



CareNet, Inc.

**Business Plans and Matters Related to High
Growth Potential**

**Progress Report for the
Nine Months Ended September 30, 2021**

Katsuhiro Fujii, President

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1. Business Model

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Corporate Profile

Name	CareNet, Inc.
Address	Risona-kudan Building, 1-5-6, Kudan-minami, Chiyoda-ku, Tokyo, Japan
Established	July 1996
Employees	152 (as of September 30, 2021)
Business activities	Medical contents services for doctors and medical professionals, Medical and pharmaceutical business support for pharmaceutical companies

Business Activities

Improvement of future medical care by information technology and imaging

CareNet distributes practical information that is useful in routine clinical practice to doctors and other medical professionals via the Internet and provides pharmaceutical companies with solutions for the effective communication of pharmaceutical information.

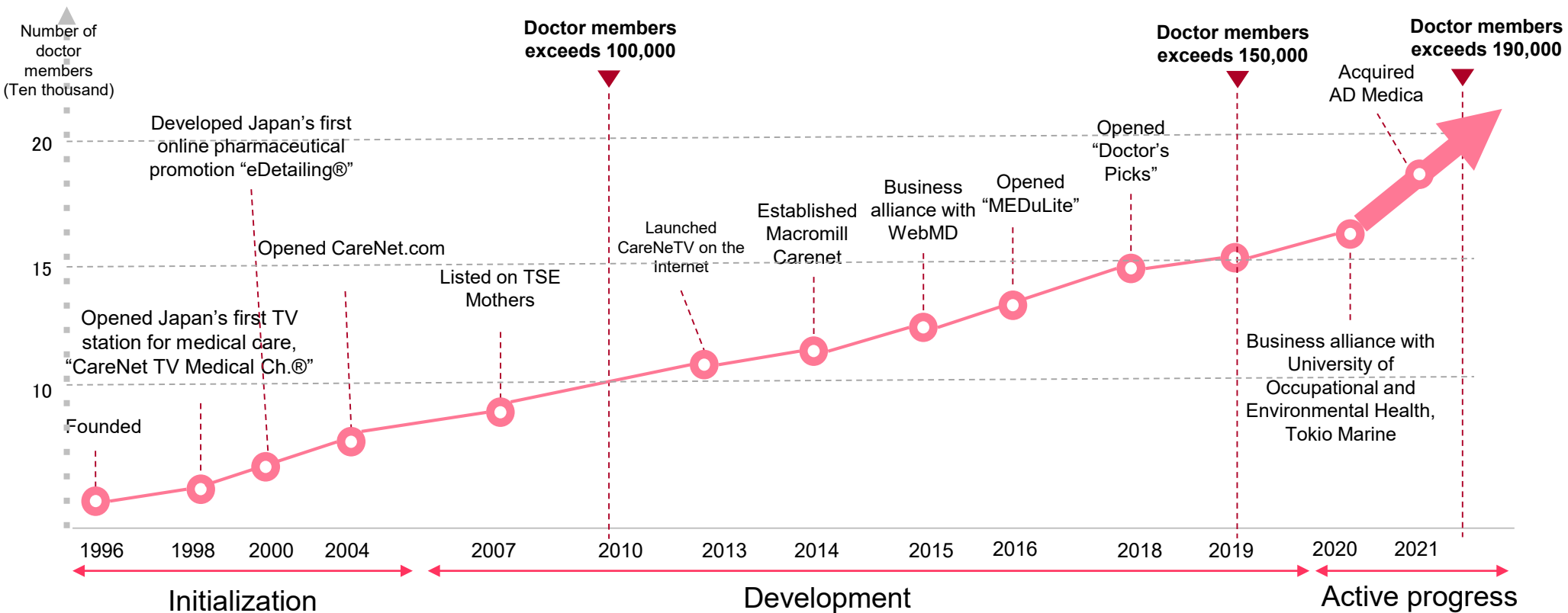
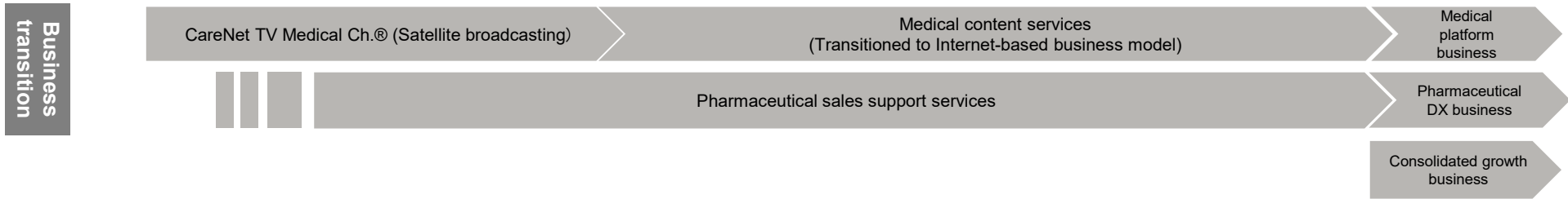
Corporate Philosophy

Striving to create a sustainable healthy society in the digital age

CareNet contributes the creation of a sustainable society that is healthy and offers comfortable working environments for both the recipients and providers of medical care by constantly evolving our businesses through technology and enthusiasm.

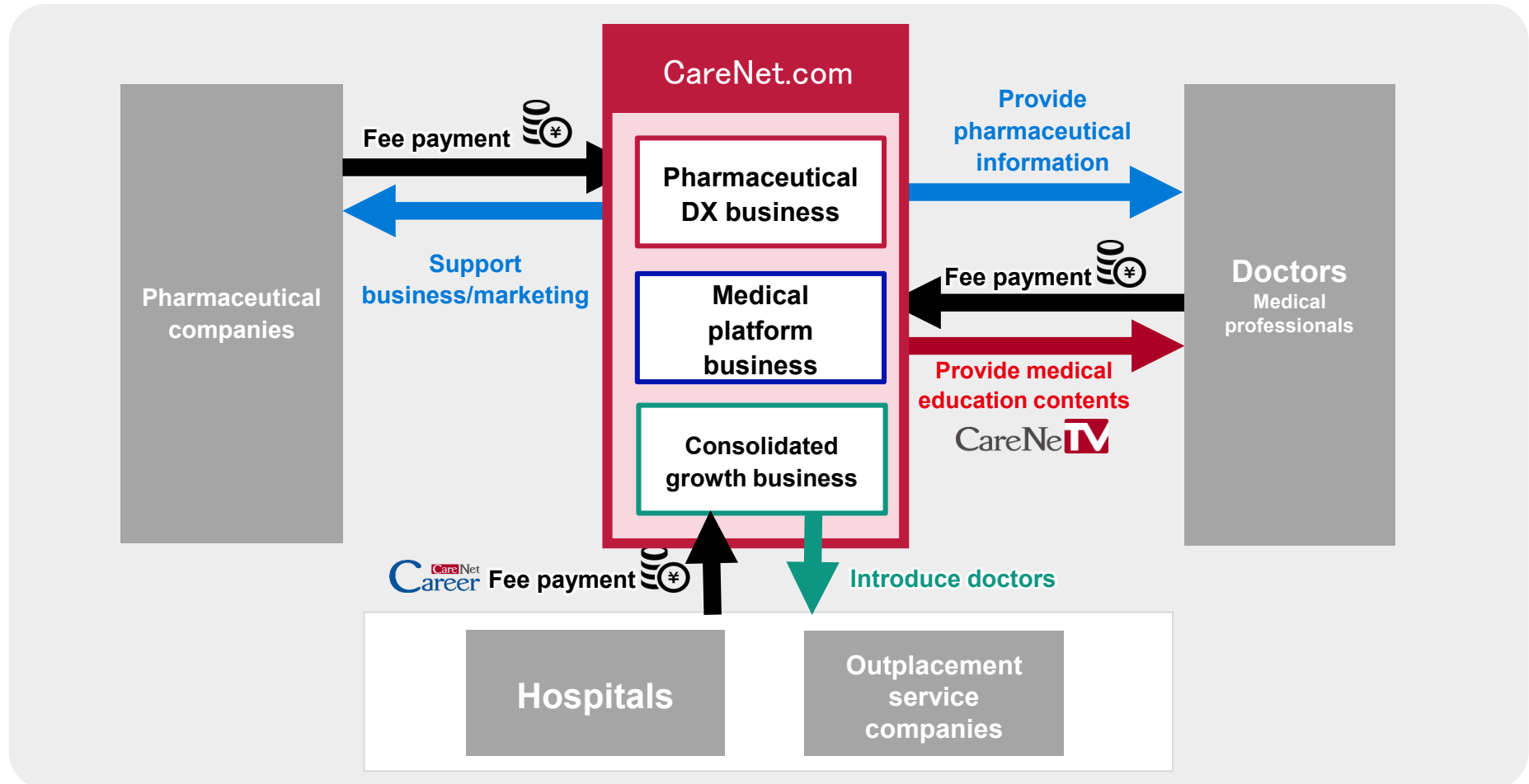
Our History

■ Founded as Japan's first medical education TV station and transitioned to an Internet-based business model. CareNet is currently expanding its business in response to the growing number of doctor members.



Our Business Model

CareNet develops a variety of businesses that utilize the “doctor platform” oriented around CareNet.com.



- Our existing “pharmaceutical sales support services” have been renamed the “pharmaceutical DX business,” and our “medical contents services” have been renamed the “medical platform business.”
- The “consolidated growth business” was newly established with the initiative to turn our “career services,” which were previously included in “medical content services,” into a subsidiary. This segment covers the businesses of CareNet’s consolidated subsidiaries and consists of sales of CareNet Works Design, Inc., which is responsible for our “career services,” as well as sales of Asclepia Co., Ltd., Scientific Communication Labo. inc., and AD Medica Inc.

Medical information website used by over 300,000 medical professionals

The screenshot displays the CareNet.com homepage. At the top, there's a navigation bar with links for '診療科一覧' (List of Departments), 'ポイント' (Points), 'ニュース' (News), 'eディテール' (e-Details), '産科検診' (Obstetrics Exam), 'オンラインセミナー' (Online Seminar), '学習レポート' (Learning Report), 'DVD' (DVD), and 'お役立ち' (Helpful). A search bar is present with the text 'お知らせがあります' (We have notices). Below the navigation, there are several main content sections: '診療科別情報' (Information by Department) with a sub-section for '呼吸器' (Respiratory); 'コンテンツ一覧' (Content List) with 'ポイント' (Points) and 'eディテール' (e-Details); '産科検診' (Obstetrics Exam) with '特徴' (Features) and '最新企画' (Latest Projects); 'クアネット関連サービス' (CareNet Related Services) including 'PubMed CLOUD' and '医師転職' (Physician Job Change); and 'みんなの薬箱' (Everyone's Medicine Box) with a '高血圧特集' (Hypertension Special) section. The right sidebar features 'ポイント交換' (Point Exchange) with a balance of 38,634pt and 'ポイントをとめる' (Earn Points) section.

Members

389,115

Doctors who are members

191,542

(as of September 30, 2021)

“Medical contents” for immediate use in the field

An abundant selection of content is available for immediate use in clinical settings, including videos of procedures, patient instructions, and explanations of relevant guidelines.

International research and news on medical care

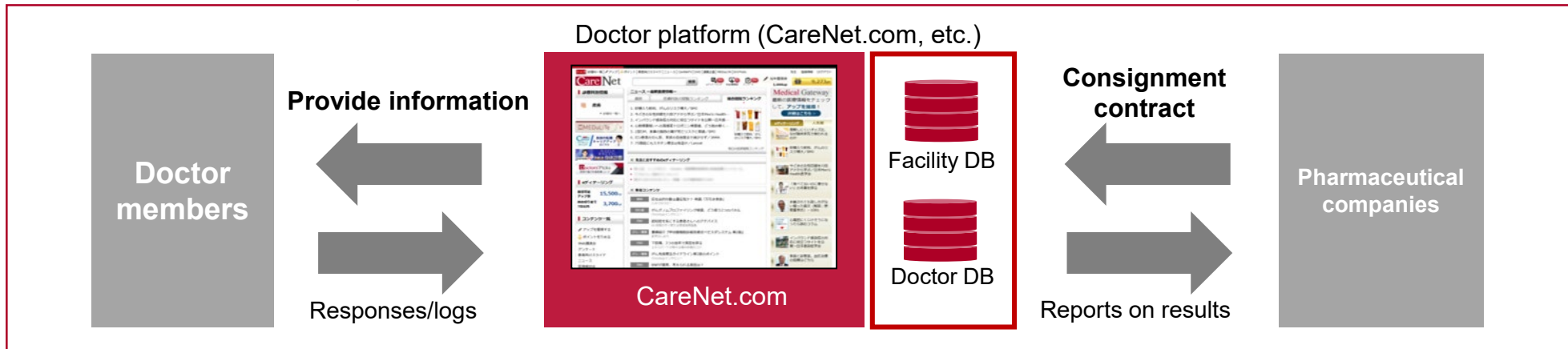
Carefully selected articles published in leading international journals are summarized in Japanese and are made available together with the latest medical news in Japan to facilitate quick and easy understanding of the current state of medical care.



Pharmaceutical DX Business

Business model for the pharmaceutical DX business

CareNet has endeavored to spread the appropriate use of new medicine from pharmaceutical companies through use of the doctor platform. We have partnerships with over 70 pharmaceutical companies, growing this into the core business of the Company.



Main services of the pharmaceutical DX business

IT solution for connecting doctors and pharmaceutical companies: MRPlus®

One of our core services that broadcasts video content created from the perspective that the involvement of doctors is needed to target other doctors, enabling the analysis of doctors' responses while creating opportunities for engagement with MRs. More than 50 pharmaceutical companies have adopted this service.

Online livestreams of seminars by Key Opinion Leaders (KOLs¹) available nationwide: Online seminars

Busy doctors can watch KOL seminars without having to leave the office. Online livestreaming is a very effective way to quickly broadcast information about new treatments nationwide. Over 500 seminars are conducted annually, and this is a core service together with MRPlus®.

¹ KOL is an abbreviation for key opinion leader. KOLs refer to doctors who have wide influence in the medical industry. As part of sales promotion activities for their products, pharmaceutical companies reach out to KOLs, who are medical experts, in order to spread the latest pharmaceutical information. KOLs include doctors who are authorities in academic societies, professors at university hospitals, and directors of large hospitals.

Medical Platform Business

Main service: CareNeTV

On-demand clinical videos for self-study by medical professionals

The screenshot shows the CareNeTV website interface. At the top, there's a navigation bar with 'CareNeTV' logo, '配信予定' (Upcoming), '医学書' (Textbooks), '日業研修' (Daily training), 'FAQ', 'CareNeTVとは' (About CareNeTV), and 'DVD付アンケート' (DVD questionnaire). Below the navigation is a search bar and a 'ログイン' (Login) button. The main content area features a large banner for 'CareNeTV プレミアム' (Premium) with a group photo of medical professionals. Below the banner, there are sections for '新着番組' (New Programs) and '最新視聴ランキング(過去1ヵ月)' (Latest Viewing Ranking (Past 1 Month)). The 'New Programs' section displays a grid of program thumbnails with titles like 'Dr.田中初登の血液検査指南' (Dr. Tanaka Hajime's Blood Test Guide) and '院内感染対策' (Hospital Infection Control). The 'Latest Viewing Ranking' section shows a list of programs ranked from 1st to 10th, with their respective view counts.

Paying members

6,113

(as of September 30, 2021)

About 20 years producing medical education programs
As Japan's first TV station specializing in content for medical professionals (satellite broadcasting ended in March 2011, switching to Internet distribution), CareNet has abundant experience in producing medical education programs, and CareNeTV delivers programs that cater to the specific learning needs of medical professionals.

