


# **M3**

## **Presentation Material**

4Q 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
2009 Apr	Acquired Mebix and entered into clinical trial market
2010 Nov	Acquired EMS Research and established global research physician panel

# Impact of Earthquake Disaster

## on Operation

### MR-kun

- Most of clients stopped for sending eDetail temporarily.

### Research

- Stopped survey for 2 weeks after disaster during seasonal high demand at fiscal year-ending.

### m3MT, QOL-kun

- Clients withdrew advertisement temporarily.

### Consumer business

- Decrease new membership

Impact for sales in FY2010 was approx.▲¥200M~▲¥300M

## on Support Activities

### For consumer

- Provided AskDoctors for free to sufferers. (used by over 45,000 people)

### For medical professionals

- Opened special section for information exchange in Doctors Community.
- Opened specialized site.
  - Customized BBS for each of hospitals and clinics in Tohoku district.
  - Matching site for medical support needs.
- Record highest access per day at m3.com

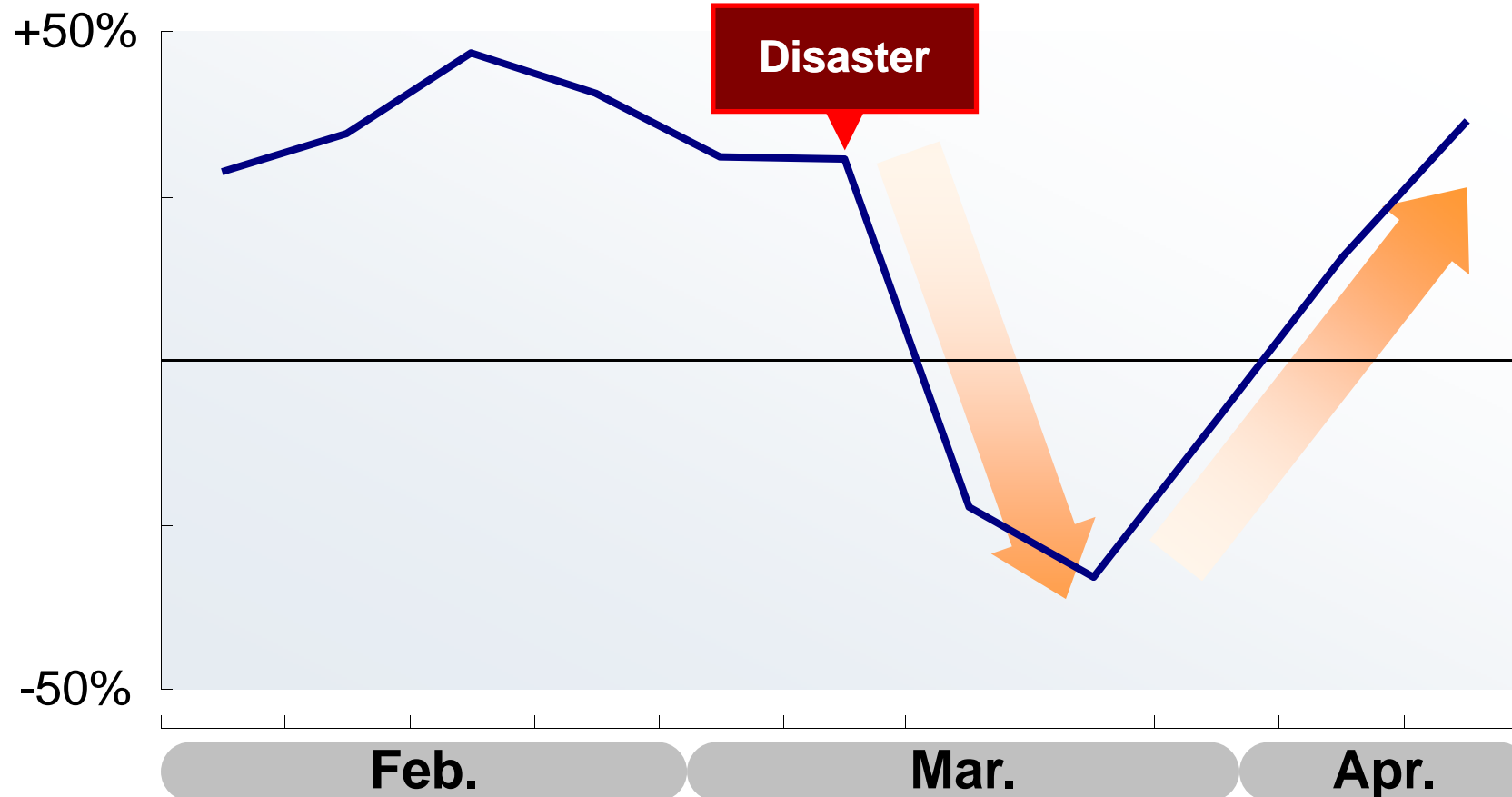
### Monetary donation

- Monetary donation from M3 group and users reached to ¥100M. We will continue this action.

Operated about 10 projects to support

# Impact of Earthquake Disaster

Weekly trend - number of MR-kun eDetails read by physicians vs past year



 Clients stopped all promotional activities, including sending MR-kun messages, for a while after the disaster.

Activities at the most of the clients are back to track by now.

