

[Translation for reference only]

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Translation



MEMBERSHIP

August 3, 2020

Consolidated Financial Results for the Nine 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: August 4, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: No

(Rounded down to the nearest million yen)

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

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|-------------------|-------------|-------|------------------|--------|-----------------|--------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Nine months ended | | | | | | | | |
| June 30, 2020 | 70,590 | 2.2 | 5,896 | 42.6 | 8,043 | 68.8 | 7,199 | 122.5 |
| June 30, 2019 | 69,102 | (1.7) | 4,135 | (22.3) | 4,764 | (16.3) | 3,235 | (11.8) |

Note: Comprehensive income

For the nine months ended June 30, 2020: 8,177 million yen [274.1%]
 For the nine months ended June 30, 2019: 2,185 million yen [(43.5%)]

| | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Nine months ended | | |
| June 30, 2020 | 443.01 | – |
| June 30, 2019 | 199.17 | – |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|--------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of | | | |
| June 30, 2020 | 92,863 | 61,241 | 57.8 |
| September 30, 2019 | 84,568 | 54,843 | 56.7 |

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

As of June 30, 2020: 53,706 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 |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended September 30, 2019 | – | 45.00 | – | 50.00 | 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 | 92,500 | 2.7 | 5,500 | 7.2 | 7,500 | 31.1 | 6,600 | 83.3 | 406.11 |

Note: Revisions to the earnings forecasts most recently announced: Yes

***Notes**

- (1) Changes in significant subsidiaries during the nine 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 (3) Notes to consolidated financial statements (Application of special accounting in preparing consolidated quarterly financial statements)” on page 9 of the attached materials.
- (3) 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: None
 - 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 June 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 June 30, 2020 | 169,376 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)

| | |
|---------------------------------|-------------------|
| Nine months ended June 30, 2020 | 16,250,871 shares |
| Nine months ended June 30, 2019 | 16,245,885 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 nine months****(1) Explanation regarding operating results**

During the first nine months of the fiscal year under review (October 1, 2019, to June 30, 2020), the world economy grew moderately from October through December 2019; however, economic activities were significantly reduced from January through April 2020 due to the spread of the novel coronavirus infection disease (COVID-19). While moves to resume economic activities have been rising in many countries since May, economic recoveries have mostly been limited. In the United States, the number of new COVID-19 cases increased rapidly in June amid efforts to resume economic activities. In Europe, while economies are recovering from their nadir, certain numbers of new cases continue to be confirmed and economic activities remain at a low ebb. The Chinese economy shifted to a recovery with a focus on domestic demand ahead of the United States and Europe, thanks to a relatively low level of damage from the disease for now. Countries have announced a significant strengthening of fiscal spending and monetary easing policies to help companies with financing, provide liquidity to financial markets, and support employment and livelihoods.

The Japanese economy has entered a serious recessionary phase due to the COVID-19 pandemic. Consumption decreased significantly, especially in the restaurant, tourism, and leisure industries in response to business suspensions and stay-at-home advisories after the declaration of a state of emergency. While the economy has shown signs of recovery amid the gradual lifting of the state of emergency since mid-May, conditions remain harsh and the number of foreign visitors to Japan and inbound tourism consumption have dropped to nearly zero. Companies have grown cautious about investment due to a sense of excessive facilities, concerns over financing, and growing uncertainty about the future.

In this situation, Mitsubishi Research Institute, Inc. and its consolidated subsidiaries (the "MRI Group") were also forced to suspend ongoing operations, change specifications, and suspend, change, or postpone work-in-process projects, among other measures. The MRI Group's financial results for the first nine months of the fiscal year under review, however, were not critically affected thanks in part to steady achievements made under the Medium-term Management Plan 2020 ("MP2020").

The fiscal year under review is the final year of the MP2020 of the MRI Group, which 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.

