[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

February 9, 2022

Consolidated Financial Results for the Three Months of the Fiscal Year Ending September 30, 2022 <under Japanese GAAP>

Company name: **Mitsubishi Research Institute, Inc.**
Listing: First Section of the Tokyo Stock Exchange
Stock code: 3636 URL: https://www.mri.co.jp/
Representative: Kenji Yabuta, President
Inquiries: Kyoko Adachi, General Manager, Management Accounting and Finance Division
E-mail: ir-info@ml.mri.co.jp

Scheduled date to submit Quarterly Securities Report: February 14, 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 three months of the fiscal year ending September 30, 2022 (from October 1, 2021 to December 31, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2021	25,358	–	1,834	–	2,243	–	2,026	–
December 31, 2020	15,929	7.2	(639)	–	(394)	–	(722)	–

Note: Comprehensive income
For the three months ended December 31, 2021: 1,880 million yen [–%]
For the three months ended December 31, 2020: (579) million yen [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
December 31, 2021	125.01	–
December 31, 2020	(44.46)	–

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 three 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 three 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	%
December 31, 2021	99,802	65,933	58.3
September 30, 2021	99,704	63,836	56.4

Reference: Equity (Net assets – Non-controlling interests)
As of December 31, 2021: 58,185 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 three 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	–				
Fiscal year ending September 30, 2022 (Forecast)		60.00	–	60.00	120.00

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	113,000	9.7	7,200	5.1	8,200	8.3	5,500	9.8	339.26

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

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 three months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

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

Note: For details, please refer to "2. Consolidated financial statements and significant notes thereto (3) Notes to consolidated financial statements (Application of special accounting in preparing consolidated quarterly financial statements)" on page 9 of the attached materials.

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

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 December 31, 2021	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 December 31, 2021	200,574 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)

Three months ended December 31, 2021	16,213,586 shares
Three months ended December 31, 2020	16,256,350 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. 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.
(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 three 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 three months of fiscal year under review are explained without indicating amounts and rates (%) of changes from the first three 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 three months of the fiscal year under review (October 1, 2021 to December 31, 2021), the global economy saw progress in the return to normal activity until November. In December, however, the number of new cases of COVID-19 began to increase rapidly, mainly in Europe and the United States, due to the spread of the highly contagious Omicron variant. In addition, component supply weakness and rising prices have continued to hamper any economic recovery. The U.S. economy saw a recovery in consumption demand, which had been restrained due to the impact of COVID-19, begin to emerge. However, labor shortages became serious because the number of people in mandatory isolation increased due to the rapid increase in the number of COVID-19 cases. In China, the slowing economy became increasingly apparently, mainly in consumption, given strict infection control measures taken ahead of the Beijing 2022 Winter Olympics.

In Japan, the resumption of economic activities made progress, mainly in industries related to out-of-home consumption, from October 2021 when the state of emergency was fully lifted. While the confirmation of community spread of Omicron variant raised concerns over the progress of the pandemic, the number of new cases remained at a low level until the end of year, with going-out activities having mostly recovered to usual levels. In terms of consumption, out-of-home consumption recovered. Production was also strengthening despite lingering supply constraints, including delays in procuring semiconductors and other components from overseas sources. On the other hand, exports took a downward turn, particularly exports to China.

Given this social situation and business environment, the Company is working on 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. Based on achievements and issues in the first year, the Company is striving to achieve goals in the final year, which is the next fiscal year. Specifically, 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 the DX business, subscription-based business, and global business as growth businesses, among others. The Company also implements VCP management, with which it works on value chain (Value Creation Process) ranging from Research & Recommendations to Societal Implementation consistently in fields including human resources, MaaS(*), and energy, thus committing itself to acquiring new core businesses and new revenue sources. There are signs of investment expenditure control in industries and companies whose business and performance were significantly affected by the spread of COVID-19, but they did not have any significant impact on the Group's results in the first three months of the fiscal year under review. The trend toward the post-coronavirus era provides business opportunities for the Group. The Company actively takes steps, such as productivity improvement and cost control through office reforms, by positioning management under the "new normal" as a basic policy.

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. The Group is promoting support that combines DX consulting and the cloud and digital marketing that uses the analysis of big data for the private sector, digital transformation in government for the public sector, and the expansion of the business domain and the customer base.

These factors resulted in net sales of 25,358 million yen (net sales of 15,929 million yen in the same period of the previous fiscal year), operating profit of 1,834 million yen (an operating loss of 639 million yen in the same period of the previous fiscal year), and ordinary profit of 2,243 million yen (an ordinary loss of 394 million yen in the same period of the previous fiscal year) in the MRI Group in the first three months of the fiscal year under review. The Group posted profit attributable to owners of parent of 2,026 million yen (a loss attributable to owners of parent of 722 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 7,516 million yen, operating profit, ordinary profit, and profit before taxes by 2,857 million yen each, and profit attributable to owners of parent by 1,925 million yen, respectively, in the first three months under review. When this impact is excluded, net sales increased but ordinary profit decreased due to the impact of an unprofitable project in the Think Tank & Consulting Services segment while profit attributable to owners of parent increased due to gain on sales of cross-held shares.

