[Translation for reference only]
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Translation

MEMBERSHIP

April 28, 2022

Consolidated Financial Results for the Six 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		
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:	May 2, 2022
Scheduled date to commence dividend payments:	June 7, 2022
Preparation of supplementary material on quarterly financial results:	Yes
Holding of quarterly financial results presentation meeting:	Yes (for institutional investors and analysts)

(Rounded down to the nearest million yen)

1. Consolidated performance for the six months of the fiscal year ending September 30, 2022 (from October 1, 2021 to March 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	68,265	–	9,314	–	10,012	–	7,788	–
March 31, 2021	52,328	8.5	6,126	11.3	6,464	(10.6)	4,141	(36.0)

Note: Comprehensive income
Six months ended March 31, 2022: 7,867 million yen [–%]
Six months ended March 31, 2021: 4,646 million yen [(35.1%)]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
March 31, 2022	480.03	–
March 31, 2021	254.81	–

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 six 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 six 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	%
March 31, 2022	125,346	72,017	51.1
September 30, 2021	99,704	63,836	56.4

Reference: Equity (Net assets – Non-controlling interests)
As of March 31, 2022: 64,014 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 six 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: Yes

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	7,700	12.3	8,700	14.9	6,400	27.8	394.14

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

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

Note: For details, please refer to "2. Consolidated financial statements and significant notes thereto (4) Notes to consolidated financial statements (Application of special accounting in preparing consolidated quarterly financial statements)" on page 13 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 March 31, 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 March 31, 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)

Six months ended March 31, 2022	16,225,189 shares
Six months ended March 31, 2021	16,252,291 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 six 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 six months of fiscal year under review are explained without indicating amounts and rates (%) of changes from the first six months of the previous fiscal year.

Details are described in "2. Consolidated financial statements and significant notes thereto (4) Notes to consolidated financial statements (Changes in accounting policies)."

(1) Explanation regarding operating results

In the first six months of the fiscal year under review (October 1, 2021 to March 31, 2022), global economic risk and geopolitical risk increased dramatically following the Russian invasion of Ukraine in February. Energy prices rose due to economic sanctions imposed on Russia by Europe, the United States, and other countries. The sanctions have already begun to have a number of effects, including restrictions on imports and exports, a suspension of business and production, and delays in distribution. Many experts believe that the conflict will inevitably be prolonged, and there is concern about more adverse effects on the global economy. That said, in the first six months under review, the global economy remained on a recovery trend overall. Although the normalization of economic activities was temporarily constrained by the rapid increase in the number of COVID-19 Omicron variant cases, prices rose at a historically high rate, primarily in Europe and the United States, when demand recovered. In the United States, the inflation rate hit a 40-year high. In March, the Federal Open Market Committee (FOMC) decided to raise the federal funds rate. China stuck to its zero-COVID policy. As COVID-19 cases increased, particularly in urban areas, the government adopted strict infection control measures, which made the economic slowdown increasingly apparent, especially in consumption and production.

In Japan, COVID-19 cases increased from the beginning of 2022 in what is called the 6th wave, and going out declined significantly. Related consumption decreased again. Production was recovering, but was constrained by delays in the supply of parts and semiconductors in certain industries, including the auto industry. Exports, particularly to Asia, were on a recovery trend.

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. 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, urban mobility, and energy, thus committing itself to acquiring new core businesses and new revenue sources.

The Company expects that the Russian invasion of Ukraine will have almost no effects on the Group's results.

Also, there were 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 six 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. As for office reforms, the Company has almost completed its response to the new normal. In the first six months under review, two subsidiaries were moved to the Company's head office building and consolidated. Meanwhile, office specifications were changed to new ones that emphasize communication between employees.

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. Meanwhile, the Group made public information on those initiatives. In the first six months under review, the Company issued more than ten press releases, primarily on alliance agreements related to the digital transformation business, demonstration projects, and the commencement of new services.

These factors resulted in net sales of 68,265 million yen (net sales of 52,328 million yen in the same period of the previous fiscal year), operating profit of 9,314 million yen (an operating profit of 6,126 million yen in the same period of the previous fiscal year), and ordinary profit of 10,012 million yen (an ordinary profit of 6,464 million yen in the same period of the previous fiscal year) in the MRI Group in the first six months of the fiscal year under review. The Group posted profit attributable to owners of parent of 7,788 million yen (a profit attributable to owners of parent of 4,141 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 11,171 million yen, operating profit, ordinary profit, and profit before taxes by 2,291 million yen each, and profit attributable to owners of parent by 1,564 million yen, respectively, in the first six months under review. Except for the effects of application of the Accounting Standard for Revenue Recognition, net sales, operating profit, ordinary profit, and profit attributable to owners of parent rose from a year ago.

