[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, 2022

Consolidated Financial Results for the Fiscal Year Ended September 30, 2022 <under Japanese GAAP>

Company name: **Mitsubishi Research Institute, Inc.**
Listing: Prime Market of the Tokyo Stock Exchange
Stock code: 3636 URL: https://www.mri.co.jp/en/
Representative: Kenji Yabuta, 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 21, 2022
Scheduled date to commence dividend payments: December 22, 2022
Scheduled date to submit Annual Securities Report: December 21, 2022
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, 2022 (from October 1, 2021 to September 30, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2022	116,620	13.2	9,165	33.7	10,493	38.6	7,707	53.9
September 30, 2021	103,030	12.0	6,853	10.0	7,568	(9.8)	5,009	(29.4)

Note: Comprehensive income
For the fiscal year ended September 30, 2022: 8,174 million yen [50.0%]
For the fiscal year ended September 30, 2021: 5,448 million yen [(35.7)%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/ total assets	Operating profit/ net sales
Fiscal year ended	Yen	Yen	%	%	%
September 30, 2022	474.67	–	12.8	9.8	7.9
September 30, 2021	308.60	–	9.1	7.7	6.7

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended September 30, 2022: 1,022 million yen
For the fiscal year ended September 30, 2021: 532 million yen

Note: From the beginning of the fiscal year ended September 30, 2022, the Group began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. The figures for the fiscal year ended September 30, 2022 are the figures after the application of the relevant accounting standards.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
September 30, 2022	114,652	71,151	55.0	3,880.03
September 30, 2021	99,704	63,836	56.4	3,471.53

Reference: Equity (Net assets – Non-controlling interests)
As of September 30, 2022: 63,052 million yen
As of September 30, 2021: 56,279 million yen

Note: From the beginning of the fiscal year ended September 30, 2022, the Group began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. The figures for the fiscal year ended September 30, 2022 are the figures after the application of the relevant accounting standards.

(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, 2022	9,256	(6,654)	(3,850)	27,857
September 30, 2021	3,252	(1,970)	(4,624)	29,097

Note: From the beginning of the fiscal year ended September 30, 2022, the Group began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. The figures for the fiscal year ended September 30, 2022 are the figures after the application of the relevant accounting standards.

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, 2021	–	55.00	–	60.00	115.00	1,888	37.3	3.4
Fiscal year ended September 30, 2022	–	60.00	–	80.00	140.00	2,299	29.5	3.8
Fiscal year ending September 30, 2023 (Forecast)	–	75.00	–	75.00	150.00		37.5	

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2023 (from October 1, 2022 to September 30, 2023)

(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, 2023	118,000	1.2	9,300	1.5	10,600	1.0	6,500	(15.7)	399.99

* 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

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

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

(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, 2022	16,424,080 shares
As of September 30, 2021	16,424,080 shares

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

As of September 30, 2022	173,507 shares
As of September 30, 2021	212,426 shares

c. Average number of outstanding shares during the period

Fiscal year ended September 30, 2022	16,237,915 shares
Fiscal year ended September 30, 2021	16,231,915 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 26 of the attached materials.

(Reference) Overview of non-consolidated performance

1. Non-consolidated performance for the fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2022	46,314	20.3	3,305	12.0	5,383	2.1	4,353	6.9
September 30, 2021	38,502	17.8	2,952	4.1	5,270	41.7	4,073	46.6

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
September 30, 2022	268.10	–
September 30, 2021	250.94	–

Note: From the beginning of the fiscal year ended September 30, 2022, the Group began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. The figures for the fiscal year ended September 30, 2022 are the figures after the application of the relevant accounting standards.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
September 30, 2022	61,707	45,249	73.3	2,784.48
September 30, 2021	57,895	42,012	72.6	2,591.53

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

As of September 30, 2022: 45,249 million yen

As of September 30, 2021: 42,012 million yen

Note: From the beginning of the fiscal year ended September 30, 2022, the Group began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. The figures for the fiscal year ended September 30, 2022 are the figures after the application of the relevant accounting standards.

* Reasons for differences between the non-consolidated financial results for the fiscal year ended September 30, 2022 and the actual results for the previous fiscal year

Net sales rose year on year due to firm demand for projects for public offices.

* 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 earnings forecast is made based on information available at the time of publication of this document. MRI 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 MRI's website.

Table of Contents of the Attached Materials

(Attached Materials)

1. Overview of operating results and others

From the beginning of the fiscal year under review, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. began to be adopted.

Details are described in “5. Consolidated financial statements and significant notes thereto (5) Notes to consolidated financial statements (Changes in accounting policies).”

(1) Overview of operating results for the fiscal year under review

The fiscal year under review is the second year of the Medium-Term Management Plan 2023 (“MP2023”), which Mitsubishi Research Institute, Inc. (“MRI”) and its consolidated subsidiaries (the “MRI Group”) formulated together with a new management philosophy to mark its 50th anniversary. Based on the basic strategies of “VCP(*) management,” “Consolidation management” and “Management under the new normal,” the MRI Group is implementing initiatives to resolve societal issues through its own growth, aiming for a “resilient and sustainable society.”

Efforts are being made to improve the value provision capability of the research and consulting business and the financial solutions business, which are positioned as the Group’s core businesses. At the same time, upfront investment is being made in enhancing the policy recommendation function exercised as a think tank, as well as in the digital transformation (DX) business, the subscription-based business (provision of general services using intellectual assets), and the global business as growth businesses, among others.

Although the protraction of the COVID-19 pandemic and the Russian invasion of Ukraine have impacted the Japanese economy in various ways, there were no significant effects on the MRI Group’s operating results in the fiscal year under review. The trend toward a “new normal” post COVID is seen as a potential business opportunity for the Group and initiatives are being implemented in line with the basic strategies of MP2023 and are starting to pay off.

In the DX business, which is positioned as a driving force for the growth businesses, the Group has set three priority themes: private sector, public sector, and financial industry. For the private sector, for example, the Group is proactively working to provide support that combines DX consulting and cloud transition and encourage digital marketing that uses big data analysis. It has also built a track record in the effective promotion of digital transformation, the use of AI, and predictive business operations management that uses big data, among other areas, for customers in a broad range of industries, including chemistry, insurance and electricity. Meanwhile, for the public sector, MRI and Mitsubishi Research Institute DCS Co., Ltd., which are two core companies in the MRI Group, are collaborating over initiatives, having built a track record in winning orders for DX-related products for central ministries and agencies and local governments.

As a result, in the fiscal year under review, the MRI Group recorded net sales of 116,620 million yen (up 13.2% year on year), operating profit of 9,165 million yen (up 33.7% year on year), ordinary profit of 10,493 million yen (up 38.6% year on year), and profit attributable to owners of parent of 7,707 million yen (up 53.9% year on year).

The application of the Accounting Standard for Revenue Recognition, etc. resulted in increases in net sales by 2,582 million yen, operating profit, ordinary profit, and profit before taxes by 1,030 million yen each, and profit attributable to owners of parent by 567 million yen, respectively, in the fiscal year under review. Both sales and profit increased even where the above impact is excluded.

