

Consolidated Financial Results for the Three Months Ended March 31, 2021 [Japanese GAAP]

May 14, 2021

Company name: MEDLEY, INC.

Stock exchange listing: Tokyo

Code number: 4480

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Scheduled date of filing quarterly securities report: May 14, 2021

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

President and Chief Executive Officer

Director and Head of Corporate Division

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Three Months Ended March 31, 2021 (January 01, 2021 to March 31, 2021)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period)

	Net sales		EBITDA※		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended March 31, 2021	2,125	70.1	(73)	-	(138)	-	(133)	-	(132)	-
March 31, 2020	1,249	-	(177)	-	(210)	-	(211)	-	(213)	-

(Note) Comprehensive income: Three months ended March 31, 2021: ¥ (131) million [-%]
Three months ended March 31, 2020: ¥ (213) million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2021	(4.27)	-
March 31, 2020	(7.59)	-

(Note) 1. Regarding diluted net earnings per share, while dilutive shares existed, because a per-share net loss was posted, no data is provided.

2. EBITDA = Operating profit / loss + depreciation and amortization of goodwill + share-based compensation expenses

Because the Group has posted no amortization of goodwill during consolidated Q1 FY2020, it was not included in the calculation of EBITDA. However, starting from consolidated Q1 FY2021, amortization of goodwill by two newly consolidated subsidiaries is included in the calculation of EBITDA. Also, because there were no share-based compensation expenses during consolidated Q1 FY2020 or consolidated Q1 FY2021, such expenses are not included in the calculation of EBITDA.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of March 31, 2021	15,882	9,672	60.8
December 31, 2020	15,519	9,717	62.6

(Reference) Equity: As of March 31, 2021: ¥ 9,661 million
As of December 31, 2020: ¥ 9,715 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2020	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00
Fiscal year ending December 31, 2021	-				
Fiscal year ending December 31, 2021 (Forecast)		0.00	-	0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2021 (January 01, 2021 to December 31, 2021)

(% indicates changes from the previous corresponding period)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	10,770	57.7	670	23.5	160	(59.6)	180	(57.4)	20	(95.6)	0.64
	~	~	~	~	~	~	~	~	~	~	~
	11,270	65.0	1,170	115.6	660	66.6	680	60.9	480	5.3	15.45

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the three months ended March 31, 2021

(changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New 2 (Company names: Pacific Medical, Inc., MEDiPASS Co., Ltd.)

(Note) As of April 01, 2021, consolidated subsidiary Pacific System Co., Ltd. changed its name to Pacific Medical, Inc.

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please refer to “(3) Important notes regarding quarterly consolidated financial statements (Application of special accounting methods for quarterly consolidated financial statements)” under “2. Quarterly Consolidated Financial Statements and Important Notes” on page 10.

(3) Changes in accounting policies and changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2021: 31,068,000 shares

December 31, 2020: 30,889,100 shares

2) Total number of treasury shares at the end of the period:

March 31, 2021: - shares

December 31, 2020: - shares

3) Average number of shares during the period:

Three months ended March 31, 2021: 30,966,075 shares

Three months ended March 31, 2020: 28,169,825 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Cautionary statements with respect to forward-looking statements and other notes

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. Qualitative information regarding quarterly results

(1) Explanation regarding operating results

During the first quarter of the consolidated fiscal year ending December 31, 2021 (consolidated Q1 FY2021), the Japanese medical and nursing industry continued to face human resource shortages and issues related to financial resources, and the ratio of job offers to applicants therefore trended at a level higher than the average for all industries. In addition, in response to the resumption of the spread of COVID-19, the Japanese government promulgated its second state of emergency in January 2021, mainly focusing on major cities such as Tokyo and Osaka. However, after a period of extension, the state of emergency was fully lifted in March 2021.

Amid this business environment, as the impact on sales in the Recruitment Platform Business from the second state of emergency was limited, sales in this business increased in consolidated Q1 FY2021. Sales in the Medical Platform Business also showed strong growth in consolidated Q1 FY2021 on continued strong demand for the Group's telemedicine system and the consolidation of Pacific Medical, Inc. in January 2021. While the Group achieved sales growth, it also conducted investments aimed at expanding the scale of its business operations including continued investment in growth in the Recruitment Platform Business to develop systems functionality and increase the number of employees. The Group also made proactive investments in growth in the Medical Platform Business, such as strengthening its development teams.

