


M3

Presentation Material

Jan. 2014





The following contains statements that constitute forward-looking statements, plans for the future, management targets, etc. relating to M3, Inc. and/or its group. These are based on current assumptions of future events, and there exist possibilities that such assumptions are objectively incorrect and actual results may differ from those in the statements as a results of various factors.

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.

Company Background



Business domain

Internet-based
healthcare businesses

Name

→ M3
Medicine
Media
Metamorphosis

History

2000	Sep	Founded
	Oct	Launched MR-kun service
2002	Mar	Acquired WebMD Japan
2004	Sep	Listed on TSE Mothers
2005	May	Alliance with Medi C&C and entry into Korean market
	Sep	Launched QOL-kun service
	Dec	Launched AskDoctors service
2006	Jun	Acquired MDLinx and entered into US market
2007	Mar	Listed on TSE 1
2008	Oct	Opened “MedQuarter.de” to enter into Europe market
2009	Apr	Acquired Mebix and entered into clinical trial market
2010	Nov	Acquired EMS Research and established global research physician panel
2011	Aug	Acquired Doctors.net.uk and entered into UK market
2013	Nov	Entered into China market

Sponsor-free

Medical News

Search engine

Research Paper
search

Web-based
medical tools

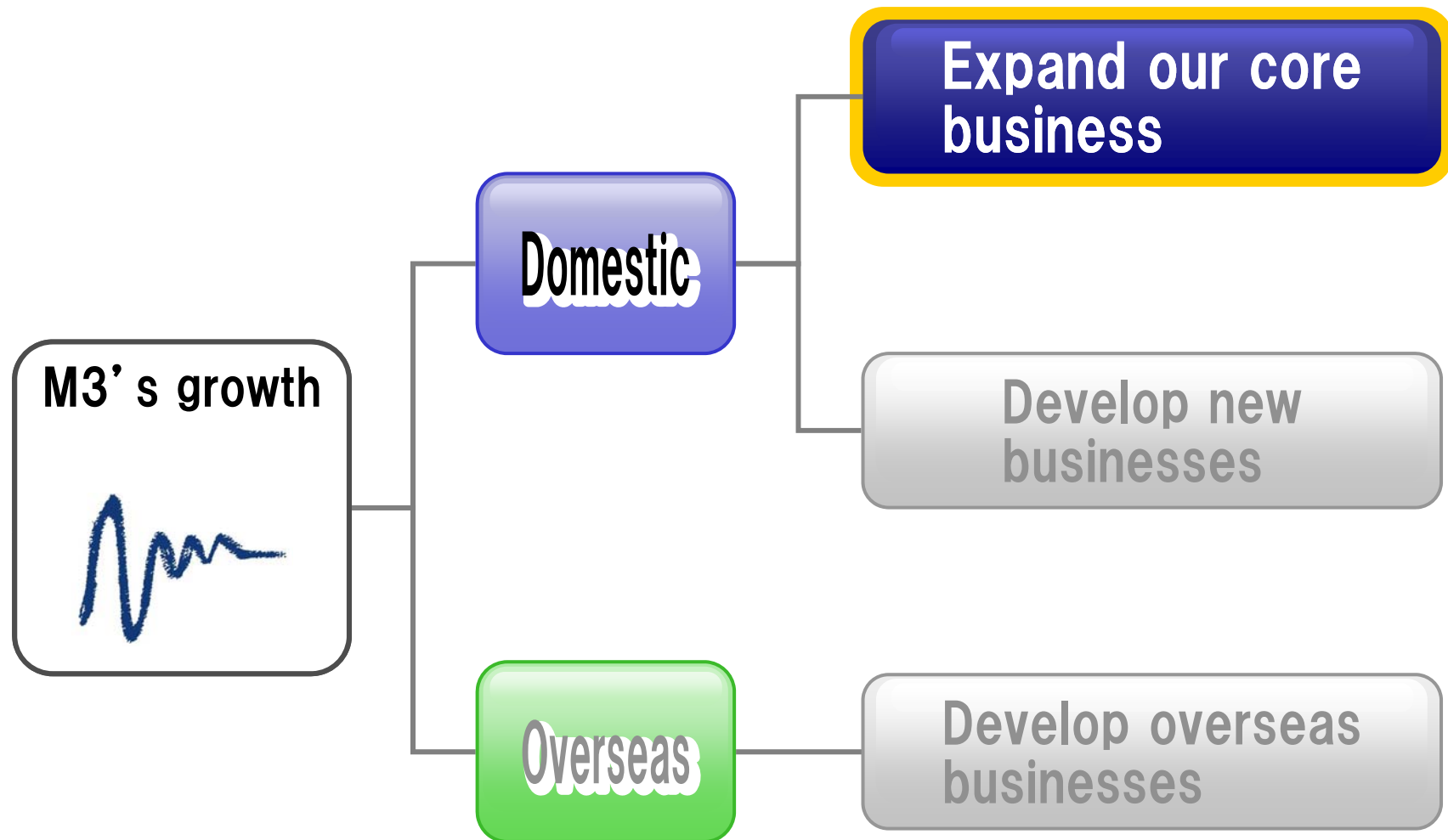


Sponsored

m3.com MR-kun

Sponsor
messages

M3's Growth



Japanese Pharma's Huge Marketing Costs

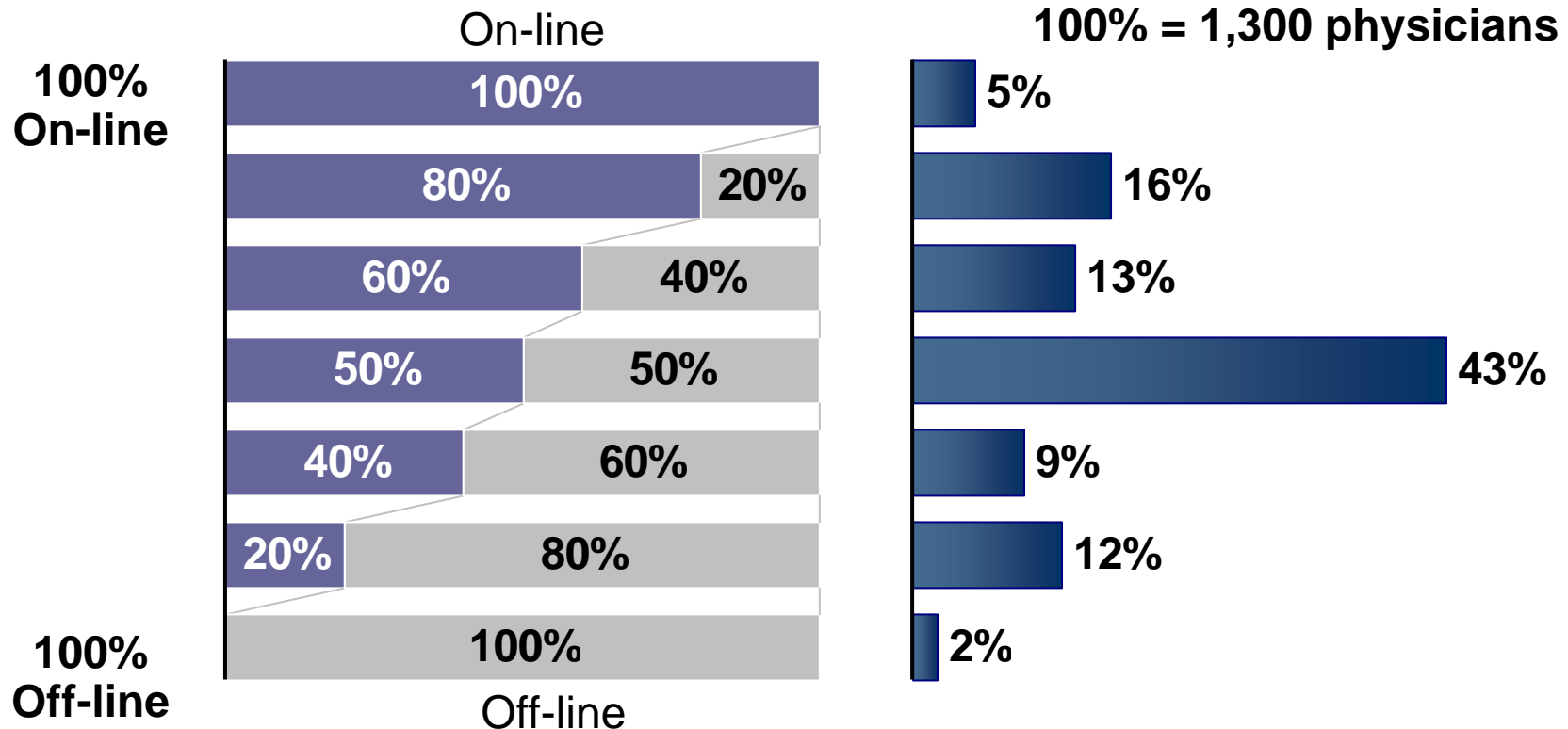
	Head count		Annual costs per person		
MRs (Pharmaceutical companies)	63,000	×	¥20mn	=	¥1.2tn
MSs (Pharmaceutical wholesalers)	30,000	×	¥10mn	=	¥300bn
					Total cost of whole industry ¥1.2-1.5 tn

Source: MIX, Research by M3

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.

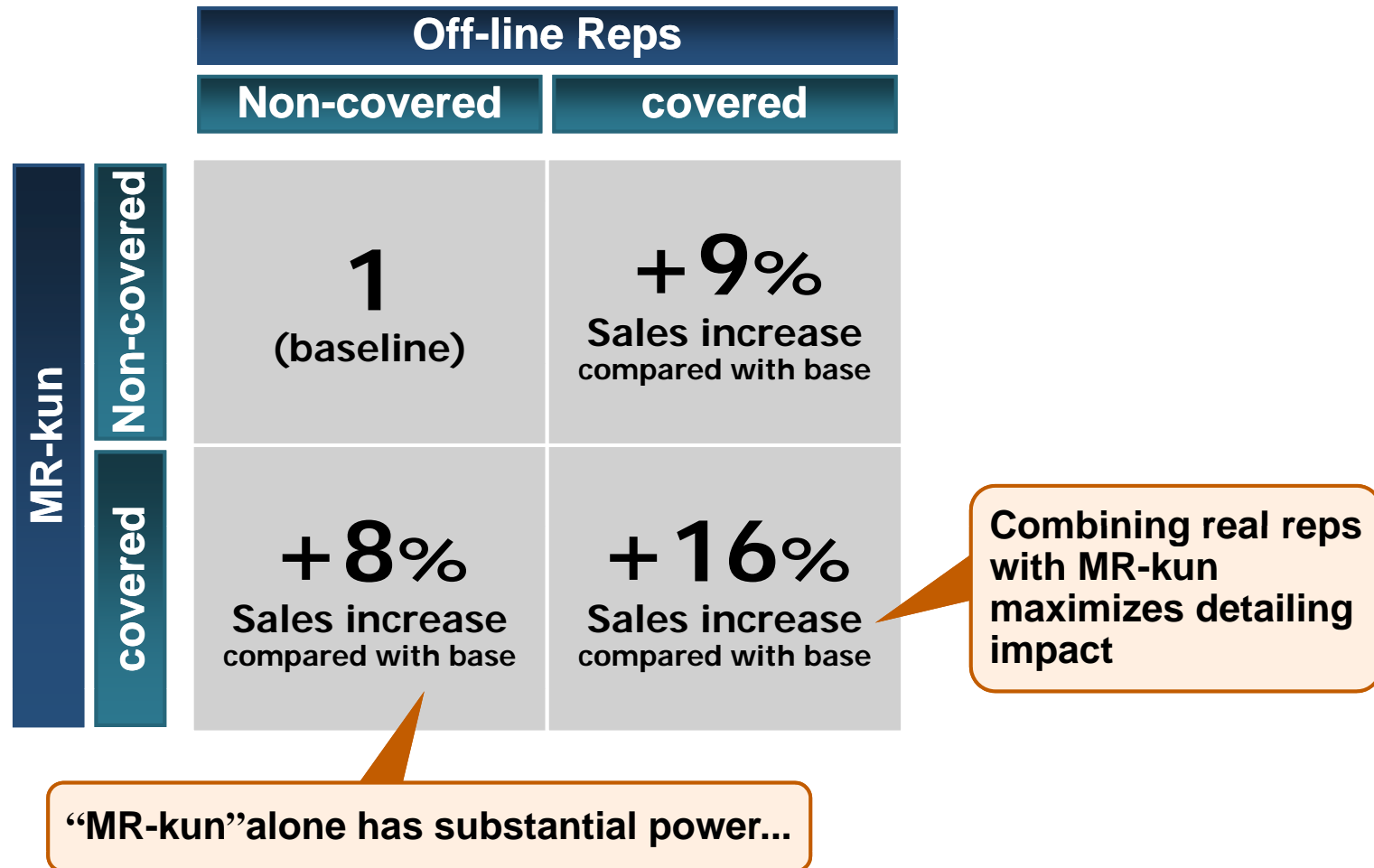


Demand for eDetails is quite high for busy physicians as they can get information when it's convenient for themselves, not for MRs

