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CareNet, Inc.

**Briefing Materials for Financial Results
for the Six Months Ended June 30, 2024**

Katsuhiro Fujii, President

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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	369 (as of June 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.

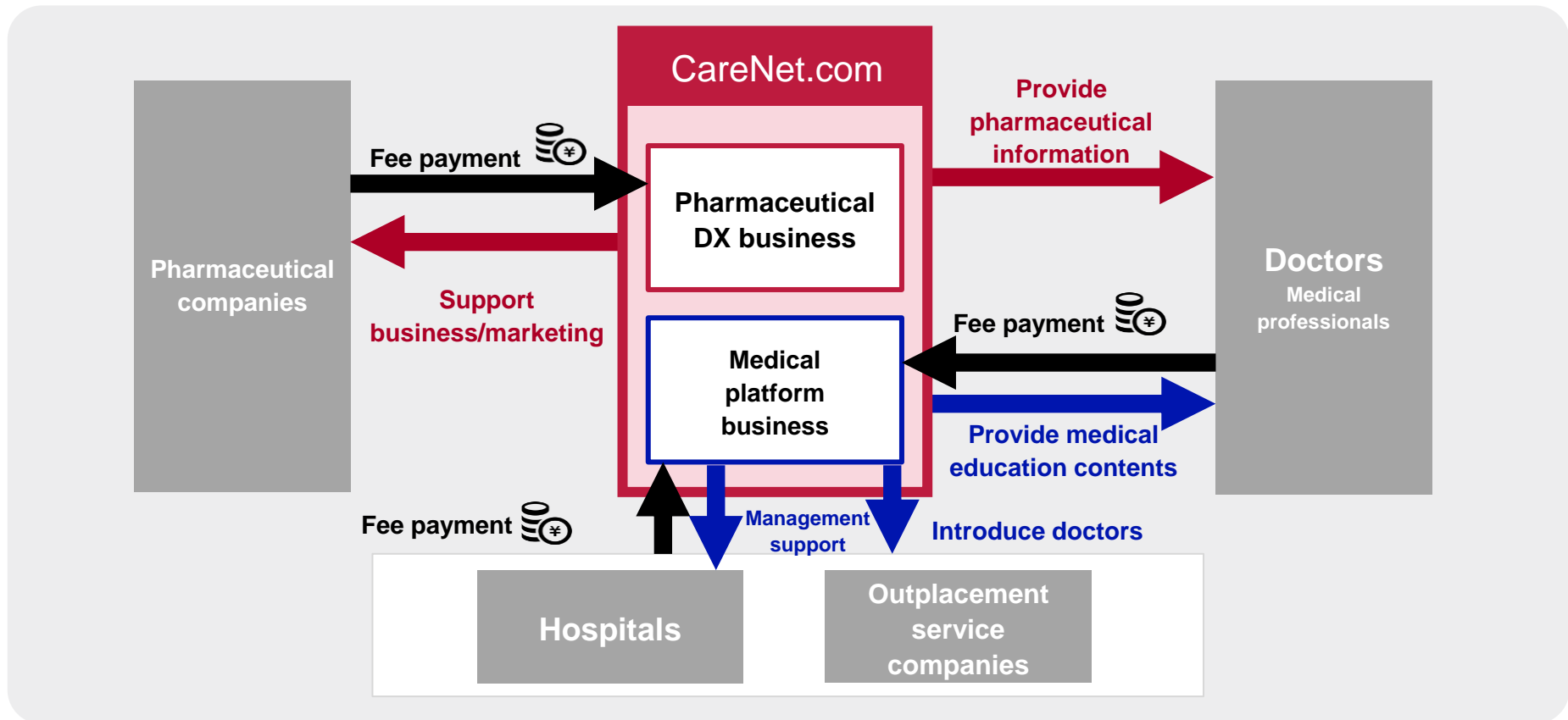
Corporate Philosophy

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.



