



CareNet, Inc.

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

**Progress Report for the
Fiscal Year Ended December 31, 2022**

Katsuhiro Fujii, President

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1. 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	277 (as of December 31, 2022)
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.

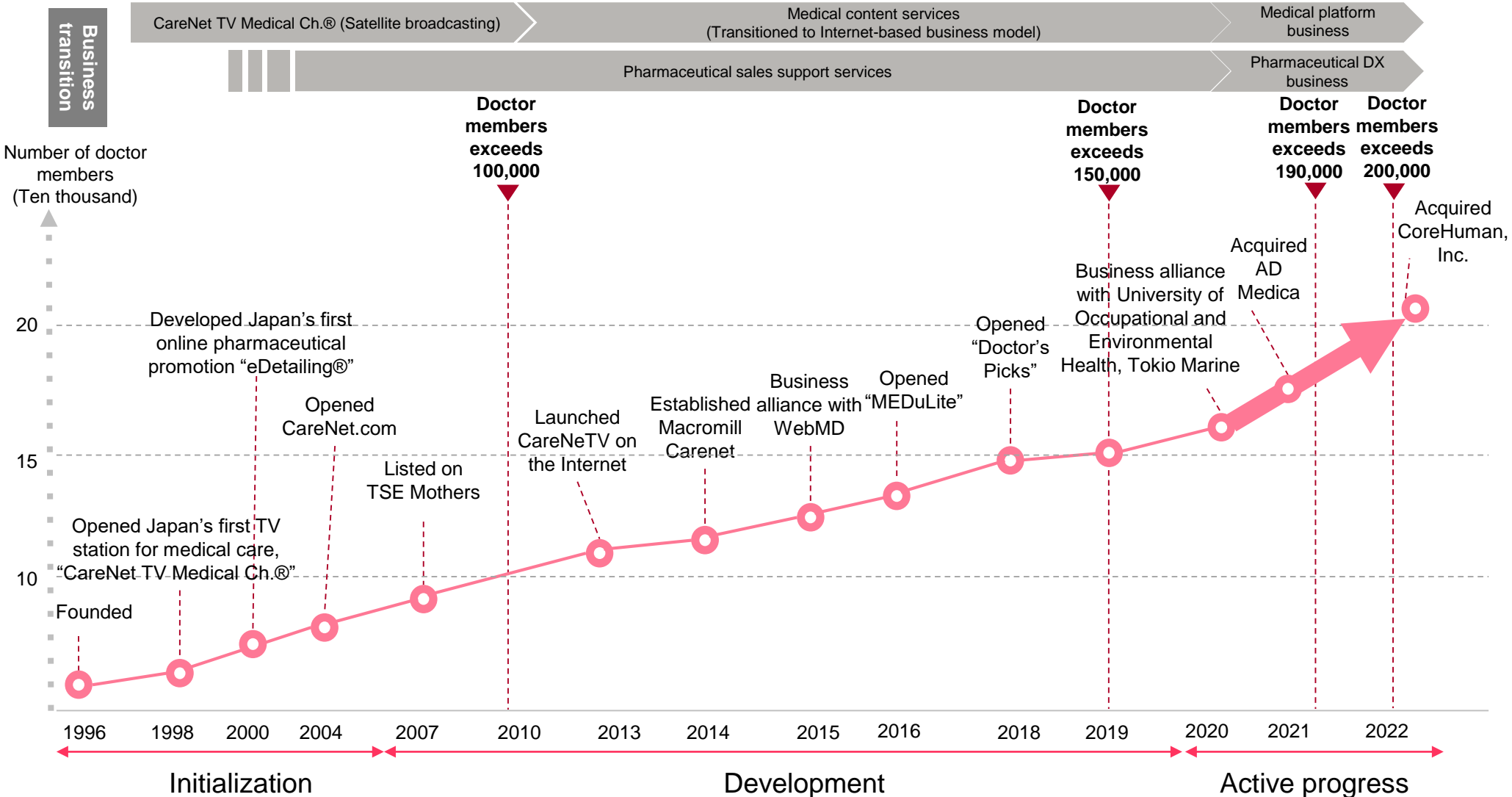
Corporate Philosophy

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.

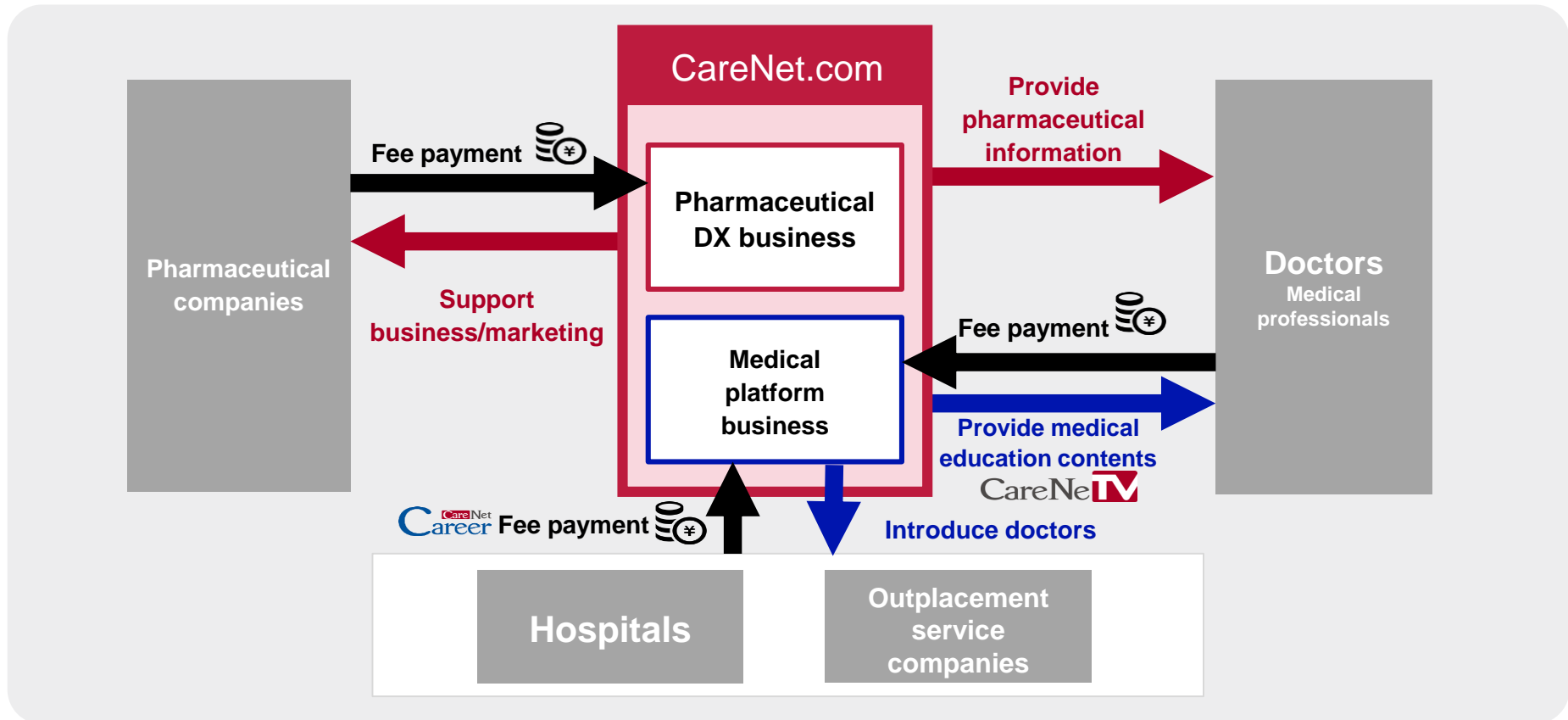
Our History

■ 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 “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.

Medical information website used by **more than 400,000** medical professionals



Members

424,085

Doctors who are members

209,413

(As of December 31, 2022)

“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.

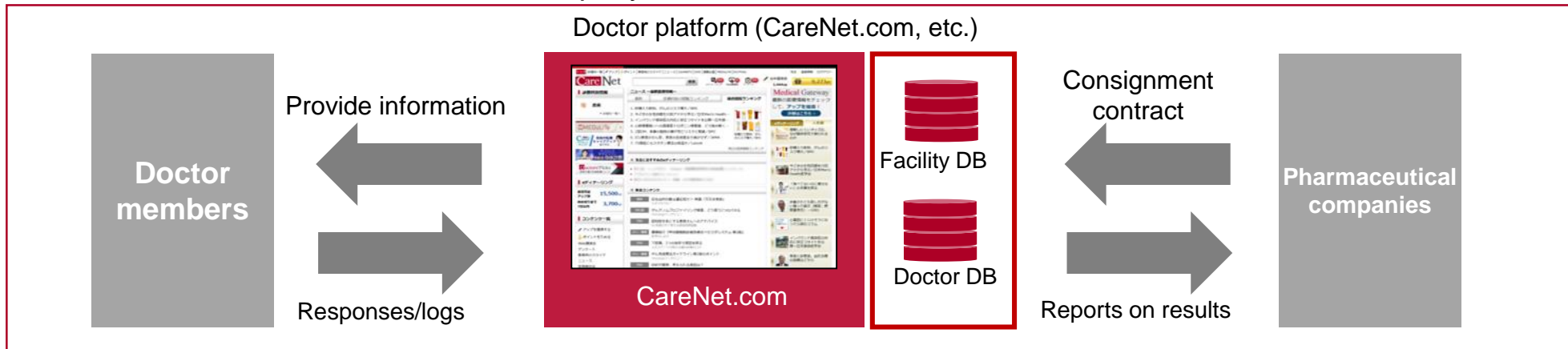
International research and news on medical care
 Carefully selected articles published in leading international journals are summarized in Japanese and are made available together with the latest medical news in Japan to facilitate quick and easy understanding of the current state of medical care.



Pharmaceutical DX Business

Business model for the Pharmaceutical DX business

- CareNet has endeavored to spread the 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. 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 displays the CareNeTV website interface. At the top, there is a navigation bar with the CareNeTV logo, a search bar, and various menu items like 'Home', 'Ranking', 'About Us', and 'DVD/Annotate'. Below the navigation bar is a large banner featuring a group of medical professionals and the text 'あの先生の名ティーチングを ほかでは見られないハイクオリティ番組で CareNeTVプレミアム'. The main content area is divided into two sections: 'New Programs' (新着番組) and 'Latest Viewed Ranking (Past 1 Month)' (最新視聴ランキング(過去1ヵ月)). The 'New Programs' section shows a grid of program thumbnails with titles such as 'Dr. Nakamura's English Language Changeable Learning', 'Blood Test Guide', and 'Dr. Terney's Conference Tour'. The 'Latest Viewed Ranking' section shows a list of programs ranked from 1st to 10th, with their respective view counts.

Paying members

6,050

(As of December 31, 2022)

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.

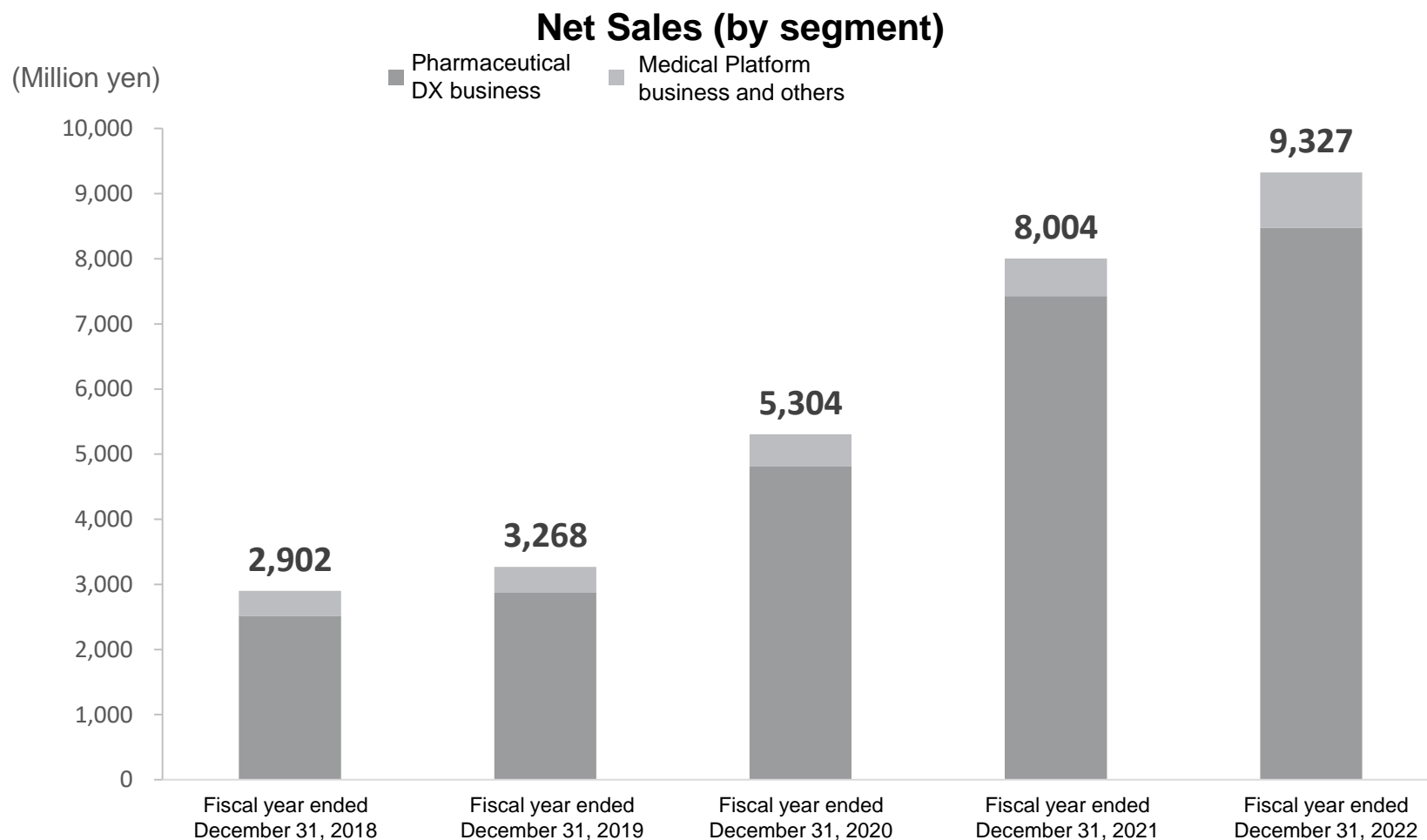
Complete lineup of programs

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 eight consecutive years in FY2022.**
- The “Pharmaceutical DX business” accounts for most sales. Growth is in tandem with expansion of the Pharmaceutical DX business.

Our Profit Structure (1)—Performance by Segment

- The “Pharmaceutical DX business” accounts for over 90% and 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, 2022

(Million yen)

	By business segment		Consolidated
	Pharmaceutical DX business	Medical platform business	Consolidated profit
Net sales	8,473	854	9,327
Operating profit	4,207	228	2,851
Operating profit ratio	49.7%	26.7%	30.6%
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. • Running 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 exists a segment profit adjustment of -1,584 million yen.

Our Profit Structure (2) – 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)

	FY2022 Consolidated	Ratio to net sales	Details
Net sales	9,327	—	<ul style="list-style-type: none"> • Around 90% of our consolidated net sales are generated by the Pharmaceutical DX business.
Cost of sales	2,915	31.3%	<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	6,412	68.7%	<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	3,560	38.2%	<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	2,851	30.6%	<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).



