

M3, Inc.

Presentation Material

January 2020



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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.

FY2019 Q3 Consolidated Results

IFRS

(mn yen)	FY2018 Q3	FY2019 Q3	YoY
Sales	83,674	96,319	+15%
Operating Profit	22,958	26,933	+17%
Pre-tax Profit	23,109	27,003	+17%
Net Profit	15,976	18,616	+17%

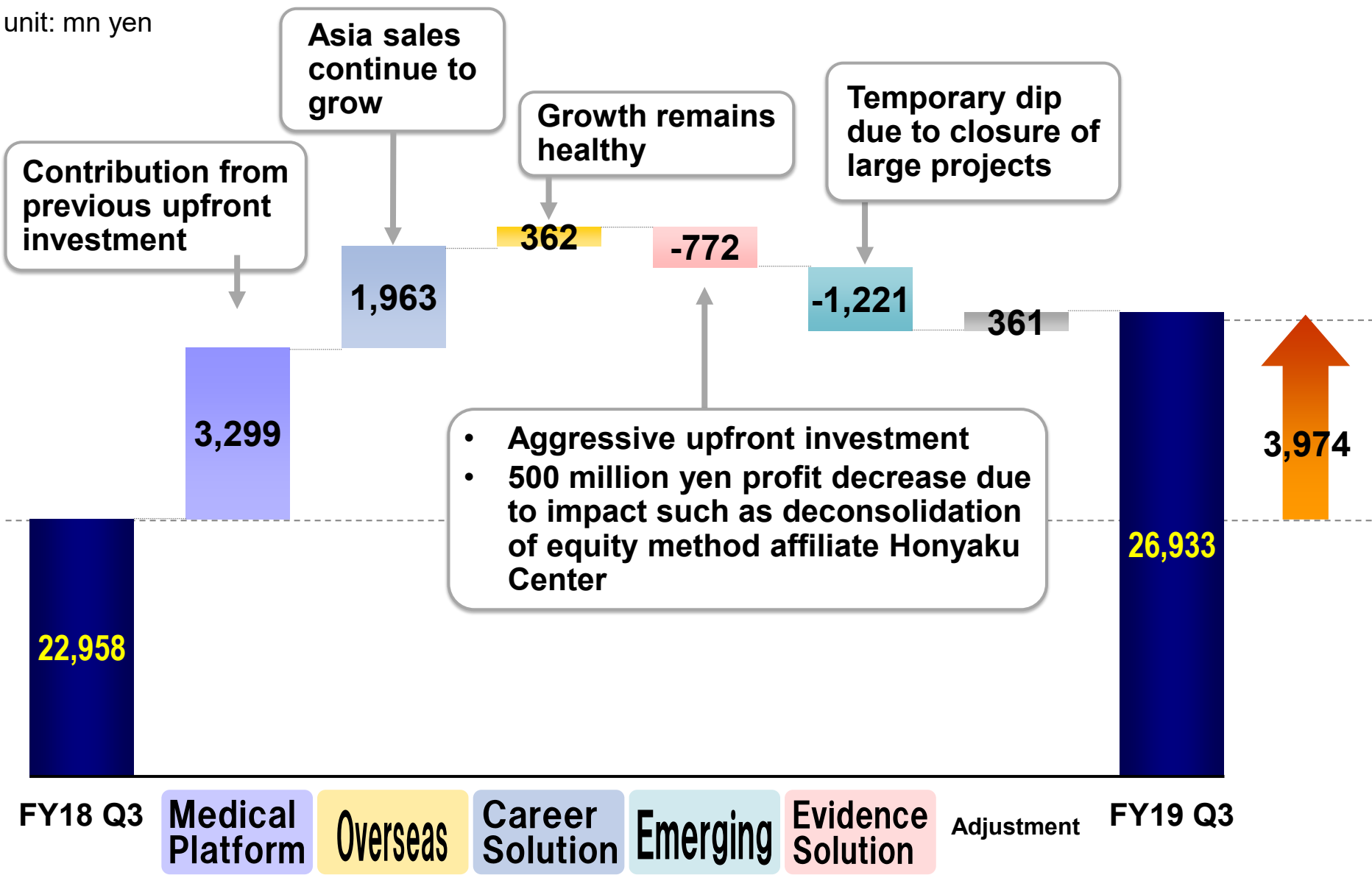
+20% op
growth if
excluding
impact
from
deconsoli-
dation of
group
companies

FY2019 Q3 Consolidated Results by Segment

(mn yen)			FY2018 Q3	FY2019 Q3	YoY
Domestic	Medical Platform	Sales	29,968	36,986	+23%
		Profit	10,815	14,114	+31%
	Evidence Solution	Sales	17,006	15,942	-6%
		Profit	4,555	3,335	-27%
	Career Solution	Sales	10,650	12,018	+13%
		Profit	3,265	3,626	+11%
	Other Emerging Businesses	Sales	9,120	11,118	+22%
		Profit	2,026	1,254	-38%
Overseas		Sales	18,696	22,160	+19%
		Profit	2,697	4,660	+73%

Consolidated Operating Profit Change Analysis

unit: mn yen



FY2019 Q3 Overview

Medical Platform

- Aggressive upfront investments beginning to contribute. Marketing service orders grew 54% yoy in Q3, with newly consolidated Ultmarc also contributing
- Operating profit grew +43% YoY for the Oct-Dec period.

Evidence Solution

- Temporary dip due to ending of large scale PV projects
- Orders backlog steady at 23 bn yen

Career Solution

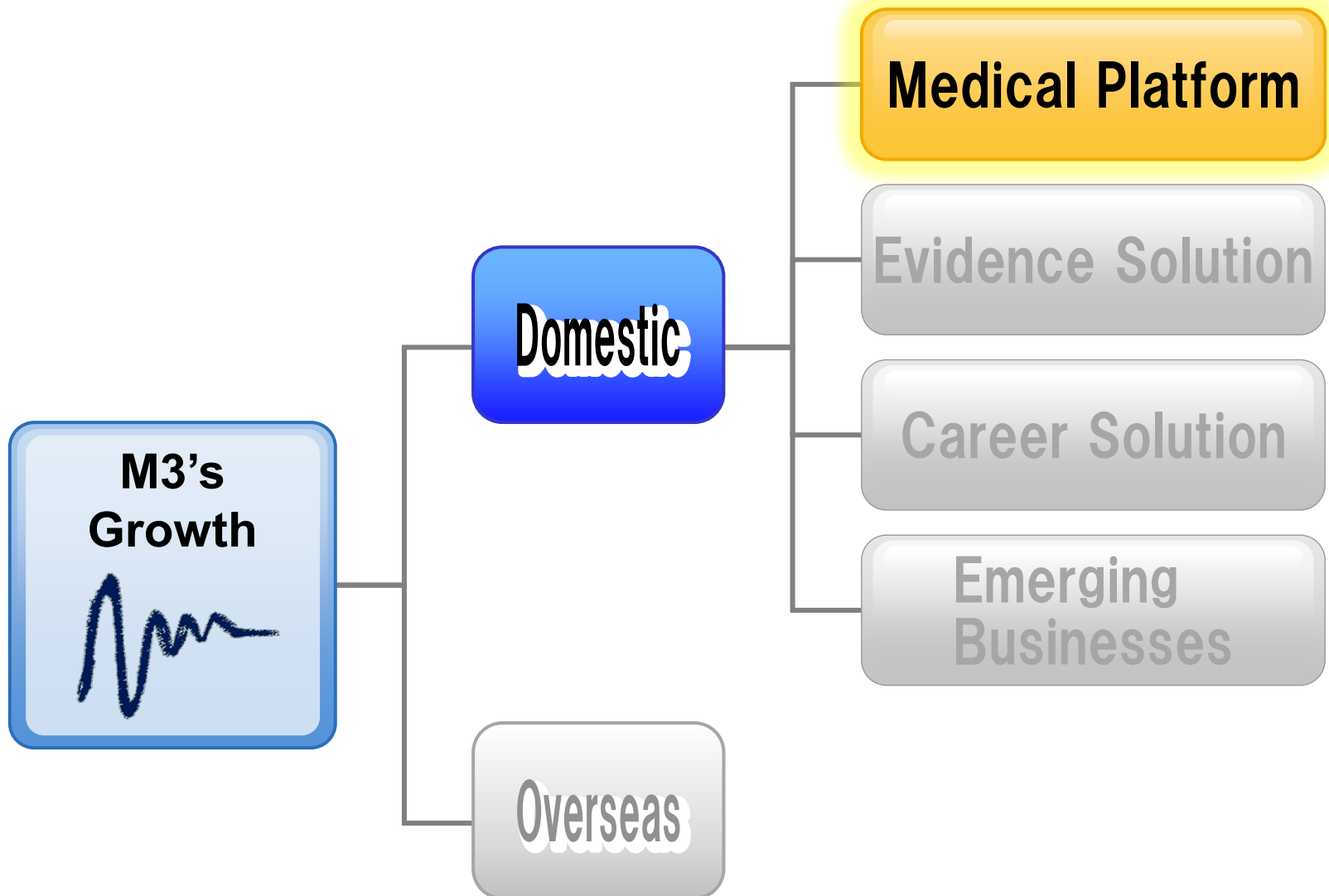
- Both physician and pharmacist inflow remains robust, with sales at 12.0 bn yen (+13% yoy) and operating profit at 3.6 bn yen (+11% yoy)

Emerging Businesses

- Multiple new businesses in growth phase, with additional seeds being planted
- Deconsolidation of affiliates such as Honyaku Center impacted a 500 million yen drop in op.

