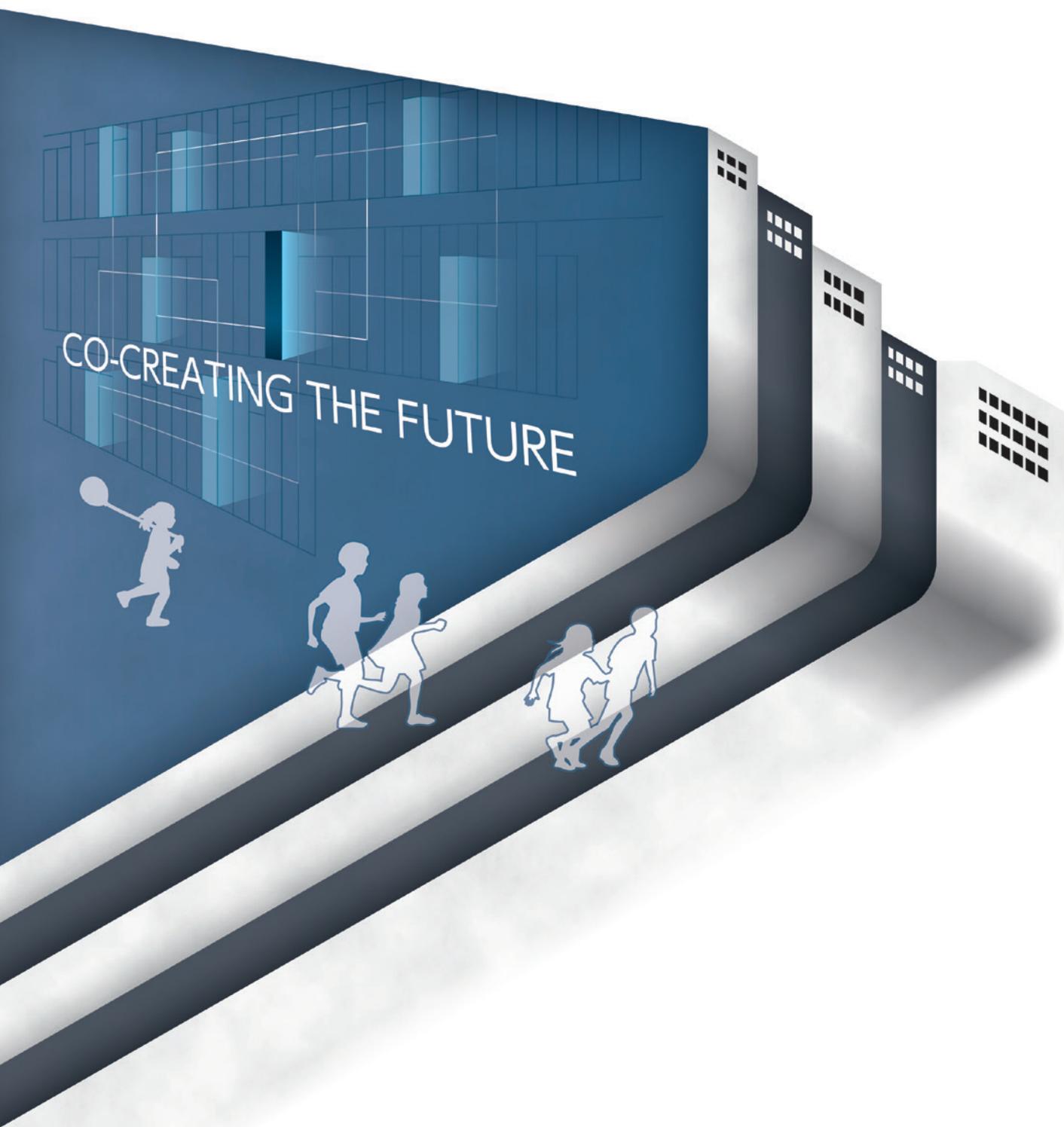


Mitsubishi Research Institute

Group Report

Fiscal Year Ended September 2017



Management Philosophy

Use wisdom and information to contribute to society

Maintain integrity and fairness in business activities

Apply integrated strengths by combining the ability of diverse individuals

Editorial Policy/Caution Concerning Forward-Looking Statements

This report was produced to provide information about our financial results in the fiscal year ended September 2017 and our management strategies for the future. We also hope that it will contribute to improvement in our corporate value by enhancing our social reputation through the disclosure of information about the state of our business activities from a CSR perspective as a way of ensuring management transparency. In line with these aims, we have published this document as a tool for communication with our stakeholders, including society, customers, shareholders and employees.

This report was not published for the purpose of soliciting investment in marketable securities, and the Mitsubishi Research Institute, Inc. makes no guarantee or undertaking whatsoever. All opinions and forecasts stated in this report are judgments by Mitsubishi Research Institute, Inc. at the time when this report was compiled, and we provide no guarantee or undertaking as to the accuracy of this information. Our future financial results may differ from our forecasts.

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A Message from Management

The Mitsubishi Research Institute Group is co-creating a brighter future by finding solutions for clients and all of society.



The Mitsubishi Research Institute Group (MRI Group) is co-creating a brighter future alongside clients, aiming to achieve the sustainable development of local communities, corporations, and society at large by functioning as a think tank that applies collective wisdom to the development of 21st century civilization.

Highly skilled professionals with diverse capabilities within Mitsubishi Research Institute, Inc. (MRI) provide support ranging from proposals for scientific, evidence-based solutions to the realization of proposals from a neutral position using networks and abundant knowledge and experience accumulated over many years.

MRI has expanded its business domains and now offers ICT solutions focusing on the Internet, cloud computing and artificial intelligence (AI) in cooperation with Mitsubishi Research Institute DCS Co., Ltd., which possesses particular strengths in IT services.

It will continue to accurately respond to the expectations of society and our clients through services that seamlessly combine its think tank, consulting and ICT solutions.

Great strides in science and technology have created disruptive innovation across a variety of fields. This innovation has had an impact on all aspects of politics, the economy, and society in ways that are deeply interrelated. The world is facing rapid change at the beginning of a new era.

Amid these uncertain times, the MRI Group is prepared to exercise its leadership as an integrated think tank by offering comprehensive solutions.

We are creating a brighter future by addressing the challenges of society and our clients through integrated strengths of a “Think and Act tank” committed to envisioning the ideal future while implementing the solutions that will make it a reality.

With the MRI Group celebrating its 50th anniversary in 2020, we are deeply committed to ensuring that every effort is made to fulfill our mission. We look forward with gratitude to your continued support.

February 2018

Kyota Omori
Board Chairperson,
Mitsubishi Research
Institute, Inc.

大森京古

Takashi Morisaki
President and Representative
Director, Mitsubishi Research
Institute, Inc.

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1 MRI Group Profile



History of the MRI Group

1970

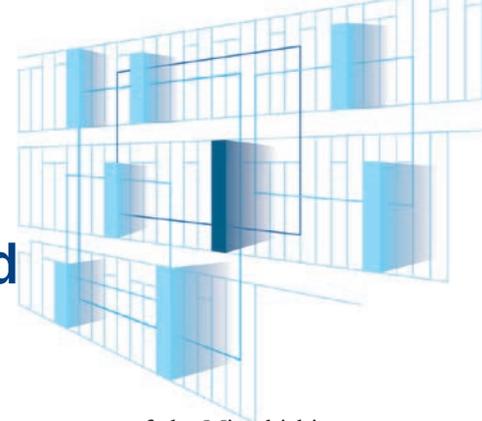
MRI is founded in commemoration of the 100th anniversary of the Mitsubishi Group.

Employees
(MRI)
164

Net sales
(MRI)
600 million yen



Integrated Think Tank Dedicated to Finding Solutions for Problems Faced by Society and Our Clients



Mitsubishi Research Institute, Inc. (MRI) was founded in 1970 in commemoration of the centenary of the Mitsubishi Group. Since then, the MRI Group has played a trailblazing role in a wide range of fields, from economics and corporate management to policy and public affairs, science and technology.

In addition to its think tank and consultation services, including surveys, research and policy formation, as well as support for corporate strategy, the MRI Group partners with Mitsubishi Research Institute DCS to deliver ICT solutions. We have consequently established an outstanding reputation as a comprehensive think tank group with the ability to provide integrated solutions for the problems clients and all of society face.

MRI
Mitsubishi Research Institute
Think tank and consulting services

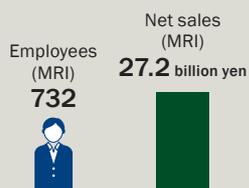
DCS
Mitsubishi Research Institute DCS
IT services

Consolidated subsidiaries **12**

Employees of Group companies **3,842**

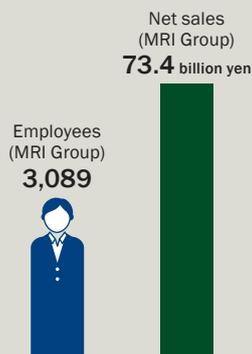
2004

Diamond Computer Service (now Mitsubishi Research Institute DCS) joins the MRI Group.



2009

MRI is listed on the second section of the Tokyo Stock Exchange (promoted to the first section in 2010).



2017

The MRI Group's pace of growth is accelerated under a six-year plan leading up to its 50th anniversary in 2020.



Features and Strengths of the MRI Group

Problem-Solving through Integrated Strengths

Finding solutions for the problems of society and our clients requires the ability to consistently deliver services from concept development to supporting implementation, including creating the concept of a future society, presenting concrete actions toward realizing it, and actually making it a reality.

The MRI Group maintains a well-balanced set of specialized capabilities in the areas of think tank and consulting services and ICT solutions. Our added-value Think & Act approach combines these capabilities into fully integrated strengths.

We identify solutions for the challenges facing society and our clients from a comprehensive perspective, including the proposal of solutions and design stage support as well as the recommendation and implementation of wide-ranging solutions and participation as a business partner.

Integrated Services for Diverse Clients

We offer services to a broadly representative mix of clients, ranging from governments and financial institutions to other private sector corporations, which is a distinctive competency of the MRI Group.

We have recently observed a rising need for services in public-private sector partnerships. This trend opens up opportunities for the MRI Group, with its diverse client base, to develop new services.

Governments

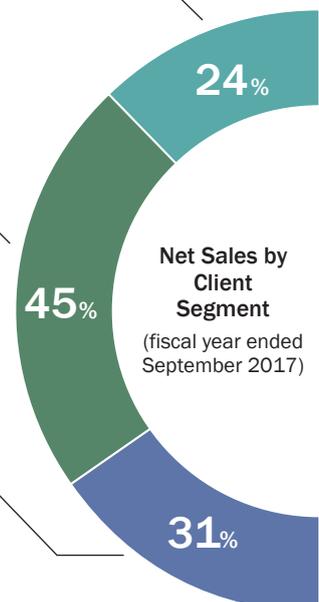
Our services for the public sector, from central government agencies to local government organizations, include policy formation and implementation support. Our specific strength for addressing key policy areas and issues is based on extensive knowledge of specialized fields.

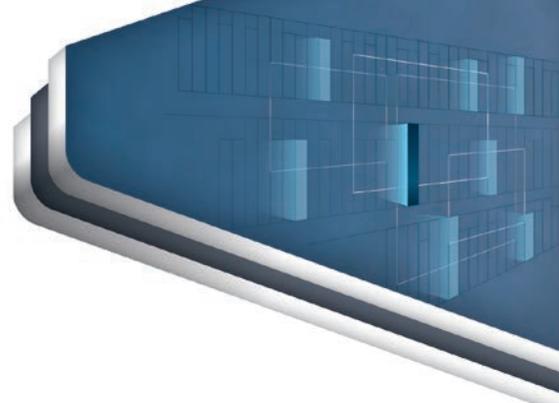
Financial Institutions

Our extensive experience and technical expertise in systems development for financial institutions allows us to support a variety of clients, including banks and credit card companies. We also diversify our business by capitalizing on the sophisticated technology and knowhow we have gained through financial projects.

Private Sector Companies

Forecasting the future business environment in light of anticipated changes in society, we deliver services that encompass new technologies. In addition to supporting business strategy and new business development, we assist clients in enhancing value through the use of artificial intelligence (AI) and big data.





Diverse Professionals

The MRI Group's most important management resource is our diverse line-up of highly skilled professionals in fields that include medicine, nursing, welfare, regional revitalization, the environment, energy, disaster prevention and safety, space science and advanced technology, and ICT and big data.

These professionals discover solutions to complex problems through multidisciplinary collaboration, and three quarters of them have backgrounds in the natural sciences, with most having earned masters or doctorate degrees. Another feature of our professional staff is their active participation in academic societies.

Professionals working for Mitsubishi Research Institute DCS have broad experience in information systems and project management and are able to reach solutions for ICT-related problems. The capabilities of our professionals are apparent from their extensive qualifications.

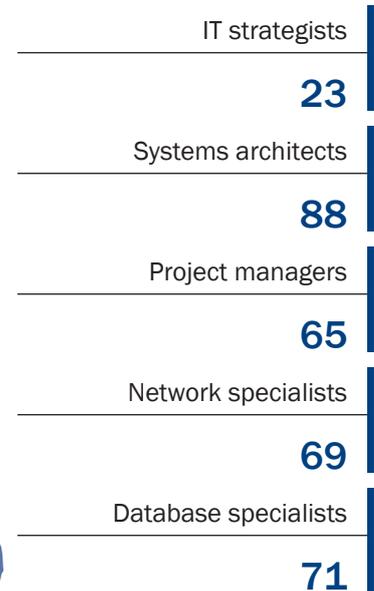
Research Areas of Specialization

(as of September 30, 2017)



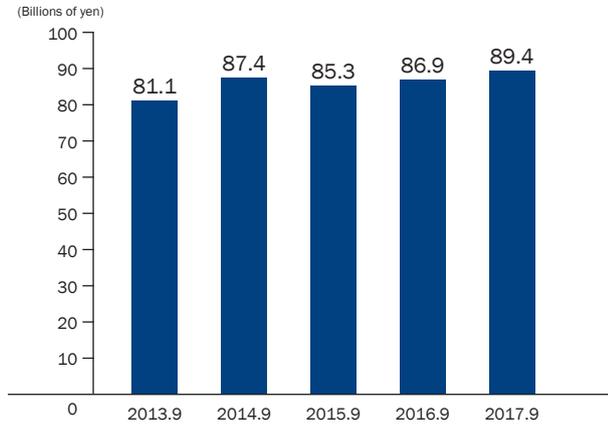
Information-Technology Engineers Examination (ITEE) Qualifications

(as of October 2017)

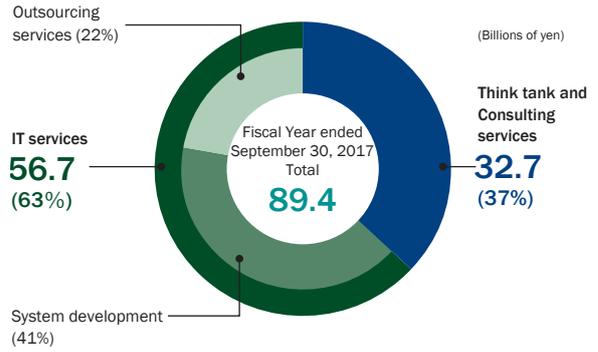


Financial Highlights

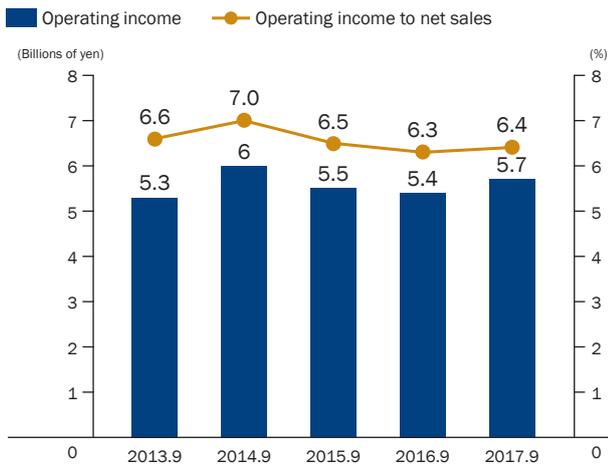
Net Sales



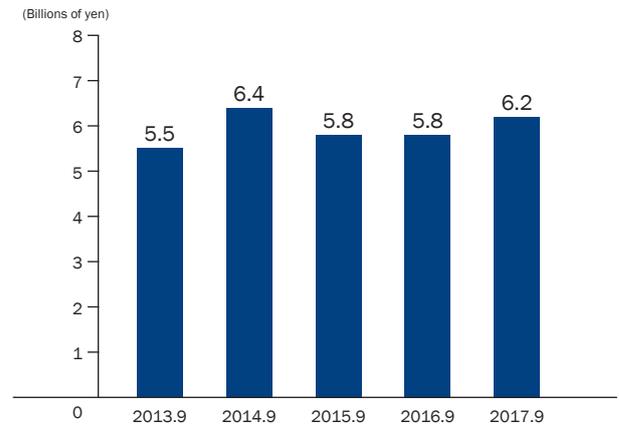
Net Sales by Segments



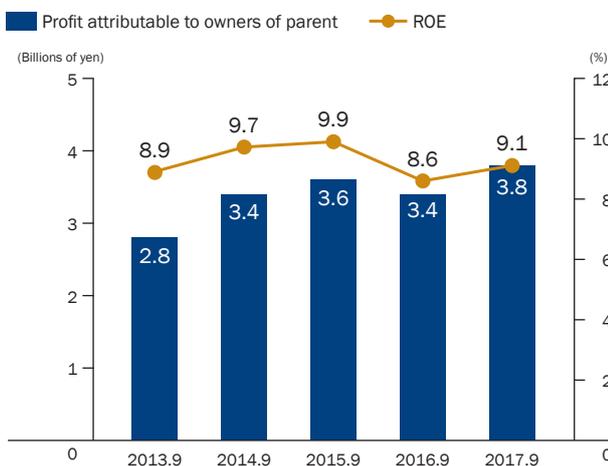
Operating Income / Operating Income Net Sales Ratio



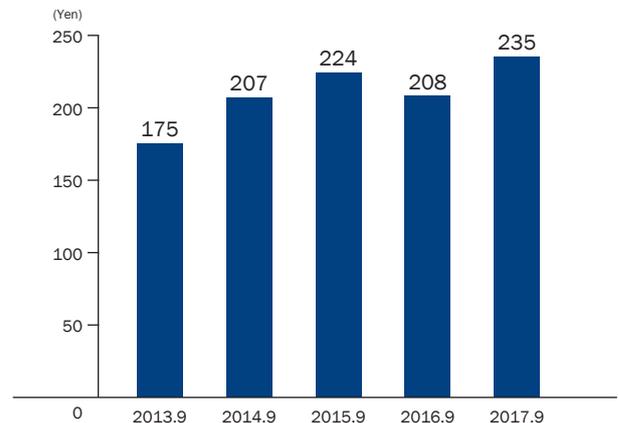
Ordinary Income



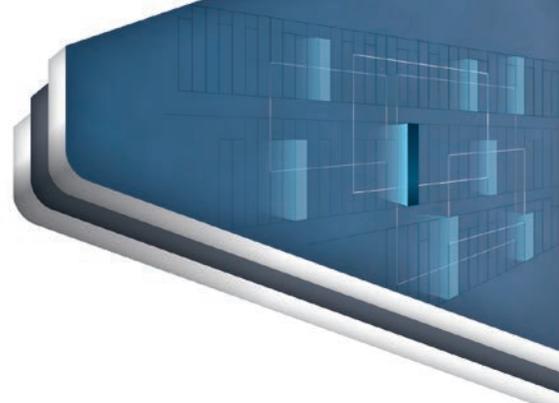
Profit Attributable to Owners of Parent / ROE



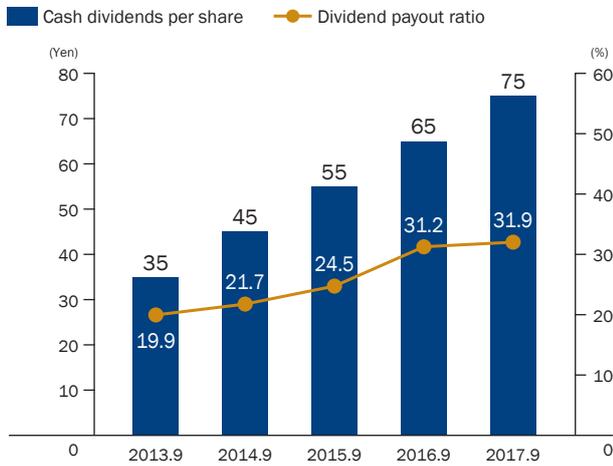
Net Income per Share



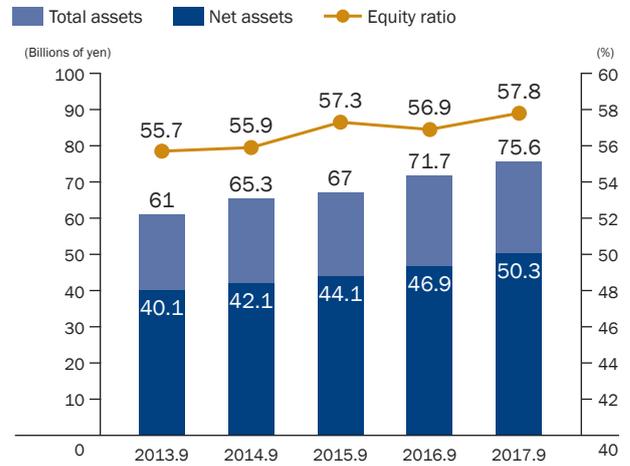
Note: Amounts of less than 100million yen were rounded down.



