



**CareNet, Inc.**

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

**Progress Report for the  
Fiscal Year Ended December 31, 2021**

Katsuhiro Fujii, President

# Contents

---

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



# 1. Business Model

**[Contents]**

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

# Corporate Profile

Name	CareNet, Inc.
Address	Sumitomo Fudosan Chiyoda Fujimi Bldg., 8-19, Fujimi 1-chome Chiyoda-ku, Tokyo, Japan
Established	July 1996
Employees	161 (as of December 31, 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.

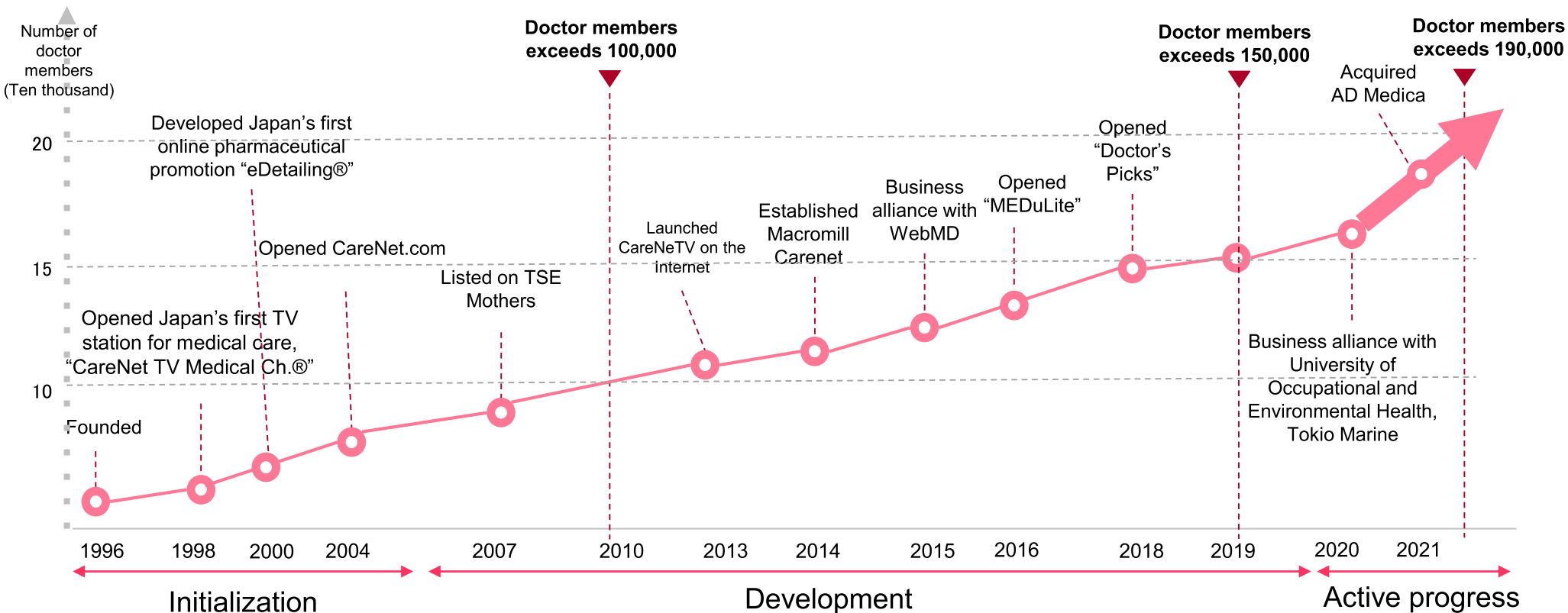
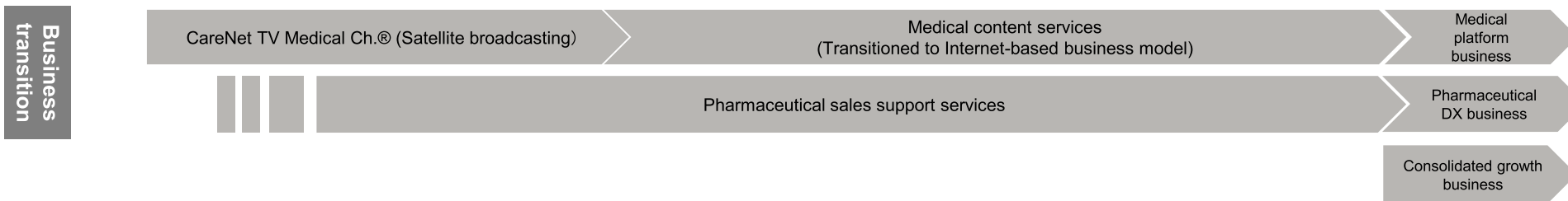
## Corporate Philosophy

### 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.

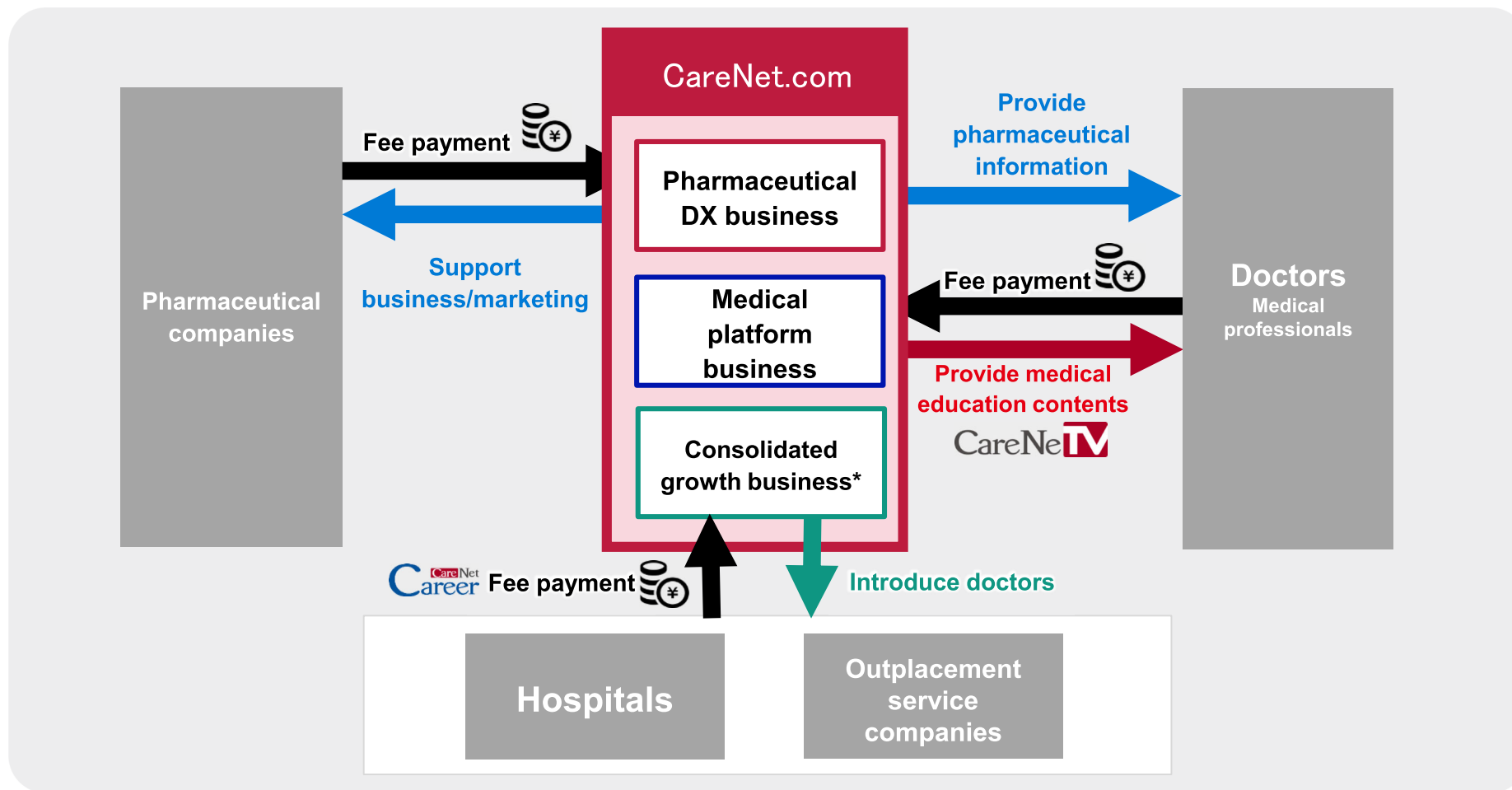
# Our History

■ 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.



\*The “Consolidated growth business” is the generic name for the aggregate businesses of the Company’s group of 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 approximately 400,000 medical professionals



Members

394,296

Doctors who are members

193,946

(as of December 31, 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

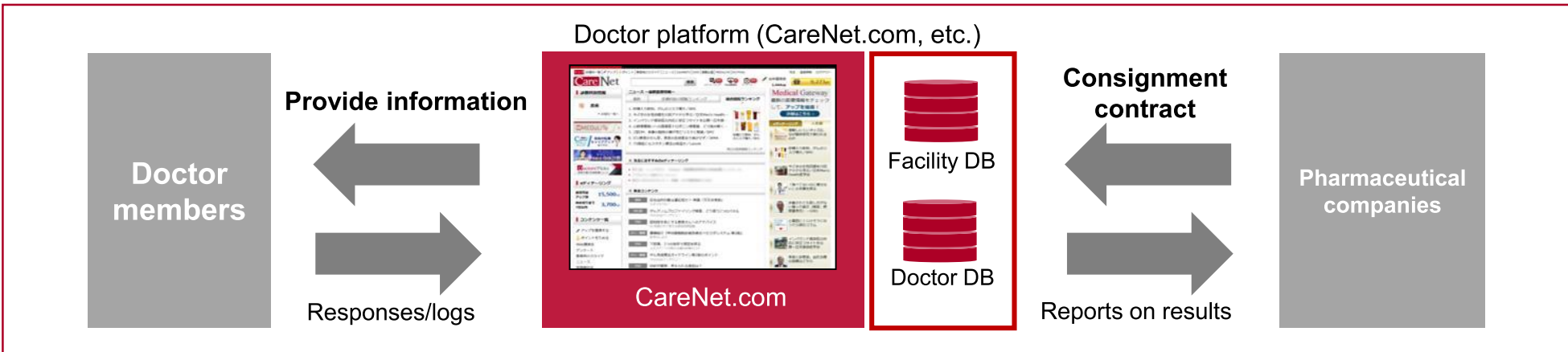
Carefully selected articles published in leading international journals are summarized in Japanese and are made available together with the latest medical news in Japan to facilitate quick and easy understanding of the current state of medical care.



# 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 (KOLs<sup>1</sup>) 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®.

<sup>1</sup> 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



## Paying members

6,074

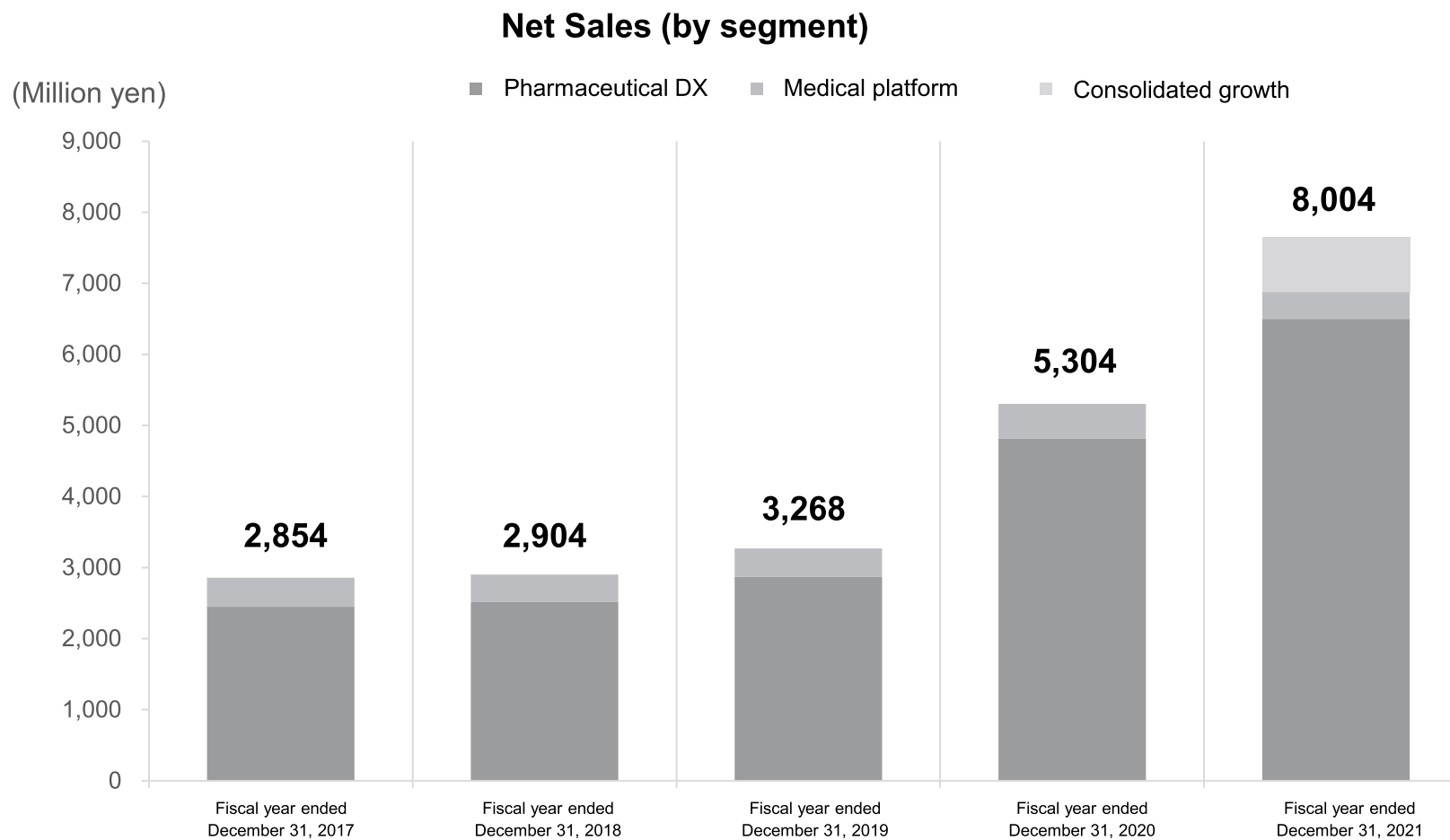
(as of December 31, 2021)

