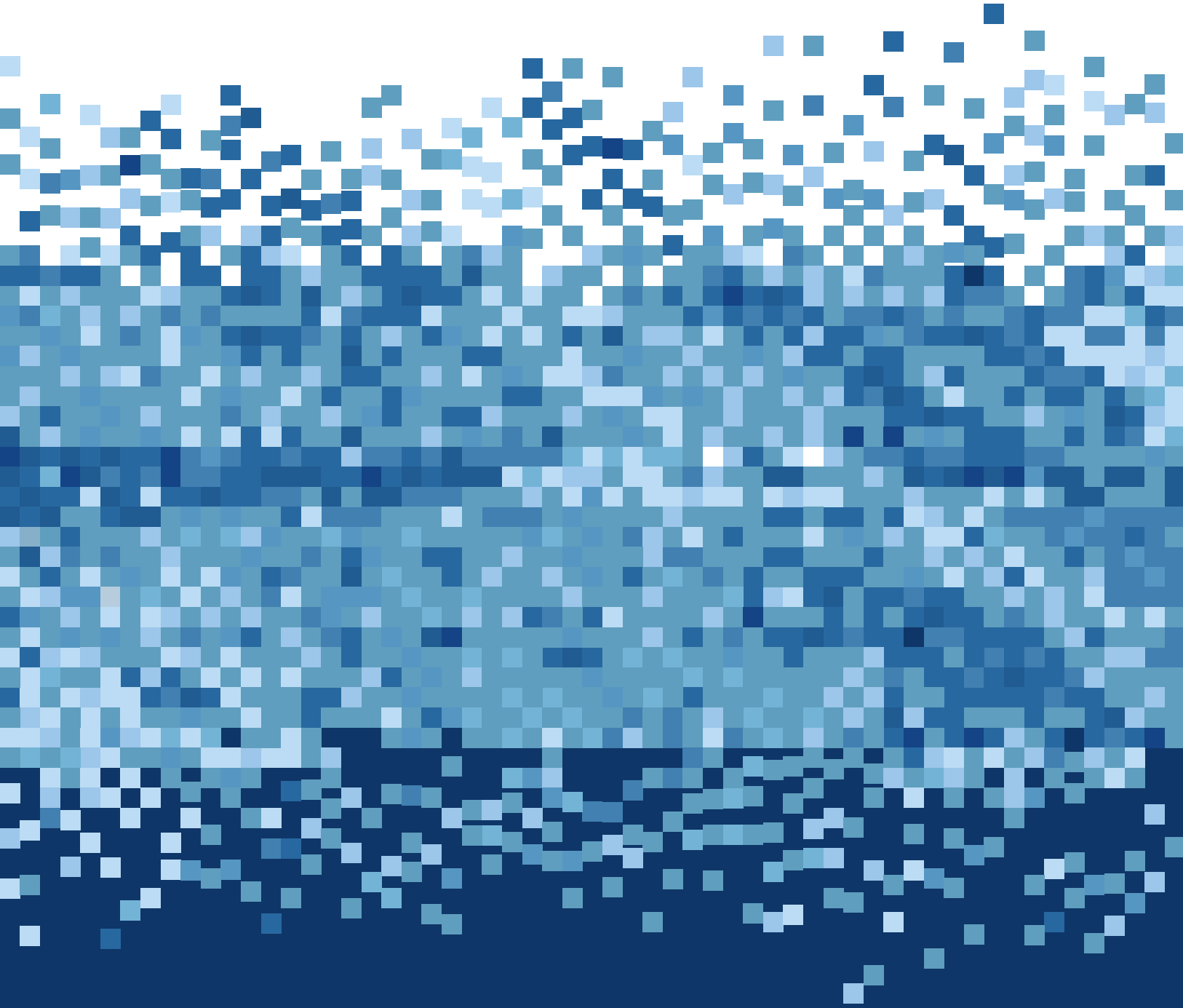
MACROMILL
a Macromill Group company



ANNUAL REPORT 2019

For the Year Ended June 30, 2019

Mission

The Macromill Group is a global marketing research company. Our Mission is to create innovative data and insights that drive clients' smarter decisions. We focus on creating an environment where employees can maximize their potential while building a profitable and valuable company.

Vision

We aspire to be the first truly global digital research company by combining world class execution and digital innovation at scale.

Values

Think New, Think Deep

Act Now, Act Together

Be True, Be Open

Own It, Enjoy It

MACROMILL
a Macromill Group company

CORPORATE LOGO

Configured in the shape of an "M", the first letter in the Company's name, the four arrows extending in all directions symbolize our essence and aspiration. Shaded in Macromill blue, a corporate color that we have adopted since our foundation, this symbol mark embodies two clearly defined intentions.

Client Arrow

We are committed to supporting our clients with innovative data and insights to drive their smarter business decisions.

Macromill Arrow

We are determined to accelerate the marketing research business, while expanding our business globally.

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Cautionary note

Any information in this report related to the industry, market trends, or economic conditions is based on information available as of the writing of the report, and the Company makes no guarantee as to the authenticity, accuracy, reasonableness or comprehensiveness of said information.

Any target, plan, estimate, prediction, expectation, or other forward-looking information relating to the Group in this report is based on the current assumptions and beliefs of the Group in light of the information available to it at the time the report was written. Factors such as domestic economic conditions, market trends in the industry, competition with other firms, the ability to secure human resources and panels, technological innovation, forex trends, and other operating conditions may cause the actual operating results, the financial position, and other results of the Group to differ materially from those expressed or implied in the report.

Snapshot

Our History

We have been a pioneer and disruptor in the marketing research industry since our incorporation in 2000. We deliver high quality, fast and cost-efficient solutions to meet our clients' marketing research needs in today's digital world. This approach, combined with our corporate culture of innovation, continuous improvement and a strong sales force, has enabled us to win and maintain the biggest market share in the ad hoc online marketing research market in Japan.

We are the fastest growing marketing research company*1

5-Year CAGR*2 (6/2014–6/2019)

16%

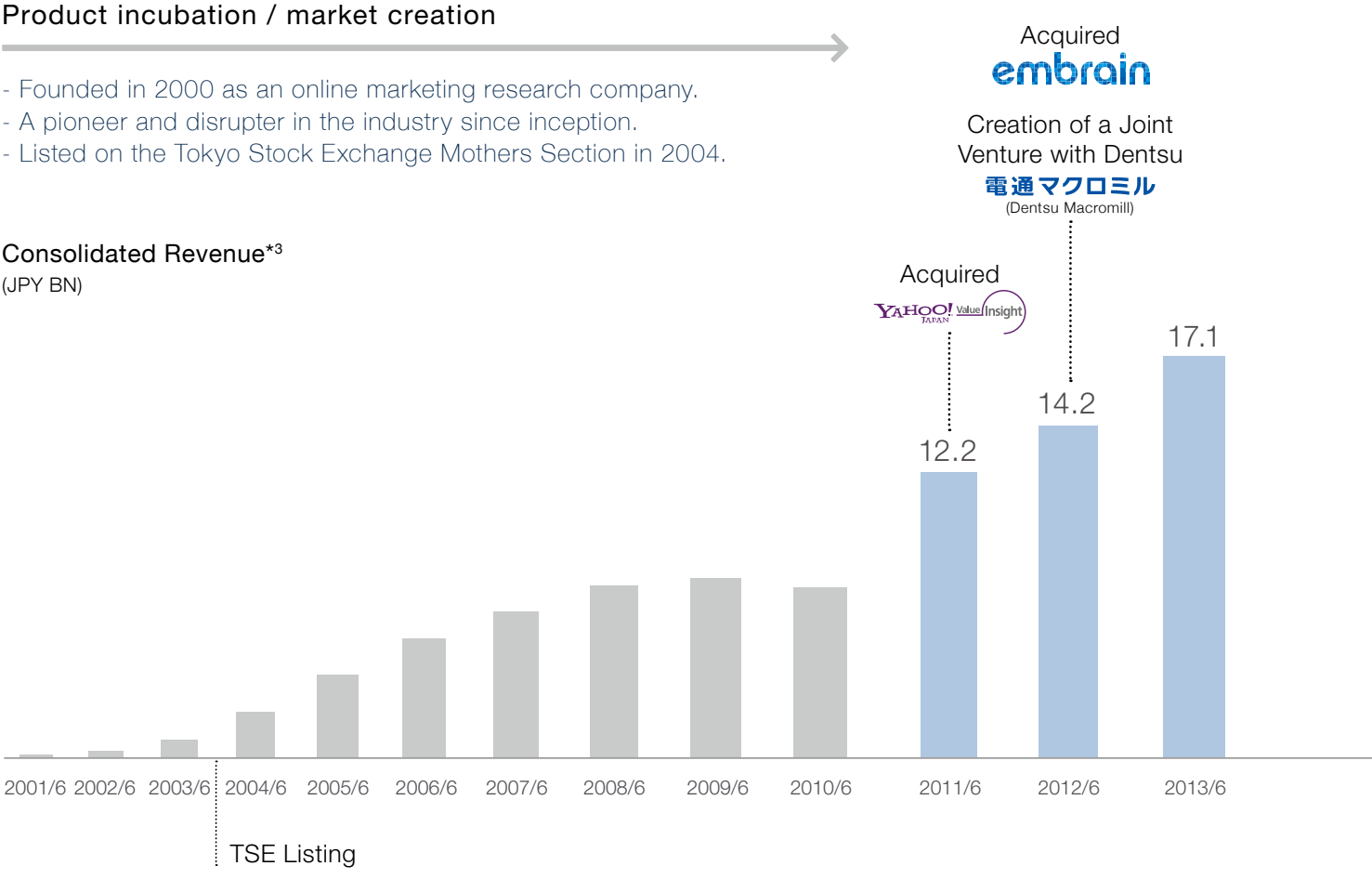
Leading domestic presence

- Strengthened our position in Japan through both strong organic growth and merger and acquisition (M&A) activity.

Product incubation / market creation

- Founded in 2000 as an online marketing research company.
- A pioneer and disrupter in the industry since inception.
- Listed on the Tokyo Stock Exchange Mothers Section in 2004.

Consolidated Revenue*3
(JPY BN)

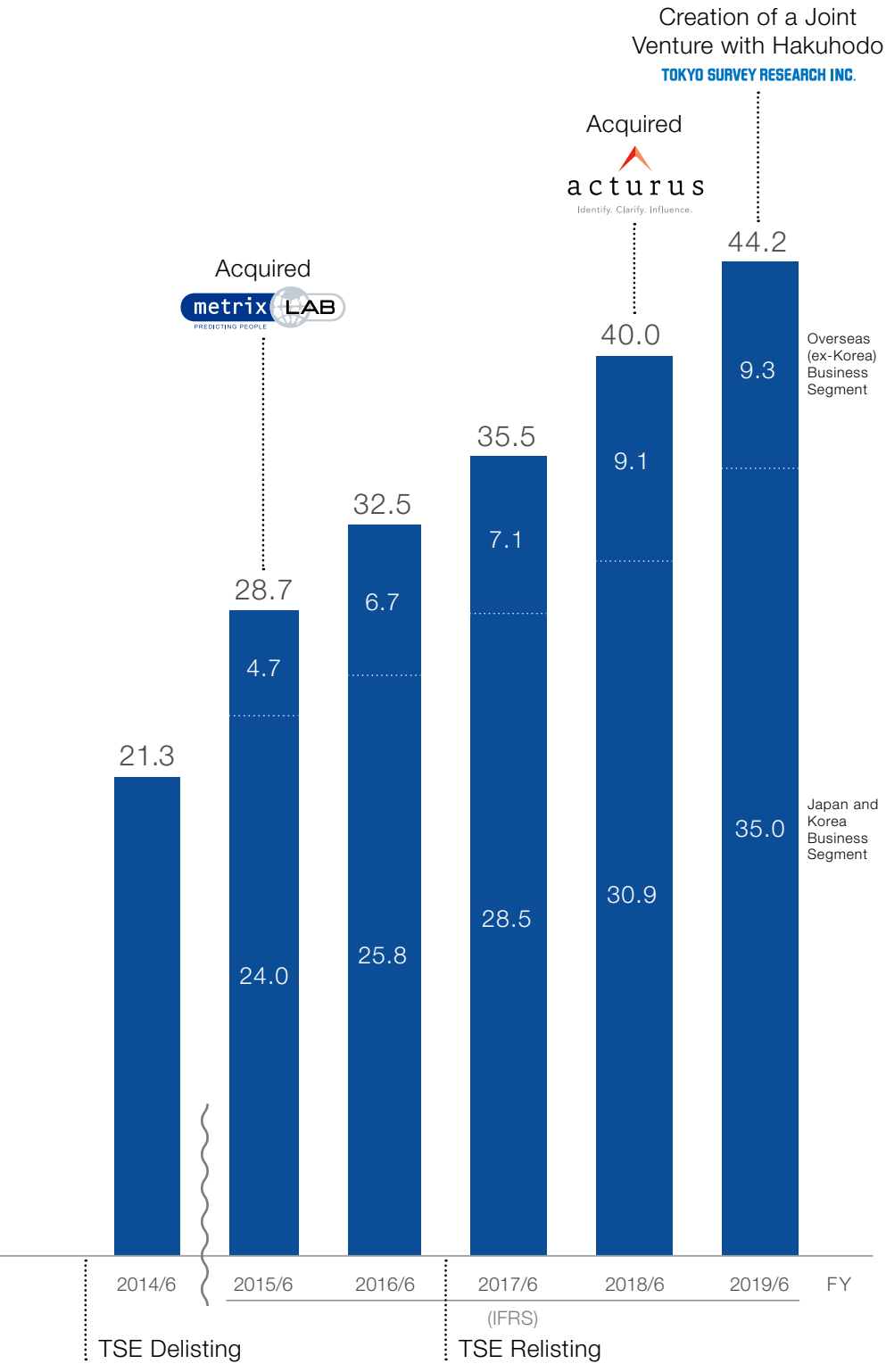


Notes

*1 Source: ESOMAR Global Market Research 2013/2014/2018, Macromill's revenue CAGR growth between 2012, and 2013 and 2017 (4-year and 5-year CAGR) are highest among the largest 25 global marketing research companies (excluding IQVIA (ex. QuintilesIMS Health), a health care IT service provider)

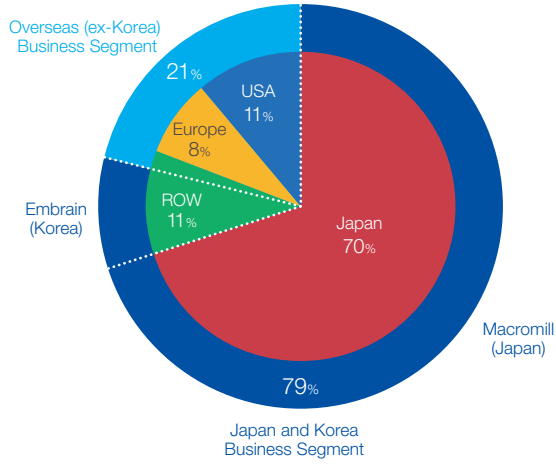
*2 5-Year revenue CAGR for FY6/14A-6/19A (Average Compound Annual Growth Rate based on the figures for FY6/15-6/19 (IFRS) and FY6/14 (J-GAAP)). 5-year CAGR has been calculated using J-GAAP and IFRS financials, which are not directly comparable (see note 3 on P.03)

Global expansion



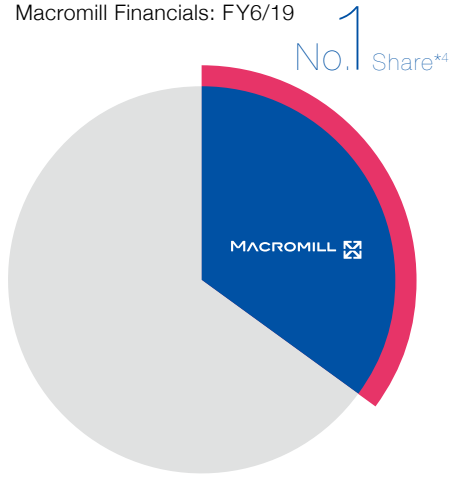
- Privatized in 2014 to reorganize corporate structure to support global growth and expand our digital initiative.
- Accelerated our global expansion through the acquisition of MetrixLab in 2014 and Acturus in 2017.