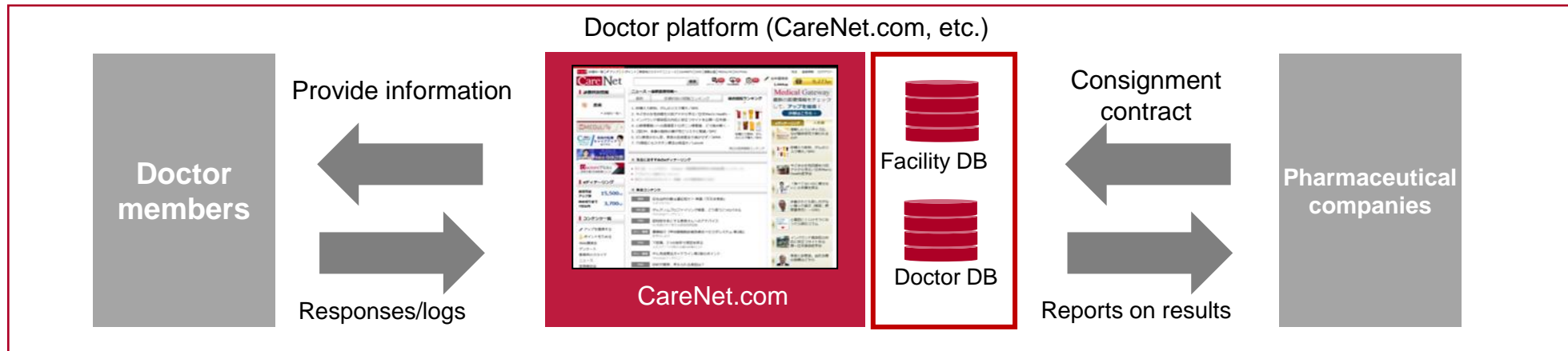
The “Pharmaceutical DX business” is engaged in the service of providing doctors with information on the proper use of therapeutic drugs under contract with pharmaceutical companies, using our doctor platforms such as “CareNet.com.” Its business model relies on obtaining service income from pharmaceutical 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. Over 500 seminars are conducted annually, and 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

6,481

(As of June 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 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 -

Medical information website used by **more than 450,000** medical professionals



Members

465,614

Doctors who are members

232,368

(As of June 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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Progress on New 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.

Vision 2026

1 Growth strategy

- An “engagement service” will be established during the period, which will contribute to sales productivity improvement with a smaller number of MRs, and also create a model to enable efficient clinical trials and cost reduction. By mobilizing our capabilities, the Pharmaceutical DX business will continue to grow in the future.
- We will enter the Seed Incubation business focused on intractable diseases and rare diseases.
- Our business portfolio will continue to be expanded through M&A.

