

M3, Inc.

Presentation Material

April 2016





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.

FY 2015 Overview

FY2015 Consolidated Results

IFRS basis

(million yen)	Forecast		Actual	YoY
Sales	63,000	<	64,660	+26%
Operating Profit	19,000	<	20,022	+25%
Pre-tax Profit	19,000	<	19,950	+23%
Net Profit	12,000	<	13,493	+29%

■ FY15-end dividend: 9 yen

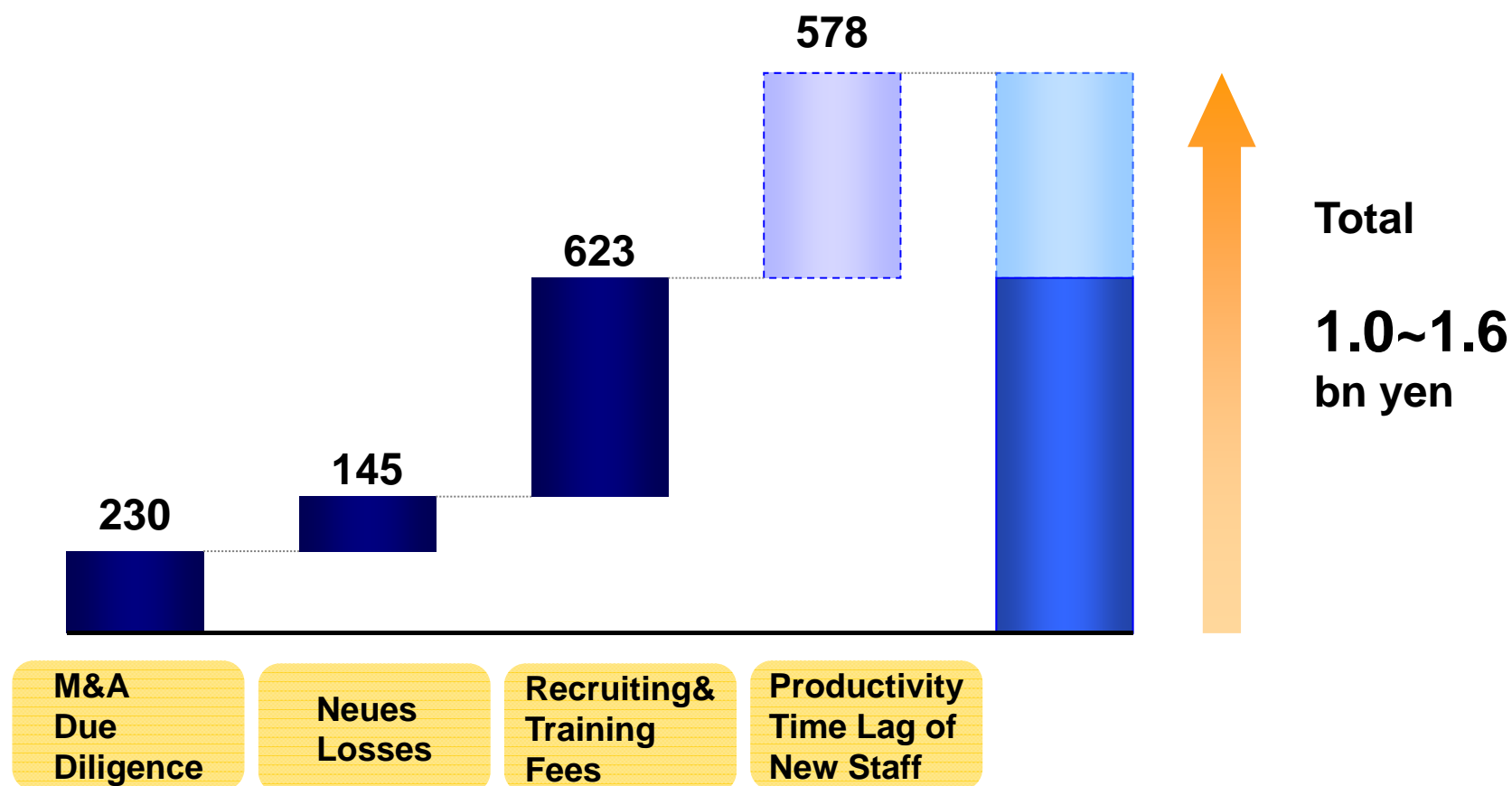
FY2015 Consolidated Results by Segment

IFRS basis

(mn yen)		FY2014	FY2015	YoY
Medical Portal	Sales	22,436	25,234	+13%
	Profit	12,890	14,844	+15%
Evidence Solution	Sales	12,195	19,992	+52%
	Profit	1,799	3,908	+117%
Overseas	Sales	10,980	13,810	+26%
	Profit	1,430	1,614	+13%
Clinical Platform	Sales	2,818	2,902	+3%
	Profit	290	239	-18%
Sales Platform	Sales	1,255	1,283	+2%
	Profit	(192)	(5)	—
Others	Sales	1,484	2,574	+74%
	Profit	49	532	approx. 11x

Special Upfront Investment Costs for Future Growth

(million yen)



 One-time costs in anticipation of future growth is expected to dampen profits by 1.0 ~ 1.6 bn yen. Aggressive upfront investment to continue.

Current Business Situation and Outlook

Overview

MR-kun Family

- Revival of activity from key clients, along with increased penetration of all clients and new contracts drove growth back to normal trends. 4Q reverted back double digit growth at +22% yoy.

Career

- Cumulative sales grew +21% yoy to 6.9 bn yen. Ordinary profit grew +33% yoy to reach 2.3 bn yen. Performance remains steady.

Evidence Solution

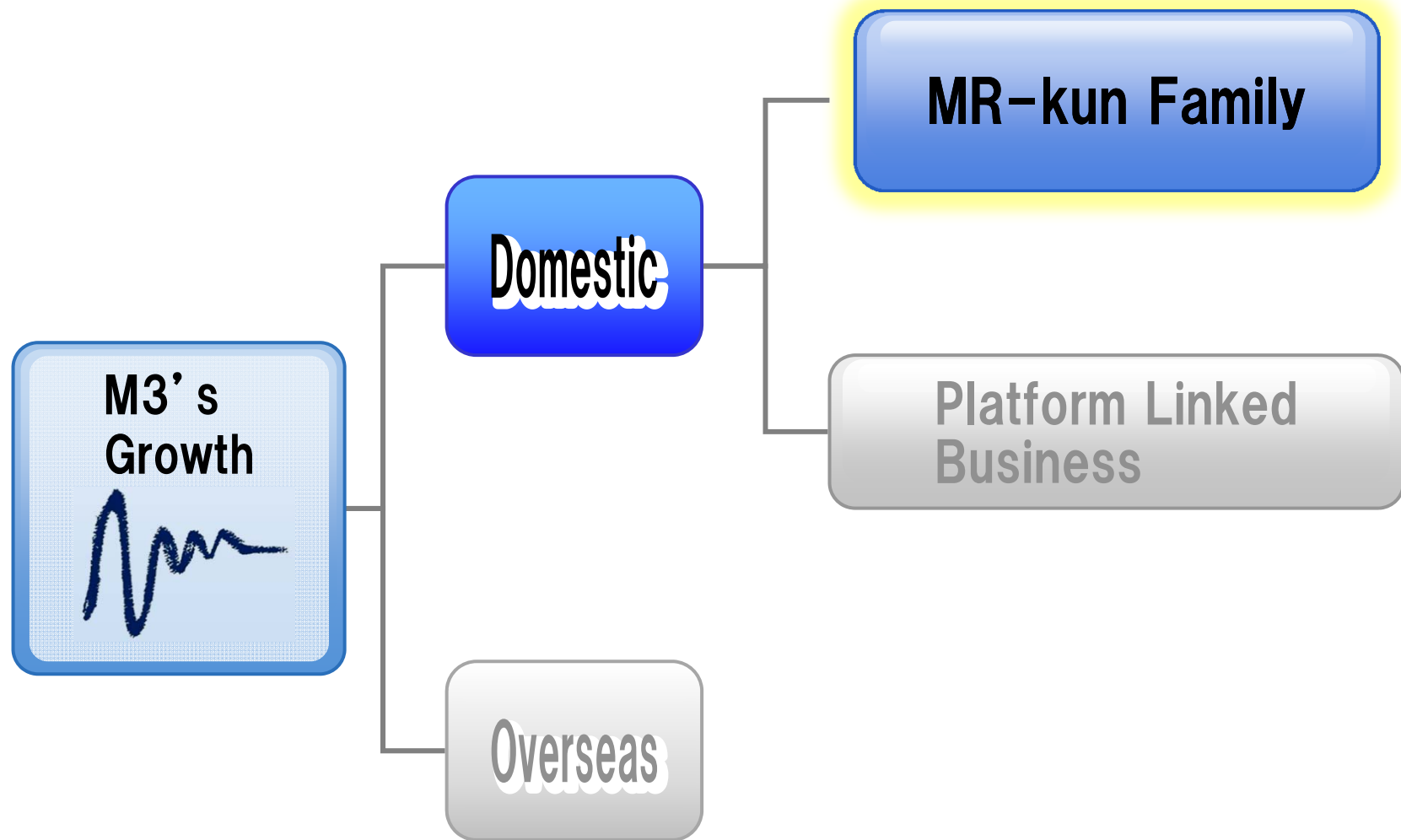
- Cumulative profits grew 2.2x yoy to 3.9 bn yen, driven by strength in orders received and steady progress of on-going projects.
- Neues turned profitable for Q4

Overseas

- U.S. : Spam issue resolved. No effect in Q4 expected.
 - Spam issue resolved with minimal impact past Q4
 - Career business grew 2.5x yoy to 2.4 bn yen, supported by M&As
- China: MR-kun contracts increased to cover 20 drugs for 10 firms, pacing above initially expected expansion speed.

