M3, Inc.
Presentation Material

January 2015
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.
Current Business Situation and Outlook
Summary

MR kun
- Cumulative sales grew at +16% yoy, continuing expansion.

M3 Career
- Cumulative sales increased +25% yoy, and operating profit grew +54% yoy. Sales for the mainstay service for doctors grew at 44% yoy, providing traction.

Evidence Solution
- New orders remained steady, with backlog totaling 18.8 bn yen. Q3 sales were 3.35 bn yen, segment profits were 580 mn yen, and operating margin improved to 17%.
- Entered acquisition of SMO: Neues will become a subsidiary in April of 2015. M3 group now ranks among the top in scale for SMOs, in line with our status amongst CROs.
<table>
<thead>
<tr>
<th><strong>Overseas</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Segment profit was 1.32 bn yen, continuing its expansion at +54% yoy</td>
</tr>
<tr>
<td>- Operational improvements in the U.S. at previously acquired PracticeMatch progressed smoothly (confirmation that PE type turn-around strategy is also valid overseas)</td>
</tr>
<tr>
<td>- Membership on China site topped 1mio doctors. Both sales and profits increased. MR-kun service contracted with 2 global pharma companies for year end launch.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Investments for Growth</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Upfront investments in anticipation for future growth, such as office relocation and recruitment fees, amounted to 0.8 ~ 1.3 bn yen.</td>
</tr>
</tbody>
</table>
Expand our core business

Domestic

M3’s Growth

Develop new businesses

Overseas

Develop overseas businesses
Physicians’ Demand for On-Line Detailing

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

A.

Demand for eDetails is quite high for busy physicians that require timely information at their convenience, without the limitations imposed by their off-line MRs

According to 400 physicians

Source: M3 questionnaire to 400 physicians

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Doctors’ Information Collection Venue vs Pharma’s Marketing Cost Allocation

Doctors spend the most time collecting information via the Internet. Conversely, pharmaceutical firms spend the majority of their budget on MR related costs.

<table>
<thead>
<tr>
<th>Time spent collecting information</th>
<th>PR costs for pharma companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>via Other (Conferences, Study Groups, Publications, etc.)</td>
<td>~7%</td>
</tr>
<tr>
<td>via MR</td>
<td>17%</td>
</tr>
<tr>
<td>via Internet</td>
<td>39%</td>
</tr>
<tr>
<td></td>
<td>92%</td>
</tr>
</tbody>
</table>

MR Related Costs
~1.5 tn yen
~100 bn yen
~20 bn yen

Source: M3 research
### Japanese Pharma’s Huge Marketing Costs

<table>
<thead>
<tr>
<th>MRs (pharmaceutical companies)</th>
<th>63,000</th>
<th>¥20 mn</th>
<th>¥1.2 tn</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSs (pharmaceutical wholesalers)</td>
<td>30,000</td>
<td>¥10 mn</td>
<td>¥300bn</td>
</tr>
</tbody>
</table>

**Total Marketing Cost for the industry:** ¥1.2 ~ 1.5 tn

Source: MIX, Research by M3
MR-kun’s Growth Potential in Japan

Currently

29
Companies

30~35
Companies

MR-kun
USERS

(abbrev.)
¥350 mn
per client

MR-kun
SALES

¥800 mn ~ ¥1 bn
per client

via increase in:
  ▶ # of products
  ▶ # of member MDs
  ▶ Added value of contents

Potential Market

Growth Potential of 3~4 times current levels

Major clients are increasing usage of MR-kun:
Average revenue from top 20 clients grew approx. +20% YoY
## MR-kun Increases Sales Like Reps

### Off-line Reps

<table>
<thead>
<tr>
<th></th>
<th>Non-covered</th>
<th>Covered</th>
<th>MR-kun Non-covered</th>
<th>MR-kun Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (baseline)</td>
<td>+9%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales increase</td>
<td>compared with base</td>
<td></td>
<td>Sales increase</td>
<td></td>
</tr>
<tr>
<td>+8%</td>
<td>+16%</td>
<td></td>
<td>Sales increase</td>
<td></td>
</tr>
<tr>
<td>compared with base</td>
<td></td>
<td></td>
<td>compared with base</td>
<td></td>
</tr>
</tbody>
</table>

“MR-kun” alone has substantial power...

