Summary of Consolidated Financial Statements for the Fiscal Year Ended June 30, 2020 [IFRS]

August 31, 2020

Listed Company:	MACROMILL, INC.
Stock Exchange:	Tokyo Stock Exchange
Code Number:	3978
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Scheduled date of ordinary general meeting of shareholders:	September 29, 2020
Scheduled date of the start of dividend payments:	September 30, 2020
Scheduled date to submit annual securities report:	September 30, 2020
Supplementary material for financial results:	Yes
Briefing on financial results:	Yes (for analysts and institutional investors)

1. Consolidated Financial Results for the Year Ended June 30, 2020 (from July 1, 2019 to June 30, 2020)

(1) Consolidated Business Performance

(Amounts of less than one million yen are rounded off.)
(Percentages calculated on year-on-year basis.)

	Revenue		Operating profit		Profit before tax		Profit for the period		Profit attributable to owners of the parent		Total comprehensive income for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended June 30, 2020	41,270	(6.8)	396	(94.9)	8	(99.9)	(1,685)	–	(2,131)	–	(1,847)	–
Year ended June 30, 2019	44,279	10.6	7,751	1.9	7,285	(1.2)	5,262	1.8	4,702	(0.4)	4,986	(1.7)

	Basic earnings per share	Diluted basic earnings per share	Return on equity (ROE)	Return on assets (ROA)	Operating profit to revenue
	Yen	Yen	%	%	%
Year ended June 30, 2020	(52.94)	(52.94)	(7.4)	0.0	1.0
Year ended June 30, 2019	117.90	114.94	17.1	9.5	17.5

(Reference) Investment profit on equity method Year ended June 30, 2020: 2 million yen Year ended June 30, 2019: 2 million yen

(Reference)

	EBITDA		EBITDA margin
	Million yen	%	%
Year ended June 30, 2020	8,651	(5.6)	21.0
Year ended June 30, 2019	9,167	5.9	20.7

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Owners' equity per share
	Million yen	Million yen	Million yen	%	Yen
As of June 30, 2020	77,150	30,736	27,563	35.7	683.61
As of June 30, 2019	78,321	32,282	29,726	38.0	743.23

(3) Consolidated Cash Flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended June 30, 2020	7,785	(2,157)	(2,395)	13,310
Year ended June 30, 2019	5,647	(1,819)	(2,845)	10,102

2. Dividends

	Dividend per share					Total dividends paid	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended June 30, 2019	–	0.00	–	9.00	9.00	359	7.6	1.3
Year ended June 30, 2020	–	0.00	–	11.00	11.00	443	-	1.5
Year ending June 30, 2021 (forecast)	–	0.00	–	11.00	11.00		27.7	

3. Forecast of Consolidated Financial Results for the Year Ending June 30, 2021 (from July 1, 2020 to June 30, 2021)

(Percentages calculated on year-on-year basis.)

	Revenue		Operating profit		Profit before tax		Profit for the year		Profit attributable to owners of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	40,000	(3.1)	3,400	756.5	3,000	–	1,950	–	1,600	–	39.74

(Reference)

	EBITDA		EBITDA margin
	Million yen	%	%
Full year	6,500	(24.9)	16.25

* Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries accompanied by a change in the scope of consolidation): No

New: –

Exclusion: –

(2) Changes in accounting policies and changes of accounting assumptions

(i) Changes in accounting policies as required by IFRS: Yes

(ii) Changes in accounting policies other than (i): No

(iii) Changes in accounting assumptions: No

(3) Number of shares outstanding (common stock)

(i) Number of shares issued (including treasury stock) at the end of the term:

As of June 30, 2020 40,320,300 shares As of June 30, 2019 39,996,600 shares

(ii) Number of shares of treasury stock at the end of the term:

As of June 30, 2020 135 shares As of June 30, 2019 135 shares

(iii) Average number of shares during the period

Year ended June 30, 2020 40,255,415 shares Year ended June 30, 2019 39,889,193 shares

(Reference) Summary of individual operating results

1. Individual operating results for the Year Ended June 30,2020 (From July 1, 2019 to June 30, 2020)

(1) Individual operating results

	Revenue		Operating profit		Recurring profit		Profit for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended June 30, 2020	21,934	△4.3	2,245	△33.3	2,440	△31.2	△2,227	-
Year ended June 30, 2019	22,918	4.6	3,365	△7.1	3,548	△2.4	1,990	2.4

	Earnings per share	Earnings per share after adjustment of potentially dilutive shares
	Yen	Yen
Year ended June 30, 2020	△55.33	-
Year ended June 30, 2019	49.91	48.66

(2) Individual Financial Statement

	Total asset	Net equity	Equity ratio	Book value per share
	Million yen	Million yen	%	Yen
Year ended June 30, 2020	53,477	14,705	27.5	364.71
Year ended June 30, 2019	57,632	17,137	29.7	428.46

(Reference) Net worth equity capital Year ended June 30, 2019 17,137 Million yen Year ended June 30, 2020 14,705 Million yen

<Reason for the difference from the previous fiscal year actual results of the individual operating results>

Macromill recognized a loss on the valuation of shares of subsidiaries and associates and provision of allowance for doubtful accounts in the fiscal year ended June 30, 2020. This creates a difference in the results between the fiscal year ended June 30, 2020 and the fiscal year ended June 30, 2019.

