M3, Inc.
Presentation Material

January 2017



Copyright © 2017 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.

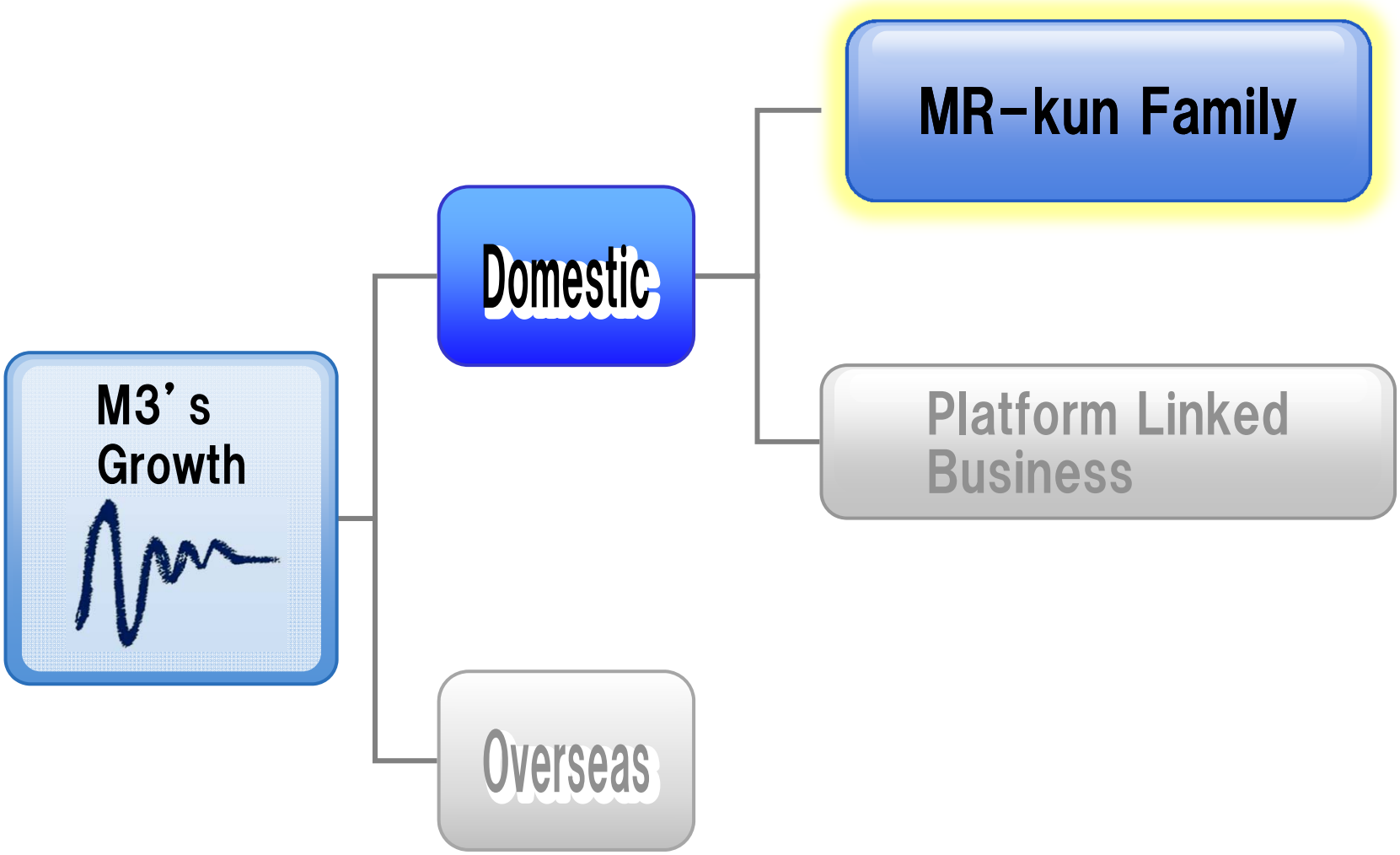
Copyright © 2017 M3, Inc. All rights reserved.

Current Business Situation and Outlook

Copyright © 2017 M3, Inc. All rights reserved.

Overview

Overall	■ Healthy consolidated Q3 cumulative results with sales at +19% and operating profit +24% yoy ■ Q3 alone especially accelerated, with sales at +27%, and operating profit at +29% yoy
MR-kun Family	■ Q3 quarter sales were strong at +32% yoy with further penetration of various services ■ Orders remain healthy for Q4 and next FY
Career	■ Establishing an invincible No.1 position in the industry for job placement of physicians and pharmacists ■ Sales: 6.6 bn yen, +26% yoy; Op Profit: 2.2 bn yen, +19% yoy
Evidence Solution	■ Strength in orders received, and profitability of Neues acquired last year continues to improve ■ OP grew +41% yoy, OP margins improved to 24%.
Overseas	■ Local ccy basis sales increased 32% yoy, and profits excluding M&A fees increased +12% yoy. ■ Contribution from the completed Vidal acquisition is expected going forward

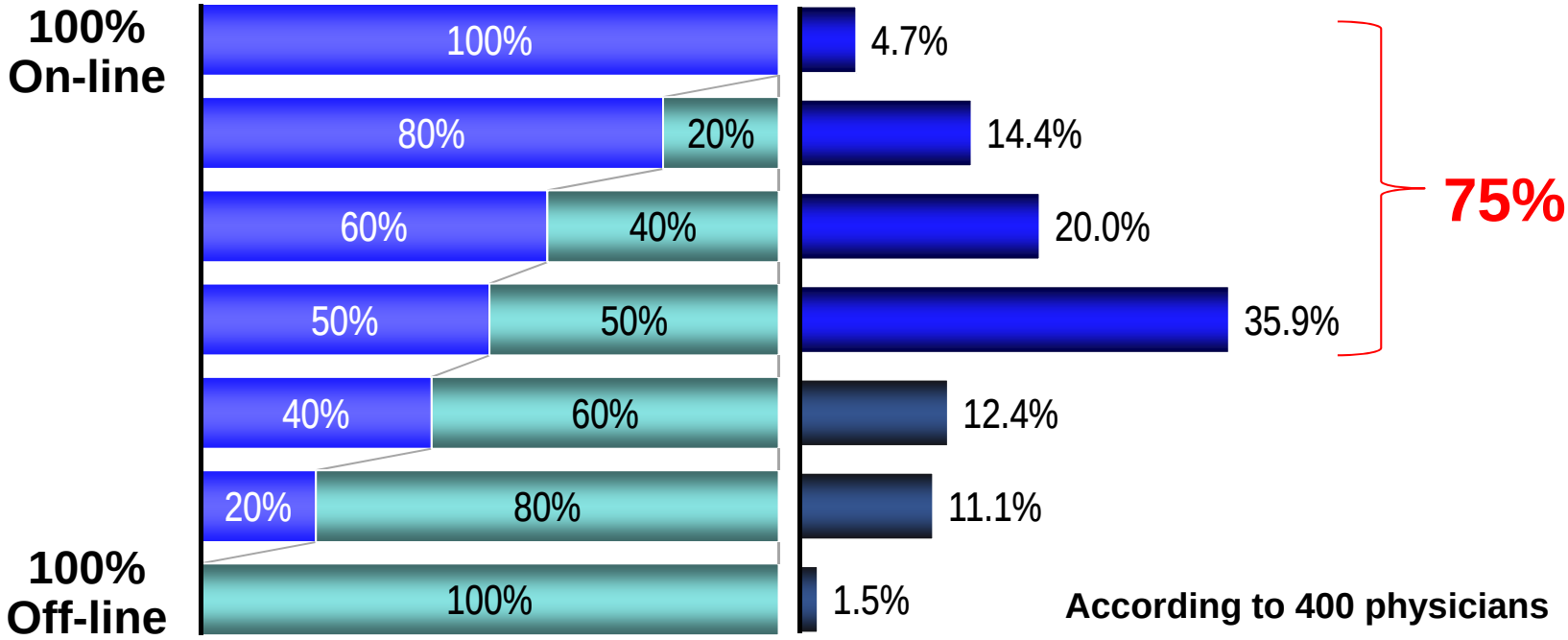


Copyright © 2017 M3, Inc. All rights reserved.

Doctor Demand for On-Line Detailing

Q. What is the ideal ratio of online and offline product 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 offline sales reps.**

Source: M3 questionnaire to 400 physicians

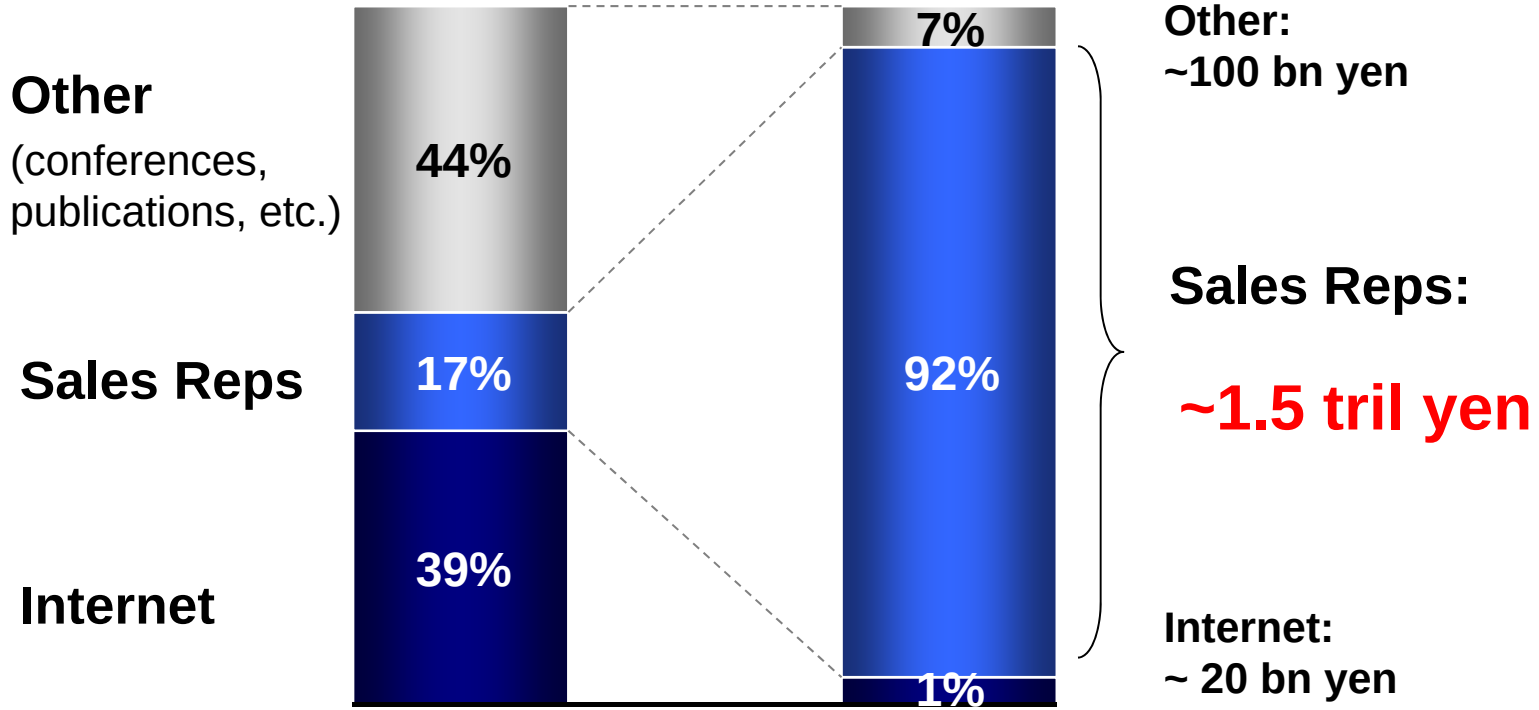
Copyright © 2017 M3, Inc. All rights reserved.

