M3, Inc.
Presentation Material

January 2019

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M3, Inc.

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FY2018 Q3 Consolidated Results

IFRS9

(million yen)	FY2017 Q3	FY2018 Q3	YoY
Sales	68,560	83,674	+22%
Operating Profit	20,592	22,958	+11%*
Pre-tax Profit	20,698	23,109	+12%*
Net Profit	14,281	15,976	+12%

* Pro Forma Standard Taxation effect was -121 million yen.
Actual operating profit growth was +12% yoy.

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FY2018 Q3 Consolidated Results by Segment

(million yen)

			FY2017 Q3	FY2018 Q3	YoY (cumul.)
Domestic	Medical Platform	Sales	24,408	29,968	+23%
		Profit	11,617	10,815	-7%*
	Evidence Solution	Sales	16,215	17,006	+5%
		Profit	3,824	4,555	+19%
	Career Solution	Sales	8,156	10,650	+31%
		Profit	2,315	3,265	+41%
	Other Emerging Businesses	Sales	4,537	9,120	+101%
		Profit	1,057	2,026	+92%
Overseas		Sales	16,870	18,696	+11%
		Profit	2,597	2,697	+4%

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

Strong growth in sales and profit in Q3

Both physician and pharmacist placements are healthy

Healthy expansion of future growth drivers

Expansion of sales and profit continue

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

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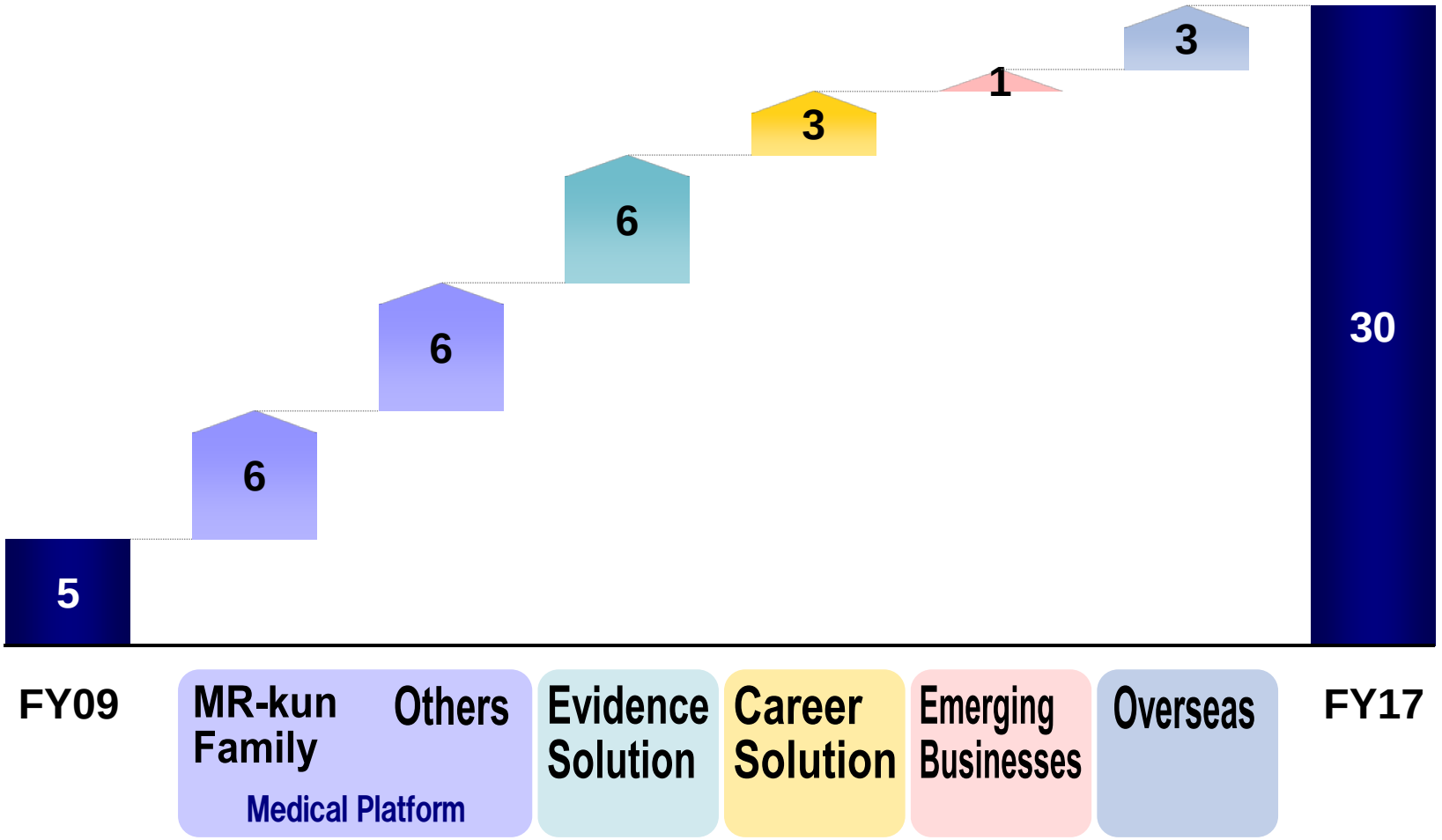
FY2018 Q3 Overview

Medical Platform	■ Diversification of marketing support business for pharmaceutical and medical device companies plus M&A effects drove sales higher by +23% yoy ■ Precedent costs in FY18 from aggressive upfront investments, forecasting double digit growth next FY.
Evidence Solution	■ Improvement in Q3, with sales +10% and profit +25% QoQ ■ Orders backlog remains at 26 bn yen while op margins rose to 27%
Career Solution	■ Both physician and pharmacist inflow remain robust and accelerated growth, with sales at 10.7 bn yen (+31% yoy) and op. profit at 3.3 bn yen (+41% yoy)
Emerging Businesses	■ New businesses entering rapid growth phase. ■ Acceleration in initiatives within the field of advanced medicine, with new approval gained in Japan for PeriBeam
Overseas	■ Sales: 18.7 bn yen (+11% yoy), Op. Profit: 2.7 bn yen (+4% yoy), with continued growth for both
Upfront Investment	■ Upfront investments progressing favorably. In addition to organic growth of existing businesses, next FY should see 2~3 bio yen in profit uplift (future potential to reach a few hundred billion yen)

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Segment Contribution to Profit Growth (FY09 → FY17)

(billion yen)

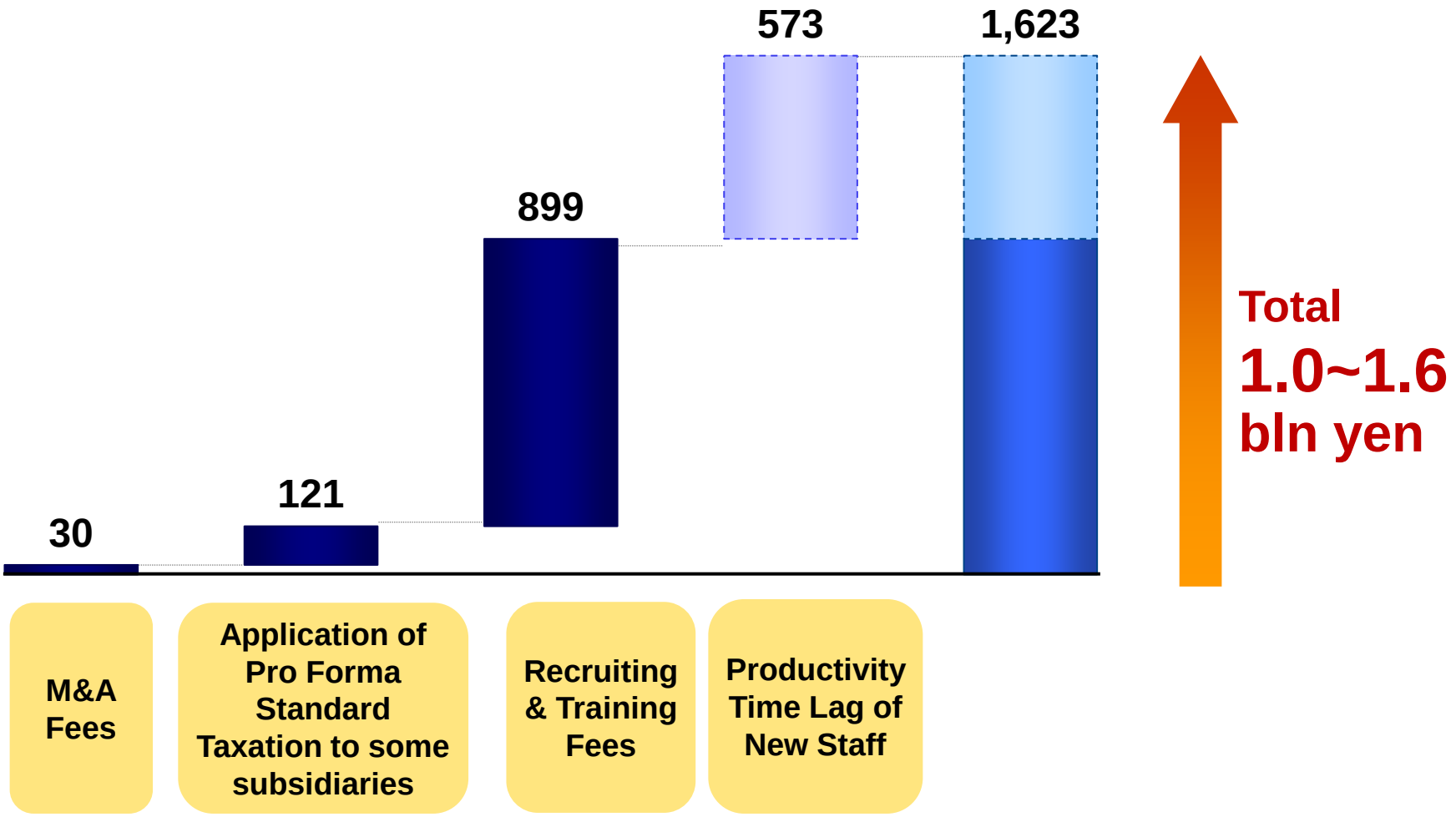


☞ **All segments are driving growth. MR-kun family growth continues, however is now only 24% of group profit**

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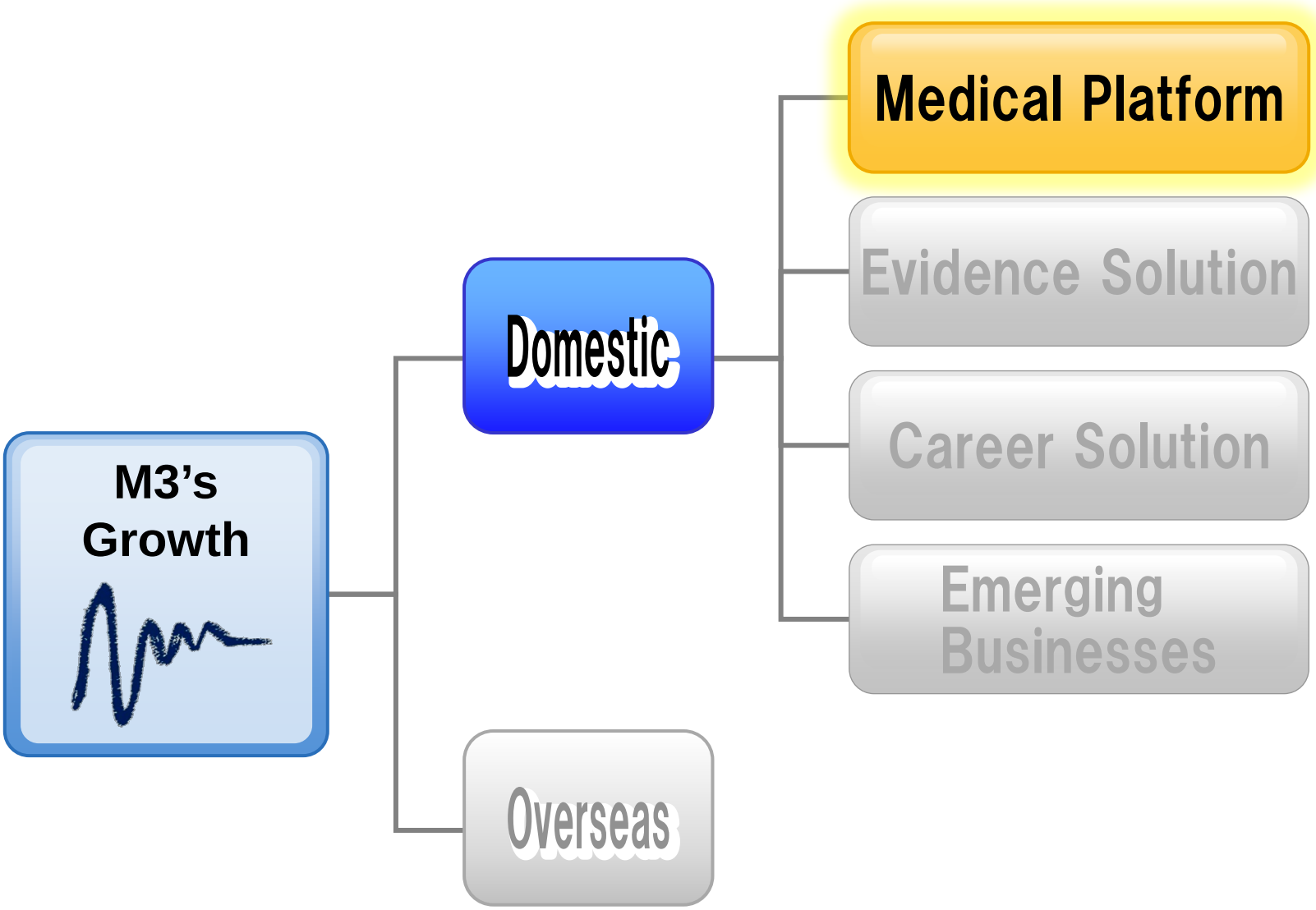
Upfront Investment Costs for Future Growth