M&A / New Business

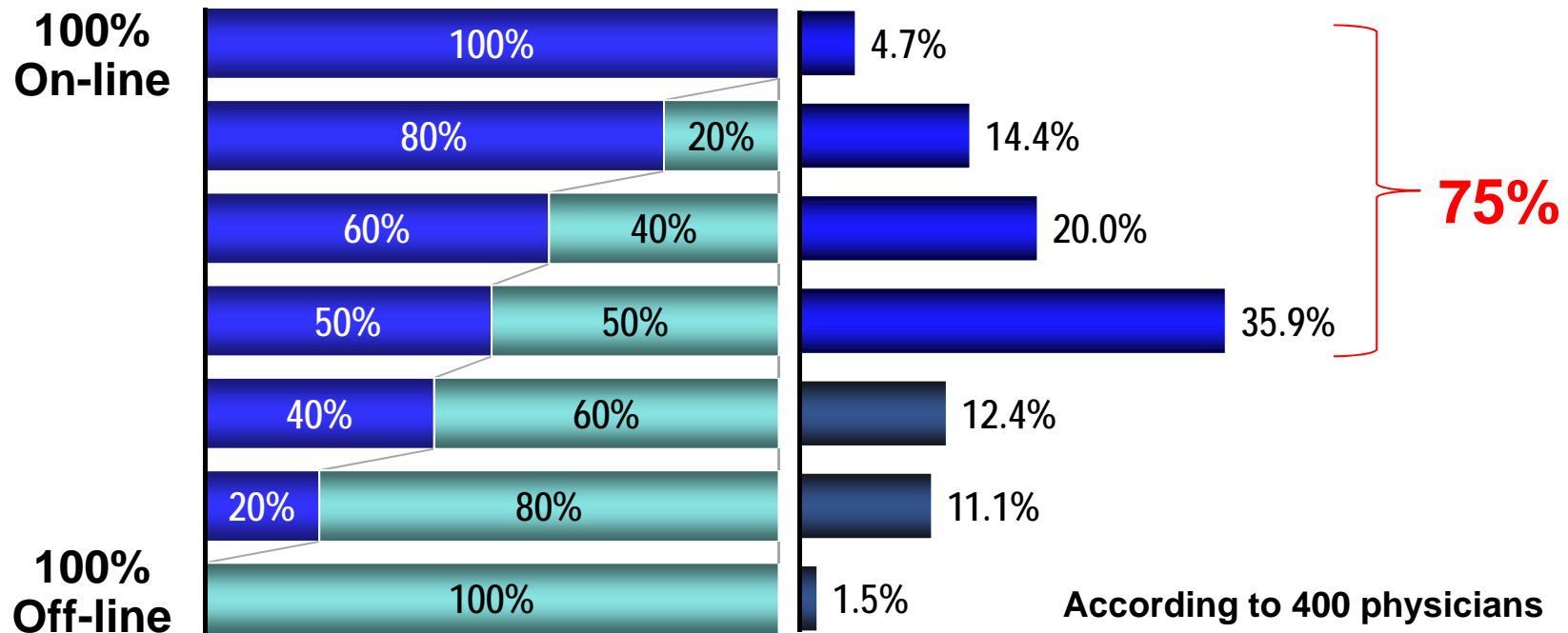
- Launched M3i, the medical equipment & biotech seed rocket business. Invested in the first seed in a next generation circulatory support system being developed by MedTecHeart.



Doctor Demand for On-Line Detailing

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

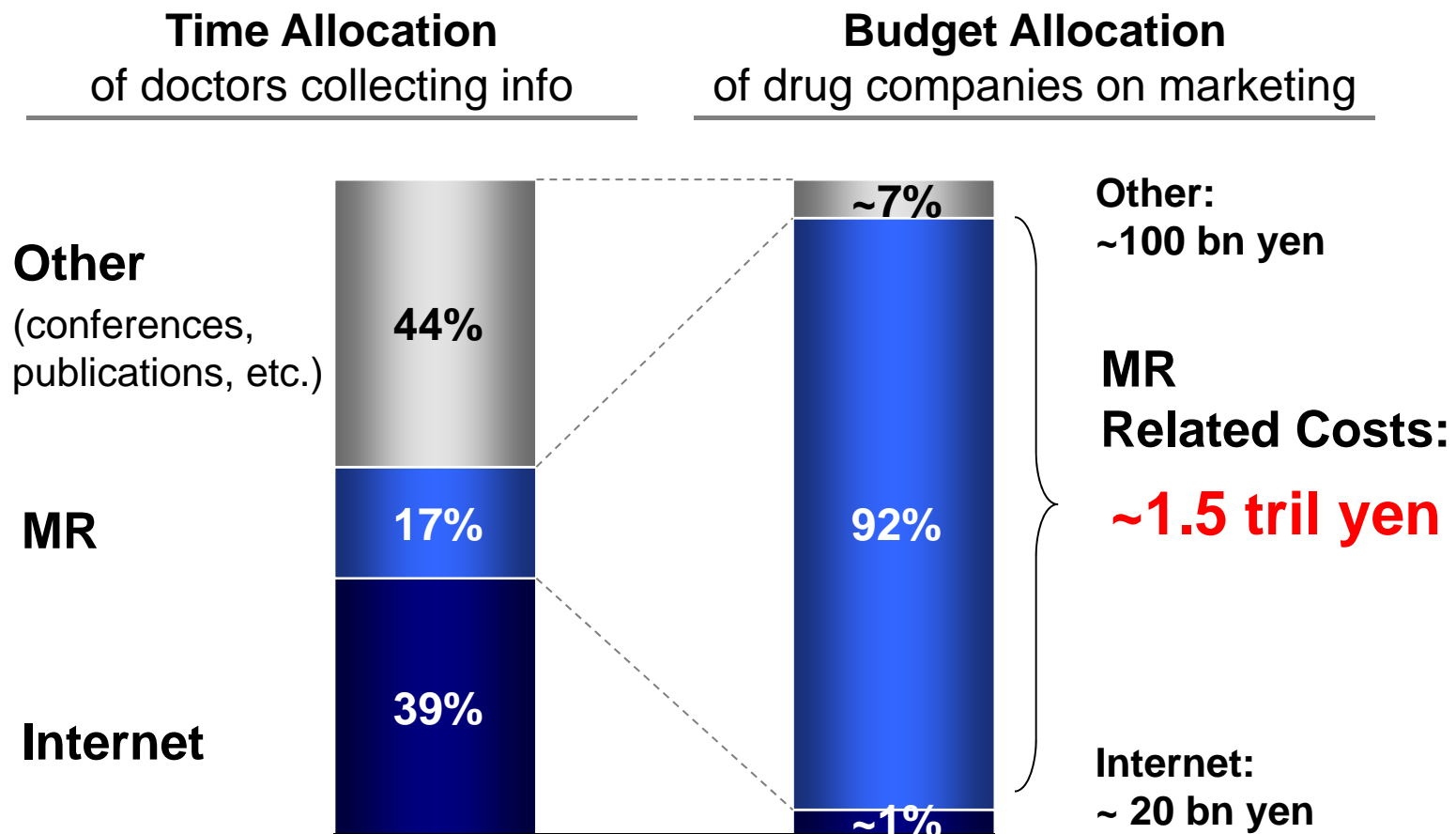
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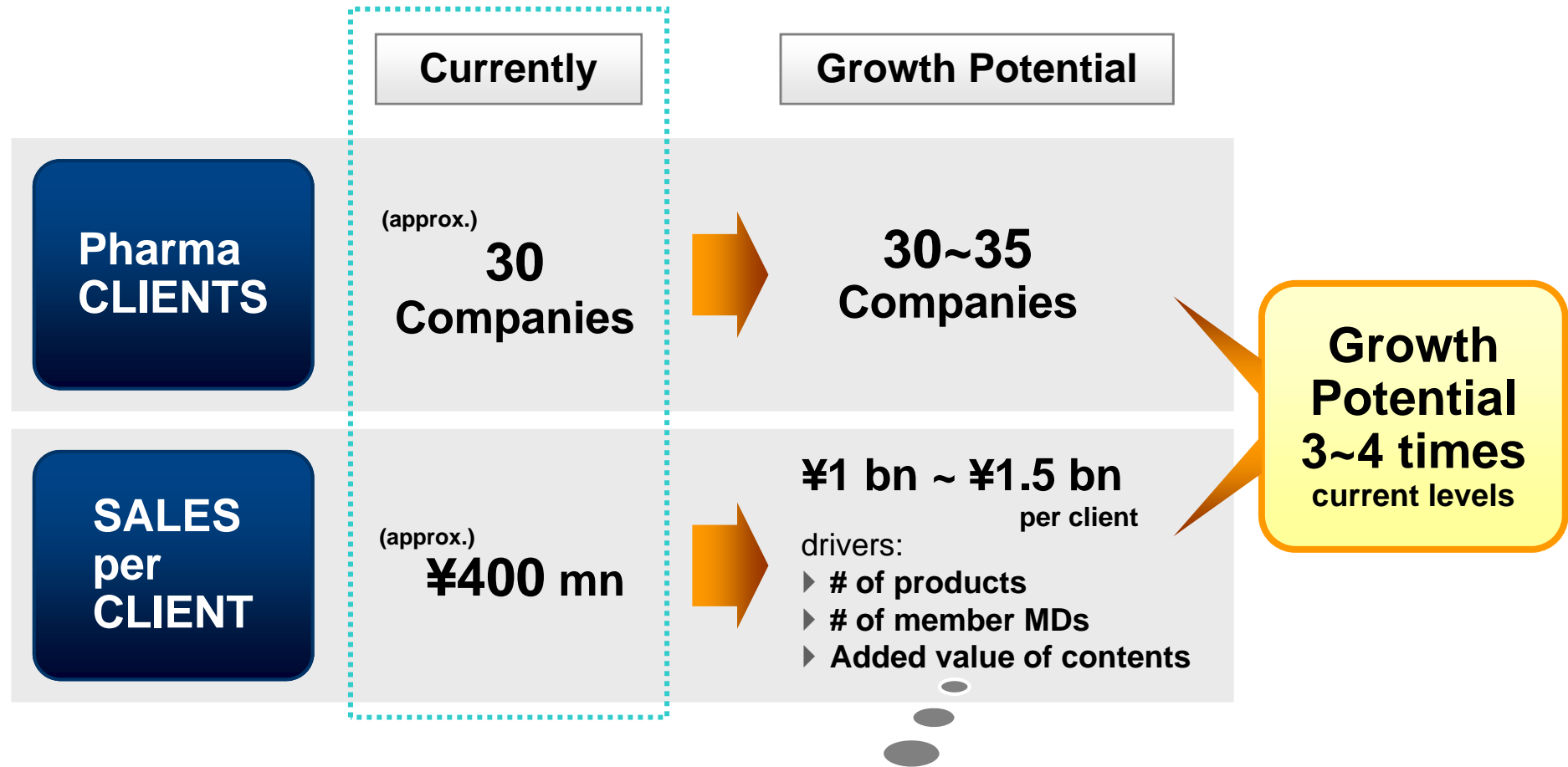
👉 High demand for on-line detailing from busy physicians that prefer on-demand and timely information, without the limitations imposed by off-line MRs.