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 sales rep related costs.

Time Allocation
of doctors collecting info

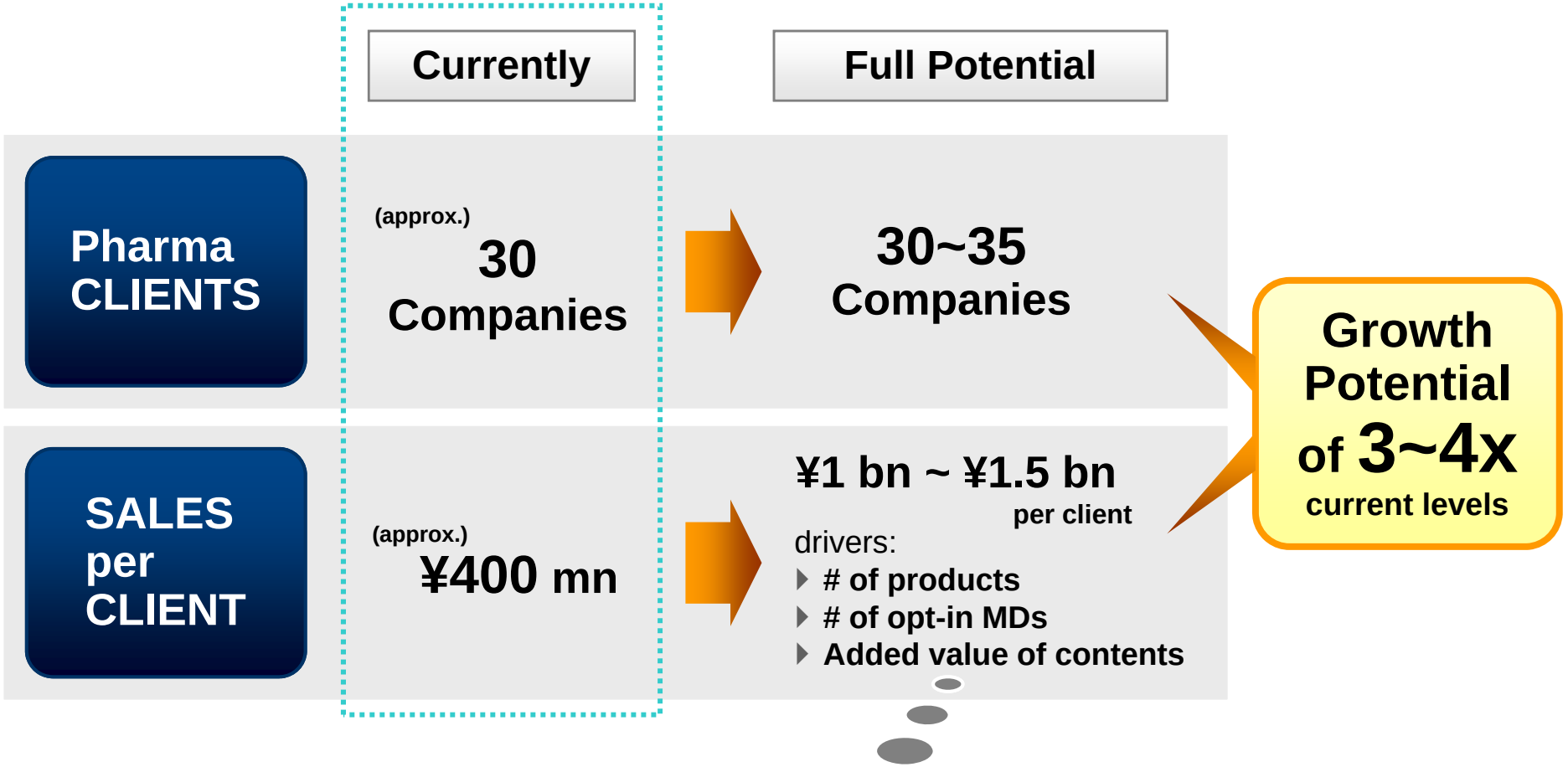
Marketing Budget Allocation
of drug companies in Japan



Source: M3 research, percentages are approximate

Copyright © 2017 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 10 clients grew at approx. 21% YoY

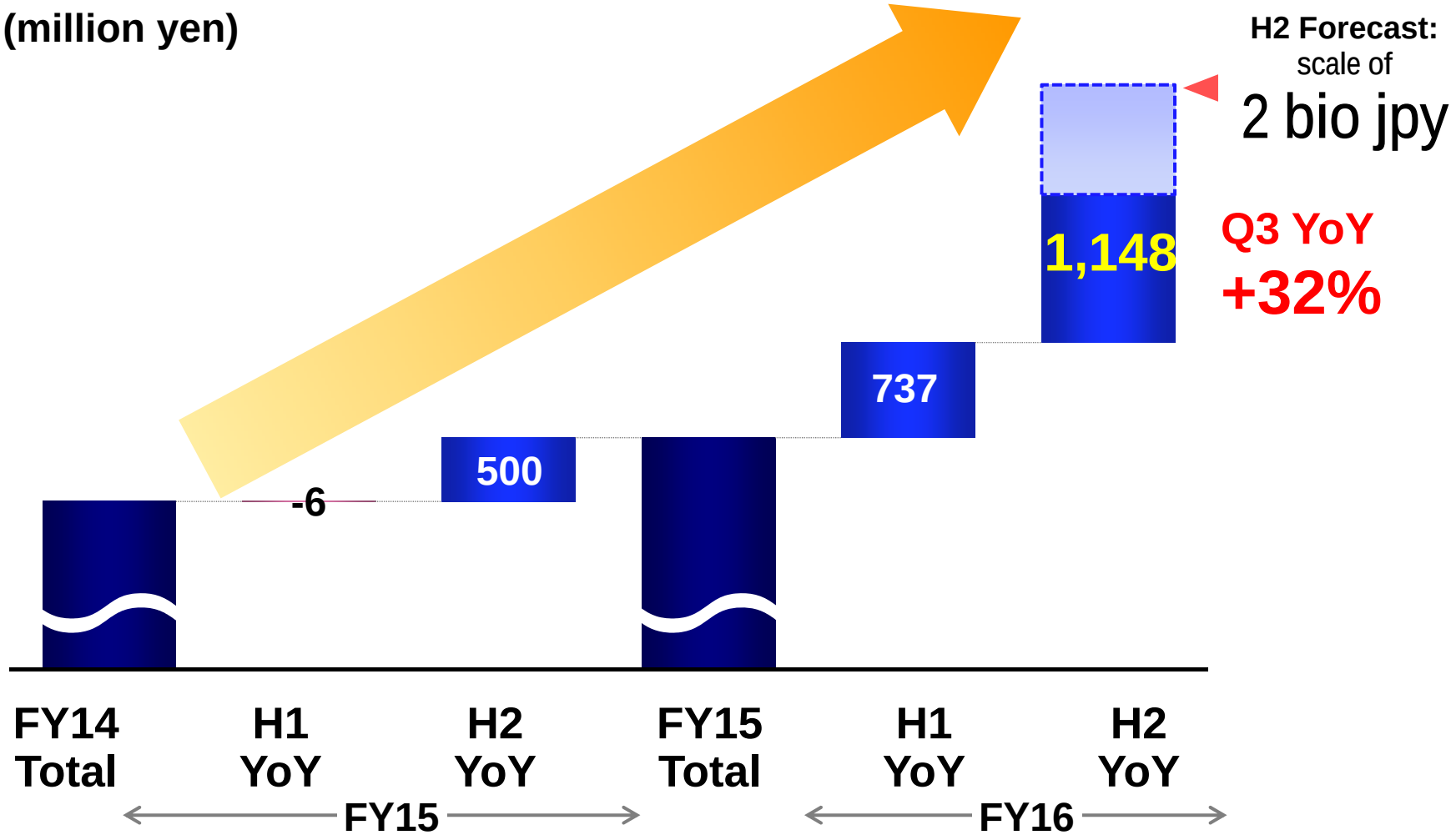
Copyright © 2017 M3, Inc. All rights reserved.

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			

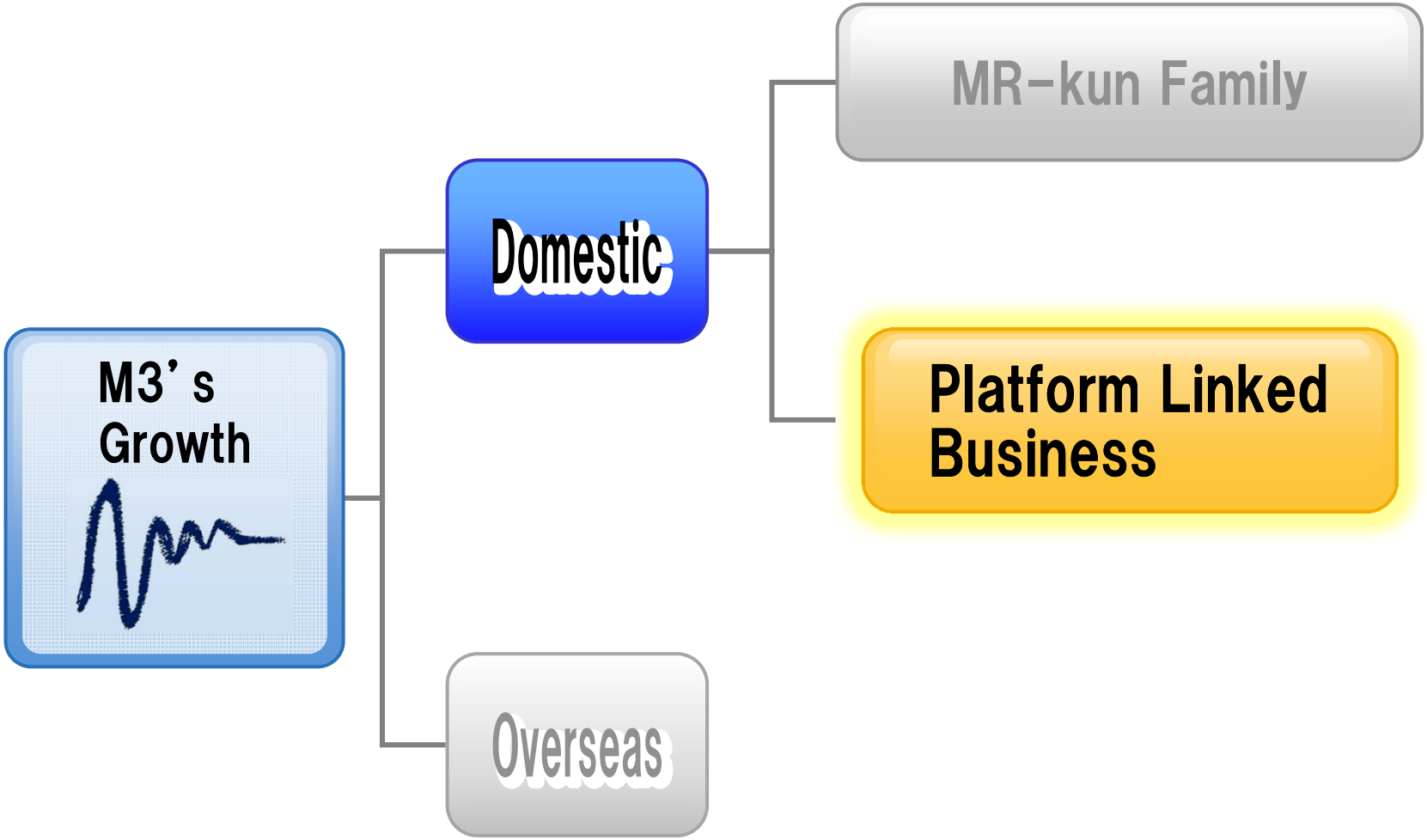
Copyright © 2017 M3, Inc. All rights reserved.

