

M3, Inc.

Presentation Material

January 2016





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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.

Current Business Situation and Outlook

Overview

MR-kun Family

- In line with previous year. Jan-Mar quarter growth should revert to double digits by filling partial client driven declines with other increases.

Career

- Cumulative Q3 sales grew +19% yoy to 5.2 bn yen. Ordinary profit grew +34% yoy to reach 1.8 bn yen. Performance remains steady.

Evidence Solution

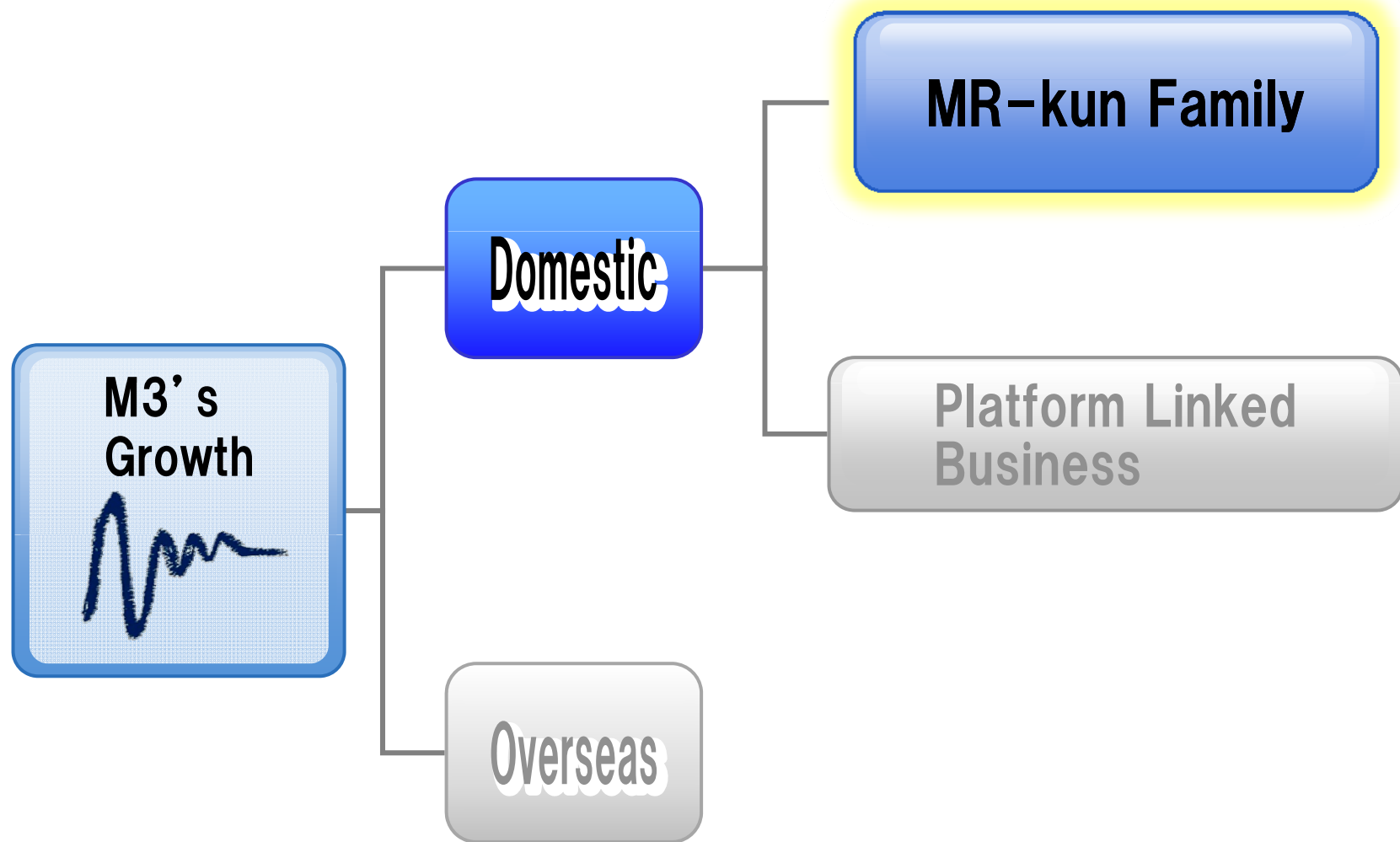
- Cumulative Q3 profits grew +128% yoy to 2.7 bn yen, driven by strength in orders received and steady progress of on-going projects.
- Losses absorbed from Neues had a -200 mio yen impact on profits.

Overseas

- U.S. : Spam issue resolved. No effect in Q4 expected.
- U.K. : MR-kun progressing steadily, currently with 10+ drugs online.
- China: MR-kun contracts increased to cover 18 drugs for 8 firms, pacing above initially expected expansion speed.

M&A / New Business

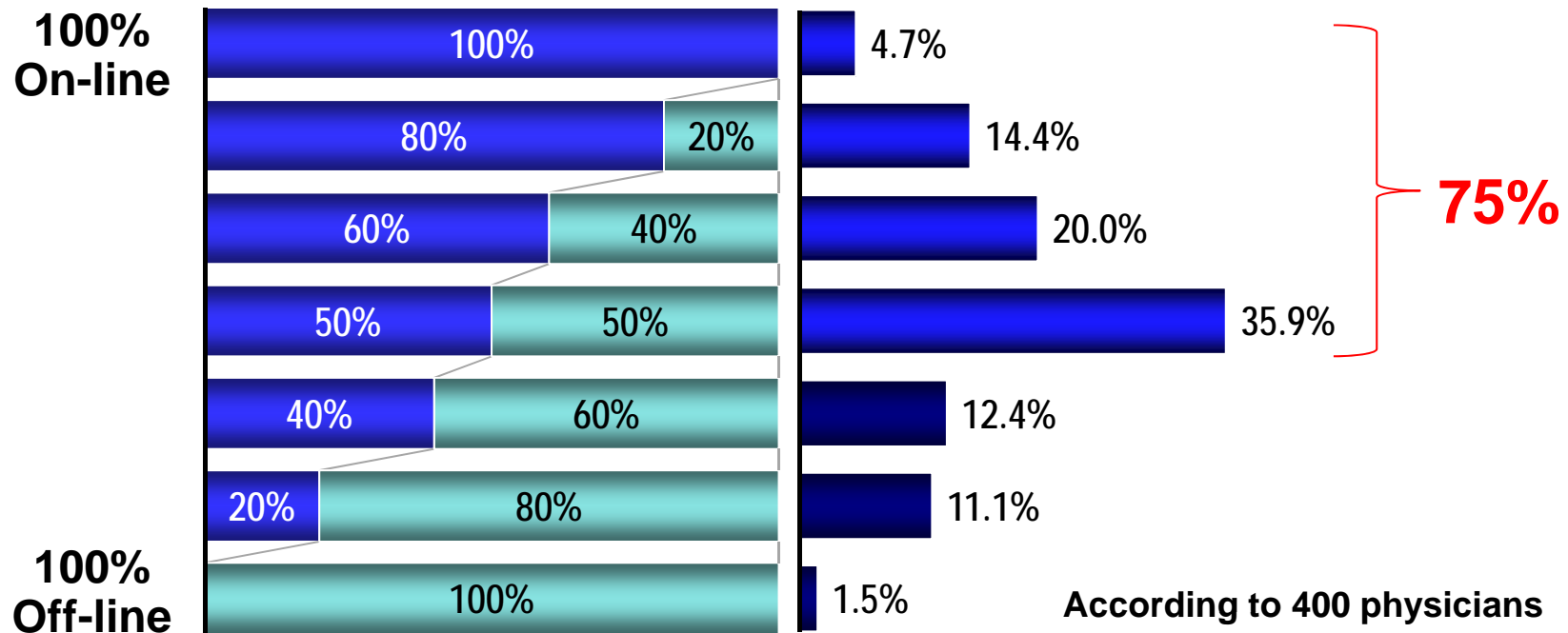
- Consolidated The Medicus Firm, a physician recruitment firm, to accelerate the expansion of the career service business in the U.S.
- Consolidated QLife, Inc. to strengthen DTC advertising services.
- Medical equipment & biotech seed-development business to be launched



