


M3

Presentation Material

Aug. 2014





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.

Company Background



Business domain

Internet-based
healthcare businesses

Name

→ M3
Medicine
Media
Metamorphosis

History

2000	Sep	Founded
	Oct	Launched MR-kun service
2002	Mar	Acquired WebMD Japan
2004	Sep	Listed on TSE Mothers
2005	May	Entry into Korean market via Alliance with Medi C&C
	Sep	Launched QOL-kun service
	Dec	Launched AskDoctors service
2006	Jun	Entry into US market via Acquisition of MDLinx
2007	Mar	Listed on TSE 1
2008	Oct	Entry into European market via Launch of “MedQuarter.de”
2009	Apr	Entry into clinical trial market via Acquisition of Mebix
2010	Nov	Acquired EMS Research and Established global research physician panel
2011	Aug	Entry into UK market via Acquisition Doctors.net.uk
2013	Nov	Entered into China market

Sponsor-free

Medical News

Search Engine

Research Paper
Search Engine

Web-based
Medical Tools

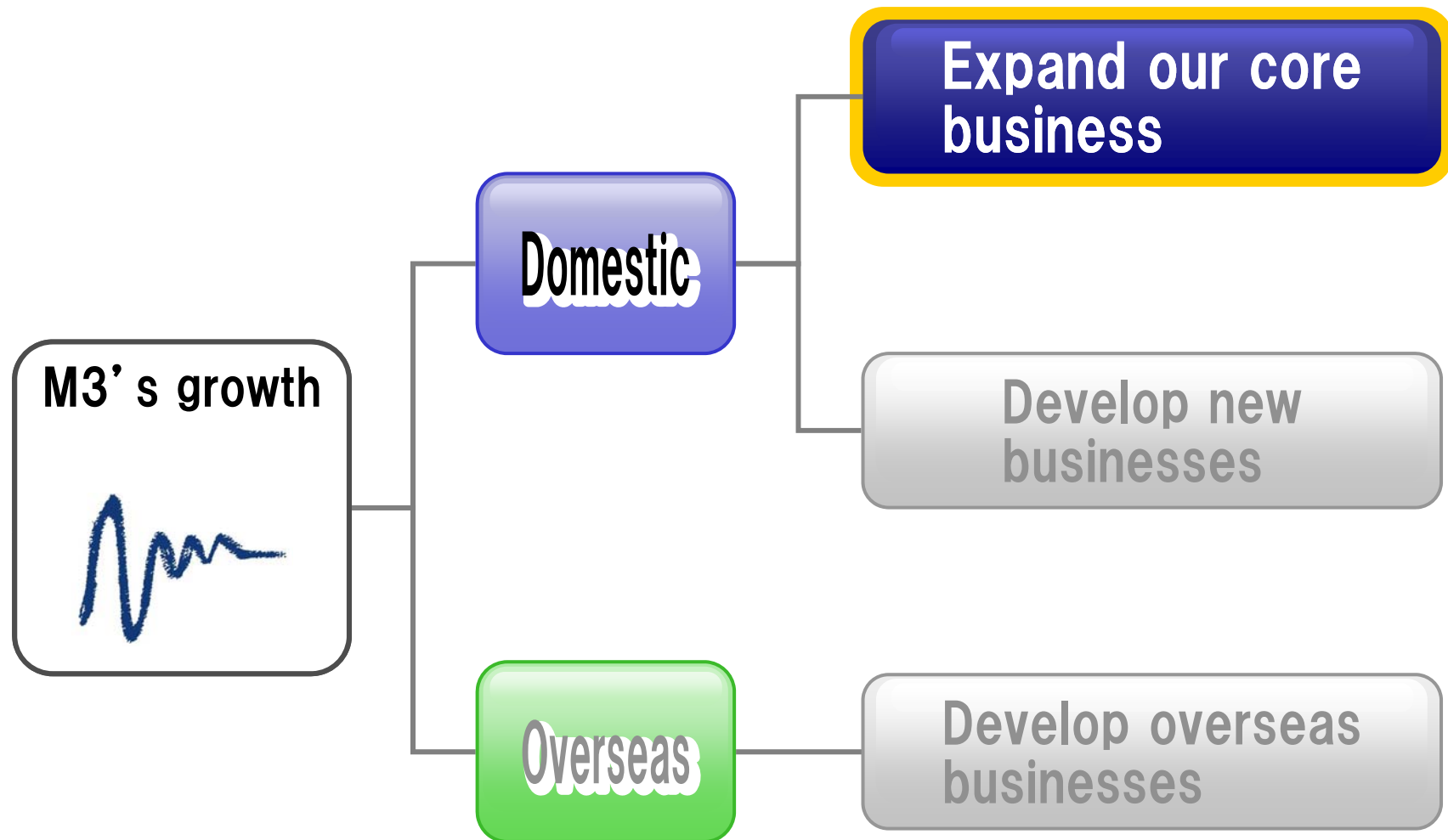


Sponsored

m3.com MR-kun

Sponsor
Messages

M3's Growth



Japanese Pharma's Huge Marketing Costs

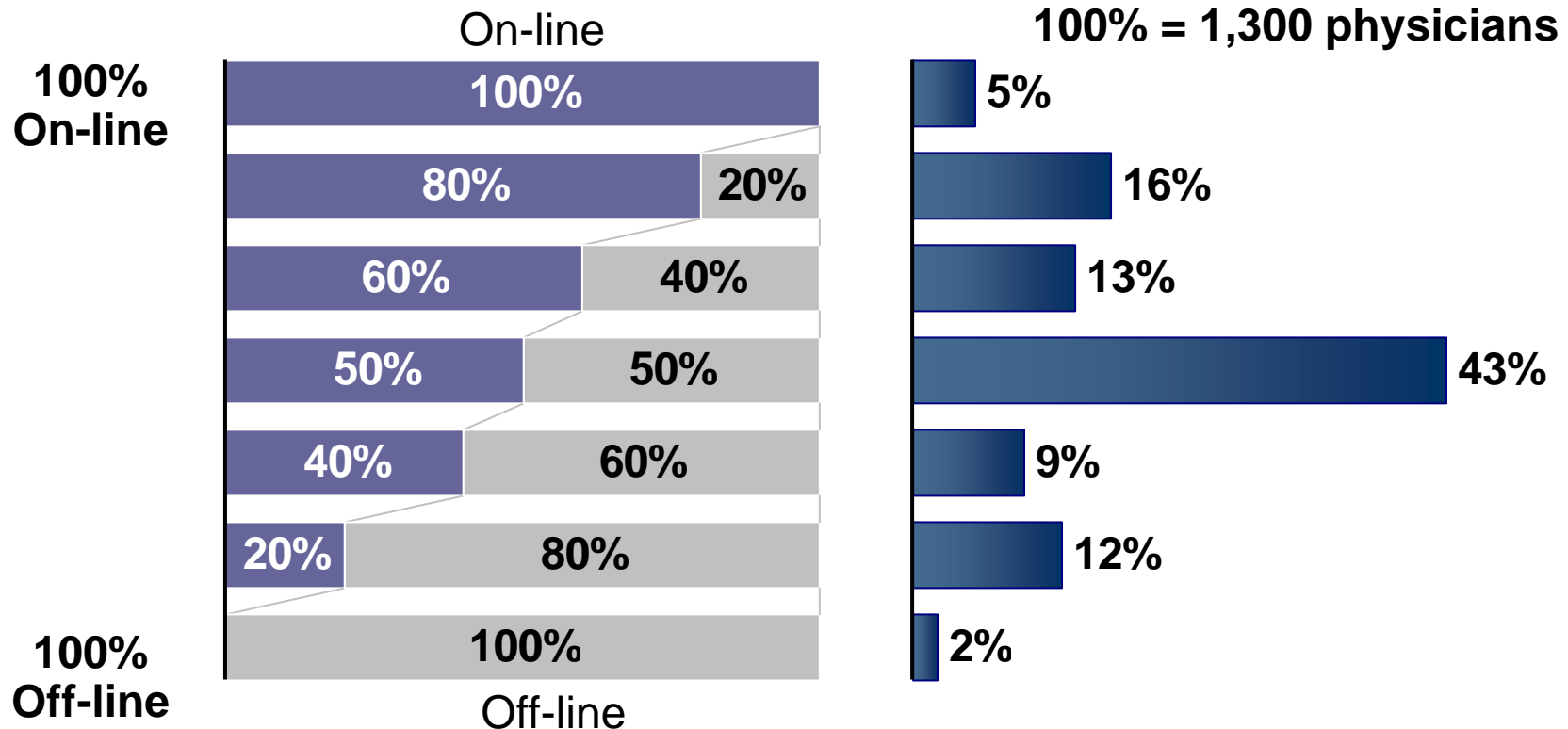
	Head Count		Annual Cost per Person		
MRs (pharmaceutical companies)	63,000	×	¥20mn	=	¥1.2tn
MSs (pharmaceutical wholesalers)	30,000	×	¥10mn	=	¥300bn
					Total Cost of whole industry ¥1.2-1.5 tn

Source: MIX, Research by M3

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.

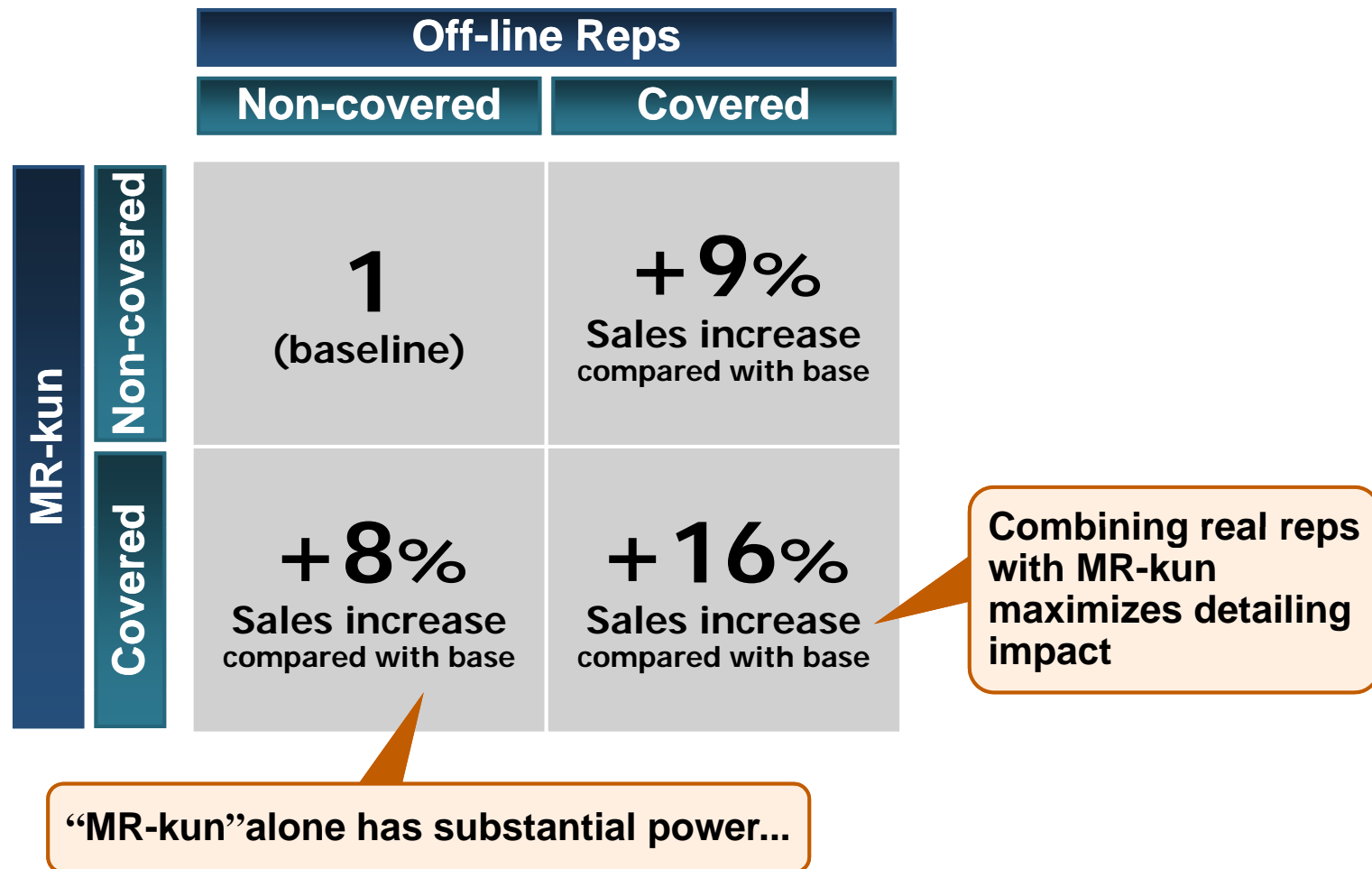


Demand for eDetails is quite high for busy physicians that require timely information at their convenience, without the limitations imposed by their off-line MRs