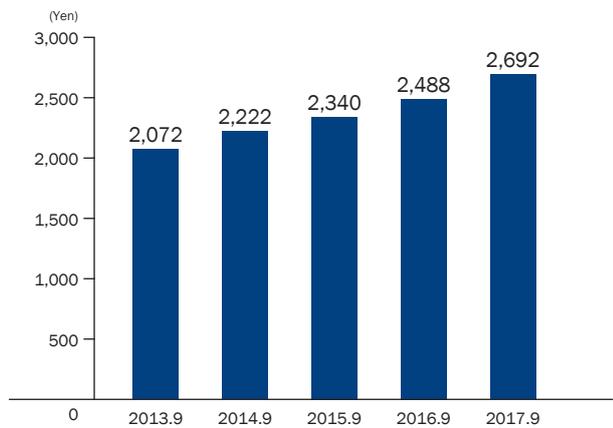
Cash Dividends per Share / Dividend Payout Ratio



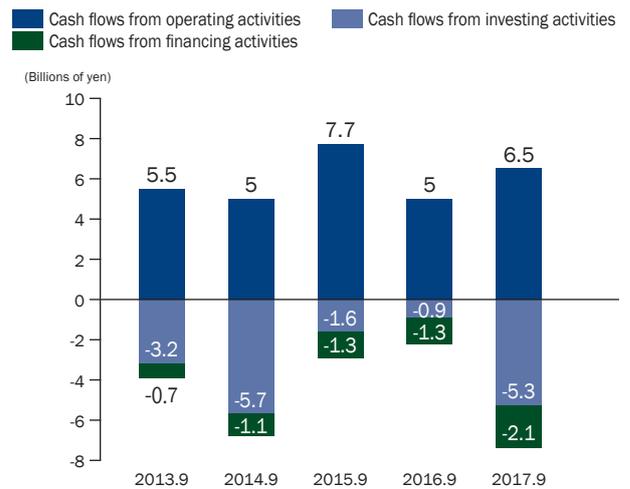
Total Assets / Net Assets / Equity Ratio



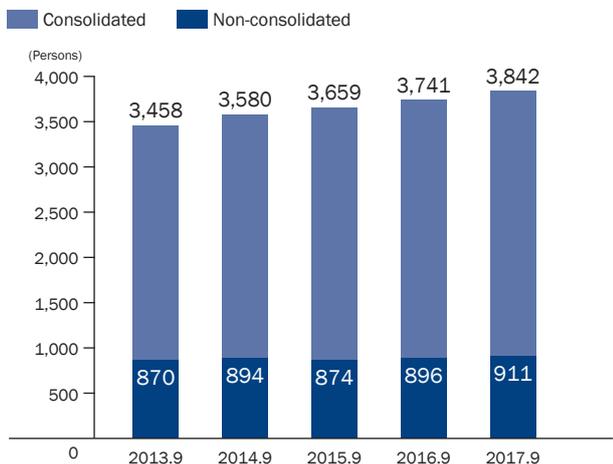
Net Assets per Share

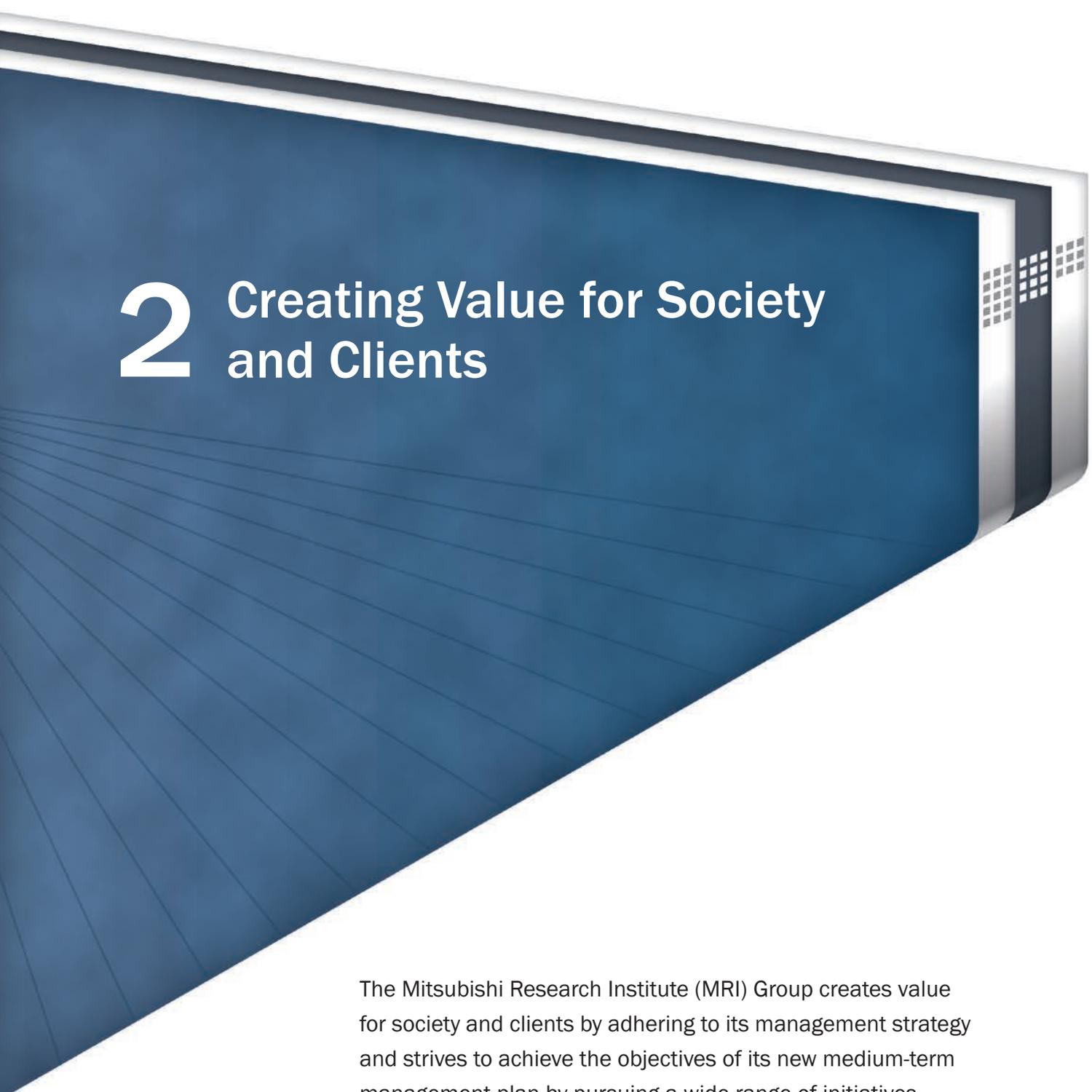


Cash Flows



Number of Employees





2 Creating Value for Society and Clients

The Mitsubishi Research Institute (MRI) Group creates value for society and clients by adhering to its management strategy and strives to achieve the objectives of its new medium-term management plan by pursuing a wide range of initiatives.

Management Strategy



Takashi Morisaki
President and Representative
Director, Mitsubishi Research
Institute, Inc.

1. Current Status

Basic Approach to Management

Japan has been experiencing many social challenges, including a declining birthrate, an aging population, labor shortages, low growth rates, and budget deficits as well as the historically shared burdens of urbanization, CO₂ emissions and natural disasters. Unfortunately, the country has yet to find satisfactory solutions to these problems, and in some cases, such as reducing CO₂ emissions, it has lagged behind more advanced nations. Meanwhile, these same issues have begun to surface in countries that had not previously experienced them.

In this context, increasing attention has turned to innovations based on new technologies, such as artificial intelligence (AI), the Internet of Things (IoT), robotics and life sciences, to address these challenges. As evidenced by the United Nations Sustainable Development Goals (SDGs) and the concept of Creating Shared Value (CSV), central governments and corporations have begun to shift their emphasis on

solving social problems through their business activities. Corporations are taking a step beyond conventional CSR activities to provide value to society through their business. Moreover, they have begun to place this field at the frontiers of growth as a means of balancing economic and social needs.

Since its founding, the MRI Group has sought to serve society through its core business by upholding its management philosophy, which states: “Use wisdom and information to contribute to society.”

Social problems provide a starting point for our activities, and we strive to contribute solutions to those problems through our business in the hope of meeting public expectations and achieving growth along with society. In that sense, we believe that the MRI Group’s CSR and CSV efforts are synonymous with our business activities.

The MRI Group’s mission is to address social problems through policy and business and, in that process, to create new businesses toward bringing about a more prosperous and brighter future.



MRI Group Strengths and Business Opportunities

Addressing social problems has been the starting point of the MRI Group, and we derive our strengths from the track record, expertise, networks and human assets we have accumulated over the years.

We remain deeply committed to the problem solving process, anticipating social and economic trends and developing solutions toward attaining our vision of a future society, formulating policies, and providing business consulting and ICT solutions as a means to realize that vision. At the same time, we conduct verification and implementation through the collaborative efforts of industry, academia and government.

Our approach to business is encapsulated in the Think & Act concept of applying our integrated strengths from the Think stage of planning through the Act stage of implementation. We have gained a substantial track record and expertise by demonstrating these strengths.

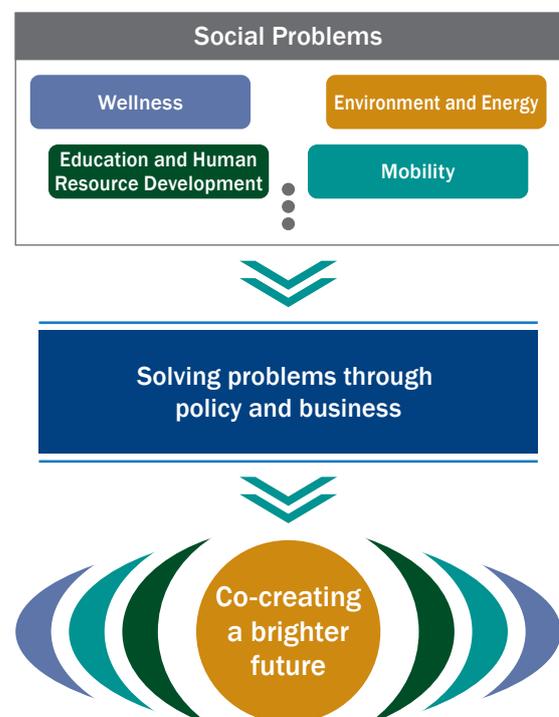
We collaborate with diverse stakeholders further reinforced by the strength of our extensive network of partners in each area.

The MRI Group's human assets comprise versatile and highly skilled professionals. We particularly take pride in the abundance of personnel with expert knowledge in science and technology, which gives us a significant advantage in harnessing cutting-edge technologies to develop businesses and design systems.

We take full advantage of these strengths to address a broad range of social challenges in such areas as healthcare and wellness, the environment and energy, mobility, and education and human resource development. We address these problems by offering solutions in terms of policy, which is our specialty, and through businesses based on technological innovation, to co-create a brighter future with our clients and partners.

In addition to formulating public policy and developing systems, we see new business opportunities for the Group in areas where private initiatives based on advanced technologies can be effectively applied to address social problems.

Furthermore, there are now expanding opportunities for demonstrating our strengths in domains beyond problem solving through policy or business, where policy and business solutions are linked or overlap. In these domains, we are currently structuring specific projects and have already gained positive feedback.





2. MRI Group Plans for the Future

New Medium-Term Management Plan

Our medium-term management plan from 2015 to 2017 covered the first half of a six-year plan that will end in 2020. Guided by the basic principle of seeking sustainable growth for individuals and the organization, we pursue strategies to enhance our strengths and add new ones, as well as to improve management, such as by implementing collaboration and reinforcing human assets. Our new medium-term management plan for 2018 to 2020 covers the latter half of the six-year plan and is intended to accelerate corporate growth.

Sustainable growth for individuals and the organization continues to be the basic principle under the new plan, while we also seek to reform our business portfolio and model along with the way we work, which represents the backbone of our operations.

Implementing these three reforms will make work more rewarding and create better environments for employees. In turn, this will bring about a virtuous cycle of value creation that begins with ensuring employee satisfaction (ES), which leads to customer satisfaction (CS) and thereby allows us to fulfill our corporate social responsibility (CSR) by addressing social problems through our business.

In our business portfolio reform, we will divide our portfolio into growth business and core business to

exercise flexibility in investing our resources according to their respective strategies. The growth business will similarly be divided into two categories: government-industry co-creative solutions, encompassing the domain linking public and private sectors, and services for private corporations, with an eye to expanding these businesses overseas. The core business will be divided into public sector services and financial institutions services, toward achieving stable growth by replacing businesses from the portfolio and raising productivity.

Our business model reform envisions large-scale business opportunities and seeks to deepen and expand our collaboration with diverse partners, and thereby upgrade our businesses in scale, scope and speed. In particular, we will boost productivity and profitability by fostering and expanding stock-based services and businesses that are not dependent on labor or time.

Simultaneously, our work style reform will be driven by developing human assets and changing work styles. This will provide employees with excellent opportunities to develop their abilities and skills and encourage personal development to create efficient, highly productive working environments.



3. Specific Initiatives

Growth and Core Areas of Business

The MRI Group develops its business by providing clients with support functions such as think tank and research services, consulting services and ICT solutions. We serve a broad spectrum of clients across the public and private sectors as well as financial institutions.

In promising areas of growth, we focus on domains that span the public and private sectors where we can demonstrate the MRI Group’s strengths and on expanding fields in the private sector, such as new and overseas businesses.

We have therefore defined our growth business in a

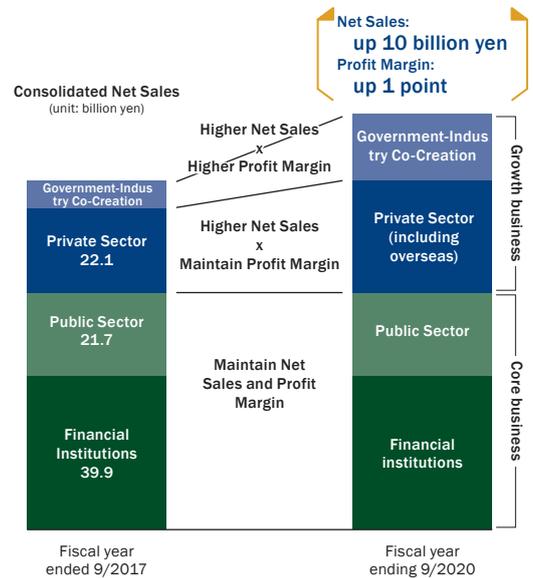
way that comprises government-industry co-creative solutions business and private sector services.

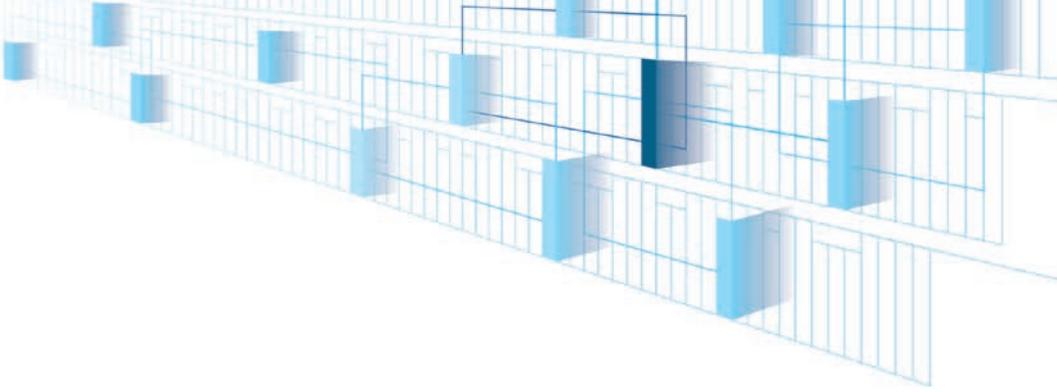
In addition, we plan to shift the primary focus of our global business from public sector projects to support for private corporations seeking overseas expansion.

Meanwhile, we will aim for stable growth in our core business by providing services to the public sector and financial institutions, where the Group has a competitive advantage.

Function	Think Tank Research	Consulting	ICT Solutions	Integrated
Customer				
Public Sector	4 Structurally reform public sector services			
Private Sector		1 Establish government-industry co-creative solutions business		3 Redesign global business operations
		2 Develop private sector services		
Financial Institutions			5 Develop services for financial institutions	

Growth Business	1	2	3	Core Business	4	5
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Growth Business

Our government-industry co-creative solutions business provides comprehensive services, from consulting to IT solutions, for addressing problems through a combination of policy and business spanning the public and private sectors.

In addition to seeking to reform social systems by drawing on our ample track record and knowledge in policy planning, we will implement practical solutions for management issues.

The priority areas are healthcare and wellness, environment and energy, next-generation infrastructure, and integrated ICT services. Our goal is to expand the scale of our business by developing highly profitable, stock-based businesses and offering ICT solutions as part of our services.

Our solid track record includes development assistance for medical devices and nursing care robots, support services for nursing care operators to assist elderly citizens in achieving self-reliance, an information distribution service for mega solar projects and wholesale electricity transactions, and a retail system for electric power companies operating in deregulated markets.

Our private sector services address corporate needs such as work style reform, improving productivity, utilizing data, and generating innovations through services based on AI, robotics, blockchain and other new technologies.

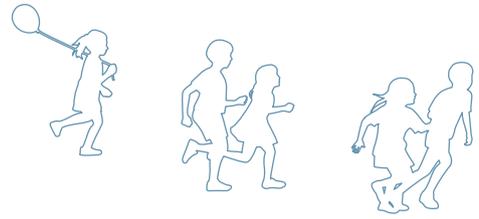
We intend to expand these services by focusing primarily on promoting the solutions we have commercialized through research and development, including HR-Tech utilizing IT to assist human resource management, robotic process automation (RPA) for automating operational processes, AI systems for the construction industry, and multi-cloud services.

Core Business

Public sector services constitute the core think tank business of MRI. The integrated services we offer are based on science and technology as well as our expertise in policy planning. They address issues in diverse fields from healthcare and wellness, environment and energy, next-generation infrastructure, and regional development, to science and technology, and nuclear safety. Under our medium-term management plan, we will seek to qualitatively change our business by enhancing productivity to achieve stable growth on a consolidated basis.

Our services for financial institutions deliver total support for megabanks, including daily operations, compliance with regulatory requirements, and system development. We are proactively diversifying our business by applying our expertise in these services to develop large-scale mission-critical systems in other industries that also require a high level of reliability.

In each of these services, we are forging ahead with a sustainable growth strategy, raising competitiveness through further improvements in quality and efficiency.



