M3, Inc.
Presentation Material

October 2017
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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

**Medical Platform**
- Expansion of marketing support business for pharmaceutical and medical device companies
- Sales: 14.0 bn yen (+19% yoy), Op. Profit: 6.6 bn yen (+14% yoy)

**Evidence Solution**
- Sales of IDA and a dip in projects at SMO Neues resulted in sales of 10.7 bn yen, in line with previous year levels. However, re-acceleration is expected into H2. CRO business produced profit growth of +23% yoy. Orders backlog now at 29 bn yen, up 1 bn from end of June.
- Op profit was 2.4 bn yen (+2% yoy), with op margins at 22%

**Career Solution**
- Business expanded as user demand increased with sales at 5.6 bn yen (+17% yoy) and op. profit at 1.8 bn yen significant recovery and absorption of upfront investment in personnel in Q1, with Q2 stand alone op. profit growth at +33% yoy)

**Overseas**
- Both sales and profit growth were led by the research business expansion and improvement in the US and UK.
- Sales: 10.8 bn yen (+54% yoy), Op. Profit: 1.5 bn yen (over 3x yoy)

**Other Topics**
- Acceleration in initiatives within the field of advanced medicine
  - Gained approval for DuraBeam™ artificial dura mater
  - Consolidation of COSMOTEC to contribute to the platform development within the field of advanced medicine
FY 2017 H2 Results
FY2017 H1 Consolidated Cumulative Results

(million yen)

<table>
<thead>
<tr>
<th></th>
<th>FY16 H1</th>
<th>FY17 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>34,874</td>
<td>42,849</td>
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<tr>
<td></td>
<td>+23%</td>
<td></td>
</tr>
<tr>
<td>Operating Profit</td>
<td>11,100</td>
<td>13,582</td>
</tr>
<tr>
<td></td>
<td>+22%</td>
<td></td>
</tr>
<tr>
<td>Pretax Profit*</td>
<td>10,825</td>
<td>13,679</td>
</tr>
<tr>
<td></td>
<td>+26%</td>
<td></td>
</tr>
<tr>
<td>Net Profit</td>
<td>7,149</td>
<td>9,035</td>
</tr>
<tr>
<td></td>
<td>+26%</td>
<td></td>
</tr>
</tbody>
</table>
## FY2017 H1 Consolidated Results by Segment

([unit: million yen])

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2016 H1</th>
<th>FY2017 H1</th>
<th>YoY (cumulative)</th>
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</thead>
<tbody>
<tr>
<td><strong>Medical Platform</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>11,859</td>
<td>14,089</td>
<td>+19%</td>
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<tr>
<td>Profit</td>
<td>5,815</td>
<td>6,640</td>
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<tr>
<td><strong>Evidence Solution</strong></td>
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<tr>
<td>Sales</td>
<td>10,732</td>
<td>10,712</td>
<td>0% *</td>
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<tr>
<td>Profit</td>
<td>2,343</td>
<td>2,393</td>
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<td><strong>Career Solution</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>4,819</td>
<td>5,620</td>
<td>+17%</td>
</tr>
<tr>
<td>Profit</td>
<td>1,793</td>
<td>1,766</td>
<td>-2% **</td>
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<tr>
<td><strong>Overseas</strong></td>
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<td></td>
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<tr>
<td>Sales</td>
<td>7,007</td>
<td>10,757</td>
<td>+54%</td>
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<tr>
<td>Profit</td>
<td>453</td>
<td>1,454</td>
<td>+221%</td>
</tr>
<tr>
<td><strong>Other Emerging Businesses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>1,557</td>
<td>2,799</td>
<td>+80%</td>
</tr>
<tr>
<td>Profit</td>
<td>351</td>
<td>537</td>
<td>+53%</td>
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</tbody>
</table>

* Due to sale of IDA, and trough in sales at SMO Neues. Recovery expected in H2.
** Significant improvement in Q2 after large upfront investment in Q1 in personnel.

Service utilization by healthcare companies accelerated in Q2.

Q2 alone:
- Sales: +23%
- Profit: +18%

Q1 incurred upfront hiring costs, however, Q2 saw re-acceleration.

Q2 alone:
- Sales: +28%
- Profit: +33%
Medical platform has shown sound growth, while platform linked and overseas have expanded rapidly.
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.

### Time Allocation of doctors collecting info

- **Sales Reps**: 17%
- **Internet**: 39%
- **Other** (conferences, publications, etc.): 44%

### Marketing Budget Allocation of drug companies in Japan

- **Sales Reps**: ~1.5 tril yen
- **Internet**: ~ 20 bn yen
- **Other**: ~100 bn yen

Source: M3 research, percentages are approximate
Medical Platform Growth Potential in Japan

**Main Clients**
- Currently: 50 Companies
- Full Potential: 100 Companies

**Sales per Client**
- Currently: ¥500 mn
- Full Potential: ¥0.8 bn ~ ¥1 bn per client

Growth Potential of 4~5x current levels

Broadening of usage across entire service line-up:
Average revenues from top 20 clients grew at approx. 19% YoY

