M3, Inc.
Presentation Material

October 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

Medical Platform

- Expansion of marketing support business for pharmaceutical and medical device companies
- Sales: 14.0 bn yen (+19% yoy), Op. Profit: 6.6 bn yen (+14% yoy)

Evidence Solution

- Sales of IDA and a dip in projects at SMO Neues resulted in sales of 10.7 bn yen, in line with previous year levels. However, re-acceleration is expected into H2. CRO business produced profit growth of +23% yoy. Orders backlog now at 29 bn yen, up 1 bn from end of June.
- Op profit was 2.4 bn yen (+2% yoy), with op margins at 22%

Career Solution

- Business expanded as user demand increased with sales at 5.6 bn yen (+17% yoy) and op. profit at 1.8 bn yen significant recovery and absorption of upfront investment in personnel in Q1, with Q2 stand alone op. profit growth at +33% yoy)

Overseas

- Both sales and profit growth were led by the research business expansion and improvement in the US and UK.
- Sales: 10.8 bn yen (+54% yoy), Op. Profit: 1.5 bn yen (over 3x yoy)

Other Topics

- Acceleration in initiatives within the field of advanced medicine
  - Gained approval for Durabeam™ artificial dura mater
  - Consolidation of Cosmotec to contribute to the platform development within the field of advanced medicine

Copyright © 2017 M3, Inc. All rights reserved.

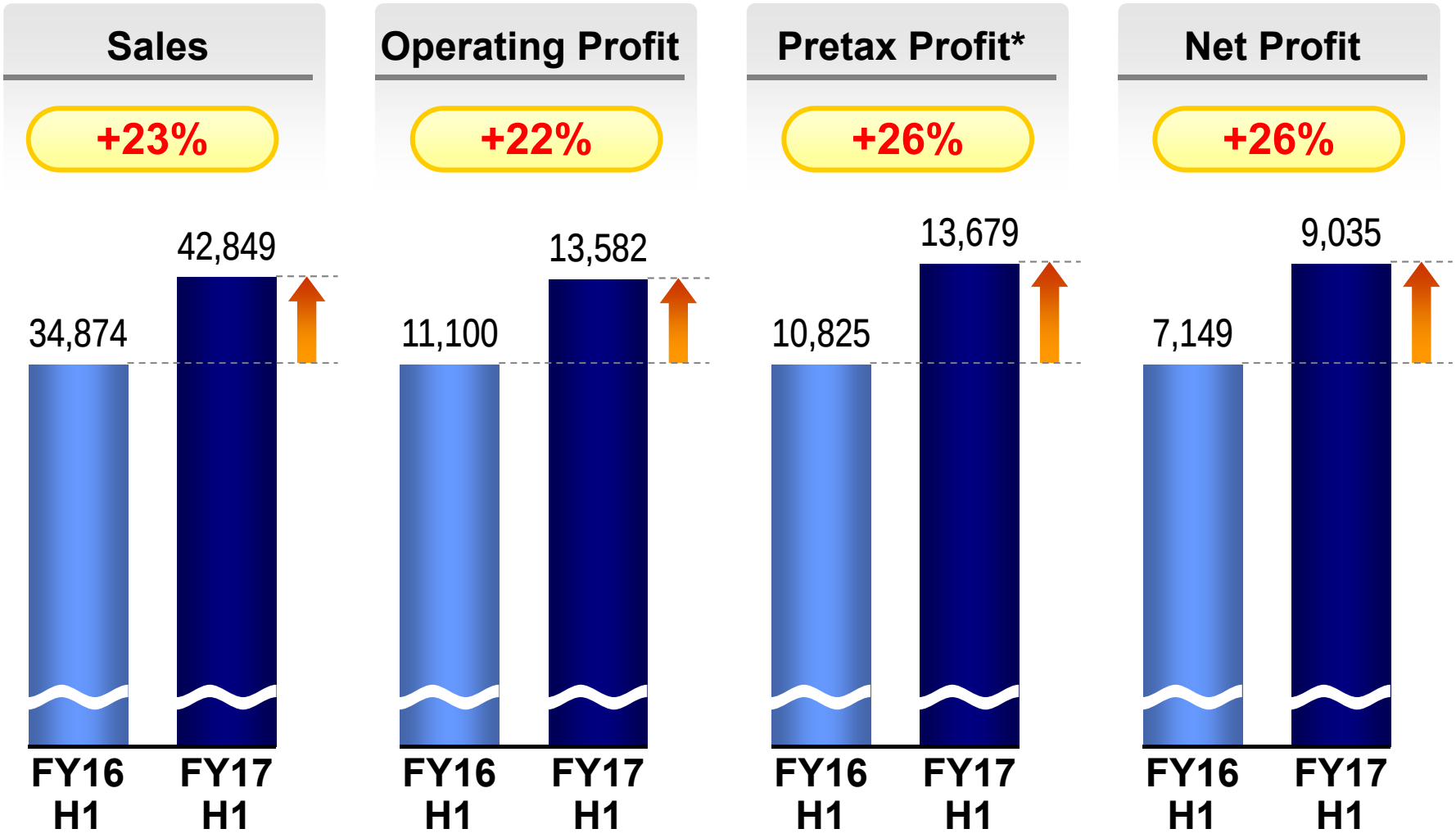
FY 2017 H2 Results

Copyright © 2017 M3, Inc. All rights reserved.

FY2017 H1 Consolidated Cumulative Results

(million yen)

IFRS



Copyright © 2017 M3, Inc. All rights reserved.

FY2017 H1 Consolidated Results by Segment

IFRS

(unit: million yen)

		FY2016 H1	FY2017 H1	YoY (cumulative)
Medical Platform	Sales	11,859	14,089	+19%
	Profit	5,815	6,640	+14%
Evidence Solution	Sales	10,732	10,712	0% *
	Profit	2,343	2,393	+2%
Career Solution	Sales	4,819	5,620	+17%
	Profit	1,793	1,766	-2% **
Overseas	Sales	7,007	10,757	+54%
	Profit	453	1,454	+221%
Other Emerging Businesses	Sales	1,557	2,799	+80%
	Profit	351	537	+53%

Service utilization by healthcare companies accelerated in Q2.

Q2 alone:
Sales: +23%
Profit: +18%

Q1 incurred upfront hiring costs, however, Q2 saw re-acceleration.

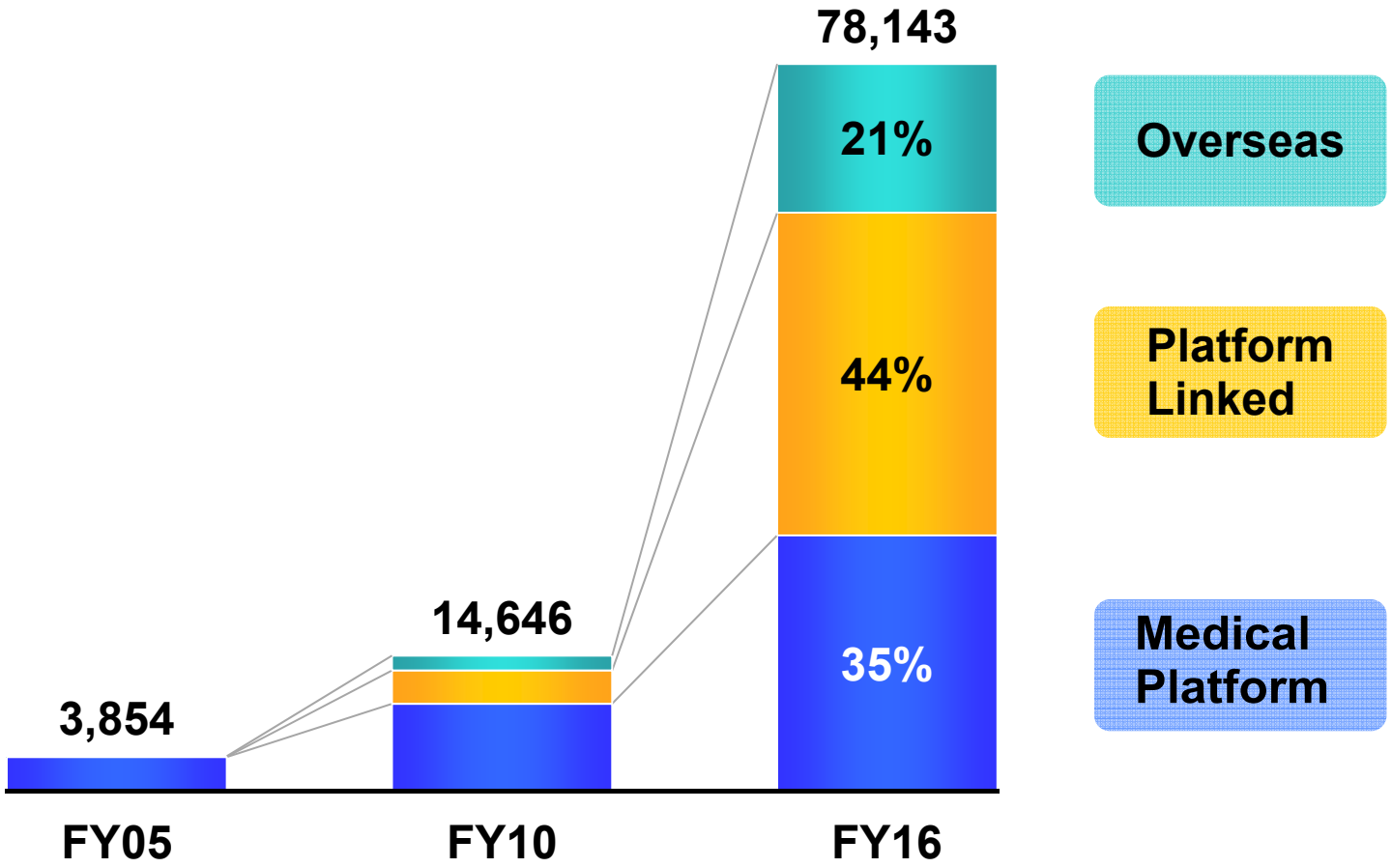
Q2 alone:
Sales: +28%
Profit: +33%

* Due to sale of IDA, and trough in sales at SMO Neues. Recovery expected in H2.
** Significant improvement in Q2 after large upfront investment in Q1 in personnel.

Copyright © 2017 M3, Inc. All rights reserved.

