So-net M3
Presentation Material

Jul. 2009
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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.

So-net M3, Inc.
Company Background

History

2000 Sep  Founded
Oct     Launched MR-kun service
2002 Mar  Acquired WebMD Japan
2004 Sep  Listed on TSE Mothers
2005 May  Alliance with Medi C&C and entry into Korean market
          Sep  Launched QOL-kun service
          Dec  Launched AskDoctors service
2006 Jun  Acquired MDLinx and entered into US market
2007 Mar  Listed on TSE 1
2008 Oct  Opened “MedQuarter.de” to enter into Europe market

Business domain
Internet-based healthcare businesses

Name
M3
Medicine
Media
Metamorphosis
m3.com: Japan’s #1 Physician Website

- Medical News
- Search engine
- Research Paper search
- Web-based medical tools

m3.com Concierge
- MR-kun
- QOL-kun

- Used by 36 companies in Japan (as of Jun. 2009)
  - MR-kun: 27
  - QOL-kun: 9

Sponsor messages

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Physicians Registered in m3.com

FY2002～FY2009.1Q

(1,000)


47  78  97  125  146  162  174  177
Expand our core business

Develop new businesses

Develop overseas businesses

M3’s growth

Domestic

Overseas

Copyright © 2009 So-net M3, Inc. All rights reserved.
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 as they can get the information when it’s convenient for themselves, not for MR.

On-line

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Number of Physicians</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>5%</td>
</tr>
<tr>
<td>80%</td>
<td>16%</td>
</tr>
<tr>
<td>60%</td>
<td>13%</td>
</tr>
<tr>
<td>50%</td>
<td>43%</td>
</tr>
<tr>
<td>40%</td>
<td>9%</td>
</tr>
<tr>
<td>20%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Off-line

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Number of Physicians</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: So-net M3 questionnaire to 1,300 physicians
# Japanese Pharma’s Huge Marketing Costs

<table>
<thead>
<tr>
<th></th>
<th>Head count</th>
<th>Annual costs per person</th>
<th>Total cost of whole industry</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MRs (Pharmaceutical companies)</strong></td>
<td>55,000</td>
<td>¥20mn</td>
<td>¥1.1tn</td>
</tr>
<tr>
<td><strong>MSs (Pharmaceutical wholesalers)</strong></td>
<td>30,000</td>
<td>¥10mn</td>
<td>¥300bn</td>
</tr>
</tbody>
</table>

Source: MIX, Research by So-net M3
## MR-kun Annual Fee Structure

### MR-kun base fee
- ¥100 per detail

### Detail fee
- ¥70mn
  - Revised as of Oct. 2005 for new client
  - Previous fee: ¥60mn
- ¥20mn
- ¥30mn

### Contents production fee
- M3 produces web contents shown on MR-kun
- ¥130mn~¥150mn

### Operation fee
- Basic operation, including sending messages to physicians and replying to physicians’ questions
- ¥10mn

### Initial Phase
- ¥60mn
- ¥170mn
- ¥50mn

### Top clients
- ¥480mn
- ¥210mn
- ¥10mn

### Total Fee
- ¥370mn~¥600mn

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MR-kun’s & QOL-kun’s Growth Potential in Japan

### Current
- **# of clients using MR-kun**: 26 Companies
- **Sales per Client**: MR-kun Approx. 200mn

### Growth Opportunities
- **# of clients using MR-kun**: 50~60 Companies
- **Sales per Client**:
  - MR-kun Approx. 500mn
    - by increase of:
      - # of products adopted
      - # of member MDs
- **Average sales to top 10 pharmaceutical clients**:
  - FY07: 270 million yen  
  - FY08: 340 million yen (23% growth)

