

M3, Inc.

Presentation Material

April 2018





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.

Current Business Situation and Outlook

FY2017 Consolidated Results

(million yen)	Forecast		Actual	YoY
Sales	90,000	<	94,471	+21%
Operating Profit	29,000	<	29,713	+19%
Pre-tax Profit	29,000	<	29,700	+19%
Net Profit	19,500	<	20,783	+23%

■ FY17-end dividend: 11 yen

FY2017 Consolidated Results by Segment

(unit: million yen)

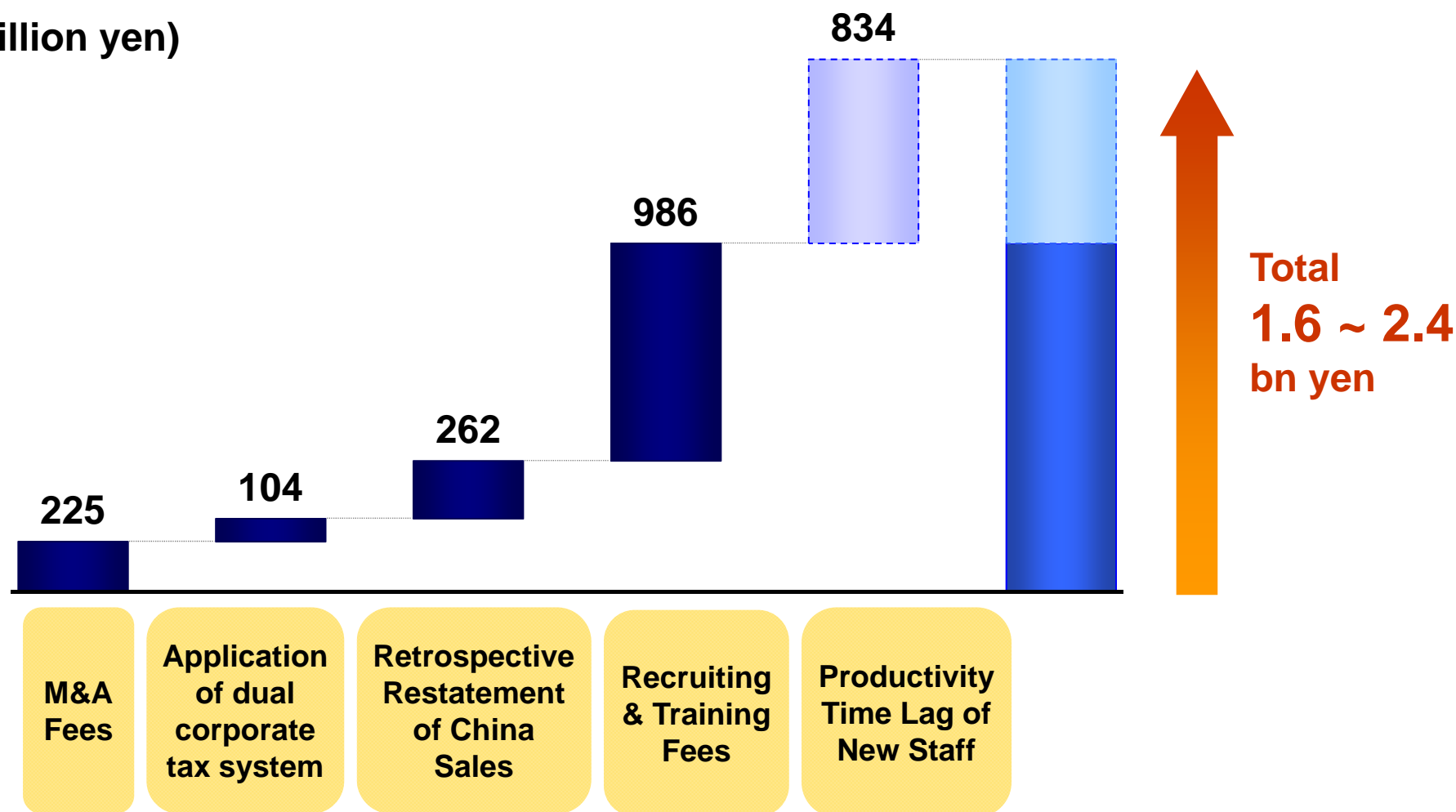
		FY2016 Q4	FY2017 Q4	YoY (cumulative)	
Medical Platform	Sales	28,223	34,306	+22% *	Organic business op. margin improved (lower due to M&A impact)
	Profit	14,475	15,477	+7% *	
Evidence Solution	Sales	22,313	22,084	-1% **	Revival of orders and profits at Neues
	Profit	5,307	5,532	+4%	
Career Solution	Sales	8,631	10,880	+26%	Upfront hiring costs in Q1 absorbed by increasing returns after Q2
	Profit	2,503	2,871	+15%	
Overseas	Sales	16,338	22,425	+37%	US, EU, and China all healthy
	Profit	1,582	2,980	+88%	
Other Emerging Businesses	Sales	4,525	6,903	+53%	Continuing expansion of future growth drivers
	Profit	1,468	1,697	+16%	

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

** Due to sale of IDA, and trough in sales at SMO Neues.

Upfront Investment Costs for Future Growth

(million yen)

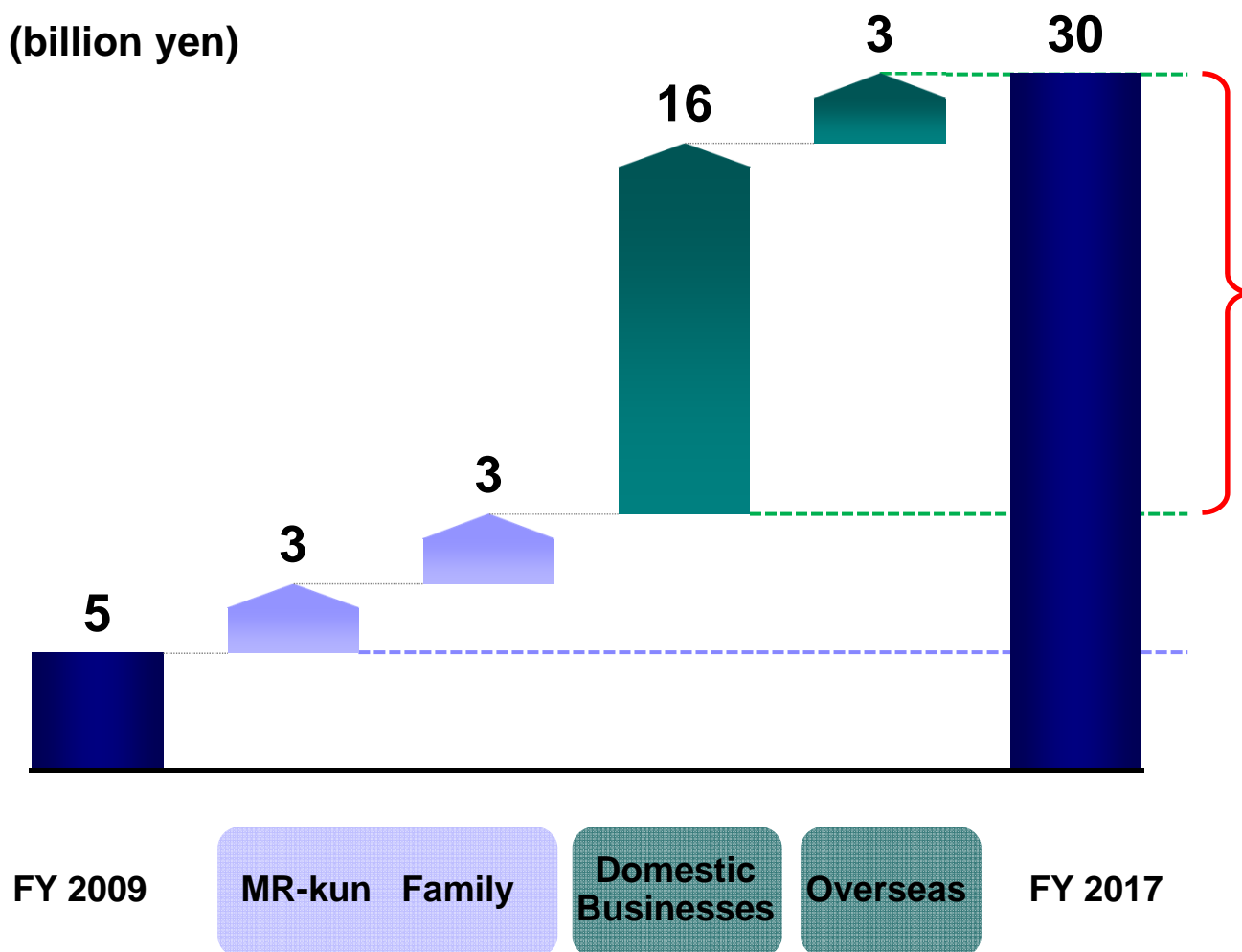


 **Special costs incurred dampened profits by 1.6 ~ 2.4 bn yen. Aggressive upfront investment to continue.**

OP Growth Contributors (FY2009 → FY 2017)

Operating Profit

(billion yen)



Over $\frac{3}{4}$ of OP growth from businesses aside from MR-kun Family.

MR-kun family will continue to grow, however, the larger contributions will arise from other businesses

Current Business Situation and Outlook

Overview

Medical Platform

- Expansion of marketing support business for pharmaceutical and medical device companies, aggressive hiring since Q4.
- Sales: 34.3 bn yen (+22% yoy), Op. Profit: 15.5 bn yen (+7% yoy)
- Orders so far are higher by roughly +15% yoy

Evidence Solution

- Sale of IDA and a dip in projects at SMO Neues resulted in sales of 22.1 bn yen, in line with previous year levels.
- Q4 quarter 3 months op. profit grew +23% YoY
- Orders backlog remains at 27 bn yen, with op margins stable at 25%

Career Solution

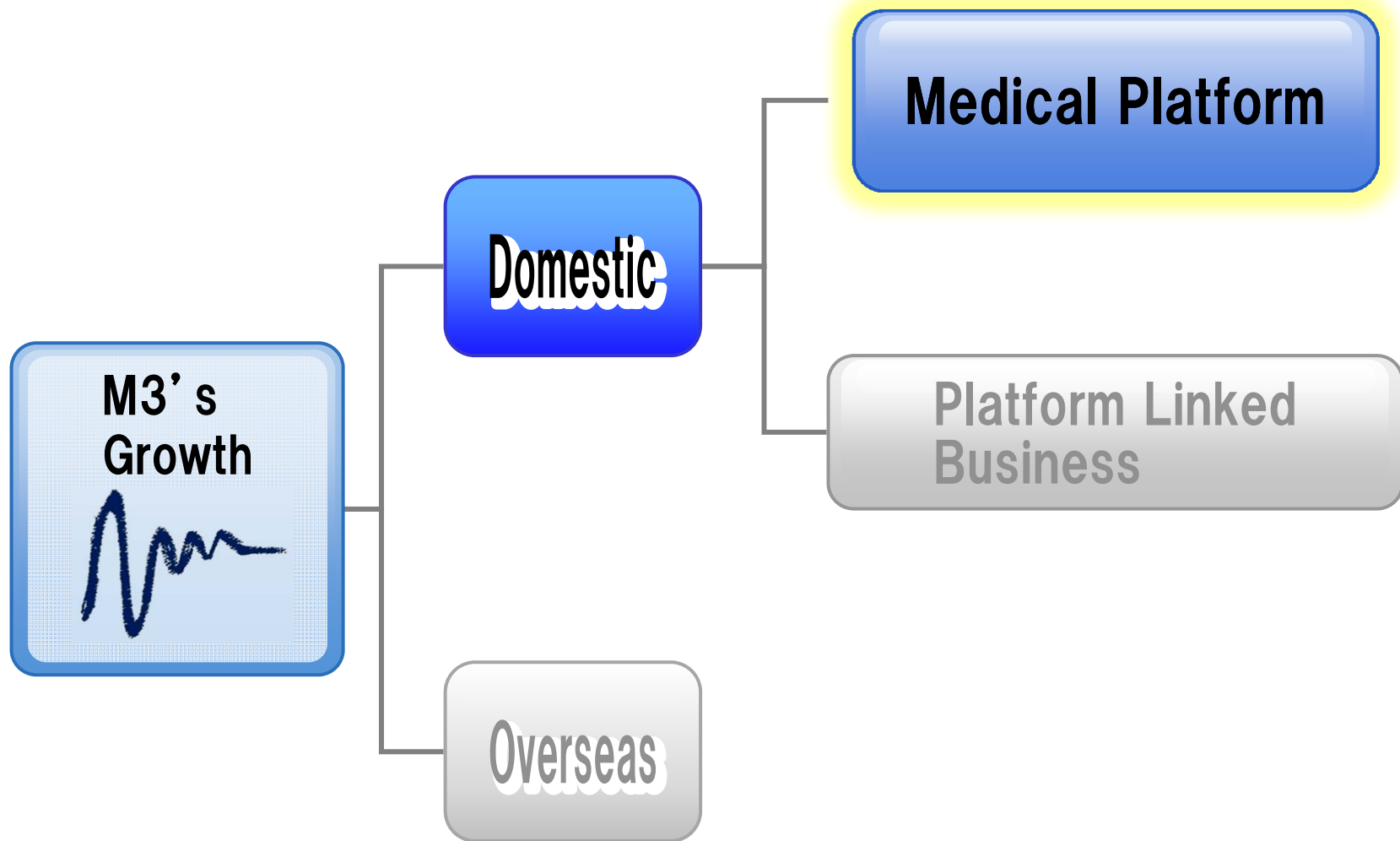
- Business expanded as user demand increased with sales at 10.9 bn yen (+26% yoy) and op. profit at 2.9 bn yen.
- Significant recovery and absorption of upfront investment in personnel in Q1, with full year op. profit growth +15% yoy

Overseas

- Continued sales and profit growth led by the research business development and improvement in the US and UK. US clinical trial business entered via consolidation of WAKE
- Sales: 22.4 bn yen (+37% yoy), Op. Profit: 3.0 bn yen (+88% yoy)

