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# **M3, Inc.**

## **Presentation Material**

July 2015





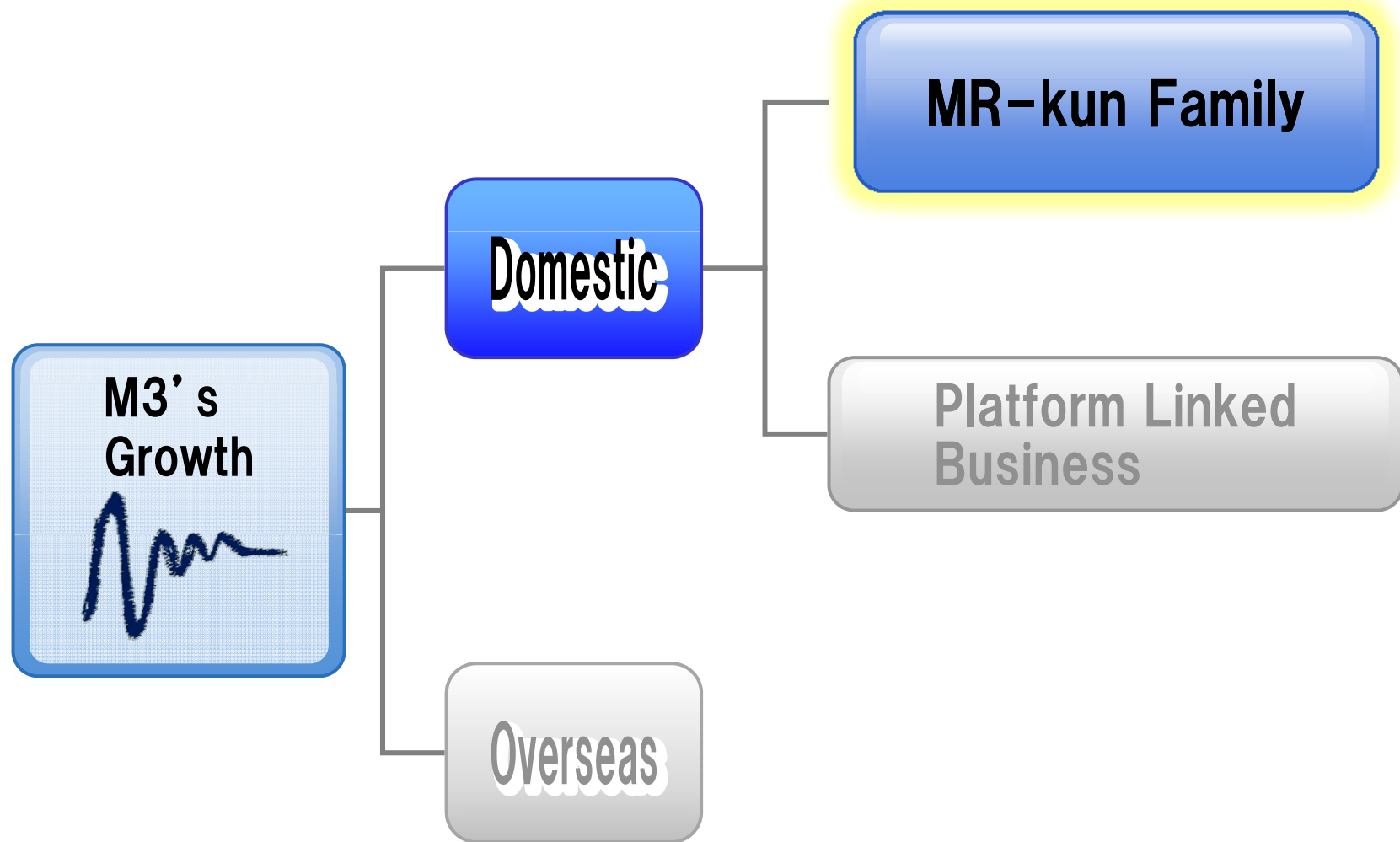
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M3, Inc.

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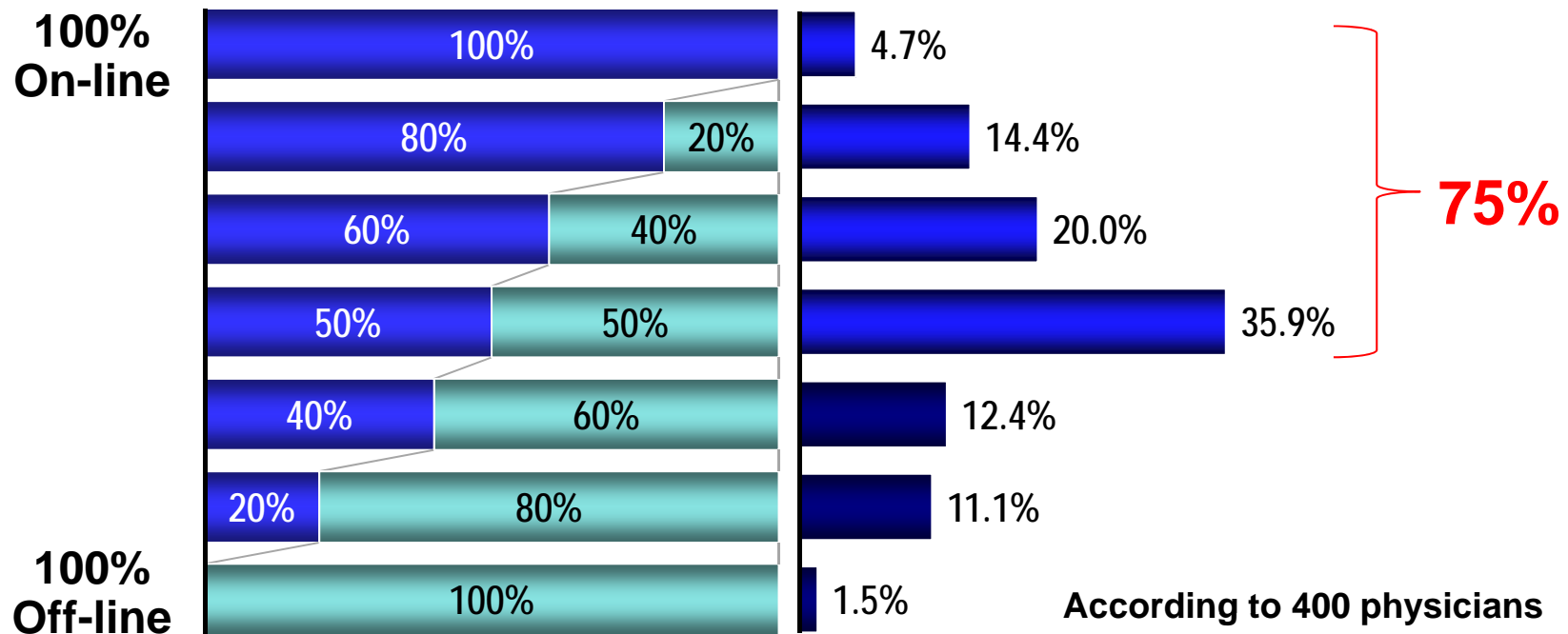
# Current Business Situation and Outlook



# 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.**



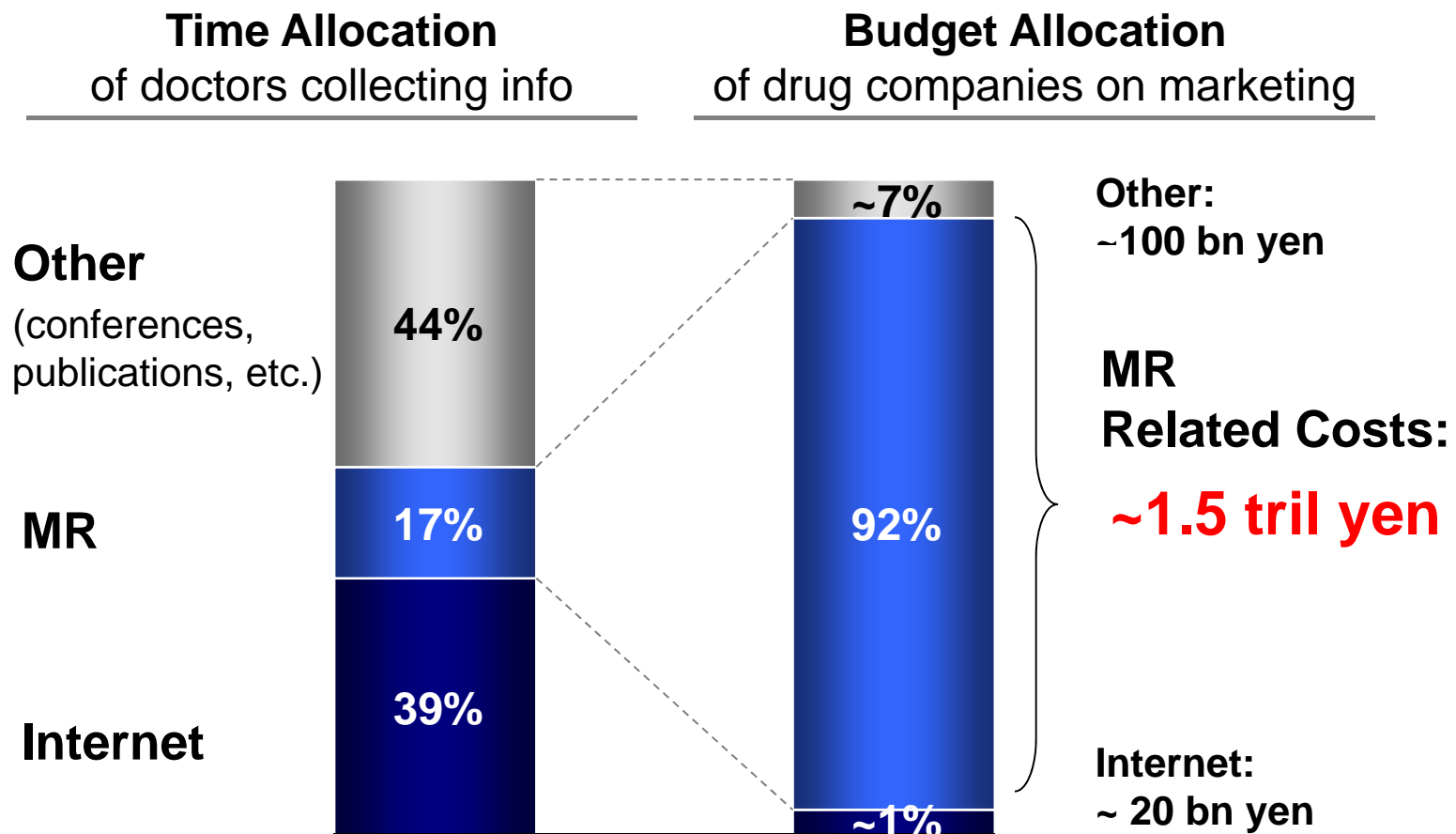
**👉 High demand for on-line detailing from busy physicians that prefer on-demand and timely information, without the limitations imposed by off-line MRs.**