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 information and communication, 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 70,590 million yen (up 2.2% year on year) and operating profit of 5,896 million yen (up 42.6% year on year) in the MRI Group in the first nine months of the fiscal year under review. Ordinary profit rose significantly to 8,043 million yen (up 68.8% year on year) and profit attributable to owners of parent also increased substantially to 7,199 million yen (up 122.5% 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 nine months under review, net sales (sales to outside clients) stood at 28,828 million yen (up 2.2% year on year), reflecting growth in projects for government and public offices and consulting for financial institutions. Ordinary profit came to 5,912 million yen (up 62.7% 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 nine months under review, net sales (sales to outside clients) amounted to 41,762 million yen (up 2.1% year on year) chiefly due to sales from system development projects for financial institutions. Ordinary profit was 2,125 million yen (up 92.9% 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

Total assets at the end of the first nine months under review increased 8,295 million yen (up 9.8%) from the end of the previous fiscal year, to 92,863 million yen. Current assets stood at 54,626 million yen (up 14.7%) and non-current assets were 38,237 million yen (up 3.5%). The main factor for the increase in current assets was an increase of 11,126 million yen in cash and deposits, which more than offset a decrease of 5,277 million yen in notes and accounts receivable - trade. The major factor for an increase in non-current assets was an upturn of 1,055 million yen in investments and other assets chiefly due to a rise in investment securities.

Liabilities rose 1,897 million yen (up 6.4%) from the end of the previous fiscal year, to 31,622 million yen, chiefly reflecting an increase in long-term borrowings of 1,700 million yen.

Net assets climbed 6,398 million yen (up 11.7%) from the end of the previous fiscal year, to 61,241 million yen mainly due to an increase in retained earnings of 5,556 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 COVID-19 worldwide. The MRI Group's results in the first nine months of the fiscal year under review do not show significant effects from the pandemic. However, there may be an impact on business activities and results if the pandemic is prolonged or has a significant impact on the businesses of MRI Group's clients. 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 MRI Group has revised its consolidated earnings forecasts and full-year earnings forecasts by segment for the fiscal year ending September 30, 2020, as presented below in response primarily to the results for the first nine months of the fiscal year under review. Profit is expected to exceed the forecast announced on February 5, 2020, after compensating for the above-mentioned downward impact of COVID-19 on net sales. 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 following the declaration of a state of emergency will be imposed again.

Revision of full-year consolidated earnings forecasts (from October 1, 2019 to September 30, 2020)

| | Consolidated net sales | Consolidated operating profit | Consolidated ordinary profit | Profit attributable to owners of parent | Basic earnings per share |
|--|------------------------|-------------------------------|------------------------------|---|--------------------------|
| | Million yen | Million yen | Million yen | Million yen | Yen |
| Previous forecasts (A) | 94,000 | 4,900 | 7,000 | 6,300 | 387.65 |
| Revised forecasts (B) | 92,500 | 5,500 | 7,500 | 6,600 | 406.11 |
| Change (B) – (A) | (1,500) | 600 | 500 | 300 | – |
| Percent change | (1.6) | 12.2 | 7.1 | 4.8 | – |
| (Ref.) Consolidated results for the previous fiscal year (ended Sep. 2019) | 90,029 | 5,130 | 5,718 | 3,599 | 221.58 |

Revision of full-year earnings forecasts by segment (from October 1, 2019 to September 30, 2020)

| | Think tank and consulting services | | IT services | |
|---|------------------------------------|-----------------|-------------|-----------------|
| | Net sales | Ordinary profit | Net sales | Ordinary profit |
| | Million yen | Million yen | Million yen | Million yen |
| Previous forecasts (A) | 36,000 | 4,600 | 58,000 | 2,400 |
| Revised forecasts (B) | 34,500 | 4,900 | 58,000 | 2,600 |
| Change (B) – (A) | (1,500) | 300 | – | 200 |
| Percent change | (4.2) | 6.5 | – | 8.3 |
| (Ref.) Results by segment in the previous fiscal year (ended Sep. 2019) | 34,099 | 3,351 | 55,930 | 2,325 |

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.

