M3, Inc.
Presentation Material

April 2019



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M3, Inc.

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FY2018 Consolidated Results

IFRS9

(million yen)	FY2017	FY2018	YoY
Sales	94,471	113,059	+20%
Operating Profit	27,486	30,800	+12%
Pre-tax Profit	27,472	30,942	+13%
Net Profit	19,225	21,346	+11%

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FY2018 Consolidated Results by Segment

(million yen)

			FY2017	FY2018	YoY
Domestic	Medical Platform	Sales	34,306	41,248	+20%
		Profit	15,366	15,391	+0%*
	Evidence Solution	Sales	22,084	22,633	+3%
		Profit	5,532	5,985	+8%
	Career Solution	Sales	10,880	13,710	+26%
		Profit	2,871	3,847	+34%
	Other Emerging Businesses	Sales	6,903	12,692	+84%
		Profit	1,697	2,484	+46%
Overseas		Sales	22,425	25,124	+12%
		Profit	2,980	3,638	+22%

Profit grew +22% YoY for Jan-Mar quarter

Both physician and pharmacist placements are healthy

Acceleration phase of future growth drivers

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

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FY2018 Q4 Overview

Medical Platform	■ Diversification of marketing support business for pharmaceutical and medical device companies drove sales higher by +20% yoy, with large scale projects contributing to positive profit growth in Q4 ■ Aggressive upfront investments to continue, forecasting positive profit growth next FY.
Evidence Solution	■ Positive growth in both sales and profit, with margins at 26% ■ Orders backlog remains at 26 bn yen
Career Solution	■ Both physician and pharmacist inflow remain robust, with sales at 13.7 bn yen (+26% yoy) and operating profit at 3.8 bn yen (+34% yoy)
Emerging Businesses	■ Multiple new businesses entering rapid growth phase ■ Acceleration in initiatives within the field of advanced medicine
Overseas	■ Sales: 25.1 bn yen (+12% yoy), Operating Profit: 3.6 bn yen (+22% yoy), with continued growth for both
Upfront Investment	■ Upfront investments progressing favorably. In addition to organic growth of existing businesses, next FY should see profit uplift (future potential of double digit billions of yen)

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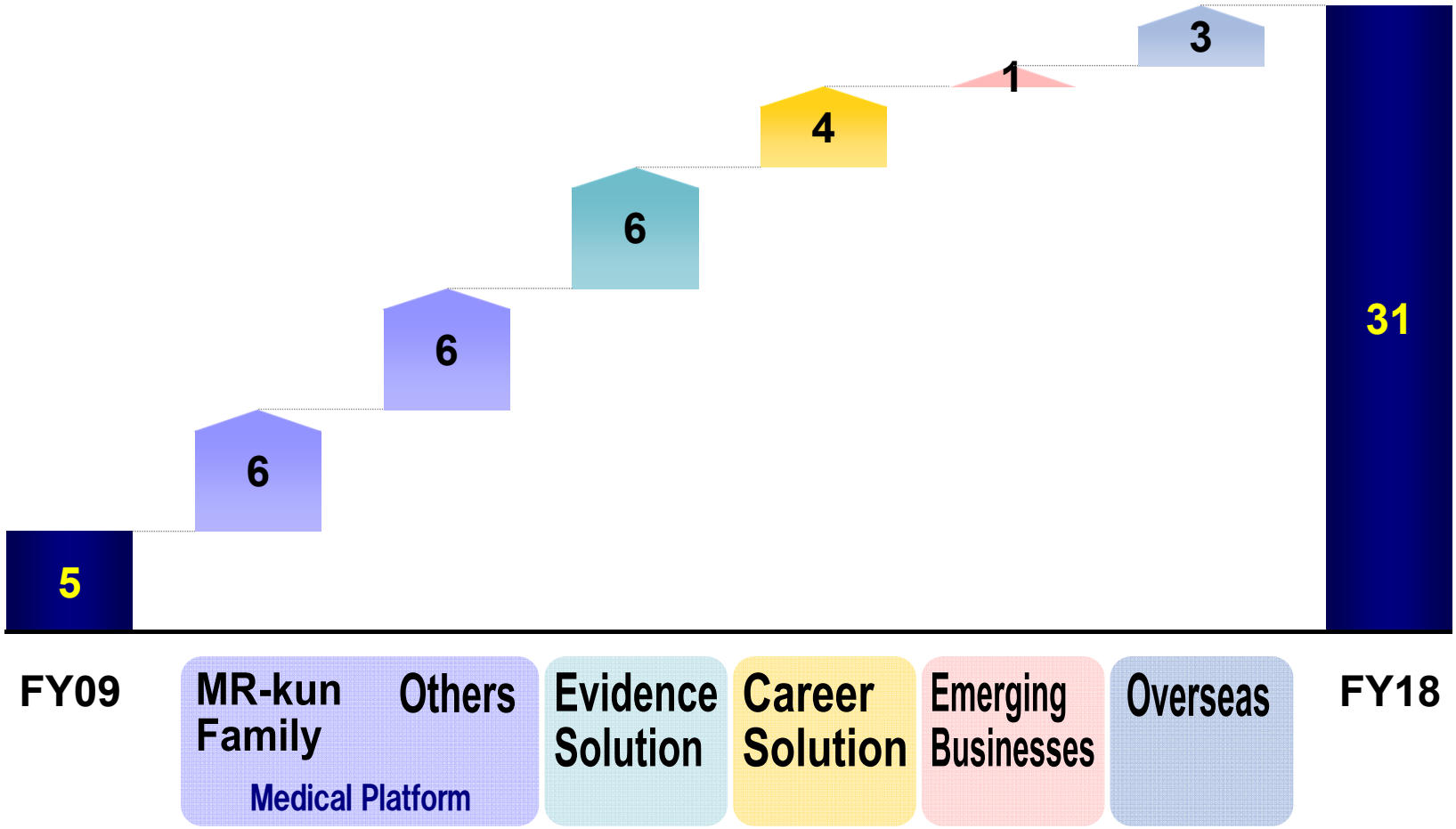
Segment Contribution to Profit Growth (FY09 → FY18)

(billion yen)



☞ **All segments are driving growth. MR-kun family growth continues, however is now only 23% of group profit**

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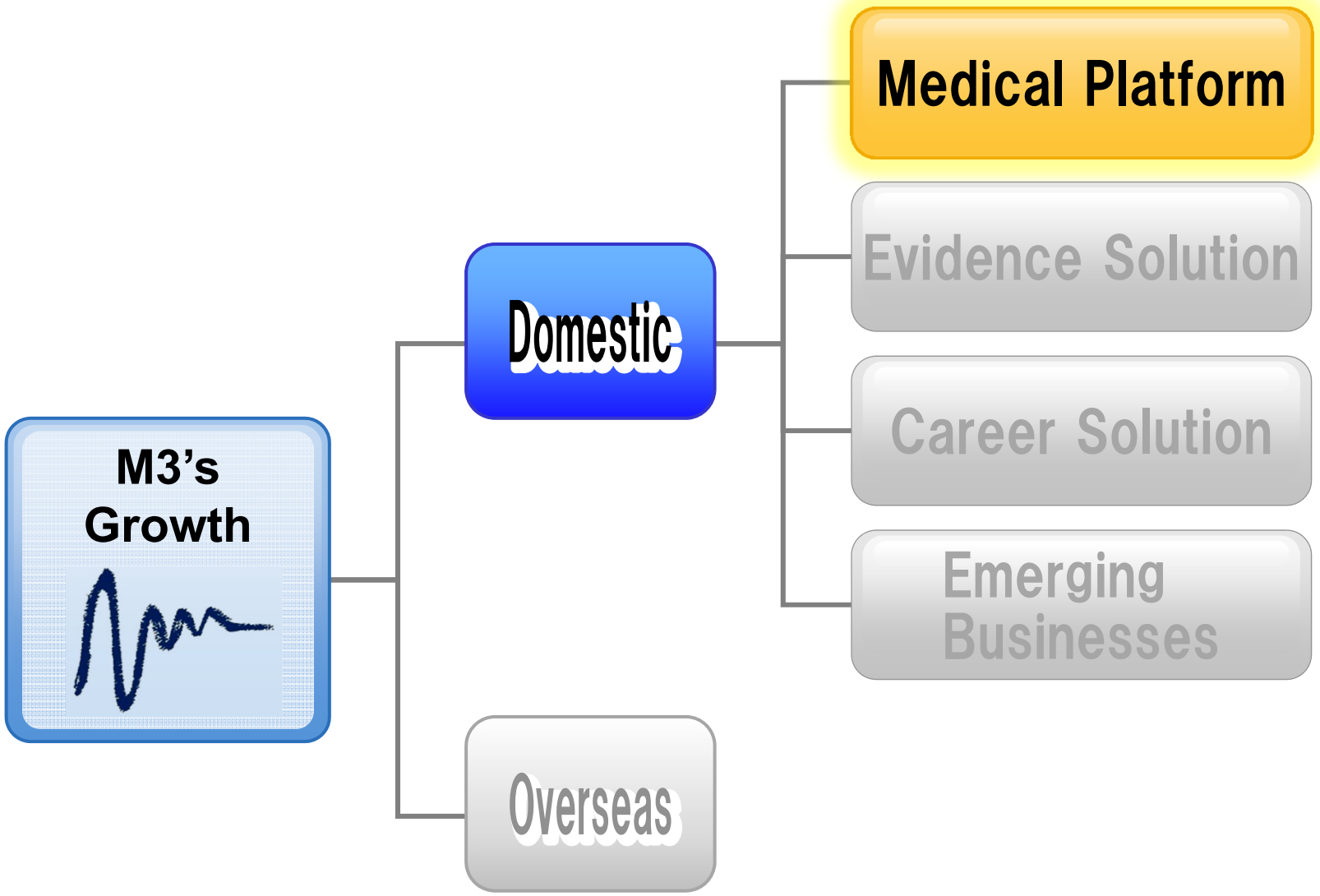

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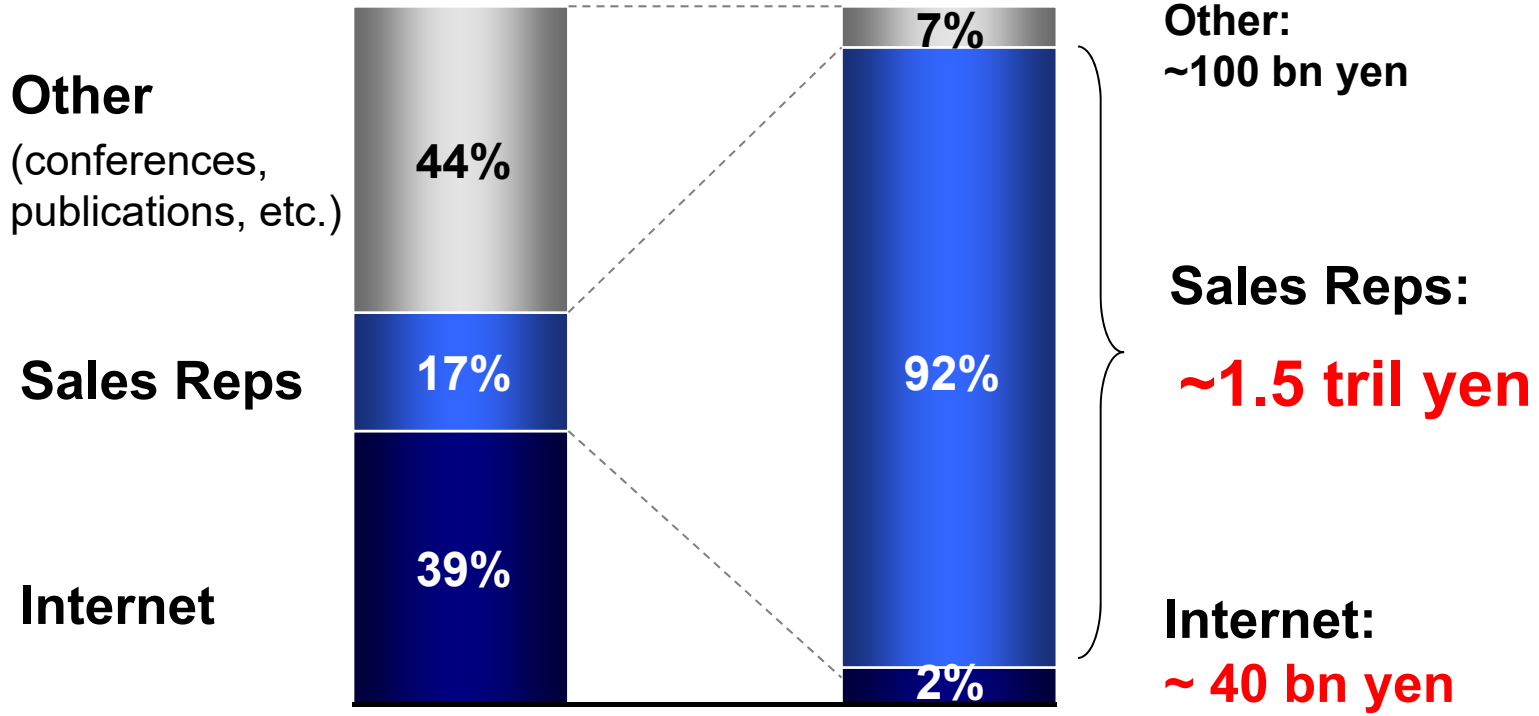
Doctor's Time Allocation vs Pharma's Budget Allocation