Doctor Demand for On-Line Detailing

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

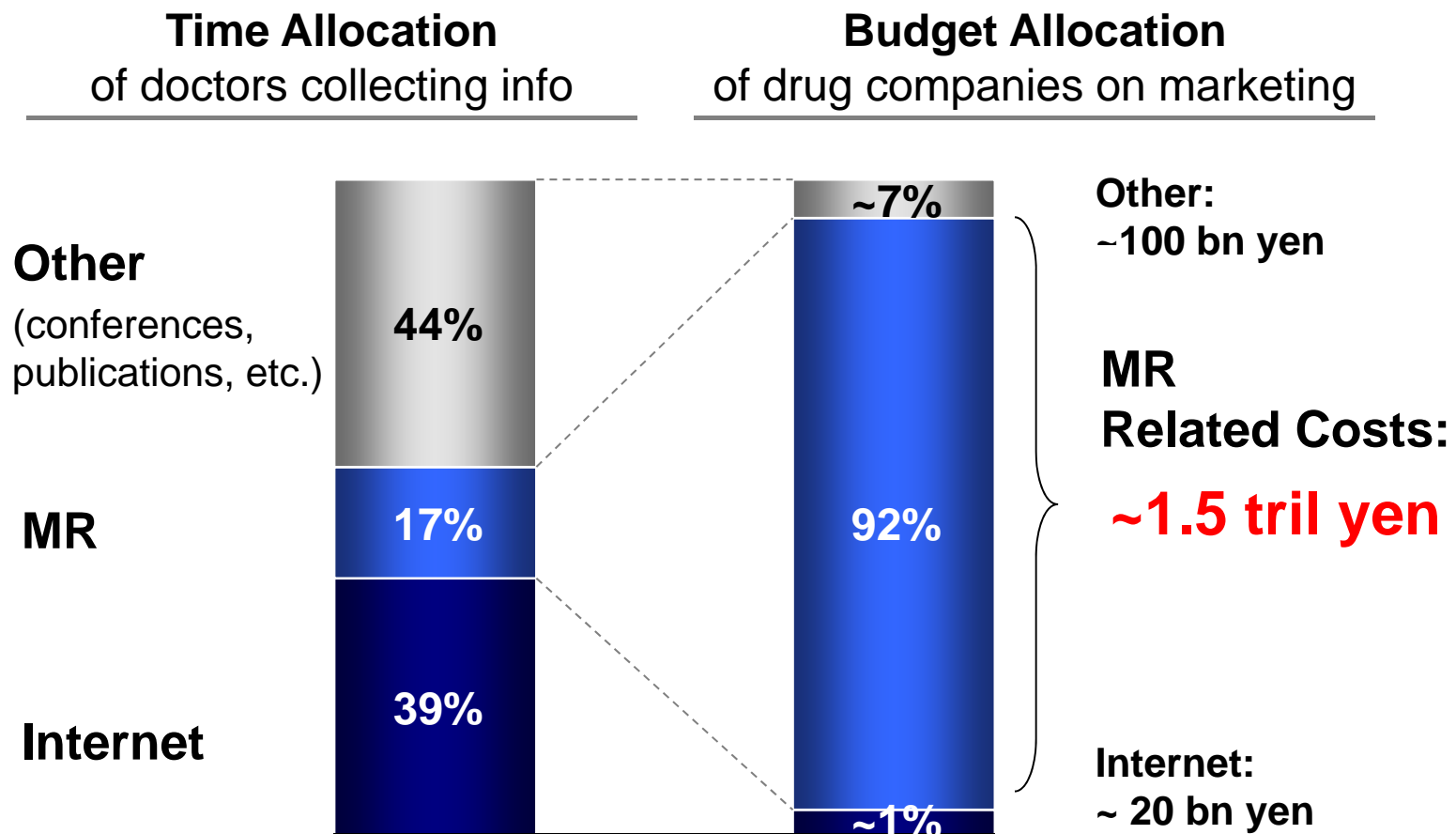
A.



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

Doctor's Time Allocation vs Pharma's Budget Allocation

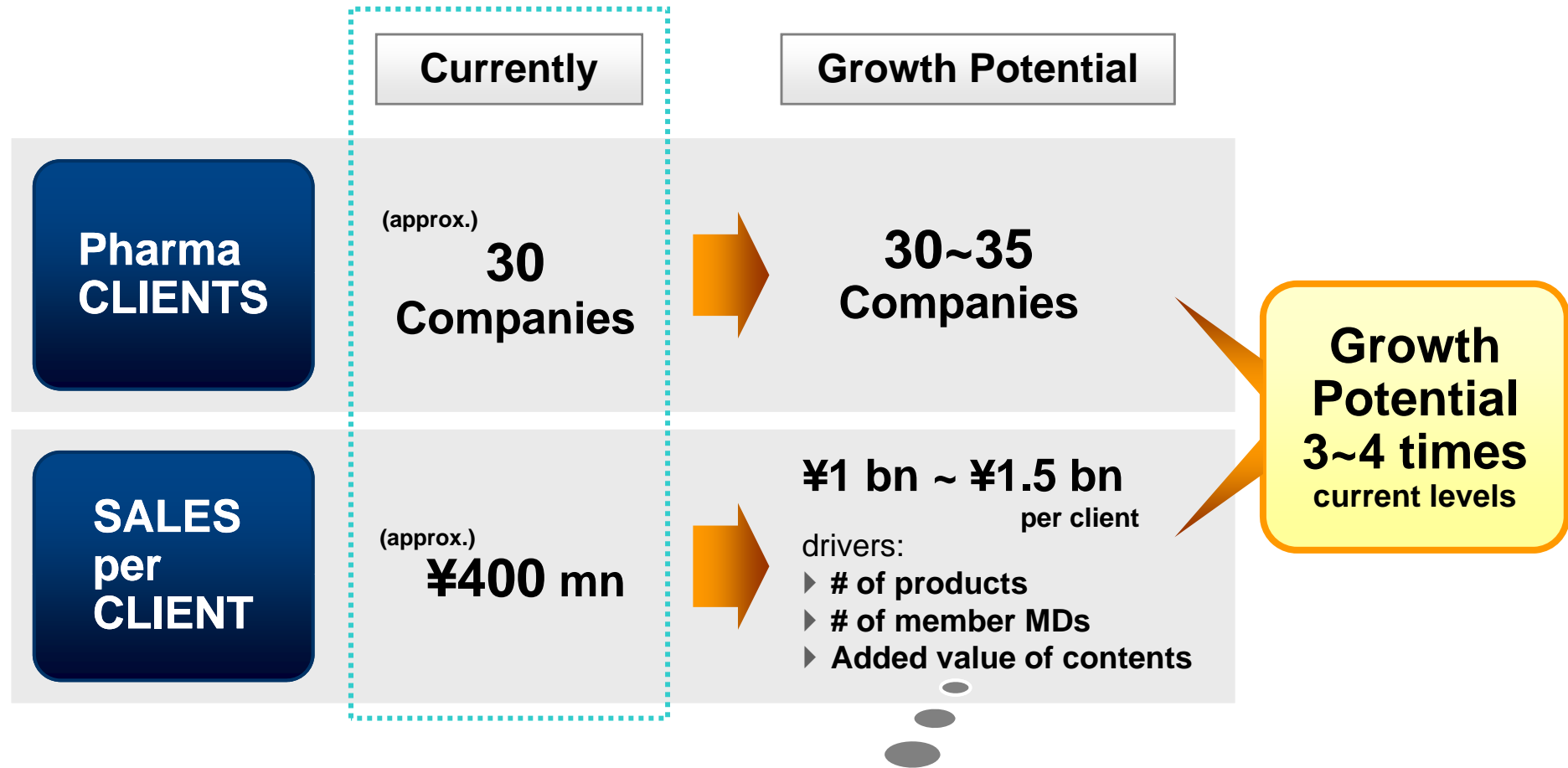
Doctors spend the most time collecting information via the Internet. However, pharmaceutical firms spend the majority of their marketing budget on off-line MR related costs.



Source: M3 research

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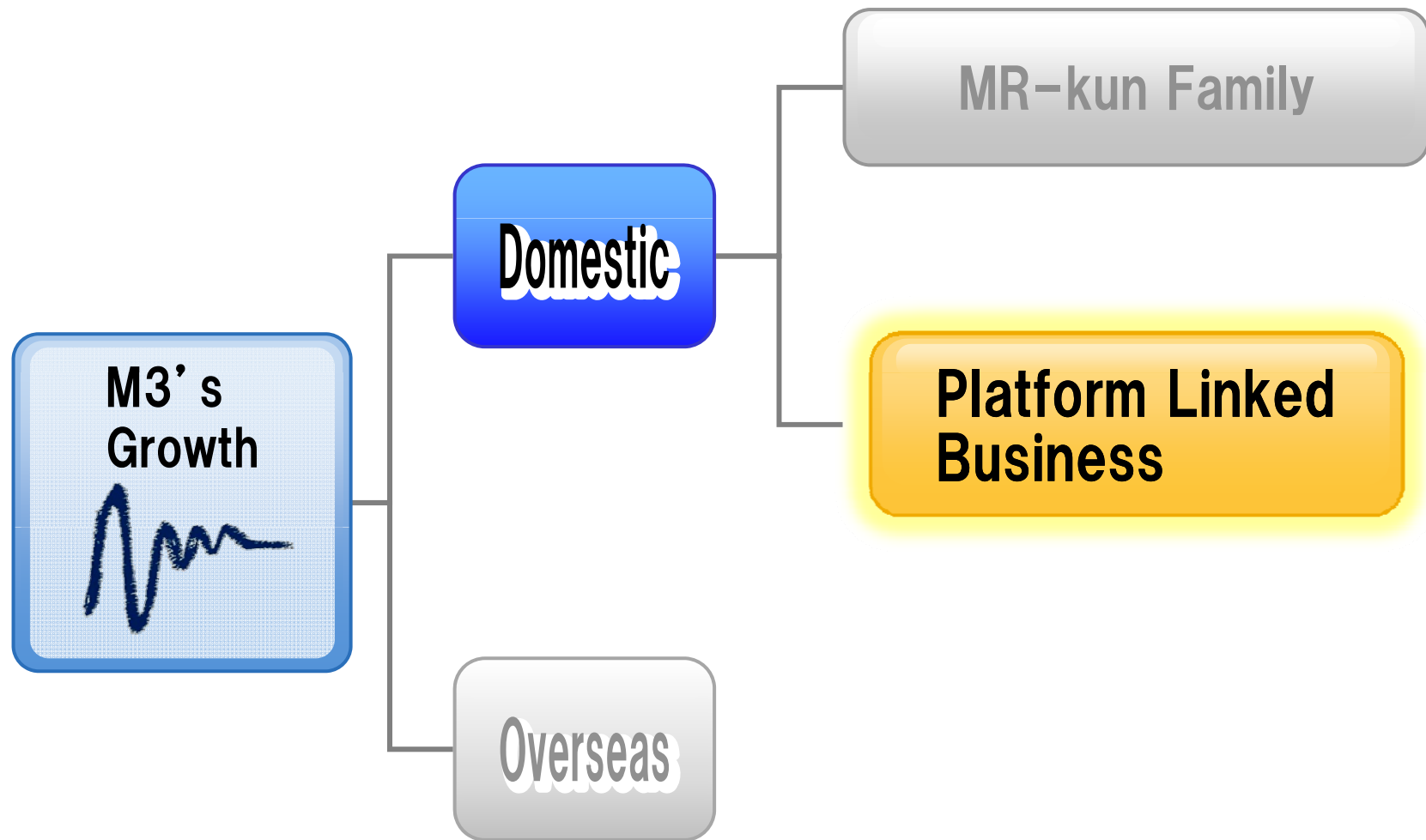
MR-kun Family's Growth Potential in Japan



