

M3, Inc.

Presentation Material

April 2017





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 2016 Overview

FY2016 Consolidated Results

IFRS basis

(million yen)	Forecast		Actual	YoY
Sales	75,000	<	78,143	+21%
Operating Profit	23,000	<	25,050	+25%
Pre-tax Profit	23,000	<	24,959	+25%
Net Profit	15,300	<	16,938	+26%

■ FY16-end dividend: 10 yen

FY2016 Consolidated Results by Segment

IFRS basis

(million yen)		FY2015	FY2016	YoY
Medical Portal	Sales	25,234	30,790	+22%
	Profit	14,844	16,709 *	+13%
Evidence Solution	Sales	19,992	22,313	+12%
	Profit	3,908	5,307	+36%
Overseas	Sales	13,810	16,338	+18% ***
	Profit	1,614	1,582 **	-2% ***
Clinical Platform	Sales	2,902	2,823	- 3%
	Profit	239	216	- 10%
Sales Platform	Sales	1,283	1,466	+14%
	Profit	(5)	105	Turned profitable
Others	Sales	2,574	5,845	+127%
	Profit	532	1,416	+166%

* M&A fees for Anestation totaled 42 million yen

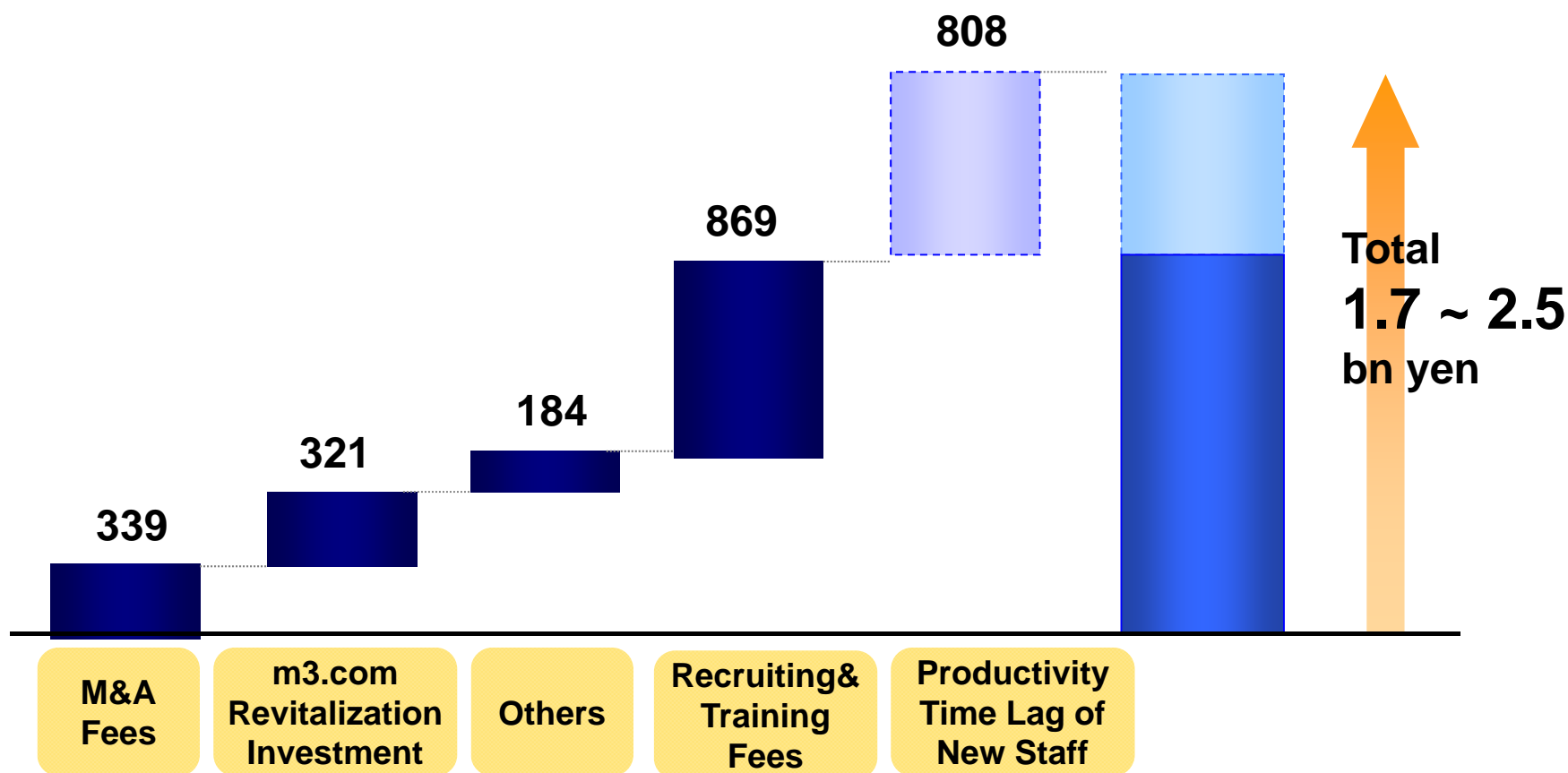
** M&A fees from India and Vidal deals totaled 266 million yen

***Overseas segment results in local currency basis: Sales +35% yoy, Profit:+27% yoy

Copyright © 2017 TMS, Inc. All rights reserved.

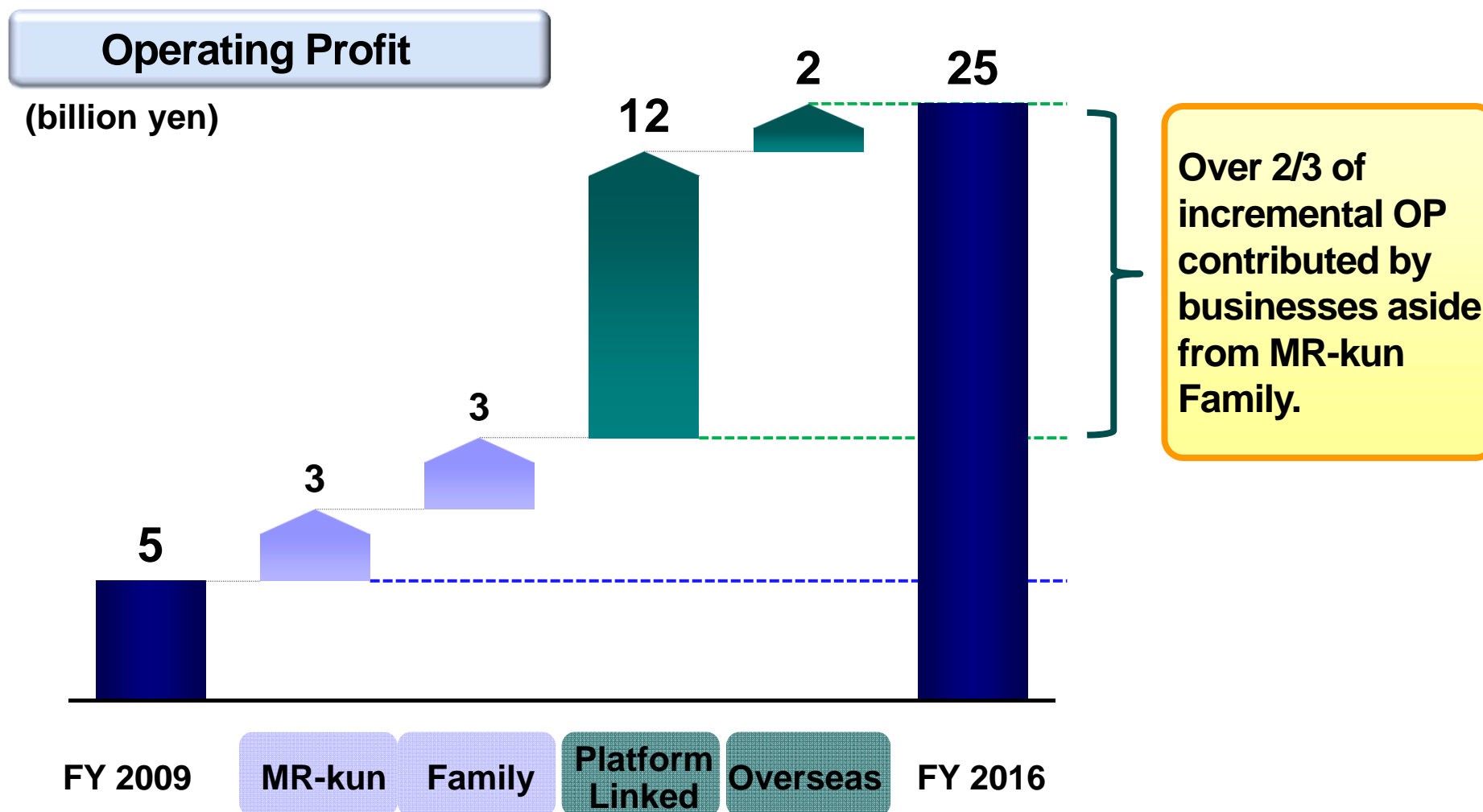
Upfront Investment Costs for Future Growth

(million yen)



 Special costs incurred in anticipation of future growth dampened profits by 1.7 ~ 2.5 bn yen.
Aggressive upfront investment to continue.

OP Growth Contributors (FY2009 → FY 2016)



MR-kun family will continue to grow, while profit growth contribution will be exceeded by other businesses

Current Business Situation and Outlook

Overview

Platform

- The m3.com platform continues to expand. Physician access increased +94% (mobile access also increased) from 5 years ago, and platform sales increased +132%

MR-kun Family

- Full year sales were strong at +19% yoy with further penetration of various services
- Orders are off to a healthy start for FY17

Career

- Establishing an invincible No.1 position in the industry for job placement of physicians and pharmacists
- Sales: 8.6 bn yen, +25% yoy; Op Profit: 2.5 bn yen, +11% yoy

Evidence Solution

- Strength in orders received, and profitability of Neues acquired last year continues to improve
- Full year OP grew +36% yoy, OP margins improved to 24%.

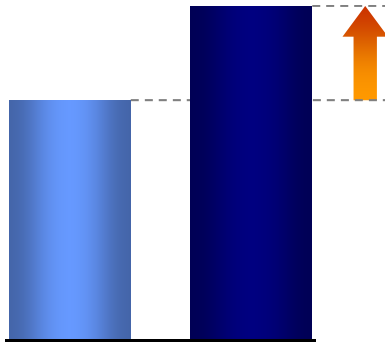
Overseas

- Local ccy basis sales increased 35% yoy, and profits excluding M&A due diligence fees increased +27% yoy.
- Profit contribution from the completed Vidal acquisition totaled 379 million jpy (4 months worth, after amortization of intangible fixed assets)

