

M3, Inc.

Presentation Material

July 2019





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M3, Inc.

FY2019 Q1 Consolidated Results

IFRS

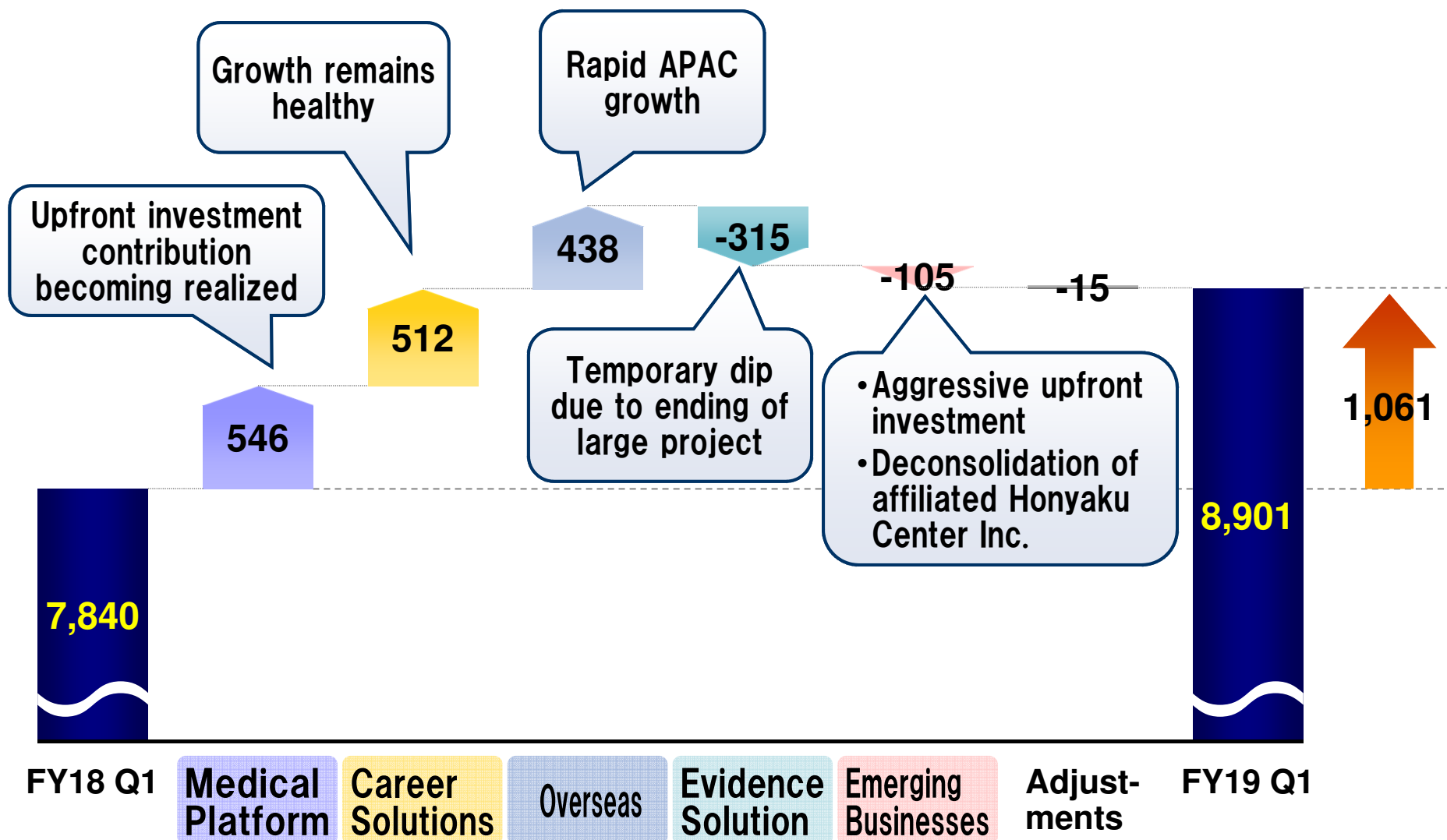
(million yen)	FY2018 Q1	FY2019 Q1	YoY
Sales	26,898	30,766	+14%
Operating Profit	7,840	8,901	+14%
Pre-tax Profit	7,879	8,917	+13%
Net Profit	5,398	5,982	+11%

FY2019 Q1 Consolidated Results by Segment

(million yen)			FY2018 Q1	FY2019 Q1	YoY
Domestic	Medical Platform	Sales	8,788	10,333	+18%
		Profit	3,097	3,643	+18%
	Evidence Solution	Sales	5,387	5,254	-3%
		Profit	1,292	977	-24%
	Career Solution	Sales	4,765	5,545	+16%
		Profit	2,135	2,647	+24%
	Other Emerging Businesses	Sales	2,655	3,425	+29%
		Profit	283	177	-37%
	Overseas	Sales	5,996	6,940	+16%
		Profit	844	1,282	+52%

Consolidated Operating Profit Change Analysis

Unit: million yen



FY2019 Q1 Overview

Medical Platform

- Aggressive upfront investments beginning to contribute. Marketing service orders grew 40% yoy in Q1, with newly consolidated Altmarc also contributing
- Upfront investment in Y's impacted profits negatively by 90 million yen; profit growth would otherwise have been 21% yoy

Evidence Solution

- Temporary dip due to ending of large scale PV projects
- Orders backlog steady at 24 bn yen

Career Solution

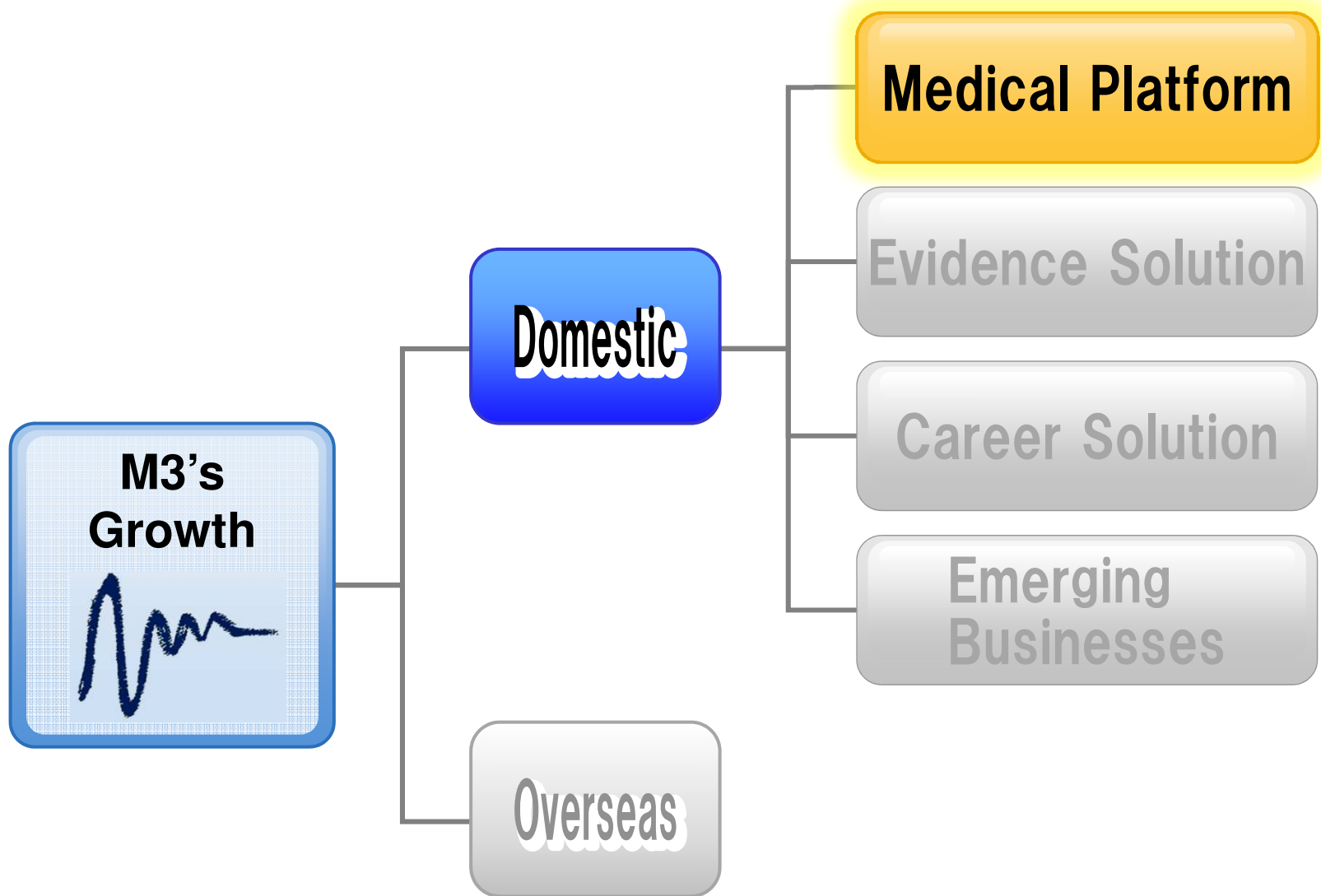
- Both physician and pharmacist inflow remains robust, with sales at 5.5 bn yen (+16% yoy) and operating profit at 2.6 bn yen (+24% yoy)

Emerging Businesses

- Multiple new businesses entering growth phase, with new seed planting on track
- Deconsolidation of Honyaku Center Inc. reduced affiliate income