Under these conditions, in consolidated Q1 FY2021, the Group posted net sales of ¥2,125,171 thousand (up 70.1% YoY), a negative EBITDA of ¥73,424 thousand (a negative EBITDA of ¥177,608 thousand in Q1 FY2020), an operating loss of ¥138,836 thousand (an operating loss of ¥210,929 thousand in Q1 FY2020), an ordinary loss of ¥133,849 thousand (an ordinary loss of ¥211,612 thousand in Q1 FY2020), and a quarterly net loss attributable to owners of the parent company of ¥132,221 thousand (a quarterly net loss attributable to owners of the parent company of ¥213,869 thousand in Q1 FY2020).

The Recruitment Platform Business posts sales based on the hiring dates of persons using the Group's services to find employment at companies seeking employees. The posting of sales therefore tends to be concentrated in April, when Japanese companies tend to hire more employees (because this is often the beginning of Japanese companies' fiscal years). The posting of the Group's net sales therefore tends to be concentrated in Q2 (April-June) of its consolidated fiscal year (ending on December 31).

Earnings by business segment are as follows.

Intersegment eliminations and unallocated groupwide shared costs totaled ¥470,246 thousand (up 34.0% YoY).

1. Recruitment Platform Business

During consolidated Q1 FY2021, there was no major impact on operations from the promulgation of the second state of emergency in response to the spread of COVID-19. We were therefore able to continuously improve the functionality of the Group's service websites with the aim of improving user convenience, which resulted in growth in the number of job applicants and the number of customer offices grew 4.6% compared with the end of consolidated FY2020, surpassing 226,000. However, the number of job offers listed increased by only 0.6% (to over 216,000) during the same period. Also, in consolidated Q1 FY2021, the Group invested in television advertising aired in some regions of Japan, aiming to increase the number of medical and healthcare professionals making use of the Group's services to find employment.

As a result of the above, consolidated Q1 FY2021 segment net sales were ¥1,491,821 thousand (up 37.6% YoY) and segment profit before allocation of groupwide shared costs (operating profit) was ¥441,702 thousand (up 50.7% YoY).

2. Medical Platform Business

During consolidated Q1 FY2021, amid increased interest in telemedicine and online drug administration guidance as measures to prevent the spread of COVID-19, sales from the Group's cloud-based CLINICS medical support system and its Pharms, pharmacy window support system, were strong. In addition, owing to the consolidation in January 2021 of Pacific Medical, Inc., which develops and provides MALL, electronic medical record system, to small and medium-sized hospitals, the number of customers served by the Medical Platform Business continued to increase, rising by 431.5% compared with the end of consolidated FY2020 and reached 6,756. Also, NaCl Medical, Inc., which was converted into a consolidated (wholly owned) subsidiary in March 2019, is entrusted with the development of Online Receipt Computer Advantage (ORCA) medical accounting software. The Group also continued to update and expand content for MEDLEY, online medical encyclopedia. In addition to running its pharmacy business, OTO, Inc., which was converted into a consolidated subsidiary (wholly owned subsidiary) in December 2020, operated its location as a center for proof-of-concept testing with the aim of expanding the functionality of its pharmacy window support system and developing new products.

As a result of the above, consolidated Q1 FY2021 segment net sales were ¥605,818 thousand (up 349.8% YoY) and segment loss before allocation of groupwide shared costs (operating loss) was ¥96,356 thousand (an operating loss of ¥137,071 thousand in Q1 FY2020).

Factors behind the posting of an operating loss in the segment included 1) investments in growth aimed at securing new medical institution users and expanding the functionality of Pharms and 2) the amortization of goodwill associated with the conversion of Pacific Medical, Inc. into a consolidated subsidiary.

3. New Services Segment

During consolidated Q1 FY2021, we continued to expand content and proactively conduct operations to increase the number of facilities that can be introduced using our Kaigo-no Honne service.

As a result of the above, consolidated Q1 FY2021 segment net sales were ¥27,531 thousand (down 9.2% YoY) and the segment posted a loss before allocation of groupwide shared costs (operating loss) of ¥13,935 thousand (an operating loss of ¥16,089 thousand in Q1 FY2020).

