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Consolidated Financial Results for the Three Months Ended March 31, 2025 [Japanese GAAP]

May 14, 2025

Company name: MEDLEY,INC.

Listing: Tokyo Stock Exchange

Securities code: 4480

URL: <https://www.medley.jp>

Representative: Kohei Takiguchi

President and Chief Executive Officer

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Chief Financial 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 Three Months Ended March 31, 2025 (January 1, 2025 to March 31, 2025)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended March 31, 2025	8,140	36.9	426	(6.6)	(121)	-	5	△99.3	(75)	-
March 31, 2024	5,946	34.0	456	(16.4)	246	(35.2)	723	43.6	466	30.1

(Note) Comprehensive income: Three months ended March 31, 2025: ¥ (88) million [-%]
Three months ended March 31, 2024: ¥ 506 million [32.3%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2025	(2.34)	-
March 31, 2024	14.40	14.31

(Note) 1. EBITDA = Operating profit / loss + depreciation and amortization of goodwill + share-based compensation expenses

2. Regarding diluted earnings per share in consolidated 1Q FY2025, while dilutive shares existed, because a per-share net loss was posted, no data is provided.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of March 31, 2025	48,966	18,498	37.8
December 31, 2024	45,201	20,219	44.7

(Reference) Equity: As of March 31, 2025: ¥ 18,498 million
As of December 31, 2024: ¥ 20,209 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, 2024	-	0.00	-	0.00	0.00
Fiscal year ending December 31, 2025	-				
Fiscal year ending December 31, 2025 (Forecast)		0.00	-	0.00	0.00

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

(Note) Breakdown of the 1st quarter dividend for the fiscal year ending December 31, 2025 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2025(January 1, 2025 to December 31, 2025)

(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	39,800	35.8	5,700	38.5	3,000	28.9	4,300	5.4	3,100	10.8	95.33

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

* Notes:

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

Excluded: 1 (Company name: MEDiPASS Co., Ltd.)

(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):

March 31, 2025:	32,738,600 shares
December 31, 2024:	32,738,600 shares

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

March 31, 2025:	611,169 shares
December 31, 2024:	218,285 shares

3) Average number of shares outstanding during the period:

Three months ended March 31, 2025:	32,330,659 shares
Three months ended March 31, 2024:	32,423,094 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. Qualitative information regarding quarterly results" on page 5.

1. Outline of Business Performance

(1) Explanation regarding operating results

During the first quarter of the consolidated fiscal year ending December 31, 2025 (consolidated Q1 FY2025), 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 Q1 FY2025, 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 GUPPY Kyujin as well as growth in the number of customer offices for online training system JobMedley Academy.

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 expand our business scale to achieve medium-to-long term growth. We conducted marketing activities and invested in the expansion of our online training system in the HR PF Business in order to increase the scale of our businesses. At the same time, we reviewed the organizational structure of the Medical PF Business. Additionally, in the New Services Segment, we converted ASFON TRUST NETWORK Inc., a company that operates a care facility referral business, into a consolidated subsidiary.

As a result of the above, in consolidated Q1 FY2025, the Group posted net sales of ¥8,140 million (up 36.9% YoY), EBITDA of ¥426 million (down 6.6% YoY), operating loss of ¥121 million (profit of ¥246 million in Q1 FY2024), ordinary profit of ¥5 million (down 99.3% YoY), and net loss attributable to owners of the parent company of ¥75 million (profit of ¥466 million in Q1 FY2024).

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.

As we have revised our reportable segments as of consolidated Q1 FY2025, YoY comparisons below are based on figures for the same period of the previous fiscal year that have been adjusted to reflect the new segment classifications.

1. HR PF Business

During consolidated Q1 FY2025, 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 2.6% compared with the end of consolidated FY2024, to 419 thousand; and listed job offers rose by 3.2% over the same period, to 432 thousand.

As a result of the above, consolidated Q1 FY2025 segment net sales were ¥5,509 million (up 39.6% YoY), and segment profit before allocation of group-wide shared costs (operating profit) was ¥1,331 million (up 14.4% YoY).

2. Medical PF Business

During consolidated Q1 FY2025, the number of medical institution users in the Medical PF Business continued to grow, rising 3.5% compared with the end of consolidated FY2024, to 20 thousand users. In addition, we have finalized our plan to provide our MEDLEY Funding Support service in coordination with system usage data from the Medley Group and data from our medical billing system. As of consolidated Q1 FY2025, this service was reclassified from the New Services Segment to the Medical PF Business.