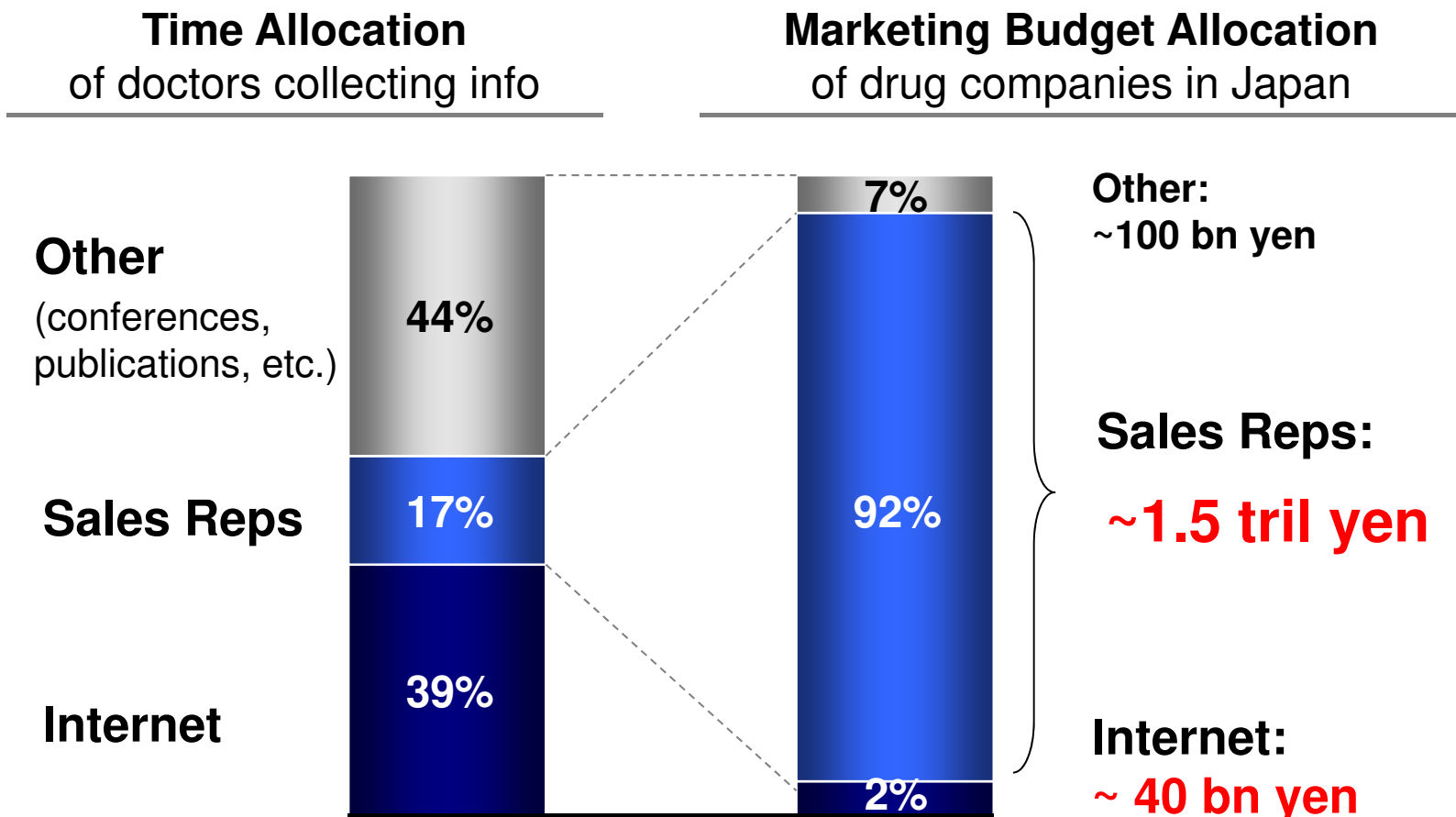
Overseas

- Business expansion acceleration in APAC countries such as China, resulting in sales of 6.9 bn yen (+16% yoy) and profit of 1.3 bn yen (+52% yoy)
- APAC business now on growth trajectory, expected to maintain course



Doctor's Time Allocation vs Pharma's Budget Allocation

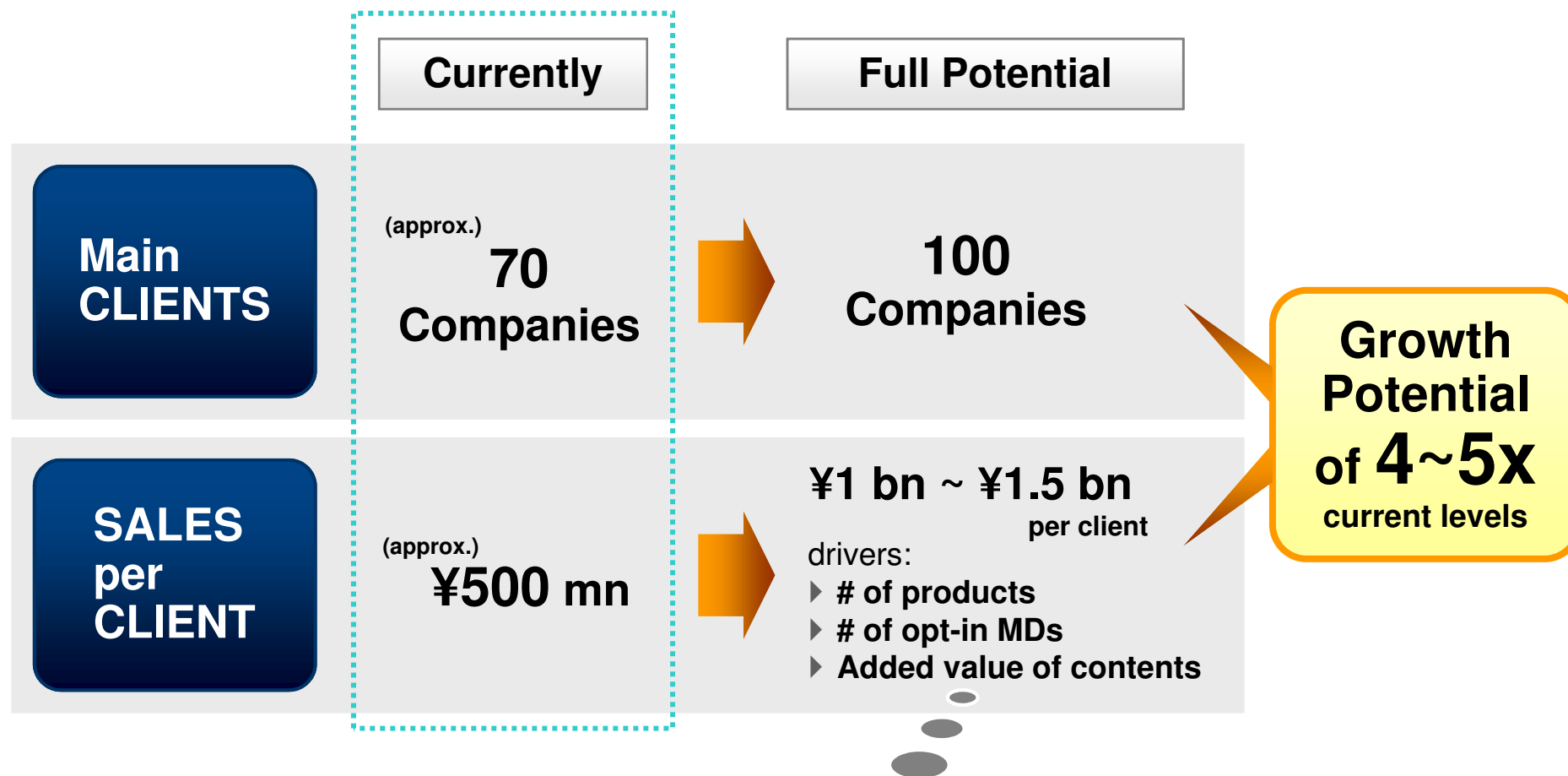
Doctors spend the most time collecting information via the Internet. However, pharmaceutical firms operating in Japan spend the majority of their marketing budget on off-line sales rep related costs.



Source: M3 research, percentages are approximate

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Medical Platform Growth Potential in Japan