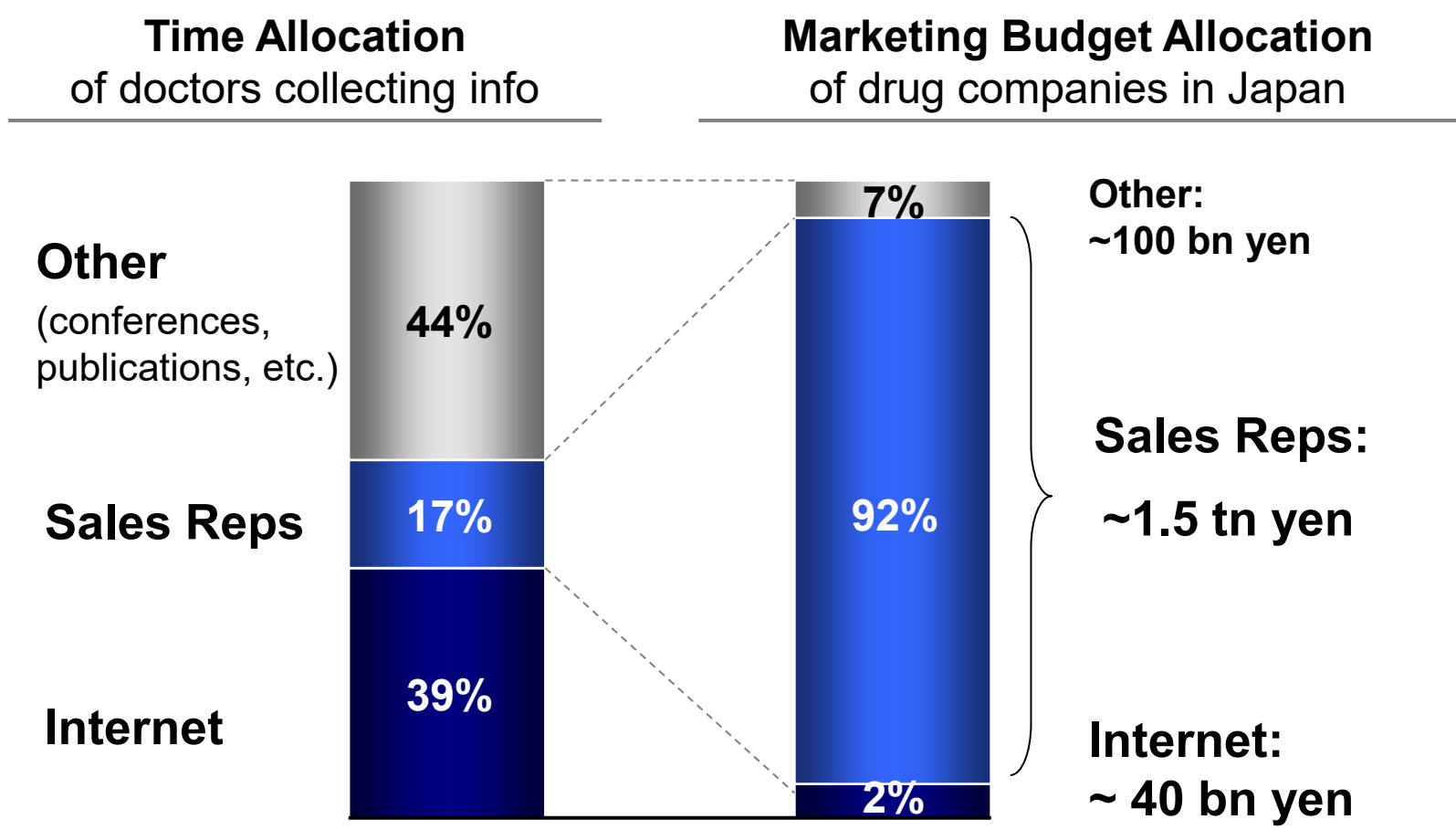
Overseas

- Rapid APAC expansion brought sales to 22.2 bn yen (+19% yoy) and o.p. to 4.7 bn yen (+73%)

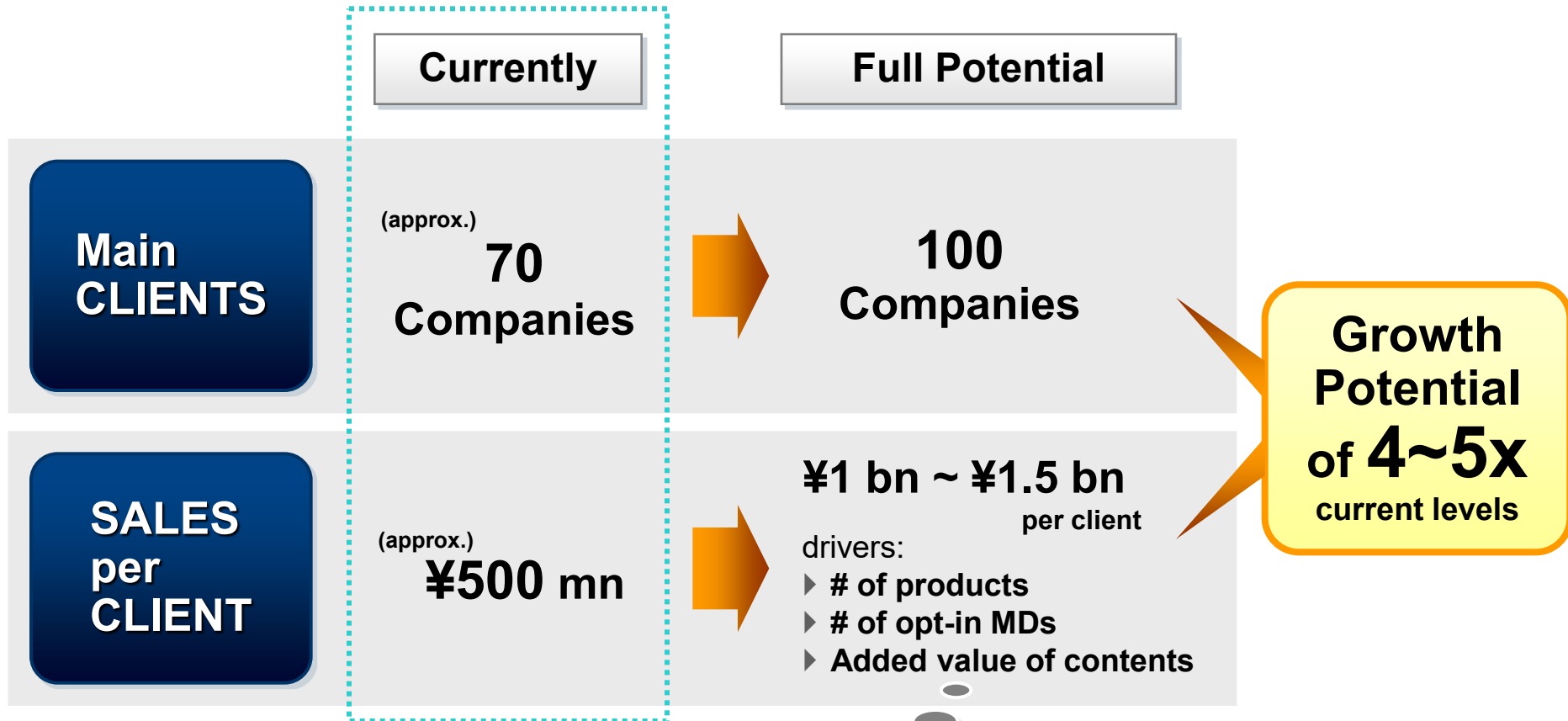


Doctor's Time Allocation vs Pharma's Budget Allocation

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.



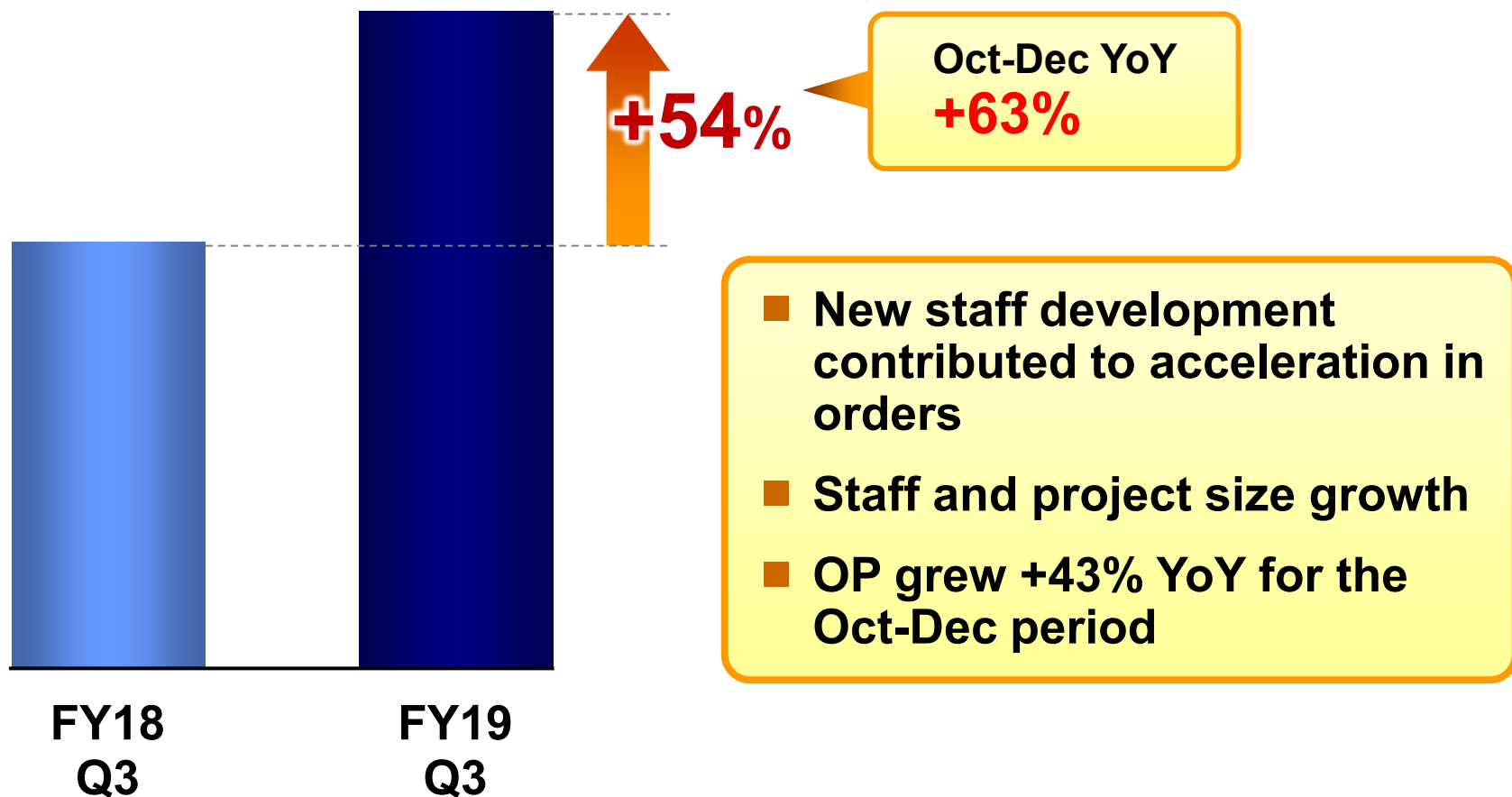
Medical Platform Growth Potential in Japan

