
M3, Inc.

Presentation Material

January 2015



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

Summary

MR kun

- Cumulative sales grew at +16% yoy, continuing expansion.

M3 Career

- Cumulative sales increased +25% yoy, and operating profit grew +54% yoy. Sales for the mainstay service for doctors grew at 44% yoy, providing traction.

Evidence Solution

- New orders remained steady, with backlog totaling 18.8 bn yen. Q3 sales were 3.35 bn yen, segment profits were 580 mn yen, and operating margin improved to 17%.
- Entered acquisition of SMO: Neues will become a subsidiary in April of 2015. M3 group now ranks among the top in scale for SMOs, in line with our status amongst CROs.

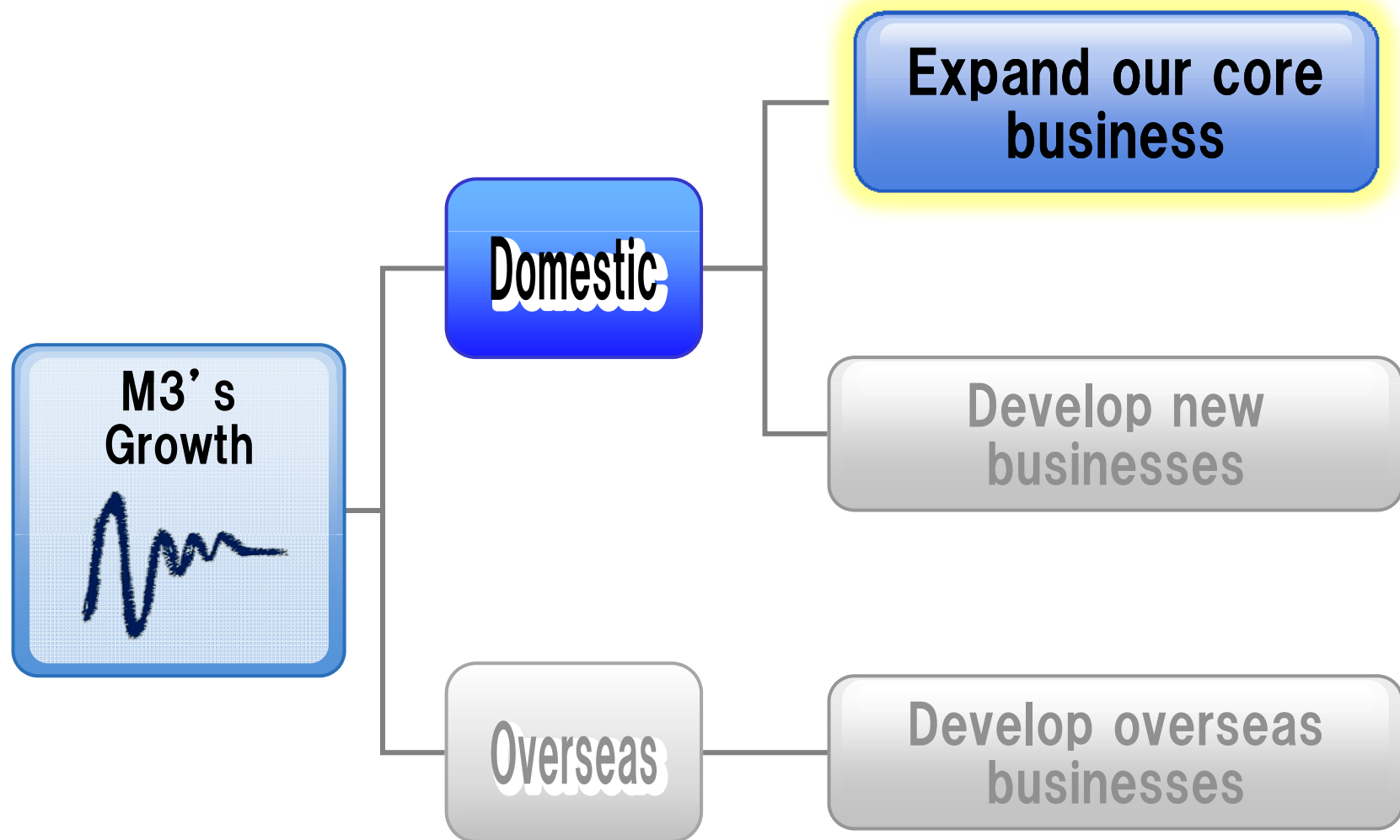
Summary continued

Overseas

- Segment profit was 1.32 bn yen, continuing its expansion at +54% yoy
- Operational improvements in the U.S. at previously acquired PracticeMatch progressed smoothly (confirmation that PE type turn-around strategy is also valid overseas)
- Membership on China site topped 1mio doctors. Both sales and profits increased. MR-kun service contracted with 2 global pharma companies for year end launch.

Investments for Growth

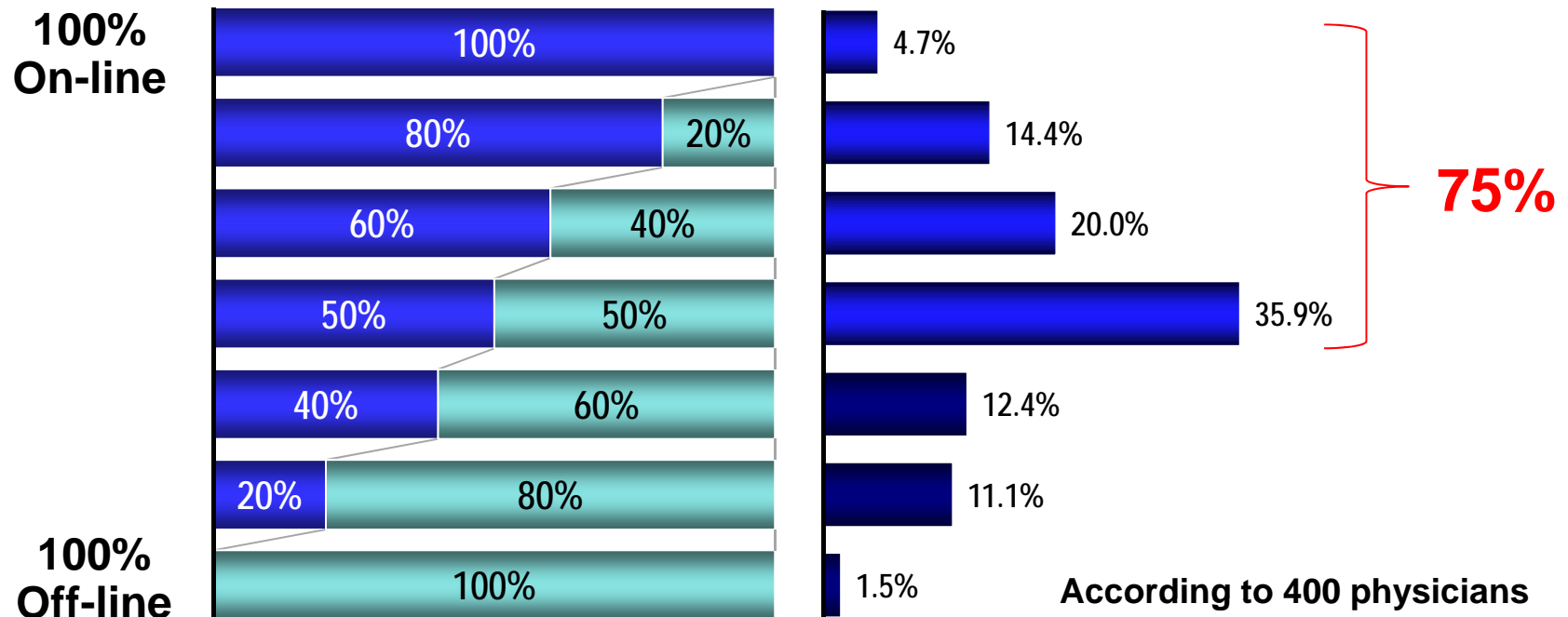
- Upfront investments in anticipation for future growth, such as office relocation and recruitment fees, amounted to 0.8 ~ 1.3 bn yen.



Physicians' Demand for On-Line Detailing

Q. What is the ideal ratio of on-line and off-line promotional information (“details”) from pharma companies?

A.



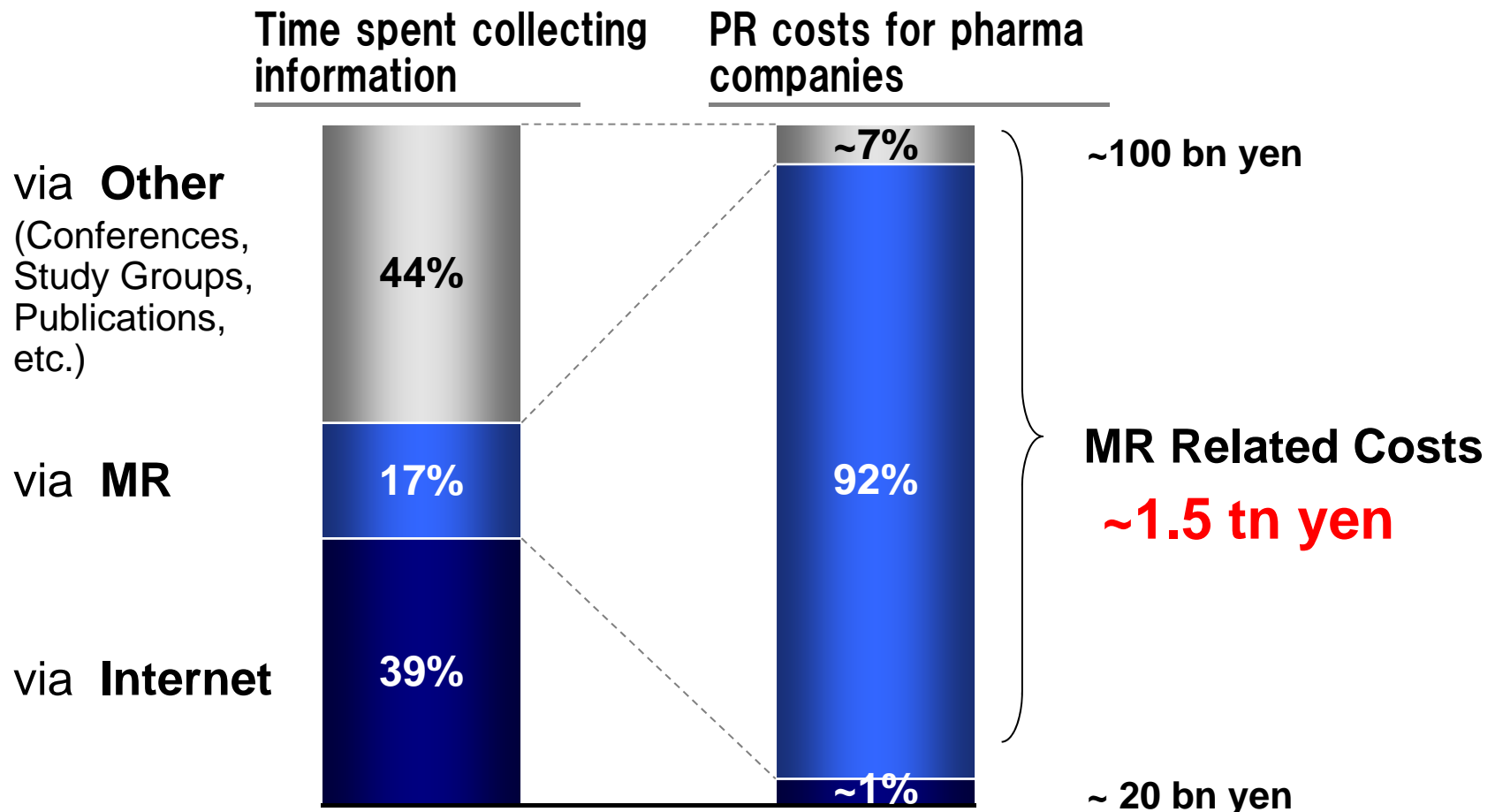
Demand for eDetails is quite high for busy physicians that require timely information at their convenience, without the limitations imposed by their off-line MRs

Source: M3 questionnaire to 400 physicians

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Doctors' Information Collection Venue vs Pharma's Marketing Cost Allocation

Doctors spend the most time collecting information via the Internet. Conversely, pharmaceutical firms spend the majority of their budget on MR related costs.



