[Translation for reference only]
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Translation

August 1, 2022

Consolidated Financial Results for the Nine Months of the Fiscal Year Ending 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/
Representative: Kenji Yabuta, President
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Scheduled date to submit Quarterly Securities Report: August 2, 2022
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: None

(Rounded down to the nearest million yen)

1. Consolidated performance for the nine months of the fiscal year ending September 30, 2022 (from October 1, 2021 to June 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2022	91,673	–	9,335	–	10,430	–	7,819	–
June 30, 2021	80,402	13.9	6,641	12.6	7,364	(8.4)	5,046	(29.9)

Note: Comprehensive income
Nine months ended June 30, 2022: 8,076 million yen [–%]
Nine months ended June 30, 2021: 5,183 million yen [(36.6%)]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
June 30, 2022	481.69	–
June 30, 2021	310.80	–

Note: From the beginning of the first three months of the fiscal year ending September 30, 2022, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. began to be adopted. The figures for the first nine months of the fiscal year ending September 30, 2022 are the figures after the application of the said accounting standard, etc. and percentages for year-on-year changes in the first nine months of the fiscal year ending September 30, 2022 are not indicated.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2022	112,051	71,053	56.3
September 30, 2021	99,704	63,836	56.4

Reference: Equity (Net assets – Non-controlling interests)
As of June 30, 2022: 63,078 million yen
As of September 30, 2021: 56,279 million yen

Note: From the beginning of the first three months of fiscal year ending 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 first nine months of the fiscal year ending September 30, 2022 are the figures after the application of the relevant accounting standards.

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, 2021	–	55.00	–	60.00	115.00
Fiscal year ending September 30, 2022	–	60.00	–		
Fiscal year ending September 30, 2022 (Forecast)				65.00	125.00

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

3. Consolidated earnings forecasts for the fiscal year ending September 30, 2022 (from October 1, 2021 to September 30, 2022)

(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, 2022	117,000	13.6	9,200	34.2	10,400	37.4	7,500	49.7	461.88

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

Note: From the beginning of the first three months of the fiscal year ending September 30, 2022, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. began to be adopted. The figures for consolidated earnings forecasts for the fiscal year ending September 30, 2022 are the figures after the application of the said accounting standard, etc.

*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 10 of the attached materials.

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

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

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

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

Nine months ended June 30, 2022	16,233,649 shares
Nine months ended June 30, 2021	16,238,747 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 earnings 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.

Table of Contents of the Attached Materials

(Attached materials)

1. Qualitative information regarding settlement of accounts for the nine months

From the beginning of the first three months of the fiscal year under review, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. began to be adopted. Accordingly, consolidated operating results for the first nine months of fiscal year under review are explained without indicating amounts and rates (%) of changes from the first nine months of the previous fiscal year.

Details are described in “2. Consolidated financial statements and significant notes thereto (3) Notes to consolidated financial statements (Changes in accounting policies).”

(1) Explanation regarding operating results

In the first nine months of the fiscal year under review (October 1, 2021 to June 30, 2022), global growth declined due to downside pressure from higher prices and the Ukraine crisis. Energy prices remained at high levels as a result of economic sanctions imposed on Russia by Europe, the United States, and other countries. Adverse effects on the global economy of restrictions on imports and exports, suspension of business and production in conflict areas, and delays in distribution also became apparent. In the United States, the economic growth was sluggish, due partly to a faster pace of interest rate hikes by the Federal Reserve Board (FRB) in response to the inflation rate, which is at a new 40-year high. China maintained its zero-COVID policy. Due to strict infection control measures implemented at certain districts, the country faced consumption reduction and decelerated growth.

In Japan, the movement for balancing COVID infection control measures with economic activities picked up speed. As a result, the trend of increasing consumption is maintained, backed by resumed economic activities, despite negative impacts from higher prices such as energy prices. Both exports and production entered downward trends, partly reflecting a decline in exports to China caused by the country’s zero-COVID policy and shortages of components and semiconductor.

Given this social situation and business environment, the Company is operating its businesses under its management philosophy: “We, the Mitsubishi Research Institute, will continually envision a desirable future, resolve societal issues, and lead change in society to co-create a prosperous, sustainable future.”

The fiscal year under review is the middle year (second year) of the Medium-term Management Plan 2023 (“MTP2023”). 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. The Company also conducts value creation process (VCP) management, with which it works on value chain ranging from Research & Recommendations to Societal Implementation consistently in fields including human resources, urban mobility, energy, healthcare, information and communications, and food and agriculture, thus committing itself to acquiring new core businesses and new revenue sources.