<Think tank and consulting services>
In the fiscal year under review, net sales (sales to outside clients) amounted to 48,548 million yen (up 20.2% year on year) and ordinary profit amounted to 5,190 million yen (up 23.7% year on year), chiefly due to large projects, including AI simulation related to COVID-19, in the public sector, and growth in demonstration projects for next-generation communications such as 5G, research projects for renewable energy, and healthcare-related projects in the medical and nursing sectors.

Because of the application of the Accounting Standard for Revenue Recognition, etc., net sales decreased 285 million yen and ordinary profit decreased 7 million yen in the fiscal year under review.

<IT services>
In the fiscal year under review, net sales (sales to outside clients) amounted to 68,072 million yen (up 8.6% year on year) and ordinary profit was 5,301 million yen (up 57.7% year on year), chiefly due to sales from system infrastructure renewal projects for financial institutions.
Because of the application of the Accounting Standard for Revenue Recognition, etc., net sales increased 2,867 million yen and ordinary profit increased 1,037 million yen in the fiscal year under review.

(*) VCP stands for Value Creation Process. VCP refers to the process of developing the MRI Group's value chain, in other words, aiming to improve the value provided to customers and society and sustainable growth by using societal issues as a starting point and setting their resolution and realization of a desirable future world as goals.

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

Total assets at the end of the fiscal year under review increased 14,947 million yen (up 15.0%) from the end of the previous fiscal year, to 114,652 million yen. Of which, current assets stood at 73,921 million yen (up 25.0%) and non-current assets were 40,730 million yen (up 0.4%). In current assets, largely due to growth in sales and orders and the impact of application of the revenue recognition accounting standard, notes and accounts receivable - trade and contract assets increased 5,779 million yen and 14,561 million yen respectively, while inventories decreased 9,517 million yen. In addition, securities for short-term investment increased 5,000 million yen.

Liabilities rose 7,632 million yen (up 21.3%) from the end of the previous fiscal year, to 43,500 million yen. This reflects increases of 4,793 million yen in accrued expenses and 2,928 million yen in income taxes payable.

Net assets climbed 7,315 million yen (up 11.5%) from the end of the previous fiscal year, to 71,151 million yen mainly due to an increase in retained earnings of 6,971 million yen. The equity ratio stood at 55.0%. The amount of increase in retained earnings includes the cumulative effect of the retrospective application of the Accounting Standard for Revenue Recognition, etc. to the results prior to the beginning of the fiscal year under review.

(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 fell 1,239 million yen from the end of the previous fiscal year, to 27,857 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 9,256 million yen, compared with 3,252 million yen provided in the previous fiscal year. This primarily reflects 12,160 million yen in profit before income taxes and 3,610 million yen in depreciation, as well as a 10,099 million yen increase in notes and accounts receivable - trade due to growth in sales and orders, a 4,793 million yen increase in accrued expenses, and income taxes paid of 1,506 million yen.
Compared with the previous fiscal year, cash inflows increased by 6,003 million yen, mainly due to an increase of 4,333 million yen in profit before income taxes and a decrease of 2,642 million yen in income taxes paid.

(Cash flows from investing activities)
Cash used in investing activities was 6,654 million yen, compared with 1,970 million yen used in the previous fiscal year. Main factors include 5,000 million yen in purchase of securities, 1,359 million yen in proceeds from sales of investment securities, 602 million yen in purchase of investment securities, 1,312 million yen in purchase of property and equipment, and 1,874 million yen in purchase

of intangible assets.
Compared with the previous fiscal year, cash used increased 4,684 million yen, mainly reflecting an increase of 5,000 million yen in purchase of securities, and an increase of 533 million yen in proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation.

(Cash flows from financing activities)
Cash used in financing activities was 3,850 million yen, compared with 4,624 million yen used in the previous fiscal year. This was chiefly attributable to repayments of long-term borrowings of 400 million yen, dividends paid of 1,972 million yen, and repayments of lease obligations of 1,114 million yen.
Compared with the previous fiscal year, cash used was reduced by 774 million yen, chiefly due to a decrease of 325 million yen in dividends paid and a decrease of 334 million yen in purchase of treasury shares.

(4) Outlook for the next fiscal year

The MRI Group achieved the financial targets under MP2023 one year earlier than planned. In the next fiscal year, which is the final fiscal year of MP2023, the MRI Group will address issues that have emerged and still need to be addressed under MP2023 and lay the foundations for growth with an eye on the next MP, whilst maintaining growth across the group.

During the next fiscal year, Group forecasts net sales of 118,000 million yen (up 1.2% year on year), operating profit of 9,300 million yen (up 1.5% year on year), ordinary profit of 10,600 million yen (up 1.0% year on year), and profit attributable to owners of parent of 6,500 million yen (down 15.7% year on year). Profit attributable to owners of parent is expected to fall in the absence of extraordinary income as the gain on sale of investment securities recorded in the fiscal year under review.

In Think Tank & Consulting Services, in areas 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. However, in the course of implementing various initiatives under MP2023, a shortage of human resources has emerged as a serious issue. We plan to address this issue and also to implement measures necessary to further strengthen and pursue growth businesses under MP2023. More specifically, we will push ahead with measures related to human resources including increasing personnel, reallocating resources and implementing workstyle reform. We will also pursue R&D and strengthen the research recommendation function in order to develop businesses which will be the next source of earnings. In terms of R&D, we will focus on areas such as digital transformation (DX) business priority themes and fundamental economic and technological research. From the above, we forecast net sales (sales to outside clients) of 46,000 million yen (down 5.3% year on year), and ordinary profit of 4,900 million yen (down 5.6% year on year).

In IT Services, we forecast net sales (sales to outside clients) of 72,000 million yen, up 5.8% year on year, and ordinary profit of 5,700 million yen, up 7.5% year on year. On the business front, we plan to maintain the growth of finance/credit card projects and also focus on the expansion of systems such as big data utilization platforms, services for junior and senior high schools and universities, and ICT-related BPO* services. Based on consolidated management, we will also further strengthen partnerships and strive for growth in DX business for private non-financial corporations and the financial sector. In addition, the Group will work to improve profitability by reducing selling, general and administrative expenses, whilst at the same time pursuing R&D for future growth.

(*) 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, 2023

		Fiscal year ended September 30, 2022 (Actual result) (Million yen)	Fiscal year ending September 30, 2023 (Forecast) (Million yen)	Change	
				Amount (Million yen)	Rate (%)
Net sales		116,620	118,000	1,379	1.2
	Think Tank & Consulting Services	48,548	46,000	(2,548)	(5.3)
	IT Services	68,072	72,000	3,927	5.8
Operating profit		9,165	9,300	134	1.5
Ordinary profit		10,493	10,600	106	1.0
	Think Tank & Consulting Services	5,190	4,900	(290)	(5.6)
	IT Services	5,301	5,700	398	7.5
Profit attributable to owners of parent		7,707	6,500	(1,207)	(15.7)
Basic earnings per share (yen)		474.67	399.99	(74.68)	

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, 2022: 16,237 thousand shares
Fiscal year ending September 30, 2023: 16,250 thousand shares

The earnings forecast is made based on information available at the time of publication of this document. MRI 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.

