M3, Inc.
Presentation Material

October 2016



Copyright © 2016 M3, Inc. All rights reserved.

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.

Copyright © 2016 M3, Inc. All rights reserved.

Current Business Situation and Outlook

Copyright © 2016 M3, Inc. All rights reserved.

Overview

MR-kun Family

- H1 sales had a healthy increase of 13% yoy. Sep end orders received increased 15% yoy, and with outlook for a continued healthy H2.

Career

- Sales: 4.8 bn yen, +28%; Profit: 1.9 bn yen, +27% yoy (ex M&A fees) Business continues to remain healthy.
- Consolidated Anestation Co.Ltd., which provides placement support services for anethesiologists.

Evidence Solution

- Strength in orders received, healthy progress of projects, and the turn-around of the subsidiary acquired last year contributed to the 31% increase in profits yoy, with OP margins improving to 22%.

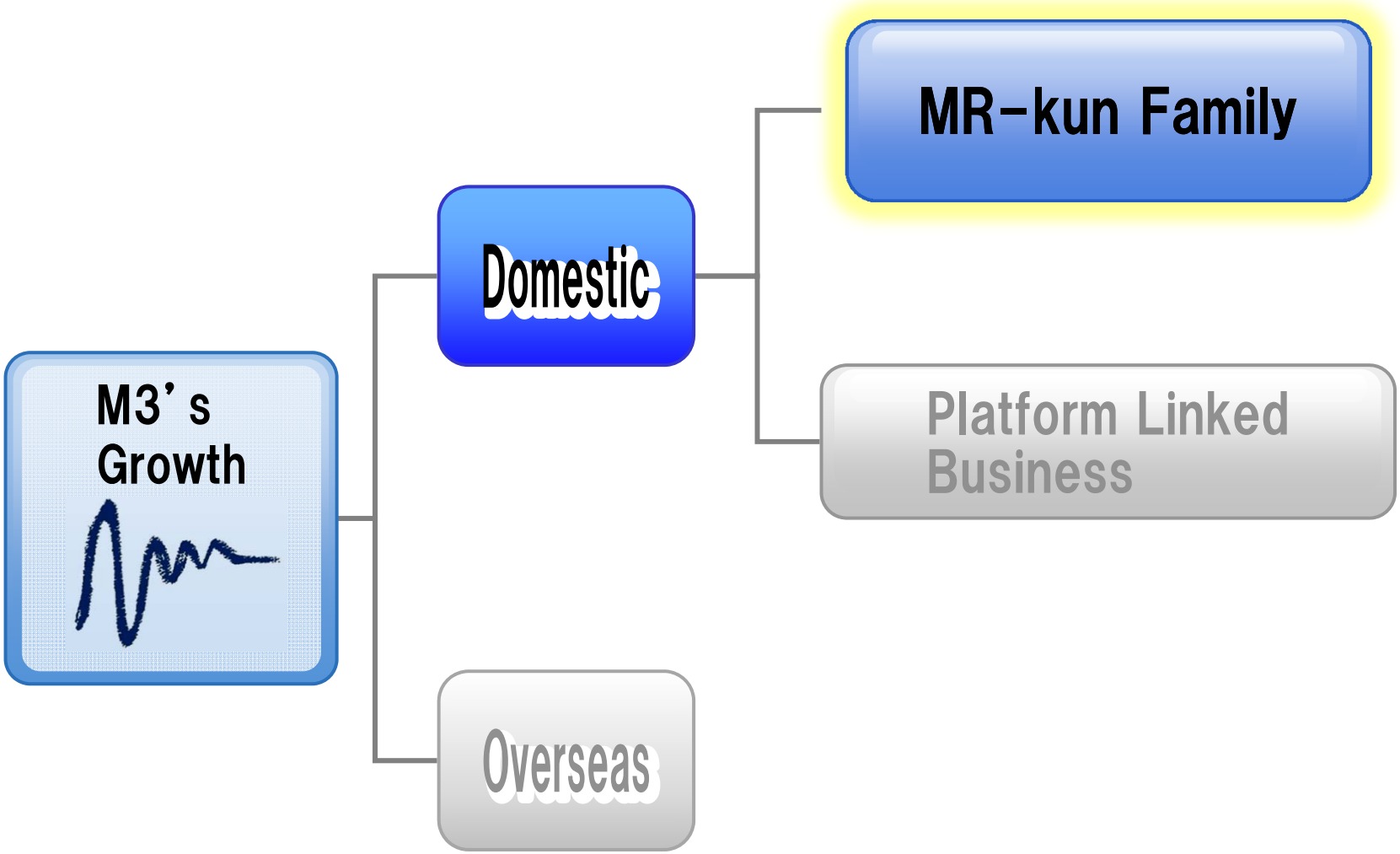
Overseas

- Local ccy basis sales increased 31% yoy. FX impact on sales totaled -1.4 bn yen. Profits excluding M&A fees increased 3% yoy.
- Consolidation of Vidal Group which operates pharmaceutical database businesses in France, Germany, and Spain, is expected at year end upon completion of necessary processes.
- Entered India through consolidation of HIPL, which operates call center services providing dosage instructions towards patients.

Special Fees

- 100 mn yen in M&A fees occurred in H1. Vidal Group acquisition expected to increase the total to 500 mn yen for the full year

Copyright © 2016 M3, Inc. All rights reserved.

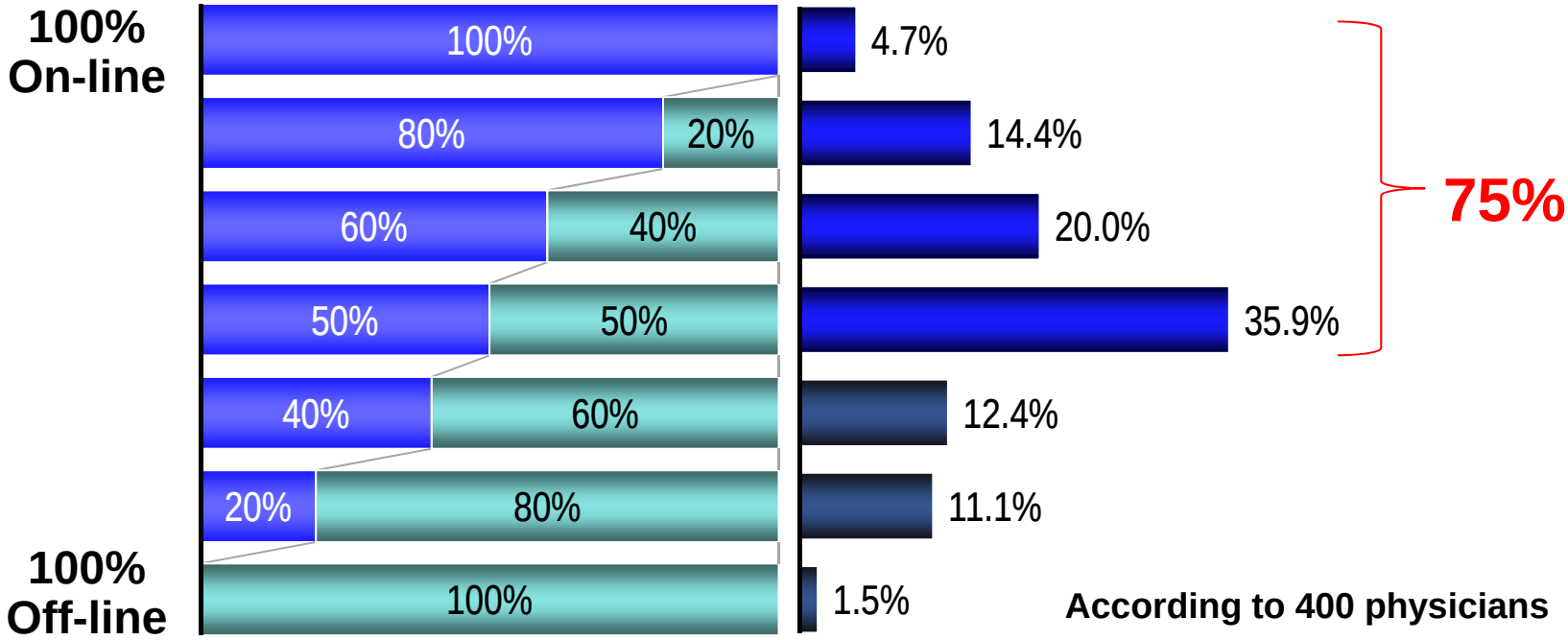


Copyright © 2016 M3, Inc. All rights reserved.

Doctor Demand for On-Line Detailing

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

A.



☞ **High demand for e-detailing from busy physicians that prefer on-demand and relevant information, without the limitations imposed by off-line MRs.**

Source: M3 questionnaire to 400 physicians

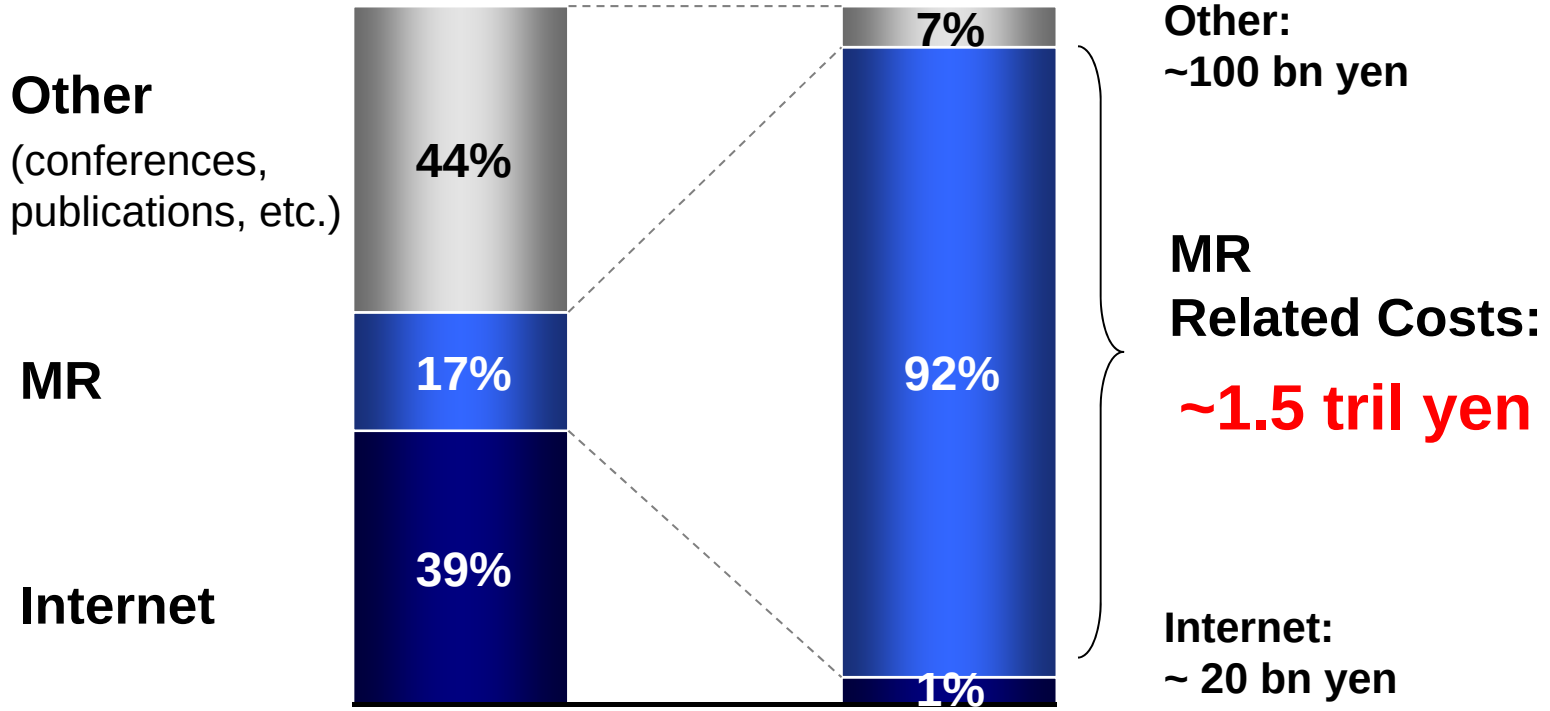
Copyright © 2016 M3, Inc. All rights reserved.

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 MR related costs.

