

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2017

(From April 1, 2016 to March 31, 2017)

	Net sales		Operating profit		Pre-tax profit		Net profit		Profit attributable to owners of the parent		Basic earnings per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
First Half	35,000	14.7	10,500	14.7	10,500	14.4	7,000	13.9	6,300	13.3	19.47
Annual	75,000	16.0	23,000	14.9	23,000	15.3	15,300	13.4	14,300	14.3	44.18

(Note) 1 Amendments to forecasts of financial results recently announced: None

2 Basic earnings per share has been calculated using 323,640,795 shares, which is the average number of issued shares during the three months ended June 30, 2016.

※ Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries accompanying changes in scope of consolidation): None

(2) Changes in accounting policies and accounting estimates:

(i) Changes in accounting policies required by IFRS: None

(ii) Changes in accounting policies other than item (i) above: None

(iii) Changes in accounting estimates: None

(3) Number of shares issued (common stock)

(i) Number of shares outstanding at the end of the period (including treasury shares)		
As of June 30, 2016	323,708,600	shares
As of March 31, 2016	323,646,000	shares
(ii) Number of treasury stock at the end of the period		
As of June 30, 2016	32,400	shares
As of March 31, 2016	32,400	shares
(iii) Average number of shares during the period (cumulative)		
As of June 30, 2016	323,640,795	shares
As of June 30, 2015	323,523,438	shares

※ Indication regarding implementation status of the quarterly review procedures

This quarterly financial report is outside the scope of the review procedures for quarterly financial statements under the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial report, review procedures for the Quarterly Consolidated Financial Statements are in progress.

※ Explanation of proper use of financial results forecasts, and other special matters

(Caution regarding statements concerning the future)

The forward-looking statements herein are based on information available to the Company and on certain assumptions deemed to be reasonable at the date of publication of this document. They are not intended as the Company's commitment to achieve such forecasts, and actual results may differ significantly due to various factors.

(Explanatory materials for quarterly financial result)

Explanatory materials for quarterly financial result will be posted on our website on Tuesday, July 26, 2016.

1. Qualitative Information on Quarterly Results

(1) Explanation of consolidated operating results

Various services are provided for the 250,000+ physician members via the “m3.com” website designed for medical professionals.

Marketing support for pharmaceutical companies (“MR-kun family”) includes a selection of services catering to various agendas and purposes, such as the basic “Affiliates” service, “MR-kun” service which allows member physicians to receive continuous and frequent information, “One Point eDetail” service which provides a more direct and targeted approach to member physicians, and “Web Conference” service which allows member physicians to participate in conferences via the internet.

Clinical trial related services centered around “Mr. Finder” which excavates institutions and patient participants for clinical studies, are provided by Mebix Inc. which provides IT supported large-scale clinical study services, MIC Medical Corp and MEDISCIENCE Planning Inc. (“MPI” below) which assists in clinical trial operations, by e-SMO Inc. and Neues, Co, Ltd. (“Neues” below) which provides administrative and operations support across the entire clinical trial process as SMOs, by Integrated Development Associates Co., Ltd. (“IDA” below) which provides support services mainly for overseas bio-pharmaceutical companies looking to include Japan and Asia in global drug development, and by POC Clinical Research Inc. (“POC” below), which provides comprehensive support in research and development aimed for early practical application of bio-technology centered on advanced medical technology.

Platform linked services such as market research services that panel member physicians, “QOL-kun” which provides marketing support for non-medical related corporations desiring to advertise daily life services to doctors, “AskDoctors” (<http://www.AskDoctors.jp/>) website which connects public users with member physicians for answers to general health questions, and “Practice Management” (m3.com Kaigyo/Keiei) services which support the establishment and management of clinics, are all being expanded.

Services at M3 Career, Inc. (“M3 Career” below) which provides job search and placement services for physicians and pharmacists, iTICKET Corporation which provides online reservation services for clinics, Reno Medical Inc. which provides prescription drug related media services, C.M.S Co.Ltd (“C.M.S” below) which supports development and sales of electronic medical record systems, and M3 Marketing, Inc (“M3 Marketing” below) which develops and provides next generation MRs, or “Medical Marketers,” are also all being expanded. We will be adding TECOM Group as a wholly owned subsidiary in August 2016, to provide preparatory education services surrounding national certifications for medical welfare practitioners.

As for business overseas, the U.S. portal website, “MDLinx,” designed for healthcare professionals, continues to expand its member network based services towards pharmaceutical companies, as well as expand its career services for physicians through M&As. The portal now provides access to over 600,000 physician members, in part boosted by business partnerships. The U.K. portal website, “Doctors.net.uk,” with roughly 200,000 physician members, is also expanding services for pharmaceutical companies with the launch of the U.K. version of MR-kun. Furthermore, the China portal website has now topped 1.5 million physician members, and the Chinese version of MR-kun continues to expand at a healthy pace.