Corporate Governance and CSR

The broadly accepted priority on corporate governance is reflected in the establishment of corporate governance codes over the past several years.

Similarly, there has been a clear shift toward ESG investment, which emphasizes corporate responsibilities for the environment and society, as well as governance, when assessing the value of a company or making investment decisions.

The MRI Group fully accepts the primacy of corporate governance and CSR and is completely committed to conducting business from the perspective of fulfilling its responsibilities to society.

The MRI Group's CSR activities are guided by these basic principles of contributing to society by providing knowledge, developing human resources, and fulfilling our corporate social responsibility. In addition to serving society through our core business, we actively support education and human resource development and are fostering teenagers who will become the leaders of the future.

We also comply with the ISO 26000 international standards for CSR and have signed the United Nations Global Compact in support of the SDGs, as we strive to implement CSR management from a global perspective.

Quality Management

The MRI Group recognizes quality as the foundation for reliability and a top priority management concern. We have been relentless in creating mechanisms and rules to enhance quality while ensuring that employees fully appreciate its importance.

As social change and technological advances transform the very definition of quality in terms of content and standards, the MRI Group will continue to pursue continuous quality improvement.



4. Fiscal Goals

Financial Goals for 2020

The MRI Group seeks to achieve net sales of 100 billion yen (4% growth a year on average), ordinary income of 8 billion yen (9% growth), and ROE of 10% in 2020.

The Group will increase the likelihood of achieving these goals by implementing three reforms in the medium-term management plan.

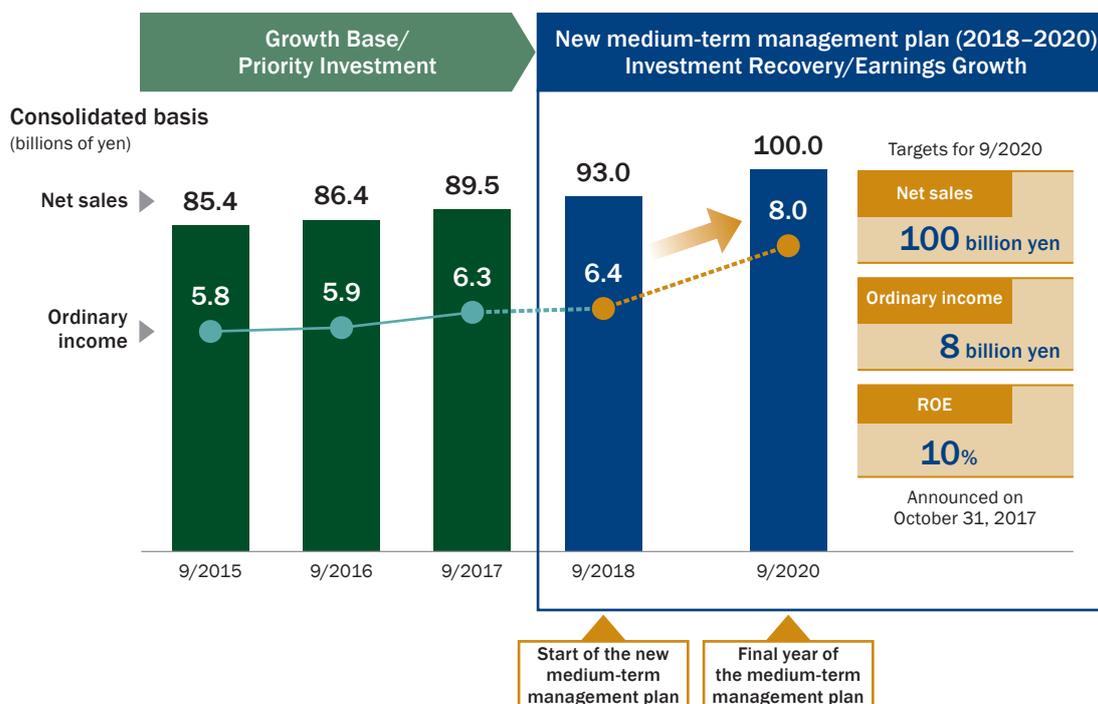
This is the first time that we have made the fiscal goals of our medium term management plan public. The reason for doing so was to foster a deeper understanding of the group's management policies and business strategies on the part of every stakeholder.

Earnings Forecast for the Fiscal Year Ending September 30, 2018

The MRI Group has identified the fiscal year ending September 30, 2018 as a period for gaining a foothold for growth toward the fiscal year ending September 30, 2019 and beyond. The Group will establish a firm position in terms of business and management for a great leap forward.

MRI and Mitsubishi Research Institute DCS will celebrate our 50th anniversary in 2020.

The Group will strengthen internal and external collaboration and develop new solutions to client challenges by capitalizing on the technologies, knowledge, and networks it has developed so far.



Business Divisions

Mitsubishi Research Institute, Inc.

Think Tank Unit



Kotaro Nagasawa,
General Manager,
Think Tank Unit

Amid this period of low economic growth, aging populations, and the ongoing transformation of our economic and social values by advances in technological innovation, we are developing businesses that address a broad range of social issues by leveraging our collective knowledge and information. Our services are centered on proposing solutions that primarily focus on policies and system reform. This includes formulating policies that address emerging social demand by relaying private sector policy needs to the public sector.

Consulting Unit



Hiroshi Iwase,
General Manager,
Consulting Unit

New digital technology has been a game changer for both business and society, leading to a major transformation in the way we generate business. Every industry, from manufacturing to cutting-edge services, at both the local and global level, are seeking innovative management. Our services will lead to management reform, social change and financial innovation, thereby enabling our clients to create new value by enhancing their capacity for innovation and the quality of their human resources.

Cross-Divisional Organization



Shigeaki Yoshikawa,
Executive Vice President

The marketing and global divisions offer their functions across the company to support promising domains in collaboration with the two units. The Marketing and Sales Division and the West Japan Marketing and Sales Division engage in strategic marketing by operating through a matrix structure based on a domain axis (domain and functional unit) and industry axis (industry and the Marketing and Sales Division). The Global Business Division supports overseas operations by Japanese companies and assists in solving social issues outside Japan.

Divisions

Regional Revitalization

Next-Generation
Infrastructure

Healthcare and Wellness

Environment and Energy

Science and Safety

Nuclear Safety

Management Innovation

Social ICT Innovation

Financial Innovation

Marketing and Sales

West Japan
Marketing and Sales

Global Business

Mitsubishi Research Institute DCS Co., Ltd.



Minoru Enjitsu,
Representative Director
and President

Mitsubishi Research Institute DCS (DCS) is a major IT services provider of the MRI Group. DCS provides services and systems that utilize state-of-the-art technology to accelerate the transformation of the client's business and creation of their own corporate value.

Our core business, Banking and Credit Cards, is bolstered by our respected clientele, and we engage in systems planning and development as well as systems operation and maintenance. In addition, a number of advanced MRI-DCS joint development projects have been launched in entirely new fields.

Our general business area features an extensive selection of services such as online examination application services for schools, data center services, and business process outsourcing (BPO). Our PROSRV HR management and payroll service, which we have provided since the company's foundation in 1970, has been deployed by approximately 2,000 offices supporting 500,000 employees, among the highest numbers of people covered in Japan.

In system development, quality and productivity improvement are crucial for corporate management. We have been certified Level 5 in CMMI,* the highest level of certification recognized as the global standard for measuring improvement in systems development. Looking ahead, we will continue to strive for further improvements in quality and productivity.

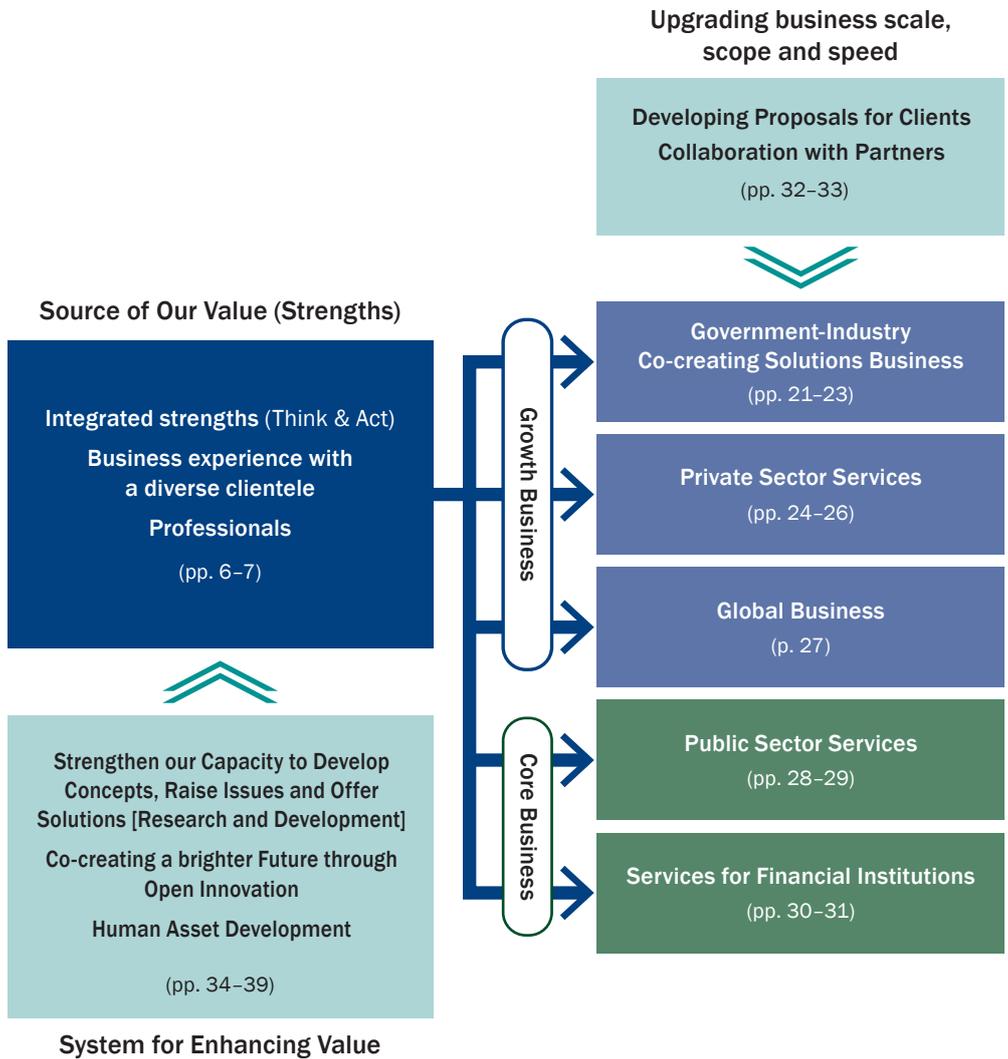
*Capability Maturity Model Integration: Guidelines established by Carnegie Mellon University for system developer organizations to improve system processes.

Security solutions	Business management solutions	Office administration outsourcing	HR management and payroll solutions
Next-generation firewall	Analytics and data science	Payment collection services	HR management and payroll outsourcing services
AI services/RPA services			
Cloud services			
DCS data center services			

Delivering Value by Harnessing Our Strengths and Business Lines

We provide high added value through Think & Act services with the integrated strengths of our think tank, consulting and ICT solution capabilities.

As we seek to upgrade the scale, scope and speed of business, we focus on client relationships and collaborations with partners. We are also committed to research and development, an open innovation process, and human resource development toward enhancing the value of our services.



Growth and Core Businesses

Growth Business Government-Industry Co-creating Solutions Business

Remarkable technological innovation and globalization have been driving changes in policies and corporate management, leading to social system reform, deregulation and streamlined businesses. The key for sustainable economic growth is therefore to successfully implement initiatives that cross over or unite the public and private sectors. This is where we have developed our businesses and can take full advantage of our competencies.

MRI's researchers adapt the Think & Act approach and bring a wealth of knowledge in government policies and industrial trends along with sophisticated ICT skills to address issues in healthcare, wellness, the environment, energy, and infrastructure.

Case Study 1 Healthcare and Wellness

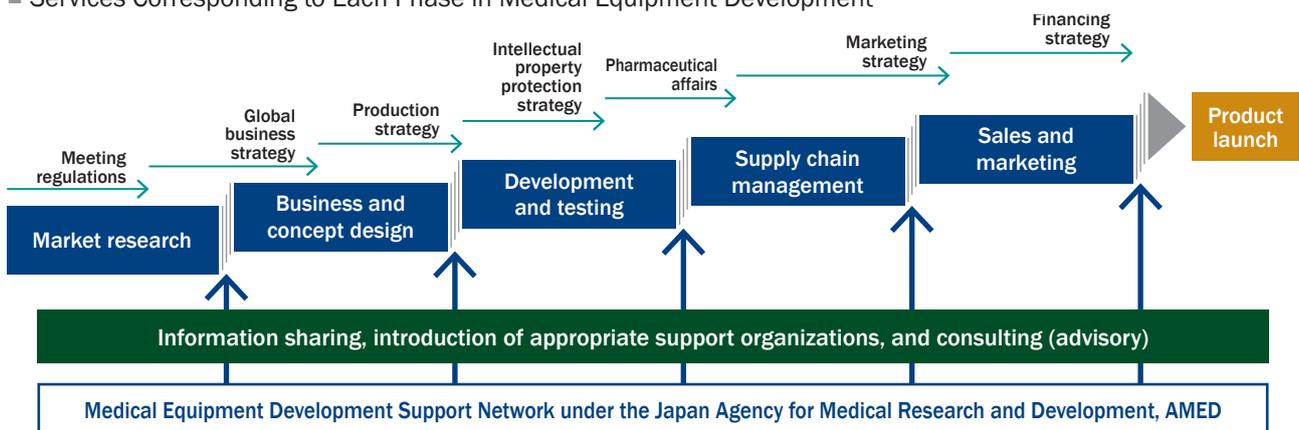
Supporting Japan-wide Efforts to Develop Medical Equipment and Nursing Care Robots

Japan will soon face a globally unprecedented super-aged society. Expectations are rising for medical equipment and nursing care robots due to their potential for improving the quality of life and the overall efficiency of healthcare and nursing care. However, commercializing these solutions is not easy, as many challenges must be overcome from the initial stage of development to the formal launch of products.

MRI supports small- and medium-sized enterprises,

start-ups and universities in developing and commercializing medical and nursing care equipment. Our complete, coherent consulting service, leveraging collaborations with experts and organizations specialized in public administration and regional characteristics, encompasses the identification of market needs and opportunities and product development as well as launch and marketing.

Services Corresponding to Each Phase in Medical Equipment Development



Source: Created by Mitsubishi Research Institute based on the portal site of the medical equipment development support network of Japan Agency for Medical Research and Development

Case Study 2 Environment and Energy

Integrated Consulting with MRI's Energy Supply-Demand Forecast for Achieving a Low-carbon Society

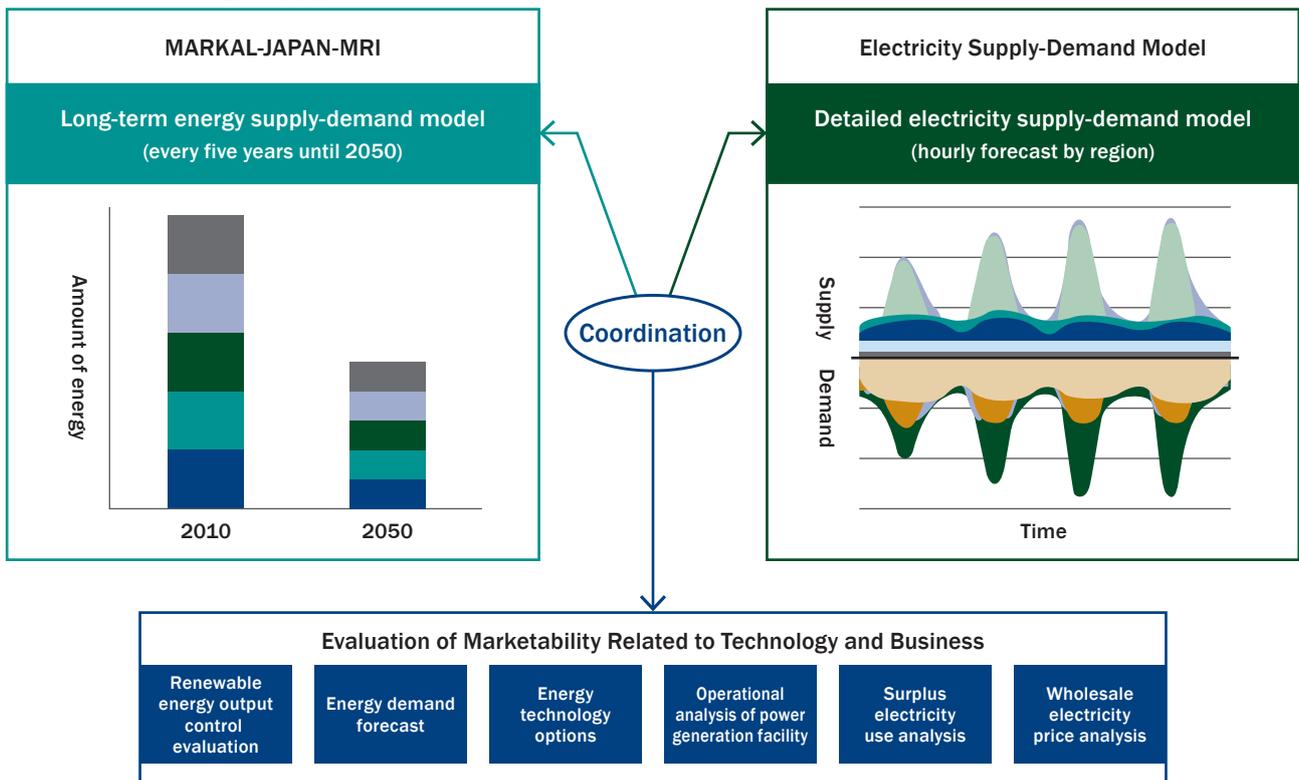
Environment and energy issues must be faced on a global scale, and movements toward realizing low-carbon societies are being accelerated both domestically and internationally. After the Paris Agreement took effect in November 2016, the Japanese government began accelerating discussions on reducing greenhouse gas emissions toward 2030 and 2050.

To forecast future energy supply and demand, MRI developed a proprietary model that combines the annual energy supply-demand structure up to 2050 and a detailed electricity supply-demand simulation. This model contributes to the formulation of policies on

basic energy plans as well as to private sector market forecasting, asset value appraisals and product development strategies.

MRI is capable of responding to a wide range of client needs ranging, from upstream to downstream concerns on the environment and energy, including business consulting on the specific themes of renewable energy, batteries, electric vehicles, and hydrogen, as well as business consulting and social system construction toward a sustainable society.

■ MRI's 2050 Energy Supply-Demand Model



Case Study 3 Next-Generation Infrastructure

IoT and AI Services for the New Mobility Society

The environment for automobile transportation is expected to evolve dramatically over the next ten years. People will be free from the risks of traffic accidents and congestion thanks to rapid progress in the connections between vehicles via the Internet of Things (IoT), electrification and autonomous driving technology, thereby opening up a new era of convenient, comfortable travel.

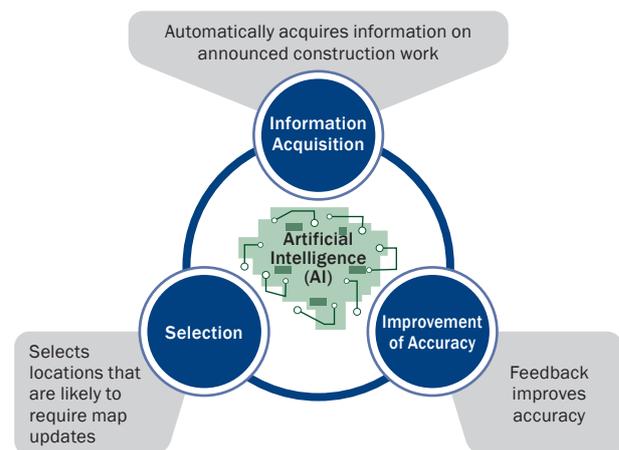
Creating this new-generation mobility society will require the development of new automobile technology as well as the use of big data generated by connected vehicles, with artificial intelligence (AI) as the key.