Source: M3 research

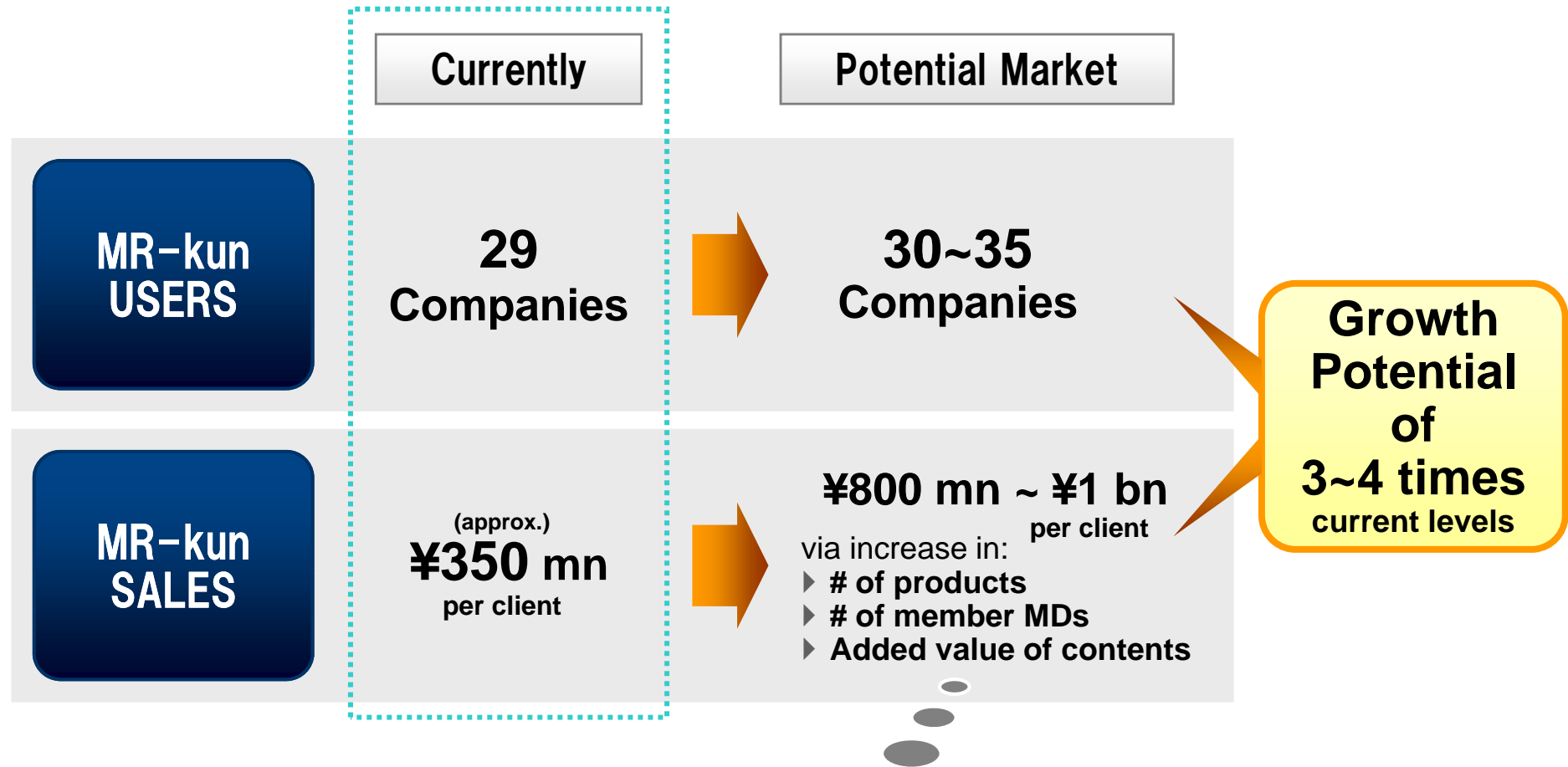
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Japanese Pharma's Huge Marketing Costs

	Head Count		Annual Cost per Head		
MRs (pharmaceutical companies)	63,000	×	¥20 mn	=	¥1.2 tn
MSs (pharmaceutical wholesalers)	30,000	×	¥10 mn	=	¥300bn
				+	

Total Marketing Cost for the industry: ¥1.2 ~ 1.5 tn

MR-kun's Growth Potential in Japan



Major clients are increasing usage of MR-kun:
Average revenue from **top 20** clients grew approx. **+20% YoY**

MR-kun Increases Sales Like Reps

Case
study

		Off-line Reps	
		Non-covered	Covered
MR-kun	Non-covered	1 (baseline)	+9% Sales increase compared with base
	Covered	+8% Sales increase compared with base	+16% Sales increase compared with base

Combining real reps with MR-kun maximizes detailing impact

"MR-kun" alone has substantial power...

Source: M3, Questionnaire to 16,000 General Practitioners

MR-kun Annual Fee Structure

**MR-kun
Base fee**

Detail fee

¥100 per detail sent

**Contents
Production fee**

Production of
customized detail
contents

Operation fee

Basic operations
(sending details, replying to
physicians' questions, etc.)

