


# **M3**

## **Presentation Material**

2Q FY2010





**The following contains statements that constitute forward-looking statements, plans for the future, management targets, etc. relating to M3, Inc. and/or its group. These are based on current assumptions of future events, and there exist possibilities that such assumptions are objectively incorrect and actual results may differ from those in the statements as a results of various factors.**

**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	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

# m3.com: Japan's #1 Physician Website

Sponsor-free

Sponsored

Medical News

Search engine

Research Paper search

Web-based medical tools

m3.com  
MR-kun

Sponsor  
messages

The screenshot displays the m3.com homepage. At the top, there's a navigation bar with the m3.com logo and a search bar. Below the navigation bar, the main content area is divided into several sections. On the left, there's a sidebar with links to various features like 'MR-kun', 'Medical News', 'Search engine', 'Research Paper search', and 'Web-based medical tools'. The main content area includes a 'Medical News & Journal' section with a list of articles, a 'Search engine' section with a search bar and filters, a 'Research Paper search' section with a search bar and filters, and a 'Web-based medical tools' section with a list of tools. On the right side, there's a 'Sponsored' section with various advertisements and sponsored messages. The bottom of the page contains a footer with copyright information and a disclaimer.

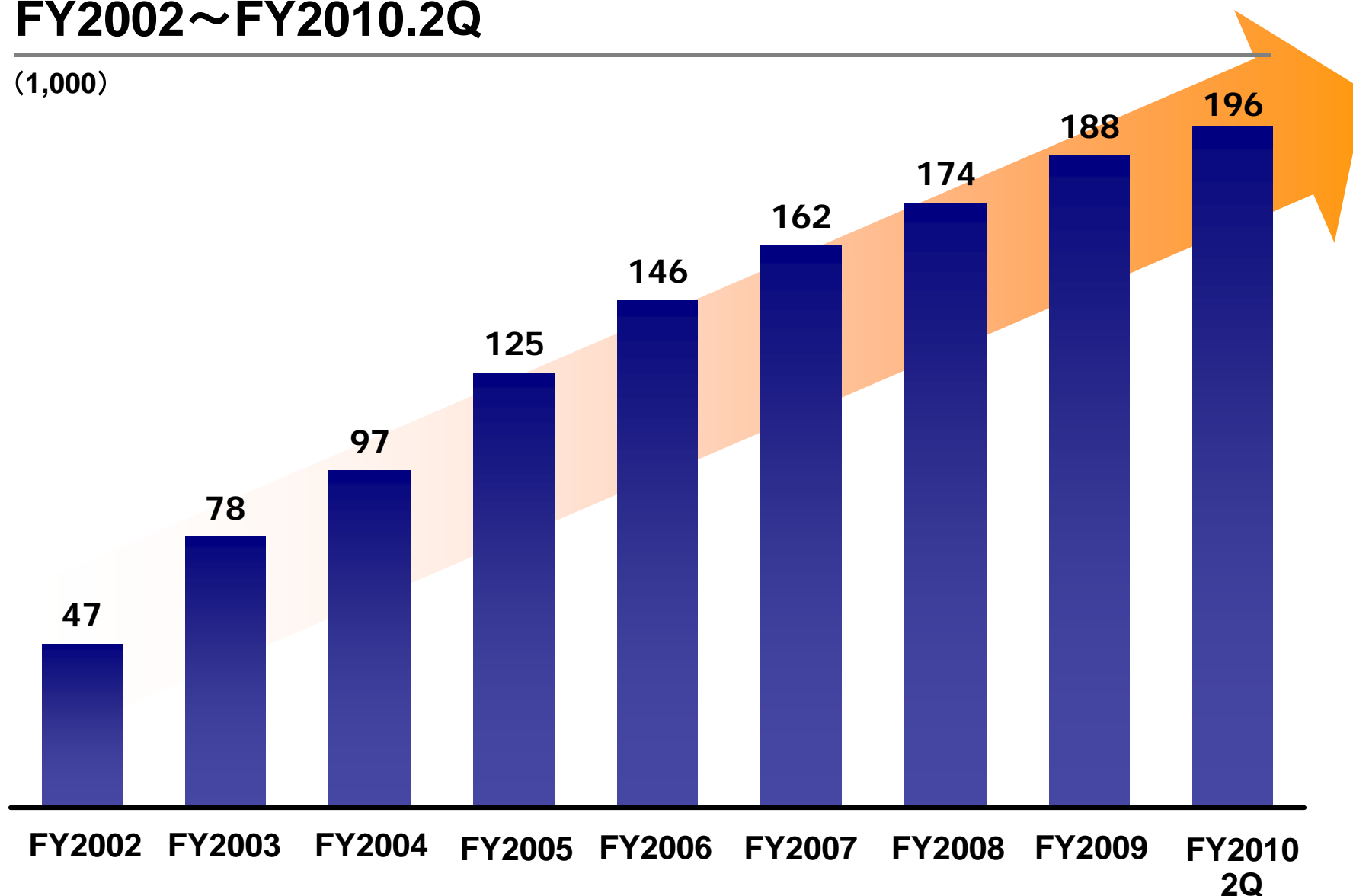
Copyright 2003-2009 Sonet M3, Inc. All Rights Reserved.

利用規約 | 個人情報保護の取扱いについて | お問い合わせ | m3.com

# Physicians Registered in m3.com

**FY2002~FY2010.2Q**

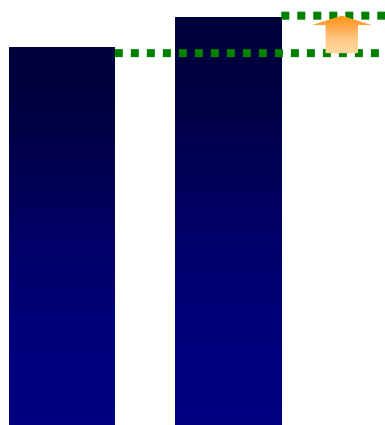
(1,000)



# Platform Power of m3.com Improving Steadily

Physicians  
registered in m3.com

+8.9%

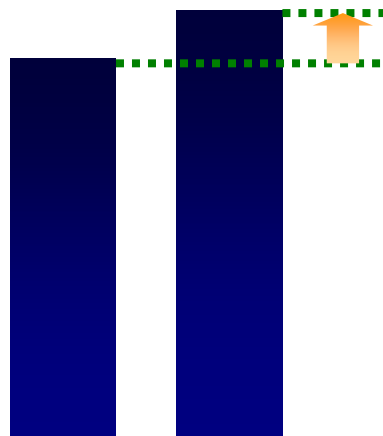


2009  
Sep.

2010  
Sep.

Physicians  
login to m3.com

+14.3%

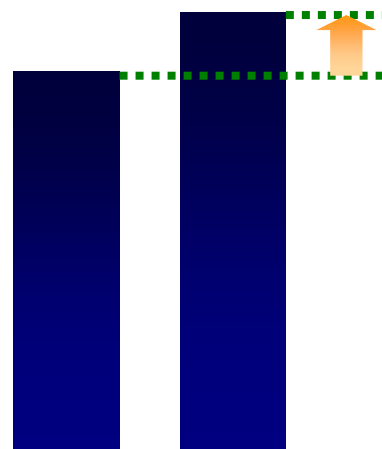


2009  
Sep.

2010  
Sep.

Physicians  
in MR-kun active

+15.6%

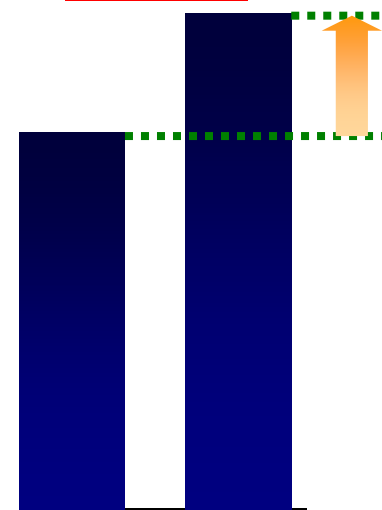


2009  
Sep.

2010  
Sep.

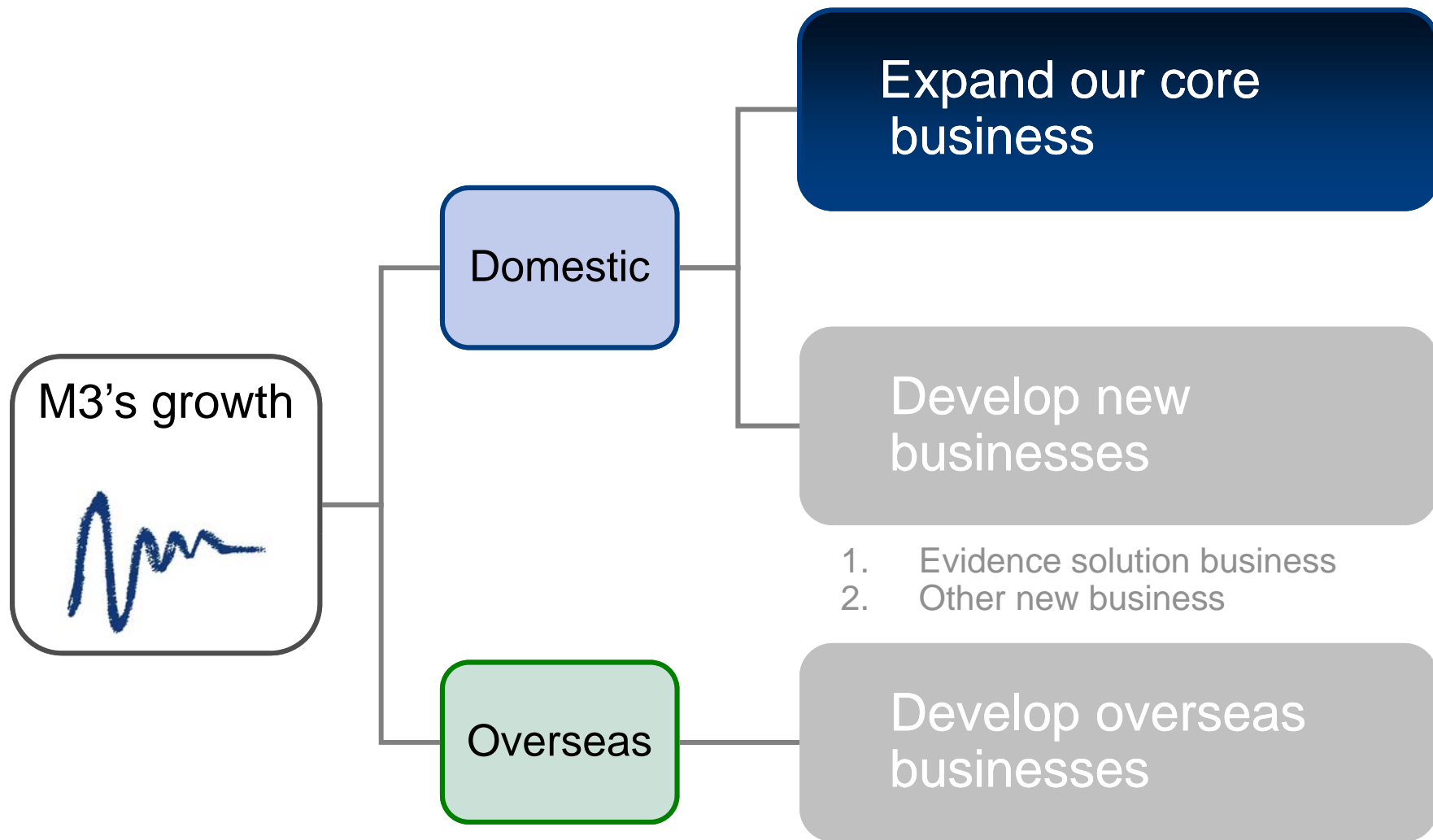
MR-kun eDetails  
read by physicians

+33.2%



2009  
Sep.

2010  
Sep.



# Japanese Pharma's Huge Marketing Costs

	Head count		Annual costs per person		
<b>MRs</b> (Pharmaceutical companies)	55,000	×	¥20mn	=	¥1.1tn
<b>MSs</b> (Pharmaceutical wholesalers)	30,000	×	¥10mn	=	¥300bn
					Total cost of whole industry ¥1.1-1.4 tn

