

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 323,685,520 shares, which is the average number of issued shares during the nine months ended December 31, 2016.

※ Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries accompanying changes in scope of consolidation): Yes

3 new subsidiaries: AXIO Medical Holdings Limits, VIDAL Holding France S.A.S., Vidal Holding Germany GmbH

Note: Please see page 7 “2. Summary Information (notes) (1) Changes in significant subsidiaries during the period” for further details.

(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 December 31, 2016	323,761,300	shares
As of March 31, 2016	323,646,000	shares
(ii) Number of treasury stock at the end of the period		
As of December 31, 2016	32,400	shares
As of March 31, 2016	32,400	shares
(iii) Average number of shares during the period (cumulative)		
As of December 31, 2016	323,685,520	shares
As of December 31, 2015	323,561,945	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 Thursday, January 26, 2017.

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. which assists in clinical trial operations, by e-SMO Inc. and Neues, Co, Ltd. which provides administrative and operations support across the entire clinical trial process as SMOs, by Integrated Development Associates Co., Ltd. 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. 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,” TECOM, Inc. (“TECOM” below) which provides preparatory examination services for national certifications for medical welfare practitioners, are also all being expanded. In addition, we have consolidated iG-Holdings Inc. in December 2016, under which healthcare related advertising agency companies INFRONT Inc. and INSIGHT-I Inc. reside.

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. 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. 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 completed the consolidation of Vidal Group in November 2016, 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 third quarter is as below.

(Unit: Million Yen)

	Nine months ended Dec 31, 2015 (April 1, 2015 to Dec 31, 2015, cumulative)	Nine months ended Dec 31, 2016 (April 1, 2016 to Dec 31, 2016, cumulative)	Third quarter comparisons		(Reference) Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)
Net sales	47,391	56,301	+8,911	+18.8%	64,660
Operating Profit	15,031	18,656	+3,625	+24.1%	20,022
Pre-Tax Profit	15,087	18,637	+3,550	+23.5%	19,950
Net Profit	10,201	12,541	+2,340	+22.9%	13,493

Segment Results

(Unit: Million yen)

		Nine months ended Dec 31, 2015 (April 1, 2015 to Dec 31, 2015, cumulative)	Nine months ended Dec 31, 2016 (April 1, 2016 to Dec 31, 2016, cumulative)	Third quarter comparisons	
Medical Portal	Segment Net Sales	18,660	22,467	+3,807	+20.4%
	Segment Profit	11,179	12,650	+1,471	+13.2%
Evidence Solution	Segment Net Sales	14,737	16,502	+1,765	+12.0%
	Segment Profit	2,777	3,912	+1,135	+40.9%
Overseas	Segment Net Sales	10,104	11,250	+1,147	+11.3%
	Segment Profit	1,373	1,195	-178	-13.0%
Clinical Platform	Segment Net Sales	1,989	2,053	+63	+3.2%
	Segment Profit	119	125	+6	+5.0%
Sales Platform	Segment Net Sales	978	1,076	+98	+10.0%
	Segment Profit	12	77	+65	+551.4%
Others	Segment Net Sales	1,731	3,933	+2,202	+127.3%
	Segment Profit	377	666	+289	+76.5%
Adjustment	Segment Net Sales	(808)	(980)	—	—
	Segment Profit	(809)	31	—	—
Gains from remeasurement accompanying business combinations		3	—	-3	—
Total	Net Sales	47,391	56,301	+8,911	+18.8%
	Operating Profit	15,031	18,656	+3,625	+24.1%

1) Medical Portal

Marketing support sector targeting healthcare related companies produced sales of 11,188 million yen, higher by 20.0% year on year. Strong sales for “MR-kun family” services centered on “MR-kun” were driven by broader demand from pharmaceutical companies, posting an increase of 20% year on year.

Marketing research sector sales were 2,165 million yen, higher by 10.9% year on year. Improvements in sales structure expanded direct sales to pharmaceutical companies.

Others sector produced sales of 9,114 million yen, higher by 23.5% year on year, led by M3 Career’s job placement services for physicians.

The above results totaled 22,467 million yen, higher by 20.4% year on year, in sales for the Medical Portal segment.

COGS and SG&A amounted to 10,012 million yen, higher by 28.0% 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.

Furthermore, a temporary increase in profits had occurred during the previous corresponding period due to items such as the one-time amortization of negative good will from the consolidation of Nouvelle Place Inc.

Combining the above results, the Medical Portal segment produced profits of 12,650 million yen, higher by 13.2% year on year.