As a result of the above, consolidated Q1 FY2025 segment net sales were ¥2,289 million (up 19.0% YoY) and segment profit before allocation of group-wide shared costs (operating loss) was ¥197 million (up 9.4% YoY).

3. New Services Segment

During consolidated Q1 FY2025, 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. In addition, starting from consolidated Q1 FY2025, the Minkai service operated by ASFON TRUST NETWORK Inc. was included in this segment.

As a result, consolidated Q1 FY2025 segment net sales were ¥342 million (up 332.9% YoY) and segment loss before allocation of group-wide shared costs (operating loss) was ¥154 million (¥75 million loss in Q1 FY2024).

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 ¥1,496 million (up 46.3% YoY).

(2) Outline of financial position

Assets

Current assets as of end-consolidated Q1 FY2025 totaled ¥21,873 million, a decrease of ¥3,464 million, compared with the end of the previous consolidated fiscal year. This was mainly attributable to a decrease of ¥4,844 million in cash and deposits and increase of ¥555 million in notes and accounts receivable - trade. Non-current assets as of end-consolidated Q1 FY2025 totaled ¥27,093 million, a ¥7,230 million increase compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥6,947 million in intangible assets, and ¥87 million in investments and other assets.

As a result of the above, total assets as of end-consolidated Q1 FY2025 totaled ¥48,966 million, an increase of ¥3,765 million compared with the end of the previous consolidated fiscal year.

Liabilities

Current liabilities as of end-consolidated Q1 FY2025 totaled ¥12,458 million, an increase of ¥1,896 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥980 million in current portion of long-term borrowings, ¥1,083 million in contract liabilities and decrease of ¥725 million in income taxes payable. Non-current liabilities as of end-consolidated Q1 FY2025 totaled ¥18,009 million, a increase of ¥3,590 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to a increase of ¥3,691 million in long-term borrowings.

As a result of the above, total liabilities as of end-consolidated Q1 FY2025 totaled ¥30,468 million, an increase of ¥5,487 million compared with the end of the previous consolidated fiscal year.

Net assets

Net assets as of end-consolidated Q1 FY2025 totaled ¥18,498 million, a decrease of ¥1,721 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥1,186 million in treasury shares due to the repurchase of shares and a decline of ¥439 million in capital surplus due to changes in the parent company's ownership interest resulting from transactions with non-controlling shareholders.

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

Figures in the Company's full-year consolidated FY2025 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 February 14, 2025.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	18,996	14,151
Notes and accounts receivable - trade	2,856	3,412
Merchandise and finished goods	255	264
Work in process	17	17
Accounts receivable - other	2,872	2,683
Prepaid expenses	364	338
Other	20	1,054
Allowance for doubtful accounts	(46)	(49)
Total current assets	25,337	21,873
Non-current assets		
Property, plant and equipment	490	685
Intangible assets		
Software	380	386
Goodwill	7,876	15,389
Customer relationship	8,758	7,915
Other	15	286
Total intangible assets	17,030	23,977
Investments and other assets	2,342	2,429
Total non-current assets	19,863	27,093
Deferred assets	0	0
Total assets	45,201	48,966

(Millions of yen)

	As of December 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	407	445
Current portion of long-term borrowings	3,617	4,597
Accounts payable - other	2,025	2,353
Accrued expenses	766	728
Contract liabilities	1,230	2,314
Deposits received	750	802
Income taxes payable	981	255
Other provisions	221	89
Other	562	871
Total current liabilities	10,562	12,458
Non-current liabilities		
Long-term borrowings	11,564	15,256
Deferred tax liabilities	2,629	2,509
Other	224	244
Total non-current liabilities	14,418	18,009
Total liabilities	24,981	30,468
Net assets		
Shareholders' equity		
Share capital	47	47
Capital surplus	14,196	13,734
Retained earnings	6,601	6,525
Treasury shares	(621)	(1,782)
Total shareholders' equity	20,223	18,525
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(40)	(40)
Foreign currency translation adjustment	25	13
Total accumulated other comprehensive income	(14)	(27)
Non-controlling interests	10	-
Total net assets	20,219	18,498
Total liabilities and net assets	45,201	48,966

