

CONFIDENTIAL

CareNet's Growth Strategies and Investment in Business Development Aimed at Achieving Mid-term Goals

August 25, 2021

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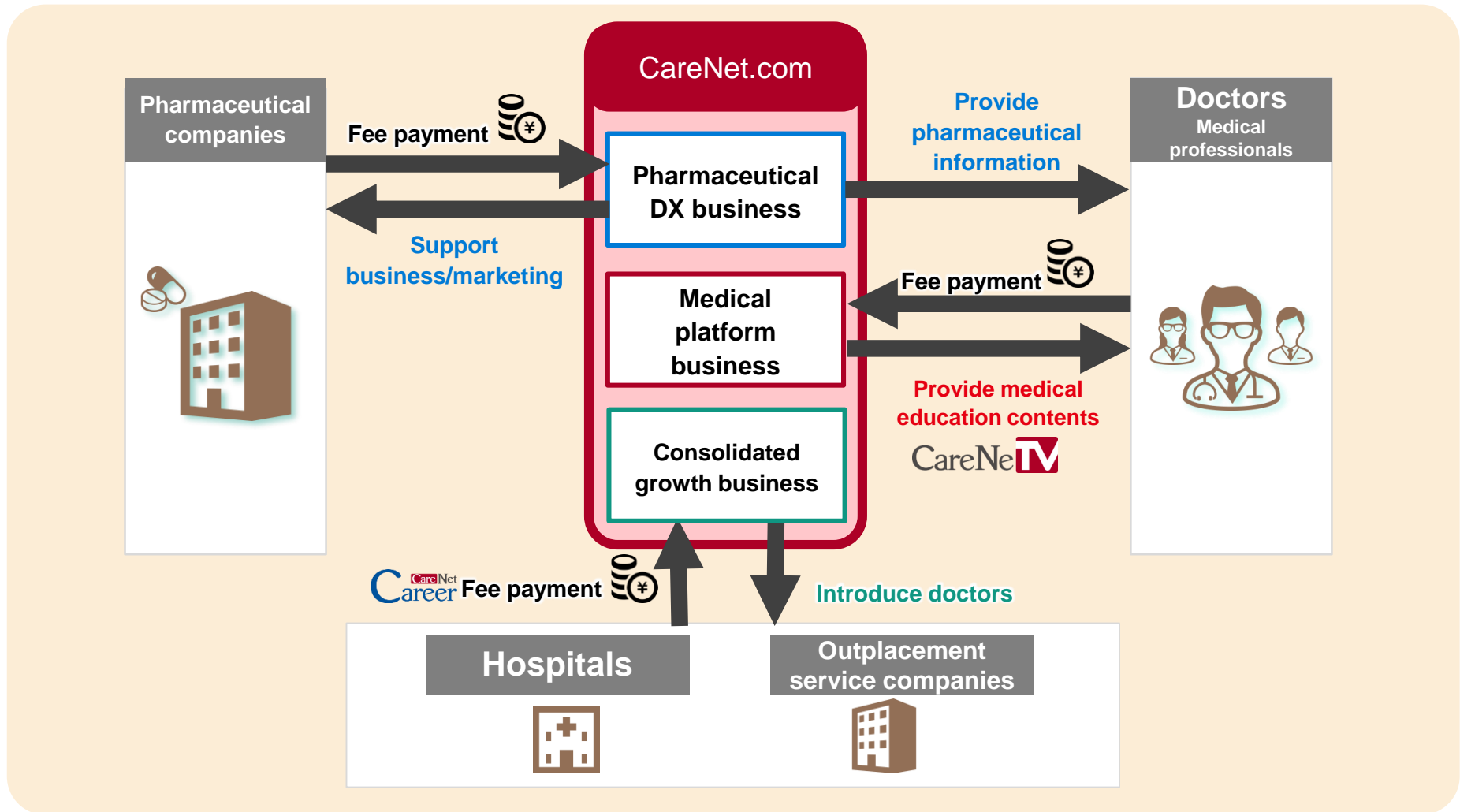


CareNet's Business Model

Aiming to achieve net sales of 30.0 billion yen in five years,
centered on the pharmaceutical DX business

Our Business Model

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



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

Our Profit Structure

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

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

(Million yen)

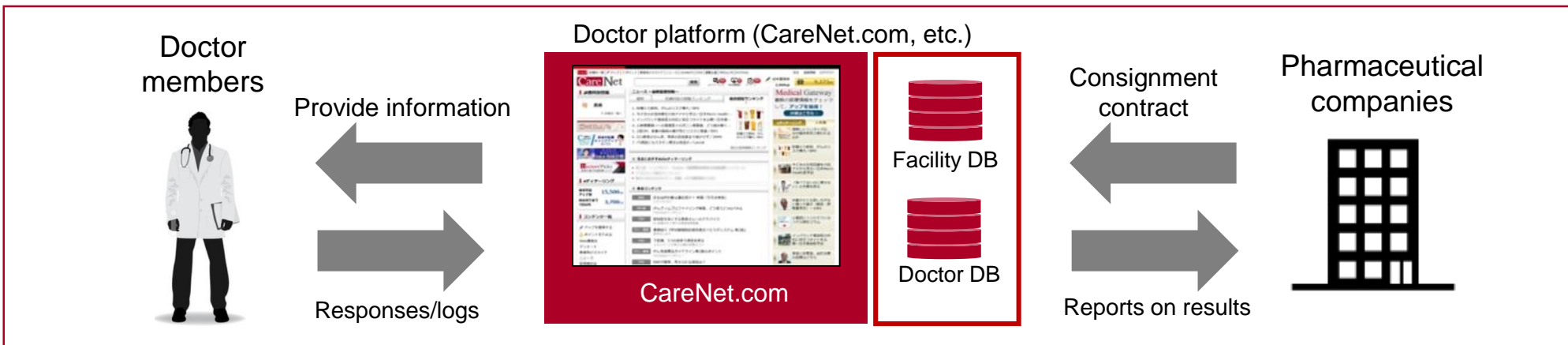
	By business segment			Consolidated
	Pharmaceutical DX business	Medical platform business	Consolidated growth business	Consolidated profit
Net sales	4,735	330	246	5,304
Operating profit	2,503	3	-62	1,510
Operating profit ratio	52.9%	1.2%	—	28.5%

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

Business Model & Services of Our Core Business – Pharmaceutical DX Business

Business model for the pharmaceutical DX business

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



Main services of the pharmaceutical DX business

IT solution for connecting doctors and pharmaceutical companies: MRPlus®

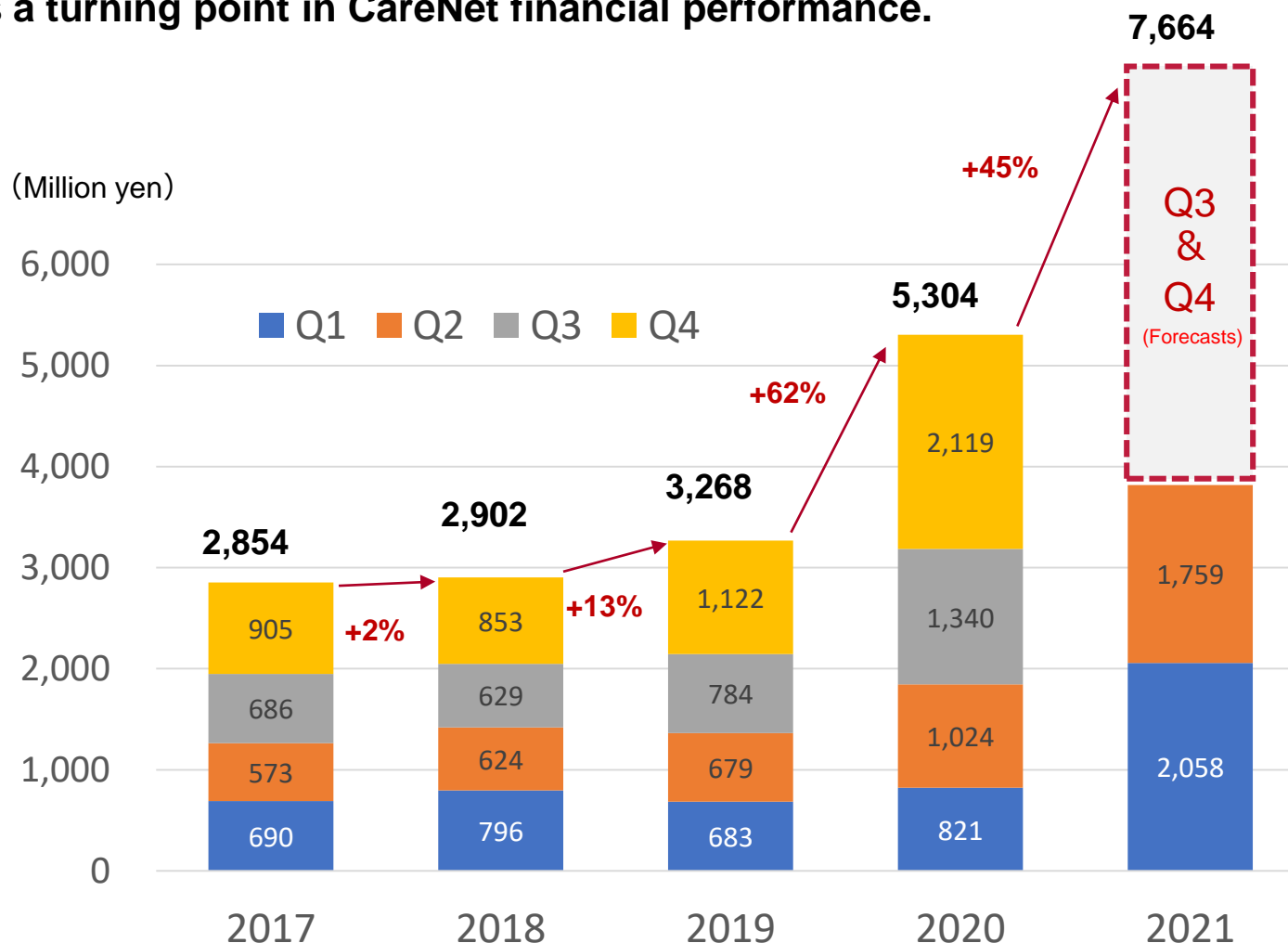
One of our core services that broadcasts video content created from the perspective that the involvement of doctors is needed to target other doctors, enabling the analysis of doctors' responses while creating opportunities for engagement with MRs. More than 50 pharmaceutical companies have adopted this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

Online livestreams of seminars by Key Opinion Leaders (KOLs) 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®.