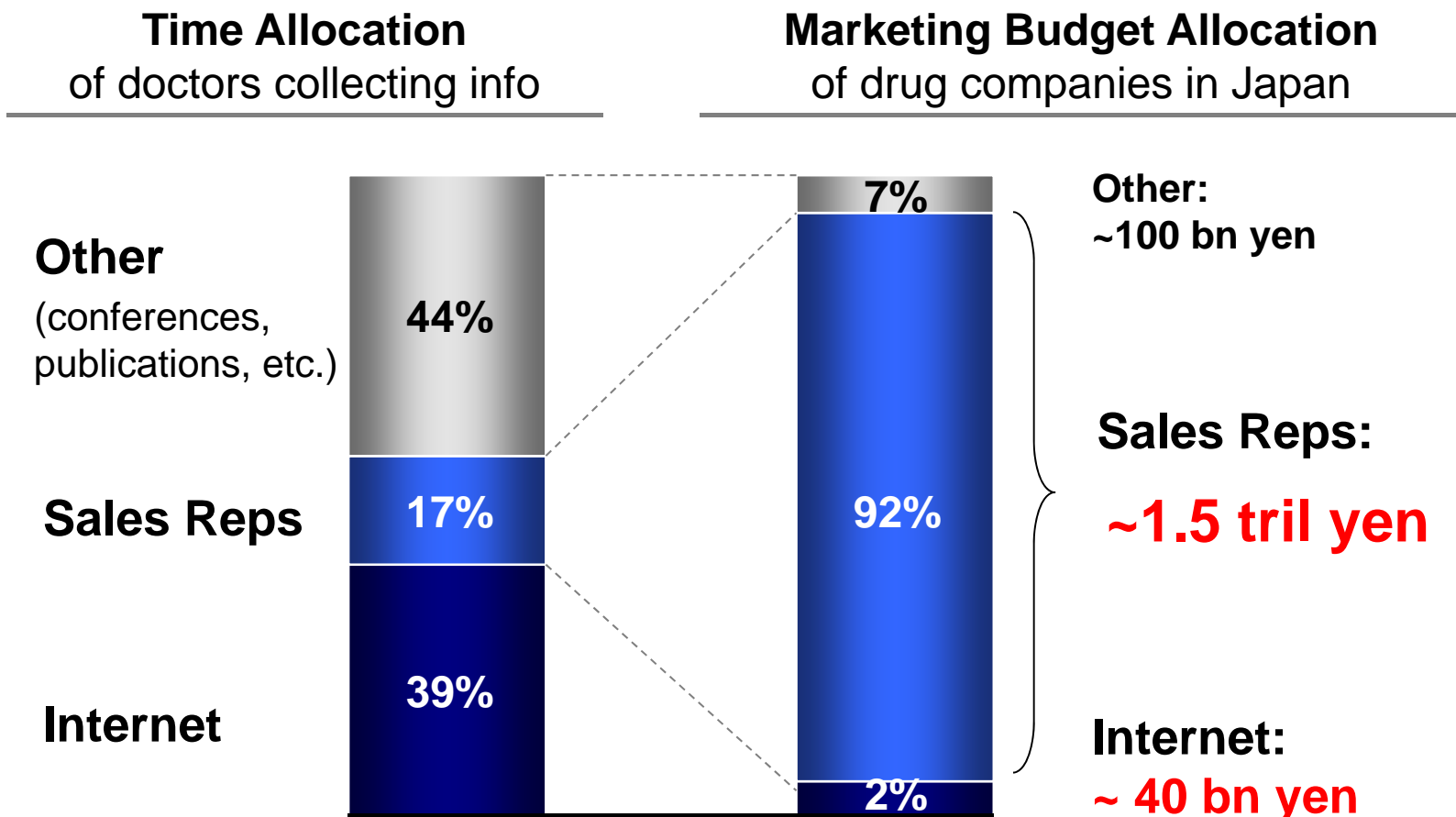
Other Topics

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



Doctor's Time Allocation vs Pharma's Budget Allocation

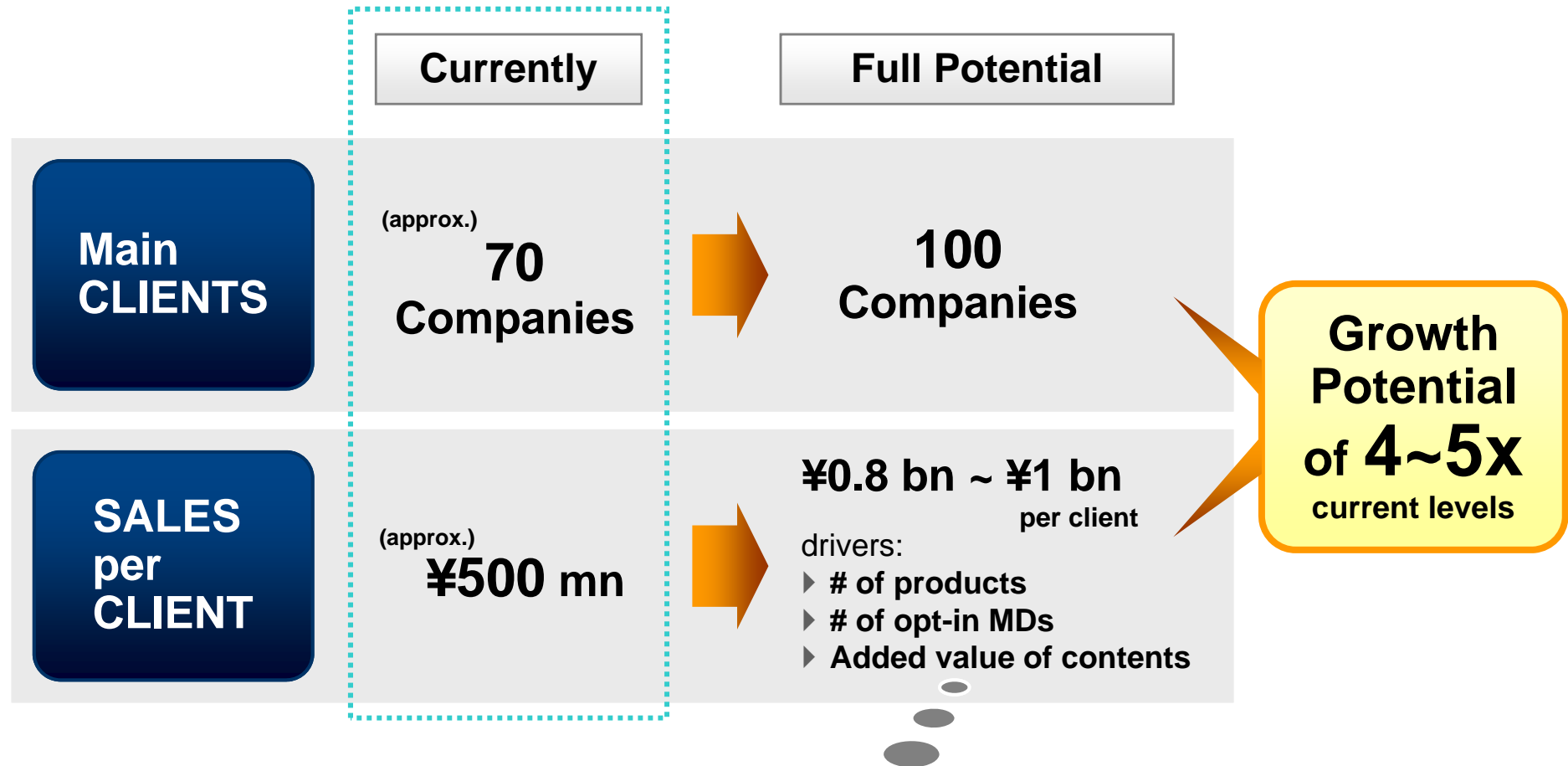
Doctors spend the most time collecting information via the Internet. However, pharmaceutical firms operating in Japan spend the majority of their marketing budget on off-line sales rep related costs.



Source: M3 research, percentages are approximate

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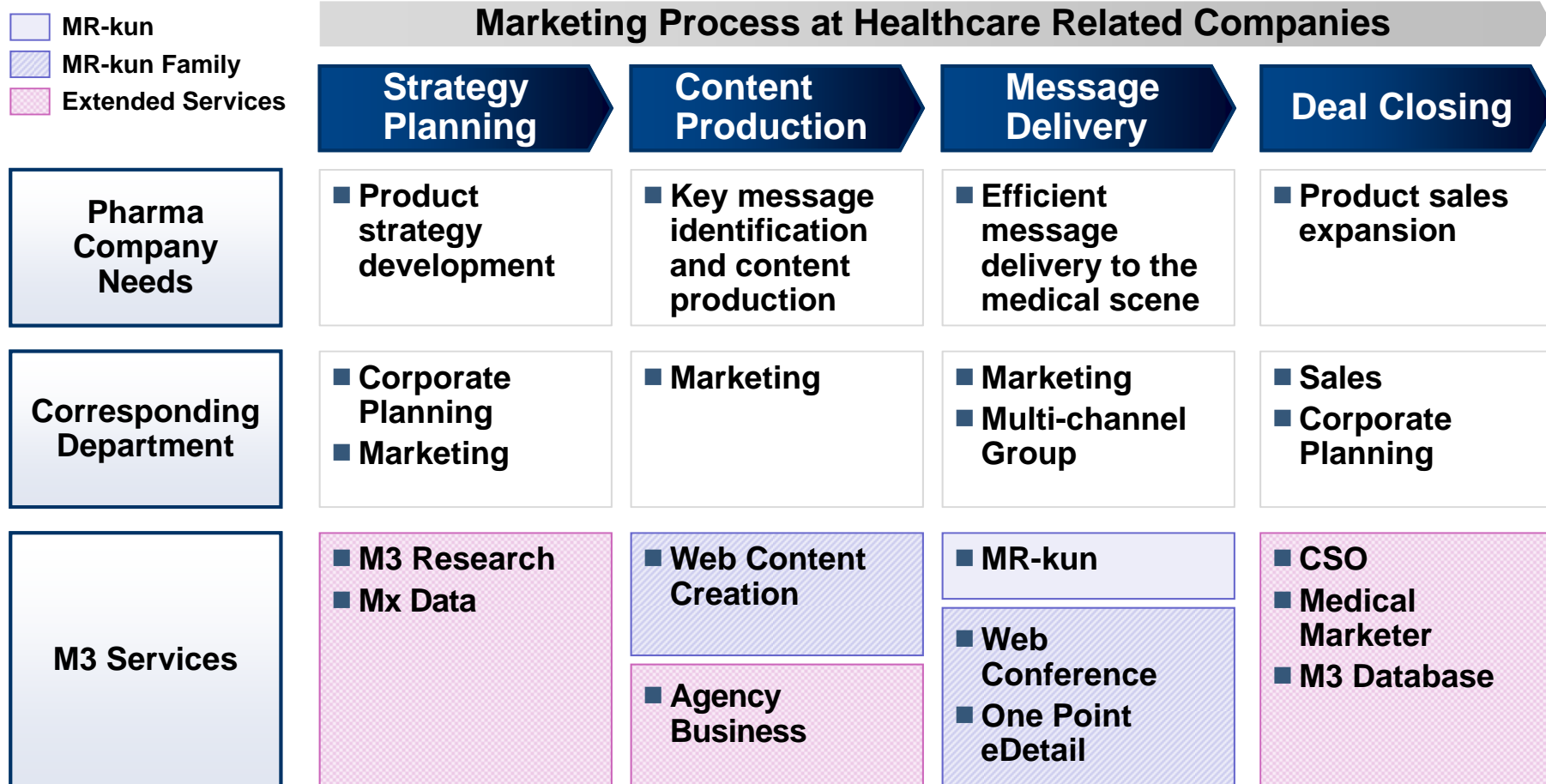
Medical Platform Growth Potential in Japan



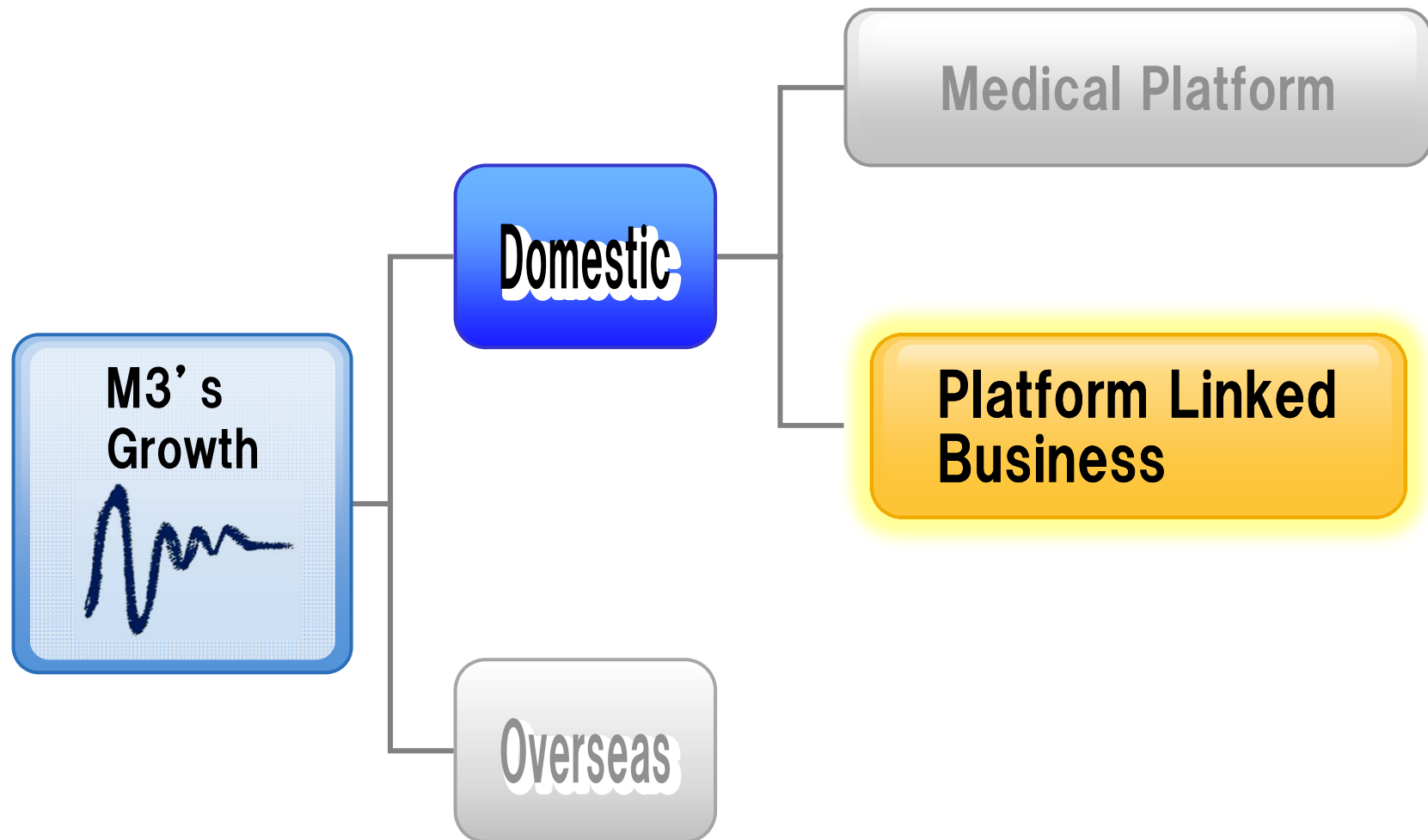
In addition to pharma companies, sales from device companies are growing

