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Consolidated Financial Results for the Six Months Ended June 30, 2025 [Japanese GAAP]

August 14, 2025

Company name: MEDLEY, INC.

Listing: Tokyo Stock Exchange

Securities code: 4480

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Scheduled date to file semi-annual securities report: August 14, 2025

Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes

President and Chief Executive Officer

Director, Senior Vice President and Chief Financial Officer

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2025 (January 1, 2025 to June 30, 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	%
Six months ended June 30, 2025	18,465	25.6	2,696	(7.8)	1,461	(35.4)	1,577	(50.2)	647	(67.8)
June 30, 2024	14,706	37.3	2,923	6.1	2,261	(6.6)	3,167	13.9	2,008	6.6

(Note) Comprehensive income: Six months ended June 30, 2025: ¥ 630 million [(69.8) %]
Six months ended June 30, 2024: ¥ 2,083 million [8.5 %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2025	20.05	19.95
June 30, 2024	61.90	61.50

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

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of June 30, 2025	47,422	18,065	38.1
December 31, 2024	45,201	20,219	44.7

(Reference) Equity: As of June 30, 2025: ¥ 18,065 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	-	0.00			
Fiscal year ending December 31, 2025 (Forecast)			-	0.00	0.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 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: 2 (Company name: MEDiPASS Co., Ltd., GUPPY's Inc.)

(2) Adoption of accounting treatment specific to the preparation of semi-annual 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):

June 30, 2025: 32,738,600 shares

December 31, 2024: 32,738,600 shares

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

June 30, 2025: 523,386 shares

December 31, 2024: 218,285 shares

3) Average number of shares outstanding during the period:

Six months ended June 30, 2025: 32,307,903 shares

Six months ended June 30, 2024: 32,451,930 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

This preliminary earnings report contains forward-looking statements such as earnings forecasts which are based on information currently available to the Group and certain assumptions deemed to be reasonable. The Group makes no guarantee regarding the accuracy of the forecasts contained herein. Because of variable factors, actual results may differ from the forecast figures. For information regarding assumptions upon which the Group's results forecasts are based and notes regarding the use of results forecasts, please refer to (3) Explanation regarding consolidated forecasts and forward-looking statements under 1. Outline of Business Performance" on page 4.

1. Outline of Business Performance

(1) Explanation regarding operating results

During the six months ended June 30, 2025 (consolidated H1 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 shortages.

Amid this business environment, in consolidated H1 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 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. While achieving sales growth, the Group also proactively worked to expand the scale of our business to achieve medium-to-long term growth via the following initiatives. 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 and converted ASFON TRUST NETWORK Inc., a company that operates a care facility referral business, and AxisRoot Holdings, Inc., a company that develops and provides cloud-based electronic medication records at its subsidiaries, into consolidated subsidiaries and streamlined our business management processes.

As a result of the above, in consolidated H1 FY2025, the Group posted net sales of ¥18,465 million (up 25.6% YoY), EBITDA of ¥2,696 million (down 7.8% YoY), operating profit of ¥1,461 million (down 35.4% YoY), ordinary profit of ¥1,577 million (down 50.2% YoY), and net profit attributable to owners of the parent company of ¥647 million (down 67.8% YoY).

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

Earnings by business segment are as follows.

As we have revised our reportable segments as of consolidated H1 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 H1 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 grew 5.5% compared with the end of consolidated FY2024, to 431 thousand; and listed job offers rose by 3.3% over the same period, to 433 thousand.

As a result of the above, consolidated H1 FY2025 segment net sales were ¥13,409 million (up 23.4% YoY), and segment profit before allocation of group-wide shared costs (operating profit) was ¥4,810 million (up 4.7% YoY).

2) Medical PF Business

During consolidated H1 FY2025, the number of medical institution users in the Medical PF Business continued to grow, rising 13.8% compared with the end of consolidated FY2024, to 22 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 H1 FY2025, this service was reclassified from the New Services Segment to the Medical PF Business. In addition, Axis, Inc.'s Medixs system was added to the segment.