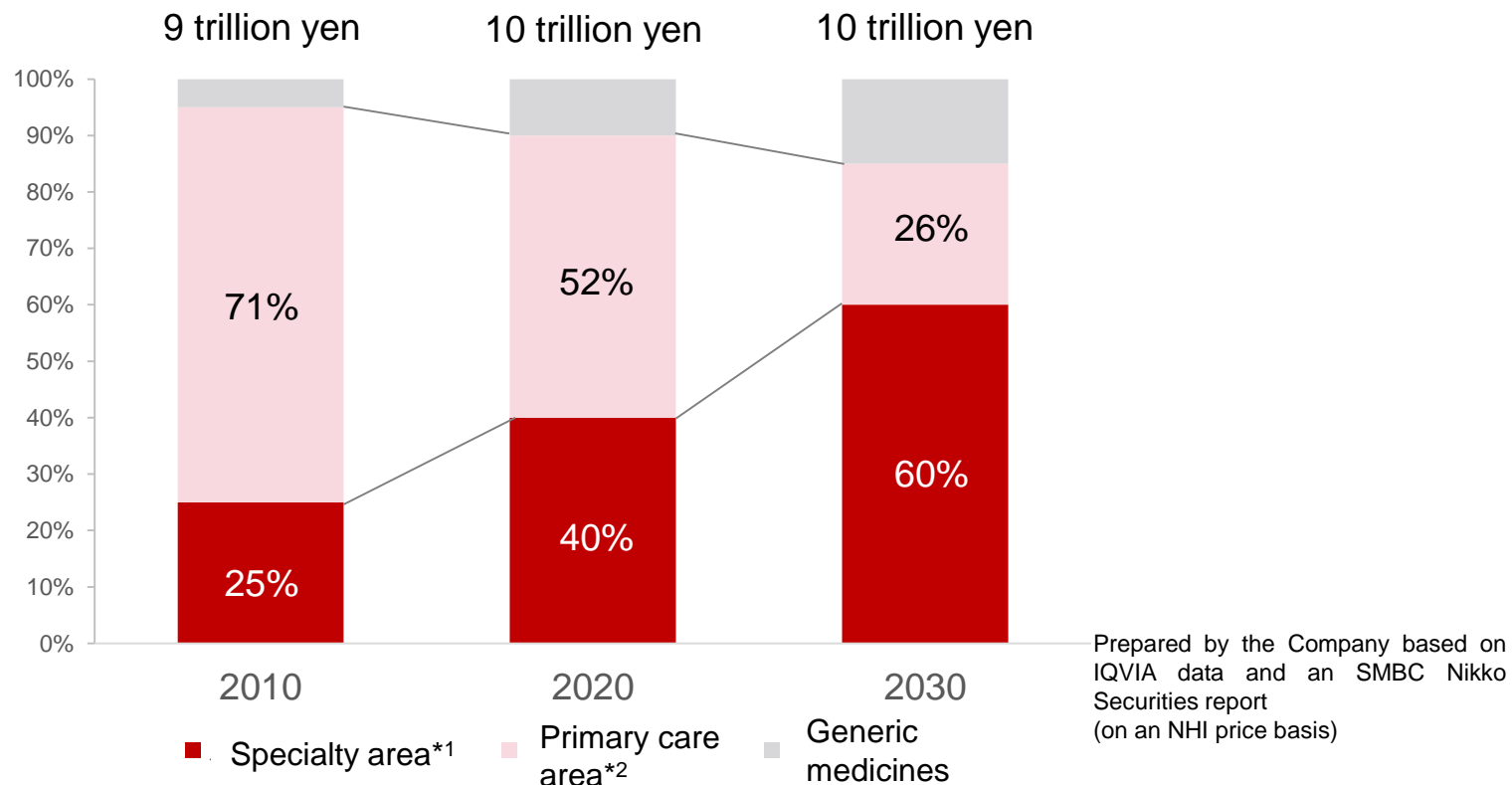
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Trends in Shares in the Japanese Ethical Drug Market

- 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.



*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.

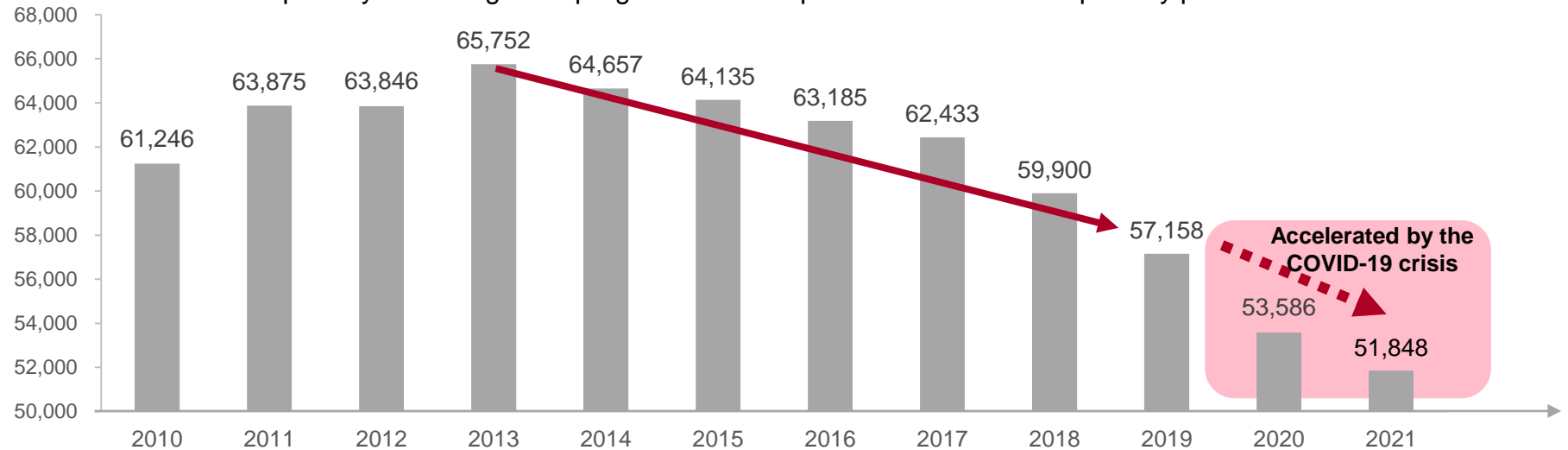
*2 Primary care drugs are low molecular weight compounds designed to be mass-produced mainly for the treatment of lifestyle-related diseases such as high blood pressure.

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.

Backdrop to Expansion of Pharmaceutical DX Market: Declining Number of MRs

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

Market environment changed by COVID-19

Reduction of MRs

MR reduction accelerated. More sales bases were consolidated.

Behaviors of doctors

Gathering of pharmaceutical information on the Internet expanded. Meetings became online.

ePromotion

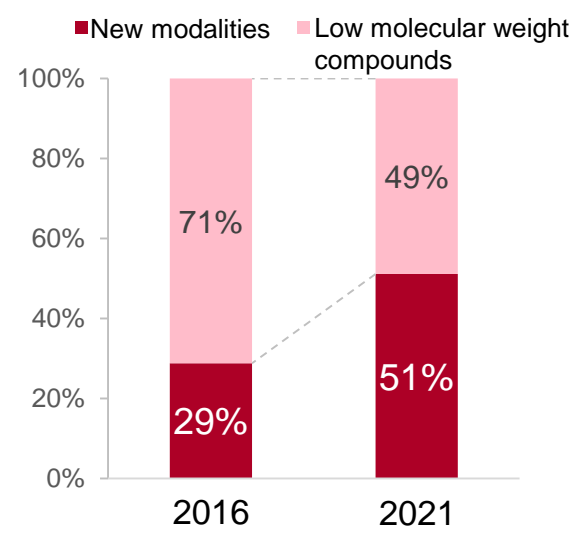
Role changed from a tool to complement MRs (online advertising) to a tool to replace MRs.

Backdrop to Expansion of Pharmaceutical DX Market: Changes in Development of Specialty Pharmaceuticals

- Modalities*¹ (drug discovery platform technology types) of specialty pharmaceuticals are becoming diversified and highly specialized.
- R&D by development-focused venture companies (EBPs*²) is driving the expansion of specialty pharmaceuticals.

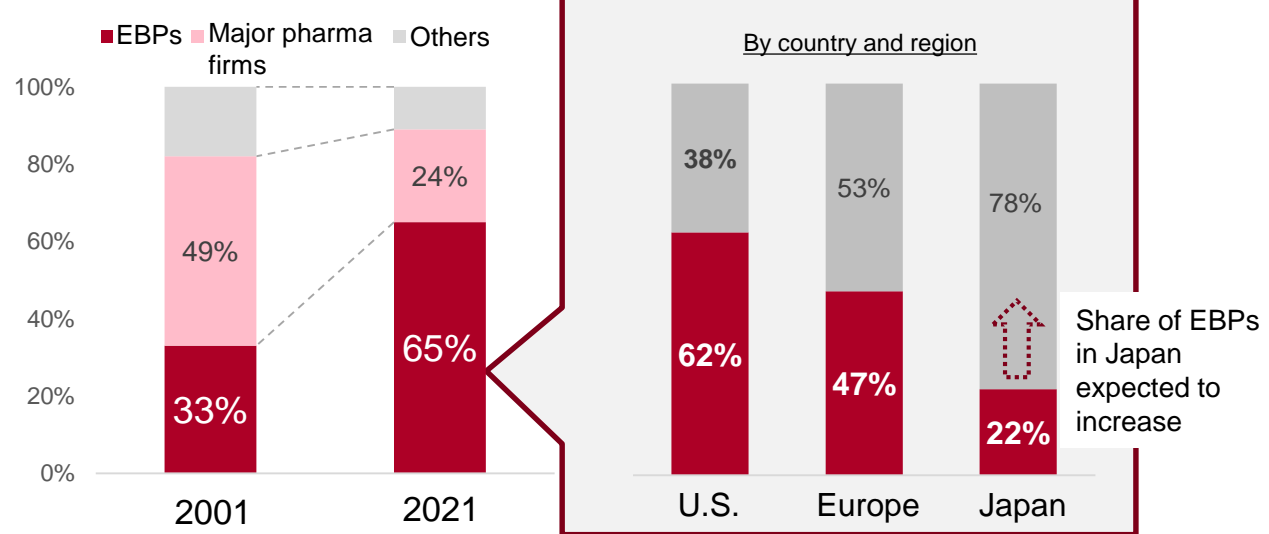
*1) Modalities: A classification of drug discovery platform technologies for pharmaceuticals. Low molecular weight compounds used to dominate, but there has been a rise in new modalities such as biopharmaceuticals in recent years. Specifically, in addition to antibody drugs known as molecular targeted drugs, modalities include cell therapy, gene therapy, peptide drugs, and oligonucleotide drugs, among others.
 *2) EBP: Emerging biopharma. EBPs refer to companies with annual revenue of less than \$500 million and annual R&D spending of \$200 million or less.

Number of new drug approvals by modality



Prepared by the Company based on information from the Office of Pharmaceutical Industry Research

Share of EBPs in the global development pipeline



Prepared by the Company based on IQVIA's "Global Trends in R&D OVERVIEW THROUGH 2021"

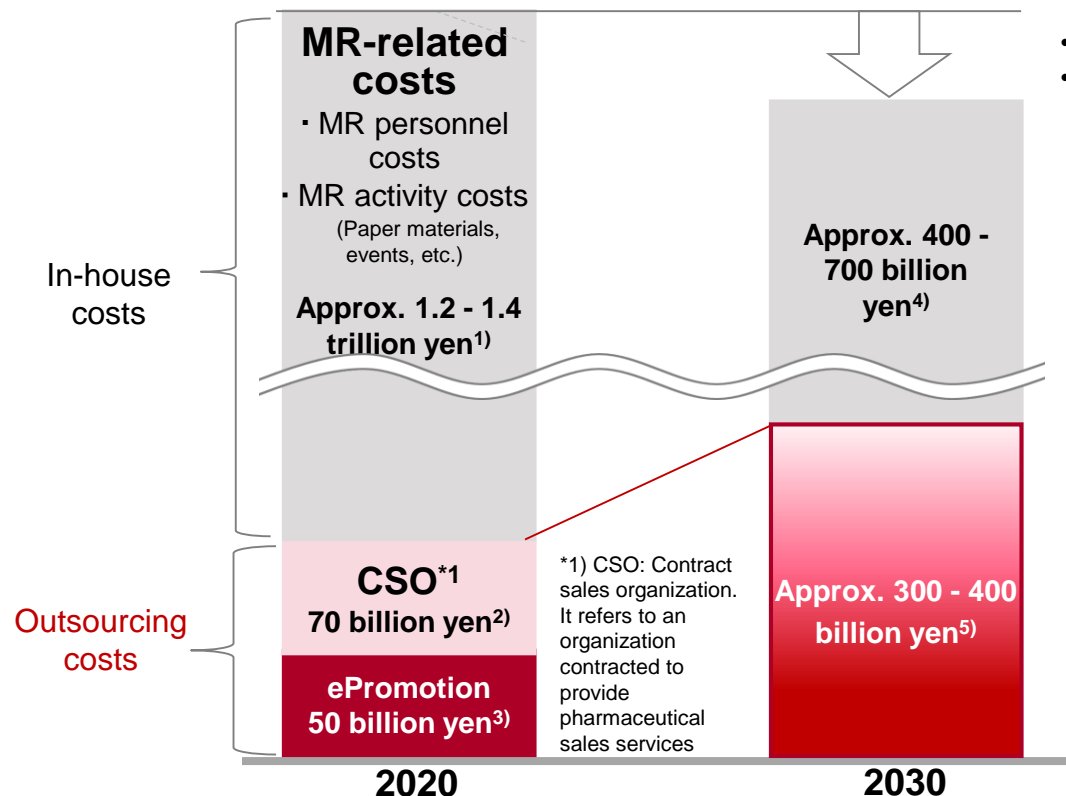
Provision of information on new drugs requires a high level of expertise

Outsourcing of operations, particularly sales and marketing processes, has expanded due to the rise of EBPs

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

- As the specialty area expands, the structure of promotional costs for pharmaceutical companies will change significantly. In-house costs (MR-related costs) will decrease, and more companies will switch to outsourcing.
- The methods to provide pharmaceutical information will evolve through the “integration of humans and DX,” regardless of whether it is done by using internal resources of pharmaceutical companies or outsourcing.

Promotional costs of pharmaceutical companies



- Cost reduction due to expiration of primary care drug patent
- Results of promoting DX, etc.

- Pharmaceutical companies have an obligation to provide, collect, and communicate information on the quality, effectiveness, and safety of pharmaceuticals in order to promote proper use.
- MRs will continue to play an essential role in the future, but they will primarily be stationed in acute care hospitals where specialty pharmaceuticals are prescribed, and there will be a shift to more efficient information activities in conjunction with the use of DX.

Pharmaceutical DX Market

- The collaboration and integration (DX) of dispatched MRs (CSOs) and ePromotion will progress, and the competitiveness of outsourcing services will improve, resulting in market expansion.
- As the digital transformation (DX) of the outsourcing market advances, the CSO and ePromotion markets are combined to be defined as the “pharmaceutical DX market.”

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 Company's estimate is based on data from Deloitte Tohmatsu MIC Research Institute Co., Ltd.

³⁾ Calculated by totaling the Company's estimates of sales scale for FY2021 of similar services for various companies, based on annual securities reports.

⁴⁾ 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).

⁵⁾ 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

- CareNet has now over 200,000 doctor members (reached 200,000 on May 12, 2022), covering approximately 60% of all doctors in Japan (Number of doctors: 339,623, according to the MHLW's "Statistics of Physicians, Dentists and Pharmacists 2020").
- Doctor platform providers are characterized by their business model that they offer services to their doctor members 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.

2. Operation of doctor education media

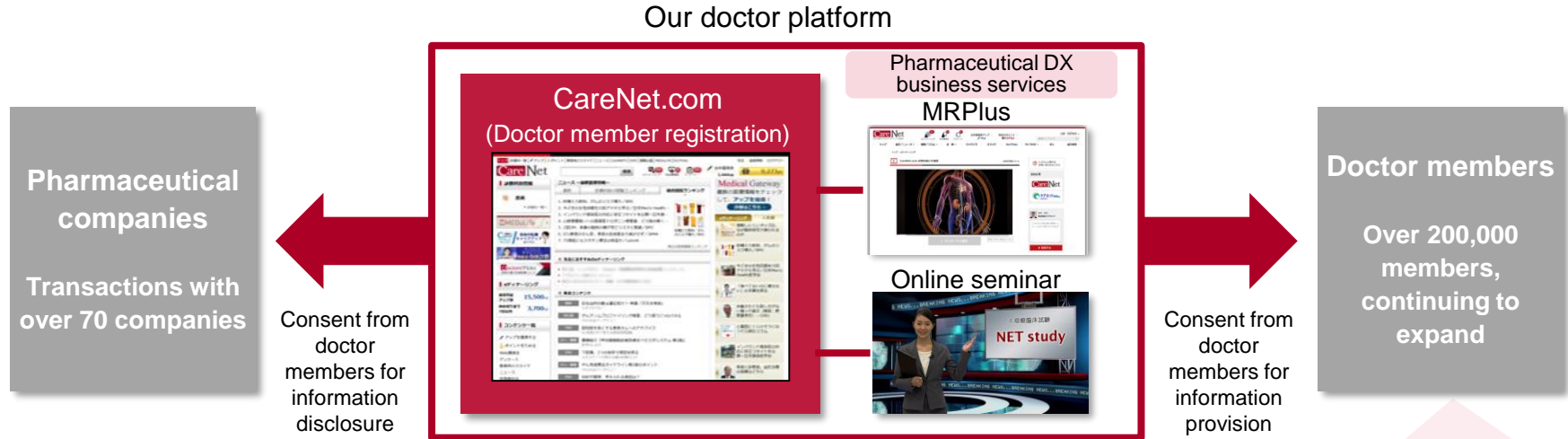
- Since our founding in 1996, we have created medical education video content for doctors. We have operated "CareNeTV," one of Japan's largest medical training media, enabling users to stream videos from over 2,000 programs in its library at any time.
- We have established our brand as educational media for doctors owing to the high quality and reliability of the information we produce and broadcast.