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 2,000 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



- **Achieved 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, 2021 (Million yen)

	By business segment			Consolidated
	Pharmaceutical DX business	Medical platform business	Consolidated growth business	Consolidated profit
Net sales	6,894	364	887	8,004
Operating profit	3,841	49	55	2,532
Operating profit ratio	55.7%	13.5%	6.2%	31.6%
<b>Features of business segments and profit structure</b>	<ul style="list-style-type: none"> <li>• Our core business and source of profits.</li> <li>• With increasing doctor members as the driving force, expected to grow significantly to increase company-wide earnings.</li> </ul>	<ul style="list-style-type: none"> <li>• Our original business, developing abundant medical education content centered on CareNeTV.</li> <li>• Running CareNet.com, a doctor platform that supports the Pharmaceutical DX business.</li> </ul>	<ul style="list-style-type: none"> <li>• Positioned as a core business to develop businesses that will contribute to future growth, centered on the career support business for doctors.</li> </ul>	<ul style="list-style-type: none"> <li>• The Pharmaceutical DX business accounts for over 90% of both net sales and operating profit.</li> <li>• The Pharmaceutical DX business is expected to continue to serve as a revenue driver.</li> </ul>

Between the total value of each business segment and the company-wide consolidated results, there exists a net sales adjustment of -141 million yen (offsetting transactions between the parent company and subsidiaries) and a segment profit adjustment of -1,413 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)

	FY2021 Consolidated	Ratio to net sales	Details
Net sales	8,004	—	<ul style="list-style-type: none"> <li>• Around 90% of our consolidated net sales are generated by the Pharmaceutical DX business.</li> </ul>
Cost of sales	2,445	30.6%	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
Gross profit	5,558	69.4%	<ul style="list-style-type: none"> <li>• We have executed stringent cost controls (securing gross profit) based on sales forecasts and order management.</li> </ul>
Selling, general and administrative expenses	3,026	37.8%	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>
Operating profit	2,532	31.6%	<ul style="list-style-type: none"> <li>• 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).</li> </ul>



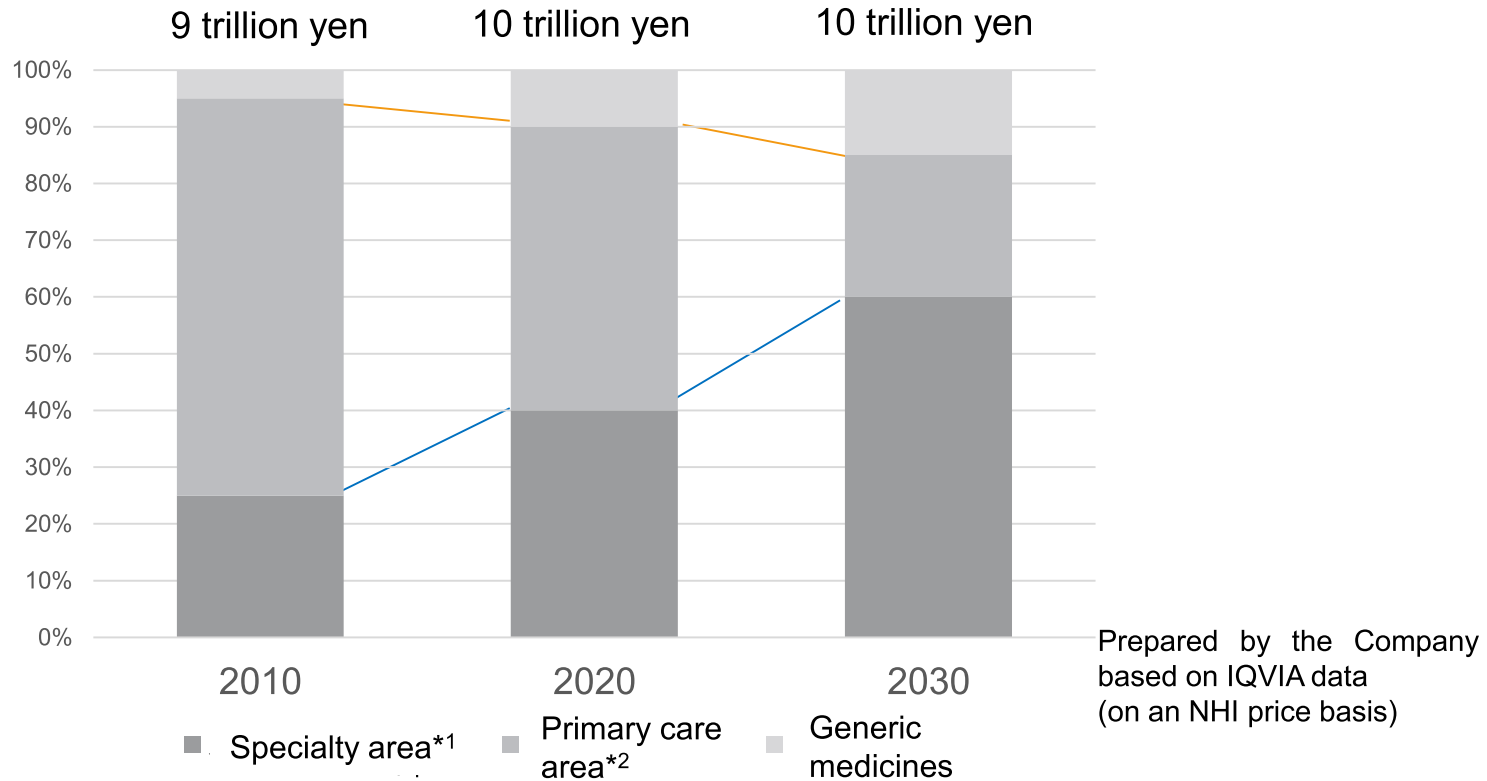
## 2. Market Environment - Pharmaceutical DX Business

**[Contents]**

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

# 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.



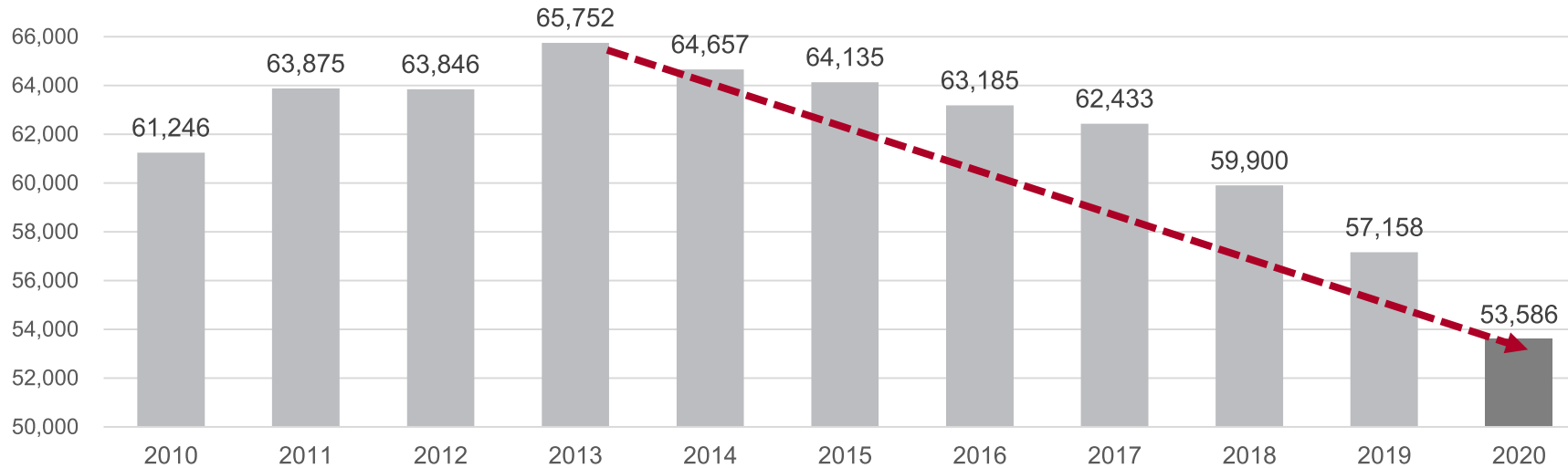
\*1 Specialty pharmaceuticals are developed by using advanced technologies. They are often biologics mainly used for the treatment of intractable diseases such as cancer and rare diseases.

\*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

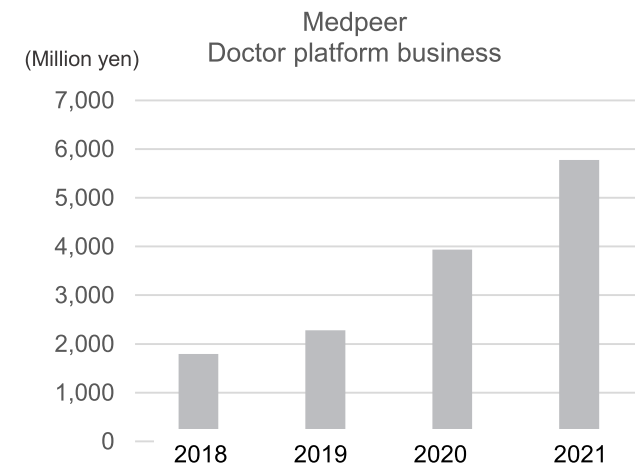
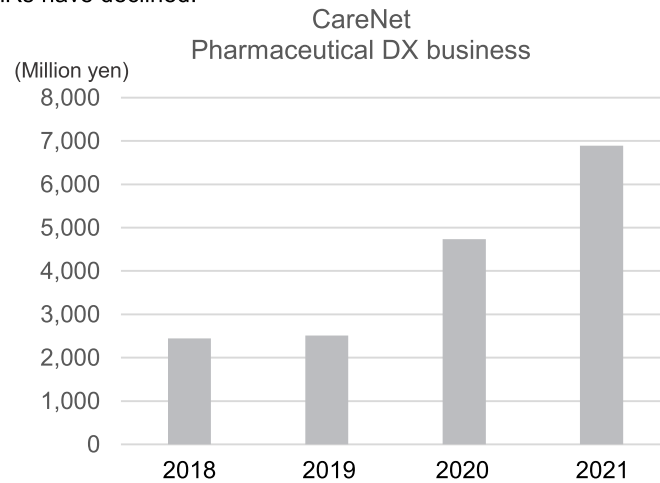
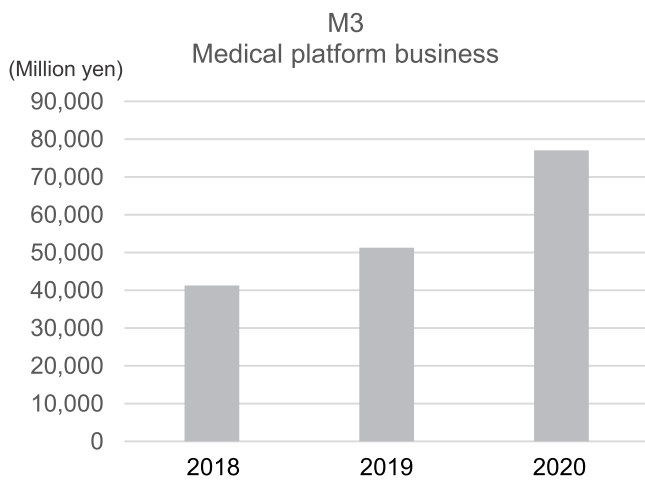
The number of medical representatives (MRs) has been reduced in response to the patent expiration of primary-care drugs and progress in development and release of specialty pharmaceuticals.



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

## Sales of DX business

Providing information through the Internet has been gaining momentum as the number of MRs have declined.



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”.

