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## Consolidated Financial Results

### for the Nine Months Ended September 30, 2021

### [Japanese GAAP]

November 12, 2021

Company name: MEDLEY, INC.

Stock exchange listing: Tokyo

Code number: 4480

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

Representative: Kohei Takiguchi

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Scheduled date of filing quarterly securities report: November 12, 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 Nine Months Ended September 30, 2021 (January 01, 2021 to September 30, 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	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2021	8,072	54.5	1,009	55.8	642	18.8	643	16.5	384	(16.8)
September 30, 2020	5,226	42.2	647	30.9	541	26.4	552	20.6	461	-

(Note) Comprehensive income: Nine months ended September 30, 2021: ¥ 386 million [ (16.3) %]

Nine months ended September 30, 2020: ¥ 461 million [ - %]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2021	12.18	11.71
September 30, 2020	16.15	14.81

(Note) EBITDA = Operating profit / loss + depreciation and amortization of goodwill + share-based compensation  
Because the Group has posted no amortization of goodwill during consolidated Q3 FY2020, it was not included in the calculation of EBITDA. However, starting from consolidated Q1 FY2021, amortization of goodwill by newly consolidated subsidiaries is included in the calculation of EBITDA. Also, because there were no share-based compensation expenses during consolidated Q3 FY2020, such expenses are not included in the calculation of EBITDA.

##### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
September 30, 2021	21,351	15,505	72.6
December 31, 2020	15,519	9,717	62.6

(Reference) Equity: As of September 30, 2021: ¥ 15,492 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	-	0.00	-		
Fiscal year ending December 31, 2021 (Forecast)				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)	0.62
	11,270	65.0	1,170	115.6	660	66.6	680	60.9	480	5.3	14.92

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

\* Notes:

(1) Changes in significant subsidiaries during the nine months ended September 30, 2021

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

New 2 (Company name: 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 2. Quarterly Consolidated Financial Statements and Important Notes (4) Important notes regarding quarterly consolidated financial statements (Application of special accounting methods in preparation for quarterly consolidated financial statements) on page 10.

(3) Changes in accounting policies, 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: Yes

4) Retrospective restatement: No

(Note) For details, please refer to 2. Quarterly Consolidated Financial Statements and Important Notes (3) Important notes regarding quarterly consolidated financial statements (Changes in accounting estimates) on page 10.

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

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

September 30, 2021: 32,177,900 shares

December 31, 2020: 30,889,100 shares

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

September 30, 2021: 3,000 shares

December 31, 2020: - shares

3) Average number of shares during the period:

Nine months ended September 30, 2021: 31,565,810 shares

Nine months ended September 30, 2020: 28,595,920 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 third quarter of the consolidated fiscal year ending December 31, 2021 (consolidated Q3 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 a state of emergency in April 2021, mainly focusing on major cities such as Tokyo and Osaka. The state of emergency was lifted in June 2021 except in Okinawa Prefecture. However, in July, another state of emergency was promulgated in Tokyo, followed in August by state of emergency declarations in Kanagawa, Saitama, and Chiba prefectures as well as in Osaka. These states of emergency remained in place after August. Also, vaccinations have begun nationwide, and this is expected to reduce the onset and progression of COVID-19. Starting in April, the number of people receiving vaccinations began rising sharply.

Amid this business environment, although vaccinations resulted in hiring process delays mainly in the medical and nursing care fields at recruitment system JobMedley, sales in the Recruitment Platform Business grew owing to factors including the consolidation of the online training business of MEDiPASS Co., Ltd. Although the Medical Platform Business also saw an impact from the administration of vaccinations by medical institutions, sales in this business rose owing to steady products sales and the consolidation of Pacific Medical, Inc. and some of the businesses of MEDiPASS Co., Ltd. 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 Q3 FY2021, the Group posted net sales of ¥8,072,052 thousand (up 54.5% YoY), an EBITDA of ¥1,009,152 thousand (up 55.8% YoY), an operating profit of ¥642,881 thousand (up 18.8% YoY), an ordinary profit of ¥643,662 thousand (up 16.5% YoY), and a quarterly net profit attributable to owners of the parent company of ¥384,345 thousand (down 16.8% YoY).

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 group-wide shared costs totaled ¥1,375,660 thousand (up 31.8% YoY).

