
 Chairperson & CEO Dai Hirakawa	Medical Net, Inc. (3645)
	

Company Information

Market	TSE Growth
Industry	Information and Communications
Chairperson & CEO	Dai Hirakawa
HQ Address	Takara Building, 1-34-14 Hatagaya, Shibuya-ku, Tokyo
Year-end	End of May
Homepage	https://www.medical-net.com

Stock Information

Share Price	Number of shares issued (excluding treasury shares)		Total market cap	ROE (Act.)	Trading Unit
¥330	9,045,270 shares		¥2,984 million	0.3%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥3.00	0.9%	¥19.95	16.5x	¥210.85	1.6x

*The share price is the closing price as of September 19. The number of treasury shares is subtracted from the number of shares issued. Each number is from the financial report for the fiscal year ended May 2024.

Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
May 2021 (Actual)	2,904	331	336	129	15.36	4.00
May 2022 (Actual)	3,745	445	449	380	43.44	4.00
May 2023 (Actual)	4,500	379	431	116	12.97	2.50
May 2024 (Actual)	5,252	298	322	5	0.66	3.00
May 2025 (Forecast)	6,400	330	305	136	19.95	3.00

*Estimates are those of the company. Net income is profit attributable to owners of the parent. Hereinafter the same shall apply.

*In June 2021, a 2-for-1 stock split was conducted. The stock split was reflected in EPS and DPS.

*From FY 5/22, the company has applied the “Accounting Standard for Revenue Recognition.” The accounting standard was retroactively applied to the net sales for FY 5/21.

This report briefly describes the financial results of Medical Net, Inc. in the term ended May 2024.

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Key Points

- In the fiscal year ended May 2024, sales increased 16.7% year-on-year, while operating income declined 21.4% year-on-year. Sales grew in the Medical BtoB Business, Medical Institution Management Support Business and Media Platform Business. The newly added Cloud Integration Business, too, contributed. The company is working on the establishment of a platform that will play a key role in the digitalization of the dental healthcare industry, forming a Medical-Net-Economic-Area in the dental industry, while forging ahead with further streamlining of the existing businesses. Furthermore, they engaged in building a Pre-disease/Prevention Platform Business for extending healthy life expectancy, which starts from oral well-being, and expanded the business. In terms of profit, operating income margin dropped due to the augmentation of SG&A expenses stemming from investments in personnel for growth. The decrease in profit was caused by continuous investments for business expansion. Regarding dividends, the company will pay a year-end dividend of 3.00 yen/share, up 0.50 yen/share from the previous fiscal year.
- For the fiscal year ending May 2025, sales are projected to grow 21.9% year-on-year to 6.4 billion yen, operating income to rise 10.6% year-on-year to 330 million yen, and ordinary income to decline 5.4% year-on-year to 305 million yen. Net income is expected to increase significantly from 5 million yen in the previous fiscal year to 136 million yen. The company will promote the real estate business and expand its business range, such as the business in Thailand and the Pre-disease/Prevention Platform Business, anticipating growth in sales. In terms of profit, a double-digit growth of operating income is expected despite continuous investments in human resources and upfront investments in new businesses. The company will continue with strategic investments for the enhancement of the organizational structure as a step toward expanding business operations and for growth. Regarding dividends, they plan to pay a year-end dividend of 3.00 yen/share, like in the previous fiscal year.
- Regarding results in fiscal year ended May 2024, profit declined despite a continuous double-digit growth in sales as personnel costs for growth increased and MiRTeL Co. Ltd., which was made into a consolidated subsidiary in January 2024, is in a growth phase and its business has not been monetized yet. In the forecast for the fiscal year ending May 2025, profit margin is projected to drop again despite a double-digit growth of profit due to investment in human resources and development of new businesses, while sales keep demonstrating a double-digit growth. On the other hand, measures toward future growth have recently been announced in rapid succession. Among these measures, the company harbors expectations especially for the growth of MiRTeL, which was turned into a subsidiary in January. They are planning to achieve profitability by the fiscal year ending May 2026 and we would like to keep an eye on the progress. Moreover, the latest financial results prove that the company is steadily expanding orders received and sales in existing businesses. Share price has been in the low-price zone in the last 4 years while a full-fledged growth of sales was achieved. The price-to-earnings ratio (PER) remains low in proportion to the growth of sales, and it is assumed that it will improve gradually from now on.

1. Company Overview

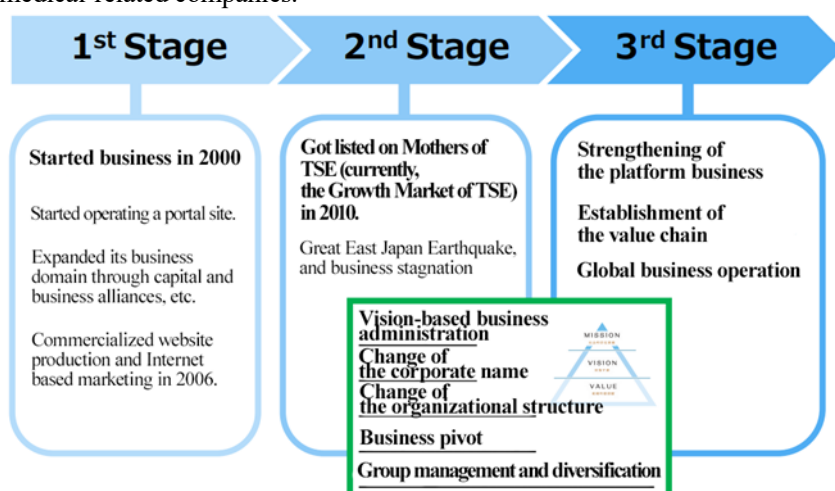
With the corporate philosophy of "We will increase people's smile by improving the quality of health and life using the internet," the company provides comprehensive support for managing dental clinics through its Dental Care Platform Business. It also offers helpful information related to medical care, including dental care, beauty care, and lifestyle through its Services for Consumers and supports marketing for dentistry-related companies through its Services for Enterprises. Medical Net is the only company with a business model that connects consumers, medical institutions, and medical-related companies. As of the end of May 2024, the number of members of the Medical Net Group reached 51,052, which constitutes a significant asset.

【1-1 Corporate History】

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	Jun.	Japan Medical Net Communications, Inc. (present Medical Net, Inc.) was established.
2002	Feb.	The portal sites Kyousei Shika Net (Orthodontic Dentistry Net) and Shinbi Shika Net (Esthetic Dentistry Net) were launched.
2005	Apr.	The portal site Beauty Treatments and Popularity Ranking was launched.
2006	Jan.	West Japan Branch Office opened.
	Oct.	Started web marketing and medical institution management support
2007	Aug.	Business and capital tie-up with So-net M3, Inc. (present M3, Inc.) which was listed in the First Section of TSE.
2009	Mar.	Mobile! Haisha-san Net (Mobile! Dentist Net) was launched.
2010	Dec.	Listed in the Mothers of TSE.
2012	Nov.	Acquired Blanc Networks Inc. as a consolidated subsidiary and developed a BtoB medical business.
2016	Dec.	A corporate name changed to Medical Net, Inc.
2017	Sep.	Success Sound Co., Ltd. (present Medical Net Thailand Co., Ltd.) became a consolidated subsidiary and began operating a dental clinic in Bangkok.
	Dec.	Medical Net Thailand Co., Ltd. renovated and reopened the Yutaka Dental Clinic.
2018	Feb.	Established the Fukuoka branch.
	Jun.	Formed capital and business alliances with MiRTeL Co. Ltd.
	Dec.	Acquired shares of Okamura Co., Ltd. and made it a wholly owned subsidiary (started a dental dealer business).
2020	Feb.	Absorbed and merged a consolidated subsidiary Blanc Networks, Inc.
	Sep.	Acquired a patent for a new halitosis sensor system for dental clinics, developed through joint research with Okayama University.
	Oct.	Made Pacific Dental Care Co., Ltd. a consolidated subsidiary (second-tier subsidiary).
2021	Jun.	Made Noechi Pharmaceutical Co., Ltd. into a consolidated subsidiary (second-tier subsidiary) and started manufacturing and selling pharmaceuticals and quasi-drugs.
2022	Mar.	Made NU-DENT Co., Ltd., D.D. DENT Co., Ltd., and Fukumori Dental Clinic Co., Ltd. into consolidated subsidiaries (second-tier subsidiaries).
	Apr.	Moved from the Mothers to the Growth Market of TSE, following the reclassification of TSE's market divisions.
	May	Established the consolidated subsidiary (second-tier subsidiary) Okamura Osaka Co., Ltd.
	Jul.	Capital and business alliances with Writeup Co., Ltd.
2023	Sep.	Released "Kyousei Shika Net Plus"
	Oct.	Released "Implant Net Plus"

	Nov.	Okamura Co., Ltd., a consolidated subsidiary, absorbed and merged with Okamura Osaka Co., Ltd., its consolidated subsidiary (second-tier subsidiary)
2024	Jan.	Made MiRTeL Co. Ltd. into a consolidated subsidiary and launched the Pre-disease/Prevention Platform Business
	Mar.	Made AVision Co., Ltd. into a consolidated subsidiary (second-tier subsidiary) and launched the Cloud Integration Business in Thailand
	May	Released “Shinbi Shika Net Plus”

Many companies targeted dentists and tried to operate their business centered on Internet advertising. However, they could not develop continuous sales to dentists, the majority of which are individual business owners, so most of them withdrew. However, Medical Net has narrowed down its target to self-paid medical treatments (not covered by medical insurance) among dentists and has emphasized not only business success, but also the vision at the time of its founding. It has also exerted continuous efforts for dentists to increase the understanding and dissemination of new treatments, improve local medical care, create an environment where dentists can concentrate on treatment, and provide patients with information on better treatment methods. As a result of all these efforts, the company has won overwhelming sympathy from many dentists and has become a one-of-a-kind company with a business model that connects consumers, medical institutions, and medical-related companies.



