


# **M3**

## **Presentation Material**

2Q FY2013





**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

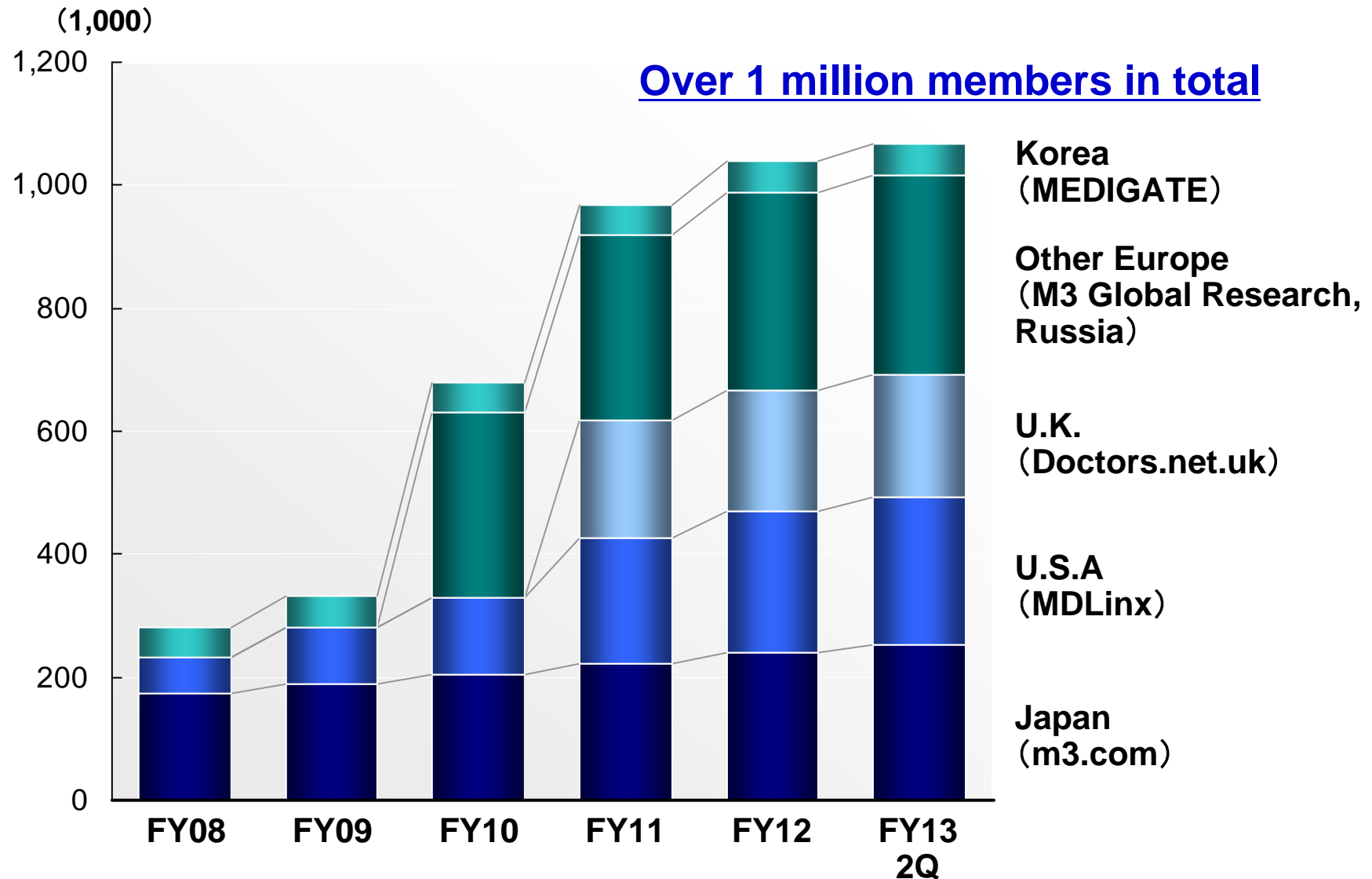
## Name

□ 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
2011	Aug	Acquired Doctors.net.uk and entered into UK market

# Physicians Registered in Our Site or Research Panel (Global)



Sponsor-free

Medical News

Search engine

Research Paper  
search

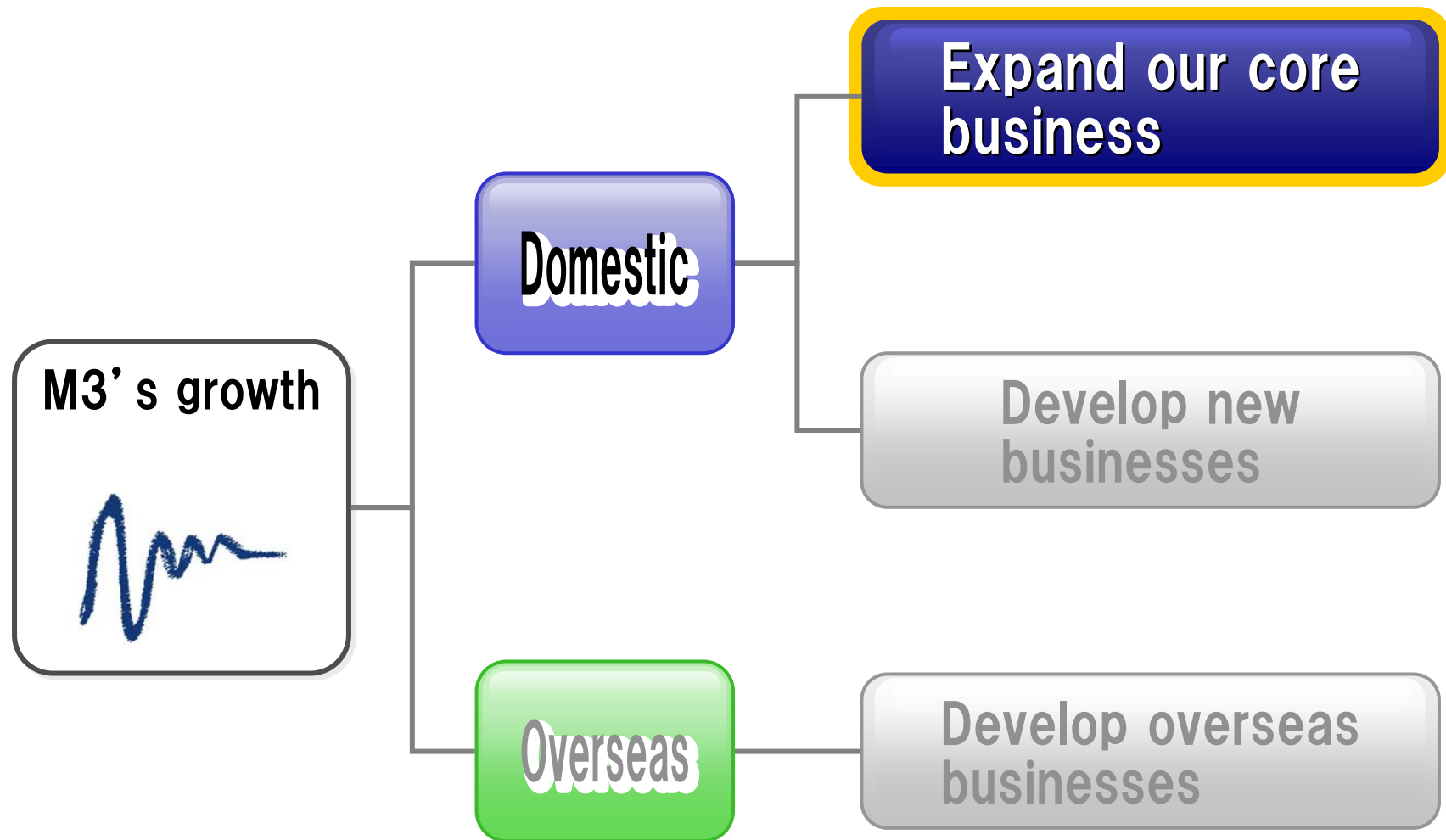
Web-based  
medical tools



Sponsored

m3.com MR-kun

Sponsor  
messages



# Japanese Pharma's Huge Marketing Costs

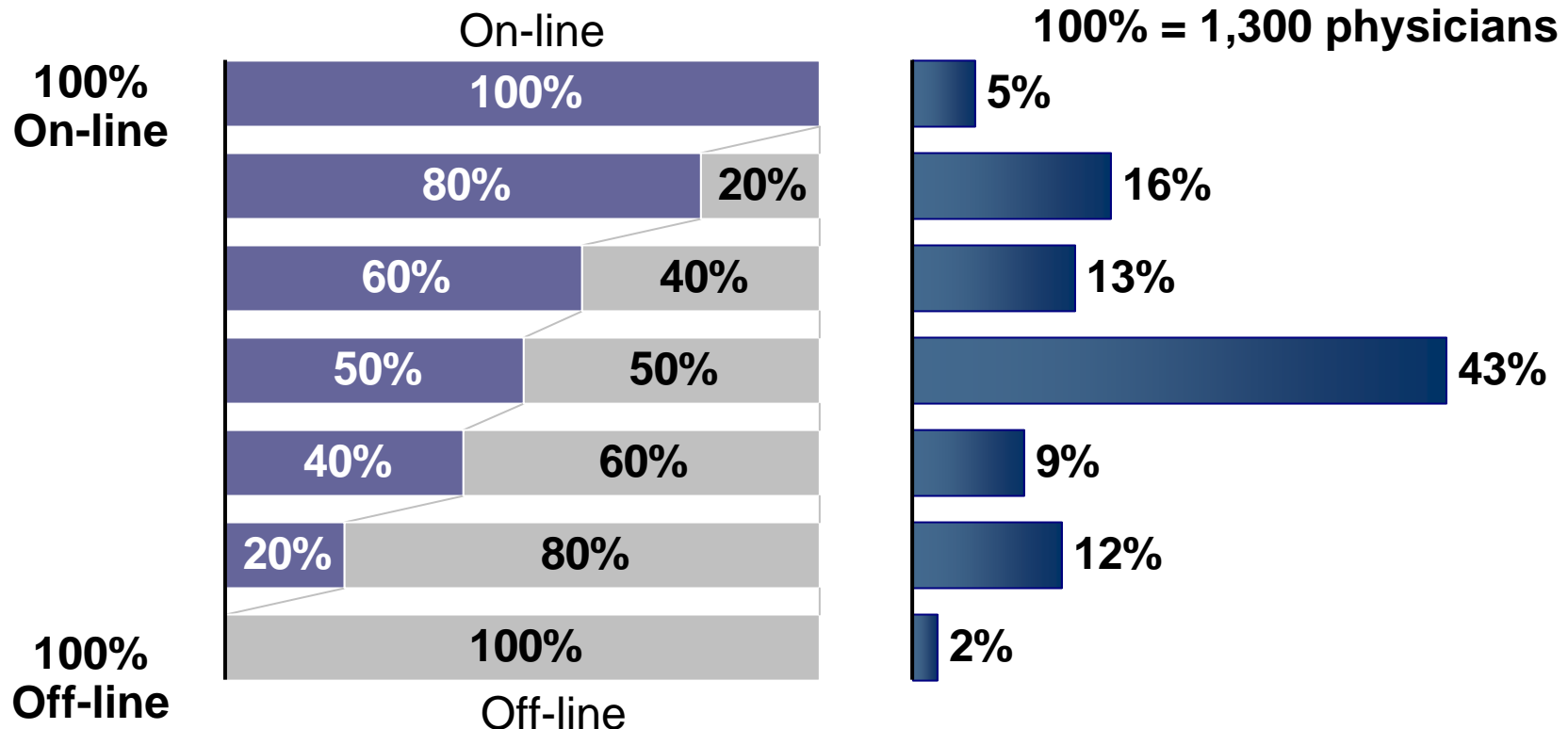
	Head count		Annual costs per person		
<b>MRs</b> (Pharmaceutical companies)	63,000	×	¥20mn	=	¥1.2tn
<b>MSs</b> (Pharmaceutical wholesalers)	30,000	×	¥10mn	=	¥300bn
					Total cost of whole industry ¥1.2-1.5 tn

