



Consolidated Financial Results
for the Fiscal Year Ended March 31, 2018 [IFRS]
(Abridged)

Apr 25, 2018

Listed Company: M3, Inc. Listed Stock Exchange: Tokyo
 Securities Code: 2413 URL: <http://corporate.m3.com/>
 Representative: (Title) CEO (Name) Itaru Tanimura TEL: 03-6229-8900
 Contact: (Title) Director (Name) Takahiro Tsuji
 General Meeting of Shareholders: June 28, 2018
 Dividend payment commencement date: June 8, 2018
 Submission of quarterly report: June 29, 2018
 Preparation of explanatory materials for quarterly financial result: Yes
 Assembly for briefing of quarterly financial results: Yes (For Analysts)

(Amounts of less than one million yen are rounded)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

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

(1) Consolidated Operating Results (Cumulative)

(% figure show year-on-year change)

	Net sales		Operating profit		Pre-tax profit		Net profit		Profit attributable to owners of the parent company		Total comprehensive profit	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Fiscal Year ended March 31, 2018	94,471	20.9	29,713	18.6	29,700	19.0	20,783	22.7	19,684	23.0	19,575	23.2
Fiscal Year ended March 31, 2017	78,143	20.9	25,050	25.1	24,959	25.1	16,938	25.5	16,004	28.0	15,893	21.6

	Basic earnings per share	Diluted earnings per share	Pre-tax profit attributable to owners of the parent company	Total asset to pre-tax profit ratio	Cost of sales to operating profit ratio
	Yen	Yen	%	%	%
Fiscal Year ended March 31, 2018	60.79	60.75	26.3	28.0	31.5
Fiscal Year ended March 31, 2017	49.44	49.40	26.2	29.5	32.1

(Reference) Equity in earnings of affiliated companies for the fiscal year ended March 31, 2018: 30 million yen
 Equity in earnings of affiliated companies for the fiscal year ended March 31, 2017: 229 million yen

(2) Consolidated Financial Position

	Total assets	Net equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company	Equity per share attributable to owners of the parent company
	Million Yen	Million Yen	Million Yen	%	Yen
As of March 31, 2018	116,441	85,167	82,484	70.8	253.94
As of March 31, 2017	95,546	69,510	67,064	70.2	206.43

(3) Consolidated Cash Flow Position

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of the period
	Million Yen	Million Yen	Million Yen	Million Yen
Fiscal year ended March 31, 2018	15,913	(7,281)	(4,761)	23,732
Fiscal year ended March 31, 2017	16,555	(14,490)	(3,897)	20,095

2. Dividends

	Annual per share					Dividend Payout (Total)	Dividend payout ratio (Consolidated)	Dividend payout ratio attributable to the owners of the parent company (Consolidated)
	First quarter -end	Second quarter -end	Third quarter -end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
Fiscal year ended March 31, 2017	—	0.00	—	10.00	10.00	3,238	20.2	5.3
Fiscal year ended March 31, 2018	—	0.00	—	11.00	11.00	3,563	18.1	4.8
Fiscal year ending March 31, 2019 (Forecast)	—	0.00	—	—	—		—	

(Note 1) Dividend forecast for the fiscal year ending March 31, 2019 is currently undetermined. It is to be determined after consideration of capital needs and condition of cash flow hereafter.

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

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

	Net sales		Operating profit		Pre-tax profit		Net profit		Earnings attributable to the owners of the parent		Basic earnings per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Second Quarter End	50,000	16.7%	13,490	10.0%	13,600	10.0%	9,110	12.0%	8,400	12.0%	25.94
Annual	113,350	20.0%	31,720	15.0%	31,700	15.0%	22,200	15.0%	20,960	15.0%	64.73

(Note 1) IFRS 9 (Financial Instruments) treatment have been applied as of the fiscal year ending March 2019, and retrospective restatements will be made to results of the fiscal year ending March 2018. Year on year comparison numbers of the forecast have been calculated using retrospectively restated results of the fiscal year ending March 2018.

(Reference) Below numbers are likely be the retrospectively restated results of the fiscal year ending March 2018. The numerical values are pre-audit and temporary, and are subject to change in the future.

