M3, Inc.
Presentation Material

October 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.
Current Business Situation and Outlook
Summary

- **MR kun**
  - FY H1 sales grew at +21% yoy. Continuing expansion pace marked during last FY H2.

- **M3 Career**
  - FY H1 sales grew at +28% yoy totaling 3.2 bn yen, with operating profit of 1.1 bn yen at +48% yoy. The mainstay service for doctors provided traction, growing at 52% yoy.

- **Evidence Solution**
  - New orders remained strong, totaling 16.7 bn yen. Boosted upfront investment in headcount to support growing demand.
  - Moving costs for MPI (and others) amounted to 180 mn yen (1Q: 40 mn yen, 2Q: 140 mn yen)

- **Overseas**
  - Segment profit was 630 mn yen, continuing its expansion at +49% yoy
  - Membership on China site topped 1mio doctors, increasing coverage to nearly 50%. Marketing business for pharma companies steadily increased, producing surplus. MR-kun service launch in pipeline for 2 pharma companies.
Established and initiated operations at M3 Marketing, Inc. as a spin-off of CSO segment from MPI. The new company outsources e-savvy and more productive “Medical Marketers” (compared to traditional MRs) to pharma co’s.

Upfront investments in anticipation for future growth, such as office relocation and recruitment fees, amounted to 0.7 ~ 1.1 bn yen in FY14 1H.
Expand our core business

- Domestic
  - Develop new businesses
  - Overseas
    - Develop overseas businesses

M3’s Growth
Doctors spend the most time collecting information via the Internet. Conversely, pharmaceutical firms spend the majority of their budget on MR related costs.

**Time spent collecting information**
- **via Internet**: 39%
- **via MR**: 17%
- **via Other** (Conferences, Study Groups, Publications, etc.): 44%

**PR costs for pharma companies**
- ~1% via Internet (~20 bn yen)
- ~92% via MR (~1.5 tn yen)
- ~7% via Other (~100 bn yen)

Source: M3 research
## Japanese Pharma’s Huge Marketing Costs

<table>
<thead>
<tr>
<th>Head Count</th>
<th>Annual Cost per Head</th>
</tr>
</thead>
<tbody>
<tr>
<td>MRs (pharmaceutical companies)</td>
<td>63,000</td>
</tr>
<tr>
<td>MSs (pharmaceutical wholesalers)</td>
<td>30,000</td>
</tr>
</tbody>
</table>

- MRs: ¥1.2 tn
- MSs: ¥300bn

**Total Marketing Cost for the industry:** ¥1.2 ~ 1.5 tn

*Source: MIX, Research by M3*
MR-kun’s Growth Potential in Japan

Currently

MR-kun USERS
29 Companies

MR-kun SALES
(approx.) ¥350 mn per client

Potential Market

30~35 Companies

¥800 mn ~ ¥1 bn per client via increase in:
- # of products
- # of member MDs
- Added value of contents

Growth Potential of 3~4 times current levels

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

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**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.**

<table>
<thead>
<tr>
<th>100% On-line</th>
<th>100%</th>
<th>14.4%</th>
<th>75%</th>
</tr>
</thead>
<tbody>
<tr>
<td>80%</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>60%</td>
<td>40%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50%</td>
<td>50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>40%</td>
<td>60%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td>80%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>100% Off-line</th>
<th>100%</th>
<th>11.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1.5%</td>
</tr>
</tbody>
</table>

According to 400 physicians

**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

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MR-kun: YoY Sales Increase

(mn yen)

The pace of growth marked during last FY 2H continues, and is expected to remain on track for the this FY 2H as well.
## MR-kun Annual Fee Structure

<table>
<thead>
<tr>
<th>MR-kun Base fee</th>
<th>Detail fee</th>
<th>Contents Production fee</th>
<th>Operation fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥100 per detail sent</td>
<td>¥70 mn</td>
<td>Production of customized detail contents</td>
<td>Basic operations (sending details, replying to physicians' questions, etc.)</td>
</tr>
</tbody>
</table>