Time Allocation
of doctors collecting info

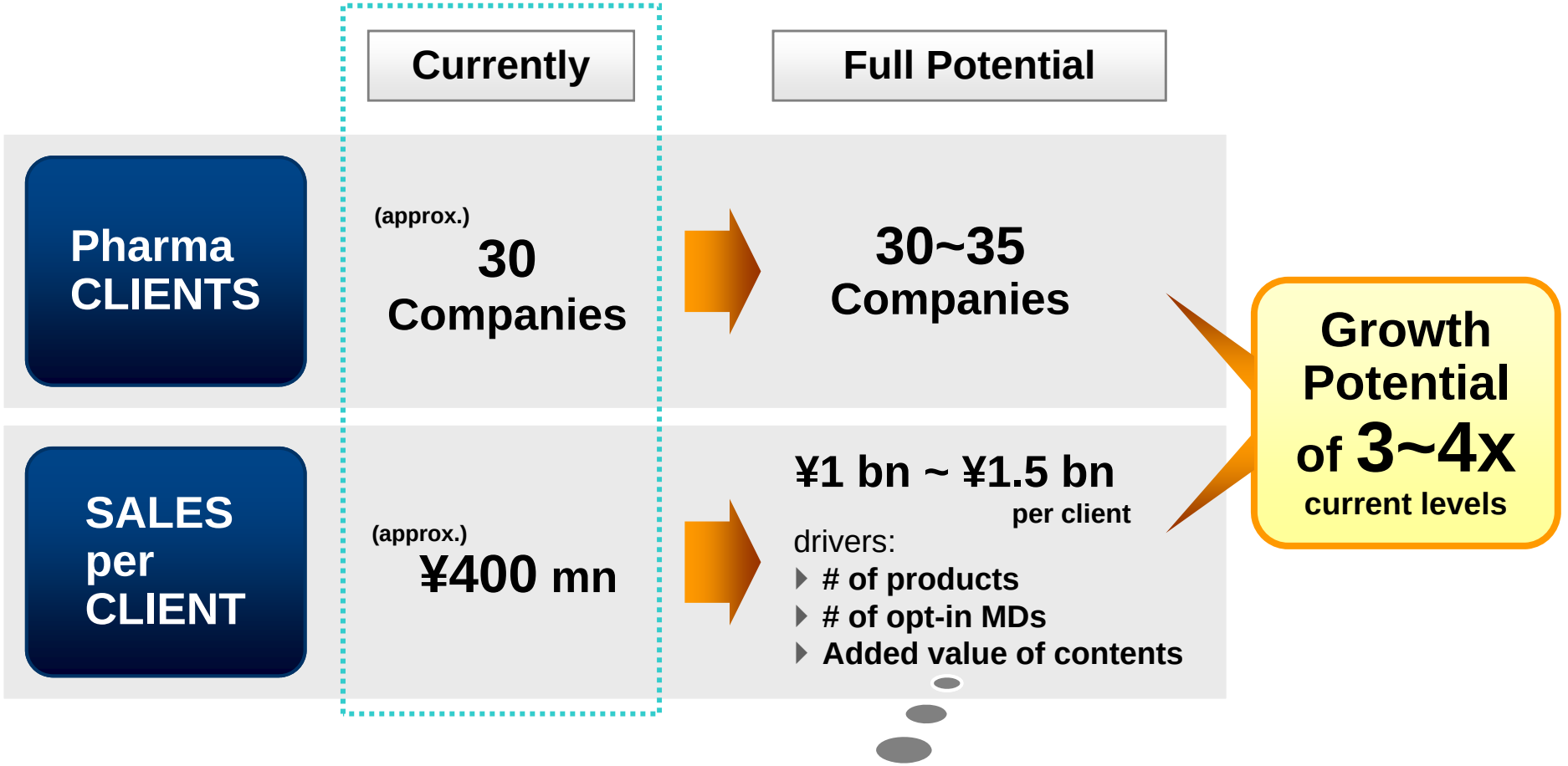
Marketing Budget Allocation
of drug companies in Japan



Source: M3 research, percentages are approximate

Copyright © 2016 M3, Inc. All rights reserved.

MR-kun Family's Growth Potential in Japan



Broadening of usage across entire service line-up:

Average revenues from top 20 clients grew at approx. 13% YoY

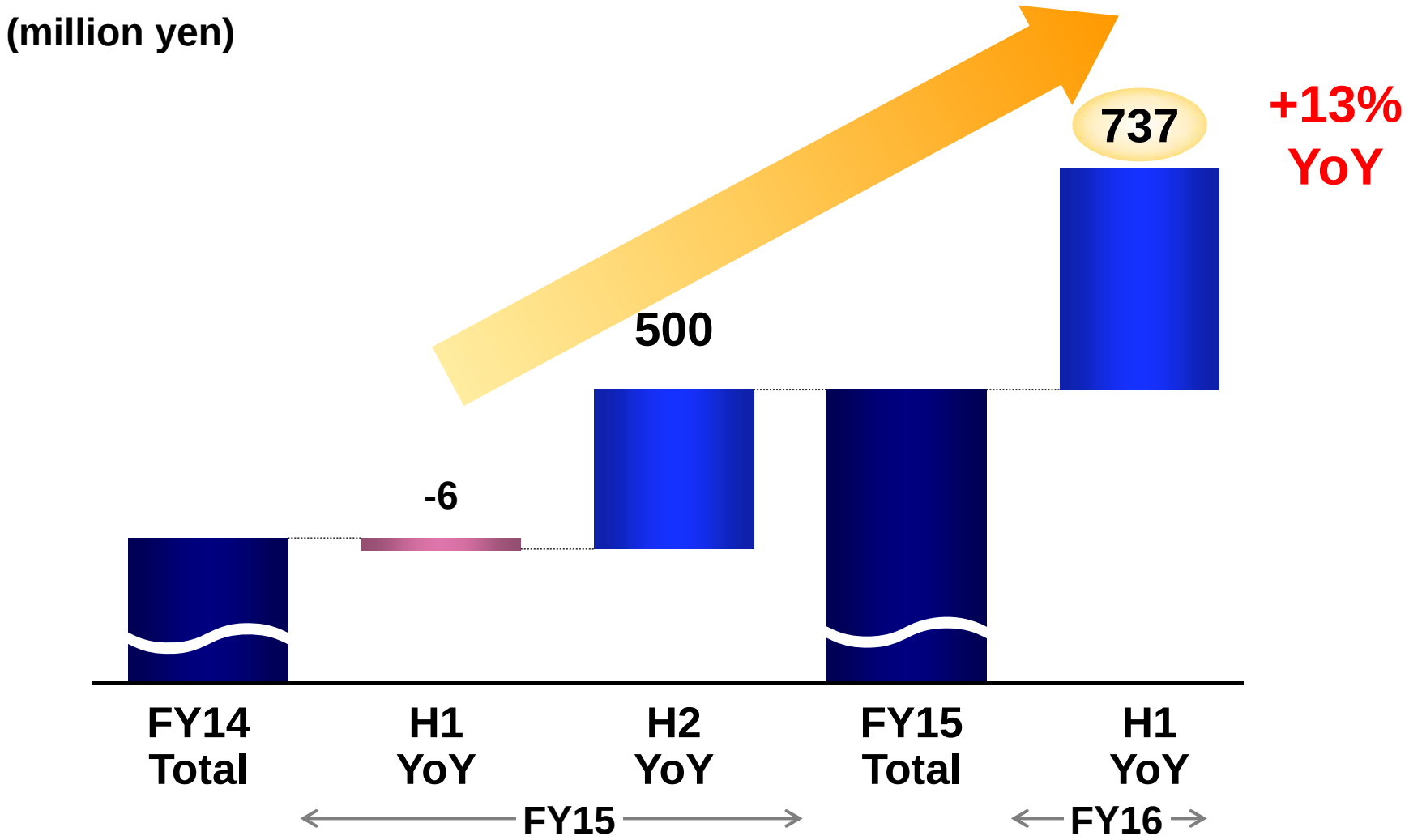
Copyright © 2016 M3, Inc. All rights reserved.

MR-kun Family Fee Structure (annual)

	MR-kun Base & Operation fee	Detail fee	Contents Production fee	Other MR-kun Family Services
		¥100 per detail sent	Production of customized detail contents	Web Symposiums, One Point eDetails, etc
Entry Level (one product)	***¥70 ~ 80 mn***	***¥20 ~ 40 mn***	***¥30 ~ mn***	***¥10 ~ mn***
			around ¥150 mn	
Top 5 Clients (multiple products)	***¥70 ~80 mn***	***¥440mn***	***¥100 mn***	***¥270 mn***
			The average of top 5 clients: around ¥900mn	

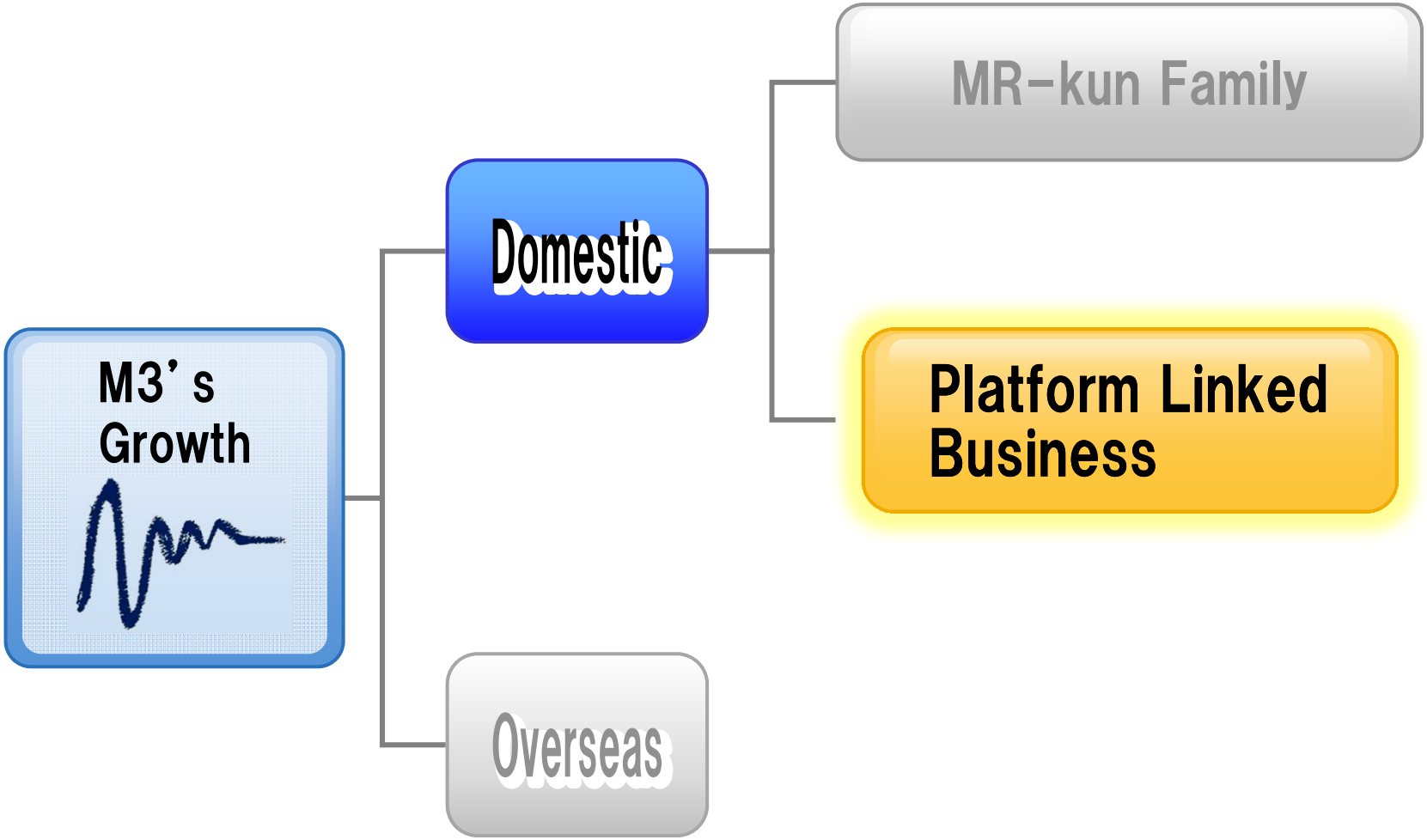
Copyright © 2016 M3, Inc. All rights reserved.

MR-kun Family: YoY Incremental Sales Comparison



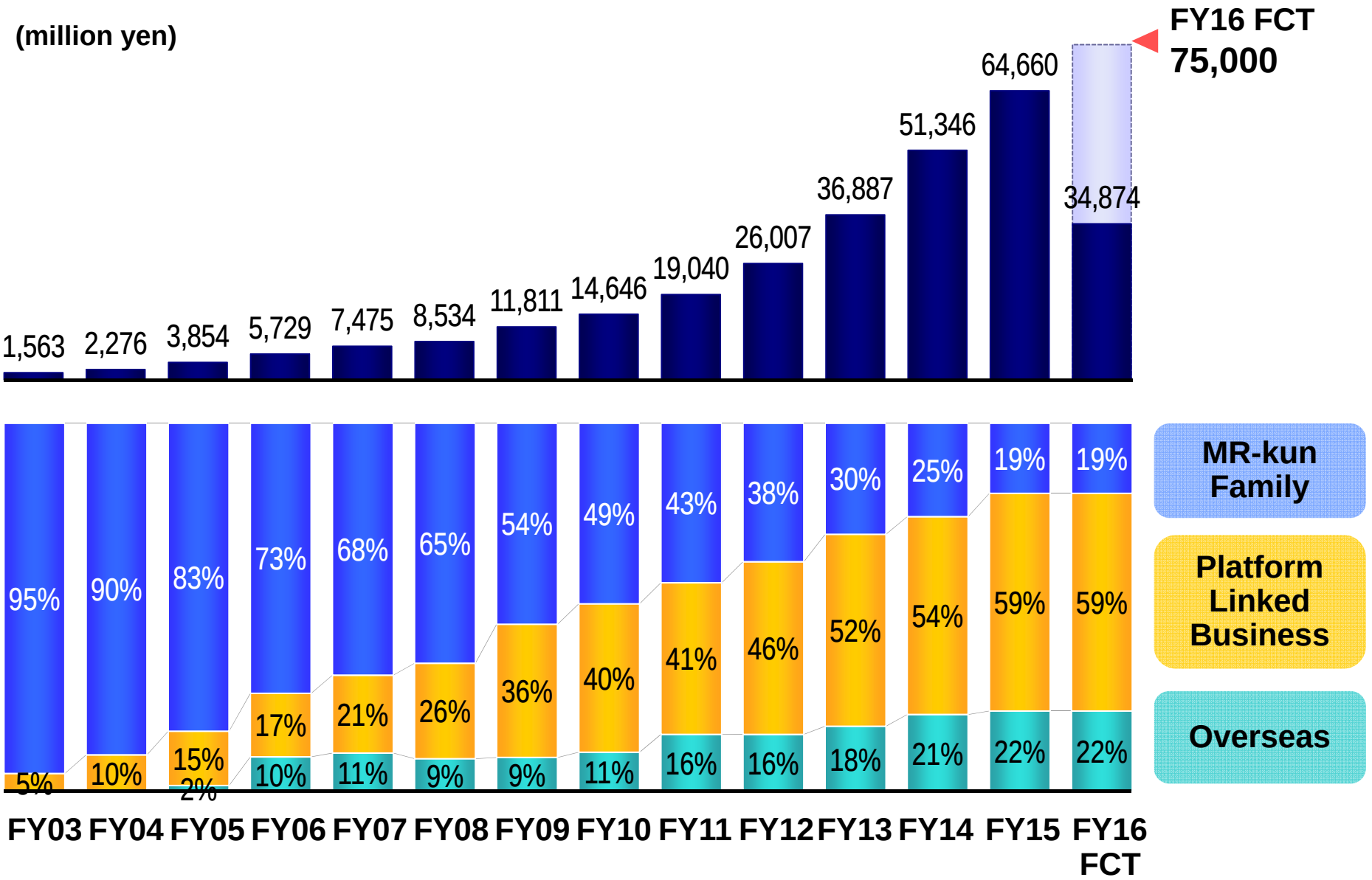
☞ **Orders received increased 15% compared to Sep end PFY**

Copyright © 2016 M3, Inc. All rights reserved.



