Summary of Consolidated Financial Statements for the First Six-Month Period of the Fiscal Year Ending June 30, 2019 [IFRS]

February 12, 2019

Listed Company:	MACROMILL, INC.
Stock Exchange:	Tokyo Stock Exchange
Code Number:	3978
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Scheduled date to submit quarterly report:	February 14, 2019
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 Six-Month Period of the Fiscal Year Ending June 30, 2019 (from July 1, 2018 to December 31, 2018)

(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	%
First six-month period of the year ending June 30, 2019	22,181	17.3	4,015	9.0	3,753	3.0	2,690	7.6	2,313	(1.1)	2,488	(8.5)
First six-month period of the year ended June 30, 2018	18,903	8.8	3,682	(7.0)	3,645	17.0	2,499	14.8	2,339	26.5	2,720	14.8

	Basic earnings per share	Diluted basic earnings per share
	Yen	Yen
First six-month period of the year ending June 30, 2019	58.12	56.48
First six-month period of the year ended June 30, 2018	59.99	57.42

(Reference)

	EBITDA		EBITDA margin
	Million yen	%	%
First six-month period of the year ending June 30, 2019	4,689	12.0	21.1
First six-month period of the year ended June 30, 2018	4,187	(4.5)	22.2

(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 December 31, 2018	76,581	29,780	27,161	35.5
As of June 30, 2018	75,230	27,468	25,262	33.6

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, 2018	–	0.00	–	7.00	7.00
Year ending June 30, 2019	–	0.00			
Year ending June 30, 2019 (forecast)			–	9.00	9.00

(Note) Revisions from dividends forecasts announced most recently: No

3. Forecast of Consolidated Financial Results for the Year Ending June 30, 2019 (from July 1, 2018 to June 30, 2019)

(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	44,400	10.9	7,650	0.6	7,050	(4.4)	5,050	(2.3)	4,500	(4.7)	112.67

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

(Reference)

	EBITDA		EBITDA margin
	Million yen	%	%
Full year	9,150	5.7	20.6

* 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:	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 December 31, 2018	39,940,900 shares	As of June 30, 2018	39,638,700 shares
(ii) Number of shares of treasury stock at the end of the term:			
As of December 31, 2018	96 shares	As of June 30, 2018	96 shares
(iii) Average number of shares during the period			
Six months ended December 31, 2018	39,813,525 shares	Six months ended December 31, 2017	38,996,080 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, 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.

(7) In the summary of consolidated financial statements for the fiscal year ended June 30, 2018, adjusted EBITDA, which was stated as a reference in the forecast of consolidated financial results for the year ending June 30, 2019, was the sum of the EBITDA above and the costs for listing, and it was 4,724 million yen in the first six-month period of the fiscal year ending June 30, 2019. Adjusted profit attributable to owners of the parent was the value obtained by adding the costs for listing to profit attributable to owners of the parent and deducting the tax impact for adjustments, and it was 2,349 million yen in the first six-month period of the fiscal year ending June 30, 2019. These adjustments 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. These financial indicators do not reflect the impact of costs that are not expected to be incurred after listing and the nonrecurring profit and loss items (items not considered to show the results of ordinary business activities or items that do not appropriately show the business results of the Group in comparison with those of competitors). However, the amounts of both adjustments are extremely minor in the fiscal year ending June 30, 2019 and expected to decline further from the fiscal year ending June 30, 2020. Therefore, the Group will terminate the disclosure of these financial indicators with the summary of consolidated financial statements for the fiscal year ending June 30, 2019.

Accompanying Materials - Contents

1. Qualitative Information about Consolidated Financial Results for the Quarter under Review

(1) Explanations about operating results

MACROMILL, INC. (the "Company") and its consolidated subsidiaries (together, the "Group) implemented IFRS 15 – Revenue from Contracts with Customers – from the beginning of this fiscal year. The effects of its implementation on each line of our consolidated statement of operations, namely revenue, operating profit, quarterly profit before tax and profit for the period, were negligible. In accordance with the implementation, however, we have bundled "Cost of sales" with "Selling, general and administrative expenses" and now report it as a single item called "Operating expenses." Please refer to (6) Notes to Summarized Quarterly Consolidated Financial Statements for details of the change and breakdown of "Operating expenses."