#### 1. Recruitment Platform Business

During consolidated Q3 FY2021, the recruitment system JobMedley continued to see some impact from delays in hiring processes associated with the administration of COVID-19 vaccines. However, the Group continuously improved the functionality of its service websites with the aim of improving user convenience, which resulted in growth in the number of job applicants. The number of customer offices grew 13.2% compared with the end of consolidated FY2020, surpassing 244,000, and the number of job offers listed rose by 9.5% over the same period, to over 235,000. The online training business of MEDiPASS Co., Ltd., which was consolidated (converted to a wholly owned subsidiary) in March 2021, was also integrated into the Recruitment Platform Business segment and has been performing smoothly.

As a result of the above, consolidated Q3 FY2021 segment net sales were ¥5,967,622 thousand (up 36.3% YoY) and segment profit before allocation of group-wide shared costs (operating profit) was ¥2,423,012 thousand (up 20.5% YoY).

#### 2. Medical Platform Business

During consolidated Q3 FY2021, the Medical Platform Business saw some impact associated with the administration of COVID-19 vaccines by medical institutions. However, owing to the consolidation in January 2021 of Pacific Medical, Inc., which develops and provides the electronic medical record system MALL to small and medium-sized hospitals, the number of customers served by the Medical Platform Business remained on the rising trend seen in the previous consolidated fiscal year, rising by 39.1% compared with the end of consolidated FY2020 and reaching 7,808. The Group also continued to update and expand content for MEDLEY, an online medical encyclopedia. In addition, some of the businesses of MEDiPASS Co., Ltd., which was consolidated (converted to a wholly owned subsidiary) in March 2021, were also integrated into the Medical Platform Business segment.

As a result of the above, consolidated Q3 FY2021 segment net sales were ¥1,892,364 thousand (up 146.9% YoY) and segment loss before allocation of group-wide shared costs (operating loss) was ¥365,685 thousand (compared with an operating loss of ¥362,917 thousand in Q3 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 family pharmacy support system Pharms and increasing the functionality available to patients using CLINICS telemedicine system and 2) the amortization of goodwill associated with the consolidation of Pacific Medical, Inc. and MEDiPASS Co., Ltd.

### 3. New Services Segment

During consolidated Q3 FY2021, as in Q2 FY2021, the Kaigo-no Honne nursing facility search website business was impacted by postponement of facilities tours and limitations on accepting new patients and residents resulting from the spread of COVID-19. However, the Company continued to proactively conduct operations, including website upgrades, to expand content and increase the number of facilities that can be introduced using Kaigo-no Honne service.

As a result of the above, consolidated Q3 FY2021 segment net sales were ¥212,185 thousand (up 161.6% YoY) and the segment posted a loss before allocation of group-wide shared costs (operating loss) of ¥38,785 thousand (compared with an operating loss of ¥62,548 thousand in Q3 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 Q3 FY2021 totaled ¥18,223,990 thousand, an increase of ¥3,688,326 thousand compared with the end of the previous consolidated fiscal year. This increase was mainly attributable to an increase of ¥3,007,237 thousand in cash and deposits and an increase of ¥471,079 thousand in accounts receivable (trade). Non-current assets as of end-consolidated Q3 FY2021 totaled ¥3,042,231 thousand, an increase of ¥2,108,761 thousand compared with the end of the previous consolidated fiscal year. This increase was mainly attributable to an increase of ¥1,630,648 thousand in tangible non-current assets and an increase of ¥371,730 thousand in investments and other assets. Deferred assets were ¥75,219 thousand, an increase of ¥34,361 thousand compared with the end of the previous consolidated fiscal year.

As a result of the above, total assets as of end-consolidated Q3 FY2021 totaled ¥21,351,441 thousand, an increase of ¥5,831,448 thousand compared with the end of the previous consolidated fiscal year.

### Liabilities

Current liabilities as of end-consolidated Q3 FY2021 totaled ¥3,280,985 thousand, an increase of ¥337,156 thousand compared with the end of the previous consolidated fiscal year. This increase was mainly attributable to increases of ¥323,867 thousand in accounts payable, ¥186,912 thousand in income taxes payable, ¥108,286 thousand in the current portion of long-term borrowings, ¥96,117 thousand in advances received, and ¥88,495 thousand in the provision for bonuses and a decrease of ¥500,000 thousand in short-term borrowings. Non-current liabilities as of end-consolidated Q3 FY2021 totaled ¥2,565,235 thousand, a decrease of ¥293,333 thousand compared with the end of the previous consolidated fiscal year. This decrease was mainly attributable to a decrease of ¥484,929 thousand in long-term borrowings.