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

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



Power of Mr. Finder in Drug Development

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

~ 2010

Evolution via MR-kun for pharmaceutical e-Marketing

Plus

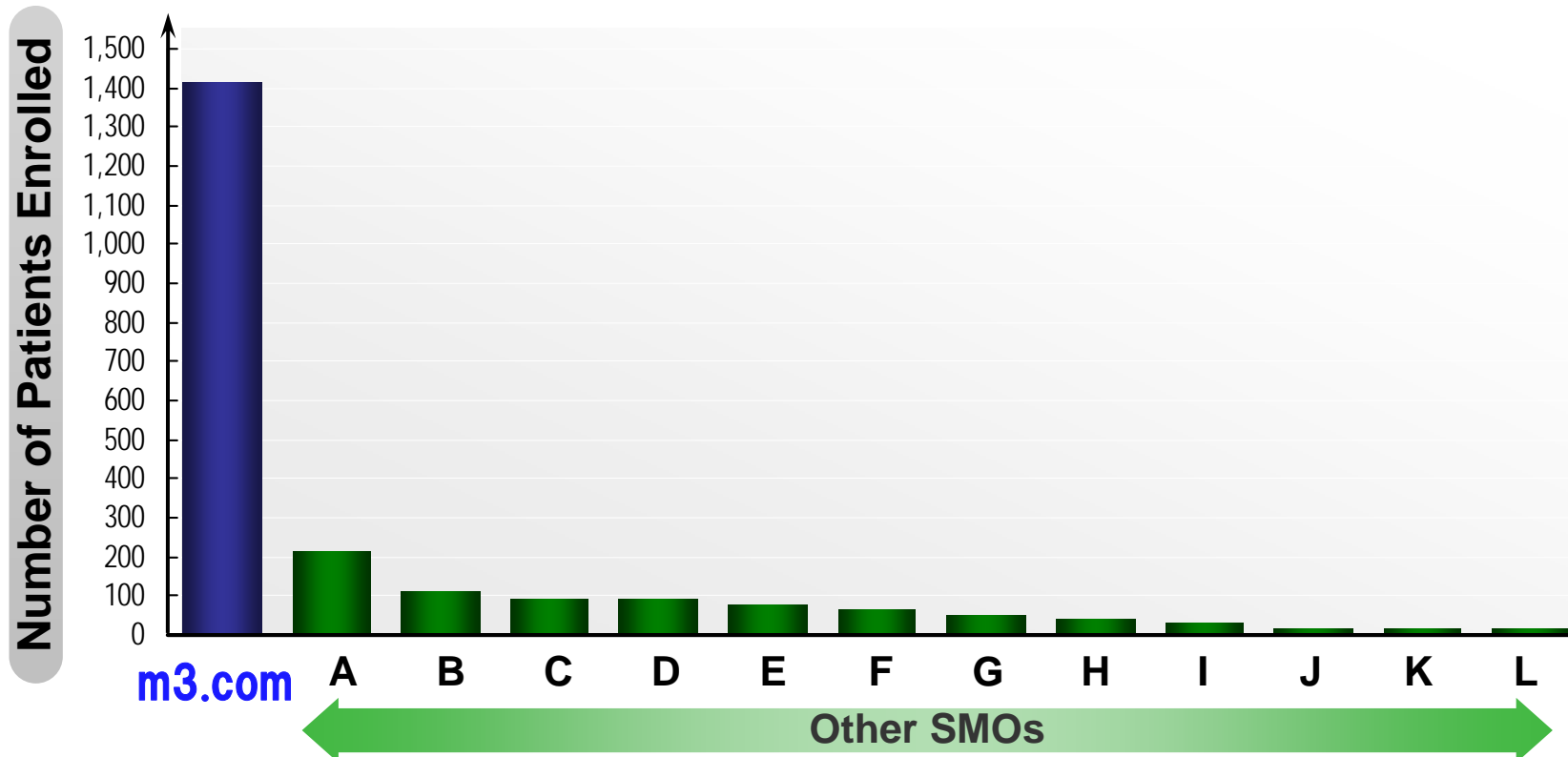
2011 ~

Evolution via Mr. Finder for pharmaceutical e-R&D

Patient Enrollment in Large-Scale Trials

Case study

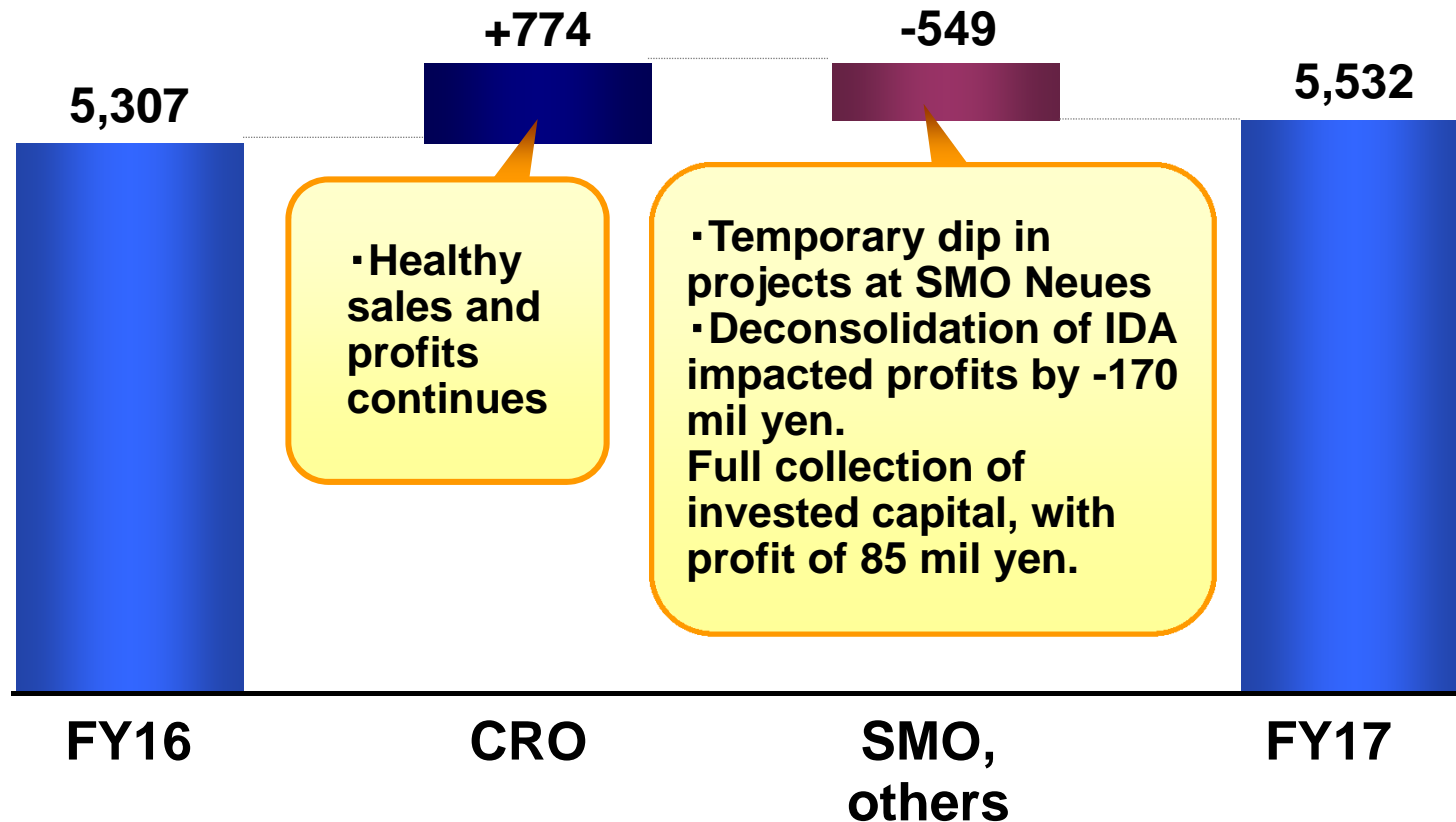
Mr. Finder dramatically outpaced competitors both by number and speed in enrolling cases for a particular Endocrinology trial



Expedited enrollment of motivated physicians and patients compared to other SMOs

Evidence Solution Segment Profit Breakdown

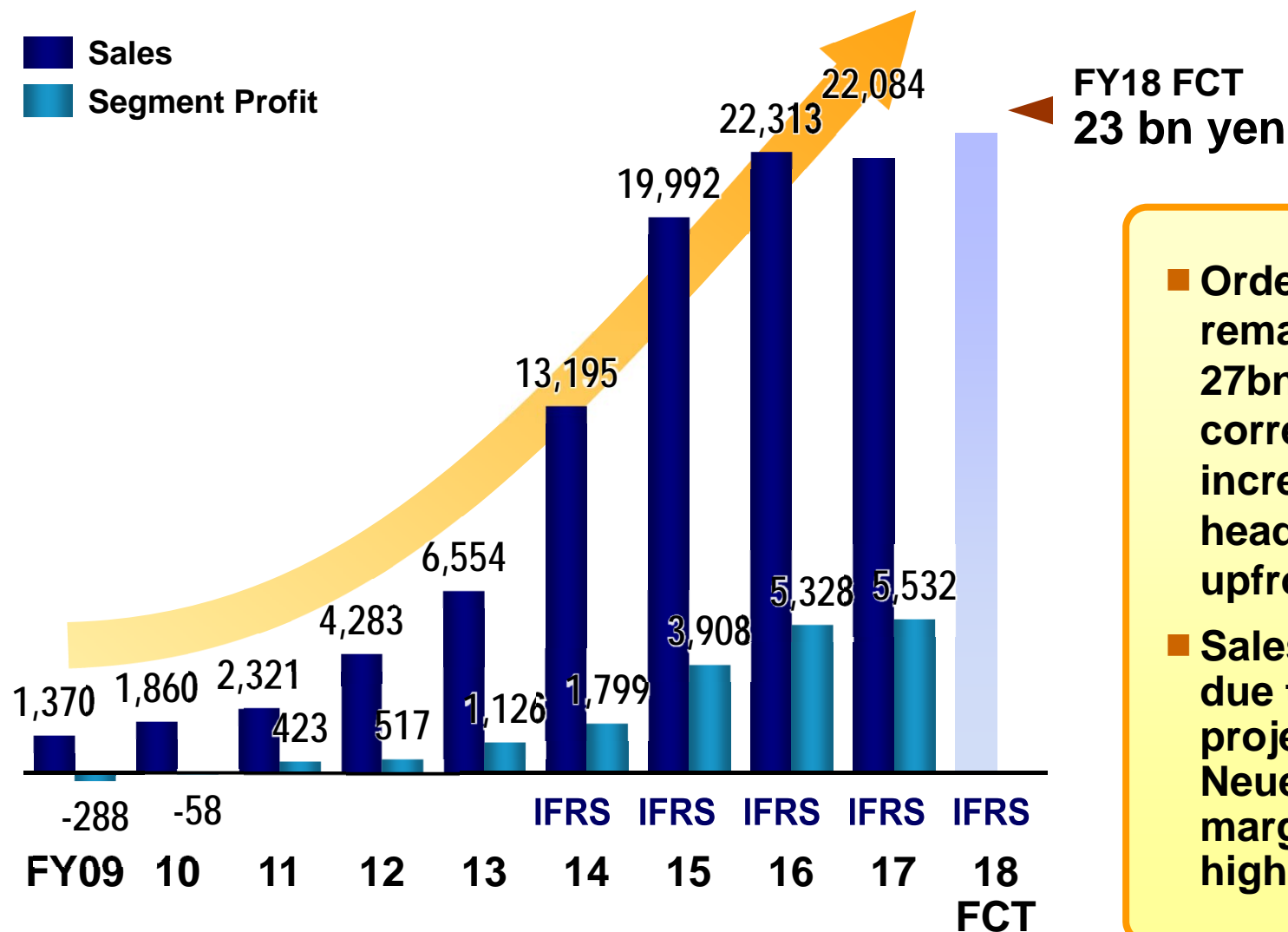
(unit: million jpy)



SMO Neues hit a dip, however, performance remained healthy at CROs, resulting in positive profit growth for the full year.