* This summary of financial results is not subject to audits conducted by certified public accountants or audit firms.

* Note regarding proper use of results forecasts and other special comments

(1) The Group applies the International Financial Reporting Standards (hereinafter “IFRS”) to and after the fiscal year ended June 30, 2016.

(2) The forward-looking statements, such as results forecasts, included in this document are based on information available to the management as of the date of the document and certain assumptions that the management considers reasonable. The Company does not promise that the forecasts will be achieved. Actual results may differ significantly due to a range of factors.

(3) EBITDA = operating profit + depreciation and amortization + loss on retirement of non-current assets + impairment loss

(4) EBITDA margin = EBITDA / revenue

(5) EBITDA and EBITDA margin are not the indicators specified by IFRS, but are the financial indicators that the Group considers useful for investors to evaluate the business results of the Group.

(6) EBITDA and EBITDA margin should not be considered as indicators to replace the other indicators shown in accordance with IFRS because they do not include some of the items that affect the profit for the period, so they are subject to significant restrictions as a means of analysis. EBITDA and EBITDA margin disclosed by the Group may be less useful in comparison with the same or similar indicators of other competitors because they are calculated according to a different method from that of such other companies.

Accompanying Materials - Contents

1. Overview of Operating Results, etc. 5
(1) Overview of operating results for the fiscal year ended June 30, 2020 5
(2) Overview of financial position during the fiscal year 9
(3) State of cash flow in the period 9
(4) Future prospects 9
(5) Basic policy on profit distribution and dividends for the current and next fiscal years 10
2. Basic Idea of the Selection of Accounting Standards 11
3. Consolidated Financial Statements and Significant Notes 12
(1) Consolidated Statement of Financial Position 12
(2) Consolidated Statement of Operations 13
(3) Consolidated Statement of Comprehensive Income 14
(4) Consolidated Statement of Changes in Equity 15
(5) Consolidated Statements of Cash Flow 17
(6) Notes to the Consolidated Financial Statements 18
(Notes regarding the premise of a going concern) 18
(Changes in accounting policies) 18
(Segment information) 18
(Operating expense) 20
(Earnings per share) 20
(Significant subsequent events) 20

1. Overview of Operating Results.

(1) Overview of operating results for the fiscal year ended June 30, 2020

(i) Explanation of the operating environment

During the fiscal year (July 1, 2019 to June 30, 2020), the global economy continued to be dogged by trade tensions between the United States and China, as well as many other uncertainties. In addition, global economic activity slowed down significantly due to the Covid-19 pandemic, and therefore the future outlook is unpredictable. To February 2020, the Japanese economy had seen continued improvement in both the employment and income environment and was expected to remain on a moderate recovery path. Since March, however, domestic economic outlook has become extremely difficult following a decline in consumer spending caused by people to refrain from going out, a deterioration in corporate earnings, and other fallout from the Covid-19 pandemic. Recently, the Japanese economy has finally begun to level out.

Looking specifically at the marketing research sector, the total global marketplace reached an estimated value of $47.3 billion, with online marketing research accounting for $19.4 billion (*1). In Japan, the size of the overall marketing research sector was 219.0 billion yen, with online marketing research at 70.5 billion yen (*2). There is concern that the Covid-19 pandemic will have an adverse impact, causing clients to voluntarily cancel corporate activities and leading to contraction in the market in the future. However, the Company believes that, in the medium term, the anticipated adverse impact of Covid-19 may be lessened by the further shift of online marketing research, among other factors.

In this economic and market environment, the Company's results have also recently been affected by the Covid-19 pandemic. More specifically, economic activity and consumer spending have stagnated, as the Japanese government and other governments around the world call on self-restraint from going outside and restrict entry to foreigners. The resulting impact of sudden changes in the schedule and nature of marketing activities has been the delay, downscaling, and/or cancellation of planned research projects. The Group considers the safety and health of its client, consumer panels, employees and other stakeholders to be its top priority and has been implementing measures to prevent the spread of the virus in line with government guidelines in each country. Simultaneously, the Group has been actively implementing measures in response to the changing environment to increase opportunities to use online marketing research, which is the Company's strength, including making new proposals to clients and strengthening its research structure through remote working.

Further, aside from the impact of Covid-19, the business environment surrounding the Group is changing dramatically. The marketing challenges facing clients are becoming increasingly sophisticated and diverse, with more consumer contact points (touchpoints) and more widespread use of all kinds of big data, AI and marketing tools. In the digital-related domain in particular, the business environment has undergone many dramatic changes originating with the enforcement of the General Data Protection Regulation (GDPR) in Europe, and a growing trend for leading platformers to handle personal information more carefully, and this trend is expected to continue in the future. As a result, we can now see cases where the distribution of digital ads - and our clients' operations in this area - are starting to be affected.

In the short term, these changes in the business environment create challenges for the Group. However, marketing activities are indispensable for client companies, and they now need to accurately understand changes in consumers' perception and behavior following the Covid-19 pandemic. We believe that as the Covid-19 impact nears an end, demand for marketing research will gradually recover. In addition, we regard clients shift to digital for their marketing activities as an unstoppable macro trend in the medium- to long-term and believe this will continue to drive the Group's growth.