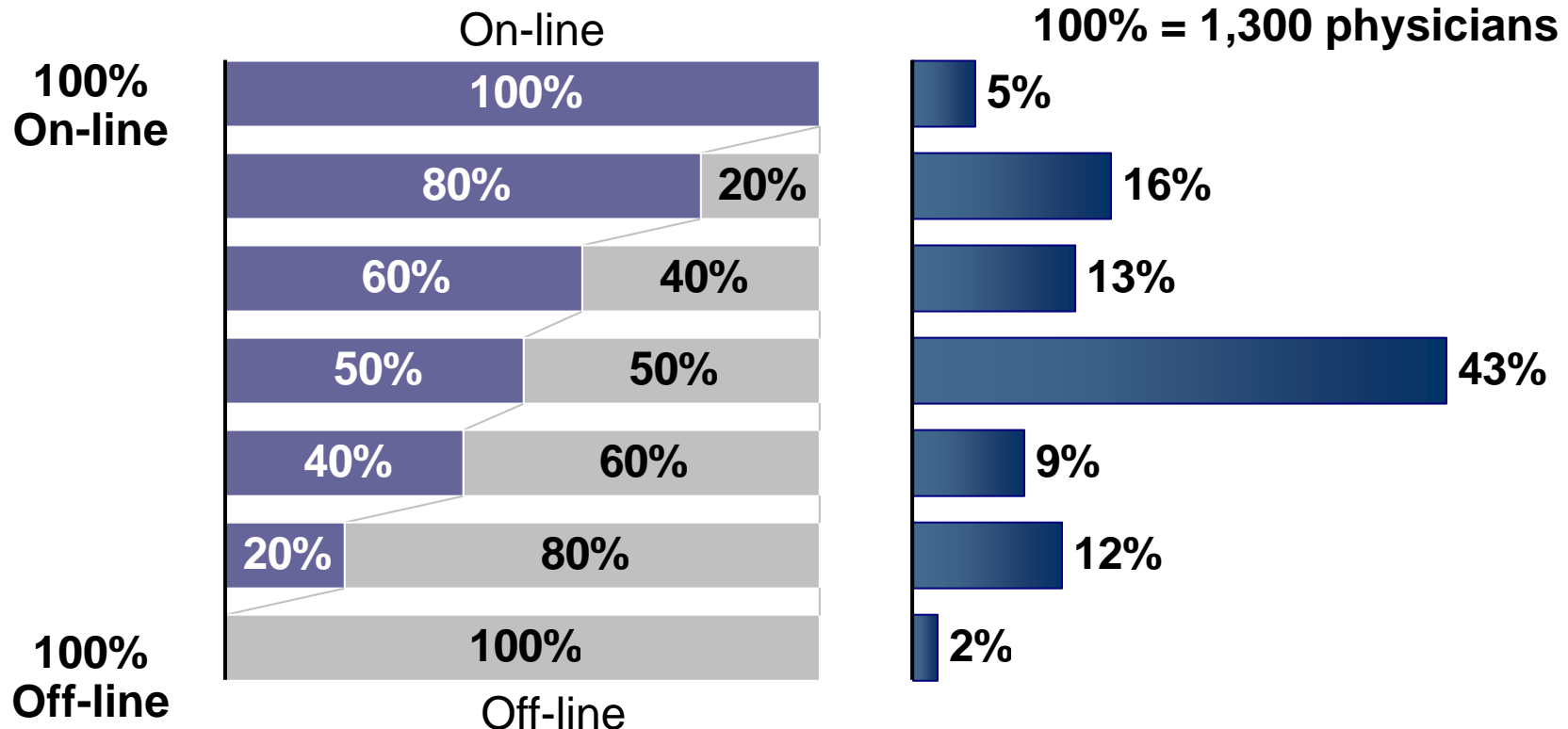
Source: MIX, Research by M3



# 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.**



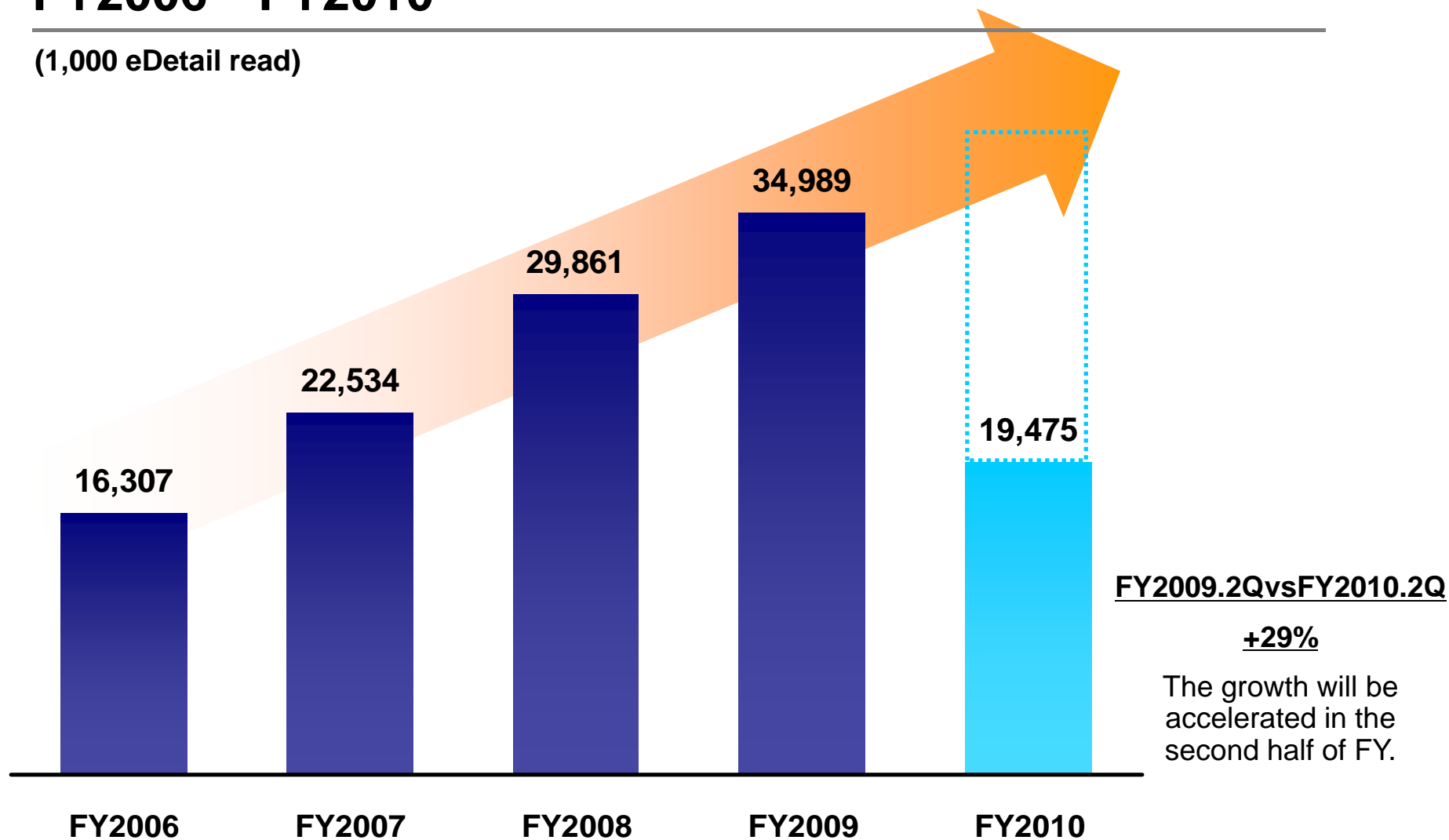
*Demand for eDetails is quite high for busy physicians as they can get the information when it's convenient for themselves, not for MR*

Source: M3 questionnaire to 1,300 physicians

# MR-kun eDetails Read by Physicians

**FY2006~FY2010**

(1,000 eDetail read)