Source: M3 questionnaire to 400 physicians

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# Doctor's Time Allocation vs Pharma's Budget Allocation

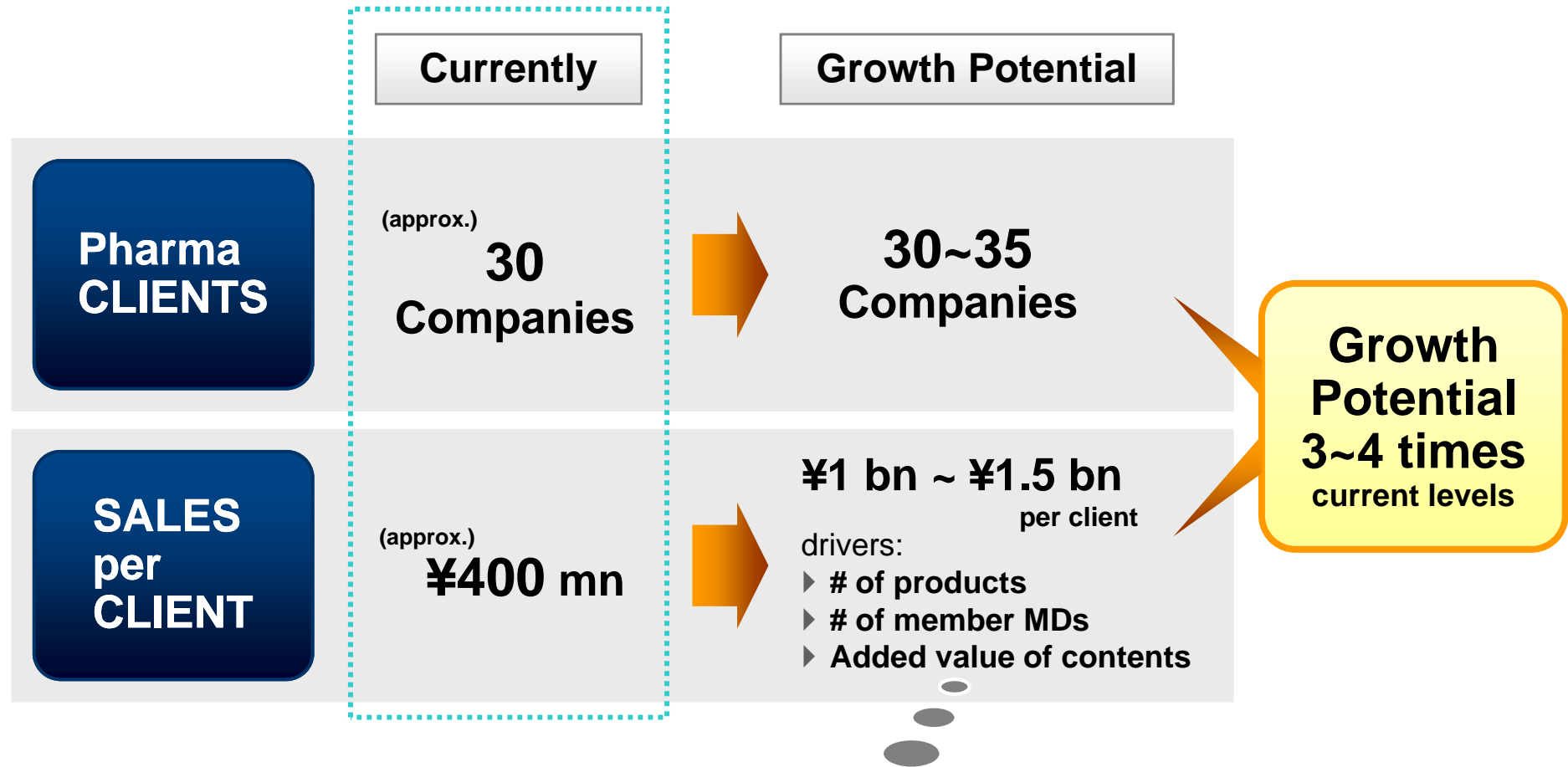
Doctors spend the most time collecting information via the Internet. However, pharmaceutical firms spend the majority of their marketing budget on off-line MR related costs.



Source: M3 research

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# MR-kun Family's Growth Potential in Japan



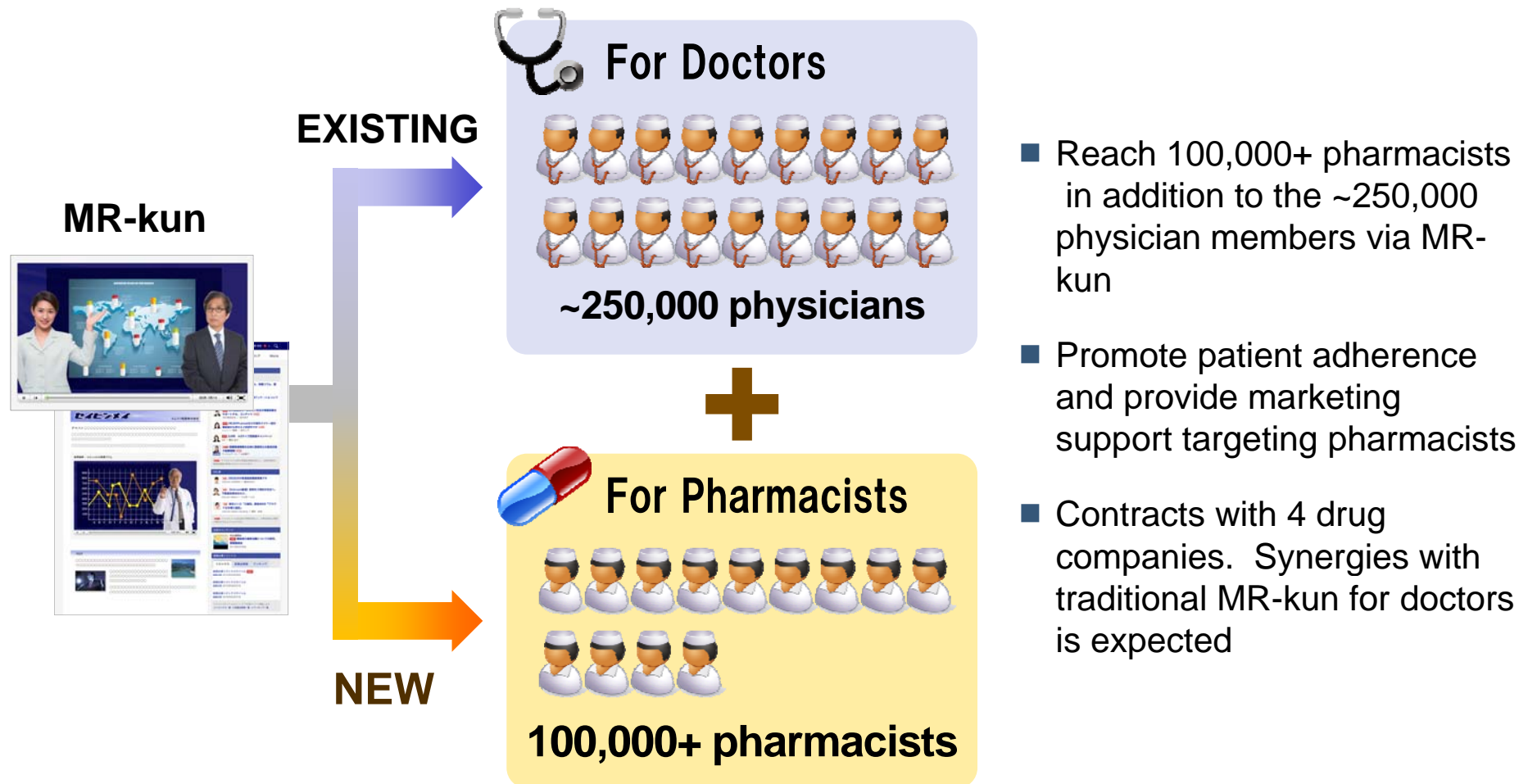
Broadening of usage across entire service line-up:  
Average revenues from **top 20** clients grew at **~24%** YoY

