

M3, Inc.

Presentation Material

July 2018





The following presentation contains forecasts, future plans, management targets and other forward-looking projections relating to M3, Inc. and/or its group. These statements are drawn from assumptions of future events based on data currently available to us, and there exist possibilities that such assumptions are objectively incorrect and/or may produce differing actual results from those mentioned in the statements.

Furthermore, information and data other than those concerning the Company and its subsidiaries/affiliates are quoted from public information, and the Company has not verified and will not warrant its accuracy or dependency.

M3, Inc.

FY2018 Q1 Consolidated Results

(million yen)	FY2017 Q1	FY2018 Q1	YoY
Sales	21,874	26,898	+23%
Operating Profit	6,643	7,840	+18%
Pre-tax Profit	6,706	7,879	+18%
Net Profit	4,487	5,398	+20%

FY2018 Q1 Consolidated Results by Segment

(million yen)

(million yen)			FY2017 Q1	FY2018 Q1	YoY (cumulative)
Domestic	Medical Platform	Sales	6,968	8,788	+26%
		Profit	3,354	3,097	-8%*
	Evidence Solution	Sales	5,407	5,387	-0%
		Profit	1,183	1,292	+9%
	Career Solution	Sales	3,433	4,765	+39%
		Profit	1,447	2,135	+48%
	Other Emerging Businesses	Sales	1,355	2,655	+96%
		Profit	208	283	+36%
Overseas		Sales	5,386	5,996	+11%
		Profit	767	844	+10%

Upfront investment in sales force and new businesses such as AI

Revival of orders and profits at Neues vs. de-consolidation of IDA

Both physician and pharmacist placements healthy

Healthy expansion of future growth drivers

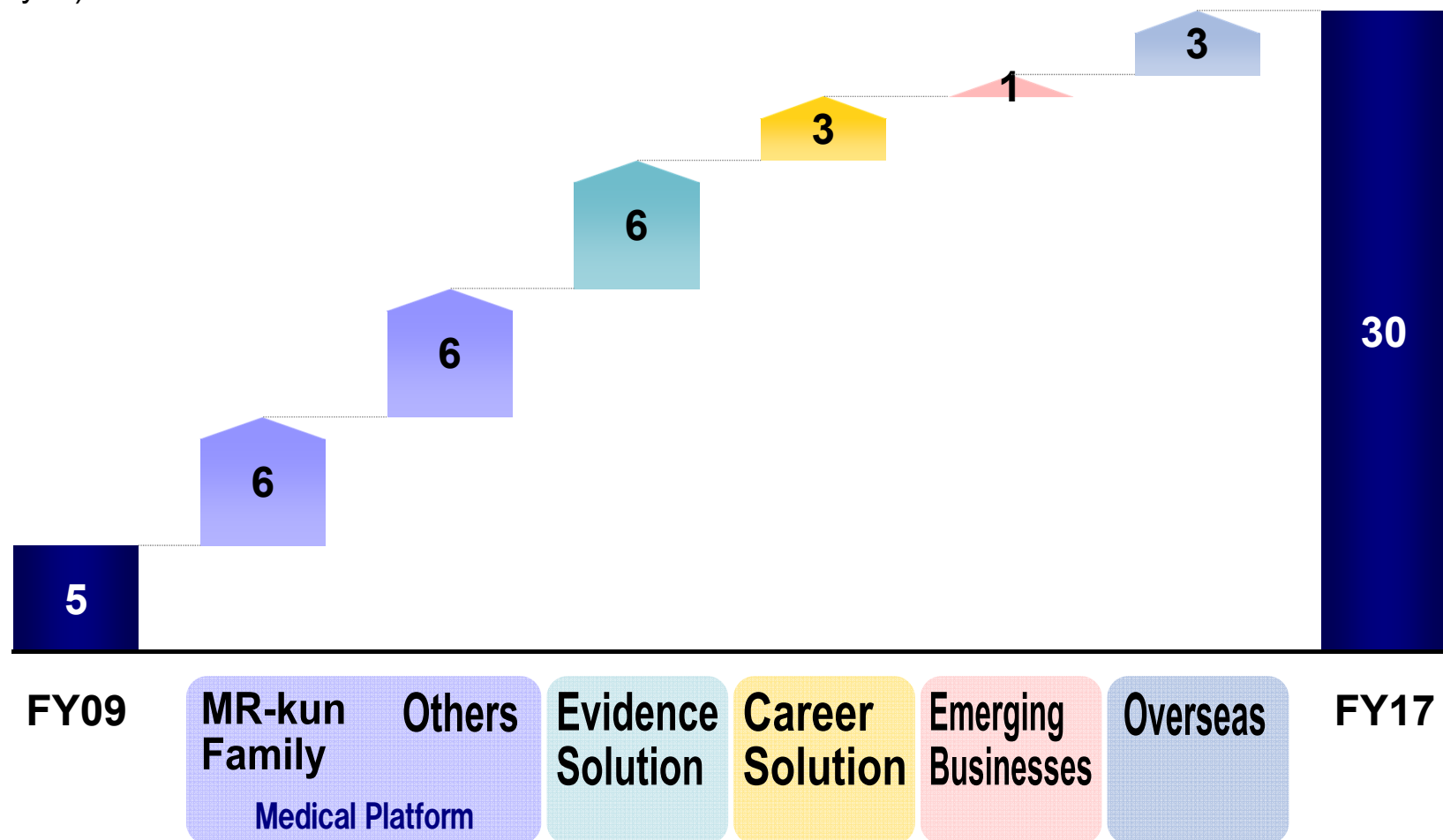
Steady expansion of sales and profit

* Newly consolidated subsidiaries contributed more to sales, upfront investment in personnel

** Due to sale of IDA, and trough in sales at SMO Neues.

Segment Contribution to Profit Growth (FY09 → FY17)

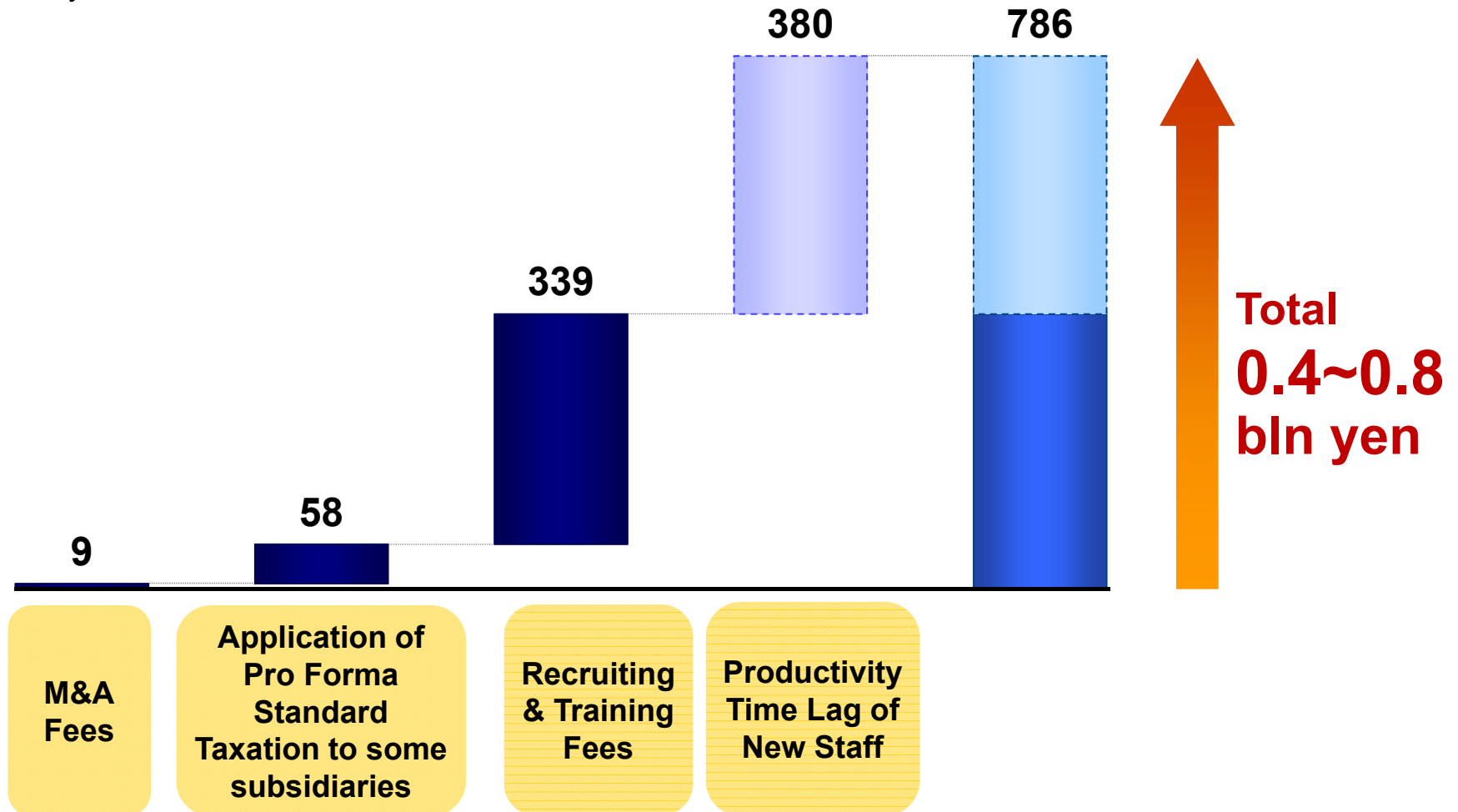
(billion yen)



 All segments are driving growth. MR-kun family growth continues, however is now only 24% of group profit

Upfront Investment Costs for Future Growth

Unit: million yen



 **Special costs incurred dampened profits by 0.4 ~ 0.8 bn yen. Aggressive upfront investment to continue.**

FY2018 Q1 Overview

Medical Platform

- Expansion of marketing support business for pharmaceutical and medical device companies drove sales higher by +26% yoy
- Precedent costs in FY18 from aggressive upfront investments (advanced medicine business such as AI, marketing team reinforcements)

Evidence Solution

- Deconsolidation of IDA kept sales at 5.4 bn yen, in line with previous year levels. Profits improved to +9% yoy
- Orders backlog remains at 27 bn yen, with op margins stable at 24%

Career Solution

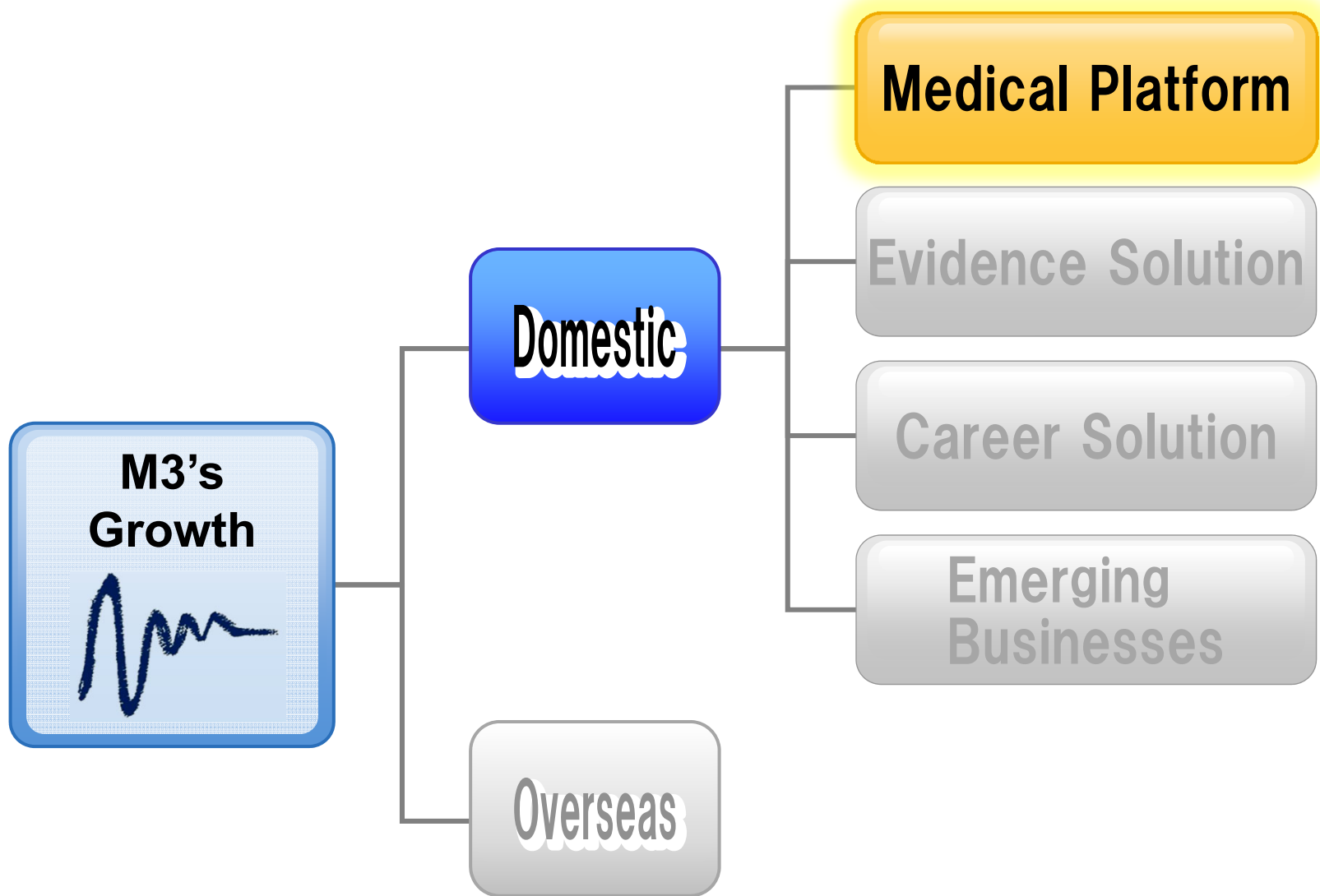
- Both physician and pharmacist inflow robust, with sales at 4.8 bn yen (+39% yoy) and op. profit at 2.1 bn yen (+48% yoy)

Emerging Businesses

- Acceleration in initiatives within the field of advanced medicine. DuraBeam™ developments proceeding as scheduled
- Next growth drivers such as home care and M3PSP continue to expand