Continued Expansion of m3.com

Number of
Physician Members

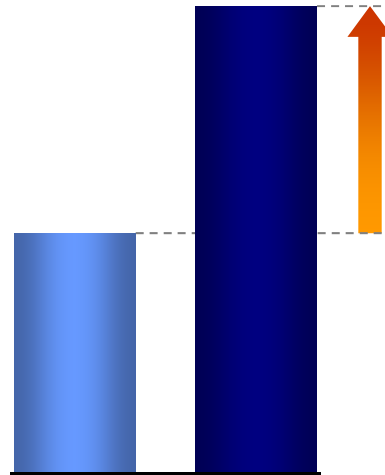
+39%



FY11 FY16

Number of
Physician Logins

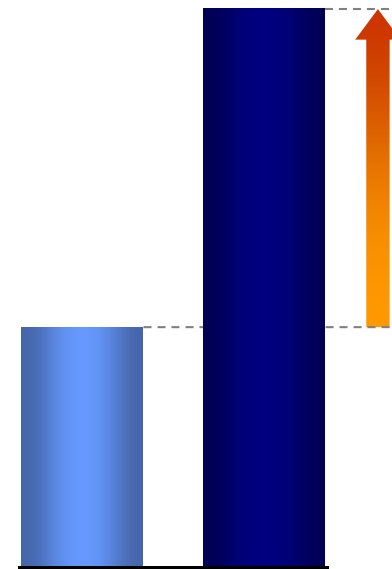
+94%



FY11 FY16

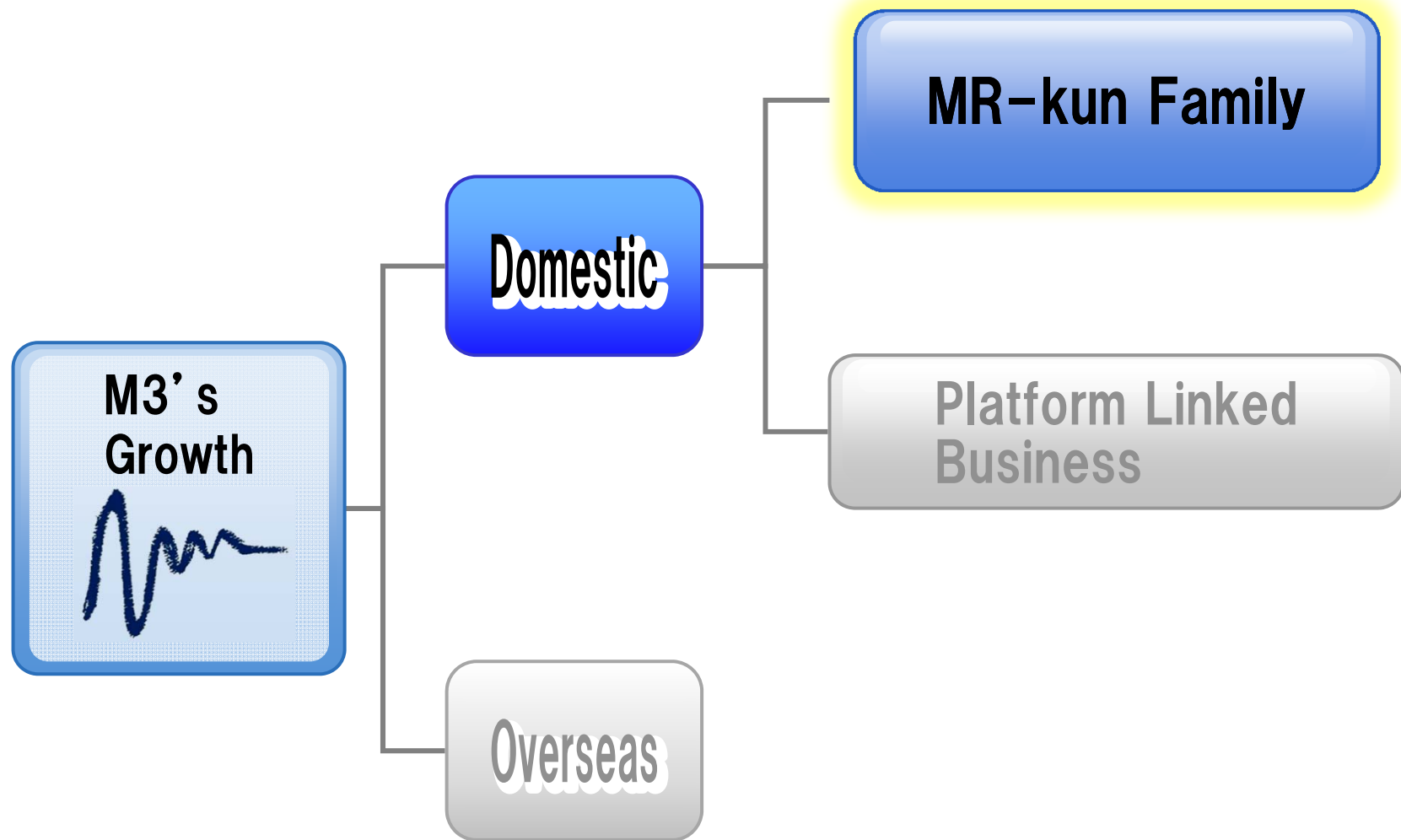
Medical Portal Sales

+132%



FY11 FY16

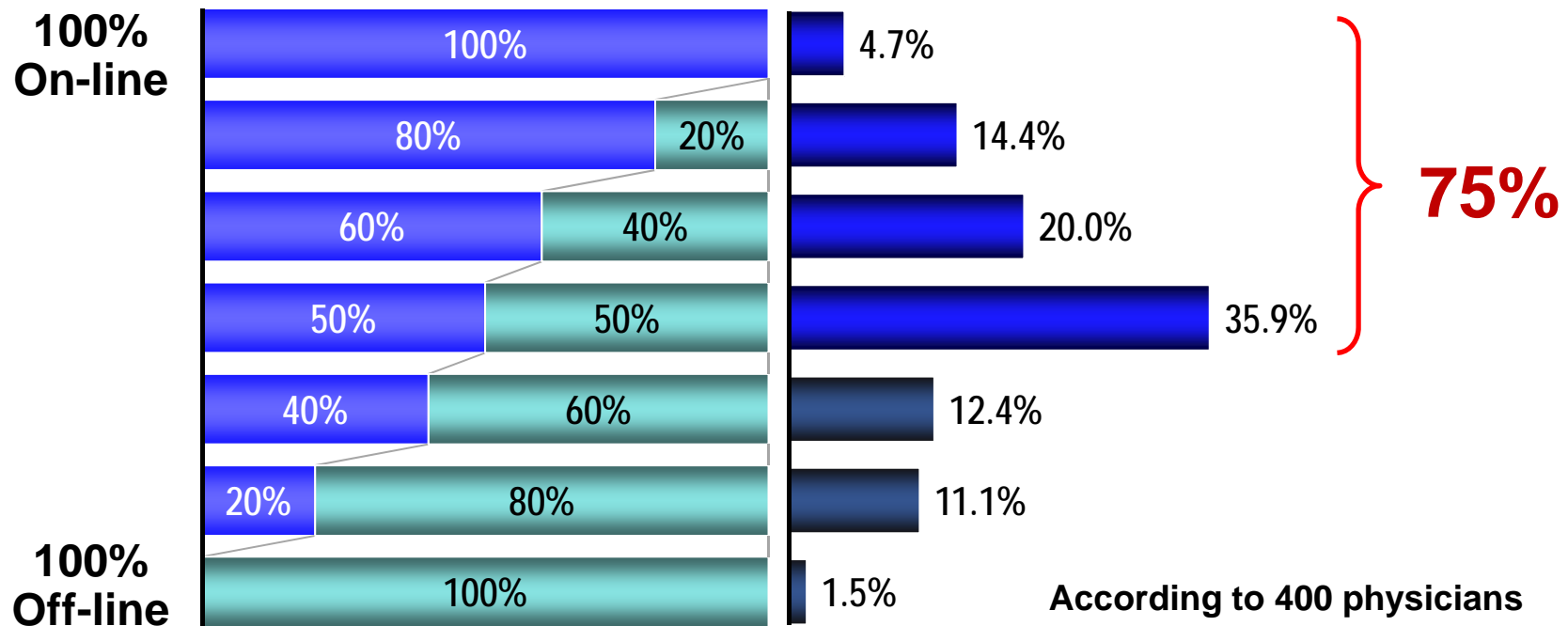
 Platform expansion exceeds membership growth, with diversification of revenue sources



Doctor Demand for On-Line Detailing

Q. What is the ideal ratio of online and offline product information (“details”) from drug companies?

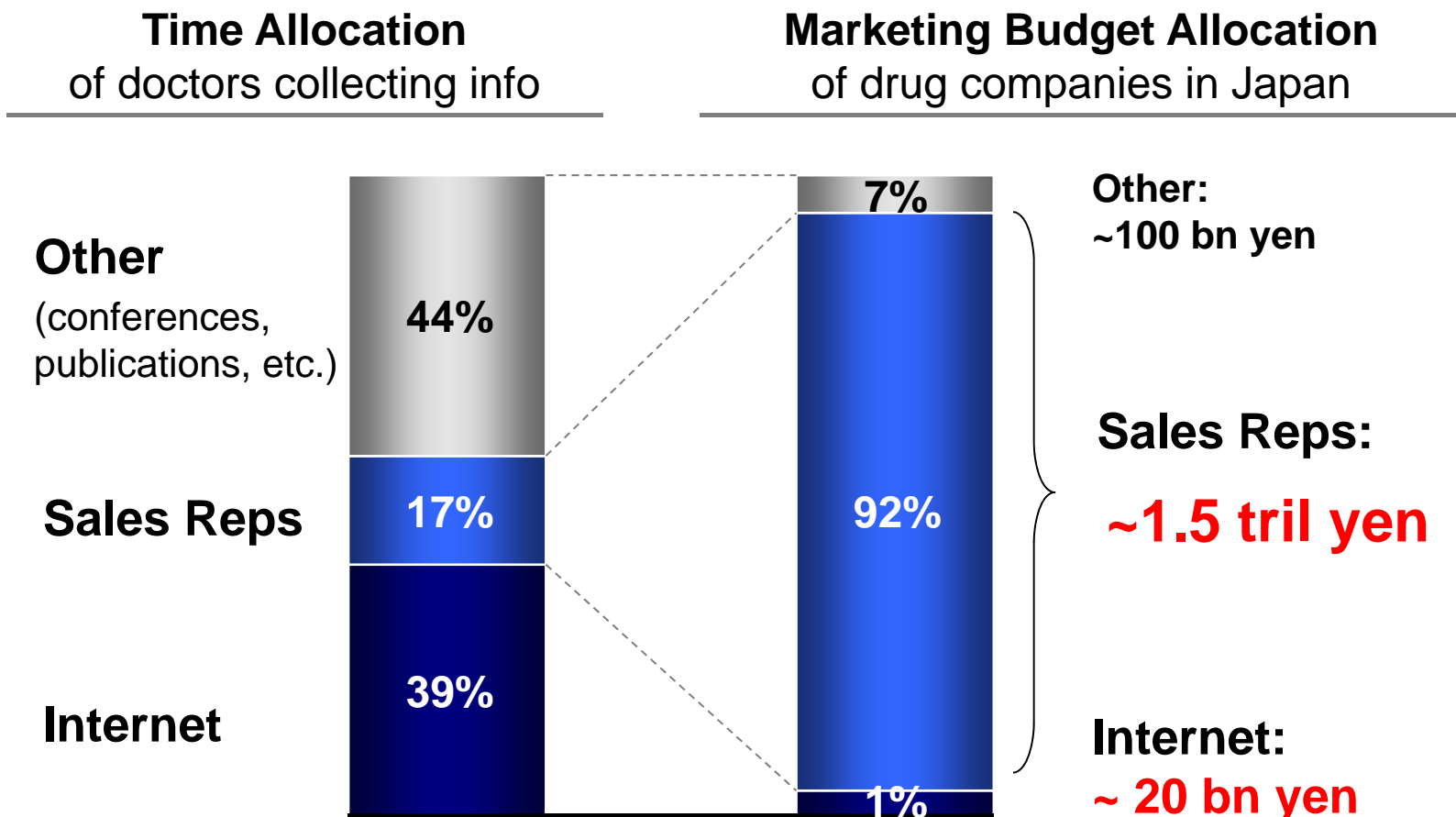
A.



High demand for e-detailing from busy physicians that prefer on-demand and relevant information, without the limitations imposed by offline sales reps.

