	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	9,150	11,078
Accounts receivable - trade	4,309	4,468
Work in process	4,251	4,421
Prepaid expenses	345	480
Other	314	131
Allowance for doubtful accounts	(12)	(0)
Total current assets	18,358	20,581
Non-current assets		
Property and equipment		
Buildings	119	723
Structures	32	10
Tools, furniture and fixtures	234	238
Land	1	1
Leased assets	131	61
Total property and equipment	518	1,035
Intangible assets		
Software	824	964
Other	11	8
Total intangible assets	836	973
Investments and other assets		
Investment securities	7,197	2,657
Shares of subsidiaries and affiliates	20,431	25,195
Investments in capital of subsidiaries and affiliates	513	411
Lease and guarantee deposits	1,775	1,773
Long-term prepaid expenses	145	116
Deferred tax assets	2,067	2,217
Other	21	21
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	32,148	32,387
Total non-current assets	33,503	34,397
Total assets	51,862	54,978

(Million yen)

	As of September 30, 2019	As of September 30, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	1,346	1,637
Current portion of long-term borrowings	–	400
Lease obligations	31	30
Accounts payable - other	2,292	638
Accrued expenses	400	408
Income taxes payable	624	540
Accrued consumption taxes	919	1,189
Advances received	261	296
Provision for bonuses	1,399	1,842
Provision for loss on order received	–	11
Other	141	185
Total current liabilities	7,418	7,179
Non-current liabilities		
Long-term borrowings	–	1,300
Lease obligations	65	39
Long-term accounts payable - other	8	–
Provision for share-based compensation	301	435
Reserve for retirement benefits	4,979	4,961
Asset retirement obligations	–	616
Total non-current liabilities	5,354	7,353
Total liabilities	12,772	14,533
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus		
Capital reserve	4,851	4,851
Total capital surplus	4,851	4,851
Retained earnings		
Revenue reserve	171	171
Other retained earnings		
Other reserve	1,842	1,842
Earned surplus brought forward	25,910	27,047
Total retained earnings	27,923	29,060
Treasury shares	(579)	(550)
Total shareholders' equity	38,531	39,697
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	711	822
Deferred gains or losses on hedges	(153)	(74)
Total valuation and translation adjustments	557	748
Total net assets	39,089	40,445
Total liabilities and net assets	51,862	54,978

(2) Non-consolidated statements of income

(Million yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Net sales	32,860	32,686
Cost of sales	24,907	24,866
Gross profit	7,952	7,819
Selling, general and administrative expenses		
Provision for share-based compensation	93	135
Bonuses	219	228
Provision for bonuses	227	299
Salaries and allowances	923	904
Outsourcing expenses	772	740
Rent expenses	611	572
Depreciation	776	218
Provision of allowance for doubtful accounts	(1)	(12)
Other	1,611	1,896
Total selling, general and administrative expenses	5,233	4,984
Operating profit	2,718	2,834
Non-operating income		
Interest and dividend income	746	979
Other	13	11
Total non-operating income	760	991
Non-operating expenses		
Interest expenses	3	11
Loss on investments in silent partnership	73	61
Overseas withholding taxes	-	33
Other	0	0
Total non-operating expenses	77	106
Ordinary profit	3,401	3,719
Extraordinary income		
Gain on sales of investment securities	252	-
Settlement received	40	-
Total extraordinary income	292	-
Extraordinary losses		
Loss on retirement of non-current assets	10	8
Loss on cancellation of leases	2	0
Loss on revaluation of investment securities	112	128
Total extraordinary losses	125	137
Profit before income taxes	3,568	3,581
Income taxes - current	1,090	1,036
Income taxes - deferred	(150)	(234)
Total income taxes	939	802
Profit	2,628	2,778

(3) Non-consolidated statements of changes in net assets

Fiscal year ended September 30, 2019

(Million yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Revenue reserve	Retained earnings			Treasury shares	Total shareholders' equity
		Capital reserve	Total capital surplus		Other retained earnings		Total retained earnings		
					Other reserve	Earned surplus brought forward			
Balance at beginning of current period	6,336	4,851	4,851	171	1,842	24,759	26,773	(579)	37,381
Changes of items during period									
Dividends of surplus						(1,478)	(1,478)		(1,478)
Profit						2,628	2,628		2,628
Purchase of treasury shares								(0)	(0)
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	-	1,150	1,150	(0)	1,150
Balance at end of current period	6,336	4,851	4,851	171	1,842	25,910	27,923	(579)	38,531

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	1,133	-	1,133	38,514
Changes of items during period				
Dividends of surplus				(1,478)
Profit				2,628
Purchase of treasury shares				(0)
Net changes of items other than shareholders' equity	(421)	(153)	(575)	(575)
Total changes of items during period	(421)	(153)	(575)	574
Balance at end of current period	711	(153)	557	39,089

Fiscal year ended September 30, 2020

(Million yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Revenue reserve	Retained earnings			Treasury shares	Total shareholders' equity
		Capital reserve	Total capital surplus		Other retained earnings		Total retained earnings		
					Other reserve	Earned surplus brought forward			
Balance at beginning of current period	6,336	4,851	4,851	171	1,842	25,910	27,923	(579)	38,531
Changes of items during period									
Dividends of surplus						(1,642)	(1,642)		(1,642)
Profit						2,778	2,778		2,778
Purchase of treasury shares								(0)	(0)
Disposal of treasury shares								28	28
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	-	1,136	1,136	28	1,165
Balance at end of current period	6,336	4,851	4,851	171	1,842	27,047	29,060	(550)	39,697

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	711	(153)	557	39,089
Changes of items during period				
Dividends of surplus				(1,642)
Profit				2,778
Purchase of treasury shares				(0)
Disposal of treasury shares				28
Net changes of items other than shareholders' equity	111	79	190	190
Total changes of items during period	111	79	190	1,355
Balance at end of current period	822	(74)	748	40,445

7. Status of orders received and sales

(1) Status of orders received

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

(Million yen)

Segment name	Fiscal year ended September 30, 2020			
	Orders received	Year-on-year change (%)	Order backlog	Year-on-year change (%)
Think tank and consulting services	39,369	11.2	31,095	18.2
IT services	59,501	(0.5)	42,436	5.1
System development	37,393	0.0	21,781	7.7
Outsourcing services	22,108	(1.5)	20,655	2.5
Total	98,871	3.8	73,531	10.3

- Notes: 1. Inter-segment transactions are offset against each other.
 2. The numbers exclude consumption tax.
 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.

(2) Sales performance

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

(Million yen)

Segment name	Fiscal year ended September 30, 2020	Year-on-year change (%)
Think tank and consulting services	34,581	1.4
IT services	57,438	2.7
System development	35,835	4.7
Outsourcing services	21,602	(0.4)
Total	92,020	2.2

- Notes: 1. Inter-segment transactions are offset against each other.
 2. The numbers exclude consumption tax.