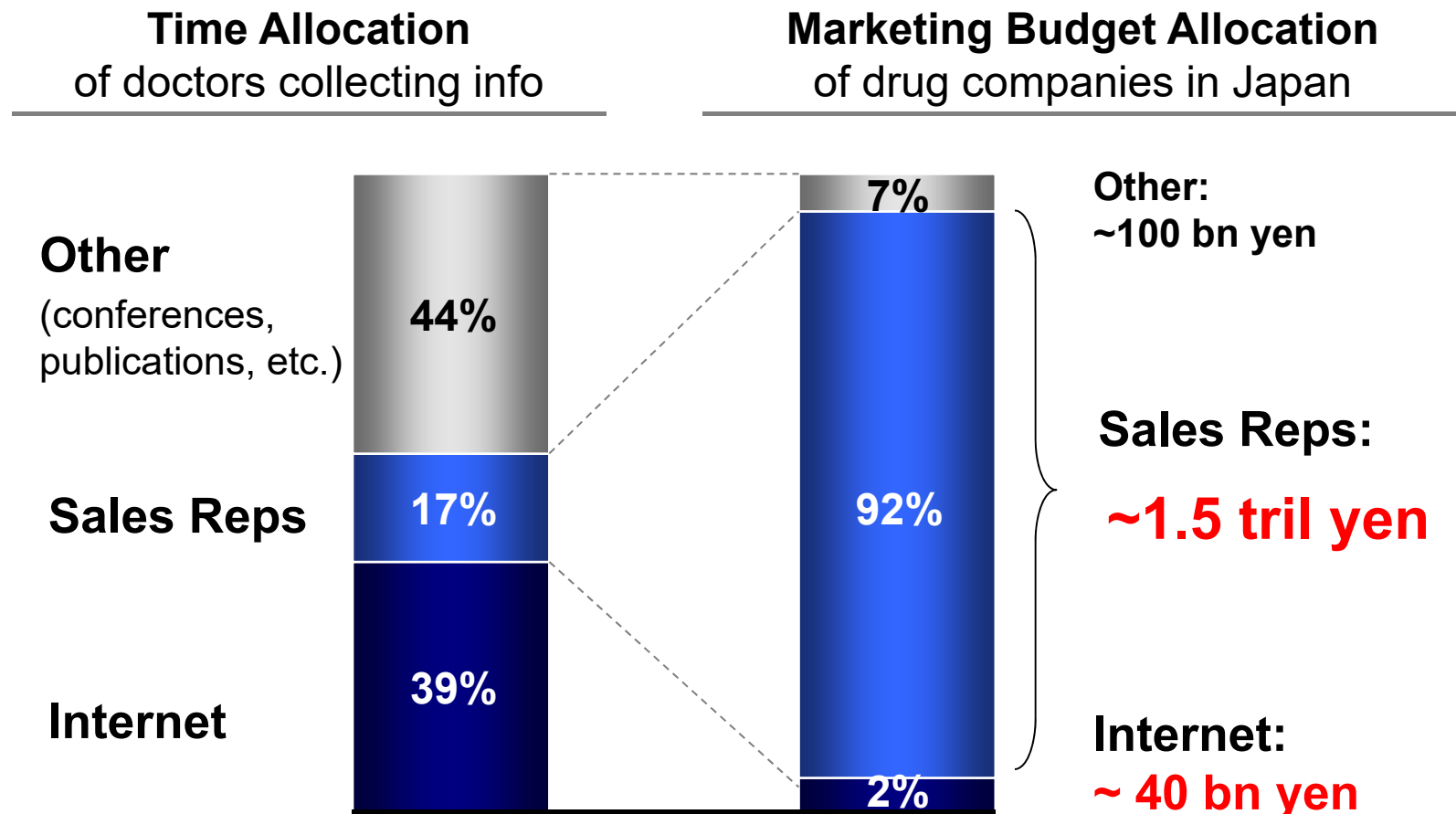
Overseas

- Continued sales and profit growth with contribution from consolidation of WAKE
- Sales: 6.0 bn yen (+11% yoy), Op. Profit: 0.8 bn yen (+10% yoy)



Doctor's Time Allocation vs Pharma's Budget Allocation

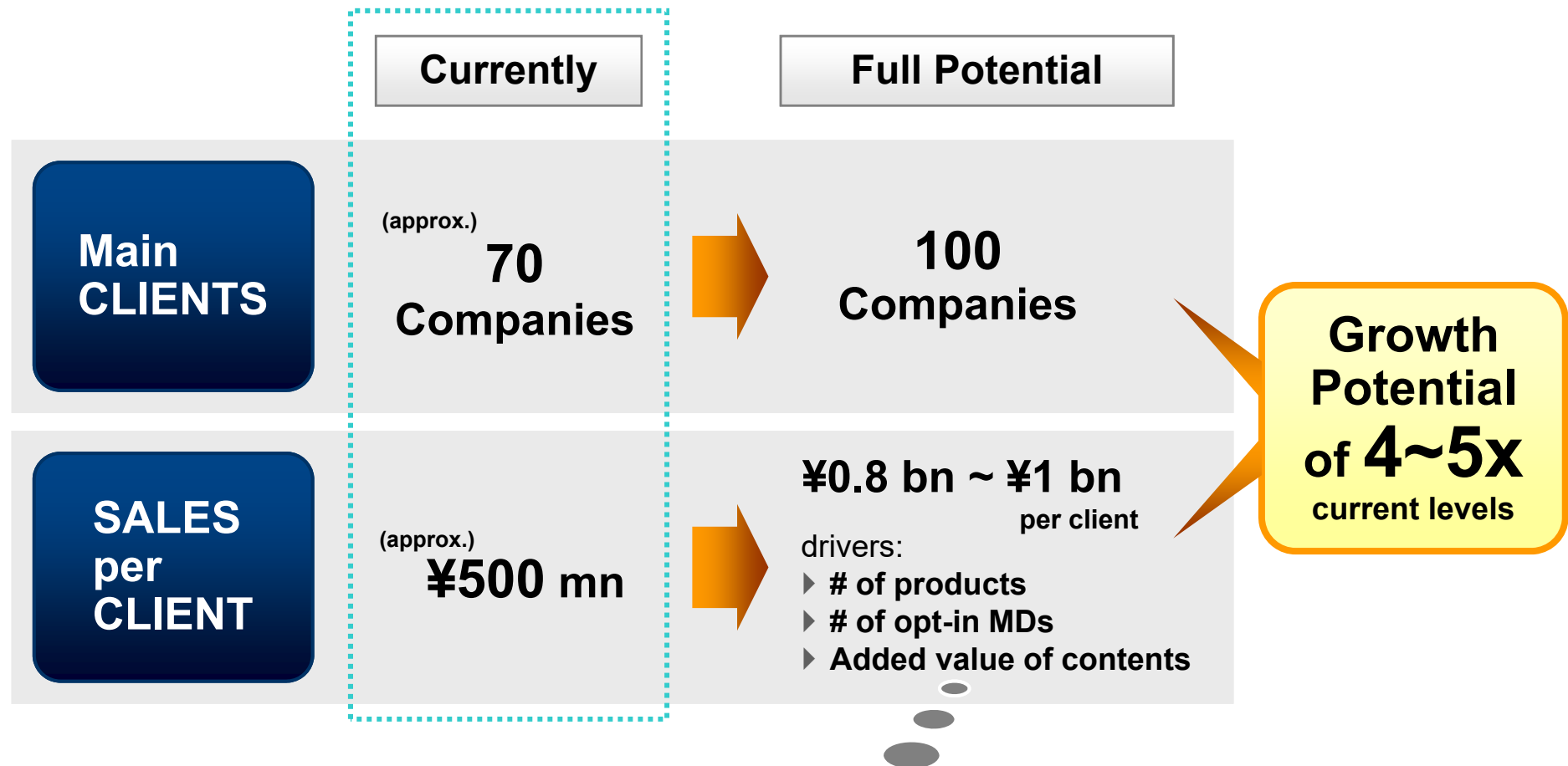
Doctors spend the most time collecting information via the Internet. However, pharmaceutical firms operating in Japan spend the majority of their marketing budget on off-line sales rep related costs.



Source: M3 research, percentages are approximate

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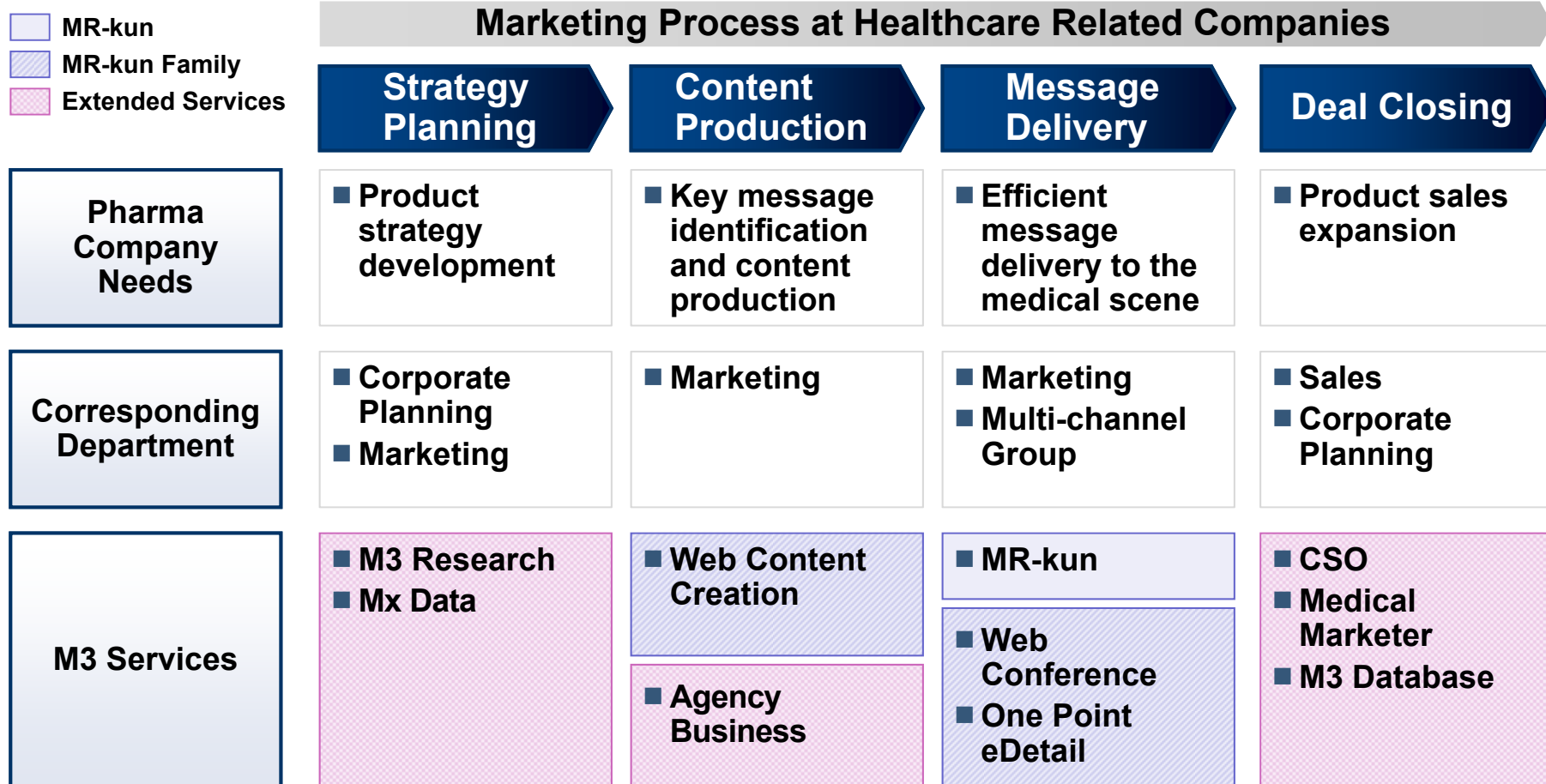
Medical Platform Growth Potential in Japan



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

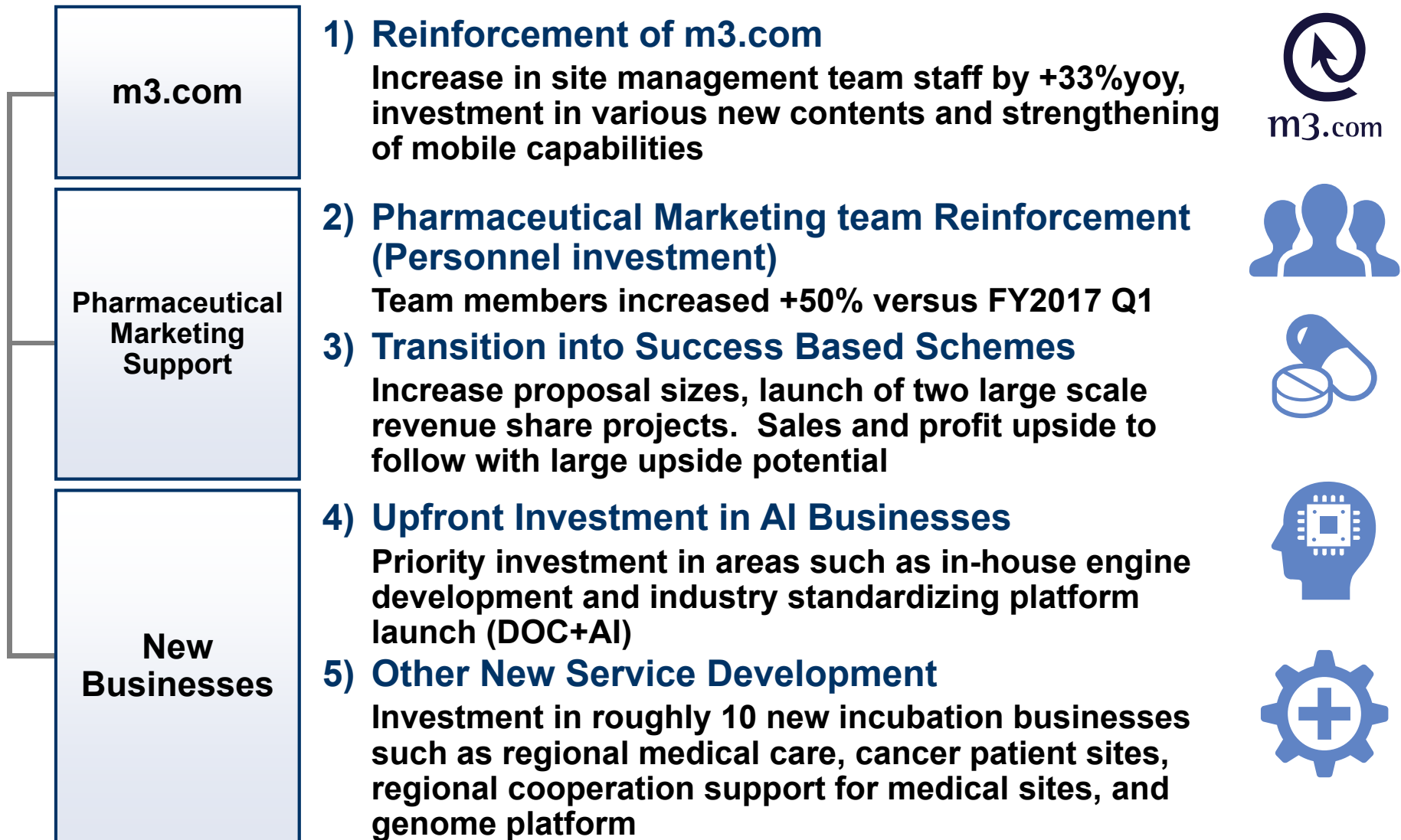
Sales from **Device Companies** grew over **2x** YoY