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



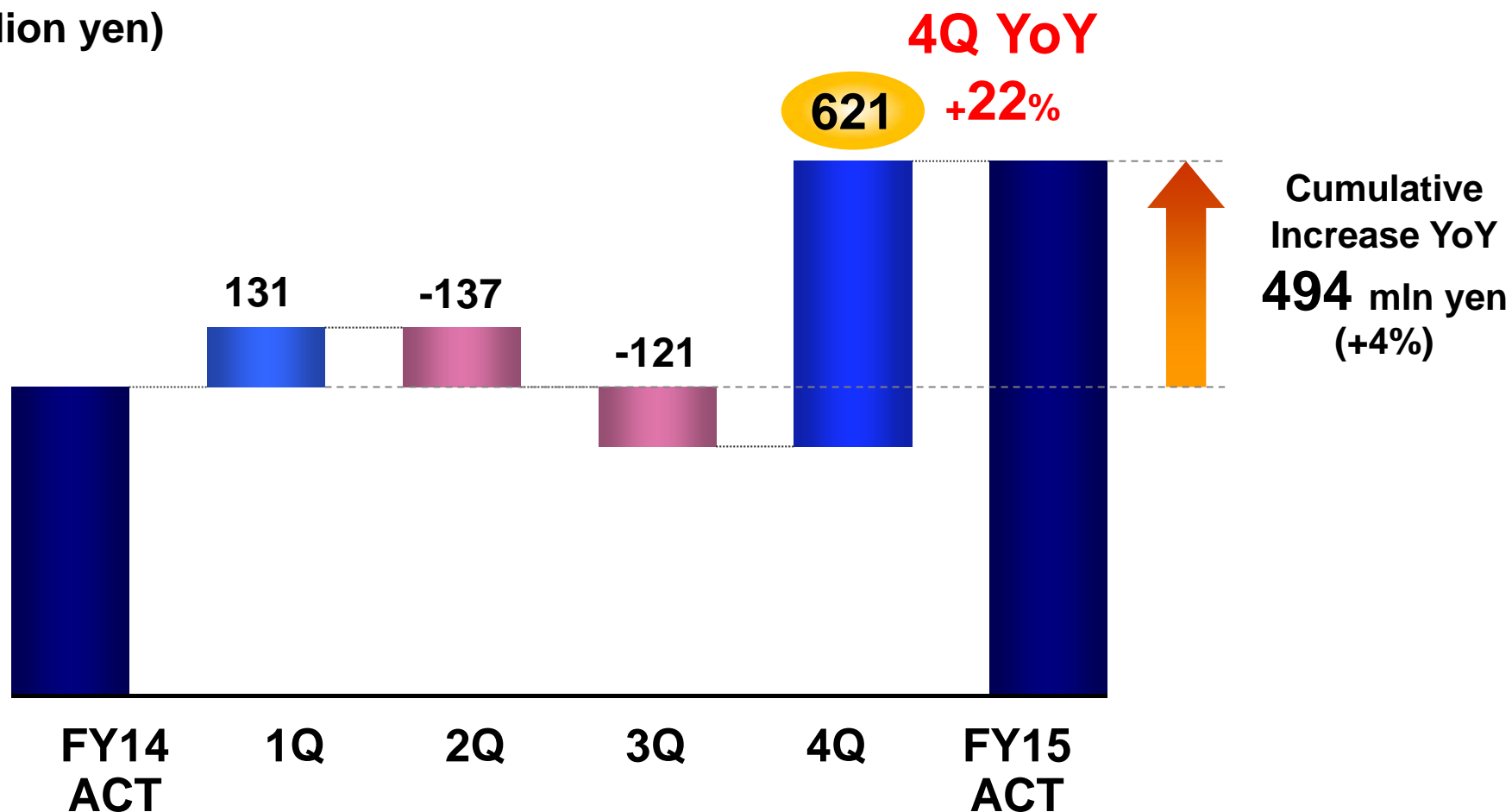
Broadening of usage across entire service line-up:
Average revenues from **top 20** clients grew at **10%+** YoY

MR-kun Family Fee Structure (annual)

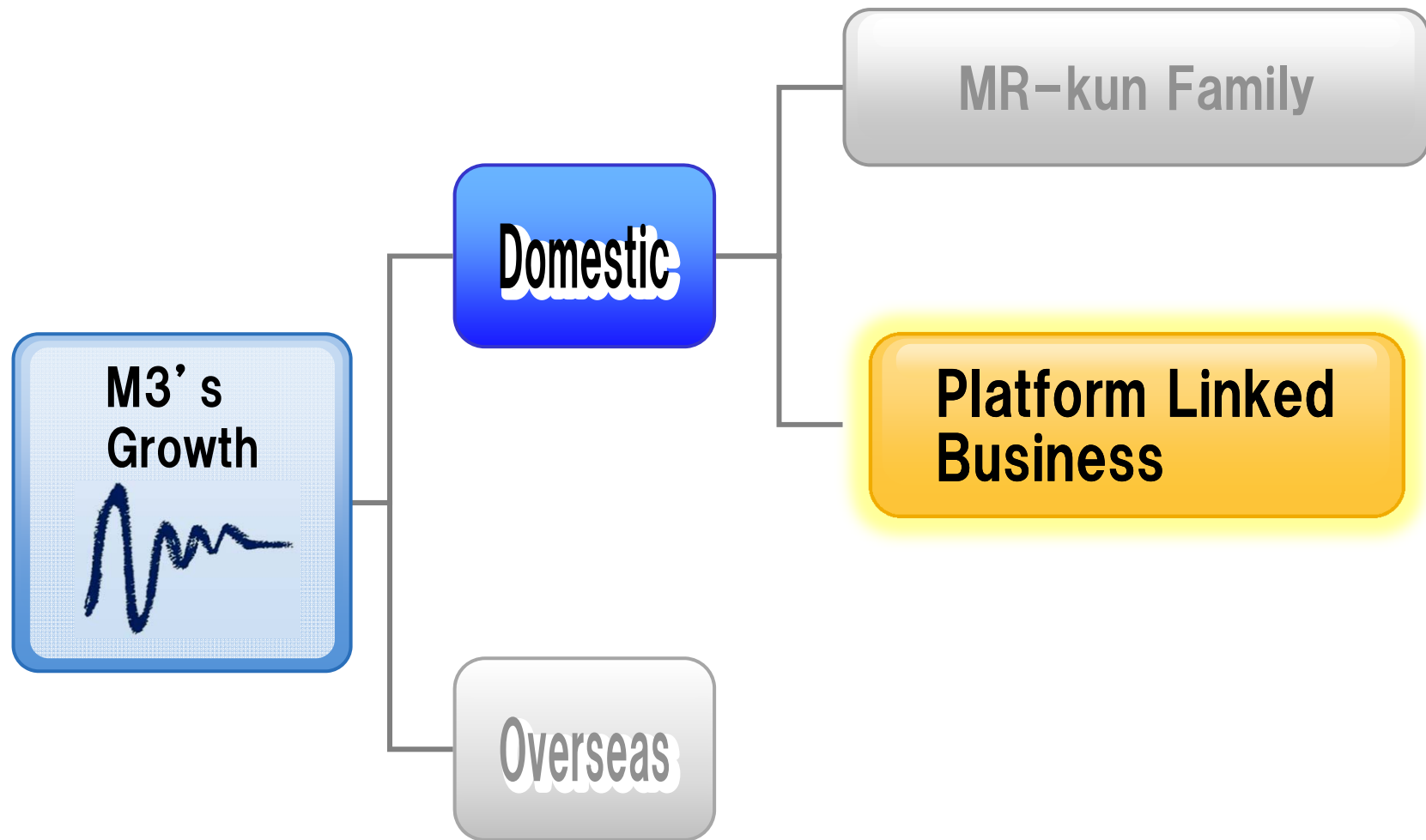
	MR-kun Base & Operation fee	Detail fee ¥100 per detail sent	Contents Production fee Production of customized detail contents	Other MR-kun Family Services Web Symposiums, One Point eDetails, etc
Entry Level (one product)	¥70 ~ 80 <i>mn</i>	¥20 ~ 40 <i>mn</i>	¥30 ~ <i>mn</i>	¥10 ~ <i>mn</i>
	around ¥150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

MR-kun Family: YoY Quarterly Sales Comparisons

(million yen)

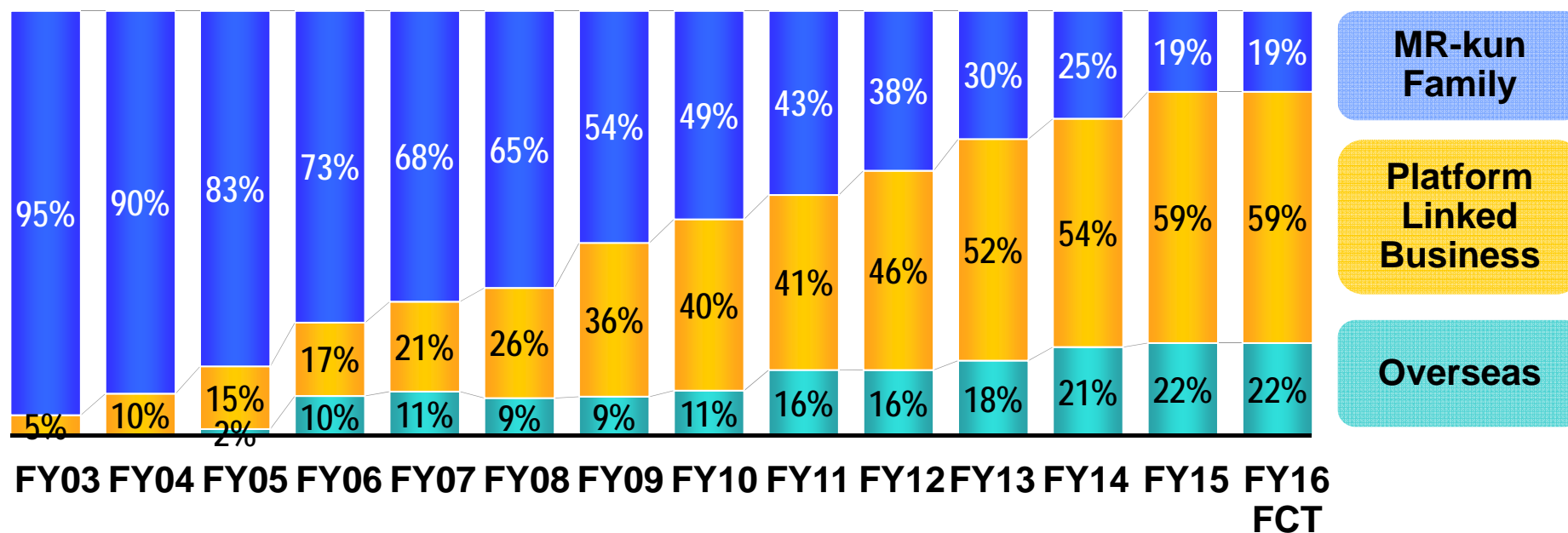
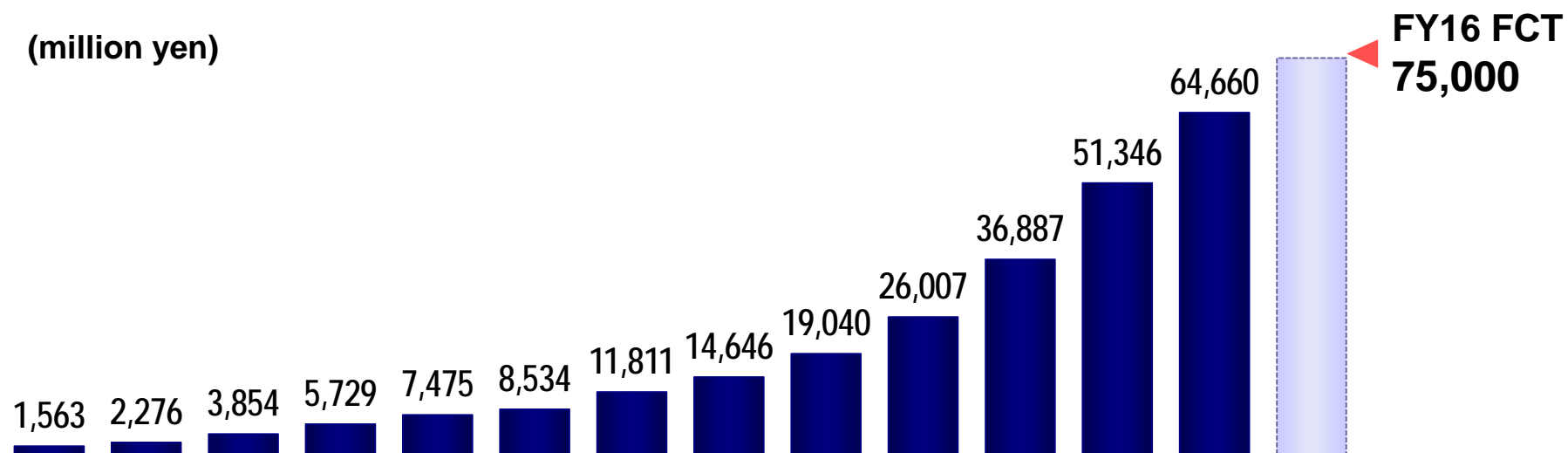


