



CareNet, Inc.

**Briefing Materials for Financial Results
for the Nine Months Ended September 30, 2024**

Katsuhiro Fujii, President

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- 2. Mid-term Management Vision 2026
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Business Model

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Corporate Profile

Name	CareNet, Inc.
Address	Sumitomo Fudosan Chiyoda Fujimi Bldg., 8-19, Fujimi 1-chome Chiyoda-ku, Tokyo, Japan
Established	July 1996
Employees	395 (as of September 30, 2024)
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.

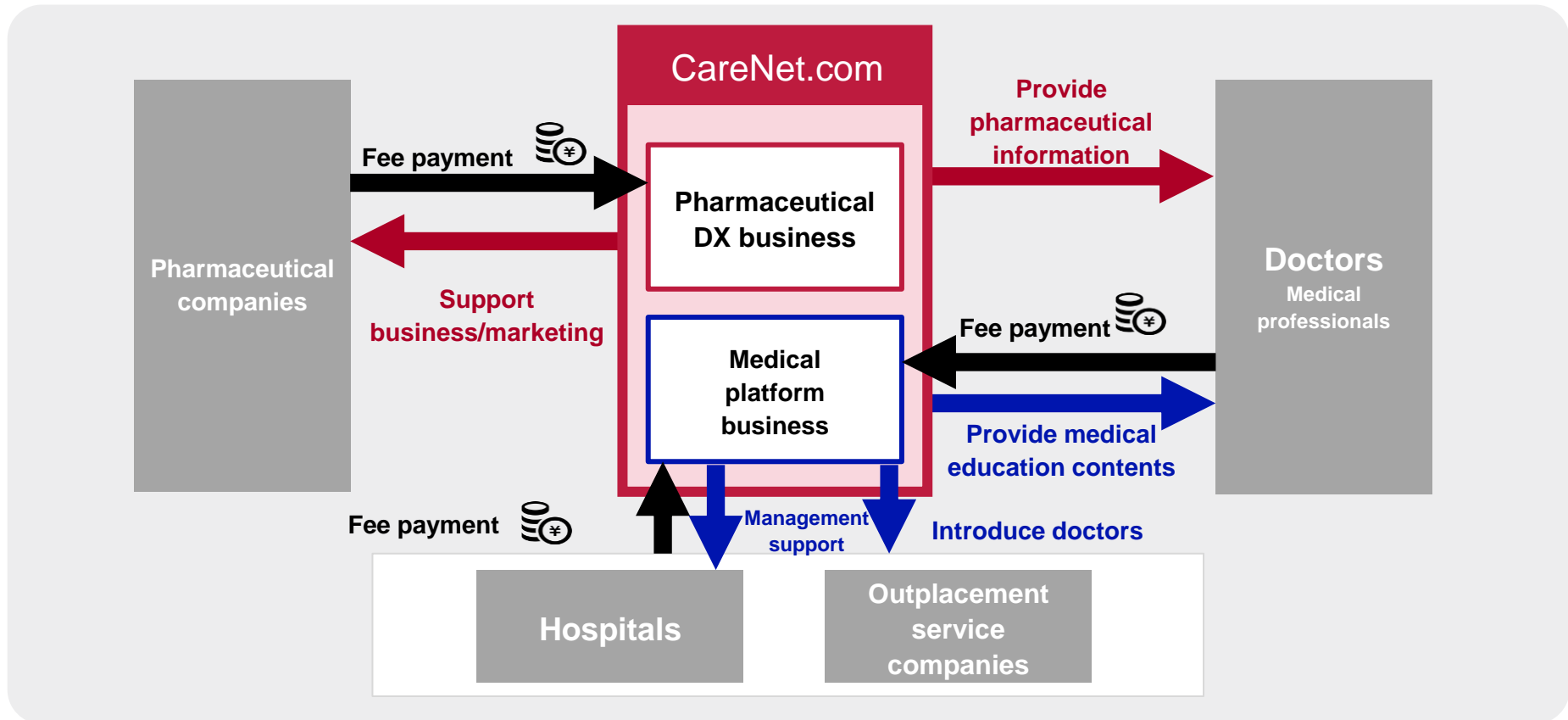
Corporate Philosophy

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 Business Model

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



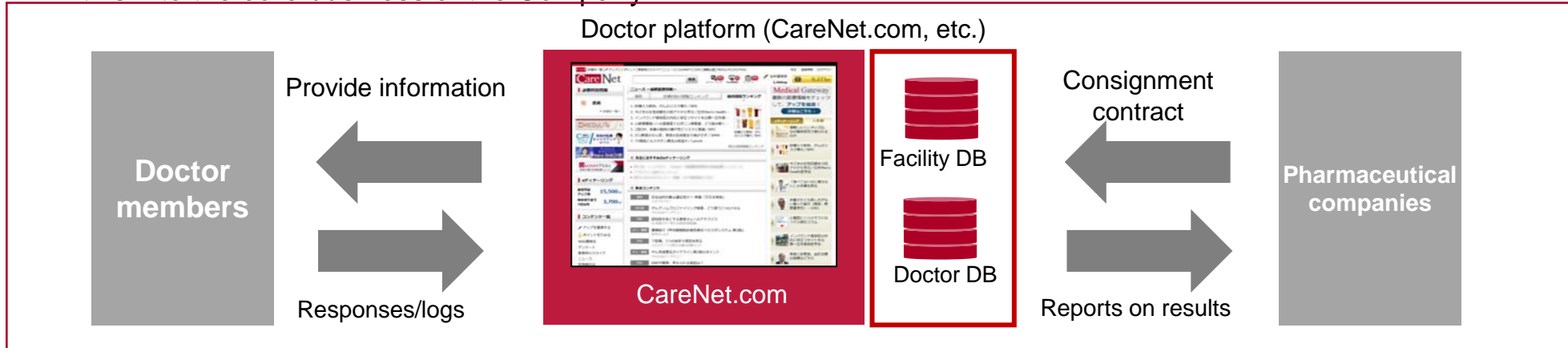
The “Pharmaceutical DX business” is engaged in the service of providing doctors with information on the proper use of therapeutic drugs under contract with pharmaceutical companies, using our doctor platforms such as “CareNet.com.” Its business model relies on obtaining service income from pharmaceutical companies, and it is our main business that accounts for about 90% of the total net sales of the CareNet Group (the “Group”).

The “Medical platform business” is engaged in the service of providing fee-based medical education videos to our member doctors and medical professionals. Since becoming the first company in Japan to provide specialized information programs for doctors, we have built an extensive track record in producing medical education programs. The business also provides information services for supporting job changes and opening businesses through group companies, with a view to helping our member doctors’ career advancement and work-life balance improvement.

Pharmaceutical DX Business

Business model for the Pharmaceutical DX business

- CareNet has endeavored to spread the proper 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. With a track record of over 1,000 seminars per year, this is a core service together with MRPlus®.

Besides the above, through our group companies, CRO, SMO, and CSO, which dispatch professionals, we provide high-quality service in tandem with the doctor platform.

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



Paying members

6,635

(As of September 30, 2024)

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 3,000 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 -

Medical information website used by **more than 470,000** medical professionals



Members

471,597

Doctors who are members

234,884

(As of September 30, 2024)

“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.



