



Acquisition of Electronic Medication History System, etc., and Partnership with Alfresa Corporation

Medley, Inc.

January 23, 2025

Disclaimer

In preparing these materials, Medley, Inc. (“the Company”) relies upon and assumes the accuracy and completeness of all available information. 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.

Acquisition of Electronic Medication History System (conversion to subsidiary)

- **Acquisition of 100%⁽¹⁾ of issued shares of AxisRoot Holdings, Inc. (hereinafter “AXR”)**
 - We will acquire 76.7%⁽¹⁾ of issued shares from major shareholders via a share purchase agreement and, after the squeeze-out of minority shareholders, our treasury shares will be delivered to Alfresa Corporation (hereinafter “Alfresa”), thereby converting AXR into a wholly owned subsidiary (P.9)
- **Schedule**
 - Signing of the share purchase agreement and the share exchange agreement: January 23, 2025
 - Effective date of the share purchase agreement (conversion to subsidiary): January 31, 2025 (scheduled)
 - Effective date of the share exchange agreement (conversion to wholly owned subsidiary): April 30, 2025 (scheduled)
- **Acquisition Price (100%⁽¹⁾ acquisition basis): 8,000 million yen**
 - Total cash outlay for the acquisition will be 7,407 million yen (not including share exchange), planned to be covered by cash on hand and debt
 - The price is within the results of valuation analysis by our third-party appraiser
 - Plan to maintain a solid financial base that will allow flexible future investments into growth initiatives
 - Impact on FY2025 results: Scheduled to be included on consolidated P/L starting in April 2025. The amount of impact is currently being examined

Business and Capital Alliance

- **Signing of business and capital alliance agreement with major pharmaceutical wholesaler Alfresa**
 - Forming a business and capital alliance with Alfresa, a shareholder and collaborative partner of AXR, to drive digital transformation in the medical healthcare industries
- **Business alliance**
 - Collaboration to expand the sales of Medixs, the electronic medication history system to be acquired
 - We will also collaborate on the development and sales of both companies’ products and new DX products
- **Capital alliance**
 - Alfresa will own 0.5% of Medley’s shares as a result of the share exchange mentioned above

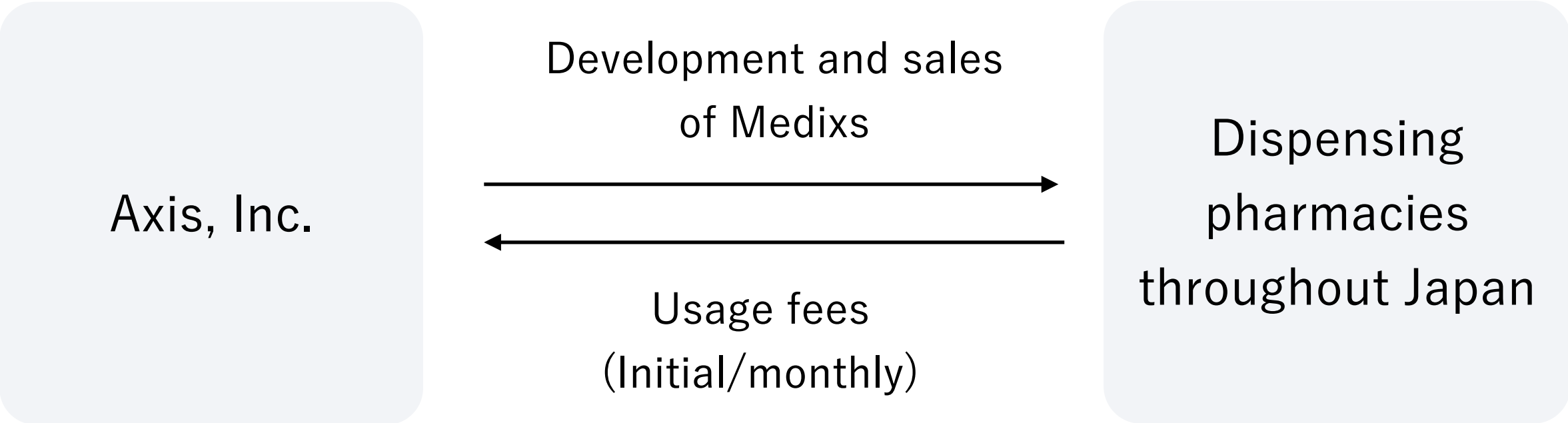
(1) The denominator includes stock acquisition rights

AXR, established in 2008, develops and provides Medixs, an electronic medication history system and other services to dispensing pharmacies.⁽¹⁾ Medixs boasts a high customer satisfaction rate of over 99%⁽²⁾ owing to its excellent UI/UX, and in-home care support functions.