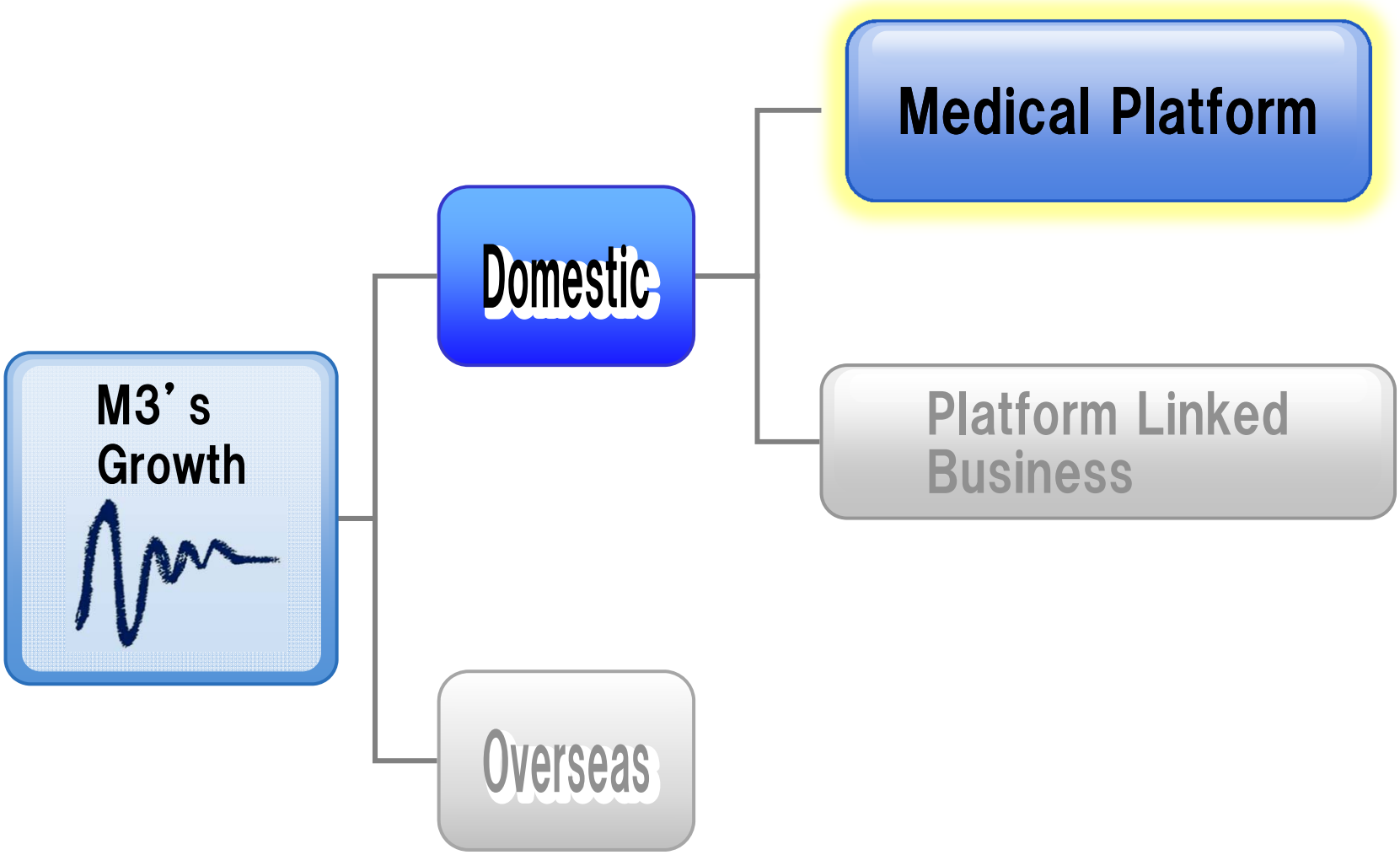
Consolidated Sales Expansion and Business Breakdown

(unit: million yen)



☞ **Medical platform has shown sound growth, while platform linked and overseas have expanded rapidly.**

Copyright © 2017 M3, Inc. All rights reserved.



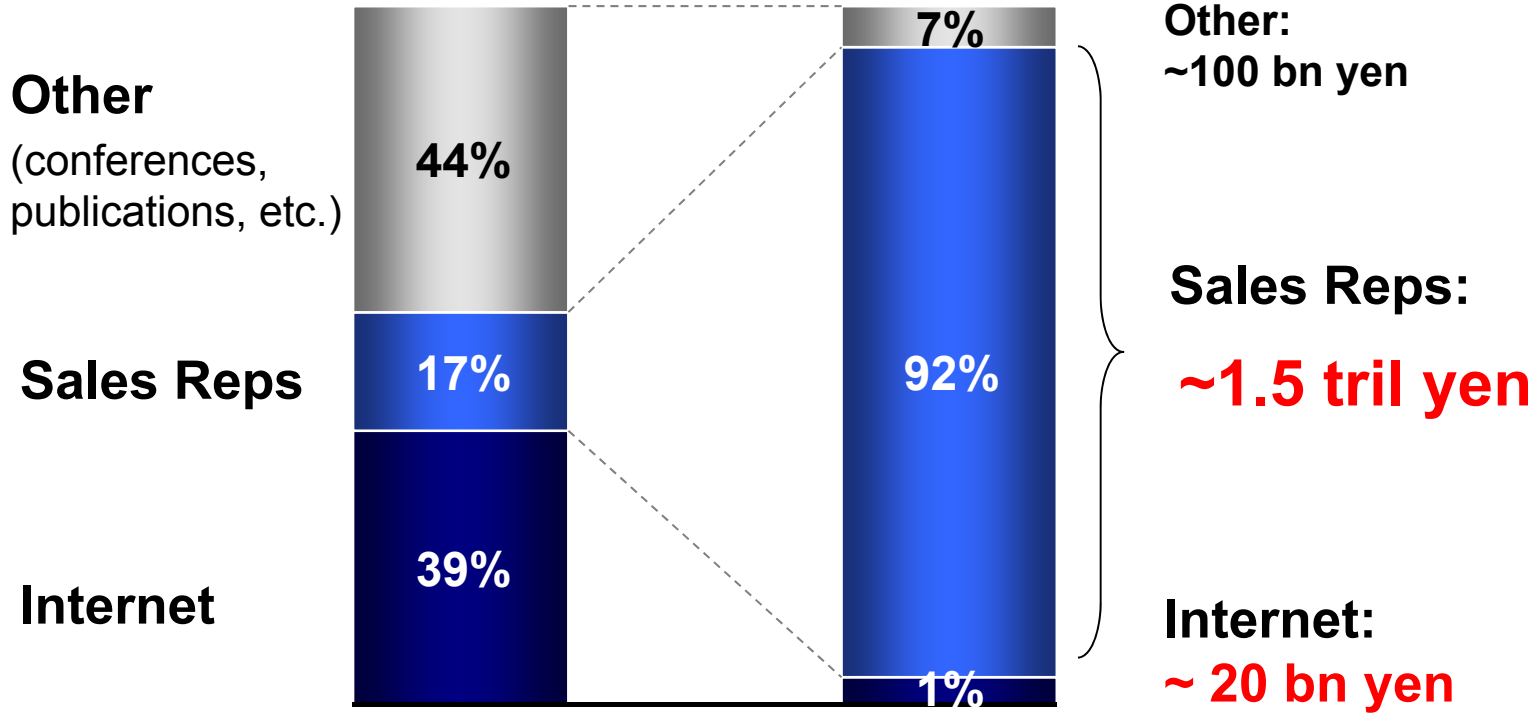
Copyright © 2017 M3, Inc. All rights reserved.

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

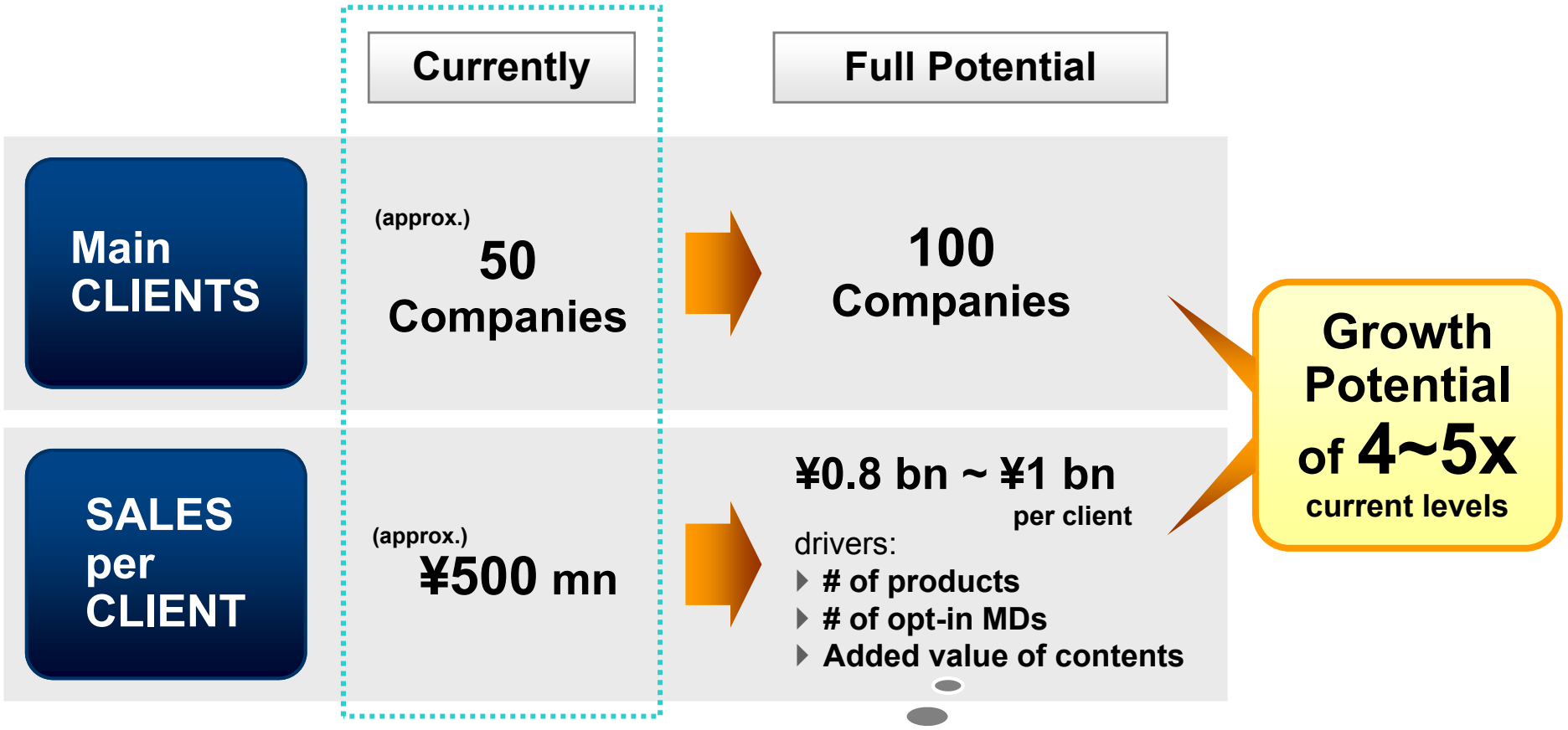
Marketing Budget Allocation
of drug companies in Japan



Source: M3 research, percentages are approximate

Copyright © 2017 M3, Inc. All rights reserved.

Medical Platform Growth Potential in Japan



Broadening of usage across entire service line-up:

Average revenues from top 20 clients grew at approx. 19% YoY

Copyright © 2017 M3, Inc. All rights reserved.

