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Consolidated Financial Results

for the Nine Months Ended September 30, 2024

[Japanese GAAP]

November 14, 2024

Company name: MEDLEY,INC.
 Listing: Tokyo
 Securities code: 4480
 URL: <https://www.medley.jp>
 Representative: Kohei Takiguchi President and Chief Executive Officer
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 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Nine Months Ended September 30, 2024 (January 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		EBITDA※		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	21,642	39.6	3,484	13.9	2,358	(7.2)	3,731	15.6	2,323	6.8
September 30, 2023	15,501	48.0	3,059	78.6	2,541	103.9	3,226	130.2	2,175	127.2

(Note) Comprehensive income: Nine months ended September 30, 2024: ¥ 2,344 million [6.6 %]
 Nine months ended September 30, 2023: ¥ 2,198 million [129.8 %]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2024	71.57	71.11
September 30, 2023	67.47	66.57

(Note) At the end of the previous consolidated fiscal year, the Company finalized the provisional accounting treatment for business combinations. Figures for the third quarter of the fiscal year ending December 2023 reflect said finalization of provisional accounting treatment.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	41,125	19,795	48.0
December 31, 2023	25,430	17,637	69.0

(Reference) Equity: As of September 30, 2024: ¥ 19,738 million
 As of December 31, 2023: ¥ 17,552 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	-	0.00	-	0.00	0.00
Fiscal year ending December 31, 2024	-	0.00	-		
Fiscal year ending December 31, 2024 (Forecast)				0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024(January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	29,400	43.2	4,640	36.7	2,950	10.8	4,440	18.2	3,000	16.9	92.72

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 1 (Company name: GUPPY's Inc.)
Excluded: - (Company name:)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- 1) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None
- 4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2024: 32,738,600 shares
December 31, 2023: 32,738,600 shares

2) Number of treasury shares at the end of the period:

September 30, 2024: 254,435 shares
December 31, 2023: 384,191 shares

3) Average number of shares outstanding during the period:

Nine months ended September 30, 2024: 32,462,708 shares
Nine months ended September 30, 2023: 32,240,687 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

(Cautionary statement regarding forward-looking statements)

This preliminary earnings report contains forward-looking statements such as earnings forecasts which are based on information currently available to the Group and certain assumptions deemed to be reasonable. The Group makes no guarantee regarding the accuracy of the forecasts contained herein. Because of variable factors, actual results may differ from the forecast figures. For information regarding assumptions upon which the Group's results forecasts are based and notes regarding the use of results forecasts, please refer to (3) Explanation regarding consolidated forecasts and forward-looking statements under 1. Outline of Business Performance" on page 3.

1. Outline of Business Performance

(1) Explanation regarding operating results

During the cumulative third quarter of the consolidated fiscal year ending December 31, 2024 (consolidated Q3 FY2024), both the HR PF Business and the Medical PF Business, Japanese medical and nursing industry continued to face human resource shortages and issues related to national budget shortage.

Amid this business environment, in consolidated Q3 FY2024, sales in the HR PF Business increased due to a steady increase in the number of customer offices and in our pool of registered workers for recruitment system JobMedley and the number of customer offices for online training system JobMedley Academy also grew. We also achieved sales growth in the Medical PF Business as installation of our products at customers' facilities went smoothly, resulting in growth in the number of medical institution users. Even as the Group achieved sales growth, we proactively worked to achieve medium-to-long term growth, conducting marketing activities aimed at expanding the HR PF Business and investing in the expansion of our online training system. In the Medical PF Business, we continued to increase the number of employees and, in the area of medical nursing care, we brought human resource service company GUPPY's Inc. into the scope of consolidated accounting.

As a result of the above, in consolidated Q3 FY2024, the Group posted net sales of ¥21,642 million (up 39.6% YoY), EBITDA of ¥3,484 million (up 13.9% YoY), operating profit of ¥2,358 million (down 7.2% YoY), ordinary profit of ¥3,731 million (up 15.6% YoY), and net profit attributable to owners of the parent company of ¥2,323 million (up 6.8% YoY).