Source: M3 questionnaire to 1,300 physicians

MR-kun Increases Sales Like Reps

Case
study



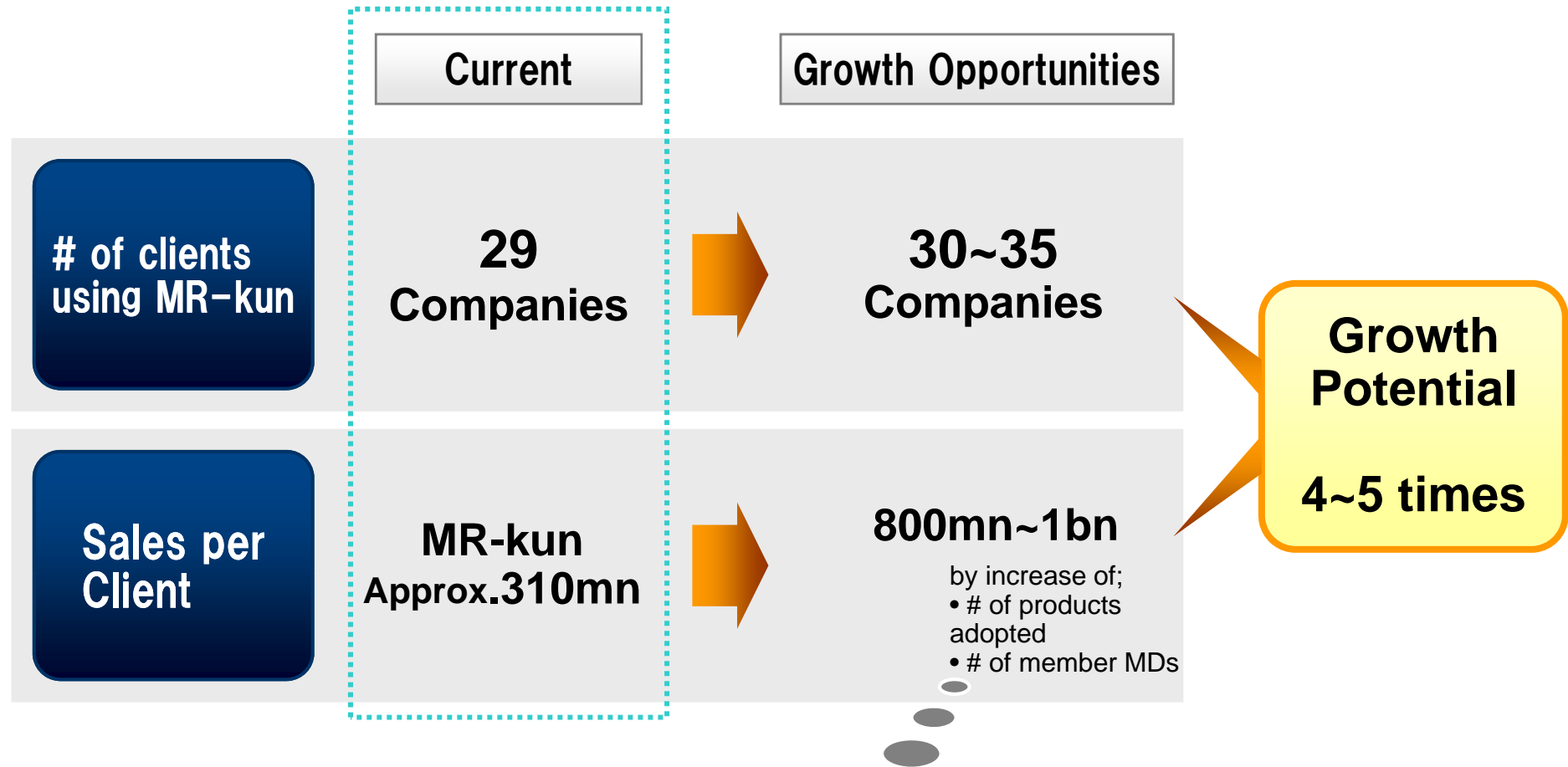
Source: M3
Notes: Questionnaire to 16,000 General Practitioners

Copyright © 2014 M3, Inc. All rights reserved.

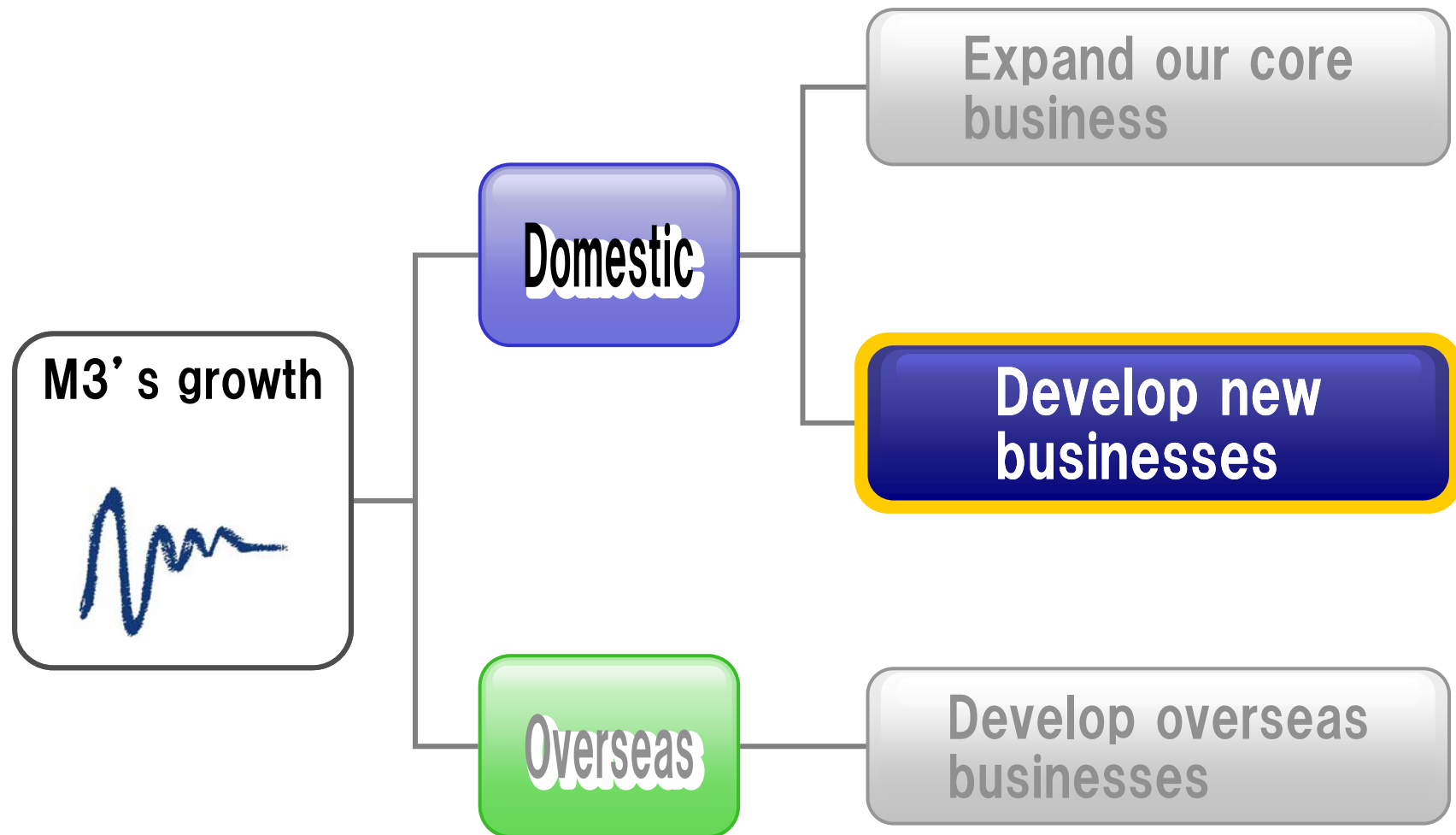
MR-kun Annual Fee Structure

	MR-kun base fee	Detail fee	Contents production fee	Operation fee
		¥100 per detail	M3 produces web contents shown on MR-kun	Basic operation, including sending messages to physicians and replying to physicians' questions
Initial Phase	¥70mn • Revised as of Oct. 2005 for new client • Previous fee: ¥60mn	¥20mn § ¥40mn	¥30mn §	¥10mn
	¥130mn~¥150mn			
Top 5 clients	¥60mn § ¥70mn	¥440mn	¥200mn	¥10mn
	The average of top 5 clients: ¥720mn			

MR-kun's Growth Potential in Japan

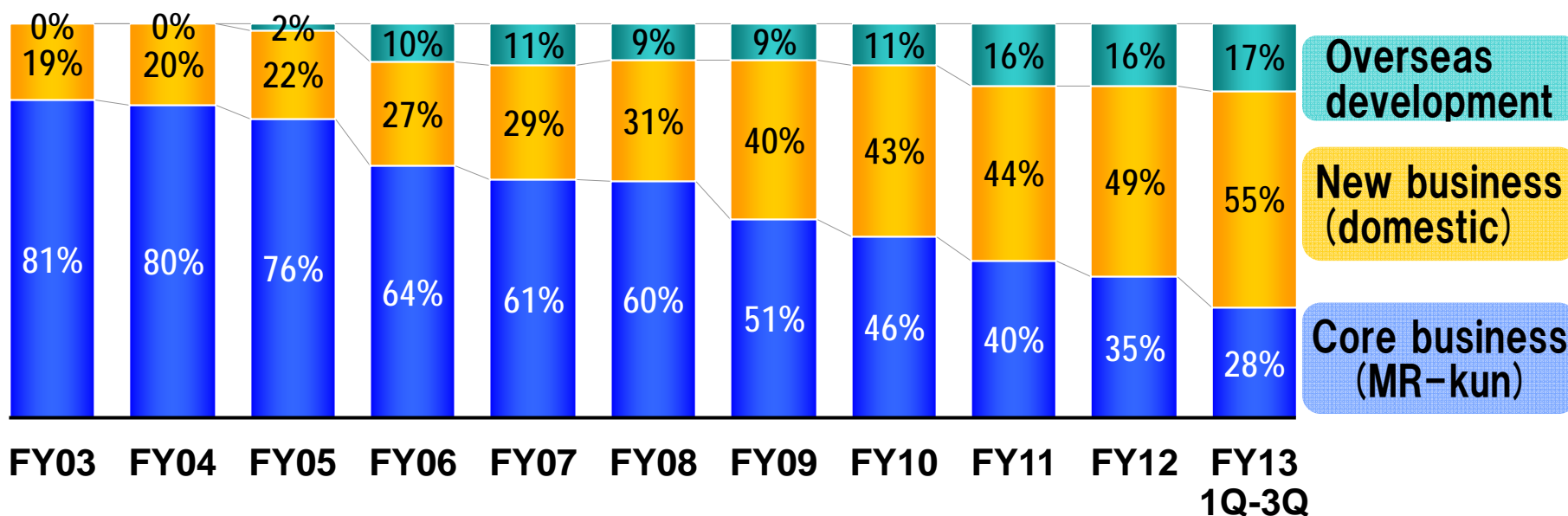
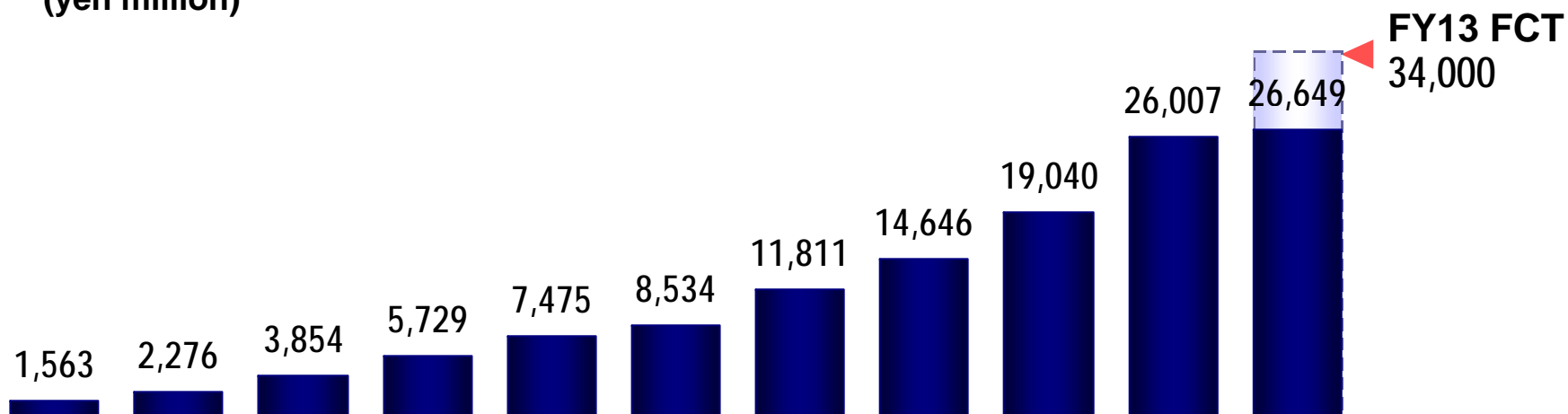