In the first six months of the fiscal year ending June 30, 2019 (July 1 to December 31, 2018), the global economy continued to experience a gradual recovery, despite uncertainty in government policies , volatile financial capital markets and concerns about the trade conflict with the countries concerned (particularly China) triggered by the protectionist policy of the US administration. Meanwhile, the Japanese economy continued its path of moderate economic recovery thanks to steady consumer spending supported by improved corporate earnings and a favorable employment environment.

Looking specifically at the market research sector, the total global marketplace reached an estimated value of $45.8 billion, with online accounting for $17.9 billion of that figure in the 12 months of 2017 (*1). In Japan, the equivalent figures for the 12 months of 2017 were ¥214.7 billion for the sector overall, and online marketing research of ¥67.2 billion (*2). We believe that the steady growth of both the global and domestic market research sectors will be beneficial to our business. In particular, we plan to maximize the continued expansion of online marketing research as it outpaces the growth rate of the overall market.

In these conditions, the Group continued to pursue stable growth in the domestic business, to strengthen the foundation of the global business, and to focus on global business development in the digital marketing industry. Simultaneously, by utilizing various data points from our consumer panels, including attribution, purchase and consumption data, behavioral, awareness and biological data, we continued to deliver high quality and innovative insights that support the increasingly diverse marketing challenges faced by our clients, with the aim of achieving stable business growth. Of particular note is our digital solutions-related business area, which focuses on data delivery to optimize our clients' digital expenditure. In some regions the digital-related business environment has experienced a short-term adjustment phase triggered by the enforcement of GDPR in Europe, along with the personal data security breach by a major US-based social media company. However, we still see a strong and significant opportunity in the market since our clients' digital shift is an unstoppable trend in the medium to long term.

In our domestic business, we generated steady growth in sectors including advertising agencies, food, services, financial, real estate and automotive. We increased sales of our digital marketing and global research products, expanding our business overall. Furthermore, with the addition of H.M. Marketing Research, Inc. (renamed from Tokyo Survey Research on October 1, 2018; hereinafter "HMM"), which was converted into a subsidiary by acquiring a 51% interest from Hakuhodo Inc. in July 2018, our domestic business revenue grew to 15,100 million yen (up 13.0% year-on-year).

The global operation experienced steady business expansion with sectors spanning global media and film, alcoholic beverages, cosmetics and Korean government and public sectors, automotive and electronics manufacturers. In addition, the consolidation of the US-based marketing research company Acturus, acquired by MetrixLab in October 2017, made a positive contribution to our steady double-digit year-on-year global revenue growth, finishing the year at 7,152 million yen (up 27.2% year-on-year).

Looking at expenditure, operating expenditure including personnel expenses increased year on year, primarily due to growth in the number of employees and office floor expansion associated with growing operations in Japan and overseas, as well as costs incurred in the consolidation of newly acquired subsidiaries both in Japan and globally through M&A. Our growing financing costs in the first quarter were the result of increased one-time refinancing fees from a foreign currency denominated loan prepayment by bond issuance in July 2018, but with the absence of such an effect, the financial account showed a trend toward improvement in the second quarter. As a result, the interest coverage ratio (*3: calculated in the last 12 months) improved to 10.4 times (from 9.1 times in the same period of the previous year).

As a result, the Group recorded revenue of 22,181 million yen (up 17.3% year-on-year), earnings before interest, taxes, depreciation and amortization (EBITDA) of 4,689 million yen (up 12.0% year-on-year) (*4), operating profit of 4,015 million yen (up 9.0%

year-on-year), profit before tax of 3,753 million yen (up 3.0% year on year) and profit attributable to owners of the parent of 2,313 million yen (down 1.1% year-on-year) in the first six-month period under review. Return on equity (ROE: calculated in the last 12 months) stood at 18.7% (down 2.1% year-on-year).

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

The results by segment are shown below.
Effective from the second quarter of the fiscal year ending June 30, 2019, the segment names have been changed from “MACROMILL Group” and “Matrix Lab Group” to the “Japan and Korea Business” and “Overseas Business (ex-Korea)”, respectively.

