



Presentation Material for FY2024 Q3 Financial Results

Medley, Inc.

November 14, 2024

Disclaimer

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FY2024 Q3 Results

- **Q3 sales rose 45% YoY, progressing in line with our forecast**
 - HR PF: Smooth progress of JM and earnings contribution from GUPPY's Inc.
 - Medical PF: Strong progress in EMR for hospitals
- **Q3 EBITDA margin was 8%, improving from 6% in Q3 FY2023**
 - HR PF: Basically steady YoY
 - Medical PF: EBITDA margin improved YoY as the labor cost ratio declined due to sales growth and the CoGS ratio declined because we brought of medical billing system software (SRIM) in-house

FY2024 Forecast

- **We leave our forecast unchanged as we have made steady progress toward our forecast**
 - We expect full-year sales and EBITDA to be in line with our revised forecast
 - In Q4, we expect companywide sales growth of roughly 55% and EBITDA margin to improve YoY
 - In Q4, for HR PF, we expect YoY sales growth of approximately 60% due to the effect of measures from Q3 and EBITDA margin of 40-45%
- **Note: Regulations related to “continuous service allowance” payments will be issued in line with the original proposal, and are scheduled to go into effect in April 2025.**
 - We plan to implement price increases of roughly 10–15% in 1H FY2025.

1. FY2024 Q3 Results

2. FY2024 Forecast

3. Investment Highlights

Summary of Consolidated FY2024 Q3 Results

JPY mm	FY2023 Q3	FY2024 Q3	YoY Growth
Sales	4,793	6,935	+45%
Gross Profit	3,063	4,315	+41%
EBITDA	303	560	+257 ⁽¹⁾
Operating Profit	120	96	-24 ⁽²⁾
Ordinary Profit	445	563	+118
Profit Attributable to Owners of Parent	290	314	+24

(1) See slide 8 for breakdown of changes

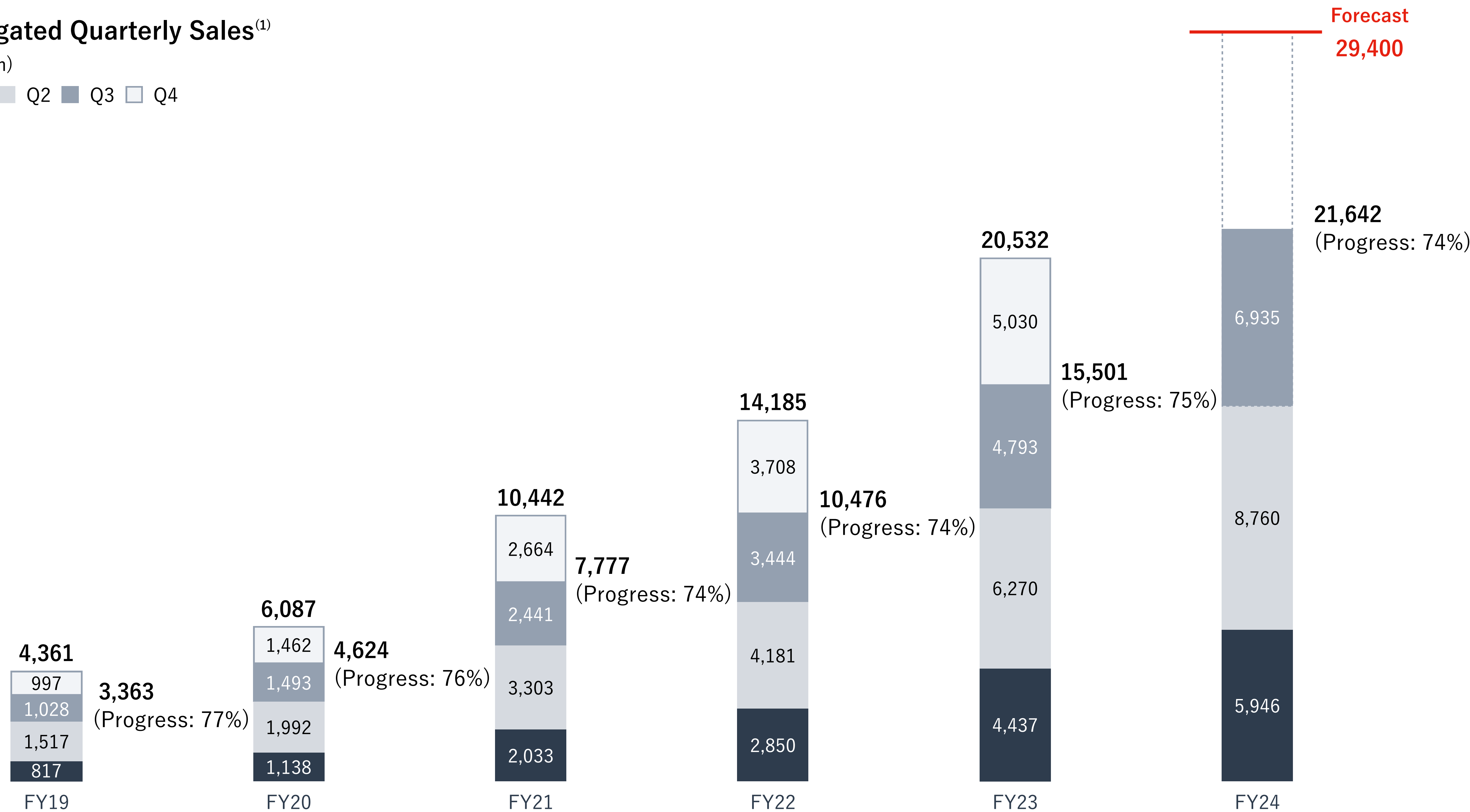
(2) Amortization of goodwill and intangible assets resulting from M&A of GUPPY's: JPY 224 mm

Cumulative FY2024 Q3 sales were in line with our revised earning forecast.

Aggregated Quarterly Sales⁽¹⁾

(JPY mm)

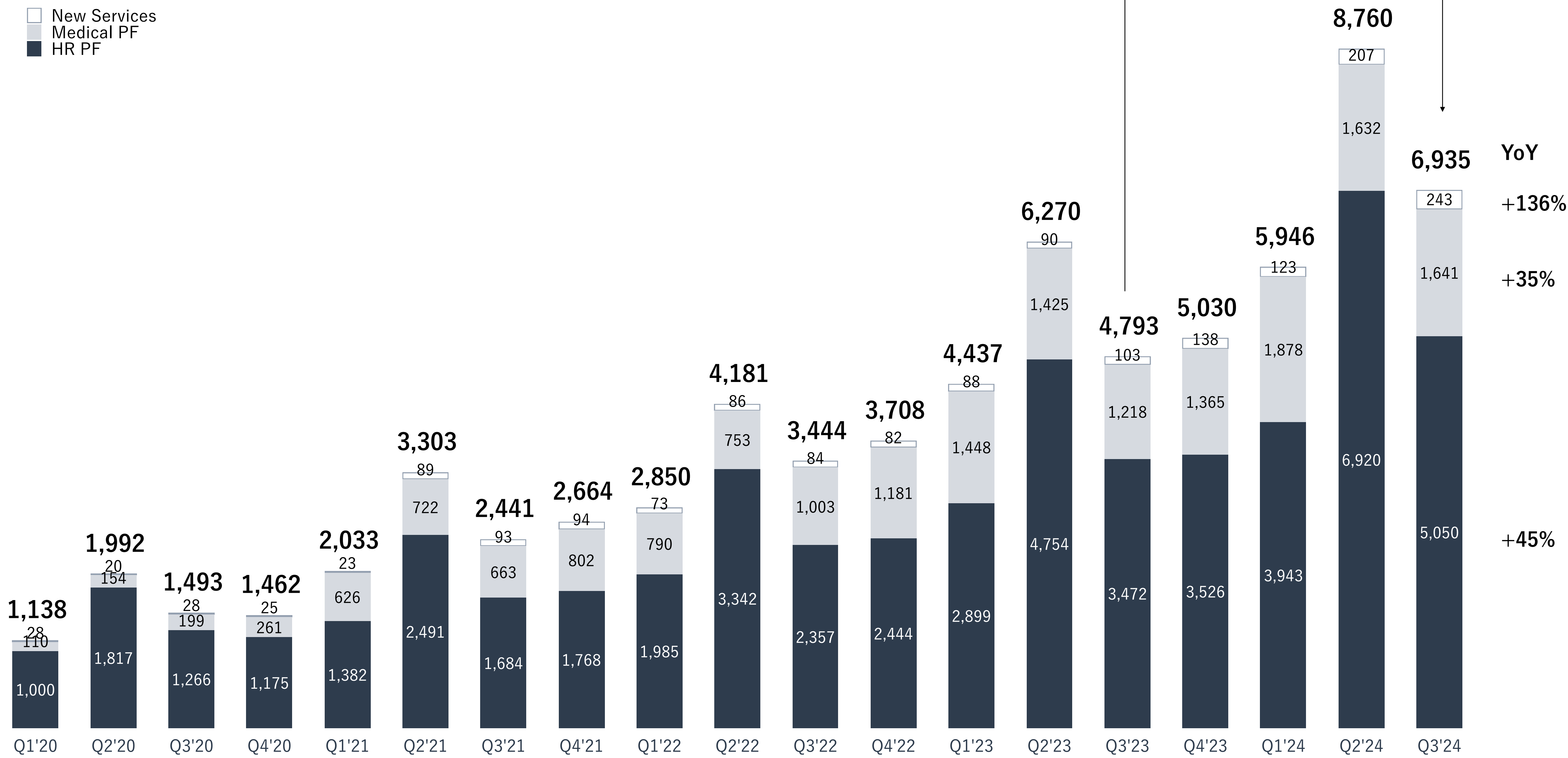
■ Q1 ■ Q2 ■ Q3 ■ Q4



(1) Figures for FY2021 and earlier are based on the new revenue recognition standard.

FY2024 Q3 sales were in line with our previous forecast in all segments and companywide sales rose 45% YoY.

Quarterly Sales⁽¹⁾
(JPY mm)



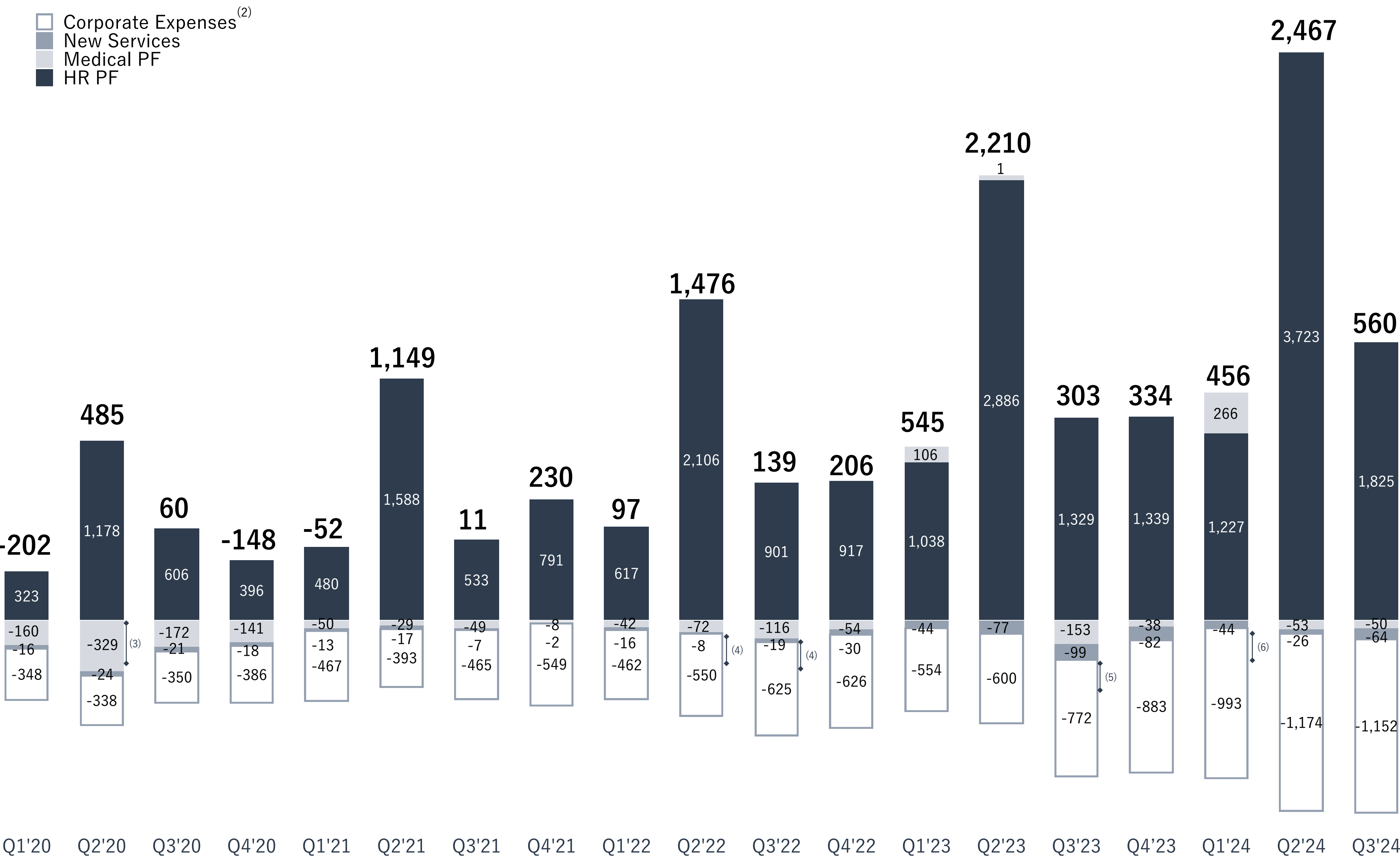
(1) Figures for FY2021 and earlier are based on the new revenue recognition standard.

Continued Proactive Investment in Growth, etc Funded by Profitable Businesses



In Q3 FY2024, the EBITDA margin increased slightly YoY despite continued investment in business expansion targeting long-term growth.

Quarterly EBITDA⁽¹⁾ (JPY mm)



EBITDA margin (YoY change)

Companywide
8% (+2%pt)

- Margins improvement in the Medical PF and New Services businesses

HR PF
36% (-2%pt)

- High sales in Q3 FY23 from reopening demand
- Consolidation of GUPPY's Inc.

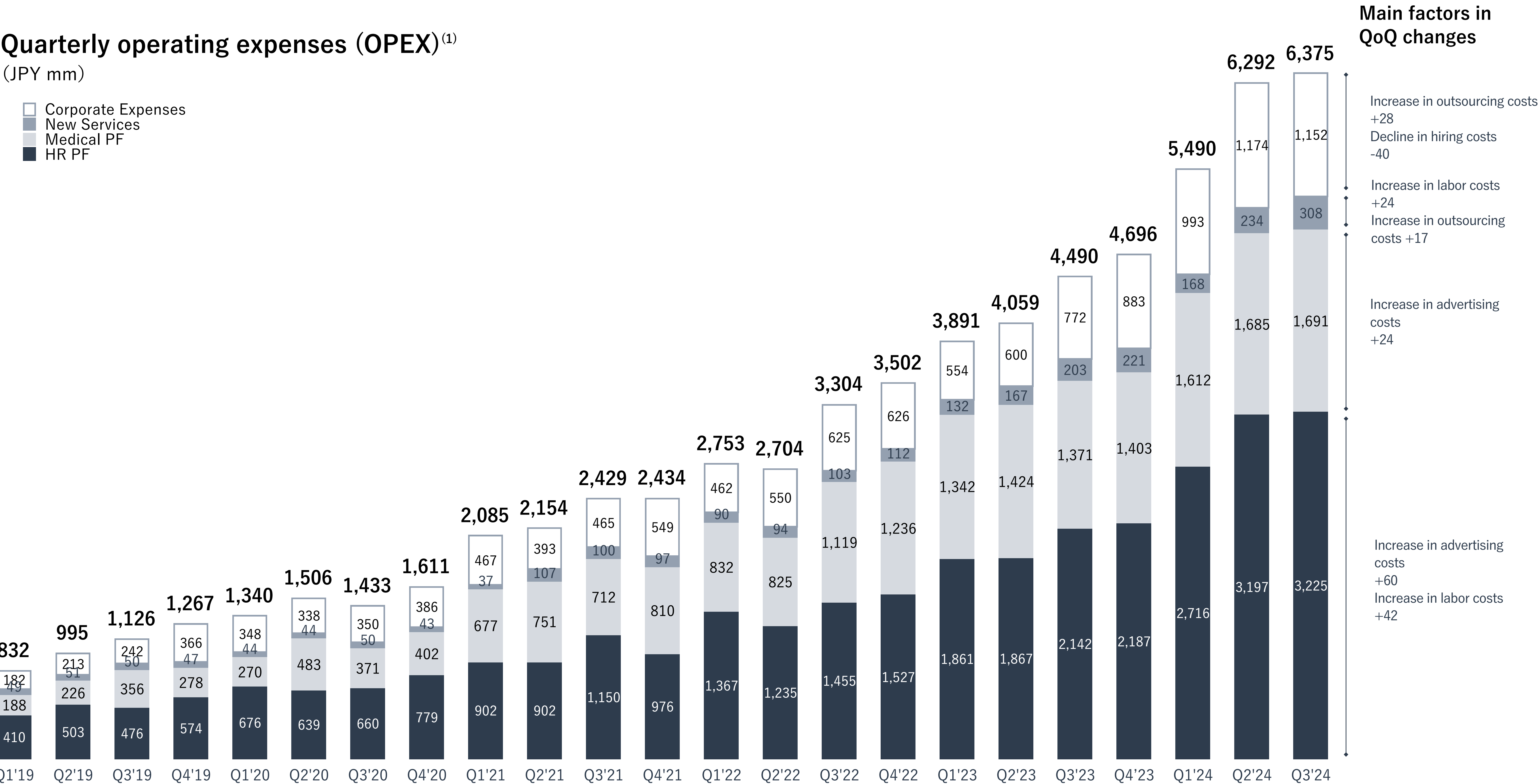
Medical PF
-3% (+10%pt)

- CoGS ratio improved on bringing of medical billing system software (SRIM) in-house
- Labor cost ratio declined due to sales growth

(1) Figures for FY2021 and earlier are based on the new revenue recognition standard.
(2) Total of companywide expenses not allocated to segments and inter-segment eliminations.
(3) One-time cost (JPY 130 million) for acquiring EMR assets from another company.
(4) One-time office relocation costs: JPY 93 million in Q2, JPY 79 million in Q3.
(5) One-time outsourcing costs (JPY 77 million) associated with M&A and strengthening of corporate system.
(6) One-time acquisition cost (JPY 115 million) associated with acquisition of GUPPY's Inc.

Labor and advertising costs rose in Q3 FY2024 on strong progress in hiring activity and business progress.

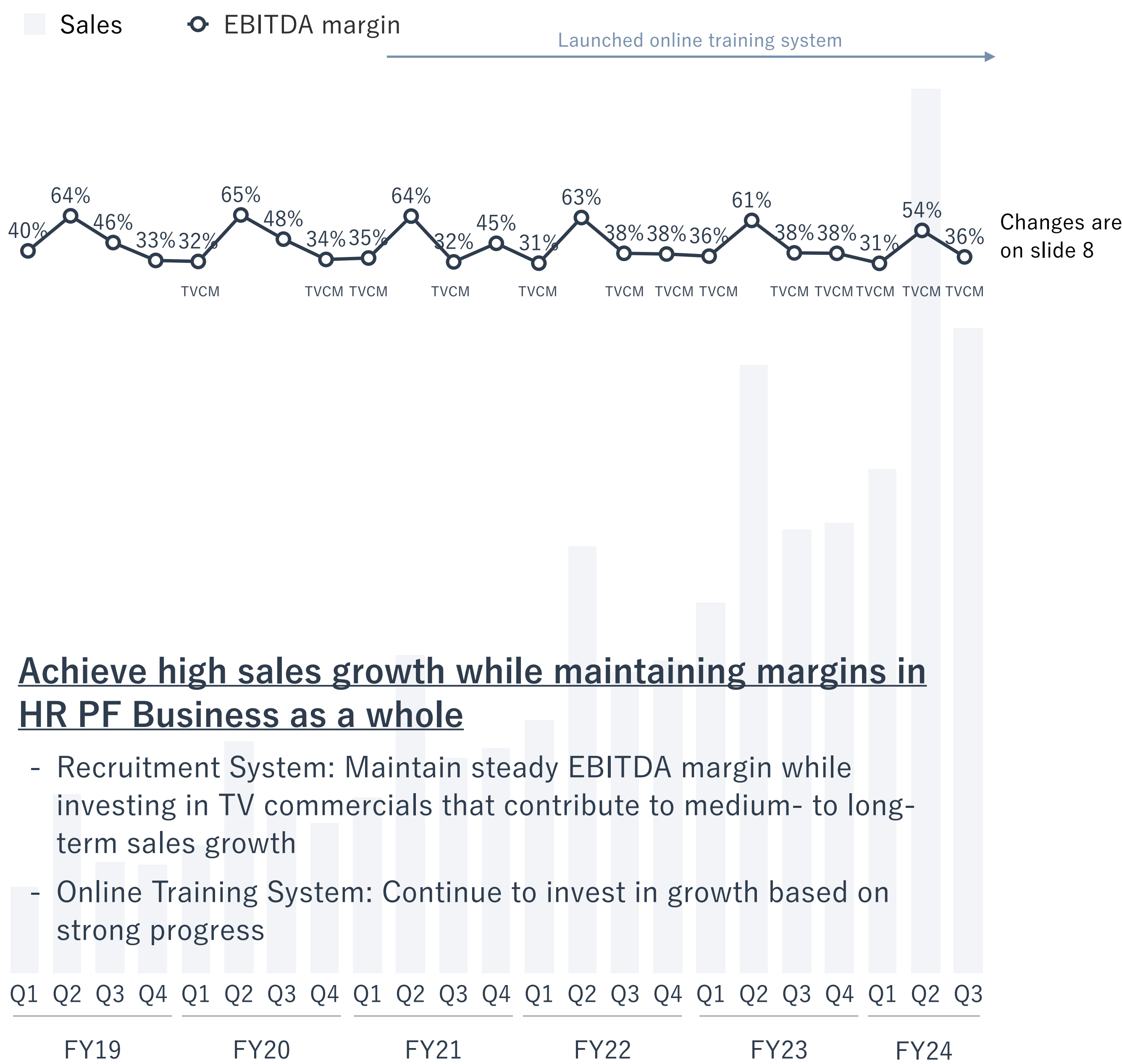
Quarterly operating expenses (OPEX)⁽¹⁾
(JPY mm)



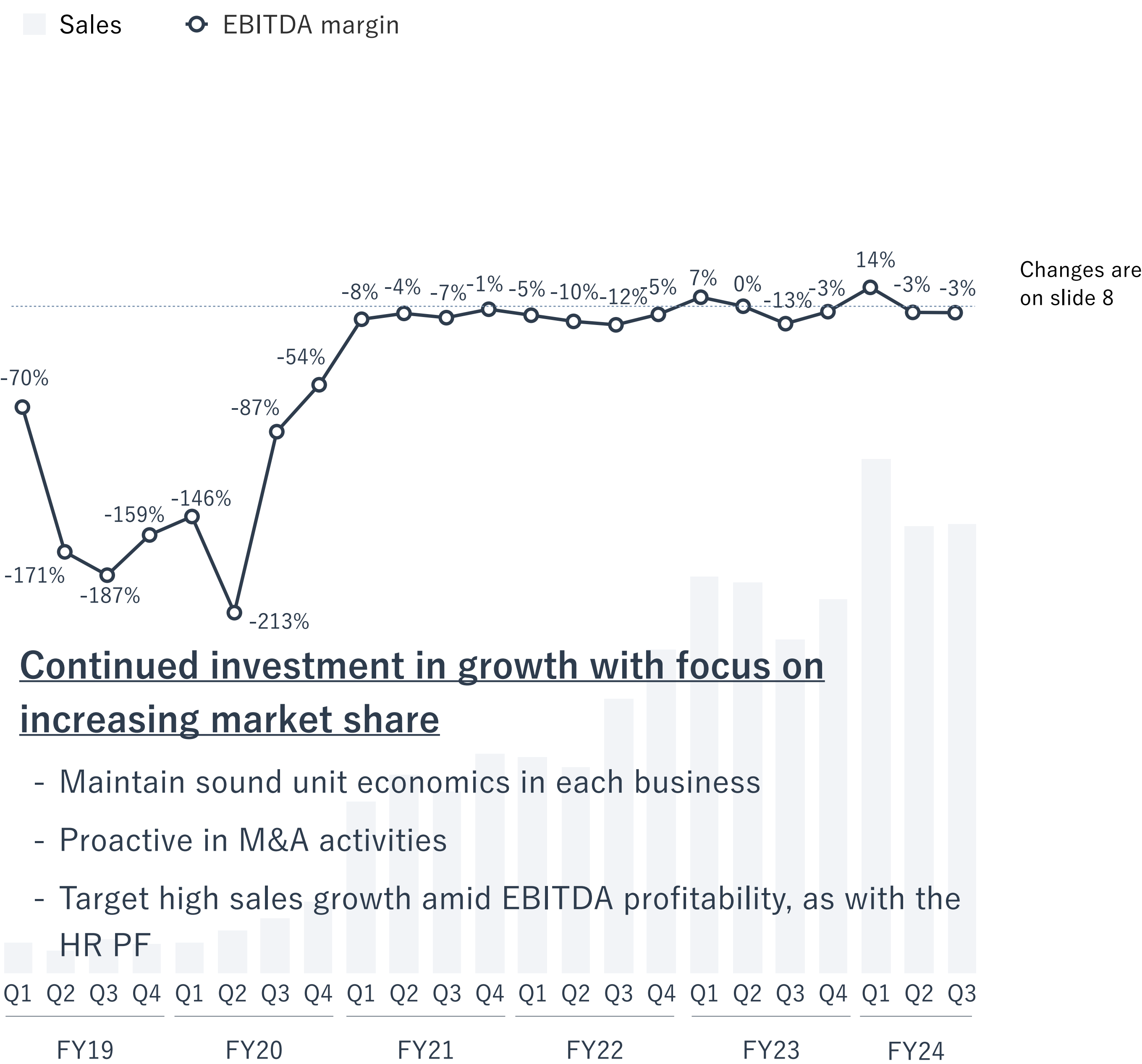
(1) OPEX = Cost of sales + selling, general and administrative expenses - depreciation and amortization of goodwill - share-based compensation expenses. Figures for FY2021 and earlier are based on the new revenue recognition standard.

For the HR PF Business, our basic policy is to achieve high revenue growth while maintaining our EBITDA margin. For the Medical PF Business, though we will continue to invest in growth initiatives (as stated in our FY2023 presentation material), we plan to achieve high revenue growth while maintaining EBITDA profitability.