Sponsor-free

Medical News

Search engine

Research Paper  
search

Web-based  
medical tools



Sponsored

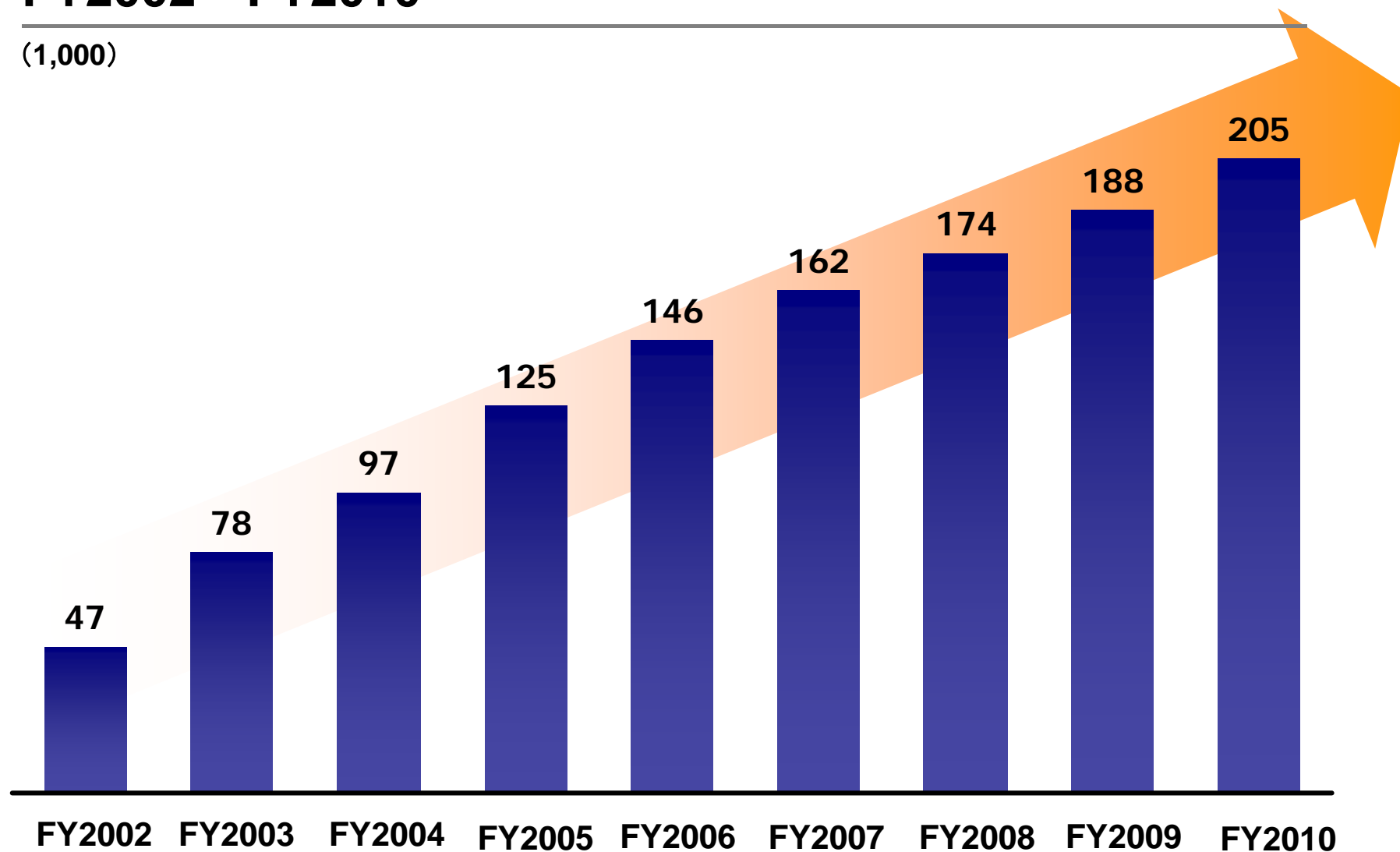
m3.com MR-kun

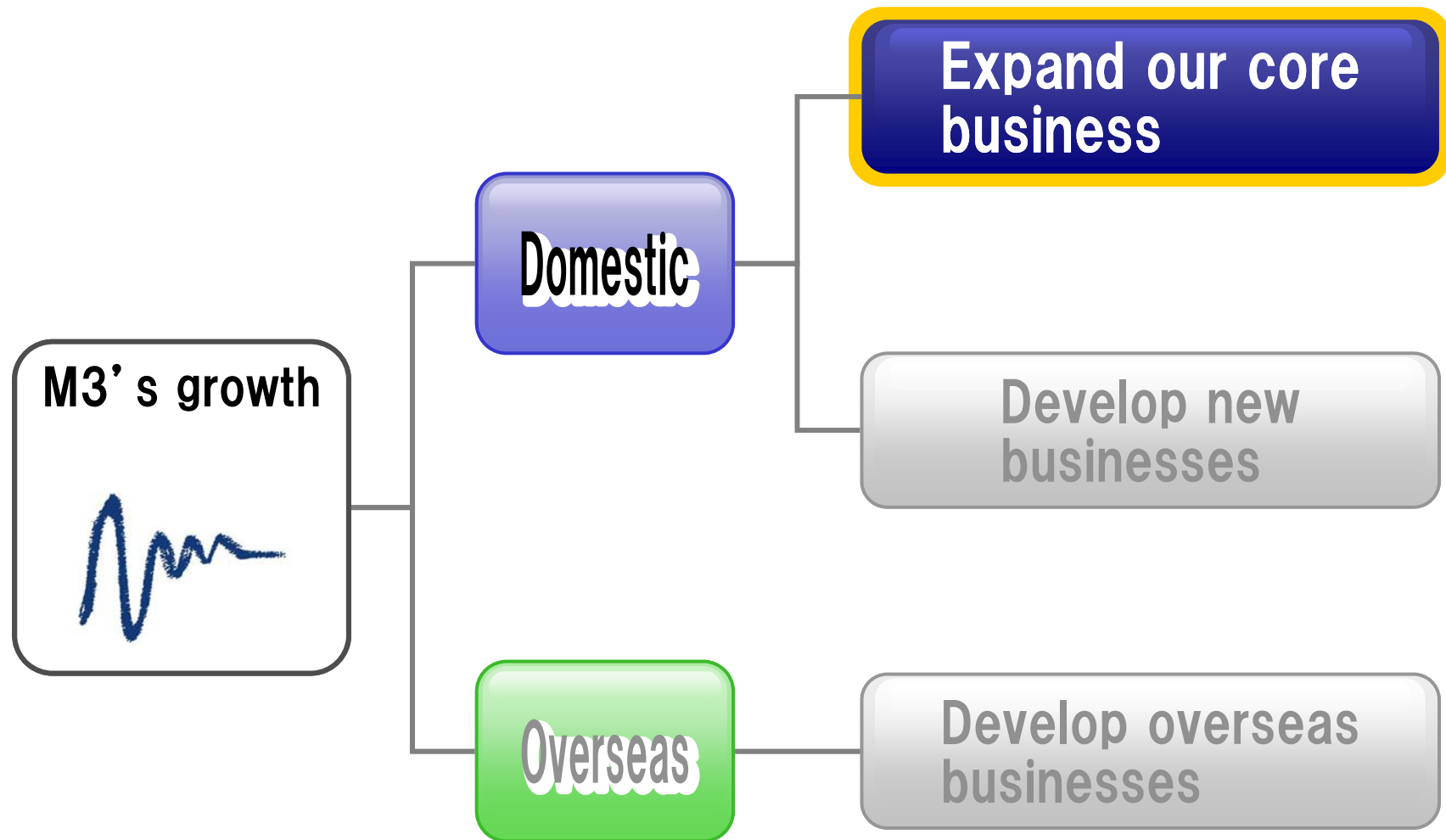
Sponsor  
messages

# Physicians Registered in m3.com

**FY2002~FY2010**

(1,000)







# Japanese Pharma's Huge Marketing Costs

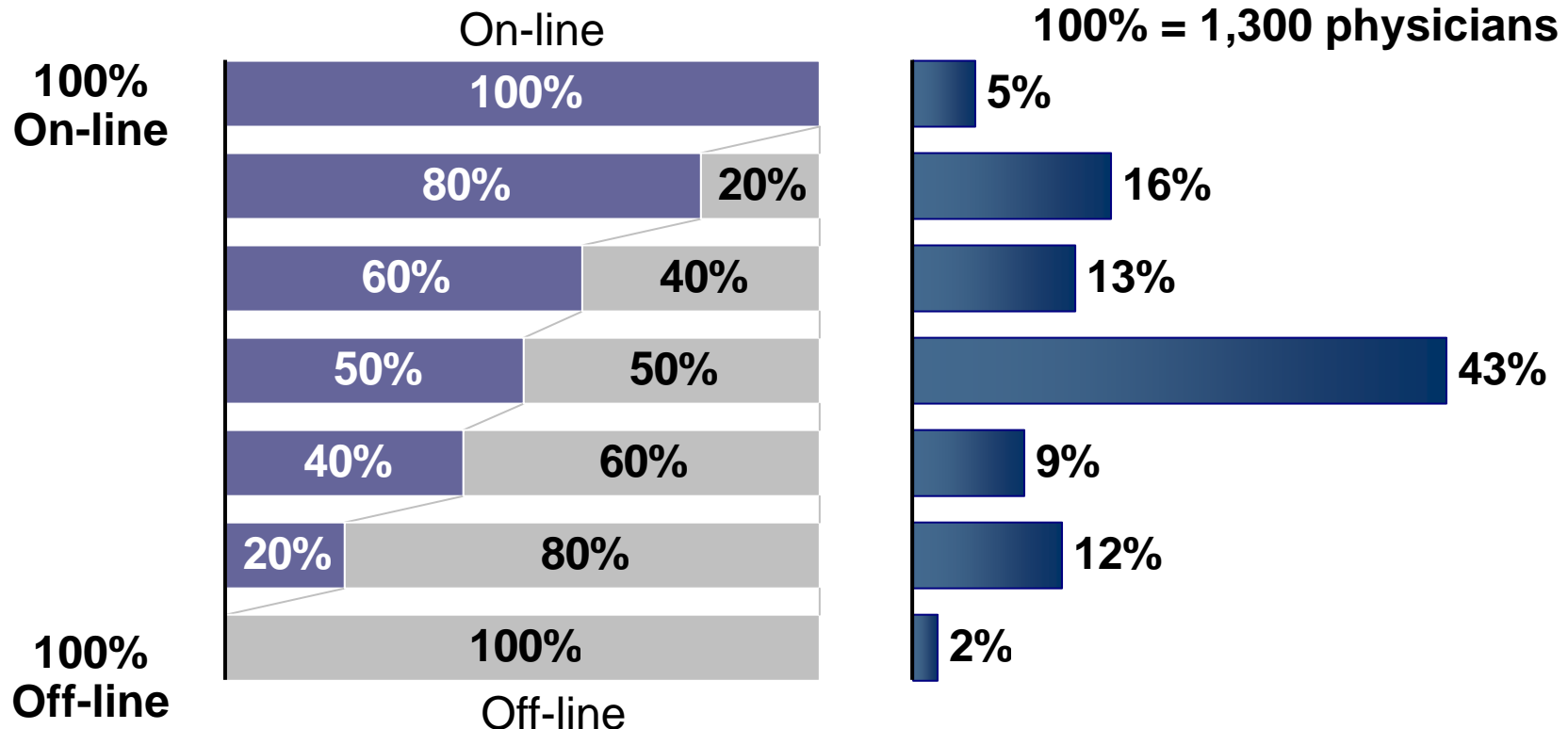
	Head count		Annual costs per person		
<b>MRs</b> (Pharmaceutical companies)	55,000	×	¥20mn	=	¥1.1tn
<b>MSs</b> (Pharmaceutical wholesalers)	30,000	×	¥10mn	=	¥300bn
					Total cost of whole industry ¥1.1-1.4 tn

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.**



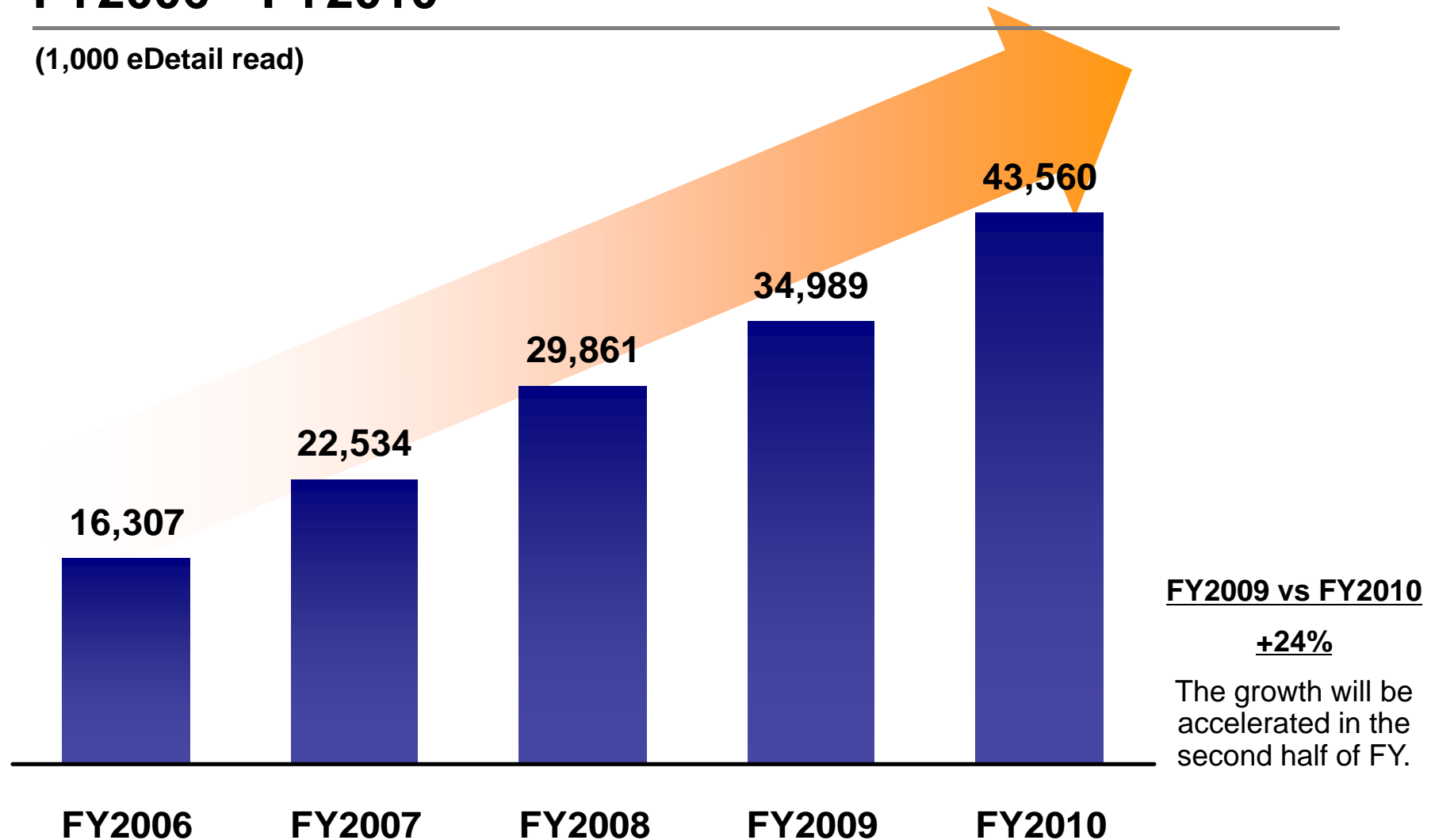
*Demand for eDetails is quite high for busy physicians as they can get the information when it's convenient for themselves, not for MR*