Company Overview

Date of Establishment	April 2008
# of Employees	127 (as of October 2024)
Business Details (operating subsidiaries)	Axis, Inc. - electronic medication history system ‘Medixs’ etc. Axis Innovation, Inc. - Contract development mainly for medical clients

Business Model of “Medixs”



- Main customers: Community and independent pharmacies
- Over 50%⁽³⁾ sales from recurring revenue
- Annual churn rate: 1.9%⁽³⁾ (mainly due to closing pharmacies)

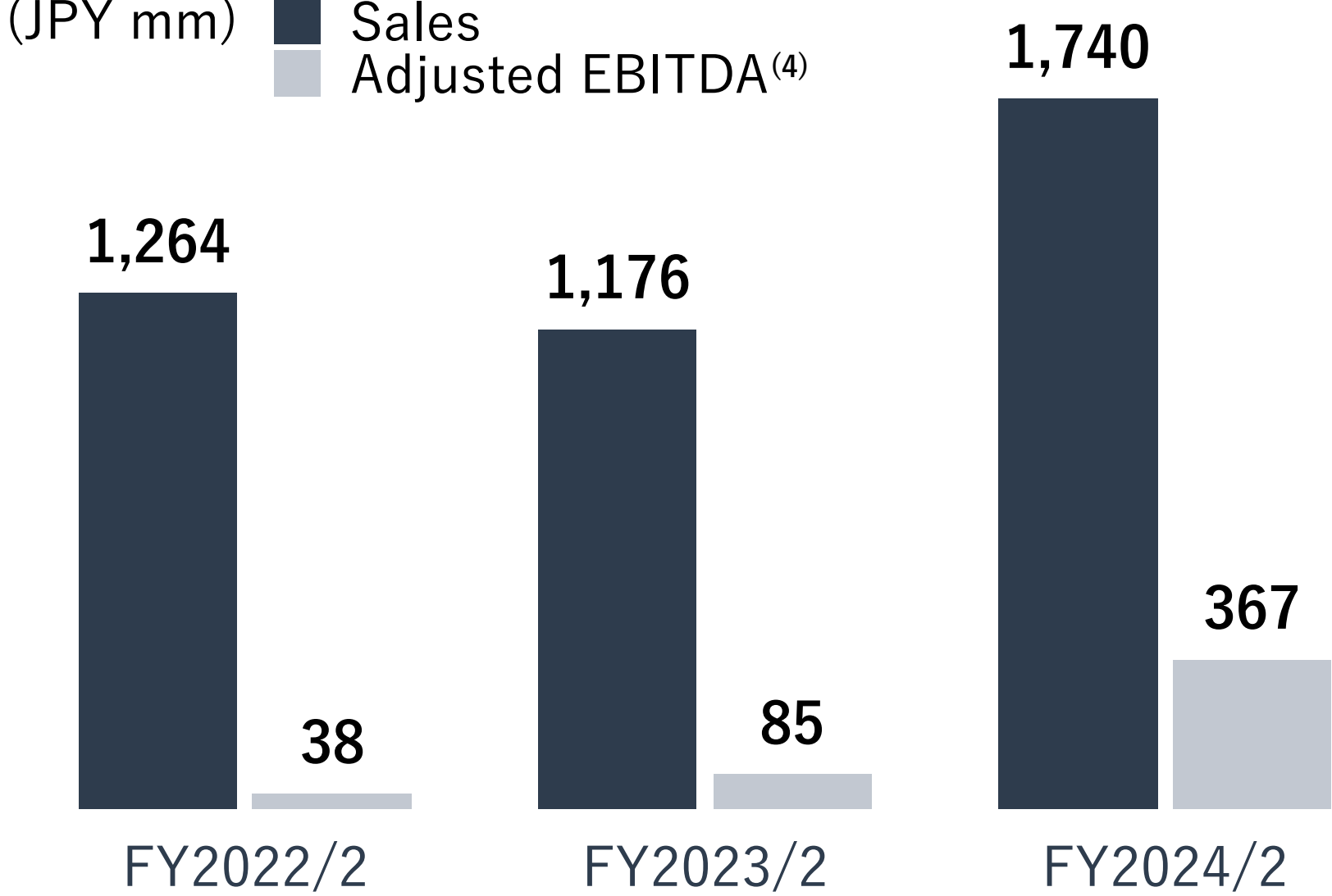
(1) Developed and provided by Axis, Inc. a wholly owned subsidiary of AXR

