

# ANNUAL REPORT 2018

For the Year Ended June 30, 2018

**MACROMILL**  
a Macromill Group company



## Mission

The Macromill Group is a global marketing research company. Our Mission is to create innovative data and insights that drive clients' smarter decisions. We focus on creating an environment where employees can maximize their potential while building a profitable and valuable company.

## Vision

We aspire to be the first truly global digital research company by combining world class execution and digital innovation at scale.

## Values

Think New, Think Deep  
Act Now, Act Together  
Be True, Be Open  
Own It, Enjoy It



### CORPORATE LOGO

Configured in the shape of an "M," the first letter in the Company's name, four arrows extending in all directions symbolize our essence and aspiration. Shaded in Macromill blue, a corporate color that we have adopted since our foundation, this symbol mark embodies two clearly defined intentions.

### Client Arrow

We are committed to supporting our clients with innovative data and insights to drive their smarter business decisions.

### Macromill Arrow

We are determined to accelerate the marketing research business, while expanding our business globally.

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### Cautionary note

Any information in this report related to the industry, market trends, or economic conditions is based on information available as of the writing of the report, and the Company makes no guarantee as to the authenticity, accuracy, reasonableness or comprehensiveness of said information.

Any target, plan, estimate, prediction, expectation, or other forward-looking information relating to the Group in this report is based on the current assumptions and beliefs of the Group in light of the information available to it at the time the report was written. Factors such as domestic economic conditions, market trends in the industry, competition with other firms, the ability to secure human resources and panels, technological innovation, forex trends, and other operating conditions may cause the actual operating results, the financial position, and other results of the Group to differ materially from those expressed or implied in the report.

# Snapshot Our History

We have been a pioneer and disruptor in the marketing research industry since our incorporation in 2000. We deliver high-quality, fast and cost-efficient solutions to meet our clients' marketing research needs in today's digital world. This approach, combined with our corporate culture of innovation, continuous improvement and strong sales force, has enabled us to win and maintain the biggest market share in the ad hoc online marketing research sector in Japan.

We are the fastest growing marketing research company\*<sup>1</sup>  
5-Year CAGR\*<sup>2</sup> (6/2013–6/2018)

19%

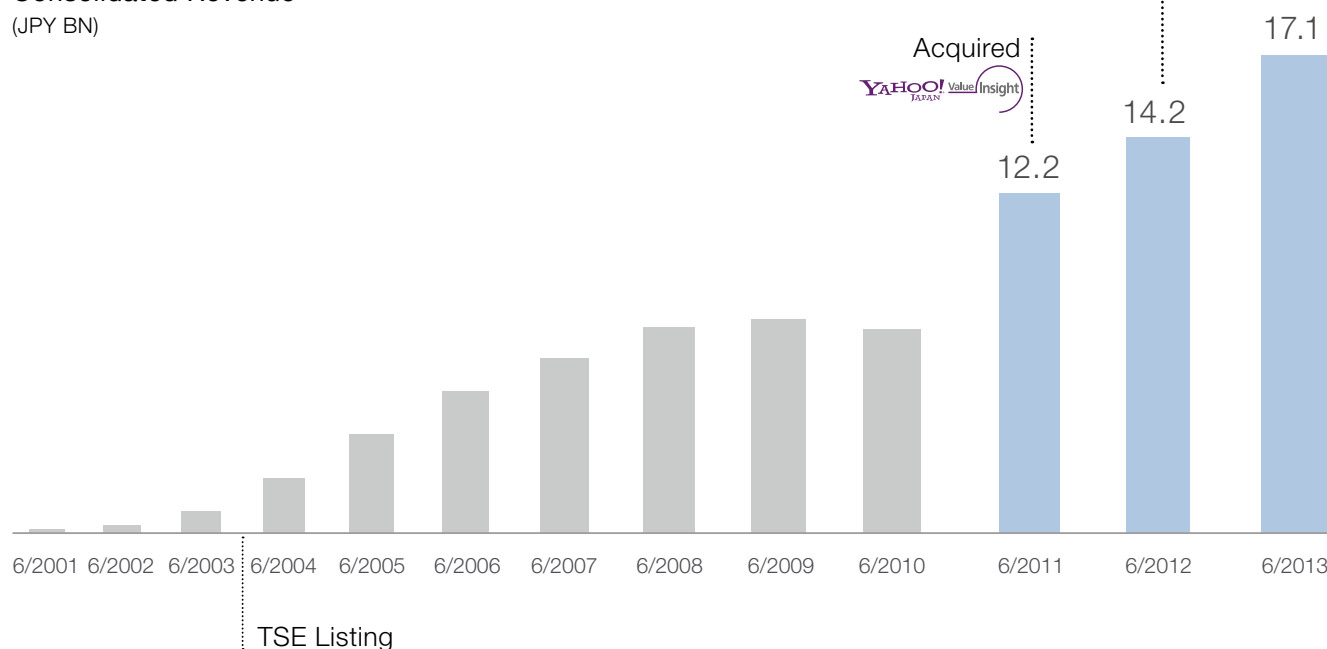
## Leading domestic presence

- Strengthened our position in Japan through both strong organic growth and merger and acquisition (M&A) activity.

## Product incubation / market creation

- Founded in 2000 as an online marketing research company.
- Became a pioneer and disruptor in the industry.
- Listed on the Tokyo Stock Exchange Mothers Section in 2004.

## Consolidated Revenue\*<sup>3</sup> (JPY BN)

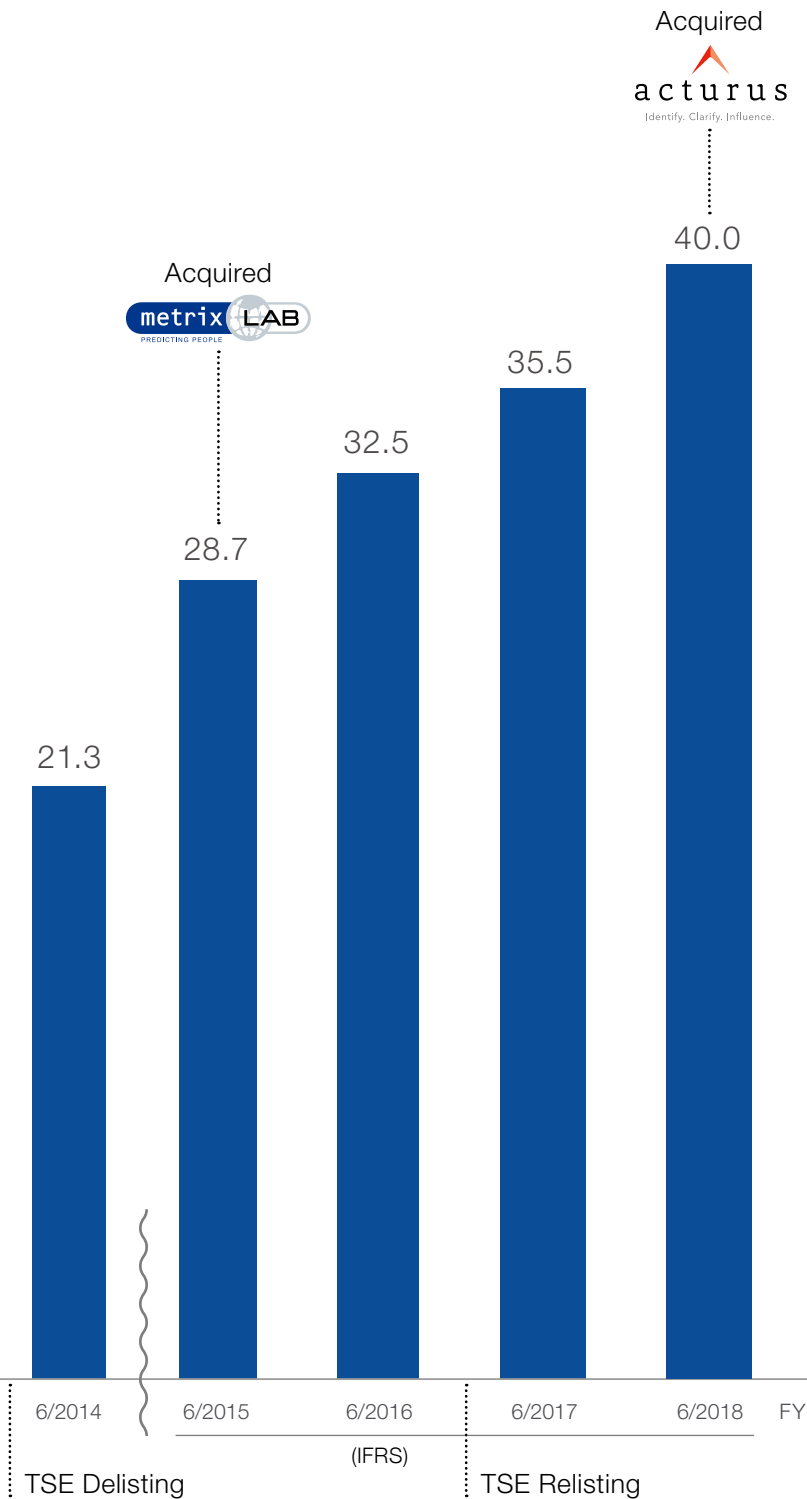


### Notes

\*<sup>1</sup> Source: ESOMAR Global Market Research 2013/2014/2018, Macromill's revenue CAGR growth between 2012, and 2013 and 2017 (4-year and 5-year CAGR) are highest among the largest 25 global marketing research companies (excluding IQVIA (ex. QuintilesIMS Health), a health care IT service provider)

\*<sup>2</sup> 5-Year revenue CAGR for FY6/13A-6/18A (Compound average annual growth rate based on the figures for FY6/15-6/18 (IFRS) and FY6/13-FY6/14 (J-GAAP)). 5-year CAGR has been calculated using J-GAAP and IFRS financials, which are not directly comparable (see note 3 on P.03)

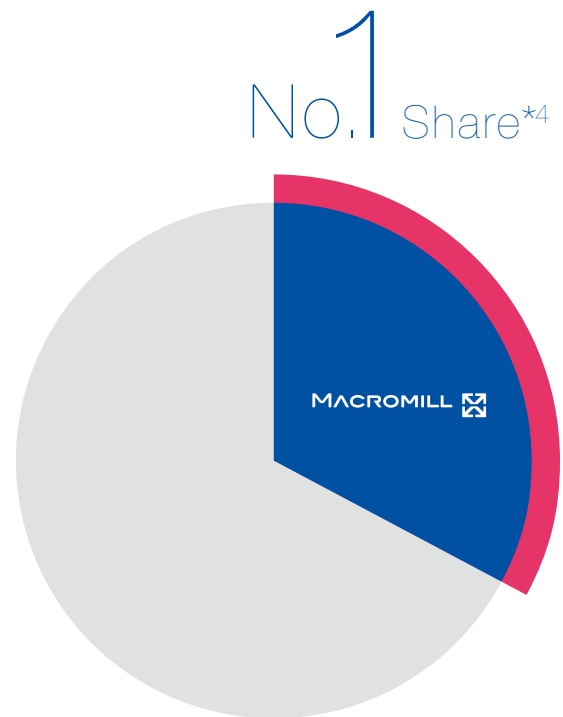
## Global expansion



- Privatized in 2014 to reorganize corporate structure to support global growth and expand our digital initiative.
- Accelerated our global expansion through the acquisition of MetrixLab in 2014 and Acturus in 2017.

## Japan ad hoc online MR share\*4

Market Size: 2017  
Macromill Financials: FY6/18



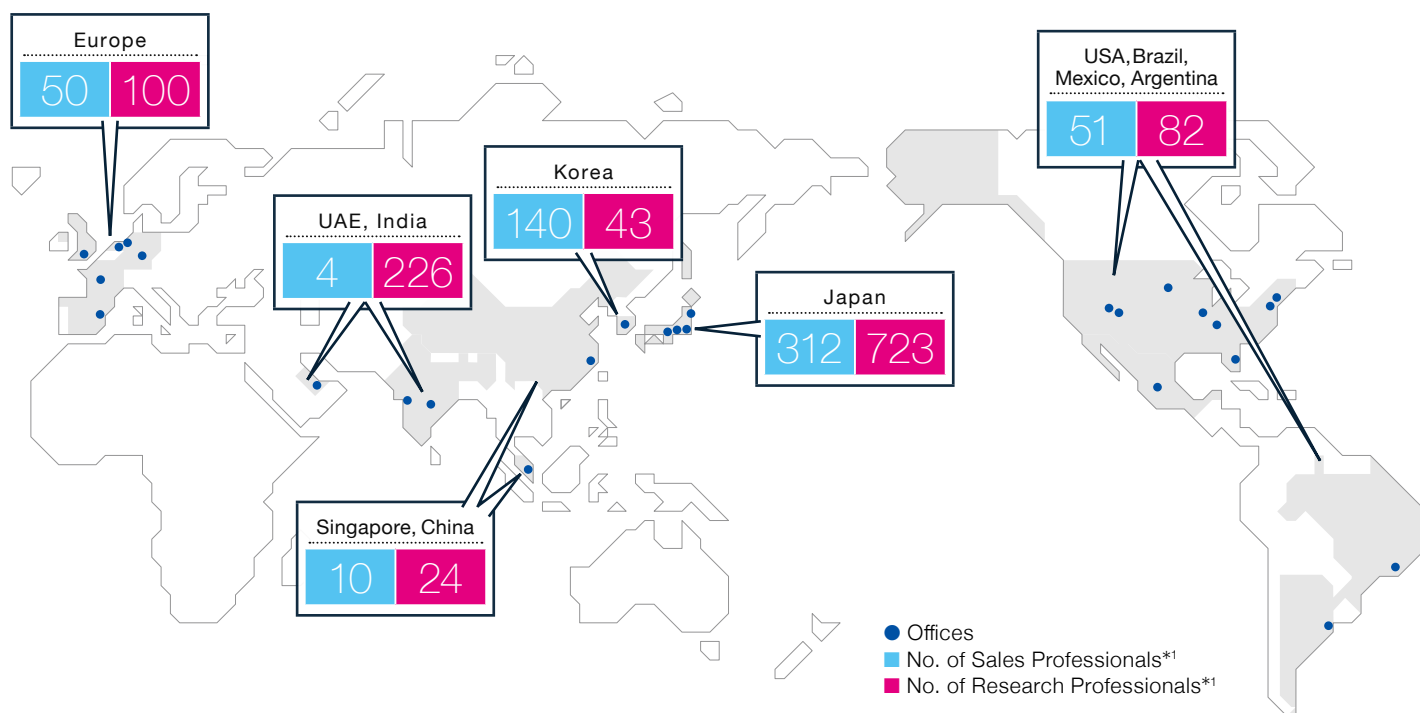
\*3 J-GAAP based financials for FY6/01-6/14 and IFRS-based financials for FY6/15 onwards. J-GAAP and IFRS financial information are prepared based on different accounting principles and are not directly comparable. Macromill believes that the presentation of consolidated revenues on a J-GAAP basis as compared to IFRS would only require immaterial adjustments and that the presentation above appropriately and accurately reflects the consolidated revenue trends for the four fiscal years ended June 30, 2018

