Summary of Consolidated Financial Statements for the First Nine-Month Period of the Fiscal Year Ending June 30, 2024 [IFRS]

May 15, 2024

Listed Company: MACROMILL, INC.
Stock Exchange: Tokyo Stock Exchange
Code Number: 3978
URL: https://www.macromill.com
Representative: Toru Sasaki, Representative Executive Officer, CEO
Contact: Shintaro Hashimoto, Executive Officer, CFO
Tel.: +81-3-6716-0706
Scheduled date to submit quarterly report: May 15, 2024
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)

(Amounts of less than one million yen are rounded off.)

1. Consolidated Financial Results for the First Nine-Month Period of the Fiscal Year Ending June 30, 2024 (from July 1, 2023 to March 31, 2024)

(1) Consolidated Business Performance

(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, 2024	34,262	8.1	4,666	(4.0)	4,796	2.4	3,129	(8.1)
First nine-month period of the year ended June 30, 2023	31,700	(16.5)	4,859	(20.6)	4,684	(20.9)	3,405	(17.3)

	Profit attributable to owners of the parent		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, 2024	2,449	(7.7)	3,952	28.0	64.11	63.79
First nine-month period of the year ended June 30, 2023	2,654	(21.9)	3,088	(25.2)	67.08	66.50

(Reference)

	Business profit		EBITDA	
	Million yen	%	Million yen	%
First nine-month period of the year ending June 30, 2024	5,513	13.5	7,053	8.5
First nine-month period of the year ended June 30, 2023	4,859	(20.6)	6,500	(20.8)

* In June 2023, the Company decided to sell all of its shares in Siebold Intermediate B.V. Therefore, in FY06/23, the Company classifies Siebold Intermediate B.V. and its subsidiaries as discontinued operations. Accordingly, the Company retroactively reclassified revenue, operating profit, and profit before tax for the third quarter in FY 06/23 into figures for continuing operations, excluding discontinued operations.

(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, 2024	92,267	44,232	39,265	42.6
As of June 30, 2023	94,154	42,330	37,657	40.0

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, 2023	–	10.00	–	11.00	21.00
Year ending June 30, 2024	–	12.00			
Year ending June 30, 2024 (forecast)			–	15.00	27.00

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

3. Forecast of Consolidated Financial Results for the Year Ending June 30, 2024 (from July 1, 2023 to June 30, 2024)

(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	44,000	8.3	5,600	24.5	5,900	58.3	4,000	(52.4)	3,200	(57.8)	83.78

(Note) Revisions from financial results forecasts announced most recently: No

(Reference)

	EBITDA	
	Million yen	%
Full year	7,700	11.6

* 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, 2024	40,480,500 shares	As of June 30, 2023	40,480,500 shares

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

As of March 31, 2024	2,676,235 shares	As of June 30, 2023	2,285,835 shares

(iii) Average number of shares during the period:

Nine months ended March 31, 2024	38,202,312 shares	Nine months ended March 31, 2023	39,575,365 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 applies the International Financial Reporting Standards (hereinafter “IFRS”) to and after the fiscal year ended June 30, 2017.

(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) The Company transferred its Overseas Business (ex-Korea) segment to Toluna in exchange for considerations, including a 17.4% stake in Toluna. This has resulted in Toluna being an equity-method affiliate of the Company from the fourth quarter of the fiscal year ended June 30, 2023. To show the business performance of the Group, the Company states business profit which subtracts the equity method investment gains/losses related to Toluna from operating profit from the first quarter of the fiscal year ending June 30, 2024.

(4) Based on (3), from the first quarter of the fiscal year ending June 30, 2024, the Company calculates EBITDA using the following formula: EBITDA = business profit + depreciation and amortization + loss on retirement of non-current assets + impairment loss

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

(6) EBITDA should not be considered as indicator 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 year, so it is subject to significant restrictions as a means of analysis. EBITDA disclosed by the Group may be less useful in comparison with the same or similar indicators of other competitors because it is calculated according to a different method from that of such other companies.

Accompanying Materials - Contents

1. Qualitative Information about Consolidated Financial Results for the Quarter 2
(1) Overview of operating results for the first nine months 2
(2) Explanations about financial position 5
(3) Explanations about forward-looking information including forecast of consolidated financial results 5

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, 2023 to March 31, 2024), the Japanese economy and the world economy continued to recover moderately as restrictions on economic activities due to the Covid-19 pandemic were eased in Japan and globally. However, the economic outlook remained uncertain chiefly due to the weaker yen, price increases, continued global inflation primarily caused by the prolonged war in Ukraine, which led to increases in materials prices, and increased interest rates.

