



Summary of Consolidated Financial Statements for the Fiscal Year Ended June 30, 2018 [IFRS]

August 7, 2018

Listed Company:	MACROMILL, INC.
Stock Exchange:	Tokyo Stock Exchange
Code Number:	3978
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Scheduled date of ordinary general meeting of shareholders:	September 26, 2018
Scheduled date of the start of dividend payments:	September 27, 2018
Scheduled date to submit annual securities report:	September 27, 2018
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, 2018 (from July 1, 2017 to June 30, 2018)

(1) Consolidated Business Performance

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

	Revenue		Operating profit		Profit before tax		Profit for the period		Profit attributable to owners of the parent		Total comprehensive income for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
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
Year ended June 30, 2017	35,514	9.3	6,825	19.1	5,882	43.9	4,210	30.0	3,706	30.8	4,585	102.3

	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, 2018	120.21	115.60	20.7	10.1	19.0
Year ended June 30, 2017	97.11	96.57	20.9	8.6	19.2

(Reference)

Investment profit on equity method Year ended June 30, 2018 2 million yen Year ended June 30, 2017 9 million yen

(Reference)

	EBITDA		Adjusted EBITDA		Adjusted EBITDA margin	Adjusted profit attributable to owners of the parent		Adjusted basic earnings per share
	Million yen	%	Million yen	%	%	Million yen	%	Yen
Year ended June 30, 2018	8,660	12.5	8,757	2.6	21.9	4,813	13.3	122.59
Year ended June 30, 2017	7,696	16.5	8,531	19.4	24.0	4,249	21.6	111.34

(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, 2018	75,230	27,468	25,262	33.6	637.32
As of June 30, 2017	70,815	22,352	20,346	28.7	524.09

(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, 2018	5,524	(2,015)	(2,813)	9,124
Year ended June 30, 2017	5,733	(1,348)	(2,155)	8,447

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, 2017	–	0.00	–	5.00	5.00	194	5.2	1.1
Year ended June 30, 2018	–	0.00	–	7.00	7.00	277	5.8	1.2
Year ending June 30, 2019 (forecast)	–	0.00	–	9.00	9.00		6.8	

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

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

	Revenue		Operating profit		Profit before tax		Profit for the year		Profit attributable to owners of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	46,400	15.9	8,900	17.0	8,300	12.6	5,800	12.2	5,260	11.5	132.70

(Reference)

	EBITDA		Adjusted EBITDA		Adjusted EBITDA margin	Adjusted profit attributable to owners of the parent		Adjusted basic earnings per share
	Million yen	%	Million yen	%	%	Million yen	%	Yen
Full year	10,160	17.3	10,200	16.5	22.0	5,300	10.1	133.7

* Notes

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

New: –

Exclusion: –

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

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

(3) Number of shares outstanding (common stock)

- | | | | |
|--|-------------------|--------------------------|-------------------|
| (i) Number of shares issued (including treasury stock) at the end of the term: | | | |
| As of June 30, 2108 | 39,638,700 shares | As of June 30, 2017 | 38,823,400 shares |
| (ii) Number of shares of treasury stock at the end of the term: | | | |
| As of June 30, 2018 | 96 shares | As of June 30, 2017 | 55 shares |
| (iii) Average number of shares during the period | | | |
| Year ended June 30, 2018 | 39,263,314 shares | Year ended June 30, 2017 | 38,165,052 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) Adjusted EBITDA = EBITDA + management fee + costs for listing
- (5) Adjusted EBITDA margin = adjusted EBITDA / revenue
- (6) Adjusted profit attributable to owners of the parent = profit attributable to owners of the parent + management fee + costs for listing - tax impact for adjustments
- (7) Adjusted basic earnings per share = adjusted profit attributable to owners of the parent / average number of common shares during the period
- (8) EBITDA, adjusted EBITDA, adjusted EBITDA margin, adjusted profit attributable to owners of the parent and adjusted basic earnings per share 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 the costs that are not expected to be incurred after listing and the nonrecurring profit and loss items (the items not considered to show the results of ordinary business activities or the items that do not appropriately show the business results of the Group in comparison with those of other competitors).
- (9) EBITDA, adjusted EBITDA, adjusted EBITDA margin, adjusted profit attributable to owners of the parent and adjusted basic earnings per share 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, adjusted EBITDA, adjusted EBITDA margin, adjusted profit attributable to owners of the parent and adjusted basic earnings per share 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.