Unit: million yen



☞ **Special costs incurred dampened profits by 1.0 ~ 1.6 bn yen. Aggressive upfront investment to continue.**

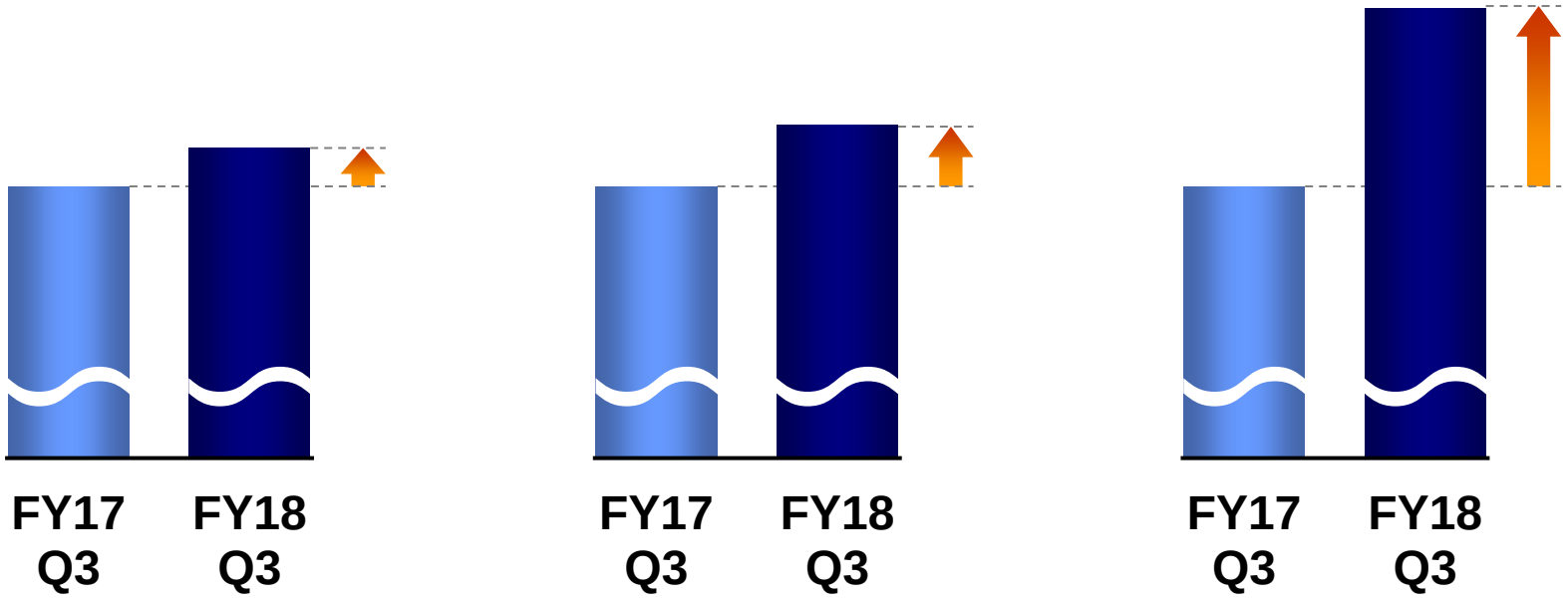
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m3.com：Platform Strength Continues to Strengthen

Doctor Membership		Annual Logins		Medical Platform Sales
+5%	<	+9%	<	+23%



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

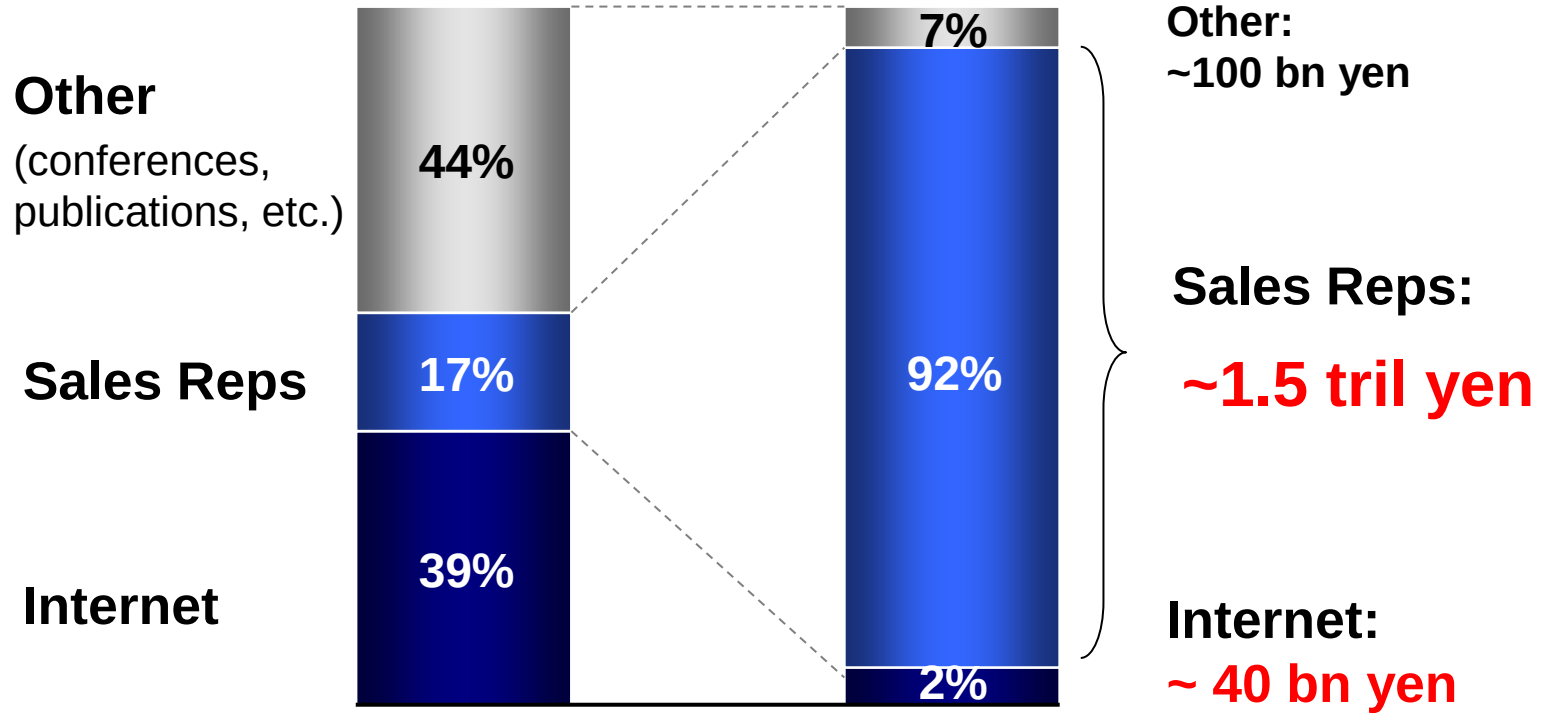
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Doctor's Time Allocation vs Pharma's Budget Allocation

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

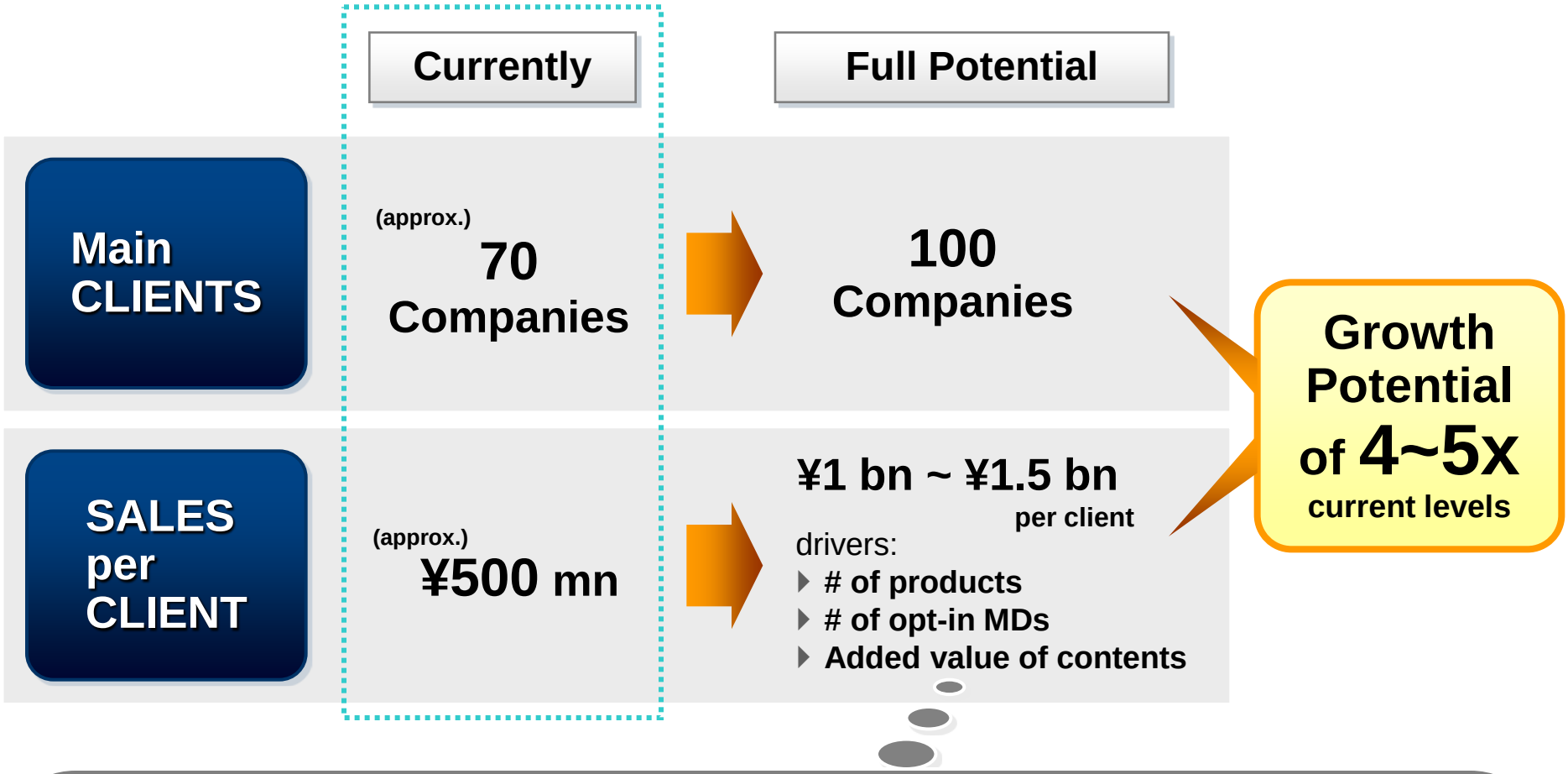
Marketing Budget Allocation
of drug companies in Japan