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**

**¥250mn**

**¥150mn**

**¥10mn**

**The average of top 5 clients: ¥480mn**

# MR-kun Increases Sales Like Reps

Case  
study

		Off-line Reps	
		Non-covered	covered
MR-kun	Non-covered	<b>1</b> (baseline)	<b>+9%</b> Sales increase compared with base
	covered	<b>+8%</b> Sales increase compared with base	<b>+16%</b> Sales increase compared with base

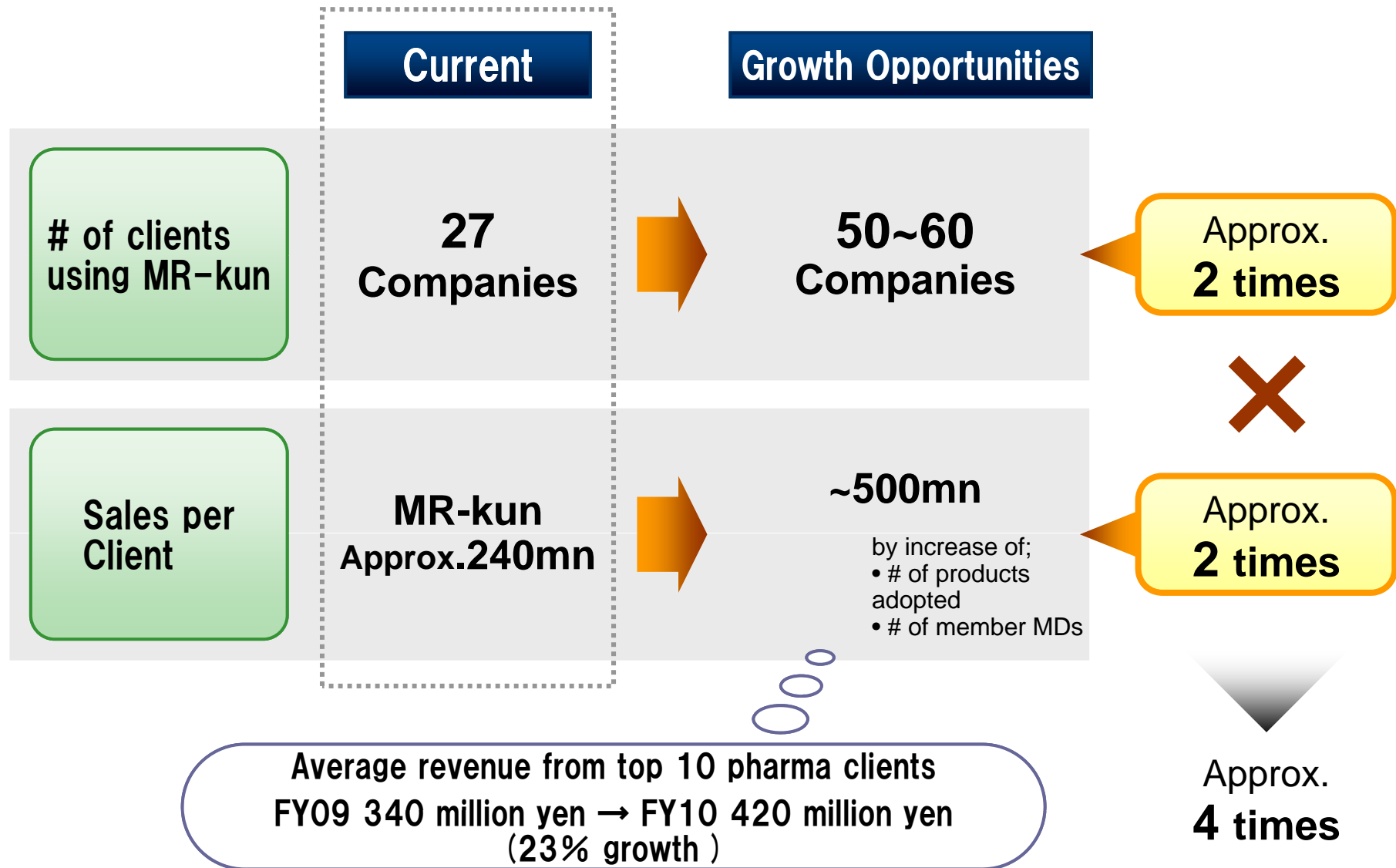
Combining real reps with MR-kun maximizes detailing impact

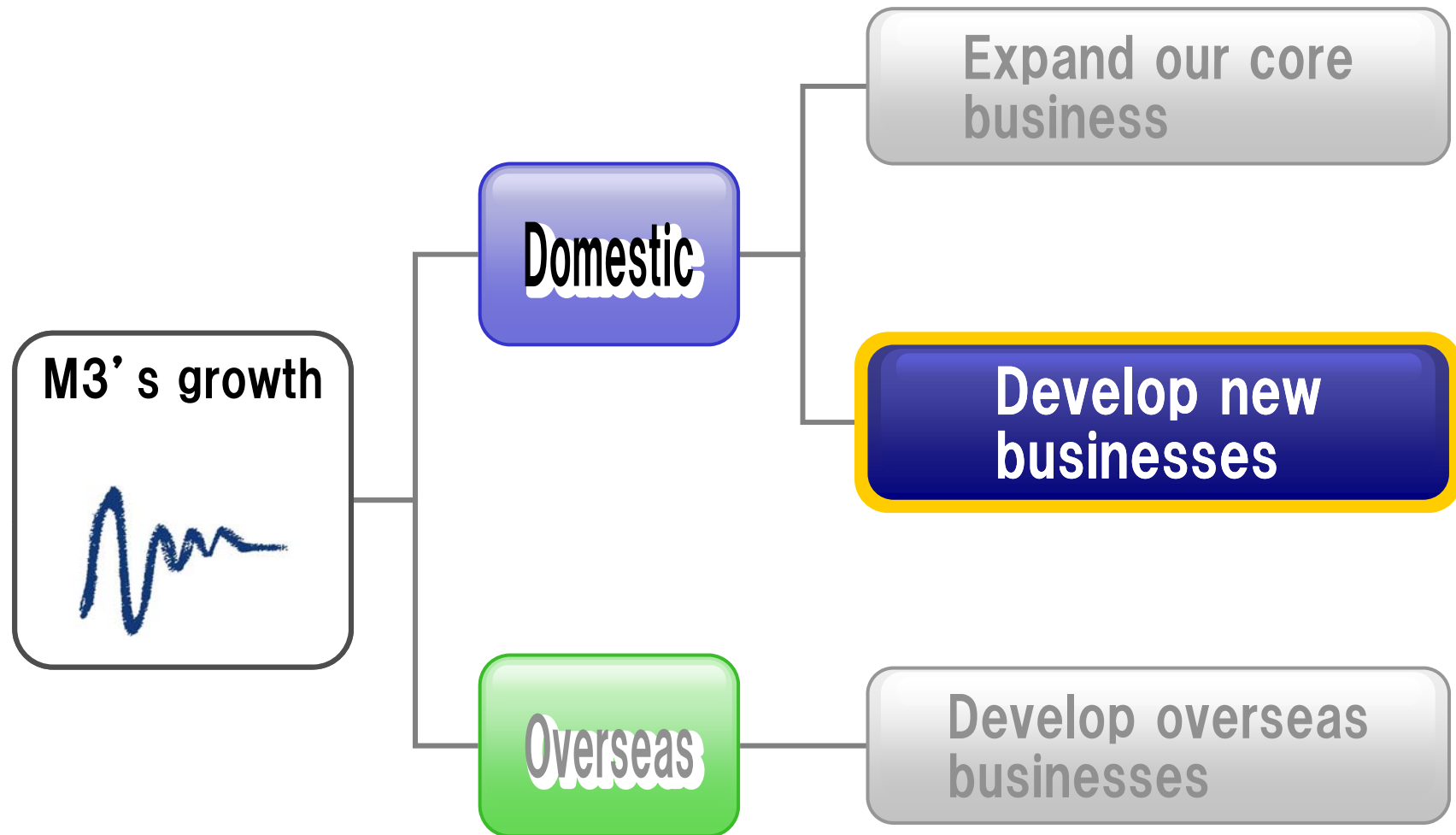
"MR-kun" alone has substantial power...