Sales and Profit Trend of Evidence Solution

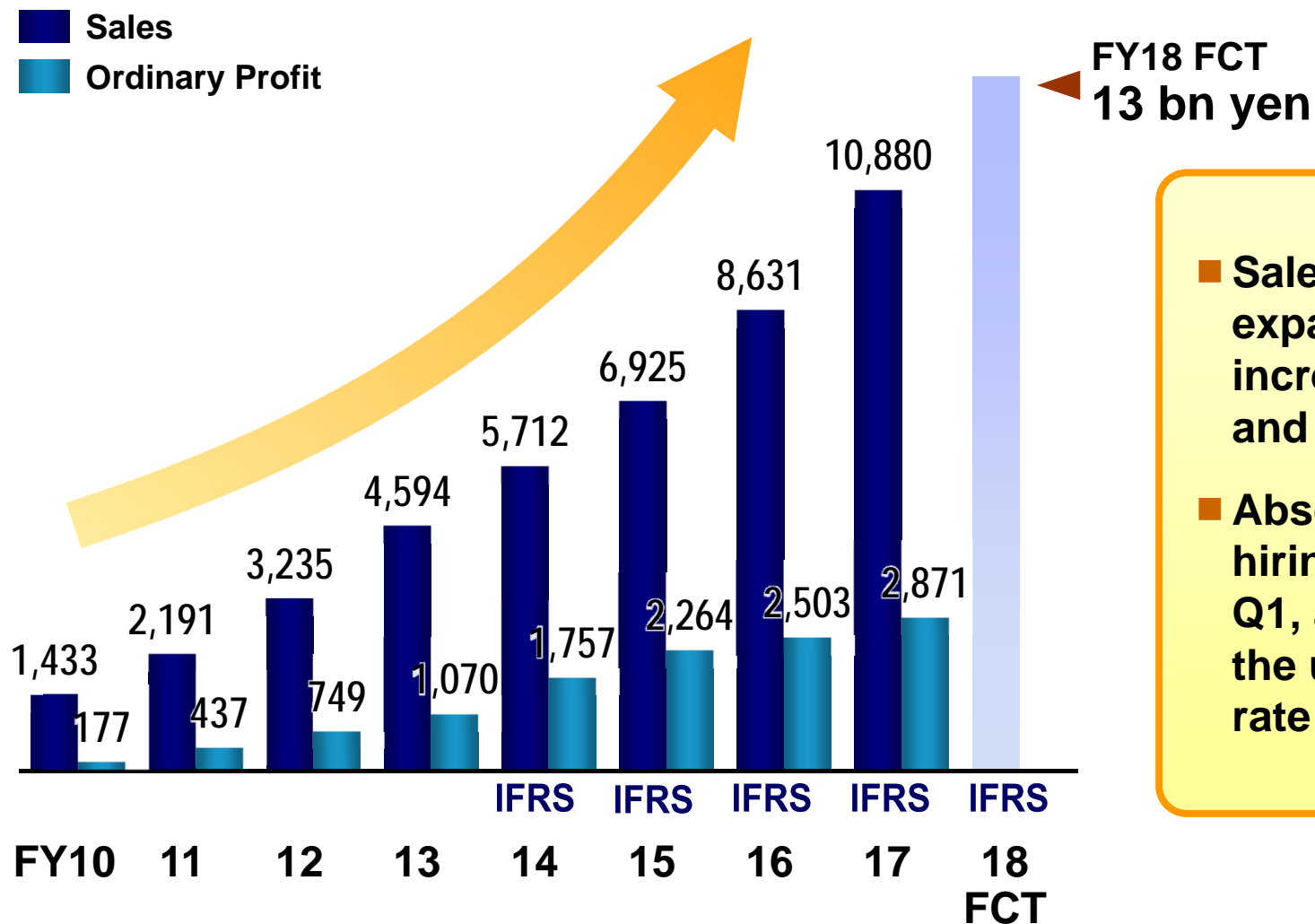
(million yen)

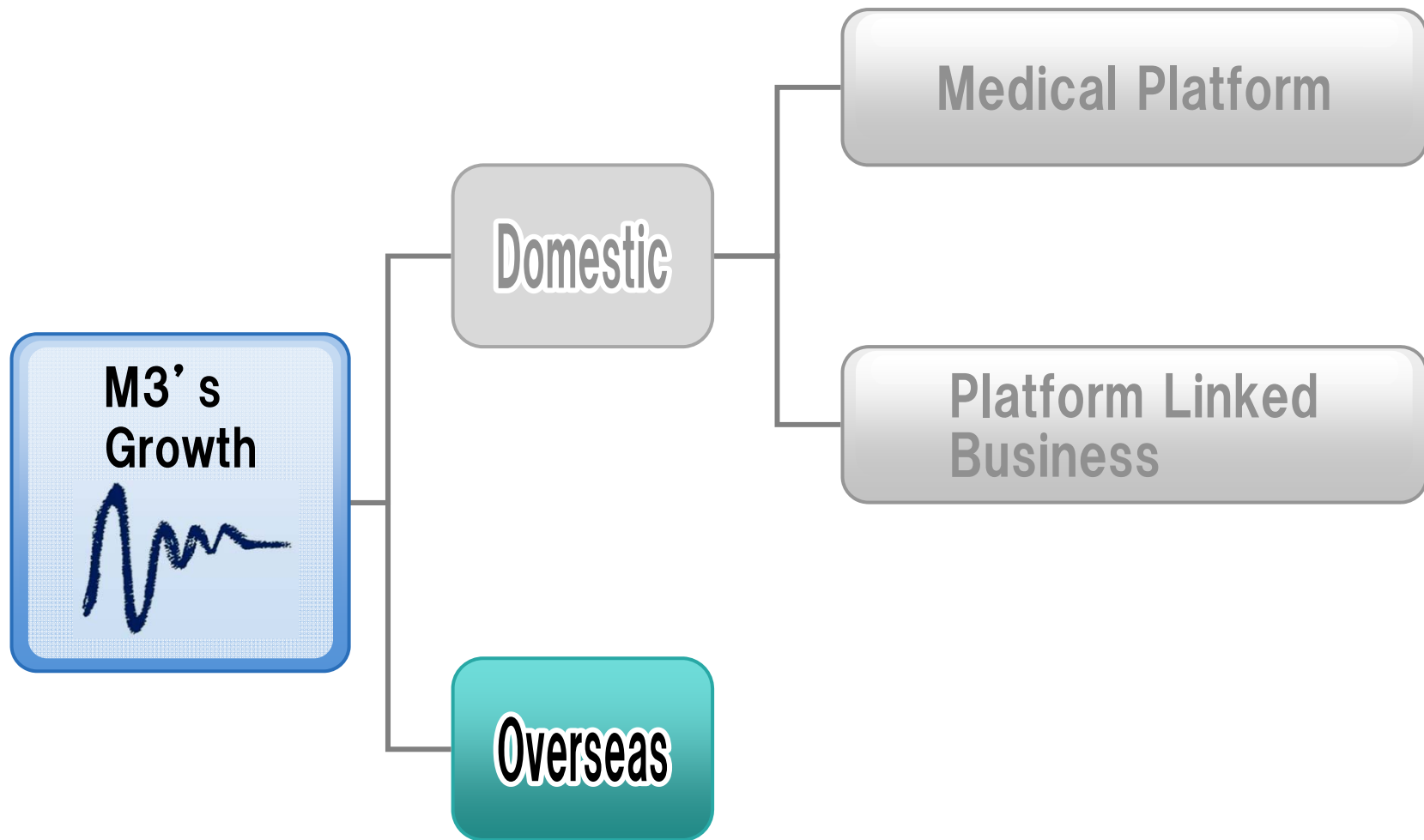


- Orders backlog remained around 27bn yen, with corresponding increases in headcount as upfront investment
- Sales stayed flat due to a dip in projects at SMO Neues, however, margins remained high at 25%

Sales and Profit Trend of M3 Career

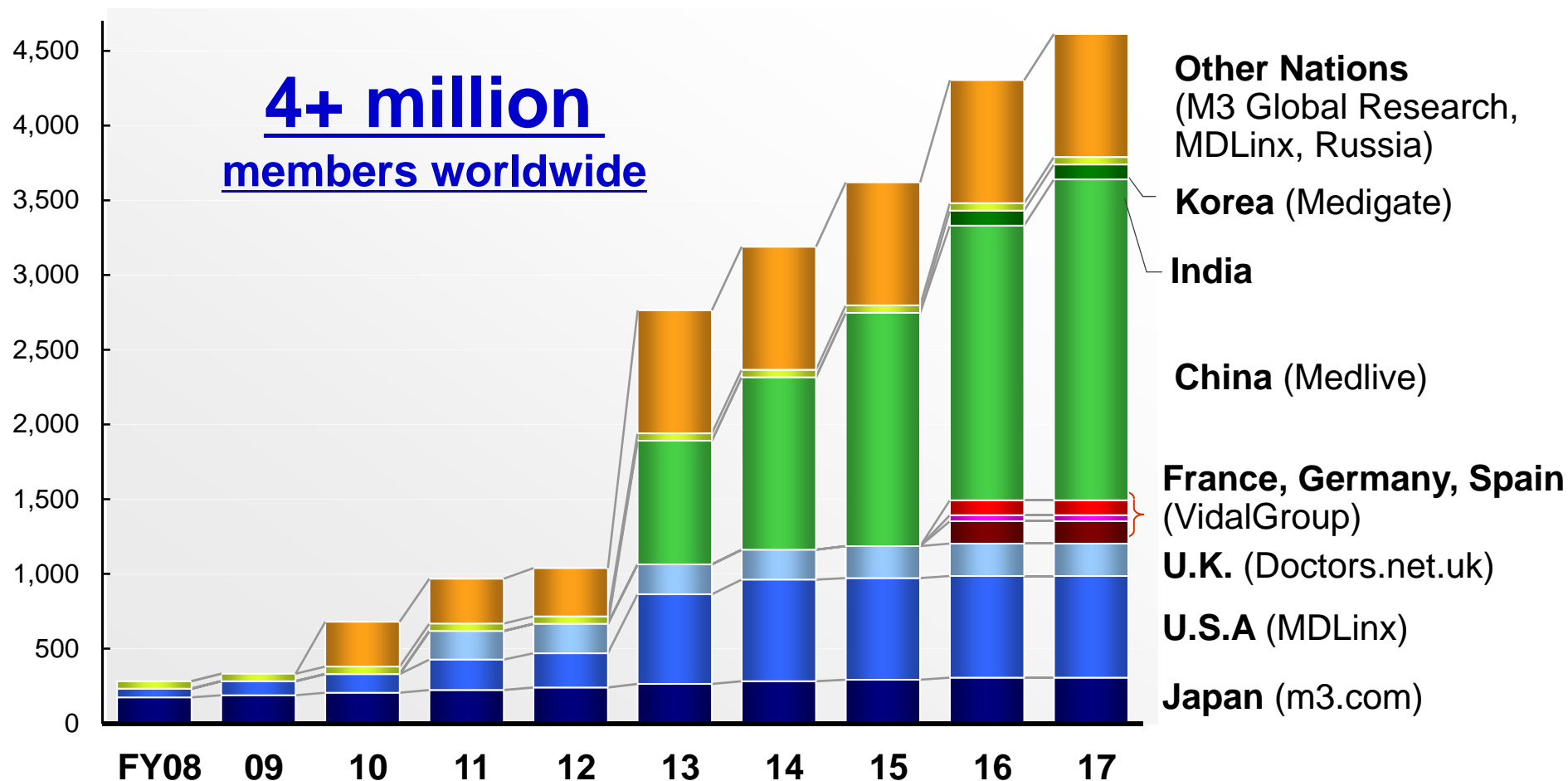
(million yen)





Number of Physician Members and Panelists (Global)

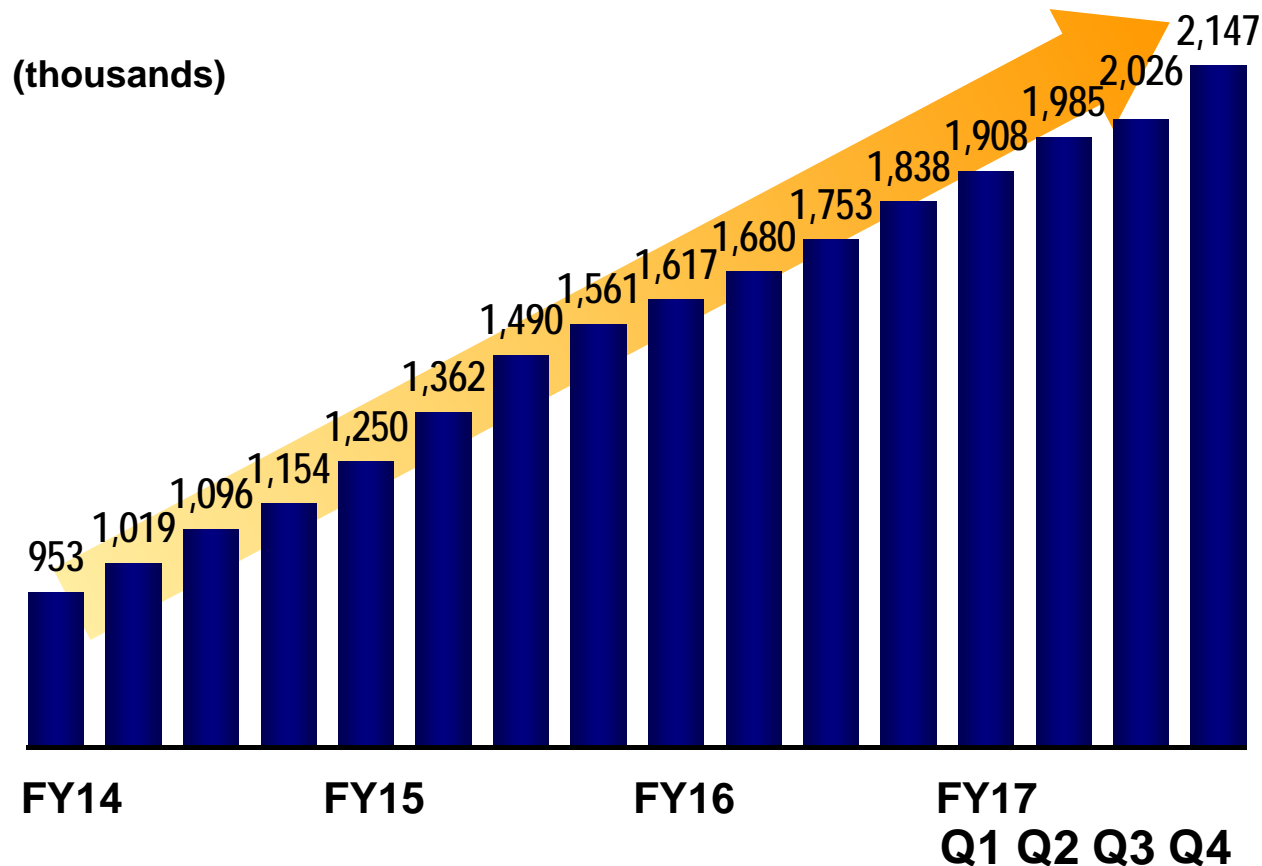
(thousand)



