Summary of Consolidated Financial Statements for the First Nine-Month Period of the Fiscal Year Ending June 30, 2021 [IFRS]

May 13, 2021

Listed Company:	MACROMILL, INC.
Stock Exchange:	Tokyo Stock Exchange
Code Number:	3978
URL:	https://www.macromill.com
Representative:	Toru Sasaki, Representative Executive Officer, Global CEO
Contact:	Masahiro Shimizu, Executive Officer, Global CFO
Tel:	+81-3-6716-0706
Scheduled date to submit quarterly report:	May 14, 2021
Scheduled date of the start of dividends payment:	–
Supplementary material for quarterly financial results:	Yes
Briefing on quarterly financial results:	Yes (for analysts and institutional investors)

1. Consolidated Financial Results for the First Nine-Month Period of the Fiscal Year Ending June 30, 2021 (from July 1, 2020 to March 31, 2021)

(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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First nine-month period of the year ending June 30, 2021	33,105	(1.3)	5,147	(14.9)	4,789	(17.4)	3,337	(15.2)
First nine-month period of the year ended June 30, 2020	33,552	(2.0)	6,049	(11.4)	5,798	(10.6)	3,935	(14.7)

	Profit attributable to owners of the parent		Total comprehensive income for the period		Basic earnings per share	Diluted basic earnings per share
	Million yen	%	Million yen	%	Yen	Yen
First nine-month period of the year ending June 30, 2021	2,734	(21.3)	3,435	(8.6)	67.80	67.37
First nine-month period of the year ended June 30, 2020	3,475	(15.6)	3,760	(16.6)	86.37	85.44

(Reference)

	EBITDA		EBITDA margin
	Million yen	%	%
First nine-month period of the year ending June 30, 2021	7,554	(7.2)	22.8
First nine-month period of the year ended June 30, 2020	8,141	3.8	24.3

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Million yen	Million yen	Million yen	%
As of March 31, 2021	79,302	33,517	29,883	37.7
As of June 30, 2020	77,150	30,736	27,563	35.7

2. Dividends

	Dividend per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended June 30, 2020	–	0.00	–	11.00	11.00
Year ending June 30, 2021	–	0.00	–		
Year ending June 30, 2021 (forecast)				13.00	13.00

(Note) Revisions from dividends forecasts announced most recently: Yes

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	42,500	3.0	4,700	1084.0	4,200	–	2,900	–	2,300	–	57.09

(Note) Revisions from financial results forecasts announced most recently: Yes

(Reference)

	EBITDA		EBITDA margin
	Million yen	%	%
Full year	7,900	(8.7)	18.6

* 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:	No
(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 March 31, 2020	40,365,000 shares	As of June 30, 2020	40,320,300 shares

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

As of March 31, 2020	135 shares	As of June 30, 2020	135 shares

(iii) Average number of shares during the period

Nine months ended December 31, 2020	40,326,235 shares	Nine months ended December 31, 2019	40,236,030 shares

* Summaries of quarterly consolidated financial statements are 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 has decided to conduct a share buyback program at the Board of Directors meeting held on May 13, 2021. The basic earnings per share in the financial forecasts have been included the impact of share buyback.

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

(3) 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 on 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.

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

(5) EBITDA margin = EBITDA / revenue

(6) 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.

(7) 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 of that of other such companies.

Accompanying Materials - Contents

1. Qualitative Information about Consolidated Financial Results for the Quarter 3
(1) Overview of operating results for the first nine months 3
(2) Explanations about financial position 7
(3) Explanations about forward-looking information including forecast of consolidated financial results 8

1. Qualitative Information about Consolidated Financial Results for the Quarter

(1) Overview of operating results for the first nine months

(i) Explanation of the operating environment

During the first nine months (July 1, 2020 to March 31, 2021), the global economy saw vaccination campaigns and other moves aimed at reducing the impact of the Covid-19 pandemic in some countries and regions. However, the situation differed by region, and therefore the outlook for the future remained uncertain amid moves to restrict economic activities once again. In Japan, too, the outlook for the end of the crisis remained uncertain, with a state of emergency declared for the second time in regions facing a surge in Covid-19 cases in January. Restrictions on economic activities were imposed once again in response to the resurgence of the disease, causing concerns over a prolonged negative impact on the economy.

Looking specifically at the marketing research sector, the total global marketplace reached an estimated value of $46.4 billion, with online marketing research accounting for $20.5 billion (*1). In Japan, the size of the overall marketing research sector was 229.1 billion yen, with online marketing research valued at 76.1 billion yen (*2). Although there is concern that the market will contract in the future due to the impact of the Covid-19 pandemic, the anticipated adverse effect could be alleviated by the marketing research sector shifting even further online in the medium term.

