Consolidated Financial Results
for the Three Months Ended June 30, 2017 [IFRS]
(Abridged)

July 26, 2017

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: August 10, 2017
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 Three Months Ended June 30, 2017

(From April 1, 2017 to June 30, 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 | % |
| Three months ended June 30, 2017 | 21,874 | 21.1 | 7,686 | 23.9 | 7,749 | 29.9 | 5,235 | 32.8 |
| Three months ended June 30, 2016 | 18,057 | 16.3 | 6,202 | 24.0 | 5,965 | 17.5 | 3,942 | 15.3 |

| | Profit attributable to owners of the parent | | Total comprehensive income | | Basic earnings per share | Diluted earnings per share |
|---|---|---|---|---|---|---|
| | Million Yen | % | Million Yen | % | Yen | Yen |
| Three months ended June 30, 2017 | 4,728 | 37.9 | 4,769 | 101.1 | 14.60 | 14.59 |
| Three months ended June 30, 2016 | 3,429 | 14.9 | 2,372 | (39.4) | 10.59 | 10.58 |

(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 June 30, 2017 | 93,926 | 70,223 | 68,035 | 72.4 | 209.40 |
| 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 |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2017 | — | 0.00 | — | 10.00 | 10.00 |
| Fiscal year ending March 31, 2018 | — | | | | |
| Fiscal year ending March 31, 2018 (Forecast) | | 0.00 | — | — | — |

(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 |
| First Half | 40,000 | 14.7 | 12,500 | 12.6 | 12,500 | 15.5 | 8,400 | 17.5 | 7,700 | 17.1 | 23.78 |
| 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 323,773,547 shares, which is the average number of issued shares during the three months ended June 30, 2017.

### ※ 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: 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 June 30, 2017 | 323,811,900 | shares |
| As of March 31, 2017 | 323,790,100 | shares |
| (ii) Number of treasury stock at the end of the period | | |
| As of June 30, 2017 | 32,400 | shares |
| As of March 31, 2017 | 32,400 | shares |
| (iii) Average number of shares during the period (cumulative) | | |
| As of June 30, 2017 | 323,773,547 | shares |
| As of June 30, 2016 | 323,640,795 | 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.

※ 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 Wednesday, July 26, 2017.

## 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 to 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. Furthermore, 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.

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 is now closing on 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 quarterly results for the first quarter (cumulative) is as below. (Unit: Million Yen)

| | Three months ended June 30, 2016 (April 1, 2016 to June 30, 2016, cumulative) | Three months ended June 30, 2017 (April 1, 2017 to June 30, 2017, cumulative) | First quarter comparison | | (Reference) Previous consolidated fiscal year (April 1, 2016 to March 31, 2017) |
|---|---|---|---|---|---|
| Net sales | 18,057 | 21,874 | +3,817 | +21.1% | 78,143 |
| Operating Profit | 6,202 | 7,686 | +1,483 | +23.9% | 25,050 |
| Pre-Tax Profit | 5,965 | 7,749 | +1,784 | +29.9% | 24,959 |
| Net Profit | 3,942 | 5,235 | +1,293 | +32.8% | 16,938 |

(Segment results) (Unit: Million yen)

| | | Three months ended June 30, 2016 (April 1, 2016 to June 30, 2016, cumulative) | Three months ended June 30, 2017 (April 1, 2017 to June 30, 2017, cumulative) | First quarter comparison | |
|---|---|---|---|---|---|
| Medical Platform | Segment Net Sales | 6,057 | 6,968 | +911 | +15.0% |
| | Segment Profit | 3,033 | 3,364 | +331 | +10.9% |
| Career Solution | Segment Net Sales | 3,111 | 3,433 | +322 | +10.4% |
| | Segment Profit | 1,553 | 1,447 | -106 | -6.9% |
| Evidence Solution | Segment Net Sales | 5,156 | 5,407 | +251 | +4.9% |
| | Segment Profit | 974 | 1,183 | +209 | +21.5% |
| Overseas | Segment Net Sales | 3,751 | 5,386 | +1,636 | +43.6% |
| | Segment Profit | 242 | 767 | +524 | +216.4% |
| Other Emerging Businsses | Segment Net Sales | 621 | 1,355 | +734 | +118.3% |
| | Segment Profit | 165 | 208 | +43 | +26.1% |
| Adjustment | Segment Net Sales | (638) | (675) | — | — |
| | Segment Profit | 235 | 717 | — | — |
| Total | Net Sales | 18,057 | 21,874 | +3,817 | +21.1% |
| | Operating Profit | 6,202 | 7,686 | +1,483 | +23.9% |

1) Medical Platform

In addition to the expansion of marketing support services for pharmaceutical companies such as “MR-kun” Family, the new healthcare media agency, IG Holdings, produced Medical Platform segment sales totaling 6,968 million yen, higher by 15.0% year on year.