Current

Future

### MR-related costs

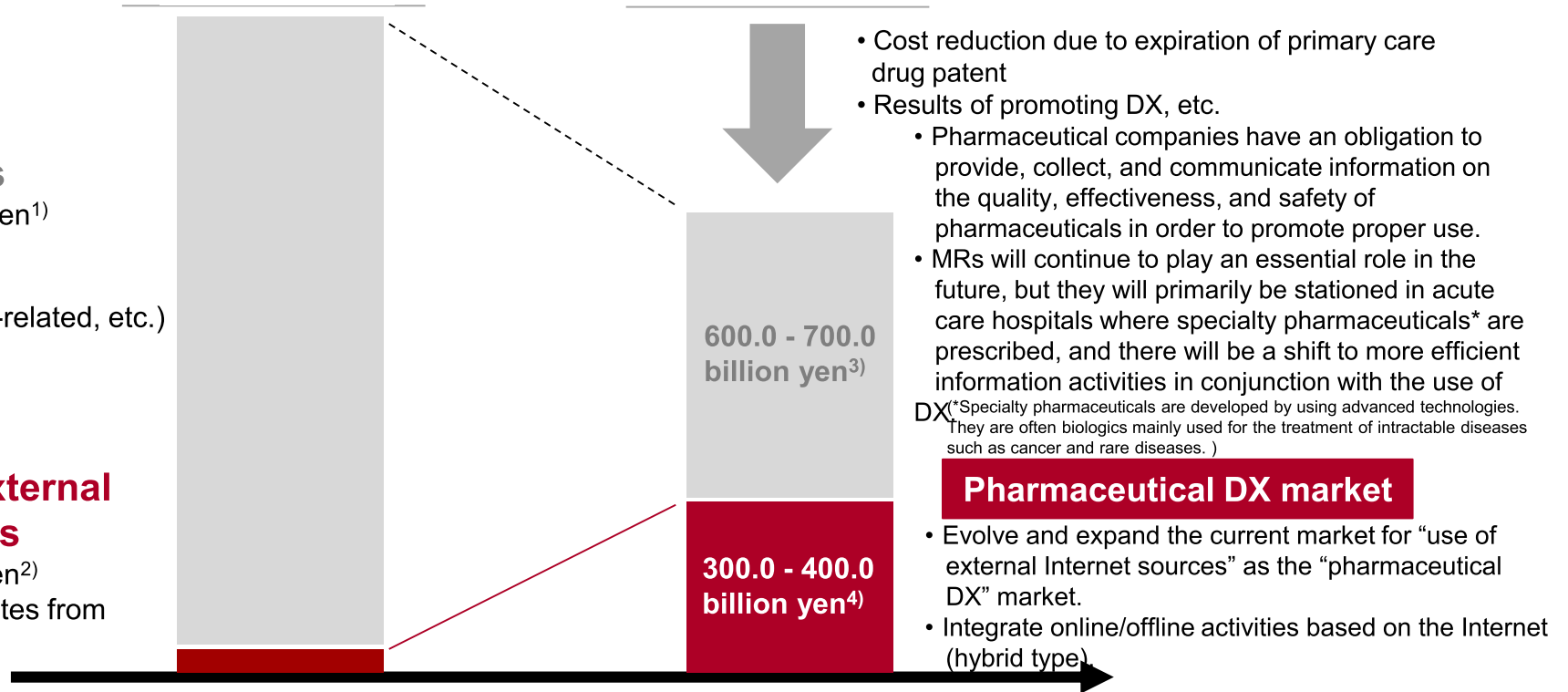
Approx. 1.3-1.5 trillion yen<sup>1)</sup>

- MR personnel costs
- MR activity costs (Paper materials, event-related, etc.)

### Utilization of external Internet sources

Approx. 50.0 billion yen<sup>2)</sup>

- Use of doctor websites from other companies



<sup>1)</sup> 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.

<sup>2)</sup> Calculated by totaling the Company’s estimates of sales scale for FY2021 of similar services for the Company and its competitors, based on annual securities reports.

<sup>3)</sup> 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).

<sup>4)</sup> 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”.





# 3. Our Competitiveness

**[Contents]**

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

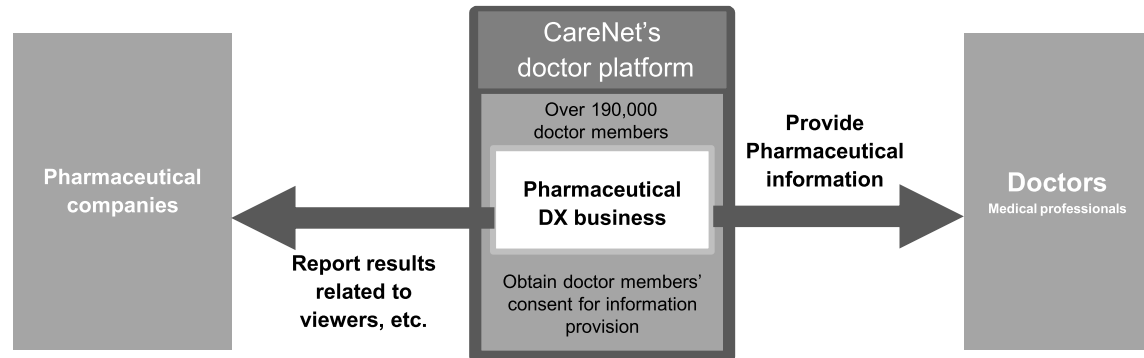
# Competitive Advantages

- 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 "CareNeTV," 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 "CareNeTV," 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

**[Contents]**

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

# 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.

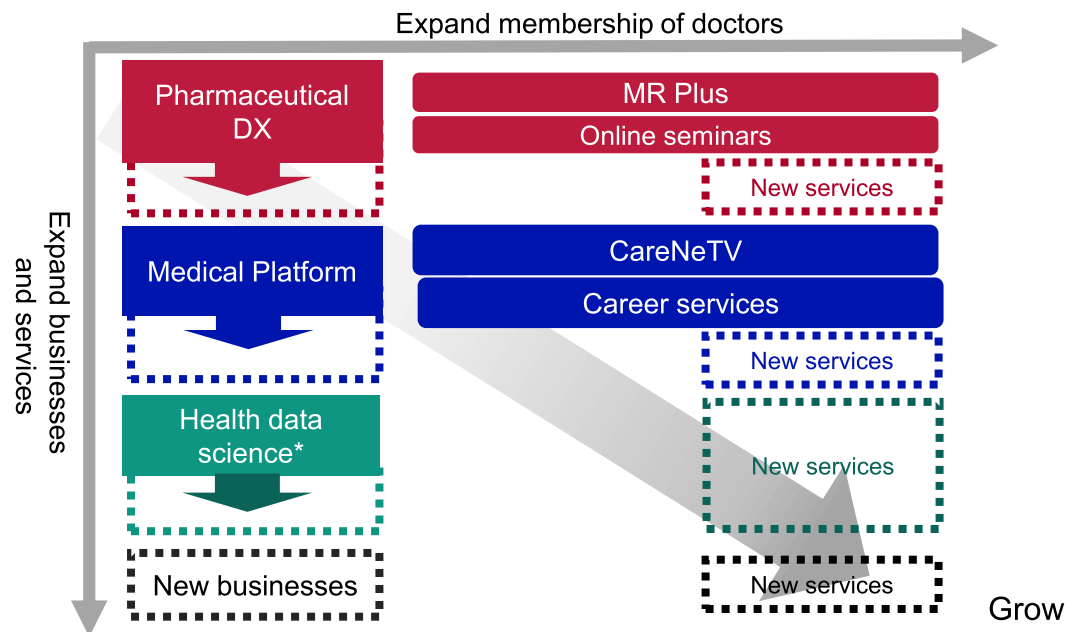
## 2. Target number of doctor members

The number of our doctor members has been steadily increasing year on year. As of December 31, 2021, we have 193,946 doctor 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.

\*Concerning future business development, the “Health data science business” was referred to as (or written side by side with) the “Consolidated growth business” in previous material. Regarding the “Consolidated growth business,” 1) the total sales of our group of consolidated subsidiaries does not include the Health data science business because it is still under development, and 2) as the business segment itself is not a business model explanation, for future explanation of business development, we will use “Health data science business.” and no longer use “Consolidated growth business.”