# MR-kun Annual Fee Structure

## MR-kun base fee

## Detail fee

■ ¥100 per detail

## Contents production fee

■ M3 produces web contents shown on MR-kun

## Operation fee

■ 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**

**¥220mn**

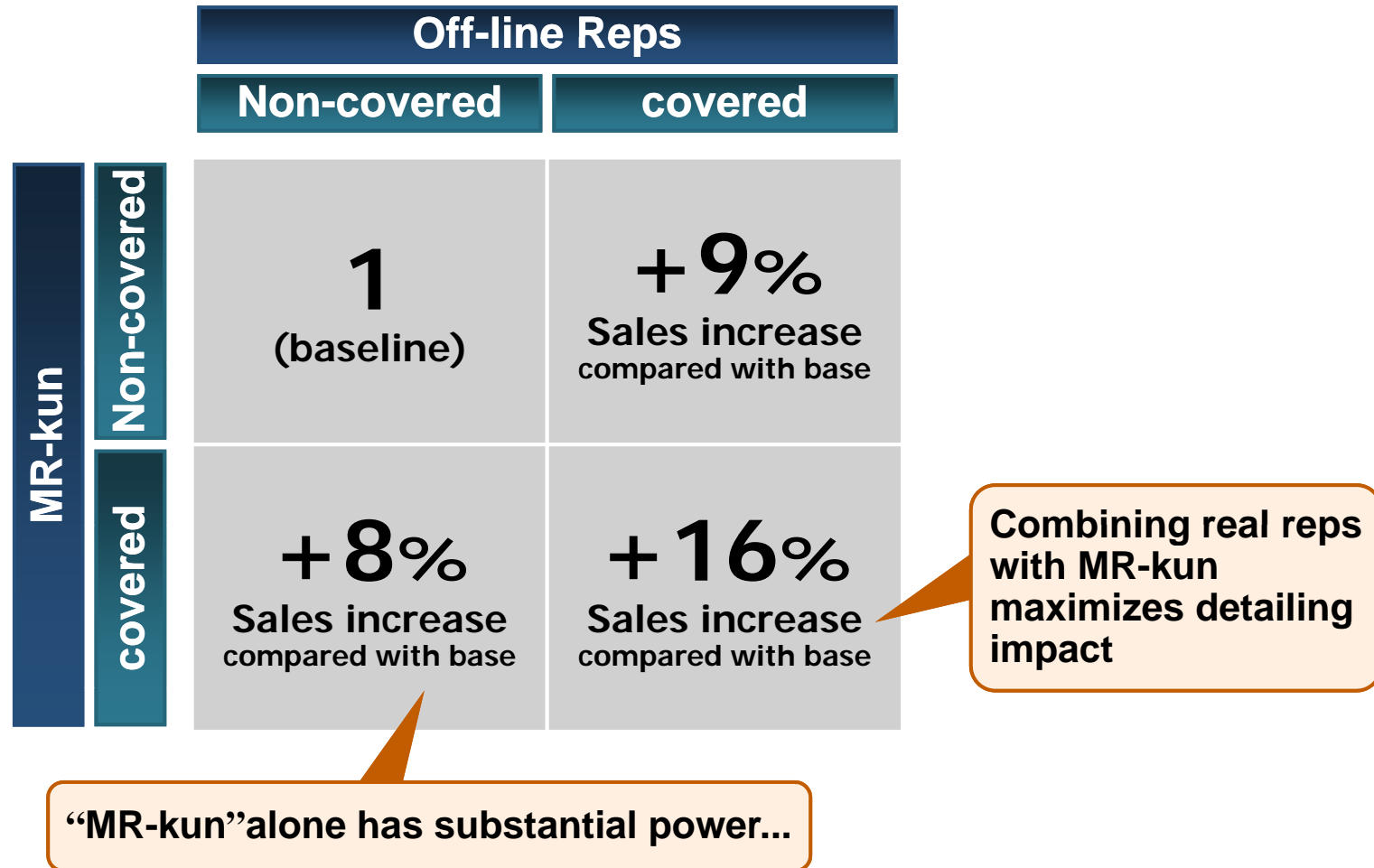
**¥100mn**

**¥10mn**

***The average of top 5 clients: ¥400mn***

# MR-kun Increases Sales Like Reps

Case  
study



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

Copyright © 2010 M3, Inc. All rights reserved.

# MR-kun's Growth Potential in Japan

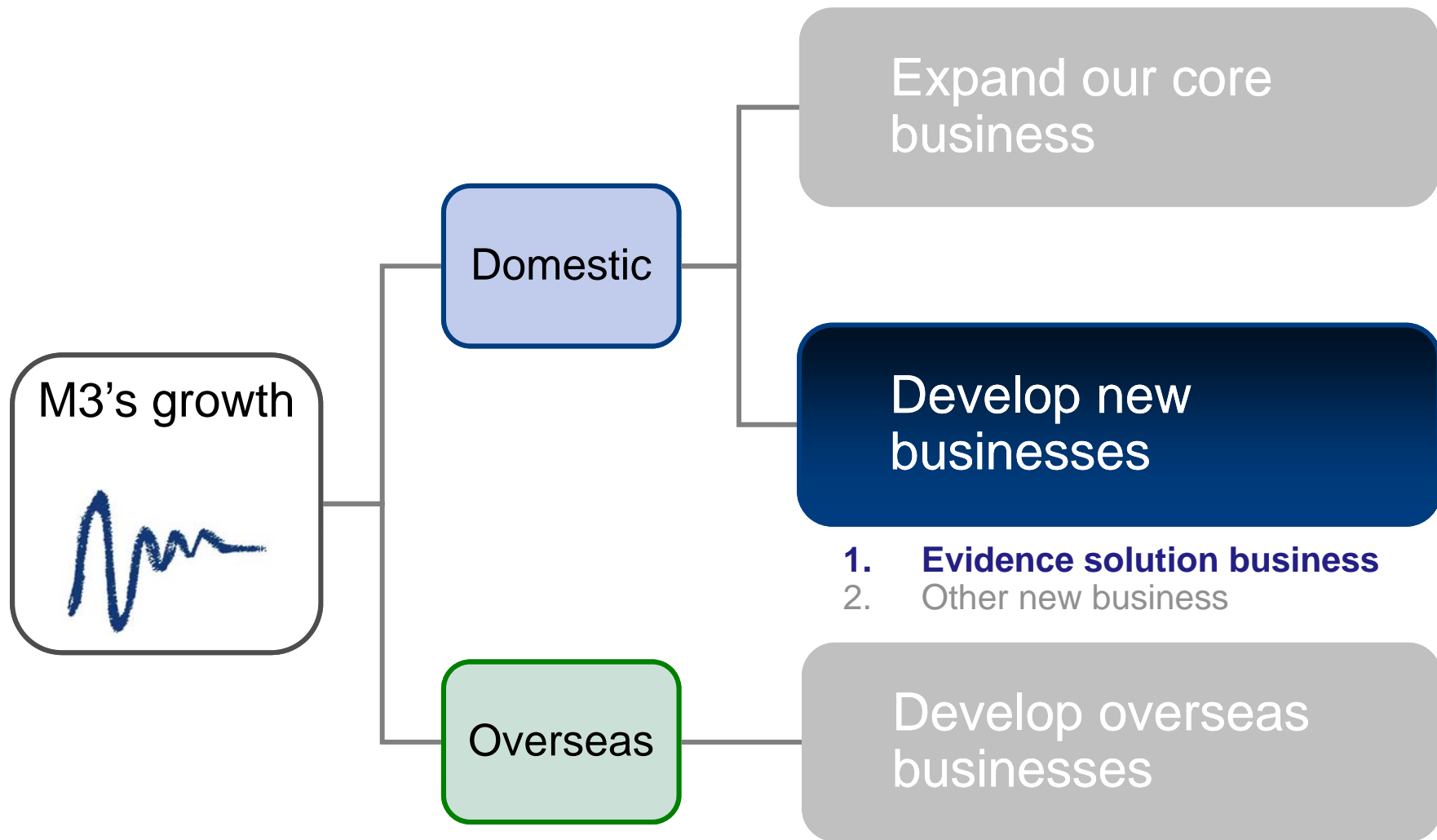


Average revenue from top 10 pharma clients  
 FY09.1H 154 million yen → FY10.1H 189 million yen (23% growth )

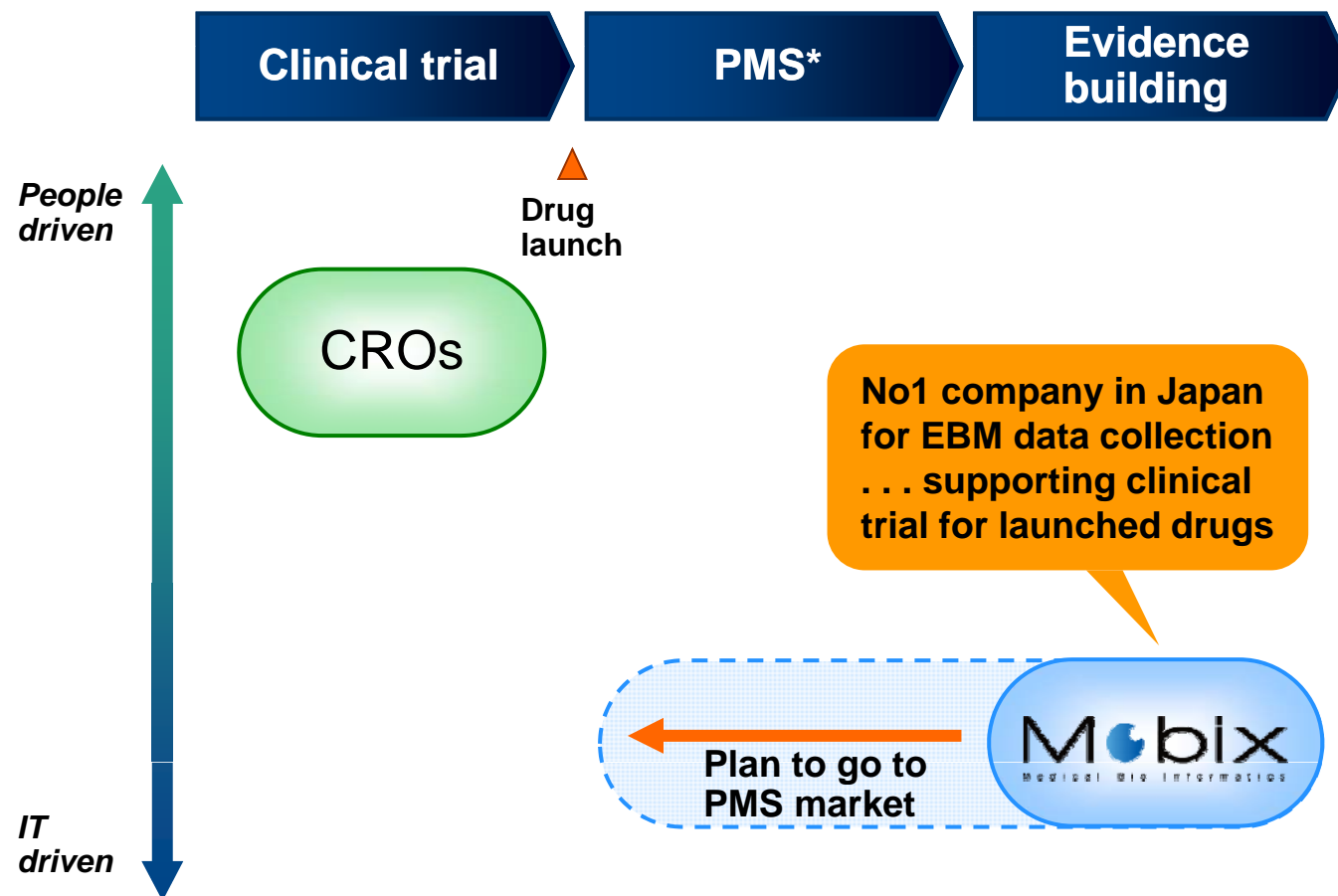
Appx.  
**5 times**

MR-kun service regained growth momentum by;

1. Staff increase
2. Adoption by more products
3. Increase number of read eDetails per doctor



# Evidence Solution Business – Mebix



\* Post Marketing Surveillance

# Mebix – Improving Restructuring

## Cost Reduction

Review the presentation of FY2009 2Q

(yen million)				
vs FY2008	FY2009 *	FY2010 or later *	Programs	
Lean back-office	30	120	✓ Cut redundant function	<u>Completed</u>
Cost for listing	30	60	✓ Reduce audit fee ✓ Terminate custody service	<u>Completed</u>
Other indirect cost (office rent etc.)	15	20	✓ Integrate office space	<u>Completed</u>
System development cost	10	50 - 100	✓ Redesign system ✓ Integrate IT infrastructure	<u>In Action</u>
SMO related cost	10	30 - 60	✓ Recruit doctors by using m3.com	<u>In Action</u>
	95	280 - 360		

Cost reduction proceeds steadily, making Mebix leaner and more profitable.

\* Fiscal year of mebix (May – Apr.)  
24

Copyright © 2009 So-net M3, Inc. All rights reserved.



Executed all processes planned at the acquisition, and turned into black in FY2010 2Q.