Drivers:
- # of products
- # of opt-in MDs
- Added value of contents
### Medical Platform Services

#### Marketing Process at Healthcare Related Companies

<table>
<thead>
<tr>
<th>Strategy Planning</th>
<th>Content Production</th>
<th>Message Delivery</th>
<th>Deal Closing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Product strategy development</td>
<td>• Key message identification and content production</td>
<td>• Efficient message delivery to the medical scene</td>
<td>• Product sales expansion</td>
</tr>
<tr>
<td>• Corporate Planning</td>
<td>• Marketing</td>
<td>• Marketing</td>
<td>• Sales</td>
</tr>
<tr>
<td>• Marketing</td>
<td></td>
<td>• Multi-channel Group</td>
<td>• Corporate Planning</td>
</tr>
<tr>
<td>• M3 Research</td>
<td>• Web Content Creation</td>
<td>• MR-kun</td>
<td>• CSO</td>
</tr>
<tr>
<td>• Mx Data</td>
<td>• Agency Business</td>
<td>• Web Conference</td>
<td>• Medical Marketer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• One Point eDetail</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• M3 Database</td>
</tr>
</tbody>
</table>

#### Pharma Company Needs
- M3 Services
  - 2010 Sales: 1.0bn
  - 2016 Sales: 3.0bn

#### Corresponding Department
- M3 Services
  - 2010 Sales: 1.5bn
  - 2016 Sales: 4.5bn

- MR-kun
  - 2010 Sales: 8.0bn
  - 2016 Sales: 19.0bn

Medical Platform Sales: **28 billion JPY**
"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

2011 ~
Evolution via Mr. Finder for pharmaceutical e-R&D
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.
Orders backlog remained around 29bn yen, with corresponding increases in headcount as upfront investment.

Sales stayed flat due to a dip in projects at SMO Neues, however, margins remained high at 22%.

Re-acceleration expected in H2.
Profit remained in line as previous year, with healthy performance at CROs offset by SMO Neues hitting a dip in projects. Recovery is expected into H2.
Sales and Profit Trend of M3 Career

(million yen)

Sales and profit expansion from increase in staff and productivity

FY17 should see continued traction from job placement for physicians

Absorbed upfront hiring impact from Q1, and returned to the usual growth rate
Number of Physician Members and Panelists (Global)

(THRouguHousand)

4+ million
members worldwide

Other Nations
(M3 Global Research, MDLinx, Russia)
Korea (Medigate)
India
China (Medlive)
France, Germany, Spain
(VidalGroup)
U.K. (Doctors.net.uk)
U.S.A (MDLinx)
Japan (m3.com)

Over 4 million physicians utilize M3’s global platforms
Sales and Profit Trend of Overseas Segment Profit

(million yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (bn yen)</th>
<th>Segment Profit (bn yen)</th>
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<tbody>
<tr>
<td>FY09</td>
<td>1,105</td>
<td>55</td>
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<tr>
<td>FY10</td>
<td>1,585</td>
<td>138</td>
</tr>
<tr>
<td>FY11</td>
<td>2,983</td>
<td>117</td>
</tr>
<tr>
<td>FY12</td>
<td>4,069</td>
<td>117</td>
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<tr>
<td>FY13</td>
<td>6,661</td>
<td>117</td>
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<td>FY14</td>
<td>10,980</td>
<td>1,043</td>
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<tr>
<td>FY15</td>
<td>13,810</td>
<td>1,430</td>
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<tr>
<td>FY16</td>
<td>16,338</td>
<td>1,614</td>
</tr>
<tr>
<td>FY17</td>
<td>10,757</td>
<td>1,582</td>
</tr>
</tbody>
</table>

Profitability in the US and UK improved dramatically led by the research business (+75% yoy)

Profit margin expansion from operation improvements. Dispatching personnel from Japan for further reinforcement.
Both sales and profit healthy as expected

Profitability improved led by research business

Launched the career business. Research business also healthy

Healthy expansion in China MR-kun, with profits increasing 10 fold

US and UK profit expanded, with segment profits over doubling exclusive of contribution from Vidal.
China: Membership Expansion

Number of Physician Members in China

(Thousands)

- Marketing services for drug companies starting with MR-kun, and marketing research services showed steady growth
- MR-kun is now being utilized for 35 drugs across 11 pharmaceutical companies
- Launched career services for physicians

On the brink of 2 million physicians members, covering the majority of doctors in China
M3 Group’s Business Strategy
M3 is uniquely positioned to transform the health care industry via its
1) Platform  2) Industry Expertise and
3) Human Resources (management and engineering)
Evolution of M3 Growth Drivers

Main Initiatives
- Seeds Rocket / M3i
- Various solutions within cancer specialties
- M3 AI Labo
- Genome Diagnosis / G-TAC
- e-Clinical Trials
- M3 Career (Job placement for physicians)
- MR-kun Family
- Web Surveys

Full-scale entry into the field of Advanced Medicine, as the third growth driver for M3
Continued fortification and commonization of the M3 platform. Objective to expand the advanced medicine business to equal or greater scale than existing businesses such as “MR-kun Family” and “Clinical Trails”
Seeds Rocket Development: TamaBio