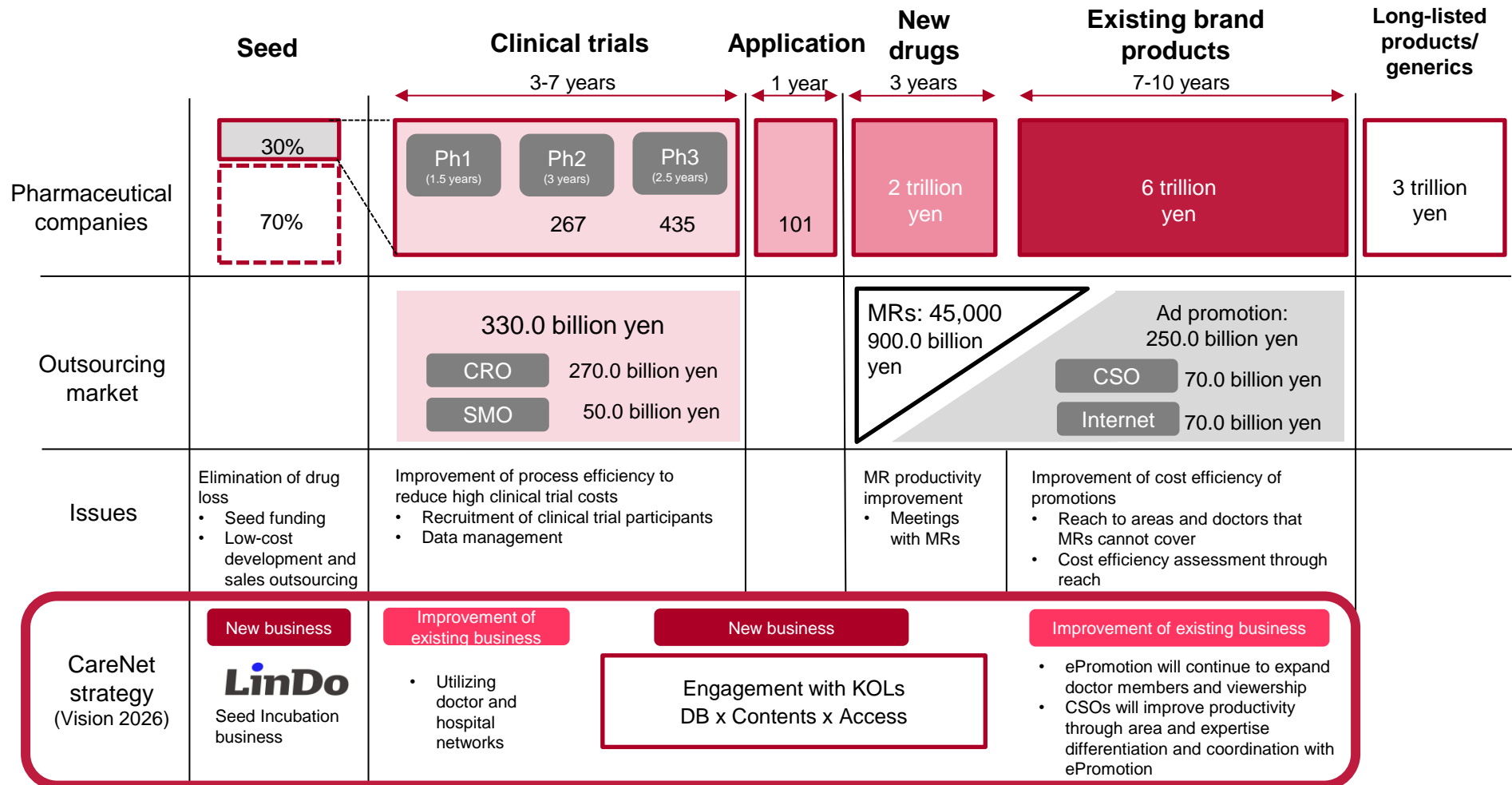


Mid-term Management Vision 2026 Progress Report

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Mapping Pharmaceutical Outsourcing Market and Our Growth Strategy



The Group aims to develop an integrated business ranging from development of new pharmaceutical products to clinical trial support and sales support.

[Source] Only 30% of new overseas drugs developed in Japan: "Drug Lag: Situation of Unapproved Drugs in Japan and its Characteristics," OPIR News No. 63 (July 2021), Office of Pharmaceutical Industry Research (OPIR); Number of formulations in clinical trials, etc.: Calculated based on data from the website of Japan Pharmaceutical Manufacturers Association; Pharmaceutical sales market size: Estimated by the Company based on The Global Use of Medicines 2024, IQVIA; CRO and SMO market sizes: Based on data from the website of Japan CRO Association; Number of MRs: Estimated by the Company based on "MR White Paper 2024," MR Education & Accreditation Center of Japan; Ad promotion market: Estimated by the Company based on average advertising to net sales ratio for listed pharmaceutical companies

Progress on Mid-term Management “Vision 2026”

In response to the reform of clinical trial and drug sale processes in the pharmaceutical industry, the Group has designated the three years from 2024 to 2026 as a development-focused period with the aim of accelerating growth from 2027 and beyond. During the period from 2027, which will be positioned as a “growth period,” we will aim to achieve sales growth with CAGR of above 20% and achieve recovery in the operating profit ratio.

Growth Strategy Development Priorities and Progress through 3Q 2024

1. Improvement of existing business

- Launch of CareNeTV Nurse, a video learning site for nurses, following CareNeTV for doctors
- Release of “DI Plus,” a new service of quickly delivering new drug information to busy doctors. DI Plus is linked to “MRPlus,” which provides detailed information on new drugs.

2. Development of new business

- Development of engagement service
Pilot project with clients underway. Currently developing an approach using themes that interest target doctors based on research and analysis on the characteristics of doctors that MRs cannot meet (use of the Company’s DB) and results of analysis
- Development of Seed Incubation business
Invested in Medical Incubator Japan K.K.’s fund aimed at backing the development of rare disease drugs (MIJ BG2 Limited Partnership) in June to support new drug development, following investment in LinDo K.K. in February. LinDo is currently negotiating with several overseas pharmaceutical startups about the domestic introduction of new drugs.

3. Expansion of business portfolio

- Acquired a CRO company, Satt Co., Ltd. Efforts are underway to establish a structure that will enable us to win contracts from pharmaceutical companies for all types of clinical trial support services, regardless of whether they are in the clinical development or clinical research fields.
- Established Method 360, Inc. to undertake new drug launch planning, medical writing, and various production activities for pharmaceutical companies. We are steadily developing new business partners.

