

[Translation for reference only]

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Translation



May 8, 2020

Consolidated Financial Results for the Six Months of the Fiscal Year Ending 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	
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Scheduled date to submit Quarterly Securities Report:	May 11, 2020	
Scheduled date to commence dividend payments:	June 8, 2020	
Preparation of supplementary material on quarterly financial results:	Yes	
Holding of quarterly financial results presentation meeting:	Yes (for institutional investors and analysts)	

(Rounded down to the nearest million yen)

1. Consolidated performance for the six months of the fiscal year ending September 30, 2020 (from October 1, 2019 to March 31, 2020)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2020	48,246	5.1	5,502	47.4	7,232	81.1	6,466	129.0
March 31, 2019	45,903	(1.2)	3,733	(18.5)	3,993	(14.4)	2,823	(4.0)

Note: Comprehensive income

For the six months ended March 31, 2020: 7,162 million yen [235.9%]
For the six months ended March 31, 2019: 2,132 million yen [(37.5%)]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
March 31, 2020	397.97	—
March 31, 2019	173.79	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of			%
March 31, 2020	96,484	61,114	55.5
September 30, 2019	84,568	54,843	56.7

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

As of March 31, 2020: 53,533 million yen
As of September 30, 2019: 47,940 million yen

2. Cash dividends

	Annual cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended September 30, 2019	Yen —	Yen 45.00	Yen —	Yen 50.00	Yen 95.00
Fiscal year ending September 30, 2020	—	50.00	—	—	—
Fiscal year ending September 30, 2020 (Forecast)	—	—	—	50.00	100.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

**3. Consolidated earnings forecasts for the fiscal year ending September 30, 2020
(from October 1, 2019 to September 30, 2020)**

(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, 2020	94,000	4.4	4,900	(4.5)	7,000	22.4	6,300	75.0	387.65

Note: Revisions to the earnings forecasts most recently announced: None

***Notes**

(1) Changes in significant subsidiaries during the six months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of special accounting in preparing consolidated quarterly financial statements: Yes

Note: For details, please refer to “2. Consolidated financial statements and significant notes thereto (4) Notes to consolidated financial statements (Application of special accounting in preparing consolidated quarterly financial statements)” on page 11 of the attached materials.

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

- a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
- b. Changes in accounting policies due to other reasons: None
- c. Changes in accounting estimates: None
- d. Restatement of prior period financial statements after error corrections: None

(4) Number of issued shares (common shares)

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

As of March 31, 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 March 31, 2020	169,295 shares
As of September 30, 2019	178,196 shares

c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

Six months ended March 31, 2020	16,248,940 shares
Six months ended March 31, 2019	16,245,886 shares

* Quarterly results are not subject to quarterly review 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.

(Availability of supplementary material on financial results)

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

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(Attached materials)**1. Qualitative information regarding settlement of accounts for the six months****(1) Explanation regarding operating results**

In the first six months of the fiscal year under review (October 1, 2019 to March 31, 2020), the world economy recovered moderately from October through December 2019, but was affected by the spread of the COVID-19 coronavirus from January 2020. In the United States, economic activities contracted and the number of employees started to fall sharply. In Europe, particularly in southern Europe, business sentiment fell below the level during the global financial crisis. The Chinese economy appeared to be recovering from the worst period, when the coronavirus first spread, but recorded negative growth due to the cessation of economic activity after the Chinese New Year holiday. Countries announced significant increases in public spending and monetary easing policies to help companies with financing, provide liquidity to financial markets, and support employment and livelihoods. The Japanese economy is assumed to have entered into a serious recessionary phase due to the consumption tax hike and the spread of the coronavirus worldwide. Consumption dropped significantly, especially in the restaurant, tourism, and outdoor entertainment industries, against the backdrop of stay-at-home requests. Employment and income conditions also turned downward. Inbound visitors, primarily from China, plummeted and inbound tourism consumption dropped sharply.

The fiscal year under review is the final year of the Medium-term Management Plan 2020 (MP2020) of Mitsubishi Research Institute, Inc. and its consolidated subsidiaries (the MRI Group), and the MRI Group is taking steps to complete the execution of the plan. The MRI Group provides comprehensive solutions, prioritizing quality and customer satisfaction and using the knowledge of the scientific methods and advanced technologies that it has developed as a comprehensive think tank.