The HR PF Business posts sales based on the hiring dates of persons using the Group's services to find employment at companies seeking employees. The sales therefore tend to be concentrated in April, when Japanese companies tend to hire more employees (because this is often the beginning of Japanese companies' fiscal years).

Earnings by business segment are as follows.

1. HR PF Business

During consolidated Q3 FY2024, the Group continuously improved the functionality of its websites in order to improve user convenience. As a result, customer offices in the HR PF Business as a whole therefore grew 17.2% compared with the end of consolidated FY2023, to 397 thousand; and listed job offers rose by 9.8% over the same period, to 396 thousand. Also, during consolidated Q2 FY2024, the GUPPY Kyujin and GUPPY Shinsotsu businesses of GUPPY's Inc. contributed to further growth in earnings.

As a result of the above, consolidated Q3 FY2024 segment net sales were ¥15,918 million (up 43.0 % YoY), and segment profit before allocation of group-wide shared costs (operating profit) was ¥6,121 million (up 21.6 % YoY).

2. Medical PF Business

During consolidated Q3 FY2024, the number of medical institution users in the Medical PF Business continued to grow, rising 13.2% compared with the end of consolidated FY2023, to 18 thousand users. The main reason for this is that existing customers increased the number of offices that use our cloud-based pharmacy support system, Pharms, because we increased its usefulness by adding functions.

As a result of the above, consolidated Q3 FY2024 segment net sales were ¥5,151 million (up 25.9 % YoY) and segment loss before allocation of group-wide shared costs (operating loss) was ¥106 million (¥266 million loss in Q3 FY2023).

3. New Services Segment

During consolidated Q3 FY2024, the Group conducted investments being made in business expansion for the recruitment system in the U.S. In addition, nursing facility search website, Kaigo-no Honne, continued proactive sales efforts to expand its content, as well as number of listed facilities.

As a result, consolidated Q3 FY2024 segment net sales were ¥575 million (up 103.9% YoY) and segment loss before allocation of group-wide shared costs (operating loss) was ¥208 million (¥230 million loss in Q3 FY2023).

Factors that drove the operating loss in the segment include costs related to investments being made in business expansion and operational development in the U.S.

In addition, adjustments not attributable to any segment (intersegment eliminations and companywide expenses not allocated to any segment) totaled ¥3,447 million (up 72.6% YoY).

(2) Outline of financial position

Assets

Current assets as of end-consolidated Q3 FY2024 totaled ¥24,668 million, an increase of ¥5,735 million, compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥3,406 million in cash and deposits, ¥1,370 million in accounts receivable - other, and ¥916 million in accounts receivable - trade. Non-current assets as of end-consolidated Q3 FY2024 totaled ¥16,456 million, a ¥9,965 million increase compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥10,750 million in intangible fixed assets and a decrease of ¥767 million in investments and other assets.

As a result of the above, total assets as of end-consolidated Q3 FY2024 totaled ¥41,125 million, an increase of ¥15,694 million compared with the end of the previous consolidated fiscal year.

Liabilities

Current liabilities as of end-consolidated Q3 FY2024 totaled ¥9,566 million, an increase of ¥3,333 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥2,464 million in current portion of long-term borrowings, ¥426 million in accounts payable - other. Non-current liabilities as of end-consolidated Q3 FY2024 totaled ¥11,763 million, an increase of ¥10,203 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥8,465 million in long-term borrowings, ¥1,713 million in deferred tax liabilities.

As a result of the above, total liabilities as of end-consolidated Q3 FY2024 totaled ¥21,329 million, an increase of ¥13,537 million compared with the end of the previous consolidated fiscal year.