The results in each segment are as follows.

<Think tank and consulting services>

In the first six 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 34,221 million yen (net sales of 20,803 million yen in the same period of the previous fiscal year) and ordinary profit came to 6,902 million yen (an ordinary profit of 4,265 million yen in the same period of the previous fiscal year). Those results were driven by large projects in the public sector, including AI simulations, and projects related to advanced ICT. The general industries (private sector) business and the finance/credit cards business recorded an increase in profit and made positive contributions to the results.

Because of the application of the Accounting Standard for Revenue Recognition, etc., net sales increased 11,408 million yen and ordinary profit increased 2,131 million yen in the first six months under review. Both sales and profit increased even where the above impact is excluded.

<IT services>

In the first six months under review, net sales (sales to outside clients) rose to 34,044 million yen (net sales of 31,524 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 3,113 million yen (ordinary profit of 2,197 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 decreased 237 million yen and ordinary profit increased 159 million yen in the first six months under review. Both sales and profit increased even where the above impact is excluded.

(2) Explanation regarding financial position

A. Financial position

Total assets at the end of the first six months under review increased 25,642 million yen (up 25.7%) from the end of the previous fiscal year, to 125,346 million yen. Of which, current assets stood at 85,844 million yen (up 45.1%) and non-current assets were 39,501 million yen (down 2.6%). In current assets, application of the Accounting Standard for Revenue Recognition, etc. resulted in a decrease in inventories by 9,628 million yen and an increase in notes and accounts receivable - trade, and contract assets by 38,891 million yen. The decline in non-current assets mainly reflects sales of investment securities.

Liabilities rose 17,461 million yen (up 48.7%) from the end of the previous fiscal year, to 53,329 million yen, chiefly reflecting an increase in accounts payable - trade of 12,210 million yen due to a seasonal factor.

Net assets rose 8,180 million yen (up 12.8 %) from the end of the previous fiscal year, to 72,017 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.

B. Cash flow position

Cash and cash equivalents at the end of the first six months of the fiscal year under review fell 6,269 million yen from the end of the previous fiscal year, to 22,828 million yen. Cash flows in each category in the first six months and major factors are as follows:

(Cash flows from operating activities)

Cash used in operating activities stood at 4,819 million yen (cash used of 6,649 million yen in the same period of the previous fiscal year), chiefly reflecting profit before income taxes of 11,367 million yen, an increase in sales and orders and seasonal factors, namely, an increase in trade receivables and contract assets of 28,650 million yen, and an increase in trade payables of 12,206 million yen. Many projects of the Group are completed in March and April, and expenses are posted ahead of revenue up to the first six months. As a result, cash flows from operating activities tend to be in negative territory.

Compared with the first six months of the previous fiscal year, cash used was reduced by 1,830 million yen, primarily because of a decrease of 2,046 million yen in income taxes paid.

(Cash flows from investing activities)

Cash provided by investing activities came to 462 million yen (cash used of 2,101 million yen in the same period of the previous fiscal year). This is chiefly attributable to purchases of intangible assets of 788 million yen, proceeds from sales of investment securities of 826 million yen and proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation of 533 million yen.

Compared with the first six months of the previous fiscal year, cash provided increased 2,564 million yen, mainly reflecting a reduction of 601 million yen in purchase of property, plant and equipment, an increase of 822 million yen in proceeds from sale of investment securities, a rise 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 stood at 1,913 million yen (cash used of 2,810 million yen in the same period of the previous fiscal year). The main reasons were 986 million yen in cash dividends paid, and 551 million yen in repayments of lease obligations.

Compared with the first six months of the previous fiscal year, cash used was reduced by 896 million yen, chiefly due to a decrease of 408 million yen in dividends paid and a decrease of 334 million yen in purchase of treasury shares.

(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 six months of the fiscal year under review.

Net sales and ordinary profit in the Think Tank & Consulting Services segment are expected to exceed the initial forecasts, mainly because of continued strength in demand for projects in the public sector related to growth businesses, including AI, advanced ICT, and security.

Ordinary profit in the IT Services segment is likely to exceed the initial forecast, chiefly due to the continued 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)	113,000	7,200	8,200	5,500	339.26
Revised forecast (B)	117,000	7,700	8,700	6,400	394.14
Change (B – A)	4,000	500	500	900	–
Rate (%)	3.5	6.9	6.1	16.4	–
(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)	44,000	4,000	69,000	4,200
Revised forecast (B)	48,000	4,300	69,000	4,400
Change (B – A)	4,000	300	–	200
Rate (%)	9.1	7.5	–	4.8
(Ref.) Results by segment in the previous fiscal year (ended Sep. 2021)	40,376	4,197	62,653	3,361

The year-end dividend forecast for the fiscal year ending September 30, 2022 is revised upward. For details, please refer to the notice of a revision to the dividend forecast for the fiscal year ending September 30, 2022, published on April 28, 2022.