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

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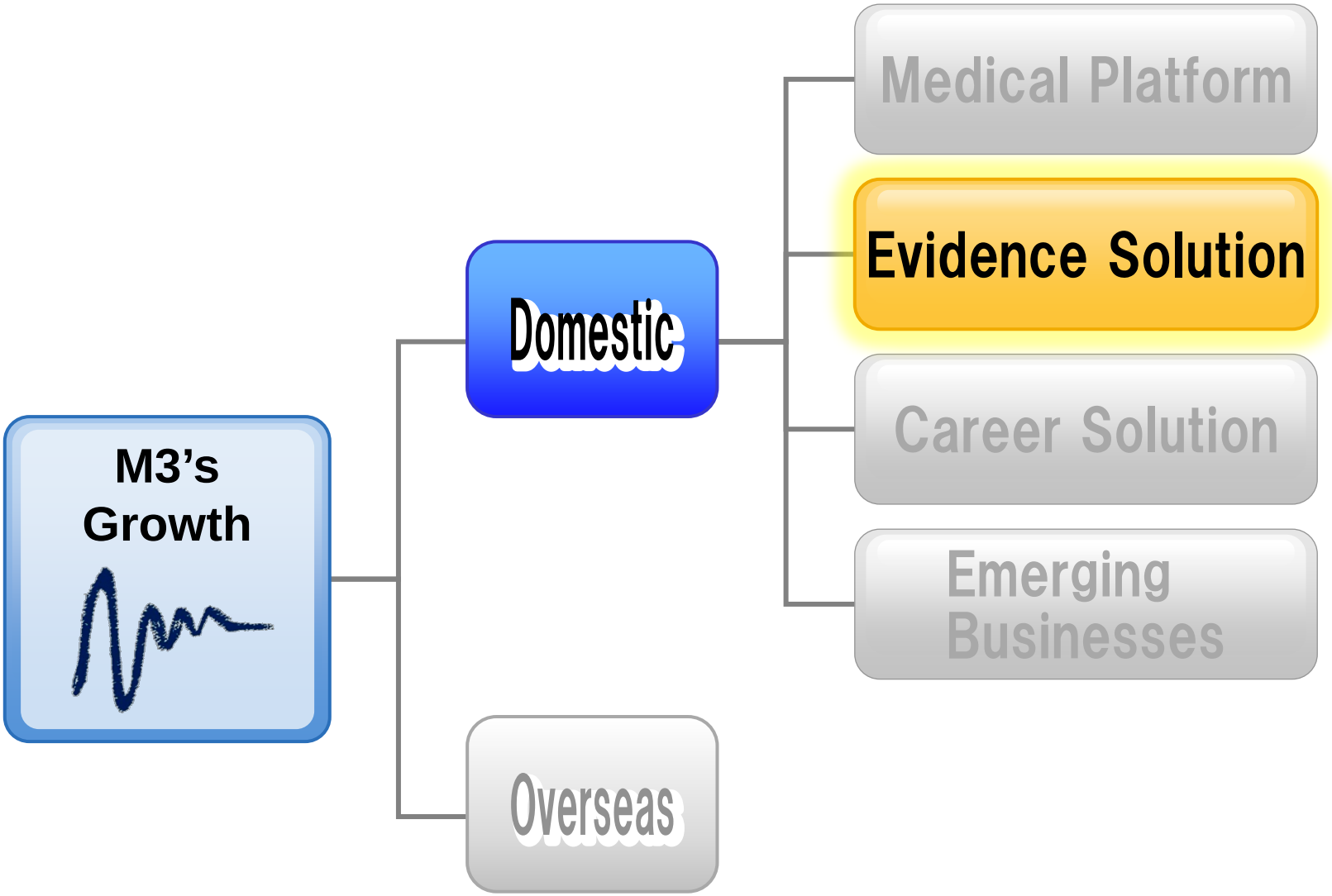
MR-kun
MR-kun Family
Extended Services

Marketing Process at Healthcare Related Companies

	Strategy Planning	Content Production	Message Delivery	Deal Closing
Pharma Company Needs	■ Product strategy development	■ Key message identification and content production	■ Efficient message delivery to the medical scene	■ Product sales expansion
Corresponding Department	■ Corporate Planning ■ Marketing	■ Marketing	■ Marketing ■ Multi-channel Group	■ Sales ■ Corporate Planning
M3 Services	■ M3 Research ■ Mx Data	■ Web Content Creation ■ Agency Business	■ MR-kun ■ Web Conference ■ One Point eDetail	■ CSO ■ Medical Marketer ■ M3 Database
2010 Sales	1.0bn	1.5bn	8.0bn	—
	3x	4x	3x	
2017 Sales	3.5bn	6.0bn	23.0bn	1.5bn

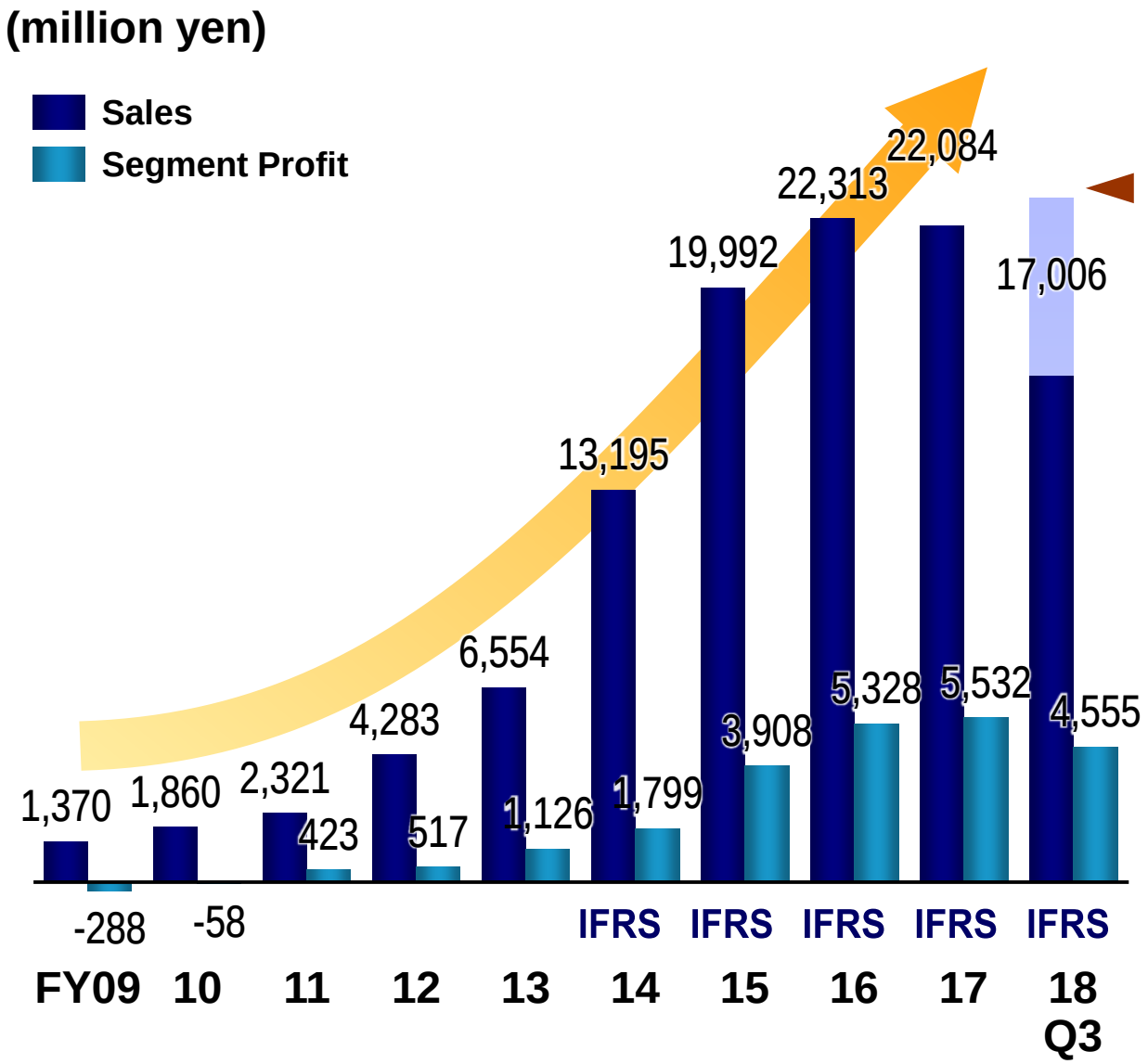
Medical Platform Sales: ***34 billion JPY***

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Sales and Profit Trend of Evidence Solution



FY18 FCT
23 bn yen

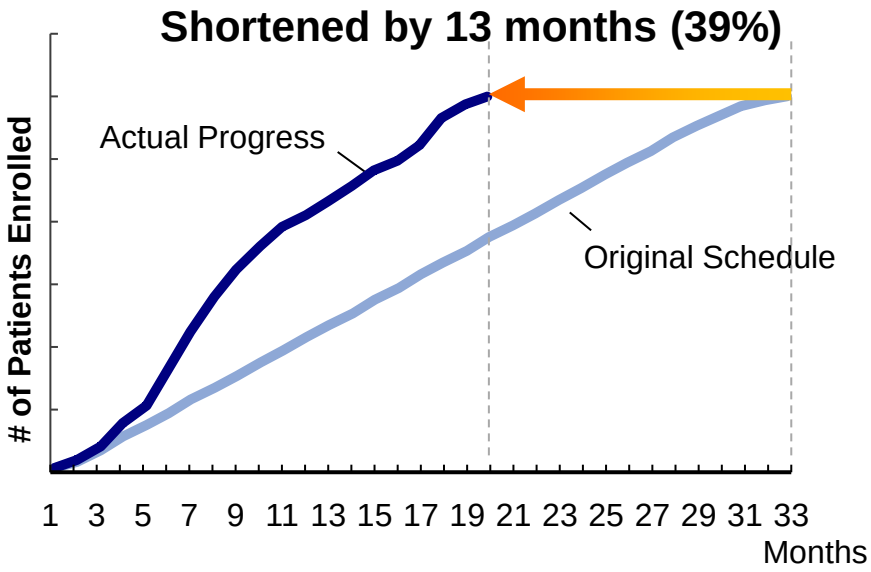
- Orders backlog remained around 26bn yen, with upfront personnel investing corresponding to increase in orders
- Profits expanded as projects progressed and Neues sales and profits recovered
- Margins expanded to 27%

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M3 Group: Accelerated Trial Completion

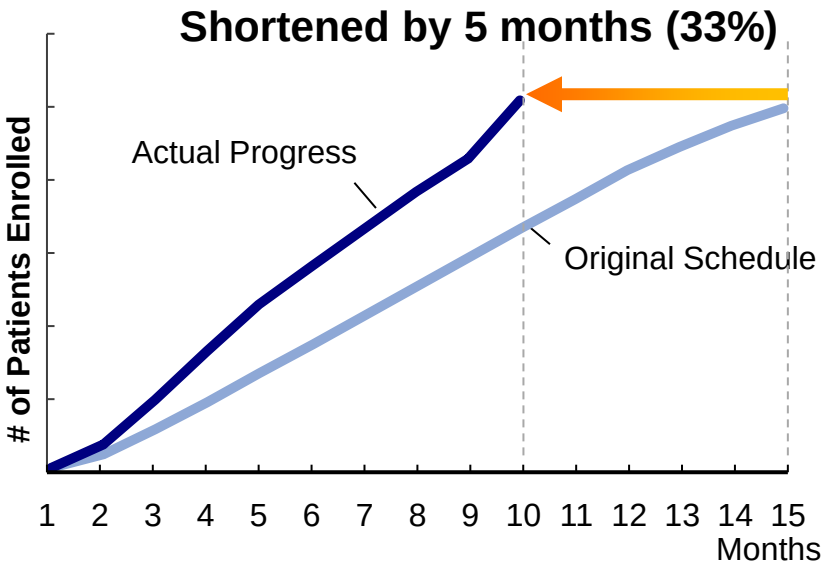
- **Mr. Finder finds highly motivated doctors at sites with potential patients**
- **Trial process management executed in similar fashion to web based marketing (High speed PDCA, conversion management, IT tools utilization)**

Global Trial: Endocrinology/ Metabolism



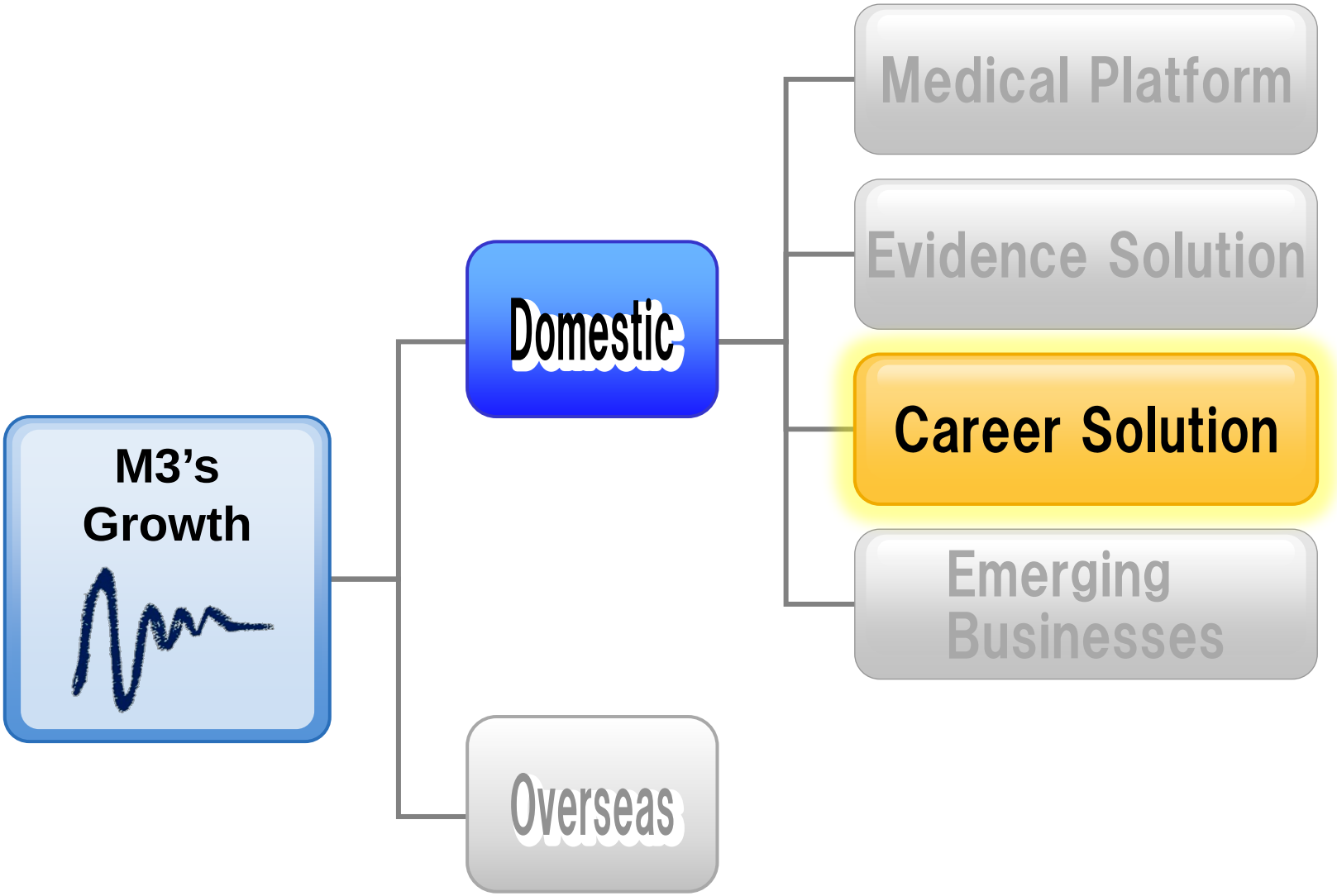
Completed patient enrollment in 20 months vs. allocated 33 months