# MR-kun Family Fee Structure (annual)

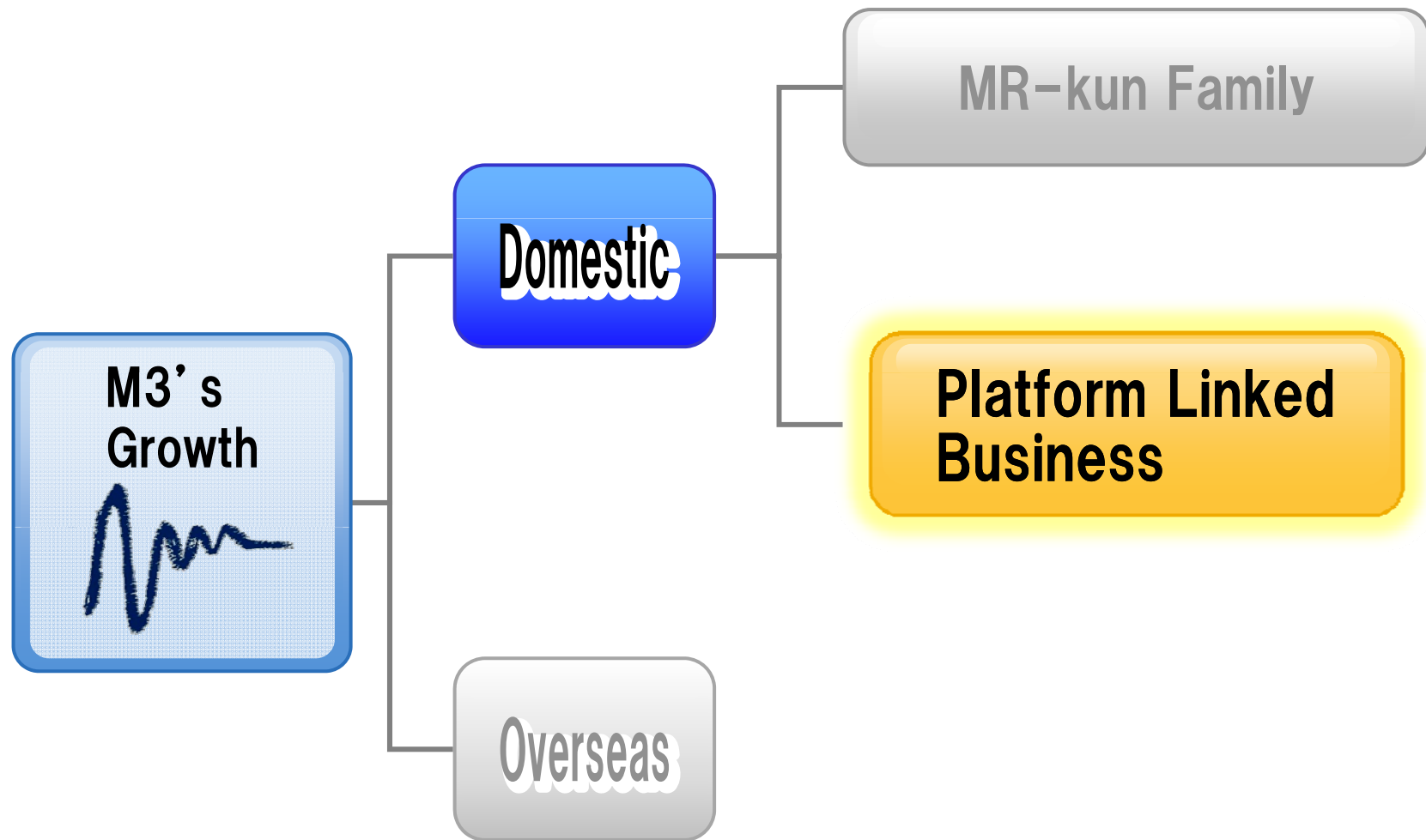
	MR-kun Base & Operation fee	Detail fee ¥100 per detail sent	Contents Production fee Production of customized detail contents	Other MR-kun Family Services Web Symposiums, One Point eDetails, etc
<b>Entry Level</b> (one product)	¥70 ~ 80 <i>mn</i>	¥20 ~ 40 <i>mn</i>	¥30 ~ <i>mn</i>	¥10 ~ <i>mn</i>
	around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



# Launch of eMarketing to Pharmacists

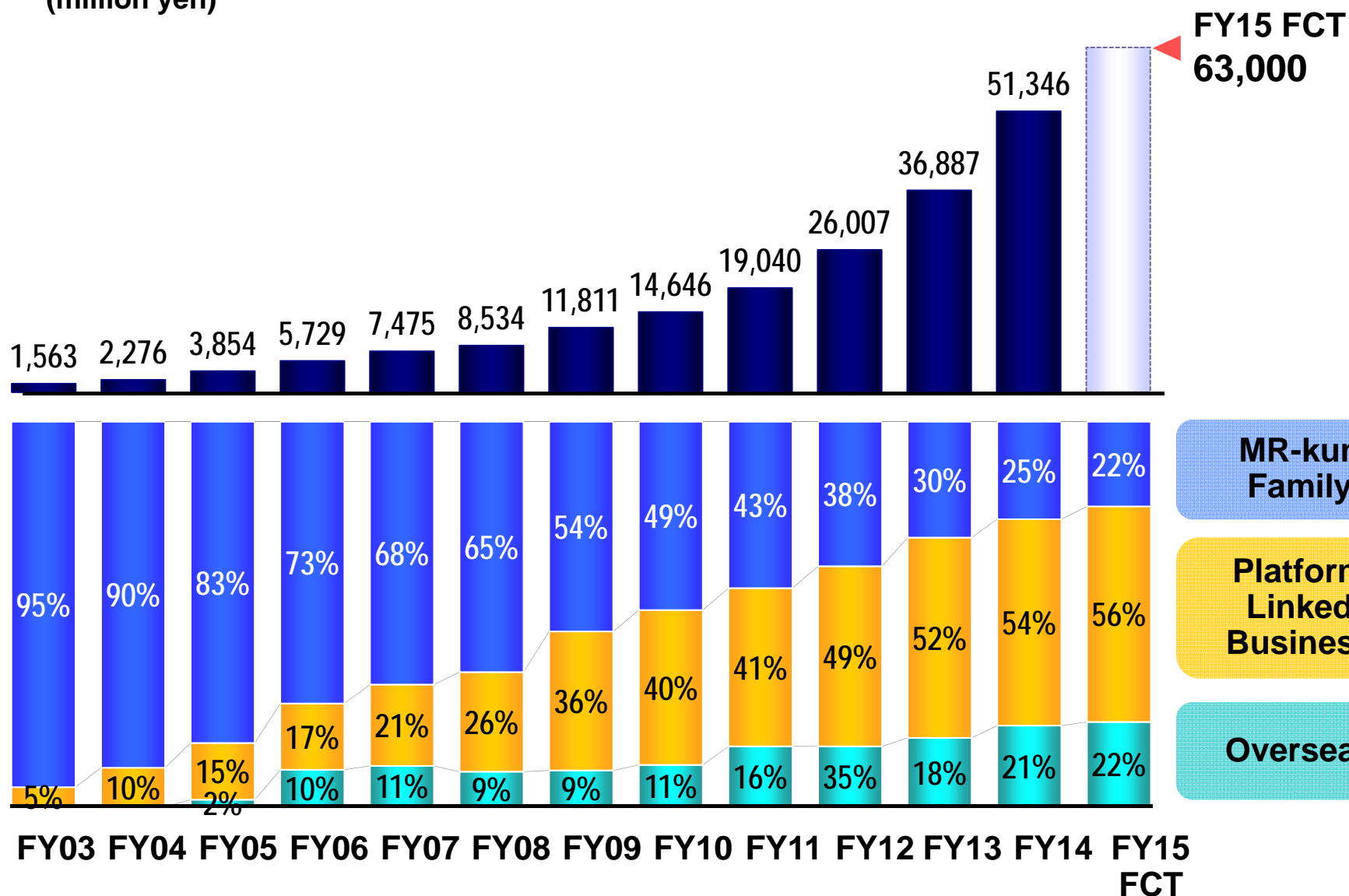


**Collaboration with drug companies in developing marketing material to excavate generics and off-patent drug market potential**



# Consolidated Sales Trend

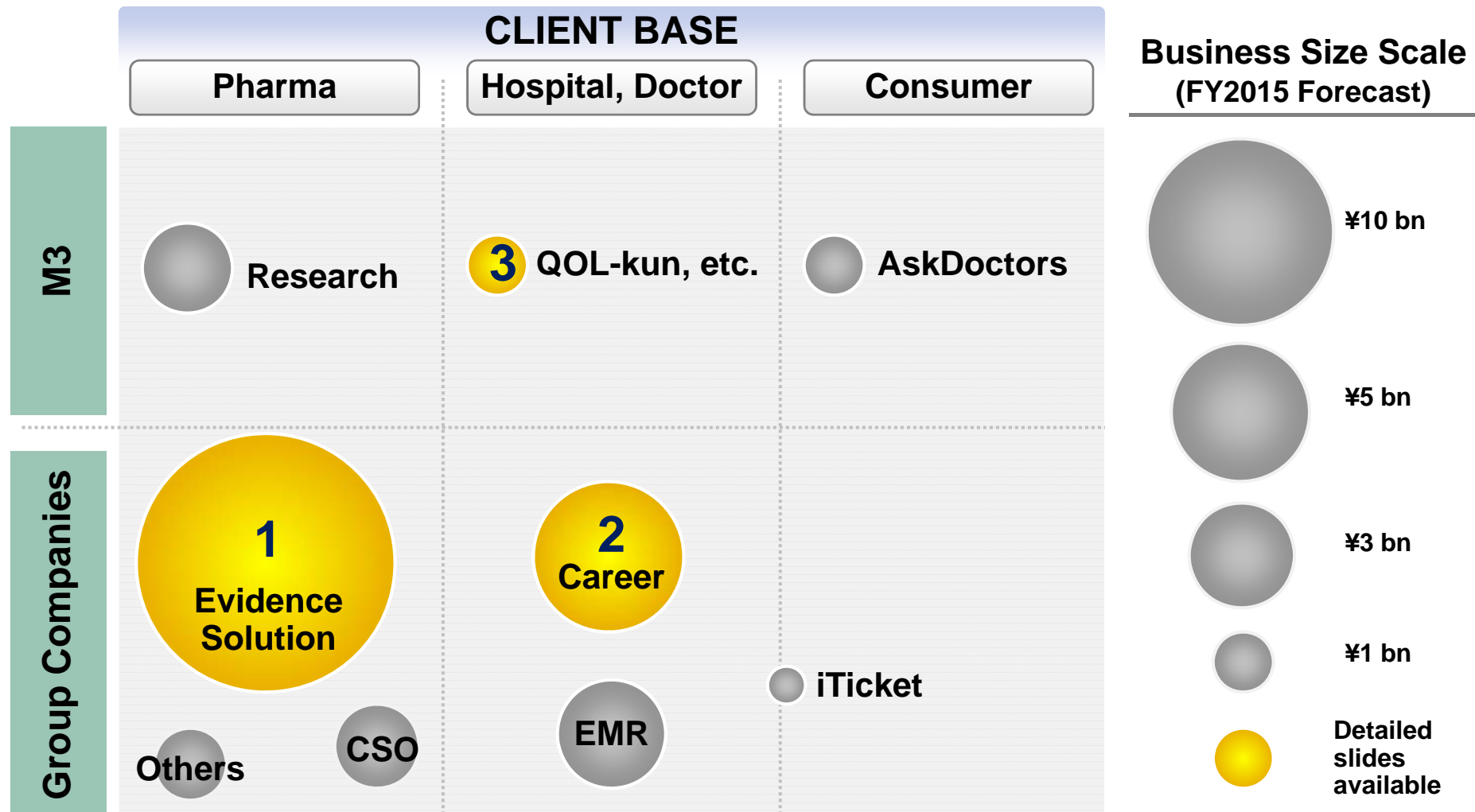
(million yen)



# Business Segment Breakdown and Type

Business Segments	Services	FY14 Sales	Business Type
Medical Portal	MR-kun Family	12 bn yen	MR-kun Family
	Career	6 bn yen	
	Research	2 bn yen	
	Other (Mr. Finder, AskDoctors, others)	2 bn yen	
Evidence Solution		13 bn yen	Platform Linked Business
Clinical Platform		3 bn yen	
Sales Platform		1 bn yen	
Other (iTicket, others)		1 bn yen	
Overseas		11 bn yen	Overseas

# Platform Linked Business Development



Total revenue of platformed-linked businesses in FY2015 is expected to exceed 40 billion yen. New projects pipeline includes 10 to 20 business ideas with plans including overseas development.