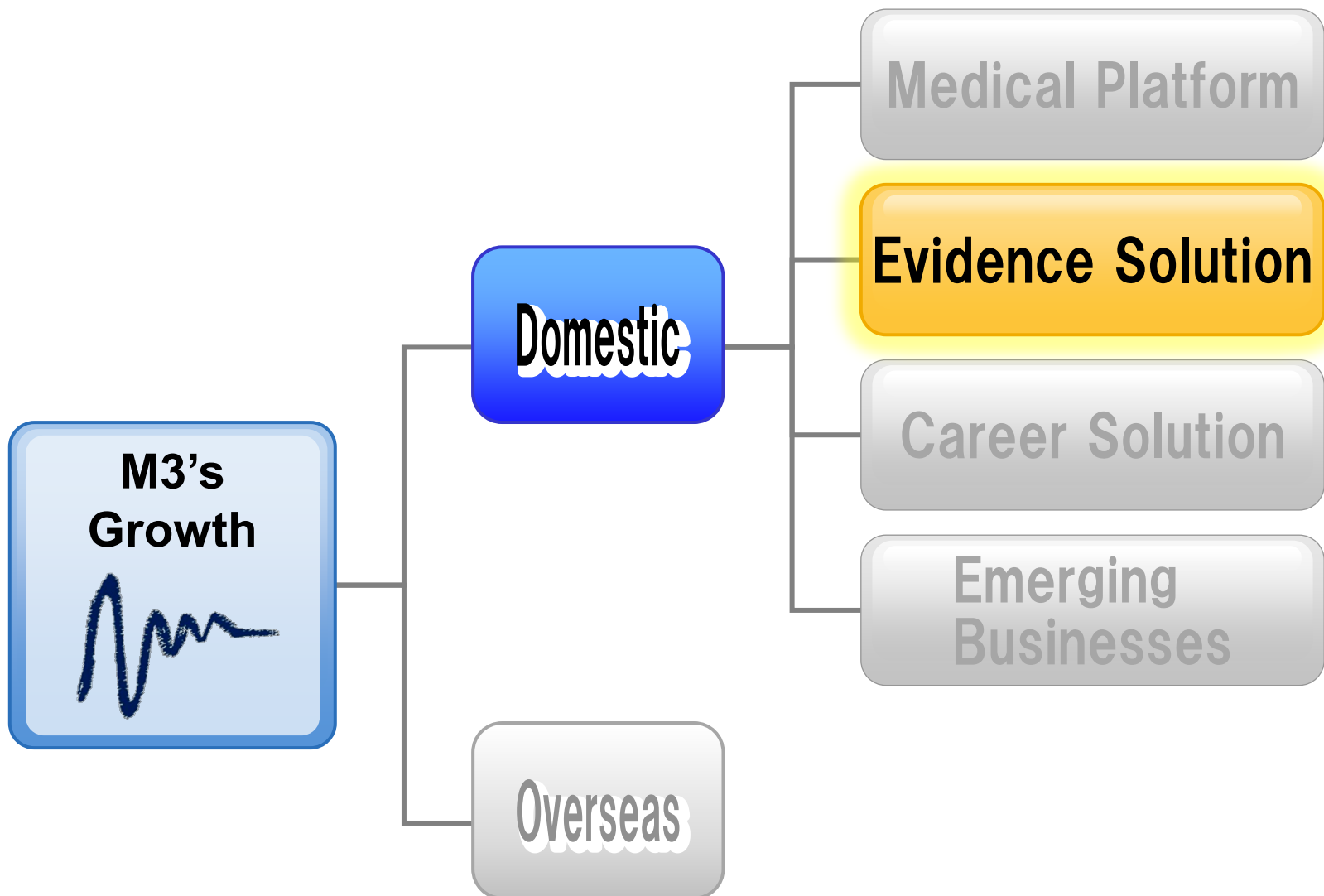


Expansion of project size and increase in cross-business synergies
boosting sales from **marketing services** into **healthy growth**

Recovery in Marketing Support Service Orders

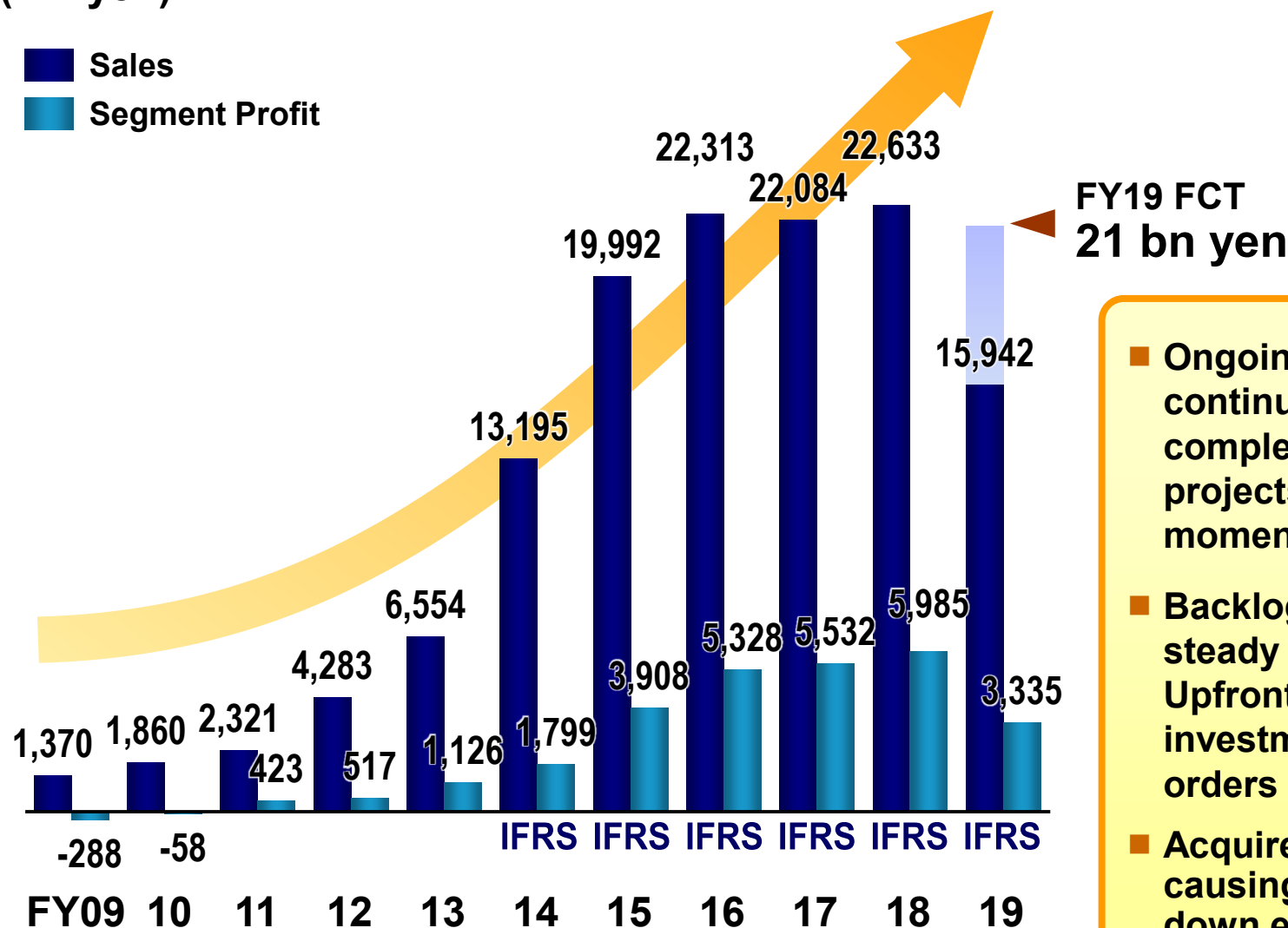
Marketing Support Service Orders





Sales and Profit Trend of Evidence Solution

(mn yen)

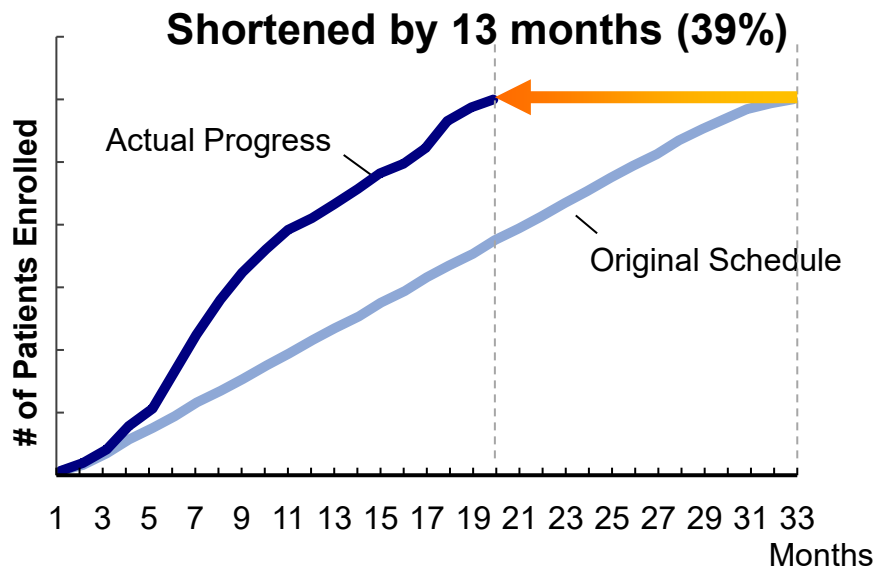


- Ongoing projects continue steadily, while completion of large projects created a momentary dip
- Backlog remains steady at 23 bn yen. Upfront personnel investment in line with orders growth
- Acquired companies causing temporary pull down effect on margins

M3 Group: Accelerated Trial Completion

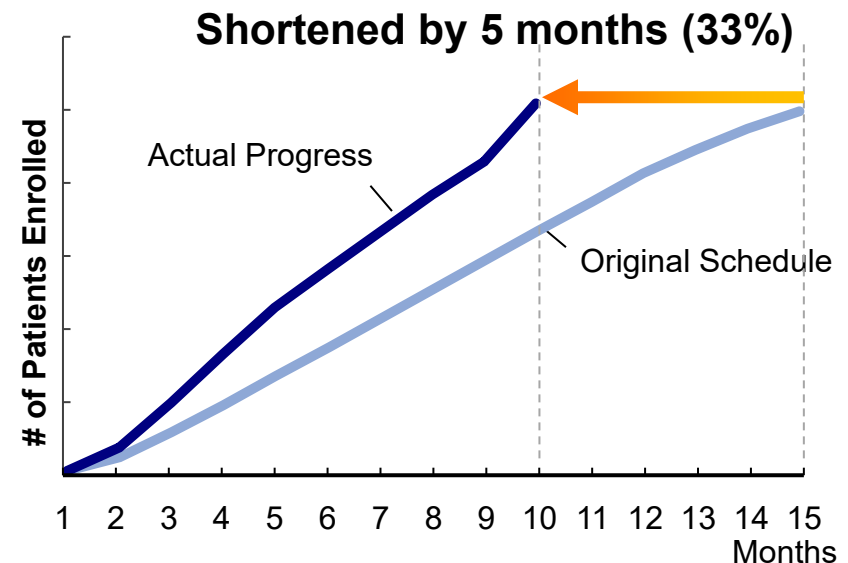
- Mr. Finder finds highly motivated doctors at sites with potential patients
- Trial process management executed in similar fashion to web based marketing (High speed PDCA, conversion management, IT tools utilization)