Consolidated revenue breakdown in FY6/19



Japan ad hoc online marketing research market share*4

Market Size: 2018
Macromill Financials: FY6/19



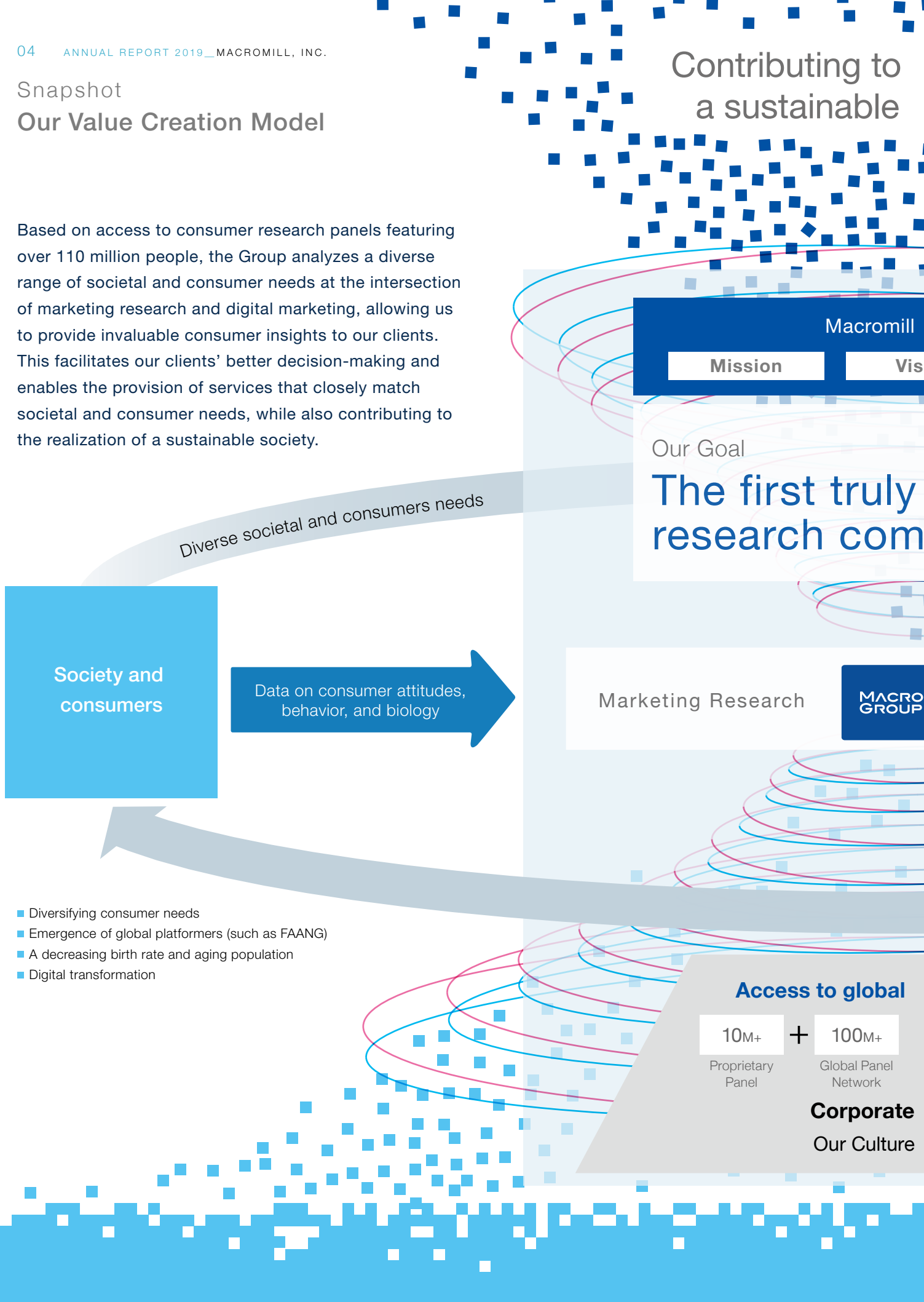
*3 J-GAAP based financials for FY6/01-6/14 and IFRS-based financials for FY6/15 onwards. J-GAAP and IFRS financial information are prepared based on different accounting principles and are not directly comparable. Macromill believes that the presentation of consolidated revenues on a J-GAAP basis as compared to IFRS would only require immaterial adjustments and that the presentation above appropriately and accurately reflects the consolidated revenue trends for the five fiscal years ended June 30, 2019

*4 Online MR Share = Macromill standalone, DMI and HMM revenue from sales of ad hoc online marketing research solutions in Japan (FY6/19) / Total Japan ad hoc online MR market (2018) in terms of revenue as calculated by the Japan Marketing Research Association

Snapshot

Our Value Creation Model

Based on access to consumer research panels featuring over 110 million people, the Group analyzes a diverse range of societal and consumer needs at the intersection of marketing research and digital marketing, allowing us to provide invaluable consumer insights to our clients. This facilitates our clients' better decision-making and enables the provision of services that closely match societal and consumer needs, while also contributing to the realization of a sustainable society.



the realization of society

Contributing to the Sustainable Development Goals (SDGs)

The Group contributes to achievement of the SDGs through the provision of invaluable consumer insights that allow our clients to supply goods and services that are more closely aligned with consumer needs.



At the United Nations Sustainable Development Summit of 2015, the 2030 Agenda for Sustainable Development was adopted and the 17 Sustainable Development Goals and 169 targets were proclaimed.

Group

ion | Values

global digital pany

MILL | Digital Marketing

Invaluable consumer insights

Our clients (companies, brands)

Provision of services that more closely match societal and consumer needs

- Consumer touchpoints explode
- Aggregated data
- Advanced analytics
- Partner relationships
- High speed research turnaround

consumer research panels featuring over 110 million people

Governance of Sustainability

Personal data protection

Snapshot

Our Business Model

Our clients utilize our comprehensive suite of research solutions at all stages of their marketing value chain



The Group provides services that inject the voice of the consumer into the full life cycle of our clients' products and brands. We do this by helping clients answer questions such as:

- Which market should I enter?
- What kind of concepts resonate best with my target customers?
- What new product should I develop?
- What creatives, campaigns, and promotions perform best, and how can I optimize them?

We aim to ensure all our solutions, whenever possible, utilize data from our proprietary consumer panels (consumer panels that are owned and managed by Macromill). With access to approximately 10 million consumers worldwide (approximately 1.2 million in Japan, approximately 8.8 million overseas), we have invested time in creating robust relationships and implemented measures to ensure the quality of these panels (see chart below) to ensure they generate invaluable data and insights for the Macromill Group and our clients. On the rare occasions when a pool of 10 million consumers is not enough to deliver the depth or breadth of insight specified for a project, we can access our network of third-party panel partners. This extends our reach by an additional 100 million-plus consumers in over 90 countries.

In Japan, where the scale of our proprietary consumer panels equates to 1% of the national population, the consumers in our panels are often represented in the user data held by our clients. This makes it possible to increase efficacy and accuracy by using our panels in combination with our clients' Big Data, Artificial Intelligence (AI), and marketing tools. We will continue to implement measures to increase the quality of our proprietary panels, while also working to extend our network of third-party panel partners to ensure sufficient sample size.

Together, our comprehensive solutions, and our strong execution capabilities have driven significant client success.

Initiatives to improve the quality of our proprietary panel

At registration phase	Post-registration phase
Panel acquisition w/attribution balance i.e.) Impartial on gender, age, occupation	**Required to update registered information** Need to update attribute data annually to continue participating in a survey
Check registration information i.e.) Avoid double registration	**Check answering behavior** i.e.) Block robot answer or unconsidered quick answer
Acquire digital behavior data Request approval for acquisition of Cookies and unique IDs of mobile devices i.e.) AD ID	**Check the content of answers** i.e.) Set trap questions

Who we work with

The Macromill Group builds long-term, 'sticky' relationships with global blue-chip clients by providing fast, cost-effective, and high quality solutions. Based upon these relationships, we have a high client retention rate and a customer portfolio with loyalty in varied industries. In addition, we have formed consolidated subsidiaries to work hand-in-hand with the in-house marketing research subsidiaries of major advertising agencies Dentsu and Hakuhodo in Japan. These in-house research agencies are one of our strengths that positions us uniquely.

Highlights

# of Clients

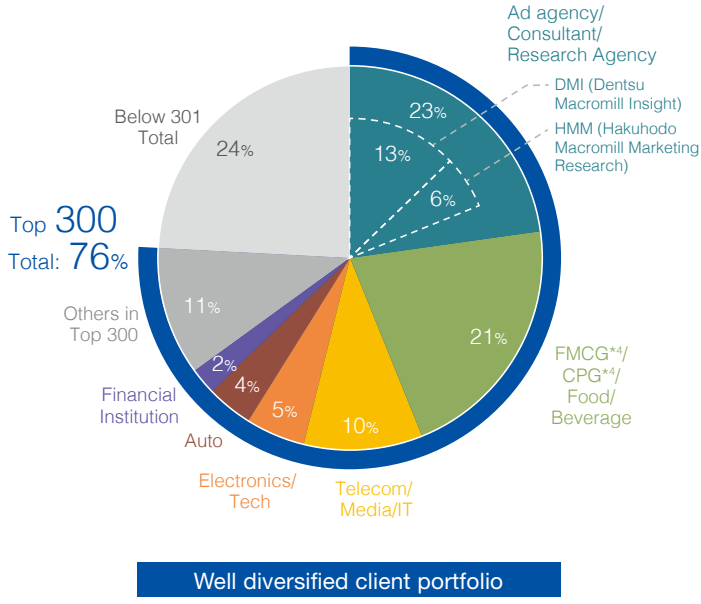
c. 4,200 in Global (90+ Countries)

- c. 3,600 clients in Japan & Korea
- c. 600 clients in Overseas (ex-Korea)

Client Retention Rate of Large Clients*1

- 96.4% in Japan*2
- 92.8% in Global*3 (excl. Japan)

FY6/2019 Revenue Breakdown by Client Industries



Well diversified client portfolio

Notes
*1 Large Accounts with annual revenue of > JPY10MM or Euro 0.1MM
*2 Retention Rate in Japan = (No. of large clients of Macromill standalone providing over JPY10MM in annual revenue for which Macromill's solutions were rendered and invoiced in the previous year, and for which there were solutions provided or invoiced in the current year) ÷ (No. of large clients of Macromill (standalone) providing over JPY10MM in the previous year). 5 year average from FY6/15 to FY6/19
*3 Retention Rate for Global (excl. Japan) = (No. of large clients of MetrixLab providing over 0.1MM Euro in annual revenue for which solutions were rendered and invoiced in the previous year, and for which there were solutions provided or invoiced in the current year) ÷ (No. of large clients of MetrixLab providing over 0.1MM Euro in the previous year). 4 year average from FY6/16 to FY6/19
*4 FMCG = Fast Moving Consumer Goods / CPG: Consumer packaged goods (incl. non-durable goods such as soft drinks, toiletries, etc.)

Our Services

We began providing the new marketing research solution of "internet research" at the beginning of 2000, and have developed this as a business centered on ad-hoc online research services. Through the early adoption of the latest technology, we have created a broad one-stop solutions portfolio that satisfies clients' needs. In addition, we are now focusing on the digital field which is high-growth, differentiated, and difficult to imitate. Moreover, we are actively developing and investing in new areas such as online qualitative research and neuro research that utilizes non-awareness data such as EEG and heartbeat data.

	Ad-hoc Base		Subscription Base
	Qualitative Research (Why?)	Quantitative (How many?)	Database / Data provision, etc.
Offline Research (Face-to-Face)	**Interview** FGI DI Attribution Data: Who? X Awareness Data: How they think?	**Visiting survey** CLT Attribution Data: Who? X Awareness Data: How they think?	**Purchase data** QPR MHS Attribution Data: Who? X Awareness Data: What they buy?
Online Research	Next-generation area **Online interview research** Immerse Solution by METRIXLAB Attribution Data: Who? X Awareness Data: How they think?	**Online survey** QuickMill OrderMill Attribution Data: Who? X Awareness Data: How they think? etc.	**TV viewing data** OTS Attribution Data: Who? X Awareness Data: What they watch? etc.
Digital Areas	**Neuro research** CENTAN Non-Awareness Data (Biological info, etc.): What kind of emotion? X Attribution Data: Who? X Awareness Data: How they think? etc.	High Growth / Focus areas **Ad Effectiveness Measurement** AccessMill Digital Behavior Data: What kind of action? X Attribution Data: Who? X Awareness Data: How they think? etc.	High Growth / Focus areas **DMP solution** Provide various data from Macromill panels to be integrated into our clients' DMP operated by clients. i.e.) Attribution, Behavior, Awareness etc.

Snapshot

Our Market Opportunity

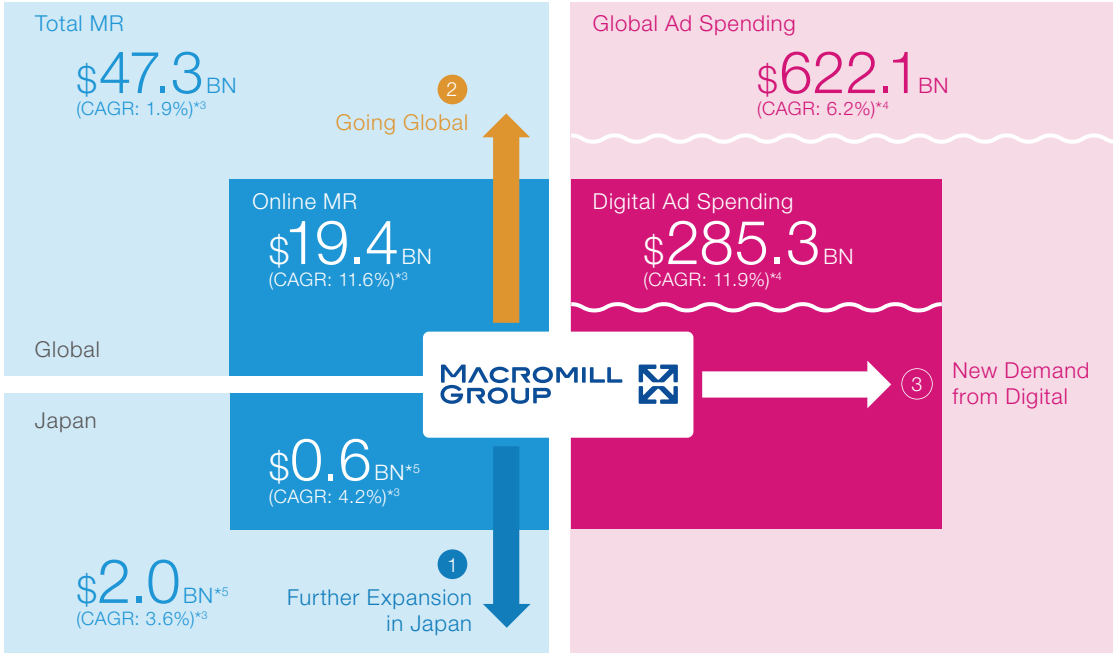
Big Market Opportunity*1

Marketing Research (MR)

Marketing Research Spending Size: 2018A
Actual CAGR: 2013A-2018A

Digital Marketing*2

Ad Spending Size: 2018A
Forecast CAGR: 2018A-2023E



Source:
Global Marketing Research spending: ESOMAR- Global Market Research (9/19)
Japan Marketing Research spending: Japan Marketing Research Association (7/19, 7/14)
Ad spending: eMarketer- Worldwide Ad Spending (9/19)

Notes
*1 The diagram is for illustrative purpose only and is not intended to depict relative market size to scale, or to show the current or future revenue or profit of Macromill Group in each market
*2 The market size includes solutions which Macromill Group does not offer currently and shows the size of the digital advertising market as a sub-component of the total advertising market. We generally do not plan to expand our business to cover all this market, but feel it is helpful to show because we believe that there is a correlation between the growth of this market and the growth of sales of our digital marketing solutions.
*3 Historical CAGR for 2013A-2018A
*4 Future Estimate CAGR for 2018A-2023E
*5 Exchange rate: USD/JPY = 110

With a market scale estimated at $2.0 billion and a compound annual growth rate (CAGR) of 3.6%, marketing research in Japan appears to be maturing. Against this backdrop, online marketing research, which accounts for $0.6 billion of all marketing research in Japan, is expanding at a higher CAGR than the overall market of 4.2%.

The market for global marketing research is estimated to be valued at about $47.3 billion. The global online marketing research sector has been increasing substantially by a CAGR of about 11.6%, and this trend is expected to continue.

As consumer behavior and opinions become increasingly complex, client companies will have an even greater need for reliable data, insight and intelligence to help them make better business decisions. Thus, we believe demand for marketing research will increase.