COGS and SG&A amounted to 3,776 million yen, higher by 24.6% 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 3,364 million yen, higher by 10.9% year on year.

2) Evidence Solution

Healthy progress in clinical trial projects resulted in sales amounting to 5,407 million yen, higher by 4.9% year on year. Clinical trial projects progressed healthily, with absorption of costs related to aggressive upfront investment in headcount corresponding to the accumulation of project backlog (segment total of roughly 28,000

million yen) producing segment profits of 1,183 million yen, higher by 21.5% year on year.

3) Career Solution

Increase in physician turn over expanded business to produce segment sales of 3,433 million yen, and increase of 10.4% versus previous year. On the other hand, profit amounted to 1,447 million yen, a decrease of 6.9% versus previous year after absorbing upfront investment costs from personnel expansion.

4) Overseas

In addition to expansions in the marketing research services for pharmaceutical firms in the U.S. and U.K., contribution from the newly consolidated Vidal Group produced segment sales of 5,386 million yen, higher by 43.6% year on year. With profitability improvement led by the U.S. along with contribution from the Vidal group, segment profit amounted to 767 million yen, higher by 216.4 % year on year.

5) Others Emerging Businesses

Segment sales totaled 1,355 million yen, higher by 118.3% year on year. Absorbing upfront investment costs for newly launched businesses, segment profit amounted to 208 million yen, higher by 26.1% year on year.

Combining the above segments, results for the entire group for the three months ended June 30, 2017, amounted to sales of 21,874 million yen, higher by 21.1% year on year, and operating profit of 7,686 million yen, higher by 23.9% year on year. Pre-tax profit was 7,749 million yen, higher by 29.9% year on year, and net profit was 5,235 million yen, higher by 32.8% year on year.

## (2) Explanation of consolidated financial position

### (Condition of assets, liabilities, and net assets)

Total assets were 93,926 million yen, a decrease of 1,621 million yen compared to the end of the previous fiscal year. Current assets totaled 42,142 million yen, a net increase of 330 million yen versus last fiscal year end due to progress in collection of claims and a decrease in trade receivables and other receivables from the sale of a subsidiary totaling 1,265 million yen, offset by an increase in cash and cash equivalents of 1,011 million yen. Illiquid assets totaled 51,784 million yen, a decrease of 1,951 million yen versus last fiscal year end, due to effects such as the decrease in goodwill of 1,080 million yen.

Total liabilities decreased by 2,334 million yen versus last fiscal year end to total 23,703 million yen. Current liabilities decreased 2,406 million yen versus previous fiscal year end to total 18,139 million yen due to items such as a decrease of 2,596 million yen in accrued tax payables. Illiquid liabilities increased by 72 million yen versus previous fiscal year end to total 5,563 million yen.

Total shareholder's equity increased by 713 million yen compared to the end of the previous fiscal year to total 70,223 million yen. Contributing factors were the allocation of 4,728 million yen in profits attributable to the owners of the parent company, versus an increase of 1,491 million yen in retained earnings due to appropriation of 3,238 million yen in dividends.

### (Condition of cashflows)

Cash and cash equivalents for the three months ended June 30, 2017 increased by 1,011 million yen versus last fiscal year end to total 21,106 million yen.

Cash flows from operating activities produced an income of 3,056 million yen, an increase of 828 million yen year on year. The major component of inflow was pre-tax profit of 7,749 million yen, and the major component of outflow was the payment of corporate income tax amounting to 4,771 million yen.

Cash flows from investment activities produced an inflow of 1,644 million yen, an increase of 1,682 million yen year on year. The major component of inflow was the sales of investment in a subsidiary resulting in change in scope of consolidation amounting to 1,353 million yen and the sales of available for sale financial assets equaling 965 million yen.

Cash flows from financing activities resulted in an increase in outflow of 1,039 million yen year on year, to total an outflow of 3,712 million yen. The major component was dividend payments of 3,017 million yen paid to the owners of the parent company.

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