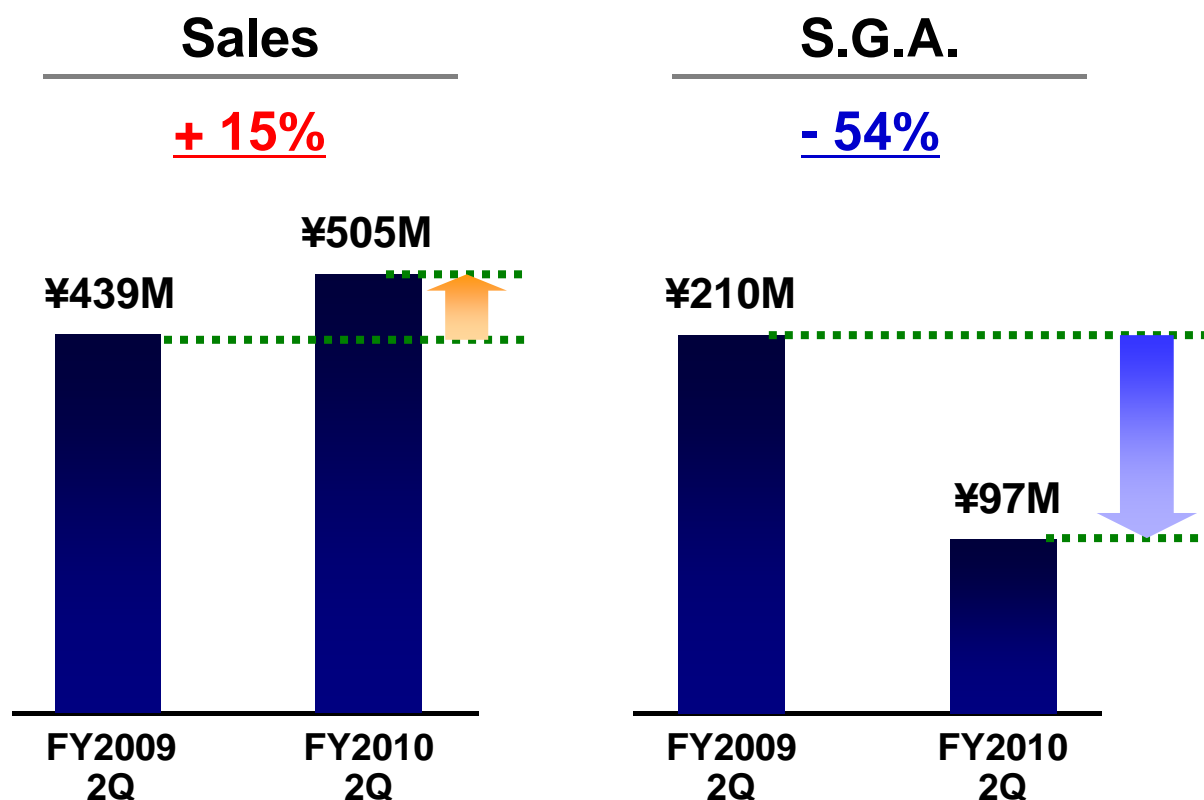
Those benefits will continue or expand in coming periods.

Copyright © 2010 M3, Inc. All rights reserved.



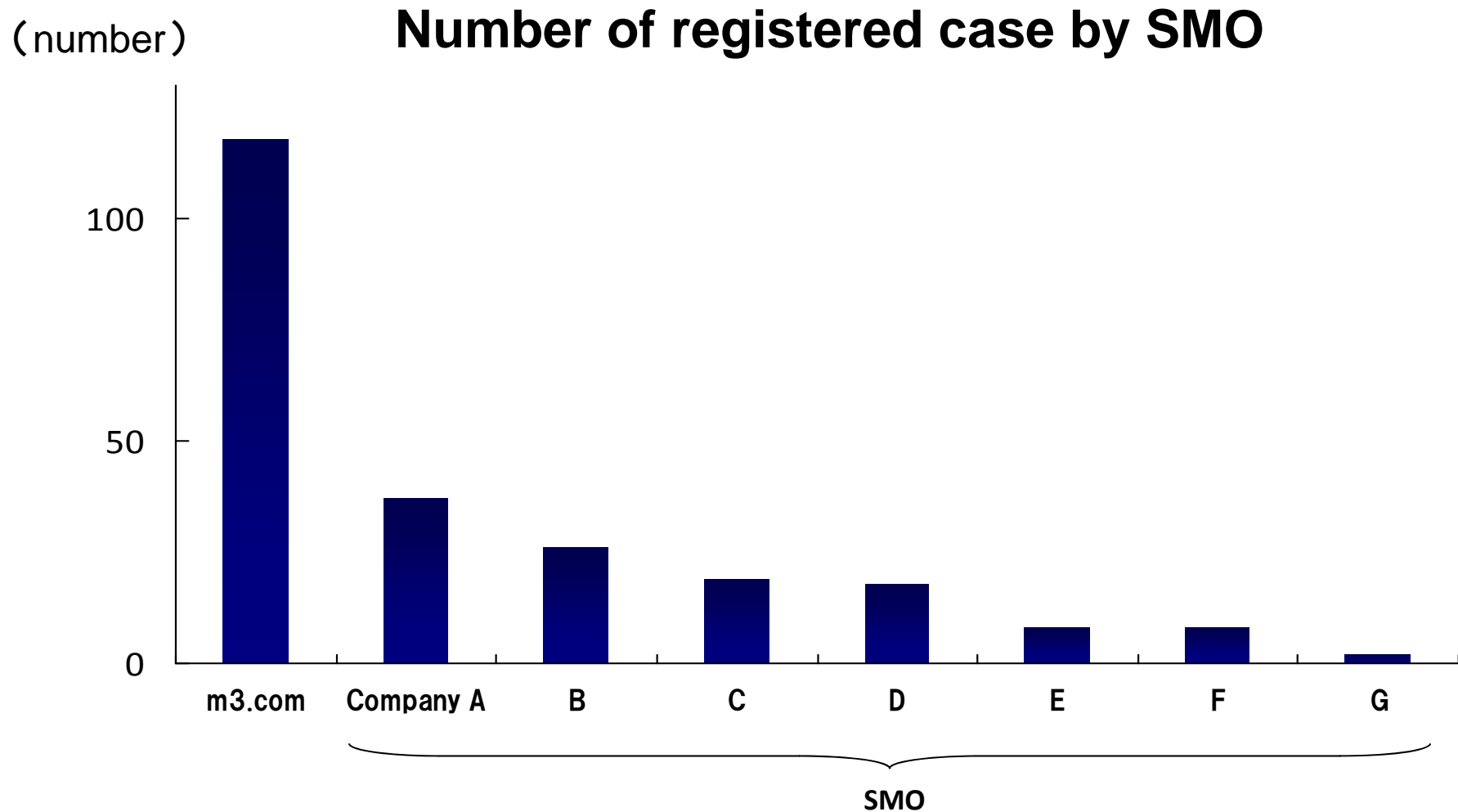
# Mebix – Improving Restructuring

Actual performance (Jul. – Sep.)

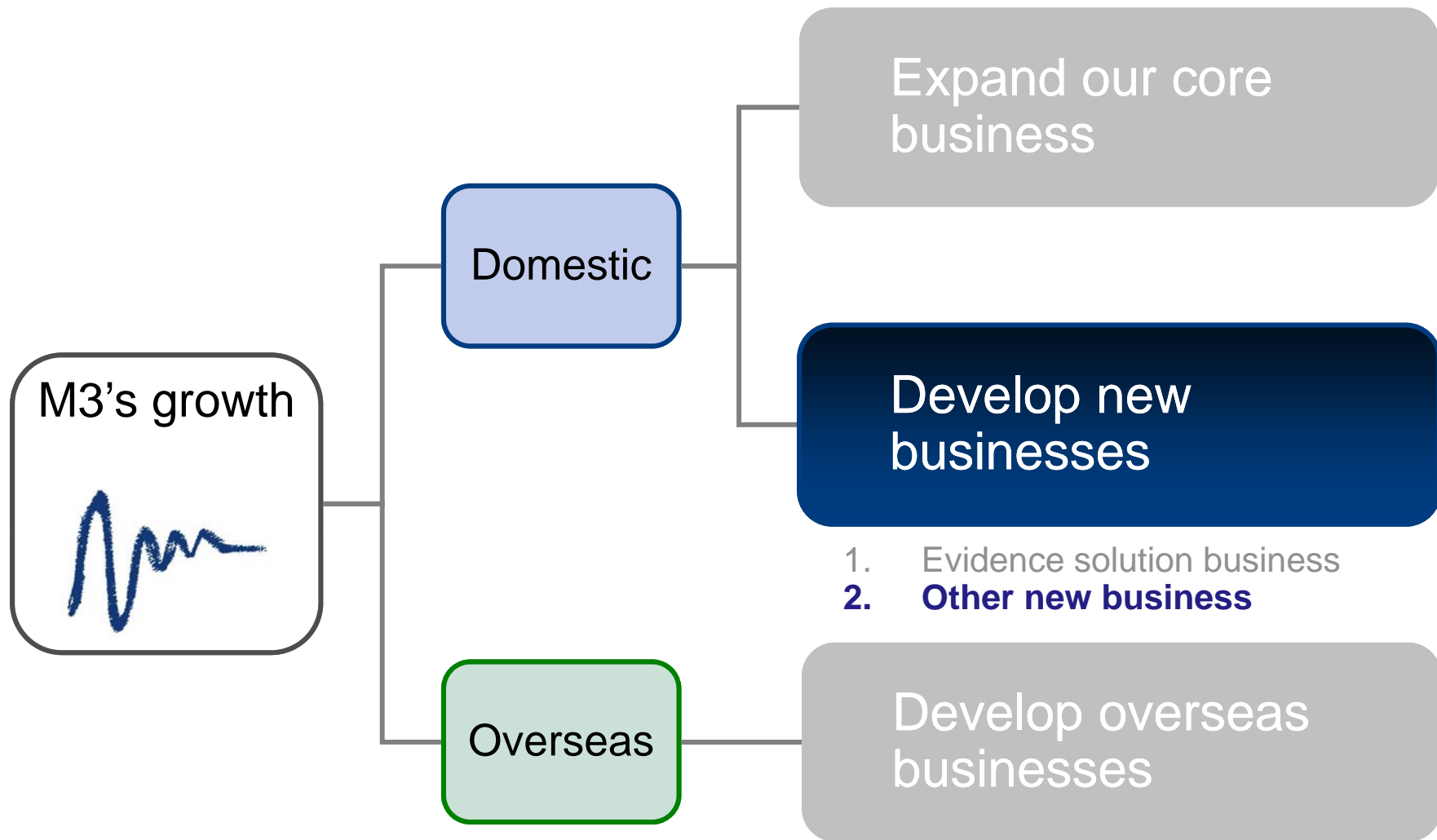


 Realized reduction of S.G.A. while increasing sales.  
Steady progress in restructuring.

# Mebix – Participating Physician Recruiting via m3.com



m3.com acquiring cases extremely faster than other SMO.



# New Business Development on the Platform

			FY2010 Sales forecast		
		Assigned staff	Above 1,000mn	¥750mn ~ ¥1,000mn	¥0mn ~ ¥750mn
Research (Japan)	Web-based Physician Surveys	4.5		✓	
m3MT	E-mail, banner promotion service for pharma companies	3			✓
QOL kun etc.	Promotion service for non-pharma companies	9		✓	
Consumer Business	Consumer service	4		✓	
<hr/>					
M3 Career	Job information for Physicians, Pharmacist	49	✓		Co s
iTICKET	Online clinical reservation system for patient	15			✓

Consolidated  
subsidiary

- Revenue from the new businesses will exceed the revenue of MR-kun in FY2010.
- Many of the new businesses are run by few staff and quite profitable.
- Established joint venture for career business with SMS CO.,LTD.