**Entry Level
(one product)**

¥70 mn

- Revised as of Oct. 2005 for new client
- Prev. fee: ¥60 mio

**¥20 ~ 40
mn**

**¥30 ~
mn**

¥10 mn

¥130~¥150 mn

**Top 5 Clients
(multiple products)**

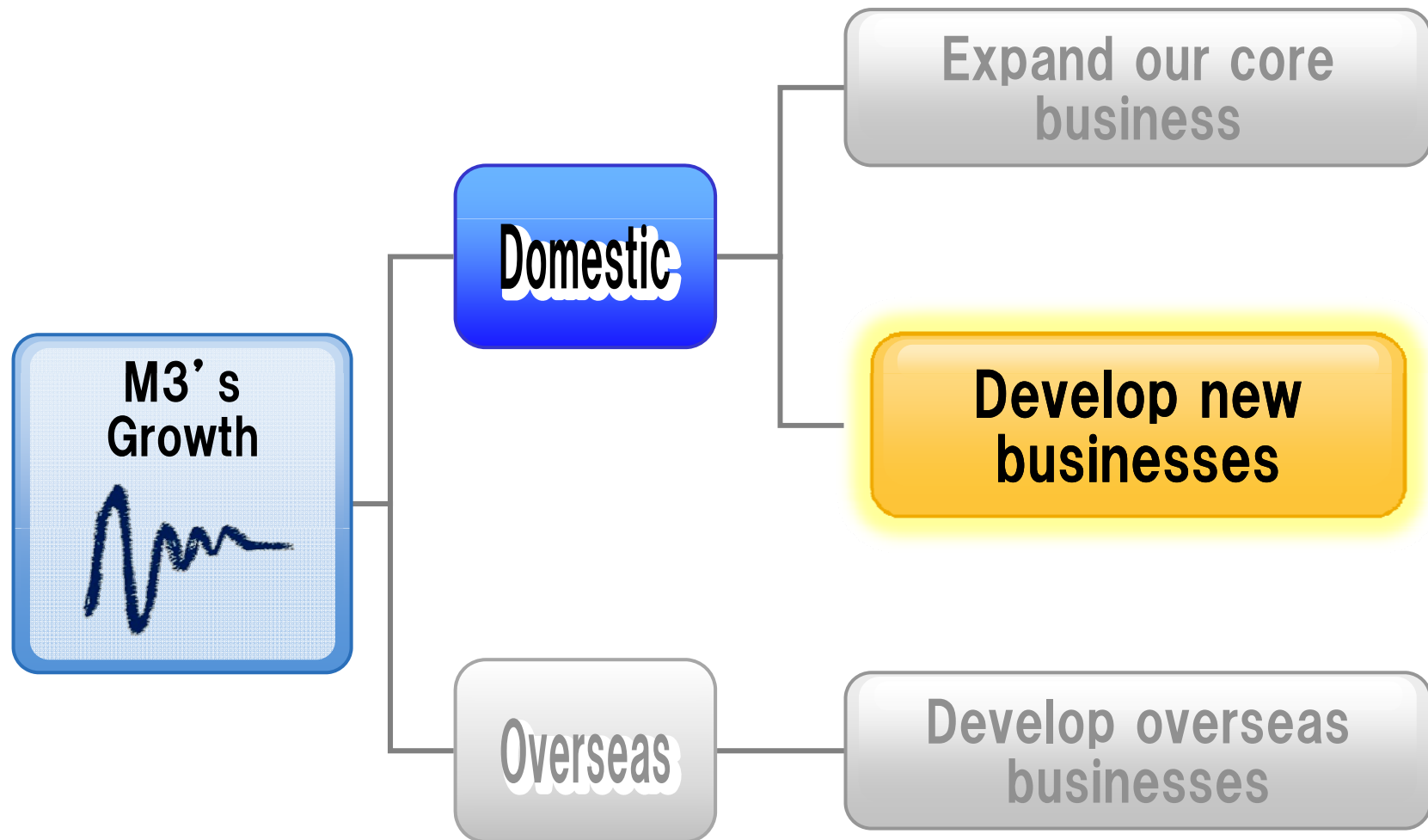
**¥60 ~ 70
mn**

¥580 mn

¥200 mn

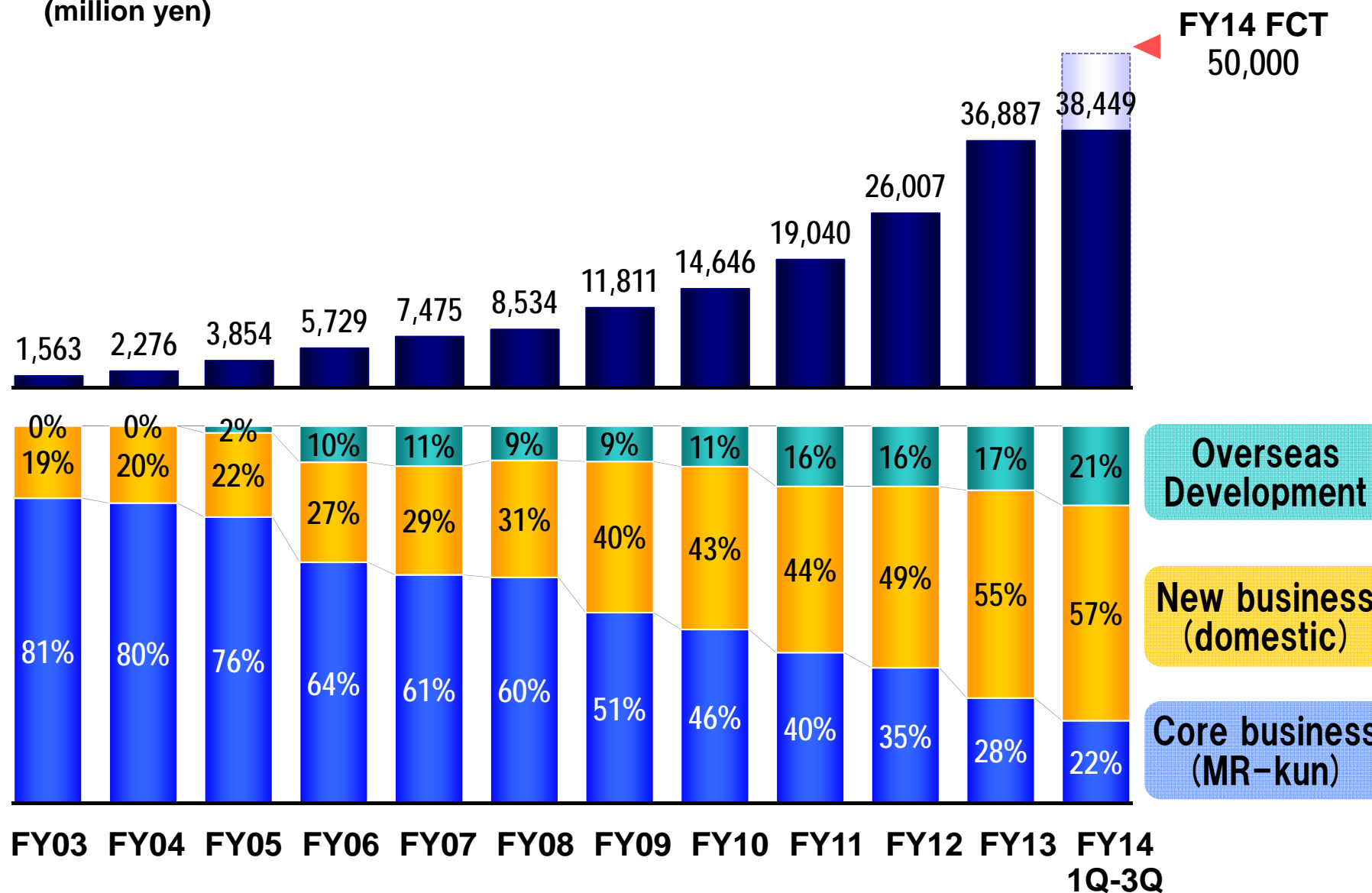
¥10 mn

The average of *top 5* clients: ¥860 mn

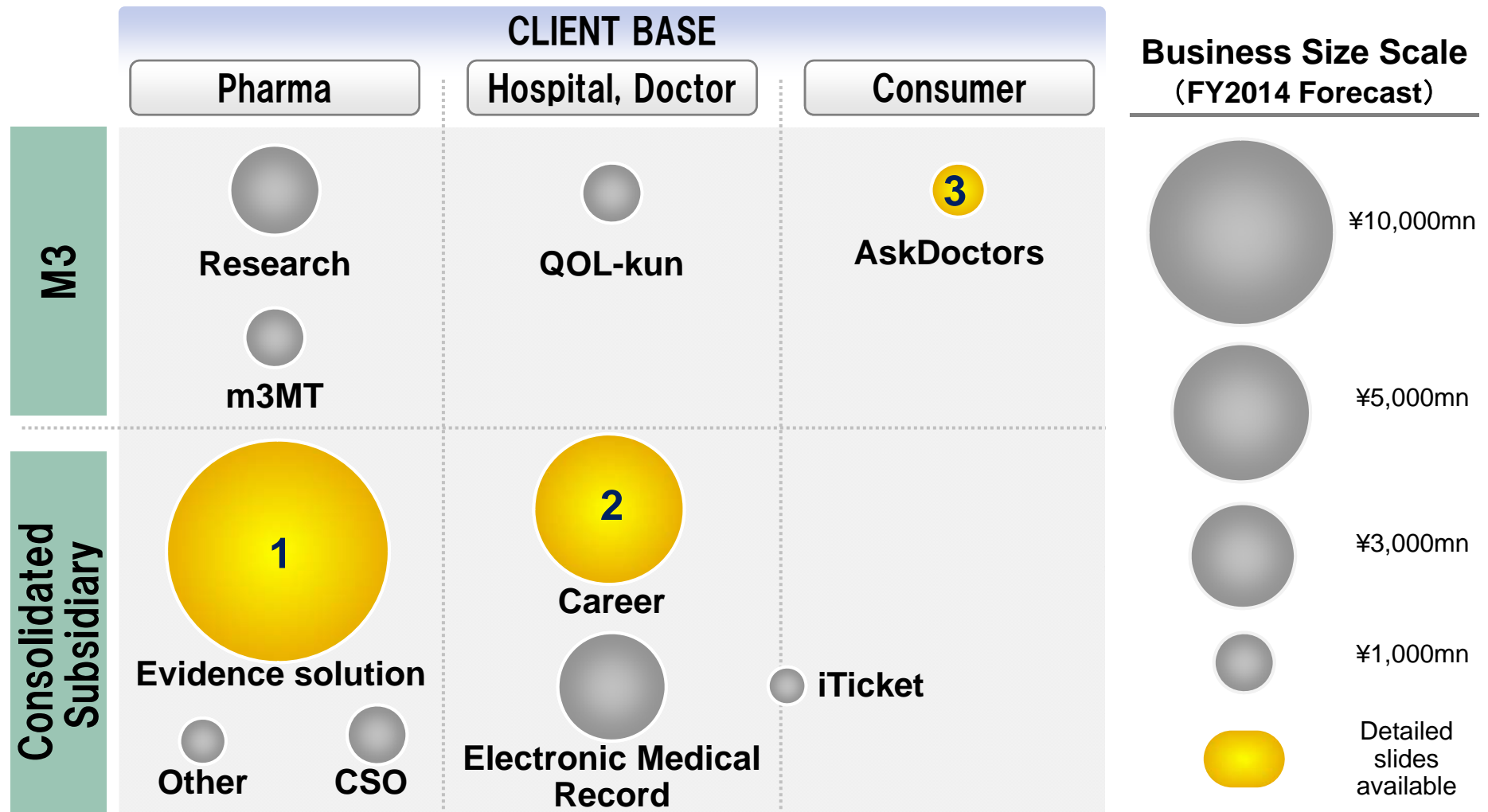


Consolidated Sales Trend

(million yen)



New Business Development on the Platform



Total revenue of new businesses in FY2014 is expected to exceed 30 billion yen. Current new project pipeline includes 10 to 20 new business ideas and plans for overseas 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.”



