Summary of Consolidated Financial Statements for the Fiscal Year Ended June 30, 2019 [IFRS]

August 7, 2019

Listed Company:	MACROMILL, INC.
Stock Exchange:	Tokyo Stock Exchange
Code Number:	3978
URL:	https://www.macromill.com
Representative:	Scott Ernst, Representative Executive Officer, Global CEO
Contact:	Masahiro Shimizu, Executive Officer, Global CFO
Tel.:	+81-3-6716-0706
Scheduled date of ordinary general meeting of shareholders:	September 25, 2019
Scheduled date of the start of dividend payments:	September 26, 2019
Scheduled date to submit annual securities report:	September 26, 2019
Supplementary material for financial results:	Yes
Briefing on financial results:	Yes (for analysts and institutional investors)

1. Consolidated Financial Results for the Year Ended June 30, 2019 (from July 1, 2018 to June 30, 2019)
(1) Consolidated Business Performance

(Amounts of less than one million yen are rounded off.)
(Percentages calculated on year-on-year basis.)

	Revenue		Operating profit		Profit before tax		Profit for the period		Profit attributable to owners of the parent		Total comprehensive income for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended June 30, 2019	44,279	10.6	7,751	1.9	7,285	(1.2)	5,262	1.8	4,702	(0.4)	4,986	(1.7)
Year ended June 30, 2018	40,024	12.7	7,607	11.5	7,372	25.3	5,170	22.8	4,719	27.4	5,071	10.6

	Basic earnings per share	Diluted basic earnings per share	Return on equity (ROE)	Return on assets (ROA)	Operating profit to revenue
	Yen	Yen	%	%	%
Year ended June 30, 2019	117.90	114.94	17.1	9.5	17.5
Year ended June 30, 2018	120.21	115.60	20.7	10.1	19.0

(Reference)
Investment profit on equity method Year ended June 30, 2019 2 million yen Year ended June 30, 2018 2 million yen

(Reference)

	EBITDA		EBITDA margin
	Million yen	%	%
Year ended June 30, 2019	9,167	5.9	20.7
Year ended June 30, 2018	8,660	12.5	21.6

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Owners' equity per share
	Million yen	Million yen	Million yen	%	Yen
As of June 30, 2019	78,321	32,282	29,726	38.0	743.23
As of June 30, 2018	75,230	27,468	25,262	33.6	637.32

(3) Consolidated Cash Flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended June 30, 2019	5,647	(1,819)	(2,845)	10,102
Year ended June 30, 2018	5,610	(2,101)	(2,813)	9,124

2. Dividends

	Dividend per share					Total dividends paid	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended June 30, 2018	–	0.00	–	7.00	7.00	277	5.8	1.2
Year ended June 30, 2019	–	0.00	–	9.00	9.00	359	7.6	1.3
Year ending June 30, 2020 (forecast)	–	–	–	11.00	11.00		10.0	

3. Forecast of Consolidated Financial Results for the Year Ending June 30, 2020 (from July 1, 2019 to June 30, 2020)

(Percentages calculated on year-on-year basis.)

	Revenue		Operating profit		Profit before tax		Profit for the year		Profit attributable to owners of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	46,000	3.9	7,600	(2.0)	7,100	(2.5)	4,900	(6.9)	4,400	(6.4)	110.30

(Reference)

	EBITDA		EBITDA margin
	Million yen	%	%
Full year	10,400	13.4	22.6

* Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries accompanied by a change in the scope of consolidation): No

New: –

Exclusion: –

(2) Changes in accounting policies and changes of accounting assumptions

(i) Changes in accounting policies as required by IFRS:	Yes
(ii) Changes in accounting policies other than (i):	No
(iii) Changes in accounting assumptions:	No

(3) Number of shares outstanding (common stock)

(i) Number of shares issued (including treasury stock) at the end of the term:

As of June 30, 2019	39,996,600 shares	As of June 30, 2018	39,638,700 shares

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

As of June 30, 2019	135 shares	As of June 30, 2018	96 shares

(iii) Average number of shares during the period

Year ended June 30, 2019	39,889,193 shares	Year ended June 30, 2018	39,263,314 shares

* This summary of financial results is not subject to audits conducted by certified public accountants or audit firms.

* Note regarding proper use of results forecasts and other special comments

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

(2) The forward-looking statements, such as results forecasts, included in this document are based on information available to the management as of the date of the document and certain assumptions that the management considers reasonable. The Company does not promise that the forecasts will be achieved. Actual results may differ significantly due to a range of factors.