Broadening of usage across entire service line-up:
Average revenues from **top 20** clients grew at **~9%** YoY

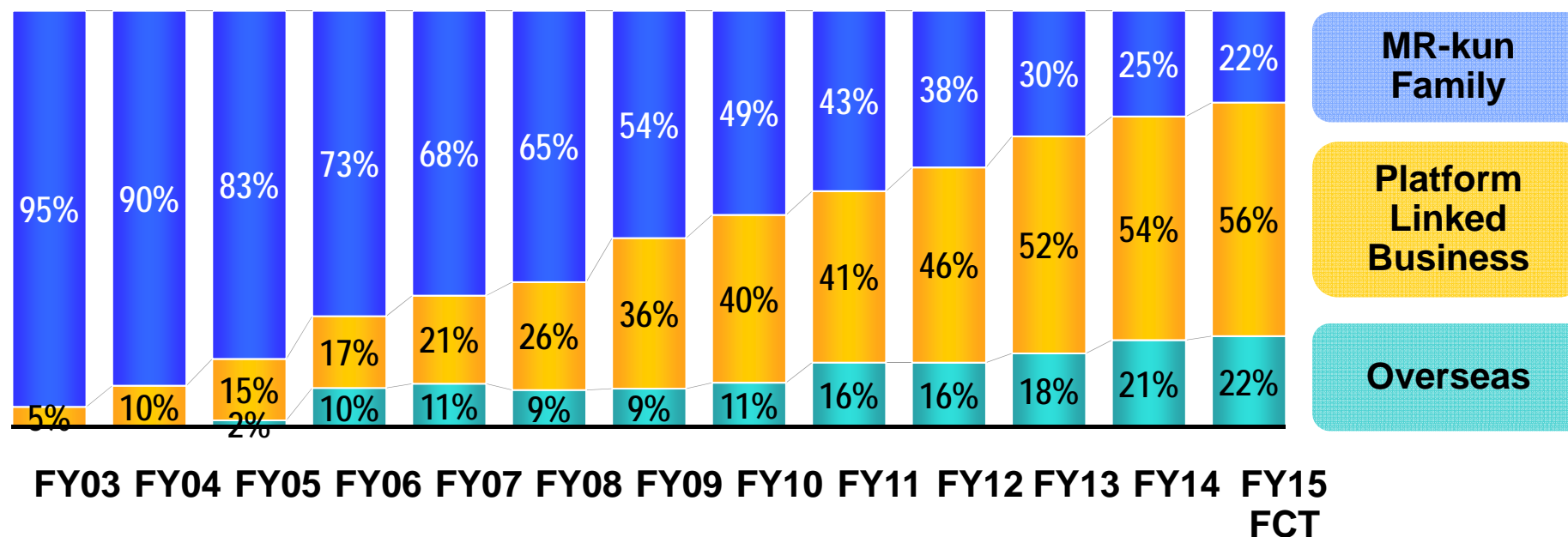
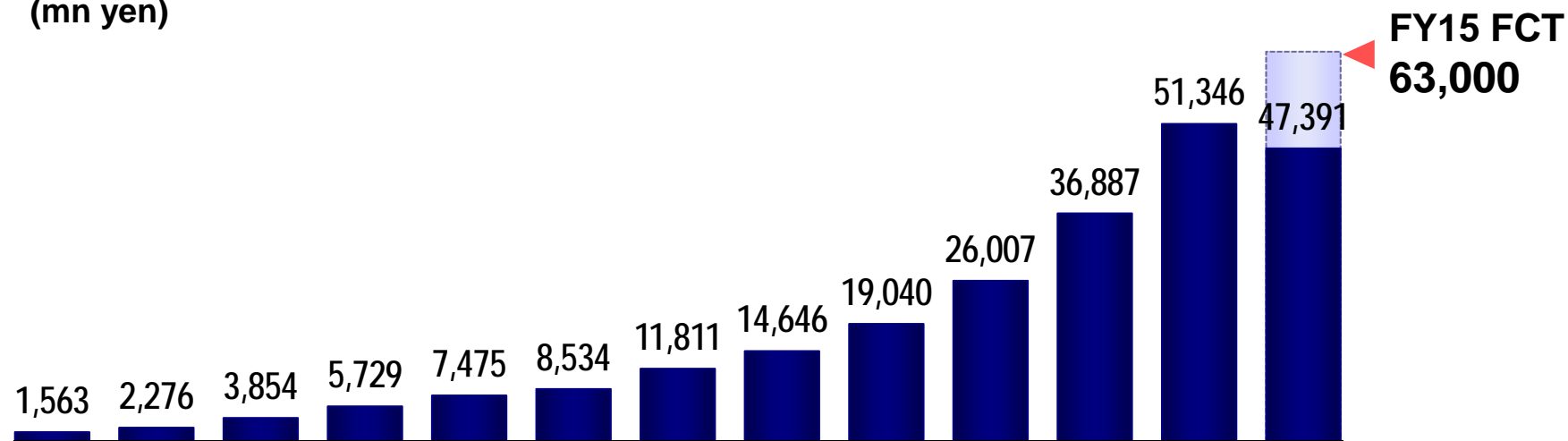
MR-kun Family Fee Structure (annual)

	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
Entry Level (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>			
Top 5 Clients (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>			



Consolidated Sales Trend

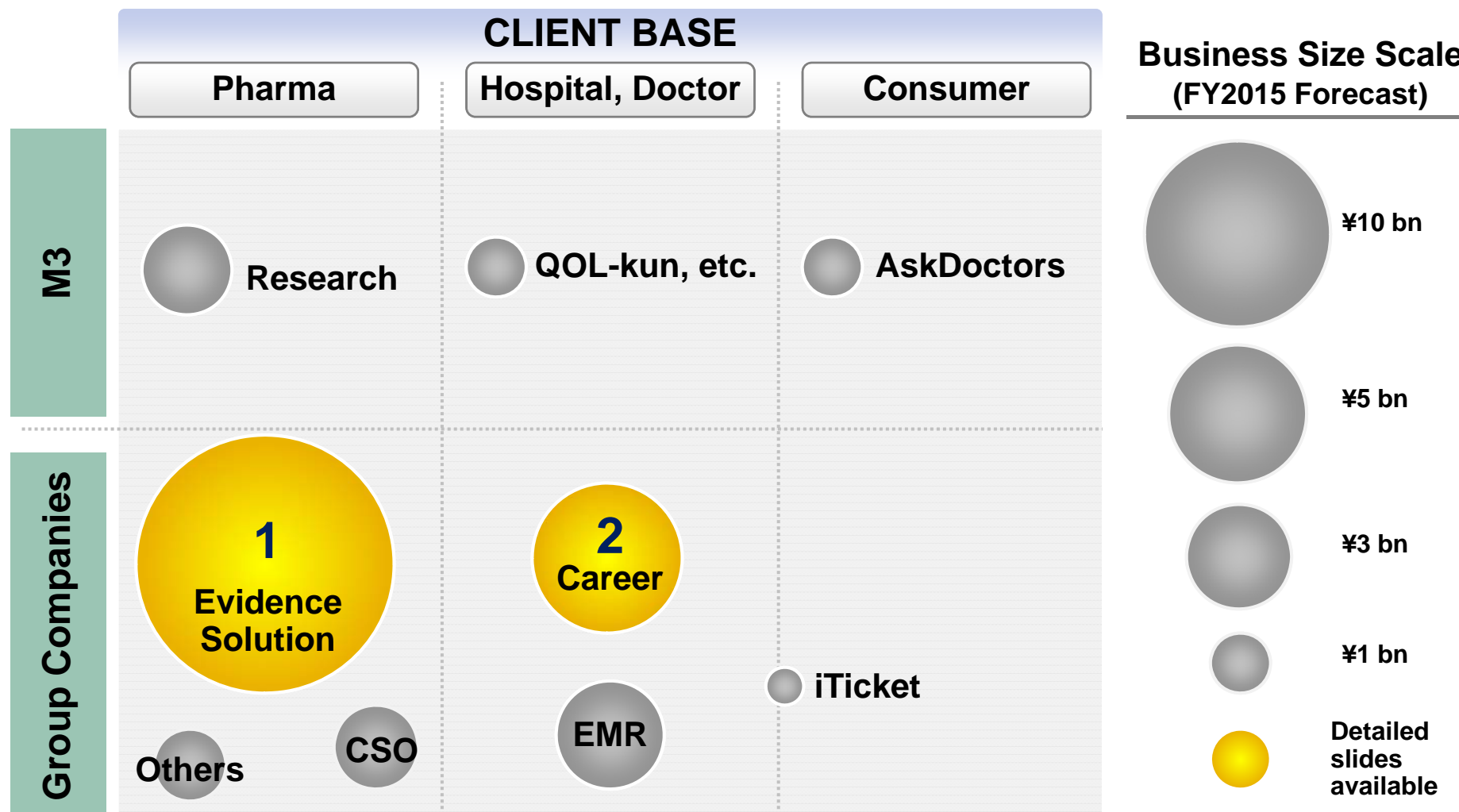
(mn yen)



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.”

