



Presentation Material for FY2021 Q3 Financial Results

Medley, Inc.

November 12, 2021

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Disclosure Policy

The Company plans to disclose the latest information, including the status of progress, at the end of each fiscal year under the section of “Business Plan and Growth Opportunities and Strategies”. However, the Company’s financial data and key performance indicators are planned to be disclosed at the end of each quarter.

1. Financial Highlights

2. FY2021 Q3 Results

3. FY2021 Forecast

4. Appendix

FY2021 Q3 Results

- **Maintained high sales growth and continued to aggressively invest in growth**
 - Sales : JPY 2,533 million (YoY : +52%)
 - ▶ Higher-than-expected impact from vaccinations
 - EBITDA : JPY -27 million (YoY : JPY -153 million)⁽¹⁾
 - ▶ Invested an additional JPY 272 million in marketing costs on Recruitment Platform Business to follow up on favorable profit trend

FY2021 Forecast

- **Continue to make progress toward our medium- and long-term goals even as we face COVID-19**
- **Leave our full-year FY2021 forecast unchanged**
 - Sales : JPY 10,770~11,270 million (YoY : +58~65%)
 - EBITDA : JPY 670~1,170 million (EBITDA margin : 6~10%)⁽¹⁾
- **Strengthen efforts to achieve our medium-term targets**
 - Joint acquisition of minacolor inc. with NTT DOCOMO to launch new services
- **Commencement of share repurchase**
 - The maximum amount : up to JPY 1.8 billion

(1) Share-based compensation expenses are included in the calculation of EBITDA starting in FY2021. This change does not have any impact on EBITDA of FY2020 or before.

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Summary of Consolidated FY2021 Q3 Results

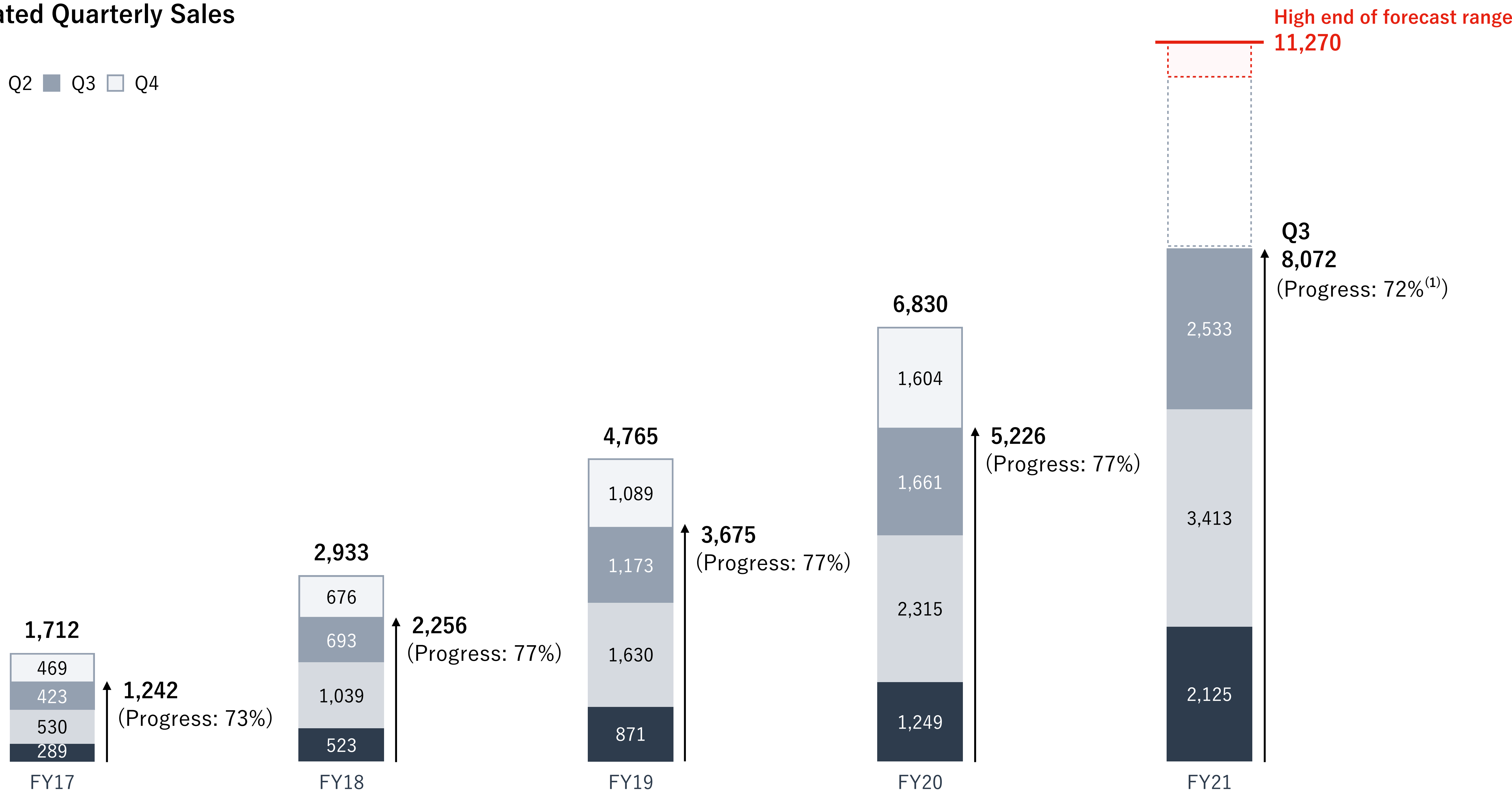
JPY mm	FY2020 Q3	FY2021 Q3	YoY growth
Sales	1,661	2,533	+52%
Gross Profit	1,125	1,502	+34%
EBITDA	125	-27	—
Operating Profit	88	-181	—
Ordinary Profit	98	-192	—
Profit Attributable to Owners of Parent	82	-171	—

Owing to a higher-than-expected impact from vaccinations, in consolidated Q1-Q3 FY2021, we made 72% progress toward the high end of our full-year sales forecast range, but sales are still trending within the expected range.

Aggregated Quarterly Sales

(JPY mm)

■ Q1 ■ Q2 ■ Q3 ■ Q4



(1) Progress toward JPY 11,270 million, which is the high end of our FY2021 forecast range of JPY 10,770 million to JPY 11,270 million

Maintained High Sales Growth Despite Impact of COVID-19 Vaccine Administration

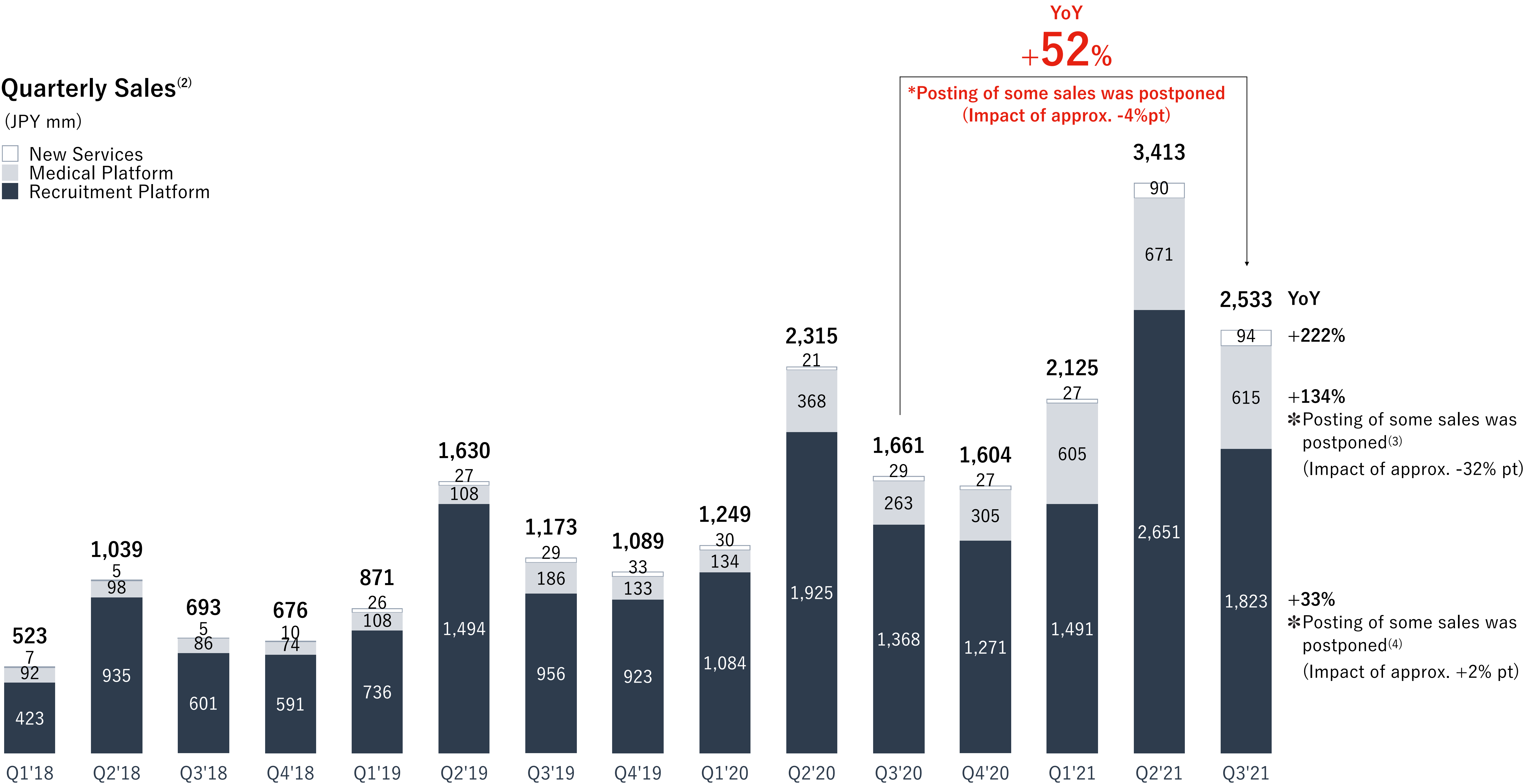


Sales achieved strong growth of 52% YoY in Q3 FY2021, trending in line with our forecast. Owing to the continued impact from vaccinations, the posting of JPY 59 million⁽¹⁾ in sales was postponed until Q4 (YoY impact of approximately -4%pt).

Quarterly Sales⁽²⁾

(JPY mm)

- New Services
- Medical Platform
- Recruitment Platform



(1) The sum of (3) and (4) below

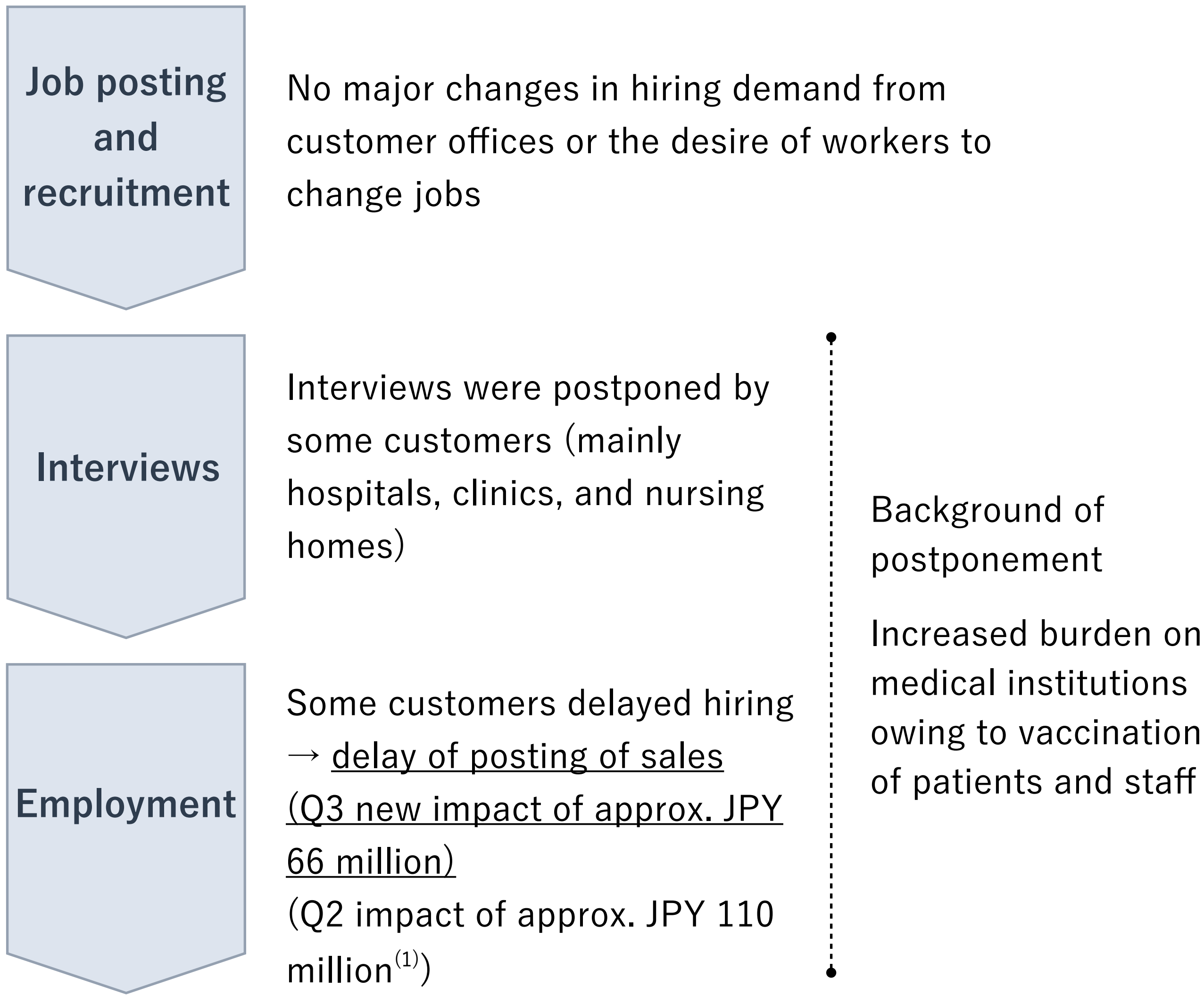
(2) The Recruitment Platform Business posts sales based on the hire dates of new employees.

(3) Calculated based on the following: Offsetting of the value of sales occurring in 2Q FY2021 for which posting was delayed (no material impact, JPY 0 million) to 3Q FY2021 (JPY 0 million) and the value of new sales occurring in 3Q FY2021 for which posting was delayed (JPY 84 million).