Revival of activity from a key client, along with increased penetration per client and new contract attainment drove growth back to previous trends.



Consolidated Sales Trend

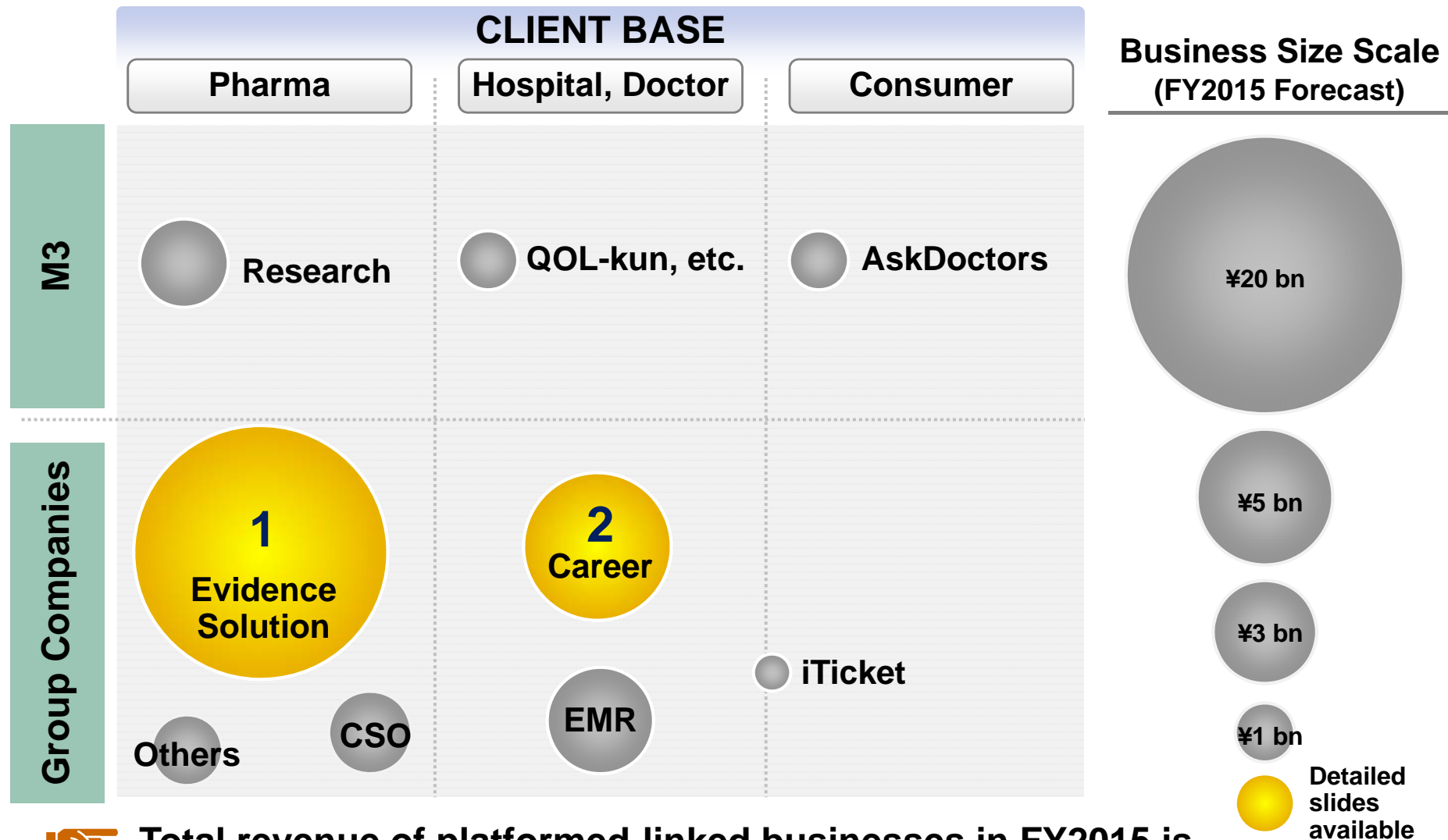
(million yen)



Business Segment Breakdown and Type

Business Segments	Services	FY15 Sales	Business Type
Medical Portal	MR-kun Family	13 bn yen	MR-kun Family
	Career	7 bn yen	
	Research	3 bn yen	
	Other (Mr. Finder, AskDoctors, others)	3 bn yen	
Evidence Solution		20 bn yen	Platform Linked Business
Clinical Platform		3 bn yen	
Sales Platform		1 bn yen	
Other (iTicket, hospital support, others)		2 bn yen	
Overseas		14 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 ~

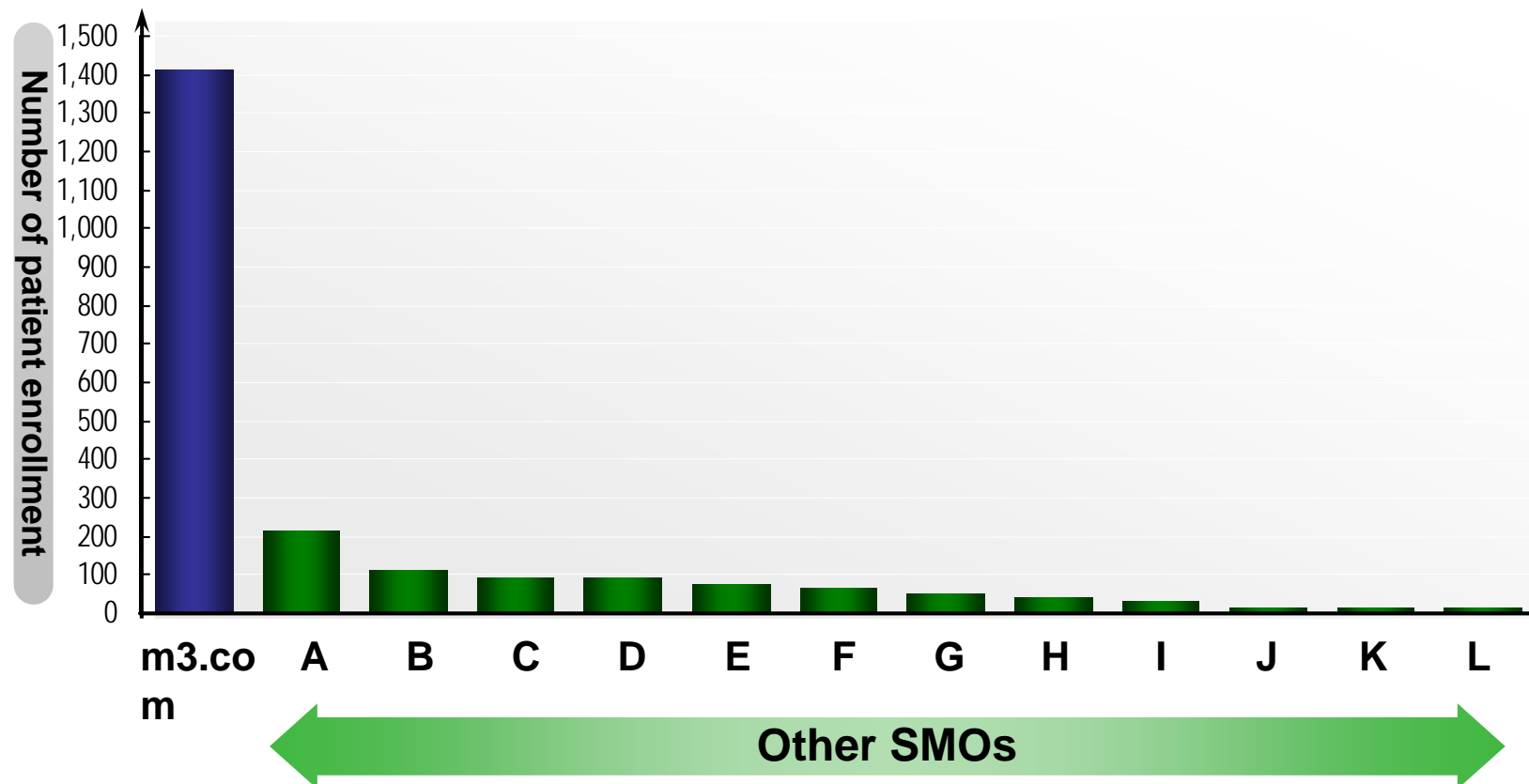
**Evolution via Mr. Finder centered eR&D
Developed as Engine #2**