3. Demonstration of more advanced information communication capabilities thanks to a hybrid model

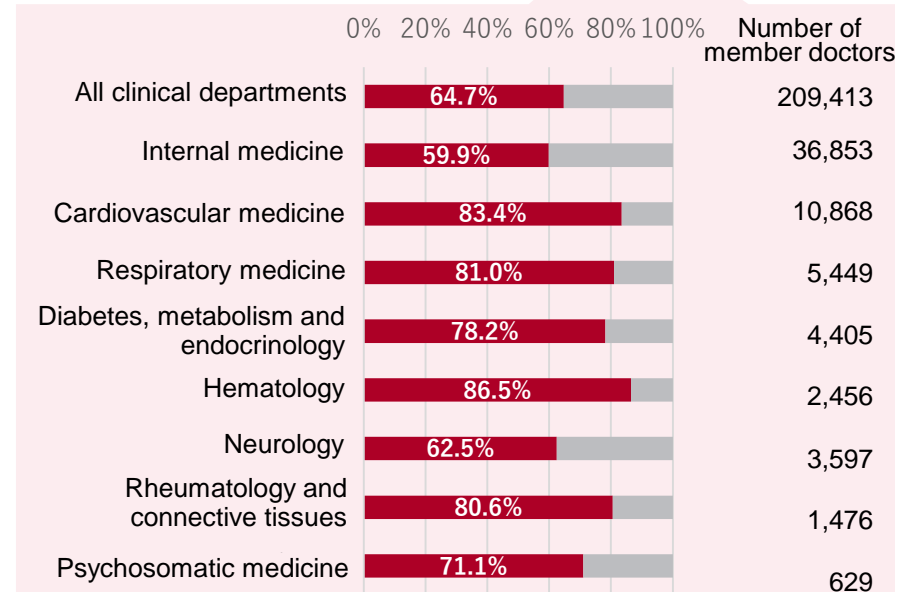
- We obtained a permit for worker dispatching undertakings in August 2022, and furthermore, decided to purchase CoreHuman, Inc., which operates the CSO (dispatched MR) business. This enabled us to operate a business to provide information through not only the Internet but also people.
- By implementing the information provision model that integrates the Internet and people (hybrid model), we will acquire more superior information communication capabilities than our competitors.

We are highly competitive in all aspects of information reliability, number of doctors covered, and ability to communicate to doctors

Characteristics of Our Doctor Platform and Doctor Members



- CareNet has now over 200,000 doctor members (209,413 as of December 31, 2022), covering approximately 60% of all doctors in Japan (Number of doctors: 339,623, according to the MHLW's "Statistics of Physicians, Dentists and Pharmacists 2020"). We have the second largest number of doctor members among doctor platform providers.
- Looking at data for each specialty clinical department with strong connections to therapeutic drugs, the ratio of our doctor members to all doctors has exceeded 70% and continues to increase in many clinical departments.
- From all doctor members registered on the doctor platform after their verification, we obtain consent for provision of drug information from pharmaceutical companies and consent for disclosure of viewing history of doctor members to pharmaceutical companies. Such doctor verification and consent from doctors provide the grounds for receiving the outsourcing of operations from pharmaceutical companies.



Source: MHLW's "Survey of Physicians, Dentists and Pharmacists 2020"

Characteristics of CareNet's Educational Media

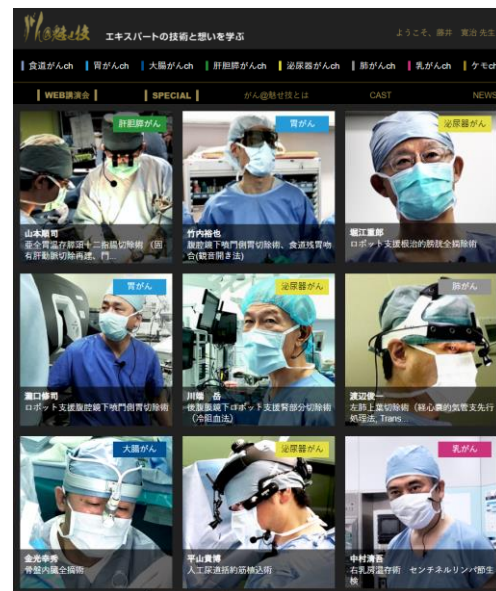
1 Collaboration with KOL physicians

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.



2 Collaboration with KOL surgeons

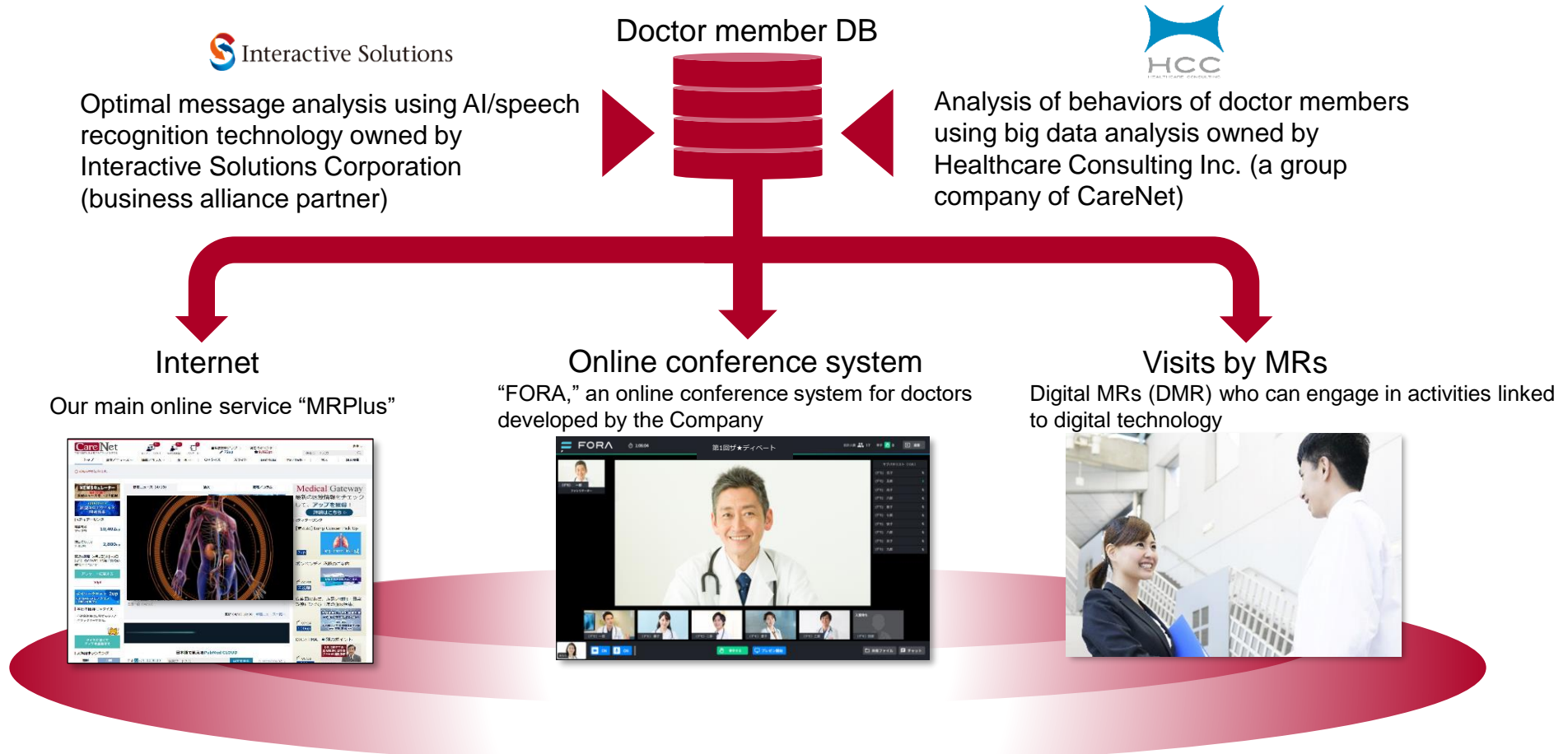
CareNet has also built relationships of trust with not only KOL physicians but also KOL surgeons. Cancer@Misewaza, planned and operated by CareNet, provides video content for young doctors in which Japan’s leading KOLs in organ-specific cancer treatment introduce their treatment strategies and techniques.



These activities, carried out with the cooperation of many leading medical specialists, ensure the high quality and reliability of information we provide.

Hybrid Model's Information Communication Capabilities

- We decided in August 2022 to make CSO (dispatched MR) company CoreHuman, Inc. a group company of CareNet. As a result, we are now able to provide information through the integration of humans and DX, in addition to through the Internet, which has been a standard method.



We will promote the provision of a "hybrid model" that enables service users to select optimal messages and optimal information channels in conjunction with doctor behavior analysis.



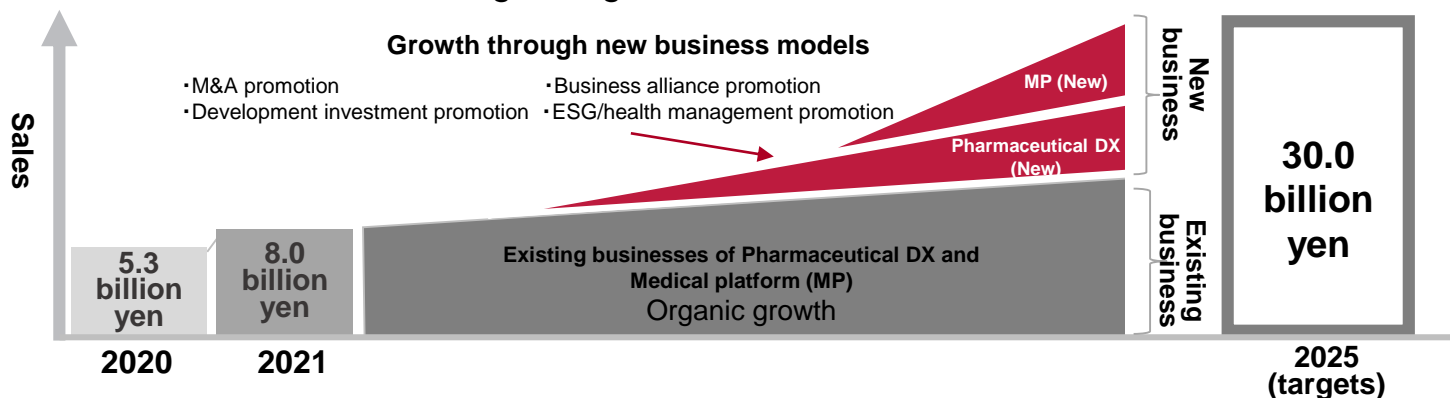
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Targets Set in the Mid-term Plan

- We aim to achieve consolidated net sales of 30.0 billion yen and consolidated operating profit of 10.0 billion yen by 2025.
 - We will continue to grow strongly in the expanding pharmaceutical DX market.
- We aim to build a business model that contributes to the creation of a sustainable society.
 - We will build a model in which the Medical platform (MP) business and Health data science (HDS) business are linked to the growing Pharmaceutical DX business.

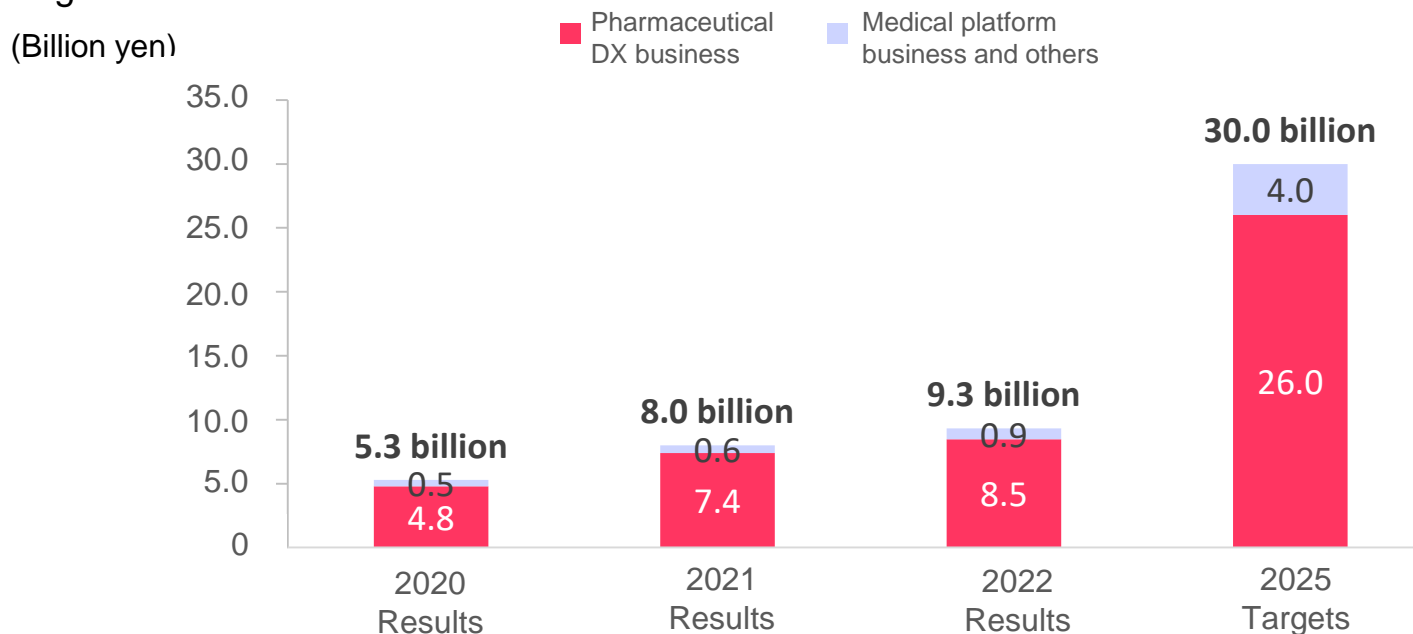


Management targets	2020 (results)	2022 (results)	2023 (forecasts)	2025 (targets)	CAGR
New sales	5.3 billion yen	9.3 billion yen	11.0 billion yen	30.0 billion yen	41%
Operating profit	1.5 billion yen	2.9 billion yen	3.0 billion yen	10.0 billion yen	46%
Operating profit ratio	28%	30%	27%	33%	—
Doctor members	180,000 (~60% of doctors)	210,000 (~70%)	220,000 (~74%)	250,000 (~80%)	—

*Figures are rounded to the nearest 100 million.

Mid-term Sales Targets – by Segment

- The breakdown of our consolidated net sales target of 30.0 billion yen by segment is 26.0 billion yen for the Pharmaceutical DX business and 4.0 billion yen for Medical platform and others.
 - The Medical platform business and the Health data science business will contribute to medium- to long-term growth from 2025.



	2020 Results	2021 Results	2022 Results	2025 Targets
Pharmaceutical DX business	4.8	7.4	8.5	26.0
MP business and others	0.5	0.6	0.9	4.0
Company-wide	5.3	8.0	9.3	30.0

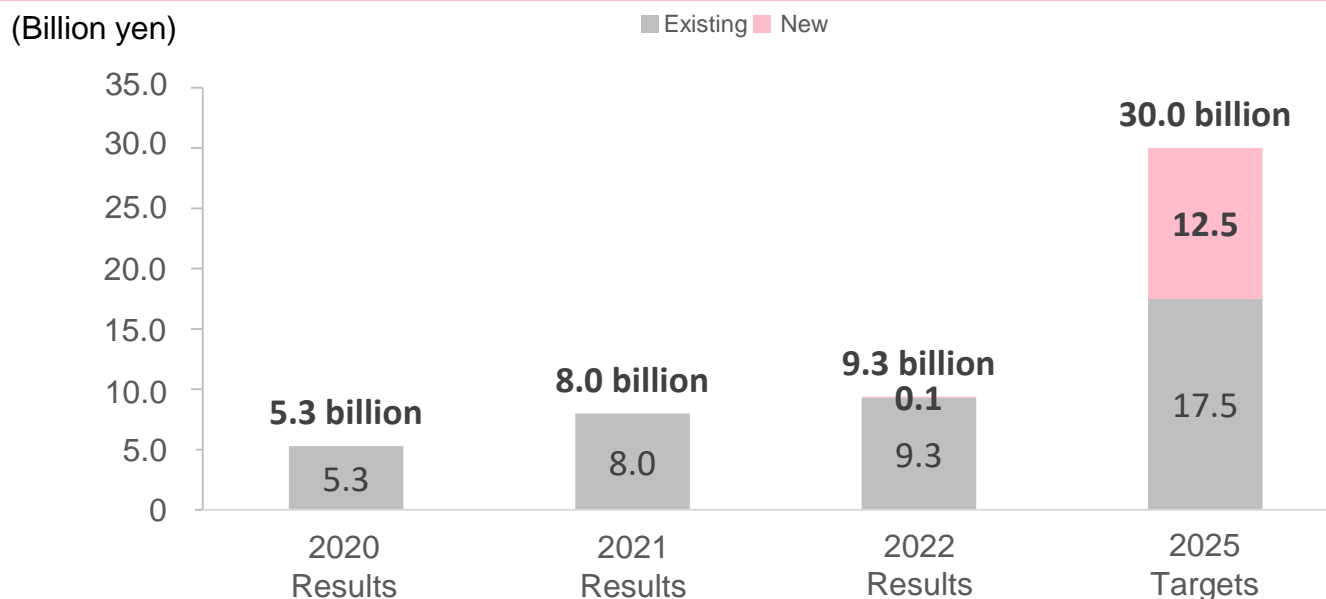
*Figures are rounded to the nearest 100 million.

