M3, Inc.
Presentation Material

January 2018



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M3, Inc.

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Current Business Situation and Outlook

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Overview

Medical Platform

- Expansion of marketing support business for pharmaceutical and medical device companies, with orders increase of around +15% yoy
- Sales: 24.4 bn yen (+19% yoy), Op. Profit: 11.7 bn yen (+10% yoy)

Evidence Solution

- Sales of IDA and a dip in projects at SMO Neues resulted in sales of 16.2 bn yen, in line with previous year levels. However, backlog at Neues has revived to previous year levels, and CRO profits grew +16% yoy
- Orders backlog remains at 29 bn yen, with op margins stable at 24%

Career Solution

- Business expanded as user demand increased with sales at 8.2 bn yen (+24% yoy) and op. profit at 2.3 bn yen significant recovery and absorption of upfront investment in personnel in Q1, with Q3 stand alone op. profit growth at +79% yoy

Overseas

- Continued sales and profit growth led by the research business development and improvement in the US and UK. QQFS consolidation expanded membership panel to cover Norther Europe
- Sales: 16.9 bn yen (+50% yoy), Op. Profit: 2.6 bn yen (+119% yoy)

Other Topics

- Acceleration in initiatives within the field of advanced medicine
  - Approval for other utilities of DuraBeam™ proceeding as scheduled
  - Consolidation of JAMECS and capital alliance with Genomix

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FY 2017 Q3 Results

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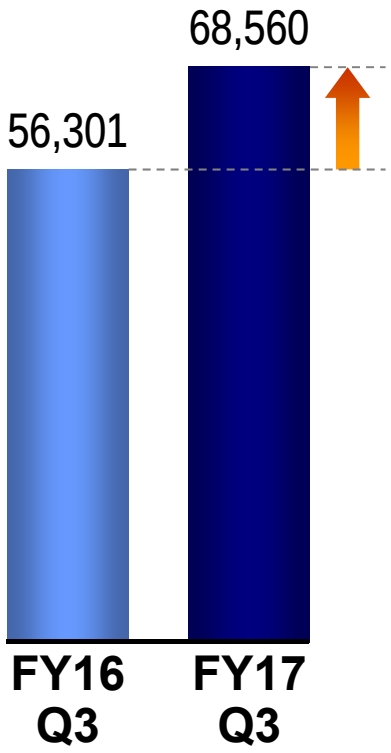
FY2017 Q3 Consolidated Results (Apr~Dec 2017)

(million yen)

IFRS

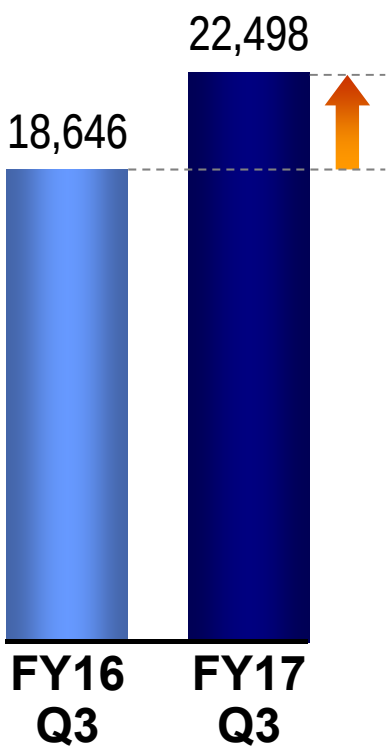
Sales

+22%



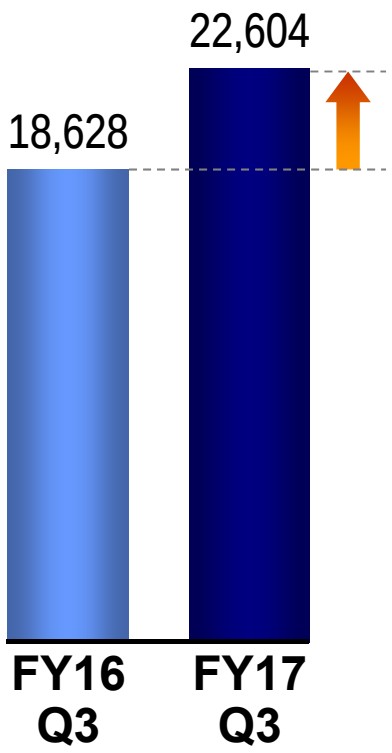
Operating Profit

+21%



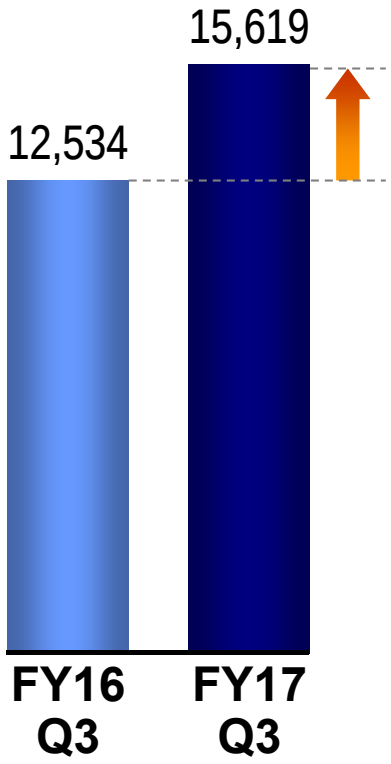
Pretax Profit*

+21%



Net Profit

+25%



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FY2017 Q3 Consolidated Results by Segment

IFRS

(unit: million yen)

		FY2016 Q3	FY2017 Q3	YoY (cumulative)
Medical Platform	Sales	20,464	24,408	+19%
	Profit	10,653	11,728	+10%
Evidence Solution	Sales	16,502	16,215	-2% *
	Profit	3,912	3,824	-2%
Career Solution	Sales	6,584	8,156	+24% **
	Profit	2,101	2,315	+10%
Overseas	Sales	11,250	16,870	+50%
	Profit	1,186	2,597	+119%
Other Emerging Businesses	Sales	3,007	4,537	+51%
	Profit	764	1,057	+39%

Revival of orders seen at Neues, growth expected to end positive for the full year

Q1 incurred upfront hiring costs, however, Q3 acceleration outpaced that of Q2.
- Oct-Dec Profit: +79% yoy

US, EU, and China all healthy

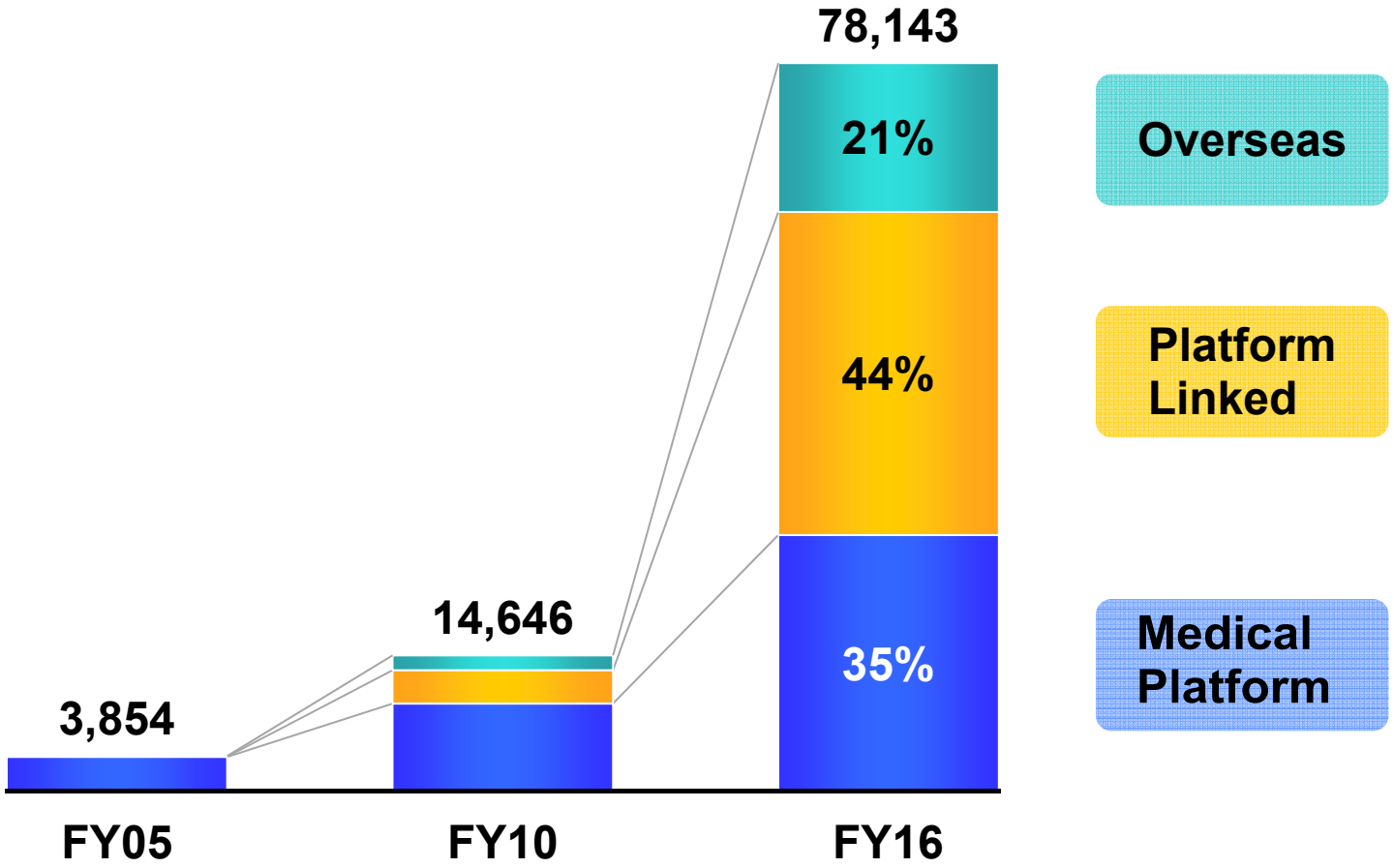
Continuing expansion of future growth drivers

* Due to sale of IDA, and trough in sales at SMO Neues.
** Significant improvement after large upfront investment in Q1 in personnel.