Copyright © 2016 M3, Inc. All rights reserved.

Consolidated Sales Trend



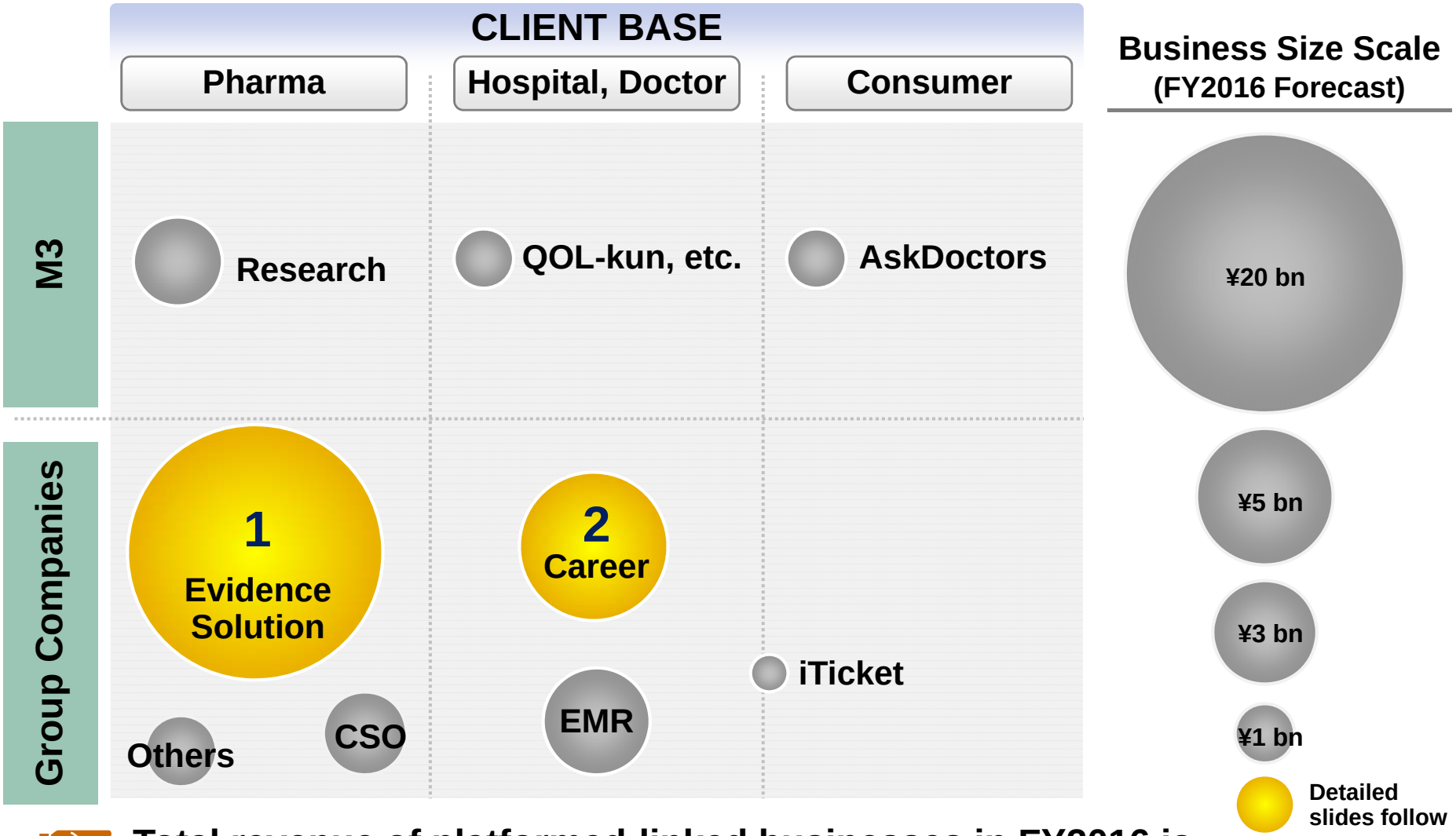
Copyright © 2016 M3, Inc. All rights reserved.

Business Segment Breakdown and Type

Business Segments	Services	FY15 Sales	Business Type
Medical Portal	MR-kun Family	13 bn yen	MR-kun Family
	Career	7 bn yen	Platform Linked Business
	Research	3 bn yen	
	Other (Mr. Finder, AskDoctors, others)	3 bn yen	
Evidence Solution		20 bn yen	
Clinical Platform		3 bn yen	
Sales Platform		1 bn yen	
Other (iTicket, hospital support, others)		2 bn yen	
Overseas		14 bn yen	Overseas

Copyright © 2016 M3, Inc. All rights reserved.

Platform Linked Business Development



Total revenue of platformed-linked businesses in FY2016 is expected to exceed 40 billion yen. New projects pipeline includes 10 to 20 business ideas with plans including overseas development.

Copyright © 2016 M3, Inc. All rights reserved.

Power of Mr. Finder in Drug Development 1 Evid Sol

"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 centered eMarketing for drugs – Engine #1**
	Plus
2011 ~	**Evolution via Mr. Finder centered eR&D Developed as Engine #2**

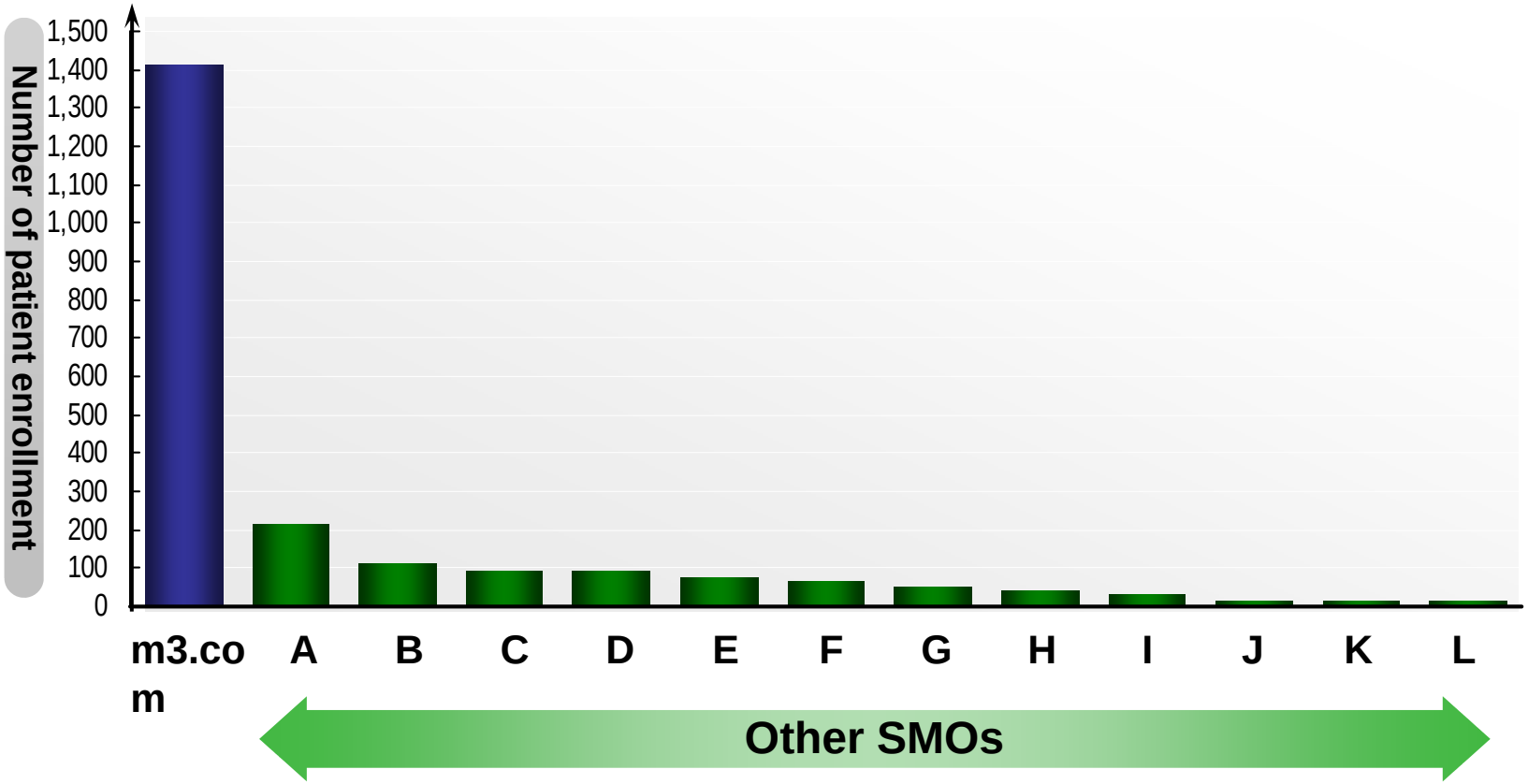
Copyright © 2016 M3, Inc. All rights reserved.

Patient Enrollment in Large-Scale Trials

1 Evid Sol

Case study

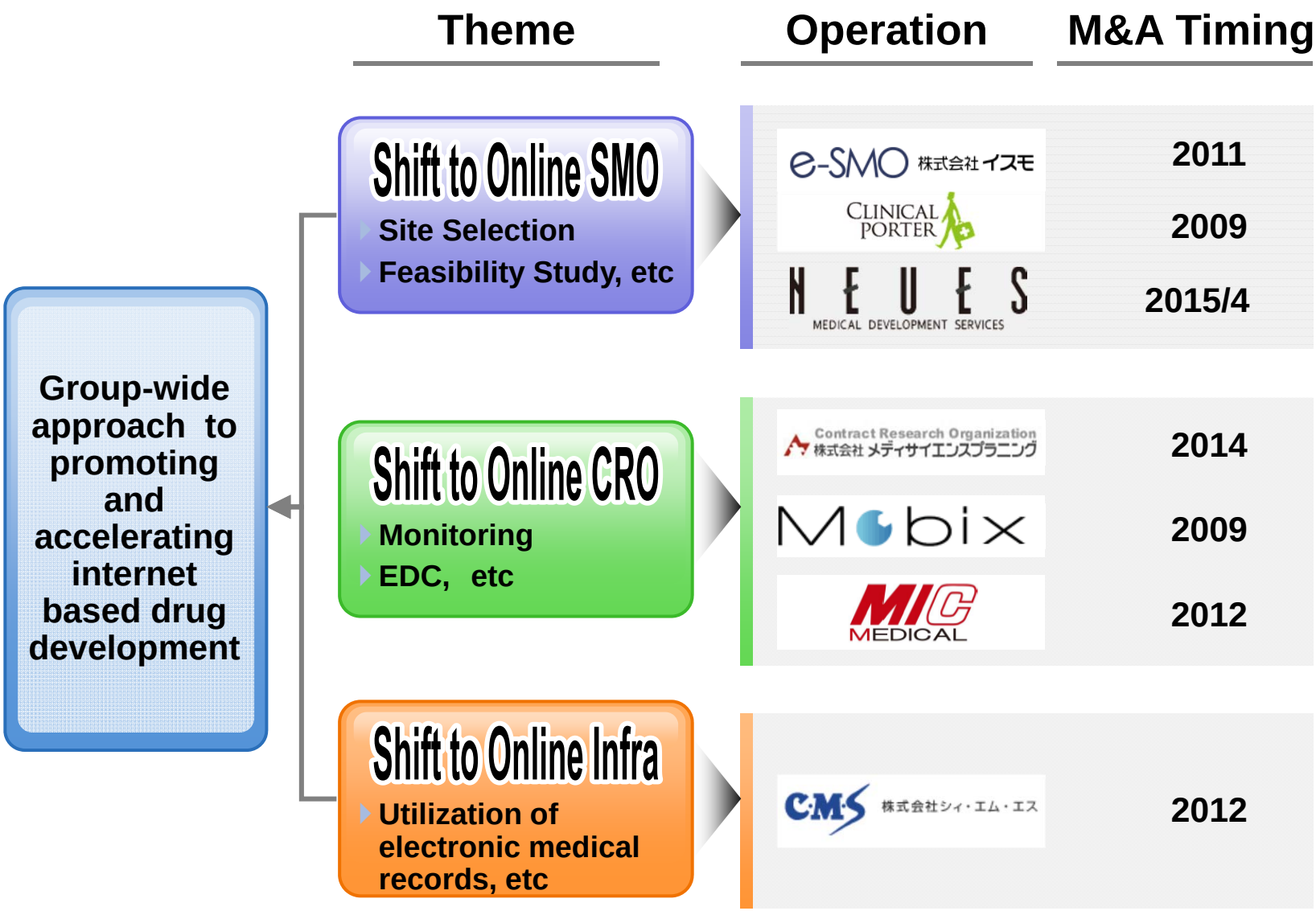
M3.com doctors exceeded by number and speed in collecting cases
versus other SMOs for a particular Endocrinology and Metabolism trial



☞ **Expedited enrollment of cases compared to other SMOs**

Copyright © 2016 M3, Inc. All rights reserved.