(from company data)

【1-2 Corporate Philosophy】

With the corporate philosophy of "We will increase people's smile by improving the quality of health and life using the internet," the company formulated its mission statement consisting of the following mission, vision, and value.

MISSION	We will increase people's smile by improving the quality of health and life using the internet.
VISION	We will become the leading company in the dental treatment platform industry and domain-specific platform industry in Japan and beyond by continuously providing innovative services to people and business operators.
VALUE	No change, No progress (an inexhaustible challenge) ◇Passion: aspiration, initiative, responsibility, and mindfulness ◇Speed: consciousness, ideas, judgment, words, and actions ◇Teamwork: cooperation, competition, synergy, and altruism ◇Respect: appreciation, thoughtfulness, respect, and sincerity

The company emphasizes instilling its philosophy and value in all employees and conducts various initiatives. The change of the company name in December 2016 is also a message from the management to the people inside and outside the company that the company will pursue its corporate philosophy more thoroughly than ever before.

CEO Dai Hirakawa and COO Yuji Hirakawa have discussed these values several times when holding group training sessions every two months to nurture mid-career employees and during mid-career hiring.

In addition, the company has started a system to quantitatively and qualitatively evaluate the efforts and achievements to realize the value of each business unit and employee.

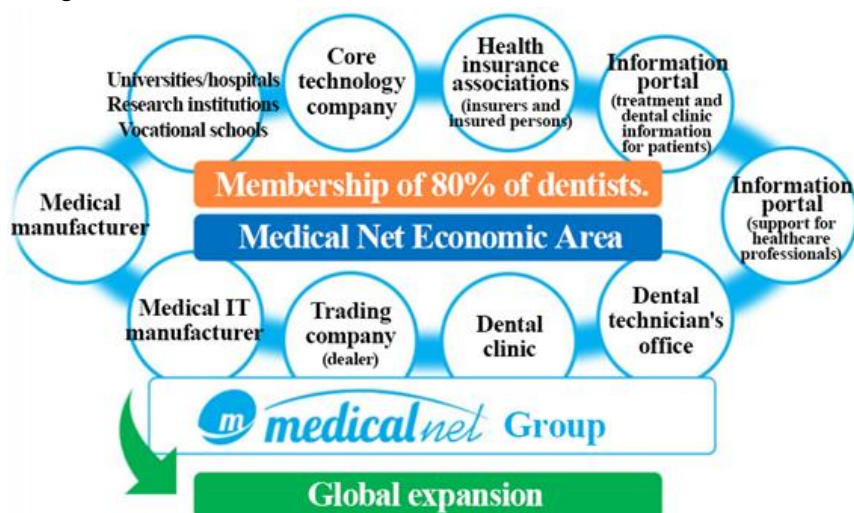
Through this evaluation system, the company aims to diffuse its philosophy and value further to build a stronger organization.

Furthermore, in recent years, the company has been actively promoting integration within its subsidiaries, contributing to the overall growth of the group.

【1-3 Group Business】

◎ About M&A

As part of its "Recruitment and Team Building" strategy, the company is actively pursuing M&A. They are advancing the platform provider strategy that guides overall health from oral well-being, aiming to create a world filled with smiles, and building a dental medical value chain.



(from company data)

◎ Enhancement of Corporate Value

After joining the group, the company has promoted PMI (Post Merger Integration, a management integration process) to realize Medical Net's purpose, mission, vision, and values in its subsidiaries, from verbalization → recognition → understanding → empathy → embodiment → practice → habitualization, and introduced the Medical Net's business management method to subsidiaries.

In addition to improving the profitability of subsidiaries, each subsidiary is responsible for one of the businesses of the Medical Net Group, creating synergy.

Introduction of a Business Management System **Management by Sense ⇒ Numerically oriented business management system**
Improvement of each subsidiary's profit margin **Creation of synergy**

【1-4 Market Environment】

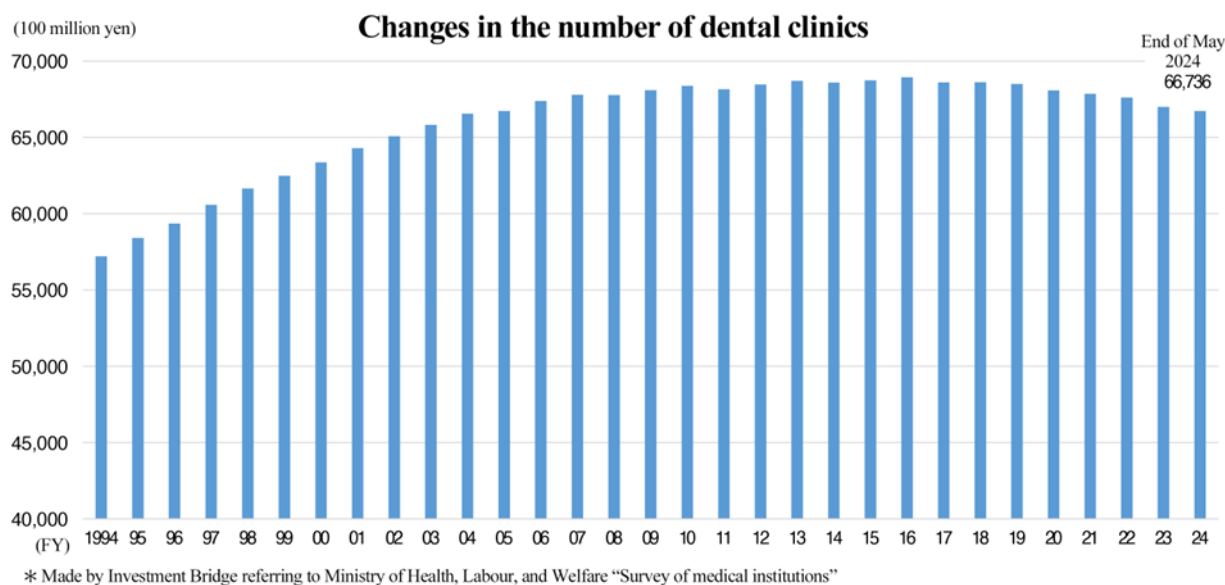
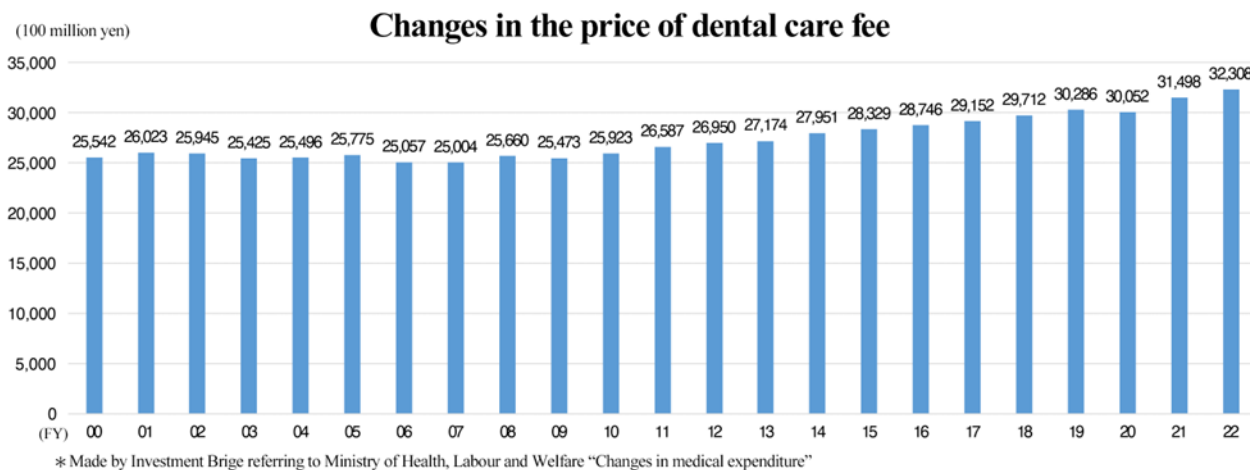
◎ Dental Care Market

According to a survey by the Ministry of Health, Labor and Welfare, dental care and medical expenses in the fiscal year 2022 were about 3.2 trillion yen, an increase of 2.6% from the previous year. Demand for medical treatments at patients' own expense, such as implants and orthodontics, has increased due to an elevation of awareness concerning oral hygiene caused by the spread of COVID-19, demonstrating a healthy growth like in the fiscal year 2021.

Regarding dental clinics, as of the end of May 2024, there were 66,736 facilities, showing a slight decrease from the same month of the previous year.

Despite the spread of self-paid medical care such as implants, orthodontics, and teeth whitening, as well as increased awareness of oral hygiene, dental clinics are in excessive competition amid continuous policies to curb medical costs, and the business environment surrounding them continues to be severe.

Dental clinics seem to have a substantial need for effective measures centered on increasing the number of patients.



【1-5 Business Description】

<Service overview>

Under the corporate philosophy of "We will increase people's smile by improving the quality of health and life using the internet," the company offers the following services to consumers, medical institutions, and medical-related companies.

