


---

# **M3, Inc.**

## **Presentation Material**

April 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

# FY2014 Consolidated Results

IFRS basis

| (mn yen)         | FY2013 | FY2014 |        |      |
|------------------|--------|--------|--------|------|
|                  | Actual | Budget | Actual | YoY  |
| Sales            | 36,759 | 50,000 | 51,346 | +40% |
| Operating Profit | 13,738 | 15,000 | 16,061 | +17% |
| Pre-tax Profit   | 13,927 | 15,000 | 16,174 | +16% |
| Net Profit       | 8,878  | 9,000  | 10,428 | +17% |

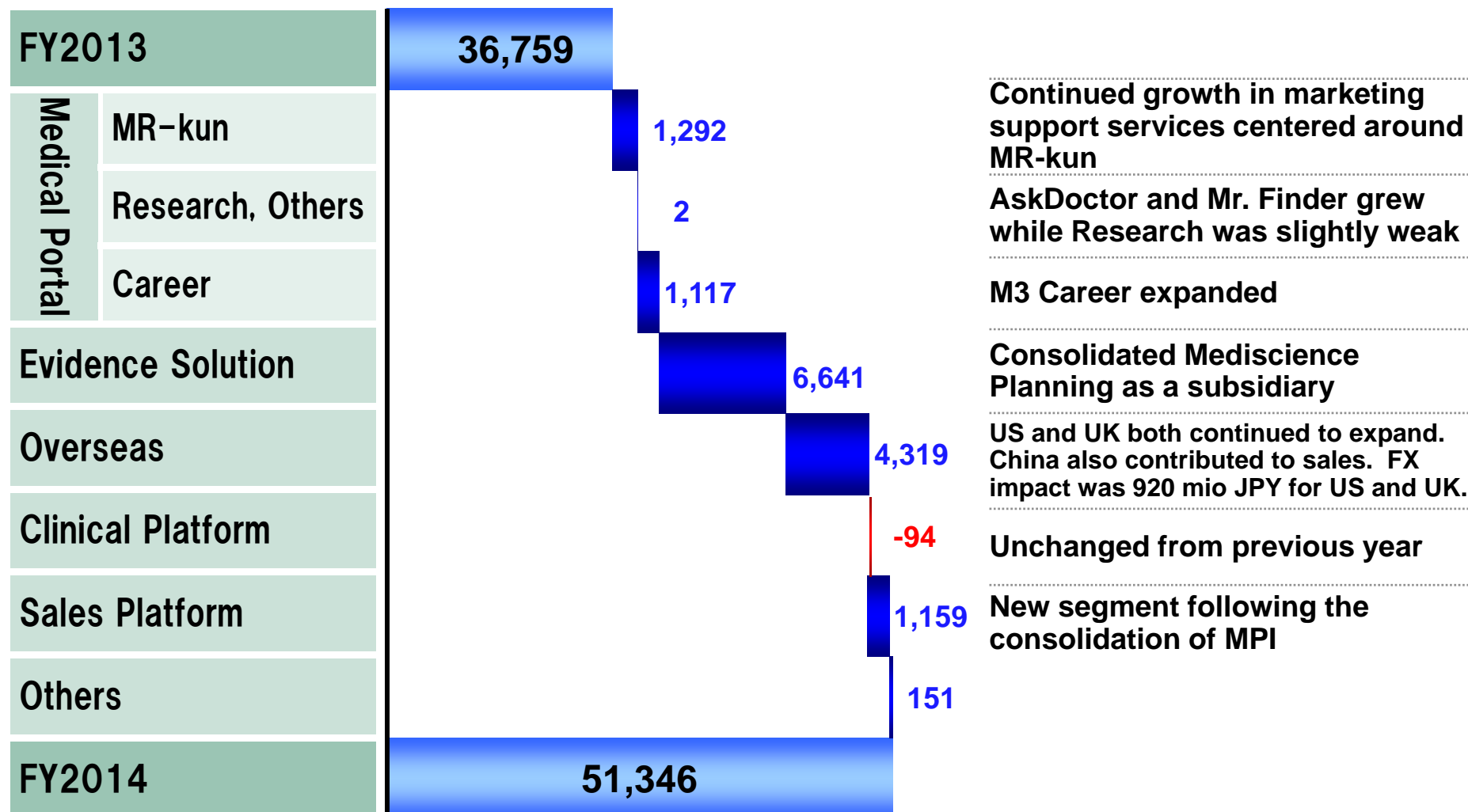
- FY13 includes 1 bio yen in extraordinary profit from consolidation of MPI
- Exempt of this extraordinary profit, Operating Profit growth was **+26.4%**

- FY14-end dividend: 8 yen

# FY2014 Consolidated Sales Analysis (YoY)

IFRS basis

(mn yen)



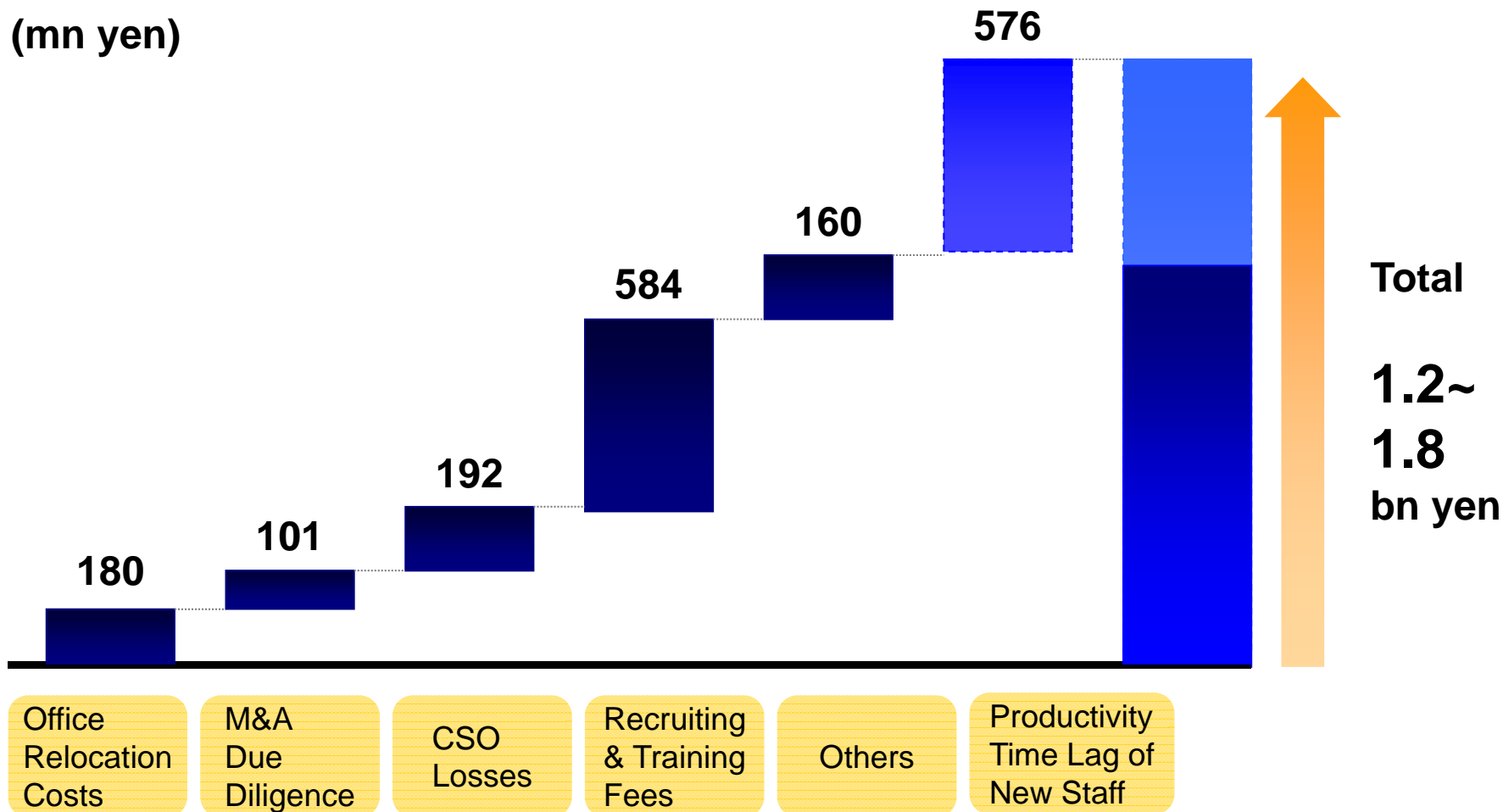
**Steady growth momentum continues across all segments**

# FY2014 Consolidated Results by Segment

IFRS basis

| (mn yen)          |        | FY2013 | FY2014 | YoY         |
|-------------------|--------|--------|--------|-------------|
| Medical Portal    | Sales  | 20,025 | 22,436 | +12%        |
|                   | Profit | 1,1035 | 12,890 | +17%        |
| Evidence Solution | Sales  | 6,554  | 13,195 | +101%       |
|                   | Profit | 1,158  | 1,799  | +55%        |
| Overseas          | Sales  | 6,661  | 10,980 | +65%        |
|                   | Profit | 1,025  | 1,430  | +40%        |
| Clinical Platform | Sales  | 2,912  | 2,818  | ▲3%         |
|                   | Profit | 286    | 290    | +1%         |
| Sales Platform    | Sales  | 96     | 1,255  | approx. 13x |
|                   | Profit | ▲38    | ▲192   | -           |
| Others            | Sales  | 1,097  | 1,484  | +35%        |
|                   | Profit | ▲52    | 49     | -           |

# Special Upfront Investment Costs for Future Growth



 Upfront investment costs in anticipation of future growth is expected to dampen profits by 1.2 ~ 1.8 bn yen. Profit contribution from current investments expected sometime next fiscal year.