Global Trial: Endocrinology/ Metabolism

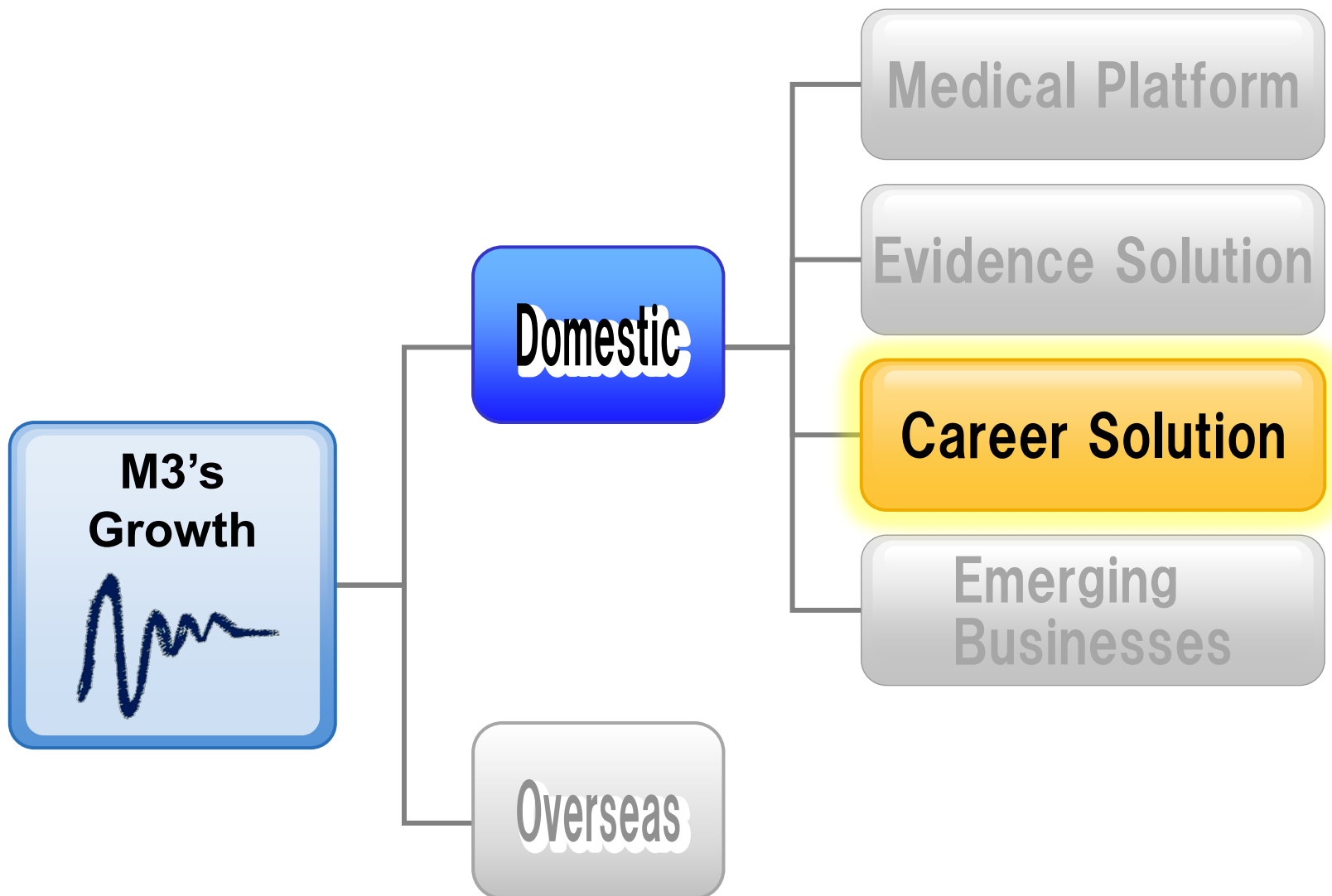


**Completed patient enrollment in
20 months vs. allocated 33 months**

Domestic Trial: Endocrinology/Metabolism



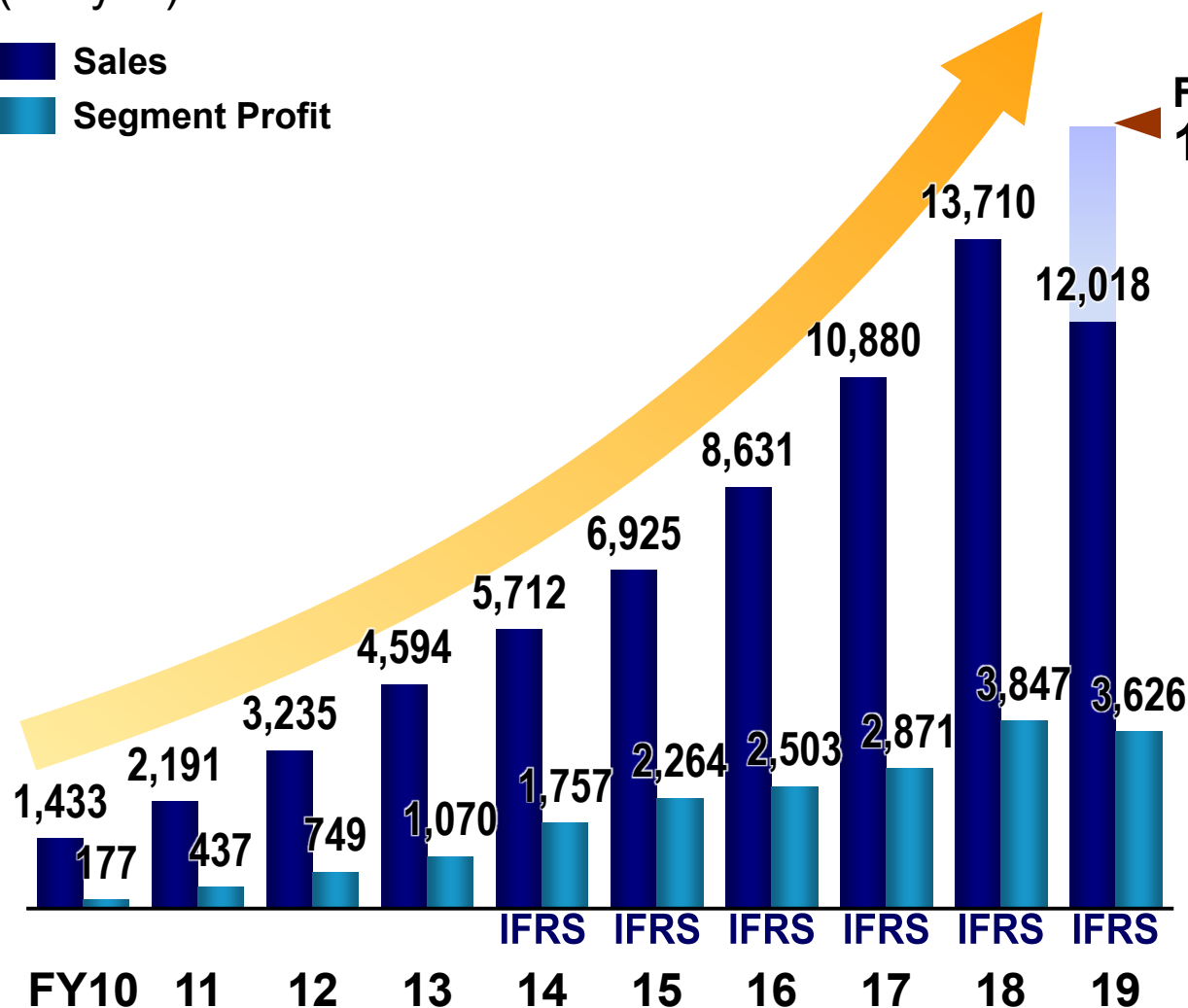
**Completed patient enrollment in
10 months vs. allocated 15 months**