Although the Russian invasion of Ukraine and prolonged expansion of the COVID-19 infection have been creating a number of implications for the Japanese economy, there were no significant effects on the Group’s operating results in the first nine months of the fiscal year under review but steady progress in line with the MTP2023.

The trend toward the post-coronavirus era provides business opportunities for the Group. The Company positions management under the “new normal” as a basic policy. As for office reforms, the Company started to see cost control effects as it changed office specifications to new ones that emphasize communication between employees, and completed moving and integration of two subsidiaries to its head office building in the first six months of the fiscal year under review.

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.

Moreover, the Group formulated and announced in April 2022 its basic policy on sustainability in accordance with its guiding principles with the aim to simultaneously pursue the realization of a prosperous and sustainable future world and the Group’s sustained growth. It also disclosed climate change-related information in accordance with the framework described in the recommendations of the TCFD(*).

(*) TCFD: The Task Force on Climate-related Financial Disclosures created by the Financial Stability Board

These factors resulted in net sales of 91,673 million yen (net sales of 80,402 million yen in the same period of the previous fiscal year), operating profit of 9,335 million yen (an operating profit of 6,641 million yen in the same period of the previous fiscal year), and ordinary profit of 10,430 million yen (an ordinary profit of 7,364 million yen in the same period of the previous fiscal year) in the MRI Group in the first nine months of the fiscal year under review. The Group posted profit attributable to owners of parent of 7,819 million yen (a profit attributable to owners of parent of 5,046 million yen in the same period of the previous fiscal year).

The application of the Accounting Standard for Revenue Recognition, etc. resulted in increases in net sales by 2,981 million yen, operating profit, ordinary profit, and profit before taxes by 952 million yen each, and profit attributable to owners of parent by 522 million yen, respectively, in the first nine months under review. Both sales and profit increased even where the above impact is excluded.

The results in each segment are as follows.

<Think tank and consulting services>

In the first nine months under review, the MRI Group recorded net sales (sales to outside clients) of 40,848 million yen (compared to 33,735 million yen in the same period of the previous fiscal year) and ordinary profit of 6,212 million yen (compared to 4,944 million yen a year ago). This result reflected growth in projects for the public sector, including AI simulation and other large projects, 5G (5th generation mobile network)-related demonstration projects, and renewable energy-related research and demonstration projects, as well as in consulting projects for financial institutions.

Because of the application of the Accounting Standard for Revenue Recognition, etc., net sales increased 759 million yen and ordinary profit decreased 40 million yen in the first nine months under review. Both sales and profit increased even where the above impact is excluded.

<IT services>

In the first nine months under review, net sales (sales to outside clients) amounted to 50,824 million yen (net sales of 46,667 million yen in the same period of the previous fiscal year) and ordinary profit amounted to 4,220 million yen (ordinary profit of 2,419 million yen in the same period of the previous fiscal 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 2,222 million yen and ordinary profit increased 992 million yen in the first nine months under review. Both sales and profit increased even where the above impact is excluded.

(2) Explanation regarding financial position

Total assets at the end of the first nine months under review increased 12,346 million yen (up 12.4%) from the end of the previous fiscal year, to 112,051 million yen. Of which, current assets stood at 72,938 million yen (up 23.3%) and non-current assets were 39,113 million yen (down 3.6%). In current assets, cash and deposits increased with seasonal factors 13,116 million yen. In addition, application of the Accounting Standard for Revenue Recognition, etc. resulted in a decrease in inventories by 9,405 million yen and an increase in notes and accounts receivable - trade and contract assets by 9,762 million yen. The decline in non-current assets mainly reflects depreciation and sales of investment securities.

Liabilities rose 5,130 million yen (up 14.3% year on year) from the end of the previous fiscal year, to 40,998 million yen, chiefly reflecting increases of 2,017 million yen, 3,291 million yen, and 1,859 million yen in accounts payable – trade, accrued expenses, and income taxes payable, respectively.

Net assets rose 7,216 million yen (up 11.3 %) from the end of the previous fiscal year, to 71,053 million yen chiefly due to an increase in retained earnings. 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 first three months of the fiscal year under review.

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

The MRI Group has revised its consolidated earnings forecasts and full-year earnings forecasts by segment for the fiscal year ending September 30, 2022, as presented below in response primarily to the results for the first nine months of the fiscal year under review.

