



Consolidated Financial Results
for the Nine Months Ended December 31, 2018 [IFRS]
(Abridged)

Jan 25, 2019

Listed Company: M3, Inc. Listed Stock Exchange: Tokyo
 Securities Code: 2413 URL: <http://corporate.m3.com/en/>
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 Contact: (Title) Director (Name) Takahiro Tsuji Dividend payment commencement date: —
 Submission of quarterly report: February 8, 2019
 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, 2018

(April 1, 2018 to December 31, 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	%
Nine months ended December 31, 2018	83,674	22.0	22,958	11.5	23,109	11.6	15,976	11.9
Nine months ended December 31, 2017	68,560	21.8	20,592	—	20,698	—	14,281	—

	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, 2018	14,574	8.9	15,809	2.2	22.50	22.49
Nine months ended December 31, 2017	13,388	—	15,469	31.0	20.67	20.66

(Note) 1 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. As a result, previous year comparisons to the third 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 prior 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 December 31, 2018	126,568	96,513	93,455	73.8	143.86
As of March 31, 2018	116,441	85,167	82,484	70.8	126.97

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, 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. 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.

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)

	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	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 647,788,600 shares, which is the average number of issued shares during the nine months ended December 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: Y's, Inc.

(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 December 31, 2018	647,951,800	shares
As of March 31, 2018	647,795,800	shares
(ii) Number of treasury stock at the end of the period		
As of December 31, 2018	65,002	shares
As of March 31, 2018	64,800	shares
(iii) Average number of shares during the period (cumulative)		
As of December 31, 2018	647,788,600	shares
As of December 31, 2017	647,580,296	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 Friday, January 25, 2019.

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.

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. ALMEC Co., Ltd., an SMO business operator in Japan, was consolidated in October 2018.

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. LINE Healthcare Corporation was established in January 2019 as a joint investment to develop online healthcare businesses, and is an equity method affiliate.

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 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 2.5 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 cumulative results for the third quarter is as below.

(Unit: Million Yen)

	Nine months ended Dec 31, 2017 (April 1, 2017 to Dec 31, 2017, cumulative)	Nine months ended Dec 31, 2018 (April 1, 2018 to Dec 31, 2018, cumulative)	Third quarter comparisons		(Reference) Previous consolidated fiscal year (April 1, 2017 to March 31, 2018)
Net sales	68,560	83,674	+15,115	+22.0%	94,471
Operating Profit	20,592	22,958	+2,367	+11.5%	27,486
Pre-Tax Profit	20,698	23,109	+2,411	+11.6%	27,472
Net Profit	14,281	15,976	+1,696	+11.9%	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)

		Nine months ended Dec 30, 2017 (April 1, 2017 to Dec 30, 2017, cumulative)	Nine months ended Dec 30, 2018 (April 1, 2018 to Dec 30, 2018, cumulative)	Third quarter comparison	
Medical Platform	Segment Net Sales	24,408	29,968	+5,560	+22.8%
	Segment Profit	11,617	10,815	-802	-6.9%
Evidence Solution	Segment Net Sales	16,215	17,006	+791	+4.9%
	Segment Profit	3,824	4,555	+731	+19.1%
Career Solution	Segment Net Sales	8,156	10,650	+2,495	+30.6%
	Segment Profit	2,315	3,265	+950	+41.0%
Overseas	Segment Net Sales	16,870	18,696	+1,826	+10.8%
	Segment Profit	2,597	2,697	+100	+3.9%
Other Emerging Businesses	Segment Net Sales	4,537	9,120	+4,582	+101.0%
	Segment Profit	1,057	2,026	+969	+91.6%
Adjustment	Segment Net Sales	(1,627)	(1,766)	—	—
	Segment Profit	(819)	(417)	—	—
Profit associated with business combination		—	17	+17	—
Total	Net Sales	68,560	83,674	+15,115	+22.0%
	Operating Profit	20,592	22,958	+2,367	+11.5%

(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 29,968 million yen, higher by 22.8% year on year.

COGS and SG&A amounted to 19,398 million yen, higher by 46.3% 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 10,815 million yen, lower by 6.9% 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 17,006 million yen, higher by 4.9% year on year. Operations improvements boosted profitability, and segment profit ended at 4,555 million yen, higher by 19.1% 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 10,650 million yen, an increase of 30.6% versus previous year. Profits amounted to 3,265 million yen, an increase of 41.0% 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 18,696 million yen, higher by 10.8% year on year. Segment profit amounted to 2,697 million yen, higher by 3.9% year on year.

5) Other Emerging Businesses

Segment sales totaled 9,120 million yen, higher by 101.0% year on year. In addition to absorbing upfront investment costs for newly launched businesses, one time profits resulting from reorganization of group companies produced segment profits of 2,026 million yen, higher by 91.6% 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 121 million yen for the consolidated cumulative third quarter. Combining all of the above, results for the entire group for the nine months ended December 31, 2018, amounted to sales of 83,674 million yen, higher by 22.0% year on year, and operating profit of 22,958 million yen, higher by 11.5% year on year. Pre-tax profit was 23,109 million yen, higher by 11.6% year on year, and net profit was 15,976 million yen, higher by 11.9% year on year.

(2) Explanation of consolidated financial position

(Condition of assets, liabilities, and net assets)

Total assets were 126,568 million yen, an increase of 10,127 million yen compared to the end of the previous fiscal year. Current assets totaled 58,819 million yen, a net increase of 5,223 million yen versus last fiscal year end mainly due to an increase in account receivable and other debt in the amount of 6,226 million yen accompanying business expansion. Illiquid assets totaled 67,749 million yen, an increase of 4,904 million yen versus last fiscal year end due to an increase in goodwill of 3,018 million yen from an increase in newly consolidated subsidiaries.

Total liabilities increased by 1,219 million yen versus last fiscal year end to total 30,054 million yen. Current liabilities decreased 1,379 million yen versus previous fiscal year end to total 23,176 million yen due to items such as a decrease of 1,778 million yen in income tax payables due to payment of income taxes. Illiquid liabilities increased by 160 million yen versus previous fiscal year end to total 6,878 million yen.

Total shareholder's equity increased by 11,346 million yen compared to the end of the previous fiscal year to total 96,513 million yen. Factors include the allocation of 14,574 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 11,019 million yen in retained earnings. Furthermore, over the cumulative three quarters 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 2,049 million yen, and decreased legal capital surplus by 1,963 million yen.

(Condition of cashflows)

Cash and cash equivalents for the nine months ended December 31, 2018 decreased by 2,758 million yen versus last fiscal year end to total 20,974 million yen.

Cash flows from operating activities produced an income of 6,560 million yen, an decrease of 1,982 million yen year on year. The major component of inflow was pre-tax profit of 23,109 million yen, and the major component of outflow was the payment of corporate income tax amounting to 8,530 million yen.

Cash flows from investment activities produced an outflow of 4,284 million yen, an increase of 4,360 million yen year on year. Outflow of 2,901 million yen from the acquisition of stocks in subsidiaries accompanying changes in the scope of consolidation has occurred.

Cash flows from financing activities produced an outflow of 4,993 million yen, an increase in outflow of 213 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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