Factors behind the posting of an operating loss in the segment included investments in optimizing the earnings structure of our Kaigo-no Honne service.

(2) Outline of financial position

Assets

Current assets as of end-consolidated Q1 FY2021 totaled ¥12,836,817 thousand, a decrease of ¥1,708,846 thousand compared with the end of the previous consolidated fiscal year. This decrease was mainly attributable to a decrease of ¥2,209,231 thousand in cash and deposits and an increase of ¥505,706 thousand in accounts receivable (trade). Non-current assets as of end-consolidated Q1 FY2021 totaled ¥3,008,385 thousand, an increase of ¥2,074,915 thousand compared with the end of the previous consolidated fiscal year. This increase was mainly attributable to an increase of ¥1,831,753 thousand in intangible non-current assets and an increase of ¥142,237 thousand in investments and other assets.

As a result of the above, total assets as of end-consolidated Q1 FY2021 totaled ¥15,882,330 thousand, an increase of ¥362,337 thousand compared with the end of the previous consolidated fiscal year.

Liabilities

Current liabilities as of end-consolidated Q1 FY2021 totaled ¥3,236,179 thousand, an increase of ¥292,349 thousand compared with the end of the previous consolidated fiscal year. This increase was mainly attributable to an increase of ¥116,766 thousand in the current portion of long-term borrowings payable, an increase of ¥116,206 thousand in accounts payable, and an increase of ¥56,815 in advances received. Non-current liabilities as of end-consolidated Q1 FY2021 totaled ¥2,973,571 thousand, an increase of ¥115,002 thousand compared with the end of the previous consolidated fiscal year. This increase was attributable to an increase of ¥185,025 thousand of other non-current liabilities resulting from increase in non-current payables and decrease of ¥70,023 thousand in long-term borrowings.

As a result of the above, total liabilities as of end-consolidated Q1 FY2021 totaled ¥6,209,750 thousand, an increase of ¥407,352 thousand compared with the end of the previous consolidated fiscal year.

Net assets

Net assets as of end-consolidated Q1 FY2021 totaled ¥9,672,579 thousand, a decrease of ¥45,014 thousand compared with the end of the previous consolidated fiscal year. This decrease was mainly attributable to increases of ¥38,963 thousand each in capital and capital surplus and a decrease of ¥132,221 thousand in retained earnings.

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

The Group has revised its forecast for consolidated FY2021 and its forecast now differs from the forecast included in Consolidated Financial Results for the Year Ended December 31, 2020 [Japanese GAAP] released on February 12, 2021. For details regarding these changes, please refer to Notice Regarding Revision to Consolidated Financial Results Forecast for the Fiscal Year Ending December 2021, released on March 17, 2021.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	14,052,034	11,842,802
Accounts receivable - trade	300,272	805,979
Merchandise and finished goods	11,657	25,022
Work in process	4,338	4,500
Prepaid expenses	71,963	67,365
Accrued income	2,134	375
Other	134,327	126,166
Allowance for doubtful accounts	(31,065)	(35,394)
Total current assets	14,545,664	12,836,817
Non-current assets		
Property, plant and equipment	67,520	168,444
Intangible assets		
Goodwill	80,828	1,883,124
Other	282,419	311,876
Total intangible assets	363,247	2,195,000
Investments and other assets	502,702	644,939
Total non-current assets	933,470	3,008,385
Deferred assets	40,858	37,127
Total assets	15,519,992	15,882,330

(Thousand yen)

	As of December 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	57,287	80,040
Short-term borrowings	500,000	500,000
Current portion of long-term borrowings	825,826	942,592
Accounts payable - other	587,056	703,262
Accrued expenses	72,609	64,256
Advances received	421,392	478,208
Deposits received	141,492	153,762
Income taxes payable	112,300	105,193
Accrued consumption taxes	193,866	108,811
Provision for internal bonuses	-	53,155
Provision for refund of sales	10,656	17,067
Provision for continuous service bonuses	19,368	28,696
Other allowance	1,971	1,132
Total current liabilities	2,943,829	3,236,179
Non-current liabilities		
Long-term borrowings	2,858,569	2,788,546
Other	-	185,025
Total non-current liabilities	2,858,569	2,973,571
Total liabilities	5,802,398	6,209,750
Net assets		
Shareholders' equity		
Share capital	3,968,433	4,007,396
Capital surplus	5,790,380	5,829,343
Retained earnings	(43,151)	(175,372)
Total shareholders' equity	9,715,662	9,661,366
Share acquisition rights	1,932	878
Non-controlling interests	-	10,335
Total net assets	9,717,594	9,672,579
Total liabilities and net assets	15,519,992	15,882,330

