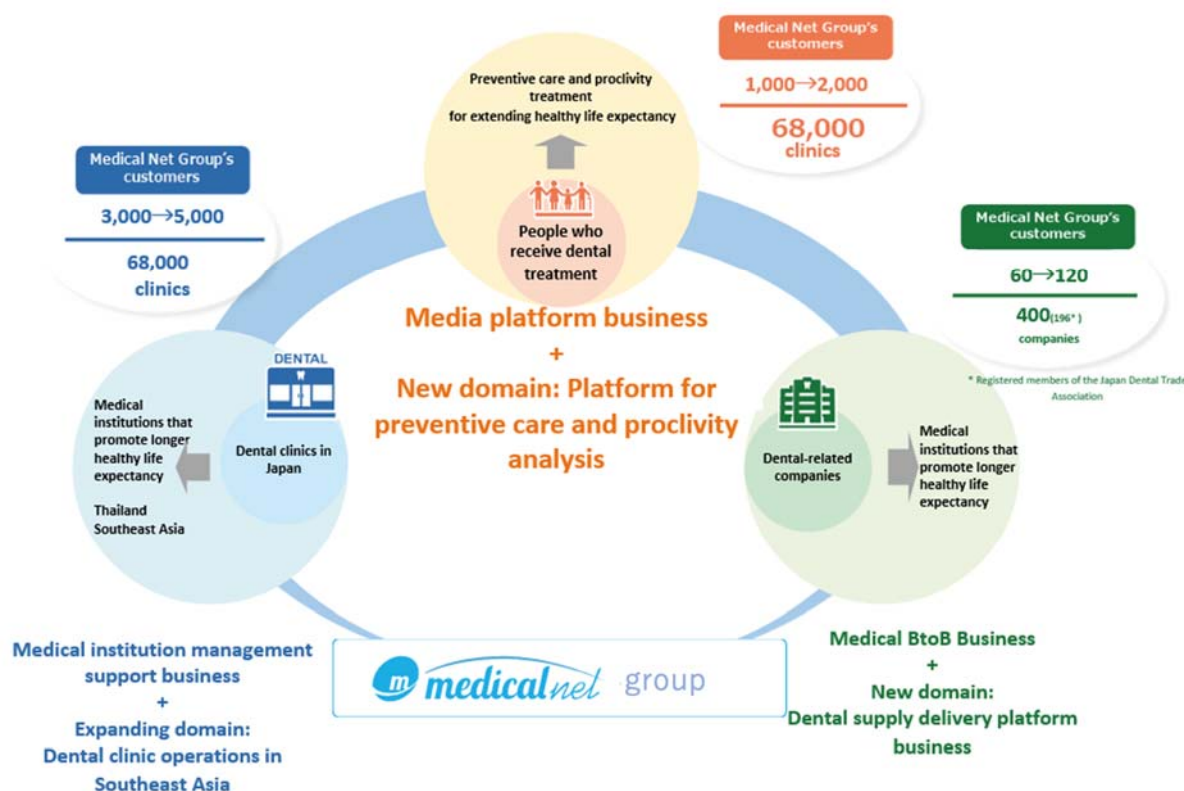


Medical Net, Inc.

Report on the medium-term shareholder value outlook

Moving on to a next-growth stage, with the aim of becoming No. 1 in the platform business of extending healthy life expectancy, starting with oral care



FY5/2025 targets:

¥10 billion in revenues and 10% operating profit margin

Issued on November 16, 2020

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I. Medium-term outlook for shareholder value

Mission: Use the internet to improve the quality of life and health of people and make them smile

Medical Net, Inc. was founded in 2000, and the Medical Net Group that has been established around it has as its mission “**use of the internet to improve the quality of life and health of people and make them smile**” and the objective of realizing a vision “**to provide innovative services to the public and medical facility operators to become the top company in Japan in the dental care platform business and the specialized-domain platform business.**” By providing services that enable people to select better medical treatment by acting on their own initiative, and for institutions and companies to enjoy sustainable growth by providing the treatment desired by the people, the Medical Net Group aims at developing its business and to support health and well-being of people at any or all stages of their entire life.

Three types of capability¹ that enable realization of the Company's mission and objective (vision)

In order to achieve its mission and objective (vision), the Medical Net Group has expanded its unique platform that can connect people with medical facility operators and related companies. By being designed for use by the dental industry and other beauty care, health, lifestyle domains in Japan, the platform is contributing to raising the social values of domains by 1) making dental care and other specialized domains to be better understood and known; 2) reducing the information gap between patients and clinics; and 3) revitalizing the dental care industry. The Group has thus established itself as the No. 1 position in the dental care platform business. Medical Net has emphasized three types of capability in promoting its business. **They are I) Capability to explore underdeveloped online domains; II) Capability to pursue specialization; and III) Capability to expand newly industrialized domains.**

Three types of capability that propelled Medical Net to becoming the No. 1 oral care platformer

Three types of capability	Social values that the Medical Net Group helps create	
I Capability to explore underdeveloped online domains	→ Industrialize the internet marketing of private practice dental clinics	→ Creation of platforms for both the dental care information and the dental clinic information, and offering appropriate pricing for For each customer attribute
II Capability to pursue specialization	→ Expand the information sites on oral health, for greater use by dental clinics and people	→ 1. Make dental care and other domains to be better known and understood 2. Plug three information gap between patients and hospitals 3. Revitalize the dental industry
III Capability to expand the industrialized domains	→ Assist operations of dental clinics and related companies in their function as an information media hub	→ Facilitate patients' choice of better dental clinics and expand the dental care industry. Contribute to enhancing sustainability.

Towards the No. 1 position in the dental care platform business in Japan Enhancement of long-term shareholder value

Unique development of untapped businesses; advanced information power for differentiation; revenue growth from peripheral domains

Sustainable growth with little competition; added value; expansion in business scope and scale to increase revenue opportunities and improve business stability

With Capability I, Medical Net explores underdeveloped domains in the broad field of supporting people's health and growth by the use of the internet, realizing unique business operations with little competition. With Capability II, Medical Net earns trust of the customer segment consisting of men and women who have

¹ Capability here refers to a company's organizational capability and strength, which becomes a driver of its growth. When a company demonstrates superiority of its internal organizational strength, this can be one of its sources to raise long-term shareholder value.

professional, advanced knowledge of health and medical treatment and thereby adds more value to the business conducted. With Capability III, the Company explores adjacent domains of the industrialized business and pursues growth in revenue, scale, and scope of business.

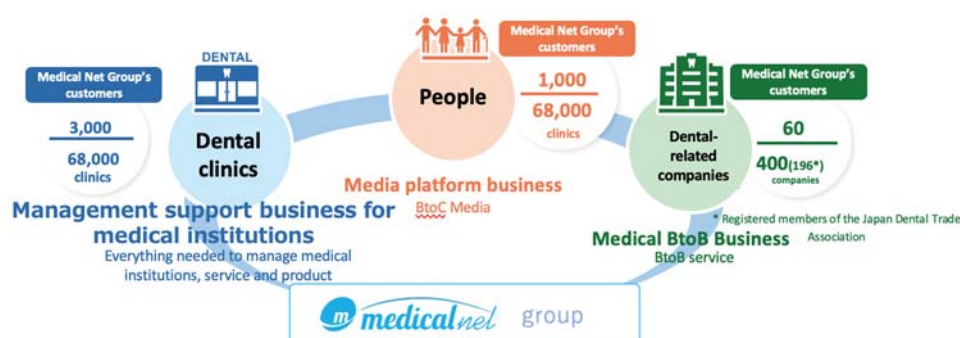
At present: No. 1 in the dental care platform business while making upfront investment for expansion of business domains

During the growth made since its foundation, the Medical Net Group used Capability I and II and established the media platform business of developing portal sites, which are mainly for its own media, so as to provide specialized information on dental care to the public. Since 2006 the Group has used Capability III in expanding management support business for dental clinics and the medical BtoB business that connects dental care professionals with dental-related companies. As a result, the Medical Net Group has established itself in the No. 1 position in the dental care platform business in Japan by doing business with about 3,000 dental clinics and 60 dental-related companies and by having 10,000 clinics participating in the free membership system of its portal sites as well as 40,000 dental care-related people in the dental media as its members (all this as of May 31, 2020).

The media platform business generated ¥800 million in revenues and ¥530 million in segment profit in FY5/2020 (fiscal year ended May 2020), securing high profitability. By contrast, the medical institution management support business and the medical BtoB business are still in the investment stage, striving to achieve long-term expansion.

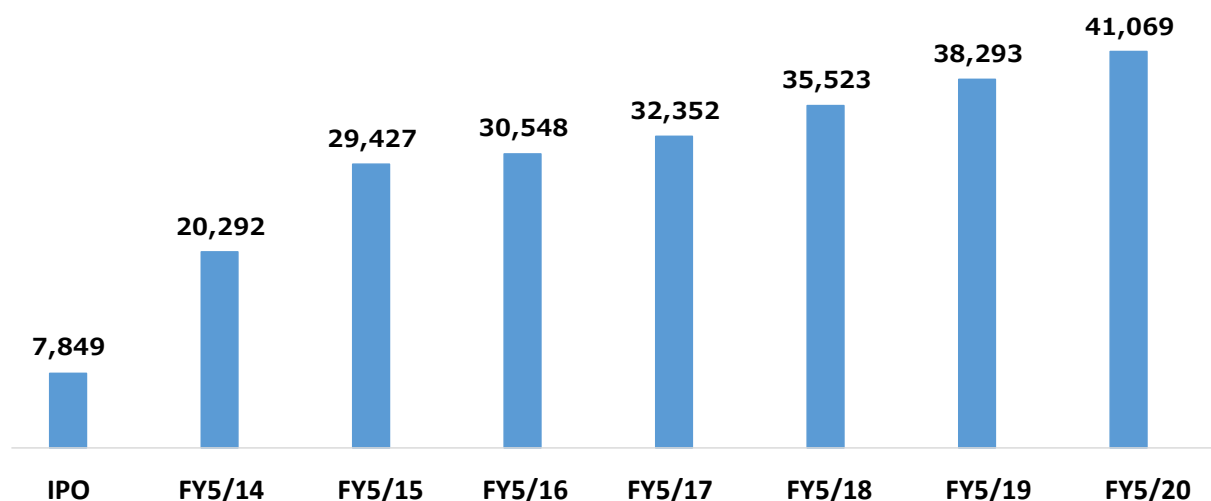
The Medical Net Group's business activities in FY5/2020

Business segment	Revenues (top) Segment profit (bottom) (¥ million)	Business activities	
Media platform business	804.2 535.8	Business	Development and operation of 61 sites specialized in the dental, beauty care and esthetic, and other domains, such as the Implant Net
		Customers	Approx. 1,000 clinics, mostly dental clinics. 10,000 clinics, almost all using free membership benefits
Management support business for medical institutions	2,058.1 8.1	Business	To dental clinics, 1) Provision of SEO service and ad agency service; 2) website production; 3) sale of other companies' web products and other ad media; 4) support for startup and management; 5) sale of dental equipment, materials, and medicines by a consolidated subsidiary, Okamura; 6) operation of a dental clinic by a consolidated subsidiary in Thailand
		Customers	Approx. 3,000 clinics, mostly dental clinics.
Medical BtoB business	51.7 -21.5	Business	Operation of a BtoB portal site that connects dental professionals and dental-related companies. Approx. 30,000 dental professionals are members. Provides research on dental-related companies, manages conventions, and gives advertising solutions.
		Customers	60 customers, mostly of dental-related companies
Consolidated	Total revenues ¥2,917 million; total segment profit ¥522 million Head office expenses, etc. ¥419 million; operating profit ¥106 million		



The number of members, including those who received any service of the Medical Net Group for free, is shown in the graph below, starting from FY5/2014, when Medical Net was listed. Currently, the Group's membership exceeds 40,000. Paid members who contribute to revenues, however, are only 1,000 in the media platform business and 3,000 in the management support business for medical institutions, leaving significant room to grow in terms of paid memberships.

■ Overwhelming number of members



Record-high revenues of ¥2,917 million in FY5/2020

The Medical Net Group posted a record-high revenue of ¥2.9 billion – up 30.5% y-o-y – in FY5/2020 partly due to acquisition of a dental equipment sales company Okamura Co., Ltd. Profitability, however, is a challenge with a 39.6% decline in operating profit to ¥0.1 billion, mainly due to two factors: a negative impact from Google's algorithm change, which caused a decline in attracting customer on the portal sites, and upfront investment in the business that is related to general maintenance of health and specific preventive care and proclivity treatment² for domain expansion.

Moving on to the next growth stage, with the aim of becoming No. 1 in the platform business of “extending healthy life expectancy,” starting from oral care

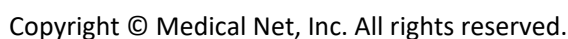
The Medical Net Group intends to expand to encompass more domains and evolve into a next growth stage. In so evolving, the Group will have the aim of rising from the “No. 1 in the dental care platform business” to becoming “No. 1 in the platform business of extending healthy life expectancy, starting from oral care.” The Group will also strive to improve the profitability of the medical institution management support business and the medical BtoB business and aim to achieve ¥10 billion in revenues and 10% operating margin in FY5/2025. To this end, the Group plans to realize three measures: 1) enhancement of the No. 1 position in the dental care platform business; 2) development of a platform business in new domains; and 3) expansion in Southeast Asia through an overseas IPO of the dental care subsidiary.

