



Consolidated Financial Results
for the Three Months Ended September 30, 2017 [IFRS]
(Abridged)

October 25, 2017

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 10, 2017
 Preparation of explanatory materials for quarterly financial result: Yes
 Assembly for briefing of quarterly financial results: Yes (for analysts)

(amounts rounded to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended September 30, 2017

(From April 1, 2017 to September 30, 2017)

(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 Sep 30, 2017	42,849	22.9	13,582	22.4	13,679	26.4	9,035	26.4
Six months ended Sep 30, 2016	34,874	14.2	11,100	21.2	10,825	17.9	7,149	16.3

	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 Sep 30, 2017	8,403	27.8	8,849	69.5	25.95	25.94
Six months ended Sep 30, 2016	6,577	18.3	5,222	-19.9	20.32	20.30

(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 Sep 30, 2017	100,990	74,341	72,129	71.4	221.99
As of March 31, 2017	95,546	69,510	67,064	70.2	206.43

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, 2017	—	0.00	—	10.00	10.00
Fiscal year ending March 31, 2018	—	0.00	—	—	—
Fiscal year ending March 31, 2018 (Forecast)	—	—	—	—	—

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

2 Dividend forecast for the fiscal year ending March 31, 2018 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, 2018

(From April 1, 2017 to March 31, 2018)

	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	90,000	15.2	29,000	15.8	29,000	16.2	19,500	15.1	18,500	15.6	57.14

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

2 Basic earnings per share has been calculated using 323,777,422 shares, which is the average number of issued shares during the six months ended September 30, 2017.

※ 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, 2017	323,814,900	shares
As of March 31, 2017	323,790,100	shares
(ii) Number of treasury stock at the end of the period		
As of September 30, 2017	32,400	shares
As of March 31, 2017	32,400	shares
(iii) Average number of shares during the period (cumulative)		
As of September 30, 2017	323,777,422	shares
As of September 30, 2016	323,668,703	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.

※ 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 Wednesday, October 25, 2017.

1. Qualitative Information on Quarterly Results

(Changes regarding the Segments)

Original segments included the “Medical Portal” segment which housed internet-based businesses such as marketing support services for healthcare related companies, the “Sales Platform” segment which offered personnel dispatch for operations outsourcing capabilities such as sales and marketing, and “Clinical Platform” segment which housed the development and distribution business of things such as electronic medical record systems. Given the development of marketing support businesses that integrate internet and real operational capabilities, the above segments have been combined to newly form the “Medical Platform” segment by changing the unit for determining allocation of management resources and assessing performance, as of the first quarter of this fiscal year. It should be noted that the businesses such as the healthcare advertisement agency business originally housed under the “Others” segment not included in the reportable segments, has also been combined into the Medical Platform segment.

Furthermore, the Career business originally included in the previous Medical Portal segment has been extracted to form a separate segment, the Career Solution segment, in line with the expansion in business size, by changing the unit for determining allocation of management resources and to assessing performance.

Lastly, the “Others” segment not included in the reportable segments, has been renamed to “Other Emerging Businesses.”

(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.

Medical Platform includes services which allows member physicians to proactively receive continuous and frequent information via the “m3.com” platform such as the “MR-kun family” services, marketing research capabilities paneling the physician members, and “QOL-kun” which provides marketing support for non-healthcare related corporates desiring to advertise daily life services to doctors, offering a wide menu range for catering to various agendas and purposes of clients. Furthermore, provision of next generation sales reps, or “Medical Marketers,” and healthcare advertisement agency services are also being expanded via group companies.

Evidence Solution includes clinical trial related services centered around “Mr. Finder” which excavates institutions and patient participants for clinical studies, large-scale clinical study services, assistance with clinical trial operations provided by CROs, and administrative and operations support across the entire clinical trial process by SMOs, all provided through various group companies.

Career Solution provides job search and placement services for physicians and pharmacists through M3 Career, Inc.

Furthermore, consumer facing services such as the “AskDoctors” (<http://www.AskDoctors.jp/>) website which connects public users with “m3.com” member physicians for answers to daily health questions, and healthcare professional education such as national examination preparatory services provided by TECOM Corporation, are all being expanded.

As for the Overseas segment, the U.S. portal website, “MDLinx,” designed for healthcare professionals, continues to expand its member network based services catering towards pharmaceutical companies, as well as its career support services for physicians. In Europe, the “Doctors.net.uk” U.K. portal website with roughly 200,000 U.K. physician members is expanding services for pharmaceutical companies, along with pharmaceutical database services offered by the Vidal Group in France, Germany, and Spain. In China, the portal website designed for healthcare professionals is now closing on 2 million physician registrations, and expanding healthily. We have also launched a joint venture in India.