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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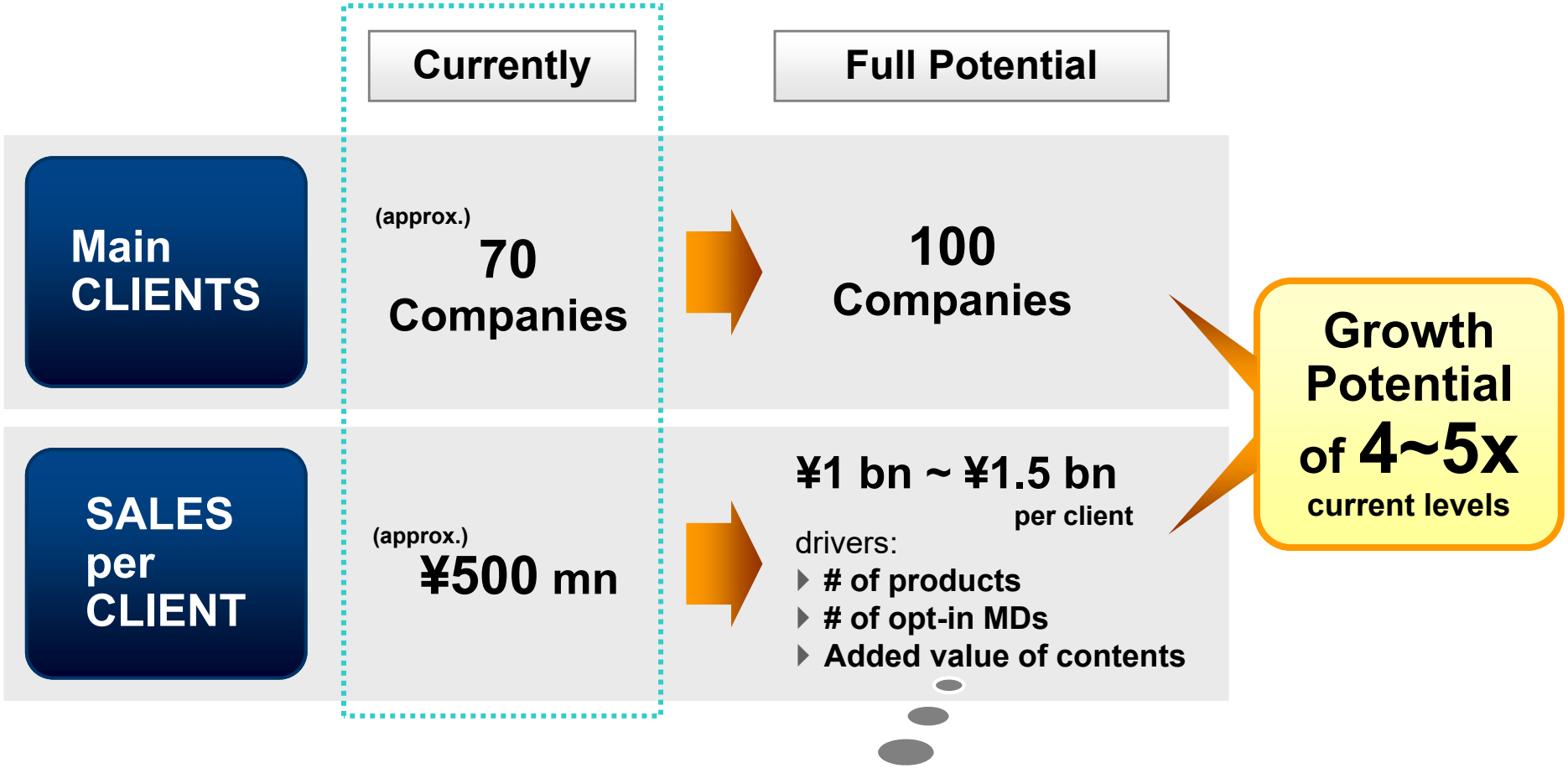
Medical Platform Growth Potential in Japan



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

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

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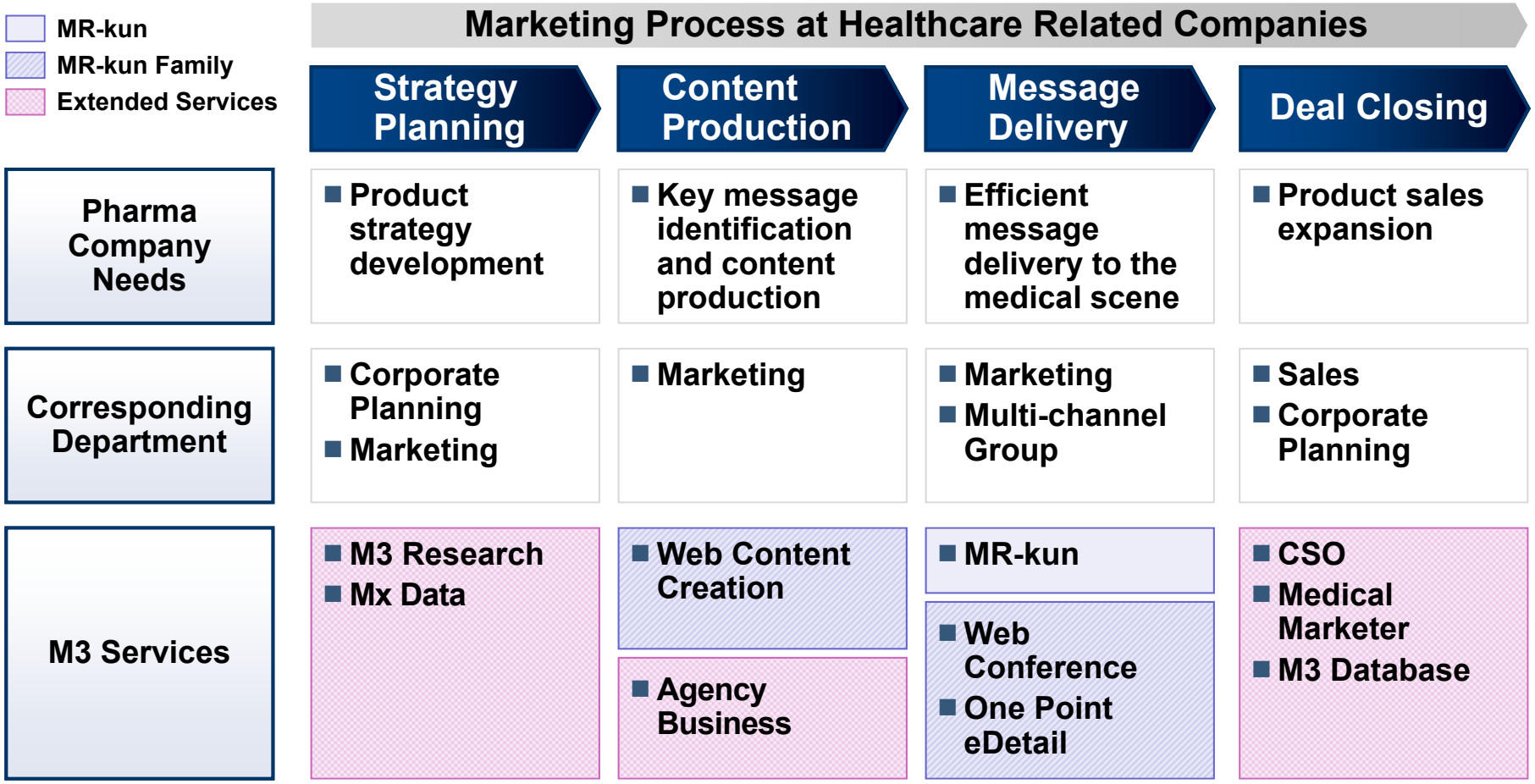
Medical Platform Services



☞ **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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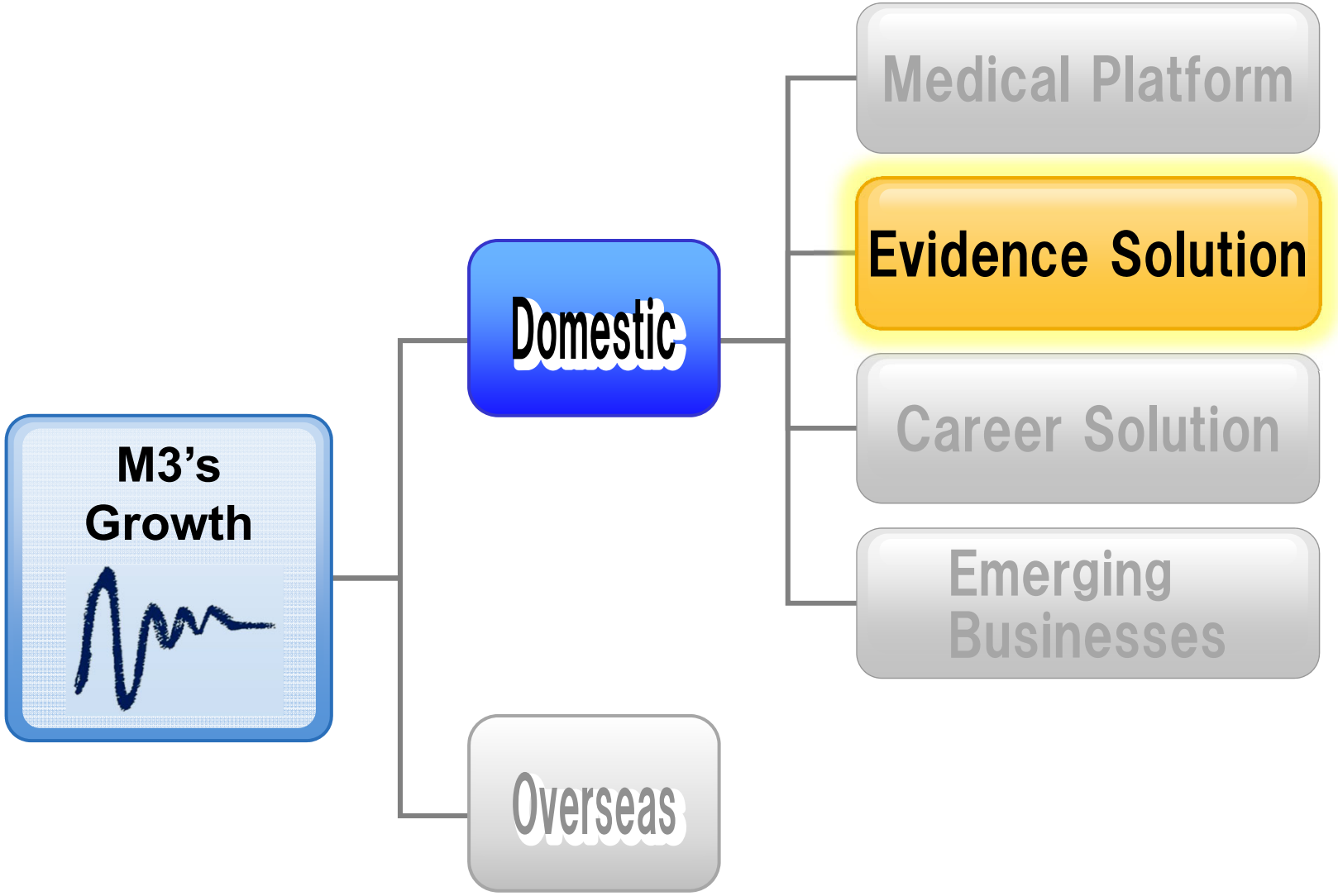