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	For the three months ended March 31, 2024	For the three months ended March 31, 2025
Net sales	5,946	8,140
Cost of sales	2,429	3,321
Gross profit	3,517	4,819
Selling, general and administrative expenses	3,270	4,940
Operating profit (loss)	246	(121)
Non-operating income		
Interest income	0	8
Settlement received	594	206
Subsidy income	0	1
Other	6	25
Total non-operating income	602	242
Non-operating expenses		
Interest expenses	3	41
Amortization of share issuance costs	4	-
Outsourcing expenses	114	47
Other	2	27
Total non-operating expenses	125	115
Ordinary profit	723	5
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	-	155
Gain on sale of businesses	-	48
Gain on sale of non-current assets	2	-
Total extraordinary income	2	204
Extraordinary losses		
Loss on sale of non-current assets	-	1
Total extraordinary losses	-	1
Profit before income taxes	725	207
Income taxes	228	283
Profit (loss)	497	(75)
Profit attributable to non-controlling interests	30	-
Profit (loss) attributable to owners of parent	466	(75)

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

(Millions of yen)

	For the three months ended March 31, 2024	For the three months ended March 31, 2025
Profit (loss)	497	(75)
Other comprehensive income		
Foreign currency translation adjustment	8	(12)
Total other comprehensive income	8	(12)
Comprehensive income	506	(88)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	475	(88)
Comprehensive income attributable to non-controlling interests	30	-

2. 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 Q1 FY2024 (January 01, 2024, to March 31, 2024)

During consolidated Q1 FY2024, capital surplus decreased by ¥243 million and treasury stock decreased by ¥263 million due to the disposal of treasury shares in connection with the exercise of stock acquisition rights.

As a result of this, as of end-consolidated Q1 FY2024, capital surplus was ¥14,568 million and treasury shares were ¥855 million.

Consolidated financial results for consolidated Q1 FY2025 (January 01, 2025, to March 31, 2025)

During consolidated Q1 FY2025, based on the resolutions of the Board of Directors meetings held on 14 February 2025, the company repurchased 400,000 treasury shares, resulting in an increase of ¥1,186 million in treasury stock.

In addition, due to changes in the parent company's ownership interest resulting from transactions with non-controlling shareholders, capital surplus decreased by ¥439 million.

As a result of these, as of end-consolidated Q1 FY2025, capital surplus was ¥13,734 million and treasury shares were ¥1,782 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 Q1 FY2025.

(Segment information, etc.)

Consolidated financial results for consolidated Q1 FY2024 (January 01, 2024, to March 31, 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	3,943	1,878	79	5,902	—	5,902
Other revenue	—	43	—	43	—	43
Sales to external customers	3,943	1,922	79	5,946	—	5,946
Inter-segment sales and transfers	0	—	—	0	(0)	—
Total	3,944	1,922	79	5,947	(0)	5,946
Segment profit (loss)	1,153	180	(75)	1,268	(1,022)	246

Notes: 1. Segment profit (loss) adjustments of (¥1,022 million) include intersegment eliminations and corporate expenses not attributed to any reportable segments.

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

2. 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 Q1 FY2024, the Company acquired Lalune business of Ateam Wellness, Inc.

As a result, goodwill in the Medical PF Business increased by ¥491 million.

(Significant gains in negative goodwill)

Not applicable

Consolidated financial results for consolidated Q1 FY2025 (January 01, 2025, to March 31, 2025)

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	5,508	2,211	342	8,063	—	8,063
Other revenue	—	77	—	77	—	77
Sales to external customers	5,508	2,289	342	8,140	—	8,140
Inter-segment sales and transfers	1	—	—	1	(1)	—
Total	5,509	2,289	342	8,141	(1)	8,140
Segment profit (loss)	1,331	197	(154)	1,375	(1,496)	(121)

Notes: 1. Segment profit (loss) adjustments of (¥1,496 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 loss.

2. Information on assets by reportable segment

(Significant increases in assets)

In consolidated Q1 FY2025, AxisRoot Holdings, Inc. was included in the scope of consolidation. In the Medical PF Business Segment goodwill arising from the acquisition of shares in AxisRoot Holdings, Inc. has increased.