---

# Current Business Situation and Outlook



# Summary (1)

## MR-kun Family

- +12% yoy growth. Spot type services such as “One Point eDetail” showed strength, aside from steady growth of MR-kun.

## M3 Career

- Sales increased 24% yoy and operation profit increase by 61%. Sales for the mainstay service for doctors grew at 43% yoy, providing traction.

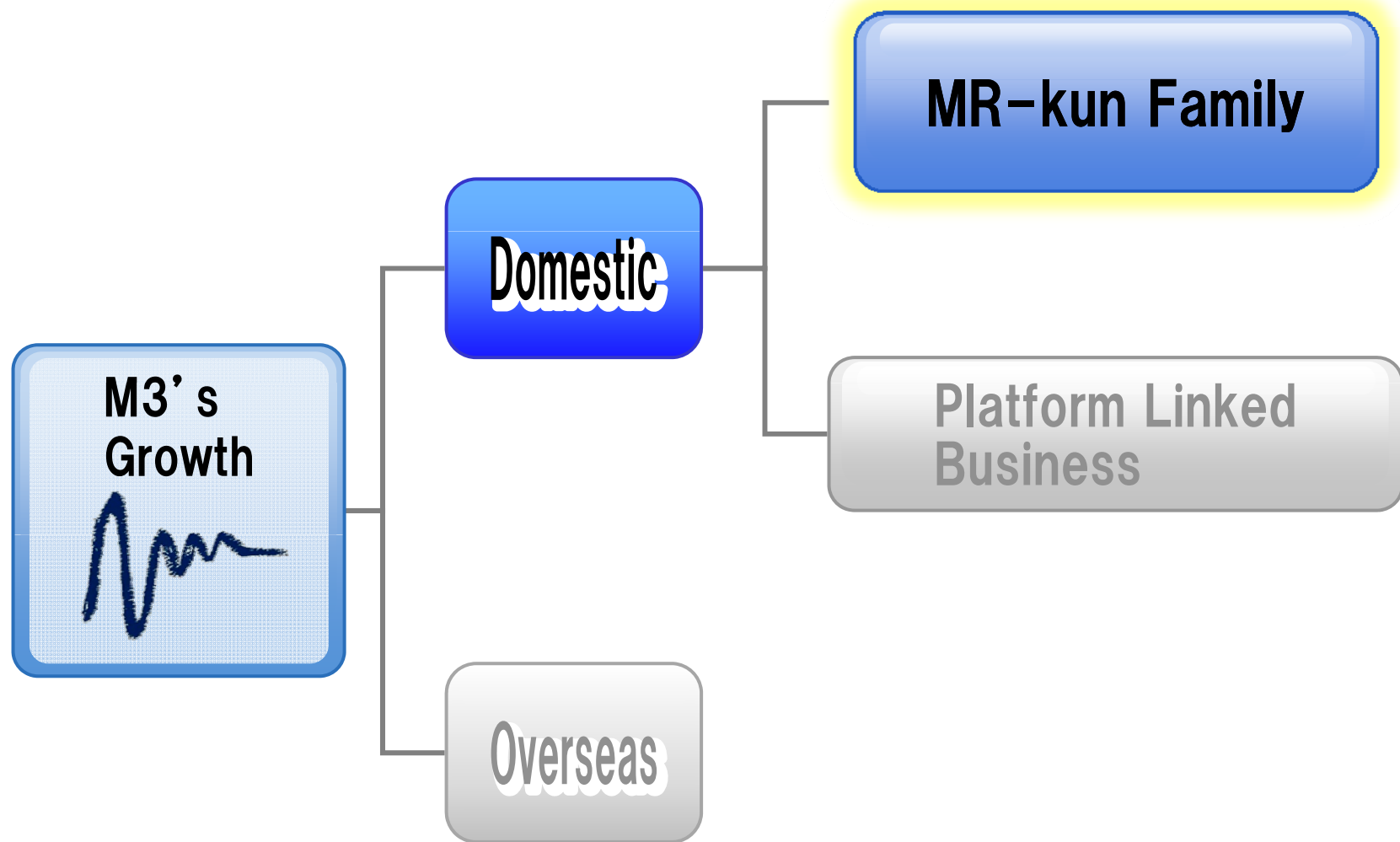
## Evidence Solution

- Sales doubled, increasing 101% yoy, with segment profits higher by 55%. New orders remained steady, with backlog increasing to 19.2 bn yen.
- Acquired the SMO, Neues. Now industry top class in scale for SMOs, following the lead in CROs.
- Acquired IDA. Expansion of global drug development in Japan and Asia centered around support for overseas bio-pharma companies.

## Summary (2)

### Overseas

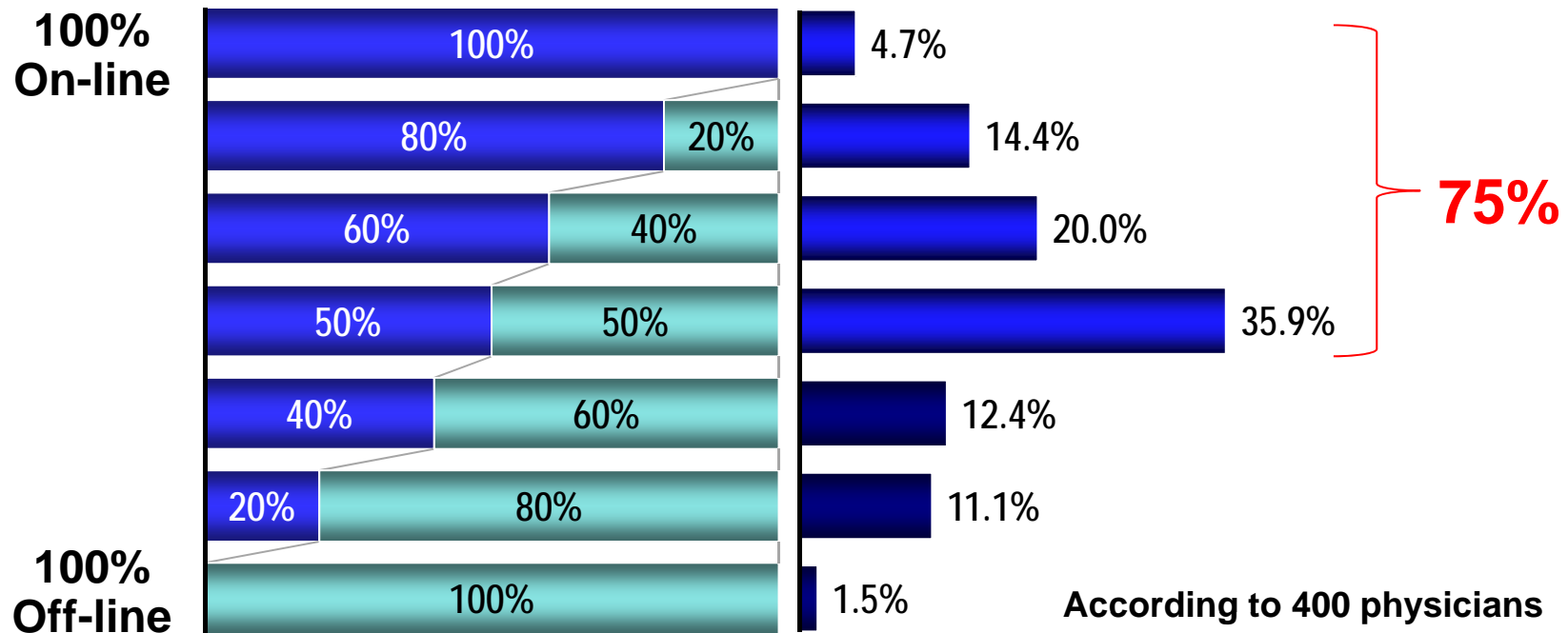
- Sales grew 65% yoy to top 10 bn yen. Segment profit grew 40% yoy to approx. 1.4 bio yen. Profitable across all countries, US, UK, China, and Korea.
- US: Full-scale entry into physician job placement service through acquisition of Practice Match and NEPRC
- China: Steady growth in MR-kun with contracts now signed for 3 drugs.