**Appx. 2 times**

**Appx. 2.5 times**

**Appx. 5 times**
Expand our core business

Develop new businesses

Develop overseas businesses

M3’s growth

Domestic
## New Business Development on the Platform

<table>
<thead>
<tr>
<th>New Business</th>
<th>Description</th>
<th>Assigned staff</th>
<th>FY2009 Sales forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research (Japan)</td>
<td>Web-based Physician Surveys</td>
<td>3.5</td>
<td>✓</td>
</tr>
<tr>
<td>m3MT</td>
<td>E-mail, banner promotion service for pharma companies</td>
<td>2.5</td>
<td>✓</td>
</tr>
<tr>
<td>QOL kun etc.</td>
<td>Promotion service for non-pharma companies</td>
<td>7</td>
<td>✓</td>
</tr>
<tr>
<td>m3.com CAREER</td>
<td>Job information for Physicians, Nurse, Pharmacist</td>
<td>3</td>
<td>✓</td>
</tr>
<tr>
<td>AskDoctors</td>
<td>Consumer service</td>
<td>2</td>
<td>✓</td>
</tr>
<tr>
<td>iTICKET</td>
<td>Online clinical reservation system for patient</td>
<td>13</td>
<td>✓</td>
</tr>
</tbody>
</table>

- **FY2009 Sales forecast**
  - **Assigned staff**
  - Above 500mn
  - ¥200mn ~ ¥500mn

- Approx. 3 billion yen revenue is expected from the new business in FY2009.
- Many of the new businesses are run by few staff and quite profitable.
- More in pipeline
Expansion of AskDoctors

- Started PC service: '05 Dec
- Expanded to 3 major mobile carriers’ official site: '06 Apr, '06 May, '06 Oct
- Alliance with Yahoo! JAPAN: '07 Apr

AskDoctors Answer Engine

- More than 1,800 physicians answer to questions
- ¥315/month with rights to ask 3 questions a month
- 90%+ questions get answers from physicians
- More than 2.4 million Q&A archives

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Membership of AskDoctors

FY2005.1Q ~ FY2009.1Q

(1,000)

FY2005: 77
FY2006: 174
FY2007: 311
FY2008: 409
FY2009: 436
Receiving new project orders steadily. … More than 5bil Yen backlog and another 2-3bil Yen projects in pipeline

1bil yen synergy potential in profit …More efficient system development, minimize SMO cost for doctor recruiting by using m3.com, and cut cost for being listed( already delisted from the market from Sep)

Delay in launch of a few big projects will hurt financial results this FY. Full contribution from FY2010
M3’s growth

Expand our core business

Develop new businesses

Domestic

Overseas

Develop overseas businesses
“M3 Messages” (US version of MR-kun) started on MDLinx (merged with M3 USA in Mar. 2009)
  - Washington D.C.
  - 264K medical professionals as registered member

7 of the top 15 global pharmaceutical firms adopted “M3 Messages ” already
  - Signed with 7 companies in 15 products
  - All in Oncology, Rheumatology or Neurology area
  - Close to sign in other areas

Trial project was completed successfully
  - Exceeded message read goal by 200%

From now on, the regular fee table is applied
Acquisition of SmartestDoc’s business

- 2,500 registered oncologists (25% of oncologists in the U.S.)
- Daily quiz competition on the website for oncologists
  - Supervised by opinion leaders in oncology area.
  - More than 500 oncologists participate everyday.
  - Nationwide high score ranking is shown.
- Synergy
  - Increase attractiveness of MDLinx.com.
  - Utilize as contents for “M3 Messages”.

Expand this service to other areas.
Succeeded in acquiring half of oncologists and rheumatologists in the U.S. as members of the site.
Starting new acquisition programs in Psychiatry, Neurology, Cardiology, and PCP area.
# Project Status (7 companies, 15 products)

<table>
<thead>
<tr>
<th>Sales Rank</th>
<th>Company scale</th>
<th>Product</th>
<th>Area</th>
<th>Start sending eDetails</th>
<th></th>
</tr>
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<tbody>
<tr>
<td></td>
<td>1-10</td>
<td>11-15</td>
<td></td>
<td>Ongoing</td>
<td>FY2009</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1H</td>
<td>2H</td>
</tr>
<tr>
<td>A社</td>
<td>✓</td>
<td>A-1</td>
<td>Oncology</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>A-2</td>
<td>Oncology</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>B社</td>
<td>✓</td>
<td>B-1</td>
<td>Oncology</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>B-2</td>
<td>Oncology</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>C社</td>
<td>✓</td>
<td>C-1</td>
<td>Oncology</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>C-2</td>
<td>Oncology</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>C-3</td>
<td>Oncology</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>D社</td>
<td>✓</td>
<td>D-1</td>
<td>Neurology</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>D-2</td>
<td>Oncology</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>D-3</td>
<td>Oncology</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>E社</td>
<td>✓</td>
<td>E-1</td>
<td>Oncology</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>E-2</td>
<td>Oncology</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>E-3</td>
<td>Oncology</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>F社</td>
<td>✓</td>
<td>F-1</td>
<td>Rheumatology</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>G社</td>
<td>✓</td>
<td>G-1</td>
<td>Oncology</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

