M3, Inc.
Presentation Material

October 2018



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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.

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FY2018 H1 Consolidated Results

IFRS9

(million yen)	FY2017 H1	FY2018 H1	YoY
Sales	42,849	53,275	+24%
Operating Profit	12,162	13,875	+14%*
Pre-tax Profit	12,259	13,993	+14%*
Net Profit	8,029	9,626	+20%

* Pro Forma Standard Taxation effect was -104 million yen.
Actual profit growth was +15% yoy.

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FY2018 H1 Consolidated Results by Segment

(million yen)

			FY2017 H1	FY2018 H1	YoY (cumulative)
Domestic	Medical Platform	Sales	14,089	18,403	+31%
		Profit	6,529	6,134	-6%*
	Evidence Solution	Sales	10,712	10,975	+3%
		Profit	2,393	2,764	+16%
	Career Solution	Sales	5,620	7,711	+37%
		Profit	1,766	2,750	+56%
	Other Emerging Businesses	Sales	2,799	5,640	+102%
		Profit	537	665	+24%
Overseas		Sales	10,757	11,778	+10%
		Profit	1,454	1,553	+7%

Upfront investment in sales force and range of new businesses such as AI

Sales and profits grew despite effects from de-consolidation of IDA

Both physician and pharmacist placements are healthy

Healthy expansion of future growth drivers

Steady expansion of sales and profit

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

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Implication of Upfront Investment in Medical PF Businesses

Reference
Pre IFRS9

Million jpy

		FY2016 H1	FY2017 H1	YoY
Medical Platform	Sales	11,859	14,089	+19%
	Profit	5,815	6,640	+14%
Evidence Solution	Sales	10,732	10,712	0%
	Profit	2,343	2,393	+2%
Career Solution	Sales	4,819	5,620	+17%
	Profit	1,793	1,766	-2%
Overseas	Sales	7,007	10,757	+54%
	Profit	453	1,454	+221%
Other Emerging Businesses	Sales	1,557	2,799	+80%
	Profit	351	537	+53%

Upfront investment in the career business last year contributed to strong growth this year (sales +37%, profits +56%)

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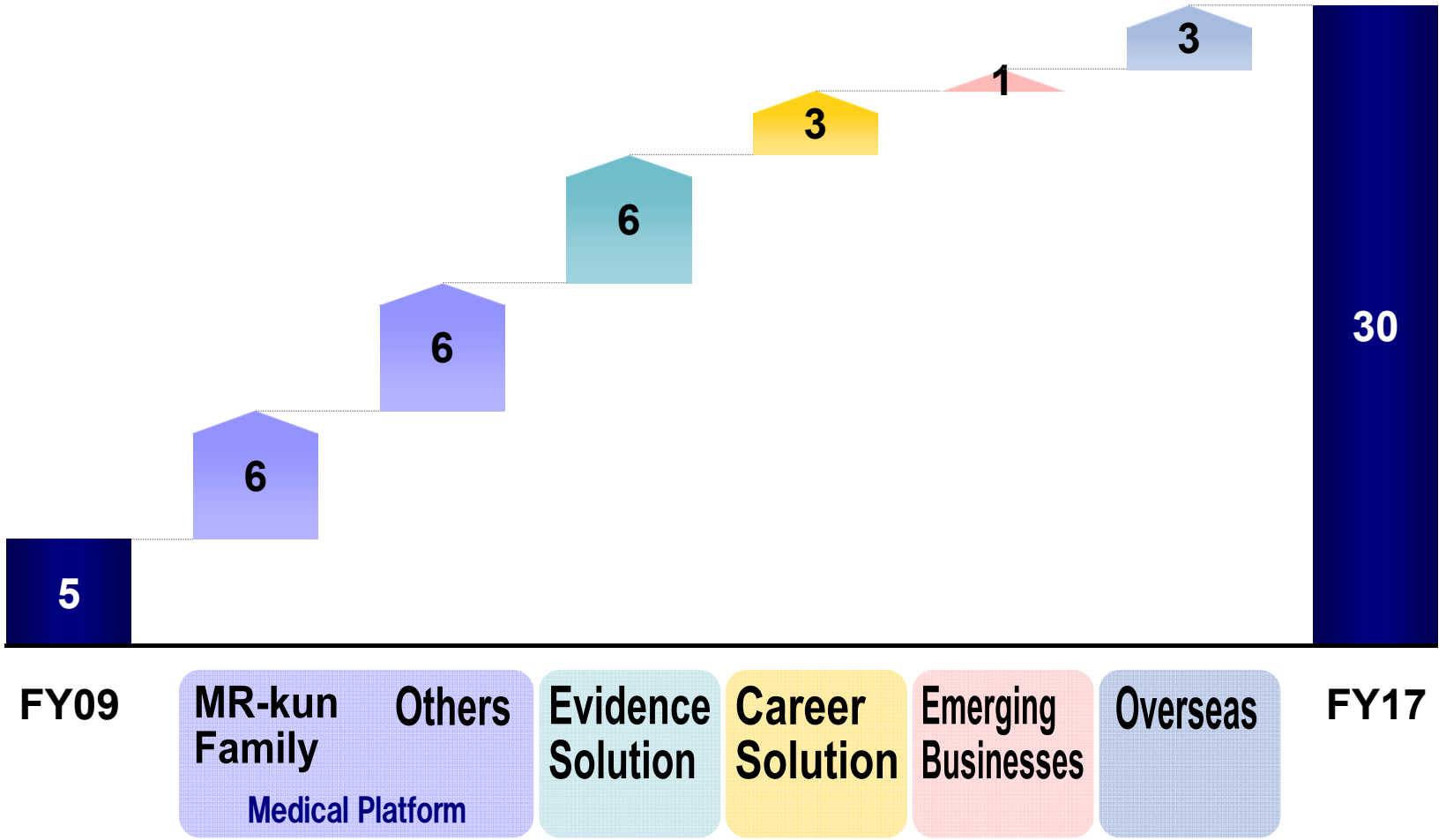
Segment Contribution to Profit Growth (FY09 → FY17)

(billion yen)



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

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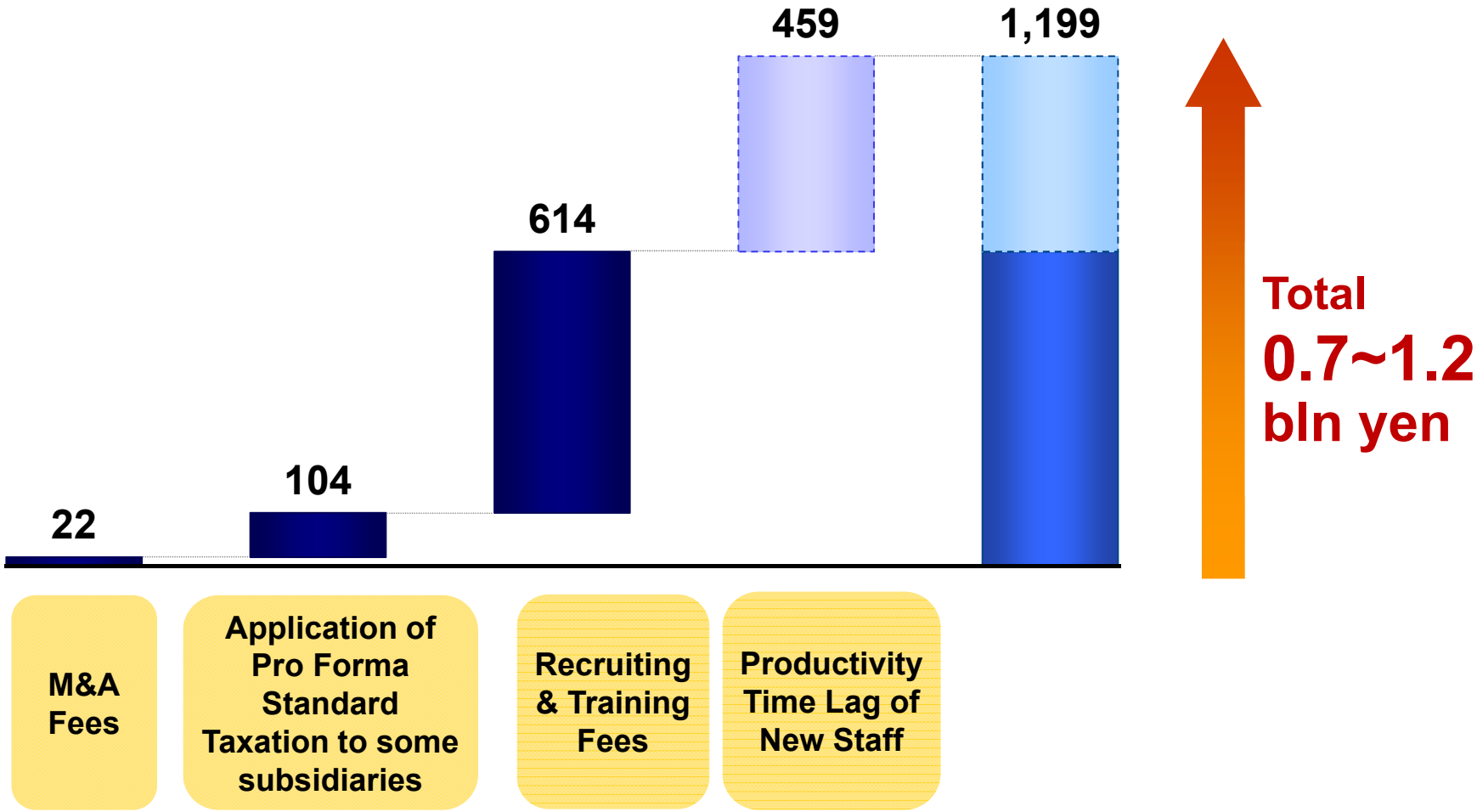
Upfront Investment Costs for Future Growth

Unit: million yen



☞ **Special costs incurred dampened profits by 0.7 ~ 1.2 bn yen. Aggressive upfront investment to continue.**

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FY2018 H1 Overview

Medical Platform

- Diversification of marketing support business for pharmaceutical and medical device companies plus M&A effects drove sales higher by +31% yoy
- Precedent costs in FY18 from aggressive upfront investments (advanced medicine business such as AI, marketing team reinforcements)

Evidence Solution

- Sales grew to 11.0 bn yen despite deconsolidation of IDA, with improvement in profit to +16% yoy
- Orders backlog remains at 26 bn yen, with op margins at 25%

Career Solution

- Both physician and pharmacist inflow remain robust and accelerated growth, with sales at 7.7 bn yen (+37% yoy) and op. profit at 2.8 bn yen (+56% yoy)

Emerging Businesses

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

Overseas

- Continued sales and profit growth with contribution such as from the acquisition of WAKE
- Sales: 11.8 bn yen (+9% yoy), Op. Profit: 1.6 bn yen (+7% yoy)

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M&A in Q2

JAPAN

Y's
(Stroke Rehabilitation Center)

- **Operates 10 non-insurance covered stroke rehabilitation centers across the Kanto area**
- **One of market industry leaders**
- **Expected to contribute as part of 7P Projects**
- **Sales approx. 5 mio usd, slightly in the red, upfront investment expected to continue**

JAPAN

ALMEC
(Previously Shin Nippon Biomedical Laboratories, Ltd.)

- **Alliances with roughly 200 sites across Kanto, Kansai, and Kyushu areas**
- **M3 joins the top 3 in the SMO industry**
- **Sales approx. 10 mio usd, positive profits**

US

Pharmacology Research Institute
(Clinical trial site management)

- **Operates 3 clinical trial sites across California**
- **Further expansion of M3 USA clinical trial business**
- **Sales: approx. 5 mio usd, positive profits**

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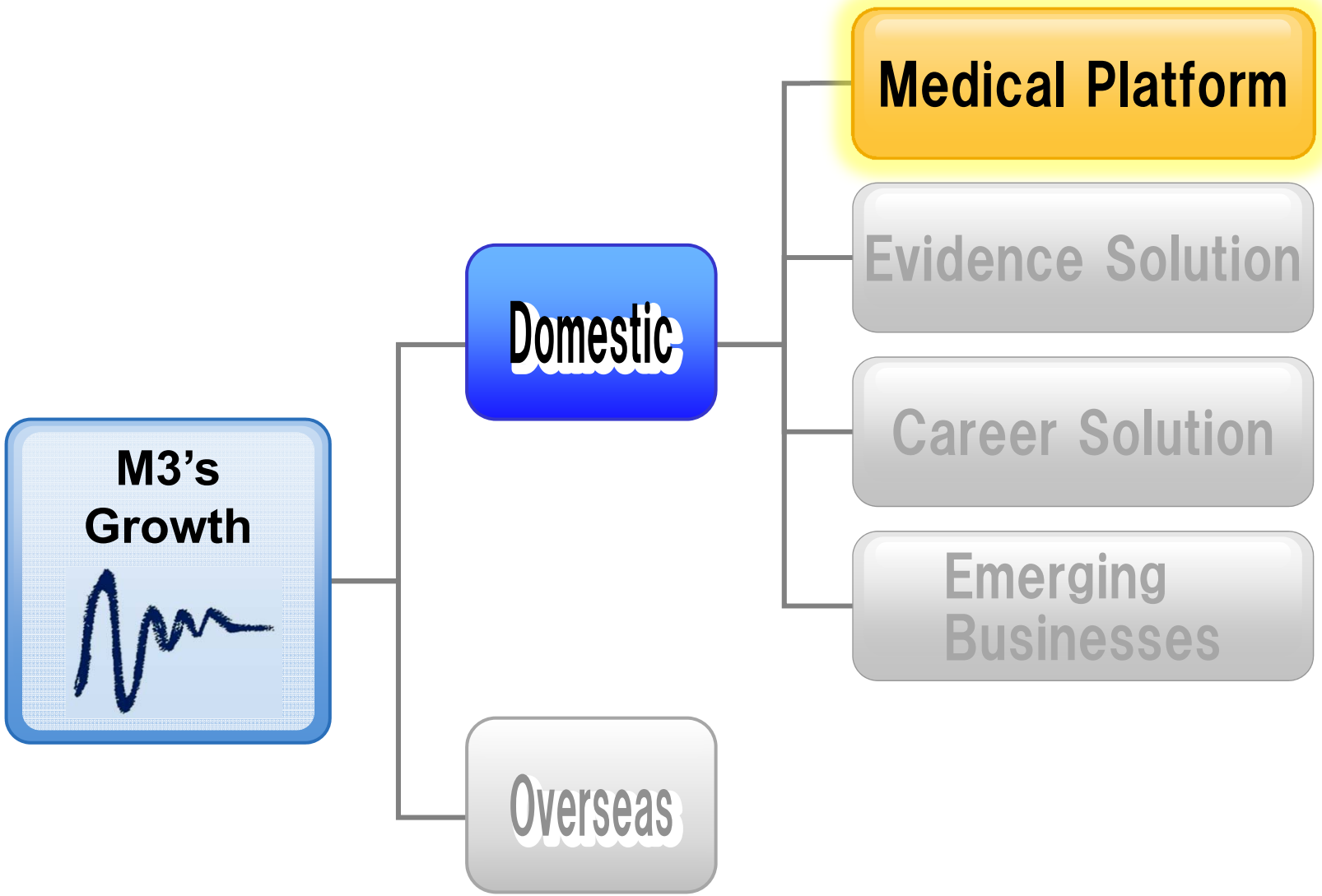