Patient Enrollment in Large-Scale Trials

1 Evid Sol

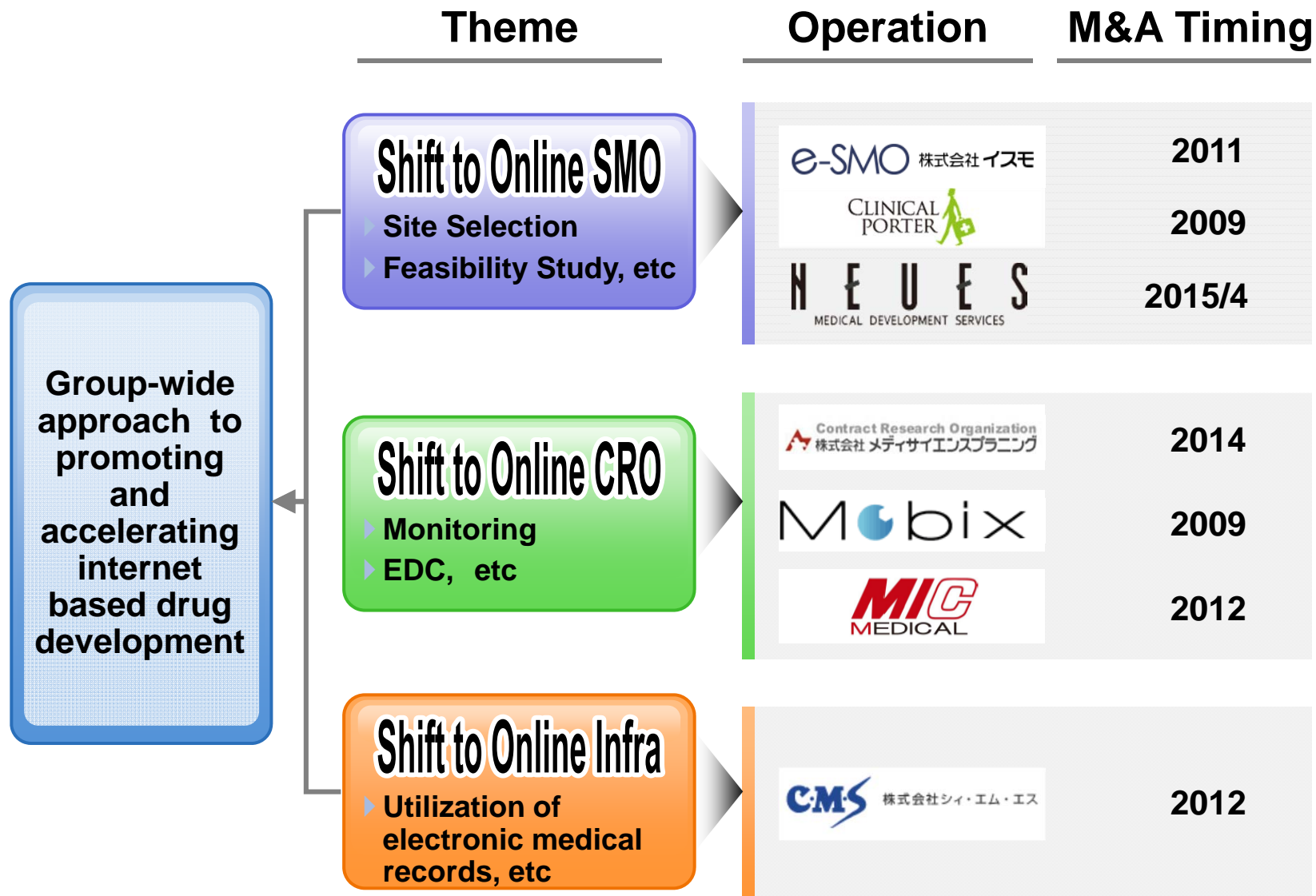
Case study

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**

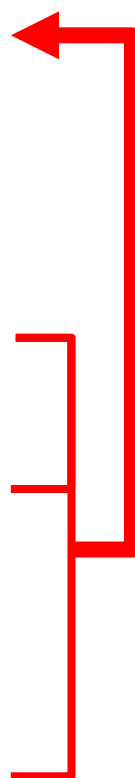
Shift to Internet-Based Clinical Trials **1** Evid Sol



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.”**

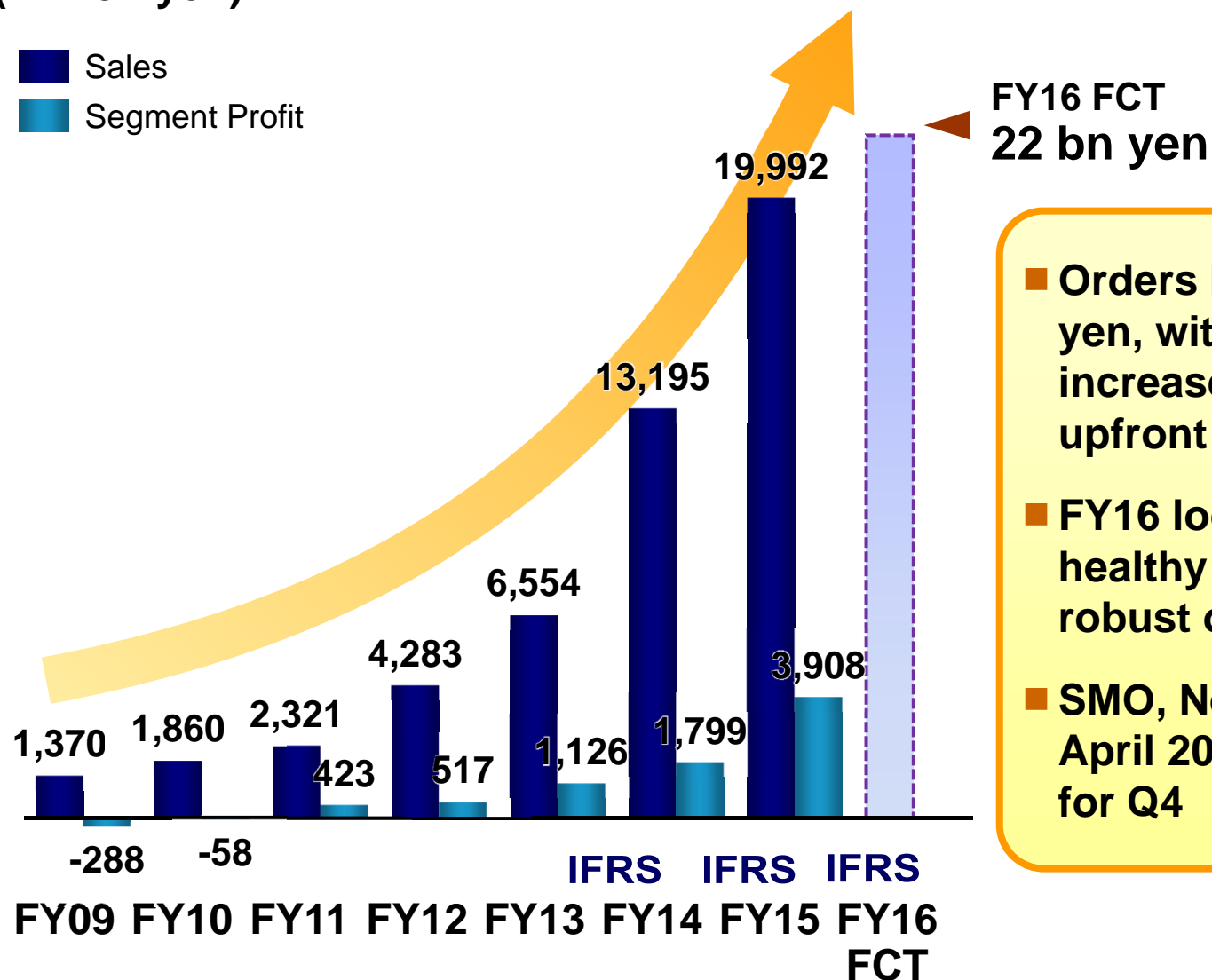
Sales and Profit Trend of Evidence Solution

1 Evid Sol

(million yen)

IFRS basis

■ Sales
■ Segment Profit



- Orders backlog at 23bn yen, with corresponding increases in headcount as upfront investment.
- FY16 looks to continue the healthy growth lead by robust orders
- SMO, Neues, acquired in April 2015 turned profitable for Q4

Sales and Profit Trend of M3 Career

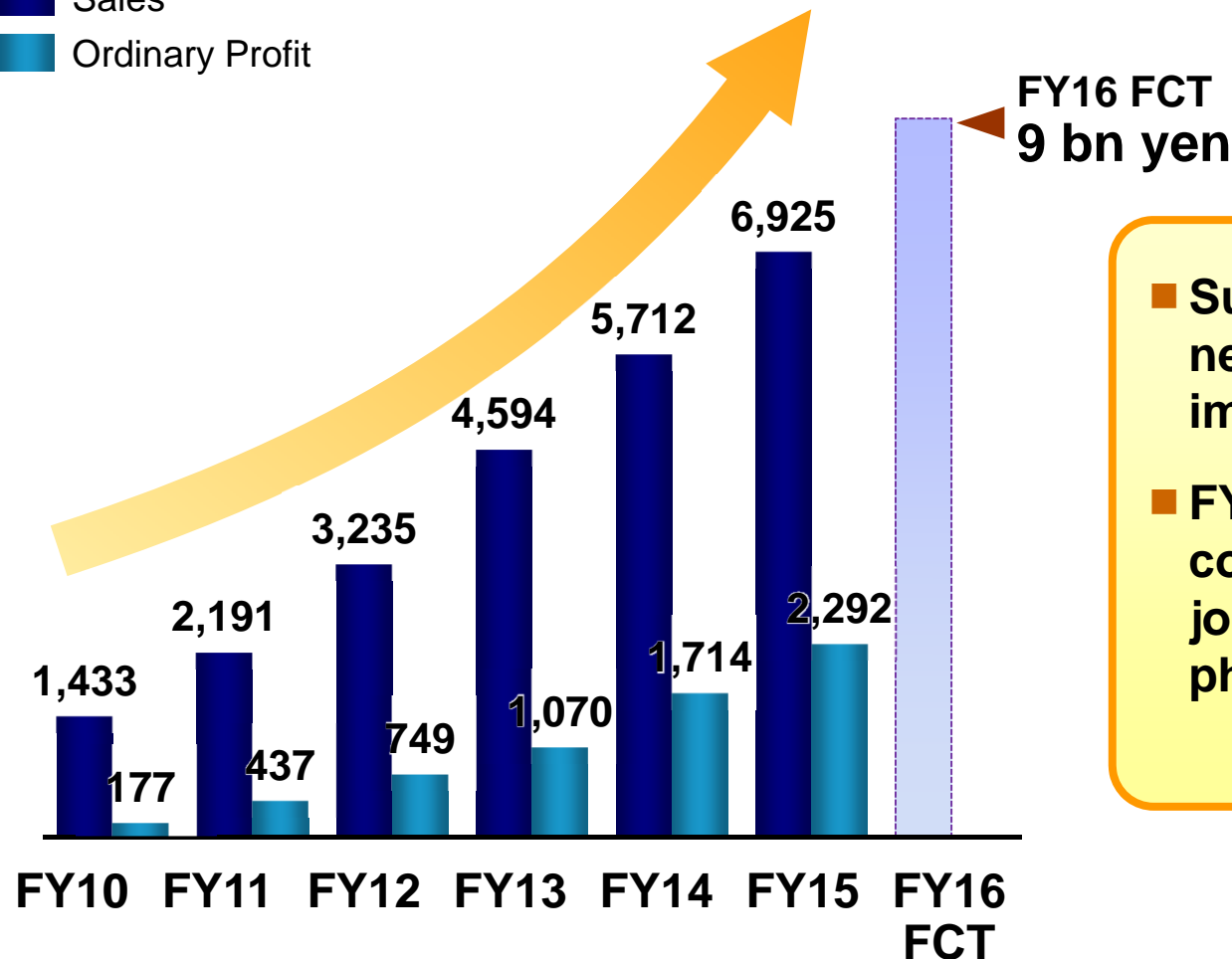
2 Career

(million yen)