\*4 Online MR Share = Macromill standalone and Dentsu Macromill Insight revenue from sales of ad hoc online marketing research solutions in Japan (FY6/18) / Total Japan ad hoc online MR market (2017) in terms of revenue as calculated by the Japan Marketing Research Association

# Snapshot Our Strength

## Worldwide Sales & Research Delivery

Sales and Research Breakdown for Selected Key Markets\*<sup>1</sup> (As of June 30, 2018)



2,000+\*<sup>2</sup> Employees in 44 Offices Worldwide

Global panel network

Approx. 110 million

Research professionals

Over 1,000

Annual projects

Over 35,000

Clients in business each year

over 4,000

Average client retention rate\*<sup>3</sup>

Japan: 96.5 % Global: 91.9 %

### Notes

\*<sup>1</sup> Sales and research professionals are defined as full-time employees committed to sales and research positions, respectively

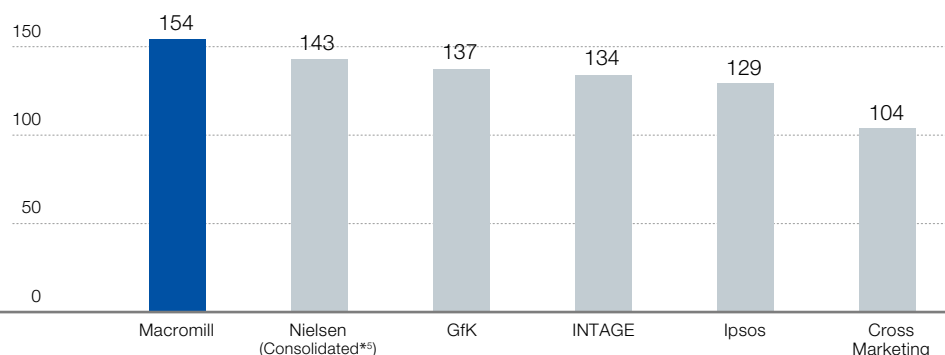
\*<sup>2</sup> Number of full-time-equivalent employees

\*<sup>3</sup> Retention Rate in Japan = (No. of large clients of Macromill standalone providing over JPY10MM in annual revenue for which Macromill's solutions were rendered and invoiced in the previous year, and for which there were solutions provided or invoiced in the current year) / (No. of large clients of Macromill (standalone) providing over JPY10MM in the previous year. 5-year average from FY6/14 to FY6/18)  
Retention Rate for Global (excl. Japan) = (No. of large clients of MetrixLab providing over EUR0.1MM in annual revenue for which solutions were rendered and invoiced in the previous year, and for which there were solutions provided or invoiced in the current year) / (No. of large clients of MetrixLab providing over 0.1MM Euro in the previous year. 3-year average from FY6/16 to FY6/18)

## Best-in-Class Operational Excellence and Profitability

### Revenue per Employee\*1 and 2

(Thousands of U.S. dollars, Latest FY\*3)



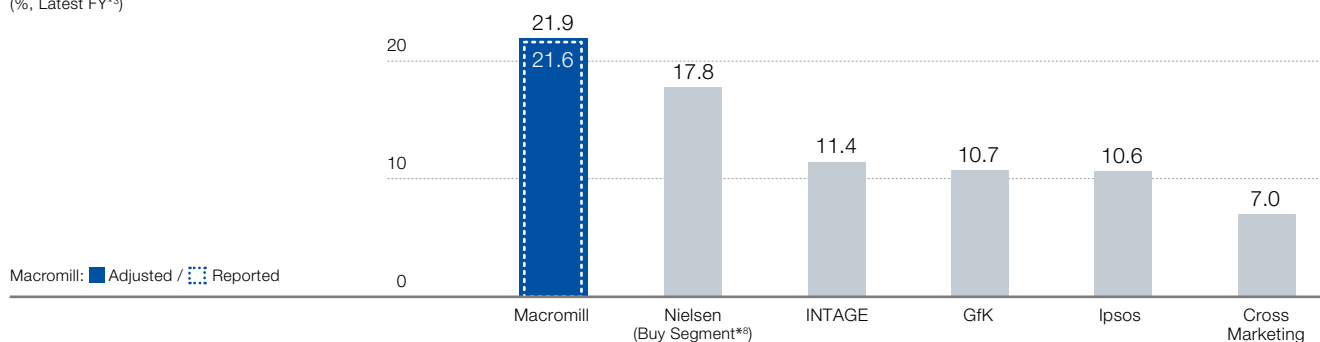
### No. of Employees\*1 and 4

|                  |                    |                    |                  |                    |                   |
|------------------|--------------------|--------------------|------------------|--------------------|-------------------|
| 2,362<br>(6/18A) | 46,000<br>(12/17A) | 12,926<br>(12/17A) | 3,444<br>(3/18A) | 16,664<br>(12/17A) | 1,414<br>(12/17A) |
|------------------|--------------------|--------------------|------------------|--------------------|-------------------|

Source: Company Information

### EBITDA Margin\*6 and 7

(%, Latest FY\*3)



(Millions of U.S. dollars)

### EBITDA\*2, 4 and 6

|                  |                 |               |                 |                 |                |
|------------------|-----------------|---------------|-----------------|-----------------|----------------|
| 80/79<br>(6/18A) | 574<br>(12/17A) | 52<br>(3/18A) | 190<br>(12/17A) | 228<br>(12/17A) | 11<br>(12/17A) |
|------------------|-----------------|---------------|-----------------|-----------------|----------------|

Source: Company Information

#### Notes

\*1 Includes temporary employees

\*2 Exchange rate: USD/EUR = 0.83, USD/JPY = 109.8

\*3 As of June 30, 2018

\*4 As of the end of each fiscal year as noted on the graph labels

\*5 Consolidated figures for both the revenue and the number of employees

\*6 Macromill: Adjusted EBITDA (USD80MM in 6/18) = EBITDA + Management Fee + IPO-related Expenses.

EBITDA (USD79MM in 6/18) = Operating Profit + Depreciation and Amortization + Loss on Retirement of Non-current Assets + Impairment Loss

Nielsen (Buy Segment): EBITDA = Operating Profit + (Restructuring Charge + Depreciation and Amortization + Other Items).

GfK: EBITDA based on GfK's disclosure

INTAGE and Cross Marketing: EBITDA = Operating Profit + (Depreciation + Amortization of Goodwill)

Ipsos: EBITDA = Gross Profit - (Payroll + General Operating Expenses + Amortization of Acquisition-related Intangibles) + Depreciation and Amortization

Because the adopted accounting principle and the definitions for EBITDA for each company differ, as well as other reasons, they may not be directly comparable

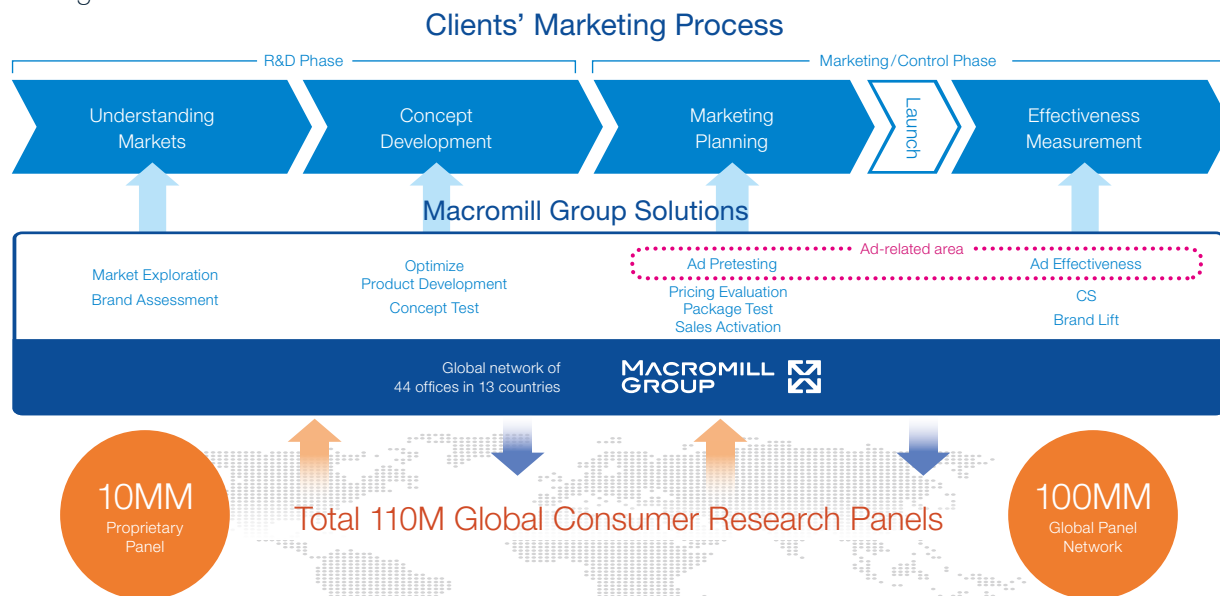
\*7 EBITDA margin = EBITDA / Revenue

\*8 EBITDA of Nielsen's "Buy" segment is used for comparison purposes because it presents similarities with Macromill's business.

EBITDA margin for Nielsen on a consolidated basis for the same period was 30.3%

# Snapshot Our Business Model

Our clients utilize our comprehensive suite of research solutions at all stages of their marketing value chain



The Group provides services that inject the voice of the consumer into the full life cycle of our clients' products and brands. We do this by helping clients answer questions such as:

- Which market should I enter?
- Which concepts resonate best with my target customers?
- What new product should I develop?
- What creatives, campaigns, and promotions perform best, and how can I optimize them?

Our unique strengths, our comprehensive solutions, and our strong execution capabilities have driven significant client success.

All our solutions are informed by data from our proprietary consumer panels. With access to approximately 10 million consumers worldwide, these respondents generate invaluable data and insights. On the rare occasions when a pool of 10 million consumers is not enough to deliver the depth or breadth of insight specified for a project, we turn to our network of third-party panel partners. This extends our reach by an additional 100 million consumers in over 90 countries.

## Who we work with



### Extensive Client Coverage

- Serving 3,900+ Brands & Ad Agencies in more than 90 Countries
- Revenue from 70% of Large Clients\*<sup>2</sup> Grew YoY (FY6/17→FY6/18)

### Superior Client Penetration

- Approx. 60% of Top 25 Global Brands are Our Clients\*<sup>3</sup>

### Global Blue-chip Client Base

- 9 of Top 10 Largest FMCG\*<sup>1</sup> Companies\*<sup>4</sup>
- 7 of Top 10 Largest IT Companies\*<sup>4</sup>

### Sticky Client Base

- 96.5% Retention Rate in Japan\*<sup>5</sup>
- 91.9% Retention Rate for Global (excl. Japan)\*<sup>6</sup>

The Macromill Group builds long-term, 'sticky' relationships with global blue chip clients by providing fast, cost-effective, and high-quality solutions. We have a client base numbering over 4,000 clients in more than 90 countries, with over 80% of our revenue coming from direct relationships with brands. We have an extremely diverse customer base in sectors including FMCG, IT, consumer electronics, auto manufacturers, consulting companies, advertising agencies, and increasingly with financial services companies. We are proud of our average customer retention rate of 96.5% in Japan and 91.9% for Global (excluding Japan). In addition, revenue from 70% of large clients grew year on year.

### Notes

\*1 FMCG = Fast Moving Consumer Goods/CPG: Consumer Packaged Goods (incl. non-durable goods such as soft drinks, toiletries, etc.)

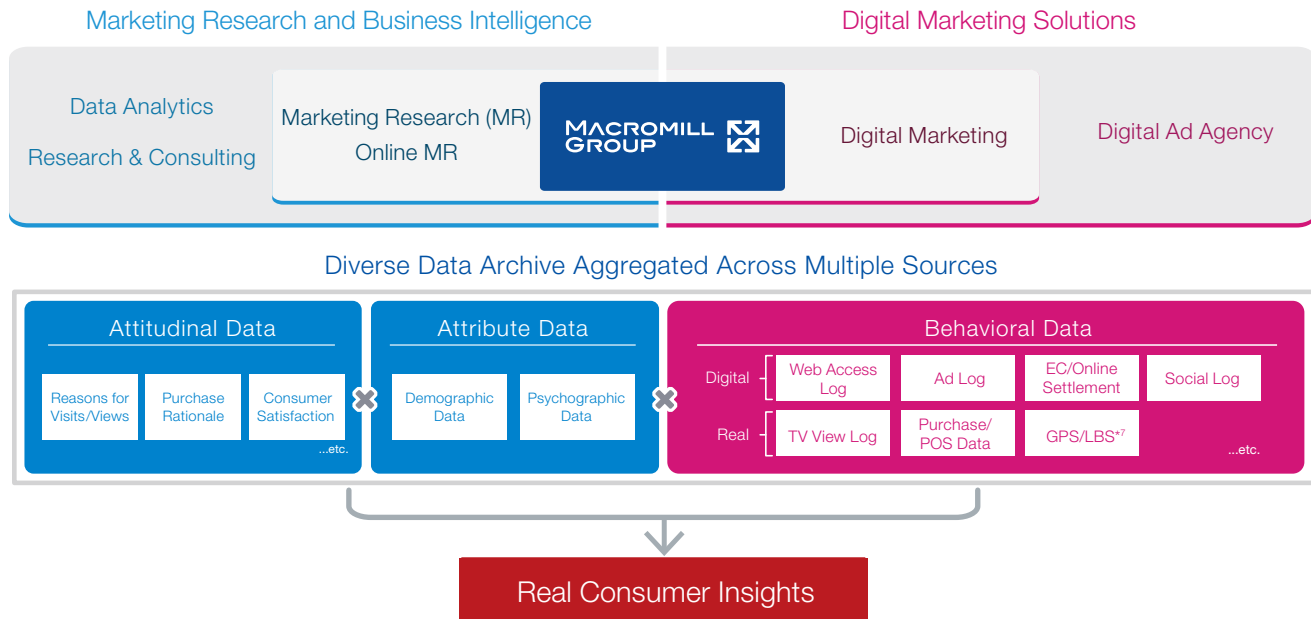
\*2 Large Accounts with annual revenue of >JPY10MM or EUR0.1MM

\*3 Based on Millward Brown "BRANDZ TOP100 most valuable global brands 2018". Includes clients for which we provide definitions services and clients who use two or more research companies in FY6/18

\*4 Top 10 in terms of market cap as of June 30, 2018. The definition of industries is based on Capital IQ primary industry classifications; FMCG = beverages, food products, and household & personal products. IT = information technology



## Positioned at the intersection of online marketing research and digital marketing



We are uniquely positioned at the intersection of online marketing research and digital marketing. We have matched our client offering to these markets, allowing us to compete for significant projects on a global scale.