Shareholder Return

Increasing shareholder (corporate) value is the Group's top priority

1. Higher net sales and profit

We aim to increase both net sales and profit even during the development and demonstration period (period of expanding investment in development) under Vision 2026.

2. Gradual improvement in ROE

We will gradually improve ROE by constantly increasing net sales and profit.

3. Acquisition of treasury stock

We resolved a share repurchase program at a meeting of the Board of Directors held on August 13, 2024 to improve capital efficiency and implement a flexible capital policy (the share repurchase program based on this resolution was completed on November 11, 2024). We will continue to consider share repurchases as one of the measures to increase corporate value through improved capital efficiency, etc.

Class of shares to be acquired	Common shares of the Company
Total number of shares to be acquired	2,343,600 shares (maximum) (5.22% of total number of shares issued excluding treasury shares)
Total amount of acquisition costs	1,000,000,000 yen (maximum)
Acquisition period	From August 14, 2024 to December 23, 2024
Acquisition method	Market purchase on the Tokyo Stock Exchange



Financial Results for the Nine Months Ended September 30, 2024

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Financial Year 2024 Plans

- FY2024 marks the first year to start expanding investment in business development towards medium- to long-term growth in accordance with the “Vision 2026” disclosed in February 2024.
- Net sales for the fiscal year ending December 31, 2024, is expected to increase mainly due to growth in the existing business of Pharmaceutical DX. Meanwhile, due to increased investment in development, etc. for expanding sales and profit in new business, profit is expected to decline year over year.

(Million yen)

	Fiscal year ended December 31, 2023 Results	Fiscal year ending December 31, 2024 Forecast	YoY change
Net sales	10,235	11,600	13.3%
Operating profit	2,428	2,200	-9.4%
Ordinary profit	2,467	2,200	-10.8%
Profit attributable to owners of parent	1,510	1,500	-0.7%

The Nine Months Ended September 30, 2024 - Financial Results Summary

- Net sales for the third quarter period increased by 7.1% year over year.
- In accordance with Vision 2026, we started to invest in development this year. As a result, expenses have increased both in price cost and in selling, general and administrative expenses, leading to profit decline.

(Million yen)

Consolidated Statements of Income

	Q3 2023	Q3 2024	YoY change
Net sales	7,271	7,788	7.1%
Cost of sales	2,714	3,156	16.3%
Gross profit	4,557	4,632	1.6%
Selling, general and administrative expenses	2,820	3,216	14.0%
Operating profit	1,736	1,416	-18.4%
Ordinary profit	1,772	1,429	-19.3%
Profit attributable to owners of parent	1,106	839	-24.1%

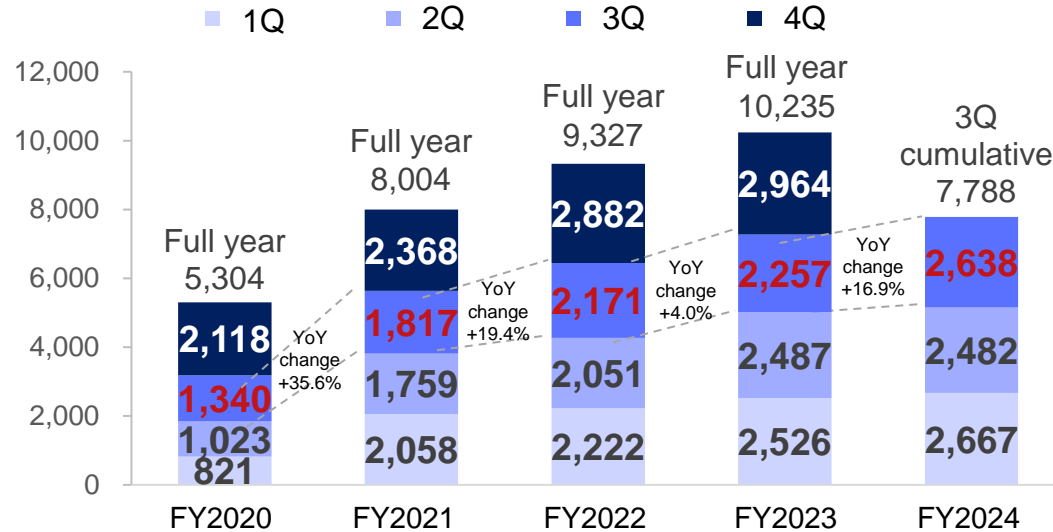
Consolidated Balance Sheets

	September 30, 2024	Change from FY2023 end
Current assets	9,535	-19.0%
Non-current assets	4,048	68.5%
Total assets	13,583	-4.1%
Current liabilities	1,903	-22.3%
Non-current liabilities	265	21.1%
Total liabilities	2,168	-18.7%
Total net assets	11,415	-0.8%
Total liabilities and net assets	13,583	-4.1%

Trends in Company-wide Performance (1)

Net sales

(Million yen)



Net sales for the third quarter period increased by 16.9% year over year to 2,638 million yen, owing to growth in both the Pharmaceutical DX business and the Medical Platform business.