Major clients use the MR-kun more and more:
Average revenue from top 10 clients grew approx. +30% YoY

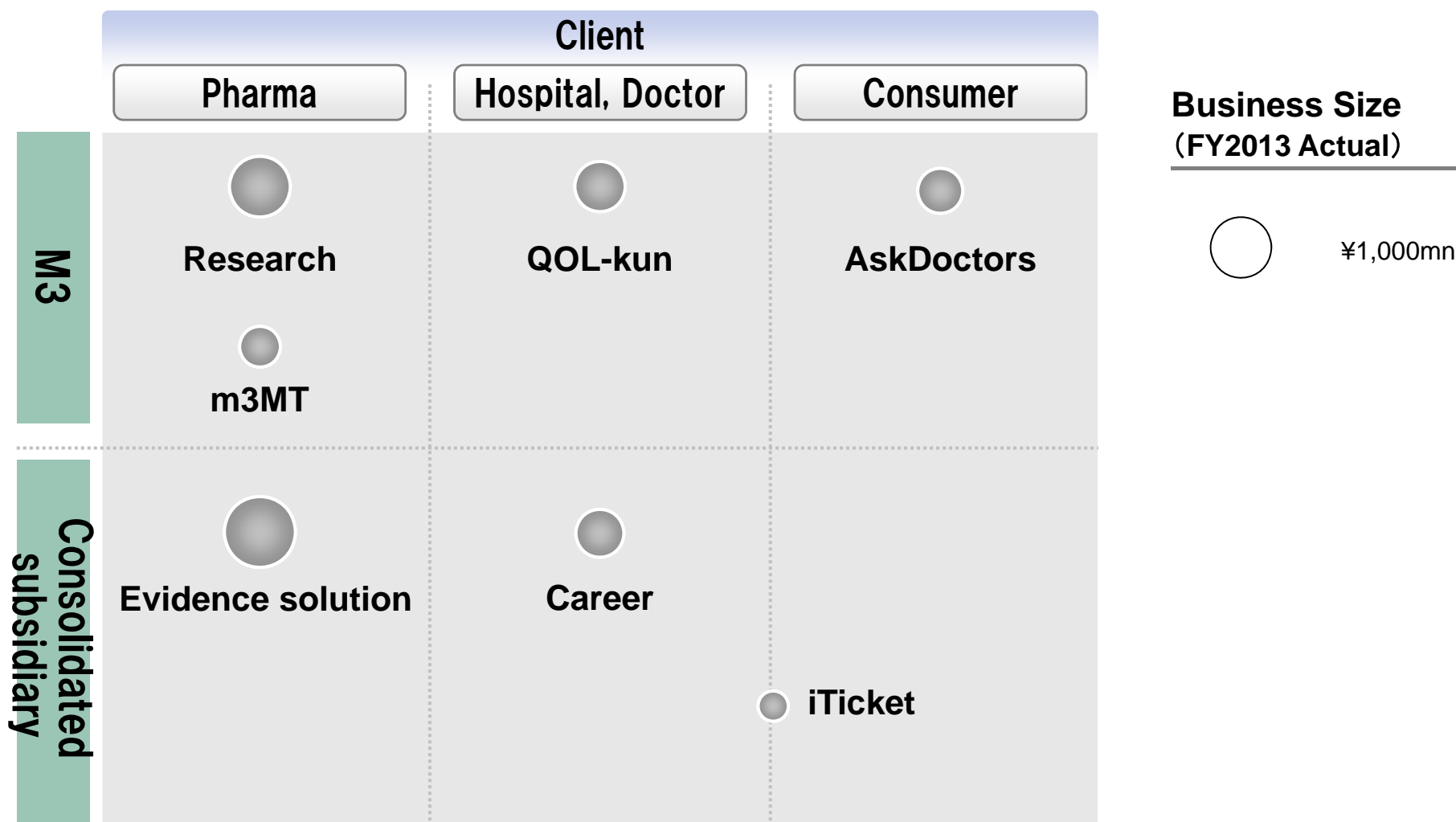


Consolidated Sales Trend

(yen million)

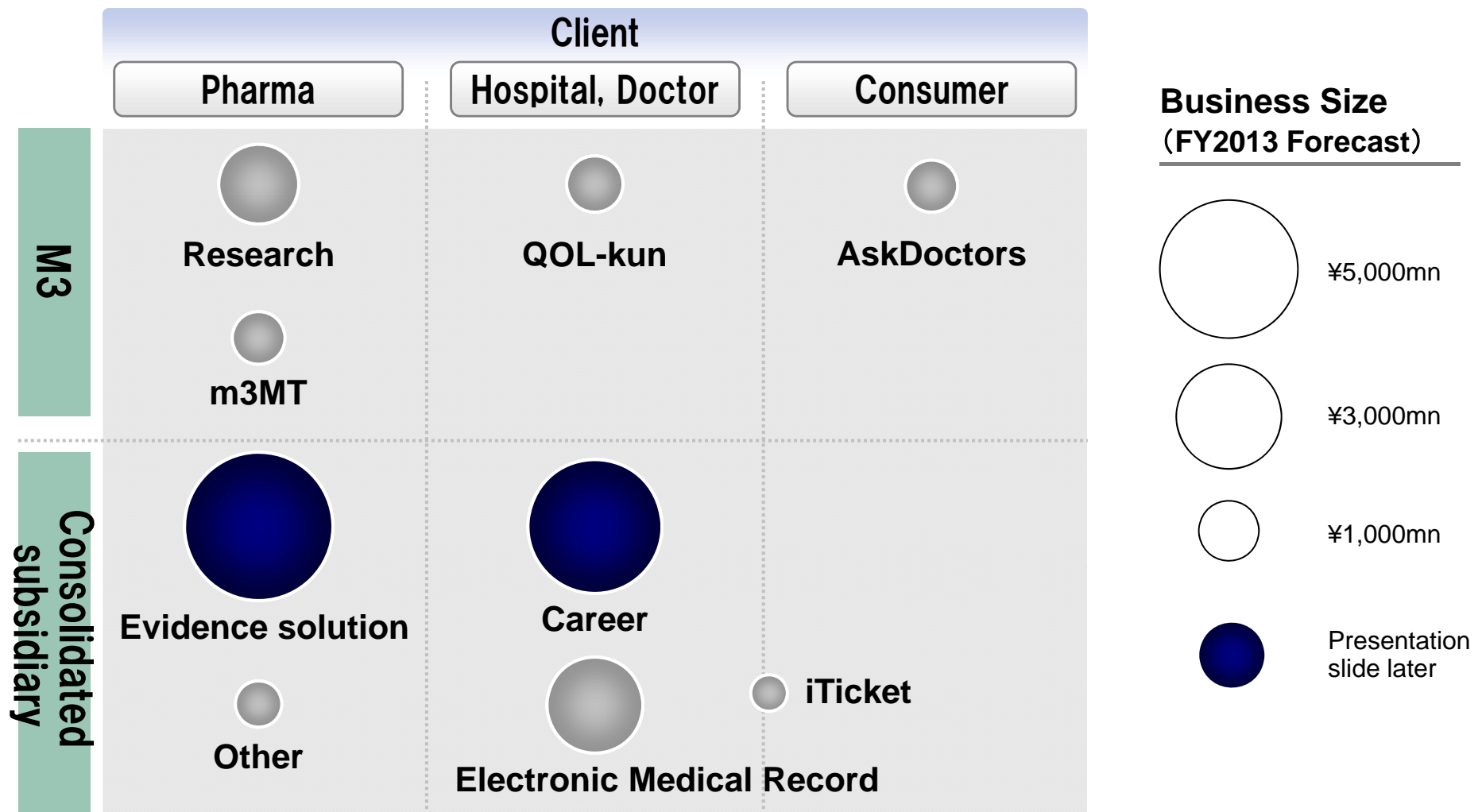


New Business Development on the Platform (as of Mar. 2010)



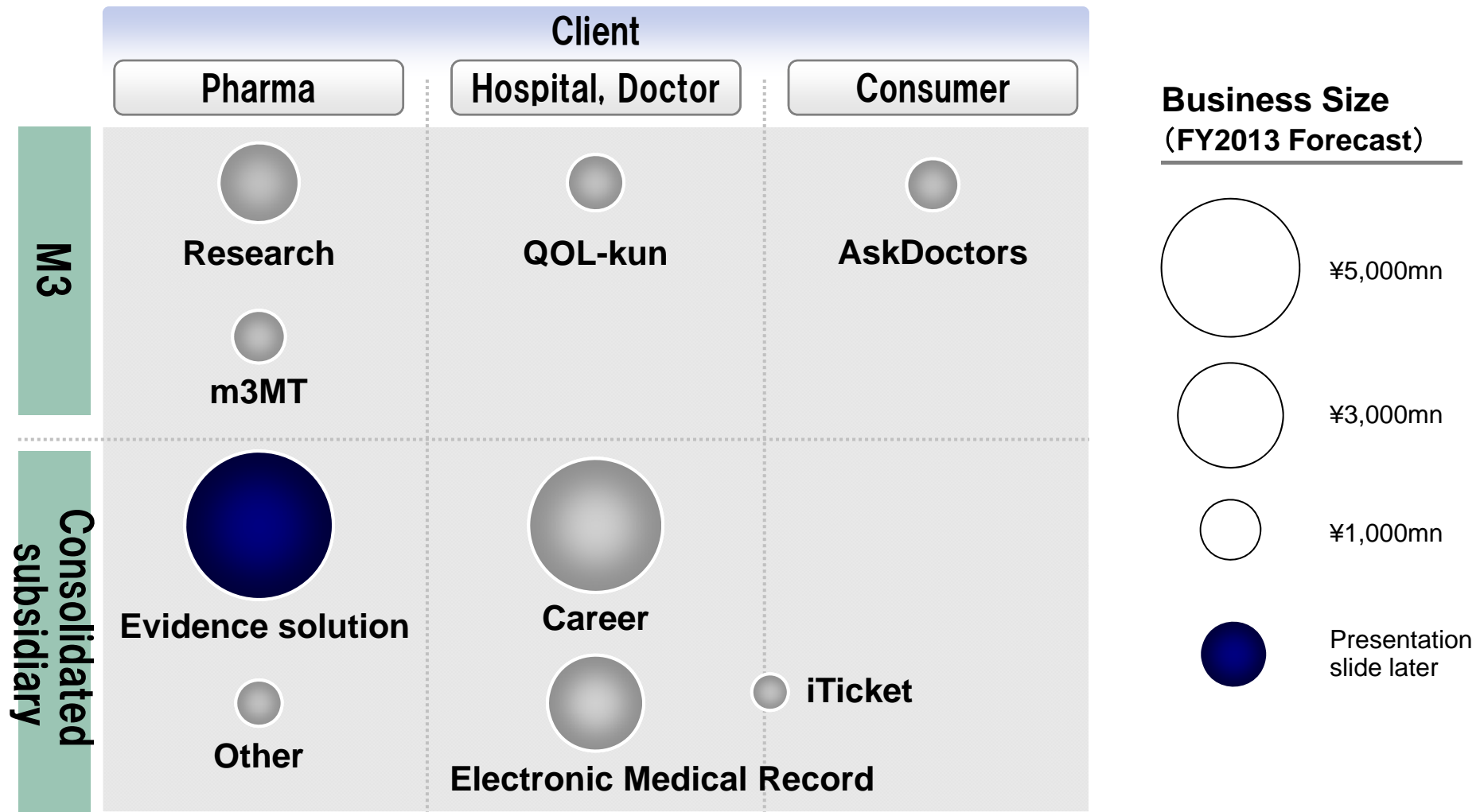
Total revenue of new businesses was less than 5 billion yen.
This was just after establishing M3 Career and at this time only
Mebix was offering our evidence solution service

New Business Development on the Platform



Total revenue of new businesses in FY2013 will be more than 18 billion yen. Planning 10 to 20 new business ideas and overseas development.