Medical Platform Services

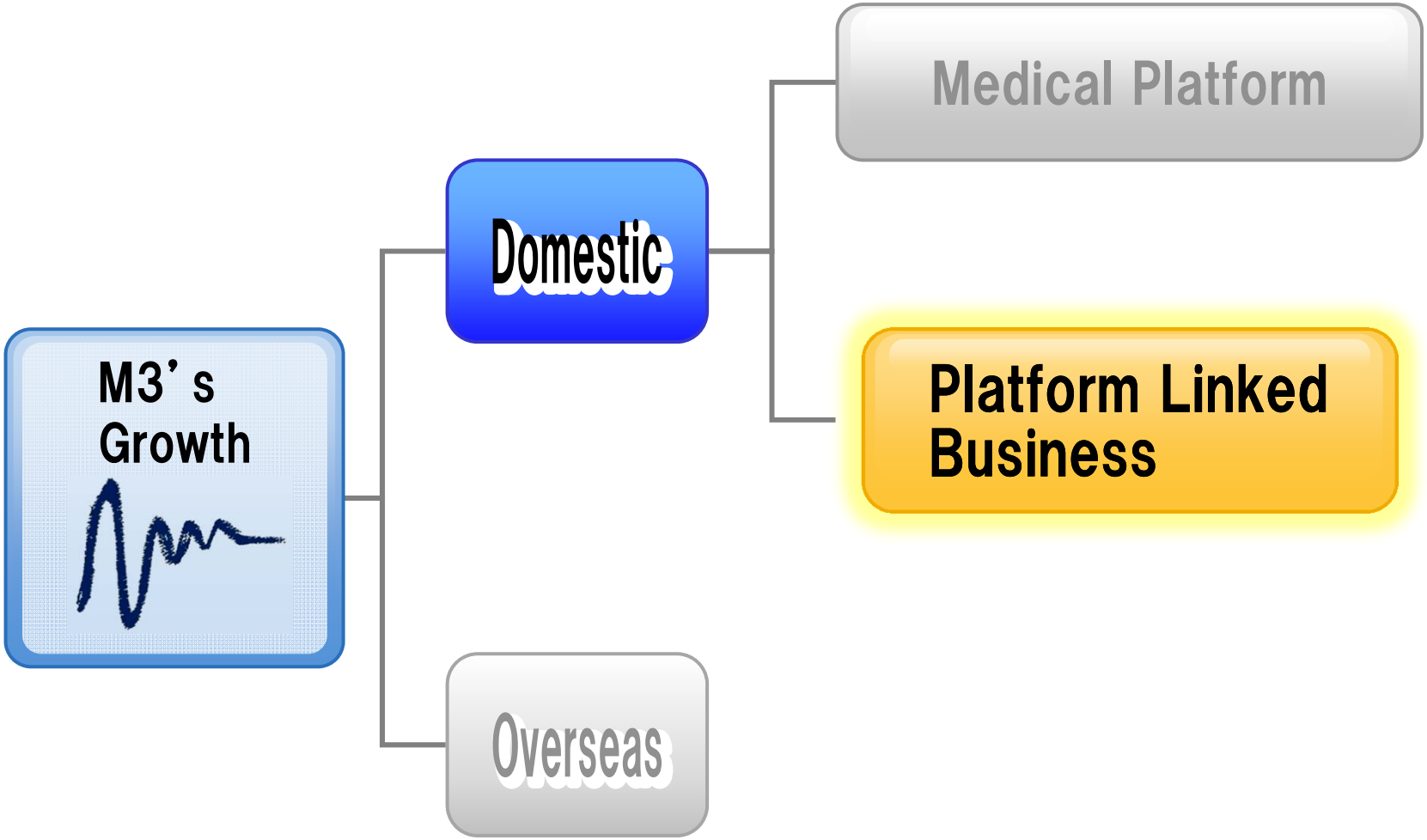
MR-kun
MR-kun Family
Extended Services

Marketing Process at Healthcare Related Companies

	Strategy Planning	Content Production	Message Delivery	Deal Closing
Pharma Company Needs	■ Product strategy development	■ Key message identification and content production	■ Efficient message delivery to the medical scene	■ Product sales expansion
Corresponding Department	■ Corporate Planning ■ Marketing	■ Marketing	■ Marketing ■ Multi-channel Group	■ Sales ■ Corporate Planning
M3 Services	■ M3 Research ■ Mx Data	■ Web Content Creation ■ Agency Business	■ MR-kun ■ Web Conference ■ One Point eDetail	■ CSO ■ Medical Marketer ■ M3 Database

☞ **Expanded service line-up to accommodate a wider range of marketing needs, unlimited to just information delivery (original MR-kun), as a one stop shop**

Copyright © 2017 M3, Inc. All rights reserved.



Copyright © 2017 M3, Inc. All rights reserved.

Power of Mr. Finder in Drug 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."

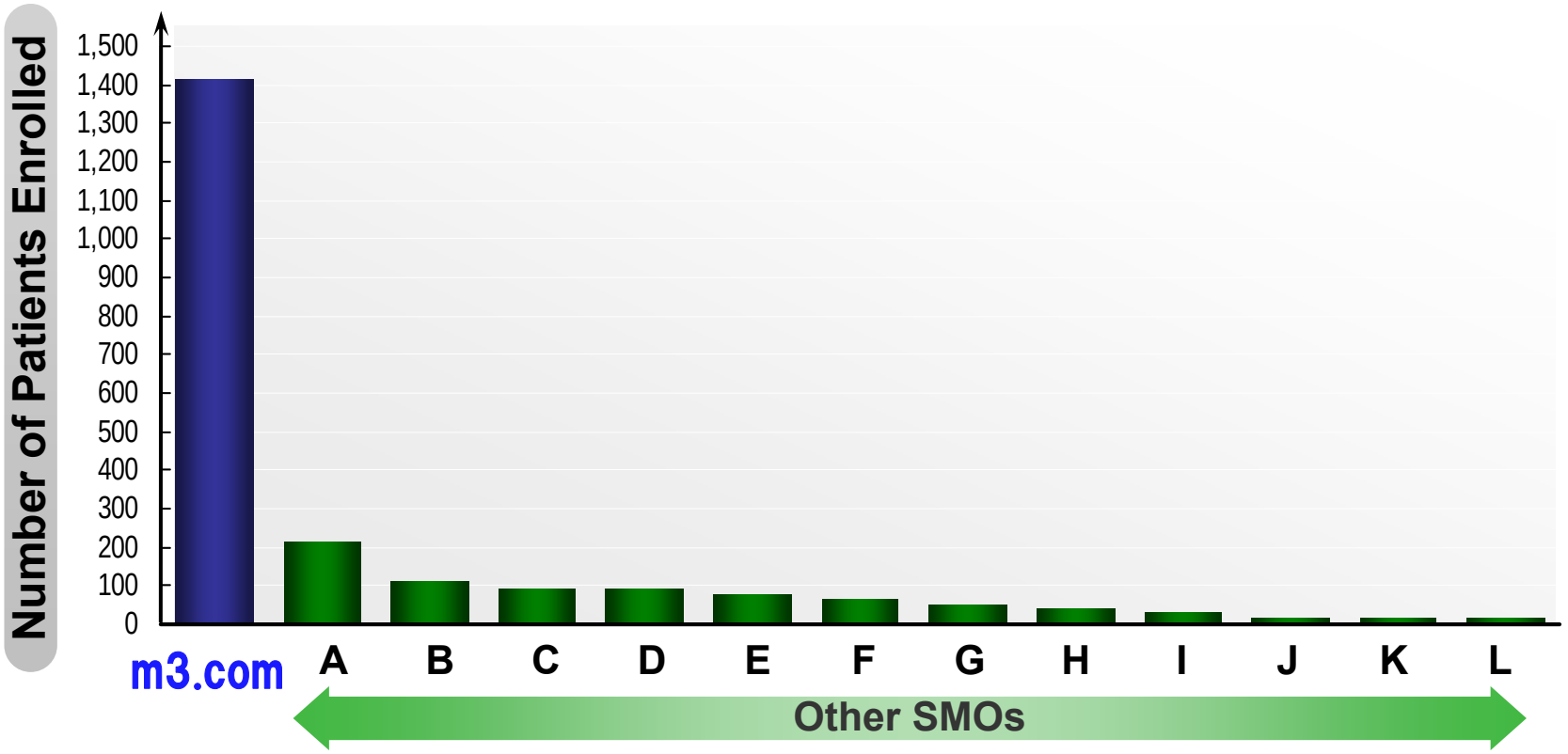
~ 2010	Evolution via MR-kun for pharmaceutical e-Marketing
	Plus
2011 ~	Evolution via Mr. Finder for pharmaceutical e-R&D

Copyright © 2017 M3, Inc. All rights reserved.

Patient Enrollment in Large-Scale Trials

Case study

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



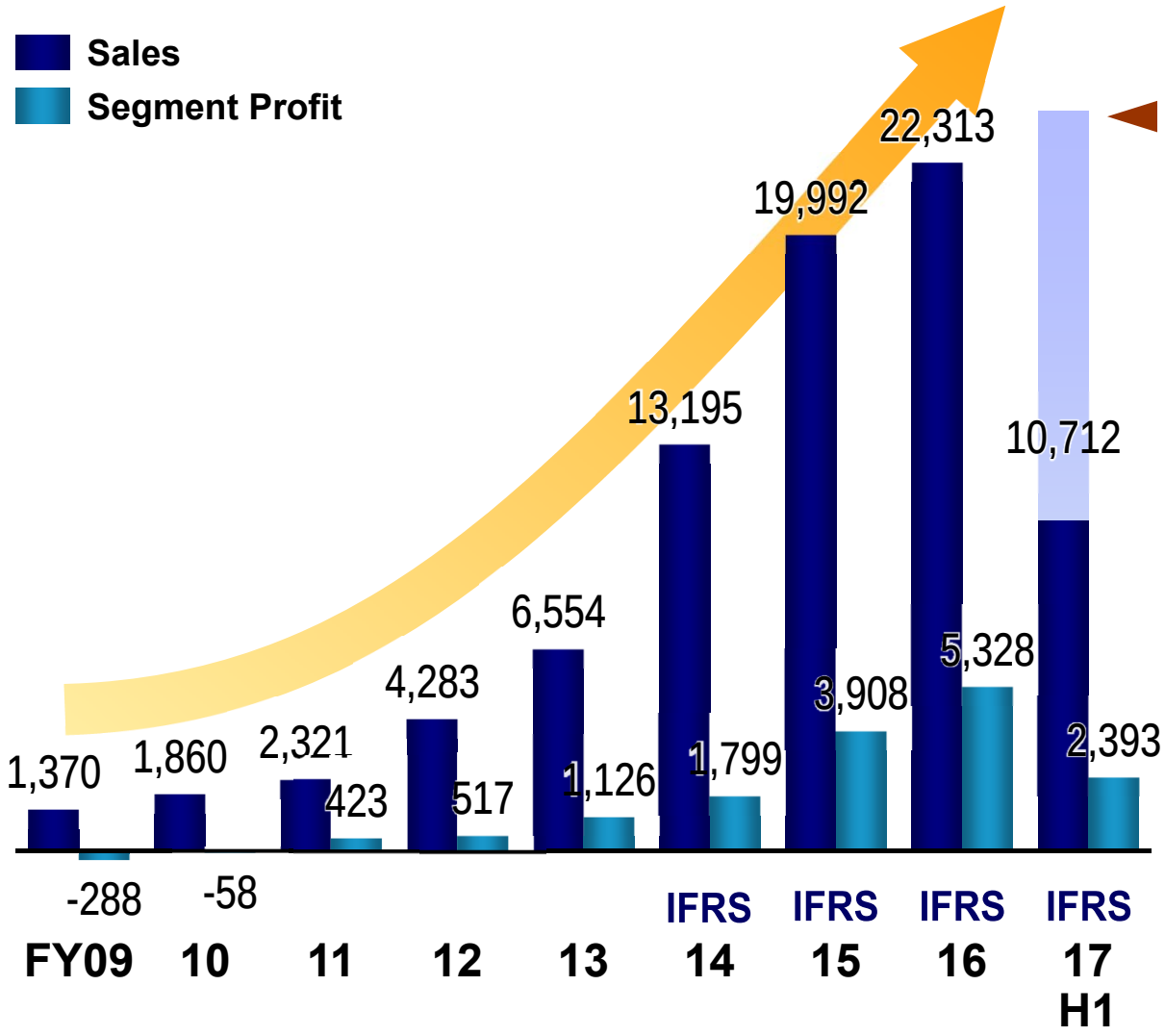
☞ **Expedited enrollment of motivated physicians and patients compared to other SMOs**

Copyright © 2017 M3, Inc. All rights reserved.