(2) Source: AXR

(3) Actual figure for FY2024. Ratio of recurring revenue is the ratio of monthly usage fees to total Medixs sales

Financial Results (consolidated)

(JPY mm) ■ Sales ■ Adjusted EBITDA⁽⁴⁾



Number of pharmacies using Medixs

2,960 pharmacies⁽⁵⁾

Competitive Advantages

UI/UX	• In-house design and development team that includes pharmacists • Highly praised for its user-friendly design based on feedback from the pharmacists
In-home care support functions	• Responding to the increased need for home-visit dispensing as the population ages - As a cloud-based system, it's easy to create records onsite at patients' homes
Low cost	• A cost structure that does not charge additional costs to customer pharmacies when increasing the number of devices in the same store

(4) Adjusted EBITDA is based on the results of due diligence and IPO preparation costs has been removed as it is not expected to occur after the completion of this acquisition

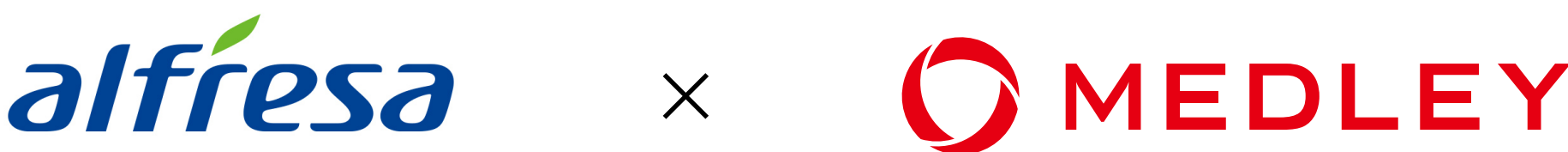
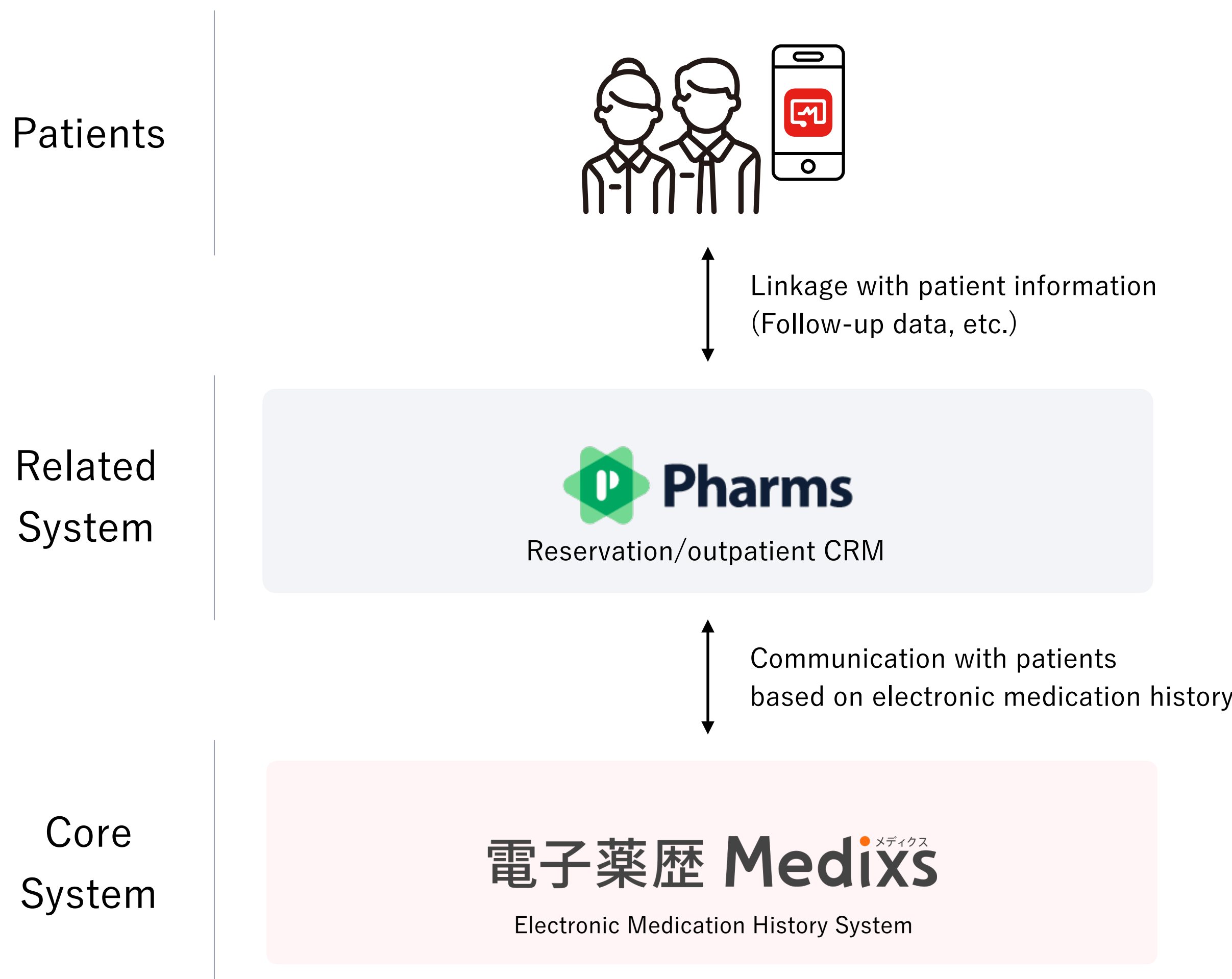
(5) As of November 30, 2024