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1. Overview of Operating Results, etc.

(1) Overview of operating results for the fiscal year ended June 30, 2018

During the financial 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 market research sector specifically, the total global marketplace reached an estimated value of \$45 billion, with online accounting for \$17 billion of that figure in the 12 months of 2016 (*1). 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 (*2). We believe that the steady growth of both the global and domestic market research sectors will be beneficial to our business. In particular, we plan to maximize the continued expansion of online marketing research as it outpaces the growth rate of the overall market.

In these conditions, 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 attribute data, purchase and consumption data, behavioral data, awareness data and biological data, we continued to deliver 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 stand-alone basis grew to 21,918 million yen (up 9.3% year-on-year) which pushed domestic business revenue to 27,448 million yen (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 continuation softening in the North American panel business, also experienced steady business expansion with global media and film companies, fast moving consumer goods (FMCG) players, alcohol beverage industry and Korean government & public sectors, automotive and electronics manufacturers. In addition, 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, we had achieved record high revenue of 12,721 million yen (up 26.9% year-on-year).

Looking at expenditure, the cost of goods sold (COGS) and selling, general and administrative expenses (SG&A) rose primarily due to increased third-party panel expenses and outsourcing fees, which are variable costs, resulting from a higher volume of research work and surveys to the Global Key Accounts(*3) 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 (*4) 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 reduction had 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.

As a result, the Group recorded revenue of 40,024 million yen (up 12.7% year-on-year), Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of 8,660 million yen (up 12.5% year-on-year), operating profit of 7,607 million yen (up 11.5% year-on-year), profit before tax of 7,372 million yen (up 25.3% year-on-year) and profit attributable to owners of the parent of 4,719 million yen (up 27.3% year-on-year) for the FY June 2018.

The results by segment are as shown below.

(MACROMILL Group)

The Company, its domestic subsidiaries and Korean subsidiary, delivered remarkable results due to successful sales activity. 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 off-set 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 yen (up 8.5% year-on-year), and EBITDA of 7,667 million yen (up 16.6% year-on-year).

(MetrixLab Group)

With its business primarily operated 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 South East 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 9,198million yen (up 28.6% year-on-year), and EBITDA of 992 million yen (down 11.3% year-on-year).

*1. reference: ESOMAR Global Market Research 2017

*2. reference: JMRA 43nd Annual Business Management Survey

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

*4. "Catch-up costs" are expenditure in the reported fiscal year which we originally planned but remained unexecuted in the previous year. "Strategic investments" are expenditures we didn't foresee at the Mid-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 yen at the beginning of the fiscal year, but the actual amount was 392 million yen.

(2) Overview of financial position during the fiscal year under review

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

Liabilities stood at 47,762 million yen, declining 701 million yen from the end of the previous fiscal year. This mainly reflected a decrease in borrowings of 2,462 million yen and a fall in other financial liabilities of 339 million yen, which offset an increase in trade and other payables of 516 million yen and a rise in income tax payable of 878 million yen. 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 yen, an increase of 5,115 million yen from the end of the previous fiscal year. The increase was largely attributable to profit for the period of 5,170 million yen, which offset dividends paid of 425 million yen (including cash dividends paid to non-controlling interests).

(3) State of cash flow in the period under review

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

(Cash flow from operating activities)

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

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

(Cash flow from investing activities)

Net cash flow used in investing activities was 2,101 million yen (up 752 million yen year on year).

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

(Cash flow from financing activities)

Net cash flow used in financing activities was 2,813 million yen (up 657 million yen year on year).

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

(4) 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 grow strong as the market grows.. One of the distinct growth drivers are digital marketing solutions, as digital advertising is expanding rapidly both in Japan and overseas. Also, our clients are facing challenges in developing their database and real-time dashboard delivery aimed to support their efficient marketing activities, and demands for integrated dataset of digital behavioral data and actual consumption and purchase data are increasing.

