M3, Inc.
Presentation Material

October 2019



Copyright © 2019 M3, Inc. All rights reserved.

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.

Copyright © 2019 M3, Inc. All rights reserved.

FY2019 Q1 Consolidated Results

IFRS

(mn yen)	FY2018 H1	FY2019 H1	YoY
Sales	53,275	61,545	+16%
Operating Profit	13,875	16,549	+19%
Pre-tax Profit	13,993	16,597	+19%
Net Profit	9,626	11,312	+18%

Copyright © 2019 M3, Inc. All rights reserved.

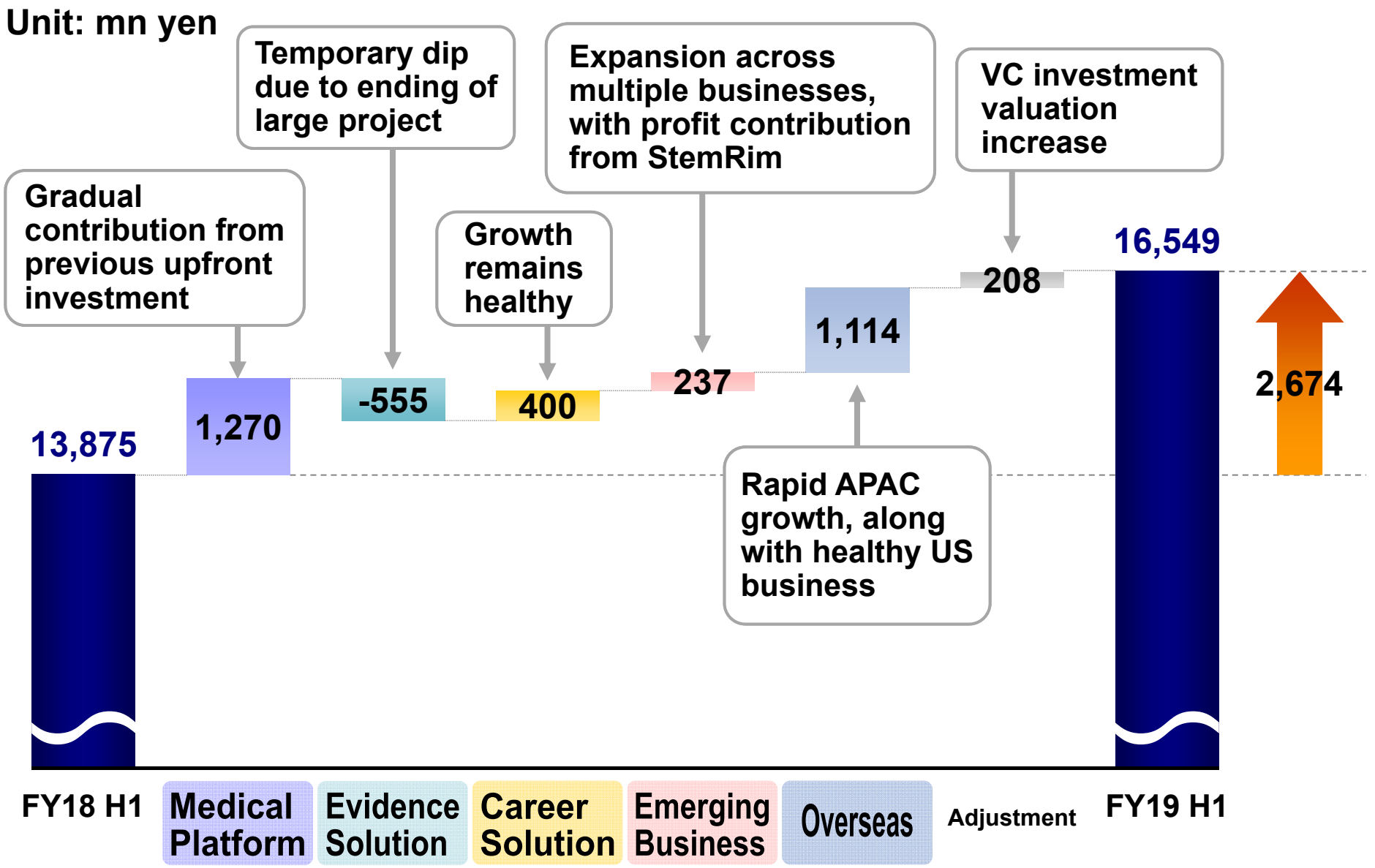
FY2019 Q1 Consolidated Results by Segment

(mn yen)

			FY2018 H1	FY2019 H1	YoY
Domestic	Medical Platform	Sales	18,403	22,269	+21%
		Profit	6,134	7,404	+21%
	Evidence Solution	Sales	10,975	10,739	-2%
		Profit	2,764	2,209	-20%
	Career Solution	Sales	7,711	8,760	+14%
		Profit	2,750	3,150	+15%
	Other Emerging Businesses	Sales	5,640	7,140	+27%
		Profit	665	902	+36%
Overseas		Sales	11,778	13,977	+19%
		Profit	1,553	2,667	+72%

Copyright © 2019 M3, Inc. All rights reserved.

Consolidated Operating Profit Change Analysis

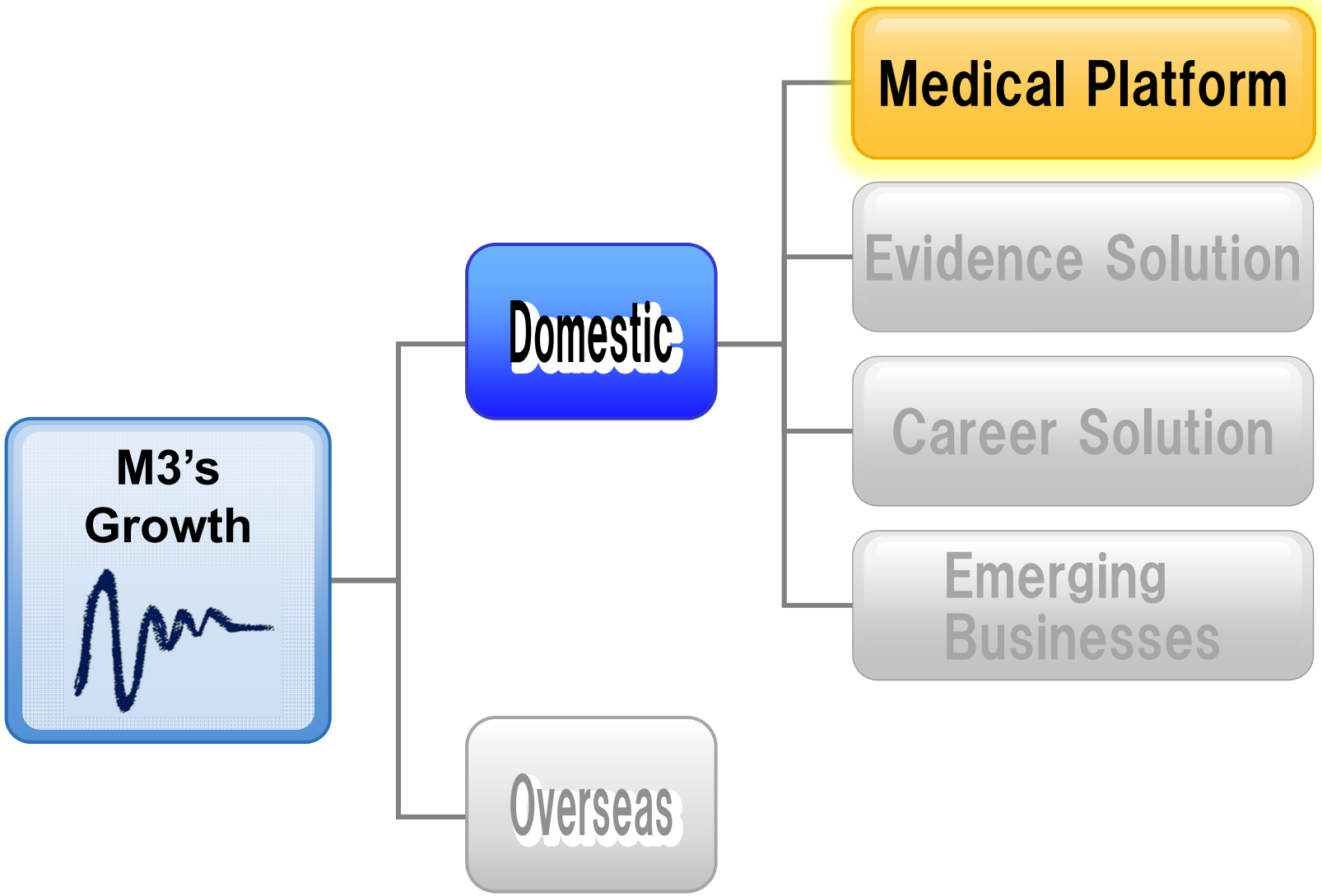


Copyright © 2019 M3, Inc. All rights reserved.

FY2019 H1 Overview

Medical Platform	■ Aggressive upfront investments beginning to contribute. Marketing service orders grew 41% yoy in H1, with newly consolidated Ultmarc also contributing ■ Upfront investment in Y's impacted profits negatively by 220 mn yen; profit growth would otherwise have been 24% yoy
Evidence Solution	■ Temporary dip due to ending of large scale PV projects ■ Orders backlog steady at 24 bn yen
Career Solution	■ Both physician and pharmacist inflow remains robust, with sales at 8.8 bn yen (+14% yoy) and operating profit at 3.1 bn yen (+15% yoy)
Emerging Businesses	■ Multiple new businesses in growth phase, with favorable progress of incubation investments (StemRim IPO)
Overseas	■ Healthy US business growth and rapid APAC expansion brought sales to 1.4 bn yen (+19% yoy) and o.p. to 2.7 bn yen (+72%) ■ APAC business now on growth trajectory, expected to maintain course
7P	■ Established Stream-I, Inc., a JV with Shionogi & Co., Ltd. with aim to create therapeutic solutions with areas starting with influenza

Copyright © 2019 M3, Inc. All rights reserved.



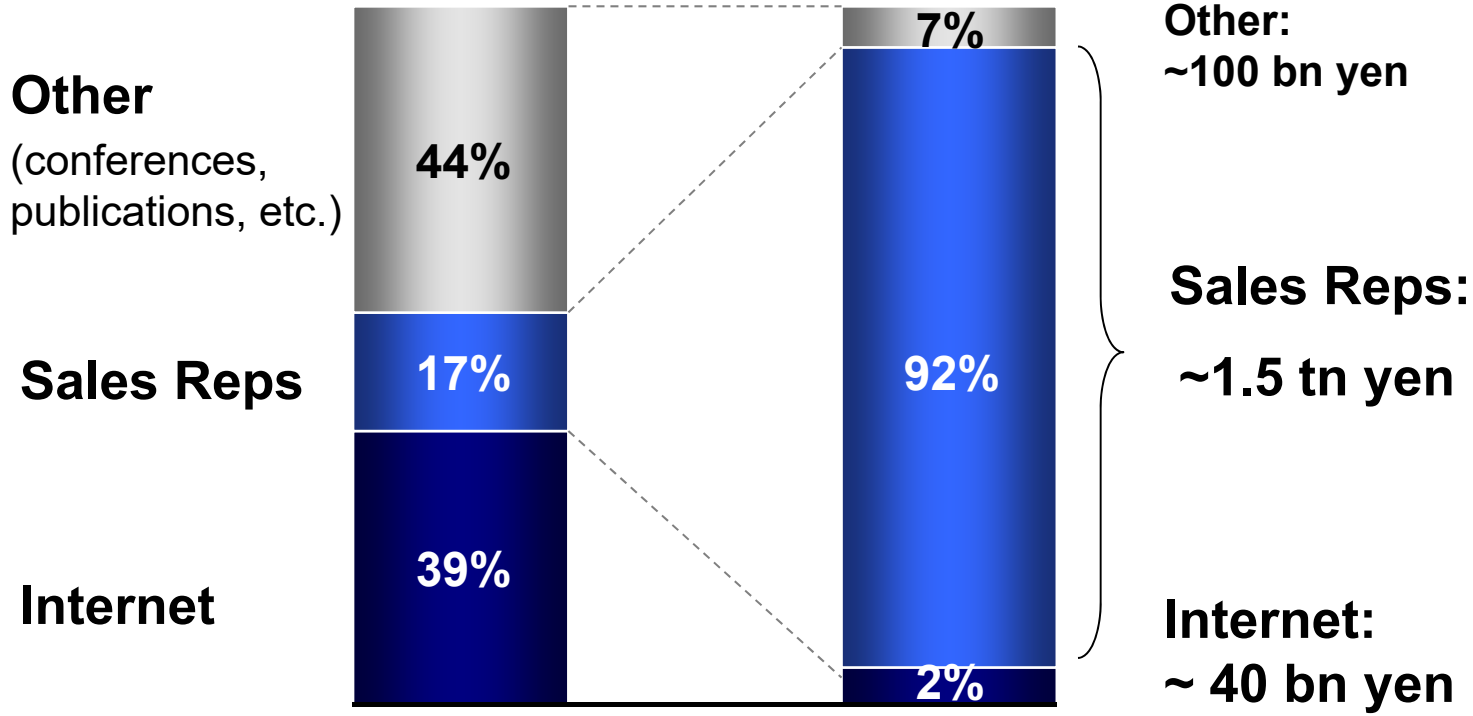
Copyright © 2019 M3, Inc. All rights reserved.