(Japan and Korea Business)
In the Japan and Korea Business segment, as described earlier, revenue remained firm in Japan and the Korean subsidiary continued to expand the volume of transactions. In addition, inclusion of the financial results of H.M. Marketing Research, Inc., which had been a joint venture with Hakuhodo Inc. until the Company acquired it as a wholly owned subsidiary in July 2018, contributed to a significant increase in the segment’s overall revenue. We also saw year-on-year operating expenditure grow from employee and office floor increases due to business expansion along with rising costs related to the consolidation of HMM.
As a result, the Japan and Korea Business segment recorded revenue of 17,539 million yen (up 14.8% year-on-year), EBITDA of 4,146 million yen (up 8.2% year-on-year), and operating profit of 3,693 million yen (up 4.6% year-on-year) in the first six months of the fiscal year under review.

(Overseas Business (ex-Korea))
In the Overseas Business (ex-Korea) segment, which is operated in the North Americas, Europe, Latin America, Middle East and Asian sales territories, excluding Japan and Korea, strong sales were registered as discussed earlier for mainstay advertising pre-text materials and advertising/campaign effect measurement products that are mainly used for surveys conducted for the Global Key Accounts (*5). In addition, the consolidation of Acturus generated strong revenue for the Overseas Business (ex-Korea) segment. However, due to continued efforts to expand the number of employees and business bases for the global business as well as increased costs from the consolidation of the Acturus team, operating expenses increased year-on-year in the segment. Having said that, profits increased steadily because we generated higher revenue which offset these increased costs.
As a result, the Overseas Business (ex-Korea) segment recorded revenue of 4,709 million yen (up 27.2% year-on-year), EBITDA of 541 million yen (up 52.8% year-on-year), and operating profit of 321 million yen (up 109.8% year-on-year).

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 (6 months)	First six-month period of the year ending June 30, 2018	First six-month period of the year ending June 30, 2019	Change rate
JPY/EUR（Yen）	131.69	129.40	(1.7%)
JPY/KRW（Yen）	0.1002	0.1003	＋0.1%

Based on the revenue calculation, exchange rates during the second quarter consolidated accounting period under review were as follows.

Computation period (3 months)	First three-month period of the year ending June 30, 2018	First three-month period of the year ending June 30, 2019	Change rate
JPY/EUR（Yen）	132.83	129.26	(2.7%)
JPY/KRW（Yen）	0.1018	0.1008	(1.0%)

Notes:
*1 Reference: ESOMAR Global Market Research 2018

*2 Reference: JMRA 43rd Annual Business Management Survey

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

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

*5 Global Key Accounts: Customers that are typically multinational companies with large research and marketing budgets. They have purchased, or we believe they have the potential to purchase, market research from us, and we have placed a specific emphasis on them in our sales efforts.

(2) Explanations about financial position

(i) State of assets, liabilities and equity

At the end of the first half under review, assets totaled 76,581 million yen, a rise of 1,351 million yen from the end of the previous fiscal year. This was primarily from a rise of 1,610 million yen in trade and other receivables and contract assets, as well as an increase of 532 million yen in other current assets.

Liabilities stood at 46,801 million yen, declining 961 million yen from the end of the previous fiscal year. The decrease mainly reflected a drop in income taxes payable of 532 million yen and a fall in other current liabilities of 734 million yen, which offset an increase of 353 million yen in trade and other payables. There were proceeds from the issuance of corporate bonds of 9,947 million yen, while repayments of borrowings were made in the amount of 11,625 million yen. As a result, the ratio of net interest-bearing debts to EBITDA came to 3.13 at the end of the first half under review.

Equity was worth 29,780 million yen, an increase of 2,312 million yen from the end of the previous fiscal year. The increase was largely attributable to profit for the period of 2,690 million yen, which offset dividends paid of 507 million yen.

(ii) State of cash flow

Cash and cash equivalents (“cash”) at the end of the first half under review decreased 1,419 million yen from the end of the previous fiscal year, to 7,704 million yen. The status of each of the cash flow segments and contributing factors in the first half under review are as follows.

(Cash flow from operating activities)

Net cash used in operating activities amounted to 1,459 million yen (up 951 million yen year-on-year)

The cash outflow was mainly due to an increase in trade and other receivables of 1,685 million yen, income taxes paid of 1,648 million yen, and interest paid of 246 million yen, which offset profit before tax of 3,753 million yen and depreciation and amortization of 673 million yen.

Income taxes paid increased 932 million yen year-on-year owing to income growth and the completion of the carrying-forward of tax loss.

Trade receivable turnover in days and, trade payable and provision for panel points turnover in days stood at 84.0 days (down 4.8 days year-on-year) and 45.9 days (down 0.9 days year-on-year), respectively.