Combining real reps with MR-kun maximizes detailing impact

Source: M3, Questionnaire to 16,000 General Practitioners
MR-kun Annual Fee Structure

<table>
<thead>
<tr>
<th>MR-kun Base fee</th>
<th>Detail fee</th>
<th>Contents Production fee</th>
<th>Operation fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥100 per detail sent</td>
<td>Production of customized detail contents</td>
<td>Basic operations (sending details, replying to physicians’ questions, etc.)</td>
<td></td>
</tr>
</tbody>
</table>

**Entry Level (one product):**
- ¥70 mn
- Revised as of Oct. 2005 for new client
- Prev. fee: ¥60 mio
- ¥10 mn

**Top 5 Clients (multiple products):**
- ¥60 ~ 70 mn
- ¥580 mn
- ¥200 mn
- ¥10 mn

**The average of top 5 clients:** ¥860 mn

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Consolidated Sales Trend

(million yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14 1Q-3Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas Development</td>
<td>19%</td>
<td>20%</td>
<td>22%</td>
<td>10%</td>
<td>11%</td>
<td>9%</td>
<td>9%</td>
<td>11%</td>
<td>16%</td>
<td>16%</td>
<td>17%</td>
<td>21%</td>
</tr>
<tr>
<td>New business (domestic)</td>
<td>81%</td>
<td>80%</td>
<td>76%</td>
<td>64%</td>
<td>61%</td>
<td>60%</td>
<td>51%</td>
<td>46%</td>
<td>40%</td>
<td>35%</td>
<td>28%</td>
<td>22%</td>
</tr>
<tr>
<td>Core business (MR-kun)</td>
<td>81%</td>
<td>80%</td>
<td>76%</td>
<td>64%</td>
<td>61%</td>
<td>60%</td>
<td>51%</td>
<td>46%</td>
<td>40%</td>
<td>35%</td>
<td>28%</td>
<td>22%</td>
</tr>
</tbody>
</table>

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Total revenue of new businesses in FY2014 is expected to exceed 30 billion yen. Current new project pipeline includes 10 to 20 new business ideas and plans for overseas 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.”

**Past 10 years**

Paradigm shifted to online medical promotion via “MR-kun”

**Next**

Enable the shift to online clinical trials via “Chiken-kun”
In the case of study in the Endocrinology and Metabolism area, m3.com doctors enrolled five times more patients compared to other SMOs:

- m3.com: 1,500 patients
- Other SMOs: 100 to 200 patients
Shift to Online Trials

<table>
<thead>
<tr>
<th>Theme</th>
<th>Operation</th>
<th>M&amp;A Timing</th>
<th># of Staff (approx)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shift to Online SMO</td>
<td>Site Selection</td>
<td>2011</td>
<td>160</td>
</tr>
<tr>
<td></td>
<td>Feasibility Study, etc</td>
<td>2009</td>
<td>80</td>
</tr>
<tr>
<td>Shift to Online CRO</td>
<td>Monitoring</td>
<td>2015/4</td>
<td>470</td>
</tr>
<tr>
<td></td>
<td>EDC, etc</td>
<td>2014</td>
<td>850</td>
</tr>
<tr>
<td></td>
<td>Monitoring functions as a group</td>
<td>2009</td>
<td>80</td>
</tr>
<tr>
<td>Shift to Online Infra</td>
<td>Utilization of electronic medical records, etc</td>
<td>2012</td>
<td>320</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2012</td>
<td>150</td>
</tr>
</tbody>
</table>
### Number of CRAs by Company (CRO)