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

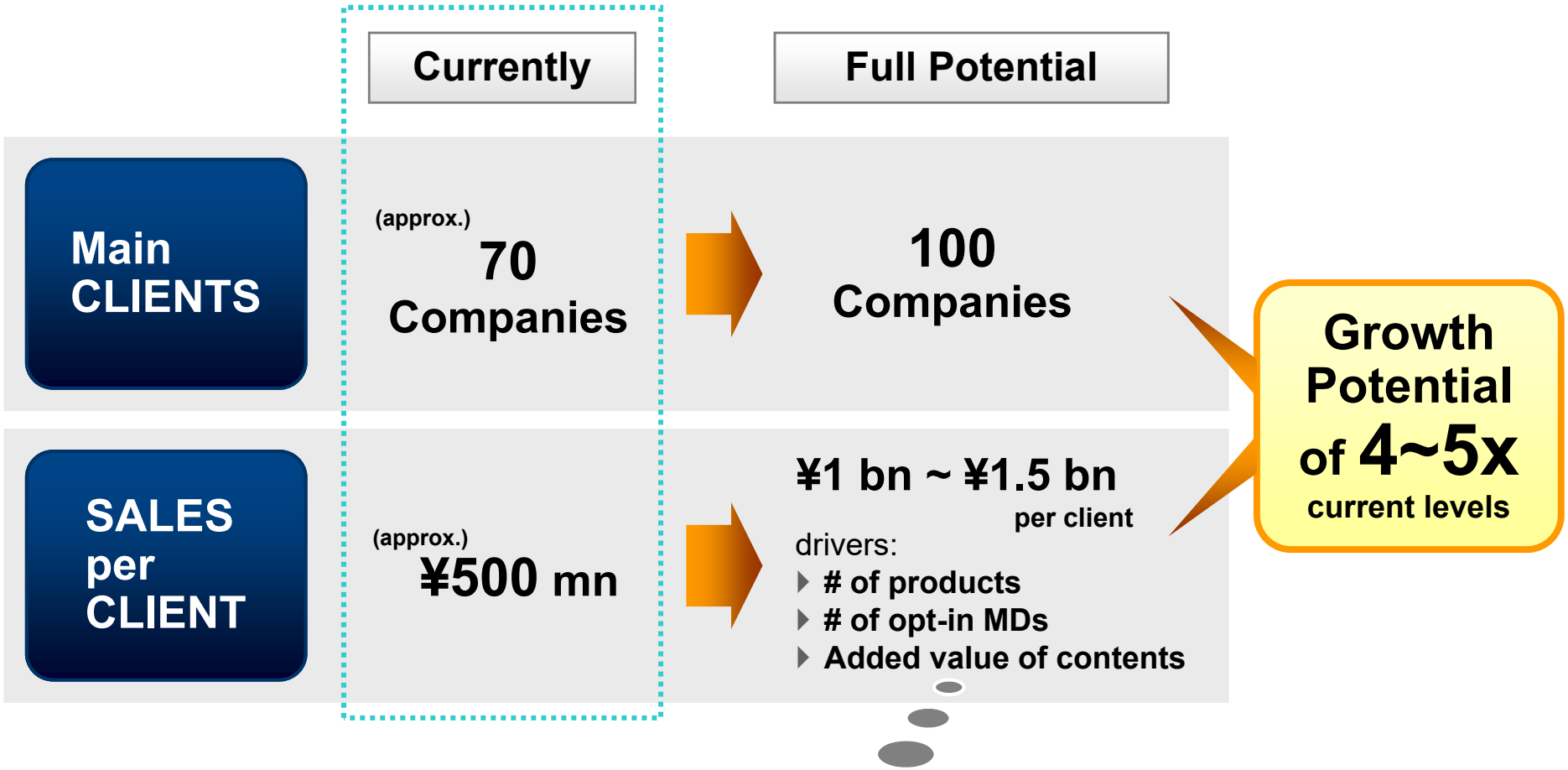
Marketing Budget Allocation
of drug companies in Japan



Source: M3 research, percentages are approximate

Copyright © 2019 M3, Inc. All rights reserved.

Medical Platform Growth Potential in Japan



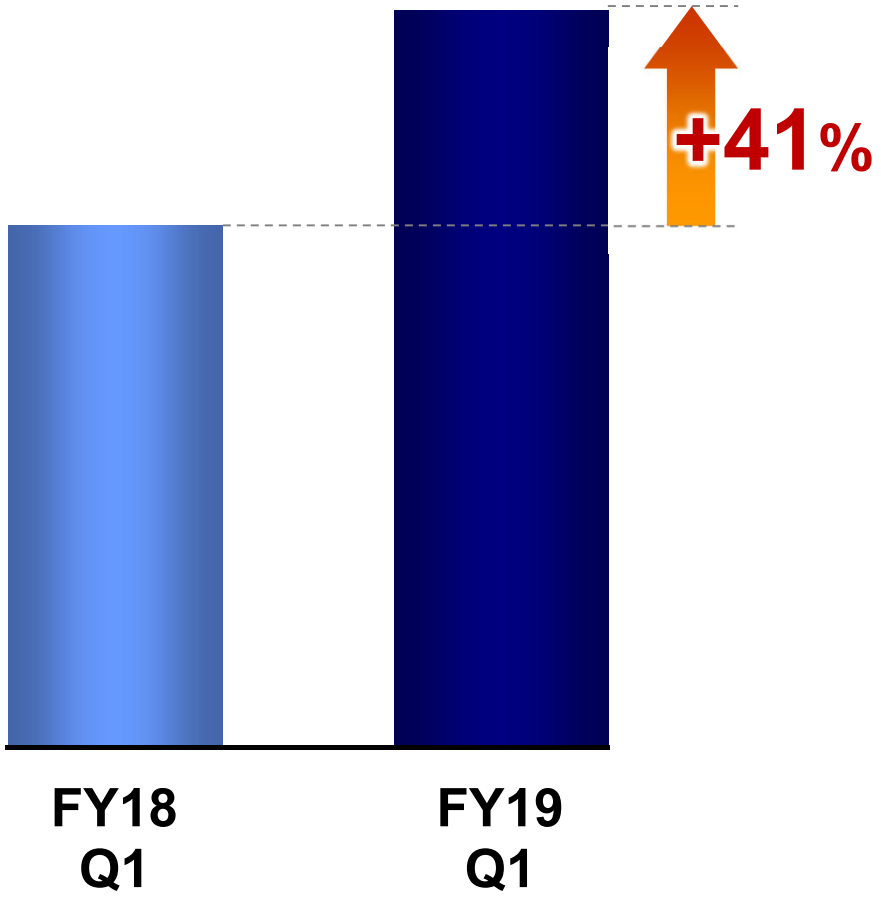
In addition to pharma companies, sales from device companies are growing

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

Copyright © 2019 M3, Inc. All rights reserved.

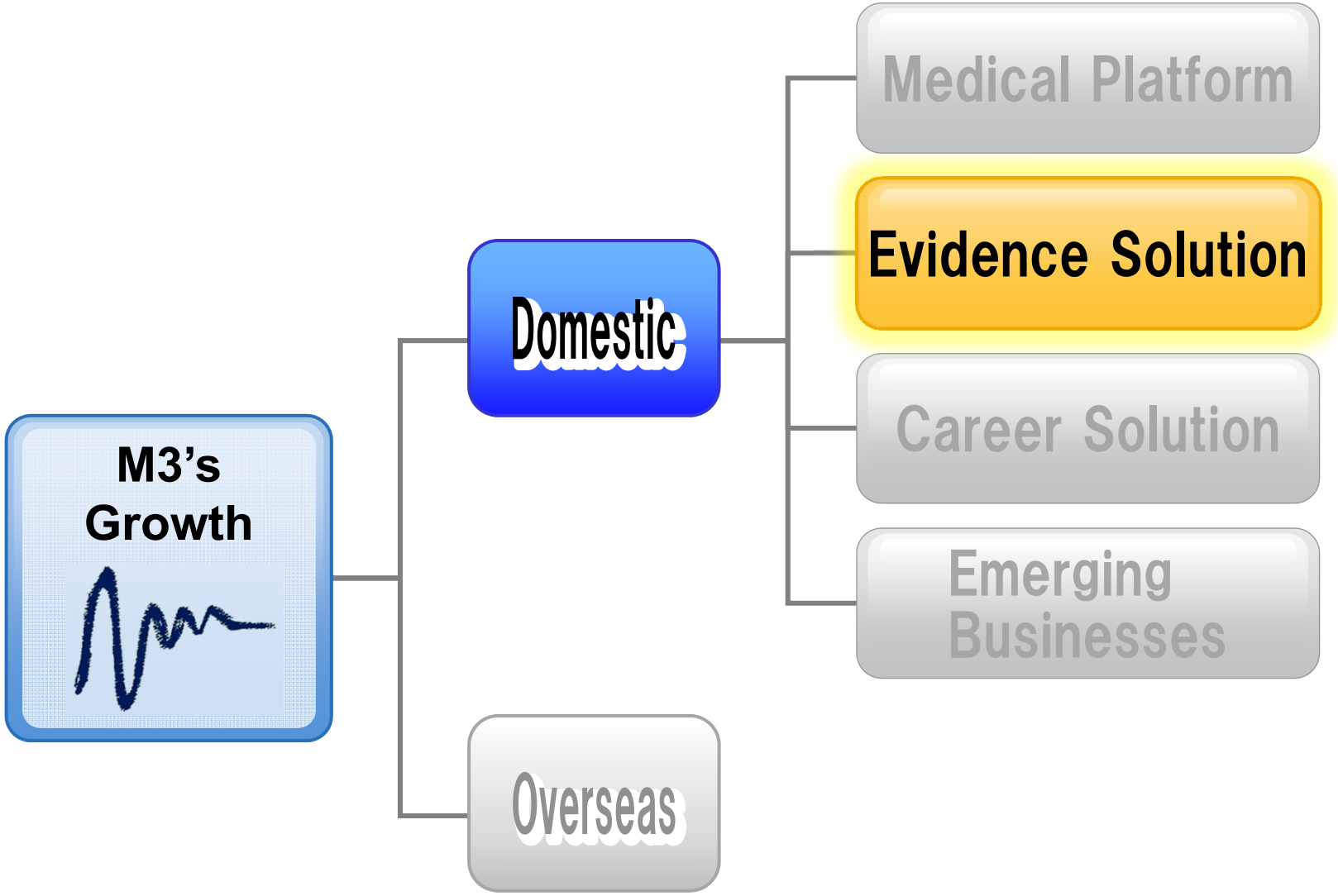
Recovery in Marketing Support Service Orders

Marketing Support Service Orders



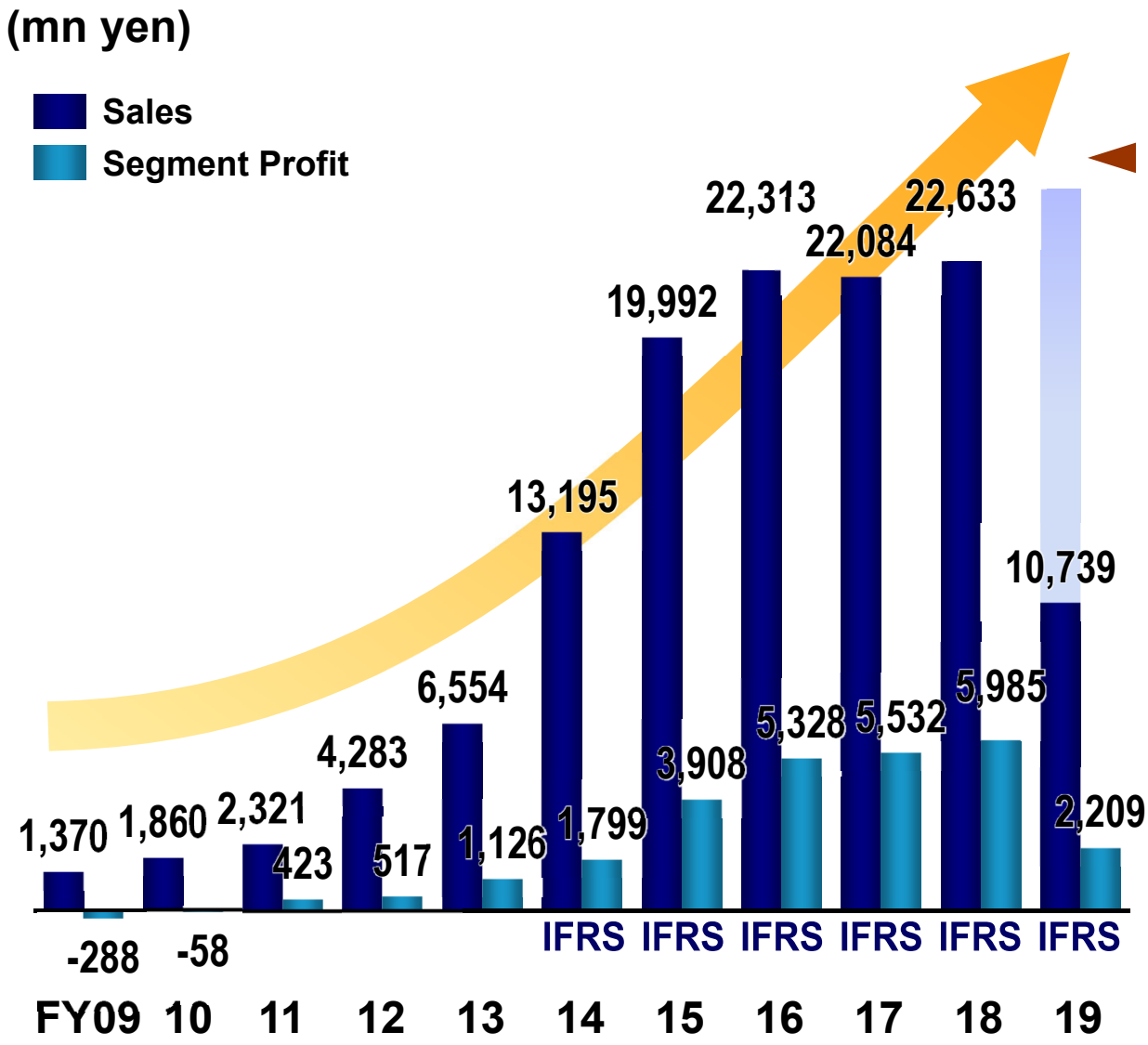
- New staff development and orders both accelerating in tandem
- Double digit sales growth expected in FY19 with expansion in both personnel and project scale

Copyright © 2019 M3, Inc. All rights reserved.



Copyright © 2019 M3, Inc. All rights reserved.

Sales and Profit Trend of Evidence Solution



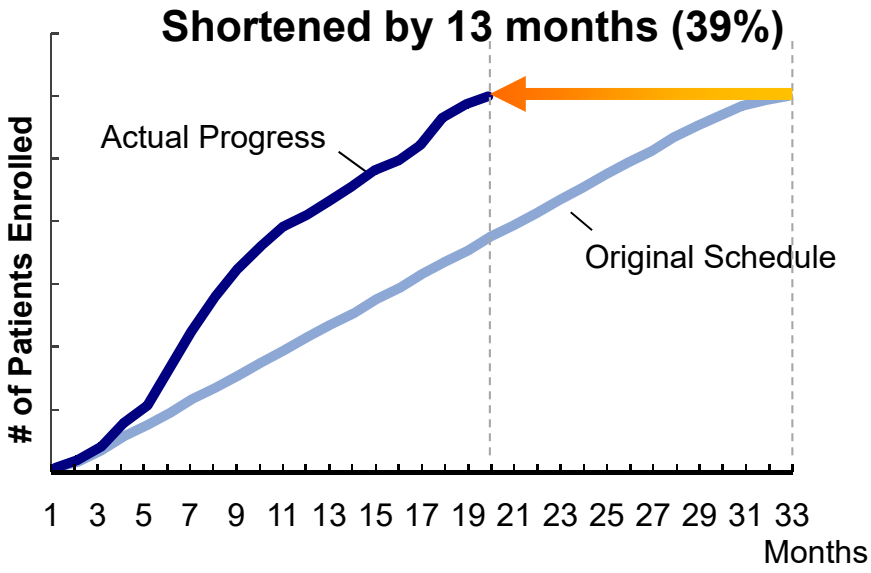
- Ongoing projects continue steadily, while completion of large projects created a momentary dip
- Backlog remains steady at 24 bn yen. Upfront personnel investment in line with orders growth
- Acquired companies causing transitory pull down effect on margins
- Integration of 3 SMOs planned to maximize synergies

Copyright © 2019 M3, Inc. All rights reserved.