EBITDA margin policies in HR PF⁽¹⁾



EBITDA margin policies in Medical PF⁽¹⁾

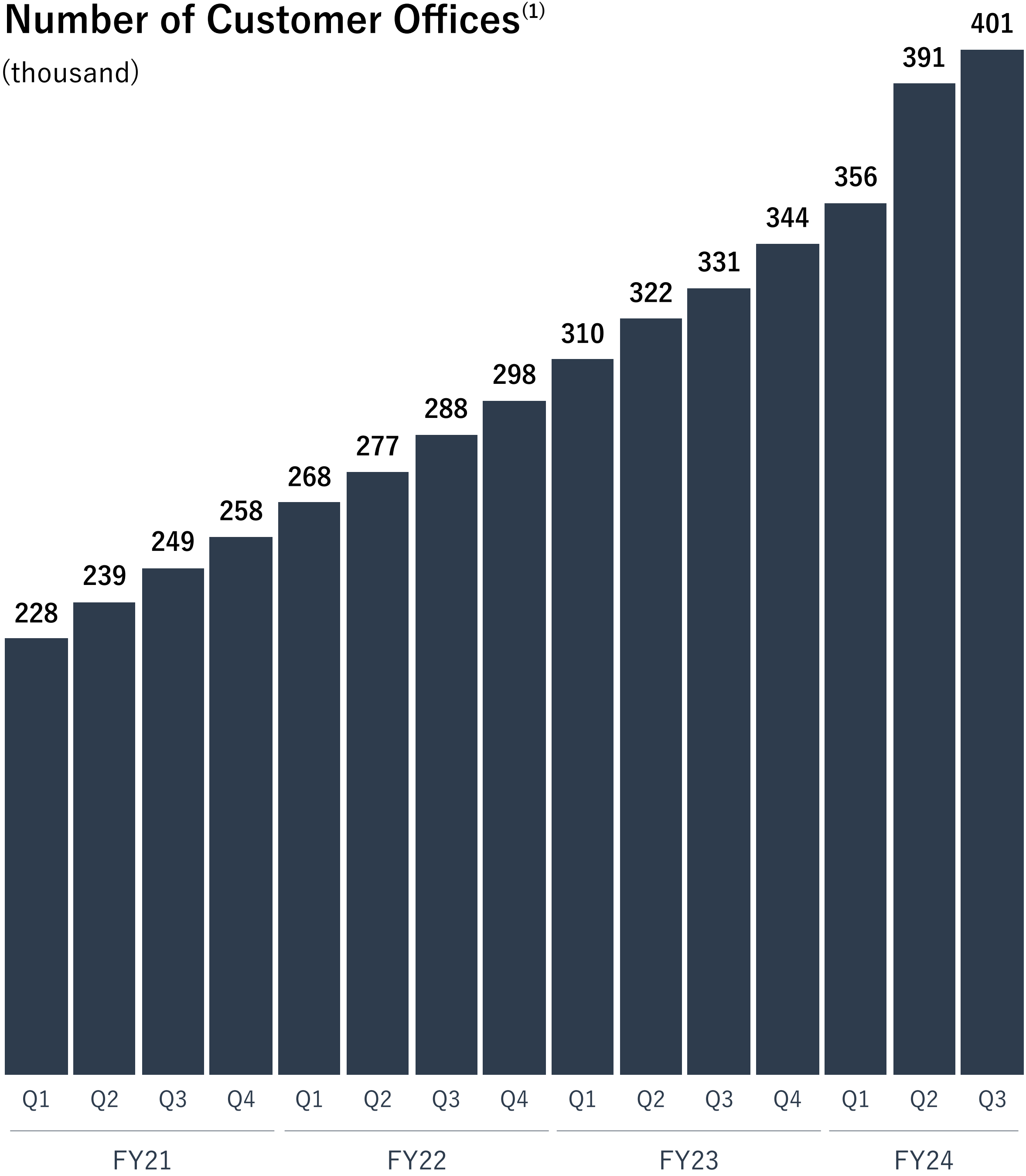


(1) Figures for FY2021 and earlier are based on the new revenue recognition standard.

The number of customer offices and ARPU, our main KPIs, have been continuously growing and we plan to keep investing going forward. Generally, the HR PF sales increase sharply in Q2, which also result in ARPU to increase.

Number of Customer Offices⁽¹⁾

(thousand)

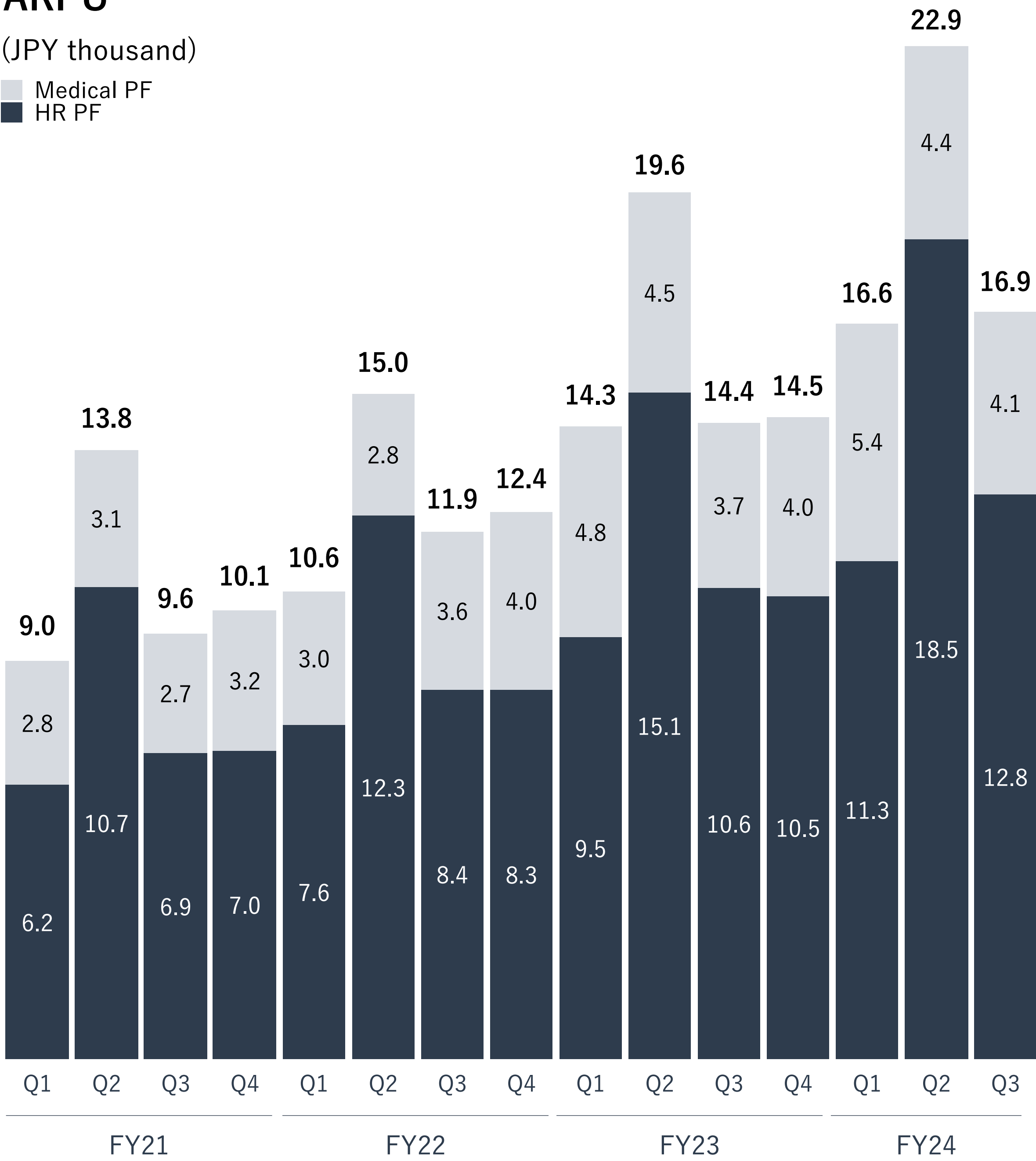


(1) Total number of customers in HR PF and Medical PF businesses. Customers using both platforms have been counted as a single customer account.

ARPU⁽²⁾

(JPY thousand)

Medical PF
HR PF



(2) ARPU = Quarterly sales / Average number of customer offices (total for HR PF and Medical PF businesses) ARPU for each platform = Quarterly sales of each platform / Total number of customer offices in HR PF and Medical PF businesses. Customer offices using both platforms have been counted as a single customer account.

Our financial base remained sound (D/E ratio of 0.64x), and operating cash flow remained strong, except for the impact of a large factoring transaction.

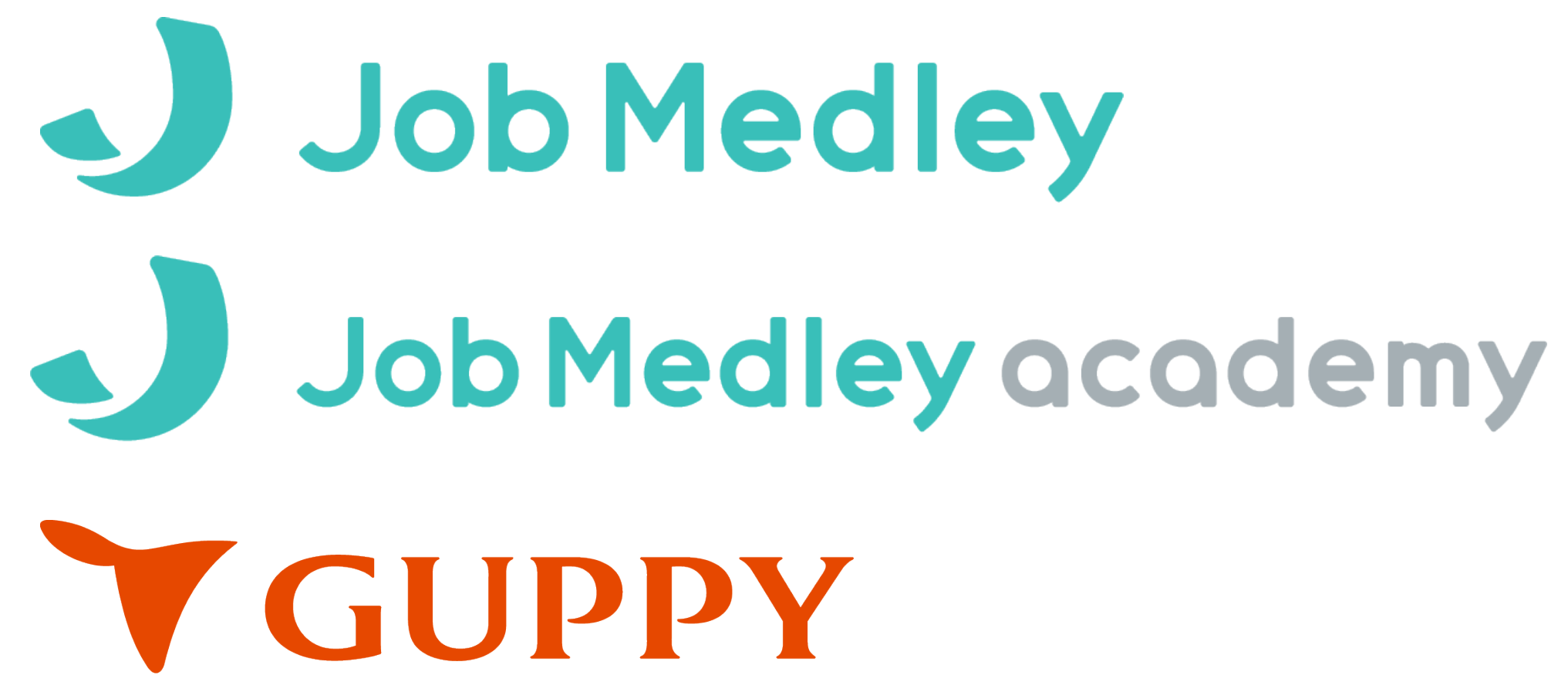
Quarterly B/S

(JPY mm)	FY22				FY23				FY24			QoQ
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Total assets	19,461	20,940	21,340	21,810	21,811	24,501	25,186	25,430	30,904	42,165	41,125	-1,040
Cash and deposits	13,470	14,638	14,149	14,422	13,952	16,005	15,462	15,354	16,556	20,855	18,760	-2,095
Other assets	5,990	6,302	7,190	7,388	7,858	8,495	9,723	10,076	14,348	21,310	22,364	+1,054
Total liabilities	5,692	6,153	6,548	6,640	6,242	7,270	7,669	7,792	12,740	22,631	21,329	-1,302
Debt	2,795	2,587	2,658	2,377	2,145	1,941	1,919	1,660	7,377	13,022	12,717	-305
Other liabilities	2,897	3,565	3,890	4,263	4,097	5,328	5,749	6,132	5,362	9,609	8,612	-997
Net assets	13,768	14,787	14,791	15,170	15,568	17,231	17,517	17,637	18,164	19,534	19,795	+261
Untapped LOC	2,000	2,000	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	+0
Capital ratio	70.3%	70.2%	68.9%	69.1%	70.9%	69.9%	69.2%	69.0%	58.4%	46.1%	48.0%	+1.9%pt
D/E ratio	0.20x	0.18x	0.18x	0.16x	0.14x	0.11x	0.11x	0.09x	0.41x	0.66x	0.64x	-0.02x

Quarterly C/F

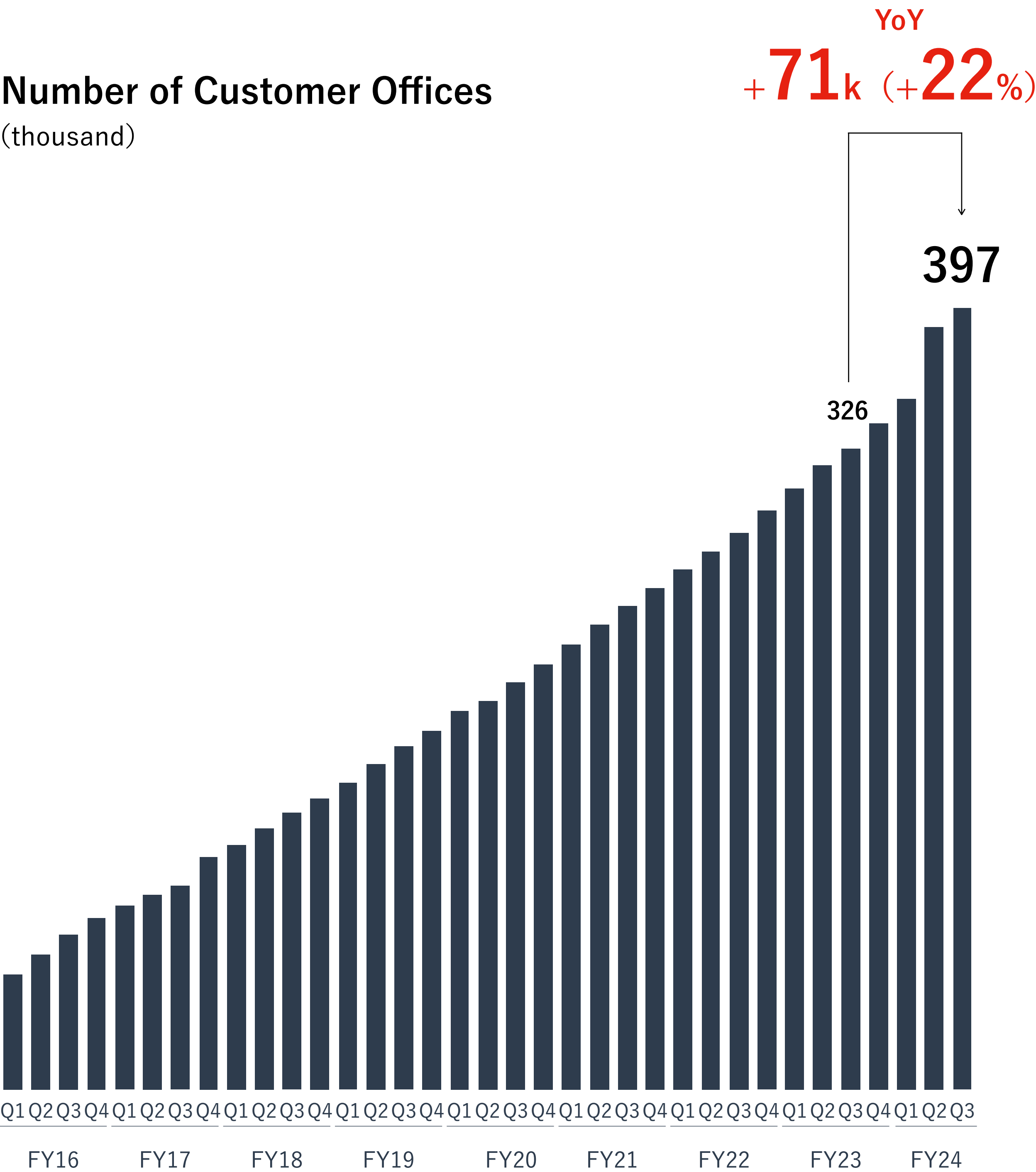
Cash flow	-823	1,262	-488	383	-470	2,037	-533	-42	1,202	4,279	-2,076	Main factors Large factoring transaction -820 Payments to non-tender shareholders of GUPPY's -659
Operating CF	-449	1,703	11	747	-47	2,806	617	495	-818	3,328	-665	
Investing CF	-116	-249	-288	-96	-214	-591	-617	-239	-3,717	-4,438	-380	
Financing CF	-257	-191	-211	-267	-208	-177	-534	-298	5,737	5,389	-1,030	

HR PF

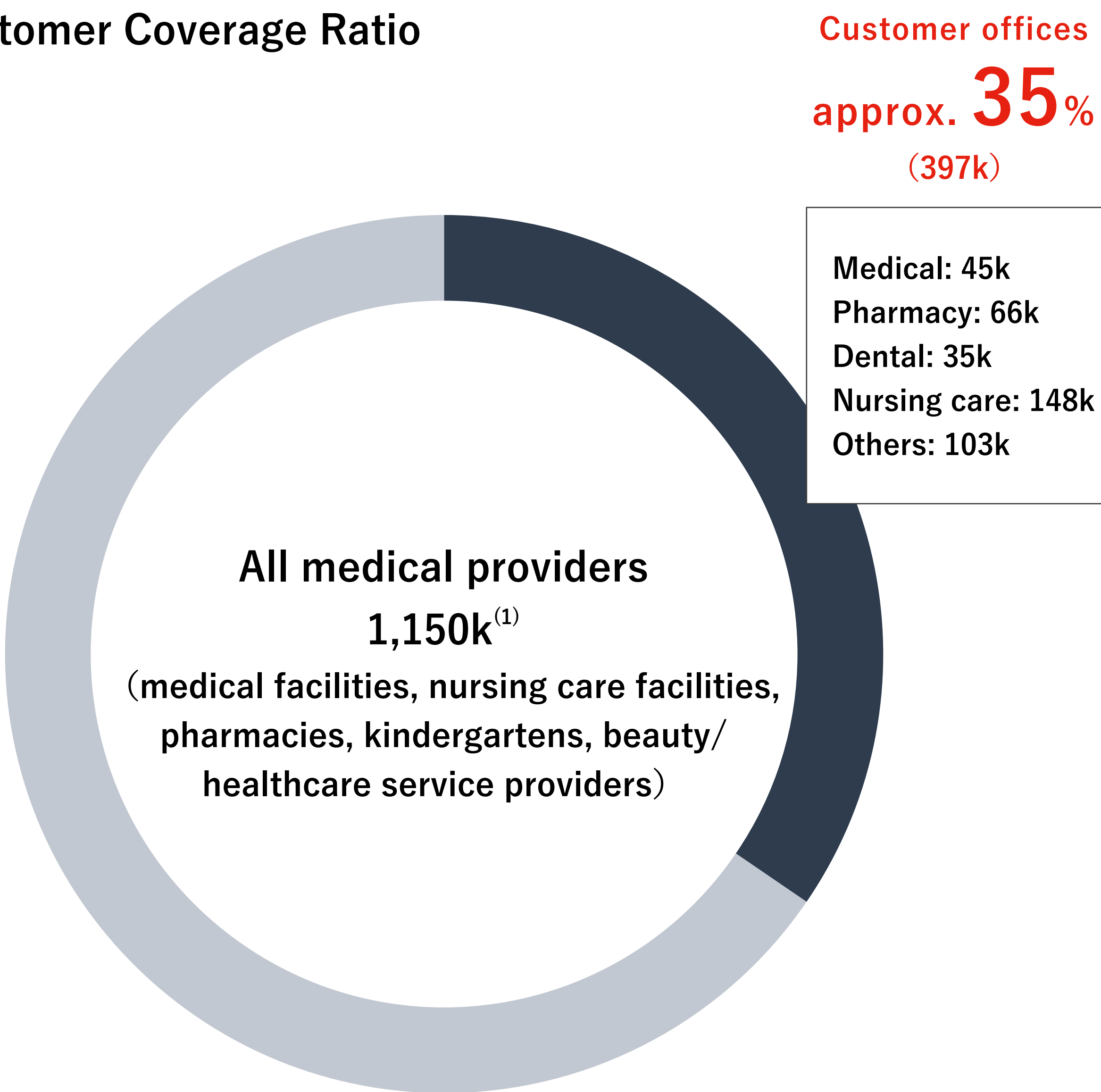


The number of customer contracts has reached 397 thousand due to continued steady new customer office acquisitions in Q3 FY2024.

Number of Customer Offices
(thousand)



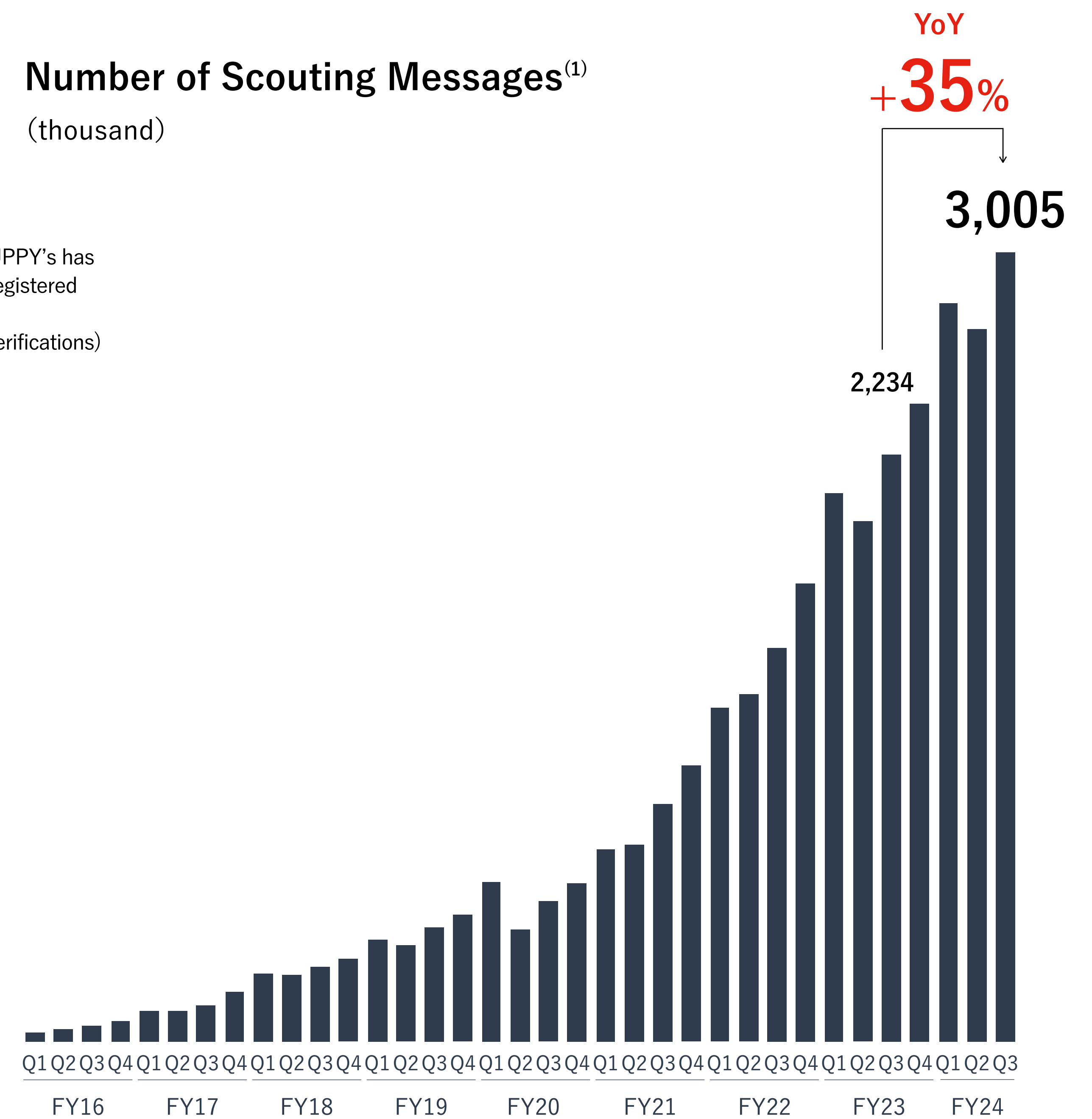
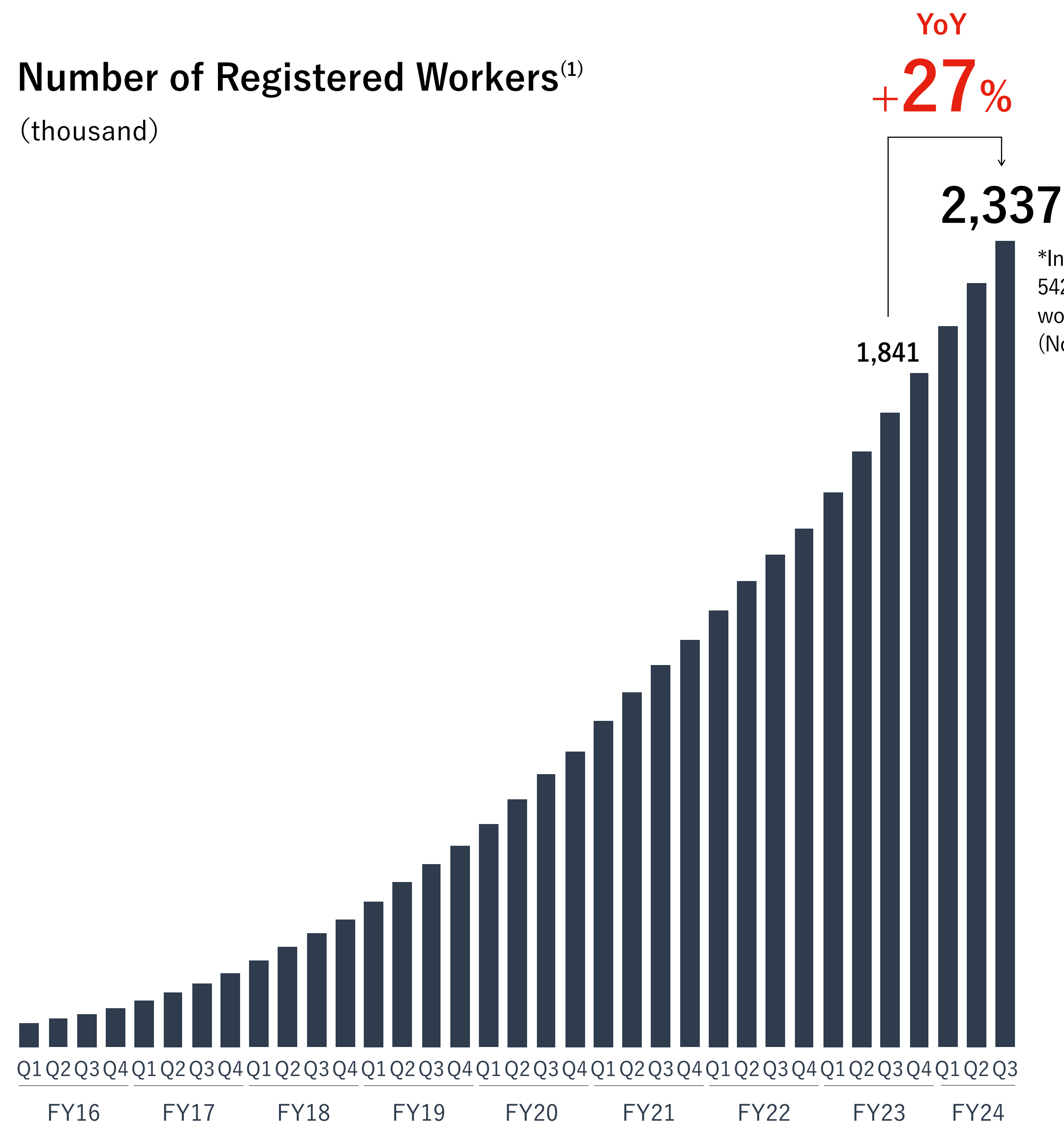
Customer Coverage Ratio



(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

Proactive recruitment methods are effective for hiring medical and healthcare professionals. In FY2024 Q3, our customers increased usage of our scouting functions as we expanded our pool of registered workers.