The adverse effects of the spread of the coronavirus on the world economy and the Japanese economy are already obvious. However, the results of the MRI Group in the first six months of the fiscal year under review are not affected significantly. The results are in line with MP2020.

In the business in the public and public interest sectors and the financial and credit card sectors, which is the core business in MP2020, the MRI Group conducted research studies in energy, healthcare and wellness, and transport and traffic, taking into consideration policy reforms, including power system reform, medical care and long-term care insurance reform and regional revitalization.

In business using new technologies, the growth business in MP2020, the MRI Group is continuing to advance innovation and sophistication in corporate management and government services through consulting and ICT services using AI, the IoT and the cloud.

The MRI Group continued to address the quality issue that occurred in the IT services segment in the fiscal year ended September 30, 2018, and discussed it with the customers. Meanwhile, as phased development progressed, the MRI Group posted partial sales.

These factors resulted in net sales of 48,246 million yen (up 5.1% year on year) and operating profit of 5,502 million yen (up 47.4% year on year) in the MRI Group in the first six months of the fiscal year under review. Ordinary profit rose significantly to 7,232 million yen (up 81.1% year on year) and profit attributable to owners of parent also increased substantially to 6,466 million yen (up 129.0% year on year), reflecting non-operating income and extraordinary income posted in the first three months in relation to INES Corporation becoming an equity method affiliate and the acceptance and implementation of SCSK Corporation's tender offer for shares in Minori Solutions Co., Ltd.

The results in each segment are as follows.

<Think tank and consulting services>

In the first six months under review, net sales (sales to outside clients) stood at 17,963 million yen (up 1.1% year on year), reflecting growth in projects for public offices and consulting for financial institutions. Ordinary profit came to 5,058 million yen (up 70.3% year on year), reflecting the posting of an amount equivalent to negative goodwill in non-operating income in relation to INES Corporation becoming an equity method affiliate in the first three months.

<IT services>

In the first six months under review, net sales (sales to outside clients) amounted to 30,282 million yen (up 7.6% year on year) chiefly due to sales from system development projects for financial institutions. Ordinary profit was 2,171 million yen (up 114.3% year on year), a significant improvement from the same period of the previous fiscal year, when an additional loss was posted due to the project with the quality issue.

(2) Explanation regarding financial position**A. Financial position**

Total assets at the end of the first six months under review increased 11,916 million yen (up 14.1%) from the end of the previous fiscal year, to 96,484 million yen. Current assets stood at 58,611 million yen (up 23.0%) and non-current assets were 37,873 million yen (up 2.5%). The main factors for an increase in current assets were an increase in notes and accounts receivable - trade of 10,996 million yen and an increase in inventories of 2,552 million yen due to seasonal factors. The major factor for an increase in non-current assets was an upturn of 726 million yen in investments and other assets chiefly due to a rise in investment securities.

Liabilities rose 5,644 million yen (up 19.0%) from the end of the previous fiscal year, to 35,369 million yen, chiefly reflecting an increase in long-term borrowings of 1,700 million yen and an increase in accounts payable - trade of 3,437 million yen due to a seasonal factor.

Net assets climbed 6,271 million yen (up 11.4%) from the end of the previous fiscal year, to 61,114 million yen mainly due to an increase in retained earnings of 5,645 million yen.

B. Cash flow position

Cash and cash equivalents at the end of the first six months of the fiscal year under review fell 2,876 million yen from the end of the previous fiscal year, to 22,781 million yen. Cash flows in each category in the first six months and major factors are as follows:

Cash used in operating activities stood at 3,814 million yen (cash used of 3,008 million yen in the same period of the previous fiscal year), chiefly reflecting seasonal factors, namely, an increase in trade receivables of 10,996 million yen, an increase in inventories of 2,552 million yen, and an increase in trade payables of 3,437 million yen. Many projects of the Group are completed in March and April, and expenses are posted ahead of revenue up to the first six months. As a result, cash flows from operating activities tend to be in negative territory.

Cash provided by investing activities came to 637 million yen (cash used of 1,157 million yen in the same period of the previous fiscal year) chiefly due to purchase of investment securities of 1,789 million yen and proceeds from sales of investment securities of 3,720 million yen.