M3 Group: Accelerated Trial Completion

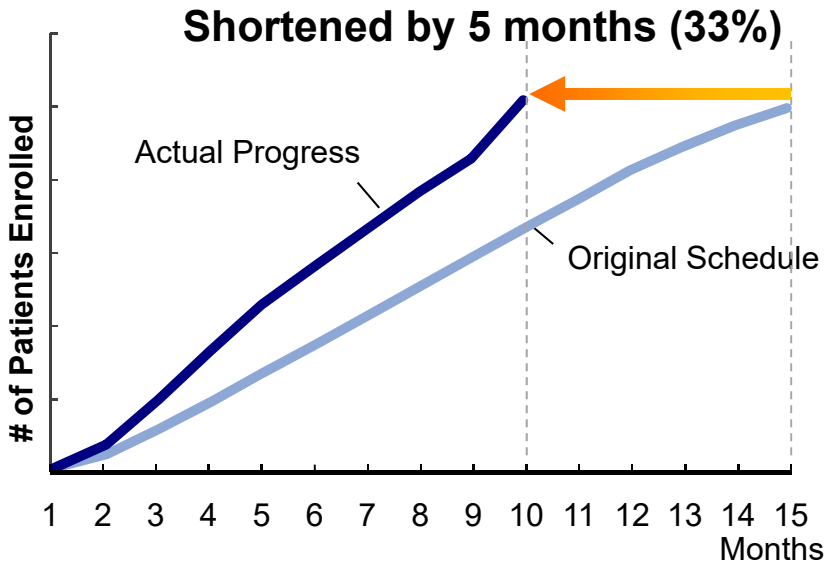
- **Mr. Finder finds highly motivated doctors at sites with potential patients**
- **Trial process management executed in similar fashion to web based marketing (High speed PDCA, conversion management, IT tools utilization)**

Global Trial: Endocrinology/ Metabolism



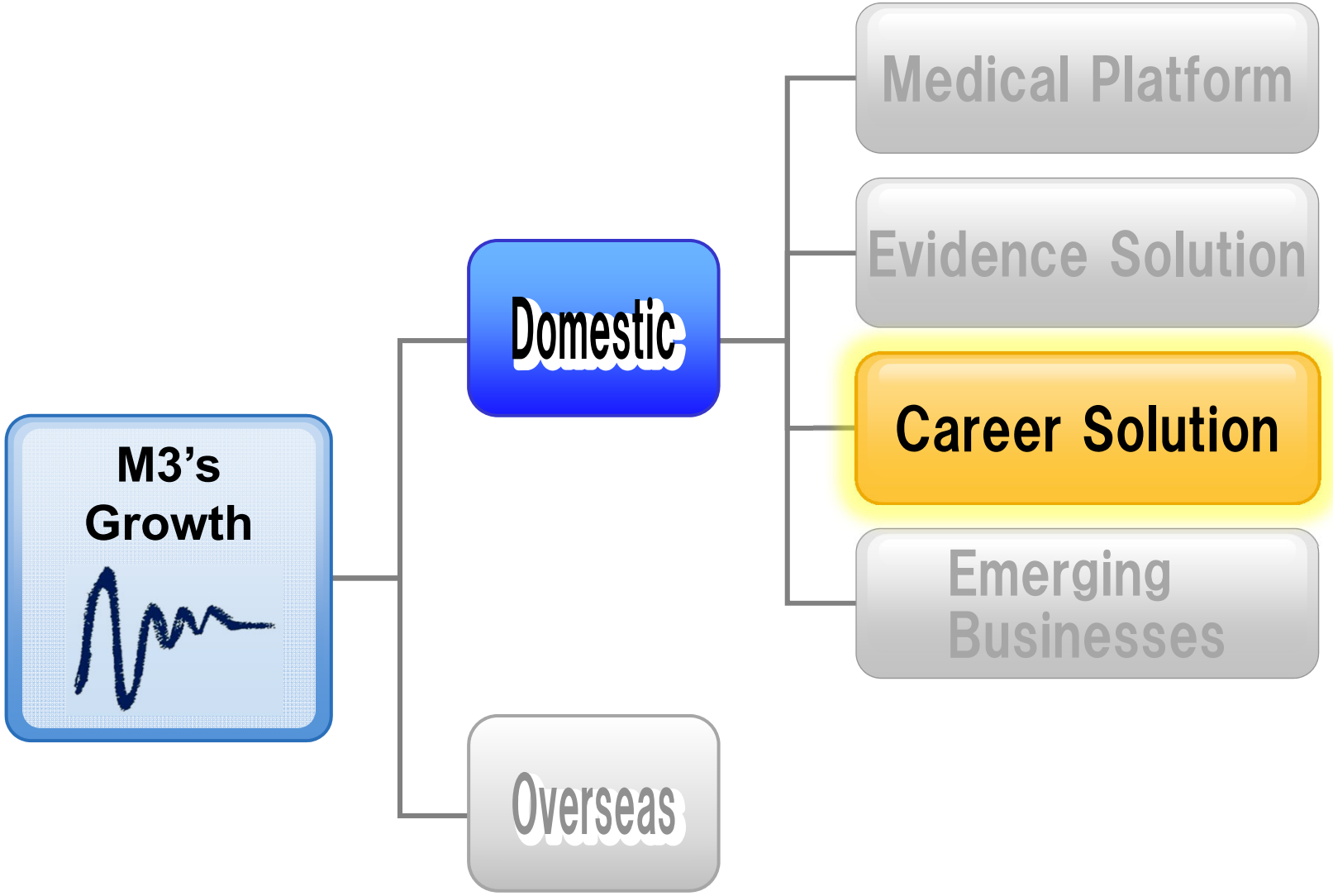
Completed patient enrollment in 20 months vs. allocated 33 months

Domestic Trial: Endocrinology/Metabolism



Completed patient enrollment in 10 months vs. allocated 15 months

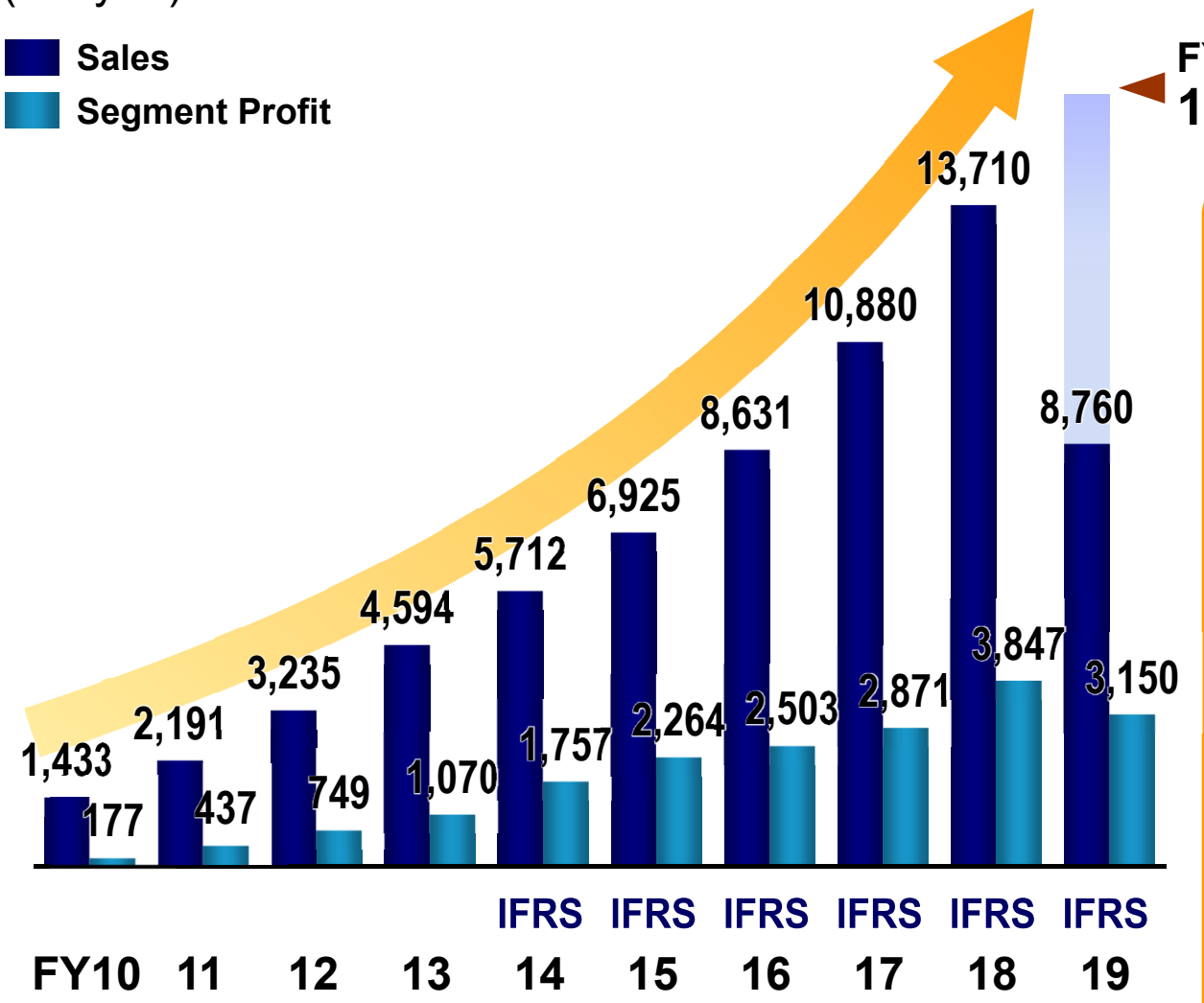
Copyright © 2019 M3, Inc. All rights reserved.



Copyright © 2019 M3, Inc. All rights reserved.

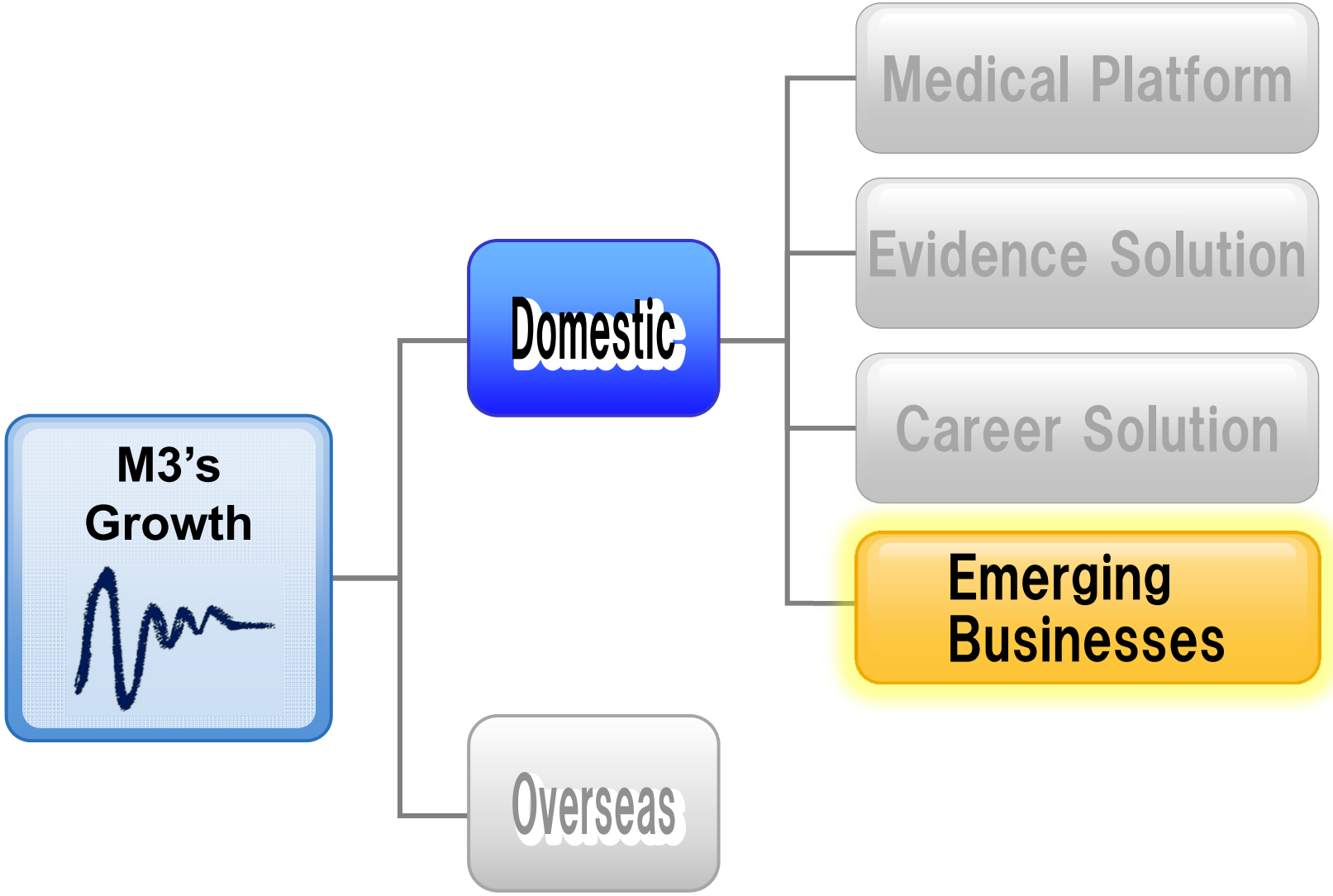
Sales and Profit Trend of Career Solutions

(mn yen)



