



February 20, 2025

To whom it may concern:

Company name: MEDLEY, INC.
Representative: Kohei Takiguchi
President and Chief Executive Officer
(TSE Prime Market Code No.4480)
Contact: Ryo Kawahara
Chief Financial Officer
TEL. +813-6372-1265

**Notice Regarding Mergers with Two Subsidiaries and Two Indirectly-owned Subsidiaries
and Recording an Extraordinary Loss (Loss on Extinguishment of Tie-in Shares)**

MEDLEY, INC. (“the Company”) hereby announces that the Company resolved at the Board of Directors Meeting held on February 20, 2025, that the Company will conduct an absorption-type merger (the “Merger (I)”) of which the Company will become the surviving company and its subsidiary, AxisRoot Holdings, Inc. (“AxisRoot Holdings”), and indirectly-owned subsidiaries, Axis, Inc. (“Axis”) and Axis Innovation, Inc. (“Axis Innovation”), will become the company absorbed in the Merger (I), and also resolved that the Company will conduct an absorption-type merger (the “Merger (II)”, and together with the Merger (I), individually or collectively, as the “Mergers”) of which the Company will become the surviving company and its wholly owned subsidiary, Pacific Medical, Inc. (“Pacific Medical”, and together with AxisRoot Holdings, Axis, and Axis Innovation, as “Subsidiaries”) will become the company absorbed in the Merger (II). Additionally, the Company entered into an absorption-type merger agreement (the “Merger Agreement”) among the Company and the Subsidiaries on the same date.

As the Mergers will be accompanied by extraordinary loss (loss on extinguishment of tie-in shares) of the Company, the Mergers will be conducted under such conditions in which approval has been made at the annual shareholders meeting following the provisions of Article 795, paragraph (2), item (i) of the Companies Act.

With respect to the Merger (I), as disclosed in “Announcement regarding acquisition of shares in AxisRoot Holdings, Inc. (conversion into subsidiary), conversion of AxisRoot Holdings into a wholly owned subsidiary via simplified share exchange, and conclusion of business and capital alliance agreement with Alfresa Corporation” on January 23, 2025, AxisRoot Holdings is scheduled to be the wholly owned subsidiary of the Company on April 30, 2025, through the simplified share exchange (hereinafter referred to as “Share Exchange”) with the Company as the wholly owning parent company and AxisRoot Holdings as the wholly owned subsidiary. Consequently, Axis and Axis Innovation, which are wholly owned subsidiaries of AxisRoot Holdings, will become wholly (indirectly) owned subsidiaries of the Company.

As the Merger (II) is an absorption-type merger of the Company’s wholly owned subsidiaries, certain disclosure items and details have been omitted in this announcement.

Particulars

1. Purpose of the Mergers

① Purpose of the Merger (I)

AxisRoot Holdings, Axis, and Axis Innovation have been steadily progressing in their efforts to generate early synergies after becoming the subsidiary of the Company on January 31, 2025. With the aim of maximizing these synergies and further accelerating the growth of the Company group, the Company has decided to implement the Merger (I).

② Purpose of the Merger (II)

Pacific Medical, which joined the Company group through M&A, has been already generating synergies throughout collaboration with the Company’s businesses and corporate divisions. The Merger (II) is intended to further enhance these synergies and accelerate the growth of the Company group.

2. Summary of the Mergers

(1) Schedule of the Mergers

① Schedule of the Merger (I)

(1)	Date of resolution by the Board of Directors	February 20, 2025
(2)	Signing date of the Merger Agreement	February 20, 2025
(3)	Date of approval on the Merger at the general meeting of shareholders	March 25, 2025 (scheduled) (*1)
(4)	Effective date of the Share Exchange	April 30, 2025 (scheduled)
(5)	Effective date of the Merger (I)	September 1, 2025 (scheduled)

② Schedule of the Merger (II)

(1)	Date of resolution by the Board of Directors	February 20, 2025
(2)	Signing date of the Merger Agreement	February 20, 2025
(3)	Date of approval on the Merger at the general meeting of shareholders	March 25, 2025 (scheduled) (*1)
(4)	Effective date of the Merger (II)	September 1, 2025 (scheduled)

*1: The Mergers, regarding the Subsidiaries, is a short-form merger in accordance with Article 784, paragraph (1) of the Companies Act and would be conducted without obtaining approval at a general meeting of shareholders of the Subsidiaries.