The first measure includes expanding its own customer-collecting method, which does not depend on Google's algorithm, solicit 40,000 dental care-related free members to acquire paid membership, and grow revenue per member. The second measure specifically refers to developing a platform business for a new domain of preventive care and proclivity treatment. This business will be centered around a DNA testing

² “Proclivity treatment” means to find abnormality or a status of light symptoms at an earlier stage and to prevent becoming sick. This is an important concept in extending healthy life expectancy.

What was achieved by FY5/2020 and is to be achieved by FY5/2025, and segment details

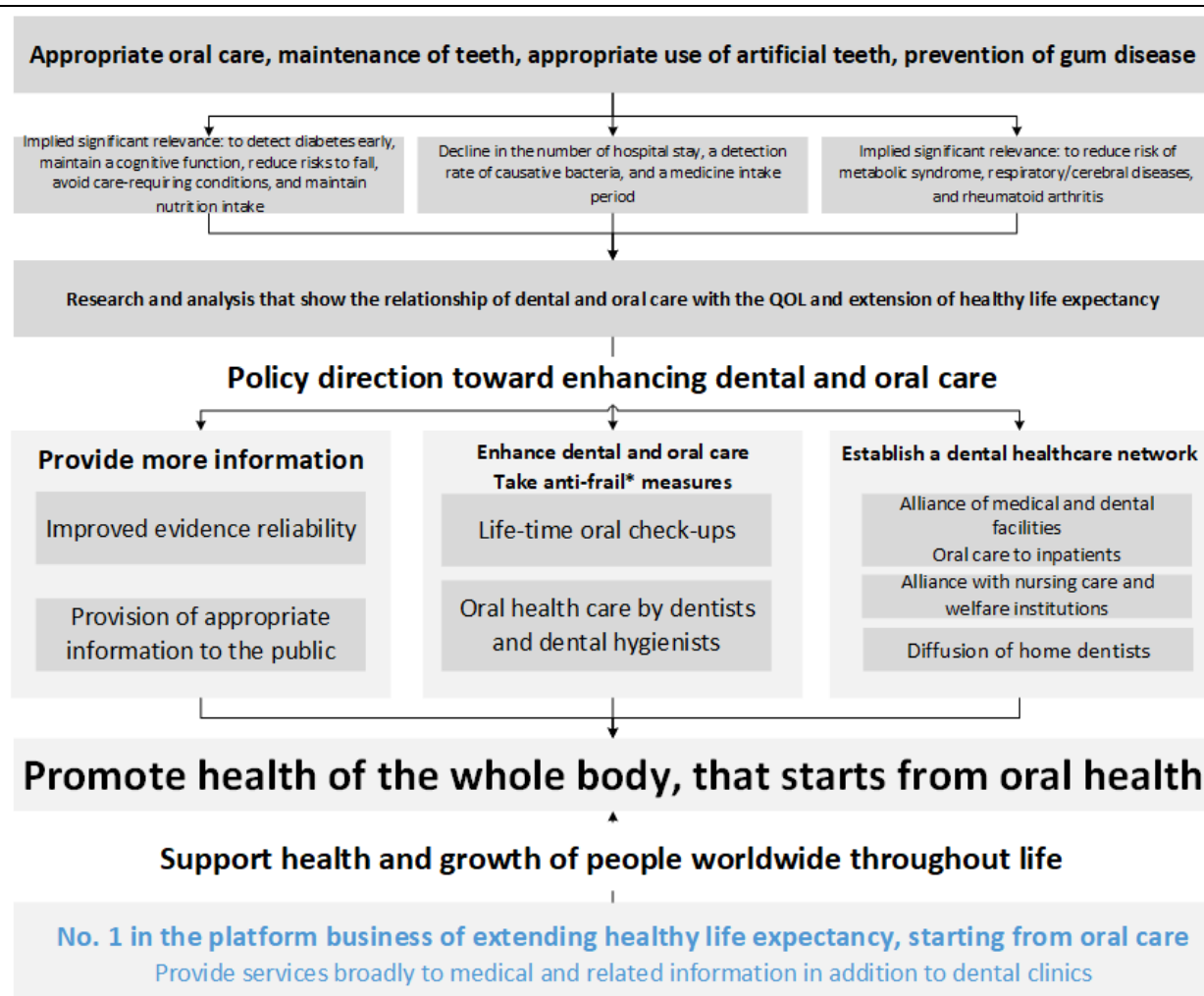
Three measures, existing segments, and new segments			Number of customers	Customer unit	Segment revenue ¥ thousand	Consolidated revenue ¥ million	Operating margin ¥ thousand
FY5/2020 (plan)	①	Media platform business	1,000	Clinics	804,264	2,917	3.6%
	①	Medical institution management support business	3,000	Clinics	1,991,221		
	①	Medical BtoB business	60	Companies	51,783		
	—	Other	—	—	3,656		
	③	Dental clinic business in Thailand (Medical institution management support business)	1	Stores	66,941		
FY5/2025 (target)	①	Media platform business	2,000	Clinics	2,000,000	10,000	10.0%
	①	Medical institution management support business	5,000	Clinics	4,250,000		
	①	Medical BtoB business	120	Companies	144,000		
	②	New: Dental supply delivery platform business	60	Companies	3,000,000		
	②	New: Platform for preventive care and proclivity analysis	1,800	Inspections	720,000		
	—	Other	—	—	4,000		
	③	Dental clinic business in Thailand (Medical institution management support business)	6	Stores	36,000		



Background and purpose of the vision

Dental care is expected to dramatically shift from treating cavities to preventive dental care and from a focus on teeth to a broader focus on preventive care of the entire body. That is why the Medical Net Group aims to become No. 1 in the platform business of extending healthy life expectancy, starting from oral care. Research advances in the past 20 years have been made on the relationship of dental care and oral health with healthy life expectancy, and the Japan Dental Association and the Ministry of Health, Labour and Welfare have released statistically meaningful research results showing that care of oral functions helped reduce risks of illness and, in time of illness, the duration of hospital stays, detection rate of causative bacterium, and the length of time for taking medicine, as well as helping improve QOL (see reference materials at the end of the report). Responding to such advances, the Japanese Government in its “Basic Policy on Economic and Fiscal Management and Reform 2019” advocated an enhanced dental and oral health policy, including provision of appropriate information to people and life-long dental checkups, and creation of a framework to provide dental health services. Those moves and the significance of the Medical Net Group’s new aim are summarized below.

Moves to promote dental and oral health, and the background and purpose of the vision for FY5/2025



*frail : A state of mental and physical deterioration due to aging

(Source) Prepared from “The current evidence of dental care and oral health for achieving healthy longevity in an aging society 2015” by the Japan Dental Association; “Basic Policy on Economic and Fiscal Management and Reform 2019” by the Japanese Government; and “The recent trend on dental oral health; February 7, 2020” by the Ministry of Health, Welfare and Labour

Long-term outlook in shareholder value

COVID-19 impact: short-term negative but longer-term positive

The novel coronavirus infection (COVID-19) had a short-term negative impact on the Medical Net Group via a decline in users of its esthetic sites, resulting from widespread compliance with the government's "stay home" self-restraint request. These sites, however, represent less than 3.5% of the media platform business revenues and 2.3% of profit. Moves to restrain non-essential, non-urgent dental care are also likely to depress use of services offered by the Medical Net Group in the short term. In the longer term, however, demand is expected to increase, as better understanding of the value of having a good oral environment results in reducing risk of infection and its spread. Good oral hygiene with less bacteria also helps prevent aspiration pneumonia³ and viral diseases. Moreover, the Medical Net Group may potentially expand sales of various kinds of equipment for prevention of a nosocomial virus infection. As an example, the Medical Net Group decided to expand sale of "overall antibacterial coating" for dental clinics in cooperation with another company in March 2020. Judging from the above factors, COVID-19 is expected to end up having a net positive impact to the Group's shareholder value from the long-term perspective (up to FY5/2025 as foreseen at this time).

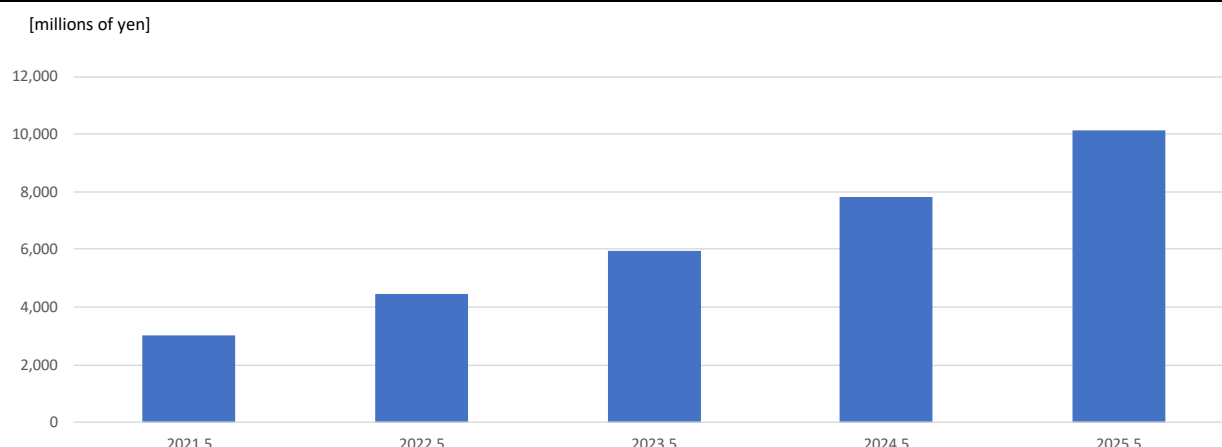
COVID-19 impacts on the Medical Net Group's business

Negative impacts	Positive impacts
Short-term, use of the Medical Net Group's service has declined due to the government's self-restraint request, with a decline in users of its esthetic sites, which, however, represent less than 3.5% of the media platform business revenues and 2.3% of its profit.	<ol style="list-style-type: none"> (1) An increase in demand as a good oral environment leads to reduce risk of virus infection. (2) Sale of various preventive equipment against nosocomial infection of virus to dental clinics

Long-term impact to shareholder value is expected to be neutral.

Based on the Medical Net Group's vision for FY5/2025 and other factors, its long-term overviews of sales are shown below in the figure.

Long-term overviews of sales



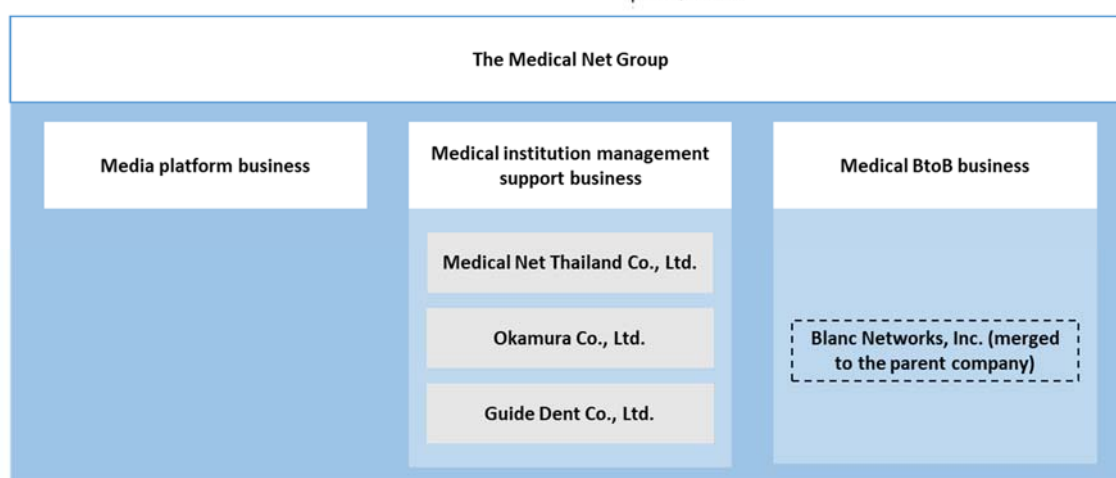
³ Aspiration pneumonia is caused by the entry of bacteria in the mouth into the lungs. The elderly or bedridden patients of neural and other diseases who have poor oral hygiene may have more bacteria developed in the mouth. These people also tend to have weaker cough reflex and the resultant weaker dysphagia. Artificial respirators are needed for treatment of aspiration pneumonia but these devices may be short in supply due to the COVID-19 pandemic. If the COVID-19 risks may remain, dental care needs to prevent aspiration pneumonia are expected to increase.