Medical Platform Services



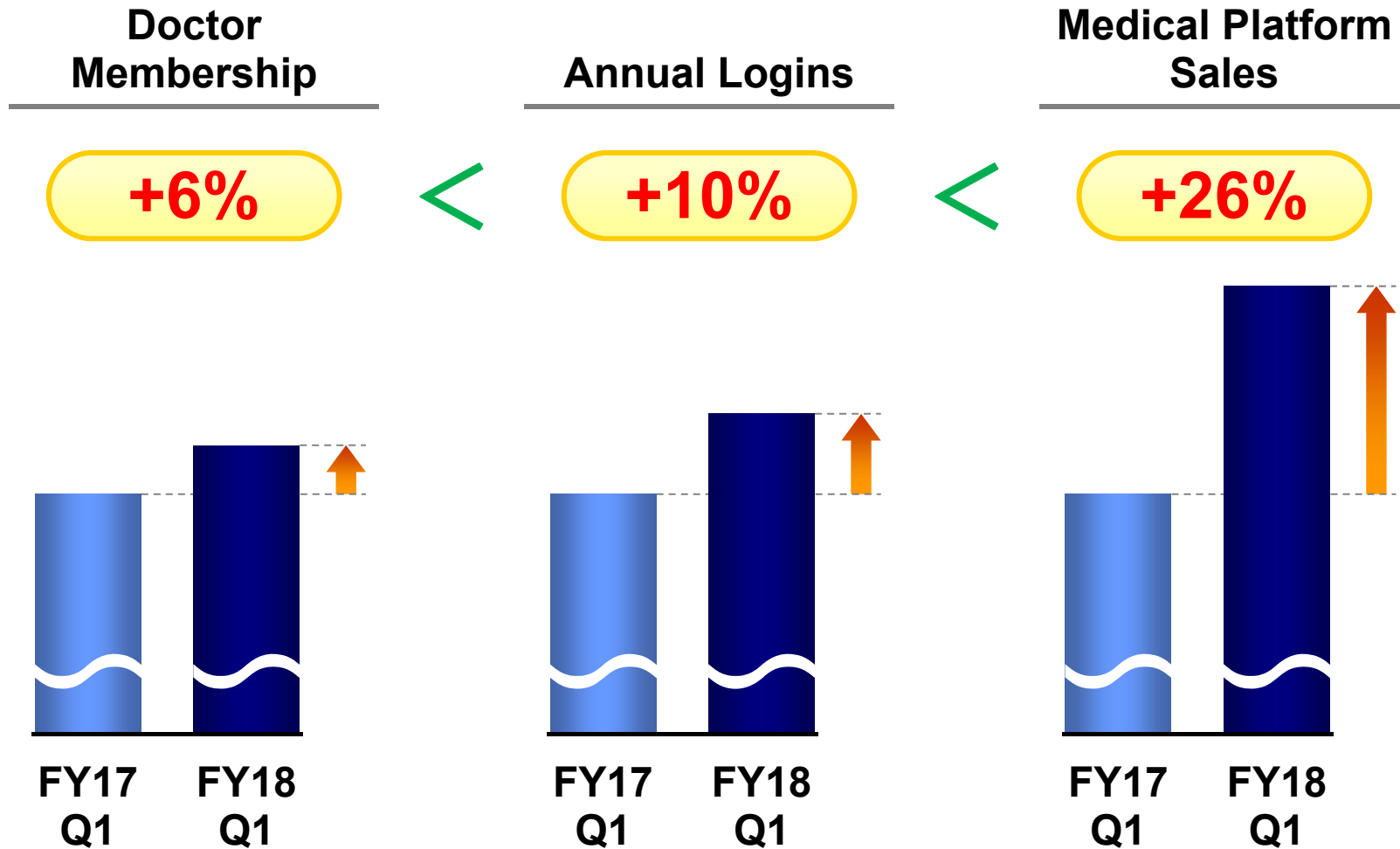

Expanded service line-up to accommodate a wider range of marketing needs, unlimited to just information delivery (original MR-kun), as a one stop shop

Medical Platform Upfront Investment



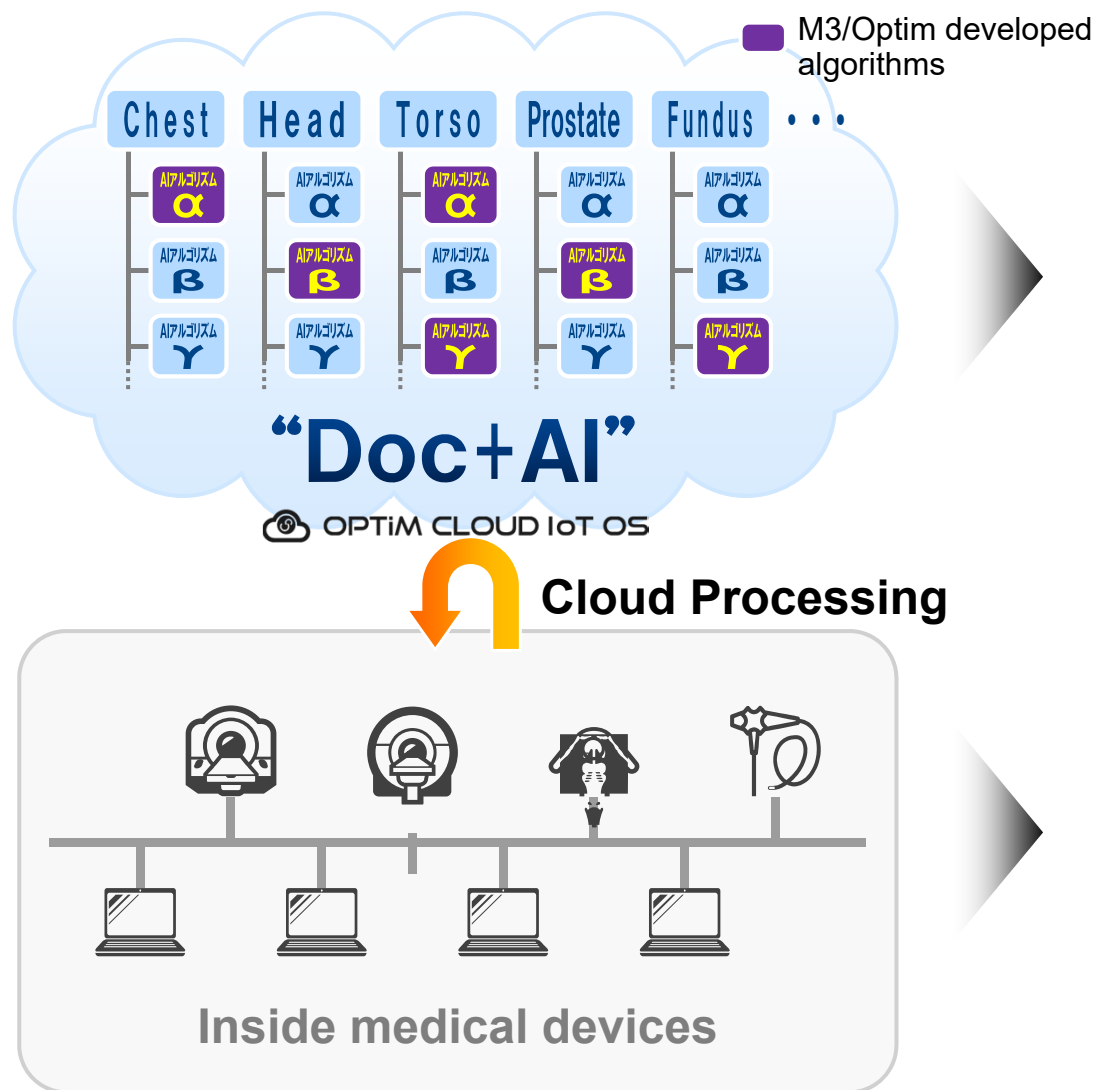
 **Aggressive investments across the entire Medical Platform**

m3.com: Platform Strength Continues to Strengthen



👉 The platform strength growth exceeds that of membership growth, as revenue sources diversify

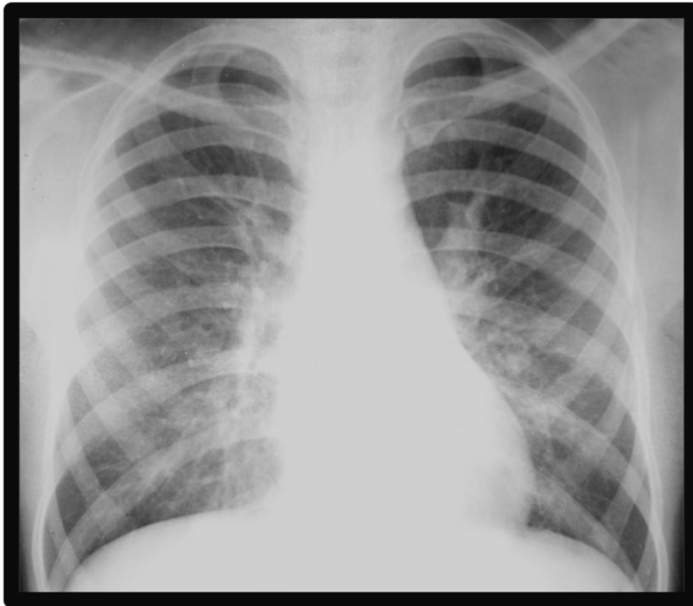
AI Platform “Doc+AI” Development



- In addition to M3/Optim developed algorithms, various lineup of algorithms from external developers will also be made available
- NVIDIA and DeepCore cooperative efforts also will benefit
- Doctors can freely utilize algorithms from the diagnostic support tool lineup
- Ability to select multiple algorithms within a certain body region (head, lung, heart, etc.)

 Major modality (CT, MRI equipment) makers plan to participate on this platform

M3 A.I. Diagnostic Engine Accuracy



- M3's original A.I. diagnostic engine has already reached the highest global standards
- A.I. diagnostic accuracy largely depends on the amount of data. M3's ability for collection surpasses that of any competitor

👉 Accuracy of A.I. diagnostic engine on par with highest global standards. M3 has largest advantage over data volume accumulation, which dictates A.I. accuracy.

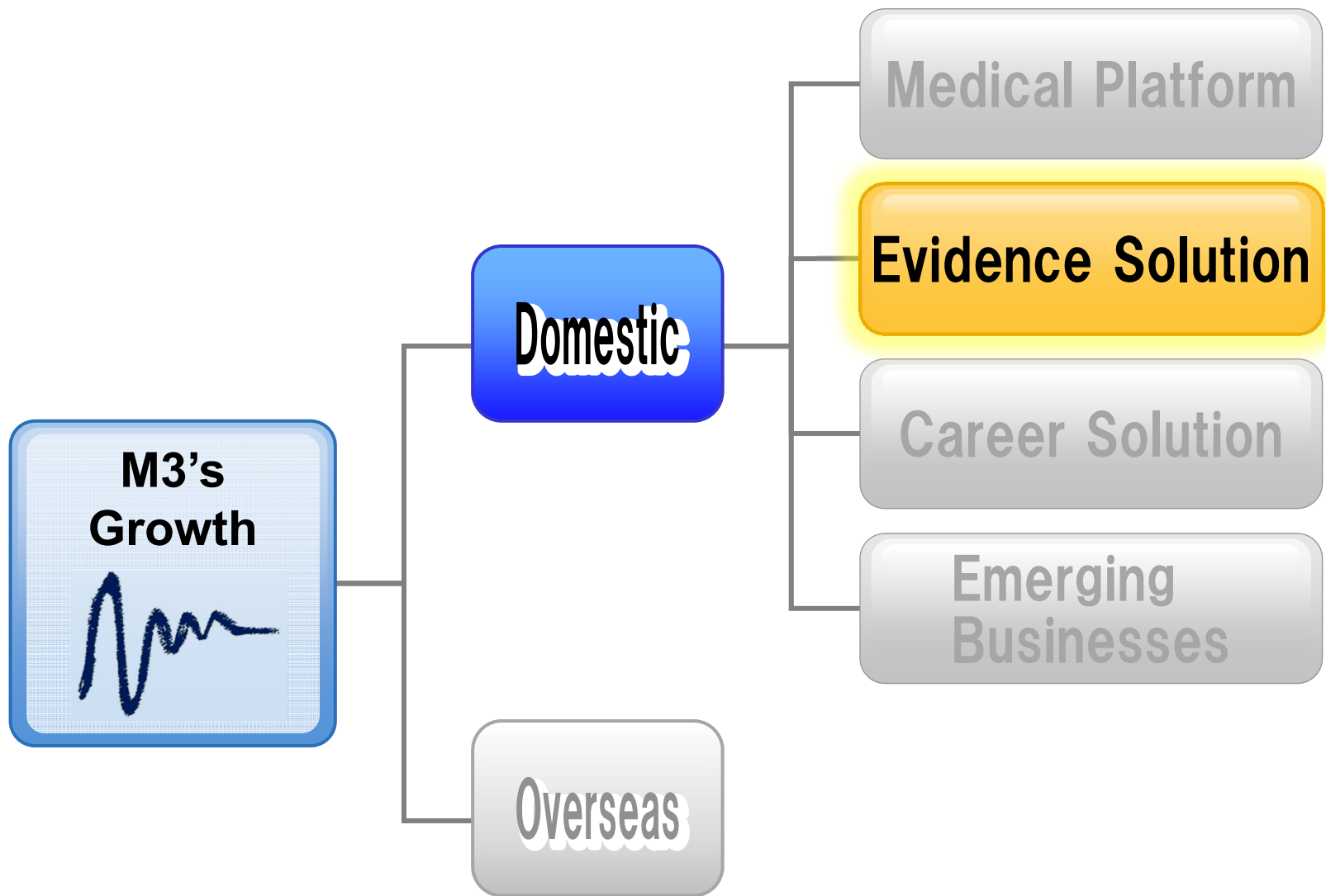
Implication of Upfront Investment in Medical PF Businesses