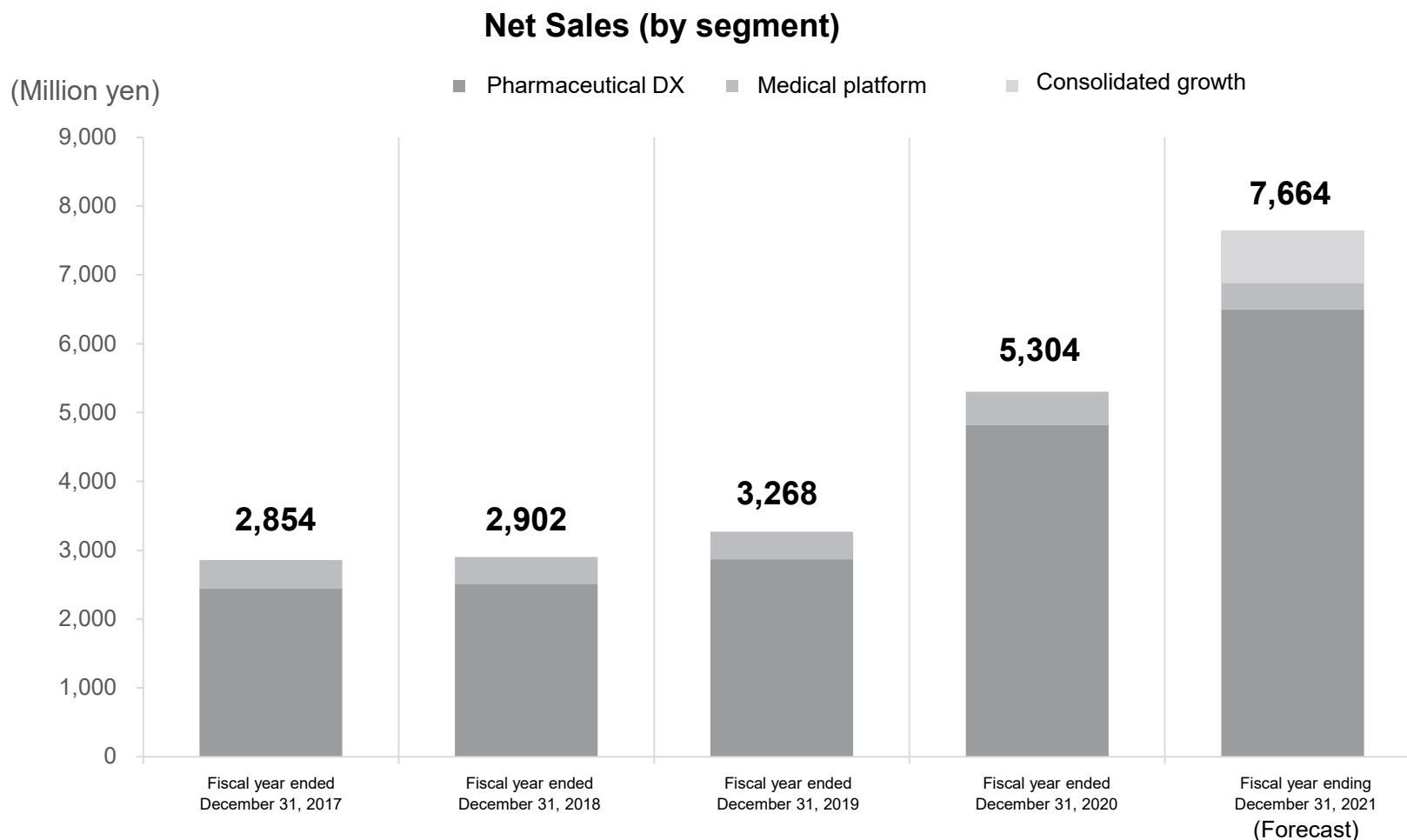
Complete lineup of programs

More than 1,900 programs are available, with approx. 10 new programs being released every month. Packed with uplifting and useful information from leading lecturers who are active on the front lines of clinical practice! Designed around programs for improving clinical skills in everything from primary care to specialized fields, video content is available for a variety of genres, including preparation for medical specialist exams, presentations, English, and statistics.

Fee

• Monthly/5,500 yen • PPV/330 yen -

Our Profit Structure (1)—Net Sales



- **Expected to achieve continuous growth in income and profit for seven consecutive years in FY2021.** We have been growing by over 40% year-over-year for the past two fiscal years.
- The Pharmaceutical DX business accounts for most sales. Growth is in tandem with expansion of the Pharmaceutical DX business.

Our Profit Structure (2)—Performance by Segment

- The “pharmaceutical DX business” accounts for around 90% of CareNet’s consolidated net sales and operating profit. Our profits are significantly impacted by the performance of the “pharmaceutical DX business.”

Profit structure by business segment and company-wide consolidated results for the fiscal year ended December 31, 2020 (Million yen)

	By business segment			Consolidated
	Pharmaceutical DX business	Medical platform business	Consolidated growth business	Consolidated profit
Net sales	4,735	330	246	5,304
Operating profit	2,503	3	-62	1,510
Operating profit ratio	52.9%	1.2%	—	28.5%
Features of business segments and profit structure	<ul style="list-style-type: none"> • Our core business and source of profits. • With increasing doctor members as the driving force, expected to grow significantly to increase company-wide earnings. 	<ul style="list-style-type: none"> • Our original business, developing abundant medical education content centered on CareNeTV. • Running CareNet.com, a doctor platform that supports the Pharmaceutical DX business. 	<ul style="list-style-type: none"> • Positioned as a core business to develop businesses that will contribute to future growth, centered on the career support business for doctors. 	<ul style="list-style-type: none"> • The pharmaceutical DX business accounts for over 90% of both net sales and operating profit. • The pharmaceutical DX business is expected to continue to serve as a revenue driver.

Between the total value of each business segment and the company-wide consolidated results, there is a net sales adjustment of -7 million yen (offsetting transactions between the parent company and subsidiaries) and a segment profit adjustment of -935 million yen (selling, general and administrative expenses that do not belong to any segment).

Our Profit Structure (3) – Major Costs

- The components of major costs for our business model are for “doctor members,” “platform,” “content,” and “sales and management,” which is common to each business segment. The cost for content production is included in cost of sales, and other components are included in selling, general and administrative expenses.

(Million yen)

	FY2020 Consolidated	Ratio to net sales	Details
Net sales	5,304	—	<ul style="list-style-type: none"> • Around 90% of our consolidated net sales are generated by the pharmaceutical DX business.
Cost of sales	1,592	30.0%	<ul style="list-style-type: none"> • Most of our costs are related to content production regardless of business segment. By creating and placing content on each business segment’s platform, we can offer services such as delivering pharmaceutical information to doctor members, selling paid content, and providing career support. The major costs are personnel expenses and outsourcing costs regarding content production.
Gross profit	3,712	70.0%	<ul style="list-style-type: none"> • We have executed stringent cost controls (securing gross profit) based on sales forecasts and order management.
Selling, general and administrative expenses	2,201	41.5%	<ul style="list-style-type: none"> • Our selling, general and administrative expenses are roughly divided into two components. One is related to development of platforms and their operational management, and the other is for personnel engaged in sales and management, etc. • Costs related to development, operation, and management of platforms include those for internal staff engaged in development/operational management, outsourcing, acquisition of doctor members who use our platforms, activation of the platforms, development/operational management of databases on member doctors, medical facilities, etc. • Costs for personnel engaged in sales and management include those for personnel in charge of planning, sales, and project promotion in each business segment, their activities, development of new businesses, personnel engaged in company-wide administrative operations, house rent, and heating and lighting.
Operating profit	1,510	28.5%	<ul style="list-style-type: none"> • Most of net sales in the pharmaceutical DX business are generated from project orders. Higher sales do not necessarily lead to an increase in operating profit as we need to strengthen our sales management system in response to increases in sales (orders).



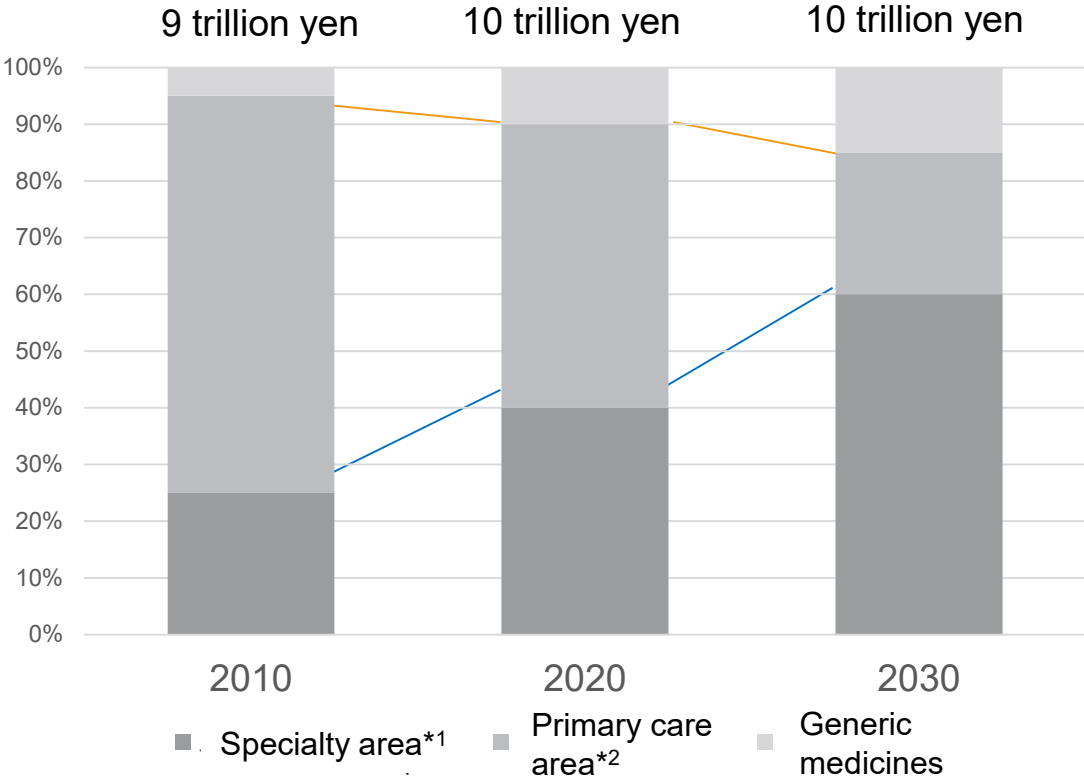
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Trends in Shares in the Japanese Ethical Drug Market

- The size of the ethical drug market is expected to remain flat in the future.
- The specialty/rare disease area will continue to increase its market share while shares in the primary care area has been shrinking.



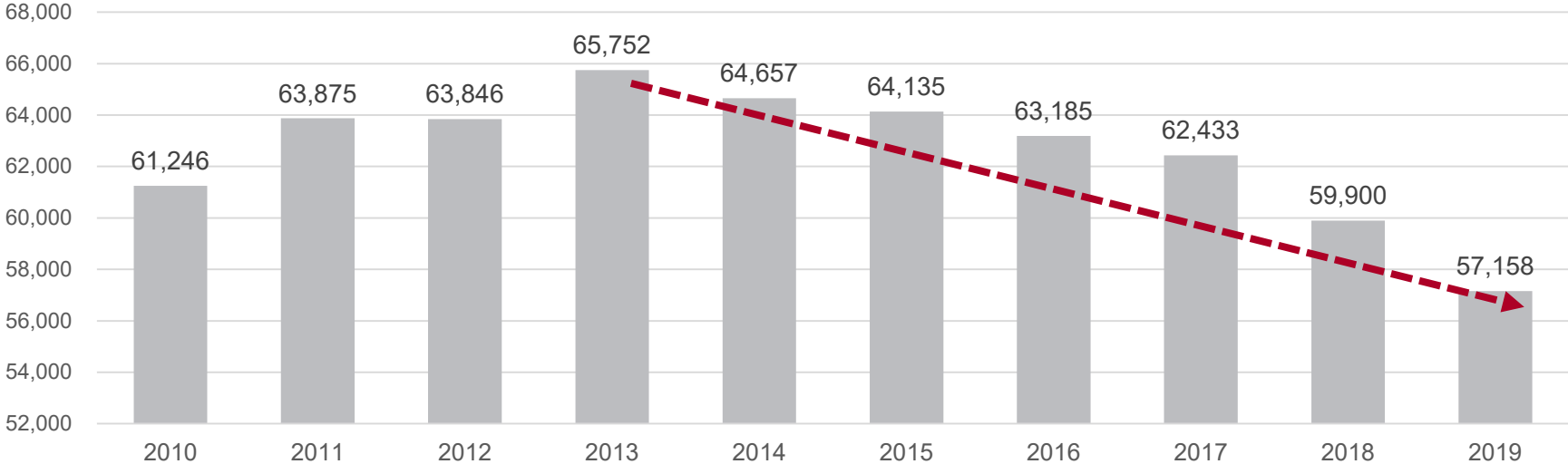
Prepared by the Company based on IQVIA data (on an NHI price basis)

*1 Specialty pharmaceuticals are developed by using advanced technologies. They are often biologics mainly used for the treatment of intractable diseases such as cancer and rare diseases.
 *2 Primary care drugs are low molecular weight compounds designed to be mass-produced mainly for the treatment of lifestyle-related diseases such as high blood pressure. Each specialty pharmaceutical has a smaller patient population than primary care drugs. While the number of medical facilities that can prescribe such pharmaceuticals is limited, a high degree of specialization to provide medical information is required. Therefore, unlike the era of primary-care drugs, a different type of promotion is needed for specialty pharmaceuticals.

Declining Number of MRs and Expansion of Pharmaceutical DX Business

Number of MRs

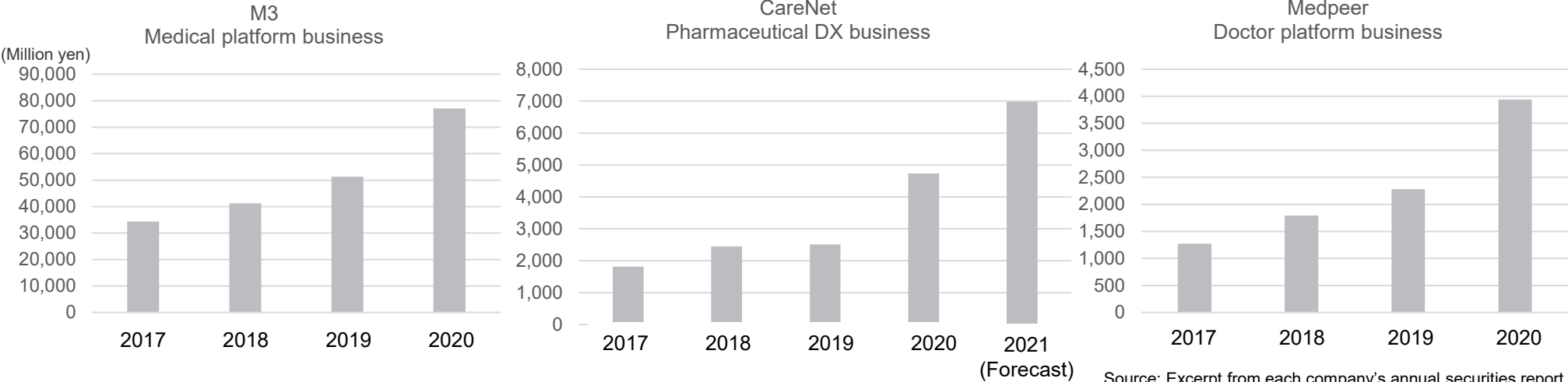
The number of medical representatives (MRs) has been reduced in response to the patent expiration of primary-care drugs and progress in development and release of specialty pharmaceuticals.



Source: "White Paper on MRs" released by the MR Education & Accreditation Center of Japan

Sales of DX business

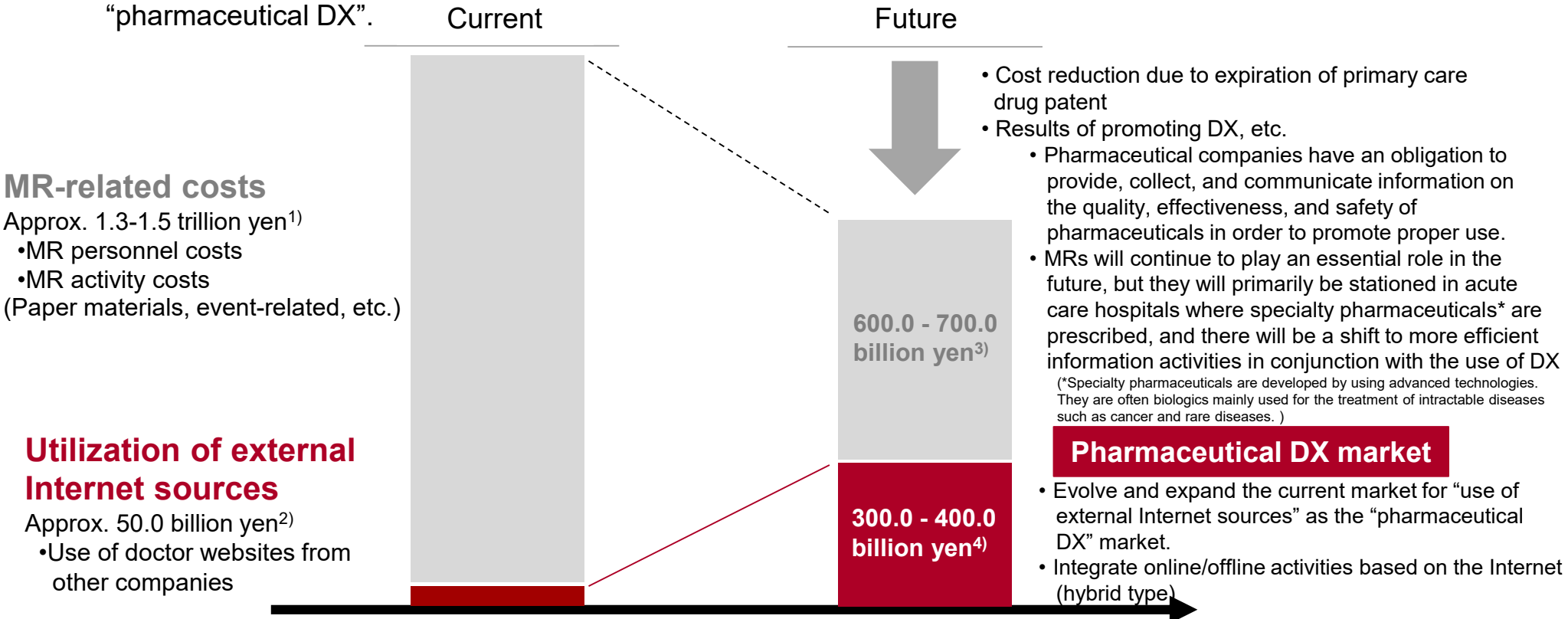
eDetailing has been gaining momentum as MRs have downsized.