Mid-term Sales Targets – Existing Business vs. New Business

- In addition to the organic growth of existing businesses, we will pursue the development of new businesses.
 - We aim for 40% of sales from new businesses by 2025.

New businesses of pharmaceutical DX: DX of the outsourcing businesses such as CSO, site management organization (SMO) and contract research organization (CRO), medical data analysis business, etc.

New businesses of medical platform: Medical institution management consulting business, development of non-covered treatment menu, etc.

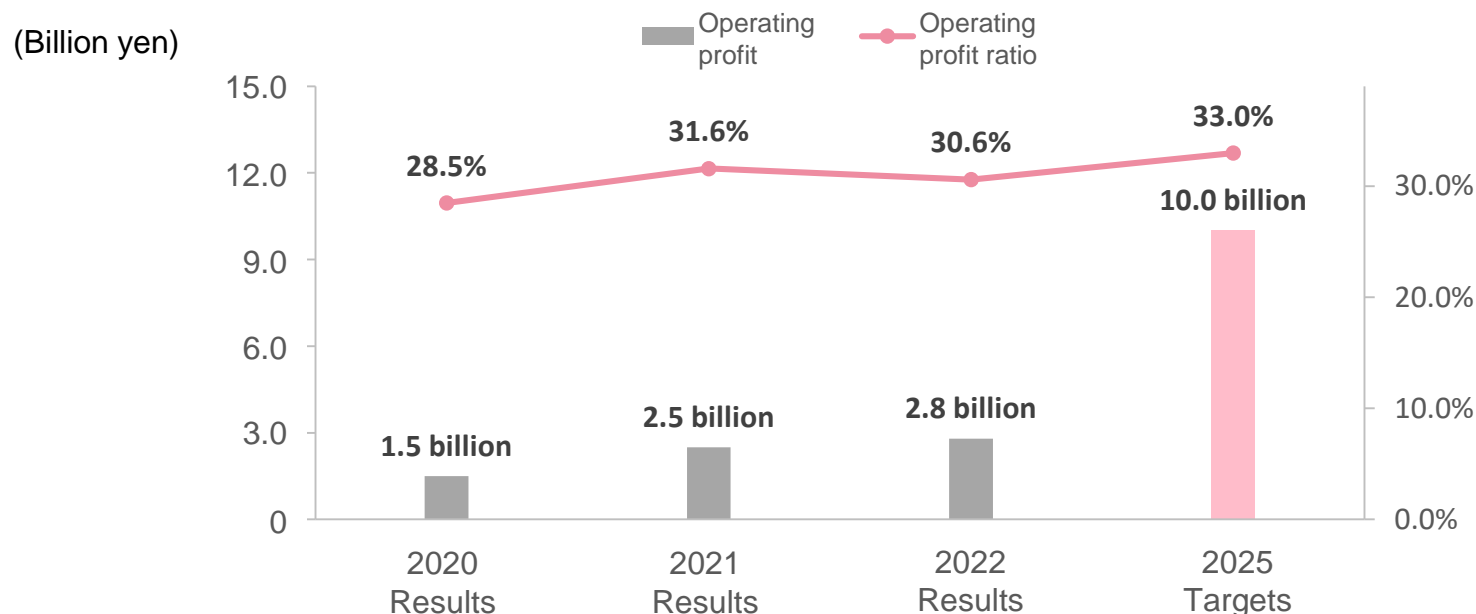


	2020 Results	2021 Results	2022 Results	2025 Targets
Existing	5.3	8.0	9.3	17.5
New	0	0	0.1	12.5
Company-wide - Total	5.3	8.0	9.3	30.0

*Figures are rounded to the nearest 100 million.

Operating Profit Target

- We aim to achieve consolidated operating profit of 10.0 billion yen for consolidated net sales target of 30.0 billion yen by 2025.
 - Our goal is to achieve operating profit ratio of more than 30% through efforts such as thorough control of man-hours and costs and productivity improvement.



	2020 Results	2021 Results	2022 Results	2025 Targets
Operating profit	1.5	2.5	2.9	10.0
Operating profit ratio	28.5%	31.6%	30.6%	33.0%

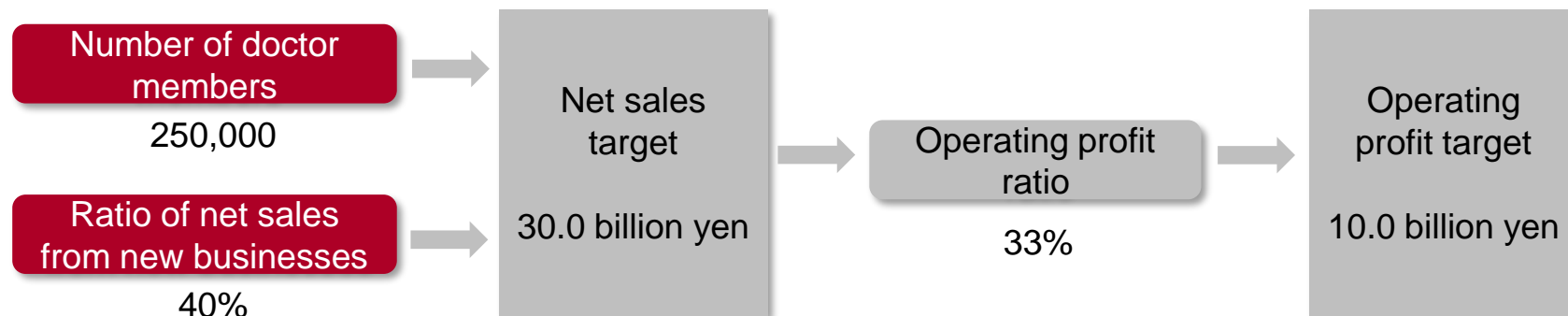
*Figures are rounded to the nearest 100 million.

Important Management Indices

■ Important indices that hold the keys to achieving targets

- **“Number of doctor members”**: 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.
- **“Ratio of net sales from new businesses”**: We aim to achieve our mid-term sales targets through the development of new businesses. The ratio of net sales from new businesses is also an important index.

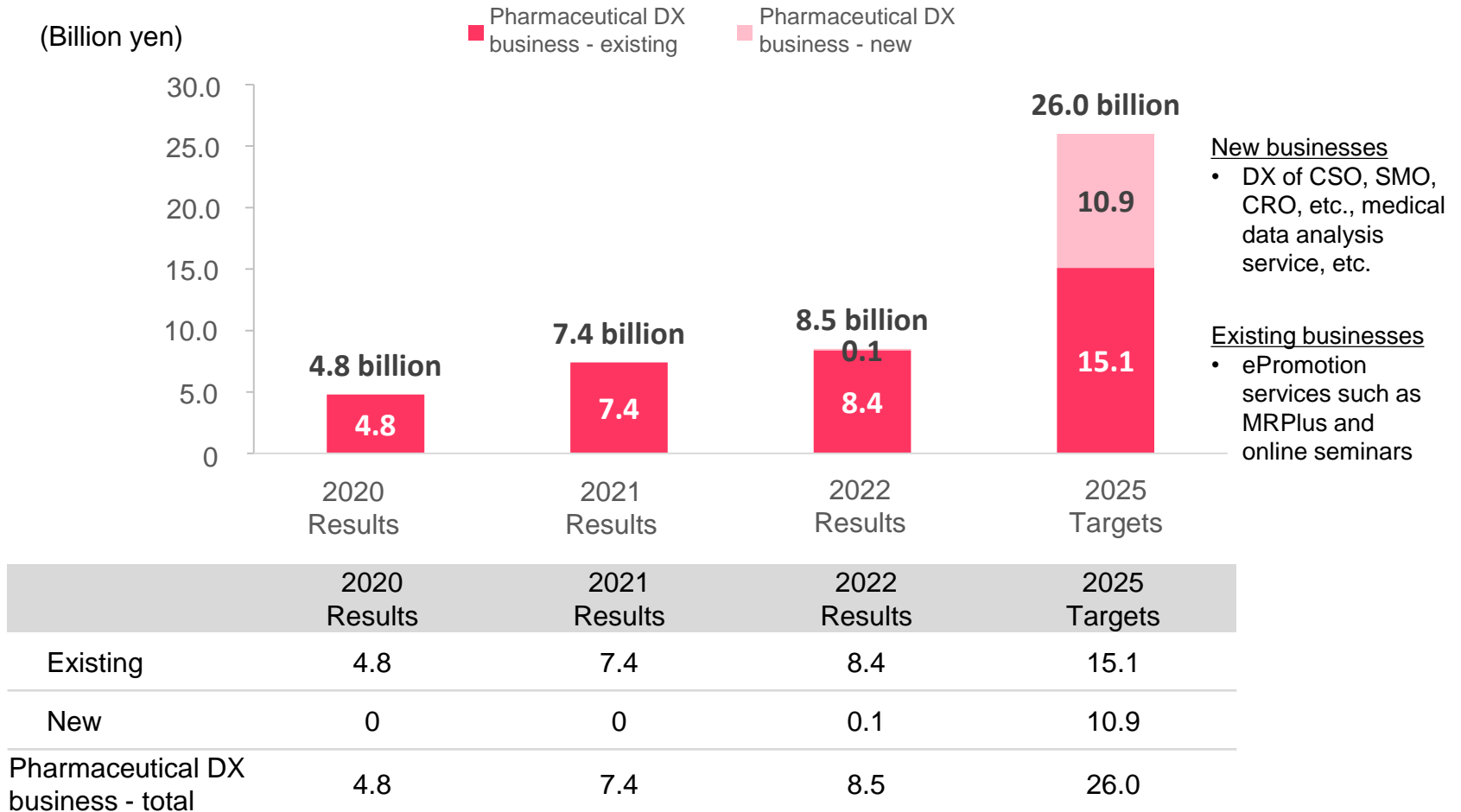
Management index targets for 2025



In the Pharmaceutical DX market, which continues to expand over the medium- to long-term, our management's highest priority is “growth” centered on new business development.

Pharmaceutical DX Business: Sales Targets

- The Pharmaceutical DX business, our core business, aims to achieve net sales of 26.0 billion yen by 2025.
 - Through the development and implementation of new businesses, we target to achieve net sales of 10.9 billion yen from new businesses and 40% of net sales from them.



*Figures are rounded to the nearest 100 million.

Business Strategy of Pharmaceutical DX

- An important policy for the Pharmaceutical DX business is to accelerate growth through the development and implementation of new businesses.
 - By acquiring resources, we will expand the business stage that can be covered by the services we provide and develop the foundation for our outsourcing business.

Key DX business strategies and steps to be taken

[1] Develop a hybrid model

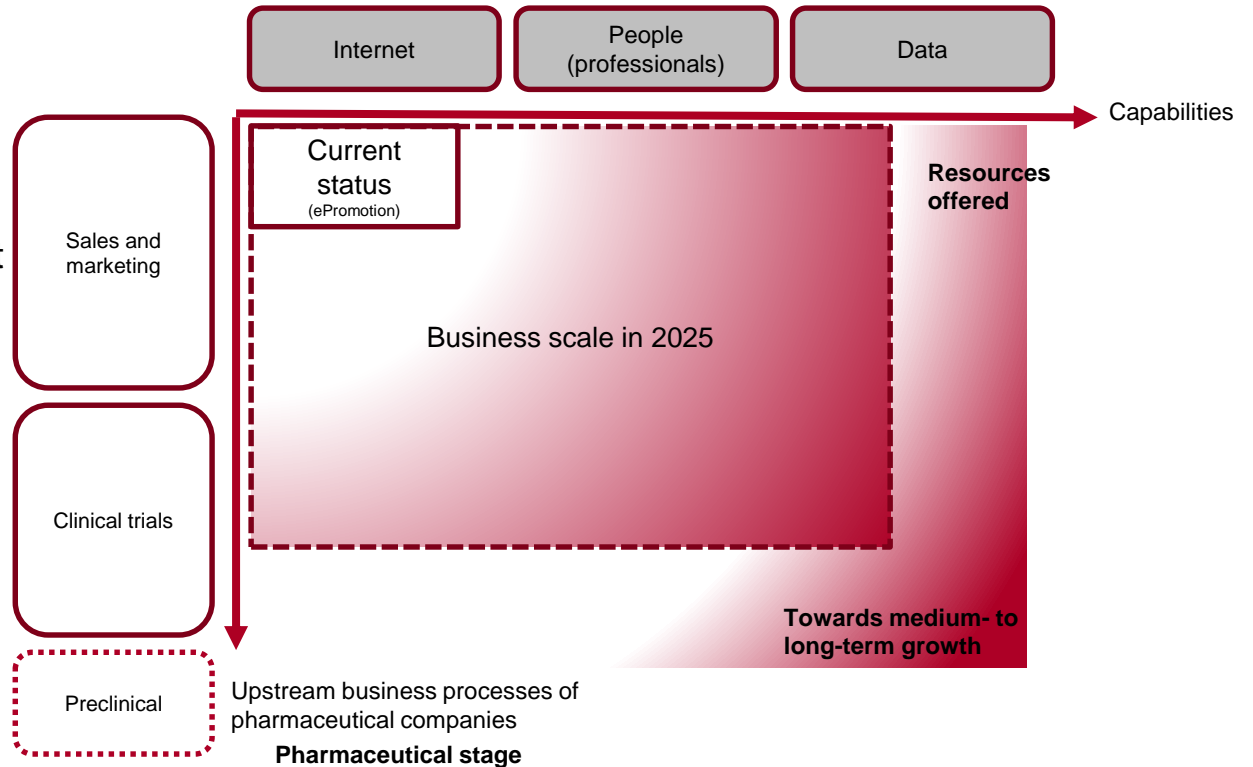
- Enter the CSO business to promote DX

[2] Penetrate into the upstream segment of the pharmaceutical stage

- Both clinical trials and sales of specialty pharmaceuticals are concentrated at core hospitals
- Expand the range of support services from pre-marketing clinical trials to post-marketing safety surveillance

[3] Enhance the use of medical data

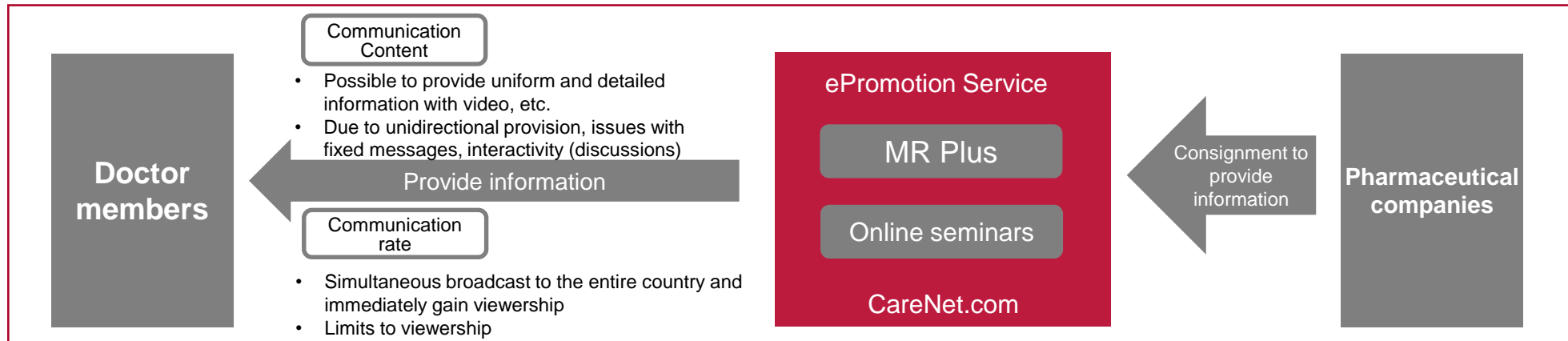
- Support for clinical trials, sales enhancement, efficiency improvement of post-marketing surveillance



Issues with the Current 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)

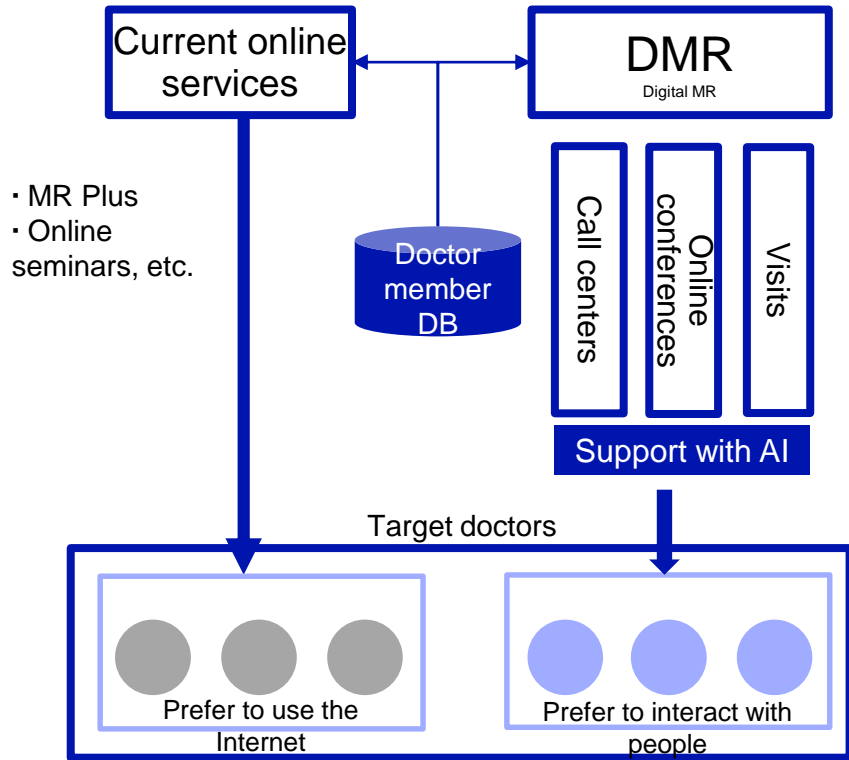


Pharmaceuticals Applicable to Business	Market Trend	ePromotion Issues	Resolution Direction
Primary care pharmaceuticals	With the reduction of MRs, expand utilization of ePromotion as alternative means	<ul style="list-style-type: none"> • Realize a communication rate expected as a successor to MR • Competitive advantage against ePromotion competitors 	<ul style="list-style-type: none"> • Increase number of members • Establish a hybrid communication process using people alongside electronic methods
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"> • Platform to attain engagement with KOLs • Improve productivity by coordinating with MR activity

- 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.