We offer online marketing research (illustrated above on the left-hand side in blue) covering attitudinal, purchase and behavioral data. We turn those data into insights to empower clients' decision-making on critical business topics including brand engagement, product innovation and customer value. However, we live dual lives today—in the traditional and the digital world. So, we compliment survey based insight with

behavioral data captured as consumers interact with digital content and advertising on brands' websites, ecommerce sites, social platforms and mobile devices (illustrated above on the right-hand side in pink).

These digital marketing solutions provide insight for media planning, evaluating the strength of advertising creative, assessing campaign effectiveness and optimizing digital and cross-media marketing.

Integrating data from both the traditional and digital worlds not only allows us to provide real consumer insights to our clients, it also differentiates us from our competition.

## An industry-leading one-stop product and solutions portfolio

## Selected Solutions

|                                  | Marketing Research  |   |   | Digital Marketing  |
|----------------------------------|---|---|---|--|
|                                  | Ad Hoc  |   | Database  |  |
| Developed by<br><b>MACROMILL</b> | <b>Quantitative</b><br>Online Research<br>QuickMill<br>OrderMill<br>Central Location Testing<br>CLT | <b>Qualitative</b><br>Group / In-Depth Interviews<br>FGI<br>DI      | Purchase Data<br>QPR<br>Household Spending Data<br>MHS<br>Brand Data<br>bdb | Ad Effectiveness Measurement<br>AccessMill<br>DMP*8<br>"DMP Solution"  |
| Jointly Developed                |   |   |   | GLOBAL AccessMill  |
| Developed by<br><b>METRIXLAB</b> | Market Exploration<br>"SCOUT H&A"<br>Package Test<br>"PACT"   | Concept Test<br>"CONTEST"<br>Brand Assessment<br>"B-HEALTH"<br>etc. |   | Ad Pretesting<br>"AD -VANCE"<br>"ACT"<br>Social Media Analysis<br>OXYME<br>Big Data Analysis<br>"Dashboard" etc. |

The Group has developed a one-stop product and solutions portfolio that provides a full complement of "marketing" research solutions for our clients. It includes online quantitative and qualitative research solutions, database solutions and digital marketing solutions. The diverse nature of the insight and intelligence delivered through this comprehensive portfolio caters to a huge range of client needs.

\*5 Retention Rate in Japan = (No. of large clients of Macromill standalone providing over JPY10MM in annual revenue for which Macromill's solutions were rendered and invoiced in the previous year, and for which there were solutions provided or invoiced in the current year) ÷ (No. of large clients of Macromill (standalone) providing over JPY 10MM in the previous year). 5-year average from FY6/14 to FY6/18

\*6 Retention Rate for Global (excl. Japan) = (No. of large clients of MetrixLab providing over EUR0.1MM in annual revenue for which solutions were rendered and invoiced in the previous year, and for which there were solutions provided or invoiced in the current year) ÷ (No. of large clients of MetrixLab providing over EUR0.1MM in the previous year). 3-year average from FY6/16 to FY6/18

\*7 Location-based service

\*8 Data Management Platform

Dear Shareholders

## Creating the first truly global digital research company

Macromill enjoyed a good year in 2018 with solid organic growth and acquisitions that were immediately accretive resulting in our continued optimism about the future. Now, more than ever, companies must understand global consumers' opinions and behaviors to succeed, and we have the solutions to help them do so. We have a clear Mission and Vision, and our team has set out our corporate Values. Looking ahead, we will concentrate on continuing to deliver business growth while retaining our focus on exceeding our clients' expectations.

### A word about our progress and goals

It is no exaggeration to say that we have been a pioneer in the transformation from conventional to online marketing research since our incorporation in 2000. We have developed digital solutions and acquired those we most admire, earning us a reputation as a disruptor in the marketing research and digital marketing space. Rooted in innovative thinking and rapid decision-making, our corporate culture is unquestionably one of our major strengths.

### Our strengths

We find ourselves in a unique position at the intersection of online marketing research and digital marketing solutions. From this advantageous position, we provide consumer insights that make a genuine difference to our clients' businesses. From developing winning advertising campaigns, to informing product innovation and creating strategies to increase customer value, we help our clients' businesses succeed. Crucially, we have designed our systems, solutions and operating structure to deliver to the exacting needs of our digital world. We provide high-quality research solutions at the scale, speed and cost that today's businesses demand.

### The market for marketing research

Consumer opinions and behaviors are more complex than ever, making it vital for companies to understand their customers if they are to meet their unique needs. To make accurate decisions, and develop and execute winning strategies, clients need reliable data, insight and intelligence. It is for this reason that we expect the demand for marketing research to increase.

Digital advertising and marketing also continue to advance at speed. Companies must utilize the combination of

websites, online video, mobile and social media, along with more traditional channels to reach consumers. There is no one-size-fits-all approach, and our clients increasingly recognize that they need sophisticated marketing strategies that are segmented by the different needs of each customer group. They require more evidence to justify their decisions and investment. Ultimately, they need intelligence to show which tactics are effective in building the crucial relationships between brands and consumers. The tools we have developed are a perfect fit for this evolving economy.

### Growth strategies and performance targets

To drive growth, we have established three goals. Firstly, expansion in Japan. Secondly, accelerating global strategies, and thirdly, to deliver next-gen digital solutions. In addition to these three organic growth strategies, we will continue to consider opportunities for expansion through M&A, where we concentrate on three key areas: regional and wallet share expansion, panel access expansion, and technology and solution enhancement.

Based on these strategies, we target an organic CAGR of 10% per annum on a consolidated revenue basis in each year from the fiscal year-end June 2016 to the fiscal year-end June 2019. To achieve this, we aim to expand our global revenue ratio from approximately 30% to approximately 40%. We also plan to double the digital revenue ratio from approximately 10% to approximately 20%.

For the fiscal year ended June 2018, we successfully increased consolidated revenue to ¥40,024 million (up13%). Consolidated revenue for global business and digital business grew up to 27% and 50%, respectively. As a result, global and digital revenue ratios within the consolidated revenue increased to 37% and 17%, respectively.



**Scott Ernst**

Director, Representative Executive Officer and Global CEO

In the domestic and overseas marketing research industries, demand for online marketing research maintains its growth trend, and our performance is expected to be strong as the market expands. One of the distinct growth drivers is digital marketing solutions because digital advertising is expanding rapidly in Japan and overseas. Also, our clients are facing challenges in developing their databases and real-time dashboards that support their efficient marketing activities, and so demand for integrated datasets of digital behavioral data and actual consumption and purchase data are increasing.

In this business environment, we will continually strive to increase our sales globally from our existing strong business foundation. Additionally, we will work to further increase our productivity in the global research operation and to ensure stable profit growth through appropriate cost control. Simultaneously, we will continue to invest in hiring and developing skilled employees to establish and maintain competitive advantage in our priority improvement areas, notably the digital marketing solutions segment.

Also, we had used the proceeds of the corporate bonds issued in July 2018 for early redemption repayment of foreign currency denominated borrowings. There will be one-time financing cost increase due to the refinancing, in a short run, but we expect financing cost reduction in the medium- to long-term period.

In addition to continuous organic revenue growth, we expect to see a positive impact on our group's performance in the fiscal year ending June 2019 from the acquisition of Acturus, Inc., acquired in October 2017, and Tokyo Survey Research Inc., acquired in July 2018 and to be consolidated in the fiscal year ending June 2019. As a result, for the fiscal year ending June 2019, we forecast consolidated revenue of ¥46.4 billion, with improved global and digital ratios in line with our medium-term business plan.

## Shareholder returns and a message for investors

Our goal is to continue strategic investment at an appropriate level to stimulate innovation and growth. Macromill boasts industry-leading profitability thanks to our highly efficient operations, and we benefit from the capacity to generate strong cash flow. We plan to invest this cash into the future growth that will generate enhanced shareholder value.

We will also focus on further debt reduction and building a solid financial base to enable both the company and shareholders to realize a profit. Looking at shareholder returns, we will pay dividends on retained earnings in the form of stable and sustainable dividend increases. Our dividend for the fiscal year ended June 2018 was ¥7 per share. We aim to increase the dividend for the fiscal year ending June 2019 to ¥9 per share.

Thank you for being part of this journey with us. We believe we are well positioned in the right markets, with right solutions, at the right size, and at the right time. By continuing to be a pioneer and challenger in the marketing research and digital marketing space, I am confident we will create the first truly global digital research company.



Scott Ernst

Director, Representative Executive Officer and Global CEO

Why aim to be  
the First Truly Global Digital  
Research Company?

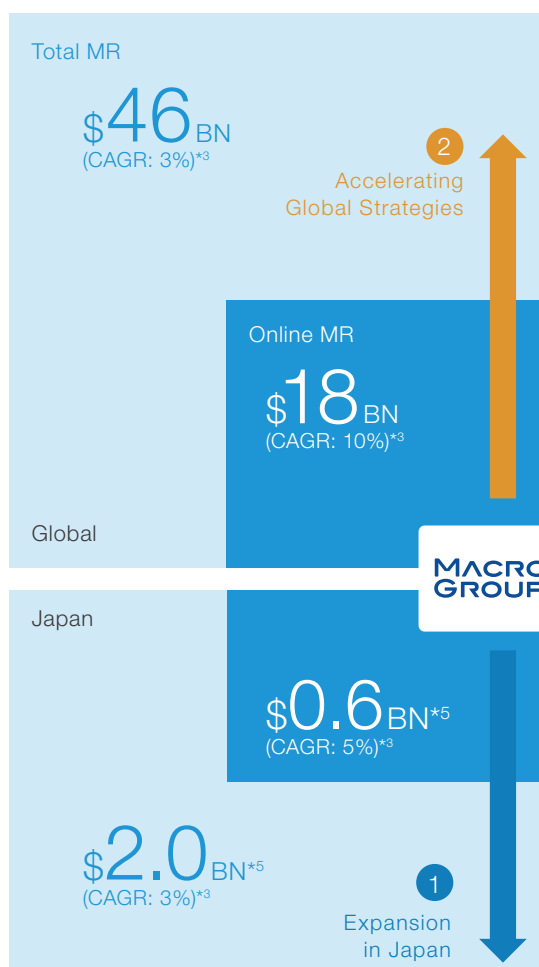
Why aim to be the First Truly Global Digital Research Company?

Because there is a **Big Market Opportunity**

## Our Market Opportunity\*1

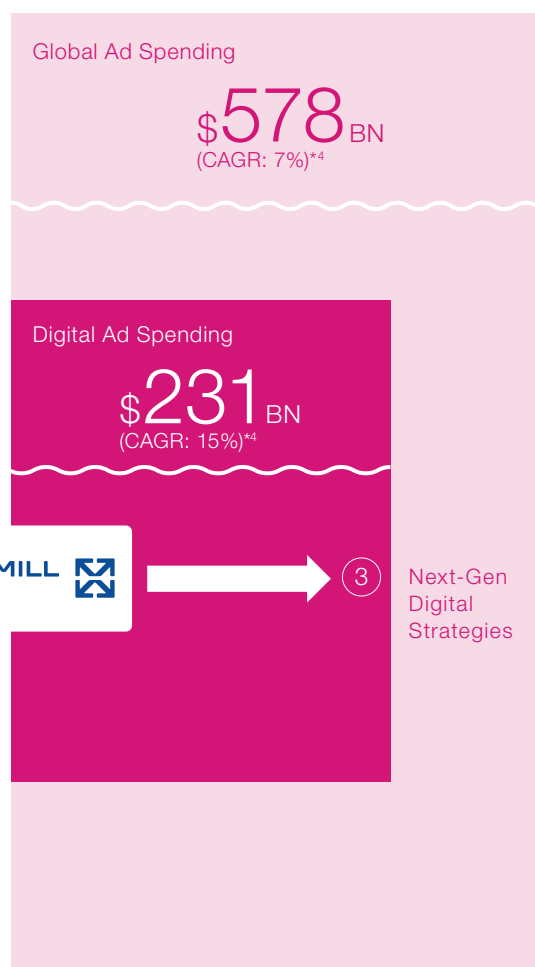
### Marketing Research

Marketing Research Spending Size: 2017A  
Actual CAGR: 2012A-2017A



### Digital Marketing\*2

Ad Spending Size: 2017A  
Forecast CAGR: 2017A-2022E



Source:

Global Marketing Research spending: ESOMAR- Global Market Research (9/18)

Japan Marketing Research spending: Japan Marketing Research Association (7/18, 7/17)

Ad spending: eMarketer- Worldwide Ad Spending (9/18)

#### Notes

\*1 The diagram is for illustrative purpose only and is not intended to depict relative market size to scale, or to show the current or future revenue or profit of Macromill Group in each market

\*2 The market size includes solutions which Macromill Group does not offer currently and shows the size of the digital advertising market as a sub-component of the total advertising market. We generally do not plan to expand our business to cover all this market, but feel it is helpful to show because we believe that there is a correlation between the growth of this market and the growth of sales of our digital marketing solutions.