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.**



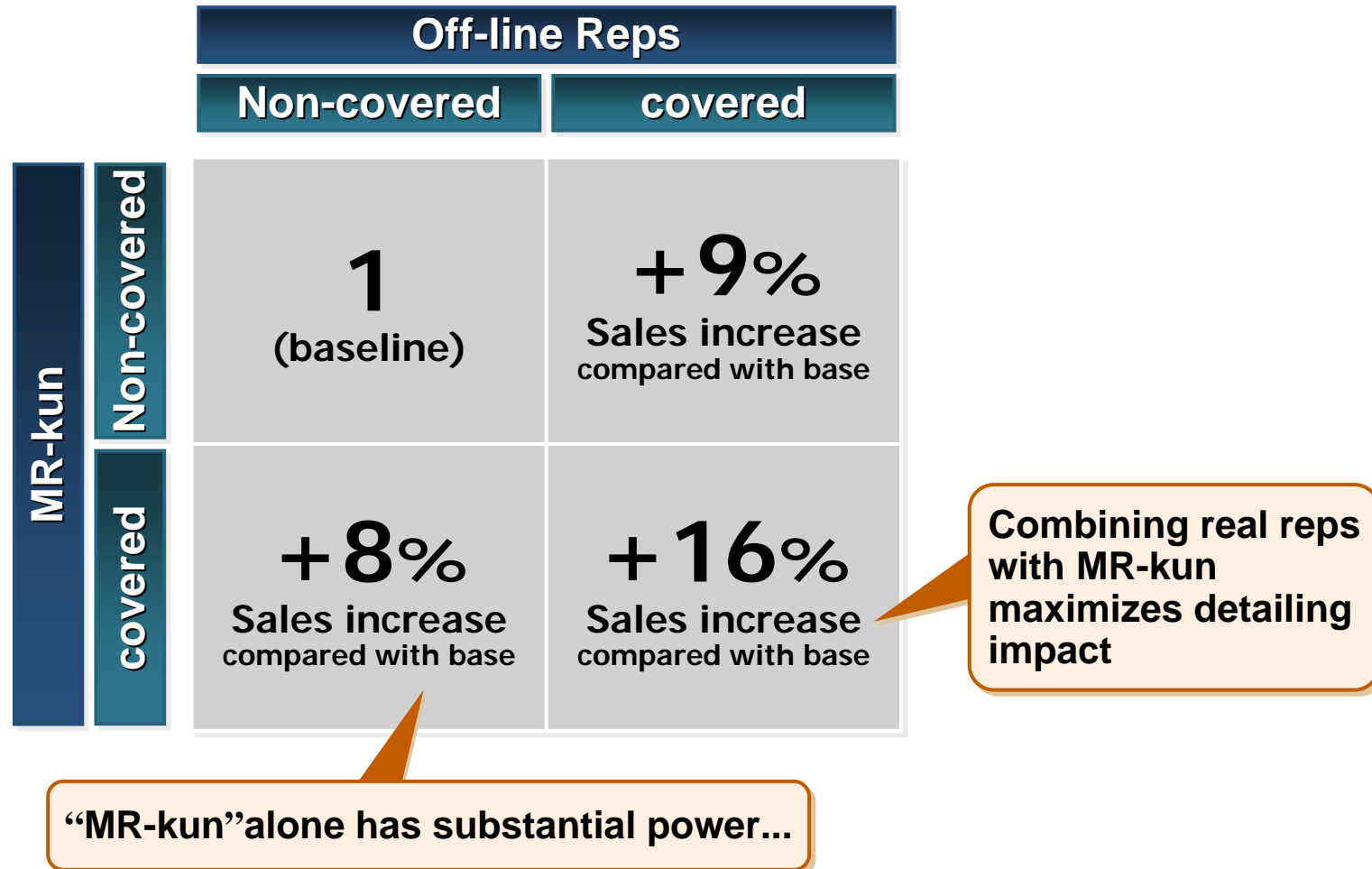
*Demand for eDetails is quite high for busy physicians as they can get the information when it's convenient for themselves, not for MR*

Source: M3 questionnaire to 1,300 physicians



# MR-kun Increases Sales Like Reps

Case  
study



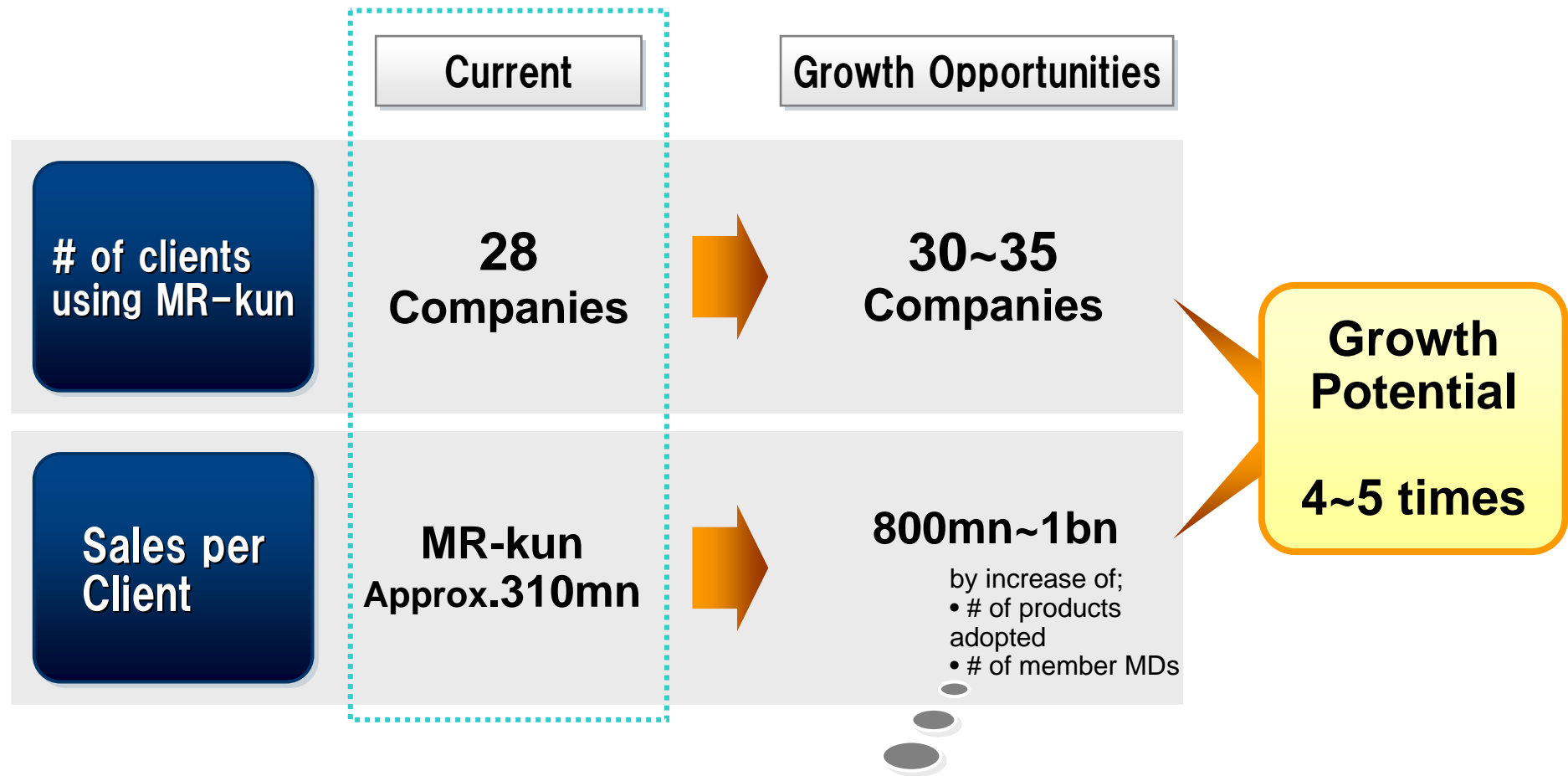
Source: M3  
Notes: Questionnaire to 16,000 General Practitioners

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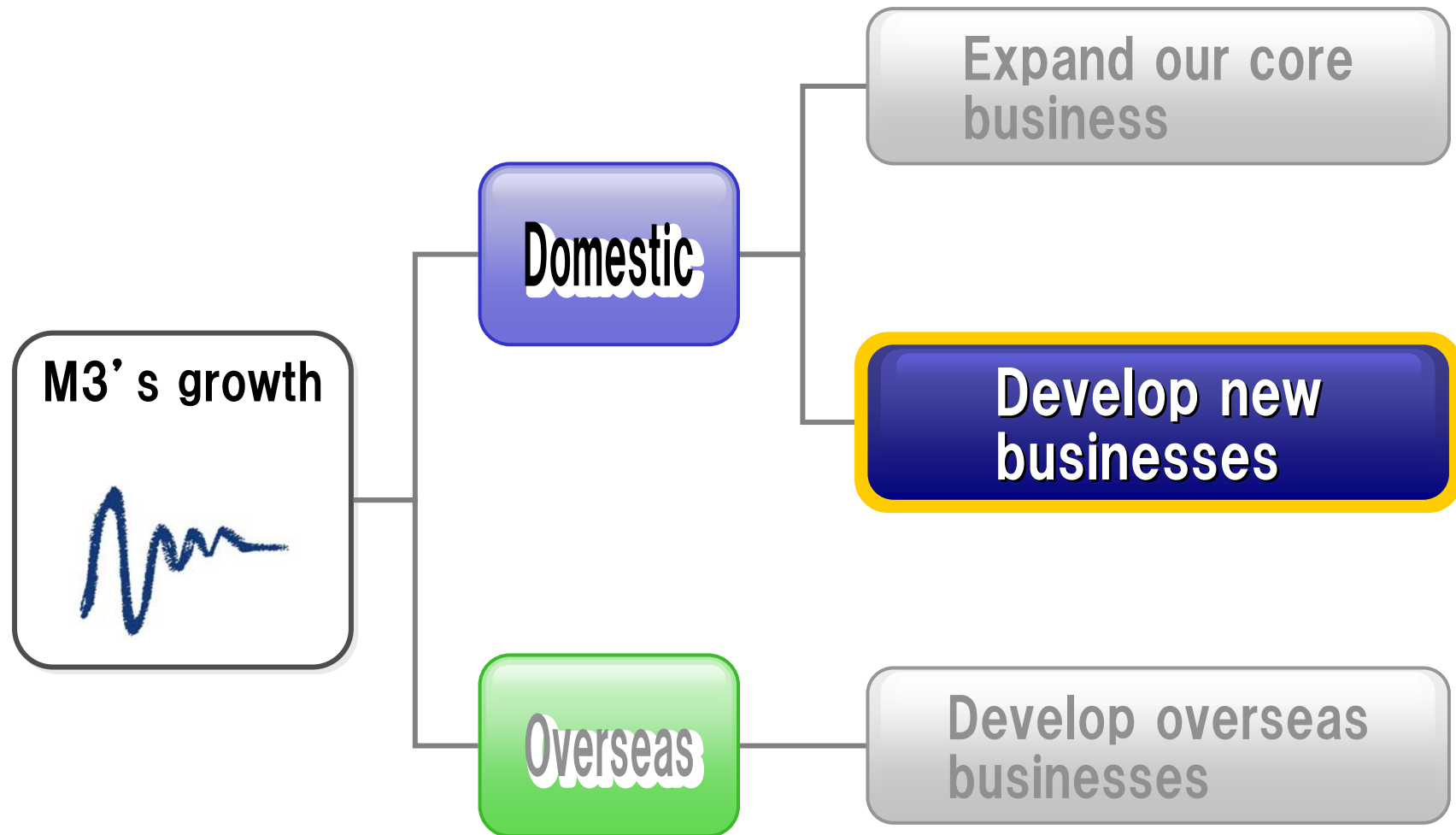
# MR-kun Annual Fee Structure