**Entry Level (one product):**
- **¥70 mn**
  - Revised as of Oct. 2005 for new client
  - Prev. fee: ¥60 mio

**Top 5 Clients:**
- **¥60 ~ 70 mn**
- **¥580 mn**
- **¥200 mn**
- **¥10 mn**

The average of top 5 clients: **¥860 mn**

**Operation Details:**
- **Basic operations**
  - Sending details
  - Replying to physicians' questions

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Expand our core business

Develop new businesses

Develop overseas businesses

M3’s Growth

Domestic
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.
“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: Paradigm shifted to online medical promotion via “MR-kun”

Next: Enable the shift to online clinical trials via “Chiken-kun”
In the case of study in the Endocrinology and Metabolism area, m3.com doctors enrolled five times more patients compared to other SMOs:
# Number of CRAs by Company

<table>
<thead>
<tr>
<th>#</th>
<th>Company Name</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>EPS</td>
<td>855</td>
</tr>
<tr>
<td>2</td>
<td>Cimic</td>
<td>780</td>
</tr>
<tr>
<td></td>
<td><strong>M3 Group</strong></td>
<td><strong>780</strong></td>
</tr>
<tr>
<td>3</td>
<td>Quintiles</td>
<td>600</td>
</tr>
<tr>
<td>4</td>
<td>Parexel</td>
<td>550</td>
</tr>
<tr>
<td>5</td>
<td>MEDISCIENCE PLANNING INC</td>
<td>478</td>
</tr>
<tr>
<td>6</td>
<td>MIC Medical</td>
<td>260</td>
</tr>
<tr>
<td>7</td>
<td>ACRONET</td>
<td>200</td>
</tr>
<tr>
<td>8</td>
<td>ASKLEP</td>
<td>180</td>
</tr>
<tr>
<td>9</td>
<td>Lineal</td>
<td>170</td>
</tr>
<tr>
<td></td>
<td>Mebix</td>
<td>42</td>
</tr>
</tbody>
</table>

Number of CRAs within M3 is now at top levels of the industry, accelerating the “Shift to Online Trials”
Orders received reached **16.7 bn yen**, and have correspondingly increased headcount as upfront investment.

- **180 mn yen** in office relocation costs for Mediscience Planning (and others)
  - 1Q: 40 mn
  - 2Q: 14 mn
Sales and Profit Trend of M3 Career

(mn yen)

Sales
Ordinary Profit

Development of newly-hired staff has improved productivity

Continued traction from job search services for doctors (YoY:+52% growth)

Expecting growth in sales by +40% and an even larger increase in operating profit for FY2014

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Higher productivity of MRs allows for increased value at less cost compared to traditional MRs. Future growth potential estimated to be several tens of billions of yen.
Typical MR vs Medical Marketer

<table>
<thead>
<tr>
<th></th>
<th>Typical Contract MR</th>
<th>Medical Marketer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Details</td>
<td>200~300 times per month (avg.)</td>
<td>400~600 times per month (avg.)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>* includes internet meetings</td>
</tr>
<tr>
<td>Restrictions on Meetings</td>
<td>In-person visitations are difficult</td>
<td>Unrestricted meetings and exchange of information on m3.com</td>
</tr>
<tr>
<td>Number of Doctors Covered</td>
<td>80~150 doctors per MR (avg.)</td>
<td>150~500 doctors per MM (avg.)</td>
</tr>
<tr>
<td>Information Provision</td>
<td>1~2 hour (net)</td>
<td>3~4 hours (net)</td>
</tr>
<tr>
<td>Duration (per day)</td>
<td></td>
<td>4~5 hours per day (avg.)</td>
</tr>
<tr>
<td>Transport / Wait Time</td>
<td>6~7 hours per day (avg.)</td>
<td>Need-based consultation and final sales pitches</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(General information relayed via m3.com prior to in-person meeting)</td>
</tr>
<tr>
<td>Information Exchanged at</td>
<td>General information including basic product details</td>
<td></td>
</tr>
<tr>
<td>Initial in-Person Meeting</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Aggressive hiring plan targeting 1000 MMs within 5 yrs.