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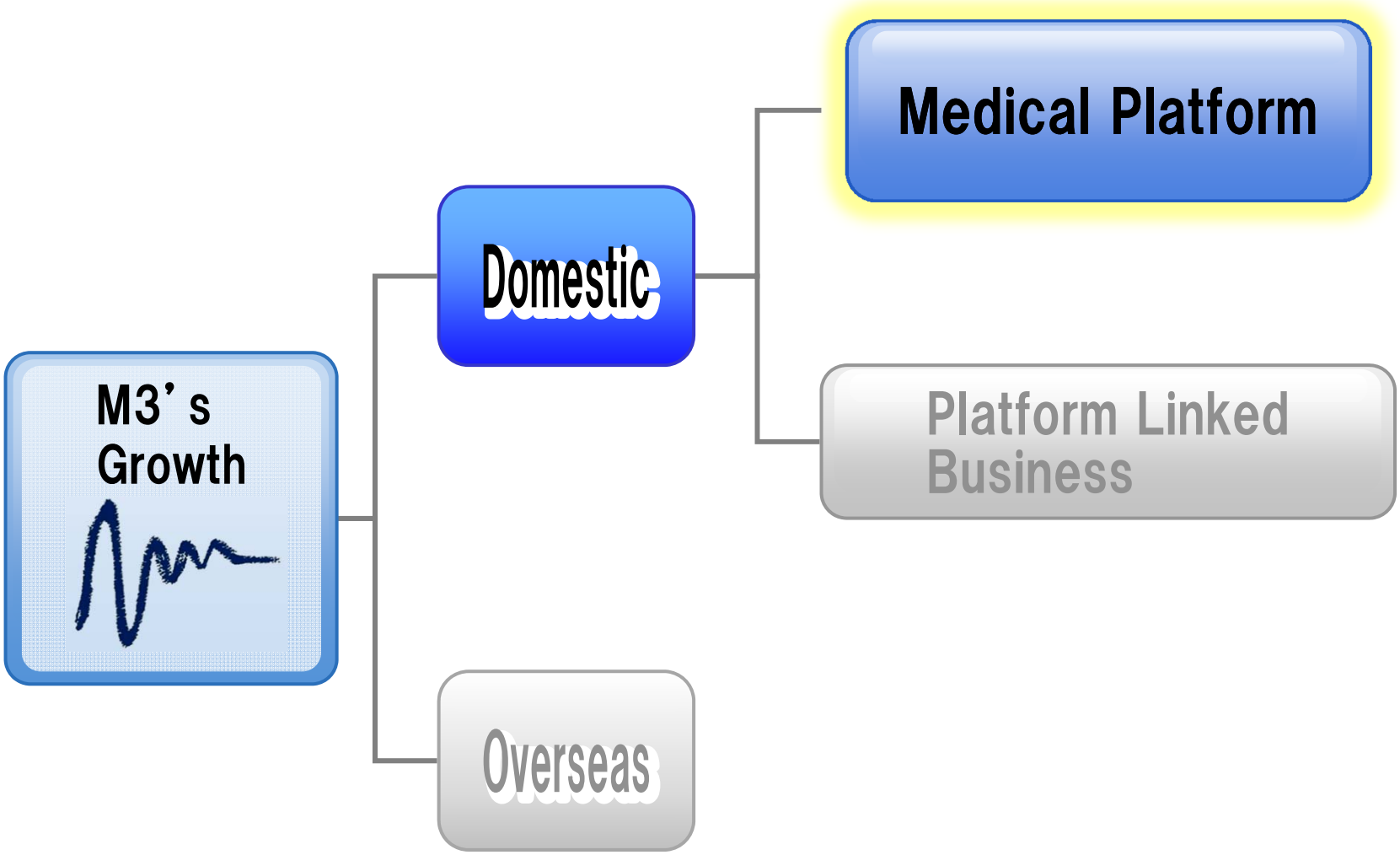
Consolidated Sales Expansion and Business Breakdown

(unit: million yen)



☞ **Medical platform has shown sound growth, while platform linked and overseas have expanded rapidly.**

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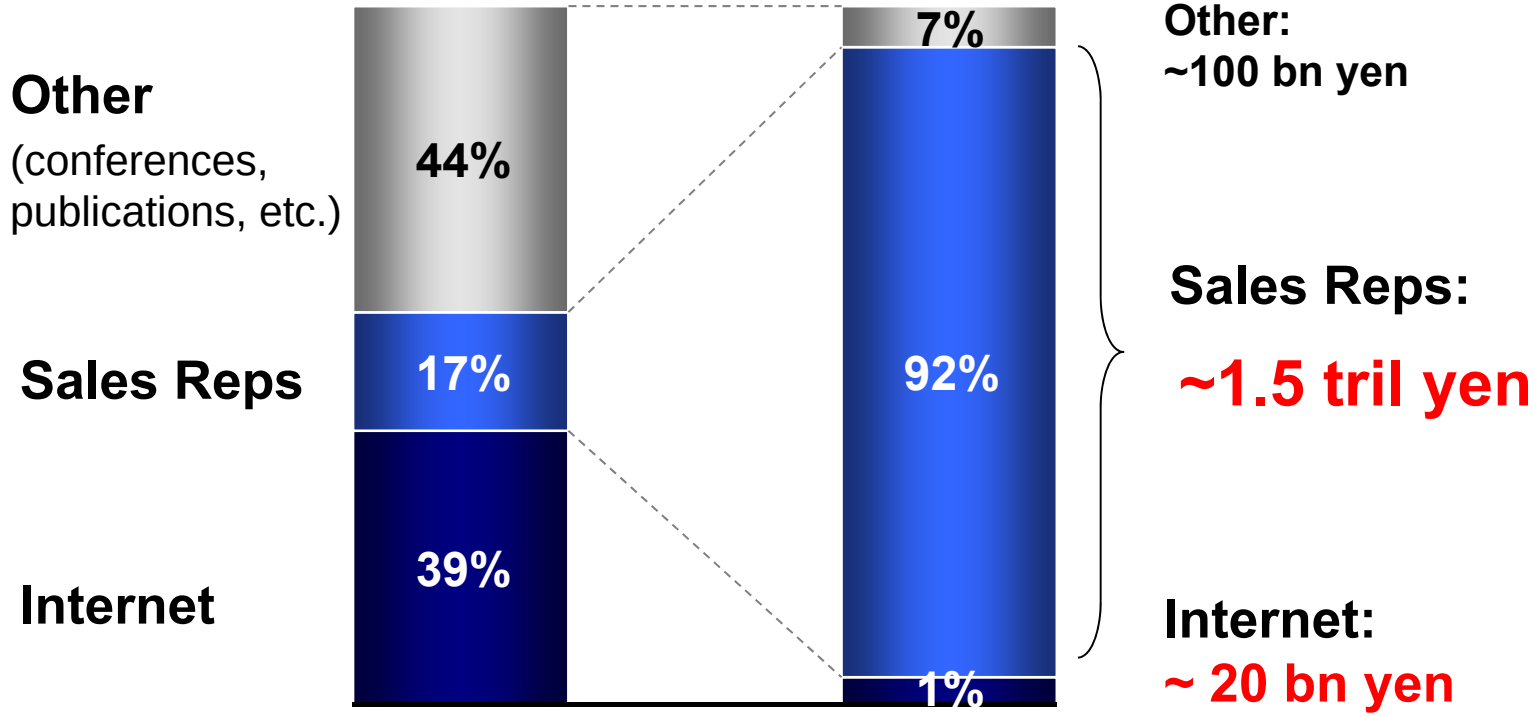
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Doctor's Time Allocation vs Pharma's Budget Allocation

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.

Time Allocation
of doctors collecting info

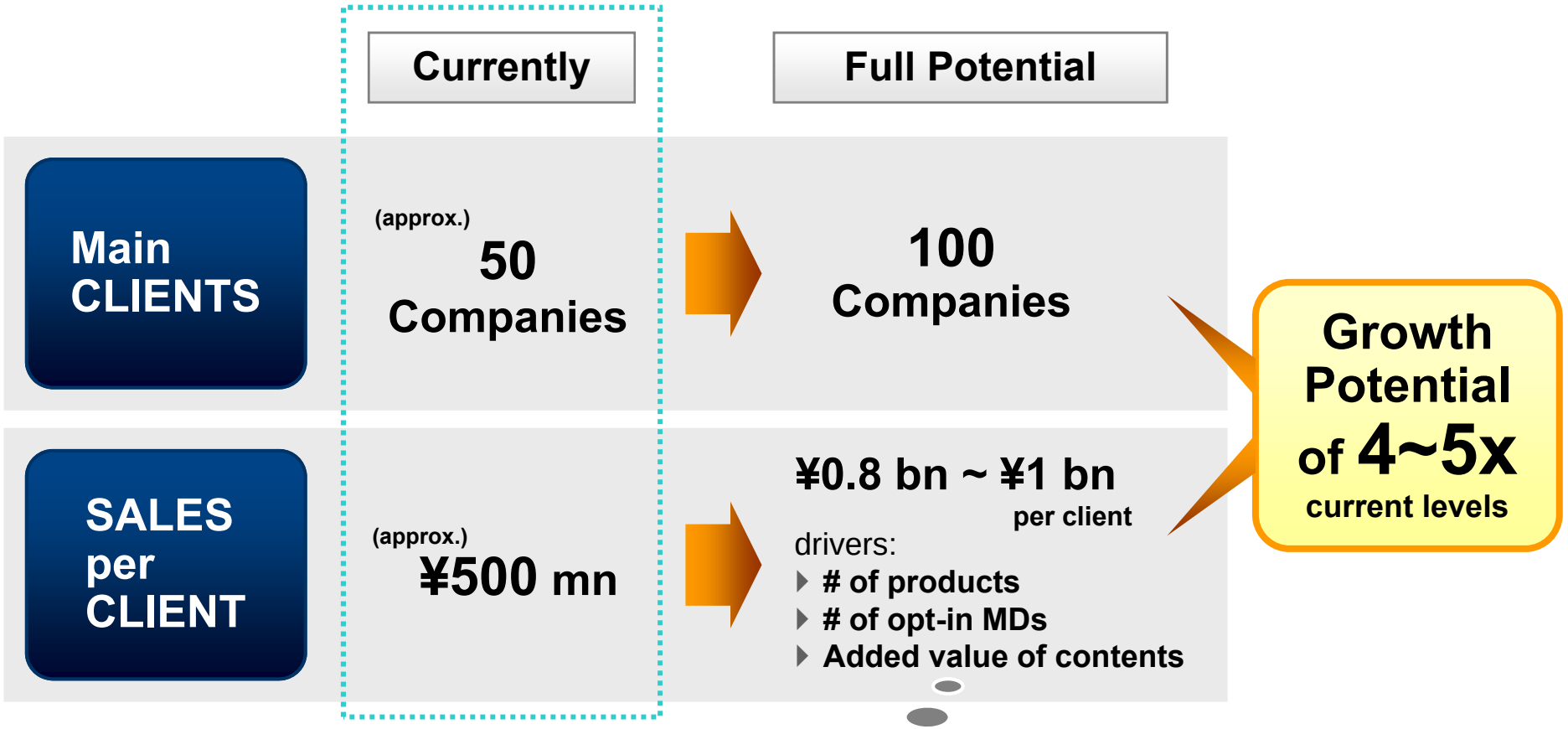
Marketing Budget Allocation
of drug companies in Japan



Source: M3 research, percentages are approximate

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Medical Platform Growth Potential in Japan

