


M3

Presentation Material

Apr. 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

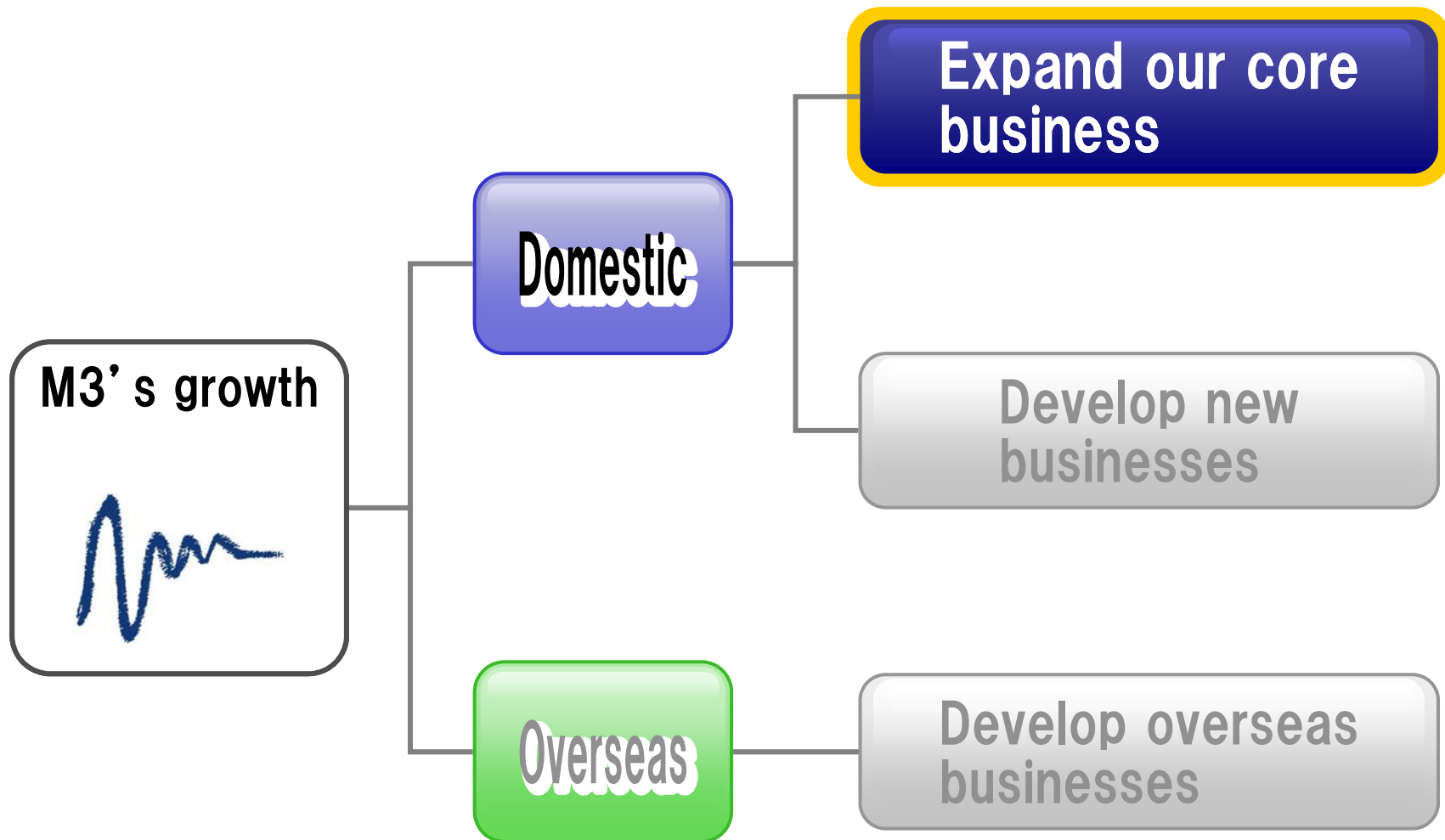


Sponsored

m3.com MR-kun

Sponsor
messages

M3's Growth



Japanese Pharma's Huge Marketing Costs

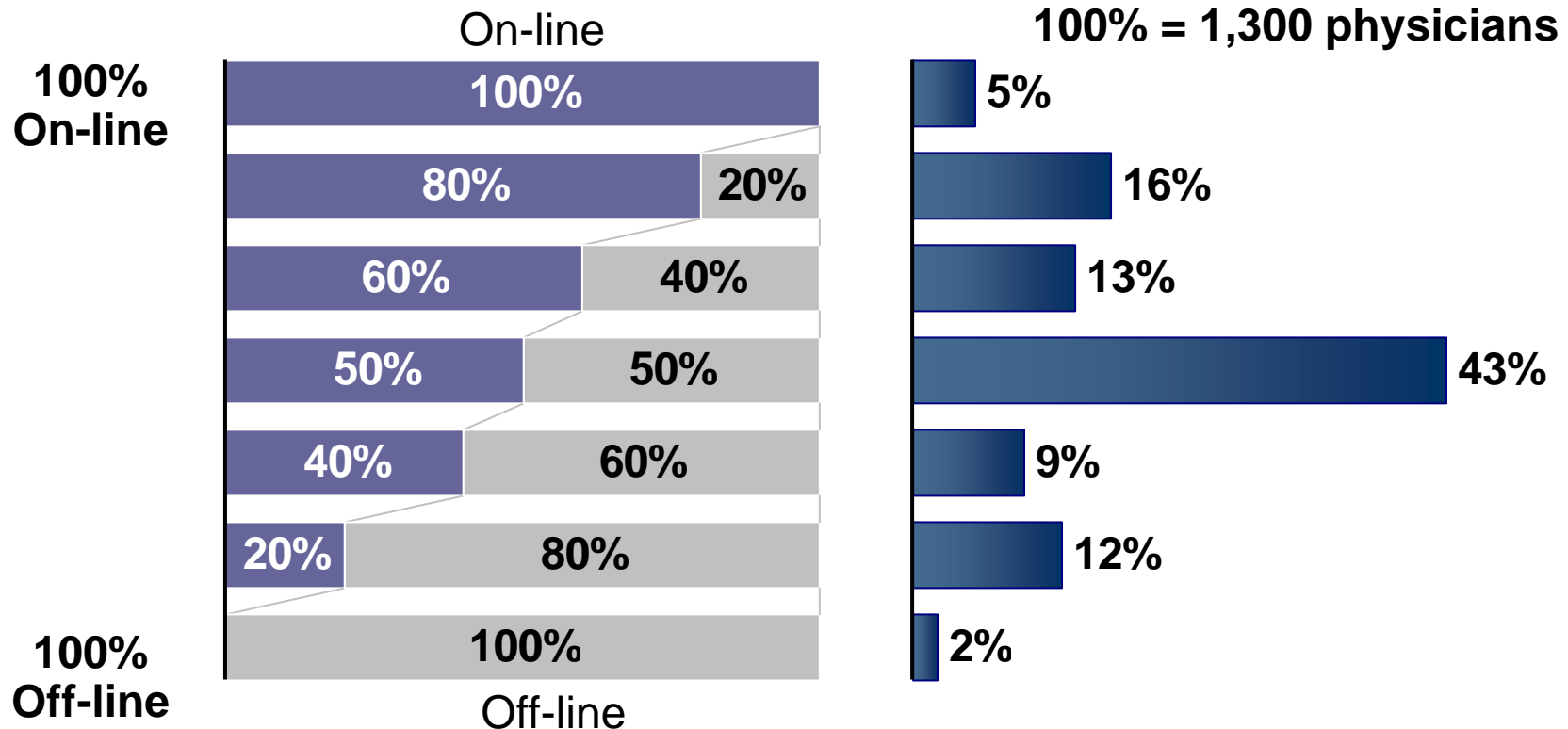
	Head count		Annual costs per person		
MRs (Pharmaceutical companies)	63,000	×	¥20mn	=	¥1.2tn
MSs (Pharmaceutical wholesalers)	30,000	×	¥10mn	=	¥300bn
					Total cost of whole industry ¥1.2-1.5 tn

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.

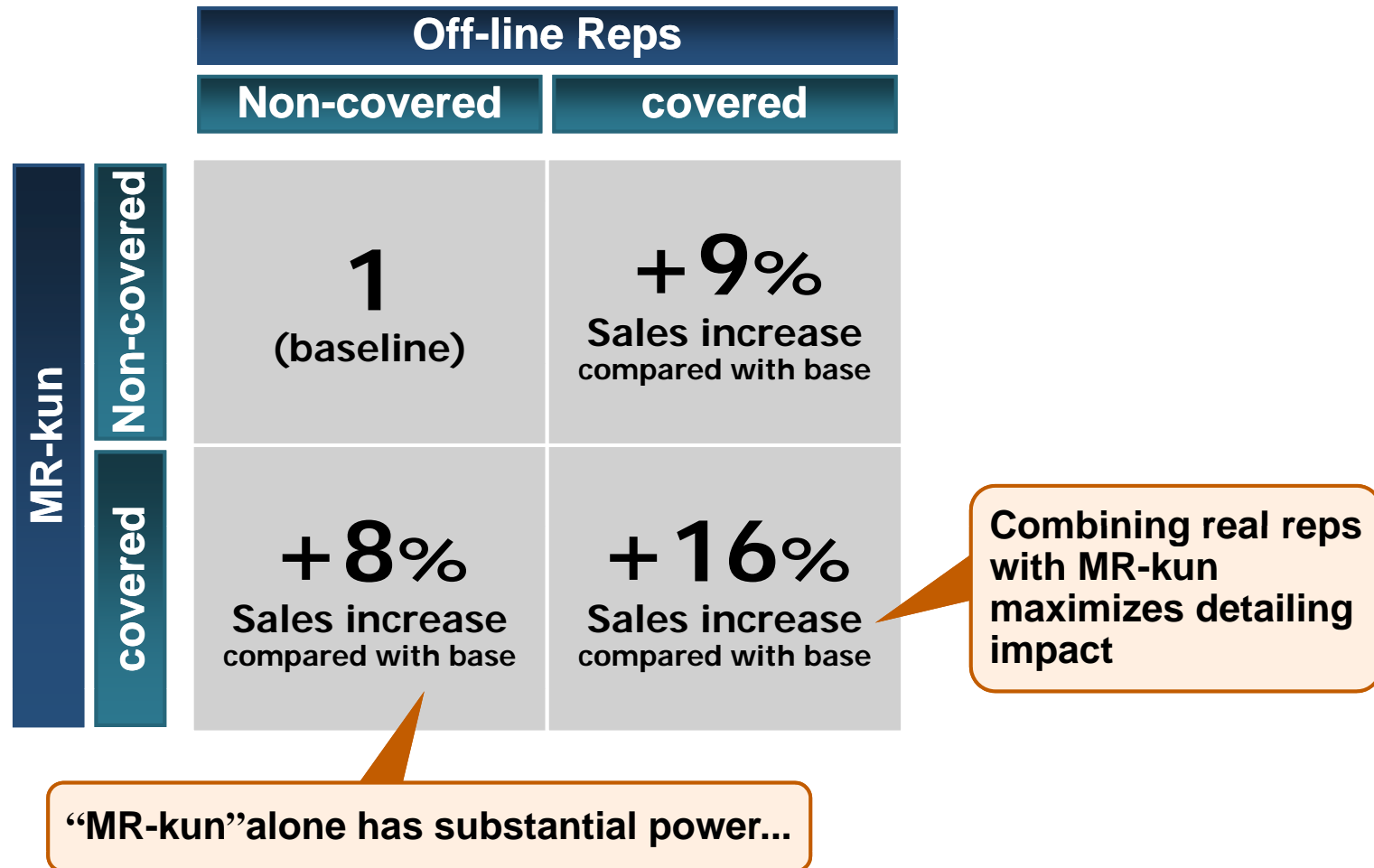


Demand for eDetails is quite high for busy physicians as they can get information when it's convenient for themselves, not for MRs