Source: M3 questionnaire to 1,300 physicians

MR-kun Increases Sales Like Reps

Case
study



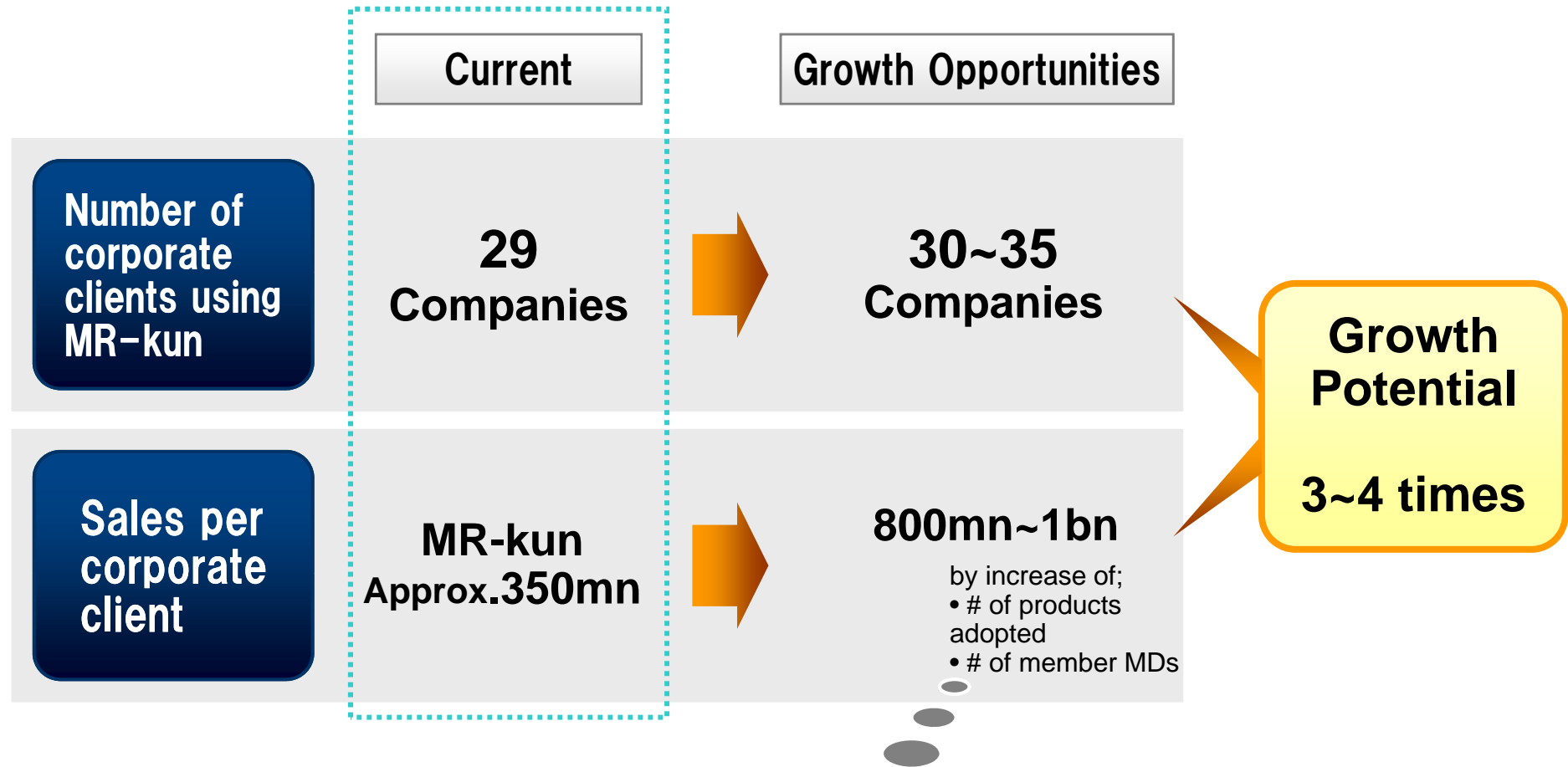
Source: M3
Notes: Questionnaire to 16,000 General Practitioners

Copyright © 2014 M3, Inc. All rights reserved.

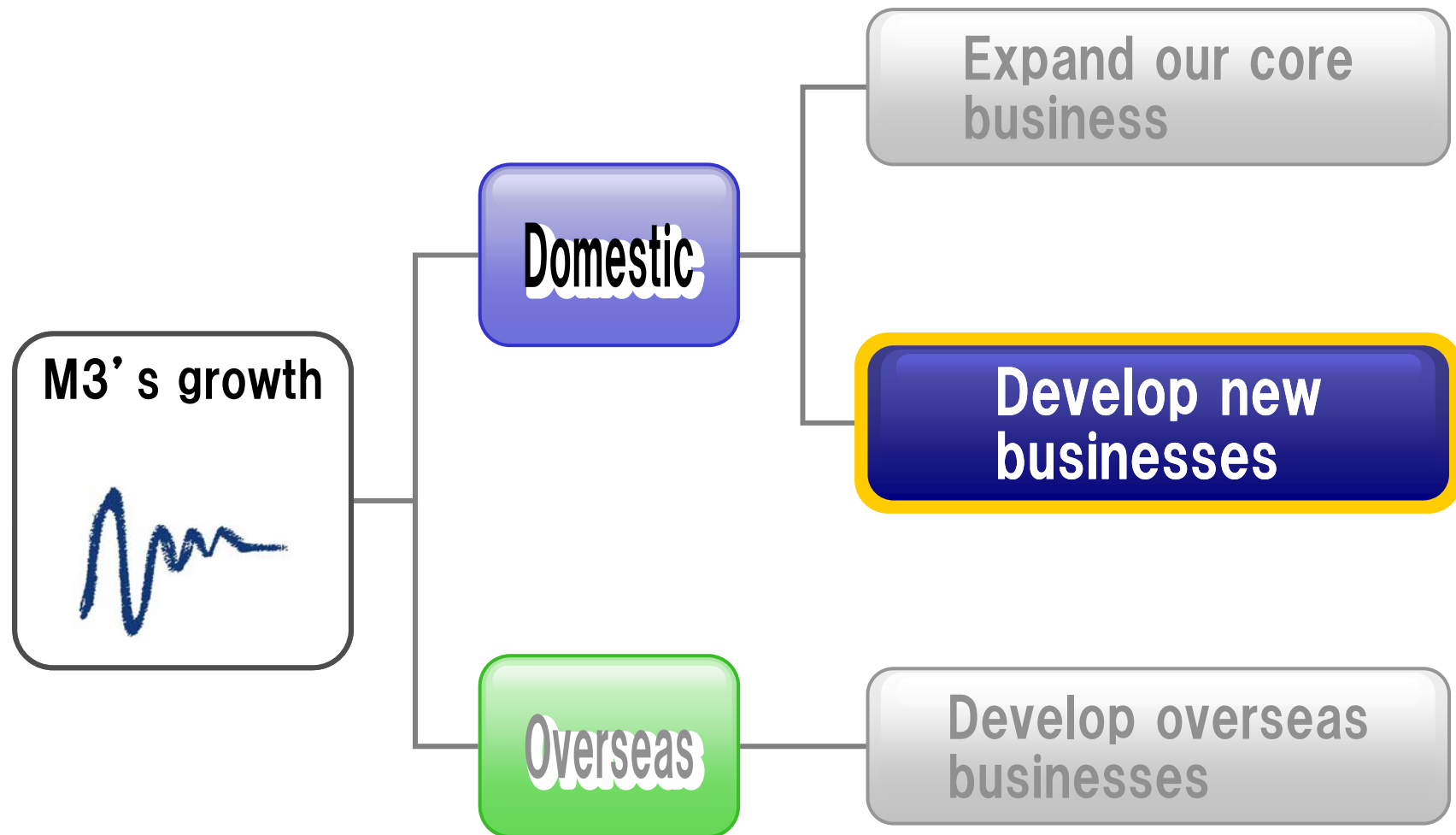
MR-kun Annual Fee Structure

	MR-kun Base fee	Detail fee	Contents Production fee	Operation fee
		¥100 per detail	M3 produces web contents shown on MR-kun	Basic operation, including sending messages to physicians and replying to physicians' questions
Initial Phase	¥70mn • Revised as of Oct. 2005 for new client • Previous fee: ¥60mn	¥20mn § ¥40mn	¥30mn §	¥10mn
	¥130mn~¥150mn			
Top 5 clients	¥60mn § ¥70mn	¥580mn	¥200mn	¥10mn
	The average of top 5 clients: ¥860mn			