In particular, the Medical Platform business has significantly grown, and the Pharmaceutical DX business also continues to experience sustained growth.

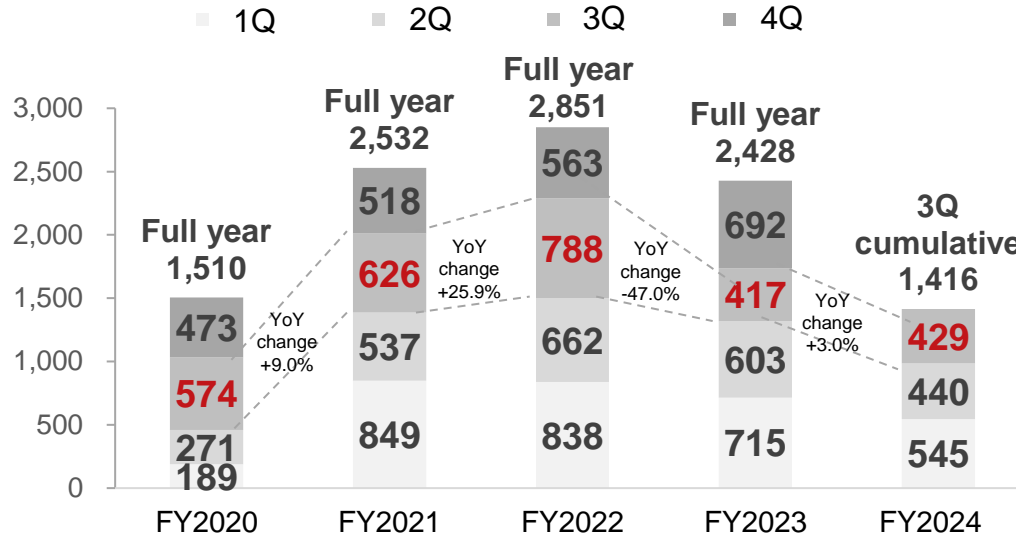
Company-wide net sales for the nine months ended September 30, 2024 increased by 7.1% year over year to 7,788 million yen.

	1Q	2Q	3Q	4Q	Full year
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
Fiscal year ended December 31, 2022	2,222	2,051	2,171	2,882	9,327
Fiscal year ended December 31, 2023	2,526	2,487	2,257	2,964	10,235
Fiscal year ending December 31, 2024	2,667	2,482	2,638		

Trends in Company-wide Performance (2)

Operating profit

(Million yen)



	1Q	2Q	3Q	4Q	Full year
Fiscal year ended December 31, 2020	189	271	574	473	1,510
Fiscal year ended December 31, 2021	849	537	626	518	2,532
Fiscal year ended December 31, 2022	838	662	788	563	2,851
Fiscal year ended December 31, 2023	715	603	417	692	2,428
Fiscal year ending December 31, 2024	545	440	429		

Full-year profit is projected to decrease this fiscal year due to the aggressive investment in development based on Vision 2026.

Operating profit for the third quarter period increased by 3.0% year over year to 429 million yen, as a result of cutting costs through company-wide operational improvements, while making necessary investments for mid- to long-term growth.