(1) Number of workers registered and scouting messages in JobMedley

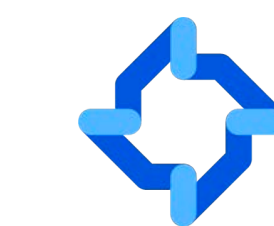
Medical PF

 **CLINICS**

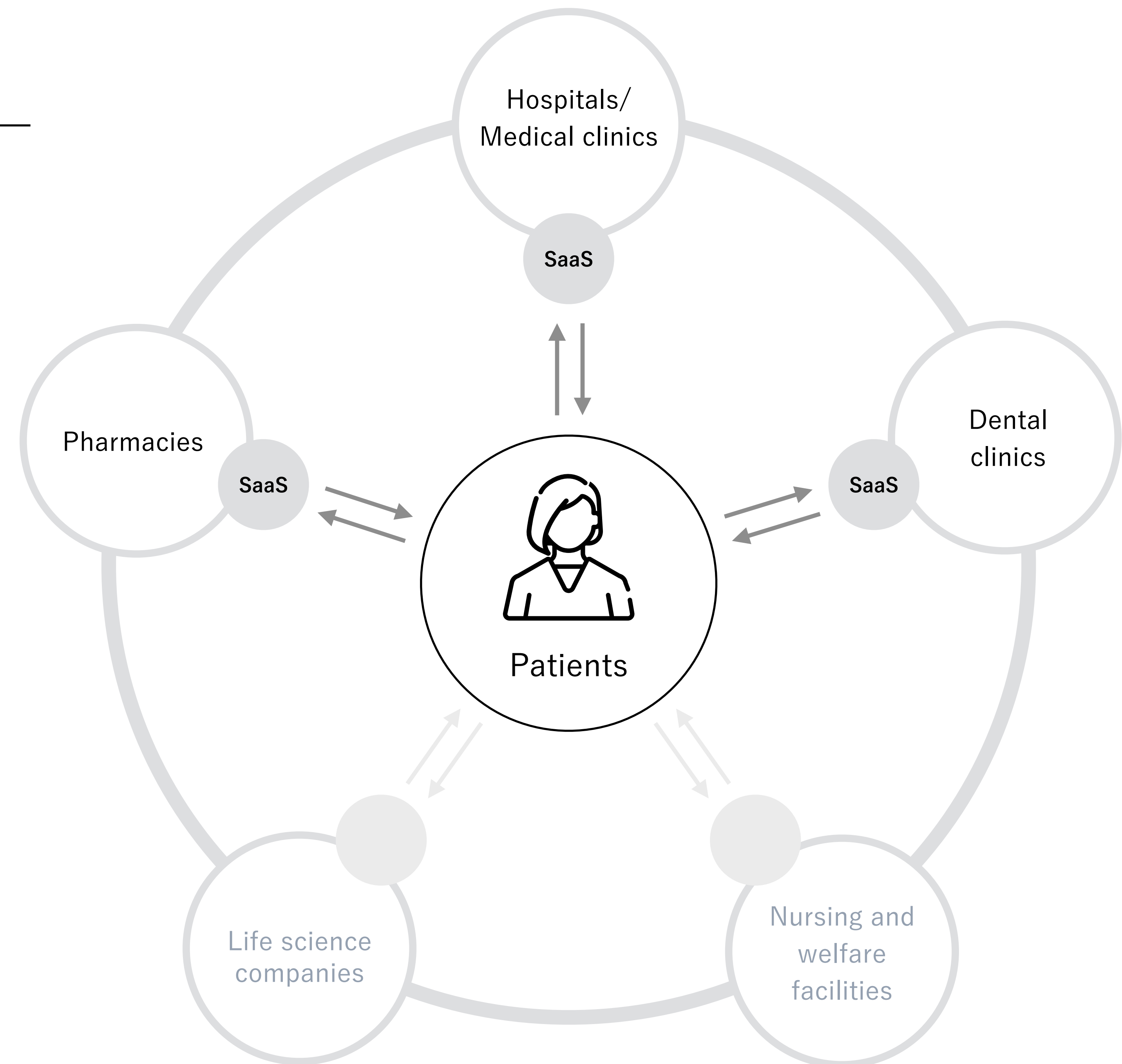
 **Pharms**

 **MALL**

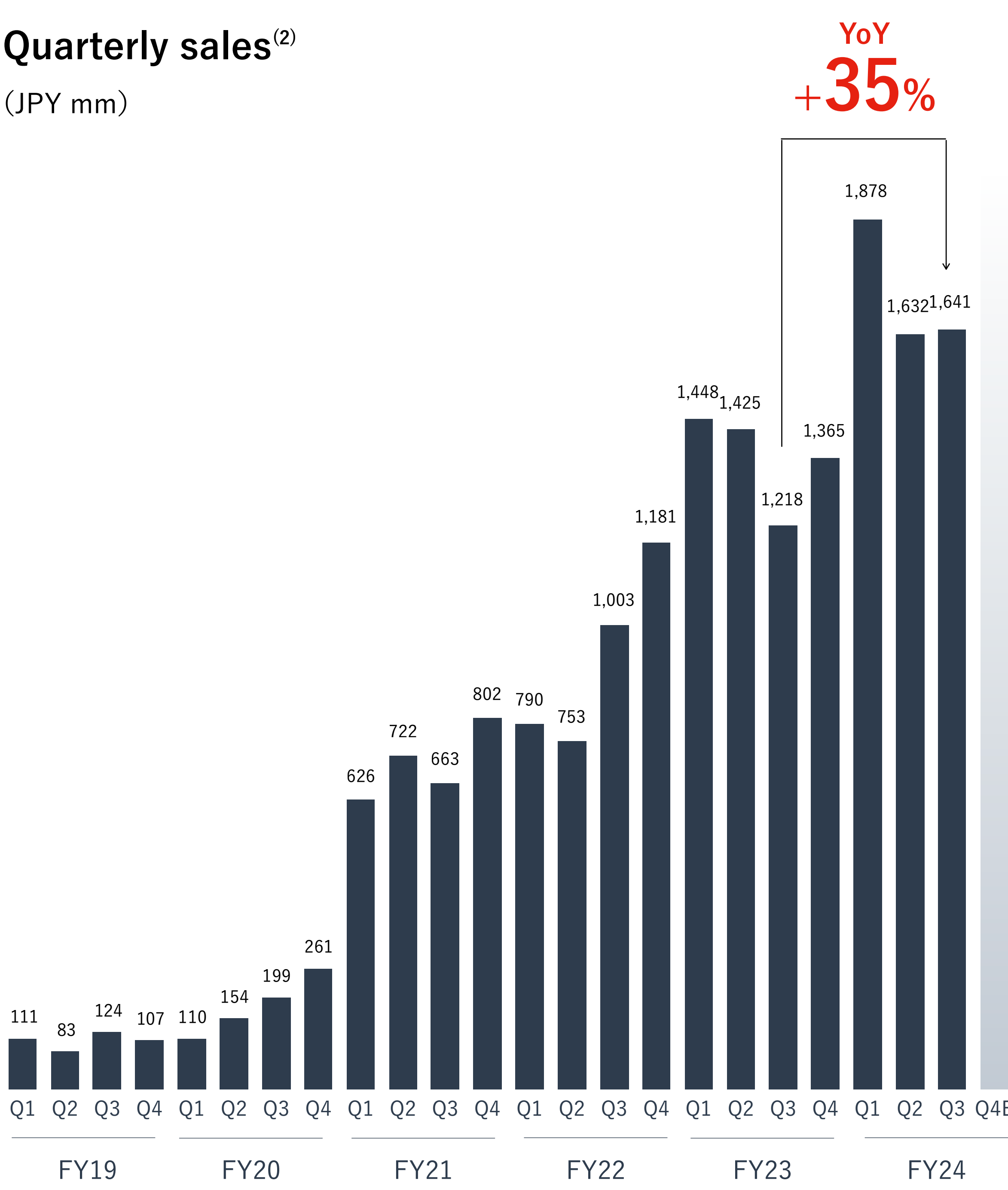
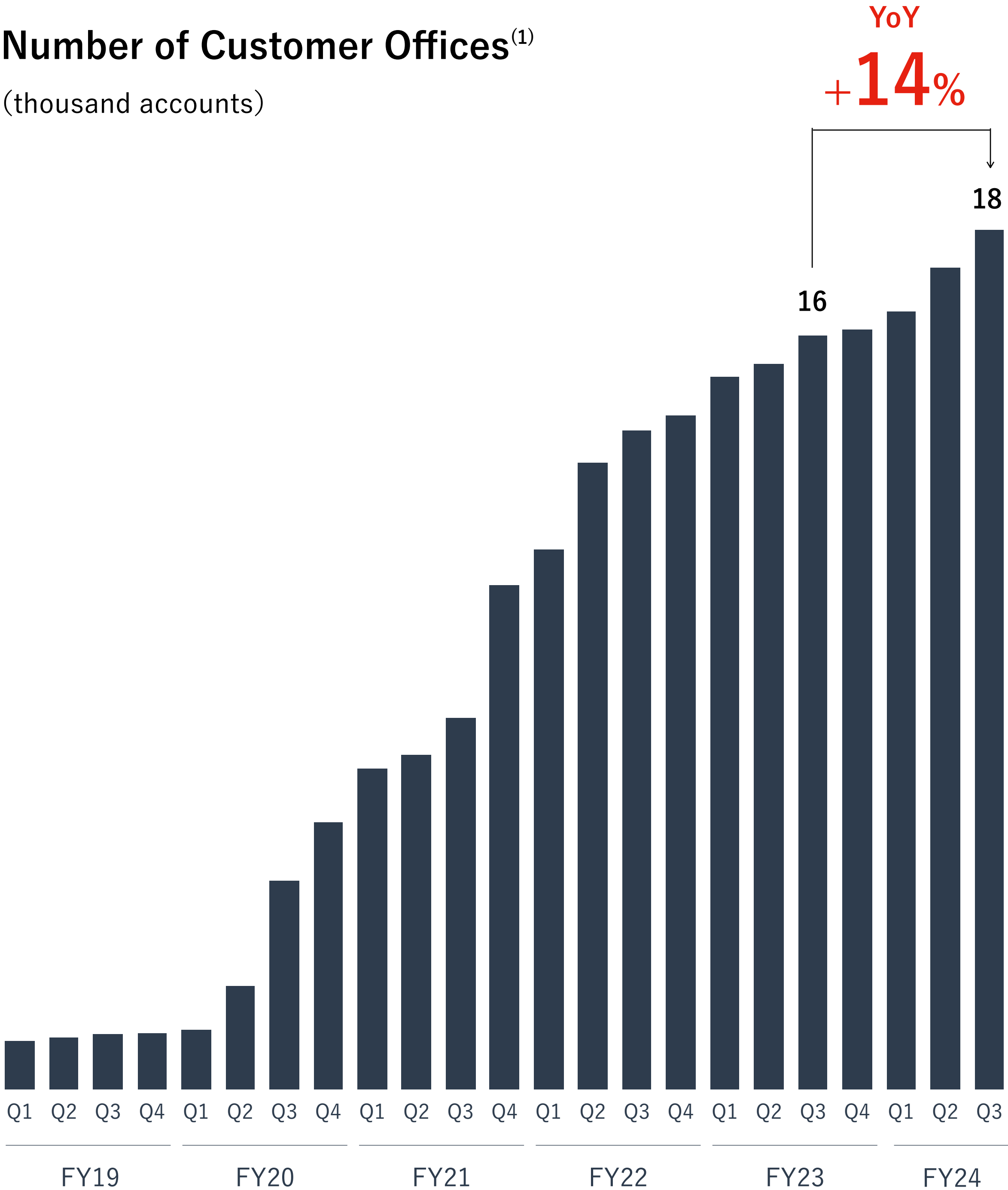
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Both medical institution customer numbers and sales continued to grow in FY2024 Q3. We expect sales growth of around +55% in Q4 , including the impact of M&A.



(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) Figures for FY2021 and earlier are based on the new revenue recognition standard.

Measures to Expand Number of Customers, Improve ARPU, and Streamline Operations

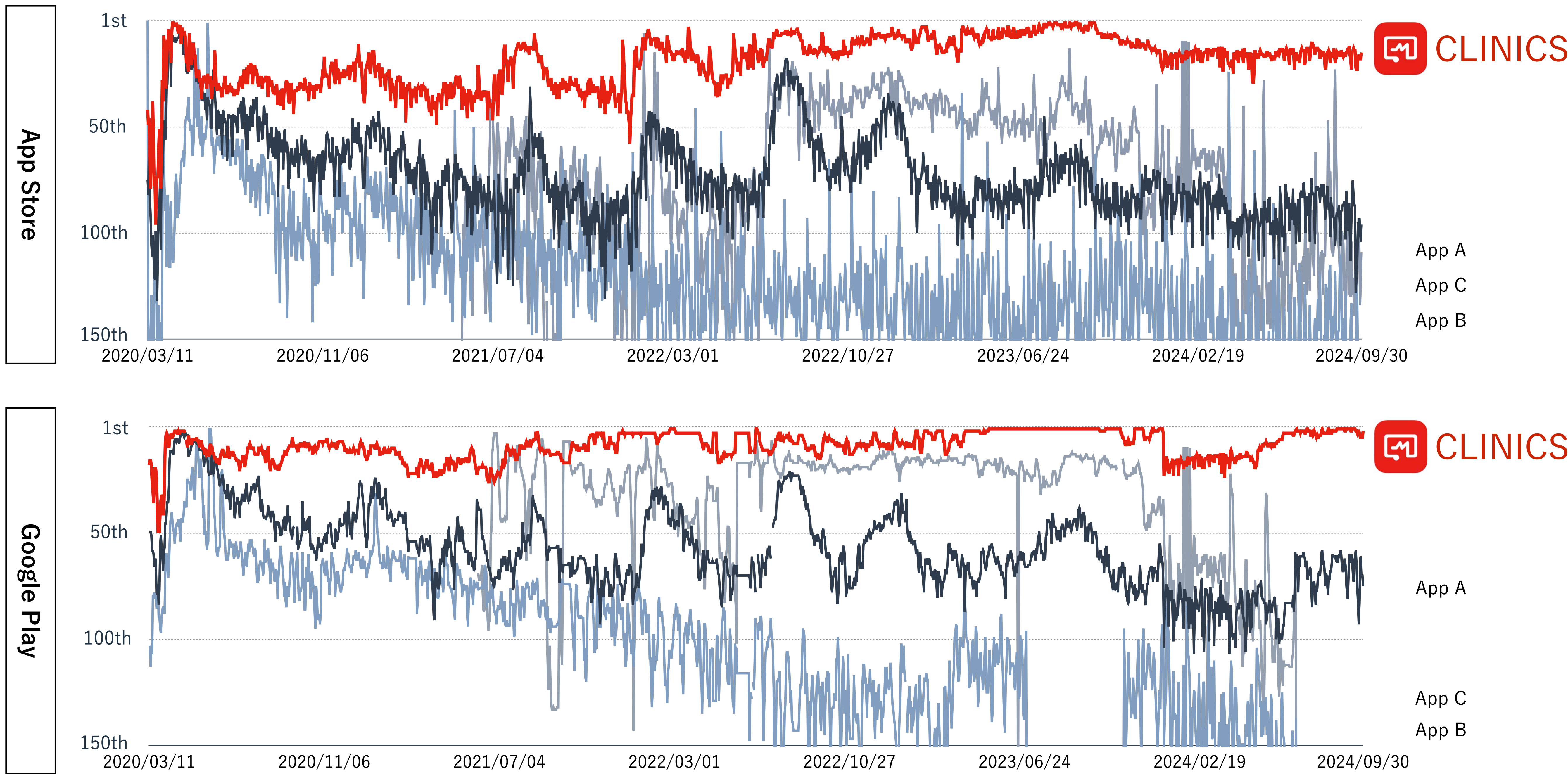
In FY2024 Q3, we implemented a number of measures to boost the medium- to long-term growth and profitability of the Medical PF Business. These included expanding our customer base, improving ARPU, and streamlining measures.

Main Measures Implemented in FY2024 Q3

	Hospital / Medical Clinics	Pharmacies	Dental Clinics
Expansion of targeted customers	Strengthened sales of EMR to hospitals/clinics		
Improvement in ARPU	Strengthened EMR functions for hospitals/clinics Acquired reservation systems to hospitals and clinics (Q4, see slide 24)	Conducted development aimed at strengthening functionality	Conducted development aimed at strengthening functionality
	A Increased settlement fees owing to growth in number of users		
	Strengthened sales of partner products		
Streamlining	Improved gross margin of the EMR business		
Increase patient users	Began collaboration with Amazon Pharmacy	Collaborated with Uber Eats Japan to launch speedy delivery service for prescription drugs	Strengthened integration with telemedicine app

Our CLINICS app is consistently at the top of the telemedicine app rankings. We plan to continue to expand our user base through initiatives such as the collaboration with Uber Eats Japan that began in April 2024 and the collaboration with Amazon that started in July 2024.

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



1. FY2024 Q3 Results

2. FY2024 Forecast

3. Investment Highlights

Leaving Our Full-year FY2024 Earnings Forecast Unchanged



We are making smooth progress toward our revised forecast and we leave our full-year forecast unchanged. Potential M&A deals are not included.

(JPY mm)	Q1-Q3 results	Full-year FY2024 forecast	Progress toward target	Progress toward full-year targets
Sales	21,642	29,400	74%	Expected to be higher than full-year target.
Gross Profit	13,993	19,950	70%	Expected to be slightly lower than full-year target.
EBITDA	3,484	4,640	75%	Expected to be in line with full-year targets. (Depending on cost usage, profits may surpass full-year targets.)
Operating Profit	2,358	2,950	80%	
Ordinary Profit	3,731	4,440	84%	Expected to surpass full-year target.
Profit Attributable to Owners of Parent	2,323	3,000	77%	

*new updates in red

	Assumptions	Financial Indicators	Progress
HR PF	- Number of customer offices: Maintain the same level of annual acquisitions - Improvement of ARPU - Improvement of utilization rate by gaining job seekers, improvement of functionality - Contribution from online training system	- Sales Growth: <u>approx. +45%</u> - EBITDA margin: <u>approx. 40%</u>	Began collaboration between JobMedley and GUPPY Kyujin
Medical PF	- Securing of customer offices, improvement of ARPU, streamlining of costs - Strengthening of approaches to acquiring patient users - Impact from deregulation is conservatively factored in - Continuation of investment in development targeting medium-term growth	- Sales Growth: <u>approx. +30%</u> - EBITDA margin: <u>approx. 5%</u> - Minor impact on P/L from revision of alliance with NTT DOCOMO	Acquisition of Offshore Inc., to be consolidated in Q4
New Services	- Expansion of US businesses - Commencement of development of EMR for acute care hospitals - Commencement of development of new businesses in the HR PF Business	- Costs related to US businesses: <u>approx. JPY 500 mm</u> - Development costs for EMR for acute care hospitals: <u>approx. JPY 200 mm</u> - New business development costs in HR PF: <u>approx. JPY 200 mm</u>	- Consolidation of the healthcare business of GUPPY's Inc., currently reformulating plan - Total costs expected to be below initial expectations
Corporate Expenses	- Continuation of proactive hiring to achieve medium-term growth - HR PF : approx. 160 new hires - Medical PF : approx. 130 new hires - Companywide : approx. 60 new hires	- Continued downtrend in ratio of companywide expenses to sales <u>Increased investments in human capital related areas, including hiring</u>	Hiring progressing smoothly
Others	Sales from to-be-determined new businesses, as well as potential impact of M&A deals with low probability are not factored into forecasts (will be reflected when concluded)		- Minority investments in Q2, but no earnings impact for FY2024 <u>Acquisition of Offshore Inc., to be consolidated in Q4</u>

Government considered whether to prohibit "small continuous service allowances" to be paid to job seekers who have been hired through employment websites. In line with the initial proposal, it was decided that such payments will be prohibited in principle. We have been planning various actions in connection with this matter, and has determined that it is possible to take measures without taking large increase in success fees as assumed in Q2.

Summary of Regulations

- The guidelines in the Employment Security Law were revised on October 11, 2024. These guidelines prohibit in principle the “providing money or other benefits to job seekers beyond what is considered socially acceptable” by business of providing recruitment information (=employment website).
 - Judgement of what is “beyond what is considered socially acceptable” is based on a variety of factors.
- Effective from April 1, 2025

Medley’s Response

- Revision of success fees
 - We expect increases of roughly 10–15% starting in H1 of 2025 (detailed schedule undecided)
- Increase customer support man-hours
- Also, launch measures aimed at encouraging sound development of the industry as a whole (including development of new products)

Earnings Impact

- Regarding FY2025 sales, as we believe these changes will have only a slight impact on hiring numbers, we expect nearly the full amount of the upward revision to success fees to translate into sales increase.
- Regarding FY2025 EBITDA, based on the aforementioned increases in sales and costs, we expect the EBITDA margin to be roughly the same as if the revision to success fees had not been implemented.

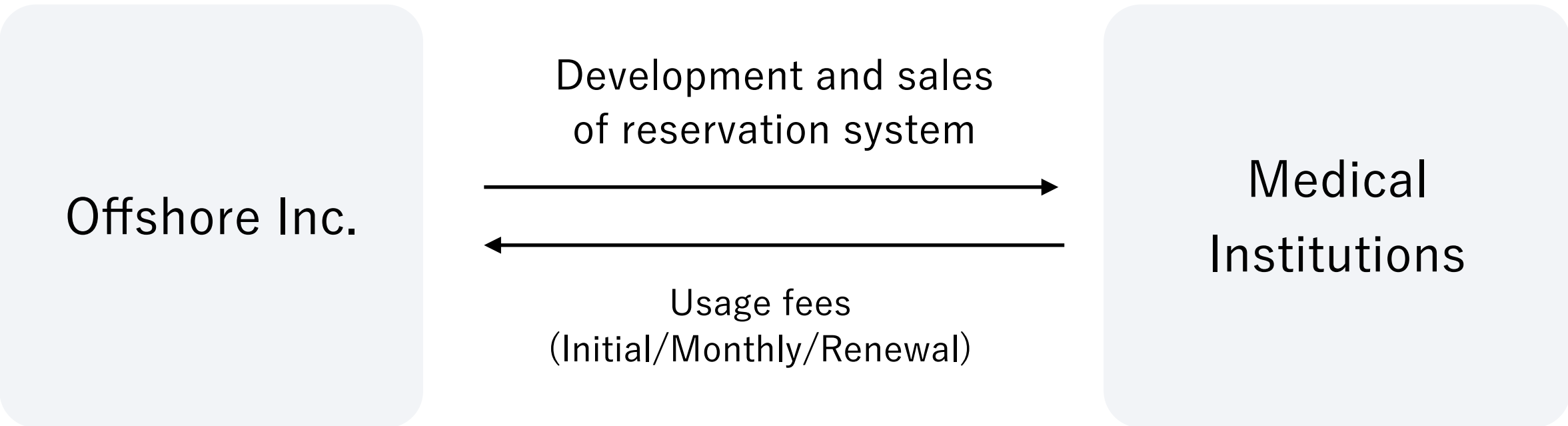
(Ref.) Acquired Reservation Systems to Hospitals and Clinics (Q4)

On October 1st, 2024, we acquired Offshore Inc., which has developed and supplied reservation systems to hospitals and clinics and app for patients. The company's “@link” reservation system for obstetrics and gynecology holds the top market share⁽¹⁾. In addition, its app for patients is used by approximately 30% of all pregnant women and infertility patients in Japan.