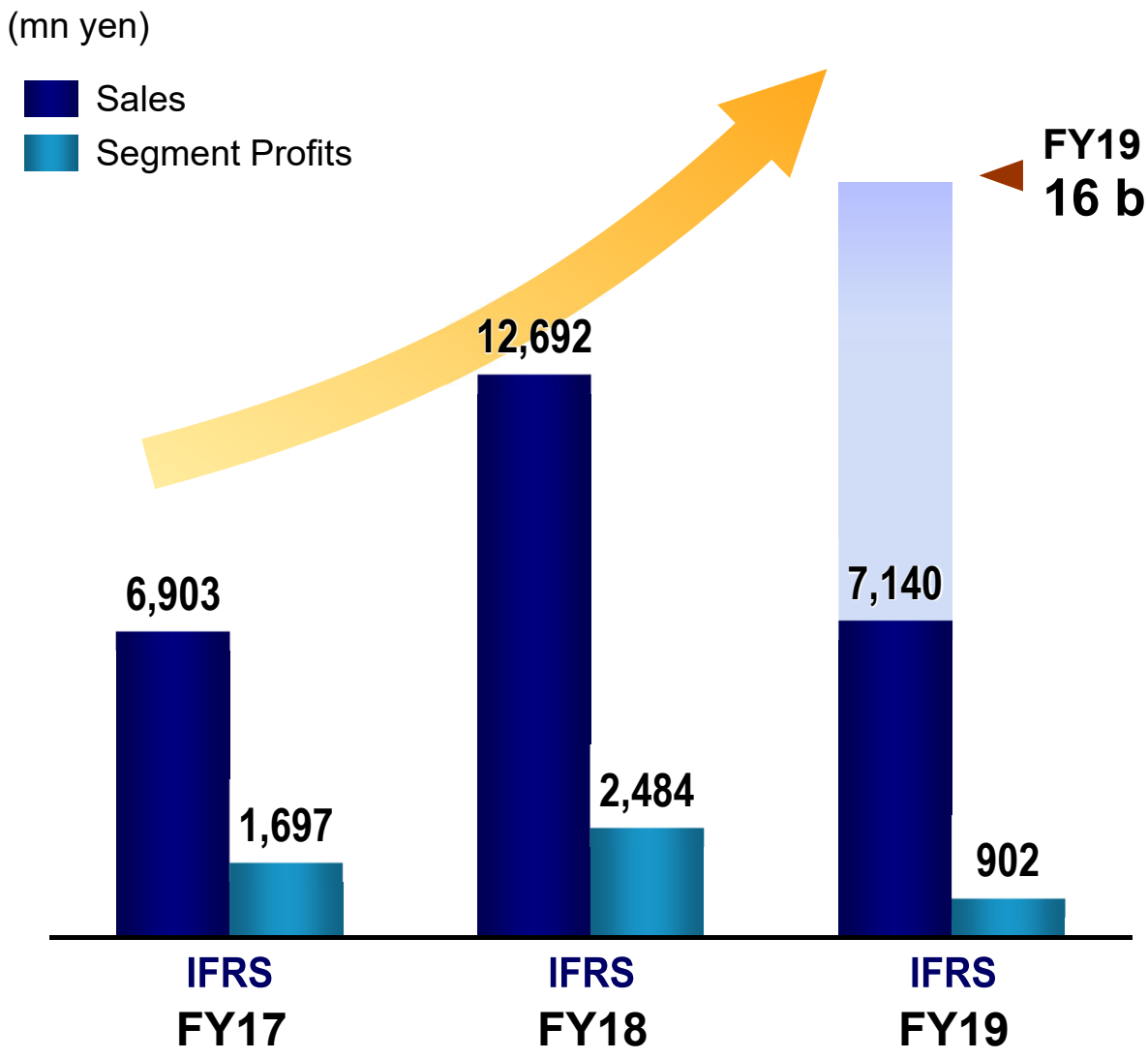
- Business scope expansion from increase in staff and productivity
- Fully absorbed hiring impact, resulting in accelerated growth rate
- Upfront investment expected to continue in FY19, and may slightly dampen margins

Copyright © 2019 M3, Inc. All rights reserved.



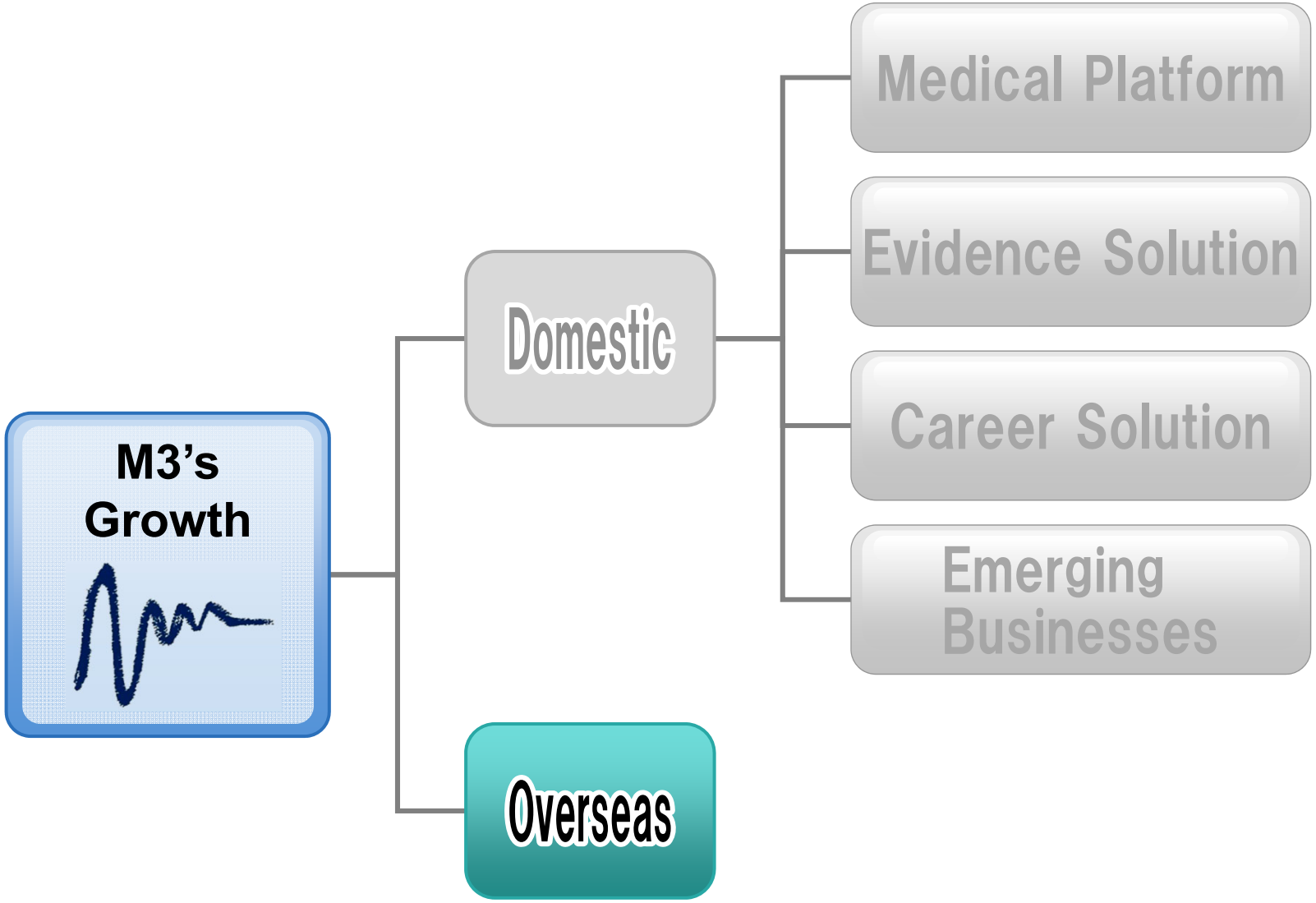
Copyright © 2019 M3, Inc. All rights reserved.

Sales and Profit Trend of Emerging Businesses



- Each business on steady growth path, with expansion in next growth drivers
- Seeds rocket investment StemRim IPO gained high valuation
- Overall profits grew +36% despite deconsolidation of Honyaku Center reduced affiliate income by 70 mn yen

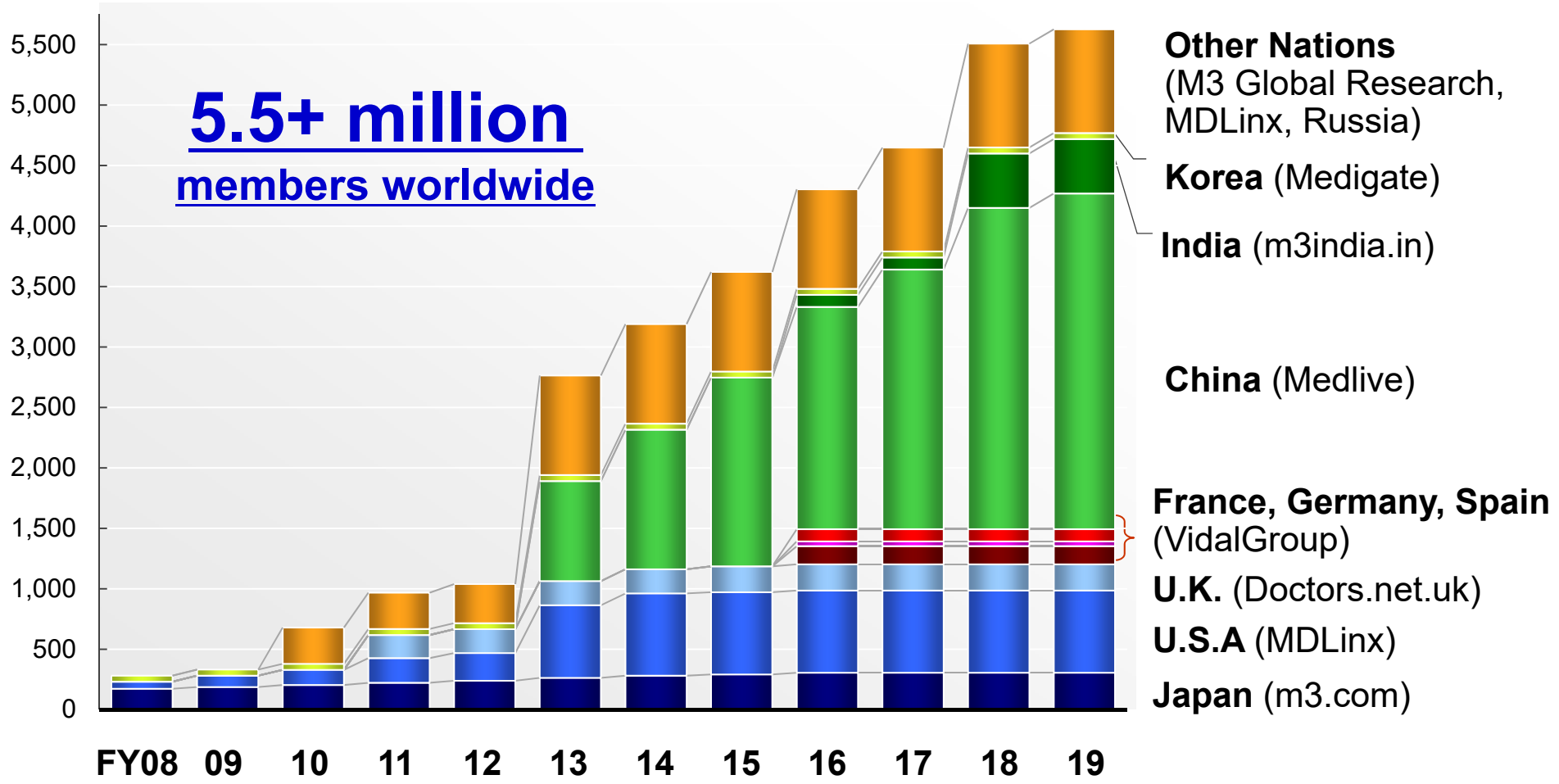
Copyright © 2019 M3, Inc. All rights reserved.



Copyright © 2019 M3, Inc. All rights reserved.

Number of Physician Members and Panelists (Global)

(thousand)

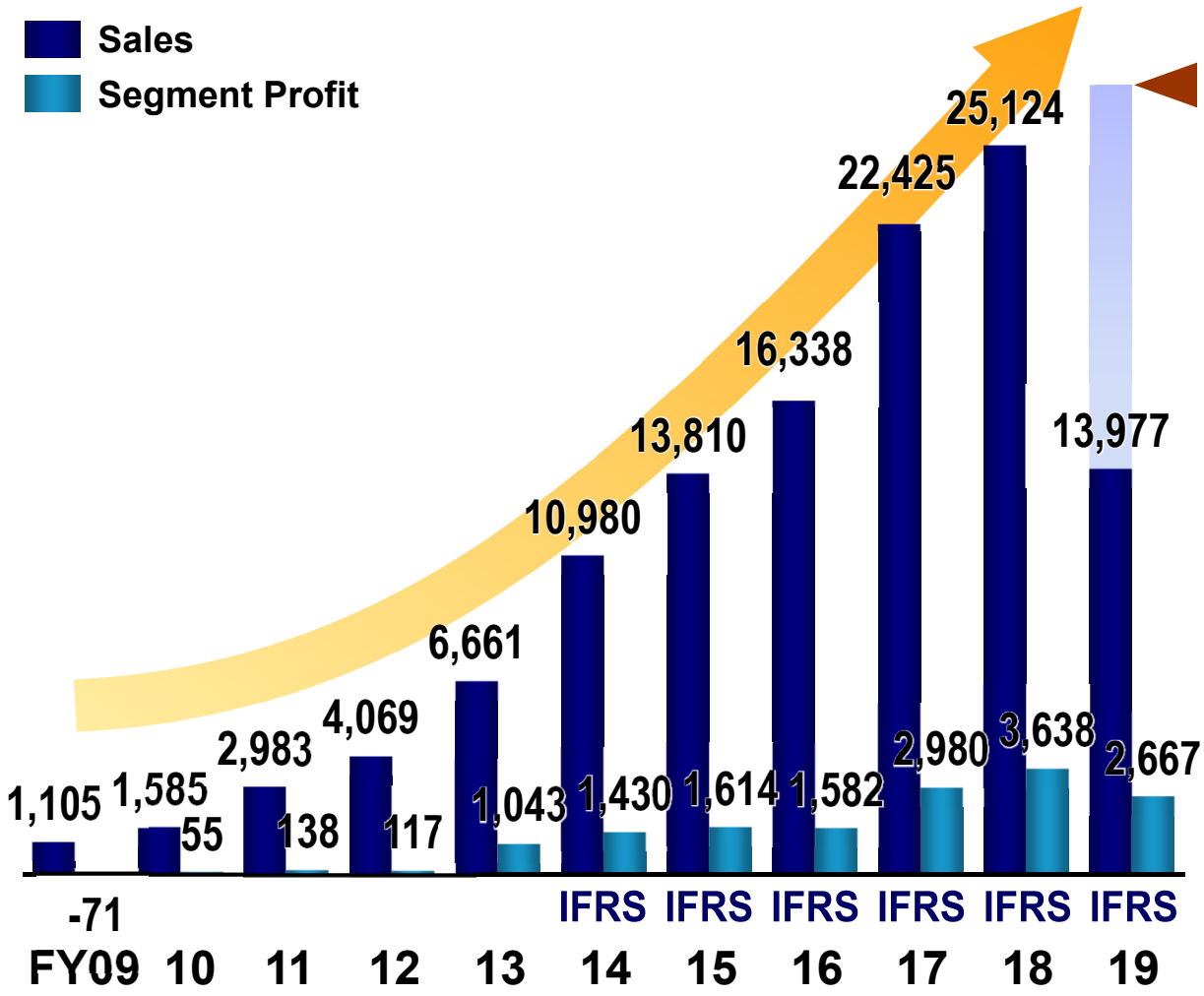


☞ **Close to 50% coverage of the total 12 million global doctors**

Copyright © 2019 M3, Inc. All rights reserved.