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Expand our core business
Develop new businesses
Develop overseas businesses
Over 2.5 million members in total

Physicians Registered in Our Site or Research Panel (Global)

Other Nations
(M3 Global Research, MDLinx, Russia)

Korea (MEDIGATE)

China

U.K. (Doctors.net.uk)

U.S.A (MDLinx + PDR)

Japan (m3.com)
Development in the US

- Expanding services in the U.S. via MDLinx, centered around M3 USA (100% subsidiary)
  - Membership has reached over 600,000 US doctors after partnering with PDR, resulting in coverage of 80%+ of US physician population
  - Developed into the #1 player in the U.S. for marketing research targeting physicians, as a result of superior media power

- Succeeded operations of PracticeMatch
  - Initiating full scale career services.
  - Significant improvement in profit margins from post merger structural improvements.

- Investigating opportunities to monetize MDLinx’s growing database of 500,000 physician members residing outside of the U.S.
Physicians Registered on Our Site in China

Jan. – Jul. in 2014

(Thousand)

<table>
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<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>766</td>
<td>780</td>
<td>828</td>
<td>881</td>
<td>911</td>
<td>953</td>
<td>981</td>
<td>1,003</td>
<td>1,019</td>
</tr>
</tbody>
</table>

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China Business Results

(mn yen)

China site membership has exceeded 1 million doctors, covering nearly 50% of physicians in China.

Marketing and research services for pharma co’s are growing steadily, producing surplus.

MR-kun service launch in pipeline for 2 pharma companies.
Sales and Profit Trend of Overseas (mn yen)

- Higher performance in line with increasing media power.
- More aggressive stance towards e-promotion on part of pharmaceutical companies.
- Continued acceleration of growth on a local currency basis.
- M&A due diligence fees amounted to 72 mn yen in 1H in costs. Exclusive of fees, 1H operating profit amounted to roughly 7 bn yen.
M3 Group’s Business Strategy
Changing Strategy in New Business Development


- **Approach**: Internet
- **Service Coverage**: Web-based eTools
- **Number of Potential Business Domains**: ~10
- **Profitability**: High margin (Mid revenue)
- **M&A**: Small size

Internet–Powered Investment Strategy in Healthcare Sector (2011～)

- **Approach**: Internet + Real-world Operation
- **Service Coverage**: End-to-End Service Structure
- **Number of Potential Business Domains**: 20 ~ 30 (~ 100 incl. overseas)
- **Profitability**: High revenue (Mid margin)
- **M&A**: 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)
Value Creation via M&A

We aim to create value across 3 successive terms after execution of M&A.

Execution of 10+ M&As in the past 3 years have created more synergistic effects than initially expected, as well as provided accumulation of turn-around expertise.

We plan to use this PE-based strategy to create value overseas as well.

Synergy Lever 1
- Restructuring cost structures
  - ex. Reviewing indirect cost

Synergy Lever 2
- Topline improvement via m3.com integration
  - ex. Expanding existing pipelines via m3.com

Synergy Lever 3
- Synergy maximization, creation of new business models
  - ex. Offering new clinical trial services utilizing EMR
Financial Results
## FY2014 1H (2014 Apr-Sep) Consolidated Earnings

<table>
<thead>
<tr>
<th></th>
<th>FY2013.1H</th>
<th></th>
<th>FY2014.1H</th>
<th></th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Forecast</td>
<td>Actual</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>16,692</td>
<td>23,000</td>
<td>24,630</td>
<td></td>
<td>+48%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>6,105</td>
<td>6,800</td>
<td>7,518</td>
<td></td>
<td>+23%</td>
</tr>
<tr>
<td>Pre-Tax Profit</td>
<td>6,304</td>
<td>6,800</td>
<td>7,559</td>
<td></td>
<td>+20%</td>
</tr>
<tr>
<td>Net Profit</td>
<td>3,979</td>
<td>4,000</td>
<td>4,817</td>
<td></td>
<td>+21%</td>
</tr>
</tbody>
</table>
Consolidated Sales Analysis (YoY)