New Business Development on the Platform



Placing Evidence Solution Business in Our Strategy

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

**Past
10 years**

**Enabled the shift of medical
promotion online with “MR-kun”**

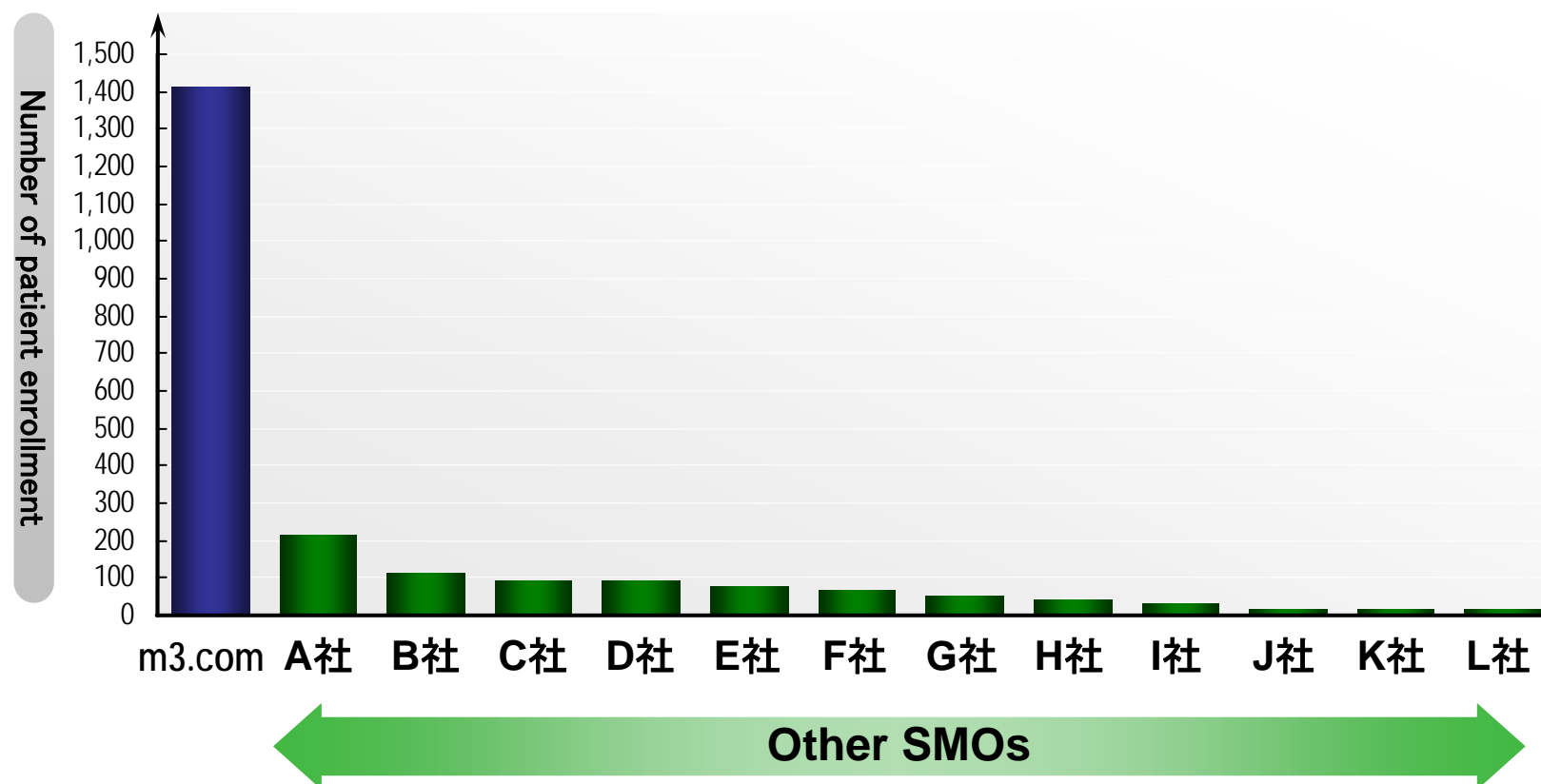
Next

**Enable the shift of clinical trials
online with “Chicken-kun”**

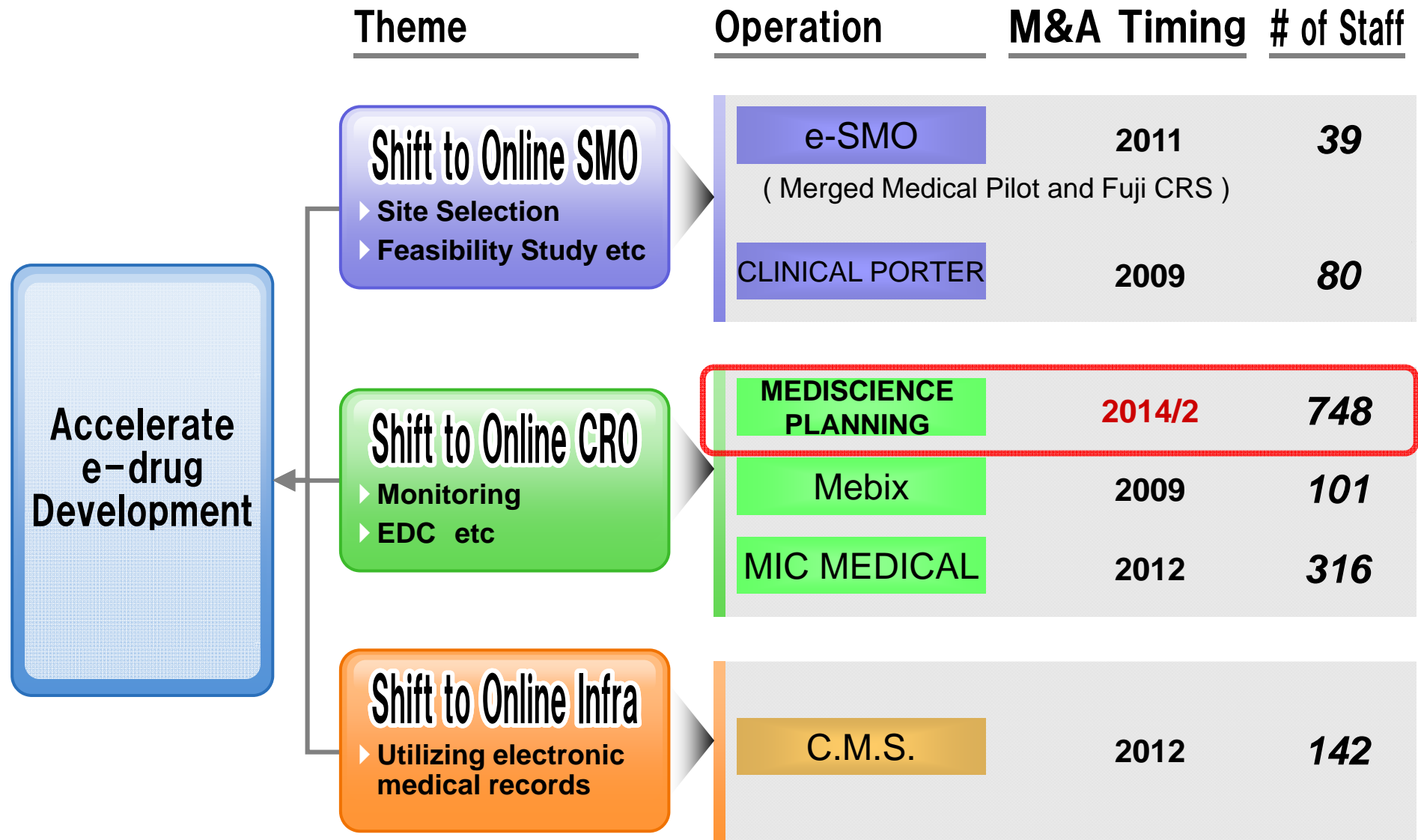
Patient Enrollment in a Large-Scale Clinical Trial

Case study

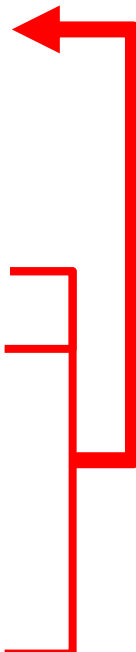

In the case of study in the Endocrinology and Metabolism area, m3.com doctors enrolled five times more patients than those of other SMOs:



Shift to Online Trials



Number of CRAs by Company

#	Company Name	Number	
1	EPS	855	
2	Cimic	780	
	M3 Group	670	
3	Quintiles	600	
4	Parexel	550	
5	MEDISCIENCE PLANNING INC	401	
6	MIC Medical	233	
7	ACRONET	200	
8	ASKLEP	180	
9	Linical	170	
	Mebix	36	

<MIC research institute ltd>

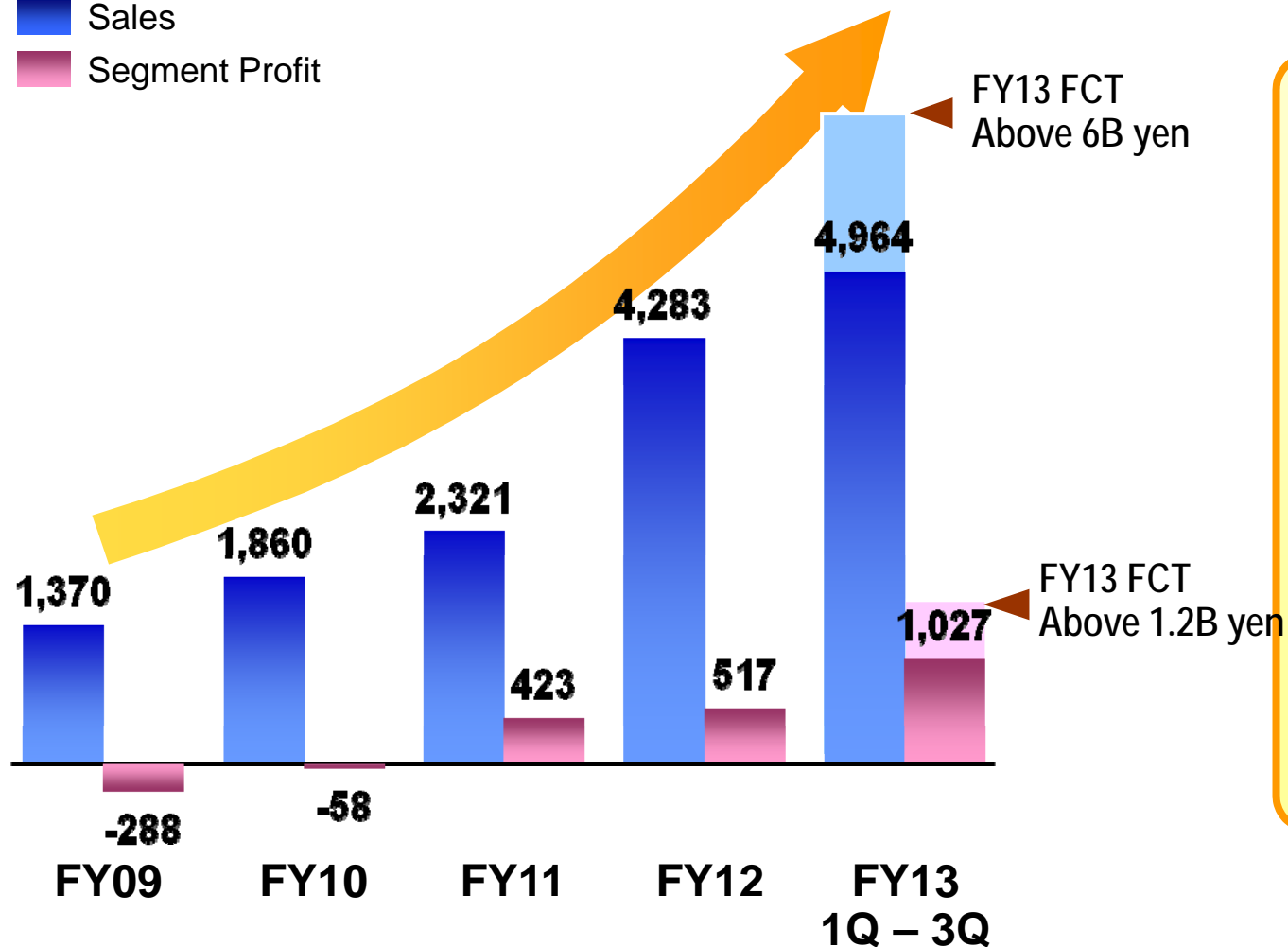


Accelerate the “Shift to Online Trials” by reaching a top level in number of CRAs. Business size of evidence solution segment will grow to 13B yen