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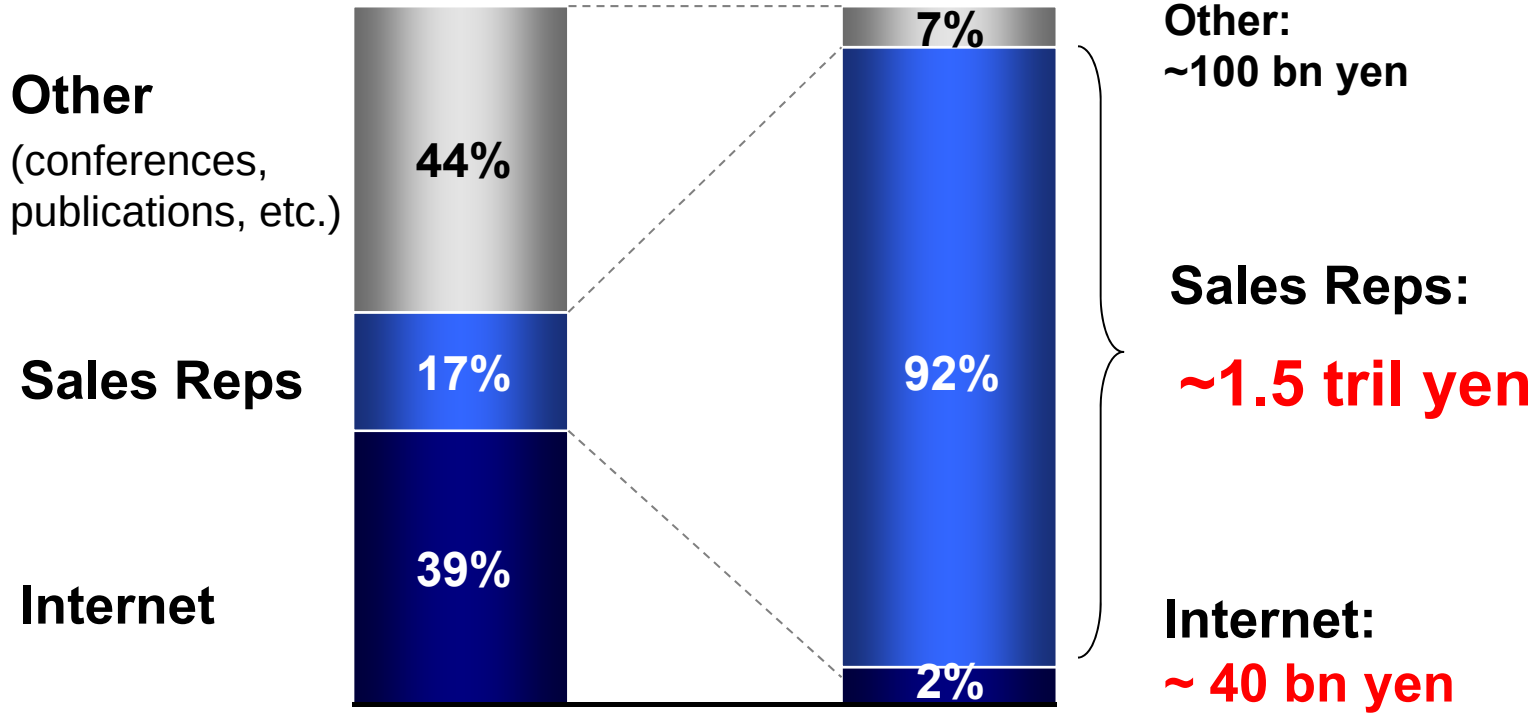
Doctor's Time Allocation vs Pharma's Budget Allocation

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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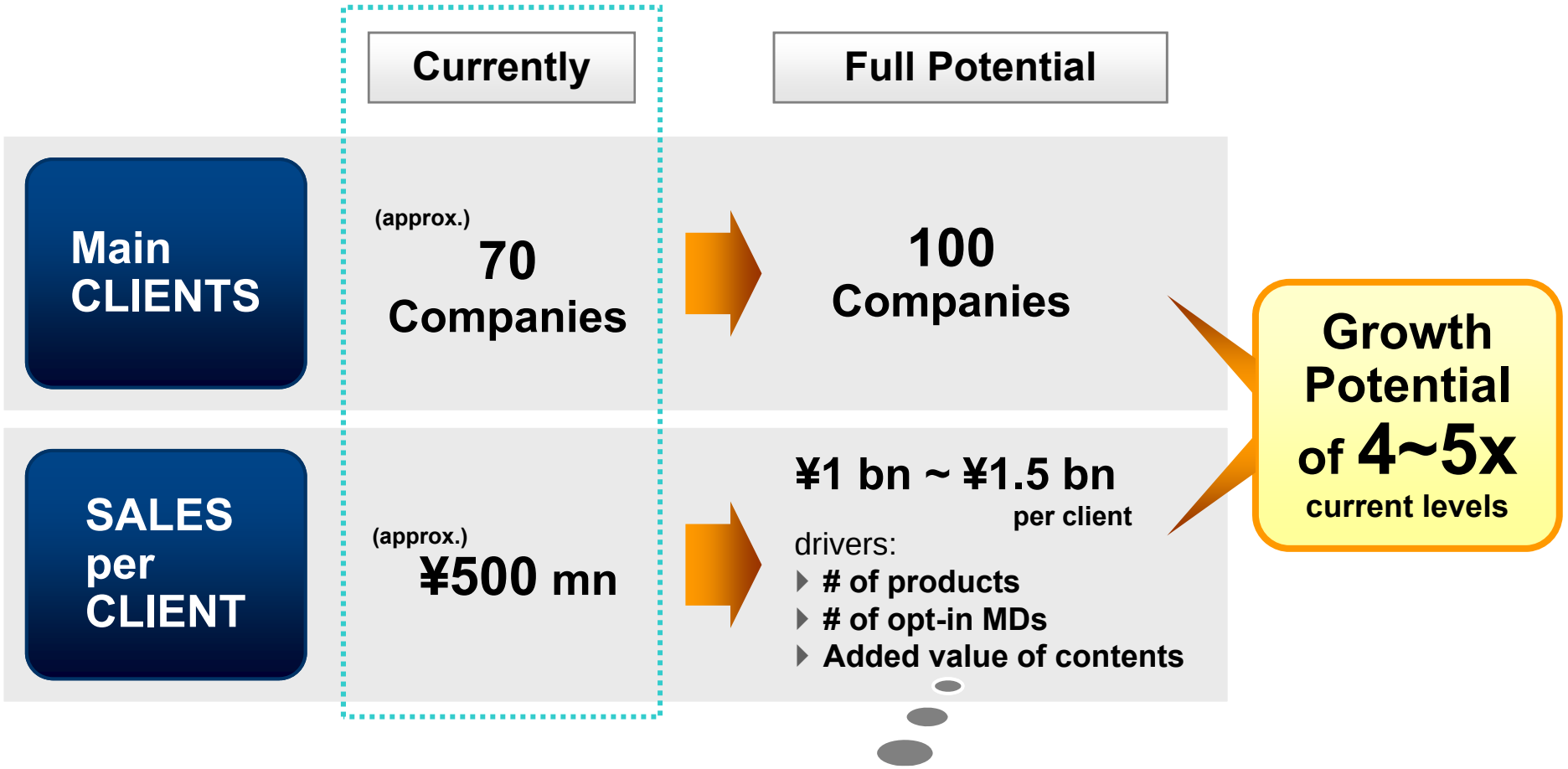
Medical Platform Growth Potential in Japan



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

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

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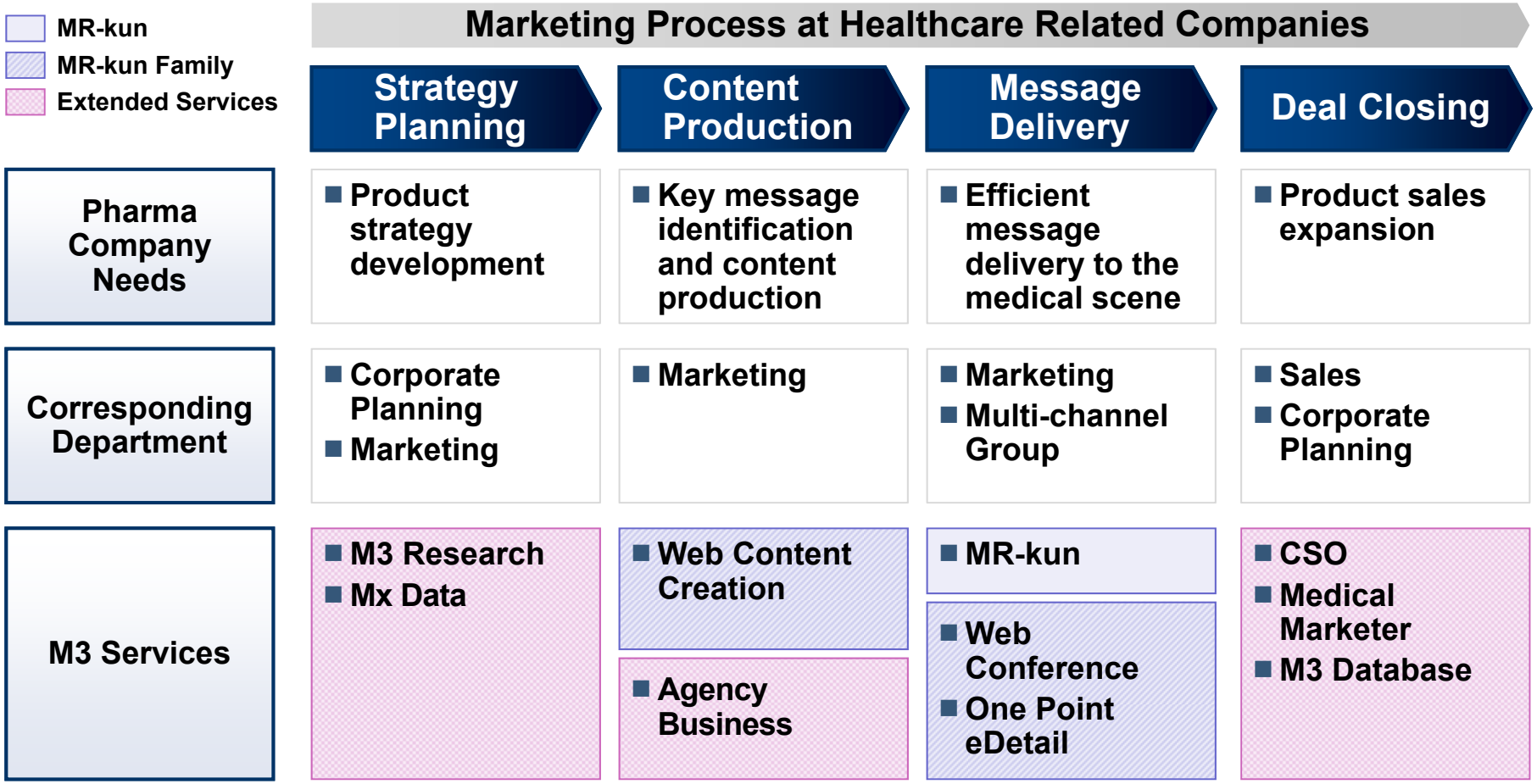
Medical Platform Services



☞ **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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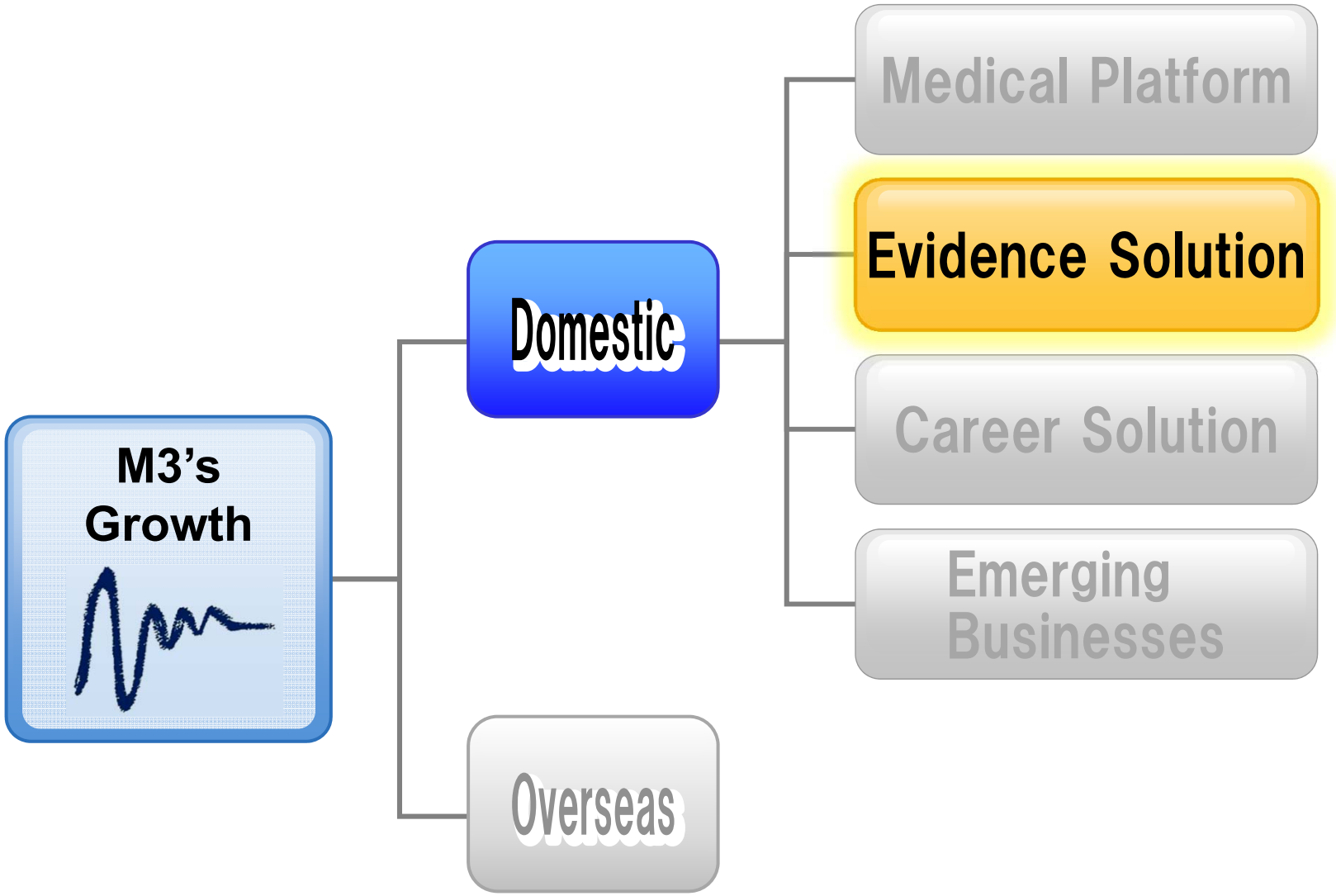