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

(4) EBITDA margin = EBITDA / revenue

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

(6) EBITDA and EBITDA margin should not be considered as indicators to replace the other indicators shown in accordance with IFRS because they do not include some of the items that affect the profit for the period, so they are subject to significant restrictions as a means of analysis. EBITDA and EBITDA margin disclosed by the Group may be less useful in comparison with the same or similar indicators of other competitors because they are calculated according to a different method from that of such other companies.

(7) In the summary of consolidated financial statements for the fiscal year ended June 30, 2018, adjusted EBITDA, which was stated as a reference in the forecast of consolidated financial results for the year ended June 30, 2019, was the sum of the EBITDA above and the costs for listing, and it was 9,216 million yen in the fiscal year ended June 30, 2019. Adjusted profit attributable to owners of the parent was the value obtained by adding the costs for listing to profit attributable to owners of the parent and deducting the tax impact for adjustments, and it was 4,752 million yen in the fiscal year ended June 30, 2019. These adjustments are not the indicators specified by IFRS, but are the financial indicators that the Group considers useful for investors to evaluate the business results of the Group. These financial indicators do not reflect the impact of costs that are not expected to be incurred after listing and the nonrecurring profit and loss items (items not considered to show the results of ordinary business activities or items that do not appropriately show the business results of the Group in comparison with those of competitors). However, the amounts of both adjustments are extremely minor in the fiscal year ending June 30, 2019 and expected to decline further from the fiscal year ending June 30, 2020. Therefore, the Group will terminate the disclosure of these financial indicators with the summary of consolidated financial statements for the fiscal year ending June 30, 2019.

Accompanying Materials - Contents

1. Overview of Operating Results, etc.

(1) Overview of operating results for the fiscal year ended June 30, 2019

MACROMILL, INC. (the “Company”) and its consolidated subsidiaries (together the “Group") implemented IFRS 15 – Revenue from Contracts with Customers – at the beginning of this fiscal year. The effects of its implementation on each line of our consolidated statements of operations, namely revenue, operating profit, profit before tax and profit for the period, were negligible. In accordance with the implementation however, we have bundled “Cost of sales” with “Selling, general and administrative expenses” and now report it as a single item called “Operating expenses”. Please refer to (6) Notes to the Consolidated Financial Statements for details of the change and breakdown of “Operating expenses” in 3. Consolidated Financial Statements and Significant Notes section.

In the fiscal year ended June 30, 2019 (July 1, 2018 to June 30, 2019), the global economy continued to experience a moderate recovery, despite intensifying trade friction between the US and China, overseas economic trends (particularly China), uncertainty in global policies and the impacts of fluctuations in financial capital markets. Meanwhile, the Japanese economy, despite weakness in certain sectors, continued its path of moderate economic recovery thanks to steady consumer spending supported by improved corporate earnings and a favorable employment environment.

Looking specifically at the market research sector, the total global marketplace reached an estimated value of $45.8 billion, with online accounting for $17.9 billion (*1). In Japan, the size of the marketing research sector was 219.0 billion yen for the sector overall, with online marketing research at 70.5 billion yen (*2). Both the global and domestic market research sectors are growing steadily, with online marketing research notably outpacing the growth rate of the overall market.

In foregoing conditions, the Group continues to pursue stable growth in the domestic business, to strengthen the foundation of the global business, and to focus on global business development in the digital marketing industry. Specifically, by utilizing the comprehensive handling of a huge amount of diverse data available from unique consumer panels owned by the Company, including attribution, purchase and consumption data and behavioral, awareness and biological data, we have been increasing efforts to provide our clients with innovative insights. Of particular note, in the digital solutions-related business area, we are working to expand business with a focus on data delivery to optimize corporate digital advertising expenditure in Japan and overseas. In the fiscal year, we saw a number of unfavorable situations in terms of the implementation of digital-related businesses, triggered by the enforcement of the General Data Protection Regulation (GDPR) in the EU along with the personal data security breach by a major US-based social media company. However, we see the digital shift that client companies are promoting for their marketing activities as an unstoppable trend in the medium to long term.

In our domestic business, we generated steady growth, reflecting favorable sales of our digital marketing and global research products to a variety of sectors including advertising agencies, services, real estate, automotive and distribution. Furthermore, with the addition of revenue from H.M. Marketing Research, Inc. (renamed from Tokyo Survey Research on October 1, 2018; hereinafter “HMM”), which was converted into a subsidiary by acquiring a 51% share from Hakuhodo Inc. in July 2018, our domestic business revenue grew to 30,977 million yen (up 12.9% year-on-year).