Shift to Internet-Based Clinical Trials 1 Evid Sol



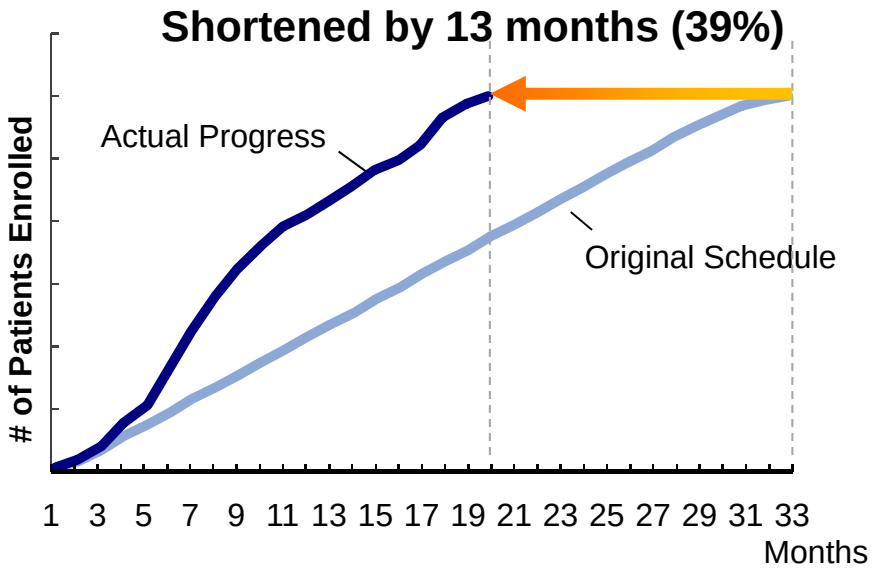
Copyright © 2016 M3, Inc. All rights reserved.

M3 Group: Accelerated Trial Completion

1 Evid Sol

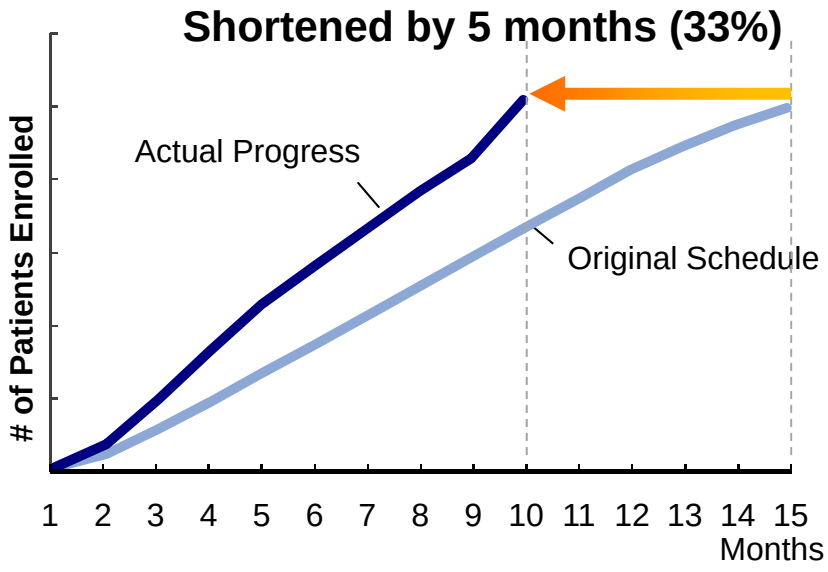
- Mr. Finder finds highly motivated MDs at sites with potential patients
- Trial process management executed in similar fashion to web based marketing (High speed PDCA, conversion management, IT tools utilization)

Global Trial: Endocrinology/ Metabolism



Completed patient enrollment in 20 months vs. allocated 33 months

Domestic Trial: Endocrinology/Metabolism

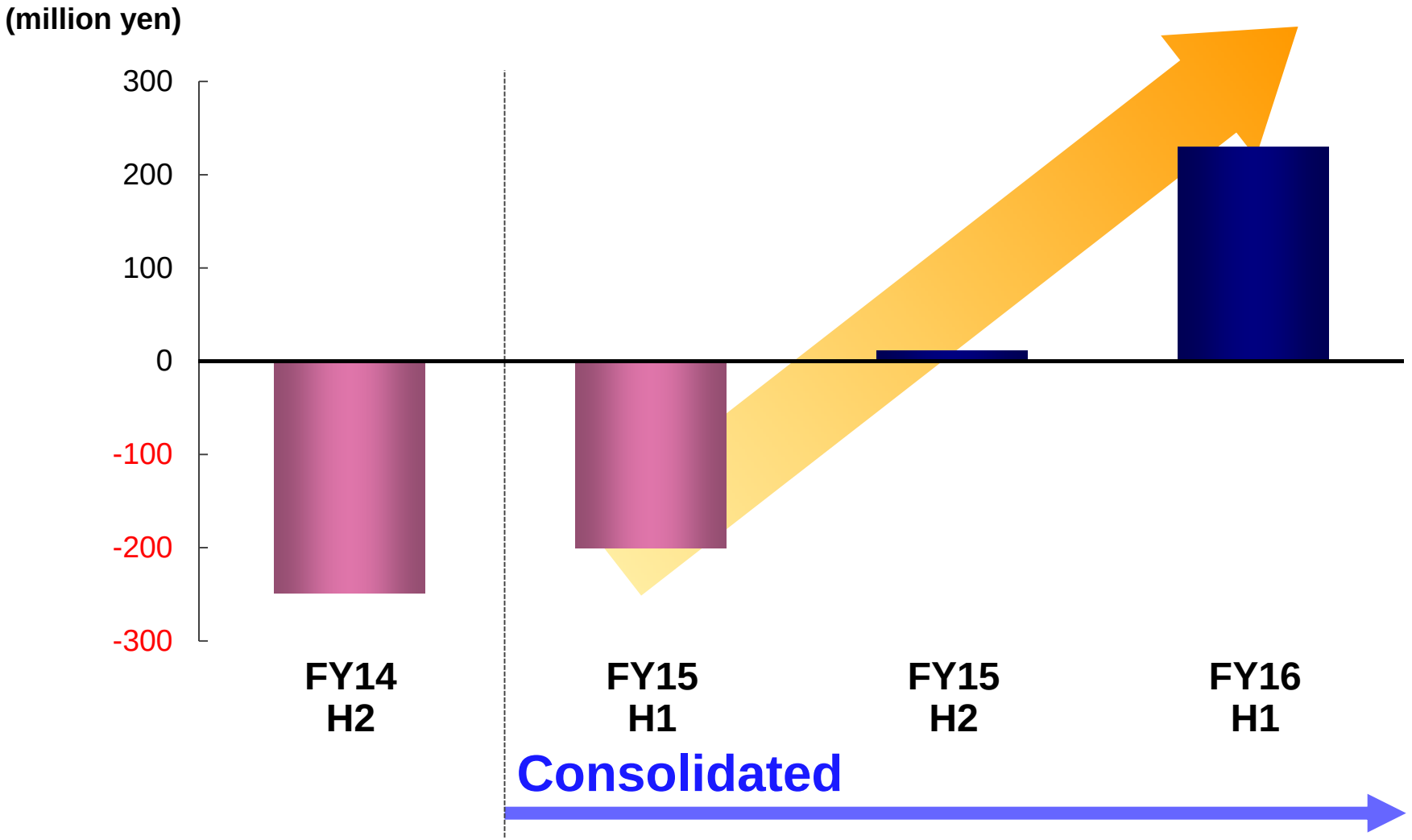


Completed patient enrollment in 10 months vs. allocated 15 months

Copyright © 2016 M3, Inc. All rights reserved.

Neues Profitability Turn Around

1 Evid Sol



☞ Revision of indirect costs combined with an increase in orders has solidified profitability.

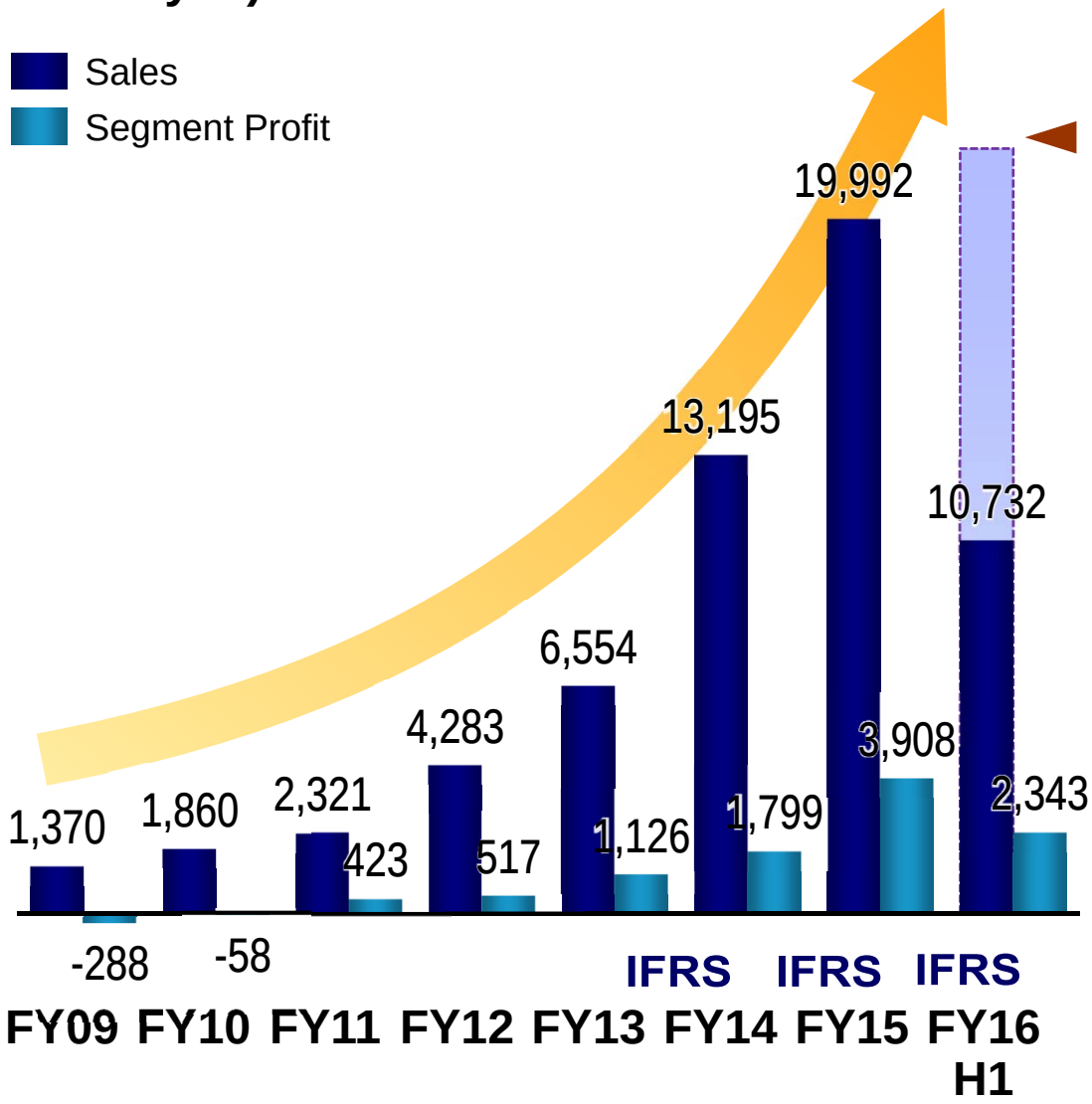
Copyright © 2016 M3, Inc. All rights reserved.