MRI, through government-industry co-creation, is supporting the introduction of MaaS (Mobility as a Service) and a telematics service as the social infrastructure for a new generation.

In addition, MRI is supplying a public data analysis service (PDAS) that will quickly inform people about improvements and the renewal of roads using AI for

next-generation digital road maps that will facilitate convenient autonomous driving.

■ Public Data Analysis Service (PDAS)



Case Study 4 Total ICT Solution

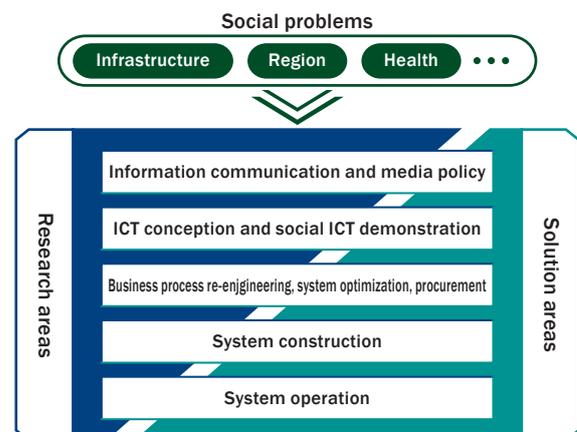
Advanced ICT and Solutions Based on Extensive Knowledge of Policies and Technology

Advanced ICT has been substantially transforming society, the economy and everyday life. Revised legislation and the implementation of new policies are driving a variety of business reforms, and even as new private sector demand emerges, the public sector is moving toward utilizing these technologies, which were initially used by the private sector.

MRI draws from its extensive knowledge of policies and technology to encourage the use of advanced ICT and the introduction of information systems. Applications include the development of an AI service for local government reform and improving services for residents as well as the construction of a new business operation system for the retail departments of utilities, which will be created under the reformation of the electricity system.

By combining ICT consulting, one of our strengths, and the technological capabilities of our Group companies and business partners, we are developing an information system and ICT services that are consistent with each other.

■ Total ICT Solutions for Social Issues



Note: This solution service is jointly provided by the Mitsubishi Research Institute and Mitsubishi Research Institute DCS.

Growth Business Private Sector Services

MRI supports client innovation, including management and organizational reforms as well as the development of new business, by fully deploying its knowledge of the economy, society, policies and technologies, such as ICT, in and outside of Japan.

During a time when the widespread use of digital technologies is driving innovation across multiple fields, MRI is accurately grasping the future trends of external environments as well as the status of client businesses and operations. This enables us to offer effective consulting services for our clients so they can plan and realize business strategies and reinforce management, as a means of addressing their challenges.

MRI also supports the reform of business processes by effectively utilizing IoT and the application of new ICT technologies by clients across a wide range of industries, such as manufacturing, facilitating their development of new products and services using state-of-the-art technologies and developing new markets.

To meet our client needs to address challenges such as work style reform, improved productivity, data utilization, and innovation, MRI offers solutions based on state-of-the-art technologies, including artificial intelligence (AI), Internet of Things (IoT), robotic sand block chains as well as external collaborations in introducing new services and opening up new markets.

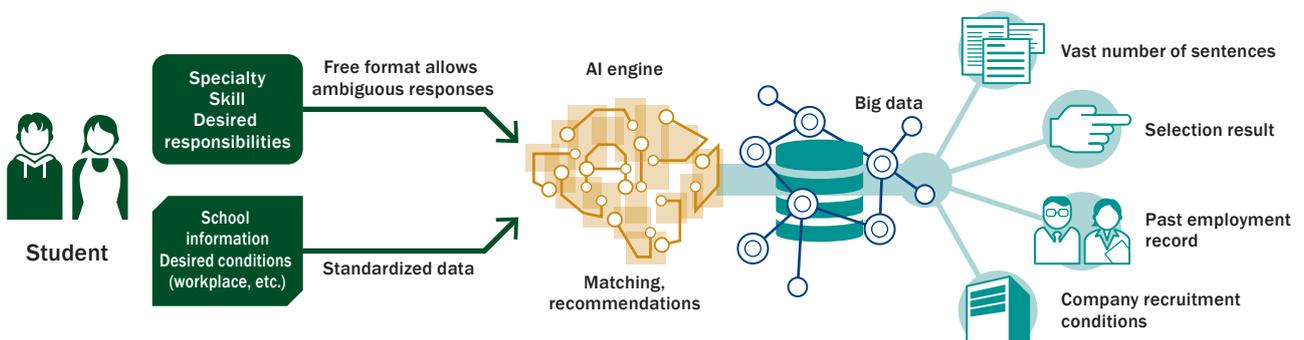
Case Study 1 New Service Development

Service to Support Company Recruitment

Mynavi Corporation and MRI jointly launched an entry sheet priority diagnosis service in October 2016 to support company recruitment. The service is focused on document screening, the first step in recruitment. Artificial intelligence (AI) quickly and accurately identifies promising students for companies based on various human resource-related data, including the

environment. Furthermore, in July 2017, MRI developed the AI engine HaRi to increase processing speed and the accuracy of analysis toward reinforcing company recruitment efforts and added functions that help students select companies.

■ AI Engine HaRi



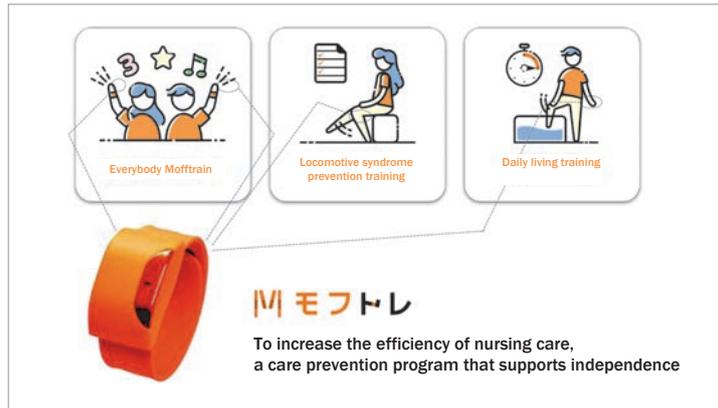
Case Study 2 Business Development

Service to Support Independence of the Elderly

MRI began selling the self-reliance support service Moff-Training (MOFFTORE) in August 2017, in partnership with Moff and the Waseda Elderly Health Association under a business and capital tie-up

agreement in December 2016. MOFFTORE helps elderly people maintain their physical strength and facilitates training using a Moff Brand wristband with wearable sensor that monitors movement data in real time.

■ Outline of Mofftrain



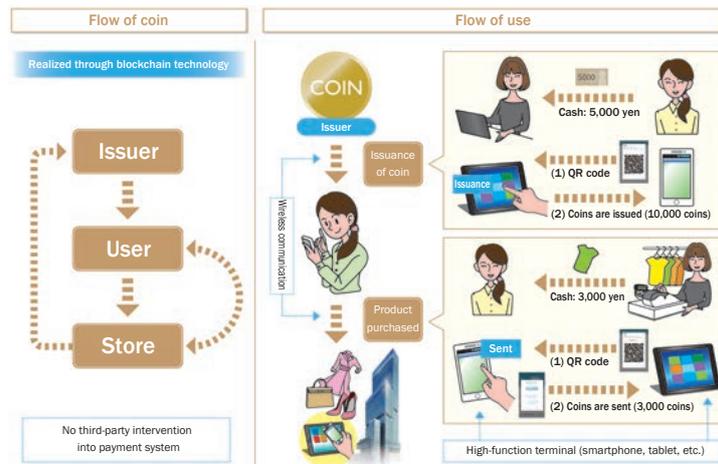
Case Study 3 New Market Development

Social Experiment for Introducing a Virtual Community Currency into the Market

MRI conducted a social experiment on the virtual community currency Kintetsu Harukas Coin in collaboration with Kintetsu Group Holdings Co., Ltd. at Abeno Harukas in September 2017. This was done to

help construct a platform using blockchain to issue and manage a virtual community currency, of which MRI is currently reviewing the feasibility.

■ Kintetsu Harukas Coin Social Experiment



Case Study 4 Digital Management

Service Combining Data Gathering, Big Data Analysis, and Marketing

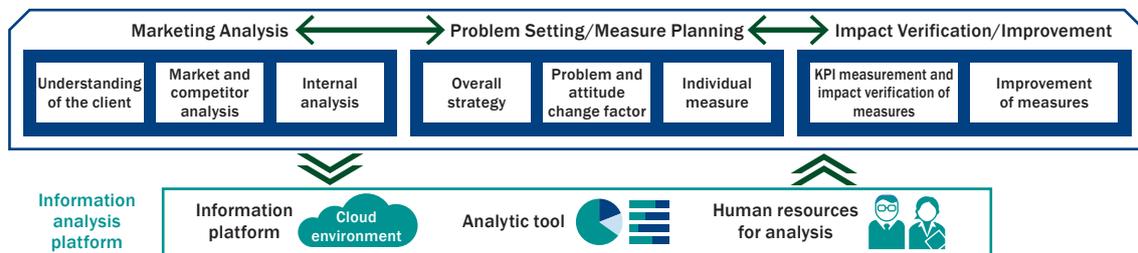
Securing profits and encouraging the growth of consumer services has become increasingly difficult. Effective and efficient responses are required in addressing the diversification of lifestyles, and competition between services has become fierce.

MRI draws a path to useful behavior scenarios for clients by supporting the formulation of a growth strategy and analyzing data, such as web behavior records, external factor data and social media, to

develop a PDCA cycle for planning measures, supporting execution, confirming impact and improving measures.

Packaged services of MRI supply consulting on data use and analysis; system construction, operation and maintenance; and the education and training of data scientists.

■ Overview of Services



Case Study 5 Innovation Creation

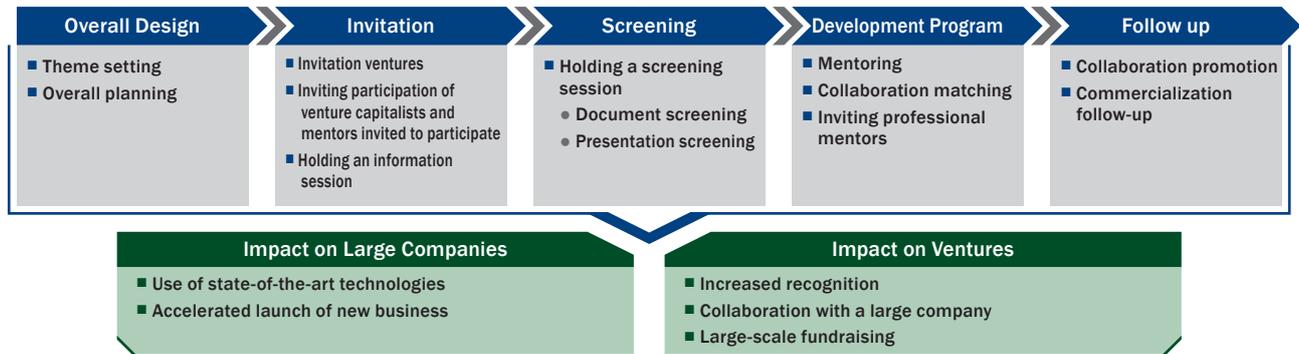
Innovation, Fin Tech, and Accelerator Programs

To proactively incorporate reforms into financial businesses using innovative financial technologies (Fin Tech), MRI and Mitsubishi UFJ Capital Co., Ltd. jointly screen front-runner start-ups and then plan and operate an accelerator program as cosponsors in order to establish collaborations between start-ups and

Mitsubishi UFJ Financial Group (MUFG) companies.

Well-known venture capitalists and lawyers are invited as mentors and advisers to offer a thorough start-up support program, which has been highly regarded by venture capitalists, one of whom described it as “the most powerful domestic accelerator program” they have experienced.

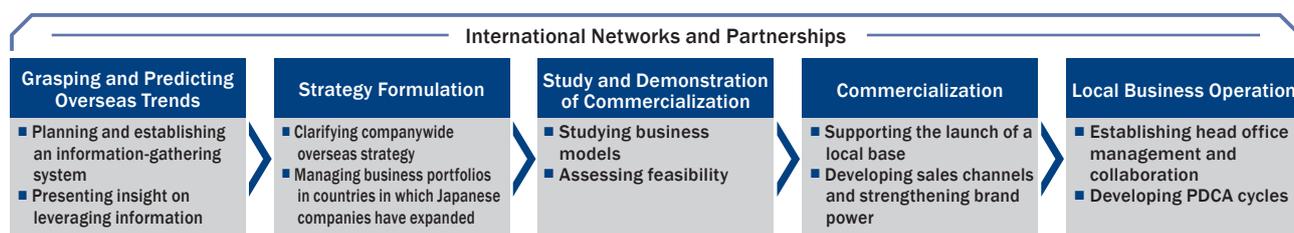
■ Planning, Operating, and Impact of an Accelerator Program



Growth Business Global Business

While MRI's business development had been centered on the public sector, the emphasis has been shifting to services for private enterprises that are expanding overseas. More than ever before, Japanese companies have been forced to identify overseas opportunities in the face of dramatically evolving social and economic conditions in and outside of Japan. At the same time, the social problems emerging in countries around the world are becoming increasingly diverse and complex.

MRI applies the in-depth expertise and predictions on technology and policy it has gained in the fields of energy, infrastructure and health care as a platform for supporting the overseas expansion of Japanese companies. Moreover, its local organizational and personnel network, as well as its international partnerships, reinforce the coherence of our support services.



Case Study 1 Overseas Expansion Support for Japanese Businesses

Total Support from Conceptualization and Planning to Execution and Operation

MRI has developed a mechanism for systematically categorizing and analyzing future global trends in policy, markets and competition, particularly for situations involving many overseas bases, and drawing from local information and sources. It then reports to company management on the impact of its business along with associated opportunities. This enables our clients to monitor movements in each country in real time and guides them in making decisions to alter their company's portfolio.

To support the expansion of new health care

services in developing countries in Asia, MRI has provided an escort-type support, including the selection of countries with promising growth potential, drawing up business strategies and plans, matching up companies with local organizations and proposing projects for demonstrating a policy-based business model, similar to JICA's private business overseas expansion program.

Case Study 2 Support for Addressing Social Issues Overseas

Drawing Up Road Maps for Conserving Energy and Water in Oil Producing Countries in the Persian Gulf and Middle East

MRI assists foreign governments in addressing policy challenges by drawing from the abundant expertise it has gained from providing business services for domestic government agencies. By introducing its expertise to foreign governments, MRI paves the way for Japanese companies to advance into overseas markets.

In the oil producing nations of the Gulf region, where demand for electricity and water has grown

rapidly, MRI endeavors to forecast demand for electricity and water and estimate the potential for saving energy and water by creating a road map of actions based on experience in Japan.

Consequently, MRI is helping to revitalize Japanese industries by exporting energy-efficient products and technologies to address these kinds of social issues in foreign countries.

Core Business

Public Sector Services

Ongoing advances in technology and globalization are changing daily life and thus placing pressure on local and national policies.

MRI has served as an information hub for industries, universities and government agencies by collecting and analyzing data to generate a body of evidence for government to formulate policies. It has supported comprehensive and systematic analysis as well as the materialization of sustainable solutions as a general think tank.

MRI is expanding into a number of fields, including regional revitalization; national land, transport and social capital; medical treatment, nursing and welfare; the environment and energy; science, technology and innovation; and nuclear policy, decommissioning and reconstruction.

Case Study 1 Regional Revitalization

Revitalizing Local Economies through Multifaceted Tourism Data of Local Municipalities and DMO

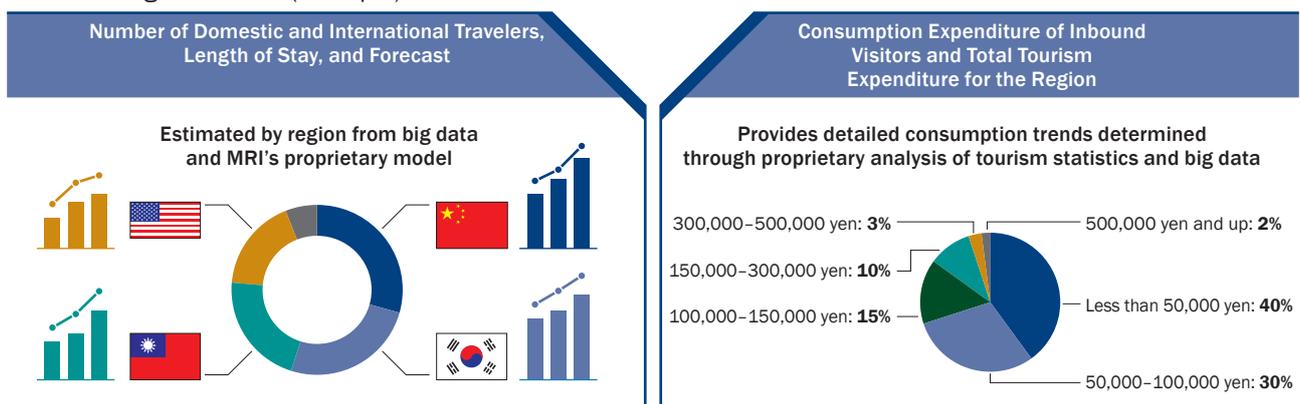
Establishing Japan as a travel destination with tourism as a pillar of the nation's growth and an effective means for regional revitalization. Many overseas visitors encounter Japanese hospitality, culture and technologies, which leave a lasting impression. The transformation of Japan into a popular destination is a multifaceted policy issue with impacts beyond the revitalization of regional economies.

To achieve the government's goal of increasing visitors from foreign countries, which stood at over 24 million in 2016, to 60 million by 2030, each region must accurately understand the increasingly diversified and specific needs of tourists.

MRI helps local municipalities and Japanese DMOs*1 to draft digital marketing and other strategies toward developing their tourism potential to revitalize their communities. MRI's services enable local municipalities and DMOs to grasp the actual status of Japanese and foreign travelers, concretely and efficiently develop marketing policies, and measure the impacts of those policies using our information aggregation and estimate service, the KPI package, in order to summarize regional marketing data, such as private big data.

*1 Destination Management/Marketing Organizations

■ KPI Package for DMOs (Example)



Case Study 2 Science, Technology and Safety

Demonstration of Next-generation Wireless Communications Technology

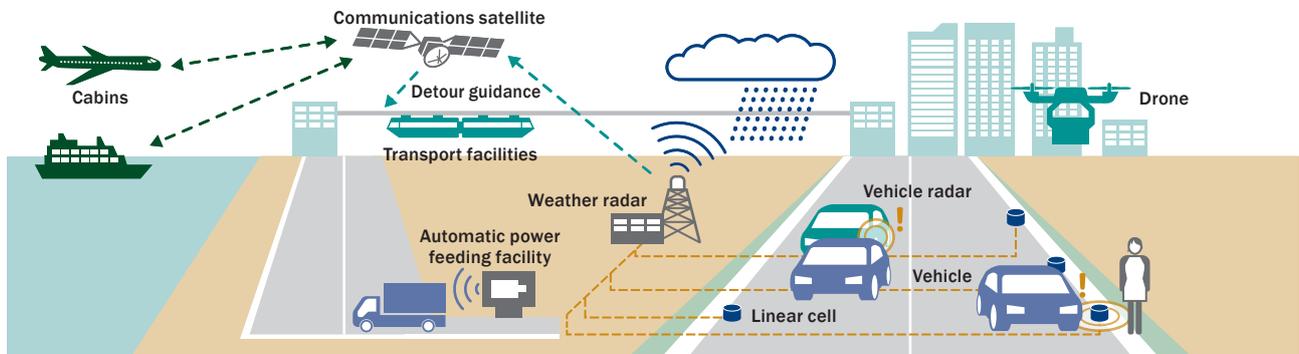
Rising expectations for the ongoing expansion of wireless communications have increased the importance of ensuring the correct and effective use of radio waves, a limited resource.

Japan in particular is planning to lead the way in making fifth generation (5G) mobile communications systems broadly available. Consequently, it is pushing forward the development of related technologies and international standards.