The Group maintains an active approach to supporting the digitization of marketing activities undertaken by client companies. We believe our solid relationships with our own consumer panels will continue to provide high added value in the age of digitization. The Group has been undertaking initiatives for comprehensively handling a huge amount of diverse data points, including attribution, purchase and consumption data, and behavioral, awareness and biological data, which are available from these consumer panels. The Group aims to address the changes in the business environment by proactively offering new consumer insights obtained through these initiatives as its proprietary services to client companies.

(ii) Explanation of the operating results

An overview of the Group's operating results follows:

Consolidated financial results (Million yen unless otherwise indicated)	Fiscal year ended June 30, 2019 (Previous fiscal year)	Fiscal year ended June 30, 2020 (Fiscal year)	Increase/decrease	Change %
Revenue	44,279	41,270	△3,009	△6.8%
Japan and Korea Business	35,020	33,025	△1,995	△5.7%
Overseas (ex-Korea) Business	9,385	8,380	△1,005	△10.7%
EBITDA	9,167	8,651	△516	△5.6%
Operating profit	7,751	396	△7,355	△94.9%
Profit before tax	7,285	8	△7,277	△99.9%
Profit or loss attributable to owners of parent	4,702	△2,131	△6,833	－

At beginning of the fiscal year, the Group implemented IFRS 16 Leases. With the adoption of IFRS 16 for all lease contracts, in principle, the lessee shall recognize the right to use an underlying asset over the lease period and the obligation to make a lease payment as a right-of-use asset and a lease liability, respectively. Under the former standard, IAS 17, lease payments for operating leases were expensed as rents, but under IFRS 16, depreciation of right-of-use assets and interest costs for lease liabilities will be expensed. As a result, with the adoption of IFRS 16, rents decrease while the depreciation of right-of-use assets increases, so EBITDA will rise. The effects of the implementation of IFRS 16 were negligible on each line of our consolidated statement of operations for the fiscal year, namely revenue, operating profit, profit before tax and profit for the period. (For details, please refer to (6) Notes to Consolidated Financial Statements in 3. Consolidated Financial Statements and Significant Notes later in this material.)

In the fiscal year, revenue resulted in 41,270 million yen (down 6.8% year-on-year) as both the Japan and Korea Business and the Overseas Business (ex-Korea) segments were affected by the Covid-19 pandemic. (For an overview of results by segment, please refer to "(iii) Explanation of operating results by segment" in the following section).

In terms of expenses, the Company conducted active cost control by significantly reducing outsourcing expenses which has a high variable cost factor and reducing Employee expenses and other expenses which have a high fixed cost factor, in line with the decline in revenue. On the other hand, the Company decided to record an impairment loss of 5,280 million yen for goodwill linked to the Overseas Business (ex-Korea) segment because it became difficult to recover the amount of investments in light of the segment's operating results for the fiscal year ended June 30, 2020 and future profitability. Because this loss will be posted as an operating loss based on the rules of IFRS, it will have an impact on all profits including operating profit. Therefore, all operating profit, profit before income tax, and profit or loss attributable to owners of the parent decreased significantly year-on-year in the consolidated fiscal year ended June 30, 2020.

Consequently, the Group recorded earnings before interest, taxes, depreciation and amortization (EBITDA) (*3) of 8,651 million yen (down 5.6% year-on-year), operating profit of 396 million yen (down 94.9% year-on-year), profit before tax of 8 million yen (down 99.9% year-on-year) and loss attributable to owners of the parent of △2,131 million yen for the fiscal year . It should be noted that the higher EBITDA is due to the application of IFRS 16 described above. The IFRS 16 implementation had an impact on the financial results by business segments, which will be discussed later.

Return on equity (ROE calculated using the data for the preceding 12 months) stood at △7.44%. The interest coverage ratio (*4: calculated in the last 12 months) resulted in 1.05 times (from 12.89 times in the prior fiscal year).

(iii) Explanation of operating results by segment

The overview of operating results by segment of the Group follows:

Consolidated financial results by segment (Million yen unless otherwise indicated)	Fiscal year ended June 30, 2019 (Previous fiscal year)	Fiscal year ended June 30, 2020 (Fiscal year)	Increase/decrease	Change %
Revenue	44,279	41,270	△3,009	△6.8%
Japan and Korea Business	35,020	33,025	△1,995	△5.7%
Japan	30,998	29,447	△1,551	△5.0%
Korea	4,039	3,595	△443	△11.0%
Overseas (ex-Korea) Business	9,385	8,380	△1,005	△10.7%
US	4,549	4,021	△528	△11.6%
Europe	3,768	3,188	△580	△15.4%
ROW	1,069	1,171	+102	+9.5%
Segment EBITDA	9,167	8,651	△516	△5.6%
Japan and Korea Business	8,073	8,006	△67	△0.8%
Overseas (ex-Korea) Business	1,093	645	△448	△41.0%
Segment profit or loss	7,751	396	△7,355	△94.9%
Japan and Korea Business	7,091	5,712	△1,379	△19.4%
Overseas (ex-Korea) Business	659	△5,315	△5,974	–

(Japan and Korea Business)

