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

May 13, 2019

Listed Company:	MACROMILL, INC.
Stock Exchange:	Tokyo Stock Exchange
Code Number:	3978
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Scheduled date to submit quarterly report:	May 15, 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 Nine-Month Period of the Fiscal Year Ending June 30, 2019 (from July 1, 2018 to March 31, 2019)

(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 nine-month period of the year ending June 30, 2019	34,254	12.4	6,824	7.1	6,482	4.2	4,613	7.5	4,116	4.5	4,507	7.2
First nine-month period of the year ended June 30, 2018	30,482	11.4	6,374	8.9	6,221	27.2	4,291	26.2	3,938	33.2	4,206	16.1

	Basic earnings per share	Diluted basic earnings per share
	Yen	Yen
First nine-month period of the year ending June 30, 2019	103.28	100.58
First nine-month period of the year ended June 30, 2018	100.61	96.57

(Reference)

	EBITDA		EBITDA margin
	Million yen	%	%
First nine-month period of the year ending June 30, 2019	7,841	9.7	22.9
First nine-month period of the year ended June 30, 2018	7,150	10.2	23.5

(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, 2019	77,324	31,779	29,236	37.8
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: No

(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 March 31, 2019	39,961,700 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 March 31, 2019	96 shares	As of June 30, 2018	96 shares

(iii) Average number of shares during the period

Nine months ended March 31, 2019	39,859,097 shares	Nine months ended March 31, 2018	39,149,834 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 7,884 million yen in the first nine-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 4,159 million yen in the first nine-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 statements 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 2.Summarized Quarterly Consolidated Financial Statements and Significant Notes section.

In the first nine months of the fiscal year ending June 30, 2019 (July 1 to March 31, 2019), 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, despite weakness in certain sectors, continued its path of moderate economic recovery thanks to steady consumer spending supported by improved corporate earnings and a favorable employment environment.

Looking specifically at the market research sector, the total global marketplace reached an estimated value of $45.8 billion, with online accounting for $17.9 billion in 2017 (*1). In Japan, the size of the marketing research sector in 2017 was 214.7 billion yen for the sector overall, with online marketing research at 67.2 billion yen (*2). Both the global and domestic market research sectors are growing steadily, with online marketing research notably outpacing the growth rate of the overall market.

In foregoing conditions, the Group continues to pursue stable growth in the domestic business, to strengthen the foundation of the global business, and to focus on global business development in the digital marketing industry. Specifically, by utilizing various data points from our consumer panels, including attribution, purchase and consumption data, behavioral, awareness and biological data, we have 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 we focus to expand our business 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, reflecting favorable sales of our digital marketing and global research products to a variety of sectors including advertising agencies, services, real estate, automotive and distribution. Furthermore, with the addition of H.M. Marketing Research, Inc. (renamed from Tokyo Survey Research on October 1, 2018; hereinafter “HMM”), which was converted into a subsidiary by acquiring a 51% share from Hakuhodo Inc. in July 2018, our domestic business revenue grew to 24,170 million yen (up 13.1% year-on-year).

The global operation, while slightly affected by unfavor exchange rates, experienced the expansion of businesses, mainly in terms of global alcoholic beverage and cosmetic companies as well as major Korean 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 10,195 million yen (up 10.4% year-on-year).

The 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. In addition, there was an effect from the posting of temporary expenses in July 2018 in conjunction with refinancing for existing foreign currency-denominated loans, whose interest rates were rising at the time, by means of the issuance of straight bonds. Now, with the absence of such an effect, the financial costs have been improving since the second quarter. As a result, the interest coverage ratio (*3: calculated in the last 12 months) improved to 11.50 times (from 11.25 times in the same period of the previous year).