Source: M3 questionnaire to 1,300 physicians

MR-kun Increases Sales Like Reps

Case
study



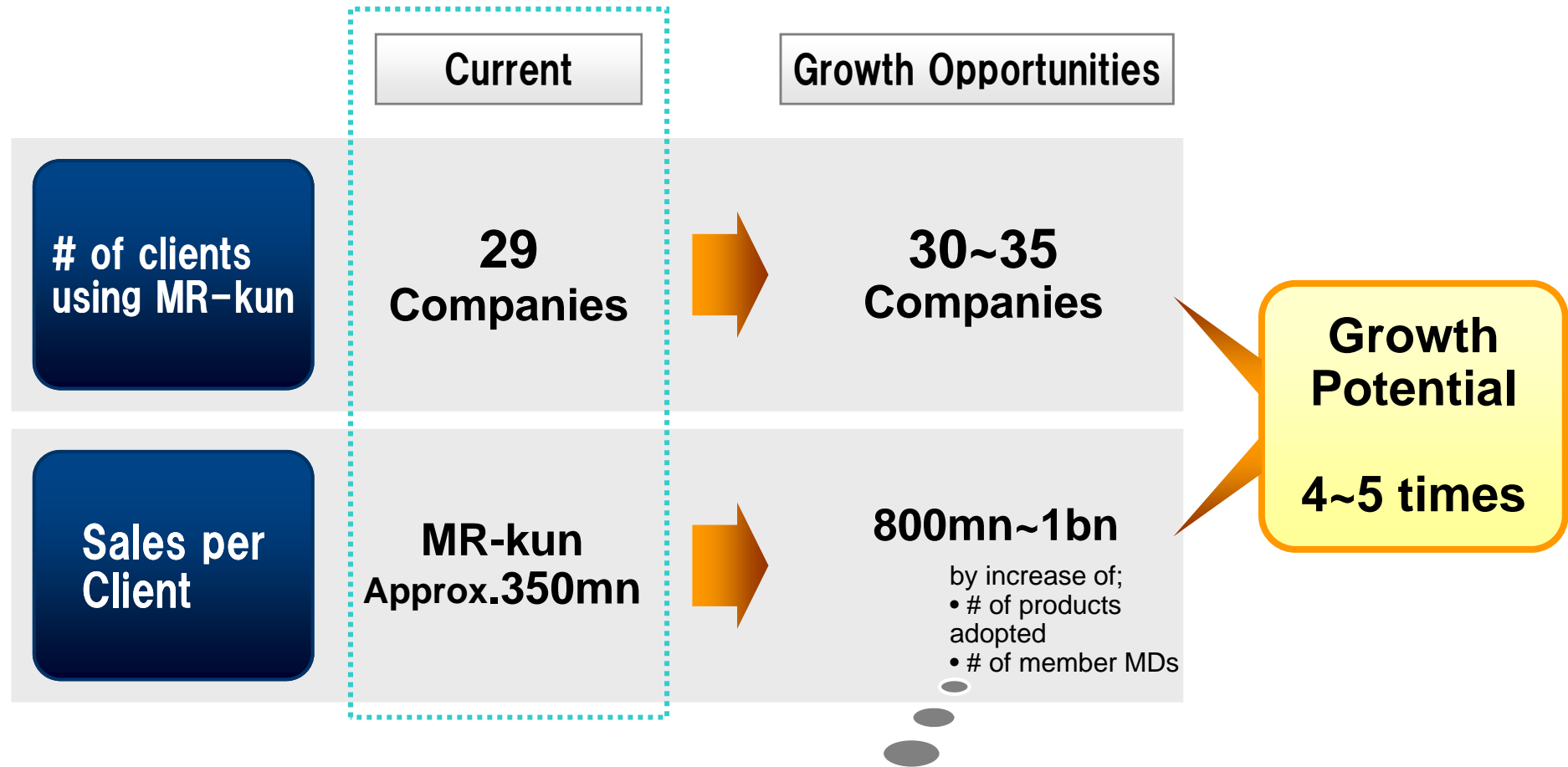
Source: M3
Notes: Questionnaire to 16,000 General Practitioners

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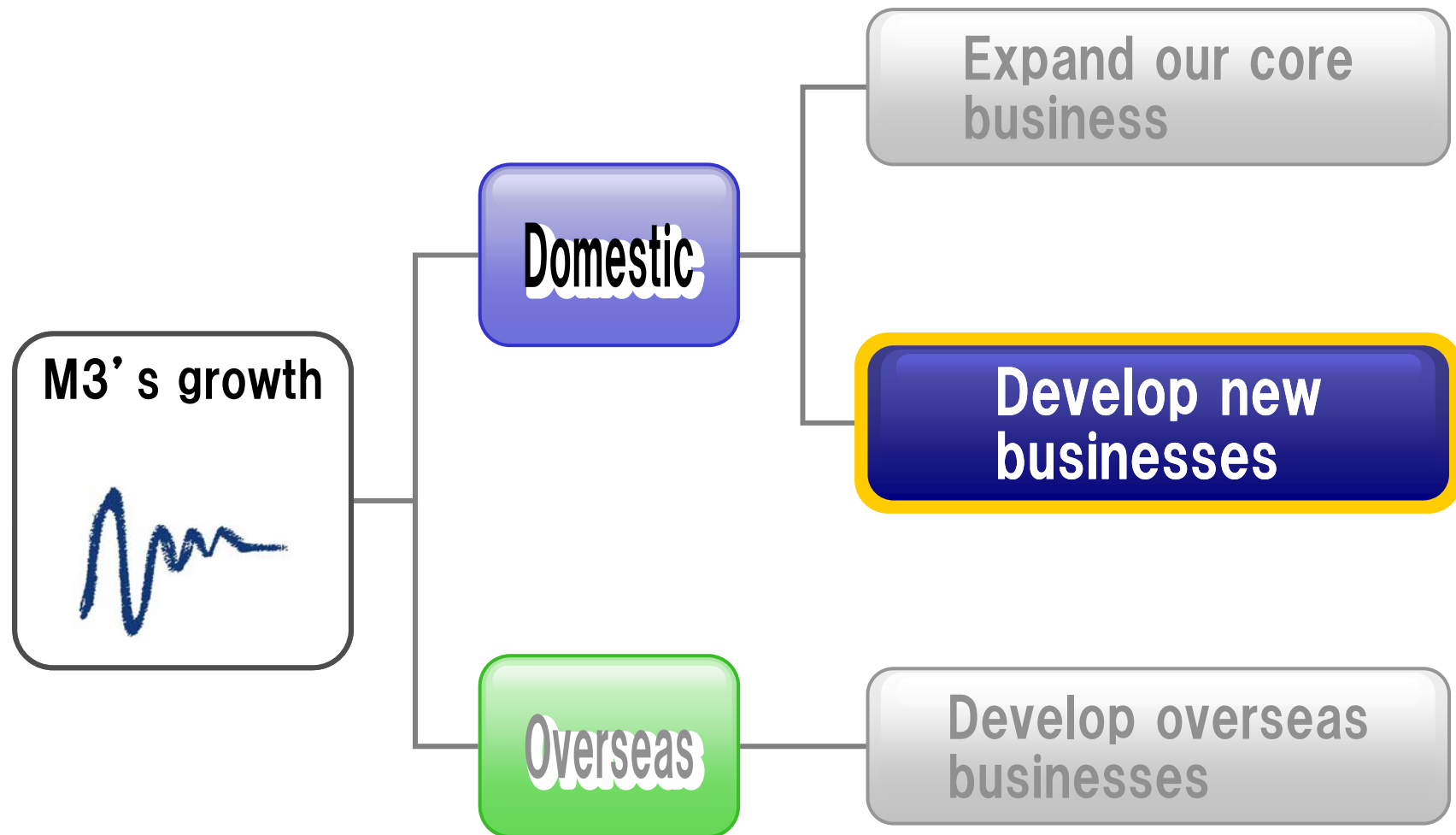
MR-kun Annual Fee Structure

	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 <ul style="list-style-type: none">Revised as of Oct. 2005 for new clientPrevious fee: ¥60mn	¥20mn § ¥40mn	¥30mn §	¥10mn
	¥130mn~¥150mn			
Top 5 clients	¥60mn § ¥70mn	¥580mn	¥200mn	¥10mn
	The average of top 5 clients: ¥860mn			