Focusing on digital marketing, spending on global advertising is approximately $622.1 billion, with a CAGR of about 6.2%. In contrast, digital advertising spending is expanding at a rapid CAGR of approximately 11.9%. The shift towards digital advertising is accelerating, with much emphasis on websites, online video, mobile and social network sites. As companies move to create sophisticated marketing strategies and campaigns that are segmented by consumer groups, we expect there to be increased opportunities for use of the Group's digital marketing solutions, and that this will enable us to grow our business further.

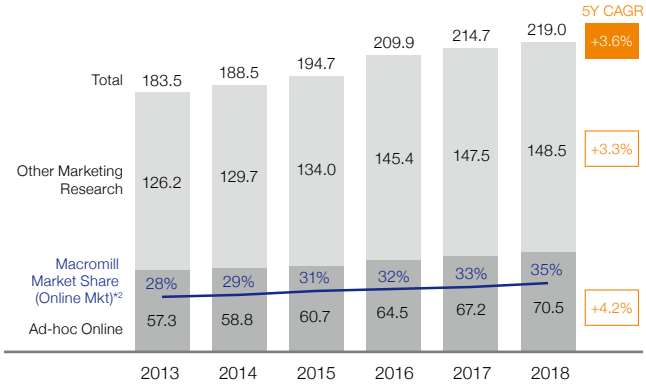
While exploiting opportunities for growth in the Japanese and global marketing research markets, we aim to become an unrivaled global digital marketing company by also pursuing the strong expansion prospects in the digital sphere.

Growth Potential in the Japanese Market

The marketing research market in Japan is growing at an average annual rate of 3.6% (5Y CAGR), but by leveraging our strength in digital business to expand our market share, we have been able to increase our group revenues at a faster pace than overall market growth.

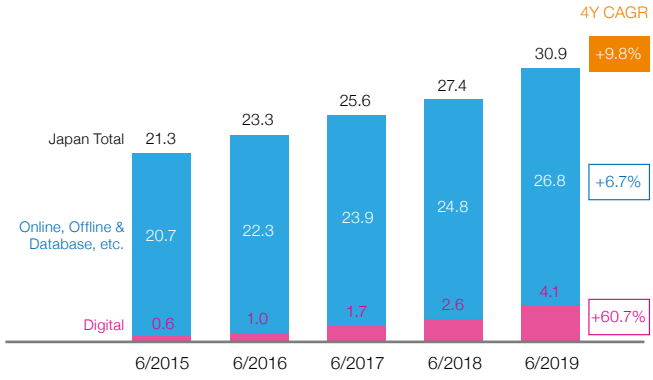
Market Trends—Japanese Marketing Research Market

JMRA*1
(JPY BN)



Revenue Trends—Macromill Group Revenue in Japan

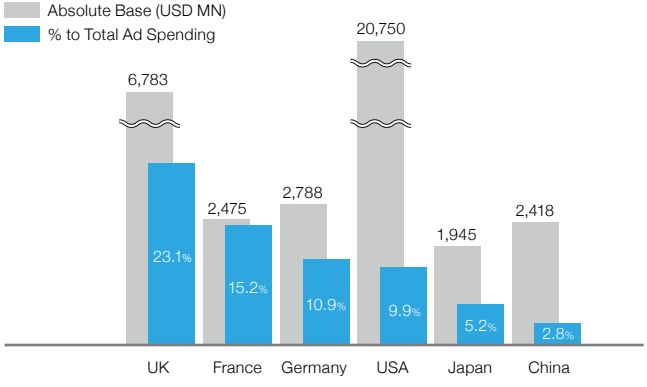
Consolidated (IFRS)
(JPY BN)



Expenditure on marketing research in Japan is still small compared to that in other leading developed nations, and the size of the market is limited. We therefore see significant growth potential in the market as a whole. In addition, the market for digital marketing is expected to grow dramatically in the next five years. As well as targeting growth in the general marketing research market, we aim to tap into this expansion in digital business to achieve revenue growth that outpaces overall market growth.

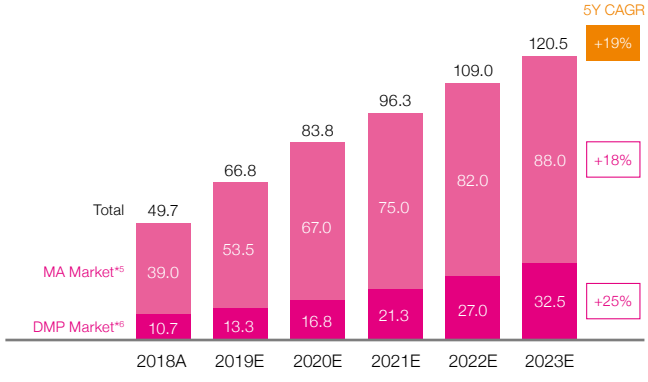
Size of Marketing Research Market by Country (Absolute and Relative to Total Ad Spending)

ESOMAR*3
2018



Size of Japanese Digital Marketing-Related Markets — Actual and Forecasts

Yano Research Institute*4
(JPY BN)



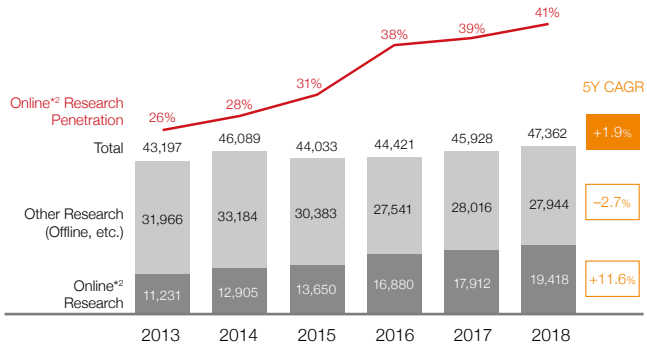
Notes
*1 Japan Market Research Association (JMRA) – Japan Market Research Spending (7/2019) The Ad-hoc internet survey is described as Ad-hoc Online
*2 Macromill's market share = Macromill standalone, DMI and HMM revenue from sales of ad hoc online marketing research solutions in Japan / Total Japan ad hoc online MR market in terms of revenue as calculated by the Japan Marketing Research Association
*3 Source ESOMAR, Global Market Research (9/2019)
*4 Source: Yano Research Institute, Size of DMP / MA Market Historical Trends and Forecasts (Actual result in 2018, an Estimated value in 2019, Forecasts from 2020 and after) (2019/11/12)
*5 MA (Marketing Automation) is a system/service that aims to create high accuracy business negotiations by developing clients individually through the unification of the potential client and existing client data, auto evaluation, and execute scenarios based on the designed scenario
*6 DMP (Data Management Platform) is a system/service that optimizes marketing plans such as advertisement/mail/DM by clarifying the characteristics of consumers through aggregating and analyzing consumer behavior in various sales channels. DMP includes two types of DMPs: public DMP that use consumer data held by third parties other than the company's owned web site, and private DMP that uses consumer data on the company's web site. Private DMP includes CDP (Customer Data Platform) that manages individual consumers

Growth Potential in the Global Market

Growth of the global market for marketing research is being driven by the shift to online marketing research, and Macromill Group's consolidated revenue is expanding at roughly the same pace as the global market for online marketing research.

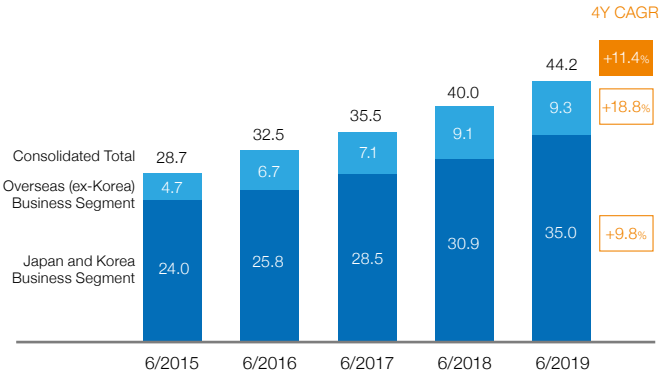
Market Trends—Global Marketing Research Market

ESOMAR*1
(USD MN)



Group Revenue Trends—Consolidated Total

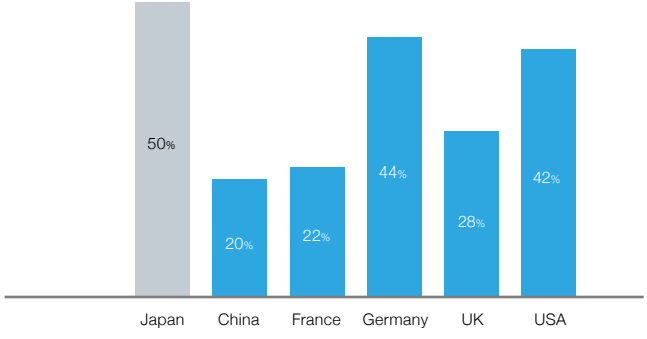
Consolidated (IFRS)
(JPY BN)



This increasing move to online activity is expected to continue driving the global market going forward. Macromill Group aims to expand its market share by acting as a disruptor and challenger to long-established major marketing research firms, leveraging its strength in online research and unique standing as a newcomer with a global franchise.

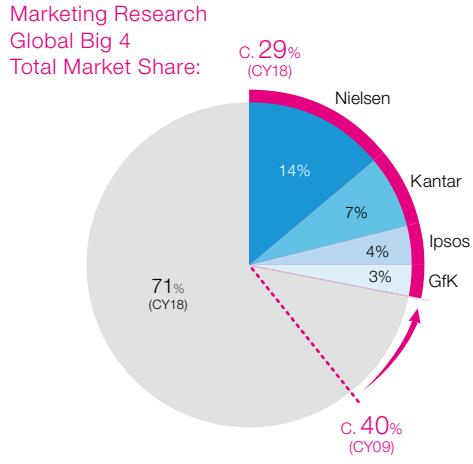
Online Marketing Research Penetration*3 in Total Spending

ESOMAR*1
CY18



Global Marketing Research Market—Market Share

ESOMAR*4
CY18



Notes
*1 Source ESOMAR, Global Market Research (9/19)
*2 Online quantitative marketing research only, not including online qualitative marketing research
*3 Online Marketing Research Presentation = spending on online quantitative market research (PC Online + Mobile / Smartphone Online) / spending on total market research in each country
*4 Source ESOMAR, Global Market Research (9/19, 9/10)

The Three Pillars of Our M&A Strategy

In addition to our organic growth, we are also aiming to achieve strong inorganic growth using M&A. We have a successful track record of value creation through M&A activity. We're particularly proud of our ability to integrate companies once acquired. We will therefore continue to seek M&A opportunities from the following three viewpoints.

1 Regional / Wallet Share Expansion X 2 Panel Access Expansion X 3 Technology / Solution Enhancement

Proven Track Record in M&A and Strategic Tie-ups

2010 Acquisition* Japan

YAHOO! JAPAN Value Insight

1 2 3

- Doubled Panel Access

2011 Acquisition Netherlands

Oxyme

1 2 3

- Acquired Social Analysis Capabilities

2012 Acquisition Korea

embrain

1 2 3

- Access to Asian Clients and Panels

2012 Joint Venture with Dentsu Japan

電通マクロミル (Dentsu Macromill)

1 2 3

- Securing earnings stability and improving our ability to develop services in new domains

2013 Acquisition USA

PRECISION SAMPLE

1 2 3

- Access to Panels in the US

2014 Acquisition Netherlands

metrixLAB PREDICTING PEOPLE

1 2 3

- Global Client & Panel Base Access

2015 Strategic Alliance Japan

NIKKEI-R

1 2 3

- Access to Solutions for Government

2017 Strategic & Capital Alliance Japan
2018 Acquisition

centan

1 2 3

- Access to Neuro / Biometric Marketing Solutions
- 10% minority investment > 51% majority acquisition

2017 Acquisition USA

acturus Identify. Clarify. Influence.

1 2 3

- Expand expertise, client base and influencer solutions in the US and UK

2017 Strategic & Capital Alliance Indonesia Thailand Vietnam
2019 Acquisition

W&S Holdings market research

1 2 3

- Access to Southeast Asian Client and Panels
- 10% minority investment > 51% majority acquisition

2018 Joint Venture with Hakuhodo (51% Majority Acquisition) Japan

TOKYO SURVEY RESEARCH INC.

1 2 3

- Seeking wallet share expansion and enhancement of online/offline integrated solutions

2019 Asset Purchase Indonesia Thailand Vietnam

DI Asia — Data & Intelligence

1 2 3

- Expand consumer panel in Southeast Asia
- Succession/Acquisition of online panel asset only

Note
* Acquired marketing research business only

Dear Shareholders

Message from Our Global CEO

Realizing our vision, the first truly global digital research company



ACT NOW,
ACT TOGETHER

Scott Ernst
Director, Representative Executive Officer and Global CEO

The fiscal year ended June 2019 was the last 12 months of the previous medium-term business plan, and it was a period of many challenges. While we achieved a robust three-year revenue CAGR of 11% and established a strong position as a global digital research company, we missed some other KPIs. Amidst significant change in the marketing research market, we remain committed to growing faster than the overall market by implementing our new medium-term business plan. We believe this will ensure our stated aspiration to become a top 10 global marketing research company and No. 1 in Japan and No. 1 in Asia.

Achievement and challentes in the previous medium-term business plan

The global marketing research market is expanding at a CAGR of 1.9%*1 and has reached $47.3 billion in size, while the Japanese market is expanding at a CAGR of 3.6%*1 and is now worth $2 billion*2. Digital advertising spend, which correlates closely with the scale of the digital marketing market, is expanding at a rapid CAGR of 11.9%*3 and now stands at $285.3 billion. As marketing research and digital marketing are the two pillars of our business, this represents a substantial market opportunity. In the previous medium-term business plan we aimed to capitalize on this by pursuing three main policies: growing our Japanese business, accelerating our global strategies, and strengthening our next-generation digital services. In addition to these organic growth strategies, we worked to harness inorganic growth through M&A activity to expand our region and wallet share, increase our access to consumer panels, and enhance our technologies and solutions.

Reviewing our achievements in the medium-term business plan, we reached our growth target of robust revenue increase as digital areas drove overall sales, but missed our target for the global business owing in part to the alignment of the internal organization. We secured a satisfactory result in M&A, completing four acquisitions around the world. Through these purchases the Group added excellent talent, solutions and technologies which helped accelerate our market share expansion. However, this success was offset by slowing organic growth, particularly in the final year of the medium-term business plan. As a result, we fell slightly short of our revenue and profit target and expectations, and this continues to be an issue for the Group. In terms of financial leverage, on the other hand, we were able to utilize strong cash flow to lower our net debt / EBITDA ratio below 3x.

The Macromill Group has been able to grow at a faster pace than the market average and our competitors while maintaining industry-leading productivity and profitability. During the three years of the previous medium-term business plan, we moved up four places to 13th in the ranks of global marketing research companies*4, but our ambitions do not end here. Against the backdrop of diversification in consumer data and more

sophisticated marketing methods, the marketing research market is entering a new phase of increasing integration of data usage and research fields. Although there are still challenges in solutions delivery structures and proposal capabilities, we believe that steadfast action to resolve these issues can transform these changes into new growth opportunities.

*1 Historical CAGR for 2013A-2018A
*2 Exchange rate: 1 USD = 110 JPY
*3 eMarketer – Worldwide Ad Spending 2019
*4 ESOMAR/AMA 2018 Report

Our new medium-term business plan

Over the course of finalizing our new medium-term business plan, we conducted over 140 internal and external interviews and held multiple workshops both in Japan and overseas. We also analyzed the Group's core values and the prevailing business environment, as well as holding one-to-one discussions on each strategy to understand what trends were most relevant for the industry overall, our clients, and our competitors.

The overriding aspiration of our new plan is to become a global top 10 marketing research company and the No. 1 in Japan and No. 1 in Asia by 2024. While continuing to grow revenue faster than the overall market, we are committed to achieving a corresponding level of profit growth and to maintaining our industry-leading positions in productivity and profitability. We intend to provide annual guidance with numerical targets that take account of market and industry conditions every year. Moreover, as part of our capital allocation policy, we are adding the option of a flexible program of share buybacks and steadily increasing dividends payments to enhance shareholder return.