MR-kun Family: YoY Incremental Sales Comparison



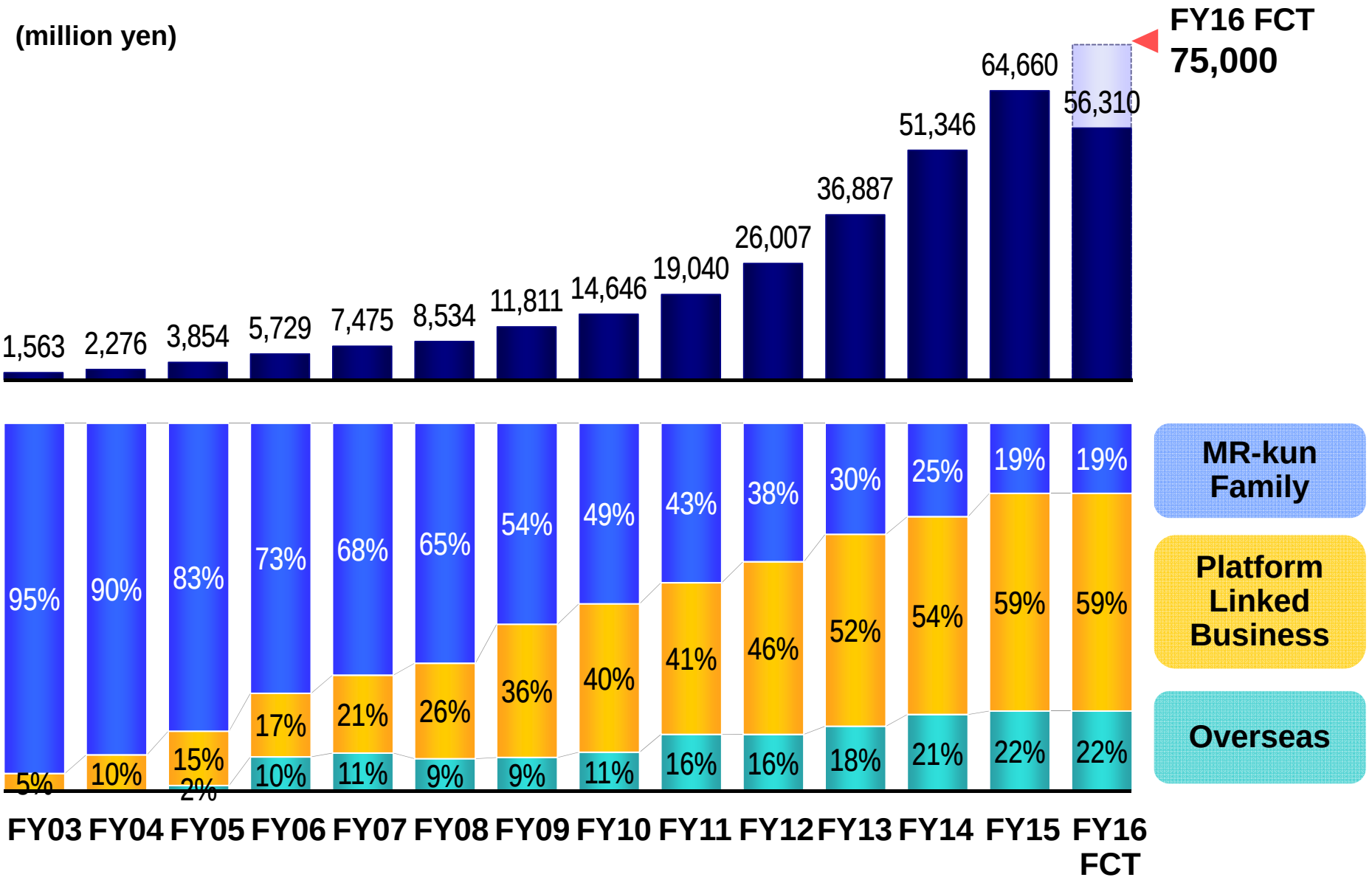
☞ **Q3 sales growth alone exceeded that of H1.**
H2 on track for 2 bio yen in incremental growth yoy

Copyright © 2017 M3, Inc. All rights reserved.



Copyright © 2017 M3, Inc. All rights reserved.

Consolidated Sales Trend



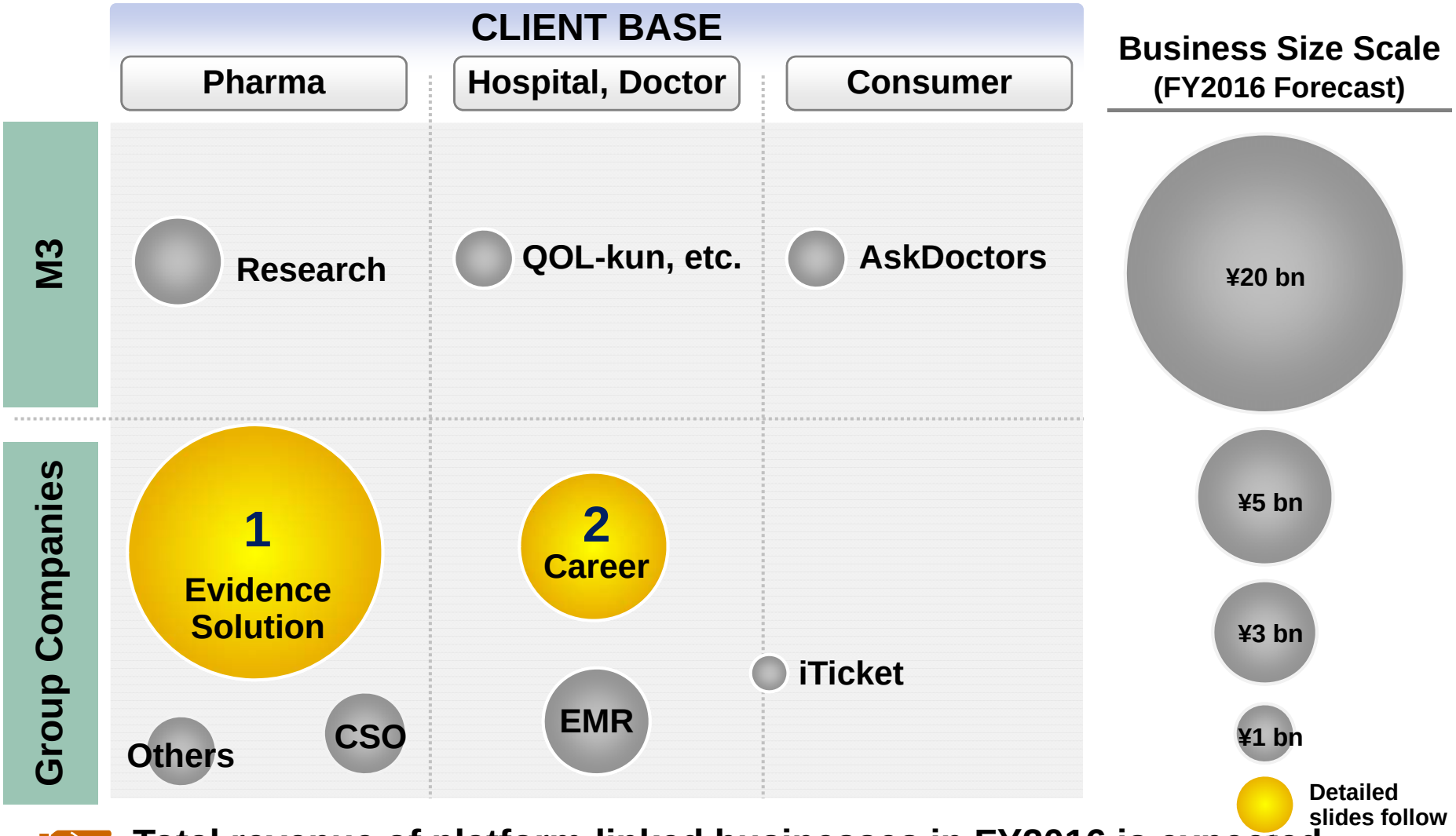
Copyright © 2017 M3, Inc. All rights reserved.

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 © 2017 M3, Inc. All rights reserved.

Platform Linked Business Development



Total revenue of platform-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 © 2017 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 for pharmaceutical e-Marketing - *Engine #1***
	Plus
2011 ~	**Evolution via Mr. Finder for pharmaceutical e-R&D - *Engine #2***