Trends in Net Sales (Consolidated)

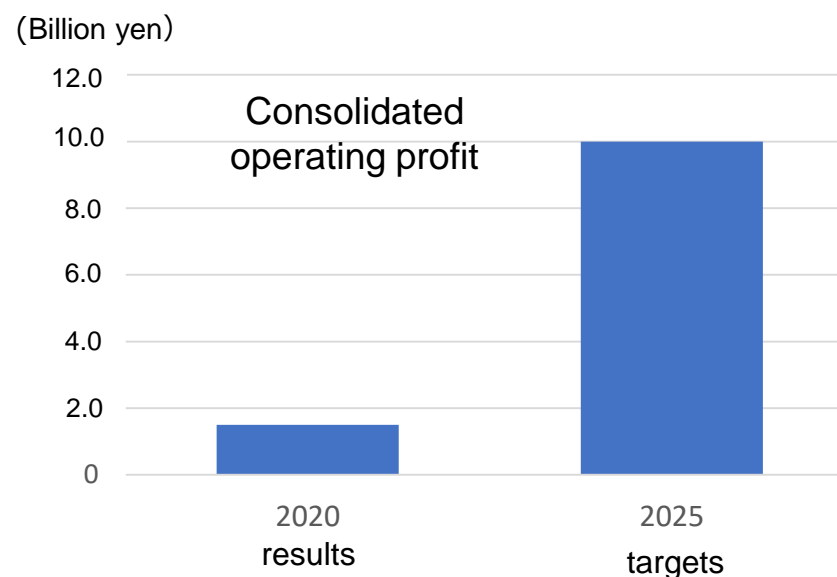
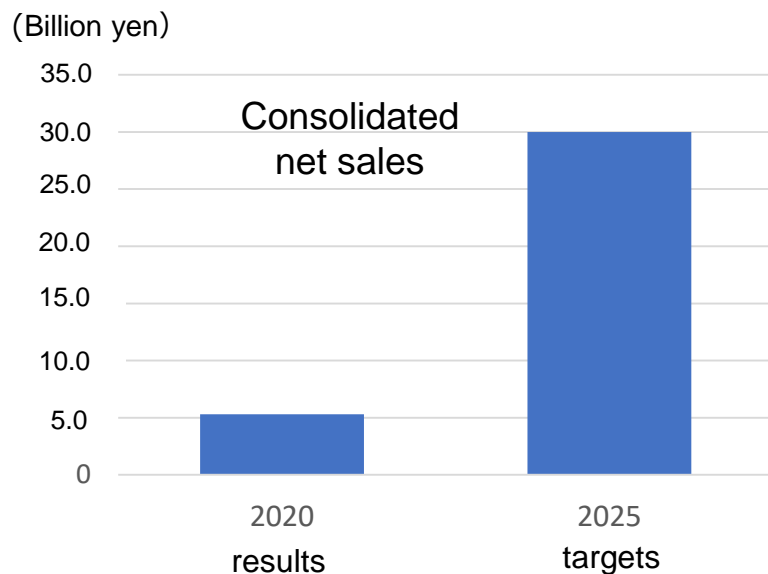
FY 2018 was a turning point in CareNet financial performance.



- Both sales and profits showed a year-on-year increase of over 40% for the past six months and are projected to grow for seven consecutive years in FY2021.
- There is a seasonal tendency for sales to decline in Q2 and rise in Q4 due to pharmaceutical companies' budgetary allocations for business activities.

Sales and Profit Targets for 2025 in the Mid-term Management Vision

Management targets	2020	2025	CAGR
Net sales	5.3 billion yen	30.0 billion yen	41%
Operating profit	1.5 billion yen	10.0 billion yen	46%
Operating profit ratio	28%	33%	-
Listed market	TSE Mothers	TSE Prime	-
Doctor members	180,000	250,000	-



We will aim to achieve a sixfold increase in both net sales and operating profit in five years by 2025, centered on the pharmaceutical DX business, while expanding the medical platform business and the health data science business.

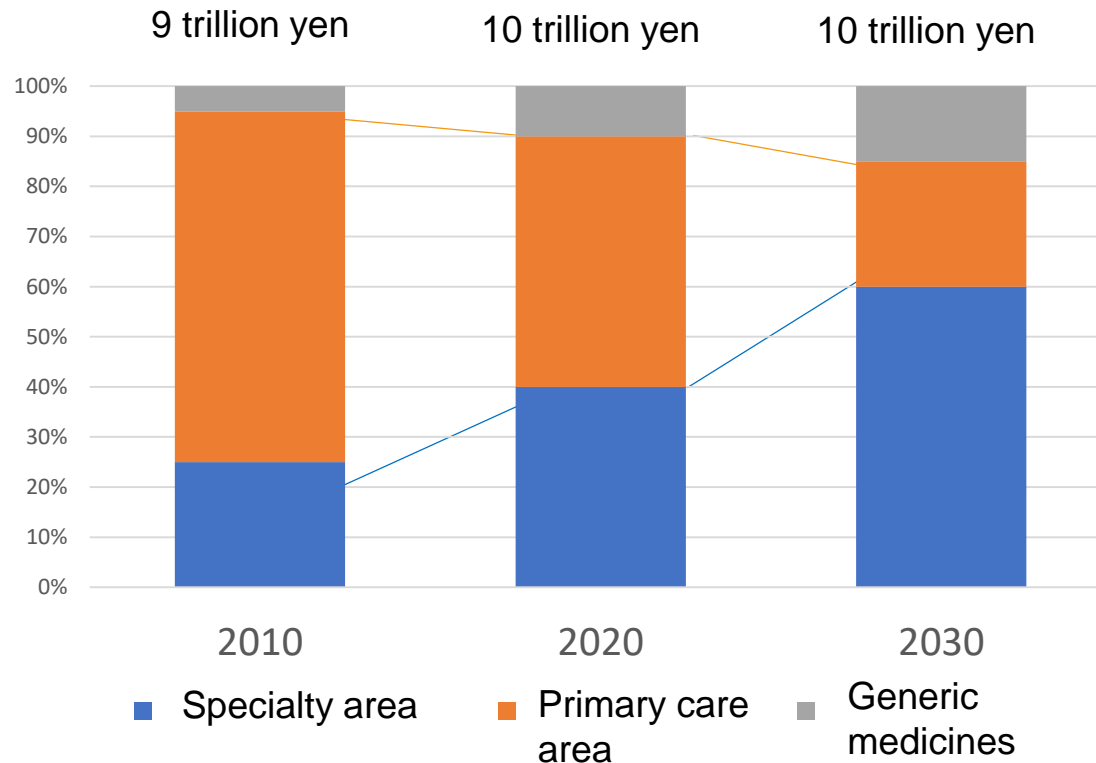


Growing Markets

In the pharmaceutical promotion market, a DX model is expected to expand as MRs reduce face-to-face activities.

Trends in Shares in the Japanese Ethical Drug Market

The market size for Ethical drugs in Japan is estimated to remain unchanged. The specialty/rare disease area has increased its market share while primary care area's share has been shrinking.

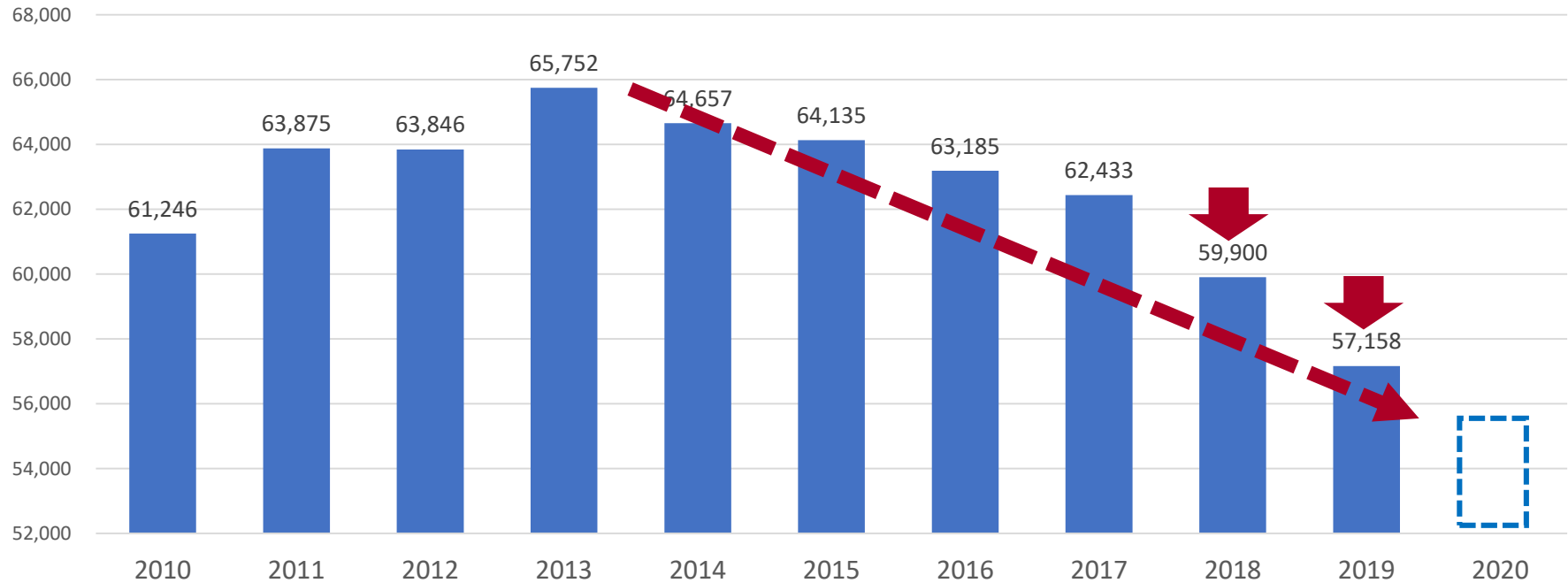


Prepared by the Company based on IQVIA data (on an NHI price basis)

* Rare diseases and central nervous system (CNS) diseases are included in the specialty area. Antibiotics and antiviral agents are included in the primary care area.