2 Target of growth

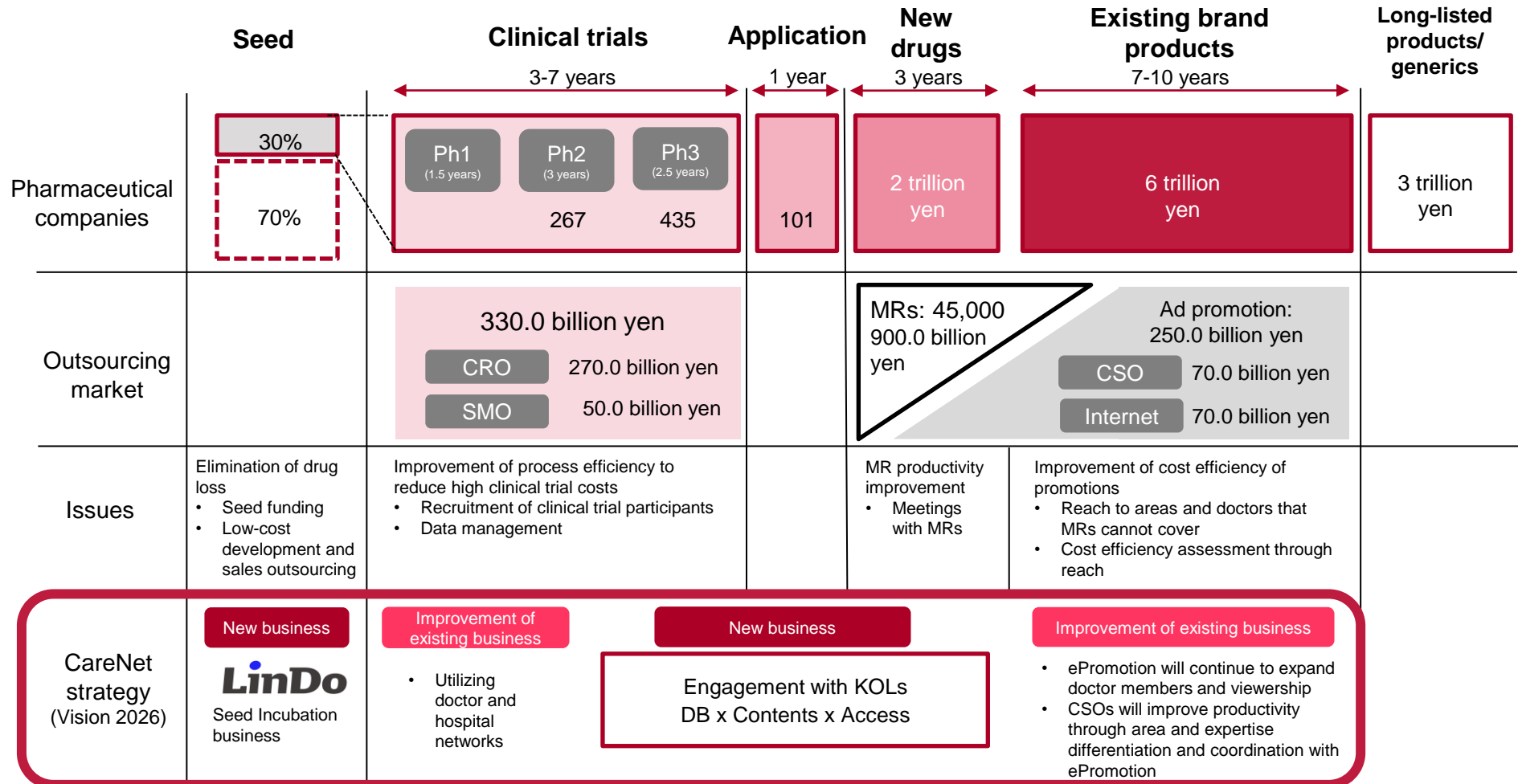
While development is prioritized during the period, we will aim to achieve sales growth, with CAGR of 10% to 20%, through boosting group sales, improving service in the short term, and M&A, etc. Operating profit ratio is projected to decrease to around 20% due to increased expenses resulting from investment in development and goodwill associated with M&A.

3 Shareholder returns

- In terms of shareholder returns, our top priority is increasing corporate value (share price).
- We will implement a dividend policy that also takes into account dividend yields.

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.

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 Growth Strategy

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

- LinDo was featured in NHK's "Close-up Gendai" ("Curable diseases cannot be cured!? Why did the prolonged drug shortage occur?") broadcasted on June 18).
- Invested in Medical Incubator Japan K.K.'s (MIJ) fund aimed at backing the development of rare disease drugs (MIJ BG2 Limited Partnership) to support LinDo's new drug development

Expansion of business portfolio

- Acquired a CRO company, Satt. Strengthened the functions of the Group's CRO business
- Established Method360, Inc. Developed a structure to undertake new drug launch planning, medical writing, and various production activities for pharmaceutical companies

We will continue to actively pursue business development for growth, aiming to accelerate growth from 2027 and beyond.

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-focused 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.

We have resolved acquisition of treasury stock as part of measures to improve shareholder value.

Shareholder Return (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.

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

We will continue to consider share repurchases as one of the measures to increase corporate value through improved capital efficiency, etc.



Financial Results for the Six Months Ended June 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 Six Months Ended June 30, 2024 - Financial Results Summary

- Net sales for the second quarter period increased by 2.7% 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

	Q2 2023	Q2 2024	YoY change
Net sales	5,014	5,149	2.7%
Cost of sales	1,867	2,063	10.5%
Gross profit	3,146	3,085	-1.9%
Selling, general and administrative expenses	1,827	2,099	14.9%
Operating profit	1,318	986	-25.2%
Ordinary profit	1,337	983	-26.4%
Profit attributable to owners of parent	859	557	-35.2%