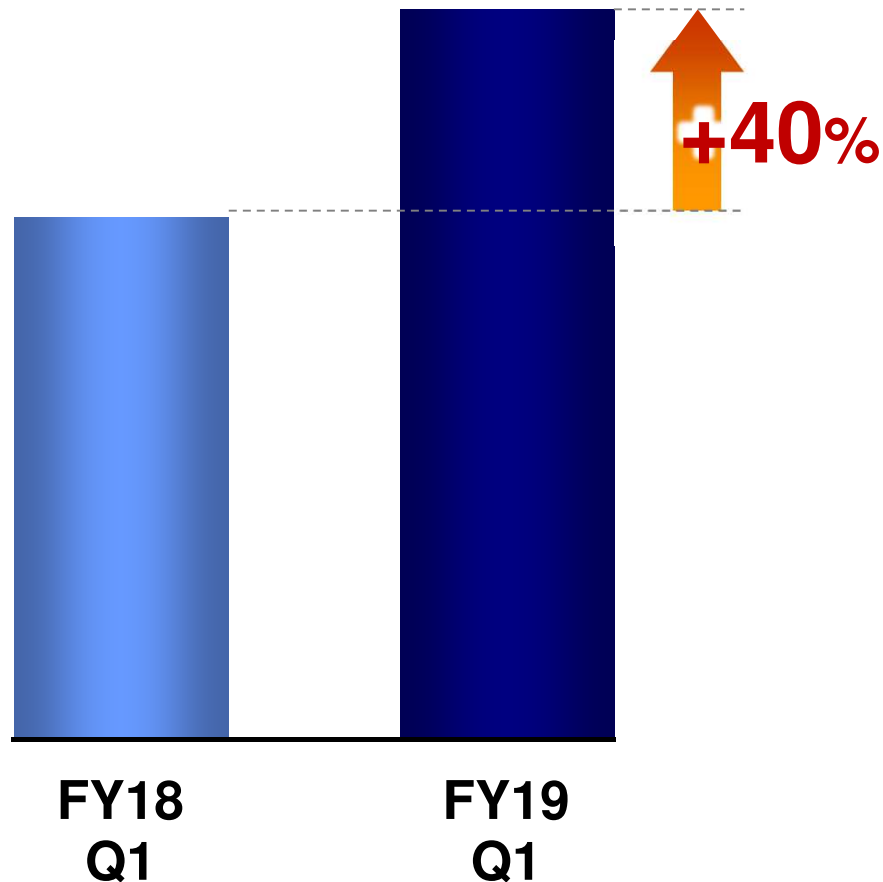


In addition to pharma companies, sales from device companies are growing

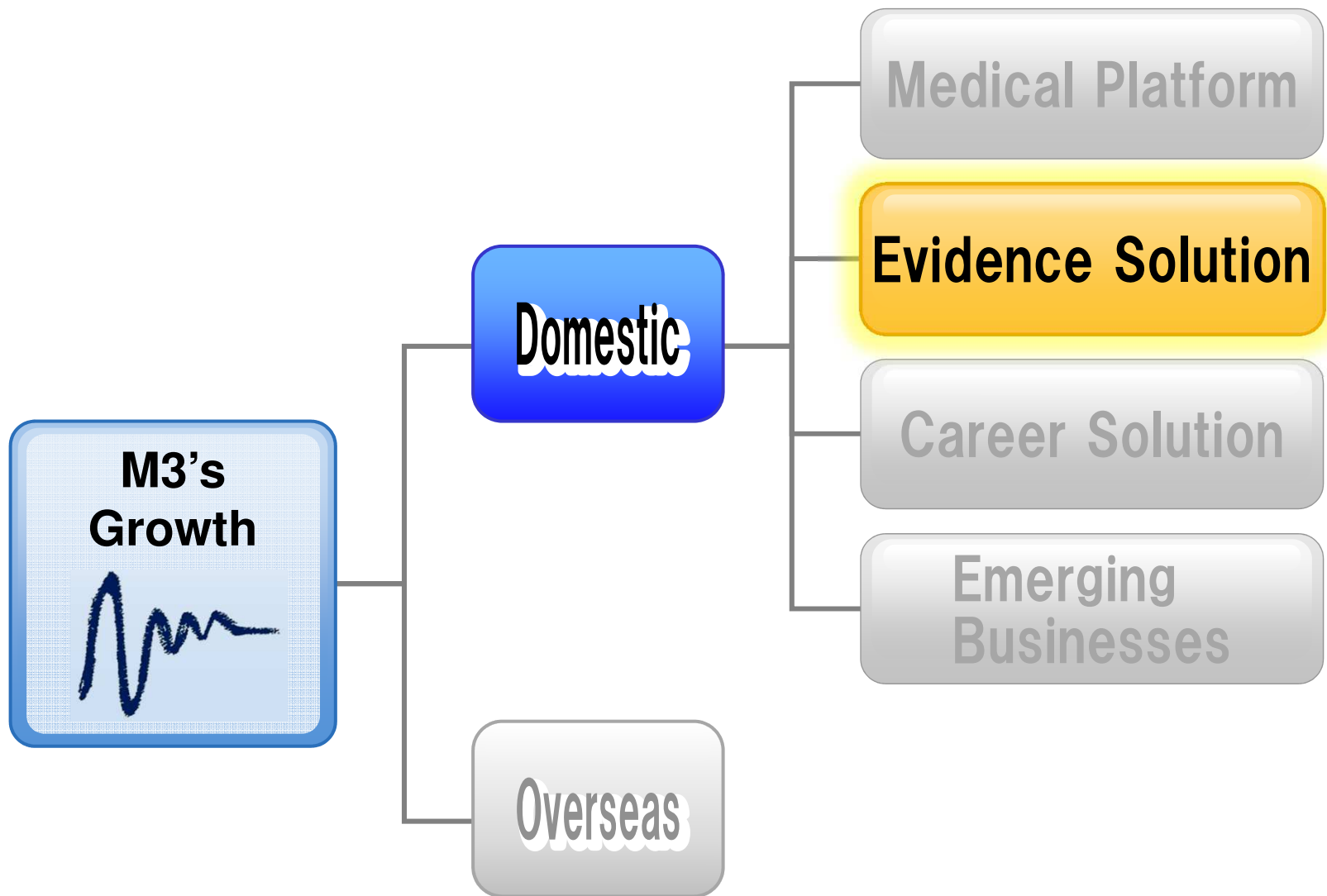
Sales from **Device Companies** grew over **2x** YoY

Recovery in Marketing Support Service Orders

Marketing Support Service Orders

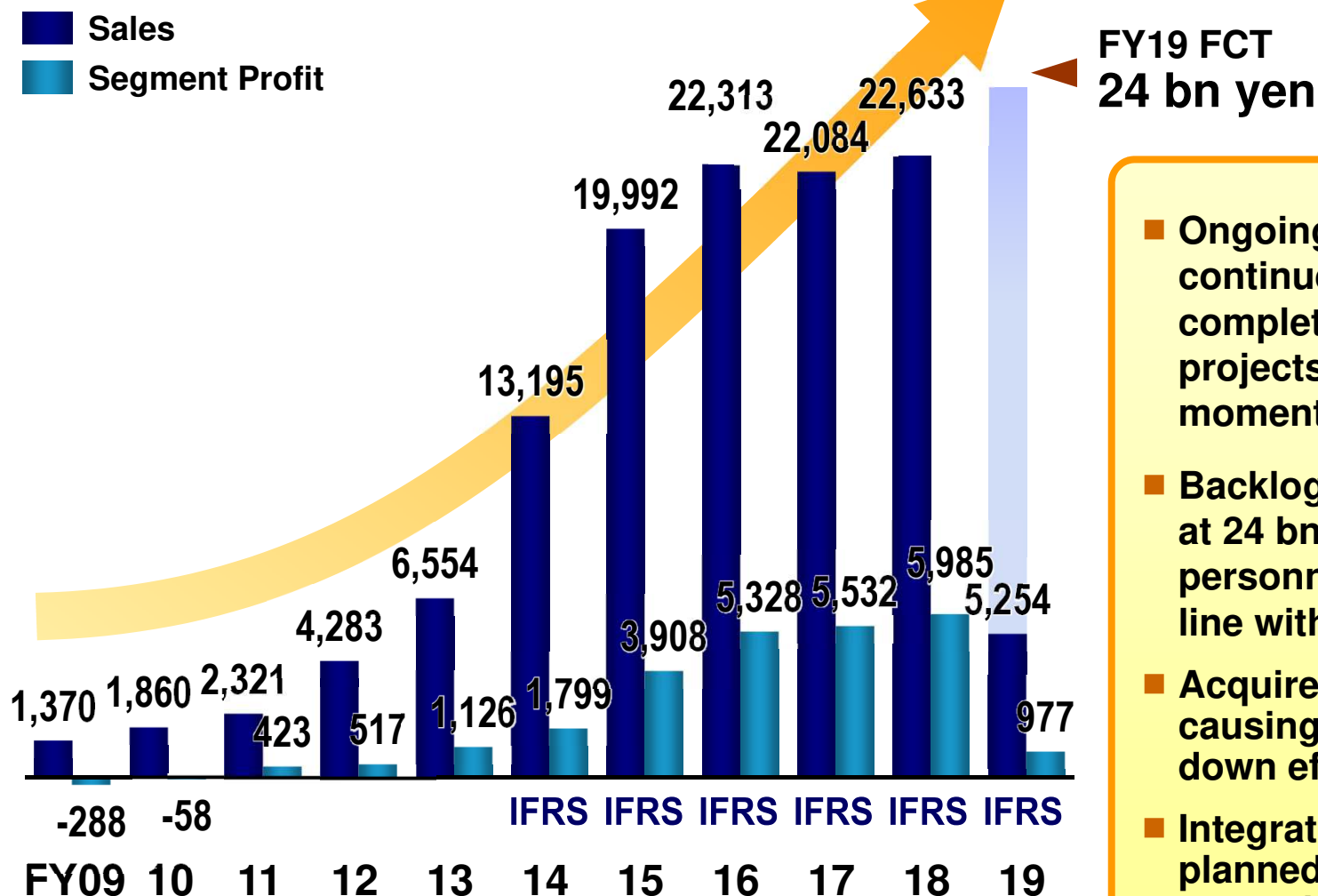


- New staff development and orders both accelerating in tandem
- Double digit sales growth expected in FY19 with expansion in both personnel and project scale



Sales and Profit Trend of Evidence Solution

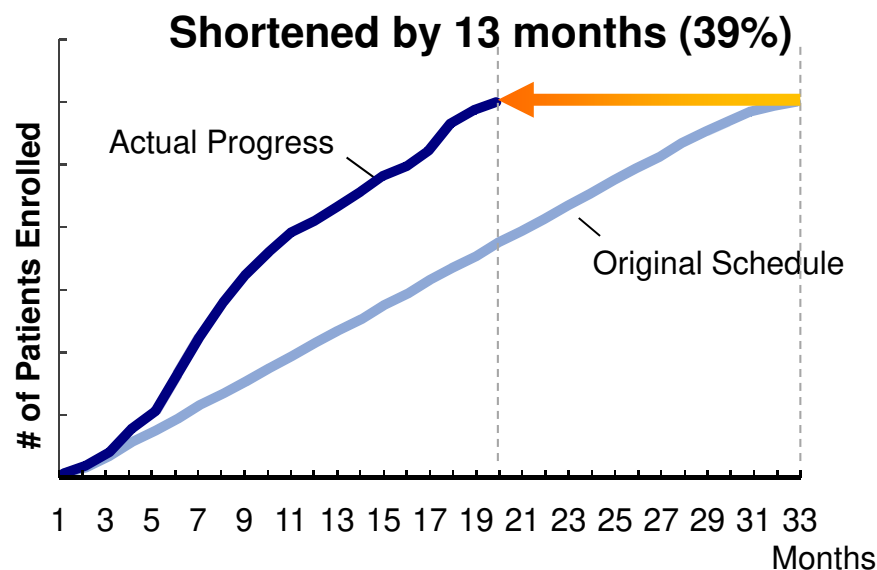
(million yen)



M3 Group: Accelerated Trial Completion

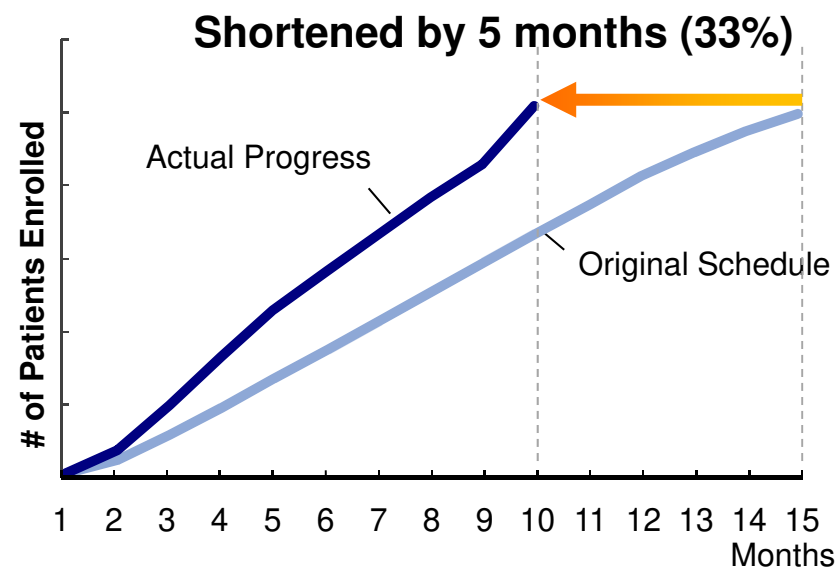
- Mr. Finder finds highly motivated doctors at sites with potential patients
- Trial process management executed in similar fashion to web based marketing (High speed PDCA, conversion management, IT tools utilization)