As a result of the above, consolidated H1 FY2025 segment net sales were ¥4,468 million (up 24.0% YoY) and segment loss before allocation of group-wide shared costs (operating loss) was ¥51 million (¥43 million profit in H1 FY2024).

The segment loss (operating loss) is attributable to the prioritization of initiatives aimed at achieving a high sales growth rate.

3) New Services Segment

During consolidated H1 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 in consolidated H1 FY2025, the Minkai service operated by ASFON TRUST NETWORK Inc. was integrated into this segment. Also, starting in consolidated H1 FY2025, we began offering Job Medley Spot, a recruitment system designed to meet short-term demand arising from labor shortages.

As a result, consolidated H1 FY2025 segment net sales were ¥589 million (up 146.0% YoY) and segment loss before allocation of group-wide shared costs (operating loss) was ¥349 million (¥132 million loss in H1 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 ¥2,949 million (up 31.3% YoY).

(2) Outline of financial position

Assets

Current assets as of the end of the consolidated H1 FY2025 totaled ¥20,276 million, a decrease of ¥5,060 million from the end of the previous consolidated fiscal year. This was mainly attributed to a decrease of ¥5,471 million in cash and deposits. Non-current assets totaled ¥27,145 million, an increase of ¥7,281 million from the end of the previous consolidated fiscal year. This was mainly attributed to a ¥7,202 million increase in intangible fixed assets.

As a result of the above, total assets as of end-consolidated H1 FY2025 totaled ¥47,422 million, an increase of ¥2,220 million compared with the end of the previous consolidated fiscal year.

Liabilities

Current liabilities as of the end of the consolidated H1 FY2025 amounted to ¥12,348 million, an increase of ¥1,785 million from the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥428 million in current portion of long-term borrowings and an increase of ¥1,054 million in contract liabilities. Non-current liabilities totaled ¥17,008 million, an increase of ¥2,589 million from the end of the previous consolidated fiscal year. This was mainly attributable to a ¥2,655 million increase in long-term borrowings.

As a result of the above, total liabilities as of end-consolidated H1 FY2025 totaled ¥29,356 million, an increase of ¥4,375 million compared with the end of the previous consolidated fiscal year.

Net assets

Net assets as of the end of the consolidated H1 FY2025 totaled ¥18,065 million, a decrease of ¥2,154 million from the end of the previous consolidated fiscal year. This was mainly attributable to a decrease of ¥1,872 million in capital surplus and an increase of ¥901 million in treasury shares.

Cash flows

Cash and cash equivalents (hereinafter, net cash) as of end-consolidated H1 FY2025 totaled ¥13,521 million, a decrease of ¥5,471 million compared with the end of the previous consolidated fiscal year. Cash flows during the six months ended June 30, 2025, were as follows.

Cash flows from operating activities

Net cash provided by operating activities during the six months ended June 30, 2025, was ¥1,929 million (compared with ¥2,510 million in H1 FY2024). This was primarily obtained by adjusting ¥1,779 million in profit before income taxes for ¥530 million in depreciation, ¥618 million in amortization of goodwill, ¥270 million in settlement income, ¥155 million in gain on sale of shares of subsidiaries and associates, an increase of ¥316 million in accounts payable - other, a decrease of ¥211 million in accrued expenses, an increase of ¥573 million in settlement received, and ¥1,020 million in taxes paid.

Cash flows from investing activities

Net cash used in investing activities during the six months ended June 30, 2025, was ¥6,330 million (compared with ¥8,155 million in consolidated H1 FY2024). This was mainly attributable to ¥415 million in purchase of investment securities, ¥6,513 million in purchase of shares of subsidiaries resulting in change in scope of consolidation, and ¥779 million in sale of shares of subsidiaries resulting in change in scope of consolidation.