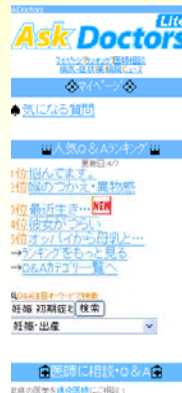
# Expansion of Consumer Business

## AskDoctors



- 90%+ questions get answers from physicians
- More than 2.4 million Q&A archives

## AskDoctors Lite



- Specially offered for Softbank's contents package (Mar. 2009)
- Browse only service for AskDoctors' Q&A archives

## AskMoon



- Mobile site targeting women (May 2009)
- Access to emmenia-related Q&A archives on AskDoctors

## AskMind



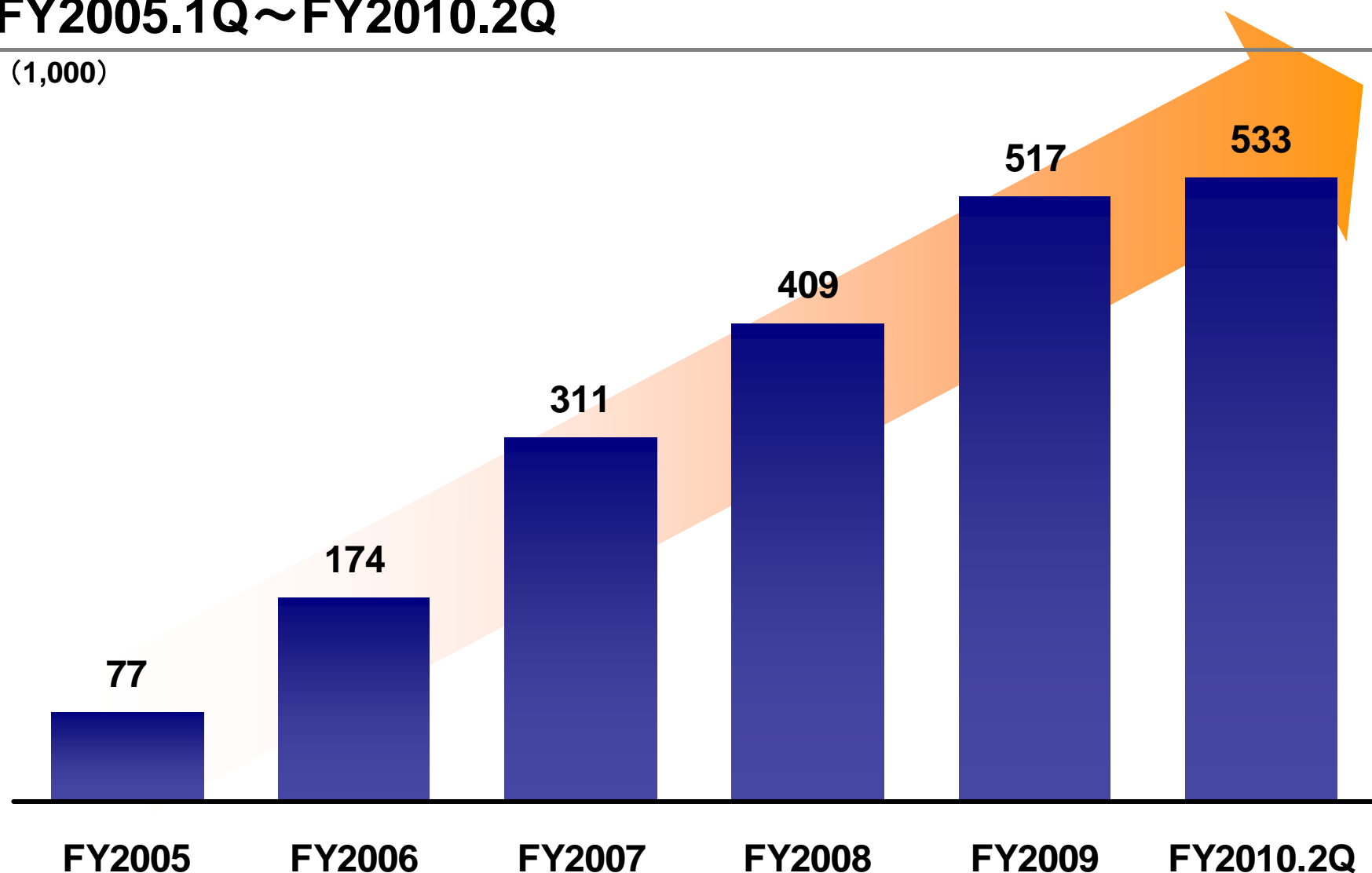
- Launched new site about mental health (Jun. 2010)

 Consumer business grew to generate 60mil yen revenue per month, preparing new services in mental health care area.

# Membership of AskDoctors

**FY2005.1Q~FY2010.2Q**

(1,000)



# M3 Career, Inc



- Media power of m3.com
  - 191K Physicians
  - 70K Pharmacist
- Experience in the recruiting ad business for medical professionals



**Full-line service and platform for best match between employers and job seekers**



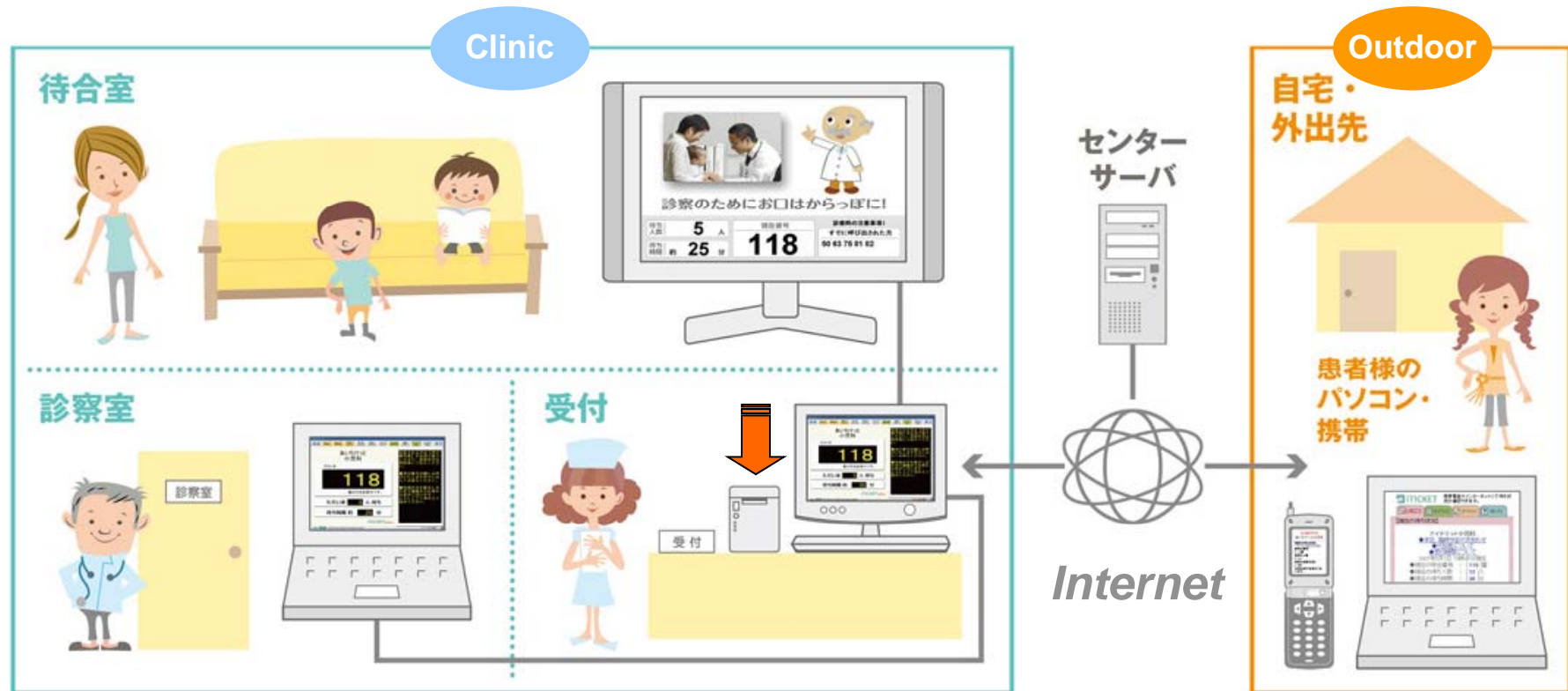
- Direct relationship both with employers (clinics etc) and job seekers (physicians, pharmacists)
- Experience in the employment agent business for nurses or care workers

<b>Company Name</b>	<b>: M3 Career, Inc</b>
<b>Capital</b>	<b>: 50 mil yen</b>
<b>Business</b>	<b>: Recruiting service for medical professionals</b>
<b>Employees</b>	<b>: 49</b>
<b>Shareholders</b>	<b>: M3 51%、SMS 49%</b>

**👉 In FY2010 1H, posted ¥615M sales and ¥7M operating profit. Because of seasonality and operational issues, operating profit turned into red in 2Q. (1Q:¥69M, 2Q:-¥62M)**

# Acquisition of iTICKET

## Web-based reservation system for clinics



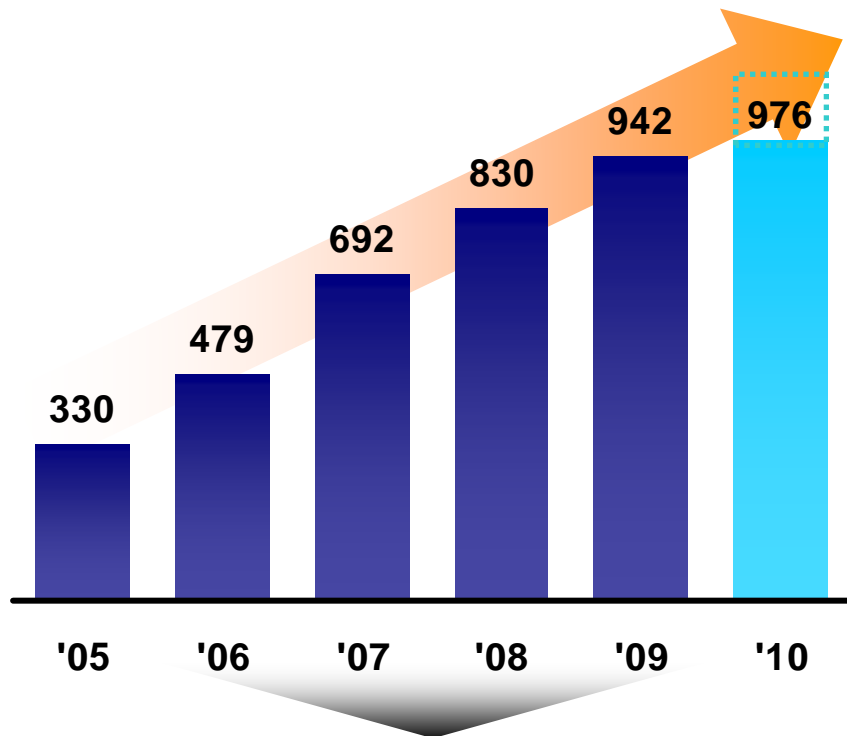
👉 Used in 900+ clinics , more than 1 million unique users per month, more than 300,000 members (mostly moms with little kids) registered to the pan-clinic site. ...became one of the largest “mom” platforms in Japan.