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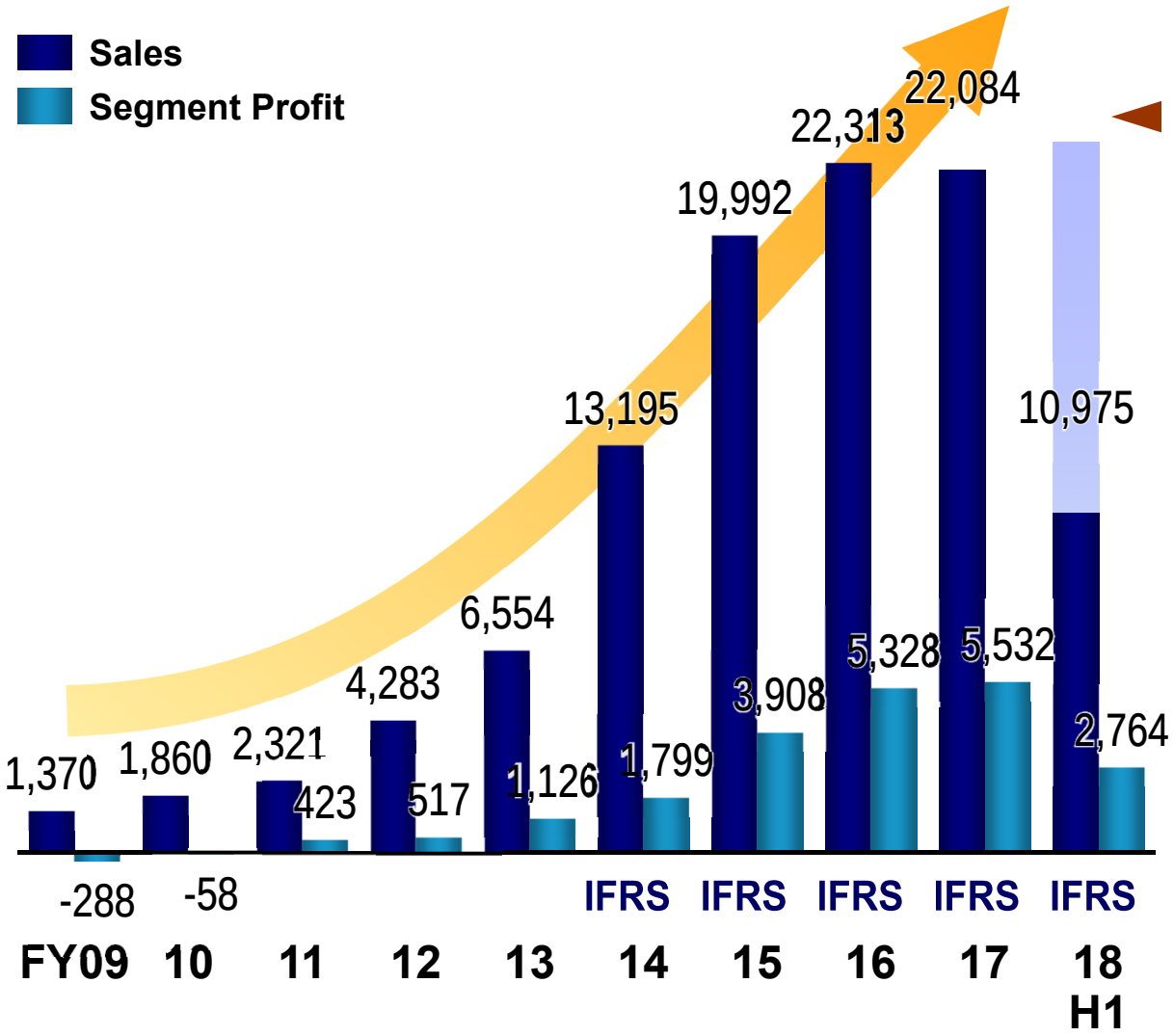
Sales and Profit Trend of Evidence Solution

(million yen)



FY18 FCT
23 bn yen

- **Orders backlog remained around 26bn yen, with upfront personnel investing corresponding to increase in orders**
- **Profits expanded as projects progressed and Neues sales and profits recovered**
- **Margins remain high at 25%**

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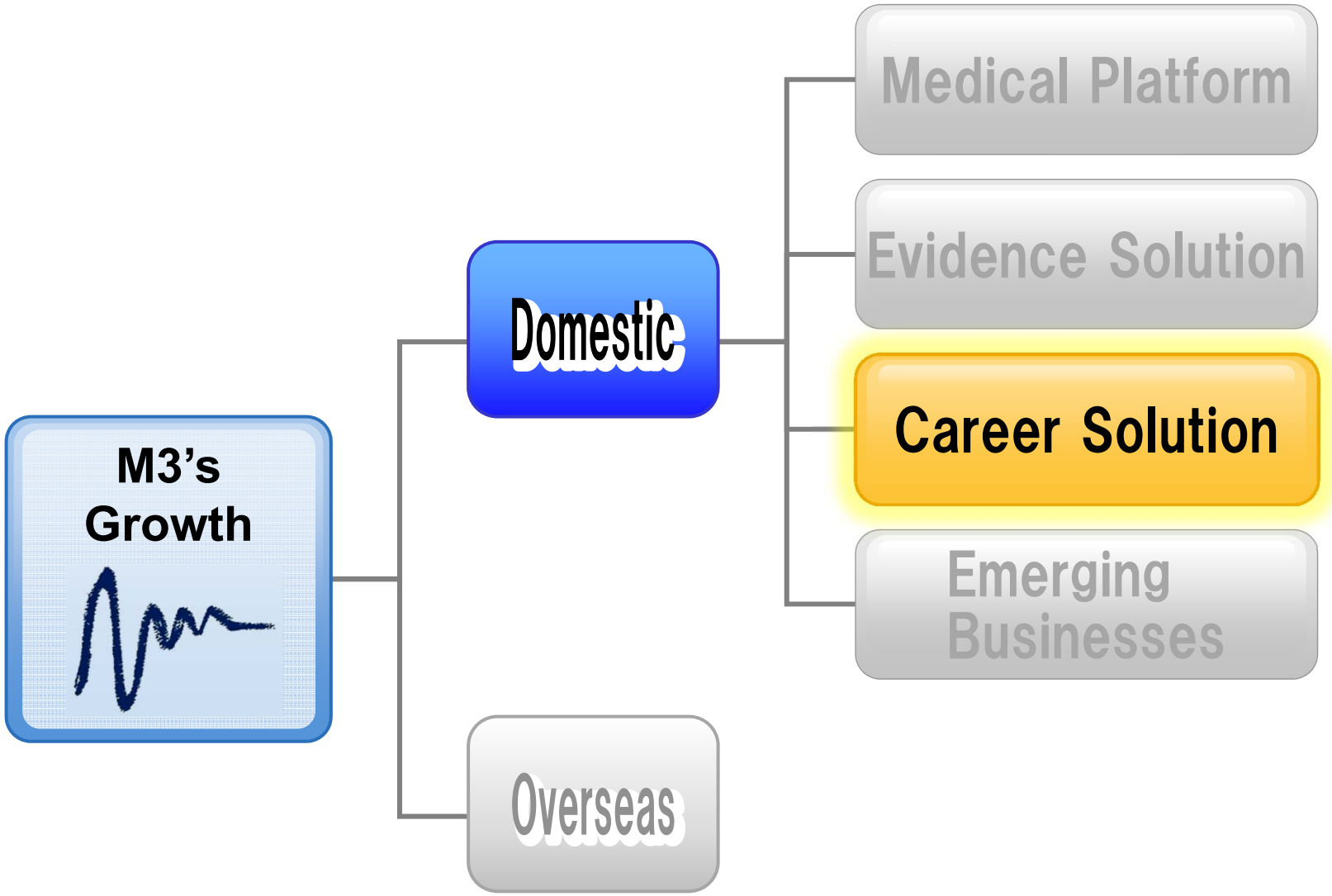

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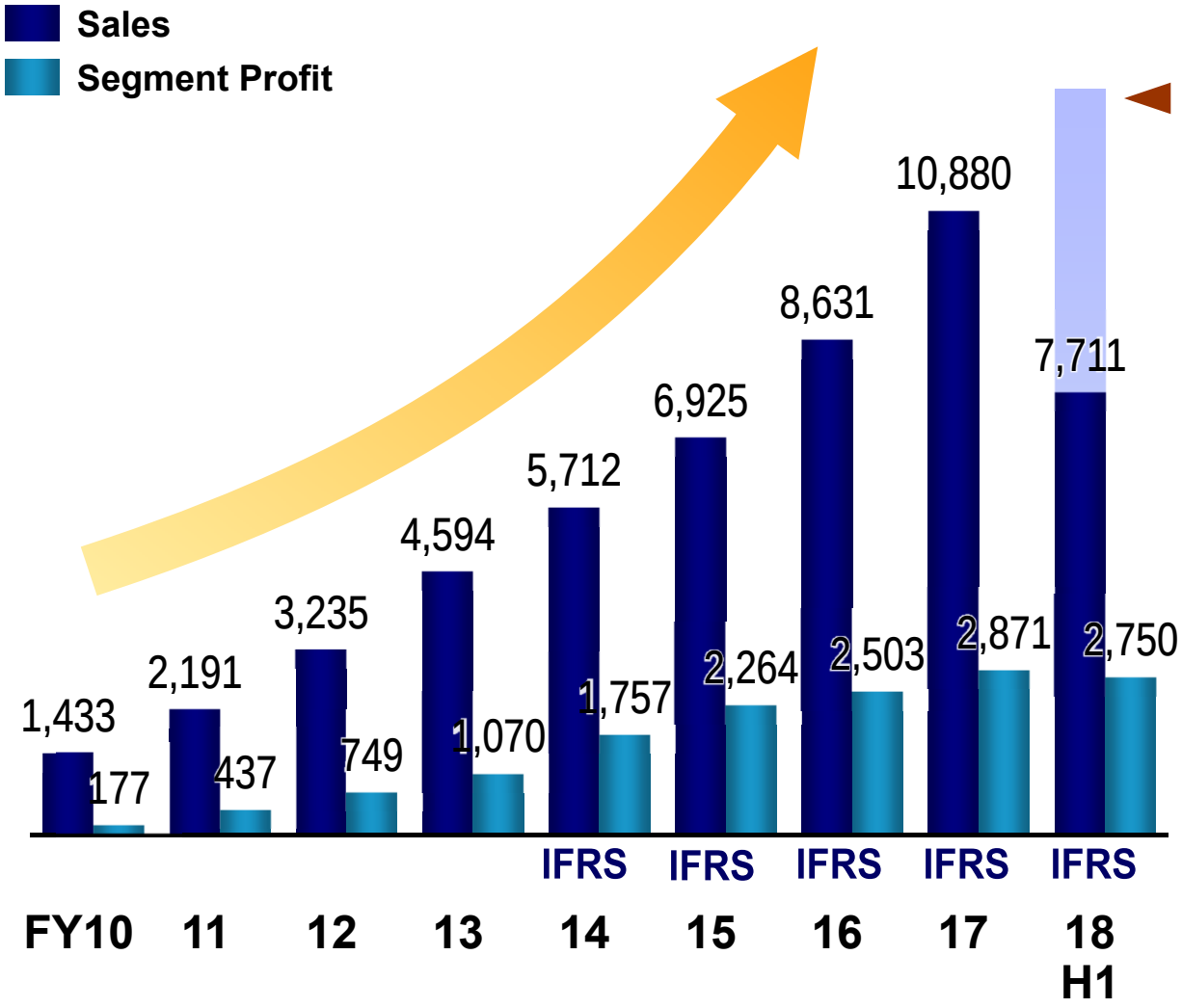
Sales and Profit Trend of Career Solutions

(million yen)



- Sales and profit expansion from increase in staff and productivity
- Fully absorbed hiring impact, resulting in accelerated growth rate