~ 2010

**Evolution via MR-kun centered
eMarketing for drugs – Engine #1**

Plus

2011 ~

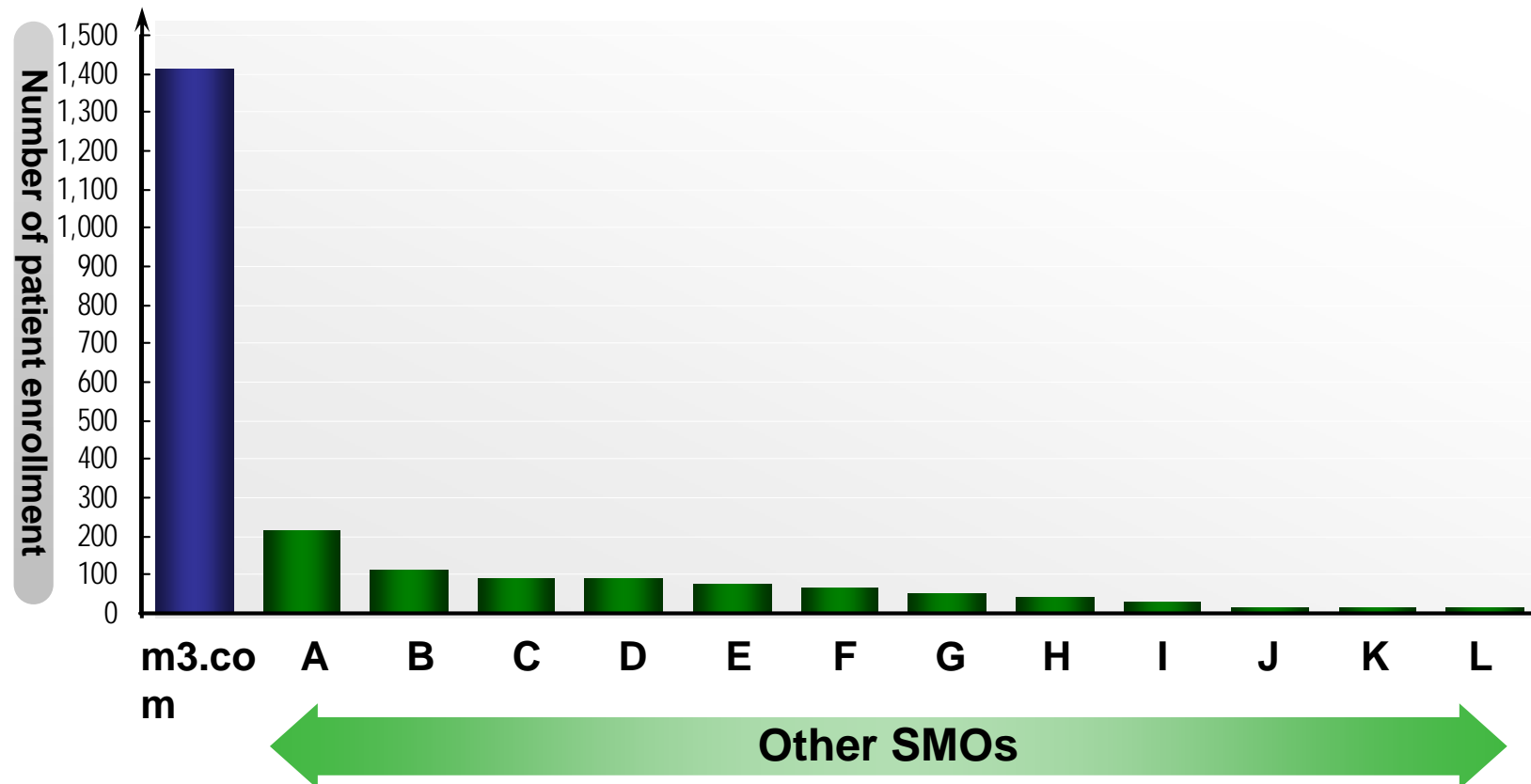
**Evolution via Mr. Finder centered eR&D
Developed as Engine #2**

Patient Enrollment in Large-Scale Trials

1 Evid Sol

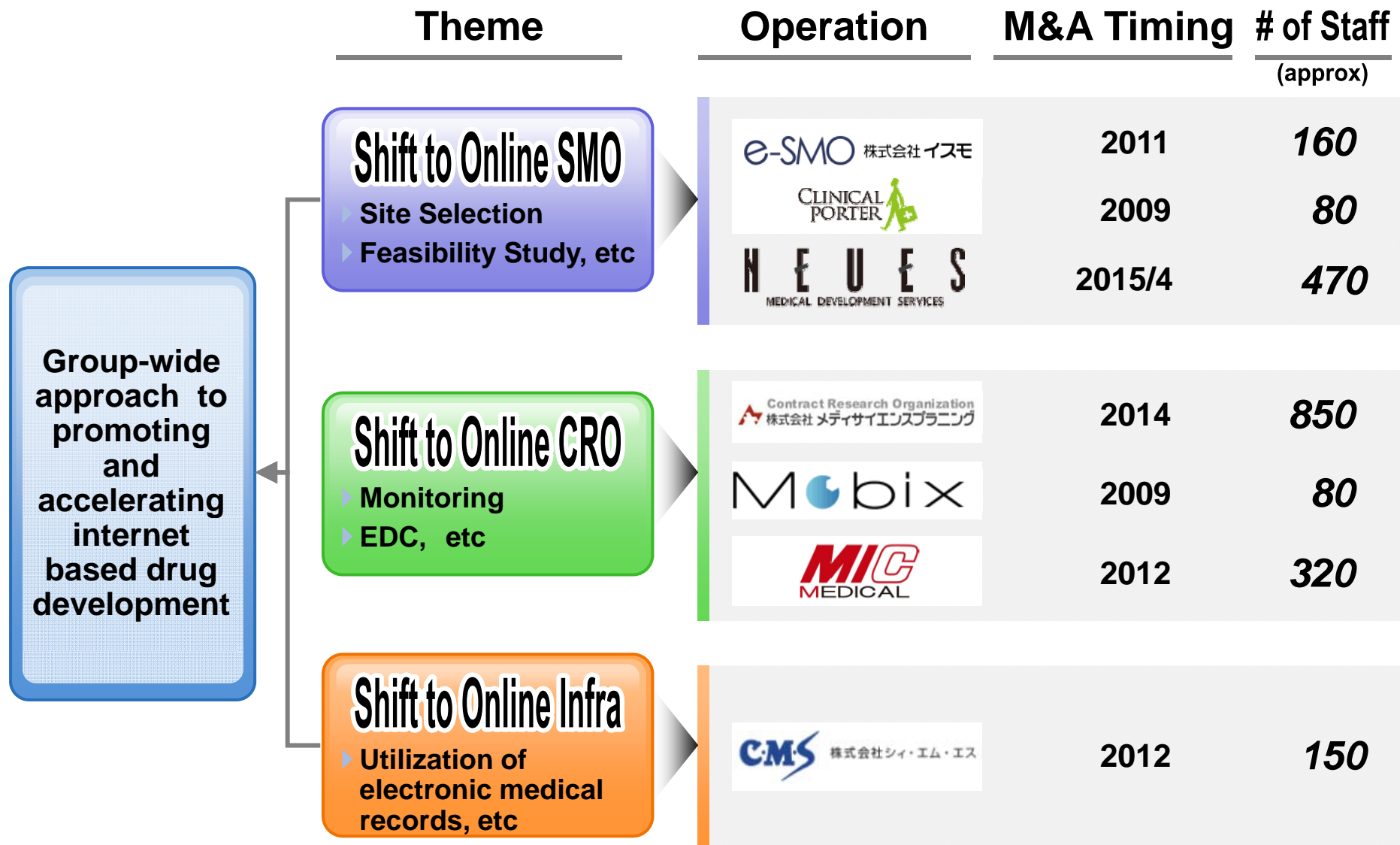
Case study

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	M3 Group	841
3	Cimic	780
4	Quintiles	600
5	Parexel	550
6	MEDISCIENCE PLANNING	494
7	A2 Healthcare	380
8	MIC Medical	282
9	Linical	170
10	Intellim	90
11	Bell Medical Solutions	80
12	Mebix	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