In this situation, more companies from different industries are entering the marketing research market in which the Group operates, including companies that collect and analyze digital data and those that offer consulting services and reports. The market is being redefined as the insight market, with revenue including that from related industries. In 2022, the size of the insight market in Japan was 431.5 billion yen (up 11.3% year on year). Within the insight market, the marketing research market was valued at 259.0 billion yen (up 9.9% year on year). (*1)

In this economic and market environment, the Group disclosed in August 2023 a new MTBP (Mid-term Business Plan) for the three years to the fiscal year ending June 30, 2026. The Group has developed strategies to achieve the Plan's targets and is striving to expand the business scale and profit.
In the fiscal year ending June 30, 2024, the first year of the Mid-term Business Plan, the Company is focusing on restoring the growth of the online research and digital research businesses, the Group's flagship businesses, which are profitable. To develop the businesses that will drive revenue and profit, the Company will expand business in Asia and strengthen global research. The Company will also develop data utilization support (data consulting) and platform-type solutions and it will continue the transformation of its business model.

As described in the Notice Regarding Debt-Equity Swap of Loans to Consolidated Subsidiaries, Changes in Subsidiaries (Share Transfer), and Acquisition of Shares in Toluna Holdings Limited (Conversion into Equity-Method Affiliate) published on May 15, 2023, the Group transferred the business of the MetrixLab Group, a group of companies composing Macromill's Overseas (ex-Korea) Business segment, to UK-based Toluna. Thus, the Overseas (ex-Korea) Business is classified as discontinued operations from the fourth quarter of the fiscal year ended June 30, 2023. The revenue, operating profit and profit before tax disclosed are figures for continuing operations and do not include figures for discontinued operations. Profit attributable to owners of the parent only in continuing operations and profit attributable to owners of the parent that includes both profit in continuing operations and profit in discontinued operations are both disclosed.

Due to the exclusion of the Overseas (ex-Korea) Business, the relative importance of the Korea Business within the Group has increased. The Company has changed its reportable segments. From the first quarter of the fiscal year ending June 30, 2024, the reportable segments are the Japan Business and the Korea Business.

(ii) Explanation of the operating results

An overview of the Group's operating results is as follows: (*2)

Consolidated financial results (Million yen unless otherwise indicated)	Nine months ended March 31, 2023	Nine months ended March 31, 2024	Increase/decrease	Change rate
Revenue	31,700	34,262	+2,561	+8.1%
Japan Business revenue	27,248	29,656	+2,407	+8.8%
Korea Business revenue	4,463	4,606	+142	+3.2%
EBITDA (*3)	6,500	7,053	+552	+8.5%
Business profit (*4)	4,859	5,513	+654	+13.5%
Japan Business business profit (*4)	4,362	5,308	+945	+21.7%
Korea Business business profit	496	205	(291)	(58.6%)
Share of profit (loss) of certain investments accounted for using equity method (*5)	–	(847)	(847)	–
Operating profit	4,859	4,666	(193)	(4.0%)
Quarterly profit before tax	4,684	4,796	+111	+2.4%
Quarterly profit attributable to owners of the parent related to continuing operations	2,520	2,449	(71)	(2.8%)
Quarterly Profit attributable to owners of the parent	2,654	2,449	(205)	(7.7%)

i. Japan Business

In the Japan Business, revenue in the online research and digital research businesses, which the Company defines as Focus Areas, rose 5.8% year on year to 11,715 million yen, reflecting stronger relationships with corporate clients, which were a result of active revenue activities from the second half of the previous fiscal year.

Revenue in the global research and consulting businesses and new businesses, which the Company defines as Future Areas, continued to increase by double digits (up 12.3% year on year) to 5,307 million yen primarily due to strong performance in the global research and consulting in the first half and accelerated growth in new businesses.

Revenue from offline research services and data provision as well as subsidiaries which the Company defines as Foundations Areas, including a joint venture with advertising agencies, stood at 12,633 million yen, up 10.3% year on year. Monitas, Inc., which became a consolidated subsidiary in July 2023, contributed to the increase in revenue.

On the expense front, total employee expenses increased at a higher rate than the sales growth rate due to the addition of personnel from the second half of the previous fiscal year. Meanwhile, the Company worked to improve the productivity of internal resources and increase in-house operations. This led to a reduction in outsourcing expenses to a level lower than the previous fiscal year.

Meanwhile, the Company invested in core research system upgrades for the sustainable growth of revenue and the improvement of profitability, resulting in increased system-related costs.

The rate of increase in operating expenses overall was lower than the revenue growth rate.

As a result, revenue in the Japan Business stood at 29,656 million yen (up 8.8% year on year). An increase in total operating expenses was more than offset by the rise in revenue, and business profit, excluding the Company's share of loss on investments in Toluna amounting to 847 million yen, came to 5,308 million yen (up 21.7% year on year).

ii. Korea Business

The market environment for the Korea Business remained difficult. Negative business sentiment led to declines in public surveys conducted by the government and the research budgets of major corporate clients.

The Group is striving to create new revenue streams by continuing to leverage its structural strengths to develop products. These products include purchase data from its proprietary consumer panel. The product, which the Company has already launched in Japan, sets the Company apart from other significant research firms in Korea. The Company is developing a new business involving the product. The Group aims to achieve consistent growth in revenue and profit in this segment by transforming its business model, an ongoing effort in Japan.