MR-kun's Growth Potential in Japan

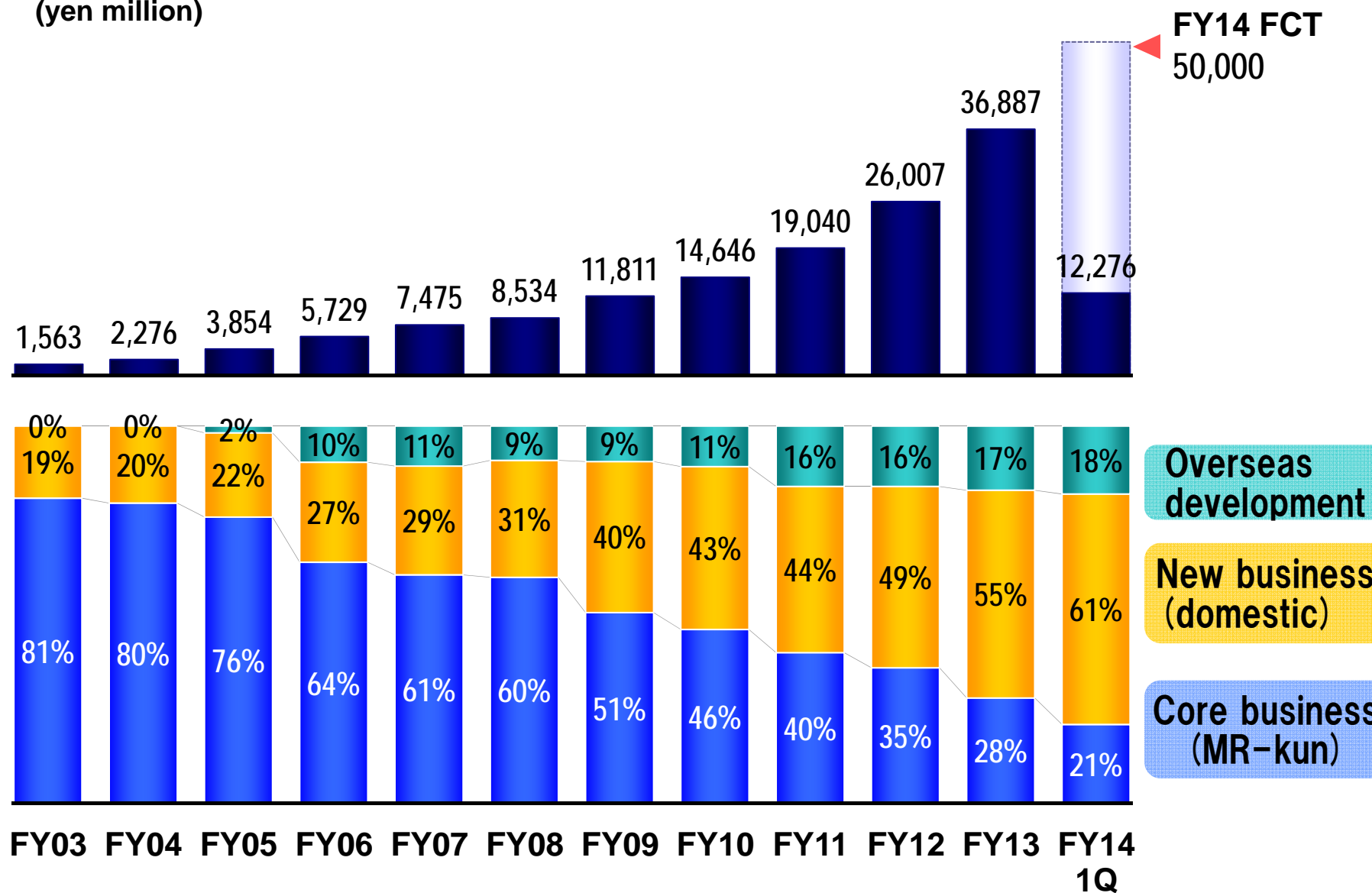


Major clients are increasing usage of MR-kun:
Average revenue from top 10 clients grew approx. +30% YoY

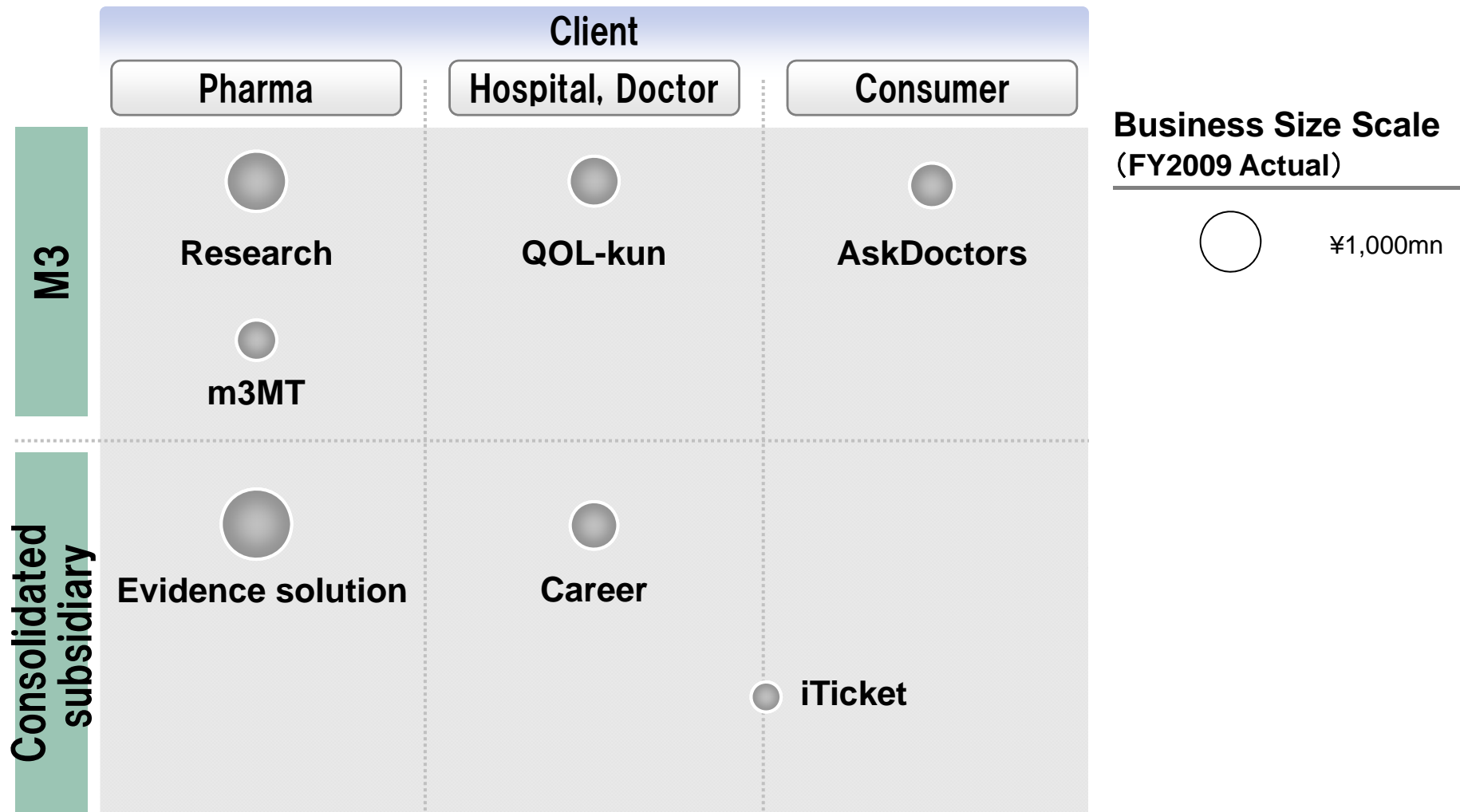


Consolidated Sales Trend

(yen million)

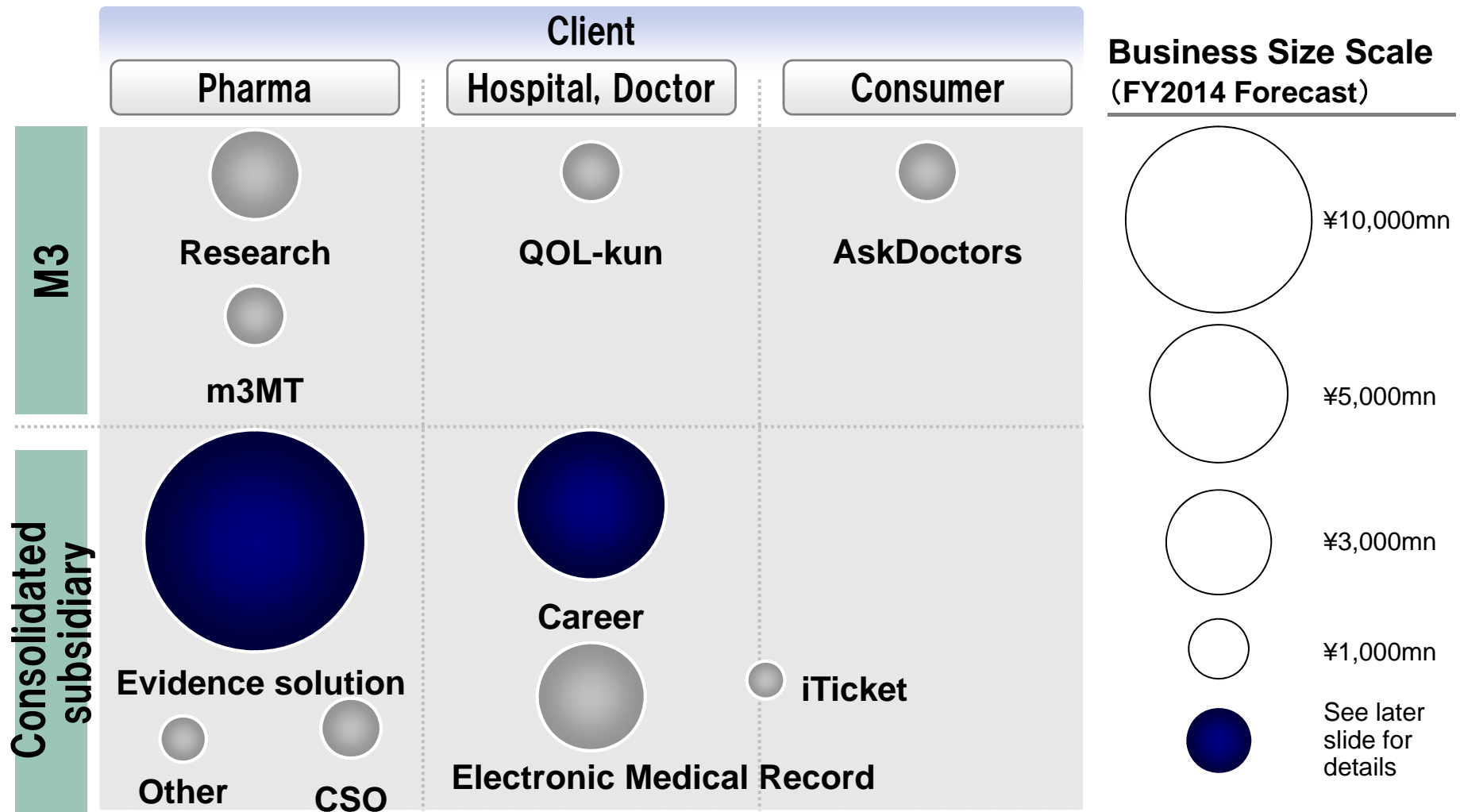


New Business Development On the Platform (as of Mar. 2010)



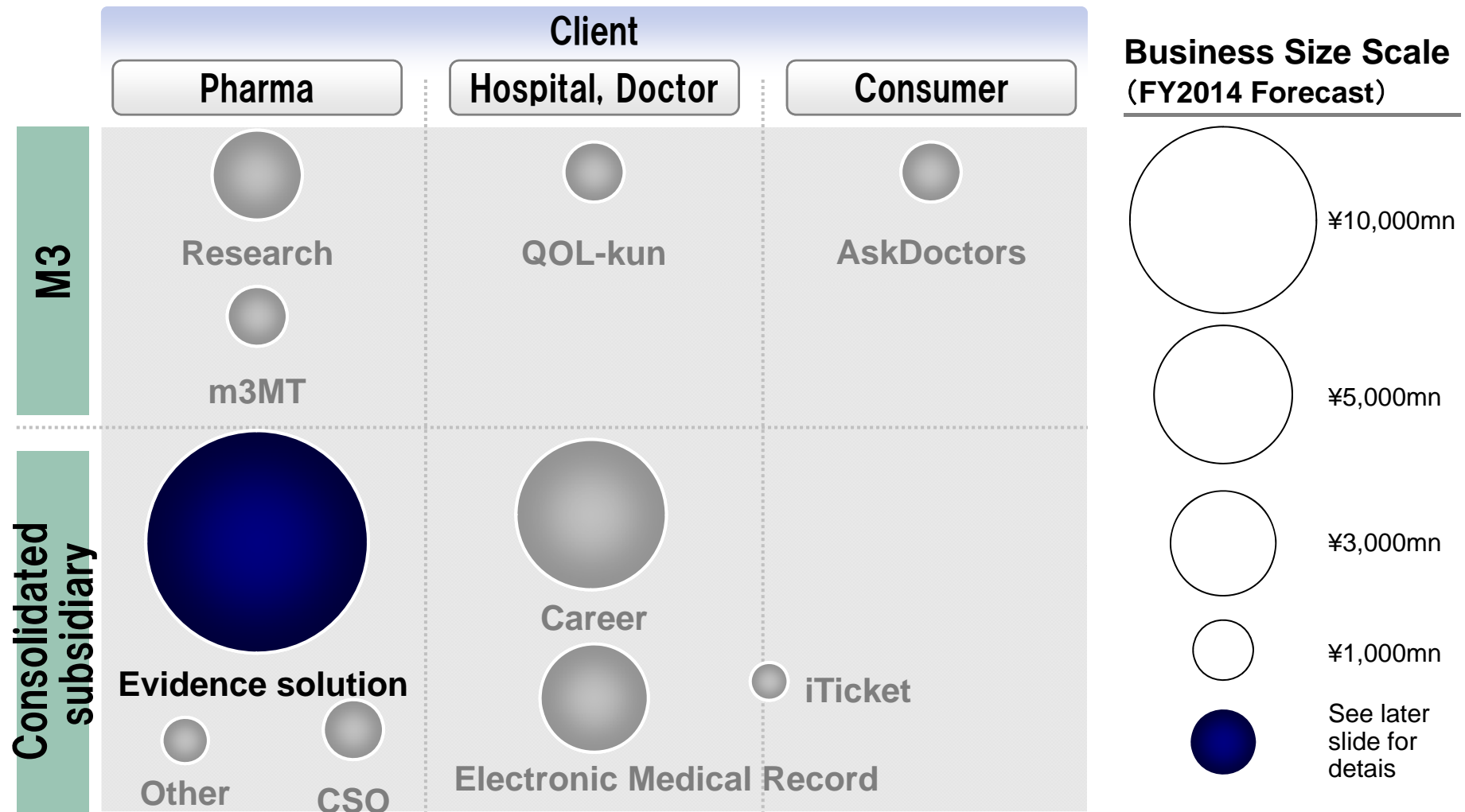
 Total revenue of new businesses amounted to less than 5 billion yen. These numbers were taken immediately after establishing M3 Career, with only Mebix offering our evidence solution service at the time.