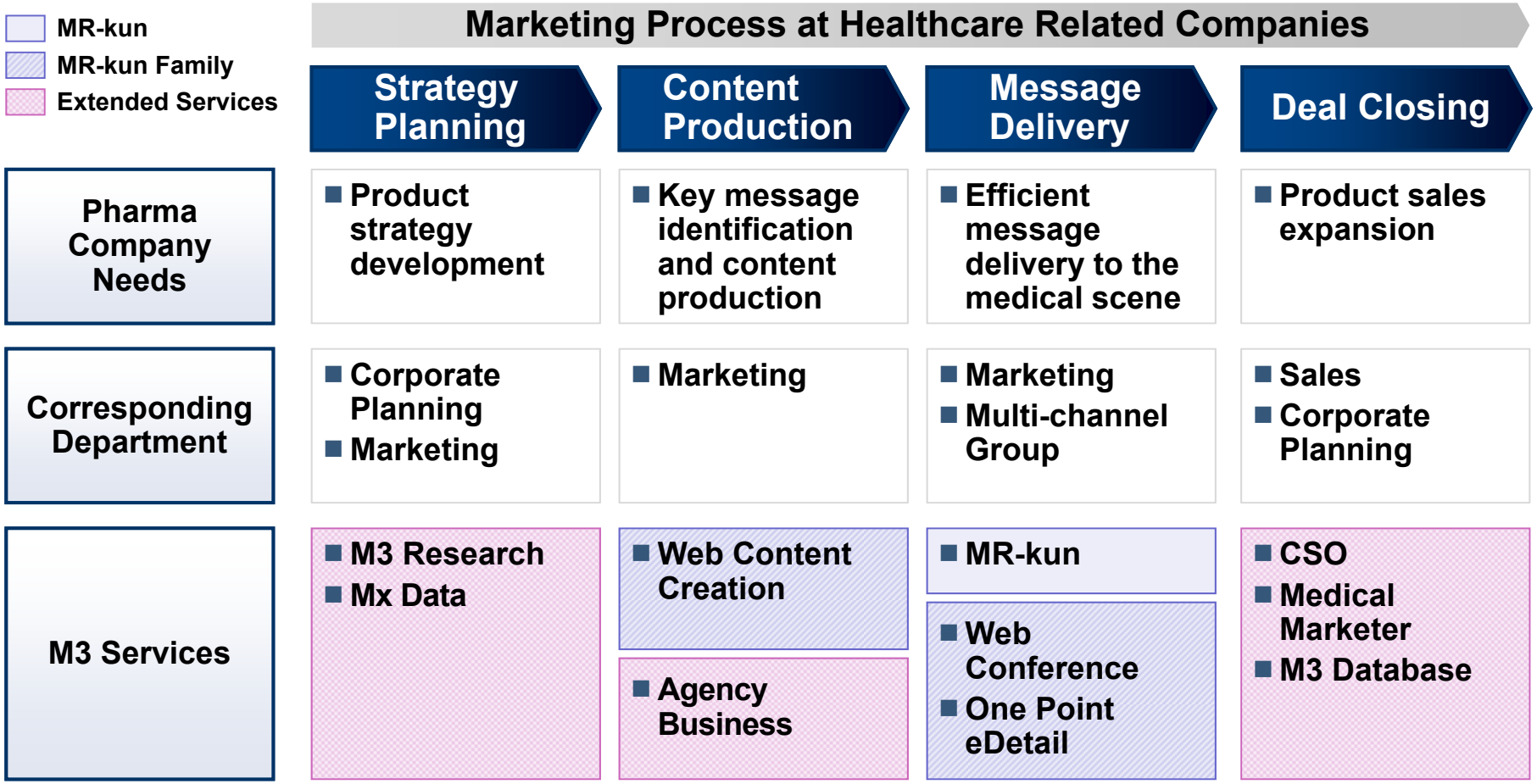


Increase in broader service usage from mid-sized clients.

Average revenues from top 20 clients grew at approx. 8% YoY

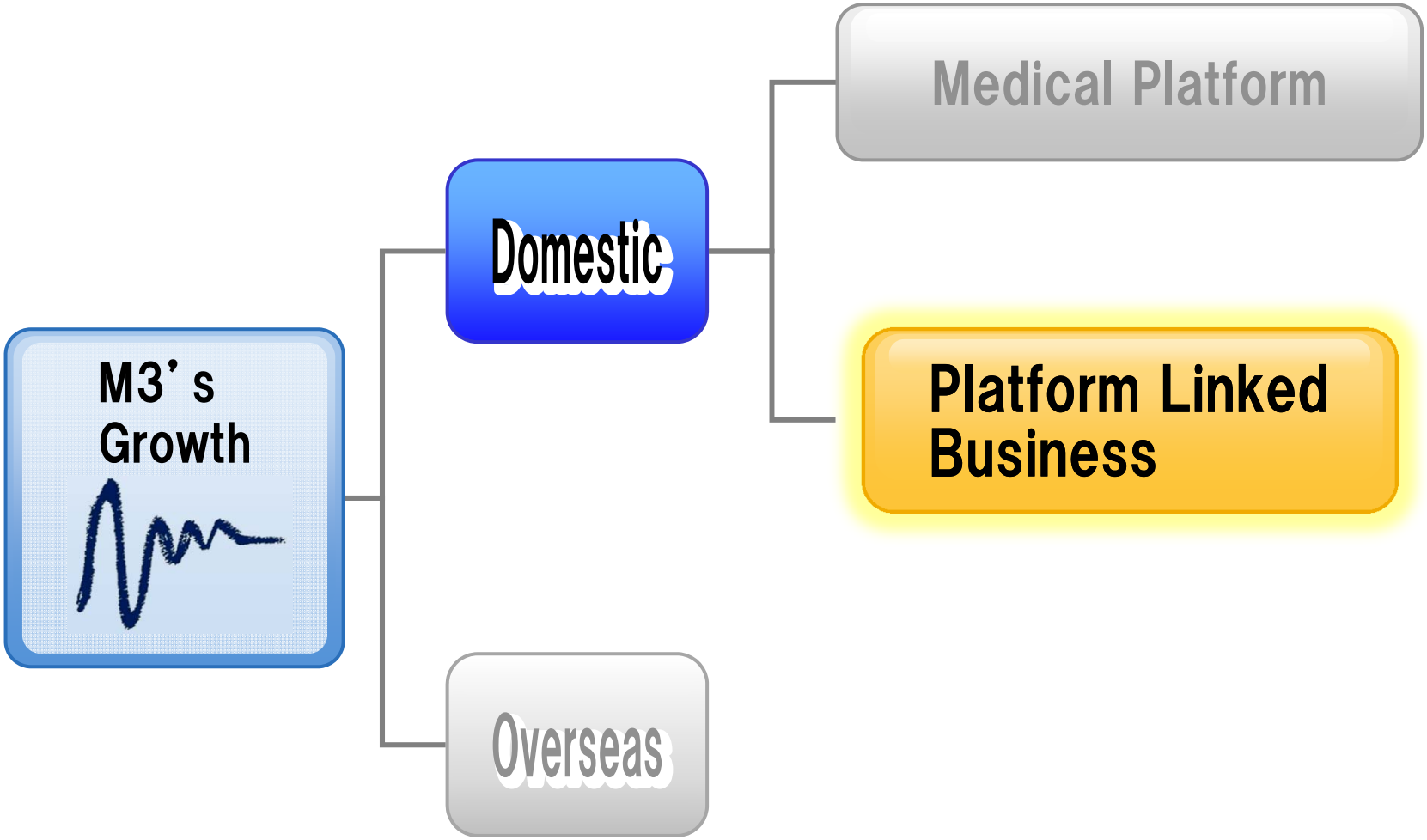
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Medical Platform Services



☞ **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**

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Power of Mr. Finder in Drug Development

“Making use of the Internet to increase, as much as possible, the number of people who can live longer and healthier lives, and to reduce as much as possible, the amount of unnecessary medical costs.”

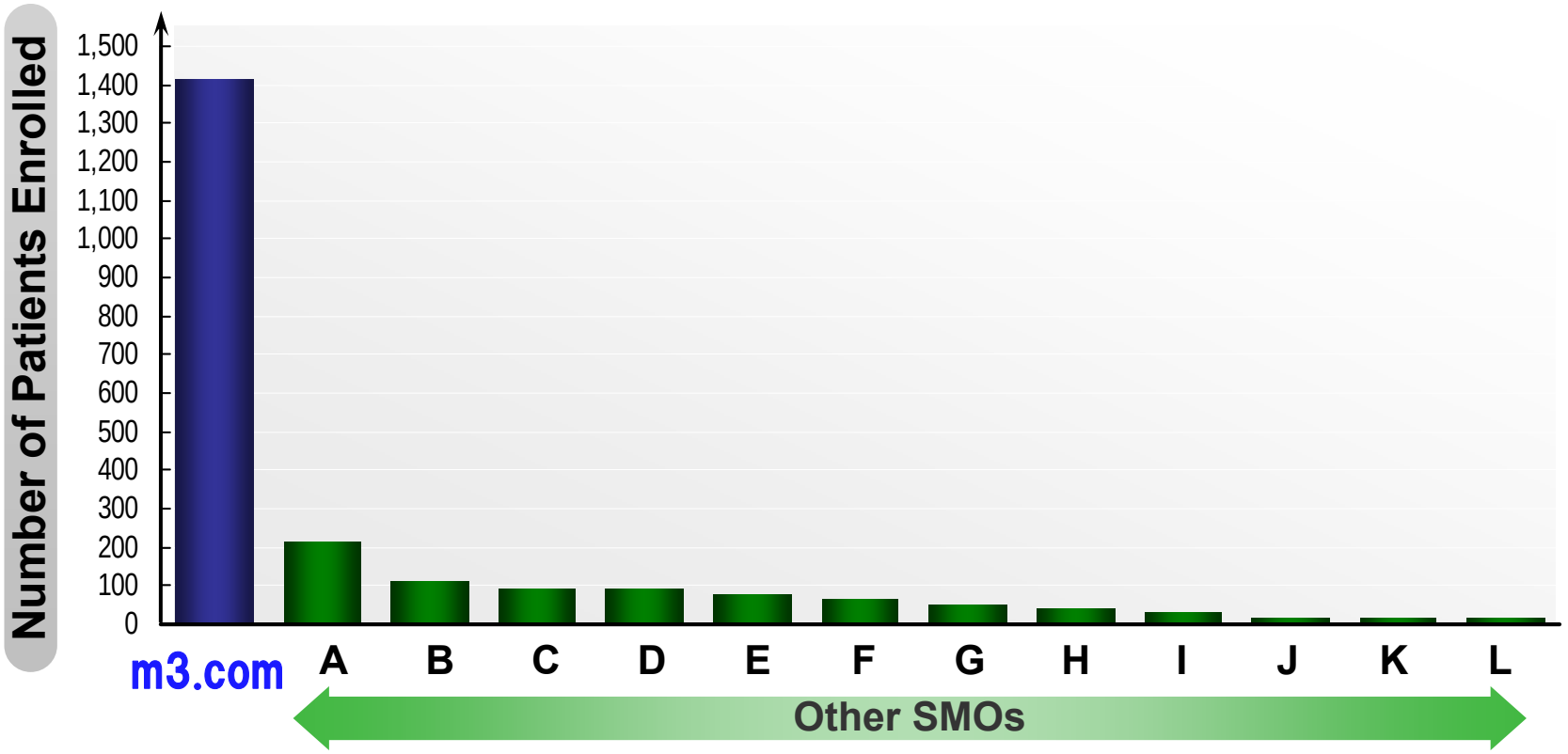
~ 2010	Evolution via MR-kun for pharmaceutical e-Marketing
	Plus
2011 ~	Evolution via Mr. Finder for pharmaceutical e-R&D

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Patient Enrollment in Large-Scale Trials

Case study

Mr. Finder dramatically outpaced competitors both by number and speed in enrolling cases for a particular Endocrinology trial



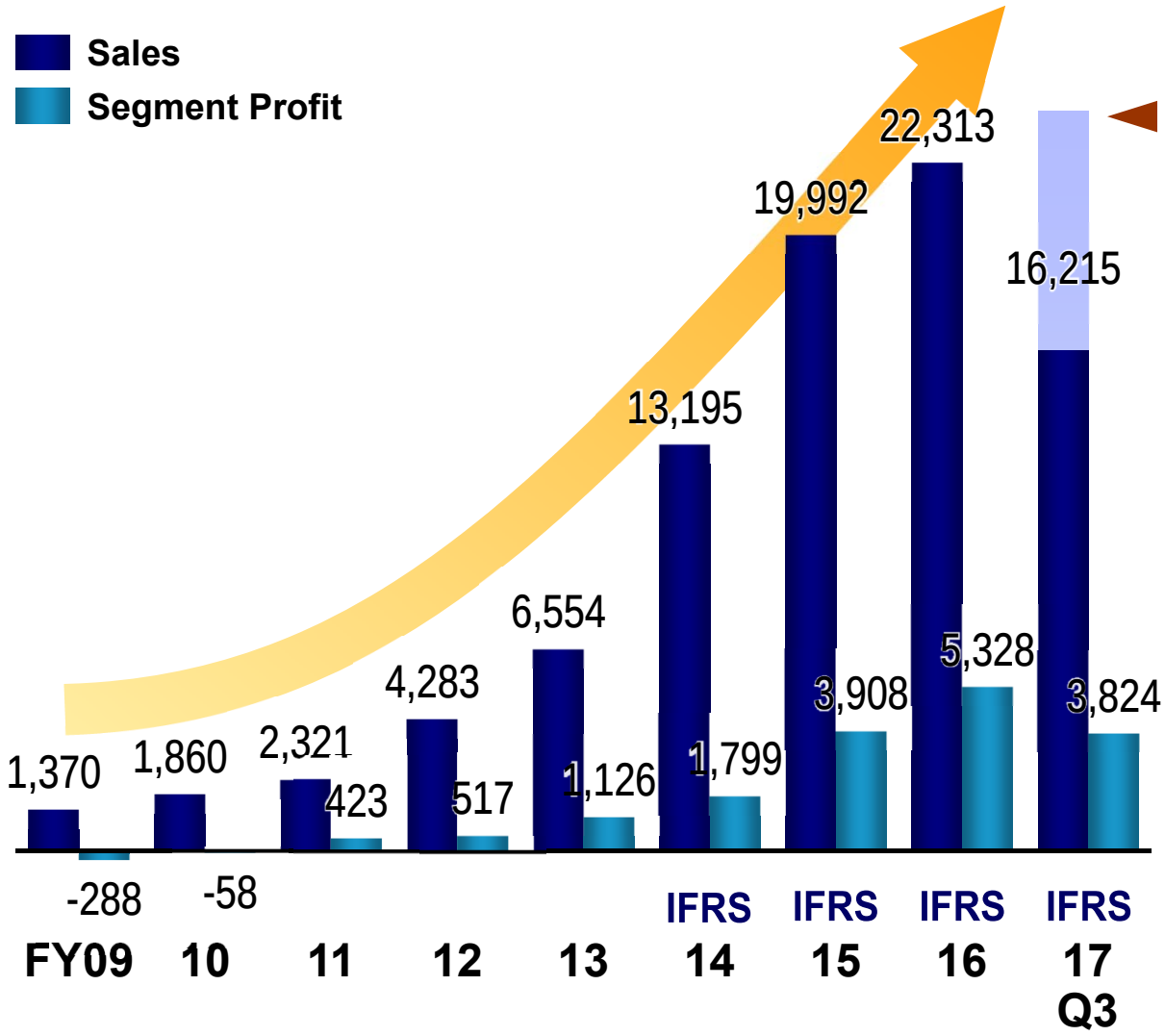
☞ **Expedited enrollment of motivated physicians and patients compared to other SMOs**