(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, future demand for funds and financial soundness. MRI will use internal reserves to make investment in human resources, investment in research and recommendations, business investment and capital investment necessary for future business development, and strategic investment such as M&A, in order to realize sustainable growth.

Based on the above policy, we plan to pay a year-end ordinary dividend for the fiscal year under review of 80 yen, which represents an increase of 15 yen from the previous forecast. This, combined with the interim dividend of 60 yen, brings the annual dividend to 140 yen per share.

With regard to dividends for the next fiscal year, MRI expects to pay 75 yen per share for both the interim and year-end cash dividend, which will bring the annual dividend to 150 yen per share.

2. Group companies

The MRI Group comprises 15 companies (MRI, nine subsidiaries (nine 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 "hink Tank & 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 & 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., MRI Research Associates, Inc. and MPX, Inc.; and entities accounted for using equity method Nippon Care Communications Co., Ltd., Japan Business Systems, Inc. and INES Corporation

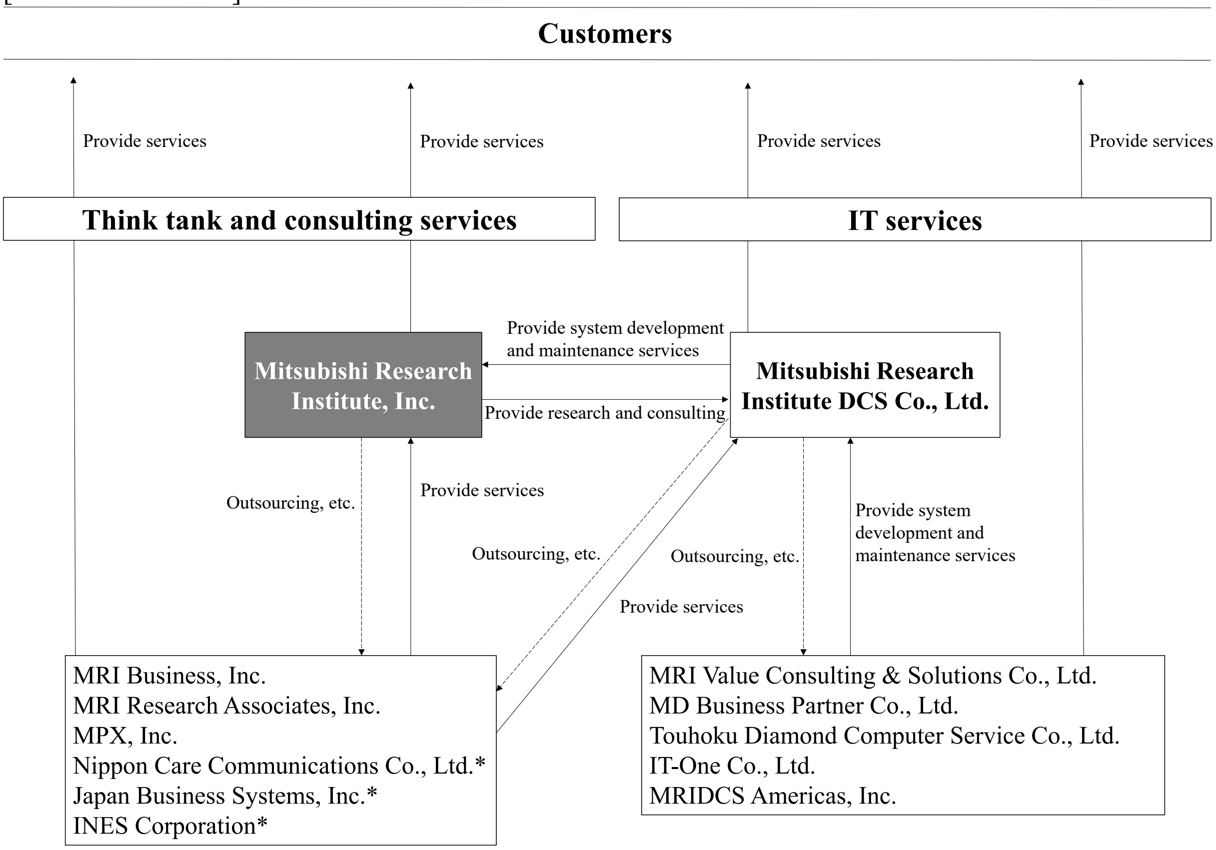
<IT Services>
Mitsubishi Research Institute DCS Co., Ltd., (DCS), MRI's consolidated subsidiary, plays a core role in providing software development, operation and maintenance, and information processing and outsourcing services in areas such as finance, manufacturing, logistics, services, and education, based on the insights and cutting-edge ICT technologies accumulated in the Think Tank & 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.

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

(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., IT-One Co., Ltd. and MRIDCS Americas, Inc.

[Business Structure]



No mark: consolidated subsidiary
*: Affiliate (entity accounted for using equity method)

(Notes)
1. MPX, Inc. became a consolidated subsidiary following its establishment by MRI in July 2022. MRI, Inc. succeeded to MRI's wholesale electricity trading online information service business by way of company split effective October 1, 2022.
2. MRIDCS Americas, Inc. is undergoing liquidation as of September 30, 2022, following a resolution on its dissolution in March 2021.