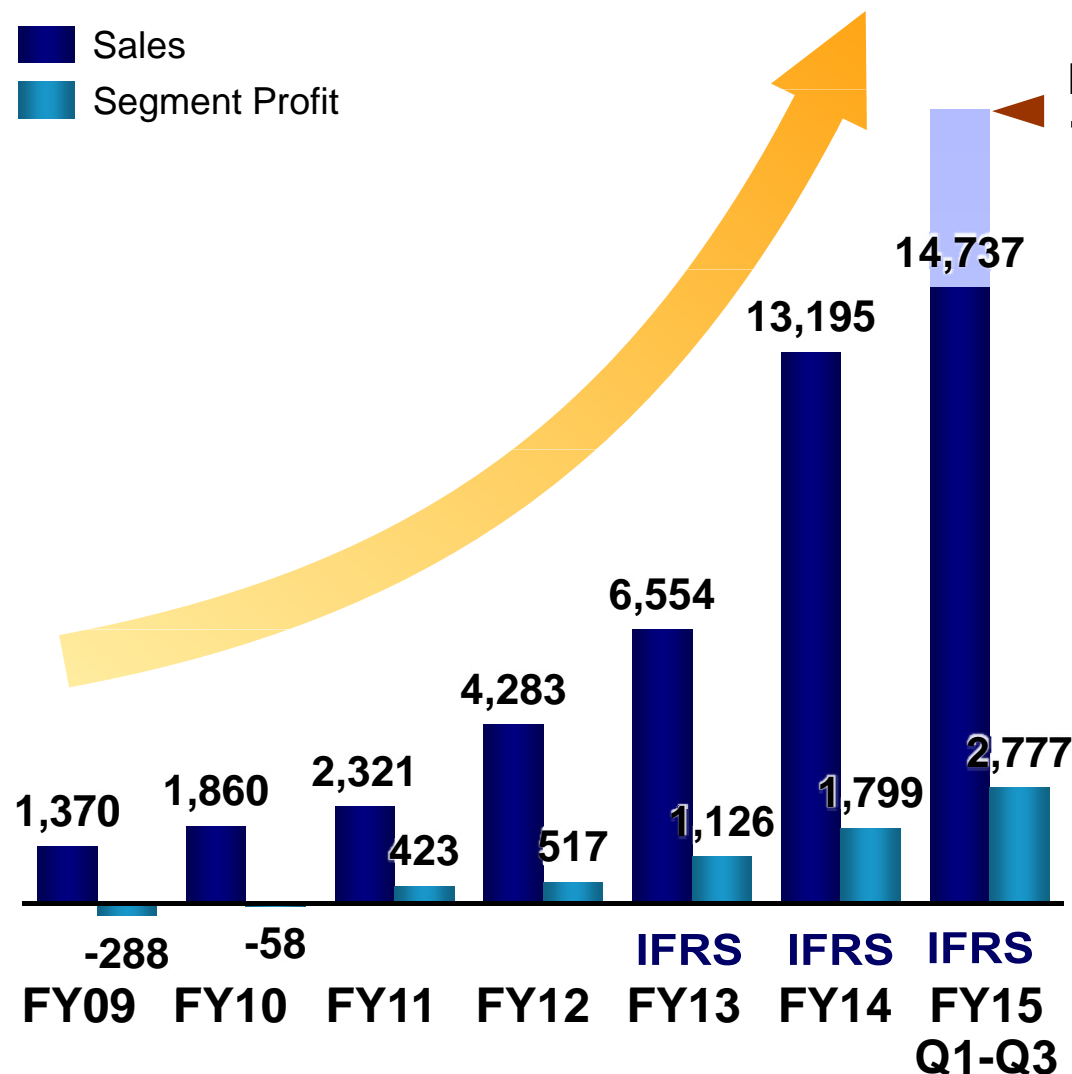
1 Evid Sol

IFRS basis

(mn yen)

■ Sales

■ Segment Profit



- Orders backlog at 23bn yen, with corresponding increases in headcount as upfront investment.
- Exceeded initial targets, lead by two CROs within the group
- Absorbed 200 mn yen in losses from SMO, Neues, acquired in April 2015.

Sales and Profit Trend of M3 Career

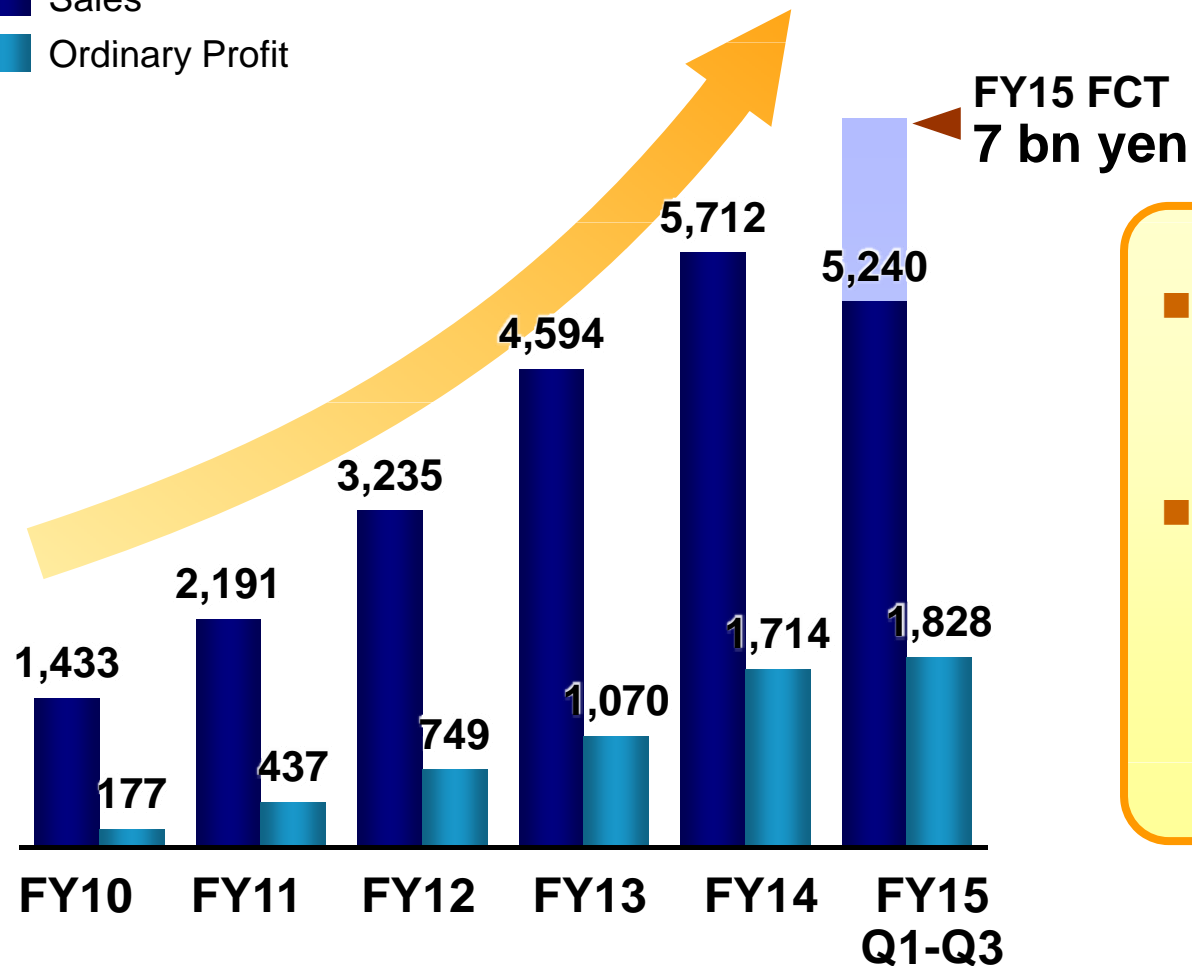
2 Career

JGAAP basis

(mn yen)

Sales

Ordinary Profit



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

Consolidation of QLife



- Operates multiple healthcare media sites, including “QLife” (<http://www qlife.jp/>) , Japan’s largest comprehensive healthcare site with over 6million monthly users
- Provides contents such as hospital search to over 50 leading paid sites including influential portal sites and pharma companies
- Top class amongst independent providers of DTC advertisement and MR support for pharma companies