**Past
10 years**

**Paradigm shifted to online medical
promotion via “MR-kun”**

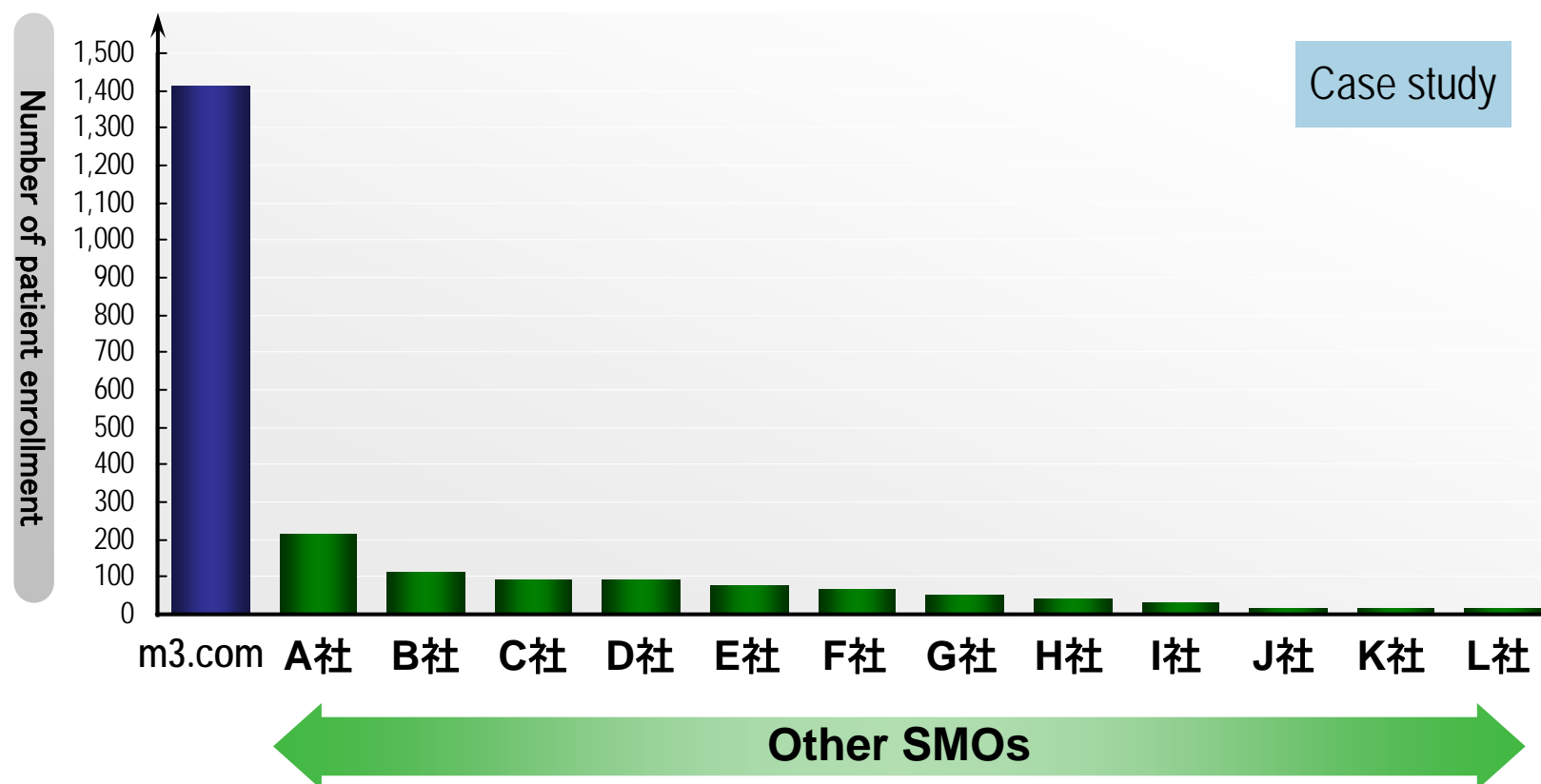
Next

**Enable the shift to online clinical
trials via “Chicken-kun”**

Patient Enrollment in a Large-Scale Clinical Trial

1 Evid Sol

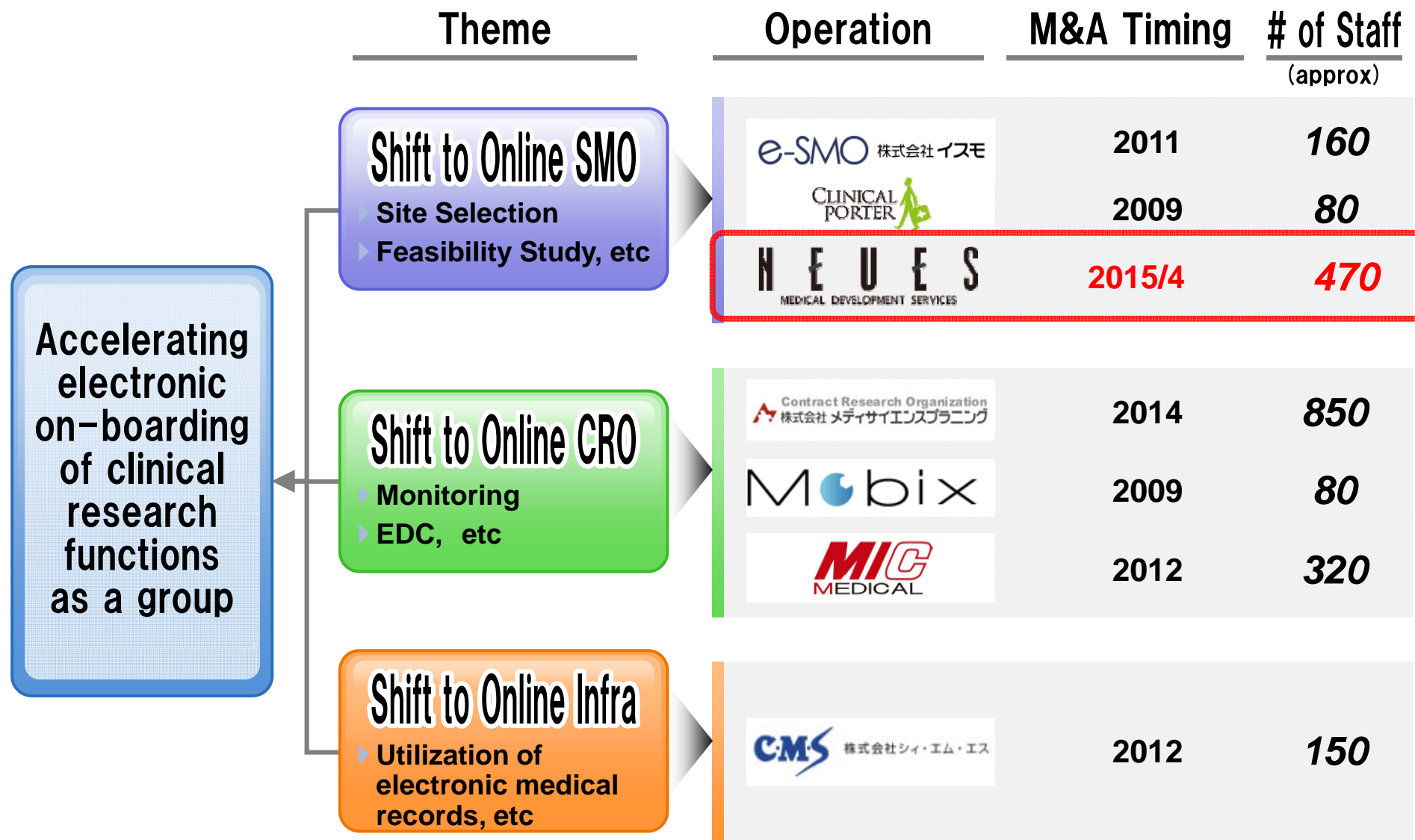
In the case of study in the Endocrinology and Metabolism area, m3.com doctors enrolled five times more patients compared to other SMOs:




 Expedited enrollment of cases compared to other SMOs

Shift to Online Trials

1 Evid Sol



Number of CRAs by Company (CRO) 1 Evid Sol

#	CRO Companies	# of CRAs	
1	EPS	855	
2	Cimic	780	
	M3 Group	780	
3	Quintiles	600	
4	Parexel	550	
5	MEDISCENCE PLANNING	478	
6	A2 Healthcare	380	
7	MICメディカル	260	
8	Linical	170	
9	Intellim	90	
10	Bell Medical Solutions	80	
	Mebix	42	



Number of CRAs within M3 Group is now at top levels of the CRO industry, accelerating the “Shift to Online Trials”

Acquisition of Neues (From April 2015)



Neues Co, Ltd

N E U E S
MEDICAL DEVELOPMENT SERVICES

Address Yaesu, Chuo-ku, Tokyo

Established September 1982

Capital 70 mn yen (approx.)

Financial Results
Sales: 4 bn yen (approx.)
Op. Profit: 5 mn yen
(FY ended October, 2013)

Employees approx. 470 employees

Main Attributes

- Approx. 20 centers across Japan
- Affiliates with approx. 800 clinical sites
- Labor force of approx. 300 CRCs
- 4th largest SMO in the industry

Objective of Acquisition

- Increase the number of affiliate clinical sites
- Acquire human resources
- Expand the coverage of affiliate sites that participate in trials via Mr. Finder
- Increase access to high quality clinical trials through a bigger presence within the industry


Number of CRCs by Company (SMO) 1 Evid Sol

#	SMO Companies	# of CRCs	
1	Site Support Institute	615	
2	EP-Mint	550	
	M3 Group	434	
3	Sogo Rinsho Group	346	
4	Neues	313	
5	Ethic	269	
6	Irom Group	-	
7	eSMO	121	
8	Exam	116	

M3 Group



Source: Individual corporate websites. Compiled by M3.

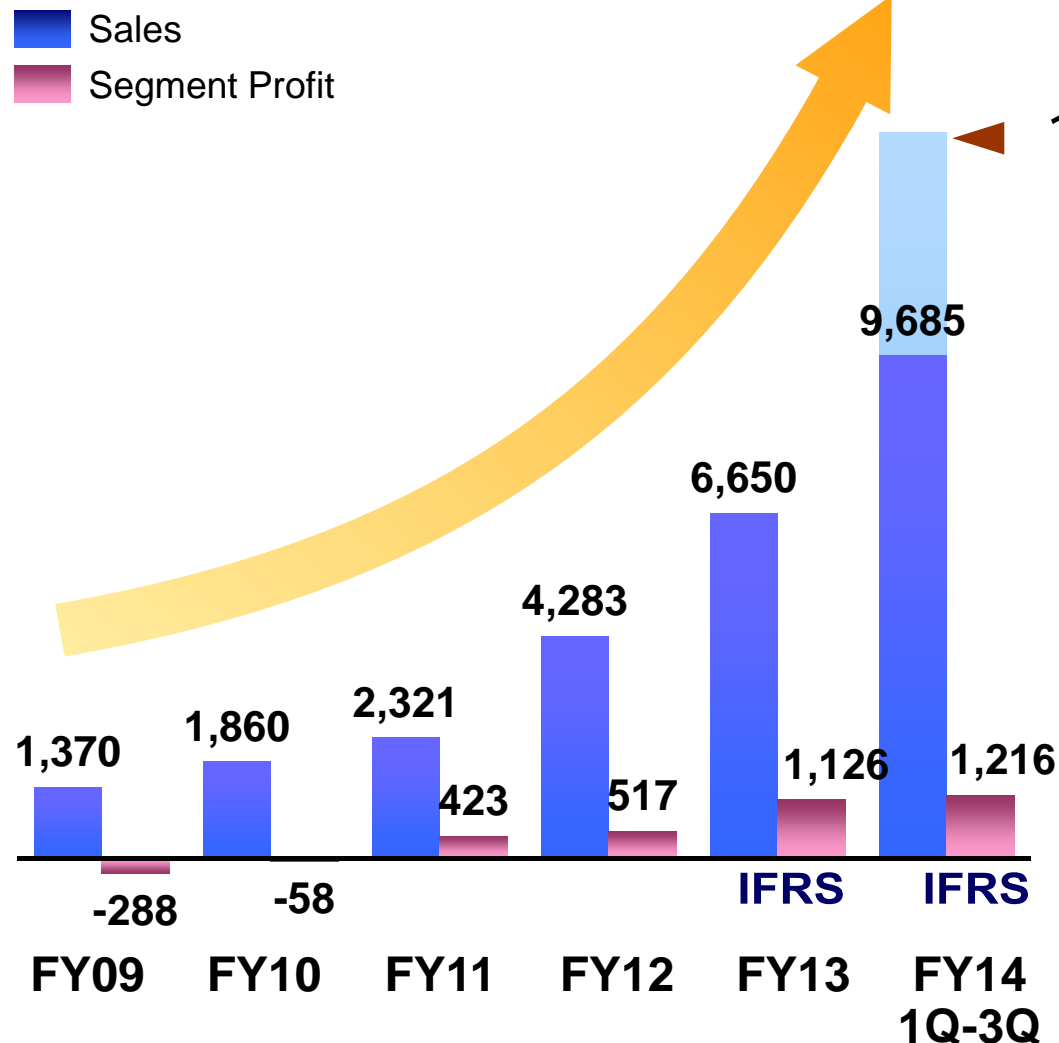
 Top level in number of CRCs. Combined with the m3.com network, M3 group will dominate the industry in ability gather clinical cases.

Sales and Profit Trend of Evidence Solution

1 Evid Sol

IFRS basis

(mn yen)



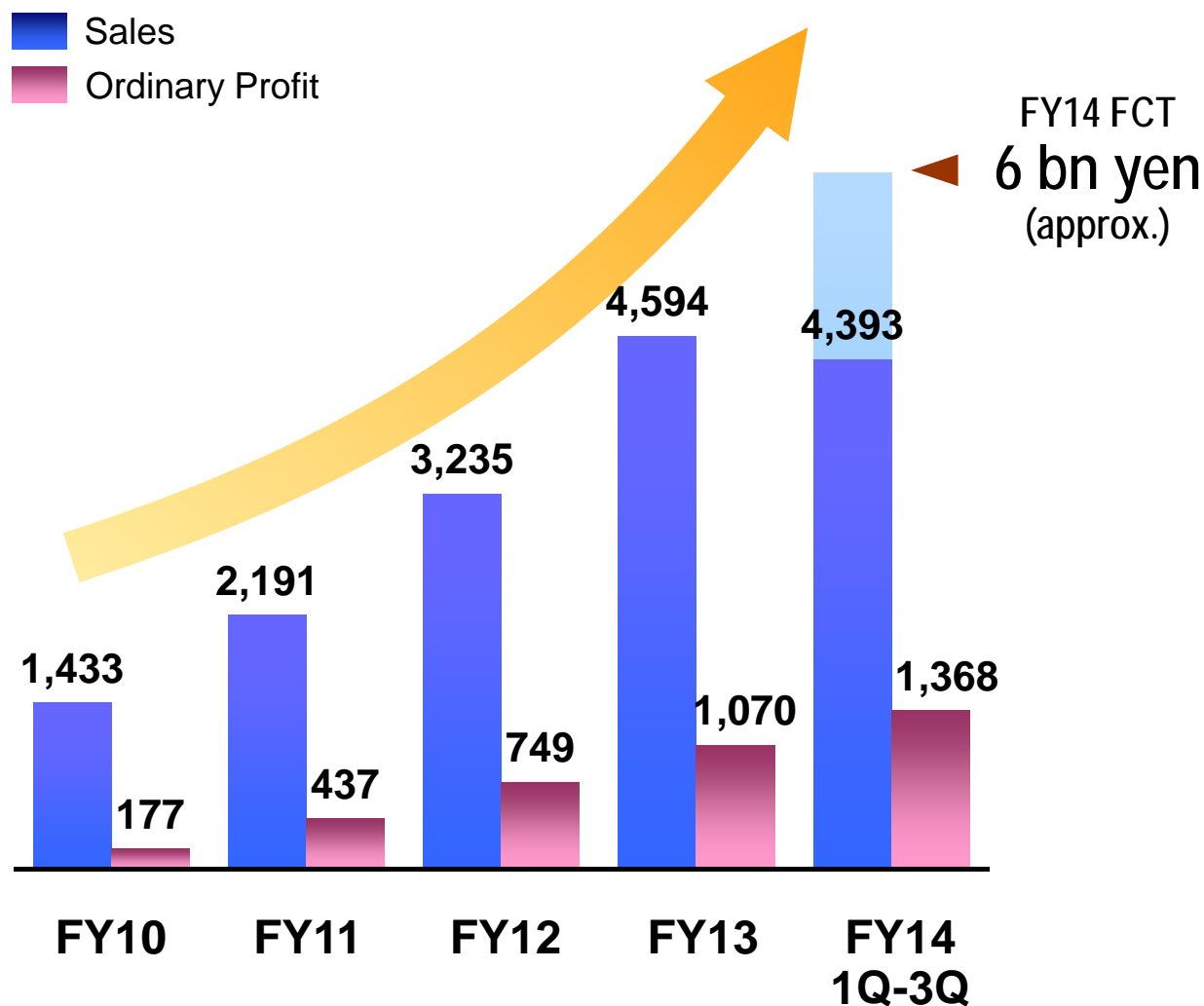
- Orders received reached **18.8 bn yen**, with corresponding increase in headcount as upfront investment.
- Q3 segment profits were 580 mn yen. Q4 expected to remain steady.
- SMO Neues will be acquired as a subsidiary from April 2015. M3 group now in top ranks in scale for SMOs, in line with our status amongst CROs.