Sales and Profit Trend of Career Solutions

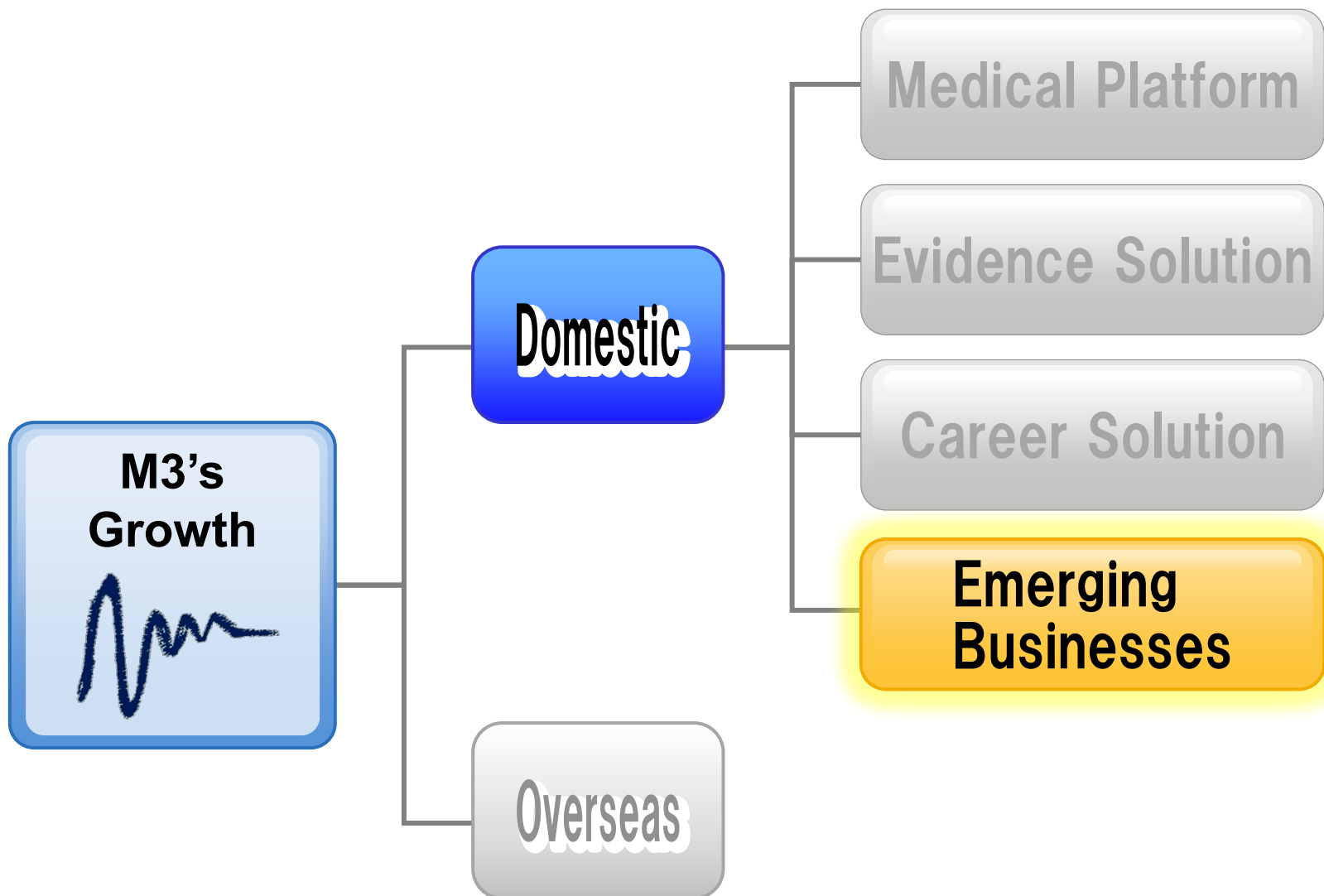
(mn yen)