3. Management policy

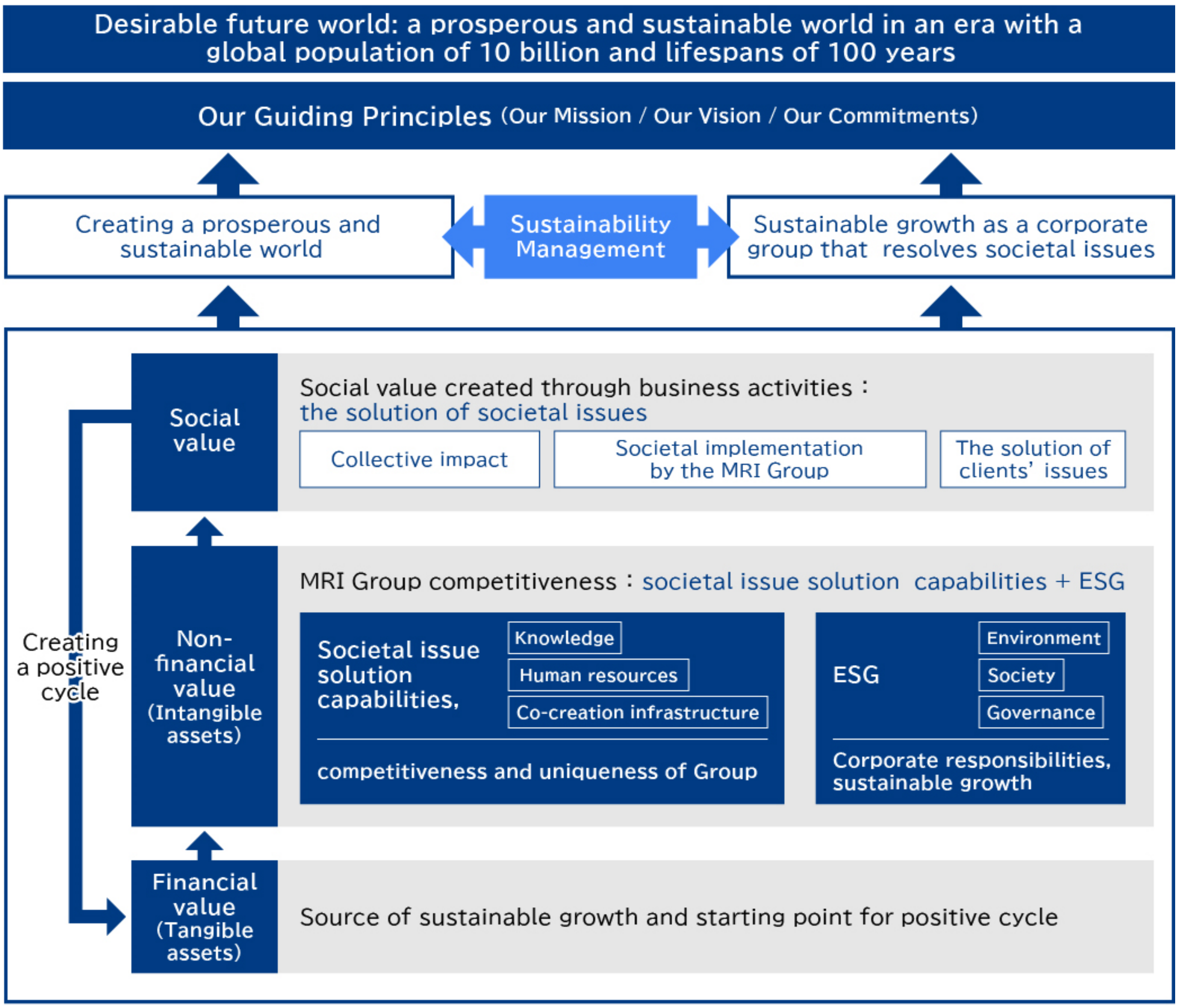
The forward-looking statements in the document are based on the judgment of the Group as of the end of the fiscal year under review.

(1) Management policy

The MRI Group aims to create social value and overcome the challenges facing society through its business operations, with a goal of creating an abundant and sustainable world in the coming era, with a global population of 10 billion and lifespans of 100 years.

In order to create an abundant and sustainable world, we will tackle the challenges facing society while expanding and operating a cycle of three key types of value: social value, non-financial value, and financial value. The Group will seek to create and improve social value by solving societal issues through its business activities. In order to do so, it will be necessary to increase the Group's non-financial value. We will achieve this by enhancing (1) our societal issue resolution capabilities, which are the source of our competitiveness, and (2) ESG, the foundation for society's trust in us. While seeking to improve financial value as the source of growth and the starting point for a positive cycle to enable these enhancements, we will continue to invest funds from the sales and profits brought about by social value and non-financial value into further growth.

Through this cycle, the Group itself aims to grow in a sustainable manner and to realize the sustainability of both society and the Group itself.

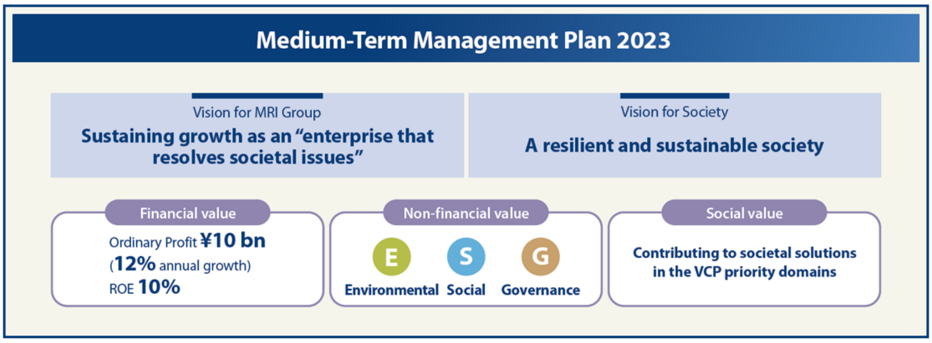


(2) Management strategy

(Medium-Term Management Plan 2023)

As explained earlier, the fiscal year under review is the second year of the Medium-Term Management Plan 2023 (“MP2023”). Whilst covering a three-year period from the fiscal year ended September 30, 2021 to the fiscal year ending September 30, 2023, MP2023 was positioned and formulated as a strategy which looks out 5 years and more based on the management philosophy.

In MP2023, we defined our vision for the MRI Group and our vision for society and we are aiming for three types for value created: financial, non-financial and social (see the figure below).



In aiming for the three types of value created, we have set out and are working on basic policies as shown below.

(1) VCP management: Management focused on “VCP”

(2) Consolidation management: Strengthening competitiveness and business base through consolidation management

(3) management under the new normal: Leading transformation for post-COVID society

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

(Financial value)

We use ordinary profit and ROE as key management indicators and have set target levels in the MP. In the fiscal year under review, we achieved the target levels for both one year earlier than planned. We will continue seeking to enhance corporate value and improve capital efficiency.

(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)

The MRI Group has set concrete non-financial value targets from the viewpoint of “our ability to resolve societal issues” and our “ESG* performance” and aim to achieve these targets.

With “our ability to resolve societal issues” broken down into the components “intellectual capital” and “co-creation platform” and our “ESG performance” broken down into the components “environmental” and “social,” we then set the number of partnerships/collaborative projects with venture companies, the ratio of renewable energy and suchlike as performance indicators and we reflect attainment of these performance indicators in officers’ remuneration by using their attainment as one of the factors in the calculation of variable remuneration (share-based compensation) of internal Directors.

(*) ESG: Environmental, social and governance factors which are considered important in order for companies to grow in the long term

(Social value)
The MRI Group has set its own social value targets in the areas it wants to focus on as a priority, for the realization of a resilient and sustainable society. The Group has eight priority areas, namely "healthcare," "human resources," "Mobility as a Services (MaaS)," "energy," "ICT infrastructure," "food and agriculture," "recycling" and "resilience *."

Whilst the targets in each area are medium-to-long term targets or may take even longer to achieve, the Group will continue to engage in concrete initiatives to create and enhance social value, and business management with a strong awareness of the value chain; from research & recommendations to societal implementation.

(*) Resilience means the ability to recover and bounce back and refers to the ability to cope in face of a disaster or other crisis and the ability to recover quickly.

(4) Operating environment

The MRI Group has positioned the Think Tank and Consulting Services segment (TTC) and financial and card services in the IT Services segment (ITS) as core businesses and has achieved growth through the strength of these businesses.