In addition to above, 4 more projects (Oncology, Rheumatology, Neurology, and PCP) are under negotiation.

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## Consolidated P/L Statement for FY2009 1Q

(yen million)

<table>
<thead>
<tr>
<th></th>
<th>FY2008.1Q</th>
<th>FY2009.1Q</th>
<th>YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,966</td>
<td>2,199</td>
<td>+12%</td>
</tr>
<tr>
<td>Operating income</td>
<td>917</td>
<td>1,064</td>
<td>+16%</td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>952</td>
<td>1,077</td>
<td>+13%</td>
</tr>
<tr>
<td>Net profit</td>
<td>525</td>
<td>614</td>
<td>+17%</td>
</tr>
</tbody>
</table>

### Sales Breakdown by Business Segments

<table>
<thead>
<tr>
<th>Business Segments</th>
<th>FY2008.1Q</th>
<th>FY2009.1Q</th>
<th>YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing Support</td>
<td>1,364</td>
<td>1,442</td>
<td>+6%</td>
</tr>
<tr>
<td>Research</td>
<td>236</td>
<td>302</td>
<td>+28%</td>
</tr>
<tr>
<td>Others</td>
<td>366</td>
<td>453</td>
<td>+24%</td>
</tr>
</tbody>
</table>
Consoli. Sales Analysis (vs P.Y.)
(yen million)

<table>
<thead>
<tr>
<th>FY2008 Act</th>
<th>FY2009 Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>MR-kun</td>
<td>42</td>
</tr>
<tr>
<td>m3MT</td>
<td>37</td>
</tr>
<tr>
<td>Royalty etc</td>
<td>3</td>
</tr>
<tr>
<td>Overseas subsidiaries</td>
<td>▲2</td>
</tr>
<tr>
<td>Japan</td>
<td>33</td>
</tr>
<tr>
<td>Overseas subsidiaries</td>
<td>33</td>
</tr>
<tr>
<td>M3 Others</td>
<td>45</td>
</tr>
<tr>
<td>Other subsidiaries*</td>
<td>42</td>
</tr>
<tr>
<td><strong>1,966</strong></td>
<td><strong>2,199</strong></td>
</tr>
</tbody>
</table>

- Increasing order
- Forex impact: -12mil yen
- Growing steadily. (Absorbed forex impact: -7mil yen)
- Lead by AskDoctors
- Contribution from iTicket

Steady growth momentum continues.

*"other subsidiaries" include consoli. adjustment
M3’s Margins have Constantly Grown

Changes in Ordinary Profit Margin

(consolidated)

(unchconsoliated)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>-86.5</td>
<td>9.2</td>
<td>28.7</td>
<td>32.5</td>
<td>35.1</td>
<td>40.6</td>
<td>43.9</td>
<td>48.5</td>
<td>50.0</td>
<td>48.9</td>
</tr>
<tr>
<td>(consolidated)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>49.0</td>
</tr>
<tr>
<td>(unconsoliated)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

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### Annual Results & Forecast for FY2009

#### Sales

<table>
<thead>
<tr>
<th>Fiscal Year (6 months)</th>
<th>Sales (¥ mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2000</td>
<td>480</td>
</tr>
<tr>
<td>FY 2001</td>
<td>891</td>
</tr>
<tr>
<td>FY 2002</td>
<td>1,563</td>
</tr>
<tr>
<td>FY 2003</td>
<td>2,276</td>
</tr>
<tr>
<td>FY 2004</td>
<td>3,854</td>
</tr>
<tr>
<td>FY 2005</td>
<td>5,729</td>
</tr>
<tr>
<td>FY 2006</td>
<td>7,475</td>
</tr>
<tr>
<td>FY 2007</td>
<td>8,534</td>
</tr>
<tr>
<td>FY 2008</td>
<td>11,500</td>
</tr>
<tr>
<td>FY 2009</td>
<td>(Forecast)</td>
</tr>
</tbody>
</table>