Purpose of the Acquisition of AXR and Partnership with Alfresa

The collaboration of Medixs and Pharms can improve operational efficiency and significantly strengthen connection with patients since Medixs is an electronic medication history system that possesses patient information (such as medication status), whereas Pharms, has strong engagement with patients. In addition, we will form partnership with Alfresa, a major pharmaceutical wholesaler, to accelerate the distribution of Medixs and collaborate on both companies' products.

Acquisition of Electronic Medication History System “Medixs”

Business and capital alliance with Alfresa



Development and sales of DX solutions for pharmacies

Collaboration to promote sales of Medixs
Planning, development, sales, etc.
of other DX product series for pharmacies

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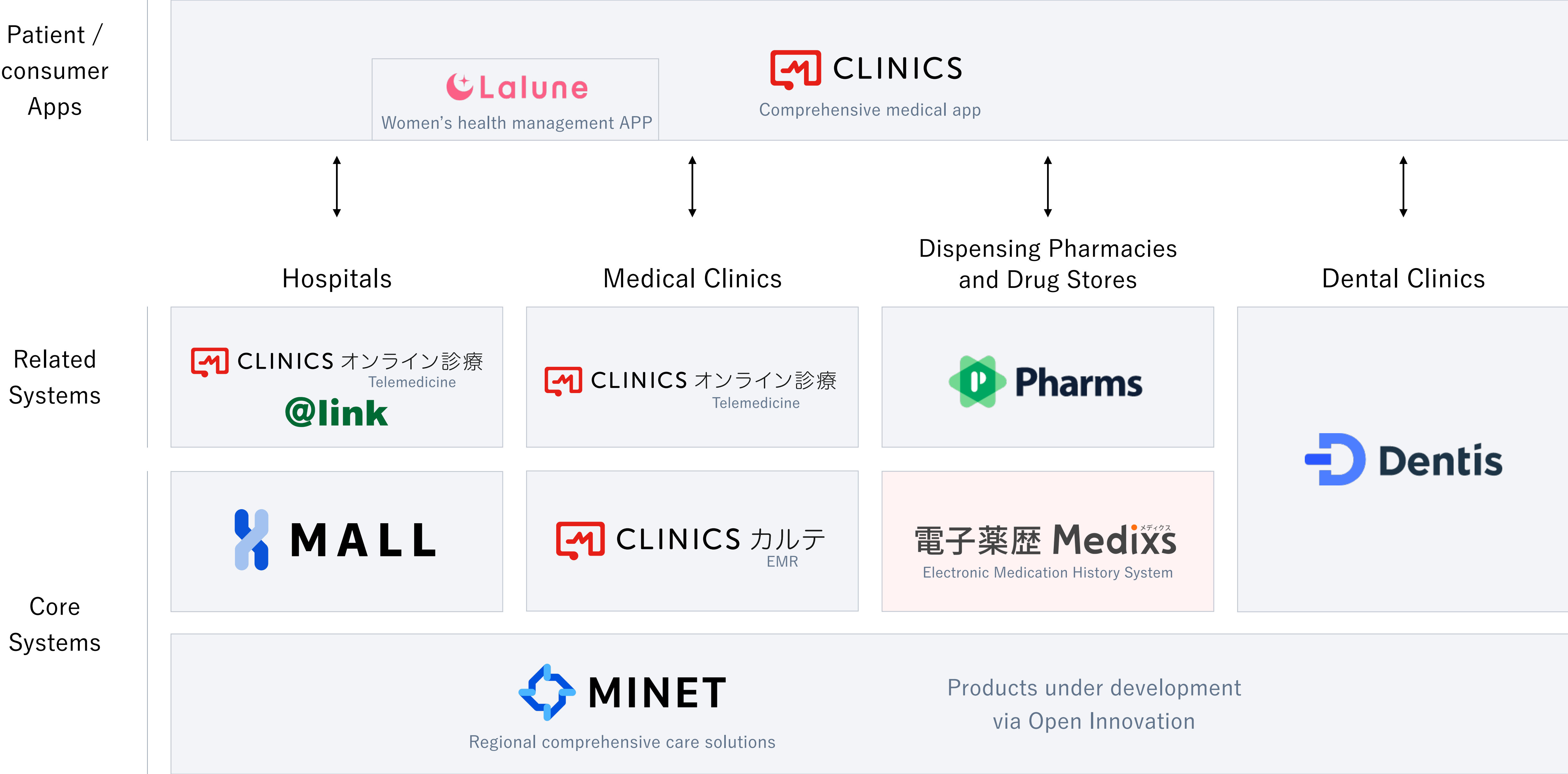
Collaboration on products for hospitals and clinics from both companies

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Collaboration on DX solutions in other medical healthcare sectors

Positioning of this Acquisition in our Medical PF business

The addition of the electronic medication history system and medical billing system to our core systems through this acquisition will greatly accelerate the expansion of our business in the pharmacy and drugstore sector. In addition to providing Medixs and Pharms as an integrated product in the future, we will also consider linking them with systems in other sectors.