New Business Development on the Platform



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.

New Business Development on the Platform



Placing Evidence Solution Business in Our Strategy

“Making use of the Internet to maximize the number of people that can live longer, healthier and happier lives, and to maximize efficiency by reducing unnecessary medical costs by the cent.”

**Past
10 years**

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

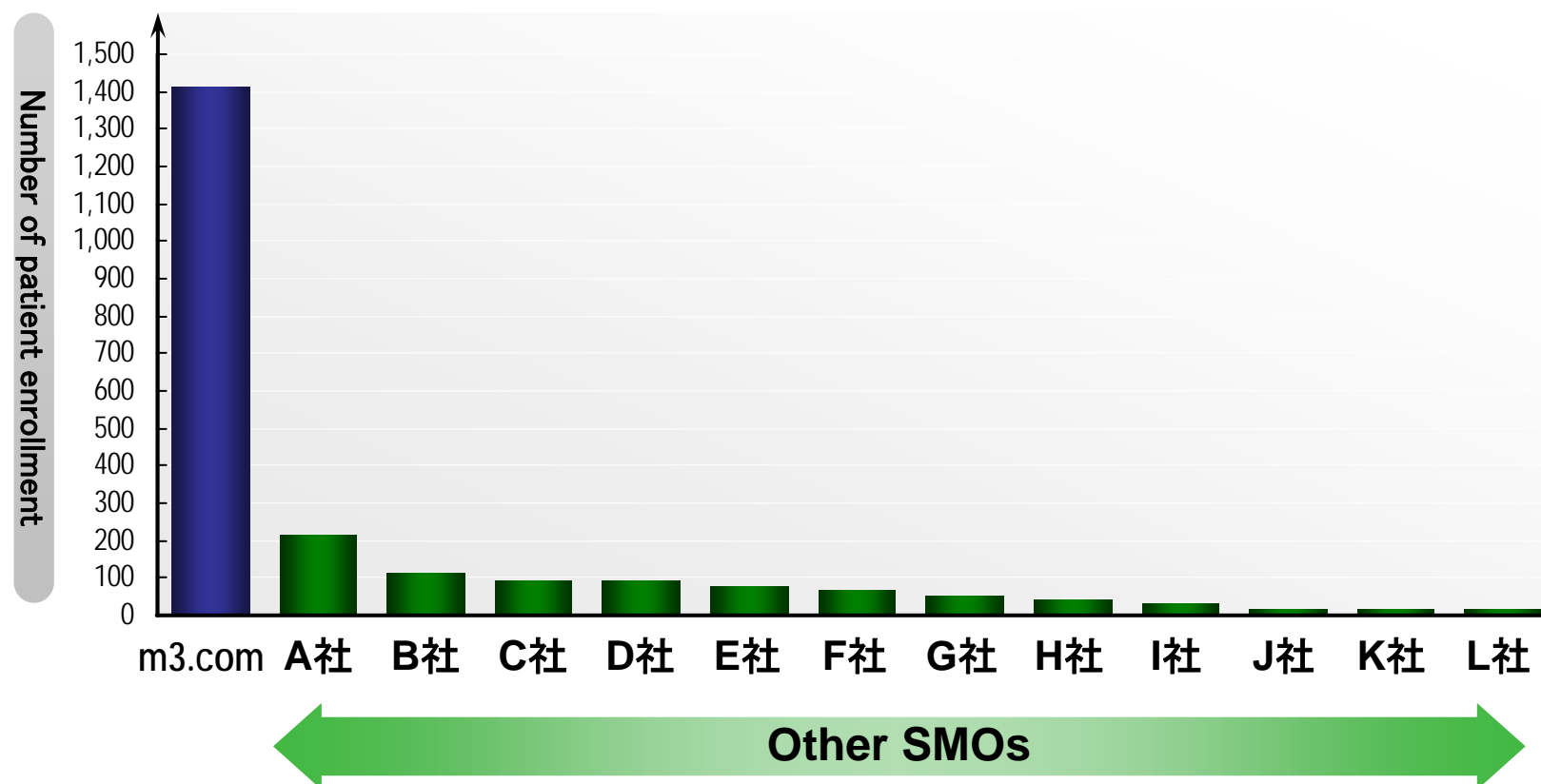
Next

**Enable the shift to online clinical
trials via “Chicken-kun”**

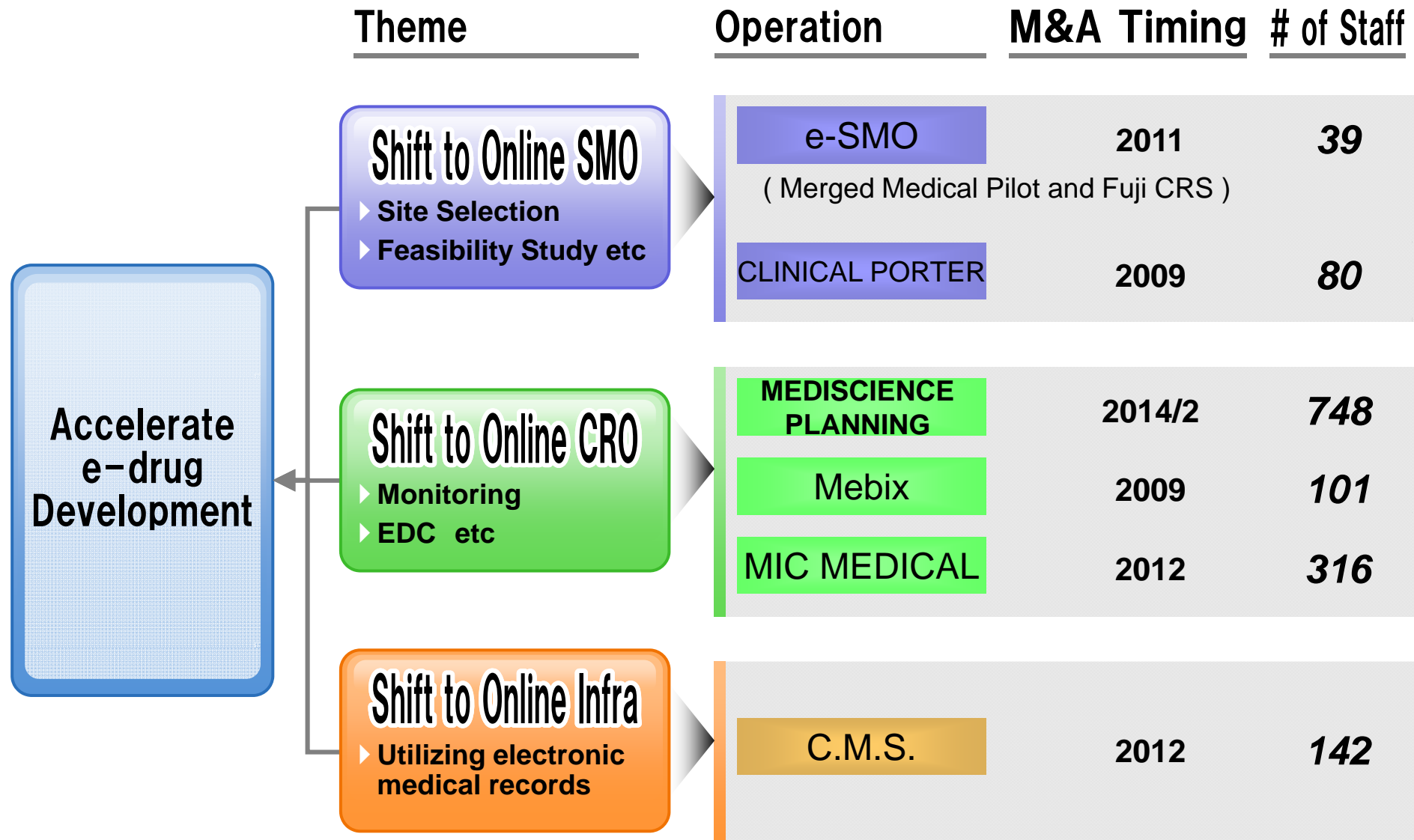
Patient Enrollment in a Large-Scale Clinical Trial

Case study

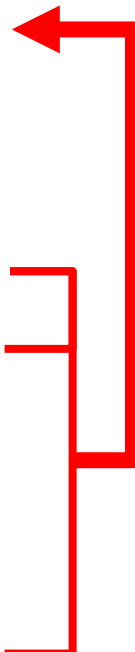
In the case of study in the Endocrinology and Metabolism area, m3.com doctors enrolled five times more patients compared to other SMOs:



Shift to Online Trials



Number of CRAs by Company

#	Company Name	Number	
1	EPS	855	
2	Cimic	780	
	M3 Group	670	
3	Quintiles	600	
4	Parexel	550	
5	MEDISCIENCE PLANNING INC	401	
6	MIC Medical	233	
7	ACRONET	200	
8	ASKLEP	180	
9	Linical	170	
	Mebix	36	