	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	<b>¥70mn</b> • Revised as of Oct. 2005 for new client • Previous fee: ¥60mn	<b>¥20mn</b> § <b>¥40mn</b>	<b>¥30mn</b> §	<b>¥10mn</b>
	<b>¥130mn~¥150mn</b>			
Top 5 clients	<b>¥60mn</b> § <b>¥70mn</b>	<b>¥440mn</b>	<b>¥200mn</b>	<b>¥10mn</b>
	<b>The average of top 5 clients: ¥720mn</b>			

# MR-kun's Growth Potential in Japan

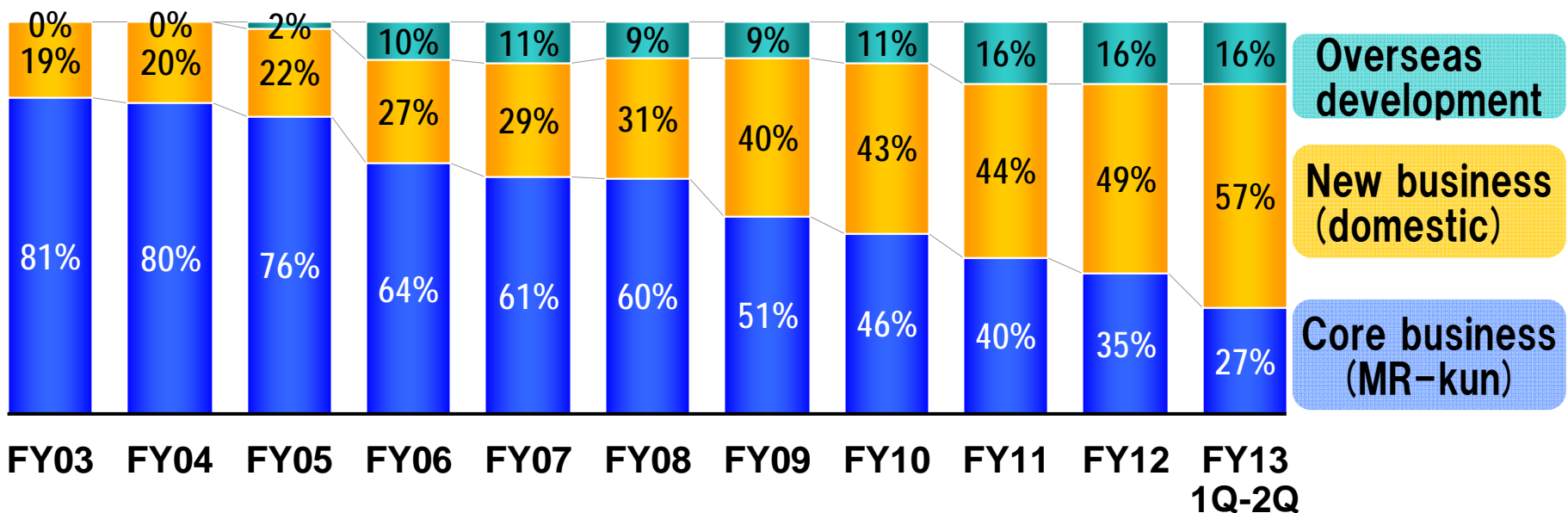
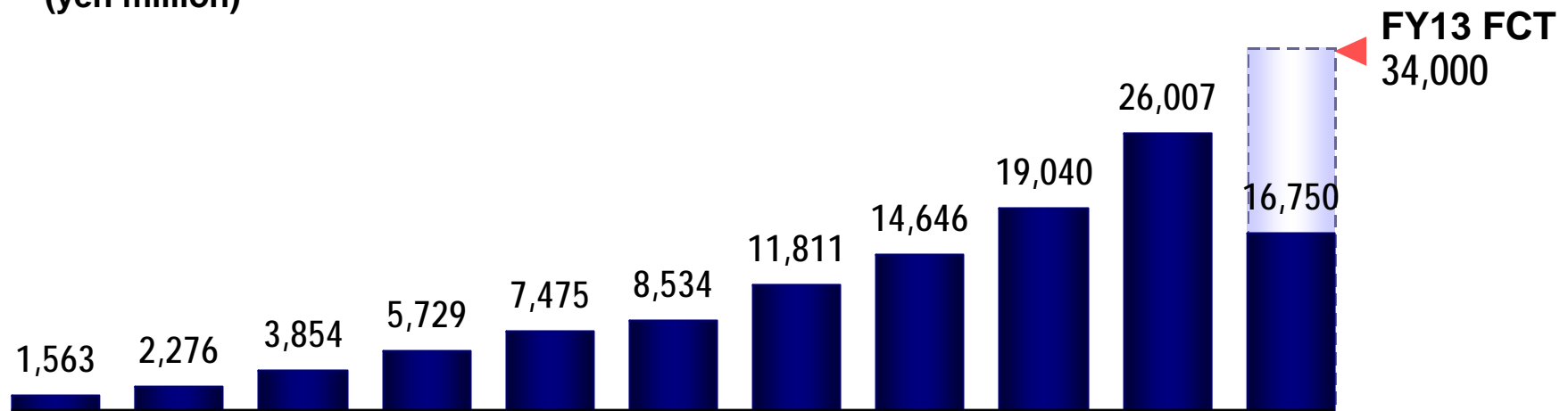


Major clients use the MR-kun more and more.  
Accelerating growth speed with increasing 15 products in  
second half of FY2013

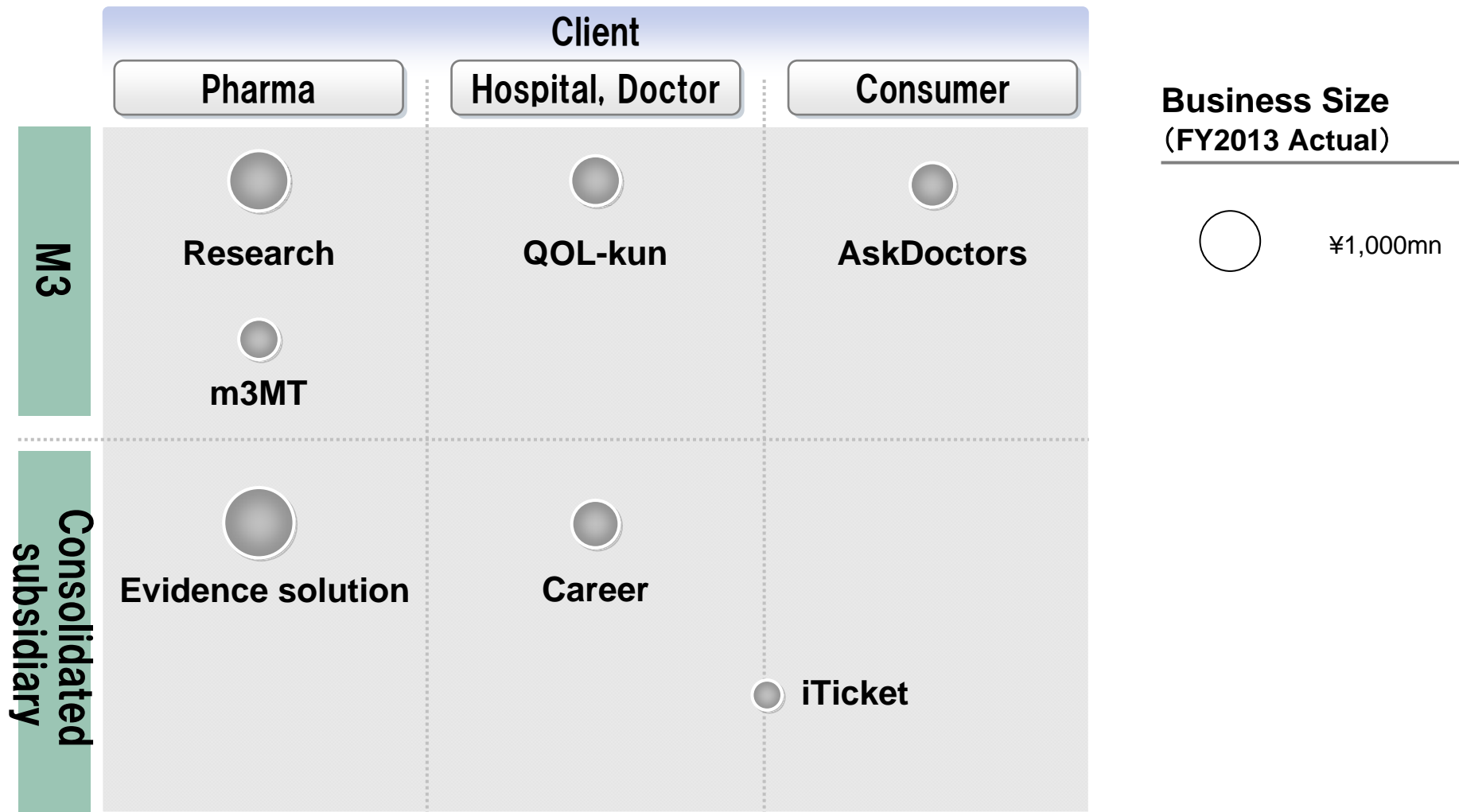


# Consolidated Sales Trend

(yen million)