Domestic Trial: Endocrinology/Metabolism



Completed patient enrollment in 10 months vs. allocated 15 months

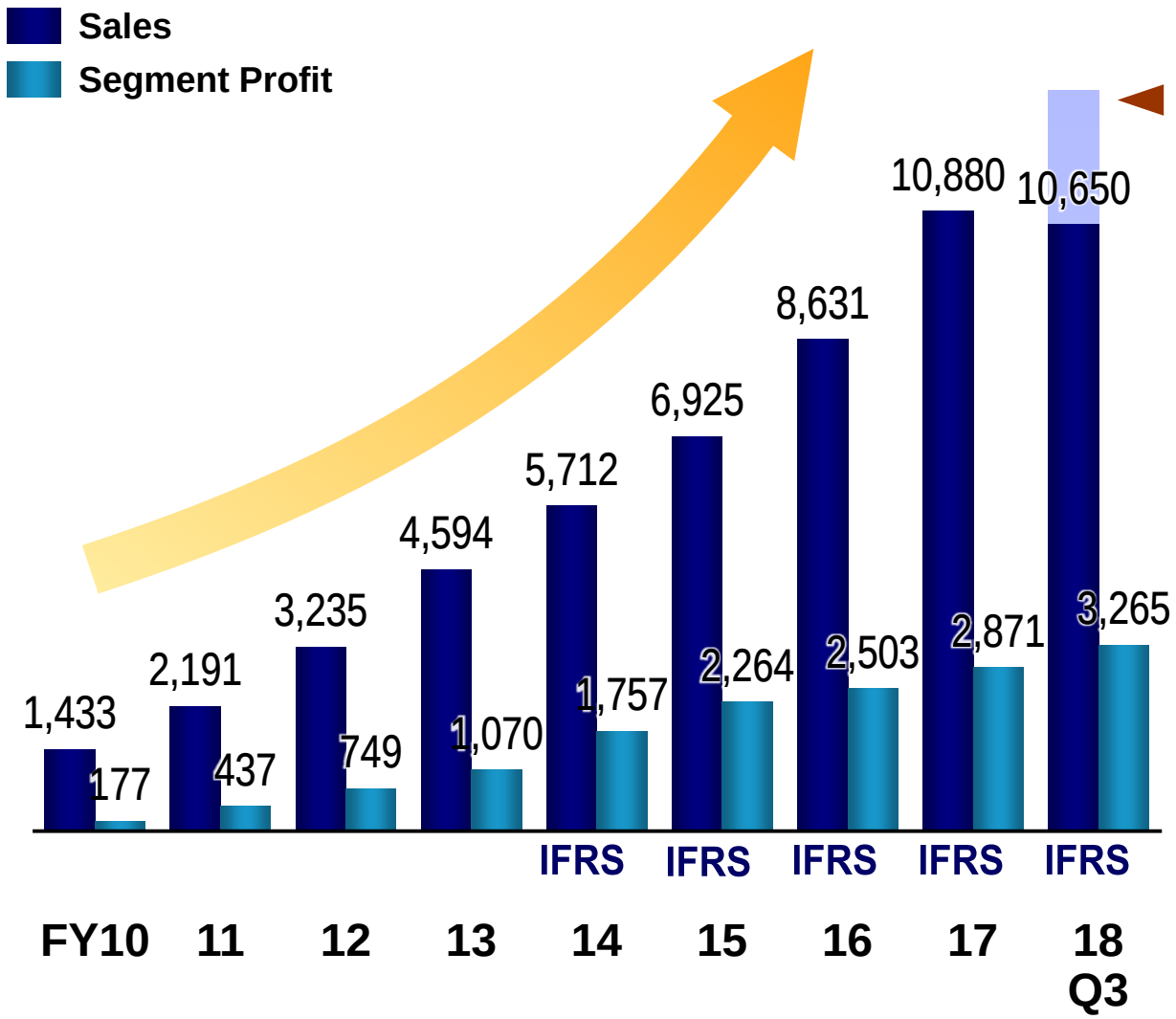
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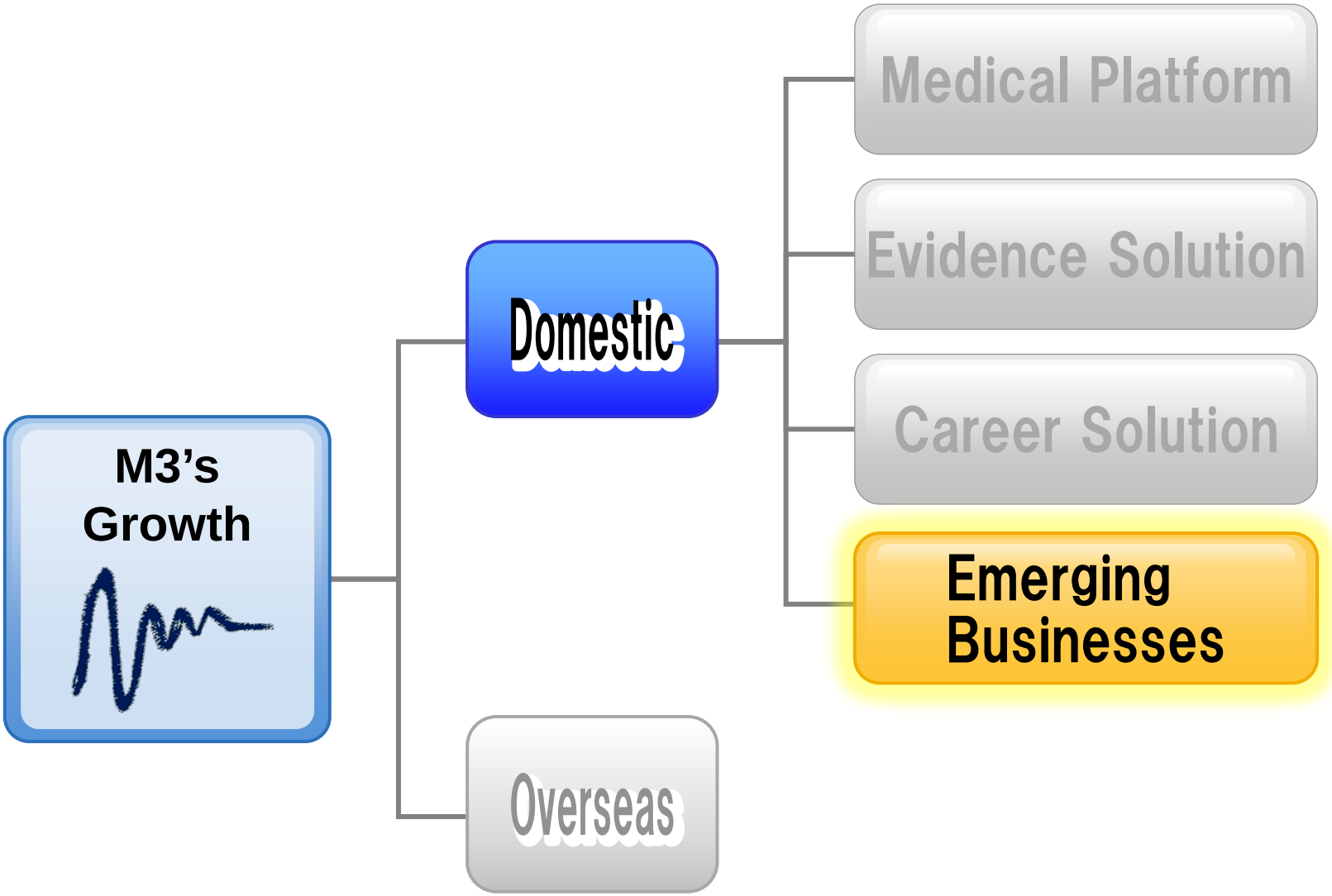
Sales and Profit Trend of Career Solutions

(million yen)



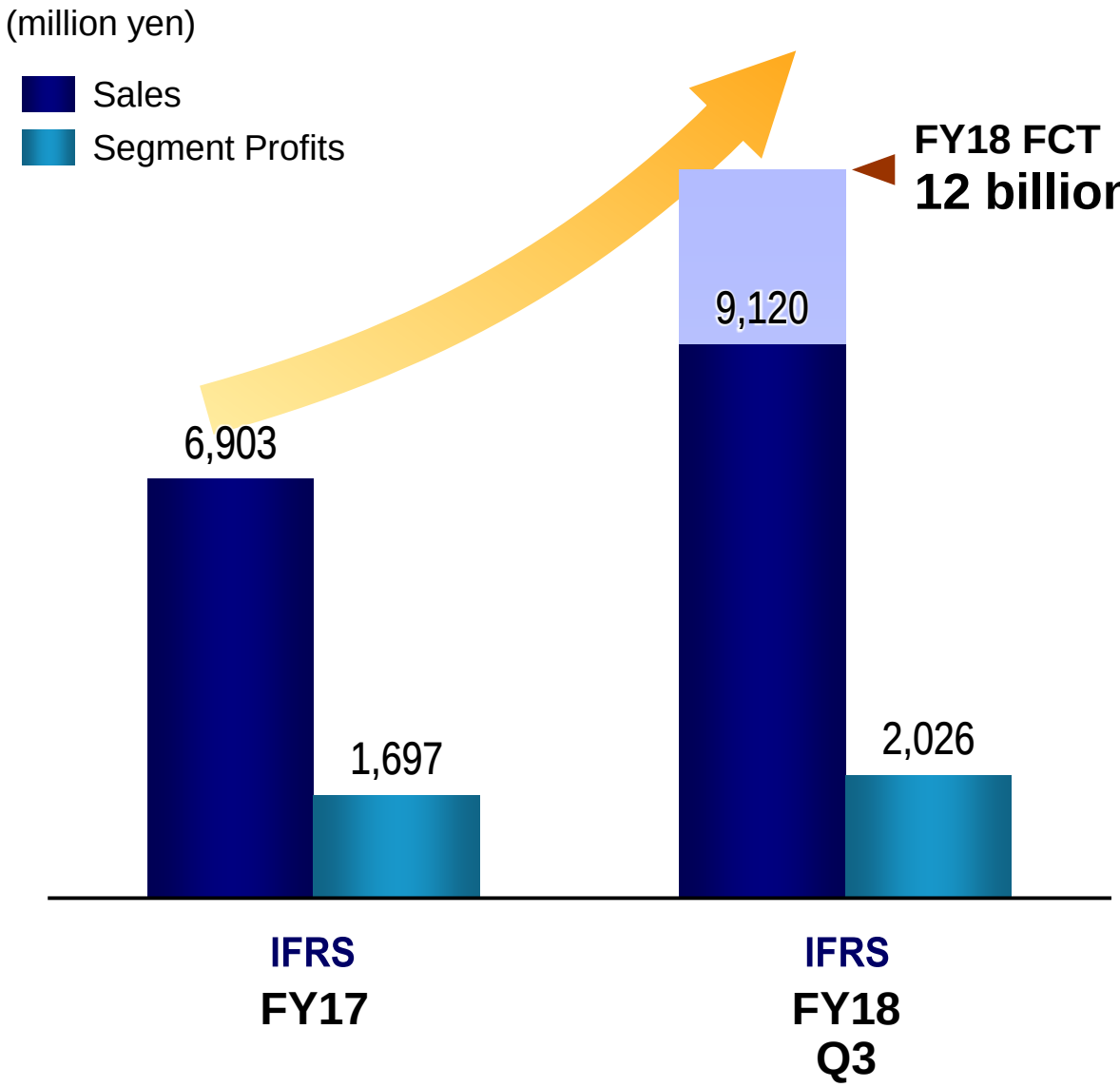
- Sales and profit expansion from increase in staff and productivity
- Fully absorbed hiring impact, resulting in accelerated growth rate