MR-kun's Growth Potential in Japan

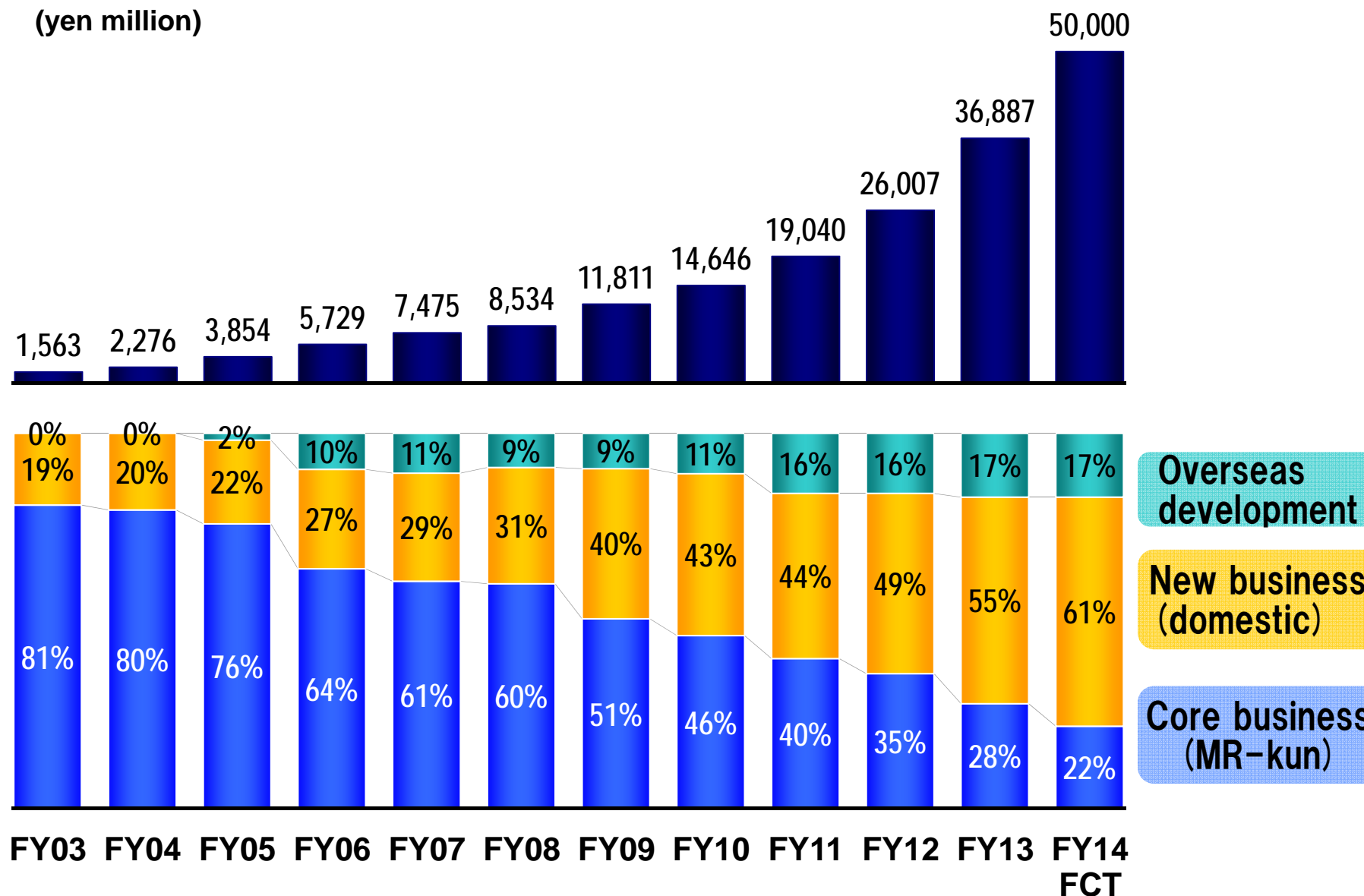


Major clients use the MR-kun more and more:
Average revenue from top 10 clients grew approx. +30% YoY

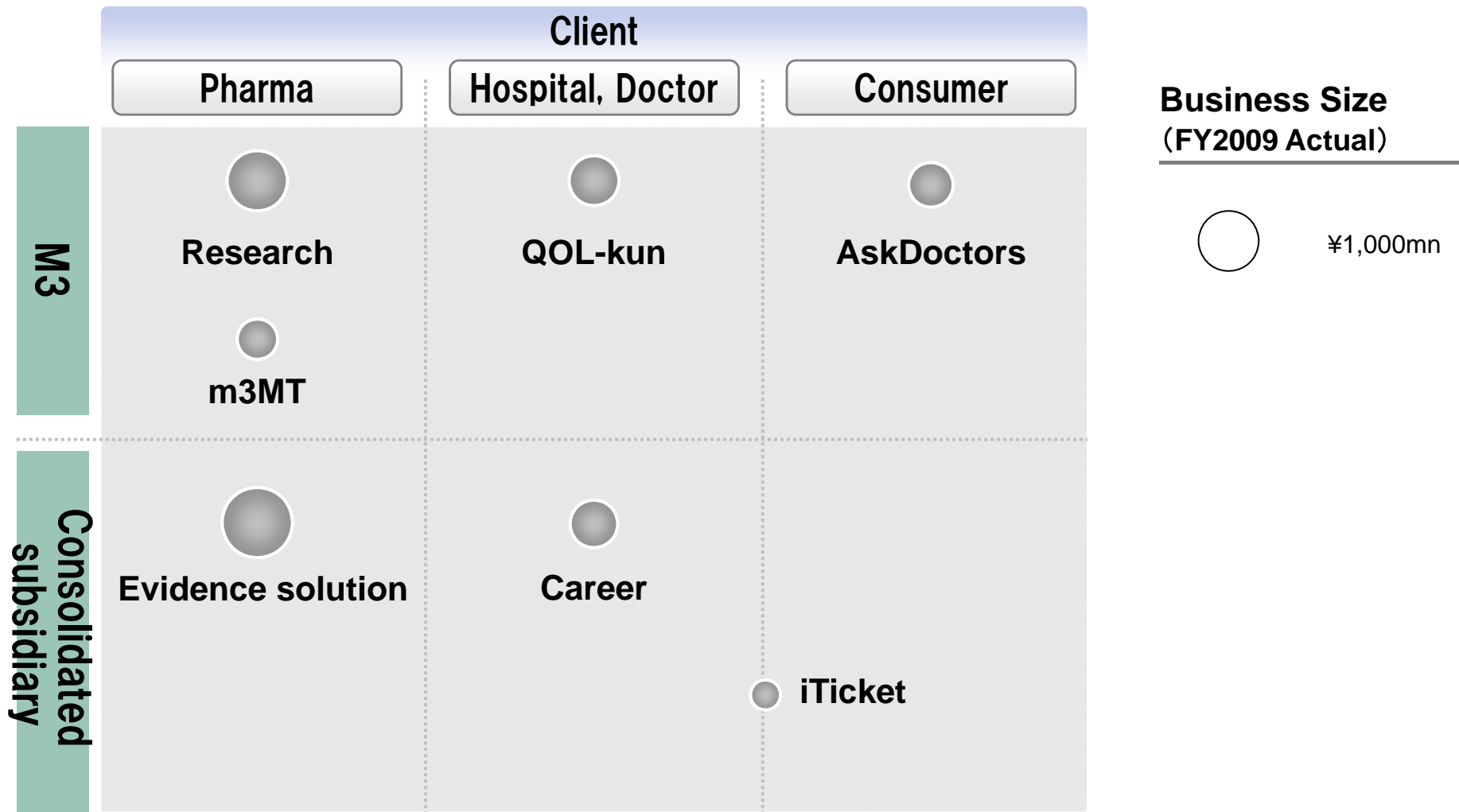


Consolidated Sales Trend

(yen million)

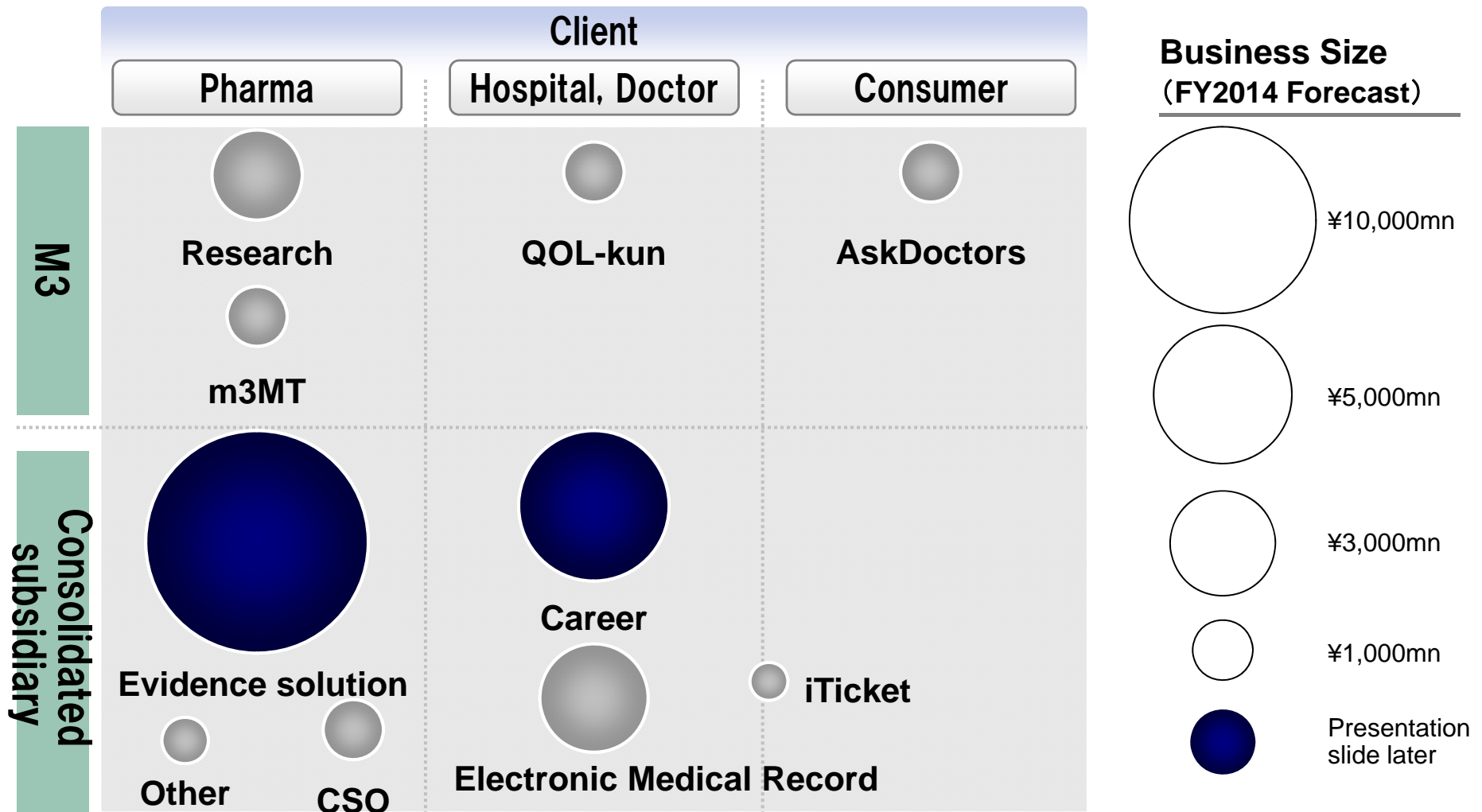


New Business Development on the Platform (as of Mar. 2010)



