



Presentation Material for FY2020 Q3 Financial Results

Medley, Inc.

November 13, 2020

In preparing these materials, Medley, Inc. (“the Company”) relies upon and assumes the accuracy and completeness of all available information. However, the Company make no representations or warranties of any kind, express or implied, about the completeness and accuracy. This presentation may contain future assumptions, prospects and forecasts based on planning, but these forward-looking statements are based on the information that is currently available to us, and on certain assumptions that we assume to be reasonable, but the Company does not promise to achieve these. Major differences may occur between the forecast and the actual performance, including changes in economic conditions, consumer needs and user preferences; competition with other companies; changes in laws, regulations and others; and a number of other future factors. Therefore, the actual performance announced may vary depending on these various factors. In addition, the Company has no obligation to revise or publish the future prospects posted on this site.

1. Financial Highlights

2. FY2020 Q3 Results

3. FY2020 Forecast

4. Appendix

FY2020 Q3 Results

- **Steady progress toward our earnings targets**
- **Maintained high sales growth rate and continued aggressive investment in growth**
 - Sales : JPY 1,661 million (YoY : +42%)
 - EBITDA : JPY 125 million (YoY : JPY +161 million)
- **Conducted an international offering amid rapidly growing digitization momentum**
 - Aggregate proceeds: JPY 5,440 million

FY2020 Forecast

- **Continue to make progress toward our medium- and long-term goals even as we face COVID-19**
- **Leave our FY2020 full-year forecast unchanged**
 - Sales : JPY 6,600~6,900 million (YoY : +39~45%)
 - EBITDA : JPY 500~800 million (EBITDA margin : 7~12%)
- **Strengthen efforts to reach our medium-term goals as we take into account changes in our operating environment due to COVID-19**
 - Enhance the foundation of pharmacy window support system business (Pharms)
 - ▶ Acquisition of a dispensing pharmacy operating company for the purpose of proof-of-concept testing
 - Preparation for business development in MEDS, Inc. (subsidiary providing digitalization services to life sciences companies)
 - ▶ Aggressively hire executive candidates and business promotion managers

1. Financial Highlights

2. FY2020 Q3 Results

3. FY2020 Forecast

4. Appendix

Summary of Consolidated FY2020 Q3 Results

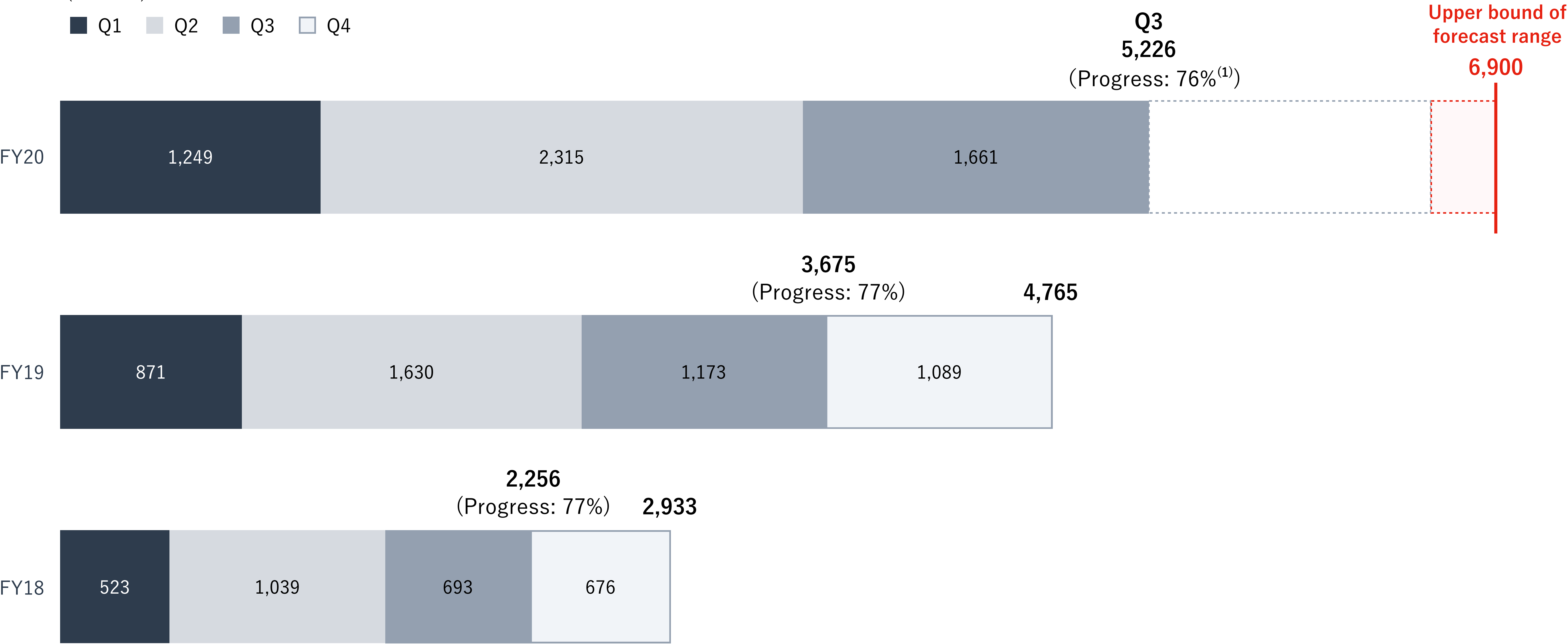
JPY mm	FY2019 Q3	FY2020 Q3	YoY growth
Sales	1,173	1,661	+42%
Gross Profit	769	1,125	+46%
EBITDA	-35	125	-
Operating Profit	-59	88	-
Ordinary Profit	-39	98	-
Profit Attributable to Owners of Parent	-40	82	-

Steady progress toward our goals: Aggregate Q1-Q3 FY2020 sales represented 76% progress toward the high end of our FY2020 forecast range.

Aggregate Q1-Q3 Sales

(JPY mm)

■ Q1 ■ Q2 ■ Q3 ■ Q4



(1) Progress toward JPY 6,900 million, which is the high end of our FY2020 forecast range of JPY 6,600 million to JPY 6,900 million

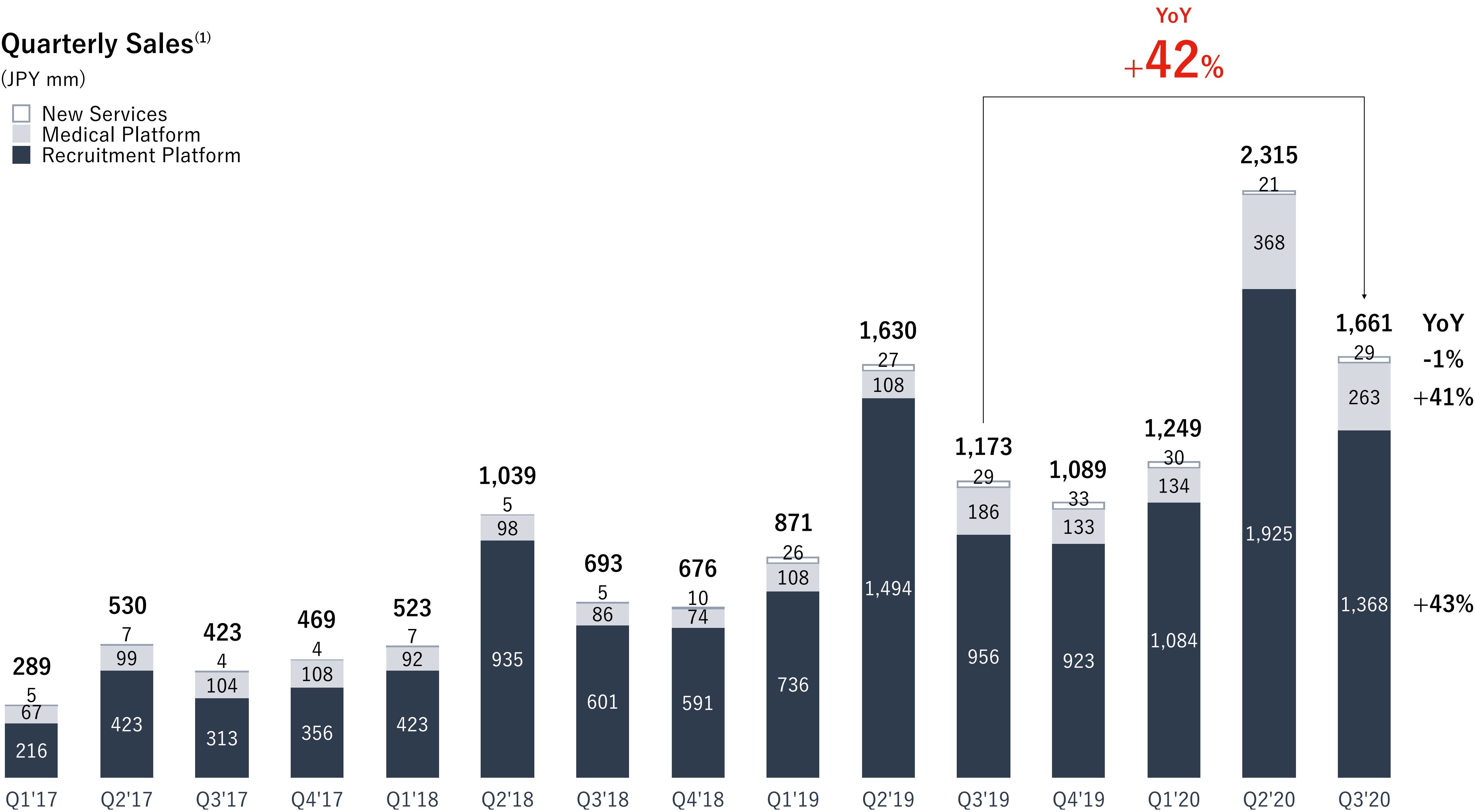
Maintained High Sales Growth Rate

Q3 FY2020 sales increased by 42% YoY, trending in line with our forecast range. In addition to steady growth in the Recruitment Platform Business returning to high levels, we launched pharmacy window support system business (Pharms) in Medical Platform Business, resulting in strong growth in overall sales.

Quarterly Sales⁽¹⁾

(JPY mm)

- New Services
- Medical Platform
- Recruitment Platform



(1) The Recruitment Platform Business posts sales based on the hire dates of new employees.

Continued Aggressive Investment in Growth Funded by Profitable Businesses

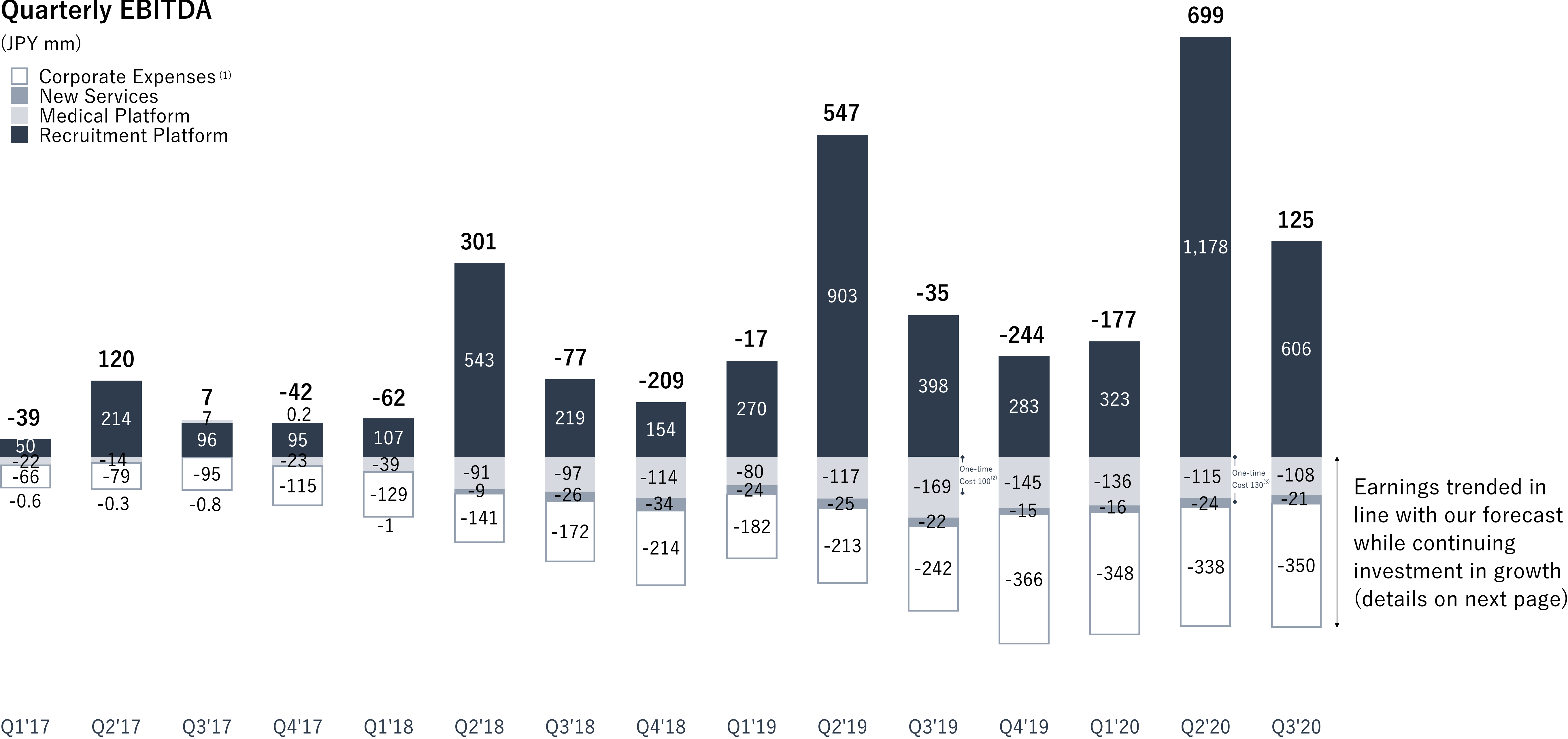


In Q3 FY2020, we continued aggressive investment in growth funded by steadily profitable businesses and earnings trended in line with our forecast.

Quarterly EBITDA

(JPY mm)

- Corporate Expenses ⁽¹⁾
- New Services
- Medical Platform
- Recruitment Platform

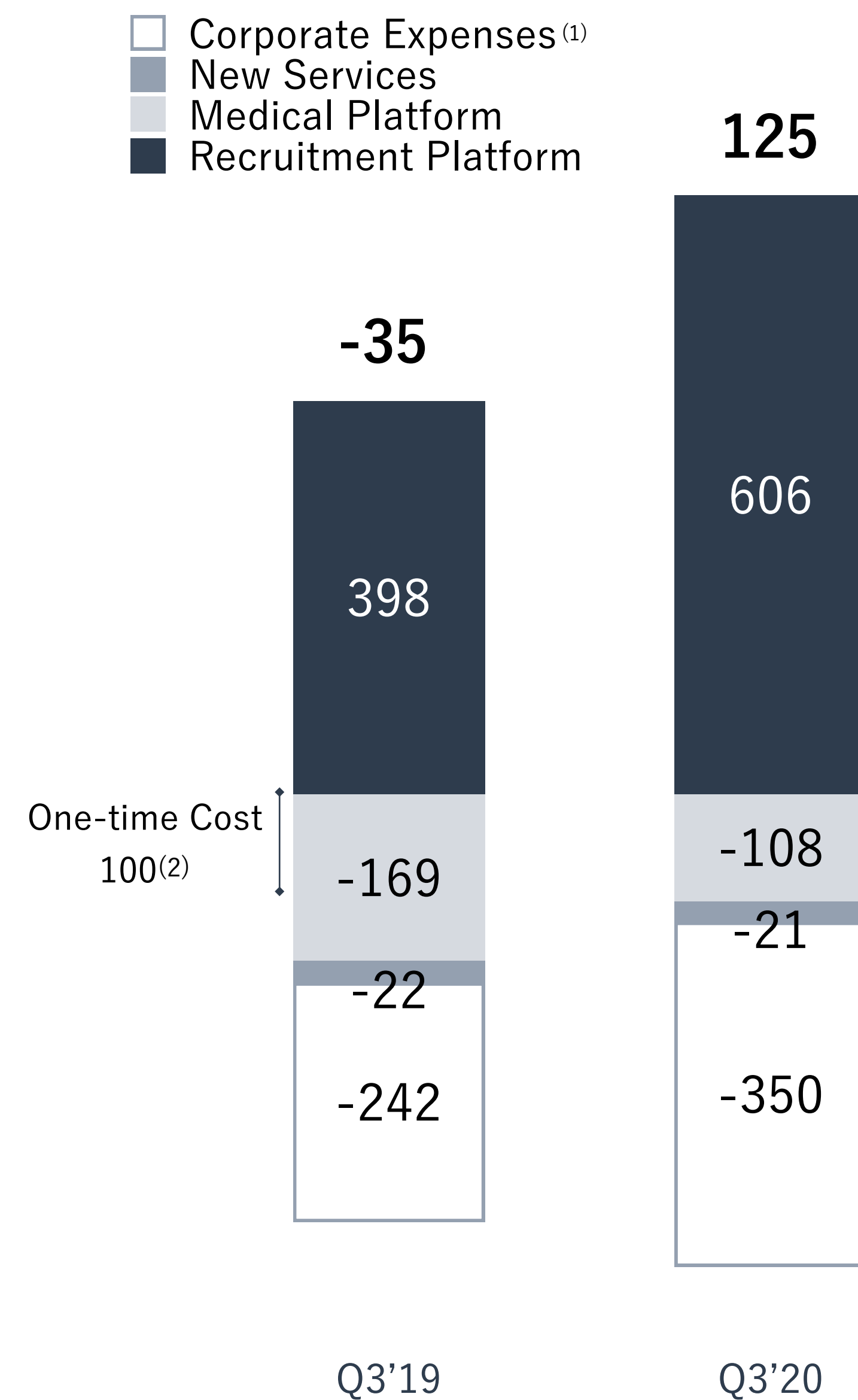


(1) Total of companywide expenses not allocated to segments and intersegment eliminations
(2) One-time cost (JPY 100 mm) for acquiring a source code to add a new function to Medical Platform
(3) One-time cost (JPY 130 mm) for acquiring EMR assets from another company

We continue aggressive investment in Medical Platform Business including pharmacy window support system business (Pharms) and MEDS. Companywide costs increased YoY on an increase in the number of corporate employees, but the ratio of companywide costs to sales remained steady.

Q3 EBITDA

(JPY mm)



Main factors contributing to change in Q3 EBITDA margin

Segment	Q3 FY19	Q3 FY20	Main factors
Recruitment PF	41.7%	44.3%	• Decline in ratio of advertising costs targeting acquisition of medical industry professionals as members, refunds for early retirement of members and personnel costs to sales
Medical PF	-91.0%	-41.1%	• Investment in Pharms and MEDS

Main factors contributing to change in Corporate Expenses

(JPY mm) *figures in parentheses show each cost to quarterly sales ratio

Cost item	Q3 FY19	Q3 FY20	Main factors
Personnel costs	103 (8.8%)	159 (9.6%)	• Expansion of corporate planning and hiring teams - Number of corporate employees: 49 in Q3 FY19 → 66 in Q3 FY20
Rents	43 (3.7%)	68 (4.1%)	• Office expansion ahead of increase in number of employees (Q4 FY19) - 357 in Q3 FY19 → 468 in Q3 FY20
Hiring costs	46 (4.0%)	27 (1.7%)	• Improved efficiency in hiring activities
Commission fees	27 (2.3%)	41 (2.5%)	• Increase in professional business outsourcing costs
Other costs	21 (1.8%)	53 (3.2%)	• Size-based business tax associated with capital increase: JPY 36mm

(1) Total of companywide expenses not allocated to segments and intersegment eliminations

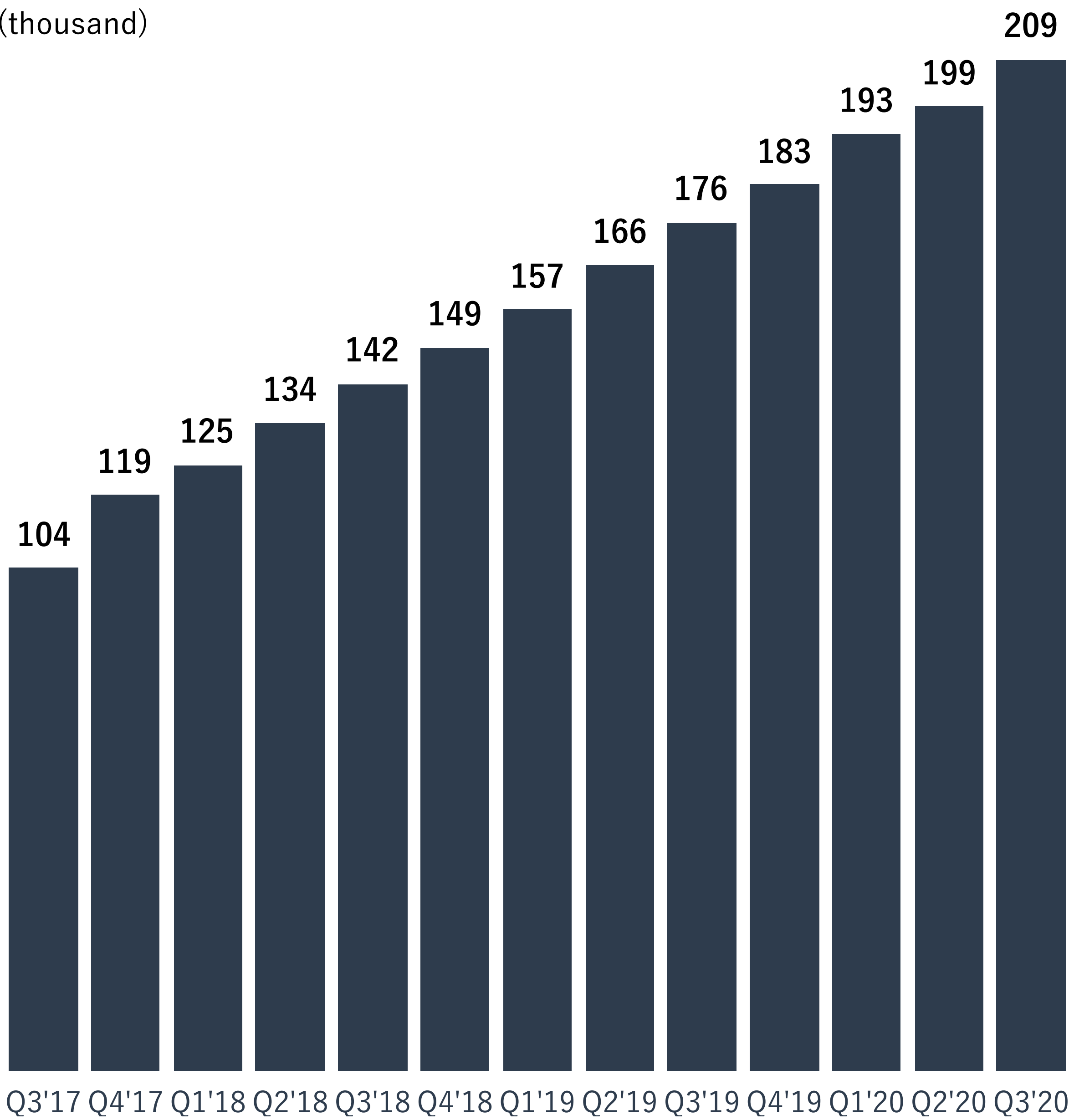
(2) One-time cost (JPY 100 mm) for acquiring a source code to add a new function to Medical Platform

Steady Growth in Number of Customers and ARPU

In Q3 FY2020, we have continued to aggressively invest in growth funded by profitable businesses. ARPU increases sharply in every Q2 as a result of the concentration of sales during the time period.

Number of Customer Offices^{(1) (2)}

(thousand)

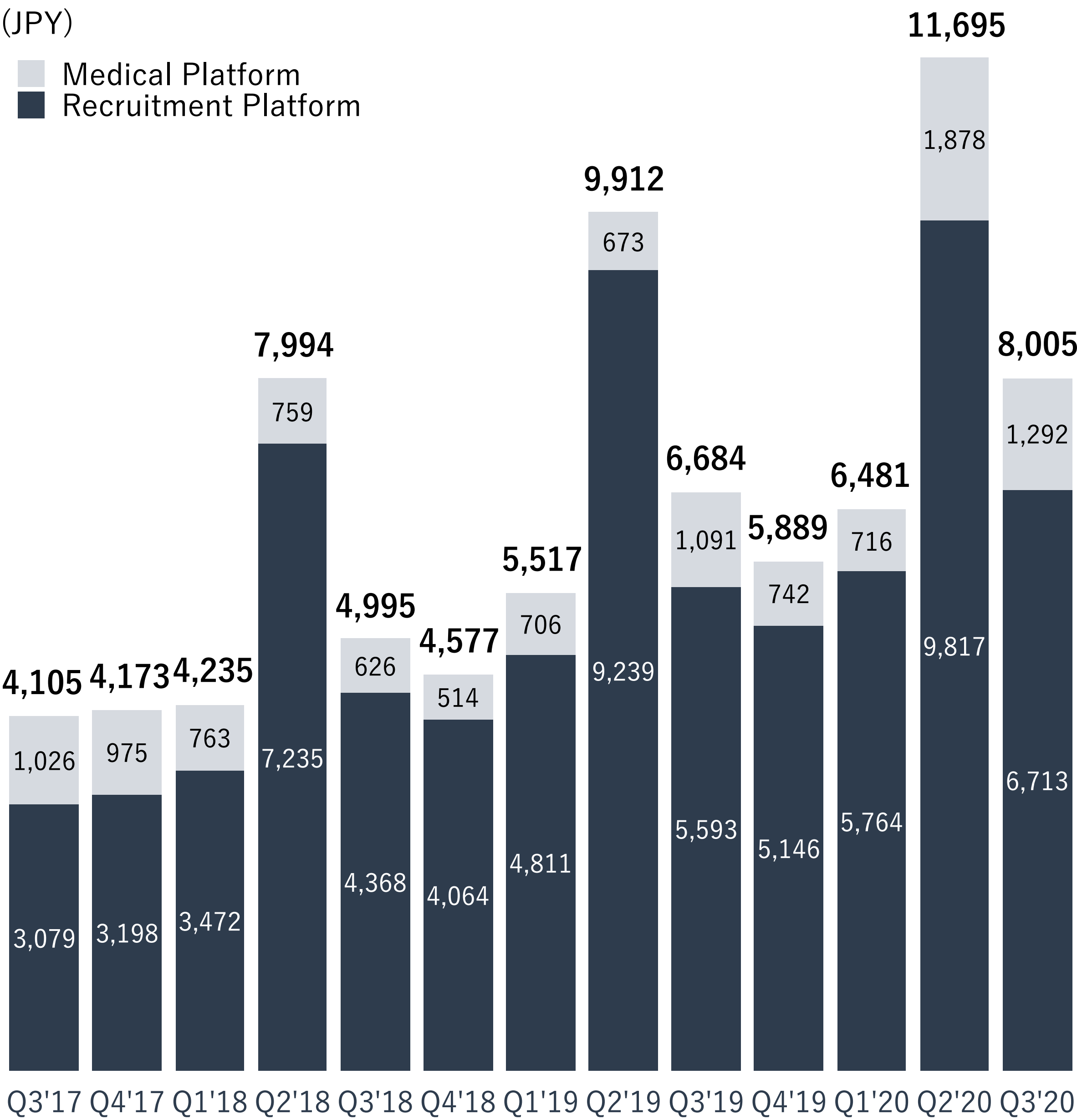


ARPU⁽³⁾

(JPY)

Medical Platform
Recruitment Platform

×



(1) Total number of customers in the Recruitment Platform and Medical Platform businesses. Please note, however, that since 4Q FY2019, customers using both platforms have been counted as a single customer account.