\*3 Historical CAGR for 2012A-2017A

\*4 Future Estimate CAGR for 2017A-2022E

\*5 Exchange rate: USD/JPY = 110

### To achieve the growth only a truly global and digital player can seize

With a market scale estimated at \$2.0 billion and a compound annual growth rate (CAGR) of 3%, marketing research in Japan appears to be maturing. Against this backdrop, online marketing research, which accounts for \$0.6 billion of all marketing research in Japan, is expanding at a CAGR of 5%. So, we expect the pace of online marketing research to exceed that of the market as a whole. Historically, we have focused primarily on expanding our Japanese business, but in the future, we aim to be a truly global and digital marketing company, and to exploit the opportunities for growth that this offers.

The market for global marketing research is estimated to be valued at about \$46 billion. The global online marketing research sector has been increasing substantially by a CAGR of about 10%. As consumer behavior and opinions become increasingly complex, we believe demand for marketing research will increase. Client companies will have an even greater need for reliable data, insight and intelligence to help

them make better business decisions.

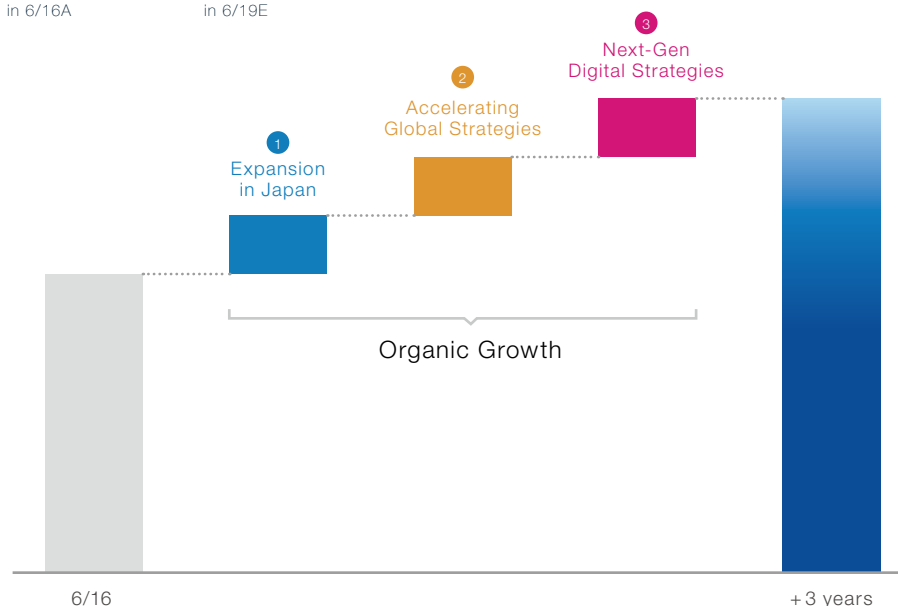
Focusing on digital marketing, spending on global advertising is approximately \$578 billion, with a CAGR of about 7%. In contrast, digital advertising spending is expanding at a rapid CAGR of approximately 15%. The shift towards digital advertising is accelerating, with much emphasis on websites, online video, mobile and social network sites. As companies move to create sophisticated marketing strategies and campaigns that are segmented by consumer groups, we expect our business to experience further growth.

With numerous opportunities for market expansion, we are targeting growth through three strategies: 1) expansion in Japan, 2) accelerating global strategies, and 3) next-gen digital strategies. By pursuing these strategies, we aim to achieve a consolidated organic revenue CAGR of 10% each year from the fiscal year ended June 2016 to the fiscal year ending June 2019.

### Consolidated Revenue Growth (Illustrative)

Aiming for **approx. 10% Organic Revenue CAGR<sup>\*6</sup>**... over the next 3 fiscal years

|                               |                           |                               |
|-------------------------------|---------------------------|-------------------------------|
| Global Revenue <sup>*7</sup>  | approx. 30% → approx. 40% | of total consolidated revenue |
| Digital Revenue <sup>*8</sup> | approx. 10% → approx. 20% |                               |
|                               | in 6/16A                  | in 6/19E                      |



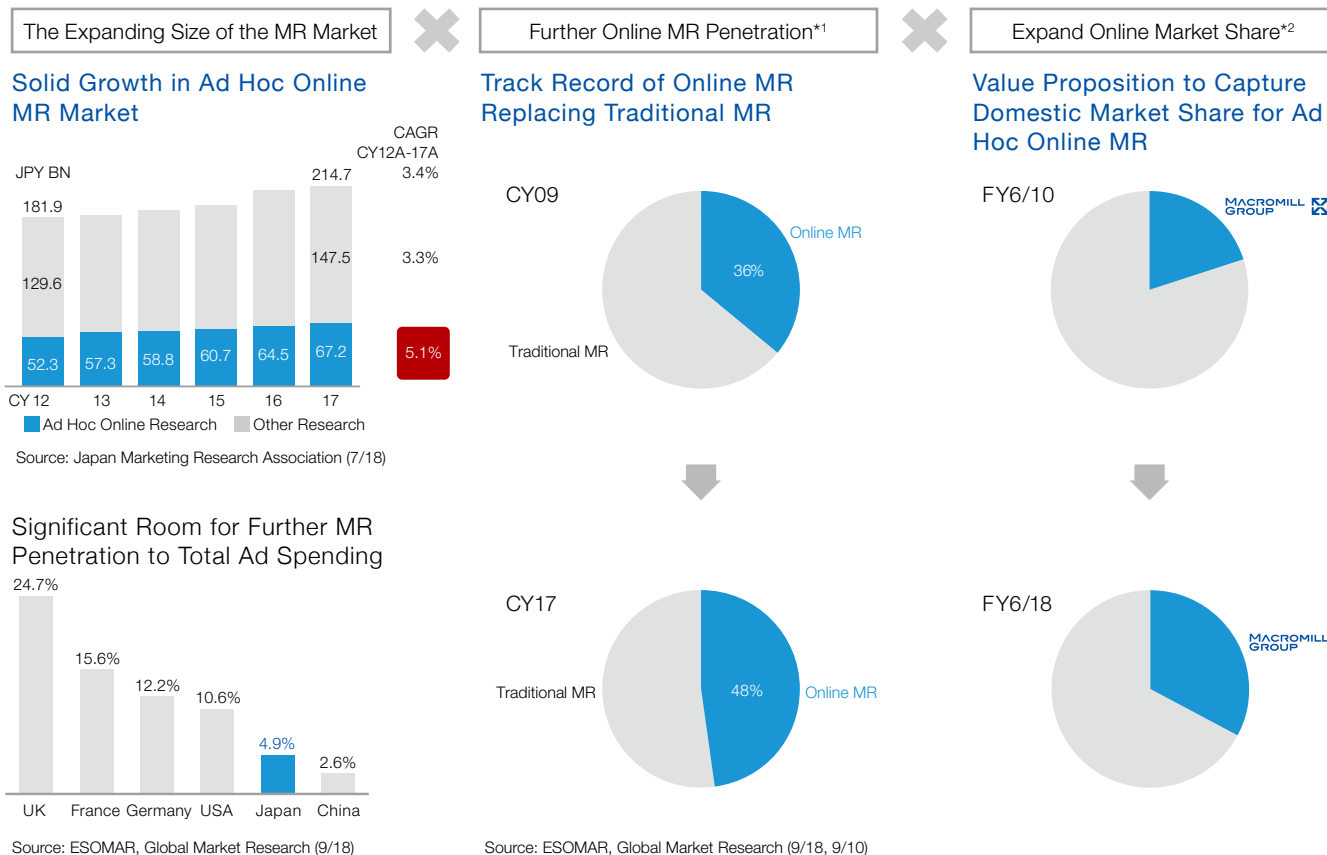
<sup>\*6</sup> Excludes impact of potential M&A and strategic alliances

<sup>\*7</sup> Global Revenue = (consolidated annual revenue generated from global research conducted for Japanese companies and revenue generated from offices outside of Japan (both on a management accounting basis))/consolidated annual revenue

<sup>\*8</sup> Digital Revenue = (consolidated annual revenue from digital marketing solutions, such as AccessMill, DMP solutions, ACT Copy and CE (on a management accounting basis))/consolidated annual revenue. Digital marketing solutions refer to our marketing research and marketing analytics solutions that meet one or more of the following criteria: (1) it is a 100%-focused digital marketing solution; (2) it monitors or evaluates digital media, websites or other digital stimulus; (3) it leverages non-survey digital/social data; or (4) it utilizes one of our value-added digital delivery channels, such as our dashboard. Marketing analytics refers to the business of collecting, analyzing, organizing and presenting data drawn from internet users, including data collected from panelists, with a view to demonstrating and explaining the impact and effectiveness of an entity's digital marketing efforts (such as digital advertisements)

Why aim to be the First Truly Global Digital Research Company?  
Because there is a **Big Market Opportunity**

## 1 Expansion in Japan



**The Japanese business will continue to be a strong engine for the robust and sustainable growth we need to realize our Vision**

Within the Japanese marketing research sector, the demand for ad hoc online marketing research is expanding at a CAGR of 5.1%, much faster than the market overall. We believe that there is further room for growth because the ratio of marketing research expenditure to advertising spend in Japan remains much lower than in other countries. The shift from traditional to online marketing research is accelerating, and we are ideally

positioned as the market leader to capitalize on that evolution.

As a pioneer in this space, we have been able to increase our share in Japan. We've leveraged our high-quality panel assets, strong sales force, expansive client base, comprehensive product and solutions portfolio and corporate culture of innovation, which is deeply embedded in our company.

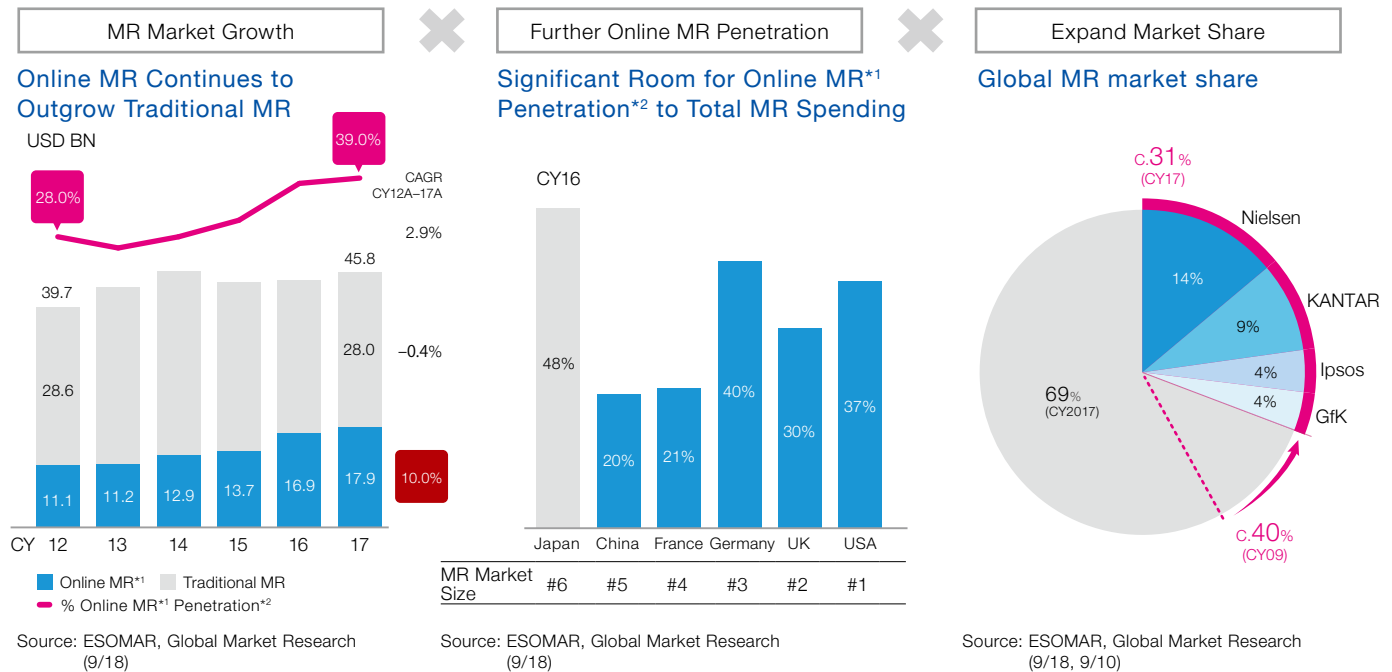
### Notes

\*1 Online MR Penetration = spending of online quantitative research/spending of total marketing research in each country

\*2 Online MR Share (FY6/18) = Macromill standalone and Dentsu Macromill Insight revenue from sales of ad hoc online marketing research solutions in Japan (FY6/18)/total Japan ad hoc Online MR market (CY17) in terms of revenue as calculated by the Japan Marketing Research Association. Online MR Share (FY6/10) = Macromill standalone revenue from sales of ad hoc online marketing research solutions (FY6/10)/total Japan ad hoc Online MR market (CY09) in terms of revenue as calculated by the Japan Marketing Research Association



## 2 Accelerating Global Strategies



### By becoming a global research company, we have more opportunities for growth

The global marketing research sector has continued to expand, buoyed by the rapid growth of online marketing research. In fact, online has outpaced traditional marketing research with a CAGR of 10.0%. In addition, with online marketing research penetration to total marketing research spend relatively low in the largest five markets—the US, UK, Germany, France and China—we believe there is still much potential for Macromill to maximize market growth opportunities.

As a market disruptor and challenger, we aim to gain

share from traditional global players. Between 2009 and 2017, the market share of the top four global traditional marketing research companies fell by 9 percentage points from approximately 40% to 31%. Companies recognize that players like Macromill are fast and flexible, and that our solutions are more cost-effective. As a result, more businesses are migrating their marketing research and digital marketing projects to players like us and we expect this to continue in the future.

#### Notes

\*1 Online quantitative marketing research only, excluding online traffic/audience measurement and online qualitative marketing research, which are excluded in ESOMAR presentation

\*2 Online MR penetration = spending on online quantitative marketing research (PC Online + Mobile / Smartplane Online)/spending on total marketing research in each country

Why aim to be the First Truly Global Digital Research Company?