(For consumers)

Under the theme of understanding and popularizing dental treatment, the company's various portal sites provide helpful information for consumers, such as information on the most suitable dental clinic, basic dental knowledge, and explanations of specialized treatments such as implants.

In addition, the company focuses not only on dentistry, but also on a wide range of services such as medical care, beauty care, and lifestyle.

In addition, the company has developed a Pre-disease/Prevention Platform Business for consumers, focusing on pre-symptomatic care and prevention of diseases.

(For medical institutions)

The company offers management support services to the highly competitive dental healthcare industry from various aspects. The company provides comprehensive support such as website creation and online marketing to attract customers, human resources, and career support by operating a job search website for dental professionals, the introduction of consumables and dental materials required for daily dental treatment, and highly controlled medical equipment. The company also offers comprehensive support for opening new dental clinics regarding property, equipment/infrastructure, websites, and attracting customers, and asset formation support to dentists.

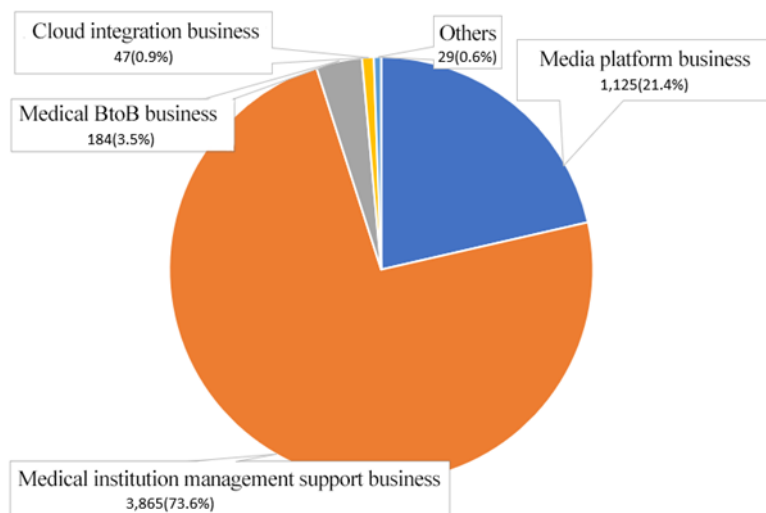
(For medical-related companies)

The company mainly supports dentistry-related companies. Dentwave.com, operated by Medical Net and one of the Japan's largest comprehensive dental care information websites, plays a key role here, with 52,453 registered dental care professionals as of the end of May 2024. In addition to advertisements such as banner advertisements on Dentwave.com and e-mail magazines, Dent Research, an online survey for registrants, is also highly evaluated by the industry officials as an effective tool for marketing. It can perform quick and highly accurate surveys, flexibly supports screening for details such as occupation, specialty, age, and area, and is used by many dentistry-related companies. Moreover, the company creates medias such as websites, landing pages, and catalogs for academic societies and companies. Initiatives include planning, attracting visitors, and managing dental conventions and events such as online dental shows with the number of visitors being around 10,000.

<Segments to be reported>

There are four segments for disclosure: Media Platform Business, Medical Institution Management Support Business, Medical BtoB Business, and Cloud Integration Business. Cloud Integration Business was added in the fiscal year ended May 2024.

Sales by segment (Unit: million yen, FY 5/24)



(1) Media Platform Business

The company develops and operates websites that provide information specializing in the body, health, and beauty. It operates a total of 61 websites in dentistry and beauty care/salons from various perspectives.

(Dental field)

Implant Net	A portal site that specializes in disseminating information on dental implants, which are special self-paid treatments.	<ul style="list-style-type: none"> • Implant Net (nationwide version) • Implant Net (smartphone version) • Implant Net Plus
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Kyousei Shika Net (Orthodontic Net)	A portal site that specializes in disseminating information on orthodontic treatments, which are special self-paid treatments.	<ul style="list-style-type: none"> • Kyousei Shika Net (Orthodontic Net) (nationwide version) • Kyousei Shika Net (Orthodontic Net) (smartphone version) • Kyousei Shika Net (Orthodontic Net) Plus
Shinbi Shika Net (Esthetic Dentistry Net)	A portal site that specializes in disseminating information on esthetic treatments, which are special self-paid treatments.	<ul style="list-style-type: none"> • Shinbi Shika Net (Esthetic Dentistry Net) (nationwide version) • Shinbi Shika Net (Esthetic dentistry Net) (smartphone version) • Shinbi Shika Net (Esthetic Dentistry Net) Plus
Other dentistry-related services	Haisha-san Net (Dentist Net)	A portal site that targets a wide range of customers by introducing dental clinics that mainly provide treatments covered by insurance, such as cavity treatments and periodontal disease treatments.
	Ask Dentist	Dental Q&A website where dentists answer questions and consultations about teeth and oral cavities from Internet users.

In addition to the search for dental clinics and introduction of dental clinics and dentists, the main portal sites post content such as treatment explanations and frequently asked questions and their answers as information for patients.

(Beauty Care and Salon Field)

Beauty salon-related websites	Targeting women with a high sense of beauty, the company operates eight websites, including the portal site Beauty Treatments and Popularity Ranking, which provides information on beauty salons.
Cosmetic surgery-related websites	Targeting women with a high sense of beauty, it operates three websites, mainly the portal site "Curious! Cosmetic Surgery Overall Ranking," which provides information on cosmetic surgery.

In addition, the company operates websites related to beauty treatment and cosmetic surgery for men, websites related to beauty treatment schools, etc.

The main contents are beauty salon searches, introductions, overall popularity rankings, campaign popularity rankings, course popularity rankings, experience reports about impressions of treatments received at beauty salons.

*Business Model

Each portal site is operated with income from advertising fees, targeting dental clinics, beauty salons, and the like as customers.

Internet users can freely search and view information on dental clinics and beauty salons on each portal site.

The specifics of advertising revenue are mainly (1) the initial creation fee and monthly posting fee for the client introduction page and (2) the monthly posting fee for banner advertisements that link to the client's webpage.

The revenue model is a recurring-revenue business since the contract format is, in principle, a 12-month continuous contract (automatic renewal). It has a low cancellation rate and a high profit margin.

(2) Medical Institution Management Support Business

① Web Marketing

The company offers SEO (search engine optimization) services to display websites at a higher position in the search engine's search results and management services for listing advertising (search-linked advertising) on portal sites operated by Yahoo Japan Corporation and Google LLC.

(A) SEO

The company provides SEO services for clients, who utilize search engines to attract customers to their websites and disseminate information through their websites, by analyzing the search engine's display ranking criteria (algorithm) and optimizing the website's state, to improve the keyword evaluation for websites by the search engine and display in a higher position in the search engine's search results.

There is a monthly flat-rate service that displays search results of the website at a higher position in Yahoo! JAPAN or Google with multiple keywords and a performance fee service that charges according to the ranking of the website in Yahoo! Japan or Google search results using specific keywords.

(B) Listing advertisement (search-linked advertisement)

The company provides listing advertising (search-linked advertising) management services on portal sites operated by Yahoo Japan Corporation and Google LLC.

Listing Ads are advertisements displayed in the ad space set on the search results page of search engines, and the advertiser is charged only when an Internet user clicks on the ad.

To realize highly cost-effective advertising operations for clients, the company offers comprehensive services ranging from proposals for keywords and advertisement manuscripts to adjustment of bid prices and budget management on the operational side.

② Website Creation and Maintenance Services

The company is engaged in website creation and maintenance services related to body, health, and beauty (dental clinics, beauty salons, etc.).

They provide website designs to these clients which emphasize “a clean impression and air of luxury” to make Internet users feel at ease. Specialized in dentistry, beauty care, and beauty salons, the company also uses its unique medical and beauty care knowledge to create websites that can convey information to Internet users in an easy-to-understand manner, such as posting the views of patients and clients regarding medical and beauty care.

③ Dental Clinic Operation

The company operates its dental clinic in Bangkok, Thailand. Dental clinics are operated through the company's consolidated subsidiary, Medical Net Thailand Co., Ltd., its consolidated second-tier subsidiary, Pacific Dental Care Co., Ltd., and Fukumori Dental Clinic Co., Ltd. The management of dental clinics in Thailand is the first step of the company's efforts toward popularizing advanced Japanese dental care in overseas countries.

④ Dental Dealer Business

The company engages in a comprehensive dental trading business through Okamura Co., Ltd. in Japan, and NU-DENT Co., Ltd. and D. D. DENT Co., Ltd. in Bangkok, Thailand.

⑤ Planning and wholesale of pharmaceuticals and quasi-drugs for the public

The company engages in the planning and wholesale of pharmaceuticals and quasi-drugs for the public through Noechi Pharmaceutical Co., Ltd.

⑥ Comprehensive Support for Dental Clinic

With the mission "Creating an environment in which dentists can dedicate themselves to dental care," the company offers an industry-leading one-stop service that supports dental clinics from start-up to management. They have expanded the line-up of services for management support and opened a specialized portal site “medicalnet DOCTOR SUPPORT.” They have also launched the sale of real estate on a full scale as a means of life support for individual dentists.

(3) Medical BtoB Business

The company operates a BtoB website for comprehensive information on dental care, Dentwave.com, that connects dental care professionals and dentistry-related companies. As of the end of May 2024, the website has registered 52,453 dental professionals, becoming one of the largest websites in Japan.

Through this membership, the company offers services such as advertising solutions, research, and commissioned management of conventions to dentistry-related companies.

(4) Cloud Integration Business

The company offers services for the development, installation, and maintenance of POS systems to the retailing and manufacturing industry and hospitals in Thailand.