(2) Starting in Q2 FY2020, the number of customer offices served includes customers acquired from Life Sciences Computing Corporation.

(3) ARPU = Quarterly sales / Average number of business locations (total for Recruitment Platform and Medical Platform businesses)

ARPU for each platform = Quarterly sales of each platform / Total number of customers in the Recruitment Platform and Medical Platform businesses Please note, however, that since 4Q FY2019, customers using both platforms have been counted as a single customer account.

In September 2020, we conducted a public offering (JPY5.4 billion) in order to accelerate efforts toward early achievement of our medium-term sales targets. We will continue to expand our financing framework and borrowings while maintaining a sound financial base. (capital ratio: 78%, D/E ratio: 0.13x).

B/S as of the end of June 2020

(JPY mm)

Cash raised from LOC	Untapped LOC 850
Cash and deposits 5,480	Debt 1,360
	Other debts 1,236
Other assets 1,171	Net assets 4,054

B/S as of the end of September 2020

(JPY mm)

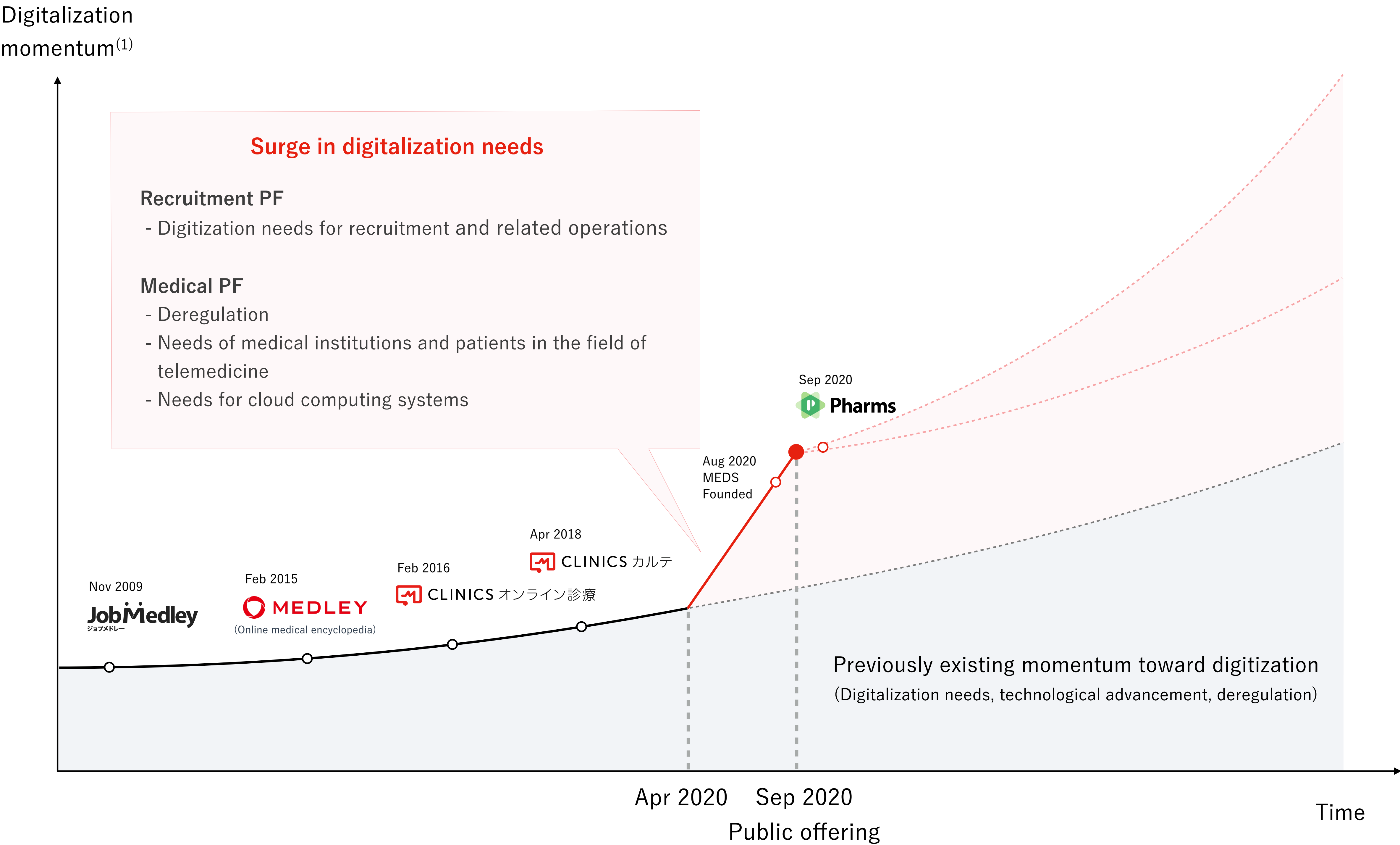
Cash raised from LOC	Untapped LOC 850
Cash and deposits 10,992	Debt 1,281
	Other debts 1,386
Other assets 1,271	Net assets 9,596

- Make appropriate use of debt whilst monitoring cost of capital
- Secure more LOC and increase borrowing to take advantage of business opportunities
 - Made decision on increase borrowings by JPY 3.0 bn on November 13
- Conducted JPY 5.4 bn public offering to accelerate investment in growth in Recruitment PF Business and Medical PF Business

Conducted public offering to take advantage of rapidly growing digitalization momentum



In September 2020, we conducted a public offering in order to take advantage of rapidly growing digitalization momentum in the medical and healthcare fields since April 2020.



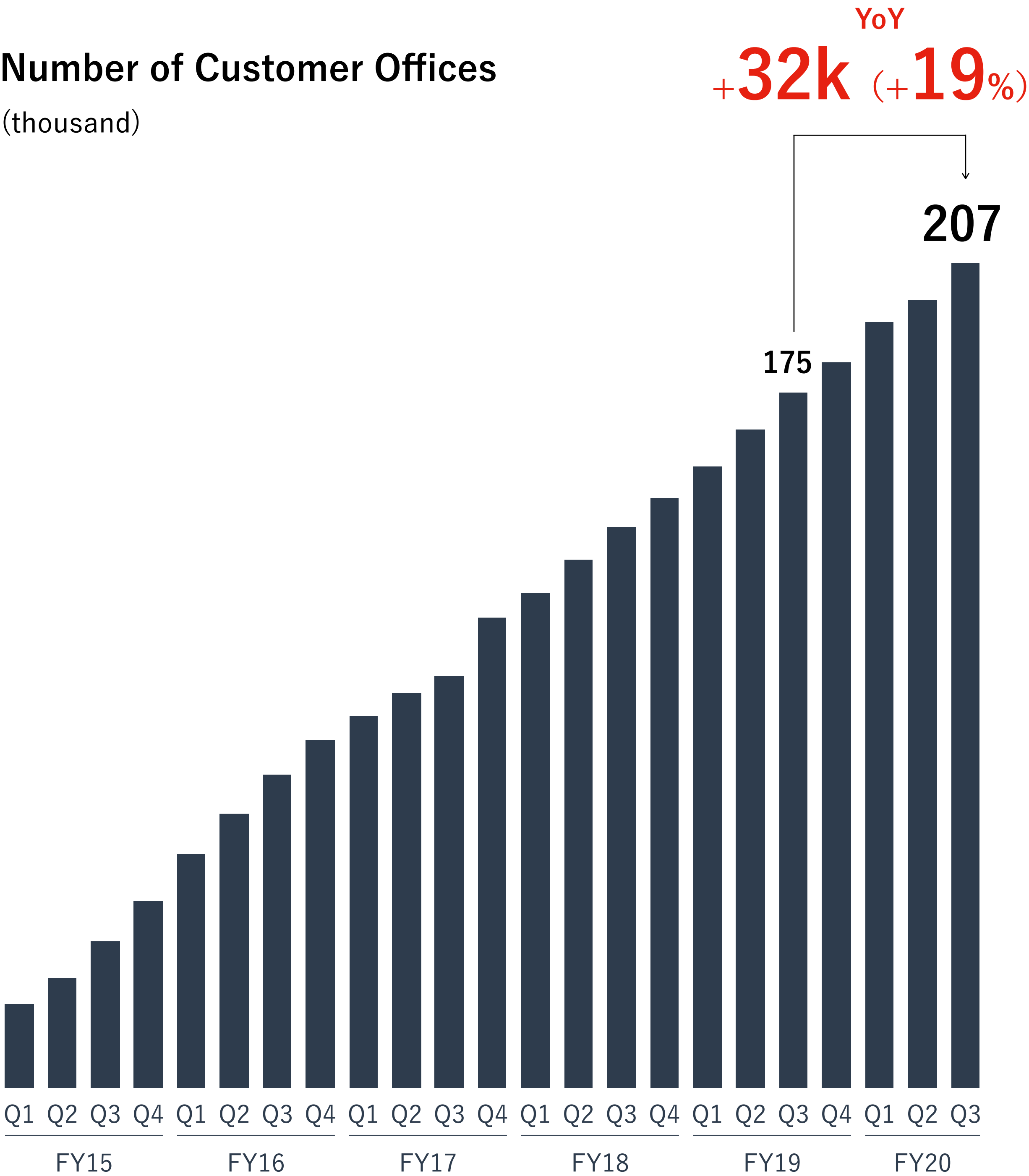
(1) The vertical axis depicts momentum toward digitalization, but is not based on any particular quantitative data.

JobMedley
ジョブメドレー

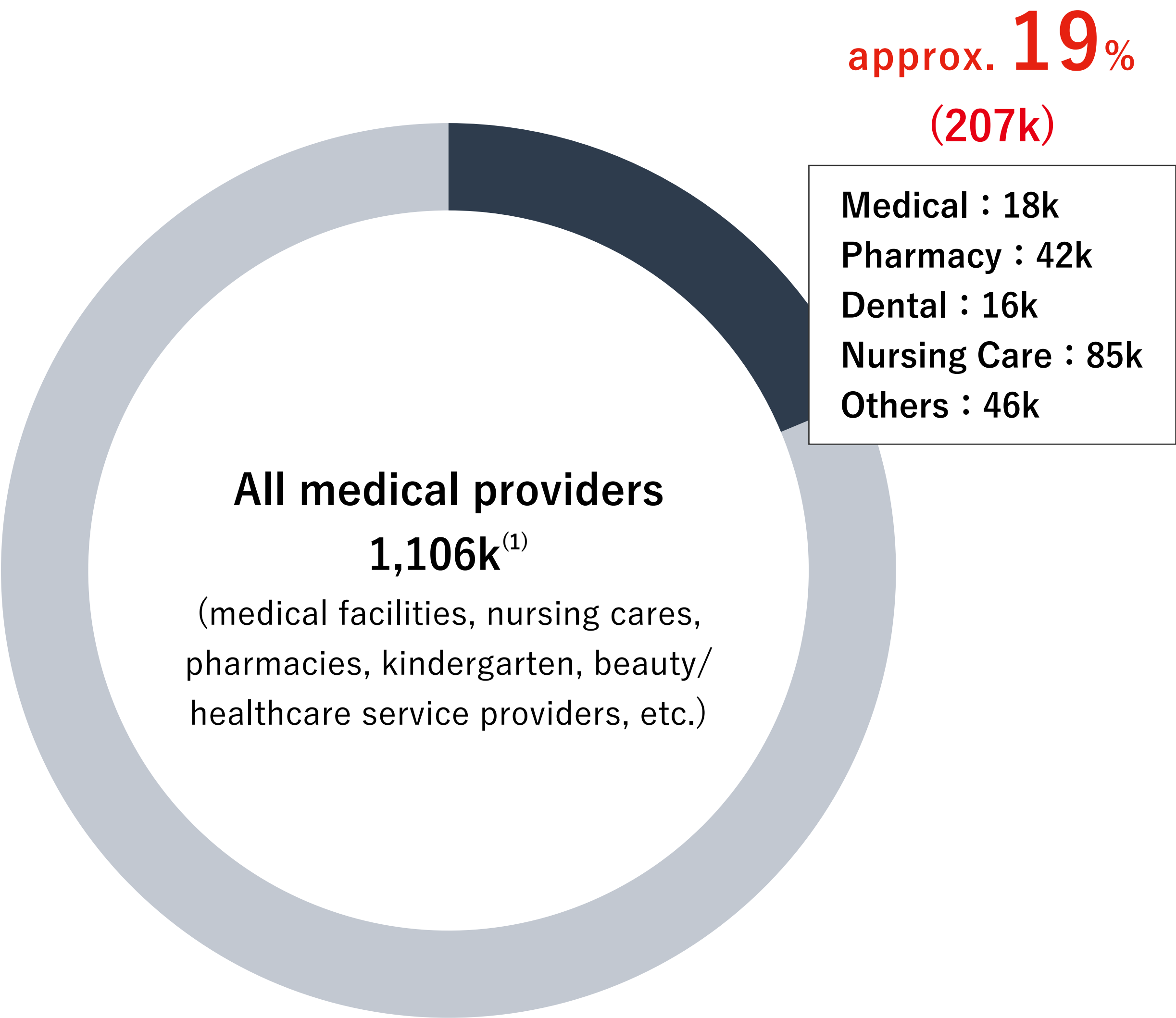
① Recruitment Platform



In Q3 FY2020, the number of customer offices served trended in line with our forecast and we currently have service contracts with 207k.



Current Customer Coverage Ratio



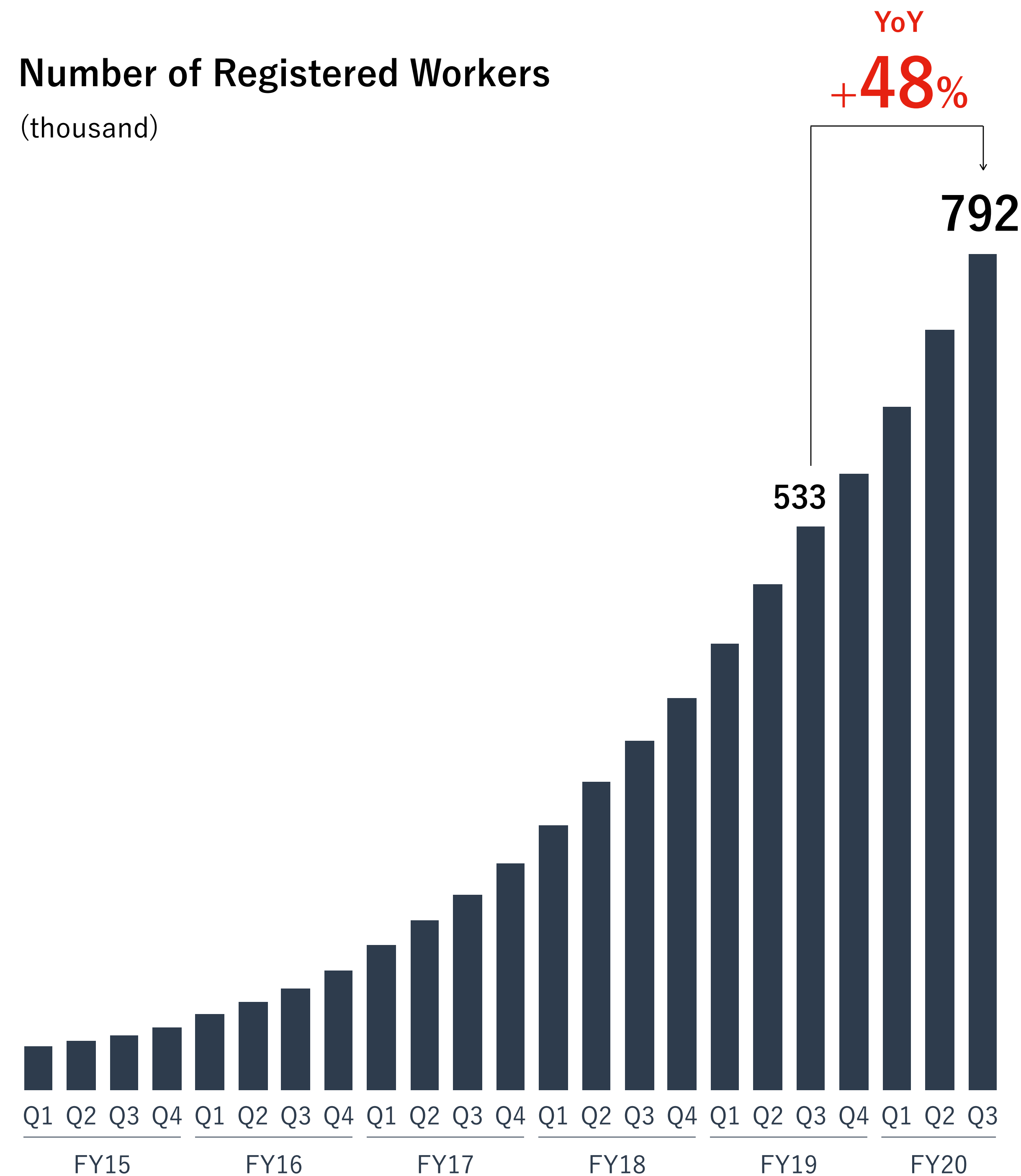
(1) Ministry of Health, Labour and Welfare, Ministry of Internal Affairs and Communications, and Cabinet Office statistics

Accelerate Direct Recruiting with Expansion of the Pool of Registered Workers

In Q3 FY2020, we saw a steady increase in medical industry professional members and use of scouting functions by customer offices grew YoY.

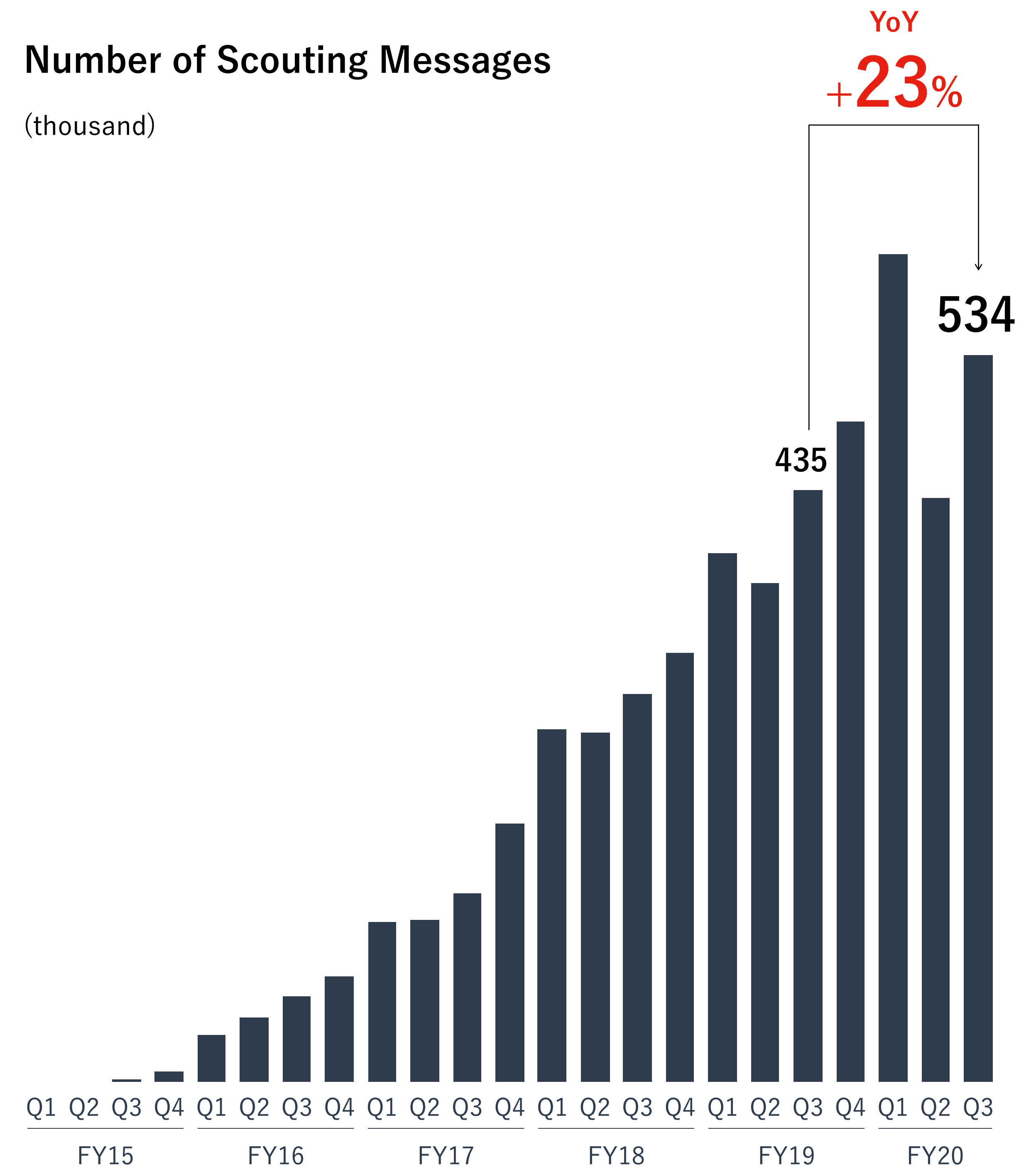
Number of Registered Workers

(thousand)



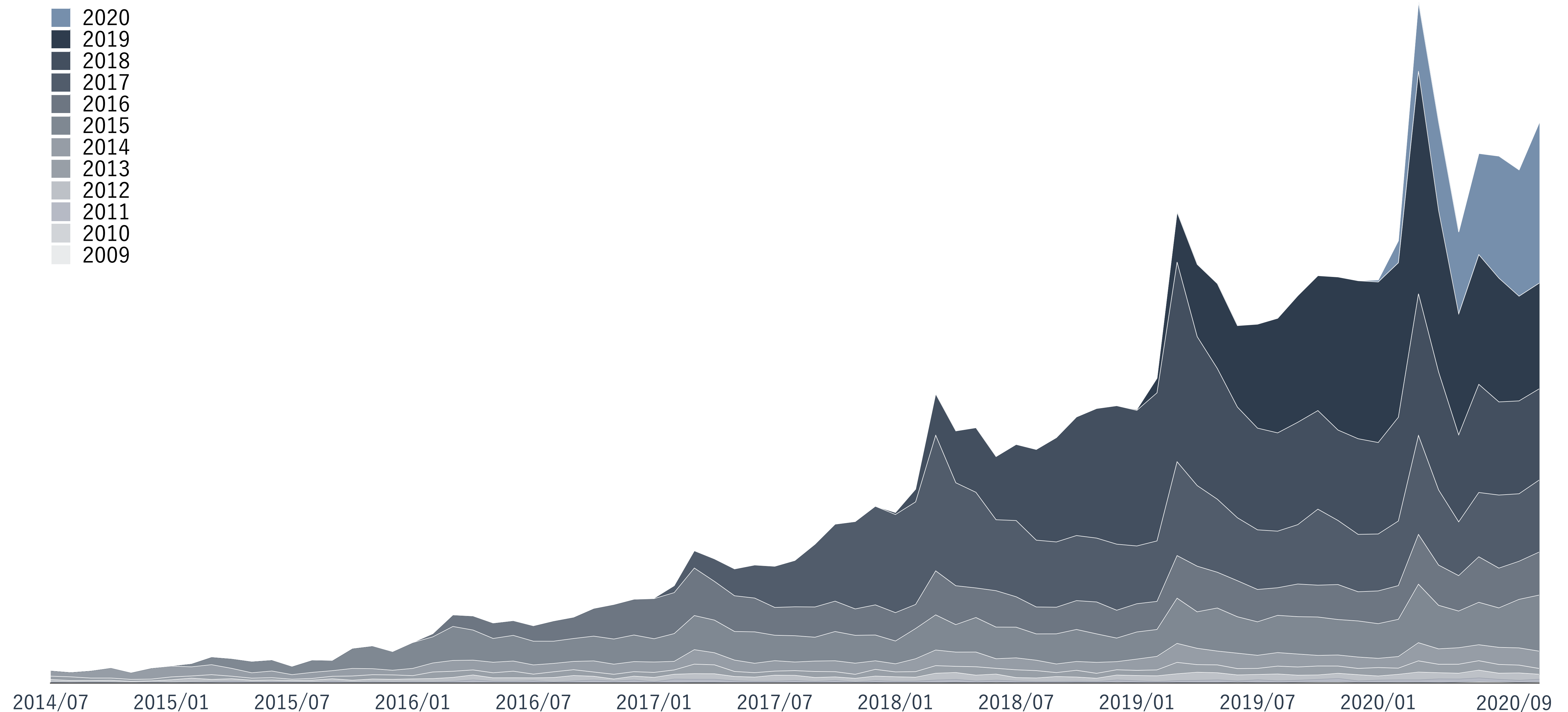
Number of Scouting Messages

(thousand)



We are building a stable customer base by encouraging customers to become repeat users of JobMedley. Recently acquired customers are making extensive use of our scouting functions. This has boosted the ratio of applicants per job offering and contributed to sales growth.

