



Acquisition of Pacific System Co., Ltd.

Medley, Inc.

December 17, 2020

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Overview of Transaction

- Acquisition of 80% of Pacific System's share
 - Signing date of share purchase agreement: December 17, 2020
 - Closing date of share purchase: January 4, 2021 (scheduled)
 - Acquisition costs: 792 million yen
 - Source of acquisition costs: Cash on hand and deposits
 - Impact on the consolidated financial results for the fiscal year ending December 31, 2020: Not significant

Purpose

- To enter into the market of electronic medical records (EMR) for hospitals

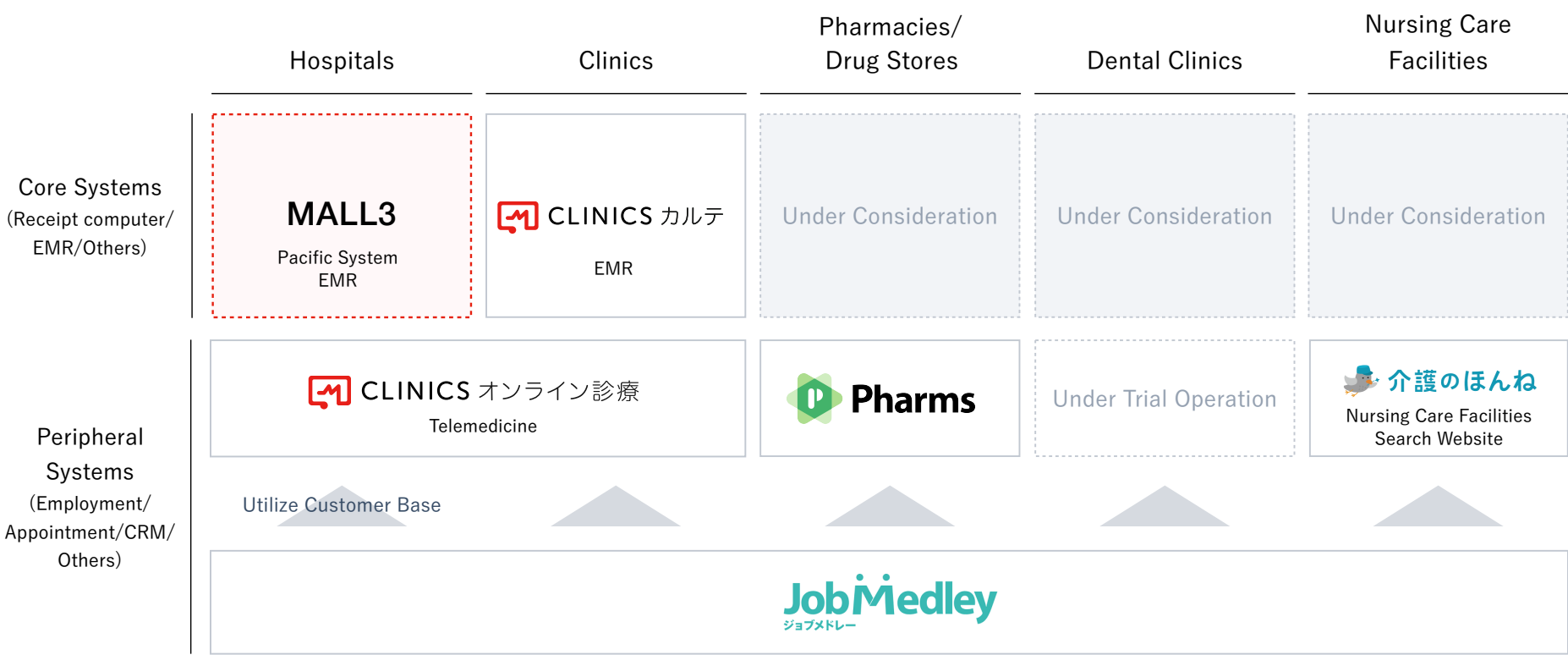
Synergy

- Expand the market share utilizing the customer base of Medley
- Link the EMR for hospitals to CLINICS telemedicine system

Purpose of the Acquisition

The acquisition of Pacific System provides us the opportunity to enter into the market of EMR for hospitals on top of our existing products including JobMedley and CLINICS (telemedicine system). We will aim to expand the market share utilizing our customer base and generate synergies among EMR for hospitals, CLINICS (telemedicine system), and other systems.