As the challenges facing society become increasingly more sophisticated and complex, government policies and systems to resolve such issues need to be drawn up and designed with increasingly high levels of wide-ranging expertise, urgency and agility. In the TTC Business, we have used our diverse expertise and integrated strengths to lead the way in addressing socially impactful, high priority issues in areas such as the COVID-19 response, energy, healthcare, transport, mobility and telecommunications. As a result, we have steadily won many government business contracts. At the same time, we are transforming our business portfolio and efficiently allocating resources as a priority to important businesses.

In the financial sector, with the rapid spread and development of ICT, adapting to new technologies including Fintech has become a matter of urgency. There is also pressure to comply with new international finance requirements to address issues which have emerged with increased globalization, such as money laundering and the management of various market risks, as well as pressure to adapt systems in response to such new requirements. In the ITS segment, we are expanding business by perceiving such changes in the financial sector and tapping into demand including demand for the development of new systems.

For further growth, we need to build on the strengths we have developed to date and predict and forecast changes in the much larger private-sector company market, with a focus on "implementation," in other words, delivering solutions based on cutting-edge ICT technologies, notably digital transformation (DX).

To this end, human resources, which are the source of our strength, better communication, and cooperation with various partners for "implementation" will be important and we intend to increase our focus on these areas in the future.

(5) Business and financial issues to be addressed

a. Securing and cultivation of human resources

Human resources are important assets and the source of the MRI Group's strength. We see securing and developing the human resources to take charge of the DX business and other growth businesses, mainly in the private sector, as a top priority.

We are, therefore, focusing on measures such as strengthening graduate and mid-career recruitment and introducing and implementing MRI's unique "FLAP cycle*" for supporting the development and growth of employees according to their aspirations. We have also transitioned to a job-based personnel system, based on multiple career paths and taking the roles of each individual into consideration. We will continue to strengthen and increase employee engagement by promoting workstyle reform, aiming to become a corporate group with an even more appealing work environment that allows talented human resources to fully demonstrate their skills and play an active role.

(*) FLAP cycle: An MRI invention for encouraging the career development of individuals through the following cycle: Find their aptitudes and occupational requirements, Learn the new competencies they need, Act to move forward in their desired direction, and then Perform on their new career stage.

b. Accelerating business transformation

The MRI Group implements "ambidextrous" management, looking to develop core businesses in the medium and long run by investing in growth businesses while expanding earnings from core businesses. To further advance initiatives for the DX business, subscription-based services (provision of general-purpose services using intellectual property) and global business, which are positioned as growth businesses under MP2023, the Group will implement a strategy of selection and concentration with respect to its core businesses and accelerate transformation aimed at increasing quality and productivity, changing its resource portfolio.

c. Strengthening the research recommendation function and R&D

We recognize that research and recommendation activities are the starting point of the value chain in VCP management and need to be further strengthened. We, therefore, plan to put in (invest) more resources in terms of time, people and networking. More specifically, we will more actively promote joint research and recommendations and the exchange of human resources with research institutions, universities and others in Japan and overseas.

Meanwhile, in subscription-based services, which are positioned as a growth business, we aim to create a business profit structure which does not rely on the input of personnel, allowing us to increase the profit margin as the developed services expand and grow. To realize this, continuous R&D investment for new business development, etc. is essential, and we plan to invest in development for new applications, AI engines and software.

d. Strengthening business foundation

To expand growth businesses, we need to promote cooperation and collaboration with partners both inside and outside the Group and strengthen the business foundation. To this end, we plan to make strategic investments that leverage our capital, including equity investment, the establishment of joint ventures (JVs) and M&A, and pursue both organic and non-organic growth. In April 2022, we established the Corporate Venture Office as an organization dedicated to this task and we have also increased our focus on collaboration with startups which have cutting-edge technologies.

e. Strengthening ability to address risks according to new businesses and business expansion

With the transformation of the business portfolio to improve portfolio quality, new opportunities to execute large-scale projects have increased and project management has become increasingly important. At the same time, the Group may face risks which it does not have the experience or

expertise to address, and risks will need to be quickly understood and addressed.
To maintain and improve quality, we will work to increase employee training and skills and strengthen the risk management function, in addition to individual project management.

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, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	29,397	28,157
Notes and accounts receivable - trade	17,735	–
Accounts receivable - trade	–	23,515
Contract assets	–	14,561
Securities	–	5,000
Inventories	9,854	336
Prepaid expenses	1,877	1,992
Other	279	361
Allowance for doubtful accounts	(1)	(2)
Total current assets	59,142	73,921
Non-current assets		
Property and equipment		
Buildings and structures	17,913	18,061
Accumulated depreciation	(10,758)	(11,313)
Buildings and structures, net	7,154	6,748
Machinery, equipment and vehicles	48	48
Accumulated depreciation	(27)	(33)
Machinery, equipment and vehicles, net	21	15
Tools, furniture and fixtures	6,340	6,467
Accumulated depreciation	(5,060)	(5,134)
Tools, furniture and fixtures, net	1,279	1,332
Land	720	720
Leased assets	2,800	2,861
Accumulated depreciation	(932)	(1,293)
Leased assets, net	1,867	1,568
Construction in progress	266	273
Total property and equipment	11,310	10,659
Intangible assets		
Software	4,000	3,664
Software in progress	242	1,038
Leased assets	1,405	782
Other	3	3
Total intangible assets	5,652	5,488
Investments and other assets		
Investment securities	15,712	16,317
Long-term loans receivable	3	2
Lease and guarantee deposits	2,662	2,424
Net defined benefit asset	19	9
Deferred tax assets	4,307	4,727
Other	893	1,102
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	23,599	24,582
Total non-current assets	40,561	40,730
Total assets	99,704	114,652

(Million yen)

	As of September 30, 2021	As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	4,166	5,871
Current portion of long-term borrowings	400	400
Accounts payable - other	1,596	1,317
Accrued expenses	3,326	8,120
Lease obligations	1,172	1,098
Income taxes payable	588	3,516
Accrued consumption taxes	1,889	2,005
Advances received	1,149	–
Contract liabilities	–	716
Provision for bonuses	4,405	6,679
Provision for loss on order received	917	85
Other	1,007	427
Total current liabilities	20,618	30,239
Non-current liabilities		
Long-term borrowings	900	500
Lease obligations	2,454	1,531
Provision for share-based compensation	432	418
Net defined benefit liability	9,936	9,321
Asset retirement obligations	1,521	1,489
Other	5	0
Total non-current liabilities	15,249	13,261
Total liabilities	35,867	43,500
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,785	4,785
Retained earnings	43,749	50,721
Treasury shares	(762)	(622)
Total shareholders' equity	54,108	61,220
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,068	1,624
Deferred gains or losses on hedges	(70)	(3)
Foreign currency translation adjustment	2	10
Remeasurements of defined benefit plans	169	201
Total accumulated other comprehensive income	2,170	1,832
Non-controlling interests	7,557	8,099
Total net assets	63,836	71,151
Total liabilities and net assets	99,704	114,652