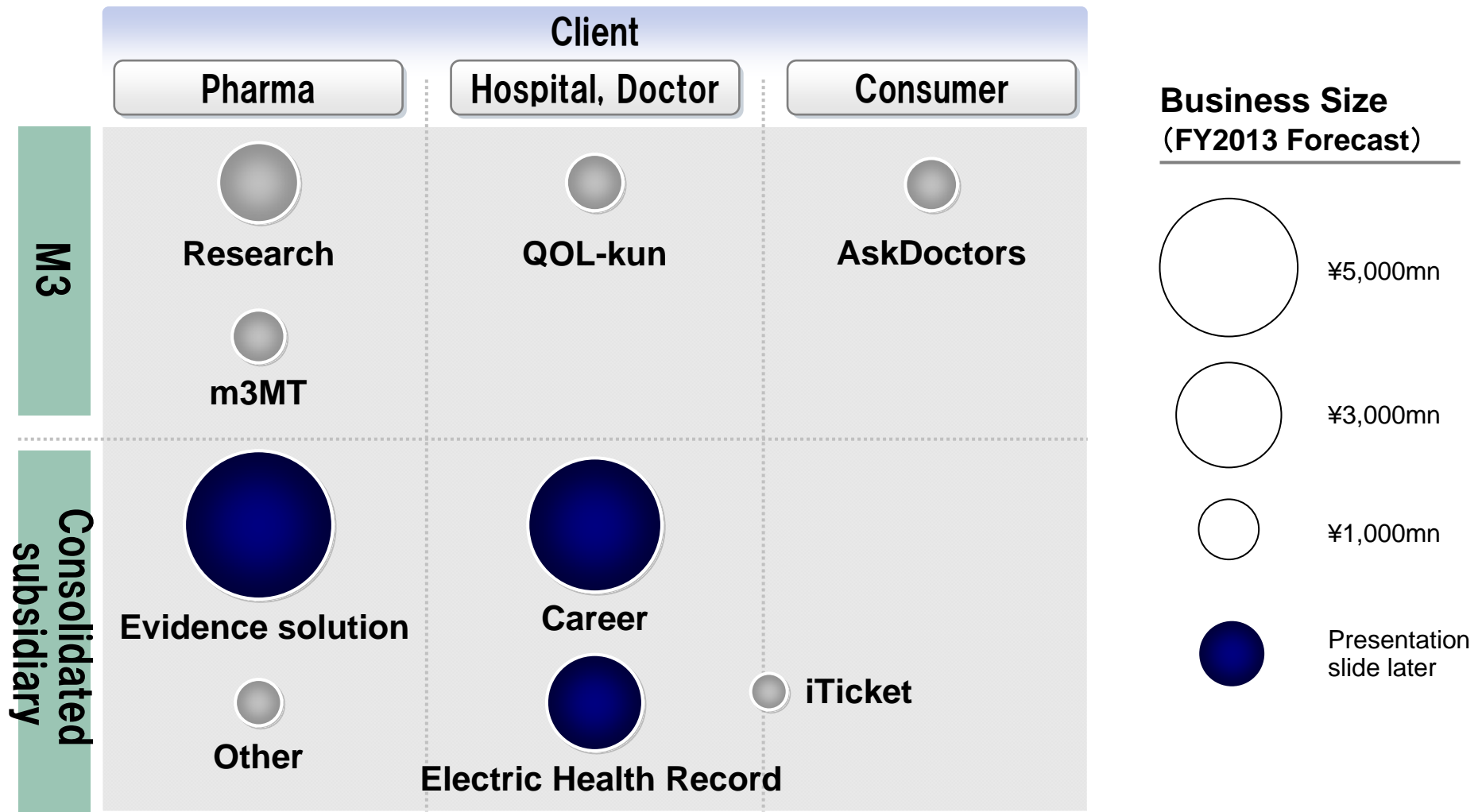


# New Business Development on the Platform (as of Mar. 2010)



Total revenue of new business is less than 5 billion yen. Just after establishment M3 Career and only Mebix offering evidence solution service.

# New Business Development on the Platform



Total revenue of new business in FY2013 will be more than 18 billion yen. Planning 10 to 20 new business idea and overseas development.

# Placing Evidence Solution Business in Our Strategy

**“Making use of the Internet to increase, as much as possible, the number of people who can live longer, healthier and happier lives, and to reduce, as much as possible, the amount of unnecessary medical costs”**

**Past  
10 years**

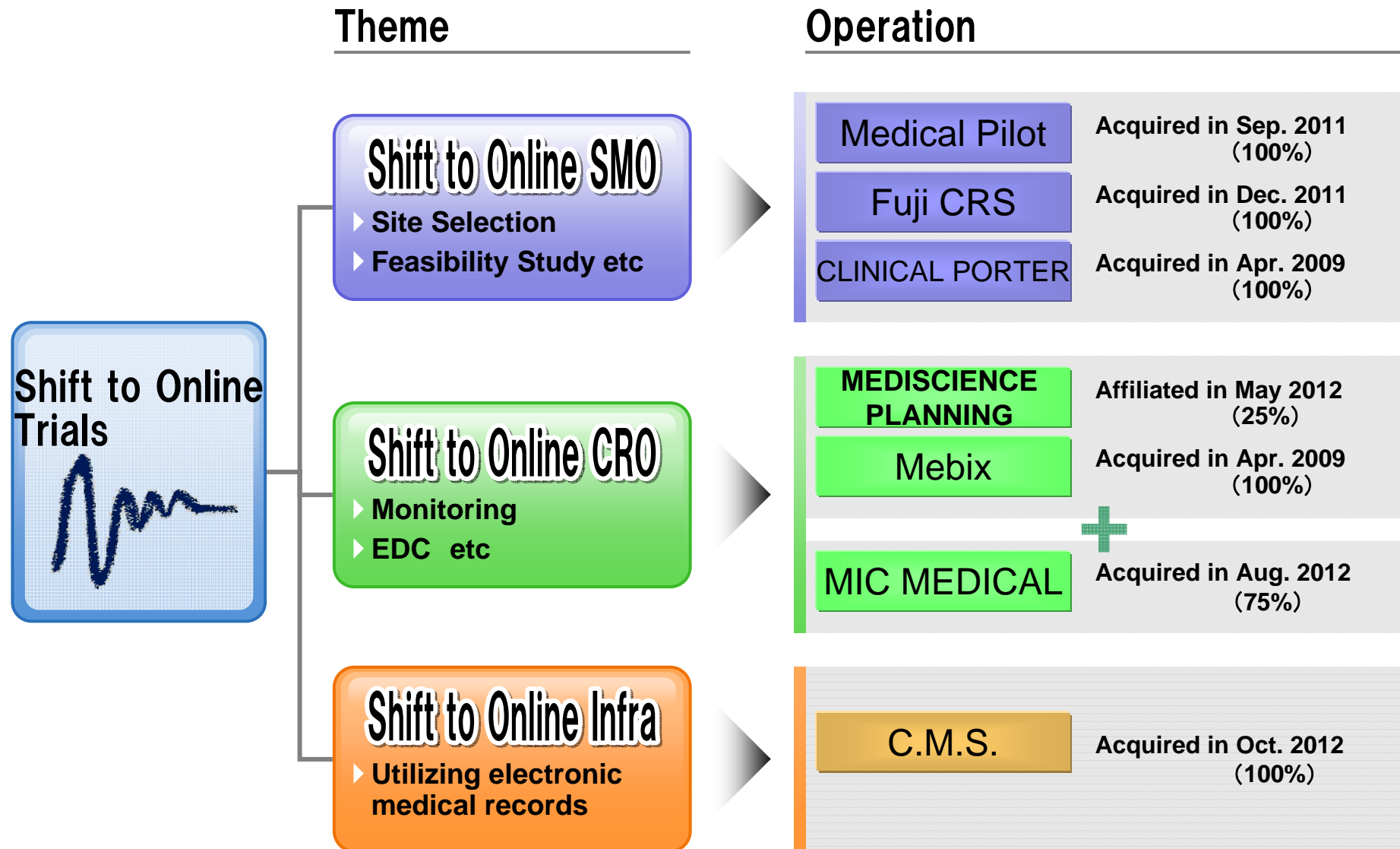
**Boosted medical promotion shifting to online with “MR-kun”**