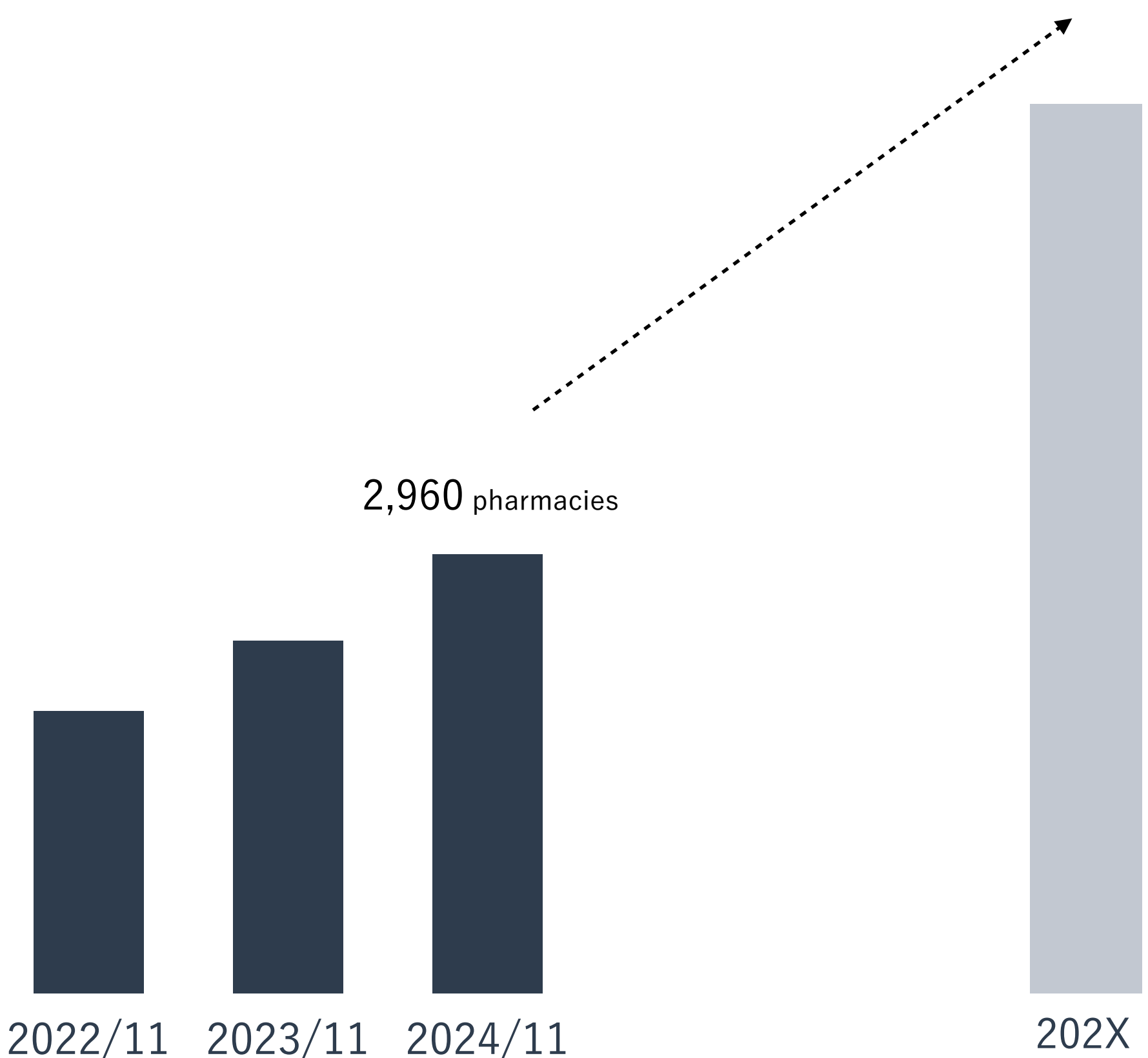


Our basic strategy is to “maximize the number of customer offices and improve ARPU”. Currently, Pharms, which we have been providing in the pharmaceutical field, has significant room for improvement in ARPU, while Medixs needs to improve the number of customer, making them highly complementary. We conservatively expect the payback period of on an after-tax cash flow basis to be around 10 years, excluding synergies.

Maximizing the number of customer offices

Greatly strengthening Medixs’ sales structure

- Planning to strengthen direct sales through cooperation with Medley, promote sales with business and capital partner Alfresa, and strengthen transactions with other distributors



Improving ARPU

Improvement in Pharms ARPU

Approximately
62,000 pharmacies
nationwide

Large chain
pharmacies

Community
and
independent
pharmacies

Electronic Medication History System

電子薬歴 Medixs

Roughly 3,000
pharmacies

 **Pharms**

Roughly 14,000
pharmacies

Only around 3% of current
Pharms users use Medixs
which is approximately 400
pharmacies

Future expansion of product line-up

- Plan to release cloud-based medical billing system in 2025
 - Currently conducting trial operation
 - Very few companies can provide cloud-based integrated electronic medication history and medical billing system
- We are currently developing new products in addition to the medical billing system

Post-Acquisition: Solid Financial Base for Flexible Growth Investments to Continue



We plan to use cash on hand and debt (bank loan, 5 billion yen) for this acquisition, and the projected balance sheet after the acquisition is as below. We will still be able to continue flexible future investments into growth initiatives. Goodwill will temporarily exceed net assets as a result of this acquisition, and net assets are expected to exceed goodwill again within FY2025.