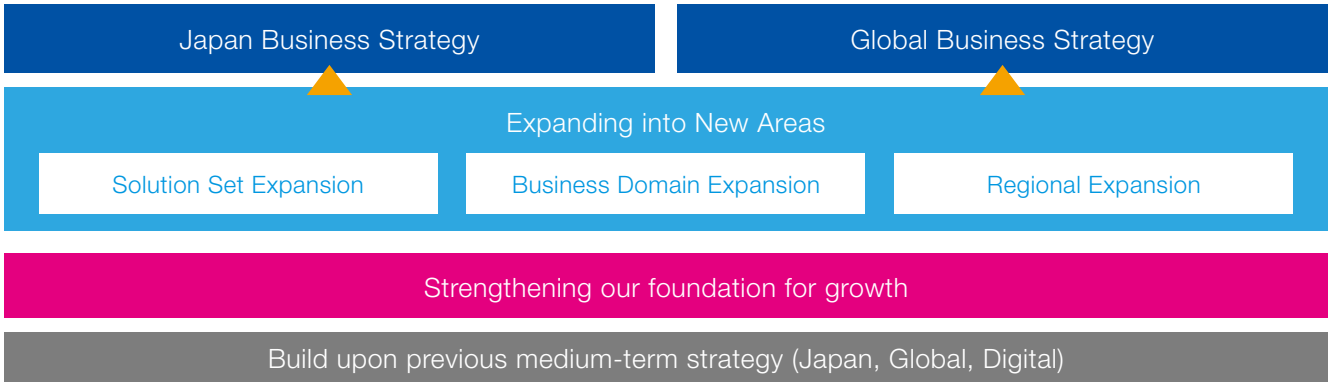
To achieve our goal, we must build upon the focus points of the previous medium-term business plan, namely to expand our share of the core Japanese market, to grow the proportion of revenue from global business, and to accelerate solutions development as a key driver of digital business. We intend to move forward by strengthening our foundation for growth and by expanding into new areas for each of these strategies.

In real terms, strengthening our foundation for growth will require further automation of our research systems and expansion and reinforcement of our proprietary panels and data in order to increase our competitive advantage. In

Previous Medium-term Business Plan—Summary of Achievement

Numerical targets	Achievements in the previous medium-term business plan	
Revenue 10% Growth (3Y CAGR)	Nearly Achieved	■ Three-year CAGR of 11% achieved with M&A contribution ■ Slightly below target three-year CAGR of 9% without inorganic growth (M&A)
M&A	Well Achieved	■ Closed 4 company acquisitions in the 3 years ■ Worked effectively as a revenue accelerator
Global Breakdown 30% to 40%	Not Satisfied	■ 36% achievement, lower than our expectation ■ M&A pushed up growth, but organic growth was volatile
Digital Breakdown 10% to 20%	Well Achieved	■ 20% quarterly, 19% annually, grew achieving expectation ■ Even w/external environmental change (e.g., Google / YouTube)
Profit EBITDA +15% Profit attributable to owners of the parent +20% (3Y CAGR)	Nearly, but Not Satisfied	■ Three-year EBITDA CAGR of +12%, Profit attributable to owners of the parent CAGR of +18%, slightly lower than our expectations ■ Profit growth slowdown due to organic revenue growth slowdown and M&A (consolidation of low margin business)
Leverage Net Debt / EBITDA below 3.0x	Well Achieved	■ Improved faster than our expectation ■ Achieved target leverage ratio in Q3 FY6/19, one quarter earlier than expected

Structuring of the Macromill Group's New Medium-term Business Plan



addition, we will take steps to improve group coordination through initiatives to strengthen corporate governance and enhance working conditions for our employees. This is in line with our aim of providing global services that are sensitive to regional business practices. To expand into new areas, we will promote solution expansion, business domain expansion, and regional expansion.

The aim of these measures is to transform Macromill into a "Research" x "DATA" company. Amid a rise in consumer touchpoints and an increase in the importance of data collection and analysis as the foundation of business, our clients are increasingly collecting and utilizing their own proprietary data. However, client provided data like user data comprised solely of information collected at the time of product registration generally lacks sufficient granularity to be useful in setting marketing strategy. Moreover, ever-stricter regulations on personal data protection and privacy are making it increasingly difficult to obtain valuable information, such as on purchasing patterns and consumer behavior.

In this environment, it is necessary to utilize integrated data sets in order to capture and understand real consumer behavior and insights. Also, direct feedback must be gathered from consumers to help in the evaluation of hypotheses built on this data. We are confident that marketing research remains the most effective method.

The Macromill Group has proprietary panels dedicated to marketing research comprised of around 10 million people around the world, and the strong relationships we have developed with these consumer panels are a critical component of our competitive differentiation. We continue to enhance our strength in proprietary panels in order to collect more extensive and meaningful data. By analyzing these data, and adding to it the results of our research, we are well-positioned to become a partner providing actionable solutions to our clients' marketing issues.

A message for investors

Although we did not manage to achieve all of the KPIs in the previous medium-term business plan, we significantly improved our position in the global market. In our new plan, we commit to growing faster than the market and to delivering our ambitious vision. We believe there is incredible growth potential in the marketing research market, especially given the advent of new innovations in response to the rapid market change. We intend to capture these market opportunities as a way of realizing our vision of becoming the first truly global digital research company. The My Values item I have chosen to pursue in 2020 calls for us to "Act Now, Act Together: From top to bottom, we are agile in putting ideas into action, and responsive to the ever-changing environment. We encourage a spirit of teamwork, collaboration and connectedness across all boundaries". We will endeavor to embody these values as we strive to achieve the goals of the new medium-term business plan. As we make strides toward our Mission, Vision, and Values, everyone at the company will work as one to increase corporate value, and I ask for the continued support of all our shareholders.



Scott Ernst
Director, Representative Executive Officer and Global CEO

Special Feature: Macromill Group's Medium-term Business Plan

In order to achieve further growth, in August 2019 the Macromill Group announced a new medium-term business plan to run from 2020 through 2022. Based around the key themes of "clients", "panels", "data", "technology", and "Mission, Vision, Values", the Group will work to attain the goals of the plan through a variety of initiatives. By pairing organic growth with inorganic growth, we aspire to become a Top 10 firm in the global marketing research market and becoming the No. 1 in Japan and No. 1 in Asia by 2024.

Macromill Group Medium-term Business Plan

Market Position	We aspire to be "**Global Top 10**" and "**No. 1 in Japan and No. 1 in Asia**" by 2024
Revenue	Continue to grow **faster than the market**
Profit	Realize continuous **profit growth** Maintain cost growth*1 below revenue growth—Utilize technology and innovation (AI, RPA, etc.) *1 Excluding new business (such as M&A) contribution
Leverage	Net Debt / EBITDA **2.0x – 2.5x** as a new target
Capital Allocation	Enhance **shareholder return** Stable dividend growth + Share buyback (New addition as an option)

Medium-term Business Plan achieved through….

Client	"**Partner**" relationships Rather than transaction relationships
Panel	Strengthen and expand "**Proprietary panels**" Maintain vertically integrated business model in digital era
Data	"**Aggregated** / **Integrated**" DATA utilization as consumer touchpoints explode
Technology	"Utilize **innovation** and **technology** (AI, RPA, etc.)" in advanced analytics and new value addition to our products
MVV (Mission, Vision, Values)	Continuing our commitment to the MVV—Support for clients' decision making to realize **Sustainable Development Goals (SDGs)**

Special Feature: Macromill Group's Medium-term Business Plan

Message from Our Japan Business Head



Be True,
Be Open

Toru Sasaki
Representative Executive Officer,
Head of Japan Operation

We aspire to be the No. 1 marketing research company in Japan and Asia and to become a "Research" x "DATA" company

Achievements and Challenges in the Previous Medium-term Business Plan

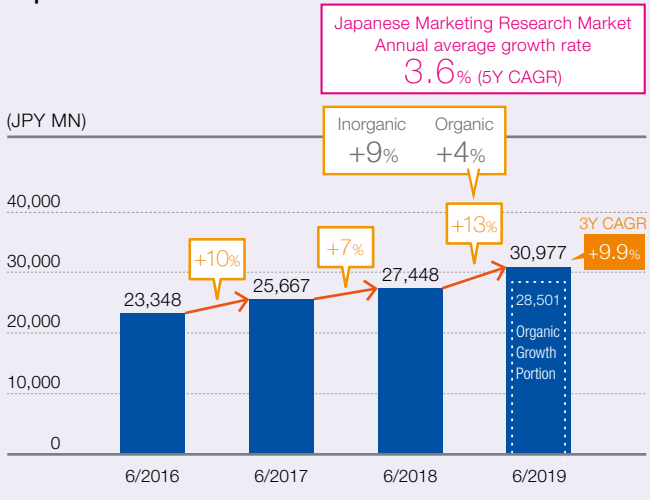
The overall Japanese marketing research market was valued at ¥219 billion in 2018 and is growing at 3.6% per annum (5 year CAGR). The online marketing research market was valued at ¥70.5 billion with 4.2% per annum (5 year CAGR)*1, and continues to expand at a steady pace.

Against this backdrop, we have been able to grow at a faster pace than the market and our competitors, booking revenue CAGR in our Japanese business of 9.9% during the three years of our previous medium-term business plan. Our digital services have been a particularly strong driver of growth, and as a result of strengthening our internal structures through active investment in human resources and technological development, this area saw 50% growth per annum (5 year CAGR) during the previous plan period. In the fiscal year ended June 2019, we took a 51% stake in H.M. Marketing Research (HMM) (formerly Tokyo Survey Research), a subsidiary of Hakuhodo which has a large marketing research budget. This made us the only domestic research company to be involved in joint ventures with both Dentsu and Hakuhodo, and this increased presence has enabled us to increase our market share in the marketing research market.

Despite these successes during our previous medium-term business plan, there was a slowing in our organic growth rate during the second half of the fiscal year ended June 2019, and this represents a major challenge. The robust growth in the market demonstrates that the value of marketing research has certainly not diminished. However, the marketing conditions for our clients are changing rapidly. For example, our clients are increasing the amount of the acquired data based on the rise of consumer touchpoints, Big Data utilization, development of the Artificial Intelligence field, and diversification of marketing tools. Because of this rapid change, our clients are becoming more cost-sensitive. We believe the Company must adapt to this market change. As a consequence, it has become more difficult to select expenditure targets on a limited budget, and we believe this necessitates an even swifter response to changes in market conditions.

*1 Reference: JMRA 44th Annual Business Management Survey, announced by Japan Marketing Research Association (JMRA) in July 2019

Japan Business Revenue



New Medium-term Business Plan

Our goal in the new medium-term business plan is to utilize "Research" and "DATA" more effectively to evolve into a partner that can assist our clients in solving their marketing issues. The Macromill Group has a domestic client base of more than 2,500 companies, and although we have deep relationships across the entire marketing process with some of these clients, that number is still relatively small. We typically engage with clients only after they have decided that research is needed for part of the marketing process. Our aim is to evolve from a "survey company" to a "Research" x "DATA" partner that works with clients to solve broader marketing issues, beyond marketing research alone. This will require not only marketing research data, but also the selection and retrieval of more diverse sources of data. These datasets will provide invaluable consumer insights as a base for building and verifying hypotheses from which to formulate and implement marketing strategy. We intend to collaborate with our clients on issues that go beyond the traditional boundaries of research alone. To that end, we believe we will need to grow our operations by striving to: 1) strengthen existing businesses and supplement these via creation of new businesses; 2) further development of digital business to handle integrated data; 3) venture into new spheres such as consulting; and 4) increase our capability in overseas business, such as Southeast Asia to meet growing demand.

To strengthen our existing businesses, our focus will be on further expanding our already high 35% share of the domestic online research market by continuing to utilize a sophisticated marketing structure and flexible ordering system. In addition, the significant scope expansion in offline research, where our market share is around 10%, we intend to pursue a differentiation strategy in our own way. For instance, turning face-to-face interactions into online interviews, digitalizing the operating process, and automating and visualizing output.

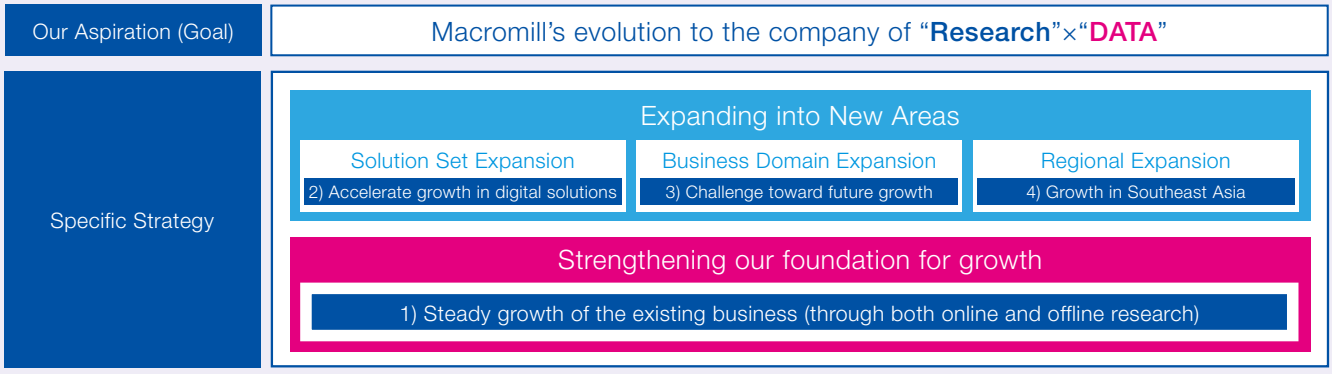
Digital will continue to be a key growth driver of our Japanese business. In particular, the marketing data which we acquire from our proprietary panel with strong relationships and competitive advantage will be a key driver of our growth. While complying with personal data protection rules and gaining permission, we have been able to expand the number of panels for which we have access to digital behavior logs of 900,000 people. Thus, we can cross-analyze up-to-date attribute data with the largest digital behavior logs in the industry. We intend to continue capturing and analyzing a variety of data. We have recently developed a new service to measure the effectiveness of ads at a deeper level using retrieved ecommerce data and beacon-driven locational data, and to continue to strengthening our high value-added solutions.

In consulting, our focus is on enhancing in-house training through a secondment program and academia-industry links, while also working to improve the necessary capabilities by strengthening alliances with external partners through the Macromill Consortium (MC).

To increase our overseas capability, we began a fully fledged expansion into Southeast Asia in April 2019. We now own one of the largest proprietary panel base in Southeast Asia. Client demand for marketing research in Southeast Asia is high, and we expect the online research market to continue its growth in the future. We are endeavoring to continue enhancing our overseas sales capability and to raise productivity, which we intend to connect with further expansion of proprietary panels and panel ID-driven marketing data.

As we have described so far, we believe we have developed significant competitive advantages including; the largest consumer panel network with strong relationships; the access to numerous types of marketing data; and robust marketing capabilities with a network of more than 2,500 client companies. Thus, we have already established a foundation to pursue our goal of becoming a "Research" x "DATA" company. While striving to further expand market share in our existing businesses, we aim to also create new value from the business base we have built to achieve our aspiration of being the No. 1 marketing research company in Japan and Asia.

Medium-term Growth Strategy (Japan Business)



Special Feature: Macromill Group's Medium-term Business Plan

Message from Our Global Business Head



Own it Enjoy it

Willem Matthijs Elias
Executive Officer, Europe and America Operation
MetrixLab CEO

Aspiring to be a Global Top 10 Marketing Research Company, accelerating innovation

Achievements and Challenges in the Previous Medium-term Business Plan

The global marketing research market is valued at $47.3 billion. The five-year average Compound Annual Growth Rate (CAGR) is 1.9%. The online marketing research market is valued at $19.4 billion. The five-year CAGR is 11.6%*1, and expansion continues.

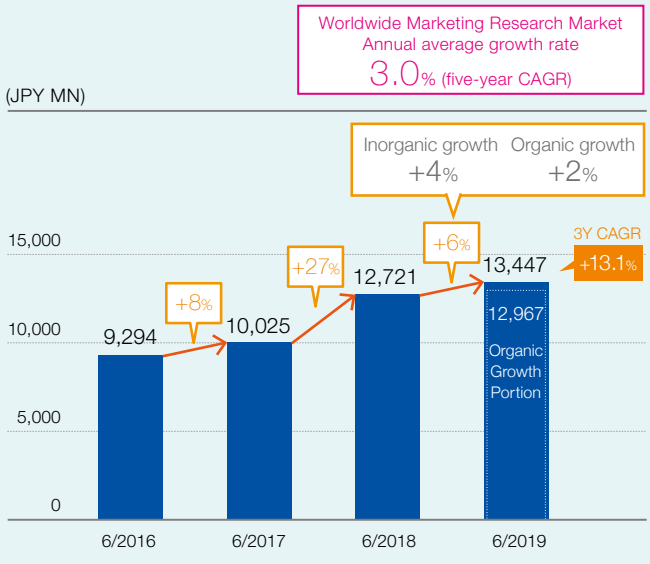
Against this backdrop, we achieved global business revenue CAGR in the three years of the previous medium-term business plan of 13.1% per annum, significantly higher than the market growth. This was in part due to our acquisition of American research agency Acturus in 2017. This opened up access to the US, the world's largest marketing research market, which has helped us to accelerate the expansion of our global footprint. Our global headcount is now in excess of 650, and we have increased the number of our overseas locations from 27 to 33.