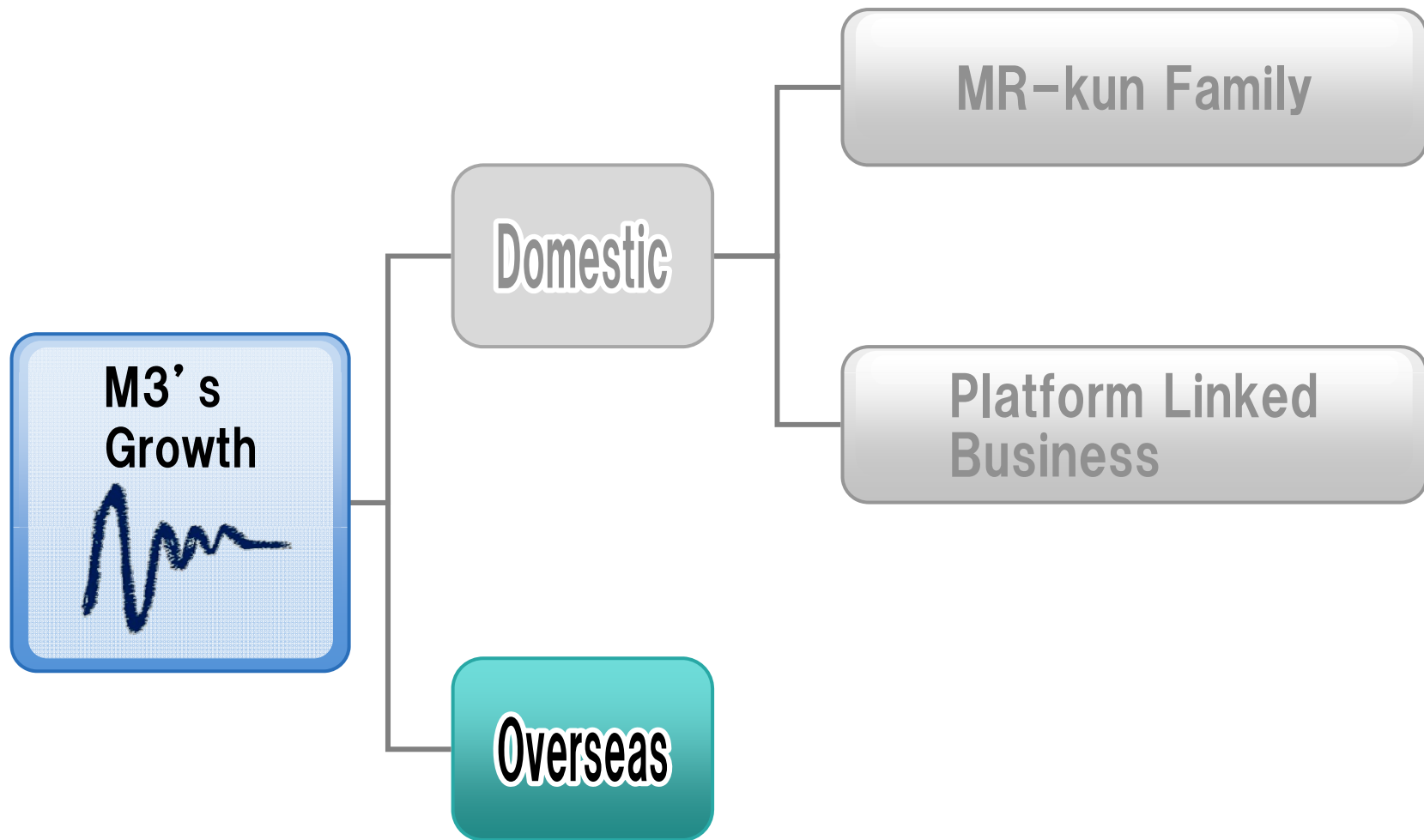


$$1 + 1 = 3$$



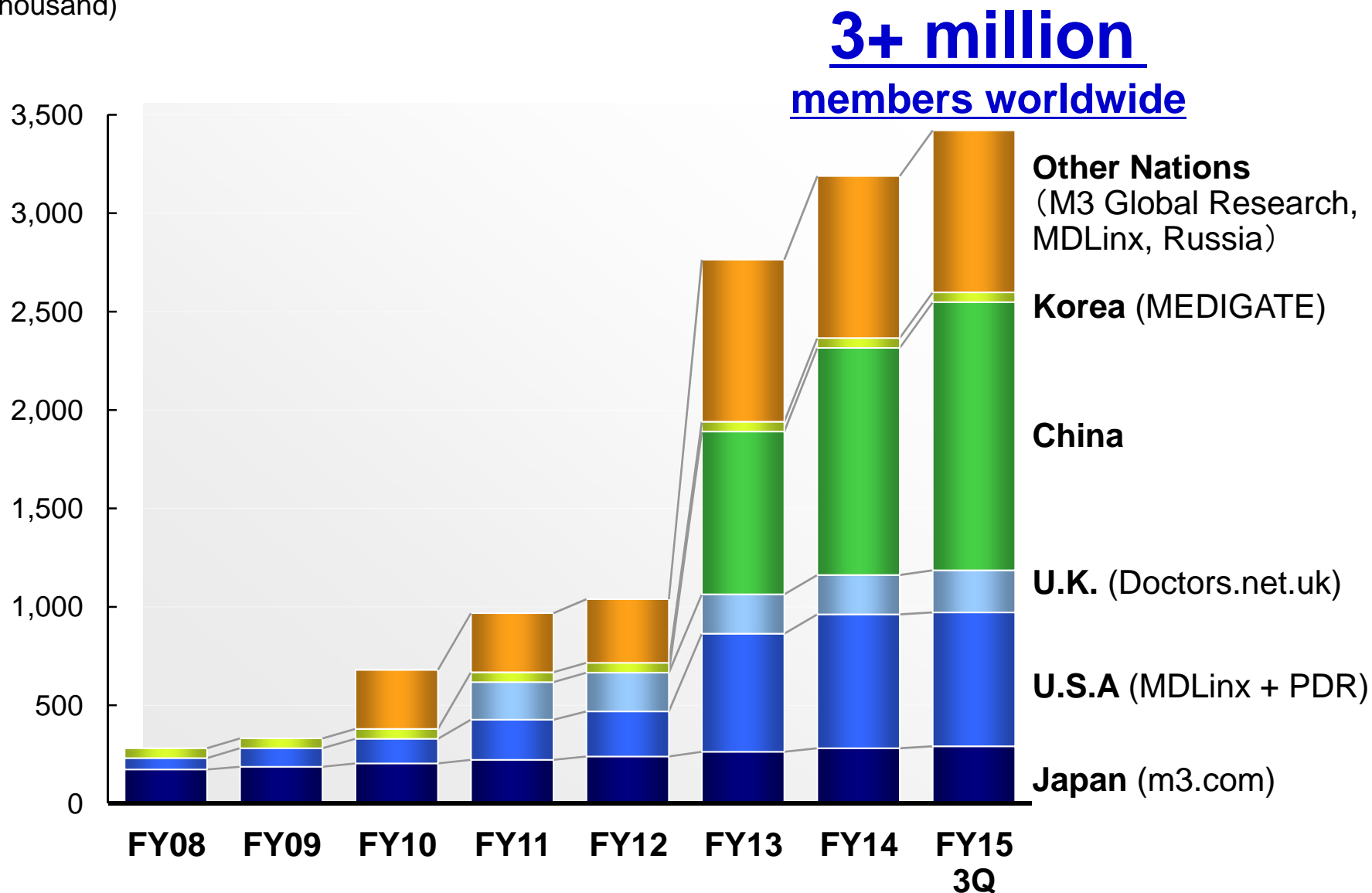
Expected Synergies with M3

- Expansion of services in DTC advertising and MR support for pharma companies
- Further reinforcement of media strength and services for consumers
- Strengthen clinical trial services starting with patient recruitment through the media



Number of Physician Members and Panelists (Global)

(thousand)

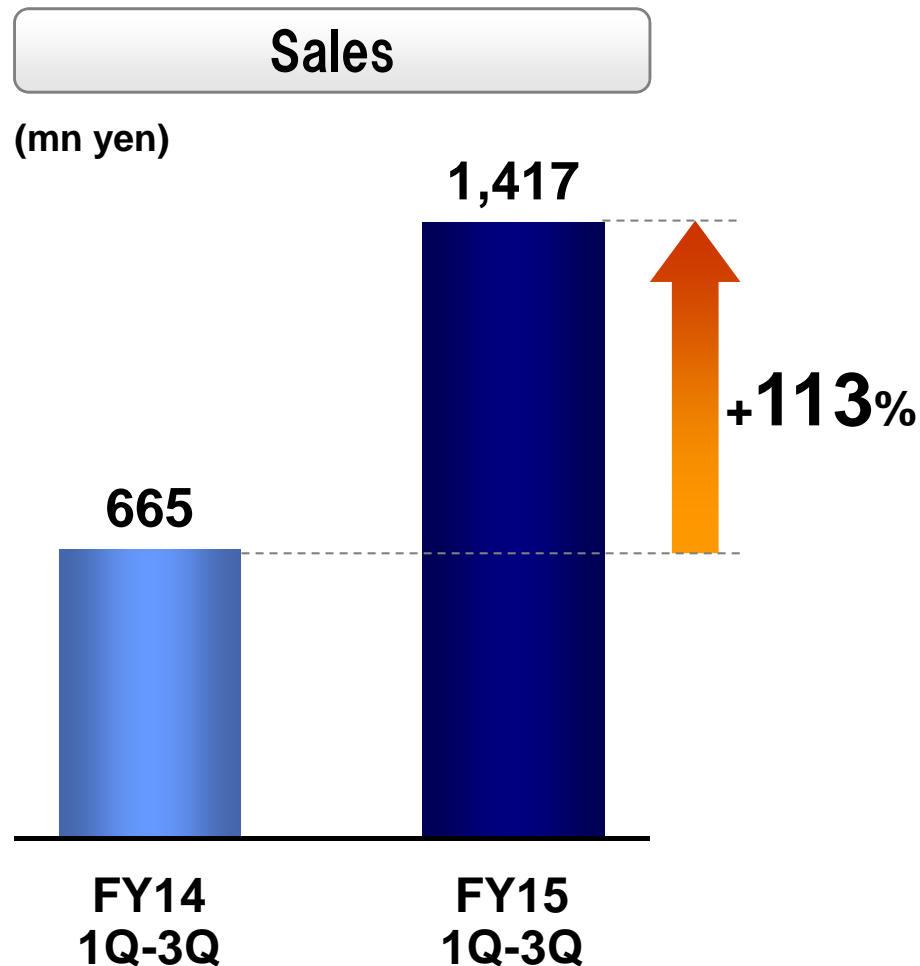


Development in the US

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 like 'Home', 'Your Messages (23)', 'Smartest Doc', 'Physician Jobs (365)', 'Clinical Trials', 'More', 'Other Specialty', and 'Article Search'. 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' status; 'Your Unread Messages in Oncology' with links to 'Smartest Doc Challenge' and 'Top Read' articles; 'Articles' with a list of recent publications on topics like 'Pointbreak: A randomized phase III study of pemetrexed plus carboplatin and bevacizumab' and 'Autophagic-lysosomal pathway is the main proteolytic system modified in the skeletal muscle of esophageal cancer patients'; 'Clinical Pearls in Oncology' with a list of clinical insights; and 'Highlights in Oncology' with a section on 'VEGFR-1 is a prognostic marker for HCC'. The right sidebar features a 'Post your CV and let employers find you!' section and an 'UPCOMING Clinical Trials' section with links to various trials like 'Circulating Tumor Cells (CTCs): A Potential Screening Test for Clinically Undetectable Breast Carcinoma'.

- **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, Inc.**
 - 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**

Expansion of U.S. Career Services



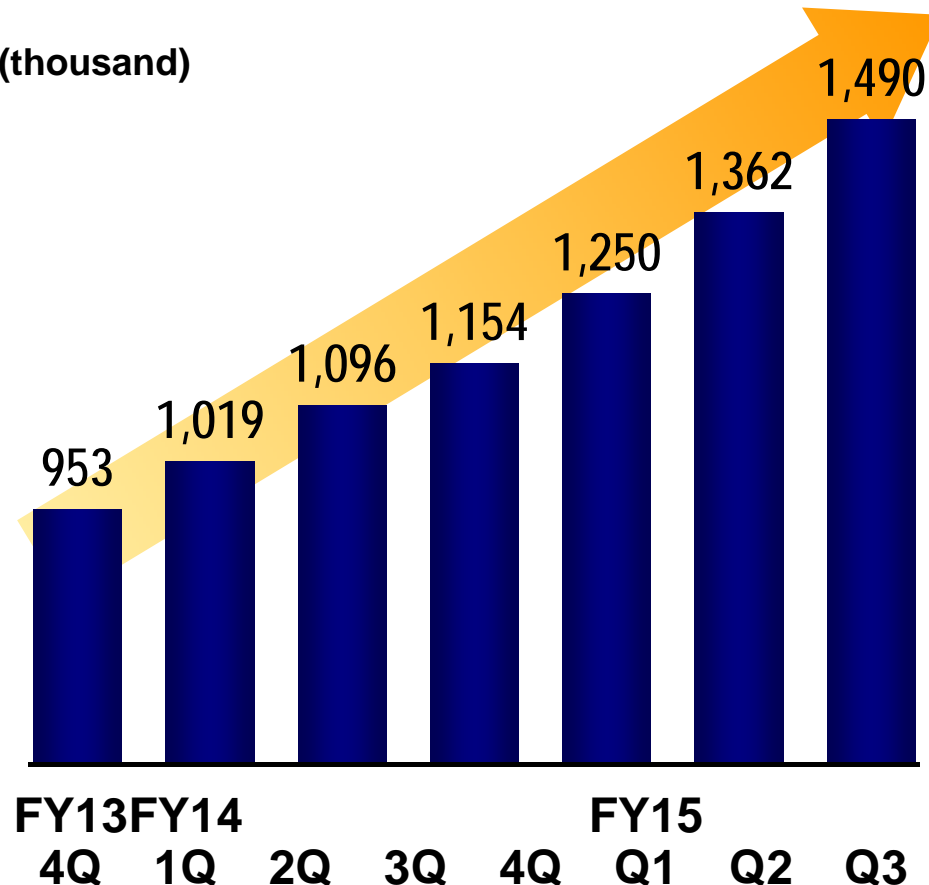
- Consolidated The Medicus Firm at Dec-end 2015, posting the 4th M&A in the past 2 years.
- Operation size doubled yoy due to expansion of existing businesses as well as contribution from M&As
- Synergies with MDLinx, the U.S. webportal designed for physicians, is expected to improve sales and profits
- 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.