Sales and Profit Trend of Overseas

(mn yen)



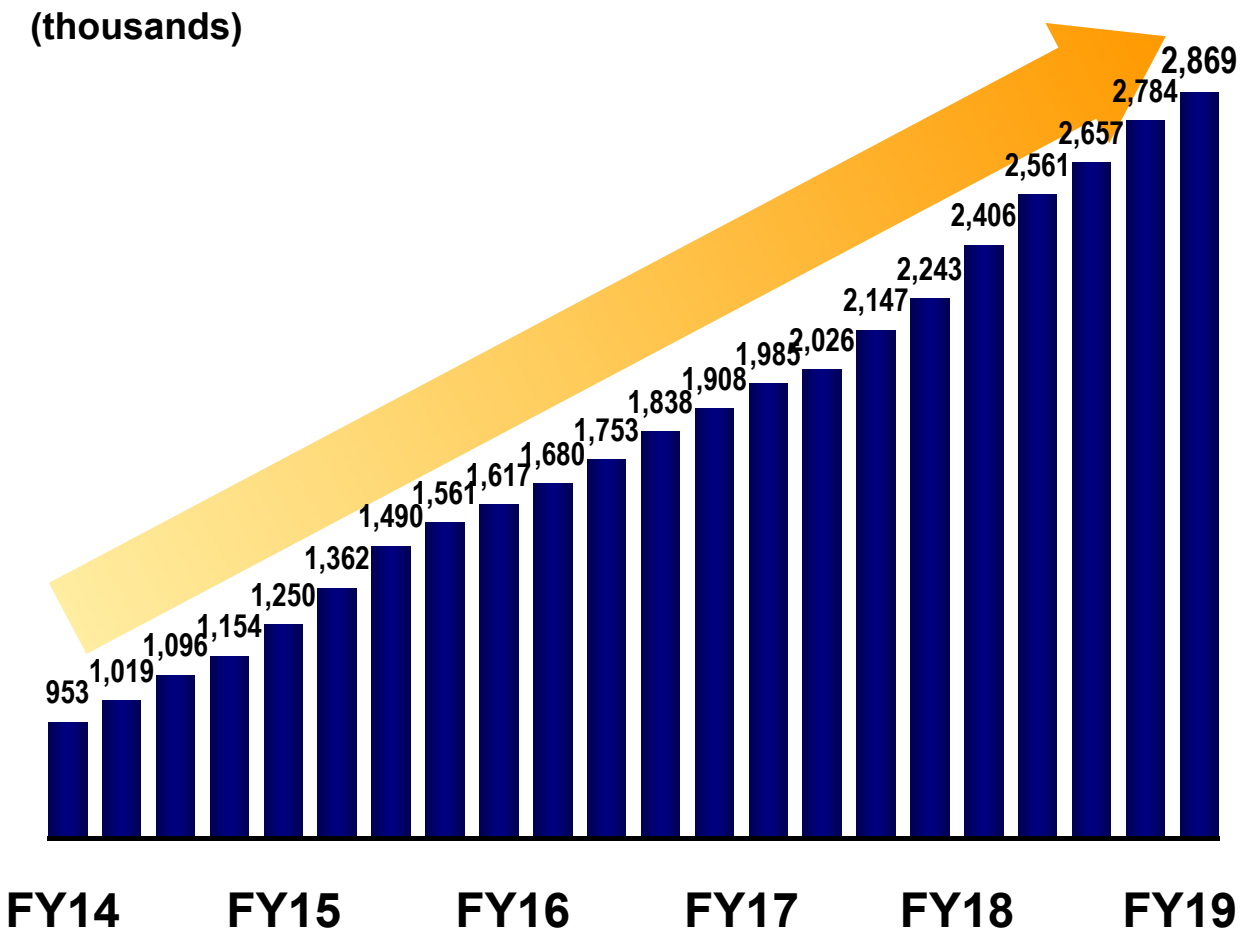
FY19 FCT
30 bn yen

- 80% of profit growth was from Asia, 20% was from U.S. clinical trials and career business
- Business expansion acceleration in all APAC countries (China, India, and Korea)
- China: Sales +50% yoy, profit grew 4x
  Korea: Sales +30% yoy, profit +70%

Copyright © 2019 M3, Inc. All rights reserved.

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 15 pharma companies across 37 drugs
- Newly approaching local clients, in addition to MNCs
- Launched career services for physicians

☞ **Topped 2.87 million physicians members, covering over 2/3 of doctors in China**

Copyright © 2019 M3, Inc. All rights reserved.

New Initiatives Update

Copyright © 2019 M3, Inc. All rights reserved.

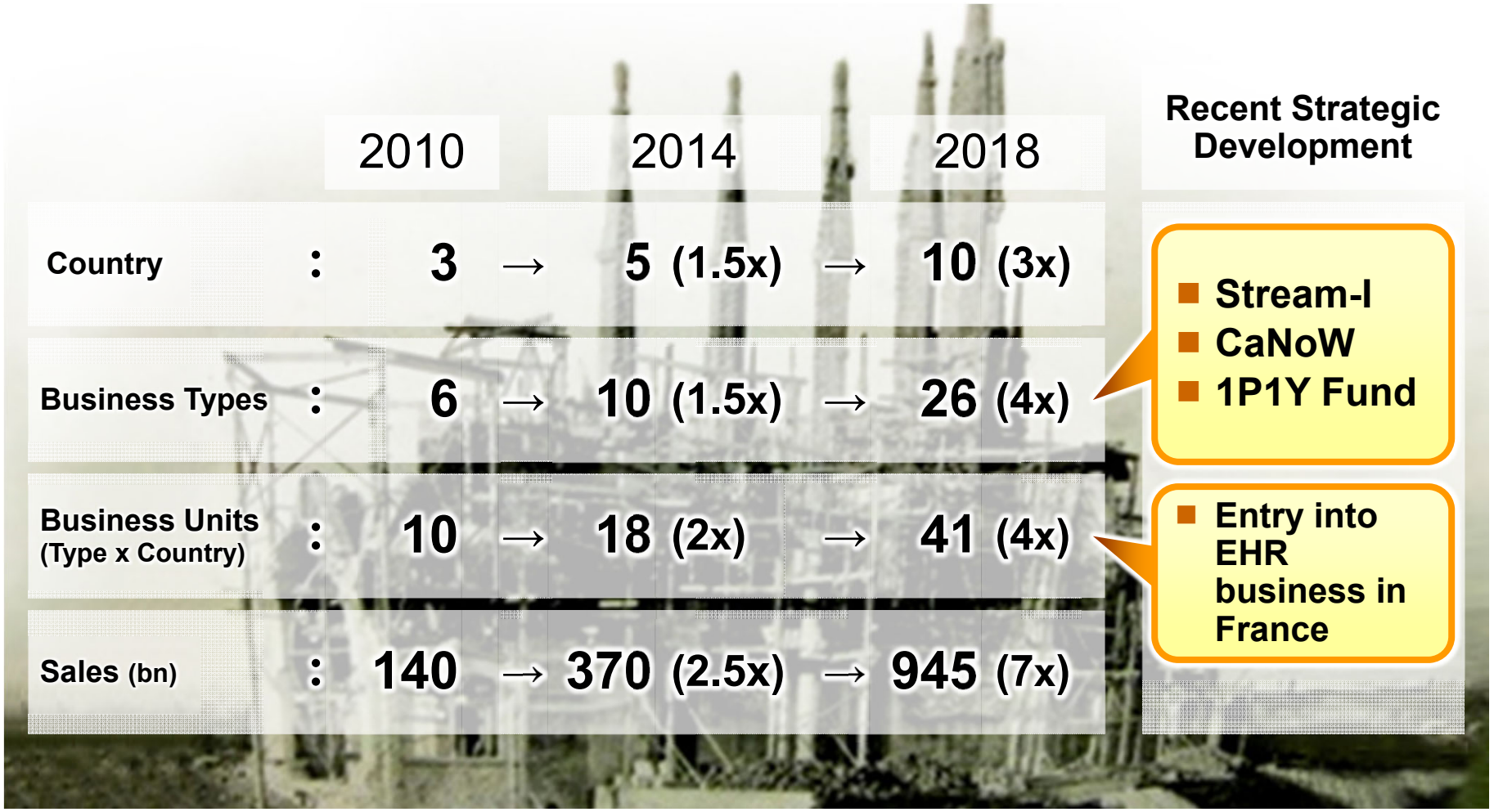
Business Scope Expansion and Growth Potential

	2010		2014		2018		2022
Country	3	→	5 (1.5x)	→	10 (3x)	→	
Business Types	6	→	10 (1.5x)	→	26 (4x)	→	Similar pace of growth expected over the next 4 years
Business Units (Type x Country)	10	→	18 (2x)	→	41 (4x)	→	
Sales (bn)	140	→	370 (2.5x)	→	945 (7x)	→	

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

Copyright © 2019 M3, Inc. All rights reserved.

Business Scope Expansion and Growth Potential



	2010	2014	2018
Country	3	5 (1.5x)	10 (3x)
Business Types	6	10 (1.5x)	26 (4x)
Business Units (Type x Country)	10	18 (2x)	41 (4x)
Sales (bn)	140	370 (2.5x)	945 (7x)

Recent Strategic Development

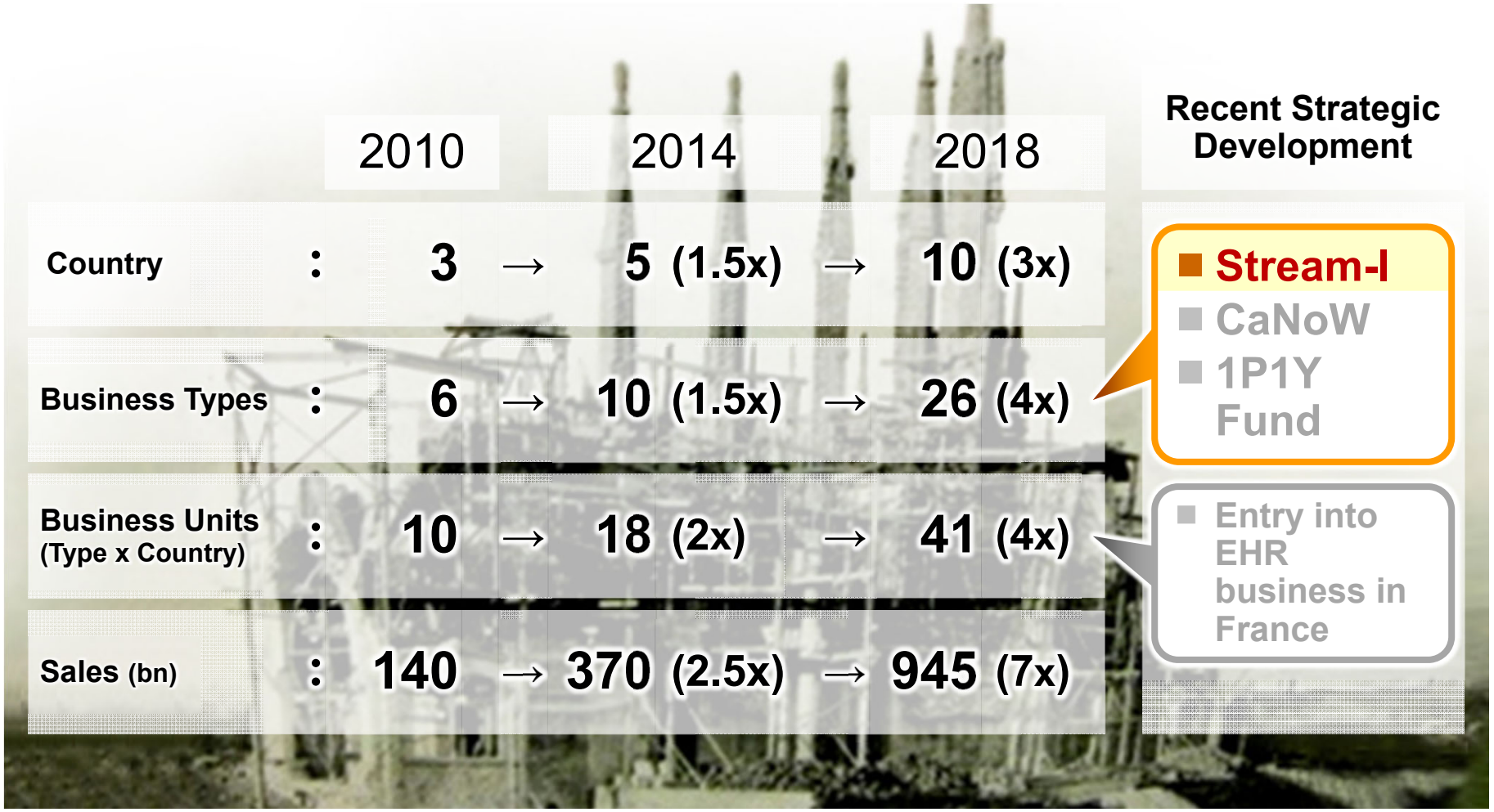
- Stream-I
- CaNoW
- 1P1Y Fund

- Entry into EHR business in France

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

Copyright © 2019 M3, Inc. All rights reserved.

Business Scope Expansion and Growth Potential



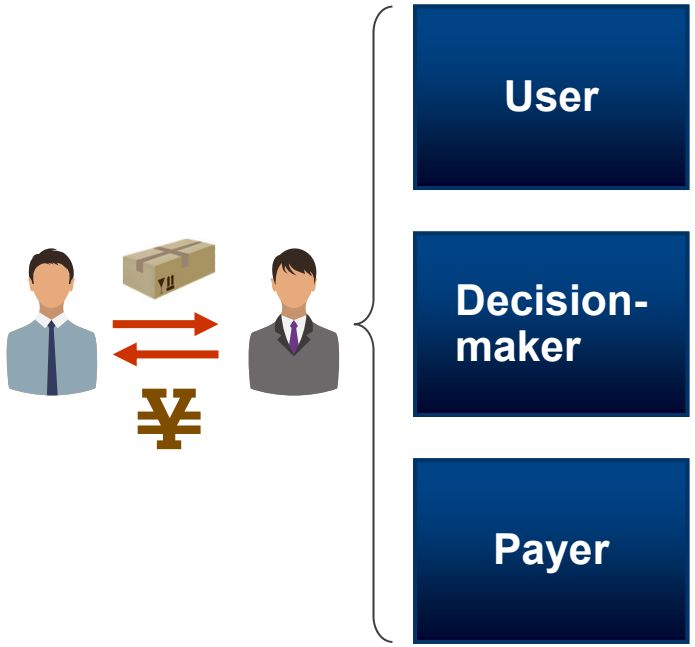
☞ **Aggressive M&A to ensue in reaching growth potentials exceeding 10~20x current levels…**

Copyright © 2019 M3, Inc. All rights reserved.