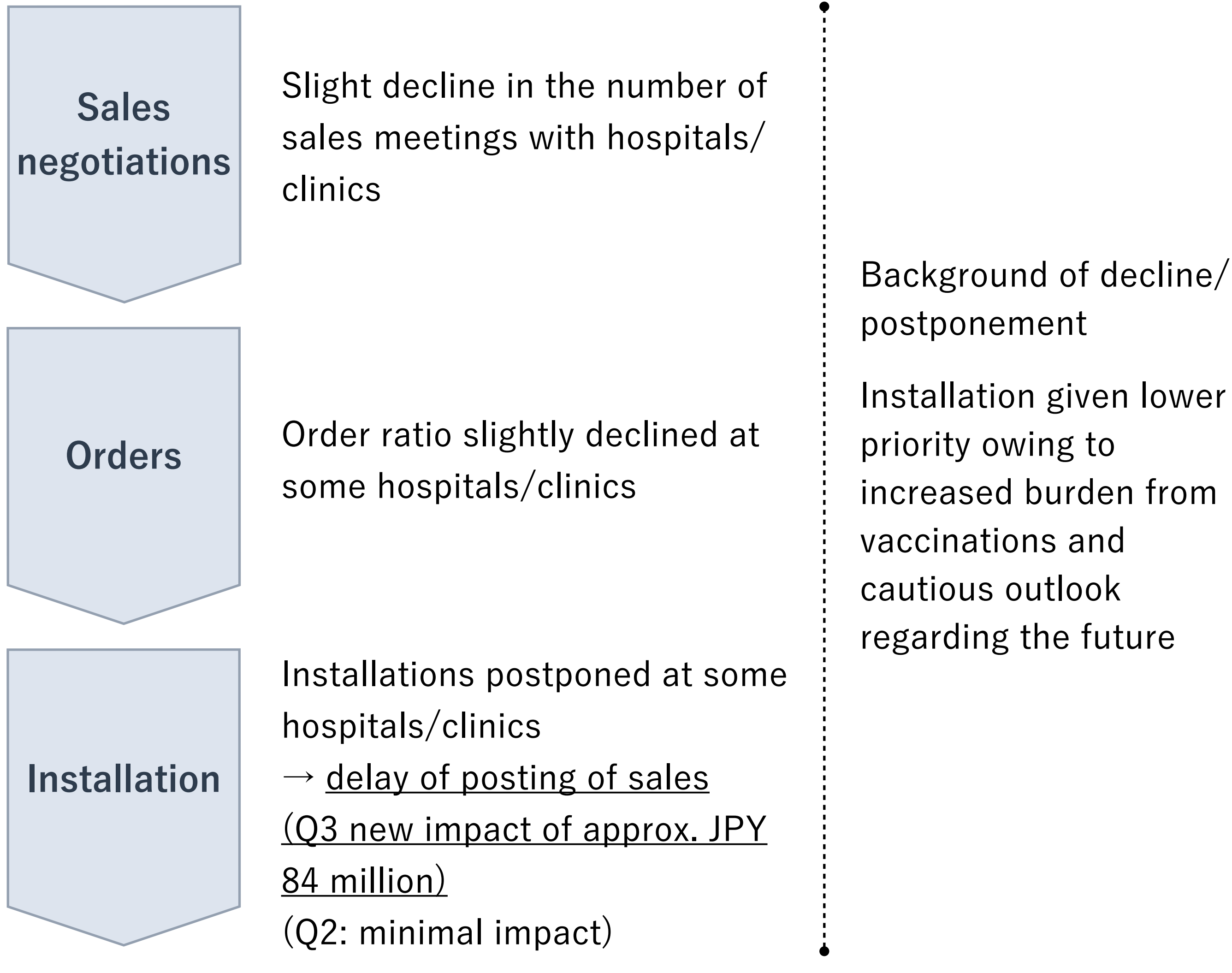
(4) Calculated based on the following: Offsetting of the value of sales occurring in 2Q FY2021 for which posting was delayed (JPY 110 million) to 3Q FY2021 (JPY 91 million) and the value of new sales occurring in 3Q FY2021 for which posting was delayed (JPY 66 million).

Vaccination of patients and staff put an additional burden on hospitals, clinics, and nursing homes (our main customer base), resulting in delayed implementation of each process in our Recruitment Platform and Medical Platform businesses in 3Q. This caused some postponement of sales as employment and system installations were pushed back.

Recruitment PF: Impact from Vaccinations on Hiring Process



Medical PF: Impact from Vaccinations on Sales Processes



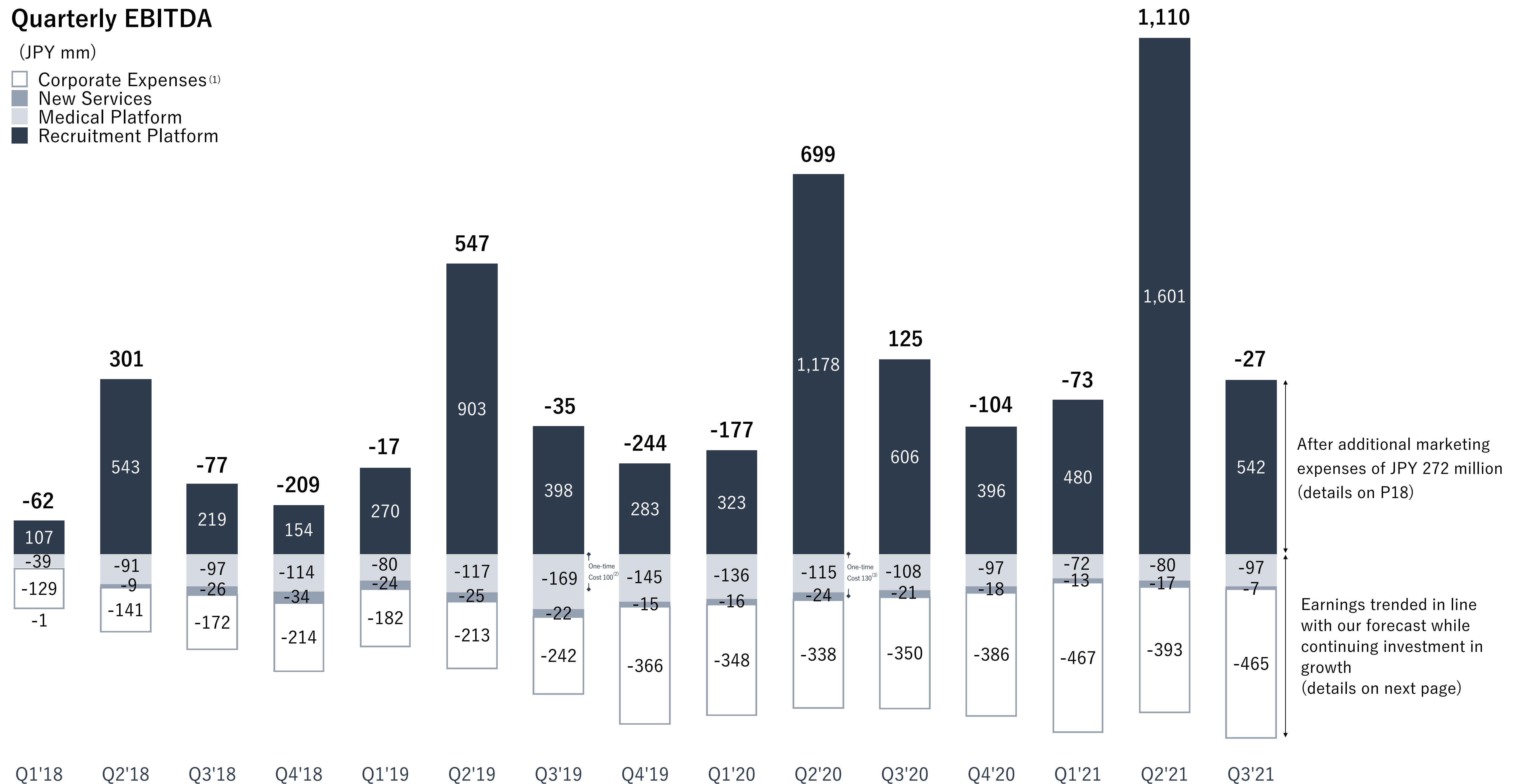
(1) The values of sales in Q3 was JPY 91 million out of the total value of sales occurring in Q2 for which posting was delayed (JPY 110 million).

Investment in Growth on a Companywide Basis in Line with Favorable Profit Trend

Based on the strong profit progress in 1H FY2021, in 3Q, we conducted investment to achieve cost merits on a pretax investment basis. In the Recruitment PF Business, we made additional investments in marketing with the aim of increasing sales and also made decisive growth investments by increasing spending in the Medical PF Business and companywide costs.

Quarterly EBITDA

(JPY mm)



(1) Total of companywide expenses not allocated to segments and inter-segment eliminations

(2) One-time cost (JPY 100 million) for acquiring a source code to add a new function to the Medical Platform Business

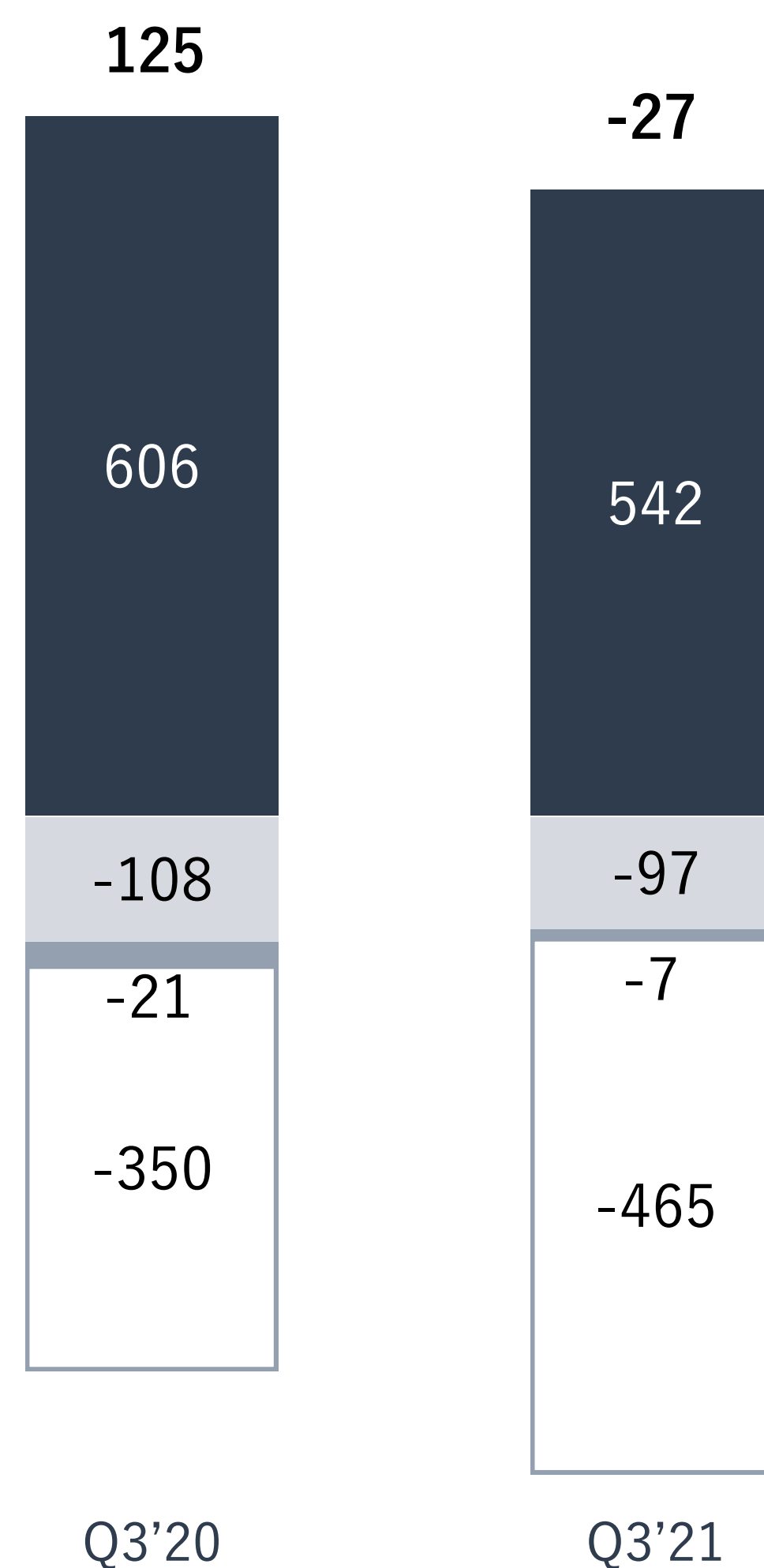
(3) One-time cost (JPY 130 million) for acquiring EMR assets from another company

EBITDA margin of Recruitment PF Business maintained steady YoY, excluding additional marketing costs. Although we continued to aggressively invest in the Medical PF Business, its EBITDA margin improved due to strong sales growth. The ratio of group-wide costs to sales also improved.

Q3 EBITDA

(JPY mm)

- Corporate Expenses ⁽¹⁾
- New Services
- Medical Platform
- Recruitment Platform



Main Factors Contributing to Change in Q3 EBITDA margin

Segment	Q3 FY20	Q3 FY21	Main Factors
Recruitment PF	44.3%	29.7%	<ul style="list-style-type: none"> Invested in additional marketing including TV advertising (-JPY 272 million: details on P18) <ul style="list-style-type: none"> EBITDA margin basically unchanged YoY excluding additional marketing costs
Medical PF	-41.1%	-15.8%	<ul style="list-style-type: none"> Continued hiring to strengthen operation team Strong growth in sales of pharmacy support systems and electronic medical record systems