# Doctor Demand for On-Line Detailing

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

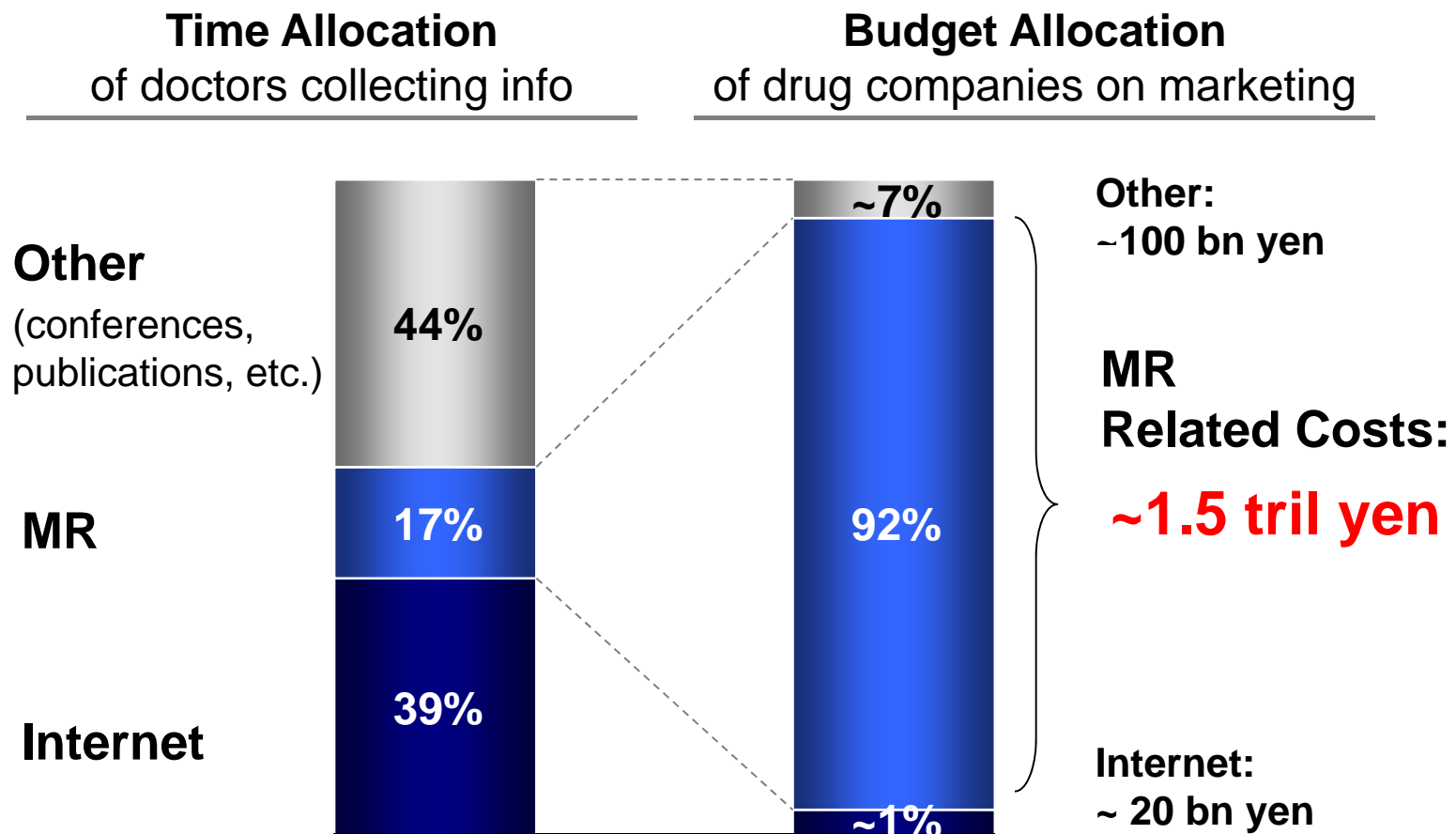
**A.**



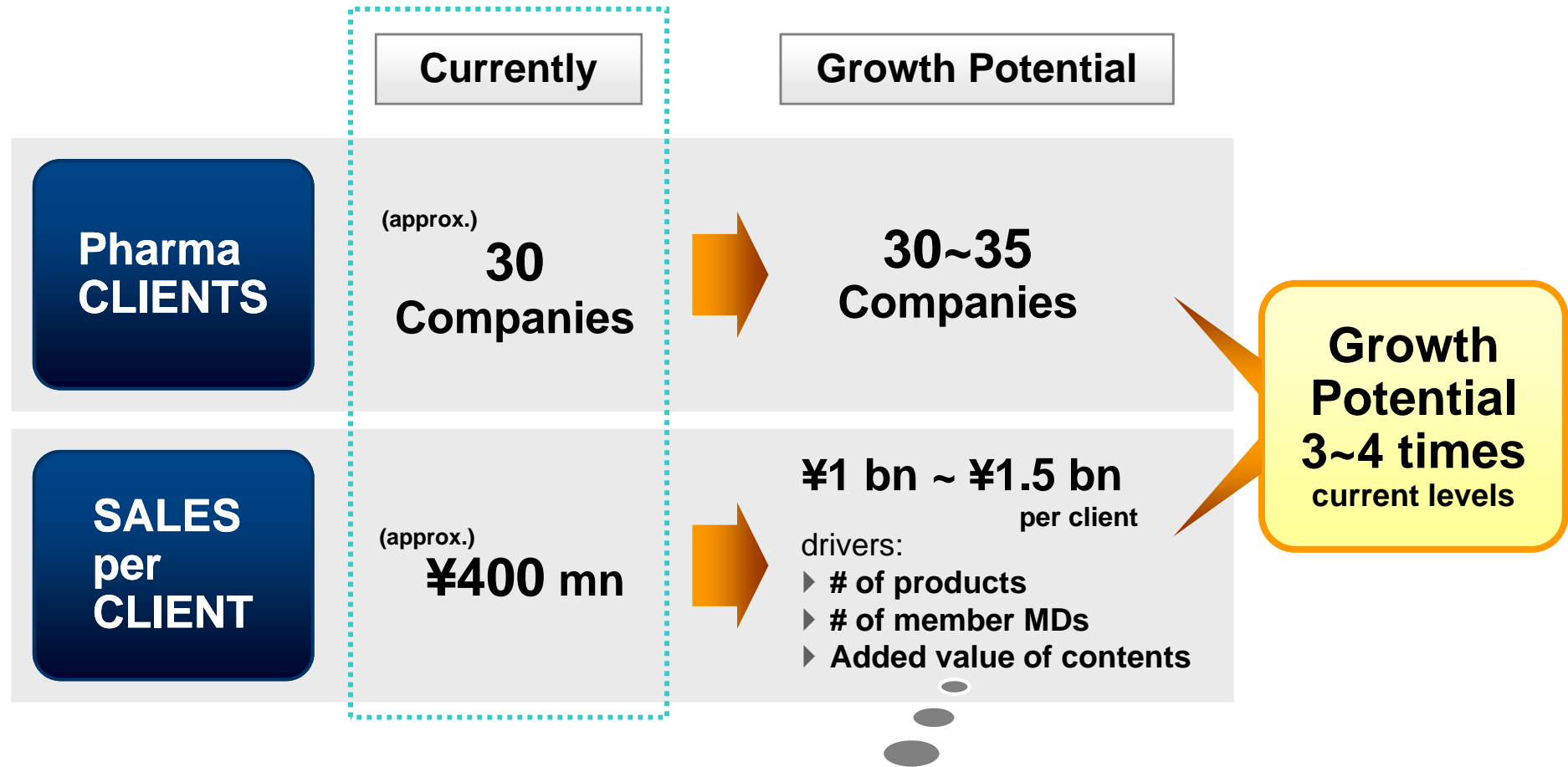
**👉 High demand for on-line detailing from busy physicians that prefer on-demand and timely information, without the limitations imposed by off-line MRs.**

# 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.



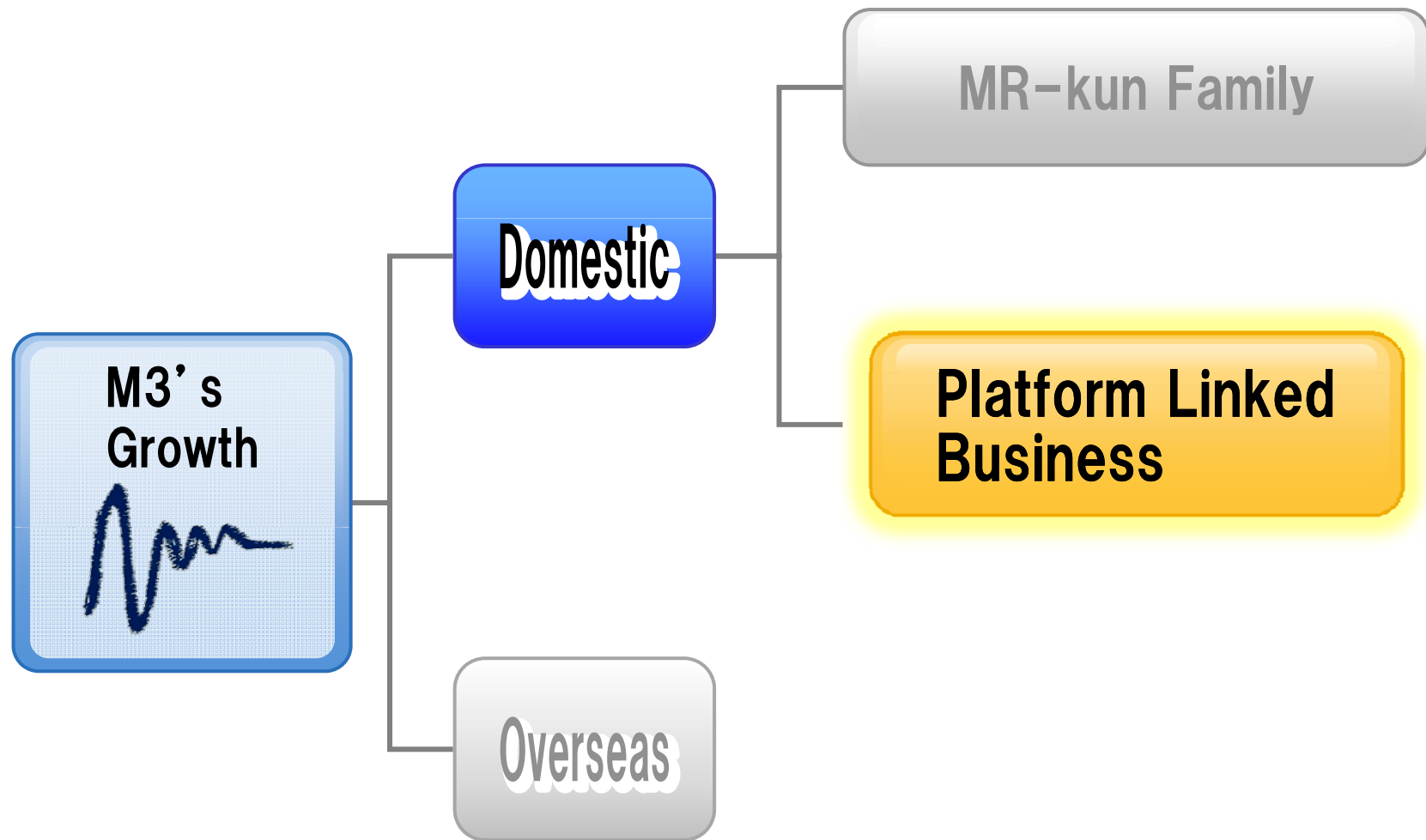
# MR-kun Family's Growth Potential in Japan