Cash flows from financing activities

Net cash used in financing activities during the six months ended June 30, 2025, was ¥1,055 million (compared with ¥1,126 million proceeds in consolidated H1 FY2024). This was mainly attributable to ¥2,535 million in repayments of long-term borrowings, ¥5,000 million in proceeds from long-term borrowings, ¥1,779 million in purchase of treasury shares, and ¥1,719 million in purchase of shares of subsidiaries not resulting in change in scope of consolidation.

(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.

Semi-annual Consolidated Financial Statements and Primary Notes
Semi-annual Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2024	As of June 30, 2025
Assets		
Current assets		
Cash and deposits	18,996	13,524
Notes and accounts receivable - trade	2,856	2,792
Merchandise and finished goods	255	291
Work in process	17	40
Accounts receivable - other	2,872	2,597
Prepaid expenses	364	617
Other	20	459
Allowance for doubtful accounts	(46)	(48)
Total current assets	25,337	20,276
Non-current assets		
Property, plant and equipment	490	666
Intangible assets		
Software	380	387
Goodwill	7,876	13,484
Customer relationship	8,758	9,647
Technical assets	-	400
Other	15	313
Total intangible assets	17,030	24,232
Investments and other assets	2,342	2,246
Total non-current assets	19,863	27,145
Deferred assets	0	0
Total assets	45,201	47,422

(Millions of yen)

	As of December 31, 2024	As of June 30, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	407	343
Current portion of long-term borrowings	3,617	4,045
Accounts payable - other	2,025	2,435
Accrued expenses	766	657
Contract liabilities	1,230	2,284
Deposits received	750	871
Income taxes payable	981	765
Other provisions	221	117
Other	562	825
Total current liabilities	10,562	12,348
Non-current liabilities		
Long-term borrowings	11,564	14,220
Deferred tax liabilities	2,629	2,552
Other	224	235
Total non-current liabilities	14,418	17,008
Total liabilities	24,981	29,356
Net assets		
Shareholders' equity		
Share capital	47	47
Capital surplus	14,196	12,323
Retained earnings	6,601	7,248
Treasury shares	(621)	(1,522)
Total shareholders' equity	20,223	18,097
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(40)	(40)
Foreign currency translation adjustment	25	8
Total accumulated other comprehensive income	(14)	(32)
Non-controlling interests	10	-
Total net assets	20,219	18,065
Total liabilities and net assets	45,201	47,422

Semi-annual Consolidated Statements of Income and Comprehensive Income

Semi-annual Consolidated Statement of Income

(Millions of yen)

	For the six months ended June 30, 2024	For the six months ended June 30, 2025
Net sales	14,706	18,465
Cost of sales	5,028	6,969
Gross profit	9,678	11,496
Selling, general and administrative expenses	7,416	10,034
Operating profit	2,261	1,461
Non-operating income		
Interest income	0	8
Settlement received	1,163	270
Subsidy income	0	1
Other	11	31
Total non-operating income	1,176	311
Non-operating expenses		
Interest expenses	18	88
Amortization of share issuance costs	5	-
Outsourcing expenses	219	62
Other	25	44
Total non-operating expenses	270	195
Ordinary profit	3,167	1,577
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
Loss on abandonment of non-current assets	-	0
Total extraordinary losses	-	2
Profit before income taxes	3,170	1,779
Income taxes	1,107	1,131
Profit	2,062	647
Profit attributable to non-controlling interests	53	-
Profit attributable to owners of parent	2,008	647

Semi-annual Consolidated Statement of Comprehensive Income

(Millions of yen)

	For the six months ended June 30, 2024	For the six months ended June 30, 2025
Profit	2,062	647
Other comprehensive income		
Foreign currency translation adjustment	20	(17)
Total other comprehensive income	20	(17)
Comprehensive income	2,083	630
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,029	630
Comprehensive income attributable to non-controlling interests	53	-

Semi-annual Consolidated Statement of Cash Flows

(Millions of yen)