Main Factors Contributing to Change in Corporate Expenses

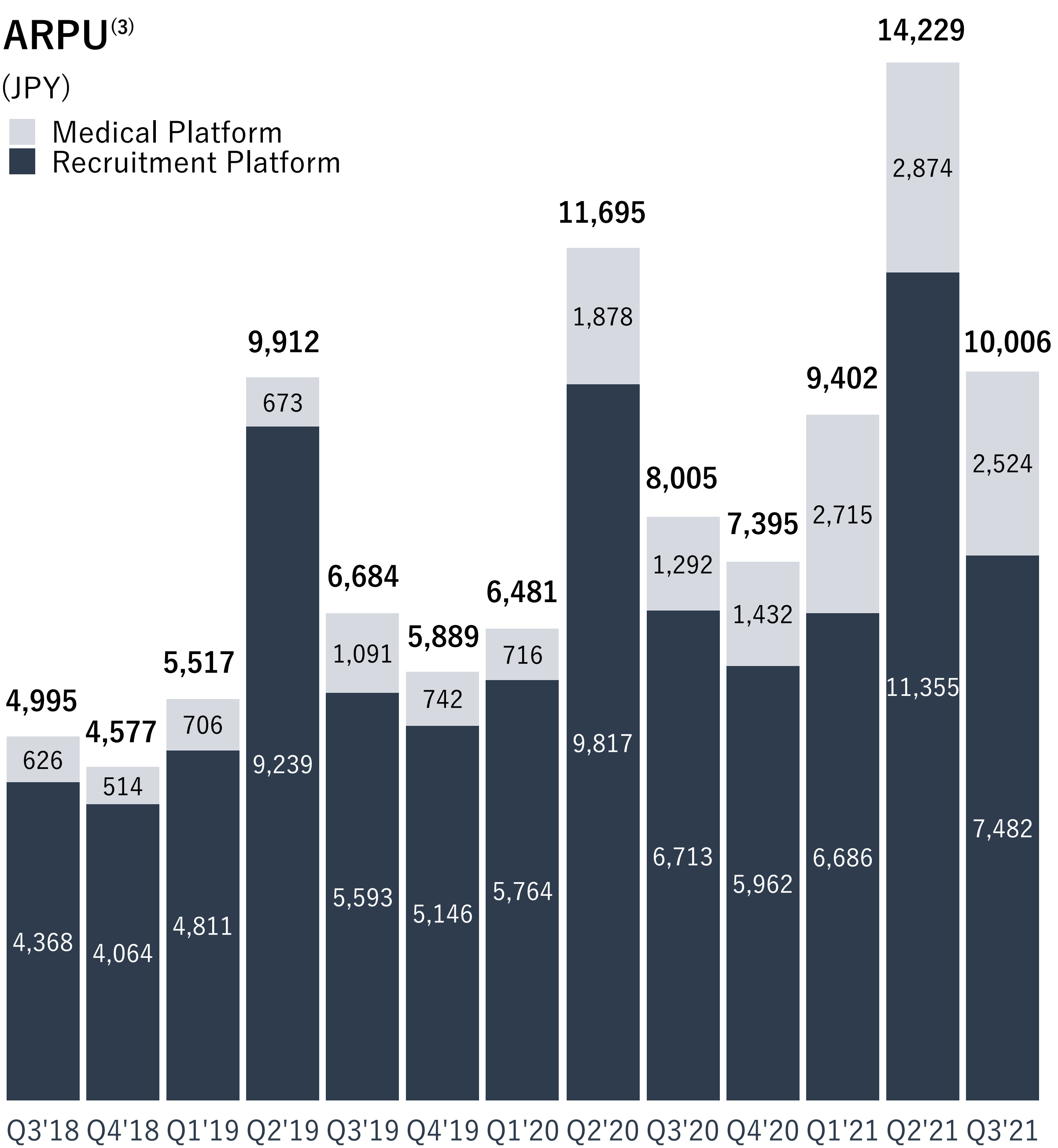
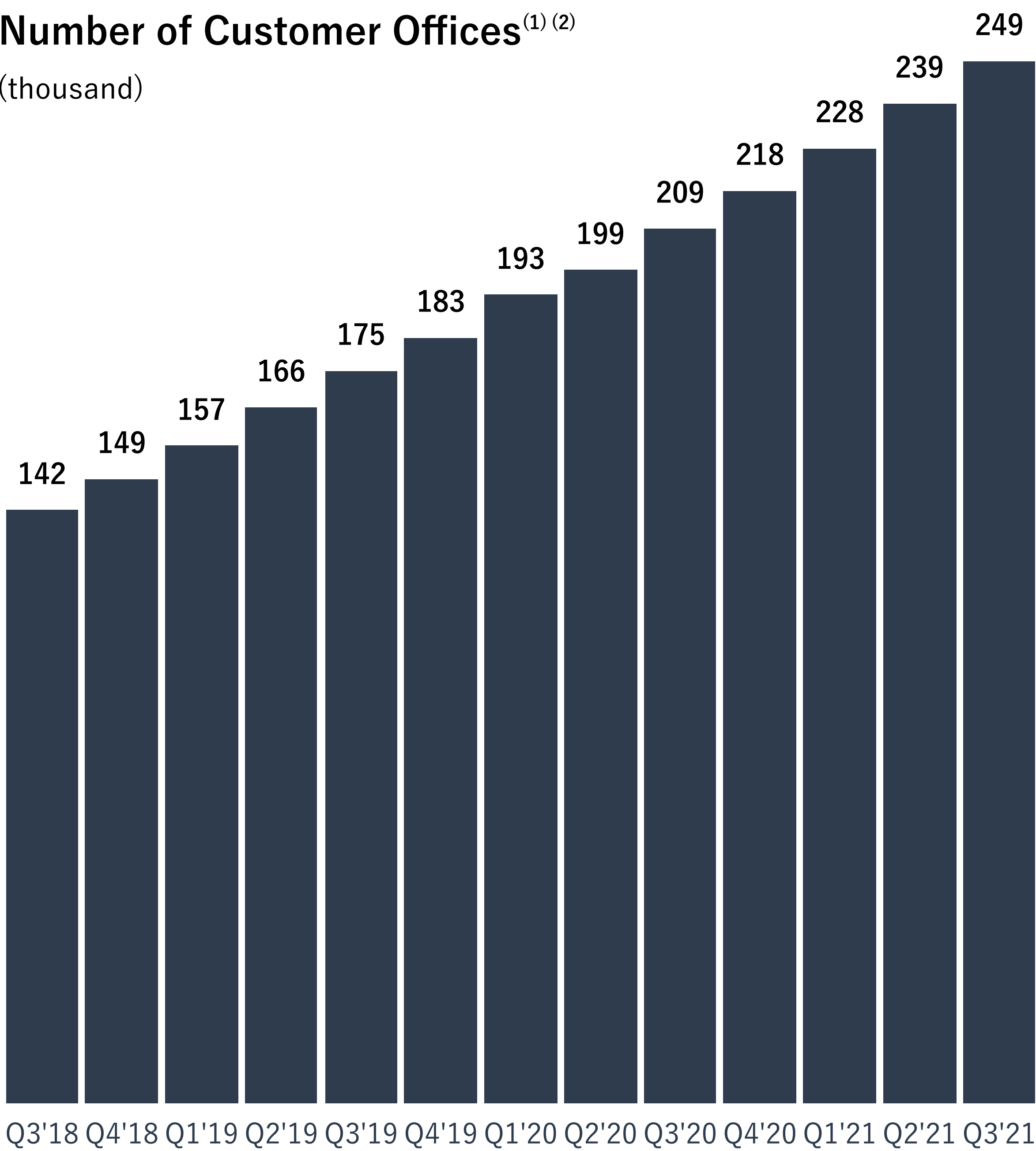
(JPY mm) *figures in parentheses show each cost to quarterly sales ratio

Cost Item	Q3 FY20	Q3 FY21	Main Factors
Personnel costs	159 (9.6%)	169 (6.7%)	<ul style="list-style-type: none"> Increase in number of corporate employees <ul style="list-style-type: none"> Number of employees: 66 in Q3 FY20 → 81 in Q3 FY21⁽²⁾
Rents	68 (4.1%)	104 (4.1%)	<ul style="list-style-type: none"> Office expansion ahead of increase in number of employees (Q1 FY21) <ul style="list-style-type: none"> 455 in Q3 FY20 → 561 in Q3 FY21⁽²⁾
Hiring costs	27 (1.7%)	27 (1.1%)	<ul style="list-style-type: none"> Improved efficiency in hiring activities
Commission fees	41 (2.5%)	91 (3.6%)	<ul style="list-style-type: none"> Rise in outsourcing costs for HR related operations (+JPY 41 million)
Other costs	53 (3.2%)	71 (2.8%)	<ul style="list-style-type: none"> Increase in deposit cost (+JPY 10 million)

(1) Total companywide costs and cross-segment limitations not allocated to any business segment

(2) The number of employees of parent company Medley, Inc.

The number of customer offices and ARPU, our KPIs, have been continuously growing and we plan to keep investing going forward. ARPU increases sharply in every Q2 as a result of the concentration of sales during the time period.



(1) Total number of customers in the Recruitment Platform and Medical Platform businesses.
Since 4Q FY2019, customers using both platforms have been counted as a single customer account.

(2) Starting in Q2 FY2021, the number of customer offices served includes customers using our online training system.

(3) ARPU = Quarterly sales / Average number of customer offices (total for Recruitment Platform and Medical Platform businesses)

ARPU for each platform = Quarterly sales of each platform / Total number of customer offices in the Recruitment Platform and Medical Platform businesses. Since 4Q FY2019, customer offices using both platforms have been counted as a single customer account.

We maintained sound financial position by repaying a portion of our interest-bearing debt. We plan to aggressively invest our JPY 17.0 billion in cash to fuel growth of new and established businesses and conduct M&A, including our already announced investment in minacolor (up to JPY 1.9 billion⁽¹⁾, see page 31).

B/S as of the End of June 2021

(JPY mm)

Cash raised from LOC	Untapped LOC 1,500
Cash and deposits 17,351	Debt 3,573
	Other liabilities 2,294
	Net assets 15,663
Other assets 4,179	

Capital ratio: 72.7%, D/E ratio: 0.23x

B/S as of the End of September 2021

(JPY mm)

Cash raised from LOC	Untapped LOC 2,000
Cash and deposits 17,059	Debt 3,357
	Other liabilities 2,488
	Net assets 15,505
Other assets 4,292	

Capital ratio: 72.6%, D/E ratio: 0.22x




(1) The sum of JPY 178 million for acquisition of ordinary shares of minacolor, JPY 485 million for underwriting of capital increase, and JPY 1,239 million for underwriting of convertible bonds issued

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We prioritize issues to be addressed (materiality) in order to meet the expectations and demands of our stakeholders. Our materiality is determined based on issues directly related to our mission, “Creating the future of medical and healthcare”. By working to solve these critical issues, we strive to continuously contribute to society while increasing enterprise value.

Creating the Future of Medical and Healthcare

Solutions for social challenges through our businesses	Promotion of digitalization in medical and healthcare industry		
	<div> For medical providers</div> <ul style="list-style-type: none">• Streamlining operation through internet products• Solving lack of workforce in medical and healthcare field	<div> For patients users</div> <ul style="list-style-type: none">• Provision of medical information• Supports in utilizing medical services	<div> For government & communities</div> <ul style="list-style-type: none">• Participation in proof-of-concept testing/information provision• Supports for disaster areas• Supports for infection prevention measures
Fundamentals backing our businesses	Ensuring information security and privacy protection	Promotion of diversity & inclusion	Strengthening of governance
	<ul style="list-style-type: none">• Ensuring information security• Privacy protection of users	<ul style="list-style-type: none">• Promotion of hiring and active participation of diverse human resources	<ul style="list-style-type: none">• Strengthening of corporate governance

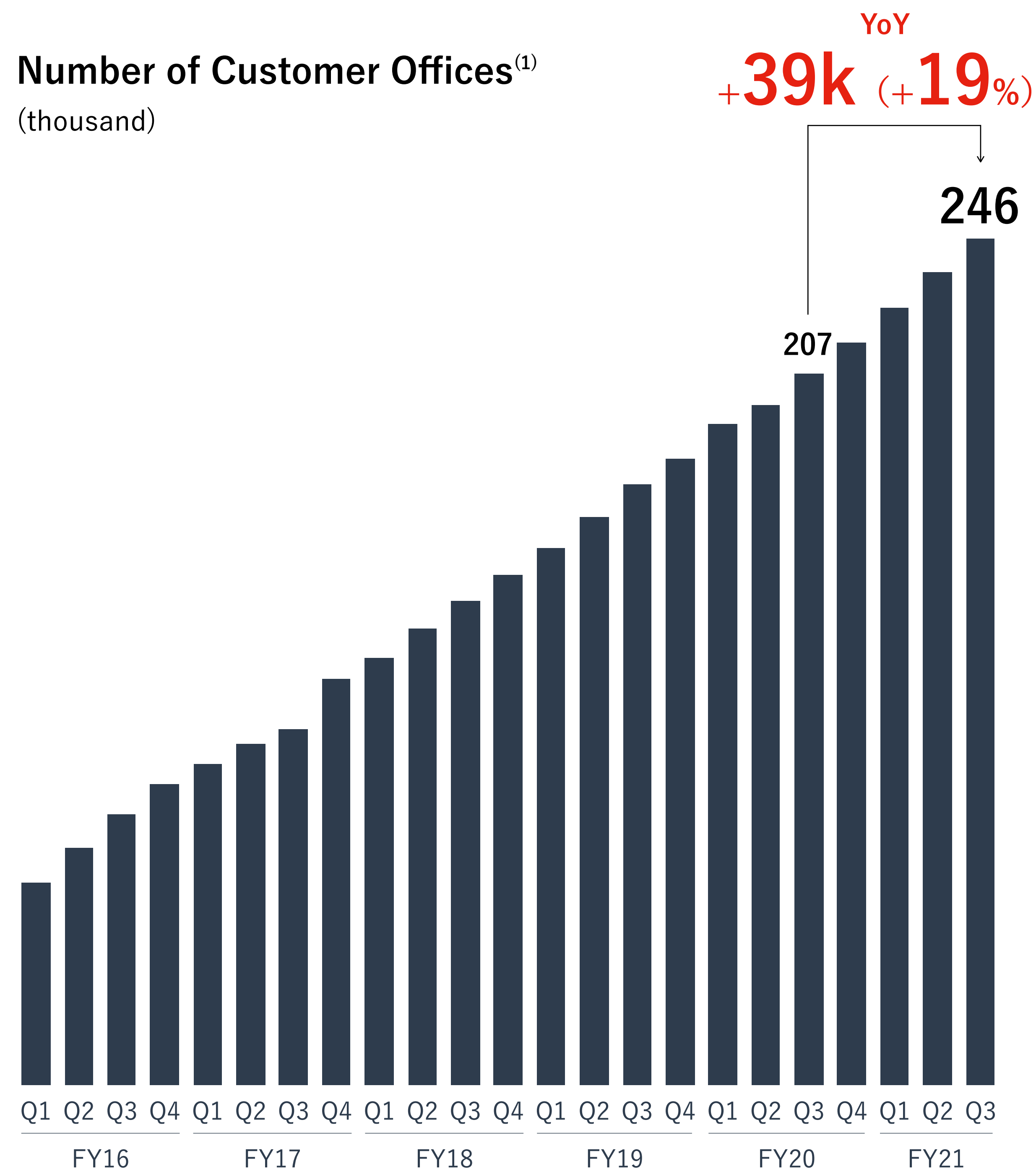
Recruitment Platform

JobMedley
ジョブメドレー

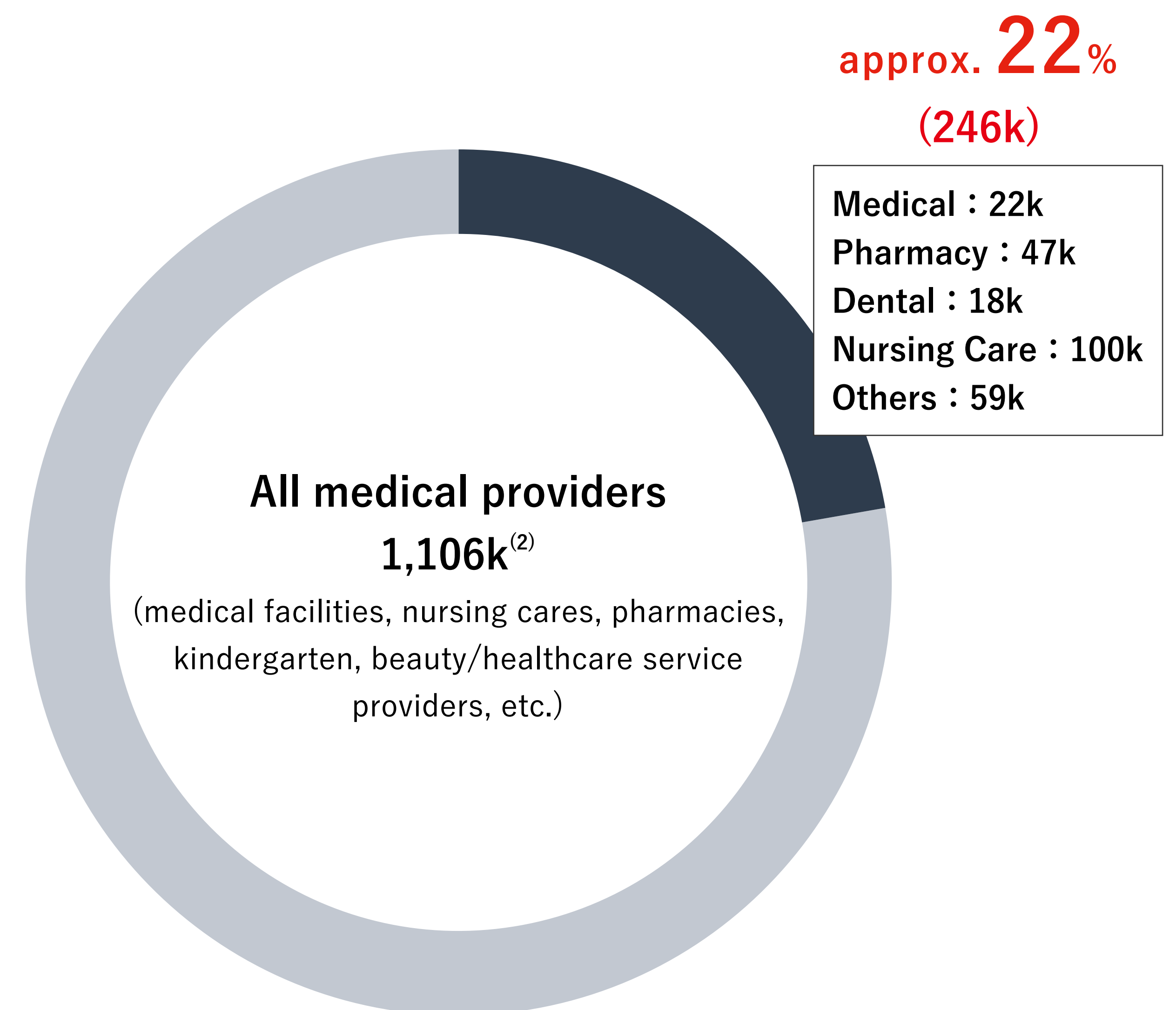
 メディパスアカデミー介護
MEDiPASS Academy



In Q3 FY2021, we continued to make steady progress in signing on new customer offices and we currently have contracts with over 246,000 offices. (Starting in Q2 FY2021, this figure includes offices using our online training system.)