Trends in Number of Medical Representatives (MRs)

Decrease in MR numbers has already started before COVID-19 pandemic.

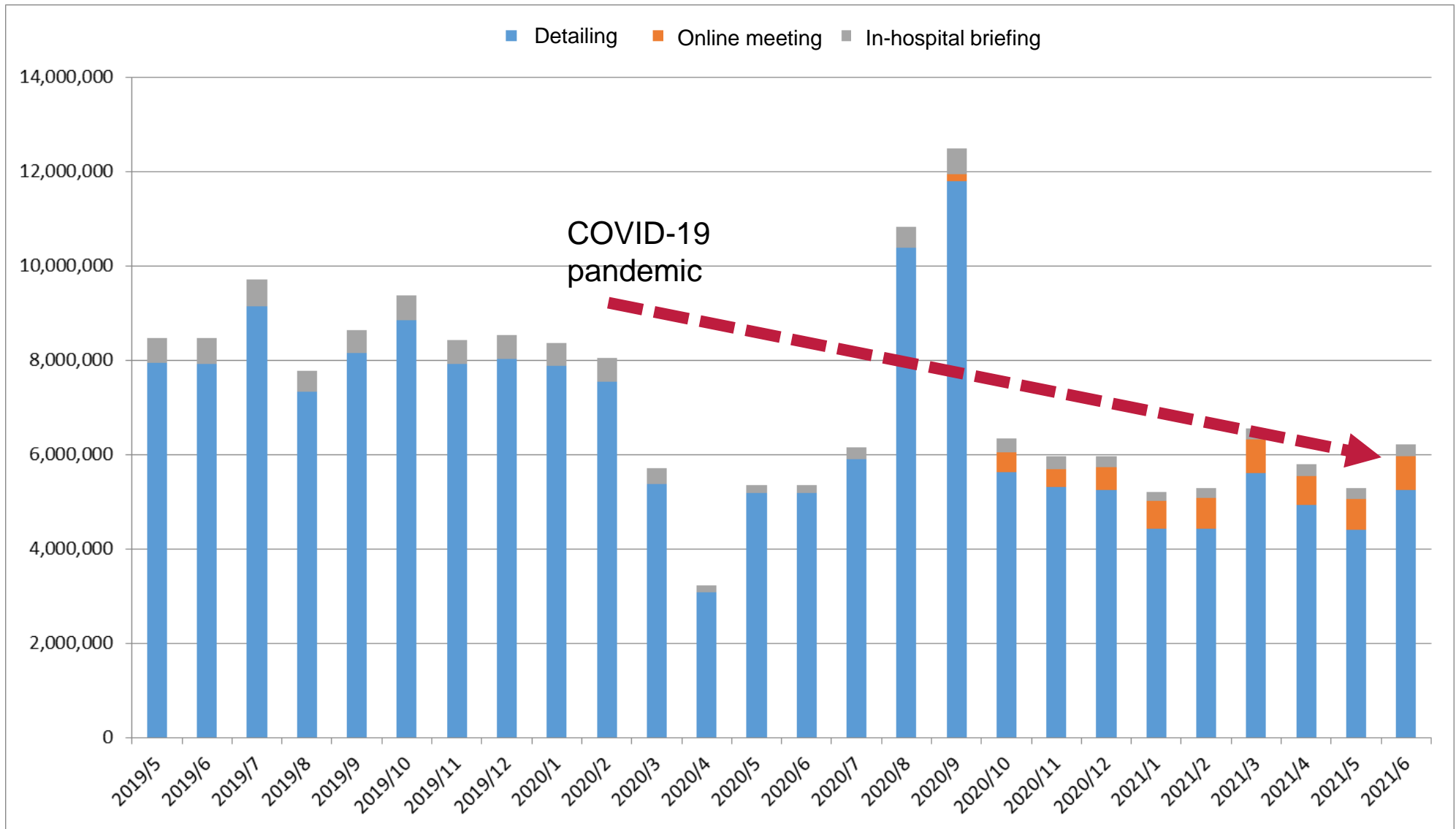


Source: "White Paper on MRs" released by the MR Education & Accreditation Center of Japan

- 2010: Beginning of patent expiration of primary-care drugs
- 2014: DIOVAN scandal and BLOPRESS scandal
- **2018: MHLW's "Guidelines on ethical drug detailing activities"**

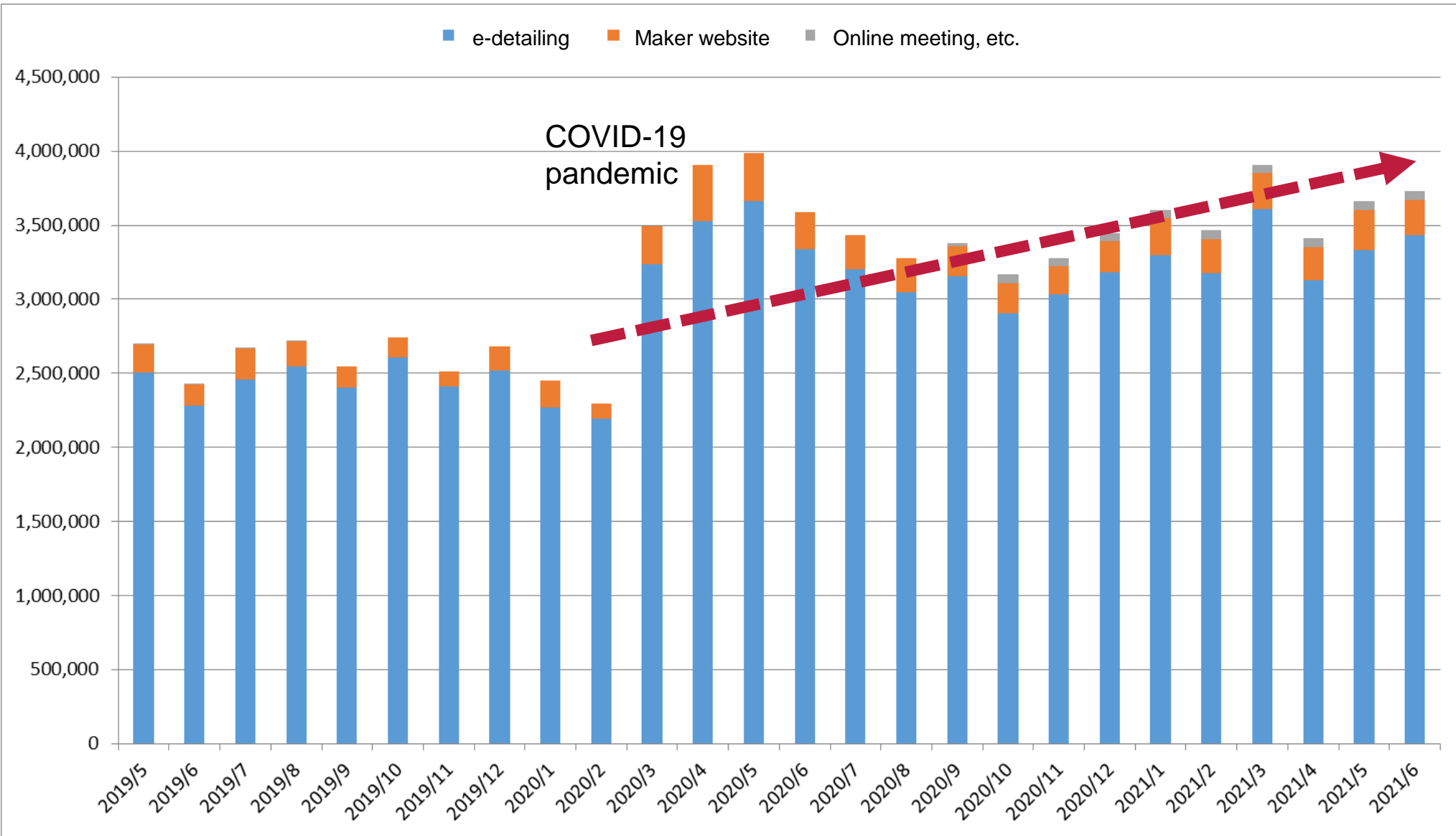
Trends in MR Detailing under COVID-19 Crisis

Surveyed by INTAGE Inc.



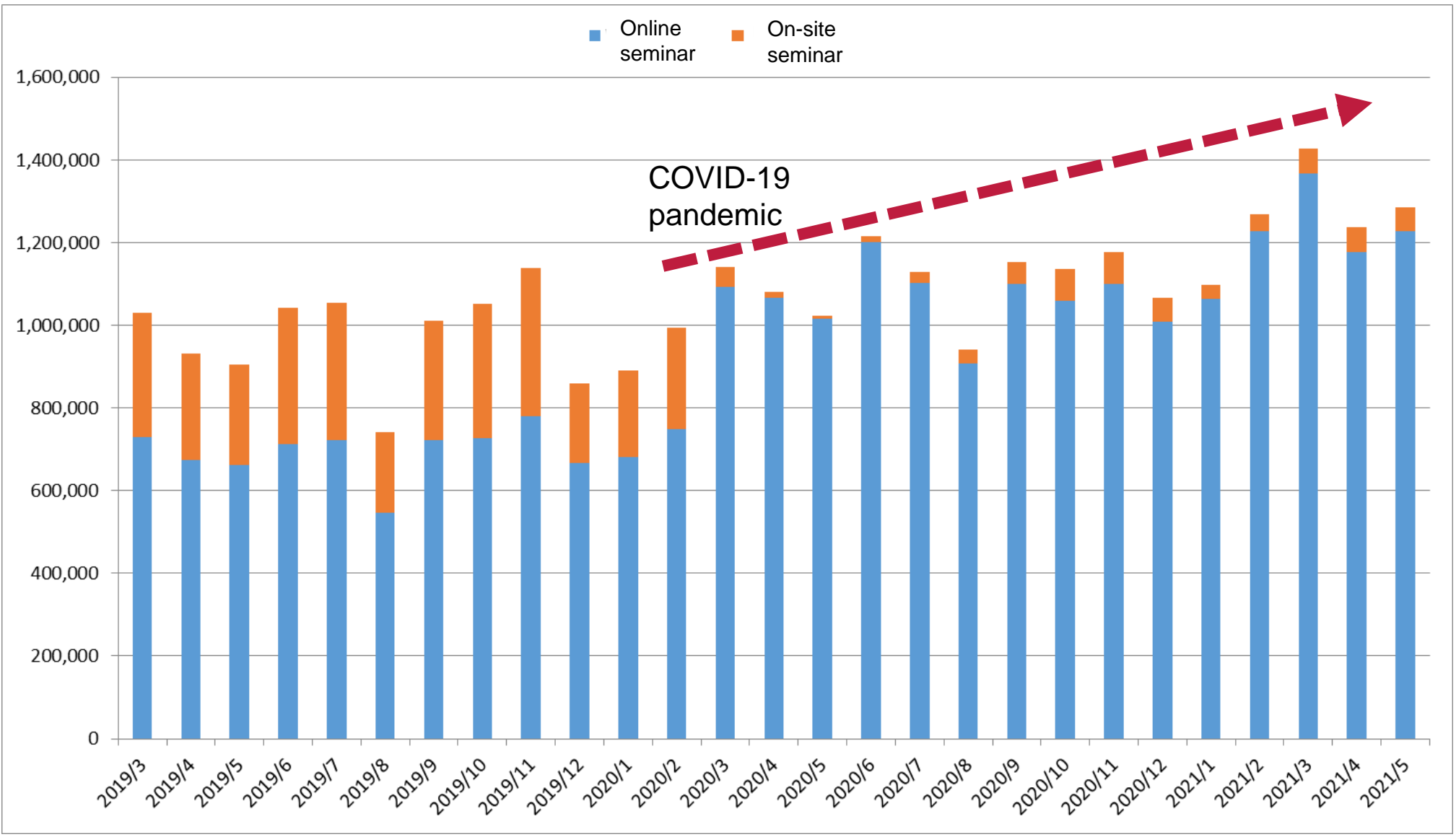
Trends in e-detailing under COVID-19 Crisis