■ Sales
■ Segment Profit



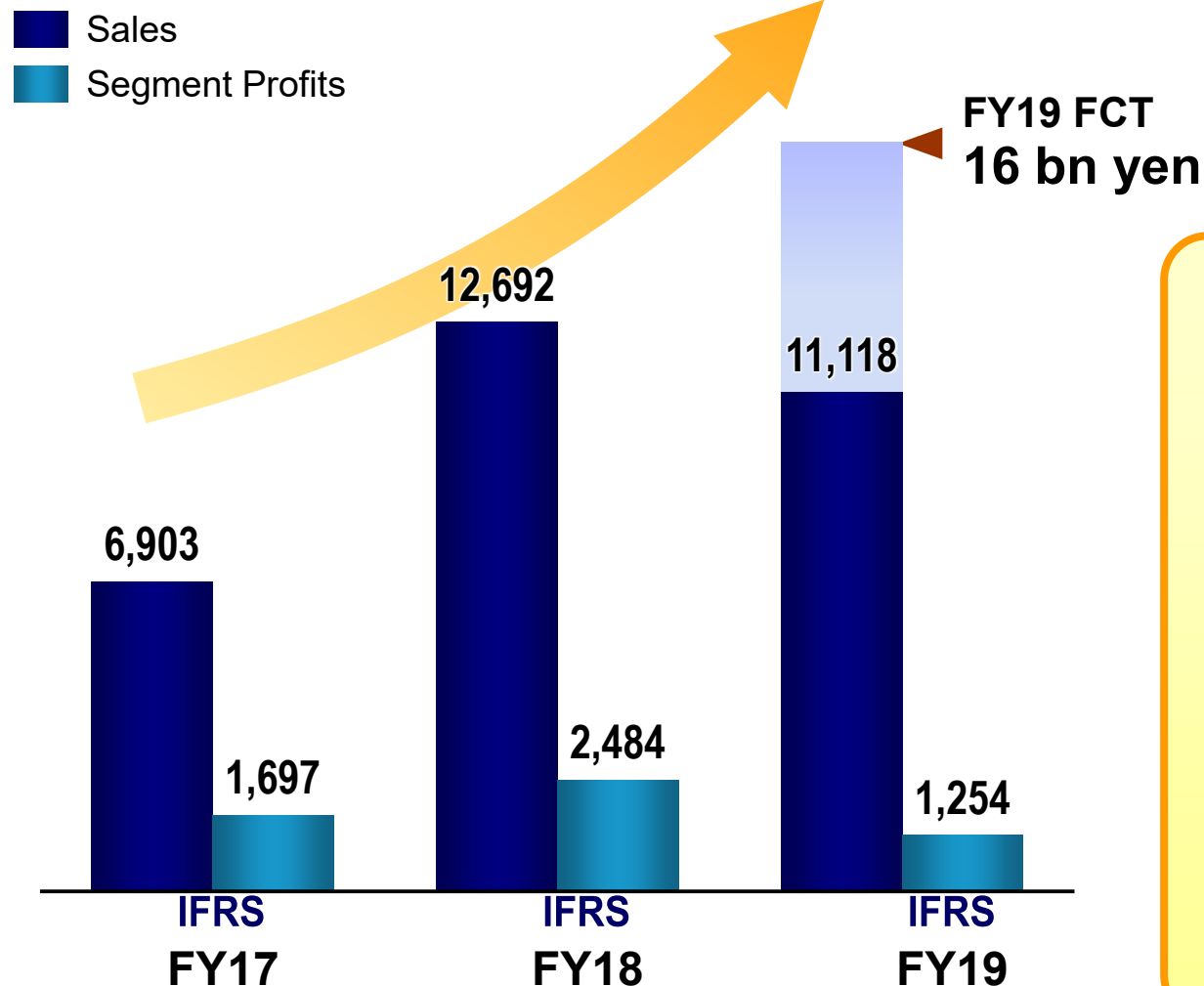
FY19 FCT
16 bn yen

- 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

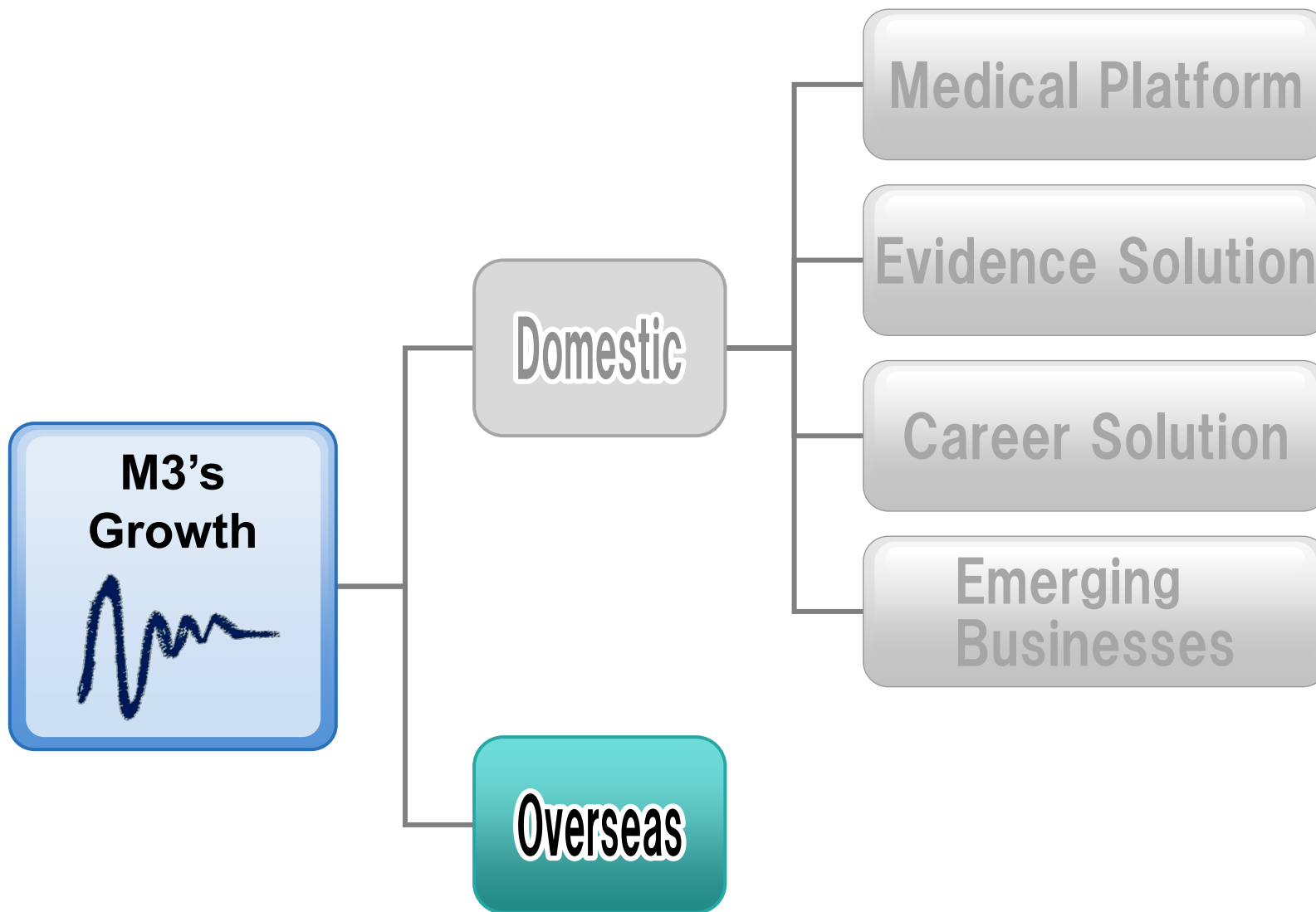


Sales and Profit Trend of Emerging Businesses

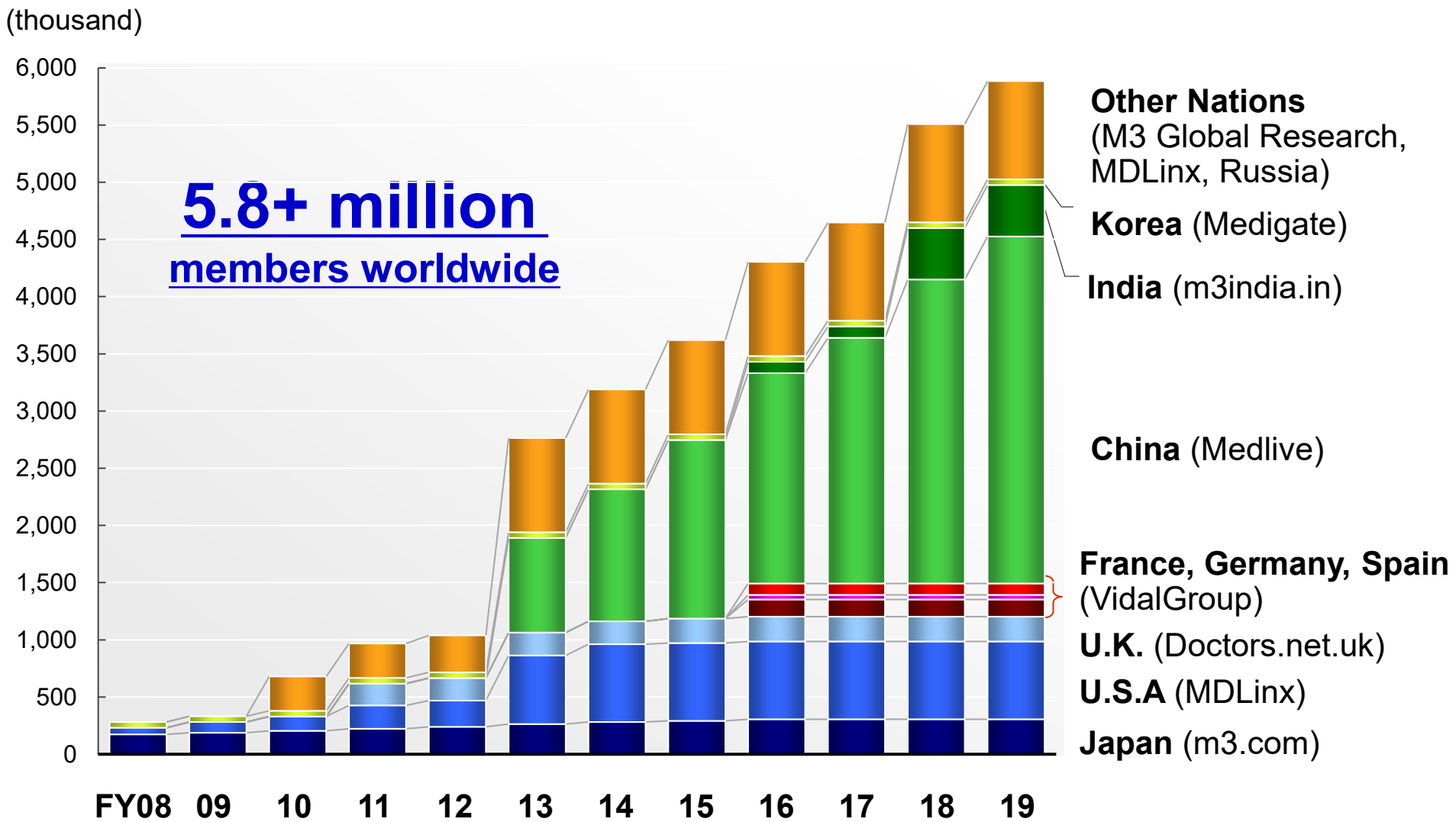
(mn yen)



- Each business on steady growth path, with expansion in next growth drivers
- Seeds rocket investment StemRim IPO gained high valuation
- Deconsolidation of affiliates such as Honyaku Center impacted a 500 million yen drop in op.



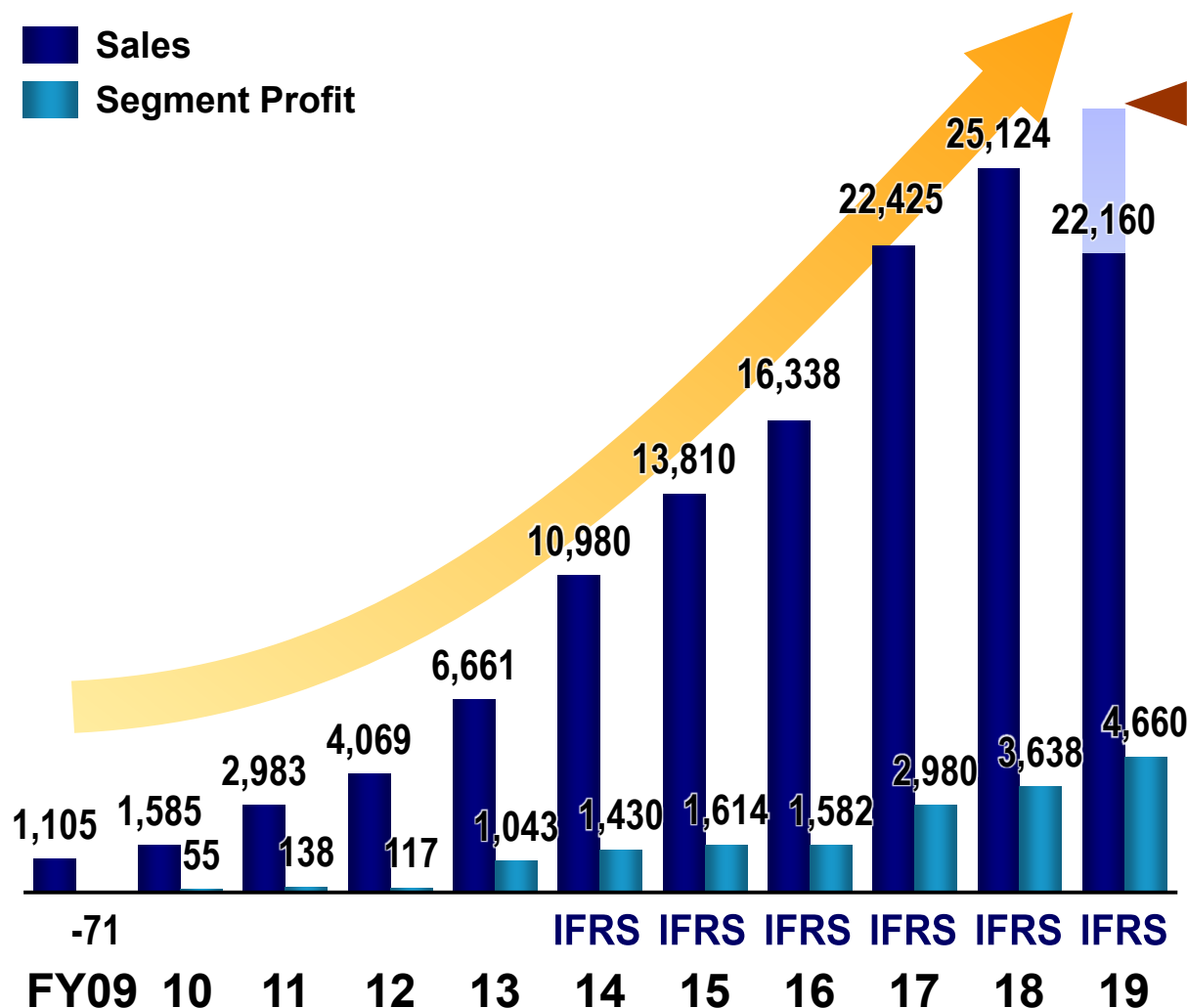
Number of Physician Members and Panelists (Global)



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

Sales and Profit Trend of Overseas

(mn yen)



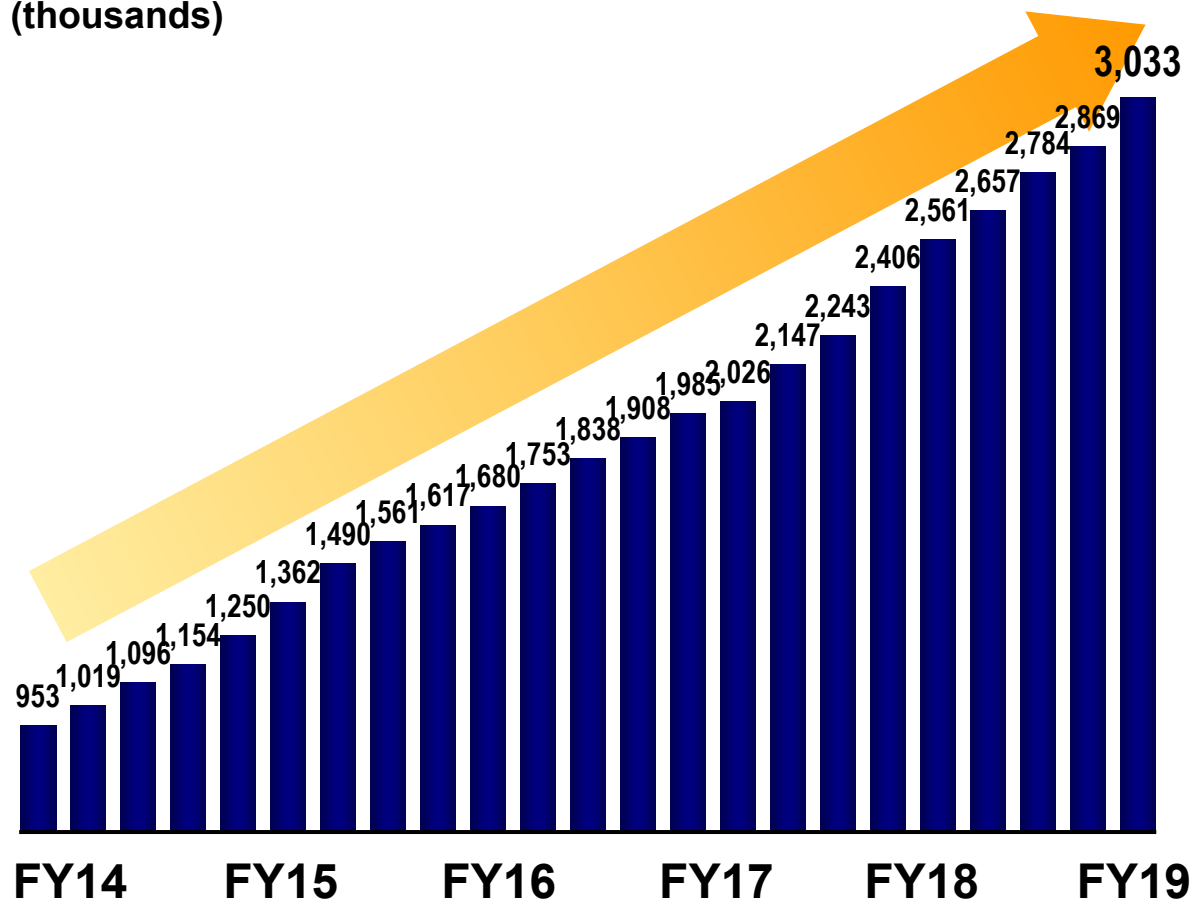
FY19 FCT
30 bn yen

- 70% of profit contribution came from US and Europe, and 30% from APAC
- Business expansion acceleration in all APAC countries (China, India, and Korea)
- China: Sales +43% yoy, profit grew 2x
Korea: Sales +30% yoy, profit +60%

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

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

Newest Updates

■ **LINE Healthcare**

■ **JV with Visionary Holdings**

■ **Partnership with JMA**

■ **AI Projects Update**

Business Potential for LINE JV

LINE

- Consumer reach and activity:
82 million users (68% national coverage)
- Possesses infrastructure for service provision (ie. broadcasting, settlements, audio calls, EC, logistics)

- Medical professional members:
280,000 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**

Online Medical Platform

**Platform Linked
Businesses**

- ✓ No.1 remote medical consultation platform Q&A
- ✓ Disease and treatment awareness through physician consultations

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

- ✓ M3Digikar linked RWD solutions
- ✓ PHR/AI based disease forecasts and prevention promotion
- ✓ and more...