In this economic and market environment, the Group's results continued to be negatively affected by the pandemic, but the effect gradually diminished and there were growing indications of a recovery. The Group considers the safety and health of its clients, consumer panels, employees and other stakeholders to be its top priority. Therefore, the Company has been implementing measures to prevent the spread of the virus in line with government guidelines for each region. Simultaneously, the Group has been actively implementing measures in response to the changing business environment to increase opportunities to use online marketing research, which is the Company's strength. This includes making new proposals to clients and strengthening the research structure through remote working.

Aside from the impact of Covid-19, the business environment in which the Group operates is changing dramatically. Clients' marketing issues are becoming increasingly sophisticated and diverse, with more consumer touchpoints than ever, and the increasingly widespread use of all kinds of big data, AI and marketing tools. In the digital-related domain in particular, changes in the business environment have been accelerating. This is partly because the regulations for handling personal information are being strengthened worldwide, and the revised Act on the Protection of Personal Information will be enforced in Japan. Consequently, leading platform operators are experiencing a growing trend of handling personal information more carefully, which is expected to continue. As a result, we can now see cases where the distribution of digital advertising by our clients is starting to be affected.

In the short term, these changes in the business environment may create challenges for the Group. However, marketing activities are indispensable to client companies. New demand to accurately understand changes in consumers' perception and behavior are emerging as a result of Covid-19. In addition, we regard the shift to digital in clients' marketing activities as an unstoppable trend in the medium- to long-term. We understand that the 'New Normal' obligated by the spread of coronavirus, including client moves to promote Digital Transformation (DX), will lend further impetus to this trend.

The Group maintains an active approach to supporting the digitization of marketing activities undertaken by client companies. Our solid relationships with our consumer panels will continue to provide 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 is as follows:

Consolidated financial results (Million yen unless otherwise indicated)	Nine months ended March 31, 2020	Nine months ended March 31, 2021	Increase/decrease	Change %
Revenue	33,552	33,105	-446	-1.3%
Japan and Korea Business	26,680	26,568	-111	-0.4%
Overseas (ex-Korea) Business	6,971	6,649	-321	-4.6%
EBITDA	8,141	7,554	-587	-7.2%
Operating profit	6,049	5,147	-902	-14.9%
Profit before tax	5,798	4,789	-1,008	-17.4%
Profit attributable to owners of the parent	3,475	2,734	-741	-21.3%

During the first nine months of the fiscal year under review, while revenue in both the Japan and Korea Business and the Overseas Business (excluding Korea) segments continued to be affected by the Covid-19 pandemic, demand from corporate customers for marketing research showed signs of a recovery and revenue increased in both segments in the third quarter. As a result, consolidated revenue decreased to 33,105 million yen (down 1.3% year-on-year). (For an overview of results by segment, refer to "(iii) Explanation of operating results by segment" in the following section).

In terms of expenses, while travel, transportation, and other expenses decreased due to restrictions on traveling, outsourcing and personnel expenses increased in line with the recovery of revenue and improvement of the operational team structure. Depreciation associated with system investments made in prior years also grew.

Consequently, the Group recorded earnings before interest, taxes, depreciation and amortization (EBITDA) (*3) of 7,554 million yen (down 7.2% year-on-year), operating profit of 5,147 million yen (down 14.9% year-on-year), profit before tax of 4,789 million yen (down 17.4% year-on-year) and profit attributable to owners of the parent of 2,734 million yen (down 21.3% year-on-year) for the period.

Return on equity (ROE calculated using the data for the preceding 12 months) stood at -9.2% (down 22.2 percentage points year-on-year). It would have been 7.1% (down 6.0 percentage points year-on-year) excluding the impairment loss of goodwill recognized in the fourth quarter of the fiscal year ended June 30, 2020. The interest coverage ratio (*4: calculated in the last 12 months) resulted to -1.3 times (from 17.5 times in the corresponding period of the prior fiscal year). It would have amounted to 12.7 times excluding the impairment loss of goodwill recognized in the fourth quarter of the fiscal year ended June 30, 2020.