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

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# MR-kun's Growth Potential in Japan





# New Business Development on the Platform

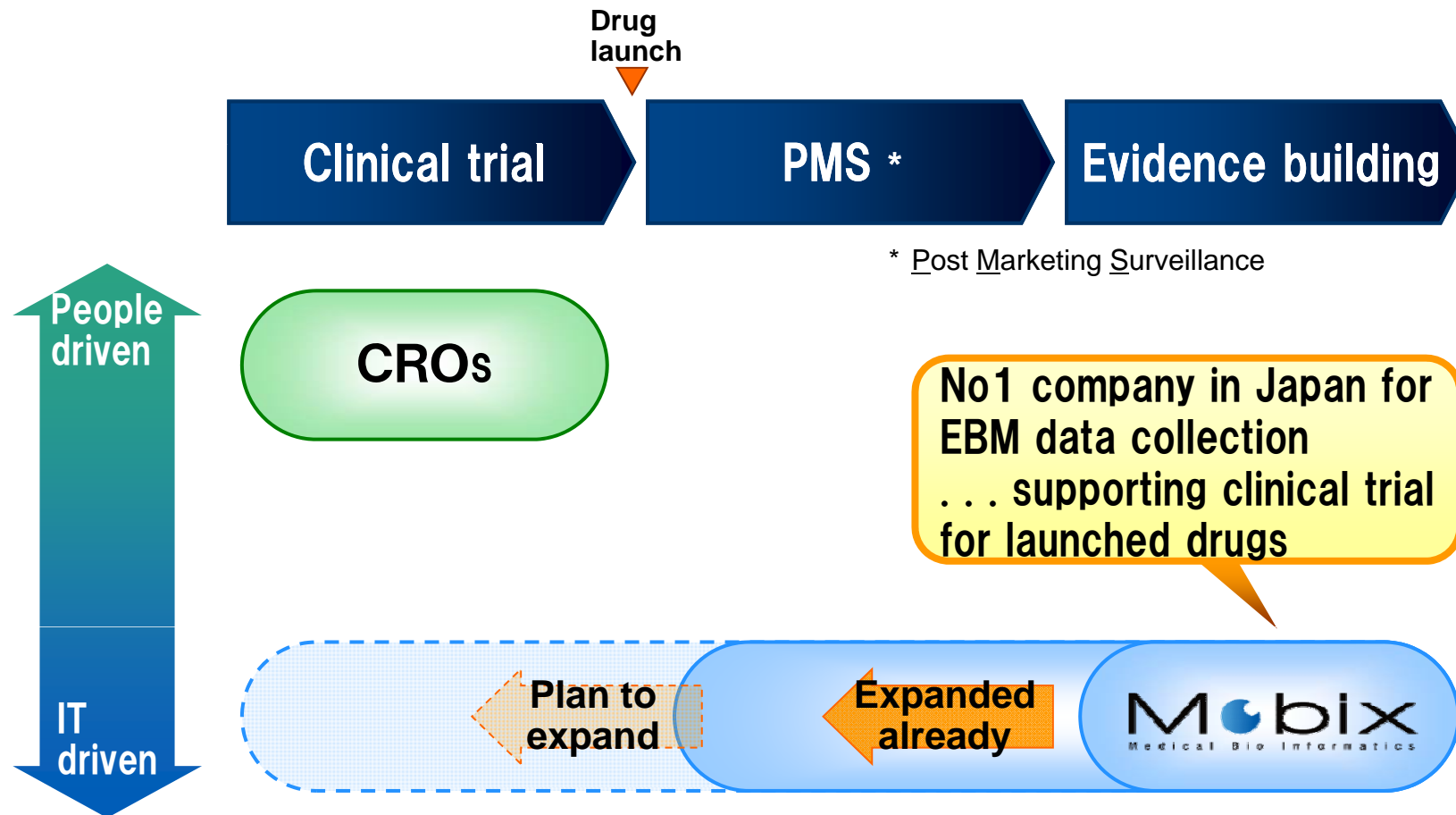
## FY2011 Sales Forecast

		Assigned staff	Above 1,000mn	¥750mn ~ ¥1,000mn	¥0mn ~ ¥750mn
	<b>Research (Japan)</b>	Web-based Physician Surveys	5	✓	
	<b>m3MT</b>	E-mail, banner promotion service for pharma companies	5		✓
	<b>QOL kun etc.</b>	Promotion service for non-pharma companies	8	✓	
	<b>Consumer Business</b>	Consumer service	3	✓	
	<b>Mebix</b>	Evidence solution service	100	✓	
	<b>M3 Career</b>	Job information for Physicians, Pharmacist	60	✓	
	<b>iTICKET</b>	Online clinical reservation system for patient	15		✓

- Revenue from the new businesses will exceed the revenue of MR-kun in FY2011.
- Many of the new businesses are run by few staff and quite profitable.



# Evidence Solution Business – Mebix

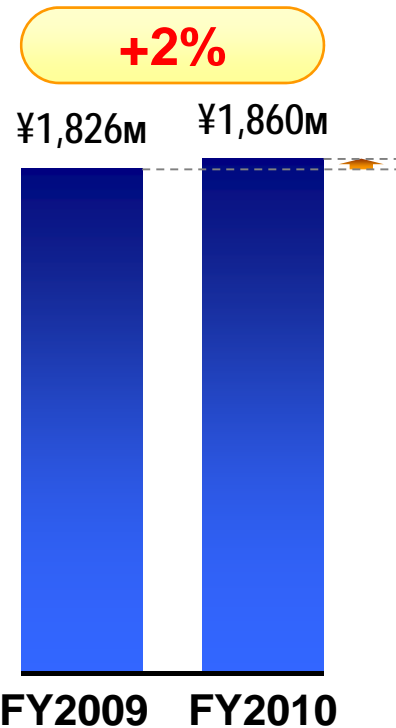


- Adopted by PMDA in a PMS project.  
(PMDA: Pharmaceuticals and Medical Devices Agency)
- Expanding presence in clinical trial: a couple projects in negotiation  
(USD several million).

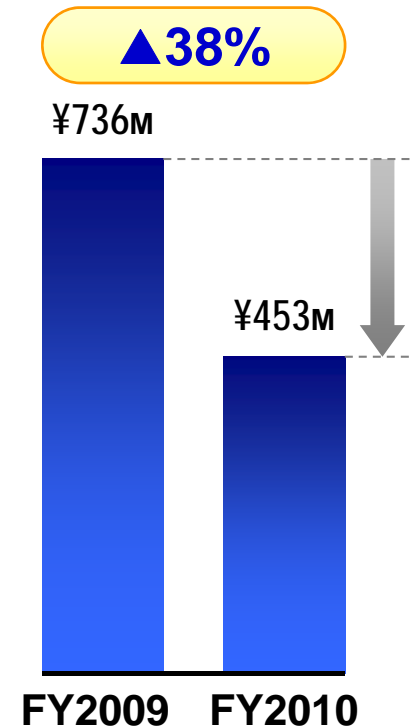
# Mebix –Restructuring Produced Positive Outcome