MRI is implementing a demonstration project for

introducing and disseminating advanced wireless communications technology through an industry-government collaboration. Also, it is pioneering in such fields as new satellite communications systems and communications technology for controlling drones, which is further reinforcing Japan's position as a technology-intensive nation, with clear benefits for the Japanese population.

■ Technological Demonstrations for Next-generation Wireless Communications



Case Study 3 Nuclear Safety

Promoting the Decommissioning of the Fukushima Daiichi Nuclear Power Plant and Regional Revitalization

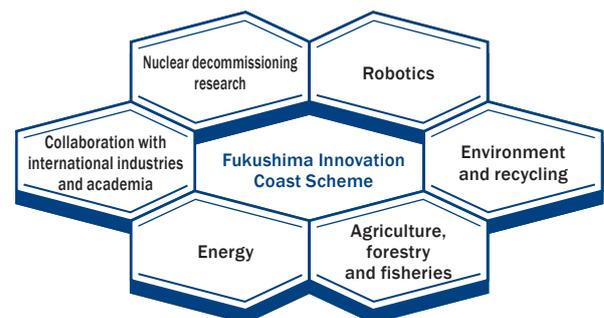
Seven years have passed since the Great East Japan Earthquake and ensuing accident at the Fukushima Daiichi nuclear power plant, and steady progress has been made in decontamination, the reconstruction of infrastructure and the lifting of evacuation orders. However, the key challenges of decommissioning the Fukushima Daiichi nuclear power plant and reconstruction of the surrounding area will require many years for Japan to fully resolve.

MRI is managing projects that are advancing the development of technologies for steadily moving the decommissioning forward by gathering domestic and international information. Preparing and improving research and development centers for the decommissioning and robotics is engaging industry, academia and the government in a national project, the Fukushima Innovation Coast Initiative, for reconstructing

industry in the Hamadori region of Fukushima Prefecture.

MRI will continue to take on these challenges, recognizing that decommissioning the plant and reconstruction of the surrounding area are national projects with global impact.

■ Fukushima Innovation Coast Scheme



Source: The materials from the first meeting of the Ministerial Council on the Fukushima Innovation Coast Scheme

Core Business Businesses for Financial Institutions

Support for innovation and sophisticated financial services is offered by our consultants, who possess expertise in foundational technologies associated with financial engineering, ICT and scientifically-based analytical techniques, as well as in financial service operations, risk management, and mid- and long-term forecasts.

We respond to demand for the increasing sophistication of financial businesses through the planning and execution of optimal measures for addressing the following problems in the context of a client’s operating environment: (1) an improved top line, (2) an improved bottom line, (3) advanced risk management, and (4) correspondence with evolving financial systems. To pursue innovation in financial business, we offer business and product development, business innovation, and management reform in response to “the game change” by applying state-of-the-art FinTech and ICT, such as big data, and artificial intelligence (AI).

Case Study 1 Financial Big Data Analysis

Retail AI to Realize True One-to-One Marketing

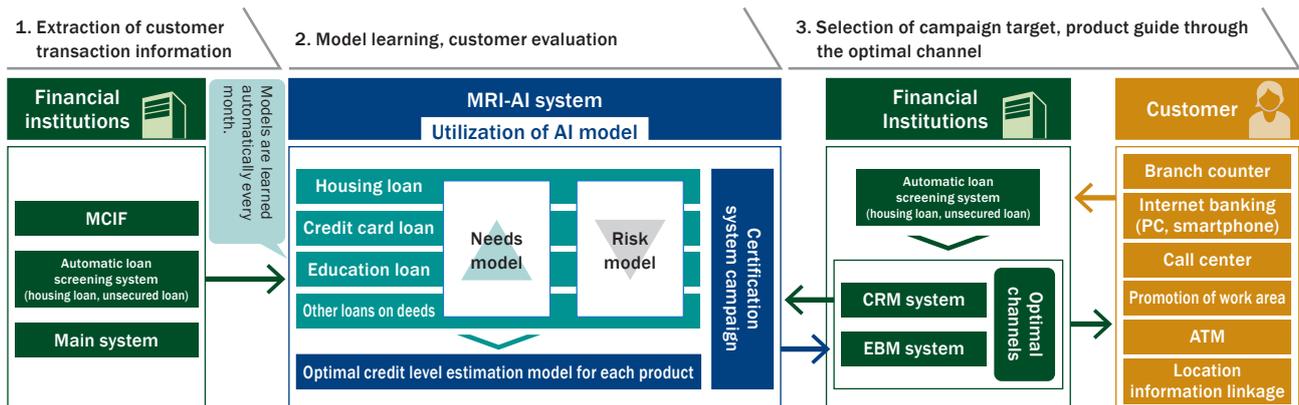
The expansion of financial institutions into the retail business requires true one-to-one marketing, which entails clearly understanding the situation of individual customers and communicating effectively. Artificial intelligence (AI) and high-speed calculation (Hadoop) technologies have made possible the analysis of massive volumes of information, including customer transaction details, which had been technically difficult.

MRI provides Retail AI to regional financial institutions seeking to realize true one-to-one marketing. Retail AI creates needs-risk models for each

type of retail product, from housing loans and credit card loans, to educational loans and other loans on deeds, and then calculates optimal credit levels and expected earnings by customer to facilitate prioritization within a given marketing strategy.

As a result, regional financial institutions are able to maximize profit-earning opportunities through optimal communications with customers via multiple channels: direct mail, branches, ATMs, personal computers and smartphones.

■ Retail AI Service Overview



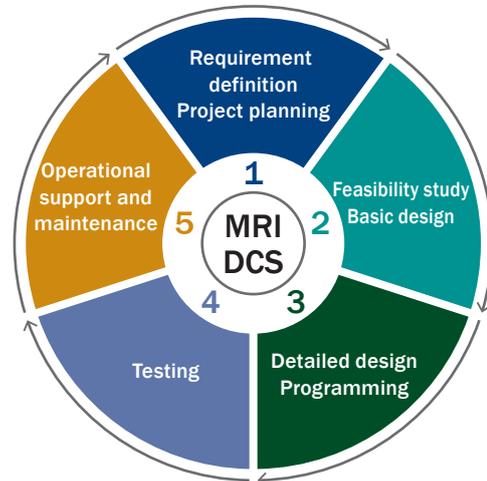
Case Study 2 Financial Engineering

Solutions for Market Risk Management

MRI provides comprehensive solutions for financial market-related business systems (e.g., front and middle systems), including business analysis, requirement definition, basic design, detailed design, programming, testing, operation support and maintenance. The following comprehensive solutions can be provided to address financial institution issues by adding ICT solutions knowledge and expertise in financial market-related business, financial engineering, financial products and markets, and regulatory trends.

- Development and operational support for front and middle systems and user support
- System development, installation and project management at overseas sites using advanced ICT
- Quants support, validation support, advanced technology consulting, regulatory consulting service

Comprehensive Solution Menu



Note: This solution service is jointly provided by the Mitsubishi Research Institute and Mitsubishi Research Institute DCS.

Case Study 3 Advanced Solutions for the Financial Business

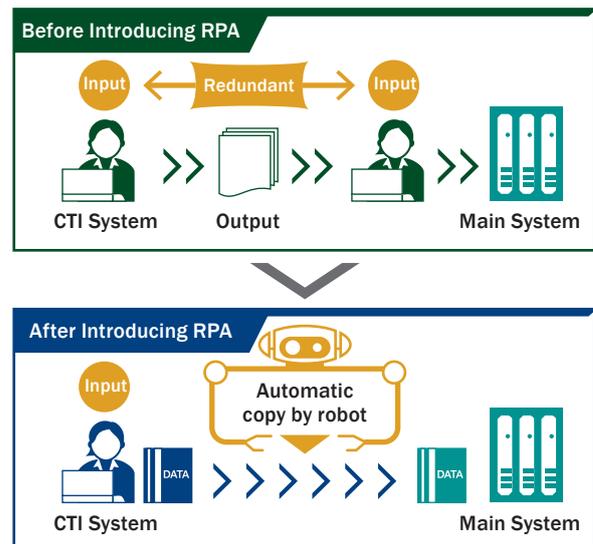
RPA Introduction Support to Improve Work Efficiency

We provide an RPA*1 introduction support service to financial and other industries and assist in improving work efficiency.

For major financial institutions, our service covers the implementation of PoC*2 and automation flow, as well as post-installation operation and maintenance.

For example, previously when registering an address change at a call center, the change was entered into both the CTI*3 system and the basic system. We improved work efficiency by automating input and introducing RPA. Even after applying it to only 20 types of administrative work, we have reduced work by 8,000 hours annually. Looking ahead, we will expand the targeted business toward simplifying administrative work using multiple systems.

Before and After Introducing RPA



*1 Robotic Process Automation

*2 Proof of Concept

*3 Computer Telephony Integration

Developing Proposals for Clients

The key to expanding our business lies in growth areas centered on government-industry co-creative solutions, services for private sector and global business. We strive to generate proposals for integrated solutions that create value for clients.

Designated Industry Managers offer proposals from a broad perspective in each sector in which the MRI Group holds a competitive advantage: telecommunications and media; energy; railroad, construction and real estate; mobility; electric machinery; and pharmaceutical and chemical materials. Industry Managers also collaborate with Domain Managers, responsible for specialized business areas, to integrate their expertise and comprehensive approach into advanced proposals.

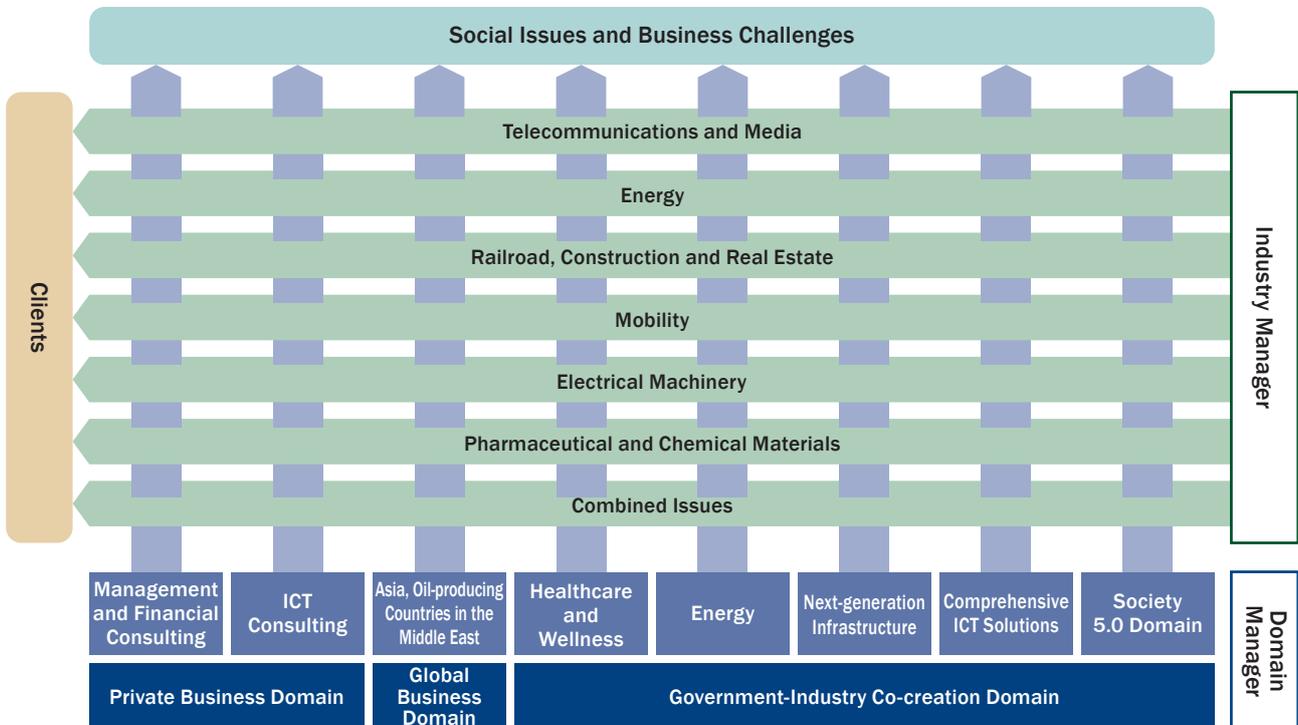
We meet the wide-ranging needs of our corporate and industry clients by organizing cross-disciplinary teams of researchers representing diverse fields of expertise and possessing a wealth of knowledge in planning and implementing strategies related to policy, business and technology.

Through collaboration and integration, we combine our Think Tank Unit's strengths in policy and system reform with our Consulting Unit's strengths in business initiatives in order to provide services that encompass consulting and solutions which bridge public and private sector domains.

The marketing and global divisions offer their functions across the Company to enable the Think Tank Unit and Consulting Unit to jointly develop proposals in our growth business. This initiative is driven through organization-wide collaboration, in which Mitsubishi Research Institute DCS Co., Ltd. also takes part.

In this organization, Domain Managers responsible for specialized areas of business and Industry Managers responsible for specific industries partner in aggressively generating new business proposals centered on government-industry co-creation.

■ Outline of the Proposal Development Process



Collaboration with Partners

The MRI Group has established a system for seamlessly applying think tank services and consultation to ICT solutions. With this system at our core, we are actively promoting collaboration with outside partners to build on our capabilities.

Strategic collaboration with our partners allows us to take advantage of our respective strengths and deliver higher value to clients in both the public and private sectors.

Collaboration is particularly key to the commercialization of innovative technologies and implementation of our proposals.

For example, partnerships focused on new businesses led to the introduction of a recruitment service with Mynavi Corporation (page 24). We intend to continue enhancing our business in order to “scale up,” “scope up,” and “speed up” through similar strategic collaborations.

Building a Partner Network

Our strategic alliance partners have included IT-One Co., Ltd. for a strong IT infrastructure in 2011; Japan Business Systems (JBS) for a cloud infrastructure in 2014; HR One Corporation for a human resources BPO business, Moff for an elderly independence support service project in 2016, and Nextremer for AI

research and development in 2017.

The MRI Group Partner Association has convened regularly since September 2017 to facilitate mutual understanding and encourage new collaborations.

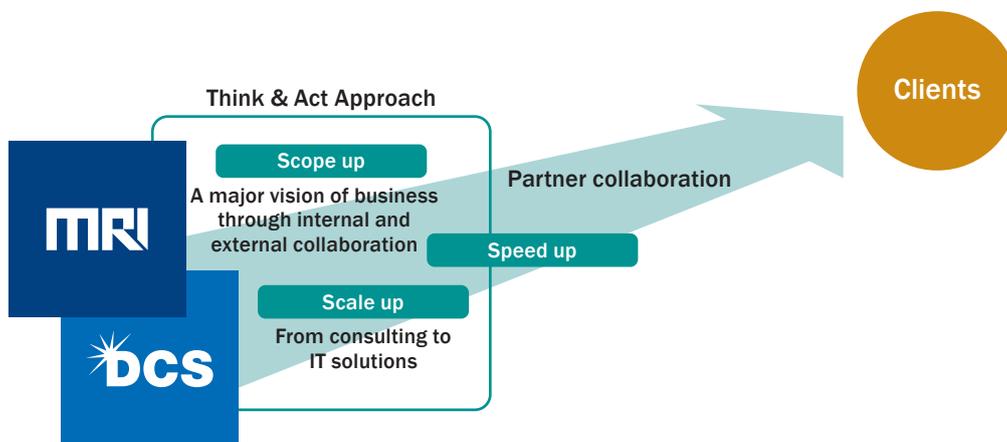
Co-creation with Partners

We promote partner collaboration in three fields.

In government-industry co-creation, we are jointly developing a business concept based on themes and create business opportunities. New product and service co-creation entails utilizing advanced technology as well

as opening new markets. In value chain co-creation, we strive to increase the productivity of our core business and increase new opportunities.

■ Partner Collaboration



Strengthen our Capacity to Develop Concepts, Raise Issues and Offer Solutions [Research and Development]

The capacity for developing concepts and offering solutions is the MRI Group's source of value creation.

In 2016, we strengthened our capabilities in research and development by substantially increasing the number of research fellows and establishing the Research and Development Unit to revitalize our efforts in this area. Then in 2017 we formulated the Midterm Research and Development Plan to implement research and development through cross-organizational, open innovation, and globalization.

With the coaching and support of research fellows, we strive to strengthen the capacity of researchers toward developing concepts and offering recommendations as well as implementing and realizing these through collaboration with domestic and foreign industries, academia, and government.

Research Fellow System

Research fellows with extensive knowledge and experience as well as a broad network of industry, academia, and government contacts operate under the leadership of MRI chairman Hiroshi Komiyama, the 28th president of the University of Tokyo. They focus on strengthening the capacity of researchers to develop concepts and offer recommendations as well as to implement and realize those concepts and recommendations. This is the starting point of our Think & Act approach. In addition to coaching and supporting researchers, we are leading in the design of large-scale research and development and business development through external collaborations.

Furthermore, we hold Co-creating the Future seminars, led by lecturers who are mainly research fellows, to encourage the sharing of research expertise and foster a comprehensive perspective.

- Topics for Co-creating a brighter Future Seminars
 - Mid- to long-term perspective of domestic and foreign economies
 - AI technology and business trends
 - Innovation arising from societal issues
 - Society 5.0
 - Technological innovation and game changing
 - Material revolution
 - Industrial IoT



Hiroshi Komiyama,
Chairman of the Institute



Hitoshi Honda,
Chief Research Fellow



Kiyooki Murakami,
Senior Research Fellow



Yoshihiro Mori,
Senior Research Fellow



Yoshihiro Oishi,
Senior Research Fellow



Shin-ichi Kamei,
Research Fellow

Research and Development Unit



Taro Kamagata,
General Manager,
Research and Development
Unit

We encourage cross-departmental research and development through cooperation with research fellows. Committed to discerning and interpreting social issues, we are expanding a body of knowledge by acquiring and analyzing macroeconomics and advanced technology trends, and developing and integrating artificial intelligence (AI) and other cutting-edge technologies, as the foundation of our business. Also, we actively implement solutions to social issues, drawing upon concepts that arise from our research outcomes that we subsequently recommend and act upon in collaboration with external partners.

Research Center for
Policy and Economy

Platinum Society Center

Open Innovation Center

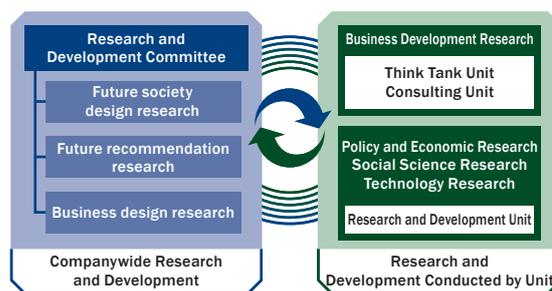
Advanced
Technology Research
Center

Research and Development Promotion System

Our Research and Development Committee comprises three subcommittees: the Future Society Design Research Group, Future Recommendation Research Group, and Business Design Research Group. Each develops a vision for the future as the perspective for addressing problems from a medium- to long-term and broad perspective and also engages in research to establish starting points for the creation of new policies, businesses, and recommendations for societal issues and innovation technologies.

The sharing of results with other research and

development units further increases the sophistication of our efforts.



Medium- and Long-term Global Economic Outlook in 2030

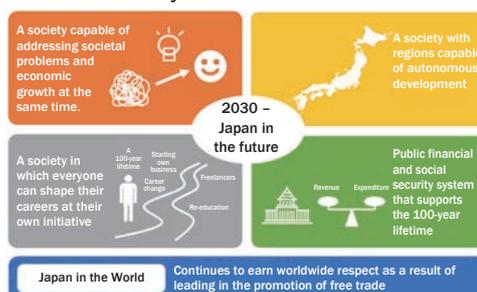
Amid the rising uncertainty experienced in and outside of Japan, one vital mission for a think tank is to clarify issues for the society's future and present potential directions based on a highly accurate and refined gathering and analysis of data regarding mid- to long-term economic, social, and technological trends.

As part of this mission, we have published the Medium and Long-term Global Economic Outlook (in FY2030) annually since 2013. Our research efforts take full advantage of the specialized knowledge and comprehensive strengths of our research fellows and researchers as well as a network of leading Japanese and overseas research institutes.