Global Trial: Endocrinology/ Metabolism

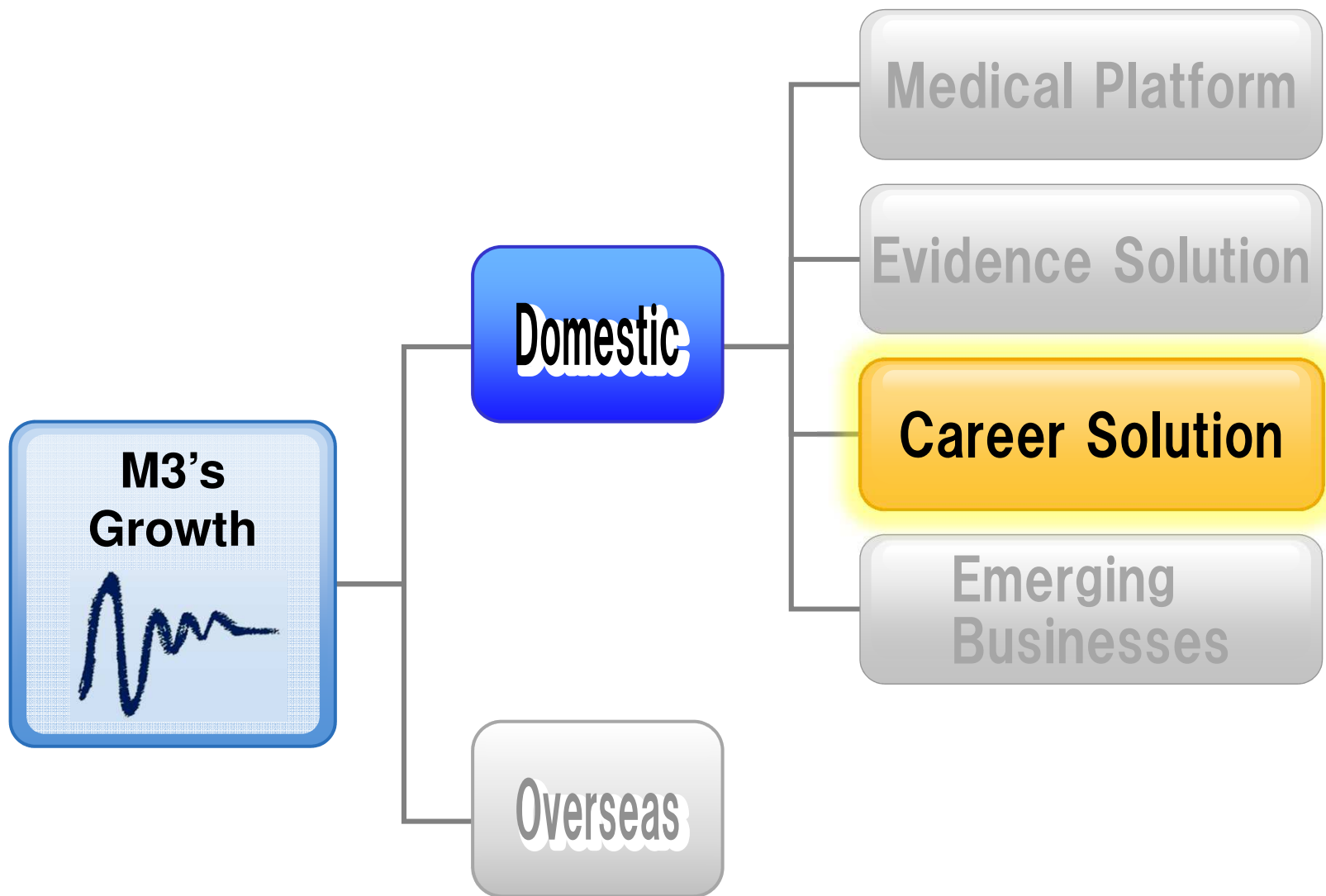


Completed patient enrollment in
20 months vs. allocated **33 months**

Domestic Trial: Endocrinology/Metabolism



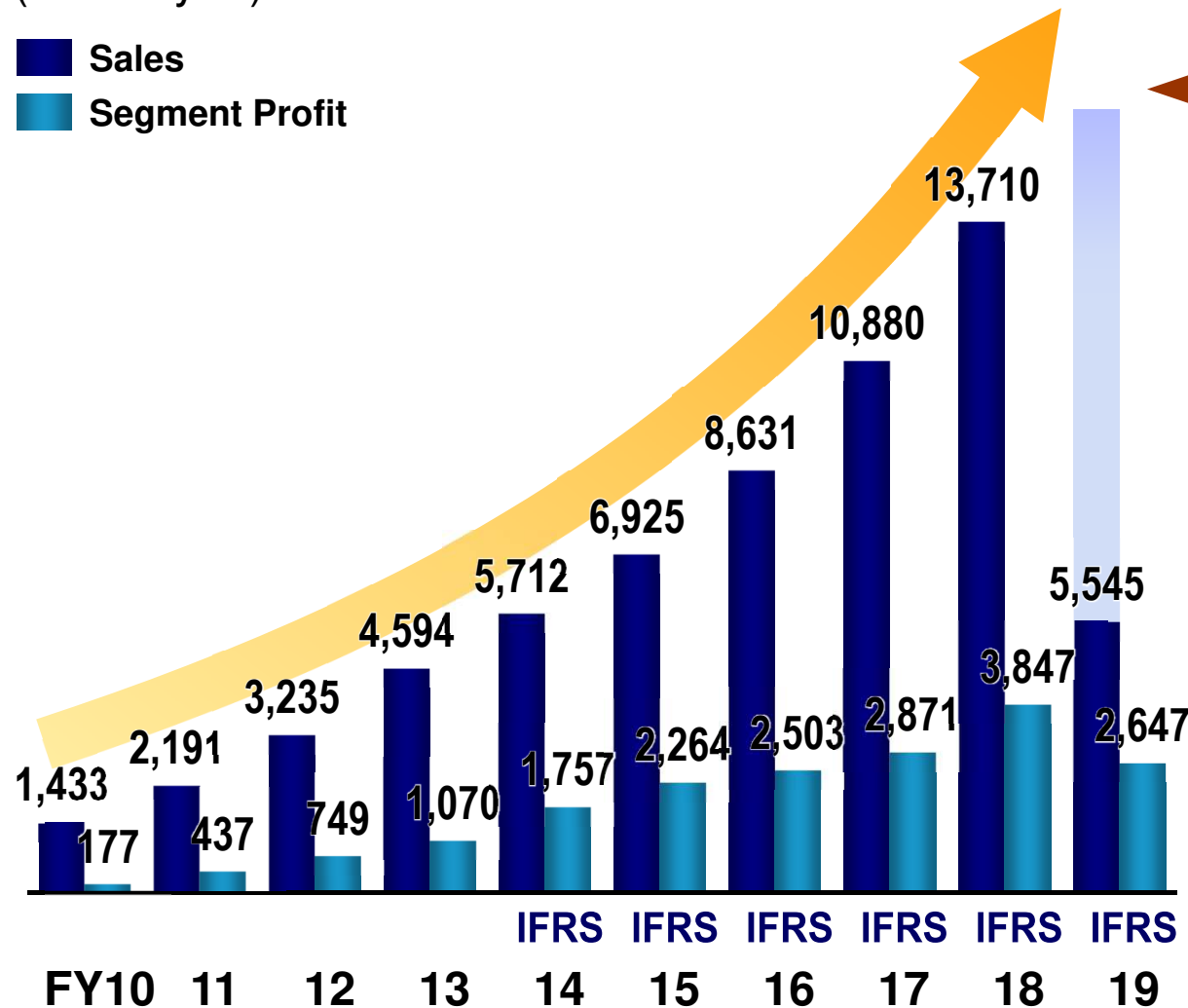
Completed patient enrollment in
10 months vs. allocated **15 months**