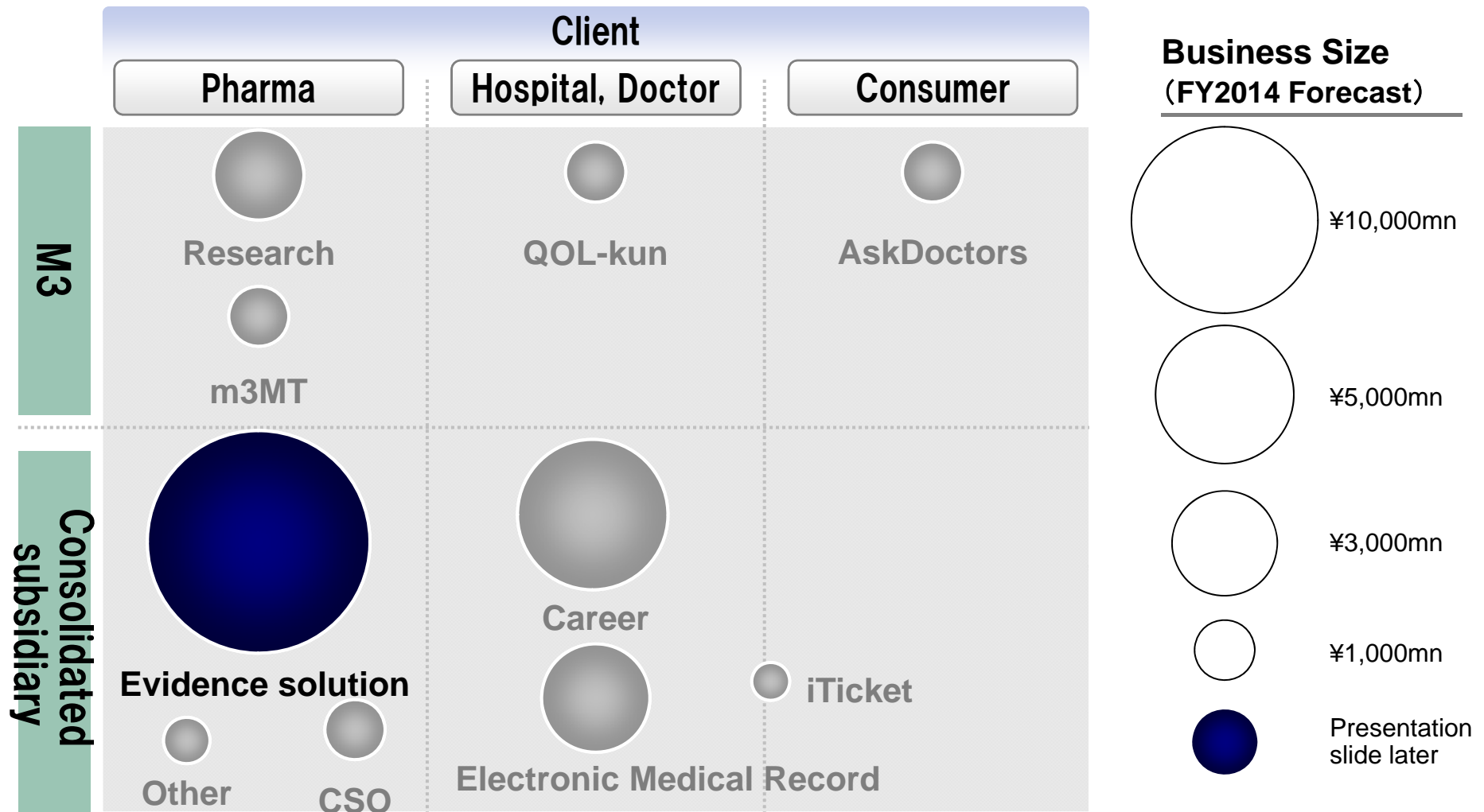
Total revenue of new businesses was less than 5 billion yen.
This was just after establishing M3 Career and at this time only
Mebix was offering our evidence solution service

New Business Development on the Platform



Total revenue of new businesses in FY2014 will be more than 30 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”**

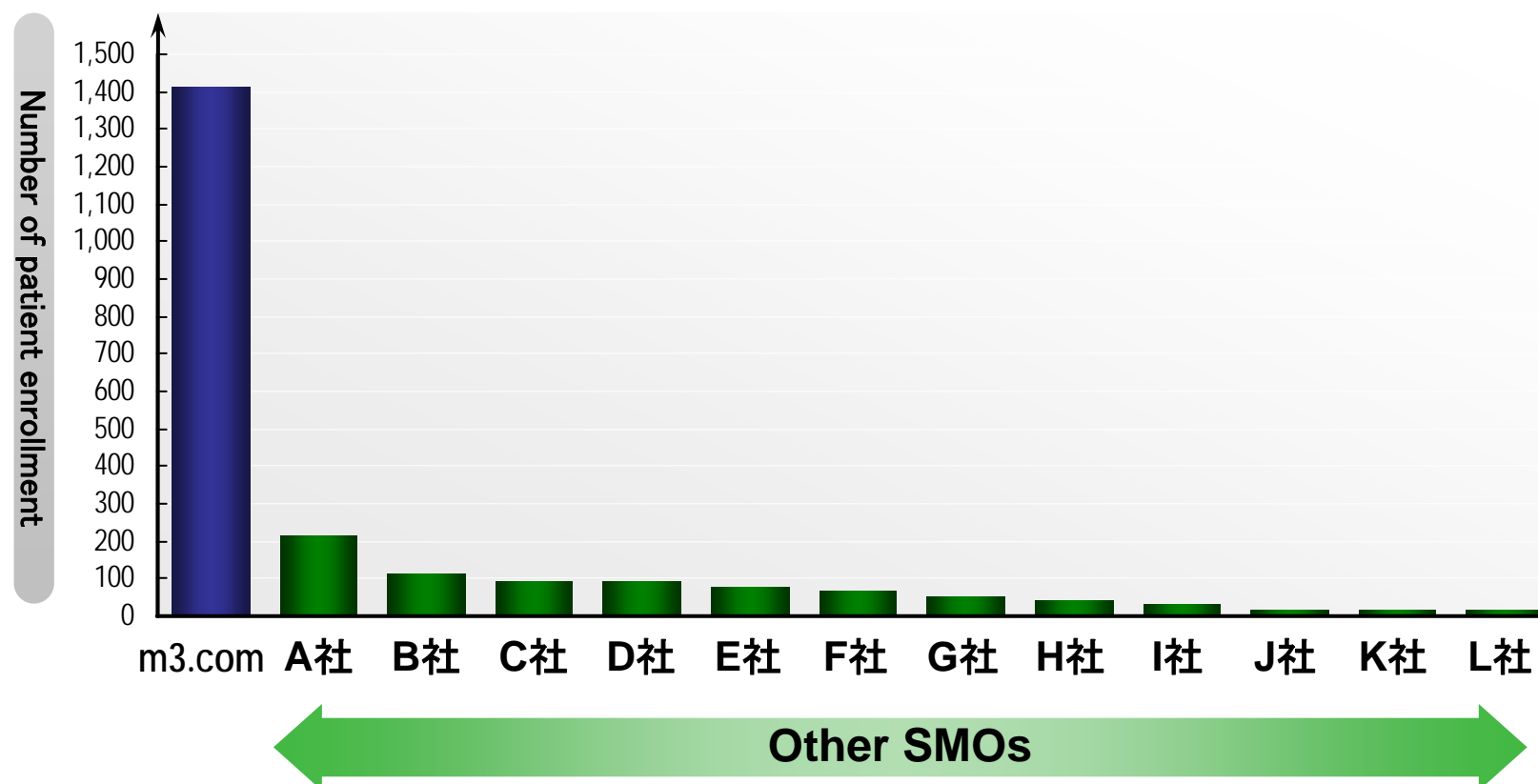
Next

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

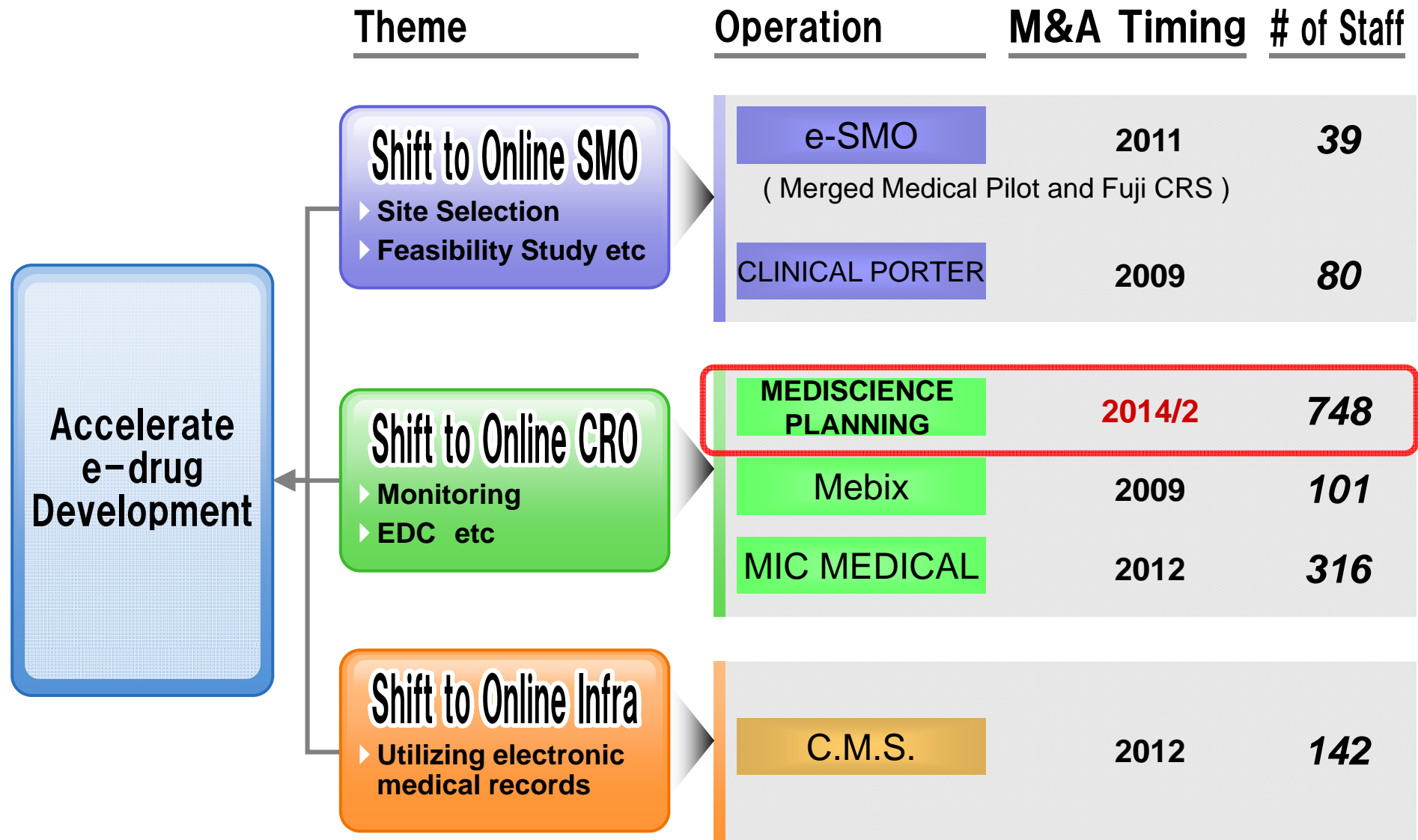
Patient Enrollment in a Large-Scale Clinical Trial