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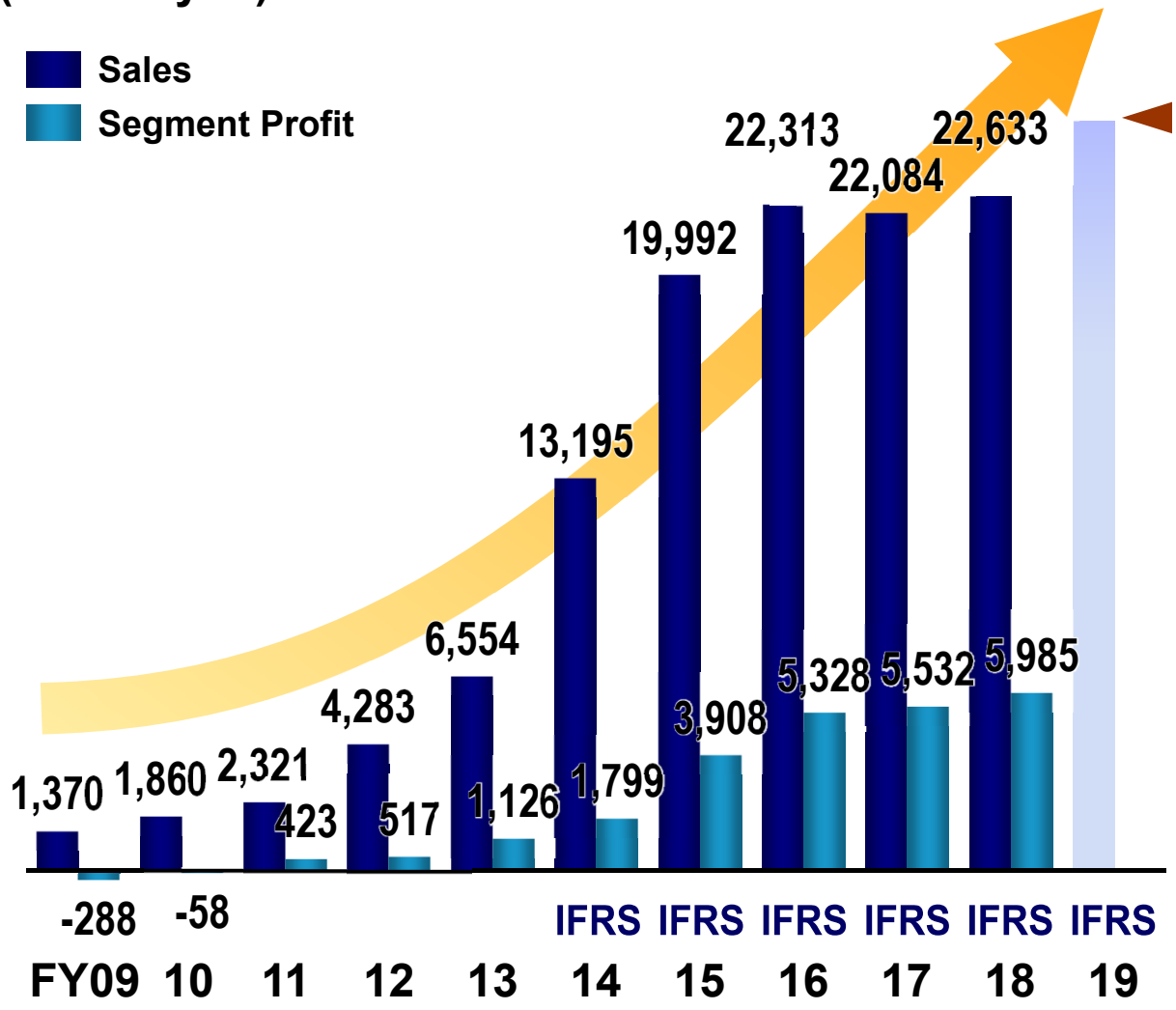
Sales and Profit Trend of Evidence Solution

(million yen)



FY18 FCT
24 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… conversely, the new year will see impact from the ending of large scale PV projects
- Margins steady at 26%

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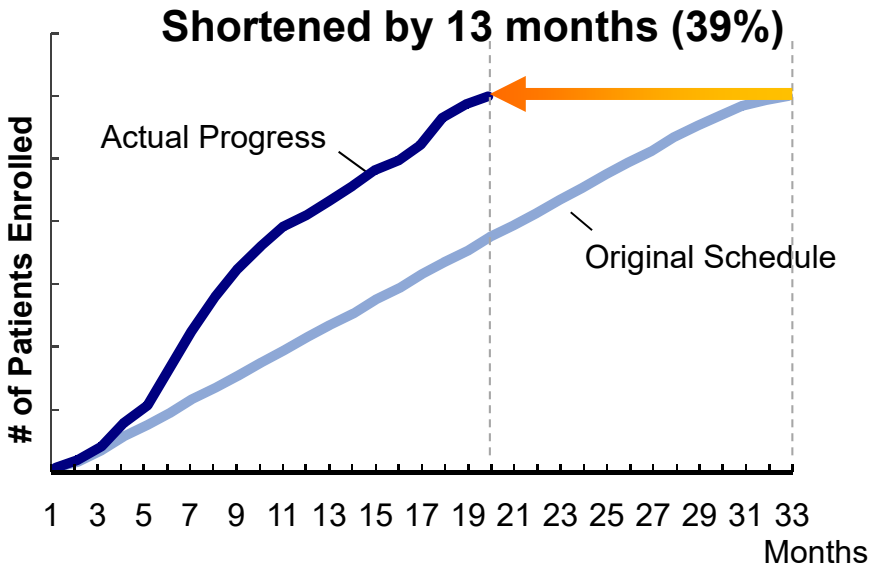
M3 Group: Accelerated Trial Completion

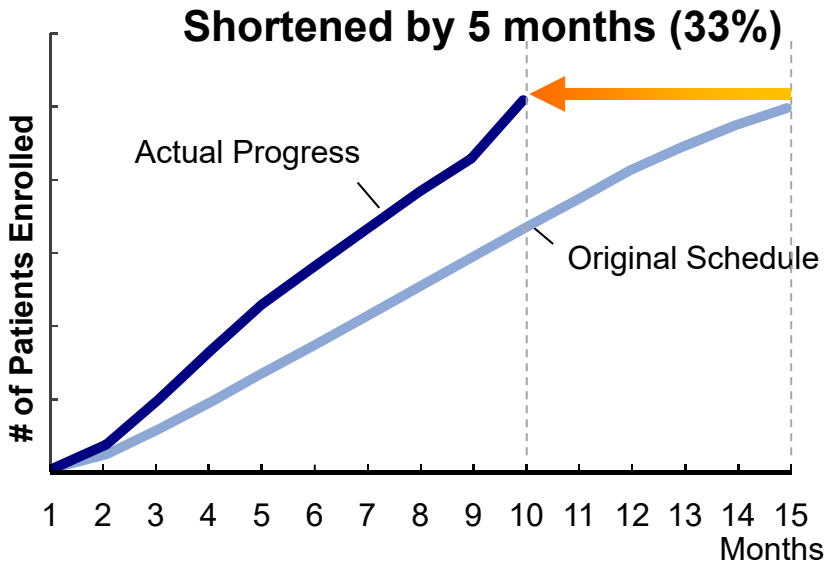
- Mr. Finder finds highly motivated doctors at sites with potential patients
- Trial process management executed in similar fashion to web based marketing (High speed PDCA, conversion management, IT tools utilization)

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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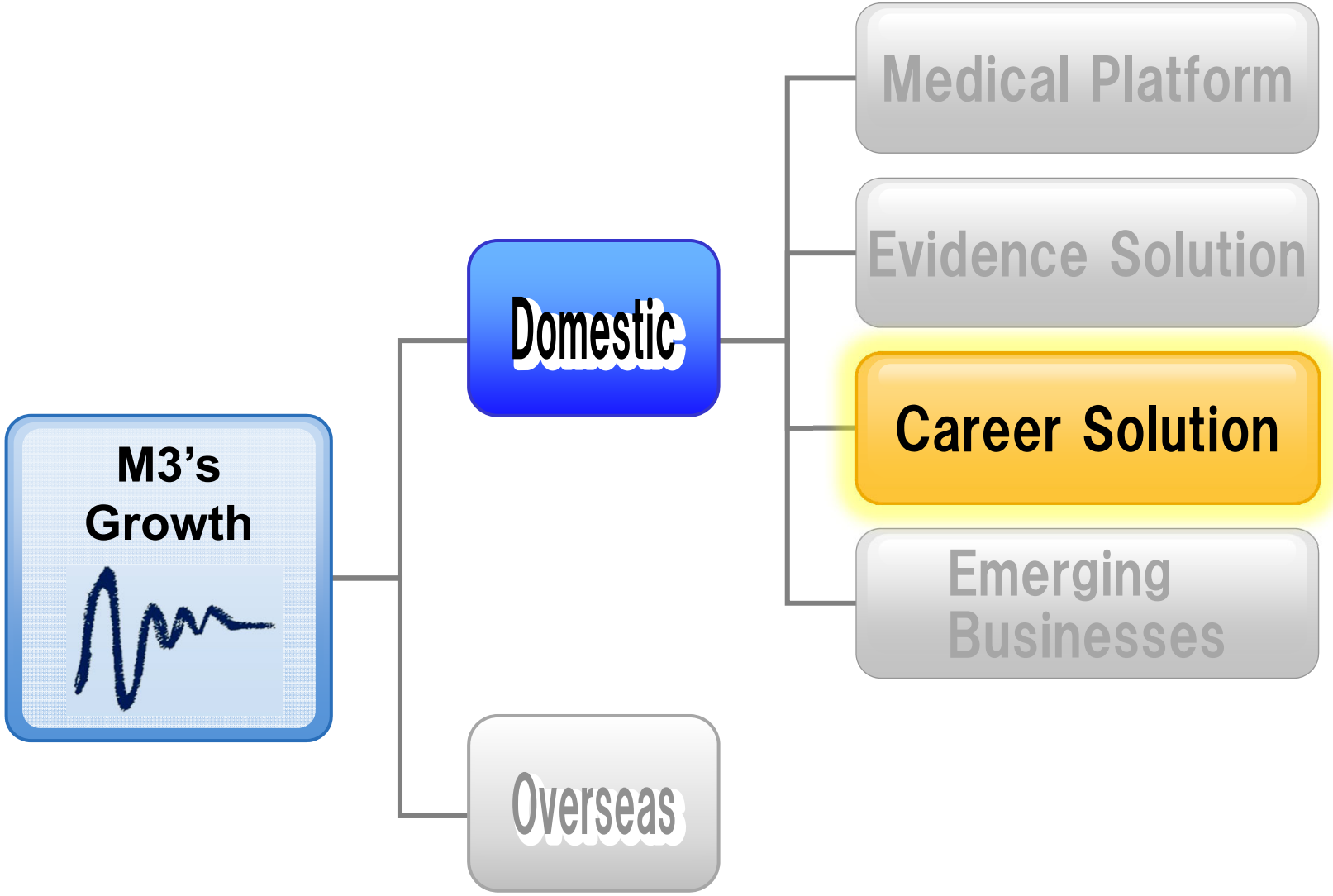

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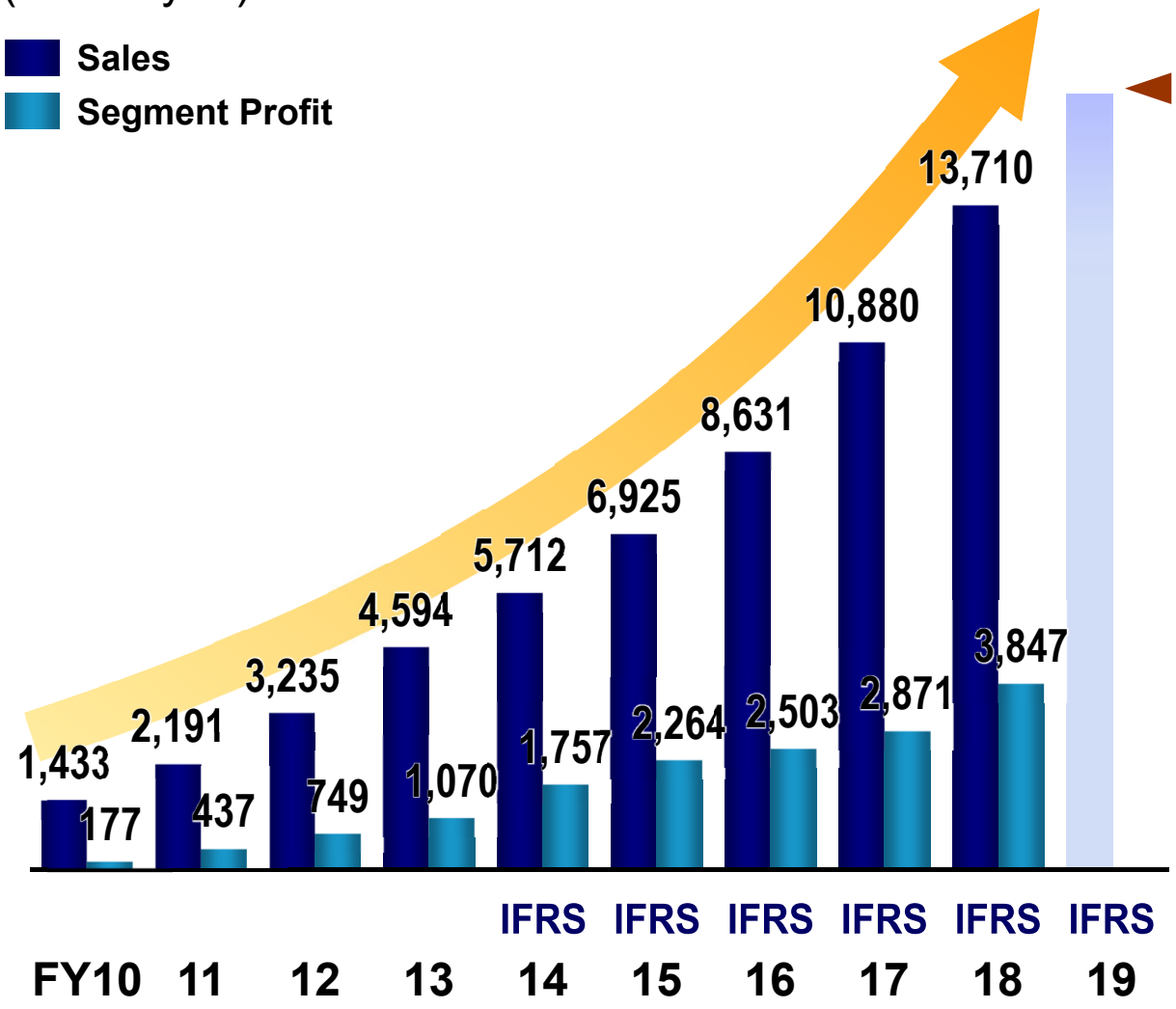
Sales and Profit Trend of Career Solutions