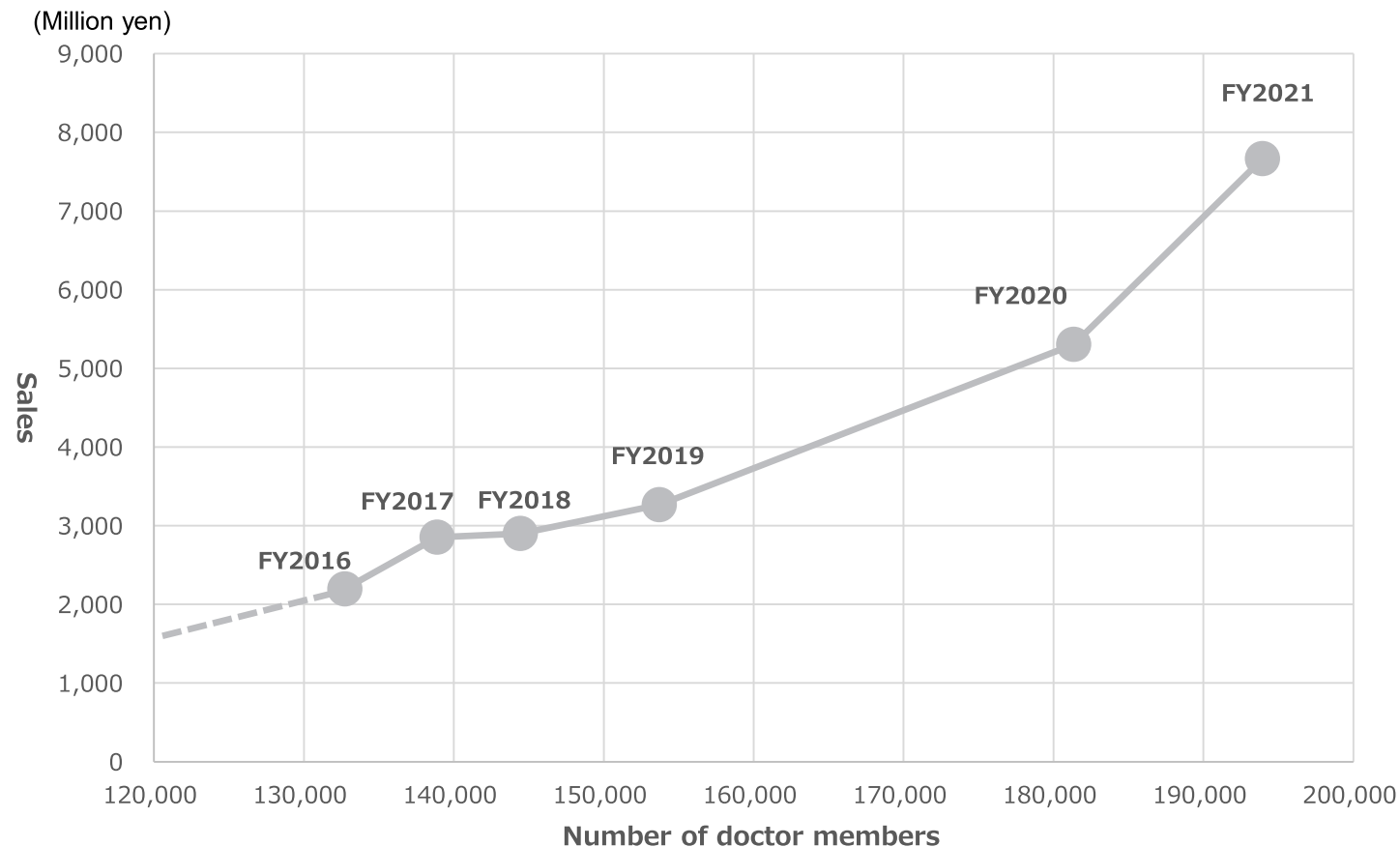


# Number of doctor members as management index

## —Relation between Expansion of Membership and Business Performance

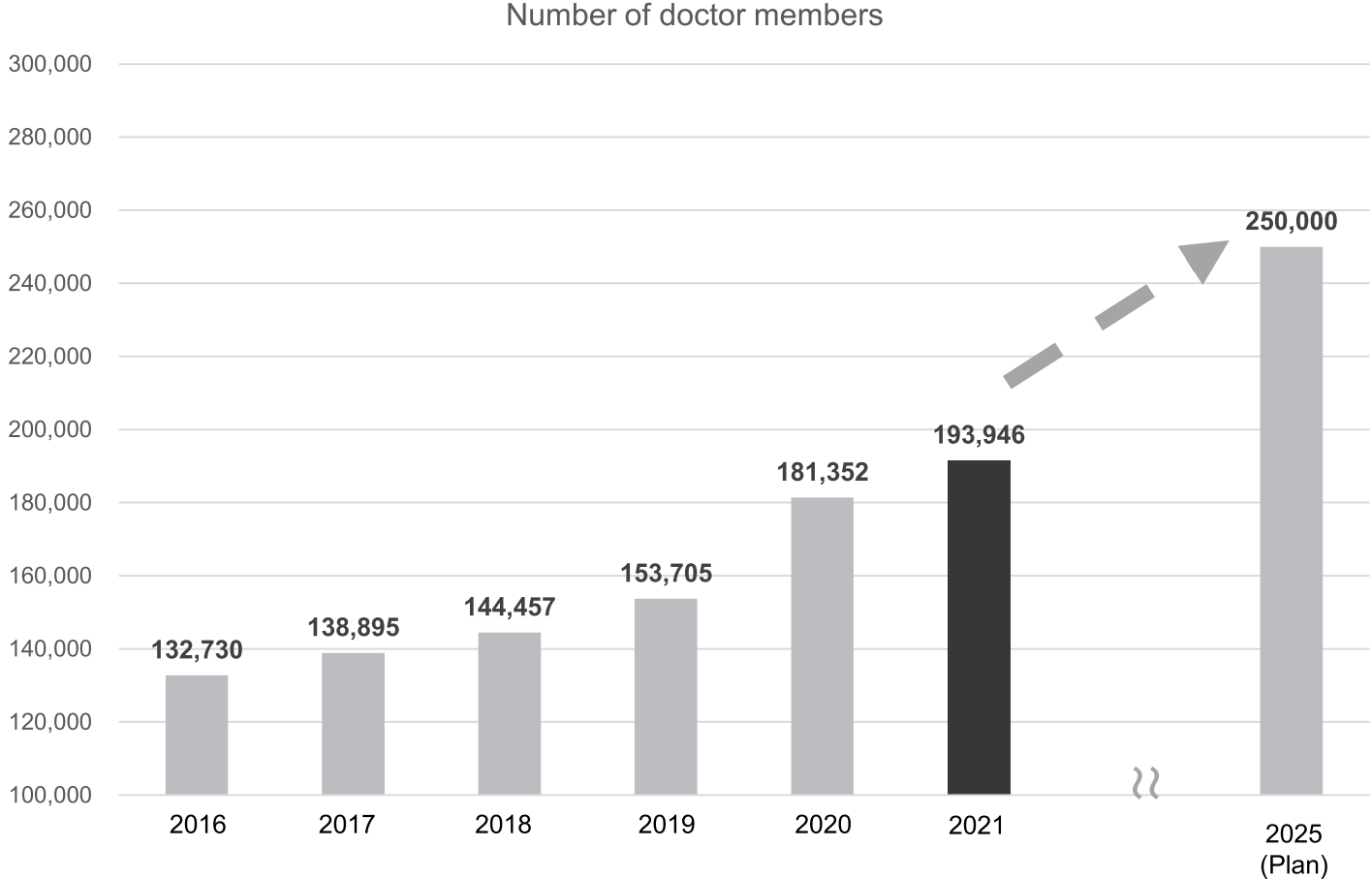
- We have expanded the Pharmaceutical DX business to develop it into a core business while increasing the number of doctor members.

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 December 31, 2021.



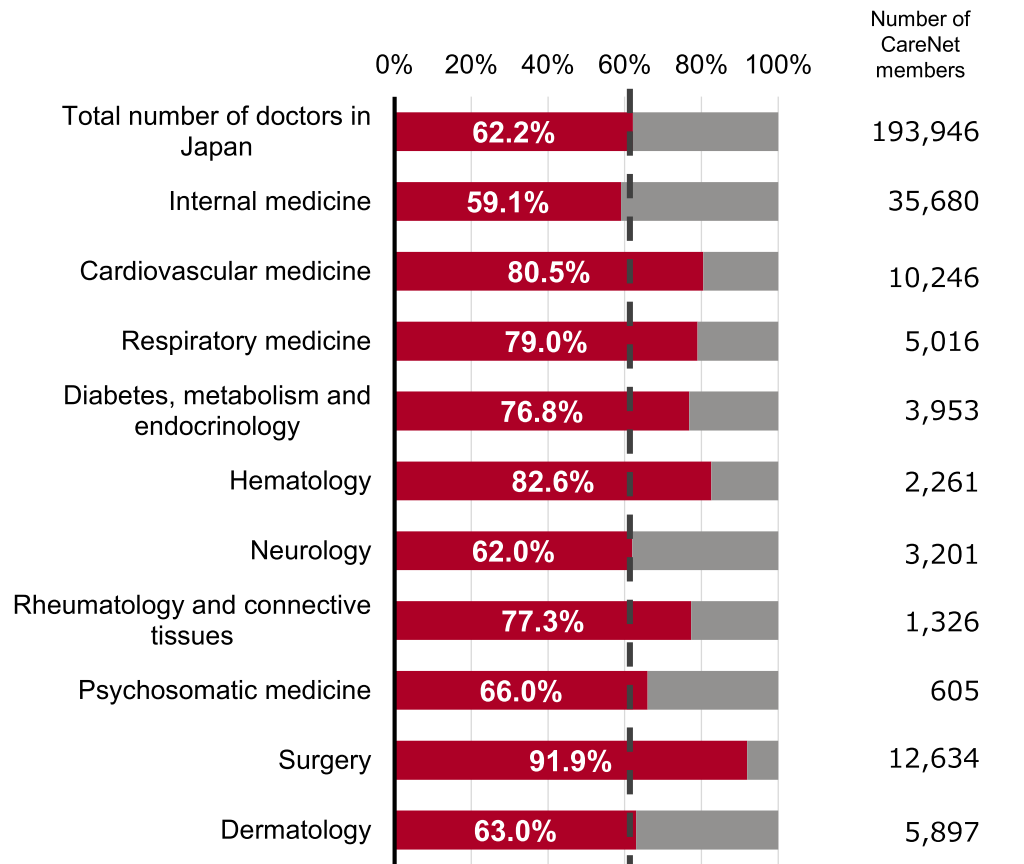


# Attributes of Doctor Members

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

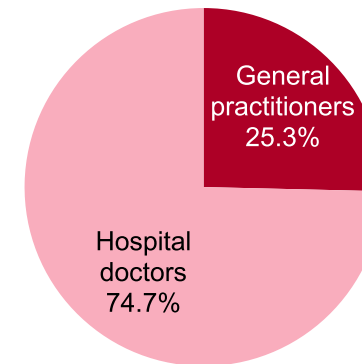
## Major clinical departments

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%.



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

## Ratio of GPs/Hospital doctors



Of 193,946 registered doctor members, general practitioners (GPs) and hospital doctors are 48,994 and 144,952, respectively. (as of December 31, 2021)

# 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

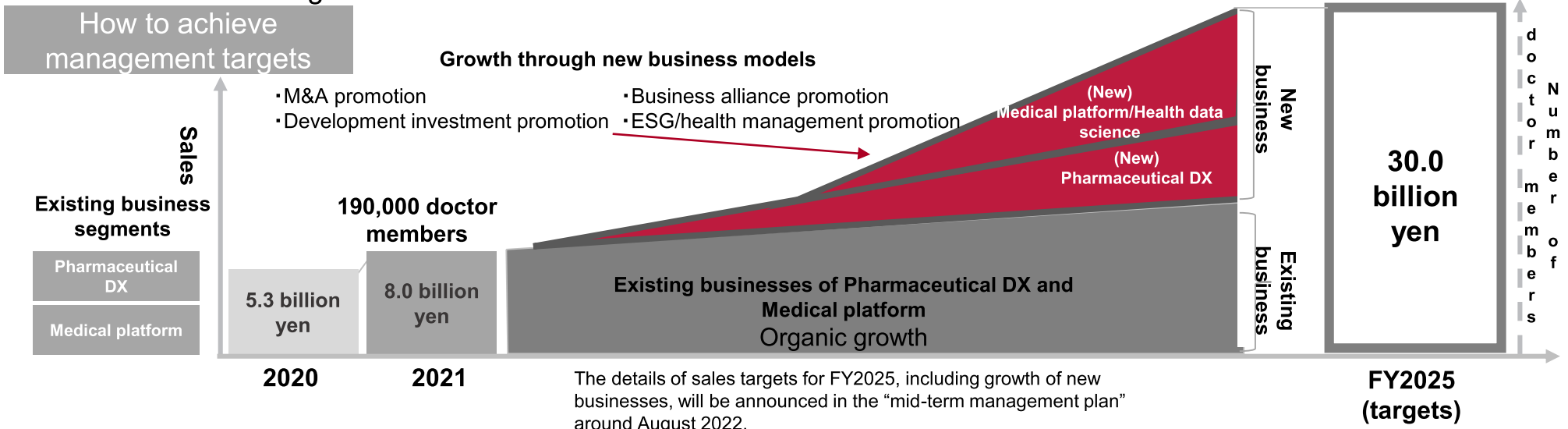
- Through our initiatives such as providing CareNeTV free of charge to medical students and young doctors under clinical training, we will strive to gain recognition of our services among them from an early stage in order to lead them to become our members.

## 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: Growth Through New Business Development

- 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 Health data science business as new growth businesses expected to grow in the medium to long term.



	Existing business	New growth business	
		Market	Development
Pharmaceutical DX	MR Plus Online seminars	Pharmaceutical DX has potential to grow into a 3-400.0 billion yen market long-term <sup>1)</sup>	Promote DX in pharmaceutical sales by pharmaceutical companies by utilizing remote DTL, AI, etc.
Medical platform	CareNeTV Career services	Target approx. 10,000 of the approx. 100,000 medical institutions nationwide <sup>2)</sup>	Support medical treatment and management for doctor members (attracting patients, improving efficiency, etc.)
Health data science		Support employee health promotion and corporate health management through health management in work settings for companies	Aim for a 1.8 trillion yen market in workplace health management <sup>3)</sup>

1) See page 15 of this document

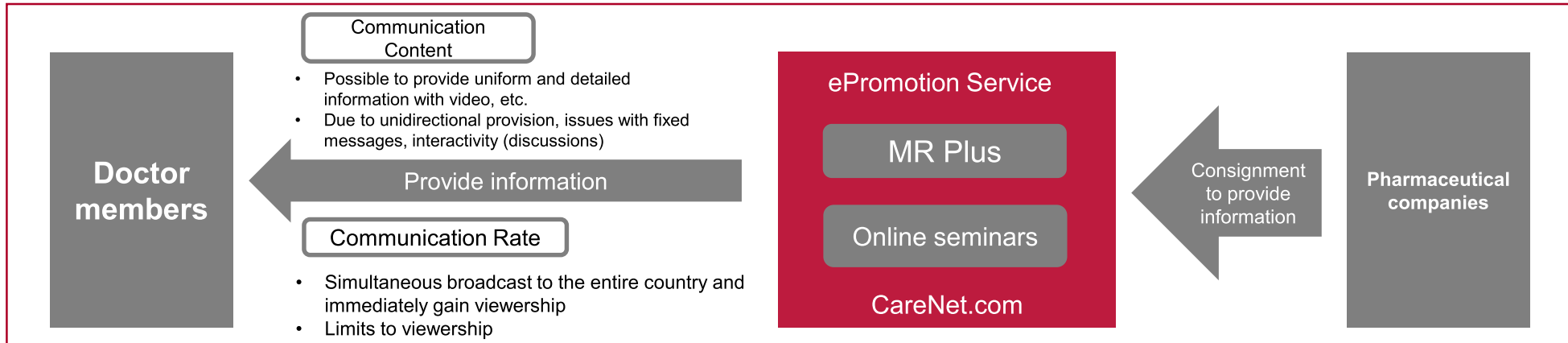
2) Source: MHLW's "Dynamic Survey of Medical Hospital Report"

3) See page 32 of this document

## Issues facing Mid-term Vision Achievement: Building a new Pharmaceutical DX Business Model

- To achieve the Mid-term Vision, it is necessary to put the Company’s core business of Pharmaceutical DX as the center of its growth strategy.
- To expand the growth of Pharmaceutical DX, relying solely on the existing “ePromotion” model is insufficient.

### Current Business Model (ePromotion Model)



Pharmaceuticals Applicable to Business	Market Trend	ePromotion Issues	Resolution Direction
Primary care pharmaceuticals	With the reduction of MRs, expand utilization of ePromotion as alternative means	<ul style="list-style-type: none"> <li>• Realize a communication rate expected as a successor to MR</li> <li>• Competitive advantage against ePromotion competitors</li> </ul>	<ul style="list-style-type: none"> <li>• Increase number of members</li> <li>• Establish a hybrid communication process using people alongside electronic methods</li> </ul>
Specialty pharmaceuticals	Shortage of marketing and sales personnel who can handle the approval rush of highly specialized specialty drugs	The key to specialty is to build a research network of regional medical specialists using KOLs at the core, but contribution will be difficult with the current unidirectional eModel	<ul style="list-style-type: none"> <li>• Platform to attain engagement with KOLs</li> <li>• Improve productivity by coordinating with MR activity</li> </ul>

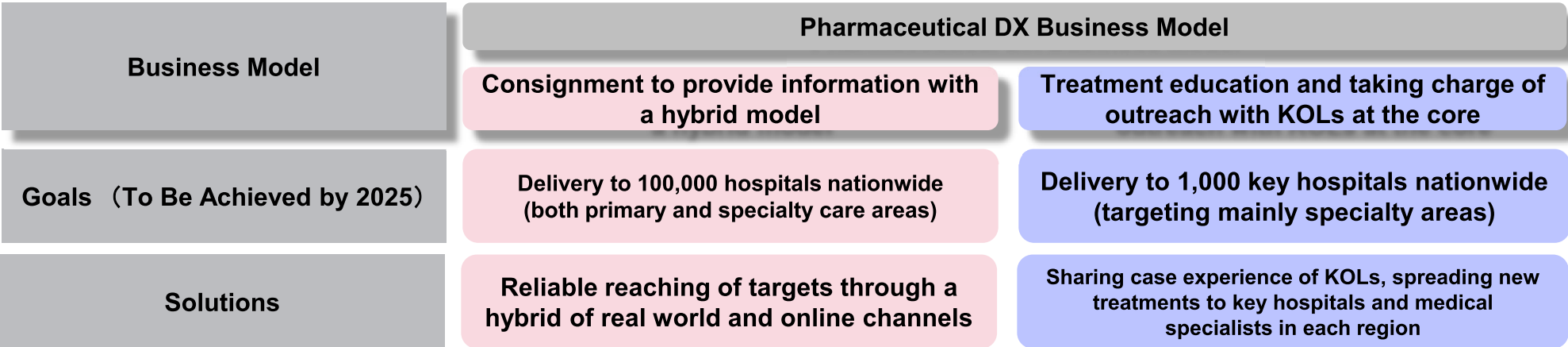
- Development of a new “Pharmaceutical DX business model” is necessary to resolve the issues above.
- We aim to accelerate development by building systems and creating business alliances along with raising sufficient financing that will be necessary.