In fiscal 2017, we presented five trends impacting the world economy in 2030, a vision of the future that Japan should pursue toward 2030, and five courses of

action for reviving the Japanese economy. These highly regarded research results have been widely distributed and shared with central and local governments as well as companies through official websites, the media, and direct information exchanges.

Five Courses of Action for the Revival of the Japanese Economy



Co-creating a brighter Future through Open Innovation

As social issues become increasingly complex, solutions more often require open collaboration that applies a broad range of knowledge and technologies as well as innovation.

The Group intends to address societal issues through our own business efforts as well as open innovation through our position as a hub for diverse stakeholders and as catalyst for technology development and idea generation.

With the think tank as the core of our business, the Group is positioned to take advantage of its ability to discern the root of societal issues, identify key challenges, collect diverse wisdom, and generate new innovation.

Solving social issues through open innovation is the heart of our Co-creating the Future 2.0. The Group will resolve societal issues through its business and by co-creating the future.

Innovation Network for Co-creating the Future

In April 2017, we launched the full-fledged operation of the Innovation Network for Co-creation of the Future (INCF), a platform that addresses social issues with leading-edge technologies and open innovation. Activities are underway with the advice and cooperation of leading influencers, including Hiroshi Komiyama, Chairman of MRI, Professor Richard Dasher of Stanford University, and Professor Joichi Ito of the MIT Media Lab.

Solutions are being pursued through innovation as well as business model design and practice through

collaboration between industry, academia, and government.

We provide opportunities to create innovation in addition to promoting business idea competitions and new business and social system designs, while also organizing events for members and participants to interact in the six areas of wellness, water and food, disaster prevention, energy and the environment, mobility, and education and human resources.

■ Business Idea Competition



■ Interaction between Members and Participants



Platinum Society Research Association

A vibrant, super-aged society for addressing the global environmental problems afflicting the 21st century—striving to realize a platinum society, comprising approximately 530 members of industry, academia, and government to co-create and encourage the development of ideas and suggestions from diverse social models while moving toward implementation.

In fiscal 2017, we developed co-creative activities for the future of industry, academia, and citizen

■ Inverse Sankin-kotai Plan



partnerships through new ways of working for the “age of the 100-year lifetime.” This is the Inverse Sankin-kotai Plan, which focuses on lifestyle and regional revitalization by alternating attendance, similar to the daimyo system of Japan’s Edo period, and the Shibuya 100 People Co-creating the Future Project, intended to engage young people and others in conceiving and establishing a legacy for coming generations.

■ Co-creating a brighter Future Project with 100 Shibuya Citizens



AI Research and Development—Partner Collaboration

Artificial intelligence (AI) has entered a new era of technological innovation in the field of deep learning, and the Group’s operations and businesses are significantly influenced by AI. We encourage the application of AI in research and consulting business processes as well as in the development of new businesses in which the knowledge of our researchers is embedded into AI.

State-of-the-art AI technology has benefited from partnerships with leading domestic and overseas organizations. In September 2017, we launched a joint business and capital venture with Nextremer Co., Ltd., a leading AI technology startup, and we are pursuing collaborative research into deep learning for AI dialogue systems and collaborative business development utilizing these systems.

- AI Samurai (Nextremer Co., Ltd.) comprises technologies including speech recognition, natural language processing, image recognition, music composition module, and the dialogue system.



Human Asset Development

Since the MRI Group’s competitiveness is based on its human assets, one of our key management priorities is to secure and foster competent personnel capable of playing a central role in our business. We therefore implement comprehensive, systematic programs for developing human assets from a mid- to long-term perspective. In addition to enhancing the quality of our programs, we seek to raise job satisfaction and provide sound working environments through reforms in the way we work. We actively invest in utilizing ICT, reforming work styles and promoting diversity in our workforce.

Pursuing Work Style Reform as the Foundation of Human Asset Development

Recognizing work style reform as the foundation of human asset development, the MRI Group places importance on employee satisfaction (ES). High employee satisfaction leads to improved customer satisfaction (CS), thereby enabling us to generate value by contributing solutions to societal problems through our business (CSV). As a consequence, employees will feel even greater satisfaction based on their sense of contribution to addressing social issues, personal growth and a healthy work-life balance.

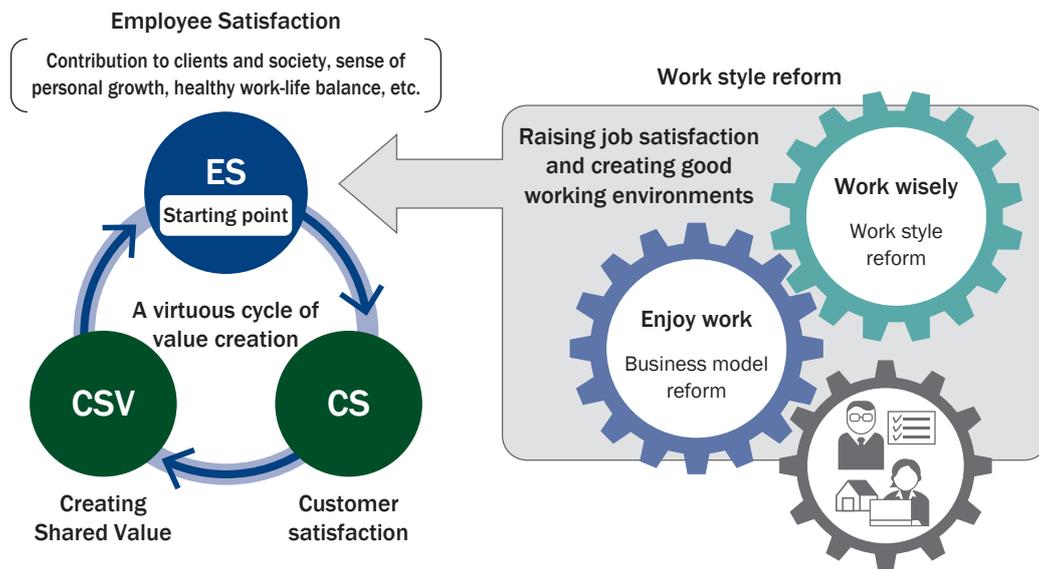
Our reforms focus on raising job satisfaction and creating good working environments so that employees can enjoy work and work wisely.

To enjoy work, we must reform our business model to eliminate inefficient tasks and effectively accomplish our goals. We are seeking to raise overall efficiency by

concentrating on our core competence to add higher value, ensuring an optimal allocation of management resources and exchanging knowledge across organizations.

To work wisely, we are reforming our work styles to increase productivity by allowing employees to work with greater flexibility and freedom. For example, we have introduced teleworking as a flexible style of work.

Employees can use the extra time made available by higher productivity for efforts to co-create a brighter future, such as improving personal skills and meeting talented individuals from different business areas, both inside and outside the company. We will actively invest in our human assets to ensure that higher productivity leads to the co-creation of a brighter future.



Comprehensive Talent Development

The MRI Group systematically develops personnel with comprehensive talent and who are capable of adapting to changing times and environments through constant self-transformation.

In addition to on-the-job training (OJT), we implement level-specific training for cultivating fundamental skills, along with specialized training for acquiring conceptual thinking, offering solutions and

executing solutions. We also provide opportunities for obtaining more practical knowledge and experience both inside and outside the company. Specifically, we provide an in-house rotation program, training assignments at other companies and organizations, and programs for studying at business schools in Japan and abroad.

■ Organizations to Which Personnel Were Dispatched in 2017

Universities and research institutions	The University of Tokyo Executive Management Program INSEAD *1	IMD *2 Stanford University
Private sector corporations	MUFG Union Bank, N.A. Mitsubishi UFJ Trust Investment Technology Institute Co., Ltd. Mitsubishi Estate Co., Ltd. Mitsubishi Corporation (Head Office, North America and Vietnam) Kirin Holdings Co., Ltd.	Mitsubishi Electric Corporation Mitsubishi Chemical Holdings Corporation Toyota Motor Corporation Kyushu Railway Company IBM Japan Ltd.
International organizations	United Nations Industrial Development Organization	

*1 Business school based in France and other countries

*2 Business school based in Switzerland and other countries

Creating Good Working Environments and Harnessing Diversity

The MRI Group's Management Philosophy is to "Apply integrated strengths by combining the ability of diverse individuals." Therefore, we strive to create working environments where everyone can balance work and life and vigorously pursue their career.

We seek to address diversity as a particularly key management issue. With respect to promoting women's careers, we have submitted the "voluntary action plan on the appointment of executives and managers of women" to the Federation of Economic Organizations (Keidanren). These efforts led to our being recognized in 2016 as an excellent company in promoting women's careers by the Minister of Health, Labor and Welfare, which awarded us the highest ranking "Eruboshi" certification. We have continued to actively increase the effectiveness of our initiatives, such as in-house training

for managerial staff and dispatching employees to external conferences.

The MRI Group seeks to create the "universal working environment" for all human assets.

■ "Eruboshi" certification mark



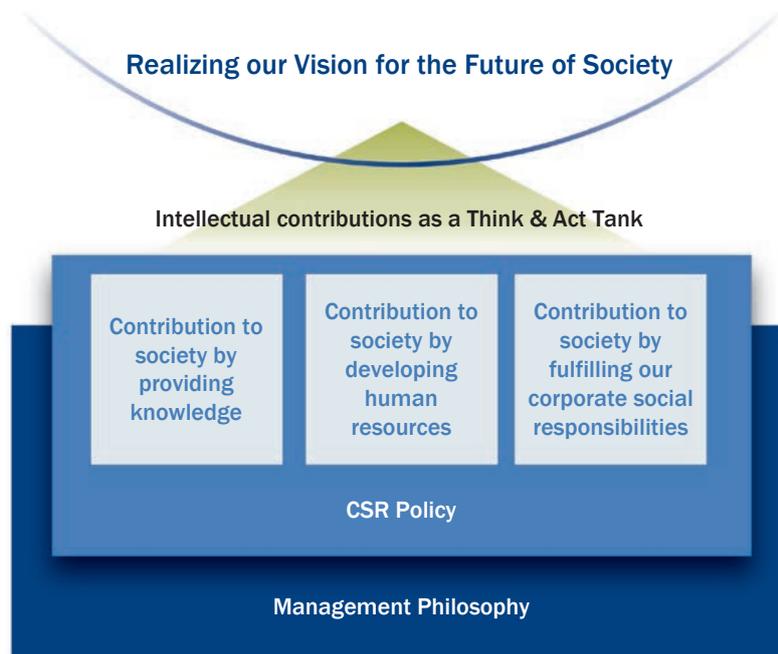
CSR

CSR Policy

The MRI Group engages in CSR activities to realize its vision for the future of society. These are guided by our CSR policy, which promotes contribution to society by providing knowledge, developing human resources, and fulfilling our corporate social responsibilities.

Under our commitment to address social problems through business, our core businesses already

incorporate aspects of CSR as an integral element. In addition to our core business, we also seek to contribute to society through our unique characteristics as an integrated think tank.



Participation in the United Nations Global Compact



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact**.

We welcome feedback on its contents.

Beyond the three principles of our CSR policy, the MRI Group also promotes CSR management under global standards for corporate social responsibility, such as ISO 26000.

On April 19, 2010, MRI became the first Japanese think tank to become a signatory to the United Nations Global Compact (UNGC). We endorse and support the Ten Principles of the UNGC and the United Nation's

Sustainable Development Goals (SDGs) and strive to incorporate them into our business practices.

In addition, one aspect of our future vision that we pursue through CSR is the creation of a society that earns respect by contributing to the world. We will continue to work on projects that contribute to the solution of global problems, such as peace-building initiatives and the prevention of global warming. In the fiscal year ended September 2017, 13 employees participated in 7 subcommittees.

Contributing to Society by Providing Knowledge

■ Platinum Society Research Association

Founded in 2010, the Platinum Society Research Association is currently engaged in activities supported by around 530 organizations. As of December 2017, three subcommittees and nine projects are actively contributing to society by offering recommendations and disseminating information.

platinum.mri.co.jp (in Japanese)

■ *Phronesis*, a Guidebook for the Future

Phronesis is a periodical that explores ideas for making the world a better place from a long-term perspective. It provides an overview of MRI's vision of the future through wide-ranging interviews with experts and practitioners so that readers can clearly recognize the early signs of the emerging future.

The following two issues were published in the fiscal year ended September 2017.

www.mri.co.jp/opinion/magazine/index.html (in Japanese)

■ Topics Featured in *Phronesis*

Topic	Summary
<i>Phronesis</i> 16: The Changing Game of Business Creation (March 2017 issue)	We examine the “game change” concept from various angles to explain how business and society will change as innovations proliferate at an exponential pace.
<i>Phronesis</i> 17: The Birth of Knowledge Materials—The Material Revolution at the Forefront of Rapid Social Change (August 2017 issue)	Materials such as iron, aluminum, carbon and silicon transformed daily life in the past. Now, new multifunctional materials that make use of advanced information science, and which we have named knowledge materials, are about to change the world. We focus on the evolving environment surrounding materials and explore Japan's strengths and business opportunities.

■ Communicating Information on Policy, the Economy and Markets

We comprehensively communicate substantial information on policy, the economy and markets, including economic forecasts.

■ MRI Monthly Review

Each month, we provide a compact, non-serialized report on diverse topics, views and discussions drawing on insights and information obtained through our research and studies.

In the fiscal year ended September 2017, we published featured articles such as: “Social Problems are the Mother of Innovation—Realizing a Sustainable 21st Century with Business-type Solutions” and introduced topics including “Business Transformation Triggered by the Circular Economy” and “Achieving Workstyle Reform and Regional Revitalization through an Inverse Sankin-kotai Plan.”

www.mri.co.jp/opinion/mreview/index.html (in Japanese)

■ Exchange with Media Organizations

MRI holds media conferences and discussion sessions to exchange views with members of the media on topical subjects handled by MRI.

A media conference takes place once a year for engaging in an informal exchange of views with participants from media organizations. The conference in July 2017 was attended by 120 people and covered 10 topics including the medium- to long-term economic outlook for Japan and the world, utilization of artificial intelligence, healthy life expectancy in society and regenerative medicine, energy vision for regional revitalization and technological innovation.

In our regular discussion sessions with the media, MRI researchers offer presentations on specific topics, which are followed by an exchange of views. In the fiscal year ended September 2017, we held 22 sessions and attracted over 500 participants.

Contributing to Society through Developing Human Resources

■ Future Co-Creation Seminars

The mission of the MRI Group is to serve its clients and society by providing a vision and solutions for a better future. To this end, we organize “Future Co-creation Seminars” for high school students to provide the next generation of leaders with an opportunity to envision a future full of promise.

In the fiscal year ended September 2017, 154 students from four schools engaged in lively debates through workshops and exchanged views with instructors.

■ Future Co-Creation Seminars in the Fiscal Year Ended September 2017

School (Grade)	Date	Topics
Himeji Higashi Senior High School, Hyogo Prefecture (11 second-year students)	October 3, 2016	Metropolitan area training and a message from past students Learning and Working
Yamagata East Senior High School, Yamagata Prefecture (20 second-year students)	October 19, 2016	Metropolitan area training and a message from past students Learning and Working
HOSEI Univ. Daini Junior and Senior High School (57 third-year students)	January 26, 2017	Lecture and group work “IoT and AI are changing our daily lives”
Chuo University Senior High School (66 third-year students)	February 14, 2017	Lecture and group work “Entrepreneurship as a workstyle option”

■ Future Co-Creation Seminars



■ Support for University Education

Contributing to university education, we send MRI researchers to lecture at universities and graduate schools. We help cultivate a broad perspective through lectures in various fields, explaining the current state of our society and how to transform theory into action in society.

We also offer internships for students from universities in and outside of Japan. In the fiscal year ended September 2017, we accepted 19 students from Japanese universities and a total of 10 from the University of California, Stanford University, University of Oxford, and Peking University.

■ Asia Research Fellow Scholarship

Since fiscal 2010, MRI has operated a fellowship program for students from ten ASEAN countries and India who are studying at graduate schools in Japan. Our aim is to cultivate human assets who will contribute to Asian development in the 21st century and serve as leaders in promoting friendship with Japan.

As of fiscal 2017, we have awarded scholarships to a total of 19 students from Thailand, Indonesia, Vietnam, Malaysia, Myanmar and India. We will further deepen our relationship with scholarship alumni and pursue activities that contribute to the growth of Japan as well as other Asian countries.

■ Acceptance of Personnel from Local Governments and Related Organizations

MRI contributes to the education of local and central government personnel by accepting them as trainee researchers. In addition to conducting studies and research alongside our researchers, the trainees inspect and experience various sites, both inside and outside MRI, and take part in independent research.

In the fiscal year ended September 2017, we accepted 11 trainees, and since 1983 we have accepted more than 400 people from approximately 50 local and central government entities.

Fulfilling Our Corporate Social Responsibilities

■ Contribution to Society and Local Communities

Our employees personally contribute to society through activities ranging from volunteer work in local communities and schools to initiatives involving NPOs.

For example, supporting the recovery effort after the Kumamoto Earthquake led us to the creation of a program that financially supports employees involved in voluntary activities in regions affected by a disaster. Another initiative is a book-recycling program, whereby employees contribute books that they no longer need to NPOs, which is helping to solve problems affecting the lives of impoverished people in South Asia.

In addition, we have engaged in initiatives such as cleanup campaigns in neighboring communities. We organize blood donations twice a year at DCS, and about 1,800 employees have participated to date. The Japanese Red Cross Society has honored DCS in recognition of its cooperation and promotion of blood donations over the years.



■ Reducing Environmental Impact

Under our environmental management system, we continuously strive to reduce the environmental impact associated with the Group's corporate activities. As part of this effort, we periodically monitor our use of electricity and paper, as well as the amount of waste, and then share the results across the Group.

When we detect any signs of an increase in environmental impact, we address the specific causes and issue alerts to alleviate the impact. As a result, consumption and emissions have steadily declined. Paper use, in particular, has decreased considerably over the past few years.

■ MRI Group Environmental Impact

		Year ended 9/2014	Year ended 9/2015	Year ended 9/2016	Year ended 9/2017
Electricity use per square meter (kWh/m ²)	Entire Group	411	409	401	390
	Chiba Information Center	1,212	1,185	1,165	1,137
	Other offices	90	88	86	82
Paper use per person (sheets/person/year)		6,819	6,776	6,065	5,259
CO ₂ emissions per person (t-CO ₂ /person/year)		4.23	4.01	3.97	3.88

■ Promoting Stakeholder Understanding of the Group

We carry out initiatives to encourage greater understanding of the MRI Group among diverse stakeholders, including clients, business partners, shareholders, employees and their families.

Specifically, we sponsor MRI Forums on topical subjects for top management at corporate clients, and we organize an MRI Family Day for employees and their families, during which children can visit the workplace. Also, DCS holds a number of sports events.



COLUMN

Projects that Contribute to the Environment

We contribute to the environment through diverse projects in our research and consulting businesses. Our environmental projects encompass a wide range of fields, such as global warming countermeasures, waste and the 3Rs (reduce, reuse, and recycle), electric power and renewable energy.

For example, we are currently implementing mega-solar power generation projects to revitalize regional communities. We will further expand these projects to reduce environmental impact through our business.

3 The Foundation for Providing Value



Corporate Administration Unit



Takehiko Matsushita
General Manager,
Corporate Administration
Unit

As the foundation that allows us to create value to society and clients, the Corporate Administration Unit promotes management improvement strategies and workstyle reforms in companywide operations. In addition, the Unit focuses on human asset development and career promotion, enhancement of data security measures, strategic public relations, and improvements to our levels of risk management and compliance. The Unit aims to fulfill indirect functions in a way that is strategic and efficient in support of the entire Company by improving corporate functions and optimizing the Company as a whole.

Compliance and Risk Management

Compliance

We regard compliance as the most important issue for management; consequently, we formulated a “Code of Conduct” and share the aim throughout the MRI Group. In addition, we are encouraging compliance practices by establishing whistleblowing and consultation systems that include contacts outside the Company for whistleblowers, while requiring employees to report any actions that violate compliance requirements.

In addition, our basic policy is to ensure that each group company is resolutely committed to opposing antisocial forces that pose a threat to the order and safety of civil society and to block any relationship with such forces.