II. Corporate summary and characteristics of business

Corporate summary

Corporate data

Company name :	Medical Net, Inc. (Listed in the TSE Mothers Market.3645)	Presidents :	President and Representative Director CEO, Dai Hirakawa Chairman and Executive Director, Yuji Hirakawa
Ticker symbol :	3645	Executives :	6 Directors, 3 Auditors
Business activities :	Providing dental and life related services that use the internet Particularly in the dental care field, providing dental information services for people, information services for dental care professionals, management and support of Medical institution and support for marketing of dental related companies	Number of employees :	Consolidated 113 (as of March 31, 2020)
Location :	(Head Office) On the 3 rd floor of Takara Building, 1-34-14 Htagaya, Shibuyaku, Tokyo	Listed day :	December 21, 2010
		Consolidated subsidiaries :	Medical Net Thailand Co., Ltd. (Medical institution management support business), Okamura Co., Ltd. (Sale of dental equipment, materials, and medicines)
		Affiliated companies :	Guide Dent Co., Ltd. (Dental care surety business)



History

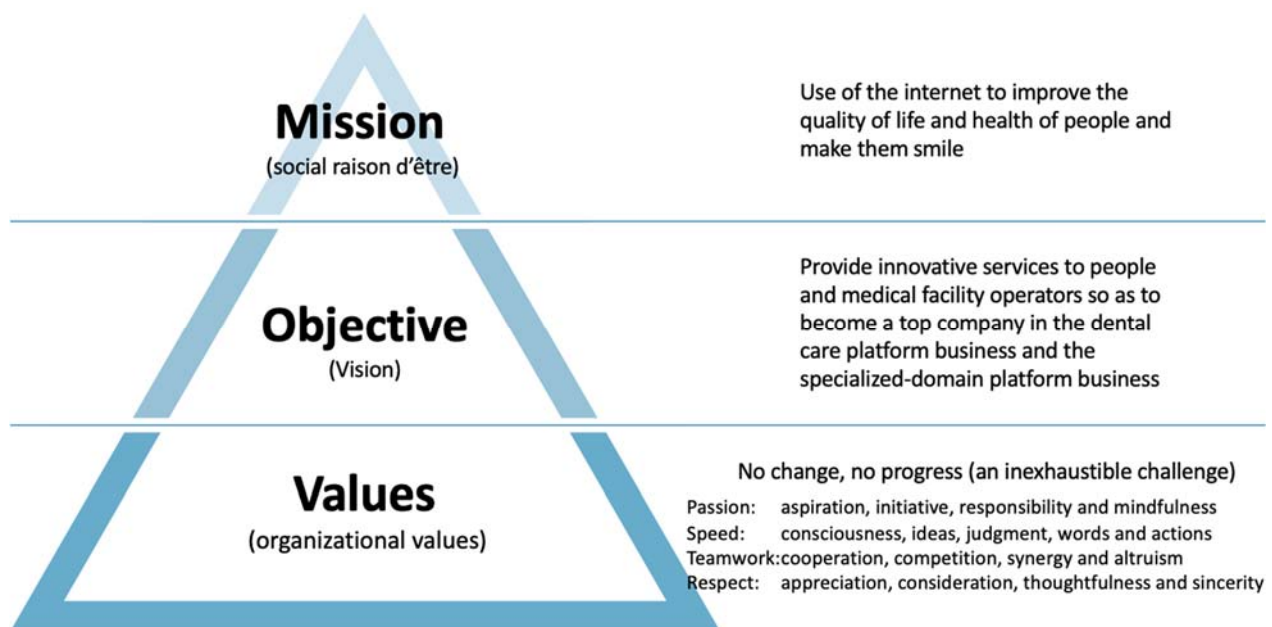
Year	Month	
2000	Apr.	Japan Internet Media Center was established and began a portal site operation business and a website production business.
	Sep.	A portal site, "Implant Net", was launched.
2001	June	Japan Medical Net Communications, Inc. was established.
2006	Oct.	Services of web marketing and medical institution management support began.
2010	Dec.	Listed in the TSE Mothers Market.
2011	Aug.	A subsidiary, GuideDent Co., Ltd., was established in Shibuya-ku, Tokyo.
2012	Nov.	Blanc Networks, Inc became a consolidated subsidiary, engaged in the medical BtoB business.
2016	Dec.	A corporate name change to Medical Net, Inc.
2017	May	Entered into a business alliance with Dental Tribune International (Germany).
	Sep.	Success Sound Co., Ltd. (present Medical Net Thailand Co., Ltd.) became a consolidated subsidiary and began operating a dental clinic in Bangkok.
2018	June	Entered into a capital and business alliance with MiRTeL Co., Ltd.
	Nov.	Okamura Co., Ltd. became a consolidated subsidiary, engaged in wholesale business of dental equipment, materials, and medicines.
2019	Mar.	Began provision of the "Shikigaku Training - Dental Clinic Edition," jointly with Shikigaku Co., Ltd.
	May	Entered into a capital and business alliance with Biolux Research Holdings, Inc., which manufactures and sells Ortho Pulse®, that shortens the orthodontic treatment period and improves the efficiency of treatment.
2020	Feb.	Absorbed and merged Blanc Networks, Inc.

Corporate philosophy

The corporate philosophy, which is a backbone of the direction taken by management, is stated below in detail.

Vision, mission, values, and their significance to shareholders

Medical Net Group's mission, objective (vision), and values



Mission (social raison d'être): Use of the internet to improve the quality of life and health of people and make them smile

From the time it was founded in 2001, the Medical Net Group has made numerous innovations and has taken on numerous challenges in the combined medical care and IT-and-internet field, with the aim of creating new value and contributing to society. Particularly in the dental care field, the Group has strived to resolve challenges related to all kinds of demand in dental care, in addition to providing services that use the internet, with the ultimate aim of helping realize a better dental care environment. The Group is now moving beyond dental care and is promoting the broad supply of useful information, related not only to dental care but also medical and beauty care, lifestyle, and child-raising support.

Objective (vision): "Provide innovative services to people and medical facility operators, and become the top company in Japan and abroad in the dental care platform business and the specialized-domain platform business"

Looking 5 or 10 years ahead, the Medical Net Group is committed to continuously providing innovative services to the general population and medical operators, and to strive to raise added value of its services.

Values (organizational values): No change, no progress; Passion; Speed; Teamwork; and Respect

The Medical Net Group's values comprise of the above five concepts, including "No change, no progress", which is meant to express an acceptance of a challenge like the quest for the Holy Grail. Passion refers to aspiration, initiative, responsibility, and mindfulness, while Speed puts emphasis on consciousness, ideas, judgment, words, and actions. Teamwork incorporates concepts of cooperation, competition, synergy, and altruism. Respect also describes appreciation, thoughtfulness, and sincerity. These concepts or values are adopted in pursuit of growing business opportunities and enhancing efficiency.

Japan's No. 1 in the dental care platform business

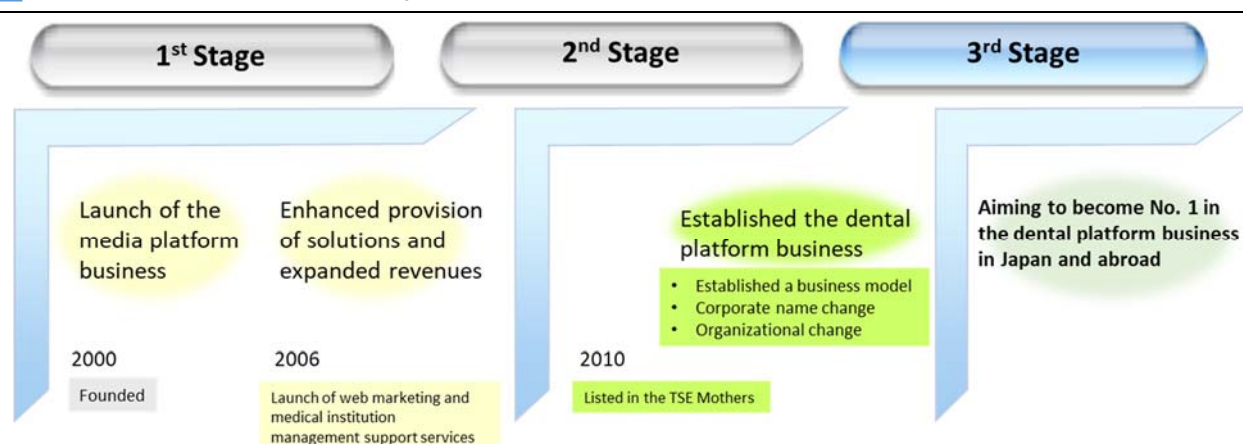
In 2000 the Medical Net Group was created with awareness of the information gap between hospitals and patients and a wish to fill in that gap by using IT. The original target was general healthcare but the focus was then shifted to dental care, in view of the prospect for strong needs of prospective patients who wish to proactively look for a dentist (the Company's 1st stage).

In the dental field, dental implants and orthodontic care require special skills of dentists and such treatment is not covered by health insurance in Japan, making prospective patients eager to find an outstanding clinic.

Online advertising therefore has high cost-benefit performance in this sector. Given the proliferation of online ads, Medical Net created a domain-focused platform business, with the private practice sector selected as the targets. Medical Net subsequently became No. 1 in the dental care platform business in Japan and was successfully listed in the Tokyo Stock Exchange Mothers Market in 2010 (2nd stage).

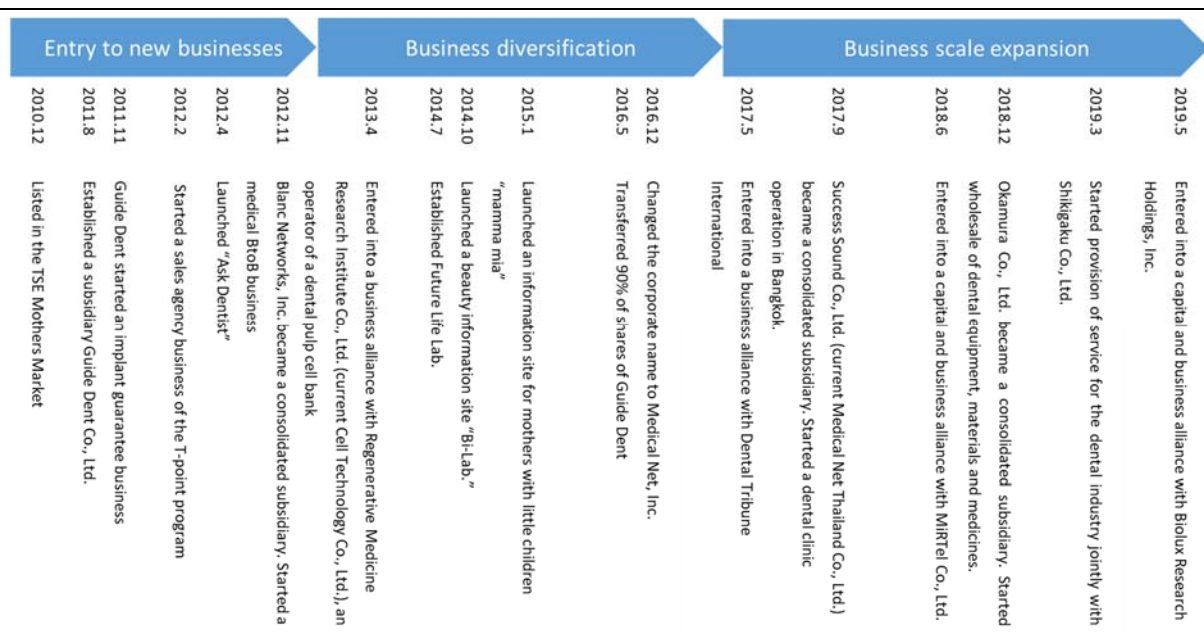
Having this infrastructure, Medical Net is now expanding in Japan and overseas, with the aim to become a top company in the global dental care platform business (3rd stage).

Medical Net's business development



Expansion of business domains from the 2nd stage onward is summarized below.