# Operation of Fundraising Aimed at Accelerating Business Development

Goals: Early development and introduction of a business model for specialty pharmaceuticals (Expand new service areas, secure talented human resources)

Operation	Financing Method	<ul style="list-style-type: none"> <li>• Issuance of 2021 first series stock acquisition rights by third-party allotment with exercise price amendment clause (on September 3, 2021)</li> <li>• Exercise period: 2 years (September 6, 2021 to September 5, 2023)</li> </ul>
	Planned amount of financing	<ul style="list-style-type: none"> <li>• 6,330 million yen (Issuance of 10,000 individual stock acquisition rights, each individual stock right equal to 100 shares)</li> </ul>
Results	Suspension of financing	<ul style="list-style-type: none"> <li>• Financing will be suspended after 6,700 individual stock acquisition rights have been exercised (67.0% exercise rate; as of December 20, 2021) and the remaining 3,300 individual stock acquisition rights have been obtained and retired.</li> </ul>
	Amount of funds raised	<ul style="list-style-type: none"> <li>• 3,557 million yen</li> </ul>
	Reason for suspension	<ul style="list-style-type: none"> <li>• At the beginning, financing was proceeding smoothly. However, fundraising slowed as the Company's stock price became weaker, causing difficulty in the exercise of stock acquisition rights.</li> <li>• New business development was planned to proceed incrementally from the outset, and it was determined that funds necessary to proceed with development under the plan for the foreseeable future had been procured.</li> </ul>
Effect on new business development		<ul style="list-style-type: none"> <li>• To achieve the Company's mid-Term Management Vision, the main priority is to proceed quickly with development.</li> <li>• As for the necessary funds for development, it is possible to allocate more than enough by means of fundraising, investment of funds on hand, alliance applications, etc., and changes to the original plans are unnecessary.</li> </ul>

# Outline of the Pharmaceutical DX Business Model Development Plan Starting from FY2022



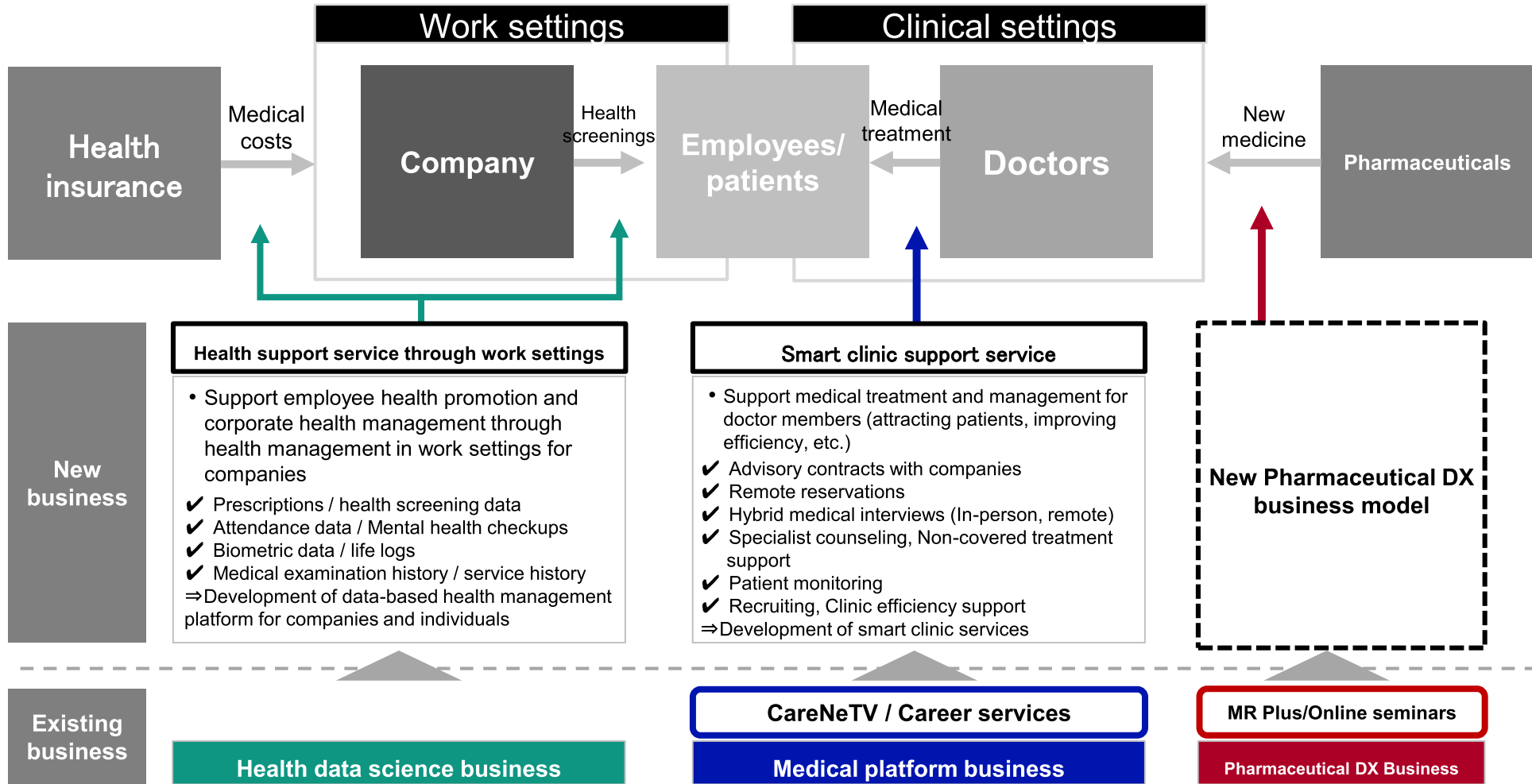
Allocating funds raised in FY2021 to development of each model, joining company development, alliances, M&A, etc., to begin development in earnest.

\*) DMR: Abbreviation of Digital Medical Representative. Dispatched to the pharmaceutical industry, an MR armed with digital skills (having received digital training, and able to link platforms and activities).

Medium to long term development

# Aim of Medium to Long Term 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 “Health data science business” to support health care and health management through work settings as new growth businesses, centered around our doctor platform.

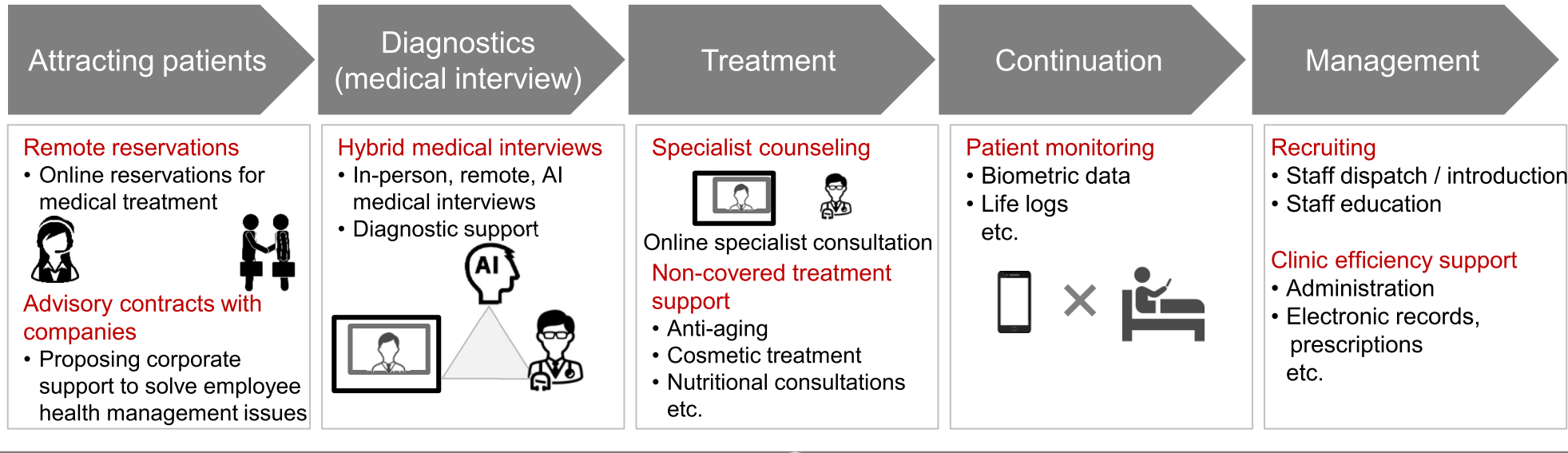


Medium to long term development

# 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.

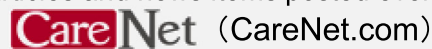
## New development of the “smart clinic” (SC) service line-up