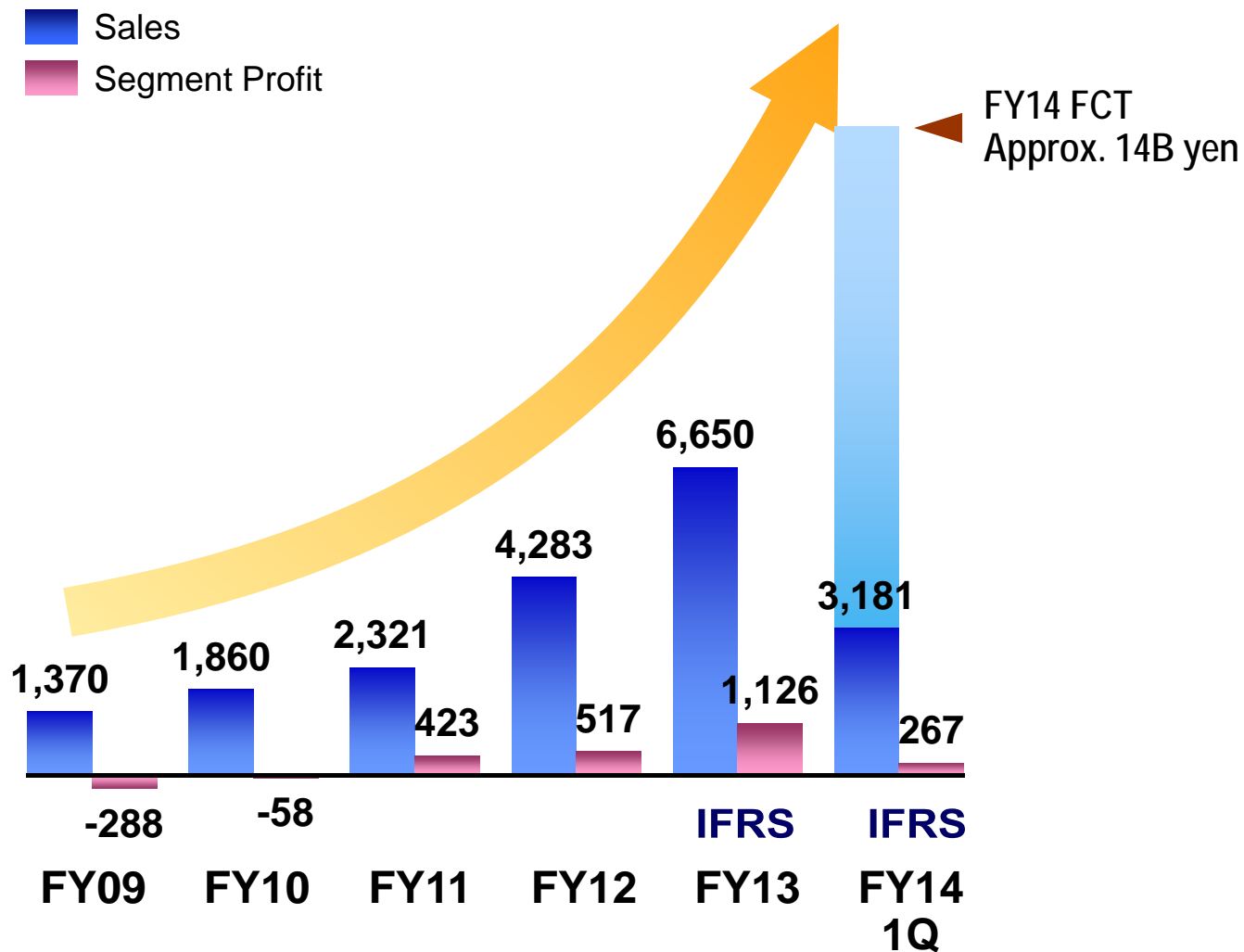
<MIC research institute ltd>

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

Sales and Profit Trend of Evidence Solution

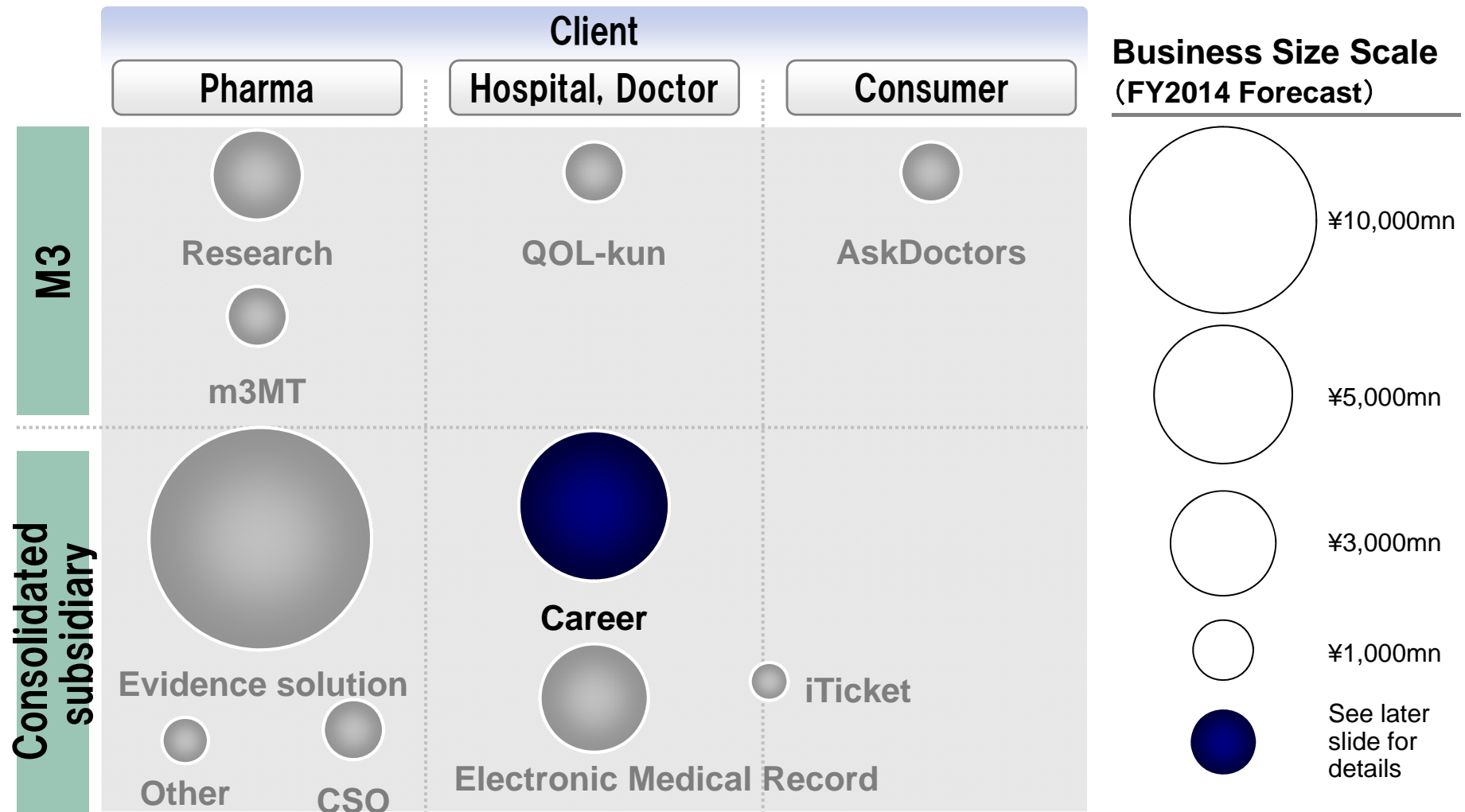
IFRS bases

<Mil yen>



- Orders received reached 17.5 B yen. Increased staff by 115 during Apr. – Jun. period in order to meet delivery
- Increasing orders received for CRO service including Chiken-kun
- Estimating 2 B yen for office relocation of Mediscience Planning.

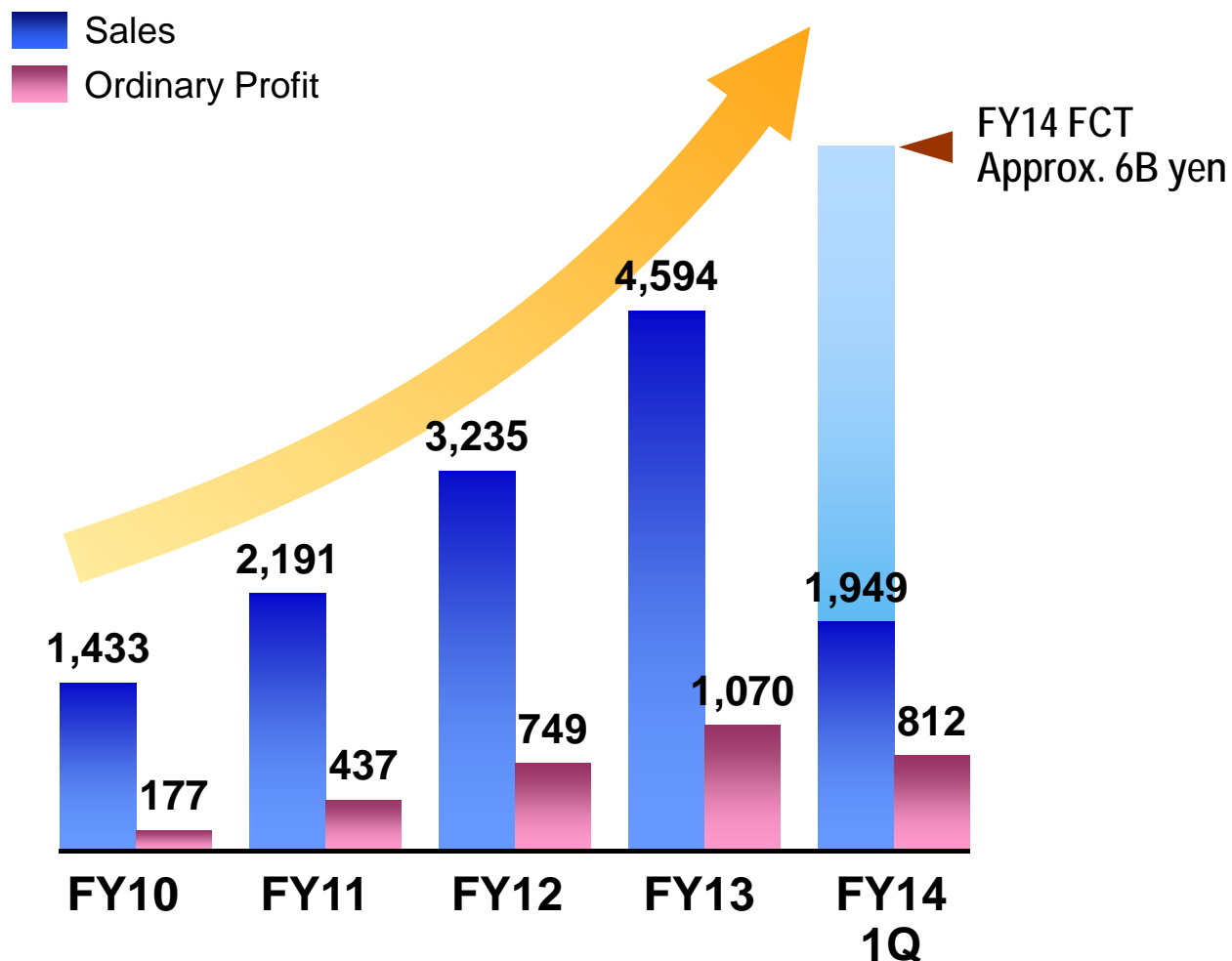
New Business Development on the Platform