Medley’s projected B/S following the acquisition

Unit: million JPY

Medley’s Consolidated B/S (as of September 30, 2024)	
Cash and deposits 18,760	Debt 12,589
	Other liabilities 8,741
Goodwill 13,579	Net assets 19,795
Other assets 8,786	

AXR’s Consolidated B/S (as of August 31, 2024)	
	Debt 172
Cash and deposits 616	
	Net assets 686

►
If we were to finance 5 billion yen out of the 7.4 billion yen (total cash outlay for the acquisition) through debt⁽¹⁾

Medley’s Consolidated B/S Immediately after the acquisition	
Cash and deposits 16,968	Debt 17,761
Goodwill ⁽²⁾ 21,857 [including 8,058 goodwill from this acquisition]	Other liabilities 10,138
Other assets 9,100	Net assets 20,026

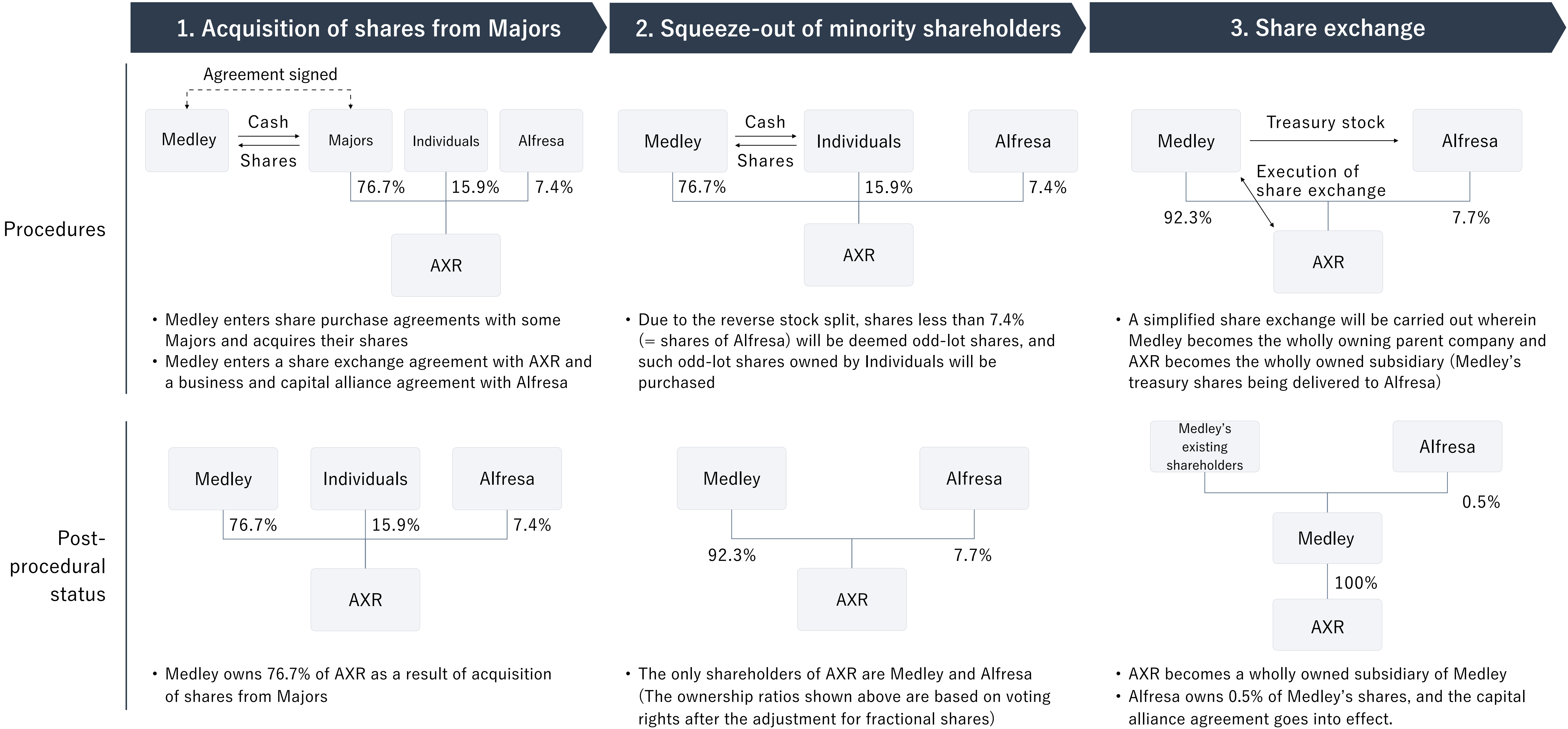
Capital ratio: 40.2%, D/E ratio: 0.8x

(1) The decision for debt (bank loan) of 5 billion yen was made at today’s Board of Directors meeting, but the amount and timing of the loan have not yet been finalized.