Company Overview

Date of Establishment	May, 2001
Number of Employees	59 (as of June 2024)
Main Products	Reservation systems for hospitals and clinics - Appointment booking, surgery management, hospitalization/ obstetrics management functions, etc. Service general management apps for patients

Business Model of “@link” Reservation System

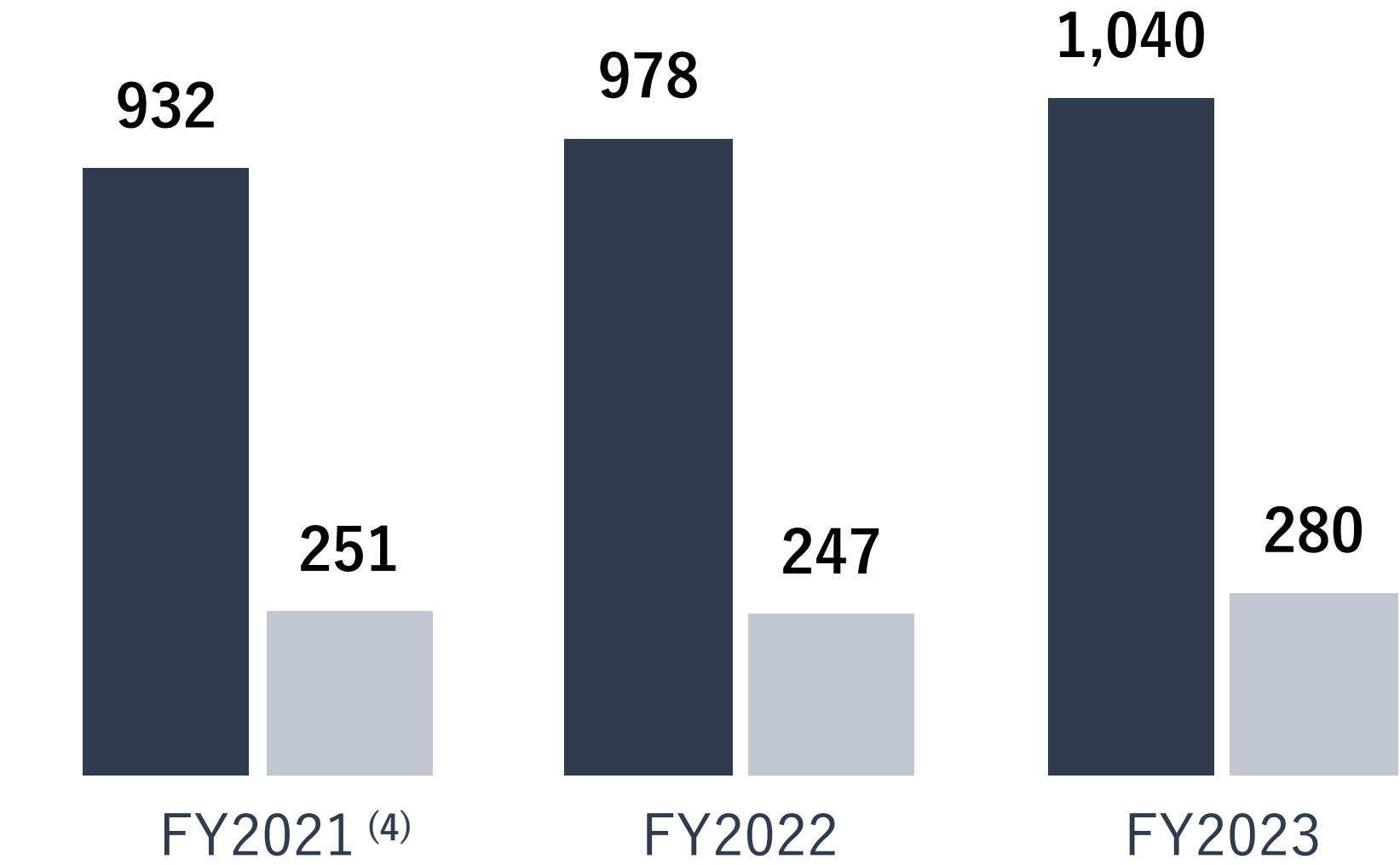


- Main customers are obstetrics, gynecology and fertility facilities.
- Over 40% of sales from recurring “stock” businesses
- Annual churn rate is 2.5% (Main reason is closure)

(1) Source: Offshore’s official website

Financial Results

(JPY mm) ■ Sales ■ EBITDA



Number of medical facilities using @link

749 facilities⁽²⁾

Ratio of @link users

Roughly **30%**⁽³⁾ of pregnant women in Japan

Competitive Advantages

Trusted by customers	• Digitalization of medical institutions for over 20 years • Top market share⁽¹⁾ in the field of obstetrics/gynecology department reservation systems
Total solution	• Integrated end-to-end management of processes from patient acquisition to postnatal (hospital discharge)
Customizability	• Business support tailored to individual medical institutions with over 700 functions and settings

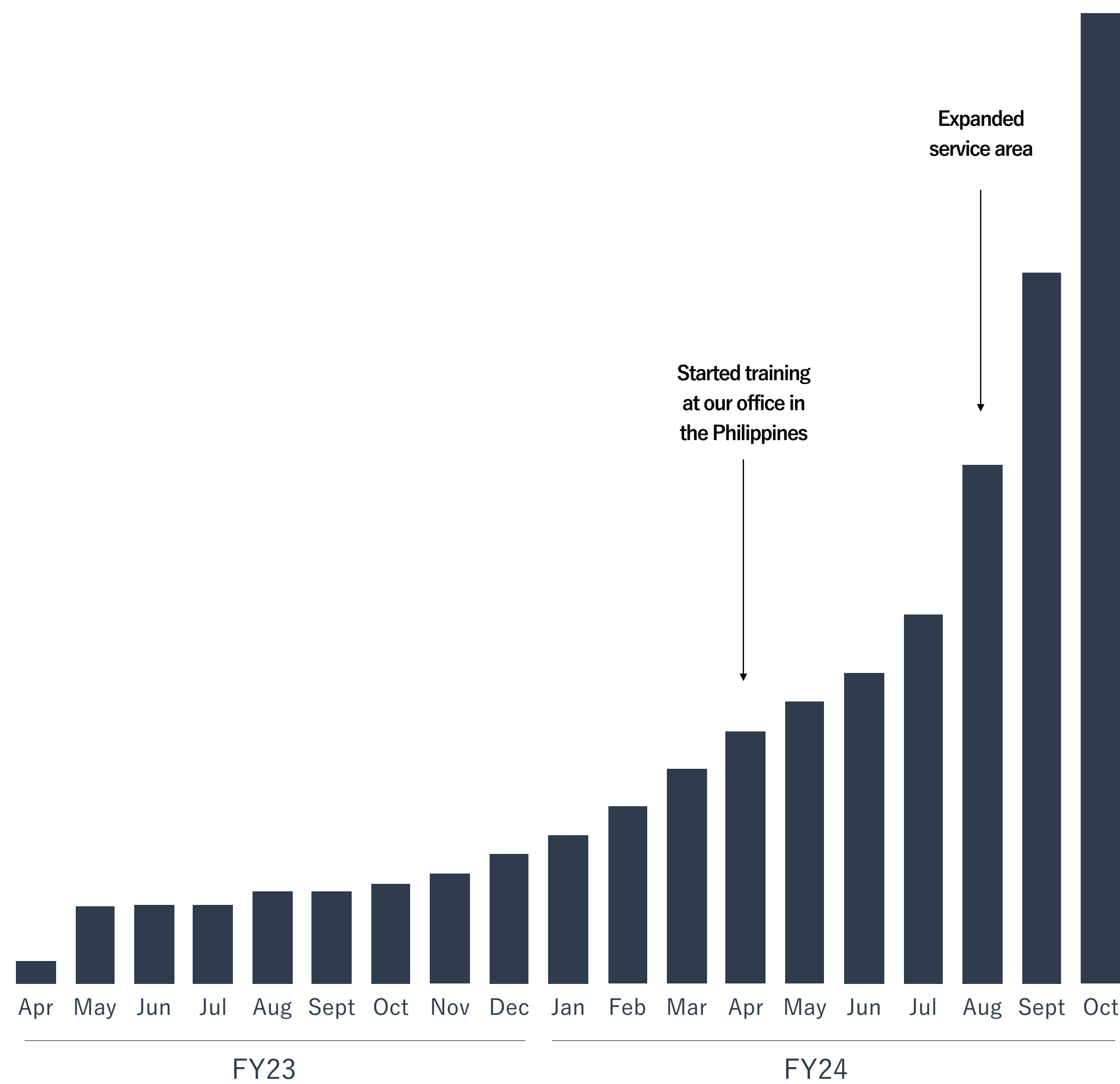
(2) As of end-March 2024

(3) Based on a survey conducted by Offshore, Inc.

(4) FY2021 was an irregular six-month accounting period, but the sales and EBITDA figures provided above are for the 12-month period from April 1, 2021 to March 31, 2022.

We are making progress in creating a cost structure in our US Jobley business that will allow us to provide performance-based recruitment services at a low cost. We are steadily increasing our number of customer offices by expanding operations in the Philippines and also expanding our coverage area while improving customer acquisition efficiency. We will continue with our policy of capping annual and medium-term investments and then leveraging these investments to deliver long-term value growth.

Number of customer offices



Business development plan

We are expanding our service area while developing an organization that can scalably streamline the operations of small-scale businesses. We plan to begin building pricing models and operations for large providers in FY2025. We will also proceed with expansion of our customer base to include other industries at a pace in line with our organizational development.

- Development of operations targeting small businesses
- Expansion of service are to include all of the US
- (Plan) Development of pricing model and operations for large-scale businesses
- (Plan) Expansion of customer base to include more industries and professions

(Ref.) Reinforcement of Hospital Discharge Coordination Support

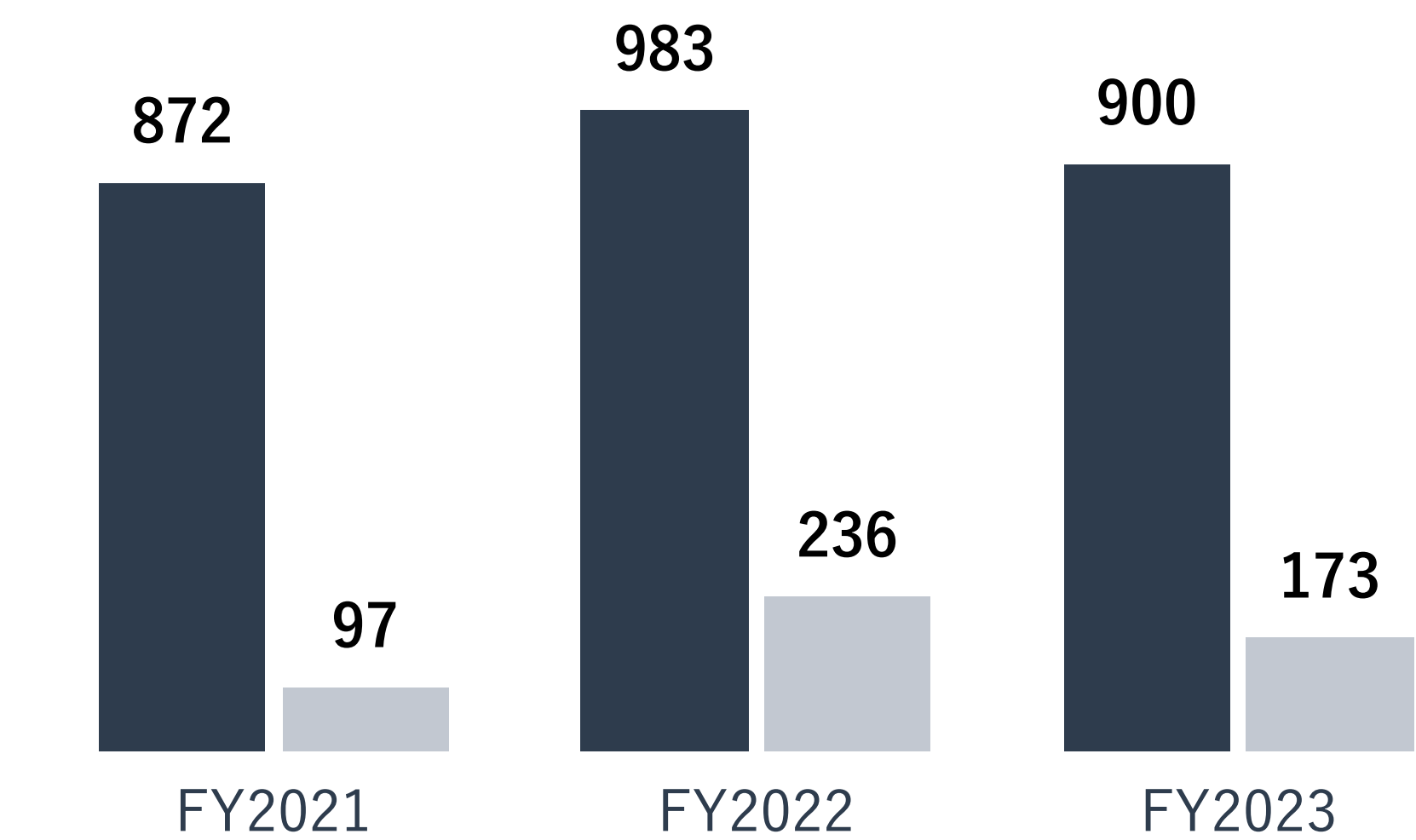
On November 14, 2024, we finalized contract to acquire of 100% of outstanding shares of ATN⁽¹⁾, which has operated the nursing care facilities referral support named “Minkai”. We will leverage ”Minkai”, which has industry-leading assets and brand power, to accelerate the DX in the industry with our newly developed service “Renkei san”, the discharge coordination support system. (Contribution to consolidated results from January 2025)

Company Overview

Date of Establishment	November, 2000
Number of Employees	137 (as of August 2024)
Main Products	Referral services for prospective residents to nursing care facilities - Pioneer in this field - Provides in-person, attentive consultation services - Industry-leading volume of consultations

Financial Results

(JPY mm) ■ Sales ■ Adjusted EBITDA⁽²⁾



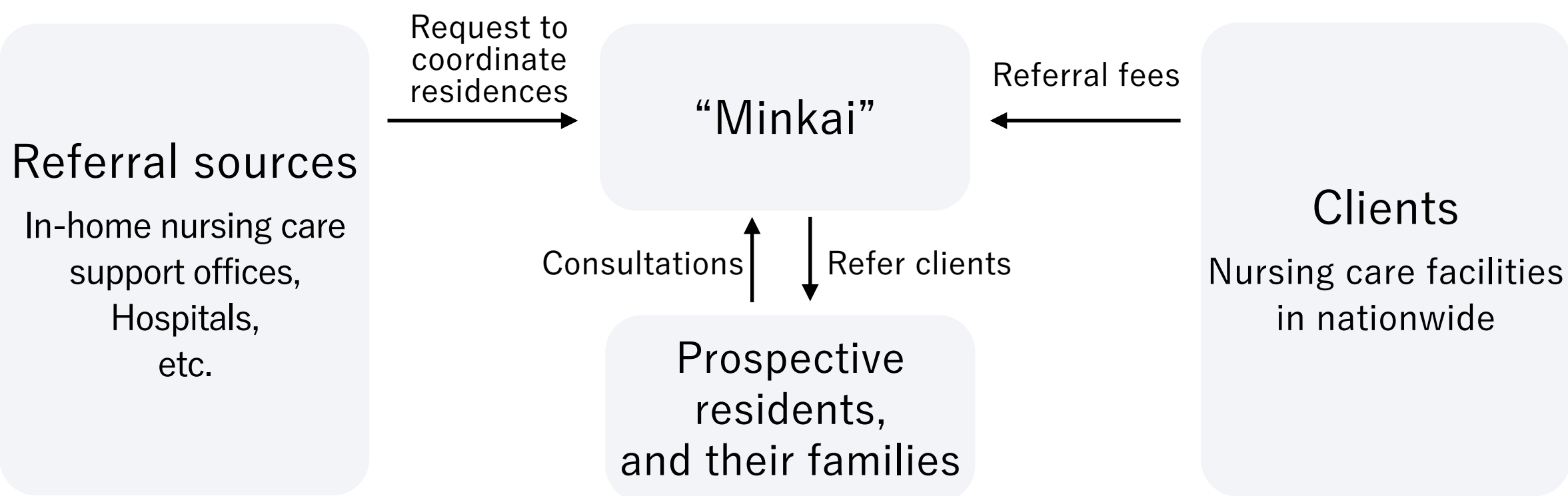
Annual volume of consultation

over **10k**⁽³⁾

Number of consultation center locations

26 locations

Business Model



Receive referrals of prospective residents to nursing care facilities from hospitals, etc., provide consultation services to prospective residents, and receive referral fees from the nursing care facilities where the residents move in as a result of the referrals.

(1) Official name; ASFON TRUST NETWORK

(2) Adjusted expenses not incurred after grouping

(3) As of FY2023

Expected Synergies

Accelerate expansion of discharge coordination support

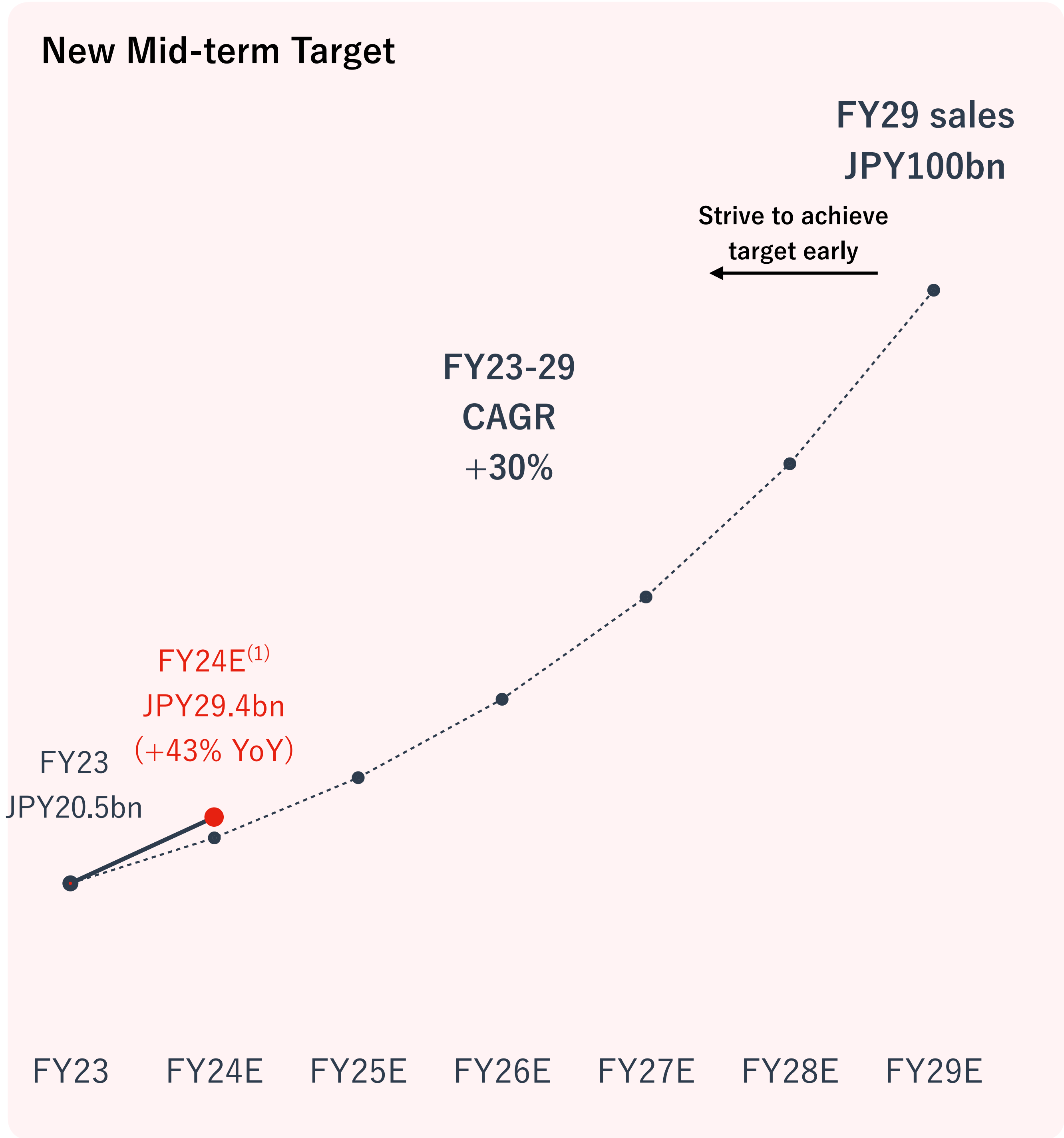
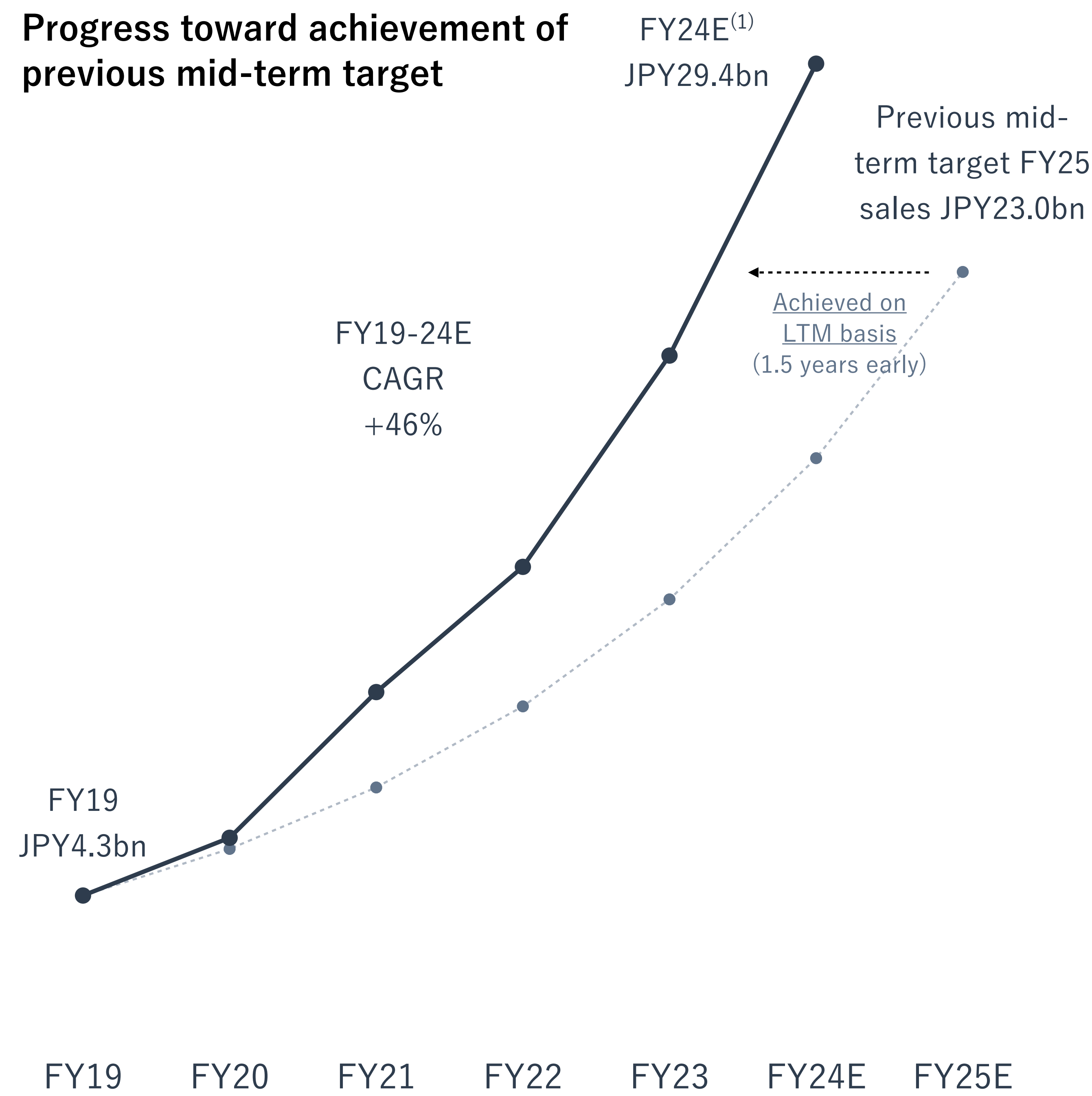
- Promote digital utilization of discharge coordination operations
 - Discharge coordination operations still often handled in an analog manner
 - Leverage assets and brand power of “Minkai” to drive digitalization

Connection with “Kaigo-no Honne”

- Responding to diverse needs of prospective facility residents
 - “Kaigo-no Honne” has strength in web-based nursing home referrals
 - “Minkai” has strength in in-person referrals

(Ref.) Progress Toward New Mid-term Target

In FY2024 Q2, we made steady progress toward the new medium-term targets established in February 2024 (FY2029 sales: JPY 100 billion, EBITDA: 20 billion). While in principle, we target growth in sales and profit during the period covered by the medium-term business plan, we will prioritize adapting to changes in the business environment and taking advantage of investment opportunities and, as with our previous medium-term targets, aim to achieve them ahead of schedule.



(1) Revised forecast

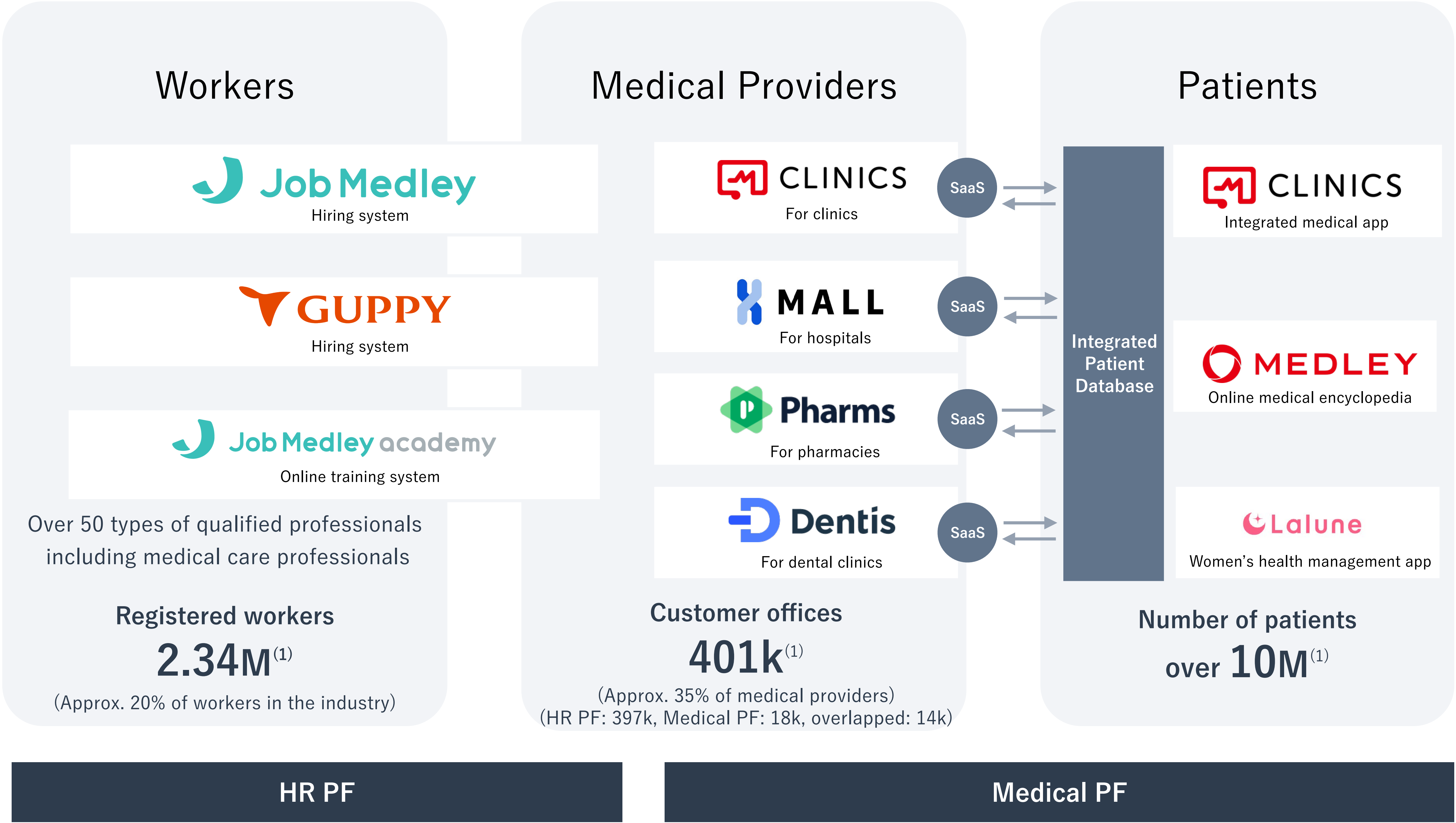
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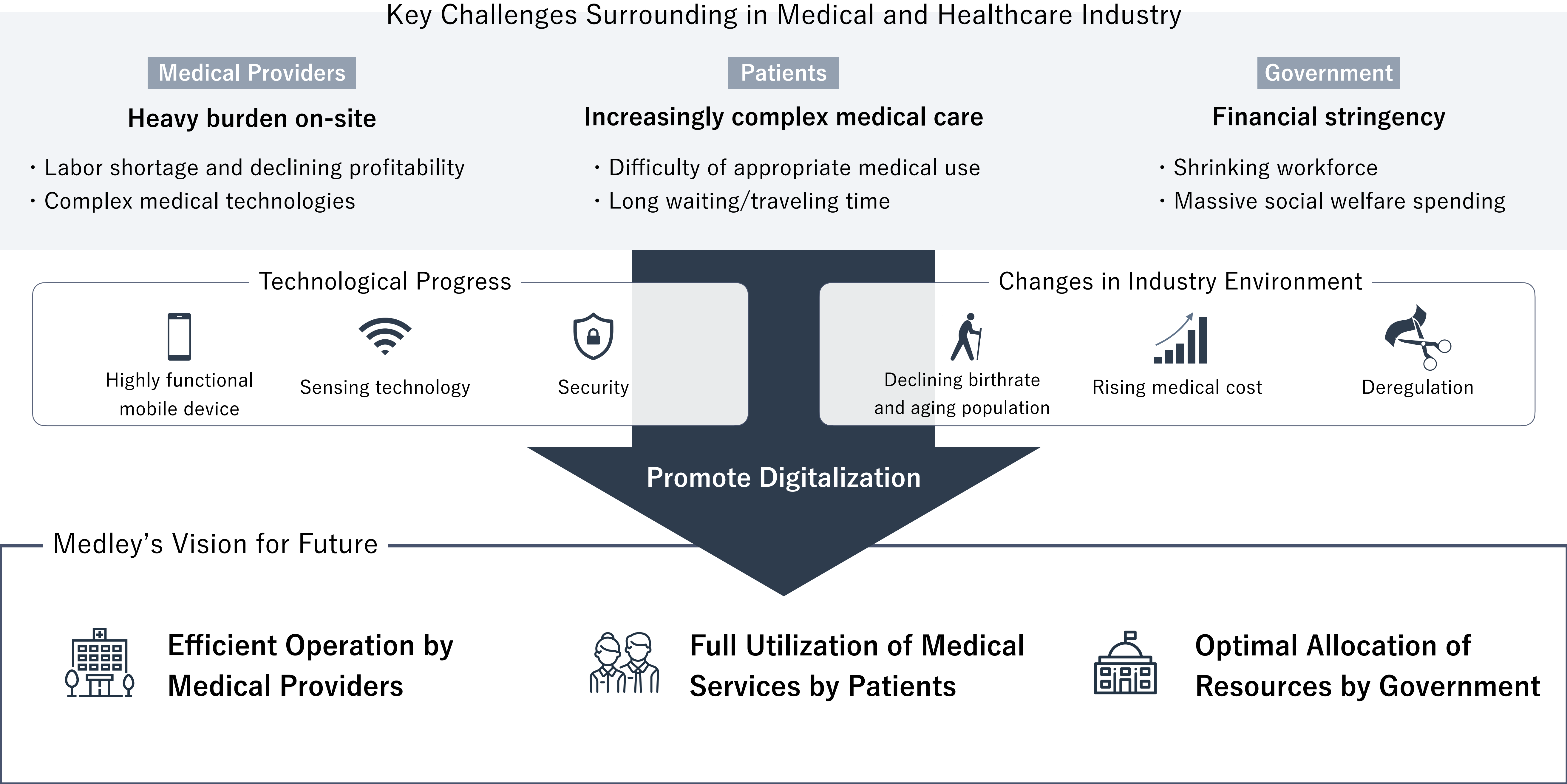
1. Vast opportunities in the medical and healthcare field
2. Continuous growth through maximization of customer office numbers and ARPU
3. Disciplined investment in growth

Our HR PF business connects medical healthcare professionals and businesses and our Medical PF business provides SaaS products and customer touch points to businesses. Currently, we mainly pursue a business model wherein we receive fees from businesses. We will leverage our strength, which is our connections with businesses, to increase ARPU by increasing profit margins and expanding our product offerings.