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

Also, by taking advantage of the proceed from issuance of corporate bonds issued in July 2018 for early redemption repayment of foreign currency denominated borrowings. There will be one-off financing cost increase due to the refinancing in a short run, but we expect financing cost depletion effect in the mid to long term period.

In addition, we expect to see positive impact to our group's performance in the fiscal year June 2019 from the M&A; Acturus, Inc. acquired in October, 2017 and Tokyo Survey Research Inc. acquired and to be consolidated in the fiscal year June 2019.

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

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, 2017	As of June 30, 2018
Assets		
Current assets		
Cash and cash equivalents	8,447	9,124
Trade and other receivables	6,388	8,744
Other financial assets	100	4
Other current assets	548	536
Total current assets	15,485	18,409
Non-current assets		
Property, plant and equipment	1,034	1,152
Goodwill	46,067	46,957
Other intangible assets	6,059	6,605
Investments accounted for using the equity method	30	31
Other financial assets	1,381	1,379
Deferred tax assets	757	690
Other non-current assets	0	2
Total non-current assets	55,330	56,820
Total assets	70,815	75,230

(Millions of yen)

	As of June 30, 2017	As of June 30, 2018
Liabilities		
Current liabilities		
Borrowings	2,617	2,500
Trade and other payables	2,492	3,008
Other financial liabilities	137	164
Income tax payable	877	1,756
Provisions	989	1,020
Other current liabilities	1,838	2,439
Total current liabilities	8,952	10,890
Non-current liabilities		
Borrowings	36,880	34,534
Other financial liabilities	917	550
Retirement benefit liabilities	223	190
Provisions	199	208
Deferred tax liabilities	1,213	1,339
Other non-current liabilities	77	48
Total non-current liabilities	39,511	36,871
Total liabilities	48,463	47,762
Equity		
Share capital	674	880
Capital surplus	11,044	11,312
Treasury shares	(0)	(0)
Other components of equity	0	(96)
Retained earnings (deficit)	8,627	13,165
Equity attributable to owners of the parent	20,346	25,262
Non-controlling interests	2,005	2,205
Total equity	22,352	27,468
Total liabilities and equity	70,815	75,230

(2) Consolidated Statement of Operations

(Millions of yen)

	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018
Revenue	35,514	40,024
Cost of sales	(18,920)	(22,372)
Gross profit	16,594	17,651
Selling, general and administrative expenses	(10,030)	(10,031)
Other operating income	283	42
Other operating expenses	(31)	(57)
Share of the profit on investments accounted for using the equity method	9	2
Operating profit	6,825	7,607
Finance income	15	528
Finance costs	(958)	(763)
Profit before tax	5,882	7,372
Income tax benefit (expense)	(1,672)	(2,201)
Profit for the period	4,210	5,170
Profit (loss) attributable to:		
Owners of the parent	3,706	4,719
Non-controlling interests	504	450
Profit for the period	4,210	5,170
Earnings per share		
Basic (Yen)	97.11	120.21
Diluted (Yen)	96.57	115.60

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018
Profit for the period	4,210	5,170
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)	164	(35)
Remeasurements of defined benefit plans	(11)	0
Total items that will not be reclassified to profit or loss	153	(34)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	221	(64)
Total items that may be reclassified to profit or loss	221	(64)
Other comprehensive income (loss), net of tax	374	(98)
Comprehensive income for the period	4,585	5,071
Comprehensive income for the period attributable to:		
Owners of the parent	4,017	4,641
Non-controlling interests	568	429
Comprehensive income for the period	4,585	5,071

(4) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Financial assets measured at fair value through other comprehensive income (loss)	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations
Balance as of July 1, 2016	100	17,813	–	0	–	(517)
Profit for the period	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	92	(5)	224
Total comprehensive income for the period	–	–	–	92	(5)	224
Issue of shares	574	647	–	–	–	–
Purchase of treasury shares	–	–	(0)	–	–	–
Contribution of management services rendered by owners	–	850	–	–	–	–
Share-based payment transactions	–	–	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–
Transactions with non-controlling interests	–	(831)	–	–	–	–
Transfer of capital surplus to retained earnings	–	(7,388)	–	–	–	–
Changes in ownership interests in subsidiaries without a loss of control	–	(46)	–	–	–	–
Transfer to retained earnings	–	–	–	–	5	–
Total transactions with owners	574	(6,769)	(0)	–	5	–
Balance as of June 30, 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 from the other components of equity 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)