Operations Support Systems by Medley



Founded in 1997, Pacific System offers its EMR nationwide. With low cost and high functionality, 98% of its customers have been repeatedly using its EMR in the past 17 years.

Company Overview

Main Business	Development and sales of EMR for hospitals (2003~)
Net Sales	615 million yen (Fiscal year ended March 31, 2020) - CAGR (Past 3 years) : 10%
Number of Customers	125
Number of Employees	62

Introduction of Company Representative

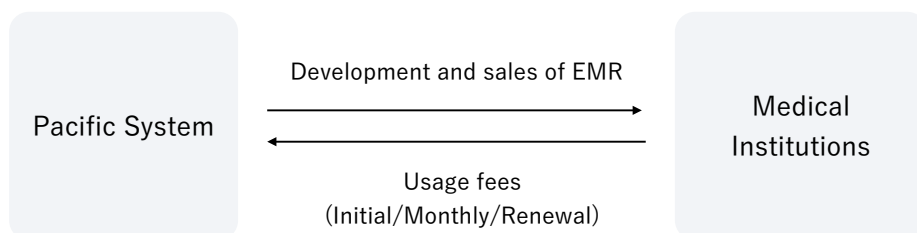


Hiroyuki Komatsu, Founder and Representative Director

Komatsu studied abroad to the US in 1995 and majored in computer science at Temple University in Philadelphia.

Being aware of the wide adoption of IT infrastructure in the US, he founded Pacific System in 1997 to develop medical IT infrastructure in Japan.

Business Model of EMR for Hospitals



- Main customers: Small and medium hospitals with less than 400 beds
- Distributors support some deals
- Hardware updates every 5~7 years

Competitive Advantages of EMR (MALL3)

Retention Rate
98%⁽¹⁾
For 17 years

Low Cost	In-house development enables low initial/maintenance fees
Customizability	The screen layout can be customized (2,664 options)
Connectivity	Other in-house developed systems (dialysis, rehabilitation etc.) can be easily connected

(1) 125 customers currently use the EMR out of 128 cumulative total users in the past 17 years

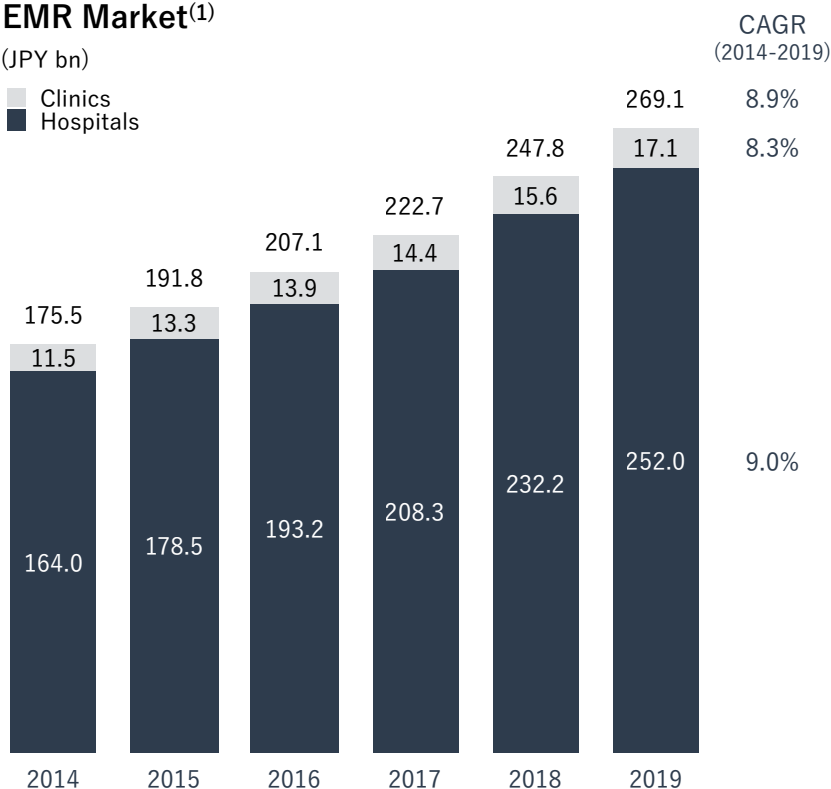
Large Market Opportunity for EMR for Small/Medium Hospitals