Doctor's Time Allocation vs Pharma's Budget Allocation

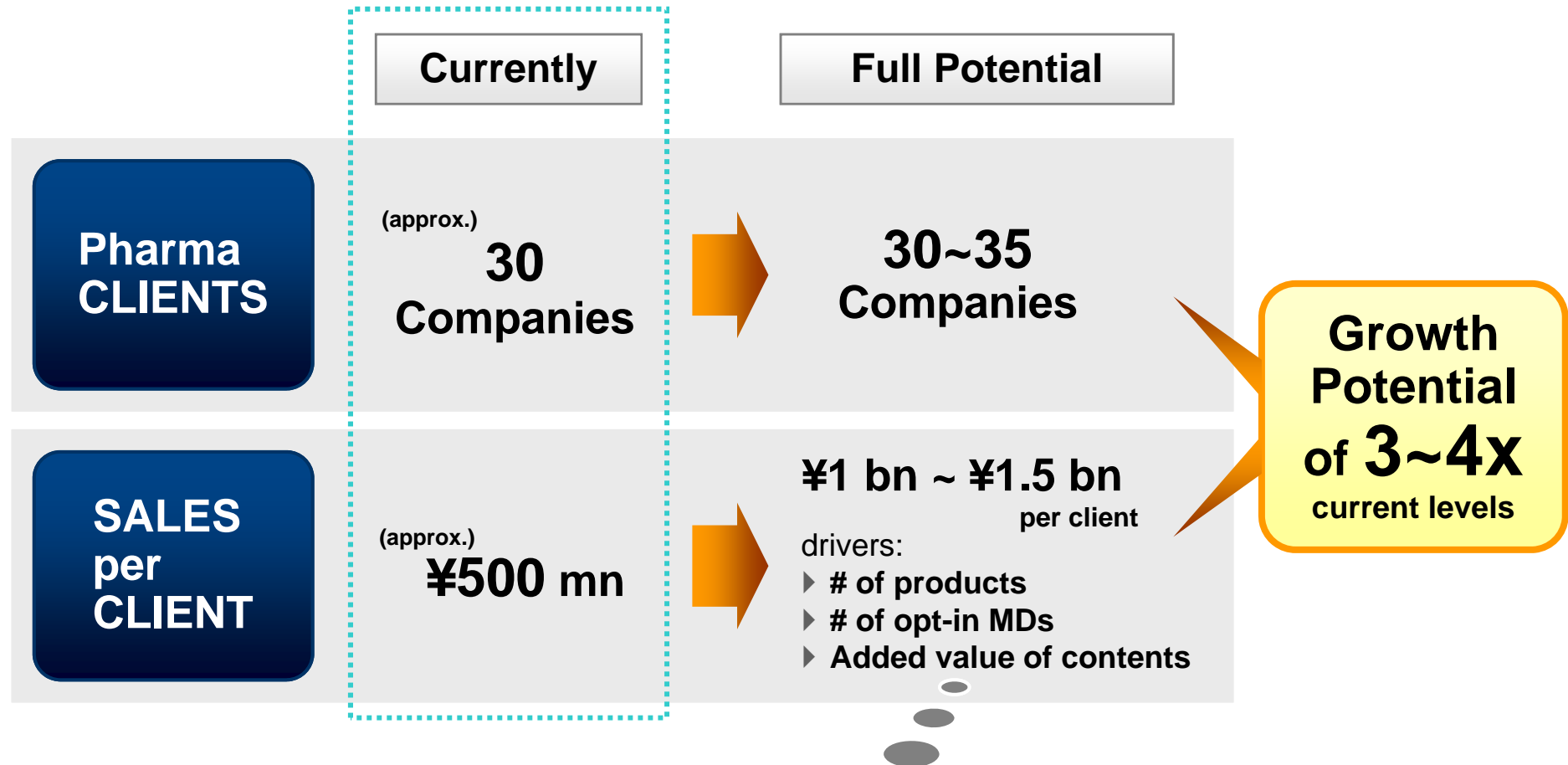
Doctors spend the most time collecting information via the Internet. However, pharmaceutical firms operating in Japan spend the majority of their marketing budget on off-line sales rep related costs.



Source: M3 research, percentages are approximate

Copyright © 2017 M3, Inc. All rights reserved.

MR-kun Family's Growth Potential in Japan



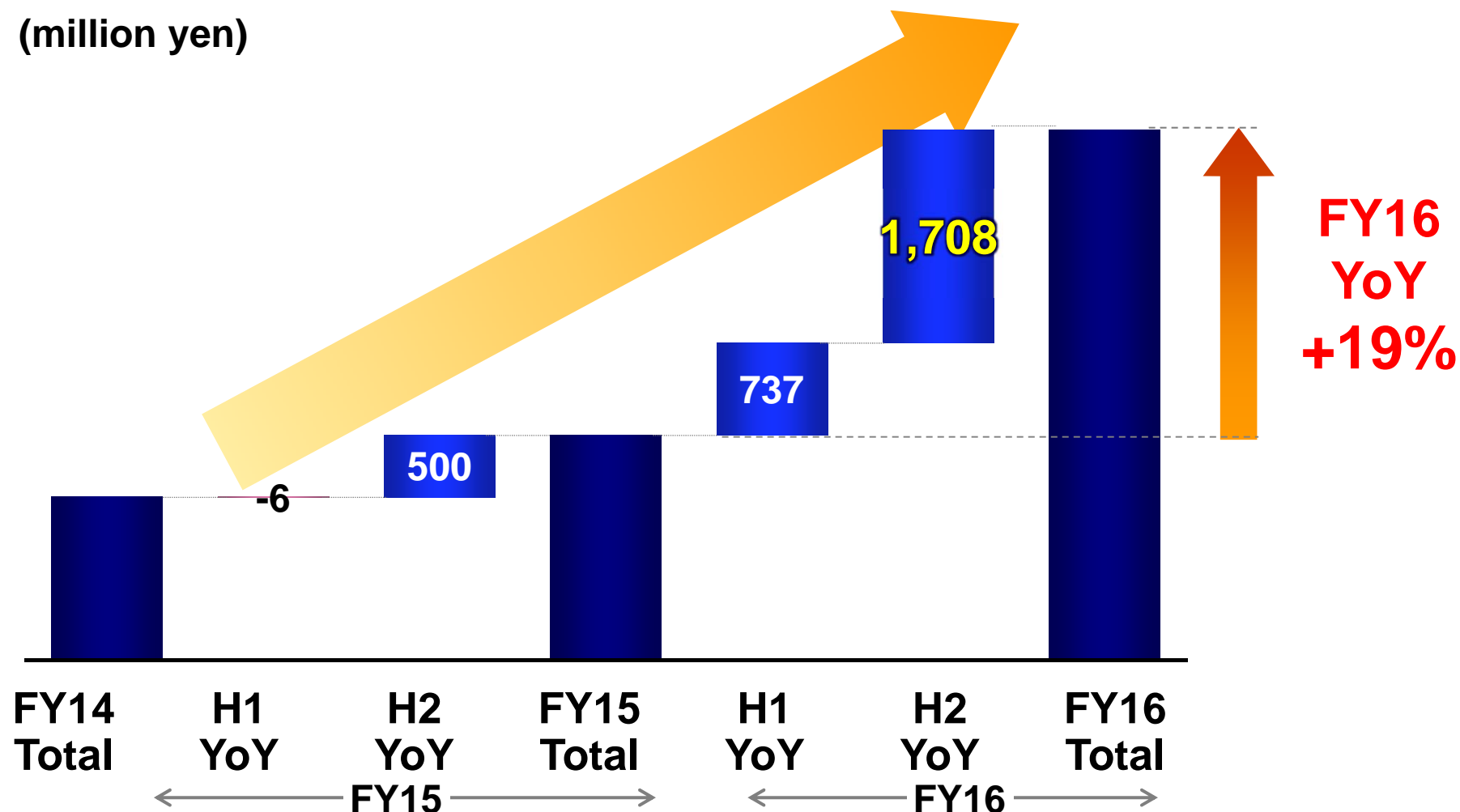
Broadening of usage across entire service line-up:
Average revenues from **top 20** clients grew at approx. **14%** YoY

MR-kun Family Fee Structure (annual)

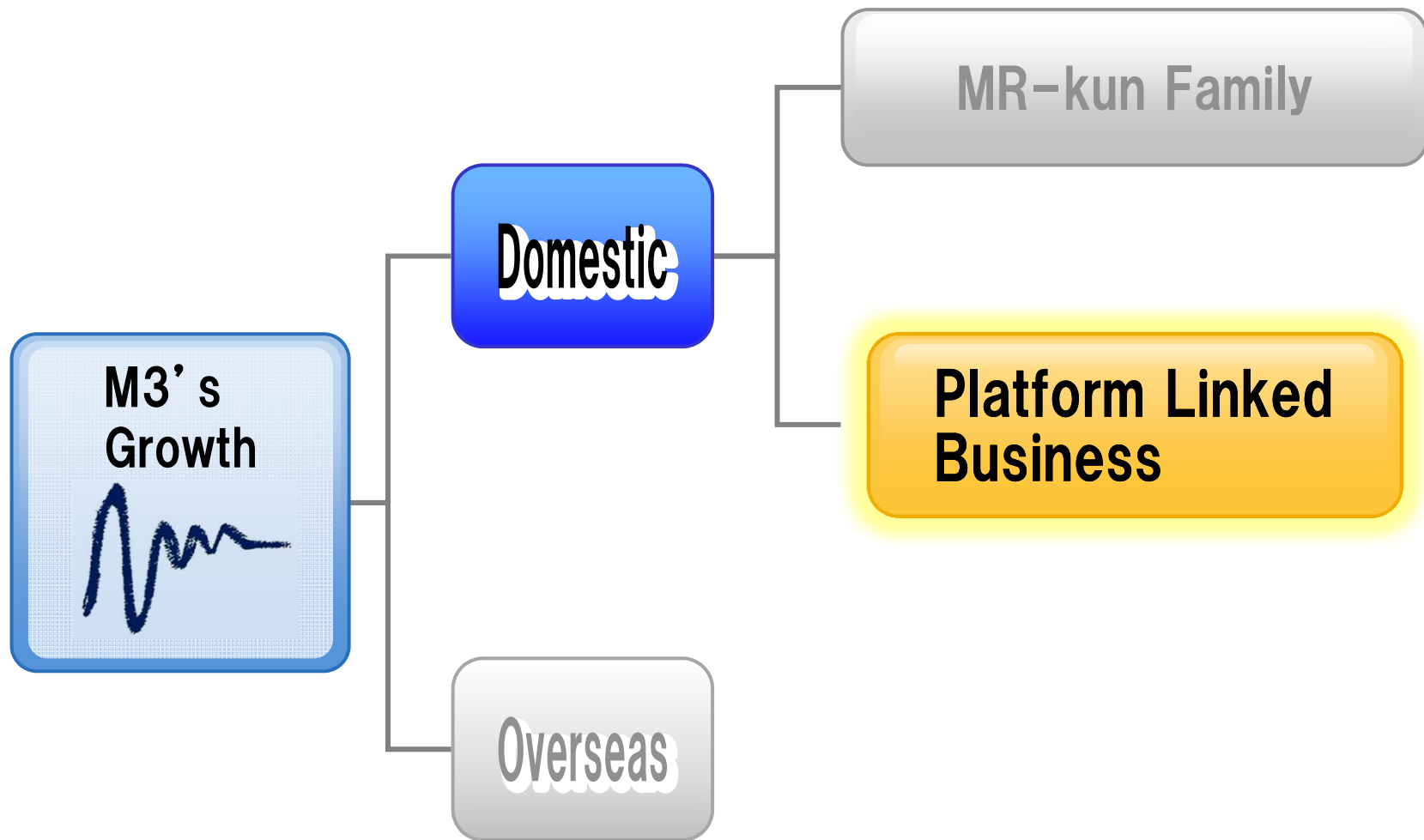
	MR-kun Base & Operation fee	Delivery fee ¥100 per message sent MR-kun, One Point eDetail, Web Symposium	Contents Production fee Production of customized detail contents	Other MR-kun Family Services Others
Entry Level (one product)	¥60 ~ 70 <i>mn</i>	¥20 ~ 40 <i>mn</i>	¥30 ~ <i>mn</i>	¥10 ~ <i>mn</i>
	around ¥150 <i>mn</i>			
Top 5 Clients (multiple products)	¥60 ~ 70 <i>mn</i>	¥700 <i>mn</i>	¥100 <i>mn</i>	¥100 <i>mn</i>
	The average of top 5 clients: around ¥ 1 billion			

MR-kun Family: YoY Incremental Sales Comparison

(million yen)