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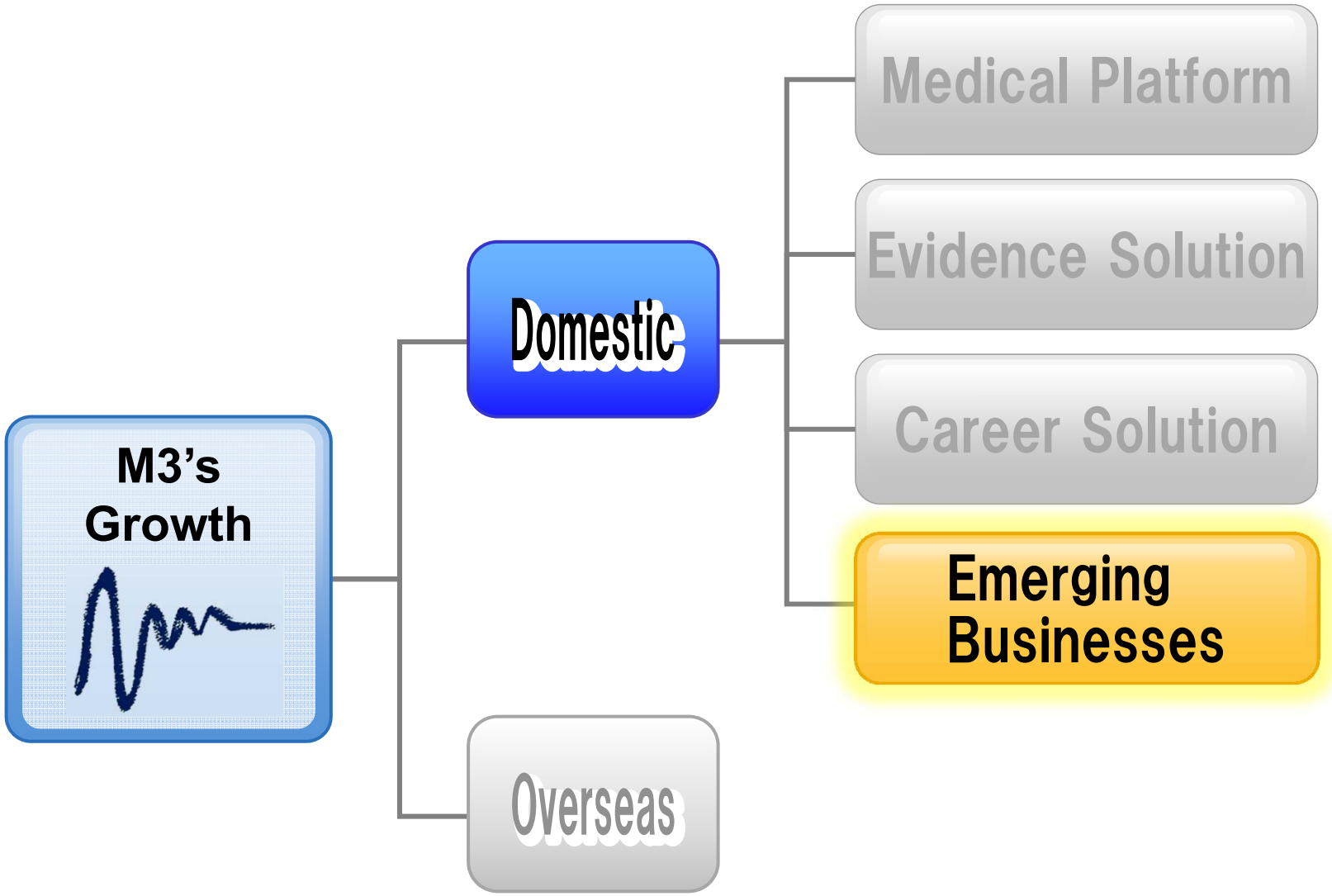

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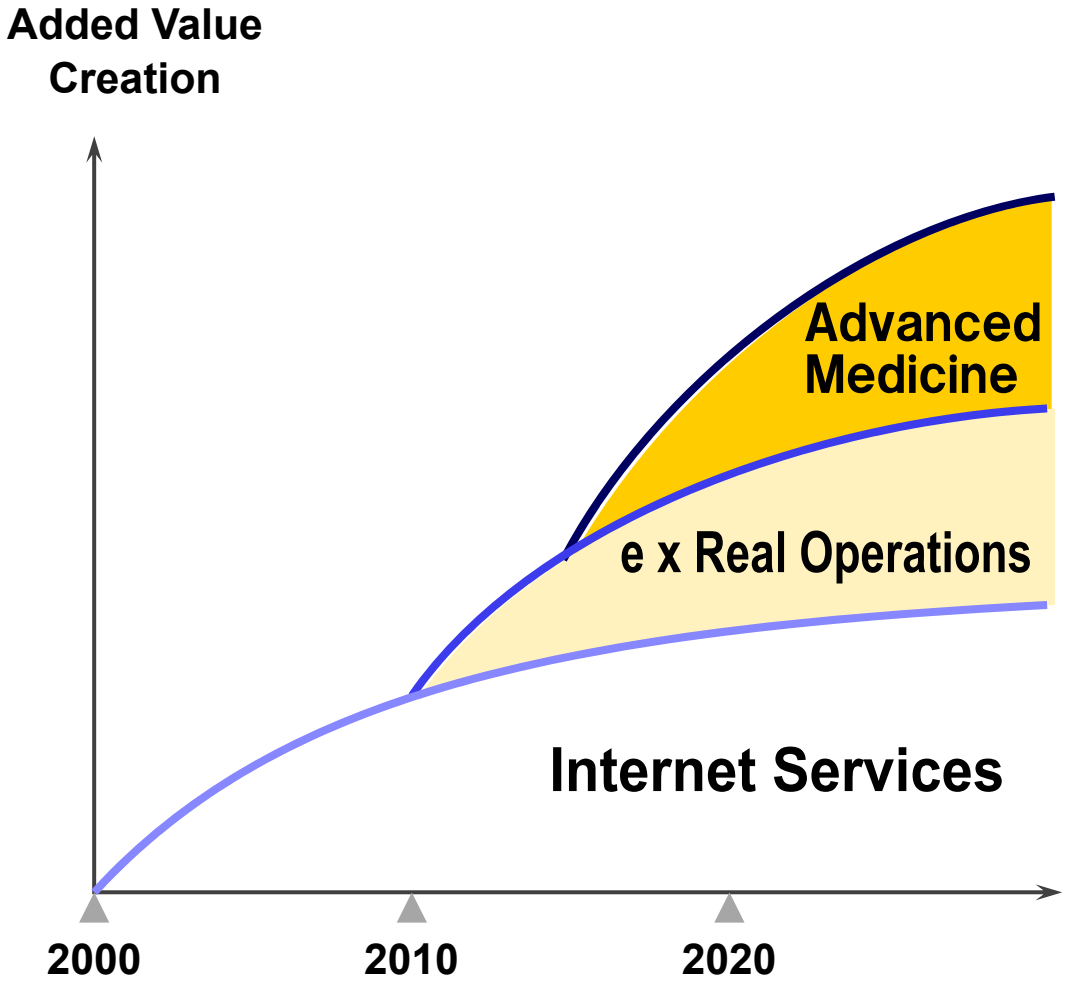
Evolution of M3 Growth Drivers



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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Tama Bio: Received 20 Year Patent



特　許　証
(CERTIFICATE OF PATENT)

特許　　号

発明の名称
(TITLE OF THE INVENTION)　医療用シート

特許権者
(PATENTEE)　東京都港区赤坂一丁目１１番４４号
株式会社多磨バイオ

発明者
(INVENTOR)　澤田　誠
星野　清治

出願番号
(APPLICATION NUMBER)

出願日
(FILING DATE)　平成２９年　８月　１日(August 1, 2017)

登録日
(REGISTRATION DATE)　平成２９年１２月２２日(December 22, 2017)

この発明は、特許するものと確定し、特許原簿に登録されたことを証する。
(THIS IS TO CERTIFY THAT THE PATENT IS REGISTERED ON THE REGISTER OF THE JAPAN PATENT OFFICE.)

平成２９年１２月２２日(December 22, 2017)

特許庁長官
(COMMISSIONER, JAPAN PATENT OFFICE)
宗像直子

- **New patent acquired for the product as a “medical sheet” applicable for a wide variety of utilities**
- **DuraBeam® and PeriBeam ® approval process progressing on track**
  - Approval process from the FDA and EU are on schedule
- **New pipelines in development following DuraBeam ® and PeriBeam ®**

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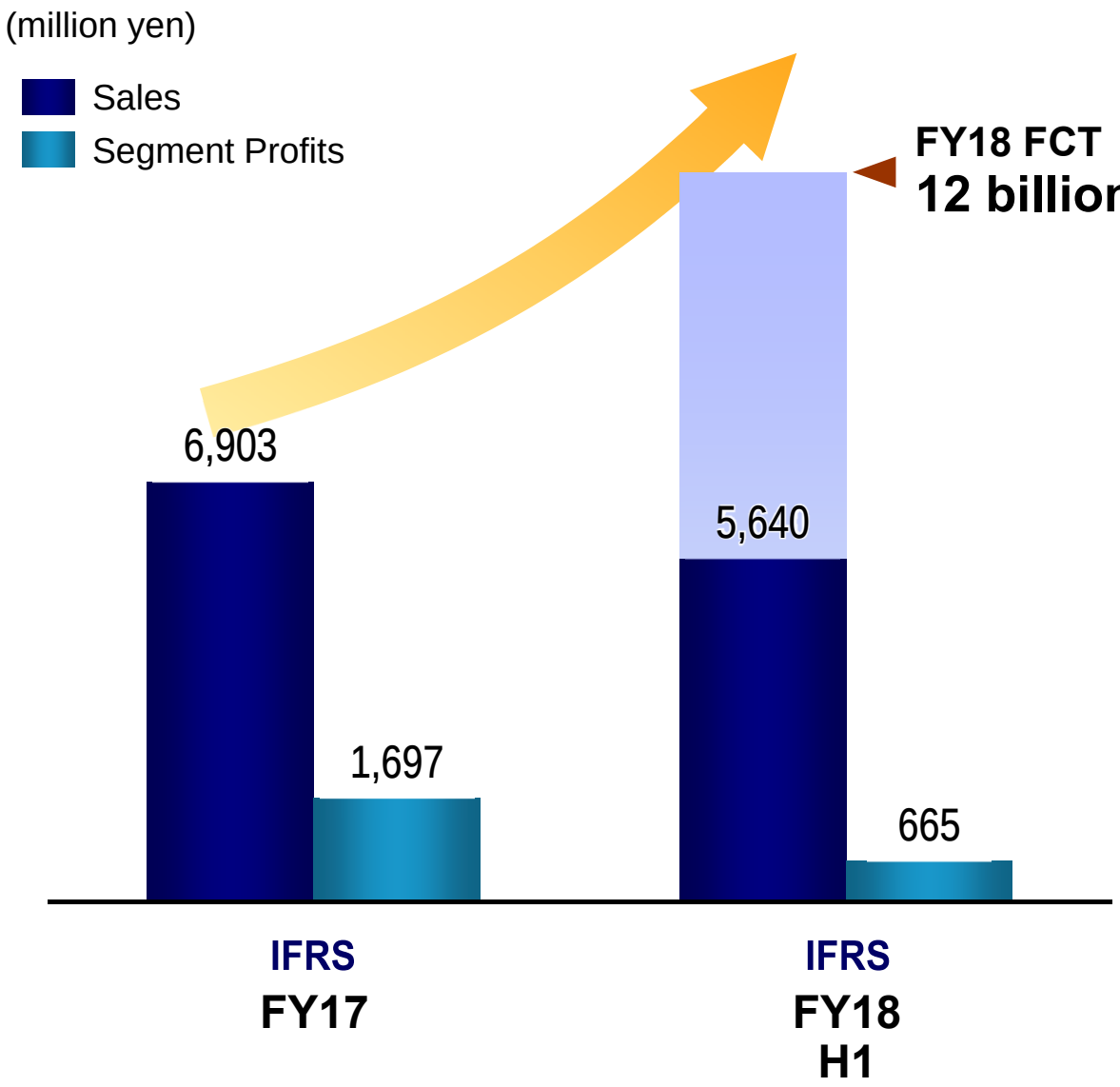
Sales and Profit Trend of Emerging Businesses



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

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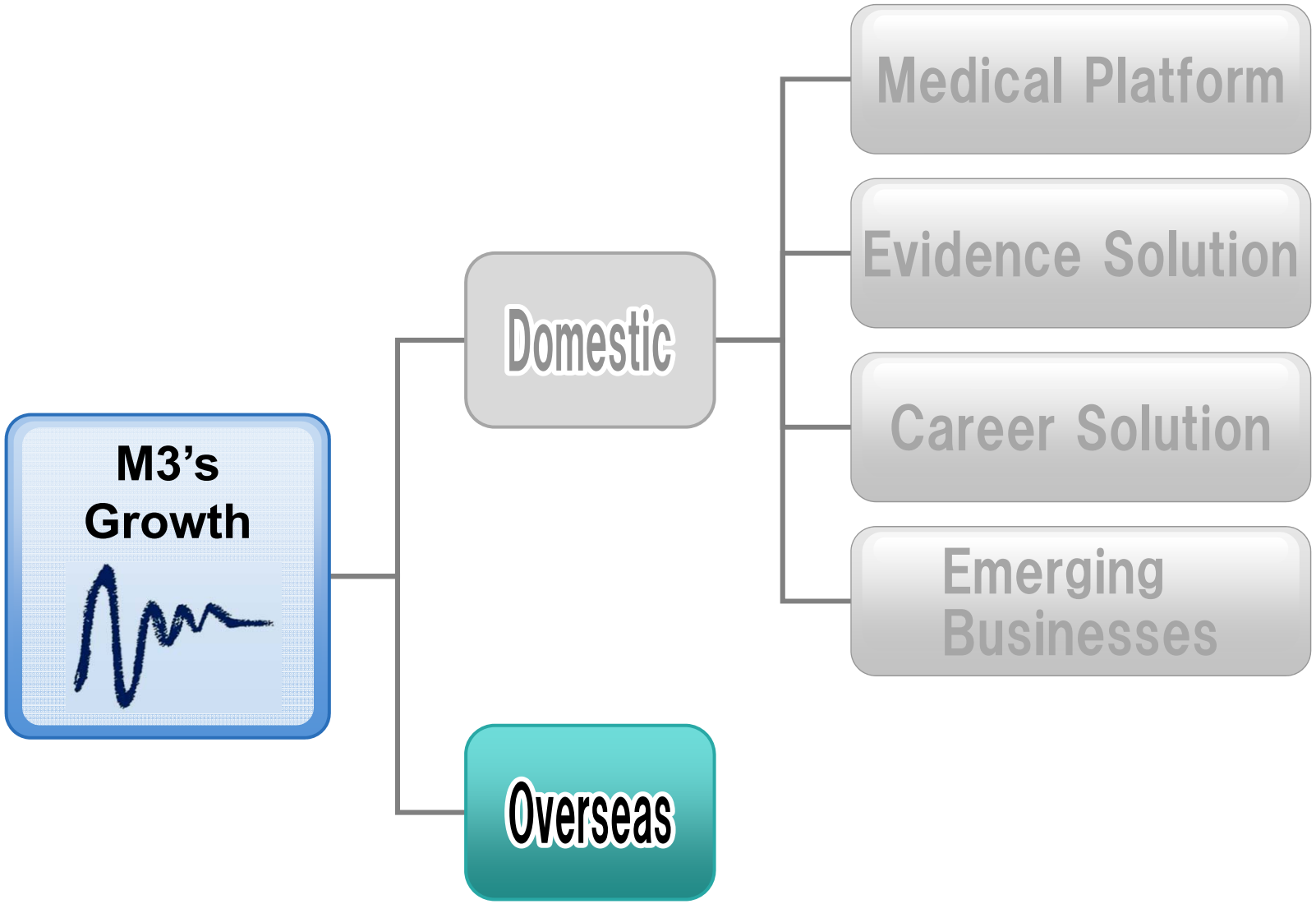