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:




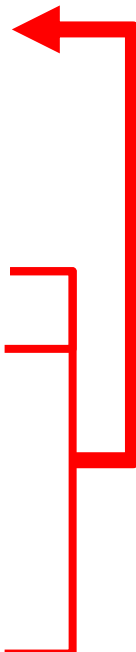
Shift to Online Trials



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

Legend:  M3 Group



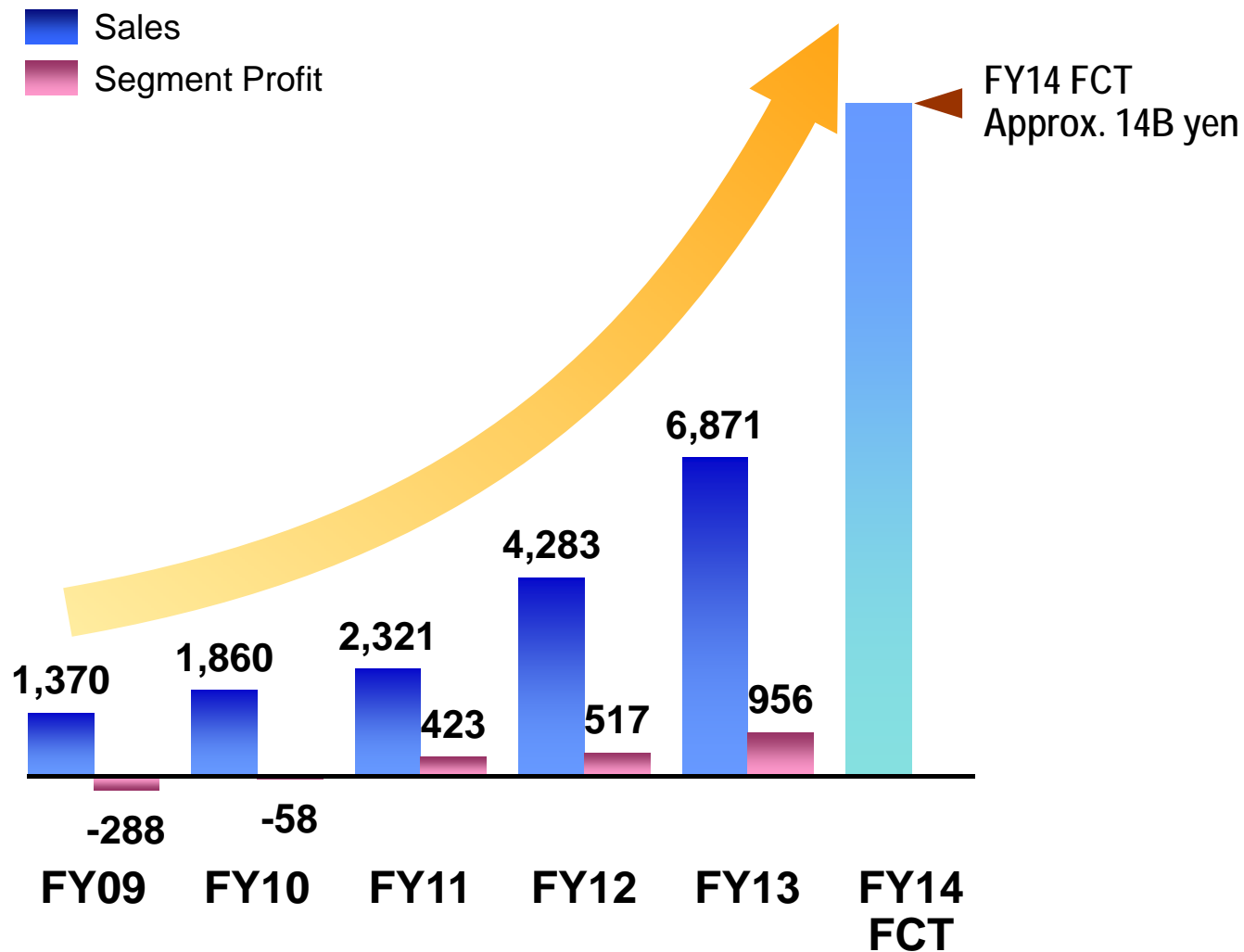
<MIC research institute ltd>



Accelerate the “Shift to Online Trials” with reaching a top level in number of CRAs.

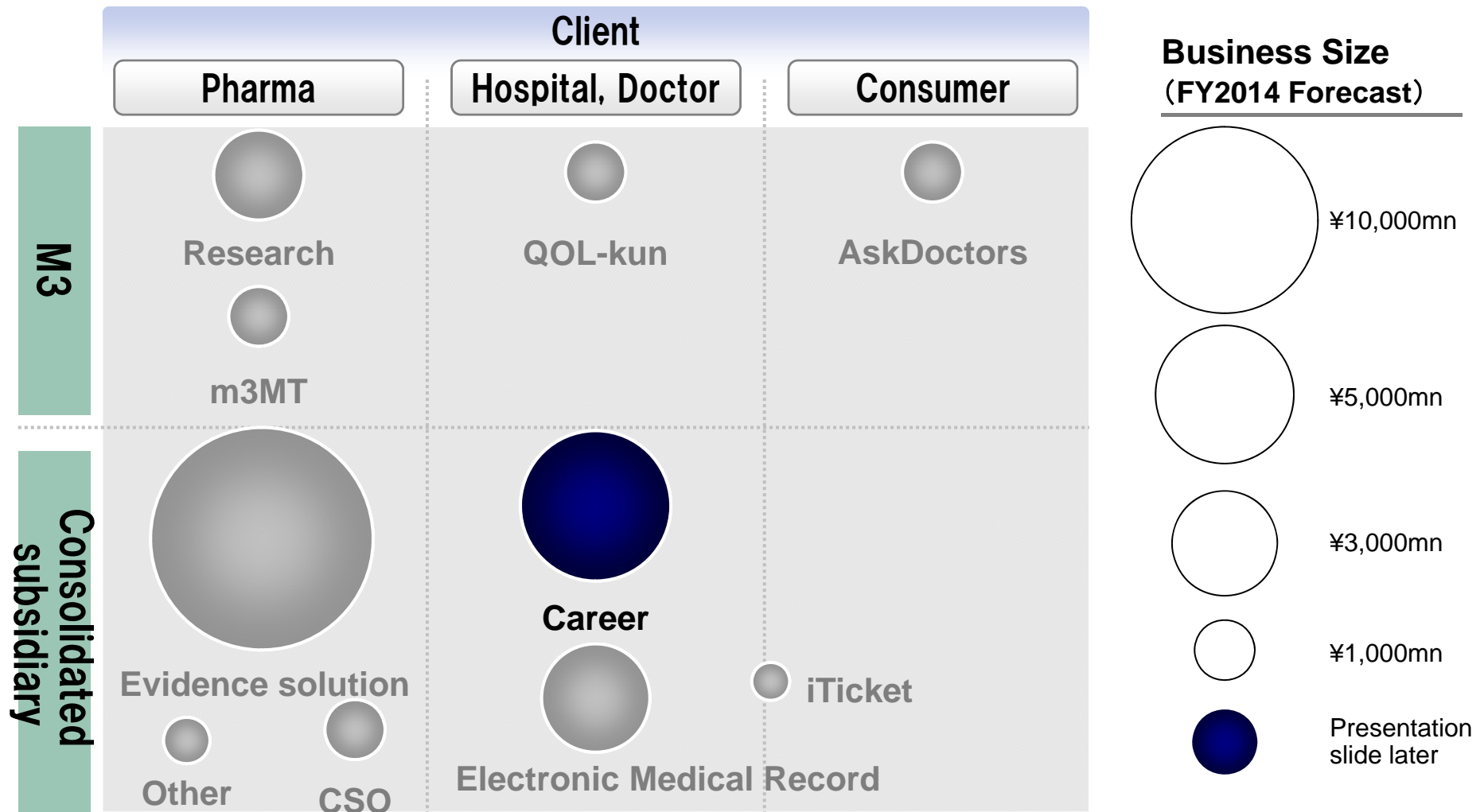
Sales and Profit Trend of Evidence Solution

<Mil yen>



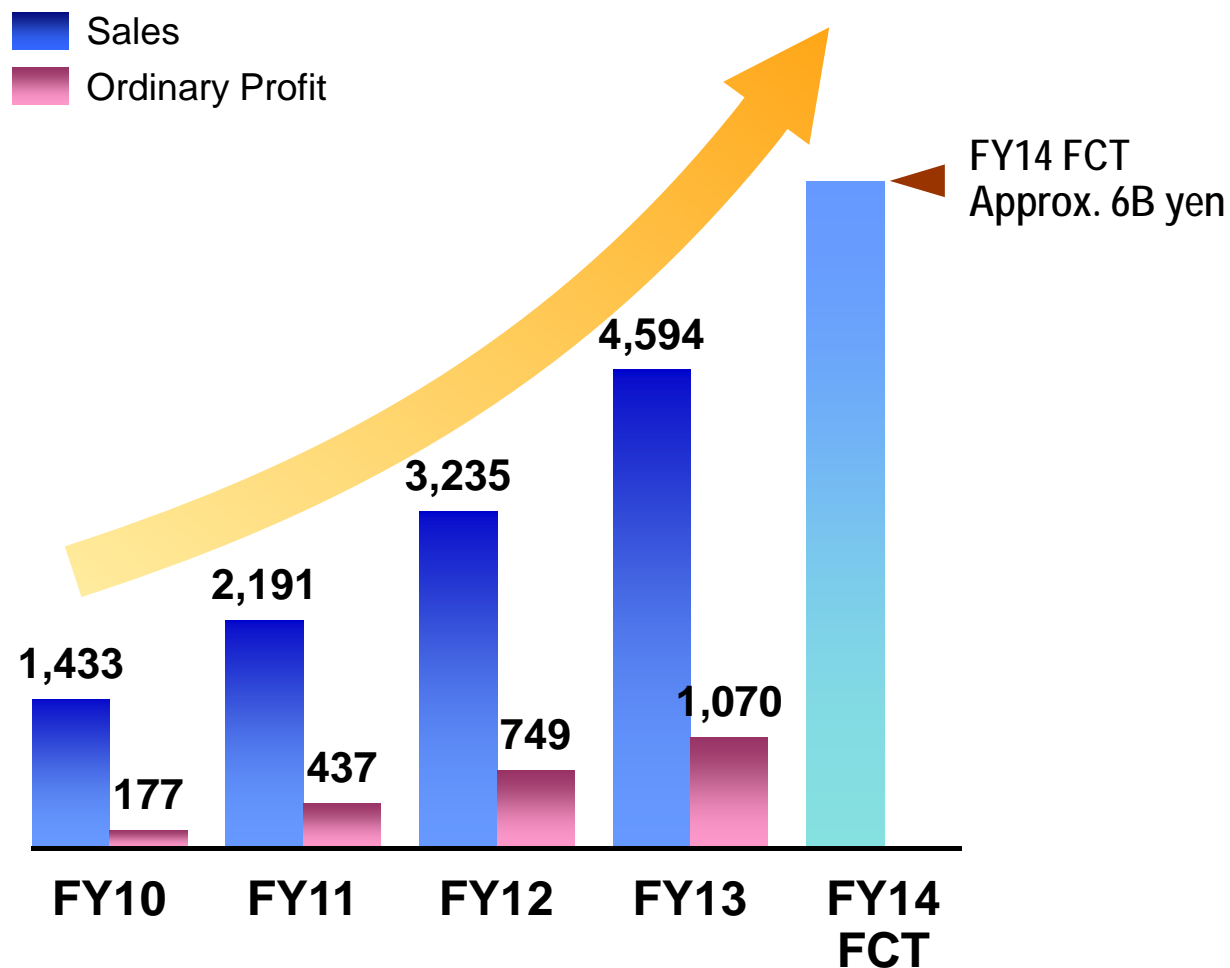
- Increasing sales and improving profitability
- Increasing orders received for CRO service including Chiken-kun
- In FY2014, growing sales to 14 B yen by contribution from Mediscience planning.