[1] Develop a Hybrid Model

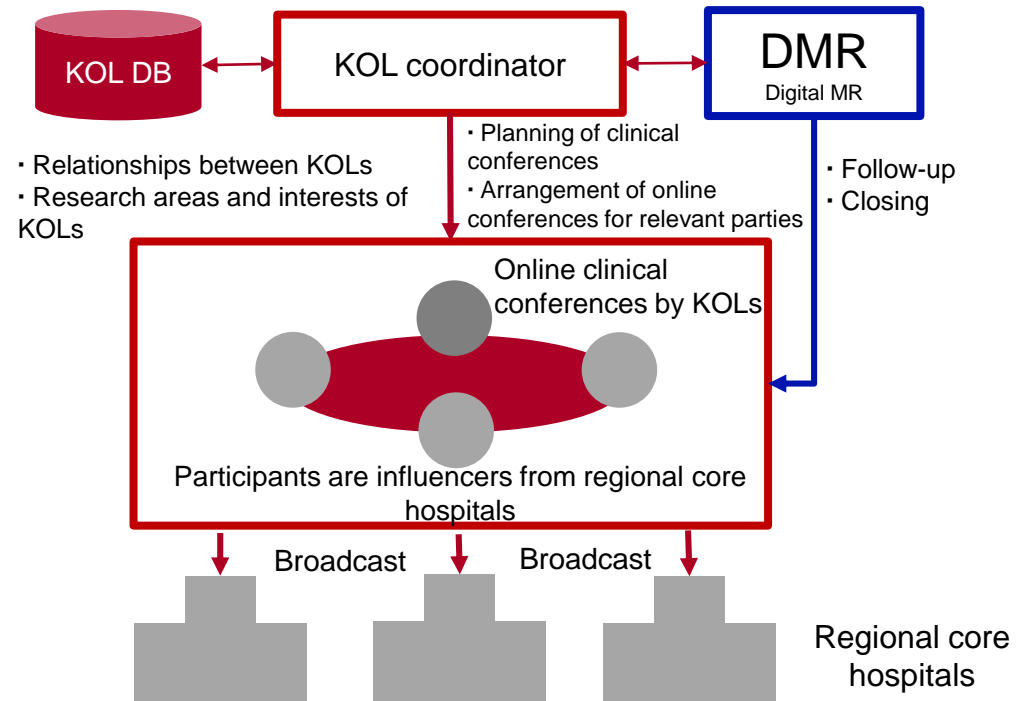
Hybrid model for all types of pharmaceuticals



- Reliable communication to target doctors

We obtained a permit for worker dispatching undertakings in August 2022 and decided to make CoreHuman, Inc., which operates the CSO business, a group company of CareNet. We will pursue DX of dispatched MRs with our Internet technology and improve the ability to communicate to doctors with a hybrid approach using the Internet and digital MRs.

KOL approach for specialty pharmaceuticals



- Influencer marketing using KOLs

Evidence-based case studies are the most effective means of promoting the proper use of specialty pharmaceuticals. Leveraging our relationships with KOLs, we will create valuable opportunities for case studies among busy KOLs through a hybrid approach.

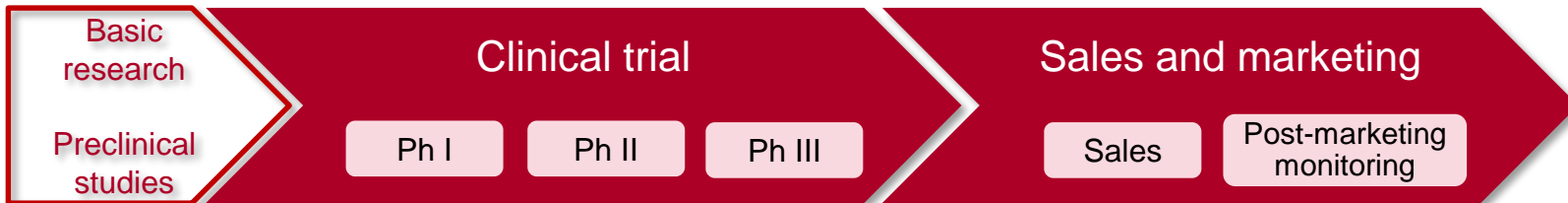
[2] Penetrate into the Upstream Segment of the Pharmaceutical Stage

- Both clinical trials and sales of specialty pharmaceuticals are concentrated at core hospitals.
- We will expand the range of support services from pre-marketing clinical trials to post-marketing safety surveillance.

- Opportunities for post-marketing safety surveillance have increased due to the expansion of drugs receiving fast-track approval
- The outsourcing of operations has further expanded due to the rise of EBPs
- Building relationships with pharmaceutical companies and hospitals from the clinical trial stage has contributed to increasing back-end promotion orders

Concentrated at regional core hospitals (DPC hospitals)

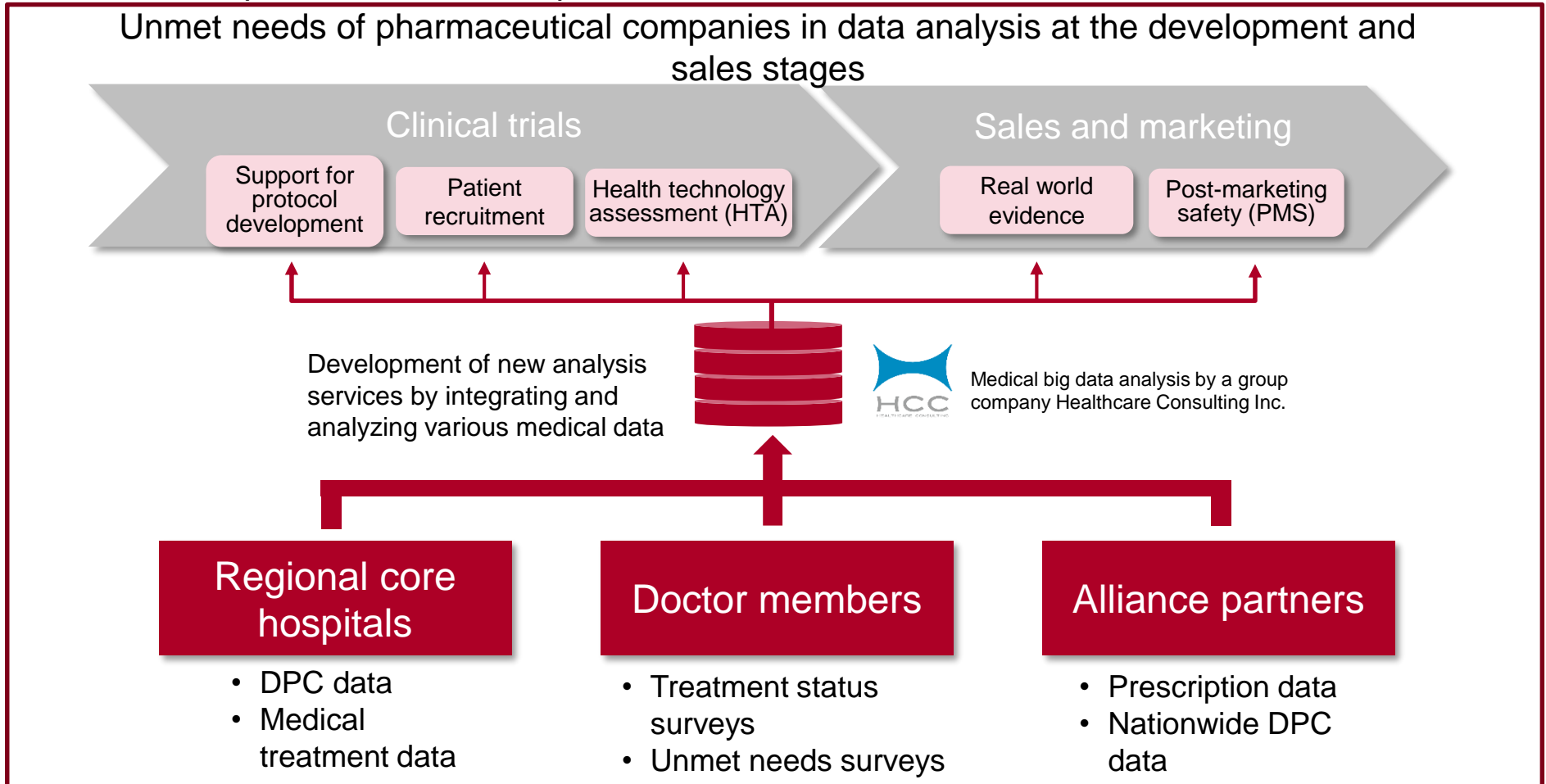
Pre-marketing | Approval | Post-marketing



We will promote DX of outsourcing operations and provide highly productive services in tandem with the doctor platform.

[3] Enhance the Use of Medical Data

- Data collection and acquisition of analytical capabilities will be essential for pursuing the outsourcing business with pharmaceutical companies.



- In addition to expanding data sources for utilization in the development of new Pharmaceutical DX businesses, we will horizontally expand utilization for new businesses in the Medical platform business and Health data science business.

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

Pharmaceutical DX Business Model		
Business Model	Consignment to provide information with a hybrid model	Treatment education and taking charge of outreach with KOLs at the core
Goals (To Be Achieved by 2025)	Delivery to 100,000 hospitals nationwide (both primary and specialty care areas)	Delivery to 1,000 key hospitals nationwide (targeting mainly specialty areas)
Solutions	Reliable reaching of targets through a hybrid of real world and online channels	Sharing case experience of KOLs, spreading new treatments to key hospitals and medical specialists in each region

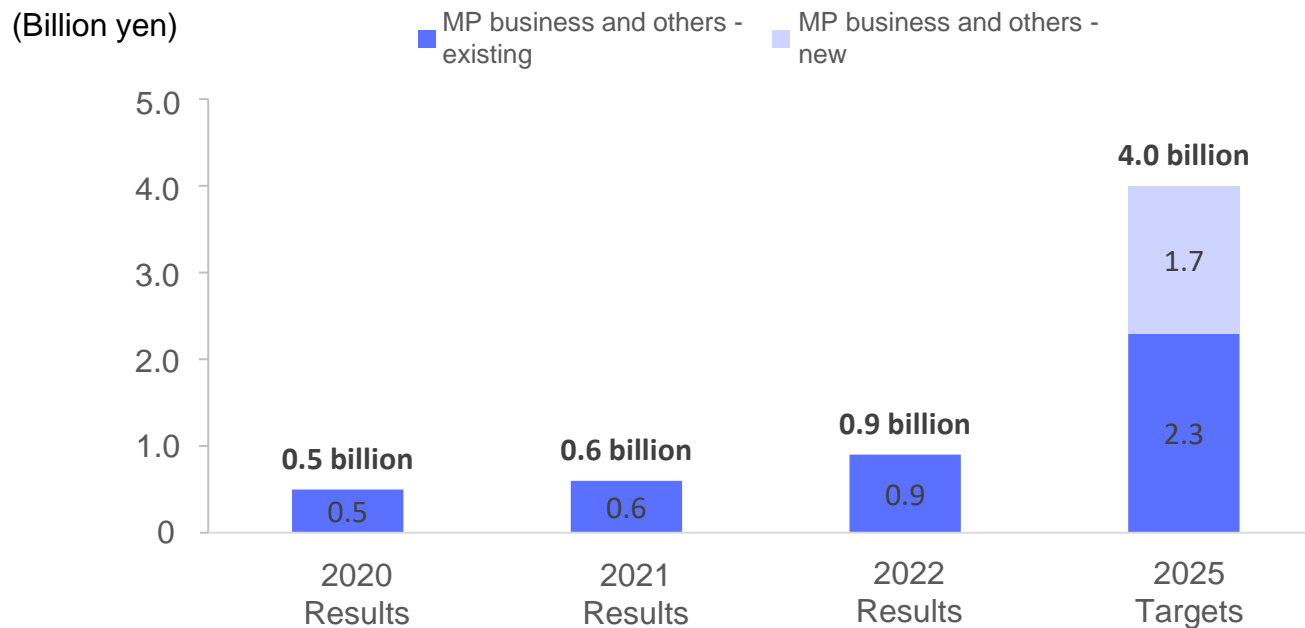
Development Goals (2022-2023)	Platform expansion	Platform coordinating the real world and eDTL		Interactive engagement with KOLs		
	AI implementation	Delivery message optimization		Optimize targeting medical specialists (doctors, patients) using AI		
	Resource expansion	DMR* implementation	Increase doctor members	Medical treatment data analysis	Secure KOLs	
Development approach (including alliances, M&A)	DMR company employment and training		Linking the Company's Medical platform business • Training (video and publications) • Expanding content for career services, etc.	Alliance in AI and data analysis		Employment and training of medical coordinators
	Collaborating with CSOs			Linking the Company's Health data science business development	Linking the Company's Medical platform business (training)	
Progress in 2022	<ul style="list-style-type: none"> Obtained a permit for worker dispatching undertakings Made CoreHuman, Inc. (CSO) a group company 		<ul style="list-style-type: none"> Doctor members exceeded 200,000 	<ul style="list-style-type: none"> Established Healthcare Consulting Inc. (medical big data) Business alliance with Interactive Solutions Corporation 		<ul style="list-style-type: none"> Made YMG SUPPORT CO., LTD (SMO) and CRACE Co.,Ltd. (CRO) group companies

We will allocate funds raised in FY2021 to development of each model and begin development in earnest by joining company development, alliances, M&A, etc.

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

Medical Platform Business and Others: Sales Targets

- The 2025 sales target for the Medical platform (MP) business is 4.0 billion yen.
 - We plan to develop and roll out new businesses, including the Health data science business, and increase sales from new businesses to 1.7 billion yen, or 40% of total sales.