Broadening of usage across entire service line-up:  
Average revenue from **top 10** clients grew at **15+% YoY**

# MR-kun Family Fee Structure (annual)

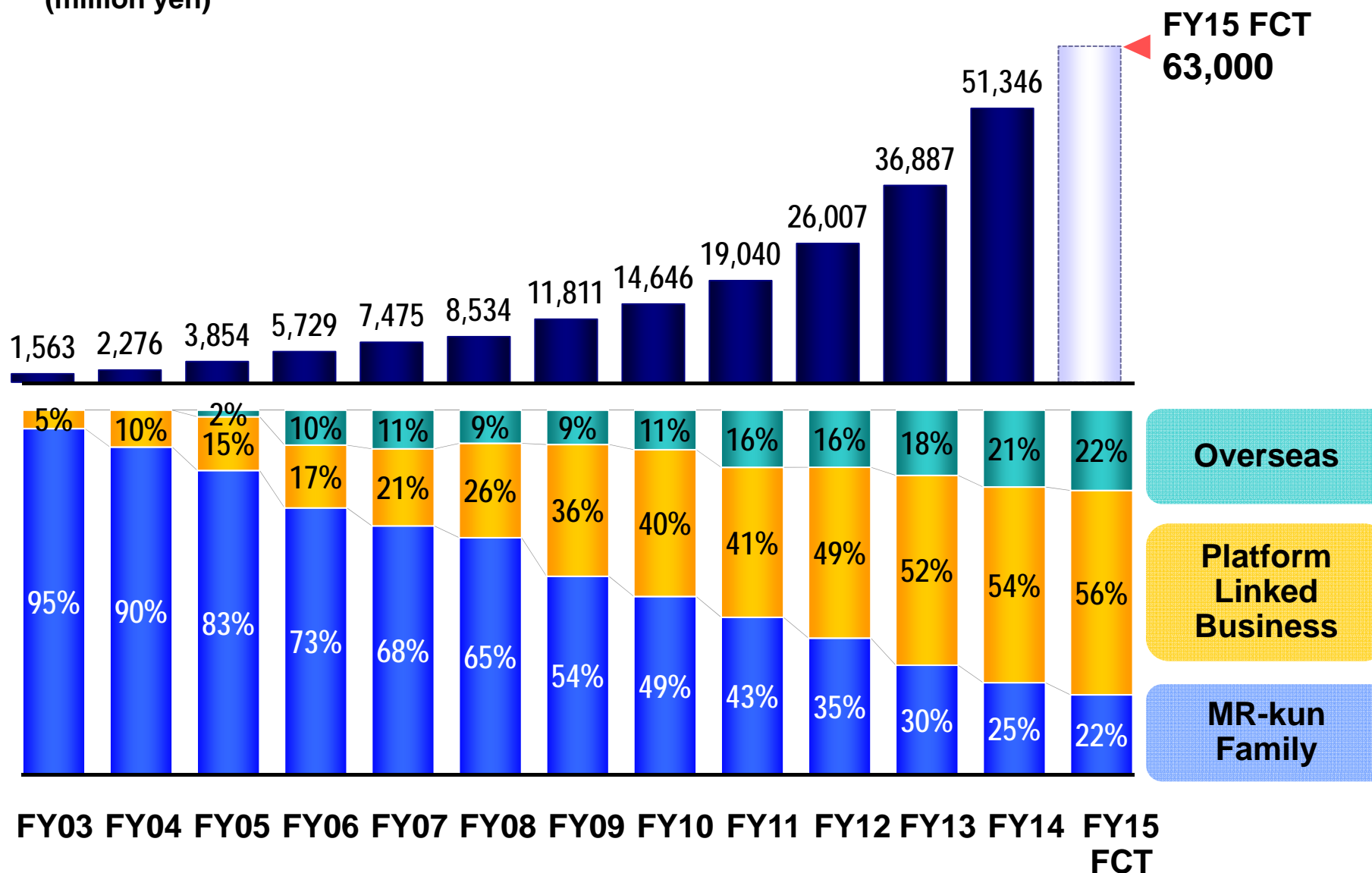
|                                      | MR-kun<br>Base & Operation fee                      | Detail fee<br>¥100 per detail sent | Contents<br>Production fee<br>Production of<br>customized detail<br>contents | Other MR-kun<br>Family Services<br>Web Symposiums,<br>One Point eDetails, etc |
|--------------------------------------|---|-----------------------------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



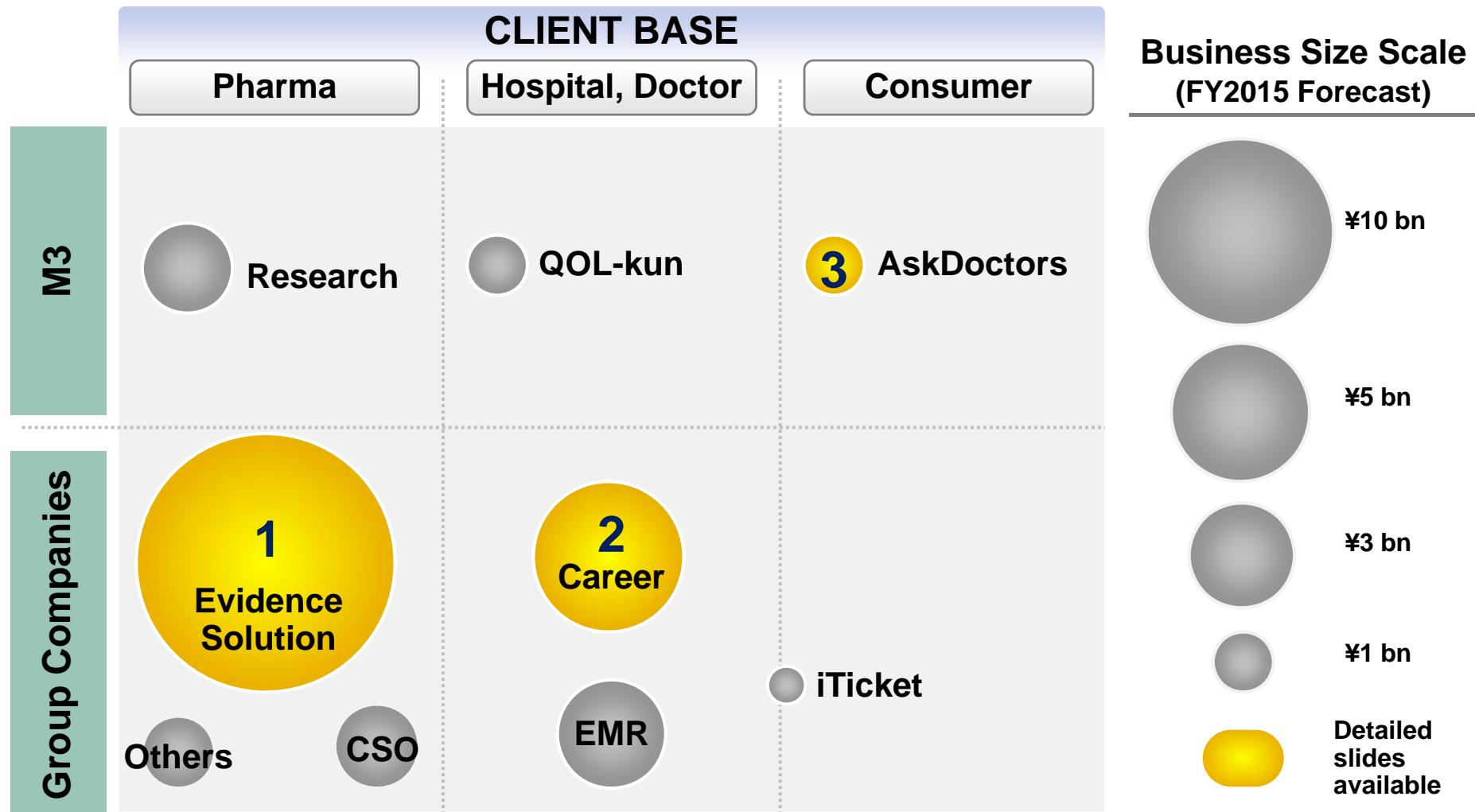


# Consolidated Sales Trend

(million yen)