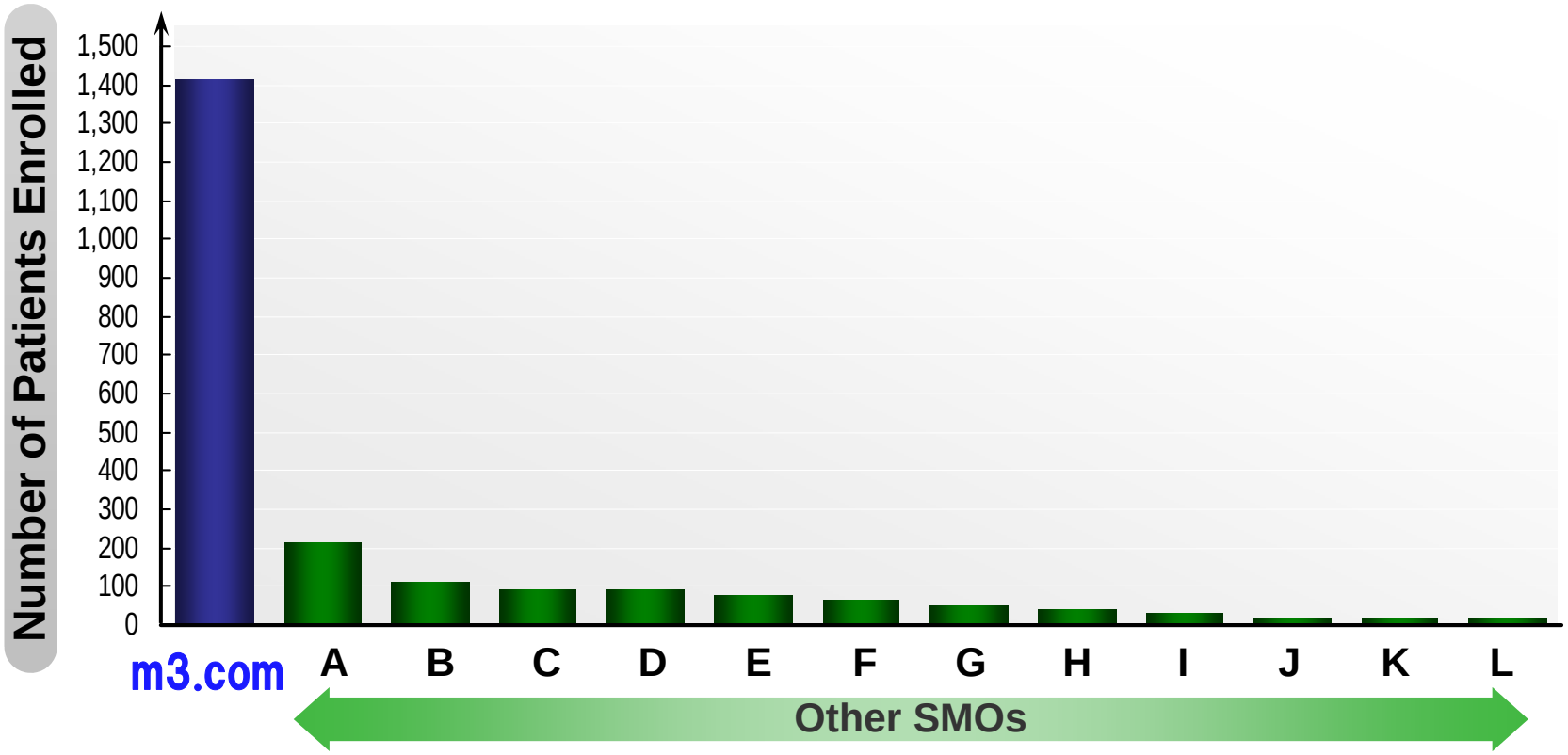
Copyright © 2017 M3, Inc. All rights reserved.

Patient Enrollment in Large-Scale Trials

1 Evid Sol

Case study

Mr. Finder dramatically outpaced competitors both by number and speed in enrolling cases for a particular Endocrinology trial

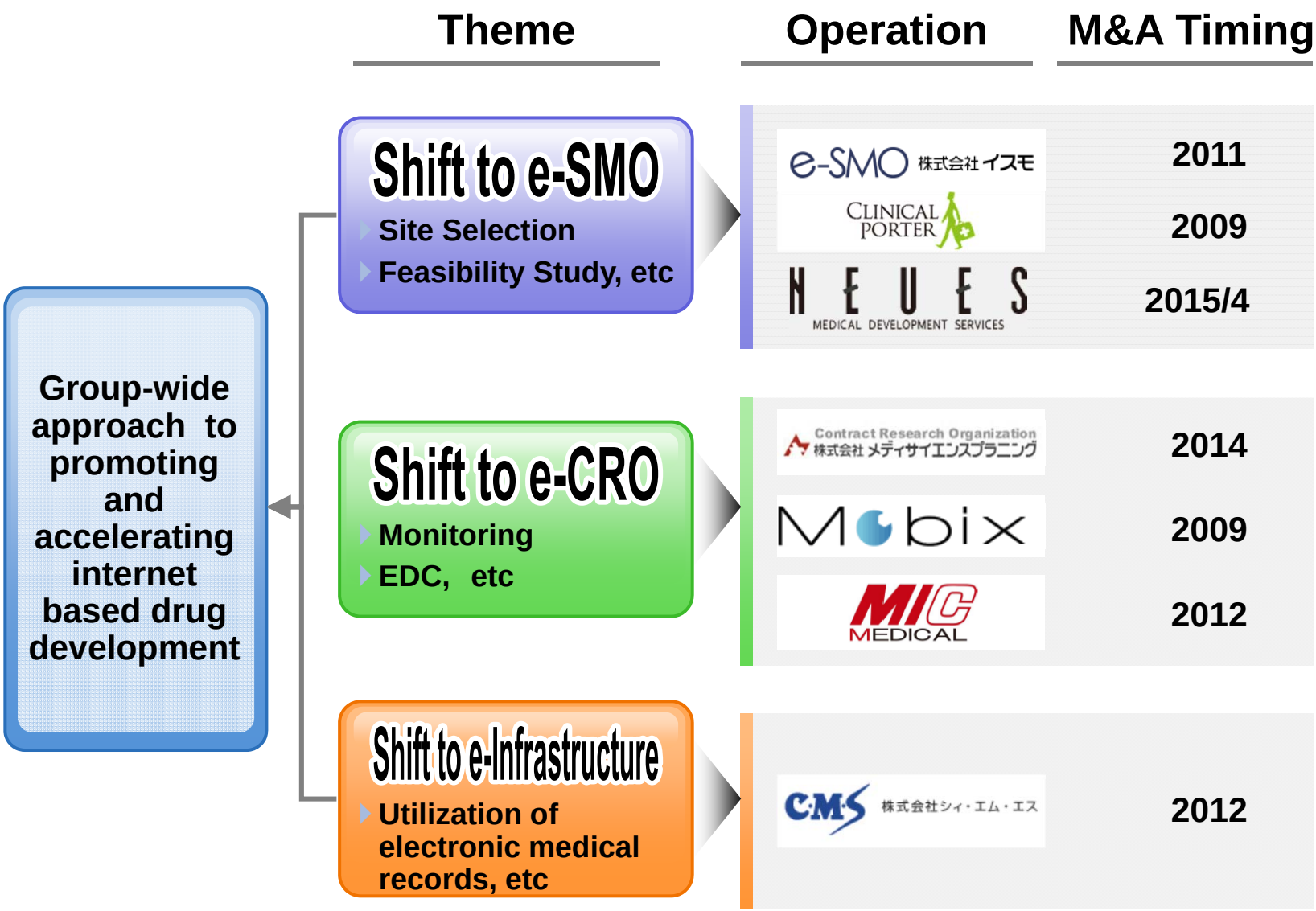


☞ **Expedited enrollment of motivated physicians and patients compared to other SMOs**

Copyright © 2017 M3, Inc. All rights reserved.

Shift to e-Clinical Trials

1 Evid Sol

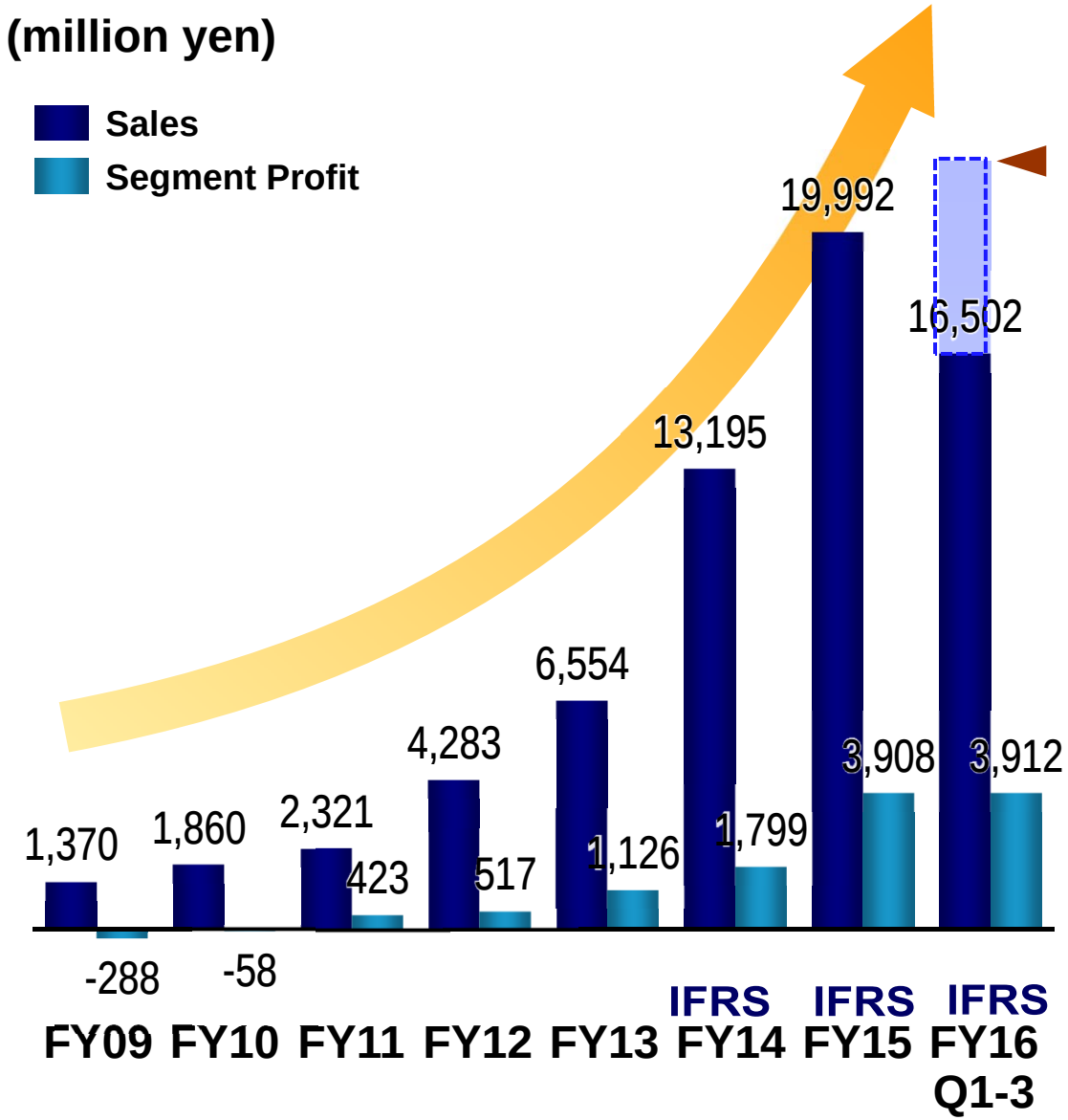


Copyright © 2017 M3, Inc. All rights reserved.