Customer Coverage Ratio

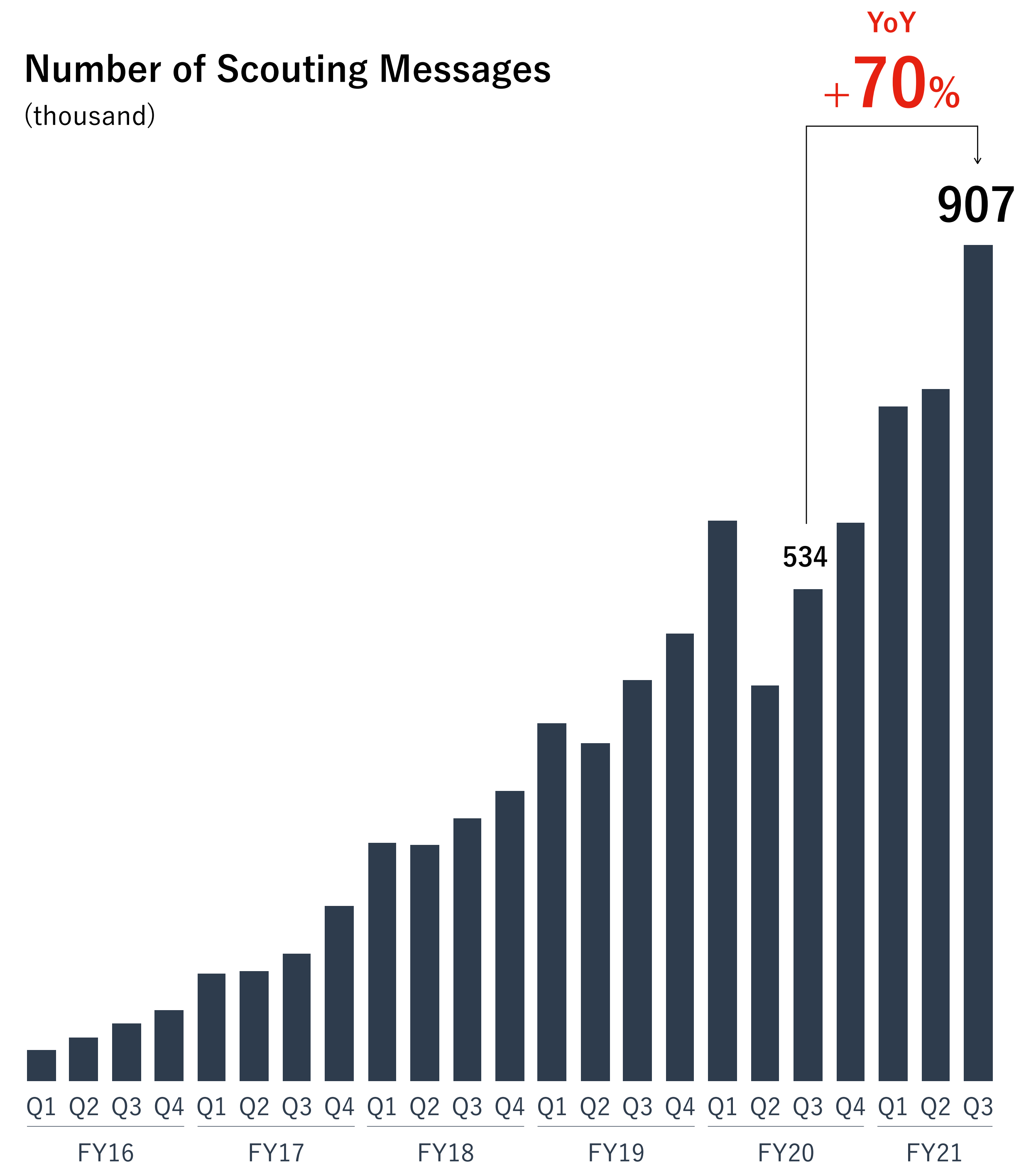
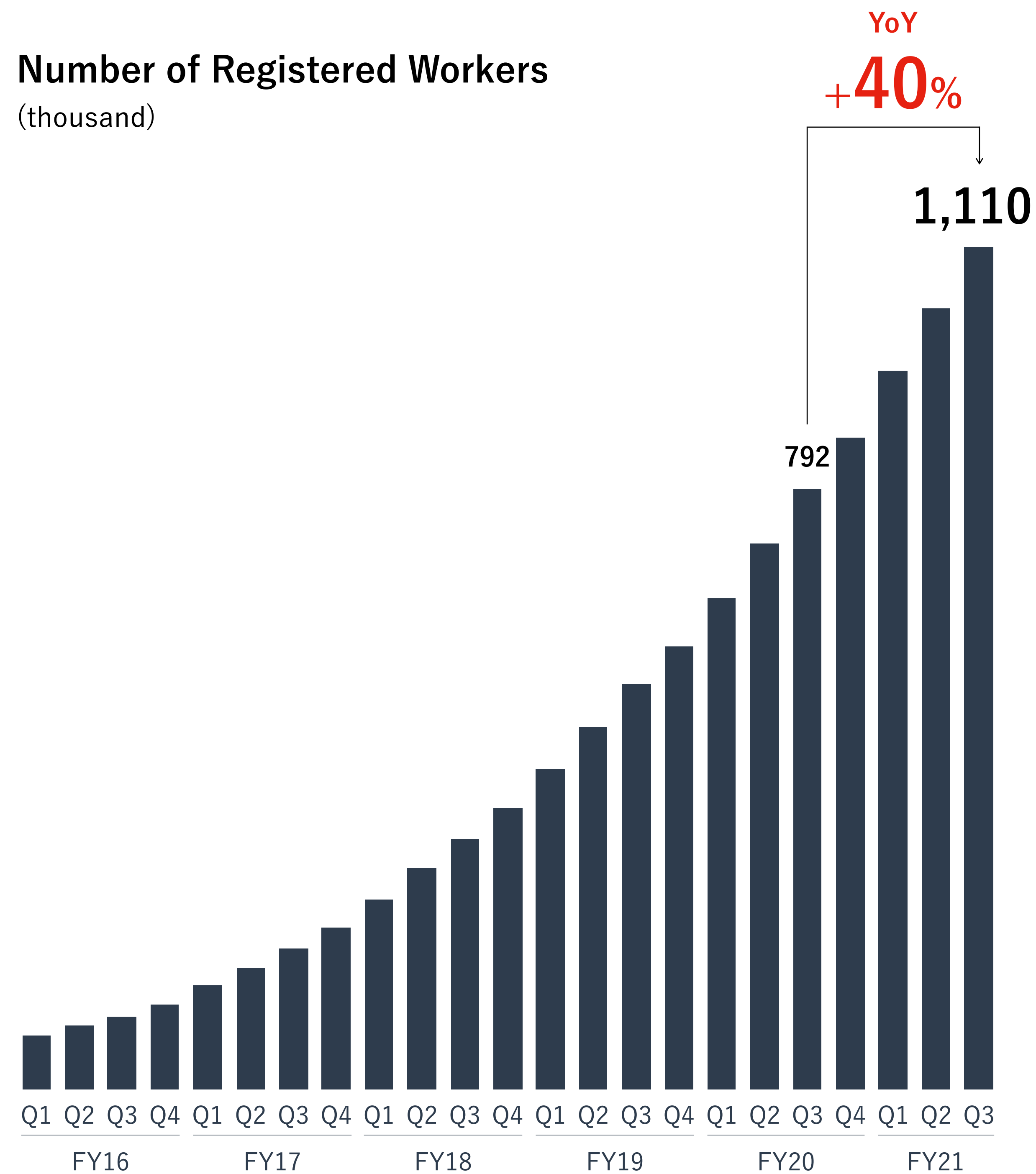


(1) Starting in Q2 FY2021, the number of customer offices includes offices using our online training system.
(Offices with multiple contracts counted once.)

(2) Ministry of Health, Labour and Welfare, Ministry of Internal Affairs and Communications, and Cabinet Office statistics

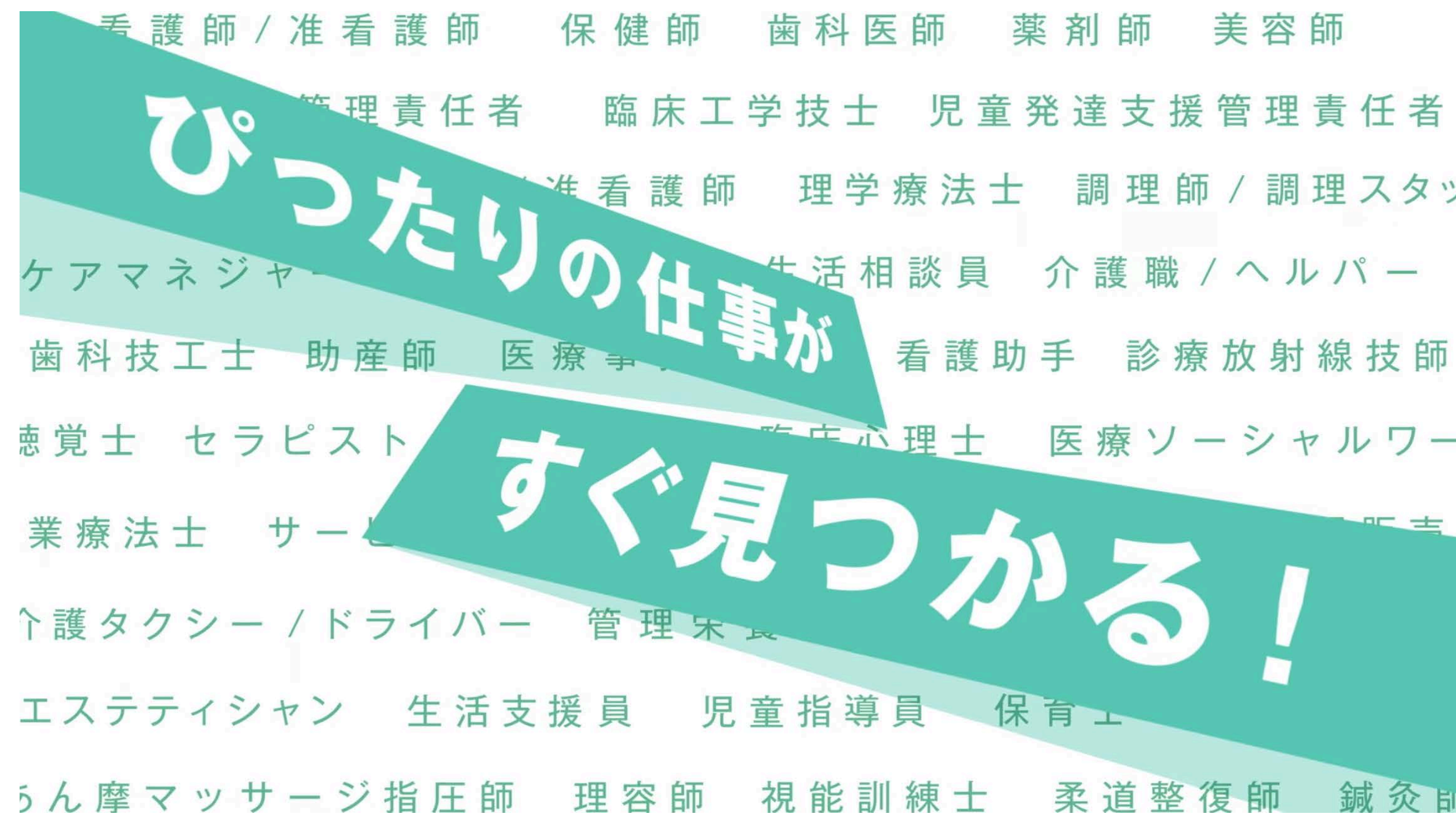
Recruitment System: Accelerate Direct Recruiting with Expansion of the Pool of Registered Workers

Proactive recruitment methods are effective for hiring medical and healthcare professionals. In Q3 FY2021, our customers increased usage of our scouting functions as we expanded our pool of registered workers.



In 3Q, to follow up on favorable profit progress, we invested in digital and TV advertising in excess of our original marketing budget. While we observed an immediate impact in terms of the performance of our digital advertising, including a rise in search volume, our main goal was to achieve long-term growth in our pool of registered workers by enhancing brand awareness. We do not plan to air TV advertising in 4Q.