Allocation of assets to this segment based on the cost of this acquisition has not been completed. Therefore, the amount has been calculated on a tentative basis.

3. Notes on changes to reportable segments

In consolidated Q1 FY2025, we have finalized our plan to provide our MEDLEY Funding Support service in coordination with system usage data from the Medley Group and data from our medical billing system. This service was reclassified from the New Services Segment to the Medical PF Business Segment.

The segment information for consolidated Q1 FY2024 has been restated to conform to the current segment classifications.

4. 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)

During consolidated Q1 FY2025, we converted ASFON TRUST NETWORK Inc. into a subsidiary. As a result, goodwill in the New Services Segment increased by ¥1,070 million.

We also converted AxisRoot Holdings, Inc. into a subsidiary. As a result, goodwill in the Medical PF Segment increased by ¥6,739 million. This amount is provisional, as the allocation of the acquisition cost has not been finalized as of the end of consolidated Q1 FY2025.

(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 2024 and December 2025 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 three months ended March 31, 2024	For the three months ended March 31, 2025
depreciation	110 million yen	257 million yen
amortization of goodwill	79 million yen	266 million yen

(Business combinations, etc.)

(Business combination via transaction)

1. Acquired shares of ASFON TRUST NETWORK Inc.

(1) Summary of business combination

1) Name and description of business of acquired corporation

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 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

Name not changed.

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) Period of acquired company's business results included in semi-annual consolidated financial statements

January 1, 2025 to March 31, 2025

(3) Acquisition cost and breakdown by type of considerations

Consideration paid in cash: 1,300 million yen

Acquisition cost: 1,300 million yen

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

Compensation for advisory services 15 million yen

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

1) Goodwill recognized

1,070million yen

2) Reason of recognized

Mainly recognized based on the future earnings potential from the expected future development of businesses.

3) Amortization method and period of goodwill

Goodwill will be amortized evenly using the straight-line method for a period of not more than 20 years, which is determined in consideration of its estimated period of effect.

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

Current assets	381 million yen
Non-current assets	476 million yen
Total assets	858 million yen
Current liabilities	198 million yen
Non-current liabilities	430 million yen
Total liabilities	629 million yen

2. Acquisition of shares of AxisRoot Holdings, Inc. and its subsidiaries

(1) Summary of business combination

1) Name and description of business of acquired corporation

Name of acquired corporation	Description of business activities
AxisRoot Holdings, Inc.	Management of owned companies doing business in planning, development, operation and sales of systems in the medical field etc.
Axis, Inc.	Planning, development, operation and sales of systems in the medical field
Axis Innovation, Inc.	Management consulting and related services using internet-based systems

(Note) Axis, Inc. and Axis Innovation, Inc. are wholly owned subsidiaries of AxisRoot Holdings, Inc.

2) Main purpose of business combination

AxisRoot Holdings, Inc. provides services that improve the operational efficiency of medical professionals and support the smooth receipt of medical care by patients. The Medixs cloud-based electronic medication history system developed and provided by Axis, Inc., a core subsidiary of AxisRoot Holdings, boasts a high customer satisfaction rate owing to its excellent UI/UX and in-home care support functions. The acquisition of shares will allow the leveraging of the Company's Pharms business's customer base to expand the number of customers Medixs serves, which will lead to improvement of the Company's ARPU in the dispensing pharmacies business domain. Therefore, the Company recognizes a strong complementary relationship to its basic strategy of "maximizing the number of customer offices and improving ARPU," and expects to greatly expand the value provided by the Medley Group in the dispensing pharmacies business domain.

3) Business combination date

January 31, 2025 (Deemed acquisition date: February 28, 2025)

4) Legal form of business combination

Acquisition of shares in exchange for cash.

5) Name of acquired company after acquisition

Name not changed

6) Percentage of voting rights acquired

Voting rights ratio acquired on the date of the business combination 76.7%

(Note) The percentage of voting rights was calculated using the number of voting rights for the total number of shares after taking into account dilutive shares as the denominator.

7) Main basis for determining the acquiring company

The Company will exchange cash for shares for the purpose of acquiring a majority of the voting rights of AxisRoot Holdings, Inc.

(2) Period of acquired company's business results included in quarterly consolidated financial statements

The deemed acquisition date was set as 28 February 2025. As only the balance sheet was consolidated in consolidated Q1 FY2025, the quarterly consolidated statements of comprehensive income for the period do not include the results of the acquired company.