Sales and Profit Trend of Evidence Solution

1 Evid Sol

IFRS basis



- Orders backlog increased 3 bn yen to 28bn yen since Sep-end, with corresponding increases in headcount as upfront investment
- OP margin rose to 24% with backdrop of healthy orders expansion
- Neues, an SMO acquired in April 2015, posted 400 million yen in profits

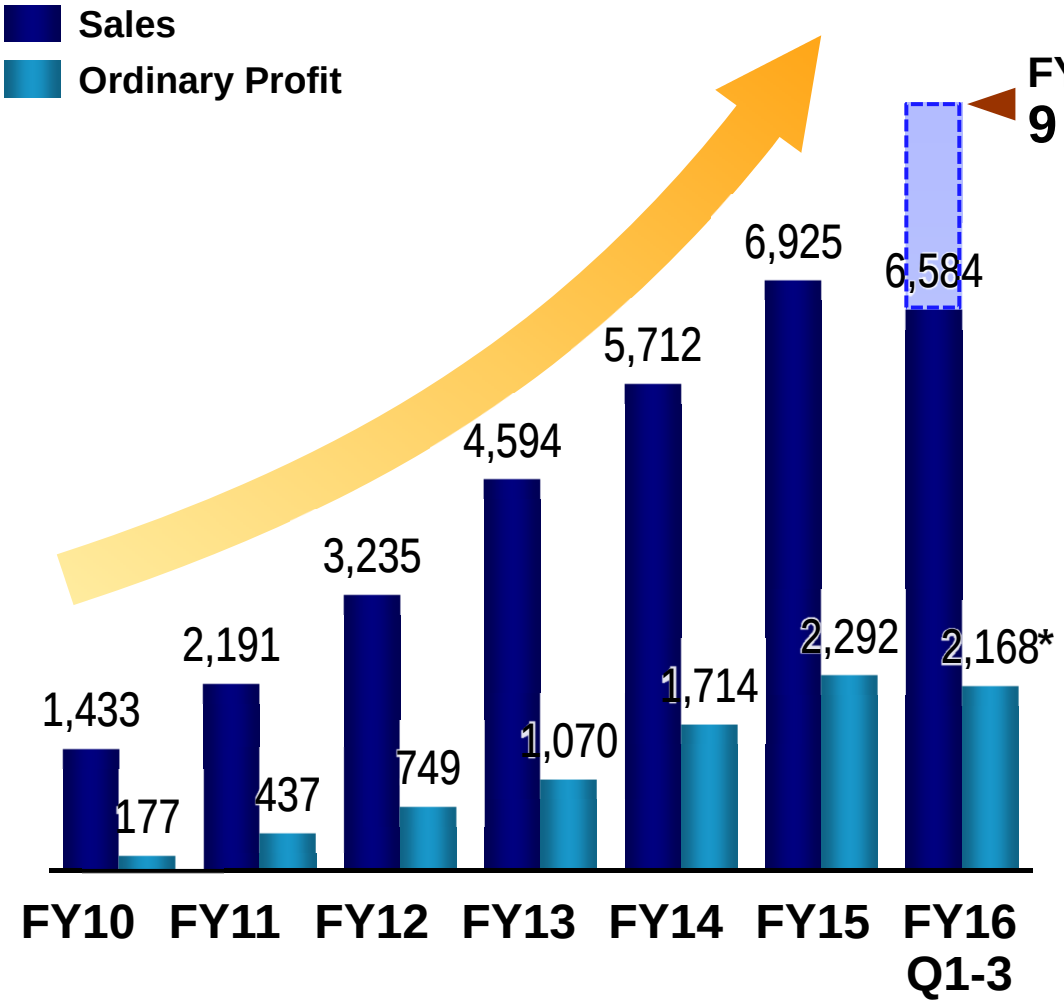
Copyright © 2017 M3, Inc. All rights reserved.

Sales and Profit Trend of M3 Career

2 Career

JGAAP basis

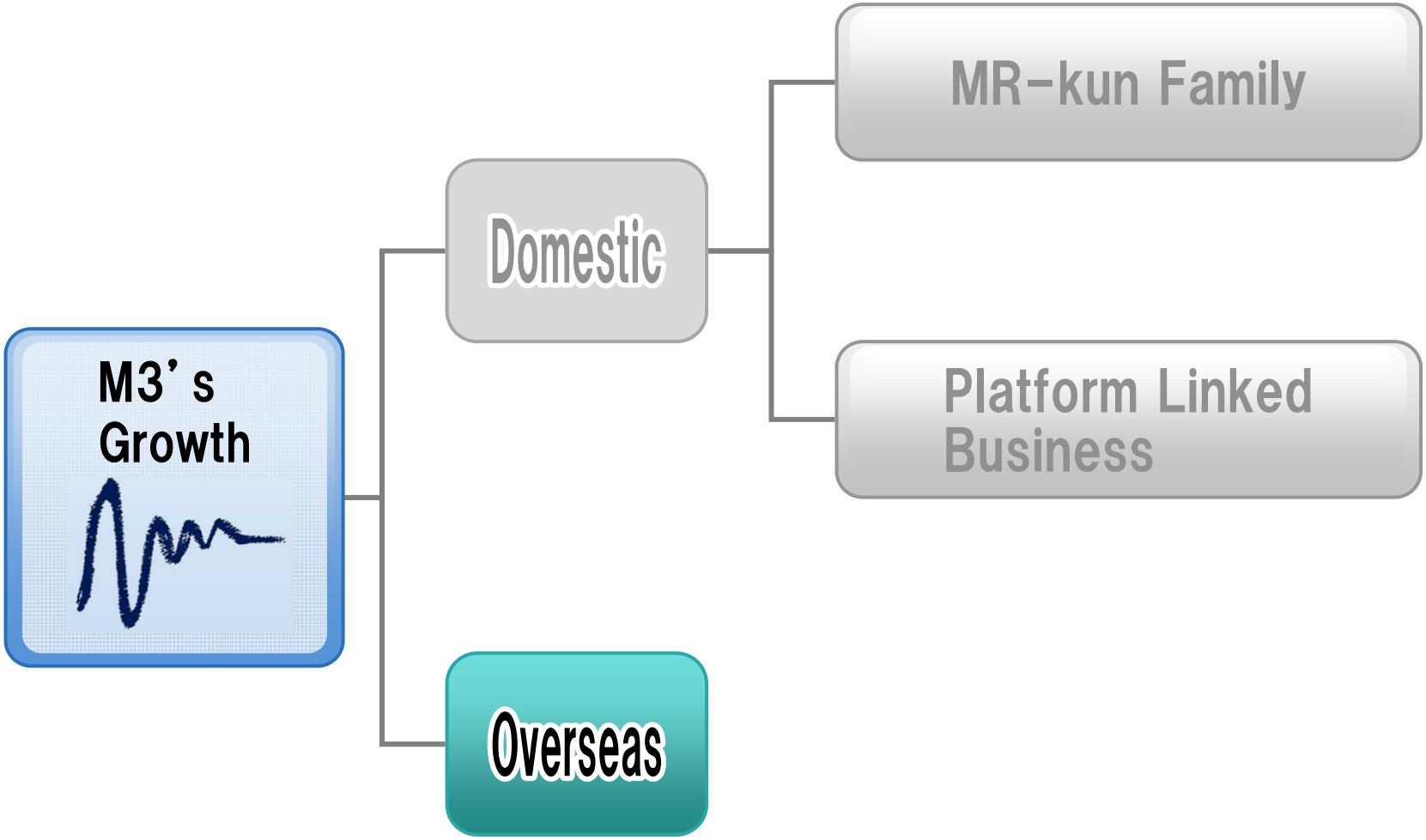
(million yen)



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

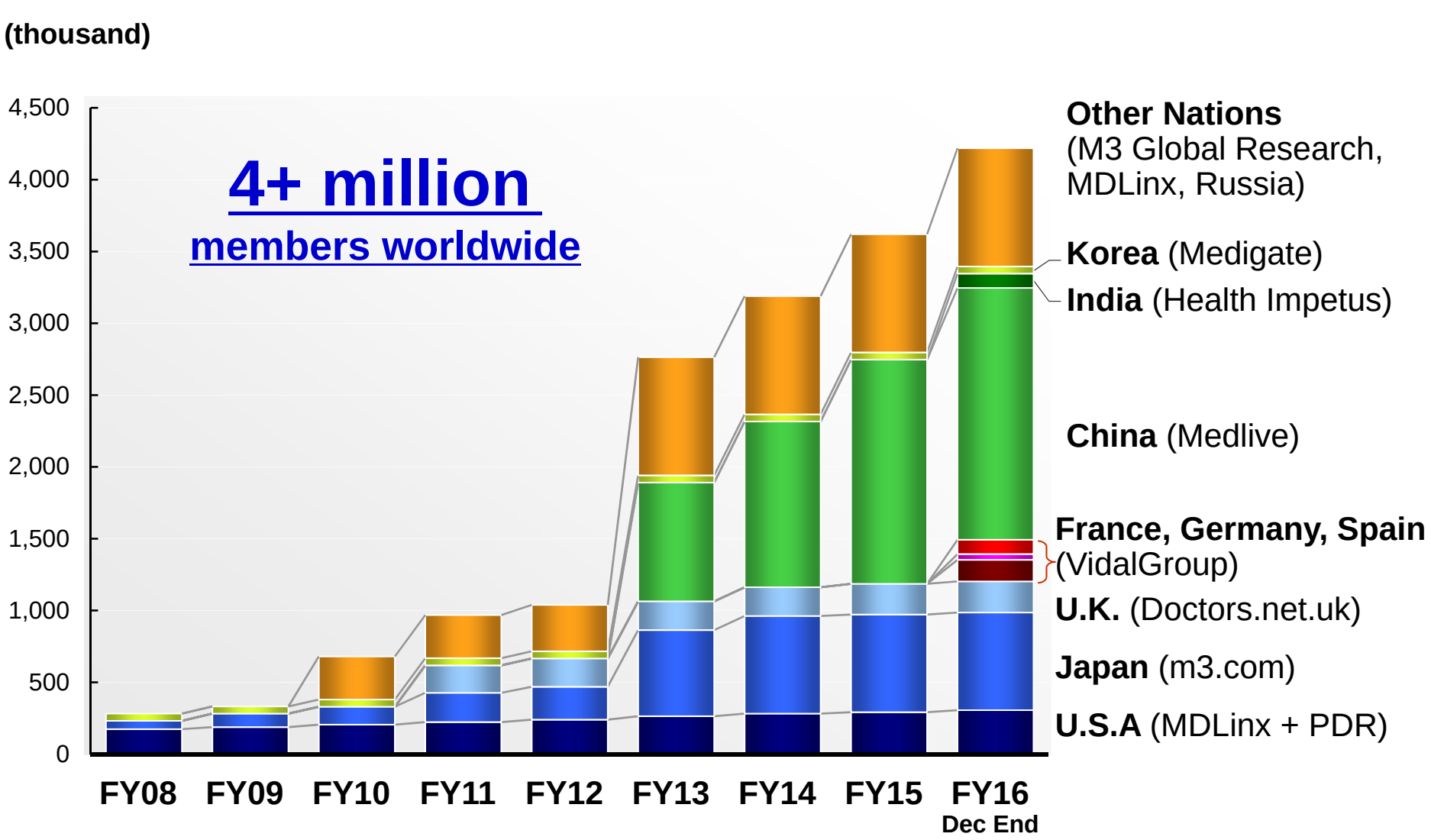
*Excludes Anestation M&A fees

Copyright © 2017 M3, Inc. All rights reserved.



Copyright © 2017 M3, Inc. All rights reserved.