Overview of TV ads



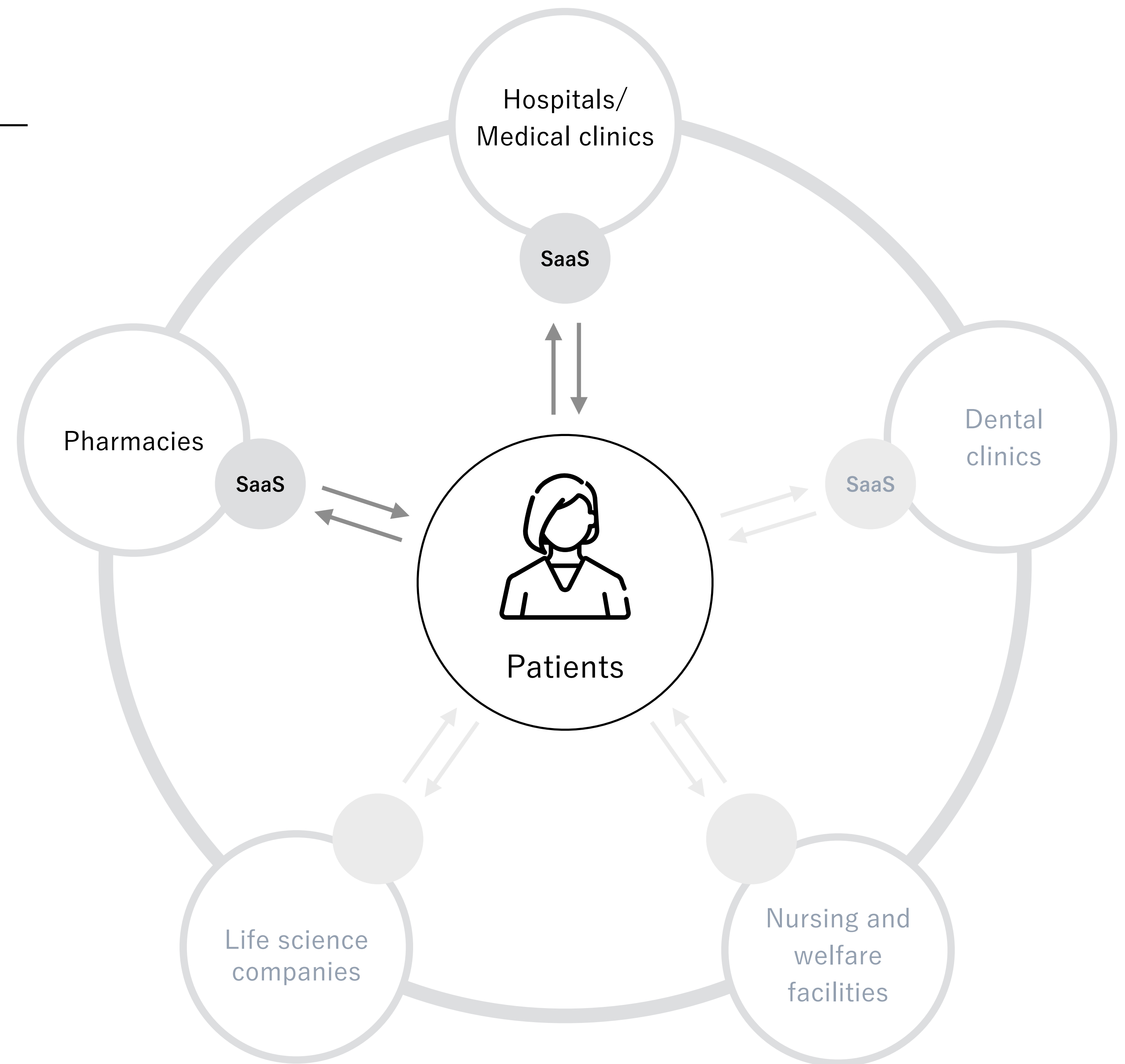
- Airing period: September 2021
- Geographical areas: Kanto, Kansai, Chukyo, and Fukuoka
 - First aired in the Kanto region
- Impact
 - Gave us exposure to different audiences from digital ads
 - Improved brand awareness boosted the performance of our digital ads (synergistic benefits)

Medical Platform

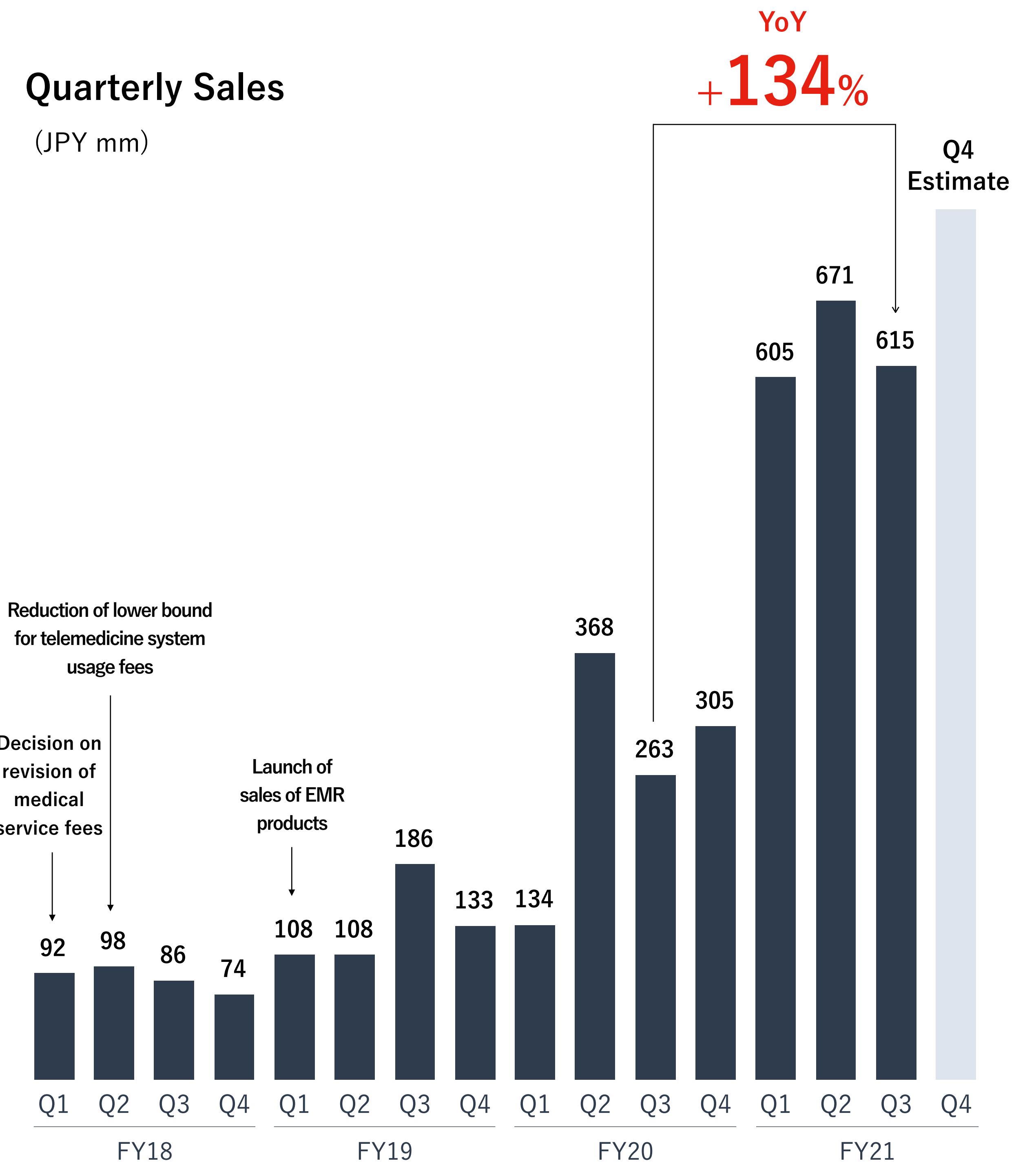
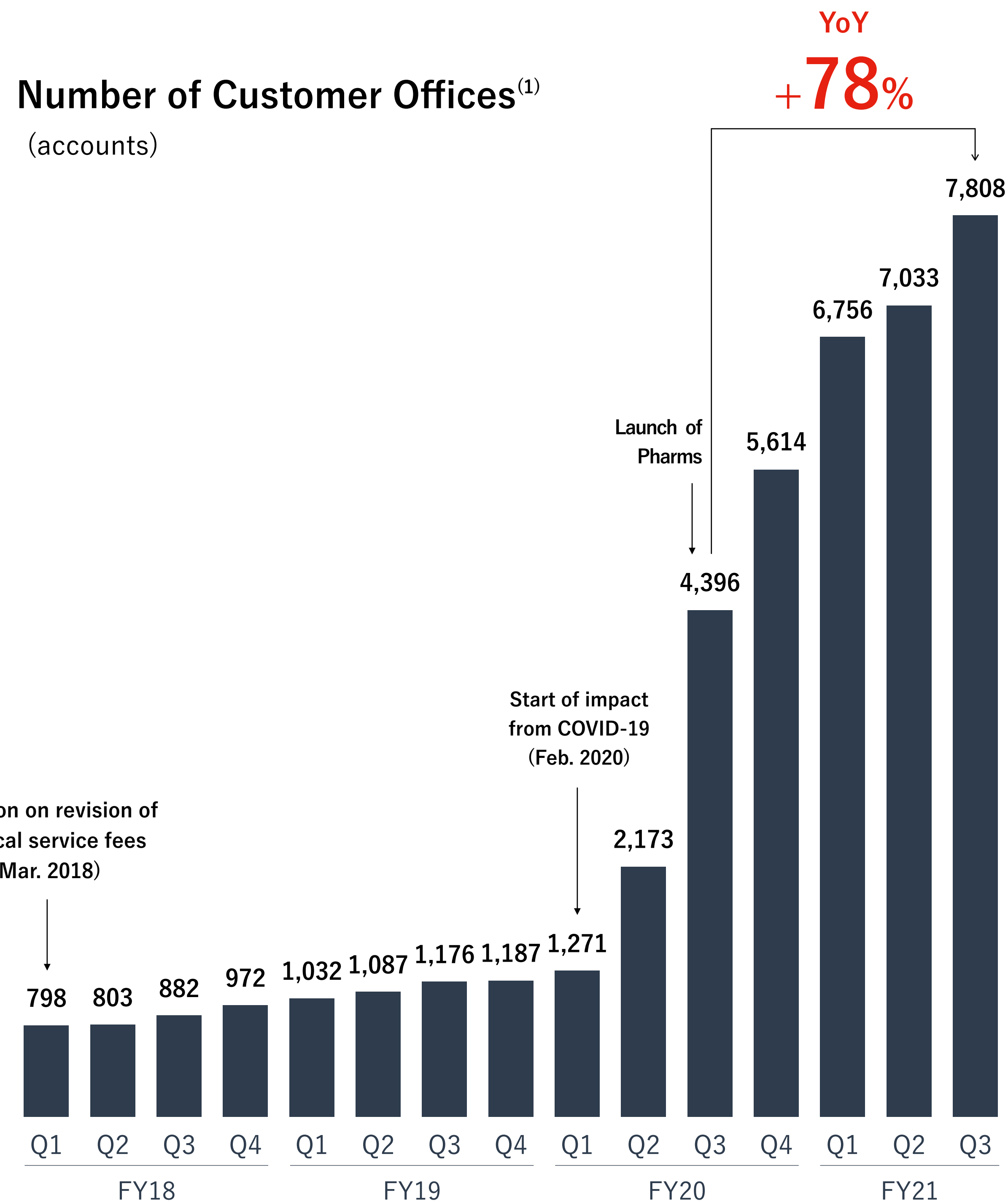
 **CLINICS**

 **Pharms**

 **MALL**



While the number of customers (especially customers of our pharmacy support systems) increased in Q3 FY2021, the posting of some sales, especially those related to large-scale projects for hospitals, was postponed owing to the impact of vaccinations. We expect to post record-high sales in Q4.



(1) Number of customer offices = number of medical intuitions that have begun using our systems (CLINICS, Pharms, etc.) and have not cancelled or discontinued their contracts; customers using multiple systems counted as a single customer account

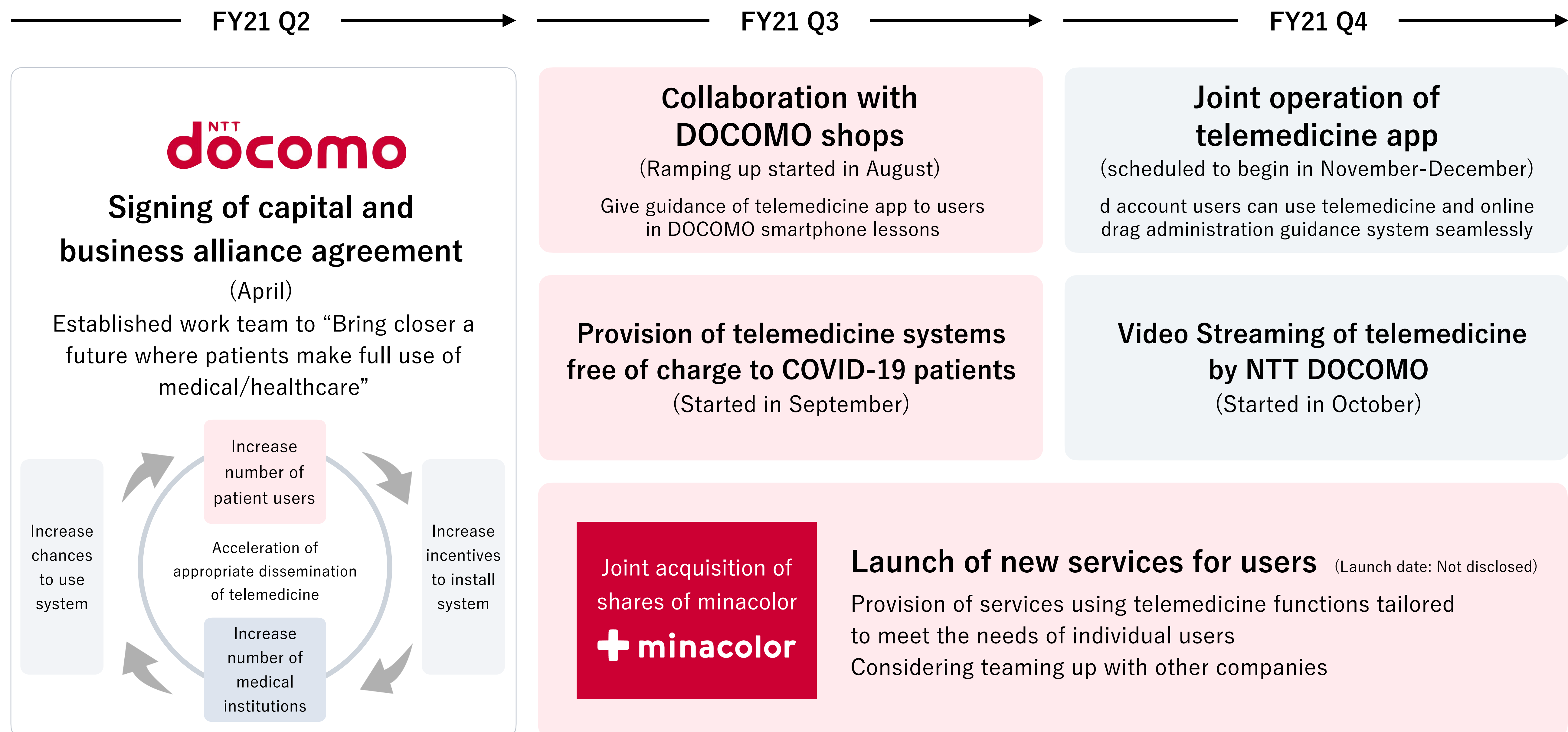
Measures to Expand Number of Customers, Improve ARPU, and Streamline Operations

In Q3 FY2021, we implemented a number of measures to boost the medium- to long-term growth and profitability of our Medical Platform Business. These include expanding our target customers, improving ARPU, and streamlining measures.