**Next**

**Challenge clinical trials shifting to online with “Chicken-kun”**



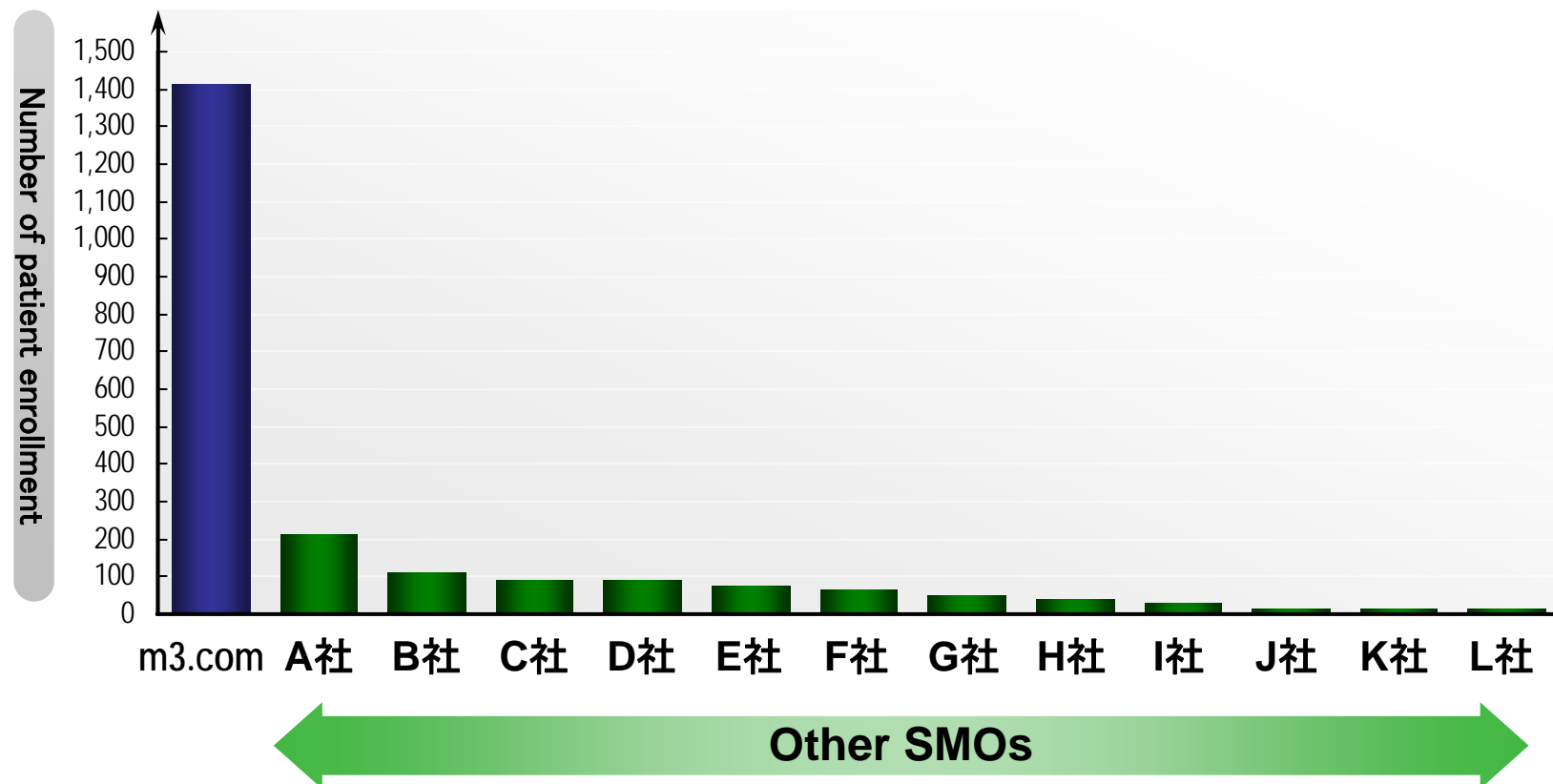
# Shift to Online Trials



# Patient Enrollment in a Large-scale Clinical Trial

Case study

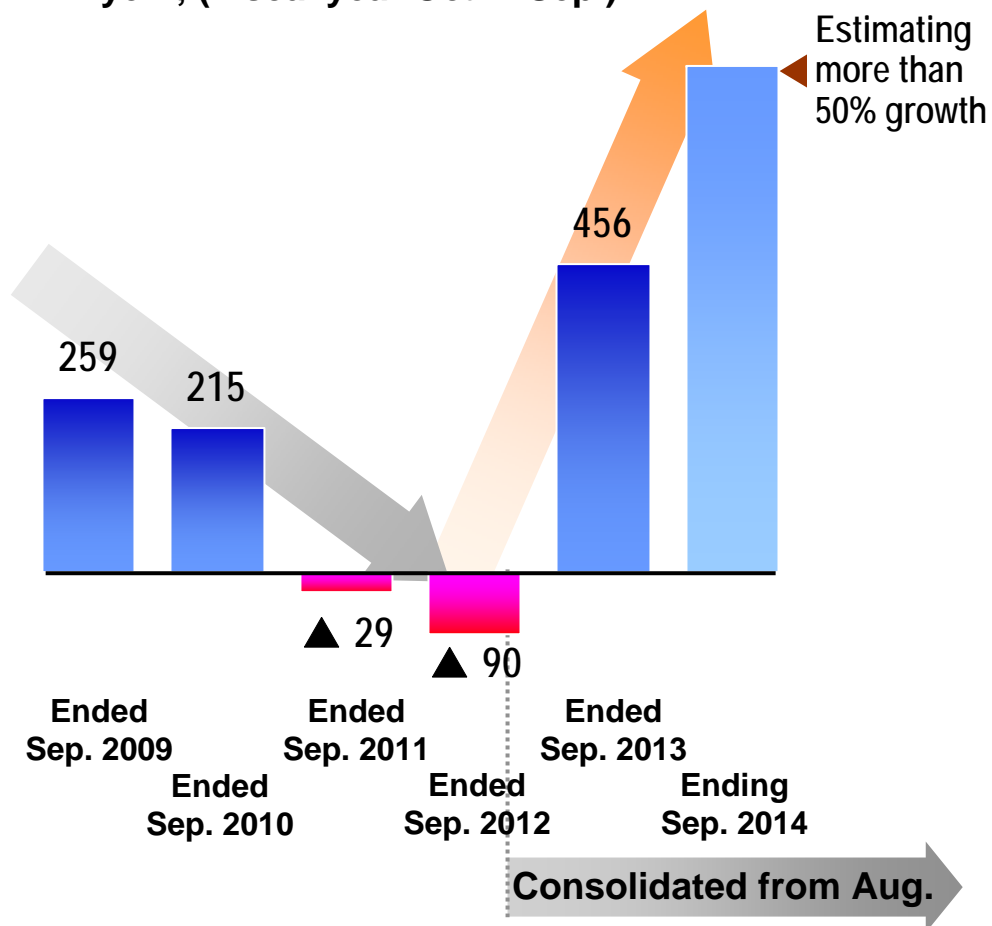
In the case of study in the Endocrinology and Metabolism area, sites of m3.com doctors enrolled five times more patients than those of other SMOs:



# Turning around MIC Medical

## Trend of O.P. in MIC

Mil yen ; (Fiscal year Oct. – Sep.)



## Activity

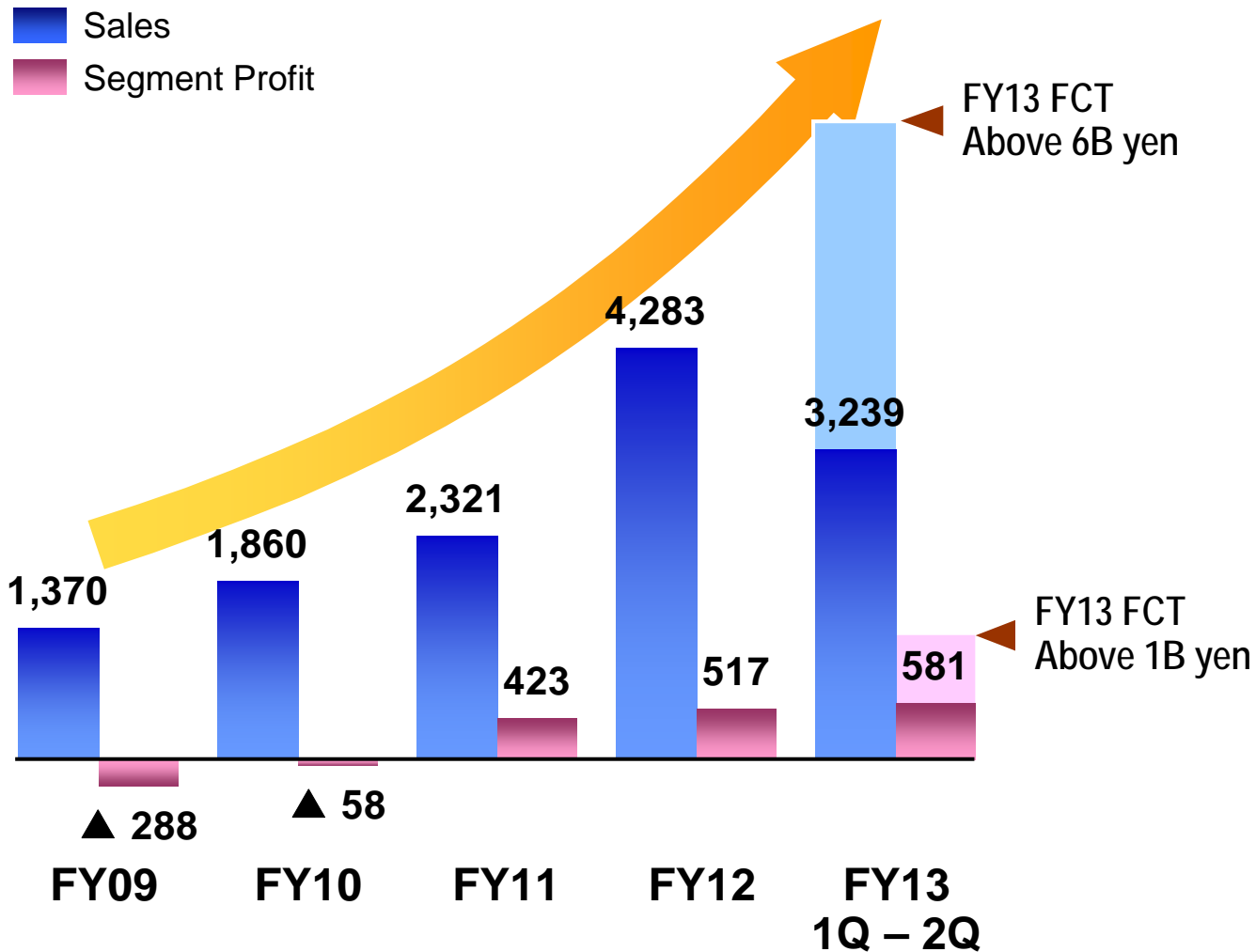
- Acquired 2 new big projects sized 1 bill yen in FY2013.
- Increasing number of CRA assigned to contract projects, and improving unit price.
  - <CRA Assignment: 1 years ago>  
Contract Projects:39  
Temporary CRA:61
  - <CRA Assignment: Latest>  
Contract Projects:60  
Temporary CRA:40
- Relocated office to Akasaka for increasing synergy in August.
- Achieved a record in profit while it had cost 47 mil yen for relocating office.



**Succeed in turning around, improving performance rapidly.  
Estimating more than 50% growth in profit in the next fiscal year**

# Sales and O.P. Trend in Evidence Solution

<Mil yen>



- Increasing sales and improving profitability.
- Increasing orders received for CRO service including Chicken-kun.
- The amount of backorders reached 6B yen.
- Estimate above 10B yen in profit in this fiscal year.

# M3 Career, Inc



- Media power of m3.com
  - Over 200K Physicians
  - Over 80K Pharmacist
- Experience in the recruiting ad business for medical professionals

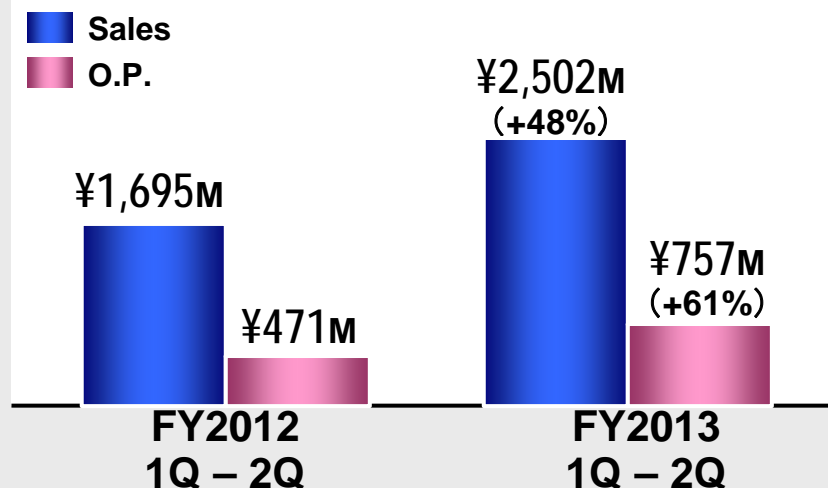


Full-line service and platform for best match between employers and job seekers



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

## Sales and O.P. (vs. PY)



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

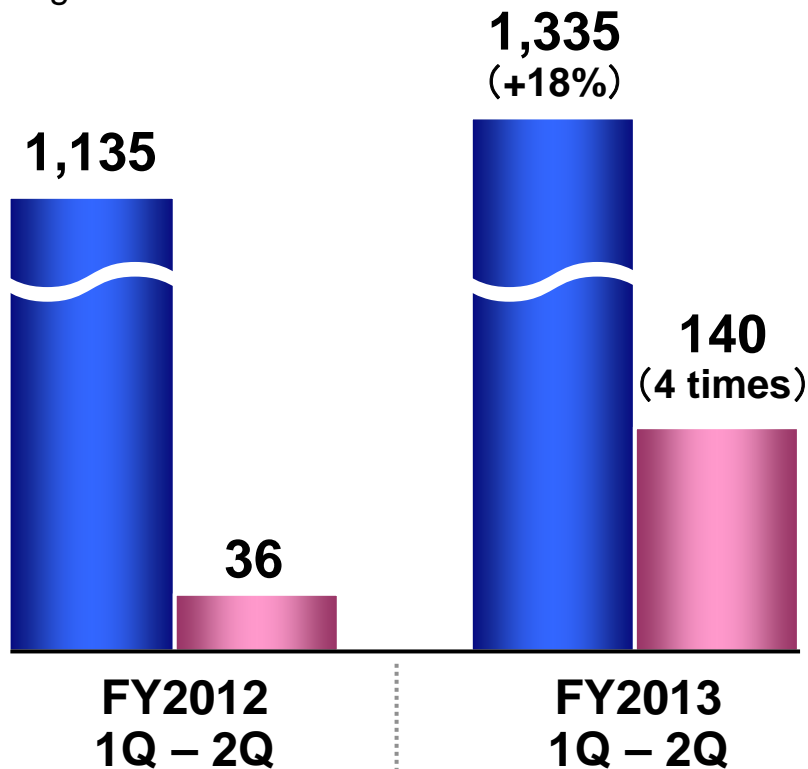
Sales will grow close to 5B yen in FY2013.  
Relocate office in May, because of increasing staff.