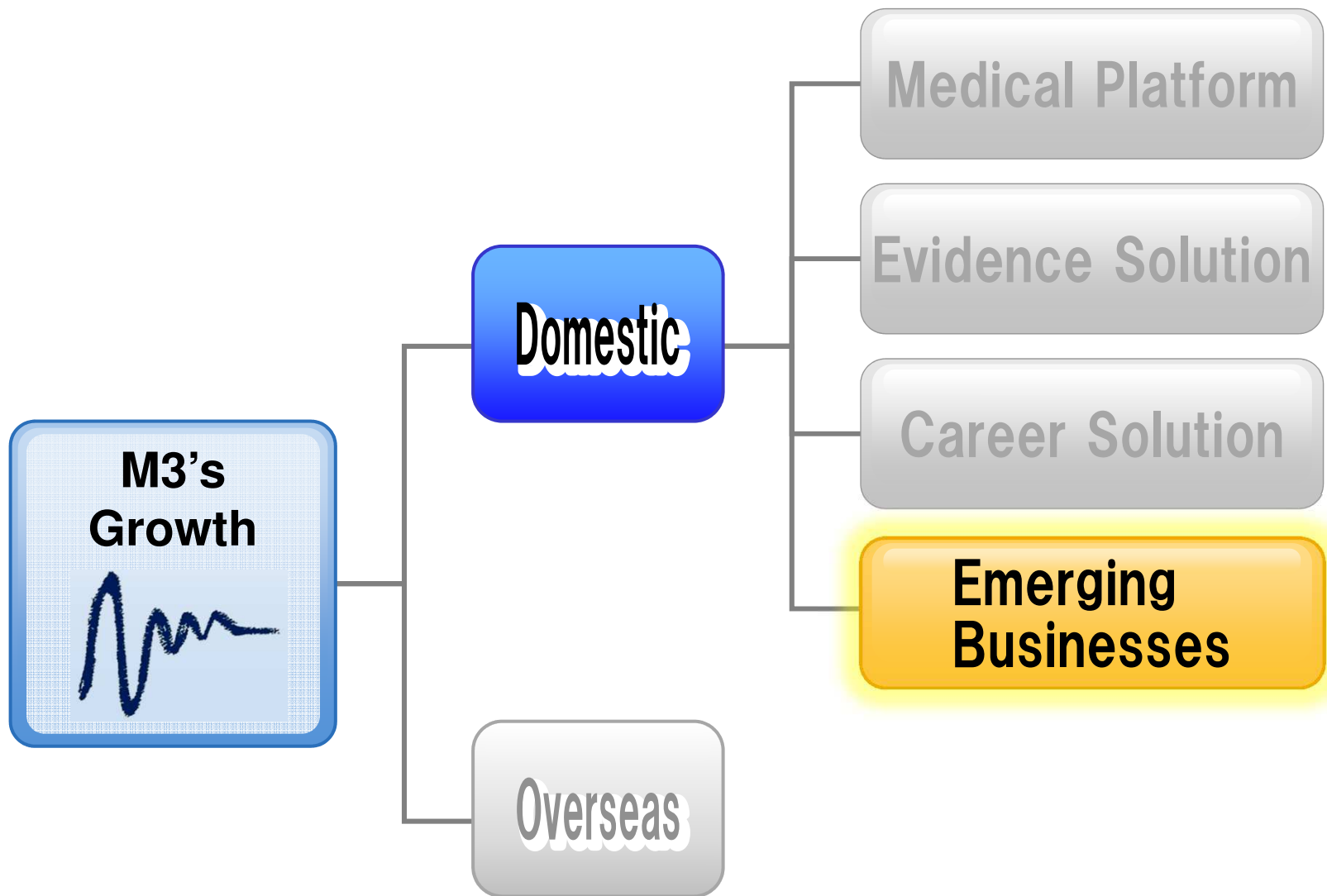
Sales and Profit Trend of Career Solutions

(million yen)

■ Sales
■ Segment Profit



- Business scope expansion from increase in staff and productivity
- Fully absorbed hiring impact, resulting in accelerated growth rate
- Upfront investment expected to continue in FY19, and may slightly dampen margins

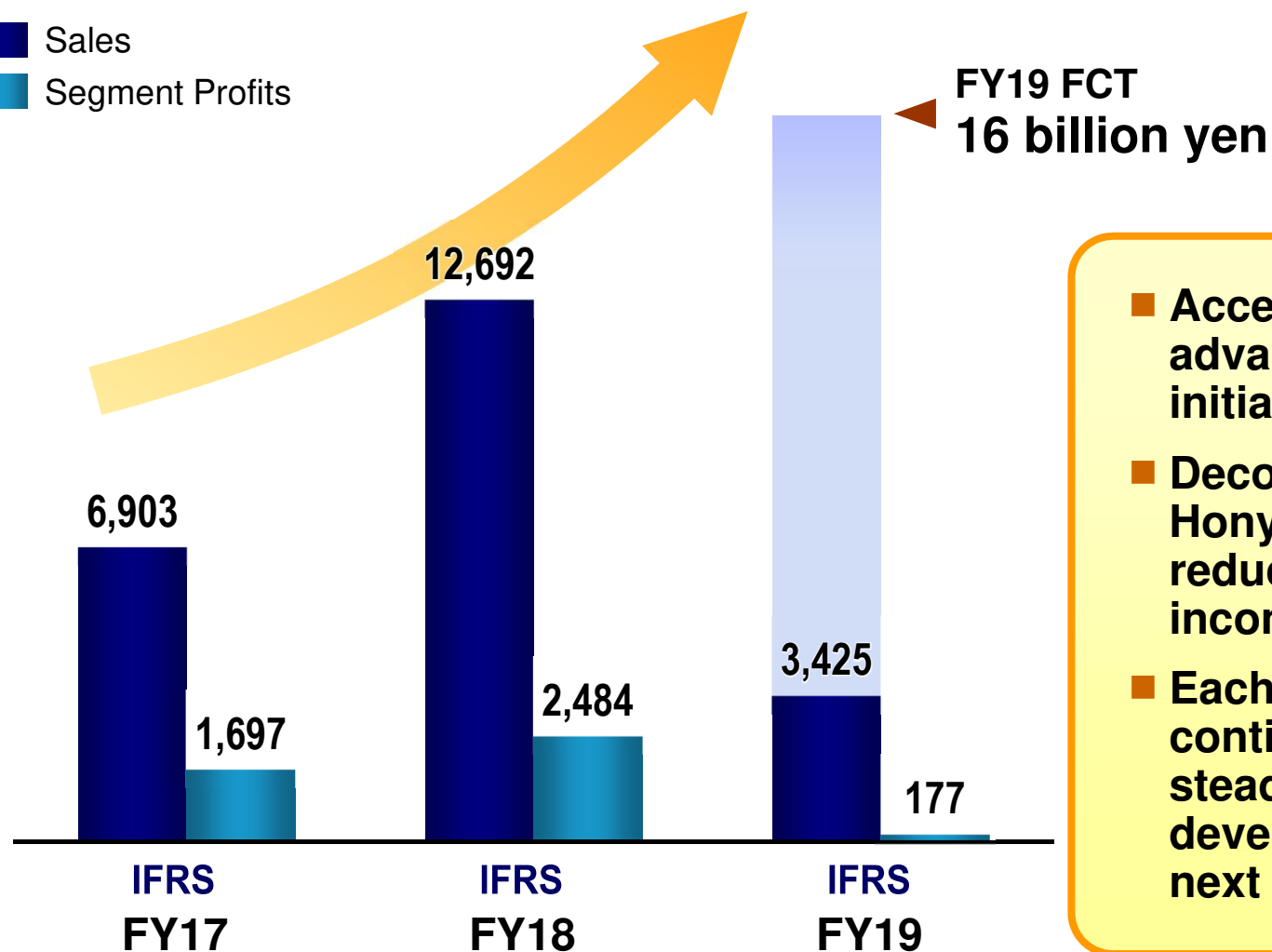


Sales and Profit Trend of Emerging Businesses

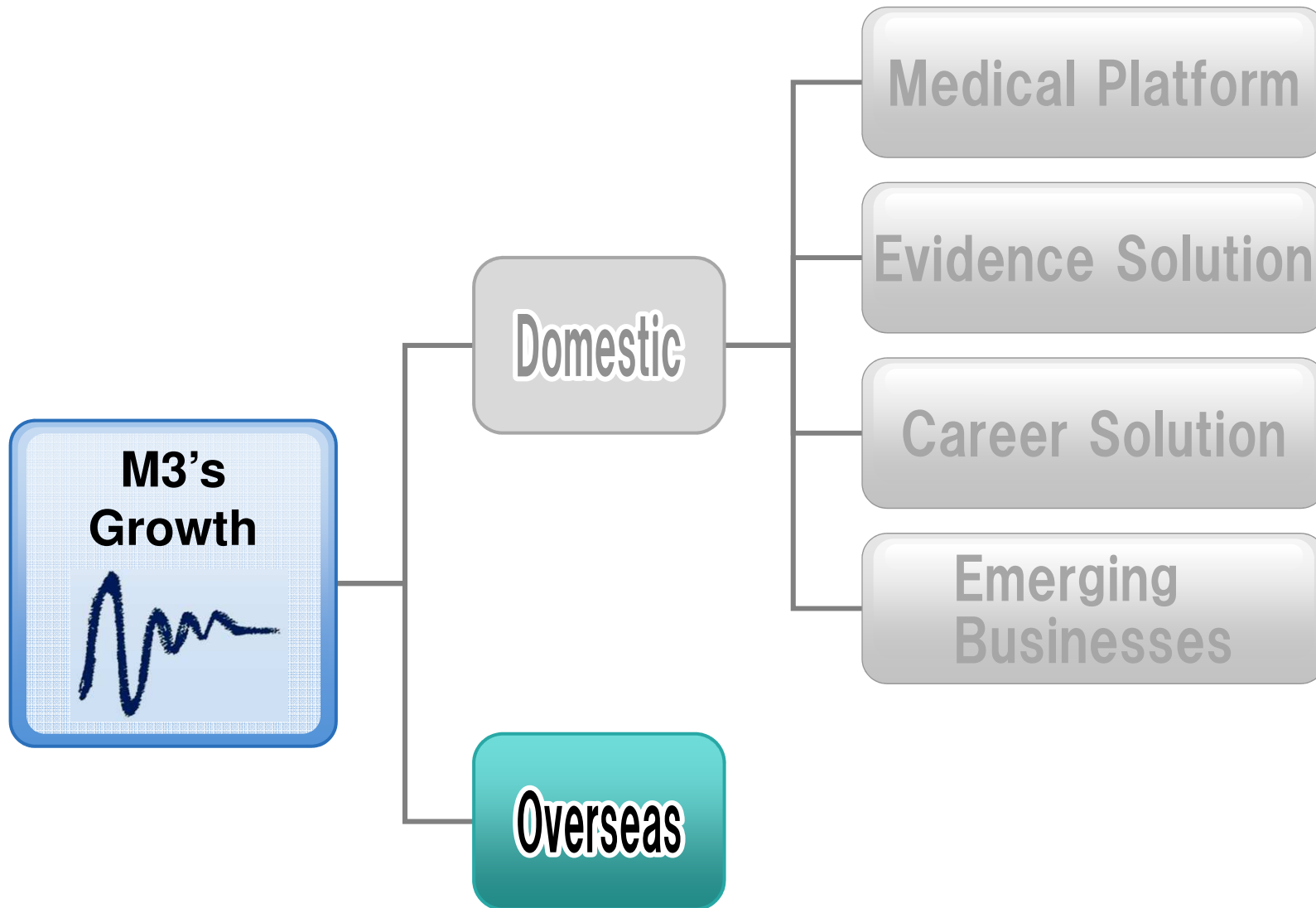
(million yen)