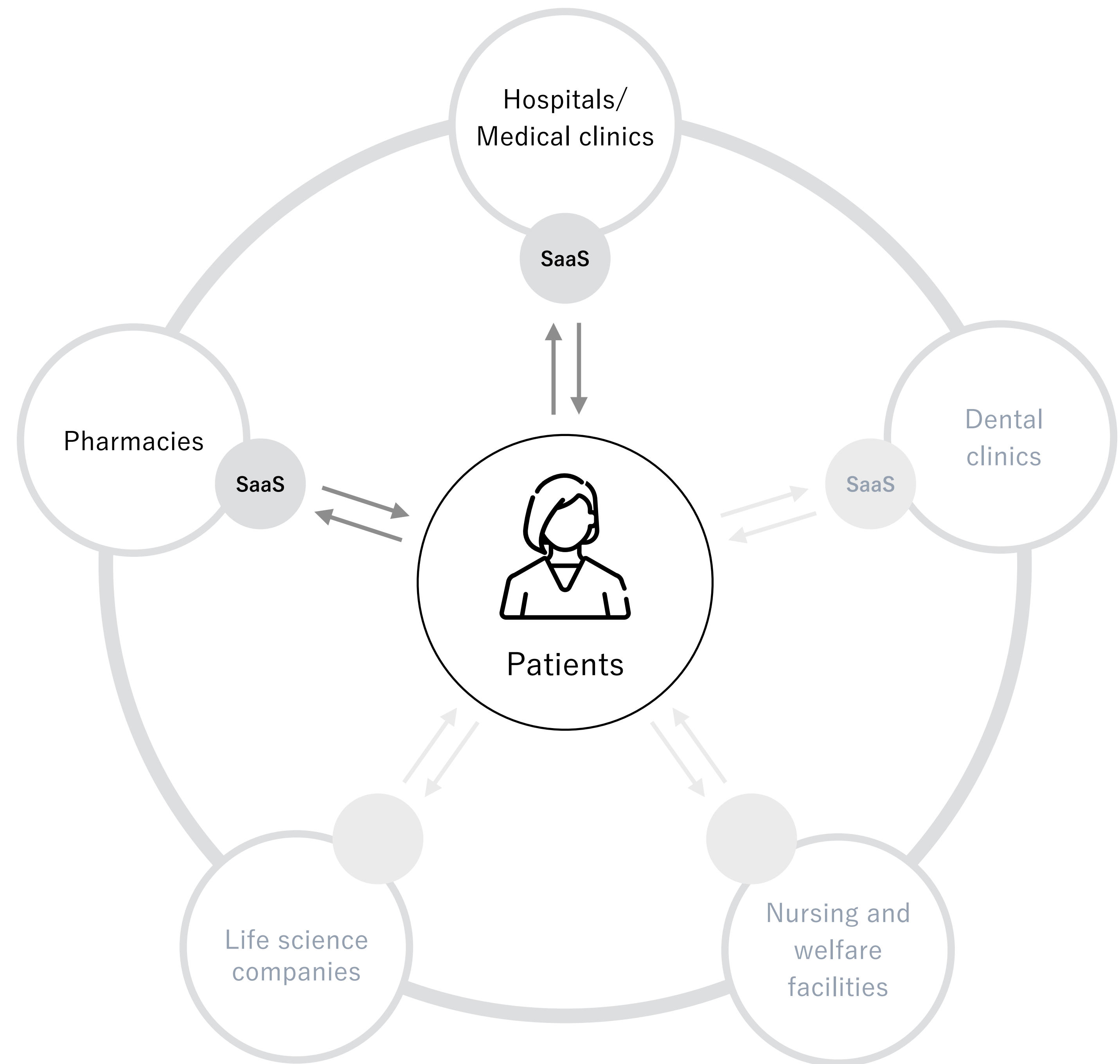
Sales by Customer Acquisition Year⁽¹⁾



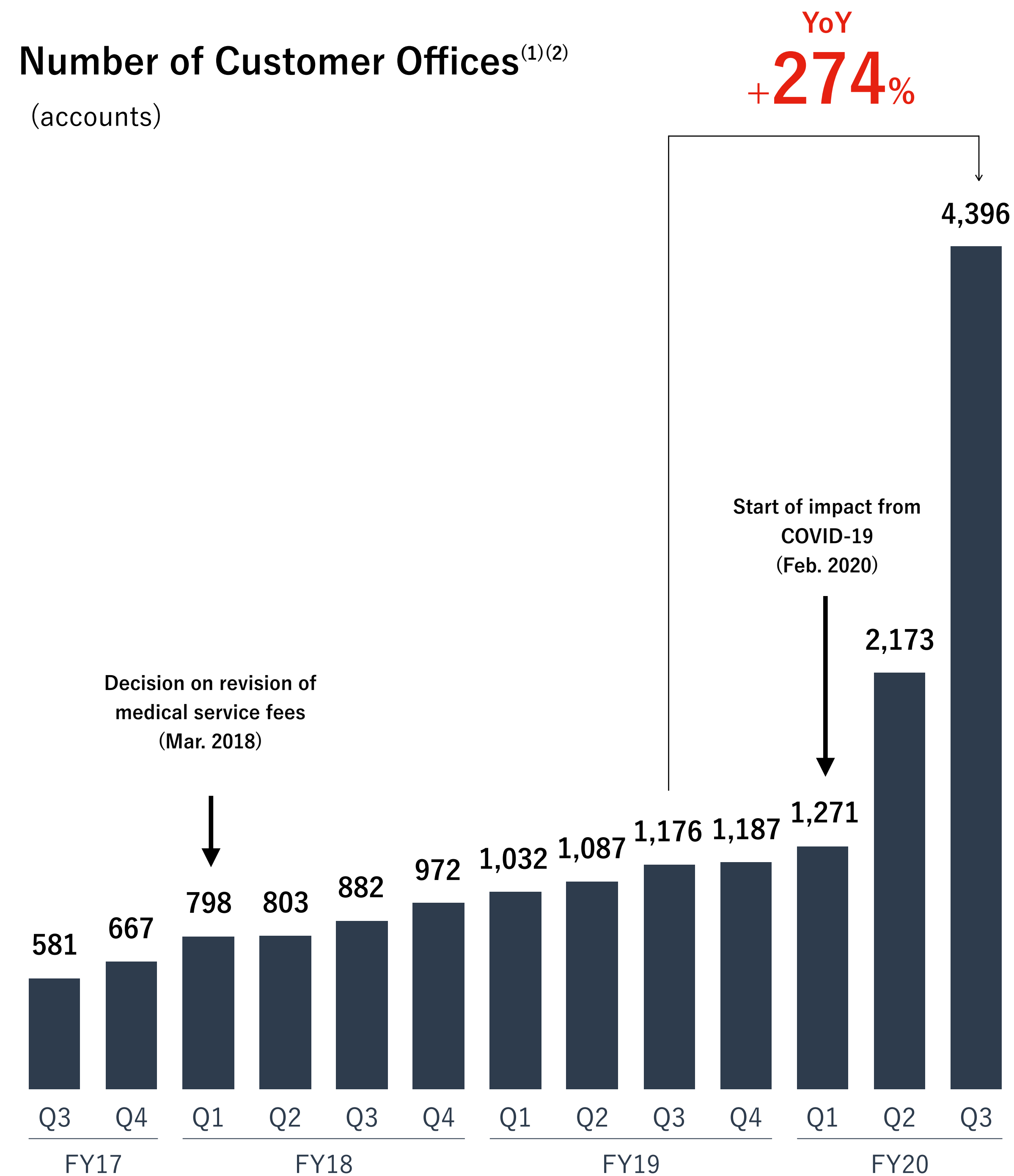
(1) Based on per-customer monthly orders/sales value data



② Medical Platform



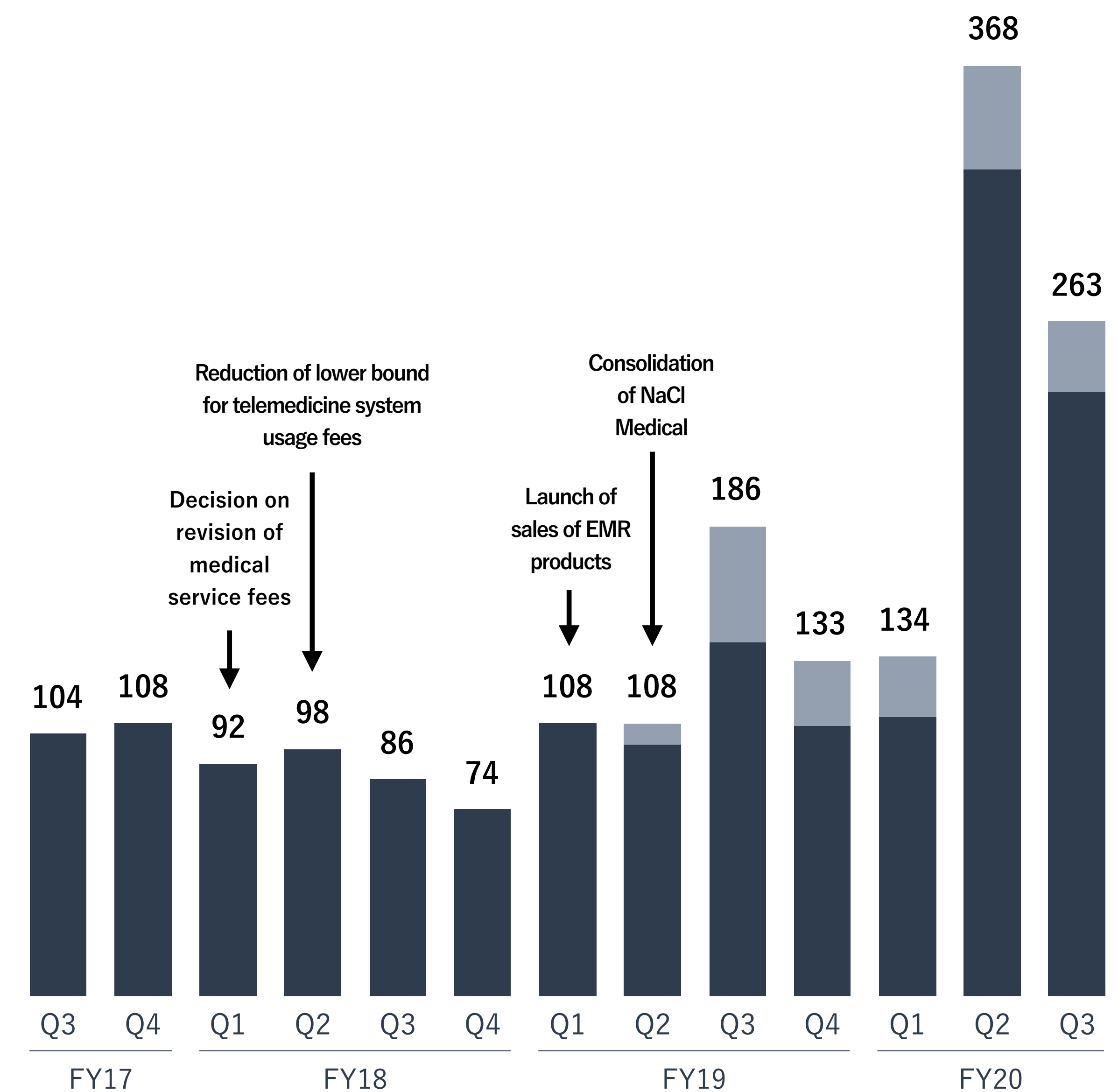
In Q3 FY2020, the number of customer offices using our services increased greatly YoY owing to steady sales of telemedicine system and a smooth launch of the pharmacy window support system (Pharms).



Quarterly Sales

(JPY mm)

■ NaCl Medical Sales



(1) Number of customer offices = number of medical intuitions that have begun using our systems (CLINICS, Pharms, etc.) and have not cancelled or discontinued their contracts; customers using multiple systems counted as a single customer account

(2) Starting in Q2 FY2020, the number of customer offices served includes customers acquired from Life Sciences Computing Corporation

Measures to Expand Range of Targeted Customers, Improve ARPU, and Streamline Operations

In Q3 FY2020, we implemented a number of measures to boost the medium- to long-term growth and profitability of our Medical Platform Business. These include expanding our target customers, improving ARPU, and streamlining measures.

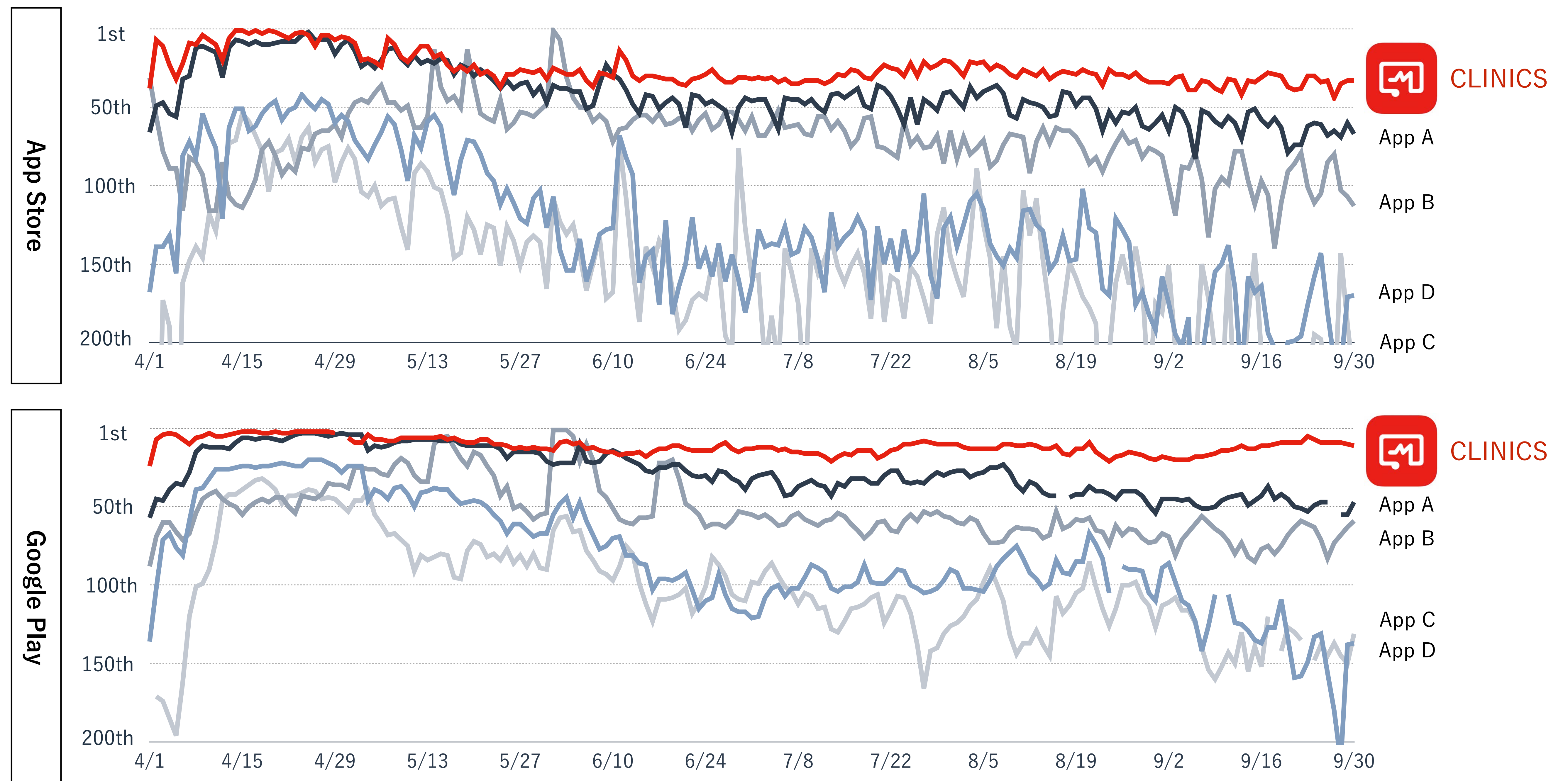
Main Measures Implemented in Q3 FY2020

	Telemedicine	EMR	Others
Expansion of targeted customers	Development of system components integrated with Pharms (prescription uploading function)	Application for worker's compensation and liability insurance	B Launch of pharmacy window support system (Pharms)
	Strengthening of relationships with large hospitals through online second opinion function	Development of CRM functions	
Improvement in ARPU	A Utilization promotion	New contract for distributing online medical questionnaire form system	
		Introduction of compatibility with cloud PACS	
		Improvement of implementation process	
Streamlining		Optimized compatibility with ORCA (reduced costs)	

A : CLINICS Telemedicine System Has Been Well Received by Patients

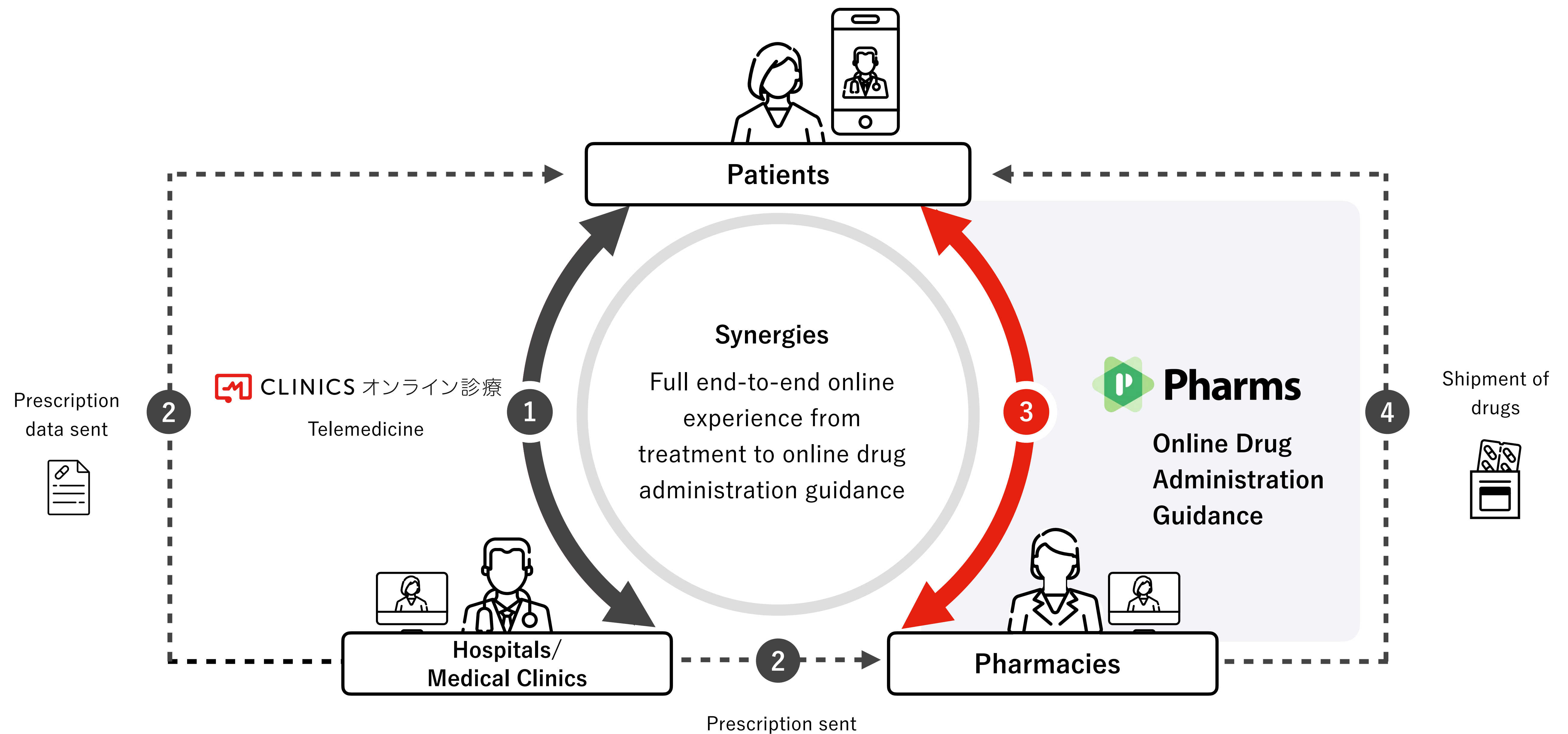
Although other companies offer telemedicine apps, our CLINICS app is consistently at the top of the rankings and we believe it the first choice of patients.

App rankings in the medical category (telemedicine apps only)⁽¹⁾

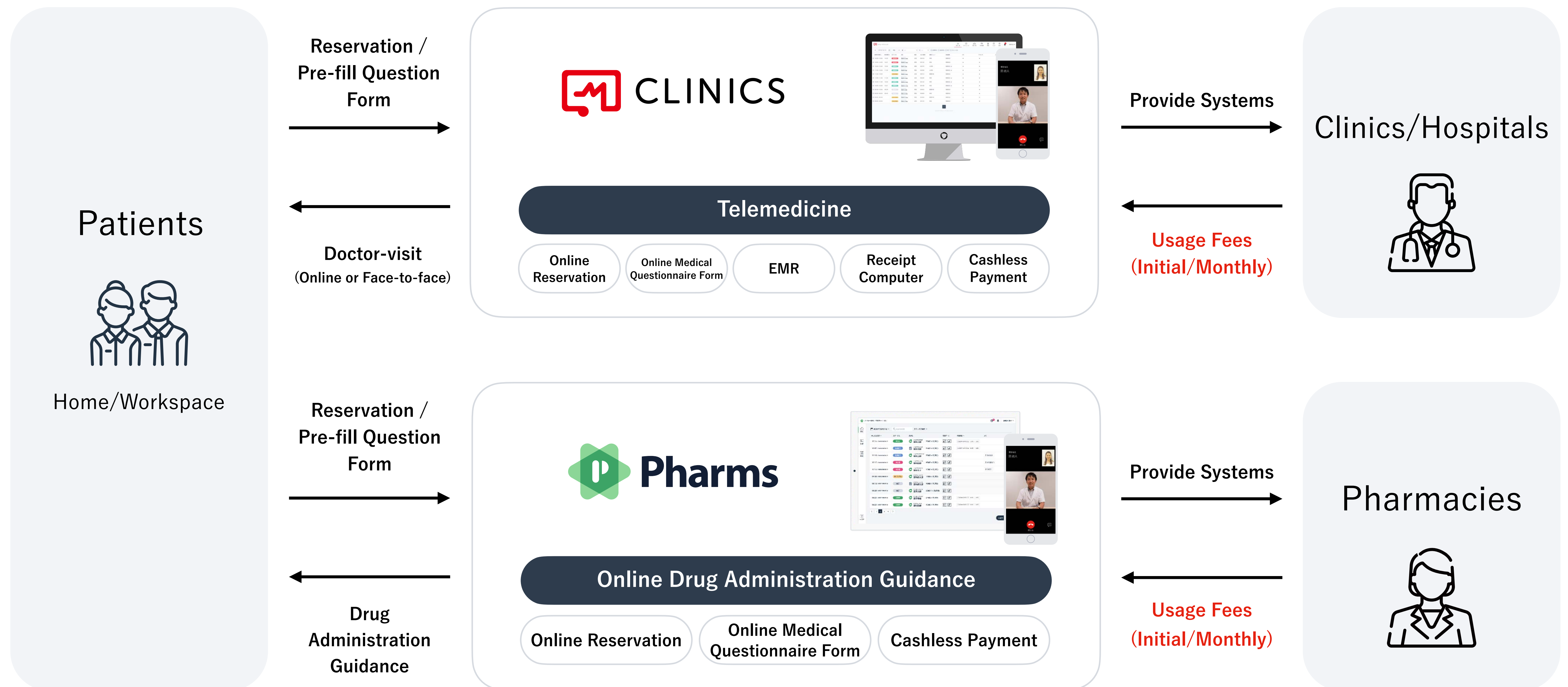


(1) Comparison among telemedicine apps which cover insured medical treatment; Source: App Annie

In September 2020, we released a pharmacy window support system called Pharms. Through integration with existing telemedicine services, we can provide patients with a full end-to-end online experience from treatment to online drug administration guidance.



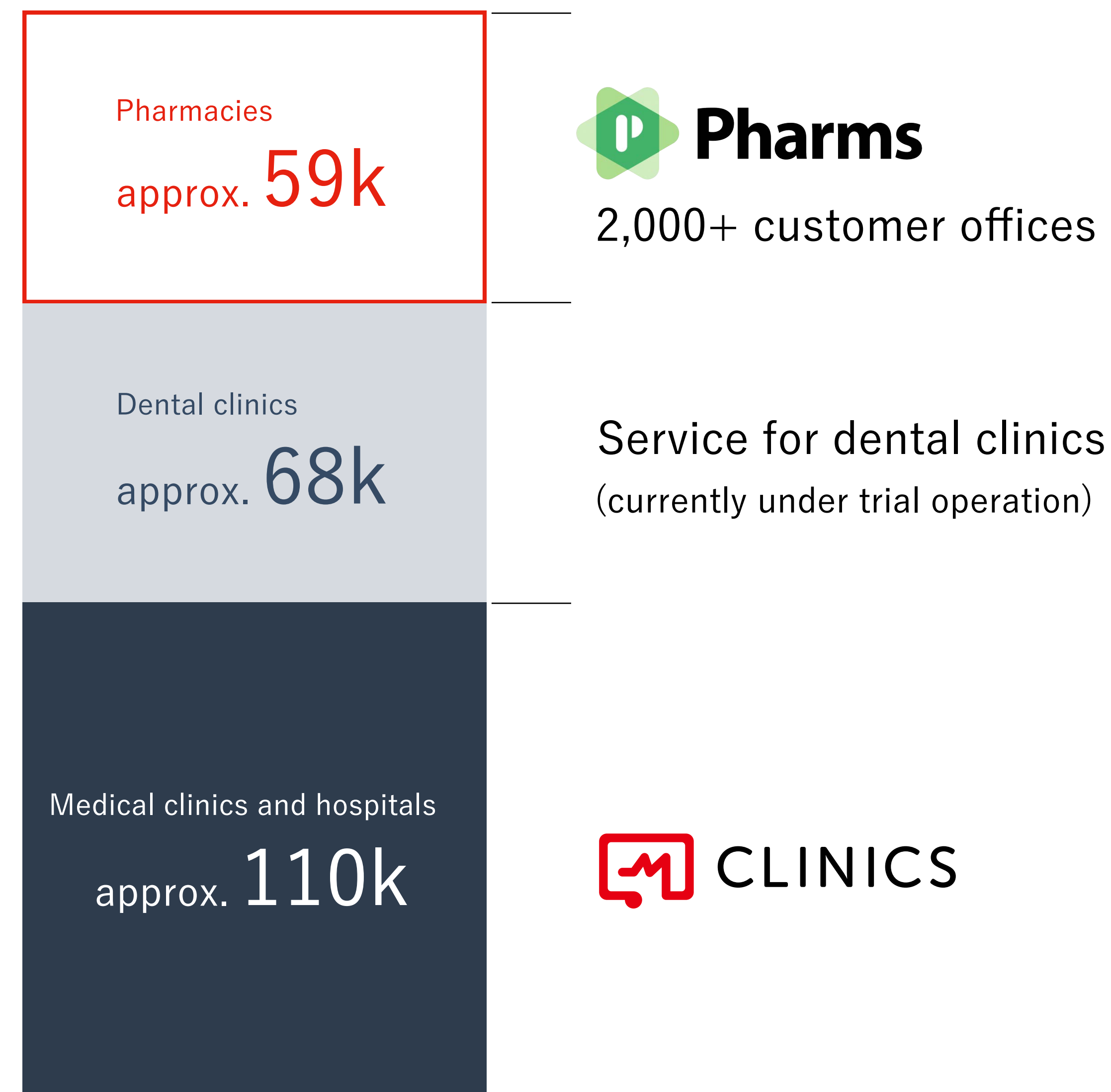
Pharms uses an earnings model similar to that of CLINICS wherein it receives system usage fees from medical institutions (in the case of Pharms, dispensing pharmacies). Income comes from initial fees paid when systems are installed and monthly fee payments.



B : Expediting Adoption of Pharms by Pharmacies Towards Digitalization

Pharms targets approximately 59,000 dispensing pharmacies across Japan. Adoption of Pharms by dispensing pharmacies, including top-tier or second-tier pharmacy chains that account for roughly 30% of Japanese dispensing pharmacies, is driven by a relatively keen interest in digitization in the field.