Surveyed by INTAGE Inc.

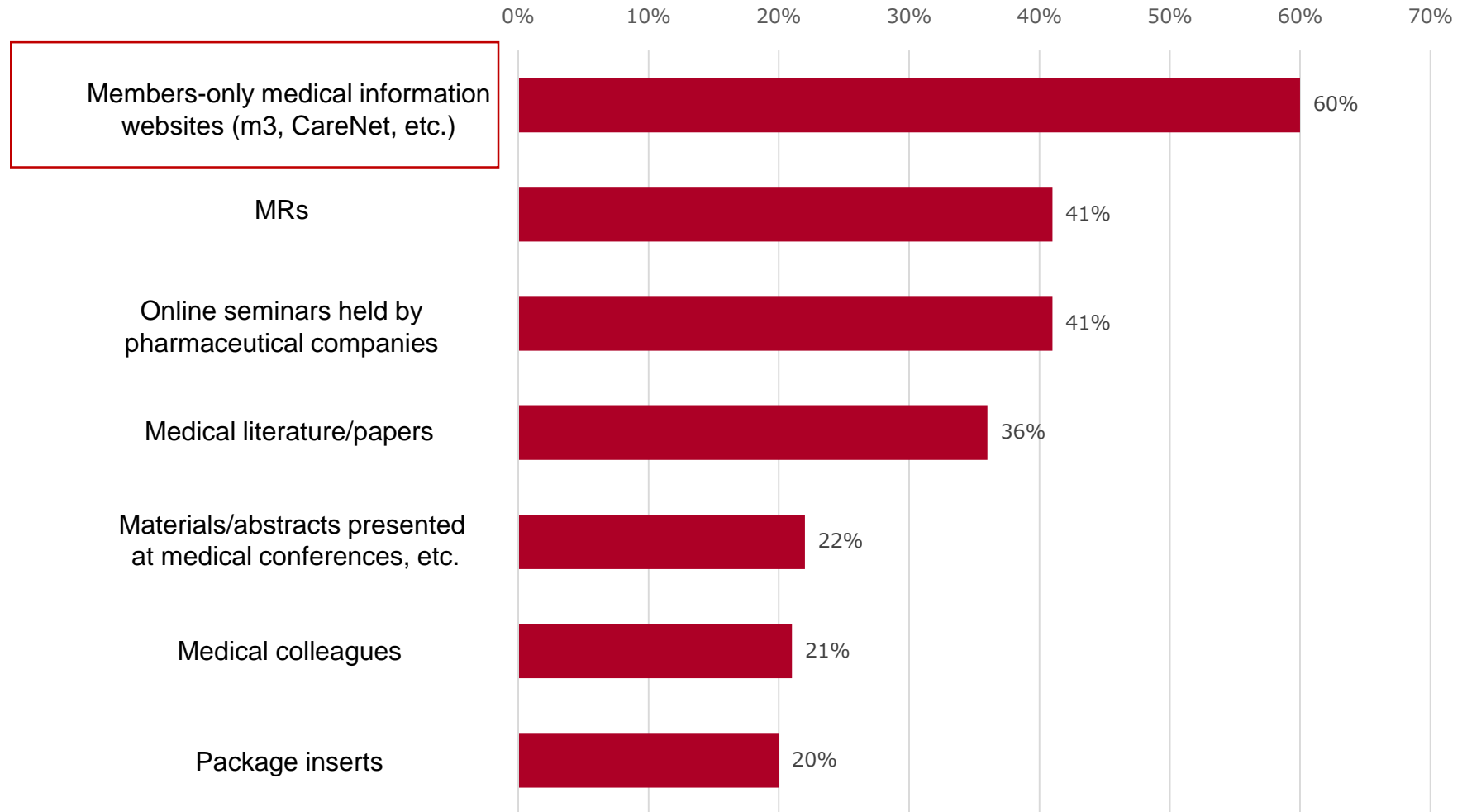


Trends in Online Seminars under COVID-19 Crisis

Surveyed by INTAGE Inc.



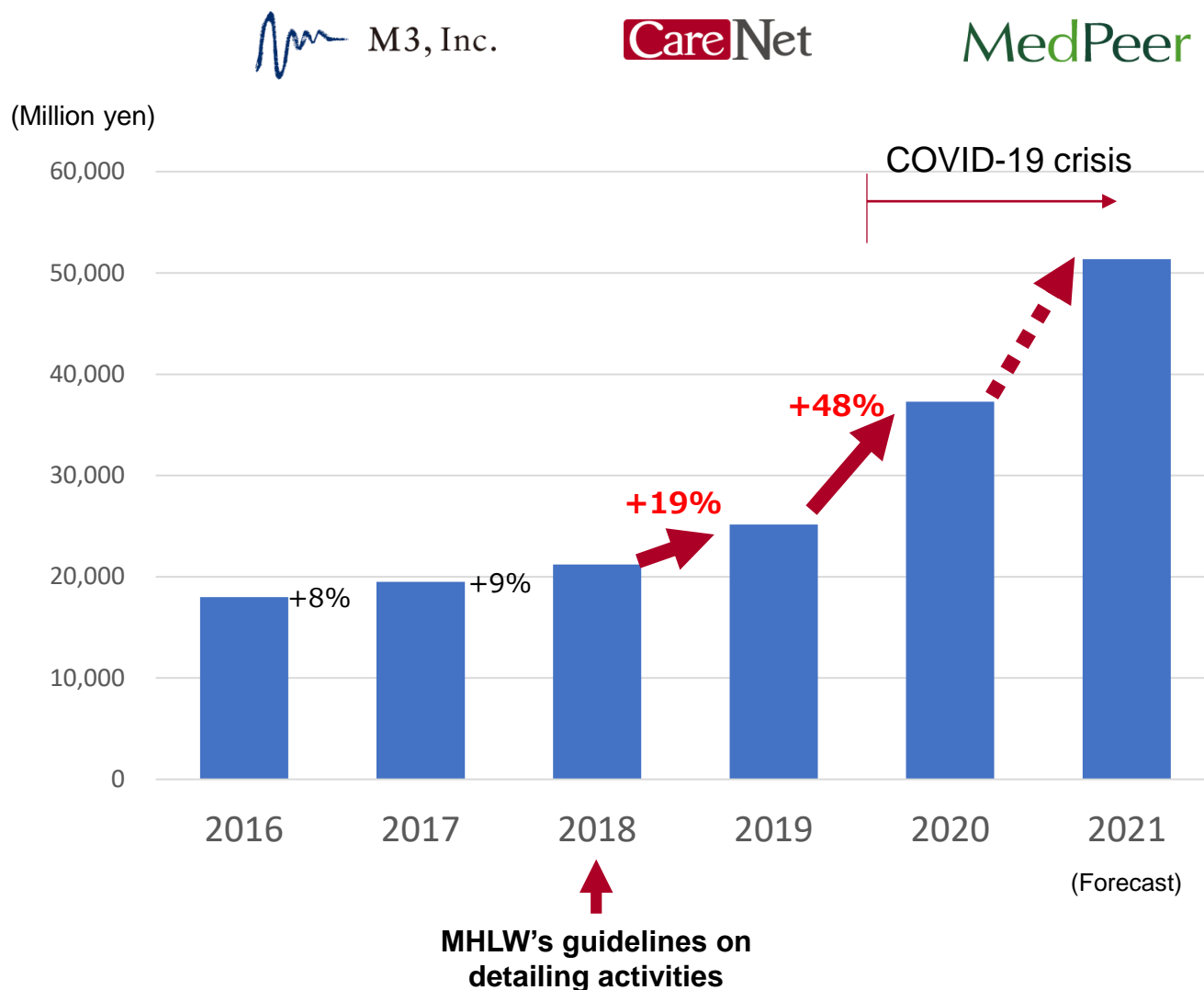
Sources of Drug Information Doctors Find Useful



Source: *MIX* 2021 February Issue

Members-only websites climbed to the top position for the first time in the history of surveys.