	Net sales	Operating profit	Pre-tax profit	Net profit	Earnings attributable to the owners of the parent
	Million Yen	Million Yen	Million Yen	Million Yen	Million Yen
Second Quarter End	42,849	12,263	12,360	8,130	7,499
Annual	94,471	27,587	27,574	19,327	18,229

(Note 2) “Basic earnings per share” forecast has been calculated using 323,807,332 shares, which is the average number of shares outstanding during the fiscal year ended March 31, 2018.

※ 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 stock)		
As of March 31, 2018	323,897,900	shares
As of March 31, 2017	323,790,100	shares
(ii) Number of treasury stock at the end of the period		
As of March 31, 2018	32,400	shares
As of March 31, 2017	32,400	shares
(iii) Average number of shares during the period (cumulative)		
As of March 31, 2018	323,807,332	shares
As of March 31, 2017	323,701,536	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) Regarding voluntary reclassification based on IFRS

The Company has started voluntary reclassification based on IFRS as of the first quarter of the fiscal year ending March 31, 2015.

(3) Explanatory materials for quarterly financial result

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

Qualitative Information on 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.

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. The acquisition of a clinical trial support company, Wake Research Holdings, LLC in February 2018, marked an entry into the U.S. clinical trial business. 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 results for the fiscal year (cumulative)

(Unit: Million Yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 to Mar 31, 2017, cumulative)	Fiscal year ended March 31, 2018 (April 1, 2017 to Mar 31, 2018, cumulative)	Fiscal year comparison	
Net sales	78,143	94,471	+16,328	+20.9%
Operating Profit	25,050	29,713	+4,663	+18.6%
Pre-Tax Profit	24,959	29,700	+4,741	+19.0%
Net Profit	16,938	20,783	+3,844	+22.7%

(Segment results)

(Unit: Million yen)

		Fiscal year ended March 31, 2017 (April 1, 2016 to Mar 31, 2017, cumulative)	Fiscal year ended Mar 31, 2018 (April 1, 2017 to Mar 31, 2018, cumulative)	Annual comparison	
Medical Platform	Segment Net Sales	28,223	34,306	+6,083	+21.6%
	Segment Profit	14,475	15,477	+1,002	+6.9%
Evidence Solution	Segment Net Sales	22,313	22,084	(228)	-1.0%
	Segment Profit	5,307	5,532	+225	+4.2%
Career Solution	Segment Net Sales	8,631	10,880	+2,249	+26.1%
	Segment Profit	2,503	2,871	+369	+14.7%
Overseas	Segment Net Sales	16,338	22,425	+6,087	+37.3%
	Segment Profit	1,582	2,980	+1,398	+88.4%
Other Emerging Businesses	Segment Net Sales	4,525	6,903	+2,378	+52.5%
	Segment Profit	1,468	1,697	+229	+15.6%
Adjustment	Segment Net Sales	(1,886)	(2,126)	—	—
	Segment Profit	(285)	1,156	—	—
Total	Net Sales	78,143	94,471	+16,328	+20.9%
	Operating Profit	25,050	29,713	+4,663	+18.6%

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 34,306 million yen, higher by 21.6 % year on year.

COGS and SG&A amounted to 19,431 million yen, higher by 39.6% 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 15,477 million yen, higher by 6.9% 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 22,084 million yen, lower by 1.0% year on year. On the other hand, operations improvements boosted profitability, and segment profit ended at 5,532 million yen, higher by 4.2% 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 user demand expanded business to produce segment sales of 10,880 million yen, and increase of 26.1% versus previous year. Profit amounted to 2,871 million yen, an increase of 14.7% 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., expansion of the Vidal Group produced segment sales of 22,425 million yen, higher by 37.3% year on year. With profitability improvement led by the U.S., segment profit amounted to 2,980 million yen, higher by 88.4% year on year.

5) Other Emerging Businesses

Segment sales totaled 6,903 million yen, higher by 52.5% year on year. Absorbing upfront investment costs for newly launched businesses, segment profit amounted to 1,697 million yen, higher by 15.6% year on year.

Combining the above segments, results for the entire group for the twelve months ended March 31, 2018, amounted to sales of 94,471 million yen, higher by 20.9% year on year, and operating profit of 29,713 million yen, higher by 18.6% year on year. Pre-tax profit was 29,700 million yen, higher by 19.0% year on year, and net profit was 20,783 million yen, higher by 22.7% year on year.