(million yen)



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

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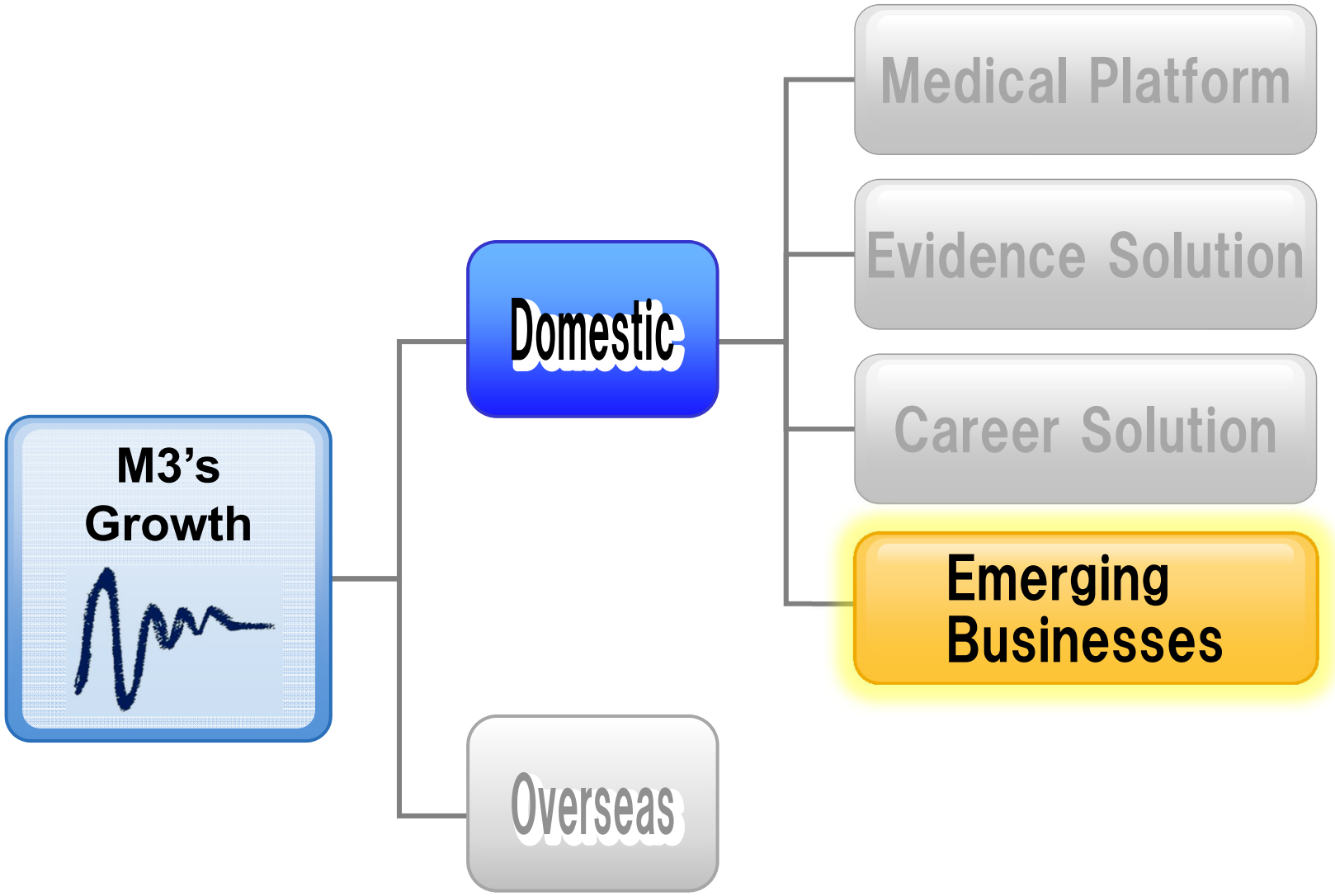

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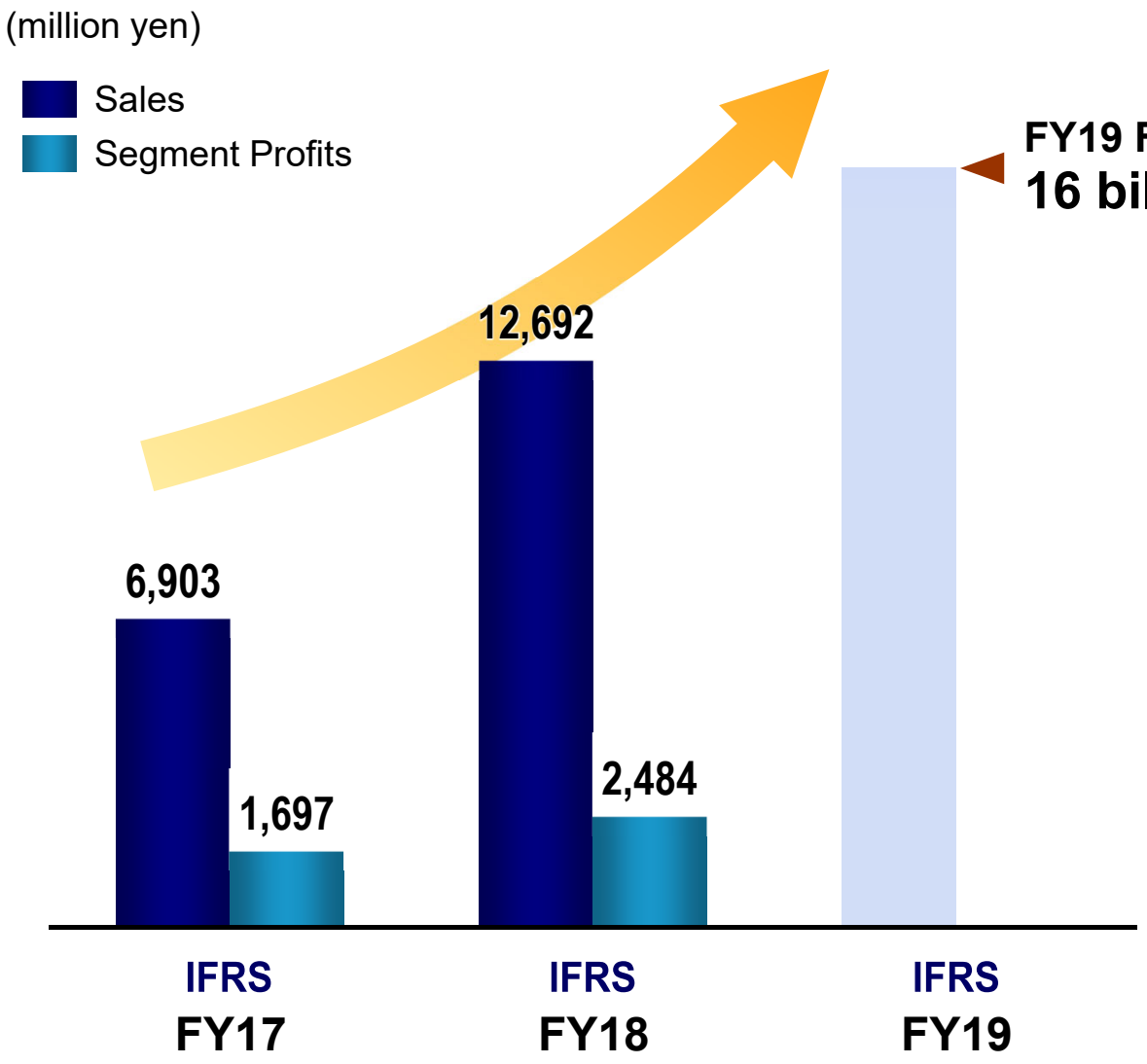
Sales and Profit Trend of Emerging Businesses



- Acceleration in advanced medicine initiatives
- Each business continues to expand steadily, with development seen in next growth drivers

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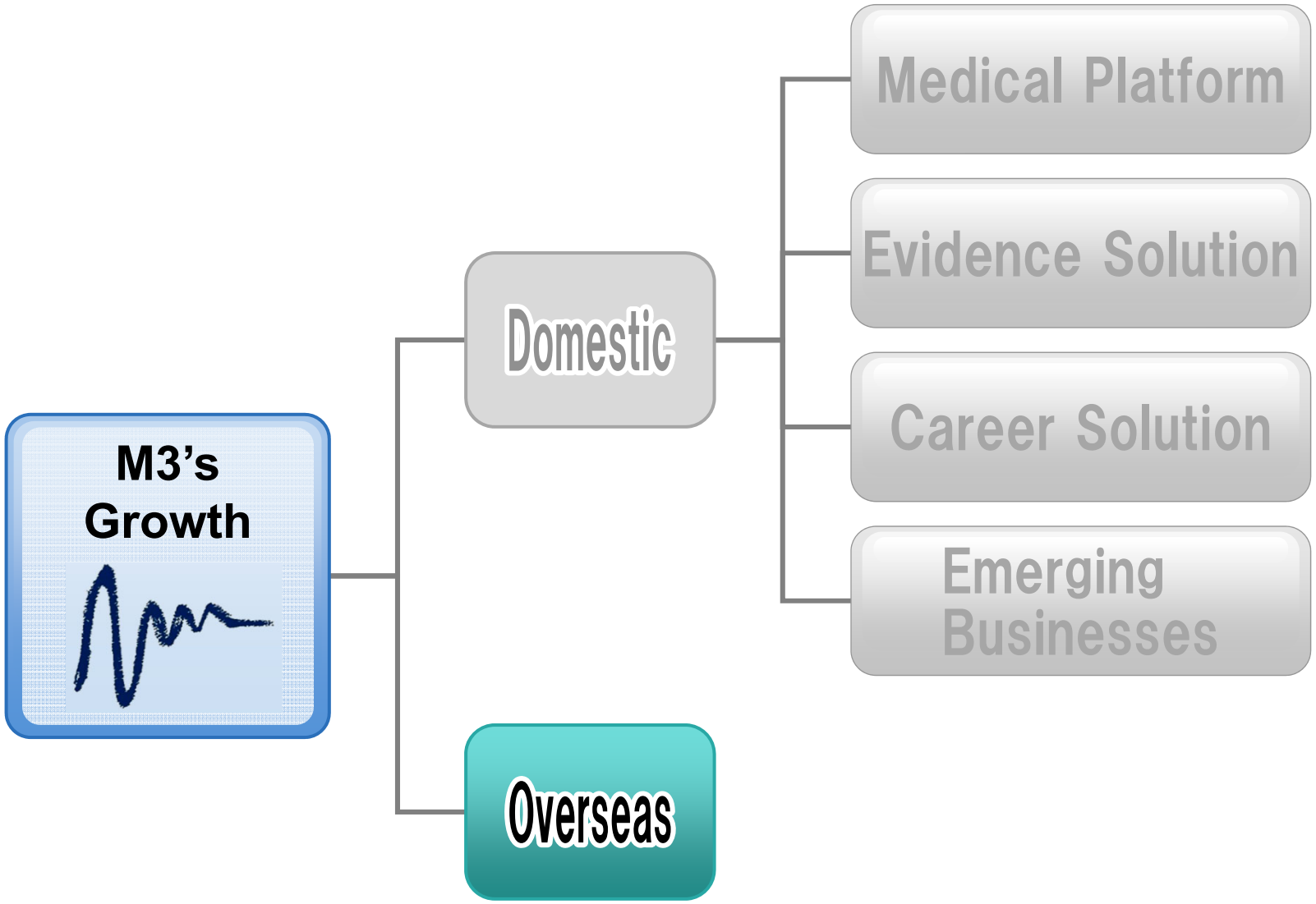