# Clinical Platform Segment – Improving Profitability

## Sales and Segment Profit (vs. PY)

<Mil yen>

■ Sales  
■ Segment Profit



Consolidated from Nov. →

## Progress

- Streamline sales operation.
- Improved quality of self-developed software.
- From now, encouraging to use electronic health record by m3.com, or creating synergies with other business in m3 group.

# 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 Operation**

**Service  
coverage**

**Web based**

**From end to end**

**Number of potential  
business domain**

**~10**

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

**Profitability**

**High margin  
(Middle scale)**

**Large scale  
(Middle margin)**

**M & A**

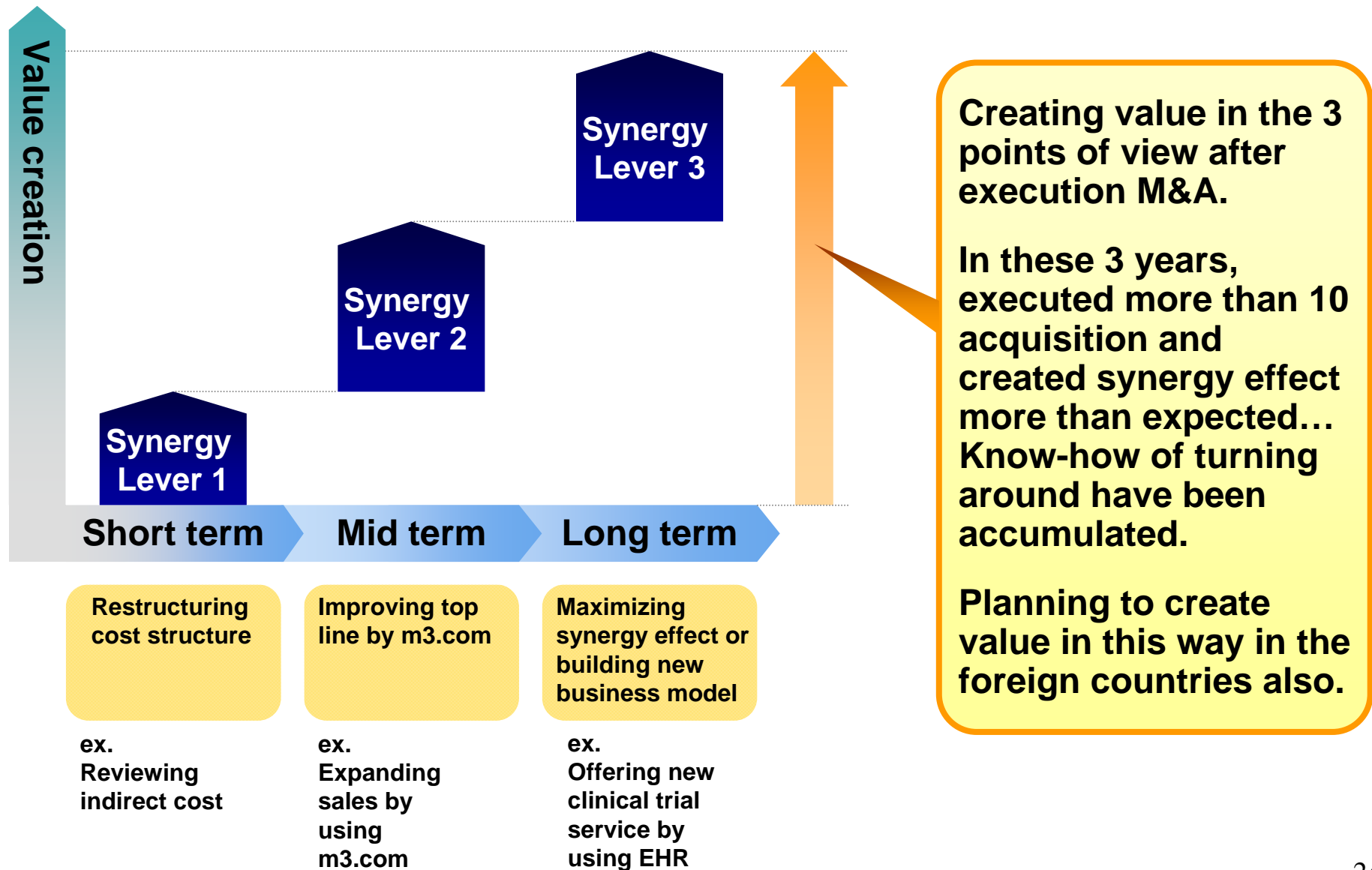
**Small size**

**Large – middle size**

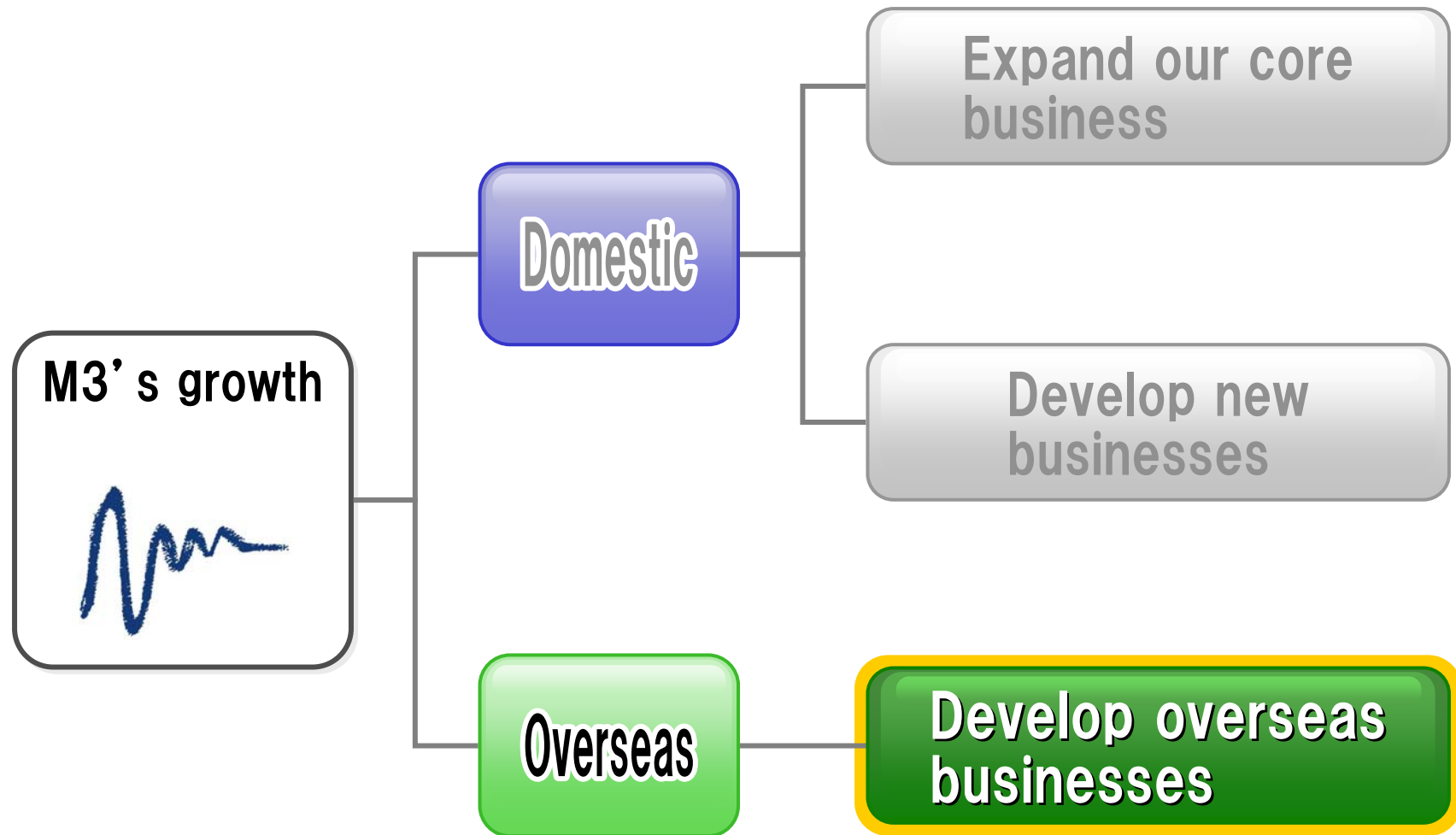


Only one company who can transform health care industry with  
1. Platform 2. Knowledge in domain 3. Human resources  
(management or engineer)