#### Ordinary Profit & Net Profit

<table>
<thead>
<tr>
<th>Fiscal Year (6 months)</th>
<th>Ordinary Profit (¥ mn)</th>
<th>Net Profit (¥ mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2000</td>
<td>-939</td>
<td>-939</td>
</tr>
<tr>
<td>FY 2001</td>
<td>4462</td>
<td>136</td>
</tr>
<tr>
<td>FY 2002</td>
<td>256</td>
<td>508</td>
</tr>
<tr>
<td>FY 2003</td>
<td>136</td>
<td>508</td>
</tr>
<tr>
<td>FY 2004</td>
<td>872</td>
<td>508</td>
</tr>
<tr>
<td>FY 2005</td>
<td>493</td>
<td>508</td>
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<tr>
<td>FY 2006</td>
<td>991</td>
<td>508</td>
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<tr>
<td>FY 2007</td>
<td>1,694</td>
<td>508</td>
</tr>
<tr>
<td>FY 2008</td>
<td>2,779</td>
<td>508</td>
</tr>
<tr>
<td>FY 2009</td>
<td>(Forecast)</td>
<td>(Forecast)</td>
</tr>
</tbody>
</table>

**Note:** Consolidated
Creating New Value in Healthcare

- M3
  Medicine
  Media
  Metamorphosis

- Healthcare sector is huge...
  - 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 270,000 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, So-net M3

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m3.com mobile

- Contents
  - Medical News
  - Doctors Community (for doctors only)

- Mobile-only functions
  - Updates display order of medical news every hour in order of popularity.
  - Easy Login with QR-code, without ID/Password.
  - Mobile-oriented new functions will be introduced.

- Use of mobile terminals by doctors
  - In the U.S., more than half of doctors use mobile terminals (ex. BlackBerry) for medical practice.

Once penetrated, the site will add banner advertising and mobile version of “MR-kun” to become a new source of revenue.

Aim at Acquiring 70,000 doctors as mobile-site users in few years.
FY2006～FY2009.1Q

Number of read eDetails tends to increase in the second half of period.

- FY2006: 16,307
- FY2007: 22,534
- FY2008: 29,861
- FY2009: 7,295 vs FY2008.1Q (+7%)
While doctors spend more time on the internet to find medical information, pharma companies allocate most of their budget on MRs.

**Time spent by doctors**
- MR: 17%
- Internet: 39%
- Others (Academic conferences, Workshop, Journal, etc.): 44%

**Expenditures by pharma companies**
- MR related costs: Appx. ¥1,400bn
- Appx. ¥100bn
- Appx. ¥15bn

Source: So-net M3 questionnaire to physicians and estimation
Used at 800+ clinics , more than 1 million unique users per month
In addition, more than 100,000 members (mostly moms with little kids) registered to the recently-opened pan-clinic site in a few months. ...became one of the largest “mom” platform in Japan.
2 Revenue Source for iTICKET

① Fee from clinic

Clinic Users

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2005</th>
<th>FY2006</th>
<th>FY2007</th>
<th>FY2008</th>
<th>FY2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Users</td>
<td>330</td>
<td>479</td>
<td>692</td>
<td>830</td>
<td>856</td>
</tr>
</tbody>
</table>

<Fee Structure>
- Initial Fee: ¥500k / Clinic ~
- ASP Service: ¥11k / Month ~

② Advertisement

Mobile Media (2008 Nov.~)

Clinic Media (2008 Sep.~)

Ticket Media (2008 Sep.~)

<Fee Structure>
- Clinic Media: ¥1.5m / Month ~
- Mobile Media: ¥130k / 2Week ~
- Ticket Media: ¥750k / Project ~

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