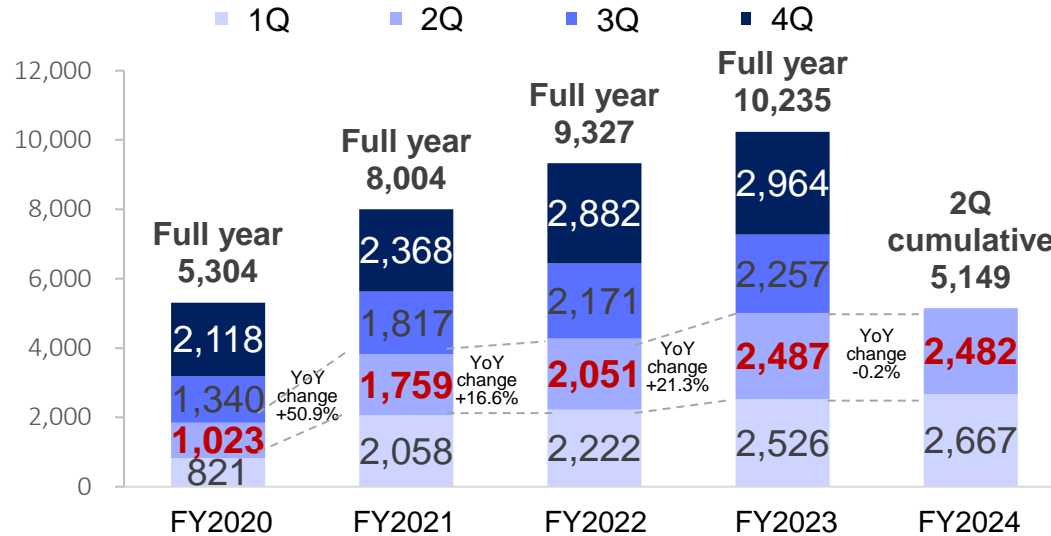
Consolidated Balance Sheets

	June 30, 2024	Change from FY2023 end
Current assets	10,969	-6.8%
Non-current assets	2,975	23.9%
Total assets	13,944	-1.6%
Current liabilities	2,157	-11.9%
Non-current liabilities	269	23.1%
Total liabilities	2,426	-9.0%
Total net assets	11,517	0.1%
Total liabilities and net assets	13,944	-1.6%

Trends in Company-wide Performance (1)

Net sales

(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			

Net sales for the second quarter period was flat year over year (-0.2%) at 2,482 million yen, due to sluggish growth in the Pharmaceutical DX business.

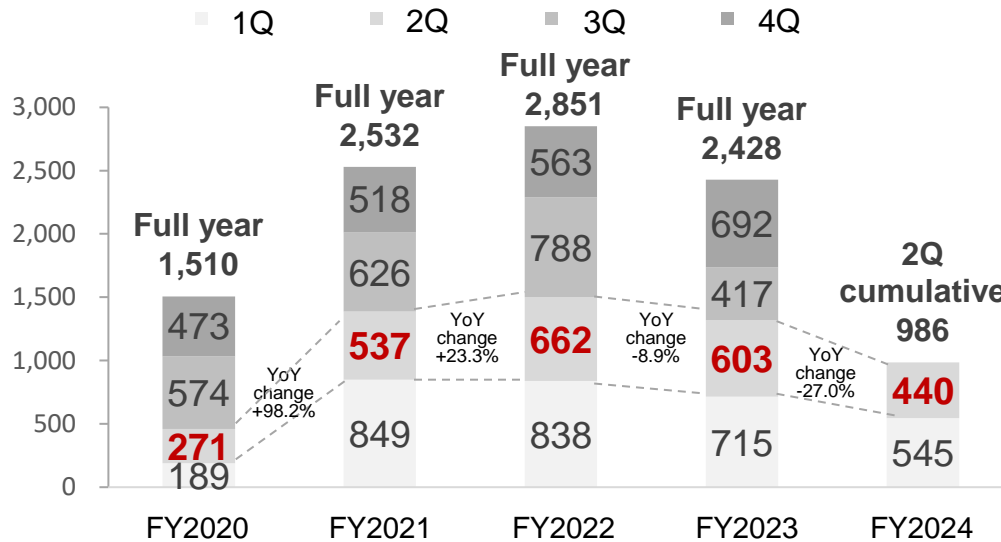
Order trends for the Pharmaceutical DX business in the second half of the fiscal year have been firm, and progress for the full year is in line with plan.