Source: Excerpt from each company's annual securities report

Estimated Market Size of Pharmaceutical DX Business (Our Point of View)

- The structure of promotional costs in the pharmaceutical industry is expected to change from “personnel (MRs)-oriented” to being based on “integration of humans and DX” in the future.
- Currently, the use of the Internet is mainly for advertising purposes. However, as “integration of humans and DX” advances, the Internet is expected to be used more widely in various promotional activities and grow significantly as “pharmaceutical DX”.



¹⁾ The Company’s estimate is based on the “Handbook of Industrial Financial Data 2017” edited by Development Bank of Japan Inc. and the “2020 White Paper on MRs” by the MR Education & Accreditation Center of Japan.

²⁾ The total amount of sales of similar services is estimated by the Company based on the annual securities reports of companies in the same industry including the Company.

³⁾ As medical facilities which use specialty pharmaceuticals are limited to core hospitals in each area, the Company estimated personnel and activity costs of MRs who are required to be assigned based on the number of secondary medical areas (approx. 350).

⁴⁾ The Company’s estimate is based on data, including estimated sales of specialty pharmaceuticals in IQVIA’s “Japan Pharmaceutical Market Statistics” and “Global Pharmaceutical Market Forecasts”, and the MHLW’s “List of New Drugs”.



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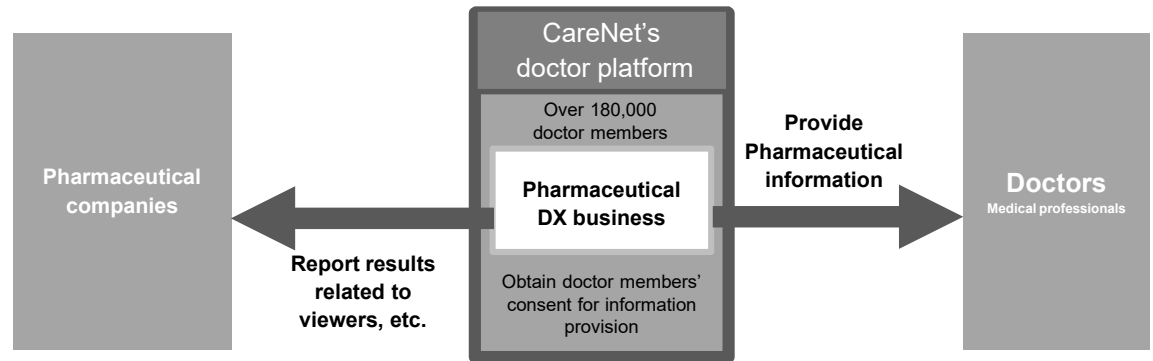
Competitive Advantages

- Industries that operate the business of supporting pharmaceutical promotion include platform providers with doctor members such as CareNet, Internet service providers without doctor members, contract sales organizations (CSOs), advertising agencies, and event organizers.

Our competitive advantages

1. Ownership of doctor platforms

- Doctor platform providers are characterized by their business model that they offer services to doctors by obtaining their consent for information provision (permission to not only provide them with information on drugs, etc. but also report their viewing activities to pharmaceutical companies). There are only a limited number of players in this market in Japan, including M3, Medpeer, and CareNet.
- CareNet has now over 190,000 doctor members (reached 190,000 on July 26, 2021), covering 60% of all doctors in Japan (Number of doctors: 327,210, according to the MHLW's "Statistics of Physicians, Dentists and Pharmacists 2018"). We have the second largest number of doctor members among doctor platform providers.



2. Operation of doctor education media

- Since our founding in 1996, we have created medical education video content for doctors. We have operated "CareNetTV," one of Japan's largest medical training media, enabling users to stream videos from over 2,000 programs in its library at any time.
- We have also written and posted over 3,000 medical articles to our core doctor platform CareNet.com every year.
- These activities, carried out with the cooperation of many leading medical specialists, ensure the high quality and reliability of information we provide.



Characteristics of CareNet's Educational Media (1)

1 Collaboration with KOL physicians



CareNet has created medical education video content in collaboration with KOL doctors since its foundation in 1996. We operate “CareNetTV,” one of Japan’s largest medical education media, enabling users to stream from over 2,000 programs in its library. In order to write and post over 3,000 medical articles to our core doctor platform CareNet.com every year, we keep in constant contact with KOLs.



Characteristics of CareNet's Educational Media (2)

2 Collaboration with KOL surgeons

CareNet has also built relationships of trust with not only KOL physicians but also KOL surgeons. Cancer@Misewaza, planned and operated by CareNet, provides video content for young doctors in which Japan's leading KOLs in organ-specific cancer treatment introduce their treatment strategies and techniques.





4. Growth Strategy

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Growth Strategy

1. Number of doctor members as a management index

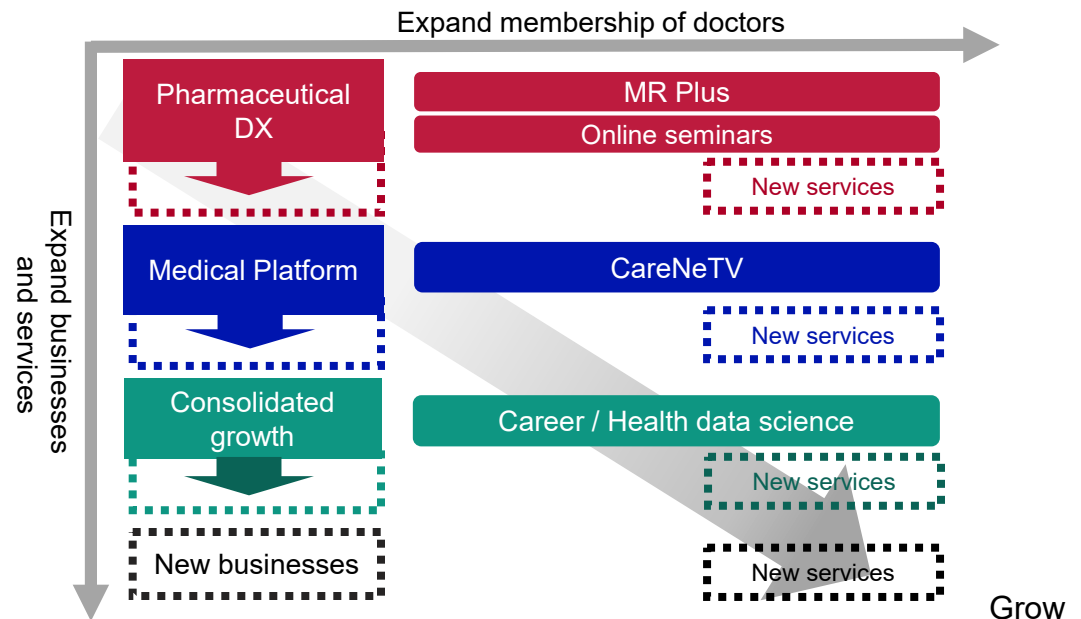
Our doctor platform is a pillar of our business. Since the doctor platform is essential for our business growth, the number of registered doctors in this platform is an important “management index” for CareNet.

2. Target number of doctor members

The number of our doctor members has been steadily increasing year on year. As of September 30, 2021, we have 191,542 members. We aim to increase the number to 250,000 by the end of 2025 by providing useful content created according to each doctor’s specialization.

3. Growth model

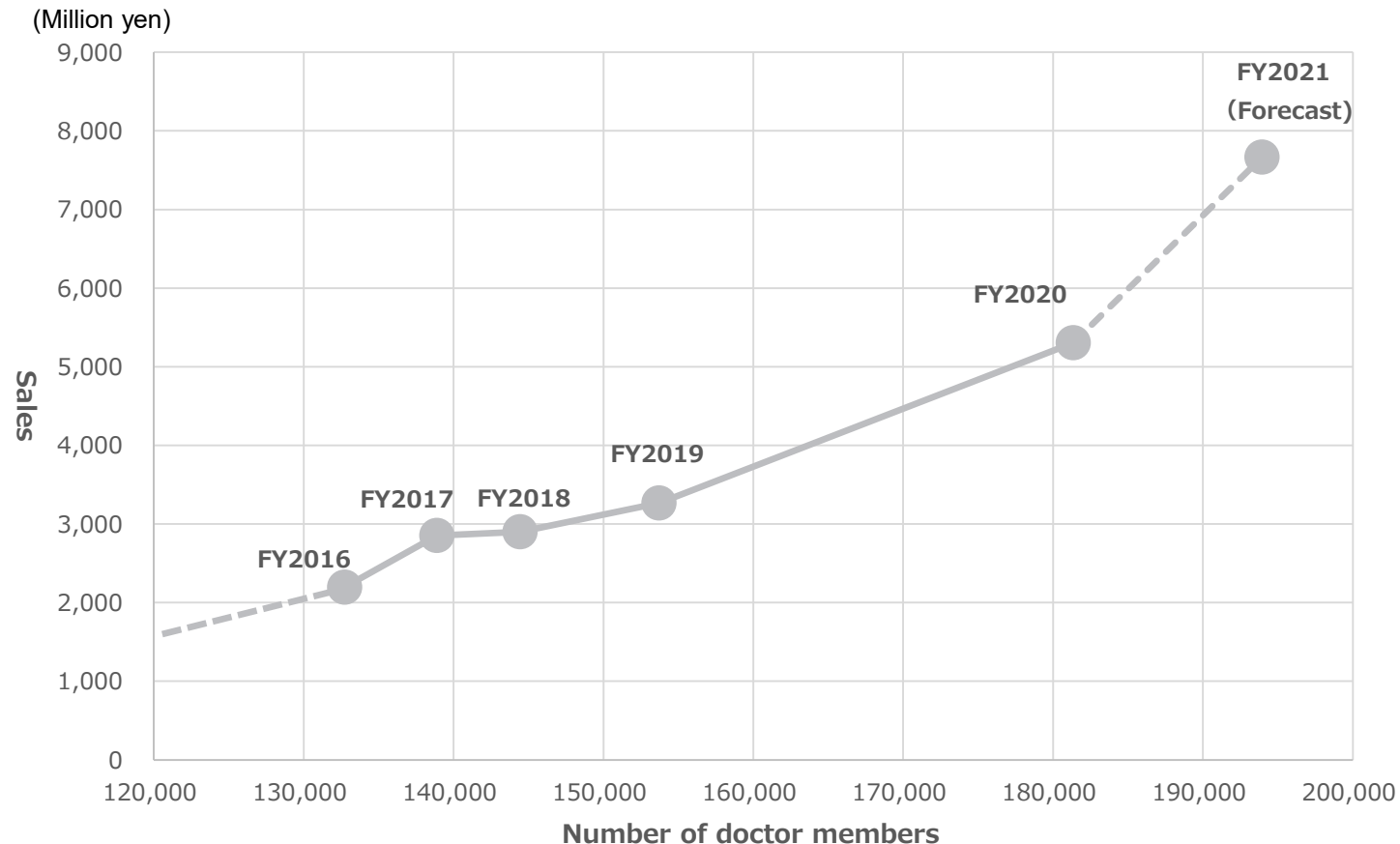
We have developed three business segments utilizing our doctor platform. Each segment has key services and has realized a profit. Our growth model is to not only expand businesses in existing segments by increasing doctor members, but also to develop new business segments or new services in each segment.



Number of doctor members as management index

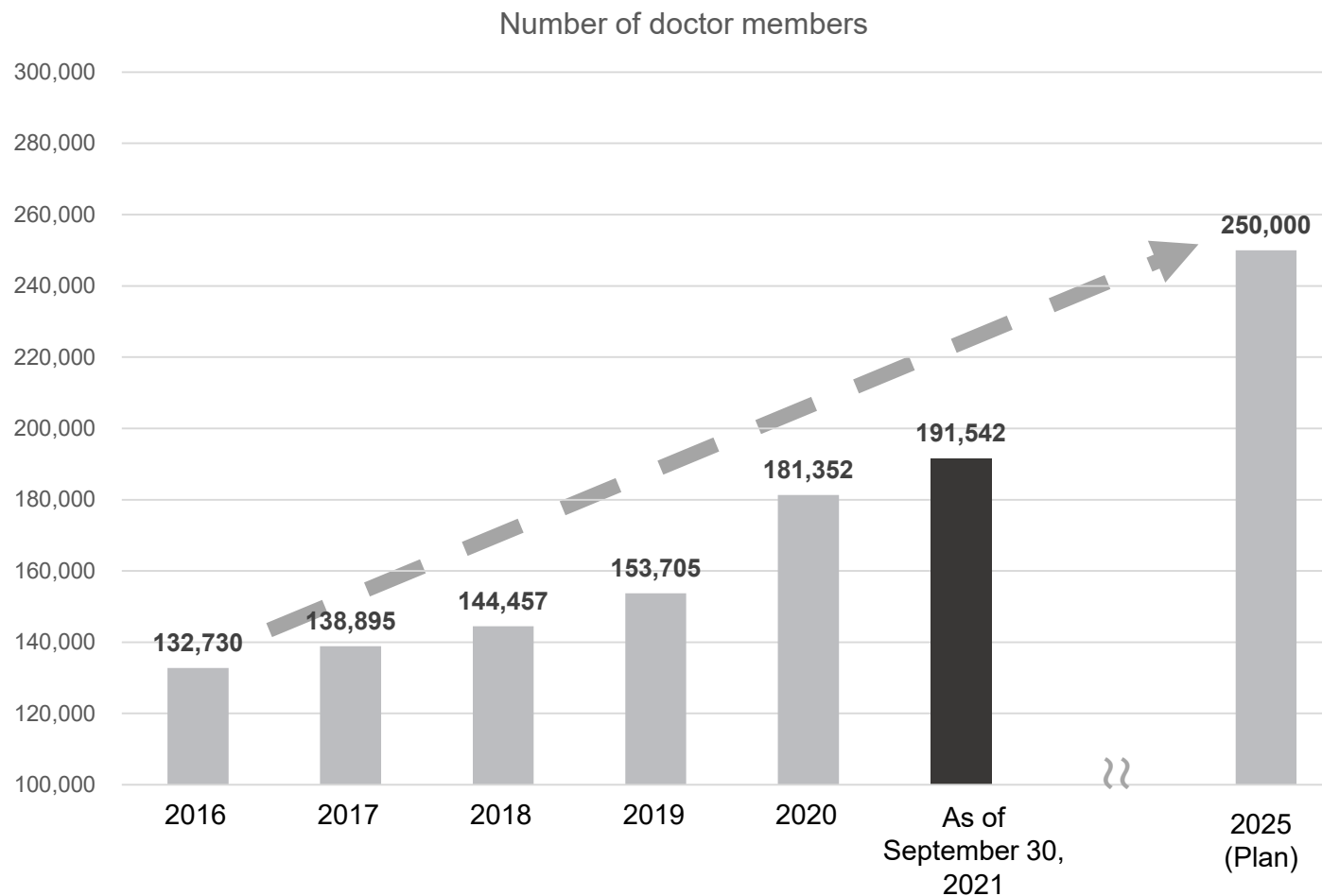
—Relation between Expansion of Membership and Business Performance

- We have expanded the pharmaceutical DX business to develop it into a core business while increasing the number of doctor members.
We will continue to develop new businesses in response to the increase in doctor members, with the aim of realizing continuous growth.



Doctors who are Members

- The number of doctors who are CareNet members has been steadily increasing year on year, exceeding 190,000 as of September 30, 2021.