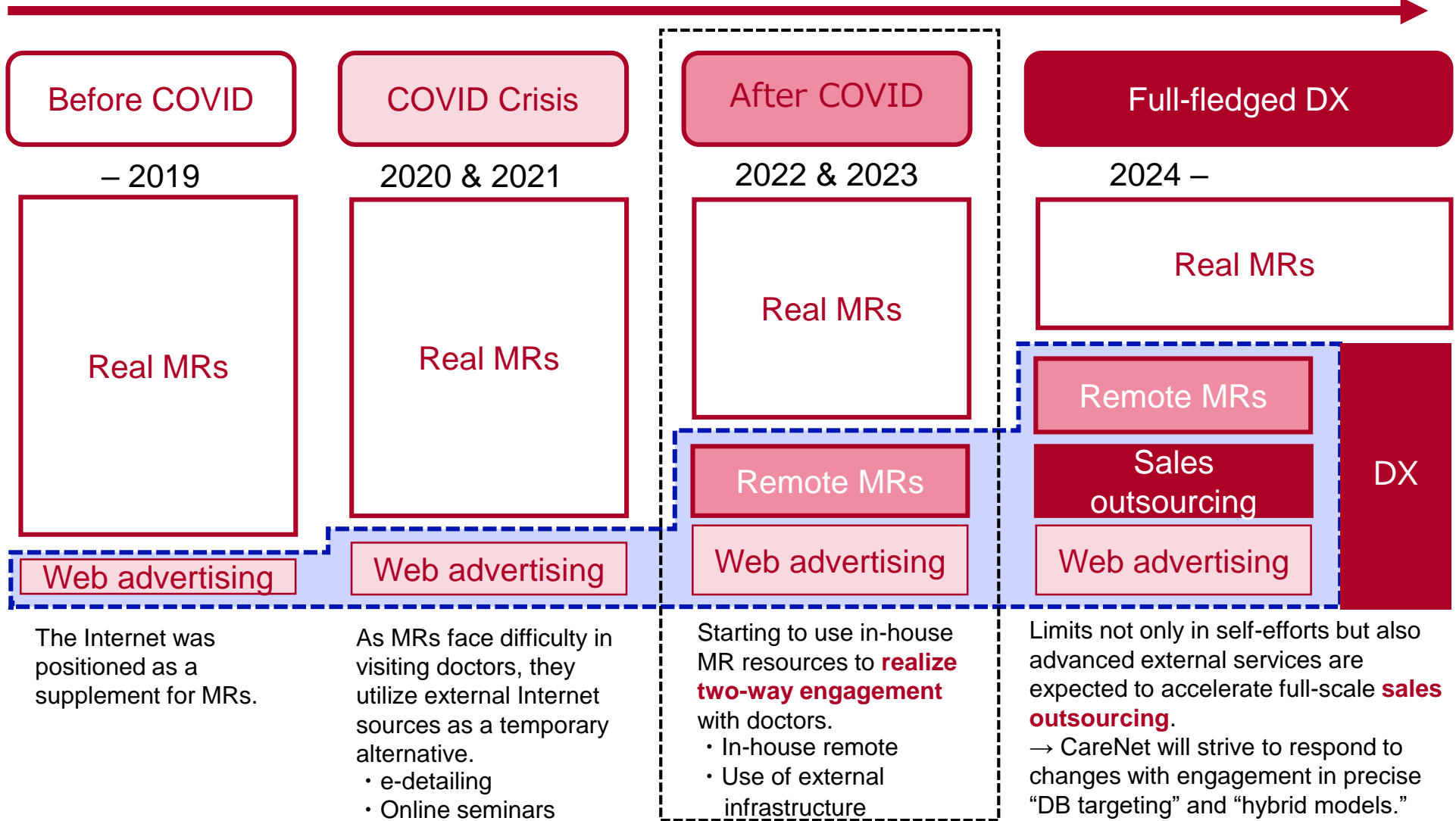
Total Sales of 3 Drug Portal Sites Run by Membership Medical Information Website Companies



The use of the Internet began to expand after the MHLW's guidelines took effect in 2018.

Japan's Pharmaceutical Promotion Market Heading toward DX

Future of pharmaceutical sales and marketing

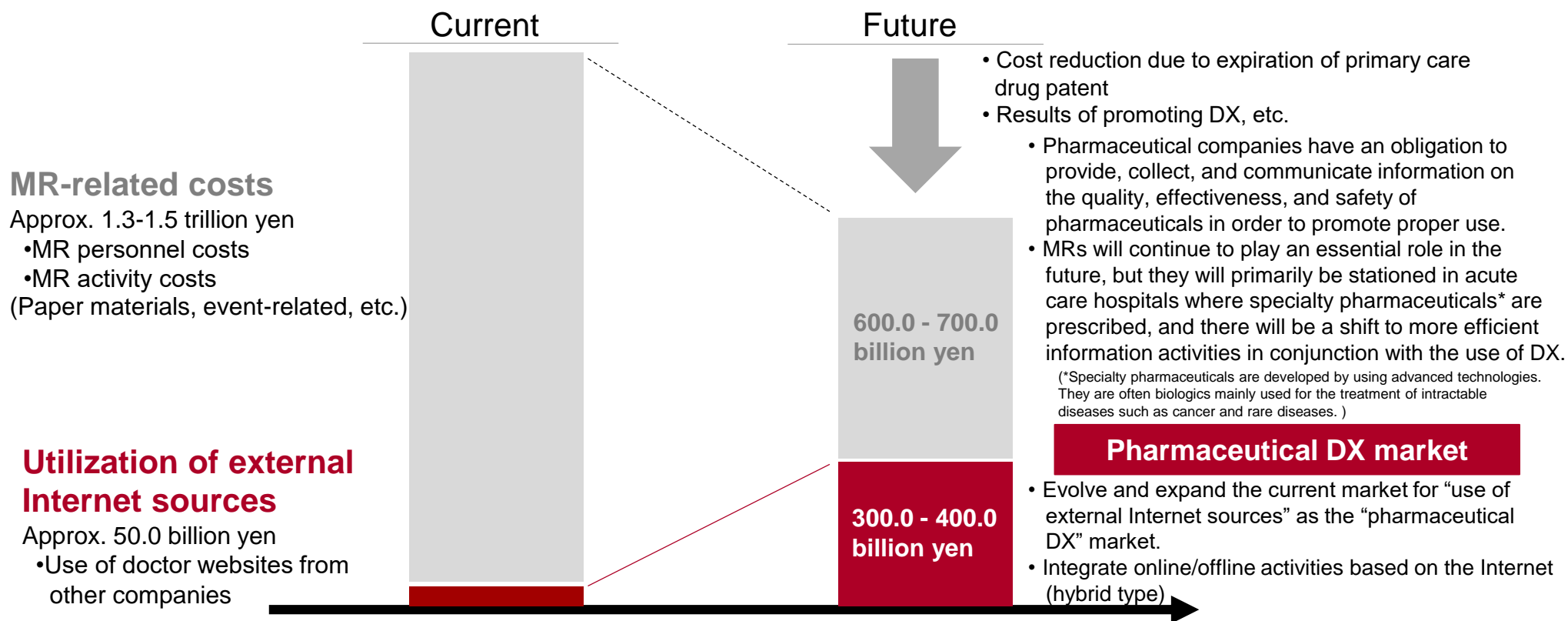


Competition will heat up from FY2022 in response to a growing need at pharmaceutical companies for support for remote MR activities.

Estimated Scale of Pharmaceutical Promotion Market

The structure of promotional costs in the pharmaceutical industry is expected to change from “personnel cost-oriented” to being based on “integration of humans and DX” in the future.

Currently, the use of the Internet is mainly for advertising purposes. However, as “integration of humans and DX” advances, the Internet is expected to be used more widely in various promotional activities and grow significantly as “pharmaceutical DX”.



Future market depicted is as estimated by the Company based on the MHLW’s “List of New Drugs.” Resource allocation is presumed based on the estimated scale of the prescription pharmaceutical market by 2030.





Competitive Strategies

Competitive point:

CareNet will aim to differentiate itself from its competitors by developing a “DX model for specialty pharmaceuticals.”

Comparison of Three Doctor Platform Business Companies

		
Established	2000	1996
Objective of foundation	Yahoo! for the medical community	Provide medical education
Number of doctor members	300,000	190,000
Sales of portal site business (FY2020)	28.5 billion yen* <small>*Estimated sales of m3's "MR-kun" as surveyed by UBS.</small>	4.8 billion yen
Key products	MR-kun	MRPlus Contents
Competitive advantages	Internet brand Number of doctor members Number of PV	Education brand Relationships with doctors ALOS
Future direction	My MR-kun eCSO <Platform utilization>	D2D Hybrid DX <KOL utilization>

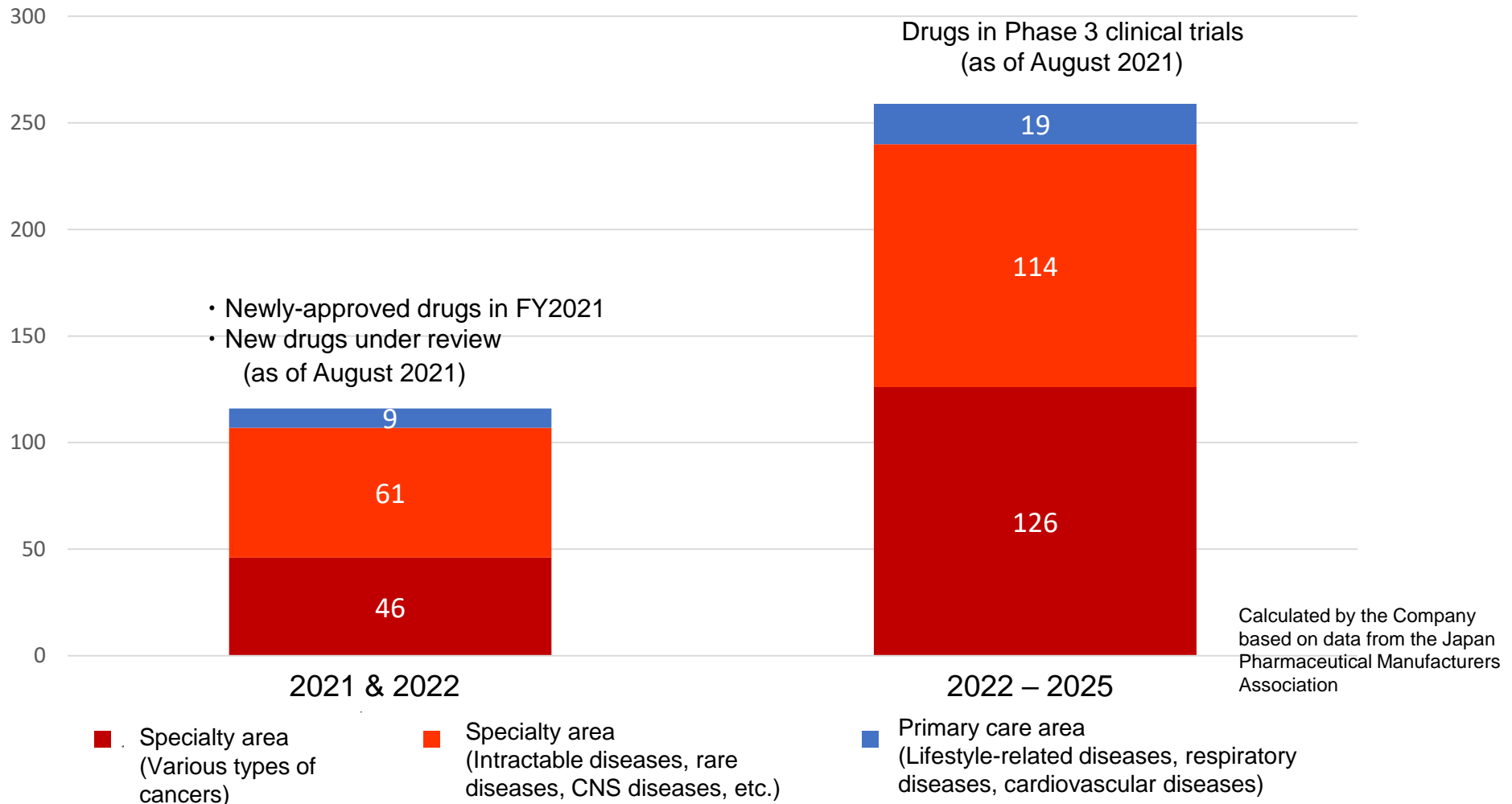
How to support for marketing of specialty drugs that will account for the new drug market will be the main issue for players including m3 and CareNet.