## Financial performance in Mebix(Apr. – Mar.)\*

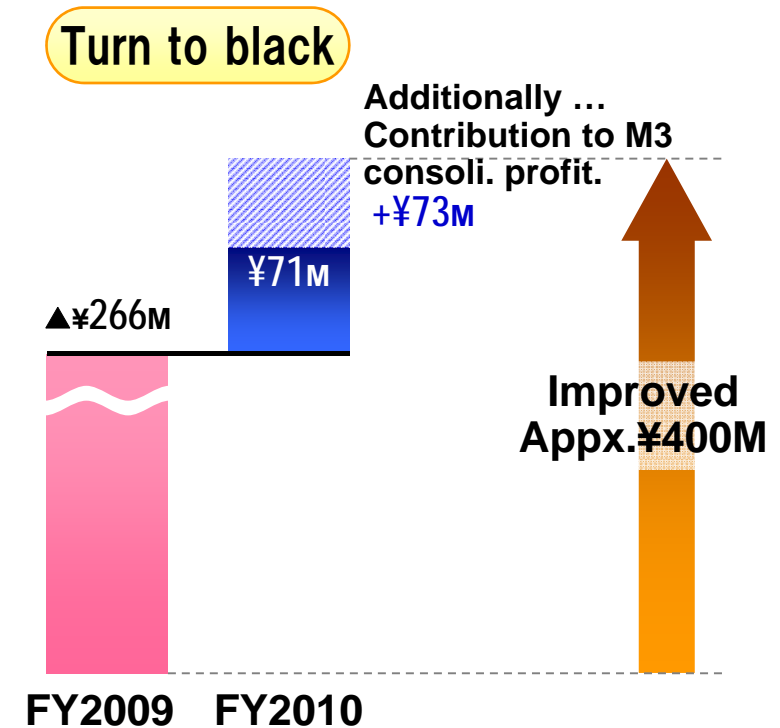
### Sales



### S.G.A



### O.P.

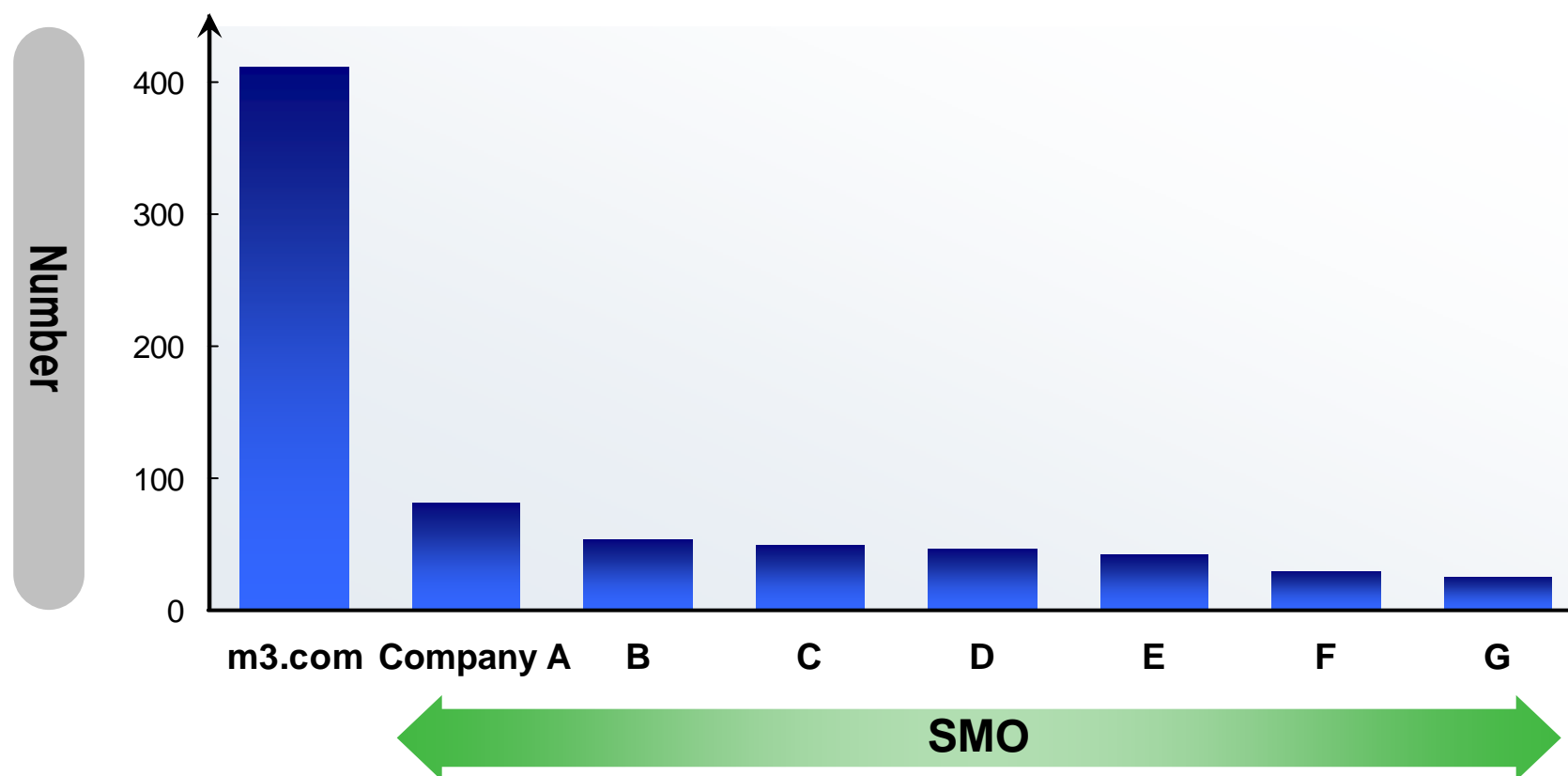


Increased sales while reducing S.G.A. The restructuring made Mebix more “leaner”.

\*FY2009 results are calculated by multiplying Jul.-Mar.(9month) results of FY2009 by 4/3 times.

# Mebix – Participating Physician Recruiting via m3.com

## Number of registered case by SMO



 Proved case acquisition capability via m3.com. Plan to enter into clinical trial area (pre launch development for drug approval).

# M3 Career, Inc



- Media power of m3.com
  - 205K Physicians
  - 74K Pharmacist
- Experience in the recruiting ad business for medical professionals

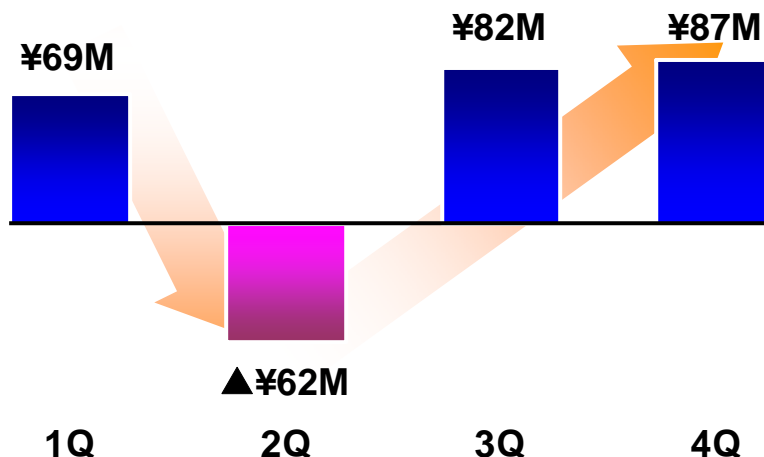


Full-line service and platform for best match between employers and job seekers



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

## FY2010 Operating Profit

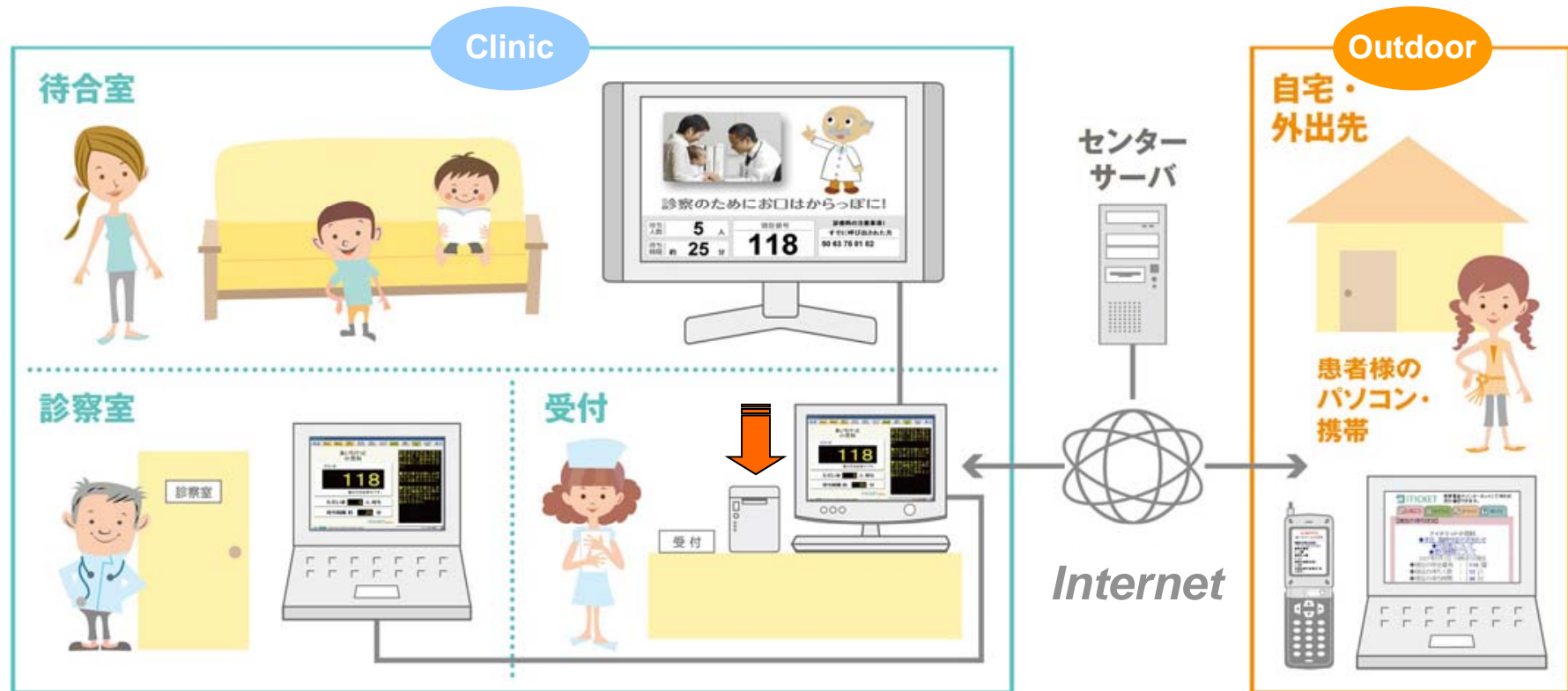


- Improvement in operation efficiency.
- Development of newly-hired staff in productivity.

Continue growth in FY2011.