(5) Other

The company undertakes administrative tasks for accounting, HR, and general affairs in the business of undertaking administrative tasks. Moreover, they have been developing a Pre-disease/Prevention Platform Business through MiRTEL Co. Ltd.

【1-6 Characteristics and Strengths】

(1) The only company with a platform that connects consumers, medical institutions, and medical-related companies



(from company data)

The company has built a platform that connects consumers, medical institutions, and medical-related companies, in the dental care industry. No other company has created such a platform, which is a significant feature of the company.

Through this strong and unique platform, we provide a wide range of services for consumers, medical institutions, and medical-related companies, and this is a substantial competitive advantage.

The company believes that it is highly challenging for new companies to enter the market, given the solid positioning it has built over the more than 20 years since its founding.

◎ **For consumers: to provide highly reliable, fair, and neutral information through its media outlets.**

The company, which has built and operated many media outlets while directly communicating with dentists and other specialists, has a wealth of specialized knowledge in dental care.

Therefore, it can provide consumers with highly reliable and easy-to-understand information. The quality of this information is high to the extent that doctors sometimes use the content of the websites operated by the company when explaining to patients.

Regarding content with more specialized themes, the company asks dentists to write it based on a relationship of trust it has built up with them over many years.

The company offers fair and neutral information to consumers by seeking opinions from multiple dentists and having them comment including the disadvantages of the treatment, regarding themes which are open to interpretation in various ways. Majority of the company's sales come from services for dentists, and under our vision and philosophy, we always provide dentists with advice that emphasizes the perspective of consumers and users, which has led to further improvement in the company's reliability.

◎ **For medical institutions: Comprehensive web services × various offline services × consulting services**

The company, which has built various in-house media platforms and websites for businesses, offers comprehensive services from website construction to planning and implementation of SEM measures. Furthermore, the company provides comprehensive services in the real domain, such as real estate introduction at start-up, administrative director agency services after start-up, personnel introduction, specialized equipment, office supplies, and subsidy application support.

In addition, the company offers a wide range of management support consulting services for dental clinics by understanding the dentist's specialized field and issues, then identifying and analyzing the business conditions and proposing personnel, equipment, and business plans that combine effectively sending and attracting patients using the Internet and offline business.

◎ **For medical-related companies: approaches to becoming excellent dental clinics and conducting market research.**

As mentioned above, the company operates Dentwave.com, a website for dental professionals with the highest number of members.

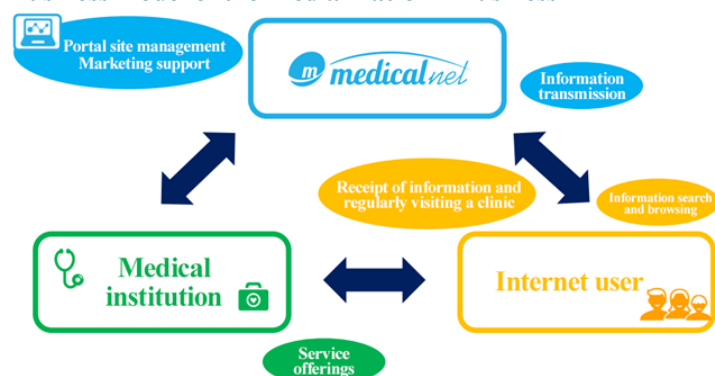
Many members are in good financial condition and are willing to expand their business. Manufacturers and suppliers such as medical device manufacturers and wholesalers can advertise and propose products and services to these excellent customers.

(2) Stable earnings structure through the subscription model business

Ad placements in the portal site operation business are, in principle, 12-month continuous contracts (automatic renewal). Therefore, the revenue model is a recurring-revenue business, which brings stability to the company's revenue base.

The company intends to develop new customers and further strengthen its business foundation.

Business model of the Media Platform Business



(From the reference material of the company)

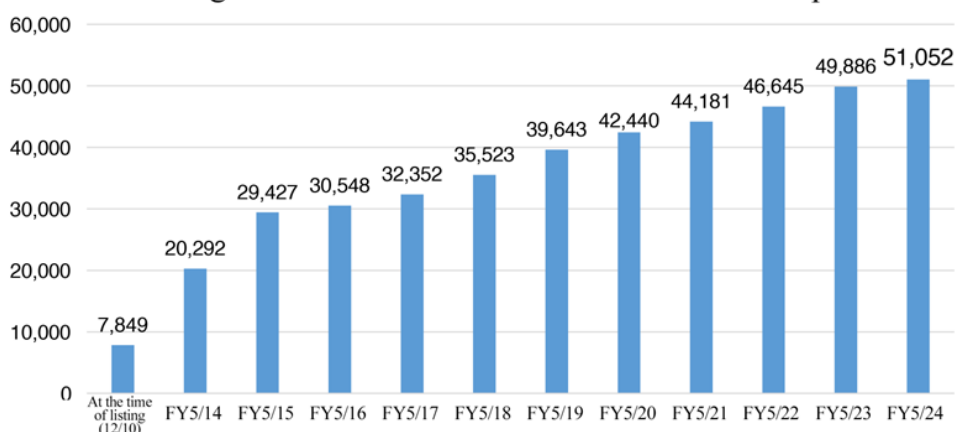
(3) Overwhelming number of members

The number of members of the Medical Net Group, which consists of members engaged in dental care, reached 51,052 at the end of May 2024, an increase of 6.5 times since the listing.

These members are customers of the business targeting dental clinics and support the company's business base as they are essential assets in the business targeting dentistry-related companies.

The company estimates that there are about 100,000 dentists in Japan and aims to increase membership to 80,000, or 80% of the total.

Change in Number of Members of Medical Net Group

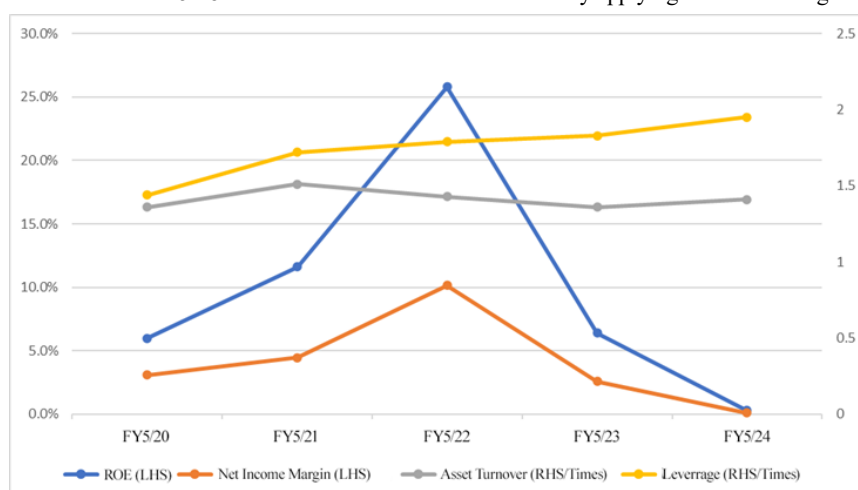


* Created by Investment Bridge based on disclosed material of the company.

【1-7 ROE Analysis】

	FY 5/18	FY 5/19	FY 5/20	FY 5/21	FY 5/22	FY 5/23	FY 5/24
ROE (%)	5.8	6.4	6.0	11.6	25.8	6.4	0.3
Net income margin (%)	5.88	5.20	3.09	4.46	10.15	2.58	0.11
Total asset turnover (times)	0.82	1.00	1.36	1.51	1.43	1.36	1.41
Leverage (x)	1.20	1.24	1.44	1.72	1.79	1.83	1.95

*From FY 5/22, the company has applied the “Accounting Standard for Revenue Recognition.” The values of net income margin and total asset turnover from FY 5/18 are the ones obtained after retroactively applying said accounting standards,



* Created by Investment Bridge based on disclosed material of the company.

In FY 5/21, ROE exceeded 8%, thanks to the evident improvements in total asset turnover and leverage, as it is generally said that Japanese enterprises should aim to achieve an ROE of 8%. ROE rose further in FY 5/22, thanks to the significant rise in net income margin. For FY 5/23 and FY 5/24, the net income margin declined, partly due to temporary factors (impairment losses), and ROE dropped to below 8%.

2. Fiscal Year Ended May 2024 Earnings Results

(1) Business Results

	FY 5/23	Ratio to Sales	FY 5/24	Ratio to Sales	YoY	Company Forecast	Ratio to Forecast
Net Sales	4,500	100.0%	5,252	100.0%	+16.7%	5,000	+5.0%
Gross Profit	1,781	39.6%	1,841	35.1%	+3.4%	-	-
SG&A	1,401	31.1%	1,542	29.4%	+10.1%	-	-
Operating Income	379	8.4%	298	5.7%	-21.4%	380	-21.5%
Ordinary Income	431	9.6%	322	6.1%	-25.3%	360	-10.4%
Net Income	116	2.6%	5	0.1%	-94.9%	214	-97.2%

*Unit: million yen. Net income is profit attributable to owners of the parent. Hereinafter the same shall apply.