Sales and Profit Trend of Evidence Solution

1 Evid Sol

IFRS basis

(million yen)



- Orders backlog at 25bn yen, with corresponding increases in headcount as upfront investment
- OP margin rose to 22% with backdrop of healthy orders expansion
- Neues, an SMO acquired in April 2015, posted 200 million yen in profits in the first half

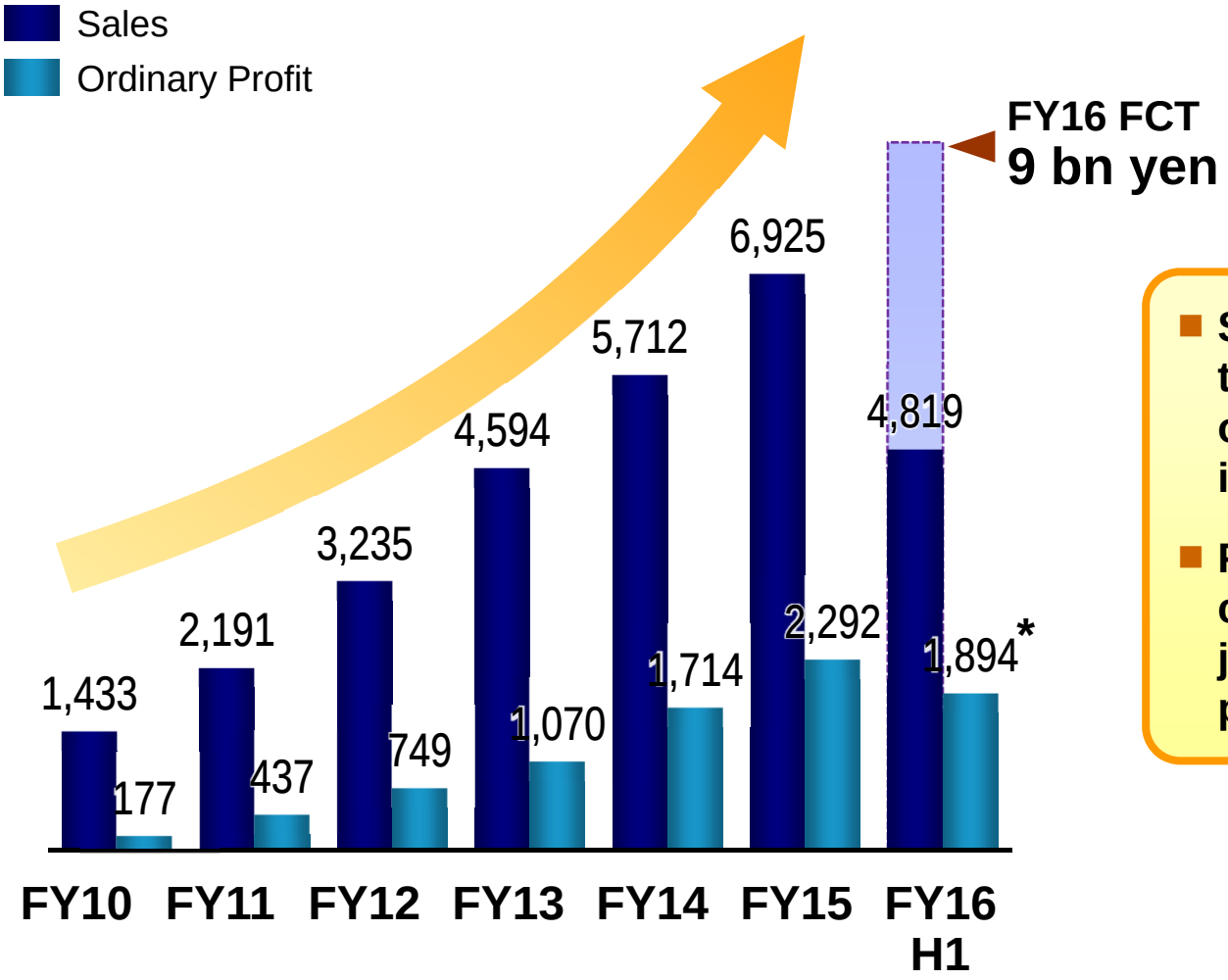
Copyright © 2016 M3, Inc. All rights reserved.

Sales and Profit Trend of M3 Career

2 Career

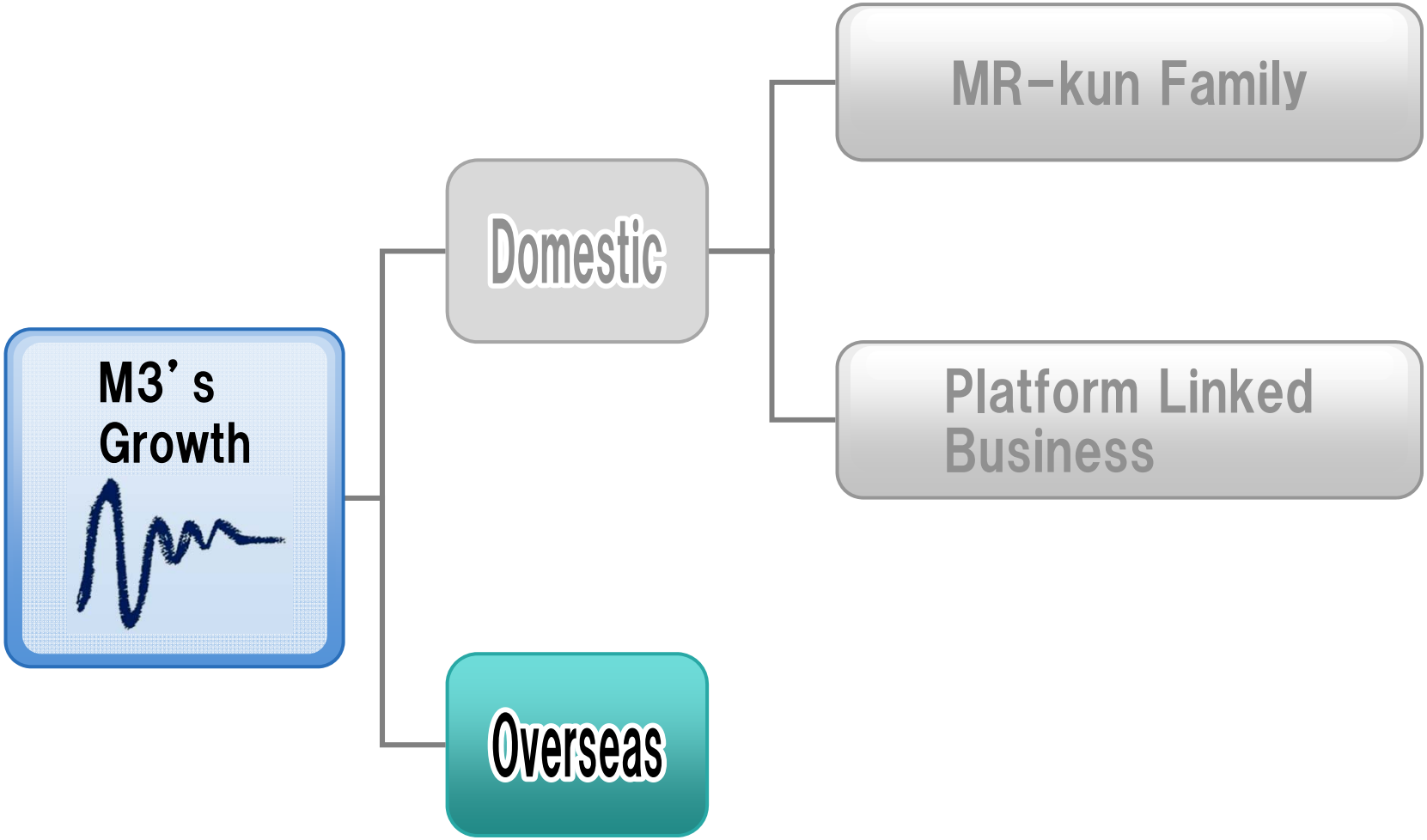
JGAAP basis

(million yen)



- Sales and profit grew due to successful integration of newly-hired staff improved productivity
- FY2016 should see continued traction from job placement for physicians.

Copyright © 2016 M3, Inc. All rights reserved.



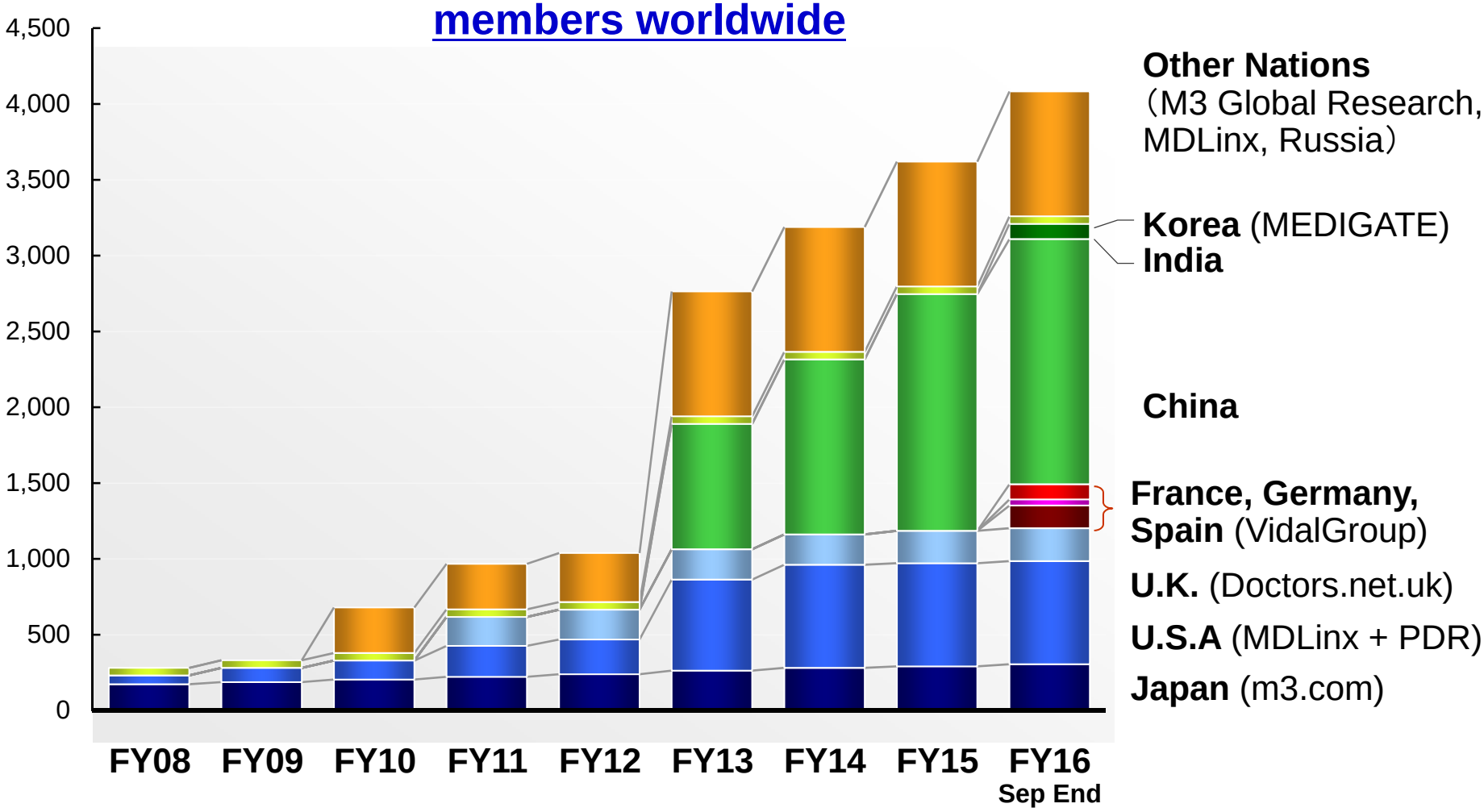
Copyright © 2016 M3, Inc. All rights reserved.

Number of Physician Members and Panelists (Global)

(thousand)

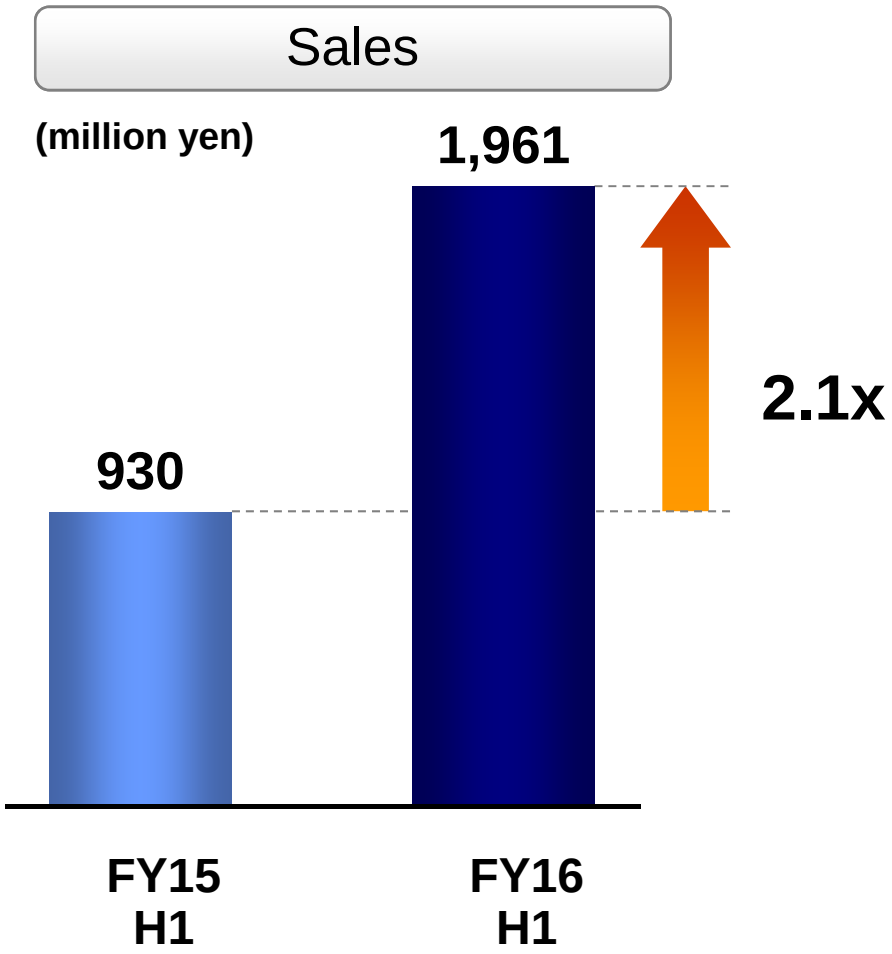
4+ million

members worldwide



Copyright © 2016 M3, Inc. All rights reserved.