Reference

Million jpy

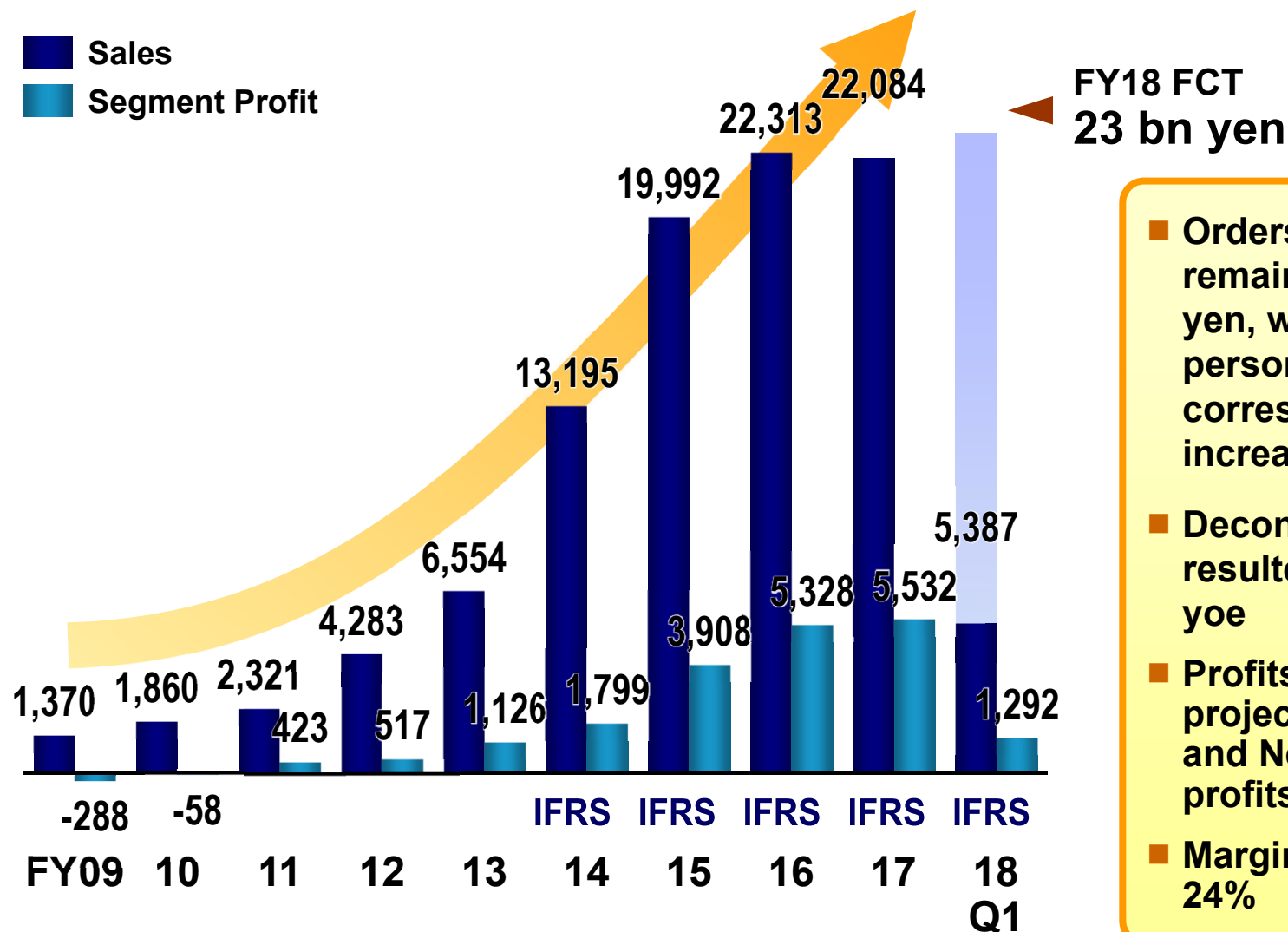
		FY2016 Q1	FY2017 Q1	YoY
Medical Platform	Sales	6,057	6,968	+15%
	Profit	3,033	3,364	+11%
Evidence Solution	Sales	5,156	5,407	+5%
	Profit	974	1,183	+22%
Career Solution	Sales	3,111	3,433	+10%
	Profit	1,553	1,447	-7%
Overseas	Sales	3,751	5,386	+44%
	Profit	242	767	+216%
Other Emerging Businesses	Sales	621	1,355	+118%
	Profit	165	208	+26%

Upfront investment in the career business last year contributed to strong growth this year (sales +39%, profits +48%)

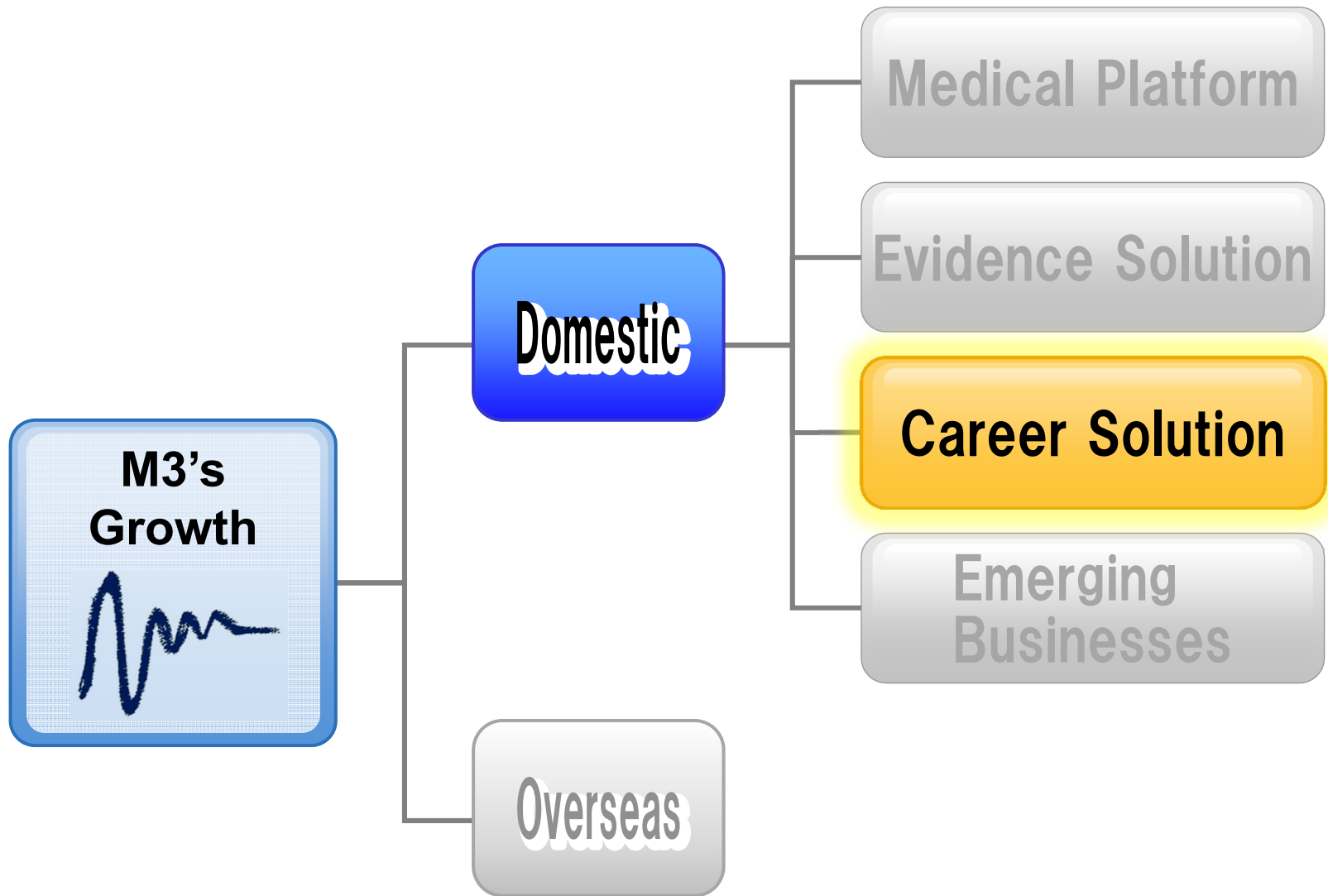


Sales and Profit Trend of Evidence Solution

(million yen)



- Orders backlog remained around 27bn yen, with upfront personnel investing corresponding to increase in orders
- Deconsolidation if IDA resulted in flat sales yoe
- Profits expanded as projects progressed and Neues sales and profits recovered
- Margins remain high at 24%

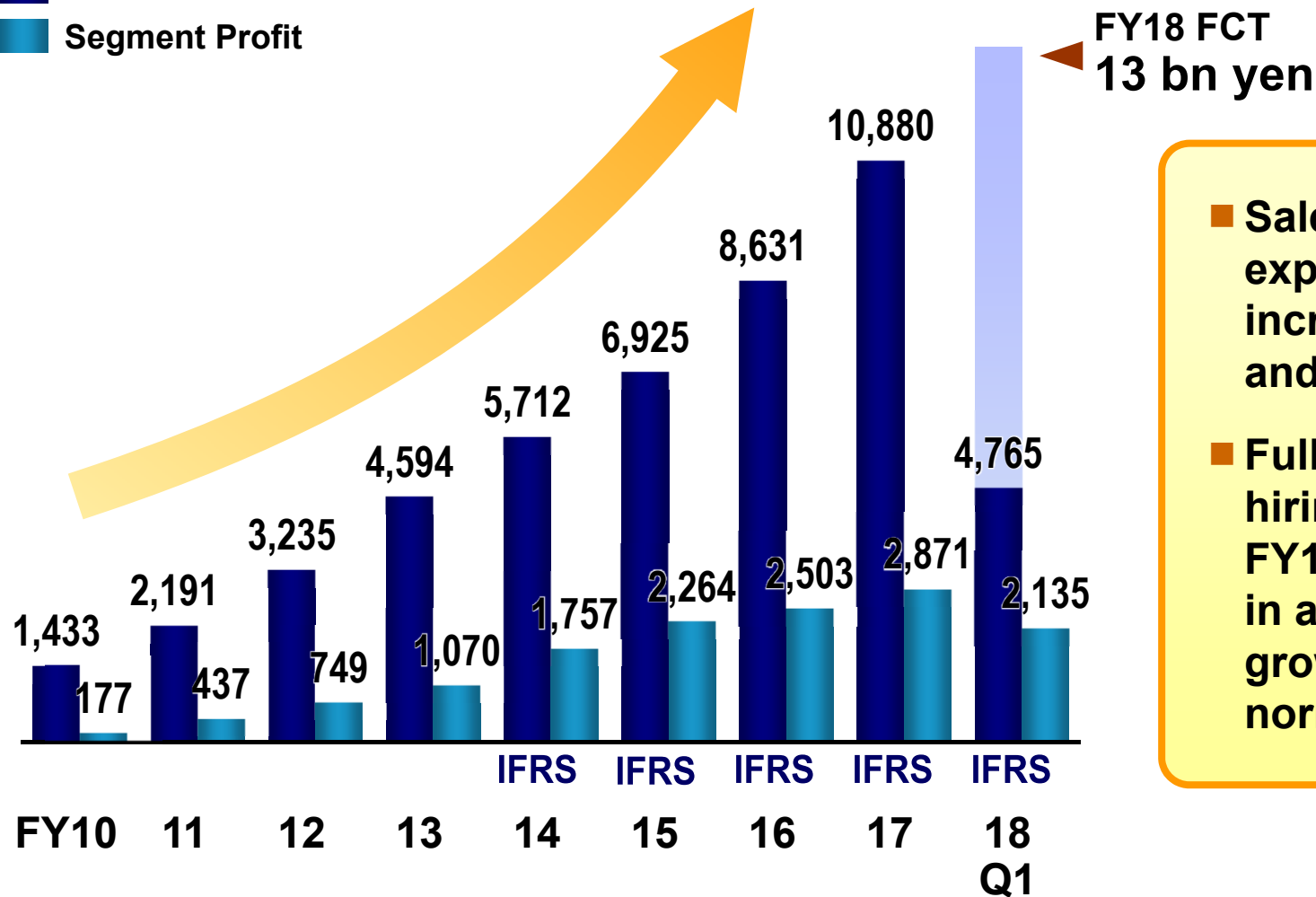


Sales and Profit Trend of Career Solutions

(million yen)

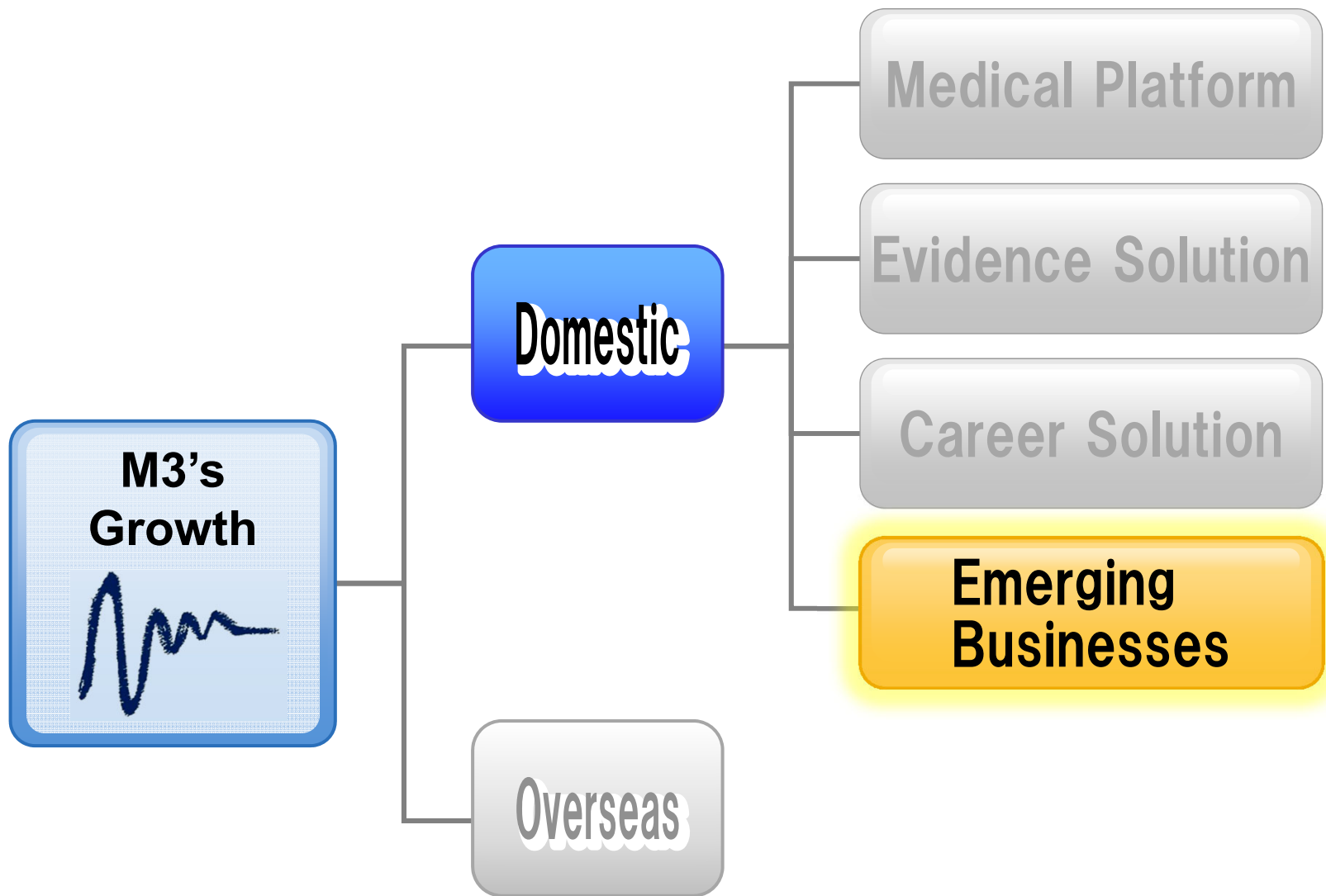
■ Sales

■ Segment Profit



■ Sales and profit expansion from increase in staff and productivity

■ Fully absorbed hiring impact from FY18Q1, resulting in accelerated growth rate from norm