<table>
<thead>
<tr>
<th>#</th>
<th>CRO Companies</th>
<th># of CRAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>EPS</td>
<td>855</td>
</tr>
<tr>
<td>2</td>
<td>Cimic</td>
<td>780</td>
</tr>
<tr>
<td>3</td>
<td>Quintiles</td>
<td>600</td>
</tr>
<tr>
<td>4</td>
<td>Parexel</td>
<td>550</td>
</tr>
<tr>
<td>5</td>
<td>MEDISCIENCE PLANNING</td>
<td>478</td>
</tr>
<tr>
<td>6</td>
<td>A2 Healthcare</td>
<td>380</td>
</tr>
<tr>
<td>7</td>
<td>MICメディカル</td>
<td>260</td>
</tr>
<tr>
<td>8</td>
<td>Linical</td>
<td>170</td>
</tr>
<tr>
<td>9</td>
<td>Intellim</td>
<td>90</td>
</tr>
<tr>
<td>10</td>
<td>Bell Medical Solutions</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td><strong>M3 Group</strong></td>
<td><strong>780</strong></td>
</tr>
<tr>
<td></td>
<td>Mebix</td>
<td>42</td>
</tr>
</tbody>
</table>

**Number of CRAs within M3 Group is now at top levels of the CRO industry, accelerating the “Shift to Online Trials”**

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Acquisition of Neues (From April 2015)

**Neues Co, Ltd**

**Address**
Yaesu, Chuo-ku, Tokyo

**Established**
September 1982

**Capital**
70 mn yen (approx.)

**Financial Results**
Sales: 4 bn yen (approx.)
Op. Profit: 5 mn yen
(FY ended October, 2013)

**Employees**
approx. 470 employees

**Main Attributes**
- Approx. 20 centers across Japan
- Affiliates with approx. 800 clinical sites
- Labor force of approx. 300 CRCs
- 4th largest SMO in the industry

**Objective of Acquisition**
- Increase the number of affiliate clinical sites
- Acquire human resources
- Expand the coverage of affiliate sites that participate in trials via Mr. Finder
- Increase access to high quality clinical trials through a bigger presence within the industry
### Number of CRCs by Company (SMO)

<table>
<thead>
<tr>
<th>#</th>
<th>SMO Companies</th>
<th># of CRCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Site Support Institute</td>
<td>615</td>
</tr>
<tr>
<td>2</td>
<td>EP-Mint</td>
<td>550</td>
</tr>
<tr>
<td></td>
<td><strong>M3 Group</strong></td>
<td><strong>434</strong></td>
</tr>
<tr>
<td>3</td>
<td>Sogo Rinsho Group</td>
<td>346</td>
</tr>
<tr>
<td>4</td>
<td>Neues</td>
<td>313</td>
</tr>
<tr>
<td>5</td>
<td>Ethic</td>
<td>269</td>
</tr>
<tr>
<td>6</td>
<td>Irom Group</td>
<td>-</td>
</tr>
<tr>
<td>7</td>
<td>eSMO</td>
<td>121</td>
</tr>
<tr>
<td>8</td>
<td>Exam</td>
<td>116</td>
</tr>
</tbody>
</table>


Top level in number of CRCs. Combined with the m3.com network, M3 group will dominate the industry in ability gather clinical cases.
Orders received reached **18.8 bn yen**, with corresponding increase in headcount as upfront investment.

- Q3 segment profits were 580 mn yen. Q4 expected to remain steady.
- SMO Neues will be acquired as a subsidiary from April 2015. M3 group now in top ranks in scale for SMOs, in line with our status amongst CROs.
Sales and Profit Trend of M3 Career

(mn yen)

Sales
Ordinary Profit

FY14 FCT
6 bn yen
(approx.)