In Japan, revenue decreased year-on-year, reflecting the impact of large clients, in particular, implementing strict spending control or cutting expenditure on marketing research activities during the first quarter. In the second quarter, we focused on activities to sell digital marketing products including DMP solutions (*5), one of our key business areas, while taking steps to enhance our sales capabilities. Consequently, revenue in Japan for the period recovered to the level achieved in the corresponding period of last year. While the upward trend continued subsequently, the Covid-19 pandemic began having an impact from the third quarter, and revenue declined once again. In the fourth quarter, revenue decreased substantially as the impact was further magnified. As a result, revenue also fell on a full-year basis (down 5.0% year-on-year). Specifically, business was affected by the delay or cancellation of offline research projects which were due to be conducted face-to-face, especially from March. In addition, in the fourth quarter, the postponement or cancellation of offline research projects and projects in the digital field had an impact as client companies reduced their marketing budget and advertisements.

In Korea, revenue from projects for public organizations increased from the second quarter, and maintained revenue growth on a local currency basis in the third quarter by winning orders related to the election. In the fourth quarter, however, revenue dropped due to the impact of the Covid-19 pandemic. In addition, revenue fell in yen basis(down 11.0% year-on-year) due to continued unfavorable exchange rates.

Consequently, the Japan and Korea Business segment recorded much less revenue than in the previous fiscal year (down 17.3% year-on-year) in the fourth quarter of the consolidated fiscal year and recorded revenue of 33,025 million yen (down 5.7% year-on-year) on a cumulative basis, falling below the level in the previous fiscal year. Looking at expenses, while the segment worked to reduce Outsourcing expenses and personnel expenses following the current business conditions, segment

profit also decreased to 5,712 million yen (down 19.4% year-on-year), strongly affected by the fall in revenue and a rise in system-related expenses.

(Overseas Business (ex-Korea))

In the Overseas Business (ex-Korea), we operate in North America, Europe, Latin America, the Middle East and certain Asian countries other than Japan and Korea. In this segment, we made progress with the development of new clients and the sale of mainstay advertising pre-test solutions that are mainly used for surveys conducted for the Global Key Accounts (*6). As a result, revenue for the first six months on a local currency basis remained strong. However, there were moves to review marketing activities, especially among global companies, in response to the Covid-19 pandemic, and demand for research among clients fell sharply. As a result, the Group also began experiencing the impact, mainly in the United States and Europe, from the third quarter with the cancellation or downscaling of research projects that it had expected to be ordered, and the impact became greater in the fourth quarter. In addition, the adverse impact of exchange rates continued.

As a result, revenue in the fourth quarter of the consolidated fiscal year was much smaller than in the previous fiscal year (down 40.9% year-on-year) and stood at 8,380 million yen (down 10.7% year-on-year) on a cumulative basis, falling significantly below the year-ago level. Turning to expenses, the segment worked to reduce operating expenses associated with the fall in revenue. However, because the segment recorded an impairment loss of 5,280 million yen for goodwill linked to the segment, as mentioned above, the segment posted a loss of △5,315 yen, significantly lower than the year-ago level.

Financial results including revenue of MACROMILL EMBRAIN CO., LTD. in the Japan and Korea Business segment are prepared based on the Korean won, while revenue and other financial results of the Overseas Business (ex-Korea) are prepared based on the Euro. The exchange rates used for each are below.

Computation period (12 months)	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020	Change rate
JPY/EUR (Yen)	126.89	119.88	△5.5%
JPY/KRW (Yen)	0.0985	0.0909	△7.7%

The following exchange rates were calculated for three-month period ended June 30, 2020 based on the sales revenues.

Computation period (Three months)	Three-month period ended June 30, 2019	Three-month period ended June 30, 2020	Change rate
JPY/EUR (Yen)	123.41	117.65	△4.7%
JPY/KRW (Yen)	0.0939	0.0879	△6.4%

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) 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.

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

(5) DMP: Data Management Platform, a technology platform used for collectively managing and analyzing big data accumulated on online servers and log data in a company's website and ultimately optimizing an action plan of marketing activities for online advertising campaigns and product development. DMP Solutions are a series of services aimed at enhancing our customers' DMP, including support for establishing DMP, consumer panel data supplied regularly to a customer's DMP, and additional research to augment or compensate for the data stored on DMP.

(6) 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.

(2) Overview of financial position during the fiscal year ended June 30, 2020

At the end of the fiscal year, assets totaled 77,150 million yen, a decrease of 1,170 million yen from the end of the previous fiscal year. This was mainly due to a decrease in goodwill of 5,345 million yen.

Liabilities stood at 46,414 million yen, up 374 million yen from the end of the previous fiscal year. The increase primarily reflected a rise in lease liabilities of 2,806 million yen.

Equity was worth 30,736 million yen, a decrease of 1,545 million yen from the end of the previous fiscal year. The decrease was largely attributable to dividends paid of 732 million yen and loss for the period of 1,685 million yen.

(3) Overview of cash flows in the period of fiscal year ended June 30, 2020

Cash and cash equivalents ("cash") at the end of the fiscal year increased 3,208 million yen from the end of the previous fiscal year to 13,310 million yen. 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 7,785 million yen (up 2,138 million yen year-on-year).