Sales and Profit Trend of Evidence Solution

IRFS

(million yen)

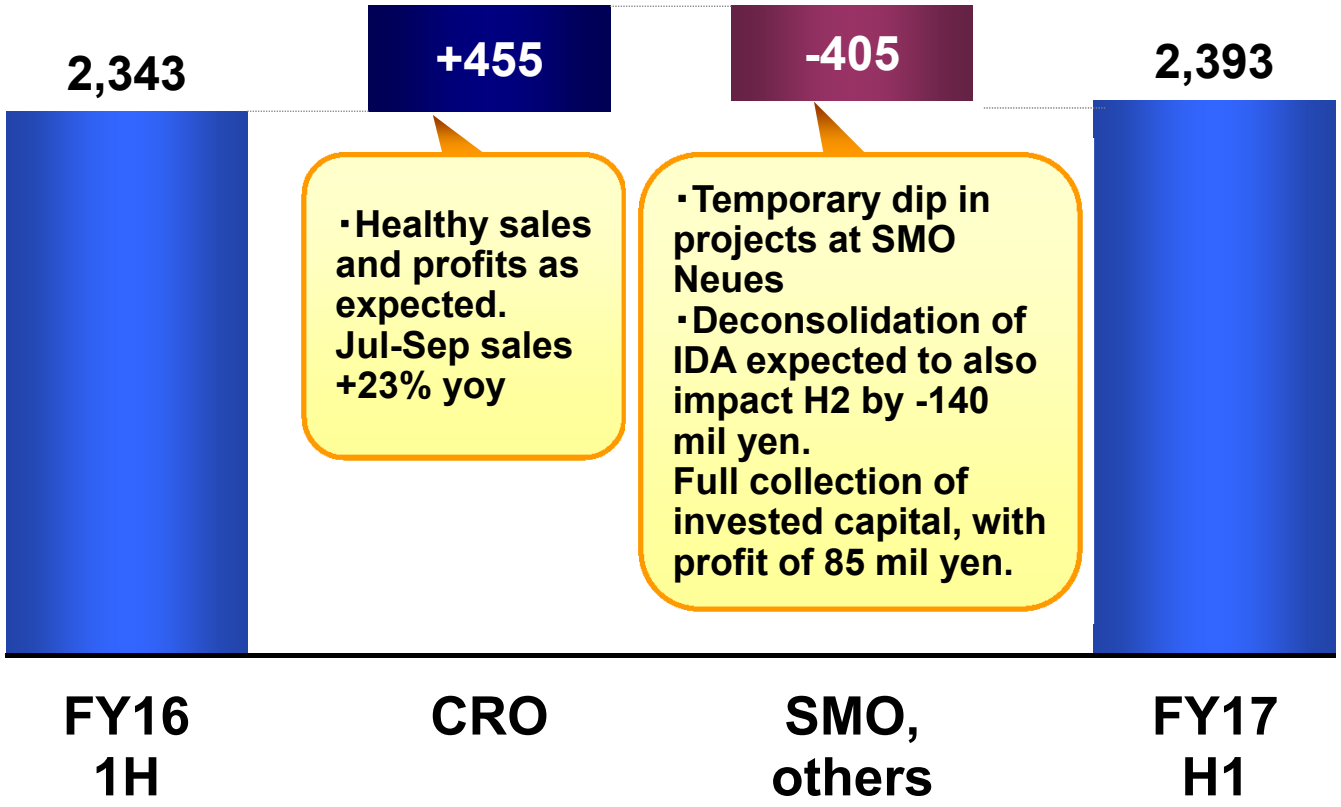


- Orders backlog remained around 29bn yen, with corresponding increases in headcount as upfront investment
- Sales stayed flat due to a dip at SMO Neues, however, margins remained high at 22%
- Re-acceleration expected in H2.

Copyright © 2017 M3, Inc. All rights reserved.

Evidence Solution Segment Profit Breakdown

(unit: million jpy)



☞ **Profit remained in line as previous year, with healthy performance at CROs offset by SMO Neues hitting a temporary. Recovery is expected into H2.**

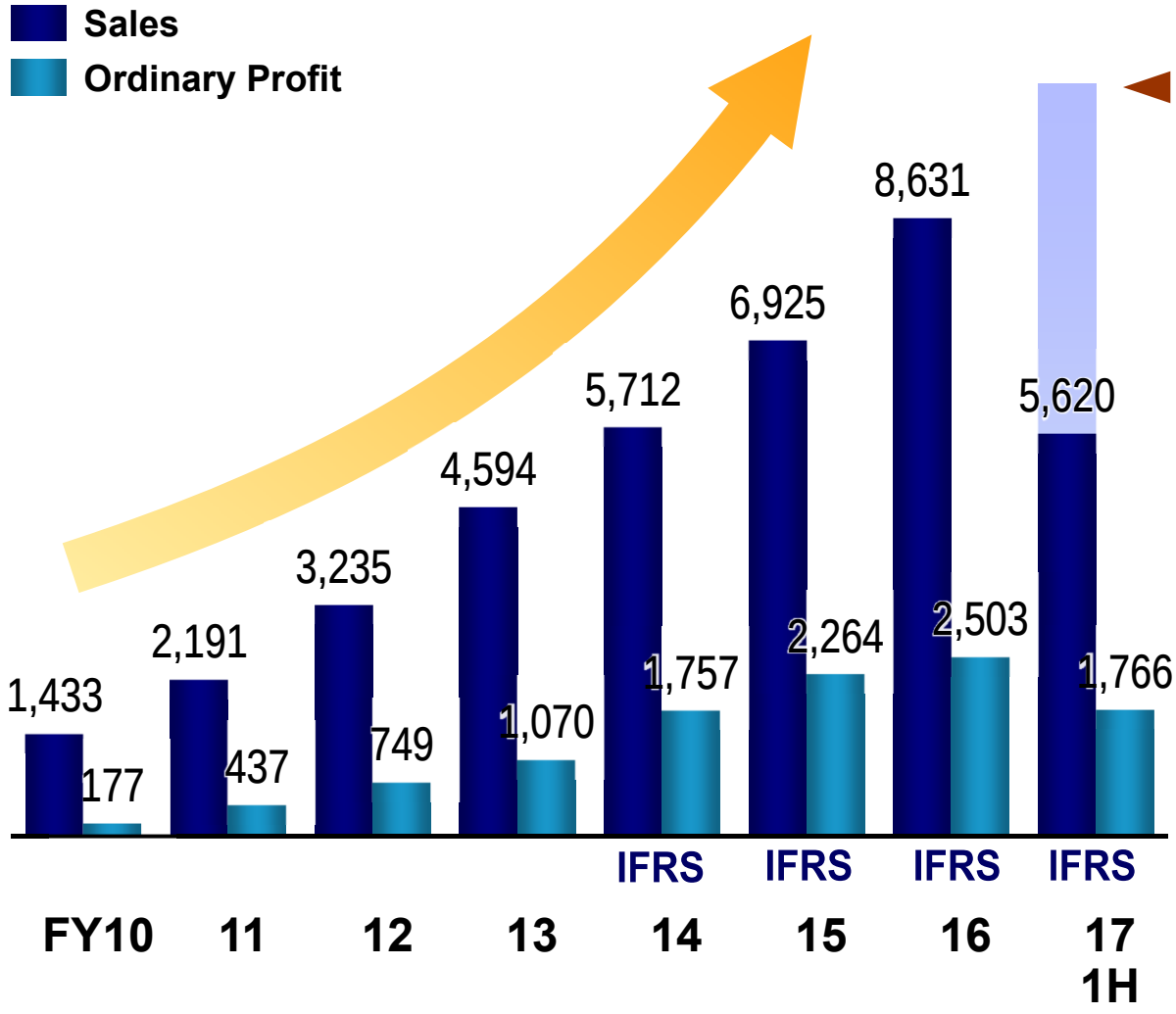
Copyright © 2017 M3, Inc. All rights reserved.

Sales and Profit Trend of M3 Career

2 Career

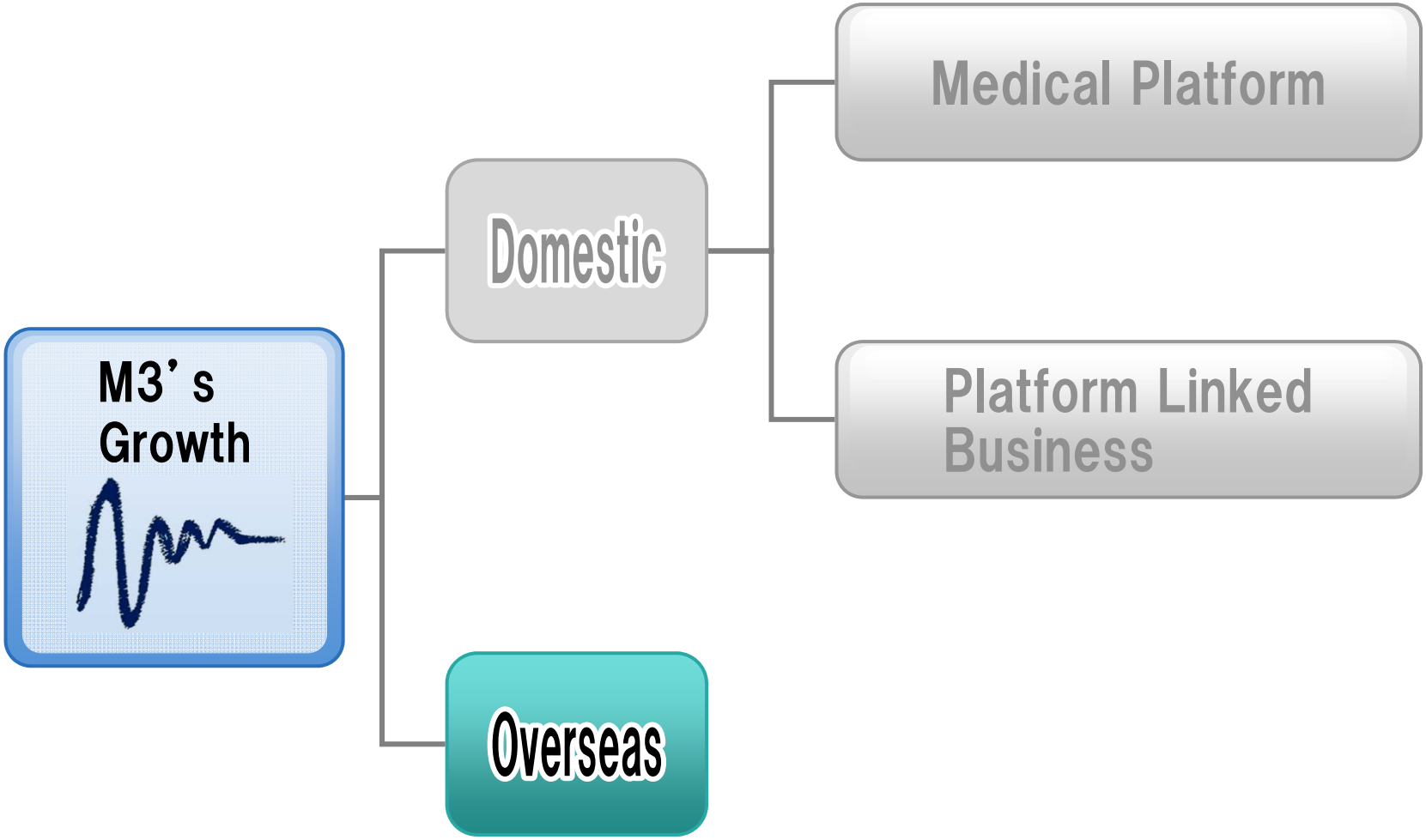
IFRS

(million yen)