(1) As of end of September 2024

Medical institutions in Japan have been facing a variety of challenges including heavy burden on-site and increased complexity of medical care. The importance of digitalization is increasing owing to macro trends such as the declining birthrate and aging population and advancements in digital technologies.



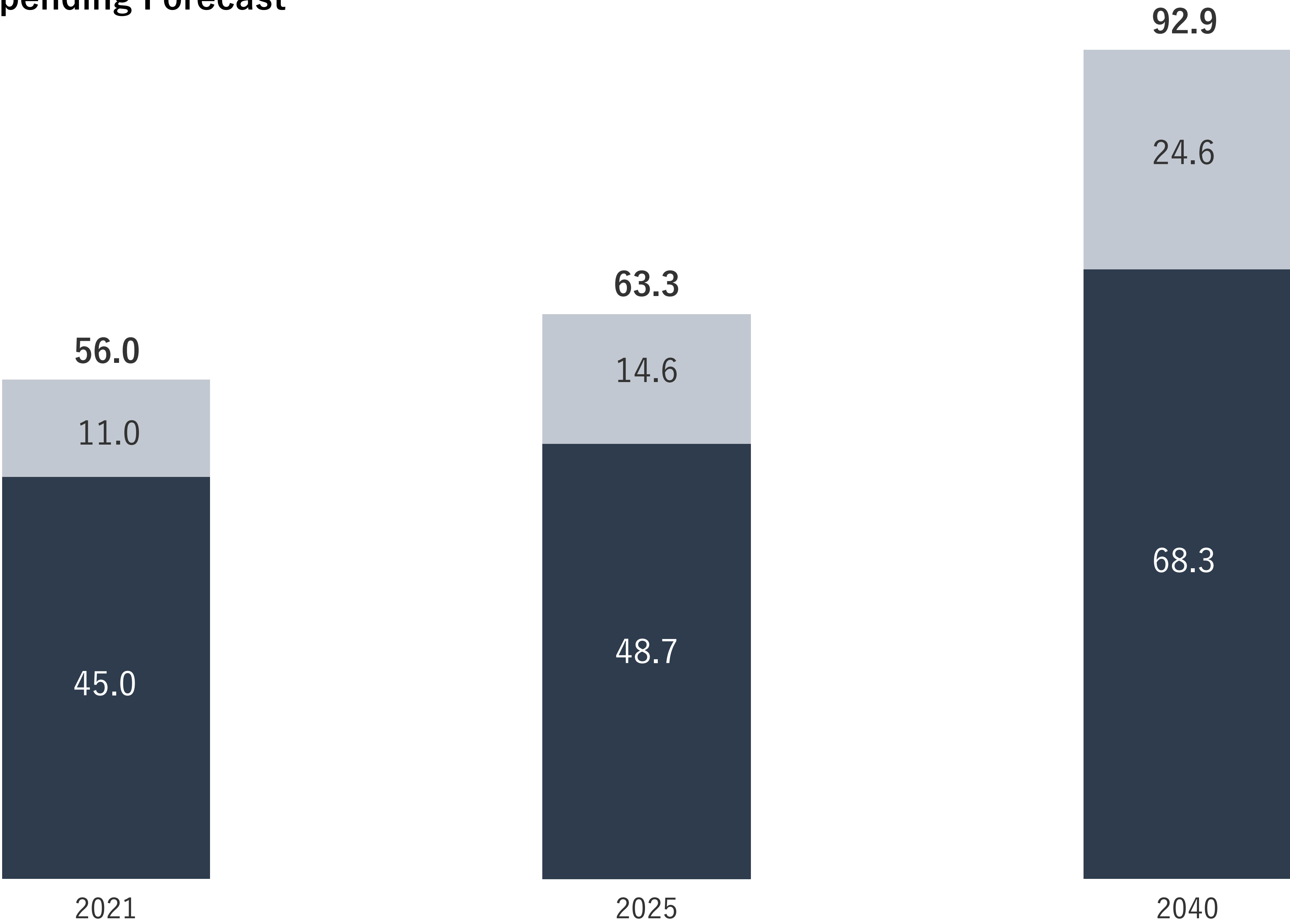
Defensive Growth Industry: Social Welfare Spending and Number of Employees Not Impacted by Economic Trends



Spending on social welfare is expected to rise continuously in Japan owing to the aging of the population. This and the declining workforce population are important and well recognized issues in Japan.

Social Welfare Spending Forecast⁽¹⁾

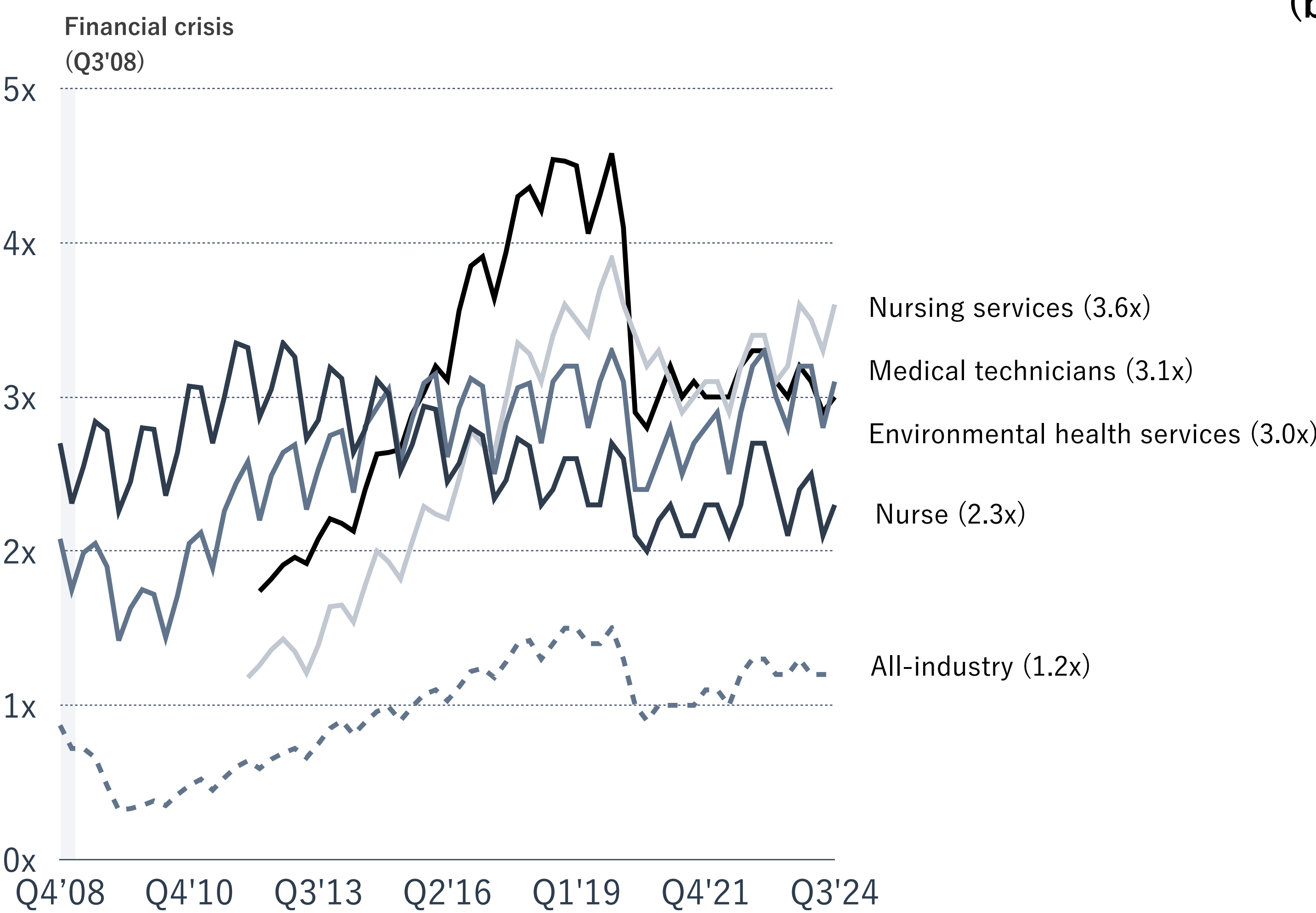
(JPY Trillion)
■ Nursing care cost
■ Medical cost



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

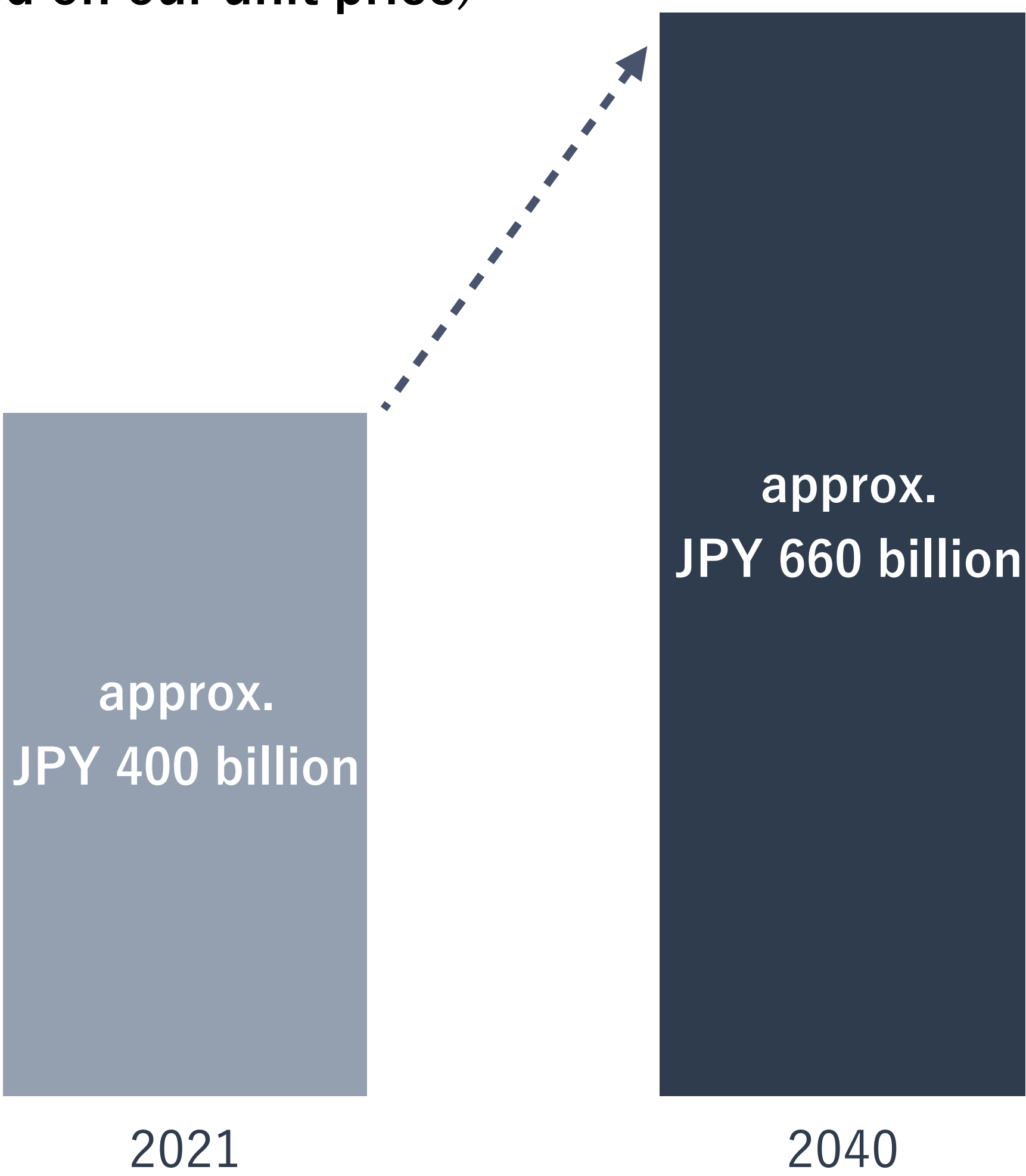
The Japanese medical industry suffers from a chronic shortage of workers, with a jobs-to-applicant ratio that remains much higher than the average for all industries regardless of economic conditions. We estimate the current market size to be approximately JPY 400 billion, and expect expansion to up to JPY 660 billion in 2040 driven by increasing demand.

Ratios of Job Openings to Job Applicants⁽¹⁾



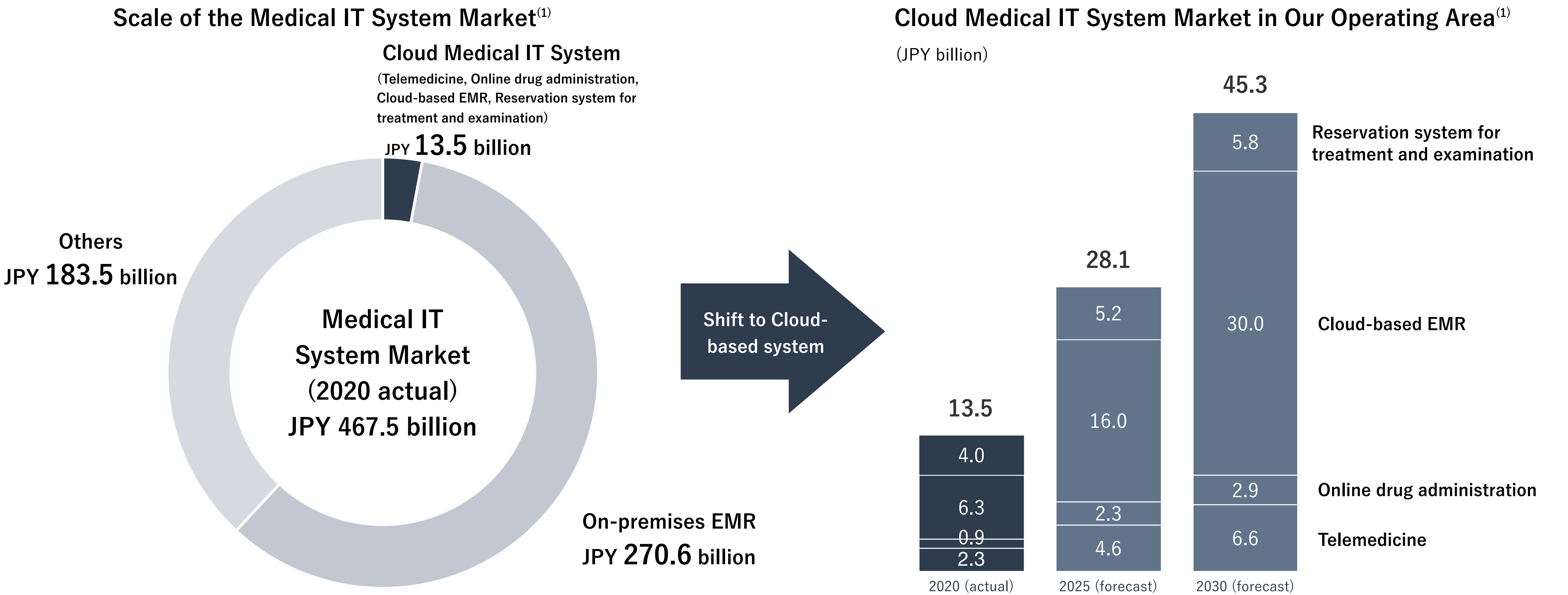
(1) Ministry of Health, Labour and Welfare statistics, 3-months average

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



(2) Estimates by Medley, Inc.

The estimated current medical IT system market size is approximately JPY 470 billion. Today, the bulk of the systems used in medical industry are on-premise based (on-site servers), but more platforms have been adopting cloud-based systems since deregulation in 2010, owing to advantages in terms of costs and convenience. The cloud medical IT system market is expected to grow at a 10-year (FY2020-2030) CAGR of 12.9% due to the low operating efficiency and customary use of long-term contracts.



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.

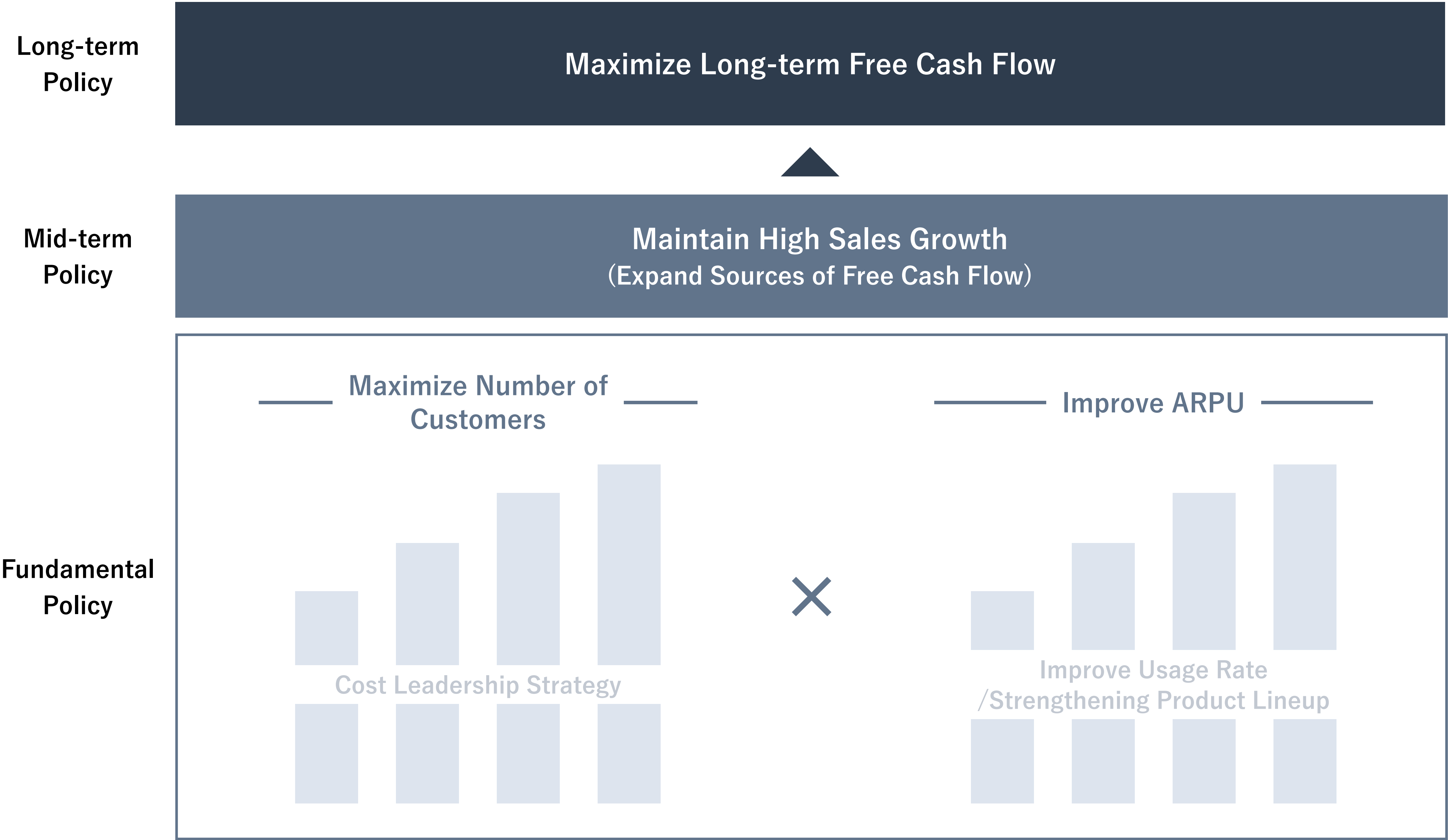
The Japanese government has announced and implemented deregulation and policies to promote telemedicine and EMR, as well as the revitalization of regional healthcare through the use of digital technologies. We view these initiatives as beneficial to the development of our businesses.

Institution/Policy	Overview	Major medical implications
Medical DX roadmap	- As indicated in the Basic Policy 2022 published by the Headquarters for Medical Digital Transformation (DX) Promotion on June 2, 2023 - Update of the Basic Policy to promote DX in the medical healthcare field	- Creation of a nationwide medical data platform - Creation of an EMR data sharing service (planned in 2025) - Data sharing using My Number card - Consideration of DX and standardization of pharmacy data - Promotion of standardization and introduction of EMR data - Utilization of subsidies to launch EMR data sharing service - Start development of a standardized EMR <u>Targeting adoption of EMR system by almost all medical institutions by 2030</u>
Revisions to official medical prices in FY2024	- Implemented June 1, 2024 - Triple revisions to medical care, long-term care, and welfare services - Promotion of human resource recruitment and work style reforms based on current employment conditions - Looking ahead to the post-2025 era and deepening and promoting regional comprehensive care systems, differentiating and strengthening of medical functions including medical DX, and promotion of cooperation	- Promotion of human resource recruitment and work style reforms - Efforts to increase wages of medical professionals - Task sharing/task shifting <u>Promotion of use of ICT contributing to operational efficiency</u> - Promotion of differentiation and strengthening of medical functions including medical DX, promotion of cooperation - Effective utilization of medical information through promotion of medical DX, promotion of telemedicine
Comprehensive Strategy for the Vision for a Digital Garden City Nation (DIGIDEN)	- June 7, 2022: Cabinet decision - Aiming for a “nationwide society that is convenient and comfortable for anyone to live in” - Rapidly develop digital infrastructure and actively promote DX in rural areas in both the public and private sectors - National government support of regional digital initiatives via grants - Medical healthcare is an important theme in creation of attractive local areas	- Revitalizing local communities through disease prevention and health promotion - Creating an environment for the development of PHR services - Use of future technologies in the medical field - Use of future technologies in the medical field (appropriate expansion of telemedicine) - Expansion of online dosage guidance - Promotion of electronic prescriptions, online verification, etc.

Maintain High Sales Growth by Maximizing Number of Customers and ARPU



Our management policy is to maximize long-term free cash flow and maintain high sales growth by increasing the value provided to our customers. In order to achieve continuous sales growth, we pursue a basic strategy of maximizing the number of customer offices served and improving ARPU. In order to continuously improve ARPU, we pursue a business model focused on stable, recurring sales.

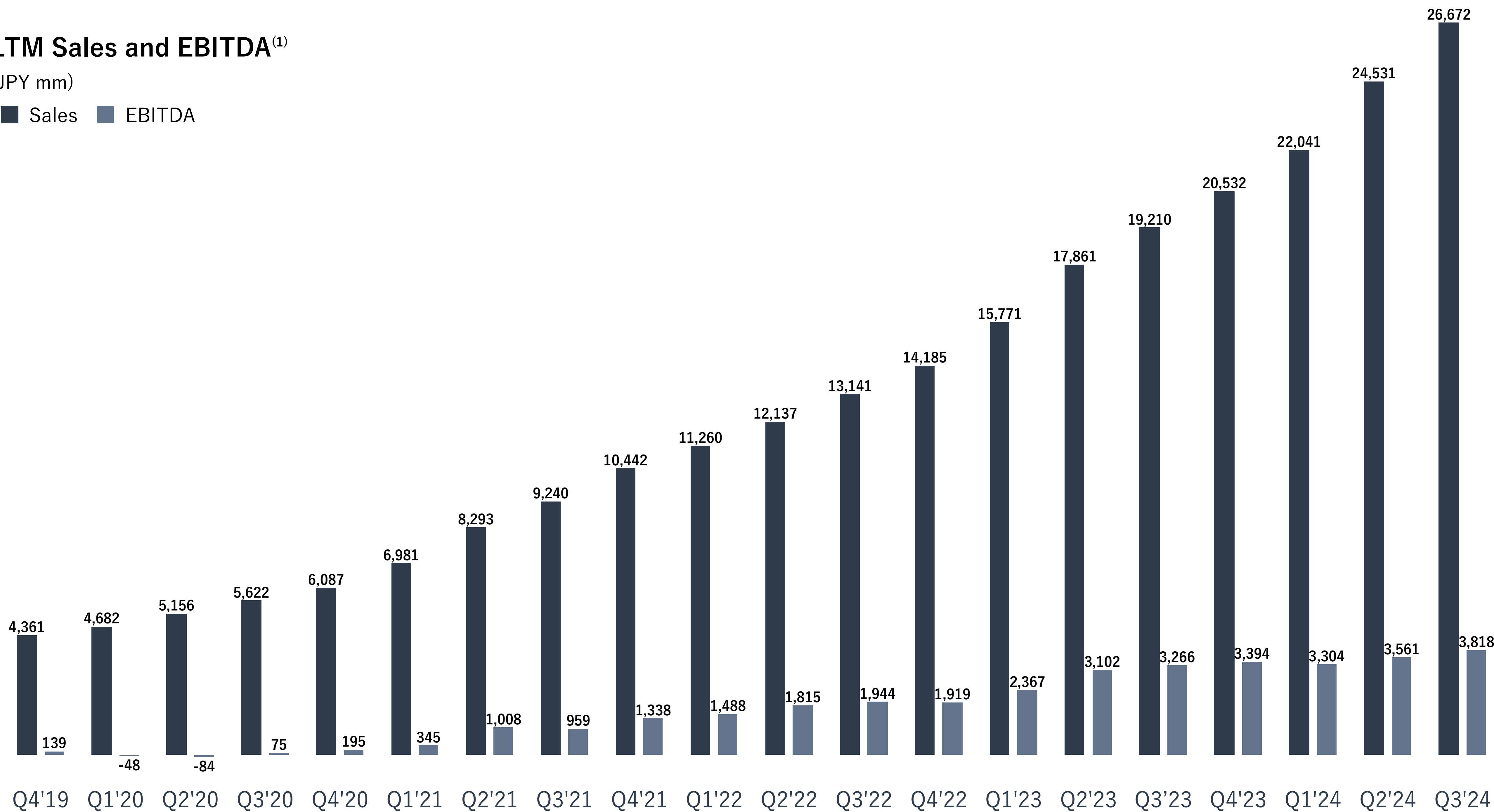


Although sales in the HR PF tend to seasonally concentrate on every Q2, sales and EBITDA for the last 12 months (LTM) have been on a stable increasing trend.