(2) Goodwill related to this acquisition is the figure before final acquisition cost allocation

This acquisition will also turn out as an opportunity to form partnership with Alfresa. For this reason, we have opted for a share exchange with Alfresa using our treasury stock, unlike other shareholders of AXR receiving cash.

AxisRoot Holdings = AXR, Major shareholders = Majors, Individual shareholders = Individuals, Alfresa Corporation = Alfresa



(1) The percentage of AXR shares held in the above figure is calculated based on the number of issued shares and the number of shares subject to stock acquisition rights, minus the number of treasury shares
The shareholding ratio of Individuals include the shares of individual shareholders and employee stock ownership association
The above figure depicts a case wherein no fractional shares are created in Alfresa's holdings as a result of the squeeze-out

1 Contribution to Medley's FY2025 consolidated results	• AXR will become Medley's consolidated subsidiary as of January 31, 2025. Consolidation of the P/L will be from April 2025. • Actual impacts on our consolidated FY2025 results will be announced after considering the effects of applying recognition standards.
2 Appropriateness of the acquisition price	• We believe the acquisition price is appropriate as it falls within the results of the DCF analysis by a third-party institution, which was based on business projection plans closely examined and modified by Medley through interviews and the business plan received. - DCF range: 7.1 billion to 8.2 billion yen • Also, as stated on page 5, this acquisition will enable us to provide core and related systems in the dispensing pharmacies and drug stores sector and we expect synergies resulting in an increase in the value provided to customers and an increase in financial returns.
3 Impairment risk	• Given the fair acquisition price as discussed in 2 above, and considering the high recurring revenue ratio and customer retention rate of the Medixs business, we believe that impair risks can be controlled. We plan to start PMI process immediately after closing in cooperation with AXR to achieve our business plans through synergies which will additionally reduce the risk of impairment.
4 Payback period	• We conservatively expect the payback period on an after-tax cash flow basis to be around 10 years without synergetic effect. An even earlier payback can be expected depending on contributions from synergies.
5 Impact on earnings per share (EPS)	• Considering the impact of goodwill amortization expenses, we expect a slight decline in the EPS in the short term as a result of this acquisition. In the mid to long term, we expect a positive impact in the EPS due to profit growth from expected synergies. We plan to go through accounting procedures to allocate the acquisition price (purchase price allocation) and finalize the exact amount of goodwill amortization after closing.
6 Funding of the acquisition (share purchase + squeeze-out)	• As of the end of September 2024, we held 18.7 billion yen in cash and deposits on hand. In addition to this M&A, we plan to use our cash and deposits on hand, as well as debt, to flexibly respond to future growth investment opportunities. • At this time we have no plans to raise equity to finance this acquisition.

7 Operation of AXR during PMI period	• Kohei Takiguchi, President and Chief Executive Officer of Medley, will take up the position of President and CEO of AXR on January 31, 2025 and will lead PMI initiatives. Several other members of Medley will also join in the management team of AXR.
8 Organization	• Pharms team will join into with the Medixs team in aim for integrated management for corporate functions and to create business synergies as a business organization. • We will make the most of and integrate the best parts of each company's human resource systems and regulations, and will maintain/improve the employment conditions of AXR group employees.
9 Business policy for Medixs business	• We plan to maintain the current service and expand it through collaboration with Pharms. • Regarding disclosure, we plan to add the business into the Medical PF segment after consolidation.
10 Business policy for contract development business	• We expect Axis Innovation, doing contract development businesses, to participate in our potential development projects. • Regarding disclosure, we plan to add the business into the Medical PF segment after consolidation.
11 Partnership with Alfresa	• As mentioned on page 5, we will collaborate to expand Medixs business and work together extensively in the medical healthcare industry. • We plan to begin considering and discussing the specific details of our partnership after AXR joins the group on January 31.



Creating the Future of Medical Healthcare