# Value Creation by M&A







# Development in the US

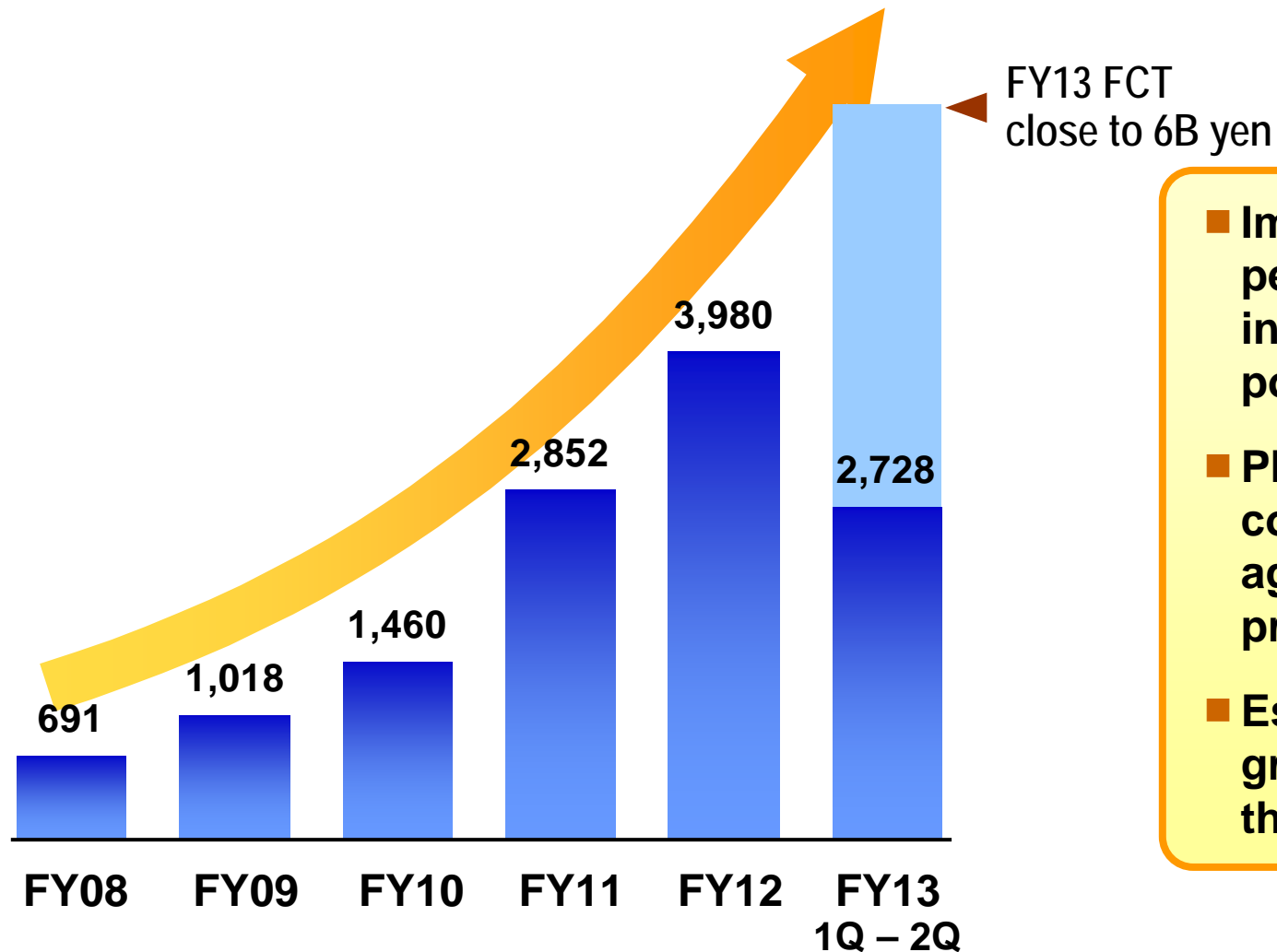
The screenshot shows the MDLinx website interface. At the top, there's a navigation bar with links like Home, Your Messages (23), Smartest Doc, Physician Jobs (355), Clinical Trials, More, Other Specialty, and Article Search. Below this, the 'Oncology News & Articles' section provides an overview of the latest clinical literature. A sidebar on the right offers a 'Hello, Dr. James Frank' greeting, a 'Market Research Dashboard' with a 6% profile completion bar, and a 'Post your CV' button. The main content area features a list of clinical articles, including a randomized phase III study of pemetrexed plus carboplatin and bevacizumab. At the bottom, there's a 'Clinical Pearls In Oncology' section and a 'Highlights In Oncology' section mentioning VEGFR-1 as a prognostic marker for HCC.

- “M3 Messages” (US version of MR-kun) started on MDLinx (merged with M3 USA in Mar. 2009).
  - Washington D.C.
  - 240K physicians as registered member
- Won the gold in best healthcare professional media brand at MM&M\* awards.
- Gradually expanding career service in addition to marketing support service and research service.
- In the future, planning to monetize 500K physician members of MDLinx who are out of USA.

\* Medical Marketing and Media  
The most authoritative professional journal for medical marketing area in USA

# Sales Trend of M3 USA (Including UK)

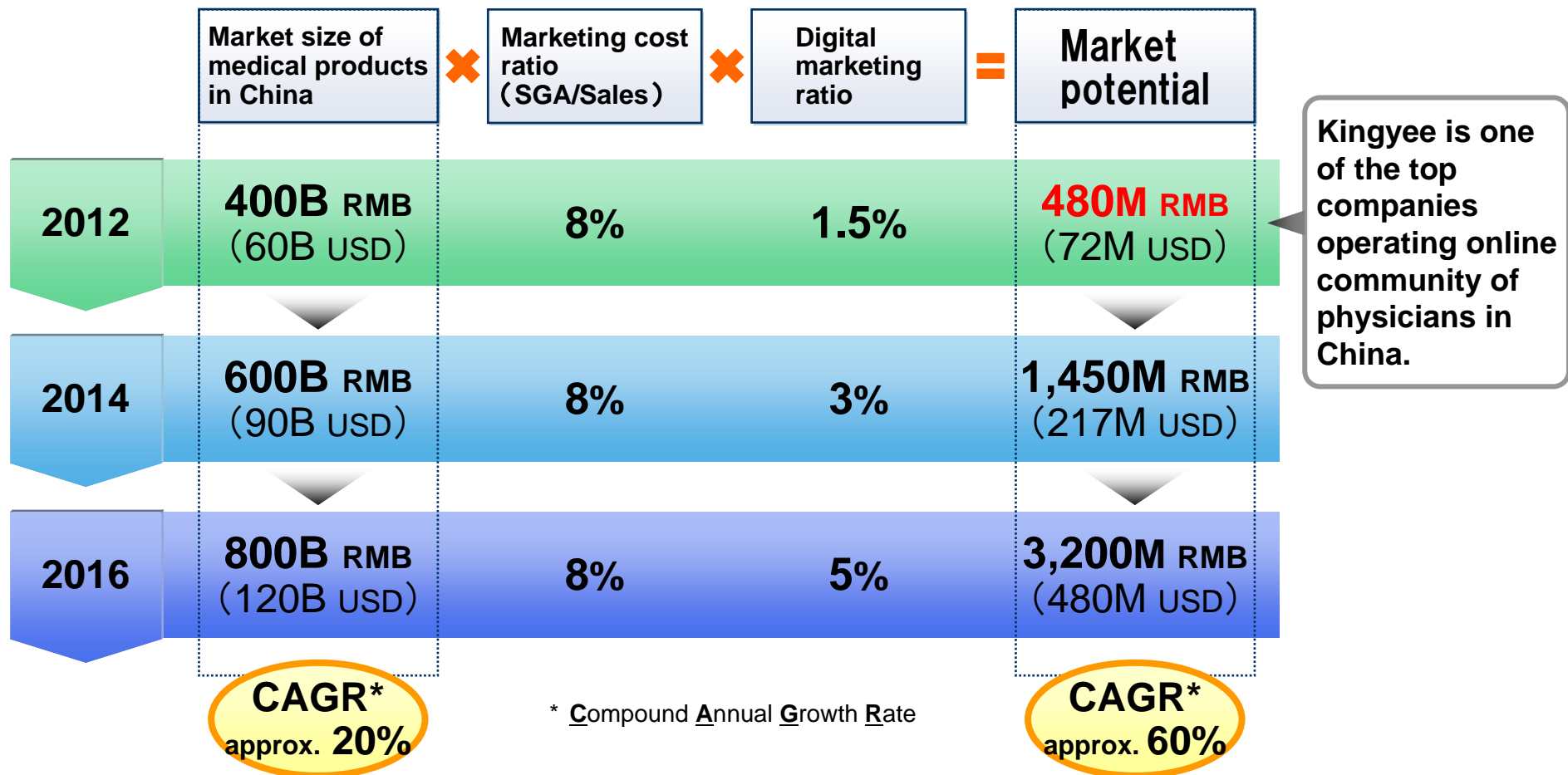
<Mil yen>



- Improving performance with increasing media power of our site.
- Pharmaceutical companies become aggressive about e-promotion.
- Estimate +50% growth in sales in this fiscal year

# Market Potential in China (researched by M3 )

## Digital marketing for medical products in China



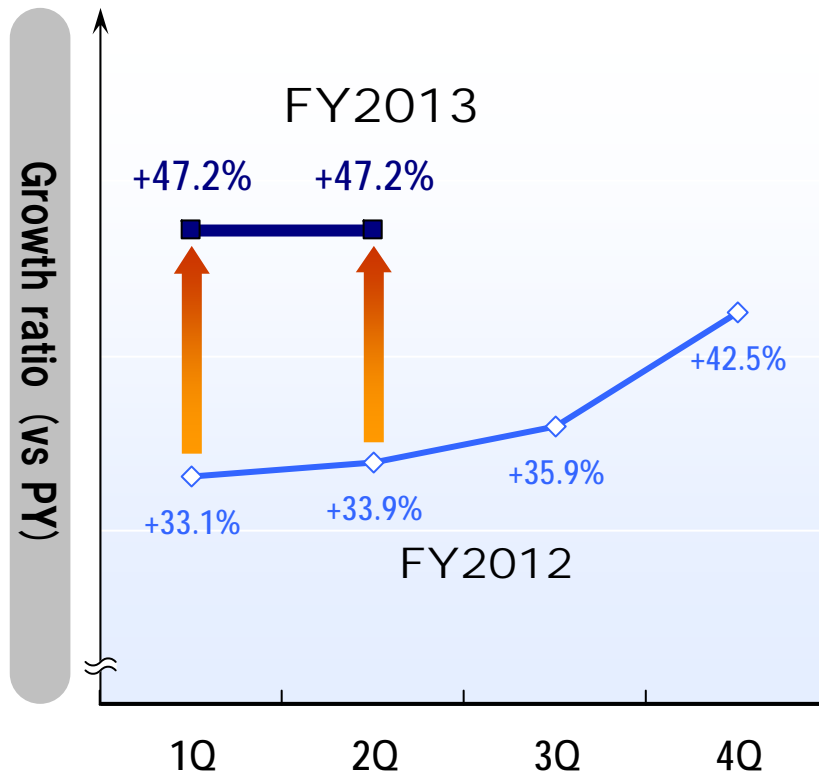
 Starting from November. Receiving positive response from pharmaceutical companies in premarketing.

# Consolidated P/L Statement for FY2013 1Q-2Q

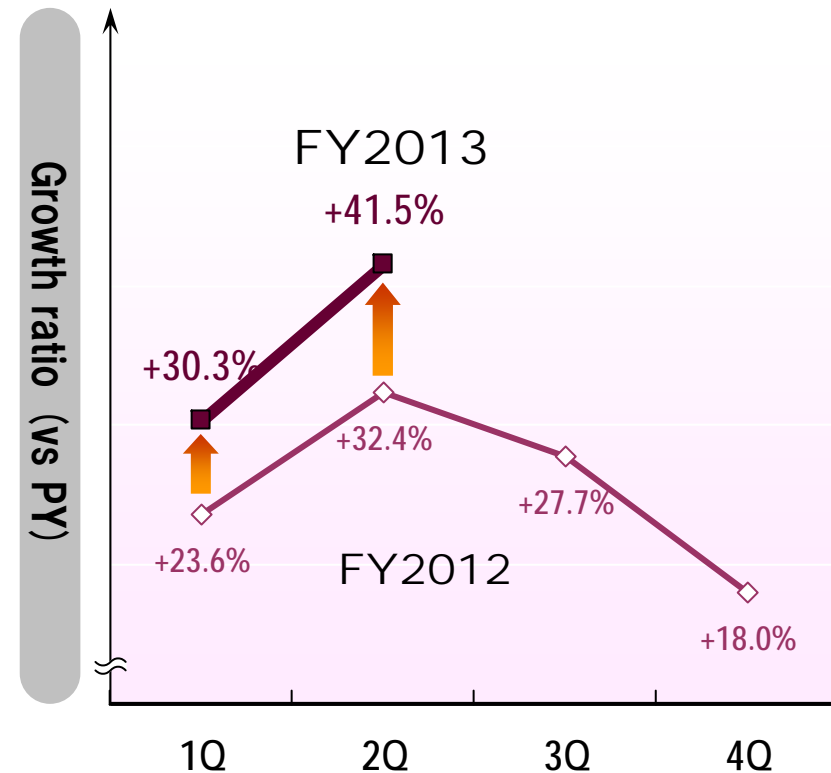
(百万円)	FY2012. 1Q-2Q	FY2013. 1Q-2Q		
	Actual	Forecast	Actual	YoY Growth
Sales	11,378	16,500	16,750	+47%
Operating profit	4,312	5,300	5,624	+30%
Ordinary profit	4,448	5,300	6,031	+36%
Net profit	2,619	3,100	3,526	+35%

# Quarterly Performance Trend (vs PY)

## Sales



## Ordinary profit



👉 Higher growth ratio than FY2012 since growing each business steadily.