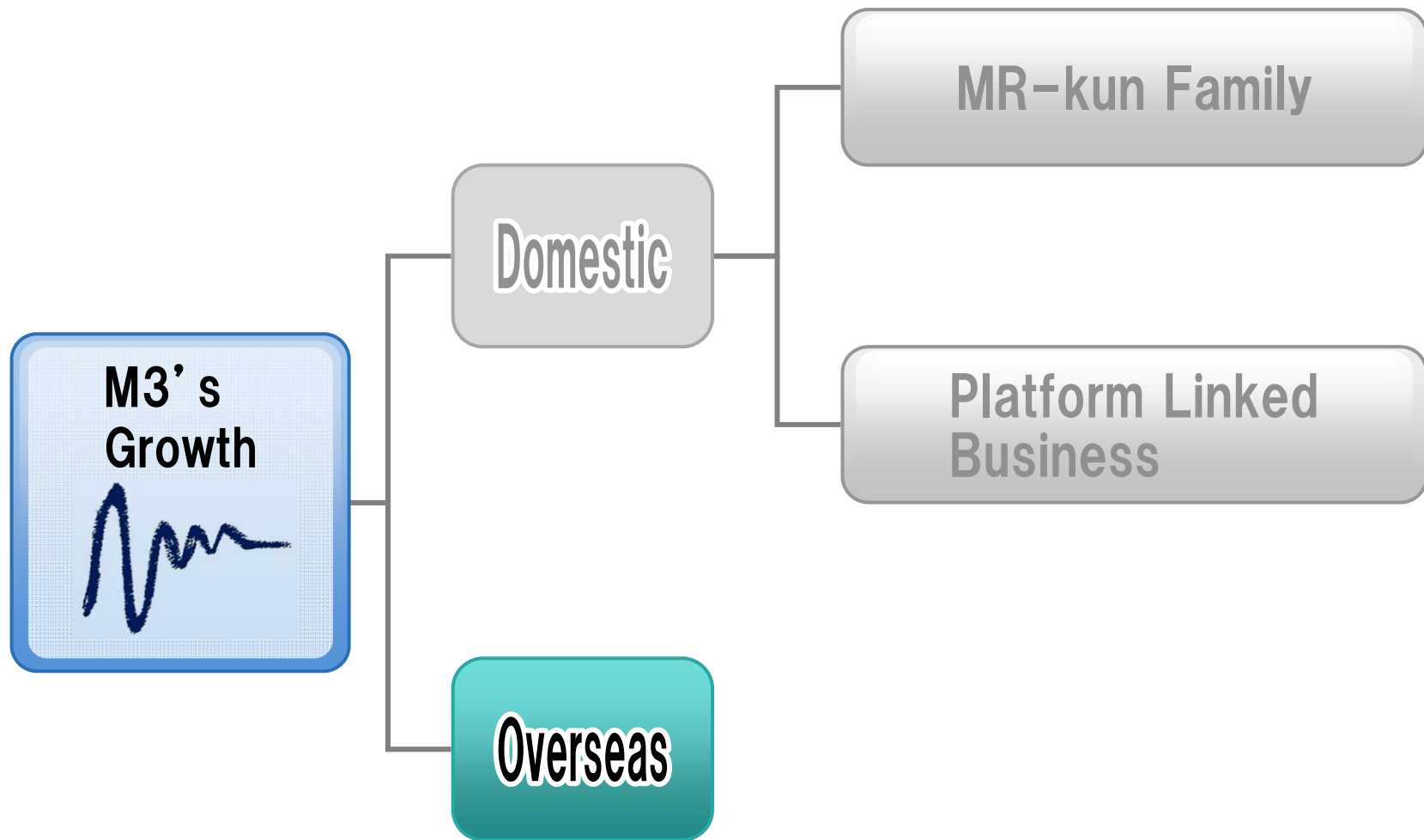
JGAAP basis

Sales

Ordinary Profit



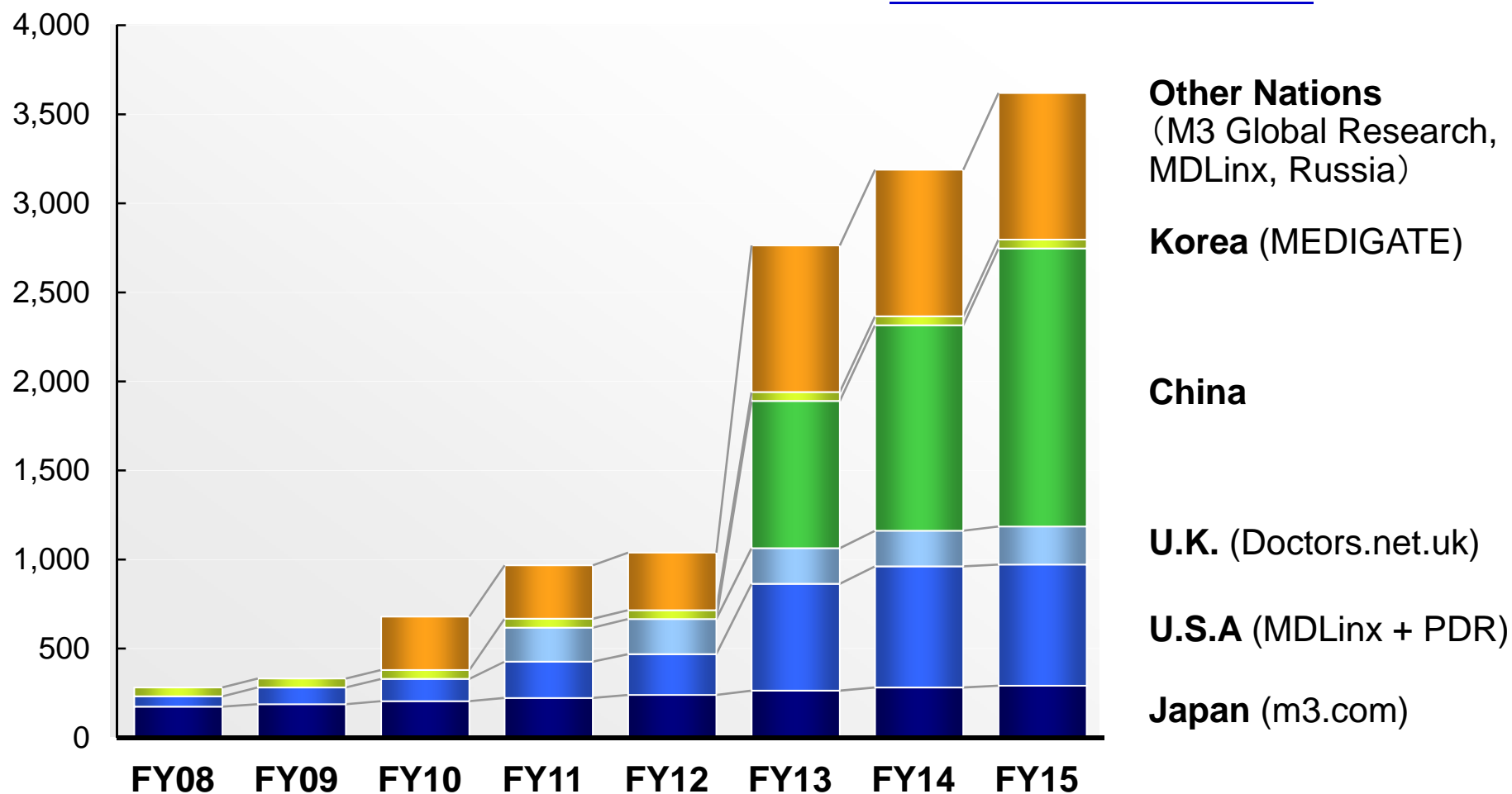
- Successful integration of newly-hired staff improved productivity
- FY2016 should see continued traction from job placement for physicians.



Number of Physician Members and Panelists (Global)

(thousand)

3.5+ 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 like 'Home', 'Your Messages (23)', 'Smartest Doc', 'Physician Jobs (368)', '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, a 'Market Research Dashboard' showing a 6% profile completion, 'Your Unread Messages in Oncology' with links to 'Smartest Doc Challenge' and 'Top Read' articles, and a list of 'Articles' with a 'Find out who is the Smartest Doc in Oncology!' banner. The 'Articles' section lists five recent publications, including a phase III study on pemetrexed and bevacizumab, and a review on oral contraceptives. A 'UPCOMING Clinical Trials' section is also visible, listing trials for Circulating Tumor Cells (CTCs) and International Cooperation for Post-Chernobyl NIS Thyroid Tissue and Data Banks. The footer includes social media links for Newsletter, RSS, Follow Us, and Facebook, and a search bar for 'Oncology Jobs'.

■ Expanding services in the U.S. via MDLinx, operated by M3 USA

- Over 600,000 US physician members through partnership with PDR, resulting in 80+% coverage

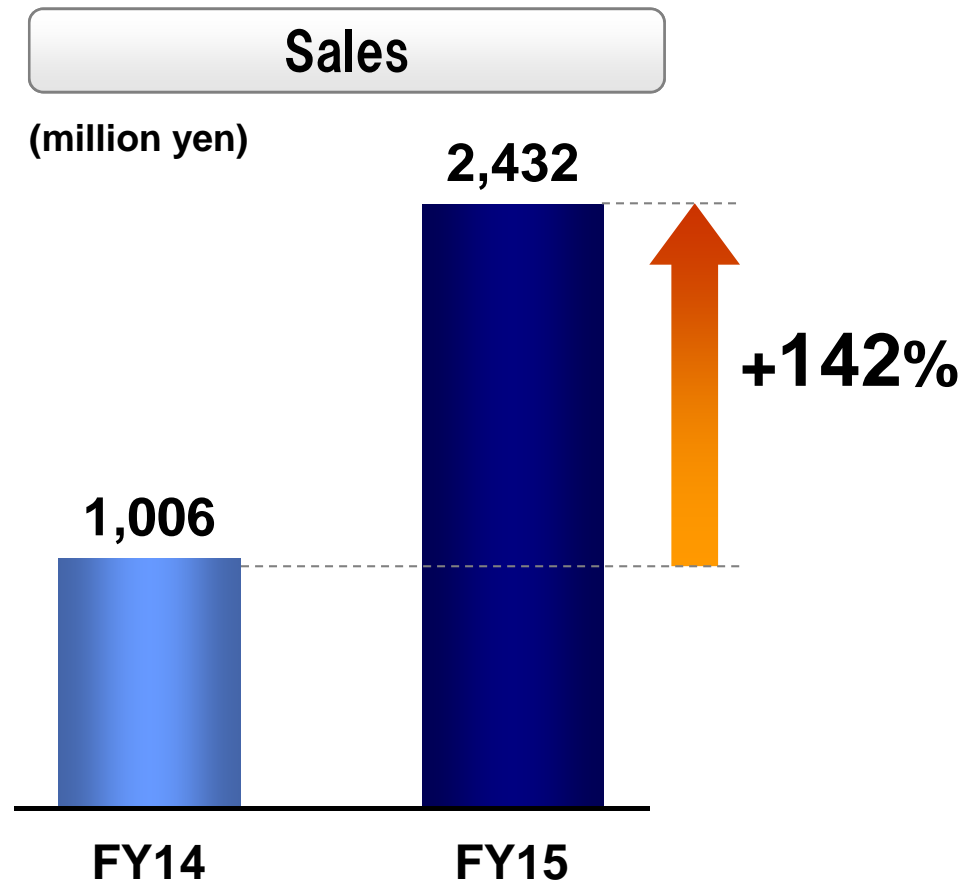
■ #1 player in the U.S. for marketing research targeting physicians as a result of superior media power