LTM Sales and EBITDA⁽¹⁾

(JPY mm)

■ Sales ■ EBITDA

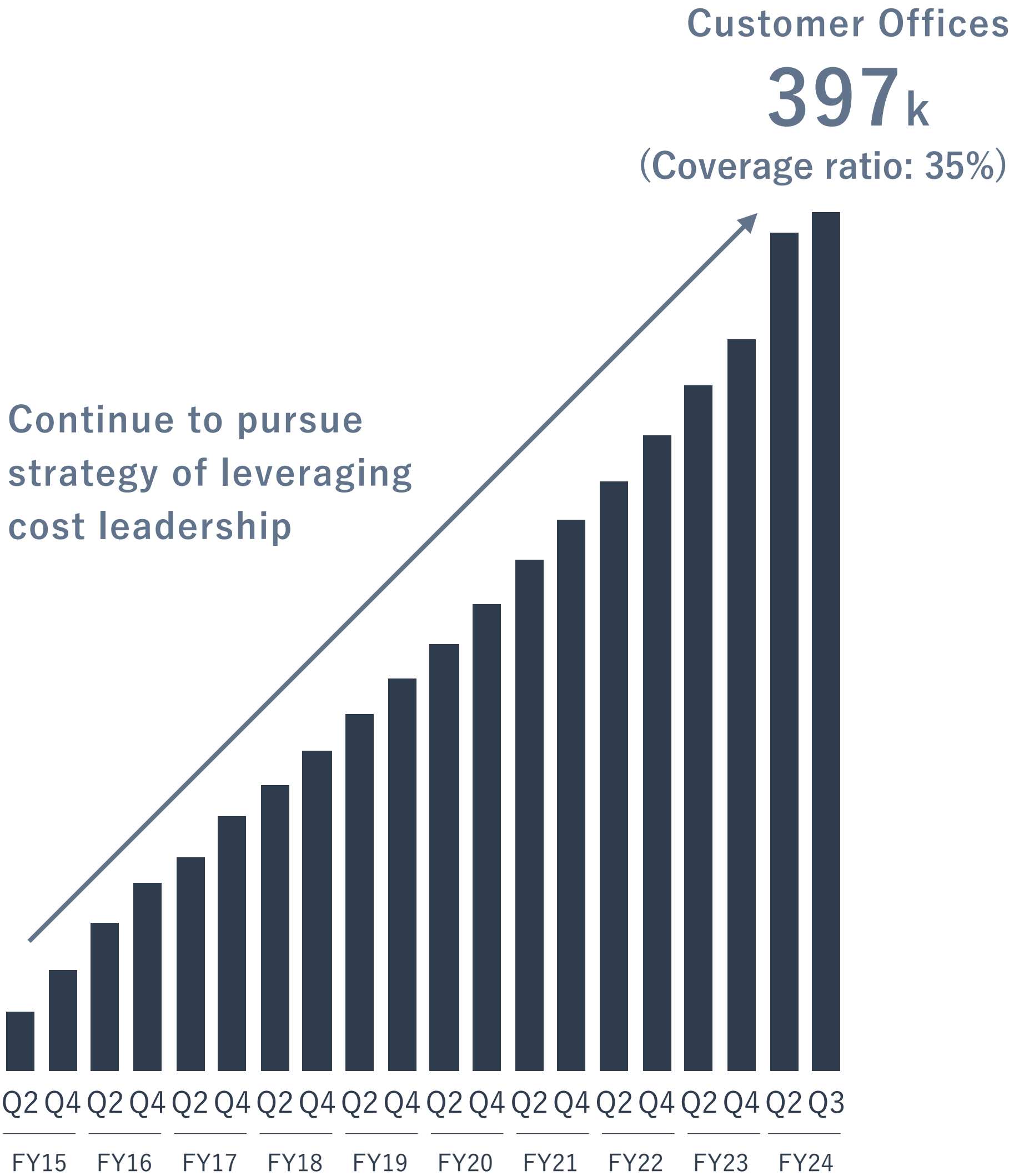


(1) Sum of sales and EBITDA for the last 12 months from the end of each quarter. Figures for FY2021 and earlier are based on the new revenue recognition standard.

In the HR PF Business, not only will we work towards improving labor shortage so that patients can receive appropriate medical services, but also we will provide full-scale support to both businesses and workers offering medical and welfare services. Currently, in addition to strengthening our customer base and pool of registered workers, we leverage such this customer base to develop and deliver new products.

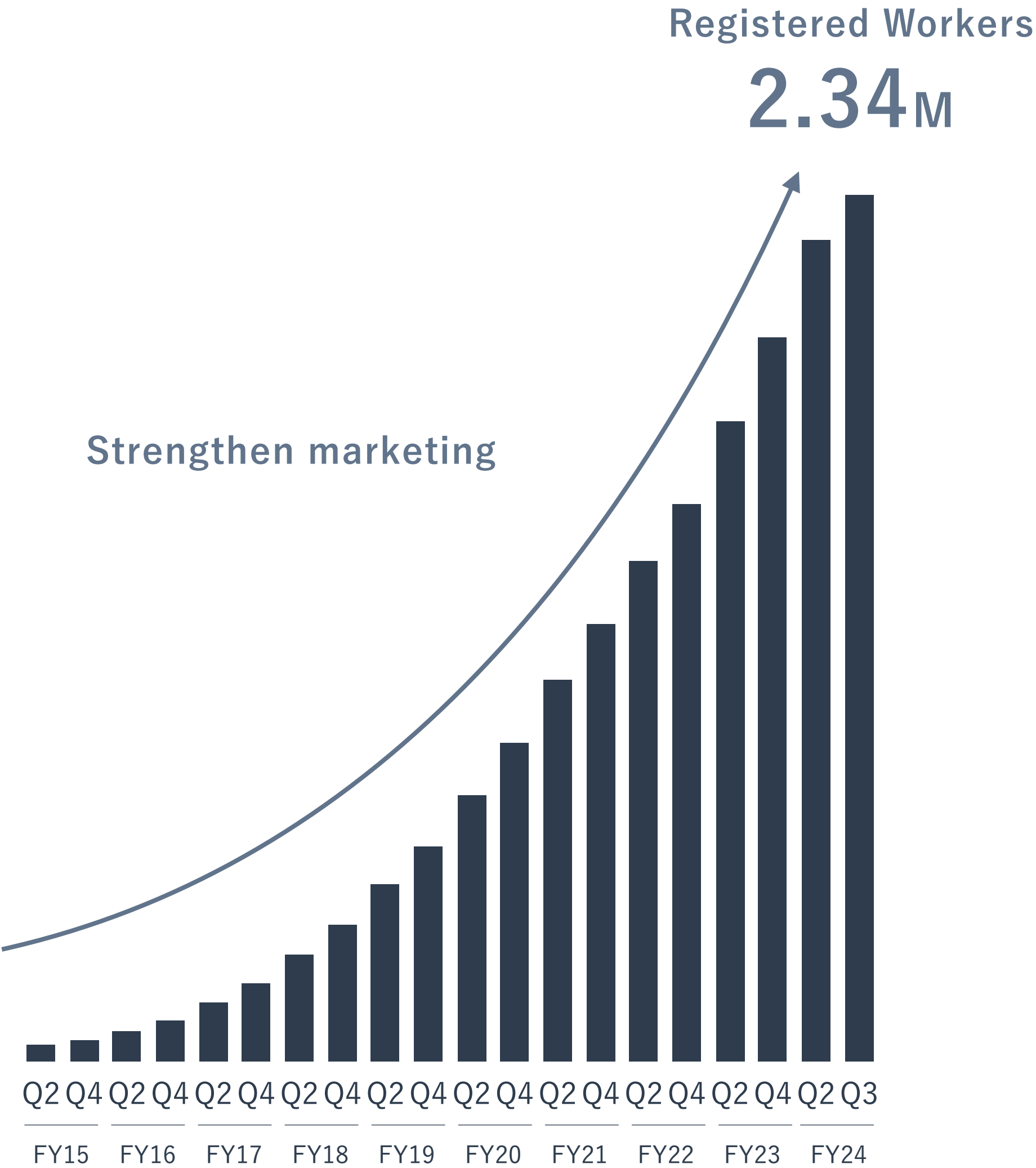
Maximize Number of Customers

- There are 1.1 million⁽¹⁾ target customers in Japan, thus continue to see sizable upside potential

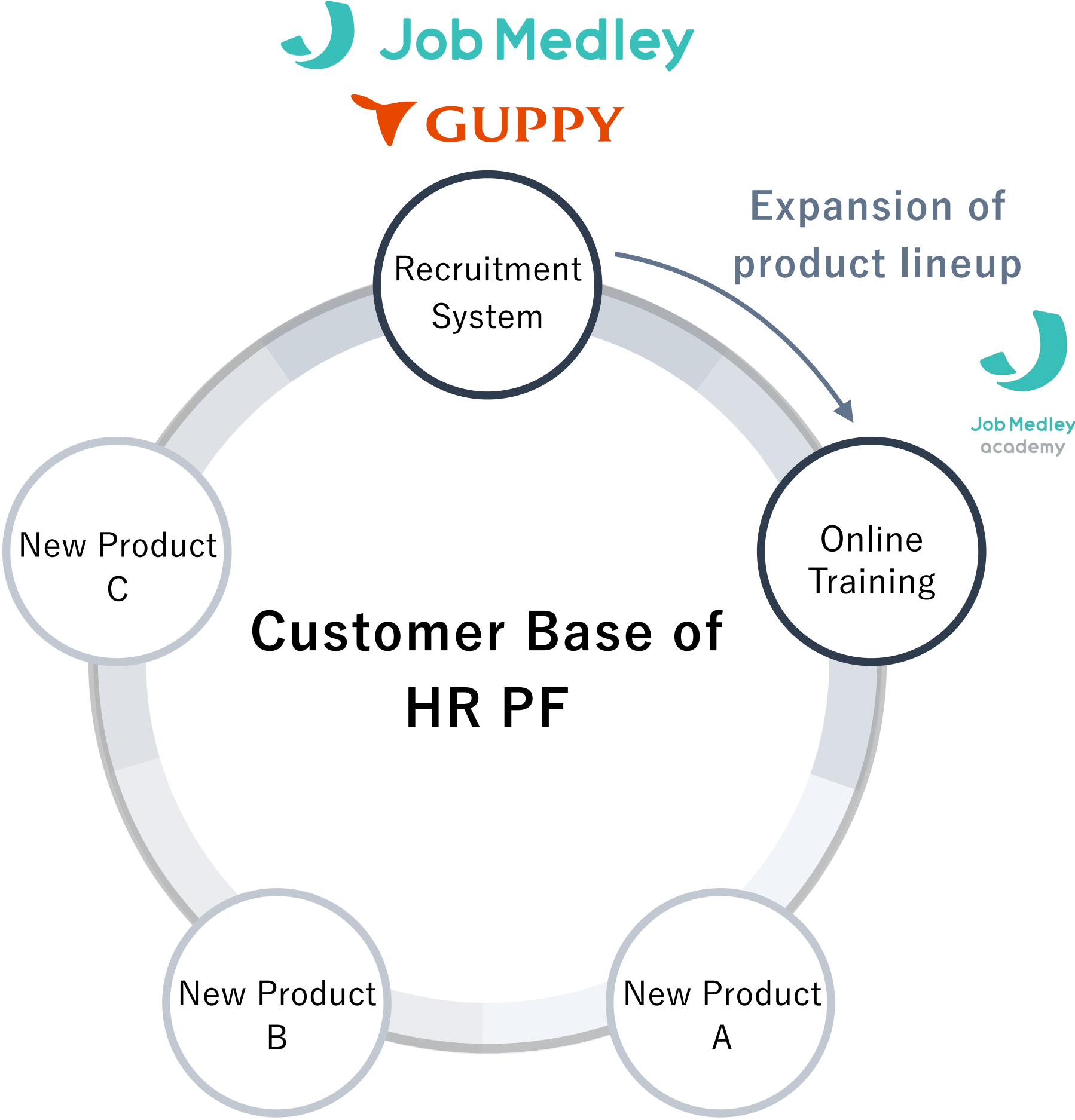


Improve ARPU

- There are over 10 million⁽¹⁾ medical industry workers in Japan, thus continue to see considerable upside potential



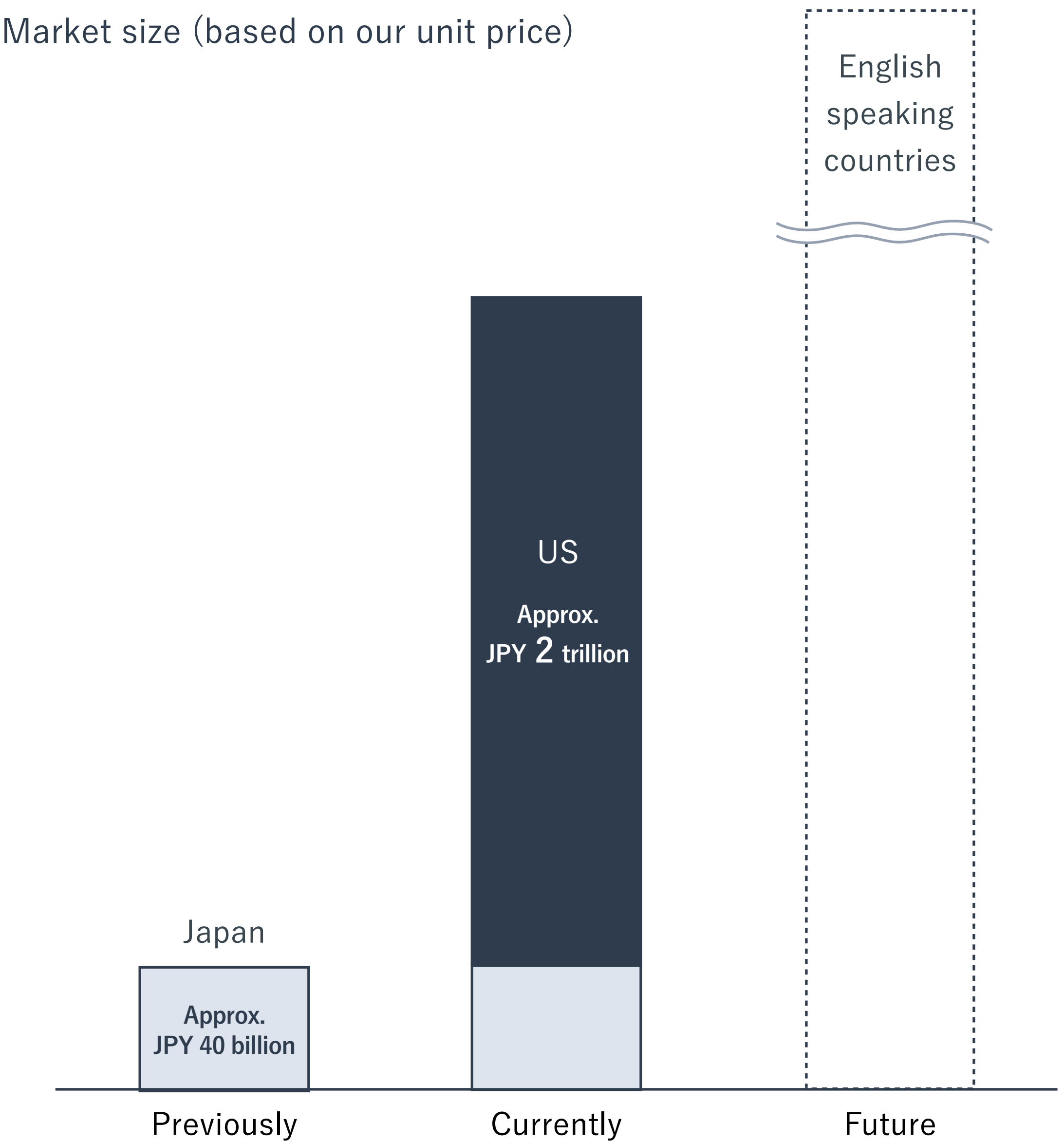
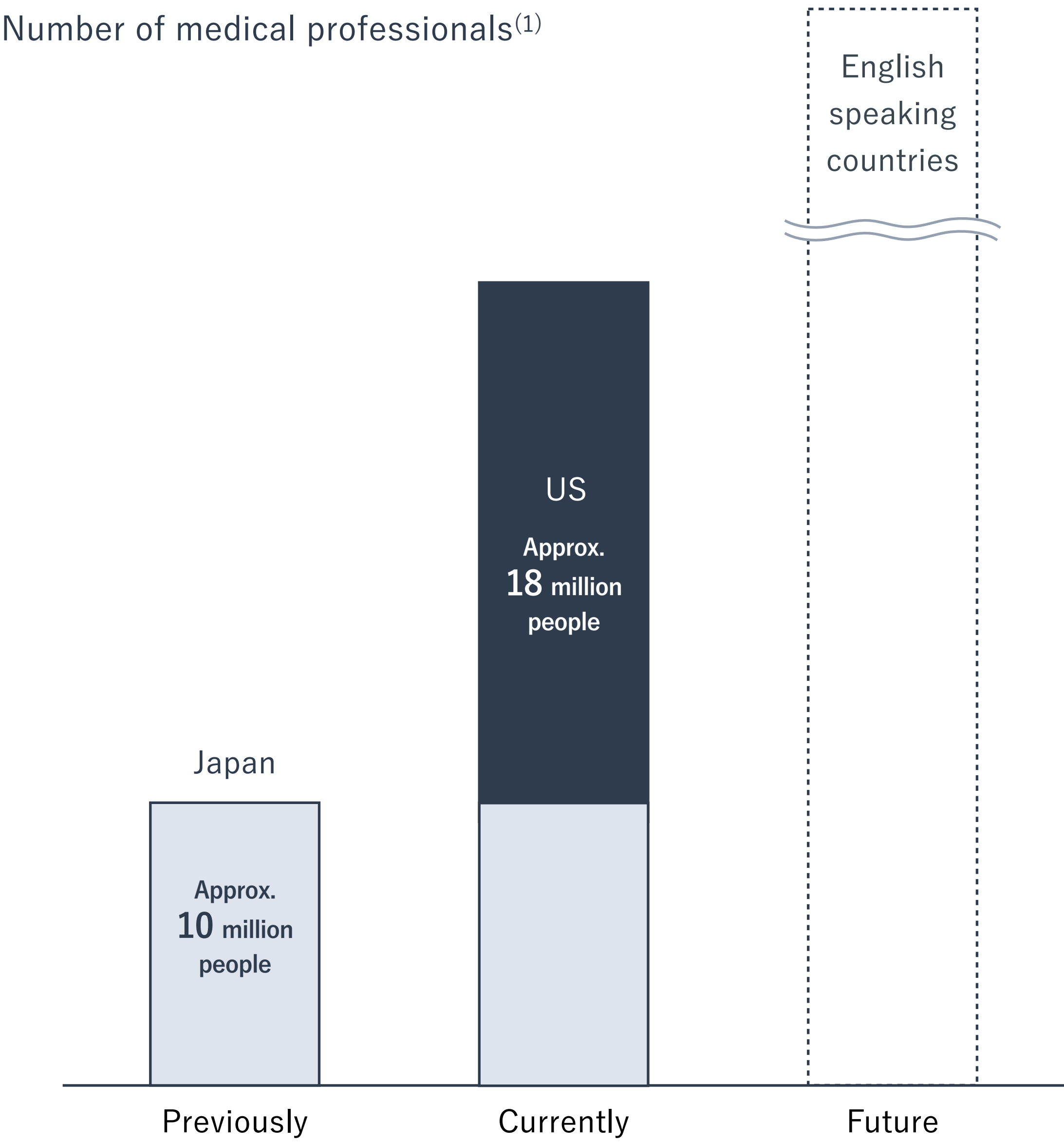
- Leverage the customer base for our recruitment systems and promote digitalization of related operations such as online training, etc.



(1) Ministry of Health, Labour and Welfare, Ministry of Internal Affairs and Communications etc. statistics

In the HR PF Business, as part of our first overseas business, we are expanding our TAM in the US market. By combining development and operations in Japan and the Philippines, where labor costs are lower than in the US, we aim to achieve better performance on business investments than that achieved in Japan alone. Our basic plan is to first make US operations profitable and then expand operations to other English-speaking countries.

Expansion of TAM⁽¹⁾



(1) For Japan: Based on the average annual hiring rate for “medical and welfare” and “lifestyle-related services” categories (approximately 14% for medical and welfare and approximately 29% for lifestyle-related services, total of approximately 1.73 million persons) in the FY2022 Survey on Employment Trends and the average unit cost per hire for JobMedley for each job category. For the US: Our estimates are based on publicly available information. (Assuming \$1=JPY150)

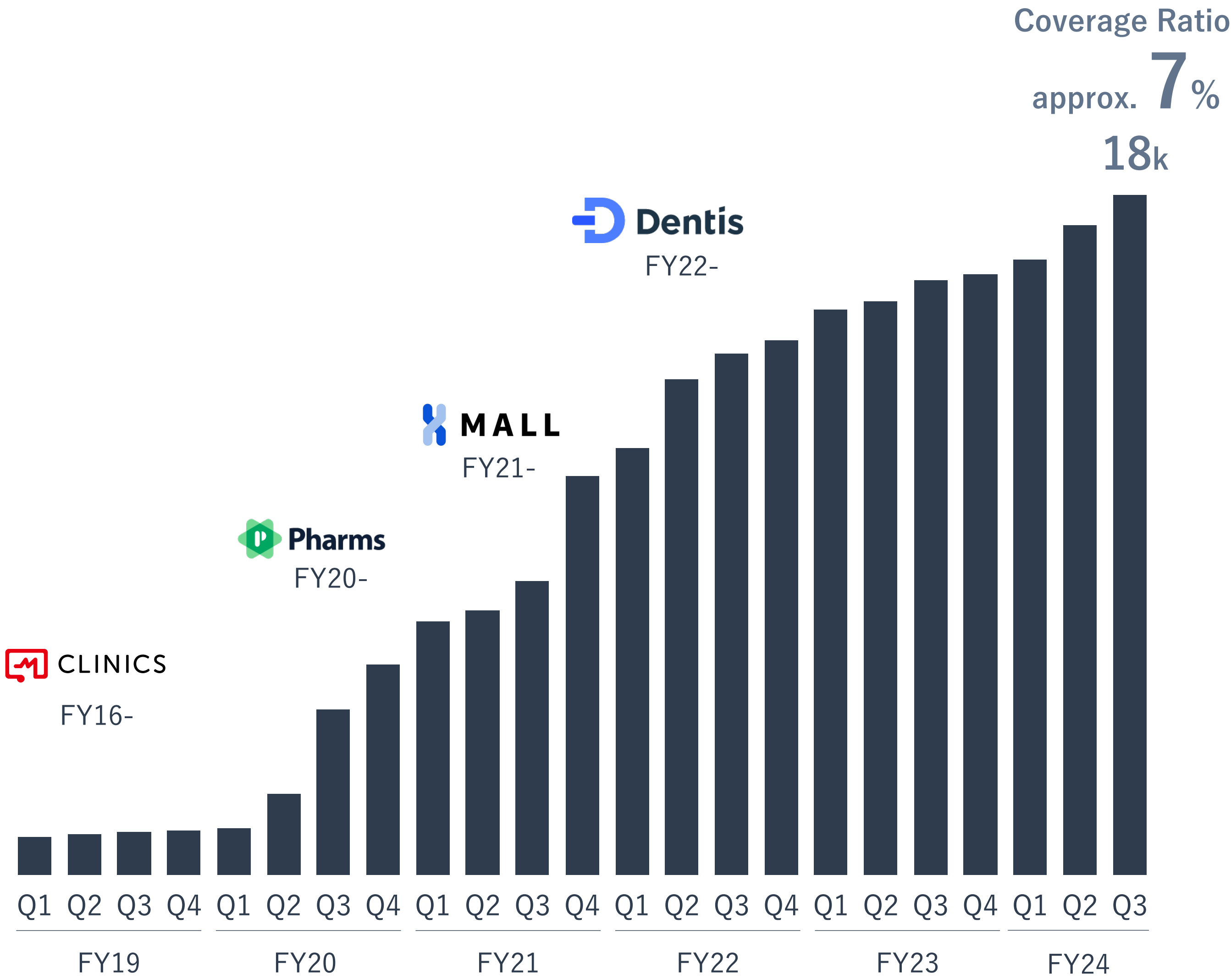
Medical PF: Improved ARPU via Synergy with HR PF Business Customer Base



In the Medical PF Business, we help our customers improve operational efficiencies, as well as contact with patient by use of digital technology. We are currently focused on developing SaaS products and, in addition to leveraging the customer base of our HR PF Business to expand the number of customer offices, we are improving ARPU by strengthening our product lineup.