Sales and Profit Trend of Evidence Solution

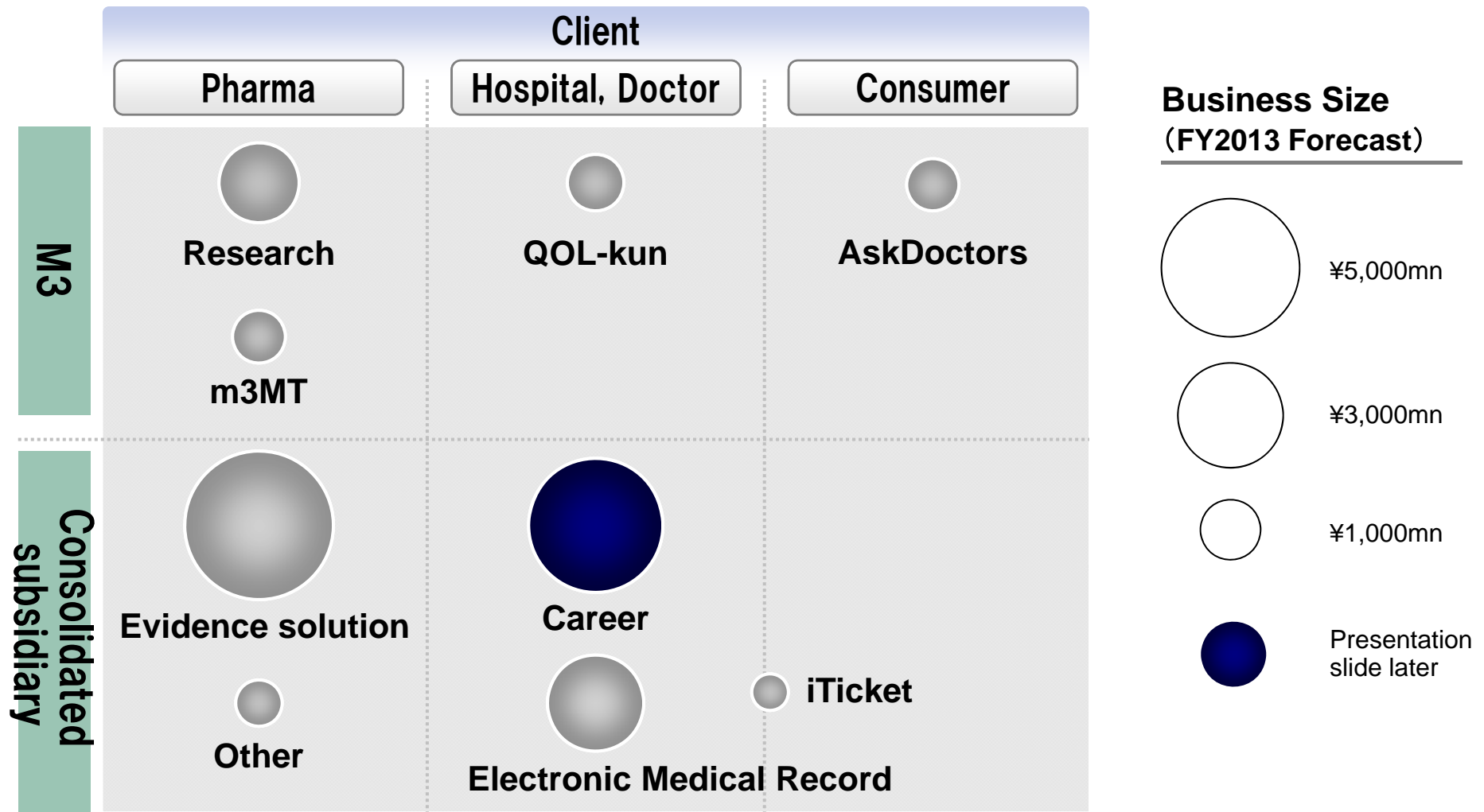
<Mil yen>

■ Sales
■ Segment Profit



- Increasing sales and improving profitability
- Increasing orders received for CRO service including Chicken-kun
- The amount of backorders reached 6.5B yen
- Achieved 10B yen in profit in this fiscal year already

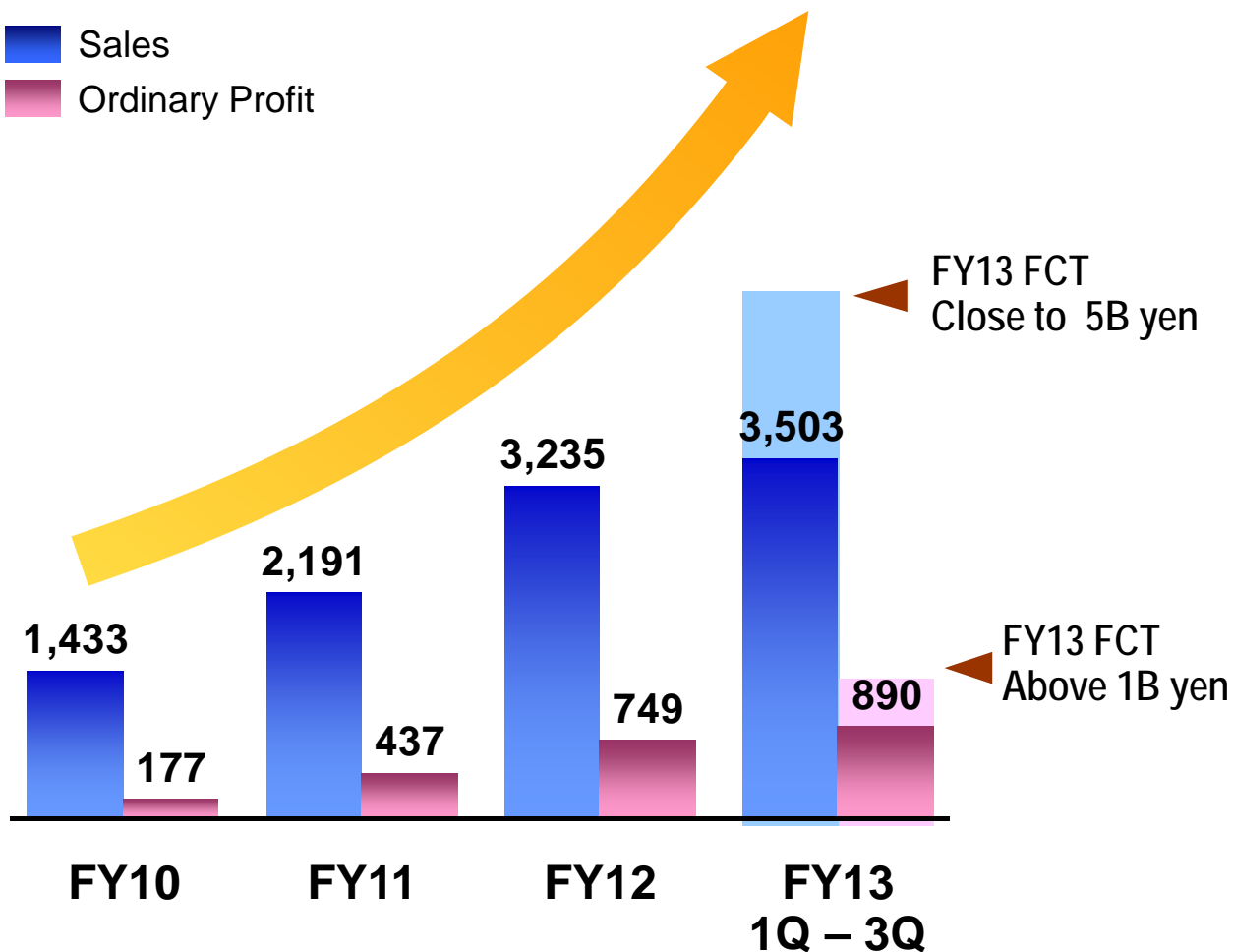
New Business Development on the Platform