(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, 2016	129	(387)	(2,461)	15,064	1,583	16,647
Profit for the period	–	–	3,706	3,706	504	4,210
Other comprehensive income (loss)	–	311	–	311	63	374
Total comprehensive income for the period	–	311	3,706	4,017	568	4,585
Issue of shares	(72)	(72)	–	1,149	–	1,149
Purchase of treasury shares	–	–	–	(0)	–	(0)
Contribution of management services rendered by owners	–	–	–	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)
Transfer of capital surplus to retained earnings	–	–	7,388	–	–	–
Changes in ownership interests in subsidiaries without a loss of control	–	–	–	(46)	(40)	(87)
Transfer to retained earnings	–	5	(5)	–	–	–
Total transactions with owners	71	76	7,382	1,265	(146)	1,119
Balance as of June 30, 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

(5) Consolidated Statements of Cash Flow

(Millions of yen)

	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018
Cash flows from operating activities		
Profit before tax	5,882	7,372
Depreciation and amortization	871	1,052
Finance income	(15)	(528)
Finance costs	958	763
Share of the (profit) loss on investments accounted for using the equity method	(9)	(2)
Decrease (increase) in trade and other receivables	(160)	(2,237)
Increase (decrease) in trade and other payables	28	62
Other	(59)	840
Sub-total	7,496	7,323
Interest and dividends received	18	11
Interest paid	(1,120)	(456)
Income taxes paid	(660)	(1,267)
Net cash flows provided by operating activities	5,733	5,610
Cash flows from investing activities		
Acquisition of property, plant and equipment	(422)	(357)
Acquisition of intangible assets	(585)	(669)
Acquisition of a subsidiary	–	(1,044)
Acquisition of investments	(94)	(185)
Proceeds from sale of investments	16	5
Other	(262)	149
Net cash flows provided by (used in) investing activities	(1,348)	(2,101)
Cash flows from financing activities		
Proceeds from current borrowings	230	1,007
Repayments of current borrowings	(246)	(1,225)
Proceeds from non-current borrowings	7	–
Repayments of non-current borrowings	(3,110)	(2,411)
Proceeds from issue of shares	1,149	408
Dividends paid	–	(193)
Dividends paid to non-controlling interests	(105)	(231)
Other	(79)	(167)
Net cash flows provided by (used in) financing activities	(2,155)	(2,813)
Net increase (decrease) in cash and cash equivalents	2,229	696
Cash and cash equivalents at the beginning of the year	6,124	8,447
Effect of exchange rate changes on cash and cash equivalents	93	(18)
Cash and cash equivalents at the end of the period	8,447	9,124

(6) Notes to the Consolidated Financial Statements

(Notes regarding the premise of a going concern)

None applicable.

(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. The major business of the Group is online marketing research on a global basis. Accordingly, the Group consists of regional segments based on the corporate group. There are two reportable segments: the “MACROMILL Group,” which is mainly in charge of business in Japan, and the “MetrixLab Group,” which is mainly in charge of overseas business.

The “MACROMILL Group” consists of the Company and its subsidiaries including DENTSU MACROMILL INSIGHT, INC. and MACROMILL EMBRAIN CO., LTD.

The “MetrixLab Group” consists of MetrixLab B.V., MetrixLab US, Inc. and other subsidiaries.

(2) Revenues and business results by segment

The revenues and business results of the respective reportable segments of the Group are as shown below. The revenue and other financial results of MACROMILL EMBRAIN CO., LTD. in the MACROMILL Group are recorded in Korean won, and the revenue and other financial results of the MetrixLab Group are recorded in euros. The exchange rates used for the results of the previous fiscal year are 0.0959 yen to 1 won and 118.85 yen to 1 euro, and the rates used for the results of the fiscal year under review are 0.1007 yen to 1 won and 131.62 yen to 1 euro (the exchange rates that should be applied to the revenue and other financial results of the fourth three-month period alone, which are calculated back from the differences between the results announced for the first nine-month period and those for the fiscal year period, are 0.0989 yen per Korean won and 122.50 yen per euro for the fourth three-month period of the previous fiscal year and 0.1013 yen per Korean won and 130.28 yen per euro for the fourth three-month period of the fiscal year under review).