Sales and Profit Trend of M3 Career

2 Career

(mn yen)

JGAAP basis



- Development of newly-hired staff has improved productivity
- Continued traction from job search services for doctors (+44% growth yoy)



Service Overview

- Provide doctors' (few hundred to several thousand) objective evaluations on health care related products sold by manufacturers
- Certification of healthcare related products that meet specified rating criteria
- Full support of healthcare related product development, from concept creation to evaluation of sample products

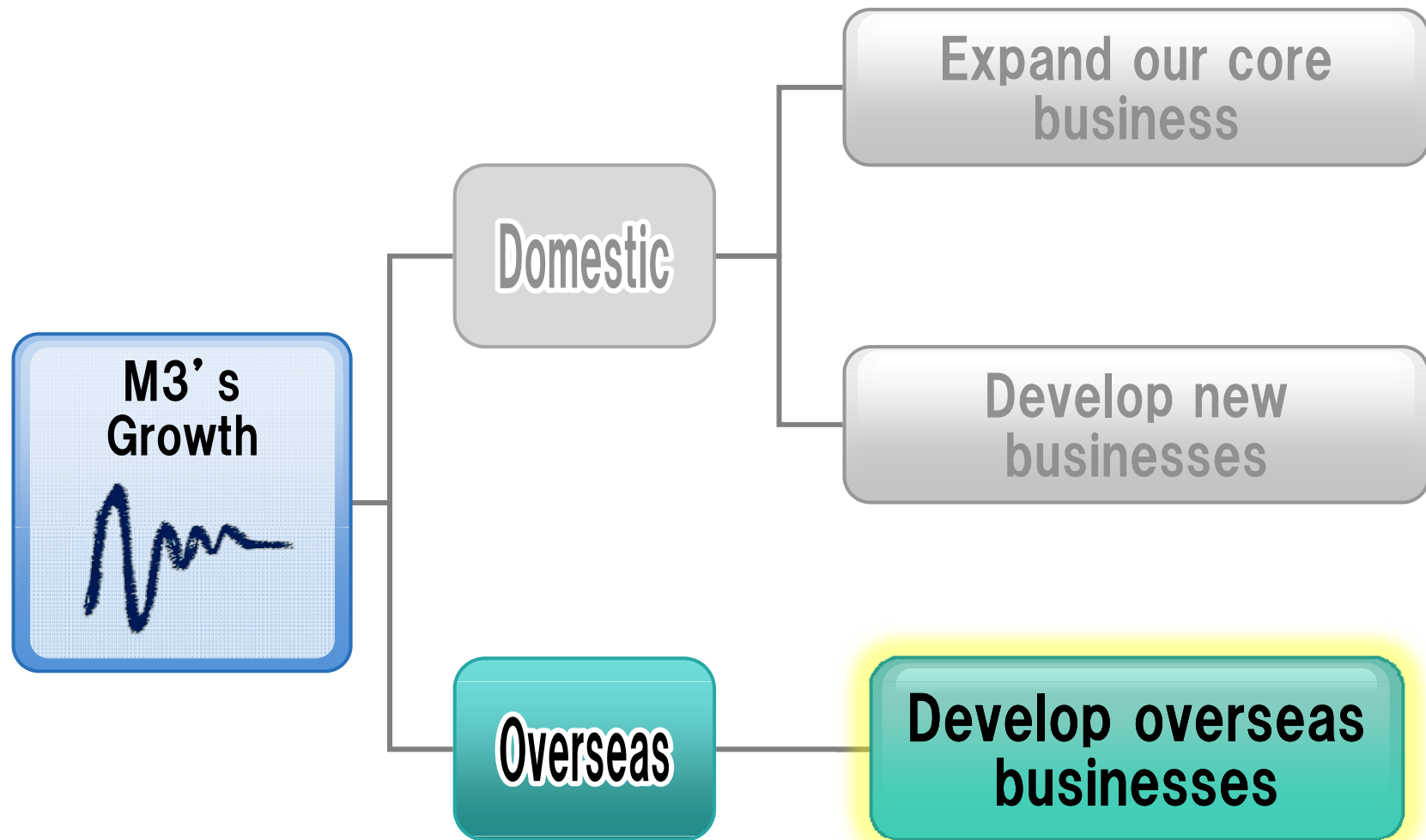
Main Clients and Products



Over 10 products from 10 firms

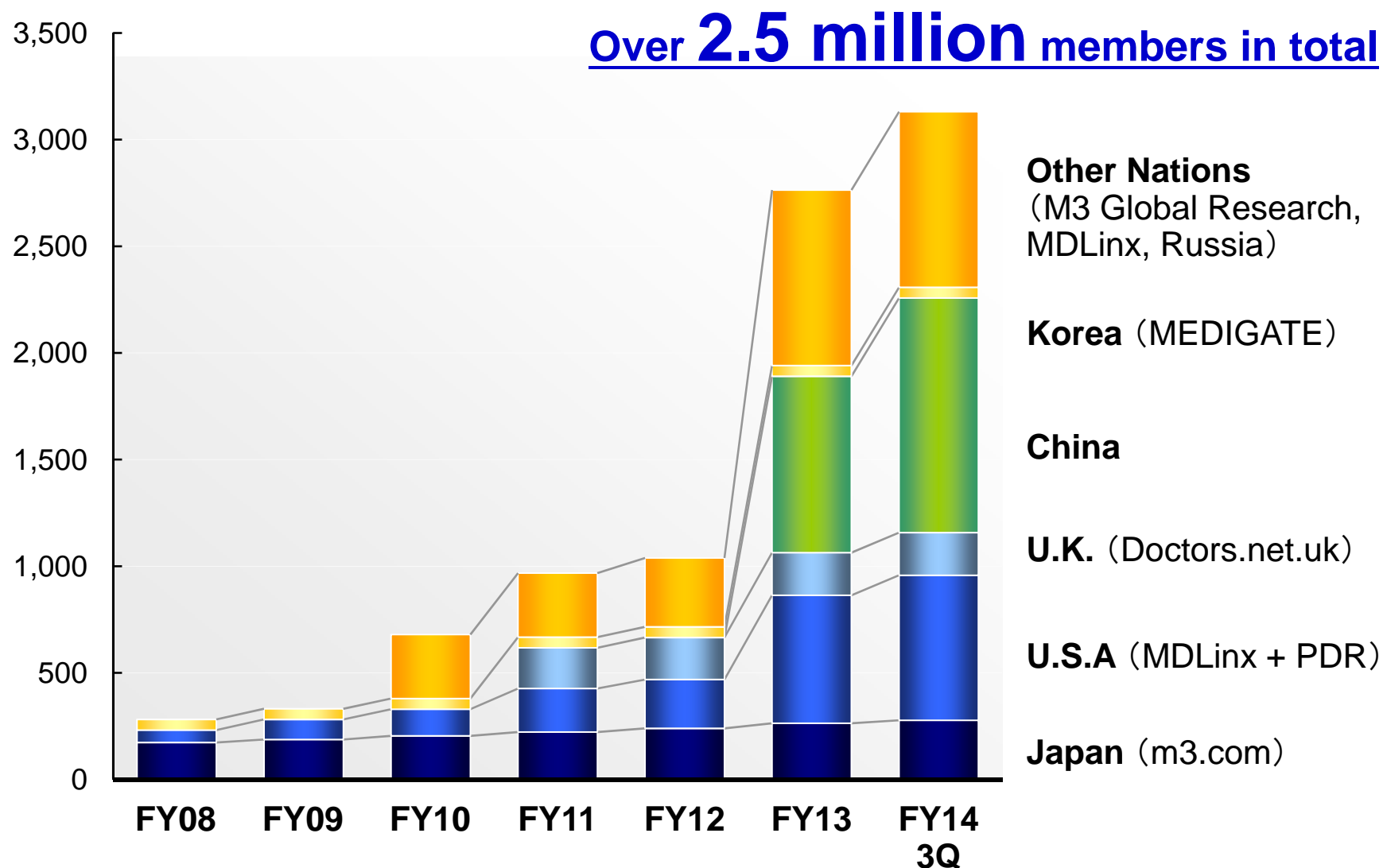
Website: **AskDoctorsLab** <https://www.askdoctors.jp/labs/> (available in Japanese only)

👉 Employment of services by major domestic brands expected to accelerate going forward



Physicians Registered in Our Site or Research Panel (Global)

(thousand)



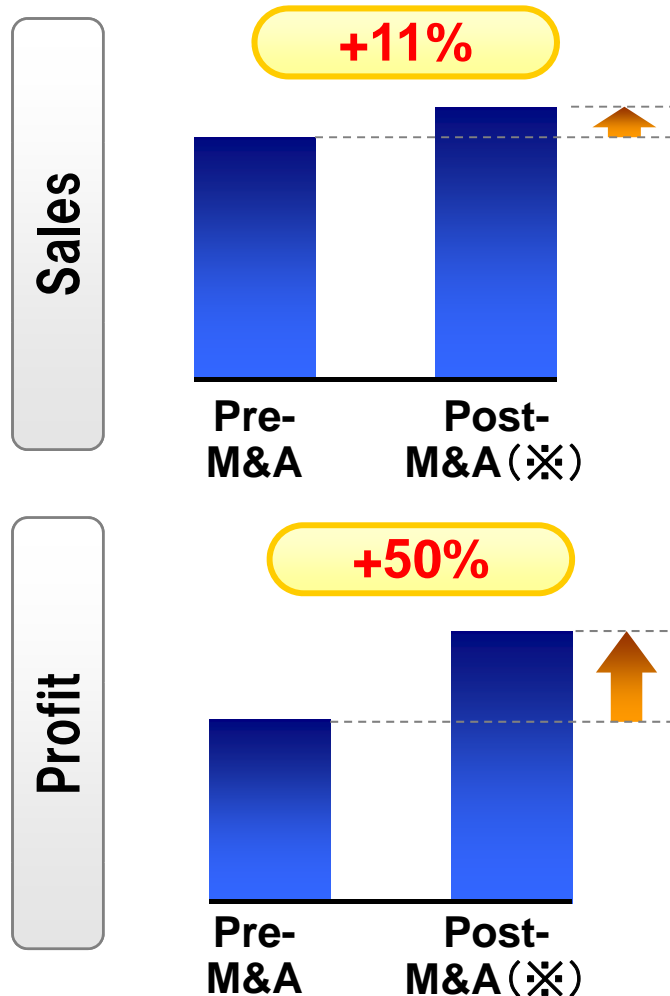
Development in the US

The screenshot displays the MDLinx website, which is a platform for medical professionals. The header includes the MDLinx logo with the tagline "5 minutes to stay current" and a "NEW! Board Exam Prep" badge. A navigation bar contains links for Home, Your Messages (23), Smartest Doc, Physician Jobs (265), Clinical Trials, More, Other Specialty, and Article Search. The main content area is divided into several sections:

- Oncology News & Articles:** A section providing the latest in oncology clinical literature, including peer-reviewed journals and expert commentary.
- Your Unread Messages in Oncology:** A section for industry-sponsored communications and special communications from MDLinx.
- Articles:** A list of recent articles, including "Pointbreak: A randomized phase III study of pemetrexed plus carboplatin and bevacizumab followed by maintenance pemetrexed and bevacizumab versus paclitaxel plus carboplatin and bevacizumab followed by maintenance bevacizumab in patients with stage IIIB or IV nonsquamous non-small-cell lung cancer" and "Autophagic-lysosomal pathway is the main proteolytic system modified in the skeletal muscle of esophageal cancer patients".
- Clinical Pearls In Oncology:** A section featuring clinical pearls, such as "The ZORO study demonstrated that the addition of goserelin to neoadjuvant chemotherapy for early breast cancer in premenopausal women resulted in no change in post-chemotherapy rates of amenorrhea".
- Highlights In Oncology:** A section highlighting key findings, such as "VEGFR-1 is a prognostic marker for HCC".
- Market Research Dashboard:** A section for users to track their profile completion and earn honoraria for participating in market research studies.
- Post your CV and let employers find you!** A section for users to post their CVs and receive job recommendations based on their professional profile.
- UPCOMING Clinical Trials:** A section listing upcoming clinical trials, such as "Circulating Tumor Cells (CTCs): A Potential Screening Test for Clinically Undetectable Breast Carcinoma".