(2) Explanation of consolidated financial position

(Condition of assets, liabilities, and net assets)

Total assets were 116,441 million yen, an increase of 20,895 million yen compared to the end of the previous fiscal year. Current assets totaled 53,596 million yen, a net increase of 11,784 million yen versus last fiscal year end mainly due to an increase of 6,448 million yen in trade receivables and other receivables from business expansion and an increase in newly consolidated subsidiaries, and an increase of 3,636 million yen in cash and cash equivalents. Illiquid assets totaled 62,845 million yen, an increase of 9,111 million yen versus last fiscal year end due to an increase of 5,648 million yen in goodwill through the increase in newly consolidated subsidiaries such as the equity acquisition of Wake Research Holdings, LLC.

Total liabilities increased by 5,237 million yen versus last fiscal year end to total 31,274 million yen. Current liabilities increased 4,010 million yen versus previous fiscal year end to total 24,555 million yen due to items such as an increase of 2,983 million yen in trade payables and other payables from factors such as the increase in newly consolidated subsidiaries. Illiquid liabilities increased by 1,227 million yen versus previous fiscal year end to total 6,718 million yen due to items such as the increase in deferred tax liabilities by 360 million yen.

Total shareholder's equity increased by 15,658 million yen compared to the end of the previous fiscal year to total 85,167 million yen. Factors included the allocation of 19,684 million yen in profits attributable to the owners of the parent company, offset by the apportionment of surplus in the amount of 3,238 million yen, resulting in an increase in retained earnings of 16,446 million yen.

(Condition of cashflows)

Cash and cash equivalents for the twelve months ended March 31, 2018 increased by 3,636 million yen versus last fiscal year end to total 23,732 million yen.

Cash flows from operating activities produced an inflow of 15,913 million yen, a decrease of 642 million yen year on year. The major component of inflow was pre-tax profit of 29,700 million yen, and the major component of outflow was the payment of corporate income tax amounting to 8,795 million yen. Corporate income tax payments increased by 1,889 million versus last fiscal year due to business expansion.

Cash flows from investment activities produced an outflow of 7,281 million yen, a decrease of 7,209 million yen year on year. The major component of inflow was 2,346 million yen from the sale of available for sale financial assets, while the major component of outflow were from acquisition of stocks in subsidiaries accompanying changes in the scope of consolidation, such as Wake Research Holdings, LLC, equaling 8,196million yen.

Cash flows from financing activities resulted in an increase in outflow of 865 million yen year on year to total an outflow of 4,761 million yen, due to factors such as dividend payments of 3,238 million yen to the owners of the parent company.f

(3) Forward-looking statements and consolidated results forecast

We anticipate increases in sales and profits for the group for the fiscal year ending March 31, 2019.

1) Medical Platform segment

In addition to the marketing support business targeting healthcare related companies and growth of advertising agency services, newly consolidated subsidiaries are expected to contribute to consolidated results.

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 Platform 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) Career Solutions segment

We expect the M3 Career business expansion to increase both sales and profits.

4) Overseas segment

Within the Overseas segment, we expect services such as marketing support, marketing research, and physician career placement services to individually expand, along with contribution to consolidated results from Wake Research newly consolidated in February 2018, resulting in increased sales and profits.

Based on the above, we forecast the below for consolidated financial results for the fiscal year ending March 31, 2019.

IFRS 9 (Financial Instruments) treatment has been applied as of the fiscal year ending March 2019, and retrospective restatements will be made to results of the fiscal year ending March 2018. Year on year comparison numbers of the forecast have been calculated using retrospectively restated results of the fiscal year ending March 2018.

(Unit: Million Yen)

	Net sales		Operating profit		Pre-tax profit		Net profit		Net profit attributable to the owners of the parent company	
First half	50,000	16.7%	13,490	10.0%	13,600	10.0%	9,110	12.0%	8,400	12.0%
Annual	113,350	20.0%	31,720	15.0%	31,700	15.0%	22,200	15.0%	20,960	15.0%

※ 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.

(Reference) Below numbers are likely to be the retrospectively restated results of the fiscal year ending March 2018 applied with IFRS 9 (Financial Instruments) treatment. The numerical values are pre-audit and temporary, and are subject to change in the future.

(Fiscal Year Ended March 2018, IFRS 9 Standard)

(Unit: Million Yen)

	Net sales	Operating profit	Pre-tax profit	Net profit	Net profit attributable to the owners of the parent company
First half	42,849	12,263	12,360	8,130	7,499
Annual	94,471	27,587	27,574	19,327	18,229

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 accounting standards. 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.