



Consolidated Financial Results  
for the Six Months Ended September 30, 2016 [IFRS]  
(Abridged)

Oct 24, 2016

Listed Company: M3, Inc. Listed Stock Exchange: Tokyo  
 Securities Code: 2413 URL: <http://corporate.m3.com/en/>  
 Representative: (Title) CEO (Name) Itaru Tanimura TEL: 03-6229-8900  
 Contact: (Title) Director (Name) Takahiro Tsuji Dividend payment commencement date: —  
 Submission of quarterly report: November 11, 2016  
 Preparation of explanatory materials for quarterly financial result: Yes  
 Assembly for briefing of quarterly financial results: Yes

(amounts rounded to the nearest million yen)

## 1. Consolidated Financial Results for the Six Months Ended September 30, 2016

(April 1, 2016 to September 30, 2016)

(1) Consolidated Operating Results (Cumulative) (% figures show year-on-year change)

	Net sales		Operating profit		Pre-tax profit		Net profit	
	Million Yen	%	Million yen	%	Million Yen	%	Million Yen	%
Six months ended September 30, 2016	34,874	14.2	11,100	21.2	10,825	17.9	7,149	16.3
Six months ended September 30, 2015	30,525	23.9	9,158	22.1	9,182	21.8	6,148	28.5

	Profit attributable to owners of the parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Million Yen	%	Million Yen	%	Yen	Yen
Six months ended September 30, 2016	6,577	18.3	5,222	-19.9	20.32	20.30
Six months ended September 30, 2015	5,559	26.0	6,520	26.8	17.18	17.16

(Note) Retroactive adjustments have been made to the consolidated financial statement for the six months ended September 30, 2015 due to provisional accounting treatments made in accordance with business combinations taken place during the six months ended September 30, 2015. These treatments have no effect on consolidated results for the six month period ended September 30, 2015.

### (2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity per share attributable to owners of the parent
	Million Yen	Million Yen	Million Yen	%	Yen
As of September 30, 2016	75,958	58,811	56,758	74.7	174.66
As of March 31, 2016	73,642	56,562	54,889	74.5	168.94

## 2. Dividends

	Annual per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	—	0.00	—	9.00	9.00
Fiscal year ending March 31, 2017	—	0.00	—	—	—
Fiscal year ending March 31, 2017 (Forecast)	—	—	—	—	—

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

2 Dividend forecast for the fiscal year ending March 31, 2017 is currently undetermined. It is to be determined after consideration of capital needs and condition of cash flow hereafter.

### 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
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 323,668,703 shares, which is the average number of issued shares during the six months ended Sep 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 September 30, 2016	323,748,900	shares
As of March 31, 2016	323,646,000	shares
(ii) Number of treasury stock at the end of the period		
As of September 30, 2016	32,400	shares
As of March 31, 2016	32,400	shares
(iii) Average number of shares during the period (cumulative)		
As of September 30, 2016	323,668,703	shares
As of September 30, 2015	323,544,929	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 Monday, October 24, 2016.

## 1. Qualitative Information on Quarterly Results

### (1) Explanation of consolidated operating results

In Japan, 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 online conferences, all via the m3.com platform.

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 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 “Private 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, Reno Medical Inc. which is an agency that 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 which we have named as “Medical Marketers,” are also all being expanded. Furthermore, we have newly established TECOM, Inc. (“TECOM” below) in August of 2016, and have launched preparatory examination services for national certifications for medical welfare practitioners.

As for business overseas, the U.S. portal website, “MDLinx” designed for healthcare professionals, continues to expand services that incorporate the physician membership base for 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. 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. We launched a joint venture in India in August 2016, and have reached an agreement in October 2016 to consolidate Vidal Group, which operates pharmaceutical information database businesses in France, Germany, and Spain.

Additionally, membership and panel participation at websites operated by M3 group starting with Japan, U.S., U.K., China, and Korea, now totals over 4 million physicians, enabling provision of marketing research services that span across a global scale.