Actions taken after the IPO to become the No. 1 in the dental care platform business and expand domains



Grow beyond an upfront investment phase, and pursue long-term growth and profitability

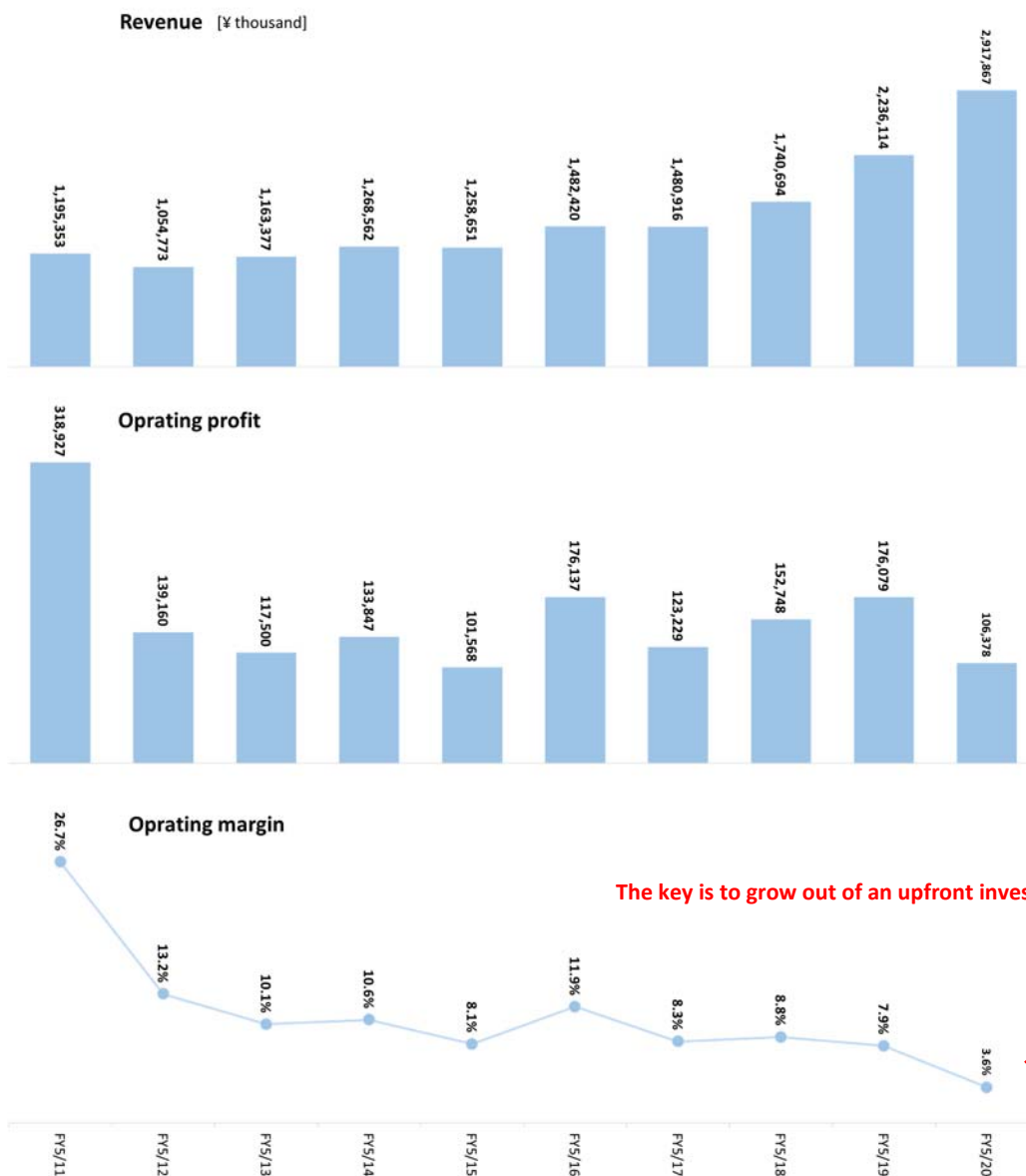
The above actions have resulted in steady revenue growth but profitability has been on a downtrend due to upfront investment. While maintaining revenue growth, Medical Net now aims at growing out of the upfront investment phase and, further, reverse the downtrend in profitability by FY5/2025.

Operating results from the IPO to FY5/2020

New businesses entry

More business diversification

Business scale expansion



Summary of major existing businesses and keys to raising shareholder value

Highly-profitable media platform business enables Medical Net to make upfront investment in other businesses

Medical Net's consolidated and by-segment revenue and profit are presented below. The media platform business generates over 60% of total profit, while the medical institution management support business and the medical BtoB business are still making a loss due to upfront investment.

Consolidated and by-segment revenue and profit [Thousand yen]

		FY5/2018	FY5/2019	FY5/2020
Revenue	Media platform business	906,513	859,016	804,264
	Medical institution management support business	692,661	1,305,835	2,058,162
	Medical BtoB business	135,939	66,953	51,783
	Segment in total	1,735,113	2,231,804	2,914,210
	Other	5,580	4,309	3,656
	Consolidated	1,740,694	2,236,114	2,917,867
Segment profit	Media platform business	550,788	560,435	535,822
	Medical institution management support business	-17,433	-9,858	8,169
	Medical BtoB business	-20,705	-29,053	-21,506
	Segment in total	512,650	521,524	522,485
	Consolidated	-379,194	-364,759	-419,763
Head office expenses, etc. (incl. adjustment)	Consolidated	-379,194	-364,759	-419,763
Operating profit	Consolidated	152,747	176,078	106,379
Segment profit margin	Media platform business	60.8%	65.2%	66.6%
	Medical institution management support business	-2.5%	-0.8%	0.4%
	Medical BtoB business	-15.2%	-43.4%	-41.5%
	Other	59.2%	100.0%	100.0%
	Total	29.6%	23.5%	18.0%
	Consolidated	-21.8%	-16.3%	-14.4%
Head office expenses, etc./Revenue	Consolidated	-21.8%	-16.3%	-14.4%
Operating margin	Consolidated	8.8%	7.9%	3.6%

Media platform business: Profit pillar with 1,000 dental clinics as customers

FY5/2020 ¥804 million in revenue; ¥535 million in profit; and 66% profit margin

Strong advertising effects are the reason for high profitability to be maintained

Since its foundation in 2000, the Medical Net Group has been operating online media centered around dental care, with its main profit source in advertising fees from clinics registered as paid members. This business represents about 30% of consolidated revenue with a segment profit margin of about 66% in FY5/2020. In order to increase information volume that facilitates finding a desirable clinic, Medical Net also provides a free online service that introduces more clinics with a brief text for each. Among 68,226 dental clinics in Japan as of July 31, 2020, Medical Net captured about 10,000 clinics in its free membership program and about 1,000 clinics in its paid membership program as of May 31, 2020. Medical Net generates revenue of around ¥0.8-0.9 million from each paid member. The biggest contributing sites to revenue are the Implant Net, Orthodontist Net, and Esthetic Dentist Net – the major three fields of private dental practices. Three key factors of revenue growth are 1) an increase in free membership, 2) solicitation of upgrades from free membership to paid membership, and 3) revenue growth per member.

Major portal sites in the dental care platform business

Site name	Service content
Implant Net	Japan's first comprehensive site specialized in implant treatment
Orthodontist Net	Comprehensive site specialized in orthodontist treatment; provision of various contents by area and conditions
Esthetic Dentist Net	Comprehensive site specialized in esthetic dental treatment, i.e., whitening and ceramic treatment
Dentist Net	One of Japan's largest dental information sites that enables search of over 60,000 dentists across Japan
Ask Dentist	Dental Q&A site where dental technicians answer to dental-related questions from users
Dental job site, Denty	Job site specialized for employment opportunities of dental technicians, dental hygienists, assistants and receptionists
Life with dentures	Information site on dentures for the elderly

Three major private practice fields

Implant Net



<https://www.implant.ac/>

Orthodontist Net



<https://www.kyousei-shika.net/>

Esthetic Dentist Net



<https://www.shinbi-shika.net/>

Approx. 10,000 clinics as members

(1,000 clinics in paid membership; 9,000 clinics in free membership)

(Reference: total number of dentists in Japan: 68,226 as of July 31, 2020)

While Medical Net also operates a beauty care site, a medical information site, and other sites related to health and beauty, the dental care-related sites represent over 80% of segment revenues and over 90% of segment profit.

Achieved the No. 1 position by narrowing domains to coverage of private practices

Domains of the Medical Net Group's platforms are private practices not covered by health insurance in Japan and the private treatment tends to be expensive. Each clinic therefore has a strong desire to acquire customers by conveying its differentiating features, such as a unique treatment policy and skills to prospective patients. The patients also have strong desire to obtain information about private practices and clinics. The Medical Net Group has been thoroughly satisfying needs of both sides.

Online advertising that complies with the medical advertising regulations and is appropriate to the increase in use of internet advertising

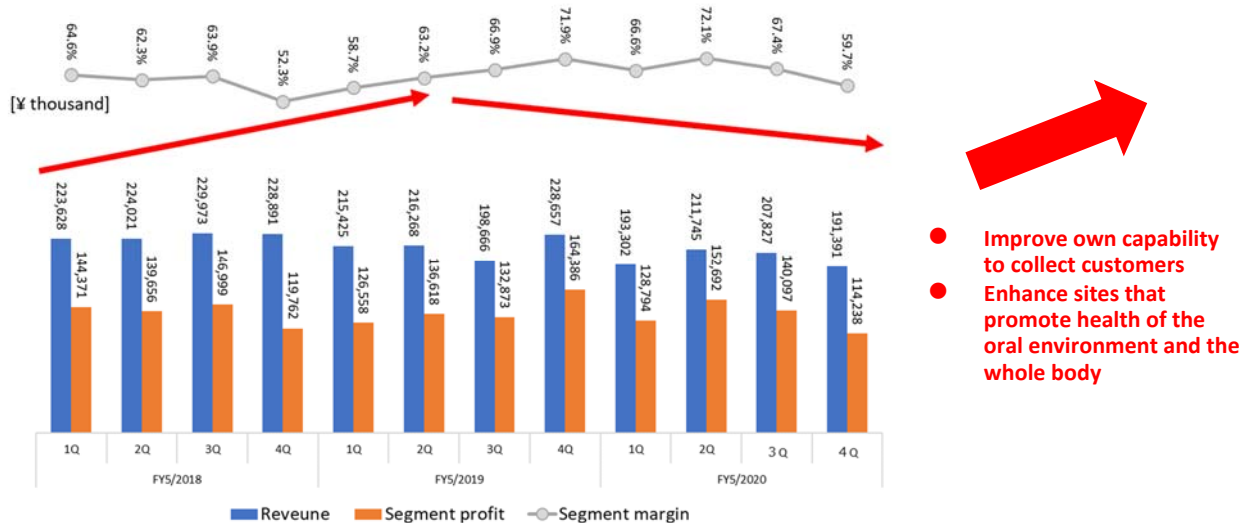
While medical regulations have been tightened⁴ according to the guidelines issued by the Minister of Health, Labour and Welfare, online advertising tends to be less strictly regulated than advertising in other media. Online advertising also has greater affinity with practices not covered by the national health system, as they are highly profitable and have a high incentive to advertise. Diffusion and greater use of the internet have also boosted demand for online advertising.

⁴ Source: "Guideline on advertisement of medical or dental practices and hospitals or clinics (Medical advertisement guideline)", Ministry of Health, Labour and Welfare, <https://www.mhlw.go.jp/file/06-Seisakujouhou-10800000-Iseikyoku/0000209841.pdf> (only in Japanese)

Current operating performance

Partly due to the impact of Google's algorithm changes, revenue of the media platform business has been on a downtrend since FY5/2019. However, the measures against the algorithm began to show some positive impacts and the number of reservations and the number of page views hit record-highs in May 2020. The Medical Net Group continues to be committed in implementing measures. It also plans to reverse the trend by enhancing collection of captive members, accomplishing this by deploying a variety of its own sites, that depend less on Google search. Specifically, as a company that contributes to promotion of health in a comprehensive manner, it plans to expand an overall site that promotes "health, medical treatment, beauty care, and dental care" with a main focus on oral care and to enhance its customer collection capability.

Media platform business: Quarterly revenue, profit, and profit margin



Toward becoming No. 1 in the platform business of extending healthy life expectancy, starting from oral care

In order to lessen the impact of Google search's algorithm changes and to collect more customers by using a greater variety of keywords for searching, it is important to increase the quality and volume of information on promotion of health. Medical Net believes that such action will enable the company to advance to being No. 1 in the platform business of extending healthy life expectancy, starting from oral care. The PET Testing Net has already been launched as a site that contributes to the Company's advance. According to the Company's own research, the PET Testing Net appears to be the top site of its kind in the number of searches. Such successful experience encouraged the Medical Net Group to launch a new information site, named "for healthcare," to promote health over a broad range, including dental and oral health, in February 2020.

Sites that provide information on promoting a broad range of health improvement

PET Testing Net

PET検査ネット がんと生活習慣病の検査サイト



No. 1 portal site in PET testing, which is getting noticed as an early detection method of cancer

<https://www.pet-net.jp/>

for healthcare



Site to provide information on factors affecting health, and hints and ways to solve problems, for people to have a healthy life

<https://forhealthcare.jp/>

Operation of sites that promote health

To help become No. 1 in the platform business of extending healthy life expectancy, starting from oral care

Management support business for medical institutions: returning into profit making, with 3,000 dental clinics as customers

FY5/2020 ¥2,058 million in revenue; ¥8 million in segment profit; and 0.4% profit margin

Business outline

This business segment is engaged in the following six operations. As this segment has been making upfront investment so as to play a role in reinforcing the media platform business, this segment has a low profit margin. Medical Net is now aiming to turn the segment into a source of profit in the current year by generating synergies with Okamura Co., Ltd. – one of top dental item dealers in the Kanto Region, which became a subsidiary in December 2018.

Six services of the management support business of medical institutions

- (1) Provision of monthly-fixed-rate or performance-based-fee SEO service and ad agency service of listing ads
- (2) Website production and maintenance (dental clinics and esthetic salons as major customers)
- (3) Sales agency (sale of other companies' web products and other ad media to customers of the Medical Net Group)
- (4) Support for startup and management (support to find an office site and install devices when opening a dental clinic; support to operate a dental clinic)
- (5) Sale of dental equipment (sales of dental equipment, materials, and medicines by a consolidated subsidiary (Okamura))
- (6) Operation of a dental clinic (by consolidated subsidiary Medical Net Thailand in Bangkok)

High growth potential in the management support business

The medical institution management support business has only about 3,000 dental clinics as customers as of February 29, 2020, but this market is large with 68,226 target clinics across Japan as of July 2020, and with about 2,000 new clinics being opened each year. As there is a strong demand for supporting a startup of a clinic, which requires about ¥30-70 million in capital for a dentist, this business has high growth potential.

Moreover, there is no major competitor in the business and Medical Net is expected to be able to raise its market share in this domain. It also expects high potential growth in assisting in a startup of a clinic by strengthening management support in tandem with a shift from the teeth cavities treatment to preventive dental care, and from dental care to overall preventive care.