(Cash flow from investing activities)

Net cash used in investing activities came to 816 million yen (down 641 million yen year-on-year).

The cash outflow primary reflected acquisition of property, plant and equipment of 240 million yen and acquisition of intangible assets of 855 million yen.

(Cash flow from financing activities)

Net cash used in financial activities was 1,995 million yen (up 398 million yen year-on-year).

The cash outflow resulted mainly from repayments of short-term borrowings of 483 million yen and the repayment of non-current borrowings of 11,142 million yen, which offset proceeds from the issuance of corporate bonds of 9,947 million yen.

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

(i) Revised Consolidated Full-year Forecasts for FY6/2019

(Millions in Yen, unless otherwise stated)

		Revenue	EBITDA	Operating Profit	Profit attributable to owners of the parent	Earnings per Share (Yen)
Previous forecasts (a)		46,400	10,160	8,900	5,260	132.70
Revised forecasts (b)		**44,400**	**9,150**	**7,650**	**4,500**	**112.67**
Variance (b-a)		(2,000)	(1,010)	(1,250)	(760)	(20.03)
% change (b/a)		(4.3%)	(9.9%)	(14.0%)	(14.4%)	(15.1%)
(Ref.)	FY6/2018 Results (c)	40,024	8,660	7,607	4,719	120.21
	% change (b/c)	10.9%	5.7%	0.6%	(4.7%)	(6.3%)

(ii) Reason for the Revision

Although the revenue of the Macromill Group in the first half increased steadily, the environment surrounding digital marketing and foreign exchanges has differed from our expectations.

While we have invested in hiring and developing skilled employees to establish and maintain competitive advantages in our priority improvement areas, notably the digital marketing solutions segment as planned,

the revenue for the current fiscal year is expected to be lower than the previous forecast. As a result, the consolidated earnings forecasts for the current fiscal year have been revised downwards.

We assume 1 EUR = 125.73 JPY and 1 KRW = 0.0987 JPY for the revised forecast.

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.

2. Summarized Quarterly Consolidated Financial Statements and Significant Notes

(1) Summarized Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	As of June 30, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	9,124	7,704
Trade and other receivables	8,744	8,314
Contract assets	–	2,040
Other financial assets	4	5
Other current assets	536	1,069
Total current assets	18,409	19,133
Non-current assets		
Property, plant and equipment	1,152	1,224
Goodwill	46,957	47,071
Other intangible assets	6,605	6,878
Investments accounted for using the equity method	31	31
Other financial assets	1,379	1,328
Deferred tax assets	690	910
Other non-current assets	2	3
Total non-current assets	56,820	57,447
Total assets	**75,230**	**76,581**

(Millions of yen)

	As of June 30, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Borrowings	2,500	1,661
Trade and other payables	3,008	3,362
Contract liabilities	–	597
Other financial liabilities	164	93
Income tax payable	1,756	1,223
Provisions	1,020	1,135
Other current liabilities	2,439	1,705
Total current liabilities	10,890	9,778
Non-current liabilities		
Bonds and borrowings	34,534	34,713
Other financial liabilities	550	482
Retirement benefit liabilities	190	340
Provisions	208	259
Deferred tax liabilities	1,339	1,215
Other non-current liabilities	48	10
Total non-current liabilities	36,871	37,022
Total liabilities	**47,762**	**46,801**
Equity		
Share capital	880	957
Capital surplus	11,312	11,328
Treasury shares	(0)	(0)
Other components of equity	(96)	(232)
Retained earnings (deficit)	13,165	15,108
Equity attributable to owners of the parent	25,262	27,161
Non-controlling interests	2,205	2,619
Total equity	27,468	29,780
Total liabilities and equity	**75,230**	**76,581**

(2) Summarized Quarterly Consolidated Statement of Operations

[Six months of consolidated fiscal year] (Millions of yen)

	Six months ended December 31, 2017	Six months ended December 31, 2018
Revenue	18,903	22,181
Operating expense	(15,174)	(18,172)
Other operating income	12	32
Other operating expenses	(63)	(25)
Share of the profit on investments accounted for using the equity method	3	0
Operating profit	3,682	4,015
Finance income	370	207
Finance costs	(407)	(470)
Profit before tax	3,645	3,753
Income tax benefit (expense)	(1,146)	(1,063)
Profit for the period	2,499	2,690
Profit (loss) attributable to:		
Owners of the parent	2,339	2,313
Non-controlling interests	159	376
Profit for the period	2,499	2,690
Earnings per share		
Basic (Yen)	59.99	58.12
Diluted (Yen)	57.42	56.48