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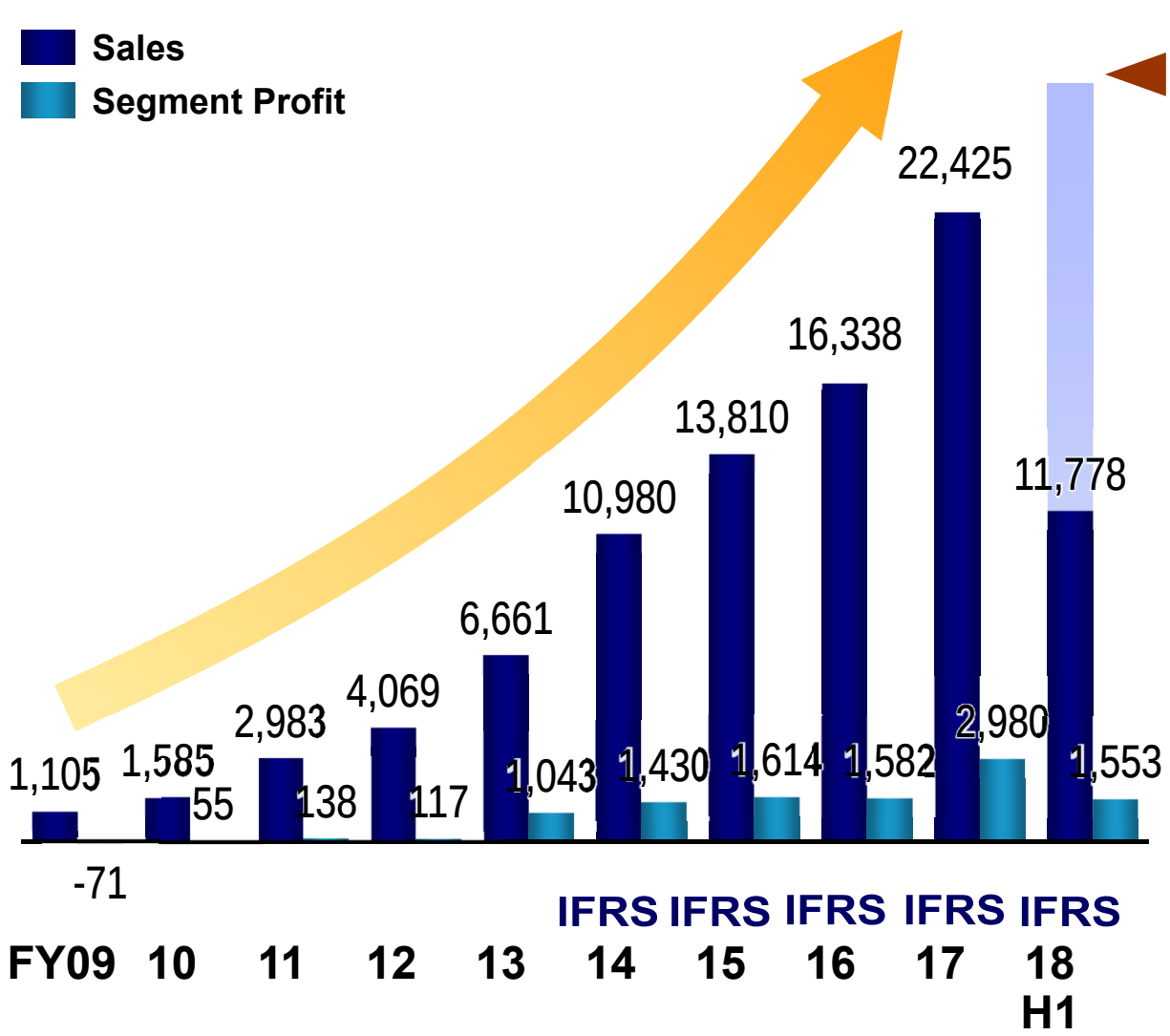
Sales and Profit Trend of Overseas

(million yen)



- Newly consolidated Wake Research and PRI (US clinical trial business)
- Dispatched personnel from Japan to share accumulated business expertise
- Pickup in research business from slowdown during GDPR preparations

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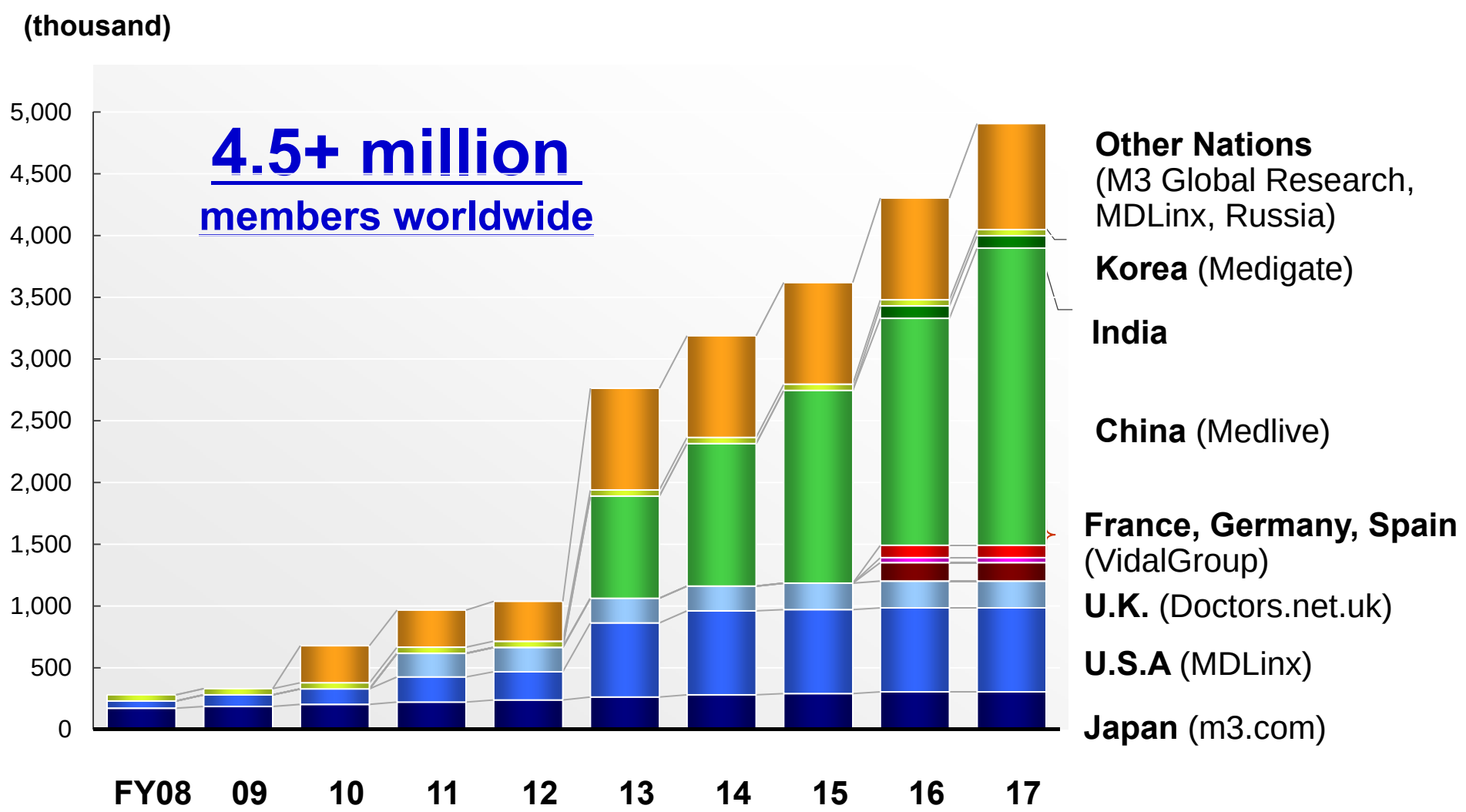
Number of Physician Members and Panelists (Global)



☞ **Over 4.5 million physicians utilize M3's global platforms**

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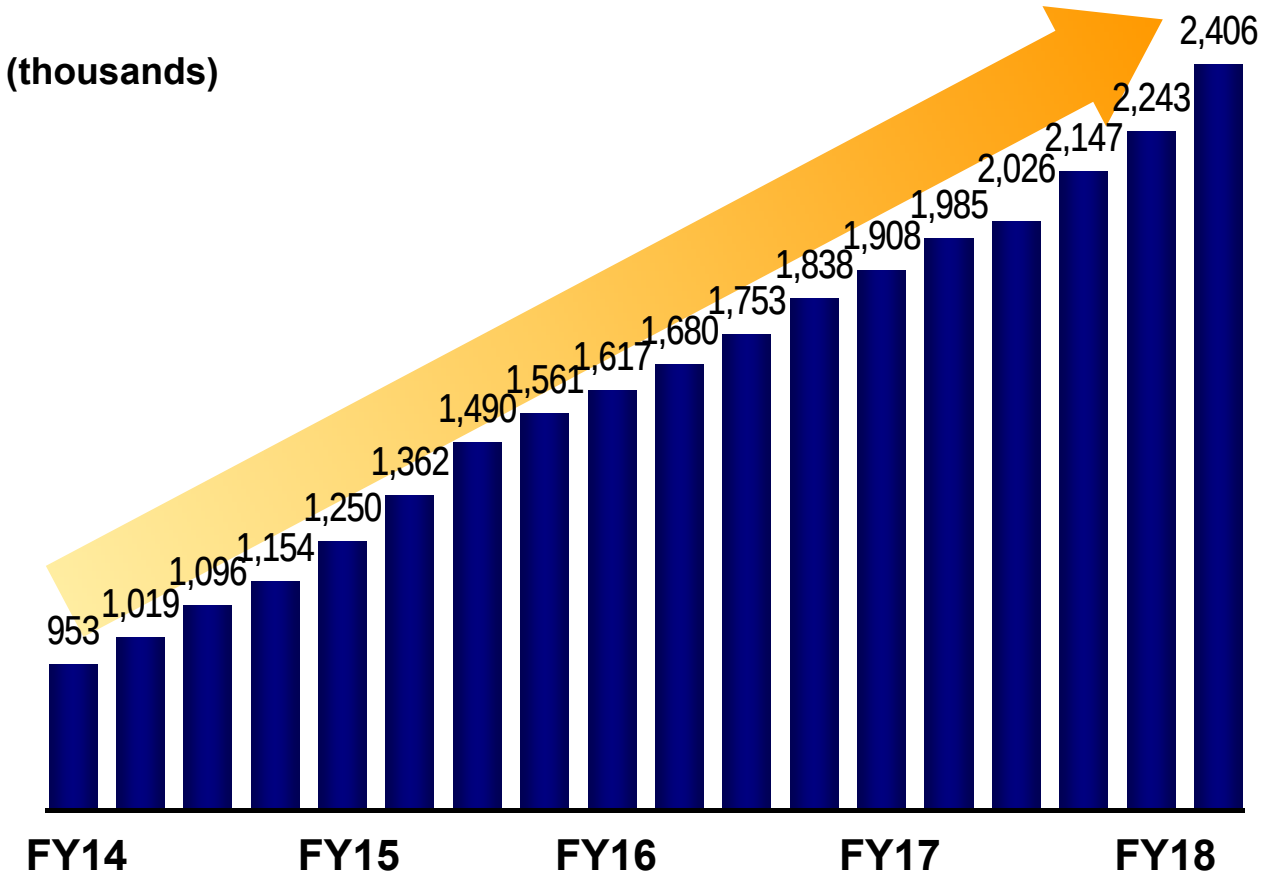
China: Membership Expansion

Number of Physician Members in China



- Marketing services for drug companies starting with MR-kun, and 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 2.4 million physicians members, covering the majority of doctors in China**

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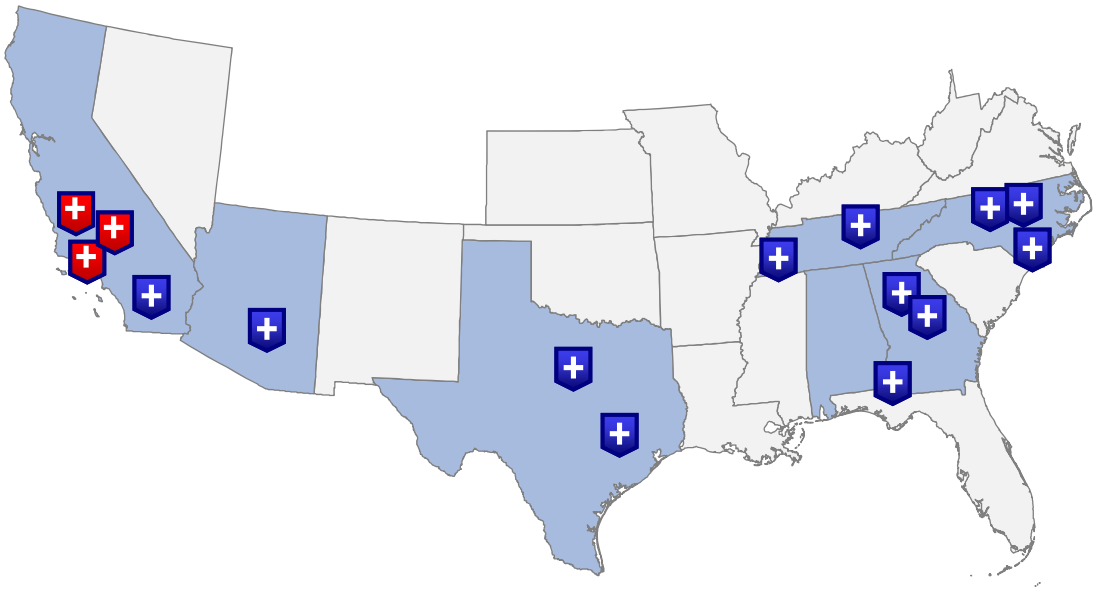
Acquisition of Wake



- Clinical trial site management market size: $14B
- 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.**
Additional 3 sites joined the group through acquisition of PRI.