2) Evidence Solution

Healthy progress in clinical trial projects and expansion of group subsidiaries resulted in sales amounting to 16,502 million yen, higher by 12.0% 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 reaching roughly 28,000 million yen) producing segment profits of 3,912 million yen, higher by 40.9% 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 1,902 million yen to produce total sales of 9,839 million yen, higher by 8.8% year on year. Adding contribution from China and Korea, the entire Overseas segment sales amounted to 11,250 million yen, higher by 11.3% 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 179 million yen in negative foreign exchange impact resulted in total segment profit of 1,195 million yen, lower by 13.0 % year on year. One time fees related to the joint venture launch in India and the consolidation process of Vidal Group totaled 161 million yen.

4) Clinical Platform

Sales at C.M.S remained healthy at 2,053 million yen, higher by 3.2% year on year. Absorbing costs from increased hiring in anticipation of future demand along with development investments, segment profit totaled 125 million yen, higher by 5% 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 1,076 million yen, higher by 10.0 % year on year, and segment profit of 77 million yen, higher by 551.4% yen year on year.

6) Others

Healthy progress of all businesses and the consolidation of Tecom in August 2016 increased sales to total 3,933 million yen, higher by 127.3% year on year. Absorbing upfront investments in new businesses, profits totaled 666 million yen for the segment, higher by 76.5% year on year.

Combining the above segments, results for the entire group for the nine months ended Dec 31, 2016, amounted to sales of 56,301 million yen, higher by 18.8% year on year, and operating profit of 18,656 million yen, higher by 24.1% year on year. Pre-tax profit was 18,637 million yen, higher by 23.5% year on year, and net profit was 12,541 million yen, higher by 22.9% year on year.

(2) Explanation of consolidated financial position

(Condition of assets, liabilities, and net assets)

Total assets were 87,542 million yen, an increase of 13,900 million yen compared to the end of the previous fiscal year. Current assets totaled 37,019 million yen, a net decrease of 1,849 million yen versus last fiscal year end due to an increase of 4,390 million yen in operating receivables and other receivables from factors such as operations expansion and addition of new subsidiaries, offset by a decrease in cash and cash equivalents of 7,444 million yen. Illiquid assets totaled 50,523 million yen, an increase of 15,749 million yen versus last fiscal year end, due to effects such as the increase in goodwill of 15,484 million yen from the addition of new subsidiaries.

Total liabilities increased by 5,068 million yen versus last fiscal year end to total 22,147 million yen. Current liabilities increased by 4,167 million yen versus previous fiscal year end to total 19,160 million yen due to effects such as the increase in operation payables and other payables of 4,456 million yen from an increase in newly consolidated subsidiaries, versus effects such as the decrease of 1,031 million yen in accrued tax payables due to items such as the payment of corporate income tax. Illiquid liabilities increased by 901 million yen versus previous fiscal year end to total 2,987 million yen.

Total shareholder's equity increased by 8,833 million yen compared to the end of the previous fiscal year to total 65,395 million yen. Factors include items such as the appropriation of 11,796 million yen in profits attributable to the owners of the parent company, an increase of 8,872 million yen in retained earnings due to appropriation of 2,913 million yen in dividends, and a decrease of 693 million yen in components other capital due to factors such as the sale and the resulting decrease in fair value of available for sale financial assets.

(Condition of cashflows)

Cash and cash equivalents for the nine months ended December 31, 2016 decreased by 7,444 million yen versus last fiscal year end to total 14,530 million yen.

Cash flows from operating activities produced an income of 8,783 million yen, an increase of 2,713 million yen year on year. The major component of inflow was pre-tax profit of 18,637 million yen, and the major component of outflow was payment of corporate income tax of 6,784 million yen.

Cash flows from investment activities resulted in a increase in outflow of 9,373 million yen year on year, to total an outflow of 12,998 million yen. The major component of inflow was the 1,537 million yen from the sale of available-for-sales financial assets, while the major component of outflow was the 13,317 million yen from the acquisition of shares in subsidiaries AXIO Medical Holdings Limited, 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 2,113 million yen year on year, to total an outflow of 3,128 million yen. The major component was dividend payments of 2,911 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 continuously 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."

Expenditures 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 services such as marketing support, marketing research, and physician career placement services within in the U.S., U.K., and China to individually expand, resulting 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

For the current consolidated third quarter, AXIO Medical Holdings Limited, the holding company Vidal Group which operates a pharmaceutical database related business, has been newly included in the scope of consolidation following the acquisition of its shares. As a result, the three companies, AXIO Medical Holdings Limited, VIDAL Holding France S.A.S., and Vidal Holding Germany BmbH, are deemed to be specified subsidiaries.

(2) Changes in accounting policies and accounting estimates

No items to report.

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