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

(Million yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Net sales	103,030	116,620
Cost of sales	79,582	90,039
Gross profit	23,447	26,580
Selling, general and administrative expenses	16,593	17,415
Operating profit	6,853	9,165
Non-operating income		
Interest income	7	8
Dividend income	166	169
Share of profit of entities accounted for using equity method	532	1,022
Gain on investments in silent partnerships	30	144
Other	59	58
Total non-operating income	797	1,403
Non-operating expenses		
Interest expenses	40	34
Overseas withholding taxes	31	39
Other	10	1
Total non-operating expenses	82	75
Ordinary profit	7,568	10,493
Extraordinary income		
Gain on sales of investment securities	683	1,641
Gain on change in equity	–	217
Other	1	–
Total extraordinary income	684	1,858
Extraordinary losses		
Loss on sales of non-current assets	–	1
Loss on retirement of non-current assets	12	41
Impairment losses	–	84
Loss on revaluation of investment securities	401	57
Other	12	7
Total extraordinary losses	427	192
Profit before income taxes	7,826	12,160
Income taxes - current	2,269	4,423
Income taxes - deferred	(43)	(874)
Total income taxes	2,226	3,548
Profit	5,600	8,611
Profit attributable to non-controlling interests	591	904
Profit attributable to owners of parent	5,009	7,707

Consolidated statements of comprehensive income

(Million yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Profit	5,600	8,611
Other comprehensive income		
Valuation difference on available-for-sale securities	(255)	(523)
Deferred gains or losses on hedges	4	66
Foreign currency translation adjustment	0	9
Remeasurements of defined benefit plans	(4)	19
Share of other comprehensive income of entities accounted for using equity method	102	(8)
Total other comprehensive income	(151)	(436)
Comprehensive income	5,448	8,174
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,912	7,369
Comprehensive income attributable to non-controlling interests	536	805

(3) Consolidated statements of changes in net assets

Fiscal year ended September 30, 2021

(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	41,039	(550)	51,589
Changes of items during period					
Dividends of surplus			(2,299)		(2,299)
Profit attributable to owners of parent			5,009		5,009
Purchase of treasury shares				(334)	(334)
Disposal of treasury shares				123	123
Change in ownership interest of parent due to transactions with non-controlling interests		20			20
Net changes of items other than shareholders' equity					
Total changes of items during period	–	20	2,709	(211)	2,518
Balance at end of current period	6,336	4,785	43,749	(762)	54,108

	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	2,239	(74)	1	100	2,267	7,683	61,541
Changes of items during period							
Dividends of surplus							(2,299)
Profit attributable to owners of parent							5,009
Purchase of treasury shares							(334)
Disposal of treasury shares							123
Change in ownership interest of parent due to transactions with non-controlling interests							20
Net changes of items other than shareholders' equity	(170)	4	0	68	(97)	(126)	(223)
Total changes of items during period	(170)	4	0	68	(97)	(126)	2,295
Balance at end of current period	2,068	(70)	2	169	2,170	7,557	63,836

Fiscal year ended September 30, 2022

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,336	4,785	43,749	(762)	54,108
Cumulative effects of changes in accounting policies			1,235		1,235
Restated balance	6,336	4,785	44,984	(762)	55,343
Changes of items during period					
Dividends of surplus			(1,970)		(1,970)
Profit attributable to owners of parent			7,707		7,707
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				139	139
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	5,736	139	5,876
Balance at end of current period	6,336	4,785	50,721	(622)	61,220

	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	2,068	(70)	2	169	2,170	7,557	63,836
Cumulative effects of changes in accounting policies							1,235
Restated balance	2,068	(70)	2	169	2,170	7,557	65,071
Changes of items during period							
Dividends of surplus							(1,970)
Profit attributable to owners of parent							7,707
Purchase of treasury shares							(0)
Disposal of treasury shares							139
Net changes of items other than shareholders' equity	(444)	66	7	32	(338)	541	203
Total changes of items during period	(444)	66	7	32	(338)	541	6,080
Balance at end of current period	1,624	(3)	10	201	1,832	8,099	71,151

(4) Consolidated statements of cash flows

(Million yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	7,826	12,160
Depreciation	3,615	3,610
Impairment losses	–	84
Increase (decrease) in provision for bonuses	(151)	2,337
Decrease (increase) in net defined benefit asset	(10)	–
Increase (decrease) in net defined benefit liability	(89)	(532)
Increase (decrease) in allowance for doubtful accounts	(4)	2
Increase (decrease) in provision for share-based compensation	119	125
Increase (decrease) in provision for loss on order received	792	(373)
Interest and dividend income	(174)	(177)
Interest expenses	40	34
Share of loss (profit) of entities accounted for using equity method	(532)	(1,022)
Loss (gain) on sales of non-current assets	–	1
Loss on retirement of non-current assets	12	41
Loss (gain) on sales of investment securities	(683)	(1,641)
Loss (gain) on valuation of investment securities	401	57
Loss (gain) on change in equity	–	(217)
Decrease (increase) in notes and accounts receivable - trade	(4,139)	–
Decrease (increase) in trade receivables and contract assets	–	(10,099)
Decrease (increase) in inventories	(2,234)	(67)
Increase (decrease) in notes and accounts payable - trade	231	1,701
Increase (decrease) in accrued expenses	1,914	4,793
Increase (decrease) in accrued consumption taxes	(293)	157
Increase (decrease) in advances received	756	–
Increase (decrease) in contract liabilities	–	(103)
Other, net	(329)	(507)
Subtotal	7,068	10,364
Interest and dividends received	372	432
Interest paid	(40)	(34)
Income taxes paid	(4,148)	(1,506)
Net cash provided by (used in) operating activities	3,252	9,256
Cash flow from investing activities		
Purchase of securities	–	(5,000)
Purchase of property and equipment	(951)	(1,312)
Purchase of intangible assets	(1,665)	(1,874)
Purchase of investment securities	(491)	(602)
Proceeds from sales of investment securities	1,037	1,359
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	533
Purchase of shares of subsidiaries	(95)	–
Loan advances	(1)	(0)
Collection of loans receivable	3	2
Payments of leasehold and guarantee deposits	(34)	(27)
Proceeds from refund of leasehold and guarantee deposits	209	262
Other, net	17	4
Net cash provided by (used in) investing activities	(1,970)	(6,654)

(Million yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Cash flow from financing activities		
Repayments of long-term borrowings	(400)	(400)
Repayments of lease obligations	(1,051)	(1,114)
Cash dividends paid	(2,298)	(1,972)
Dividends paid to non-controlling interests	(539)	(362)
Purchase of treasury shares	(334)	(0)
Net cash provided by (used in) financing activities	(4,624)	(3,850)
Effect of exchange rate change on cash and cash equivalents	0	9
Net increase (decrease) in cash and cash equivalents	(3,341)	(1,239)
Cash and cash equivalents at beginning of period	32,438	29,097
Cash and cash equivalents at end of period	29,097	27,857

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group started to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter the “Revenue Recognition Accounting Standard”) at the beginning of the fiscal year under review. Accordingly, it recognized revenue in the amount expected to be received in exchange for promised goods and services at points where control over such goods or services is transferred to customers.