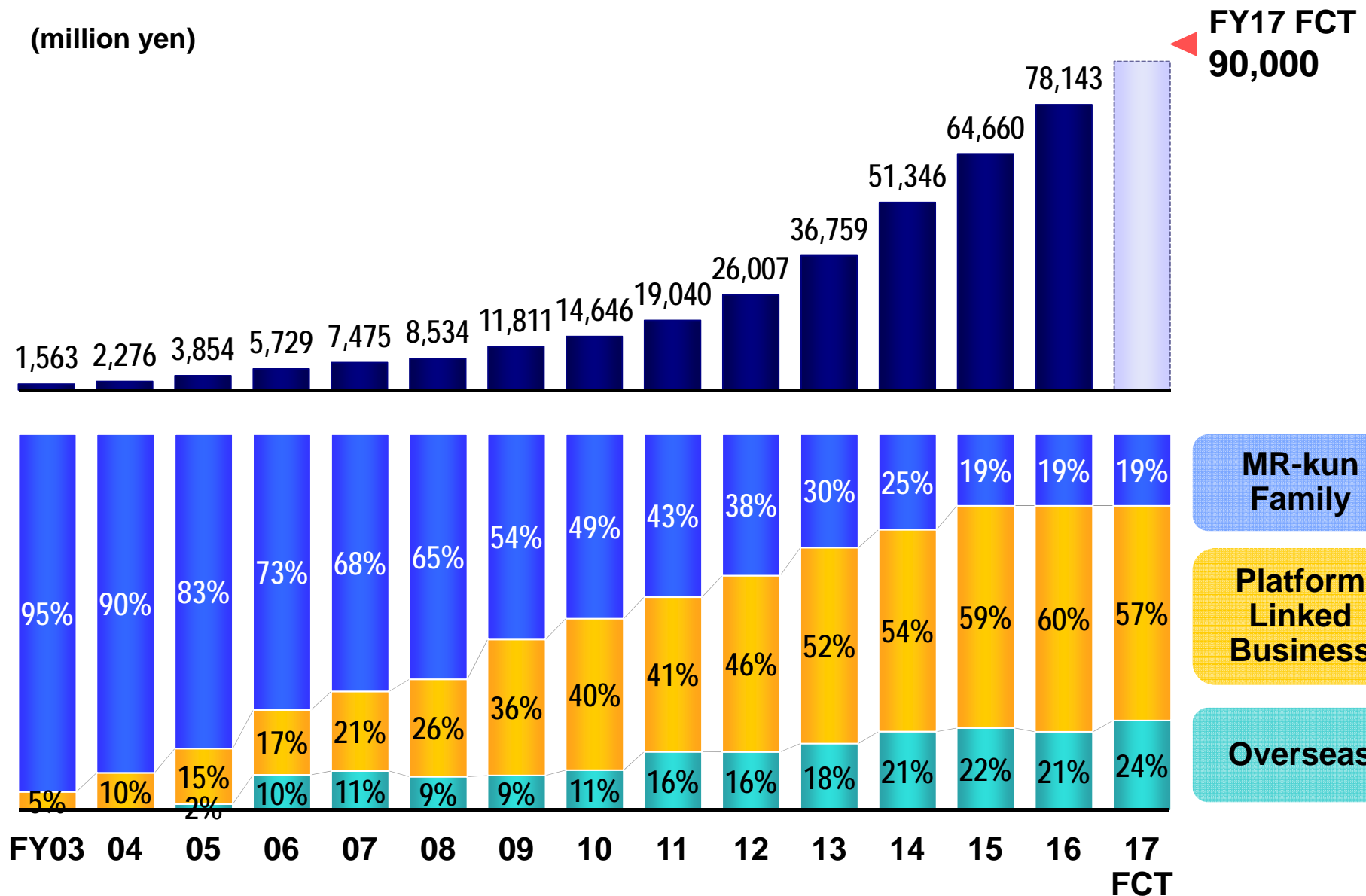


**FY16 H2 sales growth accelerated (+24% yoy).
Full fiscal year sales grew at +19% yoy.**



Consolidated Sales Trend

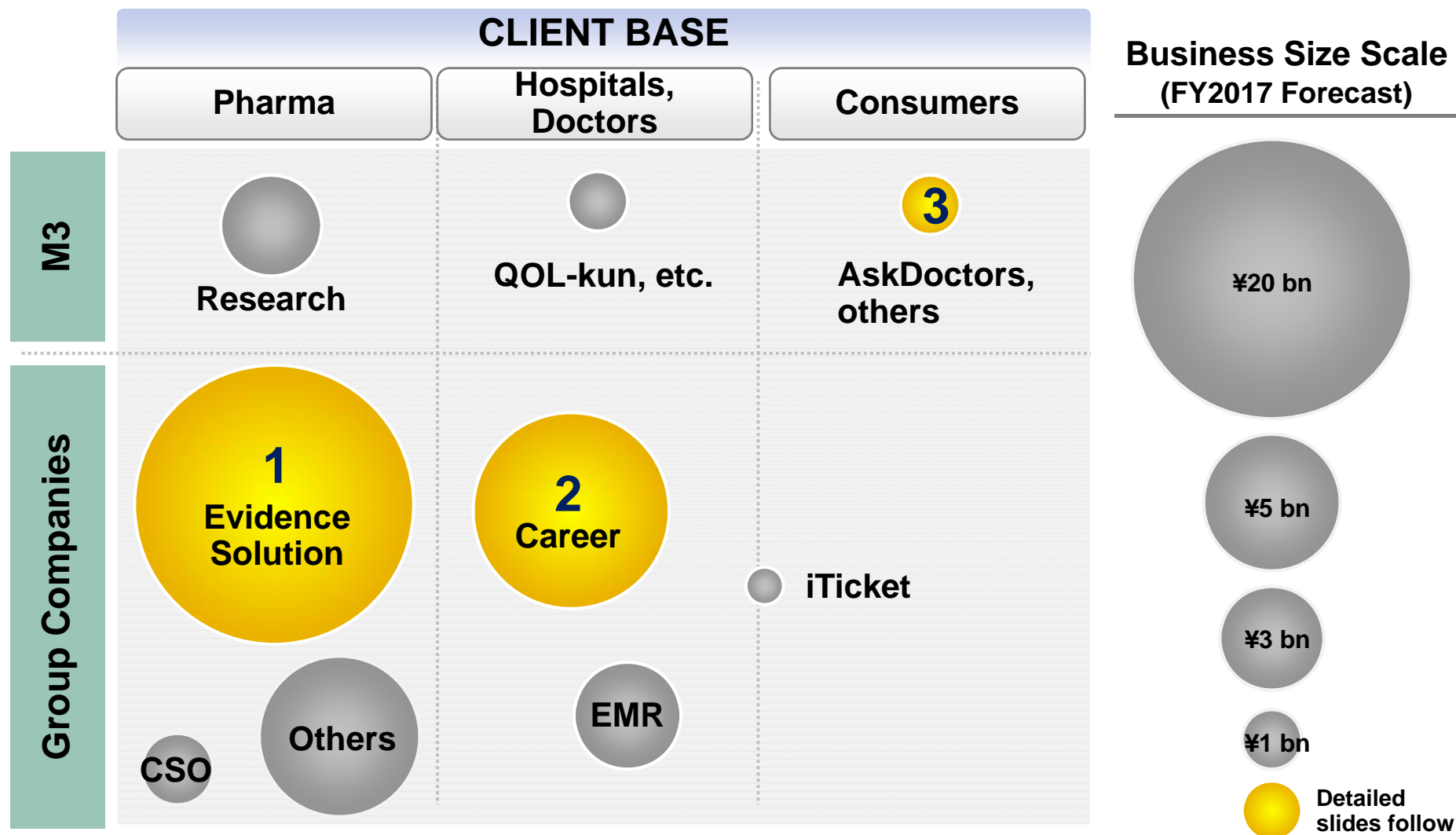
(million yen)



Business Segment Breakdown and Type

Business Segments	Services	FY16 Sales	Business Type
Medical Portal	MR-kun Family	15 bn yen	MR-kun Family
	Career	9 bn yen	Platform Linked Business
	Research	3 bn yen	
	Other (Mr. Finder, AskDoctors, others)	3 bn yen	
Evidence Solution		22 bn yen	
Clinical Platform		3 bn yen	
Sales Platform		1 bn yen	
Other (iTicket, hospital support, others)		5 bn yen	
Overseas		16 bn yen	Overseas

Platform Linked Business Development



Total revenue of platform-linked businesses in FY2017 is expected to exceed 50 billion yen. New projects pipeline includes 20 to 30 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 for pharmaceutical e-Marketing - *Engine #1*

Plus

2011 ~

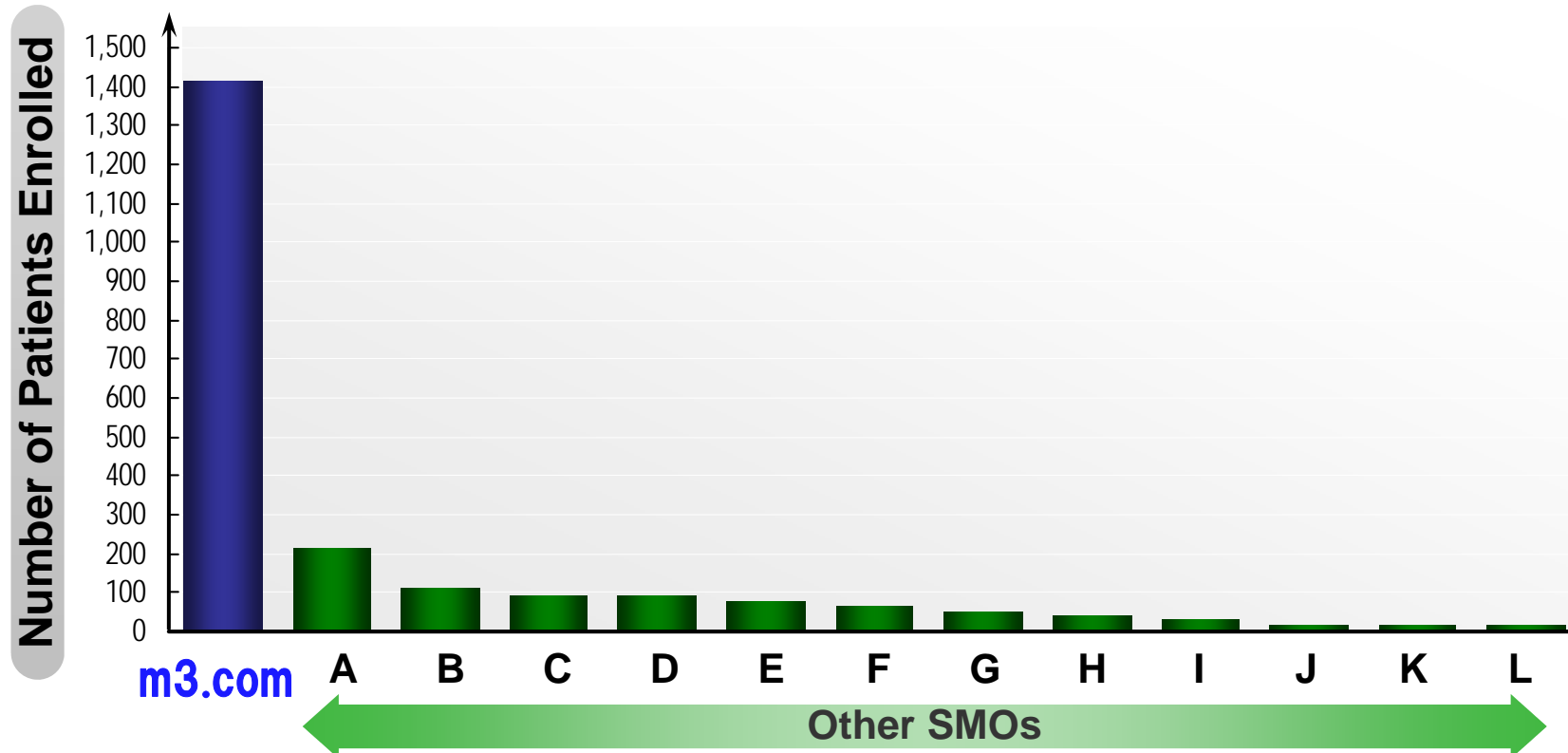
Evolution via Mr. Finder for pharmaceutical e-R&D - *Engine #2*