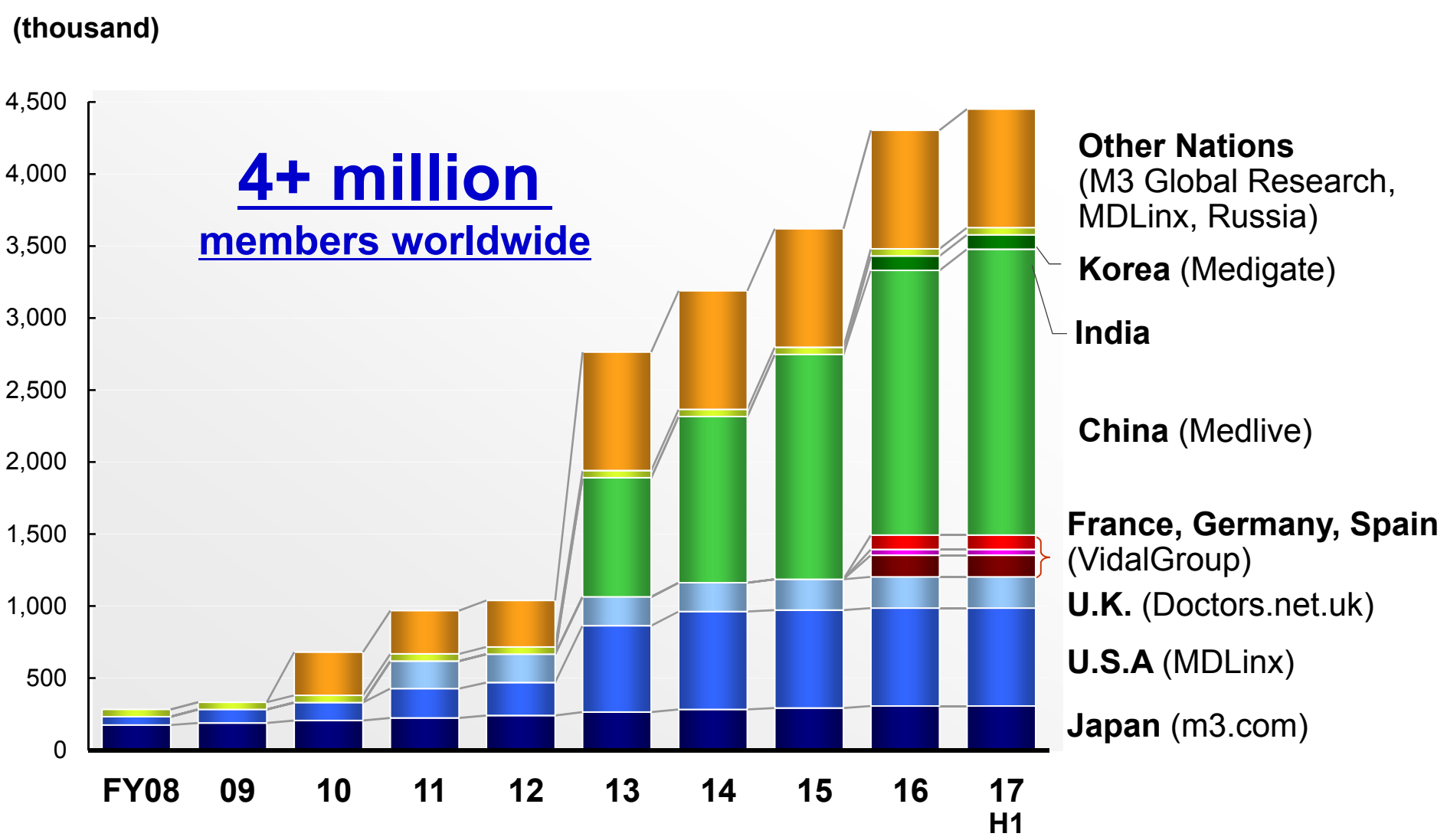
- Sales and profit expansion from increase in staff and productivity
- FY2017 should see continued traction from job placement for physicians
- Q2 absorbed upfront hiring impact from Q1, and returned to the usual growth rate

Copyright © 2017 M3, Inc. All rights reserved.



Copyright © 2017 M3, Inc. All rights reserved.

Number of Physician Members and Panelists (Global)



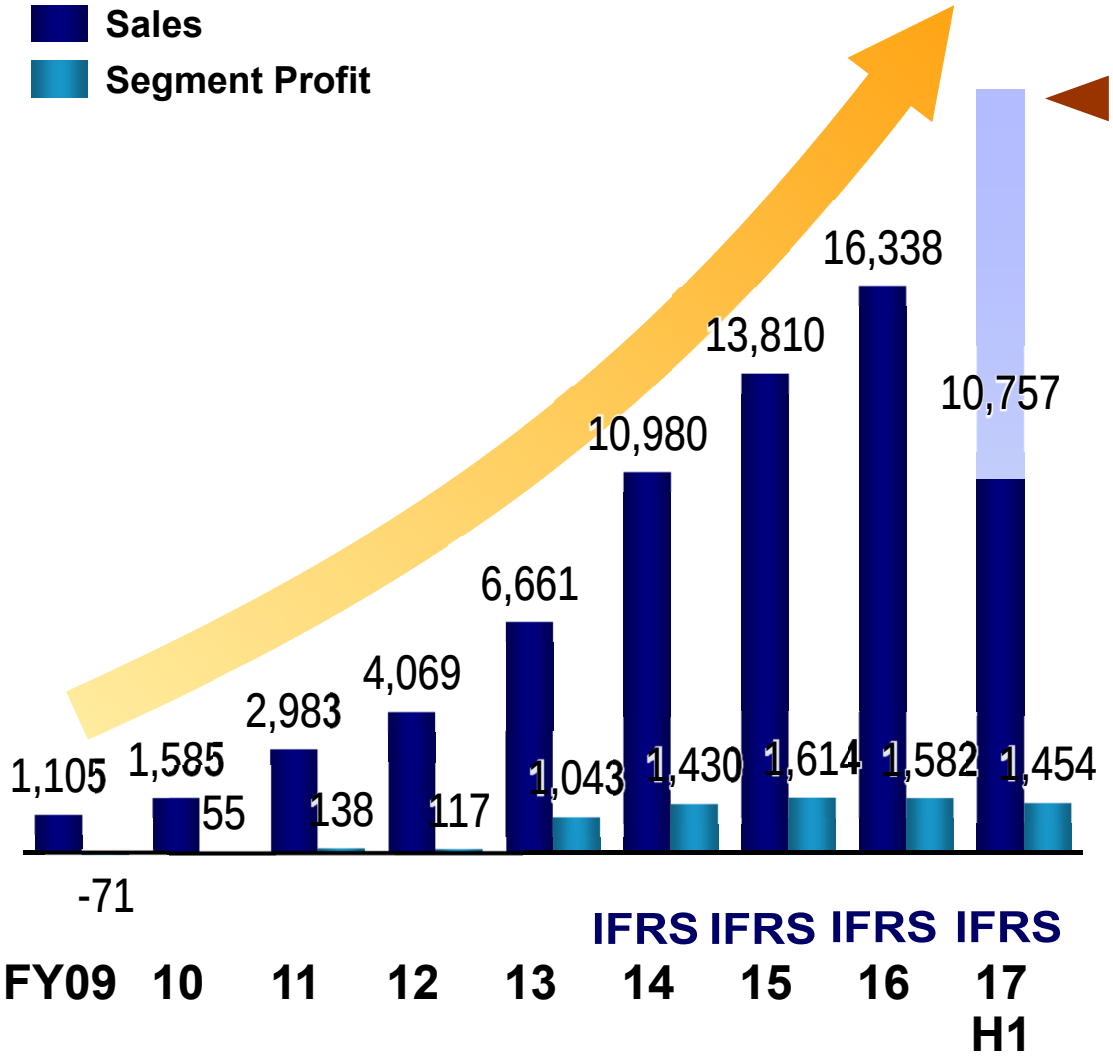
☞ **Over 4 million physicians utilize M3's global platforms**

Copyright © 2017 M3, Inc. All rights reserved.

Sales and Profit Trend of Overseas

IFRS

(million yen)

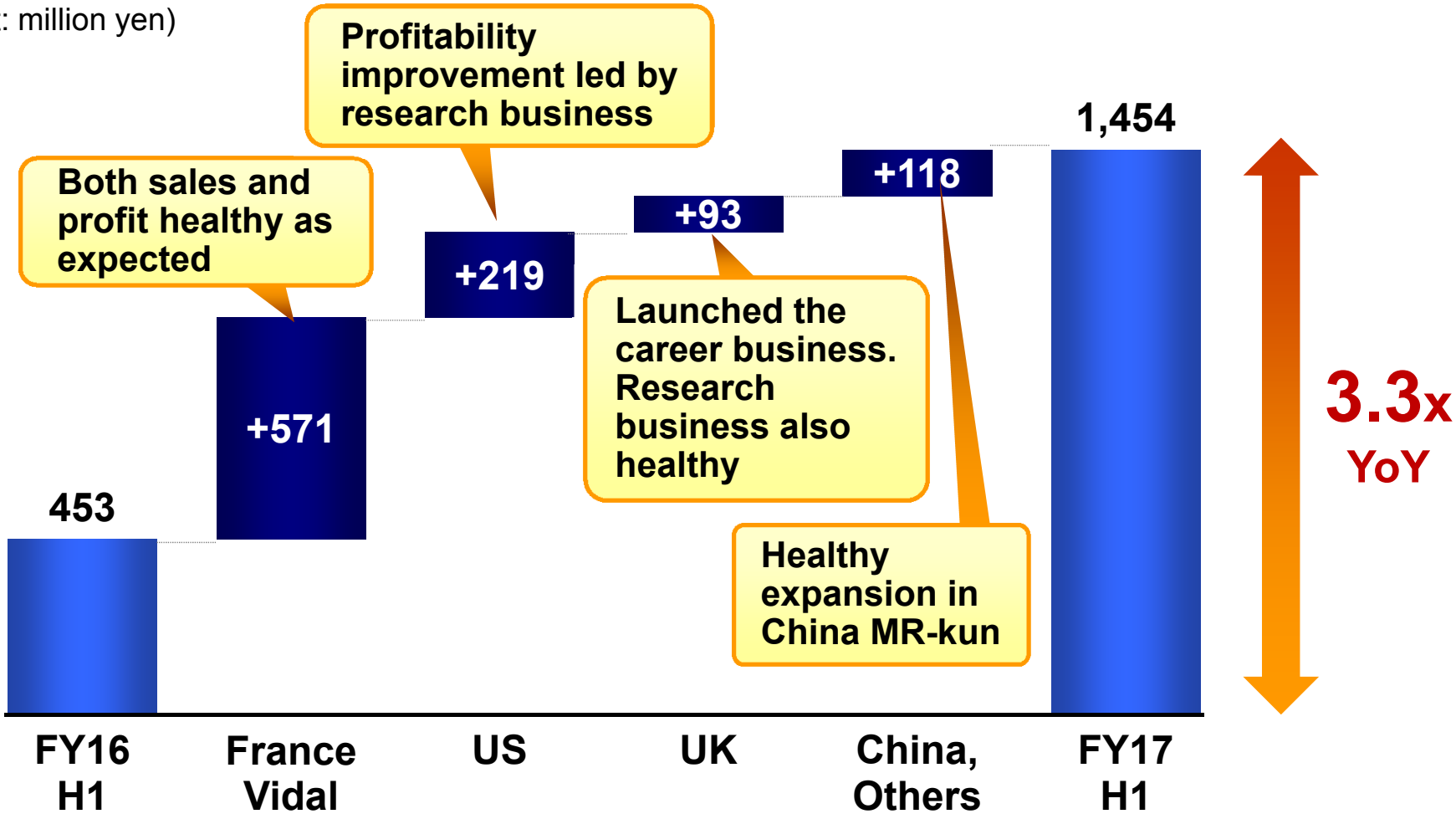


- Profitability in the US and UK improved dramatically led by the research business expansion (+75% yoy)
- Profit margin expansion from operation improvements. Dispatching personnel from Japan for further reinforcement.

Copyright © 2017 M3, Inc. All rights reserved.