Company-wide net sales for the first half of the fiscal year increased by 2.7% year over year to 5,149 million yen.

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			

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

In line with this plan, operating profit for the second quarter period decreased year over year to 440 million yen.

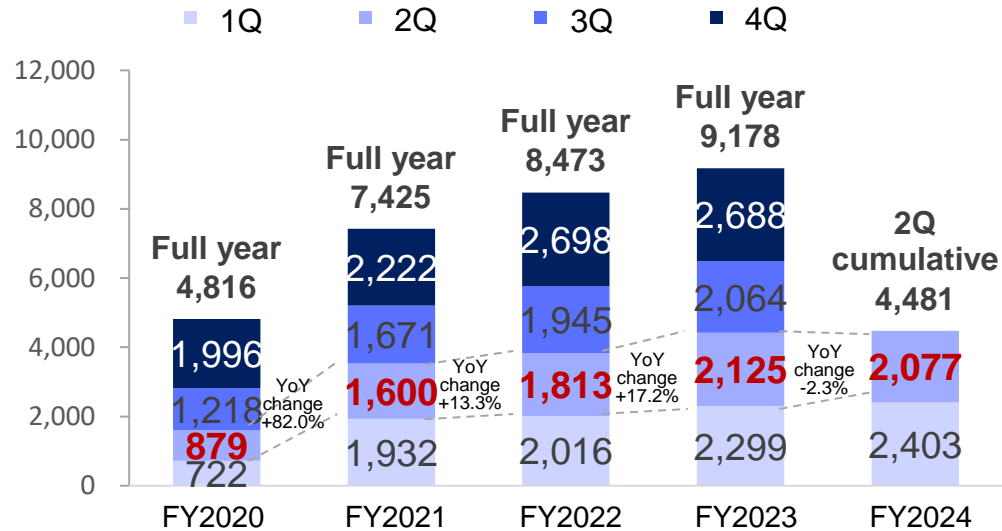


Progress by Segment

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			

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.

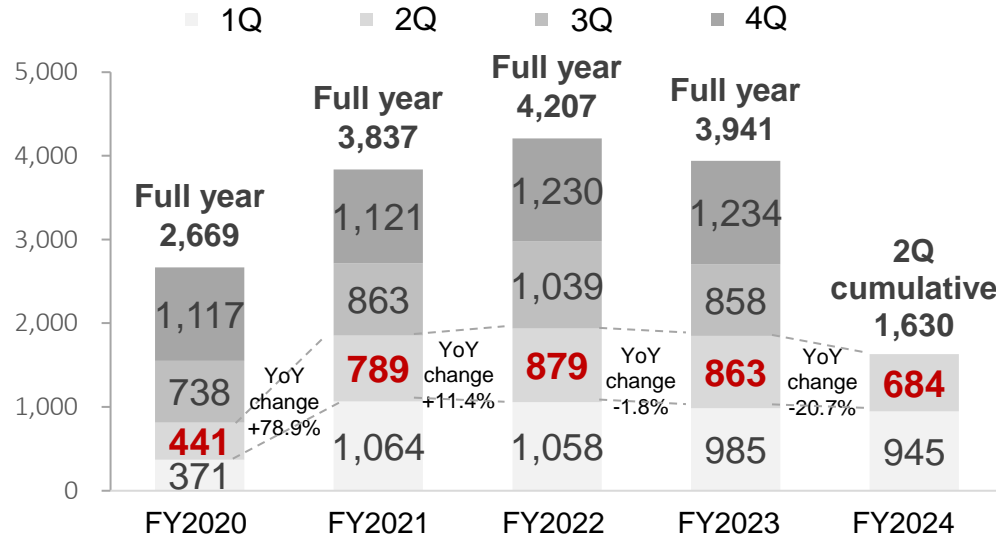
As a result, orders for the Pharmaceutical DX business in the second quarter period were sluggish, and net sales decreased by 2.3% year over year to 2,077 million yen.

Order trends for the Pharmaceutical DX business in the second half of the fiscal year have been firm, and progress for the full year is in line with plan.