(3) Acquisition cost and breakdown by type of considerations

Consideration paid in cash: 6,138 million yen

Acquisition cost: 6,138 million yen

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

Compensation for advisory services 35 million yen

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

1) Goodwill recognized

6,739million yen

As of the end of consolidated Q1 FY2025, recognition of goodwill based on the cost of this acquisition had not been completed. Therefore, the amount has been calculated on a tentative basis.

2) Reason of recognized

Mainly recognized based on the future earnings potential from the expected future development of businesses.

3) Amortization method and period of goodwill

Goodwill will be amortized evenly using the straight-line method for a period of not more than 20 years, which is determined in consideration of its estimated period of effect.

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

Current assets	1,161 million yen
Non-current assets	220 million yen
Total assets	1,382 million yen
Current liabilities	1,646 million yen
Non-current liabilities	336 million yen
Total liabilities	1,983 million yen

(Sale of shares in subsidiaries)

(1) Purpose of the sale of subsidiary shares

In March 2021, the Company acquired MEDiPASS Co., Ltd. with the purpose of obtaining its online training system. Thereafter, the online training system business was transferred to the Company and rebranded as JobMedley Academy and has achieved continued growth.

MEDiPASS Co., Ltd., which operates a business providing management support for home healthcare agencies and nursing care providers, has also continued to achieve stable results. However, no additional investments were made in the business for three years since the acquisition because the nature of its business is different from technology businesses.

In 2024, the Company received a request from the management team of MEDiPASS Co., Ltd. that they are willing to pursue a growth strategy with a medium-to-long-term perspective independently from the Company. The Company has determined that MBO is the best option for both parties. Accordingly, the Company has decided to transfer all shares of MEDiPASS Co., Ltd. to newly established MEDiPASS HOLDINGS Co., Ltd., fully owned by Hiroshi Oda, Representative Director and CEO of MEDiPASS Co., Ltd.

(2) Details regarding sale of shares of subsidiary

1) Name of company to which shares will be sold	MEDiPASS HOLDINGS Co., Ltd.,
2) Date of sale	January 6, 2025
3) Sale price	928 million yen
4) Loss/gain on sale of shares	155 million yen

(Significant subsequent events)

(Disposal of treasury shares as restricted stock)

On April 11, 2025, the Company conducted a disposal of treasury shares as restricted stock.

1. Overview of disposal

	Resolution on February 20, 2025	Resolution on March 25, 2025
(1) Disposal date	April 11, 2025	April 11, 2025
(2) Class and number of shares to be disposed	46,300 common shares of the Company	89,200 common shares of the Company
(3) Disposal price	JPY 3,030 per share	JPY 3,155 per share
(4) Total value of disposal	140 million yen	281 million yen
(5) Allottees(Note)	45 employees: 41,200 shares 3 employees of subsidiaries: 5,100 shares	3 directors: 29,900 shares 10 executive officers: 48,200 shares director of subsidiaries: 11,100 shares

(Note) The classification of allottees is based on their organizational affiliation and position at the time of each resolution.

2. Purposes of and Reasons for disposal

In order to provide employees of the Group with incentive to sustainably increase the Group's corporate value and more closely align their interests with those of the Company's shareholders, in order to allocate restricted stock compensation, monetary compensation claims equivalent to the amount paid for restricted stock are paid.

3. Overview of the restricted stock

Eligible employees will contribute the full amount of the monetary claims granted by the Company as payment in kind and subscribe to the common shares allocated by the Company through this disposal of treasury stock. In addition, to provide incentives aimed at enhancing corporate value over the medium to long term, in addition to the existing plans with two-year transfer restriction periods (hereinafter "Plan (i)" and "Plan (ii)"), the Company has introduced a new plan with a five-year transfer restriction period (hereinafter "Plan (iii)"). The Company will enter into restricted stock allocation agreements with eligible employees under Plan (i), Plan (ii), Plan (iii), or a combination of these plans.

(1) Transfer restriction period

The eligible employees shall not create a security interest on or otherwise dispose of any of the Company's common shares allotted to them (the "allocated shares") for the following period (hereinafter, the period during which transfers, etc. are restricted is called the "transfer restriction period").