	For the six months ended June 30, 2024	For the six months ended June 30, 2025
Cash flows from operating activities		
Profit before income taxes	3,170	1,779
Depreciation	327	530
Amortization of goodwill	283	618
Amortization of security deposit	6	12
Increase (decrease) in allowance for doubtful accounts	10	1
Interest and dividend income	0	(8)
Interest expenses	18	88
Amortization of share issuance costs	5	-
Settlement income	(1,163)	(270)
Gain on sale of non-current assets	(2)	-
Loss on sales of non current assets	-	1
Loss on abandonment of non-current assets	-	0
Gain on sale of shares of subsidiaries and associates	-	(155)
Gain on sale of businesses	-	(48)
Decrease (increase) in trade receivables	(433)	115
Decrease (increase) in accounts receivable - other	(126)	41
Decrease (increase) in inventories	40	(52)
Increase (decrease) in trade payables	44	(92)
Increase (decrease) in accounts payable - other	359	316
Increase (decrease) in accrued expenses	74	(211)
Increase (decrease) in contract liabilities	(35)	(85)
Increase (decrease) in deposits received	57	104
Other, net	195	(193)
Subtotal	2,833	2,492
Interest and dividends received	0	9
Interest paid	(18)	(126)
Settlement received	867	573
Income taxes paid	(1,171)	(1,020)
Net cash provided by (used in) operating activities	2,510	1,929
Cash flows from investing activities		
Purchase of investment securities	(400)	(415)
Proceeds from sale of investment securities	1,569	-
Proceeds from withdrawal of time deposits	2	-
Purchase of property, plant and equipment	(18)	(184)
Proceeds from sale of property, plant and equipment	14	7
Purchase of intangible assets	(117)	(165)
Payments of leasehold and guarantee deposits	(23)	(8)
Proceeds from refund of leasehold and guarantee deposits	14	50
Payments for acquisition of businesses	(498)	-
Proceeds from sale of businesses	-	50
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(8,699)	(6,513)
Proceeds from the sale of subsidiary shares with a change in the scope of consolidation	-	779
Other, net	1	69
Net cash provided by (used in) investing activities	(8,155)	(6,330)

(Millions of yen)

	For the six months ended June 30, 2024	For the six months ended June 30, 2025
Cash flows from financing activities		
Repayments of long-term borrowings	(668)	(2,535)
Proceeds from long-term borrowings	11,800	5,000
Proceeds from disposal of treasury shares	14	3
Purchase of treasury shares	(0)	(1,779)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(1,719)
Other, net	(19)	(25)
Net cash provided by (used in) financing activities	11,126	(1,055)
Effect of exchange rate change on cash and cash equivalents	18	(13)
Net increase (decrease) in cash and cash equivalents	5,500	(5,471)
Cash and cash equivalents at beginning of period	15,351	18,993
Cash and cash equivalents at end of period	20,852	13,521

2. Important notes regarding semi-annual 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 H1 FY2024 (January 01, 2024, to June 30, 2024)

In consolidated H1 FY2024, capital surplus increased by ¥56 million and treasury shares decreased by ¥87 million due to disposal of treasury shares associated with restricted stock compensation effective April 11, 2024 in accordance with the resolutions of the Board of Directors on February 22, 2024 and March 26, 2024.

In addition, capital surplus decreased by ¥273 million and treasury shares decreased by ¥299 million due to the disposal of treasury shares in connection with the exercise of stock acquisition rights.

Furthermore, capital surplus decreased by ¥305 million due to a change in ownership interest of parents due to transactions with non-controlling interests.

As a result of these, as of end-consolidated H1 FY2024, capital surplus was ¥14,289 million and treasury shares were ¥732 million.

Consolidated financial results for consolidated H1 FY2025 (January 01, 2025, to June 30, 2025)

During consolidated H1 FY2025, based on the resolutions of the Board of Directors meetings held on 14 February 2025 and March 10, 2025, the company repurchased 602,200 treasury shares, resulting in an increase of ¥1,779 million in treasury stock.