Cash provided by financing activities was 299 million yen (cash used of 1,104 million yen in the same period of the previous fiscal year). This was chiefly attributable to proceeds from long-term borrowings of 1,700 million yen, dividends paid of 821 million yen, and repayments of lease obligations of 479 million yen.

(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements

Actual economies in Japan and overseas have been significantly affected by the spread of the coronavirus worldwide. The MRI Group established the crisis task force in February. The Group changed the working system, and in principle, all employees (except those who have to come to the office, including those engaged in social infrastructure maintenance) are working from home since March. The Group will prioritize the employees' safety and will take steps to prevent infection to the maximum extent to fulfill its social responsibility. It will continue the business, having employees work from home in principle.

The Group's results in the first six months do not show any obvious effects of the spread of the coronavirus. However, the spread of the infection may affect the Group's business activities and results depending on its effects on the clients' business if the situation does not subside for a long period. The Group is examining the effects of the coronavirus on its business and results. The risks that the Group can expect at present are stated below. The Group will take steps to minimize the effects.

Risks of effects on the Group's results

1) Falls in sales and profit due to the suspension of operations in progress, changes in specifications, etc.

The scope of certain projects has been reduced. Certain projects have been postponed.

2) Falls in orders, sales and profit due to cancellations of offers, delays in orders, etc.

Orders for projects from April have been postponed or cancelled.

Earnings forecast

The Group's results, both sales and profit, in the first six months of the fiscal year under review exceeded the plan. Except for the abovementioned effects of the spread of coronavirus, the Group's results are expected to exceed the latest earnings forecast. However, it is difficult to accurately determine the adverse effect of coronavirus because it is uncertain how long overall business activities and the Group's activities will be restricted and certain risks are being adjusted or under discussion.

Considering the situation, the Group leaves the earnings forecast unchanged.

If the Group decides that it needs to change the consolidated earnings forecast following examination, the Group will announce the change promptly.

2. Consolidated financial statements and significant notes thereto

(1) Consolidated quarterly balance sheets

	(Million yen)	
	As of September 30, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	25,957	23,081
Notes and accounts receivable - trade	13,134	24,130
Inventories	6,914	9,466
Other	1,641	1,973
Allowance for doubtful accounts	(12)	(41)
Total current assets	<u>47,635</u>	<u>58,611</u>
Non-current assets		
Property and equipment		
Buildings and structures, net	6,010	5,751
Machinery, equipment and vehicles, net	11	9
Tools, furniture and fixtures, net	1,330	1,505
Land	720	720
Leased assets, net	582	972
Construction in progress	191	441
Total property and equipment	<u>8,846</u>	<u>9,399</u>
Intangible assets		
Software	3,270	2,925
Leased assets	2,632	2,311
Other	134	460
Total intangible assets	<u>6,036</u>	<u>5,697</u>
Investments and other assets		
Investment securities	14,398	14,878
Deferred tax assets	4,164	4,324
Other	3,491	3,578
Allowance for doubtful accounts	(6)	(5)
Total investments and other assets	<u>22,049</u>	<u>22,776</u>
Total non-current assets	<u>36,932</u>	<u>37,873</u>
Total assets	84,568	96,484

(Million yen)

	As of September 30, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	3,344	6,781
Current portion of long-term borrowings	–	200
Accounts payable - other	2,880	1,373
Accrued expenses	1,079	2,696
Income taxes payable	1,257	2,906
Provision for bonuses	3,782	2,097
Provision for loss on order received	1,226	799
Other	3,155	3,930
Total current liabilities	16,726	20,786
Non-current liabilities		
Long-term borrowings	–	1,500
Lease obligations	2,553	2,618
Provision for share-based compensation	301	327
Net defined benefit liability	10,068	10,074
Asset retirement obligations	51	51
Other	23	11
Total non-current liabilities	12,998	14,583
Total liabilities	29,724	35,369
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,765	4,765
Retained earnings	35,585	41,231
Treasury shares	(579)	(550)
Total shareholders' equity	46,107	51,781
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,906	1,793
Deferred gains or losses on hedges	(153)	(143)
Foreign currency translation adjustment	11	12
Remeasurements of defined benefit plans	69	90
Total accumulated other comprehensive income	1,833	1,751
Non-controlling interests	6,902	7,581
Total net assets	54,843	61,114
Total liabilities and net assets	84,568	96,484

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

Consolidated quarterly statements of income

(Million yen)