Expansion of U.S. Career Services



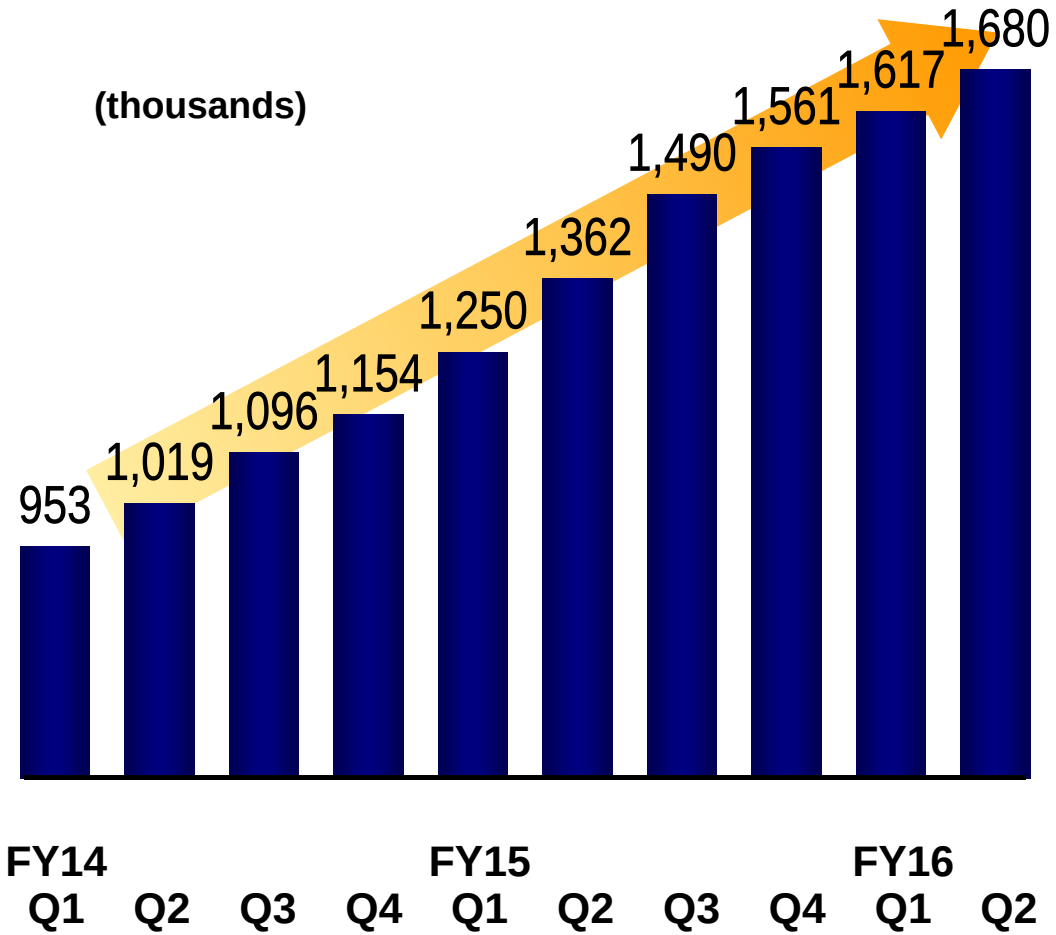
- Consolidated The Medicus Firm at Dec-end 2015, as the 4th M&A within the past 2 years.
- Operation size over doubled yoy due to expansion of existing businesses as well as contribution from M&As
- Synergies with MDLinx, the U.S. web portal designed for physicians, is expected to improve sales and profits
- Expansion of services such as executive physician and nurse placement being considered

☞ **Faster growth path than M3 Career in Japan.**
A new growth driver with a much larger addressable market.

Copyright © 2016 M3, Inc. All rights reserved.

Development in China

Number of Physician Members



- Marketing services for drug companies starting with MR-kun, and marketing research services showed steady growth
- MR-kun sales grew 72% yoy (more than doubled on a local ccy basis) and the number of on-boarded drugs increased by six yoy

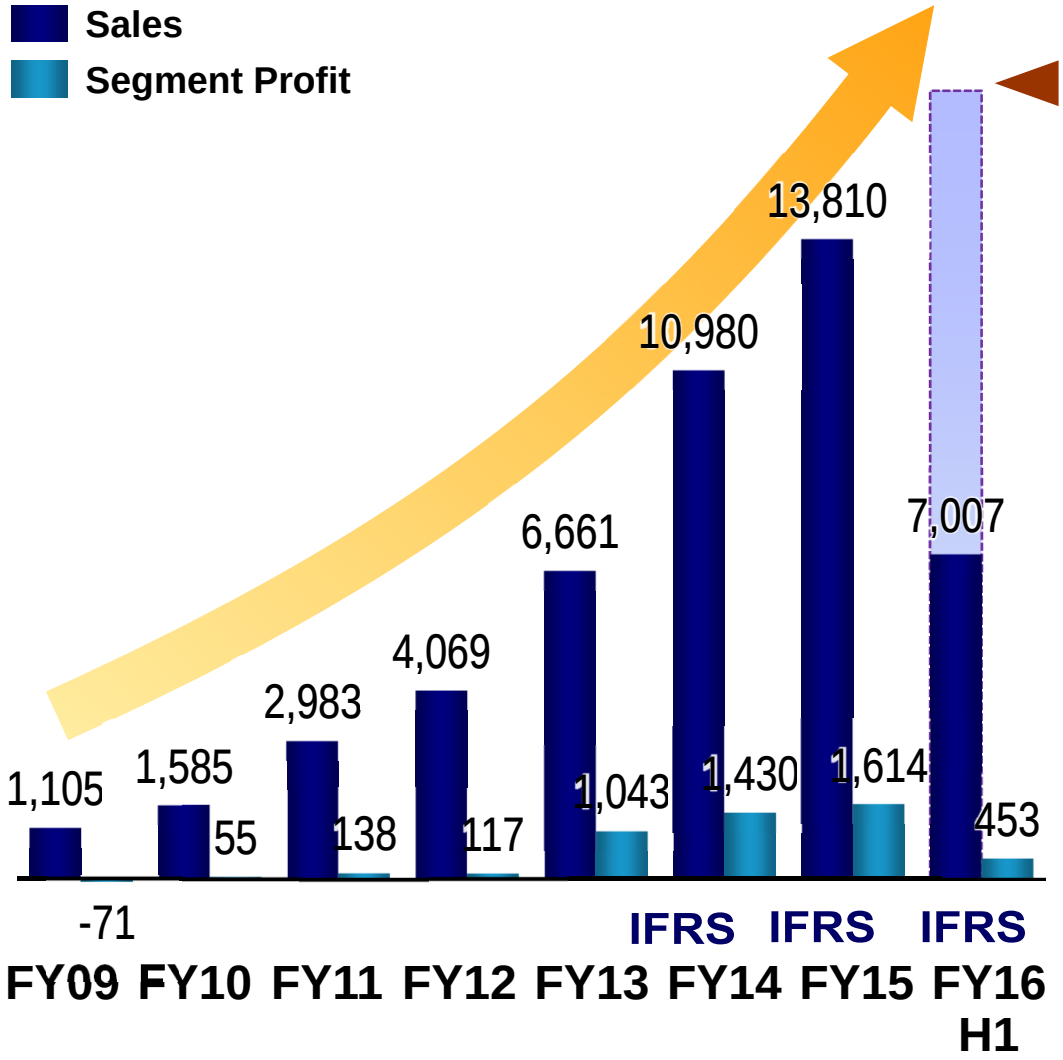
☞ **Over 1.5 million physicians members, covering the majority of doctors in China**

Copyright © 2016 M3, Inc. All rights reserved.

Sales and Profit Trend of Overseas

(million yen)

IFRS basis



- Broader business scope in US, UK, and China
- MR-kun launched in the U.K., contracts signed with multiple drug companies
- Local currency basis year on year growth ex M&A fees:
  - Sales: +31%
  - Profit: +3%

Copyright © 2016 M3, Inc. All rights reserved.

M3 Group's Business Strategy

Copyright © 2016 M3, Inc. All rights reserved.

Strategy Change in Business Development

	Business Development in Healthcare-Internet Sector (2000～2010)		Internet-Powered Investment Strategy in Healthcare Sector (2011～)
			
Approach	Internet	→	Internet + Real Operations
Service Coverage	Web-based eTools	→	Entire Value-Chain
Potential Business Domains	~10	→	20 ~ 30 (~ 100 including overseas)
Profitability	High profitability (Mid profit)	→	High profit (Mid profitability)
M&A	Small sized	→	Large ~ mid sized

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

Copyright © 2016 M3, Inc. All rights reserved.

Introduction to Vidal Group



- Operates a global pharmaceutical information database business centralized in France, Germany, and Spain
- The Vidal brand has gained powerful recognition amongst medical professionals across Francophone countries since the first publication of its pharmaceutical information encyclopedia in 1914
- Successful digitalization of services via on-boarding of print material to online and mobile channels
- In recent years, their immense pharmaceutical database has also been applied towards the development and provision of medical information systems towards clinics, hospitals and pharmacies
- Business operations have high added value, posting margins above 20%

Copyright © 2016 M3, Inc. All rights reserved.

Outline of Vidal Group

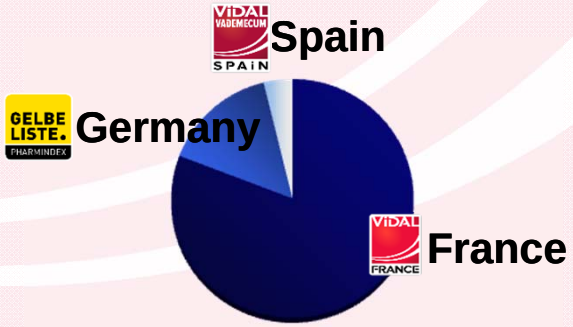
Vidal Group

Locations	France, Germany, Spain
Established	1914
Business Description	Pharmaceutical database related businesses
Employees	200 (approx.)

Results (Jan – Dec 2015)

	(million EUR)
Sales:	41.7
Op. Profit:	8.8
Net Income:	5.5

Sales by location



Main Businesses

- **Pharmaceutical Encyclopedia**
  - ✓ Publish pharmaceutical information on Vidal's database, viewable via online, mobile, or text
  - ✓ Receive publication fees from pharma companies
- **Medical Information Systems for End Users**
  - ✓ Database sales through its integration into systems being used at hospitals, clinics, and pharmacies

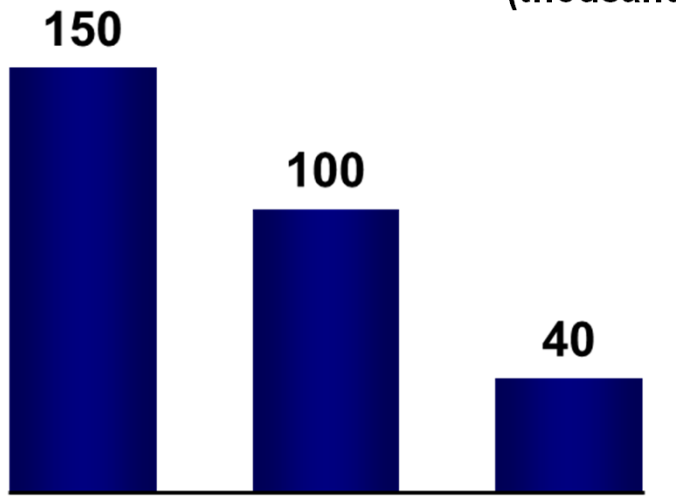
Copyright © 2016 M3, Inc. All rights reserved.