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



Search papers on PubMed in Japanese



Medical news selected by specialists

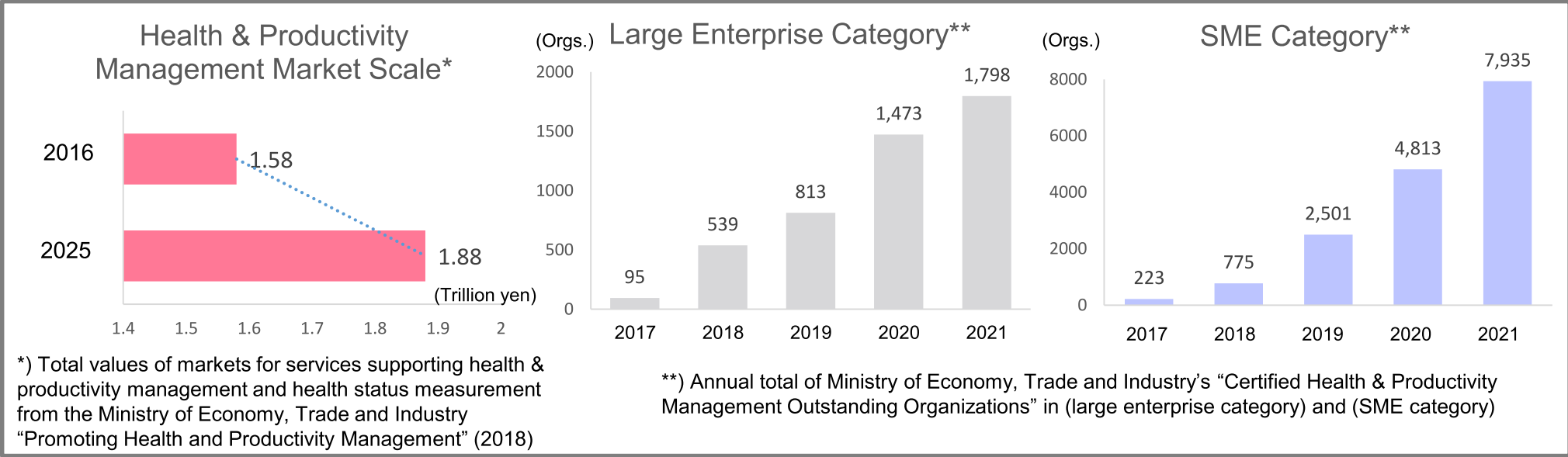




Medium to long term development

# 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.



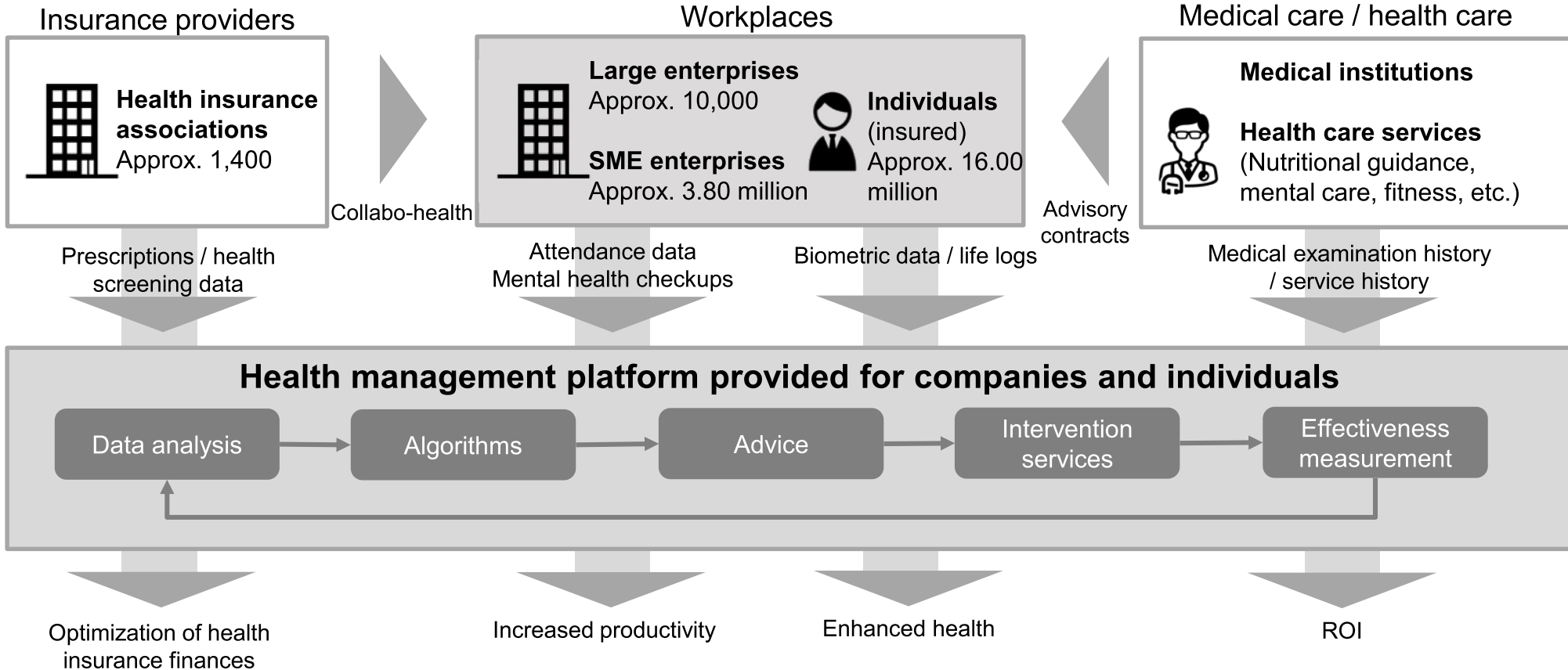
With increasing corporate investment in health, companies and health insurance associations are promoting further collaboration in data and services. However, there is still a lack of coordination with external intervention services to provide health guidance to pre-disease groups or to prevent aggravating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

Medium to long term development

**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.**



# 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 2022 Plans

- With the end of COVID-19 out of sight, forecasting results is difficult. The forecasts disclosed are only figures that can be determined with a high degree of accuracy as of the end of FY2021. Forecast figures do not factor in expected increases in sales, etc., of new business development that have already begun.
- In addition, regarding the aforementioned forecast, in addition to the reasons above, there is the potential for delays in recording projected sales due to applying new revenue recognition standards, and we are postponing disclosure regarding FY2022.

(Million yen)

	Fiscal year ended December 31, 2021 Results	Fiscal year ending December 31, 2022 Forecast	Growth rate
Net sales	8,004	<b>9,000</b>	<b>12.4%</b>
Operating profit	2,532	<b>2,589</b>	<b>2.2%</b>
Ordinary profit	2,556	<b>2,614</b>	<b>2.2%</b>
Profit attributable to owners of parent	1,609	<b>1,818</b>	<b>13.0%</b>

## Fiscal Year Ended December 31, 2021 - 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.
- Aside from the Pharmaceutical DX business, the Medical platform business and Consolidated growth business also accomplished growth, and we have booked record-high consolidated sales and operating profit.

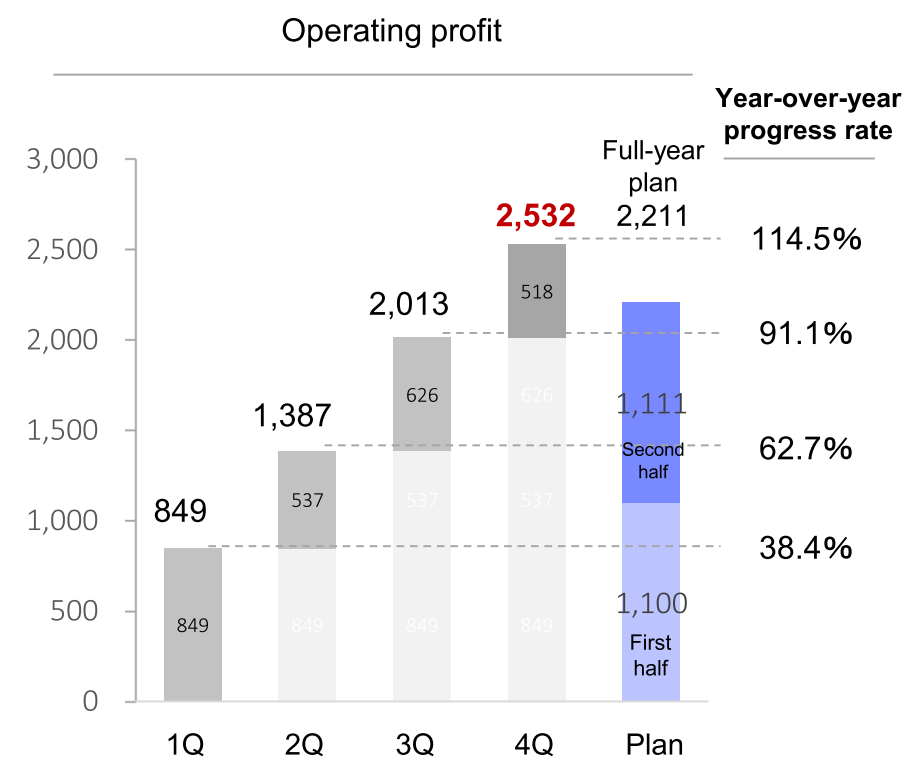
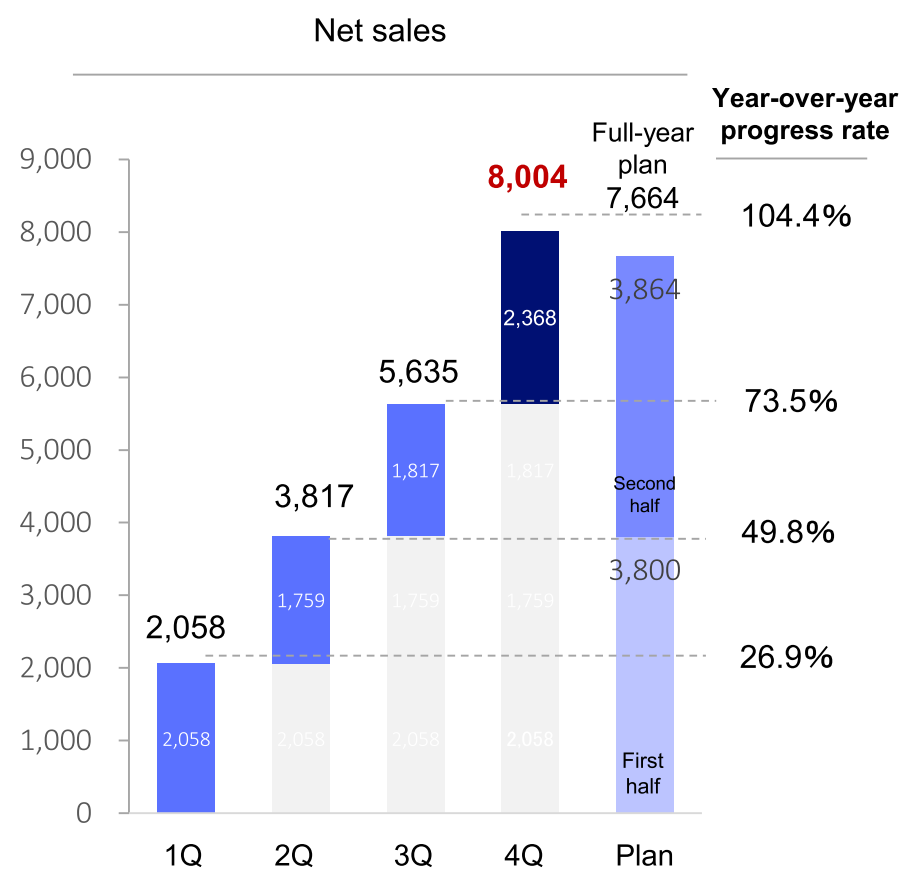
(Million yen)

	Fiscal year ended December 31, 2021				Adjustment amount	Progress rate
	Company-wide	By segment				
		Pharmaceutical DX business	Medical platform business	Consolidated growth business		
Net sales	8,004	6,894	364	887	-141	104.4%
Operating profit	2,532	3,841	49	55	-1,413	114.5%
Ordinary profit	2,613	-	-	-	-	117.6%
Profit attributable to owners of parent	1,609	-	-	-	-	114.9%

# Fiscal Year Ended December 31, 2021 – Plans and Progress

- For the fiscal year ended December 31, 2021, both sales and operating profit have surpassed the figures of the full-year plan.

(Million yen)

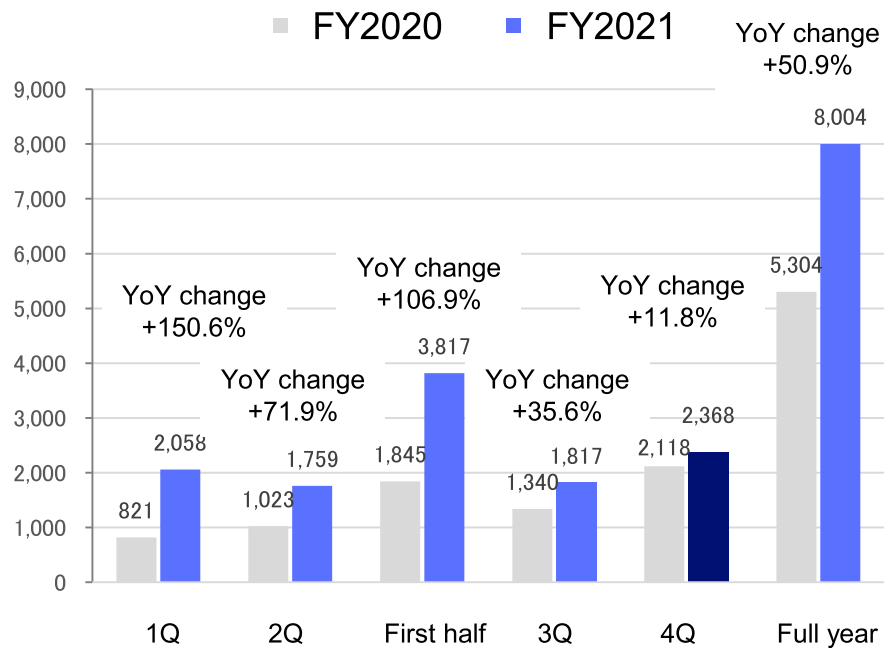


# Fiscal Year Ended December 31, 2021 – Year-over-year Results

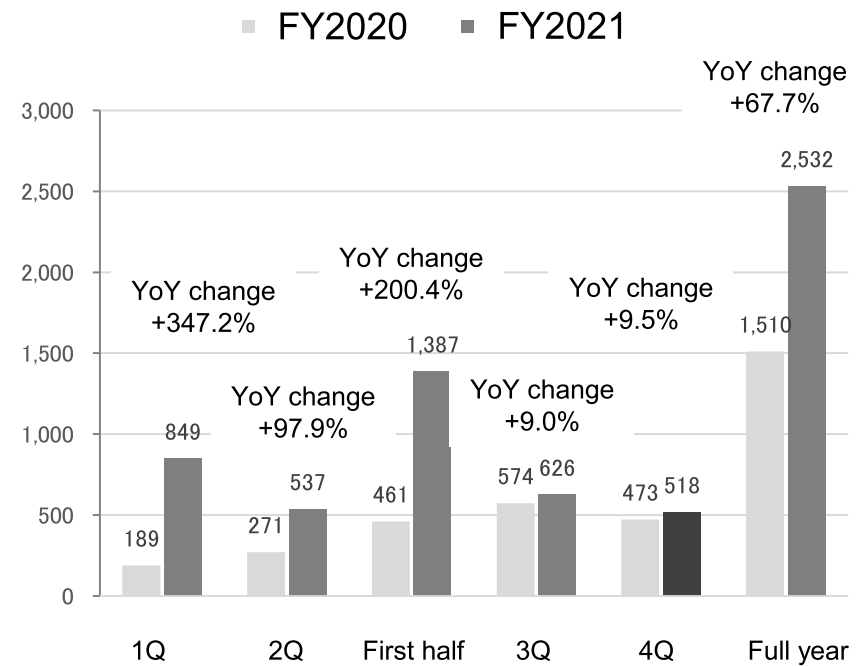
- We achieved further growth in both net sales and operating profit from the previous fiscal year, a year that showed remarkable growth.