Fiscal year ended June 30, 2017

	Reportable segments			Reconciliations	Millions of yen Consolidated
	MACROMILL Group	MetrixLab Group	Total		
Revenue					
External	28,517	6,997	35,514	–	35,514
Intersegment	18	153	172	(172)	–
Total	28,536	7,150	35,686	(172)	35,514
Segment profit (loss) (Operating profit (loss))	6,067	758	6,825	–	6,825
Finance income					15
Finance costs					(958)
Profit before tax					5,882
(Other profit and loss items)					
Depreciation and amortization expenses	510	360	871	–	871

Fiscal year ended June 30, 2018

	Reportable segments			Reconciliations	Millions of yen Consolidated
	MACROMILL Group	MetrixLab Group	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

(Cost of sales and selling, general and administrative expenses)

The breakdown of cost of sales is as follows.

	<u>Fiscal year ended June 30, 2017</u>	<u>Fiscal year ended June 30, 2018</u>
	Millions of yen	Millions of yen
Employee expense	6,630	8,062
Panel expense	4,749	5,118
Outsourcing expense	4,545	5,158
Others	2,994	4,033
Total	<u>18,920</u>	<u>22,372</u>

The breakdown of selling, general and administrative expenses is as follows.

	<u>Fiscal year ended June 30, 2017</u>	<u>Fiscal year ended June 30, 2018</u>
	Millions of yen	Millions of yen
Employee expense	5,831	6,446
Remuneration payable	1,212	346
Others	2,986	3,238
Total	<u>10,030</u>	<u>10,031</u>

(Earnings per share)

The Company implemented a 100-for-1 split of common shares on September 30, 2016, and the basic earnings (loss) per share and diluted earnings (loss) per share calculated assuming that the share split was conducted at the beginning of the fiscal year ended June 30, 2016, are as follows

	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018
Profit (loss) attributable to owners of the parent (million yen)	3,706	4,719
Adjustment	–	–
Profit (loss) used for calculating diluted earnings (loss) per share (million yen)	3,706	4,719
Weighted-average number of ordinary shares outstanding during the period	38,165,052	39,263,314
Increase in the number of ordinary shares	211,473	1,565,452
Weighted-average number of ordinary shares outstanding during the period - diluted	38,376,525	40,828,766
Basic earnings (loss) per share (yen)	97.11	120.21
Diluted earnings (loss) per share (yen)	96.57	115.60

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

Second warrants (275,600 shares of common stock)	Sixth warrants (31,000 shares of common stock)
Third warrants (122,800 shares of common stock)	Seventh warrants (209,700 shares of common stock)
Forth warrants (901,650 shares of common stock)	Eighth warrants (217,400 shares of common stock)
Fifth warrants (272,400 shares of common stock)	Ninth warrants (49,500 shares of common stock)
Sixth warrants (93,000 shares of common stock)	Tenth warrants (18,000 shares of common stock)
Seventh warrants (285,500 shares of common stock)	
Eighth warrants (376,000 shares of common stock)	
Ninth warrants (75,000 shares of common stock)	
Tenth warrants (24,000 shares of common stock)	

(Significant subsequent events)

Issuance of Unsecured Corporate Bonds

At the Board of Directors meeting held on July 25, 2018, Macromill, Inc. has determined to issue 1st Domestic Corporate Straight Bond (SB) to be matured in the year 2021, and 2nd Series of Domestic Straight Corporate Bond to be matured in the year 2023.

Payment date for both bonds were July 27, 2018. An overview of the terms and conditions are as follows;

	1 st Domestic Corporate Straight Bonds (3 years SB) (with inter-bond pari passu clause)	2 nd Domestic Corporate Straight Bonds (5 years SB) (with inter-bond pari passu clause)
1. Total Issue Amount	5 billion yen	
2. Issue Price	100% of the denomination of each bond	
3. Coupon Rate	0.27% (per annum)	0.45% (per annum)
4. Maturity Date	July 27, 2021	July 27, 2023
5. Use of Proceeds	Repayment of current borrowings (Early redemption)	