Vidal Group Features

- Membership base of several hundred thousand physicians across France, Germany, and Spain
- Powerful brand recognition in France with 150 thousand members equating to over 75% of the physician population
- Service provision also in Latin America, Middle East, and other Spanish and French speaking countries

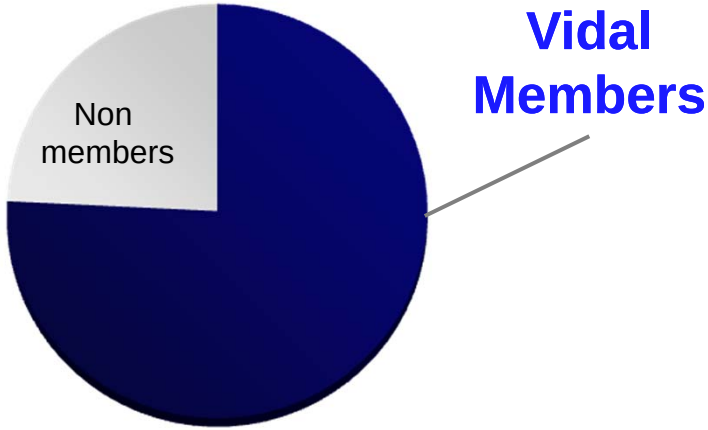
Physician Members by Country

(thousands)



Physician Coverage Ratio	France	Spain	Germany
	75%	55%	15%

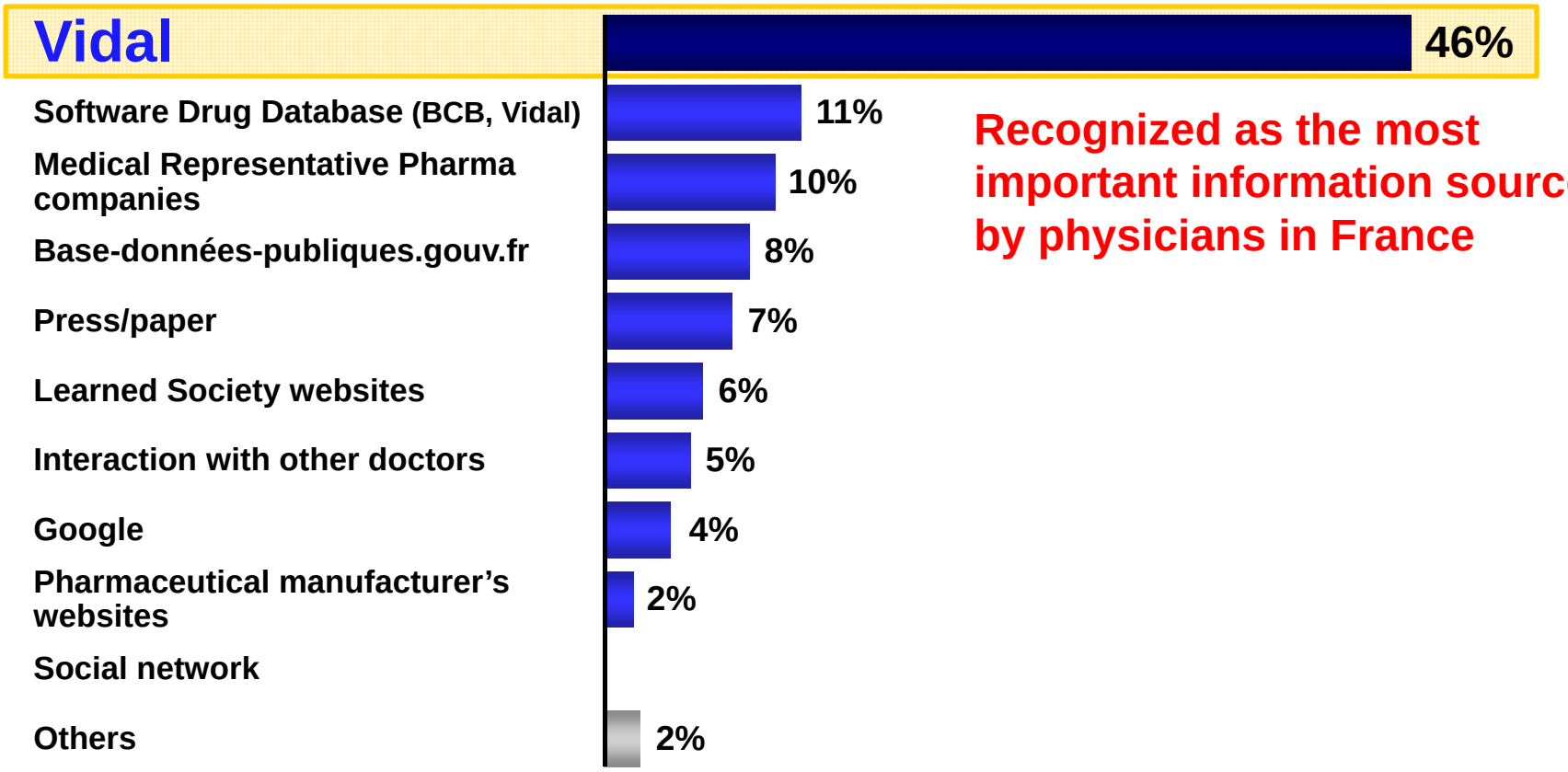
Physicians in France



Copyright © 2016 M3, Inc. All rights reserved.

Importance of Vidal in France

Q. What is the weight of each source for your overall drug information needs? (Total = 100%)



Recognized as the most important information source by physicians in France

Source: Quantitative survey conducted in June 2015 (Sponsored by Vidal, conducted blind.)
n = 388 prescribers (187 general practitioners, 122 private practice specialists, and 79 hospital specialists. All Vidal members)

Copyright © 2016 M3, Inc. All rights reserved.

EU Service Development Potential

Service	Development Directionality
Pharmaceutical Marketing Support (MR-kun, etc.)	Develop a platform similar to m3.com by leveraging the Vidal Group physician membership base
CME *1 and Other Education	Provision through sponsorship by pharmaceutical companies Maximize on Vidal Group's brand recognition
Market Research	Expansion of physician panel for global research with the addition of members from France, Germany, Spain, and Central and South Americas
Career Placement Support, Clinical Trial Support	Roll out appropriate services in each country to maximize the physician membership base

Prepare development of services in line with each regional characteristics

*1 Continuous Medical Education

Copyright © 2016 M3, Inc. All rights reserved.

Vidal Scope of Transaction

Transaction Overview

- Acquisition of all issued shares and consolidation of AXIO Medical Holdings Limited (“AXIO,” below) a holding company under the Vidal Group
- Acquisition Method: Transfer of share from all AXIO shareholders
- Acquisition Price: approx. 100 million Euros[*1] (approx. 11.6 billion JPY)

Schedule

Final Agreement on Execution of Transaction	October 7, 2016
Date of Stock Purchase Agreement	TBD (upon completion of related legal and regulatory procedures)[*2]
Date of Transfer of Shares	Expected completion: December end, 2016

[*1] To be determined at the time of closing

[*2] Completion of works council consultation process in accordance with French legal procedures in order the complete this transaction.

Copyright © 2016 M3, Inc. All rights reserved.

India JV Features and M3 Objectives

HIPL Features

- **Since its foundation in 2008, have developed numerous patient adherence services**
  - **Patient adherence advisory**
  - **Medication procurement support for patients**
  - **Patient excavation through health check-up support, etc.**
- **Client base of over 30 major Indian pharma companies (MNC and major domestic companies)**
- **Owns high quality physician database**

M3 Objectives

Network across prominent pharma companies

- ✓ Provide continued support programs to over 30 pharma companies
- ✓ Utilize HIPL's track record and brand accumulated in the eight years since foundation, to start-up M3 platform and services

Access to high profile physicians

- ✓ Database of roughly 100 thousand physicians
- ✓ Increase physician membership base and engagement through the existing call center

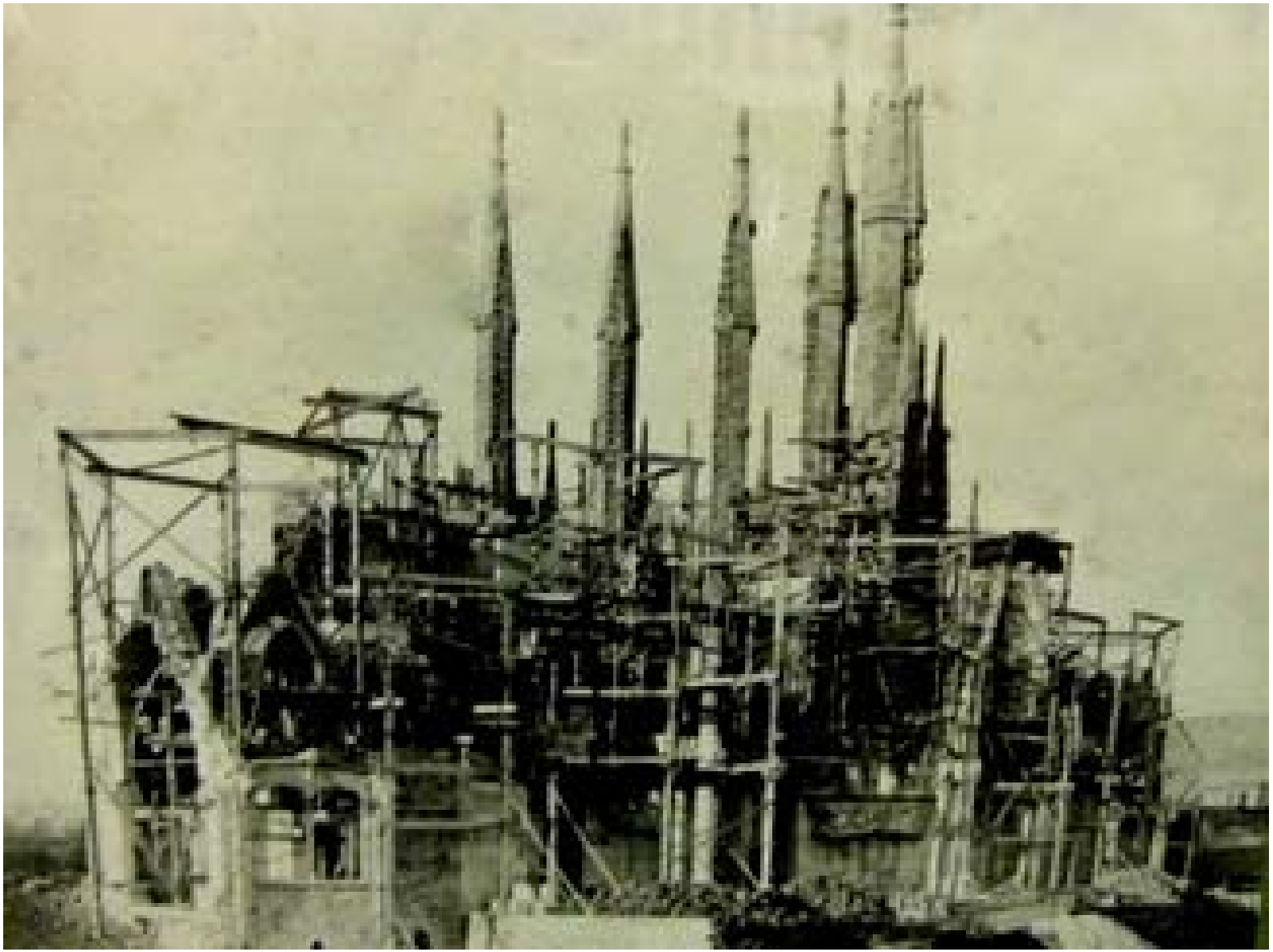
Steady foundation of existing business

- ✓ Existing businesses remain profitable
- ✓ JV partner HCAH and it's top shareholder, the Burman Family, will provide management support for the JV company and existing businesses

The JV's existing businesses and networks across pharmaceutical companies and physicians will provide a basis for building M3 group's platform and services in India.

Copyright © 2016 M3, Inc. All rights reserved.

M3 is Just Getting Started



Copyright © 2016 M3, Inc. All rights reserved.