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

China: Membership Expansion

Number of Physician Members in China

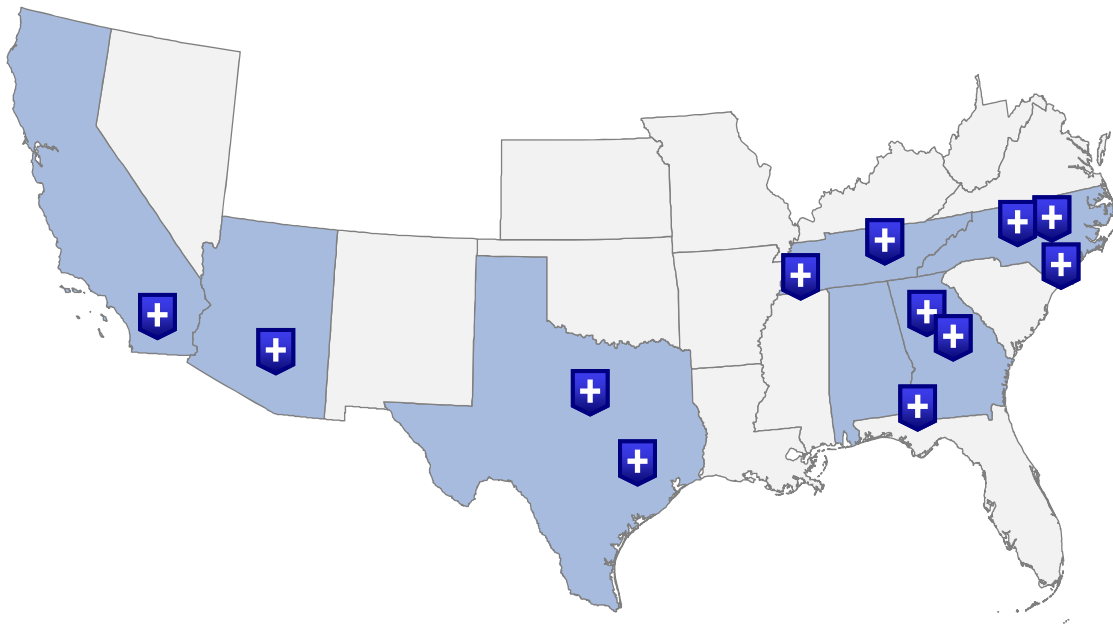


- Marketing services for drug companies starting with MR-kun, and research services showed steady growth
- MR-kun is now being utilized by 11 pharma companies across 35 drugs
- Newly approaching local clients, in addition to MNCs
- Launched career services for physicians



Topped 2.1 million physicians members, covering the majority of doctors in China

Acquisition of Wake



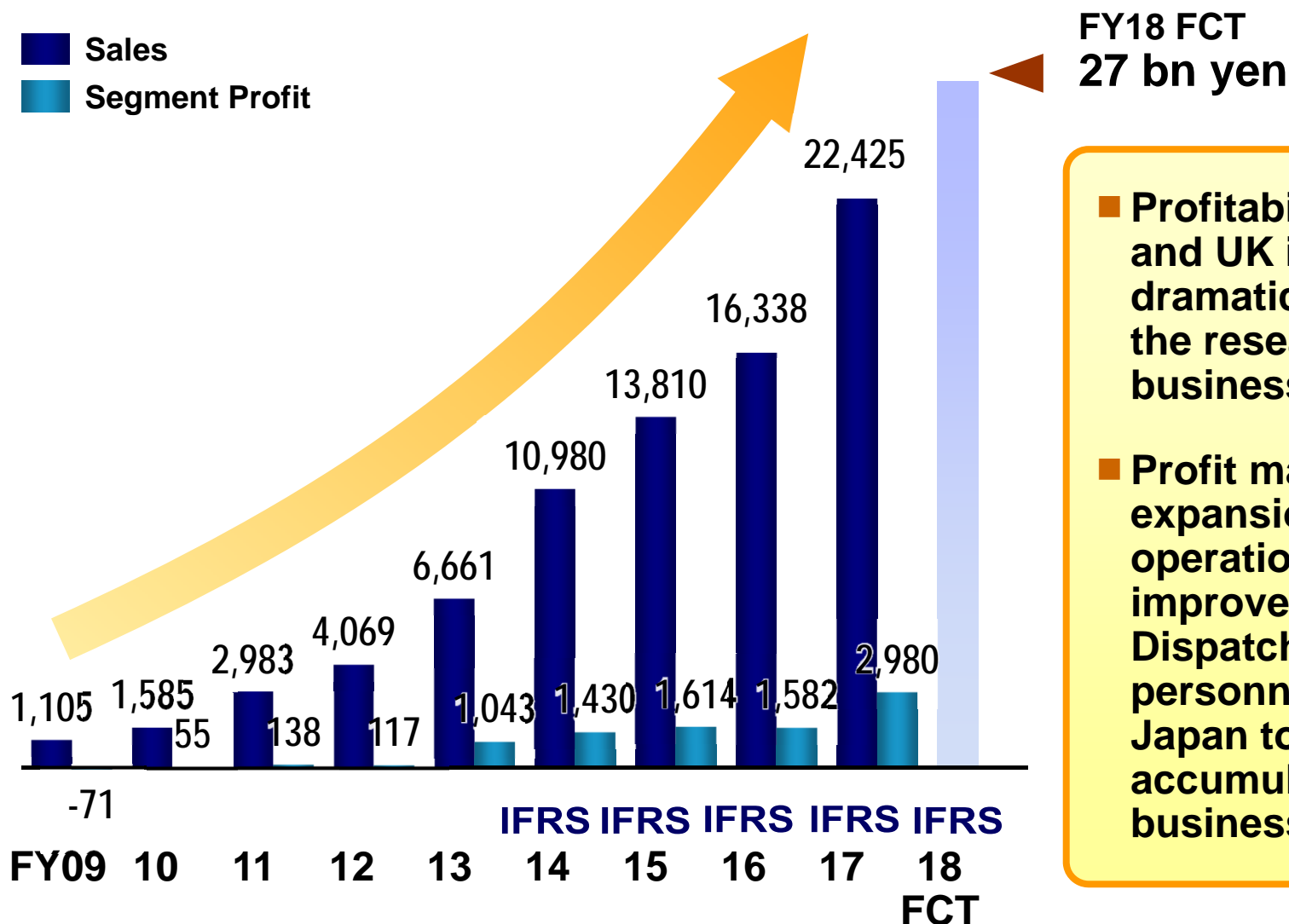
- Clinical trial site management market size: \$14B
- Number of managed sites: 12
Sales: \$20M
- Phase I~IV with strength in Neurology, Gastrointestinal, Dermatology, and Women's Health
- Strong management with experience in growth through programmatic M&A
- Expected synergies:
 - Patient recruitment optimization
 - First step in provision of efficient large scale clinical trial service

 Wake to potentially function an M&A engine for M3
Plan to roughly double the number of sites in 1 to 2 yrs

Sales and Profit Trend of Overseas

(million yen)

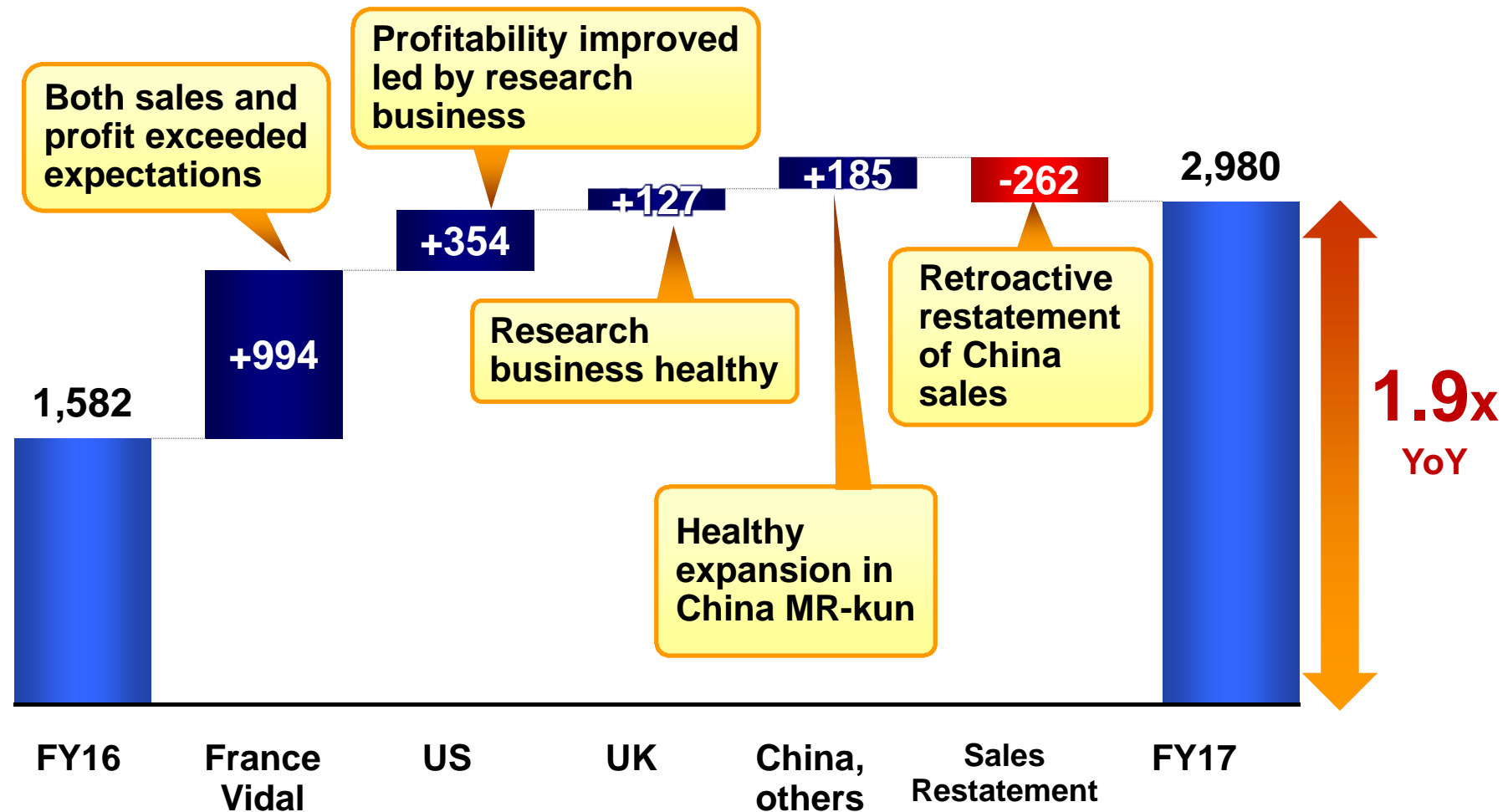
■ Sales
■ Segment Profit



■ Profitability in the US and UK improved dramatically led by the research business

■ Profit margin expansion from operational improvements. Dispatched personnel from Japan to share accumulated business expertise

Overseas Segment Profit Breakdown



 In addition to Vidal's contribution, results from the US, UK, and China all remained healthy. Retroactively restated China sales upon reevaluation of recoverability.