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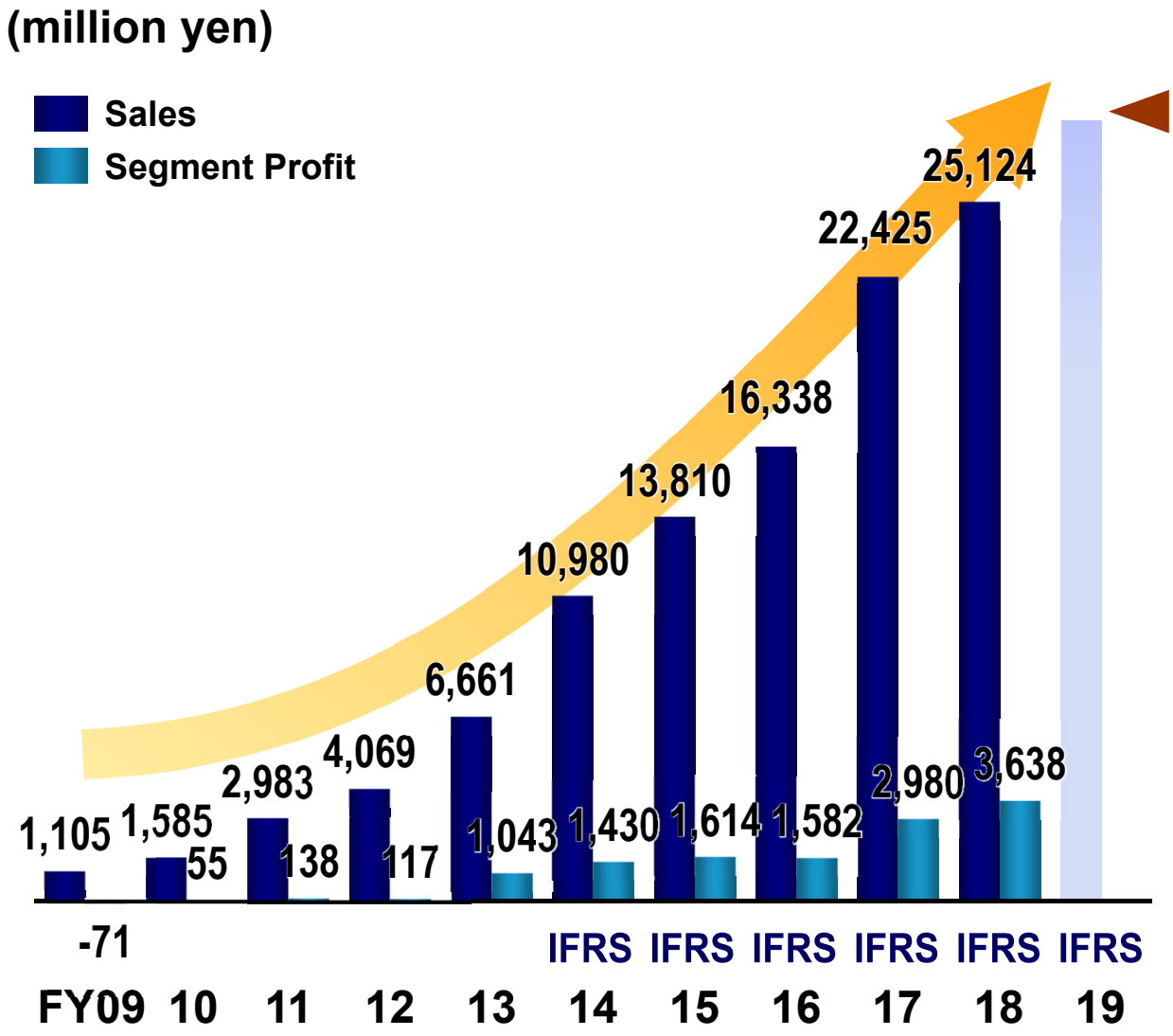
Sales and Profit Trend of Overseas



FY19 FCT
30 bn yen

- Dispatched personnel from Japan to share accumulated business expertise
- Pickup in research business from slowdown during GDPR preparations
- Expansion of the Indian platform through acquisition of DailyRounds

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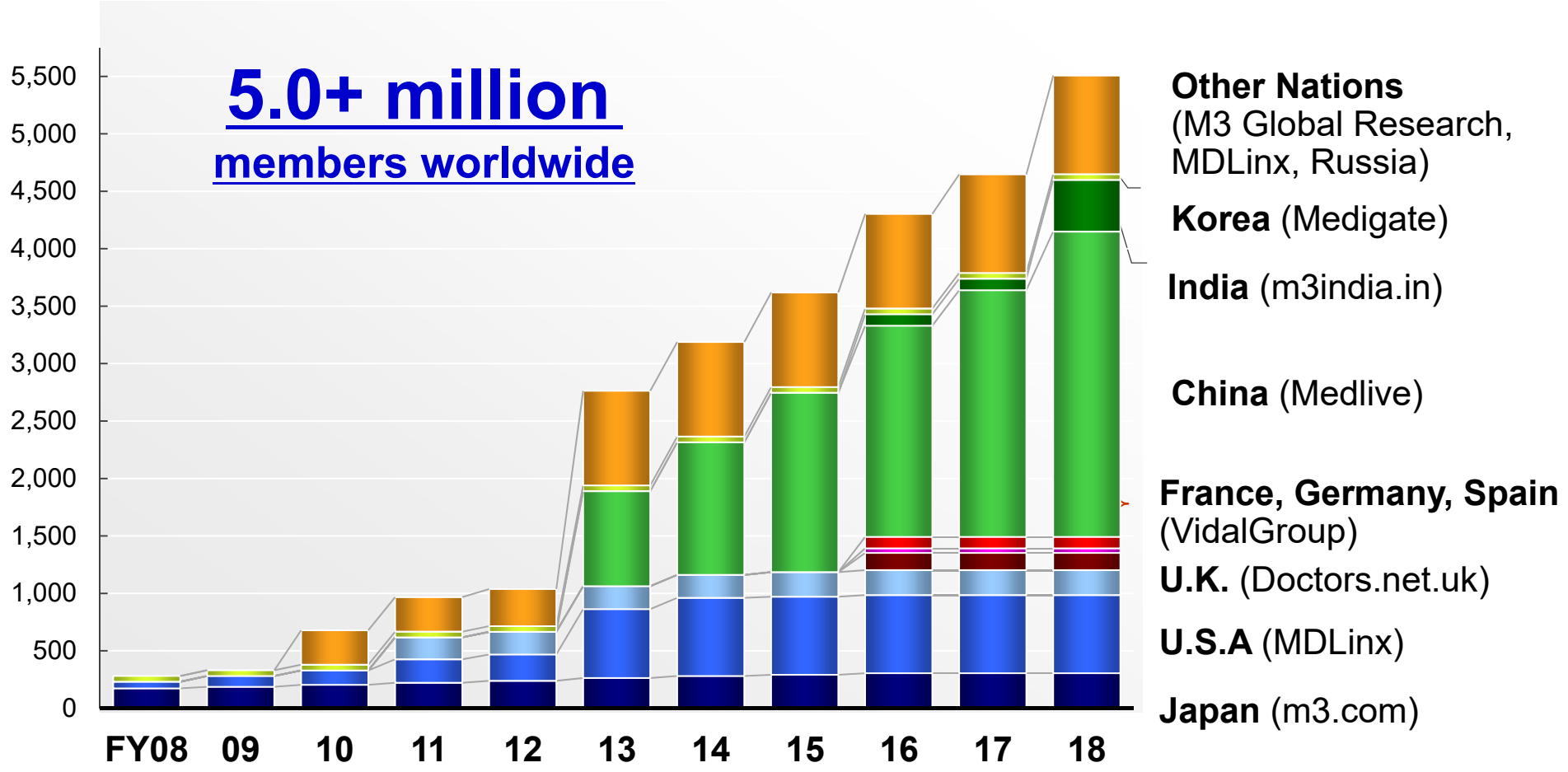
Number of Physician Members and Panelists (Global)

(thousand)



☞ **Over 5 million physicians utilize M3's global platforms**

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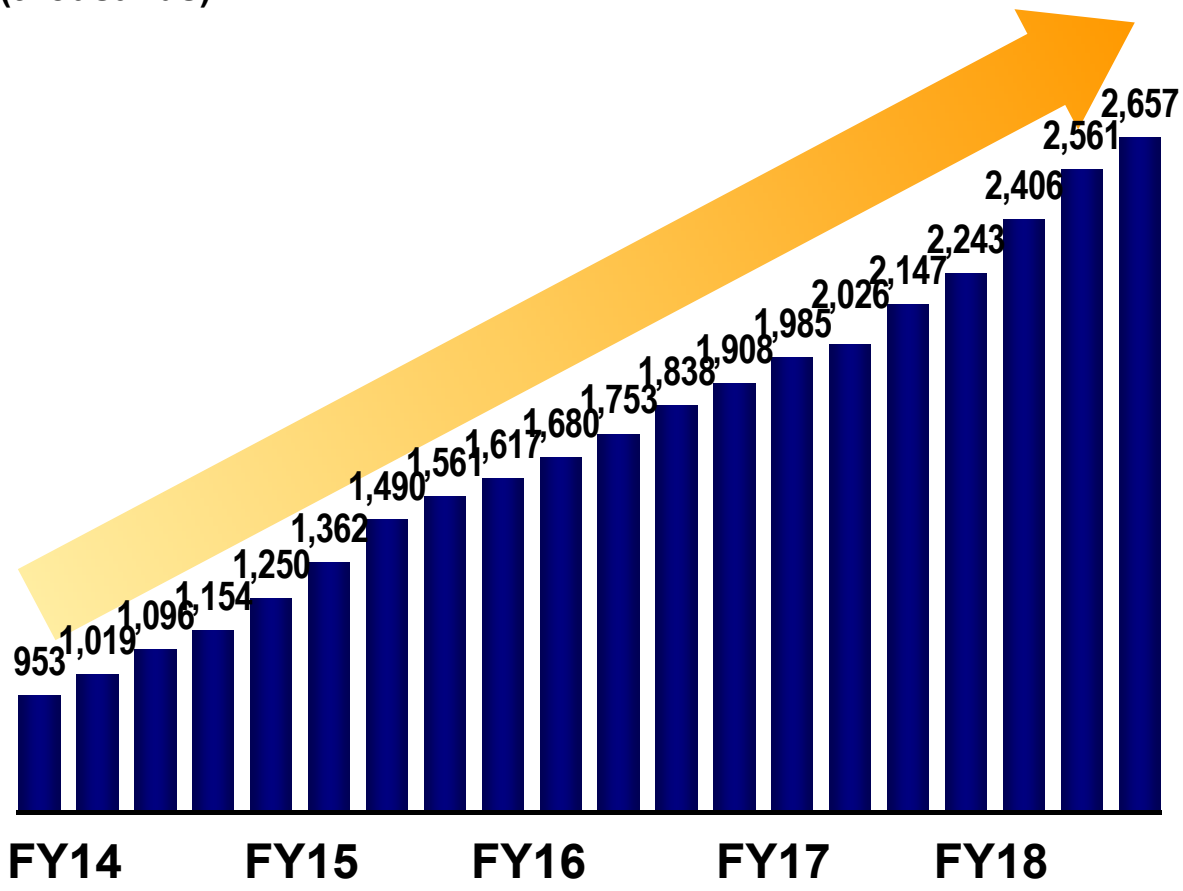
China: Membership Expansion

Number of Physician Members in China

(thousands)



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

☞ **Topped 2.65 million physicians members, covering over 2/3 of doctors in China**

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M3 Group's Business Strategy

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Progress of Main Upfront Investments

Monetization Timing



① New Service Development

- Acceleration of the e-medical record business
- Consolidation of Ultmarc, Establishment of JV empheal with DOCOMO
- Initial wave of M3PSP induction at Sony and DOCOMO

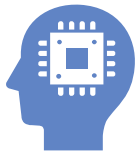
This FY



② Pharmaceutical Marketing Team Reinforcement (Personnel investment)

- Improvement of upstream KPIs in the sales process
- Q4 orders increase +23% yoy

This FY



③ Upfront Investment in AI Businesses

- AI projects increase to 19

This FY~ Next FY



④ JV with LINE / B-to-C Business

- Launch of beta version scheduled for Fall
- Initial service will be remote medical advice
- Considering cost structures involving pharmaco payers