Main Measures Implemented in Q3 FY2021

	Hospitals/Medical Clinics	Pharmacies
Expansion of targeted customers	A Capital and business alliance with NTT DOCOMO provided systems to COVID-19 patients cooperating with NTT Group	B Strengthen compatibility with electronic medication history system for pharmacies
	Business alliance with T-PEC Promotion of online second opinion	Launch of flexible fee systems
	Strengthened sales of EMR to hospitals	
Improvement in ARPU	Capital and business alliance with NTT DOCOMO Increase in settlement fees owing to growth in number of users	
	Strengthened sales of partner products	
Streamlining	Improved EMR implementation process	
	Optimized integration of EMR and ORCA (cost reduction)	
Patient users expansion	Capital and business alliance with NTT DOCOMO - Prepared for joint operation of telemedicine app	A Preparations for joint acquisition of minacolor with NTT DOCOMO in order to launch new businesses

In Q3, in addition to collaboration with DOCOMO shops and provision of telemedicine systems free of charge to COVID-19 patients, we are making smooth progress in our partnership with NTT DOCOMO, including joint acquisition of minacolor (announced on October 22) with the goal of launching new services for patient users as soon as possible. We will conduct timely disclosure of any significant impact on our earnings from the alliance.





(1) A part of the branding movie, "Changing the world with you" telemedicine series, was aired in TV by NTT DOCOMO. Full version is available on YouTube

A: Providing Telemedicine Systems to COVID-19 Patients Free of Charge

In response to growth in societal demand, in cooperation with NTT DOCOMO and NTT Communications, we began providing telemedicine systems free of charge in September 2021 so that COVID-19 patients can quickly take advantage of telemedicine services using video calls. The installation of the system is excluded from the number of our customer offices.

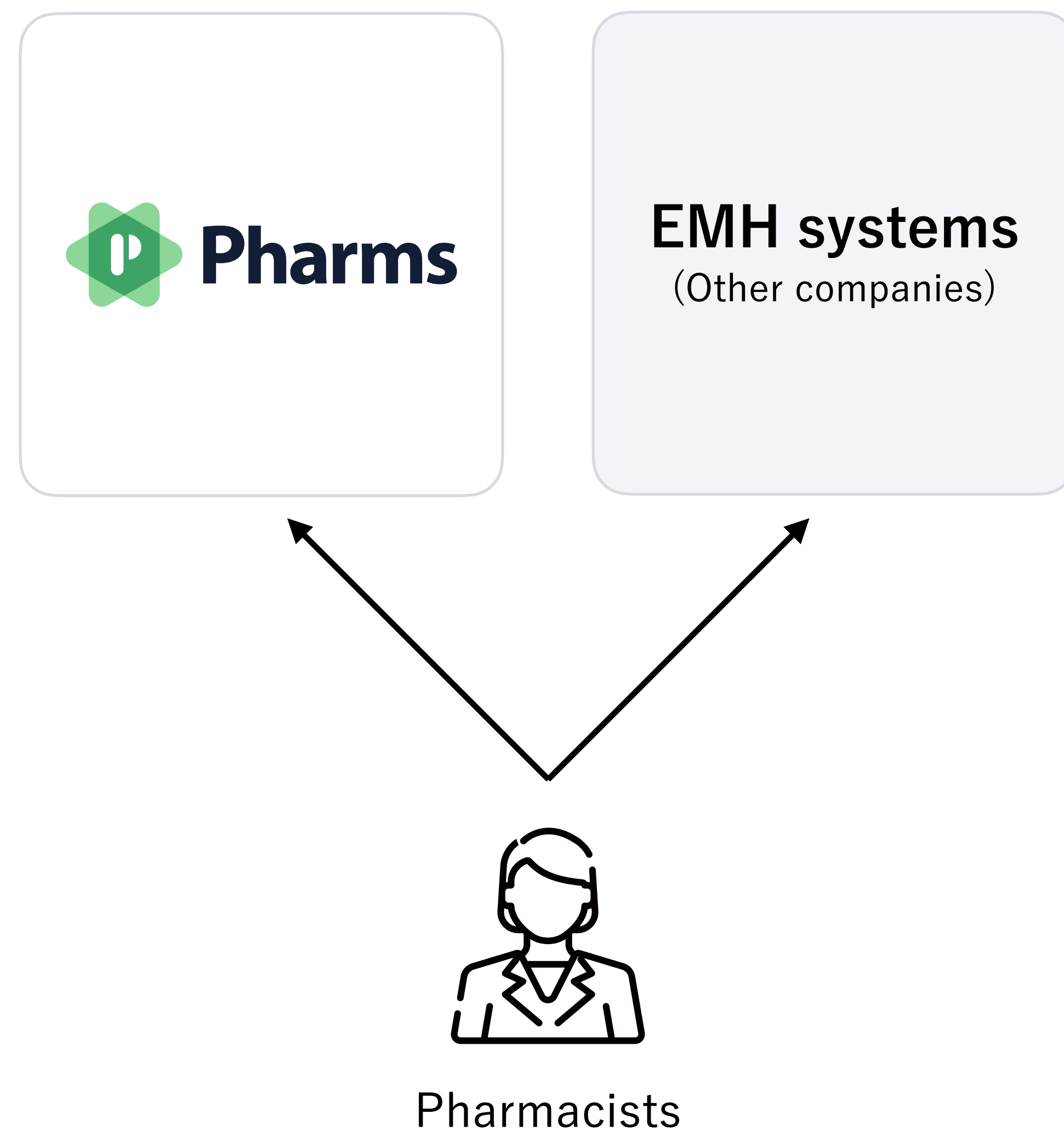
Telemedicine services developed by Medley

	“CLINICS” telemedicine system	Telemedicine system for COVID-19 patients
Main target patient base	Wide range of patients focused on family physicians	COVID-19 patients
Fee system (for medical institutions)	Initial installation charge, monthly fees	Free of charge
Main service providers	 Joint operation of app with NTT DOCOMO to begin in November-December 2021	 Start cooperative provision by 3 companies in Sep. 2021
Features	Multiple functions (online reservations, settlement, interview examinations)	Quick access to telemedicine services
App downloads	Required	Not necessary
Account setup	Required	Not necessary

B: Improved Compatibility with Electronic Medication History Systems for Pharmacies

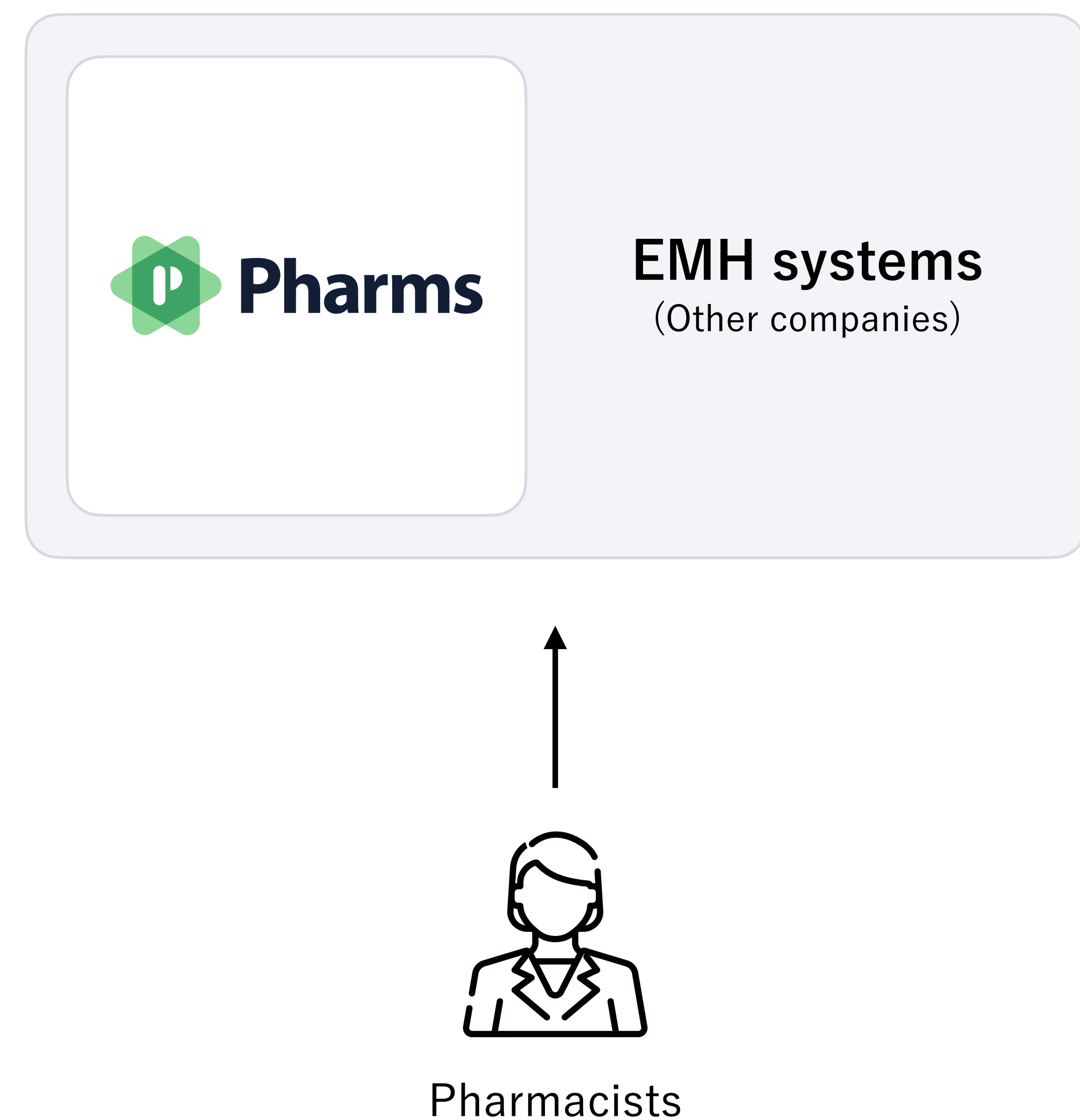
Through the strengthening of our API, we have made it possible to use the functions of our Pharms family pharmacy support system (including online drug administration guidance and medication follow-up) on other companies' electronic medication history systems. This allows patient information to be shared between the two systems under appropriate security protocols and, because it is expected to streamline the workflow of pharmacists, we expect a rise in the number of pharmacies using Pharms.

Before improved compatibility



Access to each system is required

After improved compatibility



EMH systems can use Pharms functions (including online drug administration guidance) by sharing patient information

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Mid-term Target: Aim to Maximize Long-term Free Cash Flow

Our management policy is to maximize long-term free cash flow, and aim to maintain high sales growth by increasing the value provided to our customers. In order to achieve sales growth, we pursue a business model focused on stable, recurring sales. Further investments will therefore be made in growth focused on maximizing the number of customers and achieving continuous ARPU growth by improving utilization rates and strengthening product lineup.

Long-term
Policy

Maximize Long-term Free Cash Flow



Medium-term
Policy

Maintain High Sales Growth
(Expand Sources of Free Cash Flow)

Primary
KPIs

Maximize Number of Customers

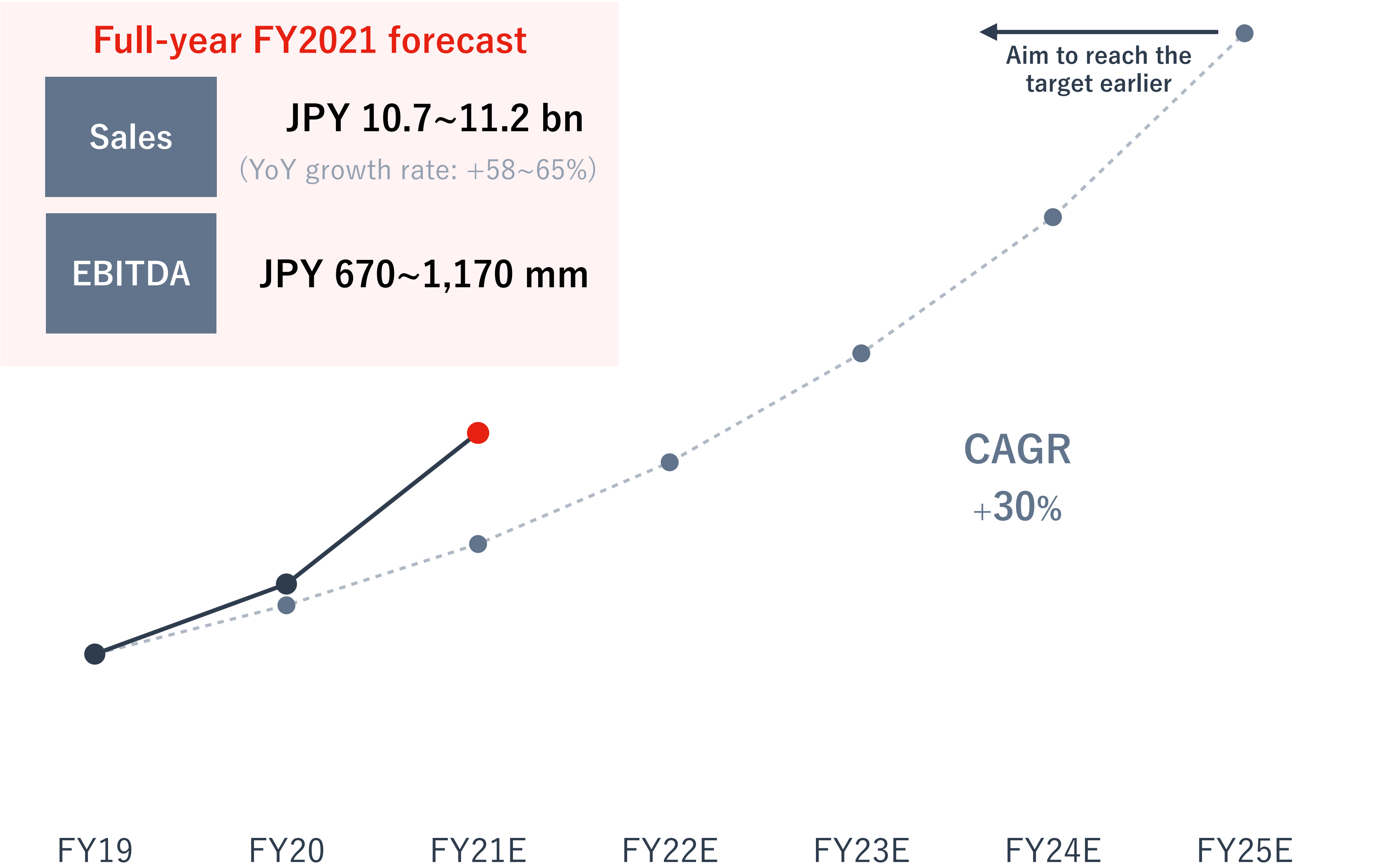


Improve ARPU
(Increase utilization ratio
/ Expand product lineup)

Progress Toward Medium-Term Targets

Our mid-term sales target is to achieve JPY 23 billion by FY2025. We plan to move decisively in FY2021 to reach this goal ahead of schedule. We leave our full-year forecast (net sales and EBITDA) unchanged at present.