# 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.”**

**Past  
10 years**

**MR-kun triggered a paradigm shift to  
internet based drug marketing**

**Going  
Forward**

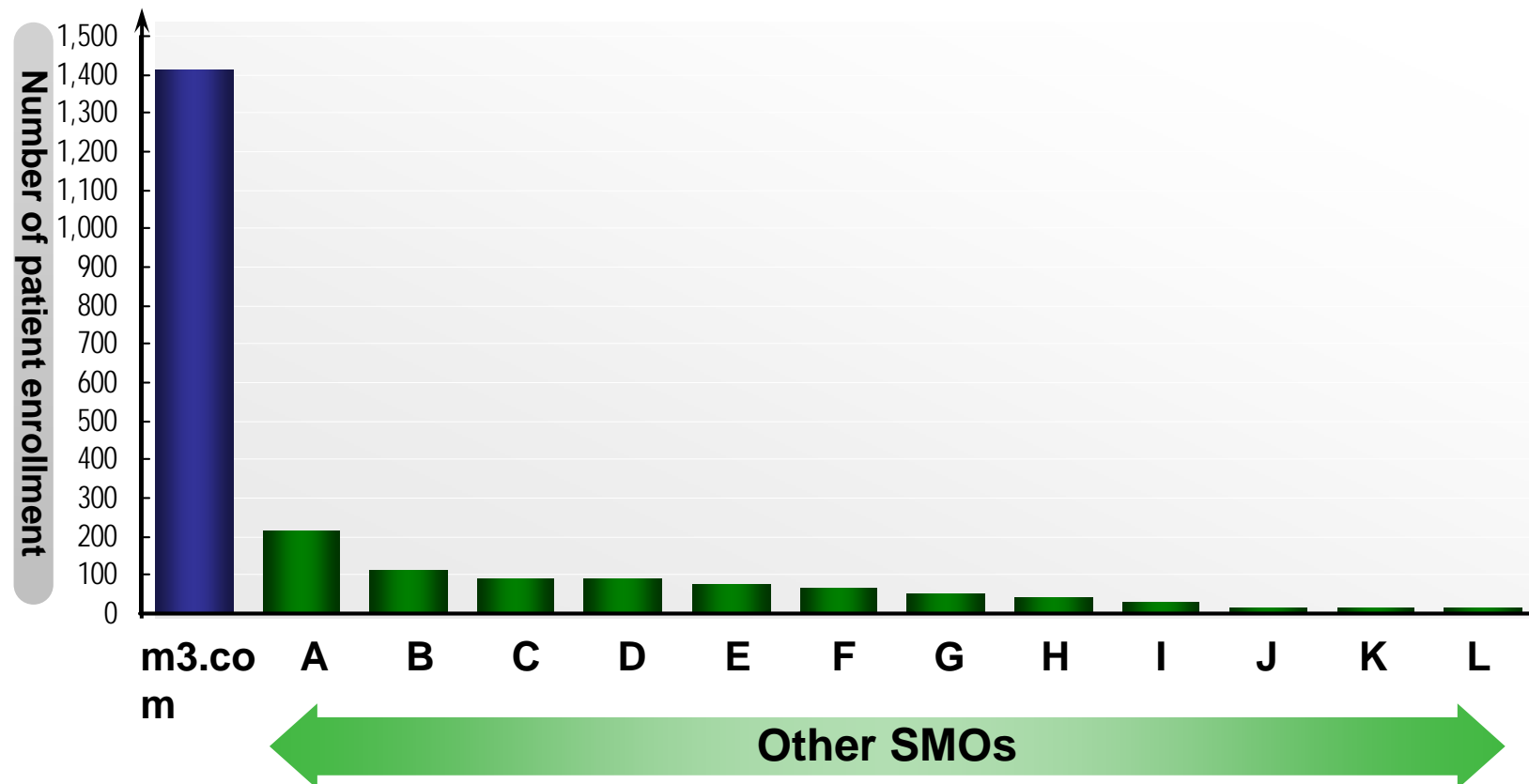
**Mr. Finder (“Chicken-kun”) will lead the  
shift to internet based drug development**

# Patient Enrollment in Large-Scale Trials

**1** Evid Sol

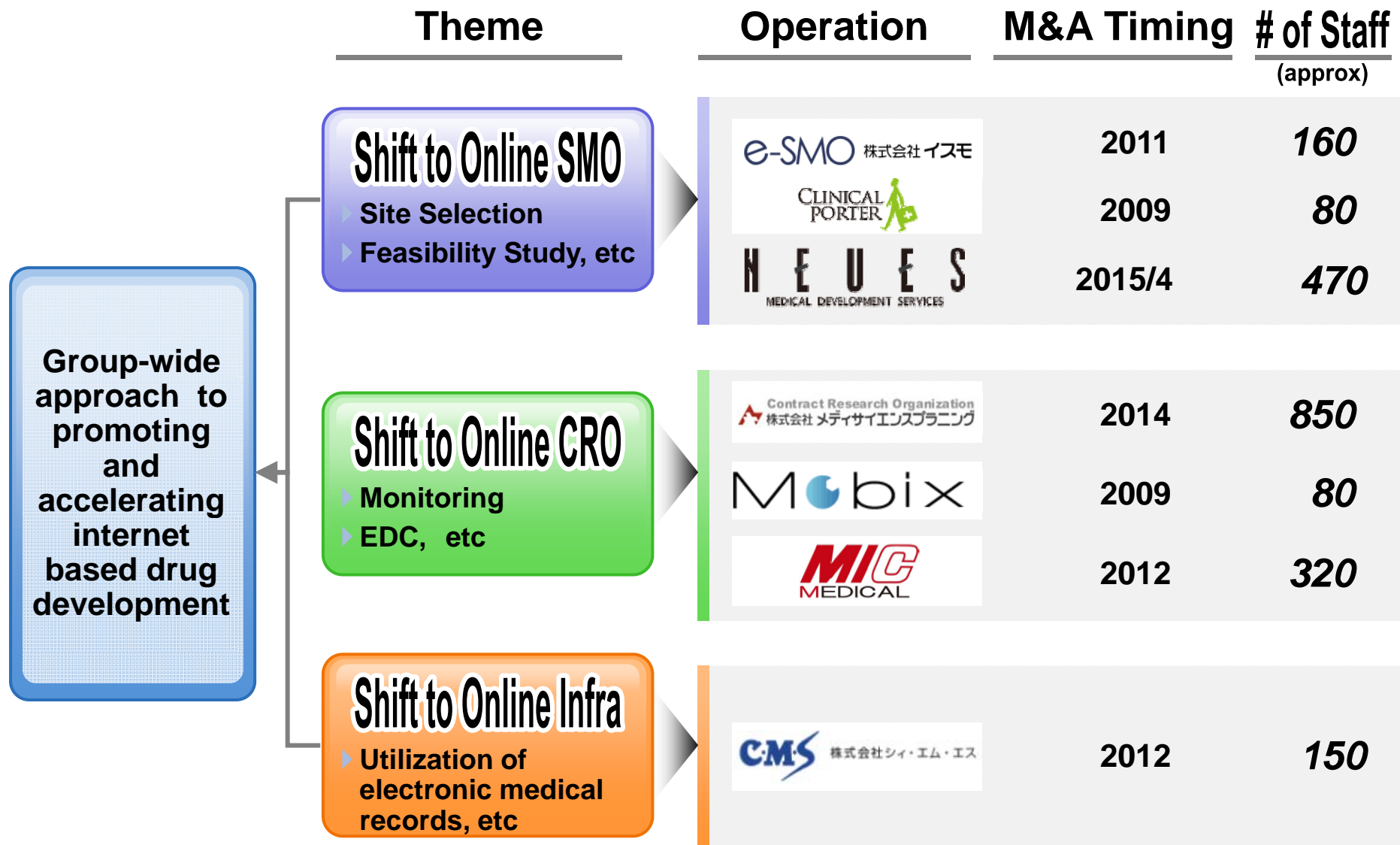
Case study

**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**

# Shift to Internet-Based Clinical Trials **1** Evid Sol





# Number of CRAs by Company (CRO) 1 Evid Sol

#	CRO Companies	# of CRAs
1	EPS	855
2	<b>M3 Group</b>	841
3	Cimic	780
4	Quintiles	600
5	Parexel	550
6	<b>MEDISCIENCE PLANNING</b>	494
7	A2 Healthcare	380
8	<b>MIC Medical</b>	282
9	Linical	170
10	Intellim	90
11	Bell Medical Solutions	80
12	<b>Mebix</b>	65

■ M3 Group

\* Data from MIC Research Institute Ltd.