Target customers for Pharms



Number of medical institutions ⁽¹⁾

(1) Calculated using statistics from “Survey of Medical Institutions” and “Hospital Report” (2018) published by Ministry of Health, Labour and Welfare

Customers of Pharms among Top Pharmacy Chains⁽²⁾

■ : Pharmacy chains that have introduced Pharms at all stores
■ : Pharmacy chains that have introduced Pharms at some stores

#	Pharmacy operation company name	Number of pharmacies ⁽³⁾
1	Ain Holdings	1,151
2	Kraft	1,002
3	Qol Holdings	805
4	Sogo Medical	722
5	Nihon Chozai	650
6	I&H	558
7	Kyoso Mirai Group	545
8	Medical System Network	416
9	Aisei Pharmacy	377
10	Pharmarise Holdings	309
11	Pfercos	251
12	Yakuju Corporation	146
13	MIC	146
14	Frontier Corporation	143
15	Tanpopo Pharmacy	133

Scheduled to introduce at all stores in October 2020

(2) As of end of September 2020

(3) Number of pharmacies: “DRUG magazine” July 2020

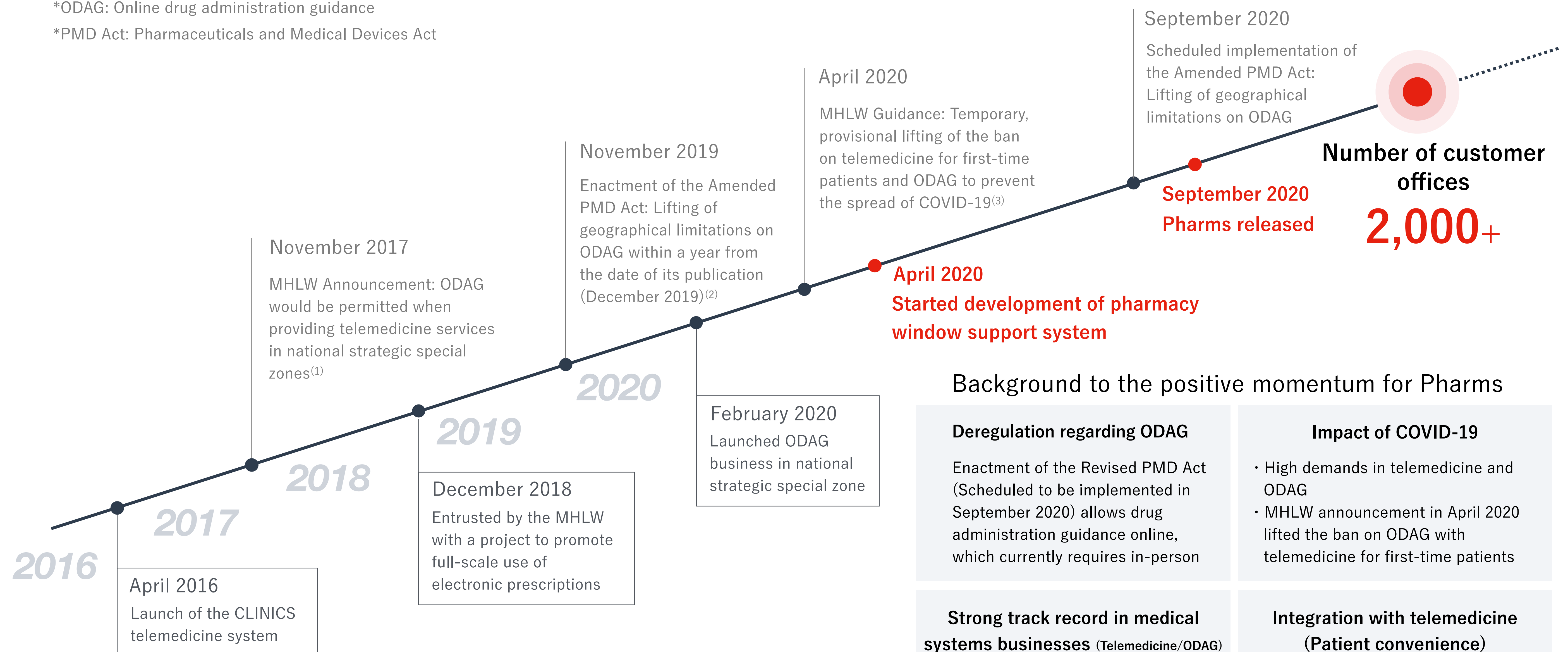
Number of pharmacies of Aisei Pharmacy: the company’s website as of end of October 2020

The momentum is supported by external factors including deregulation regarding ODAG and increasing demands due to COVID-19. Our track record of business and end-to-end service integrating telemedicine aiming to improve patients' convenience also raise expectations.

Changes in Japanese ODAG Regulations / Track Record of Medley

*ODAG: Online drug administration guidance

*PMD Act: Pharmaceuticals and Medical Devices Act



Background to the positive momentum for Pharms

Deregulation regarding ODAG

Enactment of the Revised PMD Act (Scheduled to be implemented in September 2020) allows drug administration guidance online, which currently requires in-person

Impact of COVID-19

- High demands in telemedicine and ODAG
- MHLW announcement in April 2020 lifted the ban on ODAG with telemedicine for first-time patients

Strong track record in medical systems businesses (Telemedicine/ODAG)

- Robust customer support
- Trusted security measures
- ODAG business in national strategic special zone (Feb)

Integration with telemedicine (Patient convenience)

Full end-to-end online experience from treatment to ODAG

(1) <https://secure.nippon-pa.org/mail/img/833.pdf> (Japanese language only)

(2) Patients are required to have received in-person drug guidance before receiving ODAG.

(3) <https://www.city.shinjuku.lg.jp/content/000285629.pdf> (Japanese language only)

1. Financial Highlights

2. FY2020 Q3 Results

3. FY2020 Forecast

4. Appendix

Continued Progress Toward our Medium- and Long-term Goals, Even Amid COVID-19

Our management policy is to maximize long-term free cash flow, and aim to maintain high sales growth by increasing the value provided to our customers. We continue to implement our plans, even amid COVID-19, while giving top priority to human life.

Long-term
Policy

Maximize Long-term Free Cash Flow



Medium-term
Policy

Maintain High Sales Growth
(Expand Sources of Free Cash Flow)

Primary
KPIs

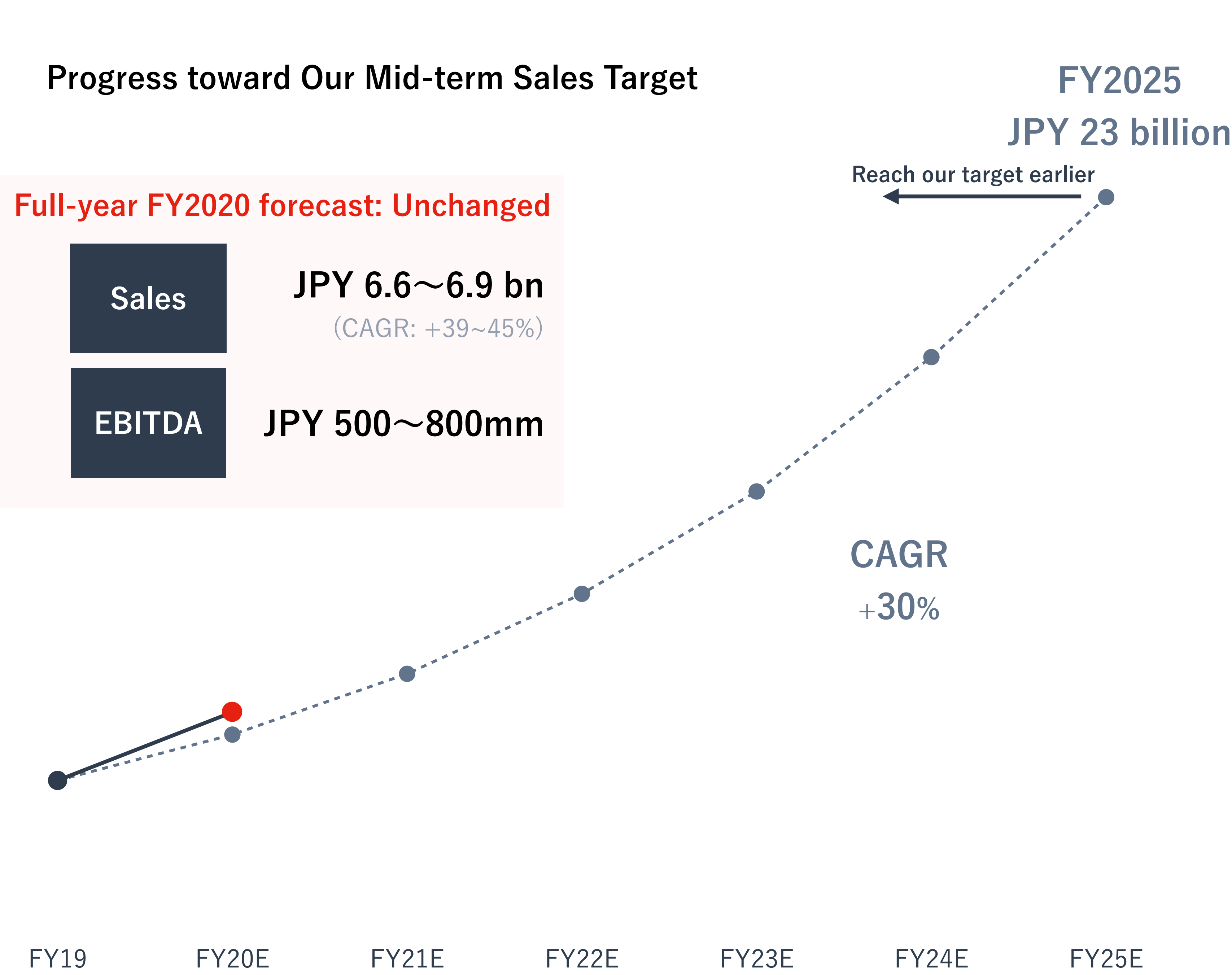
Maximize Number of Customers



Improve ARPU
(Increase utilization ratio / Expand
product lineup)

No Changes to Medium-term Targets or FY2020 Earnings Forecast

Taking into consideration steady results as of Q3 FY2020 and our cautious assessment regarding the future impact of the COVID-19, we leave our full-year forecast and medium-term targets (announced on February 14, 2020) unchanged. We will also strengthen our efforts to reach our medium-term goals ahead of schedule.



(billion yen)

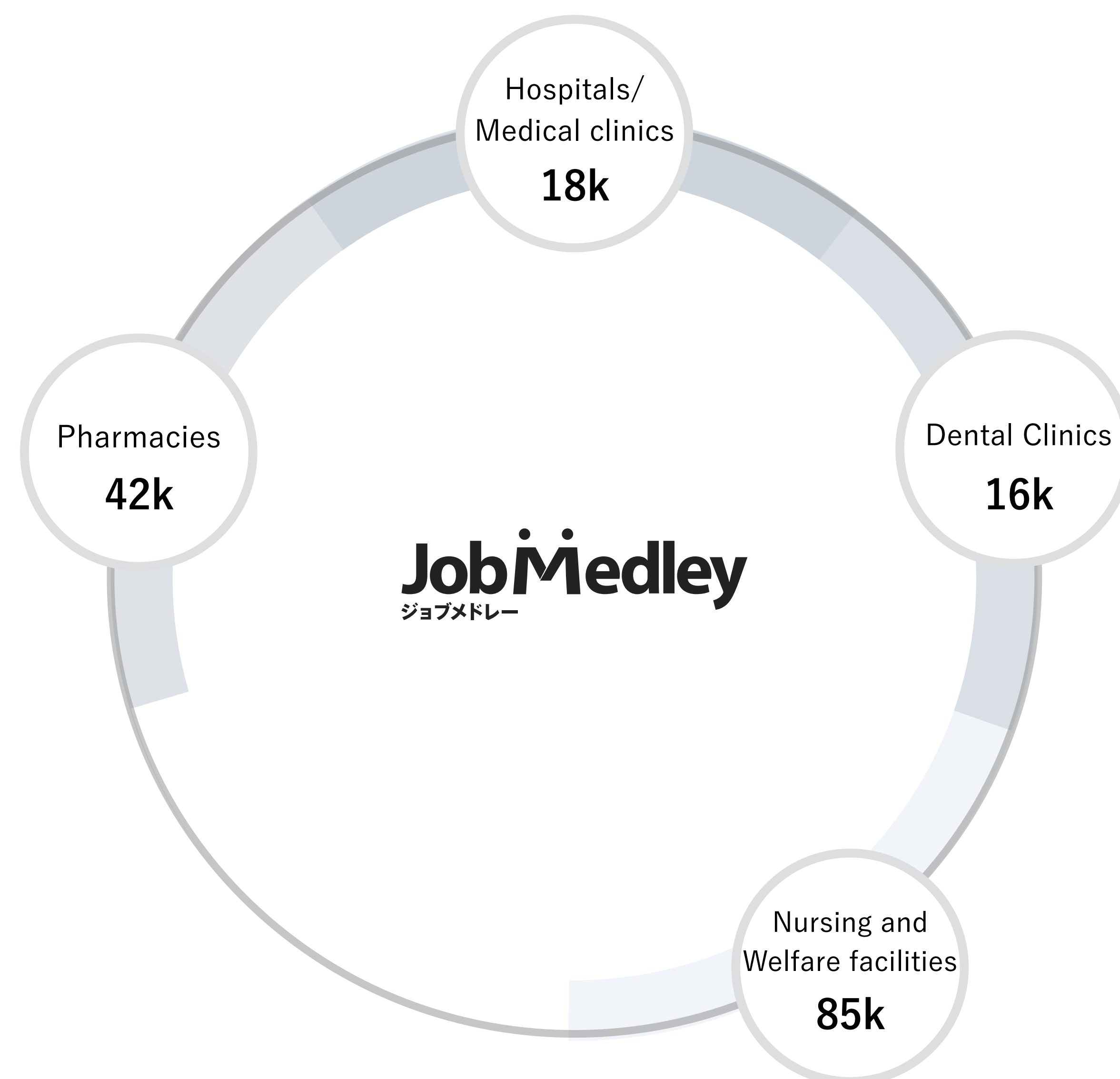
Year	CAGR30%	Sales Forecast	Actual Sales
2019	4.7	4.6	4.7
2020	6.1	6.6~6.9	
2021	8.0		
2022	10.4		
2023	13.6		
2024	17.6		
2025	23.0		

	Assumptions as of announcement on February 14 2020	Updates
Recruitment PF	• Number of customer offices: steady annual acquisition rate • ARPU: Increase driven by improved functionality	► The declaration of the state of emergency resulted in a bottleneck in April and May, but the situation has been improving since June. We expect to reach our original full-year target of FY2020
Medical PF	• Continued improvement in ARPU, growth in range of targeted customers, and cost reduction - Targeting NaCl Medical to turn profitable in FY2020 - Targeting narrower losses in the EMR business as it approaches profitability • Continue investment in development targeting mid-term growth • Forecast does not factor in any impact from revisions to official medical fees or deregulation	▲ Demand grew owing to the temporary relaxation of telemedicine regulations ▲ Pharmacy window support system business off to a smooth start ► Decided to establish MEDS (no significant impact)
New Services	• Plan to continue expanding the range of services	► New nursing care business on a gradual recovery trend
Corporate Expenses	• Continued aggressive hiring to achieve growth - Recruitment Platform: 60 new hires - Medical Platform: 40 new hires - New Services: 5 new hires - Corporate: 20 new hires	▼ Adjust our hiring plans in line with progress on measures to strengthen our telemedicine systems and the launch of our pharmacy window support system business (adjusted based on sales outlook) ► Rise in hiring and human resource costs associated with establishment of MEDS (no significant impact)
Others	• Forecast does not factor in any impact from undetermined new business sales or M&A	► Includes impact from acquisition of EMR assets of another company in June ► Acquisition of pharmacy operator (no significant impact)

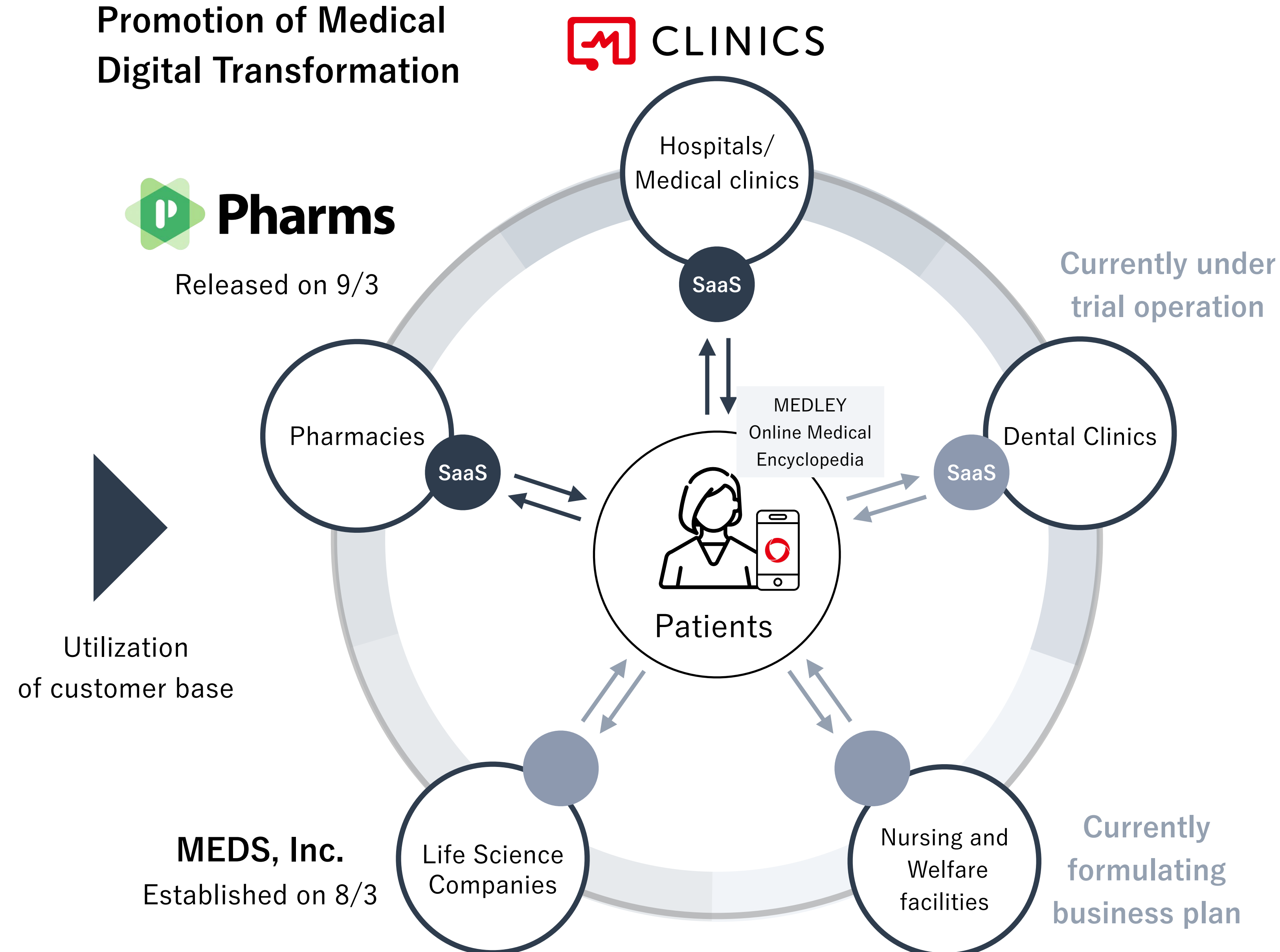
Promote the Use of Digital Technologies Leveraging Our Customer Base

We aim to take advantage of the broad customer base of our Recruitment Platform Business and promote the use of digital technologies in medical/healthcare industry by implementing new initiatives.

Customer base of Recruitment PF



Promotion of Medical Digital Transformation



Measures being taken

JobMedley

Added online interviewing and video recording/uploading functions (p31)

Pharms

Acquisition of a center for proof of concept testing (p32)

MEDS, Inc.

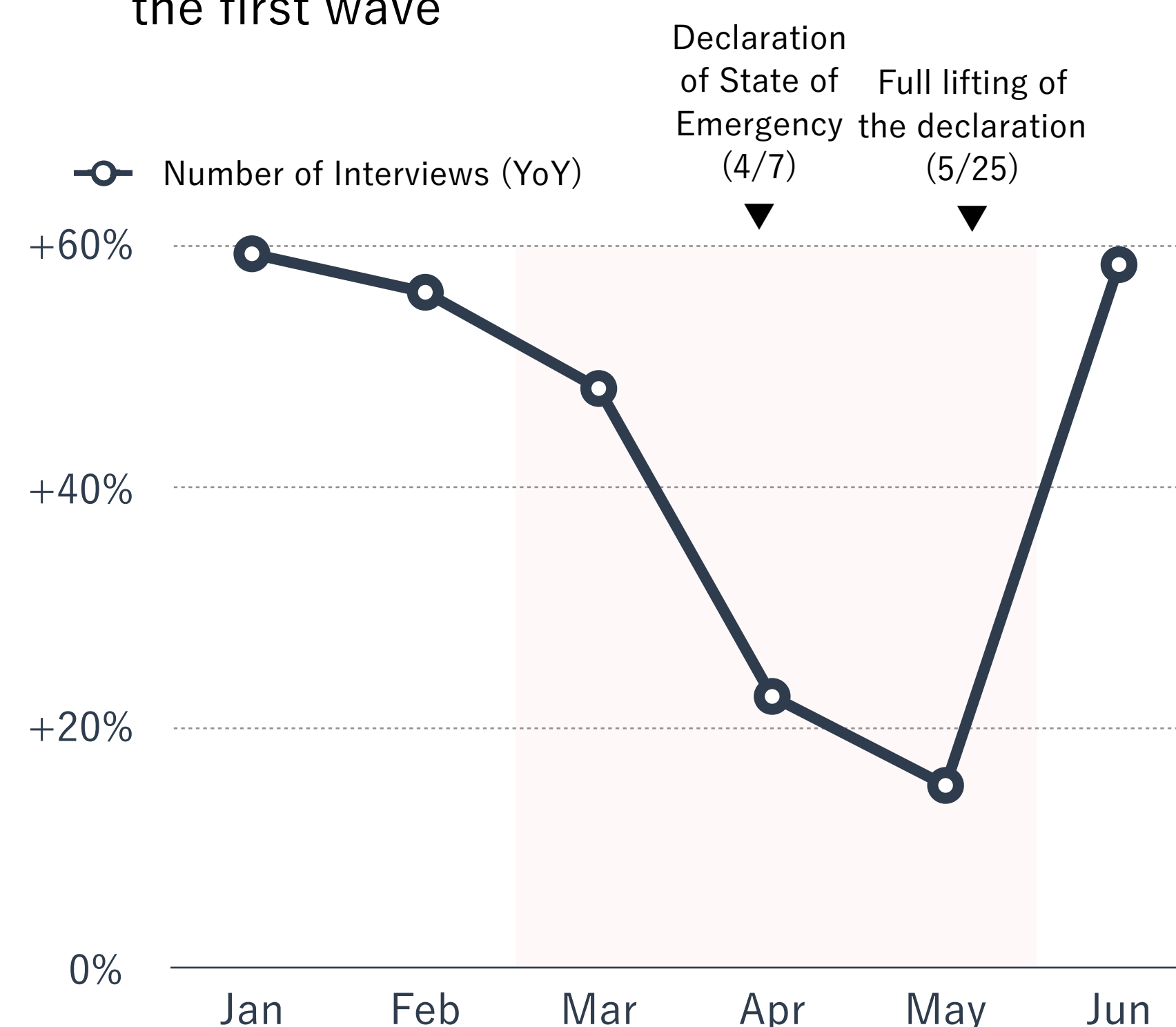
Executive candidates to join (p33)

Owing to the spread of COVID-19, many employers are opting not to conduct in-person hiring interviews. In response, in October, we added online interviewing and video recording/uploading functions to our JobMedley recruit system. This allows medical professionals and employers to conduct job search/hiring activities anytime and anywhere, thereby creating more hiring opportunities.

Demand for added functions

Impact
from
COVID-19

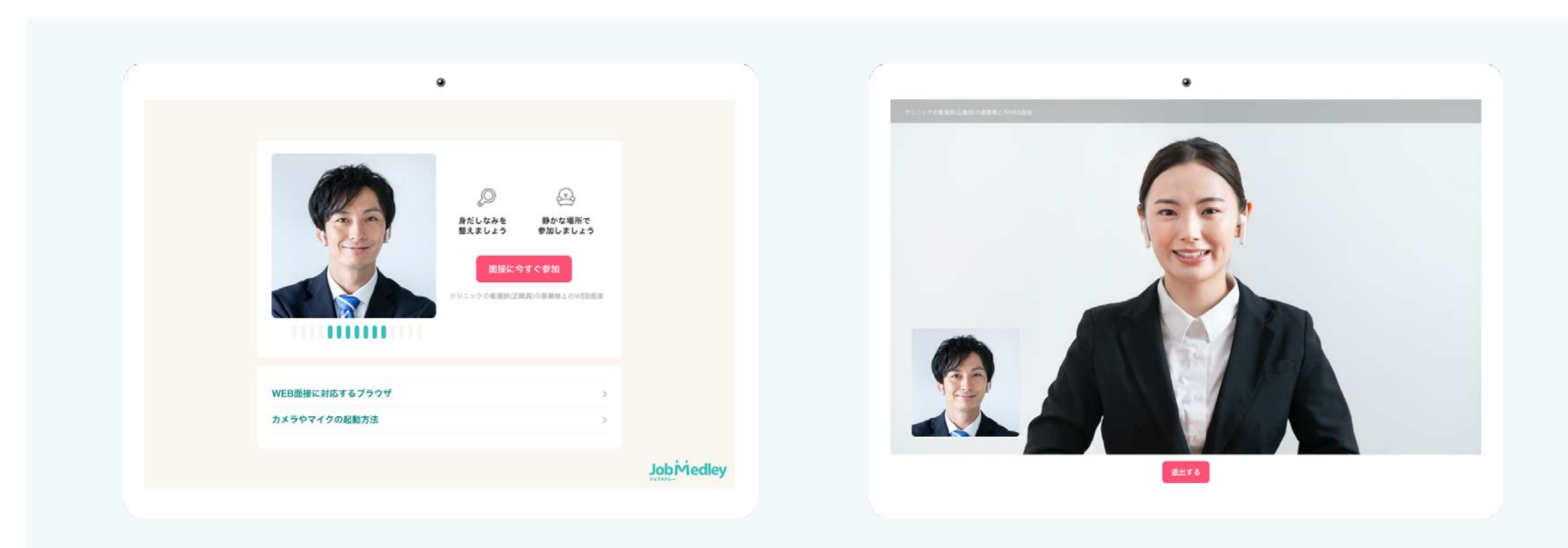
- Prepare for risks of possible resurgence of COVID-19
 - Arranging interviews became challenging during the first wave



Reduce
burdens in
hiring process

- Reduce burdens on both job seekers and employers in hiring process
 - e.g. Screening process, physical visits

Online Interview function



- Video chat functions make it possible to conduct real-time, online interviews via PC or smartphone.
- We also provide support in the form of pre-interview testing to ensure that interviews go smoothly, even for first-time users.

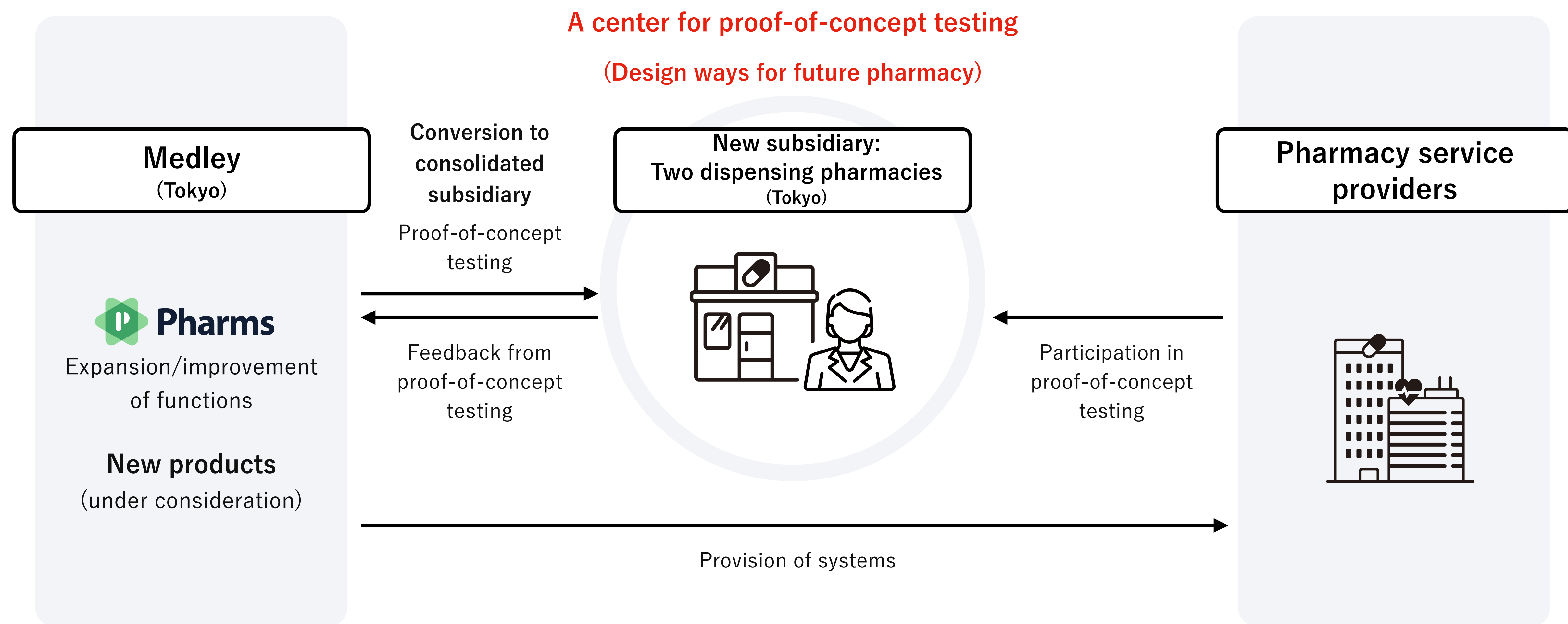
Video record/upload function



- Job seekers upload video self-introductions and answers to questions that employers have provided in advance.
- They can record video on the spot or upload pre-recorded videos.