While the market of EMR for hospitals has been expanding, a majority of small/medium hospitals still use paper-based medical records, which indicates the huge market opportunity. The acquisition of Pacific System which offers its services to small/medium hospitals will promote the adoption of EMR and digital use in medical and healthcare industries.

EMR Market⁽¹⁾

(JPY bn)

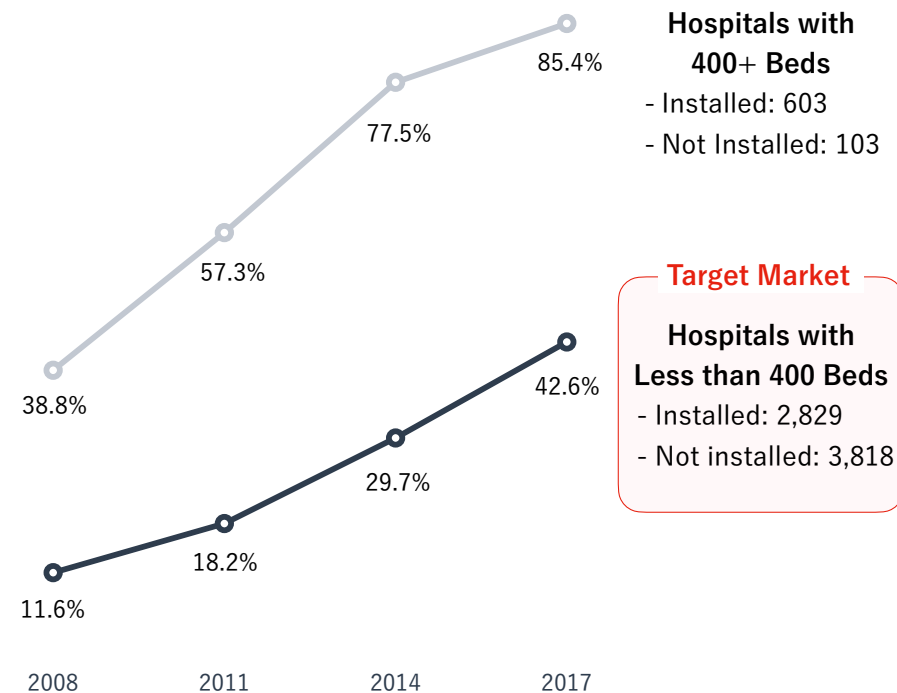
■ Clinics
■ Hospitals



- EMR for large hospitals with high budget leads the market
 - The initial/maintenance costs are relatively enormous due to the demand of extensive and complex customization

(1) "Study on EMR market 2020" by Seed Planning, Inc.

Installation of EMR by Hospitals⁽²⁾



- Installment of EMR by small/medium hospitals is delayed due to limited budgets
 - Needs for EMR with low costs
- With low cost needs and smooth data transition, hospitals using EMR are currently more motivated to switch the system

(2) Ministry of Health, Labor and Welfare statistics



Creating the Future of Medical/Healthcare