This was mainly due to a decrease in trade and other receivables of 1,925 million yen, income taxes paid of 1,958 million yen and interest paid of 295 million yen, which were offset by impairment losses of 5,280 million yen, and depreciation and amortization of 2,783 million yen.

Trade receivable turnover in days and trade payable/panel point reserves turnover in days stood at 65.6 days (down 12.7 days year-on-year) and 45.5 days (down 6.0 days year-on-year), respectively.

(Cash flows from investing activities)

Net cash used in investing activities came to 2,157 million yen (up 338 million yen year-on-year).

The cash outflow primarily reflected acquisition of intangible assets of 1,402 million yen and acquisition of property, plant and equipment of 520 million yen.

(Cash flows from financing activities)

Net cash used in financial activities was 2,395 million yen (down 45 million yen year-on-year).

This resulted mainly from repayments of long-term borrowings of 1,651 million yen and repayments of lease obligations of 1,290 million yen, which offset proceeds from share issuance to non-controlling shareholders of 850 million yen.

(4) Future prospects

Financial results forecast for the Group for the fiscal year ending June 30, 2021 are as follows.

Consolidated financial results forecast (Million yen unless otherwise indicated)	Fiscal year ended June 30, 2020 (Fiscal year)	Fiscal year ended June 30, 2021 (Forecasts for the following fiscal year)	Increase/decrease	Change %
Revenue	41,270	40,000	(1,270)	(3.1%)
EBITDA	8,651	6,500	(2,151)	(24.9%)
Operating profit	396	3,400	3,004	756.5%
Profit before tax	8	3,000	2,992	-
Profit or loss attributable to owners of parent	(2,131)	1,600	3,731	-

As stated in "(1) Overview of operating results for the fiscal year ended June 30, 2020" above, the adverse impact of the Covid-19 pandemic is continuing on a worldwide level, and client companies have canceled or postponed research projects as they re-examine their marketing activities. While the path to the end of the Covid-19 pandemic is still unclear, we have anticipated that the impact would continue for the foreseeable future in our financial results forecast for the fiscal year ending June 20, 2021. Specifically, we assume that the impact will remain profound in the first half, and that research projects will decline overall. While we assume that our business, particularly our mainstay online research, will recover in the second half, we expect that the impact will continue to negatively effect offline research and global research projects.

Meanwhile, we believe that structural changes are occurring in client companies as a result of the coronavirus pandemic. Specifically, remote working has become normal, and online research is making further progress. In addition, new needs for

identifying changes in consumer perspectives and behavior more quickly are arising from the Covid-19 pandemic. Moreover, with the client companies digital transformation (DX) accelerates, marketing DX is a focus and creates increased demand for data utilization. We expect that these changes will have a positive impact on the Company's business performance with its strengths in the online and digital domains over the medium- to long-term. While our business performance is currently negatively affected, it is our goal to maximize these positive impacts and achieve future growth by responding promptly to these structural changes.

Under these circumstances, we will continue to aim to evolve into a "Research x DATA" company in the Japan business, as set out in our mid-term business plan. We partially abolished the division of labor system (organization by function) in July, converting it into a system able to accompany client companies (organization by business). At the same time, we are stepping up our efforts to become a partner who will work with client companies to solve their marketing issues, by further cooperating with outside companies such as the Macromill Consortium (MC) and improving our ability to handle projects in the Business Process Re-engineering and data consulting domains. We are also promoting the development and provision of services that flexibly respond to customer needs, including new digital-related services and new solutions tailored to the new lifestyles driven by the COVID-19 pandemic.

In the Korea Business, we aim to expand digital-related services by preparing diverse big panel data, including the acquisition of purchase panel data, which we have already implemented in Japan.

In the Overseas Business (ex-Korea), there are many global research projects across countries and regions, and this research will be strongly affected by the Covid-19. Therefore, its impact may be more prolonged compared with the Japan and Korea Business. For this reason, we have set a policy of considering the selection and concentration of services as needed, while assessing the situation in each region.

We expect that revenue for the fiscal year ending June 30, 2021 will decline to 40,000 million yen (down 3.1% year on year), despite these efforts.

As for expenses, we expect that outsourcing and panel expenses will decrease along with the fall in revenue. In addition, we will continue to reduce fixed costs of employee and other expenses. . However, given that these efforts will stop short of fully offsetting the falling revenue because of the high proportion of fixed costs and given that system-related expenses will increase, operating expenses are expected to increase overall.

However, as an impairment loss of 5,280 million yen was recorded for goodwill linked to the Overseas Business (ex-Korea) in the fiscal year ended June 30, 2020, operating profit, profit before tax and profit attributable to owners of the parent in the fiscal year ending June 30, 2021 are expected to increase significantly from the fiscal year ended June 30, 2020 as a reaction.

The above forecasts are based on the assumption of JPY/EUR 120.00 yen and JPY/KRW 0.0900 yen.

In addition, the above financial results forecasts were made based on the information available as of the date this document was prepared, and therefore actual results may differ from the forecast figures due to a variety of factors.

(5) Basic policy on profit distribution and dividends for the current and next fiscal years

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, the Company maintains its basic policy of considering the flexible purchase as part of its measures to return profits to shareholders, comprehensively taking into account our business development, investment plans, level of retained earnings and trends in business performance.