(Million yen)

Net sales



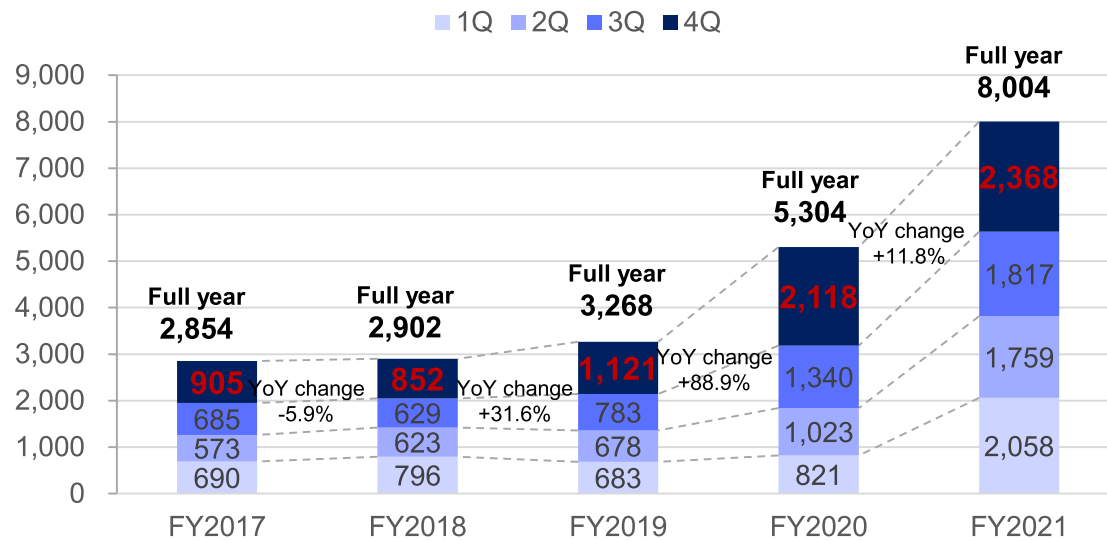
Operating profit



# Trends in Company-wide Performance (1)

## Net sales

(Million yen)



During the fourth quarter period, net sales increased by 11.8% year-over-year to 2,368 million yen. Each business segment increased sales; especially important was growth in the Consolidated growth business. During the full year ended December 31, 2021, net sales grew 50.9% year-over-year to 8,004 million yen.

For the past five 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.

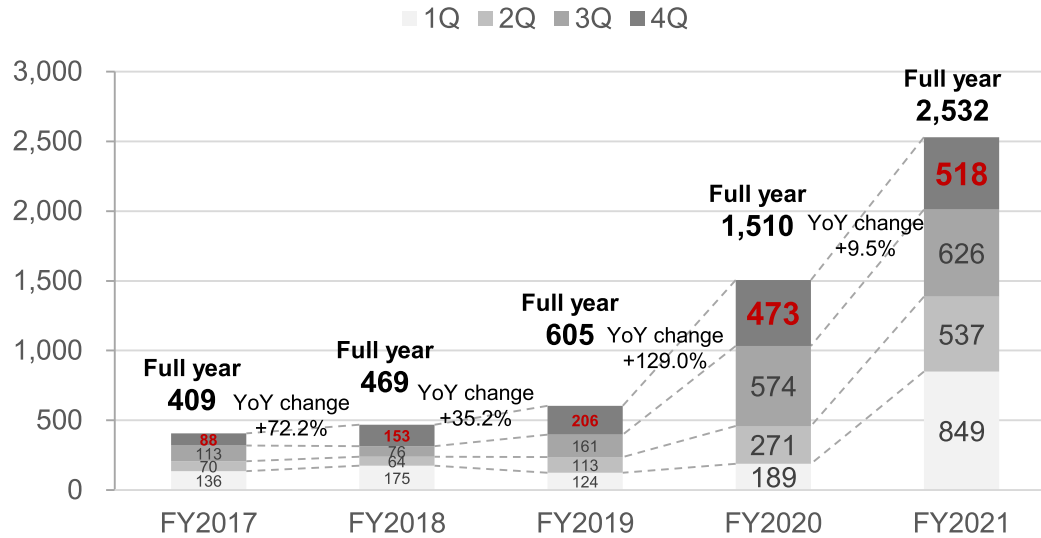
	1Q	2Q	3Q	4Q	Full year
Fiscal year ended December 31, 2017	690	573	685	905	2,854
Fiscal year ended December 31, 2018	796	623	629	852	2,902
Fiscal year ended December 31, 2019	683	678	783	1,121	3,268
Fiscal year ended December 31, 2020	821	1,023	1,340	2,118	5,304
Fiscal year ended December 31, 2021	2,058	1,759	1,817	2,368	8,004



# Trends in Company-wide Performance (2)

## Operating Profit

(Million yen)



During the fourth quarter period, operating profit rose by 9.5% year-over-year to 518 million yen, in line with higher sales. During the full year ended December 31, 2021, operating profit grew 67.7% to 2,532 million yen.

During the fourth quarter, although sales increased, there are instances when operating profit rate decreases. Operating profits have decreased this period compared to the third quarter, like the previous period, but this is due to end of the fiscal year performance salary payments for performance achievement, and sales promotion and political expenses for development for the next fiscal year. This is not a change to the ordinary cost structure.

	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 ended December 31, 2021	849	537	626	518	2,532

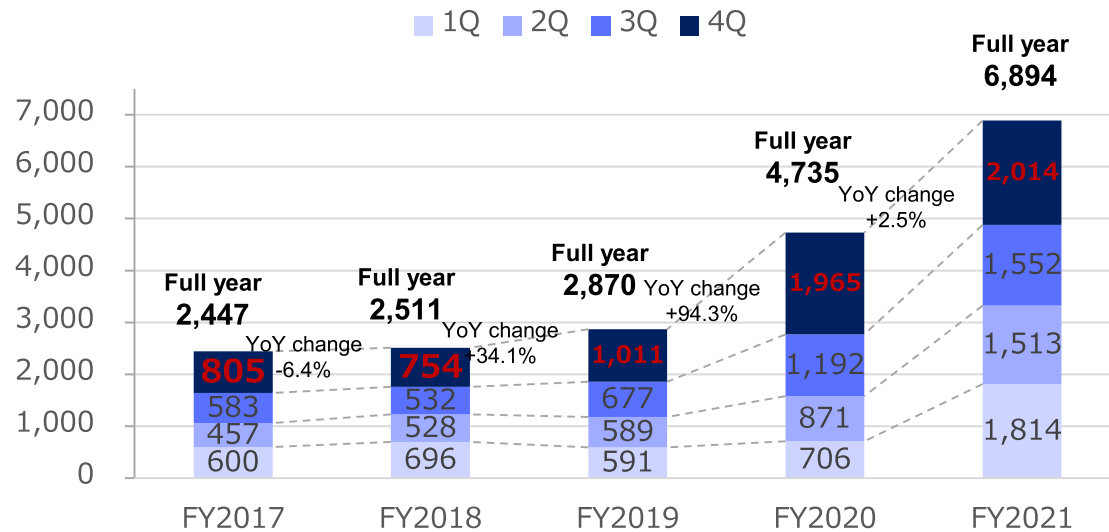


# Progress by Segment

# Segment Performance – Pharmaceutical DX Business (1)

## Net sales

(Million yen)



We saw further sales growth in the fourth quarter period as compared to the same period of the previous year, which saw an increase in sales due to the COVID-19 crisis. As orders for our core services (MR Plus, online seminars, etc.) have remained strong, net sales increased by 2.5% year-over-year to 2,014 million yen. The amount during the full year grew 45.6% to 6,894 million yen.

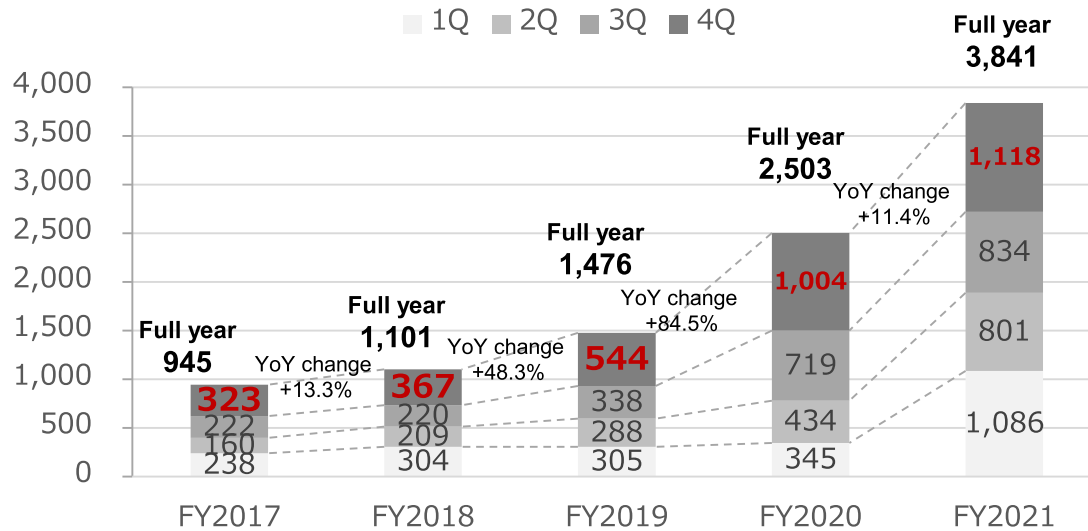
For the past five years (except the previous fiscal year), we have seen a seasonal factor during the second and fourth quarters in which sales growth changes depending on pharmaceutical companies' decisions to exhaust budgets. While repeating this seasonality, we have continued to increase sales.

	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 ended December 31, 2021	1,814	1,513	1,552	2,014	6,894

# Segment Performance – Pharmaceutical DX Business (2)

## Segment profit

(Million yen)



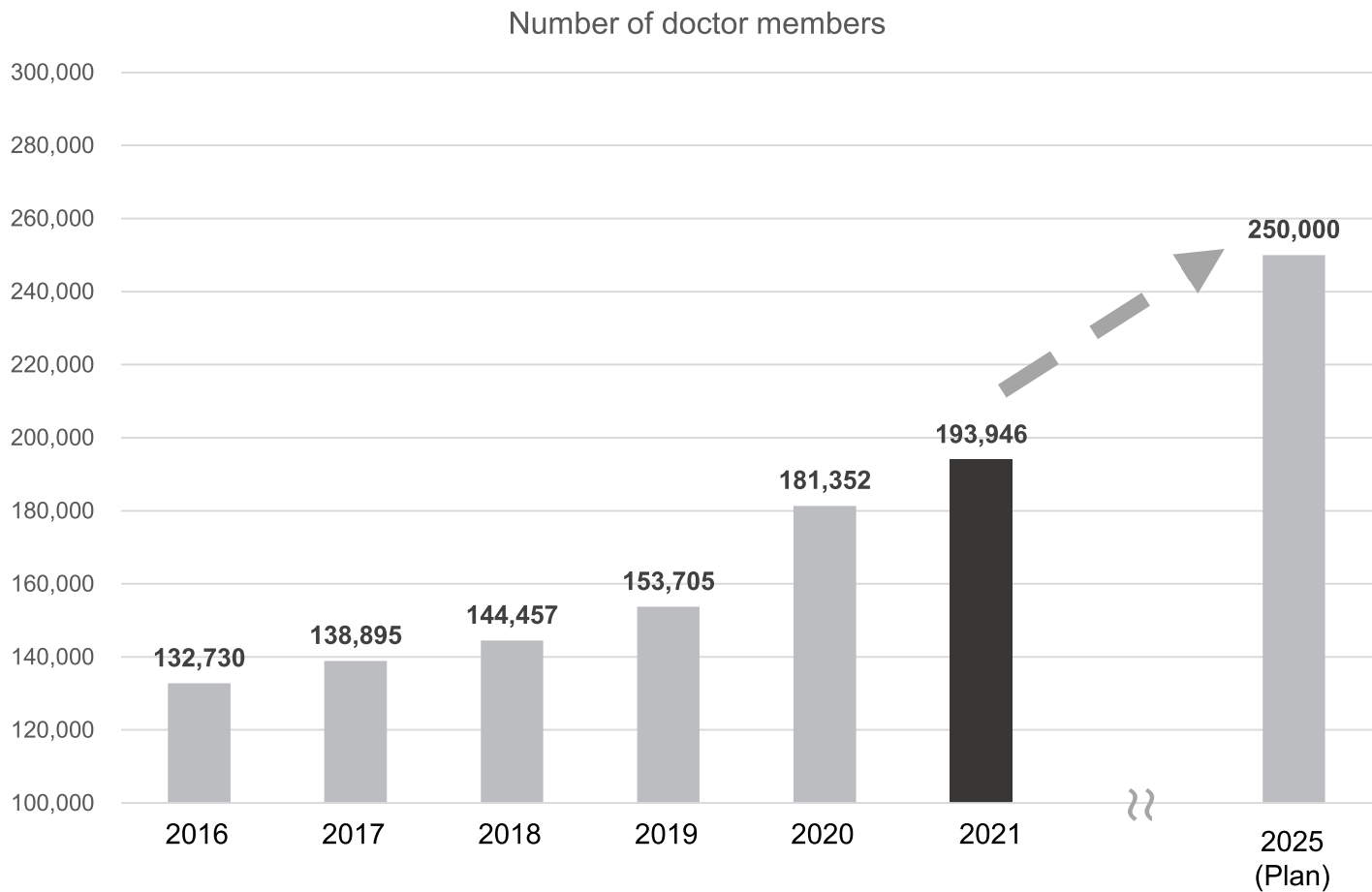
During the fourth quarter, segment profit increased by 11.4% year-over-year to 1,118 million yen in line with increased sales. The amount during the full year grew 53.4% to 3,841 million yen. We have maintained the segment profit ratio of over 50%, which shows that the profit from this segment has contributed 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 ended December 31, 2021	1,086	802	834	1,118	3,841