- Development of newly-hired staff has improved productivity
- Continued traction from job search services for doctors (+44% growth yoy)
Service Overview

- Provide doctors’ (few hundred to several thousand) objective evaluations on healthcare related products sold by manufacturers
- Certification of healthcare related products that meet specified rating criteria
- Full support of healthcare related product development, from concept creation to evaluation of sample products

Main Clients and Products

Website: AskDoctorsLab  https://www.askdoctors.jp/labs/ (available in Japanese only)

Employment of services by major domestic brands expected to accelerate going forward
Expand our core business

Develop new businesses

Develop overseas businesses

M3’s Growth

Domestic

Overseas

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Physicians Registered in Our Site or Research Panel (Global)

Over 2.5 million members in total

Other Nations
(M3 Global Research, MDLinx, Russia)

Korea (MEDIGATE)

China

U.K. (Doctors.net.uk)

U.S.A (MDLinx + PDR)

Japan (m3.com)

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Development in the US

- Expanding services in the U.S. via MDLinx, centered around M3 USA (100% subsidiary)
  - Membership has reached over 600,000 US doctors after partnering with PDR, resulting in coverage of 80%+ of US physician population
  - Developed into the #1 player in the U.S. for marketing research targeting physicians, as a result of superior media power

- Succeeded operations of PracticeMatch
  - Initiating full scale career services.
  - Significant improvement in profit margins from post merger structural improvements.

- Investigating opportunities to monetize MDLinx’s growing database of 500,000 physician members residing outside of the U.S.
Turn-Around of Practice

- **Topline increase via site integration**
  - Increased service line-up through affiliation with MDLinx, our US portal website designed for medical professionals

- **Cost Restructuring**
  - Optimization of labor force and cost restructuring to improve profitability
  - Streamlining and re-conditioning of sales force for improved productivity

Operating profit improved to over 30%

Value creation through M&As both at home and abroad
Physicians Registered on Our Site in China

Jan. – Dec. in 2014

(thousand)

<table>
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<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>766</td>
<td>780</td>
<td>828</td>
<td>881</td>
<td>911</td>
<td>953</td>
<td>981</td>
<td>1,003</td>
<td>1,019</td>
<td>1,042</td>
<td>1,068</td>
<td>1,096</td>
</tr>
</tbody>
</table>

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China Business Results

(mn yen)

- China site membership has exceeded 1 million doctors, covering roughly 50% of physicians in China.
- Marketing and research services for pharma co's are growing steadily, producing surplus.
- MR-kun service launch in pipeline for 2 pharma companies.
Sales and Profit Trend of Overseas

(mn yen)

- Expansion of segments in China on top of the U.S. and U.K.
- M&A due diligence fees amounted to 72 mn yen. Exclusive of fees, operating profit amounted to roughly 14 bn yen.

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Changing Strategy in New Business Development


- **Approach**
  - Internet

- **Service Coverage**
  - Web-based eTools

- **Number of Potential Business Domains**
  - ~10

- **Profitability**
  - High margin (Mid revenue)

- **M&A**
  - Small size

**Internet-Powered Investment Strategy in Healthcare Sector (2011～)**

- **Approach**
  - Internet + Real-world Operation

- **Service Coverage**
  - End-to-End Service Structure

- **Number of Potential Business Domains**
  - 20～30 (~ 100 incl. overseas)

- **Profitability**
  - High revenue (Mid margin)

- **M&A**
  - Large ~ mid size

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

- We aim to create value across 3 successive terms after execution of M&A.
- Execution of 10+ M&As in the past 3 years have created more synergistic effects than initially expected and has provided accumulation of turn-around expertise.
- We plan to use this PE-based strategy to create value overseas as well.