Development in China

Number of Physician Members

(thousand)



- Marketing services for drug companies starting with MR-kun, and marketing research services showed healthy growth, boosting profits
- MR-kun contracts now at 18 drugs with 8 companies, expanding steadily
- High evaluations from drug companies are leading to repeat orders for MR-kun.

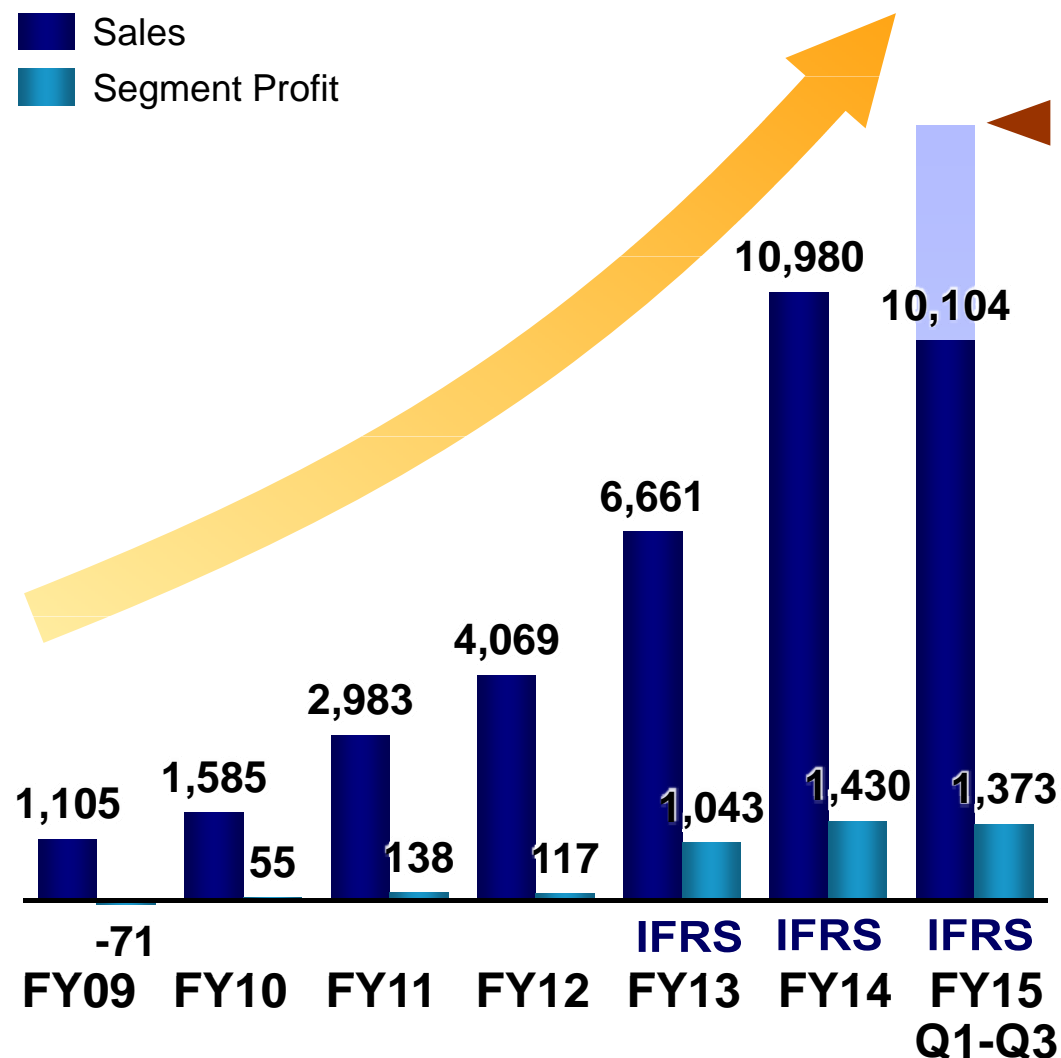
 Close to 1.5 million physicians members, covering the majority of doctors in China

Sales and Profit Trend of Overseas

(mn yen)

IFRS basis

■ Sales
■ Segment Profit



- Broader business scope in China, US and UK
- MR-kun launched in the U.K., contracts signed with multiple drug companies
- Wrongful “spam” classification of M3USA e-mail server decreased sales and impacted profits negatively by 400 mn yen for H1. The problem has been resolved with minimal impact in Q3

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 including overseas)

Profitability

High profitability
(Mid profit)

High profit
(Mid profitability)

M&A

Small sized

Large ~ mid sized



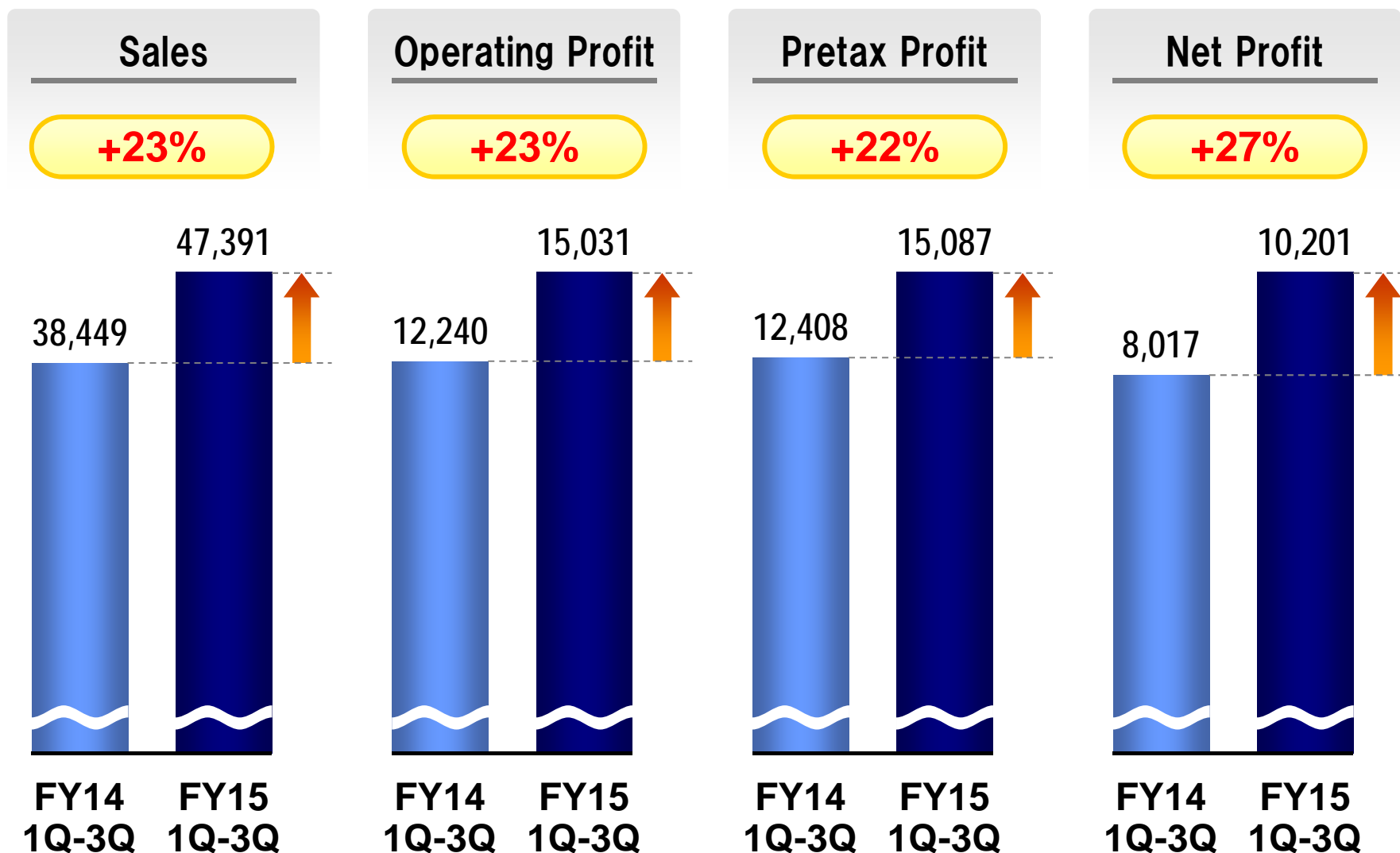
M3 is uniquely positioned to transform the health care industry via its
1) Platform 2) Industry Expertise and
3) Human Resources (management and engineering)

FY2015 H1 Results

FY2015 Q3 Consolidated Cumulative Results

(mn yen)