M3 Group's Business Strategy

Strategy Change in Business Development

New Service Development in the Medical Internet Sector

(2000~2010)



Internet-Powered PE Style Business Expansion in Healthcare Industry

(2011~)



Approach

Internet

Internet + Real Operations

Service Coverage

Web-based eTools

Entire Value-Chain

Potential Business Domains

~10

30 ~ 50
(~ 200 including overseas)

Profitability

High profitability
(Mid absolute profit)

High absolute profit
(Mid profitability)

M&A

Small

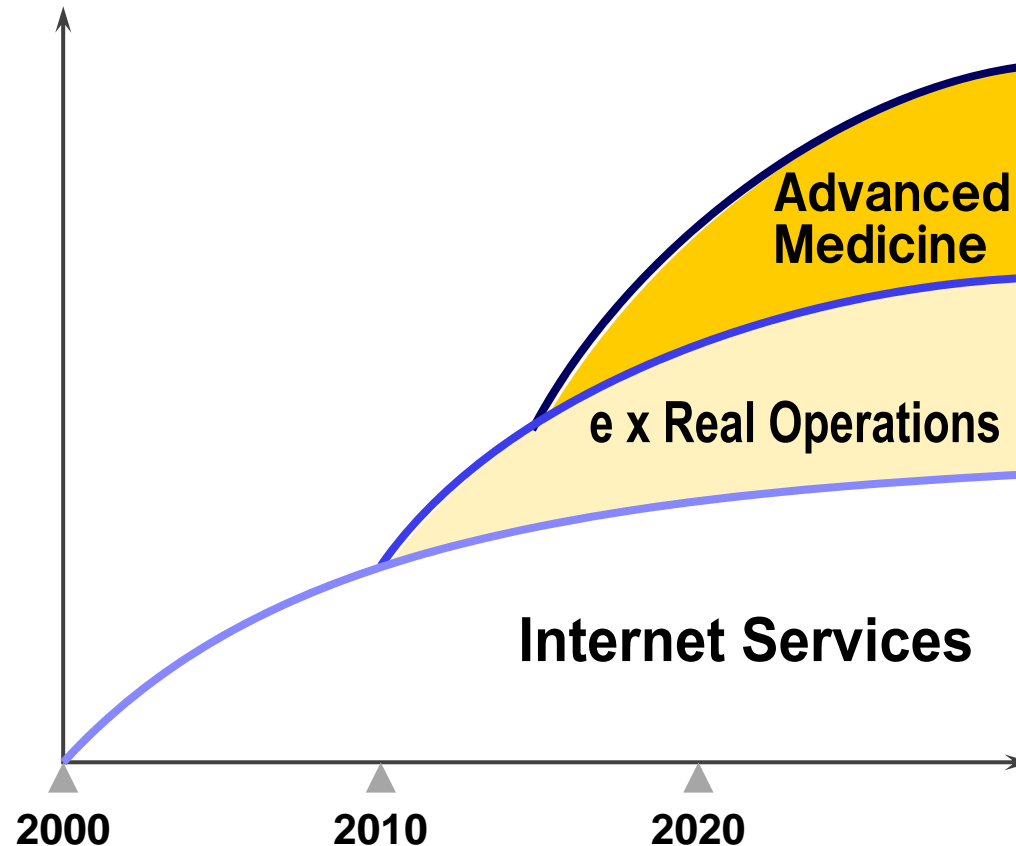
Medium ~ Large



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

Evolution of M3 Growth Drivers

Added Value
Creation



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**

DuraBeam Marketability

Physician's Intent to Utilize DuraBeam Upon Launch

n=158

Current

After DuraBeam Launch

Artificial Dura Mater
(Absorbable)

21.9%

11.8%

Artificial Dura Mater
(Non-absorbable)

78.0%

35.3%

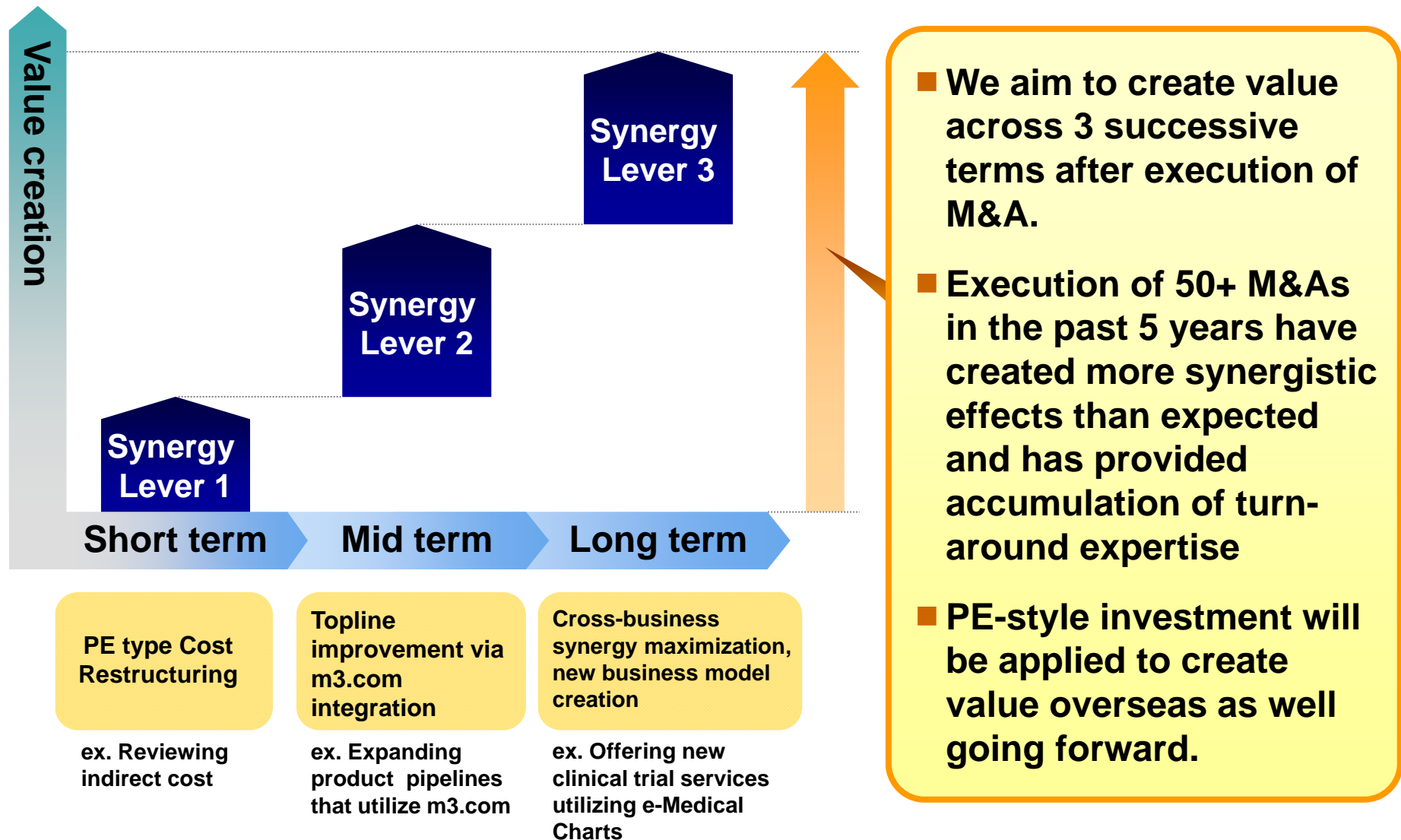
52.9%

DuraBeam



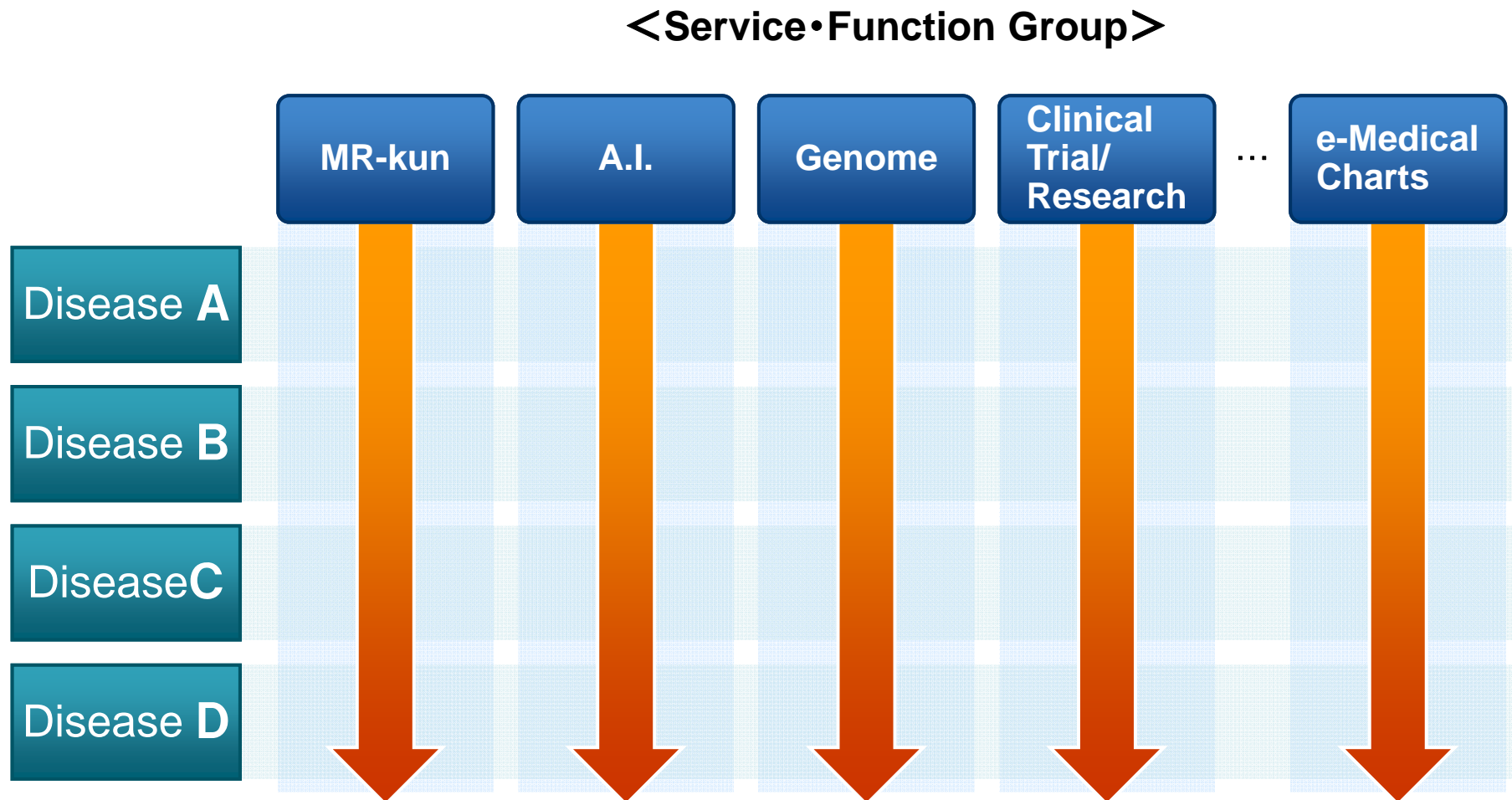
DuraBeam has potential to become over 50% of the artificial dura mater market.

Value Creation via M&A



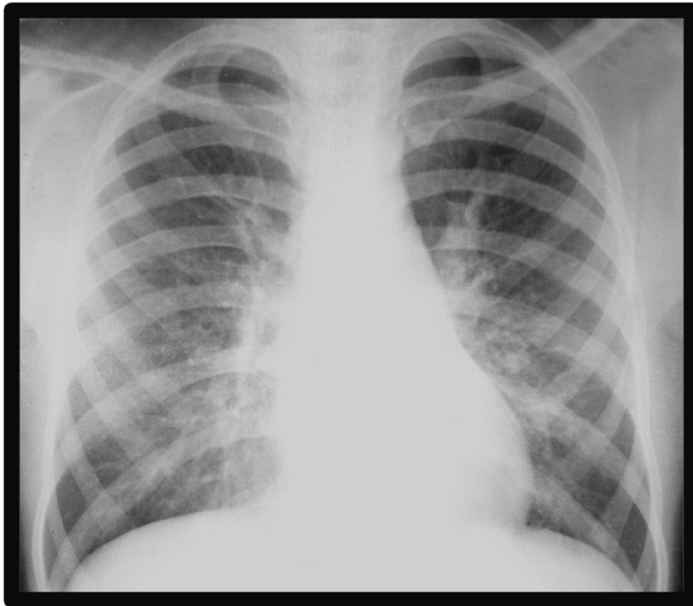
7P Projects: M3's New Strategic Approach

Direction of Value Creation: Until Now



- Individual service and function development; launches all progressed healthily

M3 A.I. Diagnostic Engine Accuracy

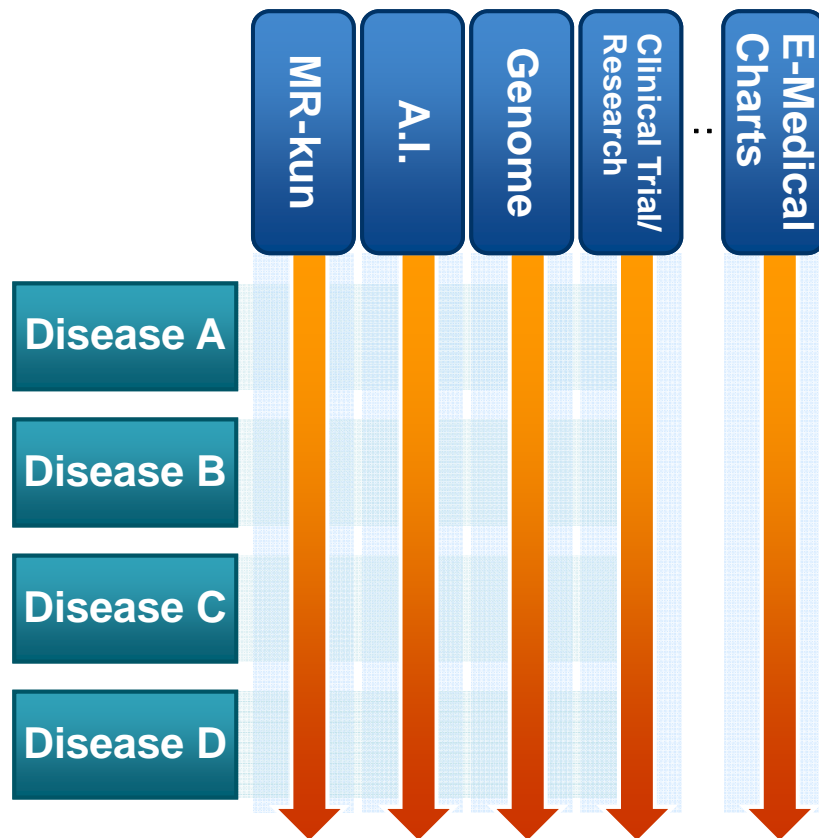


- M3's original A.I. diagnostic engine has already reached the highest global standards
- A.I. diagnostic accuracy largely depends on the amount of data. M3's ability for collection surpasses that of any competitor

👉 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.