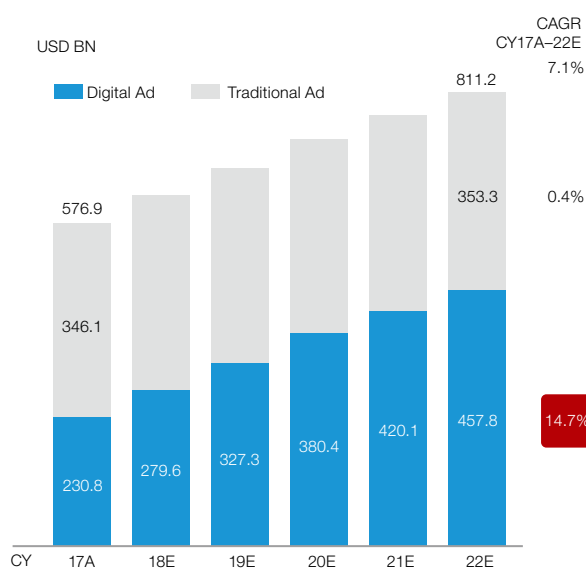
Because there is a **Big Market Opportunity**

### 3 Next-Gen Digital Strategies

#### Digital Ad Market Growth

#### Digital Ad Continues to Outgrow Traditional Ad

Worldwide Media Ad Size

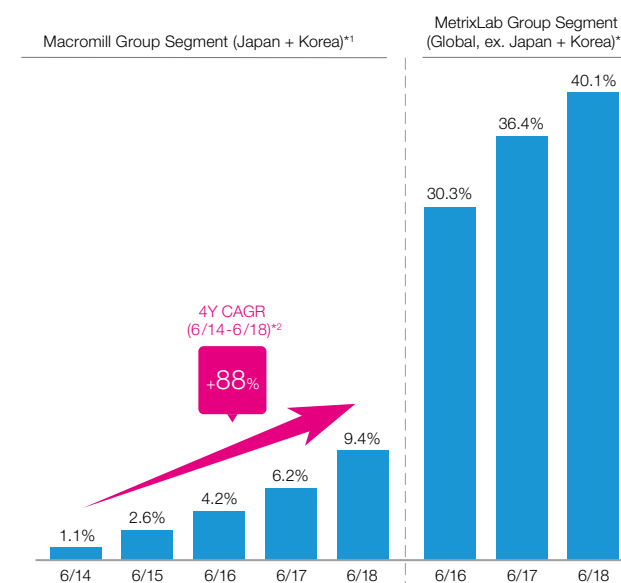


Source: eMarketer, Worldwide Ad Spending (9/18)

#### Further Penetration of Digital Marketing Solutions

#### Significant Untapped Upsides Particularly in Japan

% of Digital Marketing Solutions Revenue of Total Revenue



#### The growing digital advertising market offers a significant growth opportunity for a digital research company

Driven by the evolution of digital technologies, the digital advertising market has grown at a 14.7% CAGR, outperforming the traditional advertising market's growth of 0.4%. A strong digital advertising market means there is greater demand for the digital marketing solutions we offer. These include digital ad pre-testing, ad effectiveness measurement and Data Management Platform (DMP) solutions. Using them, we help companies to optimize their marketing spending.

We have a successful track record of growing our digital marketing solutions in response to our clients' needs. With our business focus mainly in Europe and the US, markets where the

digital transformation arrived relatively early compared to Japan, MetrixLab's digital marketing solution penetration reached 40.1% in the fiscal year ended June 2018 and is still growing. Meanwhile, in Japan, we experienced robust digital marketing solutions revenue growth, achieving a CAGR of 88% in the four years from fiscal year ended June 2014 to June 2018. Despite this, the penetration rate is still 9.4%, leaving significant opportunities for growth.

Through continuous innovation and the advancement of our portfolio of products and solutions, we aim to be the go-to company in the digital marketing domain.

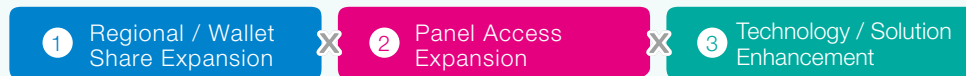
#### Notes

\*1 Macromill Group Segment revenue from sales of digital marketing solutions in each year/Macromill Group Segment revenue. MetrixLab Group Segment revenue from sales of digital marketing solutions in each year/MetrixLab Group Segment revenue. Digital marketing solutions refers to our marketing research and marketing analytics solutions that meet one or more of the following criteria: (1) it is a 100%-focused digital marketing solution; (2) it monitors or evaluates digital media, websites or other digital stimulus; (3) it leverages non-survey digital/social data; or (4) it utilizes one of our value-added digital delivery channels, such as our dashboard. Marketing analytics refers to the business of collecting, analyzing, organizing and presenting data drawn from internet users, including data collected from panelists, with a view to demonstrating and explaining the impact and effectiveness of an entity's digital marketing efforts (such as digital advertisements)

\*2 CAGR representing growth of digital marketing solutions revenue in Japan is measured as a percentage of total revenue in Japan. J-GAAP based financials for FY6/14 and IFRS-based financials for FY6/15 onwards. J-GAAP and IFRS financial information are prepared based on different accounting principles and are not directly comparable. Macromill believes, however, that the presentation of consolidated revenues on a J-GAAP basis as compared to IFRS would only require immaterial adjustments and that the presentation appropriately and accurately reflects the trends for the revenue trends

## Targeting the Next Leap – The three pillars of our M&A strategy

In addition to our three pillars of organic growth, we are also aiming to achieve strong inorganic growth. We have a successful track record of value creation through M&A activity. We're particularly proud of our ability to integrate companies once acquired. We will therefore continue to seek M&A opportunities to support our three key target areas.



### Proven Track Record in M&A and Strategic Tie-ups

|  |   |  |
|--|---|--|
| <p>2010 Acquisition* Japan</p> <p>1 2 3</p> <p>✓ Doubled Panel Access</p>  | <p>2011 Acquisition Netherlands</p> <p>1 2 3</p> <p>✓ Acquired Social Analysis Capabilities</p>   | <p>2012 Acquisition Korea</p> <p>1 2 3</p> <p>✓ Access to Asian Clients and Panels</p>   |
| <p>2012 Joint Venture with Dentsu Japan</p> <p>1 2 3</p> <p>✓ Securing earnings stability and improving our ability to develop services in new domains</p> | <p>2013 Acquisition USA</p> <p>1 2 3</p> <p>✓ Access to Panels in the US</p>  | <p>2014 Acquisition Netherlands</p> <p>1 2 3</p> <p>✓ Global Client &amp; Panel Base Access</p>  |
| <p>2015 Strategic Alliance Japan</p> <p>1 2 3</p> <p>✓ Access to Solutions for Government</p>  | <p>2015 Strategic Partnership Netherlands</p> <p>1 2 3</p> <p>✓ Incorporate Panels &amp; Mobile Technologies</p>  | <p>2017 Strategic &amp; Capital Alliance Japan</p> <p>2018 Acquisition</p> <p>1 2 3</p> <p>✓ Access to Neuro / Biometric Marketing Solutions<br/>✓ 10% minority investment &gt; 51% majority acquisition</p> |
| <p>2017 Acquisition USA</p> <p>1 2 3</p> <p>✓ Expand expertise, client base and influencer solutions in the US and UK</p>                                  | <p>2017 Strategic &amp; Capital Alliance Indonesia Thailand Vietnam</p> <p>1 2 3</p> <p>✓ Access to Southeast Asian Client and Panels<br/>✓ 10% minority investment (through 3rd party allotment)</p> | <p>2018 Joint Venture with Hakuodo Japan (51% Majority Acquisition)</p> <p>1 2 3</p> <p>✓ Seeking wallet share expansion and enhancement of online/offline integrated solutions</p>                          |

Note

\* Acquired marketing research business only

# Management Foundation

## Corporate Governance

### Basic mindset on corporate governance

We have established a Macromill Code of Conduct to serve as the foundation of the corporate rules that our officers and employees observe in their daily work. Based on our management principles, the Macromill Code of Conduct sets forth details in four key areas—compliance with laws and regulations, proper relations with society, respect for human rights, and sincere corporate activities—in accordance with policies that are essential for the proper and sound development of Macromill. All the Company officers and employees (including full-time workers, contract workers, part-time workers, skilled part-time workers, temporary workers, and seconded workers) fully recognize their necessary social responsibility in the various corporate activities and act in compliance with social ethics. We plan to fully establish and to continue to review and expand our corporate governance system in order to realize sound and transparent corporate management based on the Macromill Code of Conduct.

### Overview of Corporate Governance Framework

While enhancing management transparency and fairness by conducting the disclosure of information in a timely manner and keeping compliance management in mind, we are working to maximize our corporate value by proactively pursuing lasting profit. Also, while building and maintaining a management organization that can respond quickly to changes in the social environment and producing harmony between the Company and its stakeholders, we recognize the importance of building an effective Corporate Governance Framework by steering a management course that remains aware of the importance of our shareholders.

### Management Audit Functions

#### ■ Board of Directors

As the Company's highest decision-making management entity, the Board of Directors meets one or more times every month and decides on important matters centering on the exclusive authority matters prescribed in Article 416 of the Companies Act. The Board of Directors comprises six directors, four of whom are outside directors. The Company has established the following committees:

#### (1) Nominating Committee

The body that decides the content of proposals concerning the appointment and dismissal of directors to be submitted to the Shareholders' Meeting. The Nominating Committee comprises three directors, two of whom are outside directors.

#### (2) Compensation Committee

The Compensation Committee is the body that decides the details of the compensation awarded to individual directors

and executive officers. This committee comprises three directors, two of whom are outside directors.

#### (3) Audit Committee

Meeting in principle once a month, this is the body that decides on audits with regard to any illegality or impropriety on the part of directors or executive officers in the execution of their business duties. It determines the content of proposals concerning the appointment and dismissal of the accounting auditor to be submitted to the Shareholders' Meeting. The Audit Committee comprises three directors, two of whom are outside directors.

### Business Execution Functions

#### ■ Representative Executive Officers, Executive Officers

The Company appoints two representative executive officers from among its executive officers. One of the representative executive officers represents the Company as the chief executive officer and executes the tasks delegated to this office by the resolution of the Board of Directors. The representative executive officers provide the Board of Directors with a monthly report on financial results regarding the status of business execution and the monthly closing of accounts, as well as reporting on the status of business execution once a quarter. The executive officers assist the representative executive officers and bear responsibility for the promotion of business execution and for oversight.

#### ■ Executive Officers' Meeting

Comprising the representative executive officers and executive officers, the Executive Officers' Meeting resolves by majority decisions important matters of business execution delegated to it by resolution of the Board of Directors.

### Internal Audits and Audits Performed by Audit Committee

The Company has established an Internal Audit Section as the department responsible for internal audits. The one full-time general manager assigned to the Internal Audit Section conducts audits of all departments. Comprising one director and two outside directors, the Audit Committee also performs audits. Routine audits are conducted by two audit assistants appointed by resolution of the Audit Committee. The Internal Audit Section, the Audit Committee, and the Accounting Auditor work closely together with regard to the audit system and the scope of audits.

### Compliance Promotion Committee

Having established a compliance promotion structure aimed at strengthening and promoting companywide compliance systems, the Company deems a representative executive officer as its chief compliance officer. It has established a Compliance Promotion Committee, chaired by the executive officer in charge of the Legal

Affairs and Administrative Division. The Compliance Promotion Committee reviews and promotes policies and measures relating to compliance, promotes and improves compliance systems, and comprehensively manages the thorough awareness of, and compliance with, the corporate philosophy and standards of corporate behavior.

### Director Compensation

Having established the Compensation Committee, the Company has established policies relating to the determination of the amounts of remuneration and other payments for its directors and executive officers. The Compensation Committee comprises two outside directors and one director and, in cases where matters concerning the remuneration of the committee members themselves are discussed, the committee members do not attend. An outline of the deliberation methods follows.

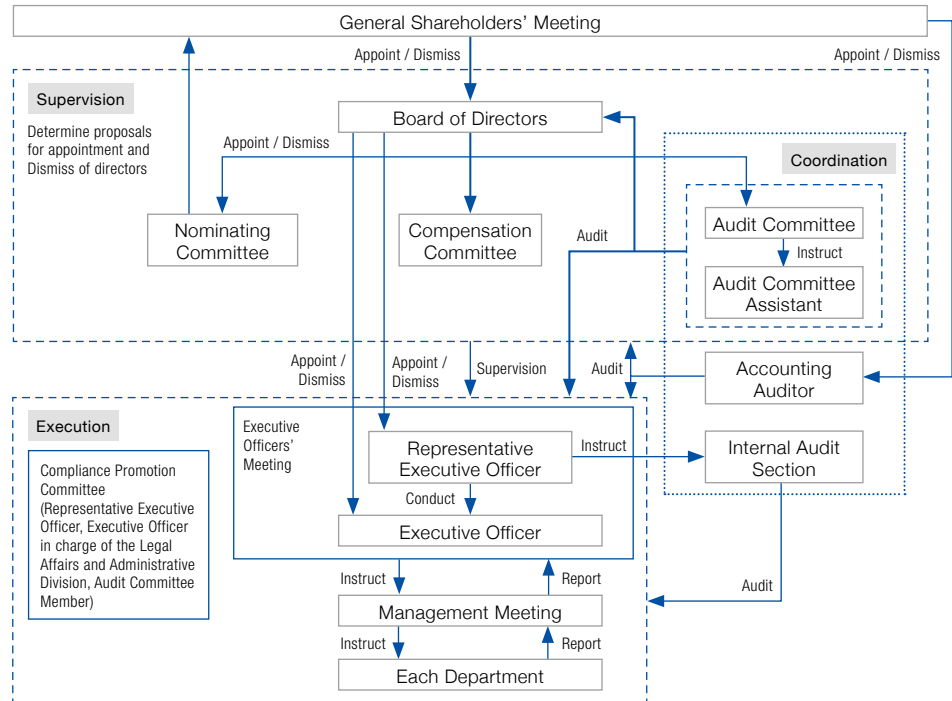
#### ■ Directors

Decided based upon individual remuneration amounts at Compensation Committee meetings, director compensation takes into account factors that include a director's career, expert knowledge, level of ability, compensation history, responsibilities and the results of a survey on the compensation levels of other companies.