However, the Company thinks that it is more desirable to increase liquidity on hand in the short term, given that drastic changes in the business environment following the coronavirus pandemic are currently continuing. Therefore, the Company wishes to defer an increase in dividend per share for the following fiscal year and consider the purchase of treasury stock again after the Company is able to forecast the termination of the coronavirus pandemic and a recovery in its 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.

In accordance with these plans, we will pay a dividend of 11 yen per share for the current fiscal year (ended June 30, 2020) and are forecasting 11 yen per share for the next fiscal year (ending June 30, 2021), leaving it unchanged from the current fiscal year.

2. Basic Idea of the Selection of Accounting Standards

The Group adopted the IFRS in the fiscal year ended June 30, 2016 to increase the international comparability and convenience of its financial information in the capital market.

3. Consolidated Financial Statements and Significant Notes

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of June 30, 2019	As of June 30, 2020
Assets		
Current assets		
Cash and cash equivalents	10,102	13,310
Trade and other receivables	7,717	6,233
Contract assets	1,860	1,291
Other financial assets	6	19
Other current assets	948	1,183
Total current assets	20,634	22,039
Non-current assets		
Property, plant and equipment	1,370	1,316
Right-of-use assets	—	2,798
Goodwill	46,886	41,541
Other intangible assets	7,244	7,241
Investments accounted for using equity method	32	35
Other financial assets	1,341	1,308
Deferred tax assets	810	791
Other non-current assets	0	79
Total non-current assets	57,687	55,111
Total assets	78,321	77,150
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	1,651	1,651
Lease liabilities	—	1,314
Trade and other payables	3,698	2,738
Contract liabilities	406	327
Other financial liabilities	394	66
Income taxes payable	971	734
Provisions	1,197	1,224
Other current liabilities	1,829	2,276
Total current liabilities	10,150	10,335
Non-current liabilities		
Bonds and borrowings	33,963	32,733
Lease liabilities	—	1,492
Other financial liabilities	148	20
Retirement benefit liability	313	275
Provisions	264	437
Deferred tax liabilities	1,189	1,106
Other non-current liabilities	9	12
Total non-current liabilities	35,888	36,079
Total liabilities	46,039	46,414
Equity		
Share capital	971	1,049
Capital surplus	11,507	11,937
Treasury shares	△0	△0
Other components of equity	△248	△436
Retained earnings	17,496	15,013
Total equity attributable to owners of parent	29,726	27,563
Non-controlling interests	2,556	3,173
Total equity	32,282	30,736
Total liabilities and equity	78,321	77,150

(2) Consolidated Statement of Operations

(Millions of yen)

	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020
Revenue	44,279	41,270
Operating expenses	△36,510	△35,545
Other operating income	28	153
Other operating expenses	△47	△5,484
Share of profit of investments accounted for using equity method	2	2
Operating profit	7,751	396
Finance income	227	108
Finance costs	△693	△496
Profit before tax	7,285	8
Income tax expense	△2,022	△1,694
Profit (△loss)	5,262	△1,685
Profit (△loss) attributable to		
Owners of parent	4,702	△2,131
Non-controlling interests	559	445
Profit (△loss)	5,262	△1,685
Earnings (△loss) per share		
Basic earnings (△loss) per share	117.90	△52.94
Diluted earnings (△loss) per share	114.94	△52.94

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020
Profit (△loss)	5,262	△1,685
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	△131	7
Remeasurements of defined benefit plans	4	18
Total of items that will not be reclassified to profit or loss	△127	26
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	△148	△188
Total of items that may be reclassified to profit or loss	△148	△188
Other comprehensive income	△276	△162
Comprehensive income	4,986	△1,847
Comprehensive income attributable to		
Owners of parent	4,548	△2,265
Non-controlling interests	437	418
Comprehensive income	4,986	△1,847

(4) Consolidated Statement of Changes in Equity

	Equity attributable to owners of parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at beginning of period	880	11,312	△0	64	—	△356
Cumulative effect of accounting change	—	—	—	—	—	—
Restated balance	880	11,312	△0	64	—	△356
Profit (loss)	—	—	—	—	—	—
Other comprehensive income	—	—	—	△71	2	△84
Total	—	—	—	△71	2	△84
Issuance of new shares	90	138	—	—	—	—
Purchase of treasury shares	—	—	△0	—	—	—
Share-based payment transactions	—	—	—	—	—	—
Dividends	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	2	△2	—
Changes in ownership interest in subsidiaries	—	56	—	—	—	—
Increase (decrease) by business combination	—	—	—	—	—	—
Total transactions with owners	90	195	△0	2	△2	—
Balance at end of period	971	11,507	△0	△4	—	△441
Profit (loss)	—	—	—	—	—	—
Other comprehensive income	—	—	—	14	9	△158
Total	—	—	—	14	9	△158
Issuance of new shares	77	126	—	—	—	—
Share-based payment transactions	—	—	—	—	—	—
Dividends	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	2	△9	—
Changes in ownership interest in subsidiaries	—	266	—	—	—	—
Other Changes	—	36	—	—	—	△0
Total transactions with owners	77	429	—	2	△9	△0
Balance at end of period	1,049	11,937	△0	12	—	△599