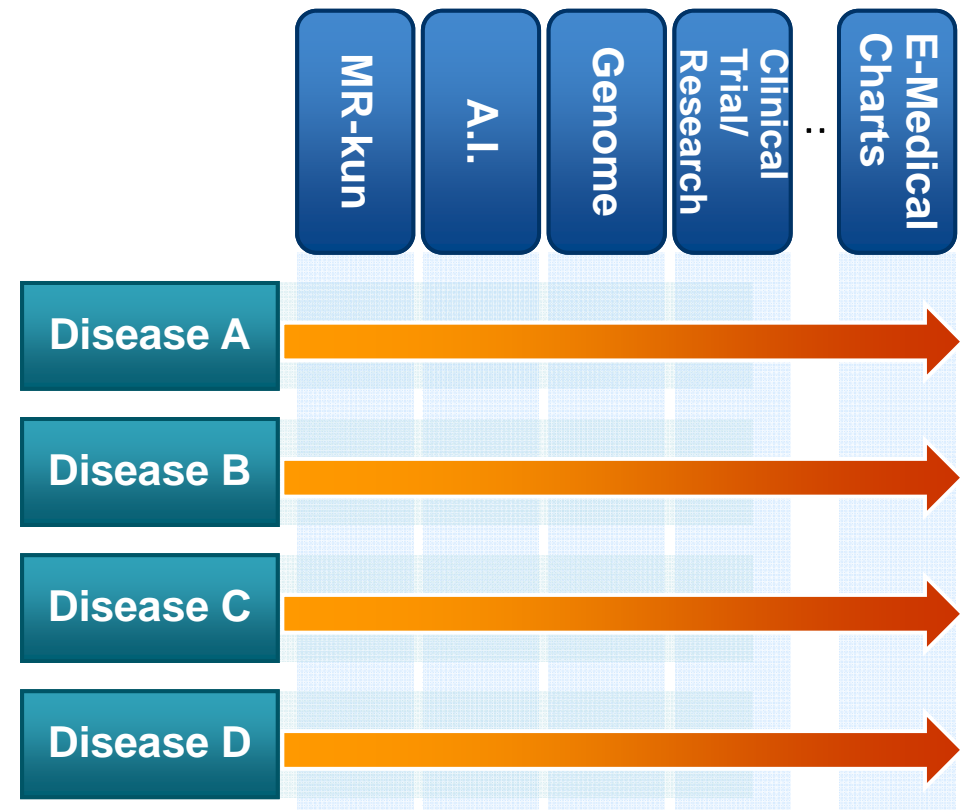
Value Creation Going Forward

Until Now



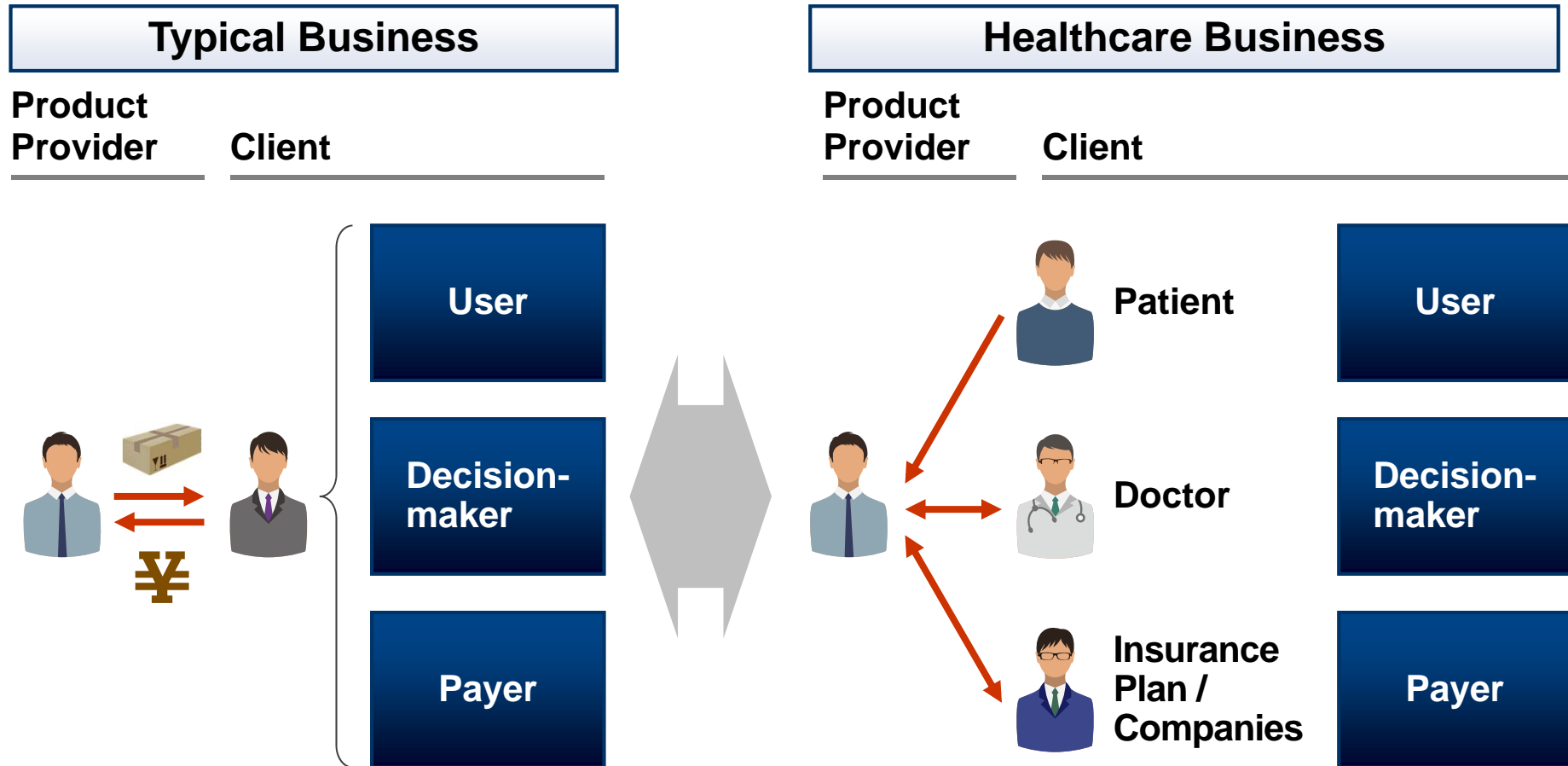
- Individual service and function development
... the Dots

New Approach to be Strengthened



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

Comparing Healthcare to Typical Businesses



Simple “Make & Sell” world

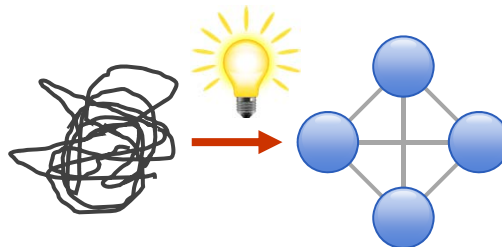
A world where “Win-win” solutions are required to satisfy multiple “clients”

Enterprise Value Creation

**Development of Product and Technology
(Product Engineering)**



**Development and Construction of
Systems and Business Scheme**



Enterprise Value



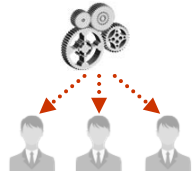
Larger enterprise value is created through business scheme creation

Directionality of New Business Opportunity Cultivation

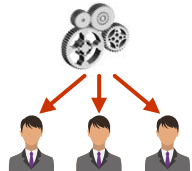
Component Approach



“We have excellent technology!”



“ Who will be our clients?”



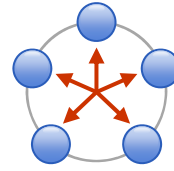
“Let’s remove any obstructive factors and start a business!”

- Ideation is limited to existing frameworks surrounding the product/technology
- Typically, individual products alone often cannot fully satisfy client needs

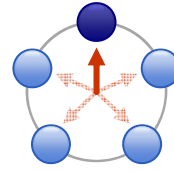
Problem Solving Approach



“This is how a new healthcare system should look like.”



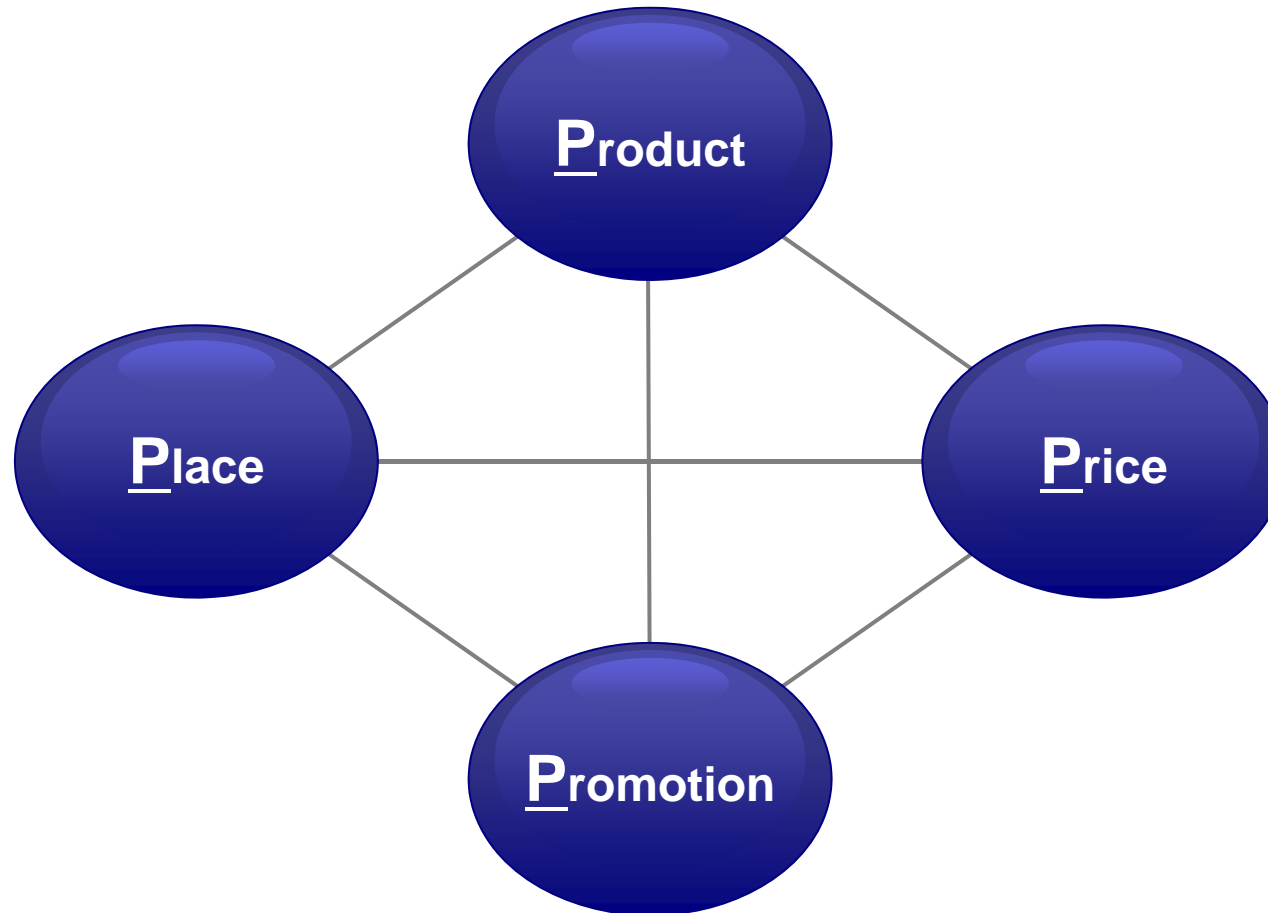
“What is needed to make that a reality?”



“Contribution area for our products and technology is in this area!”

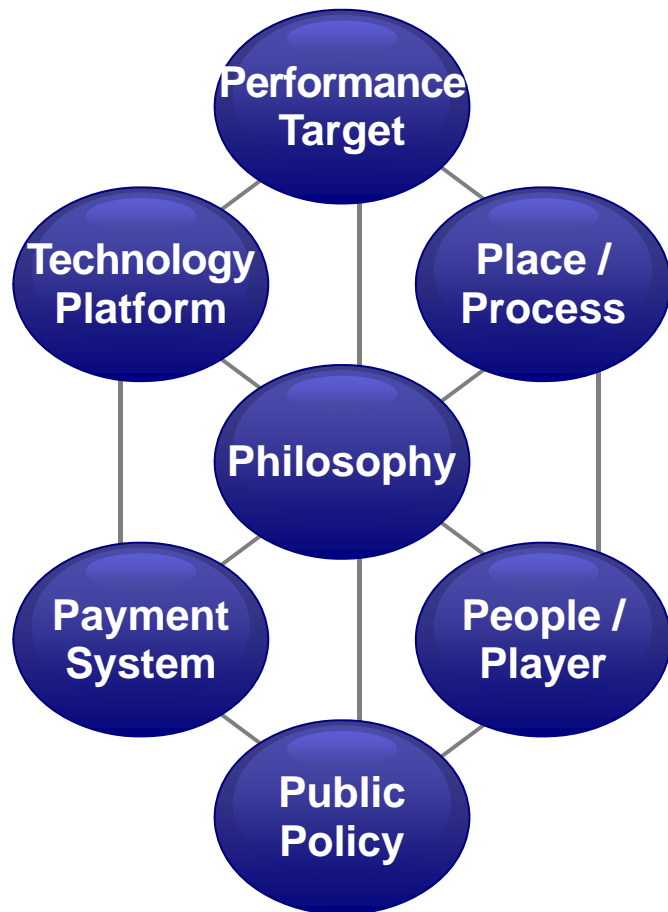
- Creates broader solution choices and higher impact
- Collaboration becomes possible with a diversity of players working with the same vision

4Ps of Marketing is not enough










There is a limit to the 4P theory when dealing with Medical issues...