Progress toward Our Mid-term Sales Target



(JPY billion)

Year	CAGR30%	Sales Forecast	Actual Sales
2019	4.7	4.6	4.7
2020	6.1	6.6~6.9	6.8
2021	8.0	10.7~11.2	
2022	10.4		
2023	13.6		
2024	17.6		
2025	23.0		

Assumption of FY2021 Full-Year Forecast

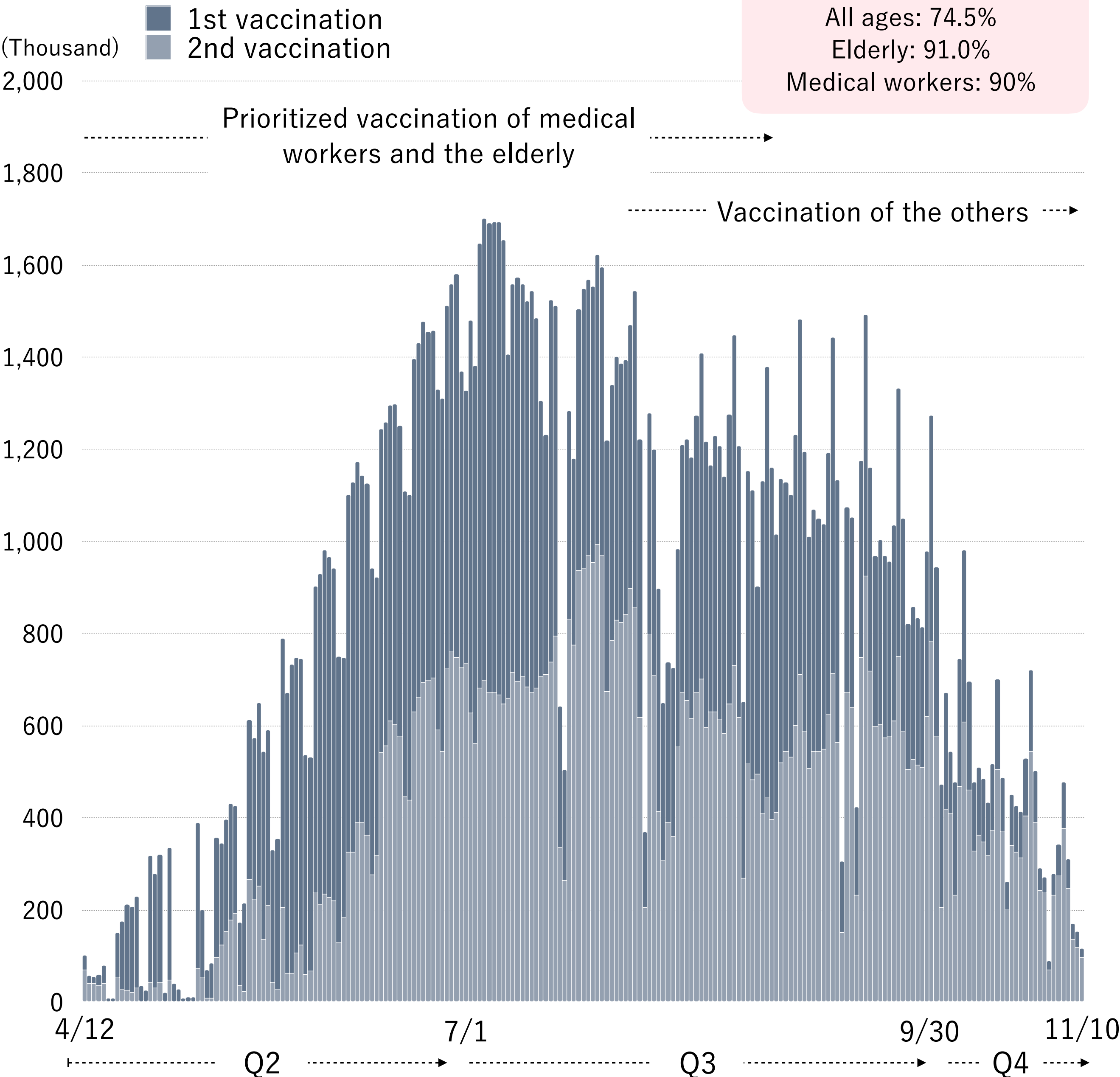
	Assumption of FY21 Full-Year Forecast (As of March 17, 2021)	Current Update
Recruitment PF	<ul style="list-style-type: none"> Number of customer offices: Maintain the same growth ARPU: Increase by improving functionality 	<ul style="list-style-type: none"> Currently limited impact from 2nd-4th state of emergency <u>Impact on earnings from vaccinations (see next page)</u>
Medical PF	<ul style="list-style-type: none"> Continue to increase ARPU, expand customer base, and improve cost efficiencies <ul style="list-style-type: none"> Continue growing existing businesses (CLINICS, Pharms etc.) Increase number of employees in order to accelerate growth of newly consolidated Pacific Medical's business Continue investment in development targeting mid-term growth Forecast does not factor in any impact from deregulation 	<ul style="list-style-type: none"> Capital and business alliance with NTT DOCOMO <ul style="list-style-type: none"> Joint operation of telemedicine app scheduled to start in Q4 <u>Impact on earnings by hospitals and clinics in vaccination efforts (see next page)</u> Joint acquisition of minacolor with NTT DOCOMO (no material impact estimated)
New Services	<ul style="list-style-type: none"> Plan to expand business Shift from commercialization phase to profitability phase (losses shrinking) 	<ul style="list-style-type: none"> New nursing care business proceeding according to plan
Corporate Expenses	<ul style="list-style-type: none"> Continued aggressive hiring to achieve growth <ul style="list-style-type: none"> Recruitment Platform: approx. 80 new hires⁽¹⁾ Medical Platform: approx. 30 new hires⁽¹⁾ Corporate: approx. 30 new hires⁽¹⁾ Introduction of share-based compensation and strengthened human resources system 	<ul style="list-style-type: none"> No update
Others	<ul style="list-style-type: none"> Reflects the impact from MEDiPASS acquisition (consolidated in Q2 FY21) Sales of undefined new businesses and M&A are not included the forecast 	<ul style="list-style-type: none"> No update

(1) Number of planned hires at parent company Medley, Inc.

Outlook and Response Plans Against Impact of COVID-19 Vaccination Administration

In Q3, vaccination progressed more than expected, therefore the impact on our business continued. In Q4, the number of vaccinations up to the second vaccination is on a downward trend, but some impact is expected to remain as the third vaccination is being considered. We will adjust our sales and marketing strategies to further decrease the impact.

Nationwide vaccinations per day⁽¹⁾



(1) The officially announced number of vaccinations for medical workers and non-medical workers (including the elderly) administered on the date (Source: Prime Minister's Office of Japan)
(2) Vaccination rates for all ages and the elderly are as of November 11, 2021, and for medical workers as of June 28, 2021. At a press conference held on July 27, Taro Kono, former Minister for Administrative Reform and Regulatory Reform, commented that vaccination of medical professionals had been complete by July 23. (Source: Prime Minister's Office and Ministry of Health, Labour and Welfare)

Outlook and Response Plans

Outlook
(As of Nov 11)

- The second vaccination is almost completed mainly for medical workers and the elderly, but a certain impact will continue when the third vaccination starts
 - Orders/sales of Recruitment PF business has been on a recovery trend (see next page)

Recruitment PF

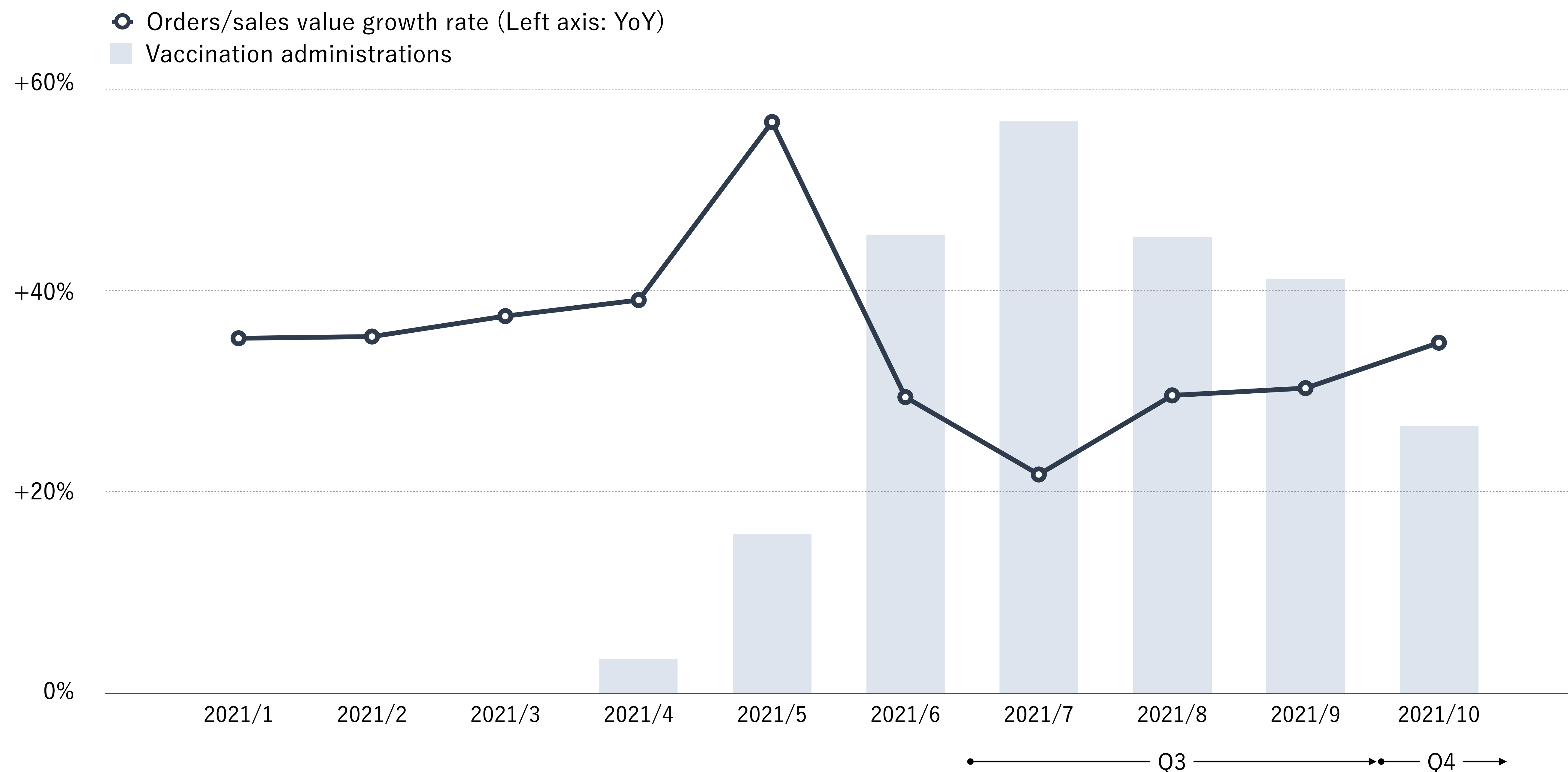
- Adjust sales and marketing strategies
 - Enhance activities targeting offices that have seen little impact from vaccinations
 - Strengthen support for pending job seekers

Medical PF

- Adjust sales and marketing strategies
 - Enhance activities targeting departments that have seen little impact from vaccinations
 - Strengthen sales promotion for CLINICS by highlighting vaccination reservation function
 - Develop new product distribution channel

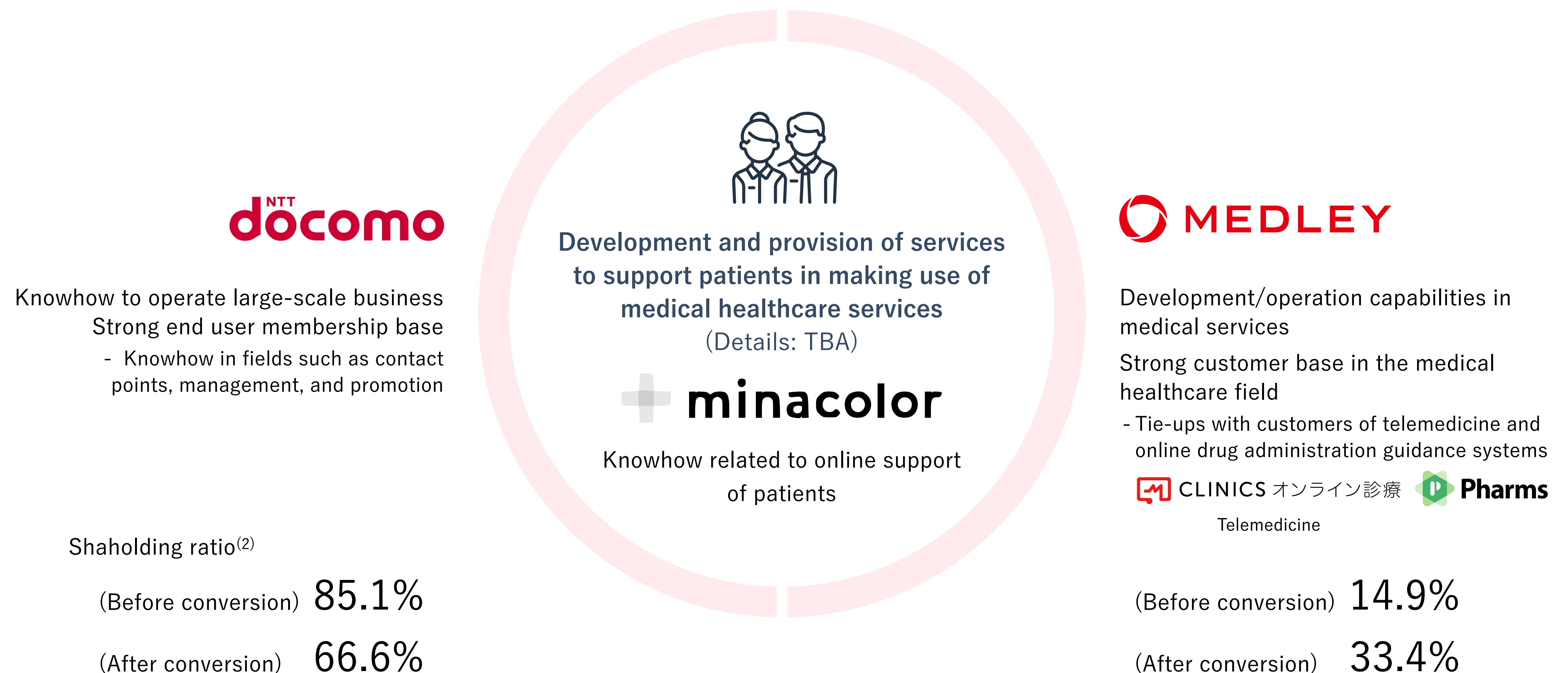
Orders/sales value growth rate of Recruitment System has recently been on a recovery trend along with the decreasing number of vaccines being administered.

YoY orders/sales value growth rate of Recruitment System and vaccination administration trends ⁽¹⁾



(1) Vaccination administration data released from the Prime Minister's Office starting April 12, 2021. Figures before that date are not available.

On October 29, 2021, Medley and NTT DOCOMO agreed to jointly acquire shares of online over-the-counter drug retailer minacolor inc. and provide that company with growth capital (total of JPY 4.5 billion, JPY 1.7 billion from Medley⁽¹⁾). Medley and NTT DOCOMO will jointly hold minacolor and combine the assets and knowhow of the three companies to swiftly develop services that will support patients in making use of medical and healthcare services.