As a result of the above, total liabilities as of end-consolidated Q3 FY2021 totaled ¥5,846,220 thousand, an increase of ¥43,822 thousand compared with the end of the previous consolidated fiscal year.

### Net assets

Net assets as of end-consolidated Q3 FY2021 totaled ¥15,505,220 thousand, an increase of ¥5,787,626 thousand compared with the end of the previous consolidated fiscal year. This increase was mainly attributable to increases of ¥2,696,428 thousand each in capital and capital surplus and an increase of ¥384,345 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.

Quarterly Consolidated Financial Statements  
Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of December 31,2020	As of September 30,2021
<b>Assets</b>		
Current assets		
Cash and deposits	14,052,034	17,059,271
Accounts receivable - trade	300,272	771,352
Merchandise and finished goods	11,657	46,959
Work in process	4,338	11,128
Prepaid expenses	71,963	166,549
Other	136,462	220,404
Allowance for doubtful accounts	(31,065)	(41,674)
Total current assets	14,545,664	18,233,990
Non-current assets		
Property, plant and equipment	67,520	173,903
Intangible assets		
Goodwill	80,828	1,690,298
Other	282,419	303,597
Total intangible assets	363,247	1,993,895
Investments and other assets	502,702	874,432
Total non-current assets	933,470	3,042,231
Deferred assets	40,858	75,219
Total assets	15,519,992	21,351,441

(Thousand yen)

	As of December 31,2020	As of September 30,2021
Liabilities		
Current liabilities		
Accounts payable - trade	57,287	92,493
Short-term borrowings	500,000	-
Current portion of long-term borrowings	825,826	934,112
Accounts payable - other	587,056	910,923
Accrued expenses	72,609	57,053
Advances received	421,392	517,509
Deposits received	141,492	133,778
Income taxes payable	112,300	299,213
Accrued consumption taxes	193,866	197,424
Provision for bonuses	-	88,495
Provision for refund of sales	10,656	18,051
Provision for continuous service bonuses	19,368	28,840
Other allowance	1,971	1,335
Other	-	1,755
Total current liabilities	2,943,829	3,280,985
Non-current liabilities		
Long-term borrowings	2,858,569	2,373,640
Other	-	191,595
Total non-current liabilities	2,858,569	2,565,235
Total liabilities	5,802,398	5,846,220
Net assets		
Shareholders' equity		
Share capital	3,968,433	6,664,861
Capital surplus	5,790,380	8,486,809
Retained earnings	(43,151)	341,194
Total shareholders' equity	9,715,662	15,492,865
Share acquisition rights	1,932	878
Non-controlling interests	-	11,477
Total net assets	9,717,594	15,505,220
Total liabilities and net assets	15,519,992	21,351,441

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Thousand yen)

	For the nine months ended September 30,2020	For the nine months ended September 30,2021
Net sales	5,226,176	8,072,052
Cost of sales	1,536,215	2,811,860
Gross profit	3,689,960	5,260,191
Selling, general and administrative expenses	3,148,649	4,617,309
Operating profit	541,311	642,881
Non-operating income		
Interest income	36	164
Settlement received	11,250	17,882
Subsidy income	9,690	13,818
Miscellaneous income	1,229	11,097
Other	1,584	3,546
Total non-operating income	23,790	46,507
Non-operating expenses		
Interest expenses	6,901	14,766
Amortization of share issuance costs	3,226	19,411
Loss on extinguishment share-based compensation expenses	-	11,355
Other	2,569	193
Total non-operating expenses	12,698	45,726
Ordinary profit	552,404	643,662
Extraordinary income		
Gain on sale of businesses	-	22,408
Total extraordinary income	-	22,408
Extraordinary losses		
Loss on abandonment of non-current assets	-	96
Total extraordinary losses	-	96
Profit before income taxes	552,404	665,974
Income taxes	90,593	279,616
Profit	461,810	386,357
Profit attributable to non-controlling interests	-	2,012
Profit attributable to owners of parent	461,810	384,345

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

(Thousand yen)

	For the nine months ended September 30,2020	For the nine months ended September 30,2021
Profit	461,810	386,357
Other comprehensive income		
Total other comprehensive income	-	-
Comprehensive income	461,810	386,357
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	461,810	384,345
Comprehensive income attributable to non-controlling interests	-	2,012

### (3) 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)

Significant change in shareholders' equity

On May 11, 2021, the Group received increases of ¥2,696,428 thousand each in capital and capital surplus resulting from the payment for the issuance of new shares through a third-party allotment by NTT DOCOMO, INC., and the exercise of subscription rights during the nine months ended September 30, 2021. As a result of these, as of end-consolidated Q3 FY2021, share capital was ¥6,664,861 thousand and capital surplus were ¥8,486,809 thousand.