- **TamaBio Co., Ltd:**
  - Established: April 2016
  - M3 ownership: 88% (as of July 26)
  - Technology seed originated by RIKEN

- **Product Description:**
  - Polymer resin processed surgical sheets
  - Lack of need for minute sutures dramatically reduces both operation time and risk of infection
  - Attained PMDA approval

- **Utility:**
  - Artificial dura mater
  - Pericardium sheet
  - Cardiovascular repair patch
  - Trigeminal neuralgia treatment device
  - Artificial heart valves, and more

- **Market Size:**
  - Global market size estimate: 500 bn yen

Attained approval for production and distribution in Japan within 17 months after founding of the company.
Pipeline, Market Size, Development Schedule

Application Areas

- **Head**
  - ① DuraBeam™ (Artificial Dura Mater) $161M
  - ⑥ Trigeminal Neuralgia Treatment Device $80M
- **Chest**
  - ② Peribeam™ (Pericardium Sheet) $275M
  - ③ Cardiac Repair Patch $971M
  - ④ Vascular Wrap (Cardiovascular Repair Patch) $877M
  - ⑤ Biological Patch (For Hernia repair, Chest wall reinforcement, Peritoneum deficit) $754M
  - ⑦ Artificial Heart Valve $1,450M
- **Abdomen**
  - ⑧ Artificial Arteries $182M↑
- **Others**
  - $100M
  - $100~300M
  - $300~900M
  - $1B+

Addressable global market totaling 500 billion yen

Expected Approval Timing

Scale Table
Advanced Medical Device Platform: COSMOTEC

- Approx. 1,000 transactions with medical institutions annually. Track record of transaction with 98% (approx. 500 sites) of institutions conducting cardiovascular surgery
- Top class in domestic market share of major devices for cardiac surgery
- Focus also on seed excavation and in-house development. Expanded share of total sales to 25% over the past 10 years for non cardiac surgery devices

Coverage of Cardiovascular Surgical Sites

- **Covered Sites:** 98.0%
- **Uncovered sites:** 20%

Business Expansion Outside of Cardiac Surgery Field

- Share of sales contributed by non cardiac surgery devices
  - 0% → 25% (approx.) in 10 yrs
- Vascular Surgery / Cancer / Reproductive Medicine
  - New Product Induction + Development
Transfer of Business from M2Plus

- **Business Overview**
  - Industry leader in medical e-book services
  - Widely recognized with 86,000 users, of which 55,000 are paid users

- **Expected Synergies**
  - Business expansion benefiting from m3.com’s strength as a media platform
  - New search engine linked business model development
M3 is Just Getting Started
Upfront Investment Costs for Future Growth

(Unit: Million Yen)

Special costs incurred in anticipation of 0.6~1.2 bn yen. Aggressive upfront investment to continue.
**Sales**

(mn yen)

<table>
<thead>
<tr>
<th>FY (6m)</th>
<th>IFRS</th>
<th>IFRS</th>
<th>IFRS</th>
<th>IFRS</th>
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<tbody>
<tr>
<td>00</td>
<td>107</td>
<td>480</td>
<td>891</td>
<td>1,563</td>
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<td>01</td>
<td>1,152</td>
<td>1,362</td>
<td>1,473</td>
<td>2,276</td>
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<tr>
<td>02</td>
<td>1,654</td>
<td>1,582</td>
<td>1,573</td>
<td>3,854</td>
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<tr>
<td>03</td>
<td>6,729</td>
<td>6,466</td>
<td>7,814</td>
<td>9,000</td>
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</table>

**Operating Profit & Net Profit**

(mn yen)

- Operating Profit
- Net Profit

<table>
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<tr>
<th>FY (6m)</th>
<th>IFRS</th>
<th>IFRS</th>
<th>IFRS</th>
<th>IFRS</th>
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<tbody>
<tr>
<td>00</td>
<td>-93</td>
<td>884</td>
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<td>4,803</td>
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<td>4,152</td>
<td>4,492</td>
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<td>6,031</td>
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<td>04</td>
<td>6,895</td>
<td>7,143</td>
<td>8,794</td>
<td>12,704*</td>
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Extraordinary profit from acquisition of MPI: 1,034 mn yen

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Segment Definition Changes

Previous and New Segment Correspondence Chart

<table>
<thead>
<tr>
<th>Original Segments</th>
<th>Medical Portal</th>
<th>Evidence Solution</th>
<th>Clinical Platform</th>
<th>Sales Platform</th>
<th>Overseas</th>
<th>Others</th>
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<tbody>
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<td>●</td>
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<tr>
<td>Evidence Solution</td>
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<td>Career Solution</td>
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<tr>
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<tr>
<td>Other Emerging Businesses</td>
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<td>●</td>
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</tr>
</tbody>
</table>

Combined all related businesses into this Medical Platform segment given the development of businesses that integrate internet and real operational capabilities.

Extracted as a new segment due to the nature and expanded size of the business.

Combined other emerging businesses and the consumer business originally under the previous Medical Portal.
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