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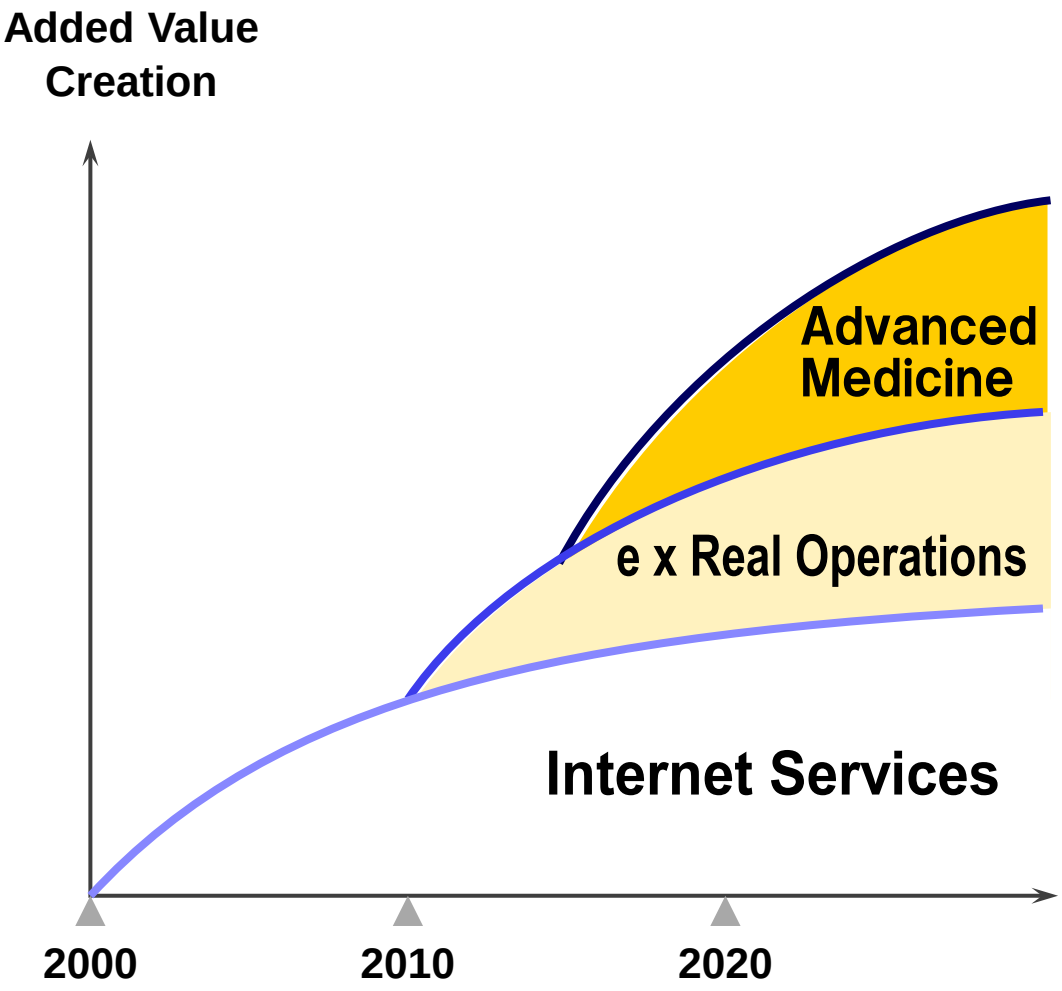
Sales and Profit Trend of Emerging Businesses



- Advanced medicine initiatives accelerate. d
- Each business continues to expand steadily, with Q3 profit growth of +20% yoy. Development seen in next growth drivers also
- Q3 also benefited from one time profits due to reorganization of group companies

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Evolution of M3 Growth Drivers



Main Initiatives

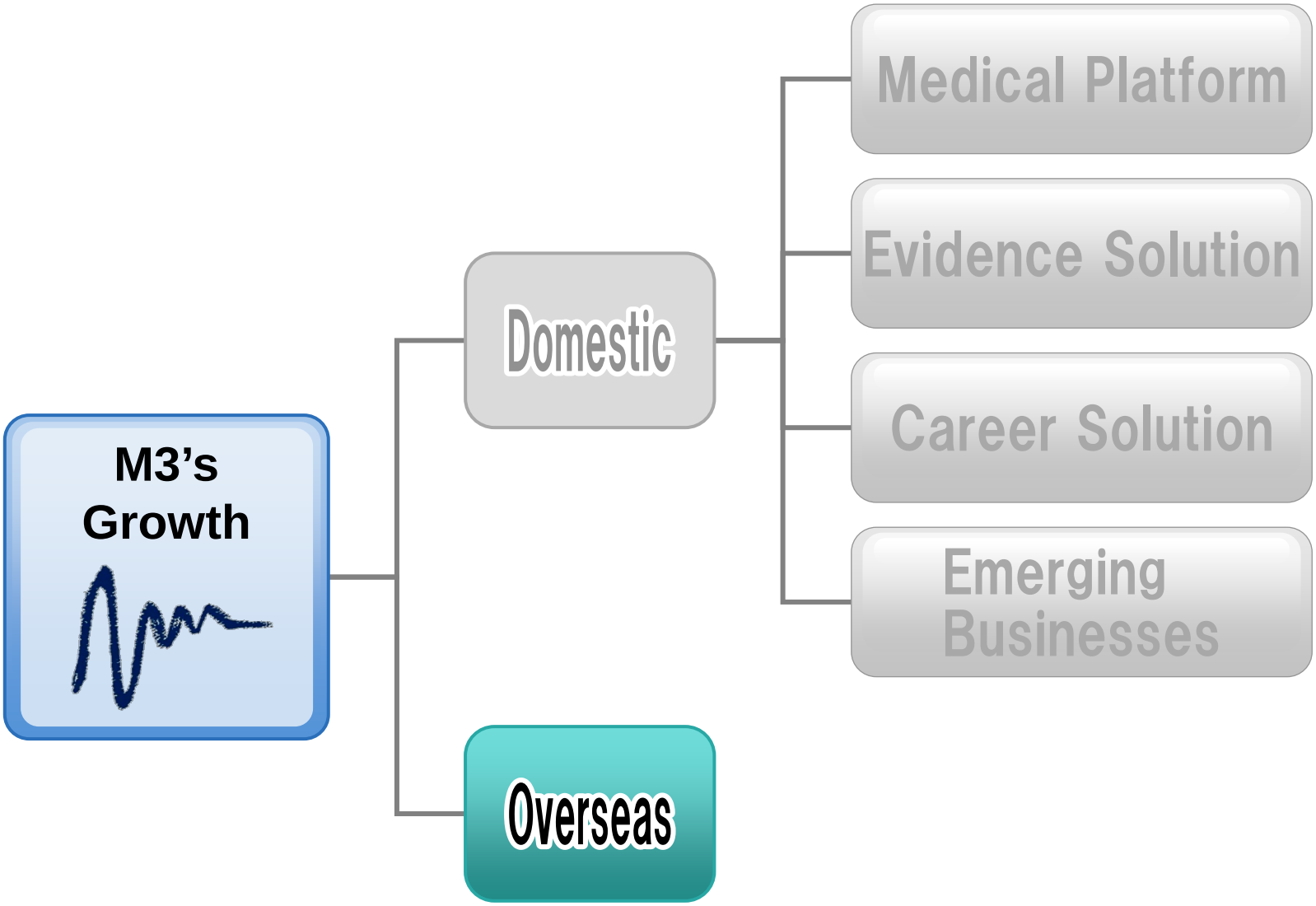
- Seeds Rocket / M3i
- Various solutions within cancer specialties
- M3 AI Labo
- Genome Diagnosis / G-TAC

- 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**

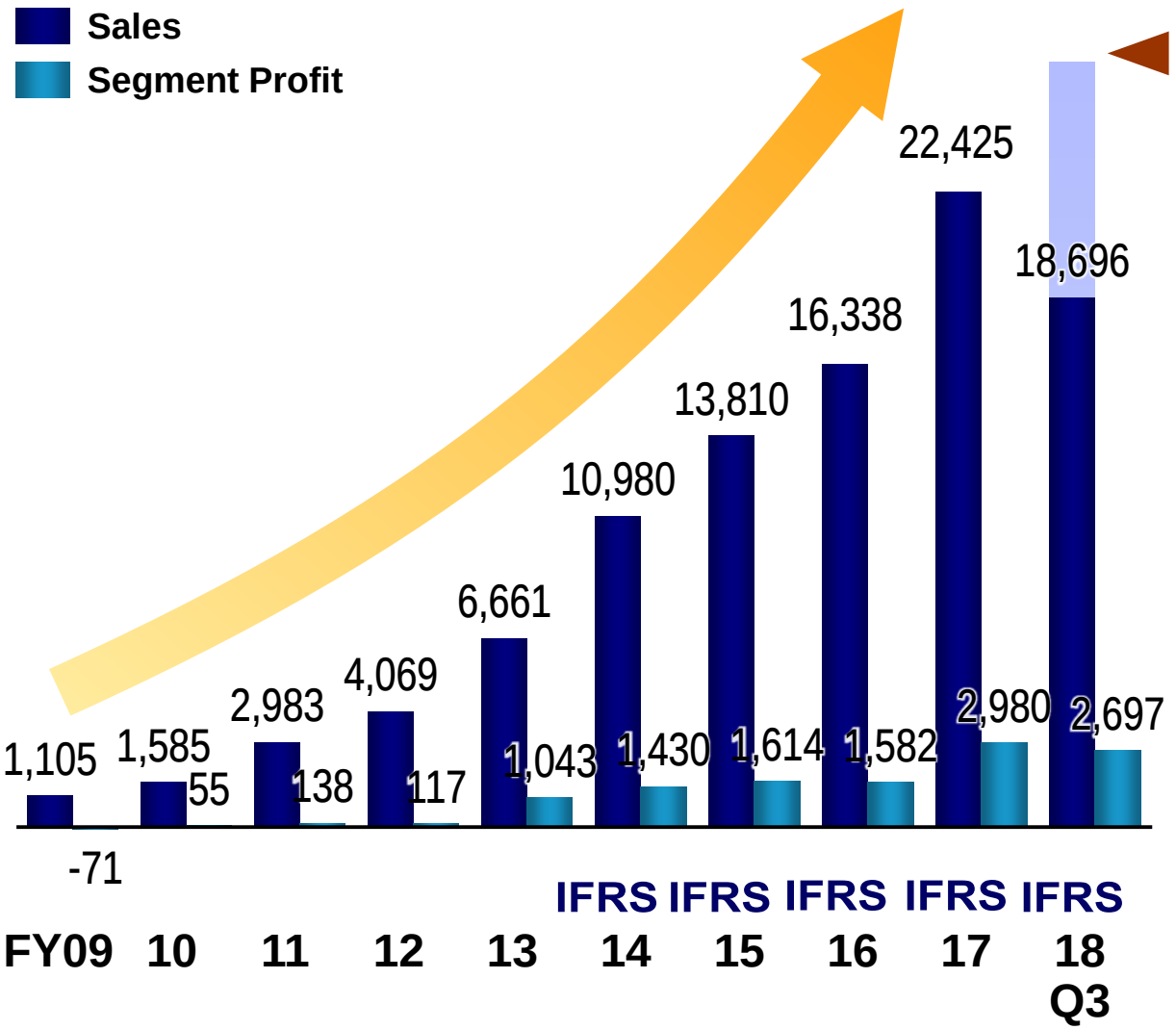
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Sales and Profit Trend of Overseas

(million yen)