In addition, capital surplus increased by ¥29 million and treasury shares decreased by ¥392 million due to disposal of treasury shares associated with restricted stock compensation effective April 11, 2025 in accordance with the resolution of the Board of Directors on February 20, 2025 and March 25, 2025.

Furthermore, capital surplus increased by ¥70 million and treasury shares decreased by ¥459 million as a result of a simplified share exchange in which the Company became the wholly owning parent company and AxisRoot Holdings, Inc. became the wholly owned subsidiary.

In addition, capital surplus decreased by ¥1,950 million due to a change in ownership interest of parents due to transactions with non-controlling interests.

As a result of these, as of end-consolidated H1 FY2025, capital surplus was ¥12,323 million and treasury shares were ¥1,522 million.

(Application of special accounting methods in preparation for semi-annual consolidated financial statements)

Tax expenses are calculated by multiplying semi-annual 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 H1 FY2025.

However, if using this estimated effective tax rate results in a significantly unreasonable outcome the statutory effective tax rate is applied instead.

(Segment information, etc.)

Consolidated financial results for consolidated H1 FY2024 (January 01, 2024, to June 30, 2024)

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

(Million yen)

	Reportable segment				Adjustment (Note)	Amount in the consolidated financial statement
	HR PF Business	Medical PF Business	New Services	Total		
Net sales						
Revenue from contracts with customers	10,864	3,510	239	14,614	—	14,614
Other revenue	—	92	—	92	—	92
Sales to external customers	10,864	3,602	239	14,706	—	14,706
Inter-segment sales and transfers	2	—	—	2	△2	—
Total	10,866	3,602	239	14,708	△2	14,706
Segment profit (loss)	4,596	43	△132	4,507	△2,246	2,261

Notes: 1. Segment profit (loss) adjustments of (¥2,246 million) include intersegment eliminations and corporate expenses unallocated to reportable segments.

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

2. Information on assets by segment

(Significant increase in assets)

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

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

(Major impairment losses on non-current assets)

Not applicable

(Significant changes in goodwill values)

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

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

(Significant gains in negative goodwill)

Not applicable

Consolidated financial results for consolidated H1 FY2025 (January 01, 2025, to June 30, 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	13,407	4,299	589	18,296	—	18,296
Other revenue	—	169	—	169	—	169
Sales to external customers	13,407	4,468	589	18,465	—	18,465
Inter-segment sales and transfers	1	—	—	1	(1)	—
Total	13,409	4,468	589	18,467	(1)	18,465
Segment profit (loss)	4,810	(51)	(349)	4,410	(2,949)	1,461

Notes: 1. Segment profit (loss) adjustments of (¥2,949 million) include intersegment eliminations and corporate expenses unallocated to reportable segments.

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

2. Information on assets by reportable segment

(Significant increases in assets)

In consolidated H1 FY2025, AxisRoot Holdings, Inc. was included in the scope of consolidation. In the Medical PF Business Segment goodwill and identified intangible fixed assets arising from the acquisition of shares in AxisRoot Holdings, Inc. have increased.

3. Notes on changes to reportable segments

In consolidated H1 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 H1 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 H1 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 ¥5,187 million.

(Significant gains in negative goodwill)

Not applicable

(Business combinations, etc.)

(Business combination via transaction)

1. Acquisition of shares in 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. (herein after “ATN”) 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. Specifically, this will expand the functionality of the Company’s services which includes the Renke-san hospital discharge coordination service, and encourage its adoption not only by hospitals, but also by the assisted living nursing care support businesses that ATN serves. Furthermore, 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 acquired 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 June 30, 2025

(3) Acquisition cost and breakdown by type of considerations

Consideration	cash	1,300 million yen
Acquisition cost		1,300 million yen

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 for recognition

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 will enable us to leverage the customer base of our Pharms business to expand the number of customers Medixs, which will lead to improvement of the Company's ARPU in the dispensing pharmacies business domain. Therefore, the Company believes this acquisition strongly complements our 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 voting rights ratio is calculated based on the number of shares prior to the effective date of the reverse stock split.