■ Career business becoming the 3rd growth driver

- Services: Job ads, Head Hunting, Database services
- Rapid growth: 4 acquisitions over the past 2 years

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

Expansion of U.S. Career Services

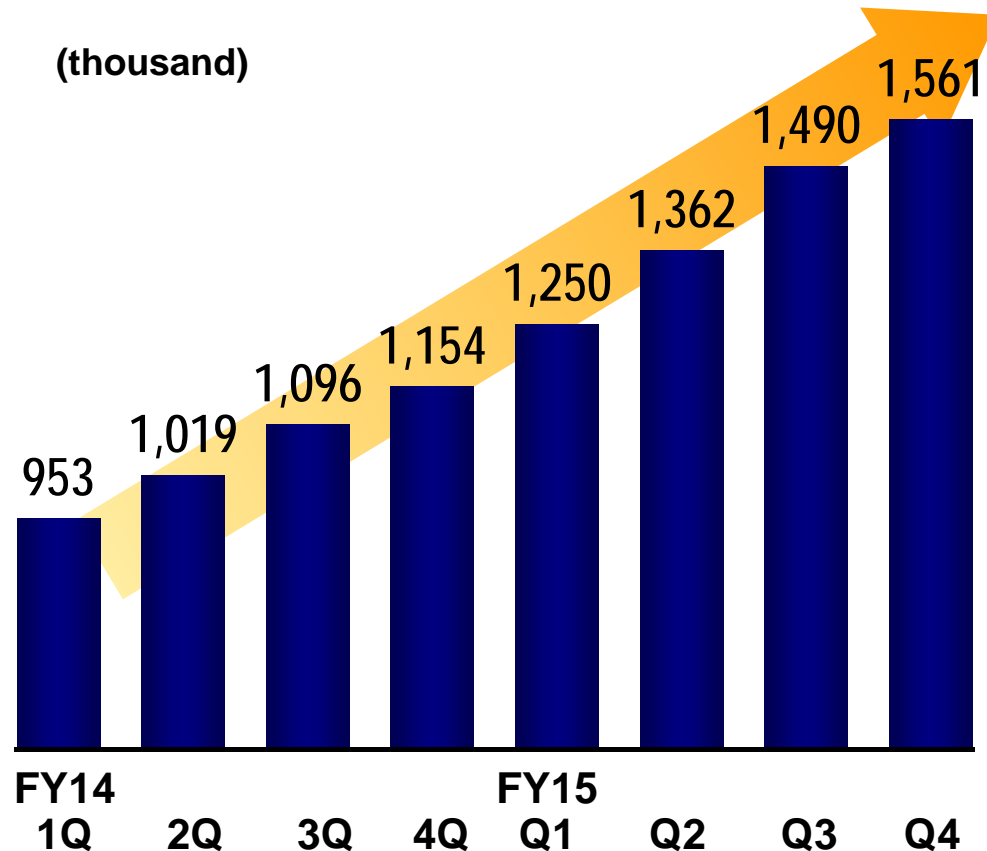


- Consolidated The Medicus Firm at Dec-end 2015, posting the 4th M&A in the past 2 years.
- Operation size increase approx. 2.5x yoy due to expansion of existing businesses as well as contribution from M&As
- Synergies with MDLinx, the U.S. webportal designed for physicians, is expected to improve sales 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



- Marketing services for drug companies starting with MR-kun, and marketing research services showed healthy growth, boosting profits
- MR-kun contracts now at 20 drugs with 10 companies, expanding steadily
- High evaluations from drug companies are leading to repeat orders for MR-kun.

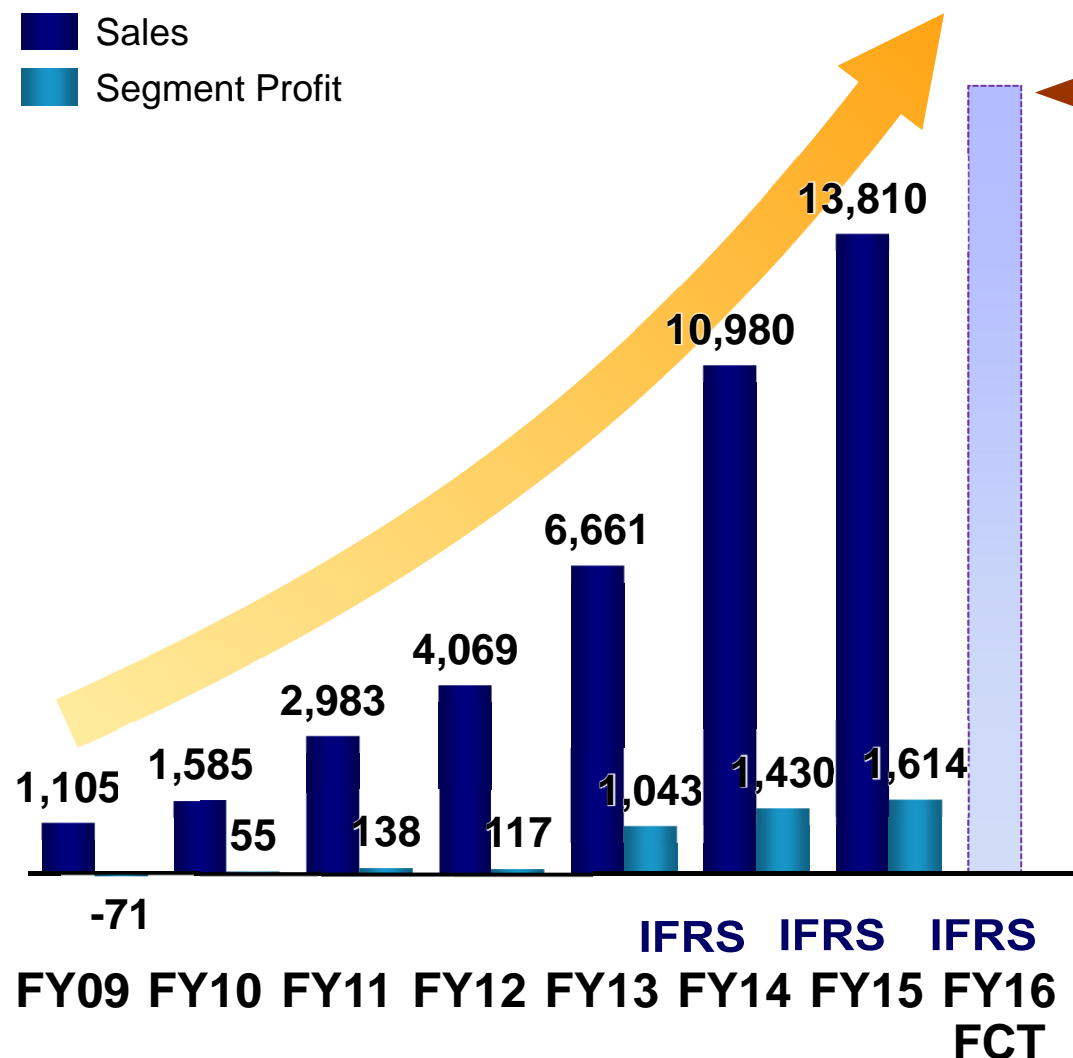
 Over 1.5 million physicians members, covering the majority of doctors in China

Sales and Profit Trend of Overseas

(million yen)

IFRS basis

■ Sales
■ Segment Profit



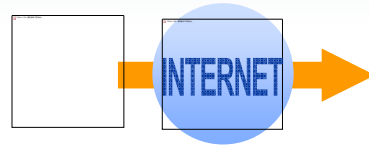
FY16 FCT
17 bn yen

- 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 H2.

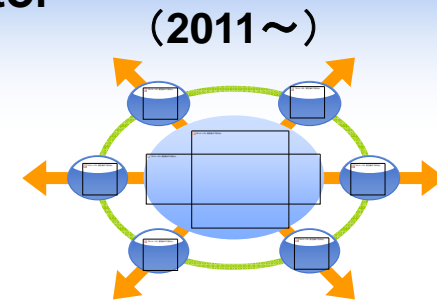
M3 Group's Business Strategy

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

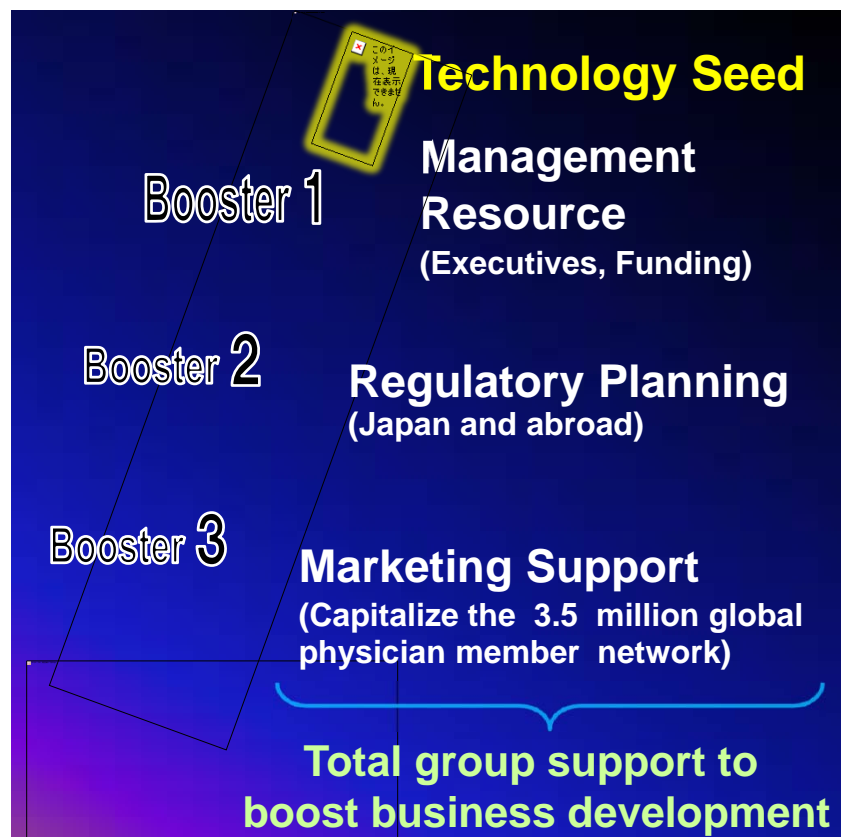


**M3 is uniquely positioned to transform the health care industry via its
1) Platform 2) Industry Expertise and
3) Human Resources (management and engineering)**