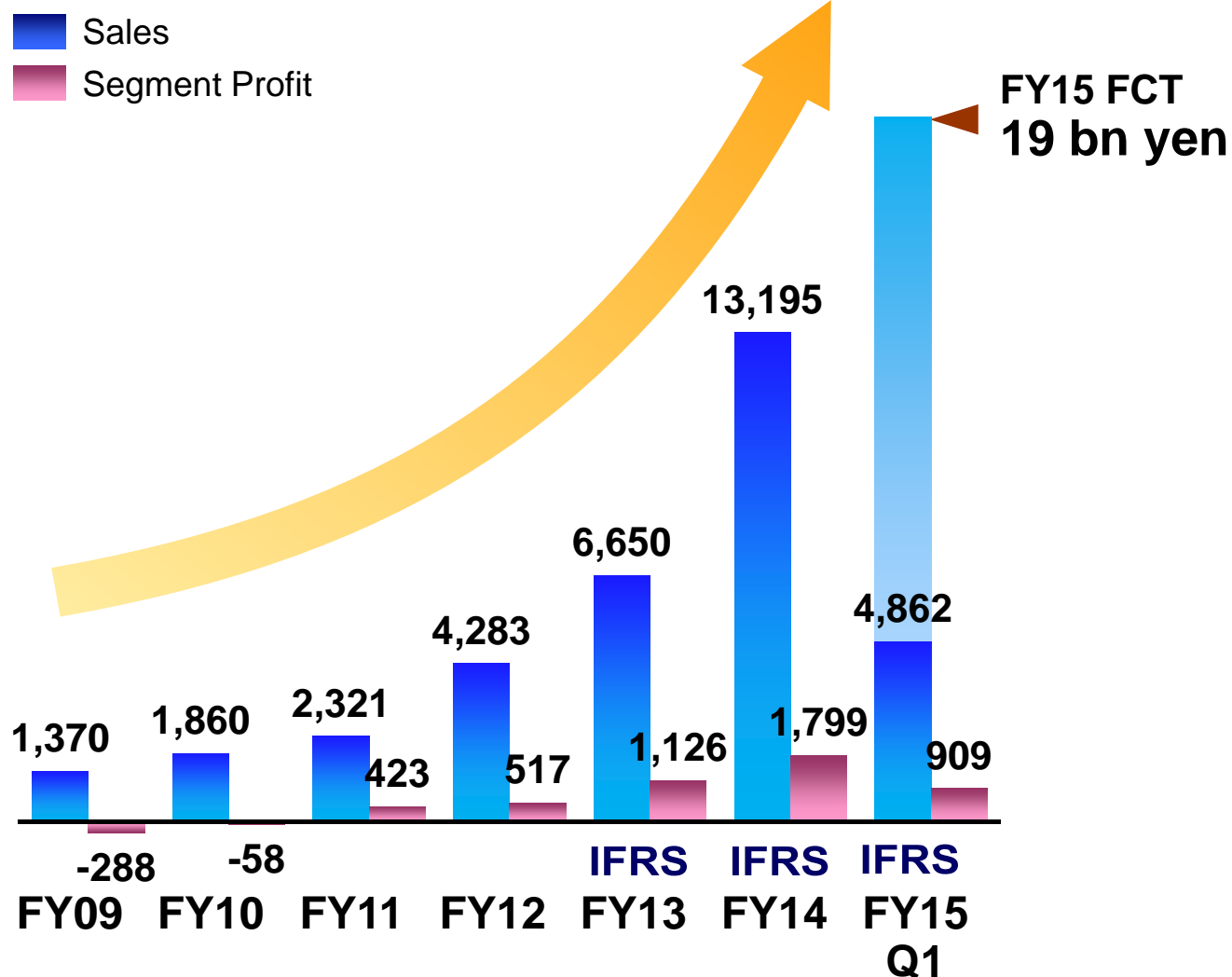
 **Now at top ranks in number of CRAs amongst CROs, accelerating the “shift to online trials.”**

# Sales and Profit Trend of Evidence Solution

**1** Evid Sol

(mn yen)

IFRS basis



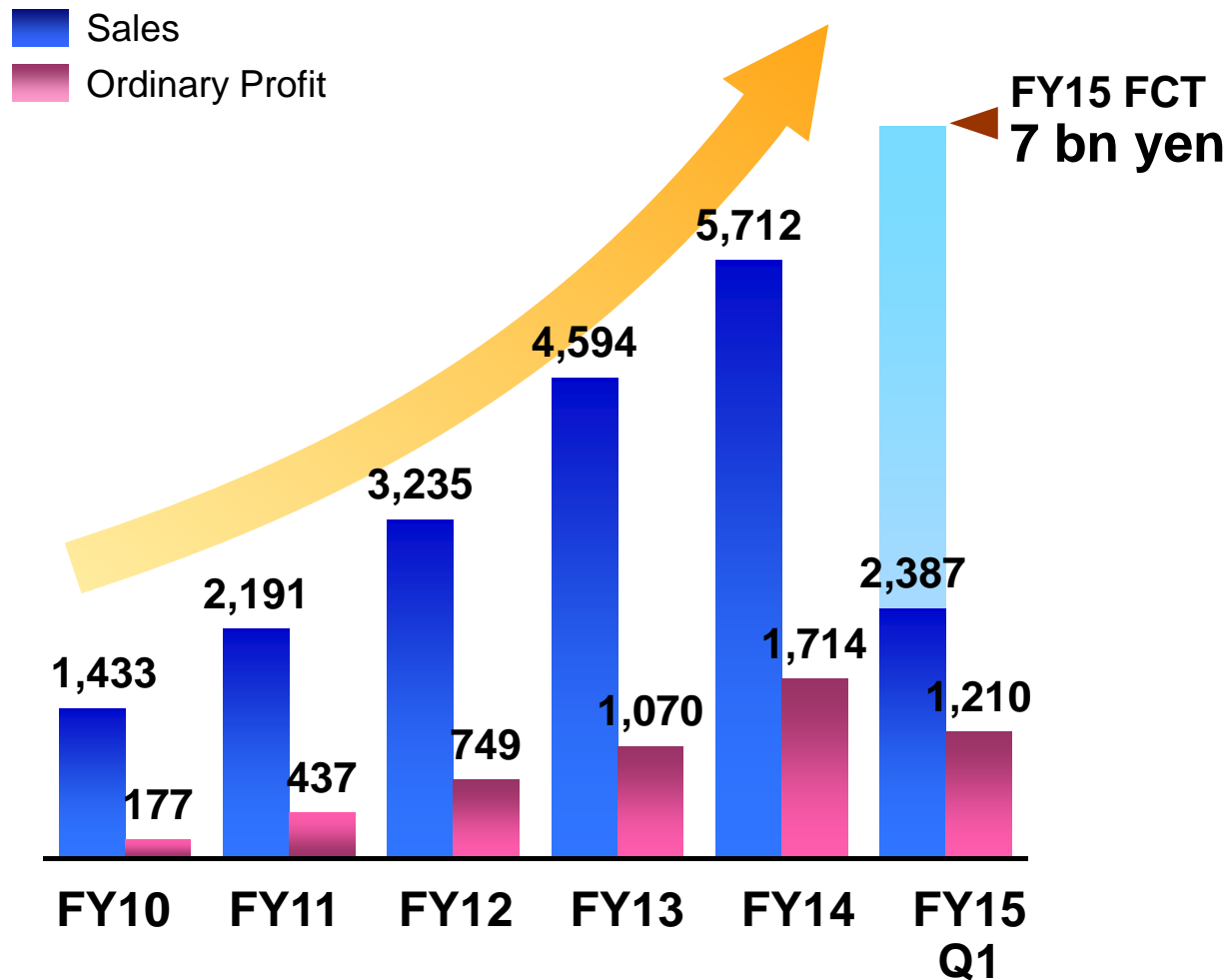
- Orders backlog at **22bn yen**, with corresponding increases in headcount as upfront investment.
- Growth **19 bn yen** in top line expected for FY15
- Absorbed 60 mn yen for Q1 in losses from SMO, Neues, acquired in April 2015.

# Sales and Profit Trend of M3 Career

2 Career

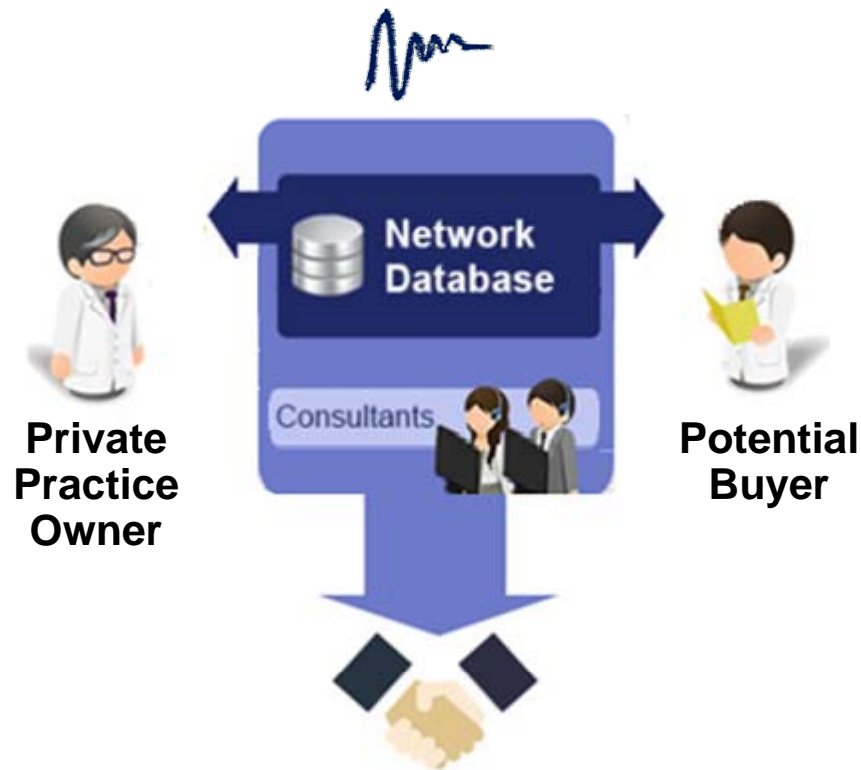
JGAAP basis

(mn yen)