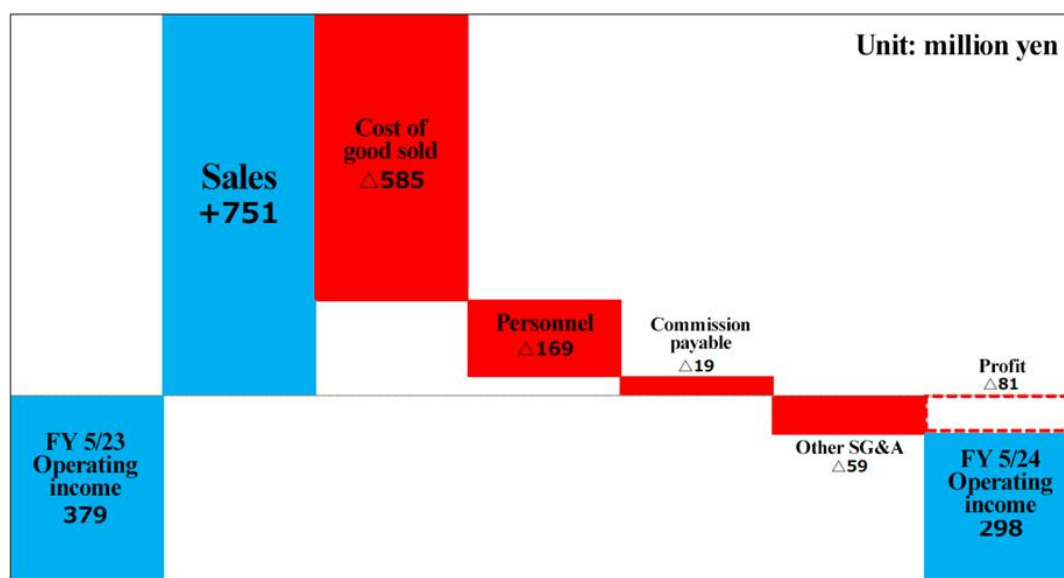
*From FY 5/22, the company has applied the “Accounting Standard for Revenue Recognition,”

Decline in profit despite a double-digit growth in sales.

Sales increased 16.7% year-on-year to 5,252 million yen. Sales grew in the Medical BtoB Business, medical institution management support business and Media Platform Business. The newly added Cloud Integration Business, too, contributed. The company is working on the establishment of a platform that will play a key role in the digitalization of the dental healthcare industry, forming a Medical Net economic area in the dental industry, while forging ahead with further streamlining of the existing businesses. Furthermore, they engaged in building a new service called a platform business for enhancing healthy life expectancy, which starts from oral well-being, and expanded the business.

Operating income declined 21.4% year-on-year to 298 million yen. In terms of profit, operating income margin dropped from 39.6% in the previous fiscal year to 35.1%. SG&A expenses increased 10.1% to 1,542 million yen due to investments in personnel for growth, and operating income margin dropped from 8.4% in the previous fiscal year to 5.7%. The decrease in profit was caused by continuous investments for expanding business and the fact that MiRTeL Co. Ltd., which was made into a consolidated subsidiary in January 2024, is in the growth phase and its business has not been monetized yet.

The major causes for fluctuations in operating income are as follows.



Unit: million yen.

(from company data)

In terms of non-operating income, ordinary income fell 25.3% year-on-year to 322 million yen due to a decrease in gain on foreign currency exchange and differences in consumption tax. Impairment loss augmented regarding extraordinary loss

and net income declined 94.9% year-on-year to 5 million yen due to recording net income attributable to non-controlling shareholders.

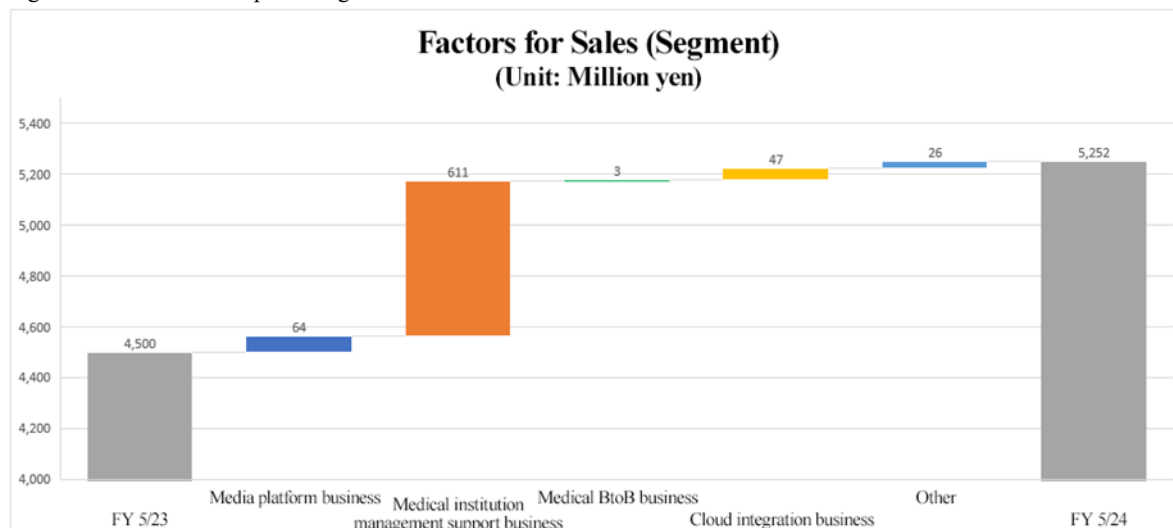
Regarding dividends, the company will pay a year-end dividend of 3.00 yen/share, up 0.50 yen/share from the previous fiscal year, as forecast.

(2) Trend in each segment

	FY 5/23	Ratio to Sales	FY 5/24	Ratio to Sales	YoY
Media Platform Business	1,061	23.6%	1,125	21.4%	+6.0%
Medical Institution Management Support Business	3,254	72.3%	3,865	73.6%	+18.8%
Medical BtoB Business	181	4.0%	184	3.5%	+1.8%
Cloud Integration Business	-	-	47	0.9%	-
Other	3	0.1%	29	0.6%	+711.7%
Adjustment	-0	-	-0	-	-
Total sales	4,500	100.0%	5,252	100.0%	+16.7%
Media Platform Business	628	59.3%	626	55.7%	-0.3%
Medical Institution Management Support Business	147	4.5%	189	4.9%	+28.4%
Medical BtoB Business	49	27.4%	20	10.9%	-59.3%
Cloud Integration Business	-	-	-6	-	-
Other	3	100.0%	-64	-	-
Adjustment	-450	-	-467	-	-
Total operating income	379	8.4%	298	5.7%	-21.4%

*Unit: million yen.

* Ratio to sales of operating income is operating income margin. "Other" indicates business undertaking administrative tasks, a business segment not included in reported segments.



Created by Investment Bridge based on disclosed material of the company.

◎ **Media Platform Business**

Sales grew 6.0% year-on-year to 1,125 million yen, while operating income dropped 0.3% year-on-year to 626 million yen. Advertising in the new dentistry-related media, released to deliver even better information to consumers, was healthy. In addition, the motivation of dental clinics to post ads was high as the existing media had been upgraded to adapt to updates in the Google algorithm and the demand for voluntary medical treatments remains high. Consequently, sales increased. Profit slightly declined due to an augmentation of personnel costs in step with launching new media.

◎ **Medical Institution Management Support Business**

Sales increased 18.8% year-on-year to 3,865 million yen and operating income rose 28.4% year-on-year to 189 million yen. (Web marketing)

Regarding SEO services, the performance of the service that allows for both increasing access and improving the search result position was healthy, leading to continuous revenues. Regarding listing ads, the company focus on expanding the service line-up, by launching a management service for TikTok ads in addition to Yahoo! and Google listing ads and LINE ads we originally offer, in order to address the diversified and detailed needs of users. Consequently, sales grew.

(Website creation and maintenance service)

The company offers a service for website creation and maintenance, whose main clients are dental clinics and beauty salons. As it is now possible to easily acquire and post information without any professional knowledge, these websites serve for posting accurate information beneficial to consumers. Although the orders for website creation certainly increased, sales declined.

(Operation of dental clinics)

The company operates three dental clinics in Bangkok, Thailand, through a consolidated subsidiary and its consolidated subsidiary (second-tier subsidiary), training human resources, developing the organization and providing Japanese medical care under the motto of “patient first.” As a result, all three clinics have grown into international clinics trusted in Bangkok, leading to a growth in sales.

(Dental dealer business)

The company engages in dental dealer business through a consolidated subsidiary in Japan and its two consolidated subsidiaries (second-tier subsidiaries) in Bangkok, Thailand. The business in Japan is operated via two bases in Tokyo and Osaka, performing favorably especially in Osaka. Moreover, the business in Thailand was healthy, leading to an increase in sales.

In November 2023, an absorption-type merger was performed with Okamura Co., Ltd., a consolidated subsidiary, as the surviving company, while Okamura Osaka Co., Ltd. was absorbed.

(Planning and wholesale of pharmaceuticals and quasi-drugs for the general public)

Sales grew due to enhancing the sale of the mainstay private brand products.

(Comprehensive support for dental clinic)

The real estate business was launched on a full scale, steadily achieving results in the sale of real estate. In addition, the number of contracts for management support service increased. Moreover, the company proactively kept recruiting personnel and sales grew.

◎ **Medical BtoB Business**

Sales increased 1.8% year-on-year to 184 million, while operating income fell 59.3% year-on-year to 20 million yen.

Dentistry-related companies tended to advertise on real-life occasions, such as academic conferences and exhibitions. However, the demand for Internet advertising rose during the COVID-19 pandemic and this type of advertising became widely spread. Currently, the opportunities offered by academic conferences and exhibitions are again available and the company provided fitting solutions for advertisement among the diversification of advertising methods, leading to a growth in sales. Profits declined as the company focused on services with a high cost-of-sales ratio to expand their business operations.