Acquisition of a Center for Proof of Concept Testing for Pharmacy Window Support System

On November 11, we signed a contract⁽¹⁾ to purchase a company that operates two dispensing pharmacies in Tokyo. We have positioned this company as a center for proof-of-concept testing in order to work with pharmacies that are actively moving to digitize their operations, further expand the functions of Pharms, and develop new products. We do not plan to expand the number of our wholly-owned dispensing pharmacies.



(1) The contract is scheduled to be effective in December 2020, therefore there is no significant impact on FY2020 results.

In December 2020, when approved at Board of Directors meeting, Mr. Yuzo Takagi, who has a wealth of experience in developing services for life science companies, and Mr. Keisuke Inaba, who has served as a business consultant in the medical device and healthcare industries for many years, are scheduled to begin serving as executives of MEDS. We continue to hire key personnel to ensure the success of this company.

Introduction of Executive Candidates



Director, CTO and CPO
MEDS, Inc.
Yuzo Takagi

Mr. Takagi is scheduled to become Director, CTO and CPO of MEDS in December 2020.

Before joining MEDS, he served as Chief of the AI Lab at M3, Inc. and served in the business and product/service development at Preferred Networks, Inc.

After graduating from the Faculty of Science of The University of Tokyo, he completed the master's degree program at the Graduate School of Science at The University of Tokyo.



Director and COO
MEDS, Inc.
Keisuke Inaba

Mr. Inaba is scheduled to become Director and COO of MEDS in December 2020.

Before joining MEDS, he served as Managing Director of communications, media, and technology at Accenture.

After graduating from the Department of Foreign Languages of Sophia University, he completed the Master of Business Administration (MBA) program at Bond University.

1. Financial Highlights

2. FY2020 Q3 Results

3. FY2020 Forecast

4. Appendix

Technology is not being fully leveraged in the medical/healthcare industry due to heavy regulations. Our ultimate goal is to solve medical/healthcare issues by leveraging the internet and information technology.

Recruitment Platform Business

We operate JobMedley, one of Japan's largest recruitment systems in both medical and healthcare fields. Our objective is not only to provide better matching for job seekers and medical providers, but also to resolve the shortage of medical and healthcare personnel by facilitating unemployed but skilled and qualified workers return to work and tackling the issue of uneven service distribution between communities.



Medical Platform Business

Focusing on CLINICS telemedicine, the largest telemedicine system in Japan, allow us to create platforms that can enable both patients and medical institutions to enjoy the benefits of technology. We also aim to provide necessary information to consumers through MEDLEY, an online medical encyclopedia dedicated to patients.



Corporate Name	Medley, Inc.
Headquarters	Sumitomo Fudosan Roppongi Grand Tower 22F 3-2-1 Roppongi, Minato-ku, Tokyo
Established	June 5, 2009
Business	Recruitment Platform Business Medical Platform Business
Management	Kohei Takiguchi (President and CEO) Goichiro Toyoda (Representative Director, Doctor)
No. of employees	468 (as of September 30, 2020)
Group Companies	NaCl Medical, Inc. (Shimane), MEDS, Inc. (Tokyo)
Awards	Nov. 2019 : Forbes JAPAN - “Japan Entrepreneur Ranking” 3rd place Nov. 2019 : ASPIC IoT/AI/Cloud Award 2019 “Best Social Contribution” Jan. 2019 : Nikkei Superior Product/Service Award 2018 Feb. 2018 : Nikkei Digital Health - No.1 for “Venture Companies Chosen by Venture Companies”

Representative Director, President and Chief Executive Officer

Kohei Takiguchi

He established Medley to heighten awareness of medical issues from personal medical experiences.

As the CEO of Medley, he oversees the CEO's administrative office, the organizational strategy office and the internal audit department. Prior to establishing Medley, at the age of 17, he established Gemeinschaft, Inc., a U.S. corporation, and became involved in domestic and overseas marketing and statistical research.

Director and CTO

Sosuke Hirayama

He was appointed director of Medley in January 2016. He leads Medical Platform system and is currently in charge of the incubation development as CTO. Prior to joining Medley, he worked for Hitachi Software Engineering, Co., Ltd. and Gree, Inc., as well as working as CTO with Livesense, Inc. He has been selected to lead projects that are aimed at creating completely new types of software.

Director and Head of Corporate Division

Yuta Tamaru

In May 2016, he joined Medley and worked on the development of the telemedicine business as Chief Legal Officer. After that, he was appointed director in January 2018, in charge of overseeing the corporate headquarters. Prior to joining Medley, he worked on M&A, business alliances, and other cross-border company legislations at Paul Hastings LLP and White & Case LLP. He holds attorney qualifications.

External Director

Noboru Kotani

He was appointed outside director of Medley in March 2018. He has an extensive career as a senior vice president at the Boston Consulting Group, as well as a founder and representative director at Dream Incubator Inc. He currently serves as the external director for Combi Corporation, Jins Holdings, Inc., SanBio Co., Ltd., Bilcom Inc, and Innophys Co., Ltd. He holds a Master's degree in Industrial Engineering from Stanford University and graduated from the University of Tokyo Graduate School of Engineering · Faculty of Engineering.

Representative Director (Medical Doctor)

Goichiro Toyoda

He was appointed co-representative of Medley in February 2015. He took the lead in launching the Medical Encyclopedia MEDLEY and engaged in educational activities aimed at disseminating correct telemedicine. Currently, he is in charge of the business collaboration promotion department. Prior to joining Medley, he worked as a physician at Seirei Hamamatsu General Hospital and NTT Medical Center Tokyo; conducted brain research at Children's Hospital of Michigan; and worked at McKinsey & Company. He graduated from the University of Tokyo Faculty of Medicine. He also published the book, "Working to Create Our Future."

Director

Yosuke Ishizaki

He was appointed director of Medley in April 2015. He is driving the growth of businesses. Prior to joining Medley, he worked at Hatena Co., Ltd. and worked as director of the media department, as well as president of a subsidiary at GREE, Inc.

Director and CFO

Ryo Kawahara

He was appointed director of Medley in July 2016. As CFO, he is engaged in financial activities across Medley, including financial affairs, analysis, and investor relations. Prior to joining Medley, he worked on domestic and overseas finance and M&A advisory business at JPMorgan Securities Japan Co., Ltd.

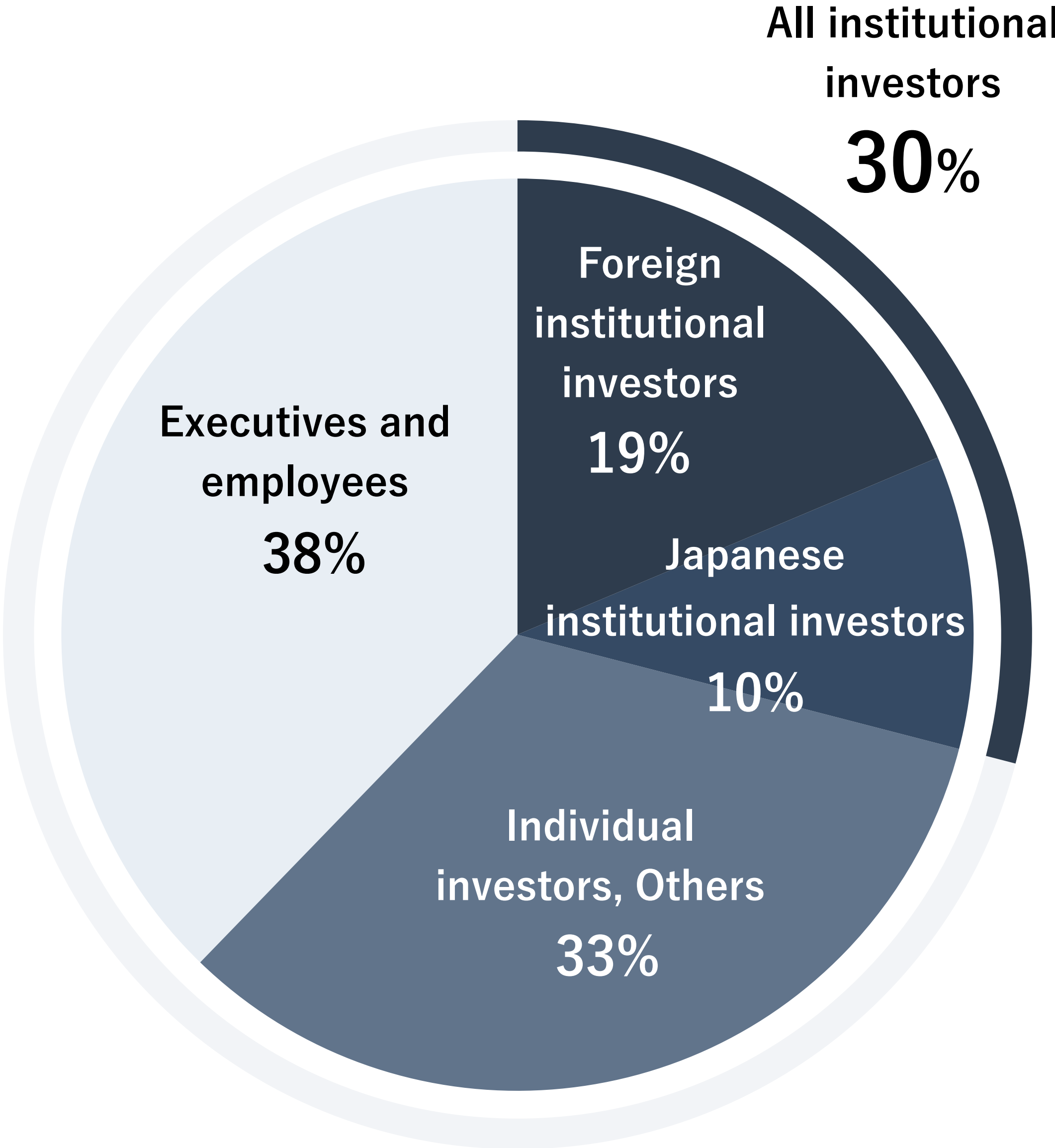
External Director

Hidetoshi Takano

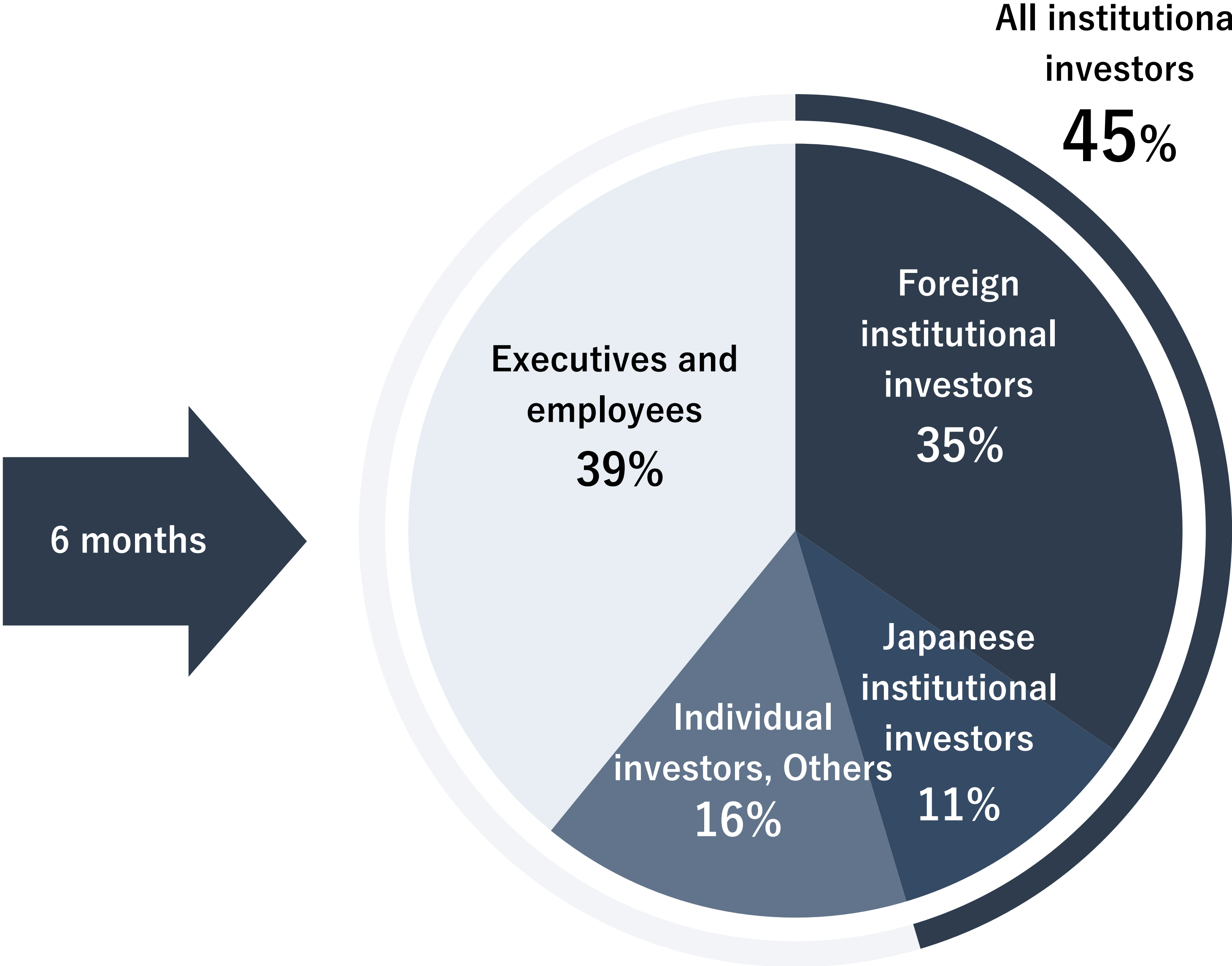
He was appointed outside director of Medley since the establishment in June 2009. Prior to joining Medley, he was involved in the start up of the talent referral business at Intelligence, Inc. He is also the founder and representative director of KeyPlayers, Inc. He graduated from the Tohoku University Faculty of Economics.

Since our listing, we have conducted proactive IR activities designed to attract long-term investors. As a result of these efforts, our ratio of institutional investor ownership (mainly foreign institutional investors) rose from 30% to 45% over a period of six months. We will continue to endeavor to provide robust disclosure that helps both institutional and individual long-term investors make investment decisions.

As of December 31, 2019



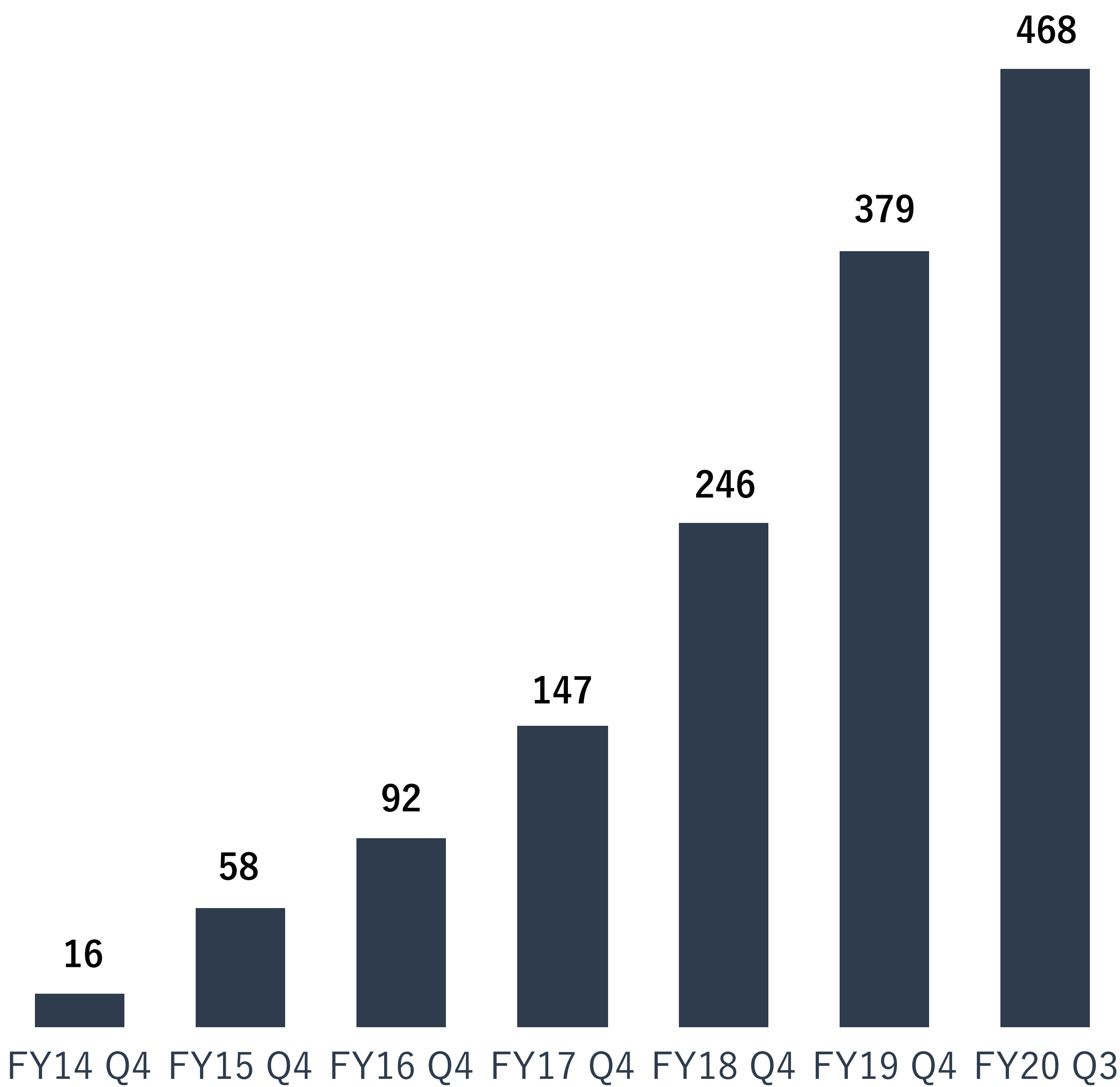
As of June 30, 2020



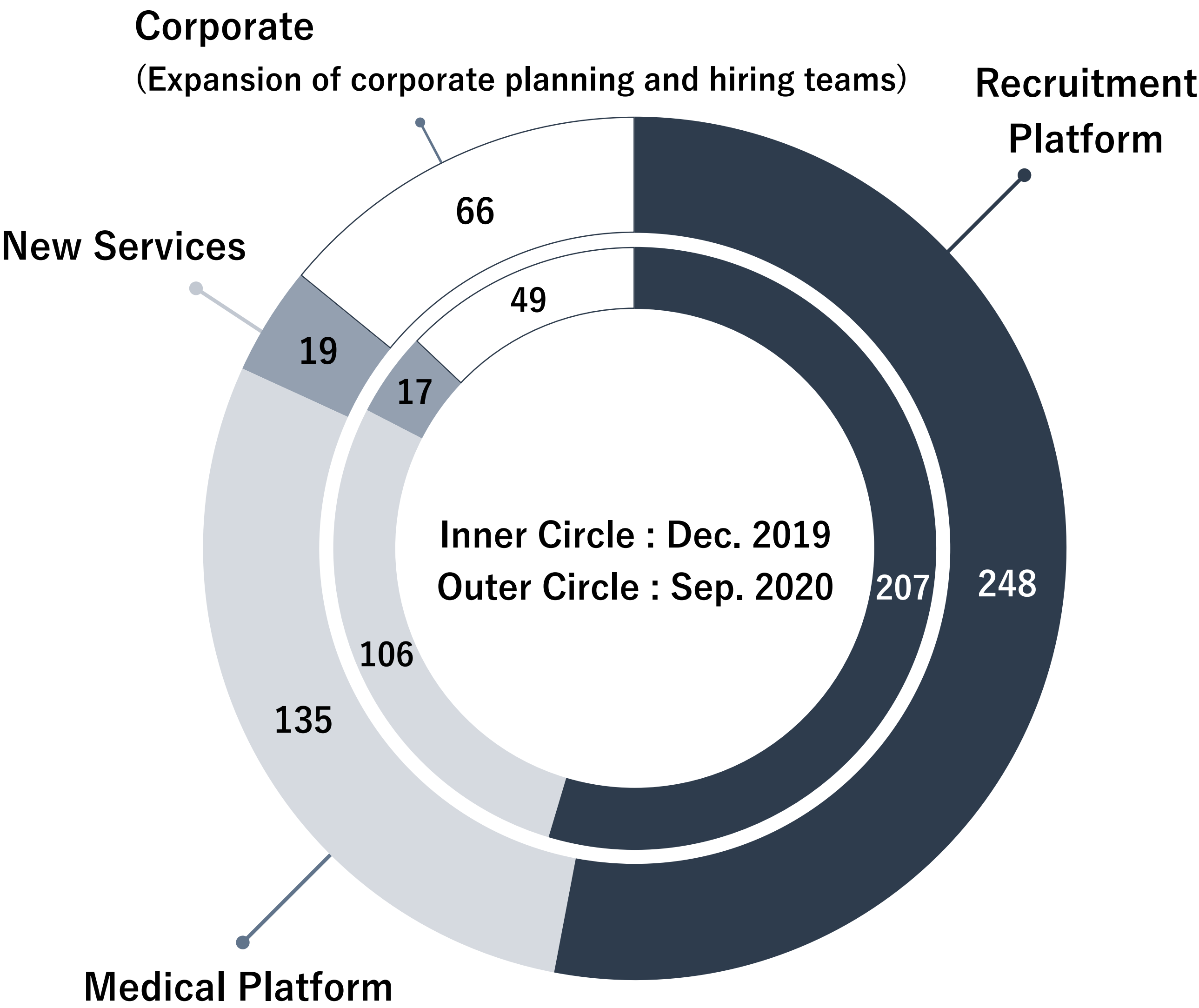
Steadily Securing Human Resources to Fuel Growth of Business Operations

Not only the number of employees working in both platform businesses, but we have also increased the number of corporate employees working in our planning and hiring teams.

Number of employees



Breakdown of employees by segment

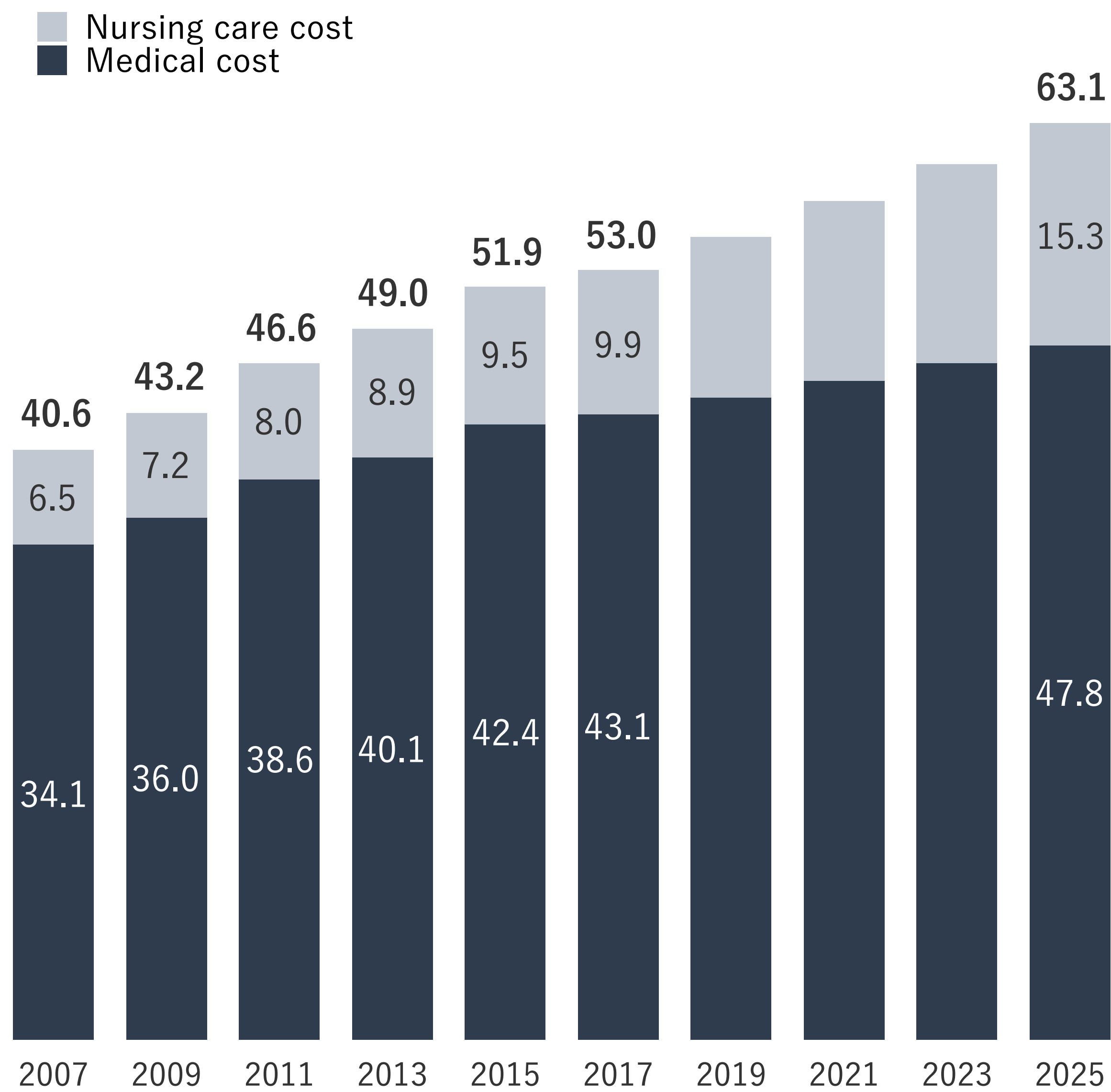


Defensive Growth Industry: Social Welfare Spending and Number of Employees not Impacted by Economic Trends

Spending on social welfare is expected to rise continuously in Japan owing to the aging of the population. The number of medical care workers taking care of elderly patients is also expected to rise.