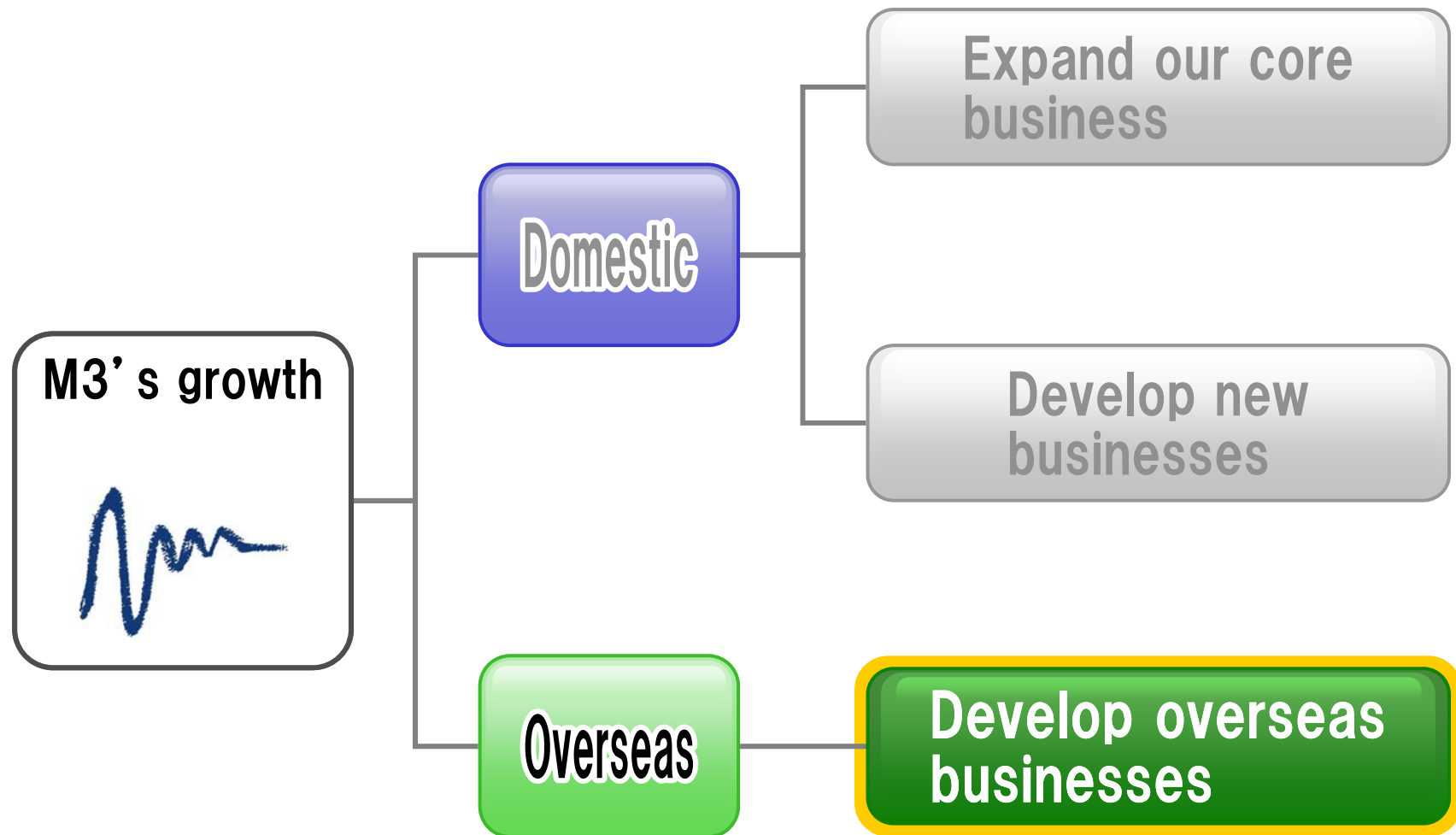
Sales and Profit Trend of M3 Career

JGAP bases

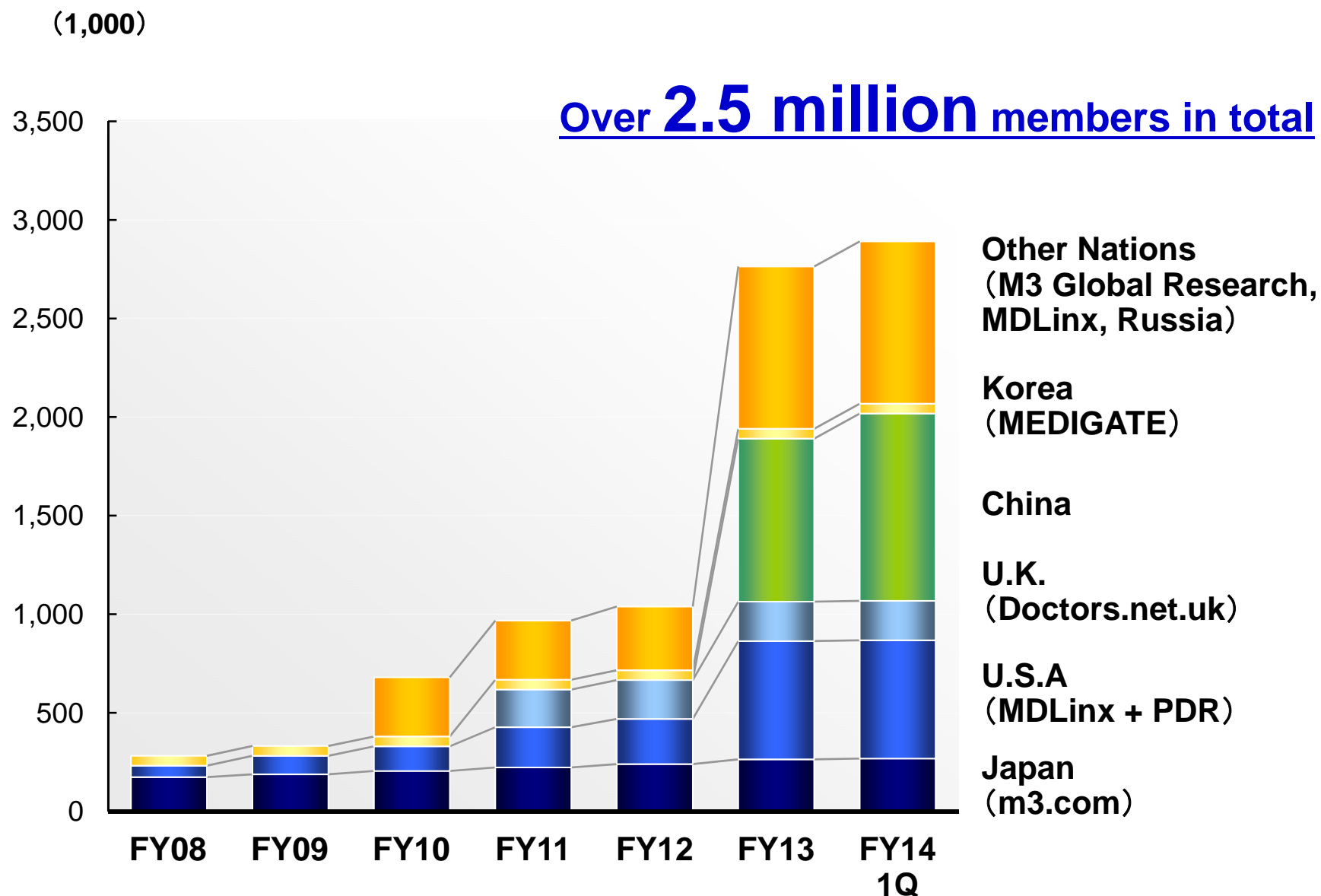
<Mil yen>



- Development of newly-hired staff in productivity.
- Q1 growth was lead by staff agency service for physicians (YoY:+55% growth).
- In FY2014, expecting growth in sales by +40% and an even larger increase in operating profit



Physicians Registered in Our Site or Research Panel (Global)



Development in the US

The screenshot shows the MDLinx website interface. At the top, there's a navigation bar with links like Home, Your Messages (23), Smartest Doc, Physician Jobs (365), Clinical Trials, More, Other Specialty, and Article Search. Below this, the 'Oncology News & Articles' section features a welcome message and a list of articles. The 'Your Unread Messages in Oncology' section shows messages from MDLinx and the Smartest Doc Challenge. The 'Articles' section lists five clinical articles, including a phase III study of pemetrexed plus carboplatin and bevacizumab. The 'Clinical Pearls in Oncology' section highlights a study on the ZORO study. The 'Highlights in Oncology' section mentions VEGFR-1 as a prognostic marker for HCC. On the right side, there's a 'Hello, Dr. James Frank' section with a 'Market Research Dashboard' showing 6% profile completion. Below that, there's a 'Post your CV and let employers find you!' section with a 'Post My CV' button. At the bottom, there's a 'Stay current - Media Tool' section with links to Newsletter, RSS, Follow Us, and Facebook. A search bar at the bottom right says 'Search the latest Oncology Jobs'.

- “M3 Messages” (US version of MR-kun) started on MDLinx (merged with M3 USA in Mar. 2009).
 - Extended reach to nearly 600,000 US physicians, covering 80% of US physician population.
- Acquired PracticeMatch corporation by transfer of business. Preparing to start career service on a full scale.
- In the future, planning to monetize 500K physician members of MDLinx who are outside of the US.

China Business

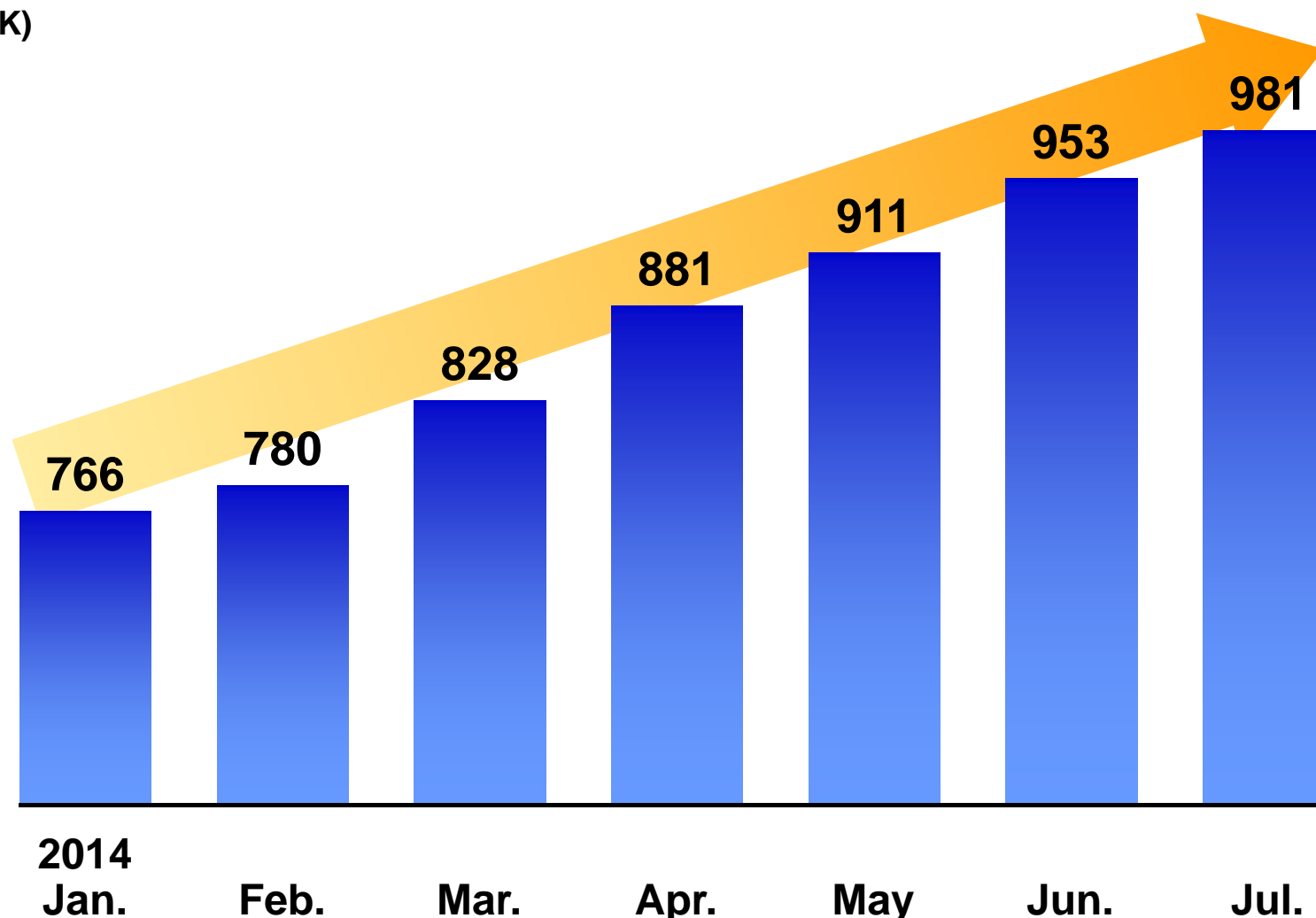


- Above 950,000 physicians registered on our site, covering nearly 50% of total physicians in China.
- Expanded marketing support service for pharmaceutical companies and posted steady profit. Currently preparing to launch MR-kun.
- Started marketing research service. Planning to start other services in succession.