Net assets

Net assets as of end-consolidated Q3 FY2024 totaled ¥19,795 million, an increase of ¥2,157 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to, an increase of ¥56 million in capital surplus and a decrease of ¥87 million in treasury shares due to the disposal of treasury shares as restricted stock for a Director, auditor or employee, a decrease of ¥273 million in capital surplus and ¥299 million in treasury shares due to the disposal of treasury shares associated with the exercising of stock acquisition rights, a decrease of ¥305 million in capital surplus due to change in ownership interest of parent due to transactions with non-controlling interests, and an increase of ¥2,323 million in retained earnings due to incurring a profit attributable to owners of parent.

(3) Explanation regarding consolidated forecasts and forward-looking statements

Figures in the Company's full-year consolidated FY2024 forecast have not been changed from the forecast provided in the Notice Regarding Revision to Consolidated Financial Results Forecast for the Fiscal Year Ending December 2024 [Japanese GAAP] published on May 14, 2024.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	15,354	18,760
Accounts receivable - trade	1,612	2,528
Merchandise and finished goods	265	283
Work in process	18	8
Accounts receivable - other	1,371	2,741
Prepaid expenses	251	344
Other	92	48
Allowance for doubtful accounts	(34)	(47)
Total current assets	18,932	24,668
Non-current assets		
Property, plant and equipment	515	498
Intangible assets		
Software	344	365
Goodwill	1,491	6,332
Customer relationship	1,359	7,247
Other	4	4
Total intangible assets	3,199	13,949
Investments and other assets	2,775	2,008
Total non-current assets	6,491	16,456
Deferred assets	6	0
Total assets	25,430	41,125

(Millions of yen)

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	317	404
Current portion of long-term borrowings	731	3,196
Accounts payable - other	1,522	1,949
Accrued expenses	685	680
Contract liabilities	781	1,043
Deposits received	500	702
Income taxes payable	1,060	833
Other provisions	165	241
Other	466	514
Total current liabilities	6,232	9,566
Non-current liabilities		
Long-term borrowings	928	9,393
Deferred tax liabilities	400	2,114
Other	231	255
Total non-current liabilities	1,560	11,763
Total liabilities	7,792	21,329
Net assets		
Shareholders' equity		
Share capital	47	47
Capital surplus	14,812	14,289
Retained earnings	3,802	6,125
Treasury shares	(1,118)	(732)
Total shareholders' equity	17,543	19,730
Accumulated other comprehensive income		
Foreign currency translation adjustment	8	7
Total accumulated other comprehensive income	8	7
Non-controlling interests	85	56
Total net assets	17,637	19,795
Total liabilities and net assets	25,430	41,125

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the nine months)

(Millions of yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Net sales	15,501	21,642
Cost of sales	5,125	7,648
Gross profit	10,376	13,993
Selling, general and administrative expenses	7,835	11,635
Operating profit	2,541	2,358
Non-operating income		
Interest income	0	2
Settlement received	866	1,741
Subsidy income	6	7
Other	28	16
Total non-operating income	901	1,767
Non-operating expenses		
Interest expenses	7	40
Amortization of share issuance costs	22	5
Outsourcing expenses	176	319
Other	9	29
Total non-operating expenses	216	394
Ordinary profit	3,226	3,731
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	46	-
Gain on sale of non-current assets	0	2
Total extraordinary income	47	2
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on abandonment of non-current assets	0	3
Total extraordinary losses	0	3
Profit before income taxes	3,273	3,730
Income taxes	1,090	1,384
Profit	2,183	2,345
Profit attributable to non-controlling interests	8	22
Profit attributable to owners of parent	2,175	2,323

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Millions of yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Profit	2,183	2,345
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	-
Foreign currency translation adjustment	15	(0)
Total other comprehensive income	15	(0)
Comprehensive income	2,198	2,344
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,190	2,322
Comprehensive income attributable to non-controlling interests	8	22

(3) Important notes regarding quarterly consolidated financial statements

(Notes related to going concern assumptions)