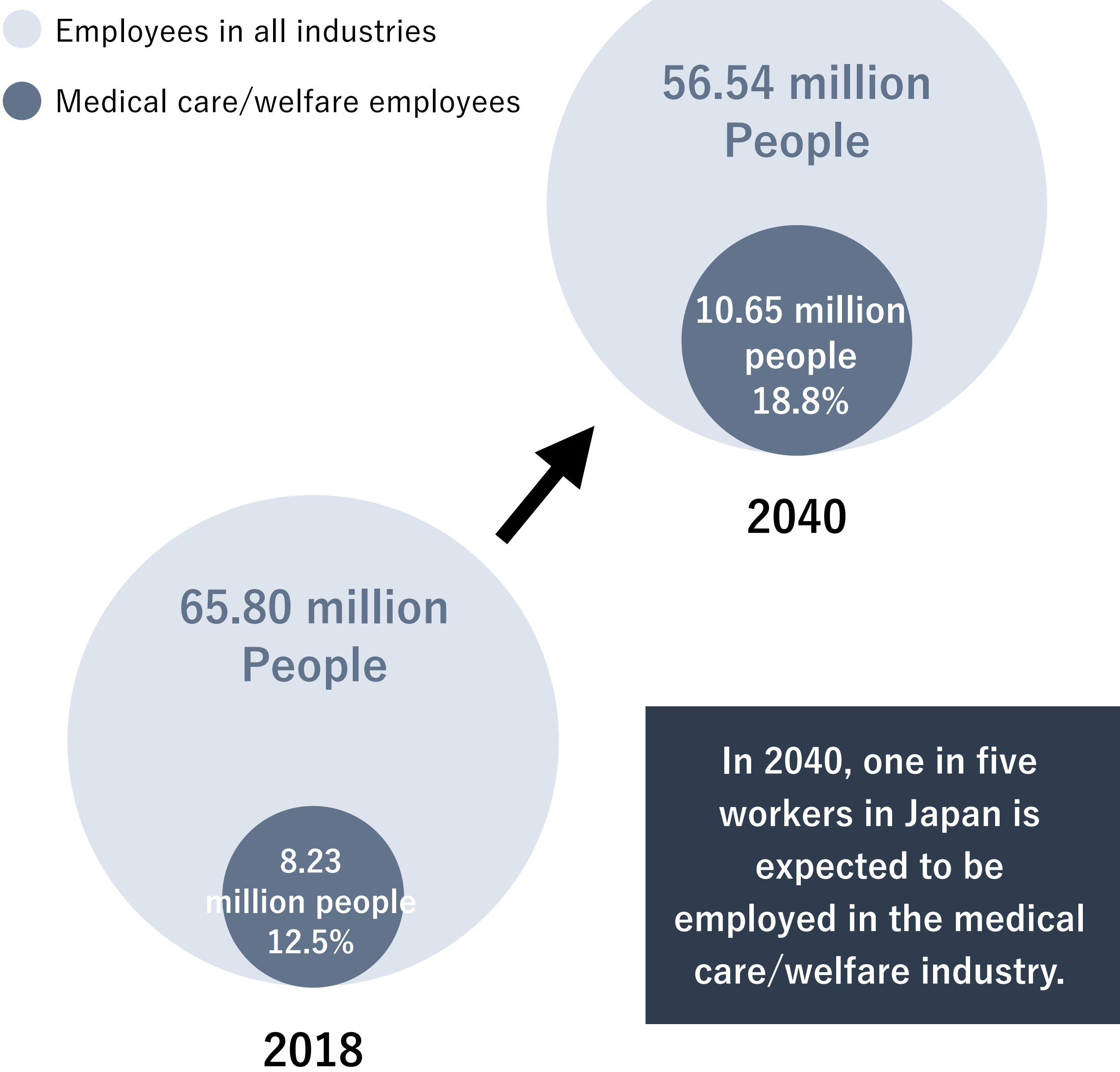
Social welfare spending forecast ⁽¹⁾

(JPY Trillion)



(1) Report from Ministry of Health, Labor and Welfare

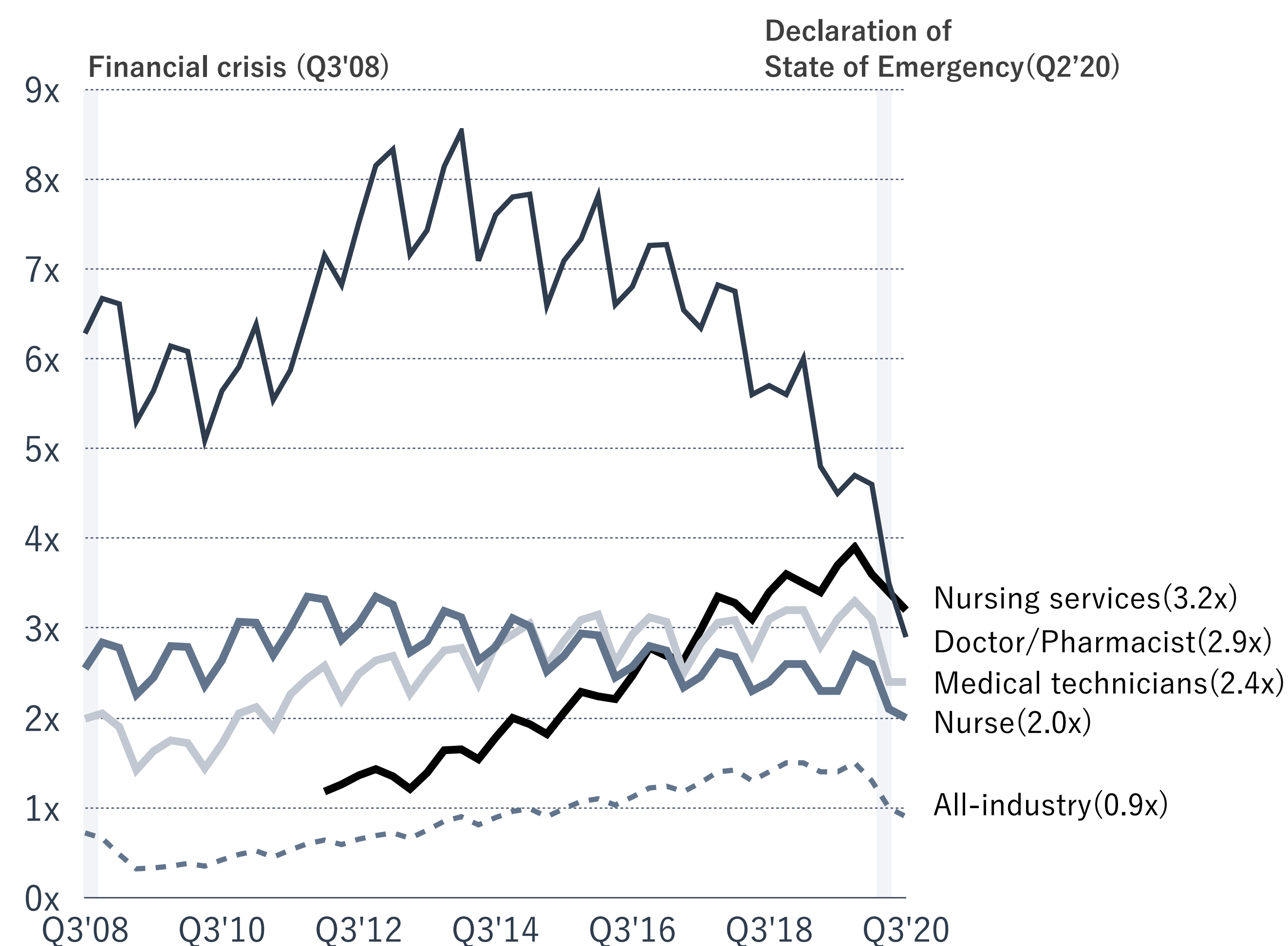
Employment trend forecast ⁽²⁾



(2) Report from Cabinet Secretariat, Cabinet Office, Ministry of Finance, Ministry of Health, Labor and Welfare

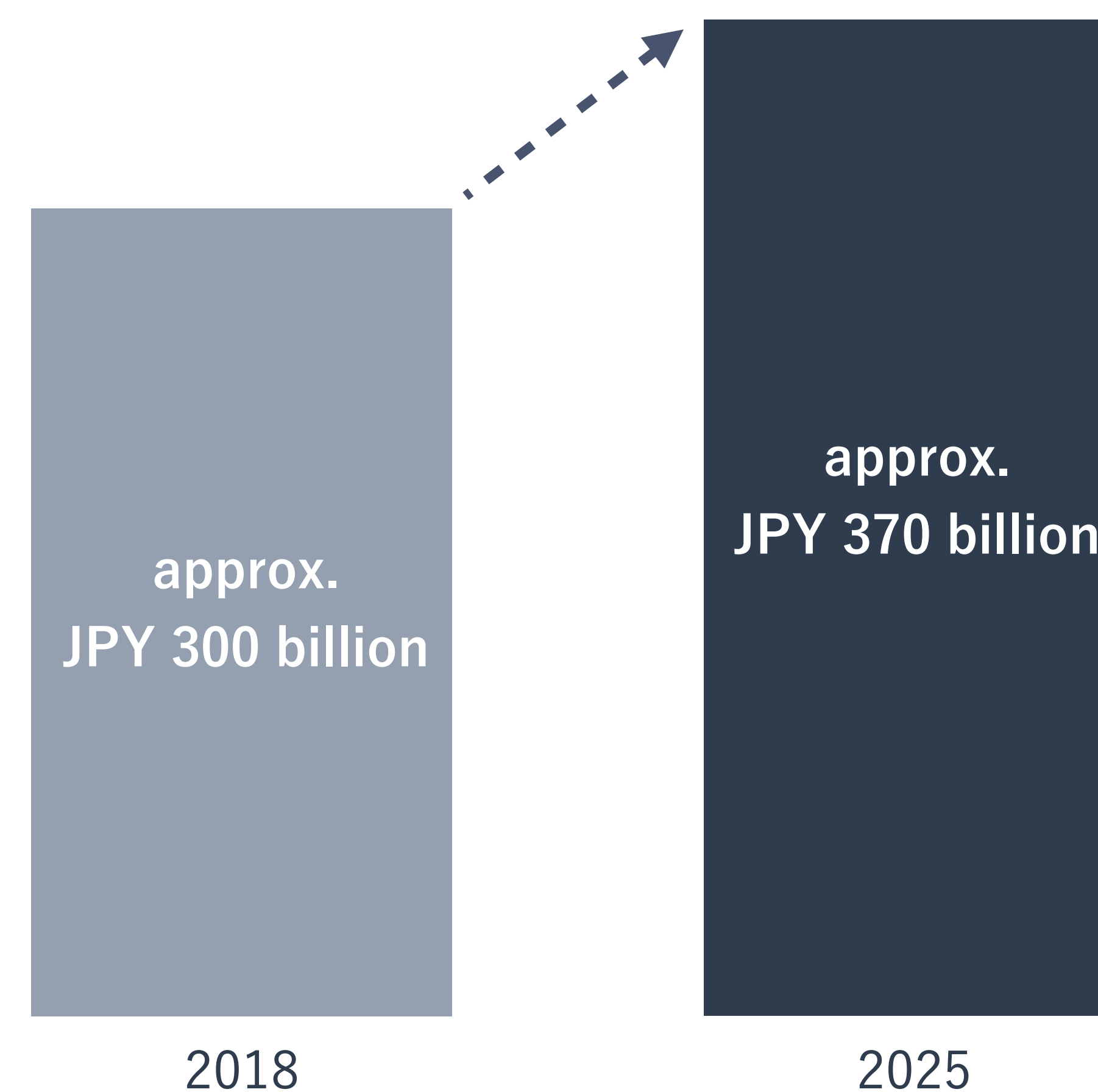
The Japanese medical industry suffers from a chronic shortage of workers, with a jobs-to-applicant ratio remains much higher than the average for all industries regardless of economic conditions. We estimate the current market size to be approximately JPY300 billion, and expect expansion to up to JPY370 billion in 2025 driven by increasing demand.

Ratios of Job Openings to Job Applicants⁽¹⁾



(1) Ministry of Health, Labor and Welfare statistics, 3-months average

Market Scale of the Medical/Healthcare Recruitment Industry (based on our unit price)⁽²⁾



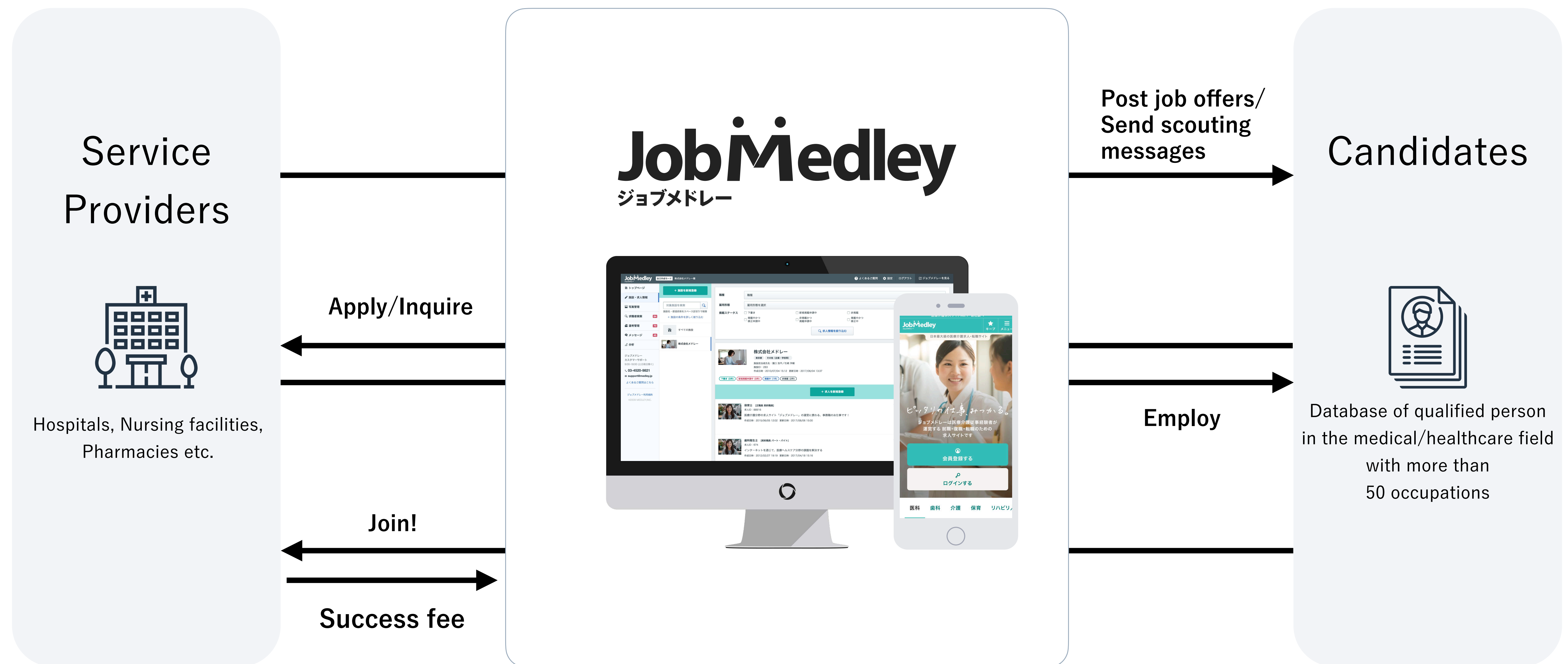
(2) Estimates by Medley, Inc.

FY2018A: Calculated based on the number of employees in the medical industry in Japan (roughly 7 million), the average annual hiring rate for occupations that fall under the category of “medical care / welfare” in FY2016 employment trend survey results (approximately 15% of roughly 7 million = approximately 1 million people), and the average unit price of JobMedley placements for all occupation categories.

FY2025E: Based on the abovementioned FY2018A multiplied by the medical cost growth rate in Future Outlook for Social Security in Anticipation of 2040 published by the Cabinet Secretariat, the Cabinet Office, the Ministry of Finance, and the Ministry of Health, Labor and Welfare.

Success-fee-based Hiring Support System for the Medical/ Healthcare Industry

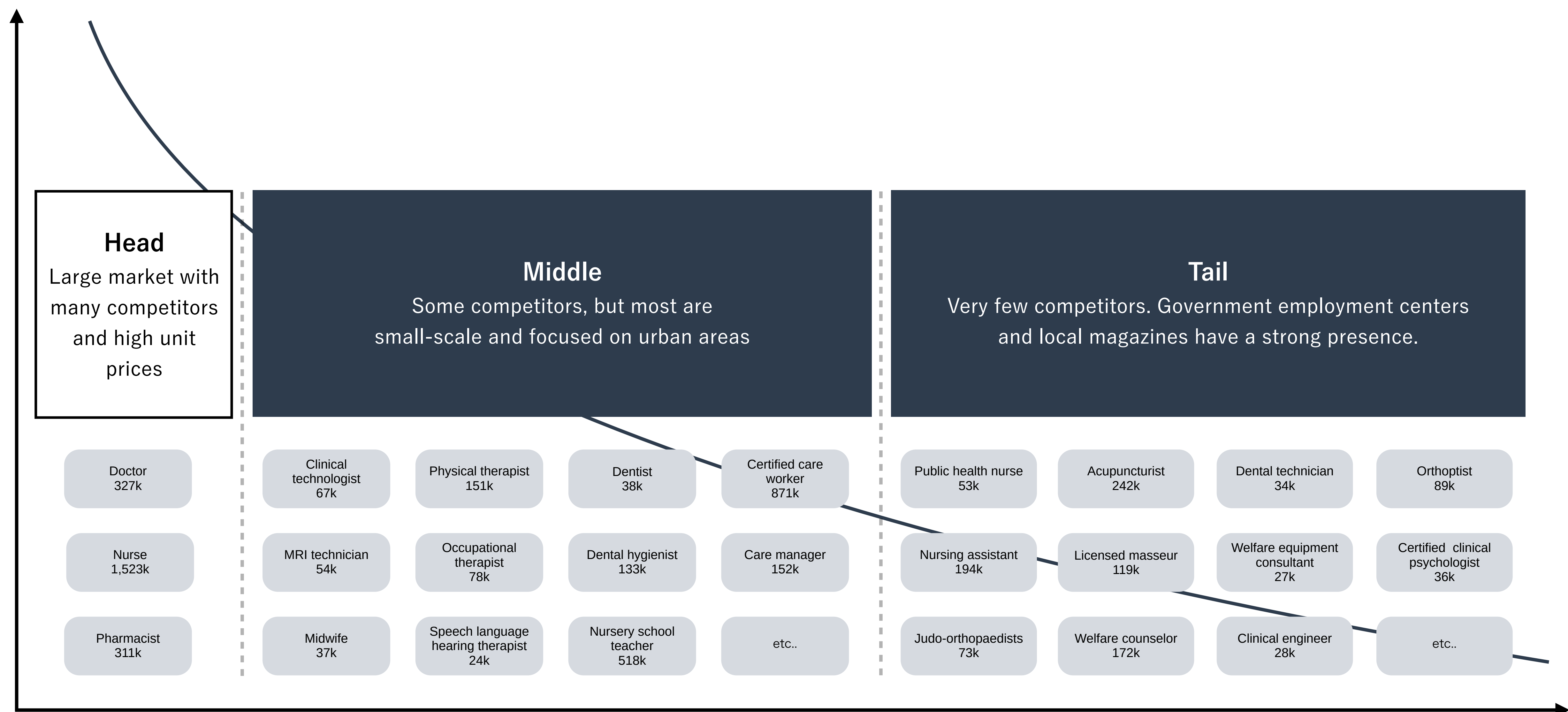
JobMedley is a recruitment system used by businesses (mainly medical institutions) in the nursing, childcare, and healthcare fields. Recruitment information for over 50 types of qualified professionals can be entered into the system and placement fee is charged when a placement is successfully made. The placement fee varies depending on the occupation type and hiring classification.



Industry has a Long-tail Structure: Our Strengths are in the Middle and Tail Segments

Out of the 7 million workers in the medical/healthcare industry, 30% are doctors, nurses, and pharmacists, who are highly competitive in terms of job placement. On the other hand, there are few competitors in the remaining 70% - the middle and tail segments - where we have captured a leading market share. We currently have over 600,000 users in more than 50 occupations registered in our system.

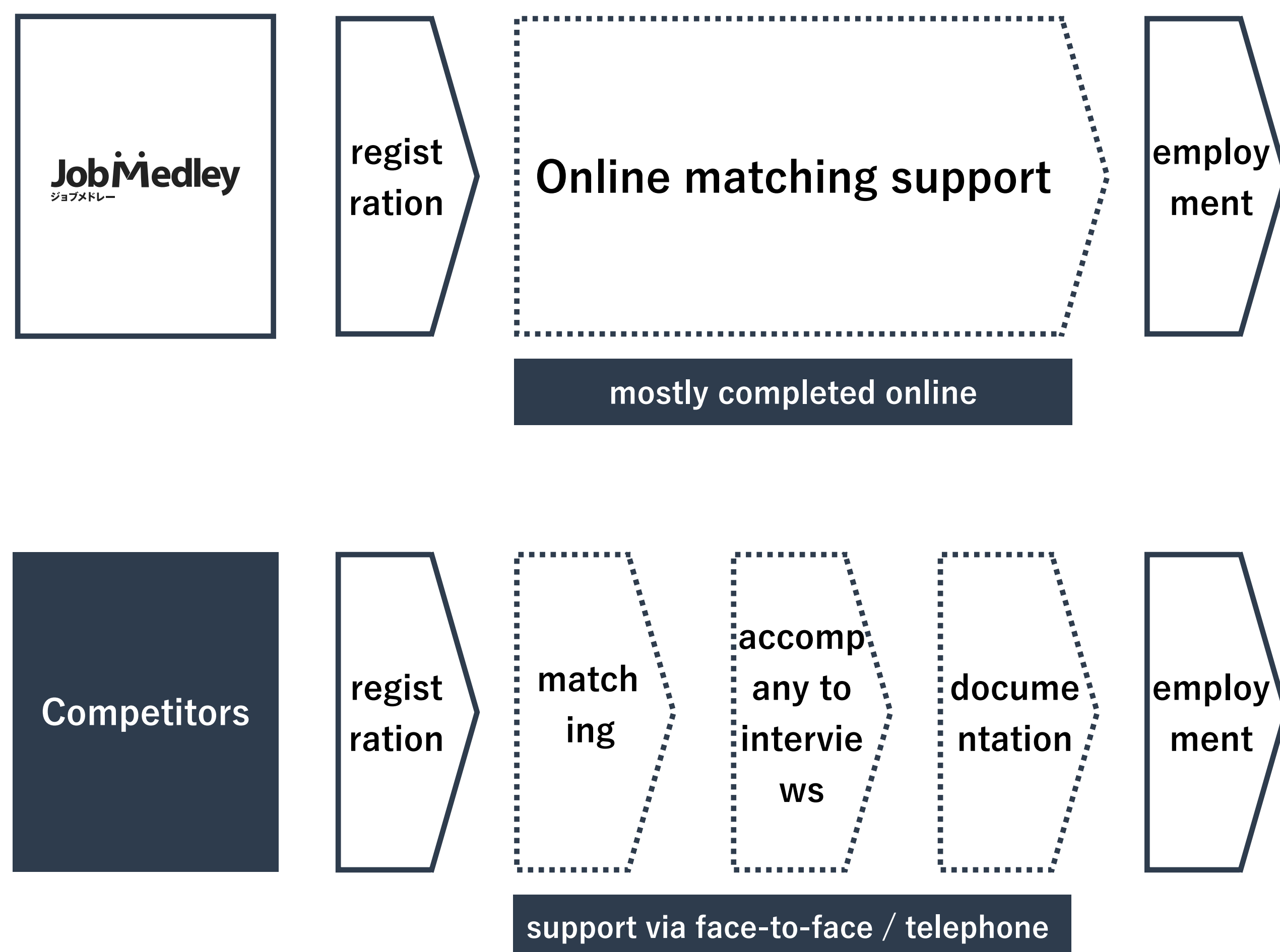
Our Target Area⁽¹⁾



(1) Ministry of Health, Labor and Welfare statistics,

JobMedley covers more than 50 different types of medical/healthcare occupations, and recruitment success fee is approximately 50 - 80% lower than the industry average. While many recruitment agencies conduct most of their business in person, JobMedley uses online support staff, thereby increasing efficiency and enabling lower fees.

Improved efficiency by leveraging online support



Price Advantages

JobMedley
ジョブメドレー

Success Fee (of annual income; back calculation)

2~13%⁽¹⁾

Major Recruitment
Agencies

Success Fee (of annual income)

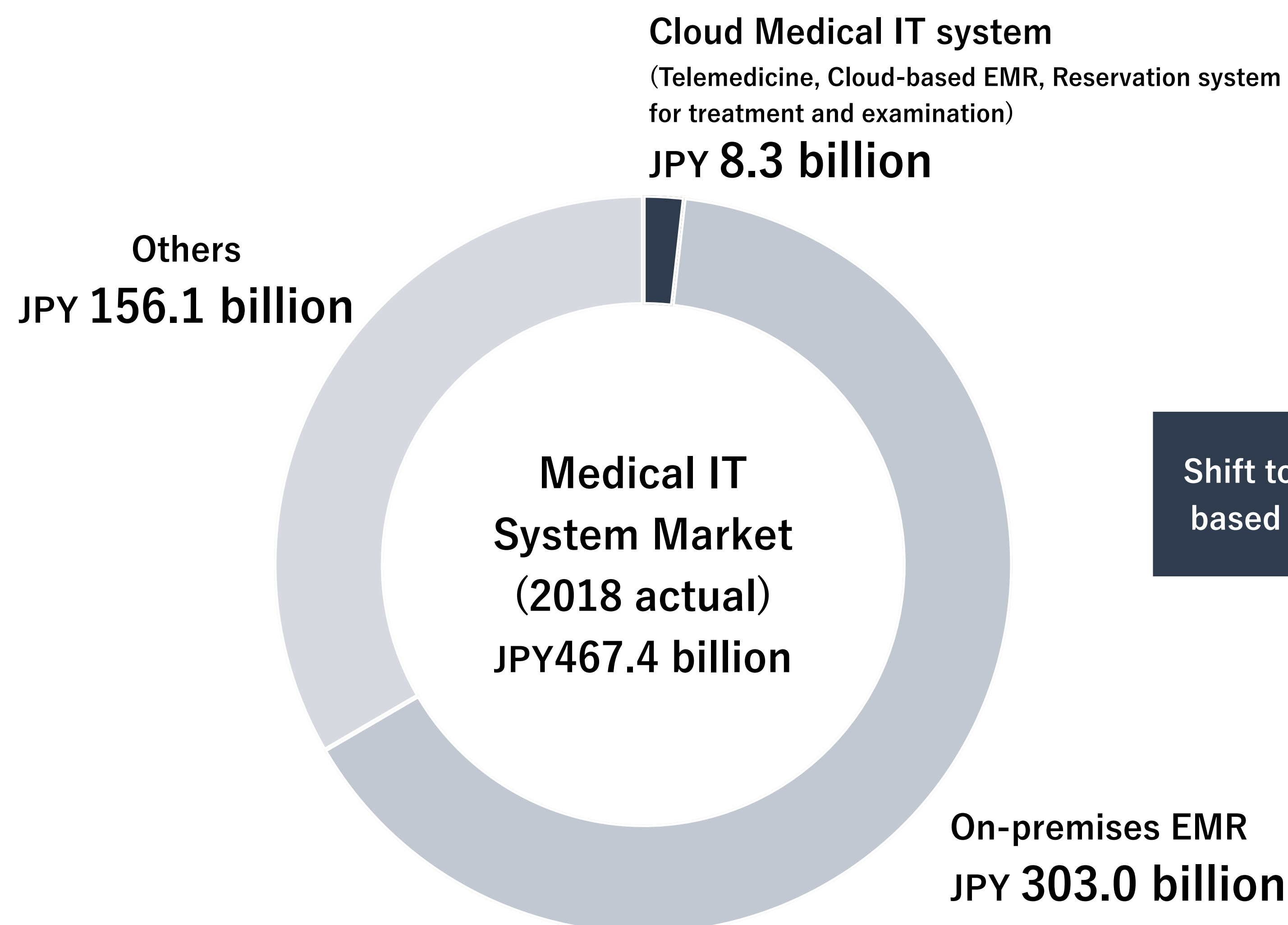
20~35%⁽²⁾

(1) Ratio of our recruitment success fee to annual salary (full-time) is calculated based on the 2018 Basic Survey on Wage Structure (range of nurses, childcare professionals, physiotherapists, dentists, and caregivers).