Physicians Registered on Our Site in China

Jan. – Jul. in 2014

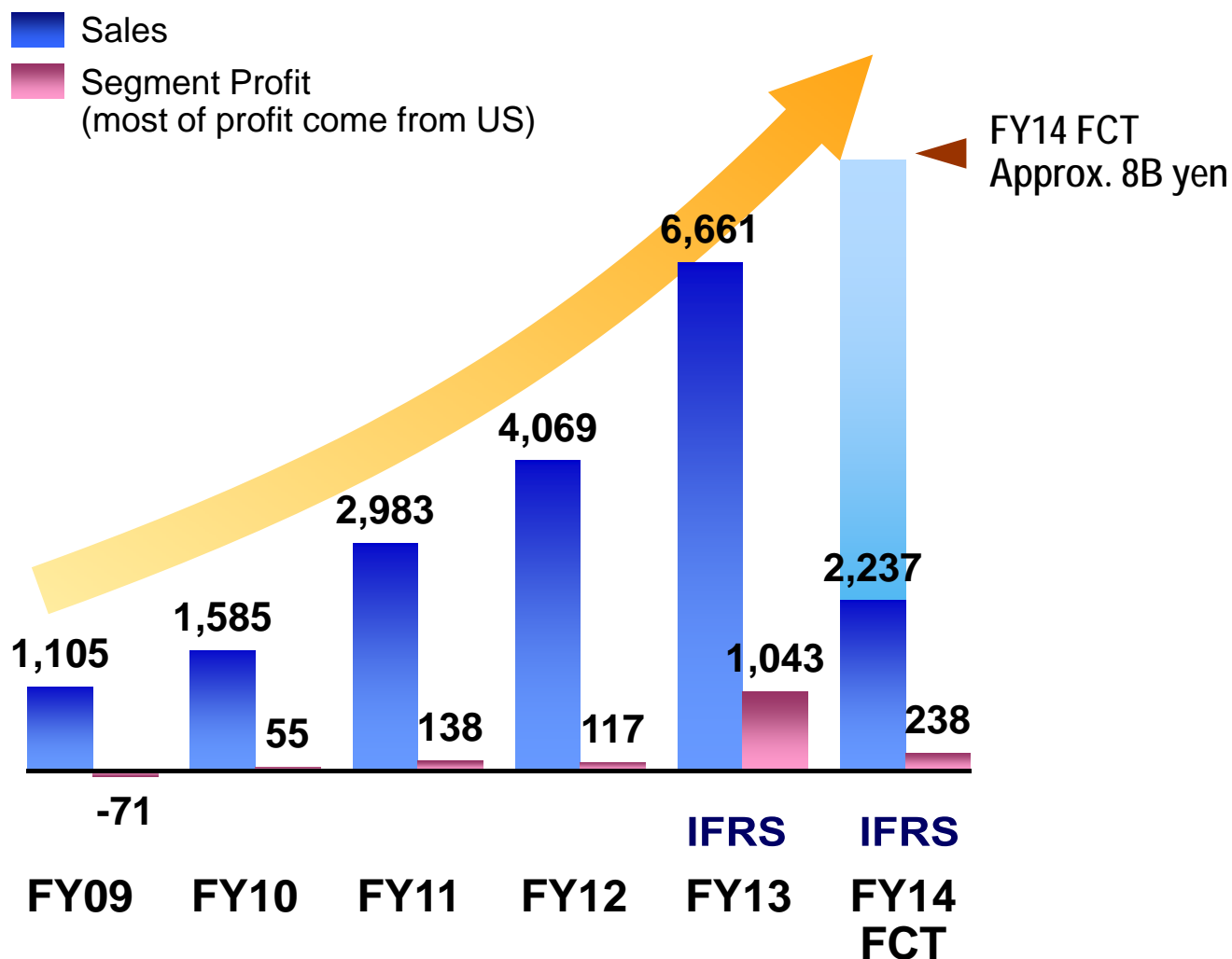
(K)



Sales and Profit Trend of Overseas

IFRS bases

<Mil yen>



- Improving performance in line with increasing media power of our sites.
- Pharmaceutical companies are becoming more aggressive regarding e-promotion.
- Making a good start in China.
- Continued acceleration of growth on a local currency basis.

Strategic Direction of M3

Changing Strategy in New Business Development

Business Development in Medical Internet Area (2000~2010)



Medical-Specific Investment Fund Armed with Internet (2011~)



Approach

Internet

**Internet + Real-world
Operation**

**Service
coverage**

Web-based

From end-to-end

**Number of Potential
Business Domains**

~10

**20 - 30
(- 100 incl. overseas)**

Profitability

**High margin
(Middle scale)**

**Large scale
(Middle margin)**

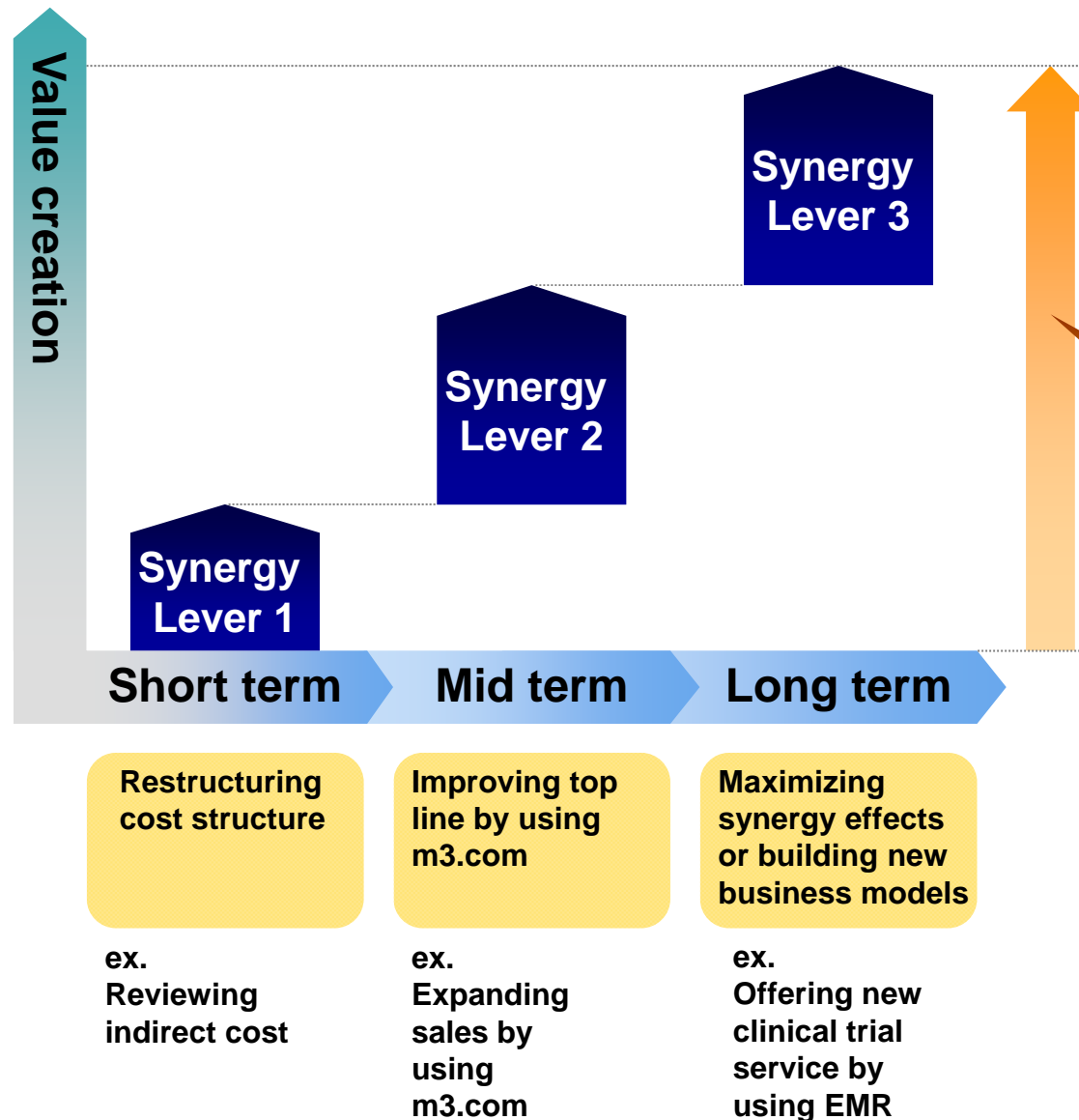
M & A

Small size

Large – middle size

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

Value Creation via M&A



We aim to create value in short-, mid-, and long-term after execution of M&A.

In the past 3 years, we have executed more than 10 acquisitions which created more synergistic effects than expected.

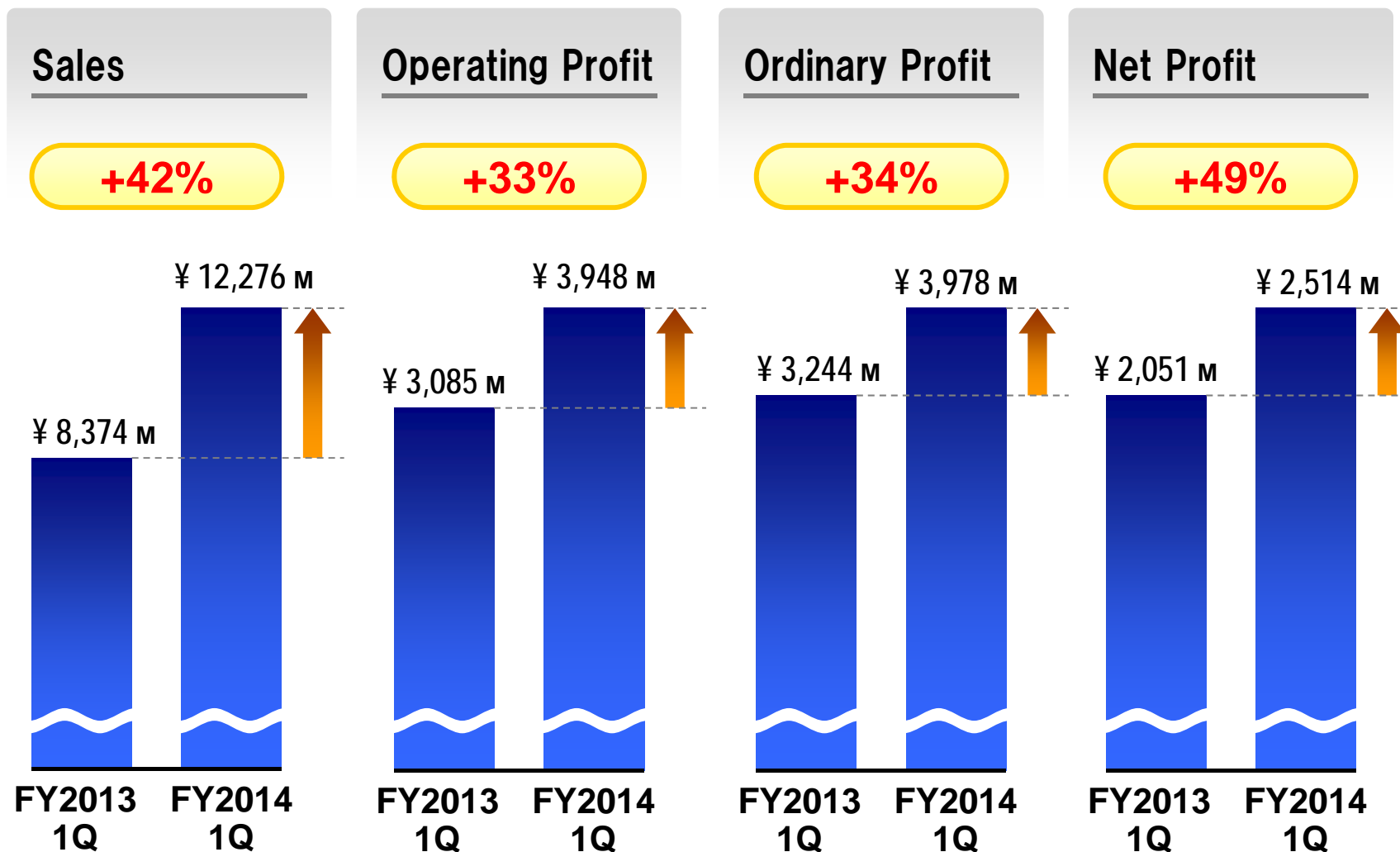
In the process, we have accumulated know-how in turning-around acquired companies.