Most New Drugs Added to NHI Drug Price List since FY2021 Belong to the Specialty Area

Listing date	Product name	Development company	Indications	Disease area	General group	No. of eligible patients at peak (people)
May 19, 2021	ISTURISA	Recordati Rare Diseases	Cushing syndrome	Rare disease	Rare disease	306
May 19, 2021	VITRAKVI	Bayer	NTRK-positive solid tumors	Oncology	Specialty	117
May 19, 2021	Pemazyre	Incyte	Biliary tract cancer	Oncology	Specialty	58
May 19, 2021	Kesimpta	Novartis	Multiple sclerosis	CNS	Specialty	3,800
May 19, 2021	IZCARGO	JCR Pharmaceuticals	Mucopolysaccharidosis type II	Rare disease	Rare disease	110
May 19, 2021	JOYCLU	Ono Pharmaceutical	Osteoarthritis	Orthopedics	Primary care	486,000
May 19, 2021	POLIVY	Chugai Pharmaceutical	Diffuse large B-cell lymphoma	Oncology (blood cancer)	Specialty	2,400
May 19, 2021	Remitoro	Eisai	Peripheral T-cell lymphoma and cutaneous T-cell lymphoma	Oncology (blood cancer)	Specialty	341
May 19, 2021	DARZQURO	Janssen Pharmaceutical	Multiple myeloma	Oncology (blood cancer)	Specialty	6,900
May 19, 2021	NUVIQ	Fujimoto Pharmaceutical	Deficiency of functional blood coagulation factor VIII	Blood disease	Specialty	155
May 19, 2021	UPLIZNA	Mitsubishi Tanabe Pharma	Neuromyelitis optical spectrum disorder	CNS	Specialty	317
May 19, 2021	ZICTHORU	Hisamitsu Pharmaceutical	Cancer pain	Oncology (supportive therapy)	Specialty	125,000
May 19, 2021	ARIKAYCE	Insmed	Mycobacterium avium complex lung disease	Infectious disease	Specialty	1,600
April 21, 2021	Xarelto dry syrup	Bayer	Venous thromboembolism (for pediatric use)	Pediatric treatment	Specialty	50
April 21, 2021	MUSREDO	Bayer	Dialysis (renal anemia)	Renal disease	Specialty	109,000
April 21, 2021	ADLUMIZ	Ono Pharmaceutical	Cancer cachexia	Oncology (supportive therapy)	Specialty	120,000
April 21, 2021	ALUNBRIG	Takeda Pharmaceutical	Lung cancer	Oncology	Specialty	670
April 21, 2021	CALQUENCE	AstraZeneca	Chronic lymphocytic leukemia	Oncology (blood cancer)	Specialty	309
April 21, 2021	ORLADEYO	OrphanPacific	Hereditary angioedema	Rare disease	Rare disease	246
April 21, 2021	SULPREP	Nihon Pharmaceutical	Pre-treatment for colonoscopic examination	Digestive disease	Primary care	1,100,000
April 21, 2021	Emgality	Eli Lilly	Migraine	CNS	Specialty	48,000
April 21, 2021	Hunterase	Clinigen	Mucopolysaccharidosis type II	Rare disease	Rare disease	30
April 21, 2021	Lynspad	OrphanPacific	Severe alpha-1 antitrypsin deficiency	Rare disease	Rare disease	9
April 21, 2021	Zymso	Kyorin Pharmaceutical	Interstitial cystitis	Urinary disease	Specialty	7,000

“List of New Drugs” released by the Ministry of Health, Labour and Welfare (MHLW)

Why We Need to Develop a DX Model for Specialty Pharmaceuticals?



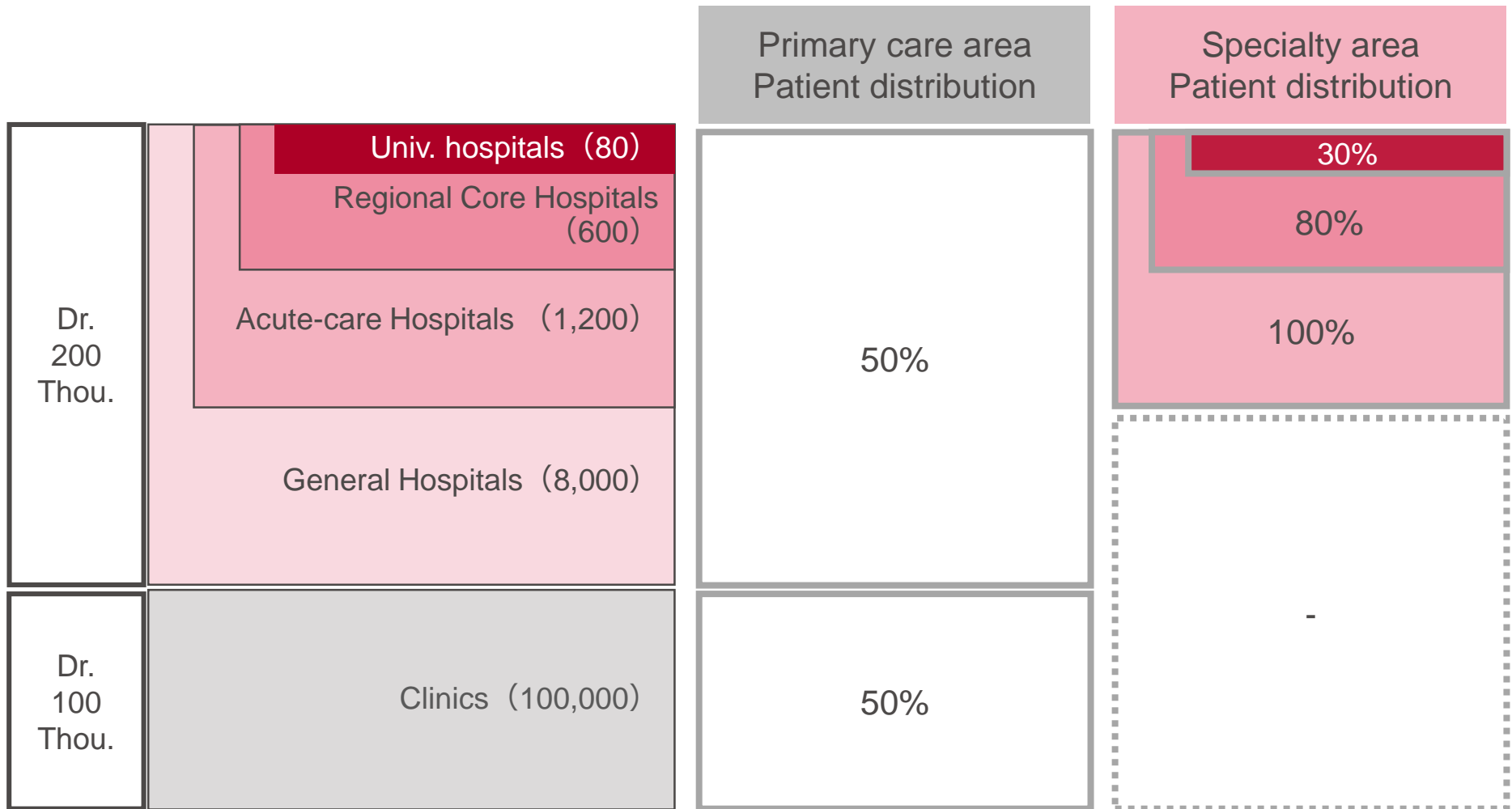
Specialty pharmaceuticals account for over 90% of product candidates (including drugs now being developed in Phase 3 trials) which are likely to be approved in the next five years through 2025. Since pharmaceutical companies spend the largest amount of promotional costs at launch of new drugs, we need to develop a DX model for specialty pharmaceuticals as early as possible.

Conventional Ethical Drug Detailing Activities

MRs have played a leading role in all activities for providing drug information.

		Primary care area Treatment for hypertension or hyperlipidemia	Specialty area Bio-pharma or target therapies for cancers
Purpose		To improve SOV	To establish persona
Target	Patients	~ 40 million	Dozens ~ 100,000
	Doctors	100,000 ~ 150,000	Hundreds ~ 30,000
Messages		Brand name and effects	Patient persona, screening methods Effects and side-effects in real world
Activities	Evidence building	Large-scale clinical trial	Clinical conference (Small-scale)
	Seminar	Large-scale	Small-scale
	Call	Medical professionals in a wide range of clinical departments of hospitals and clinics	Target medical specialists of regional core hospitals
	Entertainment	(Banned in practice from 2018)	(Banned in practice from 2018)

Difference in targeting (Primary care vs specialty)



In marketing for specialty drugs, relations with specialists by disease area in Regional Core Hospitals are more important than the “number of Dr. membership (coverage of whole doctors)”.