As a result, the Group recorded revenue of 34,254 million yen (up 12.4% year-on-year), earnings before interest, taxes, depreciation and amortization (EBITDA) of 7,841 million yen (up 9.7% year-on-year) (*4), operating profit of 6,824 million yen (up 7.1% year-on-year), profit before tax of 6,482 million yen (up 4.2% year-on-year) and profit attributable to owners of the parent of 4,116 million yen (up 4.5% year-on-year) in the first nine-month period under review. Return on equity (ROE: calculated in the last 12 months) stood at 18.2% (down 3.1% year-on-year).

The results by segment are shown below.

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

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

(Japan and Korea Business)
In the Japan and Korea Business segment, as described earlier, revenue remained firm in Japan, and the Korean subsidiary continued to expand the volume of transactions. In addition, consolidation of the financial results of H.M. Marketing Research, Inc., which became a joint venture with Hakuhodo Inc. after the Company partially acquired it in July 2018, contributed to a significant increase in the segment's overall revenue. On the other hand, operating expenditure rose significantly year-on-year, reflecting cost increases due to the recruitment of additional employees and the increase of office floors attributable to business expansion, along with rising costs related to the consolidation of H.M. Marketing Research, Inc.

As a result, the Japan and Korea Business segment recorded revenue of 27,351 million yen (up 14.0% year-on-year), EBITDA of 6,974 million yen (up 6.2% year-on-year), and operating profit of 6,285 million yen (up 3.0% year-on-year) in the first nine 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, excluding Japan and Korea, although there were negative exchange rate impact as stated, steady sales were registered as discussed earlier for mainstay advertising pre-test materials and advertising/campaign effectiveness measurement products that are mainly used for surveys conducted for the Global Key Accounts (*5), due partly to the inclusion of revenue from Acturus. 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, operating expenses increased year-on-year in the segment. Having said that, profits increased significantly as we generated higher revenue, offsetting these increased costs.

As a result, the Overseas Business (ex-Korea) segment recorded revenue of 7,003 million yen (up 6.4% year-on-year), EBITDA of 867 million yen (up 48.4% year-on-year), and operating profit of 539 million yen (up 96.8% 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 exchange rate used for each is below.

Computation period (Nine months)	First nine-month period of the year ending June 30, 2018	First nine-month period of the year ending June 30, 2019	Change rate
JPY/EUR (yen)	132.16	128.12	(3.1%)
JPY/KRW (yen)	0.1005	0.0998	(0.7%)

Computation period (3 months)	First nine-month period of the year ending June 30, 2018	First nine-month period of the year ending June 30, 2019	Change rate

JPY/EUR (yen)	132.77	125.57	(5.4%)
JPY/KRW (yen)	0.1013	0.0982	(3.1%)

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 flow generated from each business more accurately.

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

(2) Explanations about financial position

(i) State of assets, liabilities and equity

At the end of the first nine months under review, assets totaled 77,324 million yen, a growth of 2,094 million yen from the end of the previous fiscal year. This was primarily from a rise of 1,271 million yen in trade and other receivables, and an increase of 273 million yen in other current assets.

Liabilities stood at 45,545 million yen, declining 2,217 million yen from the end of the previous fiscal year. The decrease mainly reflected a fall in income taxes payable of 871 million yen and a decline in other current liabilities of 694 million yen. There were proceeds from the issuance of corporate bonds of 9,947 million yen, while repayments of borrowings were made for the amount of 12,509 million yen. As a result, the ratio of net interest-bearing debts to EBITDA came to 2.99 at the end of the first nine months under review.

Equity was worth 31,779 million yen, an increase of 4,311 million yen from the end of the previous fiscal year. The increase was largely attributable to profit for the period of 4,613 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 nine-month period of the fiscal year under review decreased 1,478 million yen from the end of the previous fiscal year to 7,645 million yen. The status of each of the cash flow segments and contributing factors in the first nine-month period of the fiscal year under review are as follows:

(Cash flows from operating activities)

Net cash used in operating activities amounted to 2,559 million yen (up 180 million yen year-on-year). The cash outflow was mainly due to an increase in trade and other receivables of 2,771 million yen, income taxes paid of 2,779 million yen, and interest paid of 359 million yen, which offset profit before tax of 6,482 million yen and depreciation and amortization of 1,016 million yen.

