



Consolidated Financial Results
for the Nine Months Ended December 31, 2017 [IFRS]
(Abridged)

Jan 26, 2018

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: February 9, 2018
 Preparation of explanatory materials for quarterly financial result: Yes
 Assembly for briefing of quarterly financial results: No

(amounts rounded to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2017

(April 1, 2017 to December 31, 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	%
Nine months ended December 31, 2017	68,560	21.8	22,498	20.7	22,604	21.3	15,619	24.6
Nine months ended December 31, 2016	56,301	18.8	18,646	24.1	18,628	23.5	12,534	22.9

	Profit attributable to owners of the parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Million Yen	%	Million Yen	%	Yen	Yen
Nine months ended December 31, 2017	14,726	24.9	15,469	31.0	45.48	45.45
Nine months ended December 31, 2016	11,790	25.0	11,810	9.8	36.42	36.39

(Note) Retroactive adjustments have been made to the interim consolidated financial statement for the nine months ended December 31, 2016 due to settlement of provisional accounting treatments made in accordance with business combinations taken place during the nine months ended December 31, 2016. These treatments have resulted in a 9 million yen reduction in Operating profit and Pre-tax profit, and a reduction of 7 million yen in Net Profit, Profit attributable to owners of the parent, and Total comprehensive income, for the nine months ended December 31, 2016.

(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 December 31, 2017	107,793	81,023	78,497	72.8	241.63
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
Fiscal year ended March 31, 2017	Yen —	Yen 0.00	Yen —	Yen 10.00	Yen 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 323,790,148 shares, which is the average number of issued shares during the nine months ended December 31, 2017.

※ Notes

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

1 new subsidiary: COSMOTEC Co., Ltd.

(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, 2017	323,883,800	shares
As of March 31, 2017	323,790,100	shares
(ii) Number of treasury stock at the end of the period		
As of December 31, 2017	32,400	shares
As of March 31, 2017	32,400	shares
(iii) Average number of shares during the period (cumulative)		
As of December 31, 2017	323,790,148	shares
As of December 31, 2016	323,685,520	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 Friday, January 26, 2018.

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. Additionally, provision of next generation sales reps, or “Medical Marketers,” and healthcare advertisement agency services are also being expanded via group companies. Furthermore, medical device distribution and consulting subsidiaries, COSMOTEC Co., Ltd. and JAMECS Inc., were consolidated in November 2017.

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 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 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, 2016 (April 1, 2016 to Dec 31, 2016, cumulative)	Nine months ended Dec 31, 2017 (April 1, 2017 to Dec 31, 2017, cumulative)	Third quarter comparisons		(Reference) Previous consolidated fiscal year (April 1, 2016 to March 31, 2017)
Net sales	56,301	68,560	+12,258	+21.8%	78,143
Operating Profit	18,646	22,498	+3,852	+20.7%	25,050
Pre-Tax Profit	18,628	22,604	+3,976	+21.3%	24,959
Net Profit	12,534	15,619	+3,085	+24.6%	16,938

※Retroactive adjustments have been made to the interim consolidated financial statement for the nine months ended December 31, 2016 due to settlement of provisional accounting treatments made in accordance with business combinations taken place during the nine months ended December 31, 2016.

(Segment results)

(Unit: Million yen)

		Nine months ended Dec 31, 2016 (April 1, 2016 to Dec 31, 2016, cumulative)	Nine months ended Dec 31, 2017 (April 1, 2017 to Dec 31, 2017, cumulative)	Third quarter comparisons	
Medical Platform	Segment Net Sales	20,464	24,408	+3,944	+19.3%
	Segment Profit	10,653	11,728	+1,074	+10.1%
Evidence Solution	Segment Net Sales	16,502	16,215	-287	-1.7%
	Segment Profit	3,912	3,824	-87	-2.2%
Career Solution	Segment Net Sales	6,584	8,156	+1,572	+23.9%
	Segment Profit	2,101	2,315	+215	+10.2%
Overseas	Segment Net Sales	11,250	16,870	+5,619	+49.9%
	Segment Profit	1,186	2,597	+1,411	+119.0%
Other Emerging Businesses	Segment Net Sales	3,007	4,537	+1,531	+50.9%
	Segment Profit	764	1,057	+294	+38.5%
Adjustment	Segment Net Sales	(1,506)	(1,627)	—	—
	Segment Profit	31	976	—	—
Total	Net Sales	56,301	68,560	+12,258	+21.8%
	Operating Profit	18,646	22,498	+3,852	+20.7%

※Retroactive adjustments have been made to the interim consolidated financial statement for the nine months ended December 31, 2016 due to settlement of provisional accounting treatments made in accordance with business combinations taken place during the nine months ended December 31, 2016.