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 March 31, 2022
Assets		
Current assets		
Cash and deposits	29,397	23,128
Notes and accounts receivable - trade	17,735	–
Notes and accounts receivable - trade, and contract assets	–	56,627
Inventories	9,854	225
Other	2,156	5,867
Allowance for doubtful accounts	(1)	(3)
Total current assets	59,142	85,844
Non-current assets		
Property and equipment		
Buildings and structures, net	7,154	7,028
Machinery, equipment and vehicles, net	21	18
Tools, furniture and fixtures, net	1,279	1,527
Land	720	720
Leased assets, net	1,867	1,734
Construction in progress	266	46
Total property and equipment	11,310	11,075
Intangible assets		
Software	4,000	3,692
Leased assets	1,405	1,081
Other	246	707
Total intangible assets	5,652	5,481
Investments and other assets		
Investment securities	15,712	15,251
Deferred tax assets	4,307	4,104
Other	3,579	3,588
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	23,599	22,944
Total non-current assets	40,561	39,501
Total assets	99,704	125,346

(Million yen)

	As of September 30, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	4,166	16,376
Current portion of long-term borrowings	400	400
Accounts payable - other	1,596	1,950
Accrued expenses	3,326	5,221
Income taxes payable	588	3,150
Provision for bonuses	4,405	4,325
Provision for loss on order received	917	737
Other	5,217	6,846
Total current liabilities	20,618	39,008
Non-current liabilities		
Long-term borrowings	900	700
Lease obligations	2,454	1,972
Provision for share-based compensation	432	344
Net defined benefit liability	9,936	9,812
Asset retirement obligations	1,521	1,488
Other	5	2
Total non-current liabilities	15,249	14,321
Total liabilities	35,867	53,329
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,785	4,785
Retained earnings	43,749	51,787
Treasury shares	(762)	(622)
Total shareholders' equity	54,108	62,286
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,068	1,583
Deferred gains or losses on hedges	(70)	(51)
Foreign currency translation adjustment	2	3
Remeasurements of defined benefit plans	169	191
Total accumulated other comprehensive income	2,170	1,728
Non-controlling interests	7,557	8,002
Total net assets	63,836	72,017
Total liabilities and net assets	99,704	125,346

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

Consolidated quarterly statements of income

(Million yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Net sales	52,328	68,265
Cost of sales	38,227	50,594
Gross profit	14,100	17,670
Selling, general and administrative expenses	7,974	8,356
Operating profit	6,126	9,314
Non-operating income		
Interest income	0	8
Dividend income	62	58
Share of profit of entities accounted for using equity method	306	618
Other	22	49
Total non-operating income	392	734
Non-operating expenses		
Interest expenses	17	18
Loss on investments in silent partnership	13	–
Overseas withholding taxes	12	17
Other	9	0
Total non-operating expenses	53	36
Ordinary profit	6,464	10,012
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	1	20
Loss on revaluation of investment securities	401	29
Other	0	4
Total extraordinary losses	404	56
Profit before income taxes	6,061	11,367
Income taxes	1,607	2,934
Profit	4,454	8,433
Profit attributable to non-controlling interests	312	645
Profit attributable to owners of parent	4,141	7,788

Consolidated quarterly statements of comprehensive income

(Million yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Profit	4,454	8,433
Other comprehensive income		
Valuation difference on available-for-sale securities	172	(616)
Deferred gains or losses on hedges	(4)	18
Foreign currency translation adjustment	(1)	1
Remeasurements of defined benefit plans	8	9
Share of other comprehensive income of entities accounted for using equity method	16	20
Total other comprehensive income	191	(566)
Comprehensive income	4,646	7,867
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,323	7,346
Comprehensive income attributable to non-controlling interests	322	521