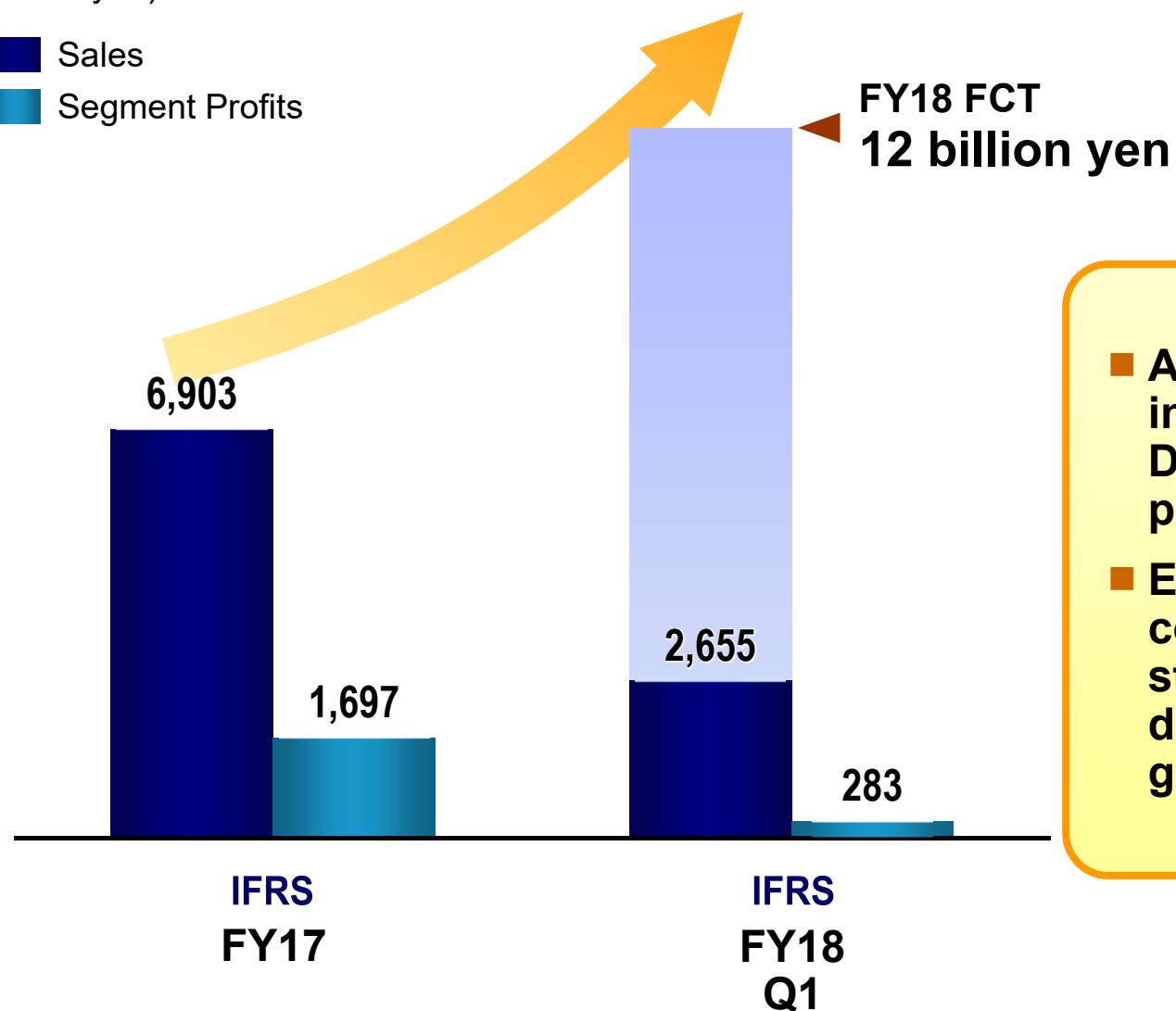


Sales and Profit Trend of Emerging Businesses

(million yen)

■ Sales

■ Segment Profits



- Advanced medicine initiatives accelerate. Durabeam business proceeding as planned
- Each business continues to expand steadily, with development in next growth drivers as well

Hot Topics within Emerging Businesses

TamaBio

- Durabeam®(Class IV) gained PMDA approval in Japan, with additional application currently in process in Japan, US, and UK
- Newly acquired several patents (effective for 20 yr)
- Gained complete adoption at an advanced medical site (university hospital)

Sofiamedi

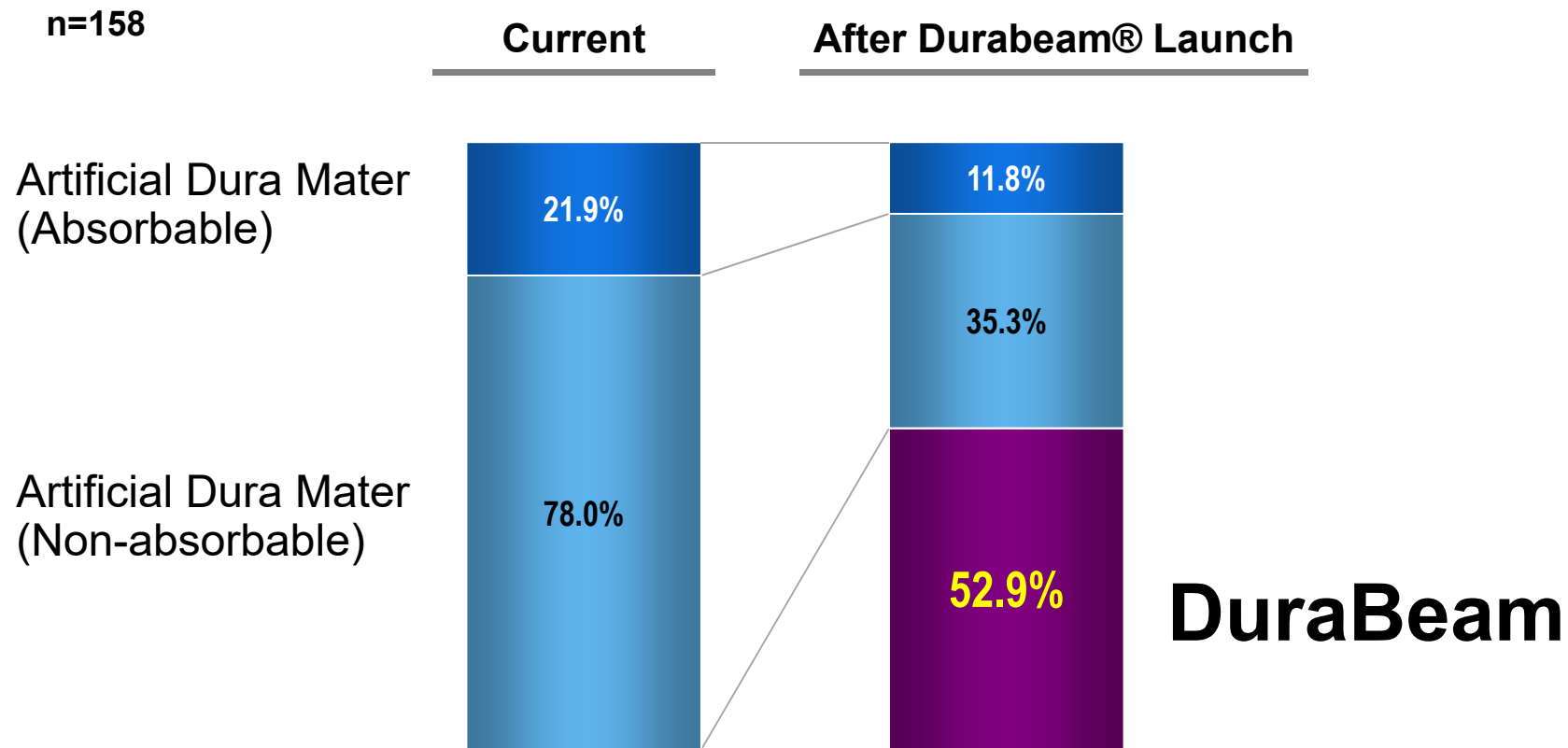
- Acquire Sofiamedi, which operates visiting nursing care stations to provide services such as home care, and home medical care
- 46 offices, roughly 3 billion yen in sales, servicing approximately 6,300 at home patients, the largest coverage in the metropolitan area

Patient Support Program

- NPS: extremely high user satisfaction at 84
- Induction in progress at approximately 20 corporates

DuraBeam Marketability

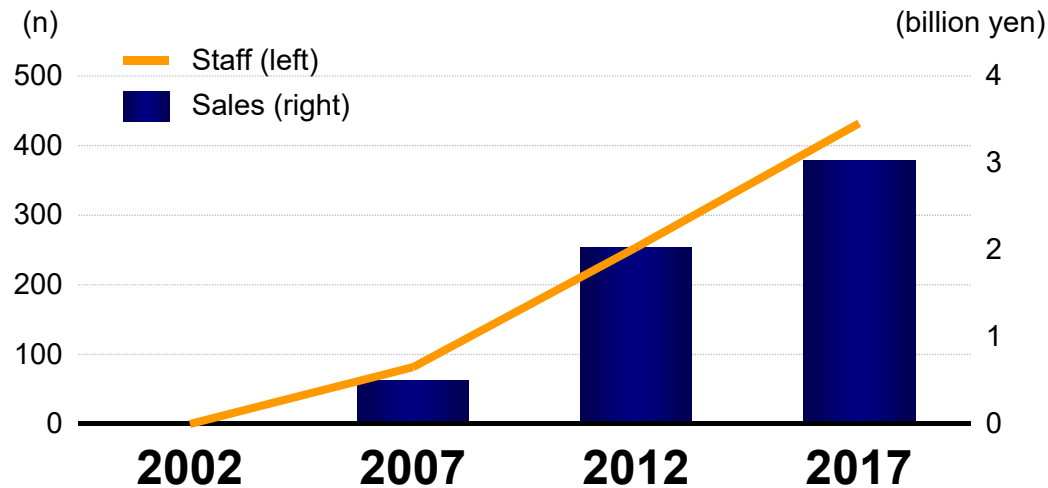
Physician's Intent to Utilize DuraBeam Upon Launch



DuraBeam has potential to become over 50% of the artificial dura mater market, with one large advanced medial site (university hospital) deciding on full switch to DuraBeam

Entry into the Home Care Industry - Sofiamedia

Sales and Staff Trend



- **Operates visiting nursing care stations to provide services such as home care, and home medical care**
- **Offices: 46**
- **Staff: 480**
(150 nurses, 100 physical therapists, 75 occupational therapists, 25 speech therapists, and more)
- **Serviced patients: 6,300**
- **Annual sales: 3 bio yen (approx.)**

Patient Support Program

AskDoctors

Japan's Largest Doctors Consultation Service

Access from smartphone and PCs to consult with a physician, 24 hours a day, 365 days a week, plus access to over 2 million archived consultations



Best Doctor Selection

Doctors and Hospitals Recommended by other Doctors

Receive a detailed report listing the most recommended doctors and hospitals within your region



Medical Access Support

Determine and Access the Best Medical Care

Consult specialists regarding treatment options with the support of expert staff, to determine the best method, for important medical decisions cancer treatment and large operations.



P5 Cancer Genome Report

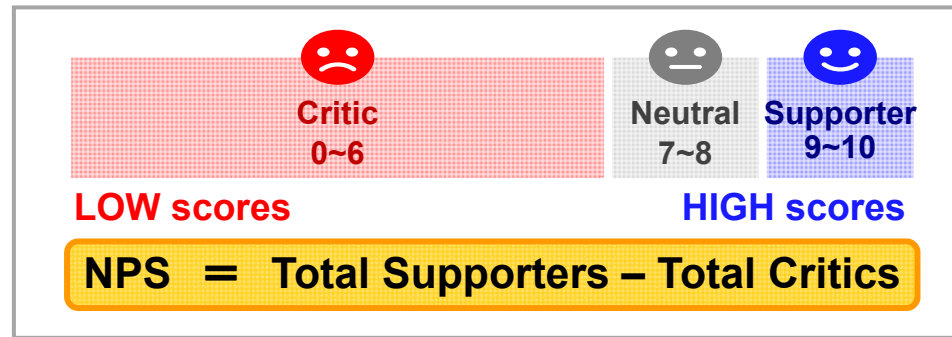
Most Appropriate Care for Cancer Patients

Full report of DNA analysis of the cancer to pinpoint the type of mutation in order to find the exact treatment