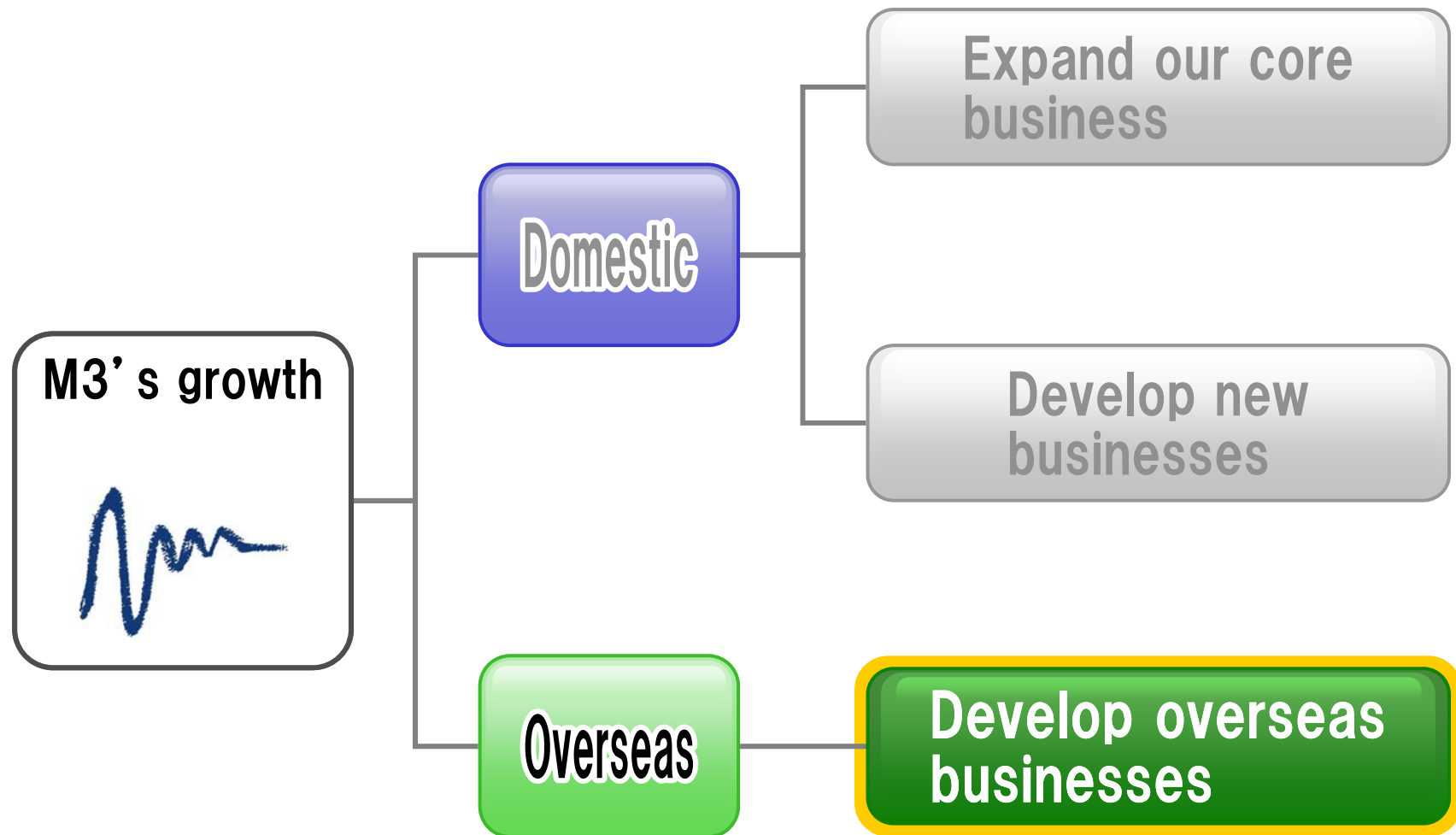
Sales and Profit Trend of M3 Career

<Mil yen>

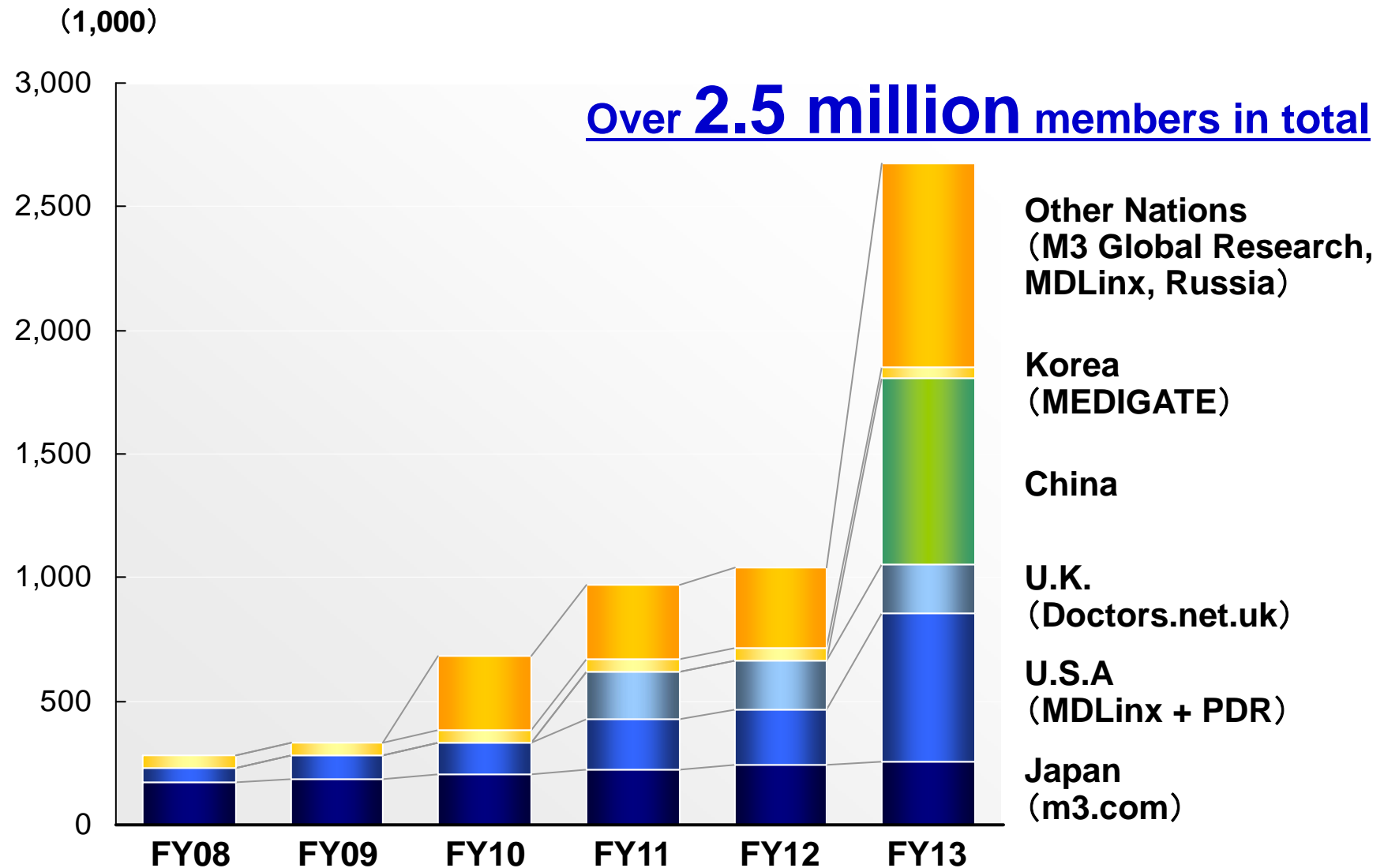
■ Sales
■ Ordinary Profit



- Improvement in operation efficiency
- Development of newly-hired staff in productivity
- staff agency service for physicians should be several billions yen in the future



Physicians Registered in Our Site or Research Panel (Global)



Development in the US

The screenshot displays the MDLinx website, which is a platform for medical professionals. The header includes the MDLinx logo with a 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 (365), Clinical Trials, More, Other Specialty, and Article Search. The main content area is divided into several sections:

- Oncology News & Articles:** A section for the latest in oncology clinical literature, featuring a list of articles with titles, authors, and publication dates. The first article is "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" by Jill Baker, MD, published in the Journal of Clinical Oncology on October 24, 2013.
- Your Unread Messages in Oncology:** A section for industry-sponsored communications and special communications from MDLinx, including a "Smartest Doc Challenge" and "Top Read" articles.
- Market Research Dashboard:** A section for users to track their profile completion (6% in the screenshot) and earn honoraria for participating in market research studies.
- Post your CV and let employers find you!** A section for users to upload their CVs and receive job recommendations based on their professional profile.
- UPCOMING Clinical Trials:** A section for users to view and apply for upcoming clinical trials, including "Circulating Tumor Cells (CTCs): A Potential Screening Test for Clinically Undetectable Breast Carcinoma" and "International Cooperation for Post-Chernobyl NIS Thyroid Tissue and Data Banks".
- Clinical Pearls In Oncology:** A section for clinical pearls, including a note about the ZORO study and a note about the use of MRI screening in patients with completely resected ER-positive DCIS.
- Highlights In Oncology:** A section for highlights, including a note about VEGFR-1 as a prognostic marker for HCC.

The website also features a "Stay current - Media Tool" section with links to Newsletter, RSS, Follow Us, and Facebook, and a "Search the latest Oncology Jobs" button.

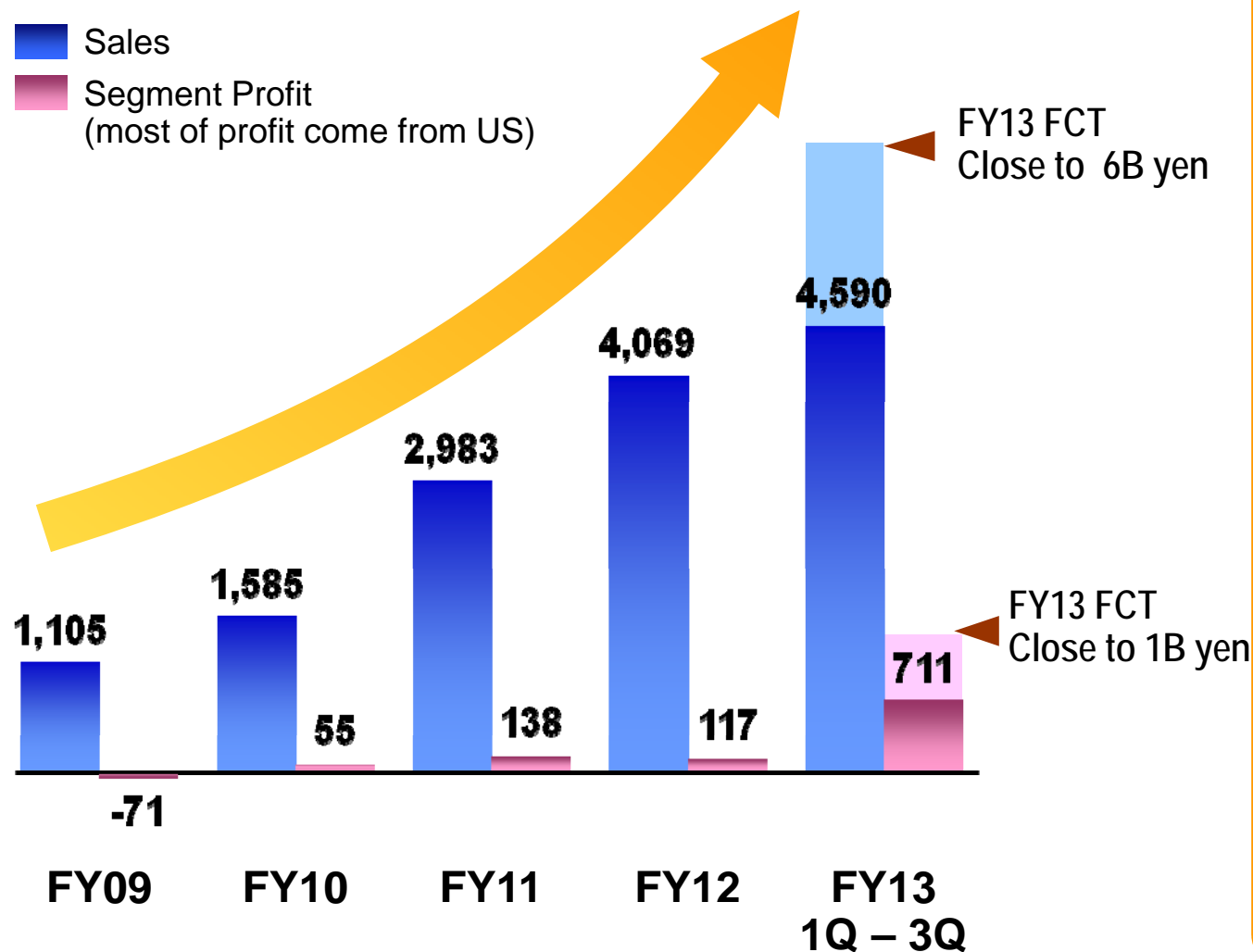
- “M3 Messages” (US version of MR-kun) started on MDLinx (merged with M3 USA in Mar. 2009).
 - Washington D.C.
 - Extended reach to nearly 600,000 US physicians, covering 80% of US physicians
- Gradually expanding career service in addition to marketing support service and research service
- In the future, planning to monetize 500K physician members of MDLinx who are outside of the USA

Sales and Profit Trend of Overseas

<Mil yen>

■ Sales

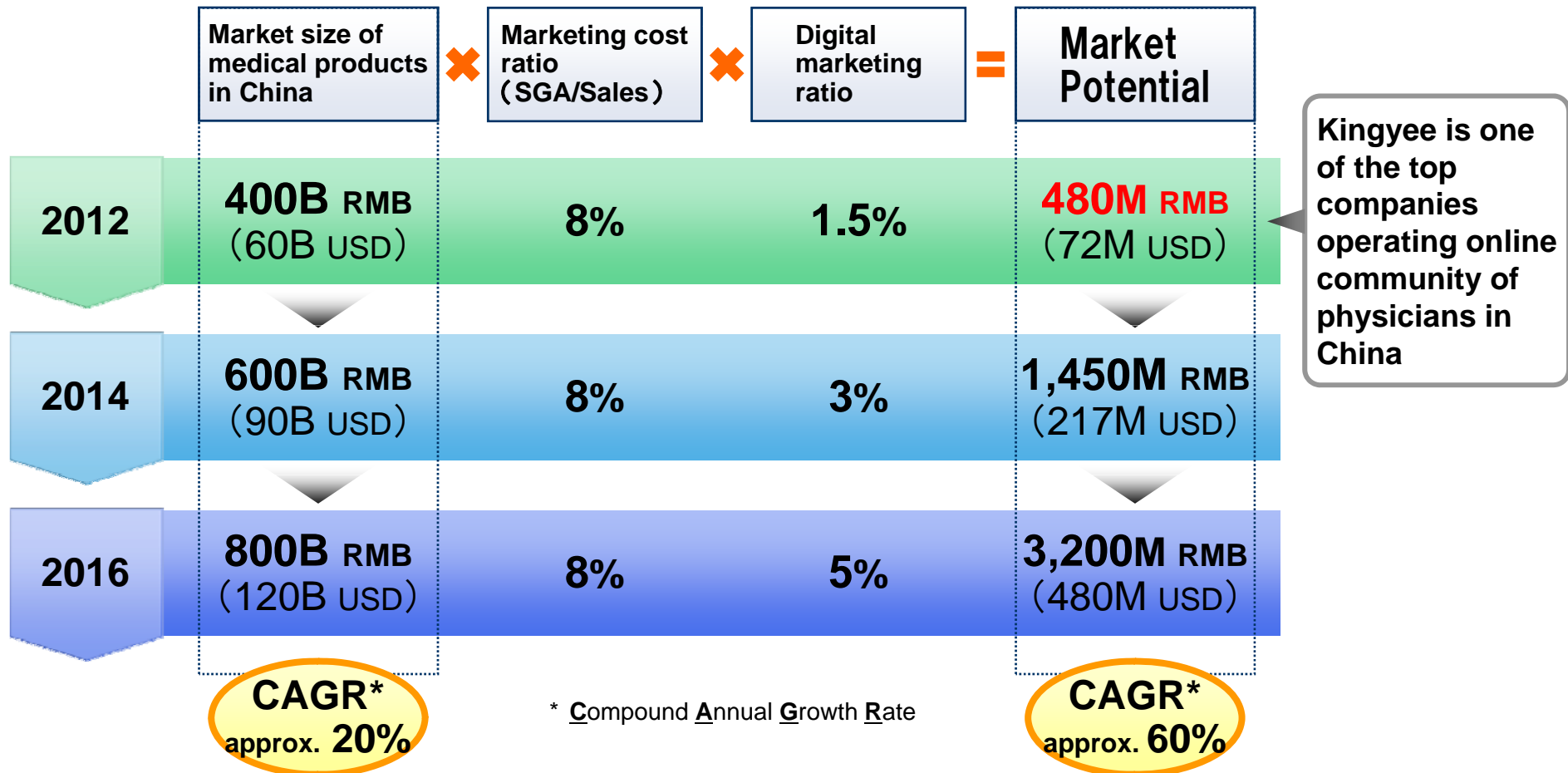
■ Segment Profit
(most of profit come from US)



- Improving performance with increasing media power of our sites
- Pharmaceutical companies are becoming aggressive about e-promotion
- Estimate +50% growth in sales this fiscal year
- Impact from the partnership with PDR should realize in the future

Market Potential in China (researched by M3)

Digital marketing for medical products in China



👉 Being consolidated from January. Good start.