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Sales and Profit Trend of Evidence Solution

(million yen)

IRFS

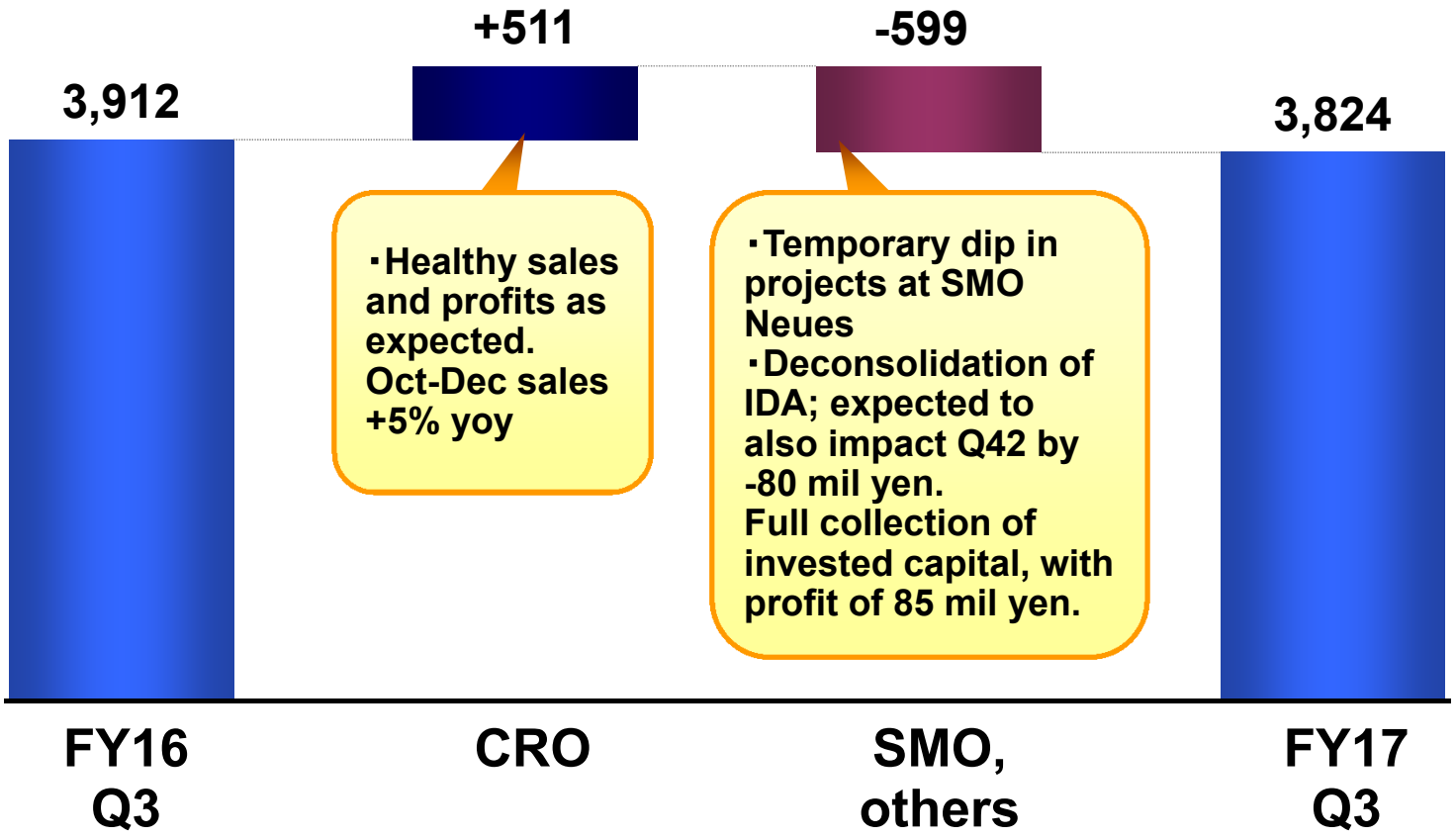


- Orders backlog remained around 29bn yen, with corresponding increases in headcount as upfront investment
- Sales stayed flat due to a dip in projects at SMO Neues, however, margins remained high at 24%

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Evidence Solution Segment Profit Breakdown

(unit: million jpy)

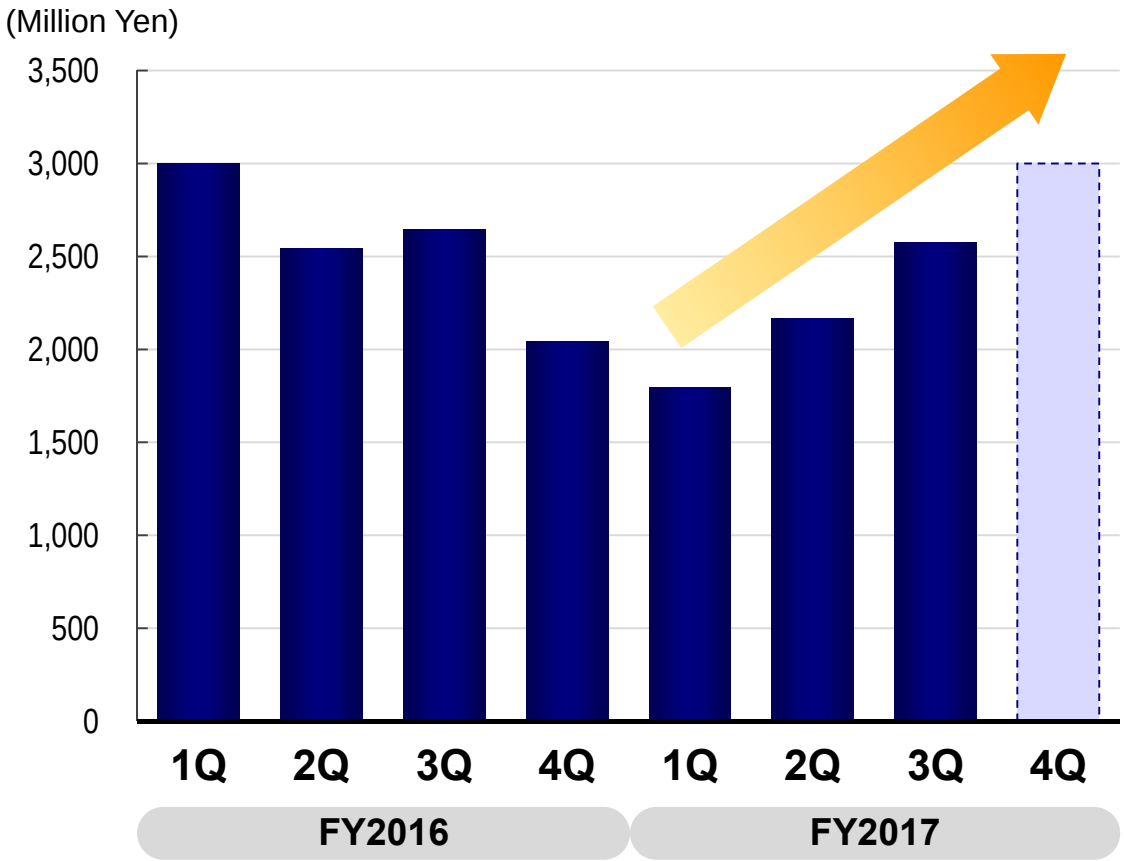


Performance remained healthy at CROs, however, factors such as SMO Neues hitting a dip resulted in the quarter ending flat yoy. SMO orders recovery trend seen into Q4.

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Neues on Recovery Track

Orders Backlog at Quarter Ends



- Backlog on recovery path
- Oct-Dec turned profitable, with further improvement expected in Q4.

☞ **Orders hit a low in Q1 of FY17, and Q3 saw recovery to level of the previous year. Performance also improving.**

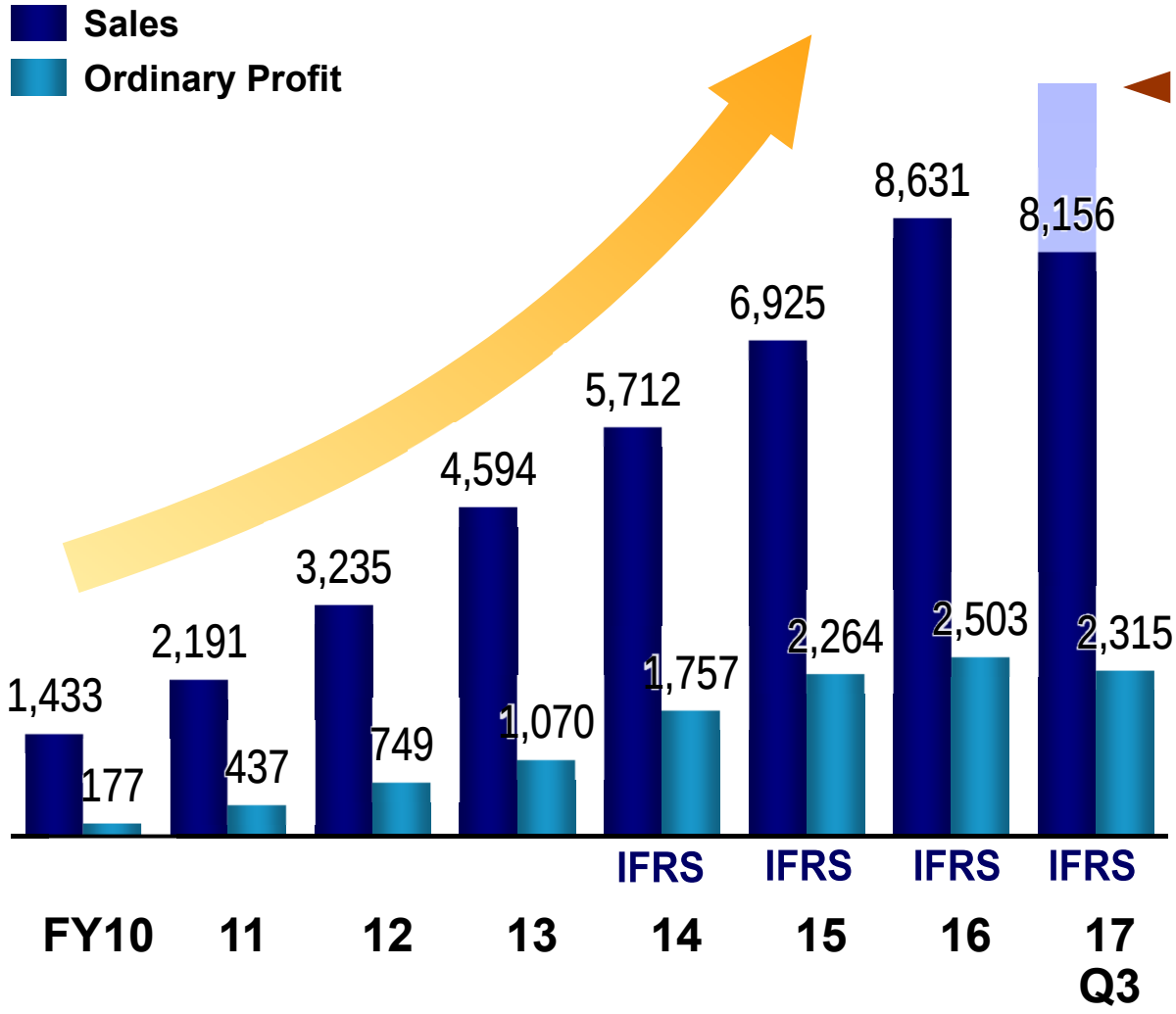
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Sales and Profit Trend of M3 Career