2. Consolidated financial statements and significant notes thereto

(1) Consolidated quarterly balance sheets

(Million yen)

| | As of September 30, 2019 | As of June 30, 2020 |
|--|--------------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 25,957 | 37,083 |
| Notes and accounts receivable - trade | 13,134 | 7,856 |
| Inventories | 6,914 | 7,289 |
| Other | 1,641 | 2,400 |
| Allowance for doubtful accounts | (12) | (3) |
| Total current assets | 47,635 | 54,626 |
| Non-current assets | | |
| Property and equipment | | |
| Buildings and structures, net | 6,010 | 5,630 |
| Machinery, equipment and vehicles, net | 11 | 8 |
| Tools, furniture and fixtures, net | 1,330 | 1,560 |
| Land | 720 | 720 |
| Leased assets, net | 582 | 908 |
| Construction in progress | 191 | 269 |
| Total property and equipment | 8,846 | 9,098 |
| Intangible assets | | |
| Software | 3,270 | 2,810 |
| Leased assets | 2,632 | 2,232 |
| Other | 134 | 990 |
| Total intangible assets | 6,036 | 6,033 |
| Investments and other assets | | |
| Investment securities | 14,398 | 15,450 |
| Deferred tax assets | 4,164 | 4,114 |
| Other | 3,491 | 3,544 |
| Allowance for doubtful accounts | (6) | (4) |
| Total investments and other assets | 22,049 | 23,104 |
| Total non-current assets | 36,932 | 38,237 |
| Total assets | 84,568 | 92,863 |

(Million yen)

| | As of September 30, 2019 | As of June 30, 2020 |
|---|--------------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 3,344 | 3,755 |
| Current portion of long-term borrowings | – | 300 |
| Accounts payable - other | 2,880 | 1,182 |
| Accrued expenses | 1,079 | 1,119 |
| Income taxes payable | 1,257 | 1,923 |
| Provision for bonuses | 3,782 | 2,147 |
| Provision for loss on order received | 1,226 | 761 |
| Other | 3,155 | 6,002 |
| Total current liabilities | 16,726 | 17,192 |
| Non-current liabilities | | |
| Long-term borrowings | – | 1,400 |
| Lease obligations | 2,553 | 2,455 |
| Provision for share-based compensation | 301 | 354 |
| Net defined benefit liability | 10,068 | 10,157 |
| Asset retirement obligations | 51 | 51 |
| Other | 23 | 10 |
| Total non-current liabilities | 12,998 | 14,430 |
| Total liabilities | 29,724 | 31,622 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 6,336 | 6,336 |
| Capital surplus | 4,765 | 4,765 |
| Retained earnings | 35,585 | 41,142 |
| Treasury shares | (579) | (550) |
| Total shareholders' equity | 46,107 | 51,692 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,906 | 1,991 |
| Deferred gains or losses on hedges | (153) | (80) |
| Foreign currency translation adjustment | 11 | 11 |
| Remeasurements of defined benefit plans | 69 | 90 |
| Total accumulated other comprehensive income | 1,833 | 2,013 |
| Non-controlling interests | 6,902 | 7,535 |
| Total net assets | 54,843 | 61,241 |
| Total liabilities and net assets | 84,568 | 92,863 |

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

(Million yen)

| | Nine months ended June 30, 2019 | Nine months ended June 30, 2020 |
|---|------------------------------------|------------------------------------|
| Net sales | 69,102 | 70,590 |
| Cost of sales | 53,903 | 53,790 |
| Gross profit | 15,199 | 16,799 |
| Selling, general and administrative expenses | 11,063 | 10,903 |
| Operating profit | 4,135 | 5,896 |
| Non-operating income | | |
| Interest income | 0 | 2 |
| Dividend income | 201 | 174 |
| Share of profit of entities accounted for using equity method | 460 | 2,045 |
| Other | 51 | 44 |
| Total non-operating income | 712 | 2,266 |
| Non-operating expenses | | |
| Interest expenses | 20 | 33 |
| Foreign exchange losses | 9 | - |
| Loss on investments in silent partnership | 53 | 49 |
| Overseas withholding taxes | - | 28 |
| Other | 0 | 8 |
| Total non-operating expenses | 83 | 119 |
| Ordinary profit | 4,764 | 8,043 |
| Extraordinary income | | |
| Gain on sales of investment securities | 252 | 2,731 |
| Other | 41 | - |
| Total extraordinary income | 293 | 2,731 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 9 | 25 |
| Loss on revaluation of investment securities | 82 | 40 |
| Loss on cancellation of leases | 1 | 0 |
| Other | 19 | 1 |
| Total extraordinary losses | 113 | 67 |
| Profit before income taxes | 4,944 | 10,708 |
| Income taxes | 1,584 | 2,744 |
| Profit | 3,360 | 7,964 |
| Profit attributable to non-controlling interests | 124 | 764 |
| Profit attributable to owners of parent | 3,235 | 7,199 |