7Ps of Healthcare Business



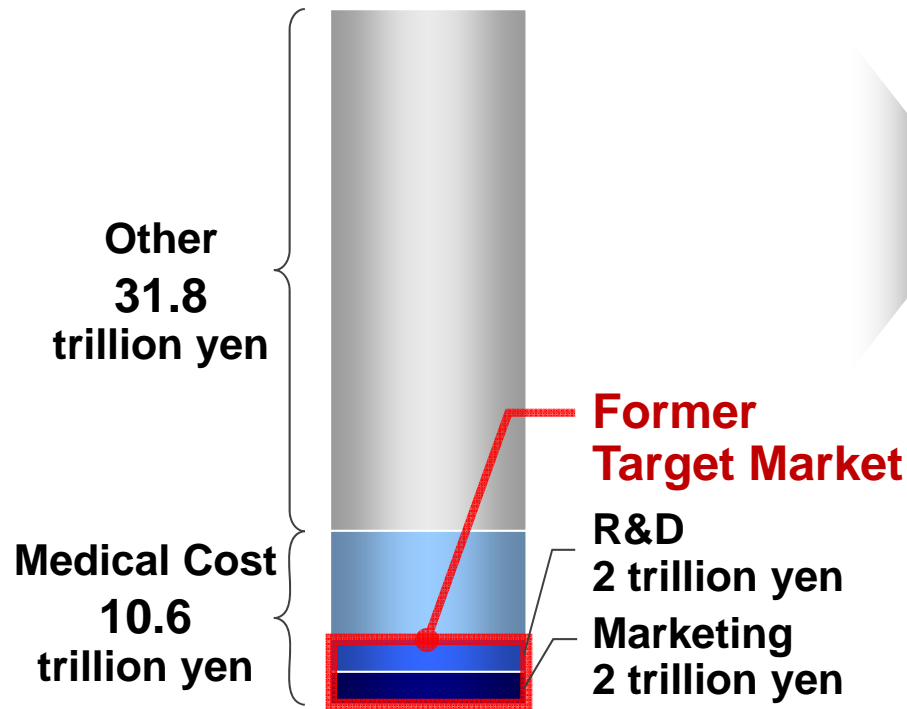
7P: a Problem Solving Framework for Healthcare

7 P's	Description	Example
 ■ Performance Target	■ Concrete directionality of solution	<ul style="list-style-type: none"> ■ Patient reduction ■ Medical cost redux
 ■ Philosophy	■ Fundamental principle	<ul style="list-style-type: none"> ■ Overall optimum over local optimum
 ■ Technology Platform	■ Products/ technology and their utilization	<ul style="list-style-type: none"> ■ Diagnostic and treatment technology ■ A.I., Genome
 ■ Place / Process	■ Place of medical care delivery	<ul style="list-style-type: none"> ■ Hospital ■ Home care, hospital coordination
 ■ Payment System	■ Payment system, cash flow	<ul style="list-style-type: none"> ■ Medical and long-term care insurance, patient expenses
 ■ People / Player	■ Healthcare service provider	<ul style="list-style-type: none"> ■ Doctors, medical sites ■ Cloud workers
 ■ Public Policy	■ Legal and political frameworks	<ul style="list-style-type: none"> ■ Insurance system, medical regulations

Expansion of M3's Addressable Market

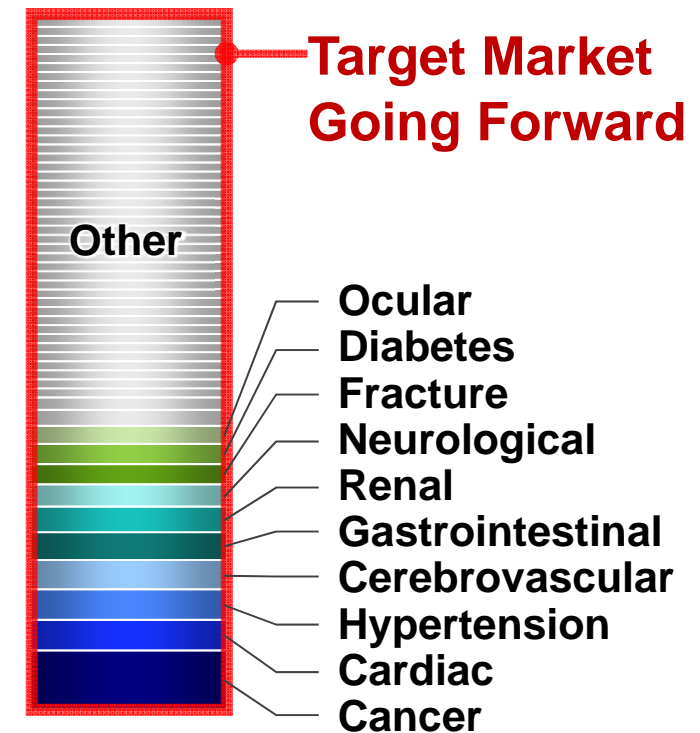
Former Market

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 just 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.

Earnings Forecasts

FY 2018 Guidance Assumptions (By segment)

Medical Platform

- Continued growth from increase in service utility from clients
- Aggressive hiring to support sales resource fortification and platform expansion

Career

- Healthy growth led by job placement for physicians.

Evidence Solution

- Continued growth from strong orders and projects progress

Overseas

- US: Continued growth of each business, with contribution from the newly launched clinical trial business
- EU: UK and France both developing healthily
- China: Healthy growth led by MR-kun

Other Emerging Businesses

- Various businesses in the other segments to expand in both scope and content

FY2018 Budget Guideline

Topline

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

Cost

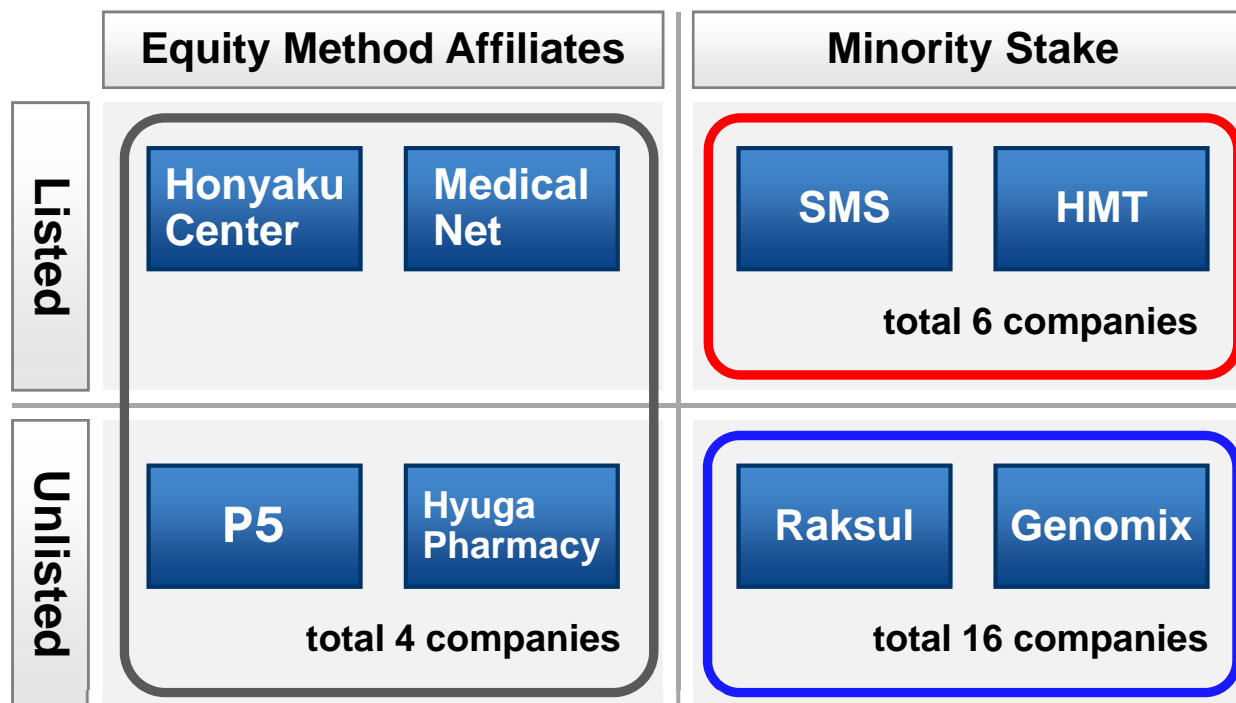
- Continued aggressive hiring, planning increase of 450 headcounts over the fiscal year:
 - Medical Platform 150
 - Evidence Solution: 100
 - Career: 100
 - Others: 100
- Allocation for M&A related costs such as advisory fees: 400 million jpy

FY2018 Forecast

(million yen)	FY2017 ACT (Pre-IFRS9)	FY2017 ACT (IFRS9)	FY2018 FCT (IFRS9)	YoY
Sales	94,471	94,471	113,350	+20%
Operating Profit	29,713	27,587	31,720	+15%
Pre-tax Profit	29,700	27,574	31,700	+15%
Net Profit	20,783	19,327	22,220	+15%

**IFRS9(Financial Instruments) will be applied starting FY18.
IFRS9 based numbers for FY2017 have been retrospectively
calculated for your reference.**

IFRS9 Application on Investments



Exempt from IFRS9 Scope
same treatment as previous

Stock holdings will be categorized into 2 groups

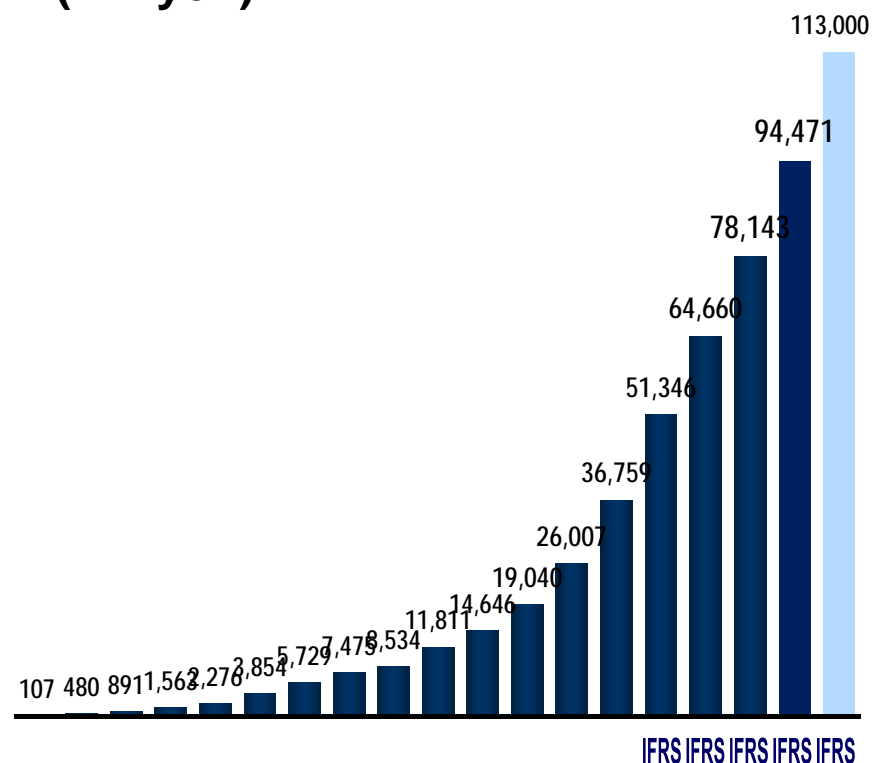
- ① **Booked under Comprehensive Income to reduce performance volatility**
- ② **Booked under Operating Profit given venture capital investments are being conducted as a business**

 **Listed companies will be booked under Comprehensive Income to reduce volatility in reported results. Unlisted companies will be booked under Operating Profit.**

Annual Results & Forecast for FY2018

Sales

(mn yen)

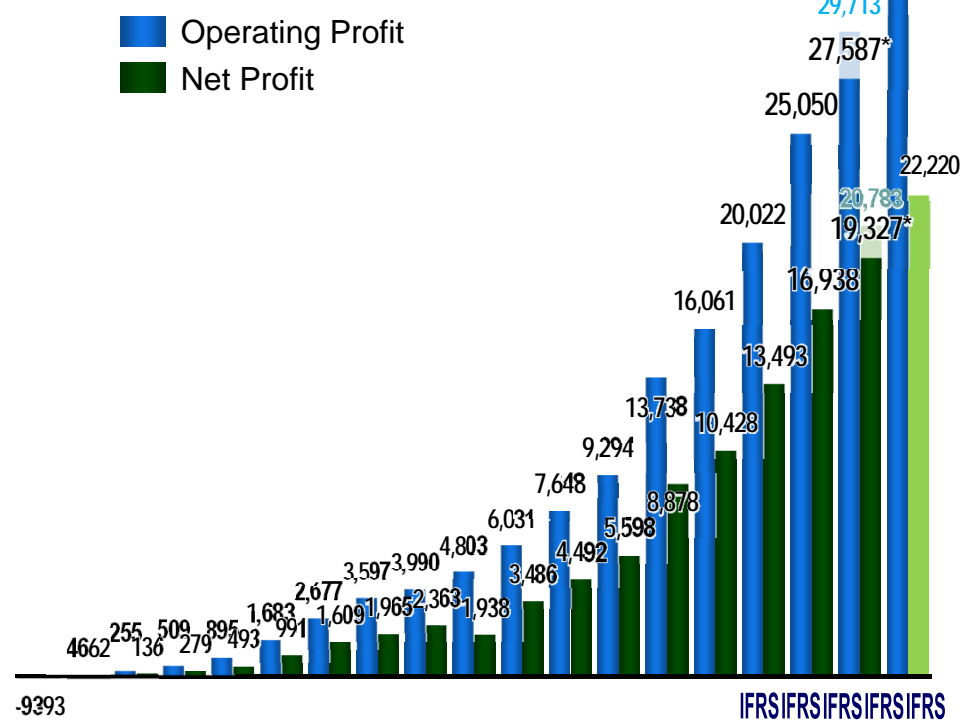


FY

00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 FCT
(6m)

Operating Profit & Net Profit

(mn yen)



FY

00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 FCT
(6m)

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

Creating New Value in Healthcare

M3

Medicine

Media

Metamorphosis



Healthcare sector is enormous...

- Japanese national spending on medical services is approximately ¥33tn (¥50tn including peripheral businesses)
- Equivalent to 10% of Japanese GDP
- Sector controlled by only 290,000 physicians (0.2% of the national population)

Aim to create new value

- Provide solutions within the healthcare sector
- Provide new and unique business models
- Specialize in niches areas that provide opportunity for high value creation and high profits in order to boost enterprise value