The Group makes an upward revision of the forecasts for the Think Tank & Consulting Services because the operating results of projects in the public sector, including AI, advanced ICT and other areas of growth businesses, exceeded the initial forecasts.

Operating results forecast for the IT Services segment is also revised upward as the previously announced forecast is likely to be exceeded, attributable to the strong performance of credit card projects for core customers.

Revision of full-year consolidated earnings forecasts (from October 1, 2021 to September 30, 2022)

	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 forecast (A)	117,000	7,700	8,700	6,400	394.14
Revised forecast (B)	117,000	9,200	10,400	7,500	461.88
Change (B – A)	–	1,500	1,700	1,100	
Rate (%)	–	19.5	19.5	17.2	
(Ref.) Consolidated results for the previous fiscal year (ended Sep. 2021)	103,030	6,853	7,568	5,009	308.60

Revision of full-year earnings forecasts by segment (from October 1, 2021 to September 30, 2022)

	Think tank and consulting services		IT services	
	Net sales	Ordinary profit	Net sales	Ordinary profit
	Million yen	Million yen	Million yen	Million yen
Previous forecast (A)	48,000	4,300	69,000	4,400
Revised forecast (B)	48,000	5,200	69,000	5,200
Change (B – A)	–	900	–	800
Rate (%)	–	20.9	–	18.2
(Ref.) Results by segment in the previous fiscal year (ended Sep. 2021)	40,376	4,197	62,653	3,361

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.

2. Consolidated financial statements and significant notes thereto

(1) Consolidated quarterly balance sheets

(Million yen)

	As of September 30, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	29,397	42,514
Notes and accounts receivable - trade	17,735	–
Notes and accounts receivable - trade, and contract assets	–	27,498
Inventories	9,854	448
Other	2,156	2,479
Allowance for doubtful accounts	(1)	(1)
Total current assets	59,142	72,938
Non-current assets		
Property and equipment		
Buildings and structures, net	7,154	6,890
Machinery, equipment and vehicles, net	21	16
Tools, furniture and fixtures, net	1,279	1,418
Land	720	720
Leased assets, net	1,867	1,653
Construction in progress	266	123
Total property and equipment	11,310	10,822
Intangible assets		
Software	4,000	3,584
Leased assets	1,405	946
Other	246	940
Total intangible assets	5,652	5,472
Investments and other assets		
Investment securities	15,712	15,214
Deferred tax assets	4,307	4,065
Other	3,579	3,538
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	23,599	22,818
Total non-current assets	40,561	39,113
Total assets	99,704	112,051

(Million yen)

	As of September 30, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	4,166	6,183
Current portion of long-term borrowings	400	400
Accounts payable - other	1,596	2,074
Accrued expenses	3,326	6,617
Income taxes payable	588	2,447
Provision for bonuses	4,405	3,547
Provision for loss on order received	917	105
Other	5,217	5,485
Total current liabilities	20,618	26,861
Non-current liabilities		
Long-term borrowings	900	600
Lease obligations	2,454	1,804
Provision for share-based compensation	432	369
Net defined benefit liability	9,936	9,873
Asset retirement obligations	1,521	1,487
Other	5	1
Total non-current liabilities	15,249	14,136
Total liabilities	35,867	40,998
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,785	4,785
Retained earnings	43,749	50,833
Treasury shares	(762)	(622)
Total shareholders' equity	54,108	61,332
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,068	1,577
Deferred gains or losses on hedges	(70)	(26)
Foreign currency translation adjustment	2	6
Remeasurements of defined benefit plans	169	188
Total accumulated other comprehensive income	2,170	1,746
Non-controlling interests	7,557	7,974
Total net assets	63,836	71,053
Total liabilities and net assets	99,704	112,051

(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, 2021	Nine months ended June 30, 2022
Net sales	80,402	91,673
Cost of sales	61,415	69,422
Gross profit	18,986	22,250
Selling, general and administrative expenses	12,345	12,914
Operating profit	6,641	9,335
Non-operating income		
Interest income	3	8
Dividend income	152	166
Share of profit of entities accounted for using equity method	586	840
Other	58	135
Total non-operating income	800	1,151
Non-operating expenses		
Interest expenses	30	26
Loss on investments in silent partnership	9	–
Overseas withholding taxes	27	29
Other	10	0
Total non-operating expenses	77	56
Ordinary profit	7,364	10,430
Extraordinary income		
Gain on sales of investment securities	683	1,641
Other	1	–
Total extraordinary income	684	1,641
Extraordinary losses		
Loss on sales of non-current assets	–	1
Loss on retirement of non-current assets	7	26
Loss on revaluation of investment securities	401	29
Other	4	7
Total extraordinary losses	414	64
Profit before income taxes	7,635	12,008
Income taxes	2,151	3,390
Profit	5,483	8,617
Profit attributable to non-controlling interests	436	797
Profit attributable to owners of parent	5,046	7,819