# Media Business will Start on ASP Platform.

## ASP : Reservation for medical care

### Clinic Users



### <Fee Structure>

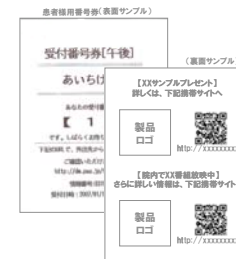
- Initial Fee : 498,000yen / Clinic ~
- ASP Service : 11,400yen / Month ~

## Media business

### Clinic Media

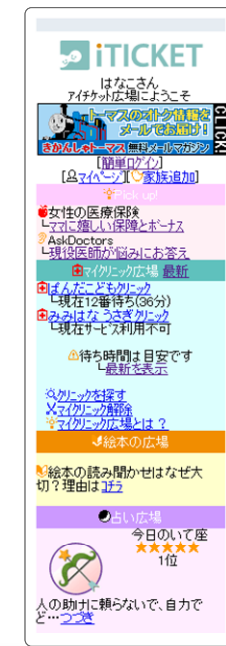


### Ticket Media (Sep.~)



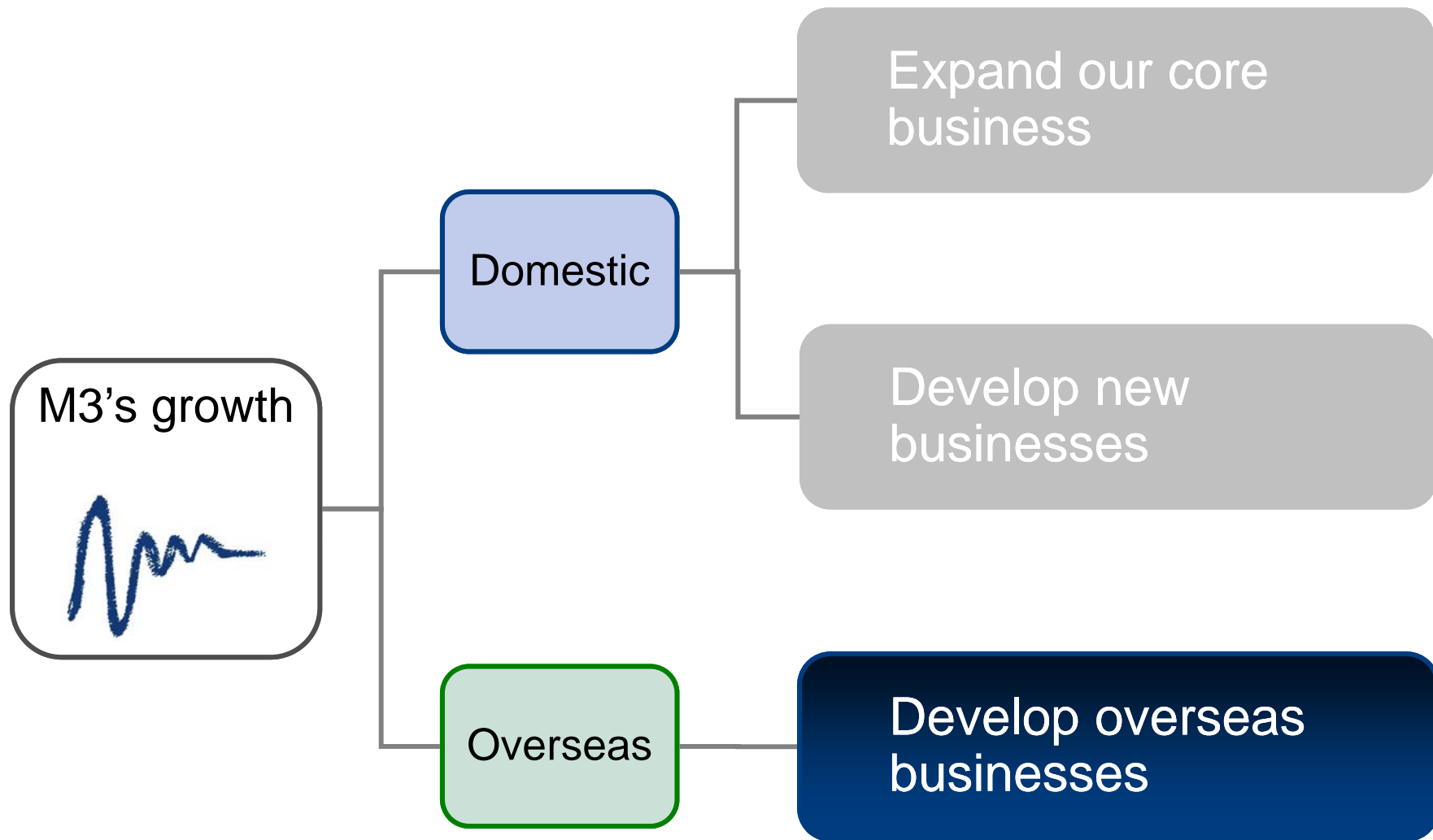
### Consultation Ticket

### Mobile Media (Nov.~)



### <Fee Structure>

- Clinic Media : 1,500,000yen / Month ~
- Mobile Media : 130,000yen / 2Week ~
- Ticket Media : 750,000yen / Project ~



# Development in the US

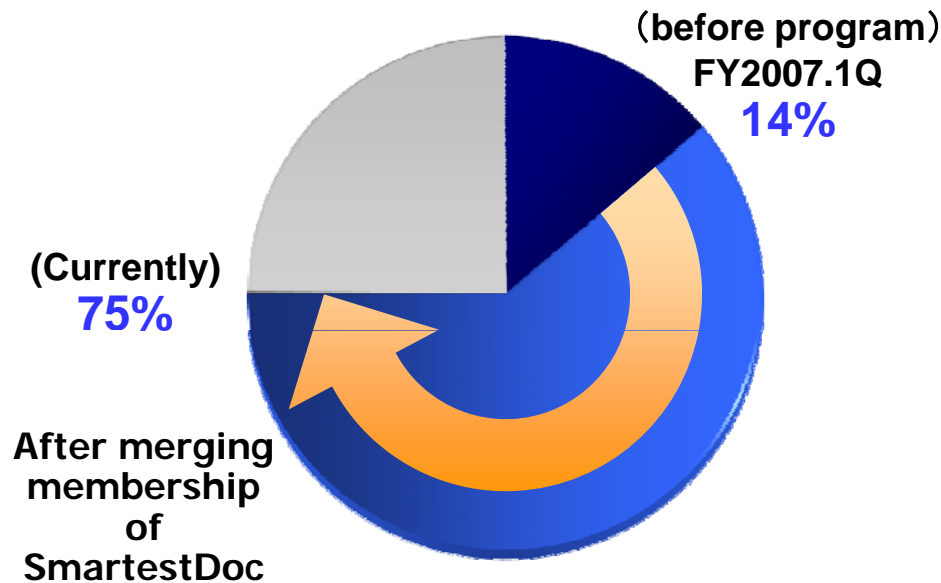
The screenshot displays the HemeOnc Linx website, which is part of the MDLinx network. The interface includes a top navigation bar with the HemeOnc Linx logo and a banner for Zolinza (vorinostat) capsules. Below the banner, there is a 'Messages' section with a list of articles, including 'Today's Hot Topic: Making Cigarettes More Addictive' and 'Top 50 Articles of 2006: What your colleagues were reading'. A sidebar on the left contains a navigation menu with links to Home, Conferences, Jobs, Messages, Newsletters, and My Library. The main content area features a list of articles under the heading 'Articles: General HemeOnc', with tabs for 'Latest (58)', 'Week's Top Read', and 'Month's Top Read'. The sidebar on the right includes an 'Article Search' box, a 'Merck Services' section with a link to 'Your direct link to Merck Resources', and a 'Product Information' section with links to 'Medical Symposia', 'Product Samples', and 'View & Download Online Resources'. At the bottom, there is a 'Slide Kits' section with links to 'e-Details', 'Abstracts', and 'Patient Education'.

- “M3 Messages” (US version of MR-kun) started on MDLinx (merged with M3 USA in Mar. 2009).
  - Washington D.C.
  - 328K medical professionals (incl. 100K physicians) as registered member
- The service has been adopted by products in Oncology, Rheumatology, Neurology, Cardiology and PCP area

# MDLinx (US): Member Coverage by Specialty

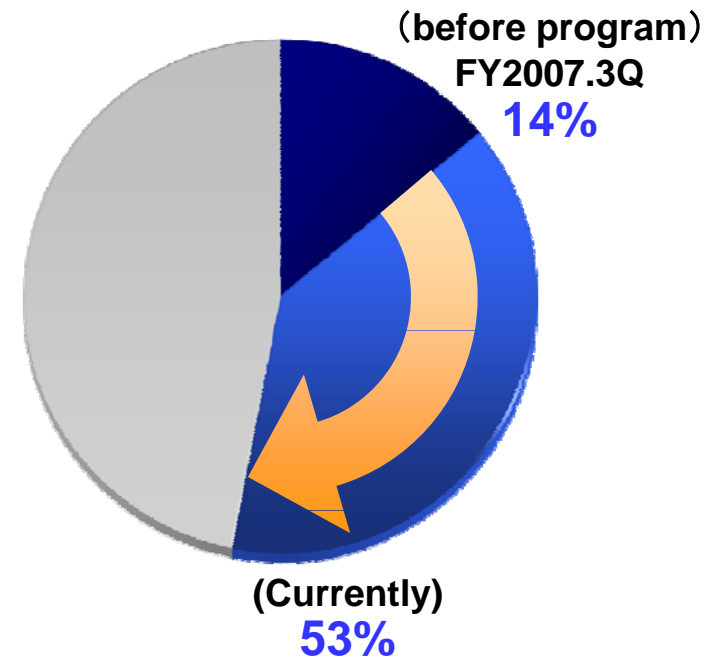
## Oncology area

(100%=10,000 specialists)