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

The results in each segment are as follows.

<Think tank and consulting services>

In the first three months under review, sales and profit increased significantly because the application of the Accounting Standard for Revenue Recognition, etc. resulted in a switch to a method with which sales are posted over the period of implementation of outsourced projects. Net sales (sales to outside clients) stood at 9,035 million yen (net sales of 2,378 million yen in the same period of the previous fiscal year) and ordinary profit came to 899 million yen (an ordinary loss of 829 million yen in the same period of the previous fiscal year).

Because of the application of the Accounting Standard for Revenue Recognition, etc., net sales increased 6,637 million yen and ordinary profit increased 2,416 million yen in the first three months under review. When the above impact is excluded, net sales remained almost flat from the year-ago level while ordinary profit decreased year on year due in part to posting of provision for loss on order received.

<IT services>

In the first three months under review, net sales (sales to outside clients) rose to 16,323 million yen (net sales of 13,550 million yen in the same period of the previous fiscal year) chiefly due to the expansion of the finance/credit cards business, and ordinary profit was 1,336 million yen (ordinary profit of 438 million yen in the same period of the previous fiscal year).

Because of the application of the Accounting Standard for Revenue Recognition, etc., net sales increased 879 million yen and ordinary profit increased 441 million yen in the first three 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 three months under review increased 97 million yen (up 0.1%) from the end of the previous fiscal year, to 99,802 million yen. Of which, current assets stood at 60,924 million yen (up 3.0%) and non-current assets were 38,877 million yen (down 4.2%). In current assets, cash and deposits seasonally decreased 2,910 million yen. In addition, application of the Accounting Standard for Revenue Recognition, etc. resulted in a decrease in inventories by 9,474 million yen and an increase in notes and accounts receivable - trade, and contract assets by 13,544 million yen. The decline in non-current assets mainly reflects sales of investment securities.

Liabilities declined 1,999 million yen (down 5.6%) from the end of the previous fiscal year, to 33,868 million yen. This decrease chiefly reflected decreases in provision for bonuses.

Net assets rose 2,096million yen (up 3.3%) from the end of the previous fiscal year, to 65,933 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 consolidated earnings forecasts published on November 2, 2021 remain unchanged.

From the beginning of the first three months of the fiscal year under review, the Group began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. This is expected result in an increase in outsourced projects for which sales are posted over the period of their implementation. Therefore, seasonal fluctuations or a concentration of quarterly results will be different from conventional ones.

Due to the fiscal years of the government and public offices as the Group's main trading partners, there are usually many projects in which orders are received in the third quarter and the delivery dates are set in the second quarter of the following year. Accordingly, business results in the first and second quarters are relatively better than other quarters. The second quarter in particular is expected to have the highest operating profit of the fiscal year partly because the execution of operation peaks before the end of the quarter. In addition, in the third and fourth quarters, which have lower net sales, an operating loss is expected in the current fiscal year because expenses such as personnel expenses and selling, general and administrative expenses occur almost equally in every quarter.

2. Consolidated financial statements and significant notes thereto

(1) Consolidated quarterly balance sheets

(Million yen)

	As of September 30, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	29,397	26,487
Notes and accounts receivable - trade	17,735	–
Notes and accounts receivable - trade, and contract assets	–	31,280
Inventories	9,854	379
Other	2,156	2,778
Allowance for doubtful accounts	(1)	(1)
Total current assets	59,142	60,924
Non-current assets		
Property and equipment		
Buildings and structures, net	7,154	6,984
Machinery, equipment and vehicles, net	21	19
Tools, furniture and fixtures, net	1,279	1,197
Land	720	720
Leased assets, net	1,867	1,786
Construction in progress	266	291
Total property and equipment	11,310	10,998
Intangible assets		
Software	4,000	3,809
Leased assets	1,405	1,243
Other	246	469
Total intangible assets	5,652	5,521
Investments and other assets		
Investment securities	15,712	15,054
Deferred tax assets	4,307	3,993
Other	3,579	3,308
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	23,599	22,357
Total non-current assets	40,561	38,877
Total assets	99,704	99,802

(Million yen)

	As of September 30, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	4,166	4,700
Current portion of long-term borrowings	400	400
Accounts payable - other	1,596	1,794
Accrued expenses	3,326	3,666
Income taxes payable	588	1,228
Provision for bonuses	4,405	2,199
Provision for loss on order received	917	861
Other	5,217	4,291
Total current liabilities	20,618	19,142
Non-current liabilities		
Long-term borrowings	900	800
Lease obligations	2,454	2,199
Provision for share-based compensation	432	459
Net defined benefit liability	9,936	9,776
Asset retirement obligations	1,521	1,486
Other	5	4
Total non-current liabilities	15,249	14,726
Total liabilities	35,867	33,868
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,785	4,785
Retained earnings	43,749	46,025
Treasury shares	(762)	(719)
Total shareholders' equity	54,108	56,427
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,068	1,640
Deferred gains or losses on hedges	(70)	(65)
Foreign currency translation adjustment	2	3
Remeasurements of defined benefit plans	169	180
Total accumulated other comprehensive income	2,170	1,758
Non-controlling interests	7,557	7,747
Total net assets	63,836	65,933
Total liabilities and net assets	99,704	99,802