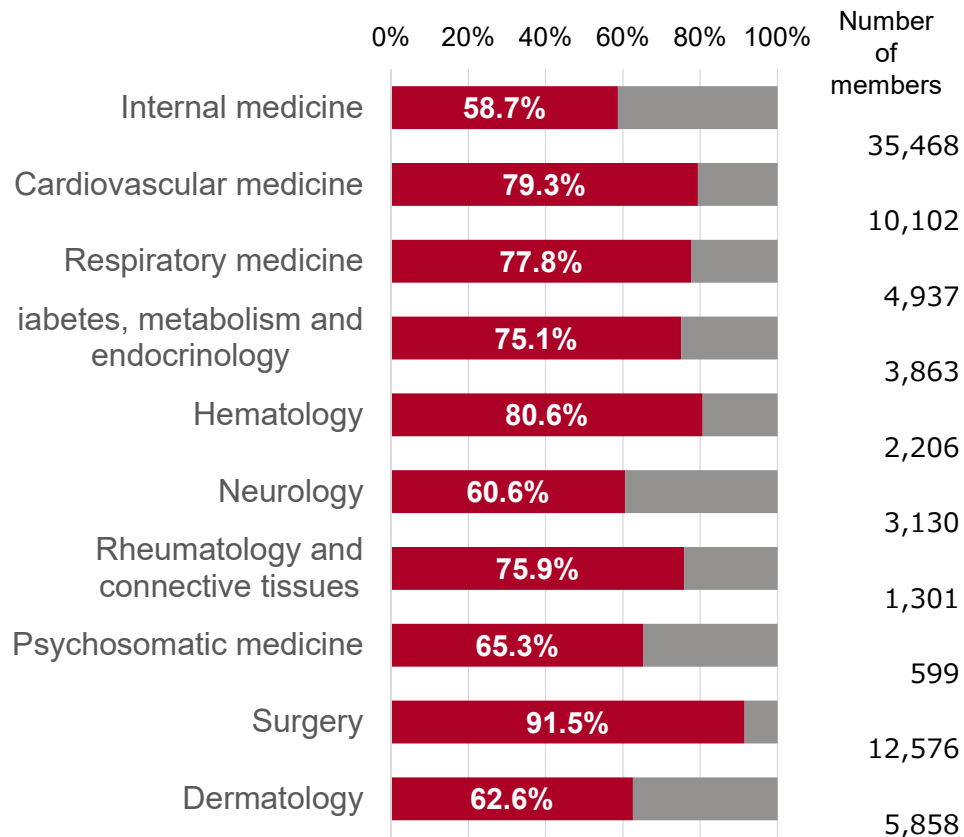


Attributes of Doctor Members

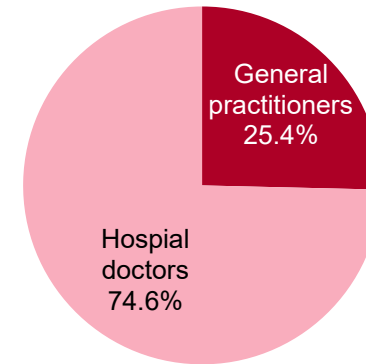
Over 70% of medical specialists in various clinical departments are CareNet doctor members.

Major clinical departments

Rate of doctor members in their primary clinical department at the time of their CareNet registration, assuming the number of primary departments reported to the MHLW as 100%.



Ratio of GPs/Hospital doctors



Of 191,542 registered doctor members, general practitioners (GPs) and hospital doctors are 48,599 and 142,943 respectively. (as of September 30, 2021)

Source: MHLW's "Survey of Physicians, Dentists and Pharmacists 2018"

Key Measures to Expand Membership of Doctors

1. Quality and quantity of content

- We provide useful information for doctors and medical professionals in routine clinical practice, in accordance with our business philosophy.
- We will aim to attract the attention and support of as many doctors as possible by enhancing new content for high-profile disease areas in terms of both quality and quantity.



2. Strengthening ties with universities

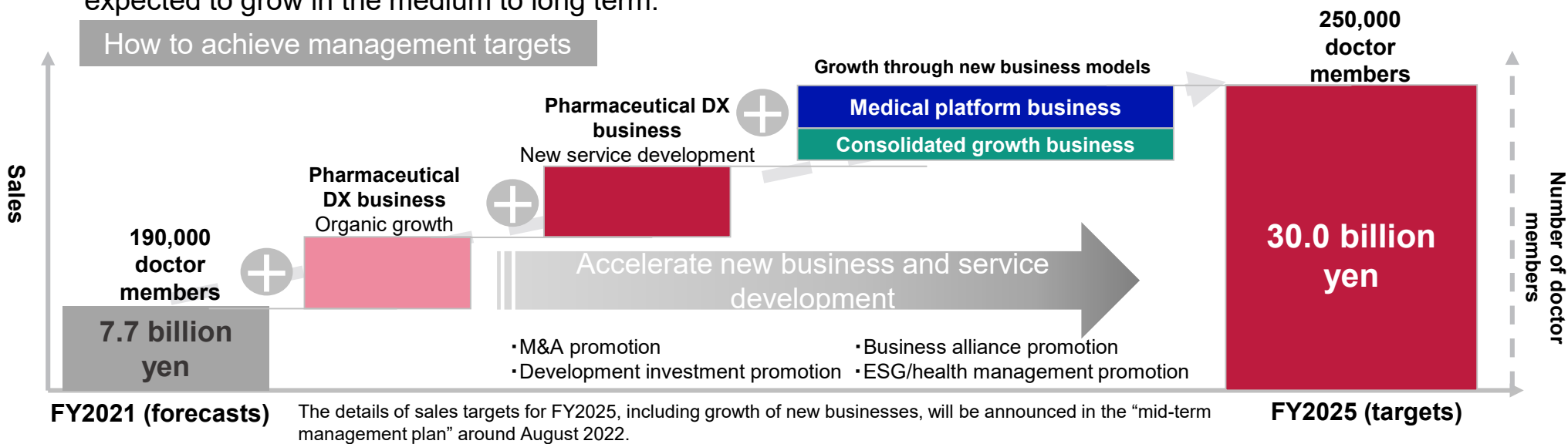
- Through our initiatives such as providing CareNeTV free of charge to medical students and young doctors under clinical training, we will strive to gain recognition of our services among them from an early stage in order to lead them to become our members.

3. Campaigns and collaboration with other websites

- We are running campaigns to encourage our doctor members to recommend our services to their friends who are also doctors.
- We have also promoted partnerships for interoperable services with other websites such as “isho.jp”.

Mid-term Vision

- In order to achieve net sales of 30.0 billion yen, operating profit of 10.0 billion yen, and 250,000 doctor members by 2025, we will aim to not only drive the continuous expansion of company-wide sales with strong growth contribution from the pharmaceutical DX business, which currently generates about 90% of our sales, but also expand the medical platform business and the consolidated growth (health data science) business as new growth businesses expected to grow in the medium to long term.



	Stable profit + evolved business	New growth businesses	
Business model expectations	Pharmaceutical DX business	Medical platform business	Consolidated growth business
	<ul style="list-style-type: none"> Promote DX in pharmaceutical sales by pharmaceutical companies by utilizing online seminars, e-DTL, remote DTL, etc. 	<ul style="list-style-type: none"> Support medical treatment and management for doctor members (attracting patients, improving efficiency, etc.) 	<ul style="list-style-type: none"> Support employee health promotion and corporate health management through health management in work settings for companies
	Pharmaceutical DX has potential to grow into a 3-400.0 billion yen market long-term ¹⁾	Target approx. 10,000 of the approx. 100,000 medical institutions nationwide ²⁾	Aim for a 1.8 trillion yen market in workplace health management ³⁾

¹⁾ See page 14 of this document

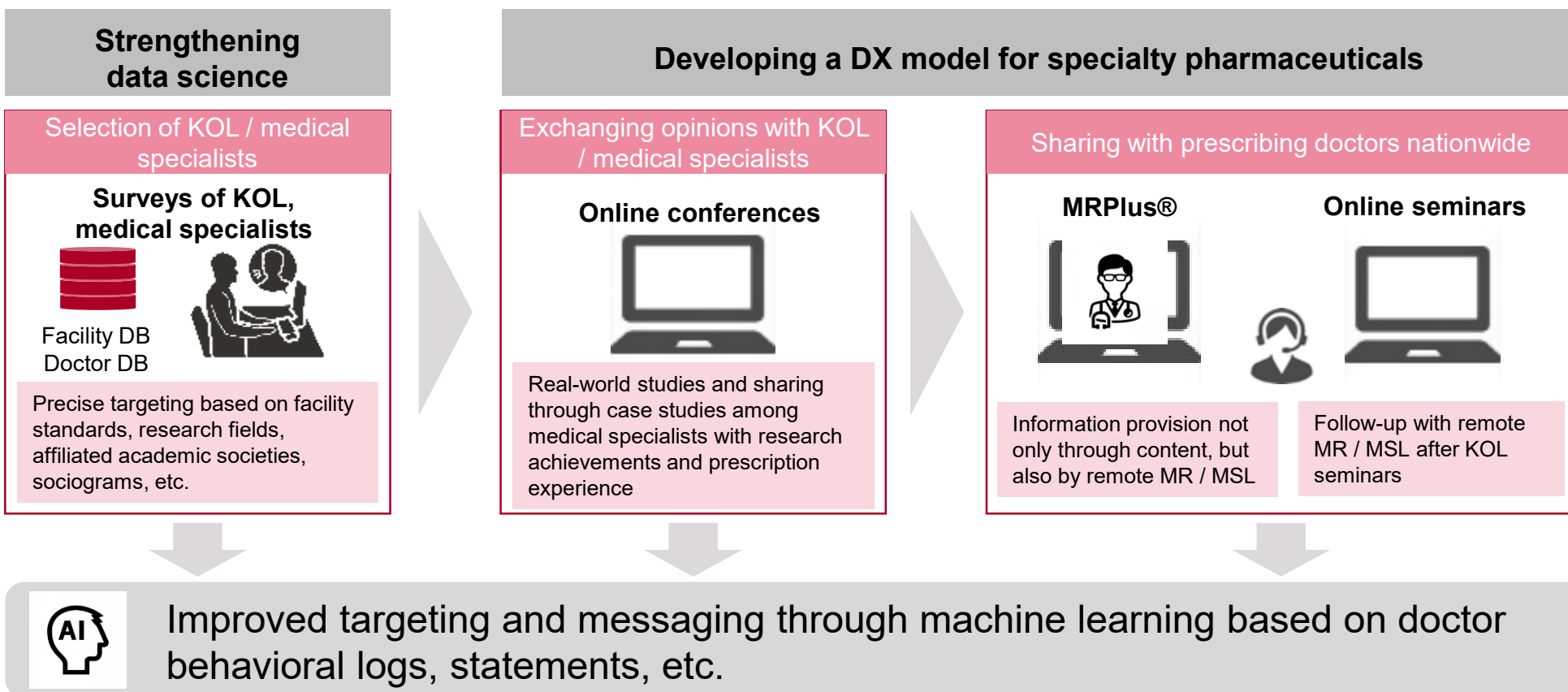
²⁾ Source: MHLW’s “Dynamic Survey of Medical Hospital Report”

³⁾ See page 29 of this document

Direction of Development of “Pharmaceutical DX Business” Supporting Growth Strategy

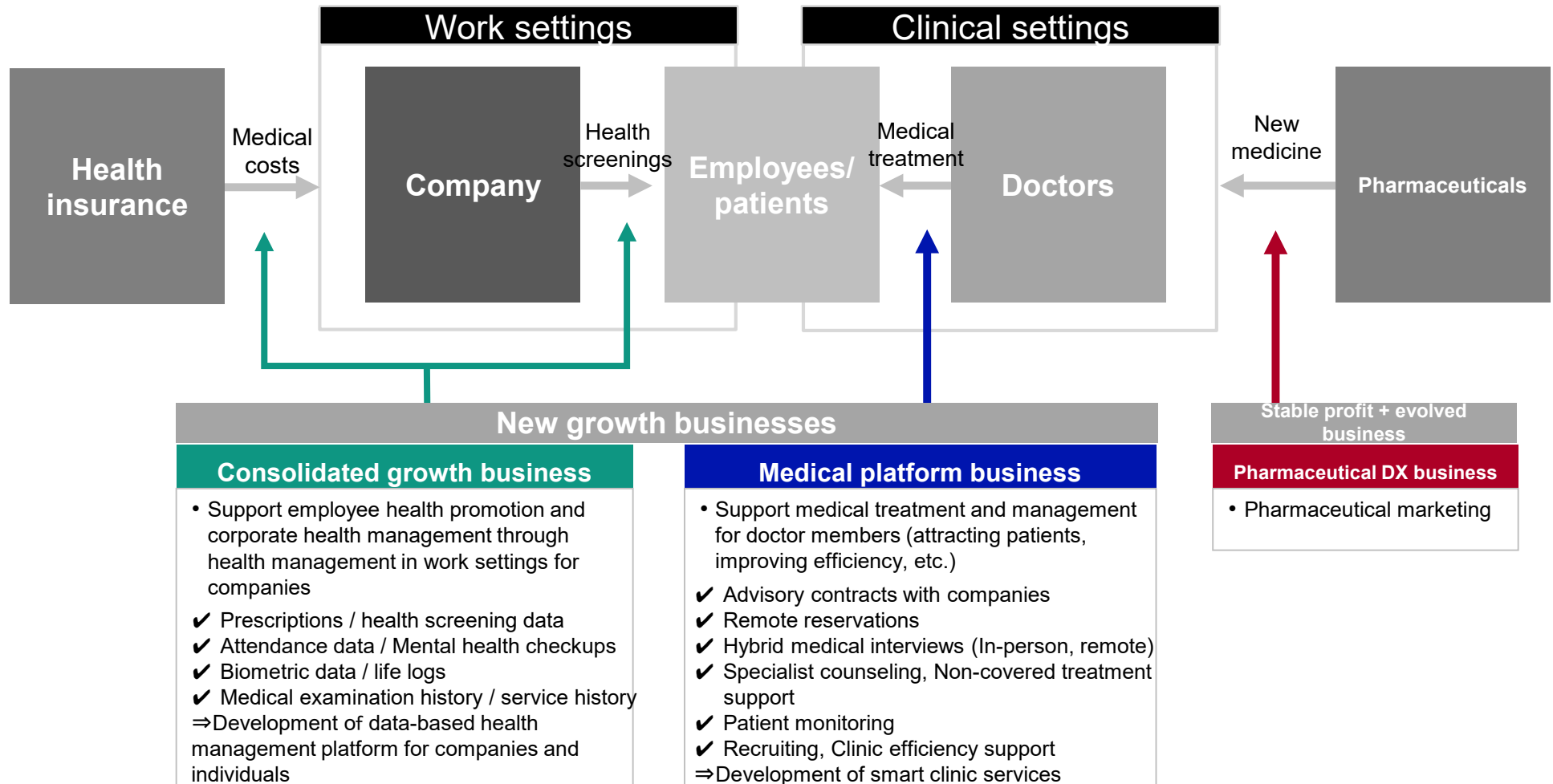
Pharmaceutical DX Business - Developing DX Solutions

In the era of specialty pharmaceuticals, unlike the era of primary-care drugs, more precise targeting of medical institutions and doctors is required. Sharing knowledge and experience based on examples of research and prescriptions by medical specialists is highly important for understanding a medicine’s effectiveness and safety. The provision of new DX solutions is required to accommodate busy doctors. We will strive to not only strengthen targeting with development investment in data science approaches but also enhance engagement with medical specialists with development investment in DX models.



Direction of Business Development in New Business Field

- In line with the further growth of our core pharmaceutical DX business, we will also work on the “medical platform business” to support clinics and the “consolidated growth (health data science) business” to support health care and health management through work settings as new growth businesses, centered around our doctor platform.



Medical Platform Business - Direction of Future Development (for clinics)

- Toward our philosophy of “creating a sustainable healthy society in the digital age,” CareNet is working to encourage smarter clinics where there is room for improving the efficiency of medical treatment and business operations through digitalization.

New development of the “smart clinic” (SC) service line-up

Attracting patients

Remote reservations

- Online reservations for medical treatment



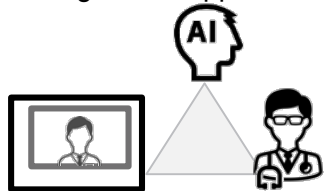
Advisory contracts with companies

- Proposing corporate support to solve employee health management issues

Diagnostics (medical interview)

Hybrid medical interviews

- In-person, remote, AI medical interviews
- Diagnostic support



Treatment

Specialist counseling



Online specialist consultation

Non-covered treatment support

- Anti-aging
- Cosmetic treatment
- Nutritional consultations etc.

Continuation

Patient monitoring

- Biometric data
- Life logs etc.