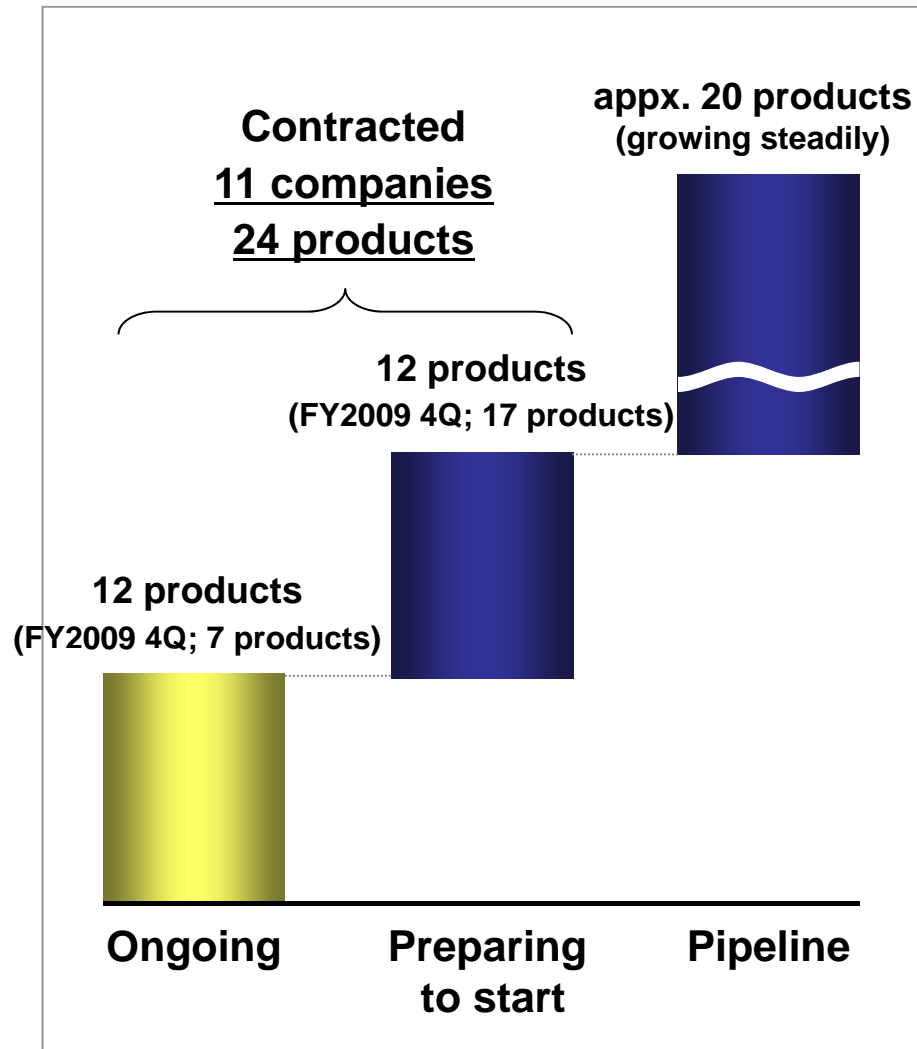
## Rheumatology

(100%=4,200 specialists )



Developed leading platforms by acquiring half of oncologists and rheumatologists in the U.S.  
Starting new acquisition programs in Psychiatry, Neurology, Cardiology, and PCP area.

# M3 Messages Contracting Status



- Among the top 20 global pharmaceutical companies adopted “M3 Messages ” already.
  - All in Oncology, Rheumatology, Neurology, Cardiology or PCP area
  - Close to sign in other areas
- Delivery of the messages started already in 12 products. The clients appreciate the performance and made further commitments (contract extension, addition of new products etc.). Others will start soon.
- Acquired a big project in PCP (Primary Care Physician) area.
- Pipeline for project acquisition is well filled for FY2011.

# Consolidated P/L Statement for FY2010 2Q

Consolidated

(yen million)

	FY2009.2Q	FY2010.2Q		
	Actual	Forecast	Actual	YoY Growth
<b>Sales</b>	<b>5,030</b>	<b>6,800</b>	<b>6,858</b>	<b>+ 36%</b>
<b>Operating income</b>	<b>2,056</b>	<b>2,400</b>	<b>2,662</b>	<b>+ 29%</b>
<b>Ordinary profit</b>	<b>2,038</b>	<b>2,400</b>	<b>2,605</b>	<b>+ 28%</b>
<b>Net profit</b>	<b>113</b>	<b>1,300</b>	<b>1,434</b>	<b>+ 1,169%</b>

# Consolidated P/L Statement for FY2010 2Q

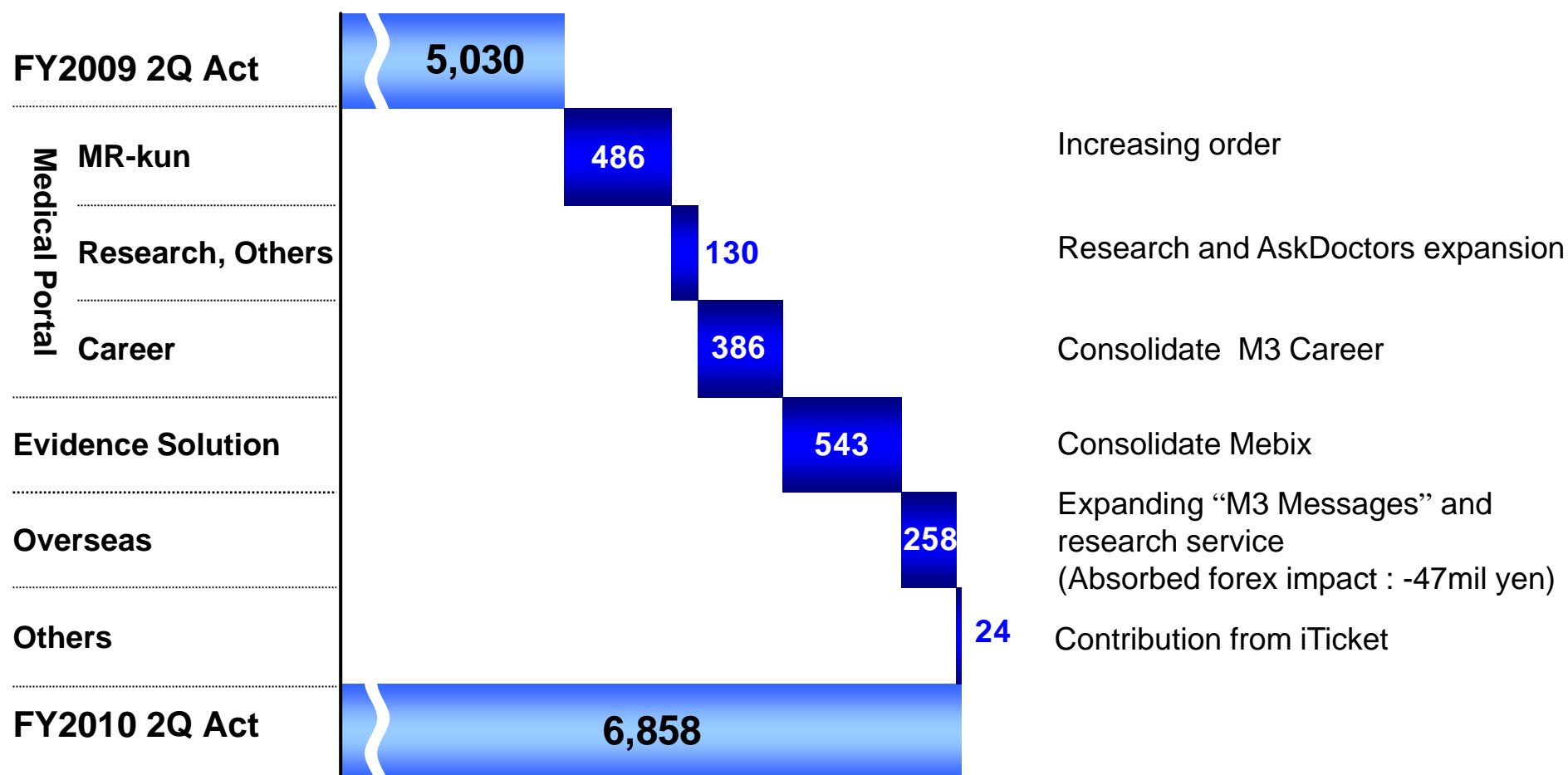
Breakdown by Business Segments

(yen milion)

		FY2009.2Q	FY2010.2Q	YoY Growth
Medical Portal	Sales	4,071	5,173	+27%
	Profit	2,498	2,905	+16%
Evidence Solution	Sales	439	982	+123%
	Profit	▲183	▲48	-%
Overseas	Sales	446	704	+58%
	Profit	▲49	36	-%
Others	Sales	117	141	+20%
	Profit	▲1	0	-%

# Consoli. Sales Analysis (vs P.Y.)\*

(yen milion)



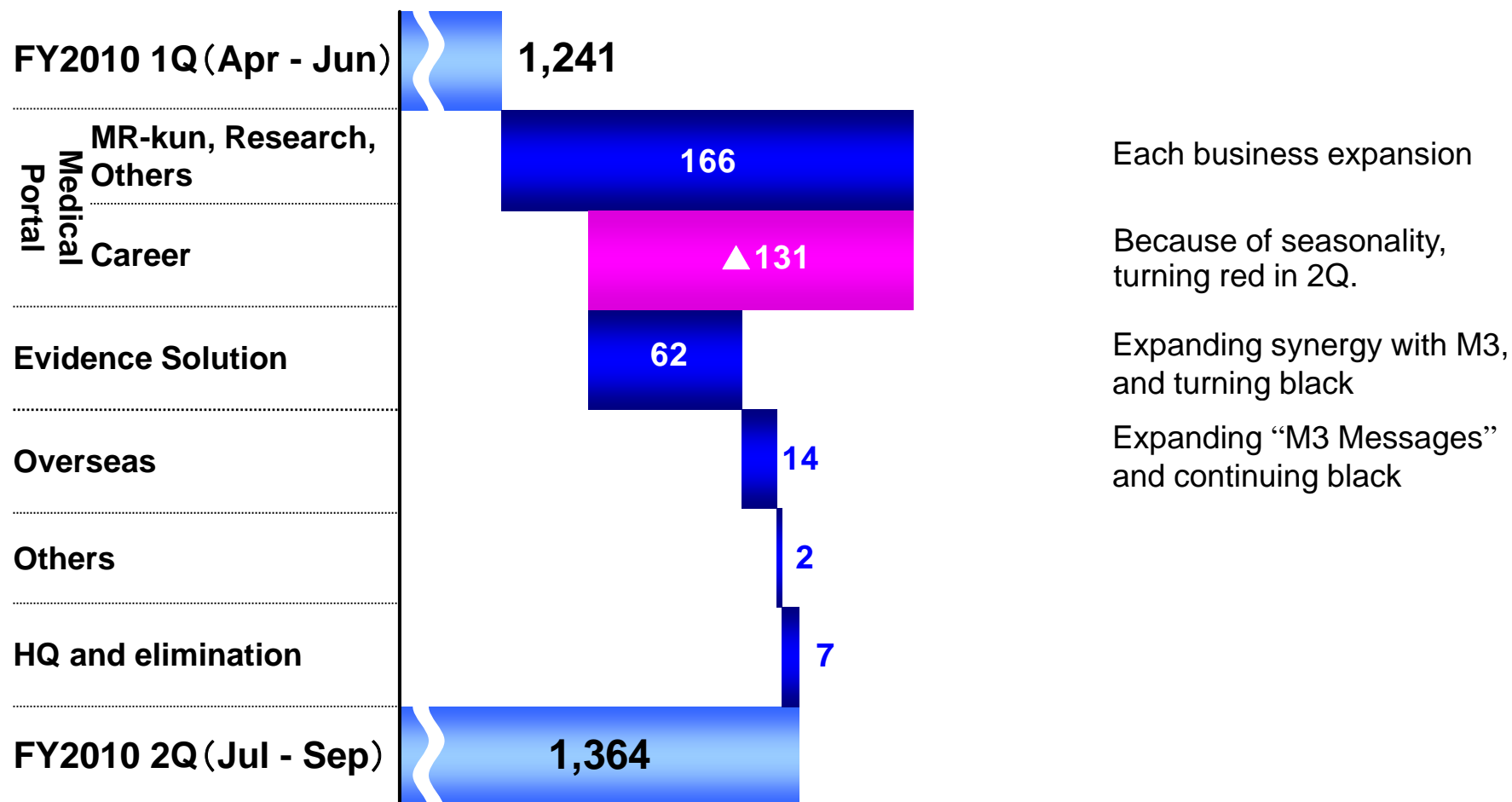
**Steady growth momentum continues.**

\* Sales to outside customers



# Consoli. Profit Analysis (1Q vs 2Q)

( yen milion )