# Acquisition of iTICKET

## Web-based reservation system for clinics

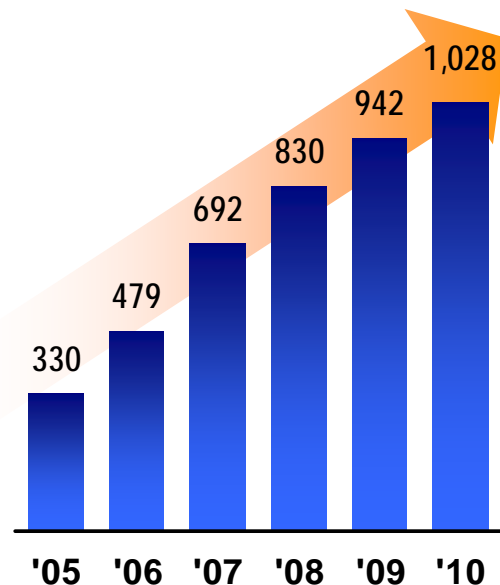


👉 Used in 1,000+ clinics , more than 1 million unique users per month, more than 420,000 members (mostly moms with little kids) registered to the pan-clinic site. ...became one of the largest “mom” platforms in Japan.

# Consumer Business has Started

## ASP : Reservation for medical care

### Clinic Users



### <Fee Structure>

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

Over 1,000 Clinic

## Media business

### Clinic Media



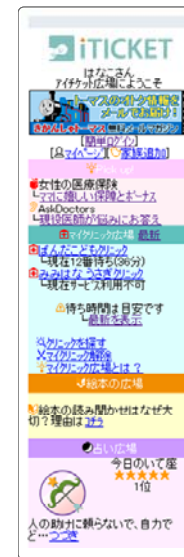
### Ticket Media



### <Fee Structure>

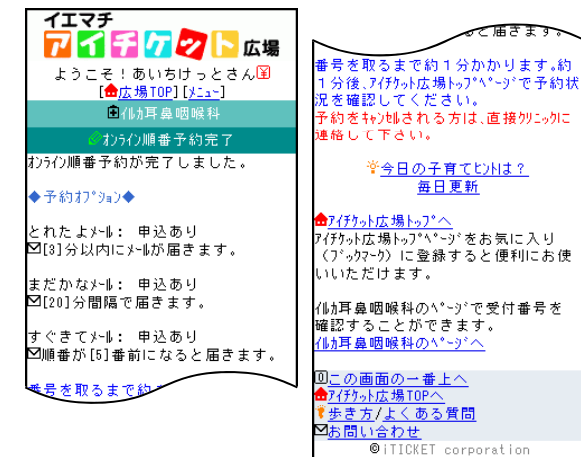
- Clinic Media: 1,500,000yen / Month ~
- Mobile Media: 130,000yen / 2Week ~
- Ticket Media: 750,000yen / Project ~

### Mobile Media



## Consumer business

### Charged Option

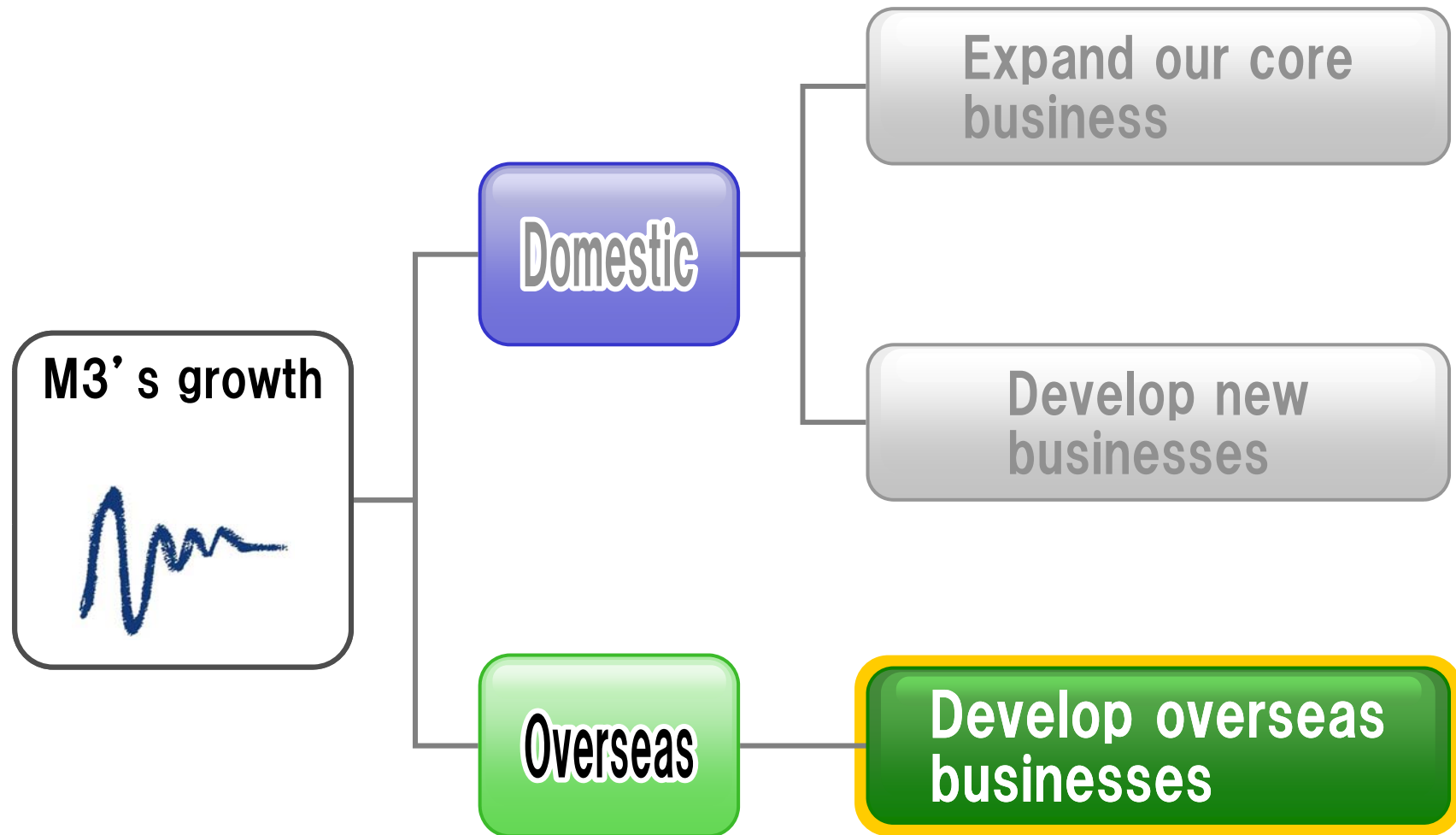


- とれたよメール
- まだかなメール
- すぐきてメール

### <Fee Structure>

- 210yen / Month

Registered by 5,000+ members  
in 2 months from launch.  
Advertising cost : zero  
Withdrawal: very few.





# Development in the US

**HemeOnc Linx MDLinx**  
Today's Top Medical Abstracts.

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- Alternative Therapies
- Anemia/Polycythemia
- BMT/SCT
- Basic Science/Genetics
- Bone/Cartilage
- Breast
- Carcinogenesis
- Coagulation/Bleeding Dz
- Colorectal Cancer/Polyps
- Dermatologic Oncology
- Diagnostics/Radiology
- Economics of Medicine
- Endocrine Oncology
- GI Oncology
- Gynecologic Oncology
- Head and Neck
- Hepatobiliary/Pancreas
- GI Oncology
- Gynecologic Oncology
- Head and Neck
- Hepatobiliary/Pancreas
- Leukemia / Lymphoma
- Lung/Thoracic Oncology
- Myeloproliferative Dz
- Neurologic Oncology
- Pain/Palliative Care
- Pediatric Heme/Oncology
- Pharmacology/Therapy
- Popular Press
- Renal/Urologic
- Side Effects
- Soft Tissue/ Sarcoma/Transfusion
- Medicine