Next FY

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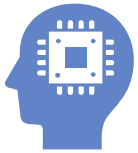

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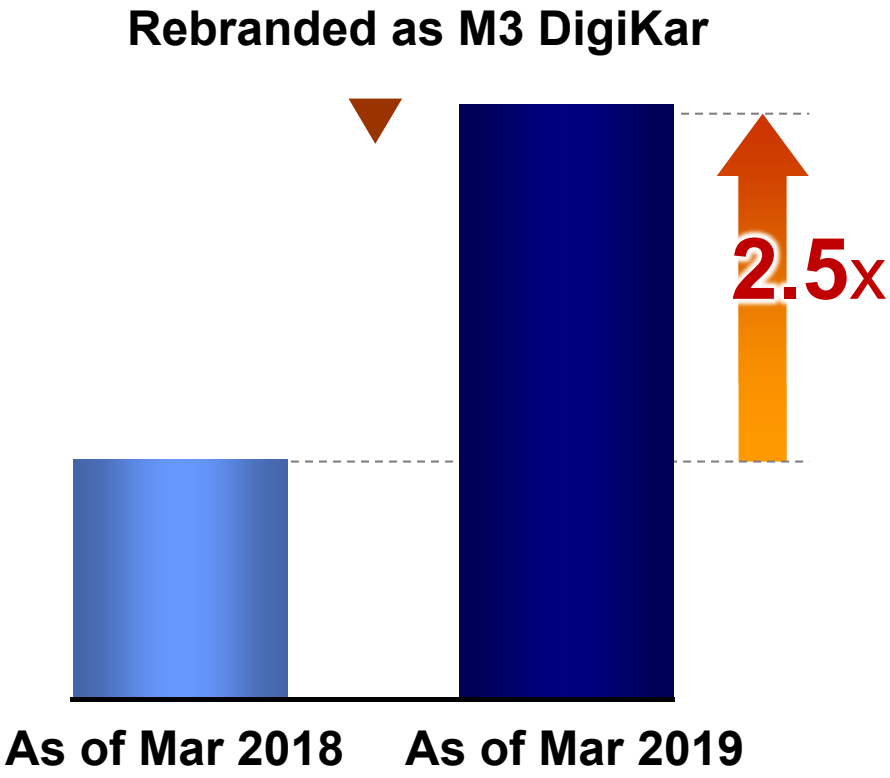
M3 DigiKar Acceleration

Monthly M3 DigiKar Adoptions



- Rebranded as "M3 DigiKar" from "DigiKar" in November
- Monthly historical high in adoptions in March, now No.1 position in cloud EMR market
- Adoption rated expected to accelerate as medical device offering lineup expands

☞ Adoptions increased 2.5x after rebranding. Number of managed medical charts expected to top 12 million, largely ahead of original schedule

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Consolidation of Ultmarc

Established	March 1962
Representative	Tomohiko Umeda, President and Representative Director
Shareholder	NTT DOCOMO：100%（purchased from founder in May 2013）
Financial Condition	Sales: 3,035 million yen, Operating Profit：478 million yen
Employees	187 (as of November 2018)
Main Business	Pharmaceutical industry information platform business ■ Medical Database (MDB) business – Various fundamental master files for management and tracking of pharmaceutical product user base（site file, doctor file, pharmacist file, pharmacy file, etc.） – MDB member corporates：247

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Expected Business Development

NTT docomo

- Nationwide corporate sales centers
- User engagement through consumer facing services
- Research and development ability using cutting edge technology

M3, Inc.

- 270,000 doctor members (90% coverage)
- Rich data accumulated on the AskDoctors platform
- Business development knowhow to create unique solutions

empheal

Expedite Health Management Market Development

Development led by M3 PSP to address employee health issues

Create Customer Success for Health Management

Provide structural and personal performance management services for individual corporate health management issues

Lead the Health management Market

Aim to become a health management market platformer

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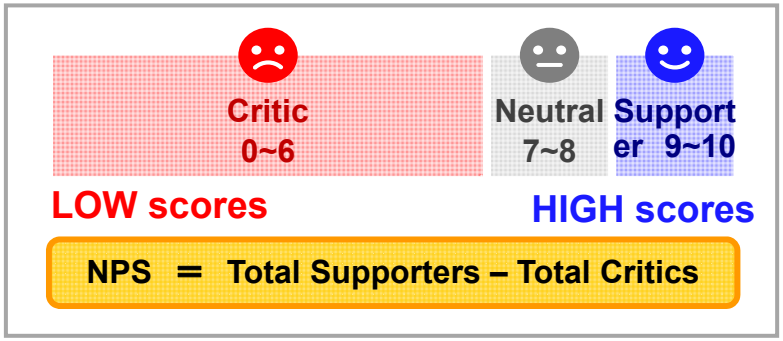
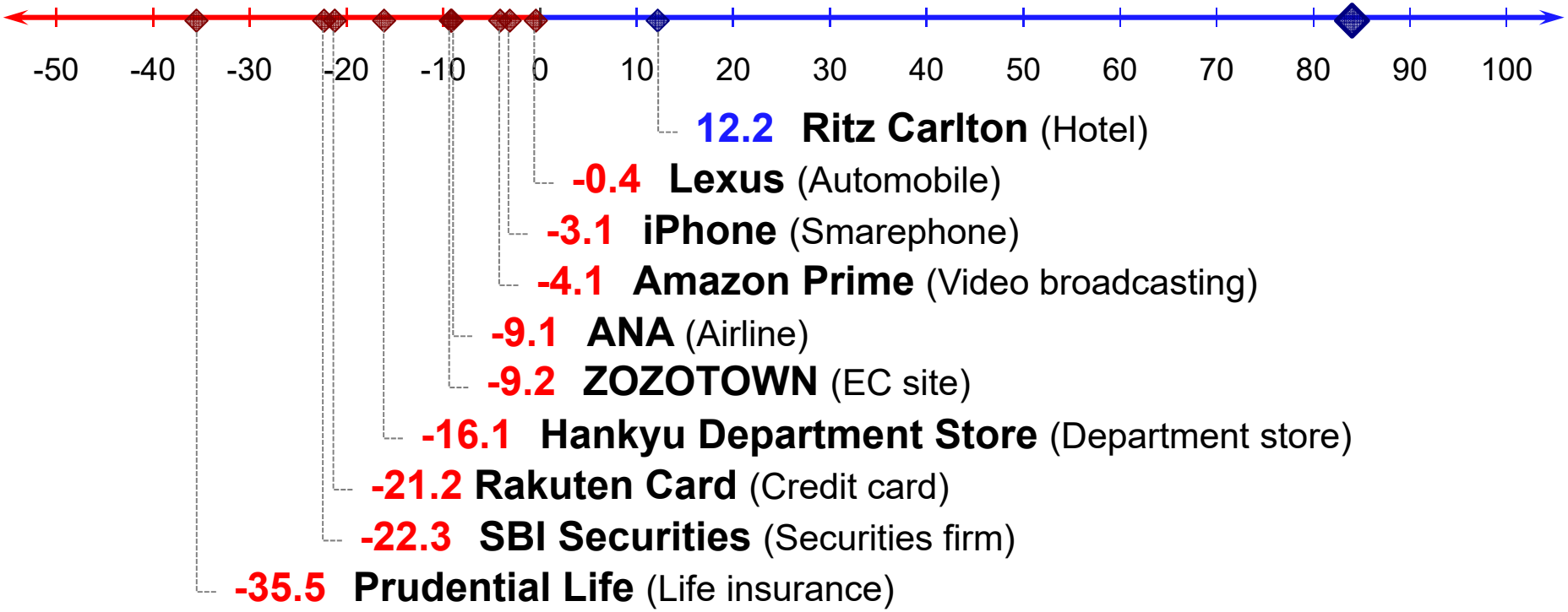
NPS of Industry Leaders



M3PSP +87
(96 over the last 6 months)



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

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Consolidation of INDEE Medical

INDEE MEDICAL



Name	**INDEE Medical Inc.**
Established	**2016**
Headquarter	**Tokyo, Japan**

- **Owns sole development and distribution rights for Japan for "RECELL®," used for treatments such as burns, licensed from Avita Medical Limited (Listed on ASX, OTCQX)**
- **Approved as a self-regenerative medical technology in 33 countries such as the US, EU, and China, offered at affordable pricing**





Field

- **Entry into dermatology/plastic/ emergency therapeutic areas**

Regulatory Support

- **Application filed with PMDA, with Cosmotec as the manufacturing distributor**
- **Approval expected in FY2019**

Distribution

- **Planned utilization of m3.com and Cosmotec to promote distribution**

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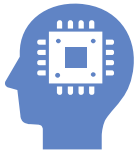

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Service Scope Evolution

	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 ~ several 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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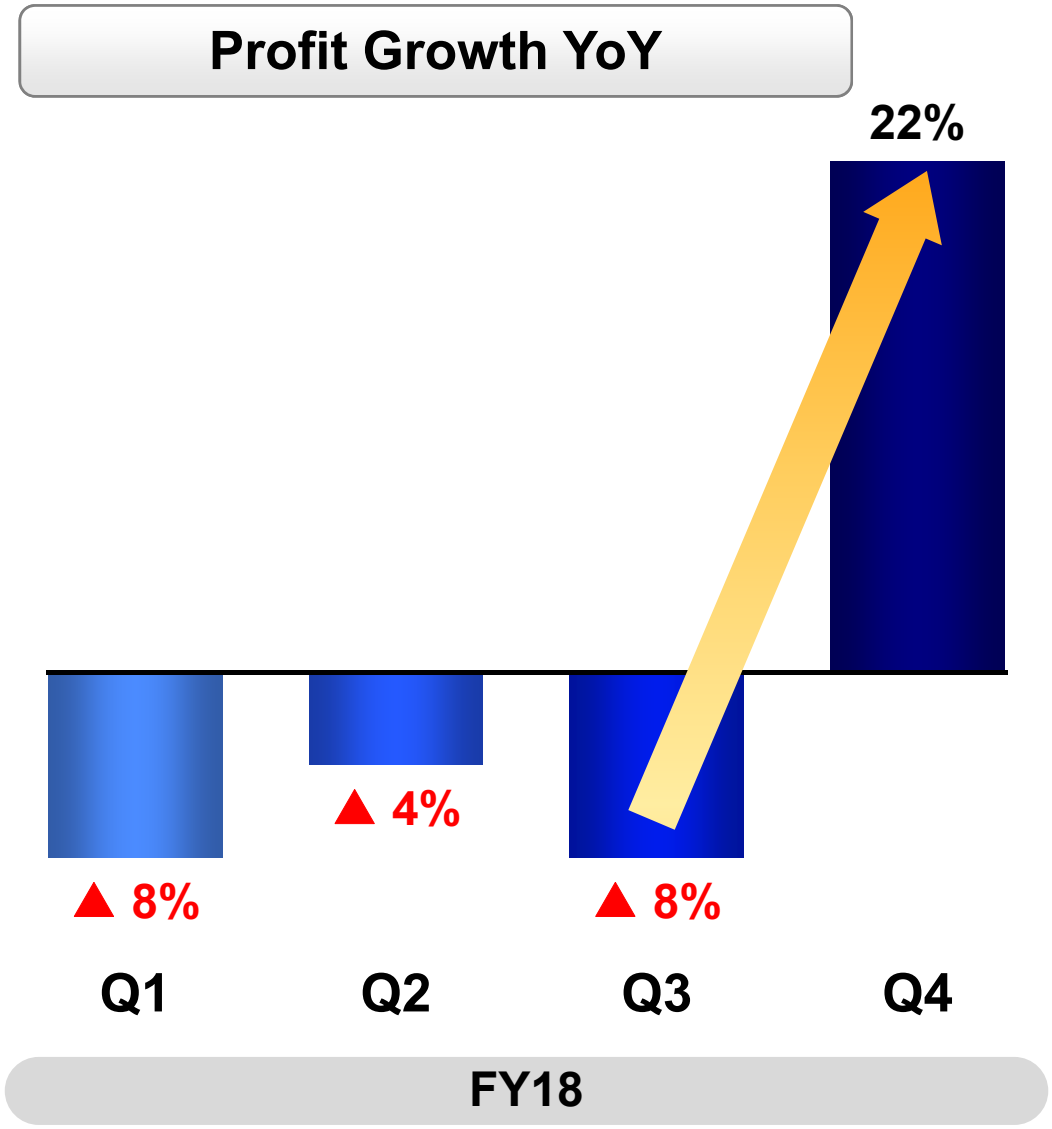
Medical Platform Quarterly Profit Growth YoY



- Sales staff increase leading to resource reinforcement, with recovery seen in orders
- Profit contribution from value increase in Ayumi Pharma through utilization of MR-kun