Additionally, membership and panel participation at websites operated by M3 group starting with Japan, U.S., U.K., China, and Korea, now totals over 3 million physicians, enabling provision of marketing research services that span across a global scale.

Consolidated quarterly results for the first quarter (cumulative) is as below. (Unit: Million Yen)

	Three months ended June 30, 2015 (April 1, 2015 to June 30, 2015, cumulative)	Three months ended June 30, 2016 (April 1, 2016 to June 30, 2016, cumulative)	First quarter comparison		(Reference) Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)
Net sales	15,528	18,057	+2,529	+16.3%	64,660
Operating Profit	5,001	6,202	+1,202	+24.0%	20,022
Pre-Tax Profit	5,078	5,965	+887	+17.5%	19,950
Net Profit	3,418	3,942	+525	+15.3%	13,493

(Segment results)

(Unit: Million yen)

		Three months ended June 30, 2015 (April 1, 2015 to June 30, 2015, cumulative)	Three months ended June 30, 2016 (April 1, 2016 to June 30, 2016, cumulative)	First quarter comparison	
Medical Portal	Segment Net Sales	6,378	7,735	+1,357	+21.3%
	Segment Profit	4,015	4,725	+709	+17.7%
Evidence Solution	Segment Net Sales	4,862	5,156	+293	+6.0%
	Segment Profit	909	974	+65	+7.2%
Overseas	Segment Net Sales	3,130	3,751	+621	+19.9%
	Segment Profit	238	242	+4	+1.7%
Clinical Platform	Segment Net Sales	566	591	+25	+4.5%
	Segment Profit	34	(10)	(44)	—
Sales Platform	Segment Net Sales	335	352	+17	+5.2%
	Segment Profit	6	24	+18	+312.6%
Others	Segment Net Sales	446	747	+301	+67.4%
	Segment Profit	64	13	(51)	-79.9%
Adjustment	Segment Net Sales	(188)	(274)	—	—
	Segment Profit	(269)	235	—	—
Gains from remeasurement accompanying business combinations		3	—	(3)	—
Total	Net Sales	15,528	18,057	+2,529	+16.3%
	Operating Profit	5,001	6,202	+1,202	+24.0%

1) Medical Portal

Marketing support sector targeting healthcare related companies produced sales of 3,342 million yen, higher by 16.9% year on year. Robust sales for “MR-kun family” services centered around “MR-kun” were driven by broader demand from pharmaceutical companies, posting an increase of 17% year on year.

Marketing research sector sales were 564 million yen, higher by 13.4% year on year. Improvements in sales structure expanded direct sales to pharmaceutical companies.

Others sector produced sales of 3,828 million yen, higher by 26.7% year on year, led by M3 Career’s job placement services targeting physicians.

The above results totaled 7,735 million yen, higher by 21.3% year on year, in sales for the Medical Portal segment.

COGS and SG&A amounted to 3,026 million yen, higher by 22.6% year on year, largely due to increases in personnel expenses across the entire M3 group to accommodate business growth.

Combining the above results, the Medical Portal segment produced profits of 4,725 million yen, higher by 17.7% year on year.

2) Evidence Solution

Healthy progress in clinical trial projects and expansion of group subsidiaries resulted in sales amounting to 5,156 million yen, higher by 6.0% year on year. Clinical trial projects progressed steadily, with absorption of costs related to aggressive upfront investment in headcount corresponding to the accumulation of project backlog (segment total of roughly 25,000 million yen) producing segment profits of 974 million yen, higher by 7.2% year on year.

3) Overseas

In the U.S. and U.K., expansions in both marketing research services for pharmaceutical firms and career services absorbed negative foreign exchange impact of 430 million yen to produce total sales of 3,454 million yen, higher by 22.1% year on year. China saw steady progress such as the increase in MR-kun service users now totaling 11 firms and 22 drugs, which increased sales. Combining results from all overseas regions, segment sales amounted to 3,751 million yen, higher by 19.9% year on year. Segment profit amounted to 242 million yen, higher by 1.7 % year on year, after absorbing 42 million yen in negative foreign exchange impact.

4) Clinical Platform

Sales at C.M.S were in line with the previous year at 591 million yen, higher by 4.5% year on year. Increased hiring in anticipation of future demand along with development investments resulted in segment losses of 10 million yen, lower by 44 million yen year on year.

5) Sales Platform

M3 Marketing operations expanded at a healthy pace. Improvement in the operating ratio of Medical Marketers and higher unit prices resulted in segment sales of 352 million yen, higher by 5.2 % year on year, and segment profit of 24 million yen, higher by 312.6% yen year on year.