(3) Summarized Quarterly Consolidated Statement of Comprehensive Income

[Six months of consolidated fiscal year] (Millions of yen)

	Six months ended December 31, 2017	Six months ended December 31, 2018
Profit for the period	2,499	2,690
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income (loss)	(88)	(137)
Total items that will not be reclassified to profit or loss	(88)	(137)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	309	(63)
Total items that may be reclassified to profit or loss	309	(63)
Other comprehensive income (loss), net of tax	221	(201)
Comprehensive income for the period	2,720	2,488
Comprehensive income for the period attributable to:		
Owners of the parent	2,512	2,183
Non-controlling interests	207	305
Comprehensive income for the period	2,720	2,488

(4) Summarized Quarterly Consolidated Statement of Changes in Equity
Six months ended December 31, 2018

(Millions of yen)

	Equity attributable to owners of the parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Financial assets measured at fair value through other comprehensive income (loss)	Remeasure-ments of defined benefit plans	Exchange differences on translation of foreign operations
Balance as of July 1, 2017	674	11,044	(0)	93	–	(293)
Profit for the period	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	(45)	–	219
Total comprehensive income for the period	–	–	–	(45)	–	219
Issue of shares	125	185	–	–	–	–
Purchase of treasury shares	–	–	(0)	–	–	–
Share-based payment transactions	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–
Changes in ownership interests in subsidiaries without a loss of control	–	(21)	–	–	–	–
Total transactions with owners	125	163	(0)	–	–	–
Balance as of December 31, 2017	800	11,208	(0)	47	–	(74)

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity		Retained earnings (deficit)	Total		
	Warrants	Total				
Balance as of July 1, 2017	200	0	8,627	20,346	2,005	22,352
Profit for the period	–	–	2,339	2,339	159	2,499
Other comprehensive income (loss)	–	173	–	173	47	221
Total comprehensive income for the period	–	173	2,339	2,512	207	2,720
Issue of shares	(61)	(61)	–	249	–	249
Purchase of treasury shares	–	–	–	(0)	–	(0)
Share-based payment transactions	62	62	–	62	–	62
Dividends paid	–	–	(194)	(194)	(231)	(425)
Changes in ownership interests in subsidiaries without a loss of control	–	–	–	(21)	(38)	(60)
Total transactions with owners	1	1	(194)	96	(269)	(173)
Balance as of December 31, 2017	202	175	10,772	22,956	1,942	24,899

Six months ended December 31, 2018

(Millions of yen)

	Equity attributable to owners of the parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Financial assets measured at fair value through other comprehensive income (loss)	Remeasure-ments of defined benefit plans	Exchange differences on translation of foreign operations
Balance as of July 1, 2018	880	11,312	(0)	64	–	(356)
Cumulative effects due to changes in accounting policies	–	–	–	–	–	–
Balance as of July 1, 2018 reflecting changes in accounting policies	880	11,312	(0)	64	–	(356)
Profit for the period	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	(75)	–	(54)
Total comprehensive income for the period	–	–	–	(75)	–	(54)
Issue of shares	76	118	–	–	–	–
Purchase of treasury shares	–	–	–	–	–	–
Share-based payment transactions	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–
Changes in ownership interests in subsidiaries without a loss of control	–	(101)	–	–	–	–
Change from business combination	–	–	–	–	–	–
Total transactions with owners	76	16	–	–	–	–
Balance as of December 31, 2018	957	11,328	(0)	(10)	–	(411)

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity		Retained earnings (deficit)	Total		
	Warrants	Total				
Balance as of July 1, 2018	195	(96)	13,165	25,262	2,205	27,468
Cumulative effects due to changes in accounting policies	–	–	(93)	(93)	(89)	(182)
Balance as of July 1, 2018 reflecting changes in accounting policies	195	(96)	13,071	25,168	2,116	27,285
Profit for the period	–	–	2,313	2,313	376	2,690
Other comprehensive income (loss)	–	(130)	–	(130)	(70)	(201)
Total comprehensive income for the period	–	(130)	2,313	2,183	305	2,488
Issue of shares	(41)	(41)	–	152	–	152
Purchase of treasury shares	–	–	–	–	–	–
Share-based payment transactions	35	35	–	35	–	35
Dividends paid	–	–	(277)	(277)	(230)	(507)
Changes in ownership interests in subsidiaries without a loss of control	–	–	–	(101)	105	3
Change from business combination	–	–	–	–	322	322
Total transactions with owners	(6)	(6)	(277)	(190)	197	6
Balance as of December 31, 2018	189	(232)	15,108	27,161	2,619	29,780