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M3 Group's Business Strategy

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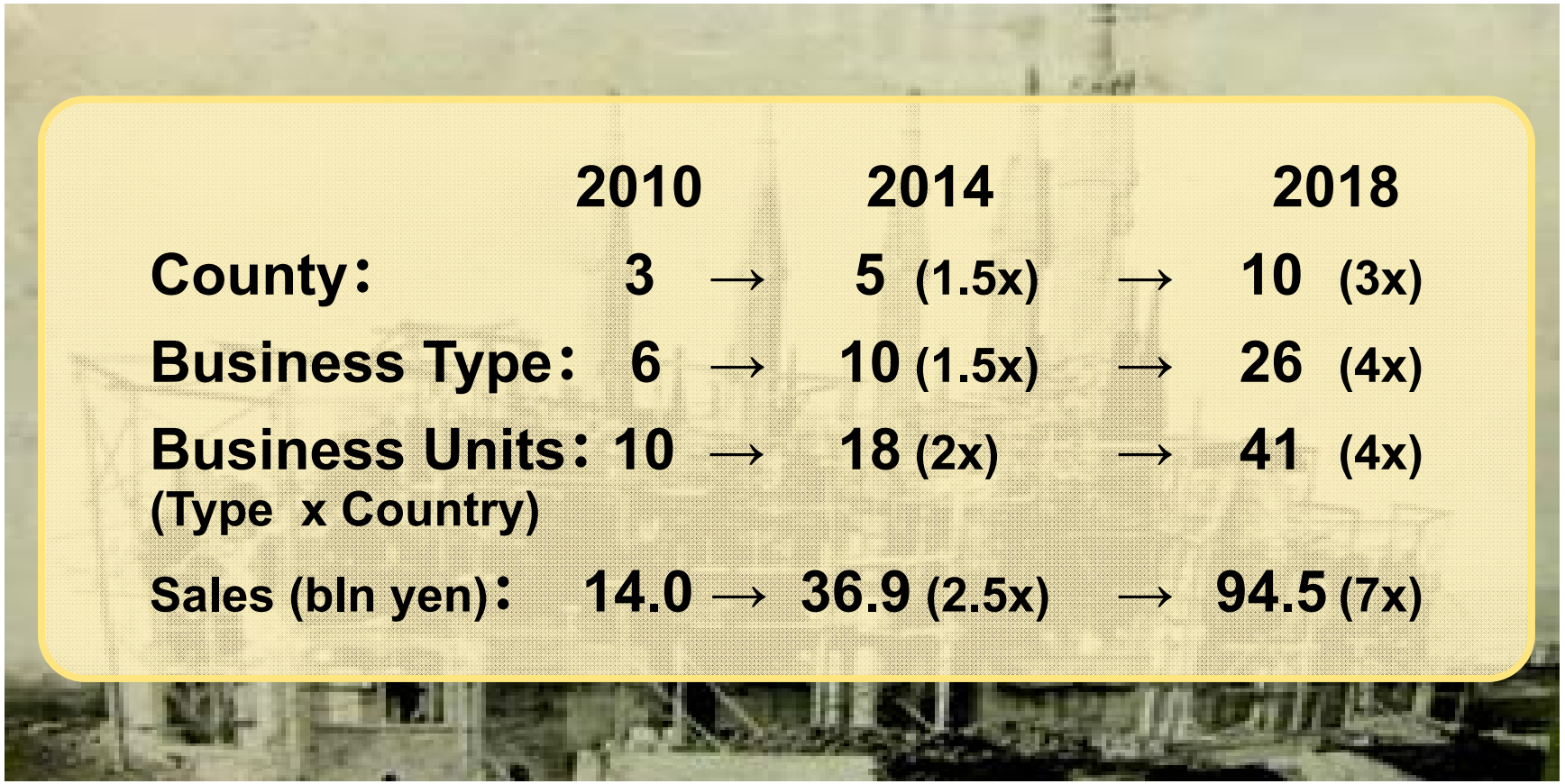
Business Scope Expansion and Growth Potential



7 fold growth over the past 8 years, with growth potential (TAM) of likely over 10~20x times… targeting the similar growth path going forward

* Total addressable market

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Medical Platform Upfront Investment

m3.com

Reinforcement of m3.com

Increase in site management team staff by +37%yoy and strengthening of mobile capabilities

Pharma-ceutical Marketing Support

Pharmaceutical Marketing team Reinforcement (Personnel investment)

Team members increased +62% versus FY2017 Q2

Transition into Success Based Schemes

Increase proposal sizes, launch of two large scale revenue share projects.

New Businesses

Upfront Investment in AI Businesses

In-house AI diagnostics engine and industry standardizing platform development

Other New Service Development

1. PSP acceleration, 2. full roll out of electronic medical record business, 3. 7P Projects progress including acquisition of Y'S (details to follow)

☞ **Aggressive investments to continue**

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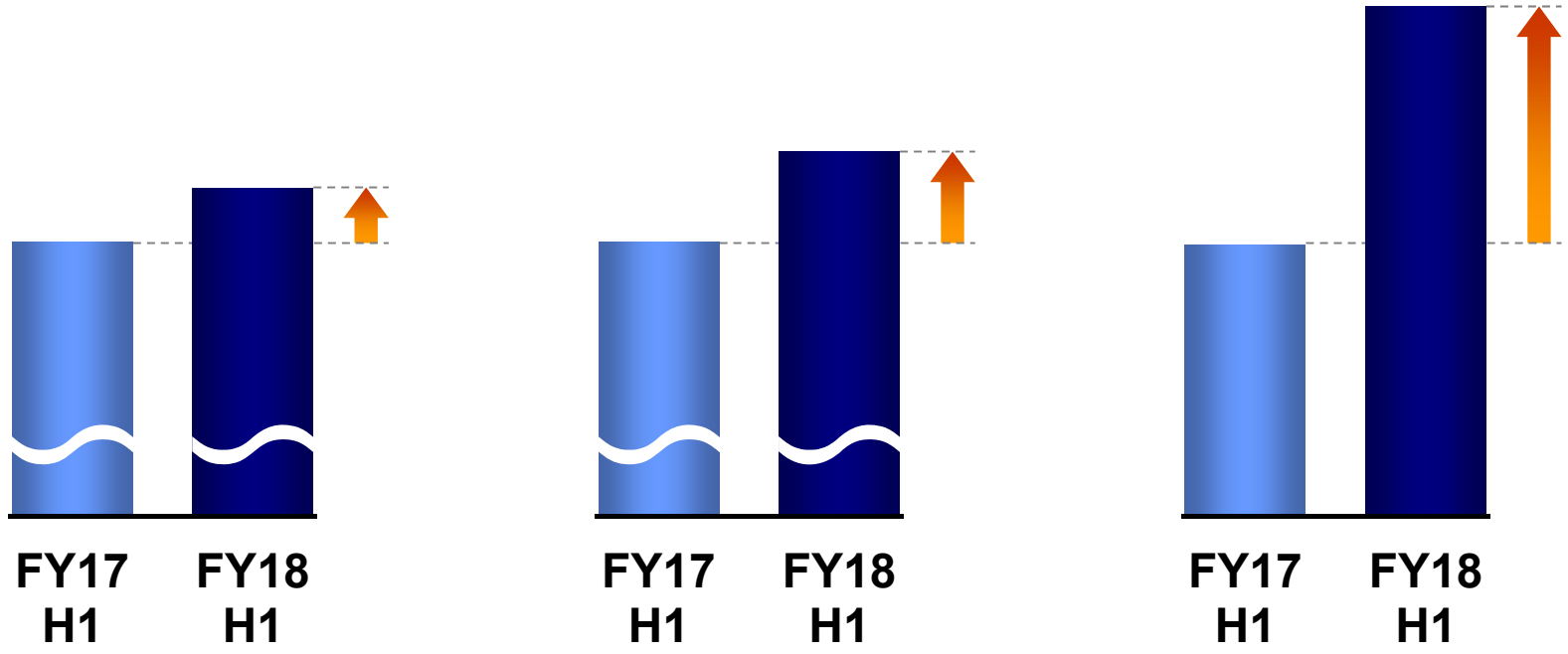
m3.com：Platform Strength Continues to Strengthen

Doctor Membership		Annual Logins		Medical Platform Sales
+5%	<	+10%	<	+31%



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

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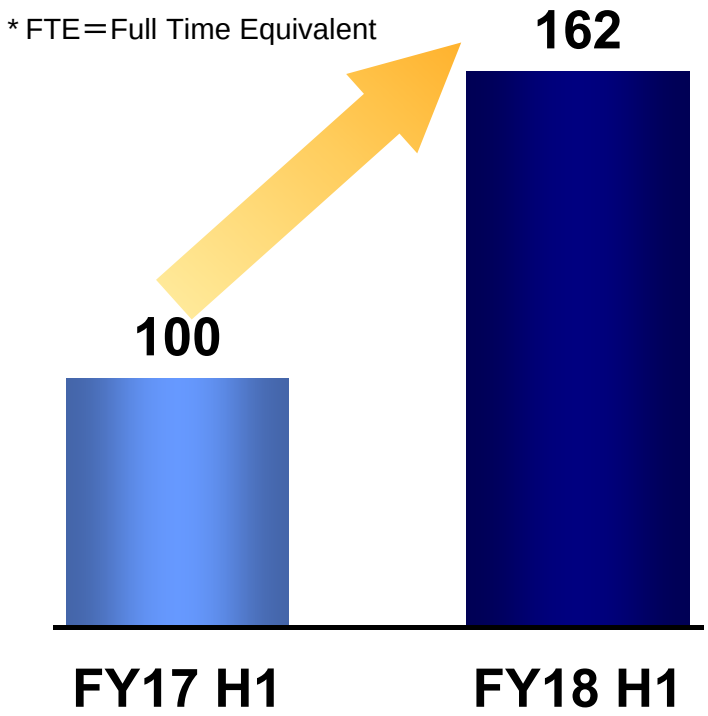
Marketing Team Reinforcement

Marketing Service Staff FTE*
(Index)



- **Reinforcement of marketing service sales force… costs precedes as team steadily expands**
- **Gradual effects of personnel investments seen in increased KPIs such as number of proposals**

☞ **Sales force increases expected to continue further. Sales impact expected after Q4.**

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Service Scope Evolution

	Until now…	Recent Trends
Theme	■ Efficient promotion	■ Firm-wide fundamental productivity improvement
Client	■ Product manager	■ Top management ■ Business department heads
Service Coverage	■ Marketing per individual drug	■ Optimization of entire portfolio ■ New launch pipelines, etc.
Contract Format	■ Contracts per product	■ Comprehensive strategic partnerships, revenue share models
Contract Size	■ Up to 100 million yen ■ Annual contracts	■ 100 million ~ 10+ billion yen ■ Multi-year contracts

☞ **Becoming a "corporate partner" as project scope, duration, and revenue share models increase. Upside continues to expand.**

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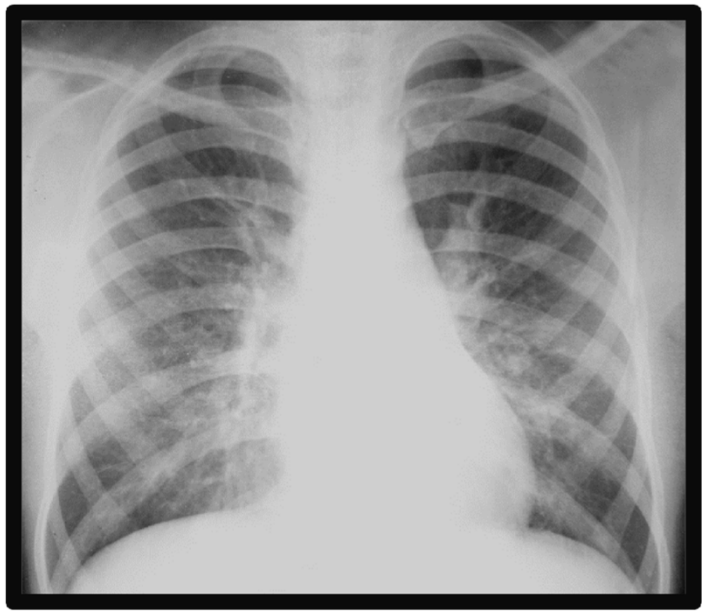
M3 A.I. Diagnostic Engine Accuracy