New Business Development on the Platform

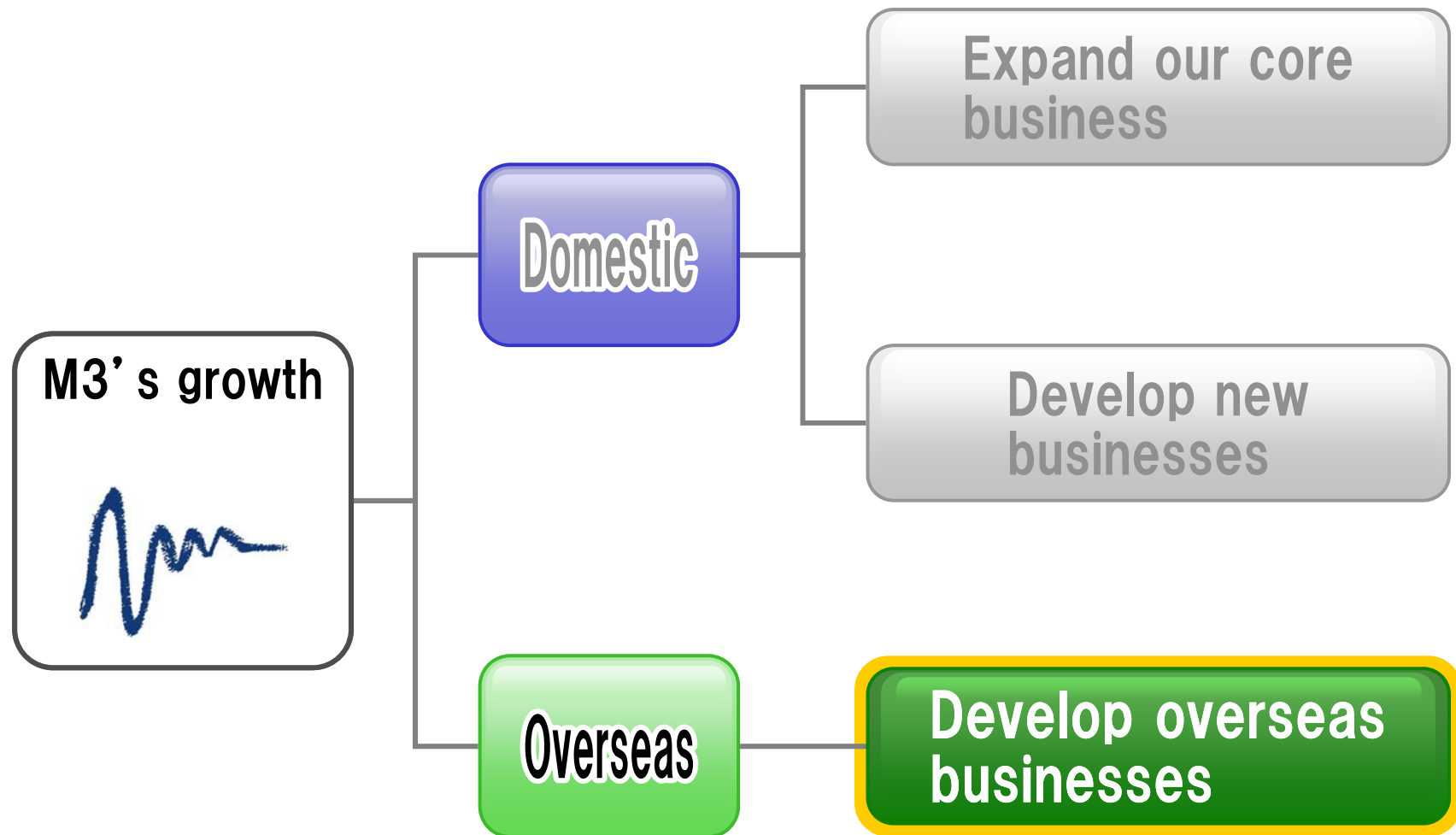


Sales and Profit Trend of M3 Career

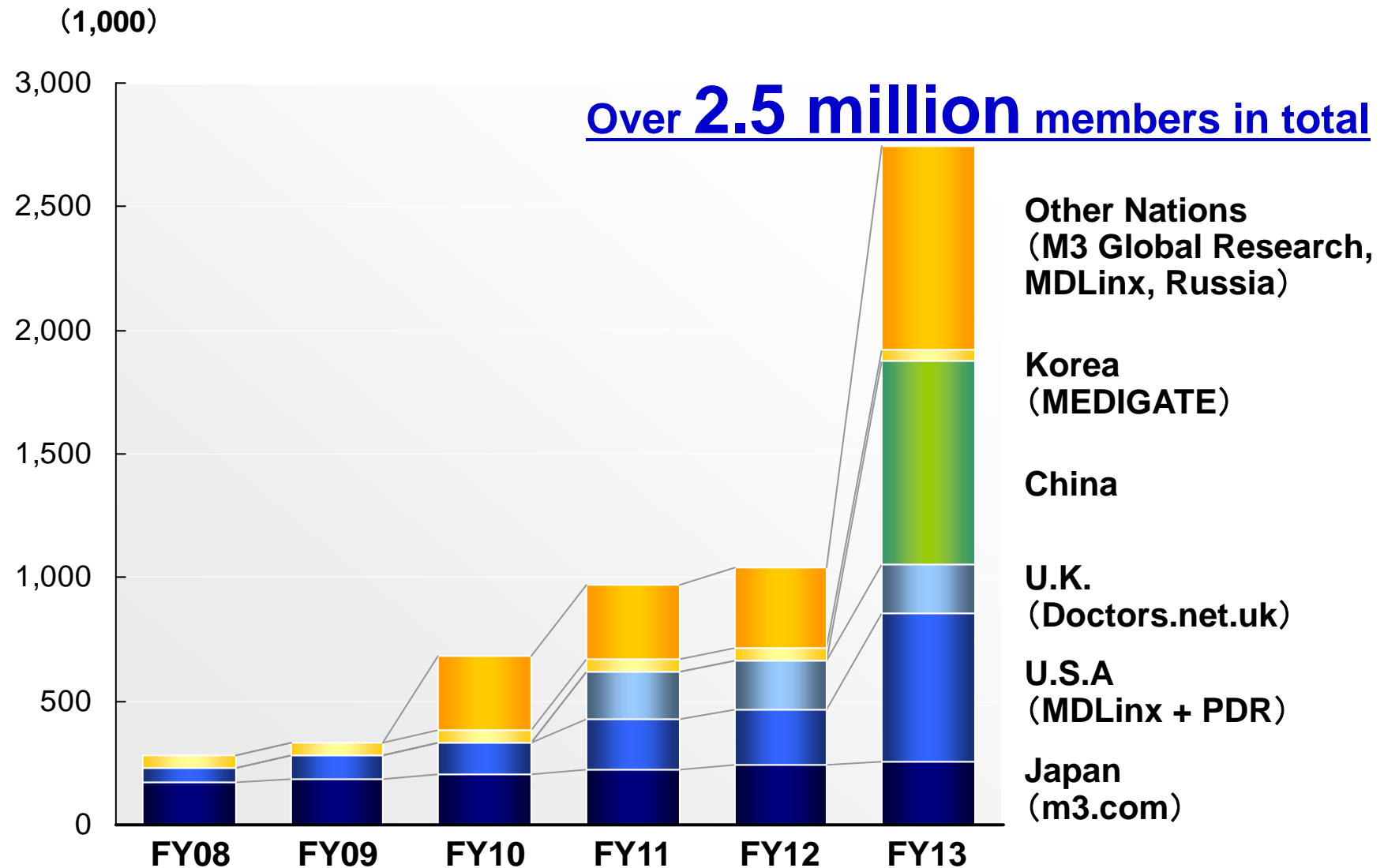
<Mil yen>



- Development of newly-hired staff in productivity.
- Increasing revenue in staff agency service for physicians.
- In FY2014, growing sales +40% and increasing operating profit more.