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

Consolidated quarterly statements of income

(Million yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
Net sales	15,929	25,358
Cost of sales	12,658	19,360
Gross profit	3,271	5,997
Selling, general and administrative expenses	3,910	4,162
Operating profit (loss)	(639)	1,834
Non-operating income		
Interest income	0	3
Dividend income	36	46
Share of profit of entities accounted for using equity method	224	347
Other	7	32
Total non-operating income	268	429
Non-operating expenses		
Interest expenses	9	9
Loss on investments in silent partnership	10	–
Overseas withholding taxes	3	11
Other	0	0
Total non-operating expenses	23	21
Ordinary profit (loss)	(394)	2,243
Extraordinary income		
Gain on sales of investment securities	0	1,411
Total extraordinary income	0	1,411
Extraordinary losses		
Loss on sales of non-current assets	–	1
Loss on retirement of non-current assets	0	3
Loss on revaluation of investment securities	18	–
Other	0	0
Total extraordinary losses	19	4
Profit (loss) before income taxes	(412)	3,650
Income taxes	254	1,241
Profit (loss)	(666)	2,408
Profit attributable to non-controlling interests	56	381
Profit (loss) attributable to owners of parent	(722)	2,026

Consolidated quarterly statements of comprehensive income

(Million yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
Profit (loss)	(666)	2,408
Other comprehensive income		
Valuation difference on available-for-sale securities	85	(549)
Deferred gains or losses on hedges	(8)	4
Foreign currency translation adjustment	(0)	0
Remeasurements of defined benefit plans	4	4
Share of other comprehensive income of entities accounted for using equity method	6	11
Total other comprehensive income	86	(528)
Comprehensive income	(579)	1,880
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(634)	1,614
Comprehensive income attributable to non-controlling interests	54	266

(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 quarter 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, 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 quarter 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 quarter, 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 quarter 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 first quarter under review.

As a result, net sales for the first three months of the fiscal year under review increased by 7,516 million yen, cost of sales increased by 4,659 million yen, operating profit, ordinary profit and profit before income taxes all increased by 2,857 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 quarter under review. In accordance with the transitional treatment stipulated in Article 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 quarter 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 quarter 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 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 three 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 first three months 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, MRI 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.), MRI grants shares of MRI 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 thousand respectively, in the previous fiscal year and 718 million yen and 200 thousand respectively in the first three 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. Three months ended December 31, 2020

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

(Million yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated quarterly statements of income (Note 2)
	Think tank and consulting services	IT services			
Net sales					
Outside customers	2,378	13,550	15,929	–	15,929
Inter-segment sales and transfers	3	216	220	(220)	–
Total	2,382	13,767	16,149	(220)	15,929
Segment profit (loss)	(829)	438	(390)	(3)	(394)

Notes: 1. The adjustment to segment profit (loss) all represents the elimination of inter-segment transactions.

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

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

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

II. Three months ended December 31, 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	9,035	16,323	25,358	–	25,358
Inter-segment sales and transfers	10	293	304	(304)	–
Total	9,045	16,616	25,662	(304)	25,358
Segment profit (loss)	899	1,336	2,235	8	2,243

Notes: 1. The adjustment to segment profit (loss) all represents the elimination of inter-segment transactions.

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

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

There are no significant items in the first three 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 under review, and the account processing method regarding revenue recognition was changed, so the method of measuring segment profit (loss) was changed accordingly.

This change has resulted in increases in net sales in the Think Tank & Consulting Services segment by 6,637 million yen, income in this segment by 2,416 million yen, net sales in IT Services segment by 879 million yen, and income in this segment by 441 million yen, compared to the previous method.

3. Supplementary information

Status of orders received and sales

(1) Status of orders received

The table below shows orders by segment.

(Million yen)

Segment name	Three months ended December 31, 2021			
	Orders received	Year-on-year change (%)	Order backlog	Year-on-year change (%)
Think tank and consulting services	5,628	(2.1)	30,176	–
IT services	19,023	22.0	46,867	–
System development	11,812	19.6	20,039	–
Outsourcing services	7,211	26.1	26,828	–
Total	24,651	15.5	77,044	–

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 three 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 under review was added to or subtracted from order backlog at the beginning of the first three months 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 three 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	Three months ended December 31, 2021	Year-on-year change (%)
Think tank and consulting services	9,035	–
IT services	16,323	–
System development	9,421	–
Outsourcing services	6,901	–
Total	25,358	–

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 three month of the previous fiscal year, when the said accounting standard had yet to be applied, are not shown.