Digital transformation capability

Medical Net's differentiating point in the medical institution support business is its strength in digital work such as website production and online marketing. The Company has helped rationalize the management of dental clinics by accepting their order placement of equipment by digital means instead of a telephone request, and by raising transparency of processing such orders. The Medical Net Group plans to continue using its digital transformation capability not only in website production and online marketing but also in diverse management support services, including startup support and real estate management, so as to become a comprehensive consultant in dental clinic operation. Moreover, the support system will be enhanced by use of AI as stated below.

Online contact support system with a built-in AI function

Online contact support system with a built-in AI function on the website of dental clinics will be available from January 2018

Information of about 5,000 dental clinics and knowledge from over 20,000 inquiries since 2000 will be loaded.
Nikkei Sangyo Newspaper, November 22, 2017



Nikkei Newspaper 2017/11/22



Solving dental clinics' organizational challenges

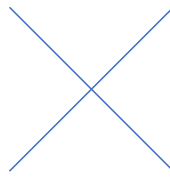
In a business alliance with Shikigaku Co., Ltd., the Medical Net Group began providing customers with the "Shikigaku Training - Dental Clinic Edition" in FY5/2019. By combining Shikigaku's organizational consulting know-how and the Medical Net Group's strength in the network of dental professionals, highly-practical consulting services can be provided. This service facilitates solving dental clinics' organizational management issues and creates an environment that enables dentists to maximally demonstrate their advanced medical skills. The services are also intended be utilized as a foothold to solve certain challenges of the dental industry, such as retention and development of staff.

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From management support to organizational management support

識学

A much talked-about organization management consulting firm. Its base theory is unique, being focused on the structure of consciousness.



Have an outstanding record of supporting over 3,000 medical institutions nationwide.

Expanded overseas for provision of management support services: A dental clinic business in Thailand

Medical Net Thailand Co., Ltd., a consolidated subsidiary, operates a dental clinic in Bangkok, mainly targeting the 100,000 Japanese living in Bangkok, one of the cities with the highest number of Japanese residents outside of Japan. There is thus a strong need for a dental clinic for Japanese in Bangkok, and prospective patients can be expected from other Southeast Asian countries. This company plans to open another dental clinic, this one for well-to-do people in Thailand, launch a dental care platform business, and ultimately get listed in the stock market. Over the long term, the Medical Net Group aspires to expand from Thailand to other Southeast Asian countries and ultimately to Africa, and to realize its mission "Use of the internet to improve the quality of life and health of people worldwide and make them smile." Medical Net also intends to be engaged in exports of Japanese dental equipment in the future.

Transborder management support service

Opened the first overseas dental clinic in September 2017

The clinic started operation in Bangkok, Thailand. Medical Net plans to open more clinics that offer Japan's advanced dental treatment overseas. In addition to expanding the market, the company intends to develop the sound dental care environment and make more people smile worldwide.

A 28-year-old employee is president of the Thai subsidiary, which increased revenue and turned into profit.



Prompt delivery technology for dental equipment

Okamura, a consolidated subsidiary and a dental dealer, is engaged in sales of dental equipment, mainly in the Tama Area of suburban Tokyo. Okamura intends to differentiate itself by digitalizing paper-based

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transaction information, using its digital transformation capability. The company's dental SKUs amount to as much as 200,000. The company can differentiate itself if items are consistently and promptly delivered and transaction data are digitized.

Using the Medical Net Group's total capability, Okamura plans to raise its market share, which is currently about 10% in its sales region, to 40-50% in the next 5-10 years. The Medical Net Group's aim is to achieve revenue of over ¥10 billion at least in the roughly ¥400 billion market of dental dealers, including the primary and secondary wholesalers, within the next 10 years. Expansion of private brands and sales areas is also in the plan.

Okamura is currently experiencing favorable sales of price-competitive private brand products, various disinfectants and preventive equipment that prevent nosocomial infection of virus.

■ **A consolidated subsidiary that becomes a driver in the medical institution management support business**

Okamura became a subsidiary of Medical Net in December 2018 With an aim of realizing a better dental care environment

Medical Net acquired all shares of Okamura and made it a subsidiary with an objective to provide all kinds of solutions surrounding dental care, in addition to provision of services that use the internet. Okamura is hoping to expand its sales of dental equipment, devices, and medicines by including the Medical Net Group's customers (dental clinics) in its customer base.

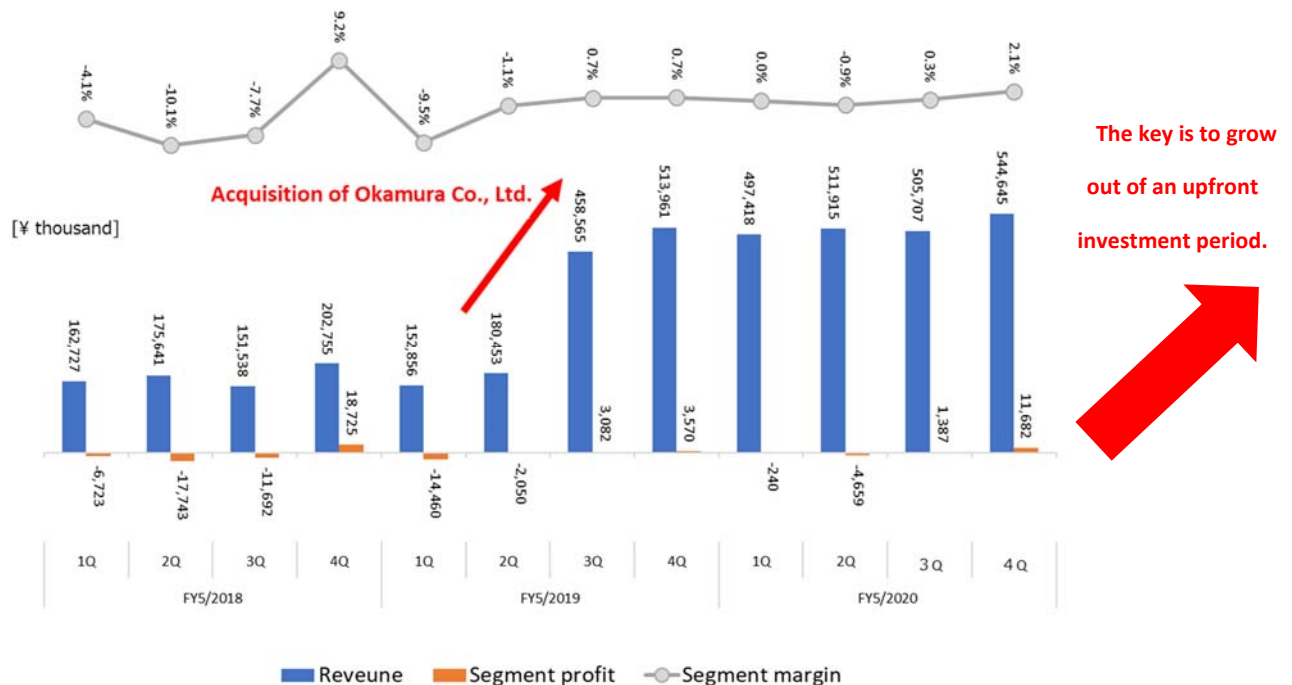
Okamura Co., Ltd.
A dental dealer headquarter in Fussa,
Tokyo
Engaged in sale of dental equipment,
devices, and medicines



Current operating performance

Thanks to the acquisition of Okamura and to synergies, this business more than doubled quarterly revenues and became profit-making on a quarterly basis. The current target is to make profit on a full-year basis.

Medical institution management support business: Quarterly revenue, profit, and profit margin



Medical BtoB business: 60 dental care-related companies are customers

FY5/2020 ¥51 million in revenue; ¥21 million in segment loss

Media management that connects dentists with dental-related manufacturers

The Medical Net Group operates a BtoB portal site that connects dental clinic dentists with dental professionals and related companies, in particular dental drug and equipment manufacturers. Using the membership of the site as a base, Medical Net provides services, such as to do research on dental-related companies, receive orders for operating a convention, and to give advertising advice.

Operations of the two major media, covering both domestic and global markets

This business segment provides two media – Dentwave.com and Dental Tribune Japan edition. Dentwave.com is an information portal site of Japanese dental clinics with approximately 32,160 dental professionals as of May 2020. While Dental Tribune is the world's largest publication of its kind, specializing in a range of information supply service in the dental field, and reaches over 650,000 dentists worldwide, Dental Tribune Japan edition has been published since 2017 with a print run of 20,000 copies as of May 2020. The Medical BtoB business has three major revenue sources: ad revenue from drug and equipment makers seeking to sell to dental professionals; research service for members, such as conducting surveys; and convention planning service. Medical Net plans to strengthen site information, which should mean to put stronger efforts in promoting overall health. This is expected to contribute to advancing the Group to become No. 1 in the platform business of extending healthy life expectancy, starting from oral care.

Operations of the two major media, covering both domestic and global markets

Dental Tribune



As of May 2020
Paper media: 20,000 copies

Dentwave.com



As of May 2020
32,160 members

Operation of sites that promote health

To help become No. 1 in the platform business of extending healthy life expectancy, starting from oral care

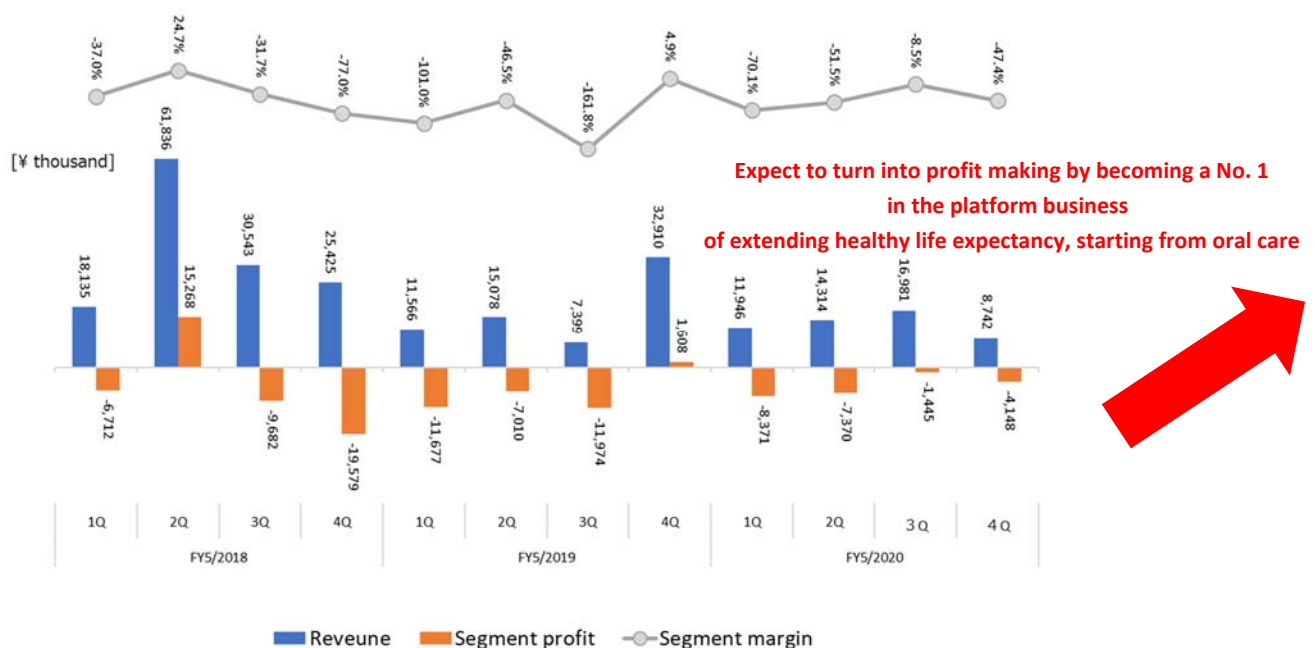
Advantage in the dental care ad industry

This business segment is currently making a loss, which, however, is regarded as tolerable, as it represents upfront investment for capturing more business partners. Challenges going forward are to gain more credibility by raising the precision of articles, while digitalizing more paper-based dental clinic ads; and to acquire more research projects, which will be a promising profit source with a high unit price and an 80% gross margin.

Current operating performance

Having these media has been effective in raising the credibility and profile of Medical Net. While this business segment alone remains in a upfront investment phase, it allows the Group to release relevant information, make its activities better known to more dental professionals, and at the same time assist marketing of a broader range of companies. This will ultimately contribute to Medical Net becoming a No. 1 in the platform business of extending healthy life expectancy, starting from oral care. The Group seeks to make profit growth by utilizing its media with over 32,000 dental professionals and 5,000 dental clinics as readers and by supporting marketing of diverse dental drug and equipment manufacturers, targeting dental-related companies. The segment business has been operated by Medical Net from February 2020, when it absorbed and merged a consolidated subsidiary Blanc Networks, Inc – the previous operator of the business.