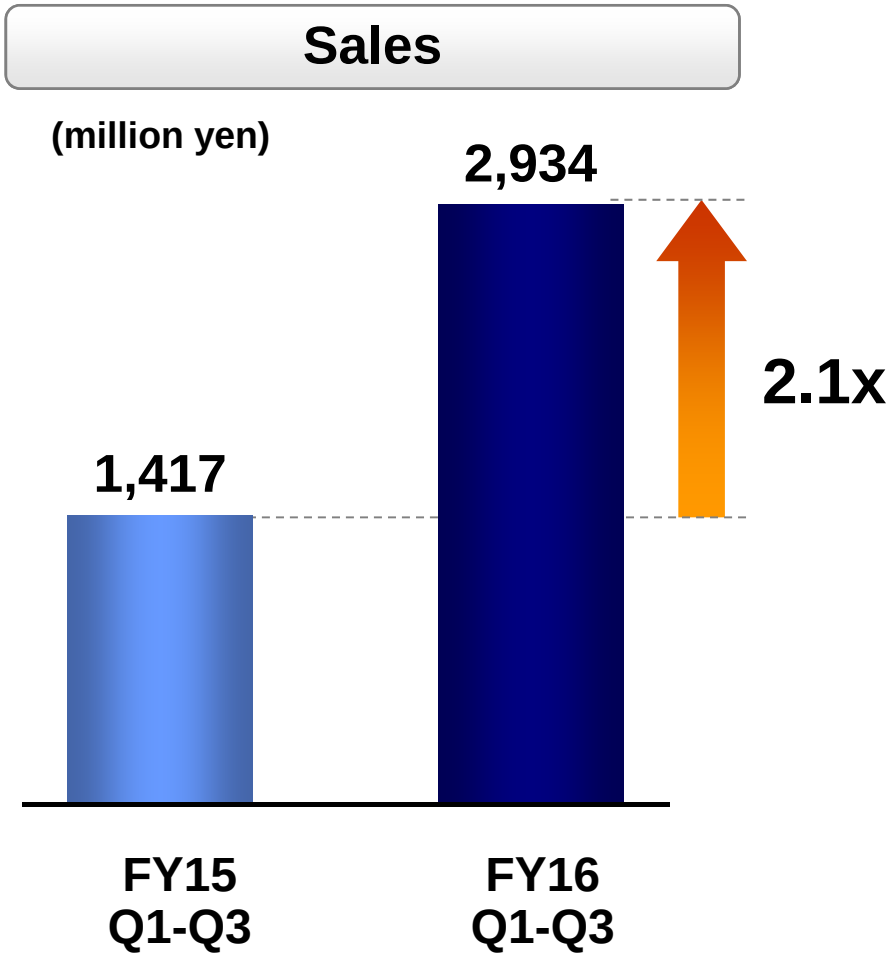
Number of Physician Members and Panelists (Global)



☞ **Over 4 million physicians utilize M3's global platforms**

Copyright © 2017 M3, Inc. All rights reserved.

Expansion of U.S. Career Services



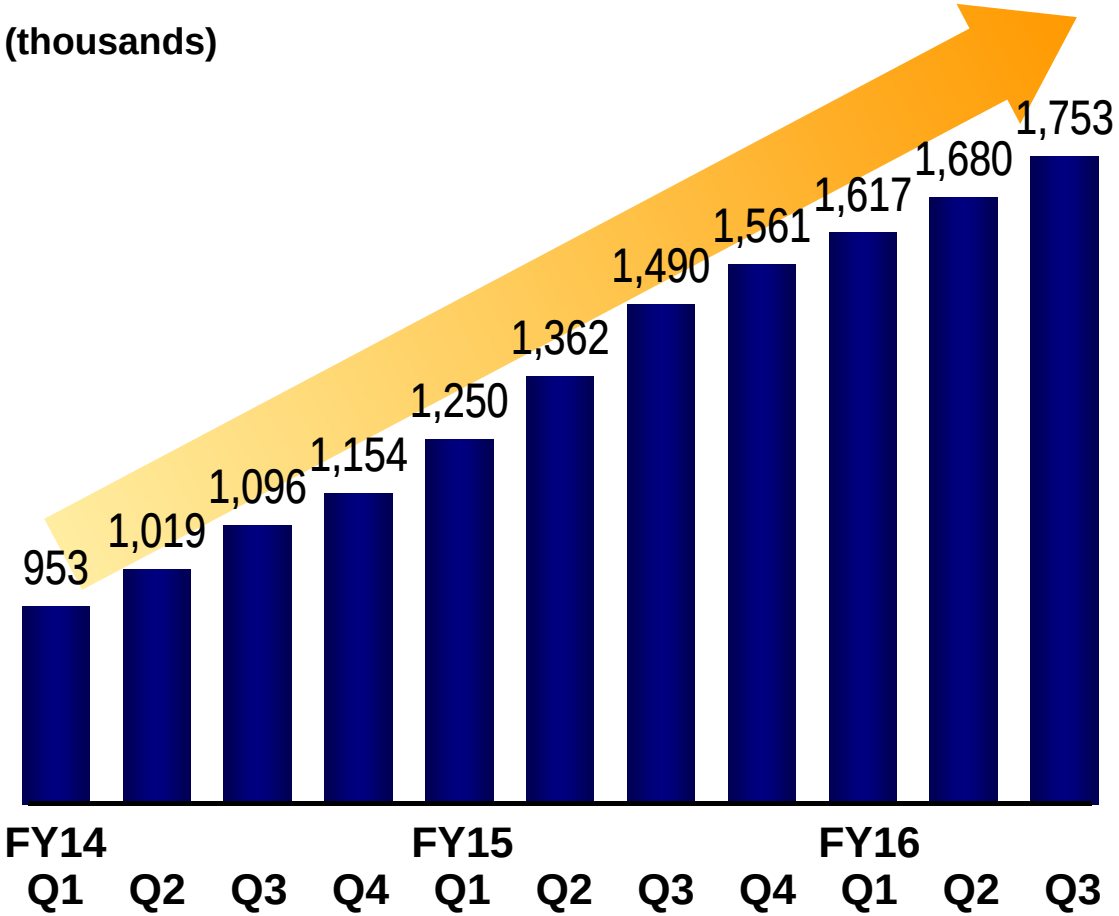
- Operation size over doubled yoy due to expansion of existing businesses as well as contribution from M&As
- Synergies with MDLinx, the U.S. web portal designed for physicians, is expected to improve sales and profitability
- Expansion of services such as executive physician and nurse placement being considered

A new US driver with a faster initial growth rate than M3 Career in Japan, and a much larger addressable jobs market overall.

Copyright © 2017 M3, Inc. All rights reserved.

China: Membership Expansion

Number of Physician Members in China



- **Marketing services for drug companies starting with MR-kun, and marketing research services showed steady growth**
- **MR-kun is now being utilized for 28 drugs across 9 pharmaceutical companies**

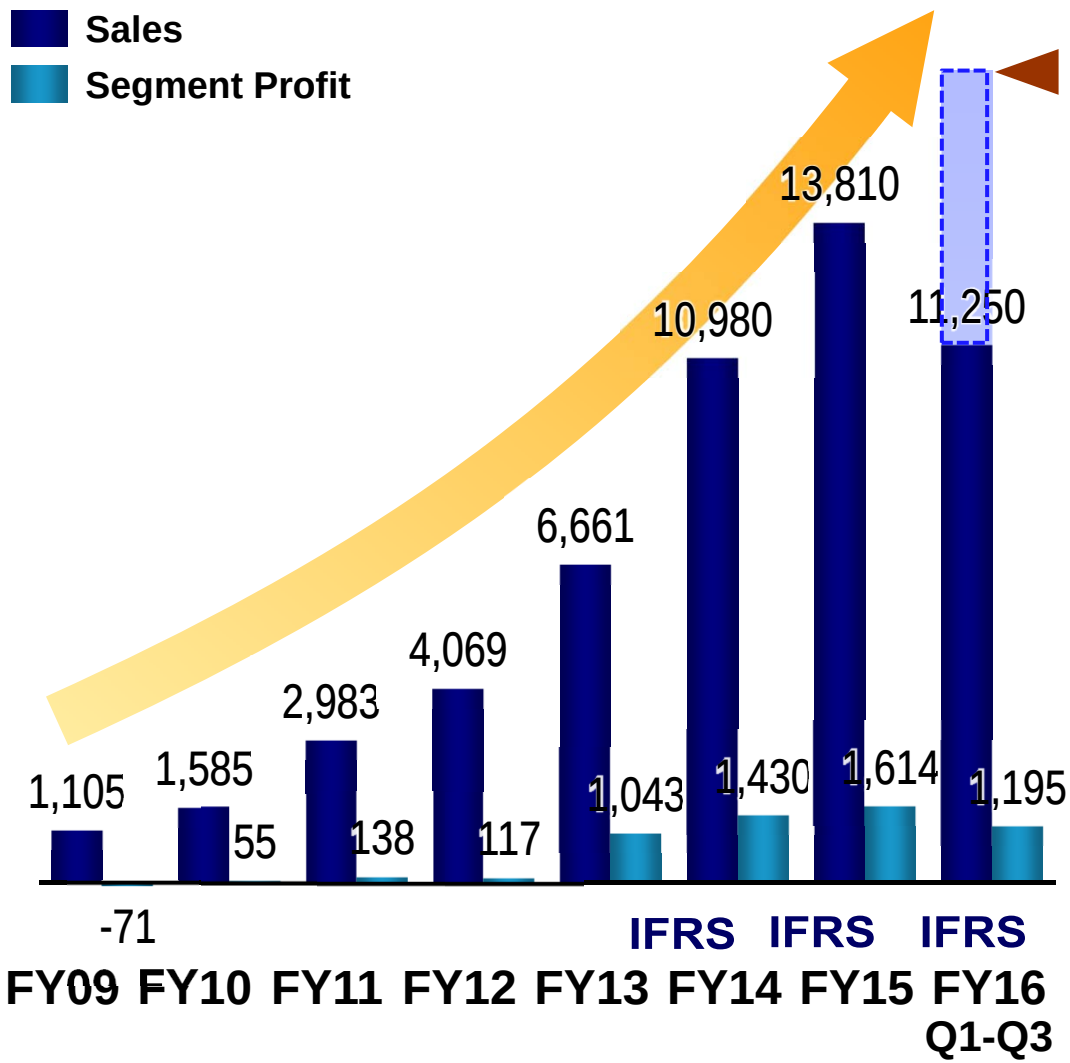
☞ **Over 1.5 million physicians members, covering the majority of doctors in China**

Copyright © 2017 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 pharma companies
- Local currency basis yoy growth ex M&A fees:

  - Sales: +32%
  - Profit: +12%

Copyright © 2017 M3, Inc. All rights reserved.

M3 Group's Business Strategy

Copyright © 2017 M3, Inc. All rights reserved.