On the other hand, our organic growth was slower in the second half of the fiscal year ended June 2019. One key factor was the loss of a large client project in the US, along with the impact from zero base budgeting, especially in the FMCG sector. Zero based budgeting results in clients reassessing their budget commitments from zero each year to maximize more efficient marketing expenditure. While this budgeting has had some short-term negative impact on during this particular period, it has also been of some advantage for us enabling us to secure new clients and projects from competitors.

The competitive environment for marketing research continues to change. Evolving technologies and new innovations, such as in artificial intelligence and machine learning, make it important to leverage advanced analytics and integrate various types of data in order to constantly offer solutions and products that add strong value for clients. This requires us to evolve from a survey company into a consumer insight and data partner in overseas, similar to what we have seen in Japan.

*1 Reference: ESOMAR Global Market Research 2019, announced by European Society for Opinion and Marketing Research (ESOMAR) in September 2019.

Global Business Revenue



New Medium-term Business Plan

The Big 4 established marketing research companies (Nielsen, Kantar, Ipsos, and GfK) occupy a prominent position in the global marketing research market. In order to succeed globally, we must find ways to compete with, and overtake the Big 4. Through our strengths in online and digital areas, we have a competitive advantage in price, flexibility and speed of our services compared to the more conventional research approaches of the Big 4. Despite our status as a relative newcomer, we have an edge in our ability to offer research with a consistent global approaches through our 49 offices spread across 19 countries.

Under our new medium-term business plan, we will continue to enhance the strengths of these existing businesses while, at the same, time rolling-out new initiatives for our three key strategic priorities of expanding solutions for clients, broadening business domain, and reinforcing our geographical focus.

Looking at existing businesses, we will continue to focus on the US, the largest market in the world for marketing research. We will also pursue differentiation by industry, with our main efforts focused on robust partnerships with leading companies in the alcohol and beverages segment and the movie and entertainment segment. At the solutions level, our focus will be on Brand Engagement (BE) to support communication between brands and consumers, and on Product Innovation (PI) to support innovation in new product development and market growth opportunities. We intend to accelerate solution development where we enjoy a competitive edge. A good example is the launch of TEMPO, an advanced brand tracking solution that combines intuitive impressions and logical thinking. Another is Act Instant, our AI-based predictive ad testing solution.

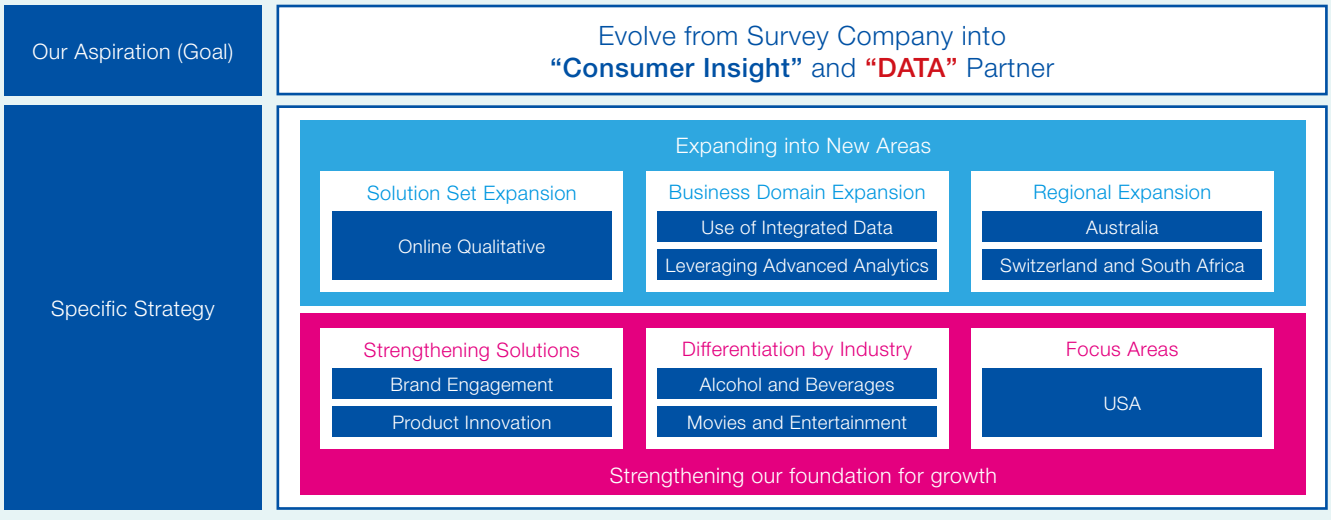
Regarding our first strategic priority of solution expansion, we will develop new initiatives, in particular opportunities in online qualitative research. For example, Immerse, which uses AI to analyze consumer feedback in real time, delivers the sample sizes typically delivered in quantitative research combined with the depth and inspiration provided by qualitative research. Online qualitative research has been well received, and has been used for new product development research by major retail food chains. We are excited to develop such innovative technology-based solutions in line with the needs of our clients.

The key elements of the second strategic priority of business domain expansion, are the use of integrated data and the use of advanced analytics. To improve our understanding of consumer behavior, we believe it is essential to capture the variety of modern interactions. These touchpoints include online activity, TV viewership and other types of media, and social data. In addition, capabilities in advanced analytics that utilize such integrated data will become an essential part of our business solutions. We will collaborate more across the Macromill Group companies to reach this common objective.

Our third strategic priority is reinforcing our geographical focus to respond to the research needs of our global clients. In October 2019, we opened a new office in Australia, the world's eighth largest research market. We are also looking to expand into Switzerland and South Africa, both markets that global companies are increasingly interested in and where they are accelerating research spend.

We will continue to deepen relationships that cross office and national boundaries to unify the Macromill Group into One Team and to evolve into a company that supplies value by combining invaluable consumer insights and data, while aiming to take advantage of growth opportunities to become a top 10 global marketing research company.

Medium-term Growth Strategy (Global Business)



Special Feature: Macromill Group's Medium-term Business Plan

Message from Our Global CFO



BE TRUE,
BE OPEN

Masahiro Shimizu
Executive Officer, Global CFO

Pursuing a balanced approach to enable sustainable growth under our strategic capital allocation policy

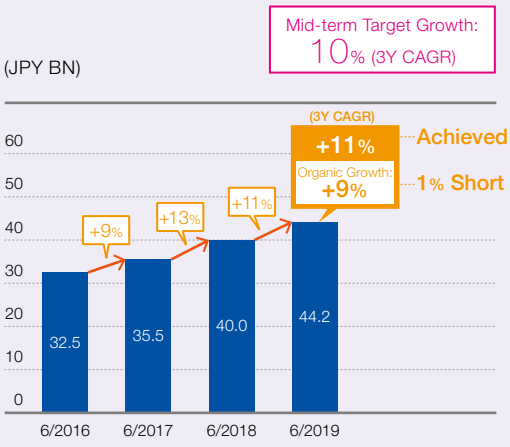
Achievements and Challenges in the Previous Medium-term Business Plan

During the previous medium-term business plan, we worked towards aggressive goals for the marketing research industry, targeting additional growth from M&A to generate revenue CAGR of 10%. Although we were able to successfully accelerate revenue growth through M&A activity, including closing acquisition deals for four companies in Japan and overseas during the three-year life of the plan, organic growth was 9%, falling just short of our target. However, the setting of such an ambitious target illuminated a range of issues that require attention, and I believe we learnt a tremendous amount in the last three years.

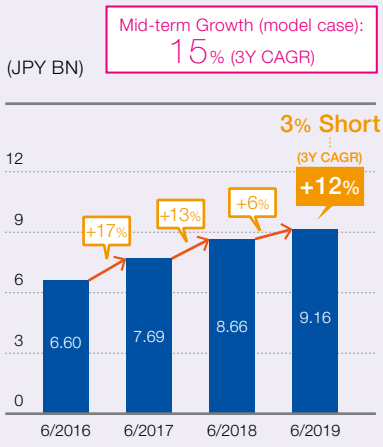
At the profit level, CAGR for EBITDA*1 was 12% and CAGR for profit attributable to the owners of the parent was 18%, and this was largely due to a slight slowdown in organic revenue growth and to adding comparatively low margin companies to the Group via M&A. While these figures were slightly below the level we had modeled in our previous medium-term business plan, the Group remains highly profitable, and we were able to achieve profit expansion that exceeded revenue growth.

On the balance sheet, the ratio of Net Debt*2 to EBITDA*1 Ratio decreased to 2.8x, and we satisfactorily achieved our target of lowering the ratio below 3x. In addition, in July 2018 we issued ¥10 billion in corporate bonds after securing a BBB+ credit rating from

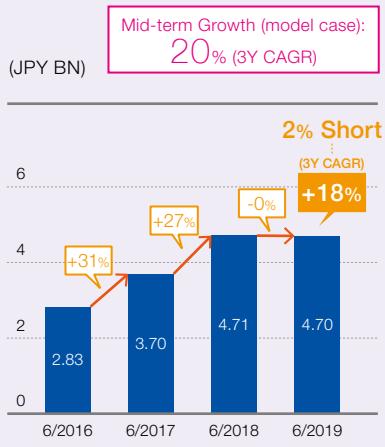
Revenue



EBITDA*1



Profit Attributable to Owners of the Parent



R&I (Rating and Investment Information, Inc.). This enabled us to refinance dollar-denominated and euro-denominated loans taken out at high interest rates of 2-3%, thus lowering our interest costs.

New Medium-term Business Plan

In our new medium-term business plan, we intend to continue our strategic capital allocation policy backed by robust cash flow creation capabilities. That is to say, we will pursue a balanced approach to fund a split between growth investment, debt repayment, and shareholder returns as we seek to achieve sustainable growth.

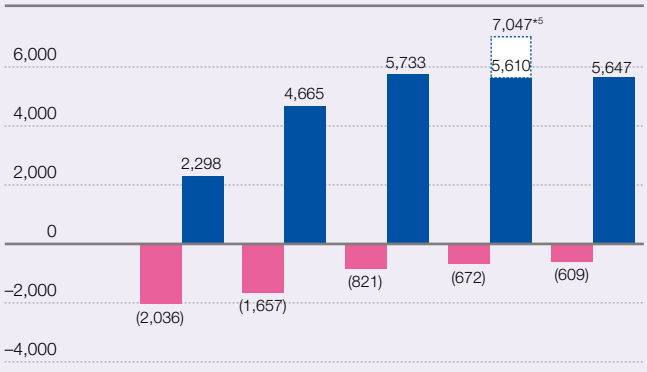
Investment in growth is our highest priority. We intend to seek out investment opportunities, including M&A, where potential returns exceed capital cost, with a stress on investment efficiency measures including ROI and ROIC. In particular, we will invest to accelerate growth in global and digital spheres, while looking to raise operational efficiency and optimize supplied value added. For example, in our global business, we aim to invest in Southeast Asia, where research demand from Japanese clients is high. In our digital business, our investments will be targeted at enabling us to integrate and handle a variety of data more simply and cost effectively. To improve operational efficiency and boost value added, we are investing with the aim of speeding up research processes and further lowering costs. For instance, we will invest in our AIRs cloud-based research core system used mainly in Japan, to increase the processing speed of our collection systems, updating the user interface, and incorporate greater use of AI and RPA.

For debt repayment, we have set a new target of lowering the ratio of net debt*2 to EBITDA*1 from 2.0x to 2.5x, and will continue working to reduce leverage. In terms of shareholder returns, we have been increasing our dividend per share by ¥2 per year, and our aim is to continue steadily increasing dividends. We will also consider a flexible approach to share buybacks as an additional option.

The new medium-term business plan positions the fiscal year ending June 2020 as a period of investment to achieve our aspirations of becoming a global top 10 marketing research company and the No. 1 in Japan and Asia. From June 2021 onward, we intend to build upon the fruits of this investment while continuing strategic capital allocation in order to realize market beating revenue growth. We will also work to keep cost increases within the scope of revenue growth, thereby achieving a level of profit increase in keeping with the pace of revenue expansion.

Solid Cash Flow Generation

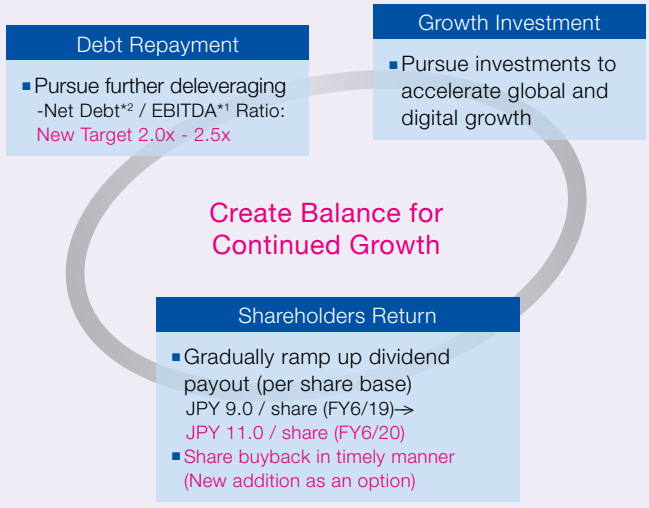
(JPY MN)



	6/2015	6/2016	6/2017	6/2018	6/2019
Net Debt*2 / EBITDA*1 Ratio	7.0x*3	5.0x*3	3.6x*3	3.2x*3	**2.8x***3
Avg. Interest Ratio*4	4.8%	3.7%	2.0%	1.8%	**1.1%**

■ Interest Paid ■ Net Cash Flows Provided by Operating Activities

Capital Allocation Priorities



Notes

*1 EBITDA = Operating Profit + Depreciation and Amortization + Loss on Retirement of Non-current Assets + Impairment Loss

*2 Net Debt = Interest-bearing Debt (Short-term Borrowings + Current Portion of Long-term Borrowings + Long-term Borrowings + Leases Obligations) – Cash and Cash Equivalents

*3 Adjustment EBITDA base. Adjustment EBITDA = EBITDA + M&A-Related Expenses + IPO-Related Expenses + Expenses Related to Going Private Transaction + Management Fee + Refinancing Related Advisory Fees + Retirement Benefits for Retiring Officers

*4 Avg. Interest Rate = (Interest Expense in P/L) / (Avg. Amount of Borrowings at the end of current year and the previous year). Borrowings = Short-term Borrowings + Current Portion of Long-term Borrowings + Long-term Borrowings. However, since we had issued JPY 10BN corporate bonds on July 27, 2018, we had applied a specific method to calculate avg. interest rate for this Q1 6/19 as follows: Q1 6/19 avg. interest rate = (interest expenses paid in Q1 for the existing borrowings + interest expenses paid in Q1 for bonds issued on July 27, 2018) x 4 / (avg. amount of borrowings as of June 30, 2018 and September 26, 2018 (a day before early redemption)) + amount of bonds issued on July 27, 2018)

*5 One-time extraordinary item adjusted base (Public filing figure JPY5,610MN (FY6/18) + No. A/R factoring services in DMI JPY1,437MN (FY6/18)

Special Feature: Macromill Group's Medium-term Business Plan

Message from Our Global CHRO



Own it!
Enjoy it!!

Shinichiro Oka
Executive Officer, Global CHRO

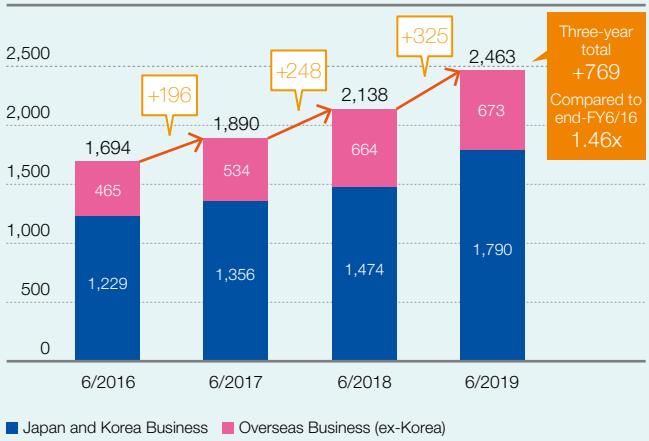
Achieving our "Mission, Vision, and Values" To a corporate group that grows together

Achievements and Challenges in the Previous Medium-term Business Plan

In our previous medium-term business plan, we targeted organic growth in both our domestic and overseas businesses, as well as acceleration in growth via M&A. As a result, we conducted active personnel hiring in our existing businesses, and along with the new workers gained through M&A, adding approximately 770 new full-time colleagues to the Group headcount, an increase to around 1.5x compared to three years ago. Given this development, it was a challenge to understand how we should establish and disseminate the shared goals and values of the Macromill Group, and also how to develop Group human resources. Our first step was to roll out a unified corporate logo across all Group business units in April 2016, and then in July we created the Group's "Mission, Vision, and Values" (please see the inside cover of this report for details). The management team guided the formulation of the "Mission and Vision" to signal the direction and raison d'être the Group is aiming for, while the shared principles represented by the Values were shaped by our workforce. In particular, opinions that came out of the Values Survey completed by all employees were distilled into concrete ideas at a Values Committee Camp attended by 18 employees from seven countries. Having been determined in this manner, the Company believes that all our employees can feel that the Macromill Values represent their own shared sense of value. In addition to displaying them all around us – in our offices, meeting rooms, and on our business cards – we each chose one of the Values to pursue each year, and then recognize individuals and teams that embody our value, and we have been able to put the core corporate culture that is shared throughout the Group into a tangible form.