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- Top 50 Articles of 2006: [What your colleagues were reading](#)  
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- Neupogen studies: [Updated prescribing research](#)  
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- [Anthracyclines, Mitoxantrone, Radiotherapy, and Granulocyte Colony-Stimulating Factor: Risk Factors for Leukemia and Myelodysplastic Syndrome After Breast Cancer](#)  
*Journal of Clinical Oncology, 01/29/07*
- [Activation of Integrin-Linked Kinase Is a Critical Prosurvival Pathway Induced in Leukemic Cells by Bone Marrow-Derived Stromal Cells](#)  
*Cancer Research, 01/31/07*
- [Epstein-Barr Virus: Evasive Maneuvers in the Development of PTLD](#)  
*American Journal of Transplantation, 01/30/07*
- [Artificial sweeteners and cancer risk in a network of case-control studies](#)  
*Journal of Clinical Oncology, 01/30/07*
- [Final Results of a Prospective Clinical Trial With VAMP and Low-Dose Involved-Field Radiation for Children With Low-Risk Hodgkin's Disease](#)  
*Journal of Clinical Oncology, 01/30/07*
- [Anthracyclines, Mitoxantrone, Radiotherapy, and Granulocyte Colony-Stimulating Factor: Risk Factors for Leukemia and Myelodysplastic Syndrome After Breast Cancer](#)  
*Journal of Clinical Oncology, 01/29/07*
- [Activation of Integrin-Linked Kinase Is a Critical Prosurvival Pathway Induced in Leukemic Cells by Bone Marrow-Derived Stromal Cells](#)  
*Cancer Research, 01/31/07*
- [Epstein-Barr Virus: Evasive Maneuvers in the Development of PTLD](#)  
*American Journal of Transplantation, 01/30/07*
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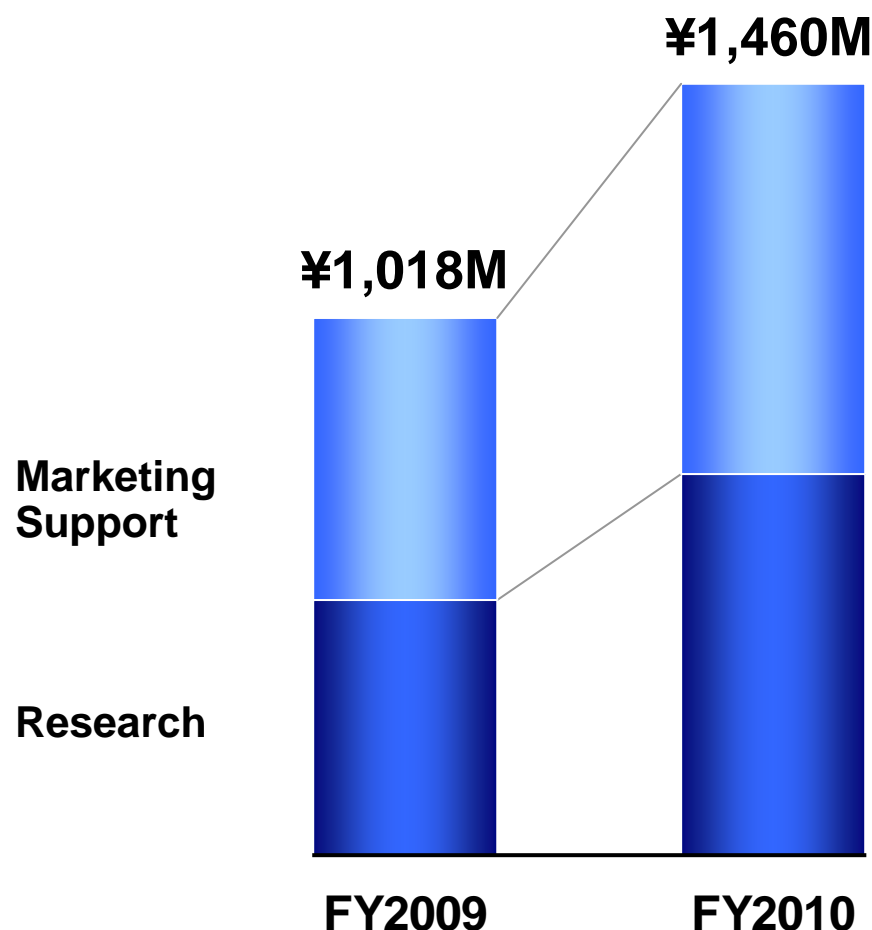
[Patient Education](#)

- “M3 Messages” (US version of MR-kun) started on MDLinx (merged with M3 USA in Mar. 2009).
  - Washington D.C.
  - 365K medical professionals (incl. 125K physicians) as registered member
- Adding members rapidly (over 20% increase in this quarter) using new promotion method. The trend will continue several quarters.
- Expanding both “M3 Messages” and “MDLinx Clicks”.
  - “Orders vs budget” in FY2011 is higher than that in FY2010.



# Sales Breakdown of M3 USA (Including EMS Research)

## Sales Breakdown of M3 USA



### ► Marketing Support

- Both “M3 Messages” and “MDLinx Clicks” are growing.
- Expanding the range of services to meet pharmaceutical clients’ needs

### ► Research







- Increase of registered physicians in MDLinx drives growth.
- Acquired EMS Research Ltd. in Nov. 2010. Realized 1M+ global research physician panel.

# Global Research Panel

- ✓ Research panel of over 1M physicians.
- ✓ Research Area: Japan, U.S., Europe, China, South Korea
- ✓ Offers multi-regional research capacity for global clients.

**Meets increasing demands of global survey from pharma clients.**

## Global Research Panel (Number of Physicians)

Japan		200K	}  Appx. 1M Physicians
U.S.		120K	
Europe		300K	
China*		350K	
South Korea		50K	

\*Exclusive alliance in research with DXY

# Consolidated P/L Statement for FY2010

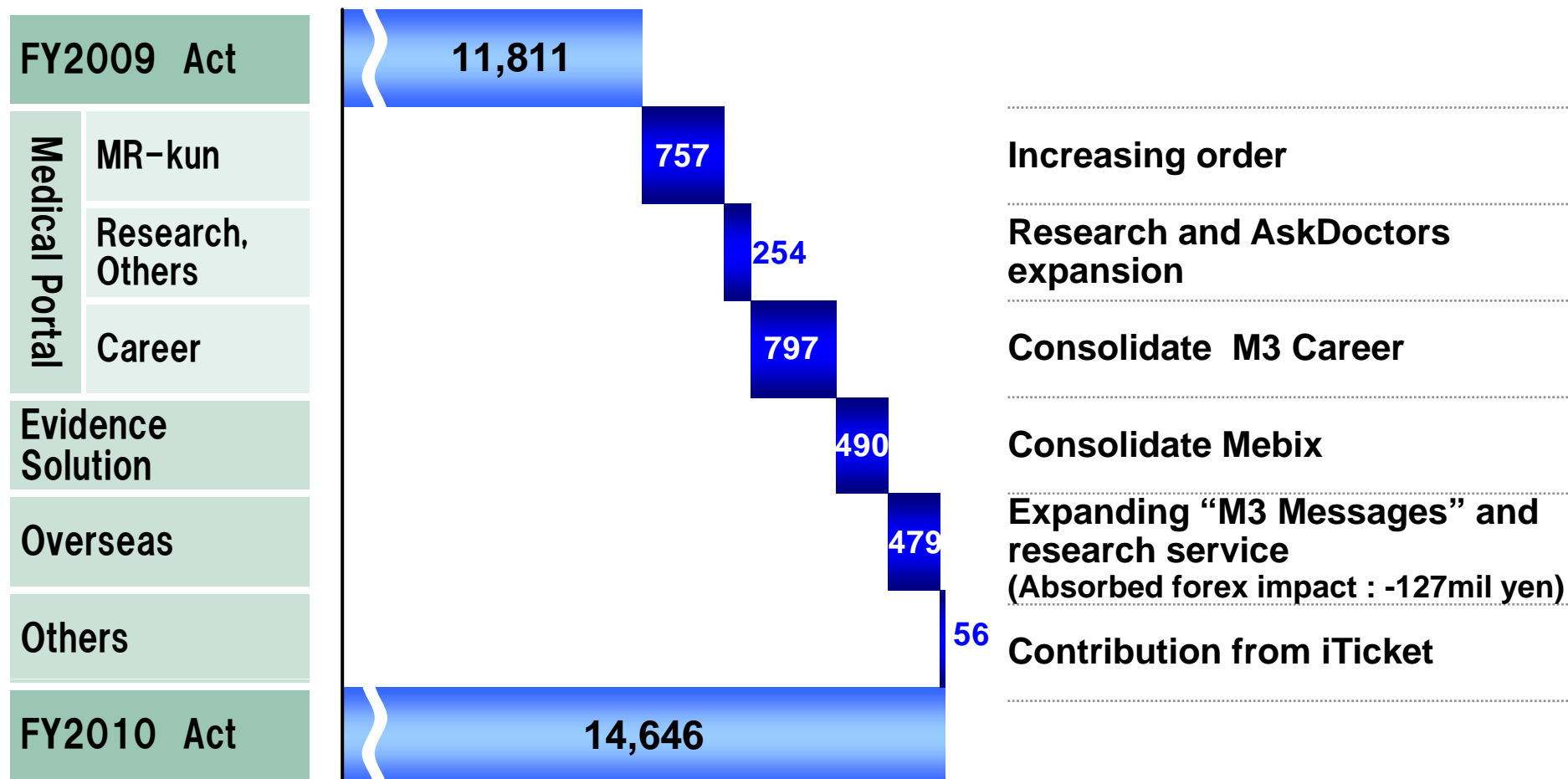
## Breakdown by Business Segments

(yen million)

		FY2009	FY2010	YoY Growth
Medical Portal	Sales	9,201	11,193	+22%
	Profit	5,581	6,483	+16%
Evidence Solution	Sales	1,370	1,860	+36%
	Profit	▲288	▲58	-%
Overseas	Sales	1,105	1,585	+43%
	Profit	▲71	55	-%
Others	Sales	254	310	+22%
	Profit	21	190	+790%

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

(yen million)