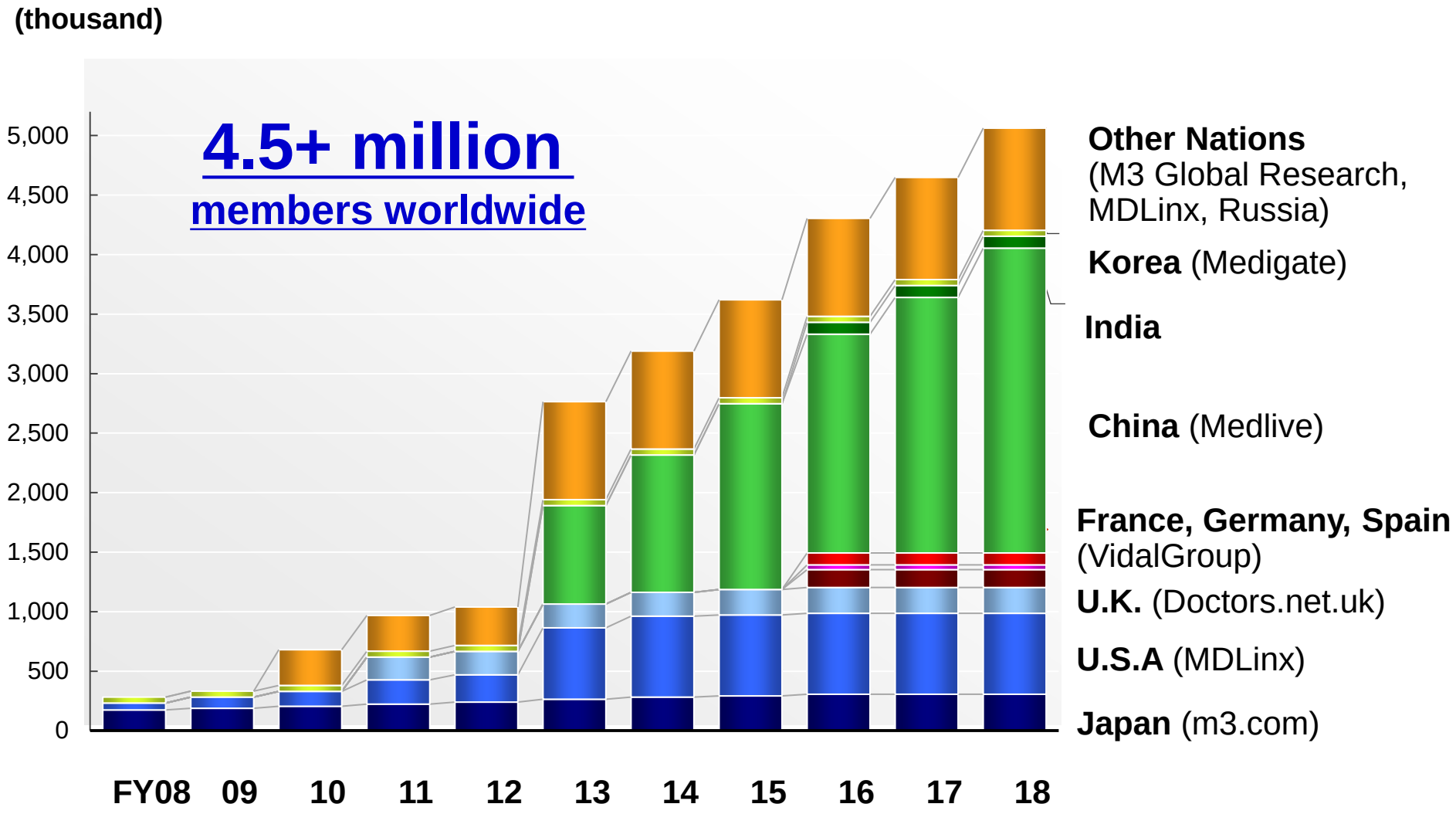


FY18 FCT
27 bn yen

- 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)

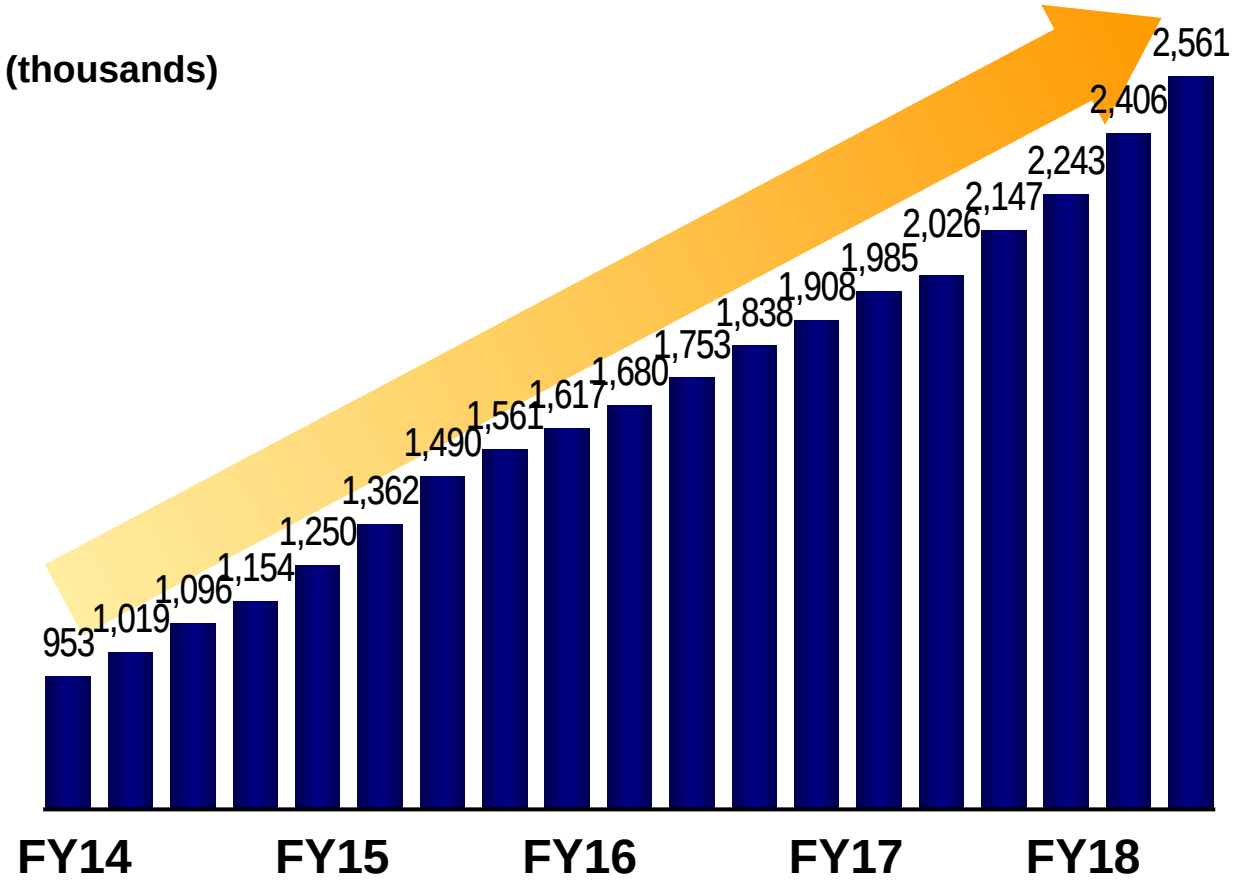


☞ **Over 4.5 million physicians utilize M3's global platforms**

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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 13 pharma companies across 36 drugs
- Newly approaching local clients, in addition to MNCs
- Launched career services for physicians

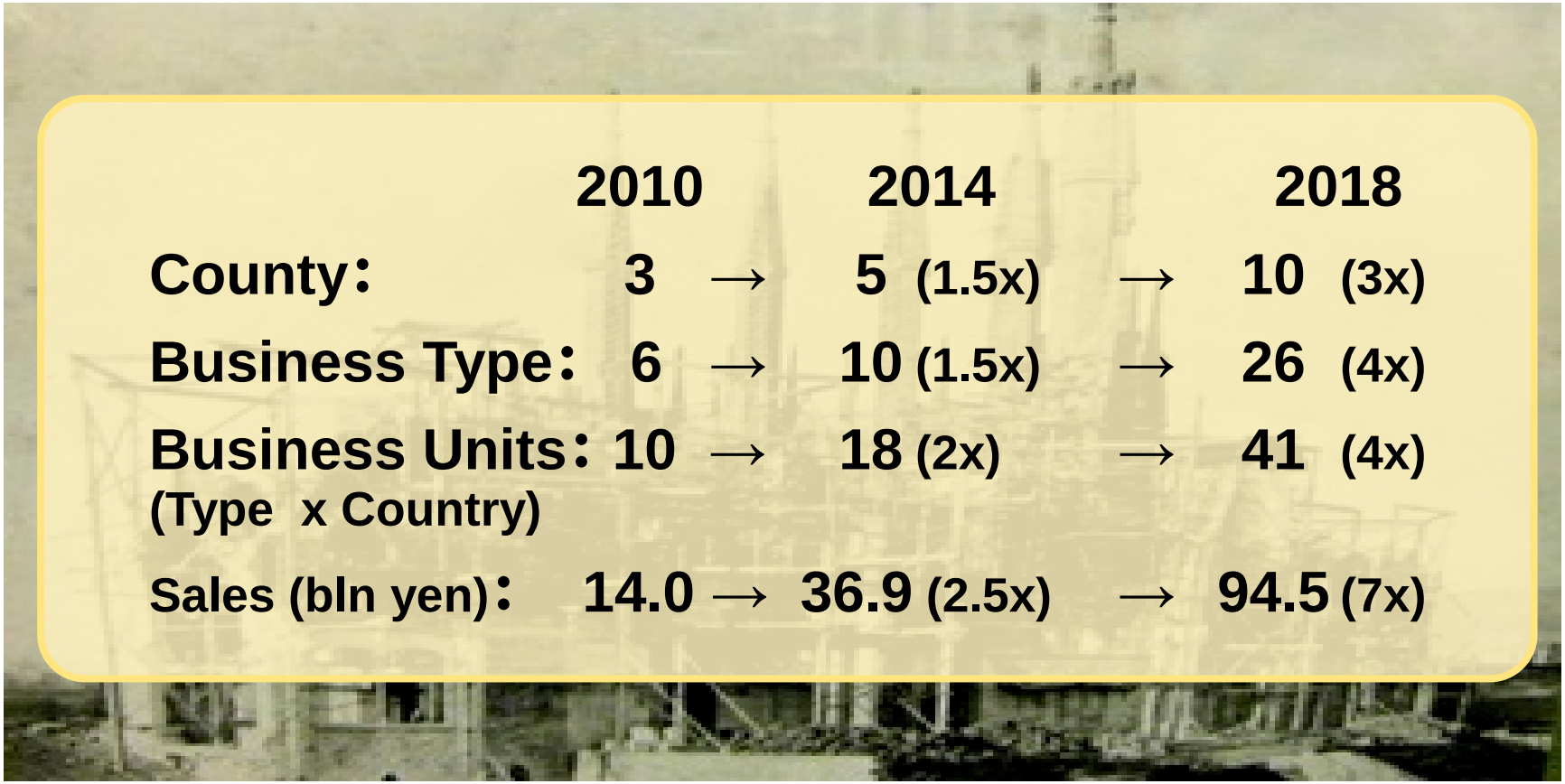
☞ **Topped 2.5 million physicians members, covering the majority of doctors in China**

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M3 Group's Business Strategy

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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)

☞ **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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Progress of Main Upfront Investments

Monetization Timing



① New Service Development

Full roll out of e-medical record business M3 DigiKar, PSP, and multiple other new initiatives

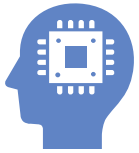
Next FY



② Pharmaceutical Marketing Team Reinforcement (Personnel investment)

Team members increased +66% versus FY2017 Q3

Next FY



③ Upfront Investment in AI Businesses

In-house AI diagnostics engine and industry standardizing platform development

Next FY~ Next Next FY



④ JV with LINE / B-to-C Business

Established a JV with LINE to develop an online healthcare business

Next Next FY

Upfront investments progressing favorably. In addition to organic growth of existing businesses, next FY should see 2~3 bio yen in incremental profit, with future potential to reach a few hundred billion yen

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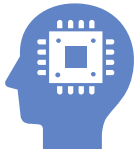
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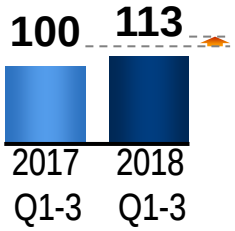
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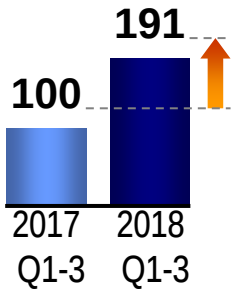
Growth of New Businesses

M3 DigiKar
(Electronic Medical Char)

Sales



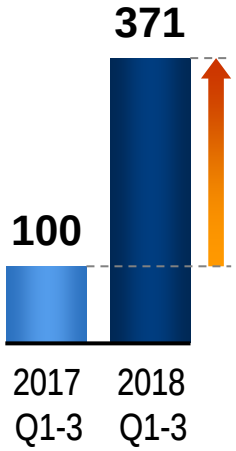
O. Profits



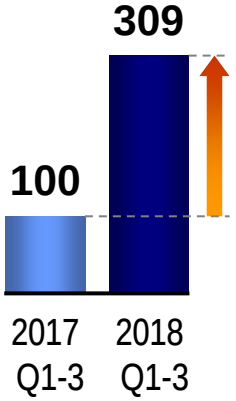
No.1 chosen cloud based electronic medical chart system

M3 Doctor Support
（Medical Facility Management Support）

Sales



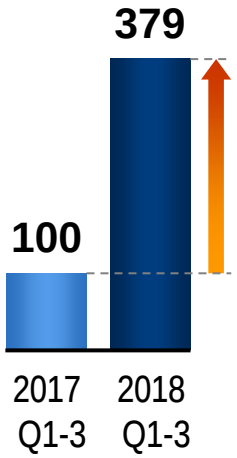
O. Profits



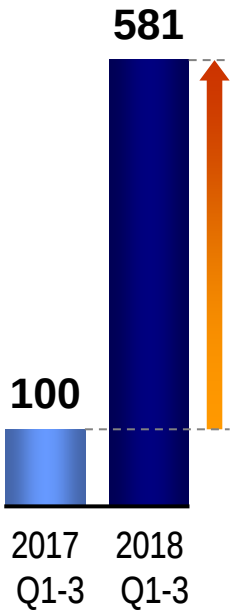
Industry top field force with over 5,000 home medial care providers

