

February 1, 2018

Financial Highlights for the Third Quarter Ending March 31, 2018

<Outline of consolidated results for 3rd quarter>

- Incentive and Healthcare performed mostly as estimated.
- The momentum of introduction of welfare program increased reflecting socio-economic trends such as work style reforms and equal pay for equal work.
- In the Personal business, although the new collaboration started, the recovery time of the number of personal memberships will be postponed to the fourth quarter.
- Individual profitability of each major business was maintained or improved.
Consolidated gross profit margin declined as a result of a change in sales mix.
- Expenses increased temporarily due to the relocation of the headquarters office in October, but it fell within the plan.
- As a result, ordinary income was 4,318 million yen (+4.0% YoY).
Forecasts for the full term are left unchanged from the initial plan.

1. Consolidated financial results for the cumulative third quarter (from April 1, 2017 to December 31, 2017)

(in million yen)	Previous term		Actual		Year-on-year		Full-term plan	
	Amount	Ratio to sales	Amount	Ratio to sales	Change	(%)	Amount	Progress rate
Sales	21,647	—	23,957	—	+2,310	+10.7%	35,000	68.5%
Cost of sales	12,821	59.2%	14,765	61.6%	+1,944	+15.2%	—	—
Gross margin	8,826	40.8%	9,192	38.4%	+365	+4.1%	—	—
SG&A	4,627	21.4%	4,900	20.5%	+273	+5.9%	—	—
Operating income	4,198	19.4%	4,291	17.9%	+92	+2.2%	7,000	61.3%
Ordinary income	4,150	19.2%	4,318	18.0%	+167	+4.0%	6,950	62.1%
Income attributable to owners of parent	2,804	13.0%	2,874	12.0%	+69	+2.5%	4,600	62.5%

2. Results in each major business (from April 1, 2017 to December 31, 2017)

(in million yen)	Sales	Year-on-year		Operating income	Year-on-year		Factors for changes
		Change	%		Change	%	
Welfare Program	11,138	+462	+4.3%	3,866	+29	+0.7%	Number of members steadily increased.
Personal	2,780	▲386	▲12.2%				The start-up of new collaborator was delayed
CRM	405	+8	+1.9%				Results remained at the same level as the previous term.
Incentive	3,095	+477	+18.2%	547	+163	+42.4%	Use expanded primarily among existing clients.
Healthcare	5,392	+1,919	+55.3%	272	+106	+64.3%	Revenue improved as the proportion of health guidance increased in the second half.
Others	1,147	▲170	—	▲394	▲206	—	▲140 by the relocation of the headquarters office
Total	23,957	+2,310	+10.7%	4,291	+92	+2.2%	

3. Quarterly trends and results of each major business

(in million yen)	FY03/16				FY03/17				FY03/18		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Welfare Program	3,415	3,493	3,468	3,543	3,491	3,622	3,563	3,631	3,680	3,747	3,710
Personal	723	833	967	1,012	1,050	1,071	1,044	1,000	976	923	880
CRM	122	127	119	158	130	136	132	181	126	148	131
Incentive	677	452	555	757	1,114	709	796	1,118	1,301	885	909
Healthcare	757	701	1,069	1,731	1,260	956	1,257	1,506	1,172	2,302	1,919
Others	277	376	458	262	335	477	503	394	392	341	415
Sales	5,971	5,982	6,636	7,463	7,380	6,971	7,295	7,830	7,647	8,345	7,964
Gross margin	2,346	2,218	2,736	2,939	2,793	2,858	3,175	3,200	2,934	2,952	3,305
<i>Gross margin ratio (%)</i>	39.3%	37.1%	41.2%	39.4%	37.8%	41.0%	43.5%	40.9%	38.4%	35.4%	41.5%
SG&A	1,687	1,356	1,336	1,504	1,638	1,489	1,499	1,547	1,736	1,619	1,544
Welfare Program + Personal + CRM	632	904	1,412	1,332	991	1,312	1,535	1,453	1,020	1,208	1,616
Incentive	120	50	62	101	185	88	111	171	278	127	143
Healthcare	▲ 32	▲ 38	▲ 29	66	38	22	106	127	▲ 10	120	163
Others	▲ 61	▲ 54	▲ 46	▲ 65	▲ 60	▲ 54	▲ 77	▲ 98	▲ 90	▲ 123	▲ 162
(include relocation of the headquarters office)	-	-	-	-	-	-	-	-	(▲21)	(▲43)	(▲76)
Operating income	659	862	1,399	1,434	1,154	1,368	1,675	1,653	1,198	1,332	1,760
<i>Operating income ratio (%)</i>	11.0%	14.4%	21.1%	19.2%	15.6%	19.6%	23.0%	21.1%	15.7%	16.0%	22.1%
Ordinary income	638	831	1,415	1,428	1,153	1,350	1,646	1,576	1,192	1,340	1,784
<i>Ordinary income ratio (%)</i>	10.7%	13.9%	21.3%	19.1%	15.6%	19.4%	22.6%	20.1%	15.6%	16.1%	22.4%
Income attributable to owners of parent	414	530	920	871	758	926	1,119	1,051	767	894	1,212
<i>Net income ratio (%)</i>	6.9%	8.9%	13.9%	11.7%	10.3%	13.3%	15.3%	13.4%	10.0%	10.7%	15.2%

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In addition, this material is prepared based on data as of the end of December 2017. All descriptions and forecasts contained herein stem from the Company's judgments made at the time of preparing this material, and no guarantees or promises are provided concerning the accuracy or completeness of such information. The descriptions and forecasts are subject to change without prior notice.

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