■ Sales

■ Segment Profits

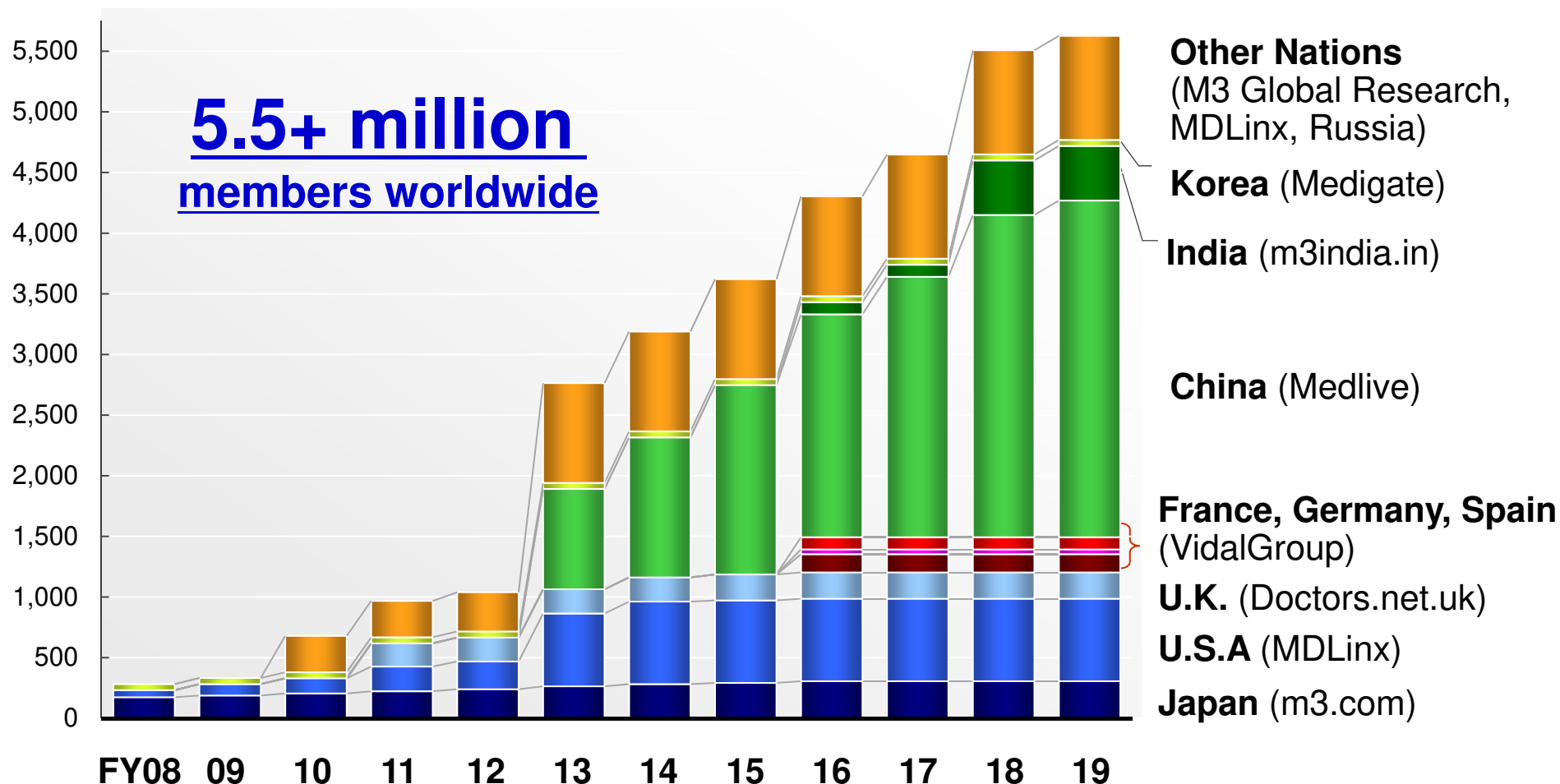


- Acceleration in advanced medicine initiatives
- Deconsolidation of Honyaku Center reduced affiliate income
- Each business continues to expand steadily, with development seen in next growth drivers



Number of Physician Members and Panelists (Global)

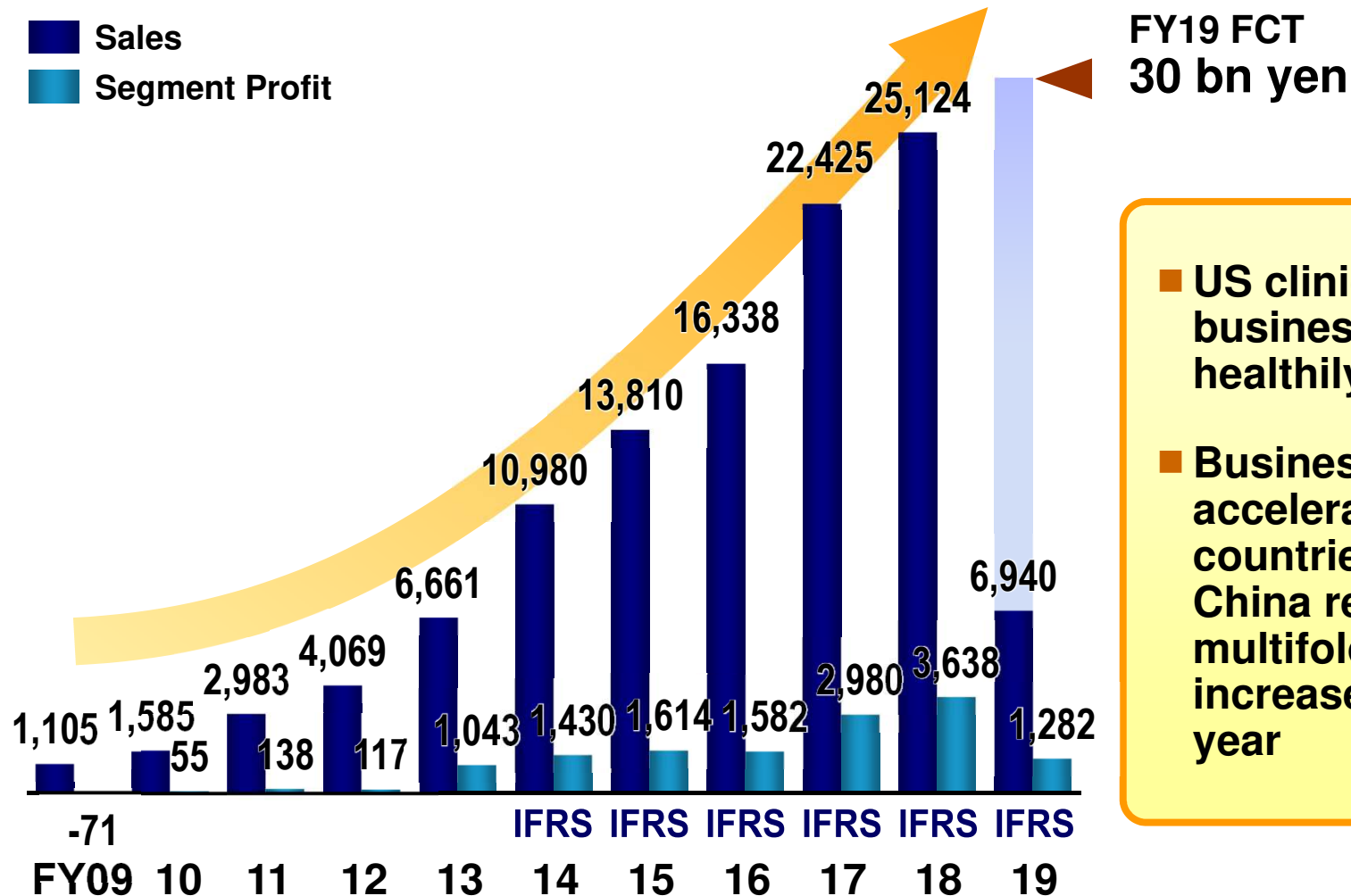
(thousand)



 **Close to 50% coverage of the total 12 million global doctors**

Sales and Profit Trend of Overseas

(million yen)

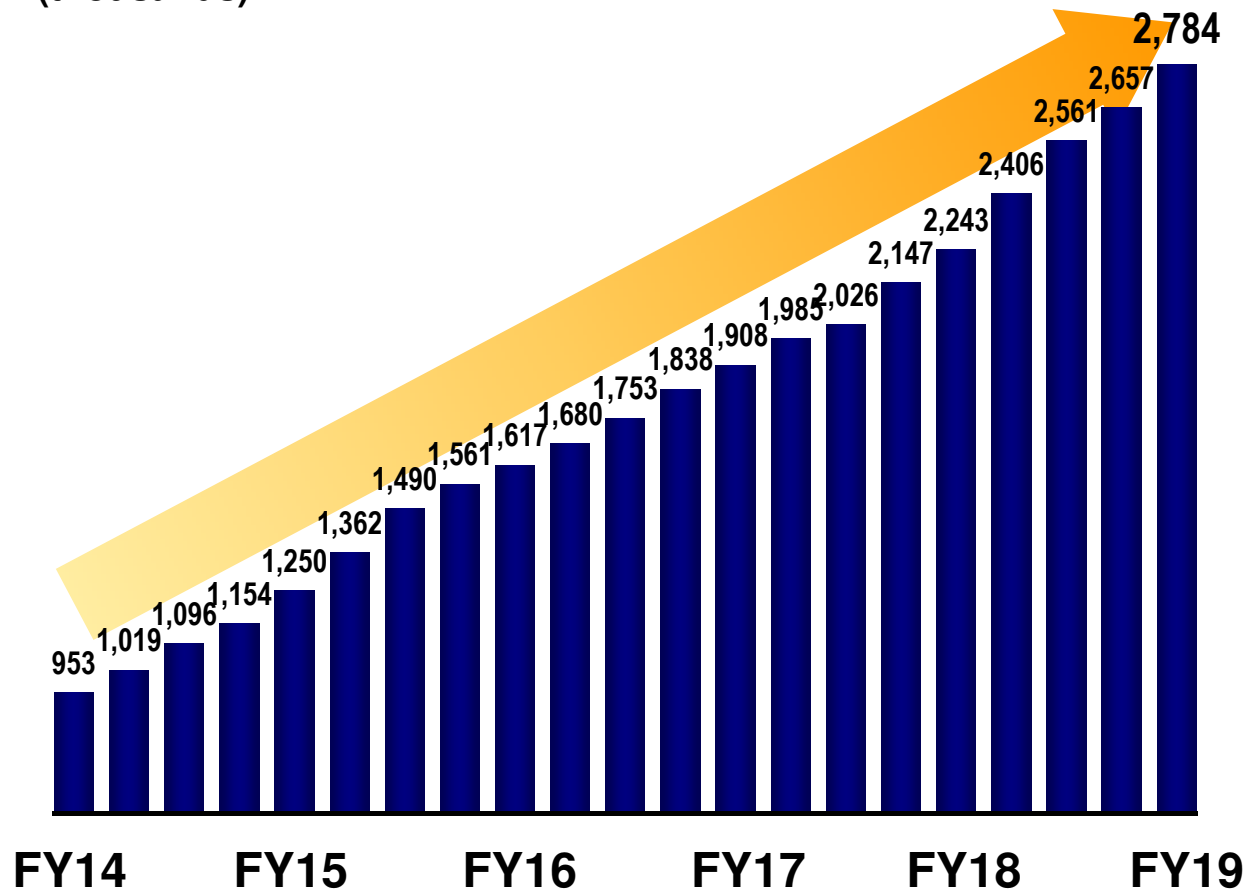


- US clinical trial business expanding healthily
- Business expansion acceleration in APAC countries such as China resulted in multifold profit increase versus last year