G-TAC
(Genome subsidiary)

Sales



O. Profits



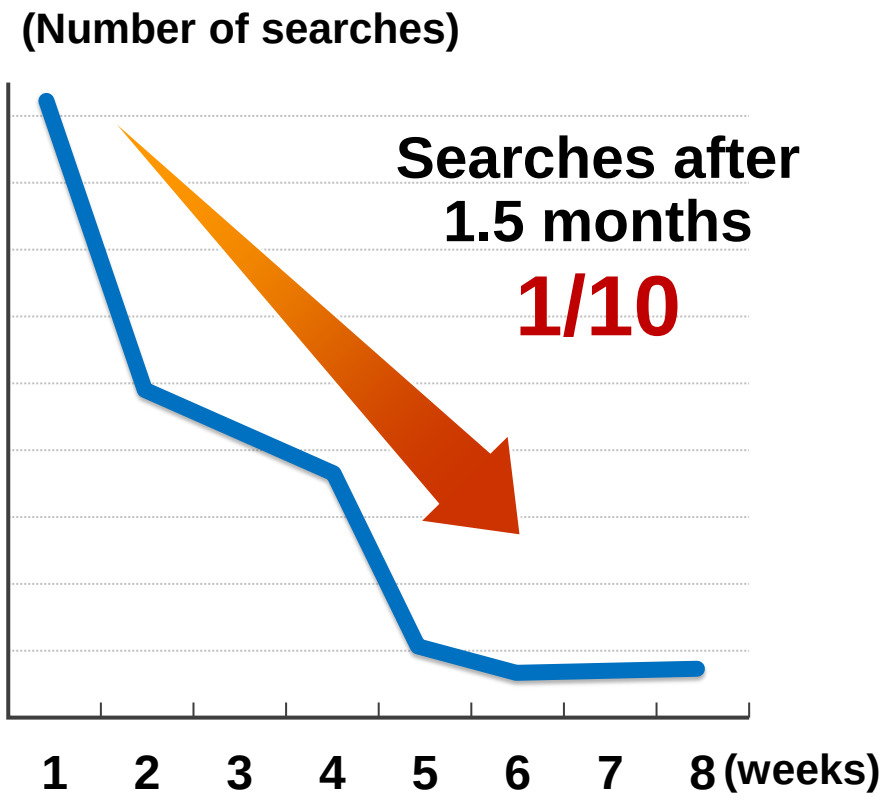
Alliances with over 1,800 hospitals, national leader in genetic diagnostics provision

☞ **Expansion in full swing in FY18, expected to accelerate further**

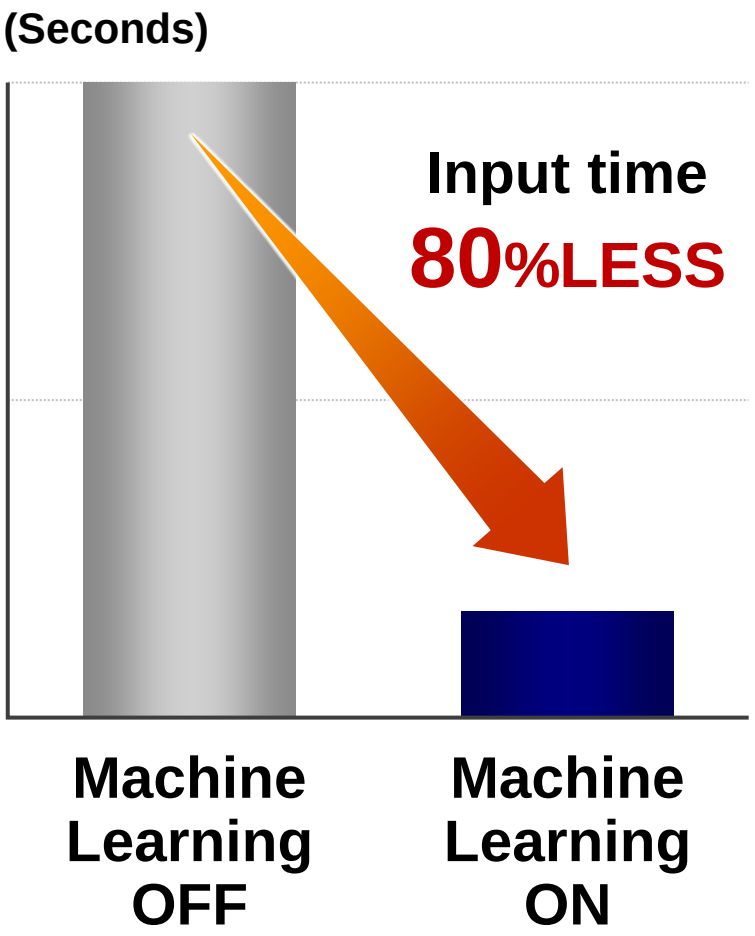
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Machine Learning Assisted Entry

Reduction in Number of Key Word Searches per Chart



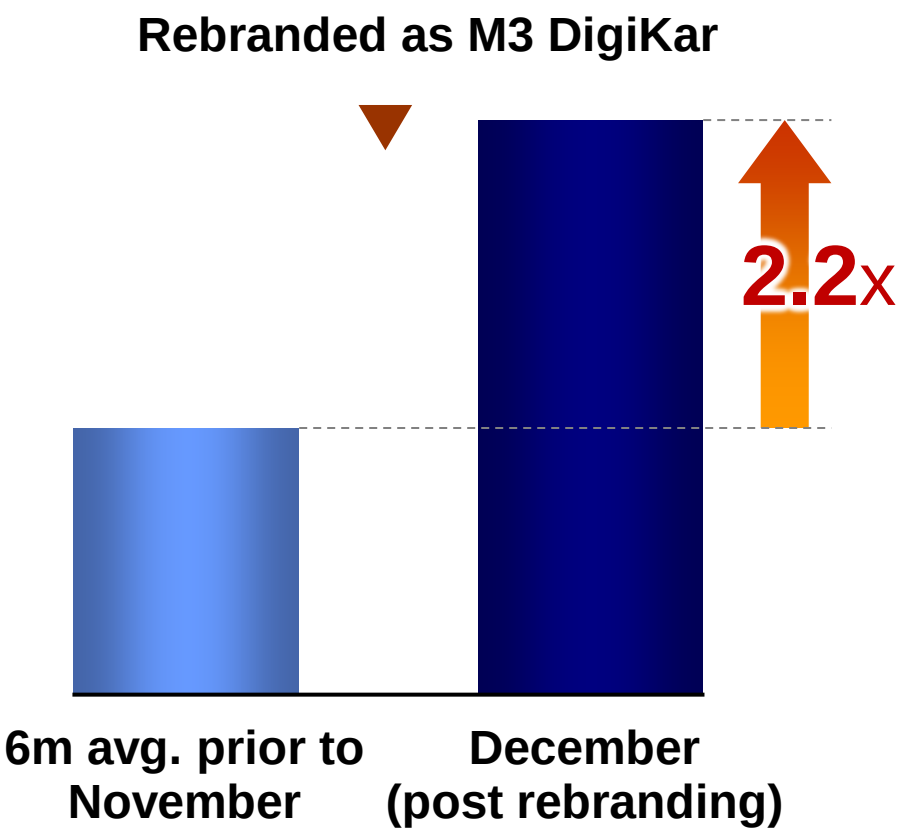
Reduction in Order Input Time (Length)



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M3 DigiKar Acceleration

Monthly M3 DigiKar Adoptions



- Rebranded as "M3 DigiKar" from "DigiKar" in November
- Monthly historical highs of 680 adoptions in December
- Adoption rated expected to accelerate as medical device offering lineup expands

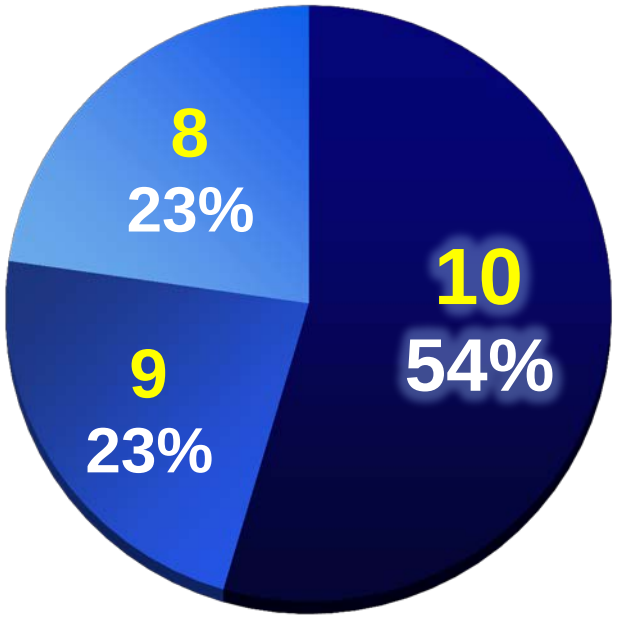
☞ Number of managed data expected to top 10 million medical charts, largely ahead of original schedule

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Patient Support Program User Voices

Customer Satisfaction

Q. Please rate your satisfaction level with PSP (1~10, 10 max)



Customer Voices

We were accepted into the hospital meeting all our requirements, in a very short period of time. It would have been impossible to do alone.
(Parent of teen male, ADHD)

I received extremely valuable and detailed information. Correspondence was sincere, respectful, and speedy at the same time.
(Son of 60's female, breast cancer)

It gave me a sense of security that it was not a systematic process, and sincerely listened and advised
(60's male, stomach cancer)

I was initially anxious from not understanding the services, but was immensely impressed by the sincere and careful service and communication.
(family of 50's male, thyroid tumor)

☞ **Majority rated the maximum 10, with no ratings below 8.**

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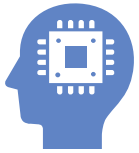
Next FY



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Next FY



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Next FY~ Next Next FY



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Next Next FY

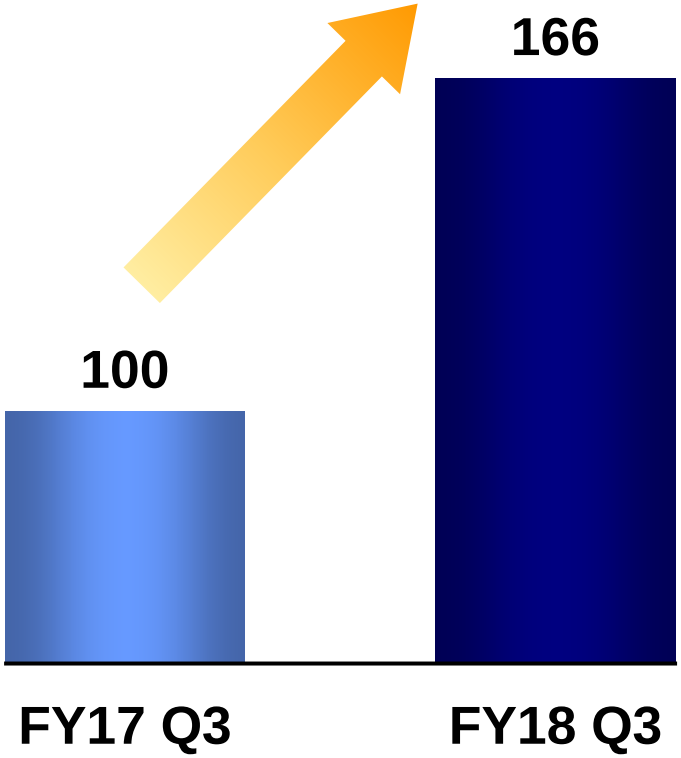
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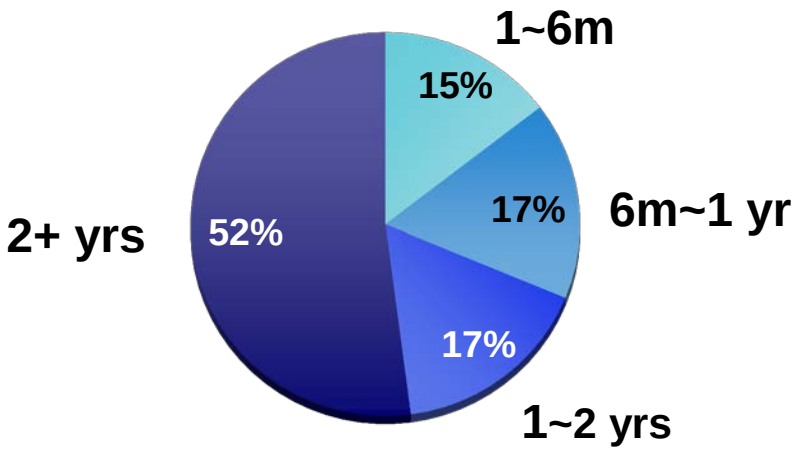
Marketing Team Reinforcement

Marketing Service Staff FTE *(Index)