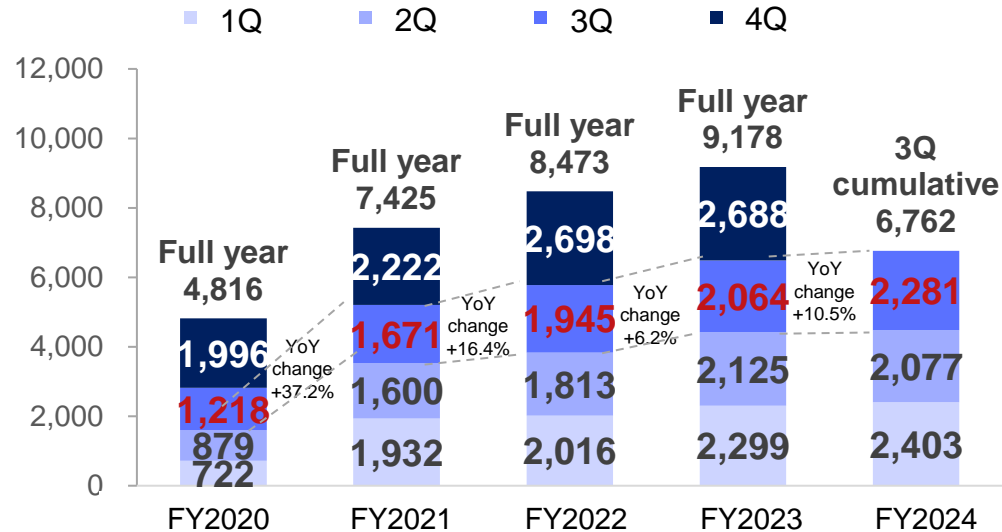


Progress by Segment

Segment Performance – Pharmaceutical DX Business (1)

Net Sales

(Million yen)



	1Q	2Q	3Q	4Q	Full year
Fiscal year ended December 31, 2020	722	879	1,218	1,996	4,816
Fiscal year ended December 31, 2021	1,932	1,600	1,671	2,222	7,425
Fiscal year ended December 31, 2022	2,016	1,813	1,945	2,698	8,473
Fiscal year ended December 31, 2023	2,299	2,125	2,064	2,688	9,178
Fiscal year ending December 31, 2024	2,403	2,077	2,281		

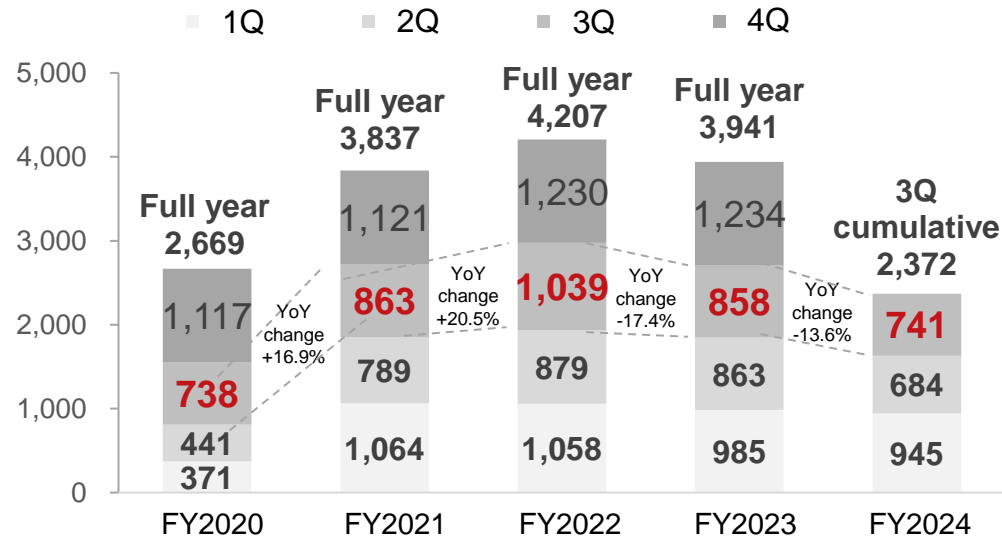
The pharmaceutical industry continues to be in a cost sensitive environment and is more focused on cost efficiency in ordering promotional activities. To continue and accelerate growth, it is required to improve the performance of existing business and to provide new added-value through new services.

Apart from the above trend, the move to reform the work-styles of doctors at hospitals began, and pharmaceutical companies became cautious in their promotional activities in the second quarter. Despite this factor, net sales increased by 10.5% year over year to 2,281 million yen in the third quarter due to the recovery of the ePromotion business and the steady performance of the CSO business.

Segment Performance – Pharmaceutical DX Business (2)

Segment profit

(Million yen)



