

MOTHERS 2150 CareNet, Inc

Sector; Service

6-Nov-07

Contents maker linking medical institution and drug firm through I T

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report@ftg.jp**Company profile**

Representative Naoya Takuma URL: <http://www.caret.net.co.jp/>

Head Office 4-37-17 Hongo, Bunkyo-ku, Tokyo, 113-0033, Japan

Business line Sales support for drug firm, marketing research and medical contents provision for the medical industry

Shares issued 51,944 shares (4/30/2007)

Special owners 60.9%, Foreign owners 34.6%, Japanese Funds 0.0%

Major Holders JAPAN B2B LLC 8.66%, GE Capital Equity Holdings Inc. 8.66%, Japan Tobacco Inc. 8.66%, Johnson & Johnson Development Corporation 6.13%

Established July 1996

Listed April 2007

6-Nov-07

Stock price (¥) 168,000

PER(E) 9.1

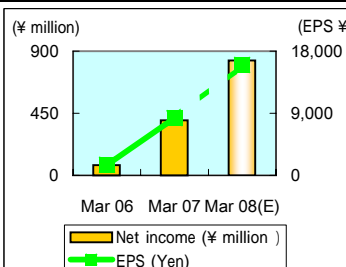
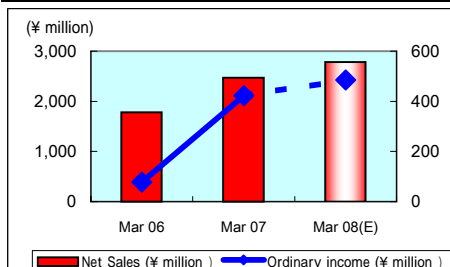
ROE(E) 54.1%

Market cap (¥ million) 8,727

Volume 4,225

Trade Unit 1

	Net Sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Dividend (Yen)	EPS (Yen)	ROE (%)
Mar 06	1,784	78	74	450	1,547	6.7
Mar 07	2,470	422	398	2,450	8,283	29.7
Mar 08(E)	2,785	485	832	2,750	16,007	54.1
Sep 08(Interim)	1,375	242	240			

**Industry trend**

The government leads a cap on medical costs and promotion of preventive medicine in the Japanese medical industry. On the other hand, overwork of doctors and collapse of medical institutions become conspicuous. The government leads a lowering of drug price and promotion of use of generic drug in the Japanese drug industry. On the other hand, the drug industry is involved in fierce competition for new drug development and industry reorganization. Therefore, the medical and drug industry face difficult task of both reducing costs and maintaining and improving services. Specifically, quality medical services and efficiency improvement in sales and information provision activities of the drug industry is required. Due to this background, medical website providing low cost and quality information with IT and sales support for drug firm has diffused. Medical information provision system is expected to continue to be required by both medical and drug industry due to the continued cap on medical costs, lowering of drug price and fierce competition among medical

Business strategy

CareNet is engaged in the following businesses. "Sales support service" for drug firm in which information is provided to doctors for sales activities efficiency improvement for drug firms. "Marketing research service" in which useful data for drug development and marketing is provided based on the data obtained from nationwide doctors. "Medical contents provision service" for the medical industry using internet, satellite broadcast and DVD. Also provides low cost and efficient medical information to doctors and drug firms using membership website(CareNet.com) and paid contents to the medical industry using satellite broadcast and DVD. The company posted ordinary losses until FY ended March 2003. however, the company moved into the black and showed steady growth after FY2003. As for FY 2008, sales is expected to be ¥2.785 billion (YoY 12%) and ordinary income to be ¥485 million (YoY 21%). Net income is expected to increase significantly YoY due to one-time factor (deferred income tax).

Corporate analysis by IR STREET

Strength	Opportunity
1.Large number of member doctors (68 thousand / FY ended Mar 2007)	1.The medical industry's enthusiasm for lifelong education
2.Use of the service by domestic and foreign drug firms (8 firms / FY ended Mar 2007)	2.Drug firm's willingness to improve efficiency of sales activities
3.Advantage of "medical contents provision service" (no competitors)	3.Entry into secondary research(fixed-point research) market
Weakness	Risk
1.Acquisition of member doctors (Approach to 180 thousand clinicians)	1.Reform of the medical system
2.Relationship with domestic and foreign drug firms (Target is about 20 firms)	2.Reorganization of the drug industry
3.Small organization (balance with business size)	3.Obsolescence of IT related technology and system

《Peer comparison》

	Fiscal Year end	Sales (¥ million)	YoY (%)	Ordinary income (¥ million)	YoY (%)	Ordinary income ratio (%)	EPS (¥)
CareNet	Mar 08(E)	2,785	12.8%	485	20.6%	17.4%	16008
So-net M3, Inc. (2413)	Mar 08(E)	6,900	20.4%	3,350	20.5%	48.6%	7385
Software Service, Inc. (3733)	Apr 08(E)	7,000	13.3%	1,914	12.9%	27.3%	200

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