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Thousand yen)

	For the three months ended March 31, 2020	For the three months ended March 31, 2021
Net sales	1,249,200	2,125,171
Cost of sales	489,189	822,615
Gross profit	760,011	1,302,556
Selling, general and administrative expenses	970,940	1,441,392
Operating loss	(210,929)	(138,836)
Non-operating income		
Interest income	12	130
Settlement received	-	3,000
Subsidy income	-	7,920
Miscellaneous income	869	2,697
Other	1,219	614
Total non-operating income	2,101	14,362
Non-operating expenses		
Interest expenses	1,896	5,283
Amortization of share issuance costs	887	3,981
Other	-	110
Total non-operating expenses	2,784	9,376
Ordinary loss	(211,612)	(133,849)
Extraordinary losses		
Loss on abandonment of non-current assets	-	0
Total extraordinary losses	-	0
Loss before income taxes	(211,612)	(133,849)
Income taxes - current	2,257	(2,497)
Loss	(213,869)	(131,351)
Profit attributable to non-controlling interests	-	870
Loss attributable to owners of parent	(213,869)	(132,221)

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

(Thousand yen)

	For the three months ended March 31,2020	For the three months ended March 31,2021
Loss	(213,869)	(131,351)
Other comprehensive income		
Total other comprehensive income	-	-
Comprehensive income	(213,869)	(131,351)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(213,869)	(132,221)
Comprehensive income attributable to non-controlling interests	-	870

(3) Important notes regarding quarterly consolidated financial statements

(Notes related to going concern assumptions)

Not applicable

(Application of special accounting methods 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 FY2021.

(Additional information)

The Group reports no changes in assumptions regarding COVID-19 as stated in Annual Securities Report (“Yukashoken-Houkokusho”) for the previous fiscal year.

(Changes in reporting method)

(Regarding Quarterly Consolidated Balance Sheets)

The Group changed an item name previously called “Provision for cashback for newly hired” in “Current liabilities” in its Quarterly Consolidated Balance Sheets into “Provision for continuous service bonuses” in “Current liabilities” starting from Q1 FY2021.

(Segment information, etc.)

(Segment information)

Consolidated financial results for consolidated Q1 FY2020 (January 01, 2020 to March 31, 2020)

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

(Thousands of yen)

	Reportable segment				Adjustment (Notes)	Amount in the consolidated financial statement
	Recruitment Platform Business	Medical Platform Business	New Services	Total		
Net sales						
Sales to external customers	1,084,183	134,693	30,323	1,249,200	-	1,249,200
Inter-segment sales and transfers	-	-	-	-	-	-
Total	1,084,183	134,693	30,323	1,249,200	-	1,249,200
Segment profit (loss)	293,073	(137,071)	(16,089)	139,912	(350,841)	(210,929)

Notes: 1. Segment profit (loss) adjustments of (¥350,841 thousand) include intersegment eliminations and corporate expenses unallocated to any reportable segments.

2. Segment profit (loss) is adjusted under operating loss 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)

Not applicable

(Significant gains in negative goodwill)

Not applicable

Consolidated financial results for consolidated Q1 FY2021 (January 01, 2021 to March 31, 2021)

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

(Thousands of yen)

	Reportable segment				Adjustment (Notes)	Amount in the consolidated financial statement
	Recruitment Platform Business	Medical Platform Business	New Services	Total		
Net sales						
Sales to external customers	1,491,821	605,818	27,531	2,125,171	-	2,125,171
Inter-segment sales and transfers	-	-	-	-	-	-
Total	1,491,821	605,818	27,531	2,125,171	-	2,125,171
Segment profit (loss)	441,702	(96,356)	(13,935)	331,410	(470,246)	(138,836)

Notes: 1. Segment profit (loss) adjustments of (¥470,246 thousand) include intersegment eliminations and corporate expenses unallocated to reportable segments.
2. Segment profit (loss) is adjusted under operating loss on the Quarterly Consolidated Statements of Income.
3. In consolidated Q1 FY2021, Pacific Medical, Inc. and MEDiPASS Co., Ltd. were added to the scope of consolidated accounting. As the deemed acquisition date for shares of MEDiPASS Co., Ltd. was March 31, 2021, for consolidated Q1 FY2021, it is included on the consolidated balance sheet only and not on other consolidated financial statements.