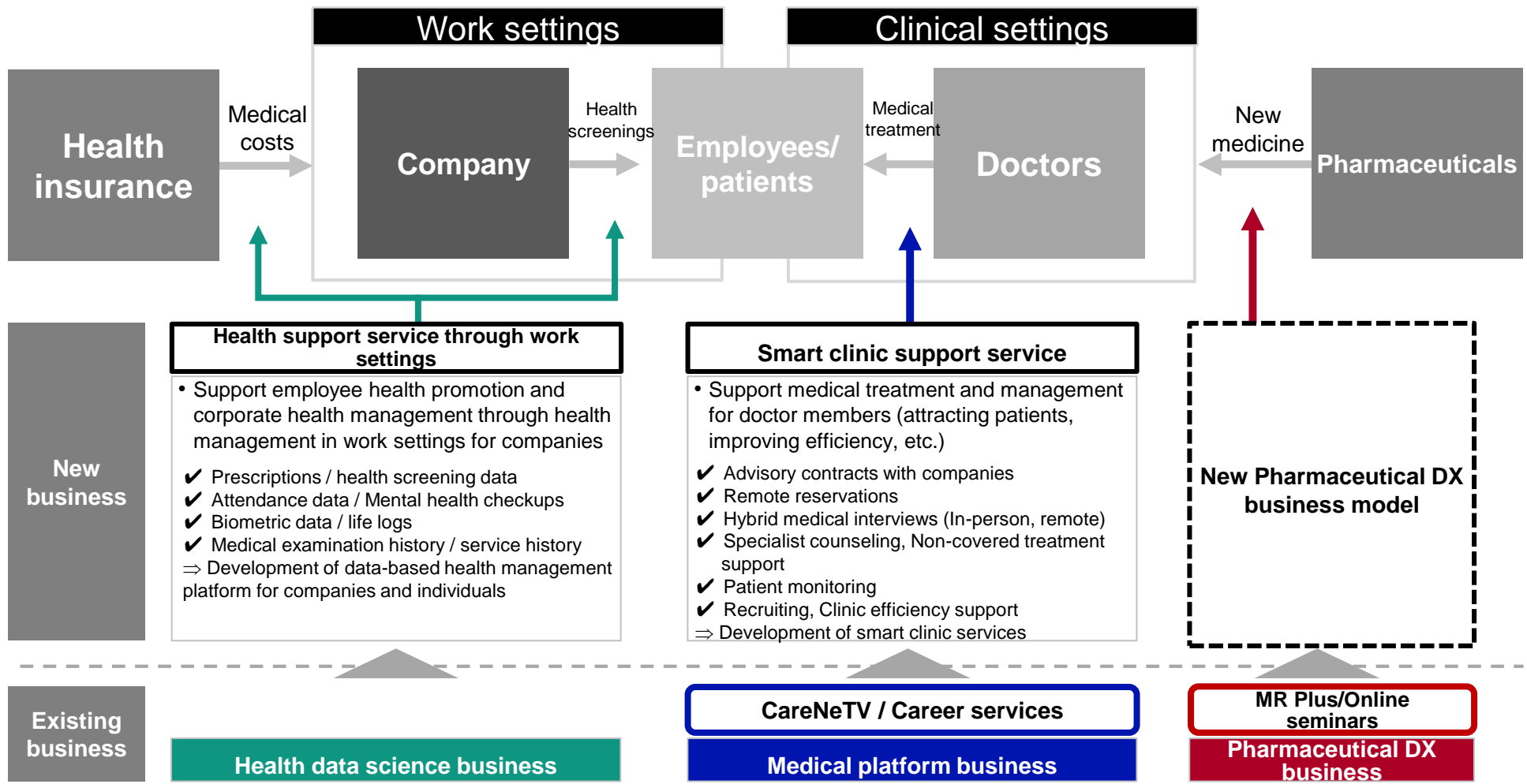
	2020 Results	2021 Results	2022 Results	2025 Targets
Existing	0.5	0.6	0.9	2.3
New	0	0	0	1.7
MP business - total	0.5	0.6	0.9	4.0

*Figures are rounded to the nearest 100 million.

Medium to long term development

Aim of Medium to Long Term Development in New Business Field

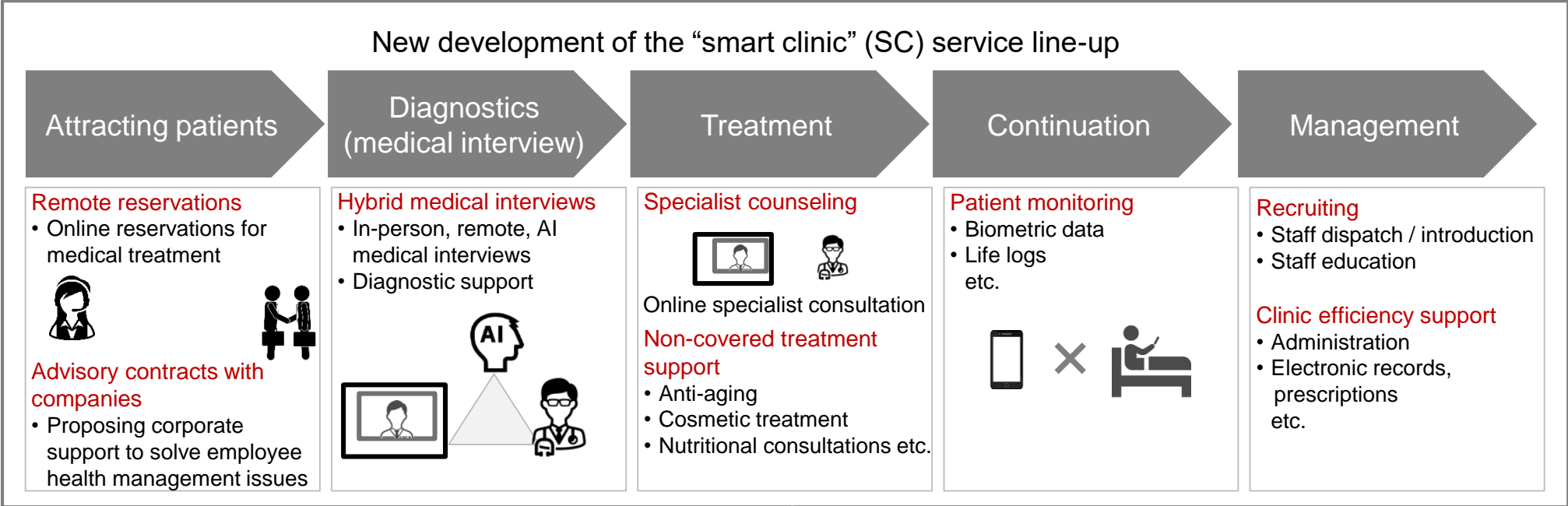
■ In line with the further growth of our core Pharmaceutical DX business, we will also work on the “Medical platform business” to support clinics and the “Health data science business” to support health care and health management through work settings as new growth businesses, centered around our doctor platform.



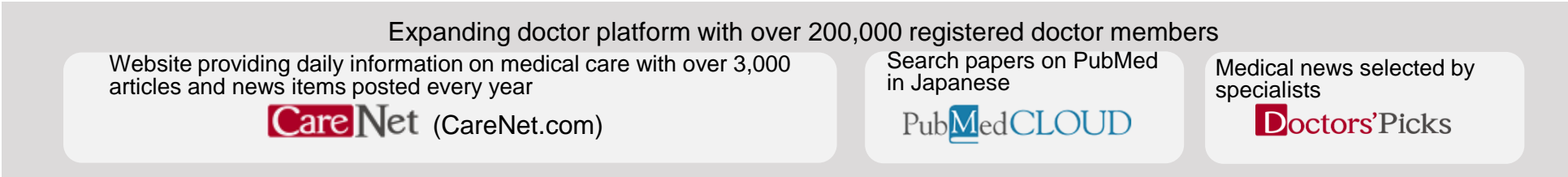
Medium to long term development

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.



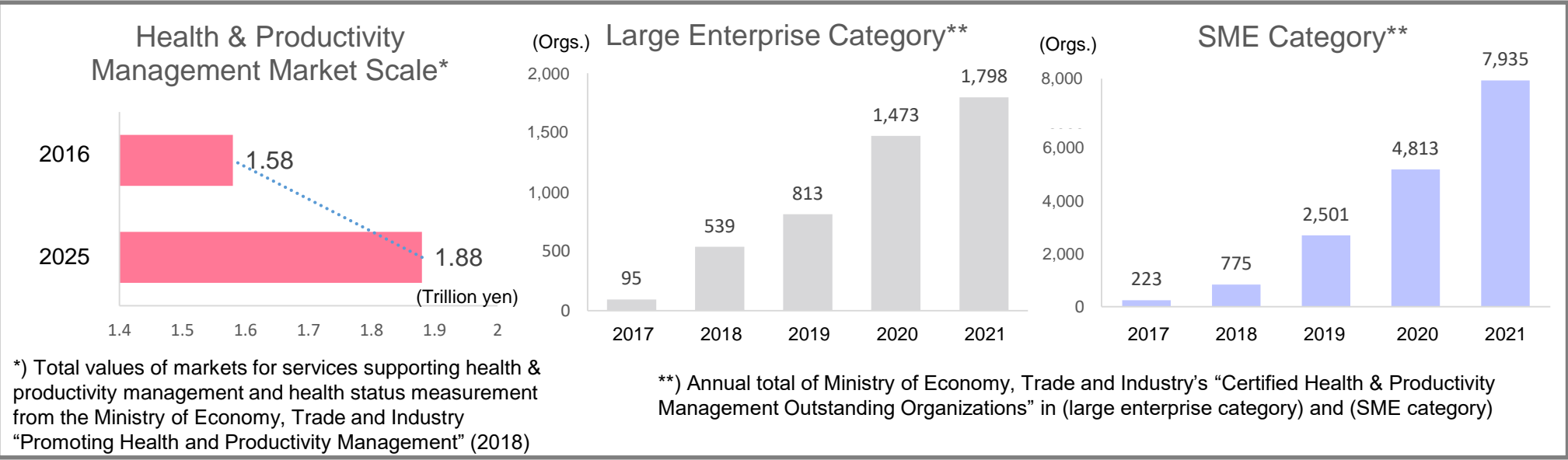
CareNetTV Educational clinical medicine channel that provides fun learning from top-level senior medical professionals



Medium to long term development

Health Data Science Business (Under Development) – 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.



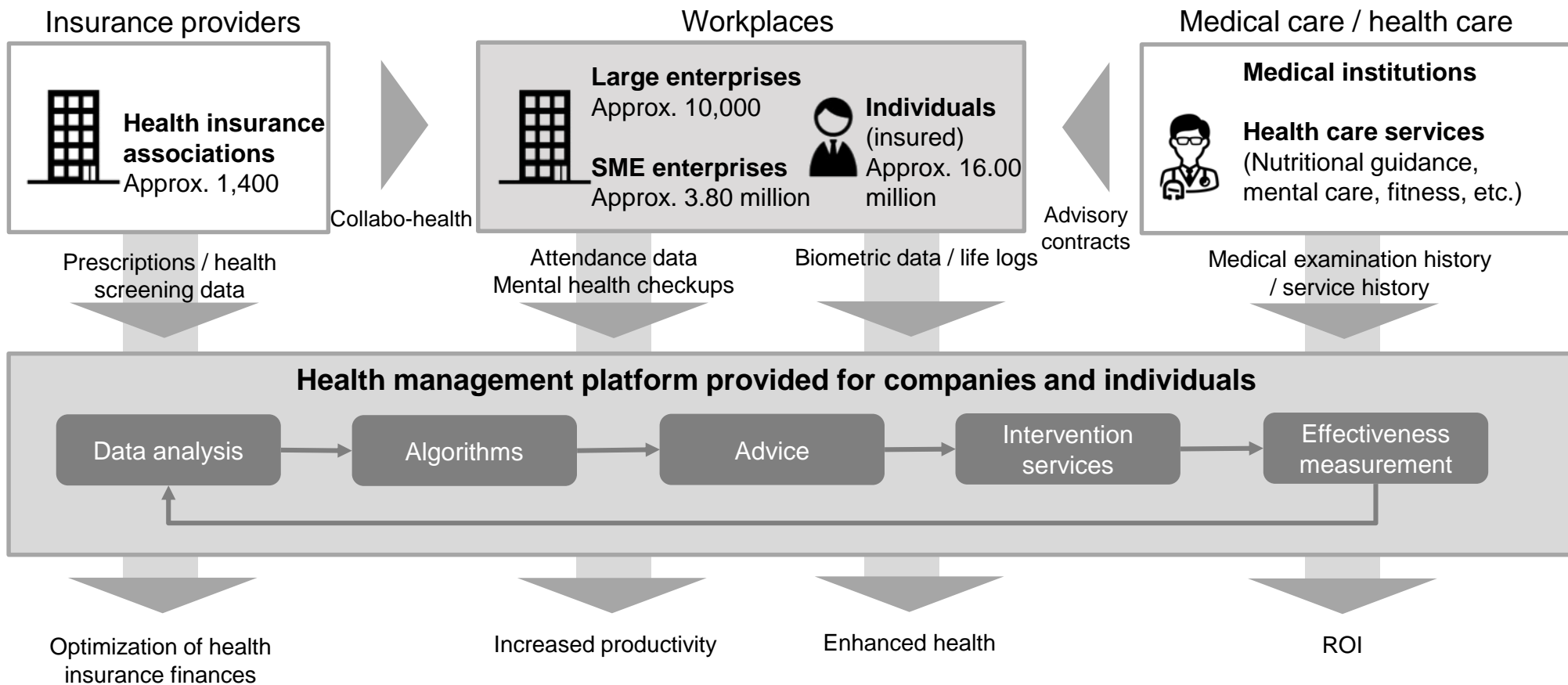
With increasing corporate investment in health, companies and health insurance associations are promoting further collaboration in data and services. However, there is still a lack of coordination with external intervention services to provide health guidance to pre-disease groups or to prevent aggravating 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 Business (Under Development) – Direction of Business Development

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

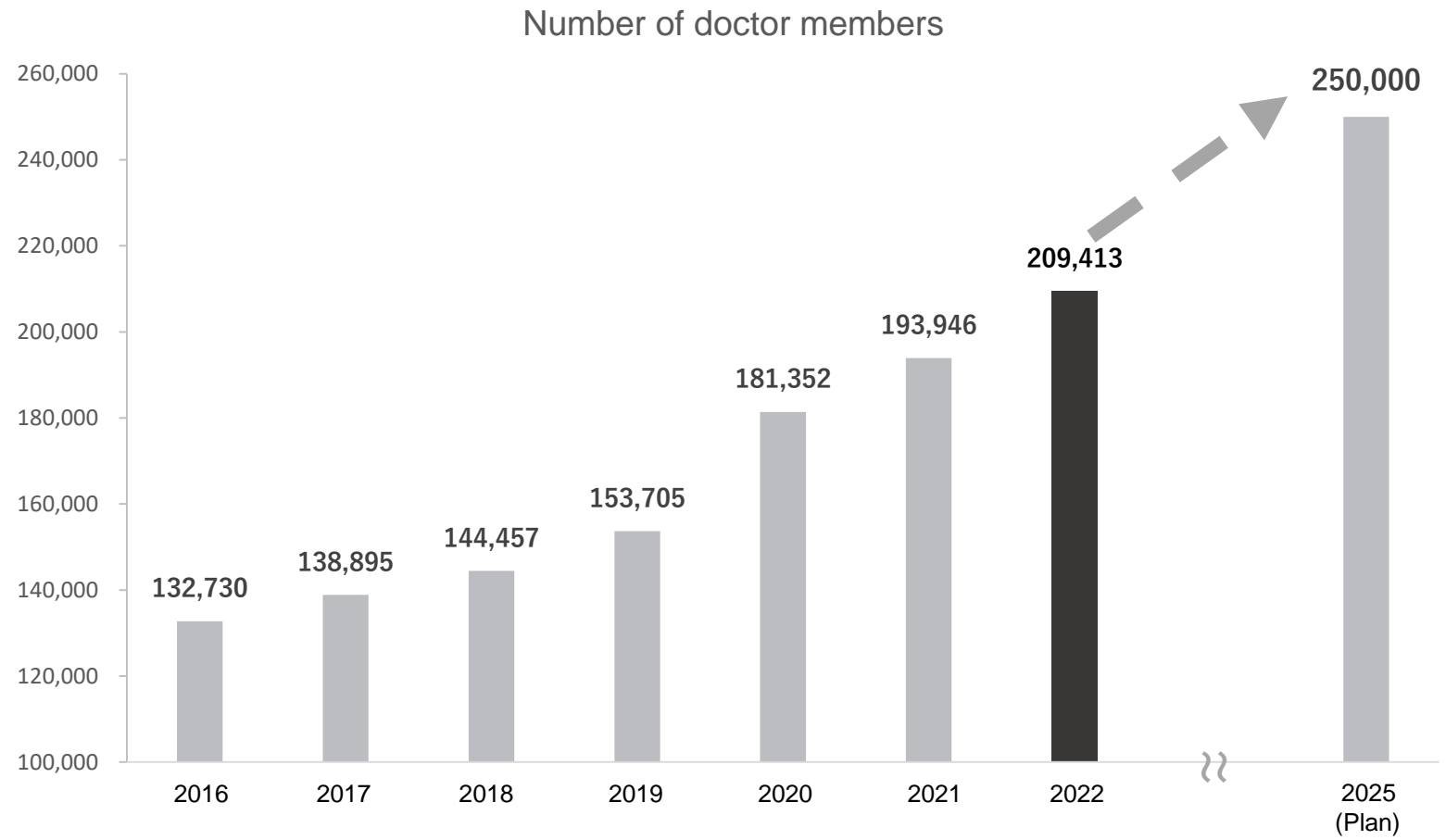
Development of a health platform that provides a one-stop access point for a variety of functions ranging from data analysis to necessary medical and health care services and verifications of effectiveness



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.