(iii) Explanation of operating results by segment

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

Consolidated financial results by segment (Million yen unless otherwise indicated)	Nine months ended March 31, 2020	Nine months ended March 31, 2021	Increase/decrease	Change %
Revenue	33,552	33,105	-446	-1.3%
Japan and Korea Business	26,680	26,568	-111	-0.4%
Japan	23,816	23,308	-508	-2.1%
Korea	2,870	3,272	＋402	＋14.0%
Overseas (ex-Korea) Business	6,971	6,649	-321	-4.6%
US	3,301	3,146	-155	-4.7%
Europe	2,614	2,471	-143	-5.5%
Other	1,056	1,033	-23	-2.2%
Segment EBITDA	8,141	7,554	-587	-7.2%
Japan and Korea Business	7,303	7,060	-243	-3.3%
Overseas (ex-Korea) Business	837	494	-343	-41.0%
Segment profit or loss	6,049	5,147	-902	-14.9%
Japan and Korea Business	5,718	5,182	-536	-9.4%
Overseas (ex-Korea) Business	331	-34	-366	-110.5%

(Japan and Korea Business)

In Japan, despite the impact of the Covid-19 pandemic, demand for marketing research from client companies was on a recovery trend as economic activities gradually resumed. The Group implemented flexible sales and delivery structure in response to customer needs and continued to focus on the sale of digital marketing products, including DMP Solution (*5). During the third quarter, the Group suspended the operation of a part of its offline research services in response to the second declaration of a state of emergency. Consequently, revenue in the offline research remained below the revenue of the previous year. However, overall revenue in the Japan Business continued to grow from the second to the third quarters thanks to revenue from online research and digital area which surpassed the sales of the previous year. The level of year-on-year revenue decline shrunk in the first nine months year-to-date base.

In Korea, the movement to substitute offline research with online research accelerated, following the Covid-19 pandemic. The Group, which has strength in online research, maximized this business opportunity and continued to grow revenue from online research. Sales activities in the digital area, including the panel big data service, were also steady. As a result, the Group achieved double-digit year-on-year growth in revenue in the Korea Business during the first nine months of the fiscal year, even amid the impact of the pandemic.

Consequently, the Japan and Korea Business segment recorded revenue of 26,568 million yen (down 0.4% year-on-year). In terms of expenses, an increase in outsourcing expenses to cover the recent growth in demand for research and the significant impact of an increase in IT expenses included in both depreciation and other operating expenses led to a decrease in segment profit to 5,182 million yen (down 9.4% year-on-year).

(Overseas (ex-Korea) Business)

In the Overseas Business (ex-Korea), we operate in North America, Europe, Latin America, the Middle East and certain Asian countries which are reported separately from Japan and Korea. The Covid-19 pandemic continued to have global repercussions, causing a severe impact on the Group's business in some regions. Nonetheless, the Group successfully raised revenue year-on-year in the third quarter due to an increase in the wallet shares of some global key accounts (*6) and the acquisition of new projects.

As a result, the Overseas Business (ex-Korea) segment recorded revenue of 6,649 million yen (down 4.6% year-on-year) and a loss of 34 million yen (down 110.5% year-on-year), reflecting the fall in revenue and an increase in outsourcing expenses and panel expenses due to the acquisition of new projects.

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 shown in table below:

Computation period (Nine months)	Nine months ended March 31, 2020	Nine months ended March 31, 2021	Change rate
JPY/EUR (yen)	120.34	125.37	+4.2%
JPY/KRW (yen)	0.0917	0.0925	+0.9%

The average currency exchange rates used for trades during the second quarter are shown below:

Computation period (Three months)	Three months ended March 31, 2020	Three months ended March 31, 2021	Change rate
JPY/EUR (yen)	120.56	127.91	+6.1%
JPY/KRW (yen)	0.0911	0.0966	+6.0%

Notes:

(1) Reference: ESOMAR Global Market Research 2020, published by the European Society for Opinion and Marketing Research (ESOMAR) in September 2020. With respect to the size of the global marketing research market in 2019, this research report for 2020 shows a value about 1.6 times larger than in the previous year (Scenario 1) and a value about 1.9 times larger (Scenario 3) due to the expansion of the industry definition. However, the statement here is made based on the value closest to the existing market size (Scenario 2).

(2) Reference: JMRA 45th Annual Business Management Survey, released by Japan Marketing Research Association (JMRA) in September 2020.

(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' DMPs, including support for establishing DMPs, consumer panel data supplied regularly to a customer's DMP, and additional research to augment or compensate for the data stored on a DMP.

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

(2) Explanations about financial position

(i) State of assets, liabilities, and equity

At the end of the first nine months, assets totaled 79,302 million yen, an increase of 2,151 million yen from the end of the previous fiscal year. This was mainly the result of increases such as a 3,835 million yen increase in trade and other receivables, which offset a 1,222 million yen decrease in cash and cash equivalents and a 757 million yen decrease in right-of-use assets.

Liabilities stood at 45,784 million yen, down 629 million yen from the end of the previous fiscal year. The decrease primarily reflected a fall in bonds and borrowings of 1,469 million yen.