 **Beta versions launched in Dec 2019 for Android and Jan 2020 for iOS**

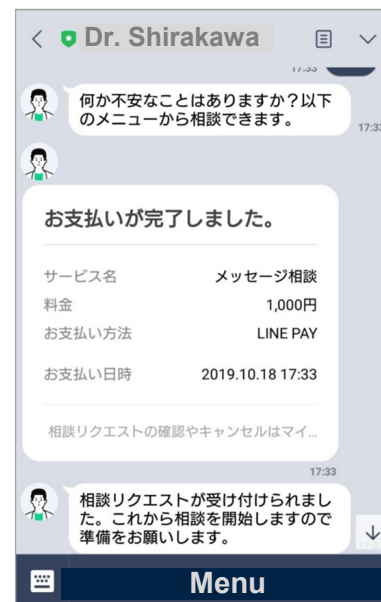
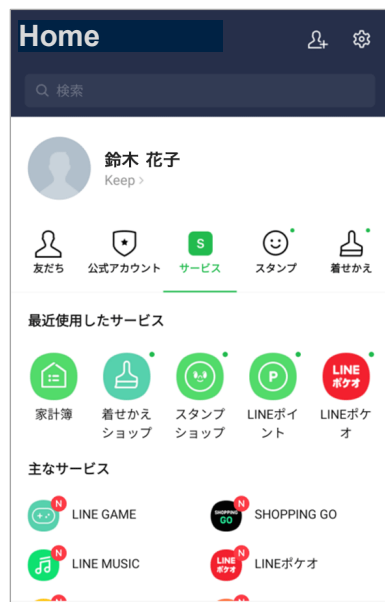
Consultation Based Disease Awareness Package

Awareness

Site Visit

Consultation

Survey



User flow acquired from both in-app and externally

User demographic based optimal information provision

Consultations using the familiar LINE interface

Follow-up surveys distributed after each consultation

 A platform that connects the 28,000 M3 physician members with the 82 million LINE users to provide innovative healthcare services

- **LINE Healthcare**

- **JV with Visionary Holdings**

- **Partnership with JMA**

- **AI Projects Update**

Visionary Holdings Overview

Headquarters

Chuo-ku, Tokyo, Japan

Established

2017

(core subsidiary megane SUPER: 1980)

Shops

374 shops across Japan

(As of Dec 2019)

Businesses

Sales of eye glasses, contact lenses, and related parts, and management of related subsidiaries

CEO

Naohiko Hoshizaki, CEO

Employees

approx. 1,500

(as of Apr 2019, excluding commissioned and associate employees)



Business Potential of Capital Alliance

M3, Inc.

280,000 physician members
network across medical sites



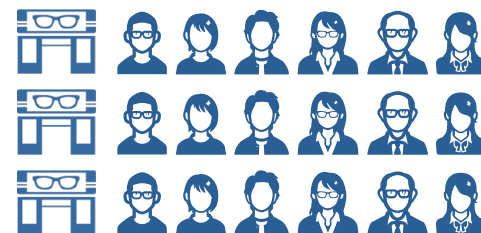
- Genome diagnostics
- Physician recommendation service
- Clinical trial recruitment, etc.

Real Touchpoints
Connecting
Consumers to
Medical Services

- Disease awareness and early detection
- Coordination with medical sites
- Consultation rate and QOL improvement

Visionary Holdings

Nearly 400 shops and over 9
million client CRM data

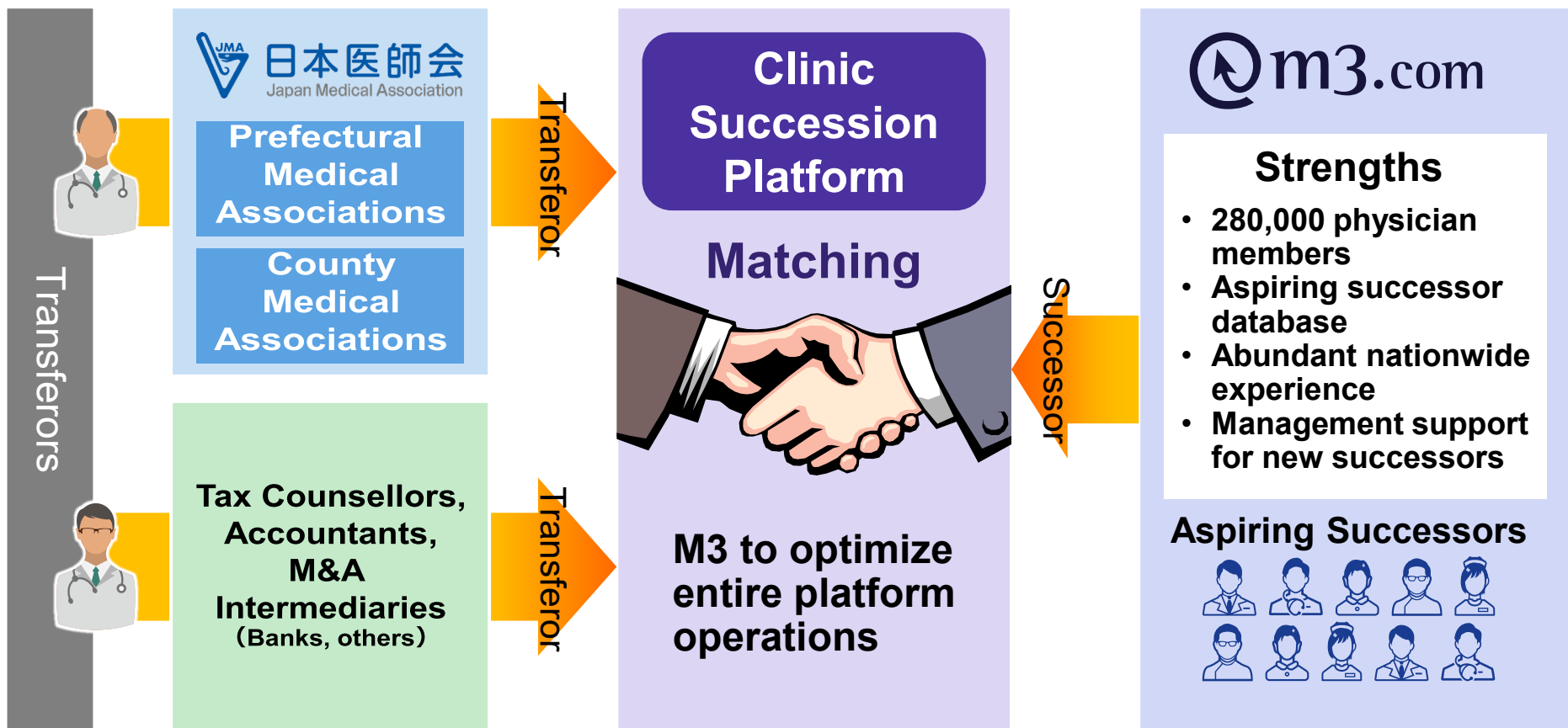


- Various eye care services
- Corporate and adolescent services
- Wearable devices, etc.

 Visionary Holdings and M3 will launch a JV to create next generation flagship shops

- **LINE Healthcare**
- **JV with Visionary Holdings**
- **Partnership with JMA**
- **AI Projects Update**

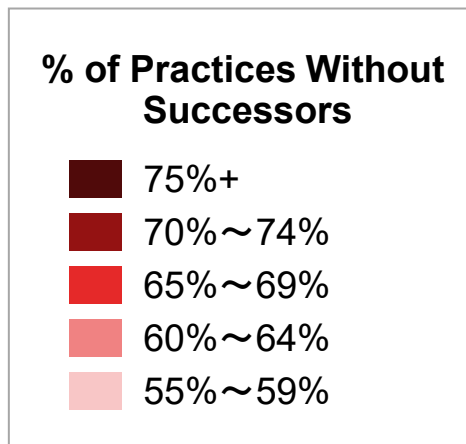
Business Transfer Support Scheme



 Utilize m3.com data analysis, succession specialized consultants to **swiftly match appropriate successor candidates** in line with transferor preferences.