(5) Summarized Quarterly Consolidated Statements of Cash Flow

(Millions of yen)

	Six months ended December 31, 2017	Six months ended December 31, 2018
Cash flows from operating activities		
Profit before tax	3,645	3,753
Depreciation and amortization	505	673
Finance income	(370)	(207)
Finance costs	407	470
Share of the (profit) loss on investments accounted for using the equity method	(3)	(0)
Decrease (increase) in trade and other receivables	(2,837)	(1,685)
Increase (decrease) in trade and other payables	230	253
Other	(139)	83
Sub-total	1,437	3,340
Interest and dividends received	8	12
Interest paid	(221)	(246)
Income taxes paid	(716)	(1,648)
Net cash flows provided by (used in) operating activities	507	1,459
Cash flows from investing activities		
Acquisition of property, plant and equipment	(181)	(240)
Acquisition of intangible assets	(304)	(855)
Acquisition of shares in subsidiaries	(1,029)	(62)
Proceeds from acquisition of subsidiary	–	328
Acquisition of investments	(31)	(9)
Proceeds from sale of investments	1	–
Other	87	23
Net cash flows provided by (used in) investing activities	(1,457)	(816)
Cash flows from financing activities		
Proceeds from current borrowings	1,007	50
Repayments of current borrowings	(1,044)	(483)
Repayments of non-current borrowings	(1,210)	(11,142)
Proceeds from issue of corporate bonds	–	9,947
Proceeds from issue of shares	249	151
Dividends paid	(193)	△277
Dividends paid to non-controlling interests	(231)	△230
Other	(174)	△11
Net cash flows provided by (used in) financing activities	(1,597)	△1,995
Net increase (decrease) in cash and cash equivalents	(2,547)	△1,353
Cash and cash equivalents at the beginning of the year	8,447	9,124
Effect of exchange rate changes on cash and cash equivalents	77	△66
Cash and cash equivalents at the end of the period	5,976	7,704

(6) Notes to Summarized Quarterly Consolidated Financial Statements

(Notes regarding the premise of a going concern)

None applicable.

(Changes in accounting policies)

Excluding the newly-applied standards mentioned below, the Group applies significant accounting policies to these summarized quarterly financial statements as applied to the consolidated financial statements for the previous fiscal year.

Income tax expenses for the first half under review are calculated based on the estimated average annual effective tax rate.

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

IFRS		Description of New Standards/Amendments
IFRS No.15	Revenue from contracts with customers	Accounting and disclosure for revenue recognition were amended.

The Group retrospectively applies IFRS No.15 to contracts that are incomplete as of the application (July 1, 2018) and recognizes the cumulative effect at the start of the application as an amendment to the balance at the beginning of the year of retained earnings in accordance with transitional measures.

Associated with the application of IFRS No.15, revenue from contracts with customers is recognized based on the following five approaches.

Step 1: Identify contracts with customers.

Step 2: Identify performance obligations in contracts.

Step 3: Calculate transaction prices.

Step 4: Allot transaction prices to performance obligations in contracts.

Step 5: Recognize revenue upon the fulfillment of performance obligations by companies.

The Group provides a variety of services principally for various types of market research, including online research. The Group judges that customers are in control of our service and that performance obligations are to be fulfilled and recognizes revenue at the time of service delivery.

Revenue is also recognized at the amount less rebates and consumption taxes.

Furthermore, part of notes and accounts receivable - trade that was previously included in “trade and other receivables” is now presented in “contract assets” with respect to consideration for ongoing marketing research services since the first quarter associated with the application of IFRS No.15. Moreover, advances received that were previously stated in “other current liabilities” are now presented in “contract liabilities.”

As a result, the major effects at the beginning of the first half under review were as follows: a decrease of 93 million yen in retained earnings, a decrease of 89 million yen in non-controlling interests, a decrease of 1,694 million yen in trade and other receivables, an increase of 1,295 million yen in contract assets, an increase of 164 million yen in other current assets, an increase of 51 million yen in deferred tax assets, an increase of 420 million yen in contract liabilities, and a decrease of 420 million yen in other current liabilities.