(2) Method of the Mergers

The Subsidiaries will be absorbed through an absorption-type merger and the Company will be the surviving company.

(3) Details of Allotments Related to the Mergers

There are no allotments of shares or other monies, etc. related to the Mergers.

(4) Handling of Stock Acquisition Rights and Bonds with Stock Acquisition Rights with the Mergers

AxisRoot Holdings currently has issued stock acquisition rights. However, it is expected that all stock acquisition rights will be exercised prior to the effective date of the Share Exchange, such that no stock acquisition rights nor bonds with stock acquisition rights will remain outstanding as of said date.

Neither Axis nor Axis Innovation has any stock acquisition rights or bonds with stock acquisition rights.

Pacific Medical currently has issued stock acquisition rights. However, these stock acquisition rights are expected to be acquired and cancelled prior to the effective date of the Merger (II), either in accordance with their issuance guidelines or through an agreement with the stock acquisition right holders. Any stock acquisition rights that are not acquired and cancelled will be extinguished on the effective date of the Merger (II) pursuant to Article 750, paragraph (4) of the Companies Act.

(5) Increase of Stated Capital in Result of the Mergers

There are no increases in stated capital as the result of the Mergers.

3. Background to the calculation of details regarding allotment in the Mergers

(1) Basis and Reason for Allotment

There are no allotments as the Subsidiaries are all the wholly owned subsidiaries of the Company on the date of the Mergers.

(2) Matters Concerning Calculation

The Company has not obtained a valuation report from an independent third-party in connection with the Mergers.

(3) Measures to Avoid Conflict of Interest

Regarding the Merger (I), on the date of resolution by the Board of Directors, as the Company will be conducting merger on its subsidiary and indirectly-owned subsidiaries not wholly owned, a conflict of interest can exist. Therefore, the Company is undergoing the following measures on the Merger (I) to avoid conflict of interest.

Approval of all members of the Board of Directors and the Audit & Supervisory Board excluding those with

conflict of interest

At today's Board of Directors Meeting of the Company, by approval of all members of the Board of Directors except Kohei Takiguchi, with conflict of interest as the representative director of AxisRoot Holdings and director of Axis and Axis Innovation, the Mergers have been resolved. Also, all members of the Audit & Supervisory Board attended the Board of Directors Meeting and expressed that they have no objections on the resolution.

Since Pacific Medical is a wholly owned subsidiary of the Company as of today, there is no conflict of interest with respect to the Merger (II).

4. Overview of the Companies Involved in the Mergers

(1) Summary of the Company Surviving in the Mergers (as of February 20, 2025)

		Company Surviving Absorption-type Merger		
(1)	Name	MEDLEY, INC.		
(2)	Location	13F Roppongi Hills Mori Tower, 6-10-1 Roppongi, Minato-ku, Tokyo, Japan		
(3)	Title and name of representative	President and CEO: Kohei Takiguchi		
(4)	Business details	Development and provision of online services in the medical healthcare field		
(5)	Stated capital	47 million yen		
(6)	Date of incorporation	June 2009		
(7)	Number of shares issued	32,738,600 shares		
(8)	Accounting period	December 31		
(9)	Major shareholders and their shareholding percentages (as of June 30, 2024)	Kohei Takiguchi: 18.44% Goichiro Toyoda: 10.15% Master Trust Bank of Japan (securities investment trust account): 8.80% Custody Bank of Japan, Ltd. (securities investment trust account): 7.11% NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT: 4.86% CREDIT SUISSE (LUXEMBOURG) S. A. / CUSTOMER ASSETS. FUNDS UCITS: 4.12% Keiichi Shibahara: 2.92% NTT DOCOMO INC.: 2.87% MSCO CUSTOMER SECURITIES: 2.00% Goldman Sachs (regular) account: 1.56%		
(10) Business performance and financial condition for the past three years (consolidated)				
Accounting period		Fiscal year ending December 2022	Fiscal year ending December 2023	Fiscal year ending December 2024
Net assets (million yen)		15,170	17,637	20,219
Total assets (million yen)		21,810	25,430	45,201
Net assets per share (yen)		469.79	542.49	621.43
Net sales (million yen)		14,185	20,532	29,302
Operating profit (million yen)		1,290	2,661	2,326
Ordinary profit (million yen)		1,526	3,755	4,078
Net profit (million yen)		1,021	2,571	2,774
Net profit per share (yen)		31.77	79.53	86.17
Dividend per share		—	—	—