# Platform Linked Business Development



Total revenue of new 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



**“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**

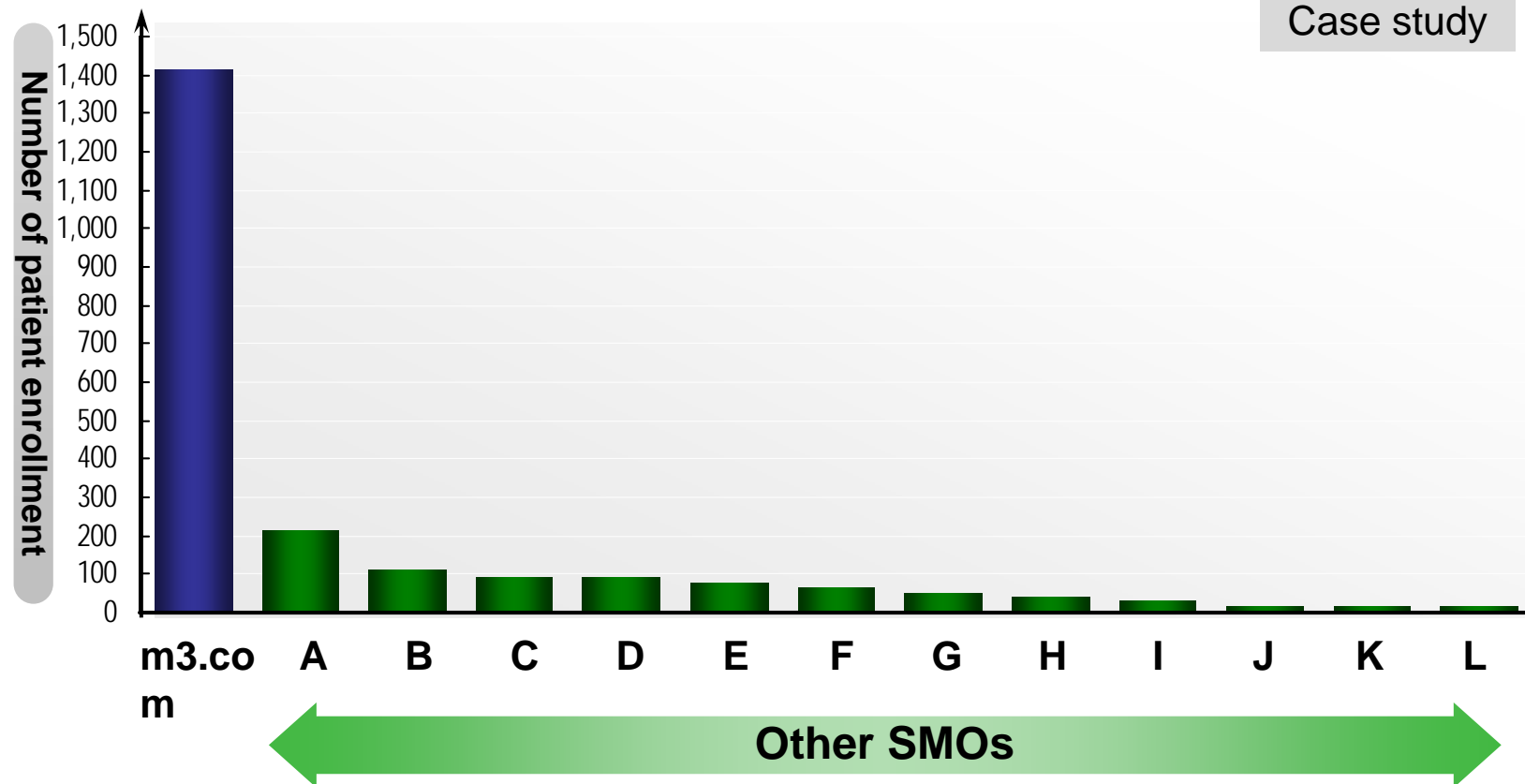
**Going  
Forward**

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

# Patient Enrollment in Large-Scale Trials

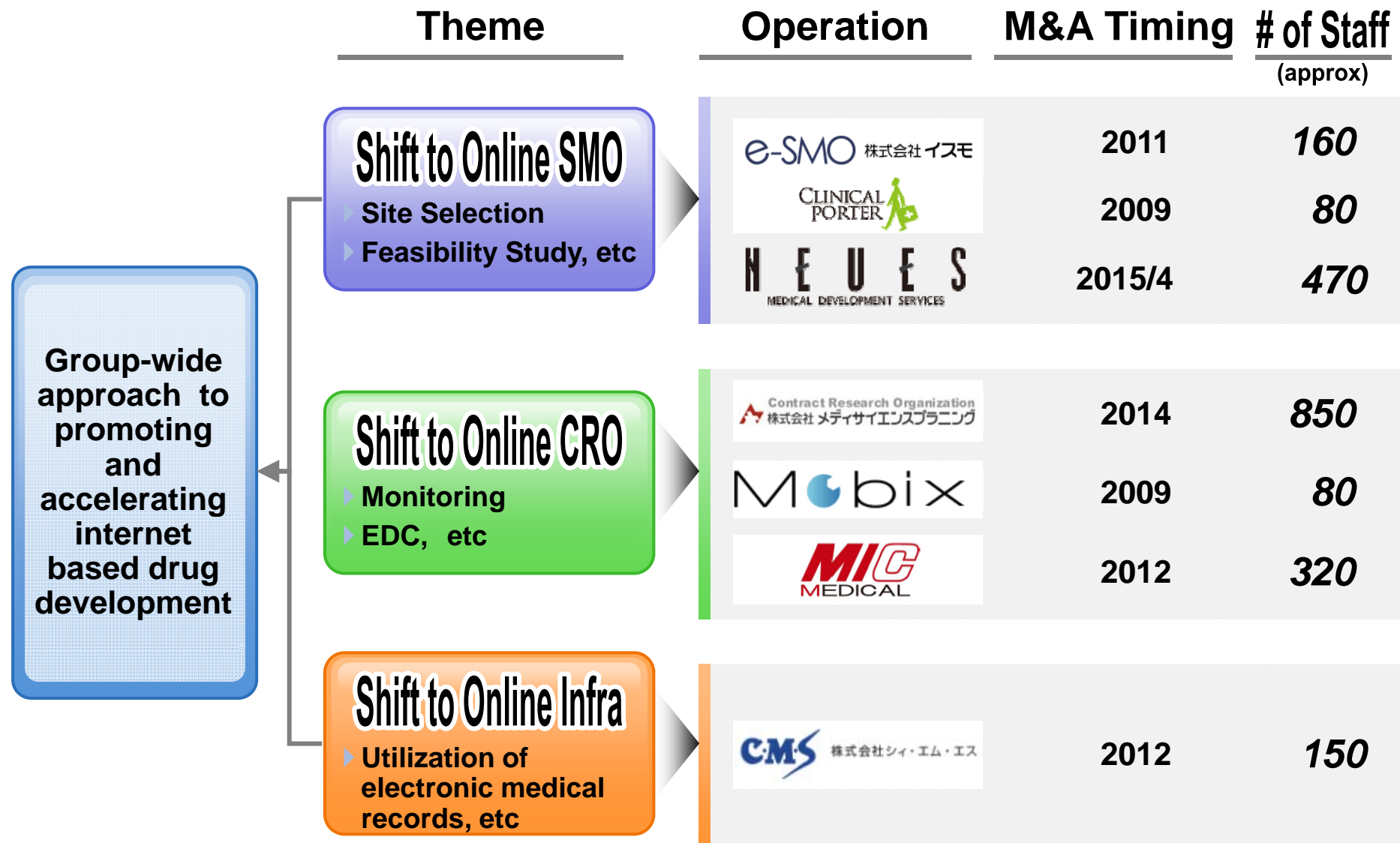
**1** Evid Sol

**M3.com doctors enrolled five times more patients**  
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  | Cimic                      | 780        |  |
|    | <b>M3 Group</b>            | <b>780</b> |  |
| 3  | Quintiles                  | 600        |  |
| 4  | Parexel                    | 550        |  |
| 5  | <b>MEDISCENCE PLANNING</b> | 478        |  |
| 6  | A2 Healthcare              | 380        |  |
| 7  | <b>MIC Medical</b>         | 260        |  |
| 8  | Linical                    | 170        |  |
| 9  | Intellim                   | 90         |  |
| 10 | Bell Medical Solutions     | 80         |  |
|    | <b>Mebix</b>               | 42         |  |

\* Data from MIC Research Institute Ltd.

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

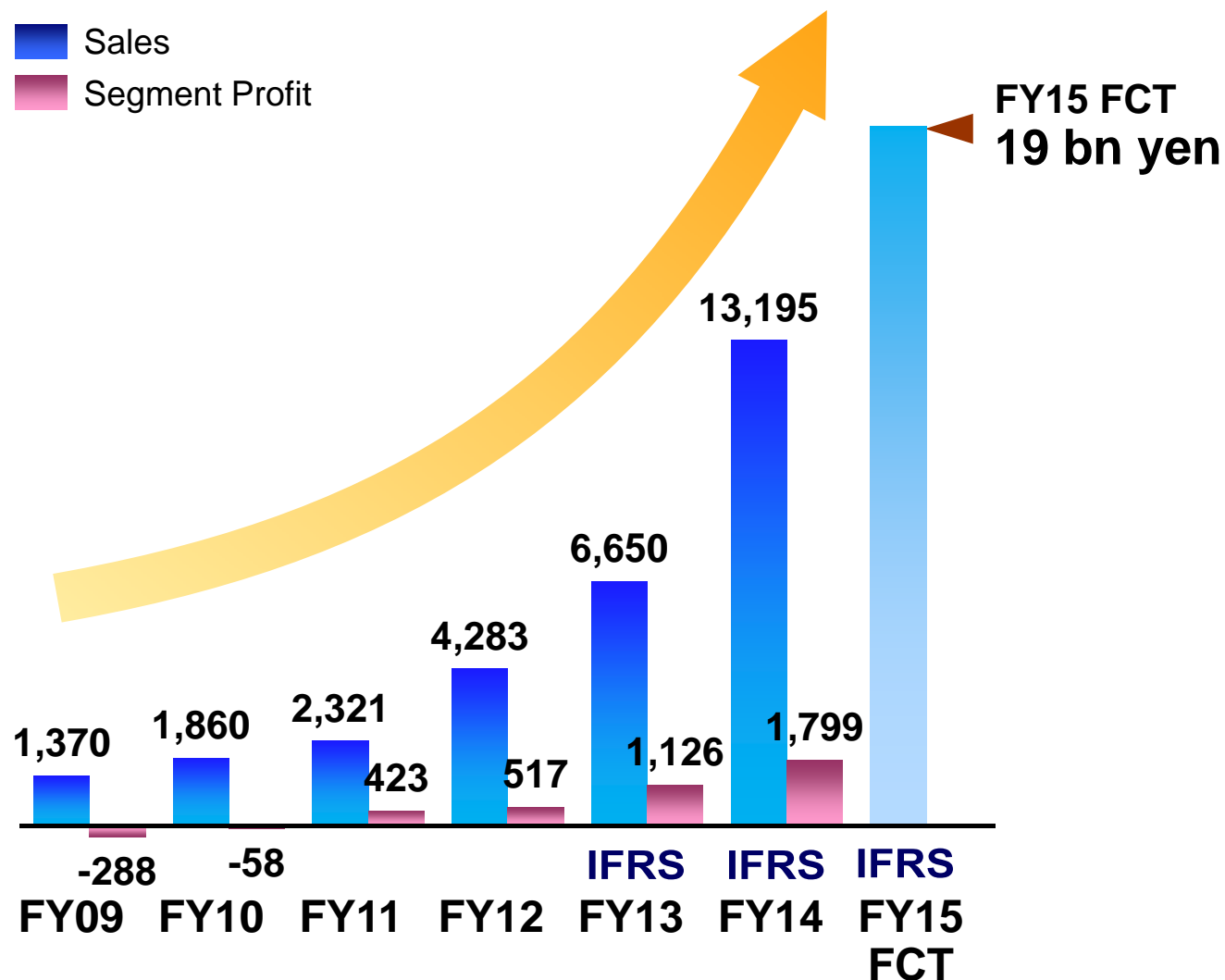
# Sales and Profit Trend of Evidence Solution