As part of the effort, the Company made a company engaging in advertising its subsidiary toward the end of the second quarter and is collaborating with the company to develop a marketing assistance service in Korea.

Revenue in this segment was 4,606 million yen, up 3.2% year on year. business profit declined 58.6% year on year to 205 million yen due to weak revenue growth and an increase in expenses related to new business operations and new consolidated subsidiaries.

Consolidated return on equity (ROE: calculated using the data for the preceding 12 months) stood at 4.7% (down 2.6 points year-on-year). The interest coverage ratio (*6: calculated in the last 12 months) came to 21.2 times (24.4 times in the corresponding period of the prior fiscal year).

Financial results including revenue of MACROMILL EMBRAIN CO., LTD. in the Korea Business segment are recorded in Korean won. Exchange rates are as stated below.

Computation period (9 months)	Nine months ended March 31, 2023	Nine months ended March 31, 2024	Change rate
JPY/KRW (yen)	0.1041	0.1115	+7.1%

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

Computation period (3 months)	Three months ended March 31, 2023	Three months ended March 31, 2024	Change rate
JPY/KRW (yen)	0.1051	0.1121	+6.6%

Notes:

(1) Reference: JMRA 48th Annual Business Management Survey, announced by Japan Marketing Research Association (JMRA) in June 2023.

(2) The segment figures for the nine months ended March 31, 2023, are before the elimination of inter-segment transactions. Those for the nine months ended March 31, 2024, are after the elimination of inter-segment transactions. For adjustments for segment revenue, please refer to (6) Notes to condensed consolidated financial statements (Segment information).

(3) EBITDA: Earnings before interest, tax, depreciation and amortization.
The Company defines business 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) The Company transferred its Overseas Business (ex-Korea) segment to Toluna in exchange for considerations, including a 17.4% stake in Tokuna. This has resulted in Toluna being an equity-method affiliate of the Company from the fourth quarter of the fiscal year ended June 30, 2023. To show the business performance of the Group, the Company states business profit after subtracting the equity method investment gains/losses related to Toluna from operating profit from the fiscal year ending June 30, 2024.

(5) Share of loss on investments in Toluna accounted for using equity method

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

(2) Explanations about financial position

(i) State of assets, liabilities, and equity

At the end of the first nine months, assets totaled 92,267 million yen, a decrease of 1,886 million yen from the end of the previous fiscal year. This was mainly due to decreasing factors such as a decline in cash and cash equivalents of 6,134 million yen, which more than offset increasing factors, including an increase in trade and other receivables of 3,319 million yen.

Liabilities stood at 48,034 million yen, down 3,788 million yen from the end of the previous fiscal year. This was mainly due to factors such as a decrease in bonds and borrowings of 5,255 million yen, which more than offset an increase in lease liabilities of 638 million yen, an increase in income taxes payable of 339 million yen, and an increase in trade and other payables of 197 million yen.

Equity was worth 44,232 million yen, an increase of 1,901 million yen from the end of the previous fiscal year. The increase was largely attributable to profit for the period of 3,129 million yen, despite factors, including dividends paid of 1,279 million yen and changes in ownership interest in subsidiaries of 644 million yen.

(ii) State of cash flow

Cash and cash equivalents ("cash") at the end of the first nine months decreased 6,134 million yen from the end of the previous fiscal year, to 12,120 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 4,238 million yen (up 2,499 million yen year-on-year).

This was mainly due to cash inflows, such as profit before tax from continuing operations of 4,796 million yen, and depreciation and amortization of 1,513 million yen, and income taxes refund of 509 million yen, despite cash outflows, such as an increase in trade and other receivables of 3,193 million yen and income taxes paid of 995 million yen.

Trade receivable turnover in days and trade payable/panel point reserves turnover in days stood at 90.5 days (down 4.1 days year-on-year) and 51.5 days (down 3.4 days year-on-year), respectively.

(Cash flow from investing activities)

Net cash used in investing activities came to 1,541 million yen (up 252 million yen year on year).

This was primarily due to the acquisition of property, plant and equipment of 264 million yen and the acquisition of intangible assets of 724 million yen, and a net increase in short-term investments of 567 million yen, which offset proceeds from purchase of subsidiary of 104 million yen.

(Cash flow from financing activities)

Net cash used in financial activities was 8,865 million yen (up 6,151 million yen year-on-year).

This was primarily due to 724 million yen for the repayments of long-term borrowings, 5,000 million yen for redemption of bonds, 676 million yen for the repayments of lease obligations, 877 million yen for dividends paid, 400 million yen for dividends paid to non-controlling interests, and 610 million yen for the additional purchase of shares of subsidiaries.

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

The Group makes no change to its forecast of consolidated financial results for the fiscal year ending June 30, 2024 announced on August 14, 2023 at the present point, but the Group has revised its dividend forecast. Please refer to "Notice Regarding the Revision of Dividend Forecast" for more detail. In addition, 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.