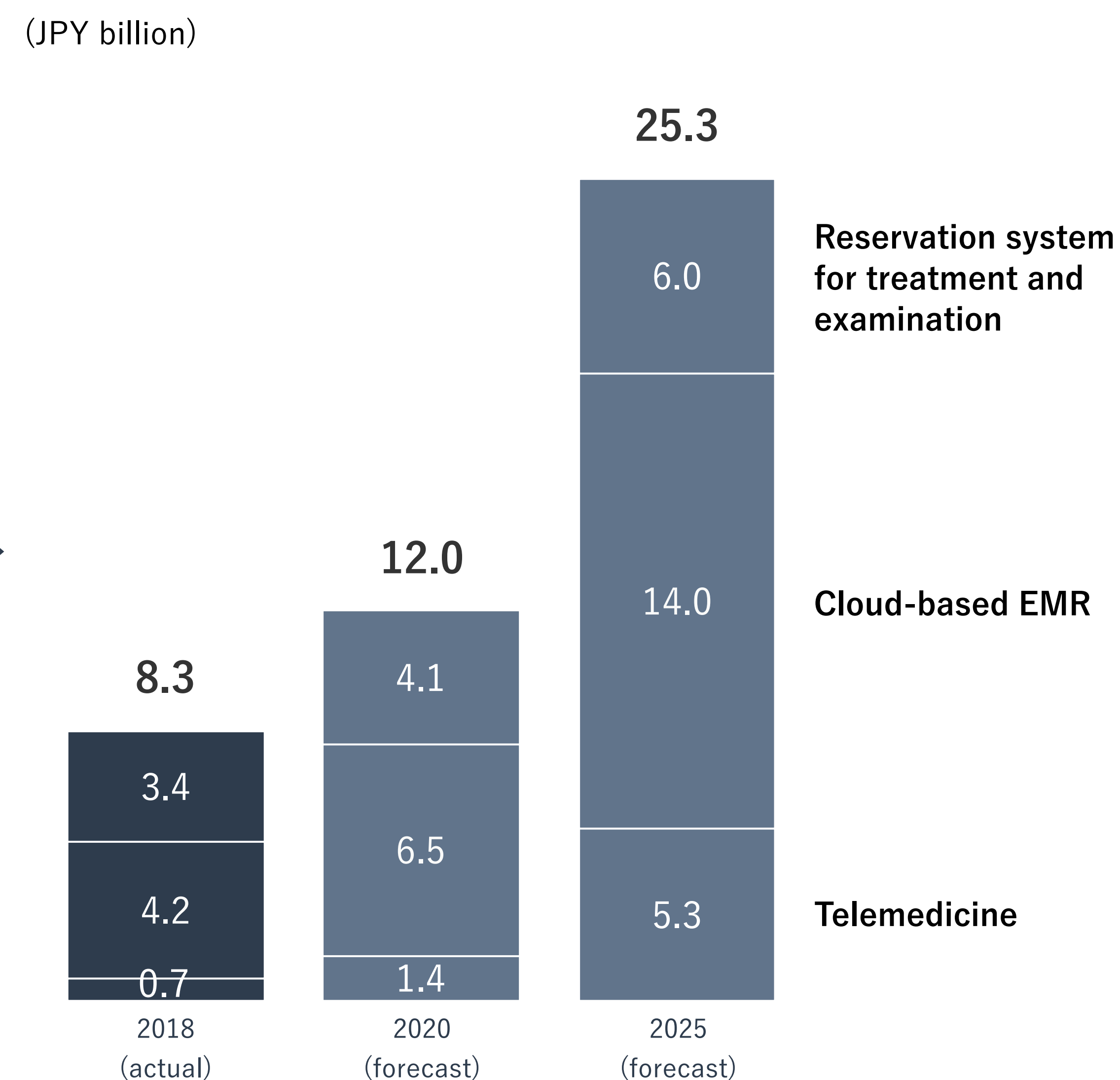
(2) This refers to typical fees for recruitment services for occupations such as doctors, nurses, childcare professionals, physical therapists, dentists, and care workers among the 50 occupations we handle. (Some recruitment services employ different methods for setting success fee amounts that are different from that described above.)

Estimated current medical IT system market size is approximately JPY470 billion. Today, the bulk of the systems used in medical industry are on-premises based (on-site servers), but more platforms are adopting cloud-based systems since the deregulation in 2010, owing to advantages in terms of costs and convenience. Due to the low operating efficiency and customary use of long-term contracts, 7-year (FY2018-2025) CAGR in target operating area of the cloud medical IT system market is expected to be 17.3%.

Scale of the Medical IT System Market⁽¹⁾



Cloud Medical IT System Market in Our Operating Area⁽¹⁾



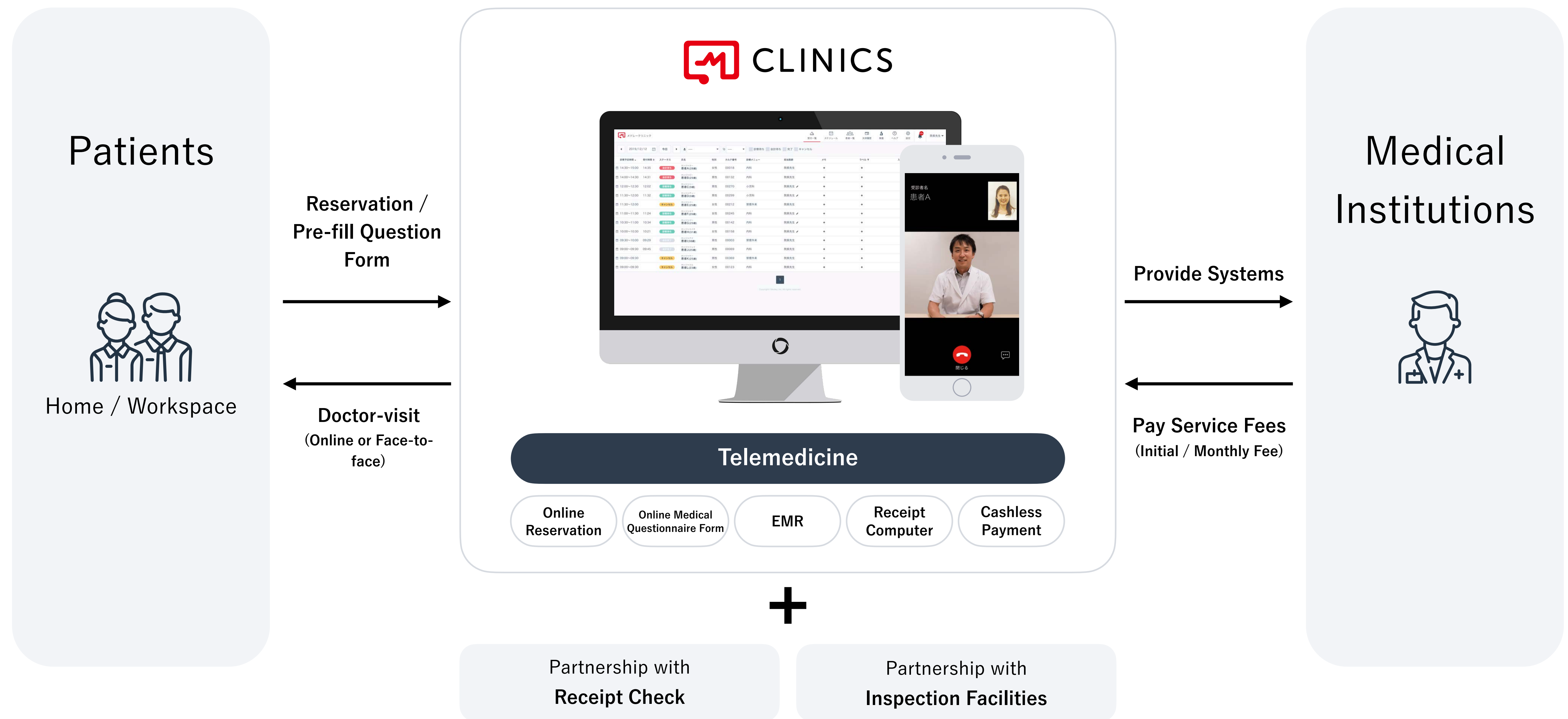
Currently, most systems are on-premises based (on-site servers)

Cloud-based systems are expected to become more prevalent in light of deregulation, cost advantages, and greater convenience.

(1) Future Outlook for Medical Big Data Business and Seamless IT / Cloud Computing of Medical IT in 2020 by Fuji Keizai

Launched as a Telemedicine System in 2016, CLINICS has No.1 Market Share⁽¹⁾

Telemedicine is one of the keys to next-generation medical care. We aim to create a world where medical institutions, in cooperation with pharmacies and care providers, can realize benefits to patients by appropriately combining traditional face-to-face medical care and telemedicine. CLINICS charges system usage fees from medical institutions and provide additional functions to the system platform.



(1) According to Fuji Keizai's report on "Future Outlook for Medical Big Data Business and Seamless IT / Cloud Computing of Medical IT in 2020: No.1 Medical IT and Medical Information Platforms", as of 2018, the CLINICS telemedicine system had the largest installed base in the telemedicine systems and services category.

CLINICS is Evolving into a Comprehensive Cloud-based Medical Support System

In addition to the telemedicine system (launched in 2016), in 2019, a cloud-based EMR system (CLINICS EMR) was launched. As this system is connected with apps used by patients, CLINICS is evolving into a cloud-based medical support system that smoothly connects institutions and patients, handling functions including reservations, reception, treatment, and accounting.



CLINICS カルテ

Cloud-based EMR (paid service)

Telemedicine can be conducted using EMR.⁽¹⁾

Examination data can be sent to patients' apps.⁽¹⁾

CLINICS 予約

Cloud-based EMR (paid service)

Patients can make appointments for face-to-face medical treatment and telemedicine at any time.⁽¹⁾

CLINICS オンライン診療

Telemedicine system (paid service)

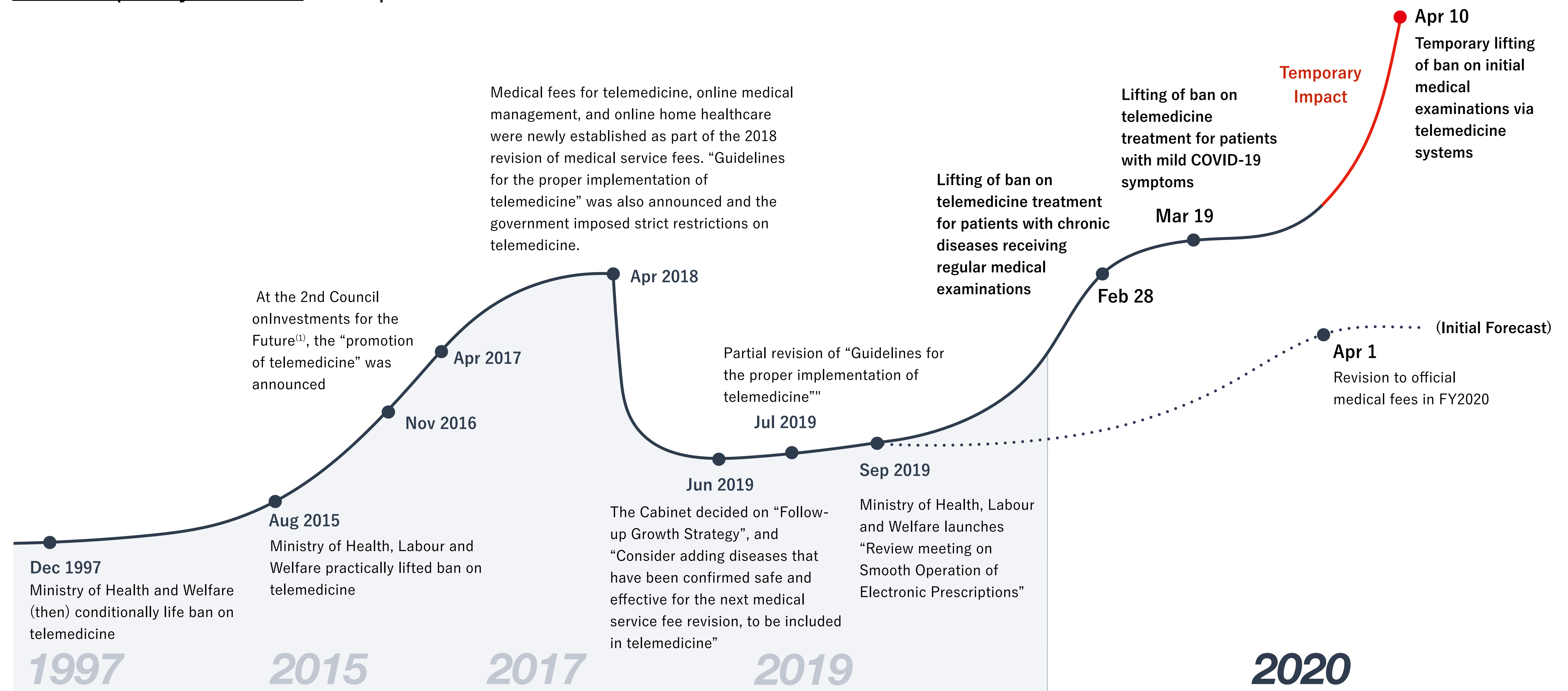
Telemedicine system that can complete reservations, handle prior consultations, video chat consultations, payments, and delivery of medicines and prescriptions in one stop.

Consultation data of telemedicine can be linked with EMR⁽²⁾

(1) When used concurrently with CLINICS Telemedicine

(2) When used concurrently with CLINICS EMR

Official medical fees were established for telemedicine treatment in April 2018, but strict regulations regarding the practice of telemedicine were also established. After that, deliberations regarding telemedicine continued and regulations were relaxed to some degree with the revision to official medical fees conducted in April 2020. Significant deregulation was then implemented as a temporary measure in response to COVID-19.



(1) A meeting to be held by the Prime Minister to promote bold investments in fields that contribute to future growth through public-private partnerships and to accelerate growth strategies and structural reforms aimed at expanding "investment in the future". Held from September 2016. http://www.kantei.go.jp/jp/97_abe/actions/201611/10mirai_toshi.html

On April 1, 2020, the regular biannual revision of revision to official medical fees was conducted and regulations regarding telemedicine were relaxed to some extent. Then, on April 10, in response to COVID-19, national health insurance coverage was extended to include initial medical examinations conducted via telemedicine systems and restrictions regarding which conditions may be treated via telemedicine were also lifted. This has resulted in significant temporary changes in our telemedicine business.

Main requirements to be covered by insurance		Continuing impact until March 31, 2022	Temporary impact from COVID-19
April 1 2018: Medical Fee Revision		April 1 2020: Medical Fee Revision	April 10 2020: Guidance Statement
Requirement for a patient to begin treatment via telemedicine	The doctor conducting telemedicine treatment must also provide face-to-face medical treatment <u>every month for at least six months</u>	The doctor conducting telemedicine treatment must also provide face-to-face medical treatment <u>every month for at least three months</u>	<u>Initial medical examinations via telemedicine systems allowed</u>
Requirements for medical care system	In the event of an emergency, face-to-face medical treatment must be possible within roughly 30 minutes	<u>No restrictions</u>	<u>No restrictions</u>
Target patients	Certain patients with lifestyle-related diseases such as hypertension and diabetes	<u>Chronic headaches and nicotine addiction</u> added to list of conditions eligible for telemedicine treatment	<u>No restrictions</u>

On May 1, we entered agreements⁽¹⁾ with Life Sciences Computing Corporation (“LSC”) to acquire its EMR assets with customer accounts and its license for PACS system. We are currently working with LSC to support the above mentioned customers that we will take on and we plan to leverage these assets to increase the number of customers using our medical platform and improve ARPU (minor near-term earnings impact).

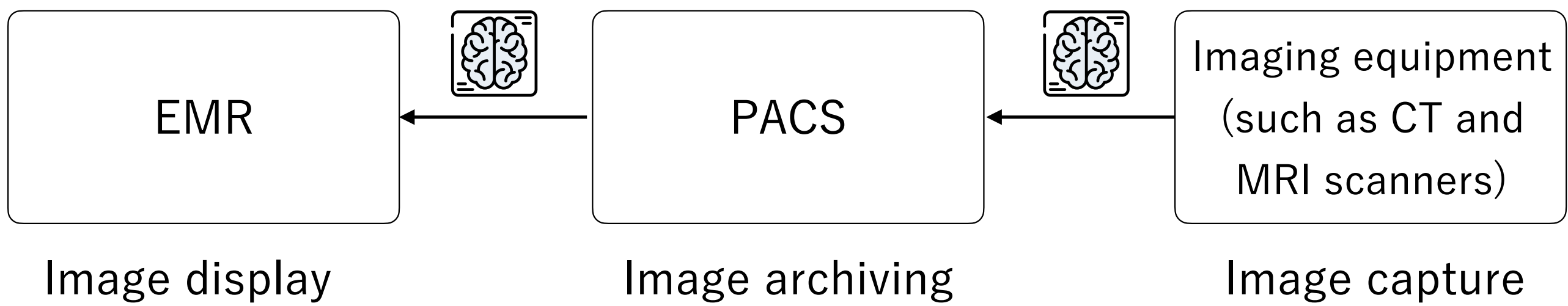
Assets to be acquired: EMR assets and related customer accounts

Details regarding assets to be acquired	• Mainly for medical clinics • Including cloud-based and on-premise assets
Number of customer accounts to be acquired	Approx. 200 (one of the largest pools of cloud- based EMR accounts in Japan)
Acquisition price	JPY110mm (to be posted as a one-time sales promotion expenses)

Licensed asset: PACS technology

Overview of PACS	• Data archiving system for images produced by imaging equipment (such as CT and MRI scanners) • Used by large-scale internal medicine and orthopedic surgery departments, where compatibility with EMR is important.
Licensed fee	JPY20mm (to be posted as a one-time software expense)

Compatibility between EMR and PACS



Purpose of acquisition

	EMR	Telemedicine
Expansion of our customer base	Acquisition of roughly 200 customers (We plan a phased transfer to CLINICS EMR after expansion of CLINICS EMR functionality.)	
	Development and sale of products featuring integrated PACS and EMR functions Development of new customers including orthopedic surgery departments Sale of products featuring integrated functions to existing customers	Cross selling of CLINICS Telemedicine to acquired customers
ARPU improvement		

(1) Contract scheduled to become effective on June 1, 2020

Amid the spread of COVID-19, Medley has received an increasing number of inquiries regarding digitization of operations from pharmaceutical companies and medical device manufacturers. In response, we established a new company on August 3, 2020, earlier than we had originally planned. The Representative Director and CEO of the company is highly knowledgeable in this field and is moving to aggressively expand the business.

New subsidiary profile

Company Name	MEDS, Inc.
Ownership ratio	MEDLEY, Inc., 100%
Name of Representative	Fumihiko Ugajin
Main Business	Provision of support for the digital operations of pharmaceutical companies and medical device manufacturers

Business development plan

Basic Policy	• Business structure focused on recurring sales • Leverage assets of Medical Platform Business
Direction	• Supporting digitization to enhance patients' medical experiences and therapeutic effect

Introduction of Representative Director and CEO



Representative Director and CEO
MEDS, Inc.

Fumihiko Ugajin

In August 2020, Fumihiko was appointed Representative Director and CEO of MEDS, Inc.

Before joining the company, he was Representative Director of IQVIA Solutions Japan from 2015 to 2020.

He was graduated from the University of Tokyo majoring in economics, and Graduate School of Public Health, the University of North Carolina at Chapel Hill.

About IQVIA Solutions Japan

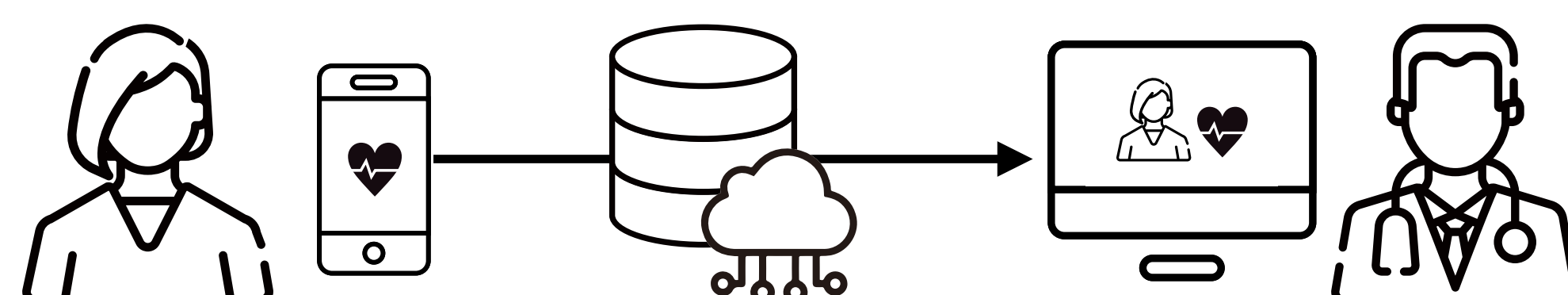
- Japanese branch of a global research and consulting firm specializing in the healthcare field with a broad range of medical information
- Provides information, technology, and services for customers in the pharmaceutical industry in Japan

MEDS will provide digitalization services to life science companies such as pharmaceutical companies and medical device manufacturers by leveraging the assets of Medical Platform Business, aiming to enhance patients' medical experiences and therapeutic effect. The company will respond to the demands of life science businesses and create digital services including, but not limited to, the following.

Examples of MEDS Business Domains

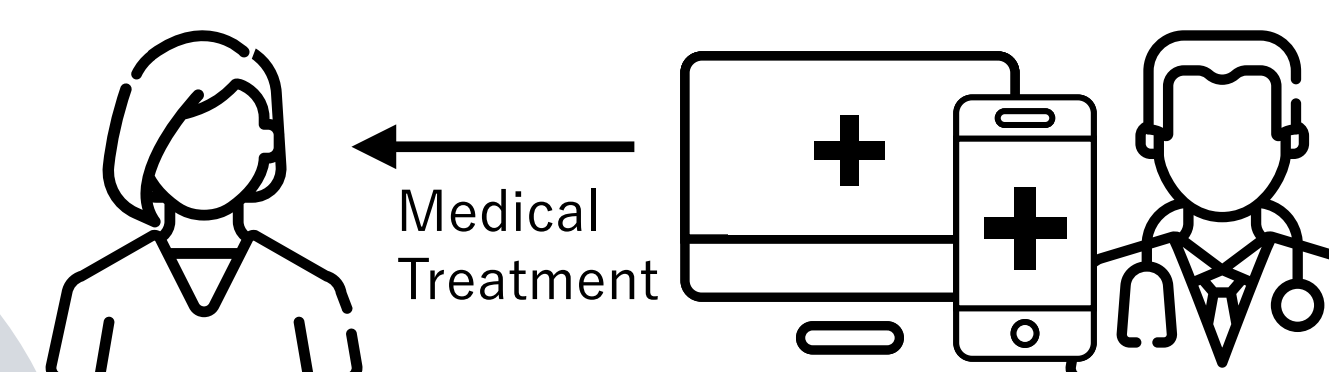
PHR(Personal Health Record) Apps

App that manages medical information and health status such as patients' diagnoses and dosage histories



DTx (Digital Therapeutics)

Software that supports or conducts disease prevention, diagnosis, and treatment using digital devices and IoT



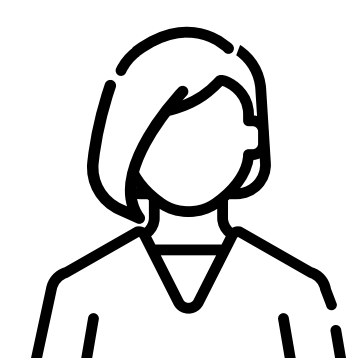
Used under the supervision of a physician

Requires approval as a medical device

Leverage of
Medical Platform
Business assets

ePRO (Electric Patient-Reported Outcome)

Digitization, storage, and analysis of patients' self-assessments and symptom reports (PRO) for clinical trials



Subjective patient assessment

- Level of satisfaction with treatment, severity of symptoms
- HR-QOL(Health-Related Quality of Life)

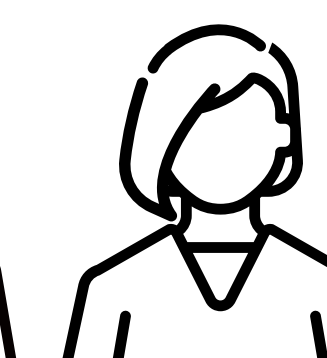
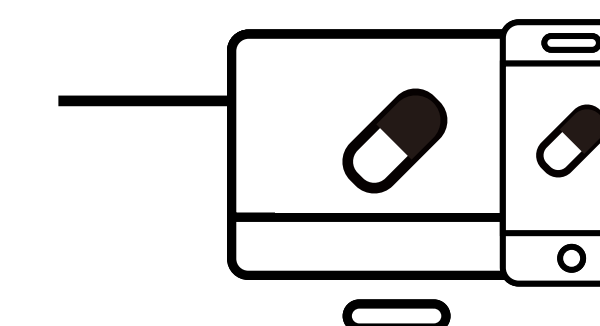
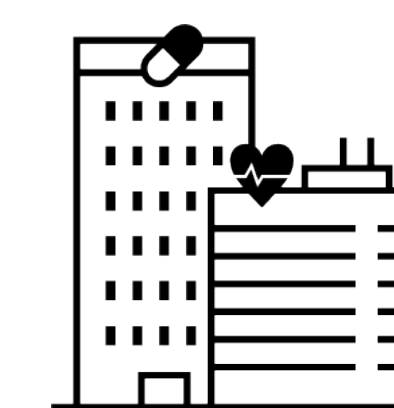


Early acquisition of highly accurate data

- Avoidance of typing errors by patients
- Improvement of patients' input rate

Appropriate Delivery of Clinical Information

Services that allow pharmaceutical companies to effectively offer medical workers and patients clinical information via the Internet (e.g. eDetailing⁽¹⁾, PSP⁽²⁾)



(1) eDetailing: service that allows MRs to provide medical information online to physicians

(2) PSP: abbreviation of Patient Support Program; service to support patients' medical experiences including an access to appropriate medical care

(Ref.) Increased Usage of Digital Technology in the Life Sciences Industry

Digitalization is promoted in the life sciences industry in various ways as drug discovery becomes increasingly difficult and digital technology is further developed.

Life sciences industry increasingly working with IT companies and using digital technology⁽¹⁾

eDetailing

Volume of information provided to physicians by pharmaceutical companies
(Third week of April 2020: YoY)

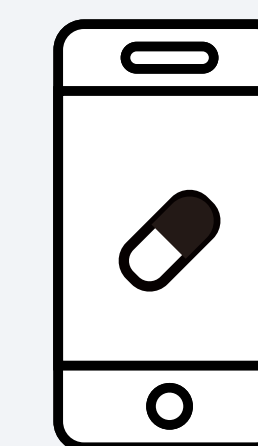
In-person Communication **63%** ↘

Remote Communication **34%** ↗

Survey by IQVIA Japan, from Yakuji Nippo

PHR Apps

Apps that assist lung cancer patients in managing their treatment



Recording of lung cancer drug dosages and symptoms, etc.