Consolidated quarterly statements of comprehensive income

(Million yen)

| | Nine months ended June 30, 2019 | Nine months ended June 30, 2020 |
|--|------------------------------------|------------------------------------|
| Profit | 3,360 | 7,964 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,092) | 162 |
| Deferred gains or losses on hedges | (132) | 73 |
| Foreign currency translation adjustment | 0 | (0) |
| Remeasurements of defined benefit plans | 50 | 15 |
| Share of other comprehensive income of entities accounted for using equity method | (0) | (36) |
| Total other comprehensive income | (1,174) | 213 |
| Comprehensive income | 2,185 | 8,177 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,173 | 7,379 |
| Comprehensive income attributable to non- controlling interests | 12 | 798 |

(3) 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 nine 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 third 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 third 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 nine 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 third quarter under review, we estimated expenses and posted an estimated loss of 583 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 third quarter stood at 102 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.

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

The COVID-19 pandemic is having an extreme impact on the real economies of Japan and other countries. While the economy has shown signs of recovery amid the gradual lifting of the state of emergency since mid-May, companies have become cautious about investing due to growing uncertainty about the future.

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 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.)

I. Nine months ended June 30, 2019

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

(Million yen)

| | Reportable segments | | Total | Adjustment (Note 1) | Amount recorded in the consolidated quarterly statements of income (Note 2) |
|--------------------------------------|---------------------------------------|-------------|--------|------------------------|---|
| | Think tank and consulting services | IT services | | | |
| Net sales | | | | | |
| Outside customers | 28,215 | 40,886 | 69,102 | – | 69,102 |
| Inter-segment sales and transfers | 55 | 1,011 | 1,066 | (1,066) | – |
| Total | 28,271 | 41,898 | 70,169 | (1,066) | 69,102 |
| Segment profit | 3,634 | 1,101 | 4,735 | 28 | 4,764 |

Notes: 1. The adjustment in segment profit of 28 million yen includes an adjustment of inventories of negative 6 million yen and an adjustment of non-current assets of 35 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 nine months under review.

II. Nine months ended June 30, 2020

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

(Million yen)

| | Reportable segments | | Total | Adjustment (Note 1) | Amount recorded in the consolidated quarterly statements of income (Note 2) |
|--------------------------------------|---------------------------------------|-------------|--------|------------------------|---|
| | Think tank and consulting services | IT services | | | |
| Net sales | | | | | |
| Outside customers | 28,828 | 41,762 | 70,590 | – | 70,590 |
| Inter-segment sales and transfers | 38 | 873 | 911 | (911) | – |
| Total | 28,867 | 42,635 | 71,502 | (911) | 70,590 |
| Segment profit | 5,912 | 2,125 | 8,037 | 6 | 8,043 |

Notes: 1. The adjustment in segment profit of 6 million yen includes an adjustment of inventories of negative 4 million yen and an adjustment of non-current assets of 10 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.

(Million yen)

| Segment name | Nine months ended June 30, 2020 | | | |
|------------------------------------|---------------------------------|-------------------------|---------------|-------------------------|
| | Orders received | Year-on-year change (%) | Order backlog | Year-on-year change (%) |
| Think tank and consulting services | 29,005 | 11.2 | 26,483 | 15.8 |
| IT services | 43,091 | (0.3) | 41,703 | 7.4 |
| System development | 26,283 | (0.6) | 21,173 | 9.3 |
| Outsourcing services | 16,808 | 0.2 | 20,529 | 5.6 |
| Total | 72,097 | 4.0 | 68,187 | 10.5 |

- 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 third quarter under review are stated in the order backlog column.

(2) Sales performance

The table below shows sales by segment.

(Million yen)

| Segment name | Nine months ended June 30, 2020 | Year-on-year change (%) |
|------------------------------------|---------------------------------|-------------------------|
| Think tank and consulting services | 28,828 | 2.2 |
| IT services | 41,762 | 2.1 |
| System development | 25,333 | 4.9 |
| Outsourcing services | 16,428 | (1.9) |
| Total | 70,590 | 2.2 |

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