- **Expanding services in the U.S. via MDLinx, centered around M3 USA (100% subsidiary)**
 - Membership has reached over 600,000 US doctors after partnering with PDR, resulting in **coverage of 80%+** of US physician population
 - Developed into the **#1 player in the U.S.** for marketing research targeting physicians, as a result of superior media power
- **Succeeded operations of PracticeMatch**
 - Initiating full scale career services.
 - Significant improvement in profit margins from post merger structural improvements.
- **Investigating opportunities to monetize MDLinx's growing database of 500,000 physician members residing outside of the U.S.**

Turn-Around of Practice



(※) Annualized post-merger results

■ Topline increase via site integration

- Increased service line-up through affiliation with MDLinx, our US portal website designed for medical professionals

■ Cost Restructuring

- Optimization of labor force and cost restructuring to improve profitability
- Streamlining and re-conditioning of sales force for improved productivity

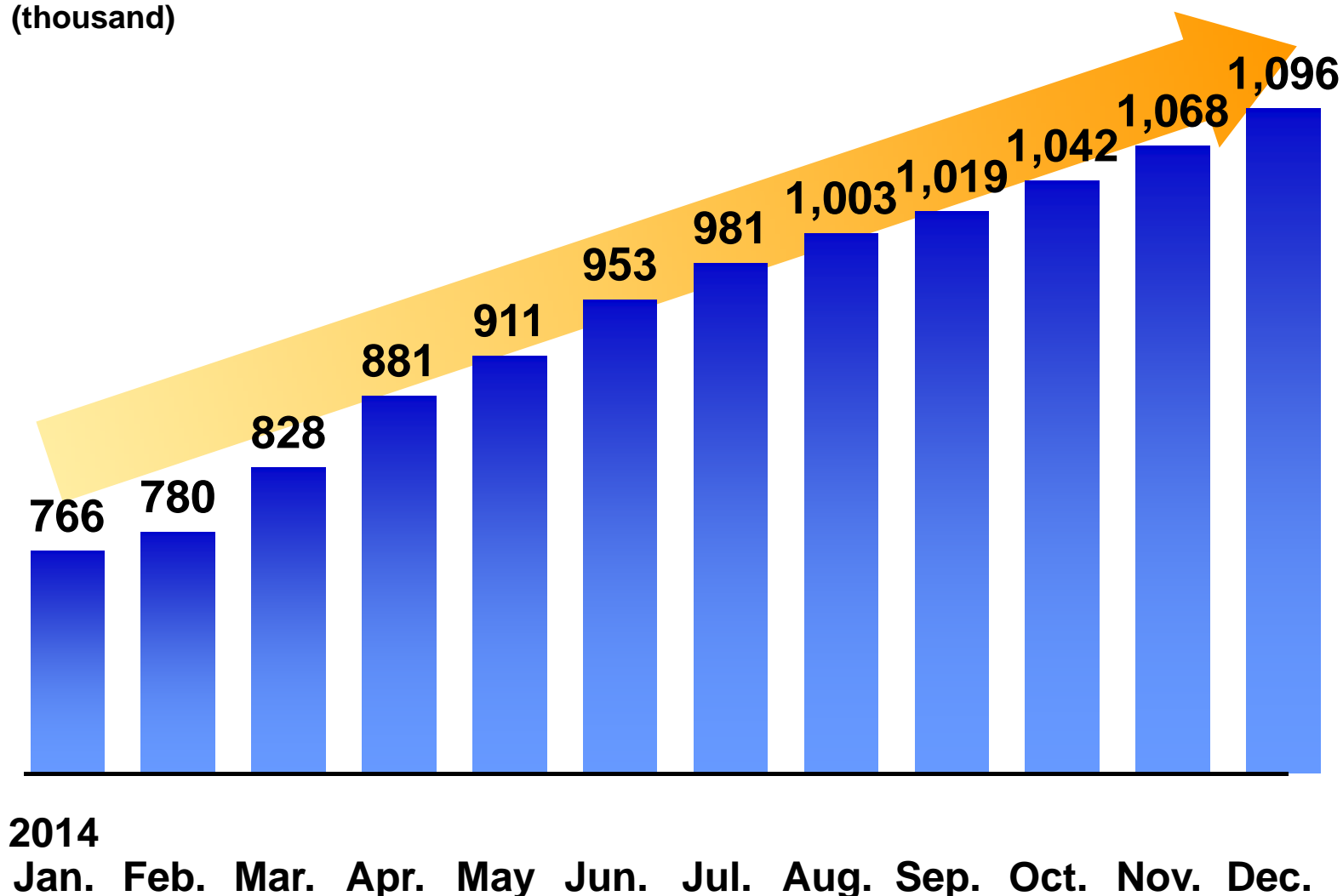
Operating profit improved to
over 30%

 Value creation through M&As both at home and abroad

Physicians Registered on Our Site in China

Jan. – Dec. in 2014

(thousand)



2014

Jan. Feb. Mar. Apr. May Jun. Jul. Aug. Sep. Oct. Nov. Dec.

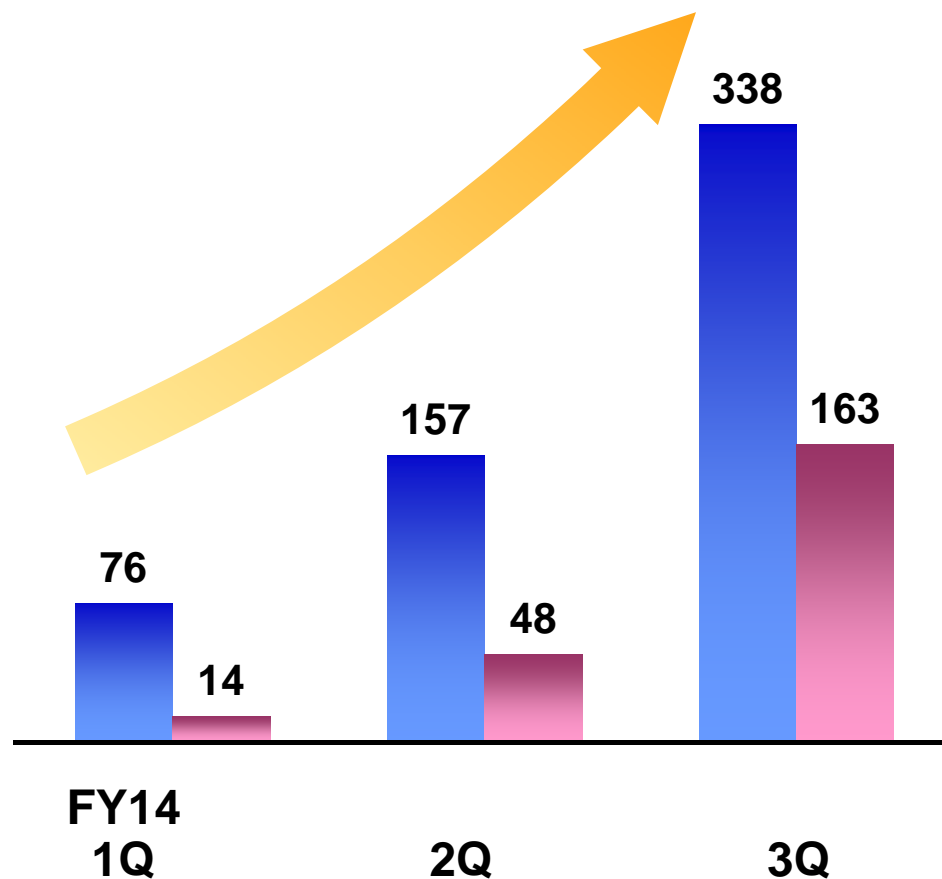
China Business Results

(mn yen)

JGAAP basis

Sales

Recurring Profit

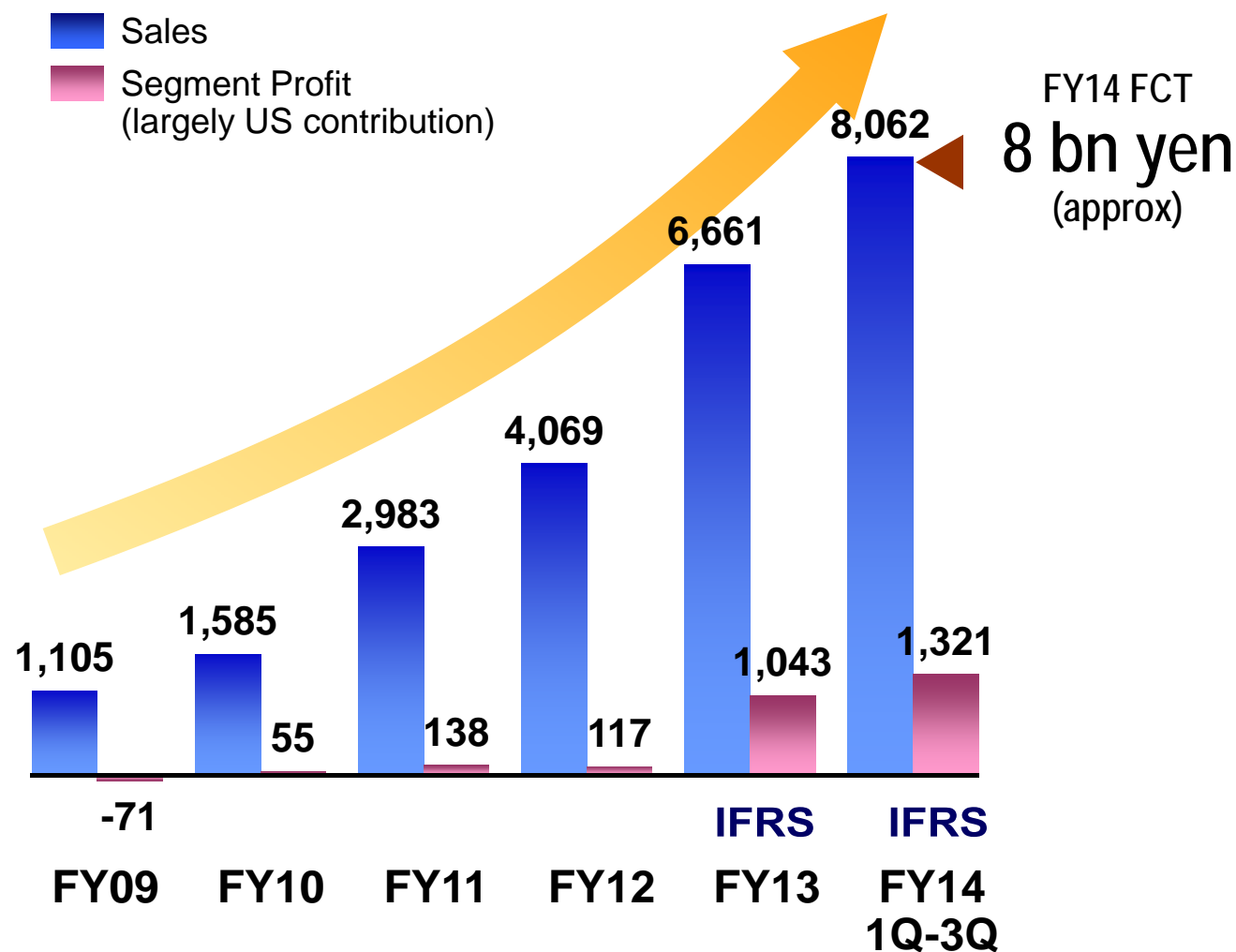


- China site membership has exceeded **1 million** doctors, covering roughly **50%** of physicians in China
- Marketing and research services for pharma co's are growing steadily, producing surplus.
- **MR-kun** service launch in pipeline for **2** pharma companies.