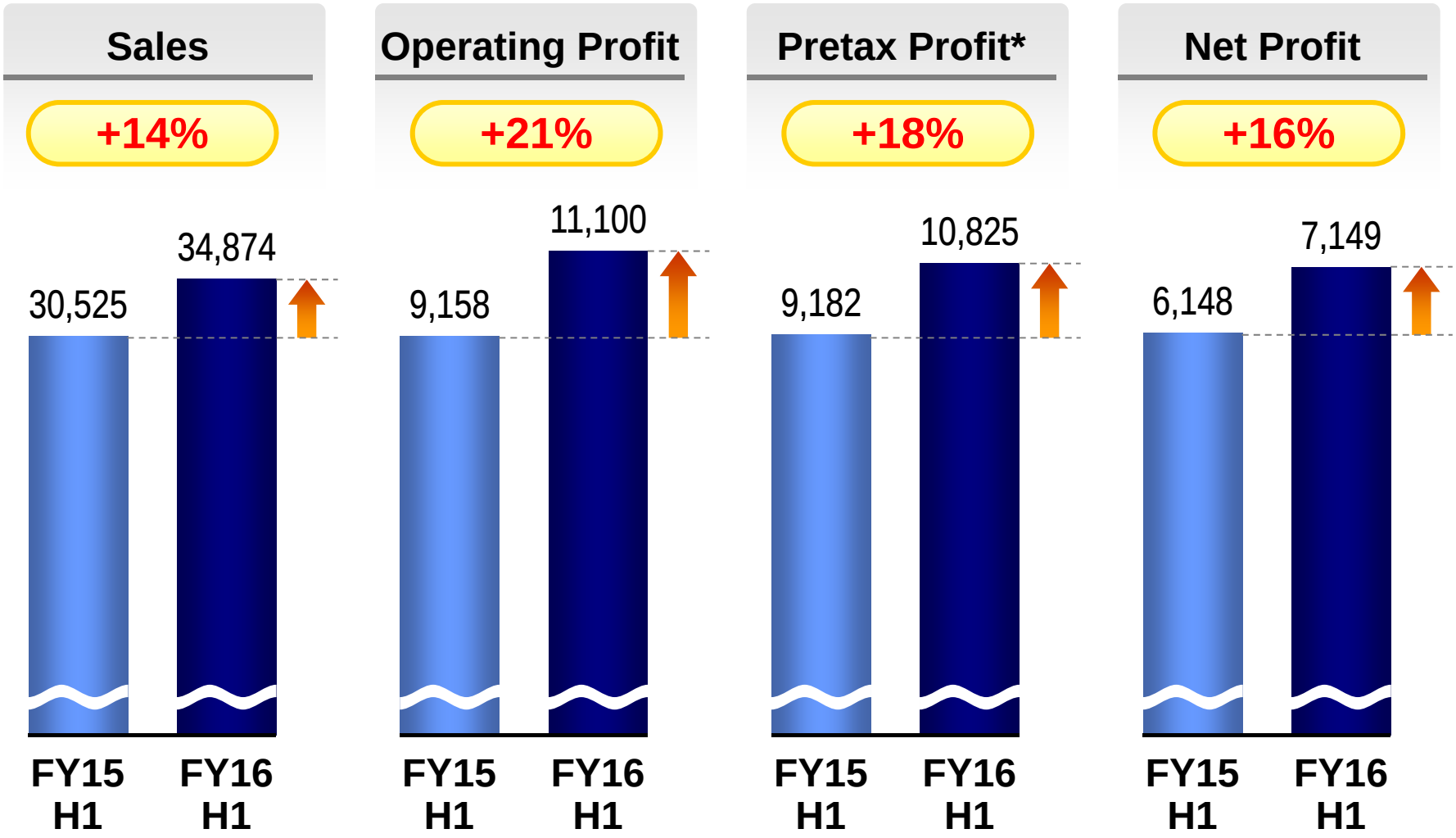
FY 2015 Overview

Copyright © 2016 M3, Inc. All rights reserved.

FY2016 H1 Consolidated Cumulative Results

(million yen)

IFRS Base



* Foreign currency denominated loans to overseas group companies caused foreign exchange losses of 281 million yen

Copyright © 2016 M3, Inc. All rights reserved.

FY2016 Consolidated Results by Segment

IFRS basis

(million yen)		FY2015 H1	FY2016 H1	YoY
Medical Portal	Sales	11,961	13,808	+15%
	Profit	7,069	7,715 *	+9%
Evidence Solution	Sales	9,770	10,732	+10%
	Profit	1,786	2,343	+31%
Overseas	Sales	6,405	7,007	+9% ***
	Profit	577	453 **	-22% ***
Clinical Platform	Sales	1,305	1,385	+6%
	Profit	133	92	-31%
Sales Platform	Sales	664	706	+6%
	Profit	12	49	approx. 4x
Others	Sales	933	1,836	+97%
	Profit	110	102	-8%

* M&A fees for Anestation totaled 42 million yen

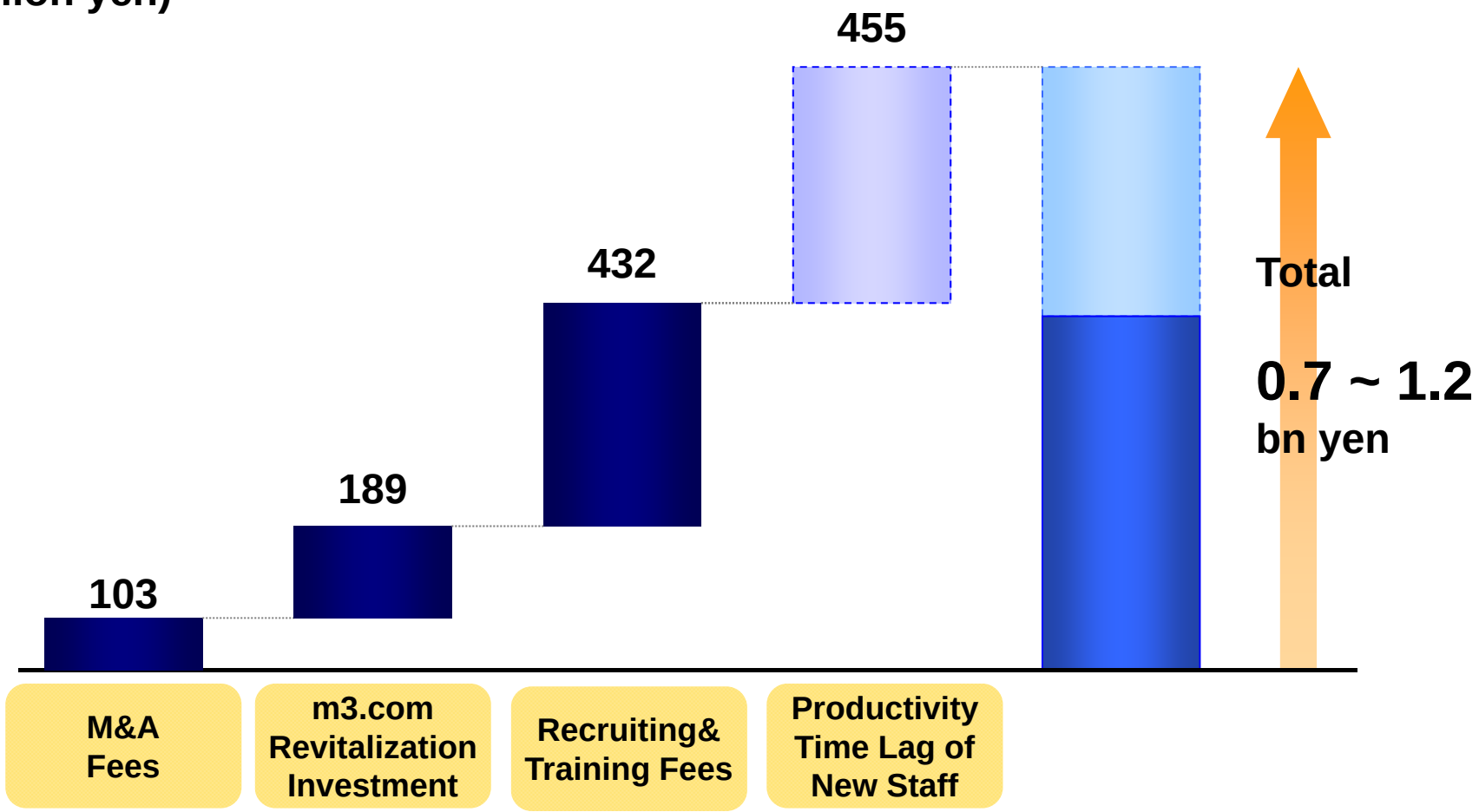
** M&A fees from India and Vidal deals totaled 51 million yen

***Overseas segment results in local currency basis: Sales +31% yoy, Profit:+3% yoy

Copyright © 2016 M3, Inc. All rights reserved.

Special Upfront Investment Costs for Future Growth

(million yen)

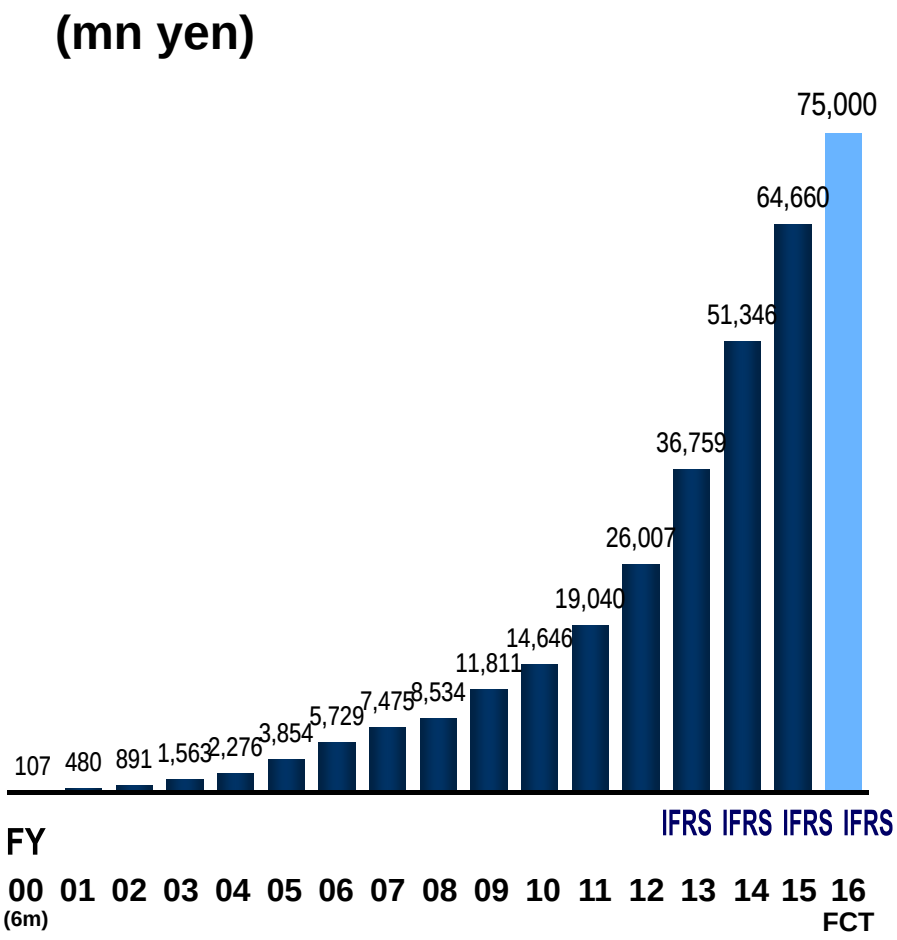


☞ **One-time costs incurred in H1 in anticipation of future growth dampened profits by 0.7 ~ 1.2 bn yen. Aggressive upfront investment to continue.**

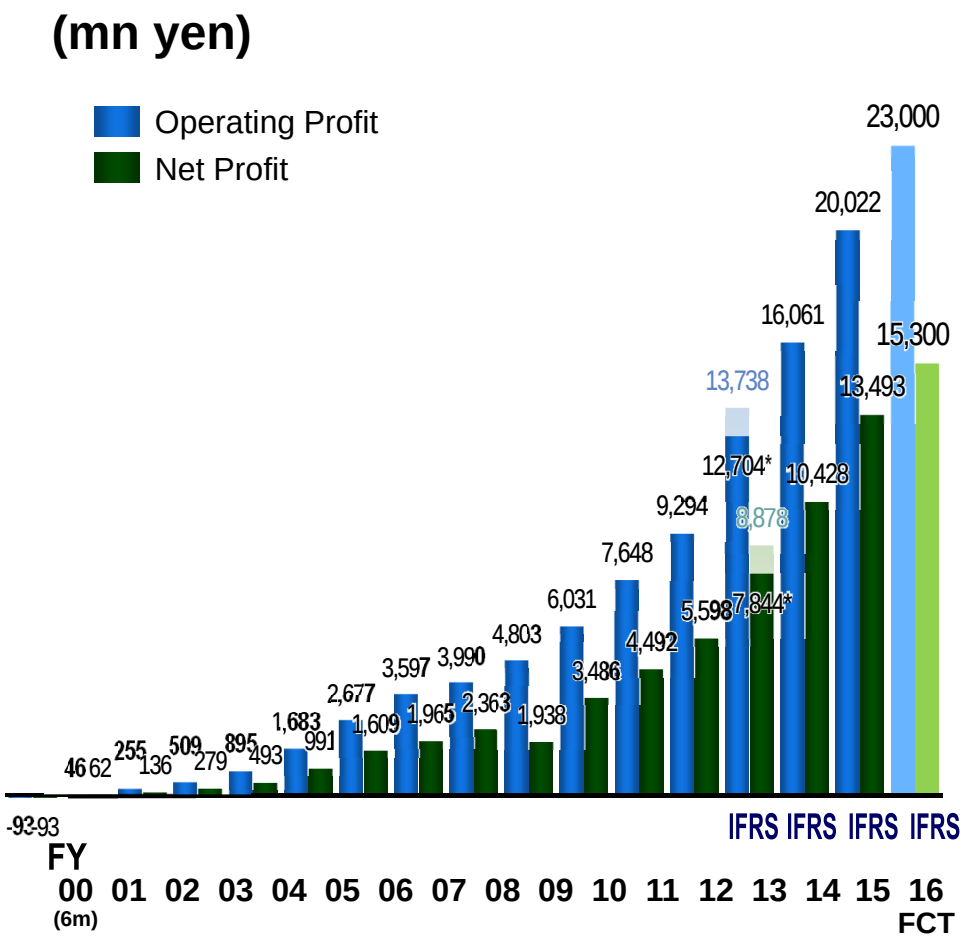
Copyright © 2016 M3, Inc. All rights reserved.

Annual Results & Forecast for FY2016

Sales



Operating Profit & Net Profit



* Extraordinary profit from profit from acquisition of MPI: 1,034 mn yen

Copyright © 2016 M3, Inc. All rights reserved.

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**

Copyright © 2016 M3, Inc. All rights reserved.