- **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.**

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Patient Support Program

1: PSP

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

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

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NPS of Industry Leaders

1: PSP

Critic 0~6 | Neutral 7~8 | Supporter 9~10

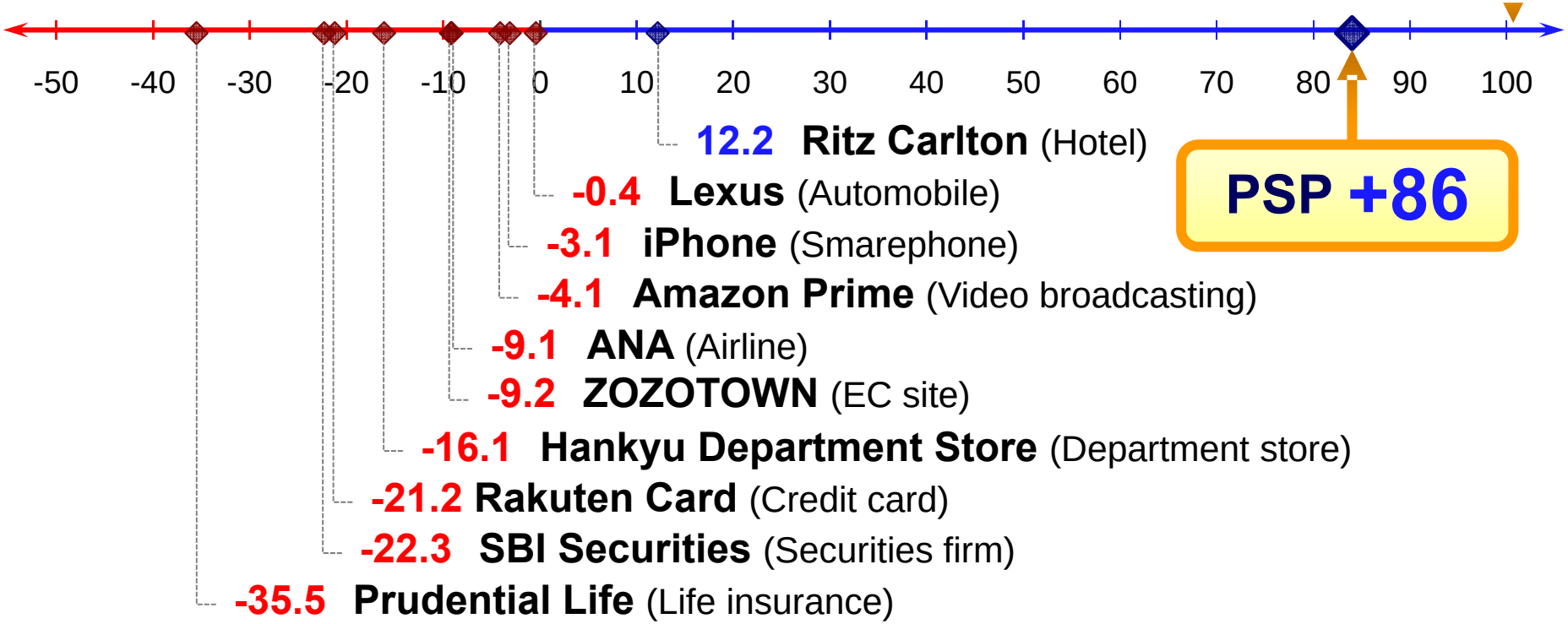
LOW scores — HIGH scores

NPS = Total Supporters – Total Critics

~ Mar 2018: 82

Apr 2018 ~: 100

FY18H1 NPS +100



Ref: https://www.nttcoms.com/service/nps/summary/

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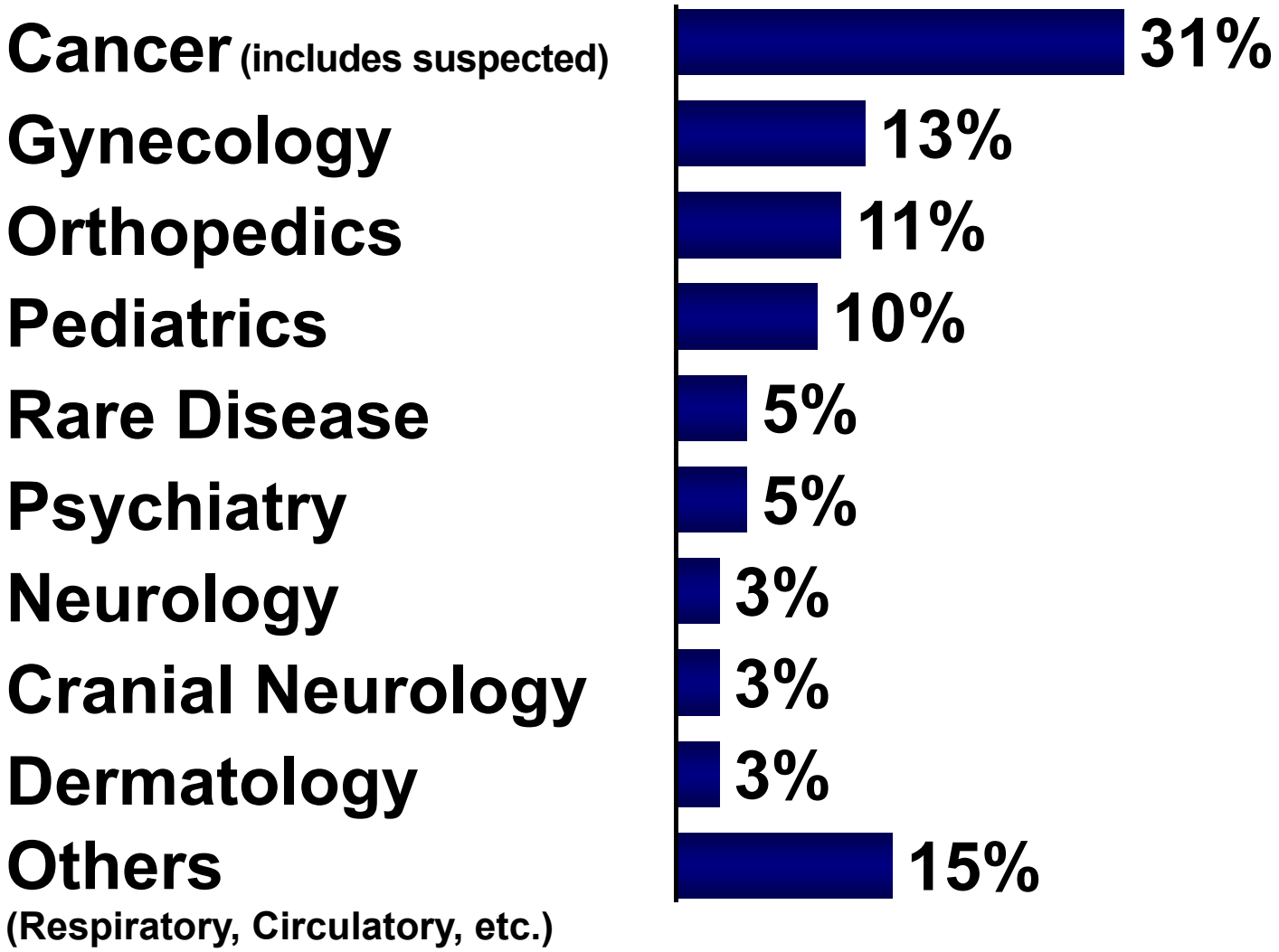
Consultations by Clinical Area

1: PSP



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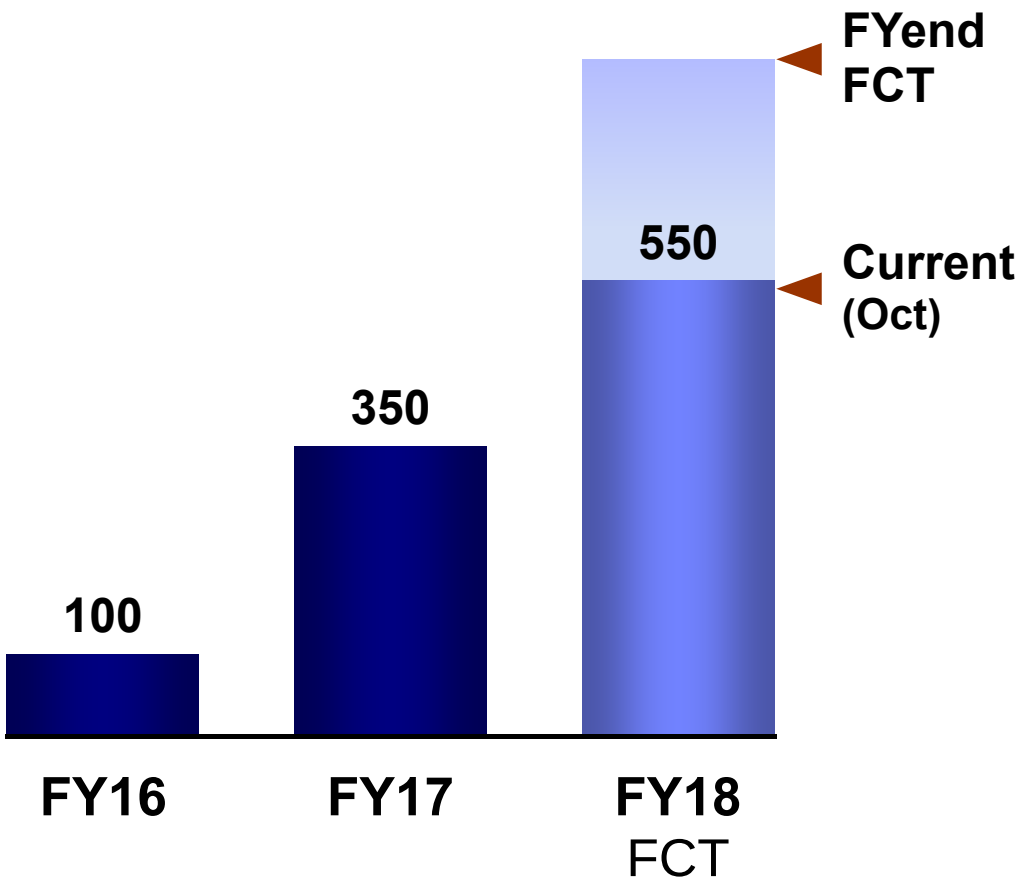
M3 DigiKar Full Roll Out

eMedical Record Systems Sold



- No.1 seller in cloud based electronic medical record systems
- No.2 seller* across all EMR systems, with accelerating induction pace
- Over 7.6 million chart data, and growing
- Newest AI enhanced model

☞ **Will become a platform with records for over 10 million patients by fiscal year end**

*Ref: m3.com survey

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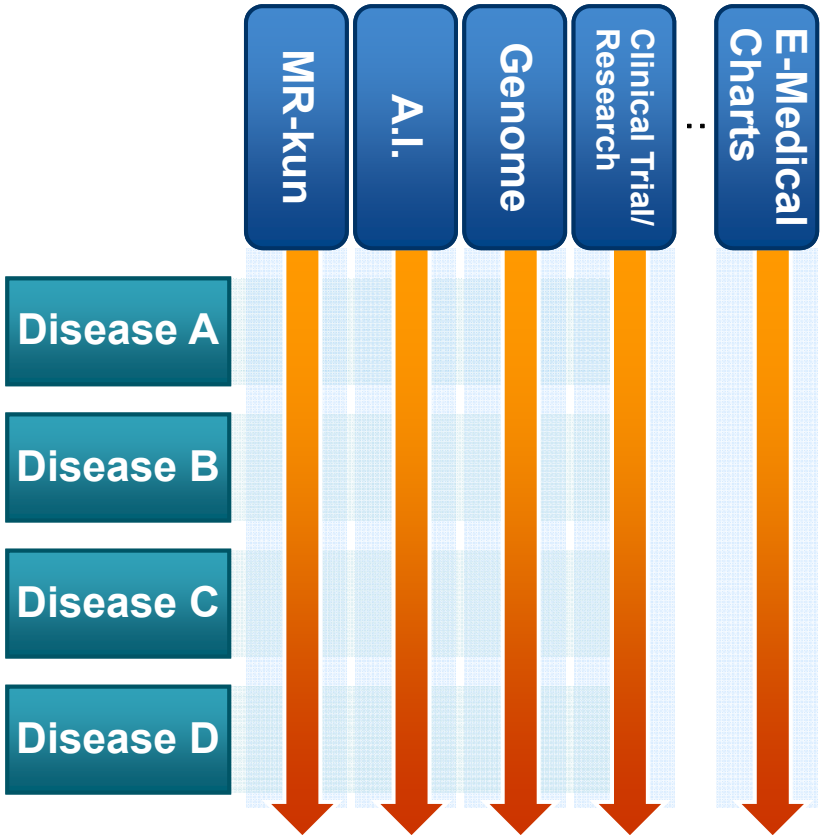
Value Creation Going Forward

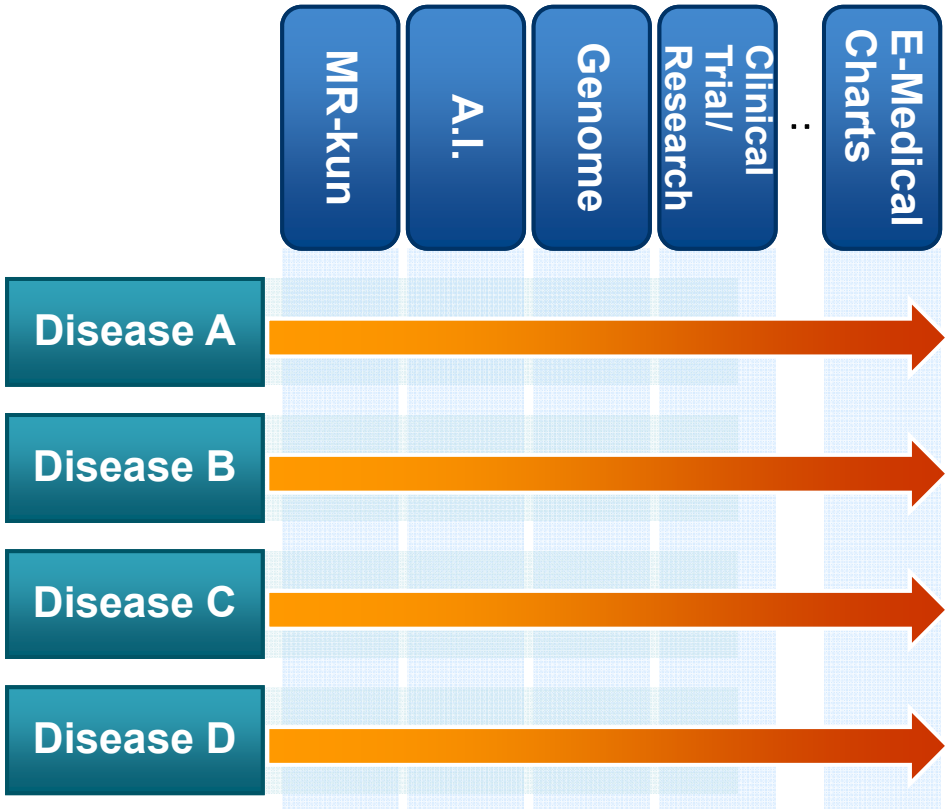
3: 7P

Until Now



- Individual service and function development . . . the Dots

New Approach to be Strengthened



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

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7Ps of Healthcare Business



7P: a Problem Solving Framework for Healthcare

7 P's	Description	Example
■ Performance Target	■ Concrete directionality of solution	■ Patient reduction ■ Medical cost redux
■ Philosophy	■ Fundamental principle	■ Overall optimum over local optimum
■ Technology Platform	■ Products/ technology and their utilization	■ Diagnostic and treatment technology ■ A.I., Genome
■ Place / Process	■ Place of medical care delivery	■ Hospital ■ Home care, hospital coordination
■ Payment System	■ Payment system, cash flow	■ Medical and long-term care insurance, patient expenses
■ People / Player	■ Healthcare service provider	■ Doctors, medical sites ■ Cloud workers
■ Public Policy	■ Legal and political frameworks	■ Insurance system, medical regulations

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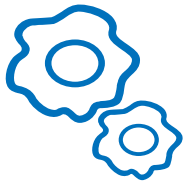
7P Project Progress

Clinical Areas	M3 Solutions
 Stroke	■ AI diagnostic engine for Atrial Fibrilation under development ■ Acquisition of rehab center operator, Y's
 Rare Diseases	■ Clinical research starting with patient excavation under way
 Other Areas	■ Various themes under consideration: – Cervical cancer – AI assisted early diagnoses – Drug response testing, etc.

☞ **2 project in execution, more to come. Future sales potential on the scale of a 10+ billion yen.**

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Overview of Y's

3: 7P

Y's, Inc.

Stroke Rehabilitation Center

Founded	2014
Main Business	Operation of non insurance covered "Stroke Rehabilitation Centers" for post-stroke rehabilitation
Employees	approx. 110
Facilities	10 facilities centered around Kanto area
Sales	FY2016：428 million yen FY2017：639 million yen

- Thorough One-on-one Care
  - 2 hour one-on-one sessions for definite results
  - Go beyond a typical hospital's recovery standard of "at the least you can live," to visualizing and working towards manifesting a specific state of being
  - Top package: 60-day twice a week program offered at 300,000 jpy
- Highly Valued by Service User
  - 70% sign-up after trial use
  - 68% repeat rate (includes maintenance)





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Medical Cost Reduction Through M3 Operational Expertise

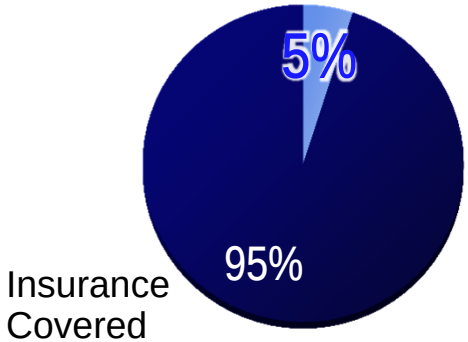
3: 7P

Cerebral Infarctions

- Patients：1.2 million
- Medical Cost： 1.2 trillion yen
- Aftercare and social costs： 5~10 trillion yen

- Total Annual costs ： over 10 trillion yen

Rehabilitation



Only 5% of patients receive effective top level rehab

M3 Business Opportunity

- Propagation of effective non-insurance covered rehabilitation
- Rehab related drug treatment promotion

☞ Segmentation of patient needs allows combination of solutions by parts to support the whole.