#### ■ Executive Officers

Executive officer compensation is decided on a standard

### Corporate Governance Framework



compensation amount by position. It takes into account the required role, the authorities given, and the extent of the responsibilities to be fulfilled in his or her delegated duties as well as the results of a survey on the compensation levels of other companies. The standard compensation amount consists of "basic compensation" and "performance-linked compensation," the proportions of which are established by position. The basic compensation is fixed, and the performance-linked compensation is decided every term based on the results of an evaluation of items that include individual financial target achievement rates and the degree to which goals were accomplished.

### Compensation for Directors and Officers in the fiscal year ended June 30, 2018

| Executive Position | Total Compensation Allocation<br>(Millions of yen) | Allocation by Type of Compensation<br>(Millions of yen) |               |       |                     | Number of Eligible Recipients |
|--------------------|--|---|---------------|-------|---------------------|-------------------------------|
|                    |  | Basic   | Stock Options | Bonus | Retirement Benefits |                               |
| Executive Officers | 219  | 159   | —             | 60    | —                   | 8                             |
| Outside Directors  | 27   | 27  | —             | —     | —                   | 3                             |
| Total              | 247  | 187   | —             | 60    | —                   | 11                            |

## Management Foundation

# Board of Directors and Executive Officers

As of September 26, 2018

### Board of Directors



Atsushi Mizushima

Lawrence Weber

Akie Iriyama

Scott Ernst

Naofumi Nishi

Shigeru Nishiyama

### Executive Officers

#### Scott Ernst

Representative Executive Officer,  
Global CEO

#### Masahiro Shimizu

Executive Officer, Global CFO

#### Toru Sasaki

Representative Executive Officer,  
Japan operation

#### Jan Willem Gerritsen

Executive Officer,  
Europe/US/Latin America operations

#### Shinichiro Oka

Executive Officer, Global CHRO

**Scott Ernst**

Director, Representative Executive Officer and Global CEO, Nominating Committee Member and Compensation Committee Member

**Profile**

Joined Ivy Fund Group in 1987. Served as Chief Executive Officer at Millward Brown Digital. Joined Macromill in 2015, serving as Global CEO, Director and Representative Executive Officer.

**Naofumi Nishi**

Director and Audit Committee Member

**Profile**

Joined McKinsey & Company in 2004. Joined Bain Capital Private Equity Japan, LLC in 2007. Joined Macromill as an Executive Officer in 2014. Began serving at Macromill as a Director in 2017.

**Akie Iriyama**

Outside Director (Independent Director), Nominating Committee Member and Compensation Committee Member

**Profile**

Joined Mitsubishi Research Institute Inc. in 1998. Serving as an Associate Professor at Waseda Business School (Graduate School of Business and Finance) from 2013. Joined Macromill as an Outside Director in 2016.

**Reason for selection**

Mr. Iriyama's appointment is based on his experience as a consultant for Mitsubishi Research Institute, his research and educational activities as an Associate Professor at Waseda Business School (Graduate School of Business and Finance), and his experience as a corporate advisor. Mr. Iriyama was appointed as an Outside Director in line with his ability to provide governance and management advice as a business scholar, as well as monitoring and advice on governance and sound and transparent management from an external perspective.

**Atsushi Mizushima**

Outside Director (Independent Director) and Audit Committee Member

**Profile**

Joined Nishimura & Partners (now Nishimura & Asahi) in 2005. Became a Partner at Nishimura & Asahi in 2016. Began serving at Macromill as an Outside Director in 2016.

**Reason for selection**

Mr. Mizushima has strong supervisory capabilities and insight into corporate group compliance to strengthen the Company's compliance and governance system as well as knowledge of international law with a view to the Company's future global expansion. As such, we judge him to be suitable for the role of Outside Director of the Company and have appointed him accordingly.

**Lawrence Weber**

Outside Director (Independent Director), Nominating Committee Member and Compensation Committee Member

**Profile**

Joined Figgie International in 1981. Serving as CEO at Racepoint Global from 2006. Joined Macromill as an Outside Director in 2016.

**Reason for selection**

Mr. Weber's appointment as an Outside Director is based on his extensive knowledge in the field of digital marketing, his years of experience as a business manager, and his ability to strengthen our management as Macromill focuses on becoming a global digital research company.

**Shigeru Nishiyama**

Outside Director (Independent Director), Audit Committee Member

**Profile**

Joined Sanwa & Co. (now Deloitte Touche Tohmatsu LLC) in 1984. Serving as a Professor at Waseda Business School (Graduate School of Business and Finance) from 2016. Joined Macromill as an Outside Director in 2018.

**Reason for selection**

Mr. Nishiyama has highly specialized knowledge, professional ethics, and supervising capability as a CPA and a Professor at Waseda Business School, as well as abundant experience as an outside director and outside auditor of listed companies. We expect him to utilize his expertise and experience to contribute to strengthening the Company's governance, especially in the fields of finance and accounting.



# Management Foundation

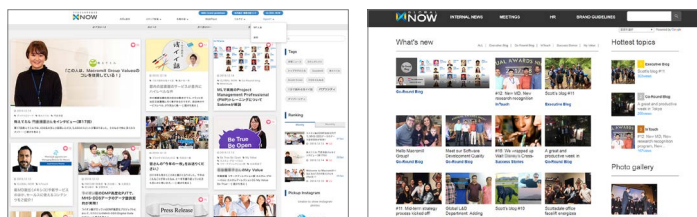
## Our Culture

### One Macromill

“Act Now, Act Together” is one of Macromill’s Values. It illustrates our spirit of teamwork and collaboration, as well as our commitment to cooperation that overcomes all barriers, be they between countries, companies, or divisions. We will continue to nurture a corporate structure and environment that encourages this culture.

#### 1. Global NOW, the Group Intranet

Global NOW and NOW are available via the Group’s intranet. They are designed to keep employees up-to-date with daily company news, regardless of where they are located. To enhance communication within the Group, both members and executive officers post blogs that outlines their activities on a frequent basis. These platforms were recognized with a 2017 general award for in-house intranet reporting from the Keidanren Business Services for Internal Communications.



#### 2. Global Kick-Off Meeting

We conduct a Kick-Off meeting for the entire Group once every six months. We discuss matters common to all employees, including recent Group performance. ‘Management’s Next Challenge’ is our section focused on strategies for achieving the Macromill Group Vision. The meeting also honors individuals and teams that have delivered an outstanding performance that embodies our Values.



#### 3. Recognition Club

The Recognition Club is a Group-wide Macromill awards program. Each fiscal year, Group companies nominate teams that have made significant contributions to the Group. The teams and their achievements are considered by all Group directors. The teams deemed to have contributed most wins the award. The winning teams are awarded a special trip as thanks for the team’s contribution.





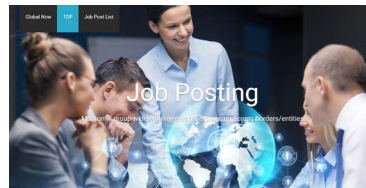
#### 4. Talent Exchange Program

This is a short-term overseas internship program. It allows employees to study in other Group branches and companies located across the globe. The program provides the opportunity to promote knowledge sharing and mutual understanding within the Group.



#### 5. Global Job Posting Board

This is an internal recruitment mechanism. Open positions within the Group are regularly posted on the intranet. Any Macromill Group employee can apply.



#### 6. Presentation Event: “My work”

The Macromill Group holds regular events for employees to make presentations to co-workers. Topics can be related to their careers, the details of their work, or skills they have acquired. The presenter evaluates their progress by reviewing their professional development journey with Macromill. Audience members are encouraged to use this opportunity to think about their own careers based on the work and skills of others. This program has been the subject of numerous media reports and won the “Good Action Award” from Recruit Career.



#### 7. Team Building Event: “Euphoria”

At MetrixLab, the engine of the Macromill Group’s global expansion, a major team building event is held each year, mainly led by staff at the India office. At the all-day event, teams compete against one another in dance, drama, and other performance items. Many colleagues from offices outside India are invited to attend, creating a global communication space that bridges countries, cultures, and companies.



## Corporate Data and Investor Information

### Corporate Data (As of June 30, 2018)

**Company name:** MACROMILL, INC.  
**Headquarters:** Shinagawa East One Tower 11F, 2-16-1 Konan, Minato-ku, Tokyo 108-0075, Japan  
**Established:** January 31, 2000  
**Paid-in capital:** ¥880 million  
**Number of employees:** 997 (Non-consolidated)  
 2,138 (Consolidated)  
**IR information:** <https://group.macromill.com/ir/>

### Stock Information (As of June 30, 2018)

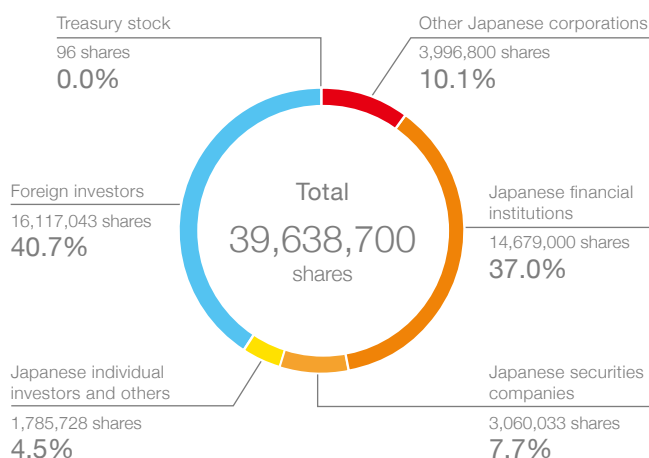
**Number of shares issued:** 39,638,700  
**Number of shareholders:** 4,923  
**Stock exchange listing:** First Section of Tokyo Stock Exchange  
**Ticker code:** 3978  
**General Shareholders' Meeting:** September  
**Transfer agent:** Mizuho Trust & Banking Co., Ltd., Corporate Agency Division  
 2-8-4 Izumi, Suginami-ku, Tokyo 168-8507, Japan

### Top 10 Shareholders (As of June 30, 2018)

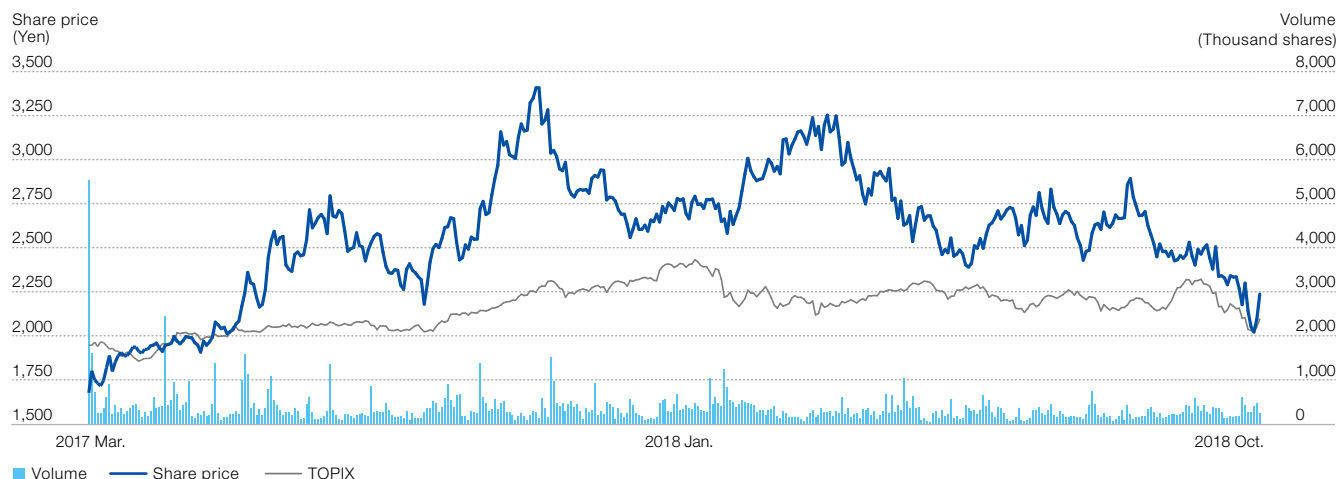
|   | Number of shares held | Shareholding ratio (%) |
|---|-----------------------|------------------------|
| Japan Trustee Service Bank, Ltd. (Trust Account)                                  | 7,153,500             | 18.0                   |
| The Master Trust Bank of Japan, Ltd. (Trust Account)                              | 3,384,000             | 8.5                    |
| DENTSU INC.   | 2,930,000             | 7.4                    |
| Daiwa Securities Co. Ltd.   | 2,766,100             | 7.0                    |
| UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT                                   | 1,562,969             | 3.9                    |
| GOLDMAN, SACHS & CO. REG  | 1,119,049             | 2.8                    |
| COLOPL, Inc.  | 1,001,000             | 2.5                    |
| The Nomura Trust and Banking Co., Ltd. (Trust Account)                            | 814,700               | 2.1                    |
| NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT | 740,000               | 1.9                    |
| RE FUND 116-CLIENT AC   | 733,409               | 1.9                    |

Note: Shareholding ratios are calculated after deduction of treasury stock (96 shares).

### Breakdown of Shareholders (As of June 30, 2018)



### Stock Performance



Note: TOPIX is indexed to Macromill's IPO price (JPY 1,950).



## Management's Discussion and Analysis

### Overview of operating results

During the fiscal year ended June 30, 2018 (from July 1, 2017 to June 30, 2018), the global economy experienced a gradual recovery. This was driven by improvements in the US, Europe and China, despite uncertainty in the government administration and volatile emerging financial capital markets. There are on-going concerns about the economic performance in both China and the emerging Asian markets. 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 at the marketing research sector specifically, the total global marketplace reached an estimated value of \$46 billion, with online accounting for \$18 billion of that figure in the 12 months of 2017\*<sup>1</sup>. In Japan, the equivalent figures for the 12 months of 2017 were \$2.0 billion for the sector overall, and online marketing research at \$0.6 billion\*<sup>2</sup>. We believe that the steady growth of both the global and domestic marketing 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, MACROMILL, INC. (the "Company") and its consolidated subsidiaries (together, the "Group") continued to pursue stable growth in the domestic business, to strengthen the foundation of the global business through M&A, and to focus on business development in the digital marketing industry globally. Simultaneously, by utilizing various data points from our consumer panels, including attribution, purchase and consumption data, behavioral, awareness and biological data, we continue to deliver the high quality and innovative insights that support the increasingly diverse marketing challenges our clients' face.