	Equity attributable to owners of parent					
	Other components of equity		Retained earnings	Total	Non-controlling interests	Total
	Share acquisition rights	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at beginning of period	195	△96	13,165	25,262	2,205	27,468
Cumulative effect of accounting change	—	—	△93	△93	△89	△182
Restated balance	195	△96	13,071	25,168	2,116	27,285
Profit (loss)	—	—	4,702	4,702	559	5,262
Other comprehensive income	—	△153	—	△153	△122	△276
Total	—	△153	4,702	4,548	437	4,986
Issuance of new shares	△48	△48	—	180	—	180
Purchase of treasury shares	—	—	—	△0	—	△0
Share-based payment transactions	49	49	—	49	—	49
Dividends	—	—	△277	△277	△230	△507
Transfer from other components of equity to retained earnings	—	0	△0	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	56	△87	△30
Increase (decrease) by business combination	—	—	—	—	319	319
Total transactions with owners	0	0	△278	8	2	11
Balance at end of period	196	△248	17,496	29,726	2,556	32,282
Profit (loss)	—	—	△2,131	△2,131	445	△1,685
Other comprehensive income	—	△134	—	△134	△27	△162
Total	—	△134	△2,131	△2,265	418	△1,847
Issuance of new shares	△49	△49	—	155	3	158
Share-based payment transactions	19	19	—	19	—	19
Dividends	—	—	△359	△359	△245	△605
Transfer from other components of equity to retained earnings	—	△7	7	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	266	579	846
Other Changes	△15	△15	0	20	△138	△117
Total transactions with owners	△45	△52	△352	102	199	301
Balance at end of period	151	△436	15,013	27,563	3,173	30,736

(5) Consolidated Statements of Cash Flow

(Millions of yen)

	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020
Cash flows from operating activities		
Profit before tax	7,285	8
Depreciation and amortization	1,411	2,783
Impairment losses	—	5,280
Finance income	△227	△108
Finance costs	693	496
Share of loss (△profit) of investments accounted for using equity method	△2	△2
Decrease (△increase) in trade and other receivables	△979	1,925
Increase (△decrease) in trade and other payables	174	△930
Other	485	575
Subtotal	8,841	10,027
Interest and dividends received	19	12
Interest paid	△371	△295
Income taxes paid	△2,841	△1,958
Net cash provided by (used in) operating activities	5,647	7,785
Cash flows from investing activities		
Purchase of property, plant and equipment	△421	△520
Proceeds from sale of property, plant and equipment	—	29
Purchase of intangible assets	△1,666	△1,402
Payments for acquisition of subsidiaries	△84	△279
Proceeds from acquisiton of subsidiaries	360	—
Purchase of investments	△42	—
Proceeds from sale of investments	3	53
Other	31	△38
Net cash provided by (used in) investing activities	△1,819	△2,157
Cash flows from financing activities		
Proceeds from short-term borrowings	98	—
Repayments of short-term borrowings	△621	—
Proceeds from long-term borrowings	—	273
Repayments of long-term borrowings	△11,885	△1,651
Proceeds from issuance of bonds	9,947	—
Repayments of lease liabilities	—	△1,290
Proceeds from issuance of shares	180	155
Dividends paid	△277	△360
Dividends paid to non-controlling interests	△230	△372
Capital contribution from non-controlling interests	—	850
Other	△56	—
Net cash provided by (used in) financing activities	△2,845	△2,395
Net increase (△decrease) in cash and cash equivalents	982	3,232
Cash and cash equivalents at beginning of period	9,124	10,102
Effect of exchange rate changes on cash and cash equivalents	△3	△24
Cash and cash equivalents at end of period	10,102	13,310

(6) Notes to the Consolidated Financial Statements

(Notes regarding the premise of a going concern)

None applicable.

(Changes in accounting policies)

The Group has been applying the following standards since the beginning of the first quarter.

IFRS		Description of New Standards/Amendments
IFRS No. 16	Lease	Revision of accounting treatment of leases

The Group determines that a contract contains a lease when the right to control the use of an identified asset is transferred for a period of time in exchange for consideration at the start of the contract.

The Group has chosen not to recognize right-of-use assets and lease liabilities for short-term leases with a lease term of 12 months or less and leases of low-value assets.

A right-of-use asset is initially measured at the historical cost, which includes the restoration costs of the underlying asset required by the lease contract in the initial value of a relevant lease liability. A lease liability is initially measured at the present value of lease payments that are not paid on the commencement date of the lease. If the interest rate implicit in the lease cannot be readily determined, a lessee's incremental borrowing rate will be used as the discount rate.

Following the initial recognition, a right-of-use asset is depreciated over the useful life of the asset or its lease period on a straight-line basis, whichever is shorter. Each lease payment is allocated to a finance cost and a repayment of the relevant lease liability in accordance with the interest method. The finance cost is recognized on the consolidated statement of operations. The repayment of the lease liability is posted on the consolidated statement of cash flows as an item to reduce cash flows from financing activities.

When applying IFRS 16, the Group has adopted a method of recognizing cumulative effects at the date of initial application by retroactively applying this standard in accordance with the transition requirements. The Group has chosen to take a practical expedient when determining whether an arrangement contains a lease or not at the time of applying IFRS 16, and follows the criteria as set forth in IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease.