2019

2020

Otsuka Pharmaceutical



Click Therapeutics

(App for patients with depression)

Shionogi



Akili Interactive Labs

(App for children with ADHD)

Astellas Pharma



Welldoc

(DTx)

Pharmaceutical companies

Remote support of MR activities through web-based conference systems, etc.

Astellas Pharma



M3

(Remote Detailing)

AstraZeneca



Welby

(PHR App)

Amgen



Integrity Healthcare

(ePRO)

DTx

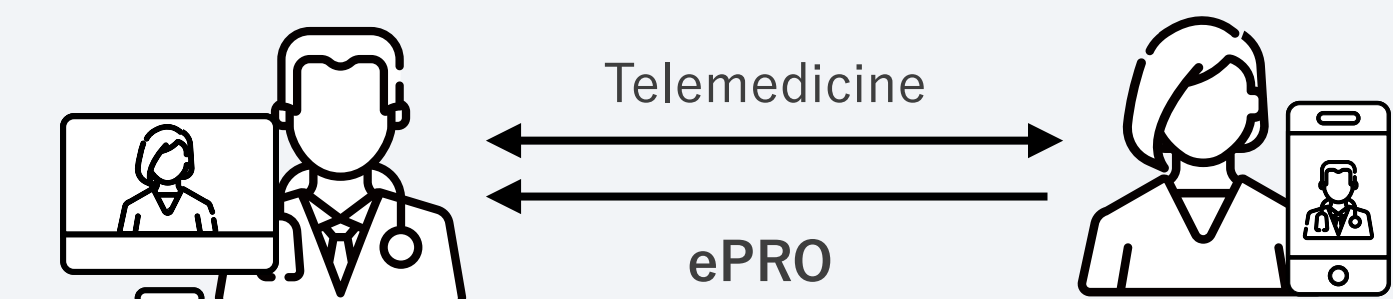
Co-development in Japan of BlueStar, a digital therapeutic product for diabetic patients



Support for disease self-management, sharing of patient status with physicians

ePRO

Verification project for telemedicine in the field of chronic skin diseases and ePRO



Sharing patients' subjective/QOL information with physicians

(1) Materials from each company, graphics by Medley

Medical Media: Cooperating with Google to Provide Access to Reliable Medical Information

Since 2015, through “MEDLEY”, our online medical encyclopedia, we have cooperated with medical professionals under the slogan, “Providing the strength to face medical care challenges”, to develop a database of diseases, symptoms, and trials and a service that helps patients get access to medical treatment. On July 7, Google announced that it has begun efforts to support access to medical information. Medley will cooperate and participate in this project to the fullest extent possible.

Medley’s key values when providing medical information



Neutrality

Frequency

Comprehensiveness

MEDLEY, an online medical encyclopedia created by doctors

Online medical encyclopedia used by over three million users per month, including medical institutions. It also has a “symptom checker” function that allows users to narrow down the range of possible diseases based on a patient’s symptoms.

Cooperation with Google

Medley uses Question Hub, a tool provided by Google, to identify search keywords for “pending” questions and publishes medical information content based on keyword themes on its online medical encyclopedia MEDLEY.

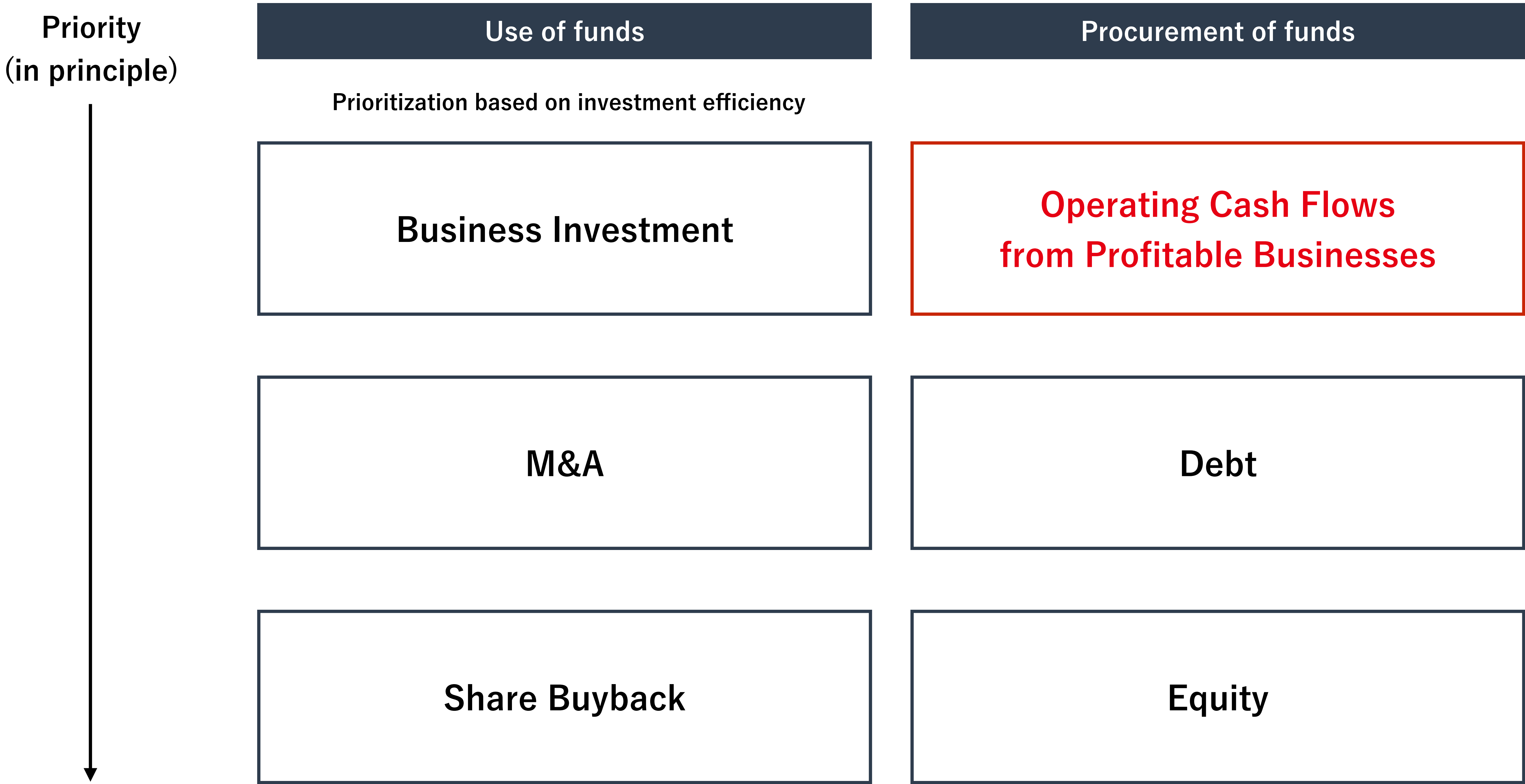


Google's Question Hub tool

Question Hub is a tool that automatically gathers and displays search keywords for “pending” questions – those for which users have likely not yet found relevant information. For this project, the beta version of Question Hub was used to provide keywords for pending questions regarding COVID-19 to the project team. This project is expected to make it easier to understand what topics users are interested in and which keywords will be useful to them.

Use of Operating Cash Flows from Profitable Businesses and Debt for Aggressive Investment

We focus on companywide sales growth rather than on growth of individual businesses. We have set target years for bringing lossmaking businesses into the black and will increase operating cash flow in line with our plans.



Increase Operating Cash Flow by Making Lossmaking Businesses Profitable in Line with Our Plans

We have set target years for bringing lossmaking businesses into the black and will increase operating cash flow in line with our plans.

Cash generation phase: Positive operating cash flow

Profitability phase: Operating cash flow negative, but unit economics sound (return on investment expected)

Commercialization phase: Creation of business model targeting generation of operating cash flow, unit economics carefully monitored

	Profitable in FY2019	In the red in FY2019		New Businesses in FY2020
	Cash generation phase	Profitability phase	Commercialization phase	
Recruitm ent Platform				
Medical Platform	 CLINICS オンライン診療 (Telemedicine) <u>Profitable in FY2019</u> <u>Expected to turn profitable in FY2022</u> <u>Expected to turn profitable in FY2020</u>	 CLINICS カルテ (Cloud-based EMR) 	 - Preparation for next phase <u>No expansion of losses</u> <u>Service for Dental Clinics</u> - Began development in FY2019 - Plan to begin business development in FY2021 <u>New Service</u> - Began development in FY2019 - Plan to begin business development in FY2022	 Pharms - Launched in September 2020 - Business for dispensing pharmacies MEDS, Inc. - Established in August 2020 - Support for digital operations of pharmaceutical companies and medical device manufacturers
New Services			 介護のほんね (Kaigo-no Honne; Nursing facility search website) Consideration of optimal earnings structure	

Investment in Growth Targeting Maximization of Customer Numbers and ARPU Improvement

Aggressively invest capital secured via operating cash flow and interest-bearing debt while keeping the company in the EBITDA positive on a companywide basis.

Investment in Growth

Aggressive investment while maintaining profitability on a companywide basis

- We will focus on achieving cost merits on a pretax investment basis while also focusing on after-tax capital base strengthening merits.

Focus on sound unit economics

- Confirm investment return periods and LTV/CAC for all businesses
- Determine profitability timing and invest aggressively in businesses with sound unit economics

Maximization of Customer Numbers

Strengthen customer base by leveraging JobMedley's cost leadership

- Maintain current customer acquisition pace
- Aggressively pursue cross selling by leveraging companywide customer management system

ARPU Improvement

① Increase customer usage rate

- Continuous improvement

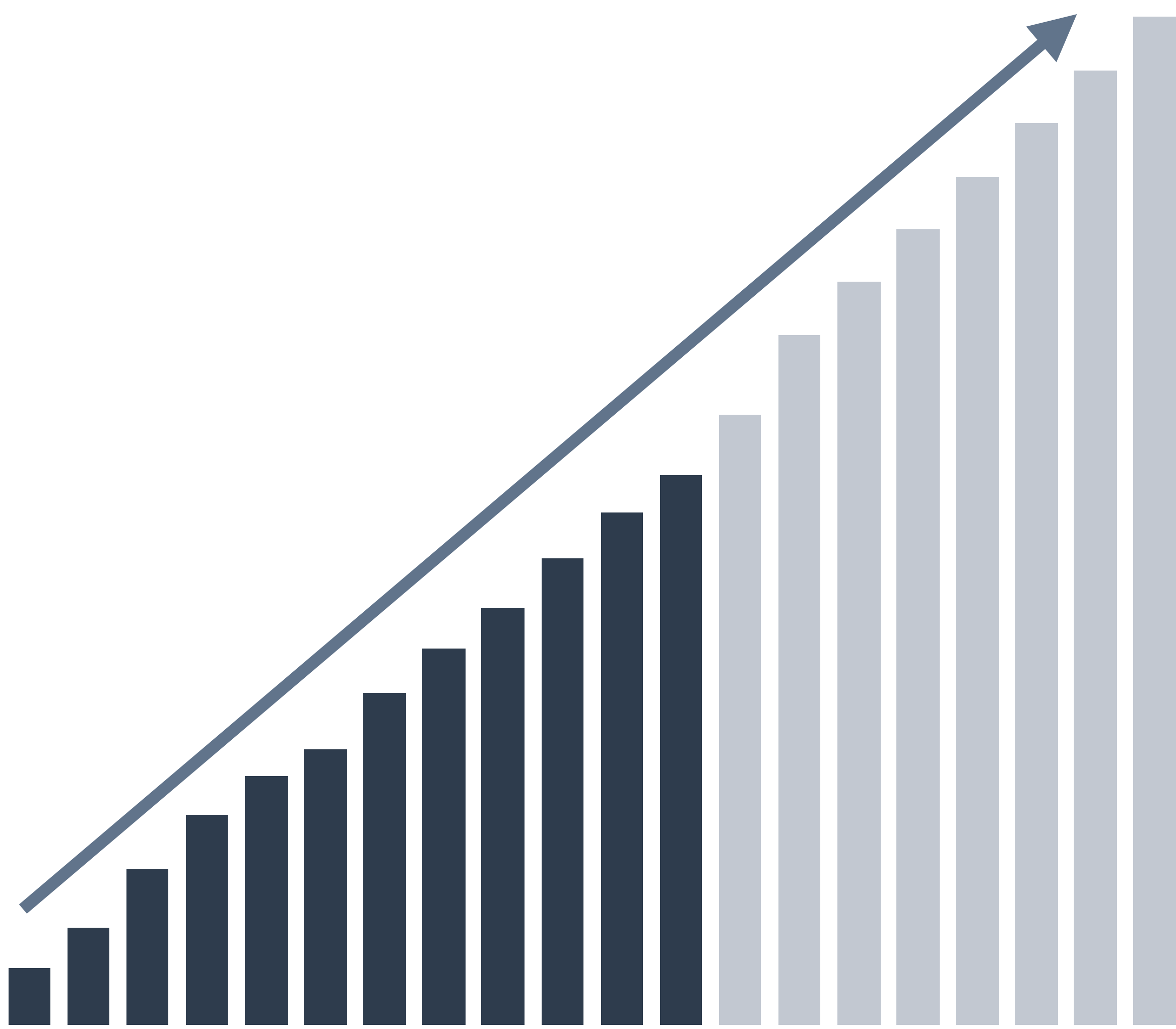
② Strengthen product lineup

- New services under development
- Plan to increase number of services
- Proactively pursue operational and capital alliances with other companies

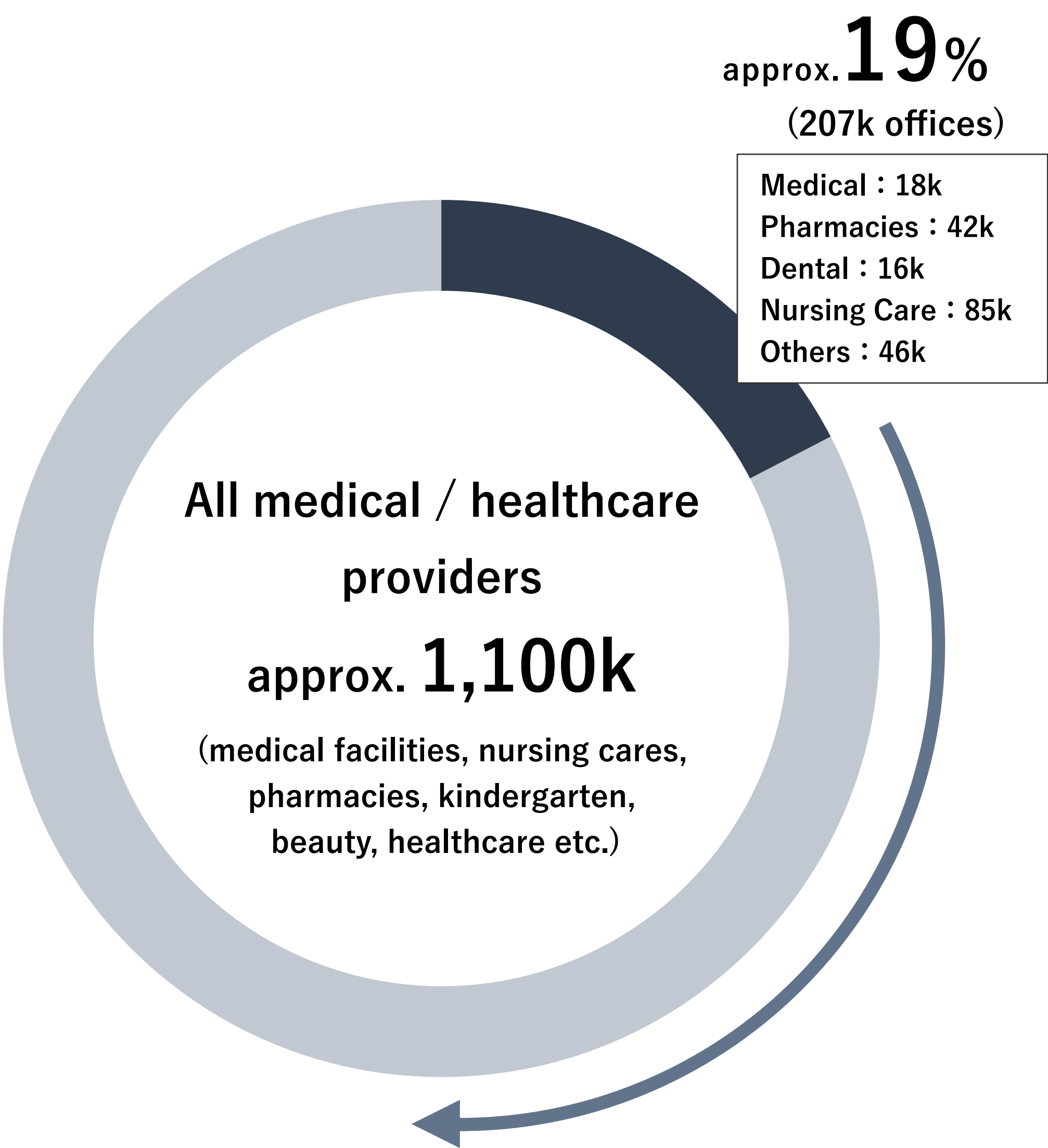
Continue to Expand Customer Base by Leveraging JobMedley’s Cost Leadership

All businesses face human resources constraints. Providing low-cost human resource systems in the field of healthcare enabled increase in number of customers and users. We will further strengthen our customer base by continuing to pursue our cost leadership strategy. Our basic strategy is to develop and deliver valuable services to our customers.

Customer Base Expansion



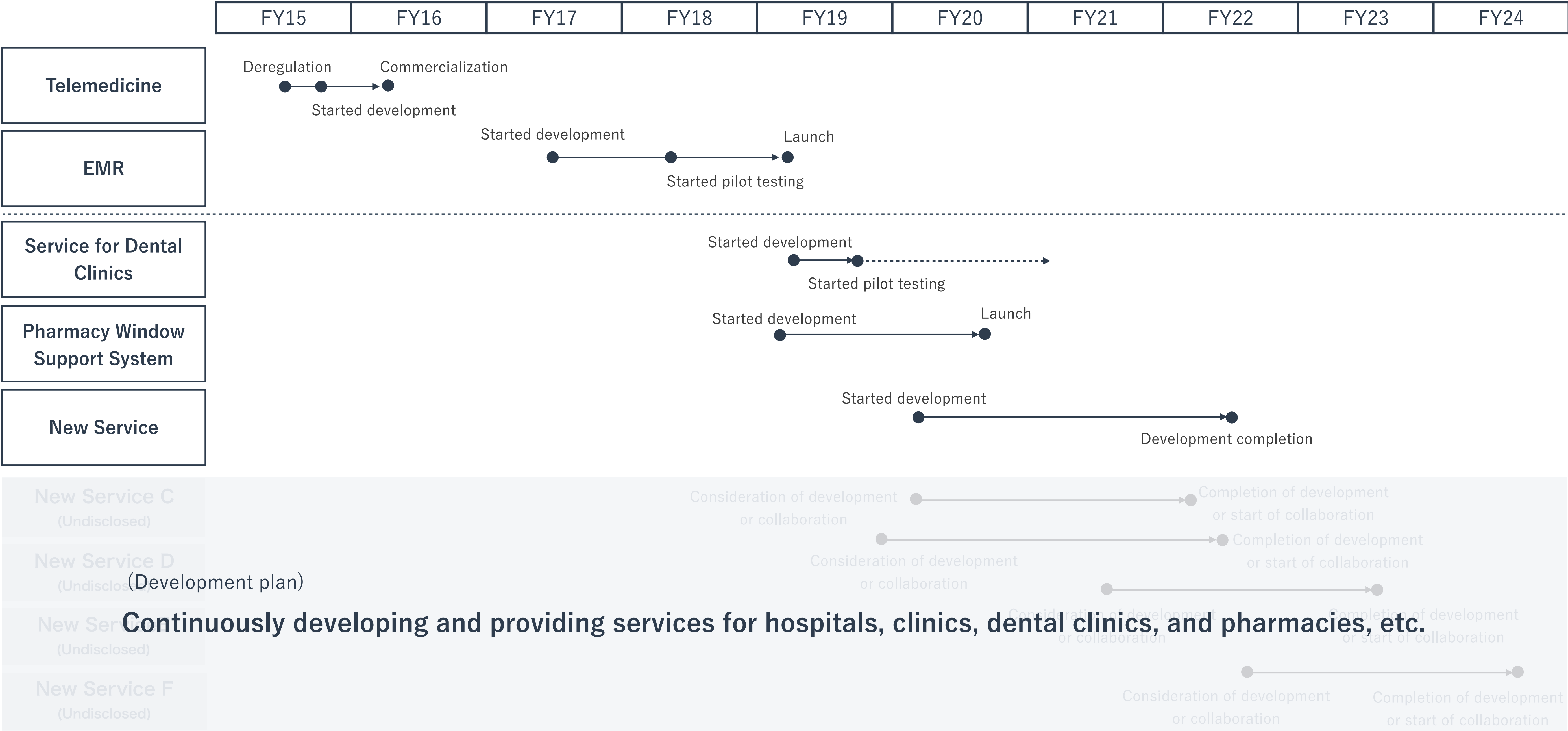
Ratio of target businesses using our services



Leveraging Our Customer Base to Promote the Use of Digital Technologies in Medical/Healthcare Industry



Shifting medical institutions’ on-site systems to the cloud is an essential step for society in terms of increasing the efficiency of the medical healthcare industry as a whole. The outsourcing of services required by all medical institutions would benefit patients, cut costs, and boost sales. We will leverage JobMedley’s strong customer base to aggressively develop and widely distribute such services.



Continuously developing and providing services for hospitals, clinics, dental clinics, and pharmacies, etc.

In addition to continued investment in development, M&A is a core component of our growth strategy and we are strengthening our M&A team.

M&A Plan

Conduct strategic M&A

- Proactively acquire functions necessary for each business segment

Focus on synergy

- Sales support to leverage our strong customer base
- To leverage our Internet product development knowhow
- To leverage our digital marketing knowhow

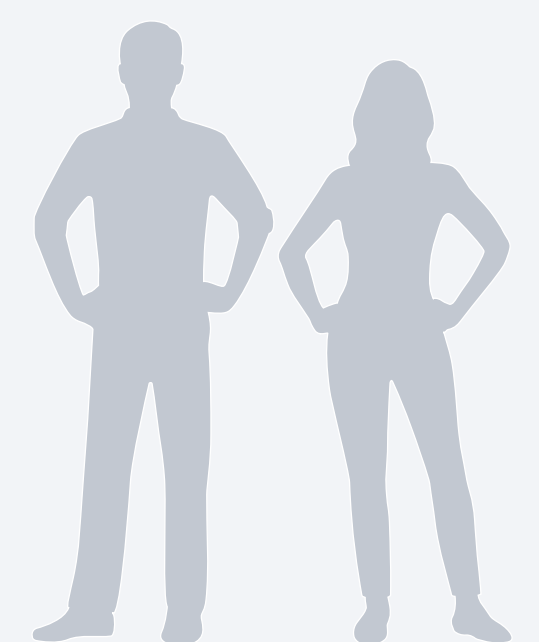
Conduct M&A necessary for the future without delay

* Because it is not always possible to make the necessary acquisitions at the time they are needed.

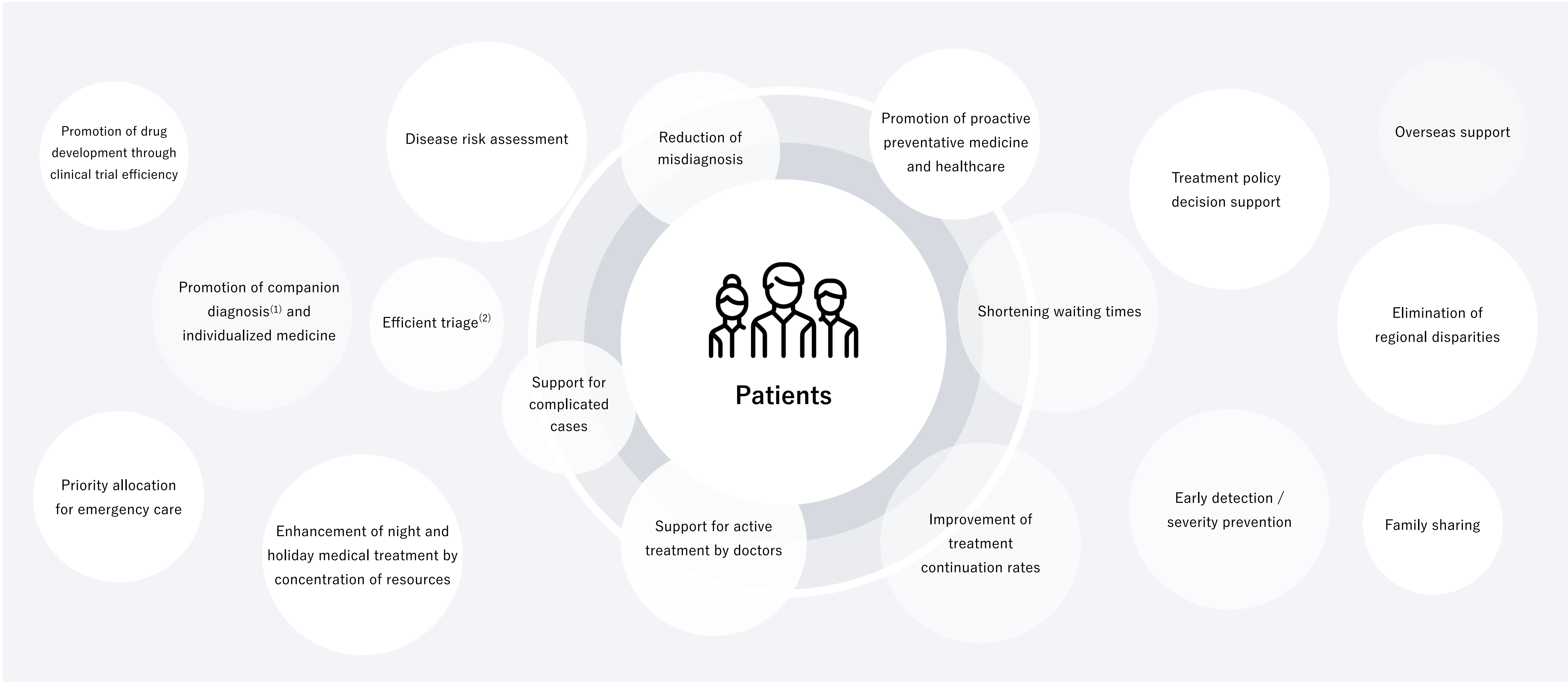
M&A team

Ability to handle sourcing, due diligence, negotiations, and post-merger integration with in-house team

- Team members with experience:
 - working at investment banks
 - working in companies undergoing M&A
 - working as legal and financial specialists
 - serving as general manager
 - working as DX engineer



By sharing data between corporate systems and patient services, we aim to lighten patient burden and enable full utilization of medical services by patients to achieve excellent medical care. To achieve this, we will continue developing applications and products for consumers and patients.



(1) Companion diagnosis involves clinical testing to predict the efficacy and side effects of a drug before administering medication.
(2) Triage is the process of deciding treatment priorities based on the urgency and severity of injuries when a large number of victims must be treated due to a disaster.



Creating the Future of Medical / Healthcare