(3) Consolidated quarterly statements of cash flows

(Million yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	6,061	11,367
Depreciation	1,736	1,795
Increase (decrease) in provision for bonuses	(2,154)	(17)
Decrease (increase) in net defined benefit asset	0	–
Increase (decrease) in net defined benefit liability	0	(59)
Increase (decrease) in allowance for doubtful accounts	0	2
Increase (decrease) in provision for share-based compensation	77	52
Increase (decrease) in provision for loss on order received	(68)	278
Interest and dividend income	(63)	(66)
Interest expenses	17	18
Share of loss (profit) of entities accounted for using equity method	(306)	(618)
Loss (gain) on sales of non-current assets	–	1
Loss on retirement of non-current assets	1	20
Loss (gain) on sales of investment securities	(0)	(1,411)
Loss (gain) on valuation of investment securities	401	29
Decrease (increase) in trade receivables	(13,074)	–
Decrease (increase) in trade receivables and contract assets	–	(28,650)
Decrease (increase) in inventories	(3,912)	42
Increase (decrease) in trade payables	5,878	12,206
Increase (decrease) in accrued expenses	1,478	1,894
Increase (decrease) in accrued consumption taxes	(985)	(929)
Increase (decrease) in advances received	395	–
Increase (decrease) in contract liabilities	–	30
Other	254	(560)
Subtotal	(4,260)	(4,572)
Interest and dividends received	165	222
Interest paid	(17)	20
Income taxes paid	(2,537)	(490)
Net cash provided by (used in) operating activities	(6,649)	(4,819)
Cash flow from investing activities		
Purchase of property and equipment	(920)	(318)
Proceeds from sales of property and equipment	–	0
Purchase of intangible assets	(1,049)	(788)
Purchase of investment securities	(148)	(38)
Proceeds from sales of investment securities	3	826
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	533
Loan advances	(0)	(0)
Collection of loans receivable	2	1
Payments of leasehold and guarantee deposits	(5)	(15)
Proceeds from refund of leasehold and guarantee deposits	4	260
Other	12	2
Net cash provided by (used in) investing activities	(2,101)	462

(Million yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Cash flow from financing activities		
Repayments of long-term borrowings	(200)	(200)
Repayments of lease obligations	(505)	(551)
Dividends paid	(1,394)	(986)
Dividends paid to non-controlling interests	(375)	(175)
Purchase of treasury shares	(334)	(0)
Net cash provided by (used in) financing activities	(2,810)	(1,913)
Effect of exchange rate change on cash and cash equivalents	(1)	1
Net increase (decrease) in cash and cash equivalents	(11,563)	(6,269)
Cash and cash equivalents at beginning of period	32,438	29,097
Cash and cash equivalents at end of period	20,874	22,828

(4) 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 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 under review.

As a result, net sales for the first six months of the fiscal year under review increased by 11,171 million yen, cost of sales increased by 8,879 million yen, operating profit, ordinary profit and profit before income taxes all increased by 2,291 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 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 six 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 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 six months under review by a reasonably estimated effective tax rate after the application of tax effect accounting for profit before income taxes in the consolidated fiscal year including the second quarter under review.

(Additional information)

(Share-based compensation system linked to operating performance for directors, executives and research fellows)

At the 47th annual shareholders' meeting held on December 19, 2016, the Company resolved to introduce a performance-based stock compensation plan ("the Plan") for its directors (excluding outside directors, non-executive directors and directors living outside Japan), executive officers and research fellows who have signed an engagement agreement (excluding those living outside Japan) (collectively referred to as the "Directors, Etc."). The Plan has been introduced to raise awareness of contributions to improving operating results at the MRI Group and enhancing the corporate value in the medium to long term. The Plan is an officers' compensation system that is closely connected to the MRI Group's results, transparent and objective.

The accounting for the Plan is in line with the Practical Solution on Transactions of Delivering 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 621million yen and 173,000 respectively at the end of the first six 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. Six months ended March 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	20,803	31,524	52,328	–	52,328
Inter-segment sales and transfers	31	645	676	(676)	–
Total	20,834	32,170	53,004	(676)	52,328
Segment profit	4,265	2,197	6,462	1	6,464

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 six months under review.

II. Six months ended March 31, 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	34,221	34,044	68,265	–	68,265
Inter-segment sales and transfers	36	742	778	(778)	–
Total	34,257	34,787	69,044	(778)	68,265
Segment profit	6,902	3,113	10,015	(2)	10,012

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 six 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 11,408 million yen, income in this segment by 2,131 million yen, a decrease in net sales in IT Services segment by 237 million yen, and an increase in income in this segment by 159 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	Six months ended March 31, 2022			
	Orders received	Year-on-year change (%)	Order backlog	Year-on-year change (%)
Think tank and consulting services	25,849	(7.9)	25,211	–
IT services	37,122	2.3	47,245	–
System development	23,342	25.0	21,706	–
Outsourcing services	13,780	(21.7)	25,539	–
Total	62,972	(2.1)	72,457	–

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 six 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 six 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	Six months ended March 31, 2022	Year-on-year change (%)
Think tank and consulting services	34,221	–
IT services	34,044	–
System development	19,284	–
Outsourcing services	14,760	–
Total	68,265	–

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