◎ Cloud Integration Business

Sales stood at 47 million yen and operating loss at 6 million yen.

The company offers a service for the development, installation, and maintenance of POS systems to the retailing and manufacturing industry and hospitals in Thailand through AVision Co., Ltd., which was turned into a consolidated subsidiary (second-tier subsidiary) in fiscal year ended May 2024. Their aim is to encourage the utilization of IT at dental clinics and build a dental care platform in Thailand. On turning AVision Co., Ltd. into a consolidated subsidiary, the company revised the management environment and recorded costs stemming from appropriate personnel allocation, which led to an operating loss.

◎ Other

Sales rose 711.7% year-on-year to 29 million yen, while operating loss was 64 million yen (in the previous fiscal year, a profit of 3 million yen was achieved).

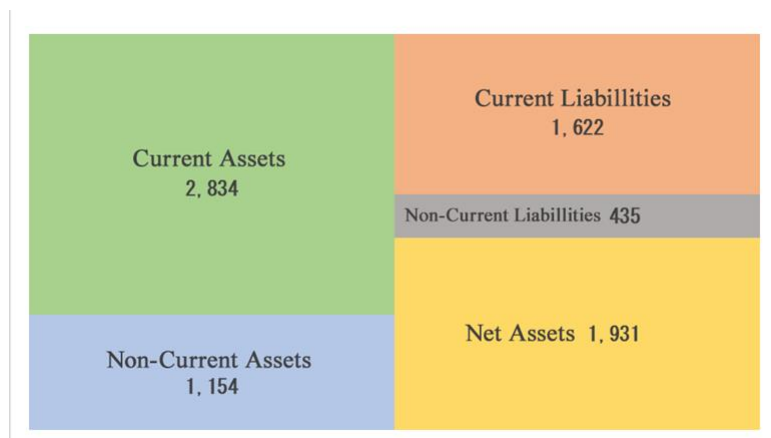
In the business of undertaking administrative tasks, the company undertakes administrative tasks and offers services for accounting, HR, general affairs, MiRTeL Co. Ltd., which was made into a consolidated subsidiary in the fiscal year ended May 2024, is also included in this segment. MiRTeL is developing the Pre-disease/Prevention Platform Business as a provider of science solutions.

(3) Financial Condition and Cash Flows

◎ Main BS

	End of May 2023	End of May 2024		End of May 2023	End of May 2024
Current assets	2,459	2,834	Current liabilities	1,437	1,622
Cash and deposits	1,518	1,528	Trade payable	322	436
Trade receivable	693	842	Non-current liabilities	100	435
Non-current assets	1,007	1,154	Long term interest-bearing liabilities	82	387
Property, plant, and equipment	111	125	Total liabilities	1,538	2,057
Intangible assets	305	460	Net assets	1,929	1,931
Investments and other assets	590	568	Retained earnings	1,710	1,693
Total assets	3,467	3,989	Total liabilities and net assets	3,467	3,989

*Unit: million yen.



* Created by Investment Bridge based on disclosed material of the company.

Total assets grew 522 million yen year-on-year to 3,989 million yen due to an increase in accounts receivable and goodwill. Total liabilities increased 519 million yen year-on-year to 2,057 million yen due to an increase in accounts payable and long-term borrowings.

Total net assets increased 2 million yen year-on-year to 1,931 million yen due to recording net income attributable to owners of the parent.

Equity ratio was 47.8% (55.3% at the end of the previous term).

◎ Cash Flow

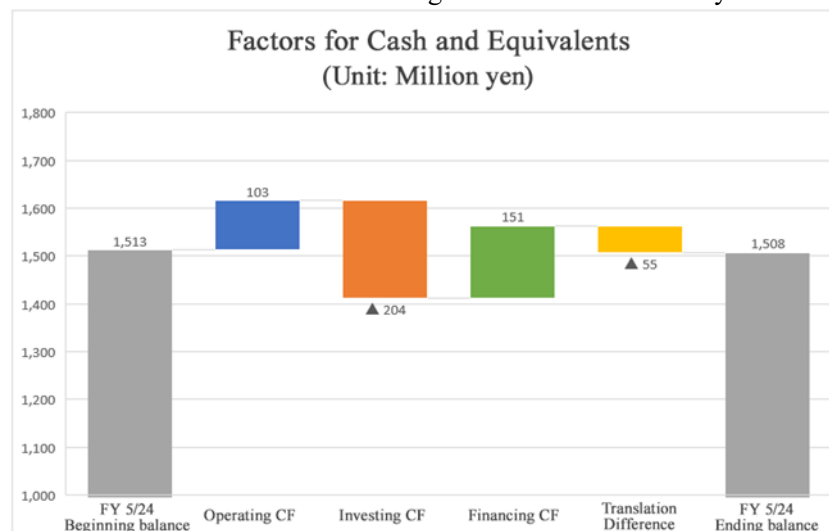
	FY 5/23	FY 5/24	Increase/decrease	YoY
Operating Cash Flow	429	119	-309	-72.3%
Investing Cash Flow	-62	-285	-223	-
Free Cash Flow	366	-165	-531	-
Financing Cash Flow	-17	144	+161	-
Balance of Cash and Equivalents at Year-end	1,513	1,507	-5	-0.4%

*Unit: million yen.

The cash and cash equivalents at the end of the fiscal year stood at 1,507 million yen, remaining almost unchanged from the end of the previous fiscal year.

Operating cash flow decreased 309 million yen due to a decline in net income before taxes, augmentation of accounts receivable, and increase in inventories. Cash outflow from investing activities increased due to an increase in the costs of subsidiary shares acquired in step with changes in the scope of consolidation. Free cash flow changed from an income of 366 million yen from the previous fiscal year to a loss of 165 million yen.

There was a cash inflow from financing activities of 144 million yen due to income from long-term borrowings.



* Created by Investment Bridge based on disclosed material of the company.

3. Fiscal Year Ending May 2025 Earnings Forecasts

(1) Full-year Earnings Forecasts

	FY 5/24	Ratio to Sales	FY 5/25 (Est.)	Ratio to Sales	YoY
Net Sales	5,252	100.0%	6,400	100.0%	+21.9%
Operating Income	298	5.7%	330	5.2%	+10.6%
Ordinary Income	322	6.1%	305	4.8%	-5.4%
Net Income	5	0.1%	136	2.1%	+2182%

*Unit: million yen.

*Estimates are those of the company.

Projecting sales to grow 21.9% year-on-year and operating income to rise 10.6% year-on-year in FY 5/2025

For fiscal year ending May 2025, sales are projected to grow 21.9% year-on-year to 6.4 billion yen, operating income to rise 10.6% year-on-year to 330 million yen, and ordinary income to decline 5.4% year-on-year to 305 million yen. Net income is expected to increase significantly from 5 million yen in the previous fiscal year to 136 million yen.

The company will continue to promote the real estate business and the business in Thailand and expand its business range, including the Pre-disease/Prevention Platform Business, expecting growth in sales. In terms of profit, a double-digit growth of operating income is expected despite continuous investments in human resources and upfront investments in new businesses. The company will continue with strategic investments for the enhancement of the organizational structure as a step toward expanding business operations and for growth.

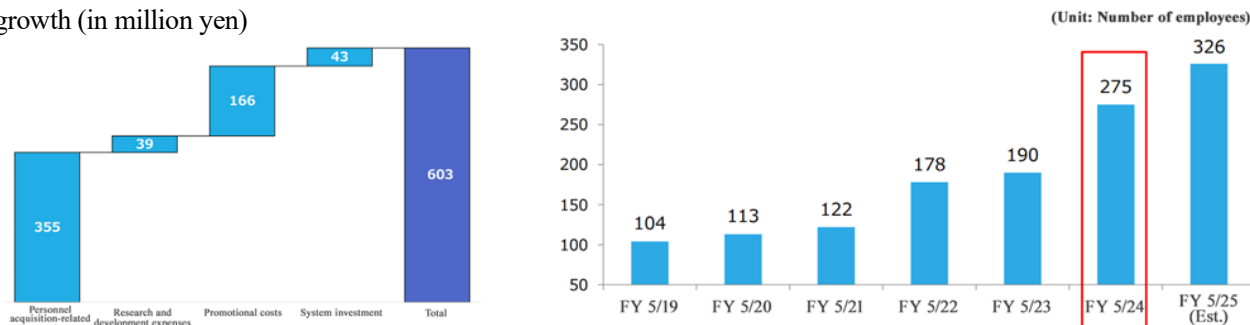
Regarding dividends, we plan to pay a year-end dividend of 3.00 yen/share, like in the previous fiscal year.

The company will continue active investment for growth in the fiscal year ending May 2025.