Comparing Healthcare to Typical Businesses

Typical Business

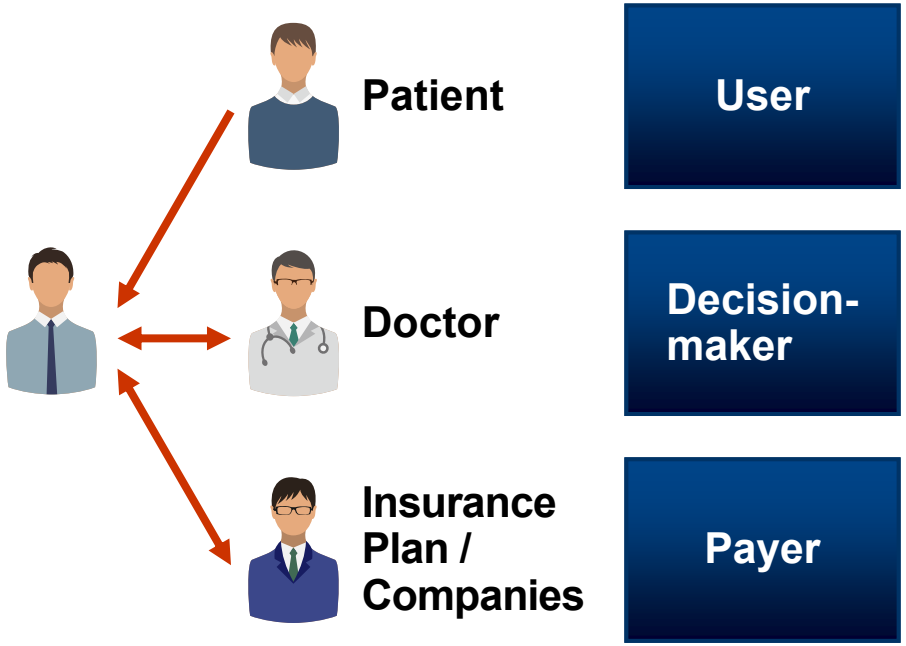
Product Provider | Client



Simple “Make & Sell” world

Healthcare Business

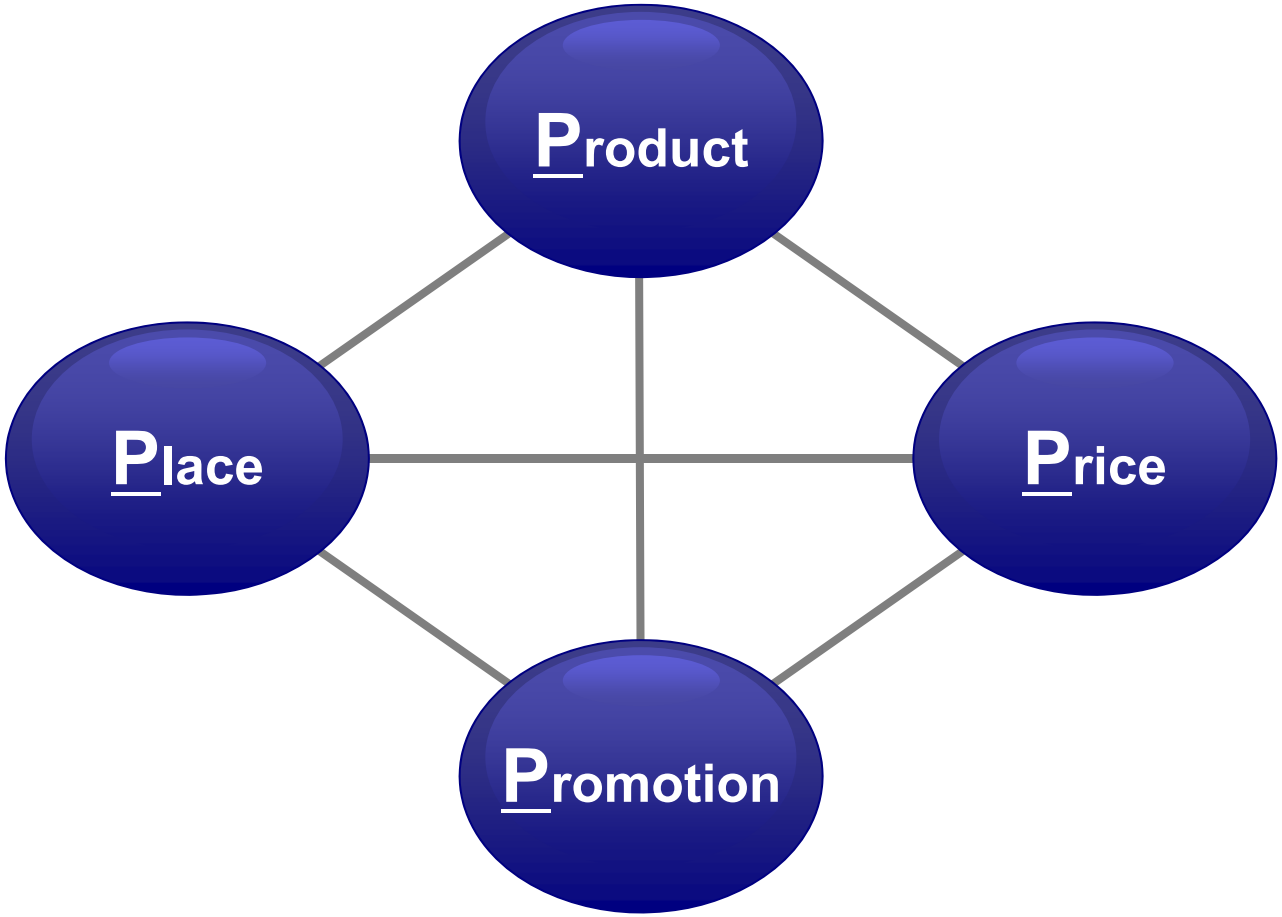
Product Provider | Client



A world where “Win-win” solutions are required to satisfy multiple “clients”

Copyright © 2019 M3, Inc. All rights reserved.

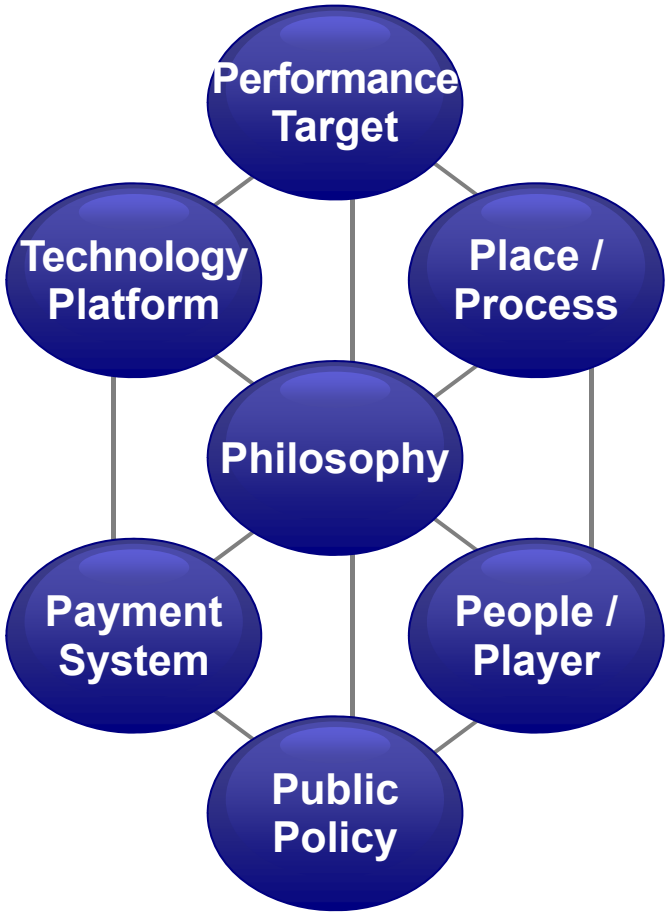
4Ps of Marketing is not enough



☞ **There is a limit to the 4P theory when dealing with Medical issues…**

Copyright © 2019 M3, Inc. All rights reserved.

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

Copyright © 2019 M3, Inc. All rights reserved.

Establishment of Stream-I, Inc. with Shionogi & Co., Ltd.

SHIONOGI — 51% — 49% — M3, Inc.

Stream-I, Inc.

(CEO: Takuko Sawada (Director, Executive Vice President of Shionogi & Co., Ltd.)

Mission: Reduce as many patients who suffer from disease as possible

2019~:
Promote appropriate prescription of pharmaceuticals through information delivery according to physician needs

2020~:
Provide holistic solutions to influenza (prevention, diagnosis, treatment, medication)

2025~:
Global expansion

Shionogi
Transformation
Real-world
E-marketing/digital
Artificial Intelligence
M3
I T

Copyright © 2019 M3, Inc. All rights reserved.

Strategic Significance of the JV



October 4th Press Conference
Left: Ms. Sawada, Executive Vice President of Shionogi & Co, Inc. (CEO of Stream-I)

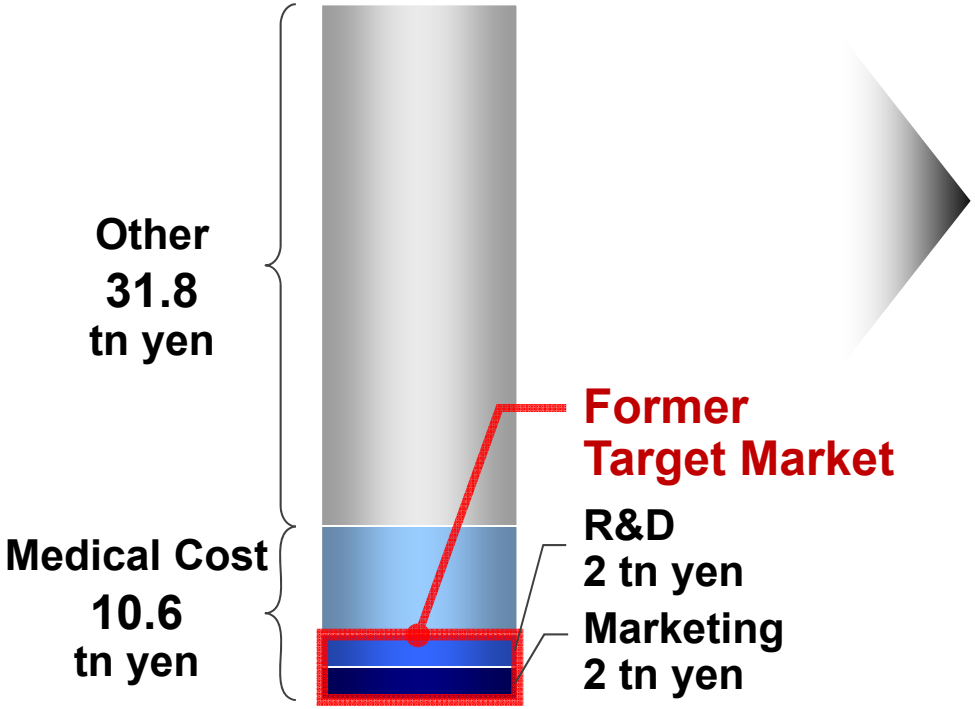
- **Provide holistic disease solutions through not only pharmaceuticals, but via merging of technology and peripheral services (such as AI, LINE healthcare, drug delivery, etc.)…**
  A true "7P" project
- **A large step in commitment towards creating solutions to medical issues by conjoining forces (JV) with a pharmaceutical company**
- **M3 aims to join forces with other companies in addressing challenges surrounding various diseases…**
  STREAM-I is a significant precedent

Copyright © 2019 M3, Inc. All rights reserved.