Management

Recruiting

- Staff dispatch / introduction
- Staff education

Clinic efficiency support

- Administration
- Electronic records, prescriptions etc.



Educational clinical medicine channel that provides fun learning from top-level senior medical professionals

Expanding doctor platform with over 190,000 registered doctor members

Website providing daily information on medical care with over 3,000 articles and news items posted every year

CareNet (CareNet.com)

Search papers on PubMed in Japanese

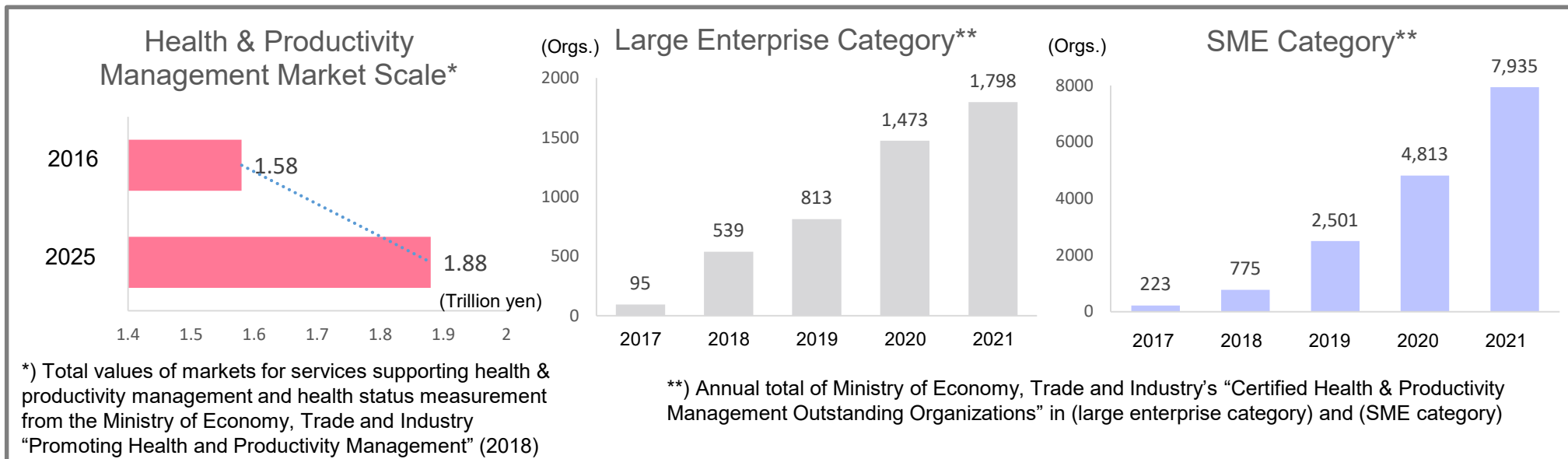
Pub**Med**CLOUD

Medical news selected by specialists

Doctors' Picks

Health Data Science (Consolidated Growth) Business – Business Opportunities

- Corporate investment in health is increasing year to year (compulsory expenses in regular health screenings, stress checks, industrial physician costs, etc. in addition to services in collaboration with health insurance associations and other health promotion services provided as benefits that aren't required by law). The number of companies recognized as "Certified Health & Productivity Management Outstanding Organizations" has continued to increase with the promotion of work-style reforms.

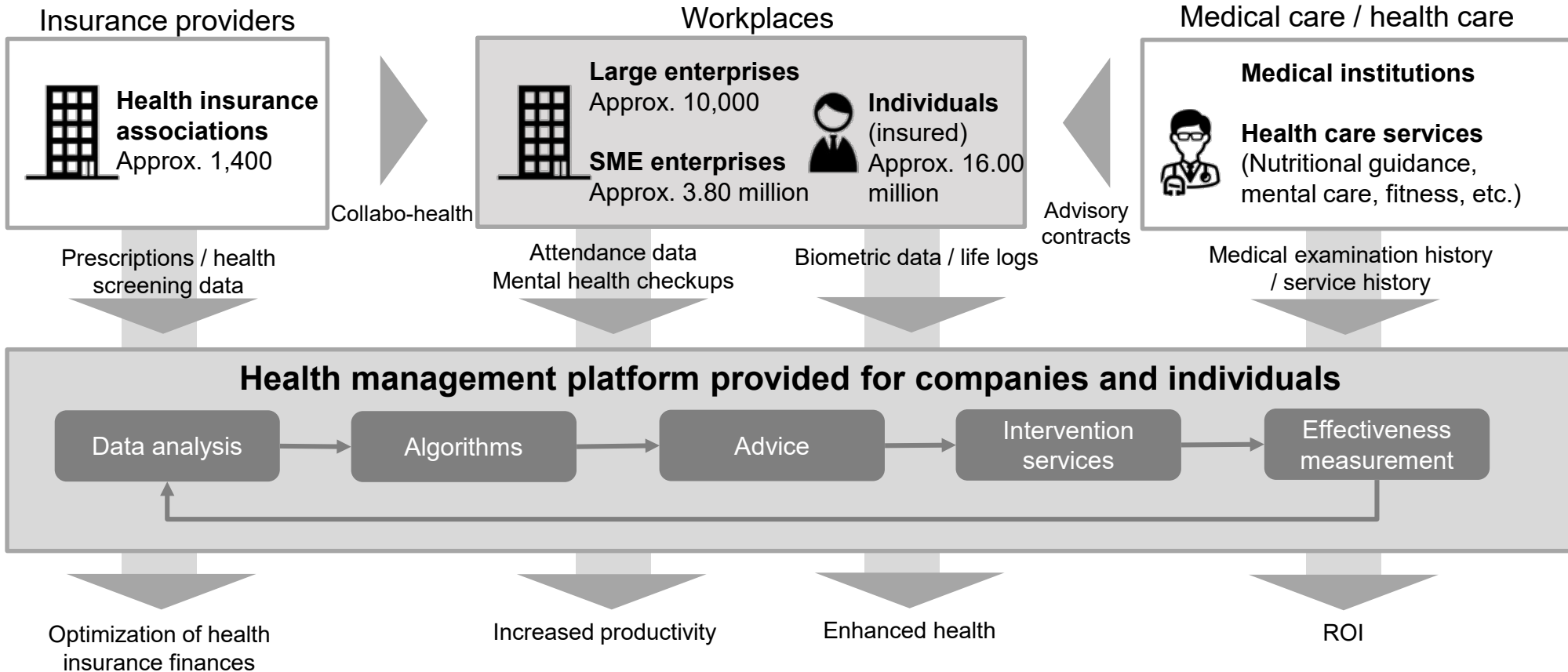


With increasing corporate investment in health, companies and health insurance associations are promoting further collaboration in data and services. However, there is still a lack of coordination with external intervention services to provide health guidance to pre-disease groups or to prevent aggravating the conditions of employees facing health issues, and this has not led to measurement of the effectiveness of health investments or subsequent improvements.

Health Data Science (Consolidated Growth) Business – Direction of Business Development

Service for supporting the promotion of corporate health management through individual health management centered on work settings

Development of a health platform that provides a one-stop access point for a variety of functions ranging from data analysis to necessary medical and health care services and verifications of effectiveness



We will promote data analysis and algorithm development through our alliance with the Health Management System of the University of Occupational and Environmental Health and the Tokio Marine Group concluded in FY2020. By linking the medical platform developed by CareNet with the services and programs of each partner, we will develop and provide a platform for supporting both corporate and individual health.

Financing for Accelerating Business Development

Financing method

- Issuance of 2021 first series stock acquisition rights by third-party allotment with exercise price amendment clause (as of September 3, 2021)
- Planned amount of funds raised: 6,330 million yen*
- Exercise period: 2 years (September 6, 2021 to September 5, 2023)

Goals

- Early development and introduction of a business model for specialty pharmaceuticals

Expand new service areas



Secure talented human resources

Uses for funds

Strengthen data science

Amount: 1,500 million yen*

Establish a sustainable system

- Estimate the number of patients eligible for a new specialty drug
- Identify target medical institutions and doctors
- Understand the actual state of treatment provided by target medical facilities and doctors

Develop a DX model for specialty pharmaceuticals

Amount: 4,830 million yen*

Develop a framework for realizing online engagement with target medical specialists for specialty pharmaceuticals

*Amounts calculated based on the initial exercise price

This program, which includes several development goals, is expected to be completed by FY2025, the final year of the Mid-term Management Vision. We will aim to achieve targets set in the Vision by immediately working on development plans currently available in order to realize introduction of new services, while trying to generate profits from the services in each stage.



5. Annual Plans and Progress

[Contents]

1. Business Model
2. Market Environment - Pharmaceutical DX Business
3. Our Competitiveness
4. Growth Strategy
- 5. Annual Plans and Progress**
6. Risk Information

Financial Year 2021 Plans

- CareNet expects significant increases in sales and profits to continue in this fiscal year, anticipating a growing demand for our services as the pharmaceutical industry in general has been further accelerating DX in promotional activities in response to the spread of COVID-19.

(Million yen)

	Fiscal year ended December 31, 2020	Fiscal year ending December 31, 2021 (Plan)		
		First half plan	Second half plan	Full year plan
Net sales	5,304	3,800	3,864	7,664
Operating profit	1,510	1,100	1,111	2,211
Ordinary profit	1,506	1,100	1,122	2,222
Profit attributable to owners of parent	815	673	727	1,400

Nine Months Ended September 30, 2021 (Cumulative) – Financial Results Summary

- The pharmaceutical DX business, which accounts for nearly 90% of our net sales, achieved significant growth in both sales and profits during the period under review due to support by the continued increase in orders from pharmaceutical companies.
- In the medical platform business, net sales increased slightly due to the growth of CareNeTV. In the “consolidated growth business,” which was newly established by turning the career business for providing doctor outplacement support into a subsidiary, sales are increasing due to the contributions of AD Medica, which was acquired in February 2021, in addition to the growth of the career business.

(Million yen)

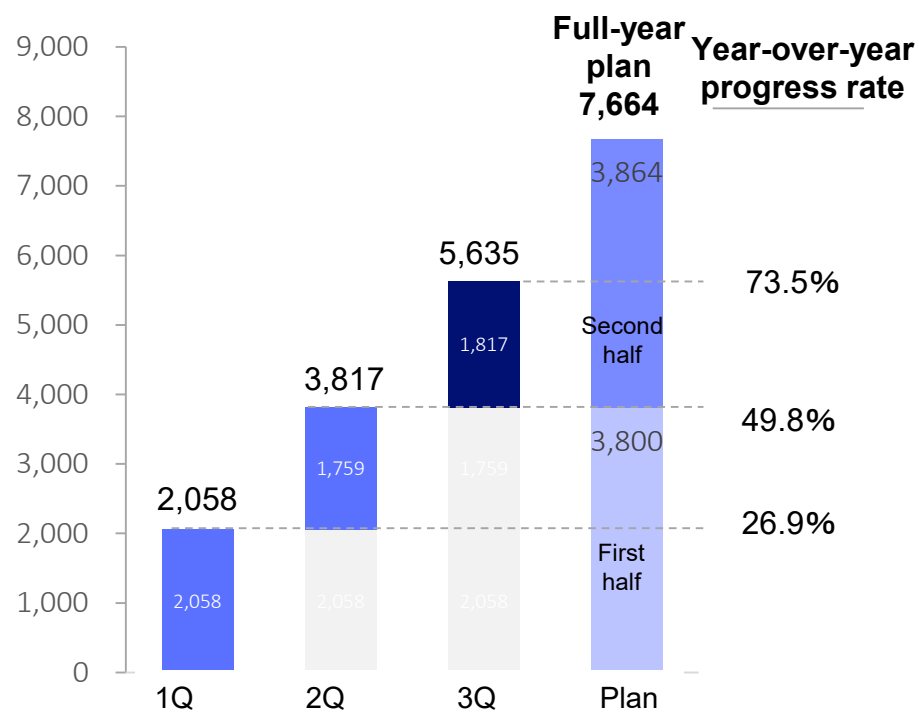
	Nine months ended September 30, 2021 (Cumulative)				Adjustment amount	Progress rate
	Company-wide	By segment				
		Pharmaceutical DX business	Medical platform business	Consolidated growth business		
Net sales	5,635	4,879	272	563	-79	73.5%
Operating profit	2,013	2,723	44	41	-795	91.1%
Ordinary profit	2,031	-	-	-	-	91.4%
Profit attributable to owners of parent	1,388	-	-	-	-	99.2%

Nine Months Ended September 30, 2021 (Cumulative) – Plans and Progress

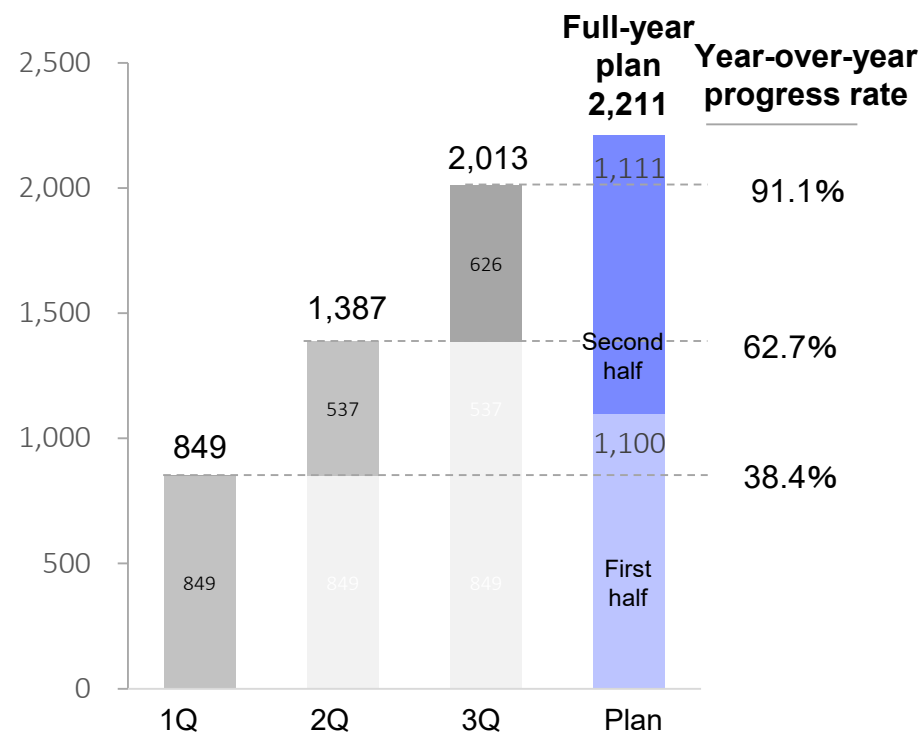
As of the completion of the nine months ended September 30, 2021, both sales and operating profit are steadily on track to achieve the figures of the full-year plan.

(Million yen)

Net sales



Operating profit

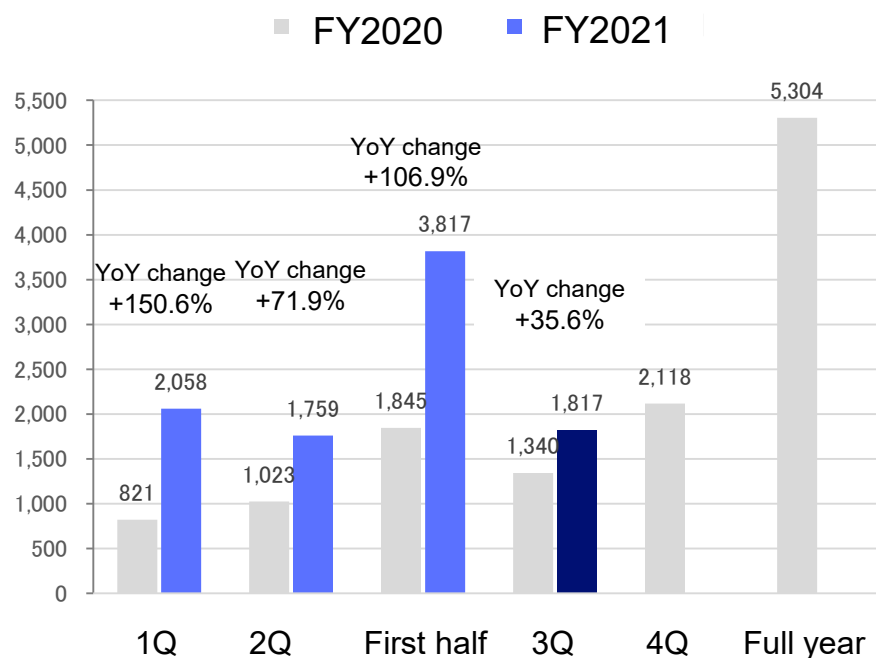


Nine Months Ended September 30, 2021 - Year-over-year Results

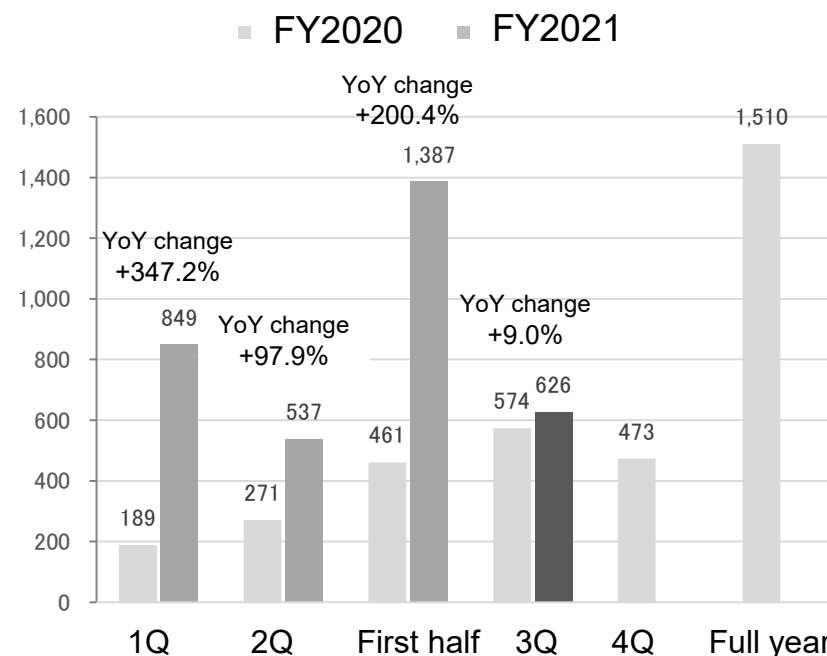
- We achieved further growth in both net sales and operating profit from the previous fiscal year, a year that showed remarkable growth.