The major effects during the first half under review include an increase of 2,040 million yen in contract assets, a decrease of 2,040 million yen in trade and other receivables, an increase of 597 million yen in contract liabilities, and a decrease of 597 million yen in other current liabilities.

As a result, compared to the case of adopting the conventional accounting standard, this change had only a minor impact on revenue, operating profit, profit before tax, and profit for the period in the summarized quarterly consolidated statement of comprehensive income for the first half under review.

(Change in reporting method)

Previously, “cost of sales” and “selling, general and administrative expenses” were stated separately, but the Group has changed the reporting method and these are now presented in a combined total as “operating expenses.”

The change resulted from a review of our reporting method of the summarized quarterly consolidated statement of comprehensive income. As the Group clarified the revenue recognition/measurement methods in the application of IFRS No.15 “Revenue from contracts with customers (announced in May 2014),” it examined how to manage expenses. As a result, it was found that it is

becoming increasingly difficult to make a clear distinction between cost of sales and selling, general and administrative expenses due to the business expansion of the Group and the diversification of customer needs and trade methods. Accordingly, the Group changed to a reporting method for managing cost of sales and selling, general and administrative expenses as operating expenses in order to oversee the financial results of the Group as well.
As a result, a combined total of 15,174 million yen comprising 10,424 million yen stated as “cost of sales” and 4,749 million yen stated as “selling, general and administrative expenses” has been reclassified as “operating expenses” in the summarized quarterly consolidated statement of comprehensive income for the first half of the previous fiscal year.
In addition, other presentations related to the summarized quarterly consolidated financial statements for the first half under review have been also changed similarly.

(Segment information)
(1) Overview of reportable segments
To implement online marketing research, the main business, in Japan and overseas, the Group consists of corporate group-based regional segments. 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 Asian sales territories, 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.
Effective from the second quarter of the fiscal year ending June 30, 2019, the segment names have been changed from “MACROMILL Group” and “Matrix Lab Group” to the “Japan and Korea Business” and “Overseas Business (ex-Korea)” respectively.

(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 (6 months)	First six-month period of the year ending June 30, 2018	First six-month period of the year ending June 30, 2019	Change rate
JPY/EUR（Yen）	131.69	129.40	(1.7%)
JPY/KRW（Yen）	0.1002	0.1003	＋0.1%

Based on the revenue calculation, exchange rates during the second quarter consolidated accounting period under review were as follows.

Computation period (3 months)	First three-month period of the year ending June 30, 2018	First three-month period of the year ending June 30, 2019	Change rate
JPY/EUR（Yen）	132.83	129.26	(2.7%)
JPY/KRW（Yen）	0.1018	0.1008	(1.0%)

Six months ended December 31, 2017

Millions of yen

	Reportable segments			Reconciliations	Consolidated
	Japan and Korea Business	Overseas Business (ex-Korea)	Total		
Revenue					
External	15,260	3,642	18,903	–	18,903
Intersegment	14	58	73	(73)	–
Total	15,275	3,701	18,977	(73)	18,903
Segment profit (loss) (Operating profit (loss))	3,529	153	3,682	–	3,682
Finance income					370
Finance costs					(407)
Profit before tax					3,645
(Other profit and loss items)					
Depreciation and amortization expense	304	201	505	–	505

Six months ended December 31, 2018

Millions of yen

	Reportable segments			Reconciliations	Consolidated
	Japan and Korea Business	Overseas Business (ex-Korea)	Total		
Revenue					
External	17,528	4,652	22,181	–	22,181
Intersegment	10	56	67	(67)	–
Total	17,539	4,709	22,249	(67)	22,181
Segment profit (loss) (Operating profit (loss))	3,693	321	4,015	–	4,015
Finance income					207
Finance costs					(470)
Profit before tax					3,753
(Other profit and loss items)					
Depreciation and amortization expense	453	220	673	–	673

(Operating expenses)

The breakdown of operating expenses is as follows:

	Six months ended December 31, 2017	Six months ended December 31, 2018
	Millions of yen	Millions of yen
Employee expenses	6,706	8,131
Panel expenses	2,582	3,119
Outsourcing expenses	2,486	2,971
Depreciation and amortization	505	673
Other	2,893	3,276
Total	15,174	18,172