Consolidated cumulative results for the second quarter is as below.

(Unit: Million Yen)

	Six months ended Sep 30, 2015 (April 1, 2015 to Sep 30, 2015, cumulative)	Six months ended Sep 30, 2016 (April 1, 2016 to Sep 30, 2016, cumulative)	Second quarter comparisons		(Reference) Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)
Net sales	30,525	34,874	+4,349	+14.2%	64,660
Operating Profit	9,158	11,100	+1,942	+21.2%	20,022
Pre-Tax Profit	9,182	10,825	+1,642	+17.9%	19,950
Net Profit	6,148	7,149	+1,002	+16.3%	13,493

Segment Results

(Unit: Million yen)

		Six months ended Sep 30, 2015 (April 1, 2015 to Sep 30, 2015, cumulative)	Six months ended Sep 30, 2016 (April 1, 2016 to Sep 30, 2016, cumulative)	Second quarter comparisons	
Medical Portal	Segment Net Sales	11,961	13,808	+1,848	+15.4%
	Segment Profit	7,069	7,715	+646	+9.1 %
Evidence Solution	Segment Net Sales	9,770	10,732	+961	+9.8%
	Segment Profit	1,786	2,343	+557	+31.2%
Overseas	Segment Net Sales	6,405	7,007	+602	+9.4%
	Segment Profit	577	453	(124)	-21.5%
Clinical Platform	Segment Net Sales	1,305	1,385	+80	+6.1%
	Segment Profit	133	92	(42)	-31.3%
Sales Platform	Segment Net Sales	664	706	+42	+6.3%
	Segment Profit	12	49	+37	+314.6%
Others	Segment Net Sales	933	1,836	+903	+96.8%
	Segment Profit	110	102	(8)	-7.5%
Adjustment	Segment Net Sales	(513)	(600)	—	—
	Segment Profit	(533)	346	—	—
Gains from remeasurement accompanying business combinations		3	—	(3)	
Total	Net Sales	30,525	34,874	+4,349	+14.2%
	Operating Profit	9,158	11,100	+1,942	+21.2%

1) Medical Portal

Marketing support sector targeting healthcare related companies produced sales of 6,455 million yen, higher by 12.3% year on year. Robust sales for “MR-kun family” services centered on “MR-kun” were driven by broader demand from pharmaceutical companies, posting an increase of 13% year on year.

Marketing research sector sales were 1,123 million yen, higher by 5.3% year on year. Improvements in sales structure expanded direct sales to pharmaceutical companies.

Others sector produced sales of 6,231 million yen, higher by 21.0% year on year, led by M3 Career’s job placement services for physicians.

The above results totaled 13,808 million yen, higher by 15.4% year on year, in sales for the Medical Portal segment.

COGS and SG&A amounted to 6,154 million yen, higher by 21.5% year on year, largely due to increases in personnel expenses across the entire M3 group to accommodate business growth. One time fees totaling 42 million yen related to the consolidation of Anestation Co.,Ltd. (“Anestation” below) were incurred.

Combining the above results, the Medical Portal segment produced profits of 7,715 million yen, higher by 9.1% year on year.

2) Evidence Solution

Healthy progress in clinical trial projects and expansion of group subsidiaries resulted in sales amounting to 10,732 million yen, higher by 9.8% 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 2,343 million yen, higher by 31.2% year on year.

3) Overseas

In the U.S. and U.K., expansions in both marketing research services for pharmaceutical firms and career services for physicians absorbed negative foreign exchange impact of 1,274 million yen to produce total sales of 6,413 million yen, higher by 11.8% year on year. Adding contribution from China and Korea, the entire Overseas segment sales amounted to 7,007 million yen, higher by 9.4% year on year. Although segment profit excluding M&A fees had positive growth on a local currency basis, impact from upfront investment in staff for China and 93 million yen in negative foreign exchange impact resulted in total segment profit of 453 million yen, lower by 21.5 % year on year. One time fees related to the joint venture launch in India and the consolidation process of Vidal Group totaled 51 million yen.

