

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019

(From April 1, 2018 to March 31, 2019)

	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	50,000	16.7	13,490	10.9	13,600	10.9	9,110	13.5	8,400	13.6	25.94
Annual	113,350	20.0	31,720	15.4	31,700	15.4	22,220	15.6	20,960	15.6	64.72

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

2 Basic earnings per share has been calculated using 323,871,123 shares, which is the average number of issued shares during the three months ended June 30, 2018.

※ 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: Yes

(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, 2018	323,915,000	shares
As of March 31, 2018	323,897,900	shares
(ii) Number of treasury stock at the end of the period		
As of June 30, 2018	32,400	shares
As of March 31, 2018	32,400	shares
(iii) Average number of shares during the period (cumulative)		
As of June 30, 2018	323,871,123	shares
As of June 30, 2017	323,773,547	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.

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

(1) 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.

(2) Explanatory materials for quarterly financial result

Explanatory materials for quarterly financial result will be posted on our website on Wednesday, July 25, 2018.

1. Qualitative Information on Quarterly Results

(1) Explanation of consolidated operating results

In Japan, various services are provided for the 260,000+ 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. Additionally, 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.

Within 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 and clinical trial support services. 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 has now topped 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 4.5 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, 2017 (April 1, 2017 to June 30, 2017, cumulative)	Three months ended June 30, 2018 (April 1, 2018 to June 30, 2018, cumulative)	First quarter comparison		(Reference) Previous consolidated fiscal year (April 1, 2017 to March 31, 2018)
Net sales	21,874	26,898	+5,024	+23.0%	94,471
Operating Profit	6,643	7,840	+1,197	+18.0%	27,486
Pre-Tax Profit	6,706	7,879	+1,173	+17.5%	27,472
Net Profit	4,487	5,398	+911	+20.3%	19,225

(Note) IFRS9 (Financial Instruments) treatment has been applied from the first quarter of the fiscal year ending March 2019. Results for the fiscal year ended March 2018 have been retroactively restated.

(Segment results)

(Unit: Million yen)

		Three months ended June 30, 2017 (April 1, 2017 to June 30, 2017, cumulative)	Three months ended June 30, 2018 (April 1, 2018 to June 30, 2018, cumulative)	First quarter comparison	
Medical Platform	Segment Net Sales	6,968	8,788	+1,819	+26.1%
	Segment Profit	3,354	3,097	-257	Δ7.7%
Evidence Solution	Segment Net Sales	5,407	5,387	-19	Δ0.4%
	Segment Profit	1,183	1,292	+109	+9.2%
Career Solution	Segment Net Sales	3,433	4,765	+1,332	+38.8%
	Segment Profit	1,447	2,135	+688	+47.6%
Overseas	Segment Net Sales	5,386	5,996	+610	+11.3%
	Segment Profit	767	844	+77	+10.0%
Other Emerging Businesses	Segment Net Sales	1,355	2,655	+1,300	+96.0%
	Segment Profit	208	283	+75	+36.2%
Adjustment	Segment Net Sales	(675)	(693)	—	—
	Segment Profit	(316)	189	—	—
Total	Net Sales	21,874	26,898	+5,024	+23.0%
	Operating Profit	6,643	7,840	+1,197	+18.0%

(Note) IFRS9 (Financial Instruments) treatment has been applied from the first quarter of the fiscal year ending March 2019. Results for the fiscal year ended March 2018 have been retroactively restated.

1) Medical Platform

Expansion of various existing services in addition to newly consolidated group companies produced Medical Platform segment sales totaling 8,788 million yen, higher by 26.1% year on year.

COGS and SG&A amounted to 5,781 million yen, higher by 57.3% year on year, due to newly consolidated group companies as well as aggressive upfront investment in advanced medicine businesses such as AI, and reinforcement of sales teams supporting pharmaceutical and medical device companies, resulting in an increase in personnel expenses to accommodate future growth.

Combining the above results, the Medical Platform segment produced profits of 3,097 million yen, lower by 7.7% year on year.