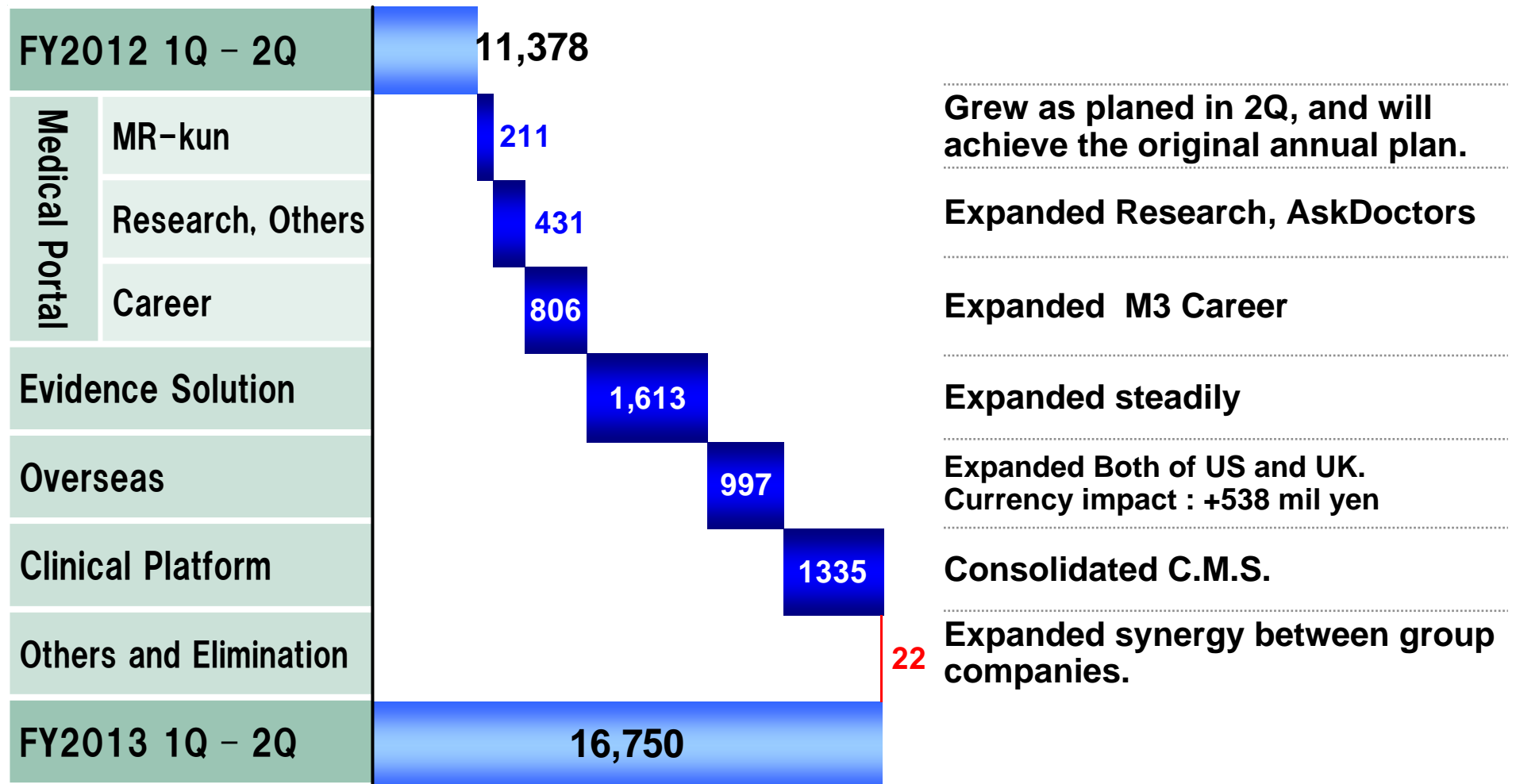
# Consolidated P/L Statement for FY2013 1Q-2Q

## Breakdown by Business Segments

(百万円)		FY2012 1Q-2Q	FY2013 1Q-2Q	YoY Growth
Medical Portal	Sales	7,730	9,179	+19%
	Profit	4,342	5,003	+15%
Evidence Solution	Sales	1,626	3,239	+99%
	Profit	226	581	+157%
Overseas	Sales	1,788	2,785	+56%
	Profit	12	438	34 times
Clinical Platform	Sales	-	1,335	-
	Profit	-	140	-
Others	Sales	374	470	+26%
	Profit	23	52	+127%

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

(yen million)



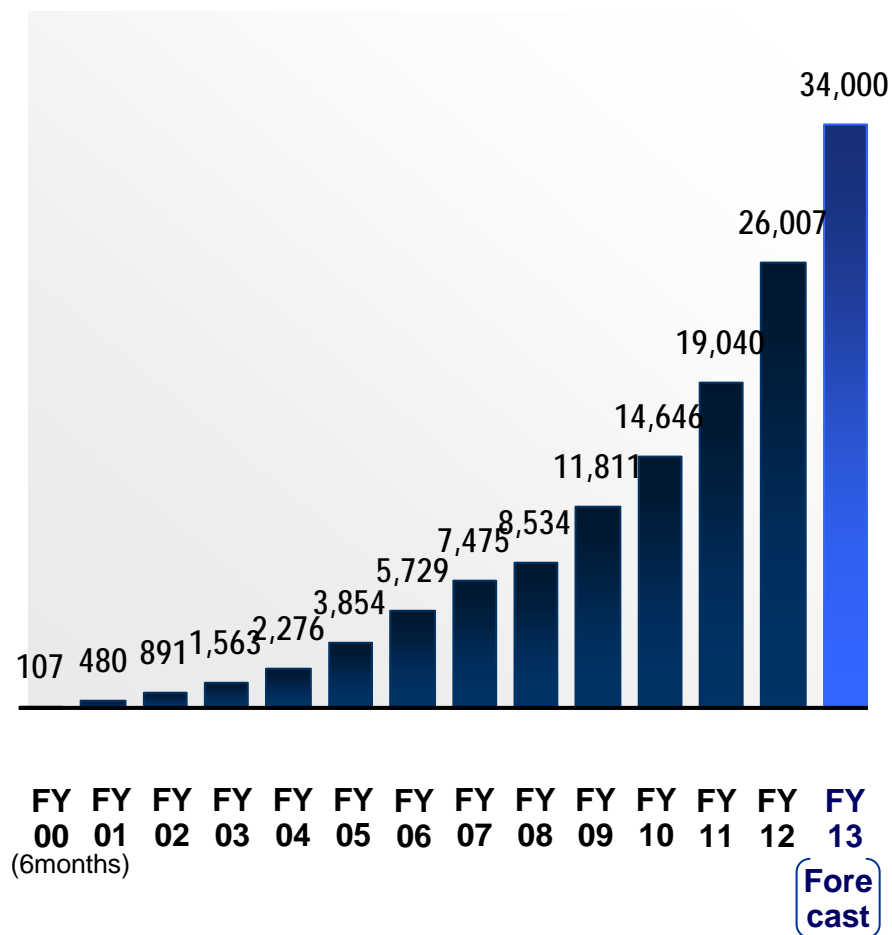
 Steady growth momentum continues.



# Annual Results & Forecast for FY2013

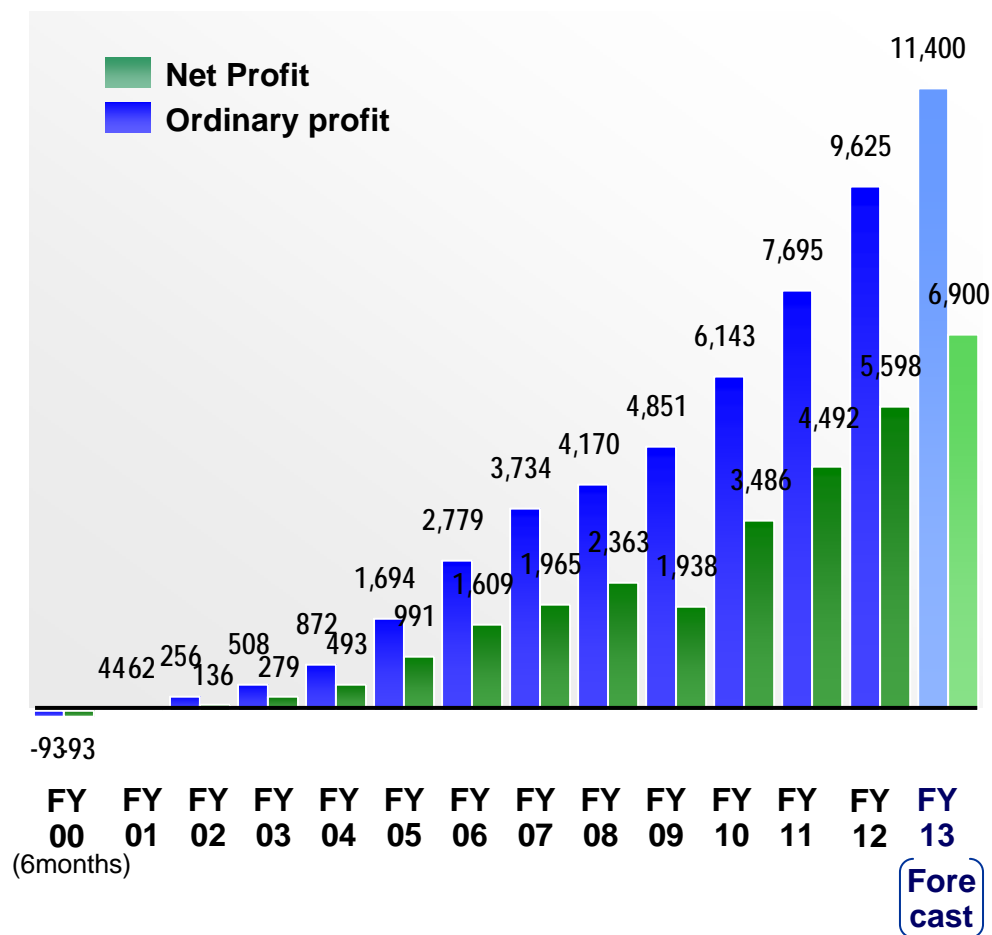
## Sales

(¥ mn)



## Ordinary Profit & Net Profit

(¥ mn)



# 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 280,000 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