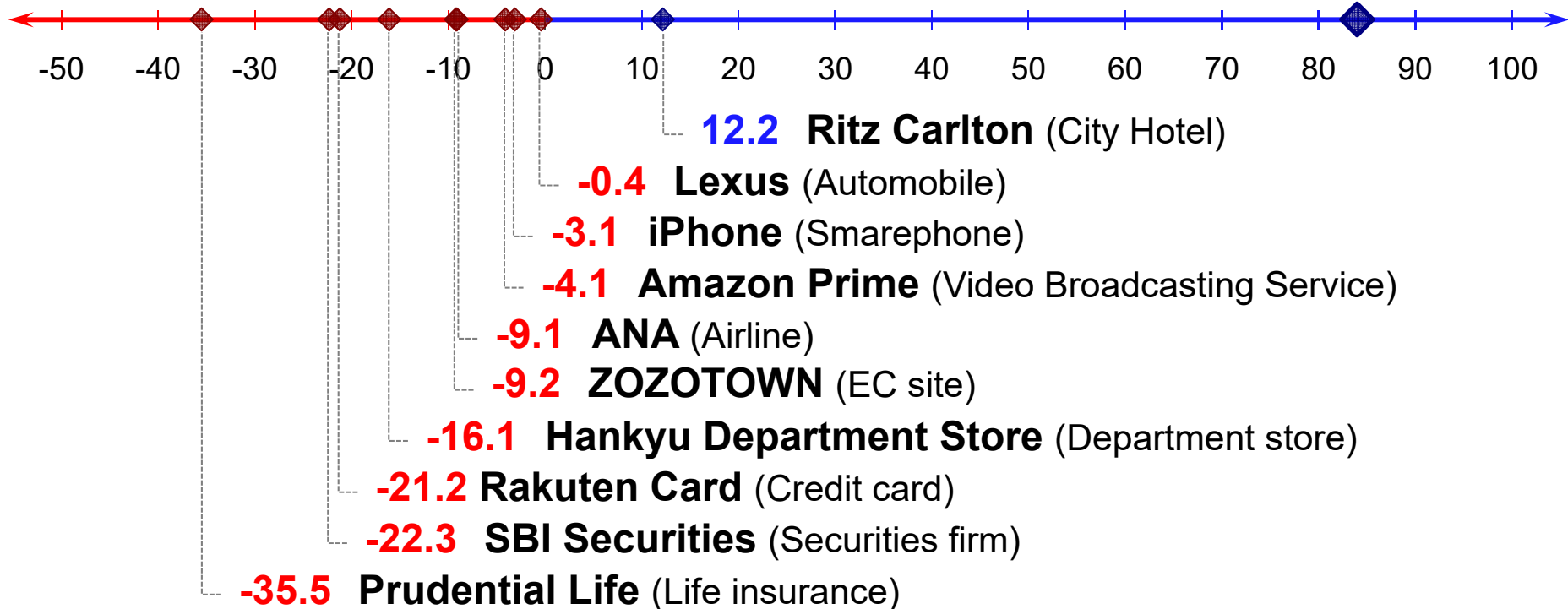


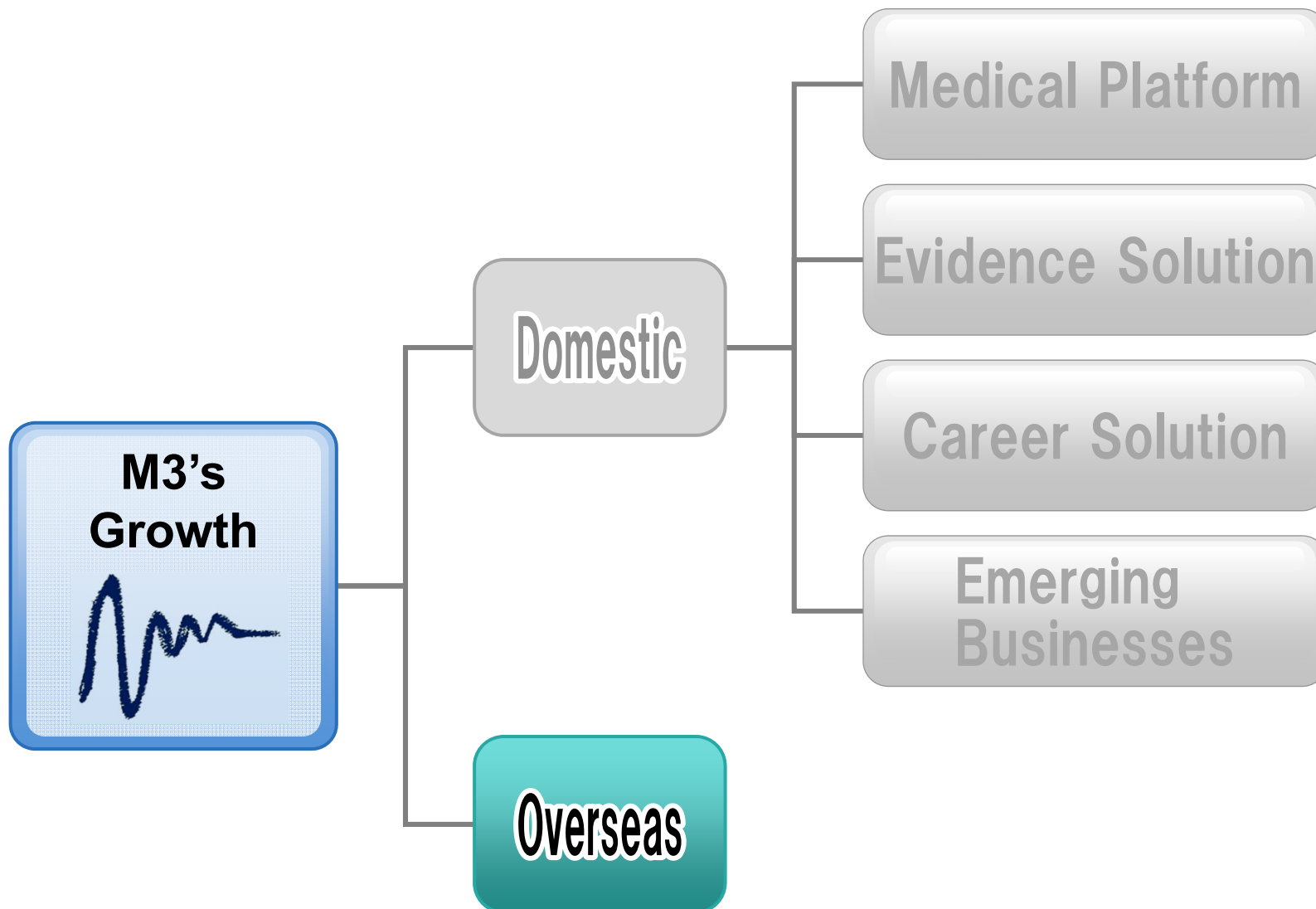
 **M3PSP offers the above 4 services as a comprehensive package toward corporates to provide as employee benefits.**

NPS of Industry Leaders



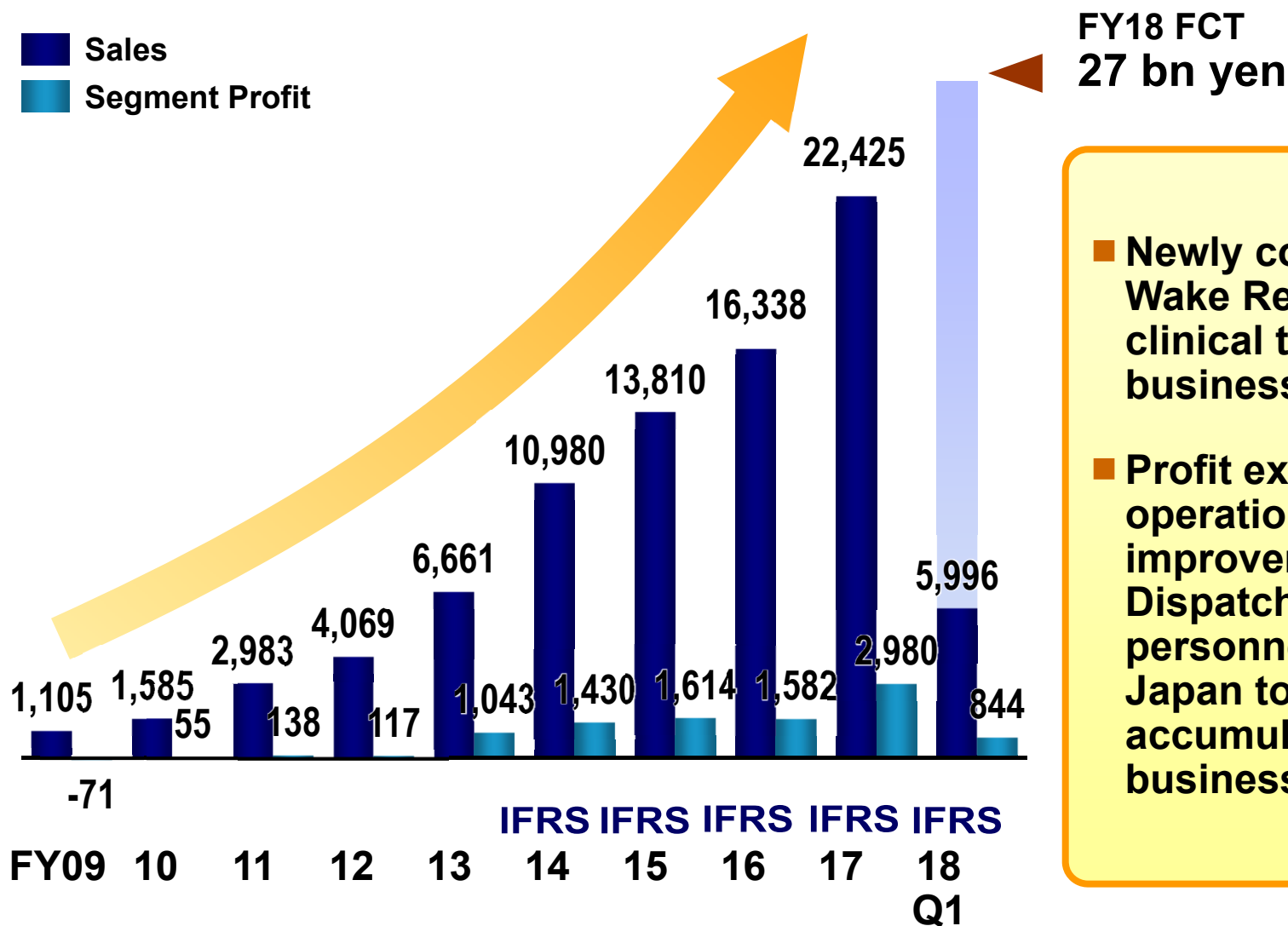
M3PSP+ 84





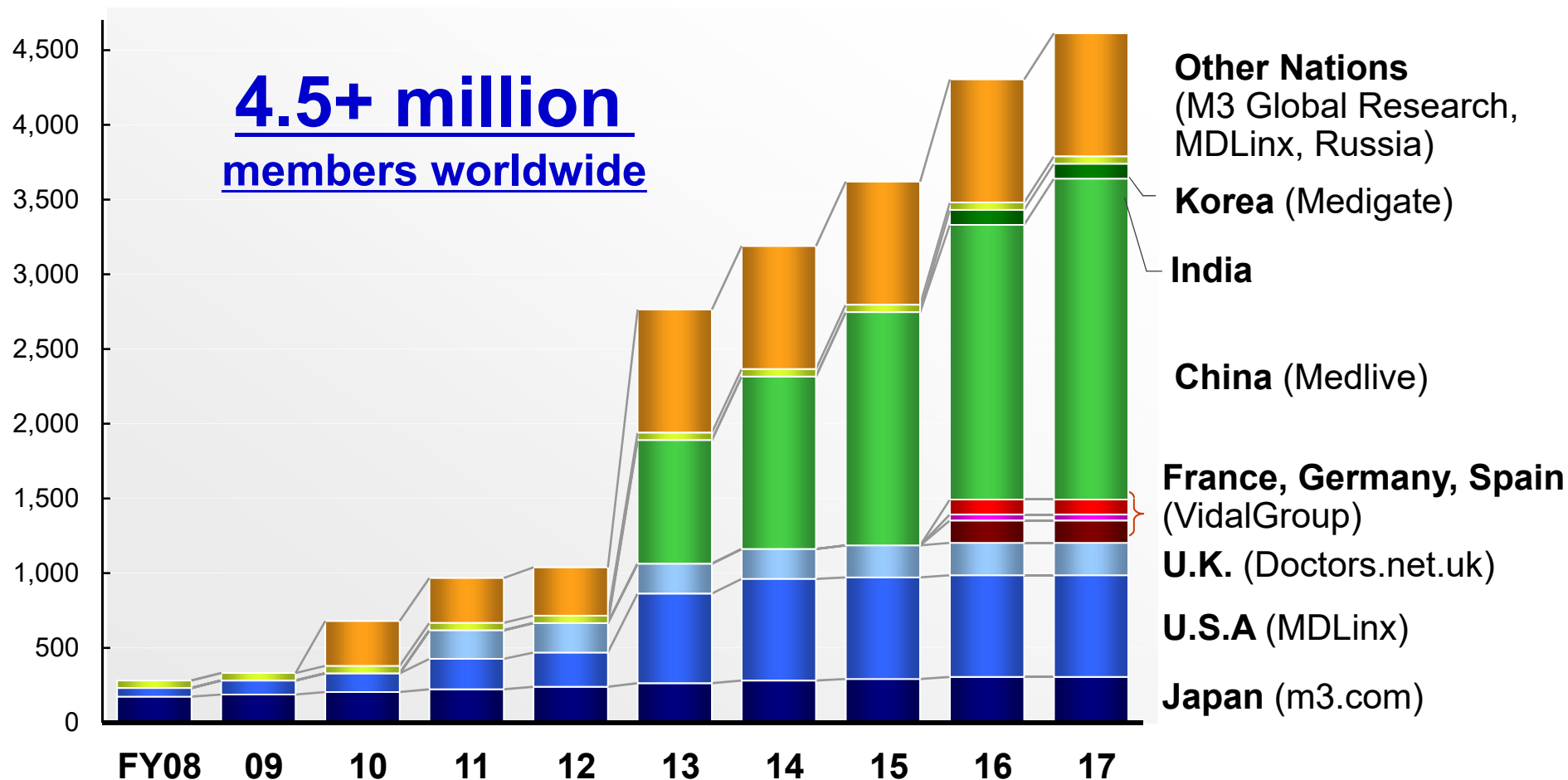
Sales and Profit Trend of Overseas

(million yen)



Number of Physician Members and Panelists (Global)