China: Membership Expansion

Number of Physician Members in China

(thousands)

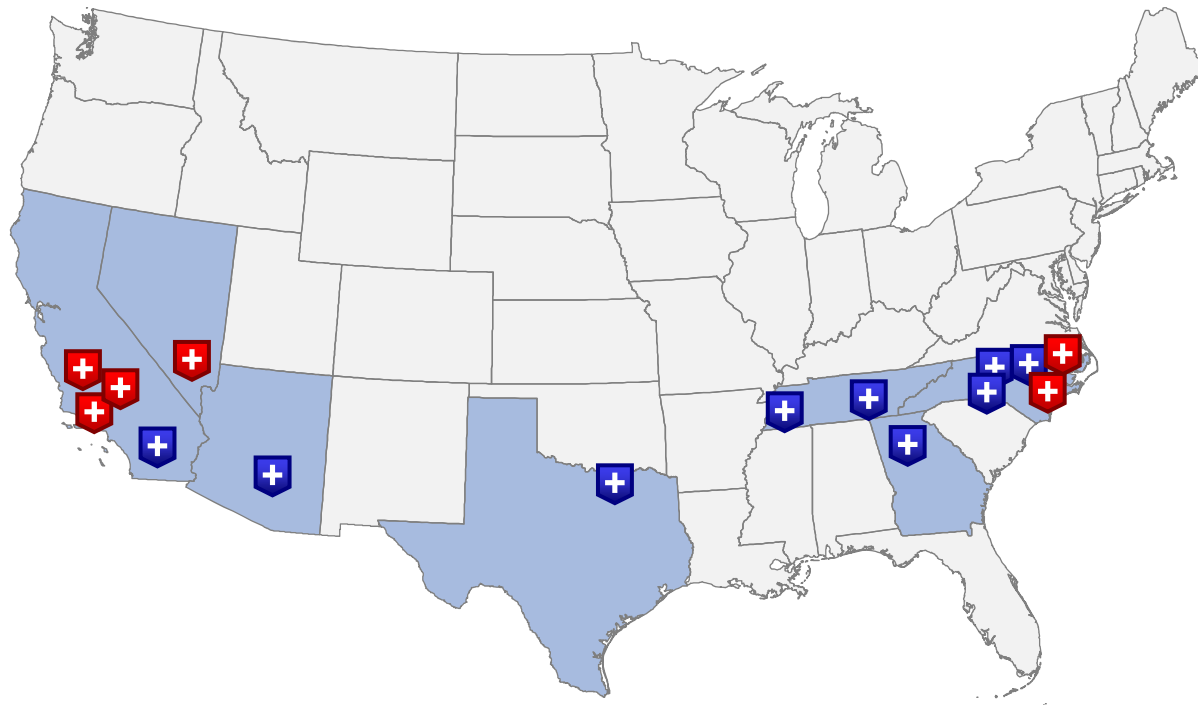


- Marketing services for drug companies starting with MR-kun, and research services showed steady growth
- MR-kun is now being utilized by 15 pharma companies across 36 drugs
- Newly approaching local clients, in addition to MNCs
- Launched career services for physicians



Topped 2.87 million physicians members, covering over 2/3 of doctors in China

US Clinical Trial Site Network Expansion



⊕ Sites from initial Wake acquisition (market entry timing)

⊕ Sites added over the past year

- Clinical trial site management market size: \$14B
- Network expansion through acquisition and JVs with hospital systems
- Expected synergies
 - Sales expansion through optimized large scale site service development
 - Patient recruitment cost efficiency

👉 **6 additional sites within the past year joined in expanding the clinical trial site network**

New Initiatives Update

Newest Initiatives Update



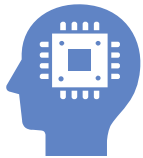
DigiKar

Continued increase in system adoptions, number of medical charts exceeded 14 million



Patient Support Program (M3PSP)

Adoptions at corporates expand, JV with DOCOMO launched



AI Business

Now cumulative 22 projects, with monetization seen across some



Rehabilitation

Acquired rehabilitation focused website, POST for business expansion power fortification

Monetization Timing

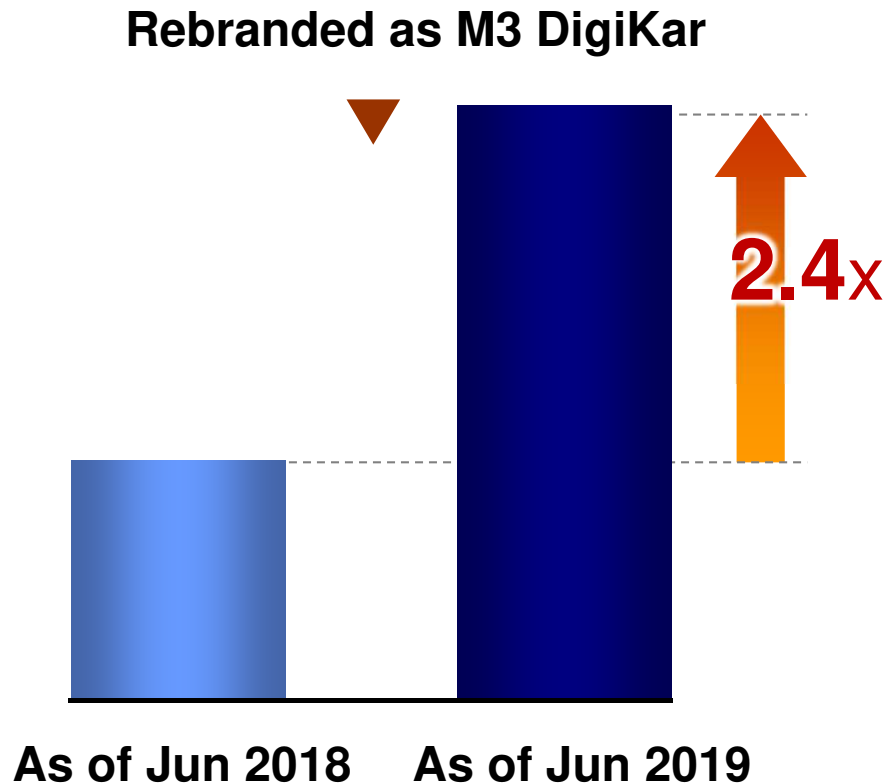
This FY

This FY
↓
Next FY

Next FY
and beyond

M3 DigiKar Acceleration

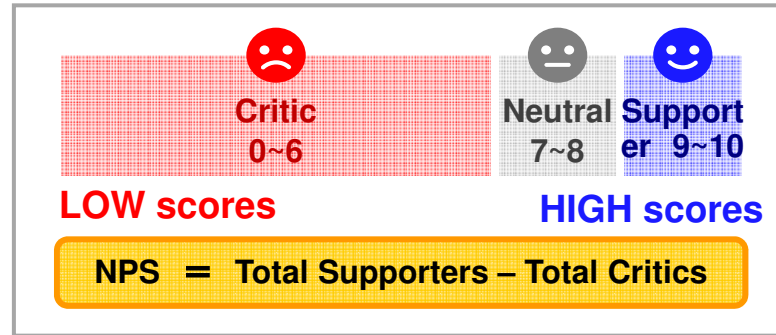
Monthly M3 DigiKar Adoptions



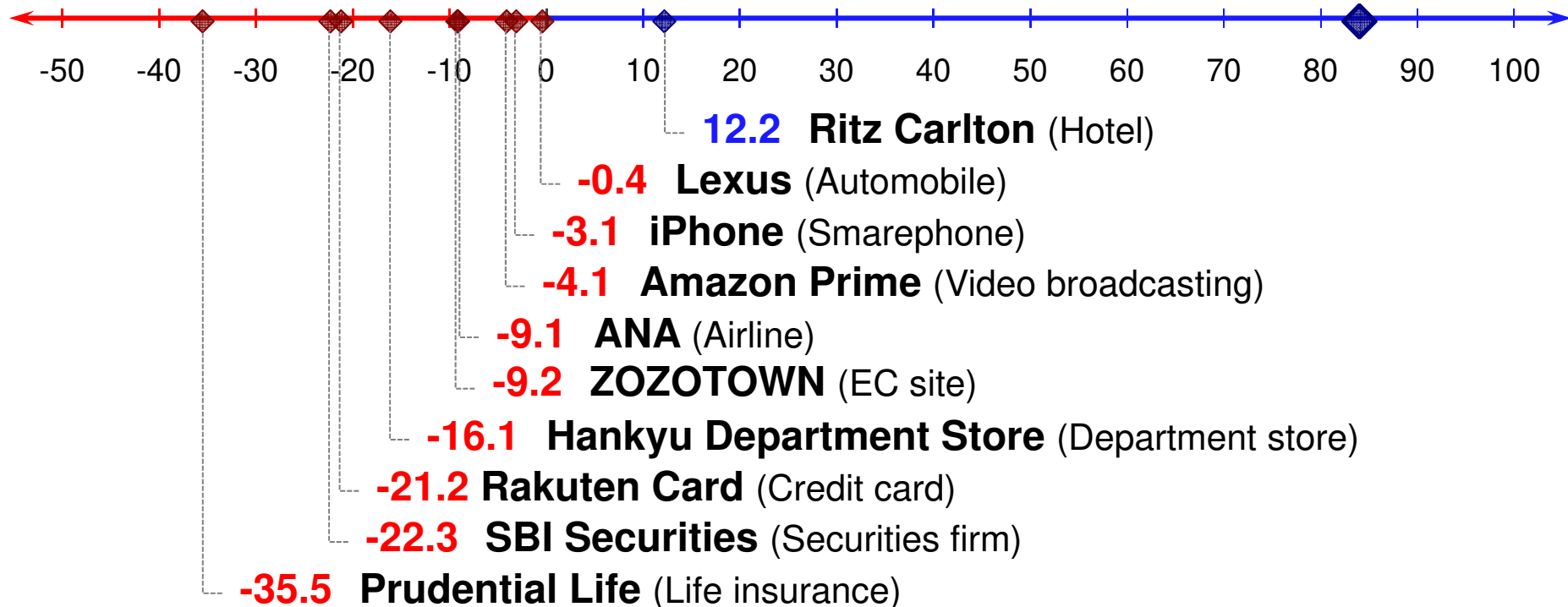
- Rebranded as “M3 DigiKar” from “DigiKar” in Nov 2018
- Monthly historical high in adoptions in March, now No.1 position in cloud EMR market
- Adoption rated expected to accelerate further

 Installations accelerated after rebranding. Number of managed medical charts has now exceeded 14 million, with over 1000 system adoption sites.