**1** Evid Sol

(mn yen)

IFRS basis

■ Sales  
■ Segment Profit



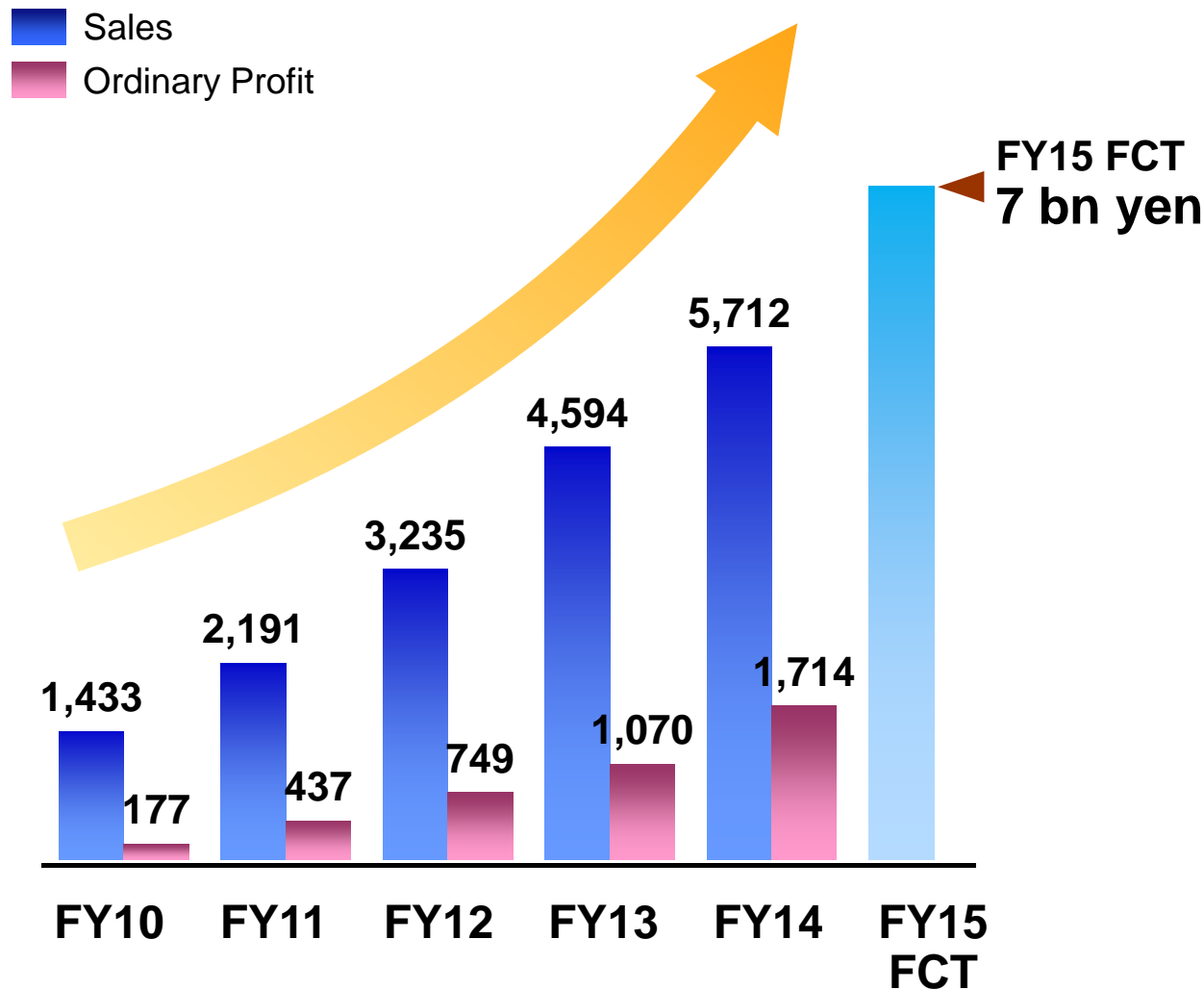
- Orders backlog now at **19.2bn yen**, with corresponding increases in headcount as upfront investment.
- Growth to **19 bn yen** in top line expected for FY15
- Acquired the SMO, Neues, in April 2015. Now in top ranks in scale amongst SMOs, in line with our status amongst CROs.

# Sales and Profit Trend of M3 Career

2 Career

(mn yen)

JGAAP basis



- Successful integration of newly-hired staff has improved productivity
- FY2014 saw growth driven by physician job placement, and a corresponding rise in profits
- FY2015 should see continued traction from job placement for doctors. Targeting approx. 30% top-line growth



# AskDoctors Rating Service



## Service Outline

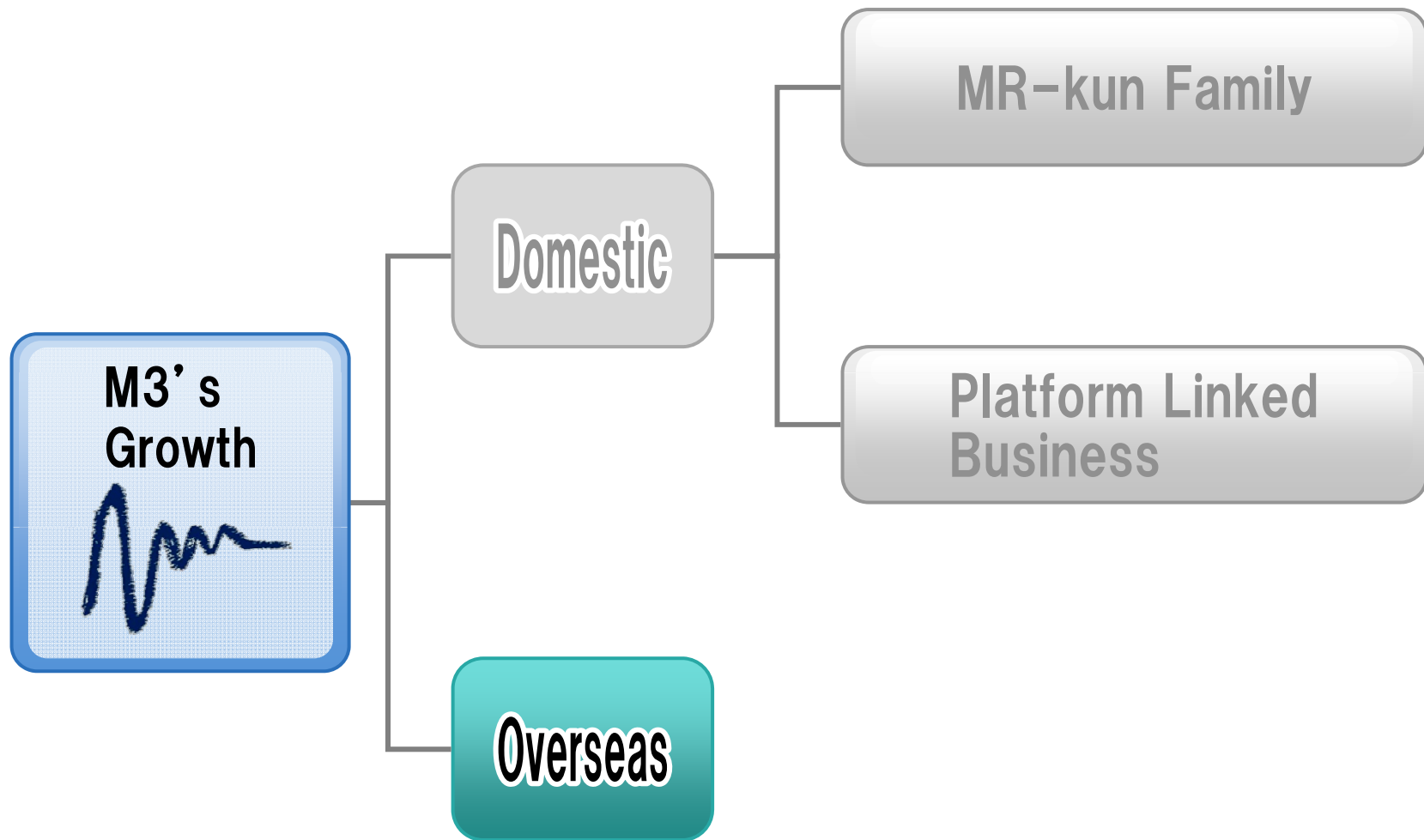
- Provide doctors' ('00~'000) objective evaluations on manufactured goods deemed to have health benefits
- Certify products that meet specific rating criteria