Human investment	<ul style="list-style-type: none"> ▪ Personnel cost is projected to augment 176.9% year-on-year. ▪ Recruitment of 40 mid-career workers ▪ The company plans to employ 11 new graduates in May 2025.
Business investment	<ul style="list-style-type: none"> ▪ New business ▪ V-shaped recovery and further expansion of the Medical BtoB Business ▪ Overseas expansion of the dental business ▪ Expansion of the dental dealer business ▪ Establishment of a platform for receiving and placing orders, which is for dental clinics ▪ Development of the “Pre-disease/Prevention Platform Business” ▪ Promotion of the Cloud Integration Business

Investments for fiscal year ending May 2025 aimed at growth and Human Resources Investment

Investments for fiscal year ending May 2025 aimed at growth (in million yen) Human Resources Investment (Number of employees)



(from company data)

Continue to focus on hiring mid-career recruits to strengthen human resources in fiscal year ending May 2025

Planning to hire 40 mid-career recruits to reinforce the organizational structure for expanding business operations and business

(2) Main initiatives in each business

Business	Initiatives
Media platform Dentistry and beauty care	<ul style="list-style-type: none"> To strengthen human resources To improve and enrich services and enhance the promotion of services with sales staff. To improve specialized contents To help enhance general health by treating the mouth
Medical institution management support	<ul style="list-style-type: none"> Cultivation of new channels and establishment of a revenue model Comprehensive support, including the support for the opening and management of dental clinics via multiple channels and the life support for individual dentists. To find projects for supporting the opening and management of clinics through seminars, colleges, and study groups To expand the dental dealer business Sale of pharmaceutical and quasi-pharmaceutical products Expansion of the dental business in Thailand Promotion of real estate business
Medical B to B	<ul style="list-style-type: none"> To enhance measures for increasing members Development of new services, and enhancement of sale Holding dental shows both in-person and online Launching the personnel placement service on a full scale
Cloud Integration	<ul style="list-style-type: none"> Development, installation, and maintenance services for POS systems in Thailand
Business development, management plans, and other	<ul style="list-style-type: none"> New business Continuity of collaborative research with Okayama University “Pre-disease/Prevention Platform Business”

(3) Assumptions for the plans

Sales are expected to grow in each business.

Business	Sales condition
Media platform	<ul style="list-style-type: none"> In the dental field, the number of orders received is expected to be healthy like in the previous year, expecting to achieve revenue expansion through the introduction of new services. Shore up customer referral to the beauty care field with the aim of recovering revenues.
Medical institution management support	<ul style="list-style-type: none"> To strengthen the system, launch new business, release new products, and brush up the earning capacity of existing businesses, revenues are projected to expand. Synergy will emerge between the pharmaceutical products sale business and the dental dealer business, and both businesses are expected to grow. The company aims to increase revenues by promoting the business of supporting dental clinics in management and the dental dealer business in Thailand. The company is launching its real estate business in earnest.
Medical B to B	<ul style="list-style-type: none"> The company will make efforts to increase sales by enriching the services of Dentwave.com and releasing new services.
Cloud Integration	<ul style="list-style-type: none"> Promote the business of development, installation, and maintenance services for POS systems in Thailand.
Other	<ul style="list-style-type: none"> Enhance the “Pre-disease/Prevention Platform Business.”

Cost of goods purchased, and personnel expenses are projected to increase.

Expenses	Outlook
Cost of sales (procurement amount)	<ul style="list-style-type: none"> The amount of goods purchased will increase, due to the sales growth of the dental dealer business and the full-scale start of the real estate business. Labor costs are forecasted to increase due to business expansion through diversification of services such as expansion of existing websites and development of new websites.
SGA (personnel expenses)	<ul style="list-style-type: none"> Costs for human resources and new services are to increase, as the company will fortify its organizational structure.

(4) The Medium-term Management Plan of MiRTeL

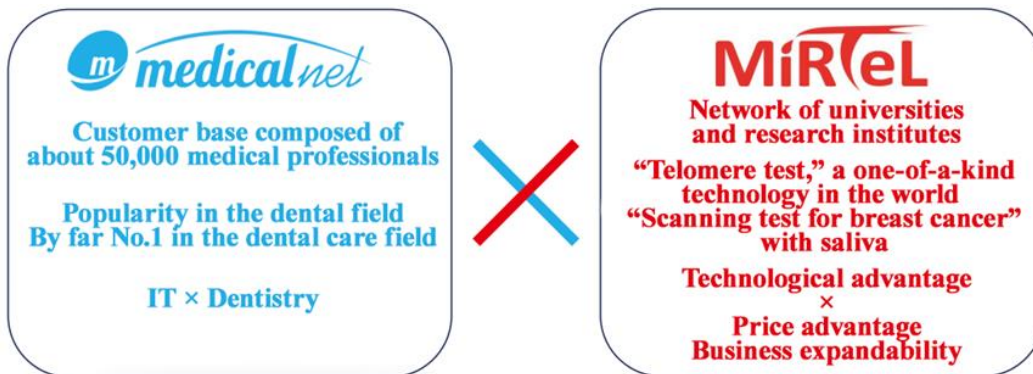
MiRTeL, which was made into a subsidiary in January 2024, is projected to significantly drive the company’s growth.

About MiRTeL

MiRTeL upholds “guiding holistic health from oral well-being and creating a society where people can lead healthy and rich lives” as its mission, aiming for developing a business of the “pre-disease/prevention platform” as a new stage of growth.

As a provider of science solutions which “visualize” health and illness from various viewpoints, they provide services for undertaking clinical tests to medical institutions, so that all people in the world can lead healthy and rich lives.

By including MiRTeL in the Medical Net group, the company will change the general idea that dental clinics are just a place for treating cavities and prevent illnesses before their onset through dental clinics and oral care, bringing more smiles to the world.



(from company data)

Main services

MiRTeL’s original test services (powered by Hiroshima University technologies)

Pre-disease

Telomere test

Test for visualizing presymptomatic conditions

Evaluating telomere G-tail, which is susceptible to oxidative stress, which is a major factor in aging and disorder, with a **one-of-a-kind measurement technology in the world**

2013 Start of sale to medical institutions

2018 Release of a gene stress test (only for the G-tail)

Early detection

Scanning test for breast cancer

Breast cancer, which is contracted by an increasing number of women

There is a test that can be performed easily for checking the risk of this cancer.

(from company data)

The Mid-term Management Plan of MiRTeL

- Proactively invest in additional measures as well as base businesses.
- Planning to record a positive operating income by fiscal year ending May 2026.



Figure for five months, because it became a consolidated subsidiary in January 2024

(from company data)

Growth strategy

<p>Reinforcement of base businesses</p> <ul style="list-style-type: none"> ▶E-commerce platform (requiring only LINE) ▶Launch and promote cooperation between the public and private sector ▶Promote B2H and B2C sale in the pre-disease testing business ▶Revise service prices 	<p>Investment in additional measures</p> <ul style="list-style-type: none"> ▶Develop cancer insurance which includes risk testing ▶Promote inclusion in employee benefits by companies ▶Sale on the board of inbound ships ▶B2C sale via Amazon
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Measures in progress ①

•Launching the e-commerce sale of the “scanning test for breast cancer,” requiring LINE only
 Product purchase is possible immediately after the registration as a LINE friend. Only LINE is required for the whole process, including the check of test results. FAQ can be viewed, and inquiries can be made via LINE.






(from company data)

Measures in progress ②

Launching study experiments based on the cooperation between the public and private sectors.
 In June 2020, MiRTel launched study experiments for improving breast cancer screening rate jointly with Kure City, Hiroshima Prefecture, and My Life Co., Ltd, studying:

- ① the possibility of introducing patients to breast cancer examinations as a result of convenience gained by risk testing.
- ② Effects of introduction to population-based screening and opportunistic screening through various examination methods and post-examination follow-up.

Cooperation system/role:MiRTeL Co. Ltd., My Life Co., Ltd., Kure City			
	 Kure City	 My Life Co., Ltd.	 MiRTeL Co. Ltd.
Tool plan	<ul style="list-style-type: none"> To extract information on those who have not undergone breast cancer screening (30-39 years old, 40-64 years old) To design tools (flyers, posters, promotional flags, booklets to be distributed after screening) To discuss and determine how to notify citizens To plan questionnaire surveys for checking effects 	<ul style="list-style-type: none"> To design tools (flyers, posters, promotional flags, booklets to be distributed after screening) To plan explanation on results and guidance after screening Manual for guidance and education of employees 	<ul style="list-style-type: none"> To design tools (flyers, posters, promotional flags, booklets to be distributed after screening) To design web tools (development of web tools with ChatGPT) To plan explanation on results and guidance after screening
Advance preparation	<ul style="list-style-type: none"> To prepare notifications to citizens (in writing/online) and dispatch them To prepare a desk for dealing with inquiries It is necessary to determine whether a city hall operates a desk for screening. 	<ul style="list-style-type: none"> Production and printing of reference material for guidance and explanations Guidance and education for employees 	<ul style="list-style-type: none"> Production and printing of tools Production of web tools, and installation in websites
Start of business	<ul style="list-style-type: none"> Postal mail To deal with inquiries It is necessary to determine whether a city hall operates a desk for screening. 	<ul style="list-style-type: none"> Reception (distribution of sampling kits) 	<ul style="list-style-type: none"> Measurement for testing/reporting
Encouraging people to undergo a health checkup	<ul style="list-style-type: none"> Follow-up care after screening 	<ul style="list-style-type: none"> Reporting (explanation, guidance, encouragement to undergo screening, and questionnaire) 	<ul style="list-style-type: none"> Encouragement with the link to reports
Verification of effects and reporting	<ul style="list-style-type: none"> Summarization of questionnaire results 	<ul style="list-style-type: none"> Discussions on the results of questionnaire surveys (acceptance and reporting) 	<ul style="list-style-type: none"> Discussions on the results of questionnaire surveys (to discuss the effectiveness of a pre-screening risk test)

(from company data)

4. Mid-term Management Plan

Sales in the fiscal year ended May 2024 fell short of the forecast announced in October 2020. Sales of 6.4 billion yen are expected for the fiscal year ending May 2025, but projected to fall short of ten billion yen stated in the initial forecast.

Moreover, when compared to the time when the previous mid-term management plan was formulated, the company now has more consolidated subsidiaries and has also entered into new fields. Consequently, the current structure is not consistent with strategies and tactics based on the mid-term management plan formulated 5 years ago.