2 Career

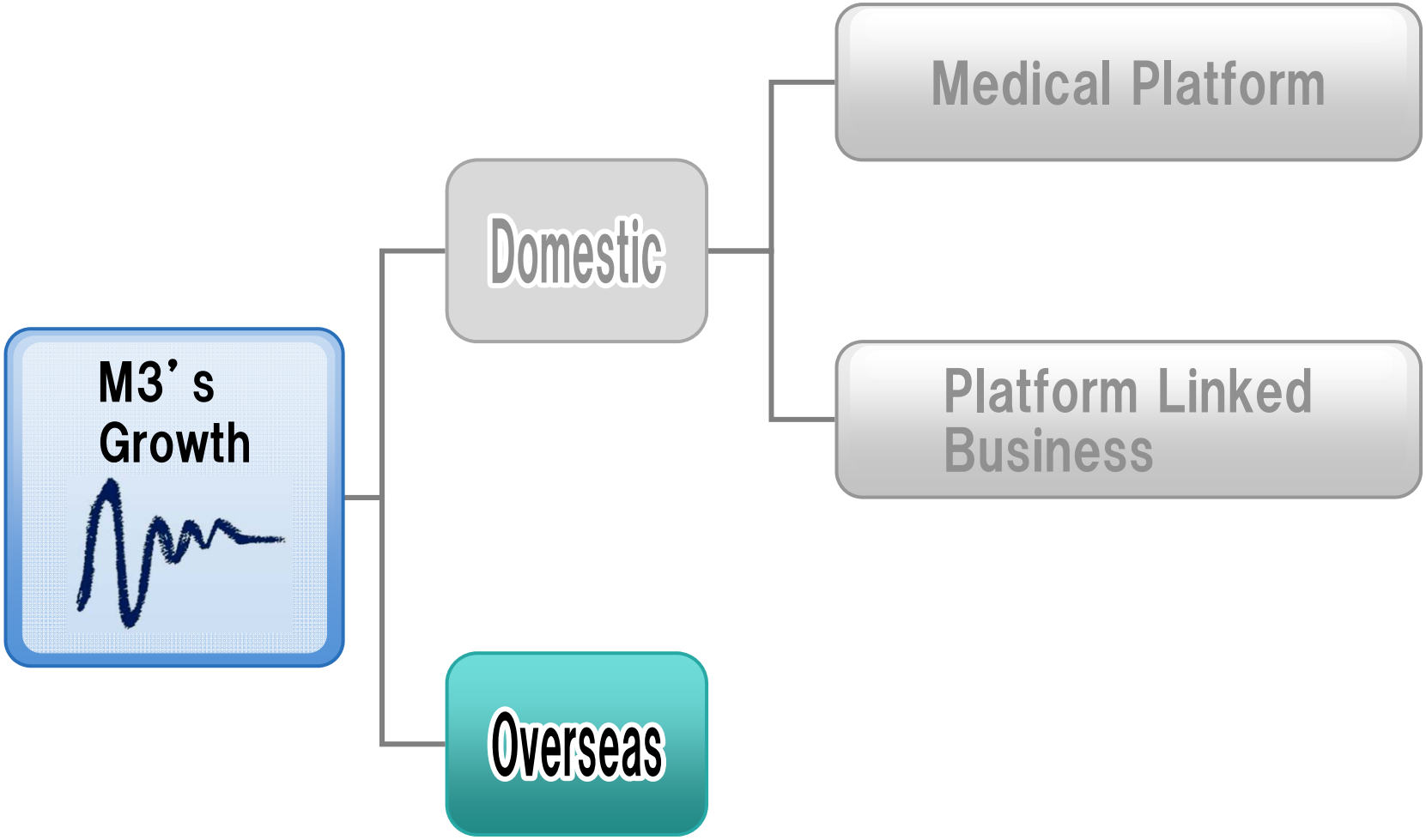
IFRS

(million yen)



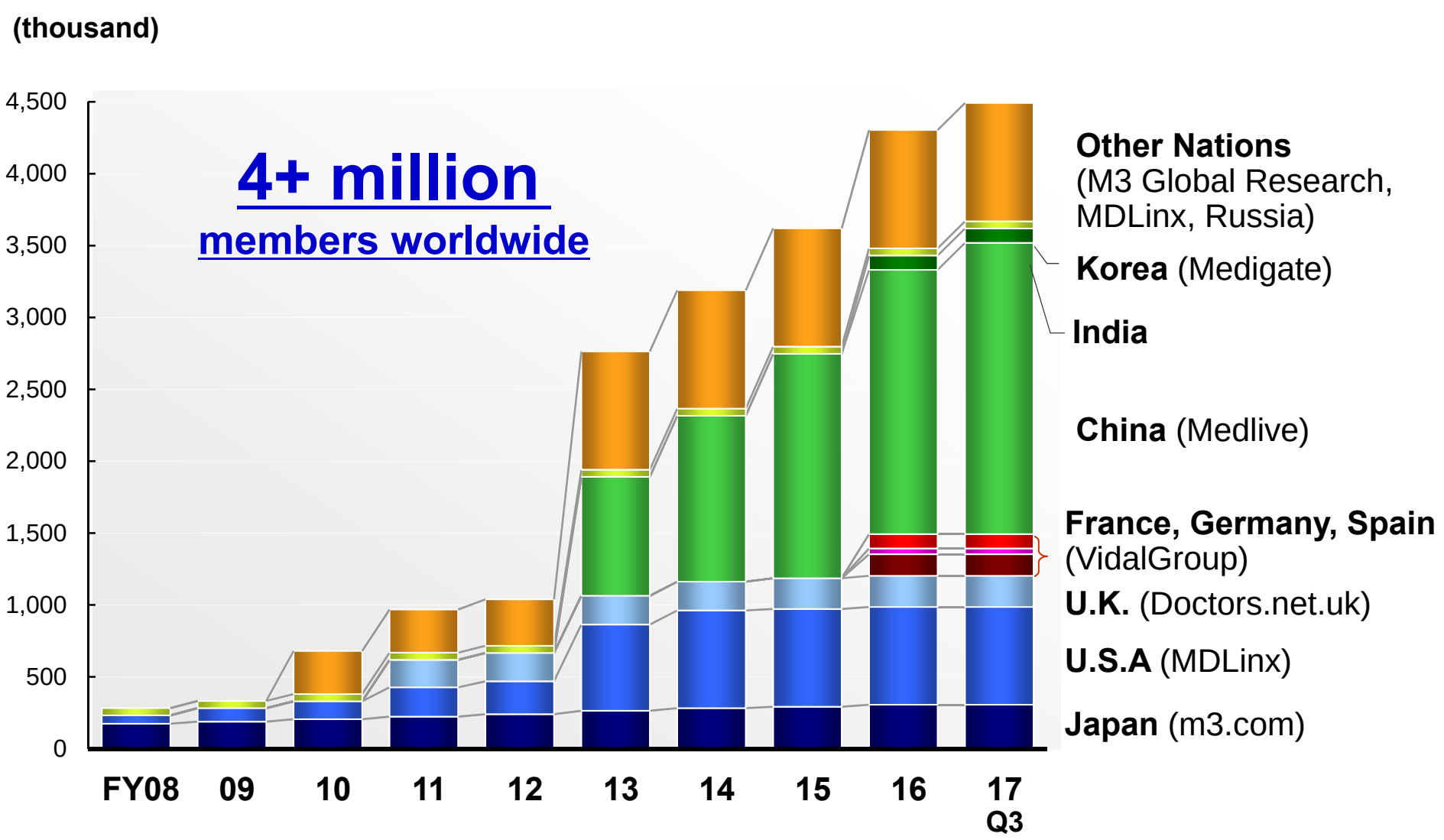
- Sales and profit expansion from increase in staff and productivity
- FY17 should see continued traction from job placement for physicians
- Absorbed upfront hiring impact from Q1, and returned to the usual growth rate

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Number of Physician Members and Panelists (Global)