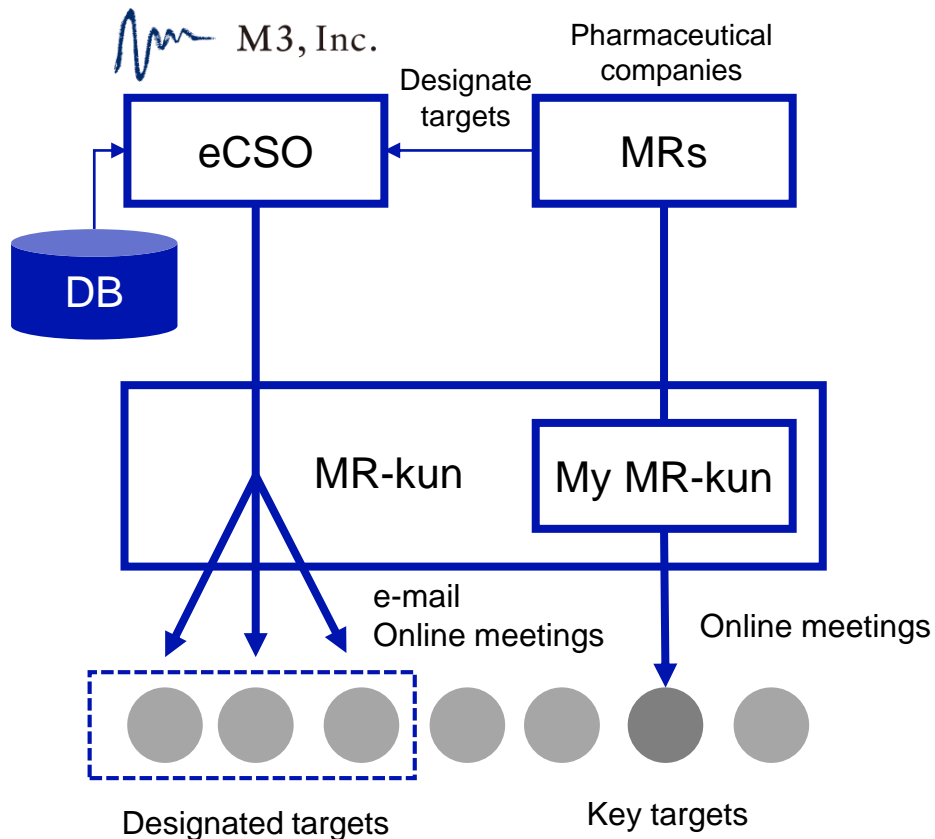
Difference in messaging (Primary care vs specialty)

	Primary care area	Specialty area
Main purpose	Control of target level	Extension of survival period, improvement of QOL
Example	Diovan® (ARB) -Anti-hypertension	Xalkori® (crizotinib) -Molecule target drug for NSCL cancer
Main messages	<ul style="list-style-type: none"> • effect of lowering blood pressure 	<p>【conditions】</p> <ul style="list-style-type: none"> • gene mutation • disease stage • age • complications, etc. <p>【effect indices】</p> <ul style="list-style-type: none"> • Response rate (RR) • Response duration (RD) • Overall survival (OS) • Progression free survival (PFS) • Disease-free survival (FS), etc. <p>【side effects】</p> <ul style="list-style-type: none"> • Interstitial pneumonia • decrease in WCB and neutrophils • vomiting, fever, etc.

In marketing for specialty drugs choice of which would lead to the matter of “life or death”, intelligence and insights shared by specialists who have actually used the new treatment will be a deciding factor. Web advertisement or one-way provision of information does not work.

Difference in Approach between m3 and CareNet

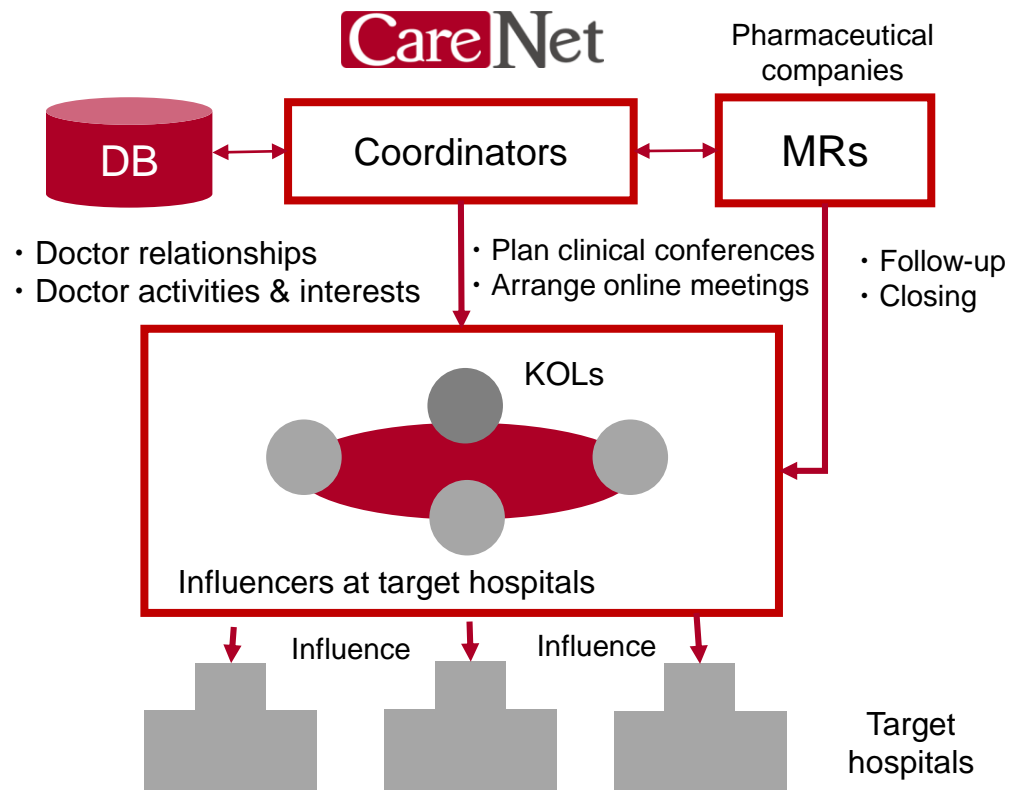
Approach using “MR-kun” platform



- Controlled content
- SOV (frequency of detailing)-oriented

Strategy to make the best use of its high coverage of doctors and advantages of its platform
[Mass Marketing Approach]

New approach model to maximize KOLs' influence



- D2D (candid discussions between doctors)
- Doctors' understanding and satisfaction-oriented

Strategy to make the best use of its well-planned contents and relationships with doctors
[Influencer Marketing Approach]

Why CareNet Can Engage with KOLs (1)

1

Collaborations with Physician KOLs



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



Why CareNet Can Engage with KOLs (2)

2 Collaborations with Surgeon KOLs

We have 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.



Why CareNet Can Engage with KOLs (3)

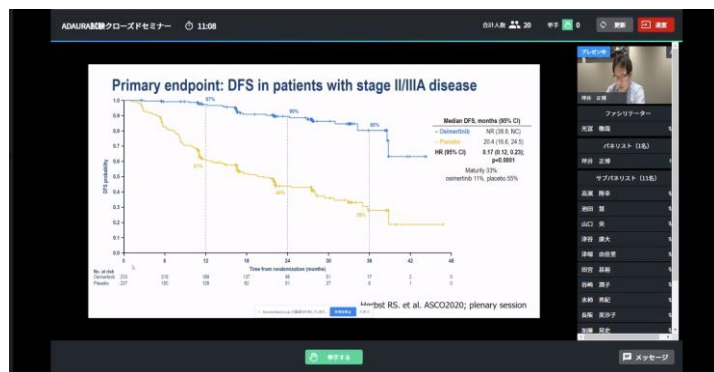
3

Trials of online case study discussions with KOLs and nationwide influencers have already begun at CareNet.

Round table discussion with hematology KOL



Round table discussion with lung cancer KOL



We have actively organized and held clinical conferences to connect KOLs with influencers nationwide since 2020. We will strive to utilize expertise accumulated at conferences to develop a new DX model. (Above: Example of the use of “FORA”, a proprietary medical care web conference system developed by CareNet)

Split of role between m3 and CareNet in pharma DX market



Competitive advantages

Internet brand
Number of doctor members
Number of PV

Education brand
Relationships with doctors
ALOS

Primary care area

1st line choice by client

2nd line choice by client

M3's advantage is expected to continue, but CN will gain market share further as it increases physician members.

Specialty area

Mass marketing
(Platform strategy)

Influencer marketing
(KOL strategy)

"m3 platform & MR alliance" and "CN KOL and MR alliance", both will be used by clients.

m3 and CareNet will keep growing, complementing each other in pharma DX market.