The global operation, while affected by unfavorable exchange rates, maintained solid business transactions with a range of clients, including global alcoholic beverage and cosmetics companies as well as major Korean automotive and electronics manufacturers. In addition, the effect of inclusion of the financial results of Acturus, a US-based company acquired as a subsidiary in October 2017, was reflected until the first quarter, and the financial results of Macromill South East Asia, Inc., which was converted into a subsidiary in April 2019 (renamed from W&S Holdings, Inc. on July 1, 2019), was included, starting from the fourth quarter. As a result, overseas revenue grew 5.7% year-on-year to 13,447 million yen.

The increase in operating expenses was more significant than the rise in revenue due to higher costs associated with the above-mentioned reflection of financial results of companies acquired as subsidiaries through M&A in Japan and overseas, as well as the increase of the number of personnel and enhancement of office space in line with the expansion of businesses in Japan and overseas. In addition, the impact of the recognition of expenses in the first quarter due to refinancing for existing foreign currency-based borrowings, whose interest rates had been rising, by means of the issuance of straight bonds in July 2018, temporarily increased the finance costs as compare to the previous fiscal year. Consequently, with interest expenses steadily decreasing in the second quarter and thereafter, the interest coverage ratio (*3: calculated in the last 12 months) improved 12.89 times (from 11.22 times in the same period of the previous year).

As a result, the Group recorded revenue of 44,279 million yen (up 10.6% year-on-year), earnings before interest, taxes, depreciation and amortization (EBITDA) of 9,167 million yen (up 5.9% year-on-year) (*4), operating profit of 7,751 million yen (up 1.9% year-on-year), profit before tax of 7,285 million yen (down 1.2% year-on-year) and profit attributable to owners of the parent of 4,702 million yen (down 0.4% year-on-year) for the fiscal year ended June 30, 2019. Return on equity (ROE: calculated in the last 12 months) stood at 17.1% (down 3.6% year-on-year).

The results by segment are shown below.

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

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

(Japan and Korea Business)

In the Japan and Korea Business segment, as described earlier, revenue remained firm in Japan, and the Korean subsidiary continued to expand the volume of transactions. In addition, consolidation of the financial results of H.M. Marketing Research, Inc. which became a joint venture with Hakuhodo Inc. after the Company partially acquired its shares in July 2018, and Macromill South East Asia which became a subsidiary in April 2019 contributed to a significant increase in the segment’s overall revenue. On the other hand, operating expenses rose significantly year-on-year, reflecting cost increases due to the recruitment of additional employees and enhancement of office space attributable to business expansion, along with rising costs related to the commencement of the consolidation of the said two companies.

As a result, the Japan and Korea Business segment recorded revenue of 35,020 million yen (up 13.2% year-on-year), EBITDA of 8,073 million yen (up 5.3% year-on-year), and operating profit of 7,091 million yen (up 0.9% year-on-year).

(Overseas Business (ex-Korea))

In the Overseas Business (ex-Korea) segment, which is operated in the North Americas, Europe, Latin America, Middle East and Asian, excluding Japan and Korea, despite the negative exchange rate impact as mentioned earlier, steady sales were registered for mainstay advertising pre-test materials and advertising/campaign effectiveness measurement products that are mainly used for surveys conducted for the Global Key Accounts (*5). However, due to continued proactive efforts to expand the number of employees and business bases for the overseas business, operating expenses increased year-on-year. Even so, with the increase in revenue surpassing the said rise in expenses, the increase in profits was more significant than the increase in revenue.

As a result, the Overseas Business (ex-Korea) segment recorded revenue of 9,385 million yen (up 2.0% year-on-year), EBITDA of 1,093 million yen (up 10.2% year-on-year), and operating profit of 659 million yen (up 14.4% year-on-year).

Financial results including revenue of MACROMILL EMBRAIN CO., LTD. in the Japan and Korea Business segment are prepared based on the Korean won, while revenue and other financial results of the Overseas Business (ex-Korea) are prepared based on the euro. The exchange rates used for each are below.

Computation period (12 months)	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019	Change (%)
JPY/EUR (yen)	131.62	126.89	(3.6%)
JPY/KRW (yen)	0.1007	0.0985	(2.2%)

The following exchange rates were calculated for three-month period ended June 30, 2019 based on the sales revenues.