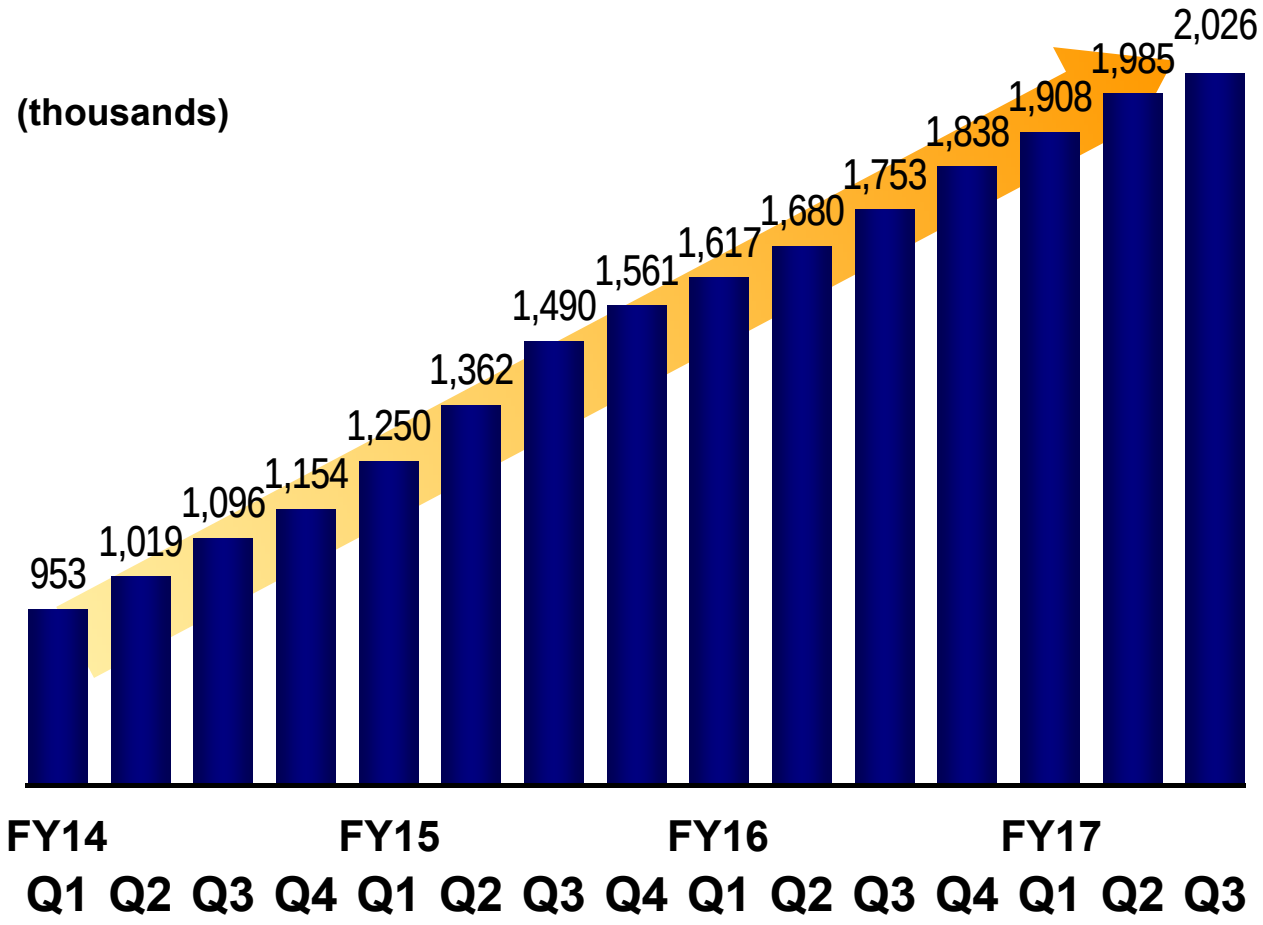


☞ **Over 4 million physicians utilize M3's global platforms**

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China: Membership Expansion

Number of Physician Members in China



- Marketing services for drug companies starting with MR-kun, and marketing research services showed steady growth
- MR-kun is now being utilized for 35 drugs across 11 pharmaceutical companies
- Launched career services for physicians

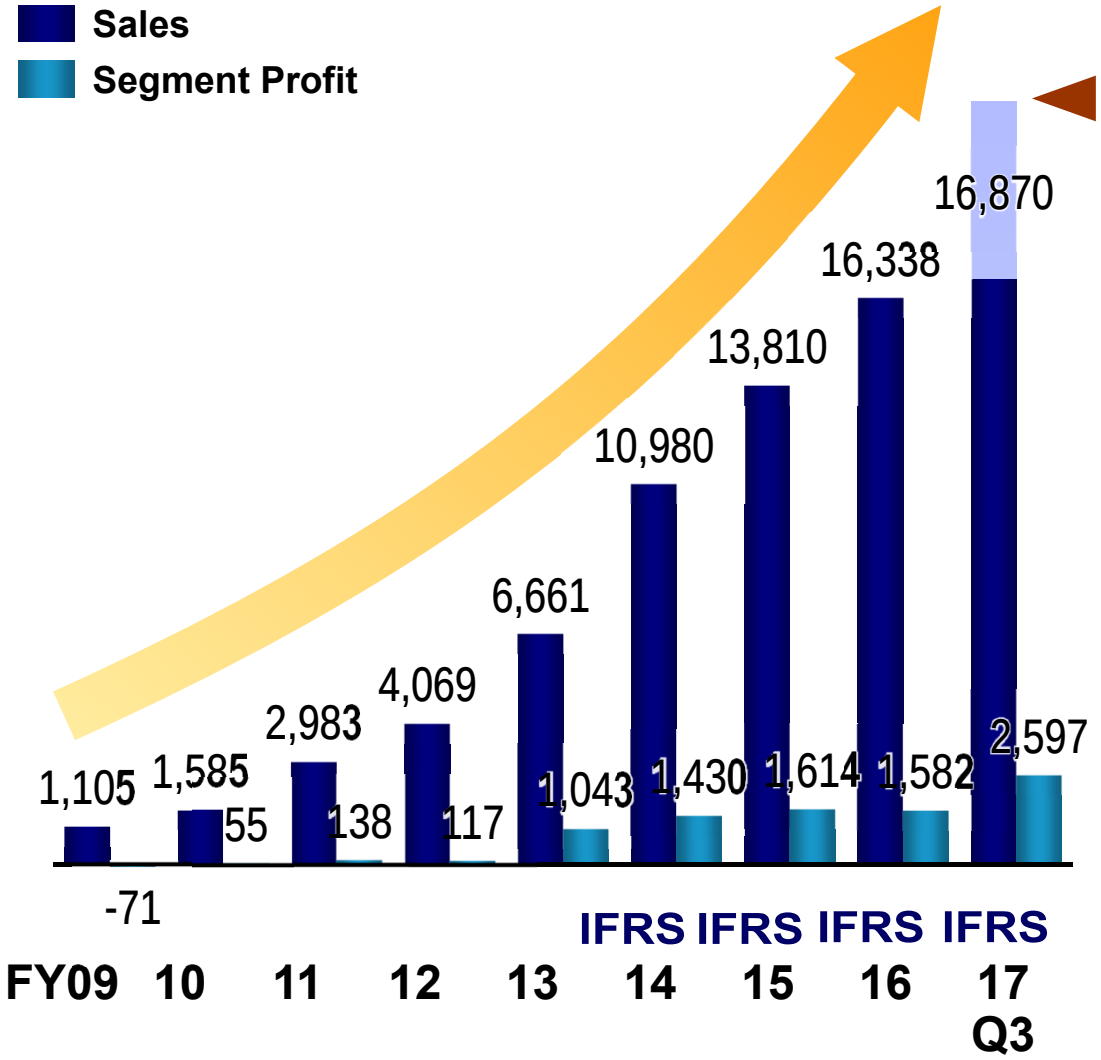
☞ **Topped 2 million physicians members, covering the majority of doctors in China**

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Sales and Profit Trend of Overseas

IFRS

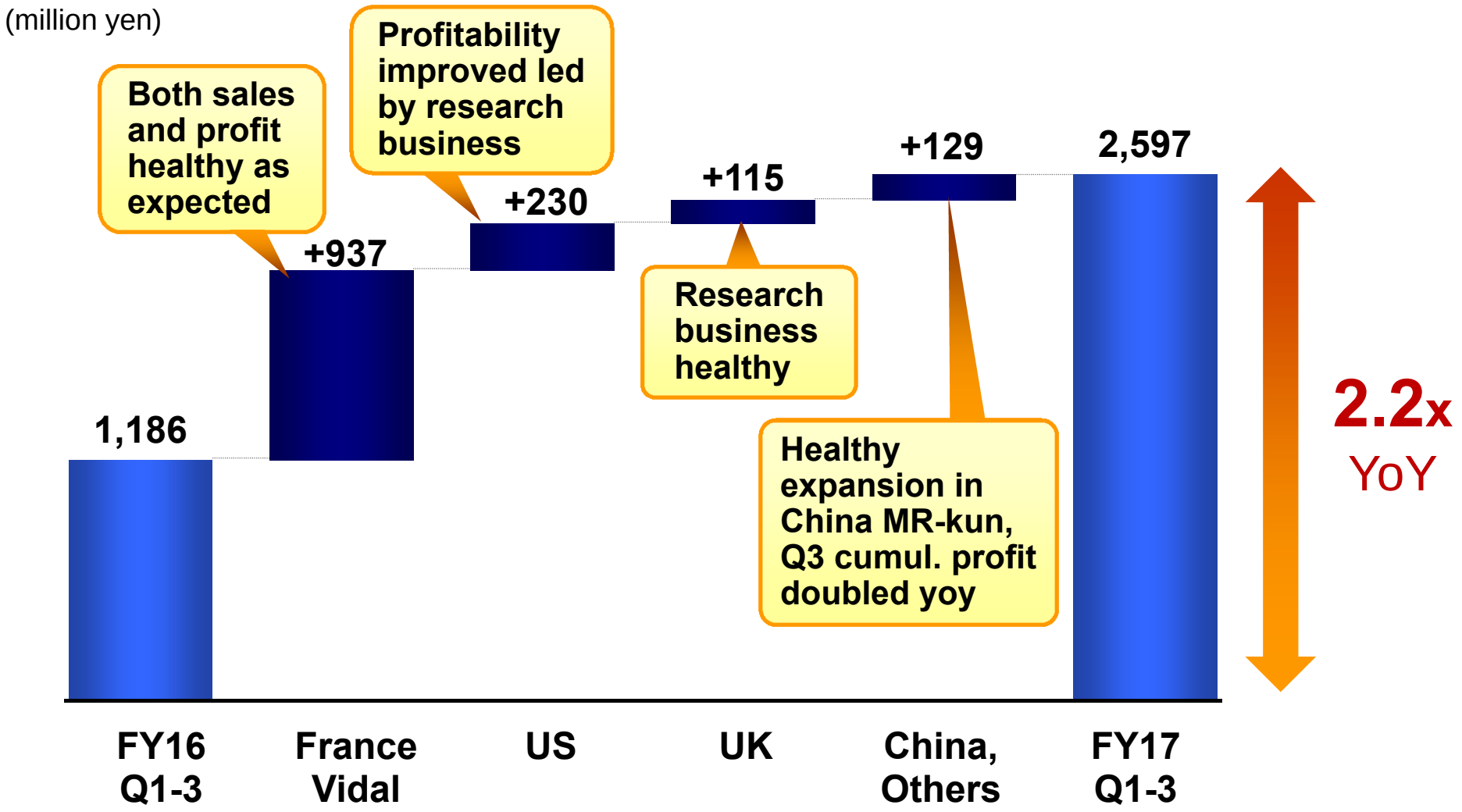
(million yen)



- Profitability in the US and UK improved dramatically led by the research business
- Q3 cumulative profit +119% yoy
- Profit margin expansion from operational improvements. Dispatched personnel from Japan to share accumulated business expertise

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Overseas Segment Profit Breakdown



☞ **US and UK profit expanded in addition to contribution from Vidal. China also at a growth stage.**

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M3 Group's Business Strategy

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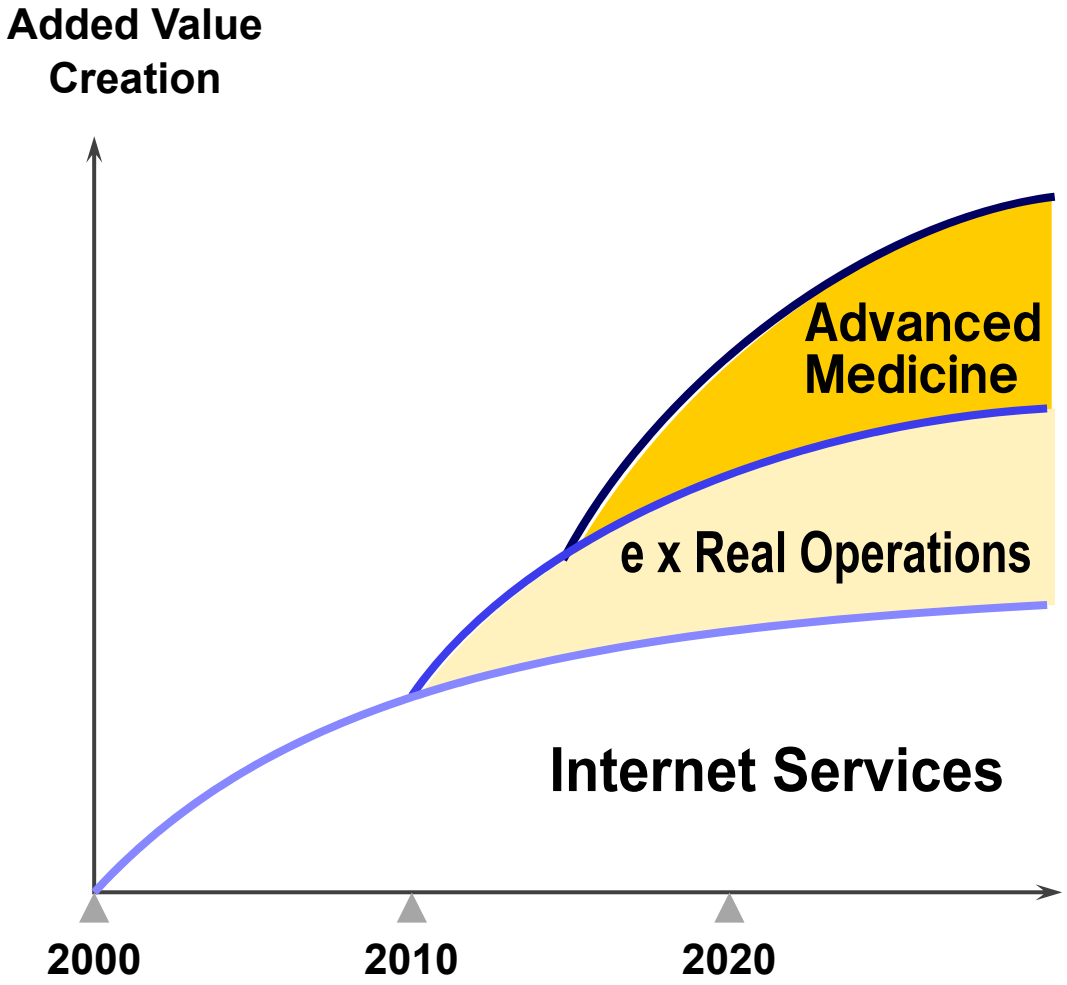
Strategy Change in Business Development