	Six months ended March 31, 2019	Six months ended March 31, 2020
Net sales	45,903	48,246
Cost of sales	35,124	35,598
Gross profit	10,778	12,647
Selling, general and administrative expenses	7,045	7,145
Operating profit	3,733	5,502
Non-operating income		
Interest income	0	0
Dividend income	85	90
Share of profit of entities accounted for using equity method	201	1,700
Other	16	20
Total non-operating income	303	1,812
Non-operating expenses		
Interest expenses	11	20
Foreign exchange losses	2	0
Loss on investments in silent partnership	29	40
Overseas withholding taxes	–	19
Other	0	0
Total non-operating expenses	42	82
Ordinary profit	3,993	7,232
Extraordinary income		
Gain on sales of investment securities	252	2,731
Other	1	–
Total extraordinary income	253	2,731
Extraordinary losses		
Loss on retirement of non-current assets	7	22
Loss on revaluation of investment securities	30	29
Loss on cancellation of leases	1	0
Other	–	1
Total extraordinary losses	38	54
Profit before income taxes	4,208	9,909
Income taxes	1,265	2,663
Profit	2,943	7,245
Profit attributable to non-controlling interests	120	779
Profit attributable to owners of parent	2,823	6,466

Consolidated quarterly statements of comprehensive income

(Million yen)

	Six months ended March 31, 2019	Six months ended March 31, 2020
Profit	2,943	7,245
Other comprehensive income		
Valuation difference on available-for-sale securities	(838)	(98)
Deferred gains or losses on hedges	–	9
Foreign currency translation adjustment	(0)	0
Remeasurements of defined benefit plans	33	10
Share of other comprehensive income of entities accounted for using equity method	(5)	(4)
Total other comprehensive income	<hr/> (811)	<hr/> (83)
Comprehensive income	<hr/> 2,132	<hr/> 7,162
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,139	6,385
Comprehensive income attributable to non- controlling interests	(6)	777

(3) Consolidated quarterly statements of cash flows

	(Million yen)	
	Six months ended March 31, 2019	Six months ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	4,208	9,909
Depreciation	1,721	1,626
Amortization of goodwill	7	–
Increase (decrease) in provision for bonuses	(1,148)	(1,685)
Decrease (increase) in retirement benefit asset	(0)	0
Increase (decrease) in retirement benefit liability	72	20
Increase (decrease) in allowance for doubtful accounts	28	27
Increase (decrease) in provision for share-based compensation	50	54
Increase (decrease) in provision for loss on order received	(510)	(427)
Interest and dividend income	(85)	(91)
Interest expenses	11	20
Share of loss (profit) of entities accounted for using equity method	(201)	(1,700)
Loss (gain) on investments in silent partnerships	29	40
Loss (gain) on sales of non-current assets	(0)	–
Loss on retirement of non-current assets	7	22
Loss (gain) on sales of investment securities	(252)	(2,731)
Loss (gain) on valuation of investment securities	30	29
Decrease (increase) in trade receivables	(8,920)	(10,996)
Decrease (increase) in inventories	(3,090)	(2,552)
Increase (decrease) in trade payables	3,800	3,437
Increase (decrease) in accrued consumption taxes	(248)	529
Increase (decrease) in advances received	782	373
Other	1,624	1,258
Subtotal	(2,084)	(2,831)
Interest and dividends received	115	167
Interest paid	(9)	(22)
Income taxes paid	(1,029)	(1,127)
Net cash provided by (used in) operating activities	(3,008)	(3,814)
Cash flows from investing activities		
Purchase of property and equipment	(405)	(631)
Proceeds from sales of property and equipment	2	–
Purchase of intangible assets	(497)	(663)
Purchase of investment securities	(536)	(1,789)
Proceeds from sales of investment securities	283	3,720
Loan advances	(6)	(1)
Collection of loans receivable	2	2
Payments of leasehold and guarantee deposits	(5)	(6)
Proceeds from refund of leasehold and guarantee deposits	4	5
Other	0	–
Net cash provided by (used in) investing activities	(1,157)	637