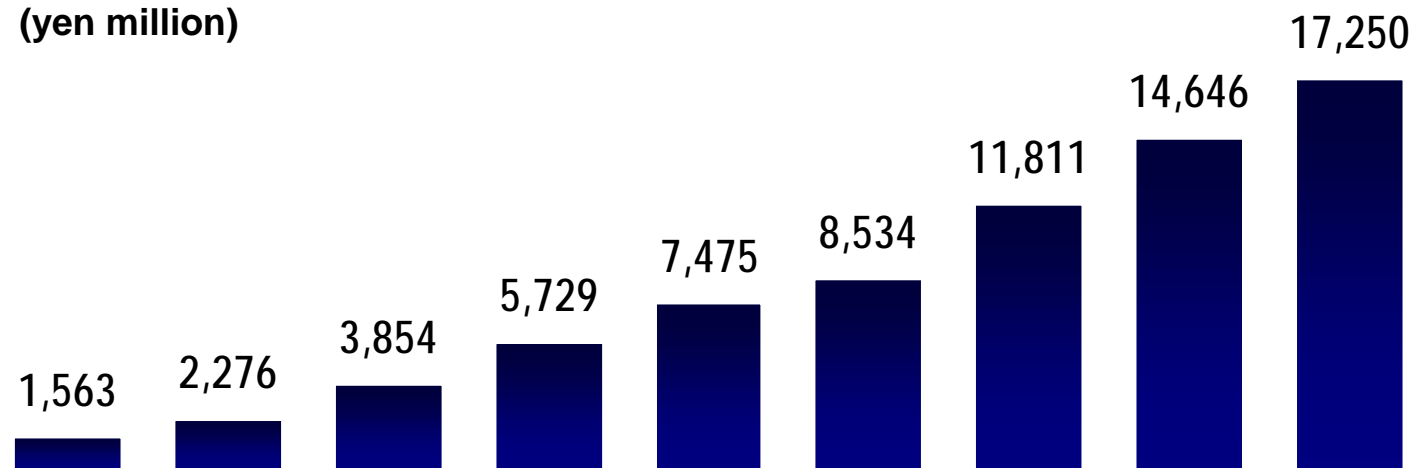


 **Steady growth momentum continues.**

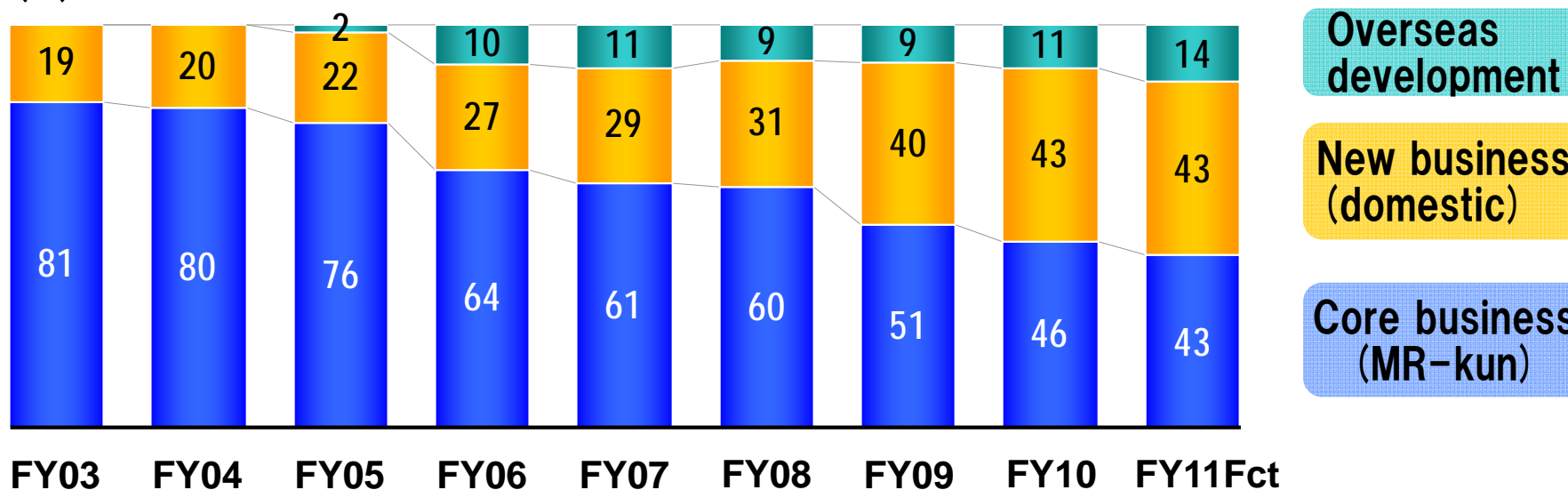
\* Sales to outside customers

# Consolidated Sales Trend

(yen million)



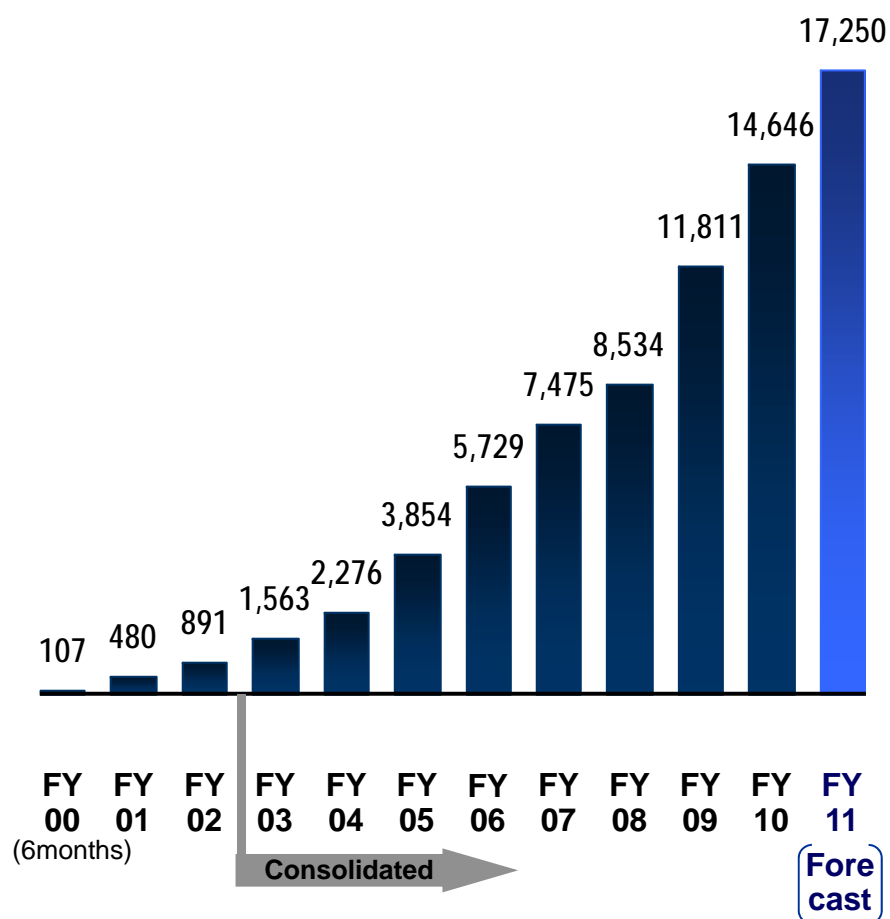
(%)



# Annual Results & Forecast for FY2011

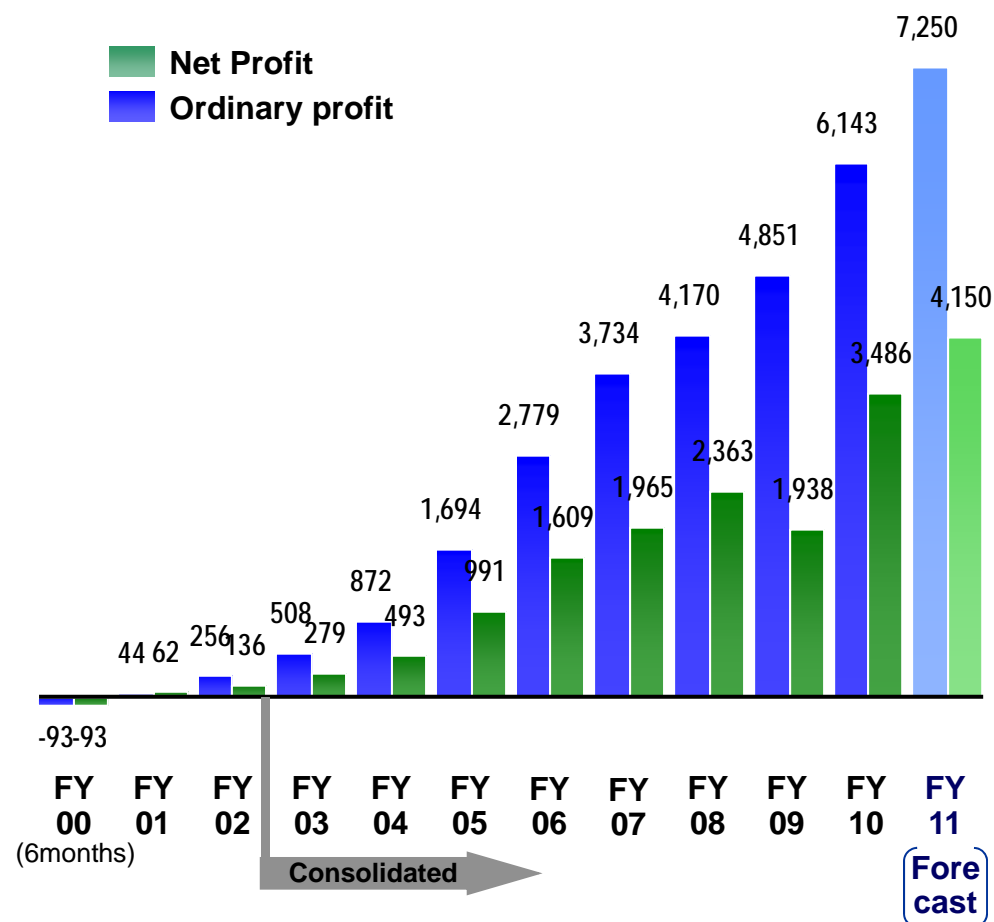
## Sales

(¥ mn)



## Ordinary Profit & Net Profit

(¥ mn)



# Presuppositions for FY2011 Forecast

Top Line	MR-kun	↗	Expand at the same pace as FY2010.
	Research, Others	→	Plan conservatively in research and QOL-kun (close to same revenue level with FY2010)
	Career	↗	Grow sales +40% by increasing number of candidates, improving operation efficiency, and adding career consultants .
	Evidence Solution	↗	Grow contribution from an ongoing large project. Expect 50% realization of new projects under negotiation.
	Overseas	↗	Expand marketing support and research steadily, plus addition of EMS Research.
	Disaster	↘	Approx.▲¥200M~▲¥300M impact on sales: delay starting new project.
Cost	M3	↗	Plan to add approx.50 staff (+35%), mainly engineer and sales staff for pharmaceutical companies.
	M3 Career	↗	Plan to add approx.35 staff (+60%), mainly career consultants.

# 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