Computation period (3 months)	Three-month period ended June 30, 2018	Three-month period ended June 30, 2019	Change (%)
JPY/EUR (yen)	130.28	123.41	(5.3%)

JPY/KRW (yen)	0.1013	0.0939	(7.4%)

Notes:

(1) Reference: ESOMAR Global Market Research 2018, announced by European Society for Opinion and Marketing Research (ESOMAR) in September 2018.

(2) Reference: JMRA 44th Annual Business Management Survey, announced by Japan Marketing Research Association (JMRA) in July 2019.

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

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

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

(2) Overview of financial position during the fiscal year ended June 30, 2019

At the end of the fiscal year, assets totaled 78,321 million yen, a growth of 3,091 million yen from the end of the previous fiscal year. This was mainly due to increases of 978 million yen in cash and cash equivalents and 638 million yen in other intangible assets.

Liabilities stood at 46,039 million yen, declining 1,723 million yen from the end of the previous fiscal year. The decrease mainly reflected a fall in income taxes payable of 784 million yen and a decline in other current liabilities of 610 million yen. There were proceeds from the issuance of corporate bonds of 9,947 million yen, while repayments of borrowings were made for the amount of 12,507 million yen. As a result, the ratio of net interest-bearing debts to EBITDA came to 2.79 at the end of the fiscal year.

Equity was worth 32,282 million yen, an increase of 4,814 million yen from the end of the previous fiscal year. The increase was largely attributable to profit for the period of 5,262 million yen, which offset dividends paid of 507 million yen.

(3) Overview of cash flows in the period of fiscal year ended June 30, 2019

Cash and cash equivalents (“cash”) at the end of the fiscal year increased 978 million yen from the end of the previous fiscal year to 10,102 million yen. The status of each of the cash flow segments and contributing factors for the fiscal year are as follows:

(Cash flows from operating activities)

Net cash provided in operating activities amounted to 5,647 million yen (up 37 million yen year-on-year). The cash outflow was mainly due to increase in trade and other receivables of 979 million yen, income taxes paid of 2,841 million yen, and interest paid of 371 million yen, which offset profit before tax of 7,285 million yen and depreciation and amortization of 1,411 million yen.

Income taxes paid increased by 1,574 million yen year-on-year owing to income growth and the completion of the carrying-forward of tax loss. Trade receivable turnover in days and trade payable/panel point reserves turnover in days stood at 78.3 days (down 0.4 days year-on-year) and 51.5 days (up 5.0 days year-on-year), respectively.

(Cash flows from investing activities)

Net cash used in investing activities came to 1,819 million yen (down 281 million yen year-on-year). The cash outflow primarily reflected acquisition of intangible assets of 1,666 million yen and acquisition of property, plant and equipment of 421 million yen.

(Cash flows from financing activities)

Net cash used in financial activities was 2,845 million yen (up 32 million yen year-on-year). The cash outflow resulted mainly from the repayment of non-current borrowings of 11,885 million yen and repayments of short-term borrowings of 621 million yen, which offset proceeds from the issuance of corporate bonds of 9,947 million yen.

(4) Future prospects

Demand for online marketing research, an area in which we can demonstrate our strength, is still growing in the marketing research industry both in Japan and overseas. Given this trend, the Group expects its performance to grow steadily. With more companies increasing their spending on digital advertising in Japan and overseas, it also envisions that demand for research will rise most sharply in the digital marketing area. In addition, to address customers increasingly complex marketing challenges, the Company has been accelerating initiatives for comprehensively handling a huge amount of diverse data points, including attribution, purchase and consumption data, and behavioral, awareness and biological data, which are available from our unique consumer panels. By proactively utilizing innovative consumer insights obtained through such initiatives, the Company will increase the added value that it provides in the future.

Under these circumstances, the Group established a new mid-term business plan and would continue to leverage its strong business foundation, thereby expanding sales in Japan and overseas. Also, the Group is expecting to continue an aggressive investment in IT, hiring, and educating talented people to establish, and maintain further comparative advantage mainly in the digital marketing area. In addition, we pursue diminishing the mid-term financial cost by reducing an interest-bearing debt. The Group will focus on expanding the profit while promoting the improvement of the research operation efficiency by leveraging technology, such as AI and RPA.