	(Million yen)	
	Six months ended March 31, 2019	Six months ended March 31, 2020
Cash flows from financing activities		
Proceeds from long-term borrowings	–	1,700
Repayments of lease obligations	(294)	(479)
Dividends paid	(739)	(821)
Dividends paid to non-controlling interests	(69)	(98)
Purchase of treasury shares	(0)	–
Net cash provided by (used in) financing activities	<u>(1,104)</u>	<u>299</u>
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	(5,270)	(2,876)
Cash and cash equivalents at beginning of period	22,062	25,657
Cash and cash equivalents at end of period	16,791	22,781

(4) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Notes in the case of material changes in shareholders' equity)

Not applicable

(Application of special accounting in preparing consolidated quarterly financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by multiplying profit before income taxes in the first six months under review by a reasonably estimated effective tax rate after the application of tax effect accounting for profit before income taxes in the consolidated fiscal year including the second quarter 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, in the previous fiscal year and 549 million yen and 168,000, respectively in the second quarter 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 client wished to discontinue the main part of the development and a cancellation agreement was concluded for the main part in January 2019. We have been taking steps under the cancellation agreement and have been reviewing the remaining part of the agreement in consultation with the client in stages.

In the first six months under review, we posted net sales and cost of sales for part of the development project after acceptance inspection by the client and reduced the corresponding amount from provision for loss on order received of 1,188 million yen posted at the end of the previous fiscal year. We are continuing to discuss the schedule and work with the client, and at the end of the second quarter under review, we estimated expenses and posted an estimated loss of 614 million yen as provision for loss on order received. The inventories related to the order received where losses are expected and provision for loss on order received are not offset and both are presented as is. Inventories related to the development project at the end of the second quarter stood at 83 million yen.

We estimate expenses as reasonably as possible. However, we are still discussing the schedule and work, and the estimated expenses may change depending on the progress of the discussion and its results.

(Segment information, etc.)

I. Six months ended March 31, 2019

1. Information regarding amounts of net sales and profit/loss by reportable segment

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated quarterly statement of income (Note 2)
	Think tank and consulting services	IT services			
Net sales					
Outside customers	17,768	28,135	45,903	–	45,903
Inter-segment sales and transfers	49	769	819	(819)	–
Total	17,817	28,905	46,722	(819)	45,903
Segment profit	2,969	1,013	3,982	11	3,993

Notes: 1. The adjustment in segment profit of 11 million yen includes an adjustment of inventories of negative 1 million yen and an adjustment of non-current assets of 12 million yen.

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

2. Information regarding impairment loss of non-current assets or regarding goodwill by reportable segment

There are no significant items in the first six months under review.

II. Six months ended March 31, 2020

1. Information regarding amounts of net sales and profit/loss by reportable segment

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated quarterly statement of income (Note 2)
	Think tank and consulting services	IT services			
Net sales					
Outside customers	17,963	30,282	48,246	–	48,246
Inter-segment sales and transfers	34	630	664	(664)	–
Total	17,997	30,913	48,910	(664)	48,246
Segment profit	5,058	2,171	7,229	2	7,232

Notes: 1. The adjustment in segment profit of 2 million yen includes an adjustment of inventories of negative 2 million yen and an adjustment of non-current assets of 5 million yen.

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

2. Information regarding impairment loss of non-current assets or regarding goodwill by reportable segment

(Significant gain on bargain purchase)

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.

3. Supplementary information

Status of orders received and sales

(1) Status of orders received

The table below shows orders by segment.

Segment name	Six months ended March 31, 2020				(Million yen)
	Orders received	Year-on-year change (%)	Order backlog	Year-on-year change (%)	
Think tank and consulting services	20,256	24.6	28,600	21.8	
IT services	31,205	10.1	41,296	12.6	
System development	19,663	17.9	21,049	21.3	
Outsourcing services	11,542	(0.9)	20,247	4.8	
Total	51,462	15.4	69,897	16.2	

Notes: 1. Inter-segment transactions are offset against each other.

2. The numbers exclude consumption tax.

3. For services that are provided continually and paid for based on performance, expected sales for a year after the end of the second quarter under review are stated in the order backlog column.

(2) Sales performance

The table below shows sales by segment.

Segment name	Six months ended March 31, 2020		Year-on-year change (%)	(Million yen)
Think tank and consulting services		17,963	1.1	
IT services		30,282	7.6	
System development		18,837	14.9	
Outsourcing services		11,445	(2.5)	
Total		48,246	5.1	

Notes: 1. Inter-segment transactions are offset against each other.

2. The numbers exclude consumption tax.