Equity was worth 33,517 million yen, an increase of 2,781 million yen from the end of the previous fiscal year. The increase was largely attributable to profit for the period of 3,337 million yen, which offset dividends paid of 690 million yen.

(ii) State of cash flow

Cash and cash equivalents ("cash") at the end of the first nine months decreased 1,222 million yen from the end of the previous fiscal year, to 12,088 million yen. The status of each of the cash flow segments and contributing factors in the first nine months are as follows:

(Cash flow from operating activities)

Net cash provided by operating activities amounted to 2,770 million yen (down 1,194 million yen year-on-year).

This was mainly the result of 4,789 million yen of profit before tax and 2,249 million yen of depreciation and amortization, partially offset by a 3,932 million yen increase in trade and other receivables and 1,353 million yen of income taxes paid.

Trade receivable turnover in days and trade payable/panel point reserves turnover in days stood at 94.5 days (up 0.6 days year-on-year) and 54.8 days (up 7.3 days year-on-year), respectively.

(Cash flow from investing activities)

Net cash used in investing activities came to 953 million yen (down 920 million yen year-on-year).

This was primarily due to 253 million yen for acquisition of property, plant and equipment and 644 million yen for acquisition of intangible assets.

(Cash flow from financing activities)

Net cash used in financial activities was 3,273 million yen (up 82 million yen year-on-year).

Cash outflows primarily included 1,652 million yen for repayments of long-term borrowings, 1,001 million yen for repayments of lease liabilities and 442 million yen for dividends paid.

(3) Explanations about forward-looking information including forecast of consolidated financial results

Taking into account the recent performance, the Company revised its full-year consolidated financial and dividend forecasts for the fiscal year ending June 30, 2021 (from July 1, 2020 to June 30, 2021) announced on August 31, 2020.

1. Revision of consolidated financial results forecast for the fiscal year ending June 30, 2021 (from July 1, 2020 to June 30, 2021)

(Million yen unless otherwise indicated)

		Revenue	EBITDA	Operating profit	Profit before tax	Profit for the year	Profit attributable to owners of the parent	Basic earnings per share (yen)
Previous forecast (a)		40,000	6,500	3,400	3,000	1,950	1,600	39.74
Revised forecast (b)		**42,500**	**7,900**	**4,700**	**4,200**	**2,900**	**2,300**	**57.09**
Increase/Decrease (b-a)		2,500	1,400	1,300	1,200	950	700	17.34
Change % (b/a)		6.3%	21.5%	38.2%	40.0%	48.7%	43.8%	43.6%
Reference)	Results for the fiscal year ended June 30, 2020 (c)	41,270	8,651	396	8	-1,685	-2,131	-52.94
	Change % (b/c)	3.0%	(8.7)%	1,084.0%	-	-	-	-

2. Revision of dividend forecast (July 1, 2020 - June 30, 2021)

	Dividend per share (yen)		
Record date	End of 2nd quarter	Year end	Total
Previous forecast (Announced on August 31, 2020)	―	11.00	11.00
Revised forecast	―	**13.00**	**13.00**
Results for fiscal year under review	0.00	―	―
(Reference) Results for the previous fiscal year (ended June 30, 2020)	0.00	11.00	11.00

2. Reason for revision

Although the impact of face-to-face Offline research service suspension due to Covid-19, recovery trend in client demand in Online research and the Digital sphere is faster than the initial estimate. Thus, we expect our FY6/2021 Full-year revenue to overachieve the initial expectation that we disclosed on August 31, 2020. Because of the increase in revenue, we expect that EBITDA, operating profit, profit before tax, profit for the year, and profit attributable to owners of the parent will also exceed the initial expectation.

Regarding dividends, achieving a distribution of surpluses through stable and continuous dividend increases is our basic policy. Since we expected the Covid-19 impact from the beginning of the fiscal year, we have decided to suspend the dividend increase and leave it unchanged, the previous fiscal year result, 11 JPY. However, based on

upward revision of the full-year annual guidance mentioned above, the Company has revised its year-end dividend forecast to 13 JPY which is 2 JPY up from the initial estimate.

Note:

1. The Group assume 1 EUR = 130.00 JPY and 1KRW = 0.0970 JPY for the revised forecast
2. The Group has decided to conduct a share buyback program at the Board of Directors meeting held on May 13, 2021. The basic earnings per share in the financial forecasts have been included the impact of share buyback.
3. The Group prepared the forecast of consolidated financial results based on information accessible as of the date of its announcement. A variety of future factors may cause actual financial results to differ from its forecasts.