Taking these prospects into account, we forecast revenue of 46,000 million yen (up 3.9% year on year), EBITDA of 10,400 million yen (up 13.4% year on year), operating profit of 7,600 million yen (down 2.0% year on year), profit before tax of 7,100 million yen (down 2.5% year on year), and profit attributable to owners of the parent of 4,400 million yen (down 6.4% year on year) for the fiscal year ending June 30, 2020.

The Group plans to apply IFRS 16 from the first quarter of the fiscal year ending June 30, 2020. With the adoption of IFRS 16 for all lease contracts in principle, the lessee shall recognize the right to use an underlying asset over the lease period and the obligation to make a lease payment as a right-of-use asset and a lease liability, respectively. Under the former standard, IAS 17, lease payments for operating leases were expensed as rents, but under IFRS 16, depreciation of right-of-use assets and interest costs for lease liabilities will be expensed. As a result, with the adoption of IFRS 16, rents will decrease while depreciation of right-of-use assets will increase, therefore EBITDA will rise. The above financial results forecasts anticipate the impact. Excluding the impact, EBITDA is expected to be about the same as in the previous year.

In addition, the above financial results forecasts were made based on the information available as of the date when this document was prepared, and therefore actual results may differ from the forecast figures due to a variety of factors.

(5) Basic policy on profit distribution and dividends for the current and next fiscal years

The Company is aware that returning profits to shareholders is an important measure for management. On the other hand, it also considers it important to comprehensively take into account returning profits to shareholders, enhancing internal reserves required for future growth investments and establishing its financial foundation. Therefore, where there are investments which provide a return greater than the Company's cost of capital, the Company implements strategic investments which will lead to an increase in the corporate value, realizes sustainable growth in revenues and profits and prioritizes establishment of a sound financial foundation which enables them. The Company considers that those will contribute to the achievement of its and its shareholders' common interests.

Therefore, with targeting consolidated dividend payout ratio of around 20-30% in the long-term, for the time being, the Company makes it its basic policy to make dividends of surplus to its shareholders in the form of realizing steady and continuous increase in dividends within the scope of the policy above. Regarding the purchase of treasury stock, we plan to consider it flexibly as part of our profit distribution measures, comprehensively taking into account our business development, investment plans, level of retained earnings and trends in business performance.

Moreover, since the Company's Articles of Incorporation provide that "Unless otherwise stipulated, the matters set forth in the respective items of Article 459, Paragraph 1 of the Companies Act such as dividends of surplus shall be determined by a resolution of the Board of Directors, not by the resolution of the general meeting of shareholders," the Company is able to make dividends and repurchase its own share in an agile manner. In accordance with these plans, we will pay a dividend of 9 yen per share for the current fiscal year (ended June 30, 2019) and are forecasting 11 yen per share for the next fiscal year (ending June 30, 2020).

2. Basic Idea of the Selection of Accounting Standards

The Group adopted the IFRS in the fiscal year ended June 30, 2016 to increase the international comparability and convenience of its financial information in the capital market.

3. Consolidated Financial Statements and Significant Notes

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
Assets		
Current assets		
Cash and cash equivalents	9,124	10,102
Trade and other receivables	8,744	7,717
Contract assets	–	1,860
Other financial assets	4	6
Other current assets	536	948
Total current assets	**18,409**	**20,634**
Non-current assets		
Property, plant and equipment	1,152	1,370
Goodwill	46,957	46,886
Other intangible assets	6,605	7,244
Investments accounted for using the equity method	31	32
Other financial assets	1,379	1,341
Deferred tax assets	690	810
Other non-current assets	2	0
Total non-current assets	**56,820**	**57,687**
Total assets	**75,230**	**78,321**
Liabilities		
Current liabilities		
Corporate bonds and Borrowings	2,500	1,651
Trade and other payables	3,008	3,698
Contract liabilities	–	406
Other financial liabilities	164	394
Income tax payable	1,756	971
Provisions	1,020	1,197
Other current liabilities	2,439	1,829
Total current liabilities	**10,890**	**10,150**
Non-current liabilities		
Borrowings	34,534	33,963
Other financial liabilities	550	148
Retirement benefit liabilities	190	313
Provisions	208	264
Deferred tax liabilities	1,339	1,189
Other non-current liabilities	48	9
Total non-current liabilities	**36,871**	**35,888**
Total liabilities	**47,762**	**46,039**
Equity		
Share capital	880	971
Capital surplus	11,312	11,507
Treasury shares	(0)	(0)
Other components of equity	(96)	(248)
Retained earnings (deficit)	13,165	17,496
Equity attributable to owners of the parent	25,262	29,726
Non-controlling interests	2,205	2,556
Total equity	**27,468**	**32,282**
Total liabilities and equity	**75,230**	**78,321**