■ Medical BtoB business: Quarterly revenue, profit, and profit margin



III. Growth drivers of shareholder value

Vision, and target expansion of the three types of capability

The Medical Net Group will expand target domains of its three types of capability in order to promote the following three measures up to FY5/2025: 1) enhancement of the No. 1 position in the dental care platform business; 2) development of a platform business of new domains; and 3) expansion in Southeast Asia starting with an overseas IPO of the Thai subsidiary, as summarized below. The Group target is to industrialize a “platform business for preventive care and proclivity treatment” as a new domain and to promote the operation of dental clinics in Southeast Asia, and expand the domain. These measures are expected to enable business expansion to reach a broader range of dental clinics, compared to the previous focus on private practice dental clinics. It will thus be a pursuit of evolutionary revenue growth, based on Medical Net’s membership of over 40,000 dental professionals, including those having free membership, apart from the past growth.

Target expansion of the three types of capability and the three measures

Three types of capability	Ongoing targets	Potential growth targets
I. Capability to explore underdeveloped online domains	To industrialize online marketing of private practice dental clinics	“Platform business for preventive care and proclivity treatment”
II. Capability to pursue specialty	To strengthen information sites available to both dental clinics and people concerning oral health	To expand information sites concerning promotion of healthy life, that starts from oral care
III. Capability to expand the industrialized domains	To connect dental clinics with dental related companies, centered around information media, and support the companies by providing advertising solutions	Operation of dental clinics in Southeast Asia
Revenue sources in terms of customers and regions	Mainly private practitioners, among dental clinics Dental-related companies Japan	Dental clinics ex. private practitioners General medical institutions and related companies Southeast Asia

No. 1 in the platform business of extending healthy life expectancy, starting from oral care

1) Enhancement of the No. 1 position in the dental care platform business; 2) development of a platform business of a new domain; and 3) expansion in Southeast Asia with an overseas IPO of the dental care business

Revenues of ¥10,000 million; operating margin of 10%

Three key points in realizing the vision

(1) Source to maintain competitiveness: Dental clinics' characteristics that create an entry barrier to others

The Medical Net Group's major customers are dental clinics, which are mostly run by a dentist as both a sole proprietor and the person with authority, unlike hospitals which have a dedicated person with authority in an executive office or a medical office. These dentists spend most of their time in clinic to treat patients and they can engage in business talks only before or after the treatment time or during a lunch break. It means that opportunities to do walk-in sales to these dentists are greatly restricted. Most dental clinic operators are also among the high-income Japanese and tend to reject numerous walk-in sales approaches.

The Medical Net Group, however, is able to reach dental clinics that are typically hard to approach for sales, thanks to its high profile and strong track record in the dental industry. Medical Net currently puts emphasis on thorough follow-up to existing customers. This entry barrier is expected to work favorably for Medical Net to expand a domain in a new business in the future, by making it difficult for its peers to imitate business development mainly based on dental clinic customers.

(2) Source to maintain competitiveness: Digital transformation capability specialized in dentistry

As the Medical Net Group has been engaged in business expansion in online domains since its foundation, it is strong in website creation and online marketing, having expert knowledge in dental clinics' operations and trade practices. Medical Net has also directly accumulated information of and know-how in digital transformation capability specialized in dentistry. Such strengths cannot be easily imitated even by major IT companies or IT companies with strength in general medical care.

Medical Net further believes that the above two sources to maintain competitiveness are difficult to be imitated even over the long term. The company will continue to aim at remaining as the only company that establishes platforms, connecting people with dental clinics and related companies.

The Medical Net Group's strength: An overwhelming No. 1 position in the dental domain



Continue to maintain the accumulated sources of competence

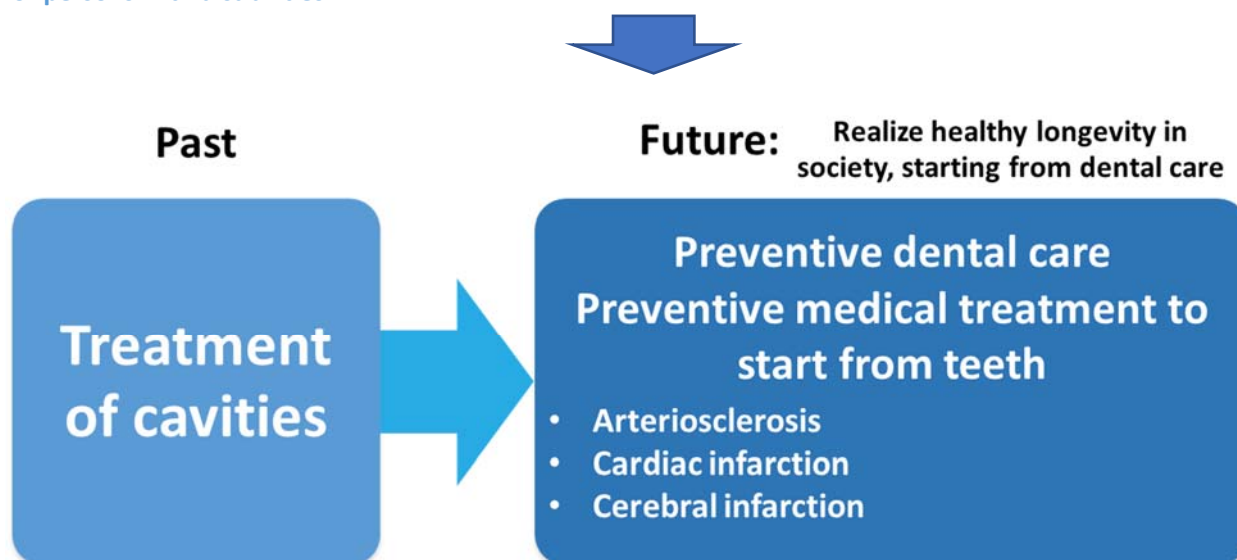
(3) External environment: Changes in the dental industry

As mentioned in section I: Medium-term outlook for shareholder value, the dental industry is anticipated to experience a shift from an emphasis on cavities treatment to emphasis on preventive dental care. The Japanese Government's "Basic Policy on Economic and Fiscal Management and Reform," which has been compiled since the launch of the Abe administration in 2013, stated for the first time that there is a role for dental checkups among disease prevention measures in 2017 and this view was stated in greater detail in 2019 as shown below. Full progress of such changes over the next five years will be the most important factor in the close at hand external environment, while Medical Net strives to realize its vision.

Changes in the dental industry as a backbone to Medical Net's growth scenario

Excerpt⁵ from the Basic Policy on Economic and Fiscal Management and Reform 2019

"As oral health leads to overall health, while improving the reliability of evidence, the government will enhance dental and oral health, including provision of appropriate information to people, life-time dental checkups, oral health management by dentists and dental hygienists, which can help countermeasures against frailty, and cooperation with medical and dental hospitals in oral function management for inpatients. In addition to those measures, the government will establish a framework to provide dental health and medical services, including cooperation with institutions of long-term care and welfare services for persons with disabilities."



Capture such significant changes of the times and aim at becoming No. 1 in the platform business of extending healthy life expectancy, starting from oral care

⁵ Excerpt from page 58, https://www5.cao.go.jp/keizai-shimon/kaigi/cabinet/2019/2019_basicpolicies_ja.pdf

Particular measures to emphasize for expansion in new and existing domains

New domain: Platform for preventive care and proclivity analysis

Use of saliva in DNA and micro RNA testing for early detection of diseases and proclivity

The Medical Net Group operates the portal sites to broadly enhance health in the media platform business. With the aim of becoming “No. 1 in the healthy life expectancy platform business, starting from oral care,” Medical Net aims to launch within the next five years a platform business for preventive care and proclivity, with DNA testing using saliva and digital sensors. Collaboration with MiRTeL Co., Ltd., a venture that originated at Hiroshima University that entered into a capital alliance with Medical Net in 2015, is a key for this business. MiRTeL conducts telomere testing to determine the proclivity state, using its unique technology to measure the length of “G-tail” at the end of telomere of chromosome. The company has already launched a test to determine the proclivity status and the early detecting methods of diseases, using telomere and micro RNAs, which are contained in blood. MiRTeL is now targeting to establish a framework that allows dentists to do testing with telomere and micro RNAs, which are contained in saliva, and are thus easy to obtain as a biopsy sample. The Medical Net Group and MiRTeL have been jointly planning and developing in the dental area a testing business that use saliva and oral mucous of clinical samples, with an objective of early detection of proclivity and disease. Sales are planned to be handled exclusively by Medical Net. While the schedule has not been determined, Medical Net aims at commercializing the business by FY3/2025.

MiRTeL: Outline and significance of alliance with the Medical Net Group

Corporate profile	
Corporate name: MiRTeL Co., Ltd.	Founded: September 2012
President and Representative Director: Eiji Tahara	Capital: ¥367.5 million (as of July 2020)
Major services and outlook	
Operation of a test to detect diseases early only from a blood sample and a test to determine the proclivity state	
Telomere test	MiR test®
<ul style="list-style-type: none"> ● Test to determine the proclivity state, using its unique technology to measure the length of “G-tail” at the end of telomere of chromosome. ● Test to determine proclivity status, such as susceptibility to diseases caused by aging, the state of health or developing disease. ● The telomere test enables a doctor to monitor the genetic fatigue rates and give a person advice for maintaining a healthy condition and aiming for a long healthy life through appropriate precautions and corrective measures. 	<ul style="list-style-type: none"> ● Test, which is designed for early discovery of diseases, to detect disease-specific factors released from each organ (micro RNAs, etc.) ● It only requires to take a blood sample, resulting in a lower burden on the patient than other existing tests. ● Potential diseases that cannot be confirmed by imaging can be detected. ● Early detection of cancer or Alzheimer type dementia. ● Especially effective in detecting breast cancer and pancreatic cancer ● Even in patients with a high risk of disease, it is possible to prevent development of diseases by enhancing immunity and improving diet, etc.

The Medical Net Group and MiRTeL jointly planned and developed in the dental domain tests that use the saliva and oral mucous of a clinical sample with an objective of early detection of proclivity and disease. Medical Net is to be engaged only in sales.

For reference, intention of investment in MiRTeL by major venture funds and companies is listed below. This demonstrates how highly those investors have evaluated MiRTeL.

Major venture funds and companies that have invested in MiRTeL and their intention of investment

Invested companies	Intention of investment
The University of Tokyo Edge Capital (UTEC) Co., Ltd./The University of Tokyo Edge Capital Partners Co., Ltd.	To realize a society in which thanks to medical innovation people are less prone to disease and in which a contribution can be made to lengthening a healthy life and reducing medical expenditures ¹
Hiroshima Venture Capital Co., Ltd.	The fund is committed to revitalizing local economies and creating jobs, and realizing “regional revitalization”. ²
NTT Docomo Ventures, Inc.	NTT Docomo and MiRTeL started to jointly study health innovation for promoting a longer healthy life. Docomo’s knowledge in the ICT area and MiRTeL’s knowledge in the proclivity area will be used in creating a new healthy long life business. ³
Beyond Next Ventures Inc.	Beyond Next Ventures has been paying attention to MiRTeL, which has accumulated a wealth of data and testing know-how in highly-sensitive, highly-specific telomere testing and MiR testing and have entered into alliances with many companies ⁴ .
KYOCERA Corporation	Identifying the healthcare market as a new business field, Kyocera started an initiative concerning proclivity testing. ⁵

1: https://www.ut-ec.co.jp/admin/wp-content/uploads/2019/01/jp_utec_150dpi.pdf

2: <http://www.h-vc.co.jp/news/140/>

3: <https://www.nttdocomo-v.com/release/株式会社ミルテルへの投資について/>

4: <https://prtimes.jp/main/html/rd/p/0000000036.000017460.html>

5: <https://www.kyocera.co.jp/tech/new/tkaz.html>

Development of technology to use breath odor sensor for disease risk testing

The Medical Net Group and Okayama University have jointly (50:50 equity ratio) conducted research on testing technology that identifies causal relationships between breath odor and specific diseases. Results are in the patent application stage. Medical Net intends to continue such research and to potentially commercialize a digital sensor (to be attached to a tooth) for early detection of disease. Well-known causes of breath odor are diverse, including tooth decay, periodontitis, decline in saliva production, and change in oral bacteria flora. However, the currently-available sensor technology cannot identify a cause of odor generation and odor treatment is mostly limited to cleaning of the entire oral cavity, far from removing the underlying cause of the problem. The technology jointly developed with Okayama University is to detect a local odor, and identify a local odor-generating area.

Including such technology, the Medical Net Group intends to launch a platform that comprehensively supports preventive care and proclivity related medical technology. The platform would use testing technology of oral areas in addition to dental preventive care and proclivity medical services.

Conventional work of dentists is limited to the dental domain, including implant and orthodontic work, even in case of private practices. However, if dental clinics become able to test saliva, those who mainly provide privately-paid insurance treatment can have additional work of a new domain. Demand for DNA testing has been rising and various kinds of testing kits are on sale but testing by medical institutions, such as dental clinics, can be differentiated in terms of reliability of testing. As testing of saliva is cheaper than testing of blood, this type of DNA testing can be expected to become more popular. Therefore, the DNA testing using a saliva sensor has significant potential growth. At the same time, dental offices can broaden the scope of operations and differentiation among dental clinics may occur. Such trend also signifies a greater role to be played by dental clinics in supporting people’s health – from only oral care to healthcare of the entire body.