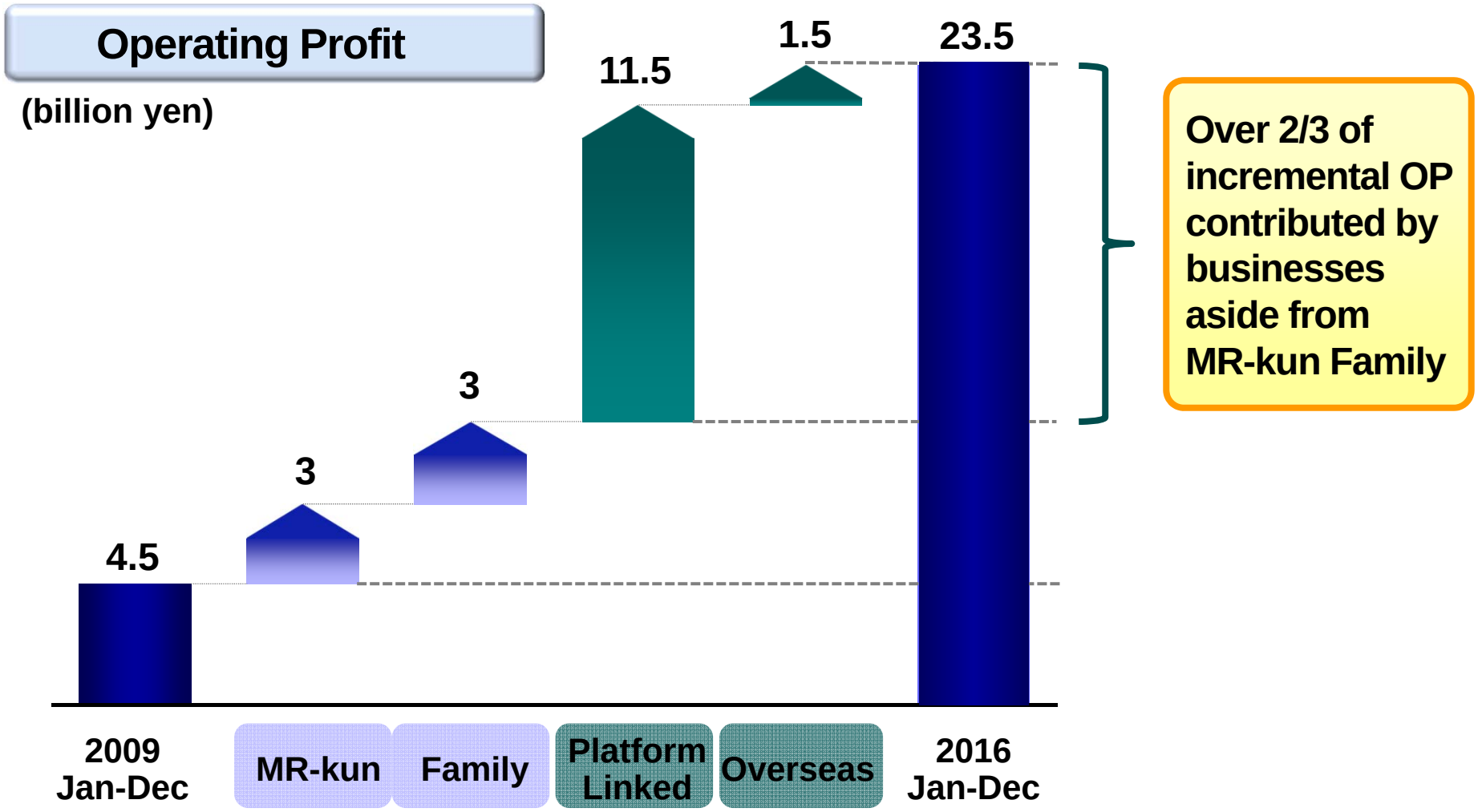
Strategy Change in Business Development

	New Service Development in the Medical Internet Sector (2000~2010)		Internet-Powered PE Style Business Expansion in Healthcare Industry (2011~)
			
Approach	Internet	→	Internet + Real Operations
Service Coverage	Web-based eTools	→	Entire Value-Chain
Potential Business Domains	~10	→	30 ~ 50 (~ 200 including overseas)
Profitability	High profitability (Mid absolute profit)	→	High absolute profit (Mid profitability)
M&A	Small	→	Medium ~ Large

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

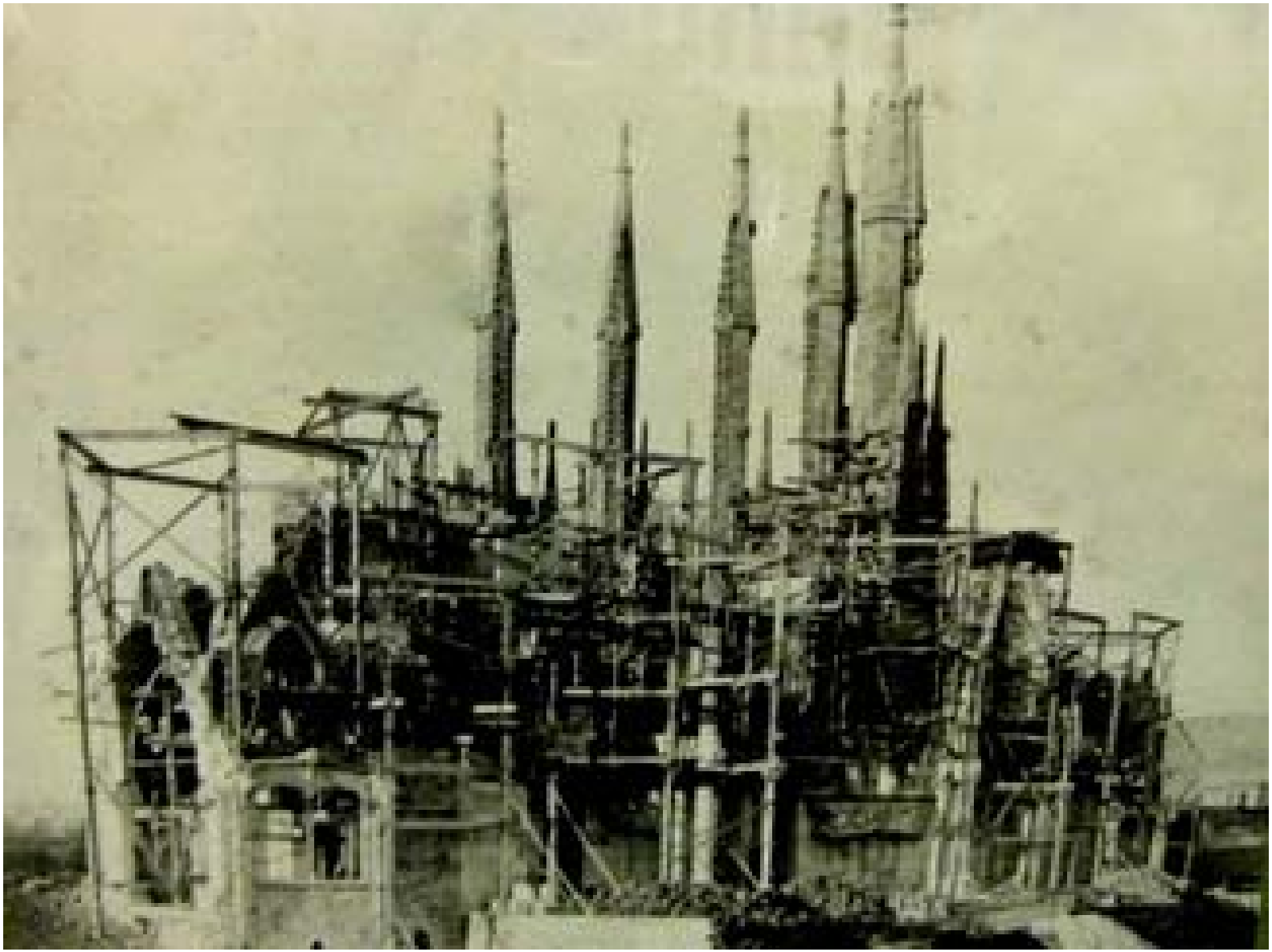
Copyright © 2017 M3, Inc. All rights reserved.

OP Growth Contributors (2009.1-12 ➡ 2016.1-12)



MR-kun family will continue to grow, while profit growth contribution will be exceeded by other businesses

M3 is Just Getting Started



Copyright © 2017 M3, Inc. All rights reserved.

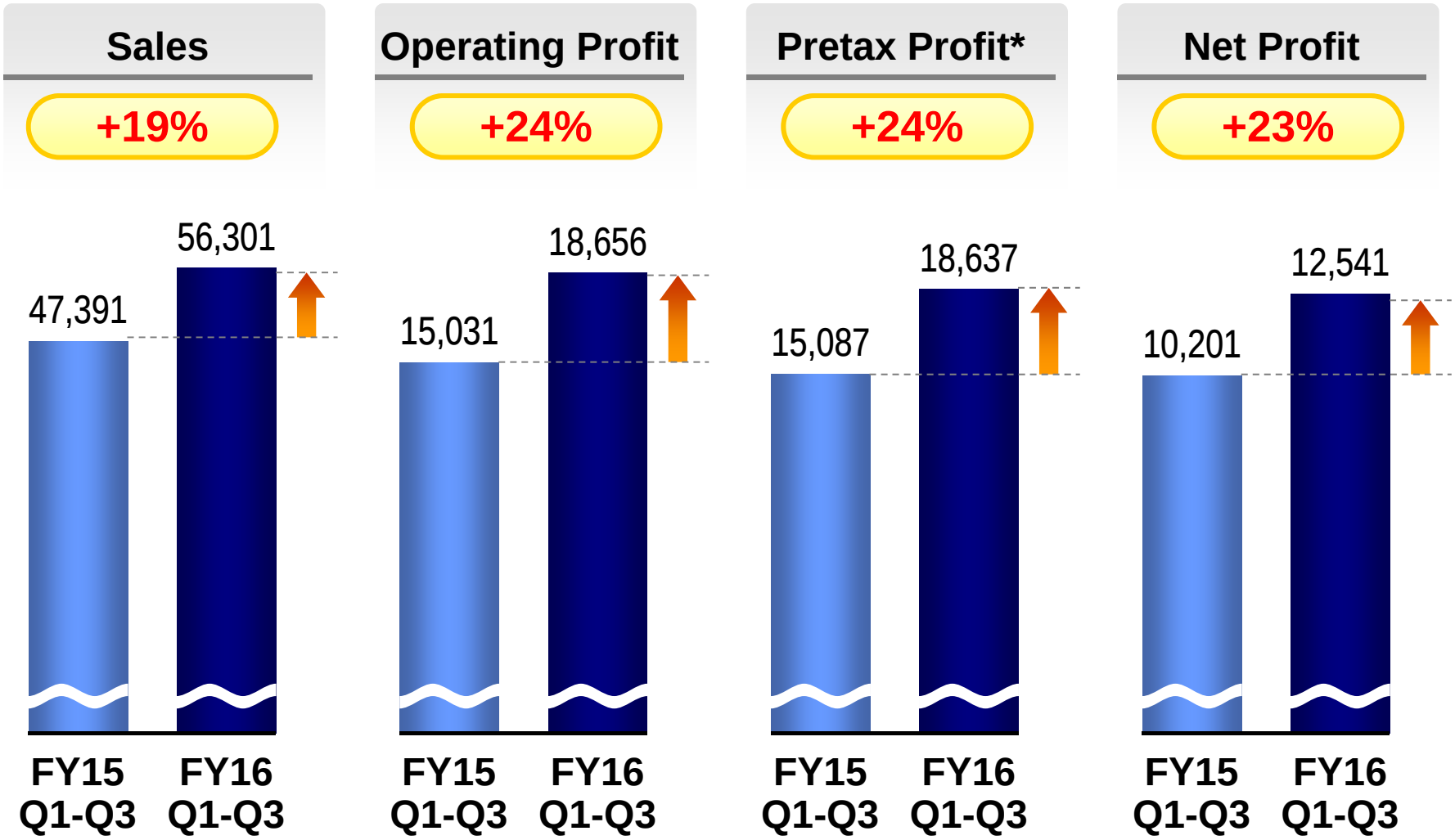
FY 2016 Overview

Copyright © 2017 M3, Inc. All rights reserved.