M3PSP NPS Comparison with Industry Leaders



M3PSP +84



Rapid Increase in AI Project Pipeline

red = new projects within past 6 months

			M3 Services						Expected Launch	
			Medical Data Collection	Algorithm Development	Regulatory Consult	Clinical Study & Trial	Marketing Support	Funding	FY2019	FY2020~
M3 Lead	M3	Respiratory	✓	✓	✓	✓	✓	✓	✓	
	M3	Diabetic Retino.	✓	✓	✓	✓	✓	✓	✓	
	M3	ALL	✓	✓	✓	✓	✓	✓	←	→
External Lead	Domestic	AI Venture	✓			✓				
		AI Venture	✓						✓	
		AI Venture	✓					✓		✓
		Academia		✓						✓
		AI Venture			✓		✓			✓
		Device Maker			✓					✓
		Device Maker	✓		✓	✓				✓
		AI Venture					✓		✓	
		AI Venture				✓				
		AI Venture					✓			
		Device Maker					✓			✓
		Device Mker			✓					
	Overseas	AI Venture					✓		✓	
		AI Venture		✓					✓	
		AI Venture		✓					✓	
		AI Venture		✓					✓	
	Overseas	AI Venture			✓		✓			
		AI Venture			✓					
		AI Venture								
		AI Venture	✓							

👉 22 AI development support projects. AI platform to launch within the year

Acquisition of Rehabilitation Media Site, “POST”



Name Medical Agency, Inc.
Established 2013
Location Tokyo, Japan

- Largest rehabilitation focused website in the industry with over 20,000 members



Membership

- Targeting 100,000 members through content improvement and awareness campaigns

Business

- Career placement service for rehabilitation specialists

Synergy

- Provide staffing of rehabilitation experts as Y's treatment centers increase

Business Scope Expansion and Growth Potential

	2010	2014	2018	2022
Country	: 3 →	5 (1.5x) →	10 (3x)	
Business Types	: 6 →	10 (1.5x) →	26 (4x)	Similar pace of growth expected over the next 4 years
Business Units (Type x Country)	: 10 →	18 (2x) →	41 (4x)	
Sales (bln)	: 140 →	370 (2.5x) →	945 (7x)	

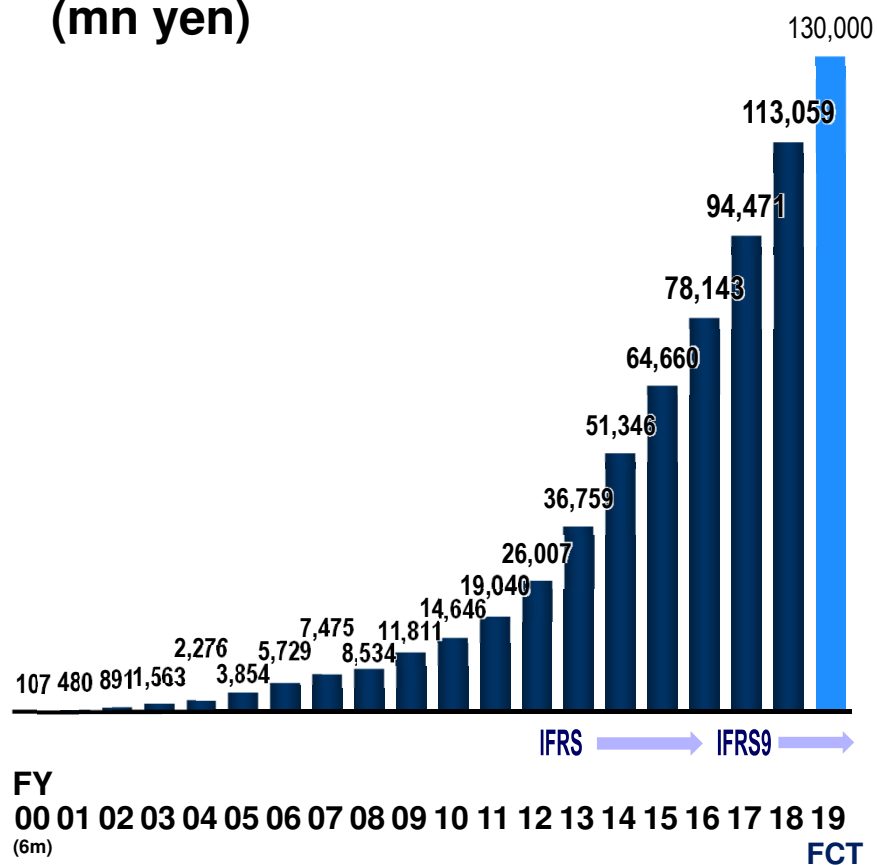


Aggressive M&A to ensue in reaching growth potentials exceeding 10~20x current levels...

Annual Results & Forecast for FY2019

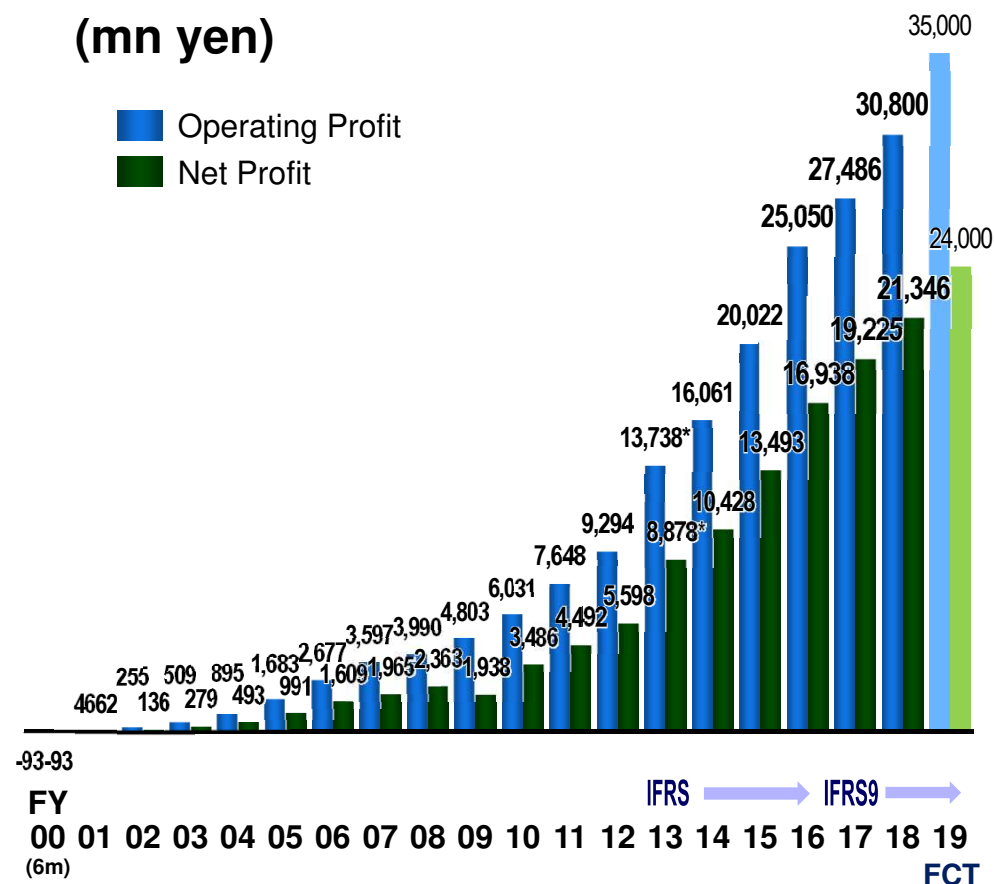
Sales

(mn yen)



Operating Profit & Net Profit

(mn yen)



* FY17 results retroactively restated according to IFRS9 (Financial Instruments)

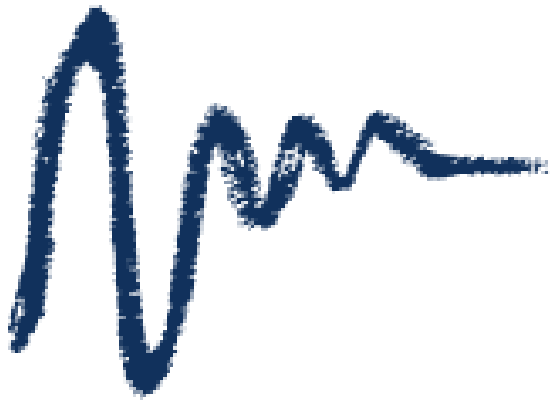
Creating New Value in Healthcare

M3

Medicine

Media

Metamorphosis



Healthcare sector is enormous...

- **Japanese national spending on medical services is approximately ¥42tn (¥70tn including peripheral businesses)**
- **Equivalent to 10% of Japanese GDP**
- **Sector controlled by only 300,000 physicians (0.2% of the national population)**

Aim to create new value

- **Provide solutions within the healthcare sector**
- **Provide new and unique business models**
- **Specialize in niches areas that provide opportunity for high value creation and high profits in order to boost enterprise value**