Patient Enrollment in Large-Scale Trials

1 Evid Sol

Case study

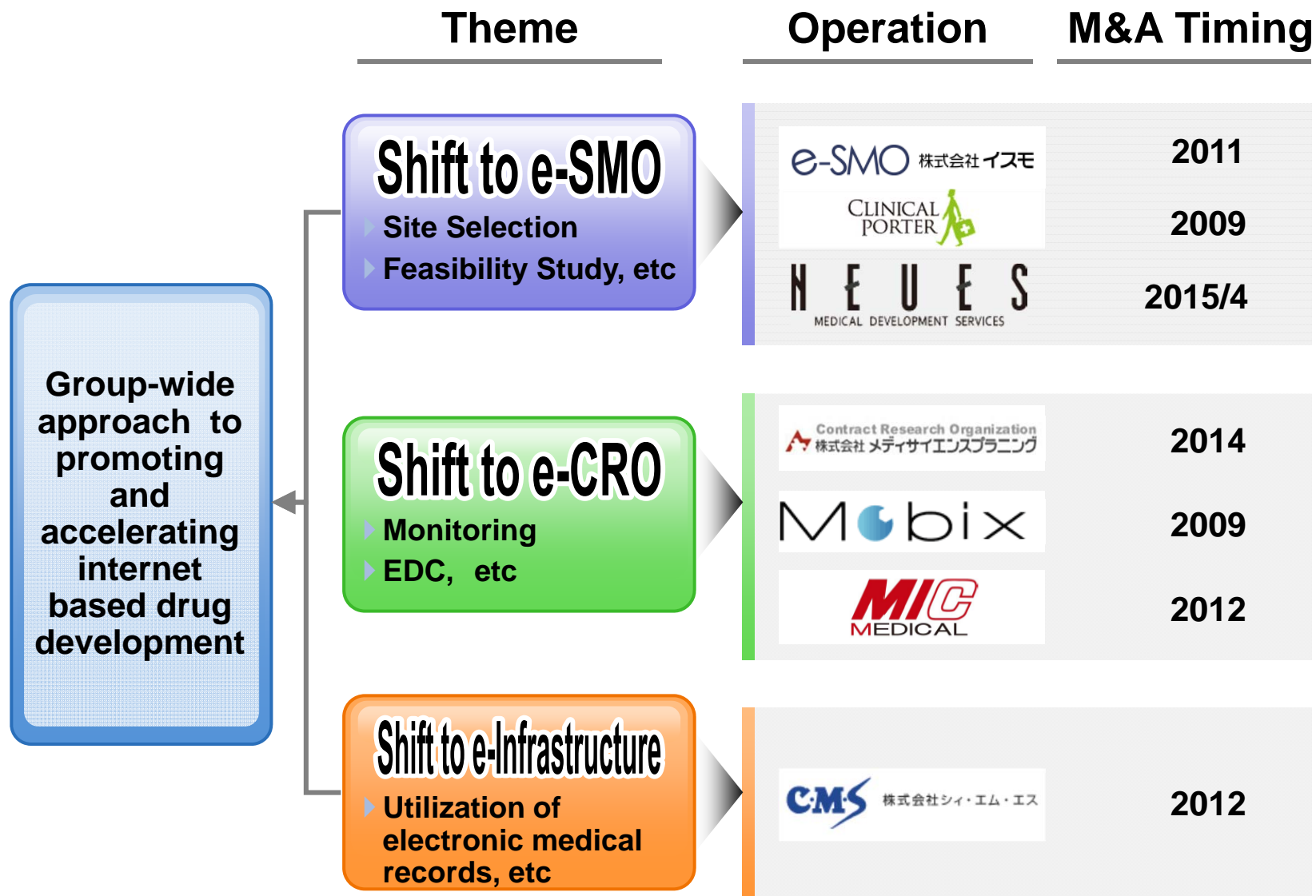
Mr. Finder dramatically outpaced competitors both by number and speed in enrolling cases for a particular Endocrinology trial



 **Expedited enrollment of motivated physicians and patients compared to other SMOs**

Shift to e-Clinical Trials

1 Evid Sol



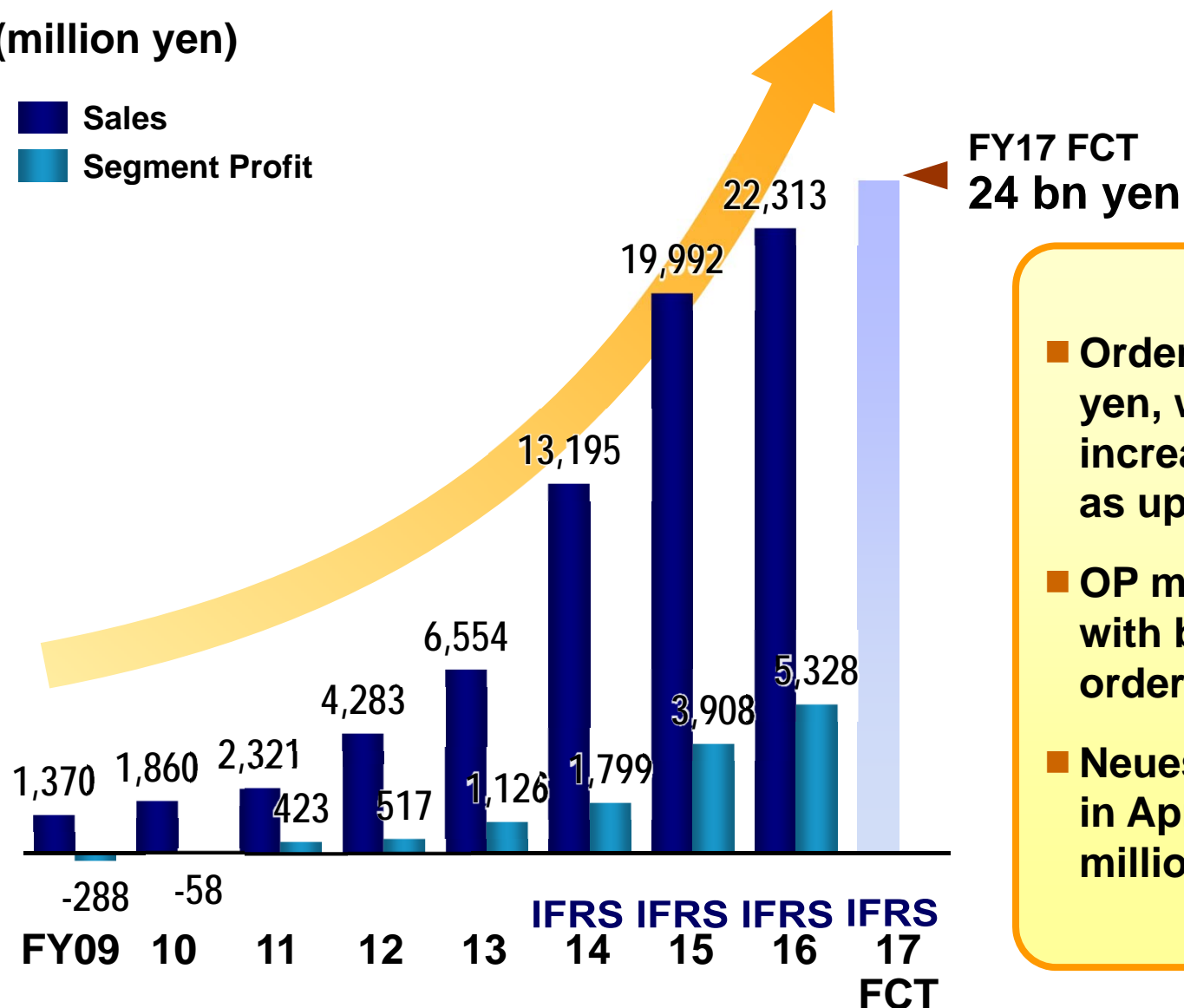
Sales and Profit Trend of Evidence Solution

1 Evid Sol

(million yen)

IFRS basis

■ Sales
■ Segment Profit



- Orders backlog at 29bn yen, with corresponding increases in headcount as upfront investment
- OP margin rose to 24% with backdrop of healthy orders expansion
- Neues, an SMO acquired in April 2015, posted 600 million yen in profits

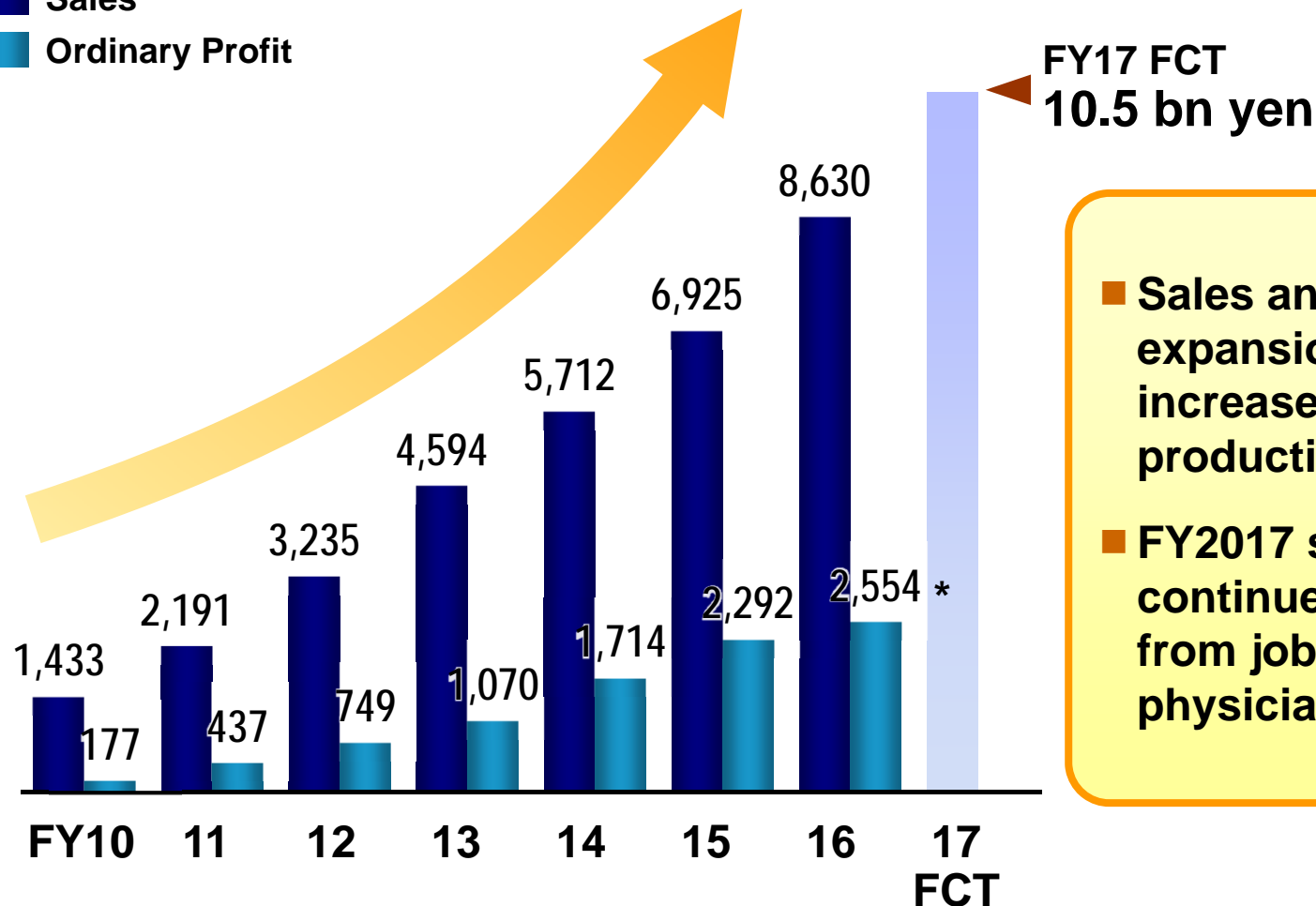
Sales and Profit Trend of M3 Career

2 Career

(million yen)

JGAAP basis

■ Sales
■ Ordinary Profit



- Sales and profit expansion from increase in staff and productivity
- FY2017 should see continued traction from job placement for physicians.