FY2016 Q3 Consolidated Cumulative Results

(million yen)

IFRS Base



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

Copyright © 2017 M3, Inc. All rights reserved.

FY2016 Consolidated Results by Segment

IFRS basis

(million yen)

		FY2015 Q1-Q3	FY2016 Q1-Q3	YoY
Medical Portal	Sales	18,660	22,467	+20%
	Profit	11,179	12,650 *	+13%
Evidence Solution	Sales	14,737	16,502	+12%
	Profit	2,777	3,912	+41%
Overseas	Sales	10,104	11,250	+11% ***
	Profit	1,373	1,195 **	-13% ***
Clinical Platform	Sales	1,989	2,053	+3%
	Profit	119	125	+5%
Sales Platform	Sales	978	1,076	+10%
	Profit	12	77	approx. 6 x
Others	Sales	1,731	3,933	+127%
	Profit	377	666	+77%

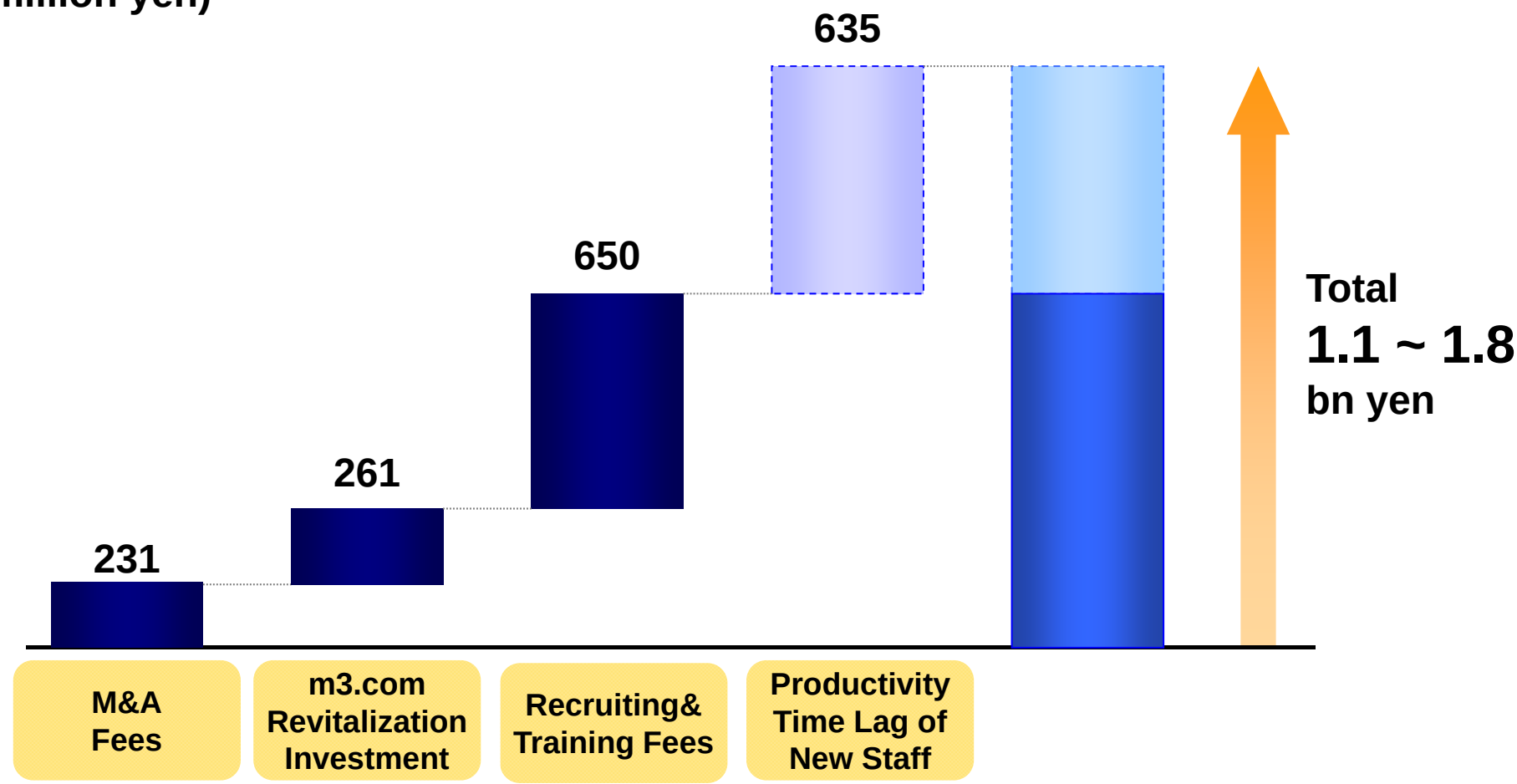
* M&A fees for Anestation totaled 42 million yen

** M&A fees from India and Vidal deals totaled 161 million yen

***Overseas segment results in local currency basis: Sales +32% yoy, Profit:+12% yoy

Upfront Investment Costs for Future Growth

(million yen)

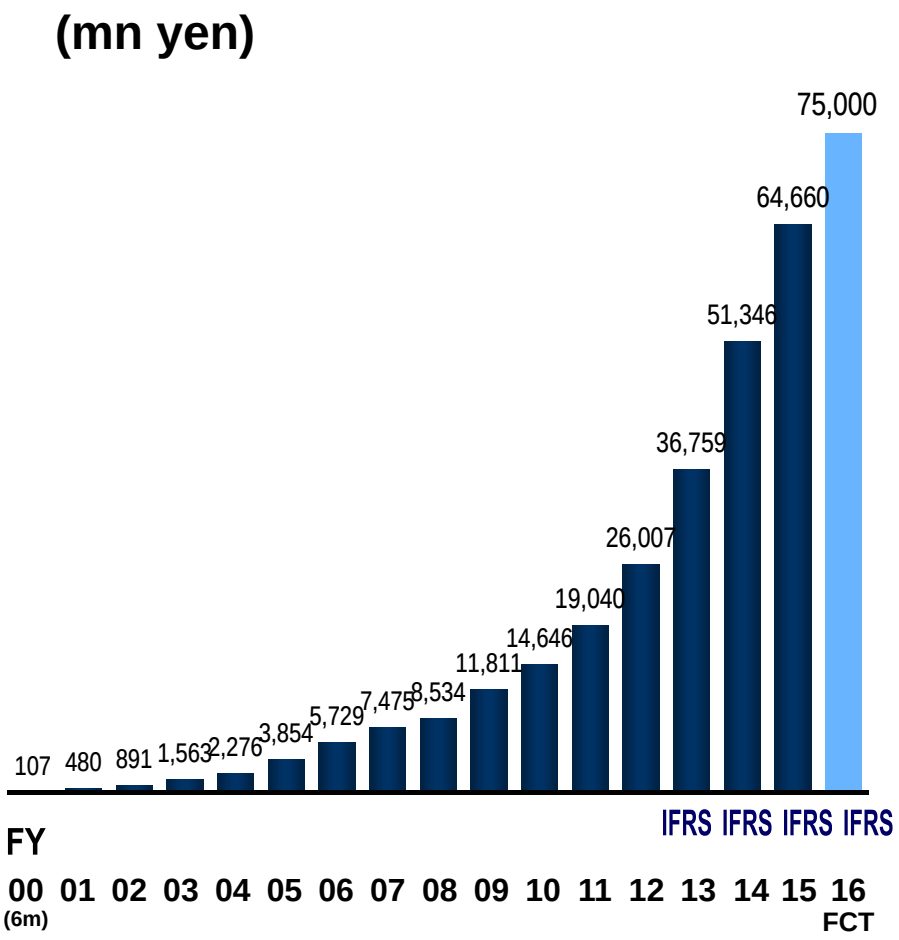


☞ **Special costs incurred in anticipation of future growth dampened profits by 1.1 ~ 1.8 bn yen over the past three quarters. Aggressive upfront investment to continue.**

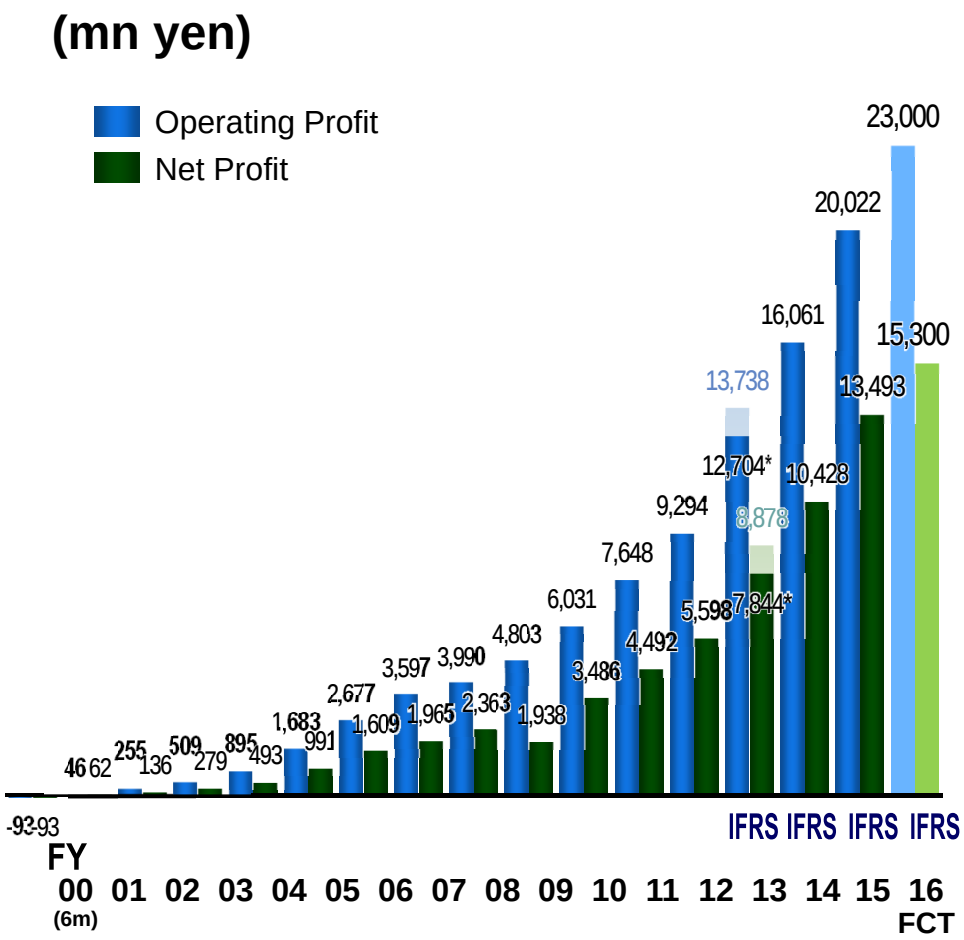
Copyright © 2017 M3, Inc. All rights reserved.

Annual Results & Forecast for FY2016

Sales



Operating Profit & Net Profit



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

Copyright © 2017 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 © 2017 M3, Inc. All rights reserved.