In the domestic business, we generated steady growth in sectors including electronics, IT/services, food, financial and automotive. We increased sales of our digital marketing and global research products, expanding our business overall. Notably, Company revenue on a standalone basis grew to ¥21,918 million (up 9.3% year on year) which pushed domestic business revenue to ¥27,448 million (up 6.9% year on year). This performance represents our highest revenue figure on record to date, a significant milestone. It's worth noting this growth was achieved despite the continued weakening demand from one advertising agency client caused by their particular labor reform initiatives.

The global operation, despite the continued softening in the North American panel business, also experienced steady business expansion amongst global media and film companies, fast moving consumer goods (FMCG) players, the alcoholic beverage industry, Korean government and public sectors, automotive and electronics manufacturers. The consolidation of the US- and UK-based marketing research company Acturus, acquired by MetrixLab in October 2017, contributed to our positive results. In addition, the yen currency exchange rate revenue produced a positive impact in this reporting period, compared to previous years, both contributing to our steady double-digit year-on-year global revenue growth. As with the domestic business, the global operation achieved record high revenue of ¥12,721 million (up 26.9% year on year).

Looking at expenditure, the cost of goods sold (COGS) and selling, general and administrative expenses (SG&A) rose. This was primarily due to increased third-party panel expenses and outsourcing fees. These are variable costs, resulting from a higher volume of research work and surveys to the Global Key Accounts\*<sup>3</sup> mainly based in Asia. We also saw increase in personnel expenses in both COGS and SG&A largely due to catch-up costs and strategic investments\*<sup>4</sup> for enhancement of the group's global and digital marketing business and expenditure increase from acquisition and consolidation of subsidiaries. However, removal of most of the one-time IPO-related cost reductions off-set the SG&A increases. Also, the lower interest rate, resulting from additional refinancing executed upon the completion of our IPO at the end of March 2017, along with the positive impact of currency exchange rates, reduced financing costs.

|   | (Millions of yen) |         | Rate of change |
|---|-------------------|---------|----------------|
|   | 2017              | 2018    |                |
| Revenue                                     | ¥35,514           | ¥40,024 | +12.7%         |
| Macromill Group                             | 28,517            | 30,928  | +8.5%          |
| MetrixLab Group                             | 6,997             | 9,095   | +28.6%         |
| EBITDA                                      | 7,696             | 8,660   | +12.5%         |
| Macromill Group                             | 6,577             | 7,667   | +16.6%         |
| MetrixLab Group                             | 1,118             | 992     | -11.3%         |
| Profit before tax                           | 5,882             | 7,372   | +25.3%         |
| Profit attributable to owners of the parent | 3,706             | 4,719   | +27.4%         |

As a result, the Group recorded revenue of ¥40,024 million (up 12.7% year on year), Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of ¥8,660 million (up 12.5% year on year), operating profit of ¥7,607 million (up 11.5% year on year), profit before tax of ¥7,372 million (up 25.3% year on year) and profit attributable to owners of the parent of ¥4,719 million (up 27.4% year on year) for the fiscal year ended June 2018.

## Results by segment

### Macromill Group

The Company, its domestic subsidiaries and Korean subsidiary, delivered remarkable results due to successful sales activities. Record revenue generated by the domestic business, combined with expansion in the Korean business, drove strong total segment revenue growth. Expenditure on the catch-up costs and strategic investments, outlined in this statement, were mostly offset by the reduction of one-time IPO-related costs, which limited the impact of COGS and SG&A increases relative to our revenue growth.

As a result, the Macromill Group segment recorded revenue of ¥30,948 million (up 8.5% year on year), and EBITDA of ¥7,667 million (up 16.6% year on year).

### MetrixLab Group

With its business primarily carried out in Europe, the Americas, Middle East and Asian territories, the MetrixLab Group experienced steady sales of its advertising campaign evaluation and pre-test products to Global Key Accounts and other global clients in North America, the UK and Southeast Asian territories. In addition, the consolidation of Acturus generated record revenue for the MetrixLab segment. However, we experienced continued weakness from Precision Sample's panel supply business in the US, increased COGS and SG&A expansion of the global sales team, and increased expenditure associated with the Acturus consolidation.

As a result, the MetrixLab Group segment recorded revenue of ¥9,198 million (up 28.6% year on year), and EBITDA of ¥992 million (down 11.3% year on year).

#### Notes

\*1 Reference: ESOMAR Global Market Research 2018

\*2 Reference: JMRA 43rd Annual Business Management Survey

\*3 Global Key Accounts: Customers that are typically multinational companies with a large research and marketing budget.

They have purchased, or we believe have the potential to purchase, marketing research from us, and we have placed a specific emphasis on them in our sales efforts

\*4 "Catch-up costs" relates to expenditure in the reported fiscal year which we originally planned but remained unexecuted in the previous year. "Strategic investments" relates to expenditures we didn't foresee at the Medium-Term Business Plan announcement, but found crucial to invest in during business execution as a result of more recent business environment changes. We initially forecasted ¥400 million at the beginning of the fiscal year; the actual amount was ¥392 million.

## Overview of financial position

At the end of the fiscal year under review, total assets were valued at ¥75,230 million, a rise of ¥4,414 million from the end of the previous fiscal year. This primarily resulted from a rise in cash and cash equivalents of ¥677 million, an increase in trade and other receivables of ¥2,355 million and growth of goodwill of ¥890 million.

Liabilities stood at ¥47,762 million, declining ¥701 million from the end of the previous fiscal year. This mainly reflected a decrease in borrowings of ¥2,462 million and a fall in other financial liabilities of ¥339 million, which offset an increase in trade and other payables of ¥516 million and a rise in income tax payable of ¥878 million. Consequently, the ratio of net interest-bearing debt to adjusted EBITDA at the end of the fiscal year under review decreased to 3.19.

Equity was worth ¥27,468 million, an increase of ¥5,115 million from the end of the previous fiscal year. The increase was largely attributable to profit for the period of ¥5,170 million, which offset dividends paid of ¥425 million (including cash dividends paid to non-controlling interests).

### State of cash flow

Cash and cash equivalents at the end of the fiscal year under review ("cash"), have increased by ¥677 million from the end of the previous consolidated fiscal year, to ¥9,124 million. The status of each of the cash flow segments and contributing factors for the fiscal year under review are as follows:

#### Cash flows from operating activities

Net cash flows provided by operating activities amounted to ¥5,610 million (a decrease of ¥122 million year on year).

This was mainly due to an increase in trade and other receivables of ¥2,237 million, interest paid of ¥456 million, and income taxes paid of ¥1,267 million, which offset profit before tax of ¥7,372 million and depreciation and amortization expenses of ¥1,052 million.

#### Cash flows from investing activities

Net cash flows used in investing activities were ¥2,101 million (up ¥752 million year on year).

This primarily reflected the acquisition of property, plant and equipment of ¥357 million, the acquisition of intangible assets of ¥669 million and the acquisition of a subsidiary of ¥1,044 million.

#### Cash flows from financing activities

Net cash flows used in financing activities were ¥2,813 million (up ¥657 million year on year).

This was mainly due to repayments of current borrowings of ¥1,225 million and repayments of non-current borrowings of ¥2,411 million, which offset proceeds from current borrowings of ¥1,007 million.

## Dividend policy

Macromill recognizes that returning profits to shareholders is an important issue for management. We also note the importance of a comprehensive approach in regard to shareholder returns, establishing a financial base and enhancing the internal reserves necessary to invest in future growth. When there are investment projects that exceed the Company's cost of capital, we will undertake strategic investment aimed at improving corporate value, work to achieve sustainable sales and profit growth, and prioritize the establishment of a firm financial base. We believe this can contribute to the realization of interests in common with our shareholders.

Macromill targets a long-term consolidated payout ratio of 20%–30%. In the near term, our basic policy is to distribute surplus earnings to shareholders in a manner consistent with the aforementioned policy in a way that ensures a stable and continuous increase in dividends.

Macromill's Articles of Incorporation stipulate that "the Company shall, by a resolution of the Board of Directors without obtaining a resolution of a meeting of shareholders, determine the particulars contained in the items of Article 459, Paragraph 1, including distribution of surplus, except as otherwise stipulated by laws or ordinances," allowing the Company flexibility in the distribution of dividends.

## Future prospects

In the domestic and overseas marketing research industries, demand for online marketing research maintains its growth trend, and our performance is expected to be strong as the market expands. One of the distinct growth drivers is digital marketing solutions because digital advertising is expanding rapidly in Japan and overseas. Also, our clients are facing challenges in developing their databases and real-time dashboard delivery that support their efficient marketing activities, and so demand for integrated datasets of digital behavioral data and actual consumption and purchase data is increasing.

In this business environment, we will continually strive to increase our sales globally using our strong business foundation. Additionally, we will work to further increase our productivity in global research operation and to ensure stable profit growth through appropriate cost control. Simultaneously, we will continue to invest in hiring and developing skilled employees to establish and maintain competitive advantages in our priority improvement areas, notably the digital marketing solutions segment.

Also, we will maximize the proceeds of the corporate bonds issued in July 2018 for early redemption repayment of foreign currency denominated borrowings. There will be a one-time financing cost increase due to the refinancing, in a short run, but we expect a financing cost depletion effect in the medium- to long-term period.

In addition, we expect to see a positive impact on our group's performance in the fiscal year ending June 2019 from the acquisition of Acturus, Inc., acquired in October 2017, and Tokyo Survey Research Inc. (Renamed to Hakuhodo Macromill Marketing Research, Inc. as of October 1, 2018) acquired and to be consolidated in the fiscal year ending June 2019.

Taking these prospects into account, we forecast revenue of ¥46,400 million (up 15.9% year on year), EBITDA of ¥10,106 million (up 17.3% year on year), operating profit of ¥8,900 million (up 17.0% year on year), profit before tax of ¥8,300 million (up 12.6% year on year), and profit attributable to owners of the parent of ¥5,260 million (up 11.5% year on year) for the fiscal year ending June 30, 2019.

## Consolidated Statements of Financial Position

MACROMILL, INC. and its Subsidiaries  
As of June 30, 2017 and 2018

|   |         | Millions of yen | Thousands of U.S. dollars |
|---|---------|-----------------|---------------------------|
|   | 2017    | 2018            | 2018                      |
| <b>Assets</b>                                     |         |                 |                           |
| <b>Current assets</b>                             |         |                 |                           |
| Cash and cash equivalents                         | ¥ 8,447 | ¥ 9,124         | \$ 82,540                 |
| Trade and other receivables                       | 6,388   | 8,744           | 79,103                    |
| Other financial assets                            | 100     | 4               | 36                        |
| Other current assets                              | 548     | 536             | 4,849                     |
| Total current assets                              | 15,485  | 18,409          | 166,537                   |
| <b>Non-current assets</b>                         |         |                 |                           |
| Property, plant and equipment                     | 1,034   | 1,152           | 10,422                    |
| Goodwill  | 46,067  | 46,957          | 424,796                   |
| Other intangible assets                           | 6,059   | 6,605           | 59,752                    |
| Investments accounted for using the equity method | 30      | 31              | 280                       |
| Other financial assets                            | 1,381   | 1,379           | 12,475                    |
| Deferred tax assets                               | 757     | 690             | 6,242                     |
| Other non-current assets                          | 0       | 2               | 18                        |
| Total non-current assets                          | 55,330  | 56,820          | 514,022                   |
| <b>Total assets</b>                               | ¥70,815 | ¥75,230         | \$680,568                 |
| <b>Liabilities and equity</b>                     |         |                 |                           |
| <b>Liabilities</b>                                |         |                 |                           |
| <b>Current liabilities</b>                        |         |                 |                           |
| Borrowings  | ¥ 2,617 | ¥ 2,500         | \$ 22,616                 |
| Trade and other payables                          | 2,492   | 3,008           | 27,212                    |
| Other financial liabilities                       | 137     | 164             | 1,484                     |
| Income tax payable                                | 877     | 1,756           | 15,886                    |
| Provisions  | 989     | 1,020           | 9,227                     |
| Other current liabilities                         | 1,838   | 2,439           | 22,064                    |
| Total current liabilities                         | 8,952   | 10,890          | 98,516                    |
| <b>Non-current liabilities</b>                    |         |                 |                           |
| Borrowings  | 36,880  | 34,534          | 312,412                   |
| Other financial liabilities                       | 917     | 550             | 4,976                     |
| Retirement benefit liabilities                    | 223     | 190             | 1,719                     |
| Provisions  | 199     | 208             | 1,882                     |
| Deferred tax liabilities                          | 1,213   | 1,339           | 12,113                    |
| Other non-current liabilities                     | 77      | 48              | 434                       |
| Total non-current liabilities                     | 39,511  | 36,871          | 333,553                   |
| <b>Total liabilities</b>                          | 48,463  | 47,762          | 432,079                   |
| <b>Equity</b>                                     |         |                 |                           |
| Share capital                                     | 674     | 880             | 7,961                     |
| Capital surplus                                   | 11,044  | 11,312          | 102,334                   |
| Treasury shares                                   | (0)     | (0)             | (0)                       |
| Other components of equity                        | 0       | (96)            | (868)                     |
| Retained earnings (deficit)                       | 8,627   | 13,165          | 119,097                   |
| Equity attributable to owners of the parent       | 20,346  | 25,262          | 228,533                   |
| Non-controlling interests                         | 2,005   | 2,205           | 19,948                    |
| <b>Total equity</b>                               | 22,352  | 27,468          | 248,489                   |
| <b>Total liabilities and equity</b>               | ¥70,815 | ¥75,230         | \$680,568                 |

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.54 to \$1, the approximate rate of exchange at June 30, 2018.