Physicians Registered in Our Site or Research Panel (Global)



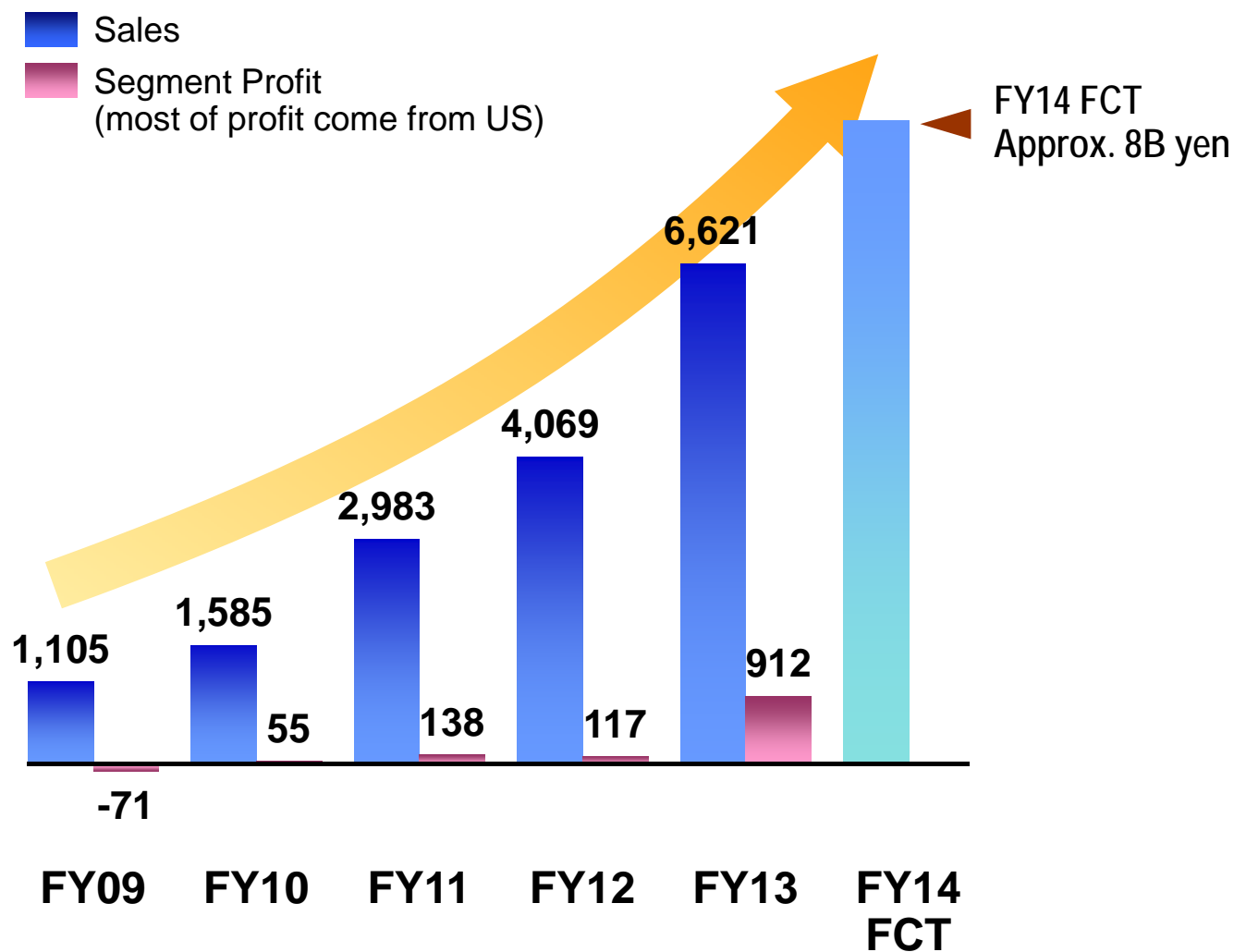
Development in the US

The screenshot shows the MDLinx website interface. At the top, there's a navigation bar with links like Home, Your Messages (23), Smartest Doc, Physician Jobs (365), Clinical Trials, More, Other Specialty, and Article Search. Below this, the 'Oncology News & Articles' section features a welcome message for Dr. James Frank and a 'NEW Market Research Dashboard' showing a 6% profile completion status. The 'Your Unread Messages in Oncology' section includes a 'Smartest Doc Challenge' and 'Top Read' articles. A list of 'Articles' is displayed, including 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. The 'Clinical Pearls In Oncology' section highlights a ZORO study and a meta-analysis on oral contraceptives. The 'Highlights In Oncology' section mentions VEGFR-1 as a prognostic marker for HCC. On the right side, there are promotional banners for 'Post your CV and let employers find you!' and 'UPCOMING Clinical Trials'.

- “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>



- Improving performance with increasing media power of our sites.
- Pharmaceutical companies are becoming aggressive about e-promotion.
- Making a good start in China.
- Accelerating growth speed in local currency bases.

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)**

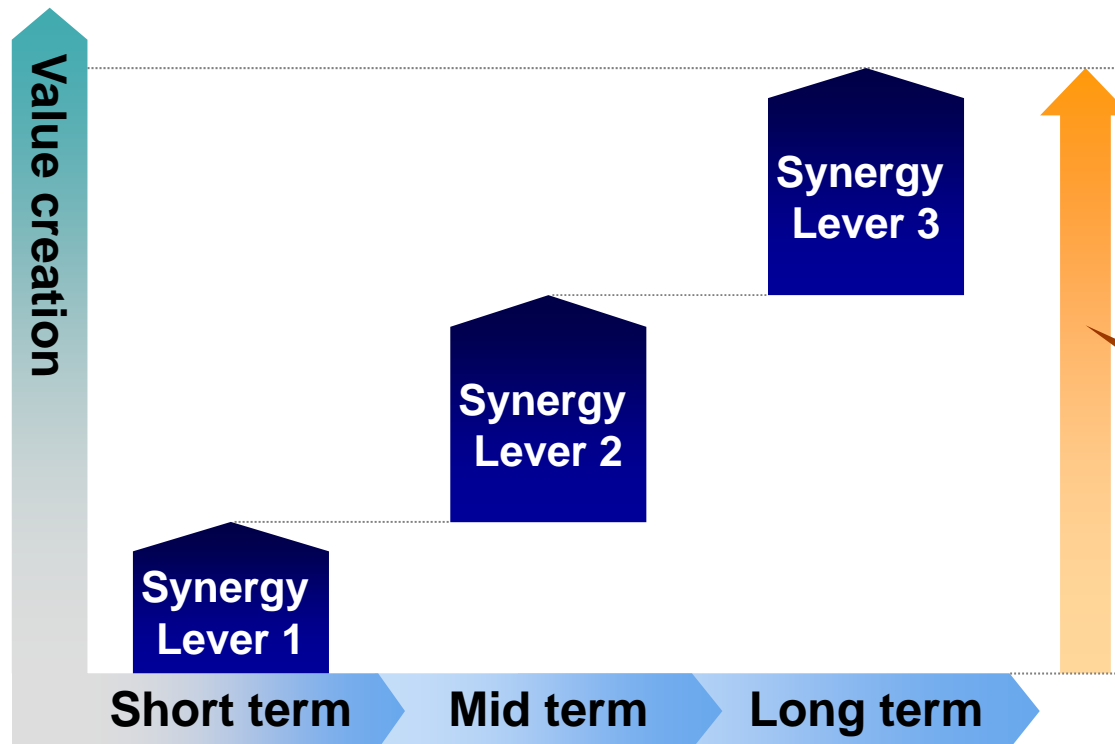
M & A

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

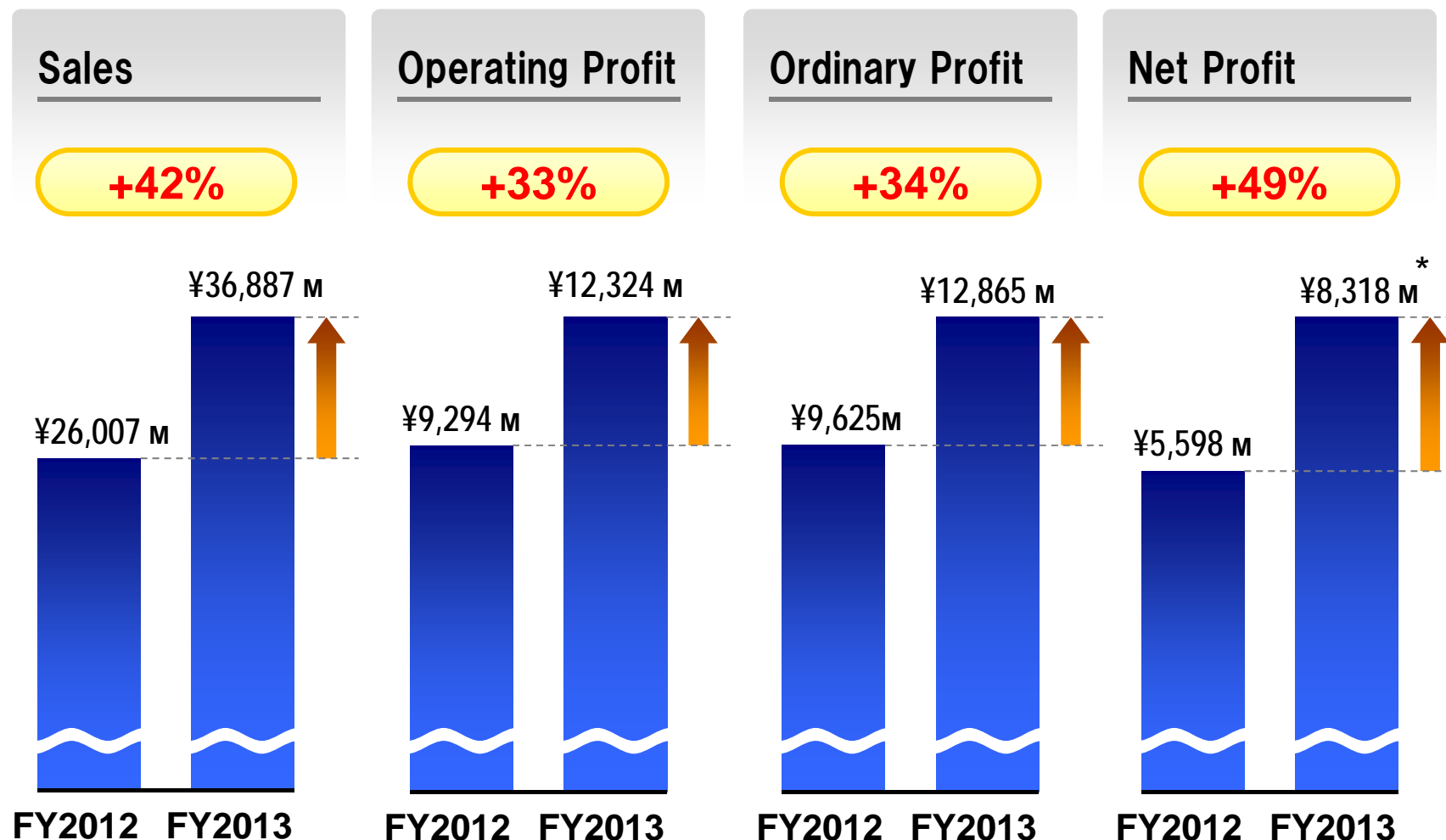
We aim to create value in the short, mid, and long term after execution of M&A.

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.

FY2013 Financial Result and FY2014 Guidance

Consolidated P/L Statement for FY2013



* + 800 mil yen impact to net profit by extraordinary profit and expense (ex. Extraordinary profit from acquisition of MPI).