Not applicable

(Notes in the event of significant changes in the amount of shareholders' equity)

Consolidated financial results for consolidated Q3 FY2023 (January 01, 2023, to September 30, 2023)

Significant change in shareholders' equity

In consolidated Q3 FY2023, capital surplus increased by ¥29 million and treasury shares decreased by ¥73 million due to disposal of treasury shares associated with restricted stock compensation effective April 13, 2023 in accordance with the resolution of the Board of Directors on February 27, 2023. In addition, capital surplus decreased by ¥304 million and treasury shares decreased by ¥358 million due to disposal of treasury shares associated with the exercising of stock acquisition rights. As a result of these, as of end-consolidated Q3 FY2023, capital surplus was ¥14,987 million and treasury shares were ¥1,328 million.

Consolidated financial results for consolidated Q3 FY2024 (January 01, 2024, to September 30, 2024)

Significant change in shareholders' equity

In consolidated Q3 FY2024, capital surplus increased by ¥56 million and treasury shares decreased by ¥87 million due to disposal of treasury shares associated with restricted stock compensation effective April 11, 2024 in accordance with the resolution of the Board of Directors on February 22, 2024 and March 26, 2024. In addition, capital surplus decreased by ¥273 million and treasury shares decreased by ¥299 million due to disposal of treasury shares associated with the exercising of stock acquisition rights. Furthermore, capital surplus decreased by ¥305 million due to change in ownership interest of parents due to transactions with non-controlling interests. As a result of these, as of end-consolidated Q3 FY2024, capital surplus was ¥14,289 million and treasury shares were ¥732 million.

(Application of special accounting methods in preparation for quarterly consolidated financial statements)

Tax expenses are calculated by multiplying quarterly net income before income taxes by an effective tax rate reasonably estimated after applying tax effect accounting on net income for the consolidated fiscal year including Q3 FY2024.

(Segment information, etc.)

(Segment information)

Consolidated financial results for consolidated Q3 FY2023 (January 01, 2023, to September 30, 2023)

1. Information on net sales and operating profit (loss) by reportable segment and revenue analysis information

(Million yen)

	Reportable segment				Adjustment (Note)	Amount in the consolidated financial statement
	HR PF Business	Medical PF Business	New Services	Total		
Net sales						
Revenue from contracts with customers	11,126	4,092	268	15,487	—	15,487
Other revenue	—	—	14	14	—	14
Sales to external customers	11,126	4,092	282	15,501	—	15,501
Inter-segment sales and transfers	2	—	—	2	(2)	—
Total	11,129	4,092	282	15,504	(2)	15,501
Segment profit (loss)	5,035	(266)	(230)	4,538	(1,997)	2,541

Notes: 1. Segment profit (loss) adjustments of (¥1,997 million) include intersegment eliminations and corporate expenses unallocated to reportable segments.

2. Segment profit (loss) is adjusted under operating profit on the Quarterly Consolidated Statements of Income.

3. Segment information in consolidated Q3 FY2023 reflects a material revision to the initial allocation of acquisition costs due to finalization of provisional accounting treatment for business combinations.

2. Information on assets by reportable segment

(Significant increases in assets)

In consolidated Q3 FY2023, the Company brought GCM Co., Ltd. into the scope of consolidated accounting. In the New Services

Segment, goodwill arising from the acquisition of shares in the company and identified intangible assets increased.

Figures for assets in the relevant segments reflect a material revision to the initial allocation of acquisition costs due to finalization of provisional accounting treatment for business combinations.

3. Information on impairment losses on non-current assets or amortization of goodwill by reportable segment

(Major impairment losses on non-current assets)

Not applicable

(Significant changes in goodwill values)

In consolidated H1 FY2023, the Company acquired the pharmacy business of Bamboo Inc. As a result, goodwill in the Medical PF Business increased by ¥236 million.

Also, in consolidated Q3 FY2023, the Company acquired shares of GCM Co., Ltd. and brought it into the scope of consolidated accounting. As a result, goodwill in the New Services Segment increased by ¥287 million.