(2) Summary of the Company Absorbed in the Mergers (as of February 20, 2025)

① Summary of AxisRoot Holdings

	Company Absorbed in Absorption-type Merger
(1) Name	AxisRoot Holdings, Inc.
(2) Location	9F, Iino Building, 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo, Japan
(3) Title and name of representative	President: Kohei Takiguchi
(4) Business details	Management of owned company doing business in planning, development, operation and sales of systems in the medical field etc.
(5) Stated capital	306 million yen (as of August 31, 2024)

(6)	Date of incorporation	April 2008	
(7)	Number of shares issued	2,335,000 shares	
(8)	Accounting period	Last day of February	
(9)	Number of employees:	14 (as of January 31, 2025)	
(10)	Main customers	Axis, Inc., Axis Innovation, Inc.	
(11)	Main bank	MUFG Bank, Ltd., Resona Bank, Limited	
(12)	Major shareholders and shareholding ratio	MEDLEY, INC.: 77.8% Alfresa Corporation: 7.5% Other individual shareholders, employee stock ownership association: 14.7%	
(13)	Relationship between the listed Company	Capital relationship	AxisRoot Holdings is a subsidiary of the Company, in which the Company holds a majority of the shares.
		Personnel relationship	The executives and employees of the Company is also the executive of AxisRoot Holdings.
		Transactional relationship	Not applicable.
		Related party status	AxisRoot Holdings is a related party of the Company.
(14)	Business performance and financial condition for the past three years (non-consolidated)		
	Accounting period	Fiscal year ending February 2022	Fiscal year ending February 2023
			Fiscal year ending February 2024
	Net assets (million yen)	173	729
	Total assets (million yen)	376	986
	Net assets per share (yen) (*1)	84.29	312.48
	Net sales (million yen)	757	389
	Operating profit / loss (million yen)	△13	71
	Ordinary profit / loss (million yen)	△12	72
	Net profit / loss (million yen)	△13	48
	Net profit / loss per share (yen) (*1)	△6.51	23.50
	Dividend per share	—	—

*1: AxisRoot Holdings has split its shares at a rate of ten shares for every one share of common stock on December 26, 2023. The net assets per share and net income per share are calculated assuming that the stock split was implemented at the beginning of the fiscal year ended February 2022.

② Summary of Axis

	Company Absorbed in Absorption-type Merger	
(1)	Name	Axis, Inc.
(2)	Location	9F, Iino Building, 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo, Japan
(3)	Title and name of representative	President: Shogo Kawano
(4)	Business details	Planning, development, operation and sales of systems in the medical field etc.
(5)	Stated capital	10 million yen (as of February 29, 2024)
(6)	Date of incorporation	September 2021
(7)	Number of shares issued	100,000 shares (as of February 29, 2024)
(8)	Accounting period	Last day of February
(9)	Number of Employees	87 (as of January 31, 2025)
(10)	Main customers	E-BOND Holdings Co., Ltd., Ricoh Japan, Inc., Zuken NetWave Corporation
(11)	Main bank	MUFG Bank, Ltd., Resona Bank, Limited
(12)	Major shareholders and shareholding ratio	AxisRoot Holdings, Inc.: 100%
(13)	Relationship between the listed Company	Capital relationship
		Axis is the indirectly-owned subsidiary of the Company.
		Personnel relationship
		The executives and employee of the Company is also

		the executive of Axis.	
	Transactional relationship	Minor transactions of intermediary introductions for the Company’s Pharms.	
	Related party status	Axis is a related party of the Company.	
(14) Business performance and financial condition for the past three years (non-consolidated) (*1)			
Accounting period	Fiscal year ending February 2022	Fiscal year ending February 2023	Fiscal year ending February 2024
Net assets (million yen)	56	△5	123
Total assets (million yen)	260	534	663
Net assets per share (yen)	2,603.30	5,342.92	6,631.77
Net sales (million yen)	516	850	1,370
Operating profit / loss (million yen)	7	△92	148
Ordinary profit / loss (million yen)	7	△94	147
Net profit / loss (million yen)	9	△62	94
Net profit / loss per share (yen) (*1)	91.41	△622.45	949.65
Dividend per share	—	—	—

*1: A corporate reorganization has been conducted on March 1, 2023 as the effective date, with Axis as the surviving company in an absorption-type merger, and Axis Medico, Inc., which was the wholly owned subsidiary of AxisRoot Holdings, as the absorbed company.