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

## Main Clients and Products (15+ products certified)

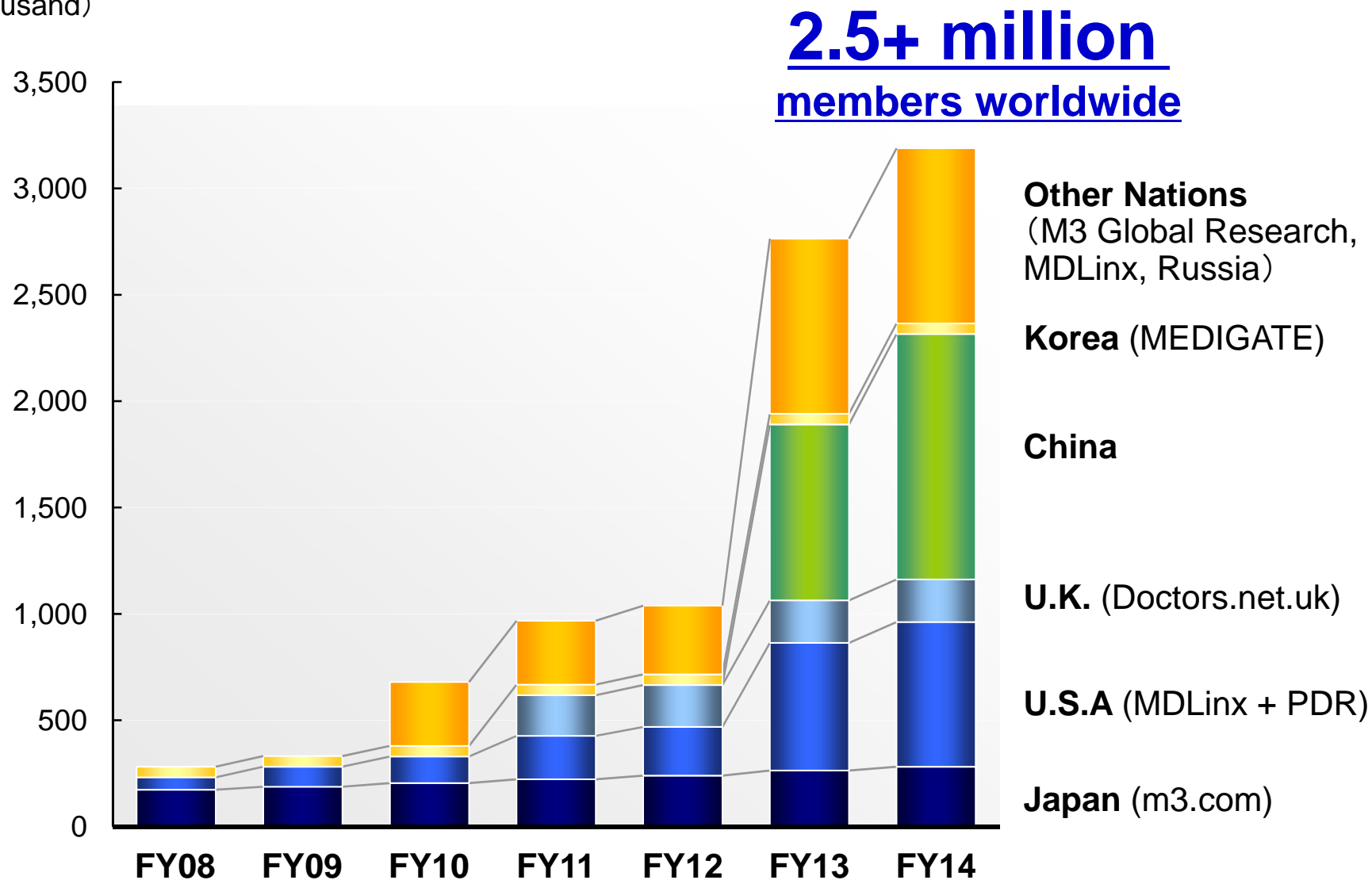


- 👉 Revisions in food labeling laws and subsequent increase in media coverage expected to increase demand from large national brands.



# 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 banner for 'Get paid for your opinion' with a sign-up link. The navigation bar features links for Home, Your Messages (23), Smartest Doc, Physician Jobs (365), Clinical Trials, and More. 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 recent publications on topics like lung cancer and ovarian cancer; 'Clinical Pearls in Oncology' with a list of clinical insights; and 'Highlights in Oncology' with a specific highlight on VEGFR-1 as a prognostic marker for HCC. On the right side, there are promotional banners for 'Post your CV and let employers find you!' and 'UPCOMING Clinical 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 PracticeMatch and NEPRC

- Initiated full scale job placement services

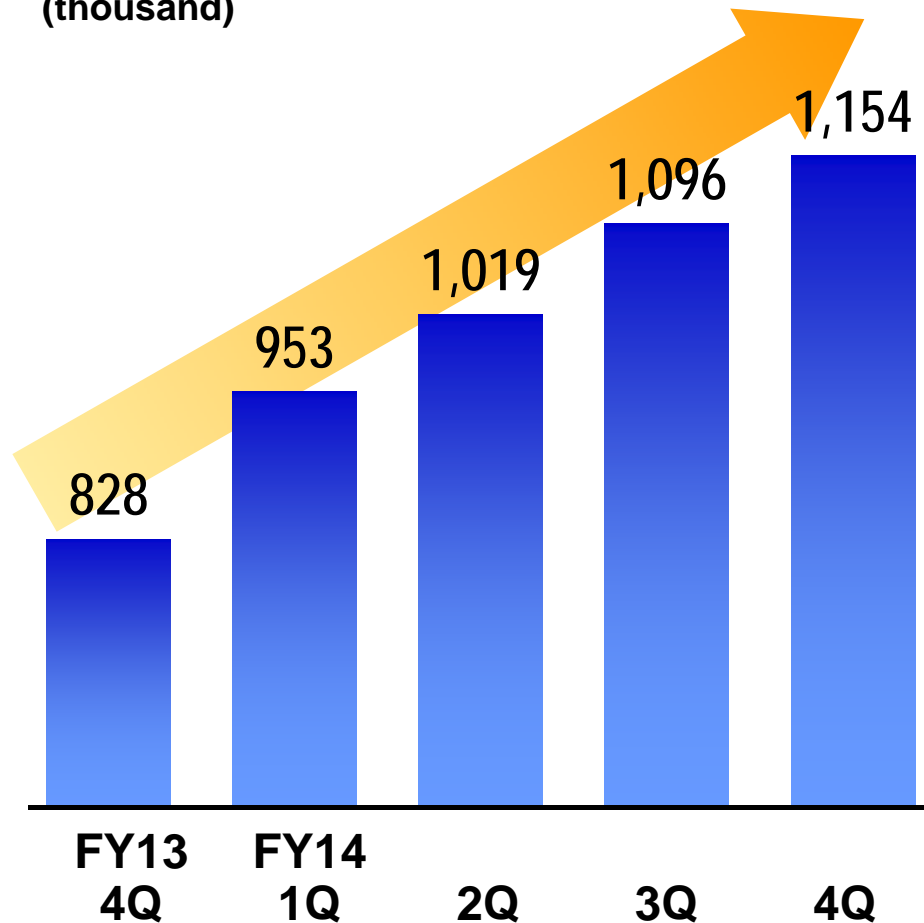
- Business expansion through transfer of expertise acquired at M3 Career in Japan

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

# Development in China

## Number of Physician Members

(thousand)