## Consolidated Statements of Operations

MACROMILL, INC. and its Subsidiaries  
For the years ended June 30, 2017 and 2018

|  | Millions of yen |          | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
|  | 2017            | 2018     | 2018                      |
| Revenue  | ¥ 35,514        | ¥ 40,024 | \$ 362,077                |
| Cost of sales  | (18,920)        | (22,372) | (202,388)                 |
| Gross profit   | 16,594          | 17,651   | 159,680                   |
| Selling, general and administrative expenses                             | (10,030)        | (10,031) | (90,745)                  |
| Other operating income   | 283             | 42       | 380                       |
| Other operating expenses   | (31)            | (57)     | (516)                     |
| Share of the profit on investments accounted for using the equity method | 9               | 2        | 18                        |
| Operating profit   | 6,825           | 7,607    | 68,817                    |
| Finance income   | 15              | 528      | 4,777                     |
| Finance costs  | (958)           | (763)    | (6,902)                   |
| Profit before tax  | 5,882           | 7,372    | 66,691                    |
| Income tax benefit (expense)   | (1,672)         | (2,201)  | (19,911)                  |
| Profit for the year  | 4,210           | 5,170    | 46,770                    |
| <b>Profit attributable to:</b>   |                 |          |                           |
| Owners of the parent   | 3,706           | 4,719    | 42,690                    |
| Non-controlling interests  | 504             | 450      | 4,071                     |
| Profit for the year  | ¥ 4,210         | ¥ 5,170  | \$ 46,770                 |
| <b>Earnings per share</b>  |                 | yen      | U.S. dollars              |
| Basic (Yen)  | ¥ 97.11         | ¥ 120.21 | \$ 1.087                  |
| Diluted (Yen)  | 96.57           | 115.60   | 1.046                     |

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.54 to \$1, the approximate rate of exchange at June 30, 2018.

## Consolidated Statements of Comprehensive Income

MACROMILL, INC. and its Subsidiaries  
For the years ended June 30, 2017 and 2018

|   | Millions of yen |        | Thousands of U.S. dollars |
|---|-----------------|--------|---------------------------|
|   | 2017            | 2018   | 2018                      |
| Profit for the year   | ¥4,210          | ¥5,170 | \$46,770                  |
| <b>Other comprehensive income (loss)</b>  |                 |        |                           |
| Items that will not be reclassified to profit or loss:                            |                 |        |                           |
| Financial assets measured at fair value through other comprehensive income (loss) | 164             | (35)   | (317)                     |
| Remeasurements of defined benefit plans   | (11)            | 0      | 0                         |
| Total items that will not be reclassified to profit or loss                       | 153             | (34)   | (308)                     |
| Items that may be reclassified to profit or loss:                                 |                 |        |                           |
| Exchange differences on translation of foreign operations                         | 221             | (64)   | (579)                     |
| Total items that may be reclassified to profit or loss                            | 221             | (64)   | (579)                     |
| Other comprehensive income (loss), net of tax                                     | 374             | (98)   | (887)                     |
| Comprehensive income for the year   | ¥4,585          | ¥5,071 | \$45,875                  |
| <b>Comprehensive income for the year attributable to:</b>                         |                 |        |                           |
| Owners of the parent  | ¥4,017          | ¥4,641 | \$41,985                  |
| Non-controlling interests   | 568             | 429    | 3,881                     |
| Comprehensive income for the year   | ¥4,585          | ¥5,071 | \$45,875                  |

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.54 to \$1, the approximate rate of exchange at June 30, 2018.

## Consolidated Statements of Changes in Equity

MACROMILL, INC. and its Subsidiaries  
For the years ended June 30, 2017 and 2018

Millions of yen

|  | Equity attributable to owners of the parent |                 |                 |   |   |   |          |        |                             |         |                           | Total equity |
|--|---|-----------------|-----------------|---|---|---|----------|--------|-----------------------------|---------|---------------------------|--------------|
|  | Other components of equity                  |                 |                 |   |   |   |          |        |                             |         | Non-controlling interests |              |
|  | Share capital                               | Capital surplus | Treasury shares | Financial assets measured at fair value through other comprehensive income (loss) | Remeasurements of defined benefit plans | Exchange differences on translation of foreign operations | Warrants | Total  | Retained earnings (deficit) | Total   |                           |              |
| Balance as of July 1, 2016   | ¥100  | ¥17,813         | ¥—              | ¥ 0   | ¥—                                      | ¥(517)  | ¥129     | ¥(387) | ¥ (2,461)                   | ¥15,064 | ¥1,583                    | ¥16,647      |
| Profit for the year  | —   | —               | —               | —   | —                                       | —   | —        | —      | 3,706                       | 3,706   | 504                       | 4,210        |
| Other comprehensive income (loss)  | —   | —               | —               | 92  | (5)                                     | 224   | —        | 311    | —                           | 311     | 63                        | 374          |
| Total comprehensive income for the year                                  | —   | —               | —               | 92  | (5)                                     | 224   | —        | 311    | 3,706                       | 4,017   | 568                       | 4,585        |
| Issue of shares  | 574   | 647             | —               | —   | —                                       | —   | (72)     | (72)   | —                           | 1,149   | —                         | 1,149        |
| Purchase of treasury shares  | —   | —               | (0)             | —   | —                                       | —   | —        | —      | —                           | (0)     | —                         | (0)          |
| Contribution of management services rendered by owners                   | —   | 850             | —               | —   | —                                       | —   | —        | —      | —                           | 850     | —                         | 850          |
| Share-based payment transactions   | —   | —               | —               | —   | —                                       | —   | 143      | 143    | —                           | 143     | —                         | 143          |
| Dividends paid to non-controlling interests                              | —   | —               | —               | —   | —                                       | —   | —        | —      | —                           | —       | (105)                     | (105)        |
| Transactions with non-controlling interests                              | —   | (831)           | —               | —   | —                                       | —   | —        | —      | —                           | (831)   | —                         | (831)        |
| Transfer of capital surplus to retained earnings                         | —   | (7,388)         | —               | —   | —                                       | —   | —        | —      | 7,388                       | —       | —                         | —            |
| Changes in ownership interests in subsidiaries without a loss of control | —   | (46)            | —               | —   | —                                       | —   | —        | —      | —                           | (46)    | (40)                      | (87)         |
| Transfer to retained earnings  | —   | —               | —               | —   | 5                                       | —   | —        | 5      | (5)                         | —       | —                         | —            |
| Total transactions with owners   | 574   | (6,769)         | (0)             | —   | 5                                       | —   | 71       | 76     | 7,382                       | 1,265   | (146)                     | 1,119        |
| Balance as of June 30, 2017  | 674   | 11,044          | (0)             | 93  | —                                       | (293)   | 200      | 0      | 8,627                       | 20,346  | 2,005                     | 22,352       |
| Profit for the year  | —   | —               | —               | —   | —                                       | —   | —        | —      | 4,719                       | 4,719   | 450                       | 5,170        |
| Other comprehensive income (loss)  | —   | —               | —               | (15)  | 0                                       | (63)  | —        | (78)   | —                           | (78)    | (20)                      | (98)         |
| Total comprehensive income for the year                                  | —   | —               | —               | (15)  | 0                                       | (63)  | —        | (78)   | 4,719                       | 4,641   | 429                       | 5,071        |
| Issue of shares  | 205   | 292             | —               | —   | —                                       | —   | (89)     | (89)   | —                           | 408     | —                         | 408          |
| Purchase of treasury shares  | —   | —               | (0)             | —   | —                                       | —   | —        | —      | —                           | (0)     | —                         | (0)          |
| Share-based payment transactions   | —   | —               | —               | —   | —                                       | —   | 84       | 84     | —                           | 84      | —                         | 84           |
| Dividends  | —   | —               | —               | —   | —                                       | —   | —        | —      | (194)                       | (194)   | (231)                     | (425)        |
| Transfer from the other components of equity to retained earnings        | —   | —               | —               | (12)  | (0)                                     | —   | —        | (13)   | 13                          | —       | —                         | —            |
| Changes in ownership interests in subsidiaries without a loss of control | —   | (25)            | —               | —   | —                                       | —   | —        | —      | —                           | (25)    | 1                         | (23)         |
| Total transactions with owners   | 205   | 267             | (0)             | (12)  | (0)                                     | —   | (5)      | (18)   | (180)                       | 274     | (230)                     | 44           |
| Balance as of June 30, 2018  | ¥880  | ¥11,312         | ¥ (0)           | ¥ 64  | ¥—                                      | ¥(356)  | ¥195     | ¥ (96) | ¥13,165                     | ¥25,262 | ¥2,205                    | ¥27,468      |

Thousands of U.S. dollars

|  | Equity attributable to owners of the parent |                 |                 |   |   |   |          |         |                             |           |                           | Total equity |
|--|---|-----------------|-----------------|---|---|---|----------|---------|-----------------------------|-----------|---------------------------|--------------|
|  | Other components of equity                  |                 |                 |   |   |   |          |         |                             |           |                           |              |
|  | Share capital                               | Capital surplus | Treasury shares | Financial assets measured at fair value through other comprehensive income (loss) | Remeasurements of defined benefit plans | Exchange differences on translation of foreign operations | Warrants | Total   | Retained earnings (deficit) | Total     | Non-controlling interests |              |
|  |   |                 |                 |   |   |   |          |         |                             |           |                           |              |
| Balance as of June 30, 2017  | \$6,097                                     | \$ 99,910       | \$(0)           | \$ 841  | \$—                                     | \$(2,651)   | \$1,809  | \$ 0    | \$ 78,044                   | \$184,060 | \$18,138                  | \$202,207    |
| Profit for the year  | —   | —               | —               | —   | —                                       | —   | —        | —       | 42,690                      | 42,690    | 4,071                     | 46,770       |
| Other comprehensive income (loss)  | —   | —               | —               | (136)   | 0                                       | (570)   | —        | (706)   | —                           | (706)     | (181)                     | (887)        |
| Total comprehensive income for the year                                  | —   | —               | —               | (136)   | 0                                       | (570)   | —        | (706)   | 42,690                      | 41,985    | 3,881                     | 45,875       |
| Issue of shares  | 1,855                                       | 2,642           | —               | —   | —                                       | —   | (805)    | (805)   | —                           | 3,691     | —                         | 3,691        |
| Purchase of treasury shares  | —   | —               | (0)             | —   | —                                       | —   | —        | —       | —                           | (0)       | —                         | (0)          |
| Share-based payment transactions   | —   | —               | —               | —   | —                                       | —   | 760      | 760     | —                           | 760       | —                         | 760          |
| Dividends  | —   | —               | —               | —   | —                                       | —   | —        | —       | (1,755)                     | (1,755)   | (2,090)                   | (3,845)      |
| Transfer from the other components of equity to retained earnings        | —   | —               | —               | (109)   | (0)                                     | —   | —        | (118)   | 118                         | —         | —                         | —            |
| Changes in ownership interests in subsidiaries without a loss of control | —   | (226)           | —               | —   | —                                       | —   | —        | —       | —                           | (226)     | 9                         | (208)        |
| Total transactions with owners   | 1,855                                       | 2,415           | (0)             | (109)   | (0)                                     | —   | (45)     | (163)   | (1,628)                     | 2,479     | (2,081)                   | 398          |
| Balance as of June 30, 2018  | \$7,961                                     | \$102,334       | \$(0)           | \$ 579  | \$—                                     | \$(3,221)   | \$1,764  | \$(868) | \$119,097                   | \$228,533 | \$19,948                  | \$248,489    |

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.54 to \$1, the approximate rate of exchange at June 30, 2018.

## Consolidated Statements of Cash Flow

MACROMILL, INC. and its Subsidiaries  
For the years ended June 30, 2017 and 2018

|   |                | Millions of yen | Thousands of U.S. dollars |
|---|----------------|-----------------|---------------------------|
|   | 2017           | 2018            | 2018                      |
| <b>Cash flows from operating activities</b>                                     |                |                 |                           |
| Profit before tax   | ¥ 5,882        | ¥ 7,372         | \$ 66,691                 |
| Depreciation and amortization   | 871            | 1,052           | 9,517                     |
| Finance income  | (15)           | (528)           | (4,777)                   |
| Finance costs   | 958            | 763             | 6,902                     |
| Share of the (profit) loss on investments accounted for using the equity method | (9)            | (2)             | (18)                      |
| Decrease (increase) in trade and other receivables                              | (160)          | (2,237)         | (20,237)                  |
| Increase (decrease) in trade and other payables                                 | 28             | 62              | 561                       |
| Other   | (59)           | 840             | 7,599                     |
| Sub-total   | 7,496          | 7,323           | 66,248                    |
| Interest and dividends received   | 18             | 11              | 100                       |
| Interest paid   | (1,120)        | (456)           | (4,125)                   |
| Income taxes paid   | (660)          | (1,267)         | (11,462)                  |
| Net cash flows provided by operating activities                                 | 5,733          | 5,610           | 50,751                    |
| <b>Cash flows from investing activities</b>                                     |                |                 |                           |
| Acquisition of property, plant and equipment                                    | (422)          | (357)           | (3,230)                   |
| Acquisition of intangible assets  | (585)          | (669)           | (6,052)                   |
| Acquisition of a subsidiary   | —              | (1,044)         | (9,445)                   |
| Acquisition of investments  | (94)           | (185)           | (1,674)                   |
| Proceeds from sale and redemption of investments                                | 16             | 5               | 45                        |
| Other   | (262)          | 149             | 1,348                     |
| Net cash flows provided by (used in) investing activities                       | (1,348)        | (2,101)         | (19,007)                  |
| <b>Cash flows from financing activities</b>                                     |                |                 |                           |
| Proceeds from current borrowings  | 230            | 1,007           | 9,110                     |
| Repayments of current borrowings  | (246)          | (1,225)         | (11,082)                  |
| Proceeds from non-current borrowings  | 7              | —               | —                         |
| Repayments of non-current borrowings  | (3,110)        | (2,411)         | (21,811)                  |
| Proceeds from issue of shares   | 1,149          | 408             | 3,691                     |
| Dividends paid  | —              | (193)           | (1,746)                   |
| Dividends paid to non-controlling interests                                     | (105)          | (231)           | (2,090)                   |
| Other   | (79)           | (167)           | (1,511)                   |
| Net cash flows provided by (used in) financing activities                       | (2,155)        | (2,813)         | (25,448)                  |
| <b>Net increase (decrease) in cash and cash equivalents</b>                     | <b>2,229</b>   | <b>696</b>      | <b>6,296</b>              |
| <b>Cash and cash equivalents at the beginning of the year</b>                   | <b>6,124</b>   | <b>8,447</b>    | <b>76,416</b>             |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>             | <b>93</b>      | <b>(18)</b>     | <b>(163)</b>              |
| <b>Cash and cash equivalents at the end of the year</b>                         | <b>¥ 8,447</b> | <b>¥ 9,124</b>  | <b>\$ 82,540</b>          |

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.54 to \$1, the approximate rate of exchange at June 30, 2018.



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