In terms of human resource development, we established the Talent Exchange Program, a short-term overseas internship program that allows employees to embed in other Group branches and companies located across the globe. This has promoted mutual understanding, knowledge sharing, and HR development within the Group. In addition, by expanding our internal newsletter and intranet services, sharing success stories, and improving internal communication, such as via the Group-wide recognition program, we aim to nurture a corporate culture that enables each

No. of Employees[*1]



Note
*1 Excludes temporary employees

employee to challenge and reach their own potential. At the same time, there are still HR issues we must tackle amid ongoing changes in the business environment. In particular, we believe we must hire and develop personnel who are resilient to change, and build a structure that supports such efforts.

New Medium-term Business Plan

The new medium-term business plan includes policies to drive the Macromill Group forward, and this requires that we respond by expanding employees' skills and capabilities. In order to attract and nurture the human resources that can fulfill the goals of the plan, we must increase the recruitment of colleagues using a more proactive HR strategy, as well as implementing initiatives to continually increase the efficiency of our training and personnel assessment activities.

The changing market necessitates a different approach to recruitment than we used in the past, and it will be crucial to secure talent that can play lead roles in the Group's growth strategy. Currently, we are actively recruiting both new graduates and mid-career workers, and we are focusing on building a strong teams by recruiting additional talent with essential skills to realize reform and growth of our team.

Change is vital in our training and personnel assessment activities, particularly in Japan. In order for Macromill to become a partner that can tackle marketing issues for and with our clients, we must provide our employees with an opportunity where they can gain a deeper knowledge of the marketing and data consulting spheres as well as existing research areas. Offering workers internships at client companies and at firms involved in the Macromill Consortium is one effective way of achieving this. We need employees to accumulate diverse experiences in a variety of scenarios and to have a system that appropriately values these experiences. Employee satisfaction is a crucial yardstick to ensure we are continually raising the effectiveness of these initiatives. We regularly measure employee satisfaction across the entire Group to highlight issues, and work to solve problems by creating action plans. We report progress at all-company meetings and through the internal newsletter, as we aim to steadily improve the working environment and meet the expectations of our employees.

Initiatives to help achieve the Sustainable Development Goals (SDGs) are another important company theme. We believe the company's provision of "invaluable consumer insights" makes a contribution to realizing a sustainable society by assisting client companies to supply products and services that more closely match consumer and social needs. We are also active in a number of other areas, including in promoting diversity and through our Goodmill social contribution activities. The Macromill Group has offices around the world, and we support a culture in which employees in each location voluntarily conduct social contribution activities (please see the section on Sustainability on page 29).

The Macromill Group is comprised of more than 2,400 people from different nationalities, cultures, and histories. While remaining committed to our "Mission, Vision, and Values", we aim to implement a variety of measures based on a proactive human resources strategy that is designed to help each of our employees improve their specialist skills and maximize their performance with a view to achieving the goals of our medium-term business plan.

The Macromill Group unites diverse human resources

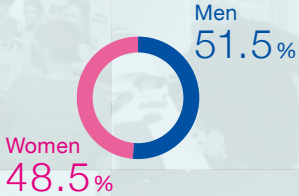
(As of June 30, 2019)

Global offices
49

Number of foreign employees/ Nationalities
966/38

Group employees
2,400+

Proportion of men and women



Sales/Research Professionals
Approx. 660/
approx. 1,400

Number taking childcare leave/ Rate of return to work
(parent company only)
64/96%

MACROMILL GROUP
MACROMILL a Macromill Group company
METRIXLAB a Macromill Group company
EMBRAIN a Macromill Group company
DENTSU MACROMILL INSIGHT a Macromill Group company
H. M. MARKETING RESEARCH a Macromill Group company
M-CUBE a Macromill Group company
MACROMILL CARENET a Macromill Group company
CENTAN a Macromill Group company
MACROMILL SOUTH EASTASIA a Macromill Group company
OXYME a Macromill Group company
PRECISION SAMPLE a Macromill Group company

Management Foundation

Corporate Governance

Basic Mindset on Corporate Governance

We have established a Macromill Code of Conduct to serve as the foundation of the corporate rules that our officers and employees observe in their daily work. Based on our management principles, the Macromill Code of Conduct sets forth details in four key areas—compliance with laws and regulations, proper relations with society, respect for human rights, and sincere corporate activities—in accordance with policies that are essential for the proper and sound development of Macromill. All the Company officers and employees (including full-time workers, contract workers, part-time workers, skilled part-time workers, temporary workers, and seconded workers) fully recognize their necessary social responsibility in the various corporate activities and act in compliance with social ethics. We plan to fully establish and to continue to review and expand our corporate governance system in order to realize sound and transparent corporate management based on the Macromill Code of Conduct.

Overview of Corporate Governance Framework

While enhancing management transparency and fairness by conducting the disclosure of information in a timely manner and keeping compliance management in mind, we are working to maximize our corporate value by proactively pursuing lasting profit. Also, while building and maintaining a management organization that can respond quickly to changes in the social environment and producing harmony between the Company and its stakeholders, we recognize the importance of building an effective Corporate Governance Framework by steering a management course that remains aware of the importance of our shareholders.

Management Audit Functions

■ Board of Directors

As the Company's highest decision-making management entity, the Board of Directors meets one or more times every month and decides on important matters centering on the exclusive authority matters prescribed in Article 416 of the Companies Act. The Board of Directors comprises six directors, four of whom are outside directors. The Company has established the following committees:

(1) Nominating Committee
The body that decides the content of proposals concerning the appointment and dismissal of directors to be submitted to the Shareholders' Meeting. The Nominating Committee comprises three directors, two of whom are outside directors.
(2) Compensation Committee
The Compensation Committee is the body that decides the details of the compensation awarded to individual directors and executive officers. This committee comprises three outside directors.
(3) Audit Committee
Meeting in principle once a month, this is the body that decides on audits with regard to any illegality or impropriety on the part of directors or executive officers in the execution of their business duties. It determines the content of proposals concerning the appointment and dismissal of the accounting auditor to be submitted to the Shareholders' Meeting. The Audit Committee comprises three directors, two of whom are outside directors.

■ Evaluation of the Effectiveness of the Board of Directors

The Company conducted a questionnaire to seek the opinion of each Director regarding the effectiveness of the Company's Board of Directors. As a result of the evaluations, it was confirmed that the actions of the Board of Directors are generally appropriate across all of the questionnaire items, and the evaluation was reached that the Board of Directors is being effective. In order to further increase the effectiveness of the Board of Directors, the Company's Board of Directors will consider and carry out measures to that end and make efforts to improve the functions of the Board of Directors based on consideration of the questionnaire results of the effectiveness of the Board of Directors.

Business Execution Functions

■ Representative Executive Officer, Executive Officers

The Company appoints two representative executive officers from among its executive officers. One of the representative executive officers represents the Company as the chief executive officer and executes the tasks delegated to this office by the resolution of the Board of Directors. The representative executive officers provide the Board of Directors with a monthly report on financial results regarding the monthly closing of accounts, as well as reporting on the status of business execution once a quarter. The executive officers assist the representative executive officers and bear responsibility for the promotion of business execution and for oversight.

■ Executive Officers' Meeting

Comprising the representative executive officers and executive officers, the Executive Officers' Meeting resolves by majority decisions important matters of business execution delegated to it by resolution of the Board of Directors.

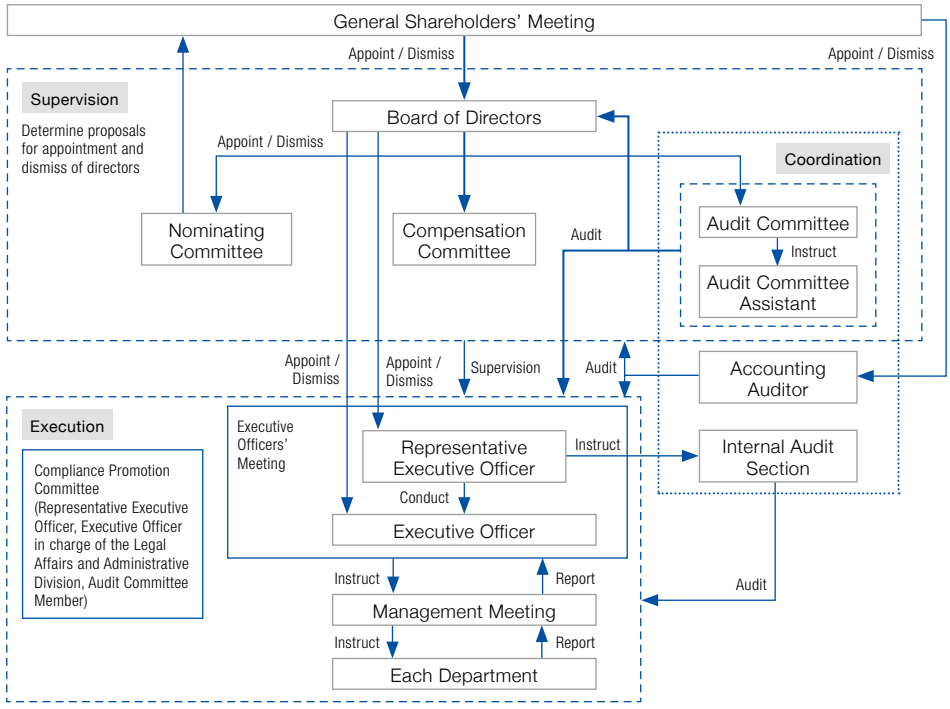
Audits Performed by Audit Committee and Internal Audits

Comprising one director and two outside directors, the Audit Committee performs audits. Routine audits are conducted by two audit assistants appointed by resolution of the Audit Committee. The Company has also established an Internal Audit Section as the department responsible for internal audits. A full-time general manager is assigned to the Internal Audit Section to evaluate the effectiveness of audits and the internal auditing system based on internal audit regulations. The Internal Audit Section, the Audit Committee, and the Accounting Auditor work closely together with regard to the audit system and the scope of audits.

Compliance Promotion Committee

Having established a compliance promotion structure aimed at strengthening and promoting companywide compliance systems, the Company deems a representative executive officer as its chief compliance officer. It has established a Compliance Promotion Committee, chaired by the executive officer in charge of the Legal Affairs and Administrative Division. The Compliance Promotion Committee reviews and promotes policies and measures relating to compliance, promotes and improves compliance systems, and comprehensively manages the thorough awareness of, and compliance with, the corporate philosophy and standards of corporate behavior.

Corporate Governance Framework



Director Compensation

Having established the Compensation Committee, the Company has established policies relating to the determination of the amounts of remuneration and other payments for its directors and executive officers. The Compensation Committee comprises three outside directors and, in cases where matters concerning the remuneration of the committee members themselves are discussed, the committee members do not attend. An outline of the deliberation methods follows.

■ Directors

Director compensation takes into account factors that include a director's career, expert knowledge, level of ability, compensation history, responsibilities and the results of a survey on the compensation levels of other companies, with individual remuneration amounts decided at Compensation Committee meetings. Compensation for directors who have no concurrent executive officer status is comprised of basic compensation (fixed) of an amount that reflects their duties.

■ Executive Officers

Executive officer compensation is decided on an individual basis by the Compensation Committee, and takes into account the required role, the authorities given, and the extent of the responsibilities to be fulfilled in his or her delegated duties as well as the results of a survey on the compensation levels of other companies. The compensation amount consists of "basic compensation (fixed)", and "performance-linked compensation". Performance-linked compensation is decided based on compensation policy and is awarded as an incentive to improve Group business performance. Group revenue and EBITDA are used as the benchmarks for earnings performance, with the total amount paid decided by the following method.

Total amount payable = the total amount based on target criteria for each executive officer x {(a coefficient linked to the rate of achievement of the Group revenue target for the fiscal year x 40%) + (a coefficient linked to the rate of achievement of the Group EBITDA target for the fiscal year x 60%)}

Compensation for Directors and Officers in the fiscal year ended June 30, 2019

Executive Position	Total Compensation Allocation (Millions of yen)	Allocation by Type of Compensation (Millions of yen)			Number of Eligible Recipients
		Fixed compensation	Performance-linked compensation	Retirement Benefits	
Executive Officers	283	149	62	71	6
Outside Directors	34	34	—	—	4
Total	317	183	62	71	10

Management Foundation

Board of Directors and Executive Officers

As of September 25, 2019

Board of Directors



Scott Ernst

Director, Representative Executive Officer and Global CEO

Profile
Joined Toshiba America Medical Systems in 1988. Founded Compete in 2002, and was appointed CEO in 2008. When Compete was acquired by the Kantar Group, the marketing research arm of the WPP Group, served as CEO at the Group's digital marketing solutions unit Millward Brown Digital. Joined Macromill in 2015, serving as Global CEO, Director and Representative Executive Officer.



Naofumi Nishi

Director, Audit Committee Member and Nominating Committee

Profile
Joined McKinsey & Company in 2004. Joined Bain Capital Asia, LLC (now Bain Capital Private Equity Japan, LLC) in 2007. Joined Macromill as an Executive Officer in 2014. Began serving at Macromill as a Director in 2017.



Akie Iriyama

Outside Director (Independent Director), Nominating Committee Member and Compensation Committee Member

Profile
Joined Mitsubishi Research Institute Inc. in 1998. Appointed as an Associate Professor at Waseda Business School in 2013. Joined Macromill as an Outside Director in 2016. Serving Professor at Waseda Business School from 2019.

Reason for selection
Mr. Iriyama's appointment is based on his experience as a consultant for Mitsubishi Research Institute, his research and educational activities as a Professor at Waseda Business School, and his experience as a corporate advisor. Mr. Iriyama was appointed as an Outside Director in line with his ability to provide governance and management advice as a business scholar, as well as monitoring and advice on governance and sound and transparent management from an external perspective.

Executive Officers

Scott Ernst
Representative Executive Officer, Global CEO

Masahiro Shimizu
Executive Officer, Global CFO

Toru Sasaki
Representative Executive Officer, Head of Japan Operation

Willem Matthijs Elias
Executive Officer, Europe and America Operation
MetrixLab CEO

Shinichiro Oka
Executive Officer, Global CHRO



Atsushi Mizushima

Outside Director (Independent Director), Audit Committee Member and Nominating Committee Member

Profile
Joined Nishimura & Partners (now Nishimura & Asahi) in 2005. Became a Partner at Nishimura & Asahi in 2016. Began serving at Macromill as an Outside Director in 2016.

Reason for selection
Mr. Mizushima has strong supervisory capabilities and insight into corporate group compliance to strengthen the Company's compliance and governance system as well as knowledge of international law essential for global expansion. As such, we judge him to be suitable for the role of Outside Director of the Company and have appointed him accordingly.



Lawrence Weber

Outside Director (Independent Director) and Compensation Committee Member

Profile
Joined Figgie International in 1981. Appointed CEO in 1996 at Weber Shandwick, one of the world's largest PR firms. Served as CEO at Advanced Marketing Services, part of the worldwide advertising agency Interpublic Group. Serving as CEO at Racepoint Global from 2006. Joined Macromill as an Outside Director in 2016.

Reason for selection
Mr. Weber's appointment as an Outside Director is based on his extensive knowledge in the field of digital marketing, his years of experience as a business manager, and his ability to strengthen our management as Macromill focuses on becoming a global digital research company.



Shigeru Nishiyama

Outside Director (Independent Director), Audit Committee Member and Compensation Committee Member

Profile
Joined Sanwa & Co. (now Deloitte Touche Tohmatsu LLC) in 1984. Serving as a Professor at Waseda Business School from 2016. Joined Macromill as an Outside Director in 2018.