Segment Performance – Pharmaceutical DX Business (2)

Segment profit

(Million yen)



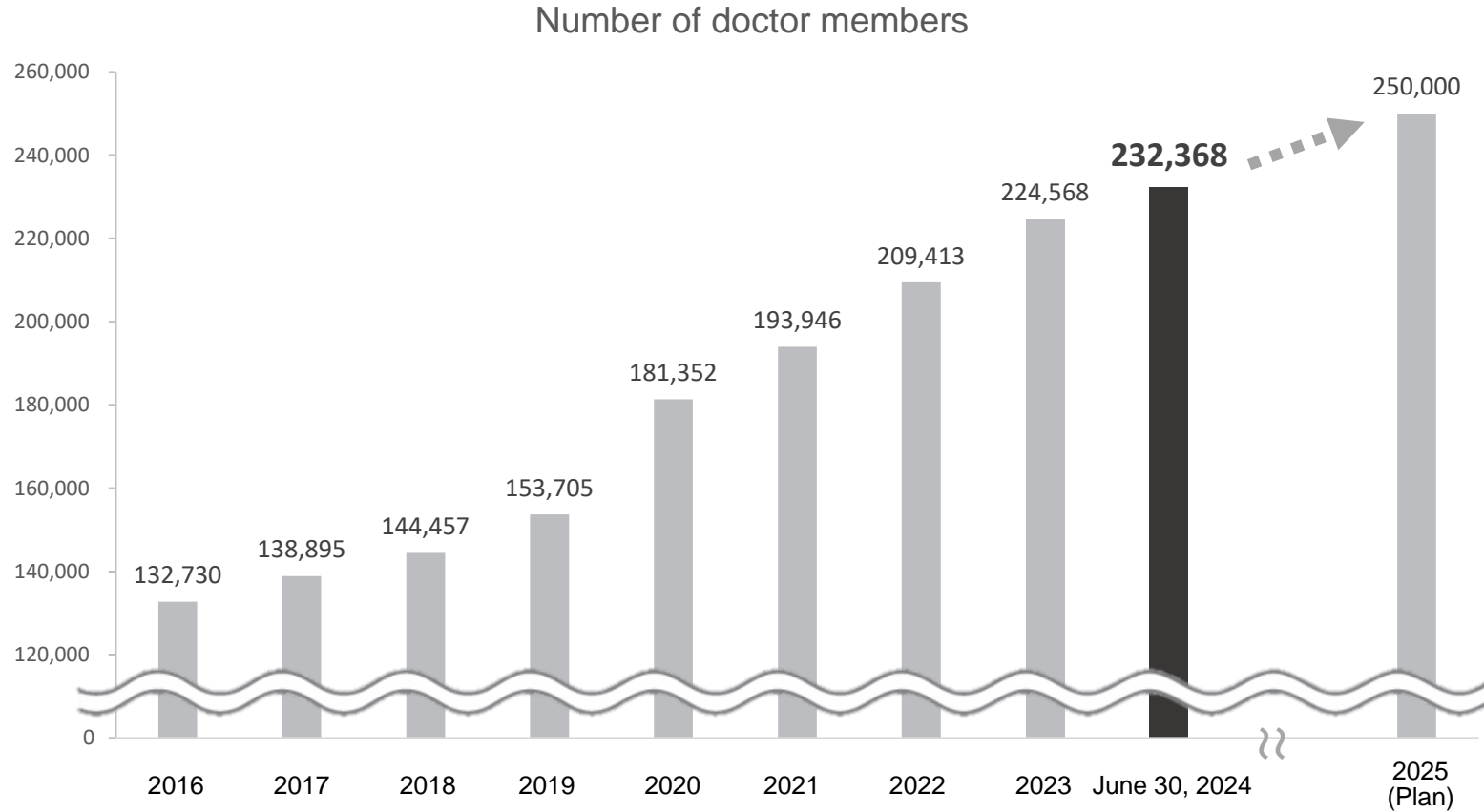
Segment profit for the second quarter period decreased by 20.7% year over year to 684 million yen, due to increased costs associated with business development and personnel hiring, etc. based on Vision 2026.

Through continuous development investment, the Company aims to achieve medium- to long-term growth as stated in Vision 2026.