Short term
- Restructuring cost structures
  - ex. Reviewing indirect cost

Mid term
- Topline improvement via m3.com integration
  - ex. Expanding existing pipelines via m3.com

Long term
- Synergy maximization, creation of new business models
  - ex. Offering new clinical trial services utilizing EMR
Financial Results
### FY2014 3Q (2014 Apr-Dec) Consolidated Earnings (YoY)

<table>
<thead>
<tr>
<th></th>
<th>Sales</th>
<th>Operating Profit</th>
<th>Pre-tax Profit</th>
<th>Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY2013 1Q-3Q</strong></td>
<td>26,793 (mn yen)</td>
<td>10,238</td>
<td>10,473</td>
<td>6,670</td>
</tr>
<tr>
<td><strong>FY2014 1Q-3Q</strong></td>
<td>38,449 (mn yen)</td>
<td>12,271</td>
<td>12,439</td>
<td>8,074</td>
</tr>
</tbody>
</table>

**Change:**
- Sales: +44%
- Operating Profit: +20%
- Pre-tax Profit: +19%
- Net Profit: +21%

*IFRS basis*
### Consolidated Sales Analysis (YoY)

(mn yen)

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2013.1Q-3Q</th>
<th>FY2014 1Q-3Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Portal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MR-kun</td>
<td>26,793</td>
<td></td>
</tr>
<tr>
<td>Research, Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Career</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evidence Solution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clinical Platform</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Platform</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26,793</strong></td>
<td><strong>38,449</strong></td>
</tr>
</tbody>
</table>

**Consolidated Mediscience Planning**

US and UK both continued to expand. China also contributed to sales. FX impact was 548 mio JPY for US and UK.

**Expanded operations**

New segment following addition of MPI

**Continuing growth**

Expanded Research and marketing support services aside from MR-kun

**M3 Career expanded**

Steady growth momentum continues across all segments
## Breakdown by Business Segments

<table>
<thead>
<tr>
<th>(mn yen)</th>
<th>FY2013 1Q–3Q</th>
<th>FY2014 1Q–3Q</th>
<th>YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Medical Portal</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>14,733</td>
<td>17,190</td>
<td>+17%</td>
</tr>
<tr>
<td>Profit</td>
<td>8,241</td>
<td>10,089</td>
<td>+22%</td>
</tr>
<tr>
<td><strong>Evidence Solution</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>4,809</td>
<td>9,685</td>
<td>+101%</td>
</tr>
<tr>
<td>Profit</td>
<td>1,156</td>
<td>1,216</td>
<td>+5%</td>
</tr>
<tr>
<td><strong>Overseas</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>4,815</td>
<td>8,062</td>
<td>+67%</td>
</tr>
<tr>
<td>Profit</td>
<td>857</td>
<td>1,321</td>
<td>+54%</td>
</tr>
<tr>
<td><strong>Clinical Platform</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>2,031</td>
<td>2,030</td>
<td>-</td>
</tr>
<tr>
<td>Profit</td>
<td>227</td>
<td>203</td>
<td>▲11%</td>
</tr>
<tr>
<td><strong>Sales Platform</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>-</td>
<td>910</td>
<td>-</td>
</tr>
<tr>
<td>Profit</td>
<td>-</td>
<td>▲190</td>
<td>-</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>819</td>
<td>1,154</td>
<td>+41%</td>
</tr>
<tr>
<td>Profit</td>
<td>158</td>
<td>80</td>
<td>▲49%</td>
</tr>
</tbody>
</table>
Upfront investment costs is expected to dampen profits by 0.8 ~ 1.3 bn yen. Profit contribution from current investments expected sometime next fiscal year.
Annual Results & Forecast for FY2014

Sales

Ordinary Profit & Net Profit

(mn yen)

(mn yen)

* Exclude one time profit from net profit and operating profit (profit from acquisition of MPI: 1,034M yen).
Creating New Value in Healthcare

M3
Medicine
Media
Metamorphosis

Healthcare sector is enormous...

- Japanese national spending on medical services is approximately ¥33tn (approx. ¥50tn if peripheral businesses are included)
- Equivalent to 10% of Japanese GDP
- Sector controlled by only 290,000 physicians representing only 0.2% of the national population

Aim to create new value

- Solve the issues and problems of the medical sector
- With new and unique business models
- While focusing on areas where we can add high value (e.g., have high profit) to boost our enterprise value

Source: Ministry of Health, Labour and Welfare, the Japan Medical Association, M3