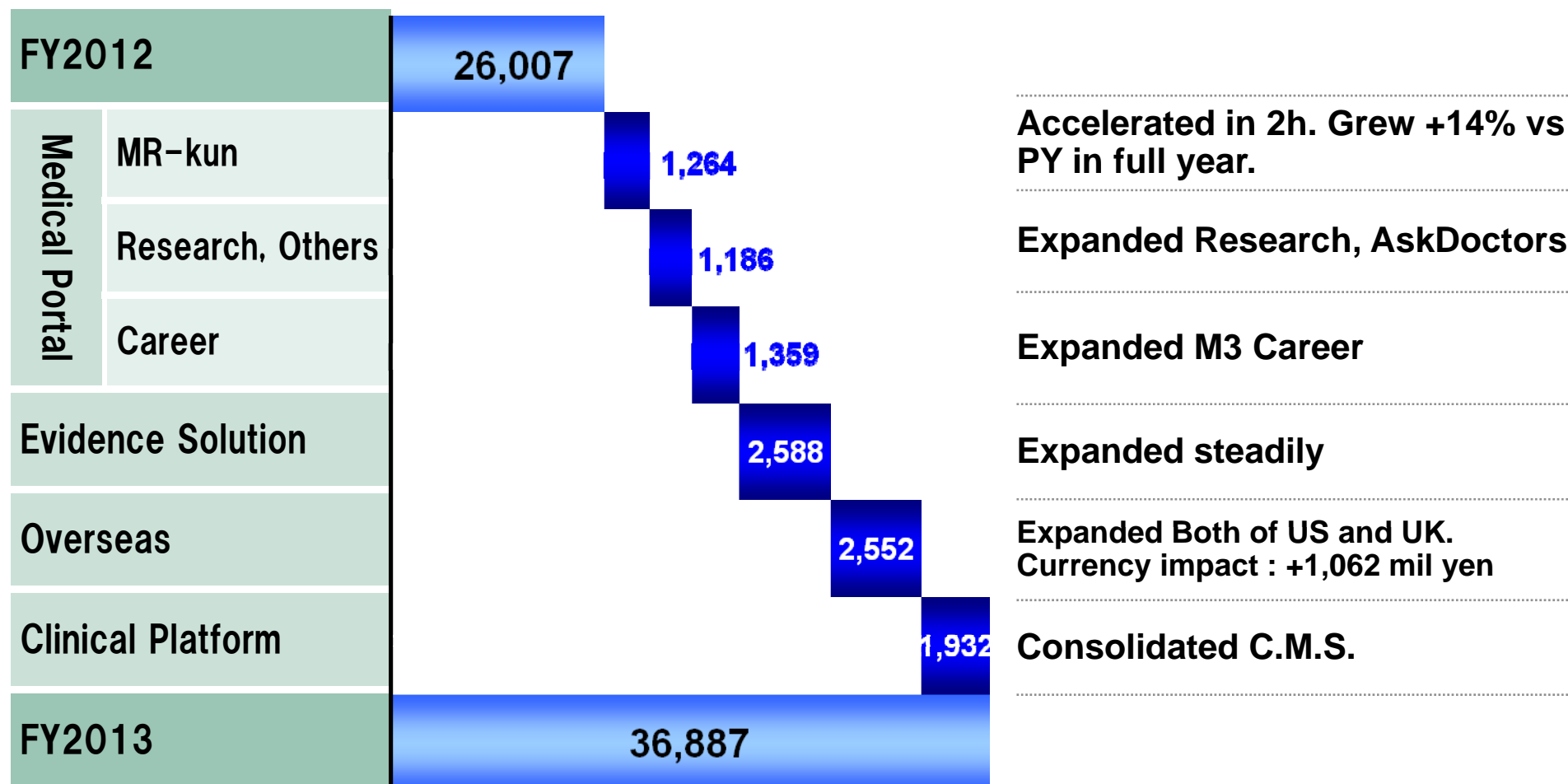
Consolidated P/L Statement for FY2013

Breakdown by Business Segments

(Mil yen)		FY2012	FY2013	YoY Growth
Medical Portal	Sales	16,215	20,024	+24%
	Profit	9,189	11,033	+20%
Evidence Solution	Sales	4,283	6,871	+60%
	Profit	517	956	+85%
Overseas	Sales	4,069	6,621	+63%
	Profit	117	912	+678%
Clinical Platform	Sales	979	2,911	+197%
	Profit	63	279	+339%
Others	Sales	795	1,043	+31%
	Profit	87	131	+51%

Consolidated Sales Analysis (vs P.Y.)

(Mil yen)

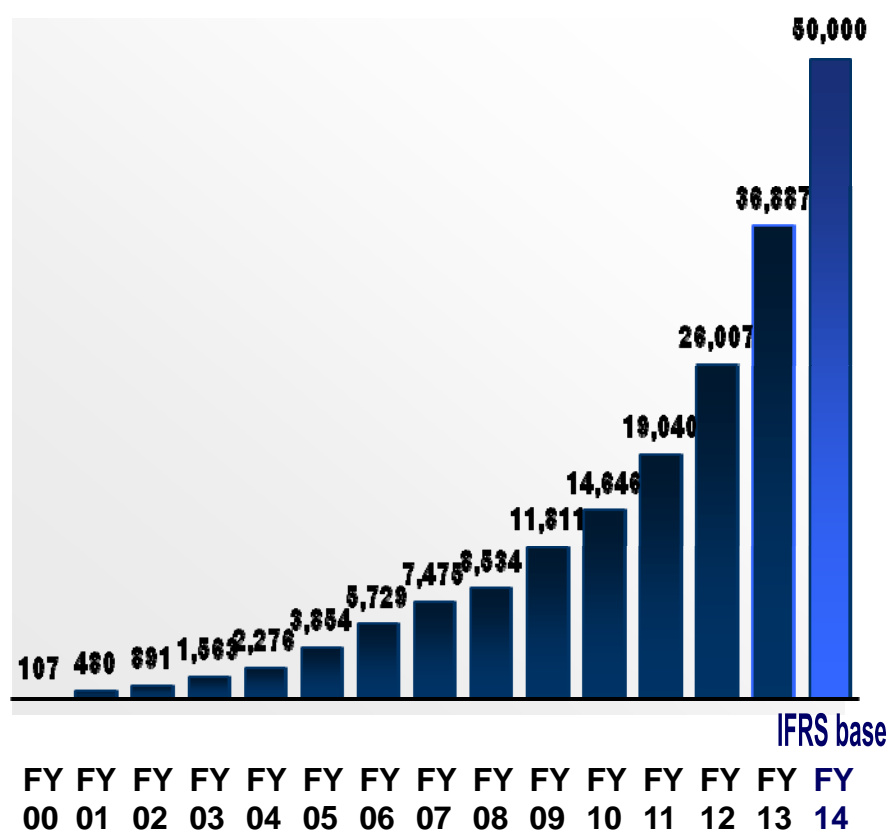


 **Steady growth momentum continues**

Annual Results & Forecast for FY2014

Sales

(¥ mn)

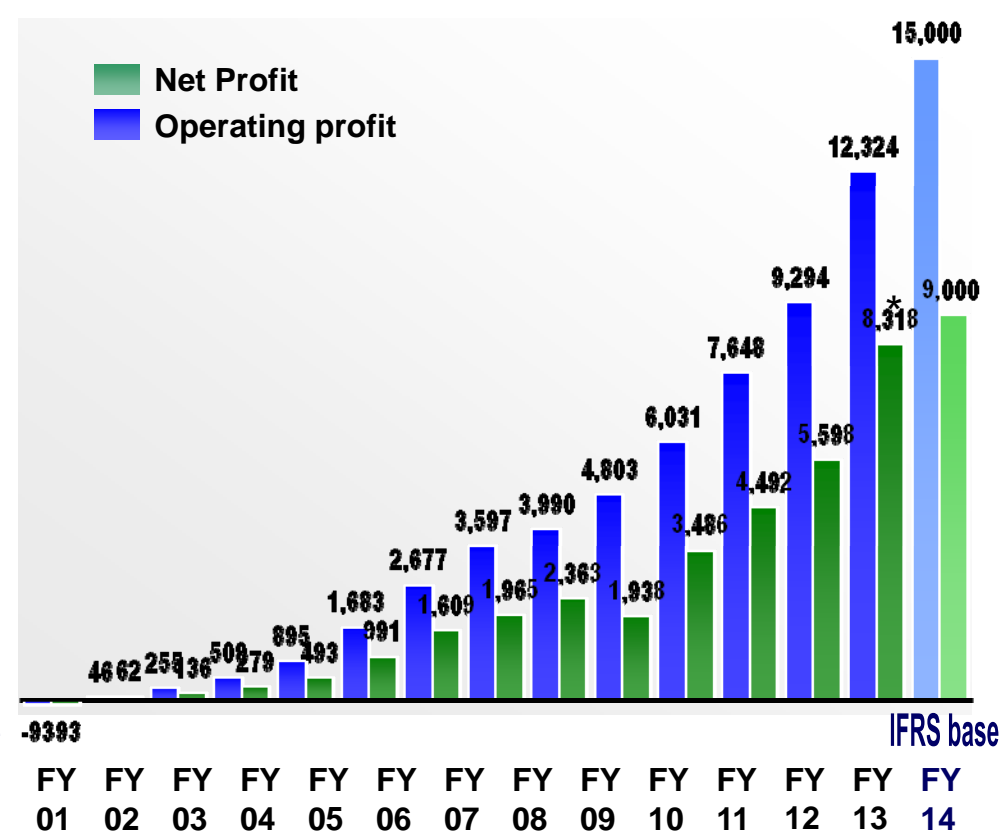


(6months)

(Fore
cast)

Ordinary Profit & Net Profit

(¥ mn)



(6months)

(Fore
cast)

* FY13: + 800 mil yen impact to net profit by extraordinary profit and expense (ex. Extraordinary profit from acquisition of MPI).

Presuppositions for FY2014 Forecast

Top Line	MR-kun	↗	Expand at the same pace as FY2013.
	Research, Others	↗	Expand each services. Planning conservatively because many projects are one shot such as research service.
	Career	↗	Grow sales +40% by increasing number of candidates from site tuning, improving operation efficiency, and adding career consultants .
	Evidence Solution	↗	Fully contribute Mediscience Planning (only 1 months in FY2013). Mebix and MIC will grow steadily.
	US, UK	↗	Expand marketing support and research steadily. Accelerate growth pace.
	China	↗	Grow smoothly, will finish in the black.
	Clinical Platform	↗	Expand C.M.S

Presuppositions for FY2014 Forecast

Cost	M3	↗	Plan to add approx.90 staff (+40%), mainly engineer and sales staff for pharmaceutical companies.
	M3 Career	↗	Plan to add approx.50 staff (+25%), mainly career consultants.
	e-equipped MR	↗	Plan to add approx.100 staff. It would cost more as prior cost, if we decide to accelerate the developing speed.
	Other	↗	Relocate office of Mediscience Planning and other group companies. One time expense for relocation will reach 200M yen.

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