Strategic Direction of M3

Changing Strategy in New Business Development

Business Development in Medical Internet Area (2000~2010)



Medical-specific Investment Fund Armed with Internet (2011~)



Approach

Internet

**Internet + Real-world
Operation**

**Service
coverage**

Web-based

From end-to-end

**Number of potential
business domains**

~10

**20 - 30
(- 100 incl. overseas)**

Profitability

**High margin
(Middle scale)**

**Large scale
(Middle margin)**

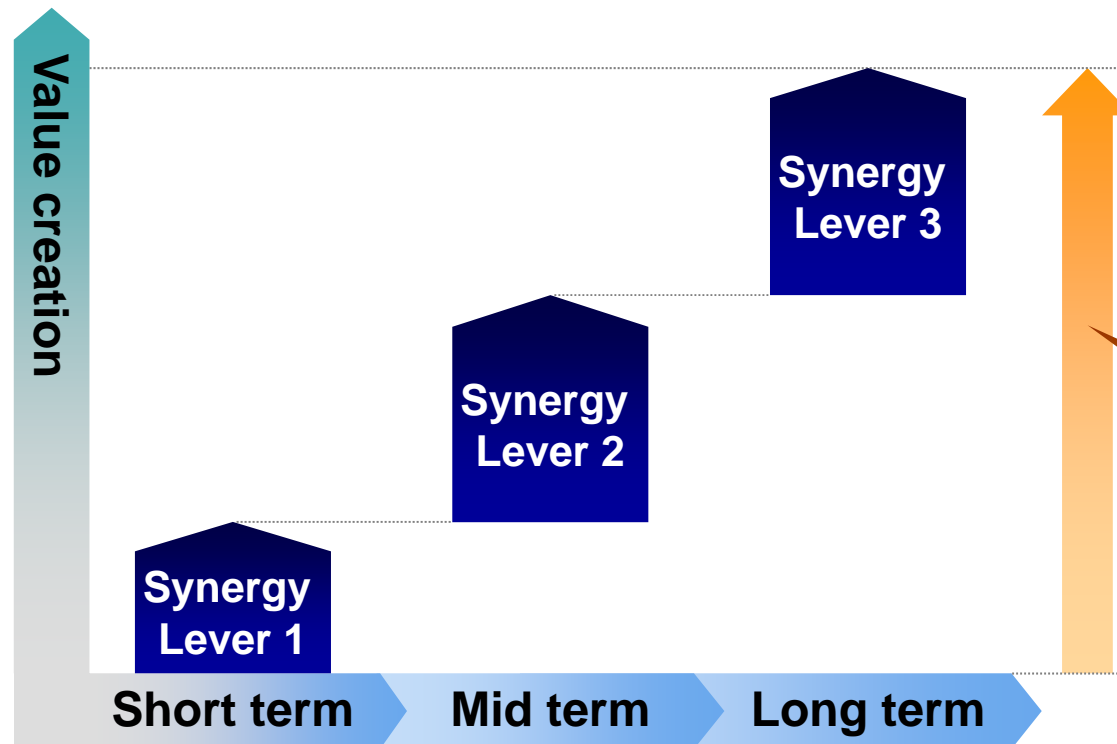
M & A

Small size

Large – middle size

 **M3 is uniquely positioned to transform the health care industry with its 1. Platform 2. Domain Knowledge 3. Human Resources (management and engineering)**

Value Creation via M&A



Restructuring
cost structure

ex.
Reviewing
indirect cost

Improving top
line by using
m3.com

ex.
Expanding
sales by
using
m3.com

Maximizing
synergy effects
or building new
business models

ex.
Offering new
clinical trial
service by
using EMR

We aim to create value in the short, mid, and long term after execution of M&A.

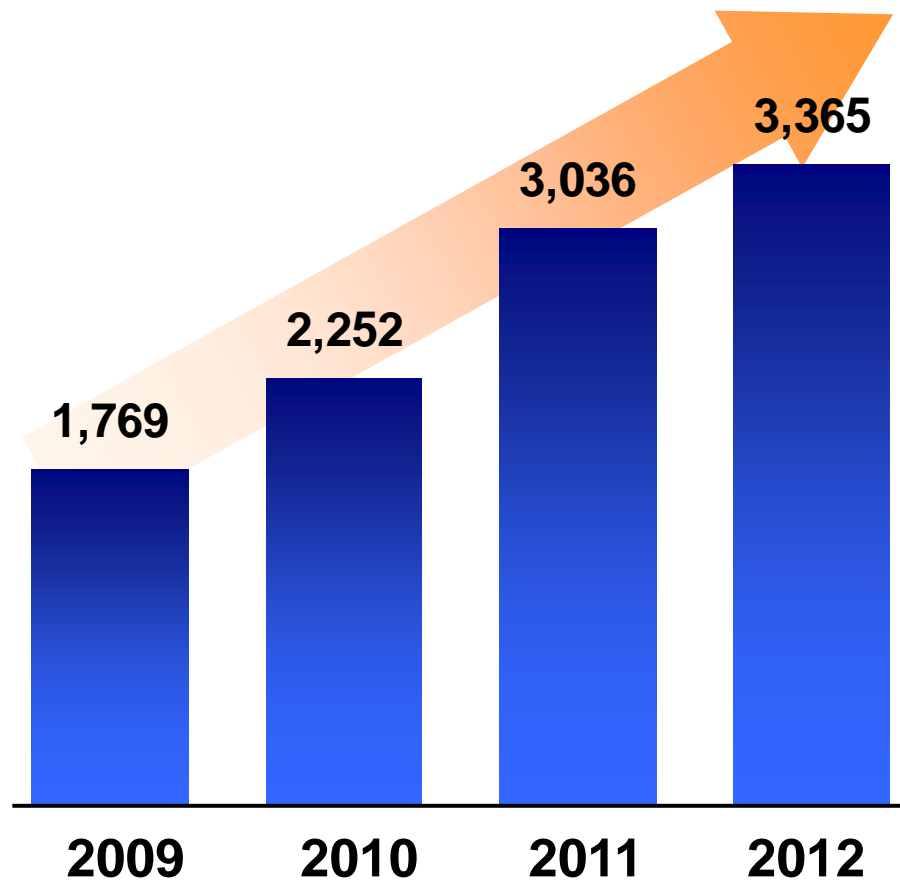
In the past 3 years, we have executed more than 10 acquisitions and created more synergistic effects than expected... in the process, accumulating know-how to turn-around acquired companies.

We plan to create value in this way outside of Japan, also.

CSO Market

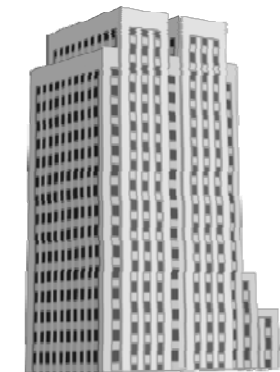
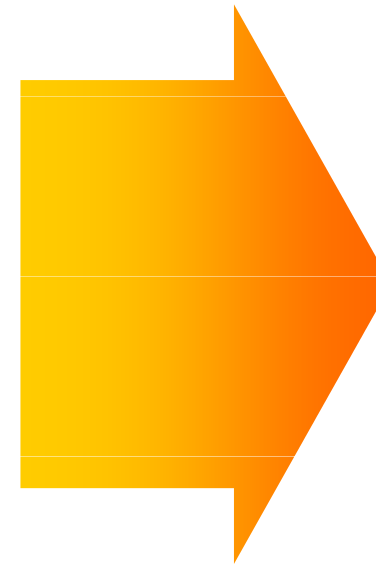
Number of Contract MRs Trend

(Number)



- Size of Japanese CSO market is about ¥50B
- Number of contract MRs is increasing by 23.9% annually
- Not only mega pharma but generic companies, medical device companies and animal health companies are starting to use CSO