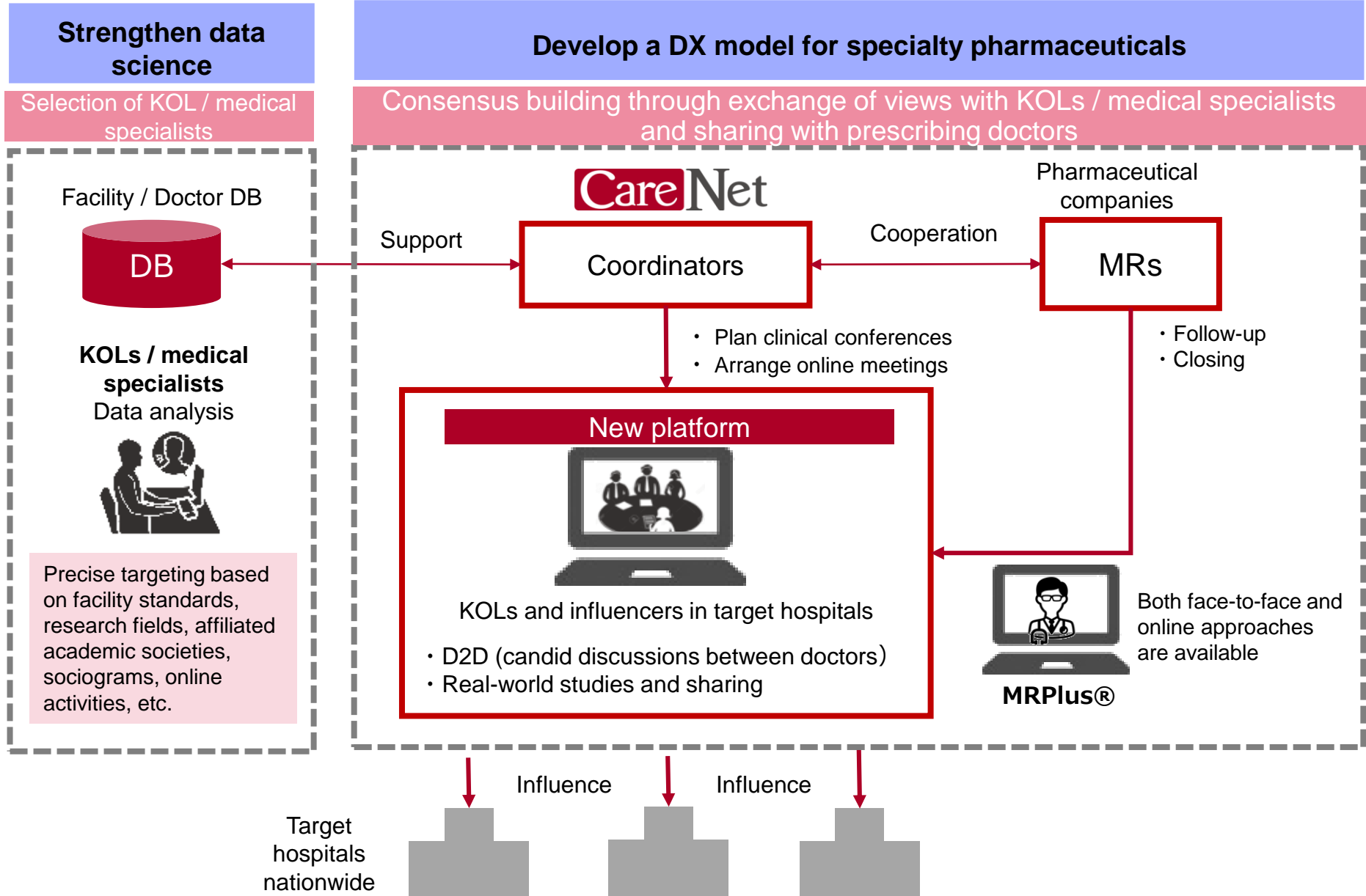


Financing for Business Development

Objectives of funding with stock acquisition rights are:

- 1) Strengthen data science
- 2) Develop a DX model for specialty pharmaceuticals

New Business Model to Be Developed



Uses for financing

Goals

Early development and introduction of a business model for specialty pharmaceuticals

- Employment of human resources to engage in scientific communication with data scientists and medical specialists
- Expansion of databases (medical treatment-related data, etc.)
- Development of a doctor engagement platform

Expand new
service areas



Secure talented
human
resources

Uses for funds

Strengthen data science

Amount: 1,500 million yen*

Establish a sustainable system

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

Develop a DX model for specialty pharmaceuticals

Amount: 4,830 million yen*

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

*Amounts calculated based on the initial exercise price.

Outline of Stock Acquisition Rights

2021 First Series Stock Acquisition Rights (with exercise price amendment clause and suspension designation clause) Planned allottee: Mizuho Securities

Total amount of funds raised		Approx. 6.3 billion yen	
No. of stock acquisition rights		10,000 units (100 shares per stock acquisition right)	
No. of potential shares / dilution rate		No. of potential shares: 1,000,000 / Dilution rate (vs. total no. of voting rights): 9.6% (Total no. of voting rights as of the six months ended June 30, 2021: 104,487 units)	
Exercisable period		2 years (September 6, 2021 to September 5, 2023)	
Exercise price	Initial	6,321 yen*	<small>*The higher of either 6,321 yen, which is 92% of the closing price on the trading day immediately preceding the issuance resolution date (August 12, 2021), or 92% of the closing price on the trading day immediately preceding the date that the conditions are determined (August 18, 2021)</small>
	Upper/lower limits	Upper: none Lower: 4,809 yen*	<small>*The higher of either 4,809 yen, which is 70% of closing price on the trading day immediately preceding the issuance resolution date, or 60% of the closing price on the trading day immediately preceding the date that the conditions are determined</small>
	Amendment clause	92% of the closing price on the trading day immediately preceding the exercise request date (but not below the lower limit of the exercise price)	
Suspension designation clause		CareNet may designate a period during which the planned allottee is not permitted to exercise stock acquisition rights	
Clause for optional acquisition by CareNet		CareNet may acquire the remaining stock acquisition rights at 100% of the issue price by providing prior notice at least 2 weeks in advance	

Securing funds for further corporate growth while providing the utmost consideration for the interests of existing shareholders

1 Limiting dilution by fixing the number of potential shares generated by the establishment of the stock acquisition rights

- The number of potential shares is fixed at 1,000,000 shares regardless of stock price movements,* limiting the dilution rate to 9.6%.

2 Raising funds while considering the impact on stock prices and dilution

- Dilution is controlled during stock price slumps through the establishment of a lower limit for exercise prices.
- CareNet can control the timing and speed of dilution at its own discretion to a certain extent by utilizing the suspension designation clause.
- Mizuho Securities, the planned allottee, will make every effort to exercise the stock acquisition rights in good faith with a complete understanding of the purpose for their issuance.

3 Ensuring flexible capital policy

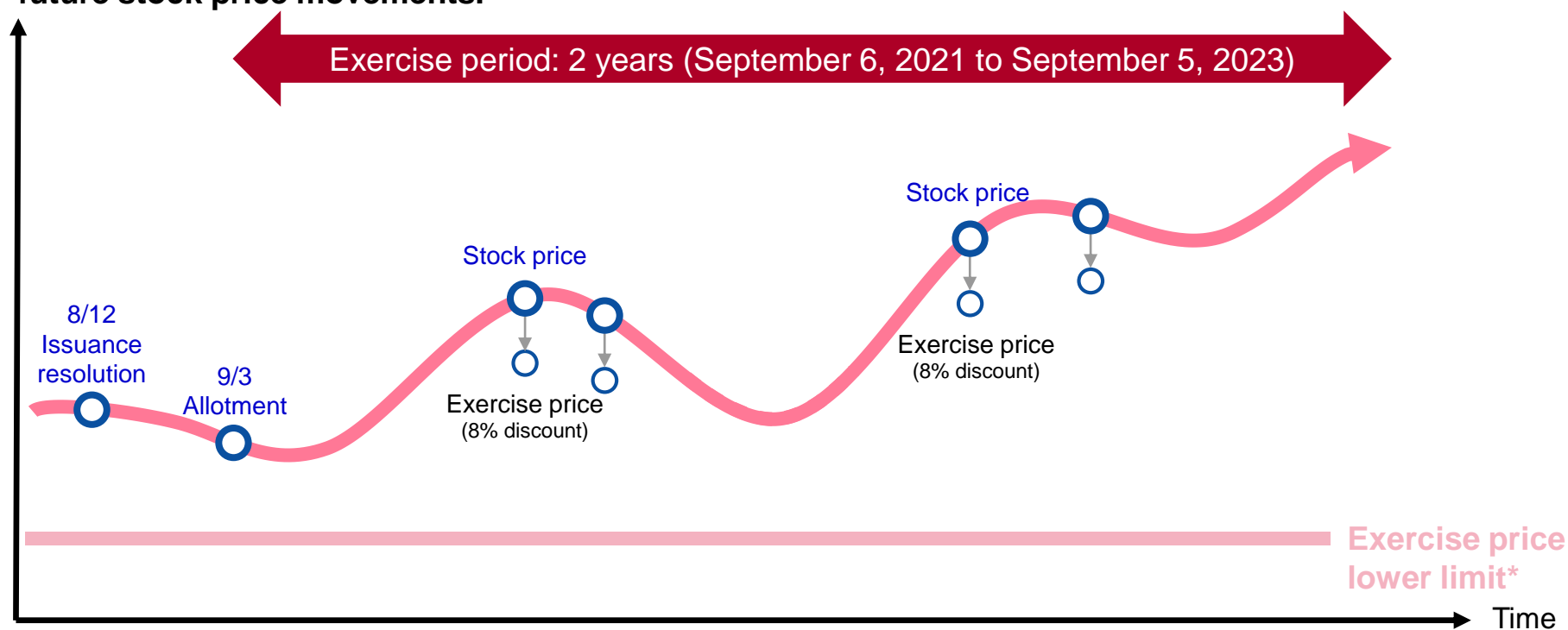
- If the stock acquisition rights become unnecessary as a result of a change in CareNet's capital policy, the remaining stock acquisition rights may be acquired or cancelled at the discretion of CareNet.

* CareNet plans to implement a stock split in which the common stock of CareNet will be split at a ratio of four shares to one share with the effective date of October 1, 2021, and the number of shares to be delivered per stock acquisition right will be adjusted as a result of this stock split in accordance with the split rate. However, the dilution rate will remain unchanged.

Structure of Funding with Stock Acquisition Rights

Raising funds while considering the impact on stock prices and dilution

- The exercise price will be amended to an amount equal to 92% of the closing price on the trading day immediately preceding the exercise request date.
- The exercise price will not be amended to fall below the lower limit of the exercise price.
- CareNet may, at its own discretion, designate a period during which the planned allottee is not permitted to exercise stock acquisition rights.
- There is a possibility that CareNet may not be able to raise the initially estimated amount depending on future stock price movements.



* Exercise price lower limit: The higher of either ● yen, which is 70% of closing price on the trading day immediately preceding the issuance resolution date, or 60% of the closing price on the trading day immediately preceding the date that the conditions are determined (conditions to be determined on August 18 or 19, 2021).

* The above is an illustration designed to provide an example of the structure for the stock acquisition rights and does not guarantee that CareNet's stock price will perform as depicted above.