*Excludes Anestation M&A fees

Potential for AskDoctors.com



- **200,000** paid members
- **15,000** consultations per month
- **5.6 doctors** respond to each question
- **99.9%** response rate
- **2,400,000** archived consultation results
- **Yahoo! Japan** affiliation
- **Already Japan's largest remote medical consultation platform**

(numbers are approximate)

 **Rapid AskDoctors based business development opportunities exist on the stroke of advancement in legislation surrounding remote medicine**

Established “M3 AI Labo”

Development Stages



**Accumulation
of Medical
Big Data**



**Clinical Study,
Application
Approval**



Marketing



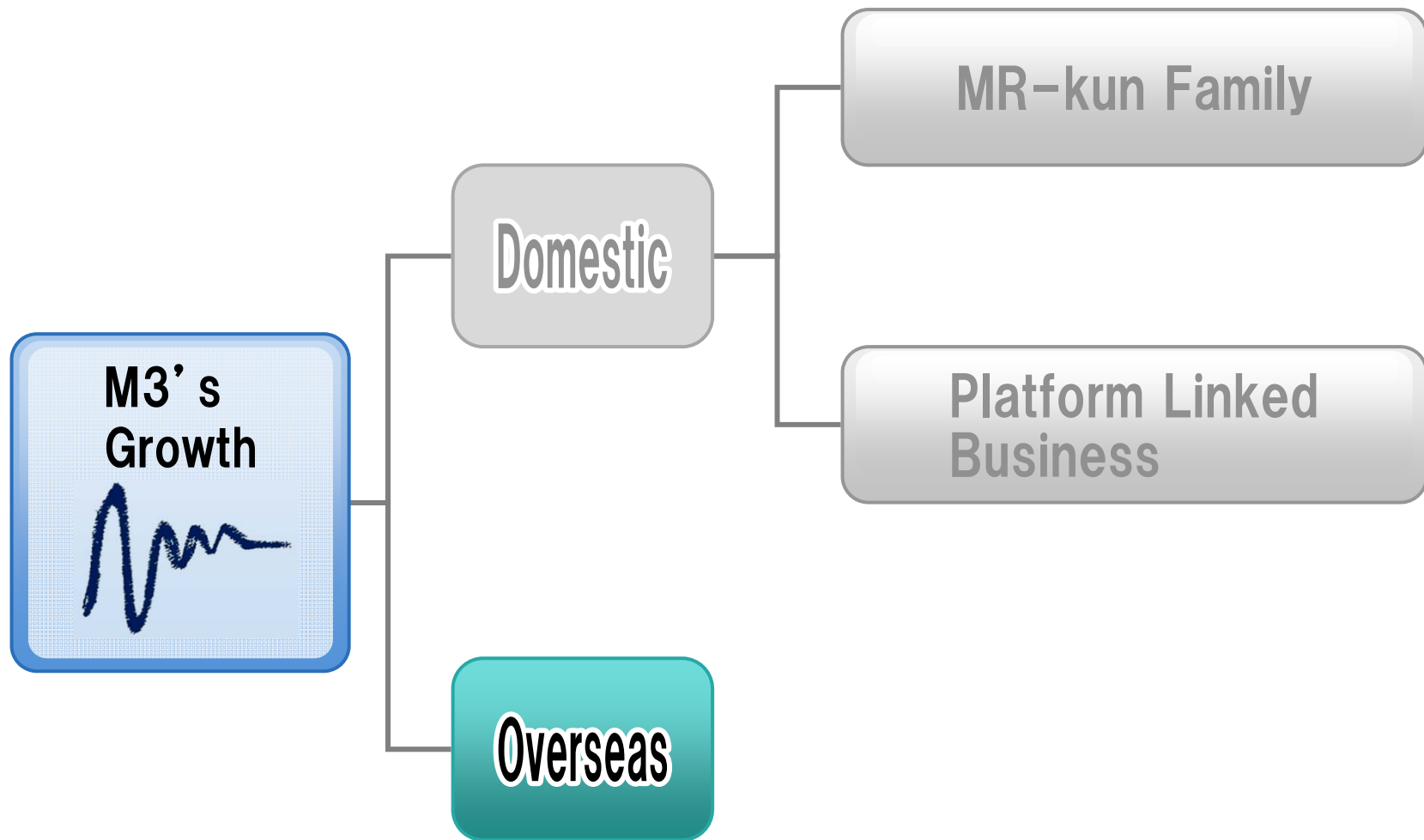
Financing

M3 Value Addition

- **Medical data accumulation from the 250 thousand local and 4+ million global physician members**
- **Clinical study execution via group CROs, SMOs**
- **Rapid patient recruitment utilizing Mr. Finder**
- **Regulatory strategy consulting**
- **MR-kun family marketing support services**
- **Financing support based on venture capital expertise**

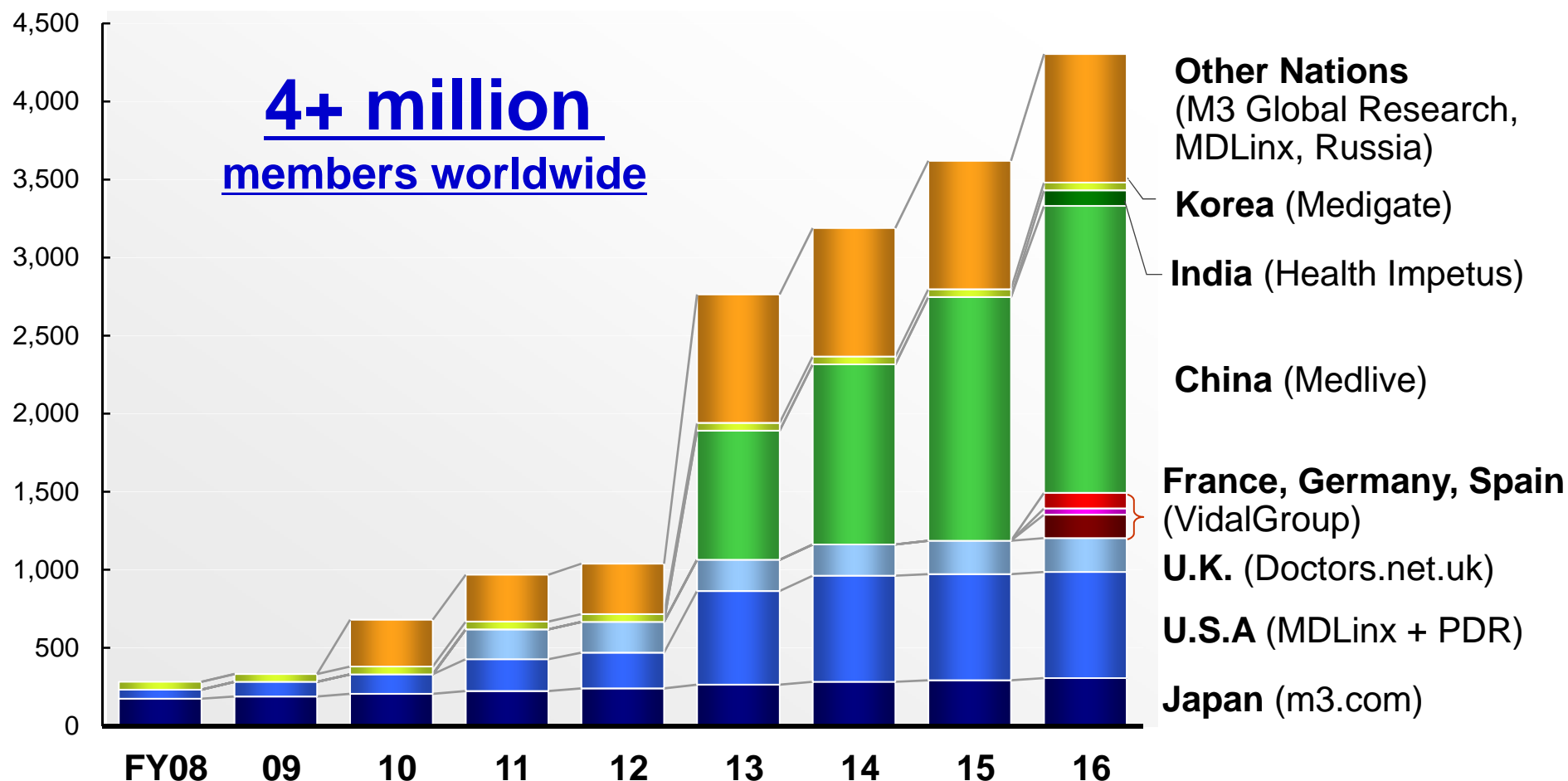


Medical device and service development utilizing artificial intelligence and M3 group’s aggregate support services.



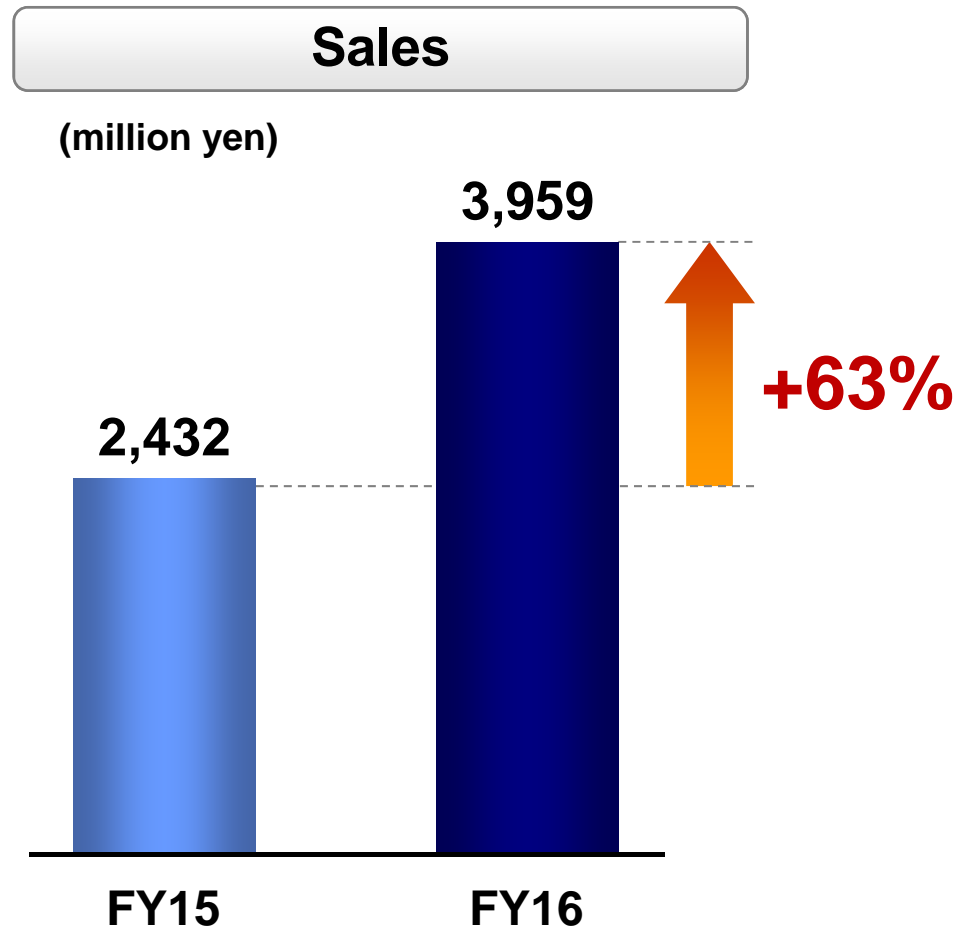
Number of Physician Members and Panelists (Global)

(thousand)