(2) Consolidated Statement of Operations

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Revenue	40,024	44,279
Operating expense	(32,404)	(36,510)
Other operating income	42	28
Other operating expenses	(57)	(47)
Share of the profit on investments accounted for using the equity method	2	2
Operating profit	7,607	7,751
Finance income	528	227
Finance costs	(763)	(693)
Profit before tax	7,372	7,285
Income tax benefit (expense)	(2,201)	(2,022)
Profit for the period	5,170	5,262
Profit (loss) attributable to:		
Owners of the parent	4,719	4,702
Non-controlling interests	450	559
Profit for the period	5,170	5,262
Earnings per share		
Basic (Yen)	120.21	117.90
Diluted (Yen)	115.60	114.94

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Profit for the period	5,170	5,262
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income (loss)	(35)	(131)
Remeasurements of defined benefit plans	0	4
Total items that will not be reclassified to profit or loss	(34)	(127)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(64)	(148)
Total items that may be reclassified to profit or loss	(64)	(148)
Other comprehensive income (loss), net of tax	(98)	(276)
Comprehensive income for the period	5,071	4,986
Comprehensive income for the period attributable to:		
Owners of the parent	4,641	4,548
Non-controlling interests	429	437
Comprehensive income for the period	5,071	4,986

(4) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Financial assets measured at fair value through other comprehensive income (loss)	Remeasure-ments of defined benefit plans	Exchange differences on translation of foreign operations
Balance as of July 1, 2017	674	11,044	(0)	93	–	(293)
Profit for the period	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	(15)	0	(63)
Total comprehensive income for the period	–	–	–	(15)	0	(63)
Issue of shares	205	292	–	–	–	–
Purchase of treasury shares	–	–	(0)	–	–	–
Share-based payment transactions	–	–		–	–	–
Dividends	–	–		–	–	–
Transfer of capital surplus to retained earnings	–	–		(12)	(0)	–
Changes in ownership interests in subsidiaries without a loss of control	–	(25)		–	–	–
Total transactions with owners	205	267	(0)	(12)	(0)	–
Balance as of June 30, 2018	880	11,312	(0)	64	–	(356)
Cumulative effects due to changes in accounting policies	–	–	–	–	–	–
Balance as of July 1, 2018, reflecting changes in accounting policies	880	11,312	(0)	64	–	(356)
Profit for the period	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	(71)	2	(84)
Total comprehensive income for the period	–	–	–	(71)	2	(84)
Issue of shares	90	138	–	–	–	–
Purchase of treasury shares	–	–	(0)	–	–	–
Share-based payment transactions	–	–	–	–	–	–
Dividends	–	–	–	–	–	–
Transfer of capital surplus to retained earnings	–	–	–	2	(2)	–
Changes in ownership interests in subsidiaries without a loss of control	–	56	–	–	–	–
Change from business combination	–	–	–	–	–	–
Total transactions with owners	90	195	(0)	2	(2)	–
Balance as of June 30, 2019	971	11,507	(0)	(4)	–	(441)

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity		Retained earnings (deficit)	Total		
	Warrants	Total				
Balance as of July 1, 2017	200	0	8,627	20,346	2,005	22,352
Profit for the period	–	–	4,719	4,719	450	5,170
Other comprehensive income (loss)	–	(78)	–	(78)	(20)	(98)
Total comprehensive income for the period	–	(78)	4,719	4,641	429	5,071
Issue of shares	(89)	(89)	–	408	–	408
Purchase of treasury shares	–	–	–	(0)	–	(0)
Share-based payment transactions	84	84	–	84	–	84
Dividends	–	–	(194)	(194)	(231)	(425)
Transfer of capital surplus to retained earnings	–	(13)	13	–	–	–
Changes in ownership interests in subsidiaries without a loss of control	–	–	–	(25)	1	(23)
Total transactions with owners	(5)	(18)	(180)	274	(230)	44
Balance as of June 30, 2018	195	(96)	13,165	25,262	2,205	27,468
Cumulative effects due to changes in accounting policies	–	–	(93)	(93)	(89)	(182)
Balance as of July 1, 2018, reflecting changes in accounting policies	195	(96)	13,071	25,168	2,116	27,285
Profit for the period	–	–	4,702	4,702	559	5,262
Other comprehensive income (loss)	–	(153)	–	(153)	(122)	(276)
Total comprehensive income for the period	–	(153)	4,702	4,548	437	4,986
Issue of shares	(48)	(48)	–	180	–	180
Purchase of treasury shares	–	–	–	(0)	–	(0)
Share-based payment transactions	49	49	–	49	–	49
Dividends	–	–	(277)	(277)	(230)	(507)
Transfer of capital surplus to retained earnings	–	0	(0)	–	–	–
Changes in ownership interests in subsidiaries without a loss of control	–	–	–	56	(87)	(30)
Change from business combination	–	–	–	–	319	319
Total transactions with owners	0	0	(278)	8	2	11
Balance as of June 30, 2019	196	(248)	17,496	29,726	2,556	32,282