We plan to create value in this way outside of Japan as well.

Financial Result

Consolidated P/L Statement for FY2014 (Apr. - Jun.)

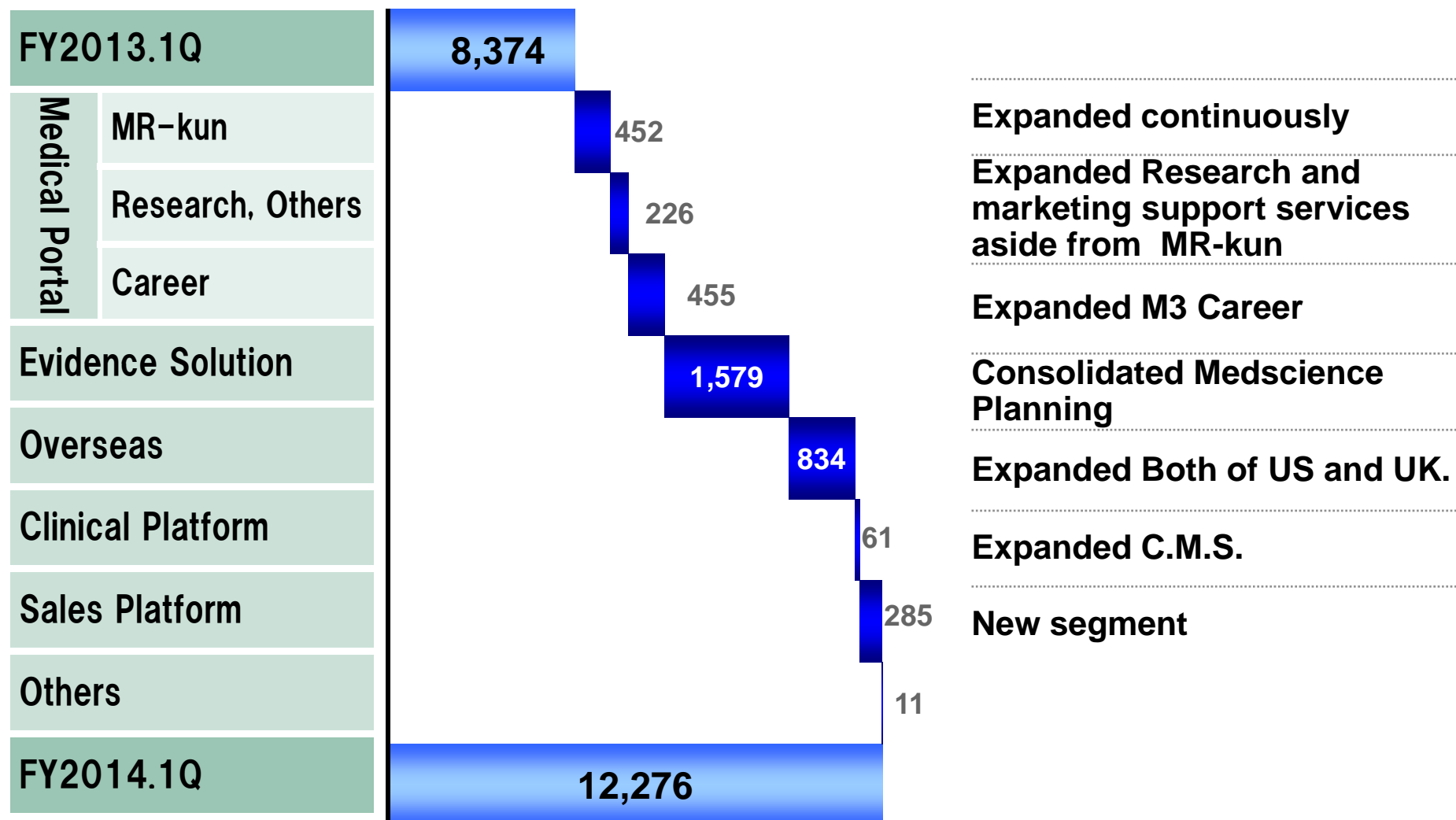
IFRS bases



Consolidated Sales Analysis (vs P.Y.)

(Mil yen)

IFRS bases



 Steady growth momentum continues

Breakdown by Business Segments

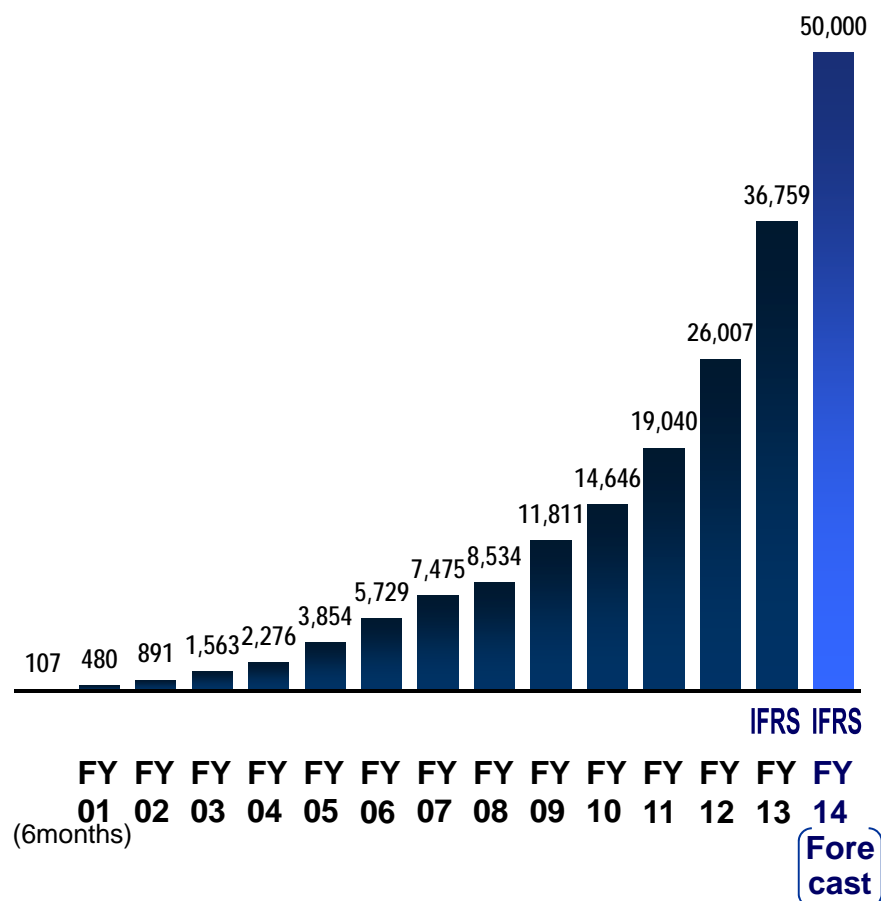
IFRS bases

(Mil yen)		FY2013.1Q	FY2014.1Q	YoY Growth
Medical Portal	Sales	4,601	5,734	+25%
	Profit	2,558	3,457	+35%
Evidence Solution	Sales	1,602	3,181	+99%
	Profit	401	267	▲34%
Overseas	Sales	1,402	2,237	+60%
	Profit	188	238	+26%
Clinical Platform	Sales	618	680	+10%
	Profit	65	53	▲19%
Sales Platform	Sales	-	285	-
	Profit	-	▲63	-
Others	Sales	254	343	+35%
	Profit	64	56	▲13%

Annual Results & Forecast for FY2014

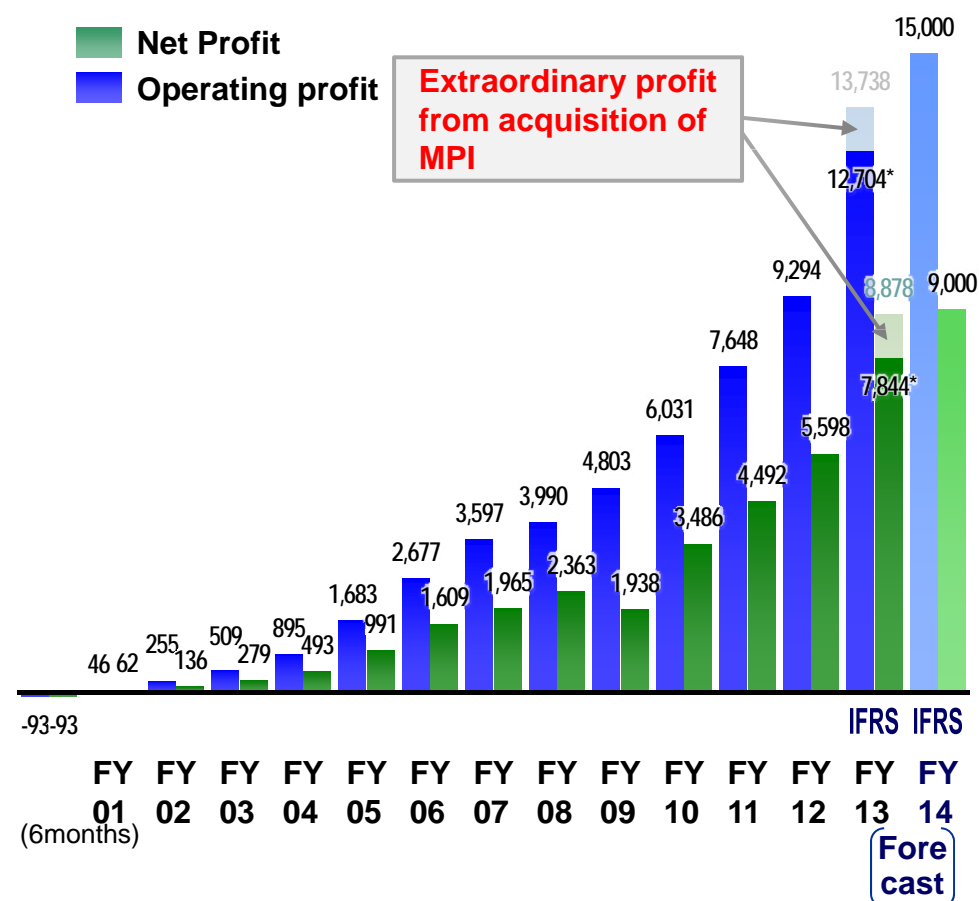
Sales

(¥ mn)



Ordinary Profit & Net Profit

(¥ mn)



* 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 (approximately ¥50tn if peripheral businesses are included)
- Equivalent to 10% of Japanese GDP
- Sector controlled by only 290,000 people, e.g., physicians, representing only 0.2% of the population

→ M3 aims to create new value in this sector

- 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