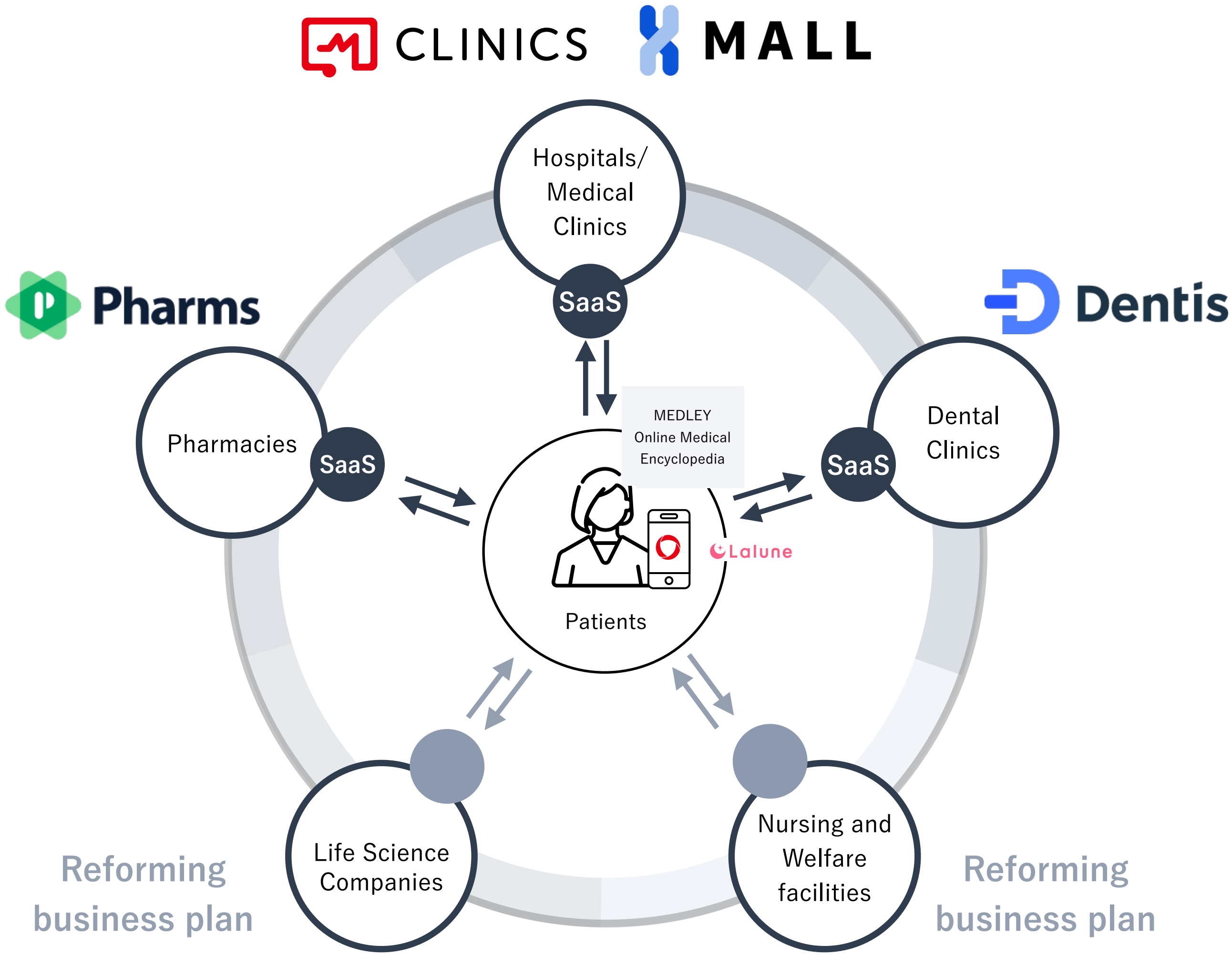
Maximize Number of Customers

- Target customer base has sizable upside potential with roughly 260k⁽¹⁾ hospitals, clinics, pharmacies, and dental clinics
- Conducted sales promotion that leveraged synergies with the customer base of HR PF Business



Improve ARPU

- Room for improvement of boosting efficiency of medical institutions' operations and enhancing patients' experiences by strengthening our product lineup

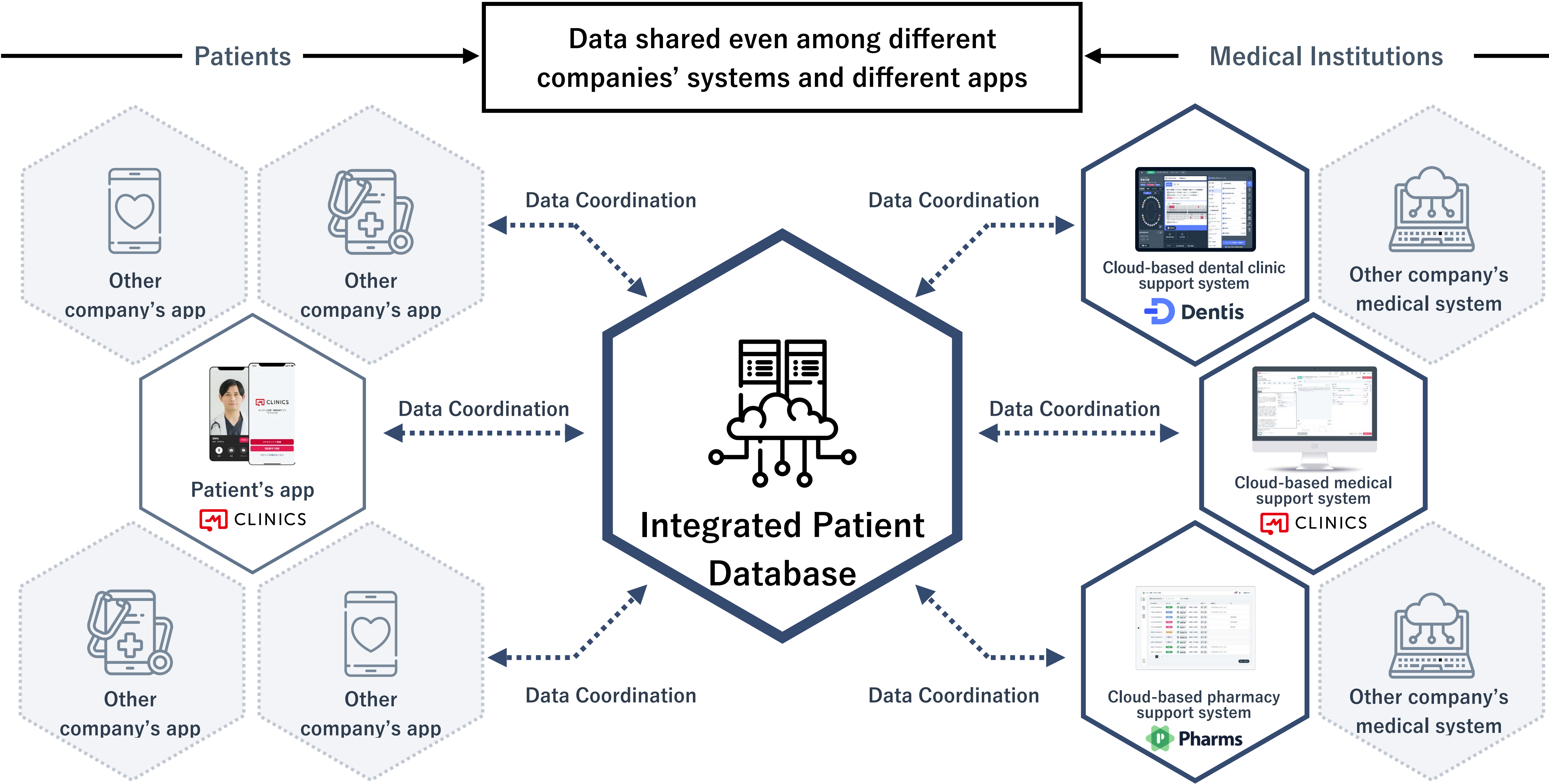


(1) Ministry of Health, Labour and Welfare statistics

Medical PF: Product Development Using Integrated Patient Database as a Core Technology

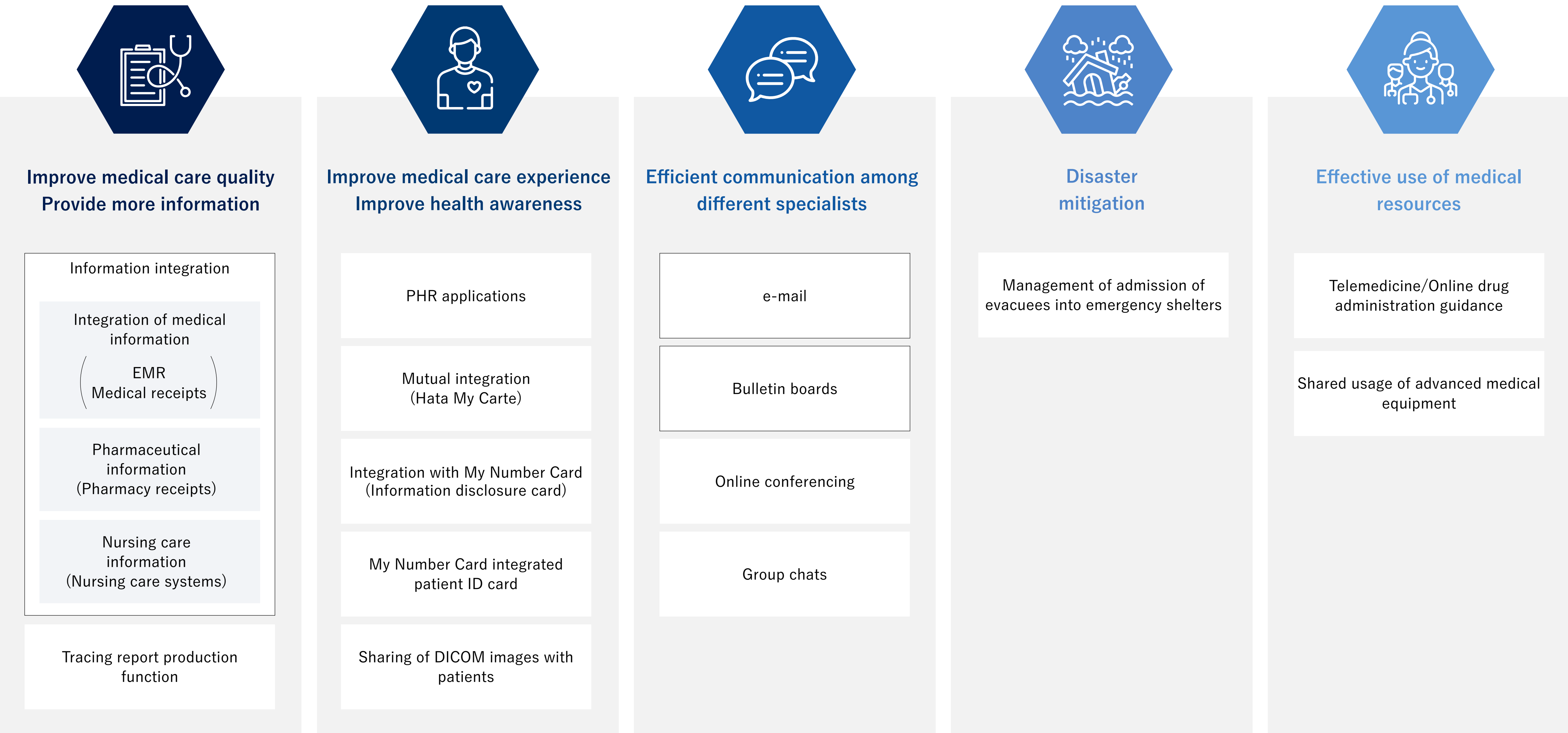


Many of the products provided by Medical PF Business use as a core technology our patient integration platform, which allows the sharing of medical data between different medical systems and applications used by patients (Japanese patent registration number 6921177). We will raise the overall efficiency of medical services by improving patient access to medical healthcare services.



One of the unique features of our customer base is that it covers over 30% of medical and welfare offices from a wide range of categories including hospitals, clinics, pharmacies, and nursing care and public welfare facilities. We will leverage our customer base to help increase the efficiency of regional medical coordination.

Example of Hatamarunet, the special medical zone of Hata district (Kochi prefecture)



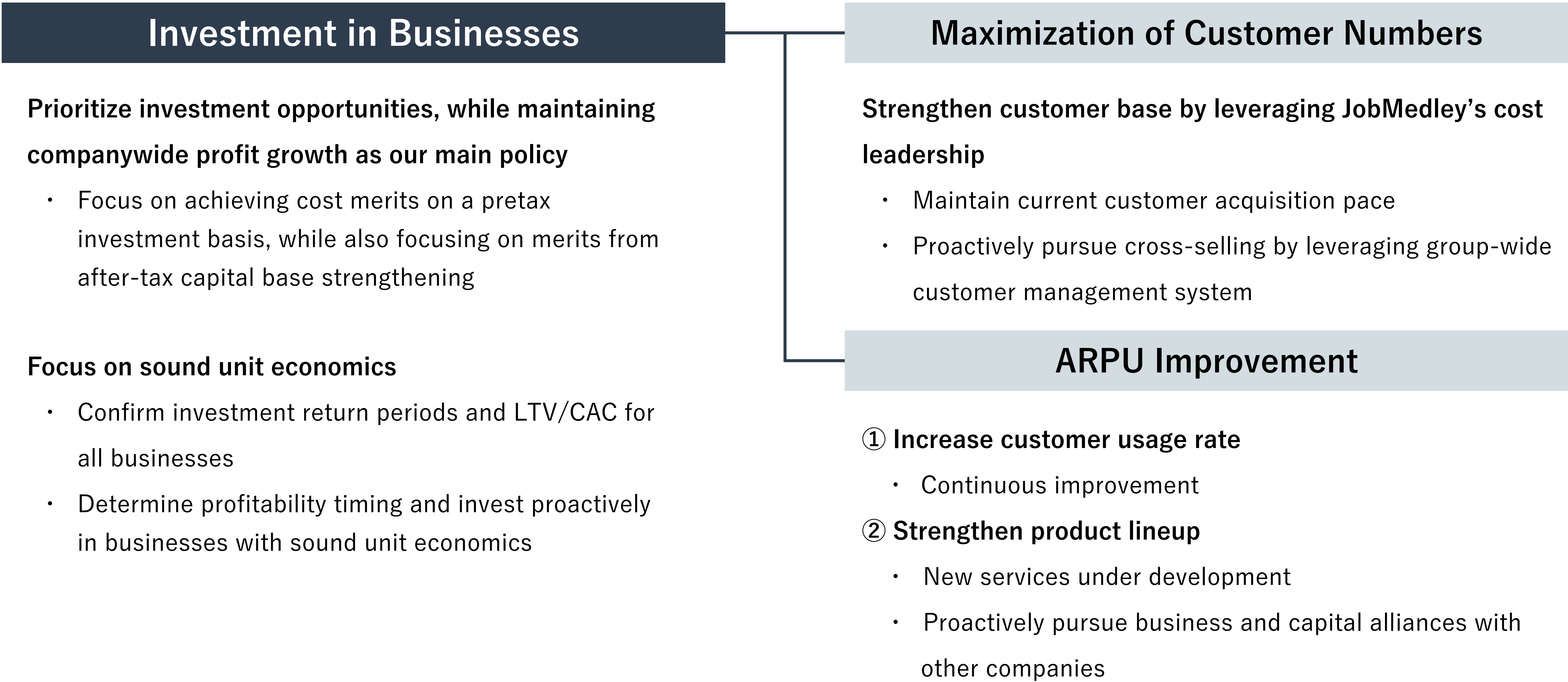
In order to reach our mid-term targets ahead of schedule, we will proactively invest capital secured via operating cash flow and interest-bearing debt into our business and acquisitions, while keeping companywide profit growth as our principal policy. That said, if attractive investment opportunities arise, we will prioritize these opportunities over profit growth.

Priority (in principle)	Uses of funds	Sources of funds
	A Investment in businesses • Prioritize investment opportunities, while maintaining companywide profit growth as our main policy - Make use of cost merits on a pretax investment basis • Maximize number of customers and achieve ARPU growth - Continue to leverage cost leadership of JobMedley - Improve utilization rate and product lineup	C Operating cash flows from profitable businesses • Establish target timetable for bringing loss-making businesses into the black and systematically increase operating cash flow - Focus on sound unit economics
	B M&A • Focus on synergy - Sizable customer base - Internet product development knowhow - Digital marketing knowhow • PMI based on our Global One initiative	D Debt • Take full advantage of financing opportunities presented by very low interest rates in Japan and our business model focused on stable, recurring sales
	Share repurchase • Flexible investments based on factors such as our share price, market conditions, cost of capital, and our financing capacity	D Equity • Equity financing will be conducted based on factors such as our share price, market conditions, and whether it is necessary to procure capital in order to reach our mid-term targets

A: Investment in Growth Targeting Maximization of Customer Numbers and Improvement of ARPU



We will proactively invest capital secured via operating cash flow and interest-bearing debt, while keeping company-side profit growth as our main policy. That said, if attractive investment opportunities arise, we will prioritize these opportunities over profit growth.



B: Promoting Digitalization in the Healthcare Sector Through Synergy-Focused M&A



We view M&A as an important growth driver. Our group companies will work together to promote digitalization by focusing on creating synergies utilizing our robust customer base in the healthcare sector.

Development of Operations Support Systems



(1) As of end of September 2024

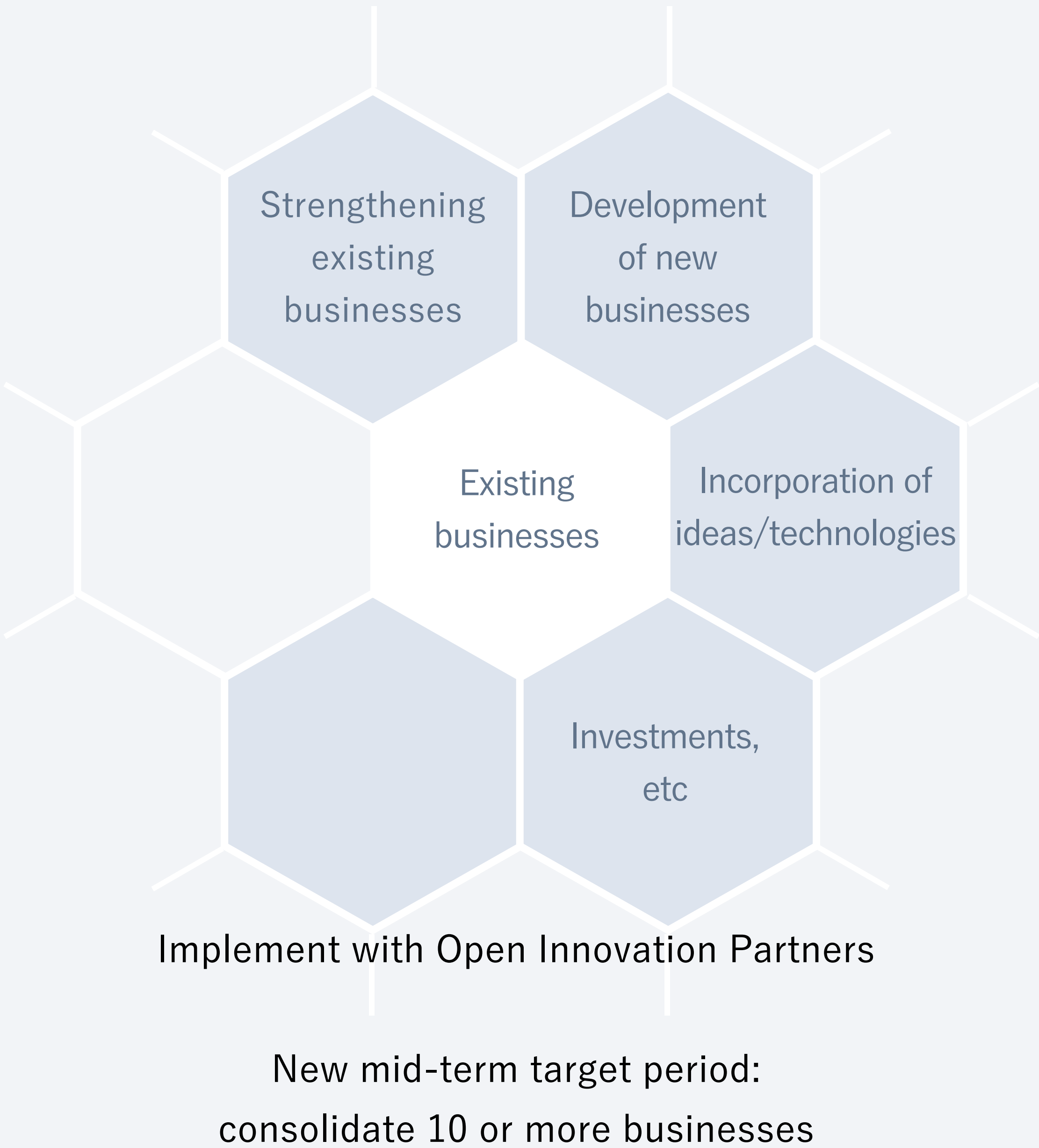
B: Overview of Completed M&A



We will develop a wide range of systems necessary to create the future of medical healthcare so that patients can take full advantage of medical care, medical institutions can operate efficiently, and administrators can optimally allocate medical resources. We plan to develop our business based on three development pillars: in-house development, M&A, and open innovation. See below for a review of the M&A deals we have completed.

Name	Impacted segment	Timing of group integration	Acquisition price	Annual sales at time of acquisition	Status
Offshore Inc.	Medical PF	Oct. 2024	JPY 2.6bn	JPY 1.0bn	• We plan to take measures to create synergies with projects undertaken by the Medical PF Business
GUPPY's	HR PF/New Services	Apr. 2024	JPY 11.8bn	JPY 2.4bn	• Tender offer for minority shareholders completed in March 2024; squeeze-out procedures for minority shareholders and transfer of shares from Mr. Hida implemented
Lalune	Medical PF	Feb. 2024	JPY 0.5bn	JPY 0.3bn	• Executed an absorption-type demerger agreement in Oct. 2023, and consolidated in Feb. 2024 • Creation of synergies with our business to improve patients' medical access
GCM	New Services	Jul. 2023	JPY 0.5bn	JPY 0.1bn	• We aim to leverage customer base to further expand the business • Utilizing technology to improve the efficiency of business operations
Tenxia	HR PF	Sep. 2022	JPY 0.1bn	JPY 0.1bn	• Implementing initiatives to generate long-term synergies with recruitment system • Integrated into Medley in February 2023
minacolor	Medical PF	Oct. 2021	-	-	• Jointly operated with NTT DOCOMO starting in 2022 via a joint venture. <u>Sold our stake on Feb. 21, 2024</u>
MEDiPASS	HR PF/Medical PF/ New Services	Feb. 2021	JPY 1.5bn	JPY 1.2bn	• Integrated online training business with Medley in January 2022, improved core functions, and developed multilingual support • Regarding other MEDiPASS businesses, withdrew from the staffing businesses (sales declined in some businesses in FY2022)
Pacific Medical	Medical PF	Jan. 2021	JPY 0.8bn (80%)	JPY 0.6bn	• Strengthened sales and marketing of EMR systems to small-and-medium-sized hospitals • Leveraged existing assets to develop MINET, a regional medical cooperation and group management system for medical corporations • <u>Expect to raise our current 80% equity stake to 100% in the future</u>
Proof-of-concept testing	Medical PF	Dec. 2020	-	-	• Ownership of facilities where proof-of-concept testing for Pharms system for pharmacies was conducted contributed considerably to development of Pharms • As facilities where proof-of-concept testing is conducted must serve as models for the future, we are considering retaining ownership of other facility formats
Other	Medical PF	Jun. 2020	JPY 0.1bn	-	• Acquired knowhow and customer accounts by securing EMRs of other companies. Partial transfer of EMRs completed
Source code of dental billing system	Medical PF	Aug. 2019	JPY 0.1bn	-	• Leveraged knowhow to completely rebuild system assets acquired in 2019 and released new system Dentis in January 2022
NaCI MEDICAL	Medical PF	Mar. 2019	JPY 0.5bn	-	• Made progress in development of new cloud-based medical billing system software and merged the company with Medley

In order to accomplish our mission of “Creating the future of medical healthcare”, we will strengthen our open innovation initiatives. We define open innovation as sparking innovation by leveraging the business/research assets and knowledge of outside companies and individuals such as researchers, entrepreneurs, and experts. During the period covered by our new mid-term target, we will use open innovation to consolidate 10 or more businesses.



Main Goals

- Initiatives to strengthen the HR PF and Medical PF segments
 - Development and supply of products from our partner companies that are not specifically designed for use in the medical healthcare field
 - Consigned development of new products and functions based on our portfolio concept, as well as businesses based on these products and functions
- Development of new business segments that we will manage in the future
- Secure access to other ideas and technologies that we lack
- Make investments related to the above (minority stakes)

Examples of resources that can be used by partner

- Outreach to our customer base in the medical healthcare field
- Access to test marketing venues and requests for cooperation from potential customers
- Technological resources including patient integration infrastructure
- Knowledge sharing related to our corporate design
- Temporary support and recruitment assistance for development and business activities

C: Increase Operating Cash Flow by Making Loss-making Businesses Profitable in Line with Our Plans



We focus on our companywide sales growth rate. For individual businesses, we not only make commitments regarding sales growth rates, but we also set target years for bringing lossmaking businesses into the black and will increase operating cash flow in line with our plans. JobMedley Academy and Pharms became profitable on FY2023. However, the timing of the turnaround for CLINICS EMR and Kaigo no Honne was pushed back by one year due to delays in ARPU improvement.

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 FY2023	In the red in FY2023	
	Cash generation phase	Profitability phase	Commercialization phase
HR PF	  		
Medical PF	 CLINICS オンライン診療 Telemedicine system  Pharm's  MALL  MINET Expected to turn profitable in FY25 Expected to turn profitable in FY26	 CLINICS カルテ EMR  Dentis - Launched in January FY22 - Business for dental clinics	 MEDLEY - Preparation for next phase - No expansion of losses New Development (Receipt Computer) - Started in FY23
New Services	Expected to turn profitable in FY24 Factoring business	 介護のほんね Kaigo-no Honne Nursing facility search website	Recruitment System in the US EMR for Acute Care Hospitals

Operating cash flow produced by our businesses is on a rising trend owing to business expansion and margin improvement in our existing businesses. We estimate that our investment capacity (including additional borrowing capacity) will be approximately JPY 90 billion during the period covered by the new mid-term target and we expect to be able to take advantage of attractive investment opportunities.