Over 4 million physicians utilize M3's global platforms

Expansion of U.S. Career Services



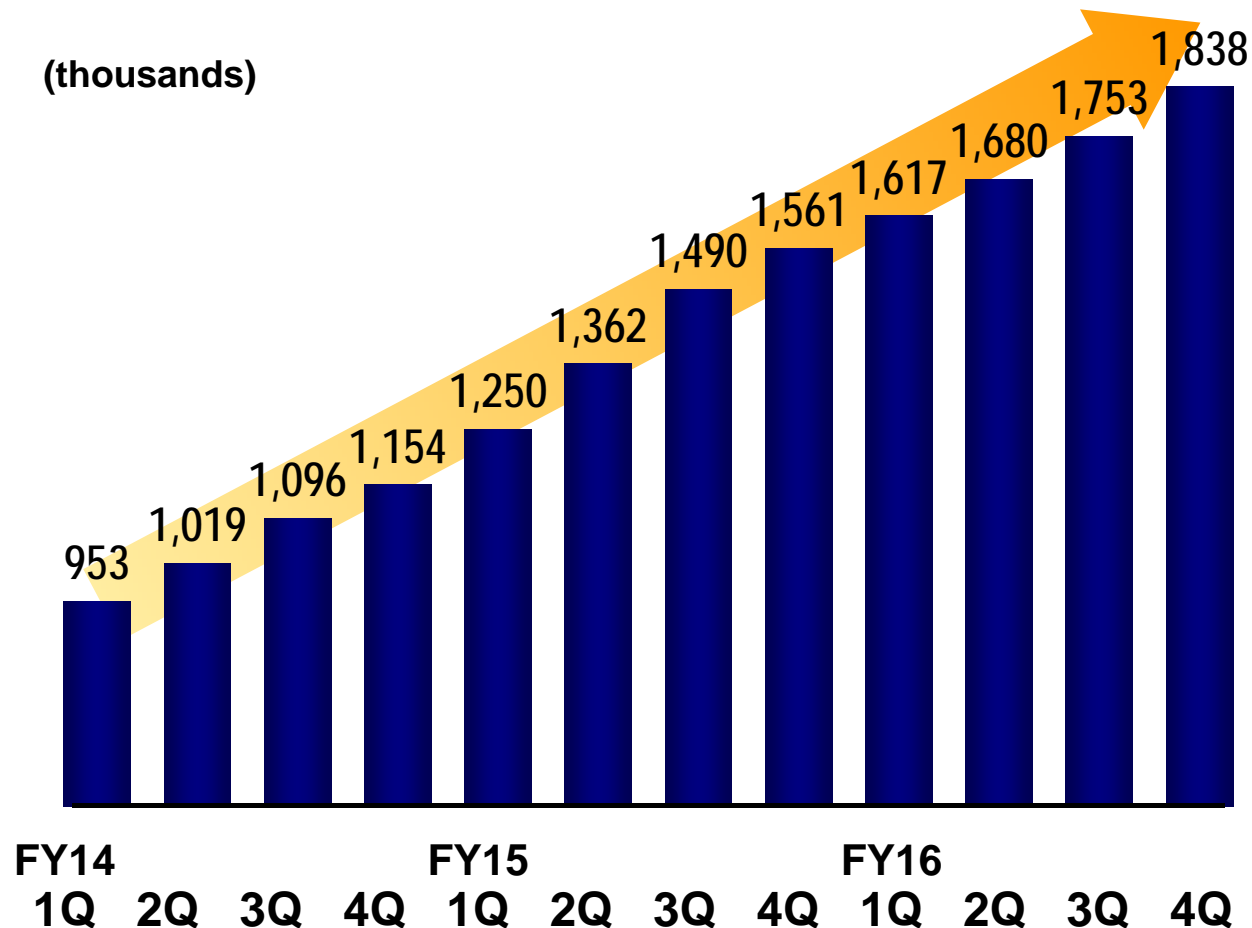
- Operation size grew +63% yoy due to expansion of existing businesses as well as contribution from M&As
- Synergies with MDLinx, the U.S. web portal designed for physicians, is expected to improve sales and profitability
- Steady growth for FY17 is expected



A new US driver with a faster initial growth rate than M3 Career in Japan, and a much larger addressable jobs market overall.

China: Membership Expansion

Number of Physician Members in China



■ Marketing services for drug companies starting with MR-kun, and marketing research services showed steady growth

■ MR-kun is now being utilized for 30 drugs across 10 pharmaceutical companies



On the brink of 2 million physicians members, covering the majority of doctors in China

RotaMaster

Overview

Corporate Name : IQUS Limited

Established: 2000

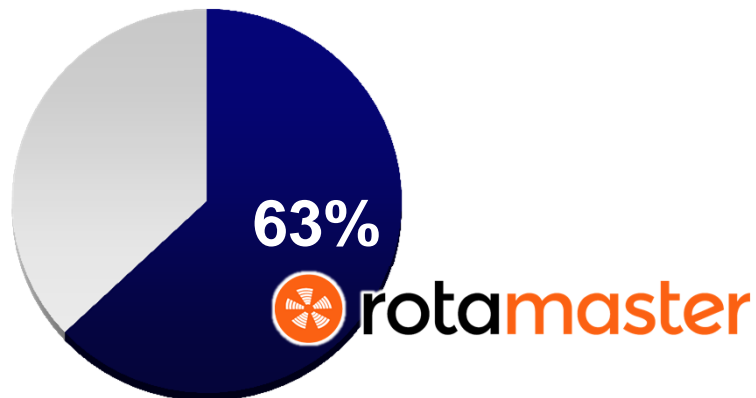
Location: West Yorkshire, U.K.

Employees: approx. 20

Trademark:  **rotamaster**
for your rota management

<Market Share >

across institutions operating outside of normal hours



Synergies

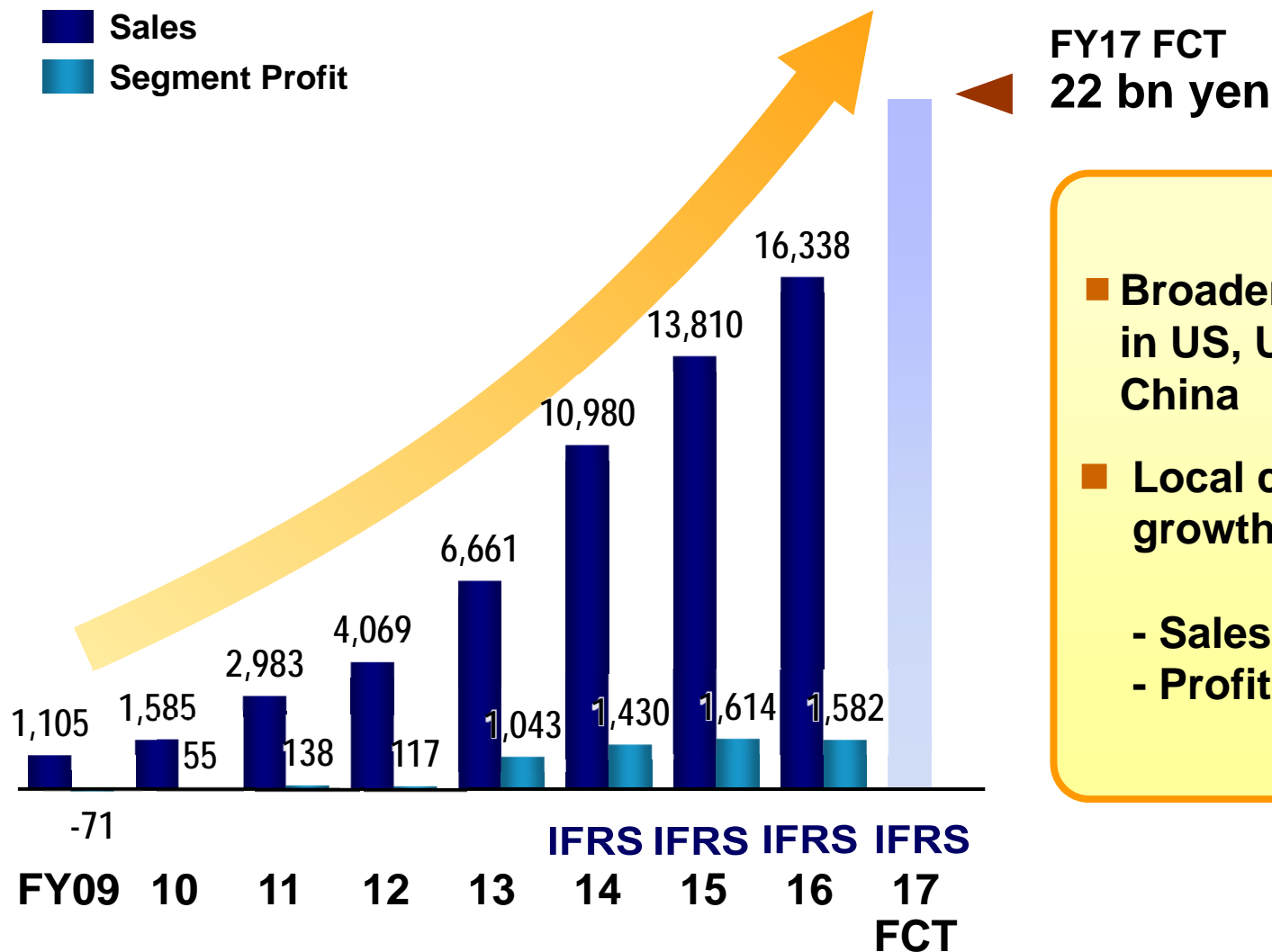
- Developed and sells the RotaMaster software designed for workforce management at healthcare institutions
- Utilized at 75 medical institutions, and holds 63% market share across institutions operating outside of normal hours
- Transparency of open shifts provided by RotaMaster allows maximization of temporary staff placements
- Unscheduled healthcare provider market (locum) is sized at roughly 60 billion yen. Considering expansion into this market by matching of DNUK members with open shifts found via RotaMaster

 **Official entry into the UK career business with RotaMaster**

Sales and Profit Trend of Overseas

(million yen)

IFRS basis



- Broader business scope in US, UK, France, and China
- Local currency basis yoy growth ex M&A fees:
 - Sales: +35%
 - Profit: +27%

M3 Group's Business Strategy

Strategy Change in Business Development

New Service Development in the Medical Internet Sector

(2000~2010)



Internet-Powered PE Style Business Expansion in Healthcare Industry

(2011~)



Approach

Internet

Internet + Real Operations

Service Coverage

Web-based eTools

Entire Value-Chain

Potential Business Domains

~10

30 ~ 50
(~ 200 including overseas)

Profitability

High profitability
(Mid absolute profit)

High absolute profit
(Mid profitability)

M&A













Small

Medium ~ Large



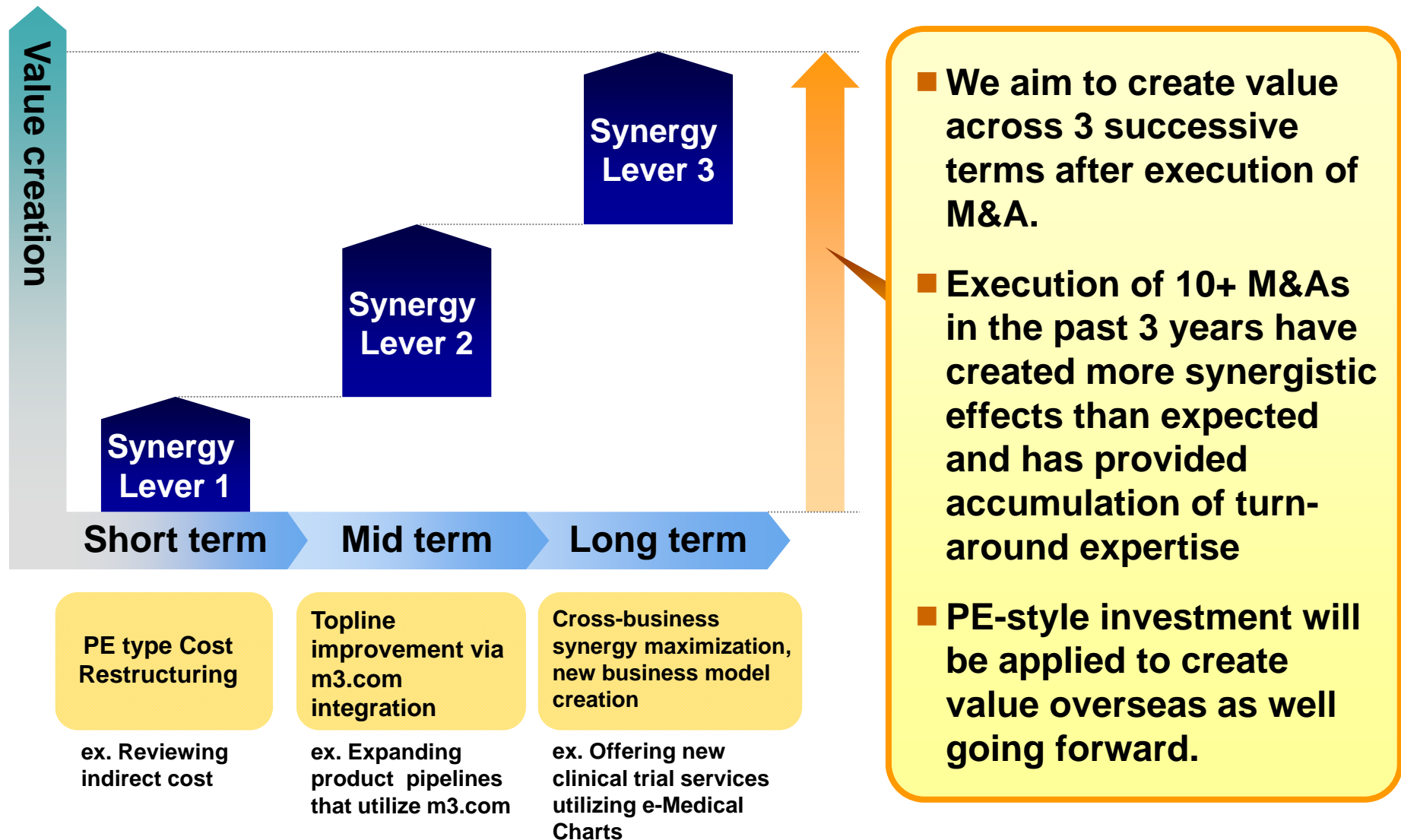
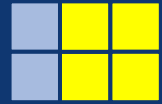
M3 is uniquely positioned to transform the health care industry via its
1) Platform 2) Industry Expertise and
3) Human Resources (management and engineering)

M3's Investment Spectrum

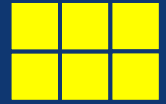
Listed	Domestic: 2 companies  Human Metabolome Technologies  Honyaku Center		Domestic: 3 companies  Mebix  MIC Medical  Mediscience Planning
	Ventures: 20 companies  Mid-sized medical institution: 1 company 	Domestic: 1 company  M3 Career Overseas: 2 companies  Kingyee (China)  HIPL (India)	Domestic: 16 companies  Overseas: 10 companies 
	Minority	Over 50%	100%
	M3 Investment Share		

 Consolidation remains the core strategy, along with a wide spectrum of investment styles in all high potential companies.