For details, please refer to the following website.

 www.mri.co.jp/ir/management/governance.html
(in Japanese)

Risk Management

MRI has established a comprehensive risk management system known as the Advanced Risk Management System (ARMS), which emphasizes predictive management, and we are working toward active risk management and crisis response in all group companies.

Regarding risk management, we are developing monthly monitoring mechanisms in the Group to promptly identify signs of risk corresponding to changes in the social and business environments. These mechanisms will lead to practical measures within the

MRI Group, in addition to onsite risk reports and the integration and operation of a centralized desk to handle such reports.

For crisis management, a business continuity management (BCM) system, a system to smoothly facilitate the initial response to business restoration has been set up in preparation for large-scale disasters, outbreaks of infectious diseases, system failures caused by cyberattacks, and other such contingencies.

Corporate Management System

The Three Management Systems

We have introduced a Personal Information Protection Management System (PMS),*1 Quality Management System (QMS),*2 and Environmental Management System (EMS),*3 all of which serve as the management systems that form the foundations of CSR management. By running these three systems, we manage operations from the perspective of improving awareness of compliance, improving customer satisfaction, improving operations, improving productivity, and contributing to society and the environment.

For PMS, because we have many opportunities to handle personal information through questionnaire surveys, committee management, and seminars over the course of about 1,800 projects entrusted to us every year, we manage such personal information properly.

For QMS, we are improving the quality of services and products by appropriately managing the project execution process and sharing information. For system construction related work, the department responsible for project management plays a central role and practices QCQR*4 management for each project.

In September 2017, Mitsubishi Research Institute DCS earned a Level 5 in CMMI,*5—the highest level of “CMMI-DEV” (CMMI for development) —which is a global standard for continuous improvement. As of the end of October 2017, among the eight companies that reached Level 5 in Japan, only three companies attained this level for the entire corporation, and Mitsubishi Research Institute DCS is the only company with more than 2,000 employees. For EMS, in addition to reducing the environmental burden of daily operations, we are working to achieve a sustainable society through the implementation of projects that will contribute to the environment and by getting out information.

Each of these management systems is regularly reviewed, and we implement the PDCA cycle to continuously improve the system.

*1 PMS stands for Personal information protection Management Systems.

*2 QMS stands for Quality Management System.

*3 EMS stands for Environmental Management System.

*4 QCQR stands for Quality, Cost, Delivery, and Risk.

*5 CMMI stands for Capability Maturity Model Integration, which is a set of Guidelines put together by Carnegie Mellon University for process improvement for organizations conducting systems development.

Main Developments to Note in the Operation of These Systems This Year

For PMS, we worked to protect personal information while cooperating with those working to improve data security, which has become increasingly important.

For QMS, we have continued to implement thorough systematic project performance management and improvements based on client feedback. At the same time, we have made further progress on the

standardization of project management procedures and formats, and advanced initiatives for viable quality improvement.

For EMS, we furthered efforts at paperless administration and improved methods for measuring the environmental burden of our activities.

Efforts to Raise Awareness

We strive to raise awareness and increase knowledge of the management systems through companywide e-learning and hierarchical position-specific training by

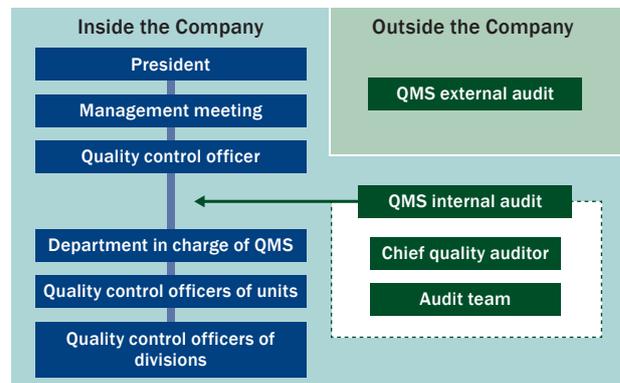
having new employees, mid-career recruits, and project managers study basic matters that need to be gone over, system changes, and social trends.

Efforts to Improve Quality

The quality of a project is extremely important in our business. We therefore have a quality management system (QMS) in place in order to continuously maintain and improve the quality of projects. Led by a quality control officer appointed by the president, the general managers of each department and headquarters are responsible for the quality control of departments and headquarters. We are working to improve quality in collaboration with the department in charge of QMS.

To ensure the effectiveness, validity, and transparency of QMS, we audit it internally and review the process using external review agencies regarding compliance with ISO 9001. We have conducted client satisfaction surveys since 2002; we now satisfy almost 100% of our clients. We provide feedback to each headquarters and project teams to improve the quality

of each project, and we are striving to further improve customer satisfaction by sharing common issues throughout the Company.



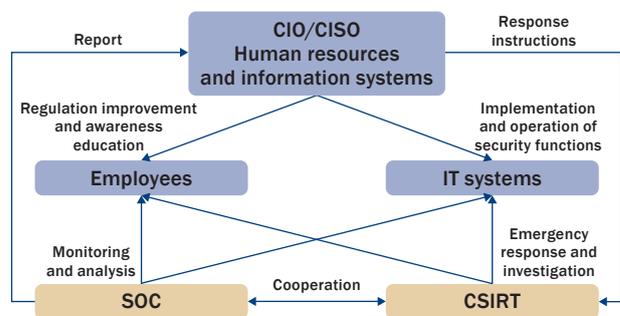
Information Security

Under the direction of the Chief Information Security Officer (CISO), we are pushing through improvements to information systems and institutions with a view to the advanced use of ICT to achieve high productivity, high functionality and high safety.

In the fiscal year ended September 2017, in addition to the existing Computer Security Incident Response Team (CSIRT),*1 we established a new Security Operation Center (SOC)*2 and have set up a system to quickly detect and respond to suspicious indications.

*1 Organizations and departments that provide an emergency response and investigation in the event of an incident of computer security being breached, such as virus infection, unauthorized access, and information leakage

*2 Organizations and departments that monitor and analyze logs of information systems (servers, terminals, network devices, etc.) and security devices (firewalls, intrusion detection systems, etc.) to detect computer security incidents



Corporate Governance

Governance Structure

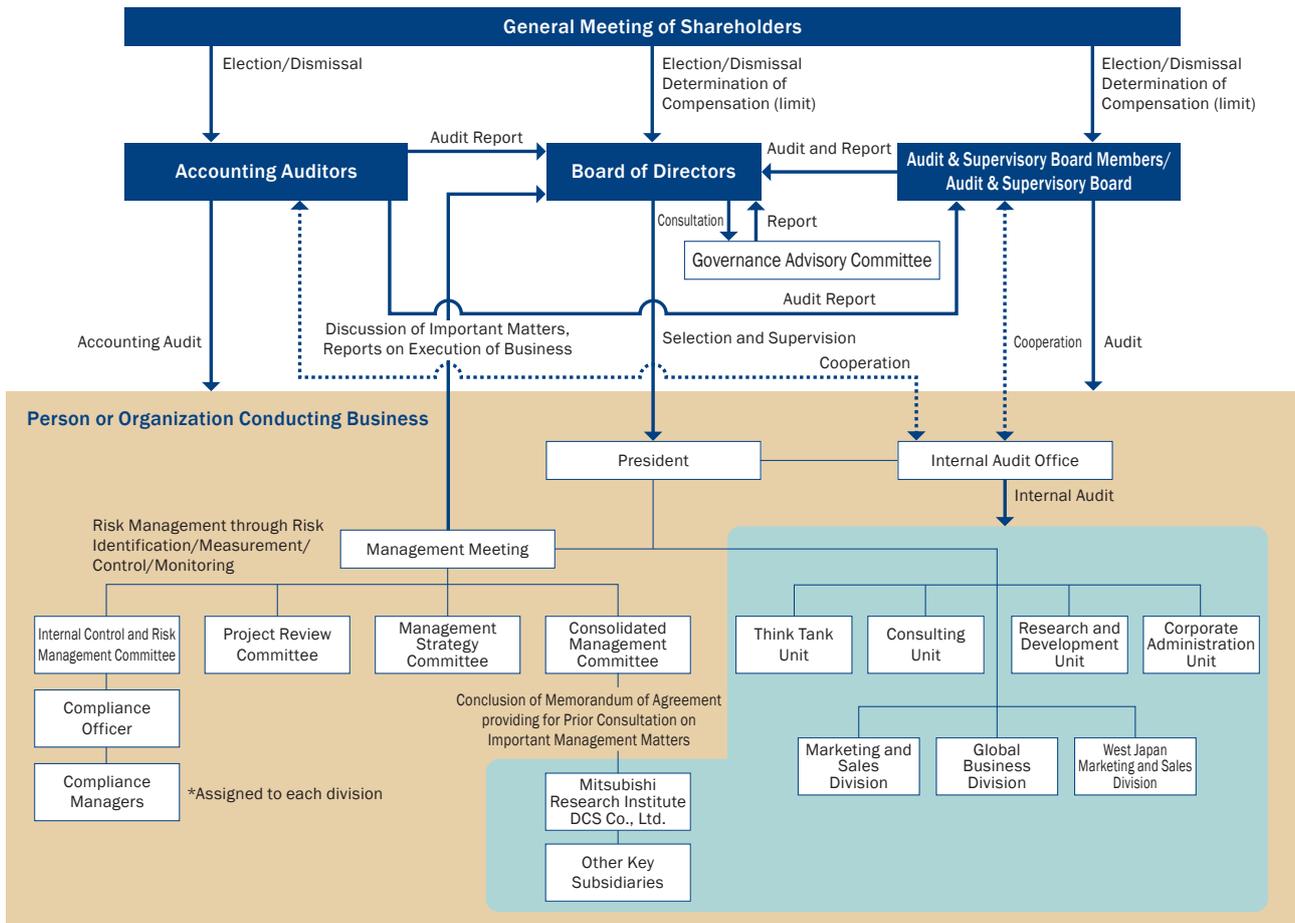
Our basic corporate governance policy is to ensure the proper execution, based on our “Management Philosophy,” of activities to sustainably improve corporate value, which is the aggregate of four values: social value, client value, shareholder value, and employee value.

Outside Directors make up more than one-third of the total number of Directors, and Outside Audit & Supervisory Board Members make up a majority of Audit & Supervisory Board members. This is so that we can absorb external viewpoints and make use of them in management. Matters concerning the execution of business are decided by the Management Meeting based on the basic management policy established by the Board of Directors, and Executive Officers implement the process. For the determination of important matters, we

consult a variety of in-house committees before the Management Meeting.

In addition, as a corporate group with subsidiaries and affiliated companies that include the Mitsubishi Research Institute DCS Co., Ltd., which is an important subsidiary, under the corporate umbrella, we share the “Code of Conduct,” the “Mitsubishi Research Institute Corporate Governance Guidelines” and the “System to Ensure Appropriate Conduct of Operations (Internal Control System)” and respect them as basic values and ethics. Please refer to the following website for the “Management Philosophy,” “Code of Conduct,” “Mitsubishi Research Institute Corporate Governance Guidelines,” and “Internal Control System.”

www.mri.co.jp/ir/management/governance.html
(in Japanese)



Election of Officers

The election of our officers is based on the “Basic Policy.” Specifically, the Board of Directors will determine the candidates, and the General Meeting of Shareholders will elect them in accordance with the provisions of laws and ordinances. Regarding candidates for Audit & Supervisory Board Members, we obtain the consent of the Audit & Supervisory Board in advance.

Basic Policy for Election of Officers

- (1) A person who always puts the Management Philosophy into practice.
- (2) A person who demonstrates the necessary insight, high ethical standards, experience, ability and qualifications as an officer.
- (3) For outside officers, a person who has the experience, capabilities, and qualifications to rigorously monitor and provide advice from the viewpoint of a third party with regard to our management.

Officer Compensation

Our officers’ compensation is based on the “Basic Policy.” Specifically, after deliberations by the Governance Advisory Committee, a director’s compensation is decided by the Board of Directors, and the Audit & Supervisory Board members’ compensations are decided through deliberations among the Audit & Supervisory Board members, respectively.

Basic Policy of Officer Compensation

- (1) In order to put the Management Policy into practice in response to the mandate of shareholders, officer compensation will be fair and determined by a compensation system that can bring about the motivation in officers to execute their duties.
- (2) In order to ensure accountability to stakeholders, officer compensation will be decided through an appropriate process that guarantees transparency, fairness, and rationality.
- (3) In order to secure talented people essential for our continued growth, we will aim to set officer compensation at levels that are attractive over the long term.

The breakdown of the compensation is as follows:

- Internal officers — Base compensation, variable compensation (monetary), and variable compensation (stock) form the basic composition of compensation. Variable compensation (stock) is intended to raise motivation and incentive of the officers to improve business performance and corporate value over the medium to long term by linking the compensation with the performance of the corporate Group.
- Outside officers — Considering that it is a position independent from business execution, compensation consists only of basic compensation.
- Audit & Supervisory Board members — From the viewpoint of ensuring independence, compensation consists only of basic compensation.

Organization of the Company	Brief Overview
Board of Directors and Officer Structure	Our Board of Directors consists of eight directors (including three outside directors), and has the authority to make decisions about our management and to supervise the execution of duties by directors. Furthermore, two of the current three outside directors have experience as managers of other companies, and one is a lawyer, which makes possible a structure for management-related decision-making and monitoring from a broad perspective based on their individual positions, experience, and knowledge. In addition, we aim to achieve efficient and accurate decision-making and to clarify the responsibility for business execution by selecting five executive officers and separating management from execution.
Audit & Supervisory Board Members/Audit & Supervisory Board	We adopt a corporate structure with an Audit & Supervisory Board in accordance with the Companies Act and related laws and regulations. The Audit & Supervisory Board consists of five Audit & Supervisory Board members (including three outside Audit & Supervisory Board members). Audit & Supervisory Board members exercise their rights under the law to attend the General Meeting of Shareholders and the Board of Directors, and to receive reports from Directors, Executive Officers, employees, and Accounting Auditors. Internal Audit & Supervisory Board members effectively audit the Company by attending important meetings such as the Management Meeting and internal committees, receiving internal audit reports, and sharing the report results with all Audit & Supervisory Board members.
Management Meeting/Executive Officer Meeting	The Management Meeting is composed of Managing Directors, Executive Officers holding a managerial position, and Unit managers. The Management Meeting discusses and decides important general matters concerning management based on the basic policies determined by the Board of Directors. It is held in principle regularly every Wednesday and on a temporary basis as necessary. In addition, Internal Audit & Supervisory Board members participate in every Management Meeting as monitors. The Executive Officer Meeting consists of Managing Directors, Executive Officers, and Research Fellows. In principle, Executive Officer Meetings are held once a month. In the Executive Officer Meeting, managing directors ascertain the status of business execution on the part of the executive officers and inform the executive officers of the instructions and decisions of the Board of Directors on behalf of the Board of Directors. The President issues necessary instructions to each executive officer and explains the current status of management to them. Other executive officers and research directors report on the execution of their own business or the status thereof.
Various Internal Committees	We have established a variety of internal committees as advisory bodies to the Management Meeting. Regarding important management matters such as management strategy, consolidated management, internal controls, information systems, research and development, personnel affairs, disciplinary action, and orders for large projects, we ensure transparency and checks, and make it possible to decide on a variety of measures from a broad perspective—not just by specific management lines—by referring such issues to the Management Meeting after sufficient discussion by these in-house committees chaired by officers.
Group Internal Controls	We have subsidiaries and affiliates that include Mitsubishi Research Institute DCS Co., Ltd. We ensure corporate value improvement and appropriateness of operations as a group by sharing the aims of and stringently enforcing the aforementioned “Code of Conduct,” “Mitsubishi Research Institute Corporate Governance Guidelines,” and “System to Ensure Appropriate Conduct of Operations (Internal Control System).” In addition, we have signed a Memorandum of Agreement with Mitsubishi Research Institute DCS Co., Ltd., which is a particularly important subsidiary, requiring prior consultation with us regarding important matters of their company management. At the same time, we have a Consolidated Management Committee and have established a system whereby the Representative Director regularly checks on their management situation. Furthermore, through internal auditing by the Internal Audit Office, we have established a system to ensure the appropriateness of operations of each group company to prevent violations of laws and regulations.

Directors and Senior Management

Directors



From the left to right, Koichi Nishioka, Takashi Morisaki, Takehiko Matsushita, Shigeaki Yoshikawa, Kyota Omori, and Toshiichi Utsugi

Directors

Kyota Omori

Chairman of the Board

Takashi Morisaki

President and Representative Director
Officer in Charge of Internal Audit Office

Shigeaki Yoshikawa

Executive Vice President and Representative Director
Officer in Charge of Business Management
Responsible for Marketing and Sales Division, West Japan Marketing and Sales Division, and Global Business Division

Takehiko Matsushita

Managing Director and Representative Director
General Manager, Corporate Administration Unit

Corporate Auditors

Toshiichi Utsugi

Audit & Supervisory Board Member

Koichi Nishioka

Audit & Supervisory Board Member

Executive Officers

Kotaro Nagasawa

Managing Executive Officer
General Manager, Think Tank Unit

Hiroshi Iwase

Managing Executive Officer
General Manager, Consulting Unit

Taro Kamagata

Managing Executive Officer
General Manager, Research and Development Unit

Hiroyuki Seyazaki

Executive Officer
Deputy General Manager, Think Tank Unit

Toshiyuki Ogawa

Executive Officer
Representative Director and President, MRI Research Associates, Inc.

(As of December 19, 2017)

Directors (Outside)



From the left to right, Haruya Uehara, Nobuo Kuroyanagi, Toshihiko Matsumiya, Taga Sota, Kenji Matsuo, Kazuo Tsukuda, Mikio Sasaki

Directors

*Outside director as defined in Article 2 Item 15 of the Companies Act

Nobuo Kuroyanagi*

Director
Senior Corporate Adviser of The
Bank of Tokyo-Mitsubishi UFJ, Ltd.

Mikio Sasaki

Director
Senior Corporate Adviser of
Mitsubishi Corporation

Kazuo Tsukuda*

Director
Senior Adviser of Mitsubishi
Heavy Industries, Ltd.