Comprehensive Partnership with Japan Medical Association

- Approx. **70%** of private practitioners over the age of 60 have **no successors**
- Lack of successorship is a **nationwide problem** requiring initiatives towards preservation of regionalized medical care and family doctor offices



👉 Third-party successors are needed at an estimated **20,000 sites**, equating to **1,400 sites annually** assuming retirement at 75 years of age

- **LINE Healthcare**
- **JV with Visionary Holdings**
- **Partnership with JMA**
- **AI Projects Update**

Rapid Increase in AI Project Pipeline

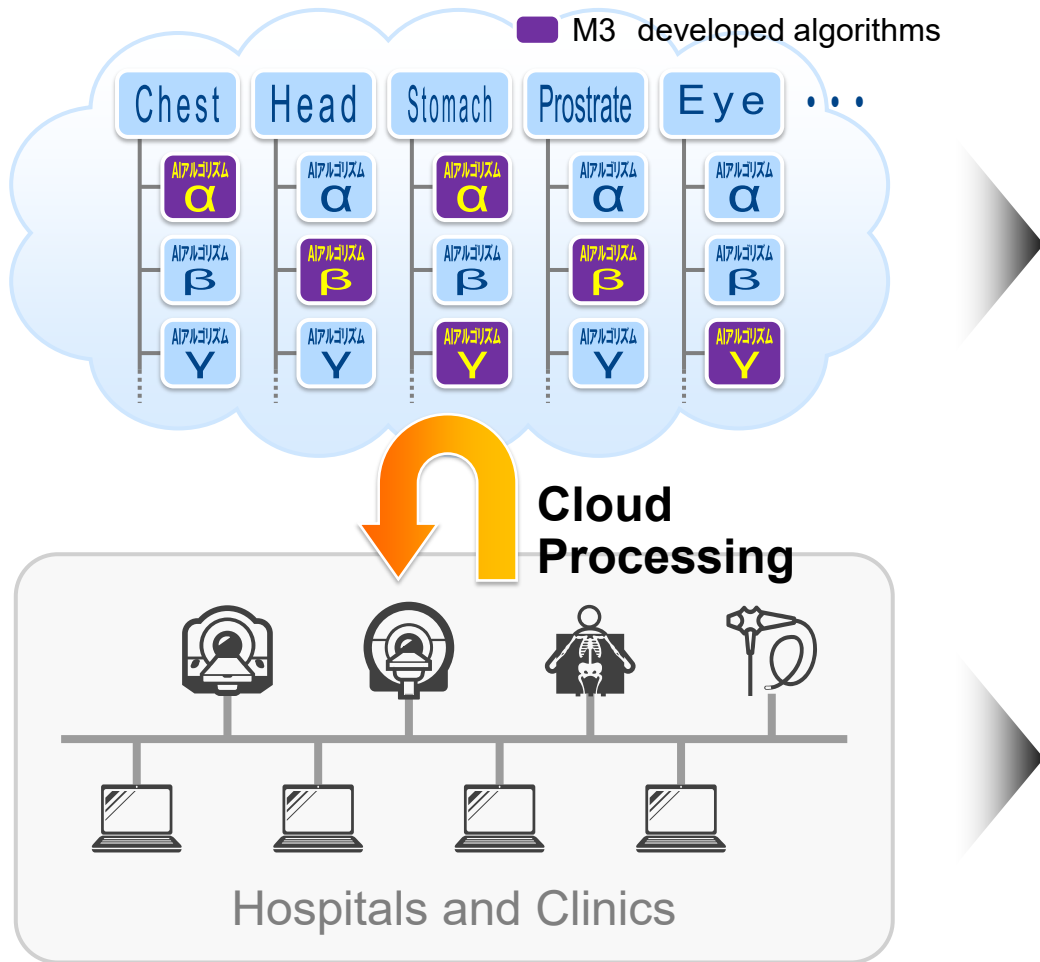
red = new projects within past 6 months

			M3 Services						Expected Launch	
			Medical Data Collection	Algorithm Development	Regulatory Consult	Clinical Study & Trial	Marketing Support	Funding	FY2019	FY2020~
M3 Lead	Corporate	Therapy Area								
	M3	Respiratory	✓	✓	✓	✓	✓	✓	✓	
	M3	Diabetic Retino.	✓	✓	✓	✓	✓	✓	✓	
External Lead	Domestic	M3	✓	✓	✓	✓	✓	✓		
		ALL	✓	✓	✓	✓	✓	✓		
		AI Venture	✓			✓				✓
		AI Venture	✓						✓	
		AI Venture	✓					✓		✓
		Academia		✓						✓
		AI Venture			✓		✓			✓
		Device Maker			✓					✓
		Device Maker	✓		✓	✓				✓
		AI Venture					✓		✓	
		AI Venture				✓				
		AI Venture					✓			
		AI Venture	✓		✓					
		Device Maker					✓			✓
		Device Maker			✓					
	Overseas	AI Venture					✓		✓	
		AI Venture		✓					✓	
		AI Venture		✓					✓	
		AI Venture		✓					✓	
		AI Venture			✓		✓			
		AI Venture			✓					
		AI Venture	✓							



24 AI development support projects. AI platform to launch within the year

AI Platform Launch



- In addition to M3 developed algorithms, various lineup of externally developed products will also be made available
- Doctors can freely utilize algorithms from the diagnostic support tool lineup
- Ability to select multiple algorithms within a certain body region (head, und, heart, etc.)

 Major modality (CT, MRI equipment) makers plan to participate on this platform

Future Growth

Business Scope Expansion and Growth Potential

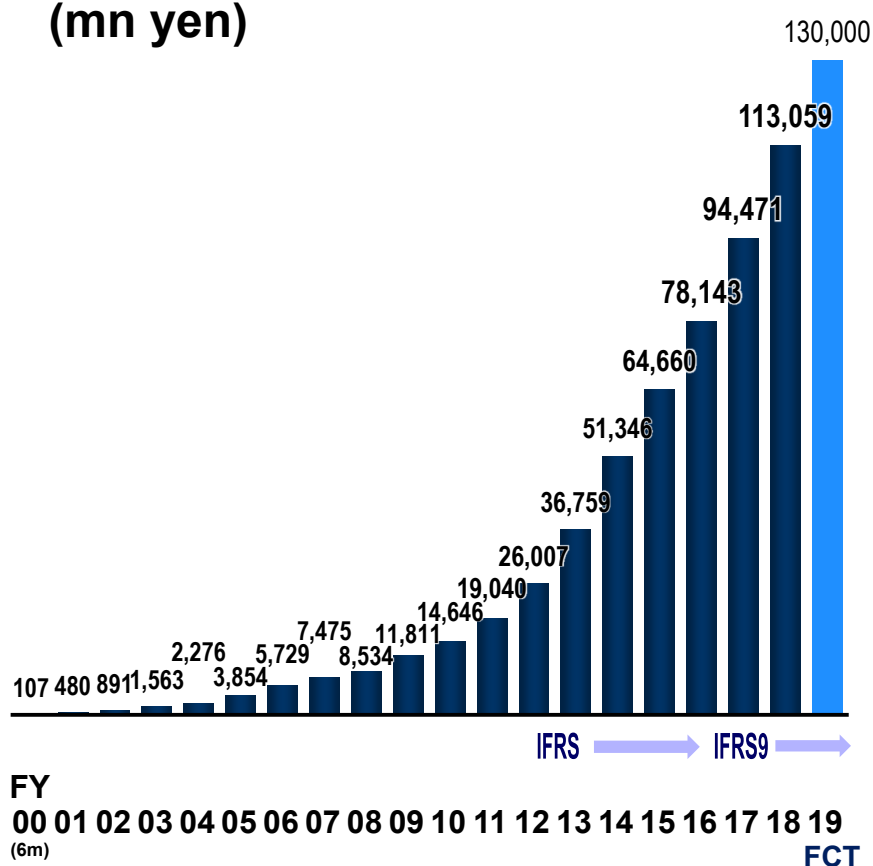
	2010	2014	2018	2022
Country	: 3 →	5 (1.5x) →	10 (3x) →	
Business Types	: 6 →	10 (1.5x) →	26 (4x) →	Similar pace of growth expected over the next 4 years
Business Units (Type x Country)	: 10 →	18 (2x) →	41 (4x) →	
Sales (bn)	: 140 →	370 (2.5x) →	945 (7x) →	

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

Annual Results & Forecast for FY2019

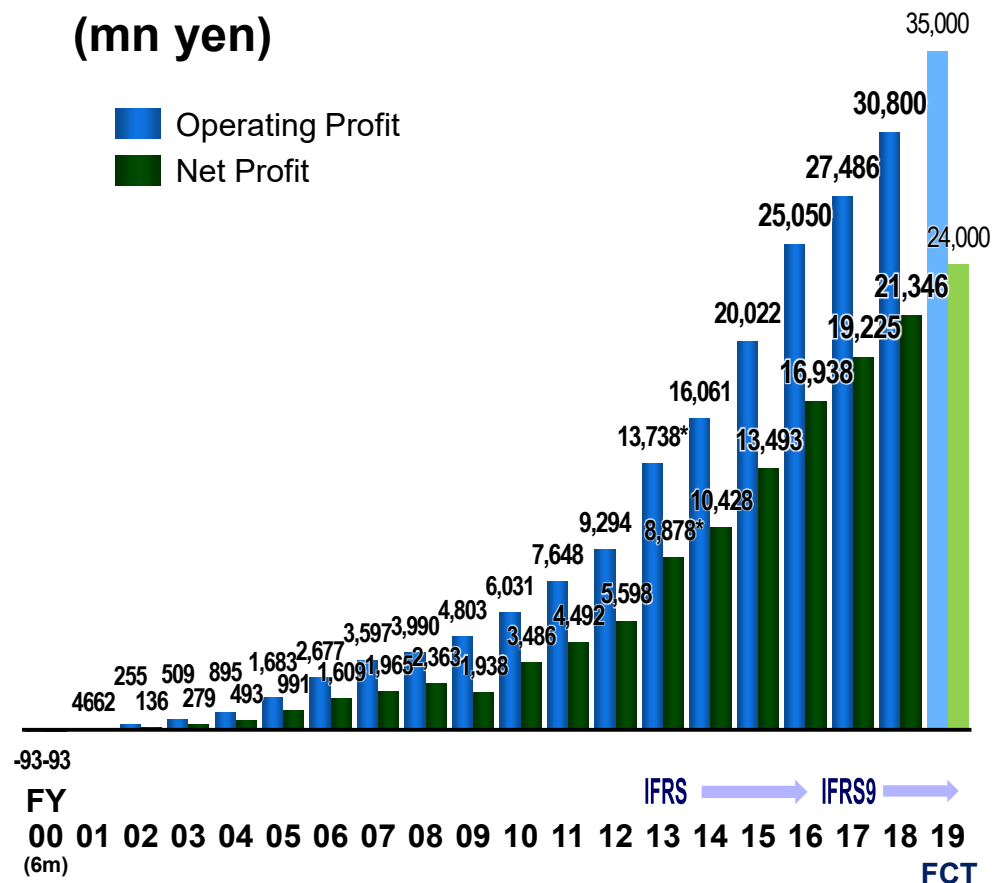
Sales

(mn yen)



Operating Profit & Net Profit

(mn yen)



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

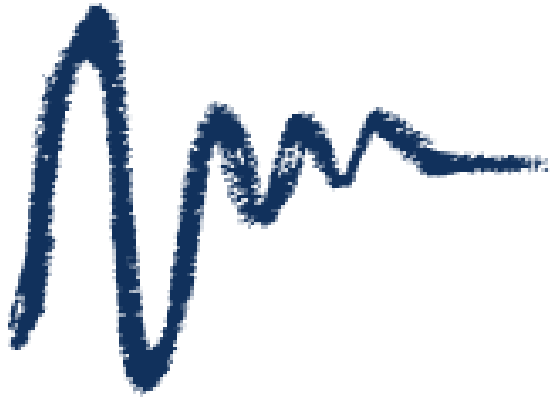
Creating New Value in Healthcare

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**