The amount of goodwill resulting from this acquisition reflects a significant revision to the initial allocation of acquisition costs resulting from the finalization of provisional accounting treatment for business combinations.

(Significant gains in negative goodwill)

Not applicable

Consolidated financial results for consolidated Q3 FY2024 (January 01, 2024, to September 30, 2024)

1. Information on net sales and operating profit (loss) by reportable segment and revenue analysis information

(Million yen)

	Reportable segment				Adjustment (Note)	Amount in the consolidated financial statement
	HR PF Business	Medical PF Business	New Services	Total		
Net sales						
Revenue from contracts with customers	15,914	5,151	404	21,470	—	21,470
Other revenue	—	—	171	171	—	171
Sales to external customers	15,914	5,151	575	21,642	—	21,642
Inter-segment sales and transfers	3	—	—	32	(3)	—
Total	15,918	5,151	575	21,645	(3)	21,642
Segment profit (loss)	6,121	(106)	(208)	5,806	(3,447)	2,358

Notes: 1. Segment profit (loss) adjustments of (¥3,447 million) include intersegment eliminations and corporate expenses unallocated to reportable segments.

2. Segment profit (loss) is adjusted under operating profit on the Quarterly Consolidated Statements of Income.

2. Information on assets by segment

(Significant increase in assets)

In consolidated H1 FY2024, GUPPY's Inc. was brought into the scope of consolidated accounting. In the HR PF Business, goodwill arising from the acquisition of shares in the company and identified intangible assets increased.

3. Information on impairment losses on non-current assets or amortization of goodwill by reportable segment

(Major impairment losses on non-current assets)

Not applicable

(Significant changes in goodwill values)

In consolidated H1 FY2024, the Company acquired Lalune business of Ateam Wellness, Inc. As a result, goodwill in the Medical PF Business increased by ¥491 million.

Also, the Company acquired shares of GUPPY's Inc. and brought it into the scope of consolidated accounting. As a result, goodwill in the HR PF Business increased by ¥4,838 million.

(Significant gains in negative goodwill)

Not applicable

(Cash Flow Statement)

Quarterly cash flow statements for the first three quarters of the fiscal years ending December 2023 and December 2024 have not been prepared. Depreciation costs (including amortization of intangible assets other than goodwill) and amortization of goodwill for the first three quarters of the consolidated fiscal year are as follows.

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
depreciation	292 million yen	555 million yen
amortization of goodwill	173 million yen	487 million yen

(Business combination via transaction)

Significant revision to the initial allocation of acquisition costs in comparative information

(GCM Co., Ltd.)

The business combination with GCM Co., Ltd. conducted on September 1, 2023 was accounted for provisionally in the first three quarters of the previous consolidated fiscal year, but finalized at the end of the previous consolidated fiscal year.

In conjunction with the finalization of this provisional accounting treatment, the comparative information included in the quarterly consolidated financial statements for the first three quarters of the current fiscal year reflects a significant revision to the initial allocation of acquisition costs. Due to allocation of ¥138 million to customer-related assets and ¥43 million to deferred tax liabilities, the provisionally calculated amount of goodwill of ¥382 million decreased by ¥94 million to ¥287 million.

As a result, the quarterly consolidated profit and loss statement for the first three quarters of the previous consolidated fiscal year shows that amortization of intangible fixed assets increased by ¥3 million, amortization of goodwill decreased by ¥0 million, and corporate taxes, etc., decreased by ¥1 million, resulting in an increase of ¥3 million in selling and general administrative expenses and operating profit, ordinary profit, and net quarterly pretax income each decreased by ¥3 million, and net income and quarterly net profit attributable to owners of the parent decreased by ¥1 million.