Taga Sota*

Director
Representative,
Sota Law Office

Corporate Auditors

Outside corporate auditors as defined in Article 2 Item 16 of the Companies Act

Haruya Uehara

Outside Audit & Supervisory
Board Member
Senior Advisor,
Mitsubishi UFJ Trust and Banking
Corporation

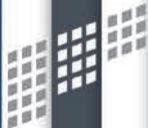
Toshihiko Matsumiya

Outside Audit & Supervisory
Board Member
Representative,
Toshihiko Matsumiya Certified
Public Accountancy Office

Kenji Matsuo

Outside Audit & Supervisory
Board Member
Senior Advisor, Meiji Yasuda Life
Insurance Company

4 Financial Information and Company Profile



Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2016	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	14,548	16,304
Accounts receivable—trade	13,998	15,062
Securities	6,999	6,999
Inventories	5,395	5,502
Prepaid expenses	1,332	1,445
Deferred tax assets	1,608	1,636
Other	205	558
Allowance for doubtful accounts	△12	△14
Total current assets	44,075	47,493
Non-current assets		
Property and equipment		
Buildings and structures	14,676	14,903
Accumulated depreciation	△8,283	△8,718
Buildings and structures, net	6,392	6,185
Machinery, equipment and vehicles	15	15
Accumulated depreciation	△15	△15
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures	5,557	5,856
Accumulated depreciation	△4,087	△4,346
Tools, furniture and fixtures, net	1,470	1,510
Land	720	720
Leased assets	1,937	1,757
Accumulated depreciation	△1,012	△1,077
Leased assets, net	925	679
Construction in progress	125	142
Total property and equipment	9,635	9,237
Intangible assets		
Software	5,008	4,282
Software in progress	322	678
Goodwill	67	37
Other	77	60
Total intangible assets	5,475	5,059
Investments and other assets		
Investment securities	6,526	8,193
Long-term loans receivable	4	4
Lease and guarantee deposits	2,556	2,783
Net defined benefit asset	—	16
Deferred tax assets	2,579	2,180
Other	974	688
Allowance for doubtful accounts	△50	△4
Total investments and other assets	12,590	13,863
Total non-current assets	27,701	28,161
Total assets	71,777	75,654

(Millions of yen)

	As of September 30, 2016	As of September 30, 2017
Liabilities		
Current liabilities		
Accounts payable—trade	3,584	4,030
Accounts payable—other	1,059	1,371
Accrued expenses	1,150	1,141
Income taxes payable	1,910	941
Accrued consumption taxes	1,224	1,364
Advances received	253	589
Provision for bonuses	3,484	3,732
Provision for loss on order received	54	3
Other	1,051	1,123
Total current liabilities	13,772	14,299
Non-current liabilities		
Lease obligations	574	349
Provision for share-based compensation	—	91
Net defined benefit liability	10,485	10,427
Asset retirement obligations	—	51
Other	34	38
Total non-current liabilities	11,093	10,959
Total liabilities	24,866	25,258
Net assets		
Shareholders' equity		
Capital stock	6,336	6,336
Capital surplus	4,859	4,774
Retained earnings	28,690	31,374
Treasury shares	△0	△579
Total shareholders' equity	39,885	41,906
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,416	2,199
Deferred gains or losses on hedges	△1	△0
Foreign currency translation adjustment	6	14
Remeasurements of defined benefit plans	△436	△382
Total accumulated other comprehensive income	984	1,832
Non-controlling interests	6,040	6,656
Total net assets	46,910	50,395
Total liabilities and net assets	71,777	75,654

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended September 30, 2016	Fiscal year ended September 30, 2017
Net sales	86,904	89,466
Cost of sales	67,917	69,496
Gross profit	18,987	19,970
Selling, general and administrative expenses	13,492	14,238
Operating profit	5,495	5,731
Non-operating income		
Interest income	3	1
Dividend income	115	129
Share of profit of entities accounted for using equity method	204	255
Compensation income	-	70
Other	72	82
Total non-operating income	396	539
Non-operating expenses		
Interest expenses	10	9
Other	3	3
Total non-operating expenses	13	12
Ordinary profit	5,877	6,258
Extraordinary income		
Gain on sales of investment securities	141	46
Gain on transfer of business	97	-
Total extraordinary income	239	46
Extraordinary losses		
Loss on sales of non-current assets	-	0
Loss on retirement of non-current assets	72	22
Early extra retirement payments	12	-
Office transfer expenses	-	6
Other	3	5
Total extraordinary losses	87	34
Profit before income taxes	6,029	6,269
Income taxes-current	2,511	1,889
Income taxes-deferred	△305	△54
Total income taxes	2,205	1,835
Profit	3,823	4,434
Profit attributable to non-controlling interests	398	600
Profit attributable to owners of parent	3,425	3,833

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended September 30, 2016	Fiscal year ended September 30, 2017
Profit	3,823	4,434
Other comprehensive income		
Valuation difference on available-for-sale securities	18	910
Deferred gains or losses on hedges	3	1
Foreign currency translation adjustment	△30	7
Remeasurements of defined benefit plans	36	52
Share of other comprehensive income of entities accounted for using equity method	△28	4
Total other comprehensive income	△0	975
Comprehensive income	3,822	5,410
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,454	4,681
Comprehensive income attributable to non-controlling interests	368	728

Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended September 30, 2016	Fiscal year ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	6,029	6,269
Depreciation	2,956	3,194
Amortization of goodwill	63	29
Increase (decrease) in provision for bonuses	403	248
Decrease (increase) in net defined benefit asset	-	△16
Increase (decrease) in net defined benefit liability	764	17
Increase (decrease) in allowance for doubtful accounts	46	△44
Increase (decrease) in provision for share-based compensation	-	91
Increase (decrease) in provision for loss on order received	53	△51
Interest and dividend income	△119	△131
Interest expenses	10	9
Share of (profit) loss of entities accounted for using equity method	△204	△255
Loss (gain) on sales of non-current assets	-	0
Loss on retirement of non-current assets	72	22
Loss (gain) on sales of investment securities	△141	△43
Decrease (increase) in notes and accounts receivable—trade	△3,254	△1,062
Decrease (increase) in inventories	199	△106
Increase (decrease) in notes and accounts payable—trade	120	444
Increase (decrease) in accrued consumption taxes	△454	75
Increase (decrease) in advances received	△49	335
Other, net	24	425
Subtotal	6,520	9,451
Interest and dividend income received	167	181
Interest expenses paid	△10	△9
Income taxes paid	△1,625	△3,040
Net cash provided by (used in) operating activities	5,052	6,582
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	-	300
Purchase of securities	-	△2,999
Proceeds from redemption of securities	1,998	-
Purchase of property and equipment	△1,157	△1,075
Proceeds from sales of property and equipment	-	0
Purchase of intangible assets	△1,813	△1,268
Purchase of investment securities	△269	△173
Proceeds from sales of investment securities	271	69
Payments of loans receivable	△3	△8
Collection of loans receivable	4	7
Payments for lease and guarantee deposits	△50	△274
Proceeds from collection of lease and guarantee deposits	16	73
Other, net	7	△19
Cash flows from investing activities	△996	△5,368
Cash flows from financing activities		
Repayment of lease obligations	△321	△296
Proceeds from payment from non-controlling shareholders	95	-
Cash dividends paid	△985	△1,149
Payment of dividends to non-controlling shareholders	△123	△140
Purchase of treasury stock	-	△578
Net cash provided by (used in) financing activities	△1,335	△2,164
Effect of exchange rate change on cash and cash equivalents	△27	6
Net increase (decrease) in cash and cash equivalents	2,692	△943
Cash and cash equivalents at beginning of period	18,255	20,948
Cash and cash equivalents at end of period	20,948	20,004

Segment Information

Fiscal year ended September 30, 2016 (From October 1, 2015 to September 30, 2016)

(Millions of yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated financial statements (Note 2)
	Think Tank and Consulting Services	IT services			
Net sales					
Outside customers	33,014	53,889	86,904	-	86,904
Inter-segment sales and transfers	159	1,616	1,776	△1,776	-
Total	33,174	55,506	88,681	△1,776	86,904
Segment profit	2,875	2,931	5,807	70	5,877
Segment assets	28,002	44,357	72,360	△582	71,777
Other items					
Depreciation	905	2,131	3,037	△80	2,956
Amortization of goodwill	-	63	63	-	63
Interest income	1	2	4	△0	3
Interest expenses	1	9	11	△0	10
Share of profit of entities accounted for using equity method	95	93	189	15	204
Investment in equity method affiliates	971	1,011	1,983	-	1,983
Increase in property and equipment, and intangible assets	354	2,882	3,236	△25	3,211

(Notes) 1. Adjustment amounts for segment profit, segment assets and other items are all inter-segment transaction eliminations.

2. Segment profit is adjusted with ordinary profit in the consolidated financial statements.

Fiscal year ended September 30, 2017 (From October 1, 2016 to September 30, 2017)

(Millions of yen)

	Reportable segments		Total	Adjustment (Note 1)	Amount recorded in the consolidated financial statements (Note 2)
	Think Tank and Consulting Services	IT services			
Net sales					
Outside customers	32,730	56,736	89,466	-	89,466
Inter-segment sales and transfers	138	816	955	△955	-
Total	32,868	57,552	90,421	△955	89,466
Segment profit	2,029	4,125	6,154	103	6,258
Segment assets	29,081	47,023	76,105	△450	75,654
Other items					
Depreciation	926	2,350	3,277	△83	3,194
Amortization of goodwill	-	29	29	-	29
Interest income	0	0	1	-	1
Interest expenses	1	8	9	-	9
Share of profit of entities accounted for using equity method	101	126	228	27	255
Investment in equity method affiliates	1,097	1,095	2,193	-	2,193
Increase in property and equipment, and intangible assets	350	2,026	2,376	△6	2,370

(Notes) 1. Adjustment amounts for segment profit, segment assets and other items are all inter-segment transaction eliminations.

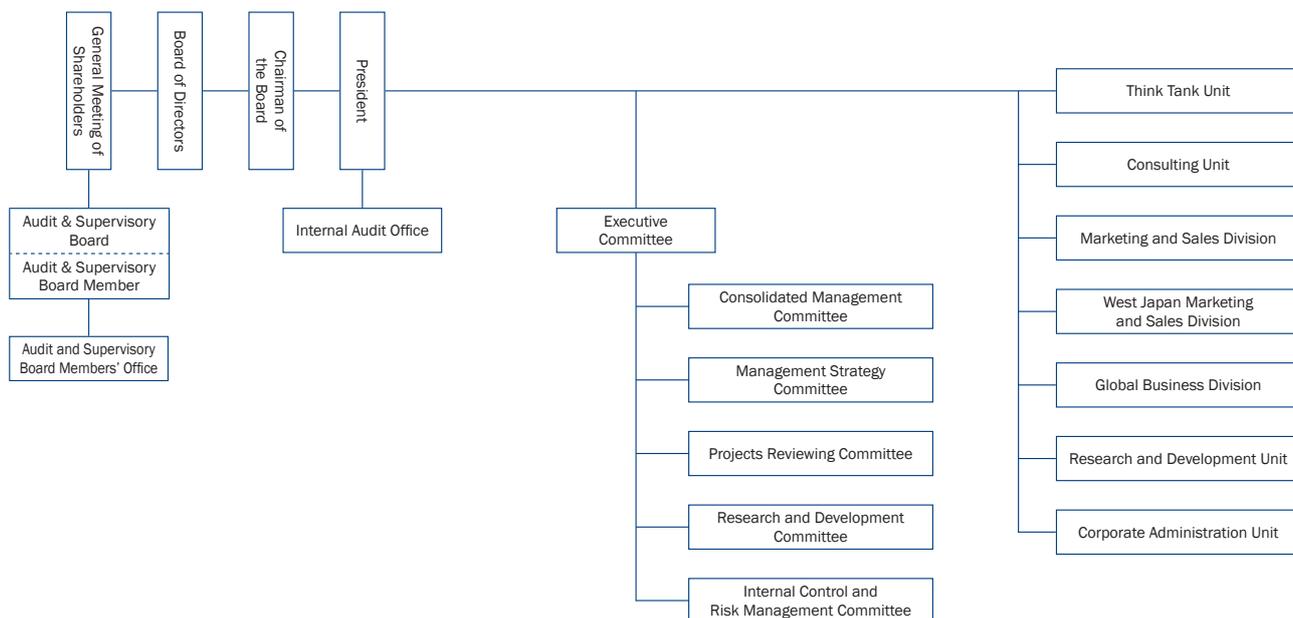
2. Segment profit is adjusted with ordinary profit in the consolidated financial statements.

Company Profile

Mitsubishi Research Institute, Inc.

Head Office	10-3, Nagatacho 2-Chome, Chiyoda-Ku, Tokyo 100-8141 Japan	Group Companies Mitsubishi Research Institute DCS Co., Ltd. MRI Business, Inc. MRI Research Associates, Inc.
Date of Establishment	May 8, 1970	
Representative Directors	Takashi Morisaki, President Shigeaki Yoshikawa, Executive Vice-President Takehiko Matsushita, Managing Director	
Chairman of the Institute	Hiroshi Komiyama	
Capital Stock	6,336 million yen	
Number of Employees	(Consolidated) 3,842 (Non-consolidated) 911	

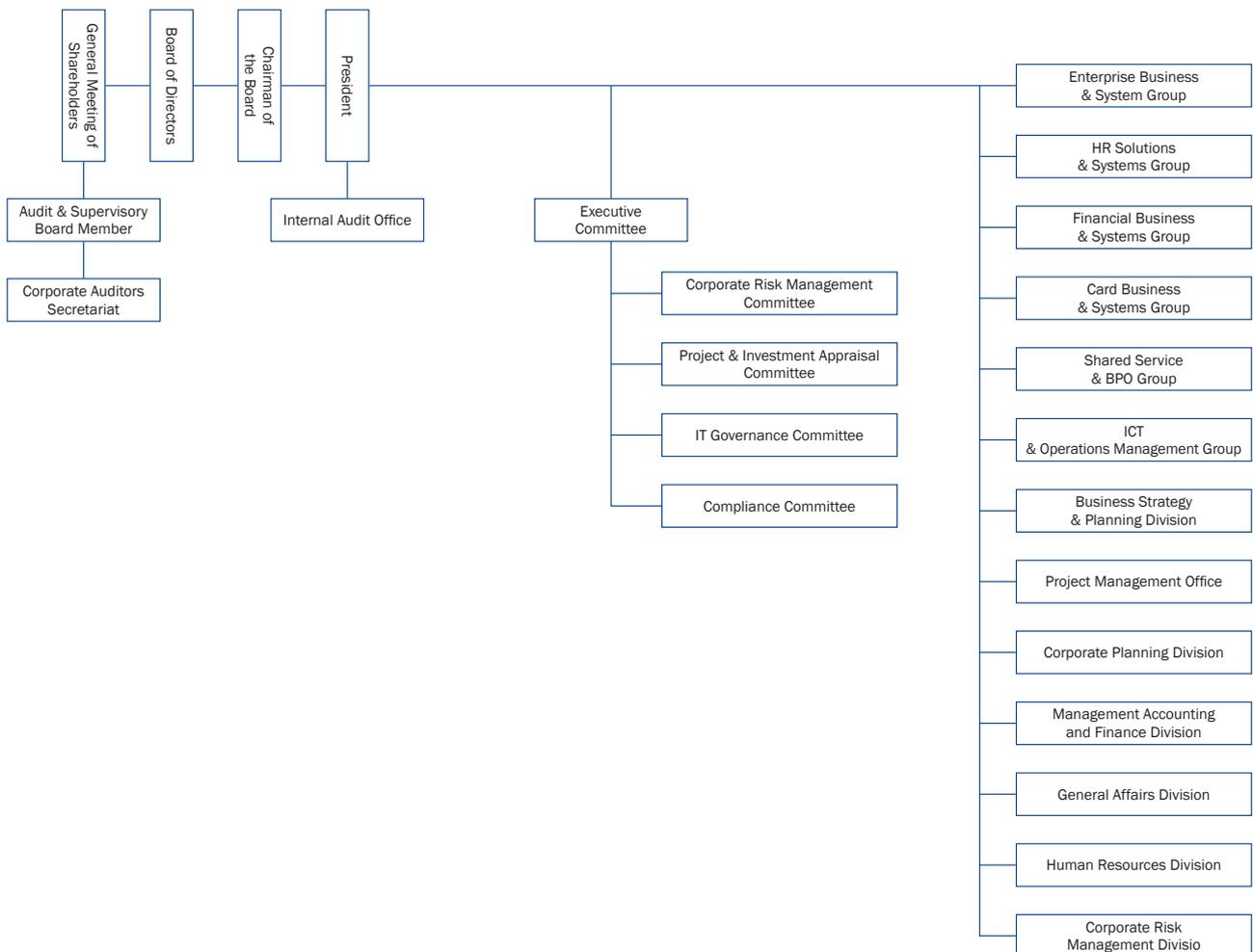
Organization Structure (As of October 1, 2017)



Mitsubishi Research Institute DCS Co., Ltd.

Head Office	12-2, Higashishinagawa 4-Chome, Shinagawa-ku, Tokyo, 140-8506 Japan	Group Companies	MRI Value Consulting & Solutions Co., Ltd. MD Business Partner Co., Ltd. Touhoku Diamond Computer Service Co., Ltd. OPT Japan Co., Ltd. UBS Co., Ltd. IT-One Co., Ltd. DCS Information Technology (Shanghai) Co., Ltd. MRIDCS Americas, Inc. HR Solution DCS Co., Ltd.
Date of Establishment	July 10, 1970		
Representative Directors	Minoru Enjitsu, President & CEO Tsuyoshi Tawada, Senior Managing Director Etsuo Isobe, Senior Managing Director		
Capital Stock	6,059 million yen		
Number of Employees	(Consolidated) 2,784 (Non-consolidated) 2,028		

Organization Structure (As of October 1, 2017)



Communication for Shareholders and Investors

To our shareholders and investors, we are concentrating on the timely and appropriate disclosure of information and striving to enhance communication. We conduct IR activities with these things in consideration.

Timely and Accurate Disclosure

Our approach to the timely and accurate disclosure of information is guided by the principle that all stakeholders, including shareholders and investors, should have “timely, accurate, impartial and fair access to important information.”

Basic rules for information disclosure

- (1) **Timeliness:** Information about significant events must be disclosed without delay after the events have occurred.
- (2) **Accuracy:** All information disclosed must accurately reflect the facts.
- (3) **Impartiality:** All important information, whether favorable or unfavorable to the MRI Group, must be disclosed in accordance with the timely disclosure rules of the stock exchange.
- (4) **Fairness:** All stake holders, including stockholders and investors, must have equal access to information.

Enhancing Shareholder Communication

In December 2017, the 48th annual General Meeting of Shareholders was held, and 96 people attended.

A variety of materials, including a narrated video, were used to aid in understanding of our business report. The results of the general meeting were immediately posted on our website to ensure timely and fair access to the information.

We publish biannual “shareholder reports” covering our financial performance, business activities, wide-ranging advisory services to society, and other aspects of our businesses. We also conduct shareholder surveys as part of

our efforts to maintain good shareholder communications.

■ IR Activities

Our IR activities for shareholders and investors are based on the core principles of information disclosure. Our aim is to present key information as clearly as possible to ensure that stakeholders can fully understand our business activities, management strategies, business trends and other factors.

We hold half-yearly results briefings for institutional investors and analysts after the release of the final and second quarter financial results. At these meetings, the President and Representative Director gives a presentation on our activities, including financial results and medium-term management plan. Throughout the year, our executives and IR personnel also respond to interview requests and make regular visits to investors.

We maintain an “investor information” page on our website. Many of our shareholders and investors use this as a convenient way to access timely disclosure information, financial flash reports, financial presentation materials, financial statements and other materials, which are posted on the site as soon as they become available. We renovated the page in December 2017 for better access to the information. Videos of results briefings are also available on the MRI website.



Shareholder Report (accompanying material attached to a convocation notice of the annual meeting of shareholders)

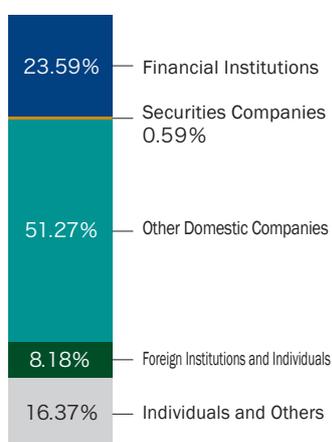
Share-related Information (As of September 30, 2017)

Authorized Shares Capital:
60,000,000

Number of Shares Issued:
16,424,080

Number of Shareholders:
5,158

Shareholder Composition



Principal Shareholders (Top 11 shareholders)

Shareholder's Name	Number of Shares	Shareholding Ratio (%)
Mitsubishi Corporation	975,076	5.93
Mitsubishi Heavy Industries, Ltd.	975,000	5.93
Mitsubishi Electric Corporation	902,200	5.49
Mitsubishi Chemical Corporation	834,000	5.07
Mitsubishi Research Institute Group Employee Shareholding Association	740,580	4.50
Mitsubishi Materials Corporation	698,300	4.25
Japan Trustee Services Bank, Ltd. (Trust Account)	615,900	3.75
Mitsubishi UFJ Trust and Banking Corporation	598,574	3.64
Mitsubishi Estate Co., Ltd.	598,500	3.64
Kirin Holdings Company, Limited	598,500	3.64
Asahi Glass Co., Ltd.	598,500	3.64

(Note) The Shareholding Ratio is calculated after deducting treasury stocks (256 shares). The number of treasury stock does not include the Company stock (177,900 shares) owned by Board members' compensation BIP trust.

Shareholder Composition

	Number of Shareholders	Composition Ratio (%)	Number of Shares Held (Thousands of Shares)	Shareholding Ratio (%)
Financial Institutions	30	0.58	3,873	23.59
Securities Companies	26	0.50	96	0.59
Other Domestic Companies	131	2.54	8,421	51.27
Foreign Institutions and Individuals	119	2.31	1,344	8.18
Individuals and Others	4,852	94.07	2,688	16.37
Total	5,158	100.00	16,424	100.00

Note: Number of shares held are rounded down to the hundred.

Send questions or comments
about this report to:

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