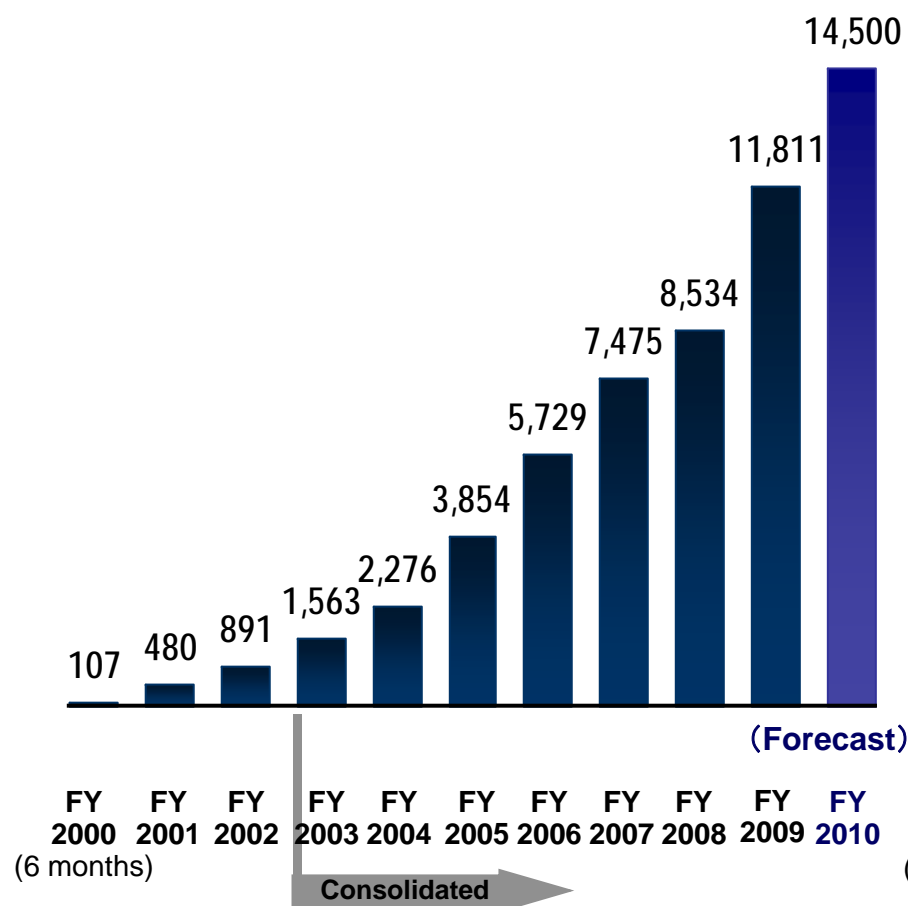


**Steady growth and increasing profitability of mebix covered loss of M3 career.**

# Annual Results & Forecast for FY2010

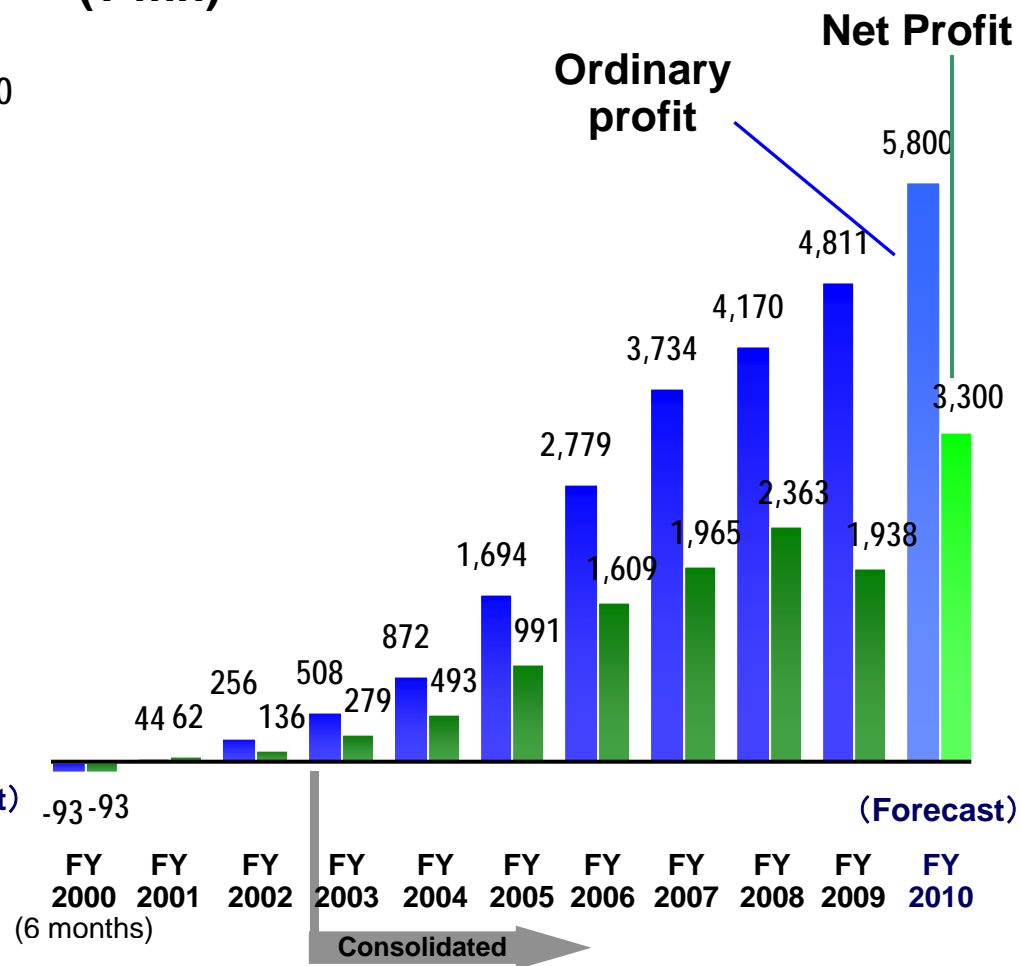
## Sales

(¥ mn)

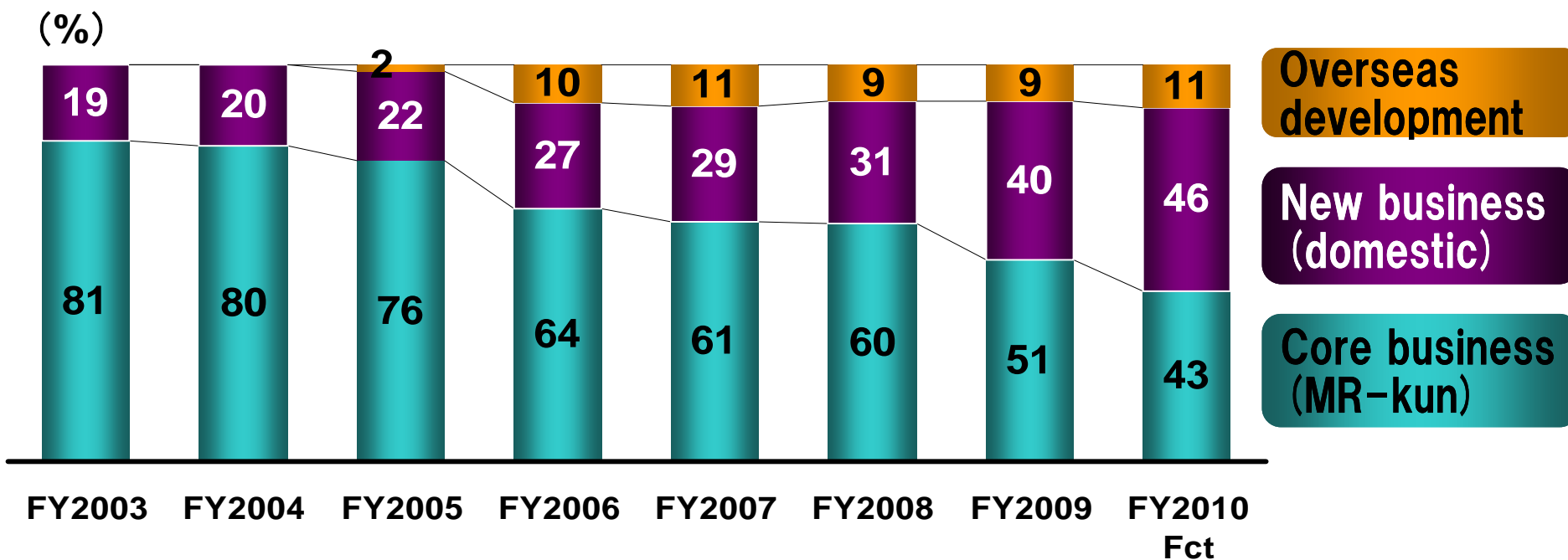
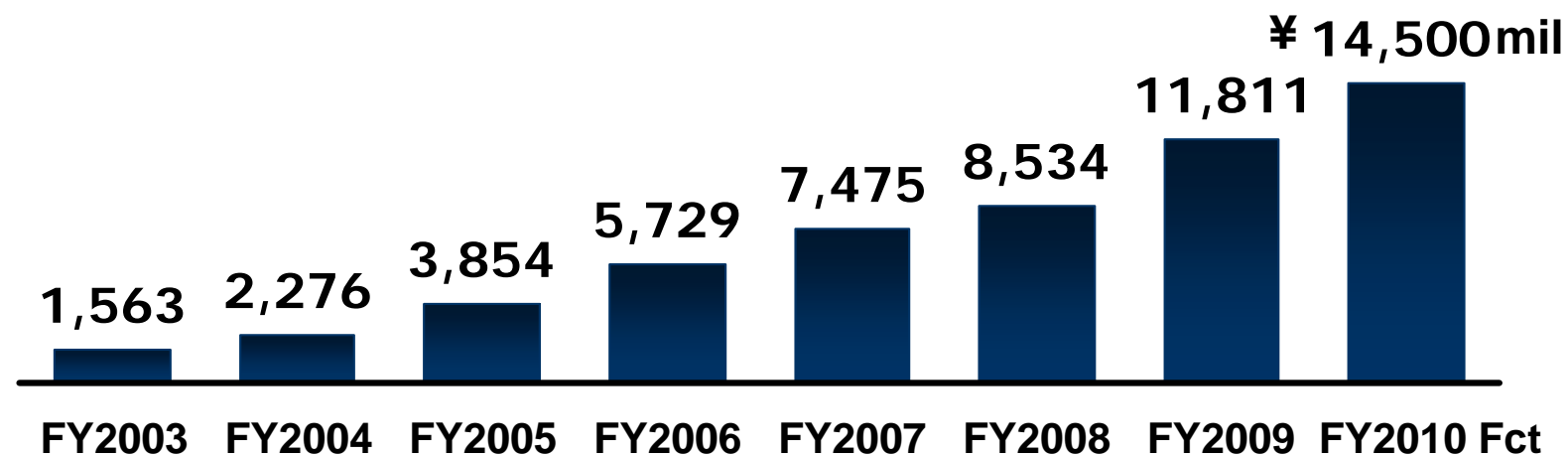


## Ordinary Profit & Net Profit

(¥ mn)



# Consolidated Sales Trend



# 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, M3