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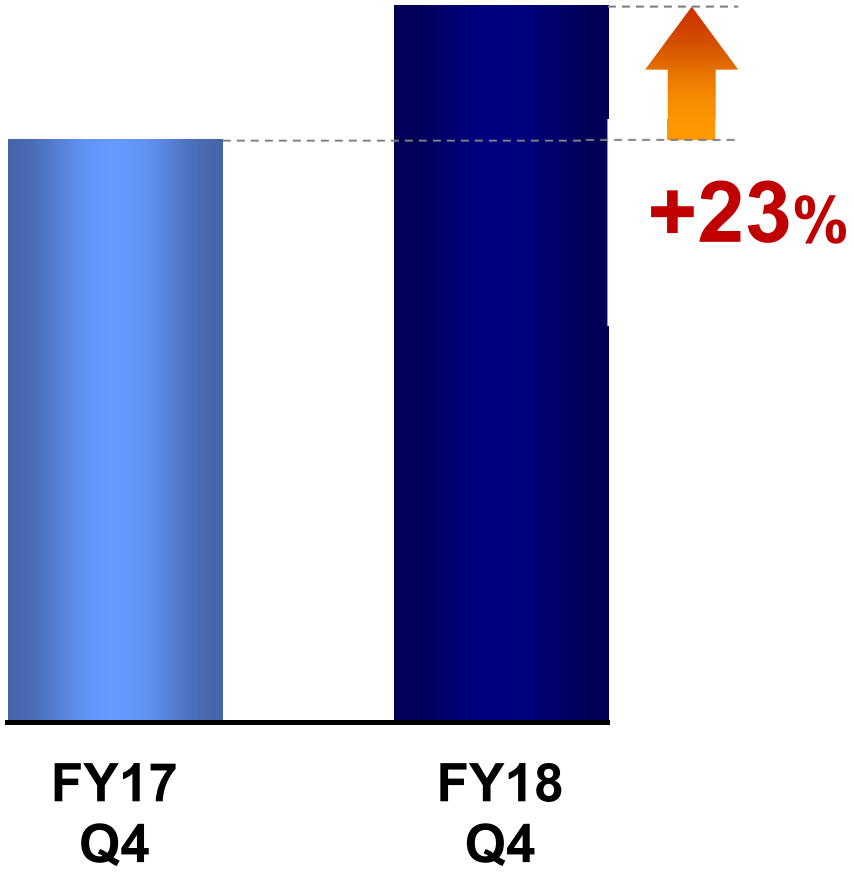
Recovery in MR-kun Family Orders

MR-kun Family Orders (yen)



- **Sales resource reinforcement on track. FTE increased by 1.7x compared to pre-reinforcement (Dec 2017)**
- **New staff development and orders both accelerating in tandem**
- **Double digit sales growth expected in FY19**

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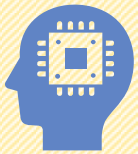

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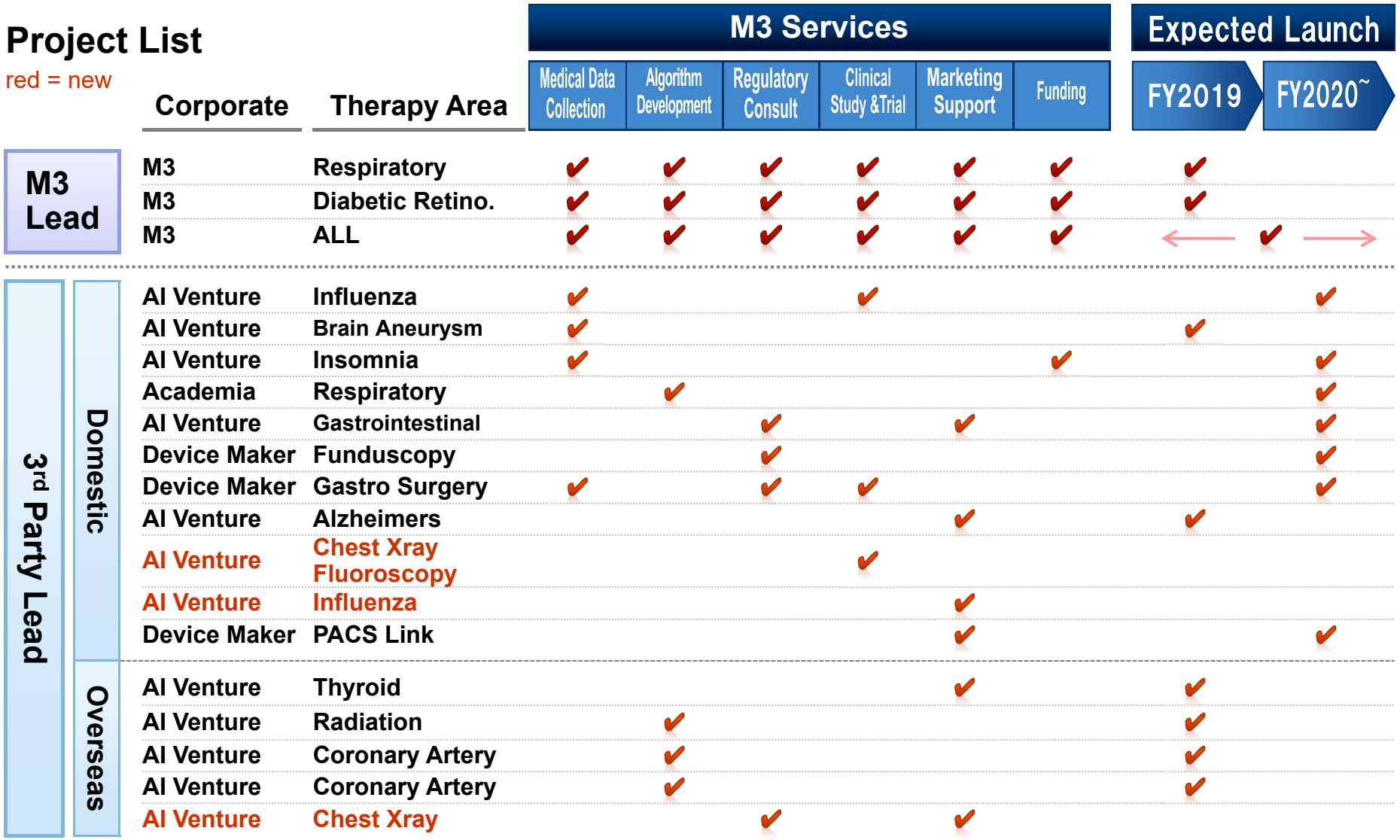
Rapid Increase in AI Project Pipeline



19 AI development support projects currently in play. Rapid increase expected to continue.

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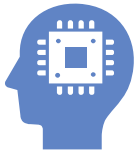

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Business Potential for LINE JV

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 | **Med-Long Term**

Medical Consultation for LINE Users

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

Online Medical Platform

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

Platform Linked Businesses

- DtoC advertising
- Genome
- Others

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

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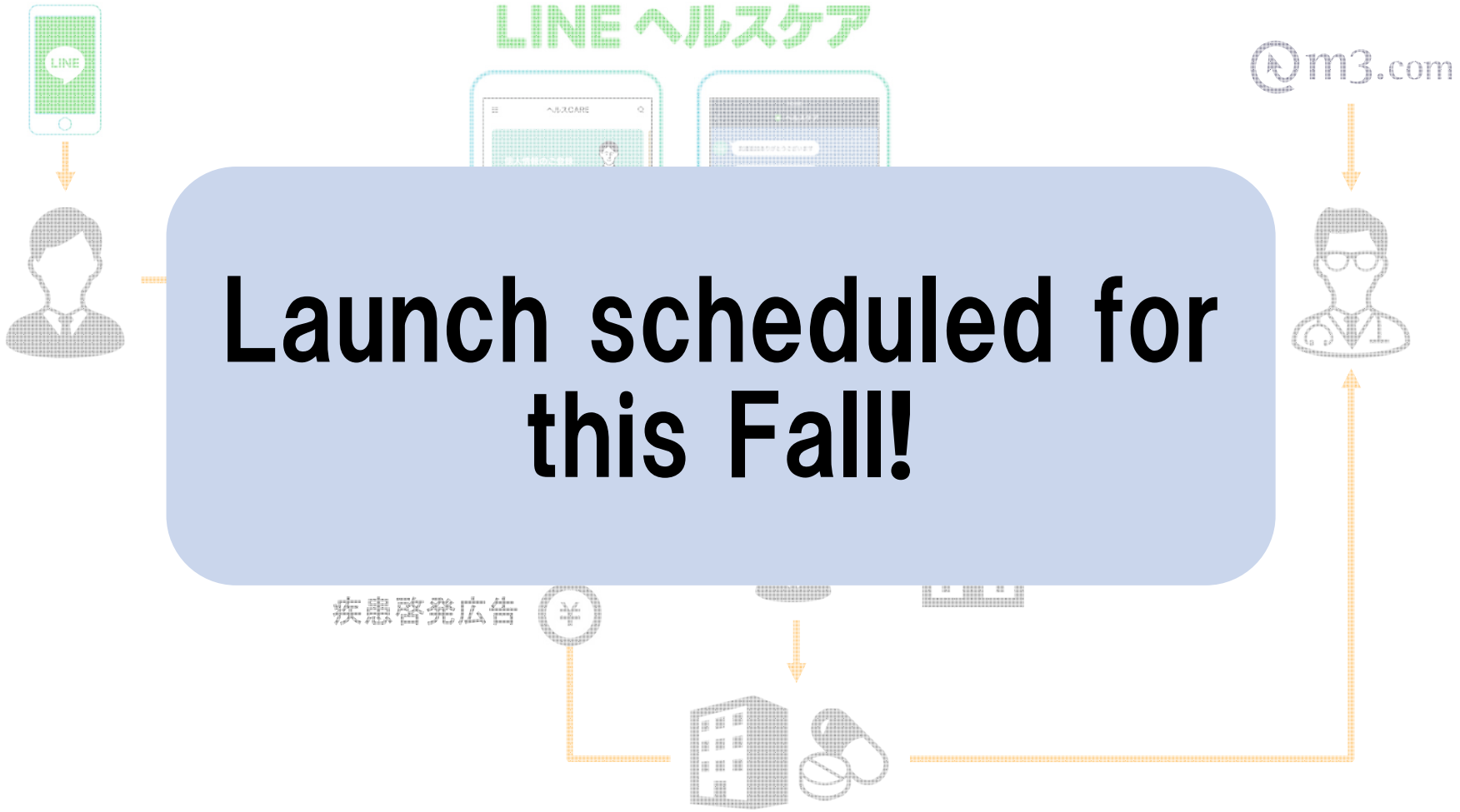
Initial Service: Remote Medical Advice



Launch scheduled for this Fall!

☞ **In addition to disease awareness promotion, health management products will be co-developed with pharma companies**

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M3 Growth Strategy

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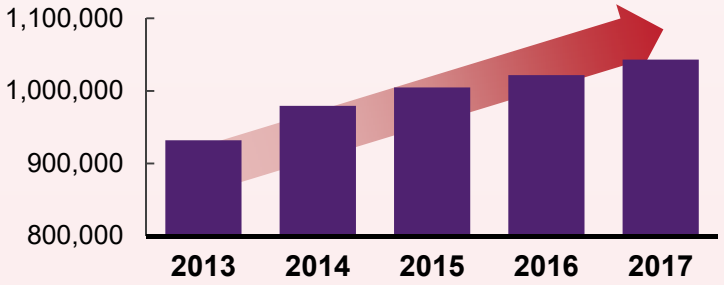
edanz Overview and Expected Synergies

edanz

Name	Edanz Group Japan Inc.
Established	1995
Location	Fukuoka, Japan

- Research paper writing and editing support through cloud sourcing of medical professionals
- Large presence in Japan and China (supports 10~20% of all published medical papers)

Global Medical Papers (unit: # of papers)



Clinical Research

- Accelerate quality improvement and product expansion using group CROs
- Launch clinical research business using brand strength and planning ability in China

m3.com

- Expand the medical professional freelance platform by linking with the 5 million+ doctor panel