CSO service armed with internet

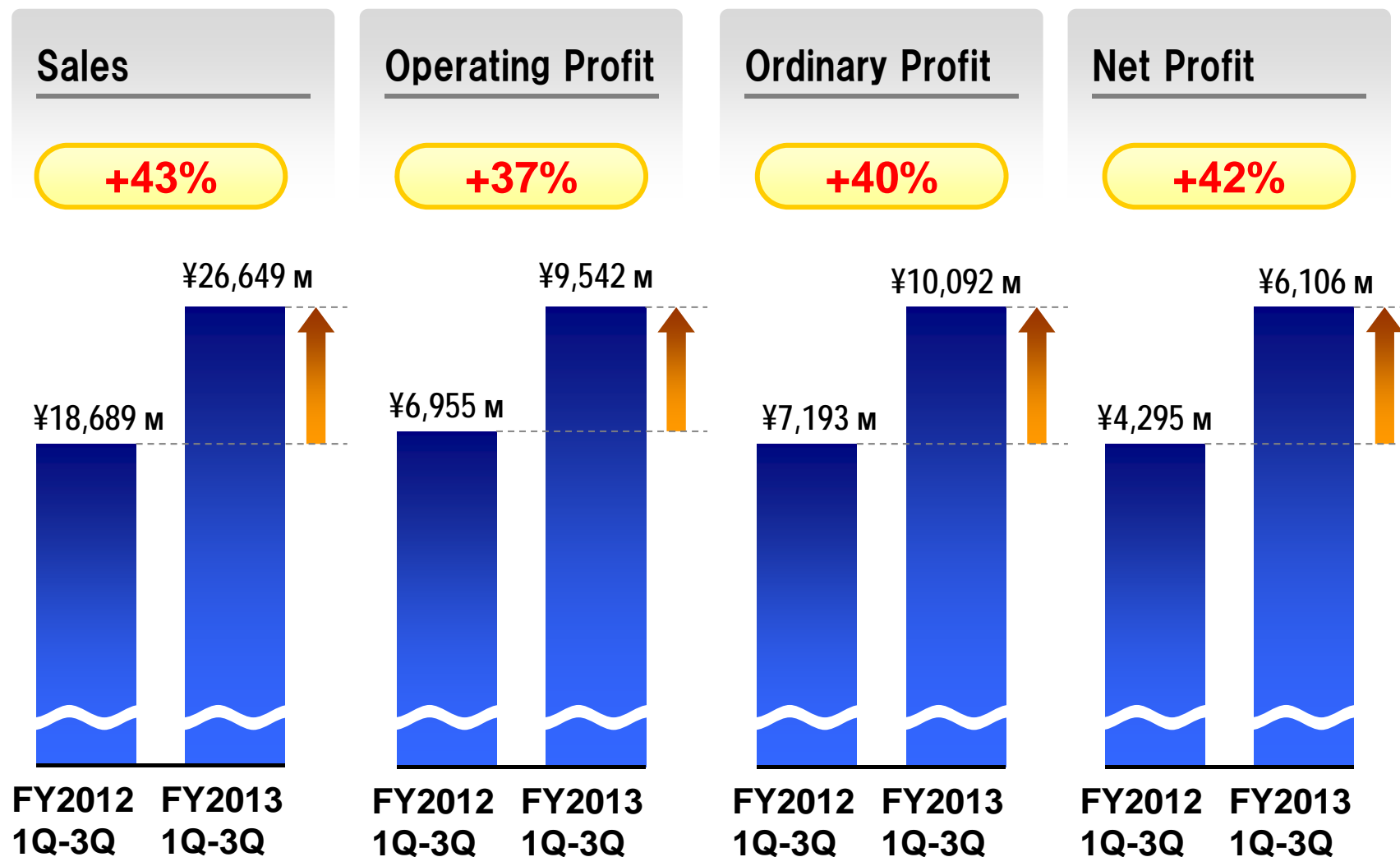


Pharma companies

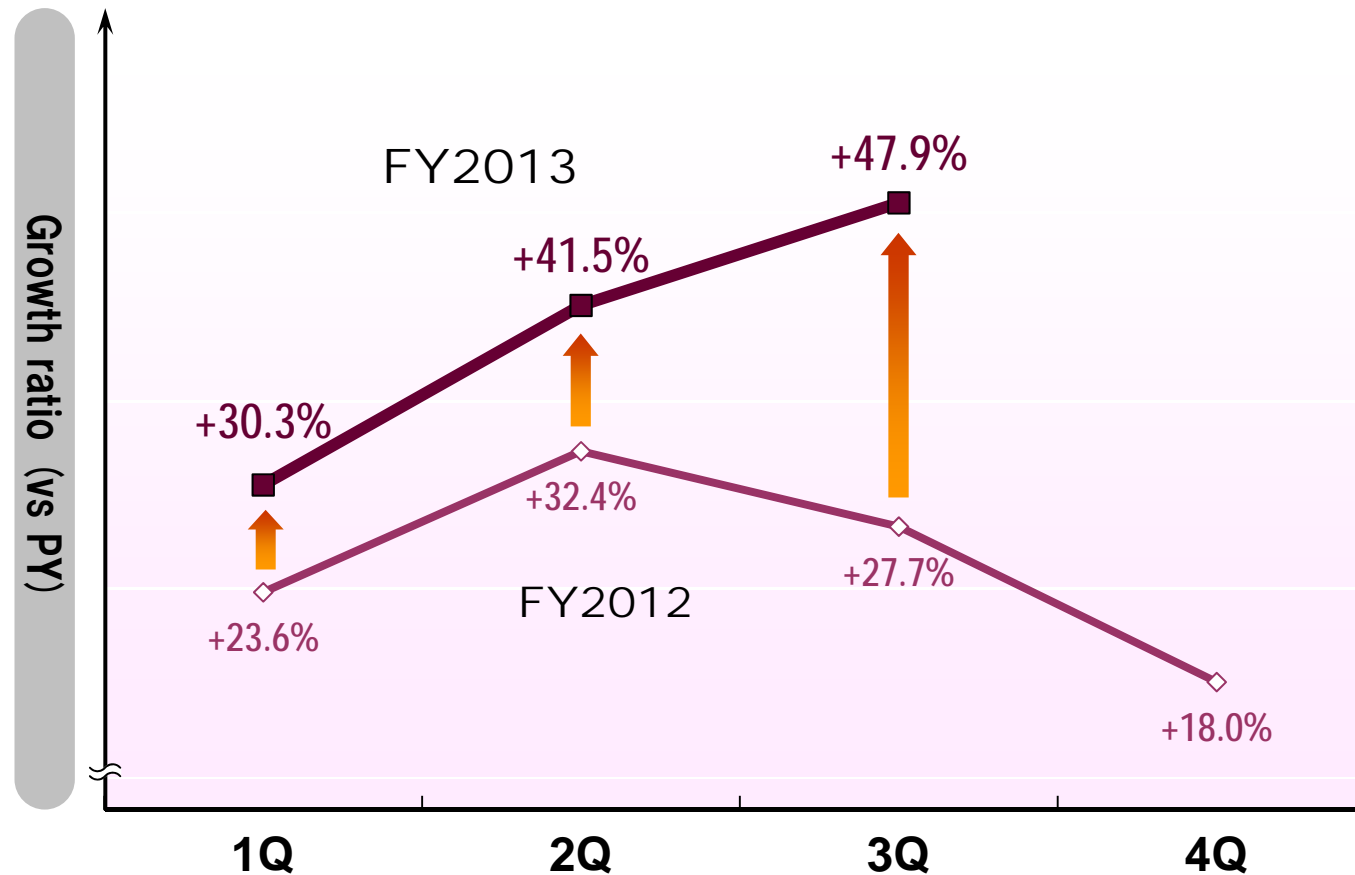
 Provide differentiated CSO service. Growth potential could be billions of yen business size in the future

Financial Result

Consolidated P/L Statement for FY2013 3Q



Quarterly Performance of Ordinary Profit (vs PY)



👉 Higher growth ratio than FY2012 since each business is growing steadily

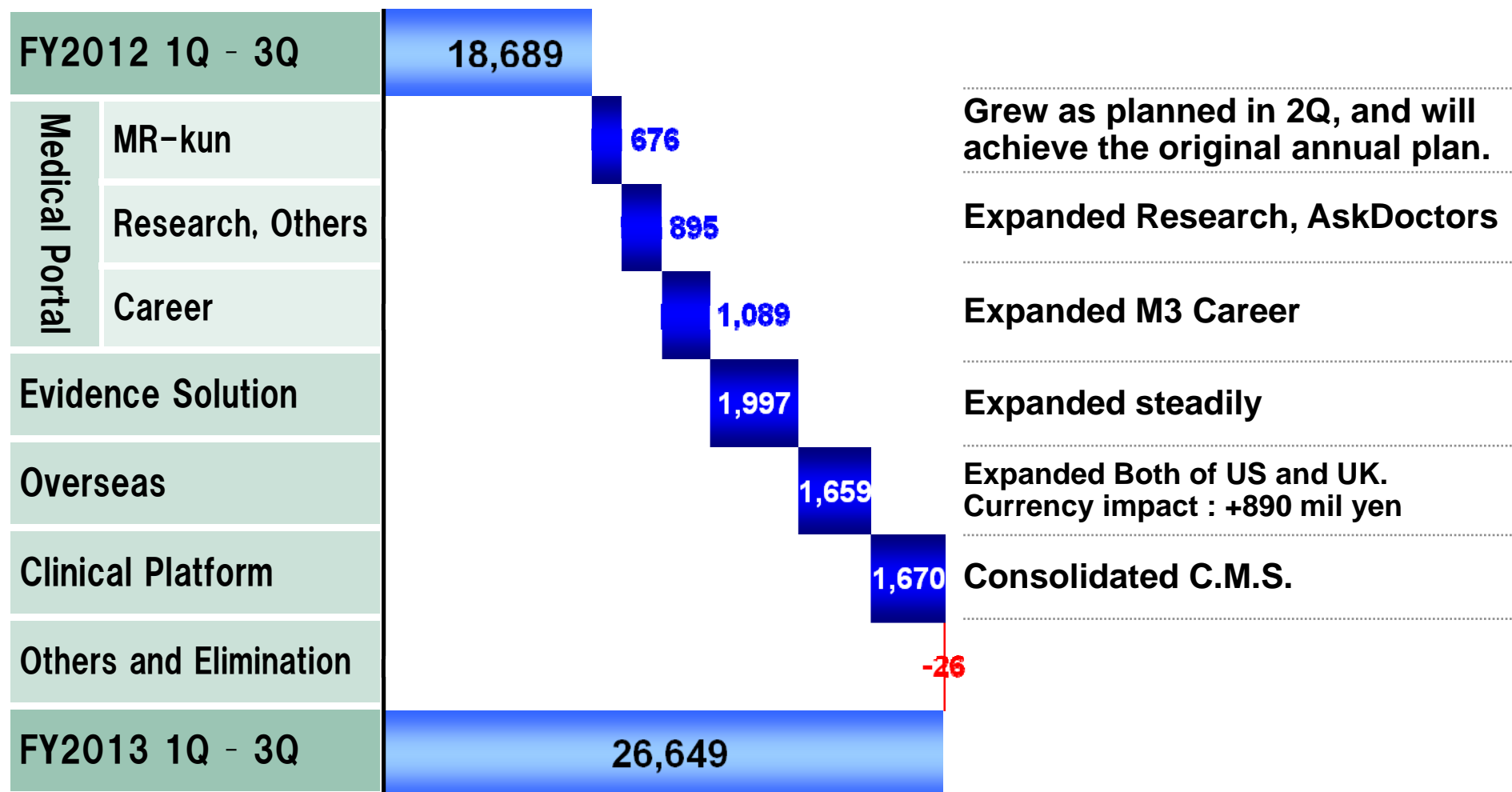
Consolidated P/L Statement for FY2013 1Q-3Q

Breakdown by Business Segments

(Mil yen)		FY2012 1Q-3Q	FY2013 1Q-3Q	YoY Growth
Medical Portal	Sales	12,072	14,732	+22%
	Profit	6,904	8,276	+20%
Evidence Solution	Sales	2,967	4,964	+67%
	Profit	366	1,027	+180%
Overseas	Sales	2,931	4,590	+57%
	Profit	139	711	+409%
Clinical Platform	Sales	360	2,030	+464%
	Profit	▲3	232	-
Others	Sales	576	749	+30%
	Profit	45	90	+100%

Consolidated Sales Analysis (vs P.Y.)

(Mil yen)

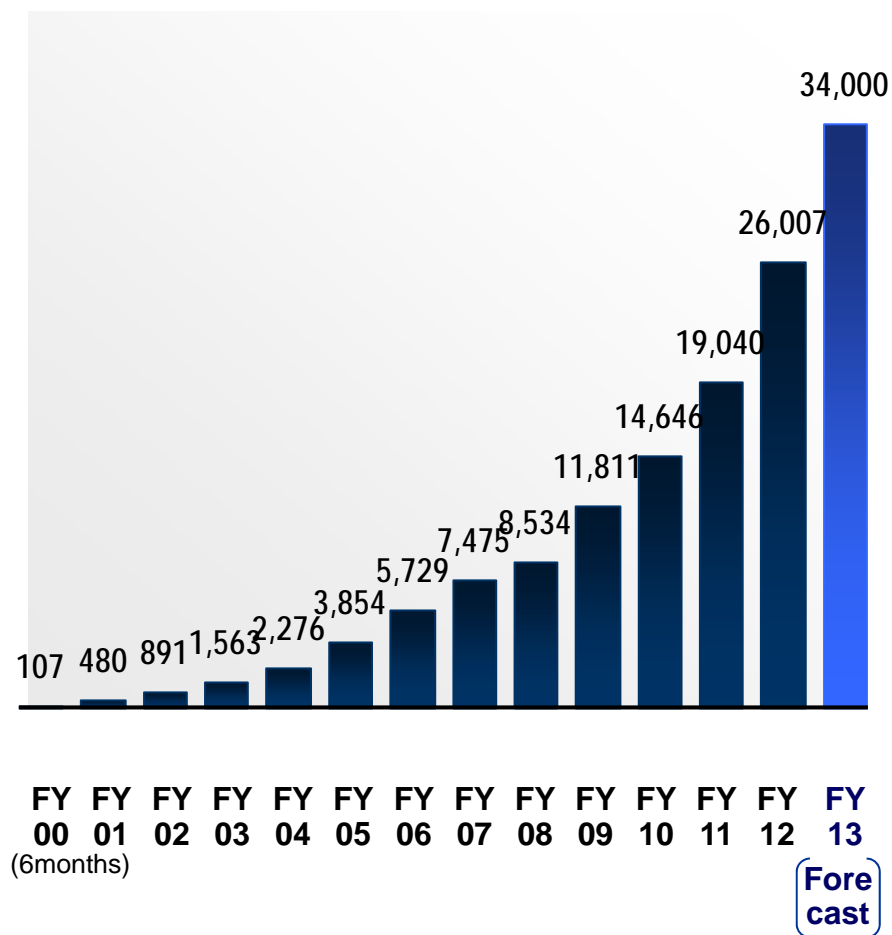


 **Steady growth momentum continues**

Annual Results & Forecast for FY2013

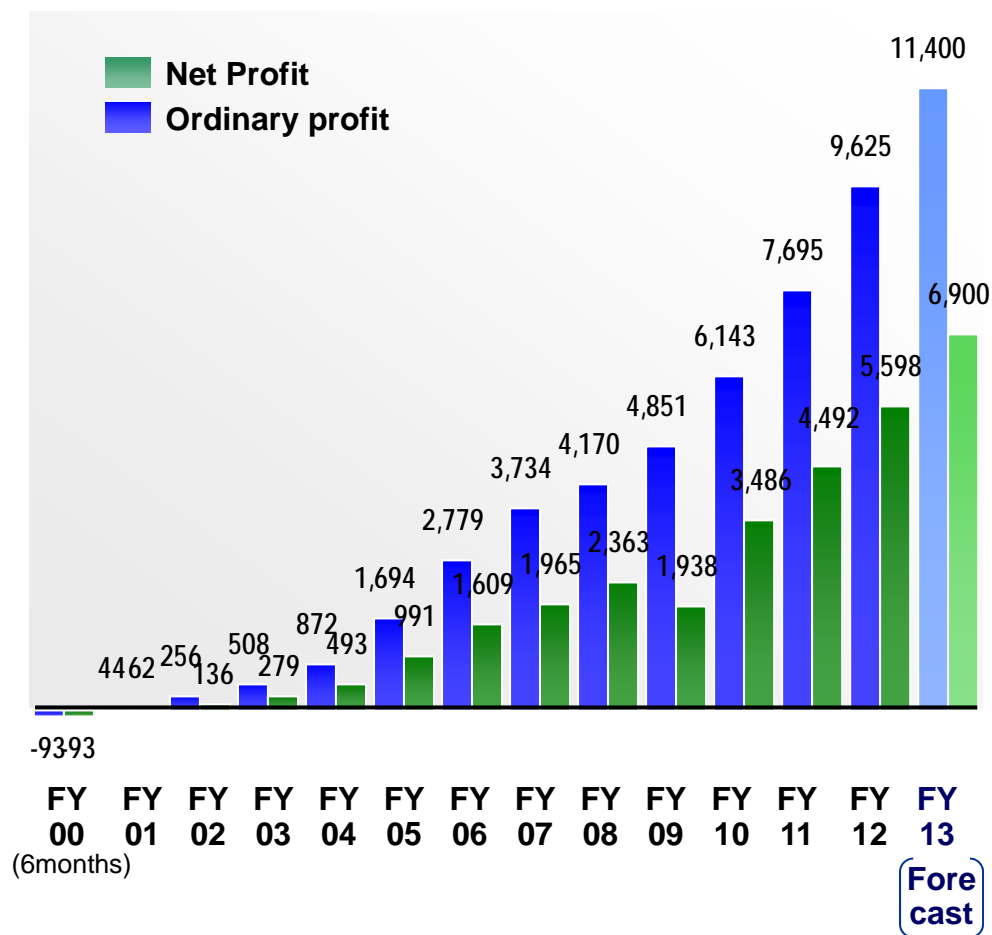
Sales

(¥ mn)



Ordinary Profit & Net Profit

(¥ mn)



Creating New Value in Healthcare

→ M3

Medicine

Media

Metamorphosis



→ Healthcare sector is huge...

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

→ M3 aims to create new value in this sector

- 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