Regarding research and consulting services, software development, and other services that the Group undertakes, the Group previously applied the percentage-of-completion method to some software development projects in which the reliability of results for progressed portions was recognized, while applying the completed-contract method to others. As a result of the application of the above accounting standard from the fiscal year under review, however, the Group replaced those practices with a new method, which is applied for performance obligations to be fulfilled over a fixed period. With this method, the rate of progress in fulfillment of such performance obligations is reasonably estimated, and revenue is recognized over the fixed period based on the estimated rate of progress. The rate of progress in fulfillment of performance obligations is estimated based on the actual cost as a percentage of estimated total cost (input method) where the result of performance obligation can be reasonably measured. Where the result of performance obligation cannot be reasonably measured, revenue is recognized only within the range of actual cost that was generated. For contracts with an insignificant amount of contract revenue or a very short duration, revenue is recognized at the point in time when the performance obligations are completely fulfilled.

The Revenue Recognition Accounting Standard is applied according to the provisional measures stipulated in the proviso in Paragraph 84 of the standard. With respect to the application of a new accounting policy, it is applied to the balance of retained surplus at the beginning of the fiscal year under review. This balance of retained surplus is obtained through calculation using the cumulative amount of the impact from retrospective application of the new accounting policy to periods prior to the beginning of the fiscal year under review, either by adding it to or deducting it from the retained surplus. In addition, we account for all contract changes made prior to the beginning of the fiscal year under review by applying the method prescribed in (1) of Paragraph 86 of the Revenue Recognition Accounting Standard based on the contract terms, after reflecting all contract changes, and added or subtracted their cumulative effect to or from retained earnings at the beginning of the fiscal year under review.

As a result, contract assets for the fiscal year under review increased by 14,561 million yen and inventories decreased by 10,807 million yen. As a result, net sales for the fiscal year under review increased by 2,582 million yen, cost of sales increased by 1,552 million yen, operating profit, ordinary profit and profit before income taxes all increased by 1,030 million yen, respectively.

In the consolidated statement of cash flows for the fiscal year under review, profit before income taxes increased 1,030 million yen.

Net assets at the beginning of the fiscal year under review reflect cumulative effects. Due to the cumulative effects, retained earnings at the beginning of the fiscal year in the consolidated statement of changes in equity increased 1,235 million yen.

Net assets per share and basic earnings per share for the fiscal year under review increased by ¥110.95 and ¥34.98, respectively.

Due to the application of the Accounting Standard for Revenue Recognition, notes and accounts receivable-trade, which were presented in current assets in the consolidated balance sheet for the previous fiscal year, are now included in notes and accounts receivable-trade and contract assets from the current fiscal year, and advances received, which were presented in current liabilities, and unearned revenue, which was included in other under current liabilities are now presented in contract liabilities from the current fiscal year. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new methods of indication.

(Application of Accounting Standard for Fair Value Measurement, etc.)
The Group decided to apply the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard") at the beginning of the fiscal year under review. Accordingly it decided to continue to adopt the new accounting policies specified in the Fair Value Accounting Standard and other standards according to the transitional measures prescribed in the paragraph 19 of the Fair Value Measurement Accounting Standard and the paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This has no effect on the consolidated financial statements.

(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 MRI'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 761 million yen and 212,000, respectively, at the end of the previous fiscal year and 621 million yen and 173,000, respectively, at the end of the fiscal year under review.

(Accounting estimates related to the impact of COVID-19)
While COVID-19 may impact the Group in various ways, including the suspension of ongoing operations, changes in specifications, and the cancelation, postponement, etc. of projects in progress, the impact on the MRI Group's consolidated results 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 & 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. Method of calculation for amounts of net sales, profit or loss, assets, liabilities, and other items by reportable 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.

(Application of Accounting Standard for Revenue Recognition, etc.)

As stated in (Changes in accounting policies), the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. began to be applied from the beginning of the fiscal year under review, and the account processing method regarding revenue recognition was changed, so the method of measuring segment profit (loss) was changed accordingly.

Due to this change, net sales decreased 285 million yen and segment profit decreased 7 million yen compared with the previous method in the Think Tank & Consulting Services in the fiscal year under review, while both net sales and segment profit increased 2,867 million yen and 1,037 million yen, respectively, in the IT Services segment in the same period.

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

Fiscal year ended September 30, 2021 (from October 1, 2020 to September 30, 2021)

(Million yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated financial statements (Note 2)
	Think Tank & consulting Services	IT Services			
Net sales					
Outside customers	40,376	62,653	103,030	–	103,030
Inter-segment sales and transfers	53	1,341	1,394	(1,394)	–
Total	40,429	63,994	104,424	(1,394)	103,030
Segment profit	4,197	3,361	7,559	9	7,568
Segment assets	43,734	56,147	99,882	(178)	99,704
Other items					
Depreciation and amortization	541	3,091	3,633	(18)	3,615
Interest income	7	0	7	–	7
Interest expenses	8	31	40	–	40
Share of profit of entities accounted for using equity method	495	36	532	–	532
Investment in equity method affiliates	8,672	567	9,240	–	9,240
Increase in property and equipment, and intangible assets (Note 3)	673	3,385	4,058	(9)	4,049

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 assets does not include assets corresponding to asset retirement obligations.

Fiscal year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(Million yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated financial statements (Note 2)
	Think Tank & Consulting Services	IT Services			
Net sales					
Outside customers	48,548	68,072	116,620	–	116,620
Inter-segment sales and transfers	68	1,458	1,527	(1,527)	–
Total	48,616	69,531	118,147	(1,527)	116,620
Segment profit	5,190	5,301	10,492	1	10,493
Segment assets	47,724	67,062	114,786	(134)	114,652
Other items					
Depreciation and amortization	623	3,006	3,629	(18)	3,610
Interest income	8	0	8	–	8
Interest expenses	6	28	34	–	34
Share of profit of entities accounted for using equity method	905	117	1,022	–	1,022
Investment in equity method affiliates	10,066	712	10,779	–	10,779
Increase in property and equipment, and intangible assets (Note 3)	1,601	1,372	2,974	(21)	2,953

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 assets does not include assets corresponding to asset retirement obligations.