Consolidated quarterly statements of comprehensive income

(Million yen)

	Nine months ended June 30, 2021	Nine months ended June 30, 2022
Profit	5,483	8,617
Other comprehensive income		
Valuation difference on available-for-sale securities	(397)	(601)
Deferred gains or losses on hedges	6	43
Foreign currency translation adjustment	1	4
Remeasurements of defined benefit plans	13	14
Share of other comprehensive income of entities accounted for using equity method	76	(1)
Total other comprehensive income	(300)	(541)
Comprehensive income	5,183	8,076
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,838	7,395
Comprehensive income attributable to non-controlling interests	345	680

(3) 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 first three months 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 first three months of the fiscal year, 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 first three months 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 first three months, 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 first three months 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 three months of the fiscal year under review.

As a result, net sales for the first nine months of the fiscal year under review increased by 2,981 million yen, cost of sales increased by 2,028 million yen, and operating profit, ordinary profit and profit before income taxes all increased by 952 million yen, respectively. The beginning balance of retained earnings increased by 1,235 million yen.

With the application of the Revenue Recognition Accounting Standard, notes and accounts receivable - trade presented in current assets in the consolidated balance sheets for the previous fiscal year is included in notes and accounts receivable - trade, and contract assets in the consolidated balance sheets from the first three months of the fiscal year under review. 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. Moreover, in accordance with the provisional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information that decomposes revenue from contracts with customers for the first nine months of the previous fiscal year is not stated.

(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 first three months 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 Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This has no effect on the quarterly consolidated financial statements.

(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 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 first nine months under review.

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

There are no significant changes in the note (additional information) (accounting estimate of the impact of the spread of the COVID-19 pandemic) of 5. Status of Accounting in the annual security report for the previous fiscal year.

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]

I. Nine months ended June 30, 2021

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	33,735	46,667	80,402	–	80,402
Inter-segment sales and transfers	32	895	928	(928)	–
Total	33,767	47,563	81,330	(928)	80,402
Segment profit	4,944	2,419	7,364	(0)	7,364

Notes: 1. The adjustment to segment profit all represents the elimination of inter-segment transactions.
2. Segment profit is adjusted in accordance with ordinary profit in the quarterly 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, 2022

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	40,848	50,824	91,673	–	91,673
Inter-segment sales and transfers	51	1,051	1,103	(1,103)	–
Total	40,900	51,876	92,776	(1,103)	91,673
Segment profit	6,212	4,220	10,432	(1)	10,430

Notes: 1. The adjustment to segment profit all represents the elimination of inter-segment transactions.
2. Segment profit is adjusted in accordance with ordinary profit in the quarterly 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.

3. Matters regarding the revision of reportable segments

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 first three months 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 increased 759 million yen and segment profit decreased 40 million yen compared with the previous method in the Think Tank & Consulting Services in the first nine months of the fiscal year under review, while both net sales and segment profit increased 2,222 million yen and 992 million yen, respectively, in the IT Services segment in the same period.

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, 2022			
	Orders received	Year-on-year change (%)	Order backlog	Year-on-year change (%)
Think tank and consulting services	41,774	(1.8)	34,508	–
IT services	52,942	5.1	46,285	–
System development	32,975	26.9	20,843	–
Outsourcing services	19,967	(18.1)	25,442	–
Total	94,716	2.0	80,794	–

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

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

3. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. began to be adopted from the beginning of the first three months 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 first three months of the fiscal year under review was added to or subtracted from order backlog at the beginning of the first three months 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. For this reason, the rate of change in order backlog from the actual value for the first nine months of the previous fiscal year, when the accounting standard had yet to be applied, are not shown.

(2) Sales performance

The table below shows sales by segment.

(Million yen)

Segment name	Nine months ended June 30, 2022	Year-on-year change (%)
Think tank and consulting services	40,848	–
IT services	50,824	–
System development	29,780	–
Outsourcing services	21,043	–
Total	91,673	–

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

2. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. began to be adopted from the beginning of the first three months of the fiscal year under review, and revenue is recognized in accordance with this accounting standard, etc. For this reason, rates of changes from the actual values for the first nine month of the previous fiscal year, when the said accounting standard had yet to be applied, are not shown.