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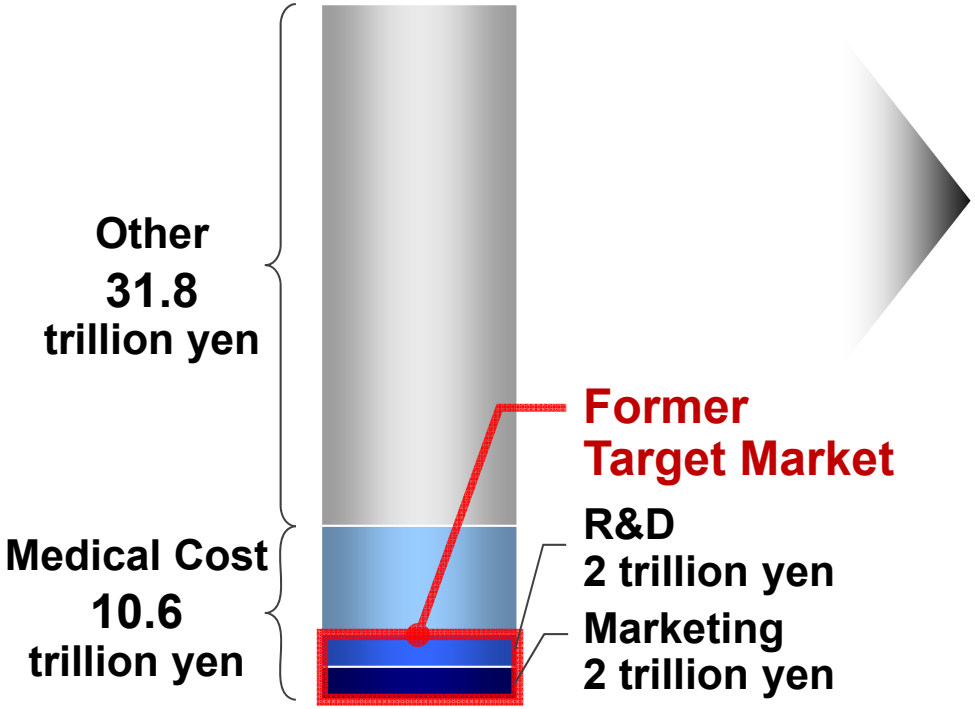
Expansion of M3's Addressable Market

3: 7P

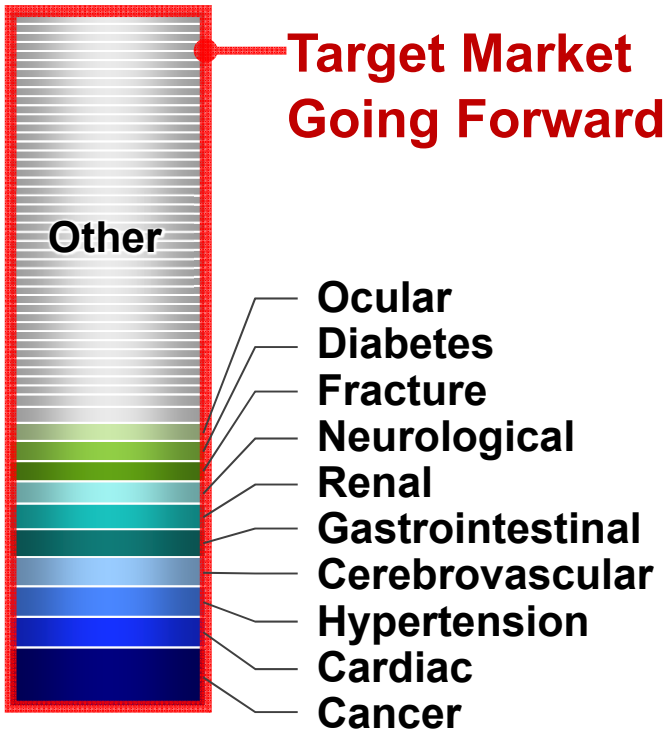
Former Market

National Healthcare Expenditure (Japan)
4 trillion yen for R&D and Marketing



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.**

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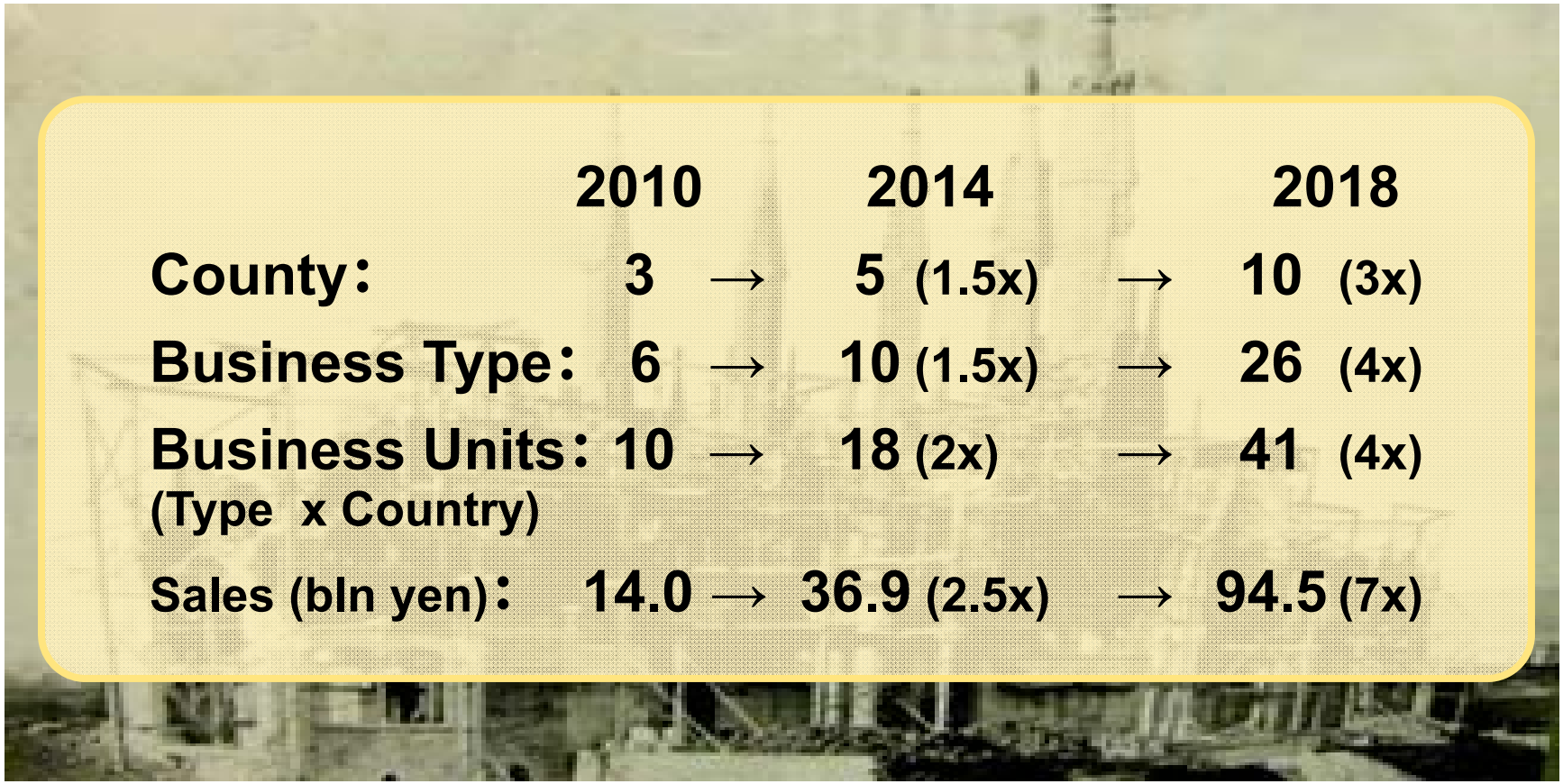
Business Scope Expansion and Growth Potential



	2010		2014		2018
County：	3	→	5 (1.5x)	→	10 (3x)
Business Type：	6	→	10 (1.5x)	→	26 (4x)
Business Units： (Type x Country)	10	→	18 (2x)	→	41 (4x)
Sales (bln yen)：	14.0	→	36.9 (2.5x)	→	94.5 (7x)

☞ **Aggressive investment to continue in order to realize the existing growth potential of over 10~20x times…**

* Total addressable market

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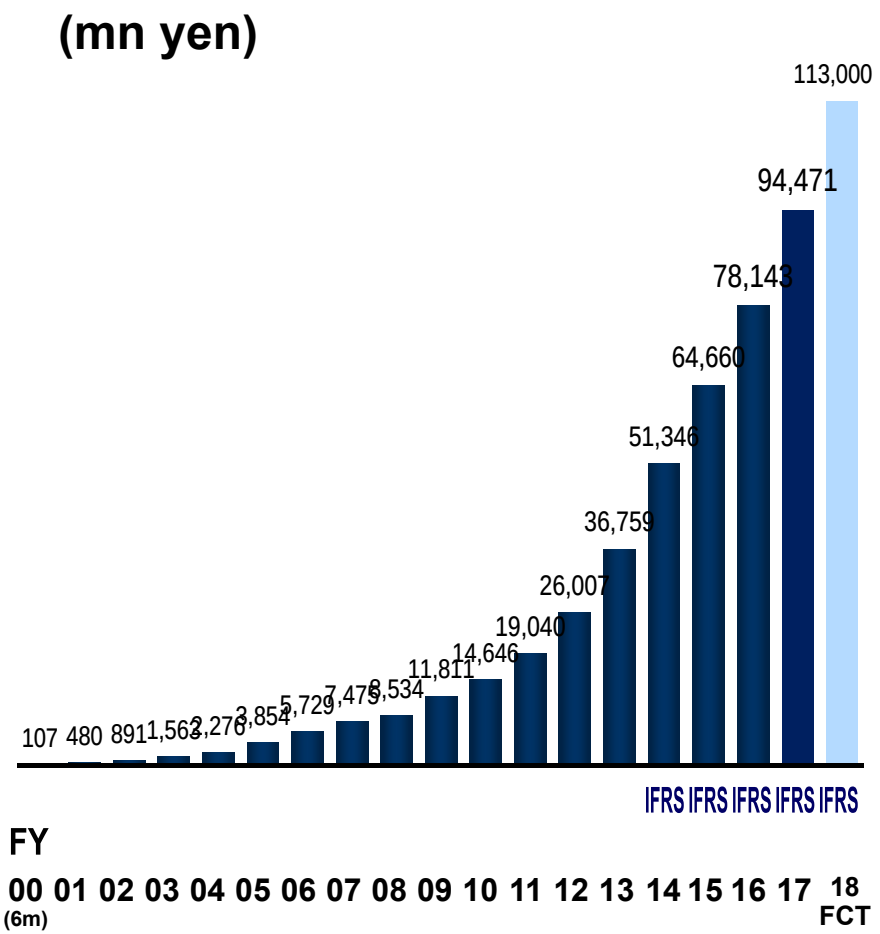
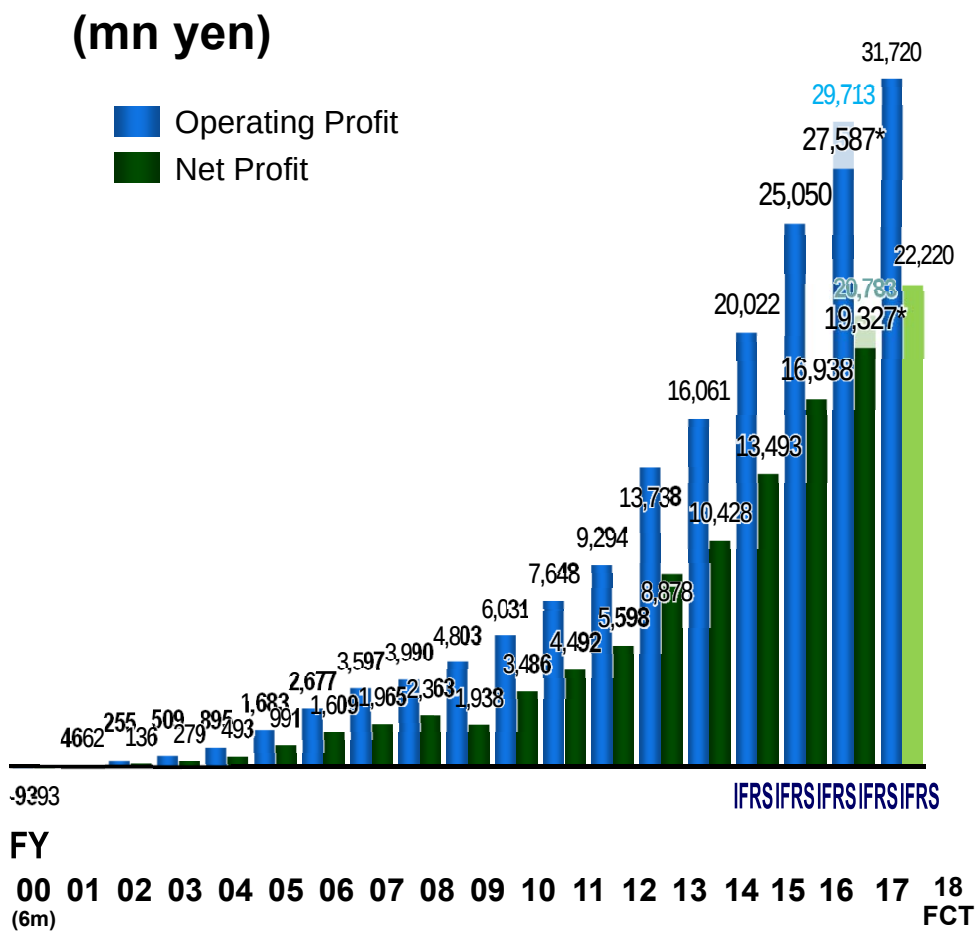
Annual Results & Forecast for FY2018

Sales



Operating Profit & Net Profit



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

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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 ¥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**

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