(Per share information)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Net assets per share	3,471.53 yen	3,880.03 yen
Basic earnings per share	308.60 yen	474.67 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 212 thousand, which included 212 thousand shares of MRI held by the BIP Trust. At the end of the fiscal year under review, the number of treasury shares was 173 thousand, which included 173 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, 2021	Fiscal year ended September 30, 2022
Profit attributable to owners of parent (million yen)	5,009	7,707
Profit not attributable to common shareholders (million yen)	–	–
Profit attributable to owners of parent related to common shares (million yen)	5,009	7,707
Average number of outstanding common shares during the fiscal year (thousand shares)	16,231	16,237

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 192 thousand, which included an average 191 thousand shares of MRI held by the BIP Trust. During the fiscal year under review, the average number of treasury shares was 186 thousand, which included an average 185 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, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	9,859	12,254
Accounts receivable - trade	5,804	5,288
Contract assets	–	7,397
Work in process	6,935	105
Prepaid expenses	613	623
Other	162	200
Allowance for doubtful accounts	(0)	(0)
Total current assets	23,376	25,869
Non-current assets		
Property and equipment		
Buildings	688	855
Tools, furniture and fixtures	216	289
Land	1	1
Leased assets	33	15
Construction in progress	–	79
Total property and equipment	938	1,242
Intangible assets		
Software	1,195	1,308
Other	50	607
Total intangible assets	1,245	1,916
Investments and other assets		
Investment securities	2,694	2,534
Shares of subsidiaries and affiliates	25,195	25,769
Investments in capital of subsidiaries and affiliates	409	407
Lease and guarantee deposits	1,596	1,559
Long-term prepaid expenses	105	58
Deferred tax assets	2,325	2,343
Other	7	6
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	32,334	32,679
Total non-current assets	34,519	35,837
Total assets	57,895	61,707

(Million yen)

	As of September 30, 2021	As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	2,352	3,251
Current portion of long-term borrowings	400	400
Lease obligations	21	14
Accounts payable - other	761	784
Accrued expenses	465	540
Income taxes payable	207	1,017
Accrued consumption taxes	1,076	1,338
Advances received	1,072	–
Contract liabilities	–	145
Provision for bonuses	1,596	2,395
Provision for loss on order received	873	78
Other	215	226
Total current liabilities	9,043	10,193
Non-current liabilities		
Long-term borrowings	900	500
Lease obligations	15	3
Provision for share-based compensation	432	418
Reserve for retirement benefits	4,871	4,721
Asset retirement obligations	619	621
Total non-current liabilities	6,839	6,264
Total liabilities	15,882	16,458
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	28,820	31,891
Total retained earnings	30,834	33,904
Treasury shares	(762)	(622)
Total shareholders' equity	41,259	44,469
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	823	783
Deferred gains or losses on hedges	(70)	(3)
Total valuation and translation adjustments	753	779
Total net assets	42,012	45,249
Total liabilities and net assets	57,895	61,707

(2) Non-consolidated statements of income

(Million yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Net sales	38,502	46,314
Cost of sales	29,775	36,793
Gross profit	8,727	9,521
Selling, general and administrative expenses		
Provision for share-based compensation	99	101
Bonuses	338	3
Provision for bonuses	297	671
Salaries and allowances	1,208	1,253
Outsourcing expenses	988	1,051
Rent expenses	618	588
Depreciation	195	206
Provision of allowance for doubtful accounts	(4)	0
Other	2,033	2,339
Total selling, general and administrative expenses	5,775	6,215
Operating profit	2,952	3,305
Non-operating income		
Interest and dividend income	2,320	1,972
Other	41	161
Total non-operating income	2,361	2,134
Non-operating expenses		
Interest expenses	8	8
Overseas withholding taxes	31	39
Foreign exchange losses	2	7
Other	0	0
Total non-operating expenses	42	56
Ordinary profit	5,270	5,383
Extraordinary income		
Gain on sales of investment securities	–	229
Total extraordinary income	–	229
Extraordinary losses		
Loss on retirement of non-current assets	0	16
Loss on revaluation of investment securities	401	57
Other	9	2
Total extraordinary losses	411	77
Profit before income taxes	4,858	5,536
Income taxes - current	895	1,515
Income taxes - deferred	(110)	(332)
Total income taxes	785	1,182
Profit	4,073	4,353

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

Fiscal year ended September 30, 2021

(Million yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings				Treasury shares	Total shareholders' equity
		Capital reserve	Total capital surplus	Revenue reserve	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	27,047	29,060	(550)	39,697
Changes of items during period									
Dividends of surplus						(2,299)	(2,299)		(2,299)
Profit						4,073	4,073		4,073
Purchase of treasury shares								(334)	(334)
Disposal of treasury shares								123	123
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	1,773	1,773	(211)	1,562
Balance at end of current period	6,336	4,851	4,851	171	1,842	28,820	30,834	(762)	41,259

	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	822	(74)	748	40,445
Changes of items during period				
Dividends of surplus				(2,299)
Profit				4,073
Purchase of treasury shares				(334)
Disposal of treasury shares				123
Net changes of items other than shareholders' equity	0	4	5	5
Total changes of items during period	0	4	5	1,567
Balance at end of current period	823	(70)	753	42,012

Fiscal year ended September 30, 2022

(Million yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings				Treasury shares	Total shareholders' equity
		Capital reserve	Total capital surplus	Revenue reserve	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	28,820	30,834	(762)	41,259
Cumulative effects of changes in accounting policies						687	687		687
Restated balance	6,336	4,851	4,851	171	1,842	29,508	31,522	(762)	41,947
Changes of items during period									
Dividends of surplus						(1,970)	(1,970)		(1,970)
Profit						4,353	4,353		4,353
Purchase of treasury shares								(0)	(0)
Disposal of treasury shares								139	139
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	2,382	2,382	139	2,522
Balance at end of current period	6,336	4,851	4,851	171	1,842	31,891	33,904	(622)	44,469

	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	823	(70)	753	42,012
Cumulative effects of changes in accounting policies				687
Restated balance	823	(70)	753	42,700
Changes of items during period				
Dividends of surplus				(1,970)
Profit				4,353
Purchase of treasury shares				(0)
Disposal of treasury shares				139
Net changes of items other than shareholders' equity	(40)	66	26	26
Total changes of items during period	(40)	66	26	2,548
Balance at end of current period	783	(3)	779	45,249

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, 2022			
	Orders received	Year-on-year change (%)	Order backlog	Year-on-year change (%)
Think Tank & Consulting Services	49,833	(2.2)	34,868	3.8
IT Services	71,050	5.2	47,145	6.7
System development	45,487	25.1	22,282	26.3
Outsourcing services	25,562	(18.0)	24,863	(6.2)
Total	120,884	2.0	82,014	5.5

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

2. For services where services are continually rendered and fees commensurate with performance are received, an estimate of sales for the next fiscal year is recorded in the balance of orders received.

3. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. began to be adopted from the beginning of the fiscal year under review, and the cumulative effect of the retrospective application of the new accounting policy to the results prior to the beginning of the fiscal year under review was added to or subtracted from order backlog at the beginning of the fiscal year under review. As a result, the order backlog at the beginning of the current fiscal year was decreased by 11,230 million yen. The year-on-year-change in the order backlog is the rate of increase or decrease based on a comparison of the balance at beginning of period and the balance at end of period after application of the Accounting Standard for Revenue Recognition.

(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, 2022	Year-on-year change (%)
Think Tank & Consulting Services	48,548	20.2
IT Services	68,072	8.6
System development	40,853	8.9
Outsourcing services	27,218	8.3
Total	116,620	13.2

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

2. From the beginning of the fiscal year ended September 30, 2022, the Group began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. The figures for the fiscal year ended September 30, 2022 are the figures after the application of the relevant accounting standards.