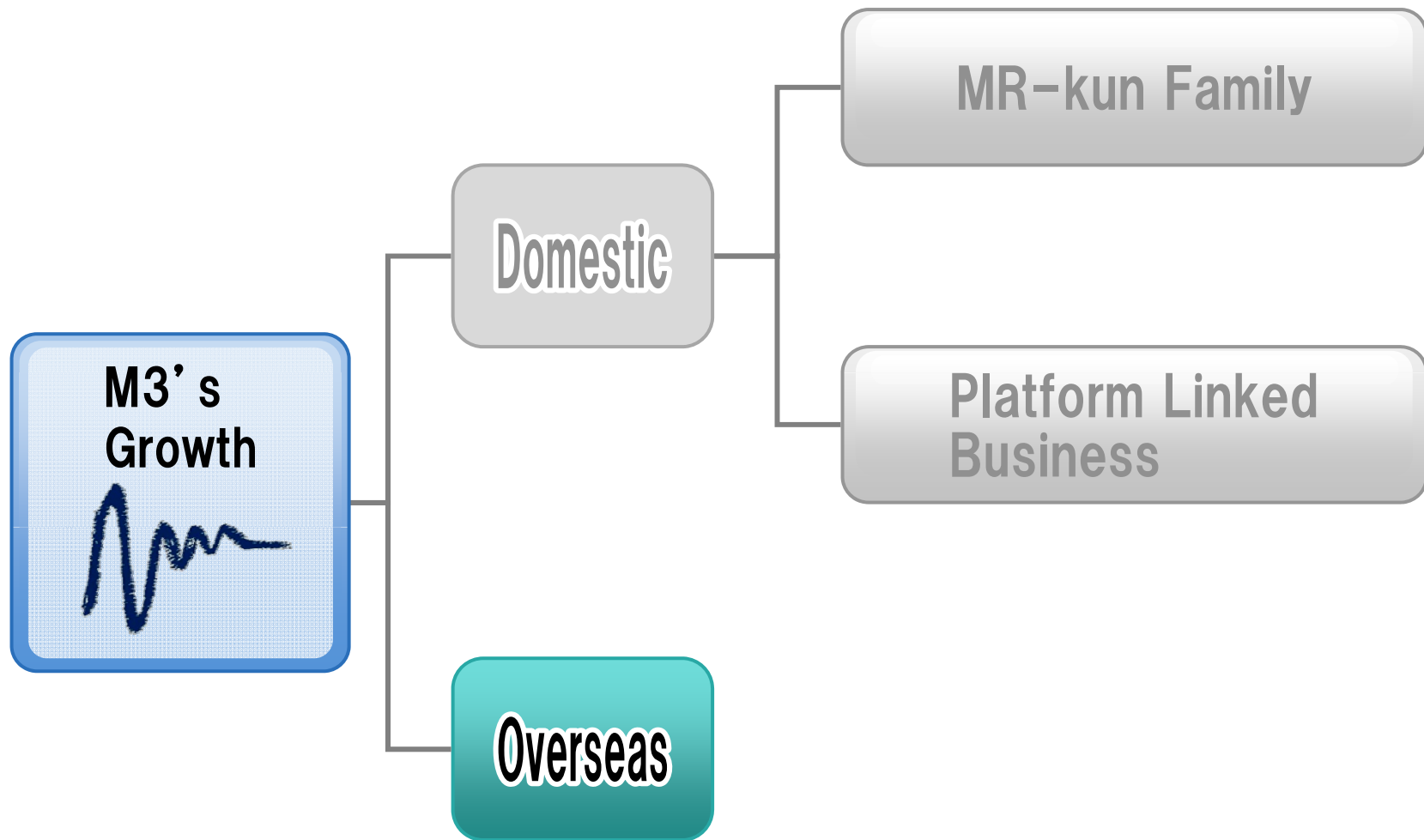
- Successful integration of newly-hired staff has improved productivity
- FY2015 should see continued traction from job placement for doctors. Targeting approx. 30% top-line growth

# NEW: Private Practice M&A Advisory **3** QOL-kun, etc.



- **Matching** ⇒  
Optimal matching realized through Japan's largest physician network
- **Valuation** ⇒  
Expert consultants value for proper pricing
- **Execution** ⇒  
Financial, legal, tax, and various risks managed by M&A experts

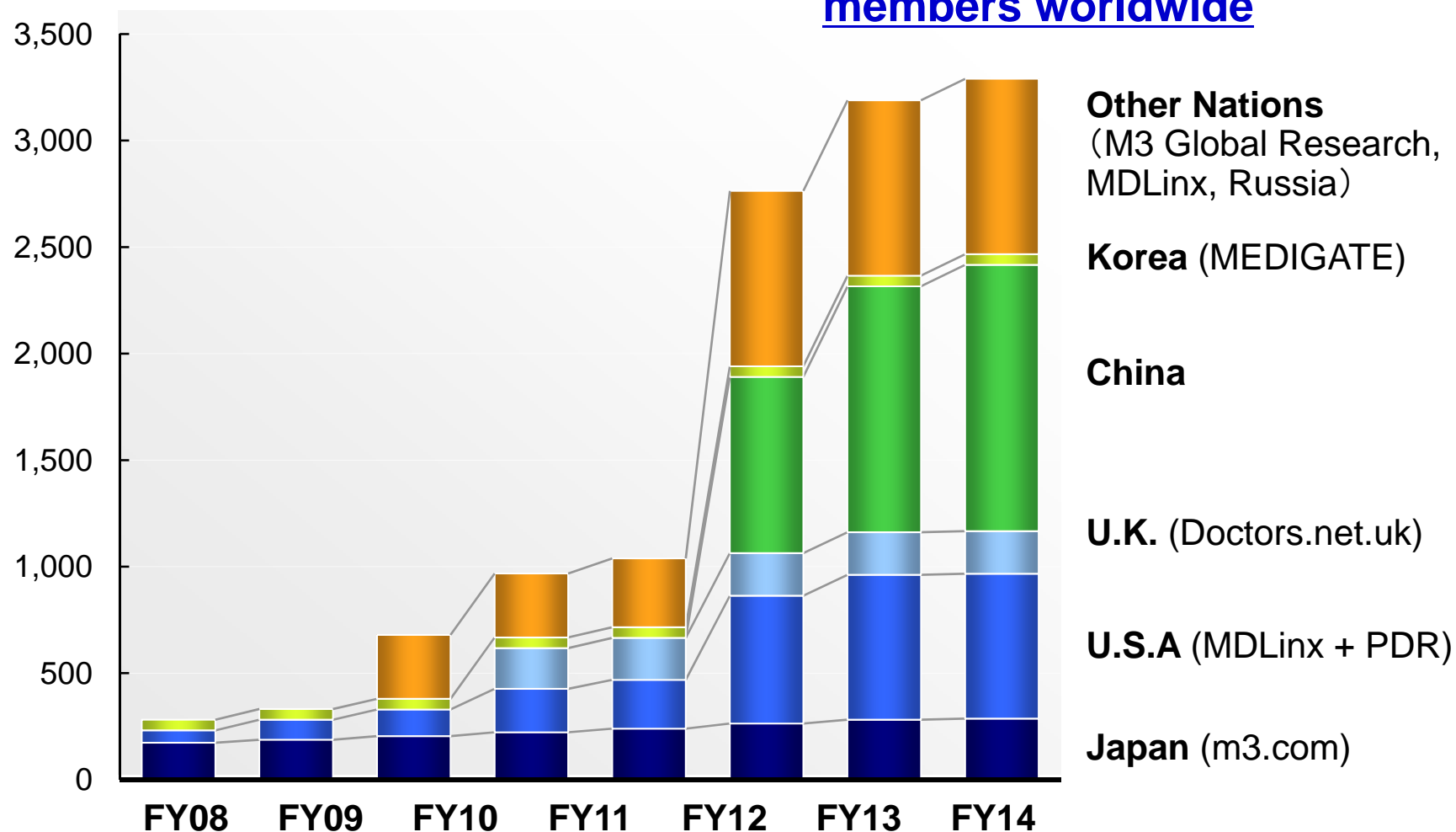
**👉 Comprehensive pre-and post M&A support, such as patient and staff recruitment, capital investment, practice management etc., through M3 group's collective resources and membership platform.**  
**>> Targeting 100 deals per year.**



# Number of Physician Members and Panelists (Global)

(thousands)

**2.5+ million**  
**members worldwide**



# Development in the US

The screenshot displays the MDLinx website, which is a platform for medical professionals. The header includes the MDLinx logo, a 'NEW! Board Exam Prep' badge, and a navigation bar with links to Home, Your Messages (23), Smartest Doc, Physician Jobs (365), Clinical Trials, and More. A banner at the top right says 'Get paid for your opinion' and 'Sign up for surveys and earn honoraria'. The main content area is divided into several sections: 'Oncology News & Articles' with a welcome message to Dr. James Frank and a 'Market Research Dashboard' showing a 6% profile completion rate; 'Your Unread Messages in Oncology' with links to 'Smartest Doc Challenge' and 'Top Read' articles; 'Articles' with a list of five clinical articles on topics like lung cancer, esophageal cancer, and ovarian cancer; 'Clinical Pearls In Oncology' with a list of three pearls; and 'Highlights In Oncology' with a section on VEGFR-1 as a prognostic marker for HCC. On the right side, there are two promotional boxes: one for 'Post your CV and let employers find you!' and another for 'UPCOMING Clinical Trials' listing several trials.