Overseas Segment Profit Breakdown

(unit: million yen)

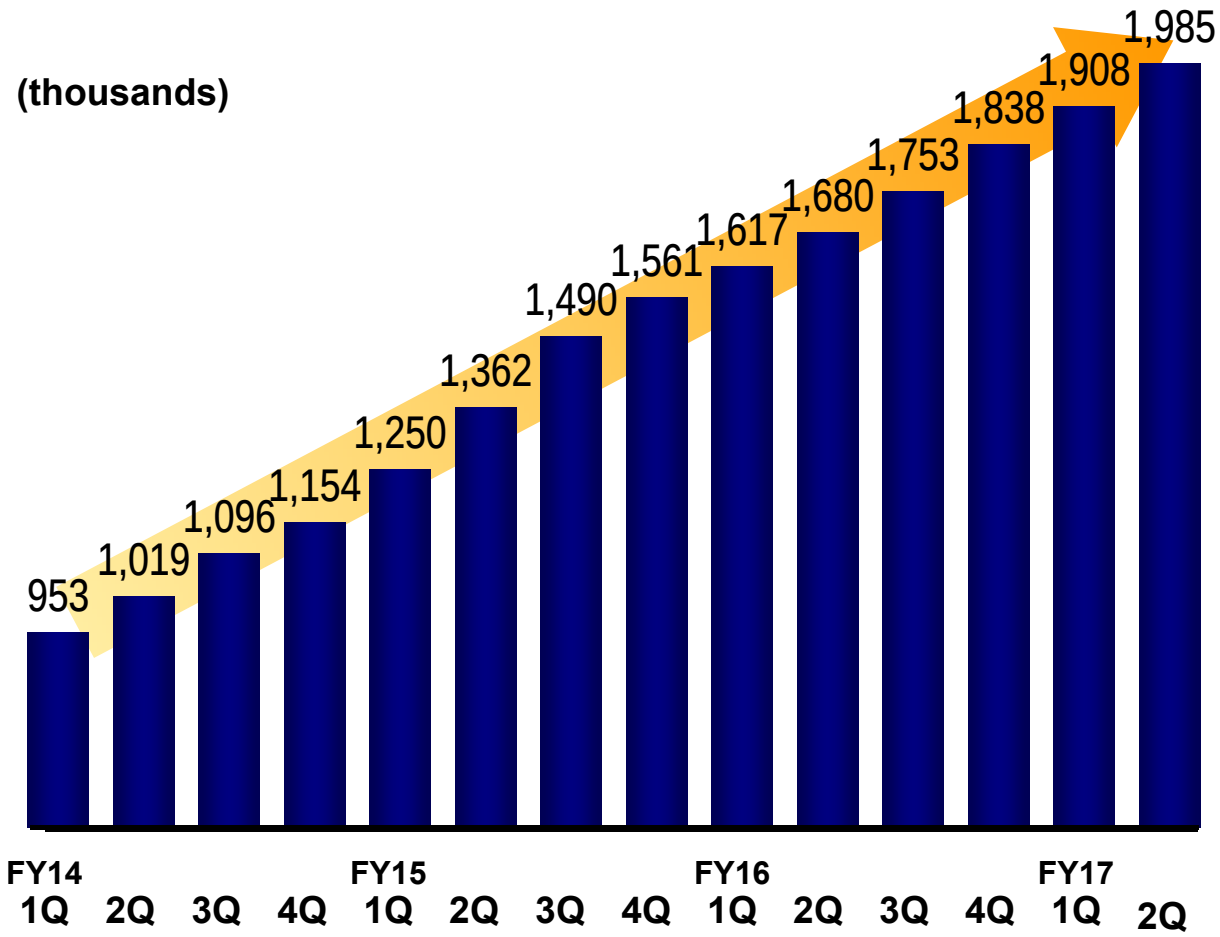


☞ **US and UK profit expanded, with segment profits over doubling exclusive of contribution from Vidal.**

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 35 drugs across 11 pharmaceutical companies
- Launched career services for physicians

☞ On the brink of 2 million physicians members, covering the majority of doctors in China

Copyright © 2017 M3, Inc. All rights reserved.

M3 Group's Business Strategy

Copyright © 2017 M3, Inc. All rights reserved.

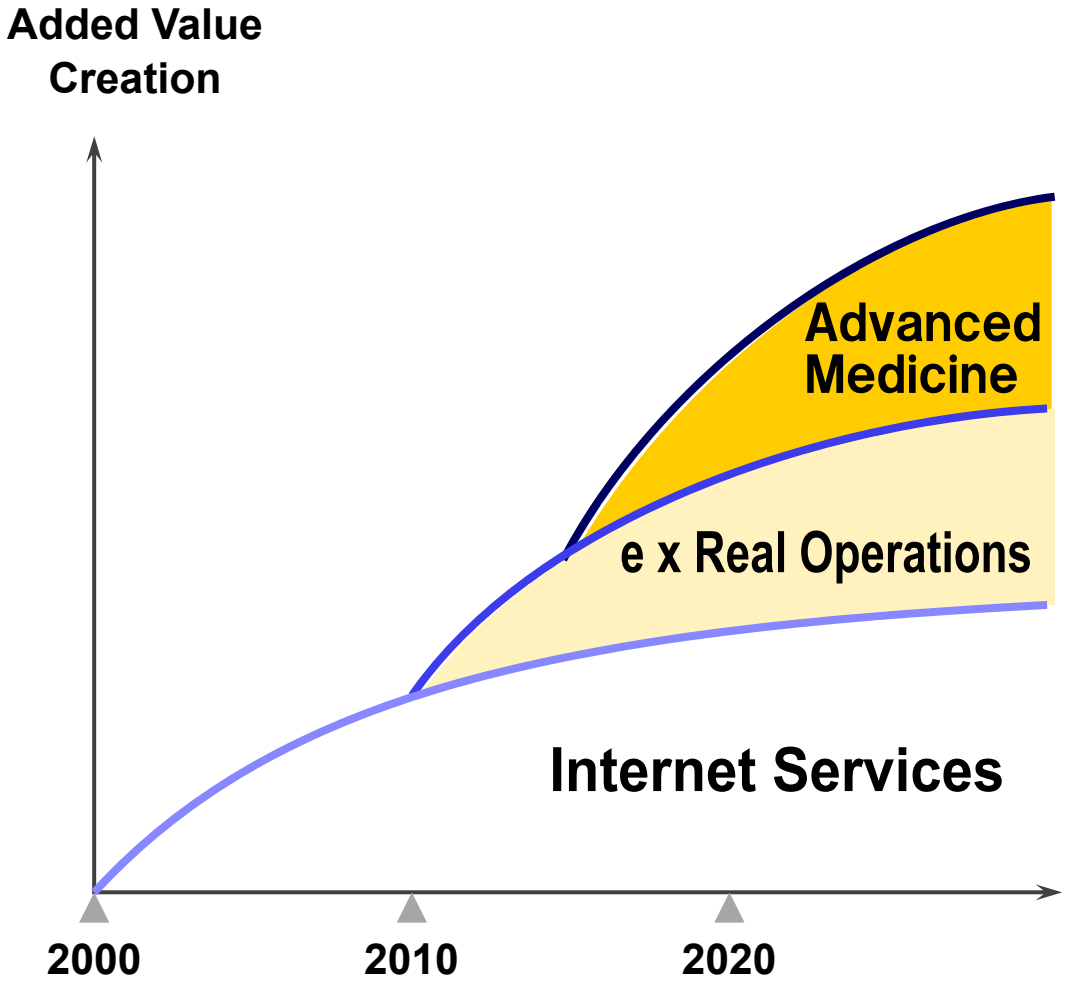
Strategy Change in Business Development

	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.

Evolution of M3 Growth Drivers



Main Initiatives

- Seeds Rocket / M3i
- Various solutions within cancer specialties
- M3 AI Labo
- Genome Diagnosis / G-TAC

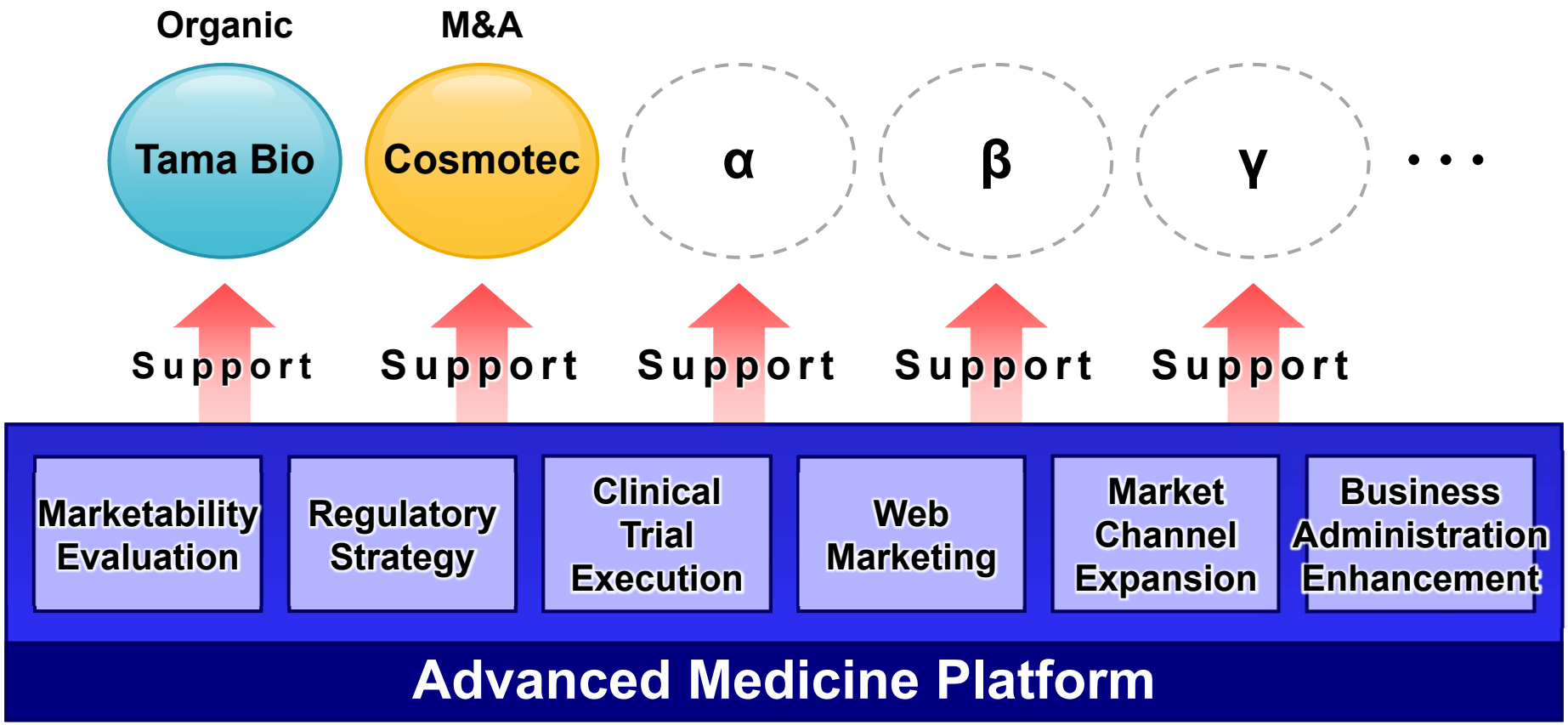
- e-Clinical Trials
- M3 Career (Job placement for physicians)

- MR-kun Family
- Web Surveys

☞ **Full-scale entry into the field of Advanced Medicine, as the third growth driver for M3**

Copyright © 2017 M3, Inc. All rights reserved.