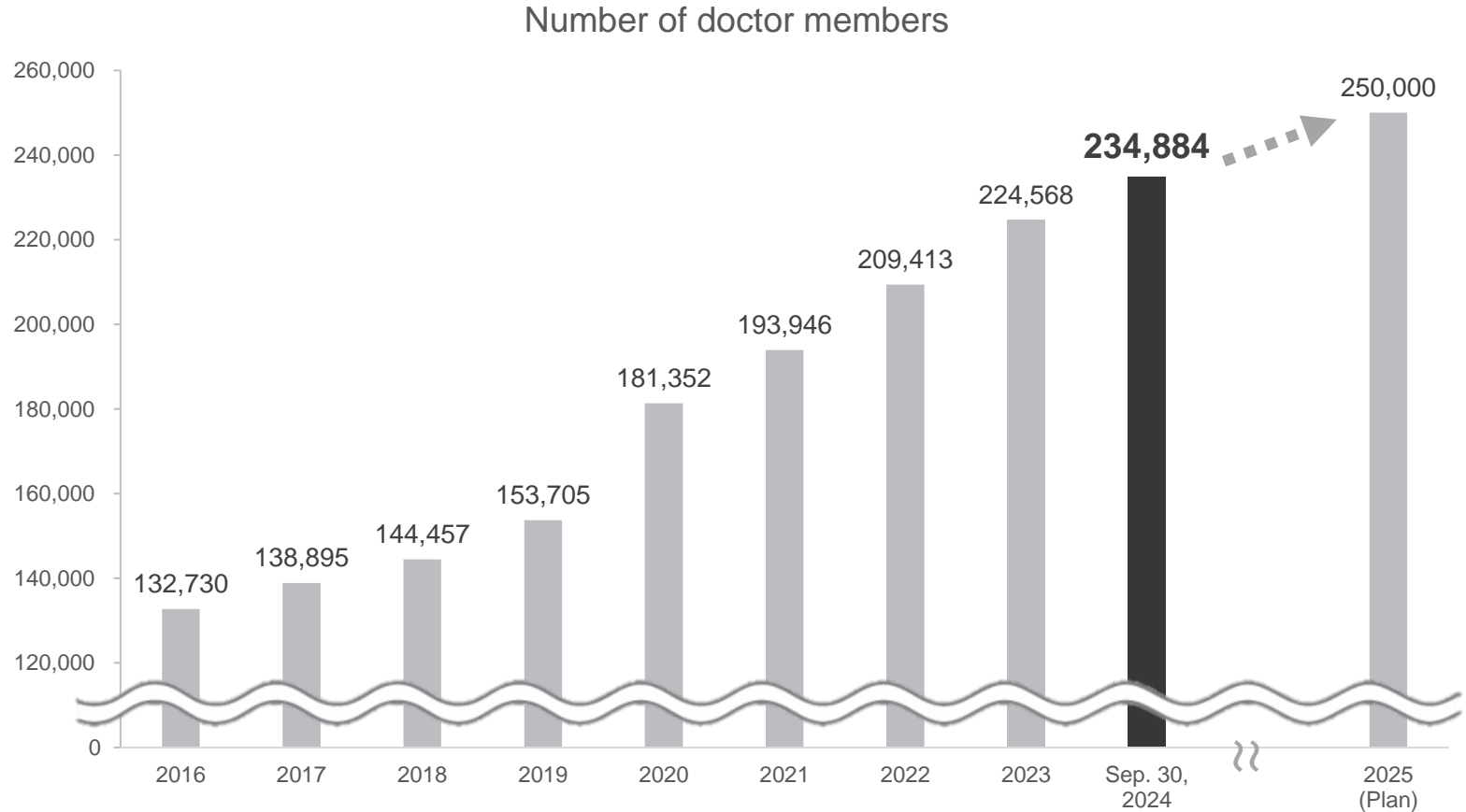
	1Q	2Q	3Q	4Q	Full year
Fiscal year ended December 31, 2020	371	441	738	1,117	2,669
Fiscal year ended December 31, 2021	1,064	789	863	1,121	3,837
Fiscal year ended December 31, 2022	1,058	879	1,039	1,230	4,207
Fiscal year ended December 31, 2023	985	863	858	1,234	3,941
Fiscal year ending December 31, 2024	945	684	741		

While existing businesses such as the ePromotion business and the CSO business are constantly growing in the Pharmaceutical DX business, segment profit for the third quarter period decreased by 13.6% year over year to 741 million yen, due to increased selling, general and administrative expenses associated with new business development and personnel hiring, etc. based on Vision 2026.

The Company will increase profits and achieve recovery in the operating profit ratio by reducing costs through operational improvements and other measures, while accelerating development with the aim of early net sales and profit contribution from new businesses.