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 FY2021, the Group acquired shares of Pacific Medical, Inc. and MEDiPASS Co., Ltd. and added these companies to the scope of consolidated accounting. The resulting increases in goodwill were ¥686,033 thousand in the Medical Platform Business, ¥698,336 thousand in the Recruitment Platform Business, and ¥382,536 thousand in the New Services Segment.

(Significant gains in negative goodwill)

Not applicable

(Significant subsequent events)

(Issuance of new shares as restricted stock)

At a meeting of the Board of Directors held on March 26, 2021, the Board of Directors resolved to issue new shares as restricted stock and, on April 26, 2021, issuance of the relevant shares was completed.

1. Overview of New Share Issuance

(1) Payment date	April 26, 2021
(2) Class and number of shares to be issued	10,500 common shares of the Company
(3) Issue price	¥3,905 per share
(4) Total value of issuance	¥41,002,500
(5) Allottees	5 members of the Board of Directors of the Company

2. Purposes of and Reasons for Issuance

At a meeting of the Board of Directors held on February 26, 2021, in order to more closely align the interests of Directors of the Company (excluding External Directors; hereinafter the “Eligible Directors”) with those of the Company’s shareholders by combining executive compensation with share-price-linked compensation, the Board of Directors resolved to introduce the

Transfer-restricted Stock Compensation Plan (hereinafter the “Plan”) for the Eligible Directors. Also, a proposal to grant transfer-restricted stock as compensation to the Eligible Directors separate from the existing compensation system provided by the Company and based on the Plan was approved at the 12th Annual General Meeting of Shareholders held on March 26, 2021.

(Issuance of new shares as restricted stock)

At a meeting of the Board of Directors held on February 26, 2021, the Board of Directors resolved to issue new shares as restricted stock and, on April 26, 2021, issuance of the relevant shares was completed.

1. Overview of New Share Issuance

(1) Payment date	April 26, 2021
(2) Class and number of shares to be issued	22,700 common shares of the Company
(3) Issue price	¥4,285 per share
(4) Total value of issuance	¥97,269,500
(5) Allottees	48 employees of the Company 5 employees of the Company’s subsidiary

2. Purposes of and Reasons for Issuance

In order to provide employees of the Group with incentive to sustainably increase the Group's enterprise value and more closely align their interests with those of the Company’s shareholders, the Board of Directors resolved to grant monetary remuneration rights in a total amount of ¥97,269,500 and consequently 22,700 of the Company’s common shares (hereinafter, the “Allocated Stocks”) to employees of the Company and employees of its subsidiary (hereinafter, the “Eligible Employees”). For the purpose of providing the Eligible Employees with incentives to continuously work with the Group over the medium-to-long term, the transfer restriction period for the Allocated Stocks has been set to two years.

The Eligible Employees have received the Allocated Stocks issued by the Company as payment-in-kind for all monetary remuneration rights granted by the Company.

(Capital and Business Alliance and Issuance of New Shares)

The Company’s Board of Directors, at a meeting held on April 26, 2021, has resolved to enter into a capital and business alliance agreement (hereinafter the “Capital and Business Alliance Agreement”) and an investment agreement (hereinafter the “Investment Agreement”, and collectively with the Capital and Business Alliance Agreement, the “Agreements”, and the capital and business alliance based on the Agreements, is referred to as the “Capital and Business Alliance”) with NTT DOCOMO, INC. (NTT DOCOMO) as described in I. Overview of the Capital and Business Alliance below, and based on the Investment Agreement, to issue new shares by way of third-party allotment to NTT DOCOMO (hereinafter the “Third-Party Allotment”) as described in II. Issuance of New Shares through Third-Party Allotment below.