Alliance with iRidge toward provision of the industry's first online dental examination service, using an oral camera

Medical Net has entered into a business alliance with iRidge, Inc. iRidge supports corporate O2O (Online-to-Offline) and OMO (Online Merges with Offline) activities by use of smartphones, and plans to jointly develop online medical examination service by use of an oral camera for dental clinics, with Medical Net. According to the Japan Dental Association's research committee, more and more Japanese are aware of the relationship between dental trouble and a disease. The study has also found that people tend to be reluctant to take orthodontic treatment, for example, due to appearance of dental corrective devices, pain, and burden of visits to a clinic, in addition to expenses. In case of an online medical examination by use of an oral camera, an oral camera is provided to a patient by a dentist and a video chat via a smartphone is used for real-time examination. This can be the industry's first such service. In the future, a service of not-real-time consultation by a dentist is also planned. In this service, the dentist gives a general reply or advice on the need for dental examination and the health status of a patient. This can be effective in reducing frequency of a clinic visit and preventing expansion of an infectious disease.

■ About iRidge, Inc.



In keeping with the corporate mission of “Tech Tomorrow – Use technology to create a convenient life, rather than functions,” iRidge, Inc. has a core business in supporting O2O (Online-to-Offline) and OMO (Online Merges with Offline) of companies by use of smartphones and is engaged in a broad domain, including fintech, real estate tech, and VUI (Voice User Interface). In addition to the industry's top-class achievement in application design and development for O2O/OMO support, iRidge has strength in application marketing measures. Through the FANSHIP, a loyal customer nurturing platform that is attuned to the degree of interest of each user and

helps foster blue-chip customers, the company is engaged in supporting promotion of purchasing and improvement in customer experience.

New domain: Dental supply delivery platform business

The Medical Net Group will launch a cloud-based delivery platform business dealing in dental supplies. Specifically, Okamura, a subsidiary, will digitize analog transactions between dental dealers and dental clinics. This will be a business of digital transformation, which is beneficial to both dental dealers and dental clinics by improving efficiency in transactions. As already stated, Okamura's data of 200,000 SKUs of equipment and materials used in dental treatment will be digitized and become open externally, so as to broadly raise efficiency in transactions between dealers and clinics. Potential growth can be substantial if the Medical Net Group can acquire a certain share in this market of about ¥200 billion and achieve a margin of around 5%.

Measure to grow a particular existing business domain: Dental business in Thailand

Japan's dental treatment market has been flat, as shown below. The business environment is tough and the market is crowded with 68,000 dental clinics. In fact, the number of dental clinics exceeds the number of convenience stores.

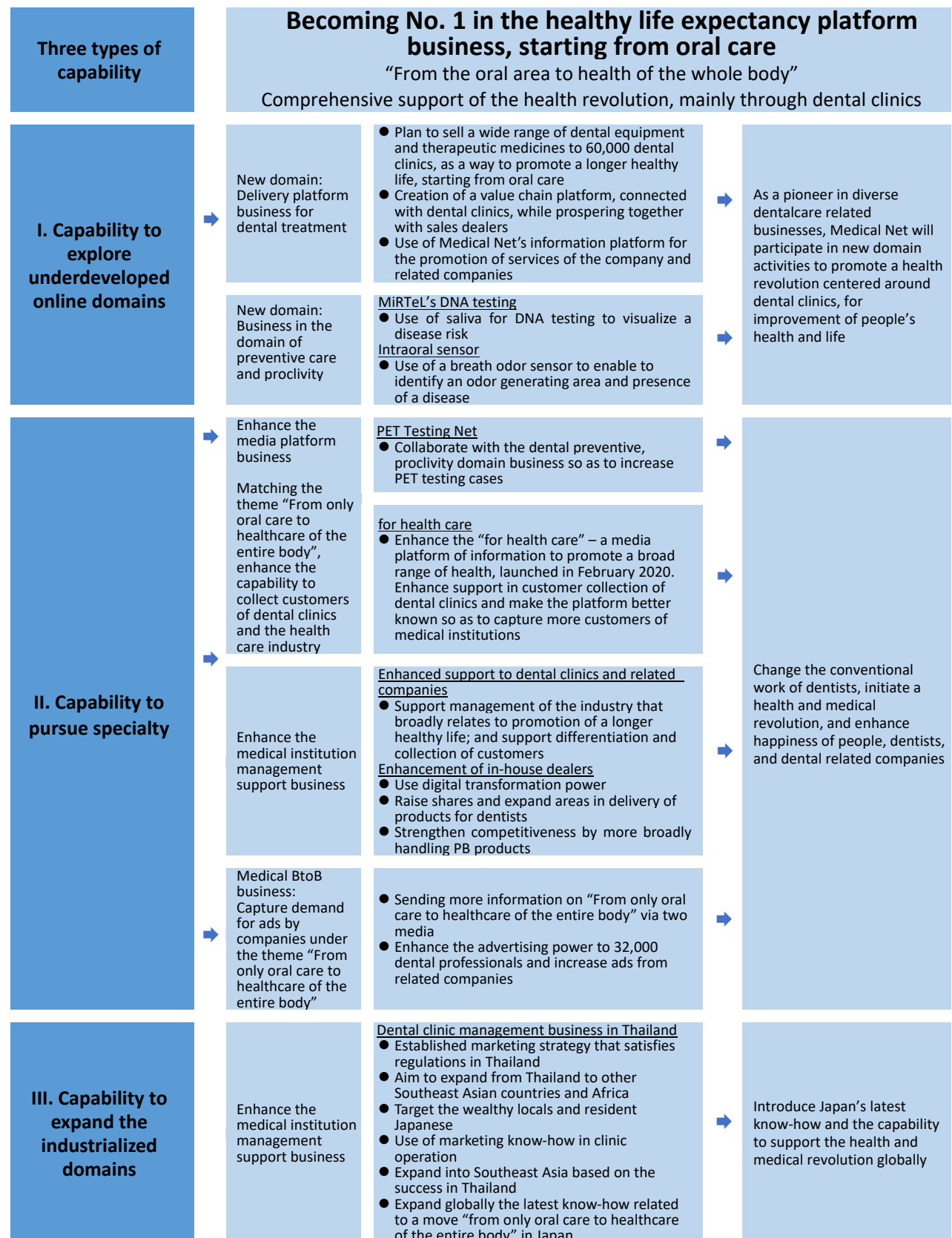
In order for the Medical Net Group to achieve further growth in this market, it is important to support the BtoB domain from the aspects of both consumption and conventional business operations as this market is where services and products are provided to dentists. Potential keys for revenue growth include sale of consumable supplies to dentists, launch of a platform that supports wholesalers of a few hundreds of thousands SKUs in dental devices, equipment, drugs, and technical materials, and overseas expansion.

It should also be important to increase the number of BtoB partners from 60 at present. Entry into overseas markets, based on the advanced dental treatment technology in Japan, is also of importance in expanding domains.

Medical Net's vision (One forecast)

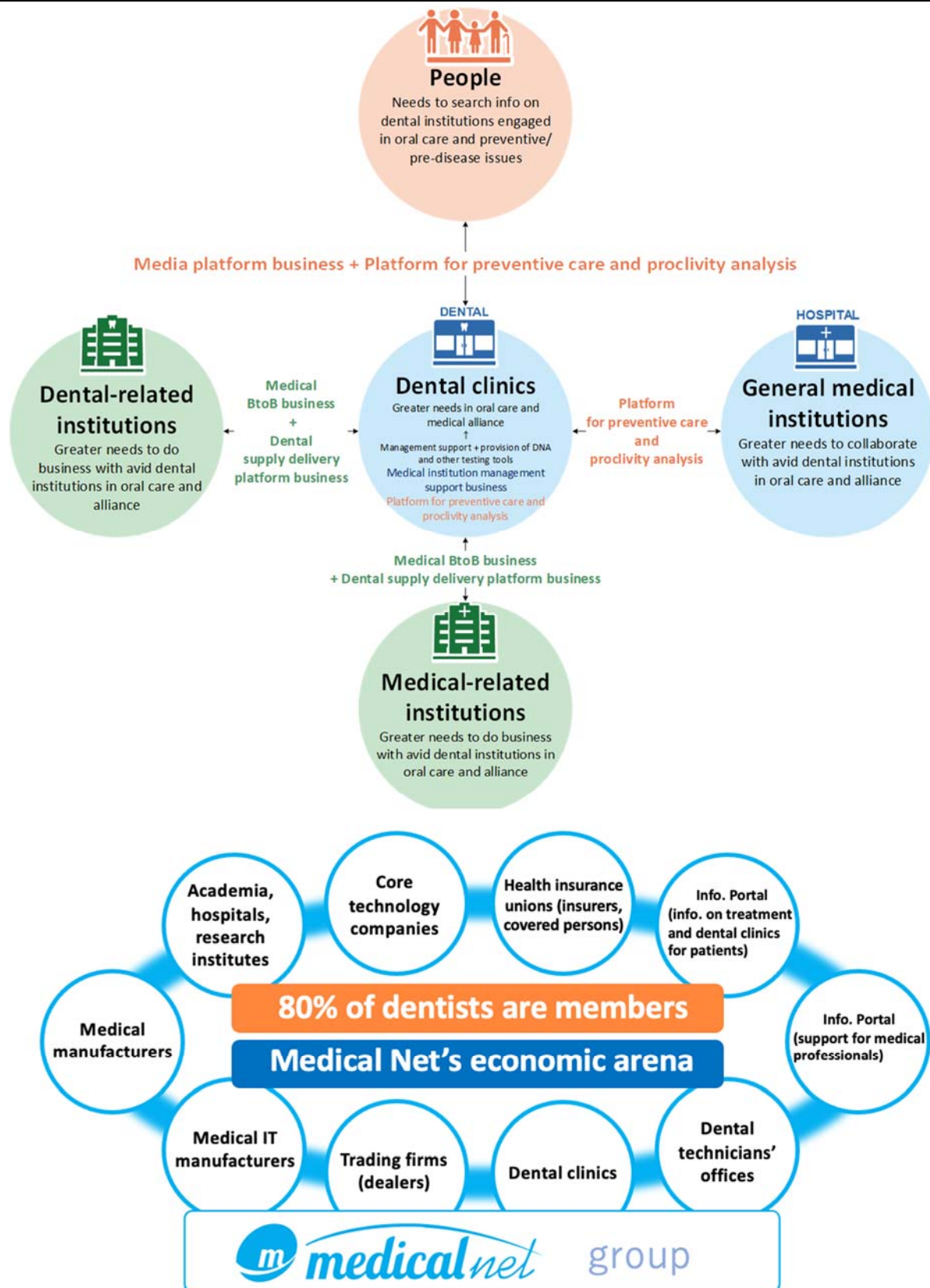
The Medical Net Group is combining the existing business with new domains and expanding into real channels in addition to information domains. It also strives to create a platform to extend healthy life expectancy, starting from oral care to the entire body. This vision is summarized in the following table.

Vision to be realized by FY5/2



When the above vision is realized, business is expected to increase even in areas that are not related to dental care, while transactions and the geographic range of business should also expand.

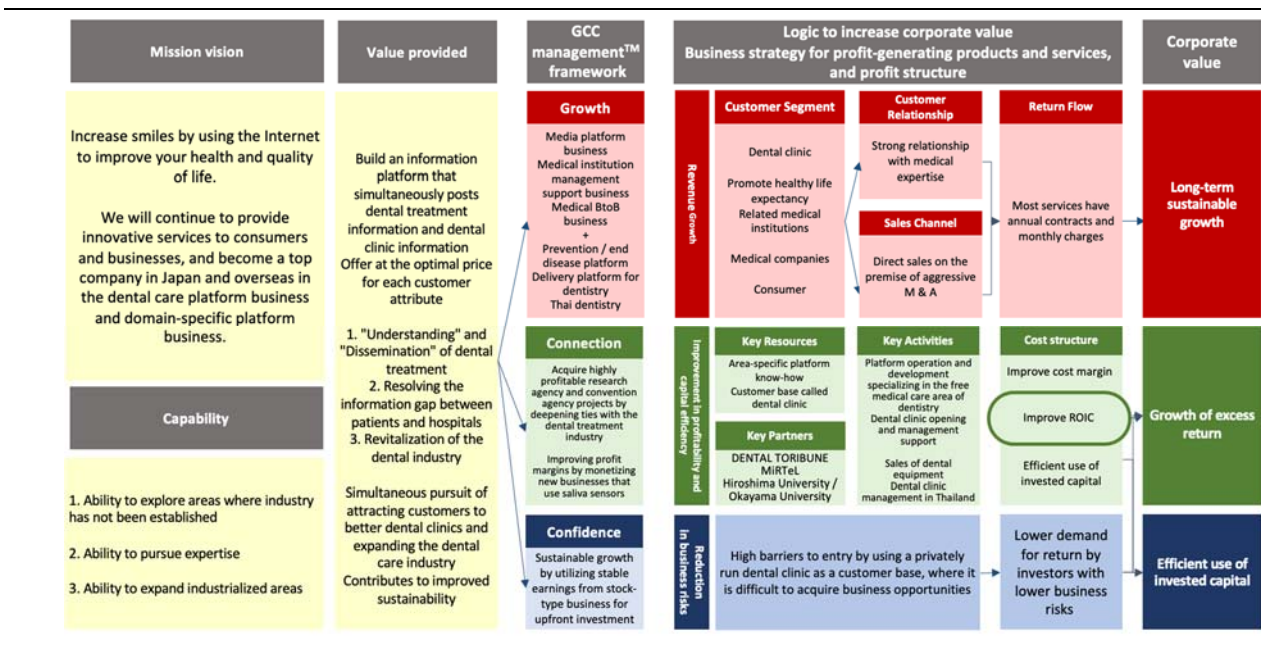
Greatly expanding transactions and business arena



IV. Shareholder value creation structure

Medical Net's shareholder value creation structure is summarized in the following chart. Shareholder value is increased by revenue growth, improved capital efficiency, and lower business risks. The viewpoint of the GCC Management^{TM6} is incorporated in the chart. This concept emphasizes Growth (in revenue), Connection (improvement in connection between people and businesses, that leads to improve return on invested capital), and Confidence (enhanced credibility, leading to lower business risks).