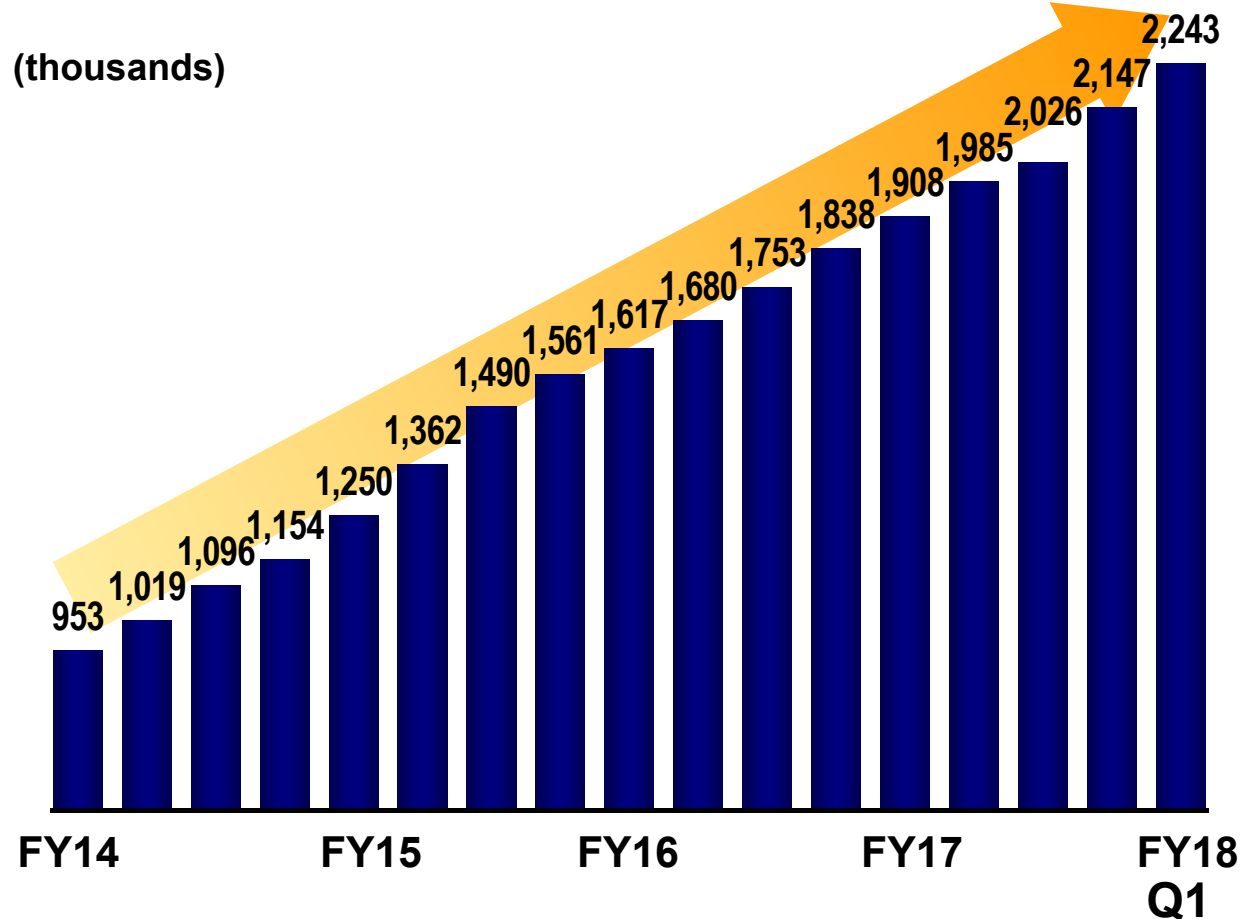
(thousand)



 **Over 4.4 million physicians utilize M3's global platforms**

China: Membership Expansion

Number of Physician Members in China

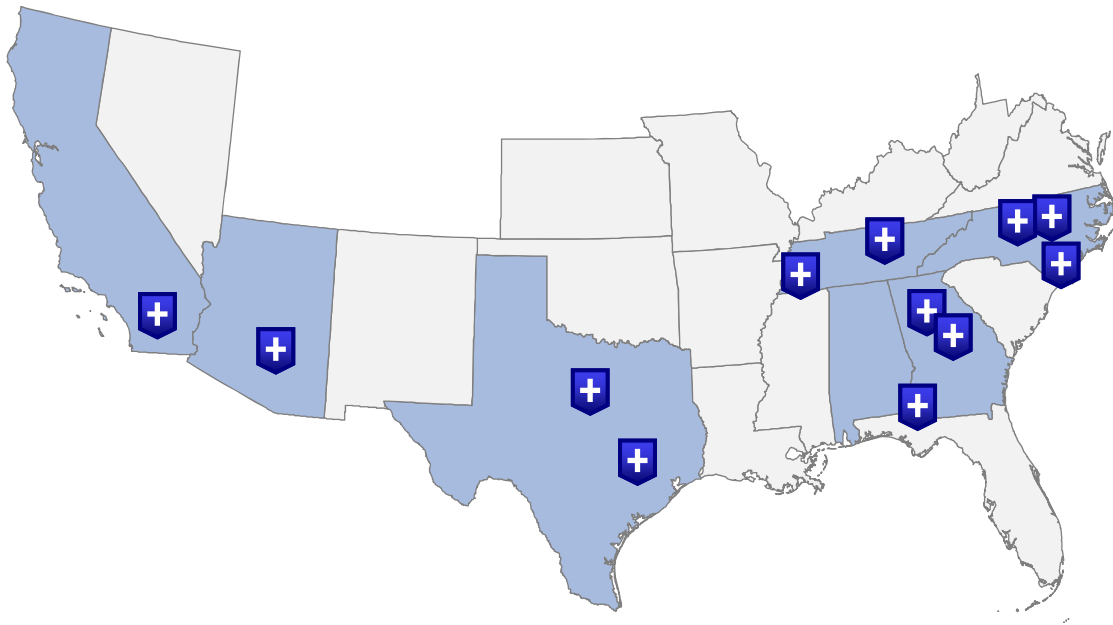


- Marketing services for drug companies starting with MR-kun, and research services showed steady growth
- MR-kun is now being utilized by 12 pharma companies across 36 drugs
- Newly approaching local clients, in addition to MNCs
- Launched career services for physicians



Topped 2.2 million physicians members, covering the majority of doctors in China

Acquisition of Wake



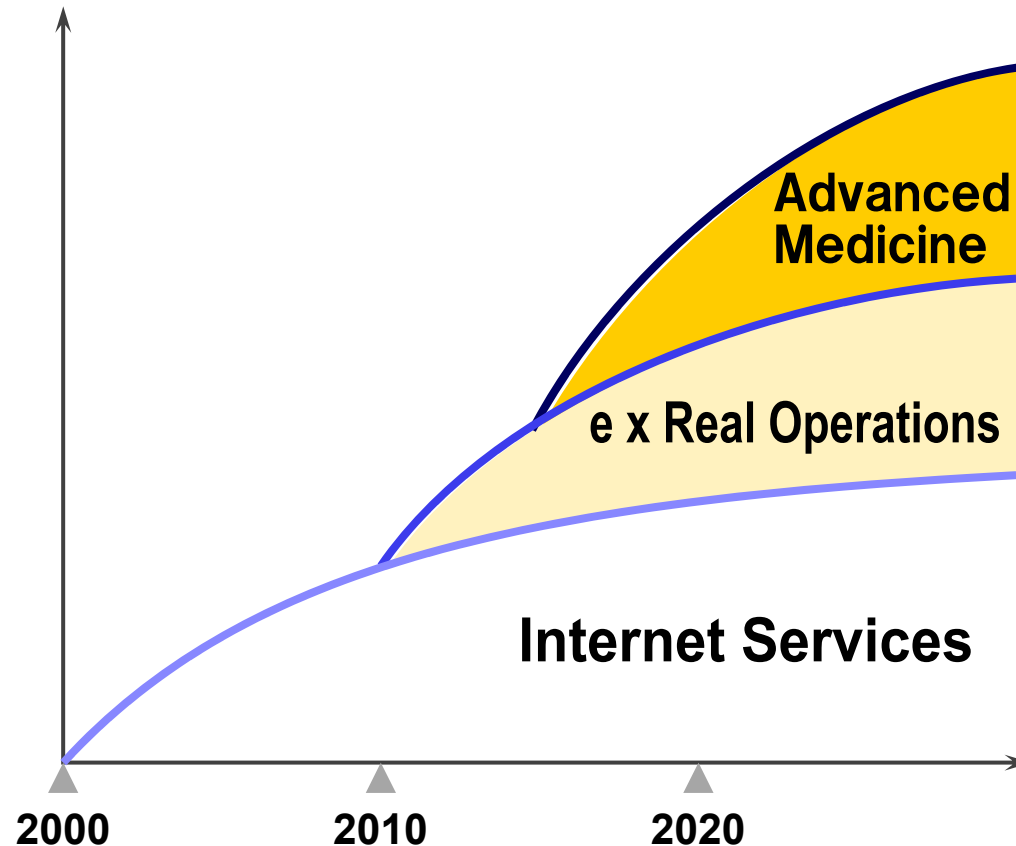
- Clinical trial site management market size: \$14B
- Number of managed sites: 12
Sales: \$20M
- Phase I~IV with strength in Neurology, Gastrointestinal, Dermatology, and Women's Health
- Expected synergies:
 - Patient recruitment optimization
 - First step in provision of efficient large scale clinical trial service
- Launched a JV with Cape Fear Healthcare Systems to further expand the network

 Wake to potentially function an M&A engine for M3
Plan to roughly double the number of sites in 1 to 2 yrs

M3 Group's Business Strategy

Evolution of M3 Growth Drivers

Added Value
Creation

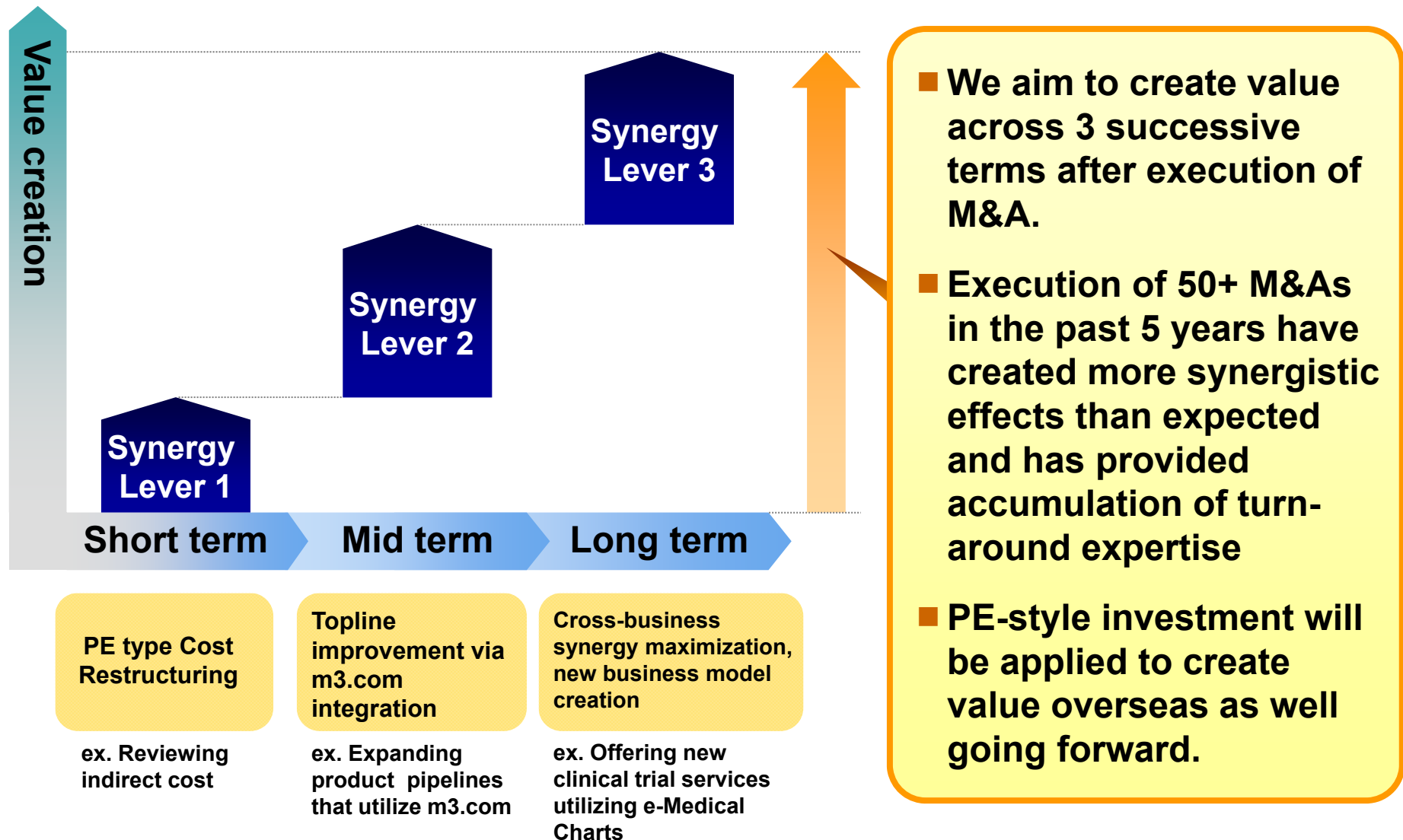


Main Initiatives

- Seeds Rocket / M3i
 - Various solutions within cancer specialties
 - M3 AI Labo
 - Genome Diagnosis / G-TAC
-
- e-Clinical Trials
 - M3 Career (Job placement for physicians)
-
- MR-kun Family
 - Web Surveys

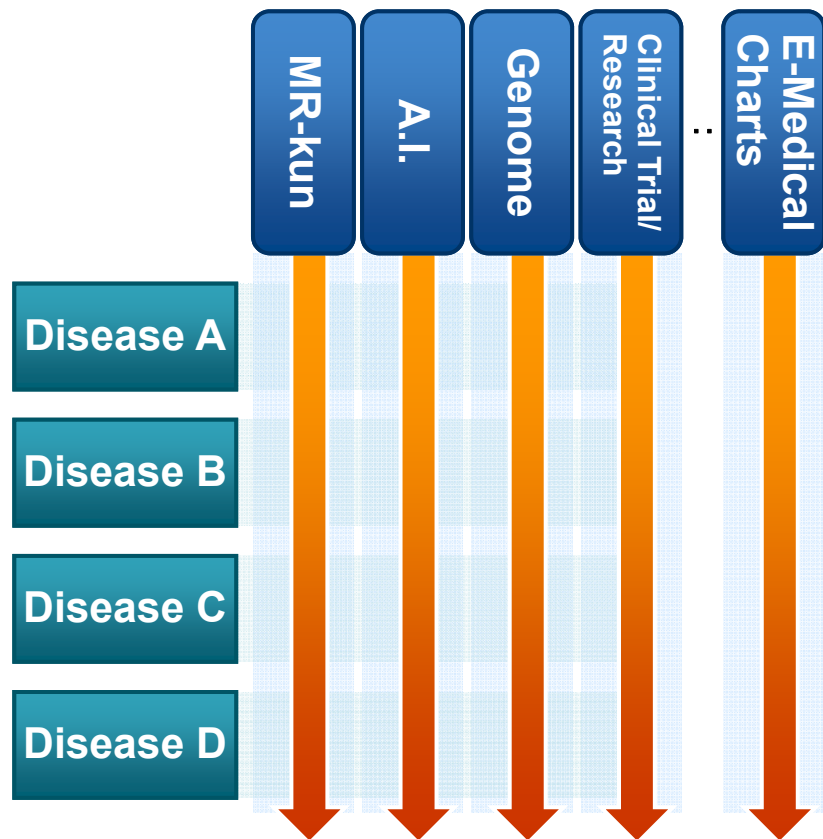
 Full-scale entry into the field of Advanced Medicine, as the *third* growth driver for M3