## ■ Expanding services in the U.S. via MDLinx, operated by M3 USA (100% subsidiary)

- Over 600,000 US physician members through partnership with PDR, resulting in coverage topping 80%
- #1 player in the U.S. for marketing research targeting physicians as a result of superior media power

## ■ Acquisition of Profiles

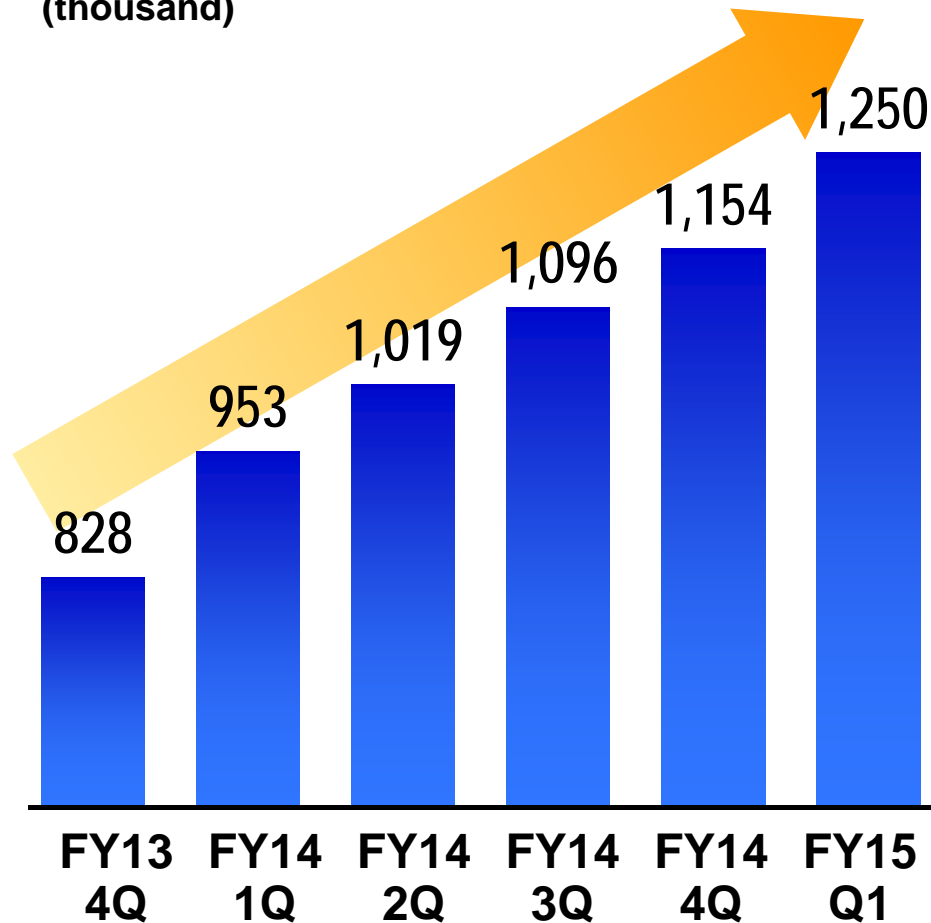
- Acceleration of job placement services for physicians
- Cost reduction realized through integration with PracticeMatch operations

## ■ Investigating opportunities to monetize MDLinx's growing base of 500,000 non-US physician members

# Development in China

## Number of Physician Members

(thousand)



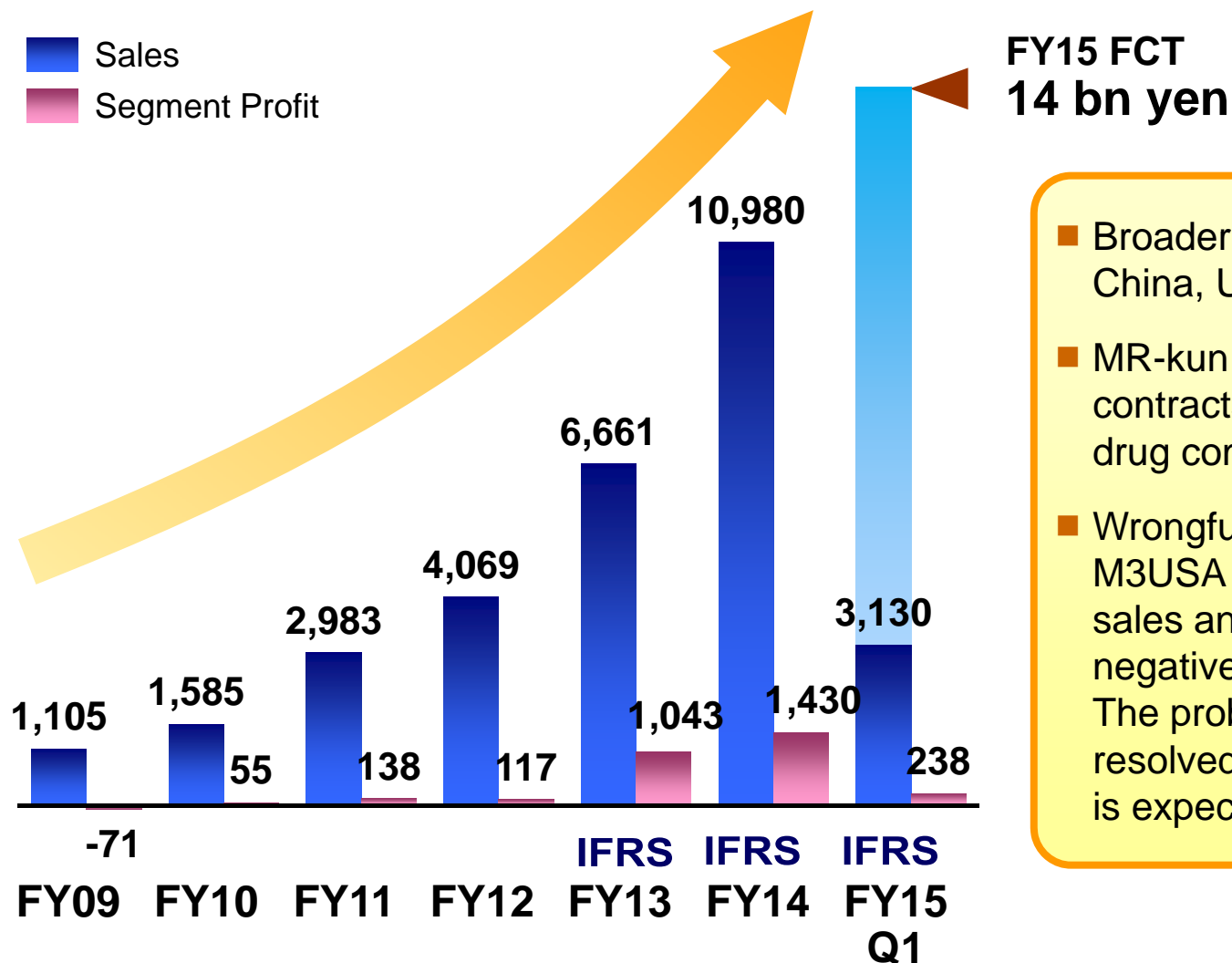
- 1.25+ million in members covers over 50% of the doctor population in China
- Marketing support and research services expanded in line with platform development
- Chinese MR-kun is developing steadily



# Sales and Profit Trend of Overseas

(mn yen)

IFRS basis



- Broader business scope in China, US and UK
- MR-kun launched in the UK, contracts signed with several drug companies
- Wrongful “spam” classification of M3USA e-mail server decreased sales and impacted profits negatively by 2bio yen for Q1. The problem has now been resolved, however, similar impact is expected for 2Q.

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# M3 Group's Business Strategy

# 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 includ. overseas)

**Profitability**

High profitability  
(Mid profits)

High profits  
(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)

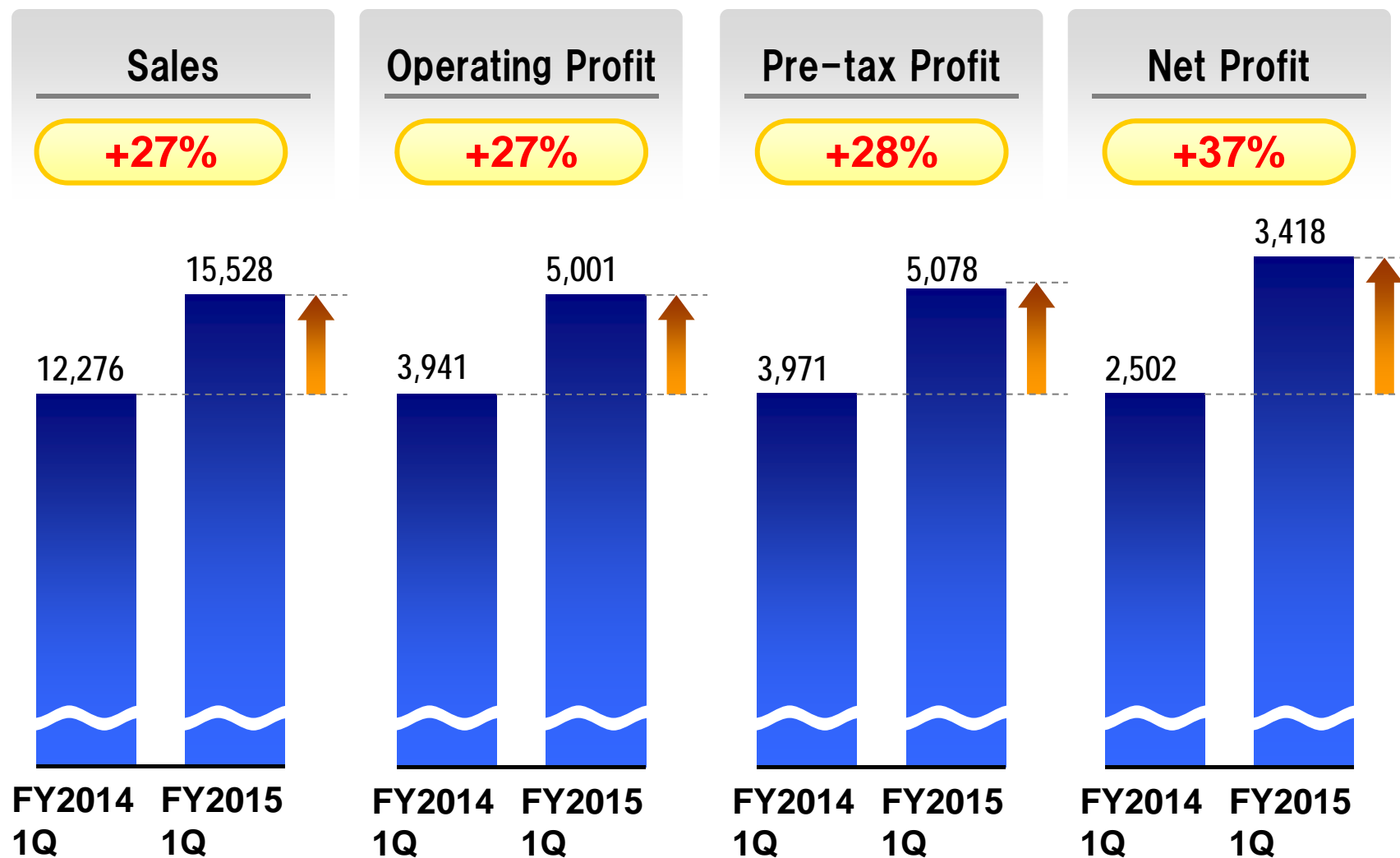
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# FY2015 Q1 Results