Income taxes paid increased by 1,645 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/panel point reserves turnover in days stood at 89.9 days (down 2.1 days year-on-year) and 47.2 days (up 0.3 days year-on-year), respectively.

(Cash flows from investing activities)

Net cash used in investing activities came to 1,200 million yen (down 503 million yen year-on-year). The cash outflow primary reflected acquisition of intangible assets of 1,212 million yen and acquisition of property, plant and equipment of 299 million yen.

(Cash flows from financing activities)

Net cash used in financial activities was 2,863 million yen (up 179 million yen year-on-year).

The cash outflow resulted mainly from the repayment of non-current borrowings of 11,976 million yen and repayments of short-term borrowings of 533 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

To date, there has been no change to the consolidated results forecasts for the year ending June 30, 2019 announced on February 12, 2019.

The consolidated results forecasts were prepared based on information available on the date of the announcement of the forecasts, which may differ from the actual results due to various reasons.

2. Summarized Quarterly Consolidated Financial Statements and Significant Notes

(1) Summarized Quarterly Consolidated Statements of Financial Position

(Millions of yen)

	As of June 30, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and cash equivalents	9,124	7,645
Trade and other receivables	8,744	10,016
Contract assets	–	1,403
Other financial assets	4	5
Other current assets	536	810
Total current assets	18,409	19,881
Non-current assets		
Property, plant and equipment	1,152	1,221
Goodwill	46,957	46,928
Other intangible assets	6,605	6,961
Investments accounted for using the equity method	31	31
Other financial assets	1,379	1,369
Deferred tax assets	690	930
Other non-current assets	2	0
Total non-current assets	56,820	57,443
Total assets	**75,230**	**77,324**
Liabilities		
Current liabilities		
Borrowings	2,500	1,651
Trade and other payables	3,008	3,391
Contract liabilities	–	460
Other financial liabilities	164	47
Income tax payable	1,756	884
Provisions	1,020	1,164
Other current liabilities	2,439	1,745
Total current liabilities	10,890	9,347
Non-current liabilities		
Bonds and borrowings	34,534	33,919
Other financial liabilities	550	444
Retirement benefit liabilities	190	335
Provisions	208	261
Deferred tax liabilities	1,339	1,226
Other non-current liabilities	48	10
Total non-current liabilities	36,871	36,197
Total liabilities	**47,762**	**45,545**
Equity		
Share capital	880	962
Capital surplus	11,312	11,493
Treasury shares	(0)	(0)
Other components of equity	(96)	(130)
Retained earnings (deficit)	13,165	16,911
Equity attributable to owners of the parent	25,262	29,236
Non-controlling interests	2,205	2,543
Total equity	27,468	31,779
Total liabilities and equity	**75,230**	**77,324**

(2) Summarized Quarterly Consolidated Statements of Operations

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

	Nine months ended March 31, 2018	Nine months ended March 31, 2019
Revenue	30,482	34,254
Operating expense	(24,044)	(27,399)
Other operating income	31	18
Other operating expenses	(98)	(49)
Share of the profit on investments accounted for using the equity method	3	0
Operating profit	6,374	6,824
Finance income	417	235
Finance costs	(571)	(578)
Profit before tax	6,221	6,482
Income tax benefit (expense)	(1,929)	(1,869)
Profit for the period	4,291	4,613
Profit (loss) attributable to:		
Owners of the parent	3,938	4,116
Non-controlling interests	352	496
Profit for the period	4,291	4,613
Earnings per share		
Basic (Yen)	100.61	103.28
Diluted (Yen)	96.57	100.58