Reason for selection
Mr. Nishiyama has highly specialized knowledge, professional ethics, and supervising capability as a CPA and a Professor at Waseda Business School, as well as abundant experience as an outside director and outside auditor of listed companies. We expect him to utilize his expertise and experience to contribute to strengthening the Company's governance, especially in the fields of finance and accounting.

Management Foundation

Our Culture

Our Mission at Macromill is to create an environment where employees can maximize their potential. One of the core principles enshrined in our Values is for employees to "Own It, Enjoy It". This highlights the importance we place on enabling everyone to work in their own way. Our corporate culture and systems empower our team to enjoy the process and their achievements. We promote the creation of a corporate culture and systems to enable this.

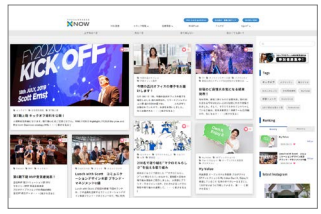
Creating opportunities for employee interaction

We actively support the creation of opportunities for face-to-face interaction between employees. We also endeavor to stimulate internal company communication through expansion of internal media.

Internal newsletter "Macromill Communications" and web-based newsletter "NOW"

The quarterly internal newsletter "Macromill Communications" aims to show the "real" Macromill by delving deeper into company topics in a unique, humorous, and creative fashion. The PR department has full control over the content, free from management involvement, and it also puts considerable thought into the design. The web-based newsletter "NOW" is designed to keep all employees up-to-date on daily company news and activities. "NOW" was recognized with the merit award, the most prestigious award in the intranet internal communications category, and Macromill Communications with the general award in the magazine and newspaper internal communications category in the 2018 general awards for in-house intranet reporting from the Keidanren Business Services for Internal Communications. This was the second successive year that both newsletters have been recognized with awards.





Creating a mutually supportive culture

Macromill values a Group-wide mutually supportive corporate culture, including systems to elect a Most Valuable Player/team (MVP) to praise and recognize each other's work.

Recognition Club

The Recognition Club is a Group-wide Macromill awards program. Each fiscal year, Group companies nominate teams that have made significant contributions to the Group. The teams and their achievements are considered by all Group directors. The teams deemed to have contributed most wins the award. The winning teams are awarded a special trip as thanks for the team's contribution.





Supporting the spirit of challenge and growth

Macromill provides a variety of support to enable each employee to maximize their individual potential and realize personal growth.

Presentation event: "My work"

The Macromill Group holds regular events for employees to present to their co-workers. Topics can be related to their careers, the details of their work, or skills they have acquired. The presenter evaluates their progress by reviewing their professional development journey with Macromill. Audience members are encouraged to use this opportunity to think about their own careers based on the work and skills of others. This program has been the subject of numerous media reports and won the "Good Action Award" from Recruit Career.





Sustainability

Macromill endeavors to contribute to the realization of a sustainable society by creating new value and solving issues through its business activities.

Diversity promotion

The Macromill Group places great importance on promoting diversity to realize its Mission and Vision and embody its Values. The Group now encompasses more than 2,400 employees, and an increasing number of our staff have faced transition in various life stages since the Company was established in 2000. As well as internal growth, the development of a global business with 49 offices across 19 countries has also seen diversification in our customer base. To reflect this changing backdrop, the Macromill Group promotes diversity and respect for differences between employees in order to create an environment in which everyone can maximize their abilities. By enabling our employees to create new value for our customers, we aim to achieve sustainable growth and development.

Macromill Diversity

Diversity Promotion Committee

The Diversity Promotion Committee was established to ensure respect for differences between employees and the creation of an environment in which everyone can maximize their abilities. Its activities are guided by committee members drawn mainly from the directors and each department manager. The committee holds a meeting on a weekly basis to consider improvement measures for different areas.

Committee activities

- Support for improvements to the remote working system
- Activities to assist employees using and returning from maternity leave
- Support for employees balancing work and family care
- Promotion of women's greater participation in the workplace



Guidebook for employees balancing work and childcare


Women's day



"Goodmill" — Social action program

The Goodmill social action program was established in April 2018 with the aim of "making the world better through research". The program involves providing support for solutions to social issues in three main ways: technical support for marketing research at non-profit organizations, multifaceted support at times of natural disaster, and employee-driven social action programs.

Goodmill

Examples of support

Provision of Questant and Milltalk to NPOs on a special free plan basis

Through the provision of customizable research services "Questant" and "Milltalk", Macromill enables an organization to visualize issues and test hypothesis rapidly.

Research support for NPOs

We provide support for NPOs raising and solving social issues.

Our first initiative on December 20, 2018 was to help NPO Katariba demonstrate its effectiveness at implementing the Act of Utilization of Funds Related to Dormant Deposits.

Employee social action activities in various offices


Donation of used books to children (Japan)



Participation in local litter cleanup activities (Japan)



Participation in the Clean Plate Campaign charity activities (Singapore)


Awards ceremony for employees heavily involved in volunteer activities (France)

Corporate Data and Investor Information

Corporate Data (As of June 30, 2019)

Company name:	MACROMILL, INC.
Headquarters:	Shinagawa East One Tower 11F, 2-16-1 Konan, Minato-ku, Tokyo 108-0075, Japan
Established:	January 31, 2000
Paid-in capital:	¥971 million
Number of employees:	1,063 (Non-consolidated) 2,463 (Consolidated)
IR information:	https://group.macromill.com/ir/

Stock Information (As of June 30, 2019)

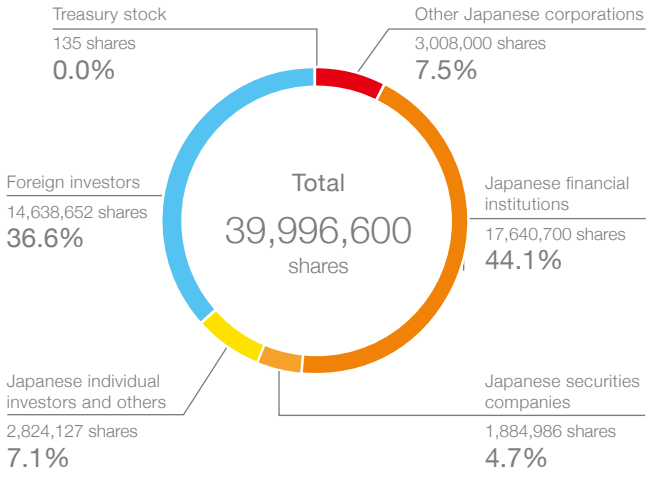
Number of shares issued:	39,996,600
Number of shareholders:	6,705
Stock exchange listing:	First Section of Tokyo Stock Exchange
Ticker code:	3978
General Shareholders' Meeting:	September
Transfer agent:	Mizuho Trust & Banking Co., Ltd.

Top 10 Shareholders (As of June 30, 2019)

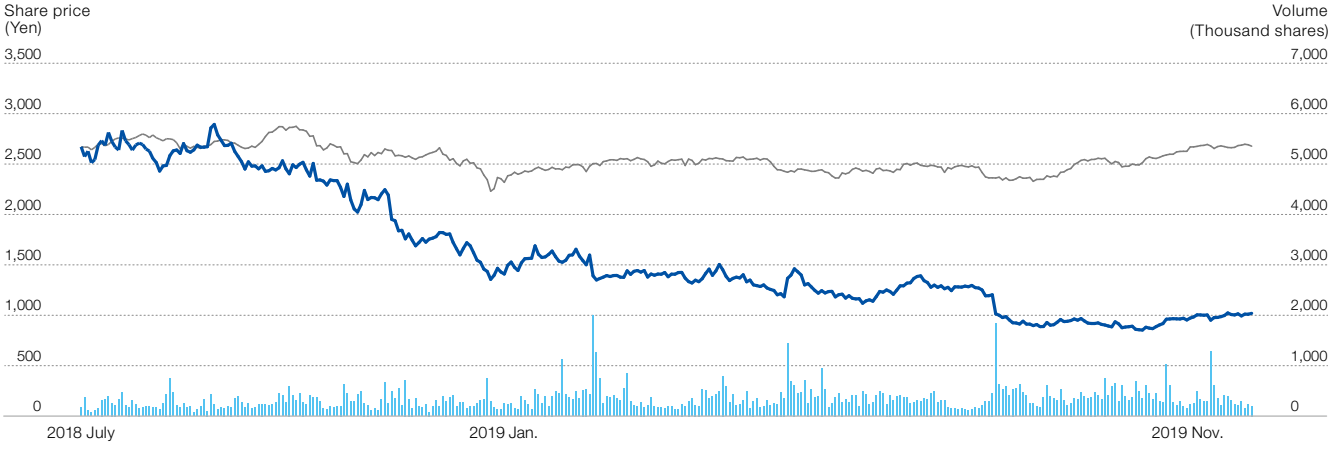
	Number of shares held	Shareholding ratio (%)
Japan Trustee Service Bank, Ltd. (Trust Account)	9,104,400	22.8
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,483,300	8.7
DENTSU INC.	2,930,000	7.3
GOLDMAN SACHS INTERNATIONAL	1,062,493	2.7
The Nomura Trust and Banking Co., Ltd. (Trust Account)	1,023,300	2.6
INDUS JAPAN LONG ONLY MASTER FUND, LTD	945,500	2.4
THE BANK OF NEW YORK MELLON 140042	723,287	1.8
Japan Trustee Service Bank, Ltd. (Trust Account 5)	681,300	1.7
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	647,200	1.6
Japan Trustee Service Bank, Ltd. (Trust Account 9)	623,400	1.6

Note: Shareholding ratios are calculated after deduction of treasury stock (135 shares).

Breakdown of Shareholders (As of June 30, 2019)



Stock Performance



Note: TOPIX is indexed to Macromill's July 2, 2018 closing price of JPY 2,673.

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Management's Discussion and Analysis

Overview of operating results

In the fiscal year ended June 30, 2019 (July 1, 2018 to June 30, 2019), the global economy continued to experience a moderate recovery, despite intensifying trade friction between the US and China, overseas economic trends (particularly China), uncertainty in global policies and the impacts of fluctuations in financial capital markets. Meanwhile, the Japanese economy, despite weakness in certain sectors, continued its path of moderate economic recovery thanks to steady consumer spending supported by improved corporate earnings and a favorable employment environment.

Looking specifically at the market research sector, the total global marketplace reached an estimated value of $47.3 billion, with online accounting for $19.4 billion*1. In Japan, the size of the marketing research sector was ¥219.0 billion for the sector overall, with online marketing research at ¥70.5 billion*2. Both the global and domestic market research sectors are growing steadily, with online marketing research notably outpacing the growth rate of the overall market.

In foregoing conditions, the Group continues to pursue stable growth in the domestic business, to strengthen the foundation of the global business, and to focus on global business development in the digital marketing industry. Specifically, by utilizing the comprehensive handling of a huge amount of diverse data available from unique consumer panels owned by the Company, including attribution, purchase and consumption data and behavioral, awareness and biological data, we have been increasing efforts to provide our clients with innovative insights. Of particular note, in the digital solutions-related business area, we are working to expand business with a focus on data delivery to optimize corporate digital advertising expenditure in Japan and overseas. In the fiscal year, we saw a number of unfavorable situations in terms of the implementation of digital-related businesses, triggered by the enforcement of the General Data Protection Regulation (GDPR) in the EU along with the personal data security breach by a major US-based social media company. However, we see the digital shift that client companies are promoting for their marketing activities as an unstoppable trend in the medium to long term.

In our domestic business, we generated steady growth, reflecting favorable sales of our digital marketing and global research products to a variety of sectors including advertising agencies, services, real estate, automotive and distribution. Furthermore, with the addition of revenue from H.M. Marketing Research, Inc. (renamed from Tokyo Survey Research on October 1, 2018; hereinafter "HMM"), which was converted into a subsidiary by acquiring a 51% share from Hakuhodo Inc. in July 2018, our domestic business revenue grew to ¥30,977 million (up 12.9% year-on-year).

The global operation, while affected by unfavorable exchange rates, maintained solid business transactions with a range of clients, including global alcoholic beverage and cosmetics companies as well as major Korean automotive and electronics manufacturers. In addition, the effect of inclusion of the financial results of Acturus, a US-based company acquired as a subsidiary in October 2017, was reflected until the first quarter, and the financial results of Macromill South East Asia, Inc., which was converted into a subsidiary in April 2019 (renamed from W&S Holdings, Inc. on July 1, 2019), was included, starting from the fourth quarter. As a result, overseas revenue grew 5.7% year-on-year to ¥13,447 million.

The increase in operating expenses was more significant than the rise in revenue due to higher costs associated with the above-mentioned reflection of financial results of companies acquired as subsidiaries through M&A in Japan and overseas, as well as the increase of the number of personnel and enhancement of office space in line with the expansion of businesses in Japan and overseas. In addition, the impact of the recognition of expenses in the first quarter due to refinancing for existing foreign currency-based borrowings, whose interest rates had been rising, by means of the issuance of straight bonds in July 2018, temporarily increased the finance costs as compare to the previous fiscal year. Consequently, with interest expenses steadily decreasing in the second quarter and thereafter, the Interest Coverage Ratio (*3: calculated in the last 12 months) improved 12.89 times (from 11.22 times in the same period of the previous year).

As a result, the Group recorded revenue of ¥44,279 million (up 10.6% year-on-year), earnings before interest, taxes, depreciation and amortization (EBITDA) of ¥9,167 million (up 5.9% year-on-year)*4, operating profit of ¥7,751 million (up 1.9% year-on-year), profit before tax of ¥7,285 million (down 1.2% year-on-year) and profit attributable to owners of the parent of ¥4,702 million (down 0.4% year-on-year) for the fiscal year ended June 30, 2019. Return on equity (ROE: calculated in the last 12 months) stood at 17.1% (down 3.6% year-on-year).

Results by segment

The Company actively seeks to strengthen and expand its business base through M&A and other activity in Japan and overseas and uses EBITDA*4 and operating profit to report the status of the profitability of each segment. This measure enables us to accurately calculate and compare operating results through the size of cash flow generated from each business, as well as reporting more general operating profit in the results by segment below.

	(Millions of yen)		
	2018	2019	Rate of change
Revenue	¥40,024	¥44,279	+10.6%
Japan and Korea Business	30,948	35,020	+13.2%
Overseas Business (ex-Korea)	9,198	9,385	+2.0%
EBITDA*4	8,660	9,167	+5.9%
Japan and Korea Business	7,667	8,073	+5.3%
Overseas Business (ex-Korea)	992	1,093	+10.2%
Operating Profit	7,607	7,751	+1.9%
Japan and Korea Business	7,030	7,091	+0.9%
Overseas Business (ex-Korea)	576	659	+14.4%
Profit before tax	7,372	7,285	–1.2%
Profit attributable to owners of the parent	¥ 4,719	¥ 4,702	–0.4%

Effective from the second quarter of the fiscal year ended June 30, 2019, the segment names have been changed from "MACROMILL Group" and "MetrixLab Group" to the "Japan and Korea Business" and "Overseas Business (ex-Korea)", respectively. The change is only for renaming and has no effect on segment information.

Japan and Korea Business

In the Japan and Korea Business segment, revenue remained firm in Japan, and the Korean subsidiary continued to expand the volume of transactions. In addition, consolidation of the financial results of H.M. Marketing Research, Inc., which became a joint venture with Hakuhodo Inc. after the Company partially acquired its shares in July 2018, and Macromill South East Asia which became a subsidiary in April 2019 contributed to a significant increase in the segment's overall revenue. On the other hand, operating expenses rose significantly year-on-year, reflecting cost increases due to the recruitment of additional employees and enhancement of office space attributable to business expansion, along with rising costs related to the commencement of the consolidation of the said two companies.

As a result, the Japan and Korea Business segment recorded revenue of ¥35,020 million (up 13.2% year-on-year), EBITDA*4 of ¥8,073 million (up 5.3% year-on-year), and operating profit of ¥7,091 million (up 0.9% year-on-year).

Overseas Business (ex-Korea)

In the Overseas Business (ex-Korea) segment, which is operated in the North Americas, Europe, Latin America, Middle East and Asian, excluding Japan and Korea, despite the negative exchange rate impact as mentioned earlier, steady sales were registered for mainstay advertising pre-test materials and advertising/campaign effectiveness measurement products that are mainly used for surveys conducted for the Global Key Accounts*5. However, due to continued proactive efforts to expand the number of employees and business bases for the overseas business, operating expenses increased year-on-year. Even so, with the increase in revenue surpassing the said rise in expenses, the increase in profits was more significant than the increase in revenue.