Sales and Profit Trend of Overseas

(mn yen)

IFRS basis



- Expansion of segments in China on top of the U.S. and U.K.
- FX impact of U.S. and U.K. earnings equalled 548 mio yen. Growth continues to accelerate on a local currency basis as well.
- M&A due diligence fees amounted to **72 mn yen**. Exclusive of fees, operating **profit** amounted to roughly **14 bn yen**.

M3 Group's Business Strategy

Changing Strategy in New Business Development

Business Development in Healthcare-Internet Sector (2000~2010)



Internet-Powered Investment Strategy in Healthcare Sector (2011~)



Approach

Internet



Internet + Real-world
Operation

**Service
Coverage**

Web-based
eTools



End-to-End
Service Structure

**Number of Potential
Business Domains**

~10



20 ~ 30
(~ 100 incl. overseas)

Profitability

High margin
(Mid revenue)



High revenue
(Mid margin)

M & A

Small size

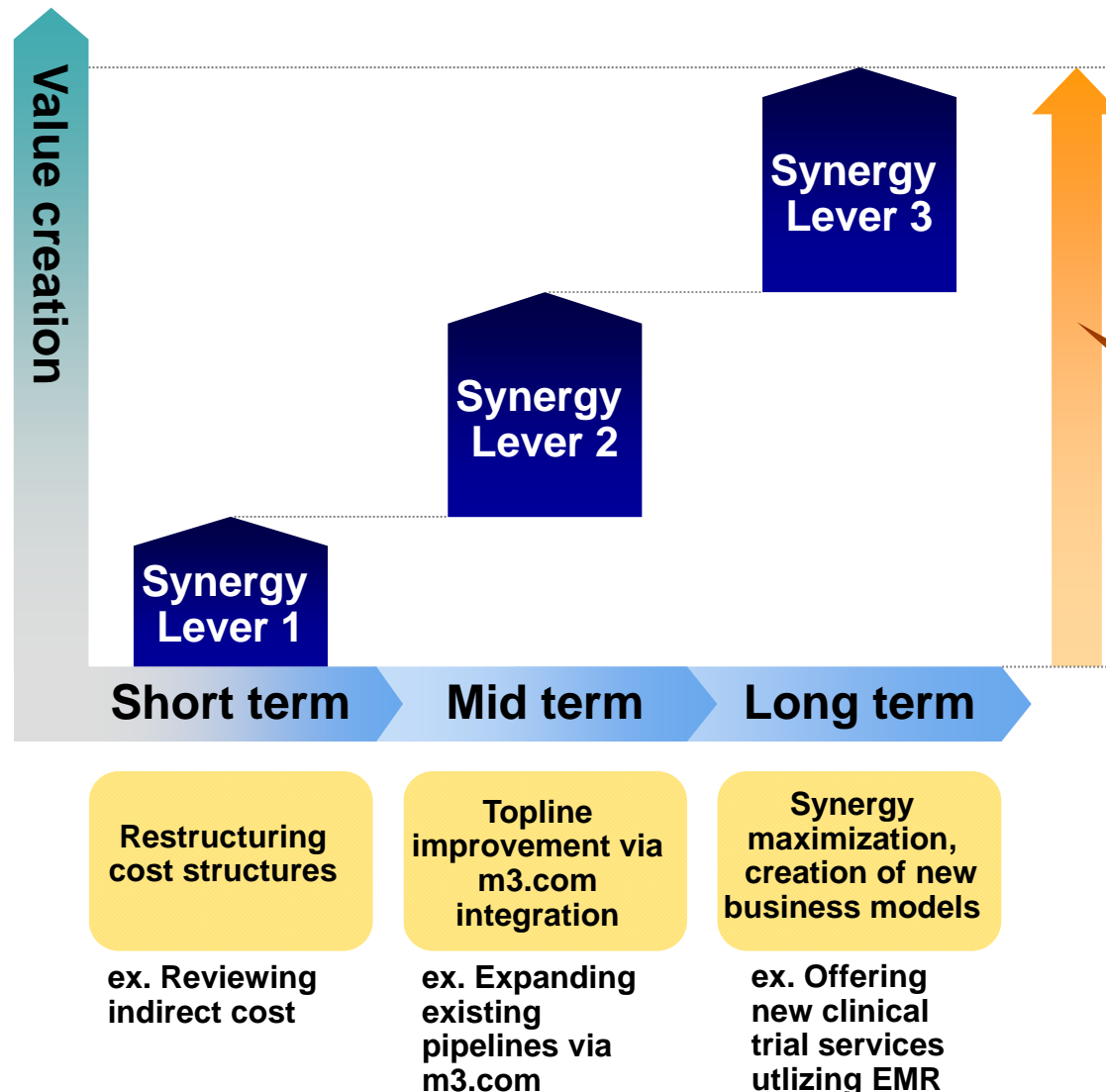


Large ~ mid size



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

Value Creation via M&A



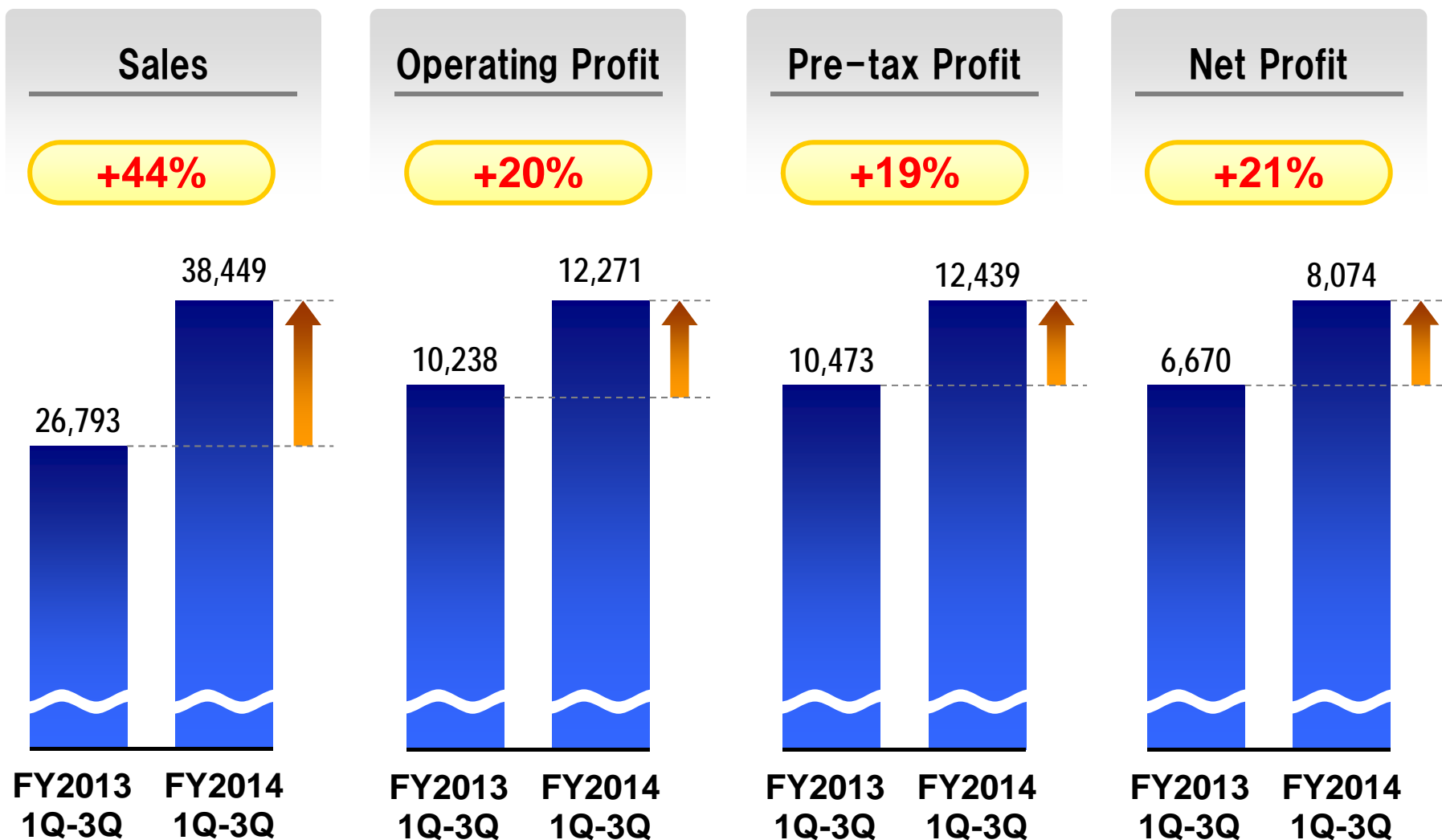
- We aim to create value across 3 successive terms after execution of M&A.
- Execution of 10+ M&As in the past 3 years have created more synergistic effects than initially expected and has provided accumulation of turn-around expertise
- We plan to use this PE-based strategy to create value overseas as well.

Financial Results

FY2014 3Q (2014 Apr-Dec) Consolidated Earnings (YoY)

IFRS basis

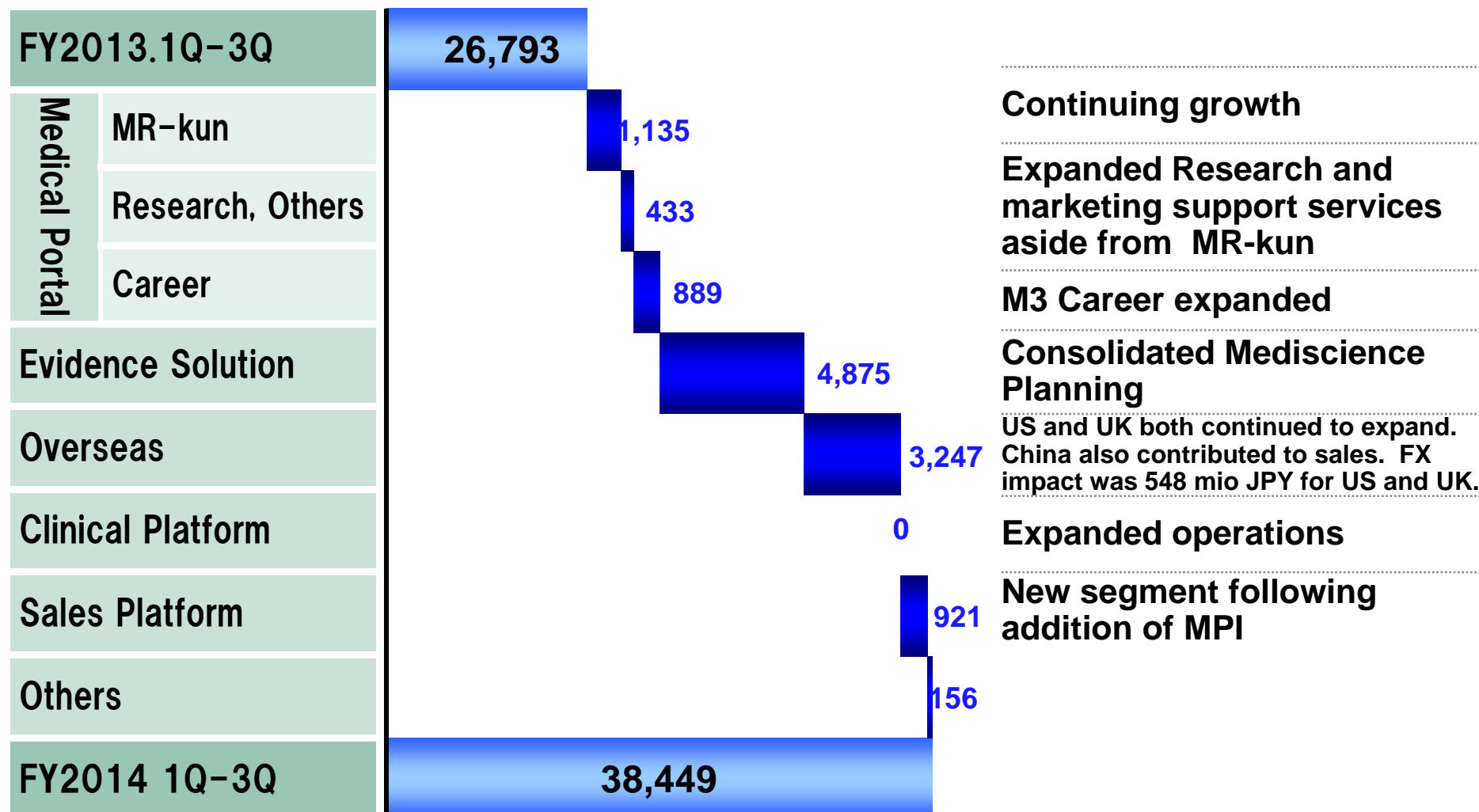
(mn yen)