(3) Summarized Quarterly Consolidated Statement of Comprehensive Income

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

	Nine months ended March 31, 2018	Nine months ended March 31, 2019
Profit for the period	4,291	4,613
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)	(55)	(107)
Total items that will not be reclassified to profit or loss	(55)	(107)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(29)	1
Total items that may be reclassified to profit or loss	(29)	1
Other comprehensive income (loss), net of tax	(84)	(105)
Comprehensive income for the period	4,206	4,507
Comprehensive income for the period attributable to:		
Owners of the parent	3,889	4,083
Non-controlling interests	317	423
Comprehensive income for the period	4,206	4,507

(4) Summarized Quarterly Consolidated Statement of Changes in Equity
Nine months ended March 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)	–	–	–	(26)	–	(22)
Total comprehensive income for the period	–	–	–	(26)	–	(22)
Issue of shares	184	265	–	–	–	–
Purchase of treasury shares	–	–	(0)	–	–	–
Share-based payment transactions	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(12)	–	–
Changes in ownership interests in subsidiaries without a loss of control	–	(21)	–	–	–	–
Total transactions with owners	184	243	(0)	(12)	–	–
Balance as of March 31, 2018	859	11,288	(0)	53	–	(316)

(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	–	–	3,938	3,938	352	4,291
Other comprehensive income (loss)	–	(49)	–	(49)	(35)	(84)
Total comprehensive income for the period	–	(49)	3,938	3,889	317	4,206
Issue of shares	(83)	(83)	–	367	–	367
Purchase of treasury shares	–	–	–	(0)	–	(0)
Share-based payment transactions	74	74	–	74	–	74
Dividends paid	–	–	(194)	(194)	(231)	(425)
Transfer from other components of equity to retained earnings	–	(12)	12	–	–	–
Changes in ownership interests in subsidiaries without a loss of control	–	–	–	(21)	(30)	(52)
Total transactions with owners	(8)	(21)	(181)	225	(261)	(36)
Balance as of March 31, 2018	192	(70)	12,384	24,461	2,061	26,522

Nine months ended March 31, 2019

(Millions of yen)

	Equity attributable to owners of the parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Financial assets measured at fair value through other comprehensive income (loss)	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)	–	–	–	(59)	–	26
Total comprehensive income for the period	–	–	–	(59)	–	26
Issue of shares	81	124	–	–	–	–
Share-based payment transactions	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–
Changes in ownership interests in subsidiaries without a loss of control	–	56	–	–	–	–
Change from business combination	–	–	–	–	–	–
Total transactions with owners	81	181	–	–	–	–
Balance as of March 31, 2019	962	11,493	(0)	5	–	(330)

(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	–	–	4,116	4,116	496	4,613
Other comprehensive income (loss)	–	(32)	–	(32)	(72)	(105)
Total comprehensive income for the period	–	(32)	4,116	4,083	423	4,507
Issue of shares	(43)	(43)	–	162	–	162
Share-based payment transactions	42	42	–	42	–	42
Dividends paid	–	–	(277)	(277)	(230)	(507)
Changes in ownership interests in subsidiaries without a loss of control	–	–	–	56	(88)	(31)
Change from business combination	–	–	–	–	322	322
Total transactions with owners	(1)	(1)	(277)	(15)	3	(12)
Balance as of March 31, 2019	194	(130)	16,911	29,236	2,543	31,779