As a result, the mid-term management plan was newly formulated.

In the new mid-term management plan, the company is going to aim for sales of 12 billion yen and an operating income of 1.5 billion yen between fiscal year ending May 2027 and fiscal year ending May 2028.

Sales and sales growth rates for each segment are as follows.

(Unit: million yen)

	FY 5/24 (Results)	FY 5/27 - FY 5/28 (Plan)	Growth Rate
Media Platform	1,125	2.2 billion yen	202%
Medical Institution Management Support	3,865	7.3 billion yen	191%
Medical BtoB	184	0.6 billion yen	327%
Cloud Integration	47	0.4 billion yen	851%
Others	29	1.4 billion yen	4,865%
Total	5,252	12 billion yen	230%

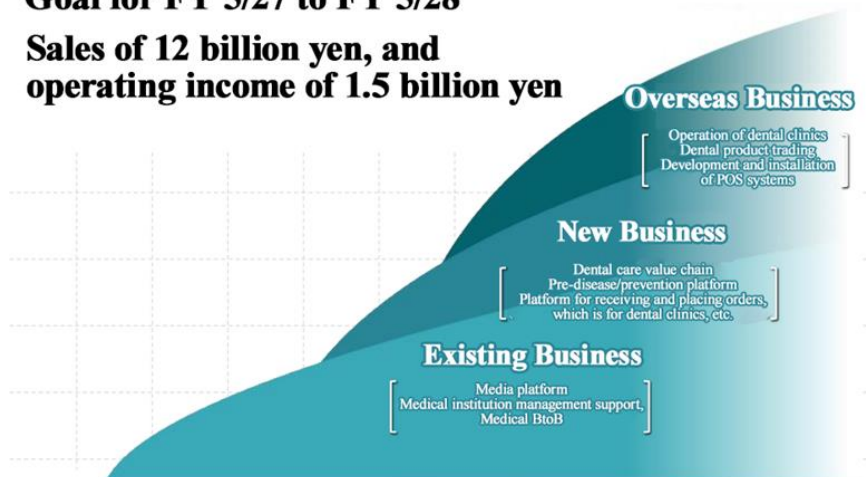
※ For the fiscal year ended May 2024, the figures after the acquisition of MiRTeL (other) and AVision (cloud integration) as consolidated subsidiaries were recorded. (5 months for MiRTeL and 2 months for AVision)

(from company data)

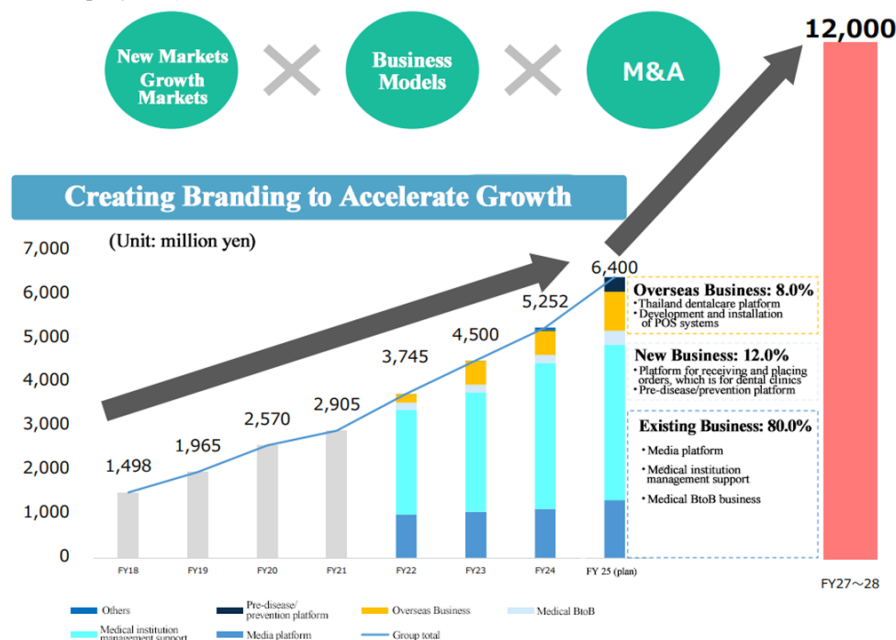
Future growth strategy and driver

Goal for FY 5/27 to FY 5/28

Sales of 12 billion yen, and operating income of 1.5 billion yen



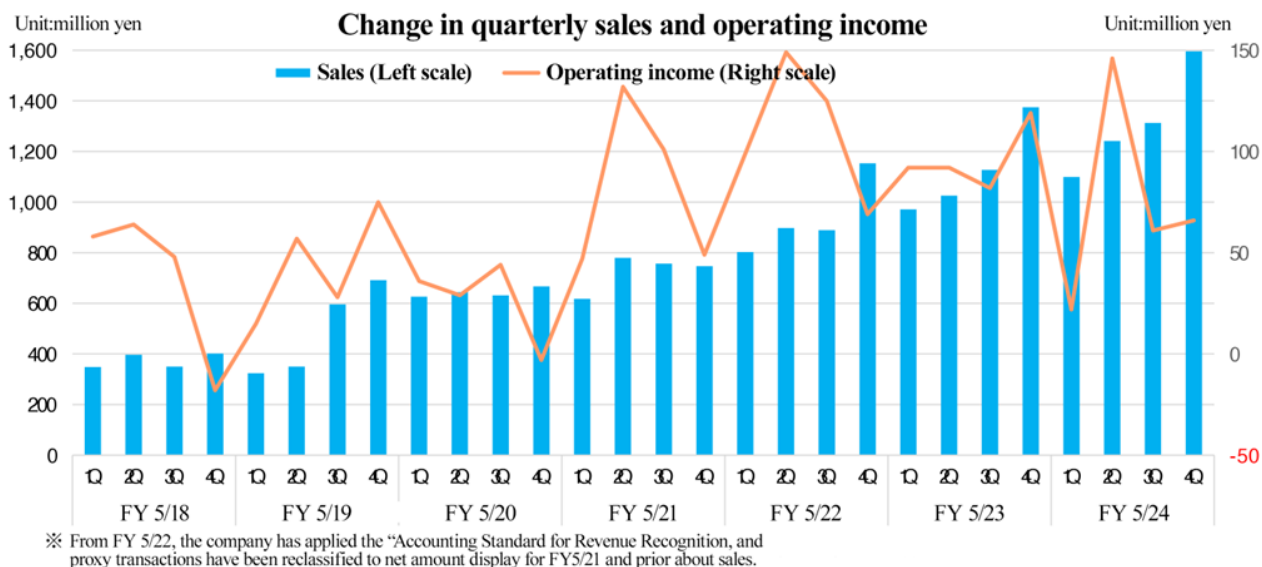
(from company data)



(from company data)

5. Conclusions

Regarding results in fiscal year ended May 2024, profit declined despite a continuous double-digit growth in sales as personnel costs for growth increased and MiRTeL Co. Ltd., which was made into a consolidated subsidiary in January 2024, is in a growth phase and its business has not been monetized yet. In the forecast for the fiscal year ending May 2025, profit margin is projected to drop again despite a double-digit growth of profit due to investment in human resources and development of new businesses, while sales keep demonstrating a double-digit growth. On the other hand, measures toward future growth have recently been announced in rapid succession. Among these measures, the company harbors expectations especially for the growth of MiRTeL, which was turned into a subsidiary in January. They are planning to achieve profitability by the fiscal year ending May 2026 and we would like to keep an eye on the progress. Moreover, the latest financial results prove that the company is steadily expanding orders received and sales in existing businesses. Share price has been in the low-price zone in the last 4 years while a full-fledged growth of sales was achieved. The price-to-earnings ratio (PER) remains low in proportion to the growth of sales, and it is assumed that it will improve gradually from now on. We would like to keep an eye on the progress of the new mid-term management plan as well.



*Produced by Investment Bridge with reference to the brief financial report

◎ Shareholder benefits

The company will continue the shareholder benefits program with the objective of further treasuring the relationship with shareholders who hold the company shares in the medium/long term. The value of QUO cards presented as shareholder benefits was raised, provided for the first time in the program for shareholders as of May 31, 2024.

(Values following the change are stated in bold)

As of the end of May

1,000 yen for shareholders holding 100 or more shares for 1 or more years.

1,500 yen for shareholders holding 600 or more shares for 1 or more years and less than 3 years.

1,500 yen → **2,000 yen** for shareholders holding 600 or more shares for 3 or more years.

1,500 yen → **2,000 yen** for shareholders holding 1,000 or more shares for 1 or more years and less than 3 years.

2,000 yen → **5,000 yen** for shareholders holding 1,000 or more shares for 3 or more years.



(from company data)

<Reference: Regarding Corporate Governance>

◎Organization type and the composition of directors and auditors

Organizational Type	Company with audit & supervisory board
Directors	6 directors, including 2 outside directors
Auditors	4 auditors, including 4 outside auditors

◎Corporate Governance Report

Last update date: September 2, 2024

<Basic Concept>

Our basic policy for corporate governance is to fulfill social responsibilities toward all stakeholders, including shareholders, clients, end users, employees, and local communities, as a member of the corporate society based on the soundness, efficiency, and transparency of our business administration, while maximizing the interests of shareholders.

To do so, we will tighten our corporate governance according to changes in the business environment without resting on our laurels and strive to maximize our corporate value.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code>

It is written that “Our company follows all of the basic principles of the Corporate Governance Code.”

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