



Consolidated Financial Results
for the Three Months Ended September 30, 2018 [IFRS]
(Abridged)

October 25, 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: November 9, 2018
 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, 2018

(From April 1, 2018 to September 30, 2018)

(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, 2018	53,275	24.3	13,875	14.1	13,993	14.1	9,626	19.9
Six months ended Sep 30, 2017	42,849	22.9	12,162	—	12,259	—	8,029	—

	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, 2018	8,515	15.1	10,371	17.2	13.15	13.14
Six months ended Sep 30, 2017	7,398	—	8,849	69.5	11.42	11.42

(Note) 1 IFRS9 (Financial Instruments) treatment has been applied from the second quarter of the fiscal year ending March 2019. Results for the fiscal year ended March 2018 have been retroactively restated. As a result, previous year comparisons to the second quarter of fiscal year ended March 2017 have been omitted.
 2 A stock split in the ratio of two-for-one was implemented effective October 1, 2018. Basic earnings per share and diluted earnings per share have been calculated under the assumption that the stock split was implemented at the beginning of the previous consolidated fiscal year.

(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, 2018	122,429	91,003	88,227	72.1	135.82
As of March 31, 2018	116,441	85,167	82,484	70.8	126.97

(Note) 1 A stock split in the ratio of two-for-one was implemented effective October 1, 2018. Equity per share attributable to the owners of the parent has been calculated under the assumption that the stock split was implemented at the beginning of the previous consolidated fiscal year.

2. Dividends

	Annual per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2018	—	0.00	—	11.00	11.00
Fiscal year ending March 31, 2019	—	0.00	—	—	—
Fiscal year ending March 31, 2019 (Forecast)	—	—	—	—	—

(Note) 1 Amendments to forecasts of dividends recently announced: None
 2 A stock split in the ratio of two-for-one was implemented effective October 1, 2018. Dividends stated for the fiscal year ended March 31, 2018 are actual dividend amounts apportioned prior to this stock split.

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

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

Annual	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
	113,350	20.0	31,720	15.4	31,700	15.4	22,220	15.6	20,960	15.6	32.36

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

2 Basic earnings per share has been calculated using 647,762,366 shares, which is the average number of issued shares during the six months ended September 30, 2018.

※ Notes

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

New subsidiaries: 1) Y's, Inc.

Excluded subsidiaries: 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 September 30, 2018	647,834,800	shares
As of March 31, 2018	647,795,800	shares
(ii) Number of treasury stock at the end of the period		
As of September 30, 2018	64,800	shares
As of March 31, 2018	64,800	shares
(iii) Average number of shares during the period (cumulative)		
As of September 30, 2018	647,762,366	shares
As of September 30, 2017	647,554,844	shares

(Note) A stock split in the ratio of two-for-one was implemented effective October 1, 2018. The number of shares stated in above items (i) through (iii) have been calculated under the assumption that the stock split was implemented at the beginning of the previous consolidated fiscal year.

※ 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 Thursday, October 25, 2018.

1. Qualitative Information on Quarterly Results

(1) Explanation of consolidated operating results

In Japan, various services are provided for the 270,000+ 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, Y’s, Inc., an operator of non-insurance covered rehabilitation service centers for stroke patients, was consolidated in August 2018.

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.

In Overseas, 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 second quarter (cumulative) is as below.

(Unit: Million Yen)

	Six months ended Sep 30, 2017 (April 1, 2017 to Sep 30, 2017, cumulative)	Six months ended Sep 30, 2018 (April 1, 2018 to Sep 30, 2018, cumulative)	Second quarter comparison		(Reference) Previous consolidated fiscal year (April 1, 2017 to March 31, 2018)
Net sales	42,849	53,275	+10,426	+24.3%	94,471
Operating Profit	12,162	13,875	+1,713	+14.1%	27,486
Pre-Tax Profit	12,259	13,993	+1,733	+14.1%	27,472
Net Profit	8,029	9,626	+1,597	+19.9%	19,225

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

(Segment results)

(Unit: Million yen)

		Six months ended Sep 30, 2017 (April 1, 2017 to Sep 30, 2017, cumulative)	Six months ended Sep 30, 2018 (April 1, 2018 to Sep 30, 2018, cumulative)	Second quarter comparison	
Medical Platform	Segment Net Sales	14,089	18,403	+4,314	+30.6%
	Segment Profit	6,529	6,134	-395	-6.0%
Evidence Solution	Segment Net Sales	10,712	10,975	+263	+2.5%
	Segment Profit	2,393	2,764	+371	+15.5%
Career Solution	Segment Net Sales	5,620	7,711	+2,092	+37.2%
	Segment Profit	1,766	2,750	+984	+55.7%
Overseas	Segment Net Sales	10,757	11,778	+1,021	+9.5%
	Segment Profit	1,454	1,553	+99	+6.8%
Other Emerging Businesses	Segment Net Sales	2,799	5,640	+2,840	+101.5%
	Segment Profit	537	665	+128	+23.8%
Adjustment	Segment Net Sales	(1,127)	(1,232)	—	—
	Segment Profit	(517)	(8)	—	—
Profit associated with business combination		—	17	+17	—
Total	Net Sales	42,849	53,275	+10,426	+24.3%
	Operating Profit	12,162	13,875	+1,713	+14.1%

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

1) Medical Platform

In addition to the expansion of various existing services, contribution from newly consolidated group companies produced Medical Platform segment sales totaling 18,403 million yen, higher by 30.6% year on year.