Trends in and Target for Number of Doctor Members

■ We aim to reach 250,000 doctor members by 2025.



Key Measures to Expand Membership of Doctors

■ Improve content quality and quantity

- 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.



■ Strengthen 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.

■ Enhance mobile specifications

- We will continue to improve content planning and system specifications so that our content and services can be accessed more conveniently from mobile devices. Improving convenience is important for maintaining and increasing the frequency of use by busy doctors. Information sharing with colleagues also leads to referrals of doctor members.





5. Annual Plans and Progress

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1. Business Model
2. Market Environment - Pharmaceutical DX Business
3. Our Competitiveness
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Financial Year 2023 Plans

- Since forecasting results is difficult reflecting the significant reduction in the number of MRs at pharmaceutical companies, our major customers, and the impact of the recent depreciation of the yen, the forecasts disclosed are only figures that can be determined with a high degree of accuracy as of the end of FY2022.
- In addition, regarding the aforementioned forecast, we are postponing disclosure regarding FY2023 due to the reasons above.

(Million yen)

	Fiscal year ended December 31, 2022 Results	Fiscal year ending December 31, 2023 Forecast	Growth rate
Net sales	9,327	11,000	17.9%
Operating profit	2,851	3,000	5.2%
Ordinary profit	2,894	3,000	3.7%
Profit attributable to owners of parent	1,847	2,000	8.3%

Fiscal Year Ended December 31, 2022 - Financial Results Summary

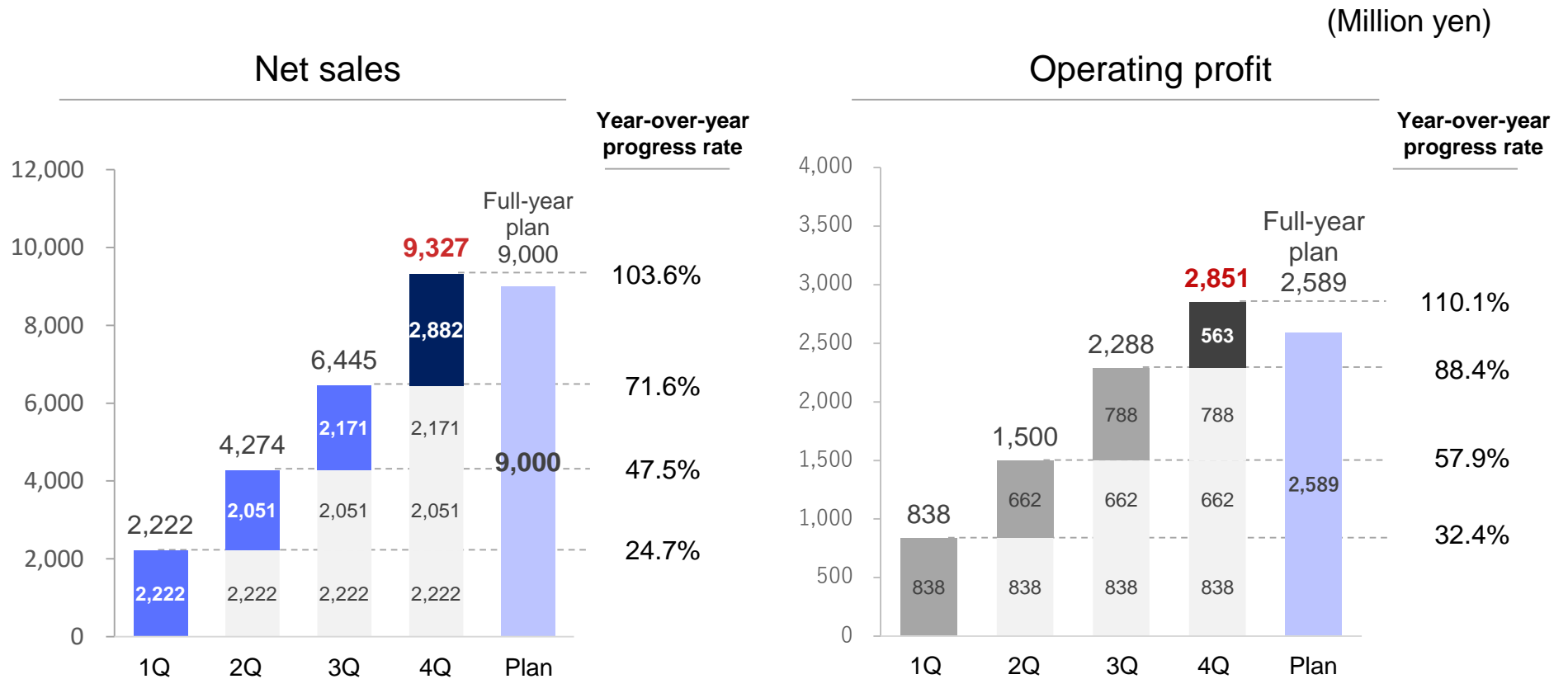
- The Pharmaceutical DX business, which accounts for nearly 90% of our net sales, continued to achieve growth in sales for the fiscal year ended December 31, 2022, supported by continued orders from pharmaceutical companies.
- The Medical platform business achieved significant growth in both sales and profits, supported by growth of the career business, which has been incorporated from the Consolidated growth business.

(Million yen)

	Fiscal year ended December 31, 2022			Adjustment amount	Progress rate
	Company-wide	By segment			
		Pharmaceutical DX business	Medical platform business		
Net sales	9,327	8,473	854	-	103.6%
Operating profit	2,851	4,207	228	-1,584	110.1%
Ordinary profit	2,894	-	-	-	110.7%
Profit attributable to owners of parent	1,847	-	-	-	101.6%

Fiscal Year Ended December 31, 2022 – Plan and Progress

- For the fiscal year ended December 31, 2022, both net sales and operating profit have surpassed the figures of the full-year plan.

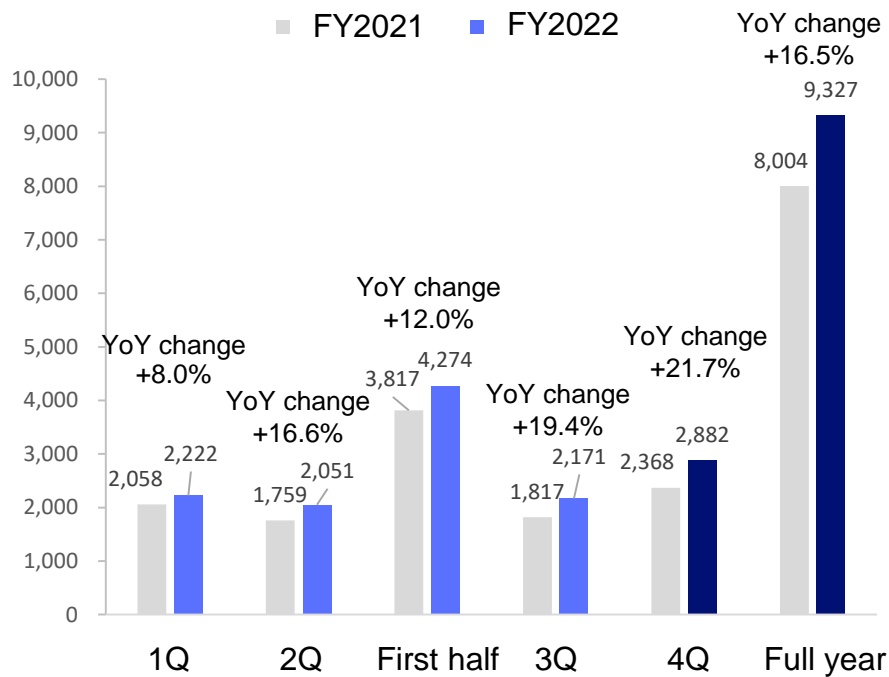


Fiscal Year Ended December 31, 2022 – Year-over-year Results

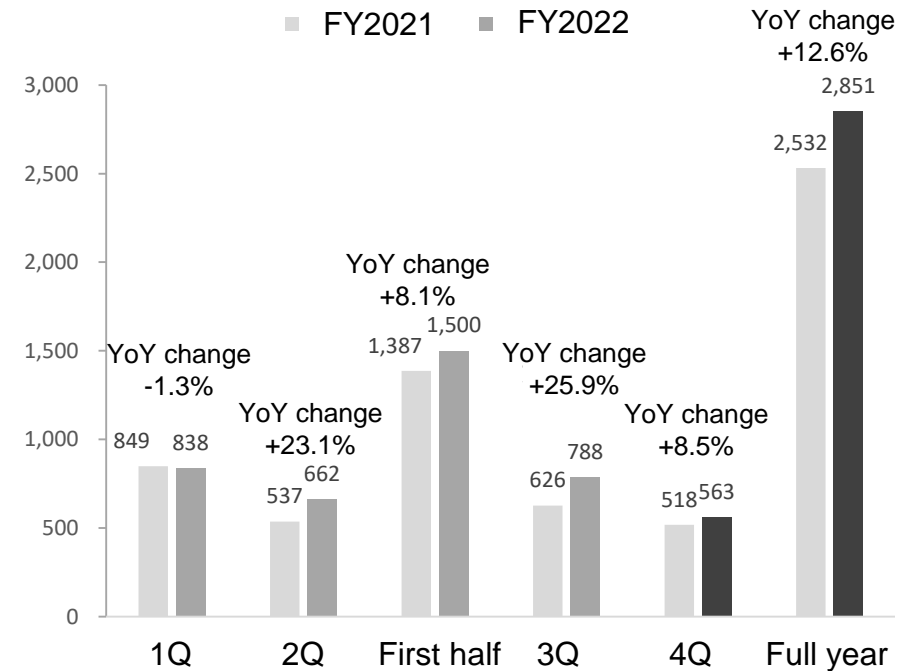
- We achieved further growth in both net sales and operating profit from the previous fiscal year, a year that showed remarkable growth.

(Million yen)

Net sales



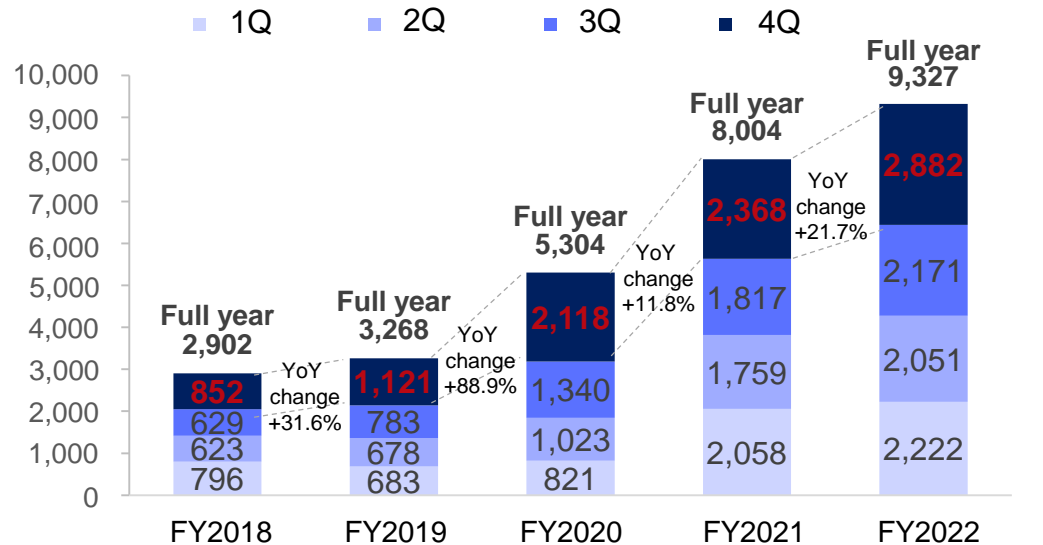
Operating profit



Trends in Company-wide Performance (1)

Net sales

(Million yen)



Net sales for the fourth quarter period increased by 21.7% year over year to 2,882 million yen. During the full year ended December 31, 2022, net sales grew 16.5% year over year to 9,327 million yen. Net sales increased both in the Pharmaceutical DX business and the Medical platform business.

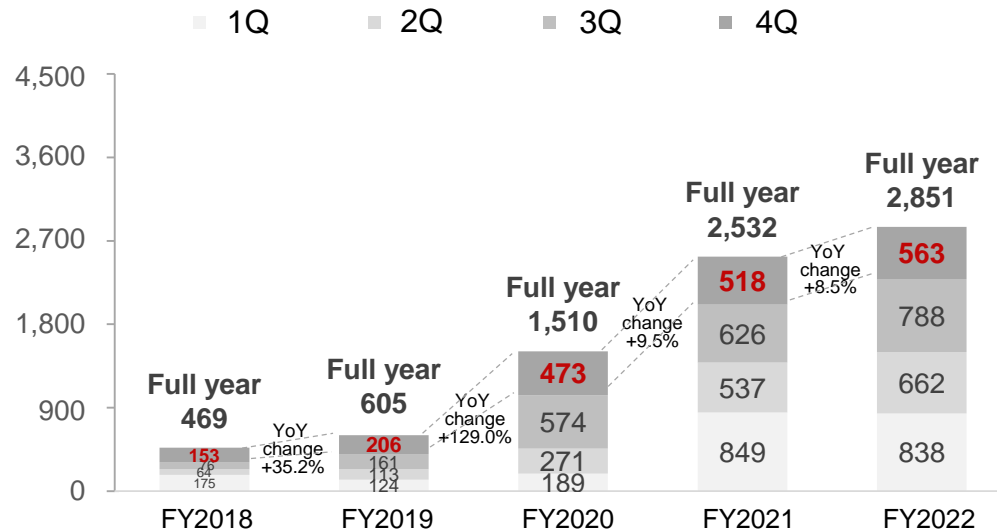
For the past five years, except the fiscal year ended December 31, 2020, we have seen a seasonal factor in which sales growth changes during the third and fourth quarters. While repeating this seasonality, we have continued to increase full-year sales.

	1Q	2Q	3Q	4Q	Full year
Fiscal year ended December 31, 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
Fiscal year ended December 31, 2022	2,222	2,051	2,171	2,882	9,327

Trends in Company-wide Performance (2)

Operating profit

(Million yen)



	1Q	2Q	3Q	4Q	Full year
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
Fiscal year ended December 31, 2022	838	662	788	563	2,851

Operating profit for the fourth quarter period was 563 million yen, up 8.5% year over year from the previous fiscal year, in which we posted significant growth in net sales. During the full year ended December 31, 2022, operating profit grew 12.6% year over year to 2,851 million yen. Operating profit increased both in the Pharmaceutical DX business and the Medical platform business.

Operating profit growth could also change during the third and fourth quarters due to the impact of the seasonality of sales. While repeating this seasonality, we have continued to increase full-year profits.

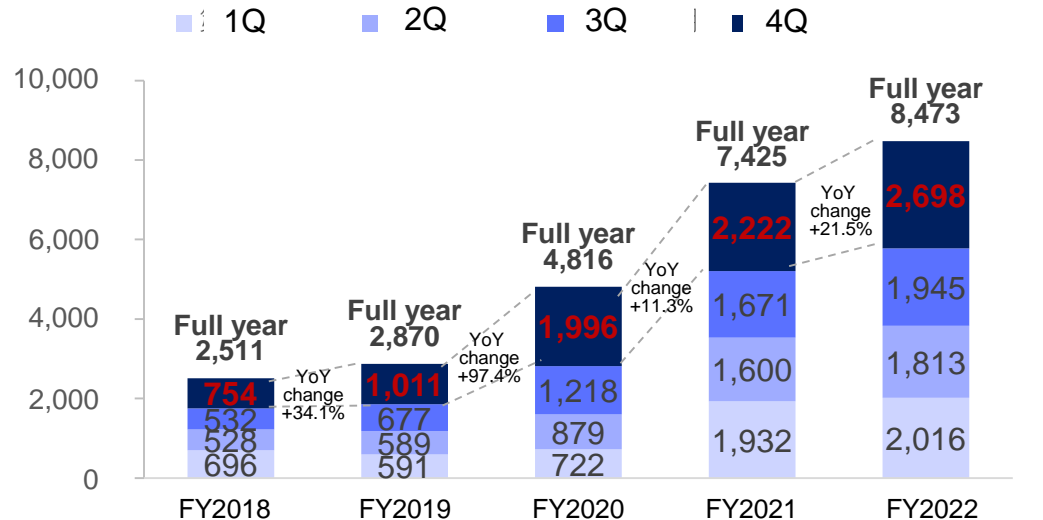


Progress by Segment

Segment Performance – Pharmaceutical DX Business (1)

Net sales

(Million yen)



	1Q	2Q	3Q	4Q	Full year
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	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

1) Scientific Communication Labo. inc., AD Medica Inc., Healthcare Consulting Inc., YMG SUPPORT CO., LTD, and Asclepia Co., Ltd. have been incorporated into the Pharmaceutical DX business segment.