③ Summary of Axis Innovation

Company Absorbed in Absorption-type Merger			
(1) Name	Axis Innovation, Inc.		
(2) Location	9F, Iino Building, 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo, Japan		
(3) Title and name of representative	President: Hirofumi Umino		
(4) Business details	Business consulting by internet systems etc.		
(5) Stated capital	10 million yen (as of February 29, 2024)		
(6) Date of incorporation	December 2012		
(7) Number of shares issued	10,000 shares (as of February 29, 2024)		
(8) Accounting period	Last day of February		
(9) Number of Employees	24 (as of January 31, 2025)		
(10) Main customers	Global Security Experts Inc., Intermestic Corporation, CONNEXT, Inc., Araki Shoten Corporation		
(11) Main bank	MUFG Bank, Ltd., Resona Bank, Limited		
(12) Major shareholders and shareholding ratio	AxisRoot Holdings, Inc.: 100%		
(13) Relationship between the listed Company	Capital relationship	Axis Innovation is the indirectly-owned subsidiary of the Company.	
	Personnel relationship	The executives and employee of the Company is also the executive of Axis Innovation.	
	Transactional relationship	Not applicable	
	Related party status	Axis Innovation is a related party of the Company.	
(14) Business performance and financial condition for the past three years (non-consolidated)			
Accounting period	Fiscal year ending February 2022	Fiscal year ending February 2023	Fiscal year ending February 2024
Net assets (million yen)	40	44	63
Total assets (million yen)	119	101	121
Net assets per share (yen)	11,942.83	10,150.47	12,100.63
Net sales (million yen)	250	346	384
Operating profit / loss (million yen)	△0	5	25
Ordinary profit (million yen)	1	5	25

Net profit (million yen)	1	4	18
Net profit per share (yen)	100.59	414.39	1,888.04
Dividend per share	—	—	—

④ Summary of Pacific Medical

	Company Absorbed in Absorption-type Merger
(1) Name	Pacific Medical, Inc.
(2) Location	5-12 Saiwai-Cho, Sukumo city, Kochi, Japan
(3) Title and name of representative	CEO: Hiroyuki Komatsu
(4) Business details	Planning and consulting of computer software and hardware
(5) Stated capital	32 million yen (as of December 31, 2024)
(6) Date of incorporation	April 1997
(7) Number of shares issued	640,000 shares (as of December 31, 2024)
(8) Accounting period	December 31
(9) Major shareholders and shareholding ratio	MEDLEY, INC.: 100%
(10) Business performance and financial condition for the most recent business year (non-consolidated)	
Accounting period	Fiscal year ending December 2024
Net assets (million yen)	△194
Total assets (million yen)	834
Net assets per share (yen)	△303.95
Net sales (million yen)	1,832
Operating profit / loss (million yen)	△329
Ordinary profit (million yen)	△327
Net profit (million yen)	△355
Net loss per share (yen) (*1)	△555.83
Dividend per share	—

5. Summary of Accounting Treatment

The Mergers is applicable to the provisions of the “Accounting Standard for Business Combinations” (ASBJ Statement No.21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, January 16, 2019) as a common control transaction. Also, no goodwill is expected from the Mergers.

6. Status after the Mergers

Following the Mergers, there will be no change to the Company’s trade name, head office location, titles and names of representative directors, business details, stated capital, or accounting period.

7. Details of extraordinary loss (loss on extinguishment of tie-in shares) and outlook

Following the Mergers, the Company expects to record an extraordinary loss on the extinguishment of tie-in shares in its non-consolidated financial statements, although the amount has not yet been finalized. As this loss on the extinguishment of tie-in shares will be eliminated in the consolidated financial statements, there will be no impact on consolidated profit and loss.