The Group recognizes right-of-use assets and lease liabilities for lessee's leases that had been previously classified as operating leases under IAS 17 at the date of its initial application.

The Group recognized right-of-use assets and lease liabilities in the amount of 2,813 million yen each at the date of initial application of IFRS 16.

Lease liabilities are measured at the present value of lease payments that are not paid at the date of the initial application of IFRS 16. The weighted average of the lessee's incremental borrowing rate used to measure lease liabilities as of the date of the initial application was 2.4%.

There are differences in value between non-cancellable operating leases as of the end of the preceding consolidated fiscal year and lease liabilities recognized on the consolidated statement of financial position at the date of the initial application, and the primary factor for the differences is that the cancellable operating leases worth 2,807 million yen are posted as assets as a result of applying IFRS 16.

The Group has adopted the following practical expedients when applying IFRS 16:

- Application of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Accounting of leases ending within 12 months of the date of initial application by the same method as for short-term leases
- Exclusion of initial direct costs from the measurement of the right-of-use assets as of the date of initial application
- Use of hindsight for determining the lease term if the contract contains an option to extend or terminate the lease

(Segment information)

(1) Overview of reportable segments

The reportable segments of the Group are a constituent unit of the Company whose financial information is available separately, subject to regular review by the Board of Directors for the purpose of determining the allocation of management resources and the evaluation of business results. There are two reportable segments. One is the Japan and Korea Business and the other is the Overseas Business (ex-Korea), which operates in North Americas, Europe, Latin America, Middle East and certain Asian countries, excluding Japan and Korea.

The "Japan and Korea Business" consists of the Company and its subsidiaries, including DENTSU MACROMILL INSIGHT, INC., a joint venture with the advertising agency, H.M. Marketing Research, Inc., and MACROMILL EMBRAIN CO., LTD., which operates the Korean business.

"Overseas Business (ex-Korea)" consists of subsidiaries in the North Americas, Europe, Latin America, Middle East and Asian sales territories, excluding Japan and Korea.

(2) Revenues and business results by segment

Financial results including revenue of MACROMILL EMBRAIN CO., LTD. in the Japan and Korea Business segment are prepared based on the Korean won, while revenue and other financial results of the Overseas Business (ex-Korea) are prepared based on the euro. The each rate of exchange is below.

Computation period (12 months)	Fiscal year ended June 30, 2019 (June 30, 2019)	Fiscal year ended June 30, 2020 (June 30, 2020)	Change rate
JPY/EUR (yen)	126.89	119.88	(5.5%)
JPY/KRW (yen)	0.0985	0.0909	(7.7%)

Fiscal year ended June 30, 2019

Millions of yen

	Reportable segments				
	Japan and Korea Business	Overseas Business (ex-Korea)	Total	Reconciliations	Consolidated
Revenue					
External	35,000	9,278	44,279	–	44,279
Intersegment	19	107	126	(126)	–
Total	35,020	9,385	44,406	(126)	44,279
Segment profit (Operating profit)	7,091	659	7,751	–	7,751
Finance income					227
Finance costs					(693)
Profit before tax					7,285
(Other profit and loss items)					
Depreciation and amortization expenses	978	433	1,411	–	1,411

Fiscal year ended June 30, 2020

Millions of yen

	Reportable segments				
	Japan and Korea Business	Overseas Business (ex-Korea)	Total	Reconciliations	Consolidated
Revenue					
External	32,987	8,283	41,270	–	41,270
Intersegment	38	96	134	(134)	–
Total	33,025	8,380	41,405	(134)	41,270
Segment profit (Operating profit)	5,712	(5,315)	396	–	396
Finance income					108
Finance costs					(496)
Profit before tax					8
(Other profit and loss items)					
Depreciation and amortization expenses	2,101	681	2,783	–	2,783
Impairment loss	–	5,280	5,280	–	5,280

(Operating expense)

The breakdown of operating expense is as follows.

	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020
	Millions of yen	Millions of yen
Employee expense	16,323	16,044
Panel expense	6,402	6,448
Outsourcing expense	5,974	5,212
Depreciation and amortization	1,411	2,783
Others	6,397	5,057
Total	36,510	35,545

(Earnings per share)

The basic earnings (loss) per share and diluted earnings (loss) per share are as follows.

	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020
Profit (loss) attributable to owners of the parent (million yen)	4,702	(2,131)
Adjustment	–	–
Profit (loss) used for calculating diluted earnings (loss) per share (million yen)	4,702	(2,131)
Weighted-average number of ordinary shares outstanding during the period	39,889,193	40,255,415
Increase in the number of ordinary shares	1,026,584	-
Weighted-average number of ordinary shares outstanding during the period - diluted	40,915,777	40,255,415
Basic earnings (loss) per share (yen)	117.90	(52.94)
Diluted earnings (loss) per share (yen)	114.94	(52.94)

Overview of dilutive shares not included in the calculation of the amount of fully diluted basic earnings per share due to absence of dilutive effect	Sixth warrants (15,500 shares of common stock) Seventh warrants (158,500 shares of common stock) Eighth warrants (145,000 shares of common stock) Ninth warrants (33,000 shares of common stock) Tenth warrants (12,000 shares of common stock)

(Significant subsequent events)

None applicable.