6) Others

Healthy progress of all businesses versus upfront investments in new businesses, summed to segment sales of 747 million yen, higher by 67.4% year on year, and segment profit of 13 million yen, lower by 79.9% year on year.

Combining the above segments, results for the entire group for the three months ended June 30, 2016, amounted to sales of 18,057 million yen, higher by 16.3% year on year, and operating profit of 6,202 million yen, higher by 24.0% year on year. Furthermore, yen conversion of items such as foreign currency denominated loans to overseas group companies caused foreign exchange losses of 240 million yen, resulting in pre-tax profit of 5,965 million yen, higher by 17.5% year on year, and net profit of 3,942 million yen, higher by 15.3% year on year. Comprehensive income totaled 2,372 million yen, lower by 39.4% year on year due to the 1,239 million yen in negative impact of yen strength on foreign exchange conversion of overseas operations results.

(2) Explanation of consolidated financial position

(Condition of assets, liabilities, and net assets)

Total assets were 70,470 million yen, a decrease of 3,172 million yen compared to the end of the previous fiscal year. Current assets totaled 37,267 million yen, a net decrease of 1,601 million yen versus last fiscal year end due to decreases in cash and cash equivalents of 862 million yen. Illiquid assets totaled 33,203 million yen, a decrease of 1,570 million yen versus last fiscal year end, due to effects such as the decrease in goodwill of 977 million yen from negative foreign exchange impact.

Total liabilities decreased by 2,676 million yen versus last fiscal year end to total 14,404 million yen. Current liabilities decreased 2,681 million yen versus previous fiscal year end to total 12,312 million yen due to items such as a decrease of 2,310 million yen in accrued tax payables. Illiquid liabilities increased by 5 million yen versus previous fiscal year end to total 2,091 million yen.

Total shareholder's equity decreased by 496 million yen compared to the end of the previous fiscal year to total 56,066 million yen. Components of other capital decreased by 1,500 million yen due to factors such as the decrease in foreign exchange gains of foreign operations resulting from yen strength and allocation of 3,429 million yen in profits attributable to the owners of the parent company, versus an increase of 516 million yen in retained earnings due to appropriation of 2,913 million yen in dividends.

(Condition of cashflows)

Cash and cash equivalents for the three months ended June 30, 2016 decreased by 862 million yen versus last fiscal year end to total 21,113 million yen.

Cash flows from operating activities produced an income of 2,229 million yen, an increase of 1,676 million yen year on year. The major component of inflow was pre-tax profit of 5,965 million yen, and the major component of outflow was payment of corporate income tax of 3,896 million yen.

Cash flows from investment activities resulted in a decrease in outflow of 496 million yen year on year, to total an outflow of 39 million yen. Inflow such as the 435 million yen from reduction in available-for-sales financial assets has occurred.

Cash flows from financing activities resulted in a decrease in outflow of 2,118 million yen year on year, to total an outflow of 2,673 million yen. The major component was dividend payments of 2,684 million yen paid to the owners of the parent company.

(3) Forward-looking statements and consolidated results forecasts

We anticipate increases in sales and profits for the group for the fiscal year ending March 31, 2017.

1) Medical Portal segment

The marketing support business targeting healthcare related companies is expected to expand its services surrounding “MR-kun family.”

The marketing research business is expected to remain steady within the backdrop of demand mainly from pharmaceutical companies.

In others businesses, expansion is expected in various services with growth lead by M3 Career and “Mr. Finder.”

Expenditure resulting from aggressive headcount increases geared for further growth is expected, however, no structural changes in costs relating to existing services should occur.

As a combined result of the above, we expect the Medical Portal segment to see increased sales and profits.

2) Evidence Solution segment

For the Evidence Solution segment, we expect healthy operations at each subsidiary to increase sales and profits for the segment. Neues is expected to turn profitable from the progress in structural reform and expansion of business scope.

3) Overseas segment

Within the Overseas segment, we expect marketing support, marketing research, and physician career placement services within in the U.S., U.K., and China to individually expand its services to result in increased sales and profits.

4) Clinical Platform segment

We expect performance at C.M.S to remain steady.

5) Sales Platform segment

We expect expansion of the M3 Marketing business to increase sales, however, costs from aggressive investment in personnel looks to keep profits in line with the previous year.

Based on the above, we forecast the below for consolidated financial results for the fiscal year ending March 31, 2017.

(Unit: Million Yen)

	Net sales	Operating profit	Pre-tax profit	Net profit	Profit Attributable to owners of the parent
Annual	75,000	23,000	23,000	15,300	14,300

※ Above forecasts and forward-looking statements are based on assumptions and beliefs derived from information currently available, and is subject to change due to but not limited to fluctuations in global economic conditions.

2. Summary Information (notes)

(1) Changes in significant subsidiaries during the period

No items to report.

(2) Changes in accounting policies and accounting estimates

No items to report.

Disclaimer:

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