(Significant subsequent events)

(Business combination via transaction)

(1) Summary of business combination

1) Name and description of business of acquired corporation

The Company resolved at its Board of Directors Meeting held on September 30, 2024 to acquire all outstanding shares of Offshore Inc. effective October 1, 2024. Procedures related to the acquisition of shares were completed on October 1, 2024.

Name of acquired corporation: Offshore Inc.

Description of business activities: Development, introduction, and operation of package systems in the medical field, as well as related services and engagement support between hospitals and consumers.

2) Main purpose of business combination

Offshore Inc. develops its @link reservation system for hospitals and clinics and its @link integrated service management app for patients. Offshore's @link enables integrated end-to-end management of processes from patient acquisition to postpartum (hospital discharge).

The Company has decided to integrate Offshore Inc. into its corporate group because it expects synergies such as cross-selling with the Company's MALL EMR and CLINICS EMR products and collaboration in the field of telemedicine with its CLINICS integrated medical app and Lalune women's health management app. By creating synergies with Offshore Inc., the Company will increase the value of its medical platform.

3) Business combination date

October 1, 2024

4) Legal form of business combination

Acquisition of shares in exchange for cash.

5) Name of acquired company after acquisition

Offshore Inc.

6) Percentage of voting rights acquired

Voting rights ratio acquired on the date of the business combination 100%

7) Main basis for determining the acquiring company

The Company will acquire 100% of Offshore Inc.'s voting rights through the acquisition of shares in exchange for cash.

(2) Acquisition cost and breakdown by type of considerations

Consideration paid in cash: 2,577 million yen

Acquisition cost: 2,577 million yen

(Note) The actual acquisition price will be determined by the amount of the price adjustment stipulated in the share purchase agreement

(3) Breakdown and amount of main costs related to acquisition

Not determined at present time

(4) Amount, reason for recognition, amortization method, and period of goodwill

Not determined at present time

(5) Amount and major breakdown of assets received and liabilities assumed on business combination date

Not determined at present time

(Business combination via transaction)

(1) Summary of business combination

1) Name and description of business of acquired corporation

The Company resolved at its Board of Directors Meeting held on November 14, 2024 to acquire all outstanding shares of ASFON TRUST NETWORK Inc. effective January 6, 2025.

Name of acquired corporation: ASFON TRUST NETWORK Inc.

Description of business activities: Introduction of potential residents of nursing care facilities to nursing care facilities, etc.

2) Main purpose of business combination

ASFON TRUST NETWORK Inc. has built strong brand recognition and high levels of trust from referral sources such as hospitals and in-home nursing care support offices, as well as from nursing facility residents and their families, through development of its Minkai business. The acquisition will strengthen the Company's hospital discharge coordination service. More specifically, it will expand the functionality of the Company's hospital discharge coordination service which includes the Renke-san hospital discharge coordination service and encourage its use not only by hospitals, but also by the assisted living nursing care support businesses to which the ATN provides introductions. The acquisition will also allow the Company to respond to the needs of many customers by leveraging Kaigo-no Honne, with its strengths in online services, and the ATN's Minkai business, with its strengths in face-to-face services.

3) Business combination date

January 6, 2025 (Deemed acquisition date: January 1, 2025)

4) Legal form of business combination

Acquisition of shares in exchange for cash.

5) Name of acquired company after acquisition

ASFON TRUST NETWORK Inc.

6) Percentage of voting rights acquired

Voting rights ratio acquired on the date of the business combination 100%

7) Main basis for determining the acquiring company

The Company will acquire 100% of ASFON TRUST NETWORK Inc.'s voting rights through the acquisition of shares in exchange for cash.

(2) Acquisition cost and breakdown by type of considerations

Consideration paid in cash: 1,300 million yen

Acquisition cost: 1,300 million yen

(3) Breakdown and amount of main costs related to acquisition

Not determined at present time

(4) Amount, reason for recognition, amortization method, and period of goodwill

Not determined at present time

(5) Amount and major breakdown of assets received and liabilities assumed on business combination date

Not determined at present time