(mn yen)

<table>
<thead>
<tr>
<th>FY2013.1H</th>
<th>16,692</th>
</tr>
</thead>
<tbody>
<tr>
<td>MR-kun</td>
<td>905</td>
</tr>
<tr>
<td>Research, Others</td>
<td>306</td>
</tr>
<tr>
<td>Career</td>
<td>707</td>
</tr>
<tr>
<td>Evidence Solution</td>
<td>3,223</td>
</tr>
<tr>
<td>Overseas</td>
<td>1,971</td>
</tr>
<tr>
<td>Clinical Platform</td>
<td>130</td>
</tr>
<tr>
<td>Sales Platform</td>
<td>601</td>
</tr>
<tr>
<td>Others</td>
<td>95</td>
</tr>
<tr>
<td>FY2014.1H</td>
<td>24,630</td>
</tr>
</tbody>
</table>

Continuing growth
Expanded Research and marketing support services aside from MR-kun
M3 Career expanded
Consolidated Medscience Planning
US and UK both continued to expand
Expanded operations
New segment following addition of MPI

Steady growth momentum continues across all segments

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## Breakdown by Business Segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2013.1H (mn yen)</th>
<th>FY2014.1H (mn yen)</th>
<th>YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Medical Portal</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>9,179</td>
<td>11,098</td>
<td>+21%</td>
</tr>
<tr>
<td>Profit</td>
<td>5,028</td>
<td>6,426</td>
<td>+28%</td>
</tr>
<tr>
<td><strong>Evidence Solution</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>3,110</td>
<td>6,333</td>
<td>+104%</td>
</tr>
<tr>
<td>Profit</td>
<td>695</td>
<td>635</td>
<td>▲9%</td>
</tr>
<tr>
<td><strong>Overseas</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>2,813</td>
<td>4,784</td>
<td>+70%</td>
</tr>
<tr>
<td>Profit</td>
<td>419</td>
<td>626</td>
<td>+49%</td>
</tr>
<tr>
<td><strong>Clinical Platform</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>1,336</td>
<td>1,466</td>
<td>+10%</td>
</tr>
<tr>
<td>Profit</td>
<td>138</td>
<td>175</td>
<td>+27%</td>
</tr>
<tr>
<td><strong>Sales Platform</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>-</td>
<td>601</td>
<td>-</td>
</tr>
<tr>
<td>Profit</td>
<td>-</td>
<td>▲153</td>
<td>-</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>508</td>
<td>675</td>
<td>+33%</td>
</tr>
<tr>
<td>Profit</td>
<td>92</td>
<td>17</td>
<td>▲81%</td>
</tr>
</tbody>
</table>

*IFRS basis*
One-Time Upfront Investment Costs (1H)

Upfront investment costs is expected to dampen profits by 0.7 ~ 1.1 bn yen in FY 1H. Profit contribution from current investments expected sometime next fiscal year.
Sales Growth in Relation to Headcount Growth

**Staff (FTE)**
- FY2013 1H: +56%
- FY2014 1H: +85%

**Sales**
- FY2013 1H: +42%
- FY2014 1H: +21%

Flow type services show immediate effect of headcount increase on sales increase.

Sales for stock type services such as MR-kun, which account for a majority of revenues, is expected to pick-up further going forward.
Annual Results & Forecast for FY2014

Sales

Ordinary Profit & Net Profit

(mn yen)

(mn yen)

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

Aim to create new value

- Solve the issues and problems of the medical sector
- With new and unique business models
- While focusing on areas were 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