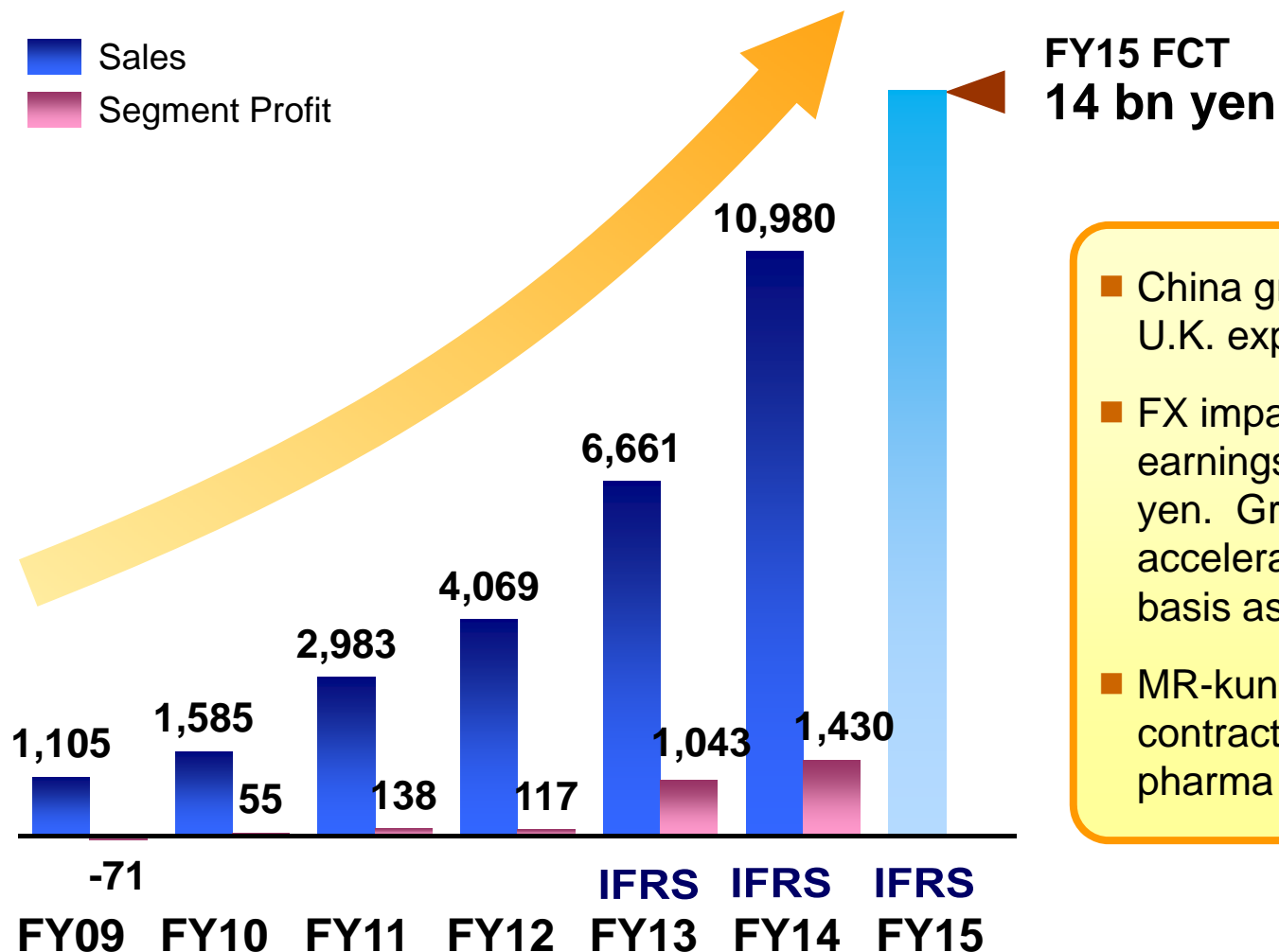


- 1 million+ in members covers 50% of the doctor population in China
- Marketing support and research services expanded in line with platform development
- Seasonality and re-evaluation of work-in-progress resulted in losses for Q4
- Chinese MR-kun contracts now signed for 3 drugs, with 4 more in the pipeline

# Sales and Profit Trend of Overseas

(mn yen)

IFRS basis



- China growth added to U.S. and U.K. expansion
- FX impact on U.S. and U.K. earnings amounted to 920mio yen. Growth continues to accelerate on a local currency basis as well
- MR-kun launched in the UK, contracts signed with several pharma companies

---

# 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 incl. overseas)

**Profitability**

High margin  
(Mid revenue)

High revenue  
(Mid margin)

**M&A**

Small size

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)



---

# FY 2015 Forecast

# FY2015: Main Business Outlook (1)

## MR-kun Family

- Next level in breadth and depth
  - Breadth: Steady development of a variety of new services in addition to MR-kun, catering to diverse drug marketing needs
  - Depth: Expansion of comprehensive marketing support through strategic alliances encompassing firm-wide functions at drug companies (no longer limited to per-drug based services)

## M3 Career

- Predominant No.1 position in Japan in job placement services for both doctors and pharmacists

## Evidence Solution

- Now top class amongst SMOs after acquisition of Neues. Orders expected to expand further via services differentiated through CRO+SMO+M3
- Continued growth expected given increasing inquiries and orders backlog that tops 1.9 bn yen

# FY2015: Main Business Outlook (2)

## Overseas

- Business expansion across all regions

US: Third pillar of growth with the launch of career services for physicians, on top of marketing research and marketing support services

UK, China: Newly launched MR-kun services are growing to become established as a new venue of marketing

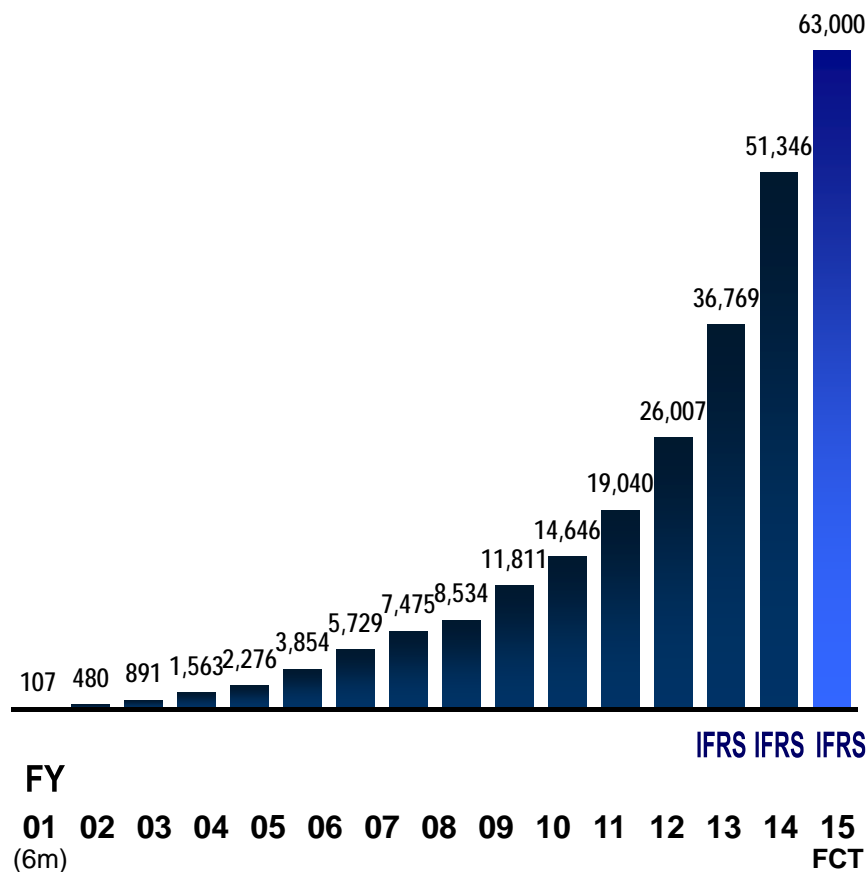
## New

- Genome business in preparation for launch

# Annual Results & Forecast for FY2015

## Sales

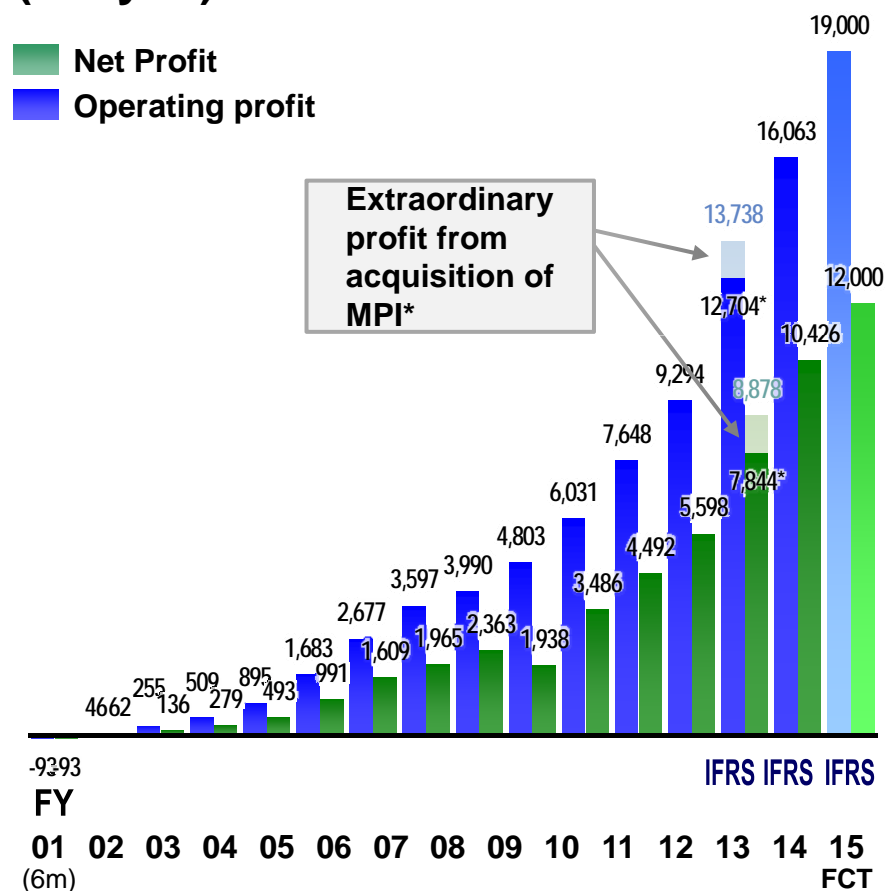
(mn yen)



## Operating Profit & Net Profit

(mn yen)

Net Profit  
Operating profit



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

# FY2015 Budget Premises

## TOP LINE

- Opportunities factored in on a conservative and partial basis
- Tentative new businesses and M&As are not included

## COST

- Aggressive hiring to continue in anticipation of future growth.  
Expected increase in headcount within the fiscal year: 500
  - M3: 80
  - M3 Career: 100
  - Medical Marketers: 120
  - CRO: 150 etc.
- 200 mn jpy appropriated for upfront investments at M3 marketing
- 300 mn jpy appropriated for advisory and M&A related fees
- 50 mn jpy appropriated for office relocation and expansion fees

# 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