	New Service Development in the Medical Internet Sector (2000~2010)		Internet-Powered PE Style Business Expansion in Healthcare Industry (2011~)
			
Approach	Internet	→	Internet + Real Operations
Service Coverage	Web-based eTools	→	Entire Value-Chain
Potential Business Domains	~10	→	30 ~ 50 (~ 200 including overseas)
Profitability	High profitability (Mid absolute profit)	→	High absolute profit (Mid profitability)
M&A	Small	→	Medium ~ Large

☞ **M3 is uniquely positioned to transform the health care industry via its**
1) Platform 2) Industry Expertise and
3) Human Resources (management and engineering)

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Evolution of M3 Growth Drivers



Main Initiatives

- Seeds Rocket / M3i
- Various solutions within cancer specialties
- M3 AI Labo
- Genome Diagnosis / G-TAC

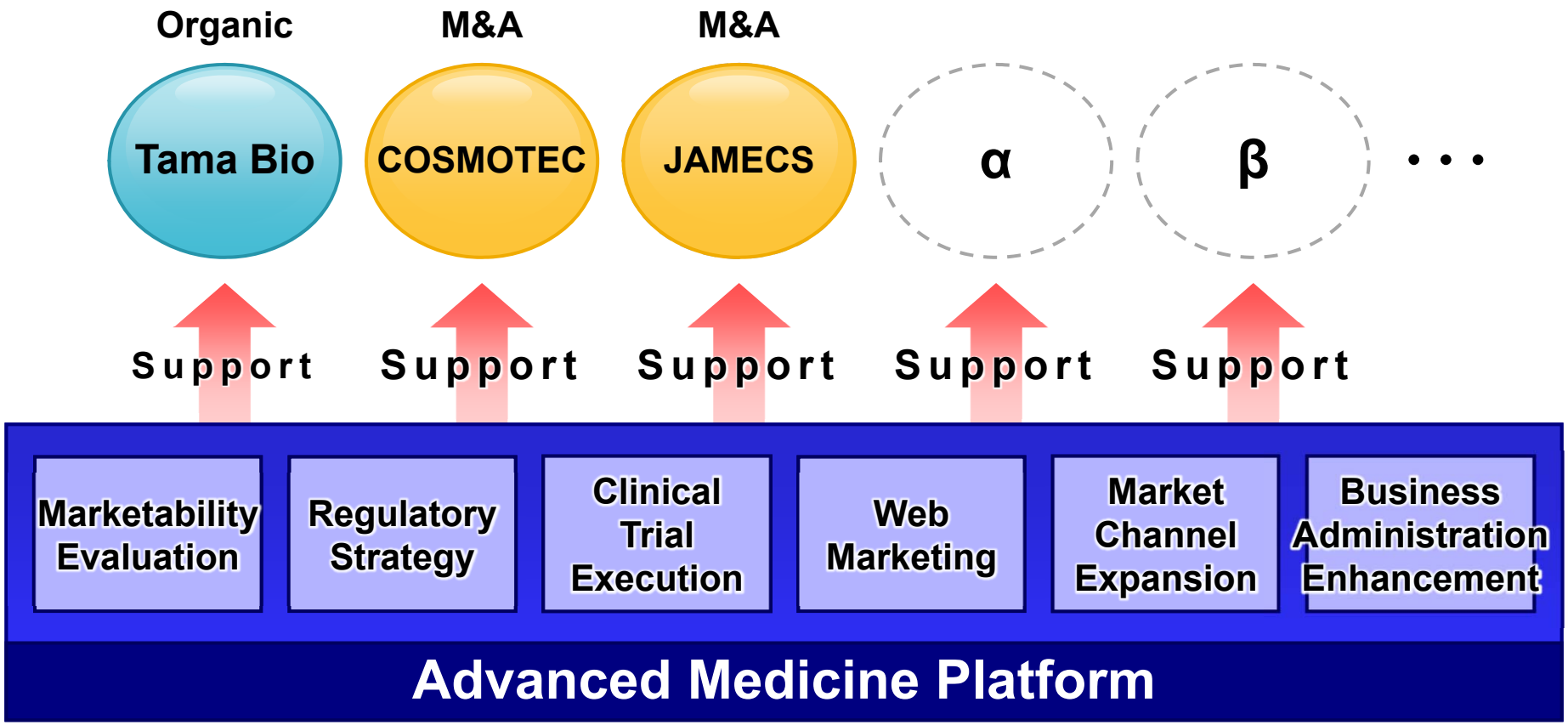
- e-Clinical Trials
- M3 Career (Job placement for physicians)

- MR-kun Family
- Web Surveys

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

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Businesses Supported by the Advanced Medicine Platform



☞ **Continued fortification and commonization of the M3 platform.**
Objective to expand the advanced medicine business to equal or greater scale than existing businesses such as “MR-kun Family” and “Clinical Trials”

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M3's A.I. Initiatives within Healthcare

A I



Highly expert team consisting 10+ members such as A.I. engineers and data scientists

Website Activation

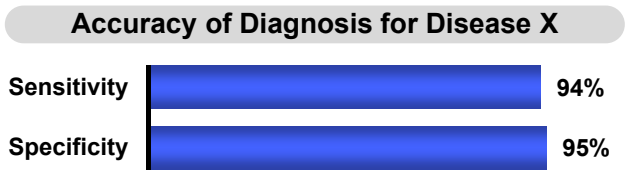
- Analysis of user activity logs across M3 operated sites such as m3.com
- Application of A.I. to optimally customize user experiences created an uplift of a few billion yen in profit

Personalized Content Delivery



A.I. Diagnostics

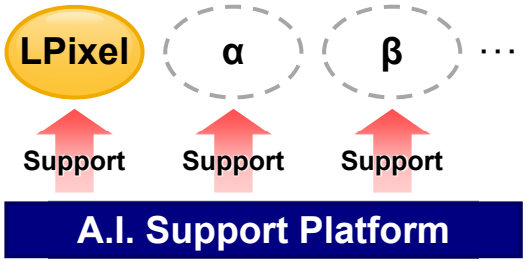
- Established internal team dedicated to A.I. medical device regulations
- Including induction of overseas technologies, results already seen in several diagnostic imaging areas, with product development (approval) in progress





Incubation

- Provision of M3 resources to support companies researching frontline A.I. medical technologies
- Large scale partnerships in review



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M3's Genome Business Development

Genome Business



Genome Diagnostics Lineup

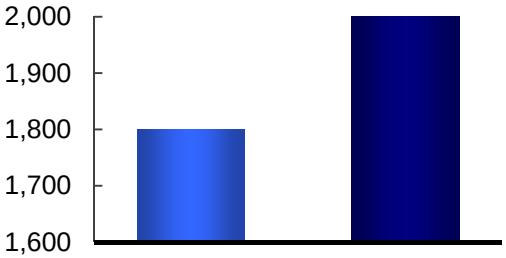
- **Expansion of professional genome diagnostic test lineup offered by GTAC. Partnerships with 11 overseas producers of leading edge diagnostics. Over 30 types of tests now available through the platform**



GTAC Diagnostics Partnership Facilities

- **Alliances with over 1,800 medical institutions to provide genome diagnostic tests offered by GTAC. Expected to top 2,000 institutions in the near future**

Medical Site Alliances



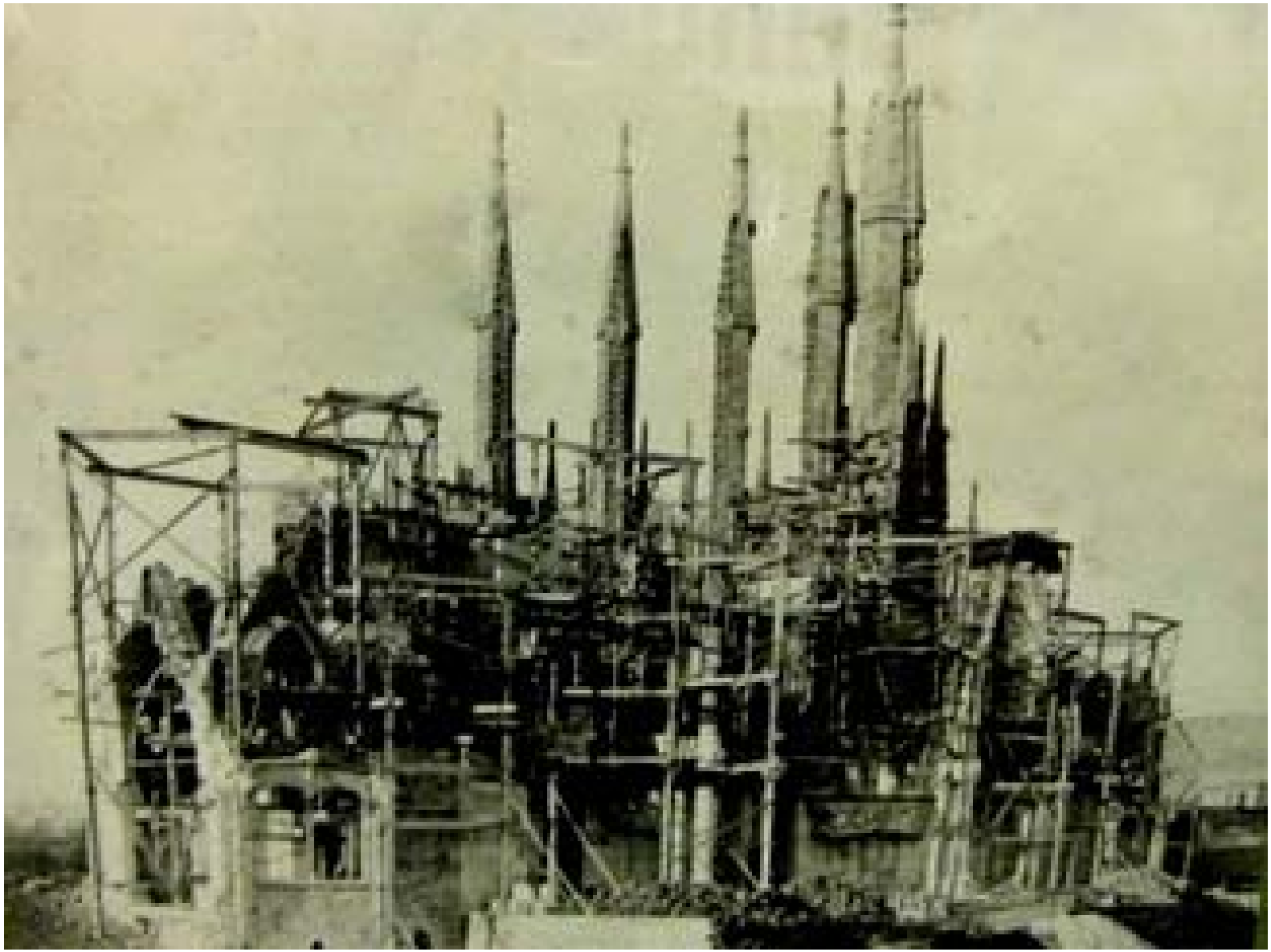
P5 Diagnostics Provision Facilities

- **Over 7 top medical institutions now offering P5's cancer diagnostic test** (OKAYAMA UNIVERSITY HOSPITAL, FUJITA HEALTH UNVERSITY HOSPITAL, Kobe City Medical Center General Hospital, others)
- **Addition of over 20 more institutions underway**