# Doctors who are Members

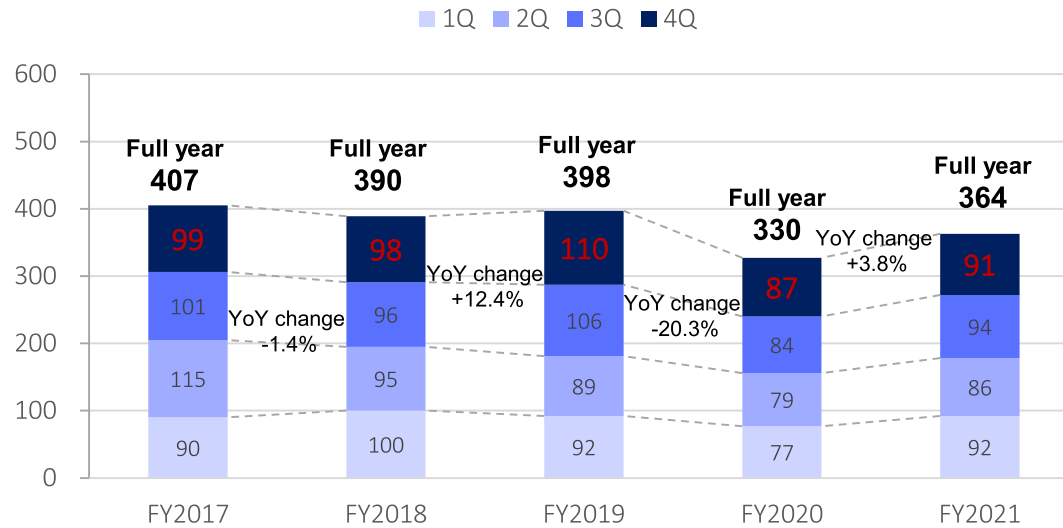
- Continuing from the previous fiscal year, the number of doctors who are members has been steadily increasing, exceeding 190,000 as of December 31, 2021.



# Segment Performance – Medical Platform Business (1)

## Net sales

(Million yen)



During the period of the fourth quarter, net sales in this segment grew 3.8% year-over-year to 91 million yen due to an increase in sales of “CareNeTV.” The amount during the full year increased by 10.3% year-over-year to 364 million yen.

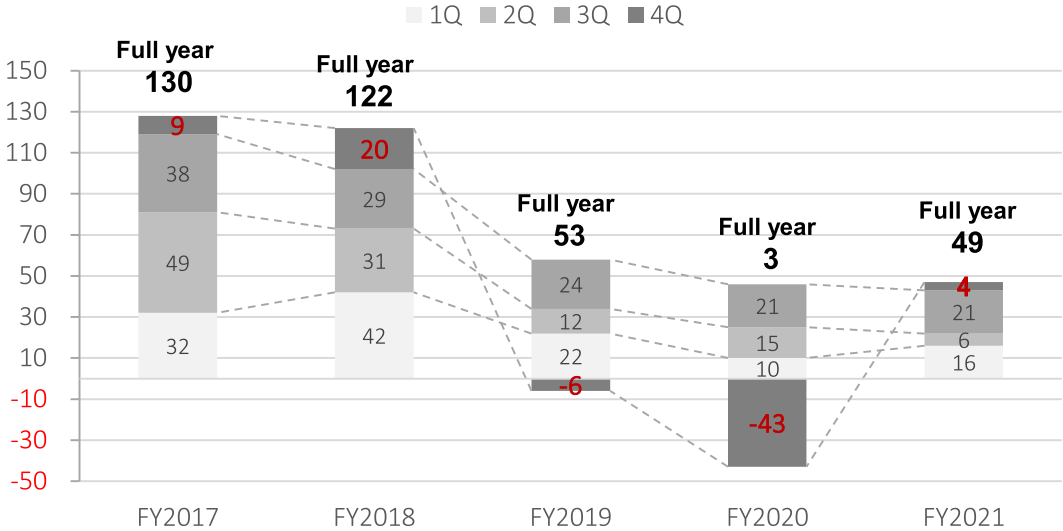
From this fiscal year, we have transferred the doctor career business from the Medical platform business to the “Consolidated growth business.” For this reason, the sales and profit of the career business have been deducted from the results for the fiscal year ended December 31, 2020, in order to show 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 ended December 31, 2021	92	86	94	91	364

# Segment Performance – Medical Platform Business (2)

## Segment performance

(Million yen)



Segment profit of the Medical platform business in the fourth quarter was 4 million yen, which turned last period’s loss into a gain. The amount during the full year increased 1,153.7% to 49 million yen.

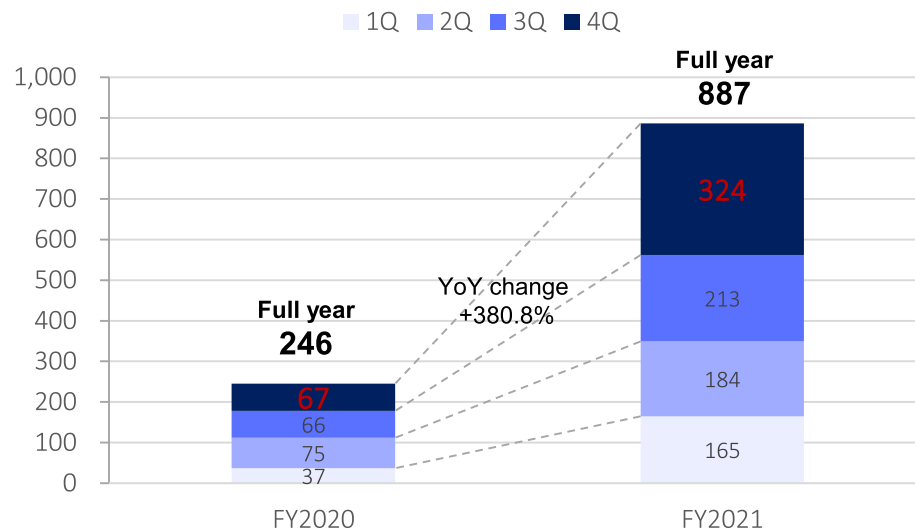
In the fourth quarter of the previous fiscal year, segment profit showed negative growth due to an increase in the amount of live content produced in relation to COVID-19, expenses for upgrading platforms, etc.

	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 ended December 31, 2021	16	6	21	4	49

# Segment Performance – Consolidated Growth Business (1)

## Net Sales

(Million yen)



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 380.8% year-over-year to 324 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 amount during the full year grew 260.7% to 887 million yen.

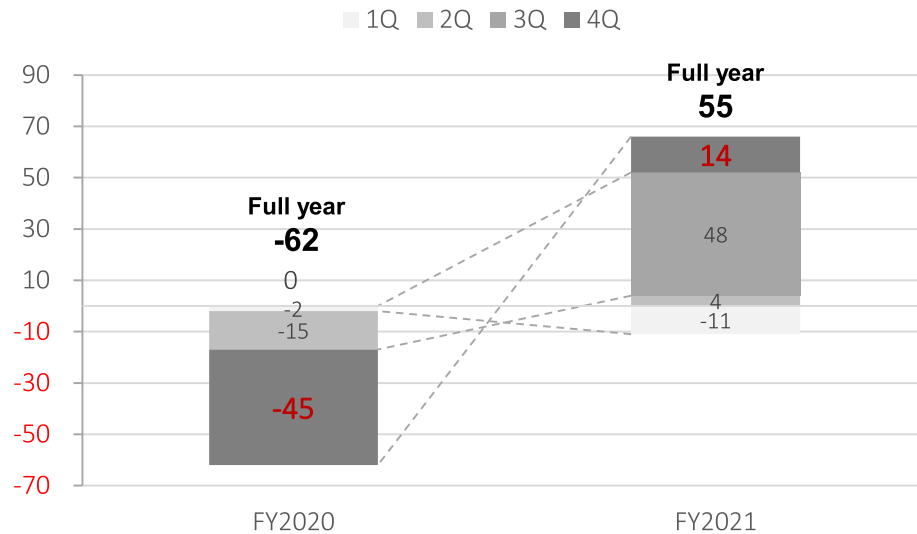
	1Q	2Q	3Q	4Q	Full year
Fiscal year ended December 31, 2020	37	75	66	67	246
Fiscal year ended December 31, 2021	165	184	213	324	887



# Segment Performance – Consolidated Growth Business (2)

## Segment profit

(Million yen)



We gained segment profit of 14 million yen in the fourth quarter due to increased revenue in the career business and the contribution of AD Medica. The amount for the full year has grown to 55 million yen from -62 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 ended December 31, 2021	-11	4	48	14	55



# 6. Risk Information

**[Contents]**

1. Business Model
2. Market Environment - Pharmaceutical DX Business
3. Our Competitiveness
4. Growth Strategy
5. Annual Plans and Progress
- 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 December 31, 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)

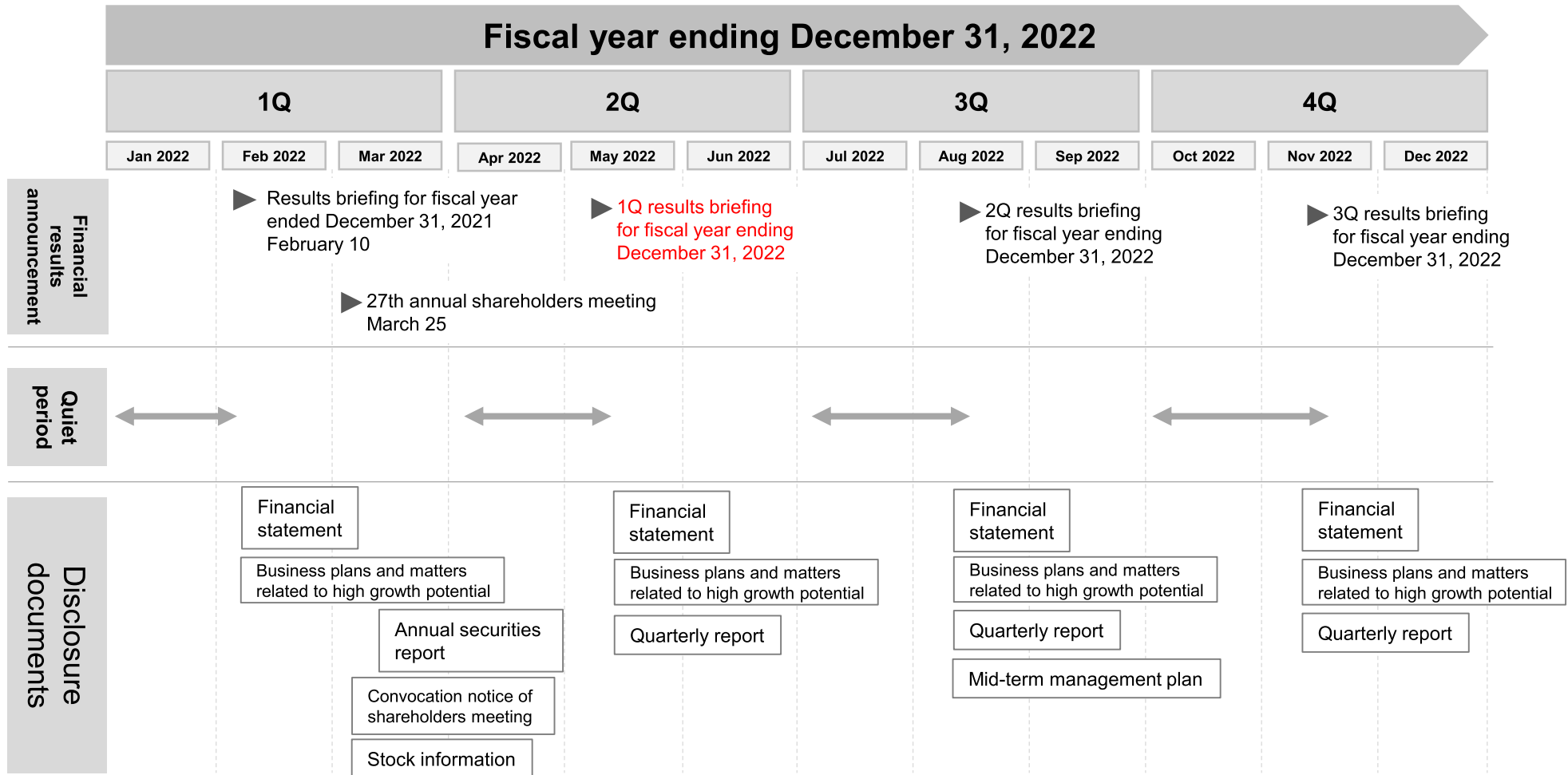
Classification	Risks	Countermeasures
Risks related to handling of personal information	<p>The Group’s business is based on cooperation with doctors. For this reason, we hold personal information of many doctors for the execution of our business. In March 2005, the Group was granted the PrivacyMark certification, 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 first quarter of the fiscal year ending December 31, 2022 (scheduled for May 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](mailto:ir@carenet.co.jp)**