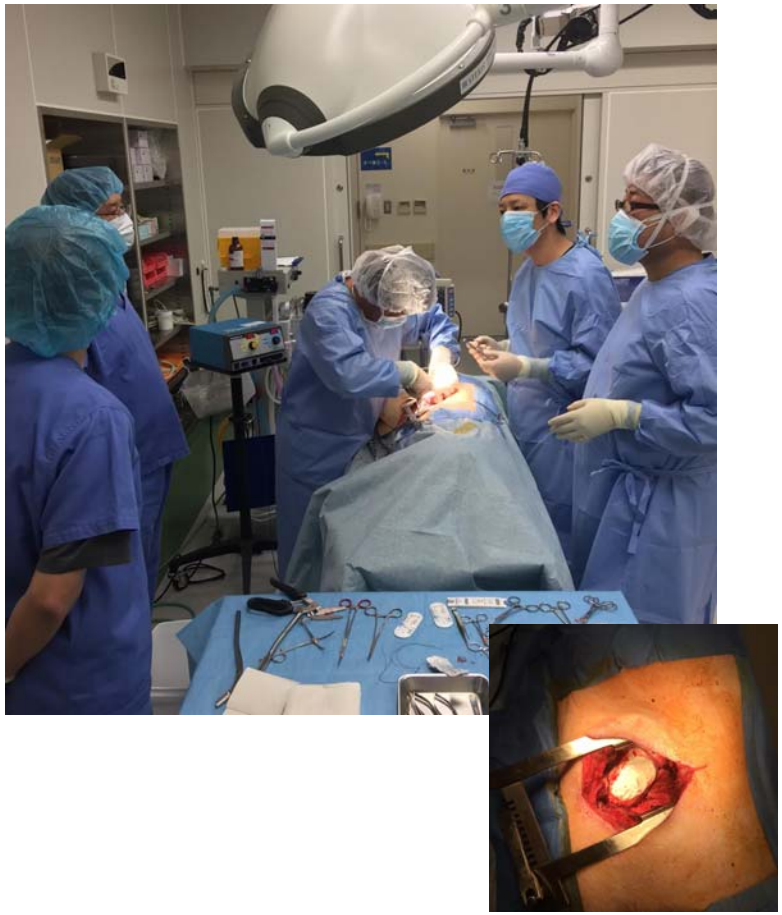
Businesses Supported by the Advanced Medicine Platform



☞ **Continue fortification and provision of the M3 platform. Objective to expand the advanced medicine area into a business equal or greater in scale to existing businesses such as “MR-kun Family” and “Clinical Trails”**

Copyright © 2017 M3, Inc. All rights reserved.

Seeds Rocket Development: TamaBio

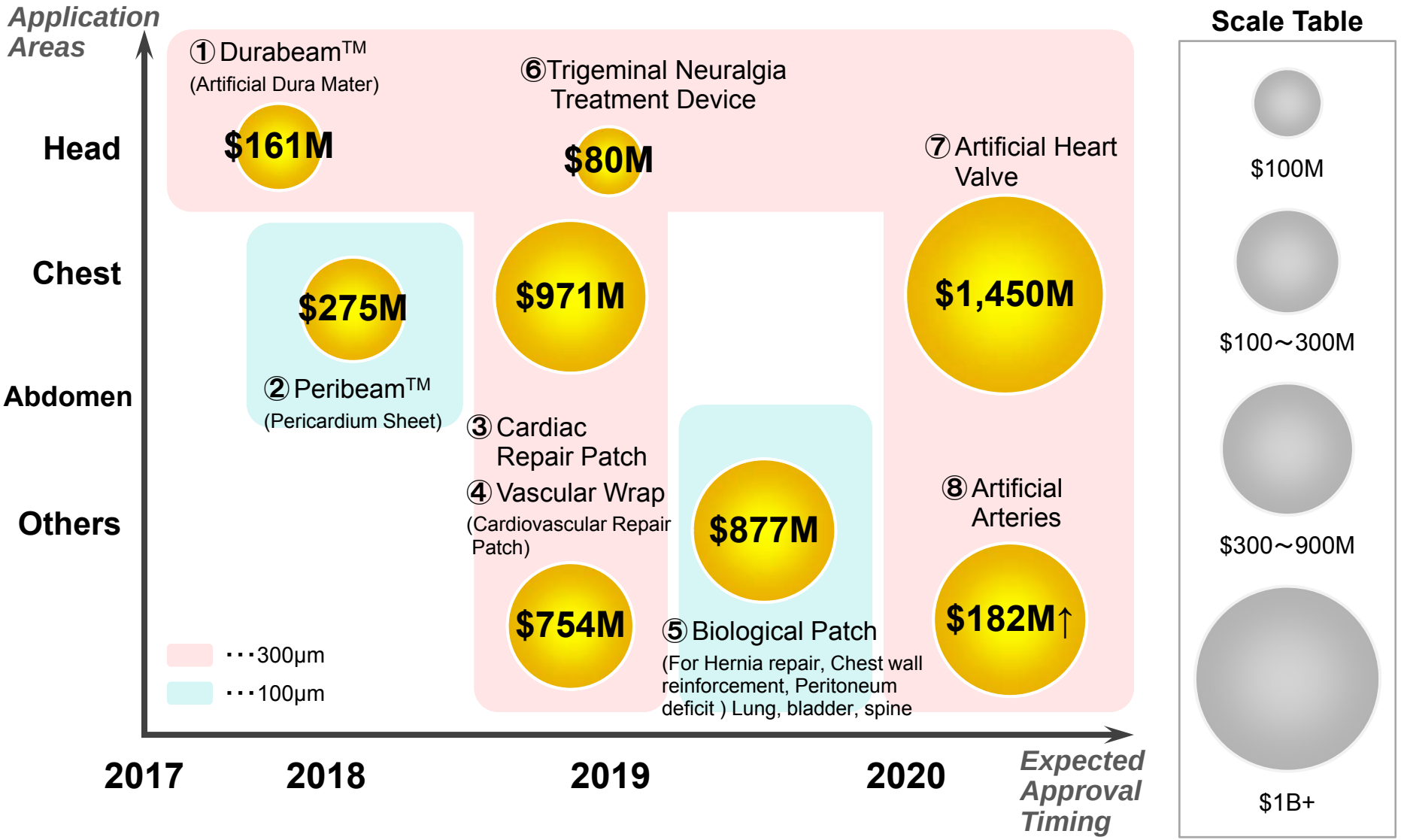


- **TamaBio Co.,Ltd:**
  - Established: April 2016
  - M3 ownership: 88% (as of July 26)
  - Technology seed originated by RIKEN
- **Product Description:**
  - Polymer resin processed surgical sheets
  - Lack of need for minute sutures dramatically reduces both operation time and risk of infection
  - Attained PMDA approval
- **Utility:**
  - artificial dura mater
  - pericardium sheet
  - cardiovascular repair patch
  - trigeminal neuralgia treatment device
  - artificial heart valves, and more
- **Market Size:**
  - Global market size estimate: 500 bn yen

Attained PMDA approval for production and distribution within 17 months after founding of the company.

Copyright © 2017 M3, Inc. All rights reserved.

Pipeline, Market Size, Development Schedule



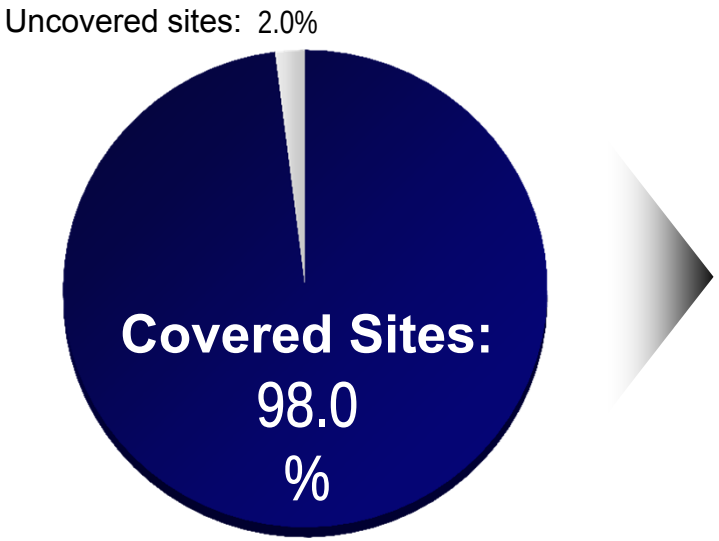
☞ **Addressable global market totaling 500 billion yen**

Copyright © 2017 M3, Inc. All rights reserved.

Advanced Medical Device Platform: COSMOTEC

- **Approx. 1,000 transactions with medical institutions annually.
Track record of transaction with 98% (approx. 500 sites) of institutions conducting cardiovascular surgery**
- **Top class in domestic market share of major devices for cardiac surgery**
- **Focus also on seed excavation and in-house development. Expanded share of total sales to 25% over the past 10 years for non cardiac surgery devices**

Coverage of Cardiovascular Surgical Sites



Business Expansion Outside of Cardiac Surgery Field

Share of sales contributed by non cardiac surgery devices

0%→ 25%(approx.) in 10 yrs

Vascular Surgery / Cancer / Reproductive Medicine

New Product Induction + Development

Copyright © 2017 M3, Inc. All rights reserved.

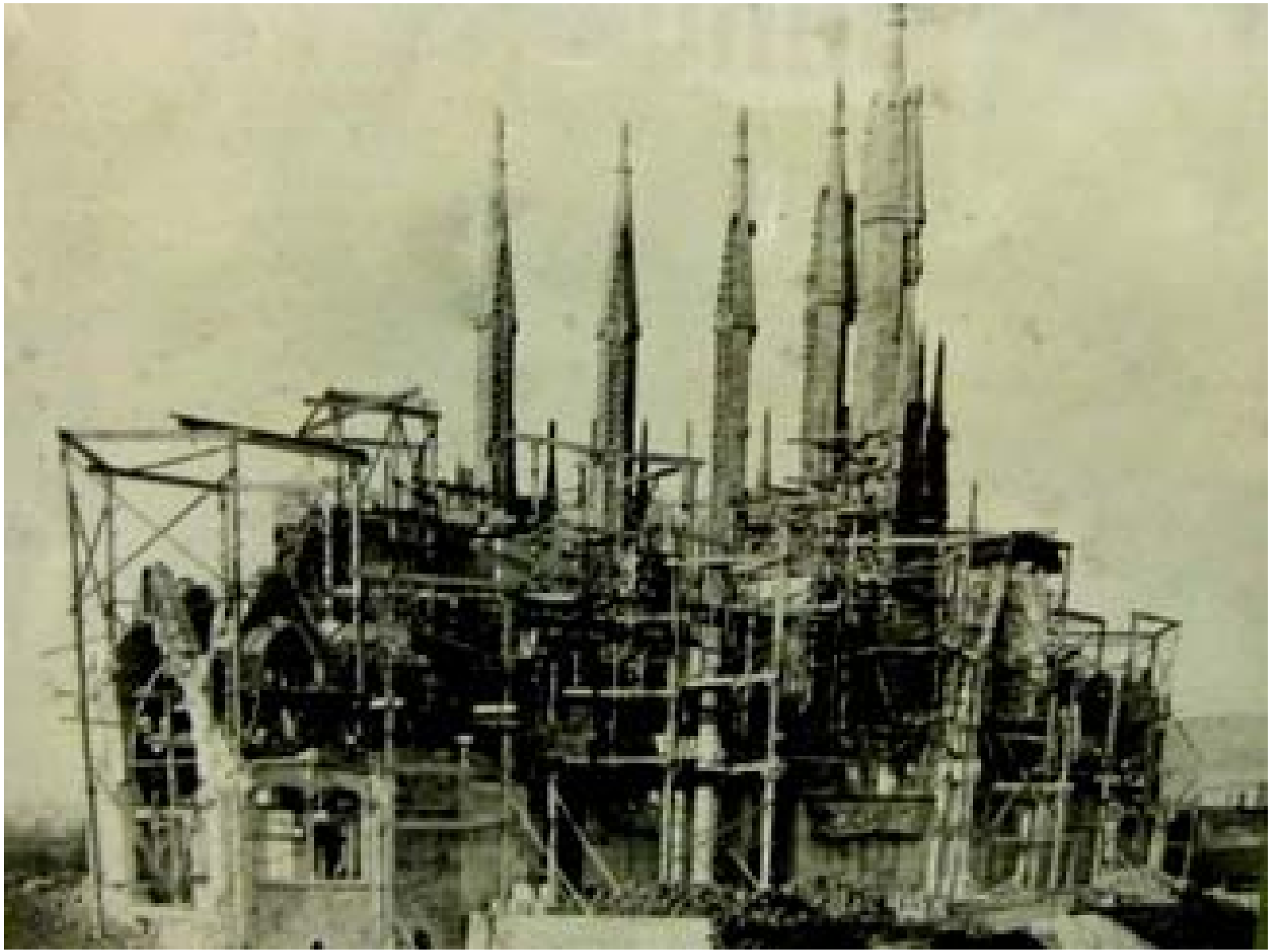
Transfer of Business from M2Plus



- **Business Overview**
  - Pioneer and industry leader in medical e-book services
  - Widely recognized with 86,000 users, of which 55,000 are paid users
- **Expected Synergies**
  - Business expansion benefiting from m3.com's strength as a media platform
  - New search engine linked business model development

Copyright © 2017 M3, Inc. All rights reserved.