Doctors who are Members

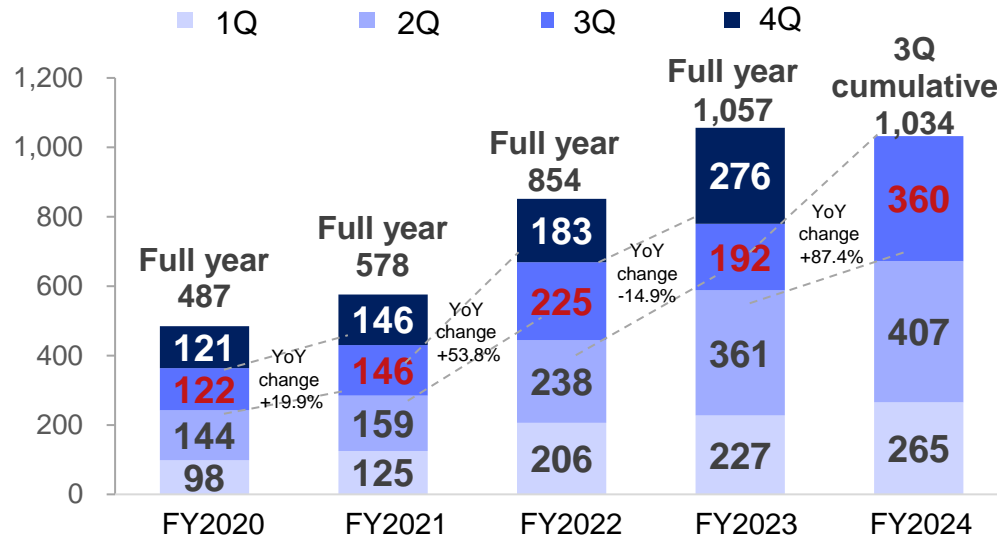
- Continuing from the previous fiscal year, the number of doctors who are members has been steadily increasing, reaching 234,000 as of September 30, 2024.



Segment Performance – Medical Platform Business (1)

Net sales

(Million yen)



Net sales in this segment for the third quarter period increased by 87.4% year over year to 360 million yen, due to the significant growth of the doctor career service and sales contribution from the management support business for hospitals which was acquired last year.

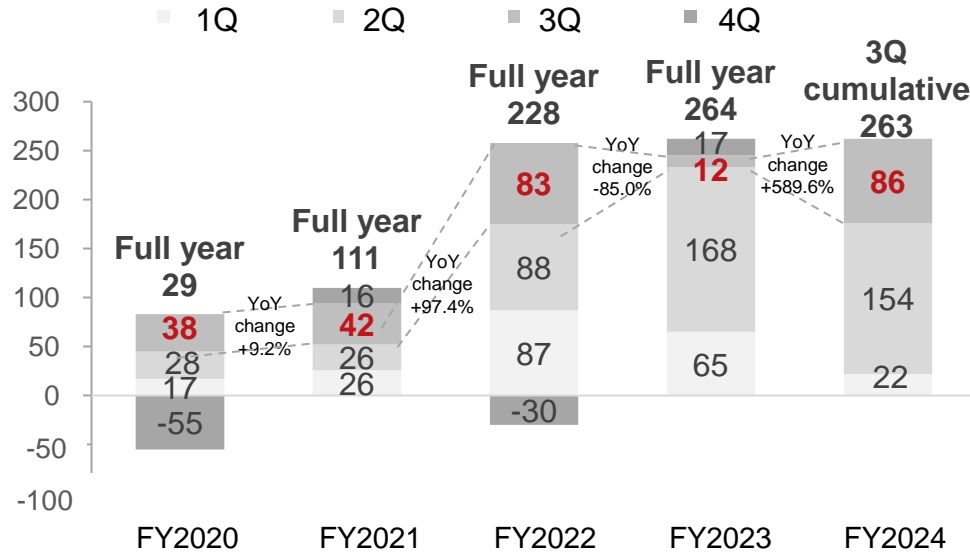
Despite a temporary slowdown in the second quarter largely due to the start of work-style reforms for doctors, the doctor career service has been growing steadily on a full year basis partly as a result of the enhancement of the sales activities structure.

	1Q	2Q	3Q	4Q	Full year
Fiscal year ended December 31, 2020	98	144	122	121	487
Fiscal year ended December 31, 2021	125	159	146	146	578
Fiscal year ended December 31, 2022	206	238	225	183	854
Fiscal year ended December 31, 2023	227	361	192	276	1,057
Fiscal year ending December 31, 2024	265	407	360		

Segment Performance – Medical Platform Business (2)

Segment profit

(Million yen)



Segment profit of the Medical Platform business for the third quarter period also increased by 589.6% year over year to 86 million yen, due to higher net sales of the doctor career service.

Operating profit of the Medical Platform business may vary from quarter to quarter depending on the timing of business investments, including hiring, but it is on an upward trend on a full year basis.

	1Q	2Q	3Q	4Q	Full year
Fiscal year ended December 31, 2020	17	28	38	-55	29
Fiscal year ended December 31, 2021	26	26	42	16	111
Fiscal year ended December 31, 2022	87	88	83	-30	228
Fiscal year ended December 31, 2023	65	168	12	17	264
Fiscal year ending December 31, 2024	22	154	86		

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