New Business

- Establish a medical professional cloud sourcing business

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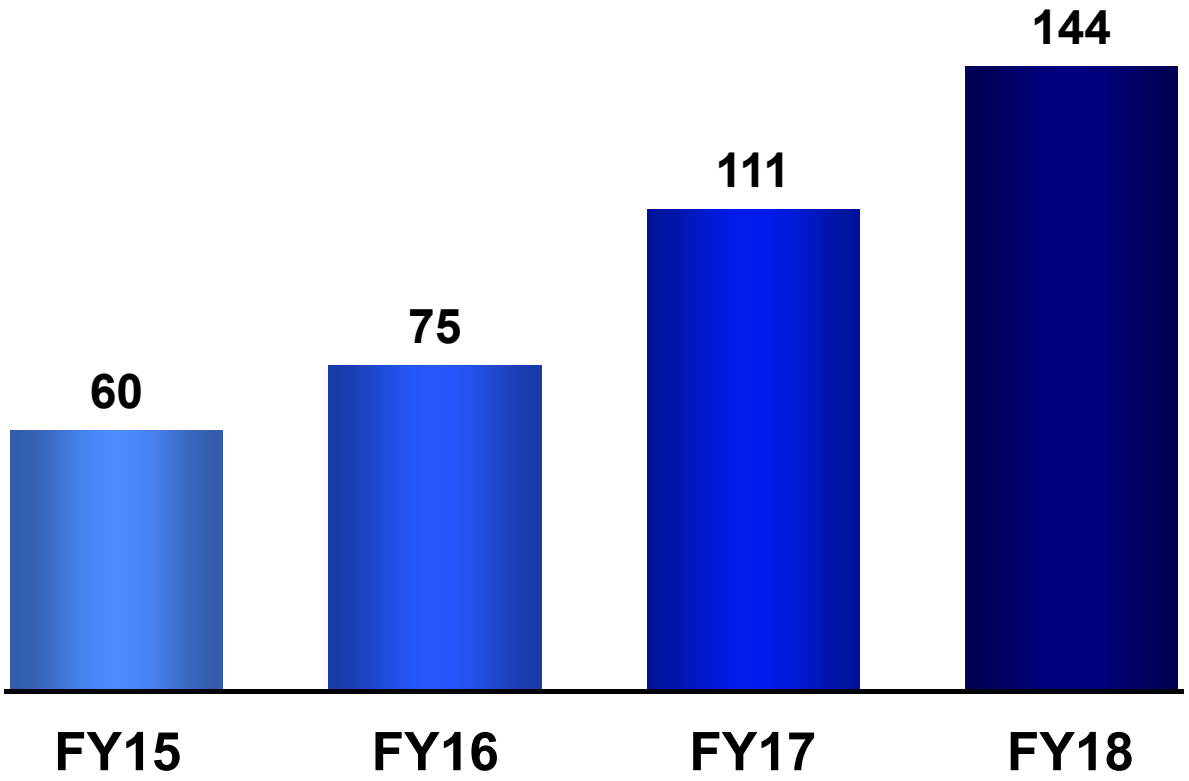
Increase in MA

Number of Deals That Were Evaluated



☞ **MA activity and pipeline continue rapid acceleration in line with business expansion. Number of deal closings and size also increase, utilizing the recent allotment of 50 bio yen.**

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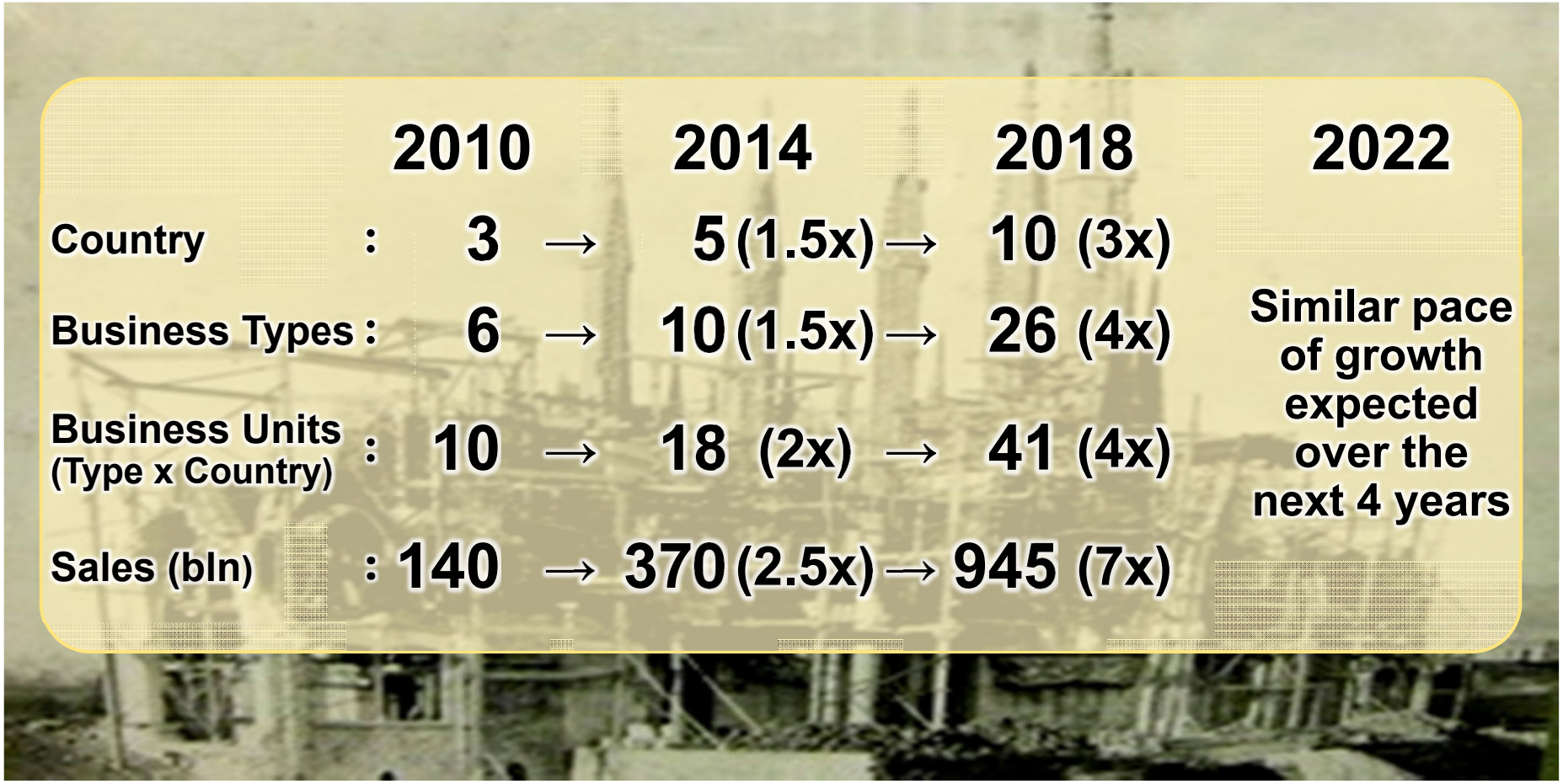
Business Scope Expansion and Growth Potential



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

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Earnings Forecast

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FY 2019 Guidance Assumptions

Medical Platform	■ Re-acceleration in sales from pharma companies, double digit sales growth ■ Aggressive hiring to support sales resource fortification and platform expansion expected to continue
Evidence Solution	■ Steady orders supporting CRO and SMO growth ■ Large scale pharmacovigilance projects ended
Career Solutions	■ Healthy growth led by job placement for physicians.
Overseas	■ US: Healthy growth led by the clinical trial business ■ EU: UK and France both expanding healthily ■ Asia: Growth led by MR-kun in China, India business also on the rise
Other Emerging Businesses	■ Various businesses in the other segments to expand in both scope and content

2019 Budget Guideline (Consolidated)

Topline

- Opportunities are partially and conservatively incorporated
- Pending new businesses and M&As are excluded

Cost

- Continued aggressive hiring, planning increase of 400 headcounts over the fiscal year:
  - Medical Platform 100
  - Evidence Solution: 100
  - Career Solution: 100
  - Others: 100
- Allocation for M&A related costs such as advisory fees: 200 million jpy

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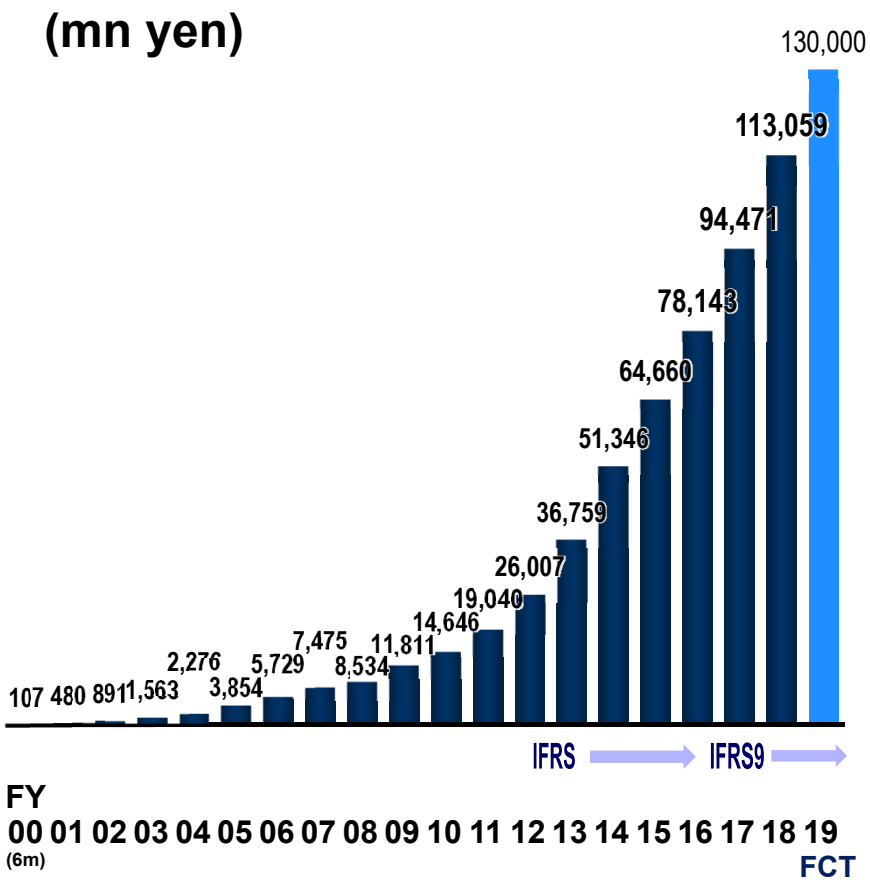
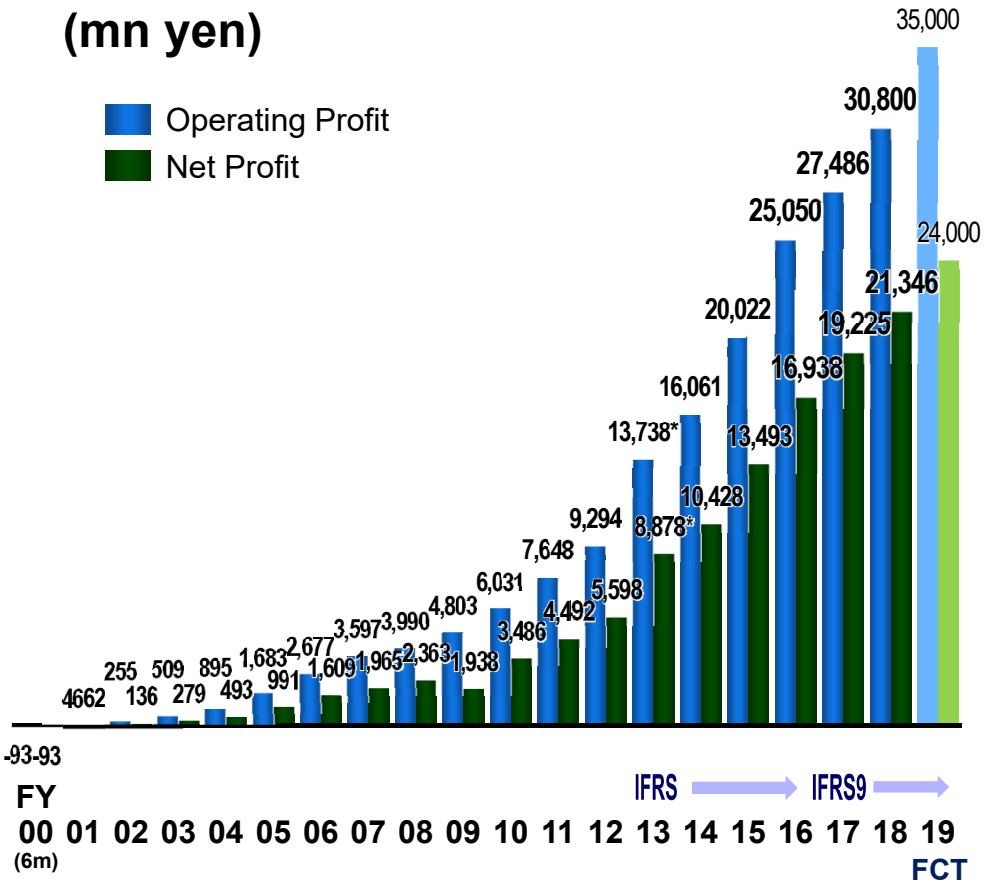
Annual Results & Forecast for FY2018

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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