• Scheme 1

From April 11, 2025 (the "payment date") until April 11, 2027

• Scheme 2

(a) Half of the allotted shares subject to Scheme 2

From the payment date until April 11, 2026

(b) Allotted shares subject to Scheme 2 except those in a) above

From the payment date until April 11, 2027

• Scheme 3

(a) One fifth of the allotted shares subject to Scheme 3

From the payment date until April 11, 2026

(b) One quarter of the allotted shares subject to Scheme 3 except those in (a) above

From the payment date until April 11, 2027

(c) One third of the allotted shares subject to Scheme 3 except those in (a) and (b) above

From the payment date until April 11, 2028

(d) One half of the allotted shares subject to Scheme 3 except those in (a) through (c) above

From the payment date until April 11, 2029

(e) The allotted shares subject to Scheme 3 except those in (a) through (d) above

From the payment date until April 11, 2030

(2) Conditions for lifting transfer restriction

The transfer restrictions will be lifted for all allocated shares to which a transfer restriction period applies, on the expiration date of the transfer restriction, on the condition that the eligible employee continuously serves in the position of either a director, auditor, executive officer, or employee of the Company or one of its subsidiaries during the transfer restriction period (Note). However, in the event that the eligible employee loses his or her position as a director, auditor, executive officer, or employee of the Company or one of its subsidiaries owing to the end of the term of office or employment period, or due to death or any other reason accepted as valid by the Company, immediately after said loss of position, the transfer restrictions will be lifted for a number of the allocated shares calculated in proportion to the number of months from the month following the month that includes the payment date to the month that includes the date on which the position was lost, .

(Note) Some eligible employees are subject to the condition that they must not be demoted during the applicable transfer restriction period.

(3) Acquisition of allocated shares by the Company without compensation

The Company will, as a matter of course, acquire without compensation the allocated shares for which transfer restrictions will not be lifted when the transfer restriction period expires, or immediately after the eligible employee loses his or her position as a director, auditor, executive officer, or employee of the Company or its subsidiaries during the transfer restriction period (Note).

(Note) For eligible employees subject to the condition that transfer restrictions will be lifted only if they have not been demoted, this condition applies immediately after any demotion.

(Business Combination through Share Acquisition and Conversion to Wholly Owned Subsidiary via Simplified Share Exchange)

Based on a resolution passed at the Board of Directors Meeting held on January 23, 2025, the Company conducted a reverse stock split of AxisRoot Holdings, Inc. common shares in such a manner that only the Company and Alfresa Corporation remained shareholders. The resulting fractional shares were purchased for 1,269 million yen.

Subsequently, through a simplified share exchange in which the Company became the wholly owning parent and AxisRoot Holdings, Inc. became the wholly owned subsidiary, the Company acquired the 7.4% share of AxisRoot Holdings common stock that was held by Alfresa Corporation. The effective date of the simplified share exchange was April 30, 2025, and as a result of it, AxisRoot Holdings became a wholly owned subsidiary of the Company. In conjunction with the simplified share exchange, the Company allocated and delivered 158,718 shares of its common stock (treasury shares), valued at 592 million yen, to Alfresa Corporation.

(Share repurchase)

At its Board of Directors Meeting held on March 10, 2025, the Company resolved that the Company will repurchase its common shares pursuant to Article 156 of the Companies Act of Japan (the “Companies Act”), as applied pursuant to Paragraph 3, Article 165 of the Companies Act. In addition, from April 1 to April 30, 2025 (trade execution date basis), the Company repurchased shares of its common stock.

(1) Purpose of Share Repurchase

The company will repurchase its own shares in order to respond flexibly to changes in share price and to return profits to shareholders.

(2) Details of Share Repurchase

1) Class of shares to be repurchased:	Common Shares of the Company
2) Total number of shares to be repurchased:	Up to 350 thousand shares (1.1% of the total number of shares issued)
3) Aggregate repurchase amount:	Up to 1,000 million yen
4) Repurchase period:	March 11, 2025 to September 30, 2025
5) Repurchase method:	Market transactions on the Tokyo Stock Exchange

(3) Status of treasury stock repurchases

Based on the aforementioned Board of Directors resolution, from April 1 to April 30, 2025 (trade execution date basis), the Company repurchased 86,700 shares of its common stock at a total acquisition cost of ¥248 million.