(Million yen)

Net sales



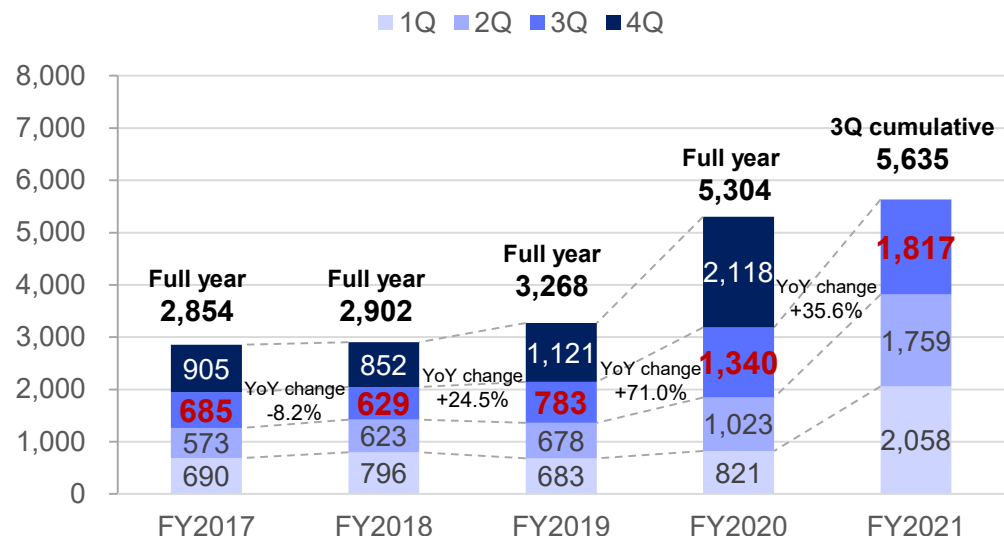
Operating profit



Trends in Company-wide Performance (1)

Net sales

(Million yen)



During the third quarter period, net sales increased by 35.6% year-over-year to 1,817 million yen due to the continued strong performance of the pharmaceutical DX business. During the period of the nine months ended September 30, 2021, net sales grew 76.9% year-over-year to 5,635 million yen.

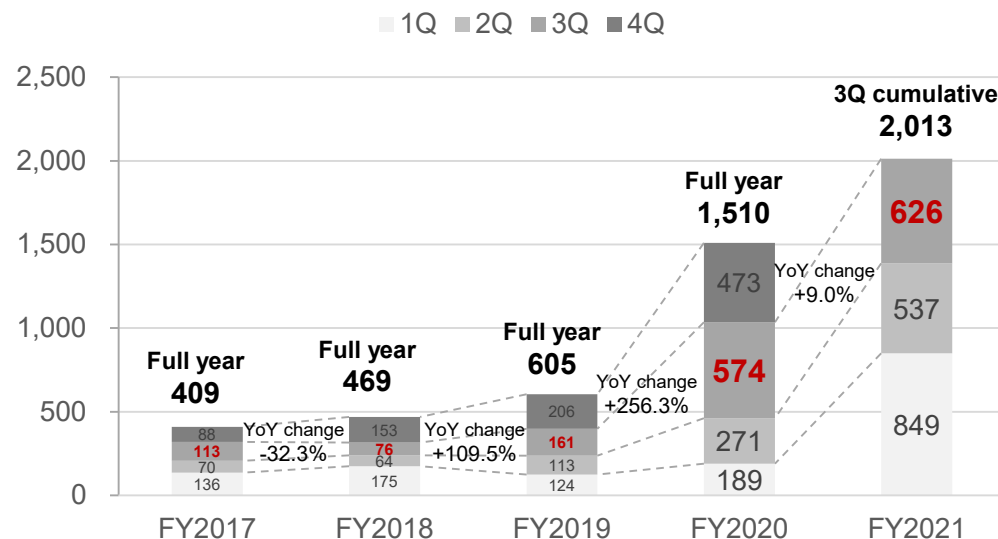
	1Q	2Q	3Q	4Q	Full year
Fiscal year ended December 31, 2017	690	573	685	905	2,854
Fiscal year ended December 31, 2018	796	623	629	852	2,902
Fiscal year ended December 31, 2019	683	678	783	1,121	3,268
Fiscal year ended December 31, 2020	821	1,023	1,340	2,118	5,304
Fiscal year ending December 31, 2021	2,058	1,759	1,817	-	-

For the past 5 years, except the previous fiscal year, we have seen a seasonal factor in which sales growth changes during the second and fourth quarters. While repeating this seasonality, we have continued to increase full-year sales.

Trends in Company-wide Performance (2)

Operating Profit

(Million yen)



	1Q	2Q	3Q	4Q	Full year
Fiscal year ended December 31, 2017	136	70	113	88	409
Fiscal year ended December 31, 2018	175	64	76	153	469
Fiscal year ended December 31, 2019	124	113	161	206	605
Fiscal year ended December 31, 2020	189	271	574	473	1,510
Fiscal year ending December 31, 2021	849	537	626	-	-

During the third quarter period, operating profit rose by 9.0% year-over-year to 626 million yen, in line with higher sales.

During the period of the nine months ended September 30, 2021, operating profit grew 94.3% year-over-year to 2,013 million yen.

Operating profit growth could also change during the second and fourth quarters due to the impact of the seasonality of sales. While repeating this seasonality, we have increased full-year operating profit.

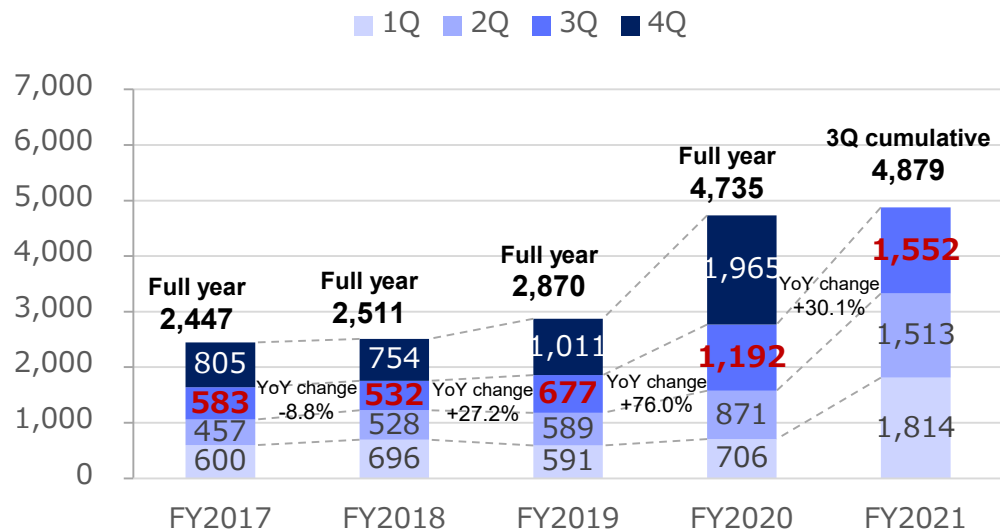


Progress by Segment

Segment Performance – Pharmaceutical DX Business (1)

Net sales

(Million yen)



While partially affected by the Tokyo Olympic Games, we saw further sales growth in the third quarter period as compared with the same period of the previous year when we expanded our sales under the COVID-19 crisis. As orders for our core services (MRPlus, online seminars, etc.) have remained strong, net sales increased by 30.1% year-over-year to 1,552 million yen in the third quarter. The cumulative amount during the period of the nine months grew 76.1% year-over-year to 4,879 million yen.

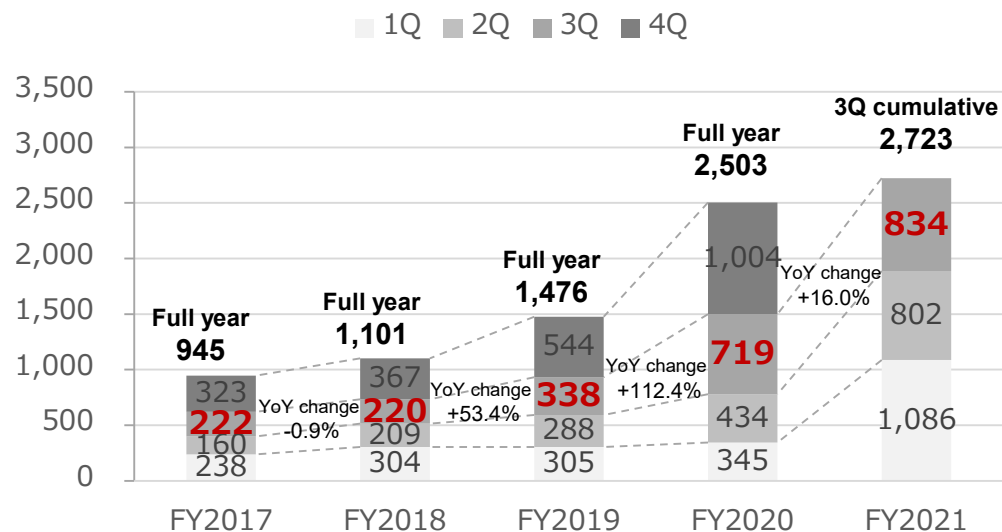
For the past five years (except the previous fiscal year), we have seen a seasonal factor during the second and fourth quarters in which sales growth changes depending on pharmaceutical companies' decisions to exhaust budgets. While repeating this seasonality, we have continued to increase sales.

	1Q	2Q	3Q	4Q	Full year
Fiscal year ended December 31, 2017	600	457	583	805	2,447
Fiscal year ended December 31, 2018	696	528	532	754	2,511
Fiscal year ended December 31, 2019	591	589	677	1,011	2,870
Fiscal year ended December 31, 2020	706	871	1,192	1,965	4,735
Fiscal year ending December 31, 2021	1,814	1,513	1,552	-	-

Segment Performance – Pharmaceutical DX Business (2)

Segment profit

(Million yen)



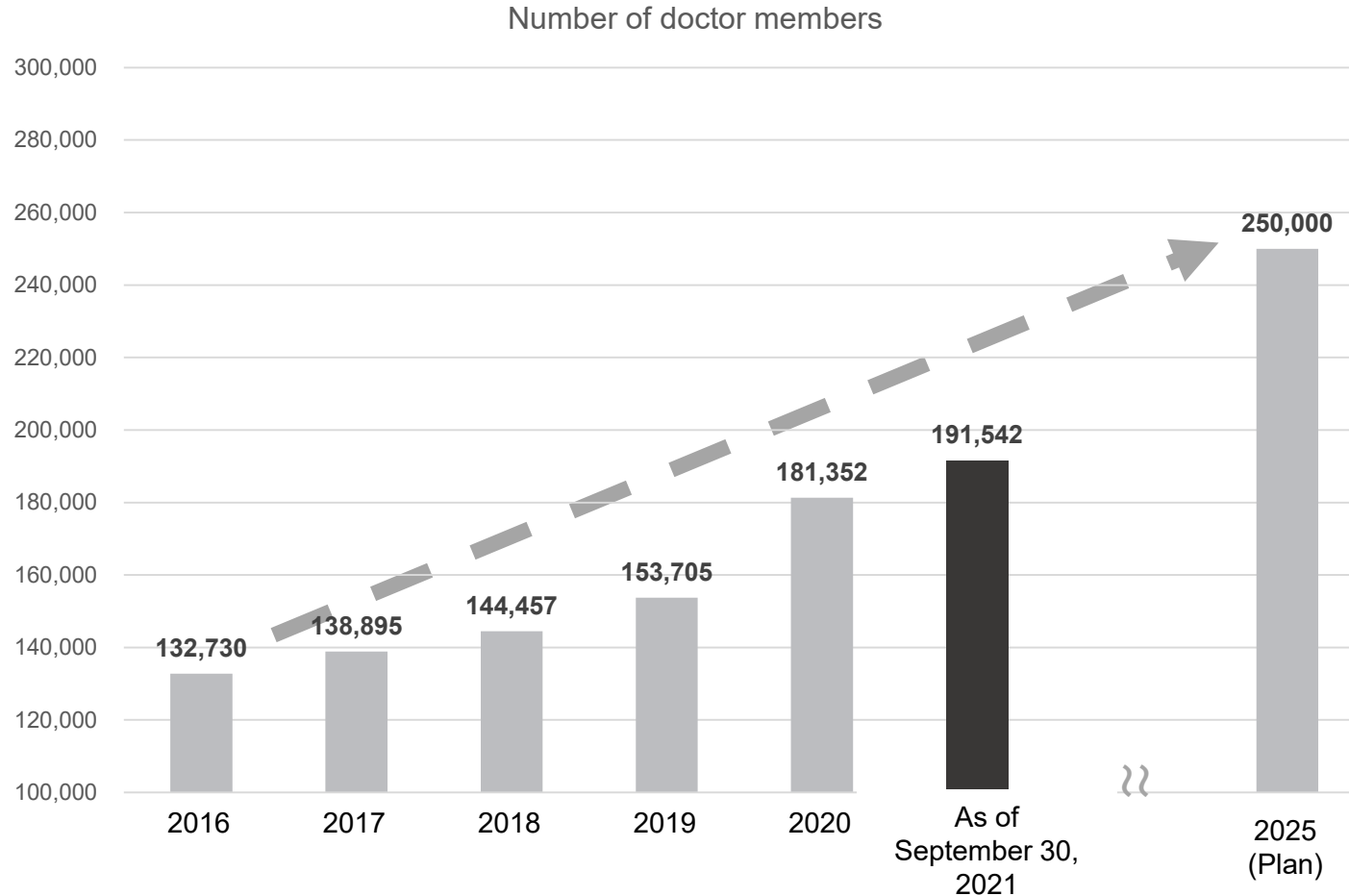
During the third quarter, segment profit increased by 16.0% year-over-year to 834 million yen in line with increased sales. The cumulative amount during the nine-month period grew 81.6% year-over-year to 2,723 million yen. We have maintained the segment profit ratio of over 50%, which shows that the profit from this segment has contributed significantly to our profits.

Segment profit growth could also change during the second and fourth quarters due to the impact from the seasonality of sales. While repeating this seasonality, we have increased profits.