Additionally, membership and panel participation at websites operated by M3 group starting with Japan, U.S., Europe, China, and Korea, now totals over 4 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)

	Six months ended Sep 30, 2016 (April 1, 2016 to Sep 30, 2016, cumulative)	Six months ended Sep 30, 2017 (April 1, 2017 to Sep 30, 2017, cumulative)	Second quarter comparison		(Reference) Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)
Net sales	34,874	42,849	+7,975	+22.9%	78,143
Operating Profit	11,100	13,582	+2,483	+22.4%	25,050
Pre-Tax Profit	10,825	13,679	+2,855	+26.4%	24,959
Net Profit	7,149	9,035	+1,885	+26.4%	16,938

(Segment results)

(Unit: Million yen)

		Six months ended Sep 30, 2016 (April 1, 2016 to Sep 30, 2016, cumulative)	Six months ended Sep 30, 2017 (April 1, 2017 to Sep 30, 2017, cumulative)	Second quarter comparison	
Medical Platform	Segment Net Sales	11,859	14,089	+2,230	+18.8%
	Segment Profit	5,815	6,640	+825	+14.2%
Evidence Solution	Segment Net Sales	10,732	10,712	-20	-0.2%
	Segment Profit	2,343	2,393	+50	+2.1%
Career Solution	Segment Net Sales	4,819	5,620	+800	+16.6%
	Segment Profit	1,793	1,766	-28	-1.5%
Overseas	Segment Net Sales	7,007	10,757	+3,750	+53.5%
	Segment Profit	453	1,454	+1,002	+221.3%
Other Emerging Businesses	Segment Net Sales	1,557	2,799	+1,243	+79.9%
	Segment Profit	351	537	+186	+53.2%
Adjustment	Segment Net Sales	(1,099)	(1,127)	—	—
	Segment Profit	346	793	—	—
Total	Net Sales	34,874	42,849	+7,975	+22.9%
	Operating Profit	11,100	13,582	+2,483	+22.4%

1) Medical Platform

In addition to the expansion of marketing support services for pharmaceutical companies such as “MR-kun” Family, the new healthcare media agency, iG-Holdings Inc., produced Medical Platform segment sales totaling 14,089 million yen, higher by 18.8% year on year.

COGS and SG&A amounted to 7,655 million yen, higher by 24.6% 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 Platform segment produced profits of 6,640 million yen, higher by 14.2% year on year.

2) Evidence Solution

Although the CRO business maintained healthy progress, a dip in projects within the SMO business and the deconsolidation of Integrated Development Associates Co., Ltd. resulted in negative sales growth from previous year, to total sales of 10,712 million yen, lower by 0.2% year on year. Clinical trial projects progressed healthily, with absorption of costs related to aggressive upfront investment in headcount corresponding to the accumulation of project backlog (segment total of roughly 29,000 million yen) producing segment profits of 2,393 million yen, higher by 2.1% year on year.

3) Career Solution

Increase in physician user demand expanded business to produce segment sales of 5,620 million yen, and

increase of 16.6% versus previous year. On the other hand, profit amounted to 1,766 million yen, a decrease of 1.5% versus previous year after absorbing upfront investment costs from personnel expansion.

4) Overseas

In addition to expansions in the marketing research services in the U.S. and U.K., contribution from the newly consolidated Vidal Group produced segment sales of 10,757 million yen, higher by 53.5% year on year. With profitability improvement led by the U.S. along with contribution from the Vidal group, segment profit amounted to 1,454 million yen, higher by 221.3% year on year.

5) Others Emerging Businesses

Segment sales totaled 2,799 million yen, higher by 79.9% year on year. Absorbing upfront investment costs for newly launched businesses, segment profit amounted to 537 million yen, higher by 53.2% year on year.

Combining the above segments, results for the entire group for the six months ended September 30, 2017, amounted to sales of 42,849 million yen, higher by 22.9% year on year, and operating profit of 13,582 million yen, higher by 22.4% year on year. Pre-tax profit was 13,679 million yen, higher by 26.4% year on year, and net profit was 9,035 million yen, higher by 26.4% year on year.

(2) Explanation of consolidated financial position

(Condition of assets, liabilities, and net assets)

Total assets were 100,990 million yen, an increase of 5,444 million yen compared to the end of the previous fiscal year. Current assets totaled 47,050 million yen, a net increase of 5,238 million yen versus last fiscal year end mainly due to an increase in cash and cash equivalents of 4,708 million yen. Illiquid assets totaled 53,940 million yen, an increase of 206 million yen versus last fiscal year end due to an increase of 861 million yen in intangible assets due to effects such as foreign exchange, and a decrease of 760 million yen in available for sale financial assets from effects such as the liquidation of available for sale financial assets.

Total liabilities increased by 612 million yen versus last fiscal year end to total 26,649 million yen. Current liabilities decreased 19 million yen versus previous fiscal year end to total 20,527 million yen due to items such as a decrease of 162 million yen in income tax payables due to payment of income taxes. Illiquid liabilities increased by 631 million yen versus previous fiscal year end to total 6,122 million yen due to items such as the decrease in deferred tax liabilities by 531 million yen from effects such as foreign exchange effects.

Total shareholder's equity increased by 4,831 million yen compared to the end of the previous fiscal year to total 74,341 million yen. Contributing factors included the increase of 5,166 million yen in retained earnings due to effects such as the allocation of 8,403 million yen in profits attributable to the owners of the parent company.

(Condition of cashflows)

Cash and cash equivalents for the six months ended September 30, 2017 increased by 4,708 million yen versus last fiscal year end to total 24,803 million yen.

Cash flows from operating activities produced an income of 7,871 million yen, an increase of 988 million yen year on year. The major component of inflow was pre-tax profit of 13,679 million yen, and the major component of outflow was the payment of corporate income tax amounting to 4,866 million yen.

Cash flows from investment activities produced an inflow of 812 million yen, an increase of 1,755 million yen year on year. The major component of inflow was the sale of available for sale financial assets equaling 1,366 million yen, and the sales of investment in a subsidiary resulting in change in scope of consolidation amounting to 1,353 million yen.

Cash flows from financing activities resulted in an increase in outflow of 827 million yen year on year to total an outflow of 3,922 million yen, due to factors such as dividend payments of 3,238 million yen to the owners of the parent company.

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