As a result, the Overseas Business (ex-Korea) segment recorded revenue of ¥9,385 million (up 2.0% year-on-year), EBITDA*4 of ¥1,093 million (up 10.2% year-on-year), and operating profit of ¥659 million (up 14.4% year-on-year).

Notes

*1 Reference: ESOMAR Global Market Research 2019, announced by European Society for Opinion and Marketing Research (ESOMAR) in September 2019.

*2 Reference: JMRA 44th Annual Business Management Survey, announced by Japan Marketing Research Association (JMRA) in July 2019.

*3 Interest Coverage Ratio = (operating profit + interest income + dividends income) / interest expense

*4 EBITDA: Earnings before interest, tax, depreciation and amortization. The Company defines it as operating profit + depreciation and amortization + loss on retirement of non-current assets + impairment loss. The Company uses it as a major management indicator to measure the profitability of each business as it enables us to calculate the size of cash flow generated from each business more accurately.

*5 Global Key Accounts: Corporate groups operating globally by leveraging their large research and marketing budgets that the Company considers as key accounts for the Group to grow further. The Group seeks to increase sales to such accounts on a global basis.

Overview of financial position

At the end of the fiscal year, assets totaled ¥78,321 million, a growth of ¥3,091 million from the end of the previous fiscal year. This was mainly due to increases of ¥978 million in cash and cash equivalents and ¥638 million in other intangible assets.

Liabilities stood at ¥46,039 million, declining ¥1,723 million from the end of the previous fiscal year. The decrease mainly reflected a fall in income tax payable of ¥784 million and a decline in other current liabilities of ¥610 million. There were proceeds from the issue of corporate bonds of ¥9,947 million, while repayments of borrowings were made for the amount of ¥12,507 million. As a result, the ratio of net interest-bearing debts to EBITDA came to 2.79 at the end of the fiscal year.

Equity was worth ¥32,282 million, an increase of ¥4,814 million from the end of the previous fiscal year. The increase was largely attributable to profit for the period of ¥5,262 million, which offset dividends paid of ¥507 million.

State of cash flow

Cash and cash equivalents ("cash") at the end of the fiscal year increased ¥978 million from the end of the previous fiscal year to ¥10,102 million. The status of each of the cash flow segments and contributing factors for the fiscal year are as follows:

Cash flows from operating activities

Net cash provided in operating activities amounted to ¥5,647 million (up ¥37 million year-on-year).

The cash outflow was mainly due to increase in trade and other receivables of ¥979 million, interest paid of ¥371 million, and income taxes paid of ¥2,841 million, which offset profit before tax of ¥7,285 million and depreciation and amortization of ¥1,411 million.

Income taxes paid increased by ¥1,574 million year-on-year owing to income growth and the completion of the carrying-forward of tax loss. Trade receivable turnover in days and trade payable/panel point reserves turnover in days stood at 78.3 days (down 0.4 days year-on-year) and 51.5 days (up 5.0 days year-on-year), respectively.

Cash flows from investing activities

Net cash used in investing activities came to ¥1,819 million (down ¥281 million year-on-year).

The cash outflow primarily reflected acquisition of property, plant and equipment of ¥421 million and acquisition of intangible assets of ¥1,666 million.

Cash flows from financing activities

Net cash used in financial activities was ¥2,845 million yen (up ¥32 million year-on-year).

The cash outflow resulted mainly from repayments of current borrowings of ¥621 million and repayments of non-current borrowings of ¥11,885 million, which offset proceeds from issue of corporate bonds of ¥9,947 million.

Dividend policy

The Company is aware that returning profits to shareholders is an important measure for management. On the other hand, it also considers it important to comprehensively take into account returning profits to shareholders, enhancing internal reserves required for future growth investments and establishing its financial foundation. Therefore, where there are investments which provide a return greater than the Company's cost of capital, the Company implements strategic investments which will lead to an increase in the corporate value, realizes sustainable growth in revenues and profits and prioritizes establishment of a sound financial foundation which enables them. The Company considers that those will contribute to the achievement of its and its shareholders' common interests.

Therefore, with targeting consolidated dividend payout ratio of around 20-30% in the long-term, for the time being, the Company makes it its basic policy to make dividends of surplus to its shareholders in the form of realizing steady and continuous increase in dividends within the scope of the policy above. Regarding the purchase of treasury stock, we plan to consider it flexibly as part of our profit distribution measures, comprehensively taking into account our business development, investment plans, level of retained earnings and trends in business performance.

Moreover, since the Company's Articles of Incorporation provide that "Unless otherwise stipulated, the matters set forth in the respective items of Article 459, Paragraph 1 of the Companies Act such as dividends of surplus shall be determined by a resolution of the Board of Directors, not by the resolution of the general meeting of shareholders", the Company is able to make dividends and repurchase its own share in an agile manner.

Consolidated Statements of Financial Position

MACROMILL, INC. and its Subsidiaries
As of June 30, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Assets			
Current assets			
Cash and cash equivalents	¥ 9,124	¥10,102	$ 93,719
Trade and other receivables	8,744	7,717	71,592
Contract assets	—	1,860	17,255
Other financial assets	4	6	55
Other current assets	536	948	8,794
Total current assets	18,409	20,634	191,427
Non-current assets			
Property, plant and equipment	1,152	1,370	12,709
Goodwill	46,957	46,886	434,975
Other intangible assets	6,605	7,244	67,204
Investments accounted for using the equity method	31	32	296
Other financial assets	1,379	1,341	12,440
Deferred tax assets	690	810	7,514
Other non-current assets	2	0	0
Total non-current assets	56,820	57,687	535,179
Total assets	¥75,230	¥78,321	$726,607
Liabilities and equity			
Liabilities			
Current liabilities			
Borrowings	¥ 2,500	¥ 1,651	$ 15,316
Trade and other payables	3,008	3,698	34,307
Contract liabilities	—	406	3,766
Other financial liabilities	164	394	3,655
Income tax payable	1,756	971	9,008
Provisions	1,020	1,197	11,104
Other current liabilities	2,439	1,829	16,968
Total current liabilities	10,890	10,150	94,164
Non-current liabilities			
Corporate bonds and borrowings	34,534	33,963	315,084
Other financial liabilities	550	148	1,373
Retirement benefit liabilities	190	313	2,903
Provisions	208	264	2,449
Deferred tax liabilities	1,339	1,189	11,030
Other non-current liabilities	48	9	83
Total non-current liabilities	36,871	35,888	332,943
Total liabilities	47,762	46,039	427,117
Equity			
Share capital	880	971	9,008
Capital surplus	11,312	11,507	106,753
Treasury shares	(0)	(0)	(0)
Other components of equity	(96)	(248)	(2,300)
Retained earnings (deficit)	13,165	17,496	162,315
Equity attributable to owners of the parent	25,262	29,726	275,776
Non-controlling interests	2,205	2,556	23,712
Total equity	27,468	32,282	299,489
Total liabilities and equity	¥75,230	¥78,321	$726,607

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥107.79 to $1, the approximate rate of exchange at June 30, 2019.

Consolidated Statements of Operations

MACROMILL, INC. and its Subsidiaries
For the years ended June 30, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Revenue	¥ 40,024	¥ 44,279	$ 410,789
Operating expense	(32,404)	(36,510)	(338,714)
Other operating income	42	28	259
Other operating expenses	(57)	(47)	(436)
Share of the profit on investments accounted for using the equity method	2	2	18
Operating profit	7,607	7,751	71,908
Finance income	528	227	2,105
Finance costs	(763)	(693)	(6,429)
Profit before tax	7,372	7,285	67,585
Income tax benefit (expense)	(2,201)	(2,022)	(18,758)
Profit for the period	5,170	5,262	48,817
Profit attributable to:			
Owners of the parent	4,719	4,702	43,621
Non-controlling interests	450	559	5,186
Profit for the period	¥ 5,170	¥ 5,262	$ 48,817
Earnings per share		Yen	U.S. dollars
Basic (Yen)	¥ 120.21	¥ 117.90	$ 1.093
Diluted (Yen)	115.60	114.94	1.066

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥107.79 to $1, the approximate rate of exchange at June 30, 2019.

Consolidated Statements of Comprehensive Income

MACROMILL, INC. and its Subsidiaries
For the years ended June 30, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit for the period	¥5,170	¥5,262	$48,817
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Financial assets measured at fair value through other comprehensive income (loss)	(35)	(131)	(1,215)
Remeasurements of defined benefit plans	0	4	37
Total items that will not be reclassified to profit or loss	(34)	(127)	(1,178)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	(64)	(148)	(1,373)
Total items that may be reclassified to profit or loss	(64)	(148)	(1,373)
Other comprehensive income (loss), net of tax	(98)	(276)	(2,560)
Comprehensive income for the period	¥5,071	¥4,986	$46,256
Comprehensive income for the period attributable to:			
Owners of the parent	¥4,641	¥4,548	$42,193
Non-controlling interests	429	437	4,054
Comprehensive income for the period	¥5,071	¥4,986	$46,256

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥107.79 to $1, the approximate rate of exchange at June 30, 2019.

Consolidated Statements of Changes in Equity

MACROMILL, INC. and its Subsidiaries
For the years ended June 30, 2018 and 2019

Millions of yen

	Equity attributable to owners of the parent											
				Other components of equity								
	Share capital	Capital surplus	Treasury shares	Financial assets measured at fair value through other comprehensive income (loss)	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Warrants	Total	Retained earnings (deficit)	Total	Non-controlling interests	Total equity
Balance as of July 1, 2017	¥674	¥11,044	¥(0)	¥ 93	¥—	¥(293)	¥200	¥0	¥ 8,627	¥20,346	¥2,005	¥22,352
Profit for the period	—	—	—	—	—	—	—	—	4,719	4,719	450	5,170
Other comprehensive income (loss)	—	—	—	(15)	0	(63)	—	(78)	—	(78)	(20)	(98)
Total comprehensive income for the period	—	—	—	(15)	0	(63)	—	(78)	4,719	4,641	429	5,071
Issue of shares	205	292	—	—	—	—	(89)	(89)	—	408	—	408
Purchase of treasury shares	—	—	(0)	—	—	—	—	—	—	(0)	—	(0)
Share-based payment transactions	—	—	—	—	—	—	84	84	—	84	—	84
Dividends	—	—	—	—	—	—	—	—	(194)	(194)	(231)	(425)
Transfer of capital surplus to retained earnings	—	—	—	(12)	(0)	—	—	(13)	13	—	—	—
Changes in ownership interests in subsidiaries without a loss of control	—	(25)	—	—	—	—	—	—	—	(25)	1	(23)
Total transactions with owners	205	267	(0)	(12)	(0)	—	(5)	(18)	(180)	274	(230)	44
Balance as of June 30, 2018	880	11,312	(0)	64	—	(356)	195	(96)	13,165	25,262	2,205	27,468
Cumulative effects due to changes in accounting policies	—	—	—	—	—	—	—	—	(93)	(93)	(89)	(182)
Balance as of July 1, 2018, reflecting changes in accounting policies	880	11,312	(0)	64	—	(356)	195	(96)	13,071	25,168	2,116	27,285
Profit for the period	—	—	—	—	—	—	—	—	4,702	4,702	559	5,262
Other comprehensive income (loss)	—	—	—	(71)	2	(84)	—	(153)	—	(153)	(122)	(276)
Total comprehensive income for the period	—	—	—	(71)	2	(84)	—	(153)	4,702	4,548	437	4,986
Issue of shares	90	138	—	—	—	—	(48)	(48)	—	180	—	180
Purchase of treasury shares	—	—	(0)	—	—	—	—	—	—	(0)	—	(0)
Share-based payment transactions	—	—	—	—	—	—	49	49	—	49	—	49
Dividends	—	—	—	—	—	—	—	—	(277)	(277)	(230)	(507)
Transfer of capital surplus to retained earnings	—	—	—	2	(2)	—	—	0	(0)	—	—	—
Changes in ownership interests in subsidiaries without a loss of control	—	56	—	—	—	—	—	—	—	56	(87)	(30)
Change from business combination	—	—	—	—	—	—	—	—	—	—	319	319
Total transactions with owners	90	195	(0)	2	(2)	—	0	0	(278)	8	2	11
Balance as of June 30, 2019	¥971	¥11,507	¥(0)	¥ (4)	¥—	¥(441)	¥196	¥(248)	¥17,496	¥29,726	¥2,556	¥32,282

Thousands of U.S. dollars

	Equity attributable to owners of the parent											
				Other components of equity								
	Share capital	Capital surplus	Treasury shares	Financial assets measured at fair value through other comprehensive income (loss)	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Warrants	Total	Retained earnings (deficit)	Total	Non-controlling interests	Total equity
Balance as of June 30, 2018	$8,164	$104,944	$(0)	$ 593	$—	$(3,302)	$1,809	$ (890)	$122,135	$234,363	$20,456	$254,828
Cumulative effects due to changes in accounting policies	—	—	—	—	—	—	—	—	(862)	(862)	(825)	(1,688)
Balance as of July 1, 2018, reflecting changes in accounting policies	8,164	104,944	(0)	593	—	(3,302)	1,809	(890)	121,263	233,491	19,630	253,131
Profit for the period	—	—	—	—	—	—	—	—	43,621	43,621	5,186	48,817
Other comprehensive income (loss)	—	—	—	(658)	18	(779)	—	(1,419)	—	(1,419)	(1,131)	(2,560)
Total comprehensive income for the period	—	—	—	(658)	18	(779)	—	(1,419)	43,621	42,193	4,054	46,256
Issue of shares	834	1,280	—	—	—	—	(445)	(445)	—	1,669	—	1,669
Purchase of treasury shares	—	—	(0)	—	—	—	—	—	—	(0)	—	(0)
Share-based payment transactions	—	—	—	—	—	—	454	454	—	454	—	454
Dividends	—	—	—	—	—	—	—	—	(2,569)	(2,569)	(2,133)	(4,703)
Transfer of capital surplus to retained earnings	—	—	—	18	(18)	—	—	0	(0)	—	—	—
Changes in ownership interests in subsidiaries without a loss of control	—	519	—	—	—	—	—	—	—	519	(807)	(278)
Change from business combination	—	—	—	—	—	—	—	—	—	—	2,959	2,959
Total transactions with owners	834	1,809	(0)	18	(18)	—	0	0	(2,579)	74	18	102
Balance as of June 30, 2019	$9,008	$106,753	$(0)	$ (37)	$—	$(4,091)	$1,818	$(2,300)	$162,315	$275,776	$23,712	$299,489

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Consolidated Statements of Cash Flow

MACROMILL, Inc. and its Subsidiaries
For the years ended June 30, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash flows from operating activities			
Profit before tax	¥ 7,372	¥ 7,285	$ 67,585
Depreciation and amortization	1,052	1,411	13,090
Finance income	(528)	(227)	(2,105)
Finance costs	763	693	6,429
Share of the (profit) loss on investments accounted for using the equity method	(2)	(2)	(18)
Decrease (increase) in trade and other receivables	(2,237)	(979)	(9,082)
Increase (decrease) in trade and other payables	62	174	1,614
Other	840	485	4,499
Sub-total	7,323	8,841	82,020
Interest and dividends received	11	19	176
Interest paid	(456)	(371)	(3,441)
Income taxes paid	(1,267)	(2,841)	(26,356)
Net cash flows provided by (used in) operating activities	5,610	5,647	52,388
Cash flows from investing activities			
Acquisition of property, plant and equipment	(357)	(421)	(3,905)
Acquisition of intangible assets	(669)	(1,666)	(15,455)
Acquisition of a subsidiary	(1,044)	(84)	(779)
Proceeds from acquisition of subsidiary	—	360	3,339
Acquisition of investments	(185)	(42)	(389)
Proceeds from sale of investments	5	3	27
Other	149	31	287
Net cash flows provided by (used in) investing activities	(2,101)	(1,819)	(16,875)
Cash flows from financing activities			
Proceeds from current borrowings	1,007	98	909
Repayments of current borrowings	(1,225)	(621)	(5,761)
Repayments of non-current borrowings	(2,411)	(11,885)	(110,260)
Proceeds from issue of corporate bonds	—	9,947	92,281
Proceeds from issue of shares	408	180	1,669
Dividends paid	(193)	(277)	(2,569)
Dividends paid to non-controlling interests	(231)	(230)	(2,133)
Other	(167)	(56)	(519)
Net cash flows provided by (used in) financing activities	(2,813)	(2,845)	(26,393)
Net increase (decrease) in cash and cash equivalents	696	982	9,110
Cash and cash equivalents at the beginning of the year	8,447	9,124	84,646
Effect of exchange rate changes on cash and cash equivalents	(18)	(3)	(27)
Cash and cash equivalents at the end of the year	¥ 9,124	¥ 10,102	$ 93,719

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