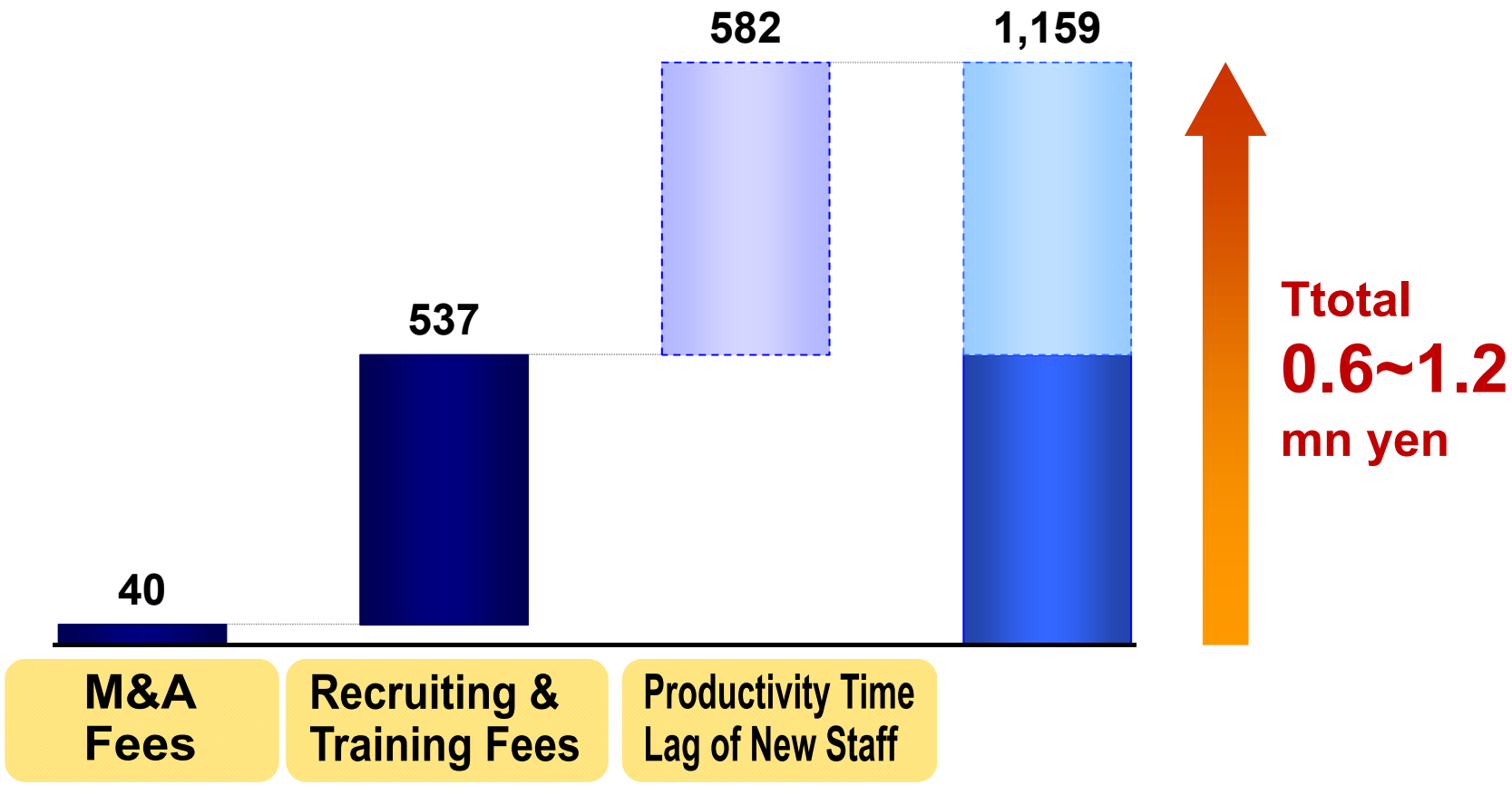
M3 is Just Getting Started



Copyright © 2017 M3, Inc. All rights reserved.

Upfront Investment Costs for Future Growth

(Unit: Million Yen)



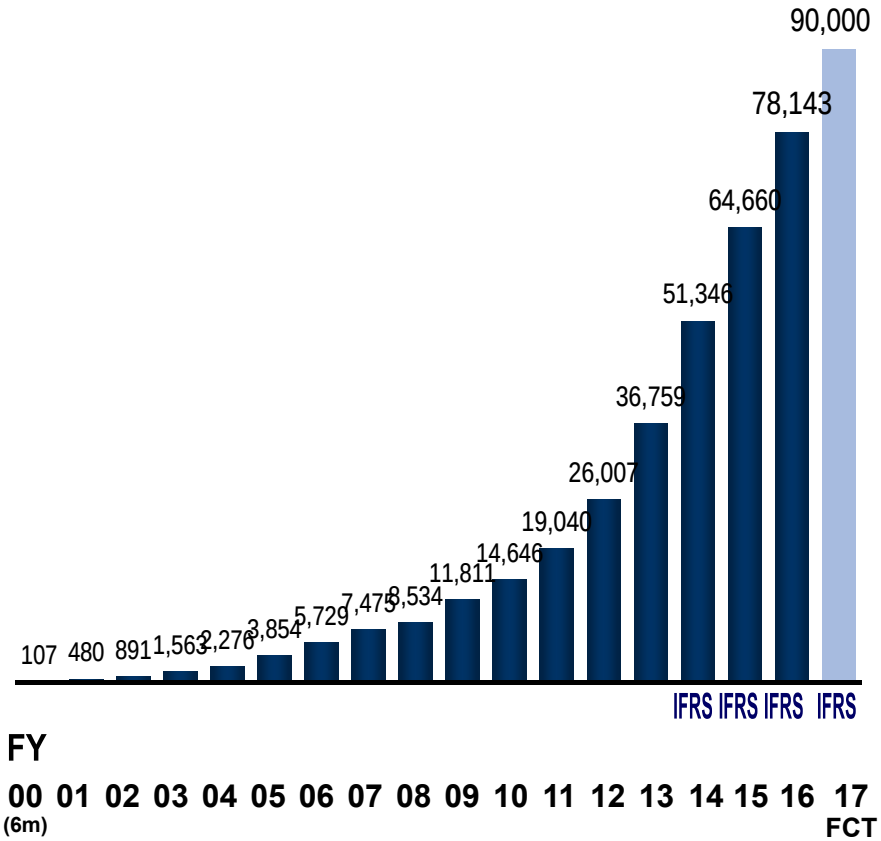
☞ **Special costs incurred in anticipation of 0.6~1.2 bn yen. Aggressive upfront investment to continue.**

Copyright © 2017 M3, Inc. All rights reserved.

Annual Results & Forecast for FY2017

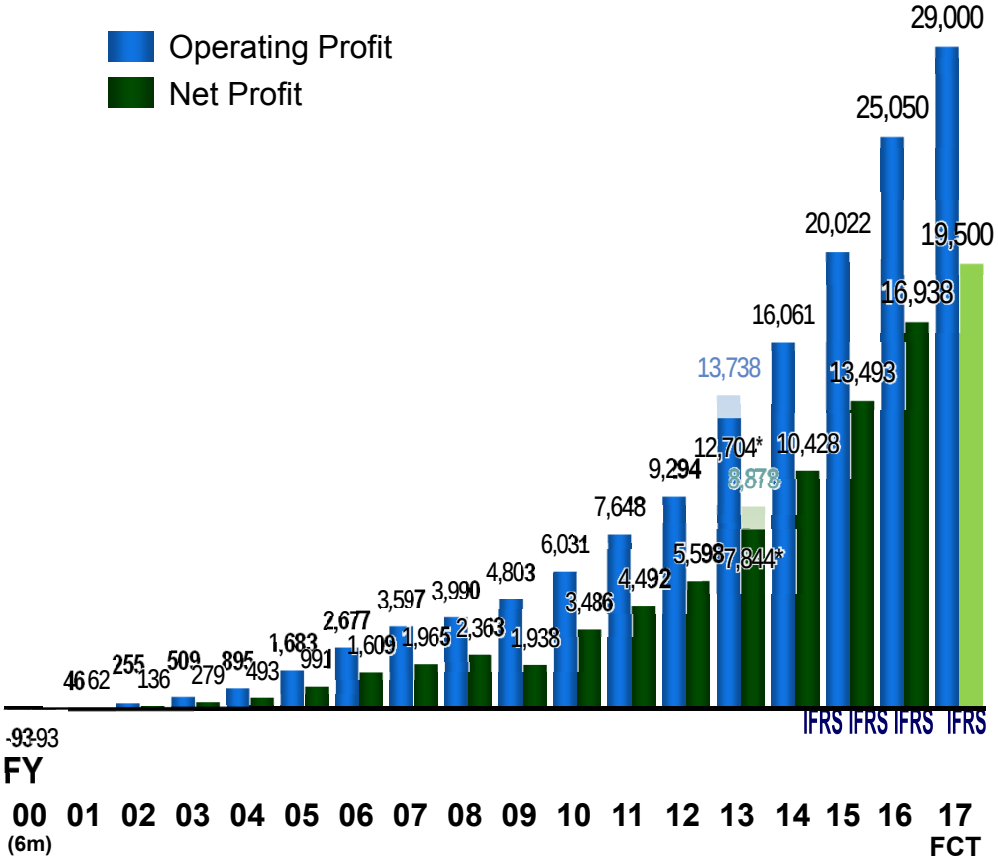
Sales

(mn yen)



Operating Profit & Net Profit

(mn yen)



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

Copyright © 2017 M3, Inc. All rights reserved.

Segment Definition Changes

Previous and New Segment Correspondence Chart

New Segments	Original Segments: Medical Portal – MR-kun Family	Medical Portal – Research /Data	Medical Portal – M3 Career	Medical Portal – Ask Doctors	Evidence Solution	Clinical Platform	Sales Platform	Overseas	Others
Medical Platform	●	●				●	●		
Evidence Solution					●				
Career Solution			●						
Overseas								●	
Other Emerging Businesses				●					●

Combined all related businesses into this Medical Platform segment given the development of businesses that integrate internet and real operational capabilities

Extracted as a new segment due to the nature and expanded size of the business

Combined other emerging businesses and the consumer business originally under the previous Medical Portal

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.