	1Q	2Q	3Q	4Q	Full year
Fiscal year ended December 31, 2017	238	160	222	323	945
Fiscal year ended December 31, 2018	304	209	220	367	1,101
Fiscal year ended December 31, 2019	305	288	338	544	1,476
Fiscal year ended December 31, 2020	345	434	719	1,004	2,503
Fiscal year ending December 31, 2021	1,086	802	834	-	-

Doctors who are Members

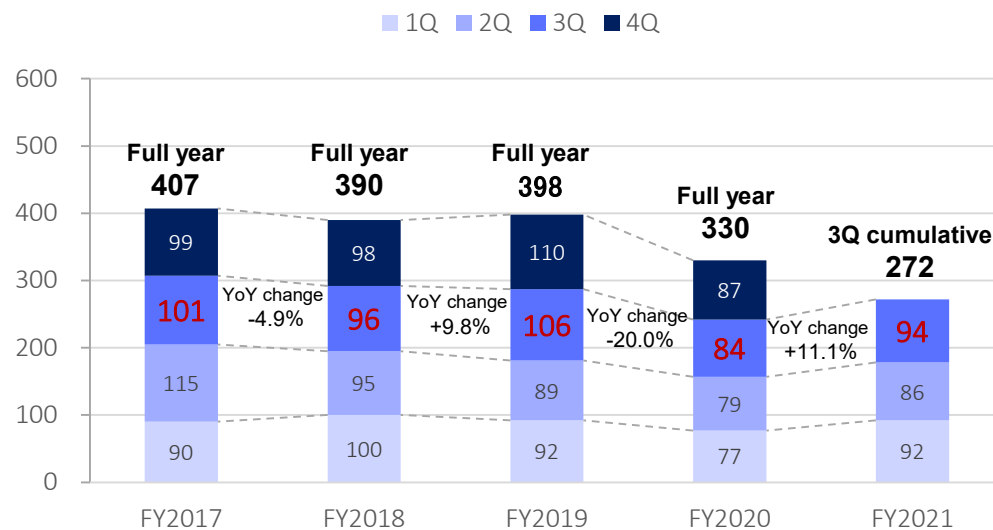
- Continuing from the previous fiscal year, the number of doctors who are members has been steadily increasing, exceeding 190,000 as of September 30, 2021.



Segment Performance – Medical Platform Business (1)

Net sales

(Million yen)



During the period of the third quarter, net sales in this segment grew 11.1% year-over-year to 94 million yen due to an increase in sales of CareNeTV as the number of paying members exceeded 6,100. The cumulative amount during the period of the nine months increased by 12.6% year-over-year to 272 million yen.

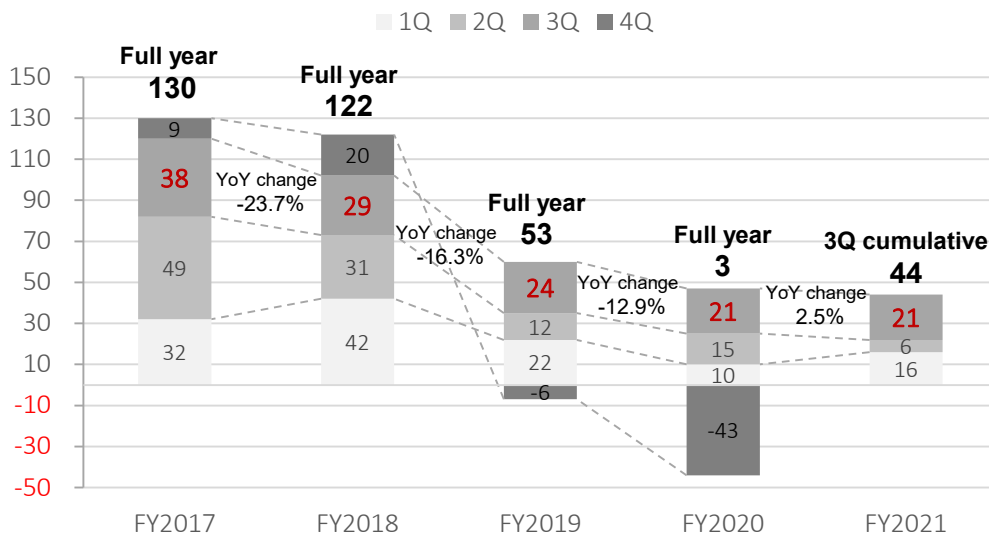
From this fiscal year, we have transferred the doctor career business from the medical platform business to the “consolidated growth business.” For this reason, the sales and profit of the career business have been deducted from the results for the fiscal year ended December 31, 2020, in order to show accurate year-over-change in sales of the medical platform business.

	1Q	2Q	3Q	4Q	Full year
Fiscal year ended December 31, 2017	90	115	101	99	407
Fiscal year ended December 31, 2018	100	95	96	98	390
Fiscal year ended December 31, 2019	92	89	106	110	398
Fiscal year ended December 31, 2020	77	79	84	87	330
Fiscal year ending December 31, 2021	92	86	94	-	-

Segment Performance – Medical Platform Business (2)

Segment performance

(Million yen)



Segment profit of the medical platform business in the third quarter was 21 million yen, nearly the same over the prior-year period. The cumulative amount during the period of the nine months declined 5.3% year-over-year to 44 million yen.

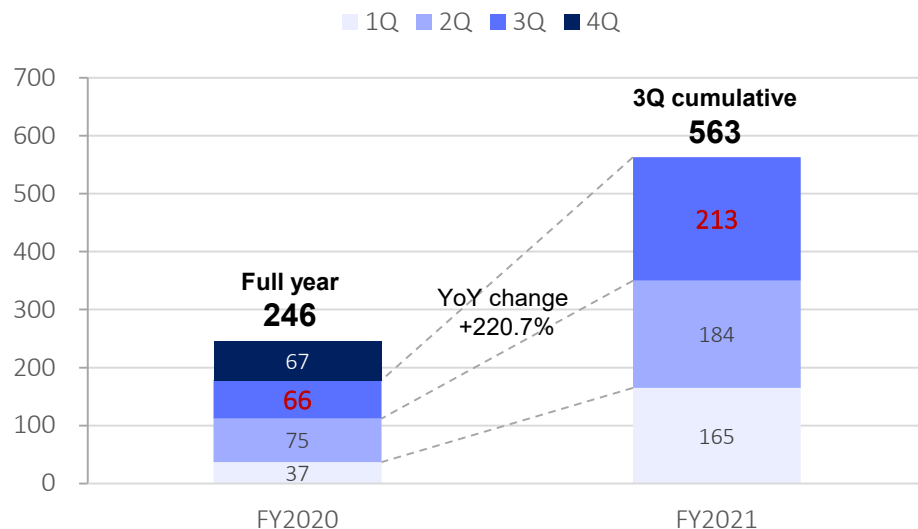
In the fourth quarter of the previous fiscal year, segment profit showed negative growth due to an increase in the amount of live content produced in relation to COVID-19, expenses for upgrading platforms, etc.

	1Q	2Q	3Q	4Q	Full year
Fiscal year ended December 31, 2017	32	49	38	9	130
Fiscal year ended December 31, 2018	42	31	29	20	122
Fiscal year ended December 31, 2019	22	12	24	-6	53
Fiscal year ended December 31, 2020	10	15	21	-43	3
Fiscal year ending December 31, 2021	16	6	21	-	-

Segment Performance – Consolidated Growth Business (1)

Net Sales

(Million yen)



	1Q	2Q	3Q	4Q	Full year
Fiscal year ended December 31, 2020	37	75	66	67	246
Fiscal year ending December 31, 2021	165	184	213	-	-

As we turn the career business into a subsidiary, CareNet will introduce the “consolidated growth business” as a new segment from the fiscal year under review, representing the total profit of our consolidated subsidiaries.

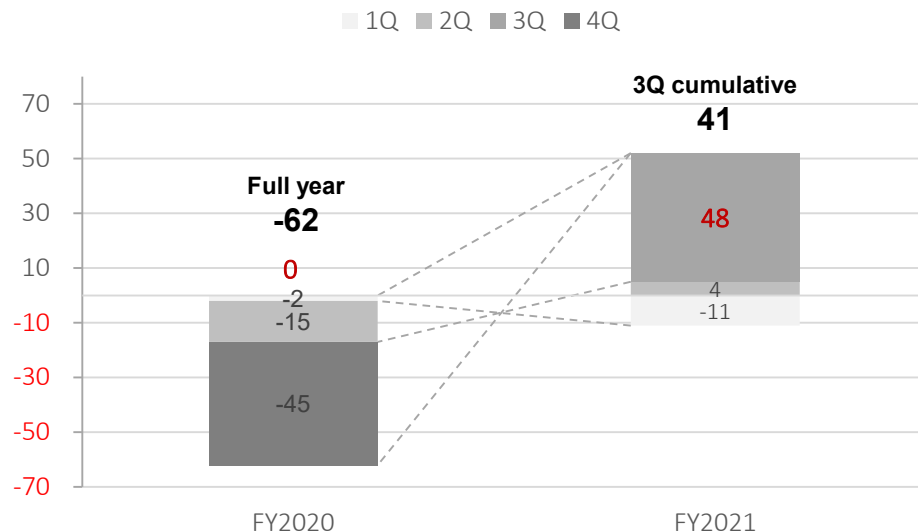
This segment consists of sales of CareNet Works Design, Inc., which is responsible for CareNet’s career business, as well as sales of Asclepia Co., Ltd., Scientific Communication Labo. inc., and AD Medica Inc.

Net sales in this segment increased 220.7% year-over-year to 213 million yen due to the growth of the career business and the addition of the sales of AD Medica Inc., which was acquired in February 2021 and became a wholly-owned consolidated subsidiary. The cumulative amount during the period of the nine months grew 215.4% to 563 million yen.

Segment Performance – Consolidated Growth Business (2)

Segment profit

(Million yen)



We gained segment profit of 48 million yen in the third quarter due to increased revenue in the career business and the contribution of AD Medica. The cumulative amount for the nine months has grown to 41 million yen from -17 million yen in the same period of the previous year. We have remained profitable since the second quarter of this fiscal year.

	1Q	2Q	3Q	4Q	Full year
Fiscal year ended December 31, 2020	-2	-15	0	-45	-62
Fiscal year ending December 31, 2021	-11	4	48	-	-



6. Risk Information

[Contents]

1. Business Model
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6. **Risk Information**

Recognized Risks and Countermeasures (1)

- Major risks that CareNet, Inc. (the “Company”) is aware of are as follows. Unless otherwise stated, any forward-looking statements are determined by the Company based on information available as of the end of the current consolidated fiscal year.

Classification	Risks	Countermeasures
Risks related to dependence on the medical and pharmaceutical industries	Most sales of the CareNet Group (the “Group”) are generated by sales from pharmaceutical companies, doctors, and medical professionals. When the Group is unable to respond to stagnation or shrinking of the medical and healthcare markets due to situations such as reductions in medical costs or drug prices, generic erosion, changes in the current health care system, etc., as well as new market trends, those events could have an impact on the Group’s business performance, etc. In addition, the pharmaceutical industry is facing intensifying global competition among companies and accelerating moves towards reorganization. While competition among companies may accelerate the adoption of various services provided by the Company, there is a possibility that the existing customers who are reorganized may reevaluate their transactions with the Company. Such cases may affect the Group’s business results, etc.	By not only providing services that meet the needs of pharmaceutical companies, etc., but by also developing new products, the Group will establish a system that can respond to various companies without concentrating customers in specific countries, regions, and companies, with the aim of diversifying risk. In addition, the Company strives to reduce the risk of loss of customers by appropriately implementing credit management for customers on a regular basis.
Risks related to entry of rivals and acquisition/retention of doctor members	The Group requires cooperation from many doctors. Since the Group already has 190,000 doctor members (as of June 30, 2021), we believe that the Group has established strong advantages in this service. However, while we need the cooperation of many doctors in order to provide our services, the Company may become unable to maintain our advantages when newcomers enter to the market or competition intensifies due to launch of similar services by companies with doctor members or pharmaceutical companies themselves. Such cases could affect the Group’s business results.	The Group has acquired members by providing highly satisfactory medical information to doctor members through our membership-based websites for doctors and medical professionals, including CareNet.com. In addition, the Group has put its efforts into developing more specialized websites through cooperation with doctor members. With the increase in the number of doctor members, we will strive to secure our advantages by improving our services supporting pharmaceutical companies for their Internet-based marketing and activities on proper drug use.

Recognized Risks and Countermeasures (2)

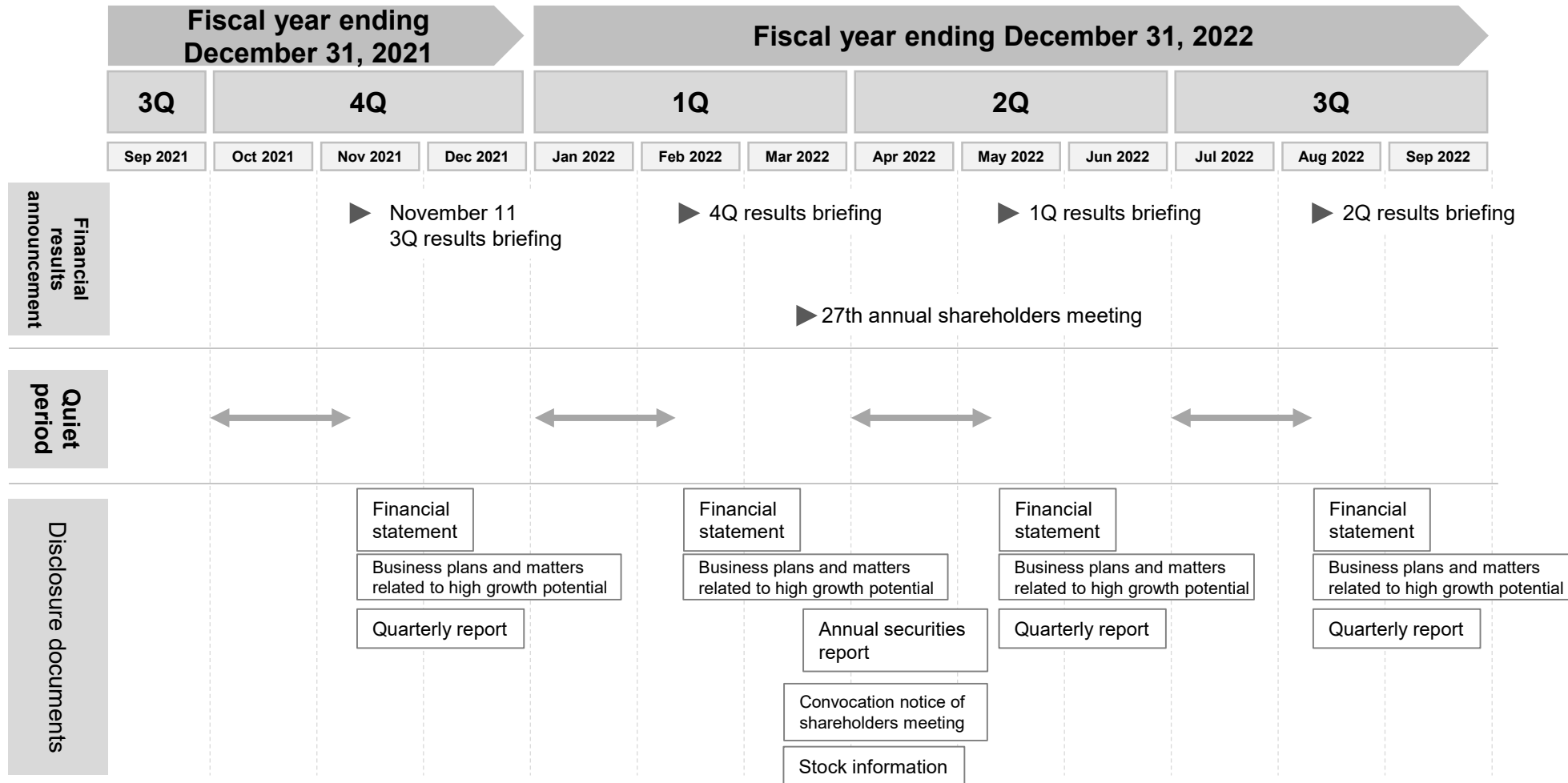
Classification	Risks	Countermeasures
Risks related to handling of personal information	<p>The Group's business is based on cooperation with doctors. For this reason, we hold personal information of many doctors for the execution of our business. In March 2005, the Group was granted the PrivacyMark certification, which meets Japan Industrial Standards (JIS Q15001: Requirements for compliance program on personal information protection). We are working to ensure the thorough management of personal information by taking measures such as the development of internal regulations regarding personal information protection and operational checks. With these measures, we believe it is extremely unlikely that the personal information of doctors, etc., will be leaked. However, if by any chance leakage of doctors' personal information occurs, we would lose the trust of doctors, which may result in interfering with almost all of the Group's services that are supported by doctor members, and subsequently affect the Group's business performance.</p>	<p>In order to manage their personal information, we are working to not only continuously conduct educational activities through training, etc., to raise the awareness of our executives and employees regarding personal information protection, but also execute our business in accordance with personal information protection regulations that stipulate specific operational procedures to protect personal information. In addition, we have established a cooperative framework with our system department in order to take further measures to prevent information leakage, including limiting the number of employees having security access privileges for computer system servers, etc.</p>
Risks related to Pharmaceutical and Medical Device Law, etc.	<p>The Group not only provides medical professionals with medical and pharmaceutical information through the Internet, print media, etc., but also conducts advertising activities for pharmaceutical companies under contract. For this reason, labeling and expressions used in such media are regulated by the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices, the JPMA Promotion Code for Prescription Drugs, the Guideline for Preparation of Product Overview for Prescription Drug, the Guidelines on advertising of prescription drugs for specialized papers/journals, and the Standards for Fair Advertising Practices. These laws and regulations restrict the use of words and expressions posted on websites, etc., regarding medical- or pharmaceutical-related names, efficacy, efficiency, safety, and handling of other companies' products, and required descriptions. If the Group were to violate such laws and regulations, it could affect the Group's business results, etc.</p>	<p>In order to prevent risks related to legal restrictions, the Group is committed to ensuring collecting information regarding enactment and revision of relevant laws and regulations, and monitoring them in each specialized field as proactive measures. We also strive to reduce risks associated with legal restrictions by ensuring specialists, executives, and employees understand relevant laws and regulations.</p>

For risks and countermeasures other than those described in this list, please refer to the "Business Risks" section in CareNet's Annual Securities Report.