7) Main basis for determining the acquiring company

The Company exchanged 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 semi-annual consolidated financial statements

March 1, 2025 to May 31, 2025

(3) Acquisition cost and breakdown by type of considerations

Consideration	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

5,187million 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	1,161 million yen
Non-current assets	2,879 million yen
Total assets	4,041 million yen
Current liabilities	1,646 million yen
Non-current liabilities	1,155 million yen
Total liabilities	2,802 million yen

(7) Estimated amount and calculation method of the impact of the business combination on the consolidated statement of income for consolidated FY2025 assuming that the business combination was completed on the first day of consolidated FY2025
This information is omitted due to lack of materiality.

(Additionally acquired subsidiary shares)

(1) Summary of transactions

1) Name of acquired corporation: AxisRoot Holdings, Inc.

2) Period of additional purchase

April 18, 2025 (Deemed acquisition date: March 1, 2025)

3) Legal form

Acquisition of shares in exchange for cash.

4) Percentage of voting rights acquired

Voting rights ratio before the date of additional acquisition	76.70%
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Voting rights ratio additionally acquired	15.90%
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Voting rights ratio after additional acquisition	92.60%
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(Note) The voting rights ratio is calculated based on the number of shares prior to the effective date of the reverse stock split.

(2) Overview of accounting methods applied

The business combination, classified as a transaction under common control, has been recognized as a transaction with non-controlling shareholders in accordance with the “Accounting Standard for Business Combinations” and the “Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures.”

(3) Acquisition cost and breakdown by type of considerations

Consideration	cash	1,269 million yen
Acquisition cost		1,269 million yen

(4) Changes in equity related to transactions with noncontrolling shareholders

Capital surplus decreased by 1,072 million yen due to the acquisition of subsidiary shares from noncontrolling shareholders.

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

(1) Overview of the share exchange

1) Name of wholly owned subsidiary in the share exchange

AxisRoot Holdings, Inc.

2) Effective date of share exchange

April 30, 2025 (Deemed acquisition date: March 1, 2025)

3) Legal form of business combination

Share exchange wherein the Company became the wholly owning parent company and AxisRoot Holdings, Inc. became the wholly owned subsidiary.

4) Percentage of voting rights acquired

Voting rights ratio before the date of additional acquisition	92.60%
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Voting rights ratio acquired via simplified share exchange	7.40%
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Voting rights ratio after additional acquisition	100.00%
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(Note) The voting rights ratio is calculated based on the number of shares prior to the effective date of the reverse stock split.

(2) Overview of accounting methods applied

The business combination, classified as a transaction under common control, has been recognized as a transaction with non-controlling shareholders in accordance with the “Accounting Standard for Business Combinations” and the “Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures.”

(3) Matters related to calculation of acquisition cost

1) Acquisition cost and breakdown by type of considerations

Consideration	common shares of the company (treasury shares)	530 million yen
Acquisition cost		530 million yen

2) Details of allotment related to the share exchange

company name	The Company (wholly owning parent company)	AxisRoot Holdings, Inc. (wholly owned subsidiary)
Share exchange ratio	1	158,718
Number of shares allotted and delivered via the share exchange	common shares of the company : 158,718 shares	

The Company engaged an independent third-party institution, separate from both the Company and AxisRoot Holdings, Inc., to ensure fairness and reasonableness in calculating the share exchange ratio for this share exchange.

Notes: 1. The reduction in the number of shares resulting from the business combination has been taken into account in the calculation of the per-share value of AxisRoot Holdings, Inc.

2. All shares delivered by the Company in the share exchange were allocated from treasury shares.

(4) Changes in equity related to transactions with noncontrolling shareholders

Capital surplus decreased by 438 million yen due to the acquisition of subsidiary shares from noncontrolling shareholders

(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)

(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 July 1 to July 31, 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 July 1 to July 31, 2025 (trade execution date basis), the Company repurchased 3,000 shares of its common stock at a total acquisition cost of ¥8 million.