Value Creation via M&A



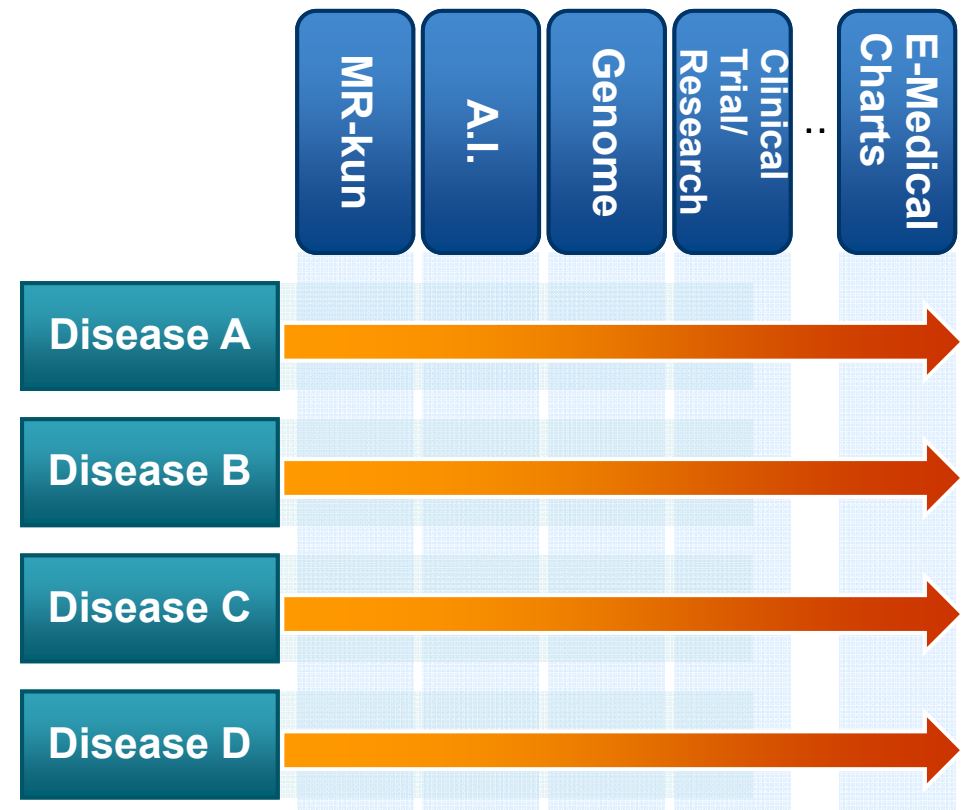
Value Creation Going Forward

Until Now



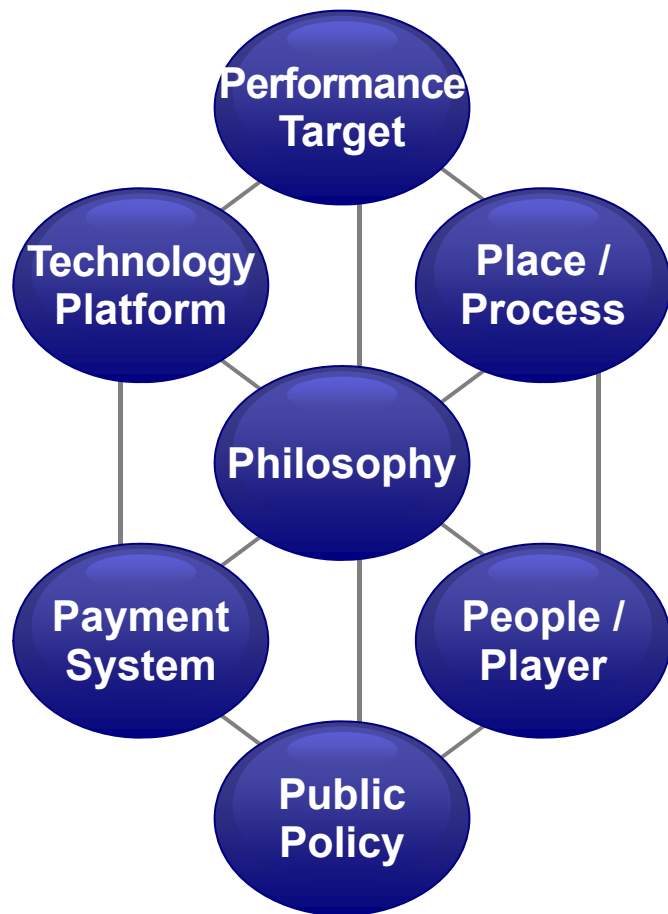
- Individual service and function development
... the Dots

New Approach to be Strengthened










- Strengthen solutions for disease and medical issues
... the Lines

7Ps of Healthcare Business



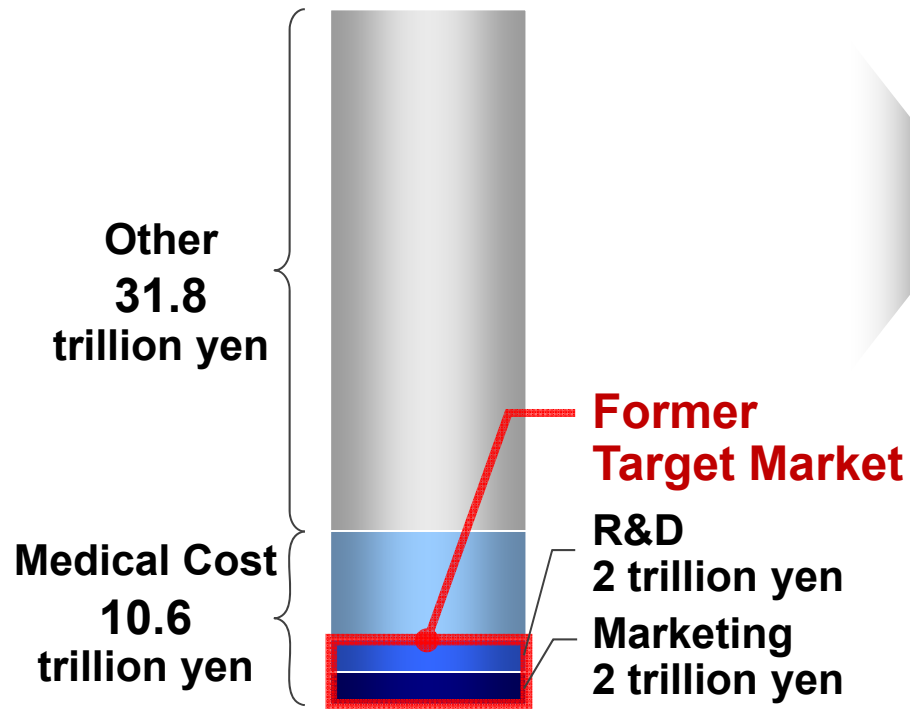
7P: a Problem Solving Framework for Healthcare

7 P's	Description	Example
 Performance Target	<ul style="list-style-type: none"> Concrete directionality of solution 	<ul style="list-style-type: none"> Patient reduction Medical cost redux
 Philosophy	<ul style="list-style-type: none"> Fundamental principle 	<ul style="list-style-type: none"> Overall optimum over local optimum
 Technology Platform	<ul style="list-style-type: none"> Products/ technology and their utilization 	<ul style="list-style-type: none"> Diagnostic and treatment technology A.I., Genome
 Place / Process	<ul style="list-style-type: none"> Place of medical care delivery 	<ul style="list-style-type: none"> Hospital Home care, hospital coordination
 Payment System	<ul style="list-style-type: none"> Payment system, cash flow 	<ul style="list-style-type: none"> Medical and long-term care insurance, patient expenses
 People / Player	<ul style="list-style-type: none"> Healthcare service provider 	<ul style="list-style-type: none"> Doctors, medical sites Cloud workers
 Public Policy	<ul style="list-style-type: none"> Legal and political frameworks 	<ul style="list-style-type: none"> Insurance system, medical regulations

Expansion of M3's Addressable Market

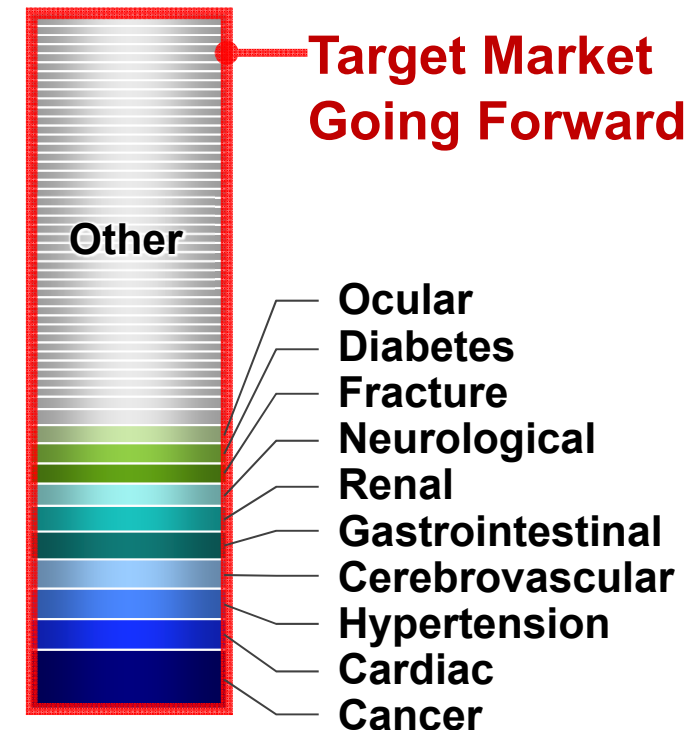
Former Market


National Healthcare Expenditure (Japan)
42.4 trillion yen



7P Project Market

National Healthcare Expenditure (Japan)
42.4 trillion yen

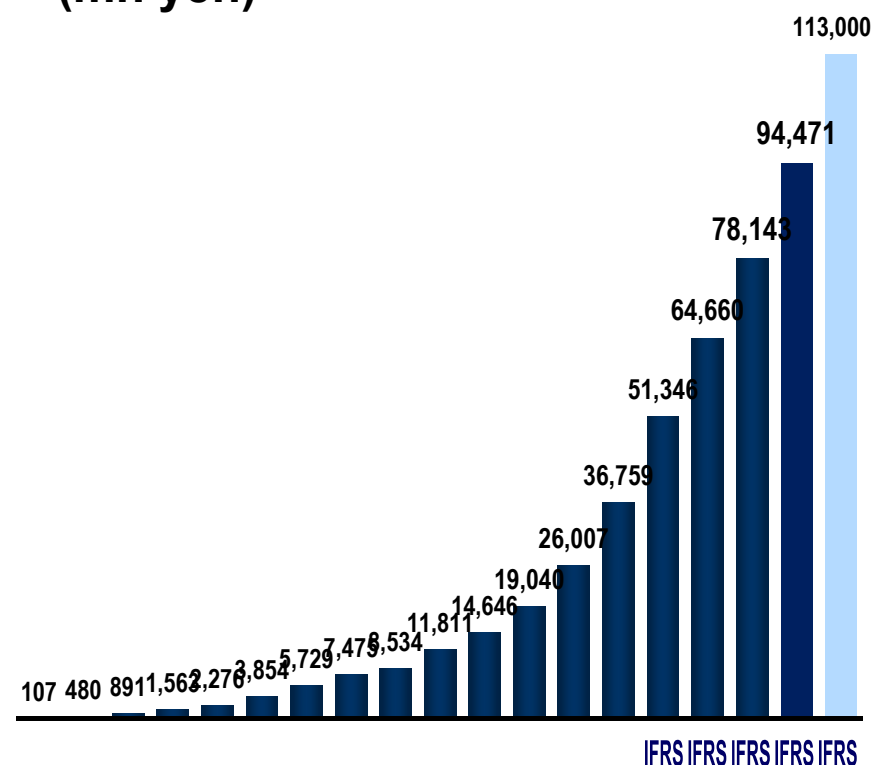


 Creating solutions across the entire healthcare eco-system (7P Project), not limited to marketing and R&D, expands our addressable market from 4 trillion yen to 40 trillion yen, and up to 500 trillion yen including overseas markets.

Annual Results & Forecast for FY2018

Sales

(mn yen)

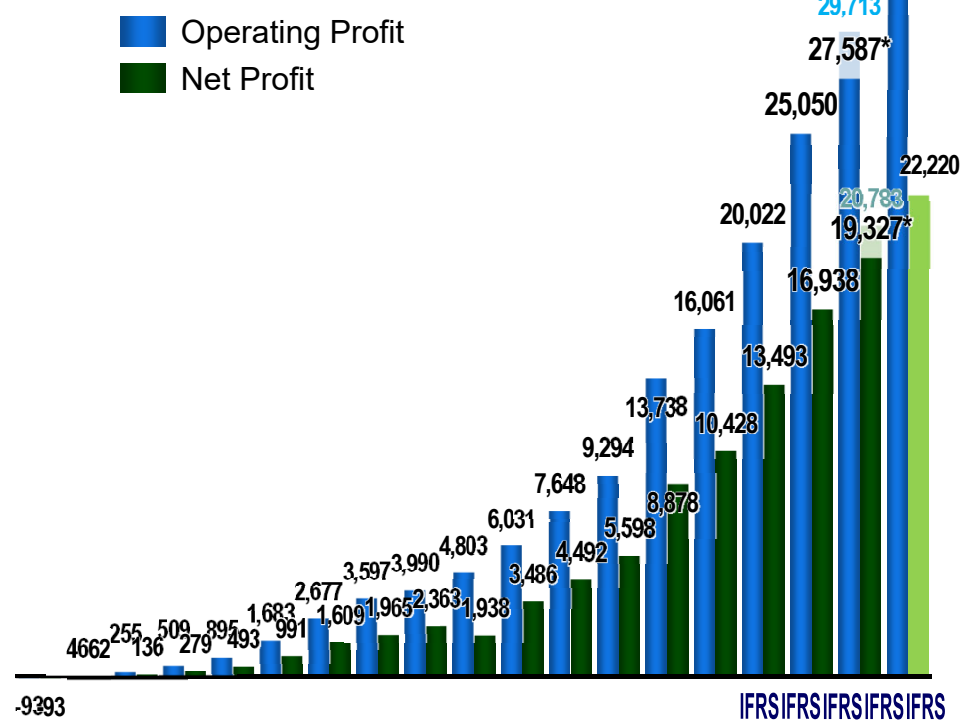


FY

00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18
(6m) FCT

Operating Profit & Net Profit

(mn yen)



FY

00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18
(6m) FCT

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

Stock Split

- **Split Ratio: Two-for-one**
- **Reference Date: September 30, 2018 (Sunday)**
- **Effective Date: October 1, 2018 (Monday)**

 Compared to the stock price of 1,702 after the previous split (April 1, 2014), the price has increased by 2.5 times. The split was determined with the objective to reduce investment unit size and to increase liquidity

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**