* FTE＝Full Time Equivalent



Career Length at M3



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

☞ **Sales force continues to increase. Going forward, contribution expected from newer employees that have been with M3 for less than 2yrs.**

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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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Progress of Main Upfront Investments

Monetization Timing



① New Service Development

Full roll out of e-medical record business M3 DigiKar, PSP, and multiple other new initiatives

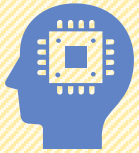
Next FY



② Pharmaceutical Marketing Team Reinforcement (Personnel investment)

Team members increased +66% versus FY2017 Q3

Next FY



③ Upfront Investment in AI Businesses

In-house AI diagnostics engine and industry standardizing platform development

Next FY~ Next Next FY



④ JV with LINE / B-to-C Business

Established a JV with LINE to develop an online healthcare business

Next Next FY



Upfront investments progressing favorably. In addition to organic growth of existing businesses, next FY should see 2~3 bio yen in incremental profit, with future potential to reach a few hundred billion yen

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Rapid Increase in AI Project Pipeline

Project List

		Firm	Therapeutic Area	M3 Services: Medical Data Collection	Algorithm Development	Regulatory Consult	Clinical Study &Trial	Marketing Support	Funding	Expected Product Launch Timing: FY 2019	FY 2020+
M3 Lead		M3	Respiratory	✔	✔	✔	✔	✔	✔	✔	
		M3	Diabetic Retino.	✔	✔	✔	✔	✔	✔	✔	
		M3	ALL	✔	✔	✔	✔	✔	✔	←	✔ →
3rd Party Lead	Domestic	AI Venture	Influenza	✔			✔				✔
		AI Venture	Brain Aneurysm	✔						✔	
		AI Venture	Insomnia	✔					✔		✔
		Academia	Respiratory		✔						✔
		AI Venture	Gastrointestinal			✔		✔			✔
		Device Maker	Funduscopy			✔					✔
		Device Maker	Gastro Surgery	✔		✔	✔				✔
		AI Venture	Alzheimers					✔		✔	
		Device Maker	PACS Link					✔			✔
	Overseas	AI Venture	Thyroid					✔		✔	
		AI Venture	Radiation		✔					✔	
		AI Venture	Coronary Artery		✔					✔	
		AI Venture	Coronary Artery		✔					✔	

16 AI development support projects currently in play. Rapid increase in initiatives such as AI distribution platform and incubation investments

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Progress of Main Upfront Investments

Monetization Timing



① New Service Development

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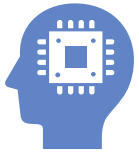
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Business Potential for LINE JV

LINE

- Consumer reach and activity:
  78 million users (65% national coverage)
- Possesses infrastructure for service provision (ie. Broadcasting, settlements, audio calls, EC, logistics)

- Medical professional members:
  270,000 doctors (90+% coverage)
  160,000 pharmacists (50+% coverage)
- AskDoctors, Qlife Hospital Search operational expertise, various data
- Business channel targeting pharmaceutical companies
- Abundant medical solutions for consumers

LINE Healthcare

Short Term → **Medical Consultation for LINE Users**

- ✓ Prevalent remote medical consultation platform Q&A
  - ✓ 1on1 physician consult
  - ✓ Others

Med-Long Term → **Online Medical Platform**

- ✓ Personalized comprehensive medical care based on accumulated big data
  - ✓ Remote consultations, Rx instructions
  - ✓ Hospital appointments, Rx records
  - ✓ Daily care

Med-Long Term → **Platform Linked Businesses**

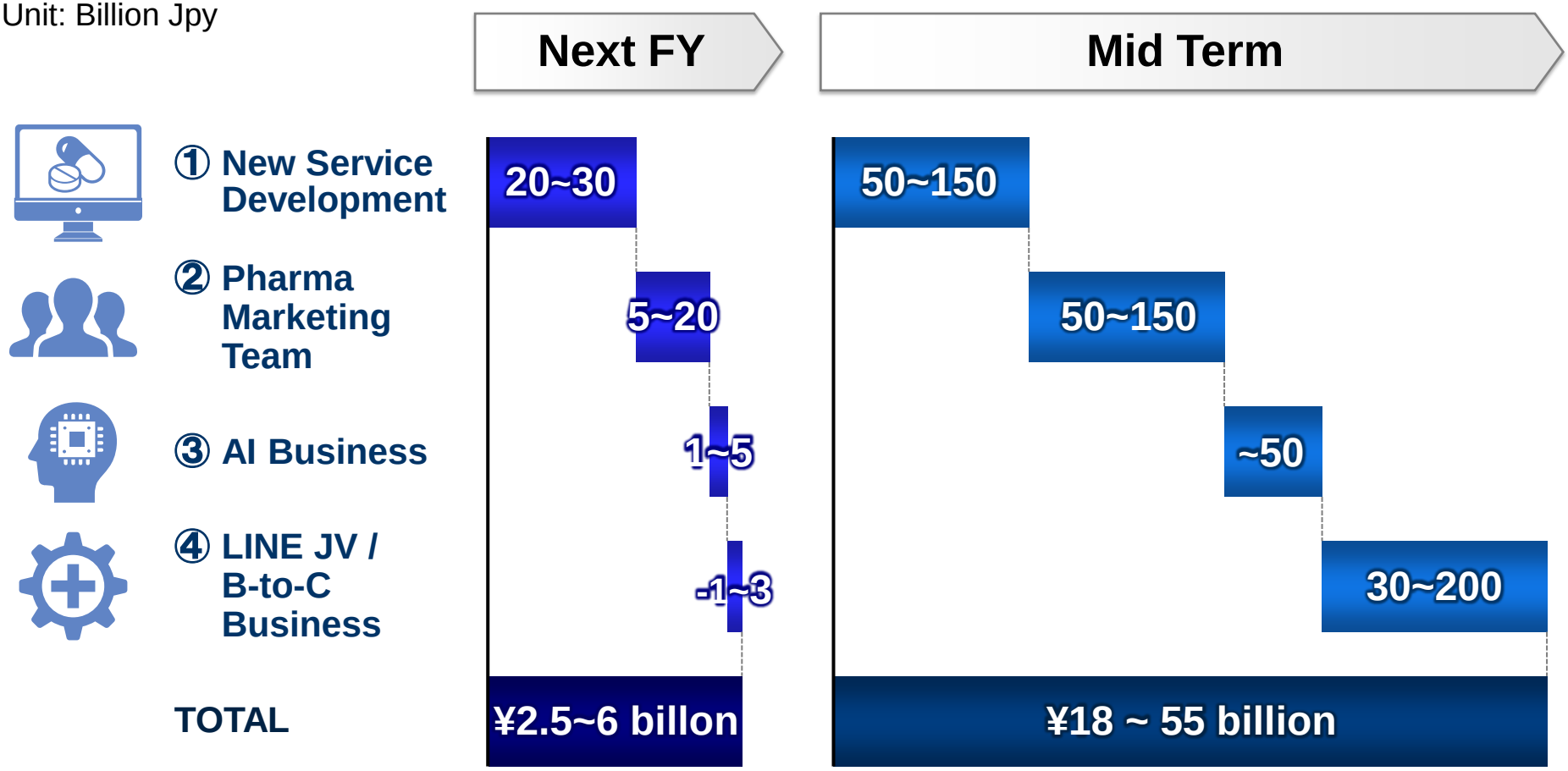
- ✓ DtoC advertising
- ✓ Genome
- ✓ Others

☞ **B-to-C business expansion using platforms such as LINE Healthcare**

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Profit Potential of Upfront Investment

Unit: Billion Jpy

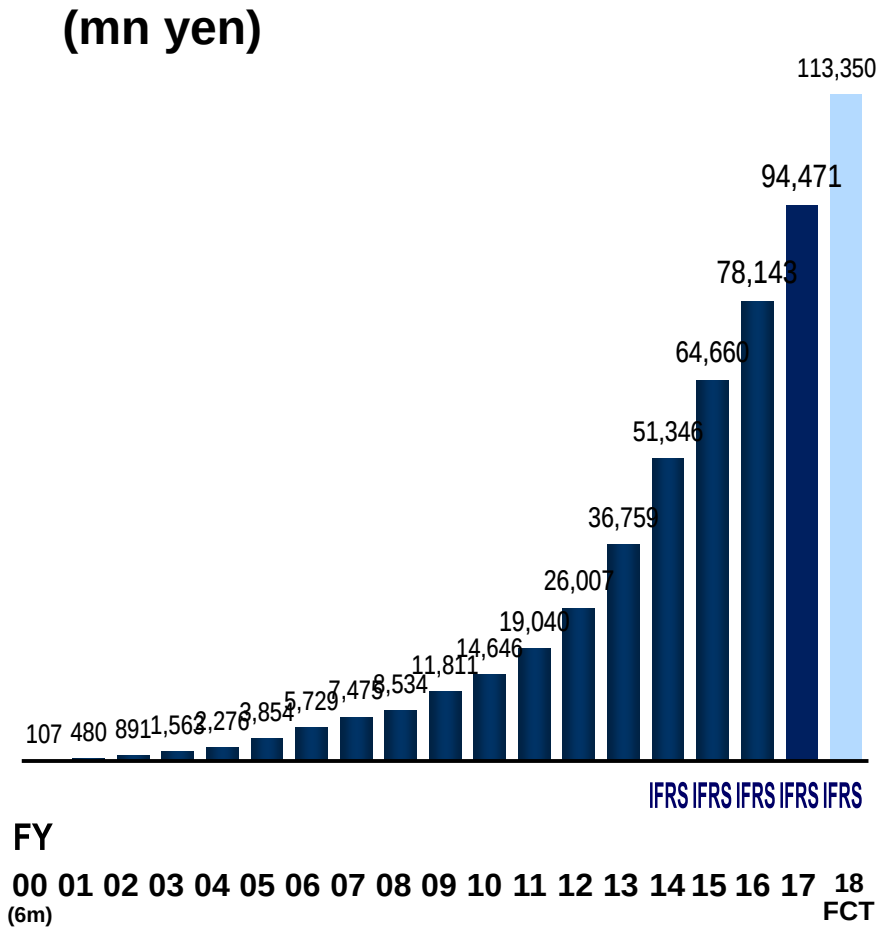


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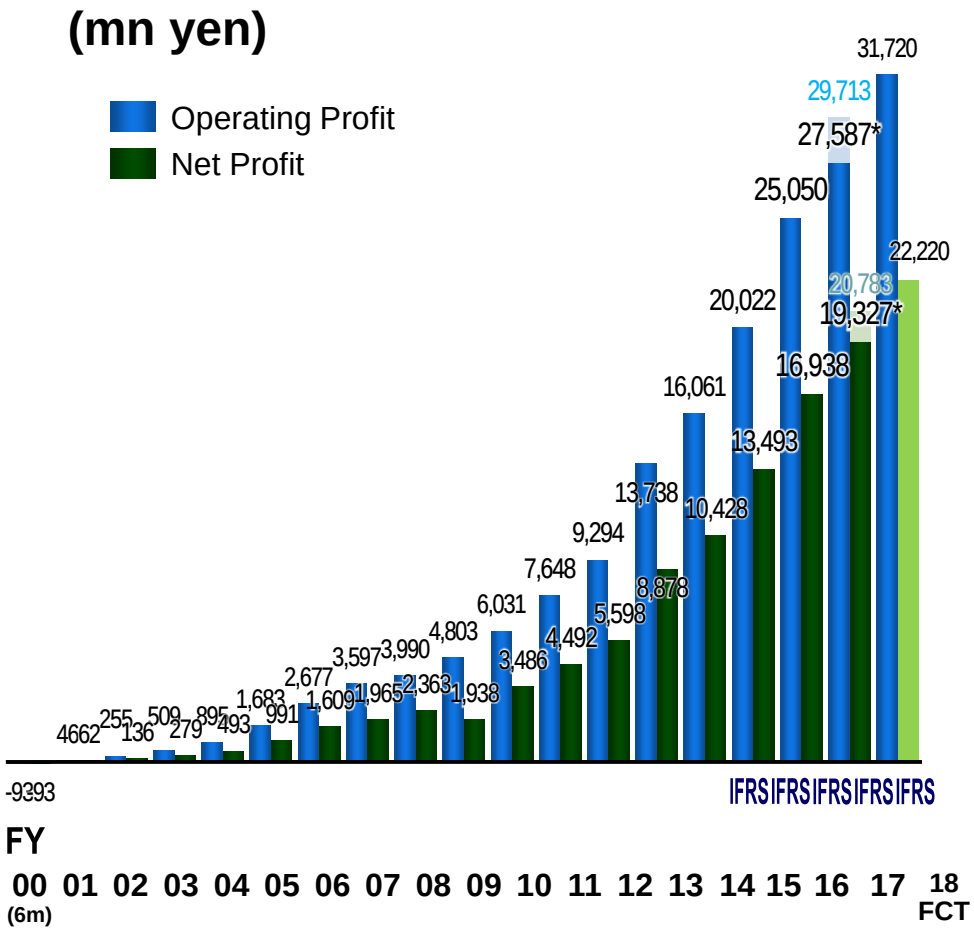
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Annual Results & Forecast for FY2018

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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