# FY2015 Q1 Consolidated Results

(million yen)

IFRSベース



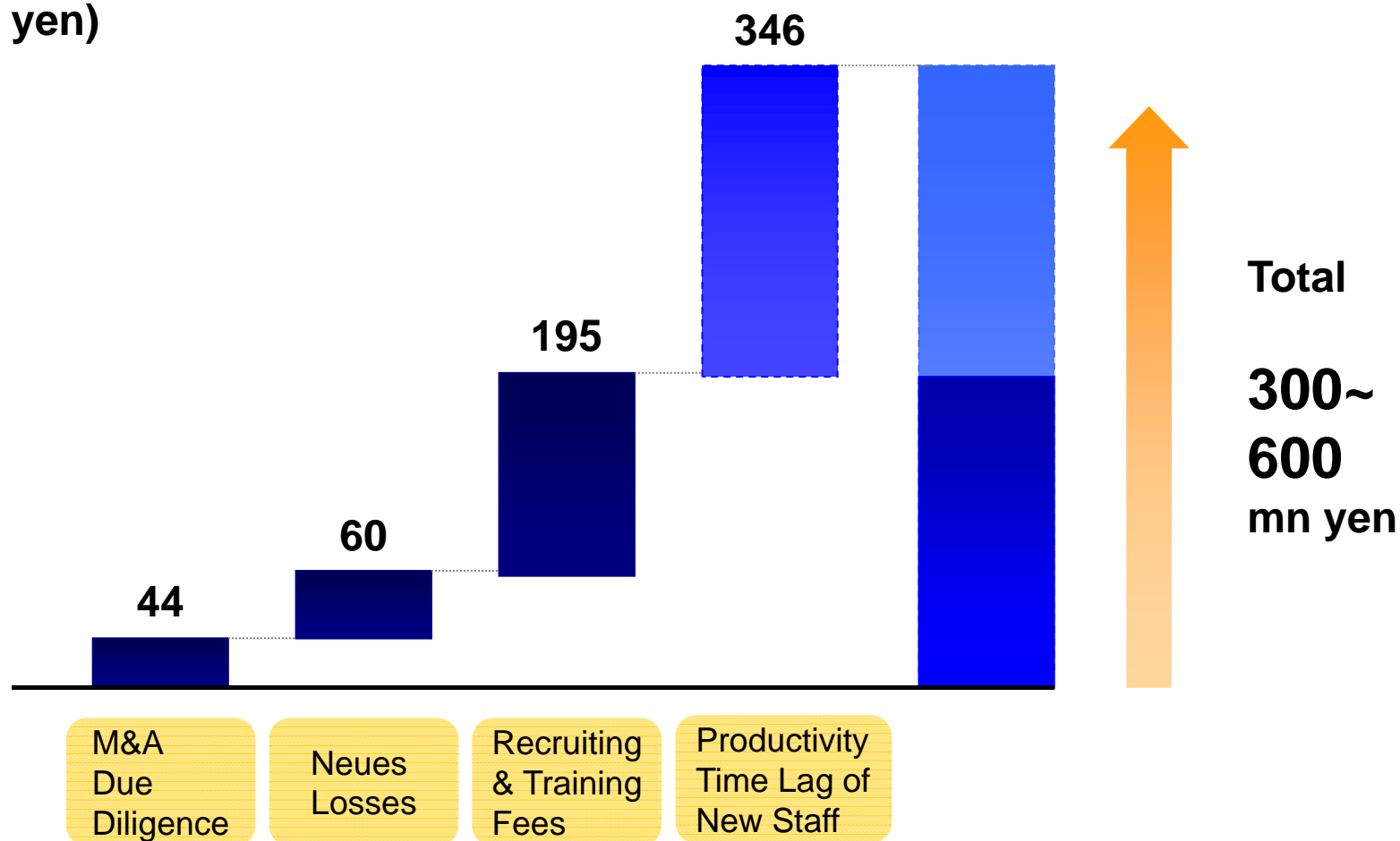
# FY2015 Q1 Consolidated Results by Segment

IFRS basis

(mn yen)		FY2014 Q1	FY2015 Q1	YoY
Medical Portal	Sales	5,734	6,378	+11%
	Profit	3,457	4,015	+16%
Evidence Solution	Sales	3,181	4,862	+53%
	Profit	267	909	x3.4
Overseas	Sales	2,237	3,130	+40%
	Profit	231	238	+0%
Clinical Platform	Sales	680	566	-17%
	Profit	53	34	-35%
Sales Platform	Sales	285	335	+17%
	Profit	-63	6	—
Others	Sales	343	446	+30%
	Profit	56	64	+16%

# Special Upfront Investment Costs for Future Growth

(mn yen)

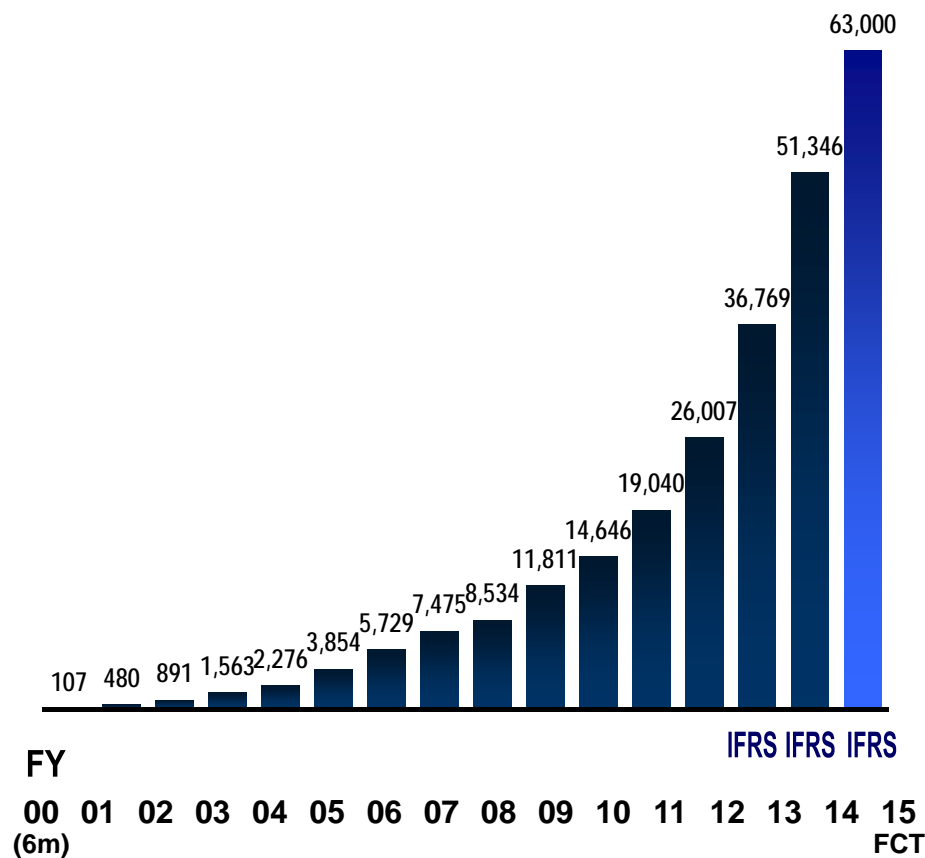


 Upfront investment costs in anticipation of future growth is expected to dampen profits by 300 ~ 600 mn yen. Aggressive investments will likely continue.

# Annual Results & Forecast for FY2015

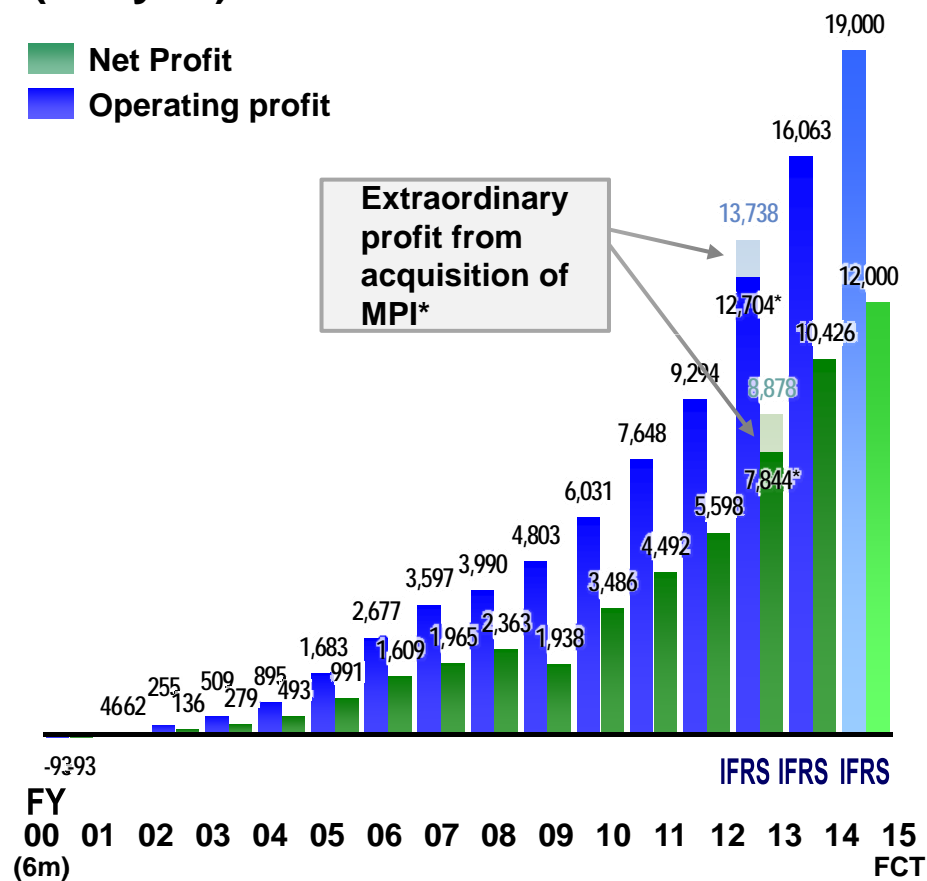
## Sales

(mn yen)



## Operating Profit & Net Profit

(mn yen)



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



# 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