Expansion of M3's Addressable Market

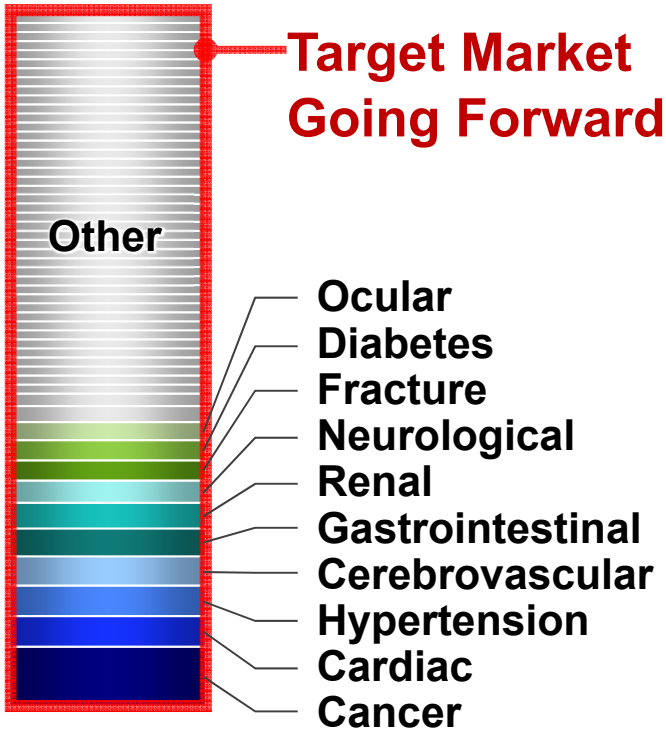
Former Market

National Healthcare Expenditure (Japan)
42.4 trillion yen



7P Project Market

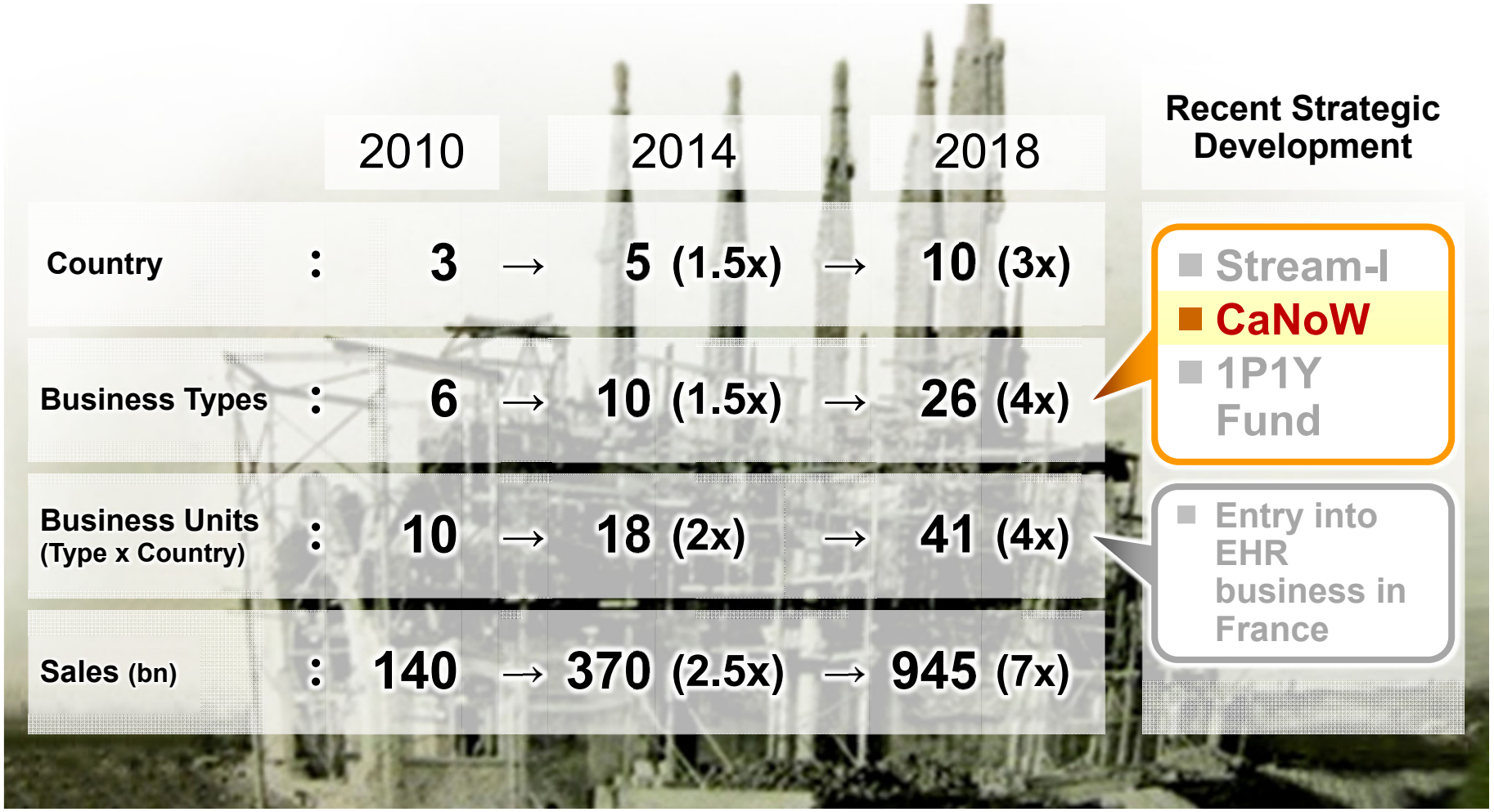
National Healthcare Expenditure (Japan)
42.4 trillion yen



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

Copyright © 2019 M3, Inc. All rights reserved.

Business Scope Expansion and Growth Potential



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

Copyright © 2019 M3, Inc. All rights reserved.

CaNoW is…

A project to grant the wishes of patients through corporate sponsorship

CaNoW

Can + Now

"I wish to visit my workplace where I haven't been to since I became ill."

"I wish to attend the wedding of my grandchild, who lives far away."

"I wish to visit the diner where I frequented when I was a student."

Especially when the end seems near, CaNoW strives to re-spark the passion for life.

Copyright © 2019 M3, Inc. All rights reserved.

CaNoW Concept

"Find the passion to live by bringing dreams to reality"

	Common Issues	Aspired Direction
Patient	•Solely focused on treatment from illness •Feel "defeated" without recovery or improvement	•Focus on the "passion" to live •A life with joy is a life of "victory"
Physician	•Difficult to provide support outside of treatment •Little options in later stages of illness	•Support to make the "passion" into reality without burdens on the physician •Full patient support

CaNoW actualizes patient "dreams" into reality

Copyright © 2019 M3, Inc. All rights reserved.

CaNoW Solutions

	Problem	CaNoW Support
1. Full support of medically certified staff 	■ Where can I find appropriate supporters	■ Support from 460,000 qualified medical staff, over 200 support staff across Japan, and M3 group's 900 medical certificate holders ■ Arrangement according to required medical care and execution (cost consciousness)
2. Planning and execution ability 	■ What do I really want to do ■ How do I bring it to reality	■ Careful consultation to identify true "wishes" ■ Materialize wishes through collaboration with travel agencies and corporate alliances, IT services
3. Coordination with medical facilities 	■ Primary physician advises against it ■ Care providers and sites do not permit excursions	■ Certified staff will confirm patient condition and level of required medical care to convince primary care providers

Copyright © 2019 M3, Inc. All rights reserved.

CaNoW

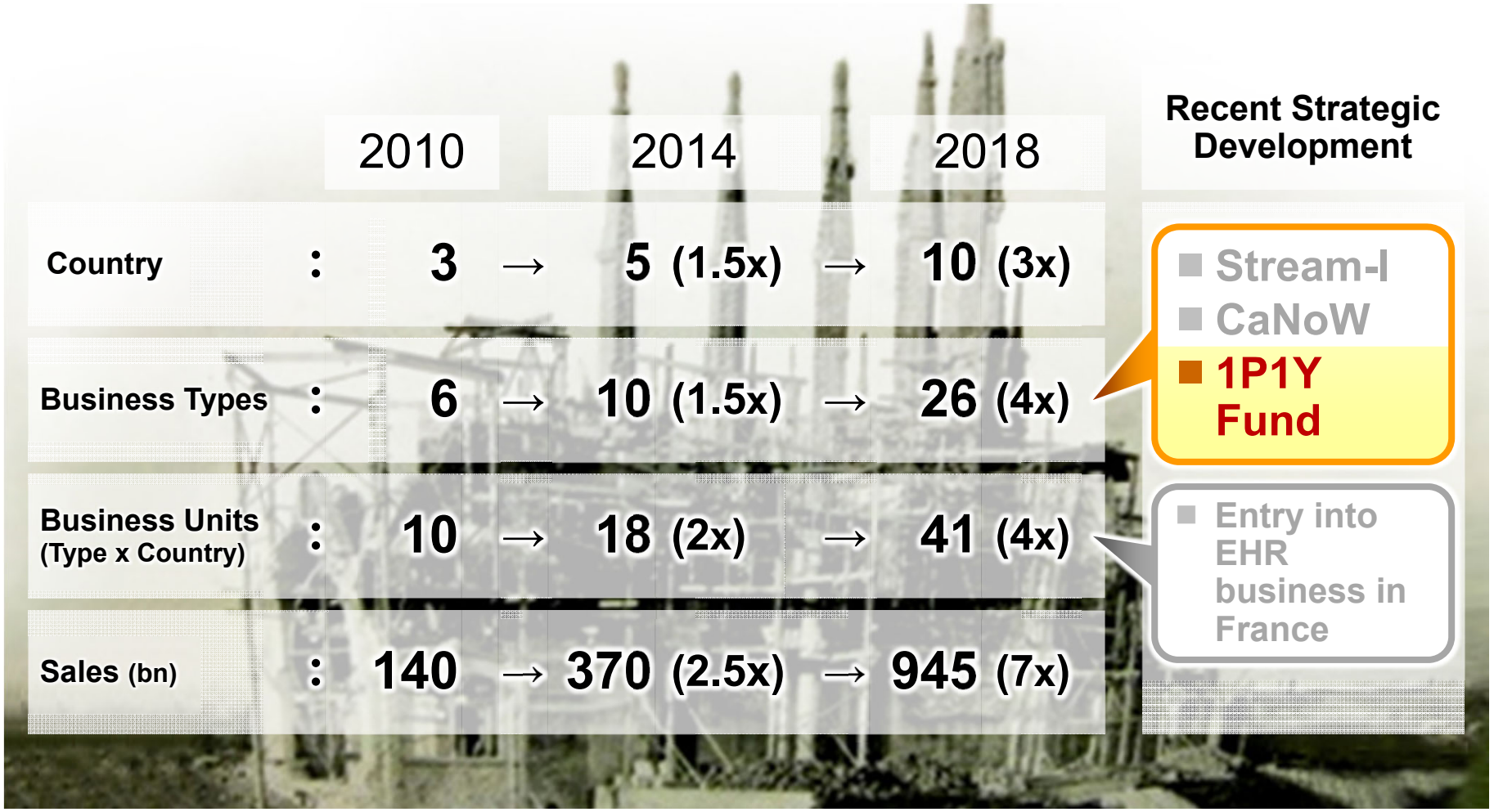
Produced by M3, Inc.

CaNoW aims to fulfill over 1000 patient wishes over the next 3 years

Creating a social movement to "overcome illness, and illuminate lives"

Copyright © 2019 M3, Inc. All rights reserved.

Business Scope Expansion and Growth Potential



	2010	2014	2018
Country	3	5 (1.5x)	10 (3x)
Business Types	6	10 (1.5x)	26 (4x)
Business Units (Type x Country)	10	18 (2x)	41 (4x)
Sales (bn)	140	370 (2.5x)	945 (7x)

Recent Strategic Development

- Stream-I
- CaNoW
- 1P1Y Fund
- Entry into EHR business in France

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

Copyright © 2019 M3, Inc. All rights reserved.

Establishment of Internal CVC* "1P1Y Fund"

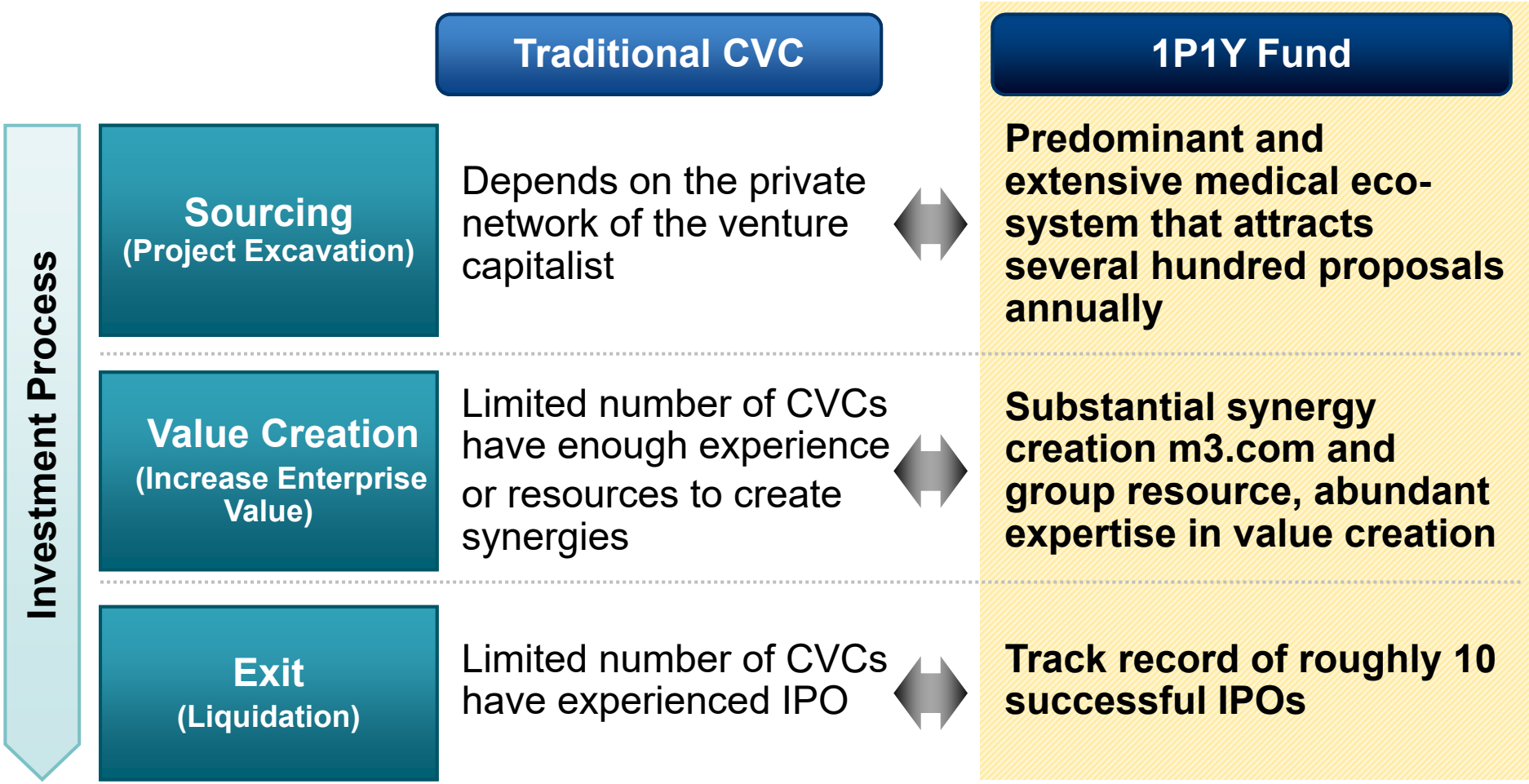
M3's Mission:
"Making use of the Internet to increase, as much as possible, the number of people who can live longer and healthier lives, and to reduce, as much as possible, the amount of unnecessary medical costs"

Investment Line	10 billion yen
Investment Size	Average few hundred million yen per investment to a maximum of approximately 2 billion yen
Investment Region	Domestic and Global
Investment Target	Venture companies, listed companies, pharmaceutical and medical device pipelines, others.
Investment Themes	AI, medical devices (including software), advanced medical technologies, rare diseases, healthcare management

* CVC: Corporate Venture Capital, an initiative where an operating company makes investments to create synergies with a venture company

Copyright © 2019 M3, Inc. All rights reserved.