Shareholder value structure



⁶ Concept developed by J-Phoenix Research. The concept of corporate value is systematically designed in easy language. See details in a report, "Analytical Framework of the GCC ManagementTM" (URL: https://www.j-phoenix.com/gcc_how-to-create_mid-term-plan/ for reference)

Shareholder return policy

Medical Net recognizes a return to shareholders as an important managerial target. The company's basic policy is to make appropriate dividend payment according to its operating performance, while securing internal reserves and giving comprehensive consideration to operating performance, financial condition, and future business plans.

The Company intends to efficiently use internal reserves as capital for investment for business expansion and to raise its corporate value. The Company's Articles of Incorporation states that an interim dividend can be made as stipulated in Article 454, Paragraph 5 of the Companies Act.

The Company has also implemented a shareholder special benefit program in order to respond to shareholders' support and to raise medium- to long-term investment attractiveness of its shares. Given consideration to opinions expressed by shareholders, the benefit program was revised on May 31, 2020 and will be further revised on May 31, 2021 so as to enhance shareholders' satisfaction.

- Before revision

Number of shares held	Record date	Benefit
100 shares or more	May 31	QUO card worth 500 yen

- After revision

- Revision as of May 31, 2020

Number of shares held	Shareholding period	
	Less than one year	One year or more
100 shares or more	QUO card worth 500 yen	QUO card worth 500 yen
600 shares or more	QUO card worth 500 yen	QUO card worth 1,000 yen

Notes: A shareholding period of one year or more: This refers to shareholders, who are listed on the shareholders' list of the record dates (May 31 and November 30) under the same shareholder number for holding one unit (100 shares) or more for the third consecutive time at least.

- Revision as of May 31, 2021

Number of shares held	Shareholding period	
	One year or more but less than three years	Three years or more
100 shares or more	QUO card worth 1,000 yen	QUO card worth 1,000 yen
600 shares or more	QUO card worth 1,500 yen	QUO card worth 1,500 yen
1,000 shares or more	QUO card worth 1,500 yen	QUO card worth 2,000 yen

Notes: A shareholding period of one year or more: This refers to shareholders, who are listed on the shareholders' list of the record dates (May 31 and November 30) under the same shareholder number for holding one unit (100 shares) or more for the third consecutive time at least.

A shareholding period of three years or more: This refers to shareholders, who are listed on the shareholders' list of the record dates (May 31 and November 30) under the same shareholder number for holding one unit (100 shares) or more for the seventh consecutive time at least.

Appendix (reference data)

“The current evidence of dental care and oral health for achieving healthy longevity in an aging society; 2015”

On March 13, 2015, the Japan Dental Association published “The current evidence of dental care and oral health for achieving healthy longevity in an aging society; 2015”. This report of 288 pages of comprehensively analyzed documents, which had been released in a number of countries since the beginning of the 21st century, on how dental care and oral health contribute to achieving healthy longevity in society. The key points are summarized below.

https://www.jda.or.jp/dentist/program/pdf/world_congress_2015_evidence_en.pdf

The current evidence of dental care and oral health for achieving healthy longevity in an aging society

Analysis theme	Specific theme	Summary of conclusion
Oral health and life span	Tooth number and life span	<ul style="list-style-type: none"> By use of PubMed* (the same applies to all themes hereafter), articles that analyzed the relationship between having 10 or more teeth and mortality in Japan, China and Europe in 2001-2014 were reviewed. Targets of a certain age were categorized by number of teeth and difference in their hazard ratio was analyzed. The reviewed studies indicate that retaining a larger number of teeth indeed results in an extension of life expectancy, with hazard ratios (HRs) of 1.1-2.7. Several reports showed a link between number of teeth and cardiovascular disease (CVD).
	Mastication and life span	<ul style="list-style-type: none"> Fifteen articles that analyzed the relationship between subjective masticatory functions and life span in Japan, China and Europe in 2005-2014 were reviewed. All the reports showed that the higher the subjective masticatory function, the relatively longer the life-span.
	Oral disease (dental caries or periodontal disease), oral care and life span	<ul style="list-style-type: none"> Eight articles that analyzed the relationship between teeth decay/periodontal disease and life span in Europe and the U.S. in 2009-2014 were reviewed. The relationship between life span and oral disease (dental caries or periodontal disease) was examined, but sufficient evidence was not obtained to conclude a clear relation. On the other hand, it was found that persons with regular oral care habits lived a long time. For example, the risk of death was significantly lower in those persons having adequate oral care habits (brushing teeth at least twice a day, visiting a dentist at least once a year, cleaning dentures).
Effects on lifestyle-related diseases, non-communicable diseases	Oral care, periodontal disease and prevention of diabetes	<ul style="list-style-type: none"> 185 articles in 2000-2014 were reviewed. The articles showed that dentists could contribute to the improvement of diabetes by working in cooperation, as diabetes affects diseases of the oral cavity, and in particular, it is closely associated with periodontal diseases. There is a possibility that performing oral health care may lead to early detection of diabetes or provide an opportunity to edify patients in the pre-diabetic stage.
	Oral care, periodontal disease and respiratory diseases including pneumonia	<ul style="list-style-type: none"> Articles published in January 2010 – January 2014 were reviewed. Some articles pointed out that respiratory diseases including pneumonia are associated with oral care and periodontal disease. However, further studies are needed concerning the role and importance of dental profession in the prevention of respiratory disease.
	Role of oral care in cancer treatment	<ul style="list-style-type: none"> Articles published in January 2014 – March 2014 were reviewed. Oral adverse events that occur in association with cancer treatment interfere with smooth cancer treatment, and sometimes affect patient life prognosis. It was confirmed that appropriate oral hygiene management prior to initiation of cancer treatment is useful in reducing the risk of occurrence and severity of oral adverse events.
	Oral health and cardiovascular diseases	<ul style="list-style-type: none"> Mostly articles published in April 2003 – April 2014 were reviewed. The results showed that although many reports acknowledge the association between periodontal disease and cardiovascular disease, currently the causal relationship is still unclear. In the future, new studies are required to assess associations between oral health conditions and cardiovascular disease using indicators other than periodontitis, and to investigate prevention of cardiovascular disease or its recurrence through treatment of periodontal disease.
	Metabolic syndrome	<ul style="list-style-type: none"> Articles that were available for verification as of July 2014 were reviewed. There is no doubt that metabolic syndrome and oral health, mainly periodontal disease, are associated with each other in some way or other. However, sufficient evidence is still lacking with regard to the direction or causality of their association. Therefore, in order to elucidate the association between metabolic syndrome and oral health, it is necessary to continue to accumulate many studies.

* PubMed is a free search engine accessing primarily the MEDLINE database of references and abstracts on life sciences and biomedical topics. The United States National Library of Medicine (NLM) at the National Institutes of Health maintains the database as part of the Entrez system of information retrieval.

Analysis theme	Specific theme	Summary of conclusion
Association between oral health and main illnesses underlying conditions that necessitate long-term care	Oral health and cerebrovascular disease	<ul style="list-style-type: none"> Papers and their references published in April 2003 – April 2014 were reviewed. The results showed that the association between periodontal disease and cerebrovascular disease is stronger in those with increased tooth loss, as well as in cases where periodontal tissues were destroyed. However, the direct causal relationship between the two has not been clarified, and future research is needed, including more follow-up studies, and intervention studies are needed.
	Oral health and dementia	<ul style="list-style-type: none"> In April – May 2014, the papers that studied association between oral health and future onset of dementia or cognitive decline were searched. The review examined original papers of longitudinal or intervention studies from Japan and abroad to determine whether oral health is associated with future onset of dementia and cognitive decline. The results found that, in most of the studies, significant associations were reported between oral health and future onset of dementia and cognitive decline.
	Oral health and falls and fractures	<ul style="list-style-type: none"> In April – May 2014, the papers were examined to find whether poor oral health led to an increased risk of future incidence of falls and fractures. Many of those studies had demonstrated that loss of occlusal support and not using dentures after tooth loss were risk factors for future falls. Moreover, it was also revealed that having periodontal disease or a low number of teeth increased the risk of future hip fractures.
	Periodontal disease and rheumatoid arthritis	<ul style="list-style-type: none"> Articles published by June 1, 2014 were reviewed. The results of intervention studies, case-control studies, cross-sectional studies and basic studies showed that periodontal disease was associated with rheumatoid arthritis, and that the prevention and periodontal treatment could improve symptoms of rheumatoid arthritis. However, as the effects have only been observed in some symptoms, further examination will be necessary.
	Oral health and conditions that necessitate long-term care	<ul style="list-style-type: none"> Favorable oral health conditions, including use of dentures, were associated with a lower future occurrence of conditions that necessitate long-term care. There is a possibility that the incidence of conditions requiring long-term care could be decreased by further spreading health care interventions aimed at maintaining oral health of the older individuals.
Exercise	Oral health, physical fitness and ADL among the elderly	<ul style="list-style-type: none"> The papers published in Japanese or English in January 1, 1995 – April 1, 2014 were reviewed. Elderly persons oral conditions and functional fitness are associated with their balance function, lower extremity muscle strength and upper extremity muscle strength, which were indicated to be related to occlusion and masticatory performance, and deterioration in occlusal condition was indicated to have a detrimental effect on balance function and lower extremity muscle strength over time. Since the association between oral health status and ADL is thought to be indirect as a result of being mediated by nutritional status and physical fitness, maintenance of oral health status and rehabilitation of oral function were considered to ultimately lead to prevention of decreases in ADL through these mediators.
Nutrition	Dental/oral health and nutrition	<ul style="list-style-type: none"> English papers published in August 2001 - April 2014 were reviewed. Tooth loss was associated with dietary intake of predominantly vegetables and fruit and a decrease in nutrient intake of mainly vitamins with antioxidative effect.
QOL (Quality of Life)	Oral health and QOL	<ul style="list-style-type: none"> A literature search using PubMed and the Igaku Chuo Zasshi website database (ICHUSHI) were conducted on May 18, 2014. A significant association was identified between oral health and health-related QOL, and a possible contribution of maintenance/improvement of good oral health to the enhancement of QOL was suggested.

Material submitted to the Central Social Insurance Medical Council: Effects of oral function caretaking

On November 22, 2013, in the Central Social Insurance Medical Council, an advisory body of the Minister of Health, Labour and Welfare that discusses various aspects of the Japanese health insurance program, and revision of medical fees, etc., the caretaking results of the oral function were studied by the Dentistry and Oral-Maxillofacial Surgery Department of the Chiba University Hospital for a period of 9 years and 10 months (January 2004 to October 2013) and findings were presented as the “Effects of oral function caretaking” (<https://www.mhlw.go.jp/file/05-Shingikai-12404000-Hokenkyoku-Iryouka/0000030114.pdf> in Japanese only)

The results were summarized in the following tables. Oral function caretaking reduced the length of hospital stays by 1.1-53.2% for eight types of targets. Oral function caretaking also reduced oral malignancy patients' hospital stay for radio chemotherapy by 10.5% and their treatment period by 18.7%. Moreover, oral function caretaking also reduced the detection rate of pathogens by 10-54%.

Effects of oral function caretaking to reduce the length of hospital stay

Target		Results			
		Those not taken care		Those taken care	
		Number of samples	Days in the hospital (A)	Number of samples	Days in the hospital (B)
Dentistry and Oral-Maxillofacial Surgery		271	102.4	210	77.9
Gynecology Surgery		52	42.0	108	29.0
Cardiovascular Surgery		63	38.6	110	29.0
Pediatrics		64	135.3	55	84.3
Hematology	Overall	60	108.0	103	96.0
	Leukemia	20	124.8	40	114.2
	Malignant Lymphoma	20	122.9	28	57.5
	Plasmacytoma	18	60.7	31	43.2

Oral malignancy patients: Effects of oral function caretaking to reduce the length of hospital stay for radio chemotherapy

Target		Results			
		Those not taken care		Those taken care	
		Number of samples	Days in the hospital (A)	Number of samples	Days in the hospital (B)
Length of hospital stay		33	84.0	54	75.2
Treatment period		33	31.5	54	25.6

Oral malignancy patients: Effects of oral function caretaking to reduce the detection rates of pathogens

Sample bodies from which pathogens were detected		Results			
		Those not taken care		Those taken care	
		Number of samples	Detection rate	Number of samples	Detection rate
Post-surgery	Oral swab	132	58%	92	41%
	Coughed-up sputum	146	56%	108	36%
Radio chemotherapy	Oral swab	23	65%	30	30%
	Coughed-up sputum	30	70%	30	16%

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