4) Clinical Platform

Sales at C.M.S remained healthy at 1,385 million yen, higher by 6.1% year on year. Increased hiring in anticipation of future demand along with development investments resulted in segment profit of 92 million yen, lower by 31.3% 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 706 million yen, higher by 6.3 % year on year, and segment profit of 49 million yen, higher by 314.6% yen year on year.

6) Others

Healthy progress of all businesses and the consolidation of Tecom in August 2016 increased sales to total 1,836 million yen, higher by 96.8% year on year. Conversely, upfront investments in new businesses reduced profits to 102 million yen for the segment, lower by 7.5% year on year.

Combining the above segments, results for the entire group for the six months ended Sep 30, 2016, amounted to sales of 34,874 million yen, higher by 14.2% year on year, and operating profit of 11,100 million yen, higher by 21.2% year on year. Furthermore, yen conversion of items such as foreign currency denominated loans to overseas group companies caused foreign exchange losses of 281 million yen, resulting in pre-tax profit of 10,825 million yen, higher by 17.9% year on year, and net profit of 7,149 million yen, higher by 16.3% year on year. Comprehensive profit totaled 5,222 million yen, lower by 19.9% year on year due to the 1,466 million yen in negative impact from the foreign exchange conversion of overseas operations results.

## **(2) Explanation of consolidated financial position**

### **(Condition of assets, liabilities, and net assets)**

Total assets were 75,958 million yen, an increase of 2,316 million yen compared to the end of the previous fiscal year. Current assets totaled 41,378 million yen, a net increase of 2,509 million yen versus last fiscal year end due to an increase in cash and cash equivalents of 2,480 million yen. Illiquid assets totaled 34,580 million yen, a decrease of 193 million yen versus last fiscal year end, due to effects such as the decrease of 863 million yen in available for sale financial assets from factors such as the sale of available for sale financial assets, versus the increase in goodwill of 365 million yen from causes such as the increase in newly consolidated subsidiaries.

Total liabilities increased by 68 million yen versus last fiscal year end to total 17,147 million yen. Current liabilities increased by 45 million yen versus previous fiscal year end to total 15,037 million yen due to effects such as the increase in operation payables and other payables of 480 million yen from an increase in newly consolidated subsidiaries, versus effects such as the decrease of 344 million yen in accrued tax payables due to items such as the payment of corporate income tax. Illiquid liabilities increased by 23 million yen versus previous fiscal year end to total 2,110 million yen.

Total shareholder's equity increased by 2,249 million yen compared to the end of the previous fiscal year to total 58,811 million yen. Factors include the decrease in components of other capital by 1,855 million yen due to items such as the appropriation of 6,577 million yen in profits attributable to the owners of the parent company, versus an increase of 3,665 million yen in retained earnings due to appropriation of 2,913 million yen in dividends, and the decrease in foreign exchange gains of foreign operations resulting from yen strength.

### **(Condition of cashflows)**

Cash and cash equivalents for the six months ended Sep 30, 2016 increased by 2,480 million yen versus last fiscal year end to total 24,455 million yen.

Cash flows from operating activities produced an income of 6,883 million yen, an increase of 2,495 million yen year on year. The major component of inflow was pre-tax profit of 10,825 million yen, and the major component of outflow was payment of corporate income tax of 4,039 million yen.

Cash flows from investment activities resulted in a decrease in outflow by 665 million yen year on year, to total an outflow of 943 million yen. The major component of inflow was the 1,484 million yen from reduction in available-for-sales financial assets, while the major component of outflow was the 1,182 million yen from the acquisition of shares in subsidiaries Anestation and India's Health Impetus Private Limited which accompanies changes in scope of consolidation.

Cash flows from financing activities resulted in a decrease in outflow of 2,146 million yen year on year, to total an outflow of 3,095 million yen. The major component was dividend payments of 2,910 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 other 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.

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.

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