IFRS Base



FY2015 Q3 Consolidated Results by Segment

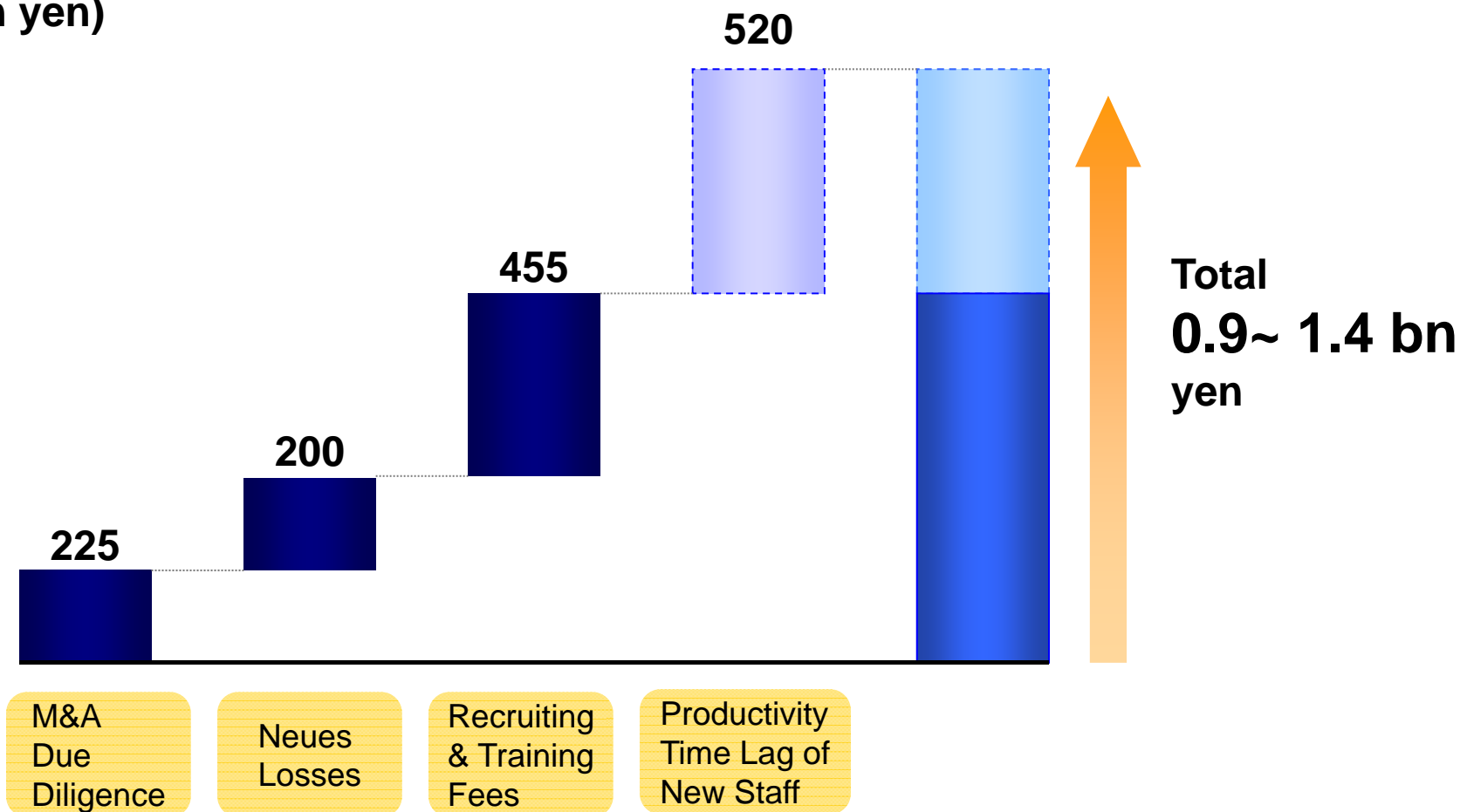
IFRS basis

(mn yen)

		FY2014 Q1-Q3	FY2015 Q1-Q3	YoY
Medical Portal	Sales	17,190	18,660	+9%
	Profit	10,089	11,179	+11%
Evidence Solution	Sales	9,685	14,737	+52%
	Profit	1,216	2,777	+128%
Overseas	Sales	8,062	10,104	+25%
	Profit	1,290	1,373	+6%
Clinical Platform	Sales	2,030	1,989	(2%)
	Profit	203	119	(41%)
Sales Platform	Sales	921	978	+6%
	Profit	(190)	12	—
Others	Sales	1,154	1,731	+50%
	Profit	80	377	4.7x

Special Upfront Investment Costs for Future Growth

(mn yen)

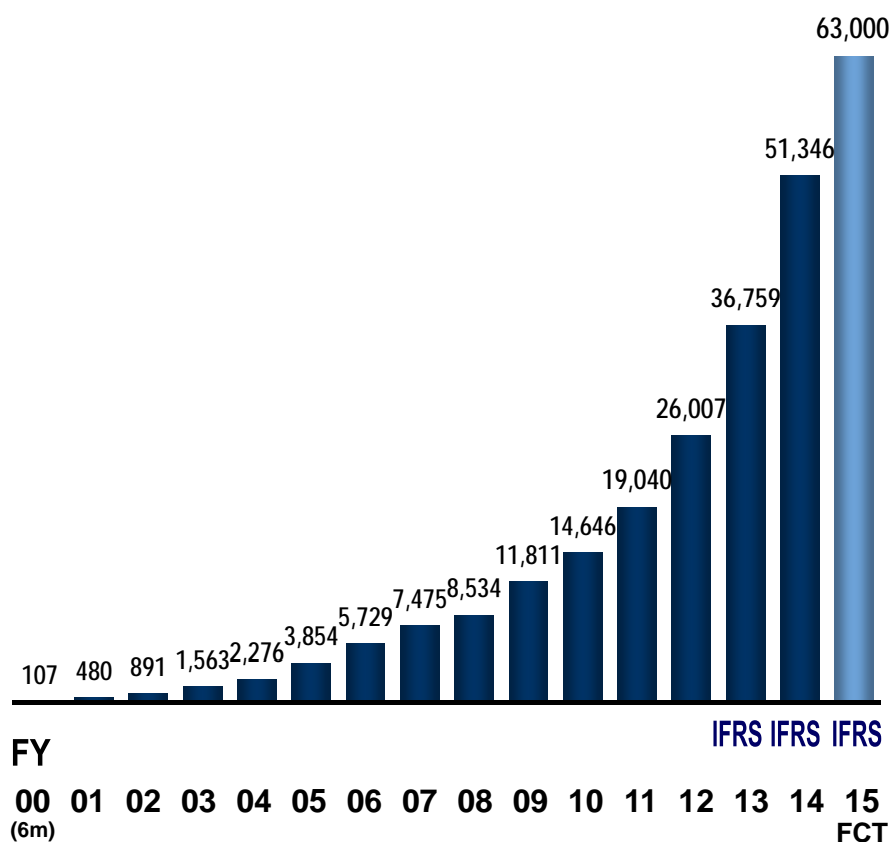


 Upfront investment costs in anticipation of future growth is expected to dampen profits by 0.9~1.4bn yen. Aggressive investments will likely continue.

Annual Results & Forecast for FY2015

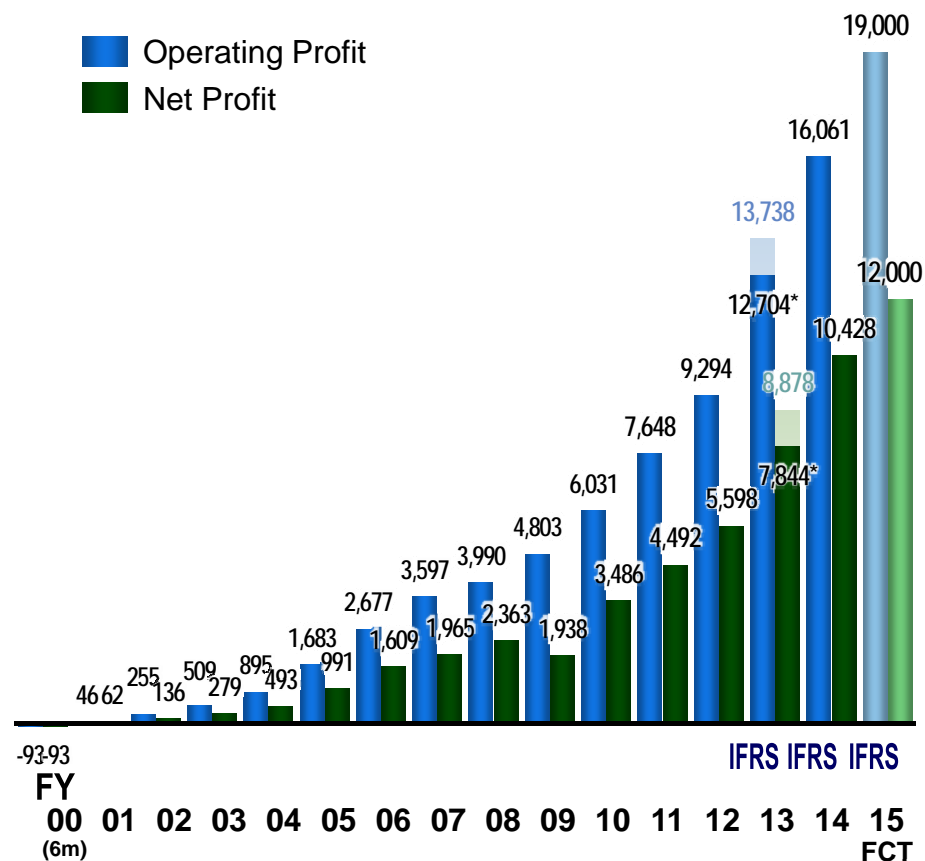
Sales

(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