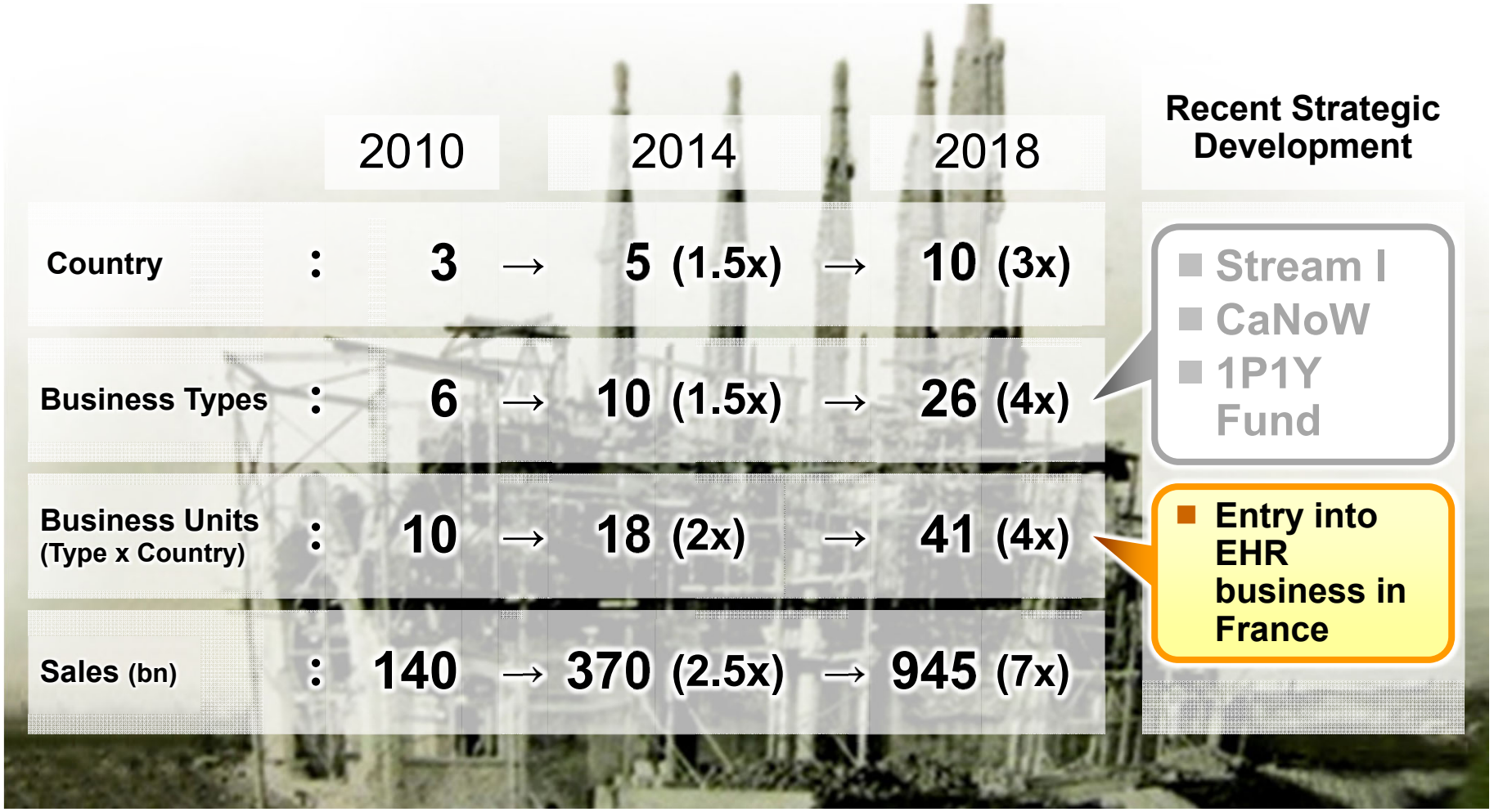
Advantages of the 1P1Y Fund



☞ **Realize high returns through maximization of m3.com resources and extensive investment track record**

Copyright © 2019 M3, Inc. All rights reserved.

Business Scope Expansion and Growth Potential



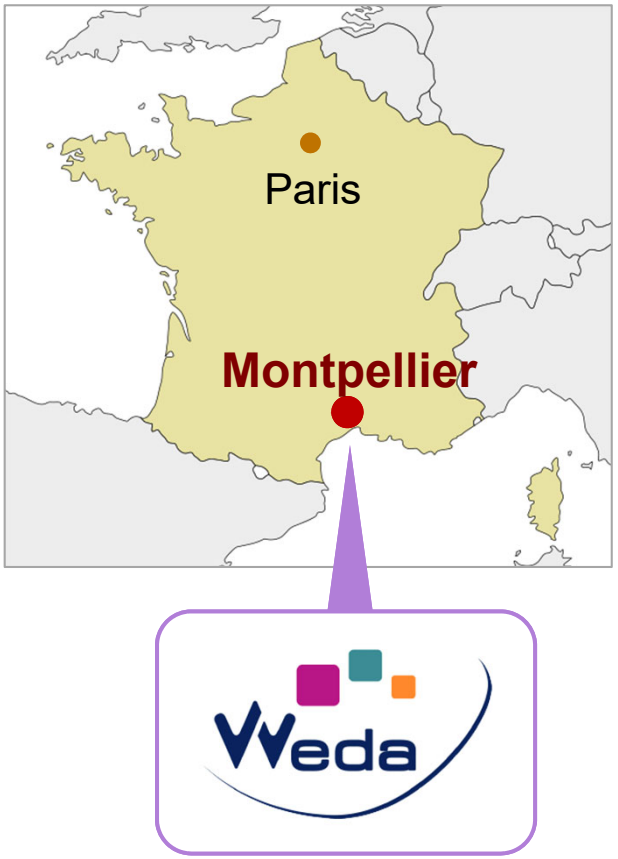
☞ **Aggressive M&A to ensue in reaching growth potentials exceeding 10~20x current levels…**

Copyright © 2019 M3, Inc. All rights reserved.

Overview of Weda S.A.S.

Headquarters	**Montpellier (France)**
Founded	**2010**
Business Operations	Development and sales of cloud based electronic health records (EHR) ■ **Over 50% EHR market share in France's** – Over 90% of GPs use EHRs in France – Continued migration to cloud based EHRs ■ **Over 25 million patient data** ■ Approximately 10,000 users (of which 60% are doctors)
CEO	■**Fabrice Greenbaum** (30+ years of experience across 3 EHR companies as founder/CEO)
Employees	approx. **40**

VIDAL GROUP



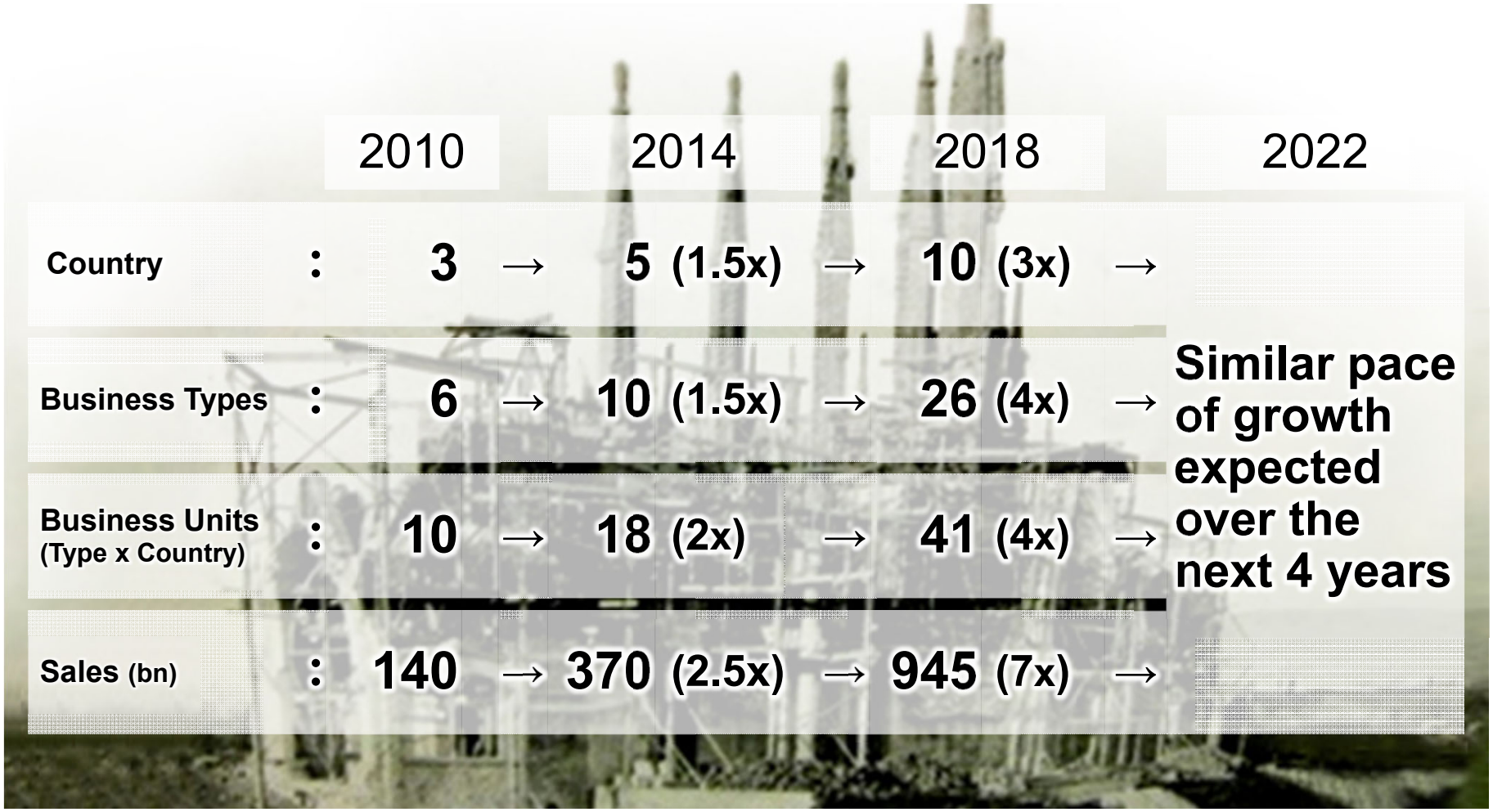
Copyright © 2019 M3, Inc. All rights reserved.

Significance and Aim of Acquisition

- **Business Expansion in France: entry into cloud based EHR business**
  - First entry into new business outside of anglo-phone countries
  - Low risk entry by vertical integration of long-standing customer base
- **Expansion through complementary businesses synergies of both Vidal and Weda**
  - Increase in user base for both companies
- **Future aim to develop new services utilizing the strengths of both companies**

Copyright © 2019 M3, Inc. All rights reserved.

Business Scope Expansion and Growth Potential

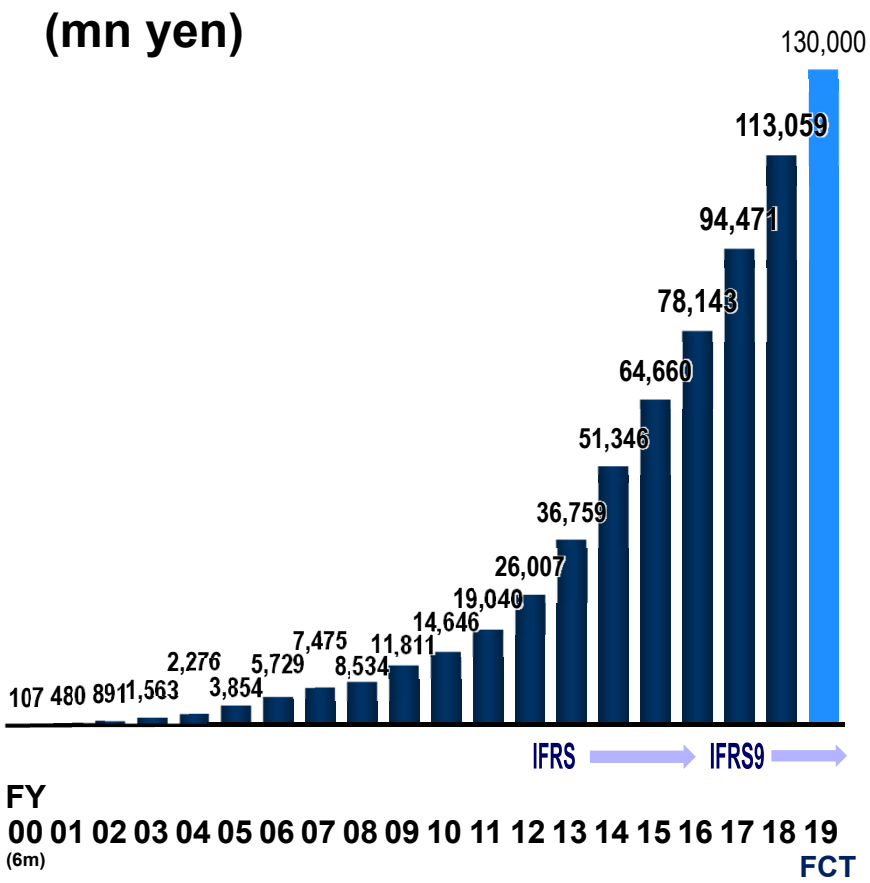


☞ **Aggressive M&A to ensue in reaching growth potentials exceeding 10~20x current levels…**

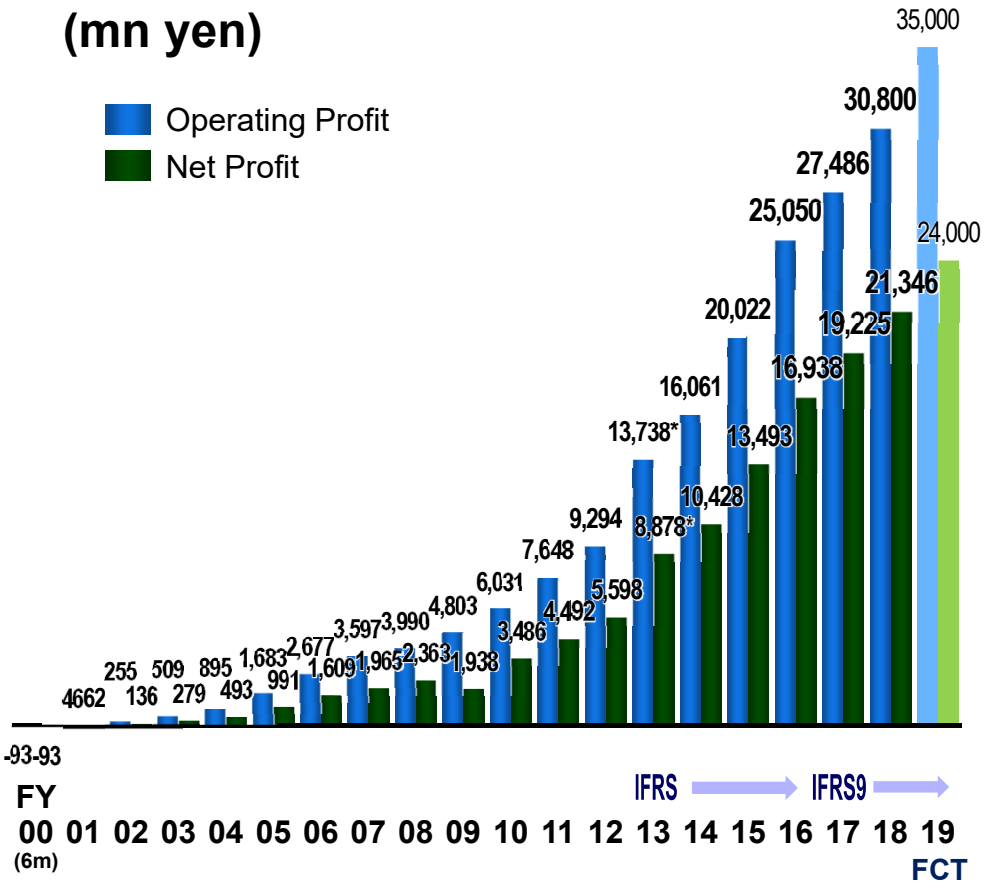
Copyright © 2019 M3, Inc. All rights reserved.

Annual Results & Forecast for FY2019

Sales



Operating Profit & Net Profit



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

Copyright © 2019 M3, Inc. All rights reserved.

Creating New Value in Healthcare



M3

Medicine
Media
Metamorphosis

Healthcare sector is enormous…

"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"

- this is both the desire and goal of M3.

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**

Copyright © 2019 M3, Inc. All rights reserved.