1) Medical Platform

Expansion of marketing support services for pharmaceutical companies such as “MR-kun” Family and healthcare media agency services, produced Medical Platform segment sales totaling 24,408 million yen, higher by 19.3% year on year.

COGS and SG&A amounted to 13,261 million yen, higher by 31.9% 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 11,728 million yen, higher by 10.1% 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 and profit growth from previous year, to total sales of 16,215 million yen, lower by 1.7% year on year, and segment profit of 3,824 million yen, lower by 2.2% year on year. Clinical trial project demand remains strong with increasing accumulation of project backlog (segment total of roughly 29,000 million yen, higher by 1,000 million yen year on year).

3) Career Solution

Increase in physician user demand expanded business to produce segment sales of 8,156 million yen, and increase of 23.9% versus previous year. Profit amounted to 2,315 million yen, an increase of 10.2% versus previous year after absorbing upfront investment costs for future growth such as 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 16,870 million yen, higher by 49.9% year on year. With profitability improvement led by the U.S., segment profit amounted to 2,597 million yen, higher by 119.0% year on year.

5) Other Emerging Businesses

Segment sales totaled 4,537 million yen, higher by 50.9% year on year. Absorbing upfront investment costs for newly launched businesses, segment profit amounted to 1,057 million yen, higher by 38.5% year on year.

Combining the above segments, results for the entire group for the nine months ended December 31, 2017, amounted to sales of 68,560 million yen, higher by 21.8% year on year, and operating profit of 22,498 million yen, higher by 20.7% year on year. Pre-tax profit was 22,604 million yen, higher by 21.3% year on year, and net profit was 15,619 million yen, higher by 24.6% year on year.

(2) Explanation of consolidated financial position

(Condition of assets, liabilities, and net assets)

Total assets were 107,793 million yen, an increase of 12,247 million yen compared to the end of the previous fiscal year. Current assets totaled 51,721 million yen, a net increase of 9,909 million yen versus last fiscal year end mainly due to an increase of 4,034 million yen in trade receivables and other receivables from business expansion and an increase in newly consolidated subsidiaries, and an increase of 3,843 million yen in cash and cash equivalents. Illiquid assets totaled 56,072 million yen, an increase of 2,337 million yen versus last fiscal year end due to an increase of 1,036 million yen in intangible assets due to effects such as foreign exchange.

Total liabilities increased by 734 million yen versus last fiscal year end to total 26,770 million yen. Current liabilities decreased 420 million yen versus previous fiscal year end to total 20,126 million yen due to items such as a decrease of 1,950 million yen in income tax payables due to payment of income taxes, offset by an increase of 1,803 million yen in trade payables and other payables from business expansion. Illiquid liabilities increased by 1,153 million yen versus previous fiscal year end to total 6,644 million yen due to items such as the increase in deferred tax liabilities by 560 million yen from factors such as foreign exchange effects.

Total shareholder's equity increased by 11,513 million yen compared to the end of the previous fiscal year to total 81,023 million yen. Contributing factors included the increase of 11,492 million yen in retained earnings due to effects such as the allocation of 14,726 million yen in profits attributable to the owners of the parent company.

(Condition of cashflows)

Cash and cash equivalents for the nine months ended December 31, 2017 increased by 3,843 million yen versus last fiscal year end to total 23,938 million yen.

Cash flows from operating activities produced an income of 8,542 million yen, a decrease of 240 million yen year on year. The major component of inflow was pre-tax profit of 22,604 million yen, and the major component of outflow was the payment of corporate income tax amounting to 8,677 million yen. Corporate income tax payments increased by 1,894 million versus last fiscal year due to business expansion.

Cash flows from investment activities produced an inflow of 76 million yen, an increase of 13,072 million yen year on year. The major component of inflow was the sale of available for sale financial assets equaling 1,857 million yen, and the sales of shares 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 1,652 million yen year on year to total an outflow of 4,780 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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