2) Evidence Solution

Although the CRO business maintained healthy progress, the deconsolidation of Integrated Development Associates Co., Ltd. resulted in total sales of 5,387 million yen, lower by 0.4% year on year. On the other hand, operations improvements boosted profitability, and segment profit ended at 1,292 million yen, higher by 9.2% year on year. Clinical trial project demand remains strong with increasing accumulation of project backlog (segment total of roughly 27,000 million yen).

3) Career Solution

Increase in physician and pharmacist user demand expanded business to produce segment sales of 4,765 million yen, an increase of 38.8% versus previous year. Profit amounted to 2,135 million yen, an increase of 47.6% versus previous year after absorbing upfront investment costs for future growth such as from personnel expansion.

4) Overseas

With the new consolidation of the clinical trial support company, M3 Wake Research, Inc., segment sales were 5,996 million yen, higher by 11.3% year on year. Segment profit amounted to 844 million yen, higher by 10.0% year on year.

5) Other Emerging Businesses

Segment sales totaled 2,655 million yen, higher by 96.0% year on year. Absorbing upfront investment costs for newly launched businesses, segment profit amounted to 283 million yen, higher by 36.2% year on year.

Combining the above segments, results for the entire group for the three months ended June 30, 2018, amounted to sales of 26,898 million yen, higher by 23.0% year on year, and operating profit of 7,840 million yen, higher by 18.0% year on year. Pre-tax profit was 7,879 million yen, higher by 17.5% year on year, and net profit was 5,398 million yen, higher by 20.3% year on year.

(2) Explanation of consolidated financial position

(Condition of assets, liabilities, and net assets)

Total assets were 115,400 million yen, an decrease of 1,041 million yen compared to the end of the previous fiscal year. Current assets totaled 50,876 million yen, a net decrease of 2,720 million yen versus last fiscal year end mainly due to a decrease of 1,933 million yen in cash and cash equivalents due to payments such as corporate tax, and a decrease of 1,078 million yen in trade receivables and other receivables. Illiquid assets totaled 64,524 million yen, an increase of 1,679 million yen versus last fiscal year end due to an increase of 847 million yen in goodwill through effect such as the addition of newly consolidated subsidiaries.

Total liabilities decreased by 2,027 million yen versus last fiscal year end to total 29,247 million yen. Current liabilities decreased by 2,570 million yen versus previous fiscal year end to total 21,986 million yen, mainly due to a decrease of 3,023 million yen income tax payables from payment of income tax. Illiquid liabilities increased by 543 million yen versus previous fiscal year end to total 7,261 million yen.

Total shareholder's equity increased by 986 million yen compared to the end of the previous fiscal year to total 86,153 million yen. Factors include the allocation of 4,624 million yen in profits attributable to the owners of the parent company, offset by the apportionment of surplus in the amount of 3,563 million yen, resulting in an increase in retained earnings of 1,059 million yen. Furthermore, as of the first quarter of the consolidated fiscal year ending March 2019, inclusion of a transfer of 2,000 million yen to legal capital surplus from capital stock has increased capital stock by 2,018 million yen, and decreased legal capital surplus by 1,997 million yen.

(Condition of cashflows)

Cash and cash equivalents for the three months ended June 30, 2018 decrease by 1,933 million yen versus last fiscal year end to total 21,799 million yen.

Cash flows from operating activities produced an inflow of 3,051 million yen, a decrease of 5 million yen versus previous year. The major component of inflow was pre-tax profit of 7,879 million yen, and the major component of outflow was the payment of corporate income tax amounting to 5,166 million yen.

Cash flows from investment activities produced an outflow of 865 million yen, an increase of 2,508 million yen versus previous year. The major component of outflow was from acquisition of stocks in subsidiaries accompanying changes in the scope of consolidation, equaling 807 million yen.

Cash flows from financing activities produced and outflow of 4,190 million yen, an increase in outflow of 478 million yen versus previous year, due to factors such as dividend payments of 3,340 million yen to the owners of the parent company.

Disclaimer:

This document is a translation of the original Japanese version. The original Japanese version was prepared and disclosed by the Company in accordance with Japanese disclosure format. This document does not contain or constitute any guarantee and the Company will not compensate for any losses or damages arising from interpretations or actions taken based on this document. In the case of any discrepancies between the Japanese original and this document, the Japanese original is assumed to be correct.