Consolidated Sales Analysis (YoY)

IFRS basis

(mn yen)



Steady growth momentum continues across all segments

Breakdown by Business Segments

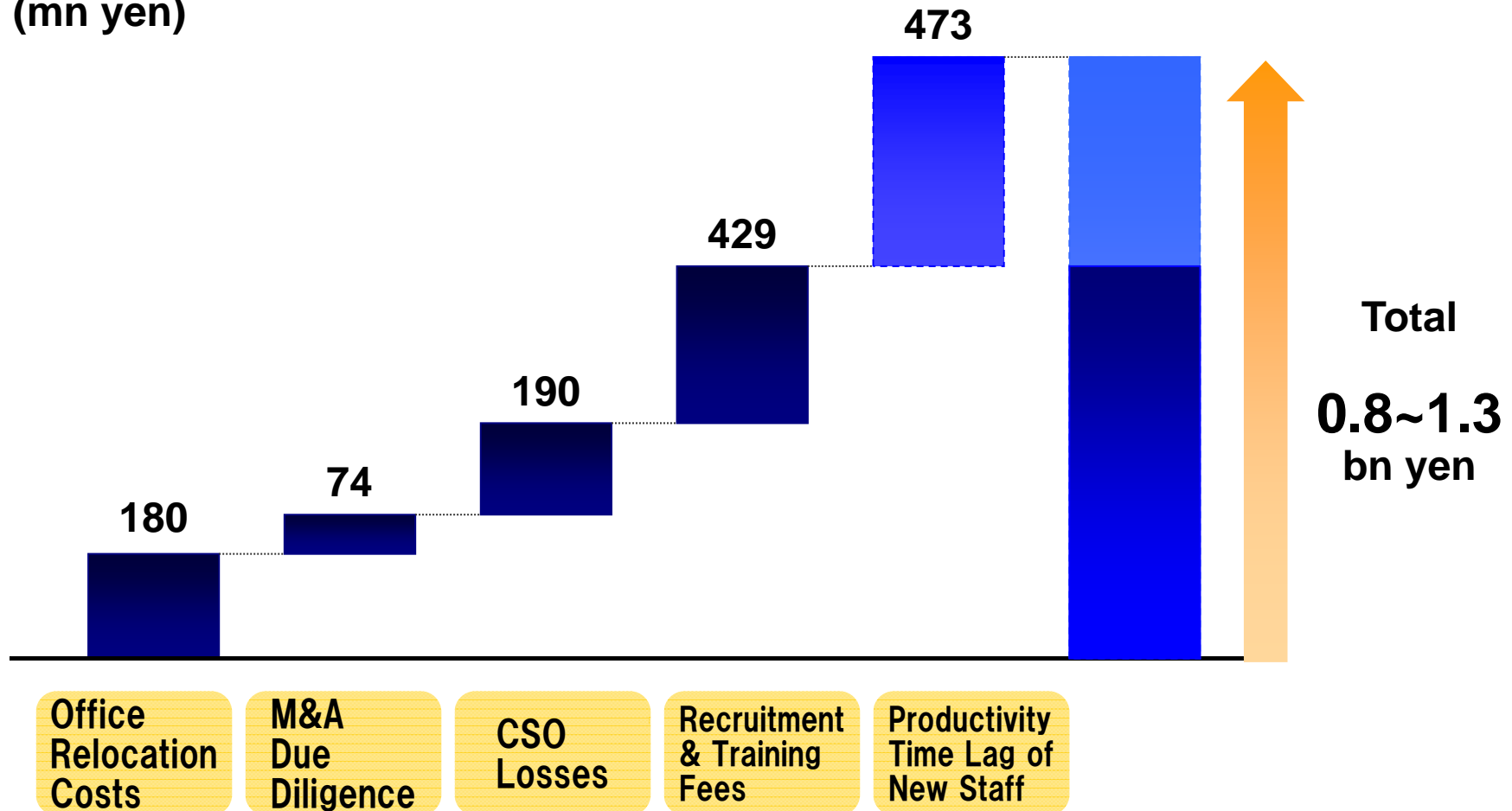
IFRS basis

(mn yen)

		FY2013 1Q-3Q	FY2014 1Q-3Q	YoY Growth
Medical Portal	Sales	14,733	17,190	+17%
	Profit	8,241	10,089	+22%
Evidence Solution	Sales	4,809	9,685	+101%
	Profit	1,156	1,216	+5%
Overseas	Sales	4,815	8,062	+67%
	Profit	857	1,321	+54%
Clinical Platform	Sales	2,031	2,030	-
	Profit	227	203	▲11%
Sales Platform	Sales	-	910	-
	Profit	-	▲190	-
Others	Sales	819	1,154	+41%
	Profit	158	80	▲49%

One-Time Upfront Investment Costs (Apr-Dec)

(mn yen)

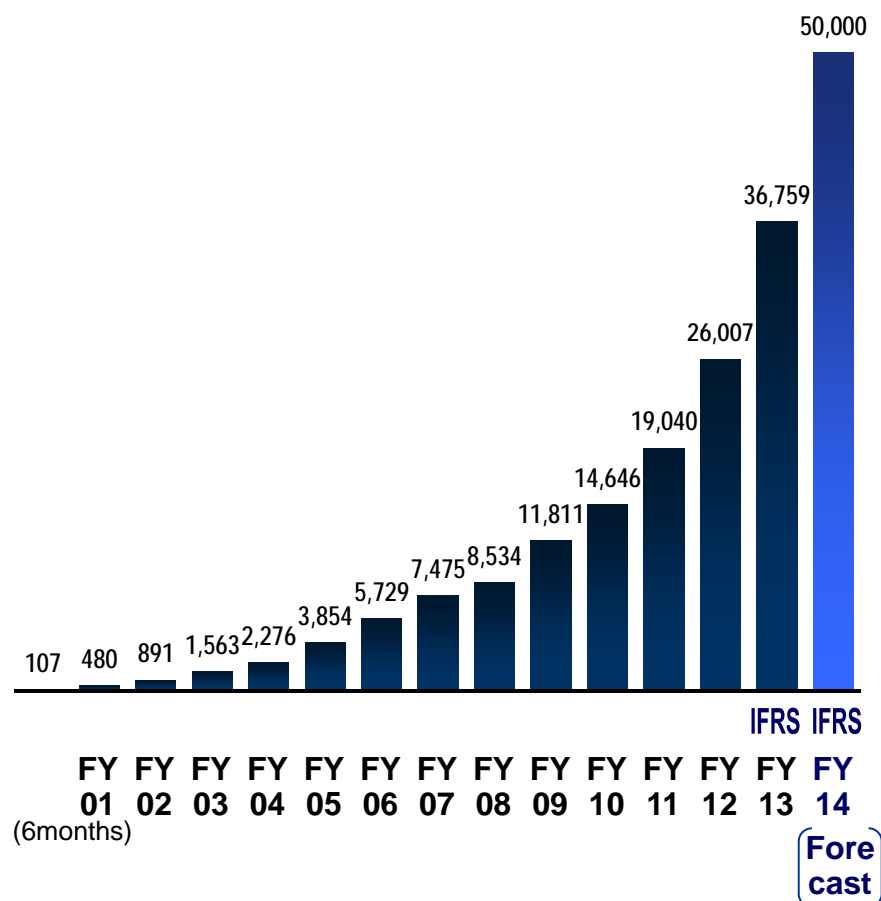


 Upfront investment costs is expected to dampen profits by 0.8 ~ 1.3 bn yen. Profit contribution from current investments expected sometime next fiscal year.

Annual Results & Forecast for FY2014

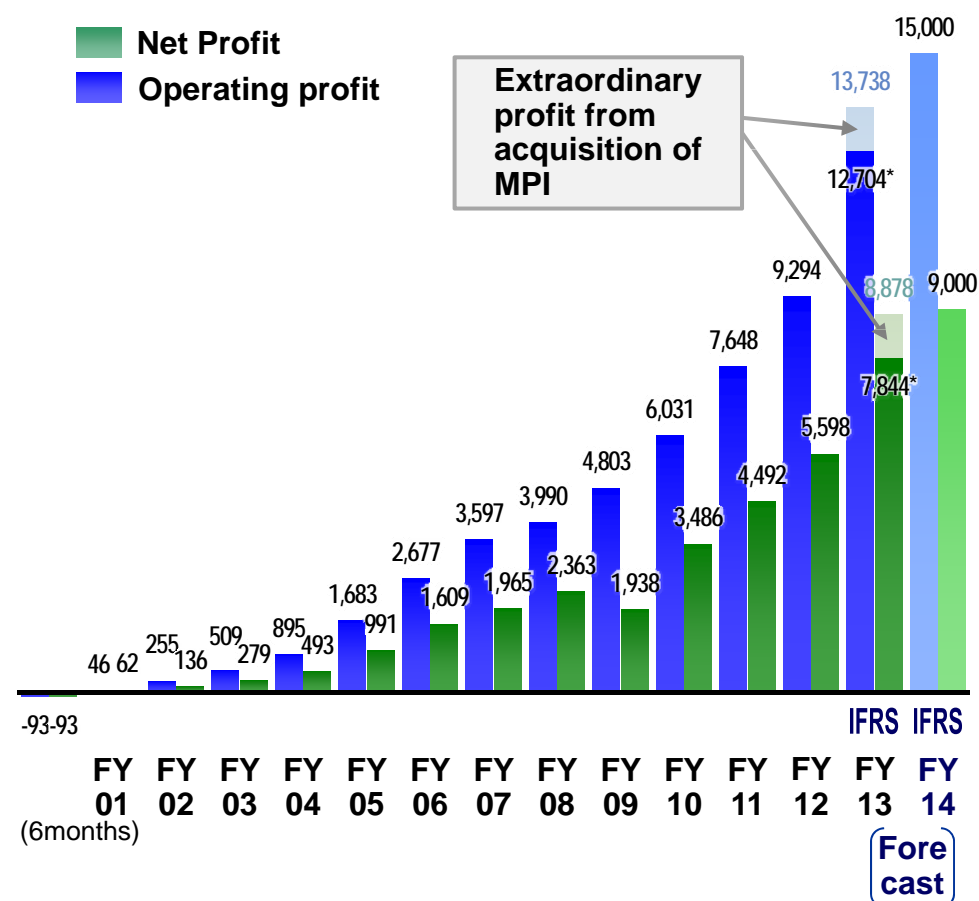
Sales

(mn yen)



Ordinary Profit & Net Profit

(mn yen)



* Exclude one time profit from net profit and operating profit (profit from acquisition of MPI: 1,034M yen).

Creating New Value in Healthcare

M3

Medicine

Media

Metamorphosis



Healthcare sector is enormous...

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

Aim to create new value

- Solve the issues and problems of the medical sector
- With new and unique business models
- While focusing on areas where we can add high value (e.g., have high profit) to boost our enterprise value

Source: Ministry of Health, Labour and Welfare, the Japan Medical Association, M3