COGS and SG&A amounted to 12,384 million yen, higher by 61.8% year on year, largely due to addition of newly consolidated group companies, along with upfront personnel investment aimed for future growth in advanced medicine businesses such as AI as well as fortification of marketing service teams approaching pharmaceutical and medical device companies.

Combining the above results, the Medical Platform segment produced profits of 6,134 million yen, lower by 6.0% year on year.

2) Evidence Solution

The CRO business maintained healthy progress, despite the deconsolidation of Integrated Development Associates Co., Ltd., resulting in total sales of 10,975 million yen, higher by 2.5% year on year. Operations improvements boosted profitability, and segment profit ended at 2,764 million yen, higher by 15.5% year on year. Clinical trial project demand remains strong with increasing accumulation of project backlog (segment total of roughly 26,000 million yen).

3) Career Solution

Increase in physician and pharmacist user demand expanded business to produce segment sales of 7,711 million yen, an increase of 37.2% versus previous year. Profits amounted to 2,750 million yen, an increase of 55.7% 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 11,778 million yen, higher by 9.5% year on year. Segment profit amounted to 1,553 million yen, higher by 6.8% year on year.

5) Other Emerging Businesses

Segment sales totaled 5,640 million yen, higher by 101.5% year on year. Absorbing upfront investment costs for newly launched businesses, segment profit amounted to 665 million yen, higher by 23.8% year on year.

In addition to the above, application of Pro Forma Standard Taxation on some group companies increased SG&A and administrative expenses by 104 million yen for the consolidated cumulative second quarter. Combining the above, results for the entire group for the six months ended September 30, 2018, amounted to sales of 53,275 million yen, higher by 24.3% year on year, and operating profit of 13,875 million yen, higher by 14.1% year on year. Pre-tax profit was 13,993 million yen, higher by 14.1% year on year, and net profit was 9,626 million yen, higher by 19.9% year on year.

(2) Explanation of consolidated financial position

(Condition of assets, liabilities, and net assets)

Total assets were 122,429 million yen, an increase of 5,988 million yen compared to the end of the previous fiscal year. Current assets totaled 55,024 million yen, a net increase of 1,428 million yen versus last fiscal year end mainly due to an increase in cash and cash equivalents of 1,737 million yen. Illiquid assets totaled 67,405 million yen, an increase of 4,560 million yen versus last fiscal year end due to an increase in goodwill of 3,105 million yen from an increase in newly consolidated subsidiaries.

Total liabilities increased by 152 million yen versus last fiscal year end to total 31,425 million yen. Current liabilities decreased 578 million yen versus previous fiscal year end to total 23,977 million yen due to items such as a decrease of 979 million yen in income tax payables due to payment of income taxes. Illiquid liabilities increased by 730 million yen versus previous fiscal year end to total 7,448 million yen.

Total shareholder's equity increased by 5,836 million yen compared to the end of the previous fiscal year to total 91,003 million yen. Factors include the allocation of 8,515 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 of 4,951 million yen in retained earnings. Furthermore, over the second quarter of the consolidated fiscal year ending March 2019, inclusion of a transfer of 2,000 million yen from legal capital surplus to capital stock has increased capital stock by 2,021 million yen, and decreased legal capital surplus by 1,994 million yen.

(Condition of cashflows)

Cash and cash equivalents for the six months ended September 30, 2018 increased by 1,737 million yen versus last fiscal year end to total 25,469 million yen.

Cash flows from operating activities produced an income of 8,675 million yen, an increase of 804 million yen year on year. The major component of inflow was pre-tax profit of 13,993 million yen, and the major component of outflow was the payment of corporate income tax amounting to 5,345 million yen.

Cash flows from investment activities produced an outflow of 2,789 million yen, an increase of 3,602 million yen year on year. Outflow of 2,112 million yen from the acquisition of stocks in subsidiaries accompanying changes in the scope of consolidation has occurred.

Cash flows from financing activities produced and outflow of 4,322 million yen, an increase in outflow of 400 million yen versus previous year, due to factors such as dividend payments of 3,352 million yen to the owners of the parent company.

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