Value Creation via M&A



Powerful Execution Team



- Specialized team of approx. 10 experts with IBD backgrounds from top banks such as JPMorgan, UBS, Mizuho Securities, as well as KPMG, Innovation Network Corporation of Japan, and VC firms
- Internalized capabilities from sourcing to execution, leading post merger integrations to back up levers 1, 2, and 3
- Members from firms such as GS and MS situated in other business units are assigned to projects on an interim basis... multi-skill development

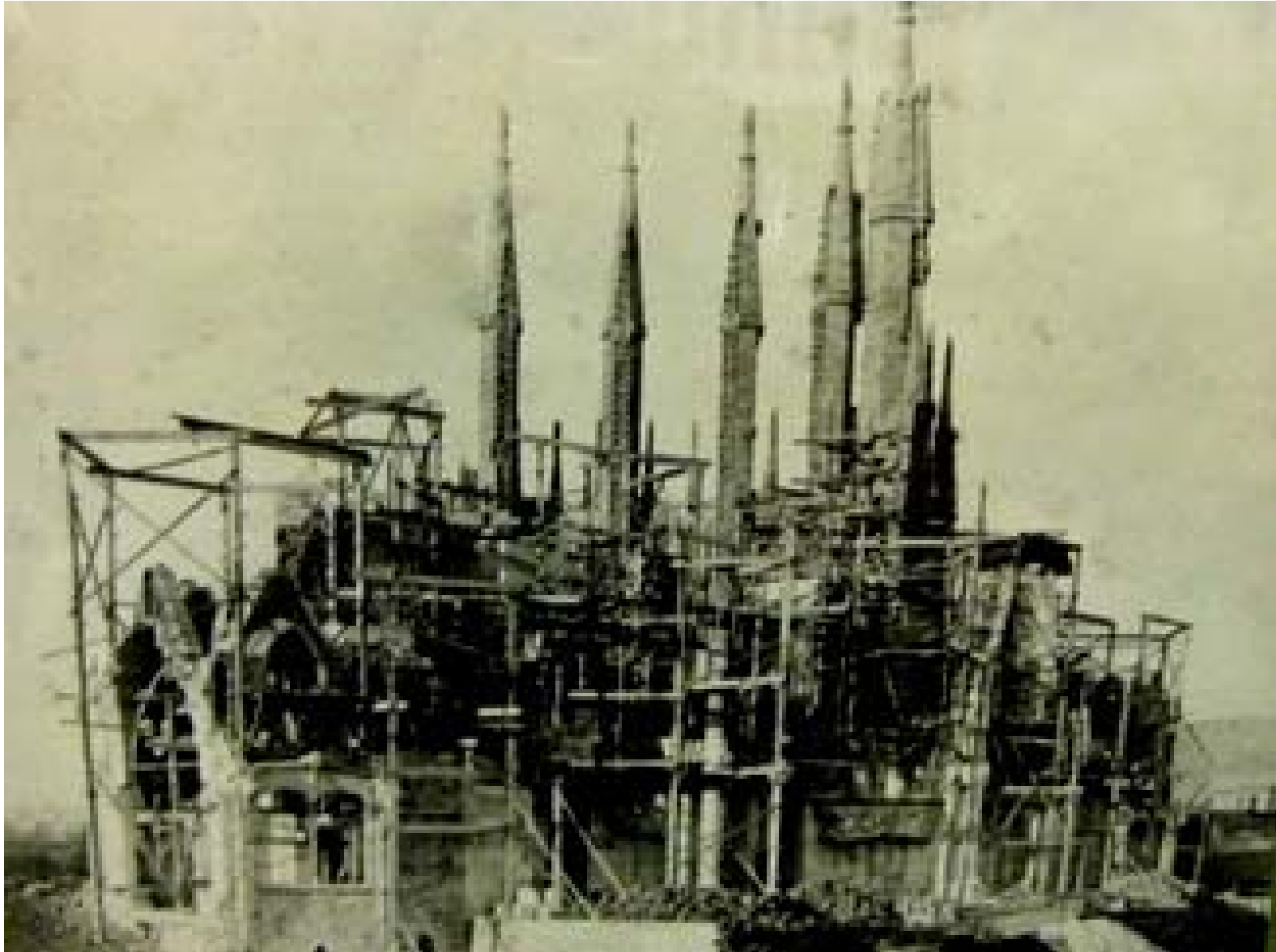
10 years since team formation, with zero retirees -- Voices from the Team:

“It’s an environment where you can work towards a unified objective, with colleagues of expertise in all areas. The satisfaction and sense of accomplishment were newly felt rewards, separate from monetary merit.”

“End-to-end involvement in projects allowed me to gain various expertise regarding management, operations, and best practices.”

“My work is exciting!”

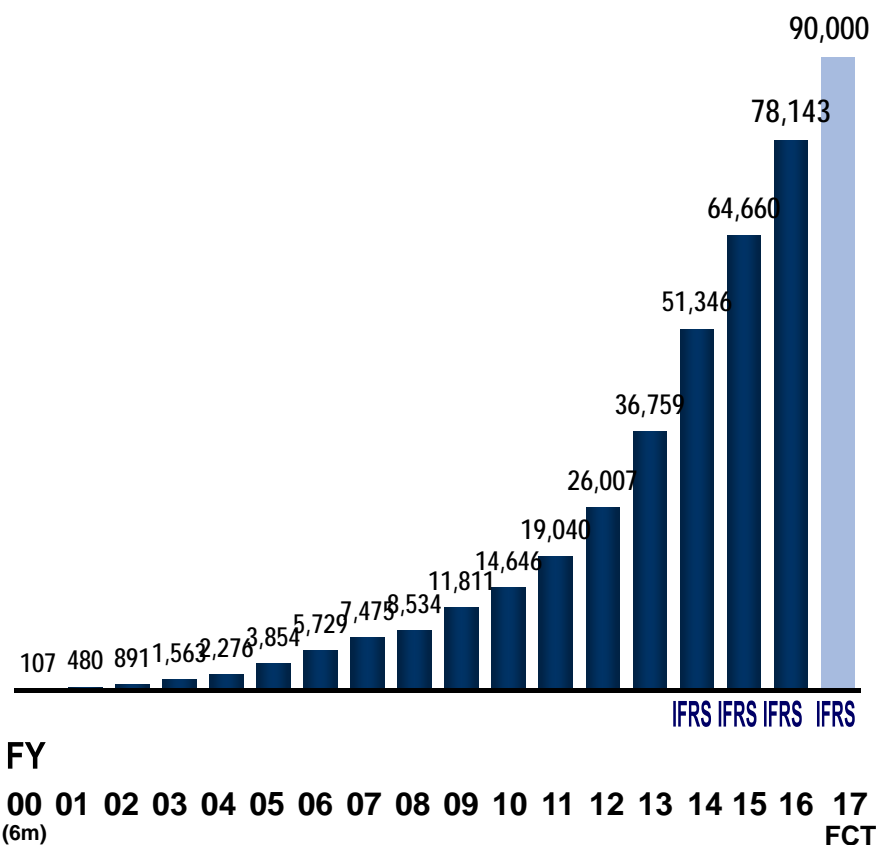
M3 is Just Getting Started



Annual Results & Forecast for FY2017

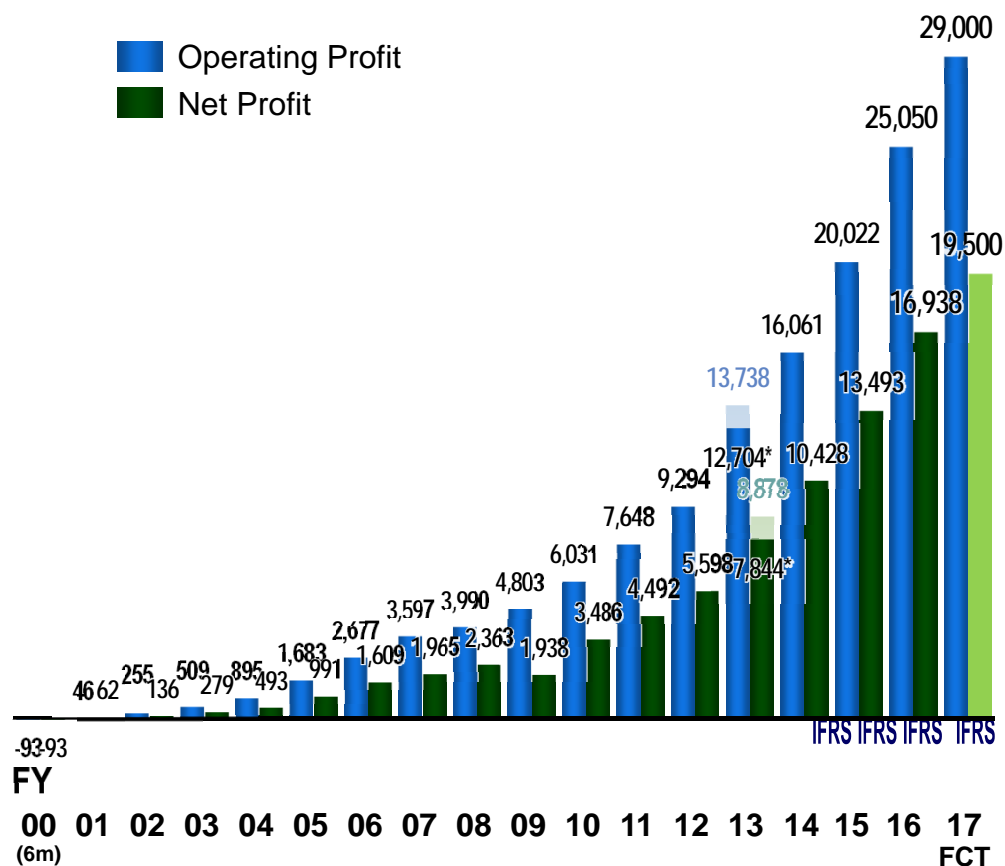
Sales

(mn yen)



Operating Profit & Net Profit

(mn yen)



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

FY2017 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:
 - Medical Portal 150
 - CRO, SMO: 150
 - Others: 100
- Allocation for M&A related costs such as advisory fees: 400 million jpy

FY 2017 Budget Guidance (By business)

MR-kun Family

- Double digit growth from increase in number of products using MR-kun family services

Career

- Healthy growth led by job placement for physicians.

Evidence Solution

- Continued growth from strong orders and projects progress

Overseas

- US: Continued growth surrounding the career business
- UK: Full consolidation of Vidal. Healthy growth including the UK.
- China: Healthy growth led by MR-kun

Others

- Steady growth from Clinical Platform and Sales Platform
- Various businesses in the other segments to expand in both scope and content

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