(5) Summarized Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended March 31, 2018	Nine months ended March 31, 2019
Cash flows from operating activities		
Profit before tax	6,221	6,482
Depreciation and amortization	775	1,016
Finance income	(417)	(235)
Finance costs	571	578
Share of the (profit) loss on investments accounted for using the equity method	(3)	(0)
Decrease (increase) in trade and other receivables	(3,893)	(2,771)
Increase (decrease) in trade and other payables	328	238
Other	335	374
Sub-total	3,917	5,683
Interest and dividends received	10	15
Interest paid	(413)	(359)
Income taxes paid	(1,134)	(2,779)
Net cash flows provided by (used in) operating activities	2,379	2,559
Cash flows from investing activities		
Acquisition of property, plant and equipment	(304)	(299)
Acquisition of intangible assets	(477)	(1,212)
Acquisition of shares in subsidiaries	(1,008)	(62)
Proceeds from acquisition of subsidiary	–	360
Acquisition of investments	(64)	(15)
Proceeds from sale of investments	4	–
Other	145	28
Net cash flows provided by (used in) investing activities	(1,703)	(1,200)
Cash flows from financing activities		
Proceeds from current borrowings	1,007	99
Repayments of current borrowings	(1,044)	(533)
Repayments of non-current borrowings	(2,411)	(11,976)
Proceeds from issue of corporate bonds	–	9,947
Proceeds from issue of shares	367	162
Dividends paid	(193)	(277)
Dividends paid to non-controlling interests	(231)	(230)
Other	(178)	(55)
Net cash flows provided by (used in) financing activities	(2,684)	(2,863)
Net increase (decrease) in cash and cash equivalents	(2,008)	(1,504)
Cash and cash equivalents at the beginning of the year	8,447	9,124
Effect of exchange rate changes on cash and cash equivalents	11	25
Cash and cash equivalents at the end of the period	6,449	7,645

(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 nine months of the fiscal year 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 nine months of the fiscal year 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 nine months of the fiscal year under review include an increase of 1,403 million yen in contract assets, a decrease of 1,403 million yen in trade and other receivables, an increase of 460 million yen in contract liabilities, and a decrease of 460 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 nine months of the fiscal year 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 24,044 million yen comprising 16,739 million yen stated as “cost of sales” and 7,304 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 nine months of the previous fiscal year.
In addition, other presentations related to the summarized quarterly consolidated financial statements for the first nine months 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 (9 months)	First nine-month period of the year ending June 30, 2018	First nine-month period of the year ending June 30, 2019	Change rate
JPY/EUR (Yen)	132.16	128.12	(3.1%)
JPY/KRW (Yen)	0.1005	0.0998	(0.7%)

Computation period (3 months)	First nine-month period of the year ending June 30, 2018	First nine-month period of the year ending June 30, 2019	Change rate
JPY/EUR (Yen)	132.77	125.57	(5.4%)
JPY/KRW (Yen)	0.1013	0.0982	(3.1%)

Nine months ended March 31, 2018

Millions of yen

	Reportable segments			Reconciliations	Consolidated
	Japan and Korea Business	Overseas Business (ex-Korea)	Total		
Revenue					
External	23,985	6,497	30,482	–	30,482
Intersegment	16	86	103	(103)	–
Total	24,002	6,583	30,585	(103)	30,482
Segment profit (loss) (Operating profit (loss))	6,101	273	6,374	–	6,374
Finance income					417
Finance costs					(571)
Profit before tax					6,221
(Other profit and loss items)					
Depreciation and amortization expense	464	310	775	–	775

Nine months ended March 31, 2019

Millions of yen

	Reportable segments			Reconciliations	Consolidated
	Japan and Korea Business	Overseas Business (ex-Korea)	Total		
Revenue					
External	27,335	6,918	34,254	–	34,254
Intersegment	15	84	100	(100)	–
Total	27,351	7,003	34,354	(100)	34,254
Segment profit (loss) (Operating profit (loss))	6,285	539	6,824	–	6,824
Finance income					235
Finance costs					(578)
Profit before tax					6,482
(Other profit and loss items)					
Depreciation and amortization expense	688	328	1,016	–	1,016

(Operating expenses)

The breakdown of operating expenses is as follows:

	Nine months ended March 31, 2018	Nine months ended March 31, 2019
	Millions of yen	Millions of yen
Employee expenses	10,632	12,157
Panel expenses	3,946	4,799
Outsourcing expenses	3,914	4,666
Depreciation and amortization	775	1,016
Other	4,774	4,758
Total	24,044	27,399