(5) Consolidated Statements of Cash Flow

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Cash flows from operating activities		
Profit before tax	7,372	7,285
Depreciation and amortization	1,052	1,411
Finance income	(528)	(227)
Finance costs	763	693
Share of the (profit) loss on investments accounted for using the equity method	(2)	(2)
Decrease (increase) in trade and other receivables	(2,237)	(979)
Increase (decrease) in trade and other payables	62	174
Other	840	485
Sub-total	7,323	8,841
Interest and dividends received	11	19
Interest paid	(456)	(371)
Income taxes paid	(1,267)	(2,841)
Net cash flows provided by (used in) operating activities	5,610	5,647
Cash flows from investing activities		
Acquisition of property, plant and equipment	(357)	(421)
Acquisition of intangible assets	(669)	(1,666)
Acquisition of a subsidiary	(1,044)	(84)
Proceeds from acquisition of subsidiary	–	360
Acquisition of investments	(185)	(42)
Proceeds from sale of investments	5	3
Other	149	31
Net cash flows provided by (used in) investing activities	(2,101)	(1,819)
Cash flows from financing activities		
Proceeds from current borrowings	1,007	98
Repayments of current borrowings	(1,225)	(621)
Repayments of non-current borrowings	(2,411)	(11,885)
Proceeds from issue of corporate bonds	–	9,947
Proceeds from issue of shares	408	180
Dividends paid	(193)	(277)
Dividends paid to non-controlling interests	(231)	(230)
Other	(167)	(56)
Net cash flows provided by (used in) financing activities	(2,813)	(2,845)
Net increase (decrease) in cash and cash equivalents	**696**	**982**
Cash and cash equivalents at the beginning of the year	**8,447**	**9,124**
Effect of exchange rate changes on cash and cash equivalents	**(18)**	**(3)**
Cash and cash equivalents at the end of the period	**9,124**	**10,102**

(6) Notes to the Consolidated Financial Statements

(Notes regarding the premise of a going concern)

None applicable.

(Changes in accounting policies)

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

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

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

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

Step 1: Identify contracts with customers.

Step 2: Identify performance obligations in contracts.

Step 3: Calculate transaction prices.

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

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

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

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

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

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

The major effects during the fiscal year under review include an increase of 1,860 million yen in contract assets, a decrease of 1,860 million yen in trade and other receivables, an increase of 406 million yen in contract liabilities, and a decrease of 406 million yen in other current liabilities.

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

(Change in reporting method)

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

The change resulted from a review of our reporting method of the consolidated statement of comprehensive income. As the Group clarified the revenue recognition/measurement methods in the application of IFRS No.15 “Revenue from contracts with customers (announced in May 2014),” it examined how to manage expenses. As a result, it was found that it is becoming increasingly difficult to make a clear distinction between cost of sales and selling, general and administrative expenses due to the business expansion of the Group and the diversification of customer needs and trade methods. Accordingly, the Group changed to a reporting method for managing cost of sales and selling, general and administrative expenses as operating expenses in order to oversee the financial results of the Group as well.

As a result, a combined total of 32,404 million yen comprising 22,372 million yen stated as “cost of sales” and 10,031 million yen stated as “selling, general and administrative expenses” has been reclassified as “operating expenses” in the consolidated statement of

comprehensive income for the first nine months of the previous fiscal year.
In addition, other presentations related to the consolidated financial statements for the first nine months under review have been also changed similarly.