	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			

Doctors who are Members

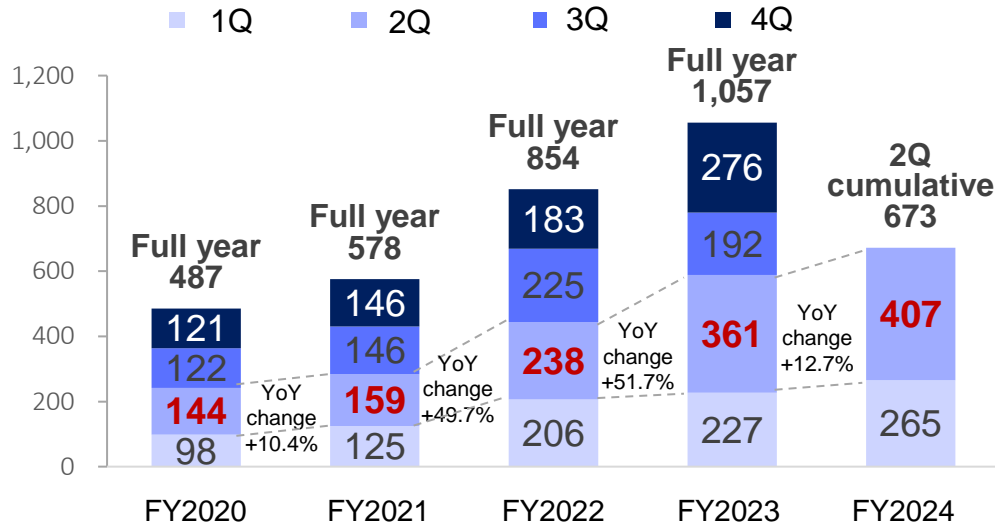
- Continuing from the previous fiscal year, the number of doctors who are members has been steadily increasing, reaching 232,000 as of June 30, 2024.



Segment Performance – Medical Platform Business (1)

Net sales

(Million yen)



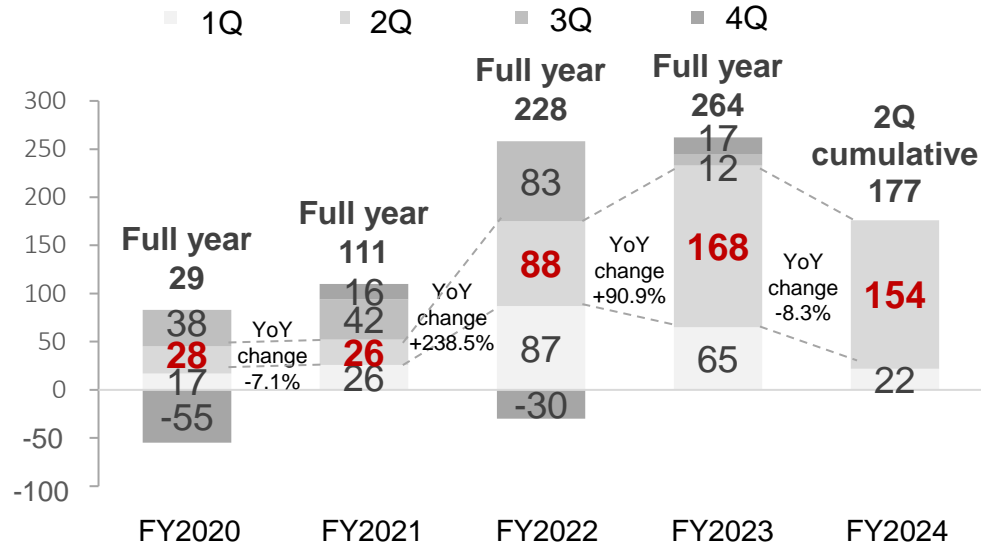
Net sales in this segment for the second quarter period increased by 12.7% year over year to 407 million yen mainly due to sales contribution from the management support business for hospitals which was acquired last year.

	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			

Segment Performance – Medical Platform Business (2)

Segment profit

(Million yen)



Segment profit of the Medical Platform business for the second quarter period decreased by 8.3% year over year to 154 million yen, due to aggressive investment in new business development and personnel hiring in the doctor career service and in the media business.

	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			

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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