We saw further sales growth in the fourth quarter period as compared to the previous fiscal year, which saw an increase in sales. Net sales increased by 21.5% year over year to 2,698 million yen, owing mainly to an increase in orders for MRPlus and solid growth in online seminars, which are both core services. During the full year ended December 31, 2022, net sales grew 14.1% year over year to 8,473 million yen.

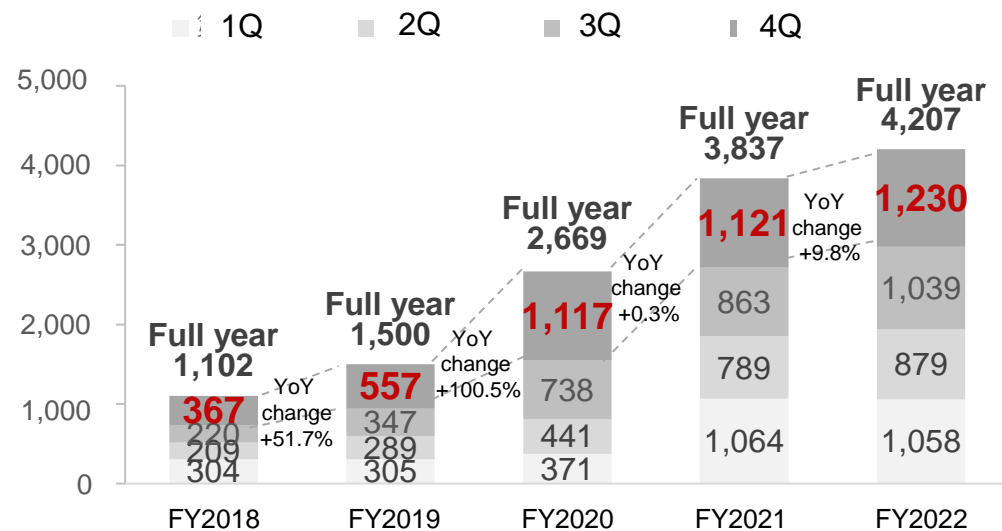
For the past five years, except the fiscal year ended December 31, 2020, we have seen a seasonal factor during the third and fourth quarters in which sales growth changes depending on pharmaceutical companies' decisions to exhaust budgets. While repeating this seasonality, we have continued to increase sales.

As the Consolidated growth business segment was abolished from the current fiscal year, some consolidated subsidiaries have been incorporated into the "Pharmaceutical DX business"¹⁾. Due to this change, actual results for the fiscal year ended December 31, 2021 and before are restated for comparison with the current fiscal year.

Segment Performance – Pharmaceutical DX Business (2)

Segment profit

(Million yen)



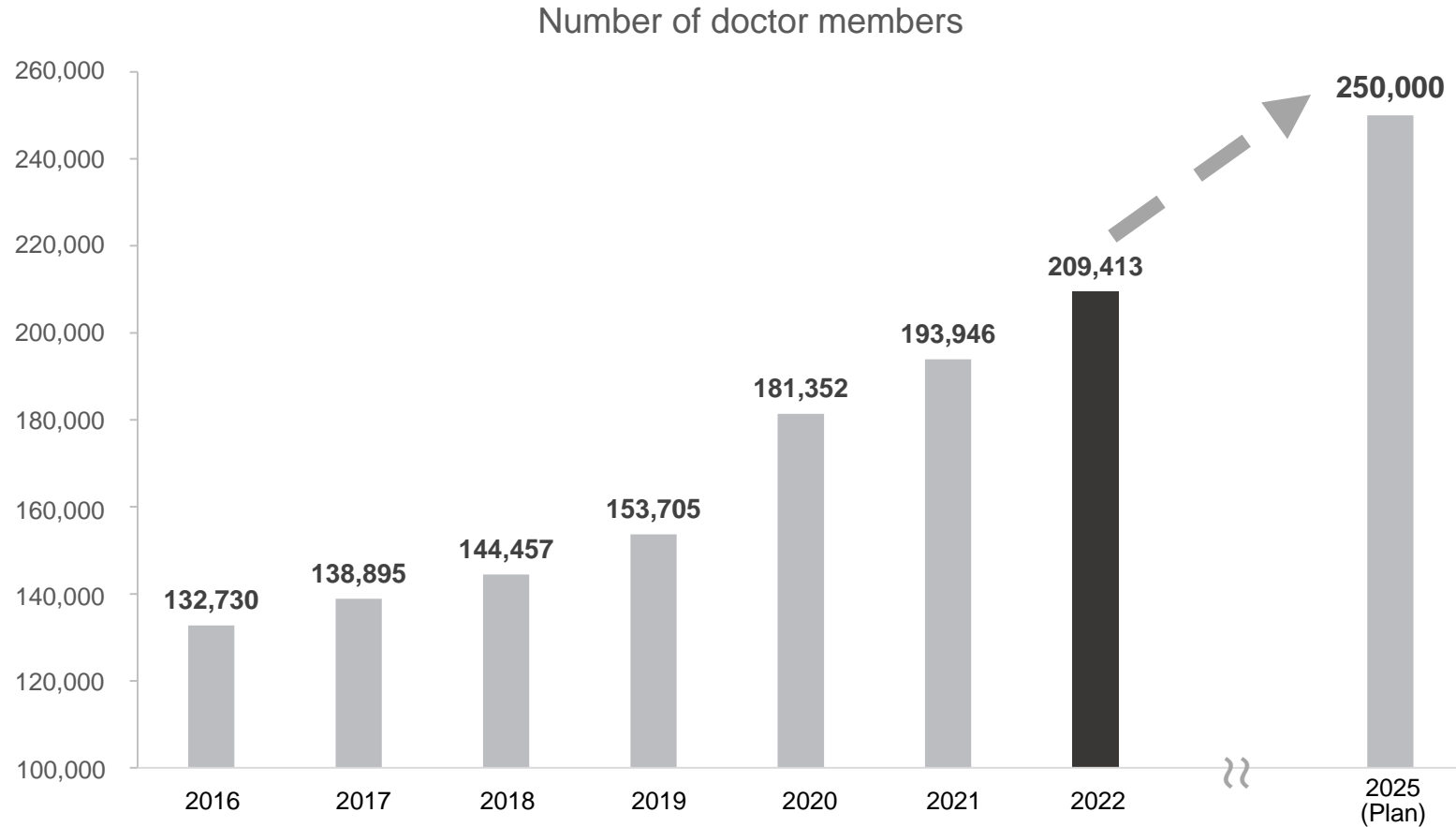
Segment profit for the fourth quarter period was 1,230 million yen, up 9.8% year over year. During the full year ended December 31, 2022, segment profit grew 9.6% year over year to 4,207 million yen. We have maintained the segment profit ratio of roughly 50%, which shows that the profit from this segment has contributed significantly to our profits.

Segment profit growth could also change during the third 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, 2018	304	209	220	367	1,102
Fiscal year ended December 31, 2019	305	289	347	557	1,500
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

Doctors who are Members

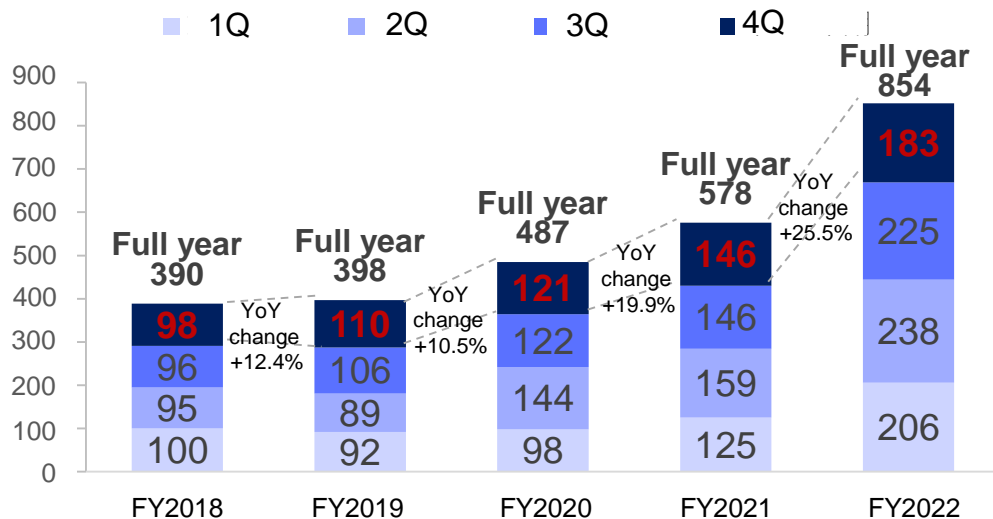
- Continuing from the previous fiscal year, the number of doctors who are members has been steadily increasing, reaching 210,000 as of December 31, 2022.



Segment Performance – Medical Platform Business (1)

Net sales

(Million yen)



Net sales in this segment for the fourth quarter period increased by 25.5% year over year to 183 million yen mainly due to steady growth in business succession services for medical institutions in the doctor career business. During the full year ended December 31, 2022, net sales grew 47.8% year over year to 854 million yen.

The doctor career business has been incorporated from the “Consolidated growth business” into the “Medical Platform business”¹⁾ from the current fiscal year. Due to this change, sales and profits of the doctor career business are included in actual results for the fiscal year ended December 31, 2020 and the fiscal year ended December 31, 2021.

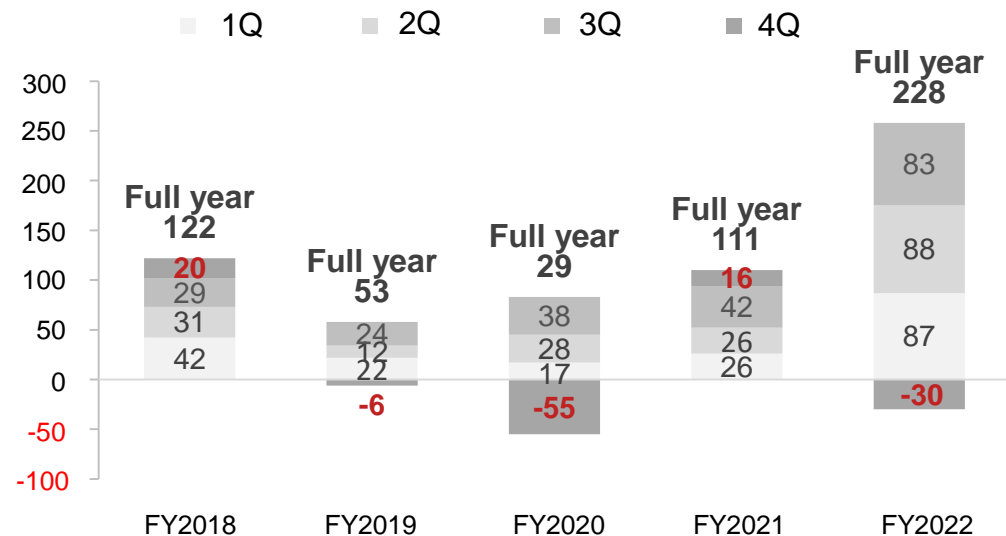
	1Q	2Q	3Q	4Q	Full year
Fiscal year ended December 31, 2018	100	95	96	98	390
Fiscal year ended December 31, 2019	92	89	106	110	398
Fiscal year ended December 31, 2020	98	144	122	121	487
Fiscal year ended December 31, 2021	125	159	146	146	578
Fiscal year ended December 31, 2022	206	238	225	183	854

1) CareNet Works Design, Inc. has been incorporated.

Segment Performance – Medical Platform Business (2)

Segment profit

(Million yen)



Segment profit of the Medical platform business for the fourth quarter period was -30 million yen due to strategic costs for development, etc., for growth in the next fiscal year and beyond. During the full year ended December 31, 2022, segment profit grew 103.8% year over year to 228 million yen.

	1Q	2Q	3Q	4Q	Full year
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	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



6. Risk Information

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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 fiscal year ended December 31, 2022.

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 200,000 doctor members (209,413 as of December 31, 2022), 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>

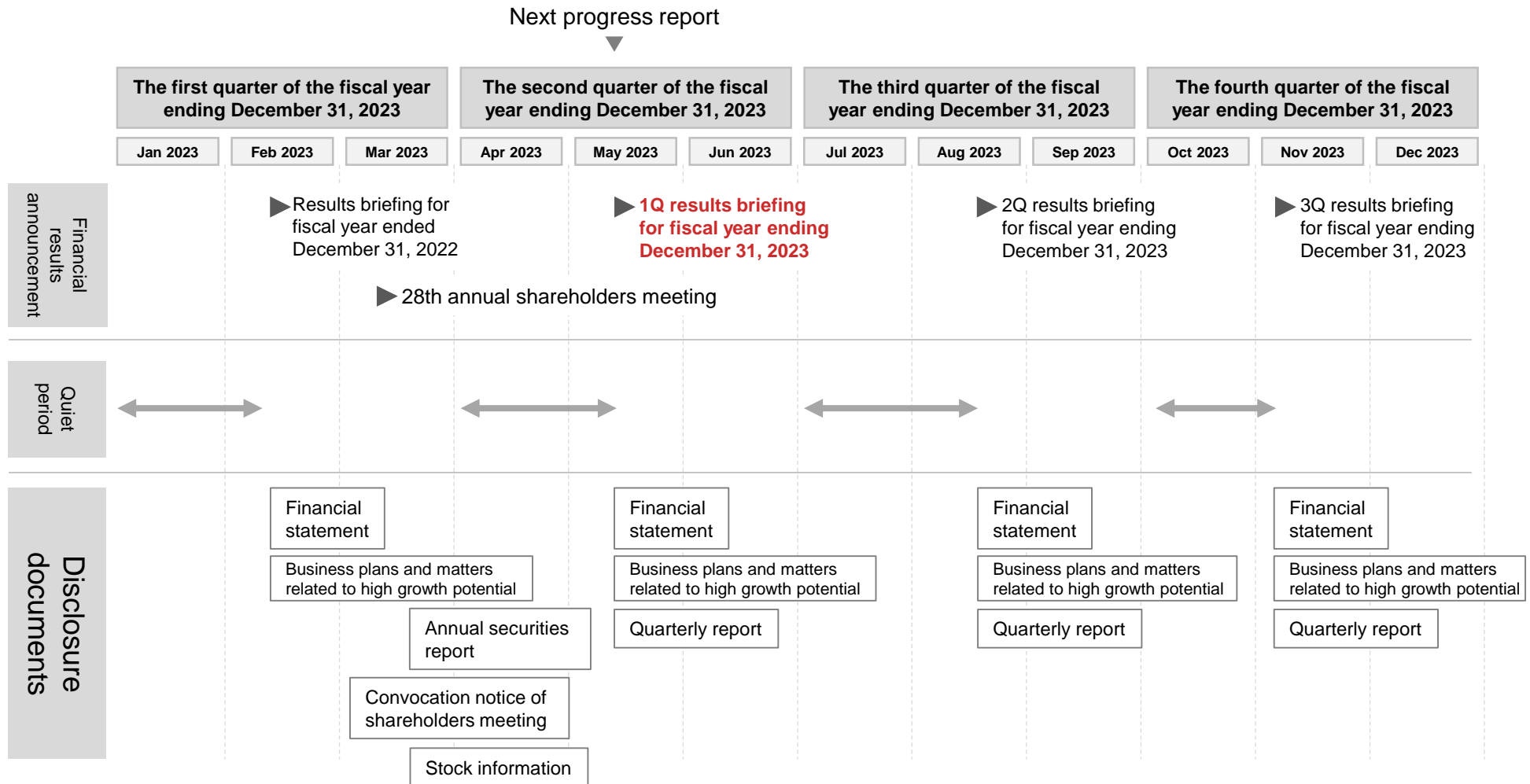
Recognized Risks and Countermeasures (3)

Classification	Risks	Countermeasures
Risks related to corporate acquisitions and strategic alliances	The Group may enter into a strategic alliance, M&A, investment or loan, etc., as a means of business expansion. We will execute strategic alliances, M&As, and other investments and loans after careful consideration. However, if the executed strategic alliance, M&A, investment or loan, etc., fails to produce the results initially expected, or if the operating performance of the entity the Group has invested in or provided loans to deteriorates, the Group's business results, etc., may be affected as a result of losses incurred.	When entering into a strategic alliance, M&A, investment or loan, etc., the Group identifies the risks involved after clarifying its purpose and significance, quantitatively assesses the performance of recovery of the invested capital, and has deliberations at meetings of the Board of Directors. While we strive to recover our investment after M&A, investment, or lending, if losses are expected in the medium-to long-term due to changes in economic conditions, we estimate the future recoverable amount based on certain assumptions and reflect the required accounting treatment in our financial results.

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

*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, 2023 (scheduled for May 2023).

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.

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