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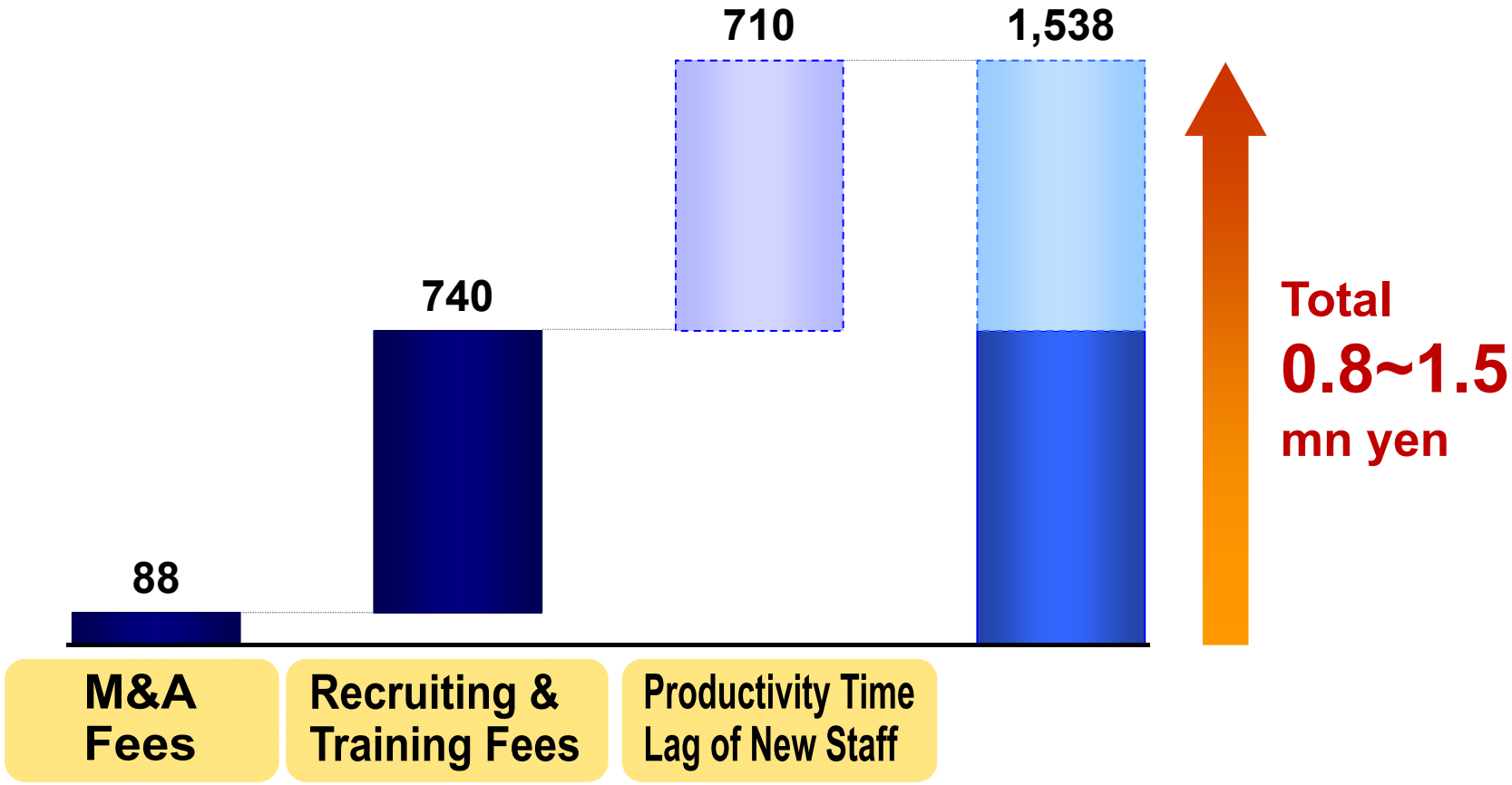
M3 is Just Getting Started



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Upfront Investment Costs for Future Growth

(Unit: Million Yen)

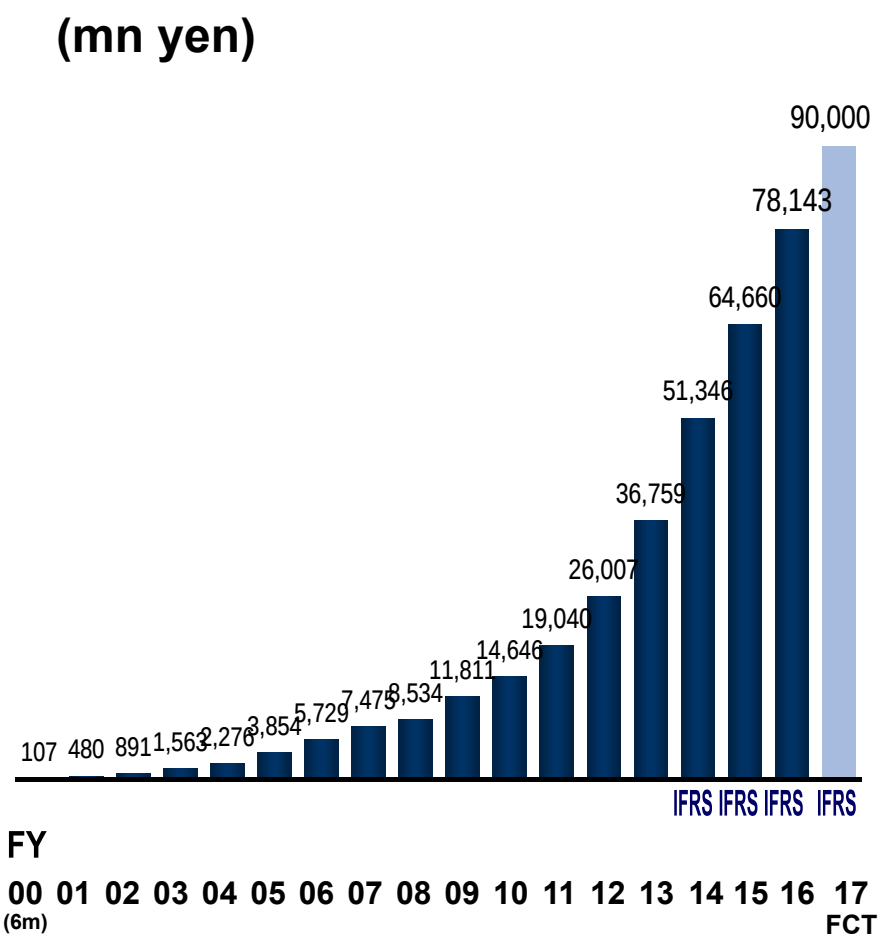


☞ **Special costs incurred in anticipation of 0.8~1.5 bn yen. Aggressive upfront investment to continue.**

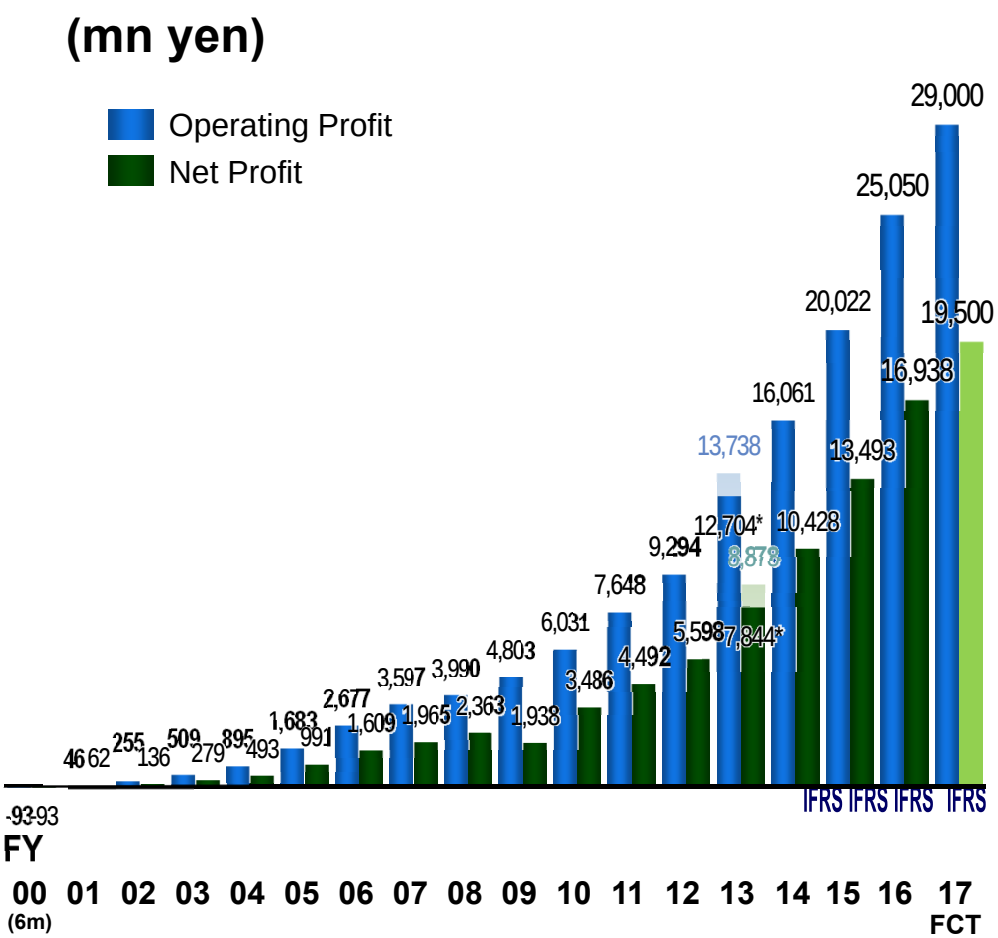
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Annual Results & Forecast for FY2017

Sales



Operating Profit & Net Profit



* Extraordinary profit from acquisition of MPI: 1,034 mn yen

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Creating New Value in Healthcare



M3

Medicine
Media
Metamorphosis

Healthcare sector is enormous…

- **Japanese national spending on medical services is approximately ¥33tn** (¥50tn including peripheral businesses)
- **Equivalent to 10% of Japanese GDP**
- **Sector controlled by only 290,000 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**

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Appendix

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Segment Definition Changes

Previous and New Segment Correspondence Chart

New Segments	Original Segments: Medical Portal: MR-kun Family	Medical Portal: Research /Data	Medical Portal: M3 Career	Medical Portal: Ask Doctors	Evidence Solution	Clinical Platform	Sales Platform	Overseas	Others
Medical Platform	●	●				●	●		
Evidence Solution					●				
Career Solution			●						
Overseas								●	
Other Emerging Businesses				●					●

Combined all related businesses into this Medical Platform segment given the development of businesses that integrate internet and real operational capabilities

Extracted as a new segment due to the nature and expanded size of the business

Combined other emerging businesses and the consumer business originally under the previous Medical Portal

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