I. Overview of the Capital and Business Alliance

1. Reason for Alliance

As a specific vision for the future contemplated by its mission of “creating the future of medical healthcare”, the Group envisions a “future where patients make full use of medical/healthcare services”. The Group, as a part of its efforts to realize this future, is developing and offering services that not only allow users to receive medical treatments from hospitals and medical clinics online, but also attempt to directly address the issues faced by patients, such as the “CLINICS” app, which is a patient oriented app that allows patients to receive online drug administration guidance from pharmacies, and the online medical encyclopedia, “MEDLEY”, which allows users to access appropriate medical information. Going forward, the Group intends to assertively develop and provide services that change patients' medical experience.

NTT DOCOMO, on the other hand, has historically provided services in the healthcare area, including its “d healthcare” service, and going forward, intends to expand services that comprehensively stretch from healthcare to medical care in order to support the

health of end users from a variety of different angles. Furthermore, the Company views NTT DOCOMO as assertively providing users with various services that can be applied to their day-to-day lives, such as “d CARD” and “d Barai” by utilizing its approximately 80 million user membership base, one of the largest in the country.

Based on the understanding that the major directions of both companies' businesses focus on a medium-to-long term strategy that aims to disseminate services related to medical healthcare needs in users' day-to-day lives, the Company has determined that "a future where patients make full use of medical/healthcare services" can be realized by utilizing the Group's customer base in the healthcare field centered on approximately 20,000 customer medical institutions, the Group's ability to develop and operate healthcare services of the Group, and NTT DOCOMO Group's assets such as a strong end-user base.

2. Details of Alliance

(1) Details of Business Alliance

By entering into a capital and business alliance agreement with NTT DOCOMO, the Company will leverage the strengths of both companies and aim to implement the following measures and realize the following synergies.

(i) Cooperation in the development of telemedicine

NTT DOCOMO and the Company will work together to further develop telemedicine. Specifically, the Company believes that it can promote the appropriate dissemination of telemedicine by jointly operating a telemedicine app by utilizing the Company's extensive customer base in the medical and healthcare field and its ability to develop and operate medical-related services, in addition to NTT DOCOMO's strong membership base and the ability to operate diverse services utilizing such membership base.

(ii) Provision of high-value-added medical healthcare services

By combining NTT DOCOMO's strong customer base, software development technology and commercial service planning capabilities with the Company's expertise in the medical and healthcare field cultivated through its Medical Platform Business, etc., the Company recognizes that it is possible to provide high value-added collaborative services to end users. The content of specific collaborative services will be discussed by the two companies, but at the current planning stage, it is contemplated that the Company provides applications, etc. that utilize the function of telemedicine for each health and medical theme of end users' interest. When specific collaborative services are determined, the Company will disclose them timely

(2) Details of Capital Alliance

The Company will allot 933,100 shares (post-allotment shareholding ratio: 2.93%) of the Company's common shares to NTT DOCOMO through the Third-Party Allotment.

3. Schedule for the Capital and Business Alliance

- | | |
|---|----------------|
| (1) Resolution date of the Board of Directors: | April 26, 2021 |
| (2) Execution date of the Agreements: | April 26, 2021 |
| (3) Payment date for the Third-Party Allotment: | May 11, 2021 |

II. Issuance of New Shares through Third-Party Allotment

1. Outline of Offering

(1) Payment date	May 11, 2021
(2) Number of new shares issued	933,100 shares
(3) Issue price	¥5,500 per share of common stock
(4) Amount to be raised	¥5,132,050,000
(5) Method of offering or allotment (Planned allottee)	Third-party allotment (NTT DOCOMO: 933,100 shares)
(6) Others	The items above are subject to the effectiveness of the securities registration statement filed under the Financial Instruments and Exchange Act.

2. Amount of proceeds to be raised

1) Aggregate amount to be paid	¥5,132 million
2) Approximate cost of issuance	¥49 million
3) Approximate net proceeds	¥5,083 million

3. Use of proceeds to be raised

The approximate net proceeds described in “2. Amount of proceeds to be raised” above is scheduled to be allocated to funds for future M&A and capital and business alliances in the Medical Platform Business. The specific purpose of use of proceeds and scheduled expenditures are as follows.

Use of proceeds to be raised	Amount (million yen)	Scheduled timing of expenditure
Future M&A and capital and business alliances in the Medical Platform Business	5,083	July 2021 to March 2026
Total	5,083	