Current financial position and outlook for investment capacity

Consolidated balance sheet as of December 2023 (unit: million JPY)

- Operating cash flow continues to rise and **we expect to generate total operating cash flow of over JPY 40 billion during the mid-term target period.**
- Our investments will include M&A mainly focused on potential synergies
- Funds available for investment during the the mid-term target period **total roughly JPY 40 billion assuming no additional capital procurement**

Cash and deposits 15,354	Debt 1,660
	Other liabilities 6,132
	Net assets 17,637
Other assets 10,076	

- Owing to our focus on cost of capital, we plan to **prioritize debt financing over equity financing.**
- Factoring in accumulation of net assets from profit achieved during the period covered by the mid-term target and assuming that we maintain a debt-to-equity ratio below 1.0x, we have additional borrowing capacity of **approximately JPY 50 billion.**

Capital ratio: 69.0%, D/E ratio: 0.09x

HR PF:
**Success-fee-based Hiring Support System
for Medical / Healthcare Industry**



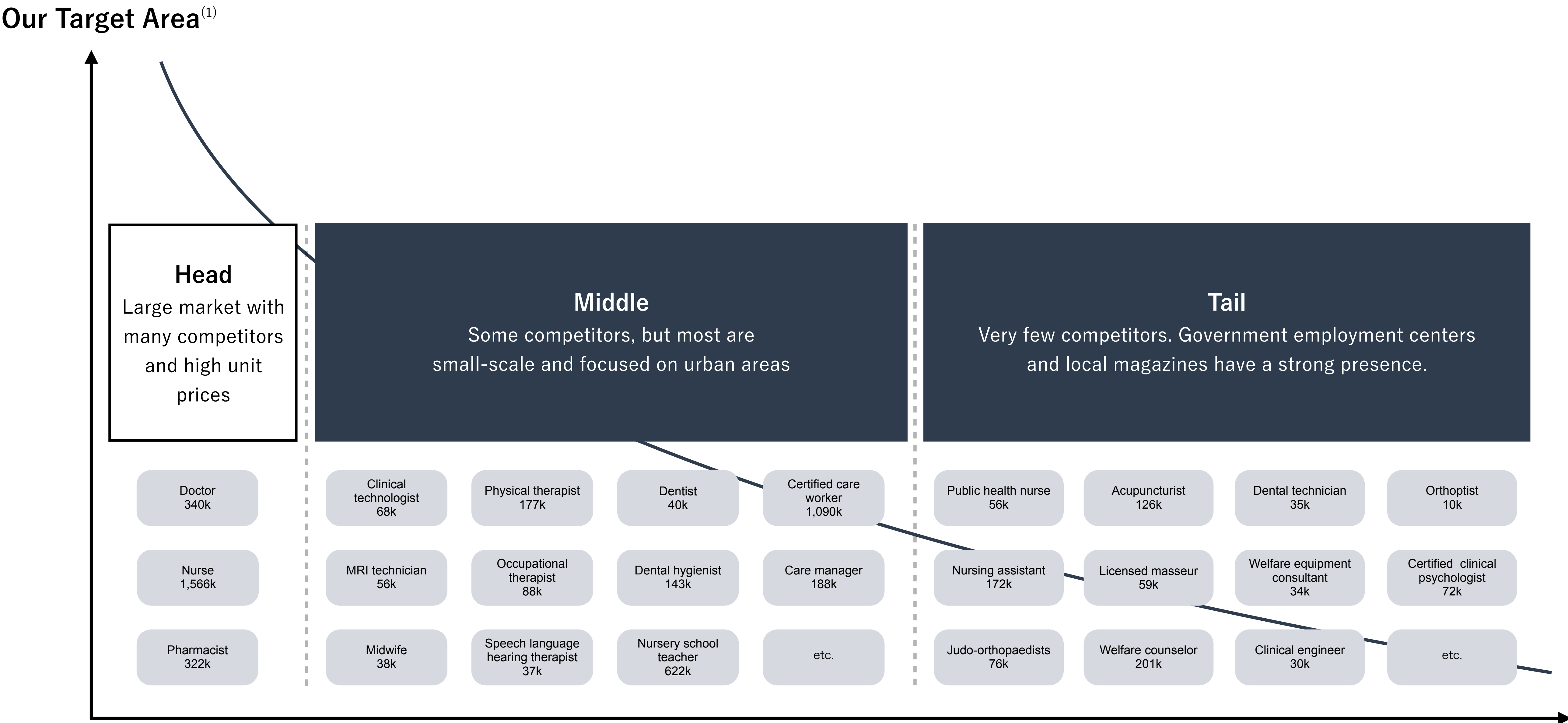
JobMedley is a recruitment system used by businesses (mainly medical institutions) in the nursing, childcare, and healthcare fields. Recruitment information for over 50 types of qualified professionals can be entered into the system and placement fee is charged when a placement is successfully made.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



HR PF:
**Industry Has a Long-tail Structure:
Our Strengths Are in the Middle and Tail Segments**



Out of the 10 million workers in the medical/beauty healthcare industry, 22% 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 78% - the middle and tail segments - where we have captured a leading market share. We currently have over 2.3 million users in more than 50 occupations registered in our platform and we have seen expansion in the Head segment in recent years.



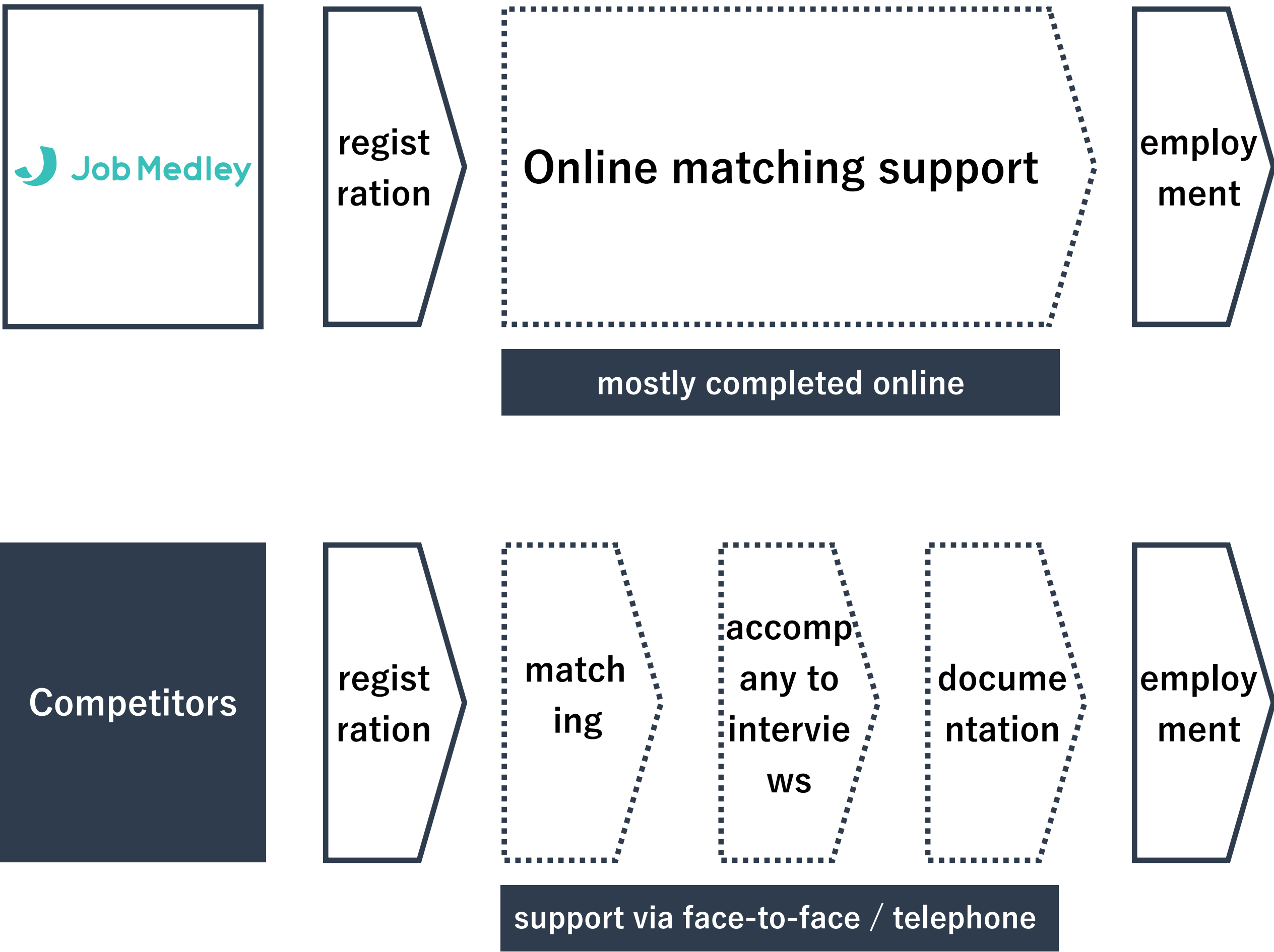
(1) Ministry of Health, Labour and Welfare statistics

HR PF:
Low-cost Structure Gives Advantages in Terms of Pricing

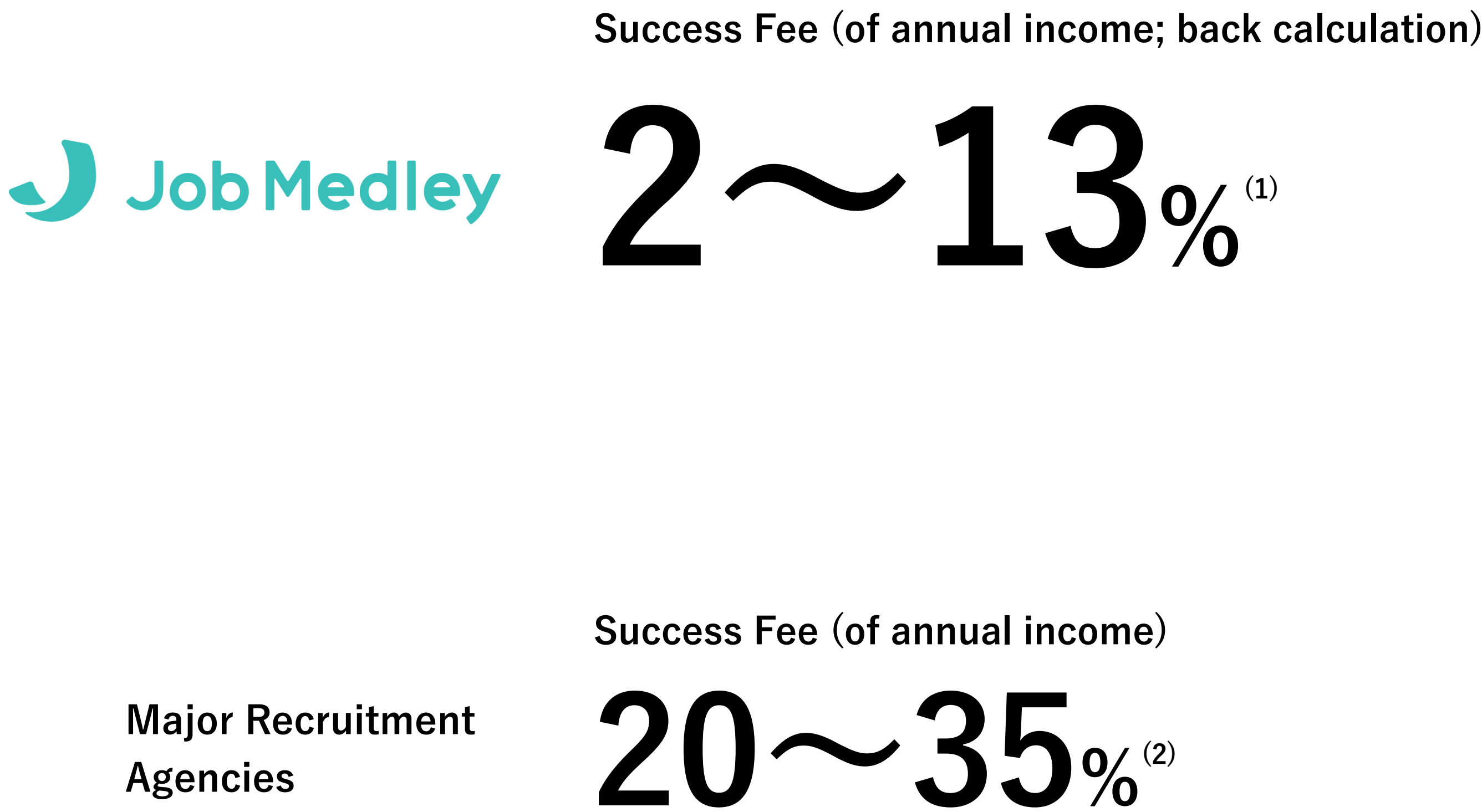


JobMedley covers more than 50 different types of medical/healthcare occupations, and recruitment success fee is approximately 50 - 80% lower than the industry average. While many recruitment agencies conduct most of their business in person, JobMedley uses online support staff, thereby increasing efficiency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

Improved Efficiency by Leveraging Online Support



Price Advantages

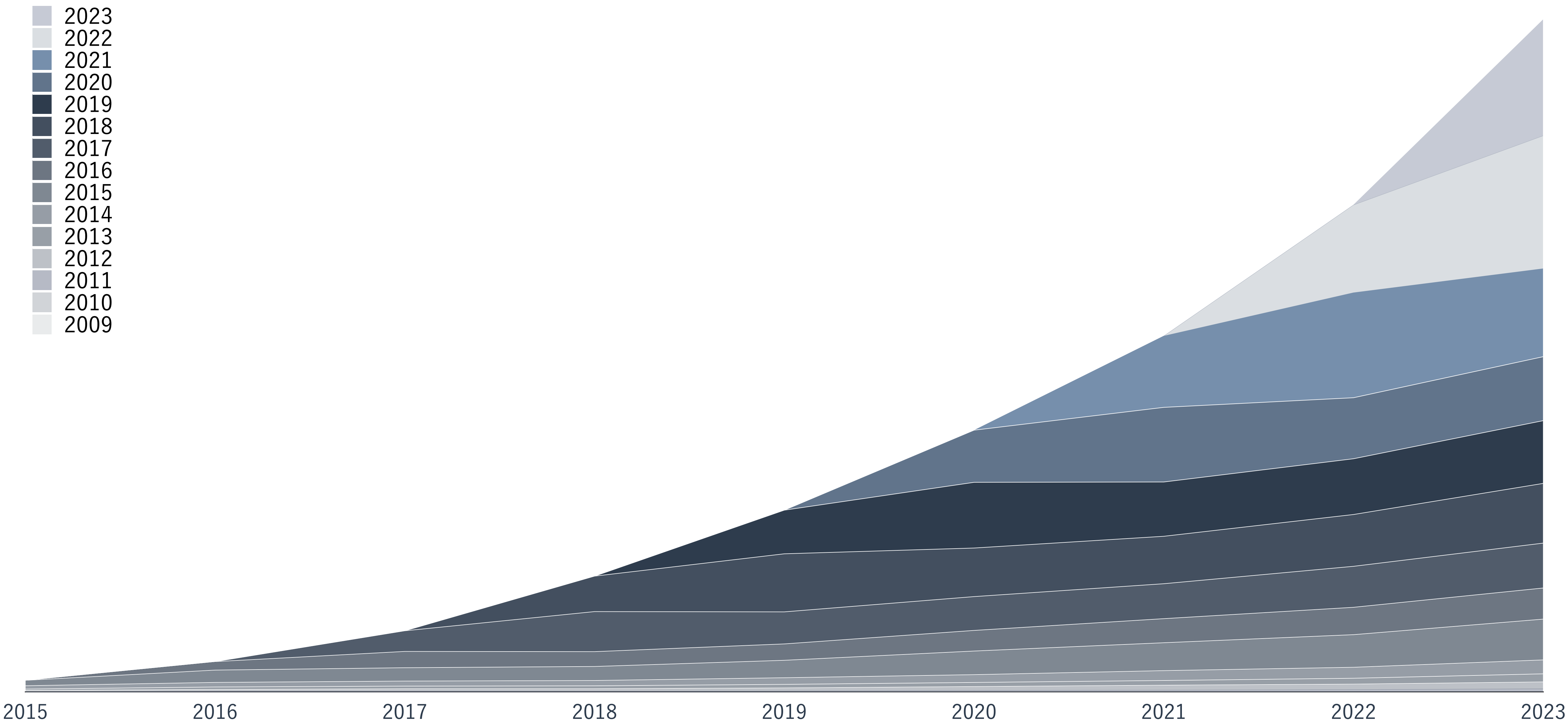


(1)Ratio of our recruitment success fee to annual salary (full-time) is calculated based on the 2018 Basic Survey on Wage Structure (range of nurses, childcare professionals, physiotherapists, dentists, and caregivers).

(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 53 occupations we handle. (Some recruitment services employ different methods for setting success fee amounts that are different from that described above.)

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⁾

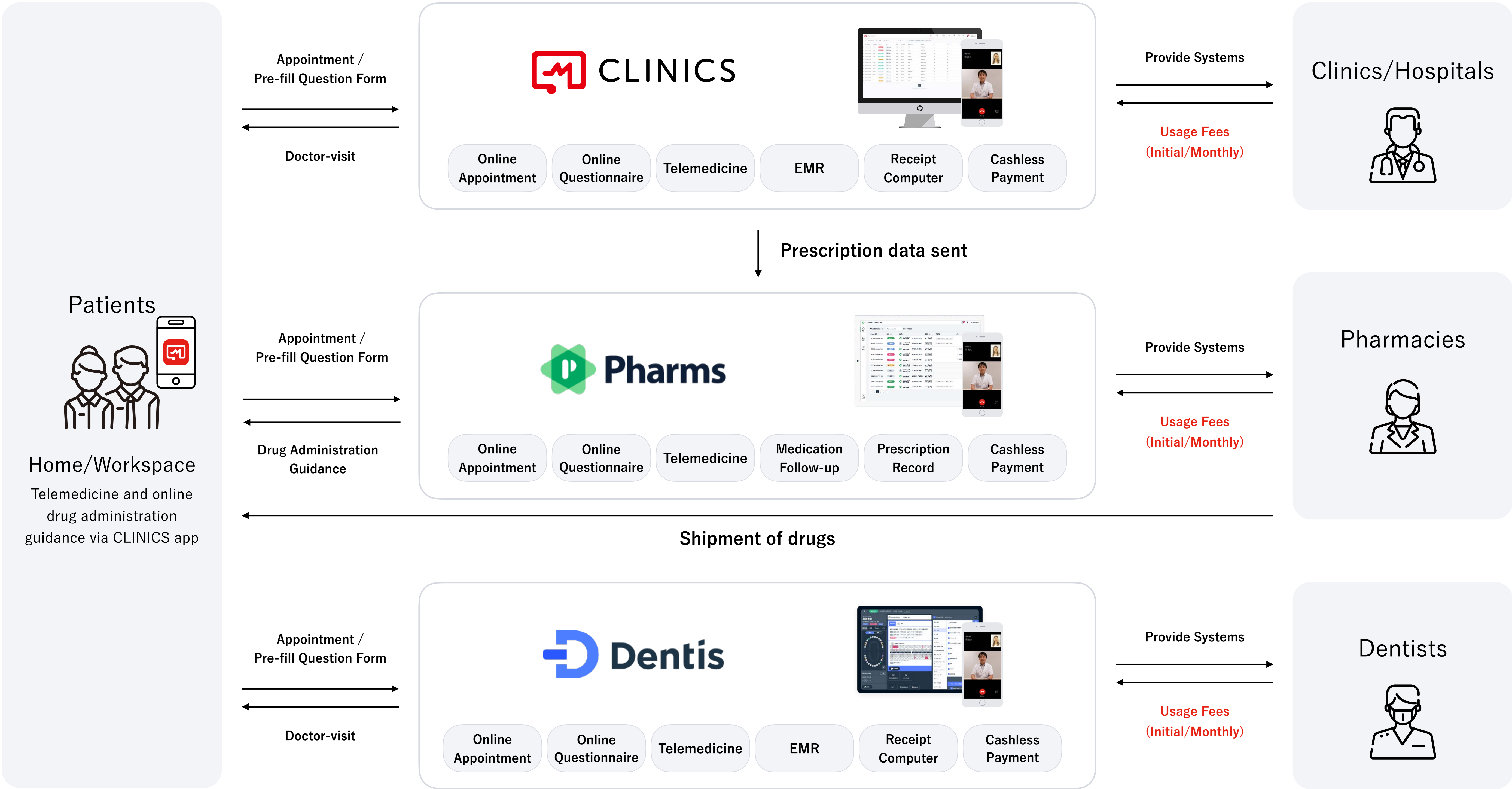


(1) Based on per-customer monthly orders/sales value data.

Medical PF:
Earnings Model: Platform Fee From Medical Institutions



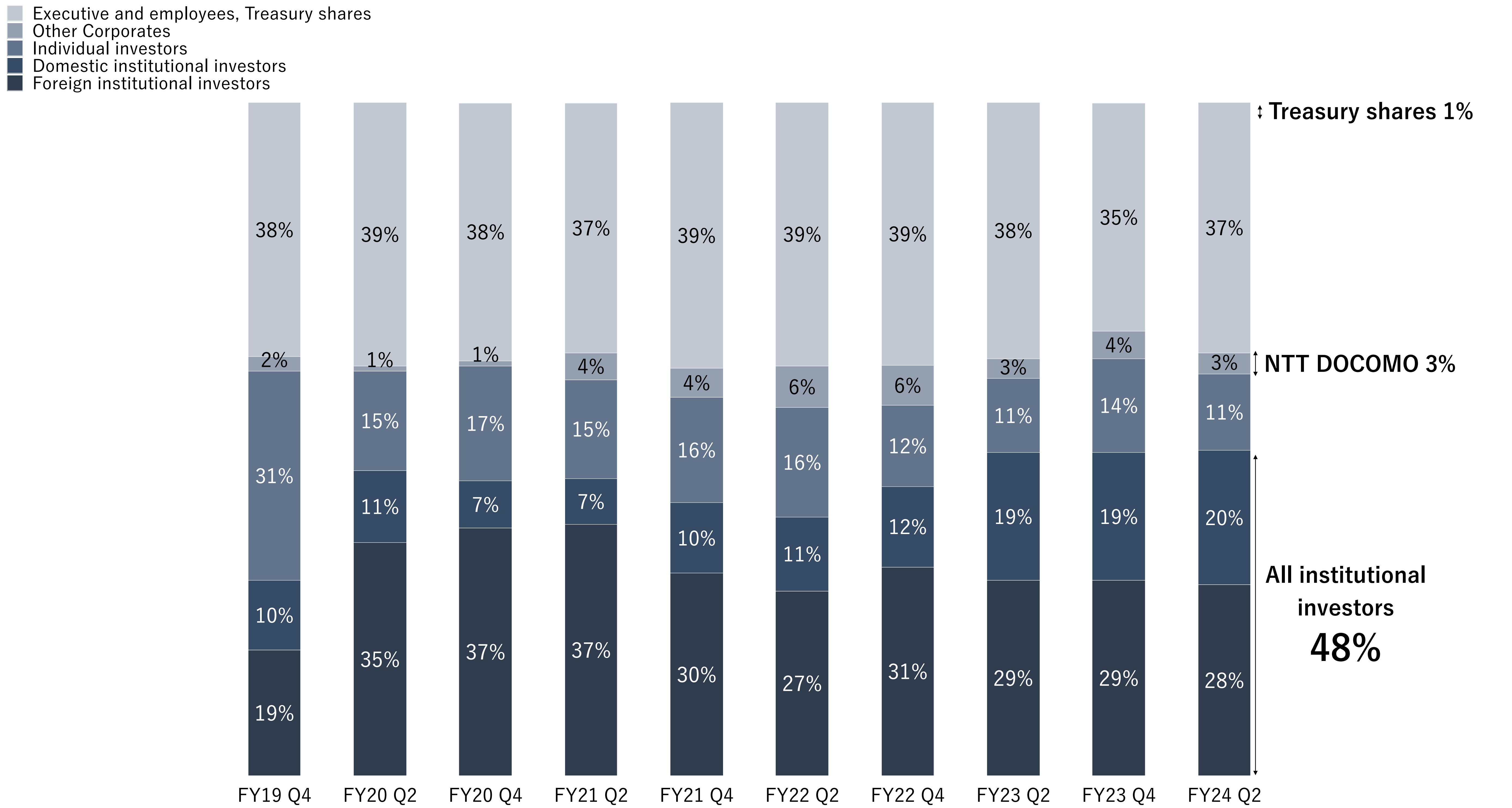
CLINICS, Pharms, and Dentis employ an earnings model whereby it receives system usage fees from clinics, hospitals, pharmacies, and dental clinics. Usage fees include initial fees for installation and monthly fee payments. These systems and CLINICS app offer patients a seamless online and offline medical experience from treatment to drug administration guidance.



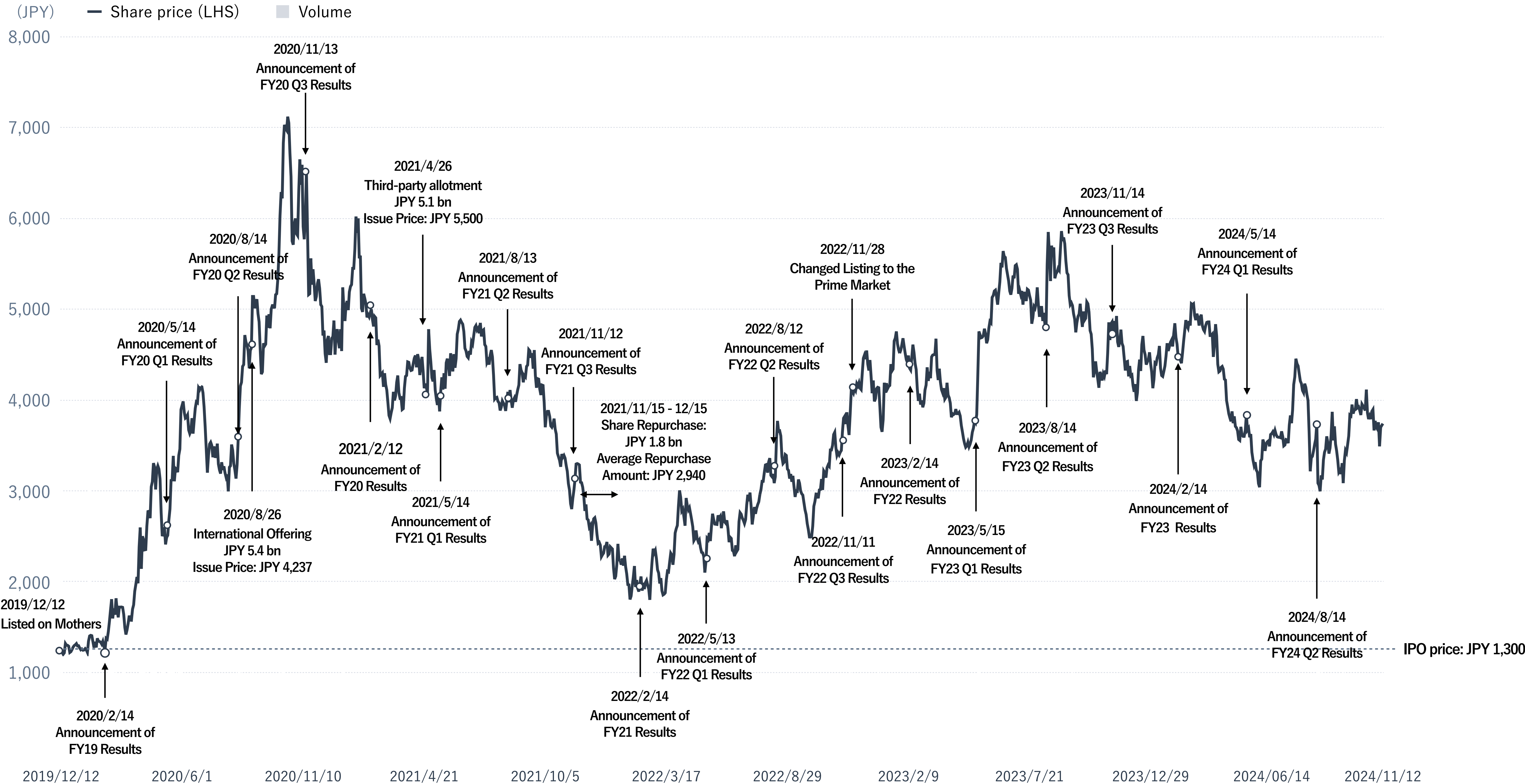
Change in Ratio of Ownership



The ratio of institutional investors, mainly overseas institutional investors, accounts for 48% as of end-June 2024. We will continue to endeavor to provide robust disclosure that helps both institutional and individual long-term investors make investment decisions.



Historical Share Price



We prioritize issues to be addressed (materiality) in order to meet the expectations and demands of our stakeholders. Our materiality is determined based on issues directly related to our mission, “Creating the future of medical and healthcare”. By working to solve these critical issues, we strive to continuously contribute to society while increasing enterprise value.

Creating the Future of Medical and Healthcare

Solutions for social challenges through our businesses

Promotion of digitalization in medical and healthcare industry

 For medical providers

- Streamlining operation through internet products
- Solving lack of workforce in medical and healthcare field

 For patients users

- Provision of medical information
- Supports in utilizing medical services

 For government & communities

- Participation in proof-of-concept testing/information provision
- Supports for disaster areas
- Supports for infection prevention measures

Fundamentals backing our businesses

Ensuring information security and privacy protection

- Ensuring information security
- Privacy protection of users

Promotion of diversity & inclusion

- Promotion of hiring and active participation of diverse human resources

Strengthening of governance

- Strengthening of corporate governance

For more information, access our corporate website.



Creating the Future of Medical and Healthcare