Disclosure Schedule

Next progress report

*This schedule is tentative and subject to change.



The next progress report will be presented in three months at a financial results briefing for the fiscal year ending December 31, 2021 (scheduled for February 2022).

This material contains projections, plans, management targets, and other forward-looking statements, etc., relating to CareNet, Inc. (the “Company”).

These statements are drawn from assumptions (information and forecasts currently available to the Company), and it is possible that such assumptions are inaccurate and that actual results produced may differ from those mentioned in said statements.

Furthermore, information and data other than that concerning the Company has been quoted from public sources, and the Company offers no guarantee regarding the accuracy of such information.

CareNet, Inc.

Inquiries regarding IR: ir@carenet.co.jp



Appendix

Main Service Line-Up

CareNet offers various services to medical professionals and pharmaceutical companies.

For medical professionals Medical platform business



- Websites providing information on medicine and medical care that is useful for routine clinical practice



- Enables searching and management of papers on PubMed in Japanese



- A dedicated center for news that doctors want other doctors to read



- Fun learning from top-level senior medical professionals! Clinical medicine channel



- Specialist job-switching and part-time work recruitment information website for doctors

Medical information with a high level of satisfaction



Increase in members



Doctors and medical professionals



For pharmaceutical companies Pharmaceutical DX business



- IT solutions connecting doctors and pharmaceutical companies



- Online livestreaming of seminars with information that pharmaceutical companies want many doctors to hear



- Providing content that utilizes the unique characteristics of medical training media

Supporting more productive sales activities



Pharmaceutical companies



Services for Medical Professionals (1) – CareNet.com

CareNet.com provides answers to the information busy clinical physicians need to know immediately



Search for papers	Popular overseas articles in Japanese	Easy-to-understand explanations of areas outside of one's specialism
		
Lectures and seminars	Clinical conferences	Library of rare diseases
		

Services for Medical Professionals (2) - Doctors' Picks

It is virtually impossible for medical professionals to find the information that is useful for them from the vast amount of news related to medical care and medicine released on a daily basis.

Doctors' Picks solves that issue.



Collect Information

See at a glance what medical care news is attracting attention!



Aggregating the latest important news related to medical care and medicine in each field, selected by discerning doctors!
You can efficiently collect the information you want.

Pick Articles

Pick and comment on the articles you want to recommend!



Comment on and pick articles you find that you want to share with the community! Plus, you can learn about various interpretations of the latest news from comments by expert doctors.

Follow Peers

Follow and check your favorite doctors!



Follow doctors with the same specialism or close interests to see a list of articles picked by those doctors and their comments! Find only the articles valuable to you from among news scattered around the Internet.

Services for Medical Professionals (3) - CareNeTV

A wonderland for clinical medicine Supporting efficient "learning" by busy doctors and medical professionals with a complete range of programs

Over 2,000 practical programs covering areas such as preparation for medical specialist exams, presentations, and English, designed around improving clinical skills in everything from primary care to specialized fields

Over 500 all-star lecturers active on the frontline of clinical medicine

High-quality lectures made for CareNeTV



High-quality programs where users can view exclusive famous teaching from well-known doctors

Selection of price plans

- "Premium" fixed-fee plan enabling users to stream as many programs as they want from library of 2,000 programs
- Users can also choose price plans tailored to their own needs, including the right to watch a single "series" or "program" for a limited time

Premium plan features a large range of special benefits besides watching programs

- Downloadable to smartphones and tablets with dedicated app
- Invitations to various seminars (live, hands-on, etc.) and conferences
- Invitations to program sets, where users can listen live to lectures from famous lecturers etc.

Services for Medical Professionals (4) – CareNet Career

Search and match with the optimal human resources from a rich range of member panels

CareNet Career is a service that addresses the needs of CareNet members related to switching and finding jobs by introducing potential new workplaces.

- CareNet, Inc. operates a specialist recruitment website for doctors, where users can easily search for full-time and part-time job postings that match their criteria.
- On CareNet Career, we offer consulting services where we collaborate with partner companies to accept questions from doctors about how to advance their career and introduce better job postings.

We have many non-public job postings, including scouting and headhunting at the request of medical institutions, so we help both medical professionals and medical institutions find the optimal match.



Services for Pharmaceutical Companies (1) - MRPlus

MRPlus is a content distribution service for member doctors on CareNet.com.

Stimulating interest in drugs and diseases among doctors

- Attracting viewers from among doctors with polished content
- 90% or more of viewers complete programs

Identifying insights into doctors

- Surveys after watching content
- CareNet has the expertise to identify insights

Real-time information feedback

- Providing results in real-time on the dashboard

Offering a full range of services in a one-stop manner, from content guidance to viewing and survey responses

Solicitation and notifications



Email newsletters

View content



Survey



Finish viewing content

Services for Pharmaceutical Companies (2) – Online Seminars

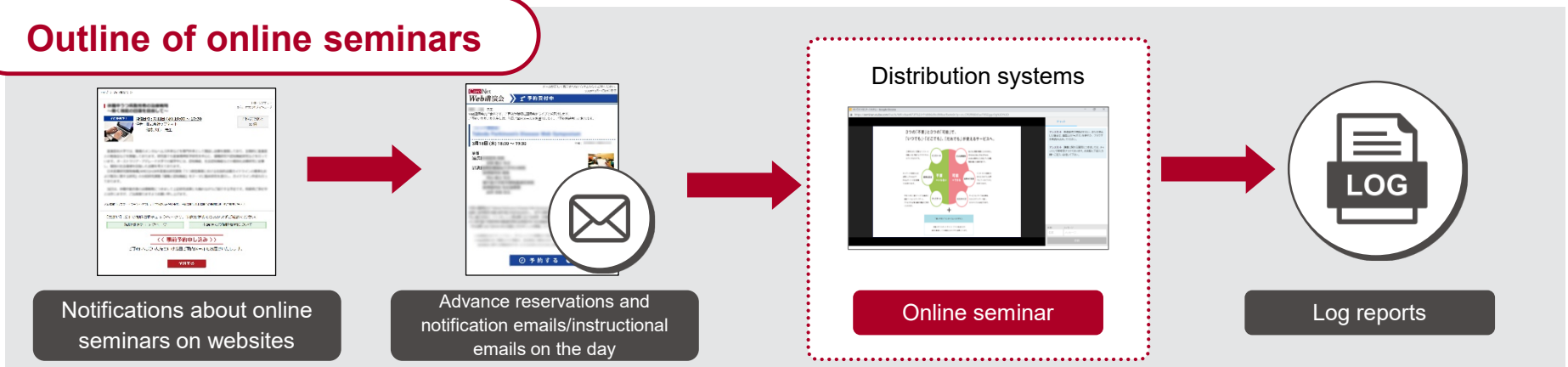
High level of engagement as CareNet can attract users with notifications as educational media

- Dominant track record of holding seminars, stable holding and operation of seminars, and attraction of a broad range of users
 - Highest ever number of viewers: Approximately 5,500 doctors
 - Number of seminars held: 800+ (since 2014)
 - Number of surveys collected: Approximately 90% of viewers

Services packaged with distribution vendors enable the provision of marketing, distribution, and viewing services, together with surveys and log reports in a low-cost and one-stop manner

- Keeping acquisition costs per doctor low to make holding seminars efficient
- One-stop service means preparations do not require large amounts of labor, and relationships can be built with doctors giving seminars in the course of refining plans

Outline of online seminars



Services for Pharmaceutical Companies (3) – Content Production

CareNet utilizes its unique characteristics as a medical education media to provide content that is "popular with doctors."

Creators understand the key points popular with doctors



- Very familiar with content related to medical care through operation of websites
- Creation of stories that resonate with doctors based on **production expertise and accumulated data**, developed over many years of producing educational content

Capable of providing content from a doctor's viewpoint



- Can **identify the penetration of brand and product messages** and doctors' impressions of products, and offer "content that should be provided in a timely manner"

Can be entrusted to content creators by doctors with peace of mind



- CareNet specializes in the production of content related to medical care, and is highly trusted by doctors thanks to our websites, with **many appearances from Key Opinion Leaders (KOLs)**
- Staff with a track record of participating in the production of content for medical care-related demand and working with KOLs will oversee everything in a one-stop manner, from planning, to writing, to video production

Sponsored content production track record

Total number of projects

More than **500** projects

Total number of companies with transactions

Approximately **70** companies

[Areas] Diabetes, high blood pressure, dyslipidemia, circulatory organs, digestive organs, respiratory organs, infectious diseases, urinary organs, mental and neurologic diseases, skin, immune disorders, cancer-related, blood disorders, etc.



Company name: Asclepia Co., Ltd.

Representative: Katsuhiko Fujii

Address: Risona-kudan Building, 1-5-6, Kudan-minami, Chiyoda-ku, Tokyo, Japan

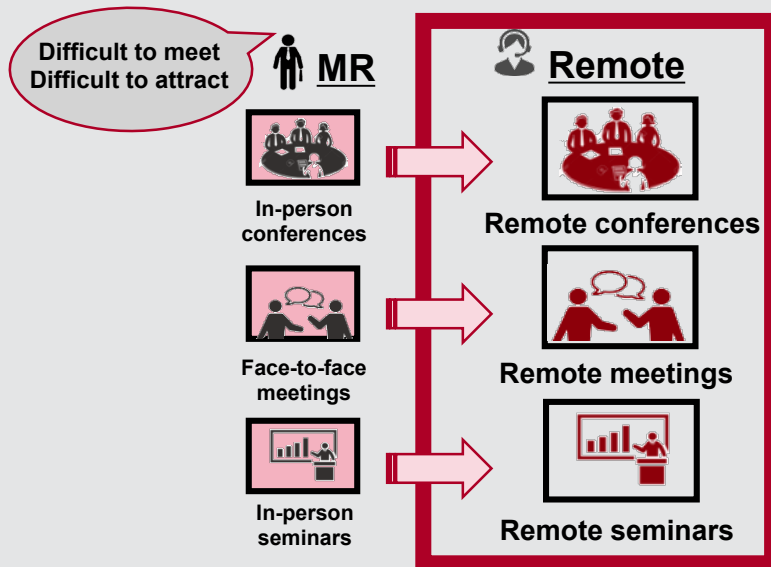
URL: <https://www.asclepia.co.jp/>

Communication service for medical professionals



- Utilizes a proprietary specialist medicine and medical care conference system (FORA) developed by the CareNet Group based on doctors' opinions.
- Holds events such as unique online conferences from the perspective of medical specialists, and has built relationships of trust with medical specialists

Pharmaceutical marketing support service for pharmaceutical companies



- Reach extends to medical specialists, with whom we have strong relationships.
- Compared with traditional in-person and face-to-face communication, the remote exchange of information between doctors facilitates the high-speed and effective spread of appropriate information about drugs.

CareNet Works Design focuses on matching jobseekers with positions in very difficult areas that other companies struggle to enter, with a "membership base of doctors who are passionate about clinical care" and "skilled consultants."

Company name: CareNet Works Design, Inc.

Address: We Work KANDA SQUARE, 2-2-1, Kanda-Nishikicho, Chiyoda-ku, Tokyo, Japan

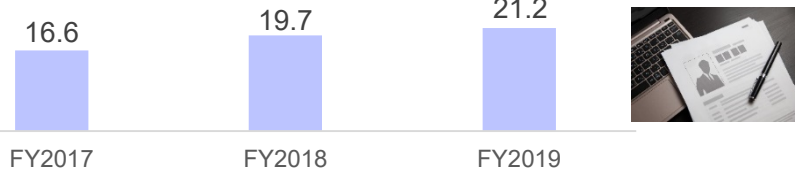
Representative: Shinya Yamada

URL: <https://works-design.carenet.co.jp/>

Switching jobs

Specializes in rare, high-level job postings and non-public job postings, and uses scouting methods to match candidates with positions

Market size of recruitment business for doctors (Billion yen)



The size of the market is growing

Source: Results of recalculation of employment referral business report [FY2017, FY2018, FY2019]

Starting businesses

Supporting new businesses with specialization in taking over medical businesses, an area that is both "expanding" and "untouched"

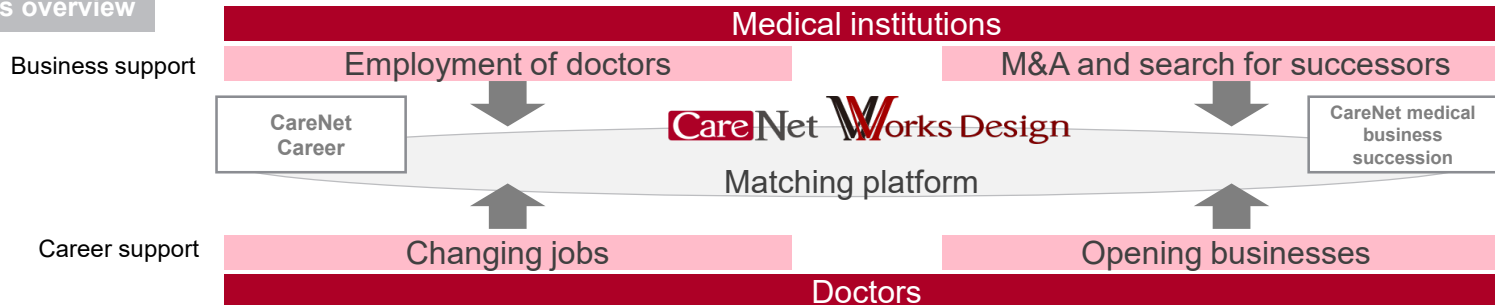
Proportion of institutions without a successor (2017) (%)



Deep issue with a lack of successors

Source: "Japan Medical Association Research Institute Working Paper" January 8, 2019

Business overview



Company name: Scientific Communication Labo. inc.
 Representative: Yutaro Hara

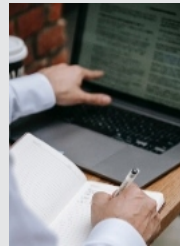
Address: 5F, Takamura Building, 3-14-7, Yushima, Bunkyo-ku, Tokyo, Japan
 URL: <http://www.sc-labo.co.jp/>

Drugs and medicine support services (medical agency)



- Support for activities promoting the proper use of pharmaceuticals used with prescriptions or guidance and medical devices
- Creating various types of material supporting activities (product information summaries, IF, proper usage guidelines and other basic materials, slides for speakers, texts for internal training, and instructions for patients).

Media consultant services (media and PR)



- Addressing a broad range of needs, including consultation services utilizing digital media, and support for educational activities for patients concerning diseases through digital channels
- Creating new proposals based on close relationship with CareNet.

Development of new scientific communication methods



- Developing effective tools suited to the age of digital transformation (DX) and developing new methods of providing academic information
- Began operating a video streaming studio in April 2021, and utilizing it for producing livestreams and video content of various events, including online seminars and meetings of advisory boards

Company name: AD Medica Inc.

Address: 6F, THE FORME GINZA, 8-18-4, Ginza, Chuo-ku, Tokyo, Japan

Representative: Kazuhiro Kawamura

URL: <https://ad-medi.com/>

"DoctorsMe," a patient media business



- General healthcare media where medical care and health experts provide answers to users' issues surrounding their bodies
- It is possible to speak to specialists in different fields for issues that cannot be solved by looking at information alone

Digital advertising agency business



- Online advertising agency business
- With a team whose core members have backgrounds at major digital marketing companies, AD Medica handles all practical operations related to digital marketing in-house, including media buying, production, management, and reporting

Non-pharmaceutical company advertising business



- Non-pharmaceutical company advertising business that utilizes the members benefit page on CareNet.com, released in July 2020
- Utilizes track record of transactions with major agencies and has a rich range of accounts. Takes orders for promotional measures from major clients.