Seeds Rocket Business Launch

Company Development

Beyond Just Venture Capital

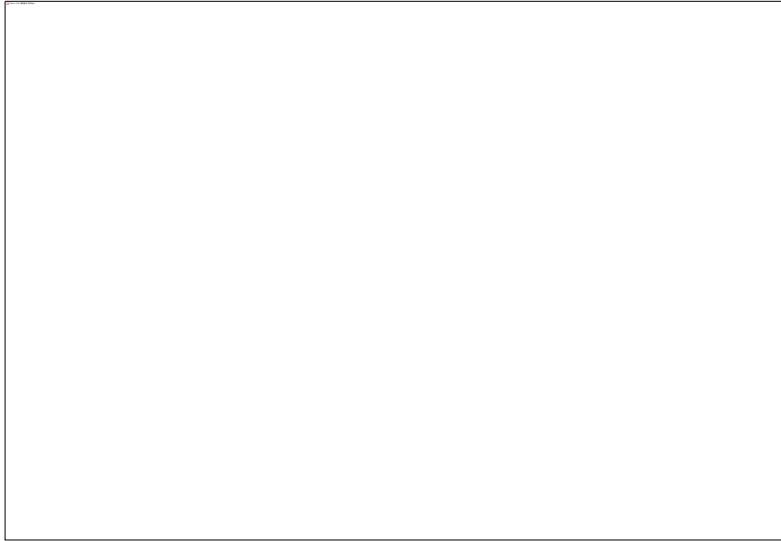


	Typical VC	M3 Rocket Business
Sourcing	Various Industries	Ground zero info-source and expertise of healthcare industry
Strategy	Minority Stake	Majority Stake (fundamentally)
Management Support	Partial or Limited	Full Commitment Executive Placement as Needed
Value Add	Various "Advice"	Lead development with global scale resources (Regulatory, R&D, Marketing, etc.)

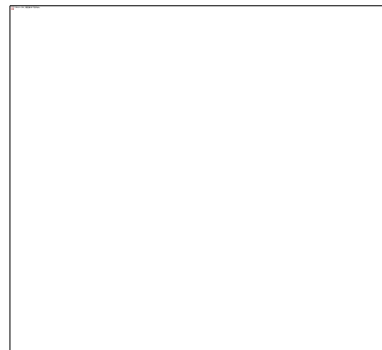
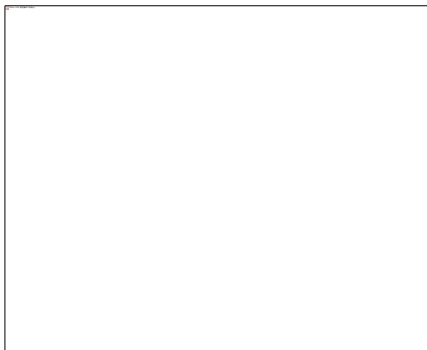
 **Launched businesses can remain within the M3 group, or exited through pharma companies and device makers**

First Seed: MedTecHeart

◆ Console Unit



◆ Pump Head and Motor Units



- R&D venture in collaboration with Tokyo Medical and Dental University and Tokyo Institute of Technology
- Developed an extracorporeal ventricular assist device (VAD) with a magnetically levitated centrifugal structure
- Offers superior safety even upon extended usage and at a lower cost, and draws a line against the currently available pulsatile pace makers and centrifugal blood pumps



Sequential investments planned with multiple seeds currently under review.

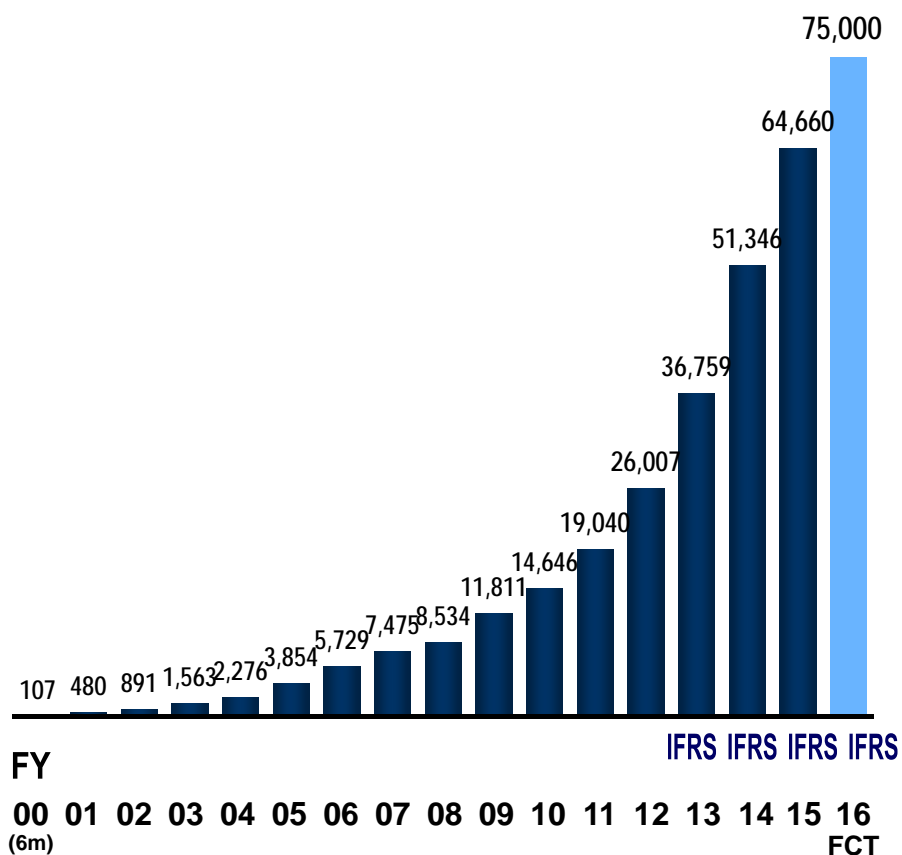
M3 is Just Getting Started



Annual Results & Forecast for FY2016

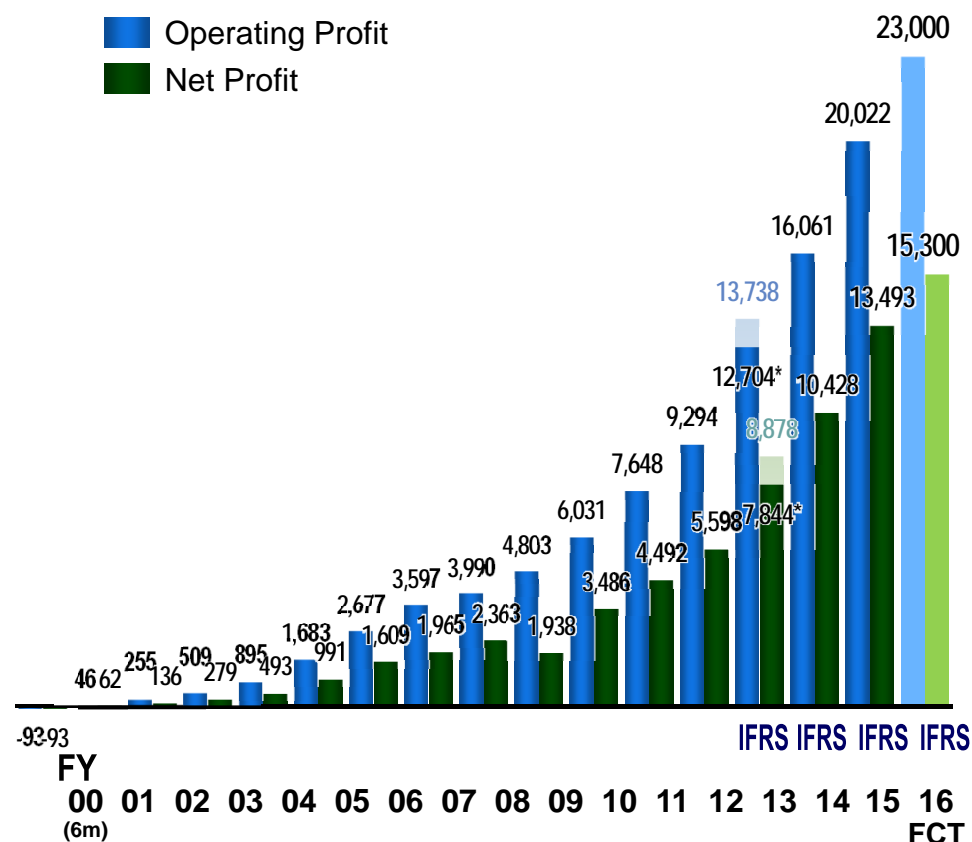
Sales

(mn yen)



Operating Profit & Net Profit

(mn yen)



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

FY2016 Budget Guideline

Topline

- Opportunities are partially and conservatively incorporated
- Pending new businesses and M&As are excluded

Cost

- Continued aggressive hiring, planning increase of 400 headcounts over the fiscal year:
 - M3 Headquarters: 50
 - Career: 100
 - CRO, SMO: 150
 - Others: 100
- Allocation for M&A related costs such as advisory fees: 100 million jpy

FY2016 Budget Guideline

MR-kun Family

- Expected increase in number of products to support double digit growth

Career

- Stead growth from continued traction from job placement for physicians

Evidence Solution

- Continued growth lead by strong orders and project progress
- Neues to turn profitable

Overseas

- US: Spam issue is resolved. Growth to revert to previous trends.
- UK: Healthy expansion
- China: Healthy growth lead by MR-kun

Others

- Clinical Platform and Sales Platform remain steady
- Others segment businesses also expected to expand

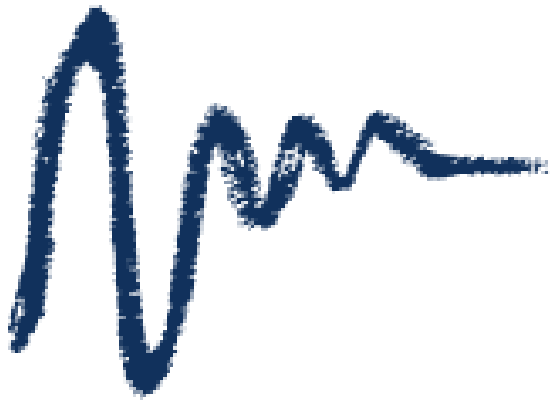
Creating New Value in Healthcare

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