(Segment information)

(1) Overview of reportable segments

The reportable segments of the Group are a constituent unit of the Company whose financial information is available separately, subject to regular review by the Board of Directors for the purpose of determining the allocation of management resources and the evaluation of business results. There are two reportable segments. One is the Japan and Korea Business and the other is the Overseas Business (ex-Korea), which operates in North Americas, Europe, Latin America, Middle East and Asian sales territories, excluding Japan and Korea.
The “Japan and Korea Business” consists of the Company and its subsidiaries, including DENTSU MACROMILL INSIGHT, INC., a joint venture with the advertising agency, H.M. Marketing Research, Inc., and MACROMILL EMBRAIN CO., LTD., which operates the Korean business.
“Overseas Business (ex-Korea)” consists of subsidiaries in the North Americas, Europe, Latin America, Middle East and Asian sales territories, excluding Japan and Korea.
Effective from the second quarter of the fiscal year ending June 30, 2019, the segment names have been changed from “MACROMILL Group” and “Matrix Lab Group” to the “Japan and Korea Business” and “Overseas Business (ex-Korea) ” respectively.

(2) Revenues and business results by segment

Financial results including revenue of MACROMILL EMBRAIN CO., LTD. in the Japan and Korea Business segment are prepared based on the Korean won, while revenue and other financial results of the Overseas Business (ex-Korea) are prepared based on the euro. The each rate of exchange is below.

Computation period (Twelve months)	Fiscal year ended June 30, 2018 (June 30, 2018)	Fiscal year ended June 30, 2019 (June 30, 2019)	Change rate
JPY/EUR (yen)	131.62	126.89	(3.6%)
JPY/KRW (yen)	0.1007	0.0985	(2.2%)

Fiscal year ended June 30, 2018

Millions of yen

	Reportable segments			Reconciliations	Consolidated
	Japan and Korea Business	Overseas Business (ex-Korea)	Total		
Revenue					
External	30,928	9,095	40,024	–	40,024
Intersegment	20	102	122	(122)	–
Total	30,948	9,198	40,147	(122)	40,024
Segment profit (loss) (Operating profit (loss))	7,030	576	7,607	–	7,607
Finance income					528
Finance costs					(763)
Profit before tax					7,372
(Other profit and loss items)					
Depreciation and amortization expenses	636	415	1,052	–	1,052

Fiscal year ended June 30, 2019

Millions of yen

	Reportable segments			Reconciliations	Consolidated
	Japan and Korea Business	Overseas Business (ex-Korea)	Total		
Revenue					
External	35,000	9,278	44,279	–	44,279
Intersegment	19	107	126	(126)	–
Total	35,020	9,385	44,406	(126)	44,279
Segment profit (loss) (Operating profit (loss))	7,091	659	7,751	–	7,751
Finance income					227
Finance costs					(693)
Profit before tax					7,285
(Other profit and loss items)					
Depreciation and amortization expenses	978	433	1,411	–	1,411

(Operating expense)

The breakdown of operating expense is as follows.

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
	Millions of yen	Millions of yen
Employee expense	14,509	16,323
Panel expense	5,187	6,402
Outsourcing expense	5,089	5,974
Depreciation and amortization	1,052	1,411
Others	6,566	6,397
Total	32,404	36,510

(Earnings per share)

The basic earnings (loss) per share and diluted earnings (loss) per share are as follows.

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Profit (loss) attributable to owners of the parent (million yen)	4,719	4,702
Adjustment	–	–
Profit (loss) used for calculating diluted earnings (loss) per share (million yen)	4,719	4,702
Weighted-average number of ordinary shares outstanding during the period	39,263,314	39,889,193
Increase in the number of ordinary shares	1,565,452	1,026,584
Weighted-average number of ordinary shares outstanding during the period - diluted	40,828,766	40,915,777
Basic earnings (loss) per share (yen)	120.21	117.90
Diluted earnings (loss) per share (yen)	115.60	114.94
Overview of dilutive shares not included in the calculation of the amount of fully diluted basic earnings per share due to absence of dilutive effect	Sixth warrants (31,000 shares of common stock) Seventh warrants (209,700 shares of common stock) Eighth warrants (217,400 shares of common stock) Ninth warrants (49,500 shares of common stock) Tenth warrants (18,000 shares of common stock)	Sixth warrants (15,500 shares of common stock) Seventh warrants (158,500 shares of common stock) Eighth warrants (145,000 shares of common stock) Ninth warrants (33,000 shares of common stock) Tenth warrants (12,000 shares of common stock)

(Significant subsequent events)
None applicable.