(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 Q3 FY2021.

(Changes in accounting estimates)

At a meeting of the Board of Directors held on September 17, 2021, the Company passed a resolution regarding the relocation of its head office. In line with this resolution, the anticipated service life of fixed assets not expected to be utilized after the relocation was shortened, resulting in changes to forward-looking accounting estimates.

Also, regarding asset retirement obligations related to restoration costs associated with the Company's real estate lease contracts, the Company has decided to post all expenses related to said asset retirement obligations before the scheduled relocation date.

As a result of these changes to our estimates, compared with under the previous accounting method, consolidated Q3 FY2021 operating profit, ordinary profit, and profit before income taxes declined by ¥18,959 thousand each.

(Additional information)

There have been no changes made to the assumptions regarding the impact of the spread of COVID-19 and the duration of the outbreak 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 until end-consolidated FY2020 to "Provision for continuous service bonuses" in "Current liabilities" starting from consolidated Q1 FY2021.

(Segment information, etc.)

(Segment information)

Consolidated financial results for consolidated Q3 FY2020 (January 01, 2020, to September 30, 2020)

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

(Thousands of yen)

	Reportable segment				Adjustment (Note)	Amount in the consolidated financial statement
	Recruitment Platform Business	Medical Platform Business	New Services	Total		
Net sales						
Sales to external customers	4,378,617	766,458	81,101	5,226,176	—	5,226,176
Inter-segment sales and transfers	—	—	—	—	—	—
Total	4,378,617	766,458	81,101	5,226,176	—	5,226,176
Segment profit (loss)	2,010,816	(362,917)	(62,548)	1,585,350	(1,044,038)	541,311

Notes: 1. Segment profit (loss) adjustments of (¥1,044,038 thousand) 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)

Not applicable

(Significant gains in negative goodwill)

Not applicable

Consolidated financial results for consolidated Q3 FY2021 (January 01, 2021, to September 30, 2021)

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

(Thousands of yen)

	Reportable segment				Adjustment (Note)	Amount in the consolidated financial statement
	Recruitment Platform Business	Medical Platform Business	New Services	Total		
Net sales						
Sales to external customers	5,967,502	1,892,364	212,185	8,072,052	—	8,072,052
Inter-segment sales and transfers	120	—	—	120	(120)	—
Total	5,967,622	1,892,364	212,185	8,072,172	(120)	8,072,052
Segment profit (loss)	2,423,012	(365,685)	(38,785)	2,018,541	(1,375,660)	642,881

Notes: 1. Segment profit (loss) adjustments of (¥1,375,660 thousand) 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 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 FY2021, the Group acquired shares of Pacific Medical, Inc. and MEDiPASS Co., Ltd. and integrated them into the scope of consolidated accounting.

As a result, goodwill in the Recruitment Platform Business increased by ¥698,336 thousand and goodwill in the Medical Platform Business increased by ¥1,068,569 thousand.

The amount of goodwill is provisionally calculated because the allotment of acquisition costs was not completed as of end-consolidated Q3 FY2021.

(Significant gains in negative goodwill)

Not applicable

(Significant subsequent events)

(Acquisition of investment securities)

At its Board of Directors Meeting held on October 19, 2021, the Company resolved to acquire all outstanding shares of minacolor inc. ("minacolor") with NTT DOCOMO, INC. ("NTT DOCOMO") (ownership ratio: NTT DOCOMO 85.1%, the Company 14.9%) and conduct underwriting of shares for subscription associated with a capital increase through third-party allotment conducted by minacolor and underwriting of convertible bonds with stock acquisition rights issued by minacolor.

The Company plans to make several payments for underwriting new ordinary shares issued via third-party allotment, and convertible bonds with stock acquisition rights. Total acquisition cost of ordinary shares and the underwriting is

expected to be ¥1,914 million.

(Share repurchase)

At its Board of Directors Meeting held on November 12, 2021, 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.

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 600 thousand shares<br>(1.86% of the total number of shares issued) |
| (3) Aggregate repurchase amount:              | Up to 1,800 million yen   |
| (4) Repurchase period:                        | November 15, 2021 to December 30, 2021                                    |

(Reference) Treasury shares held as of September 30, 2021

Total number of shares issued (excluding treasury shares):	32,174,900 shares
Total number of treasury share:	3,000 shares