(1) The total of JPY 485 million of underwriting of capital increase and JPY 1,239 million for underwriting of convertible bonds issued

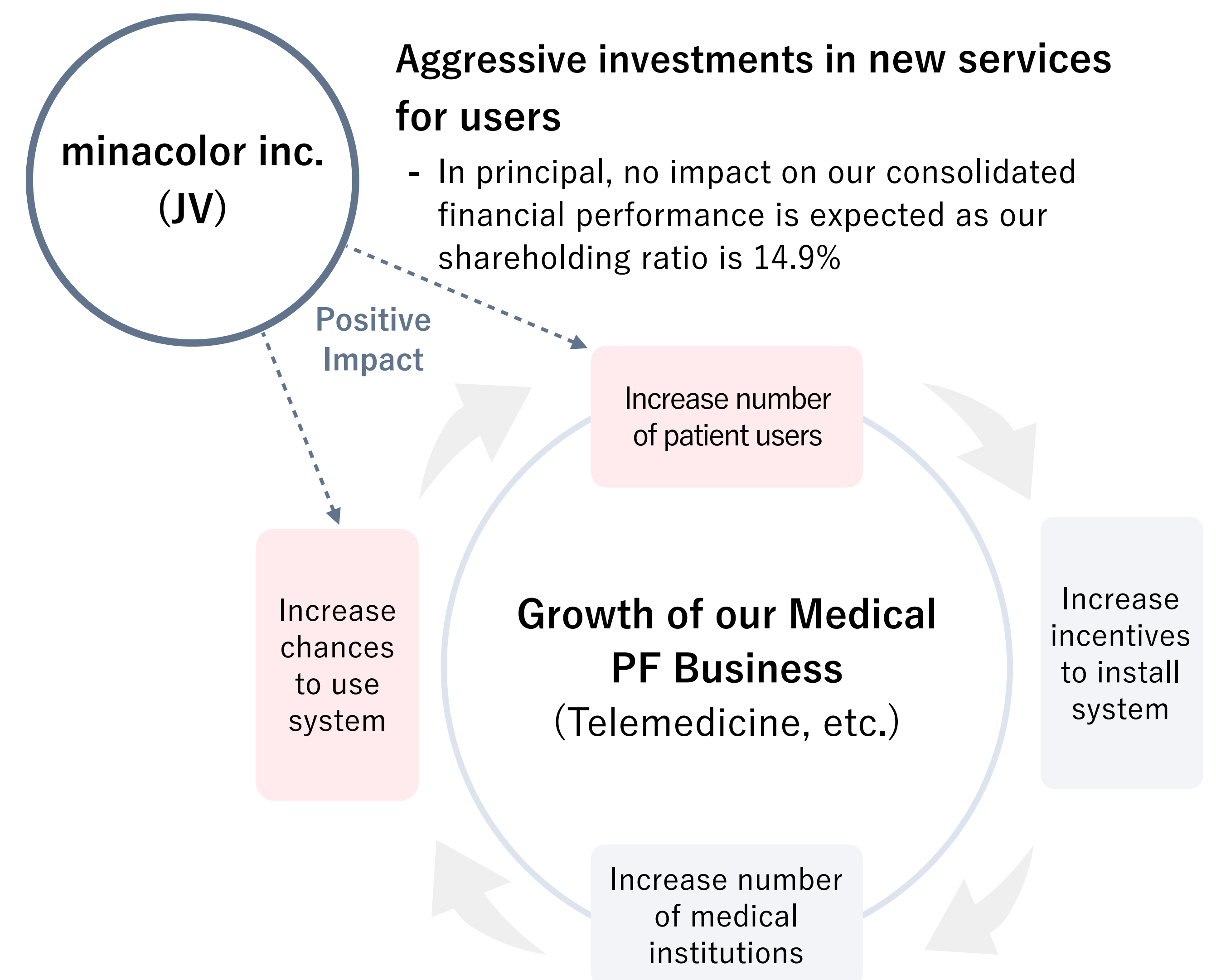
(2) The above conversion refers to the exercise of the right owned Medley to convert CB into shares

We expect no material impact on consolidated financial results for FY2021. minacolor will make aggressive growth investments in new services, which are planned to be developed by minacolor, utilizing functions such as telemedicine. It is expected to reinforce our Medical PF business with further increase in number of customers for our SaaS such as telemedicine system.

Contributing factors on consolidated financial performance

<p>Sales</p>	<ul style="list-style-type: none"> • Customer expansion of Medley's in-house SaaS for medical institutions <ul style="list-style-type: none"> - Telemedicine / online drug administration system, etc. • Sales expansion of new services developed by minacolor
<p>Costs</p>	<ul style="list-style-type: none"> • Investments for growth partially conducted by minacolor (To carve-out cost from Medley's consolidated financial performance) <ul style="list-style-type: none"> - R&D investments for new systems - Investments to acquire patient users
<p>Equity method gains/losses in the affiliate (Post conversion)</p>	<ul style="list-style-type: none"> • After minacolor achieves profit growth, Medley will convert its CBs to shares and convert minacolor into an equity method affiliate, thereby bringing net profit from minacolor on a consolidated-basis

Impact of JV's growth investments on our Medical PF



We procure/deploy capital based on the priorities on page 44. Owing to expansion of untapped LOC resulting from financing activities during FY2021 and recent share price, we have commenced share repurchase. We have also disclosed the status of our preparations for listing on the “Prime Market” of Tokyo Stock Exchange. We will continue to maintain a strong financial position while proactively conducting business activities that contribute to the long-term growth of shareholder value.

Objectives

- **Adjust our balance sheet in response to expansion of untapped LOC**
- **Provide return to long-term shareholders in response to share price trends**
 - Based on our share price, market conditions, cost of capital, and capital surplus

Overview of transaction

- **Upper limit of number of shares to be acquired: 600k shares**
 - % to shares outstanding: up to 1.86%⁽¹⁾
- **Upper limit of amount of shares to be acquired: JPY 1.8 billion**
- **Repurchase period: November 15, 2021 - December 30, 2021**

Financial policy after the transaction

- **Maintain a sound financial position and continue aggressive investments and M&As**
 - [Before transaction] Cash and deposits: approx. JPY 17billion, capital ratio: 72.6%, D/E ratio: 0.22x
 - [After transaction] Cash and deposits: approx. JPY 15 billion⁽²⁾, capital ratio: 70.1%,⁽²⁾ D/E ratio: 0.24x⁽²⁾

(1) Medley hold 3,000 treasury shares as of September 30, 2021

(2) Figures shown when we conduct share repurchase of JPY 1.8 billion (upper limit)

1. Financial Highlights

2. FY2021 Q3 Results

3. FY2021 Forecast

4. Appendix

1. Vast opportunities in the medical and healthcare field
2. Continuous growth through maximization of customer office numbers and ARPU
3. Disciplined investment in growth

Technology is not being fully leveraged in the medical and healthcare industry due to heavy regulations. Our ultimate goal is to solve medical and healthcare issues by leveraging the internet and information technology.

Recruitment Platform Business

We operate JobMedley, one of Japan's largest recruitment systems in medical healthcare field, and MEDiPASS Academy, online video nursing training service. Our objective is not only to provide better matching for job seekers and medical providers, but to resolve the shortage of medical and healthcare personnel by facilitating unemployed but qualified workers return to work and tackling the issue of uneven service distribution between communities.

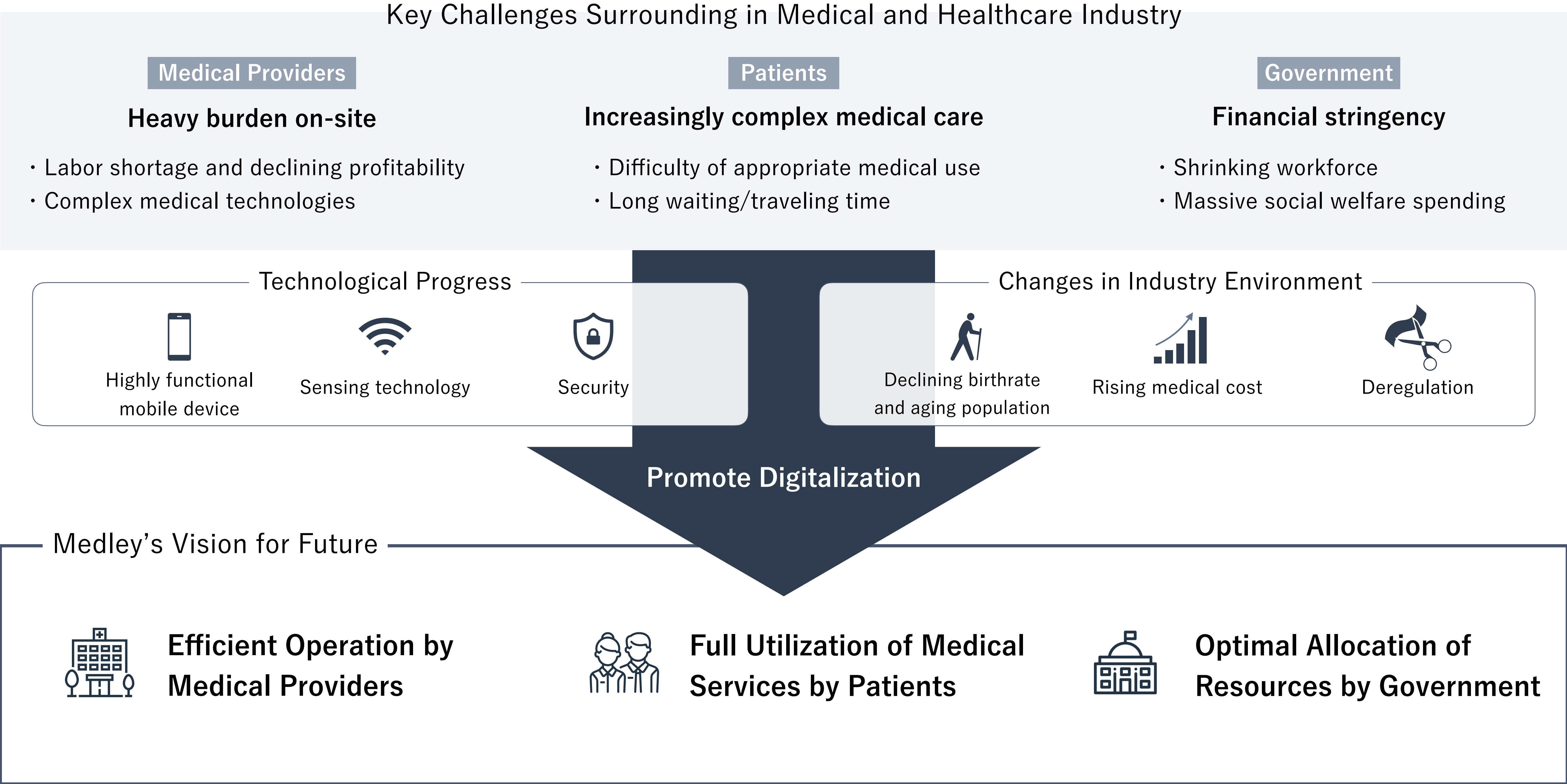


Medical Platform Business

We provide CLINICS telemedicine, one of the leading telemedicine system in Japan, CLINICS electronic medical record system (EMR) for clinics, Pharms for pharmacies, MEDLEY (online medical encyclopedia dedicated for patients), and MALL (EMR for hospitals) with a focus to build a platform beneficial for both patients and medical institutions.



Medical institutions in Japan have been facing a variety of challenges including heavy burden on-site and increased complexity of medical care. The importance of digitalization is increasing owing to macro trends such as the declining birthrate and aging population and advancements in digital technologies.



Defensive Growth Industry: Social Welfare Spending and Number of Employees Not Impacted by Economic Trends

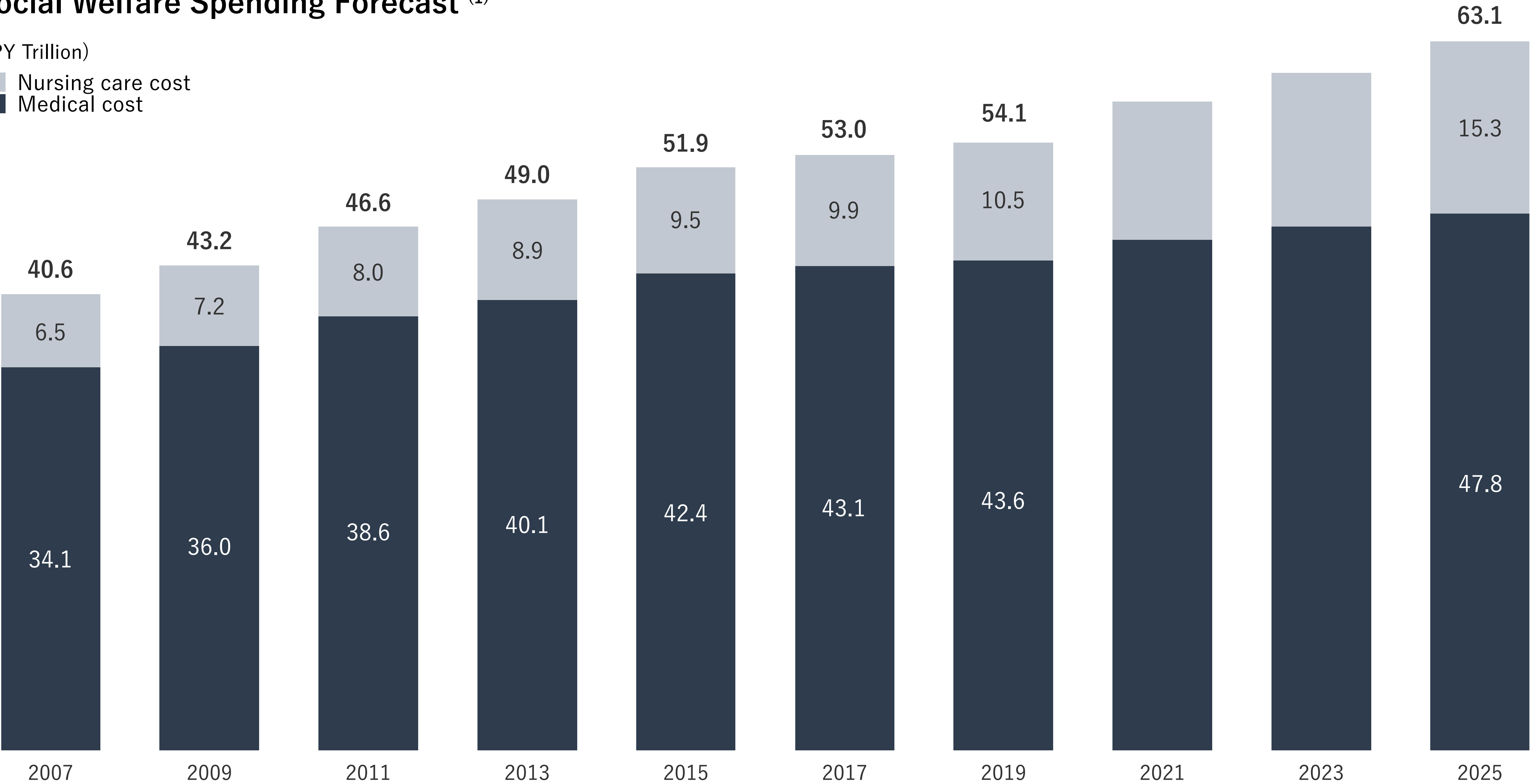


Spending on social welfare is expected to rise continuously in Japan owing to the aging of the population. The number of medical care workers taking care of elderly patients is also expected to rise.

Social Welfare Spending Forecast ⁽¹⁾

(JPY Trillion)

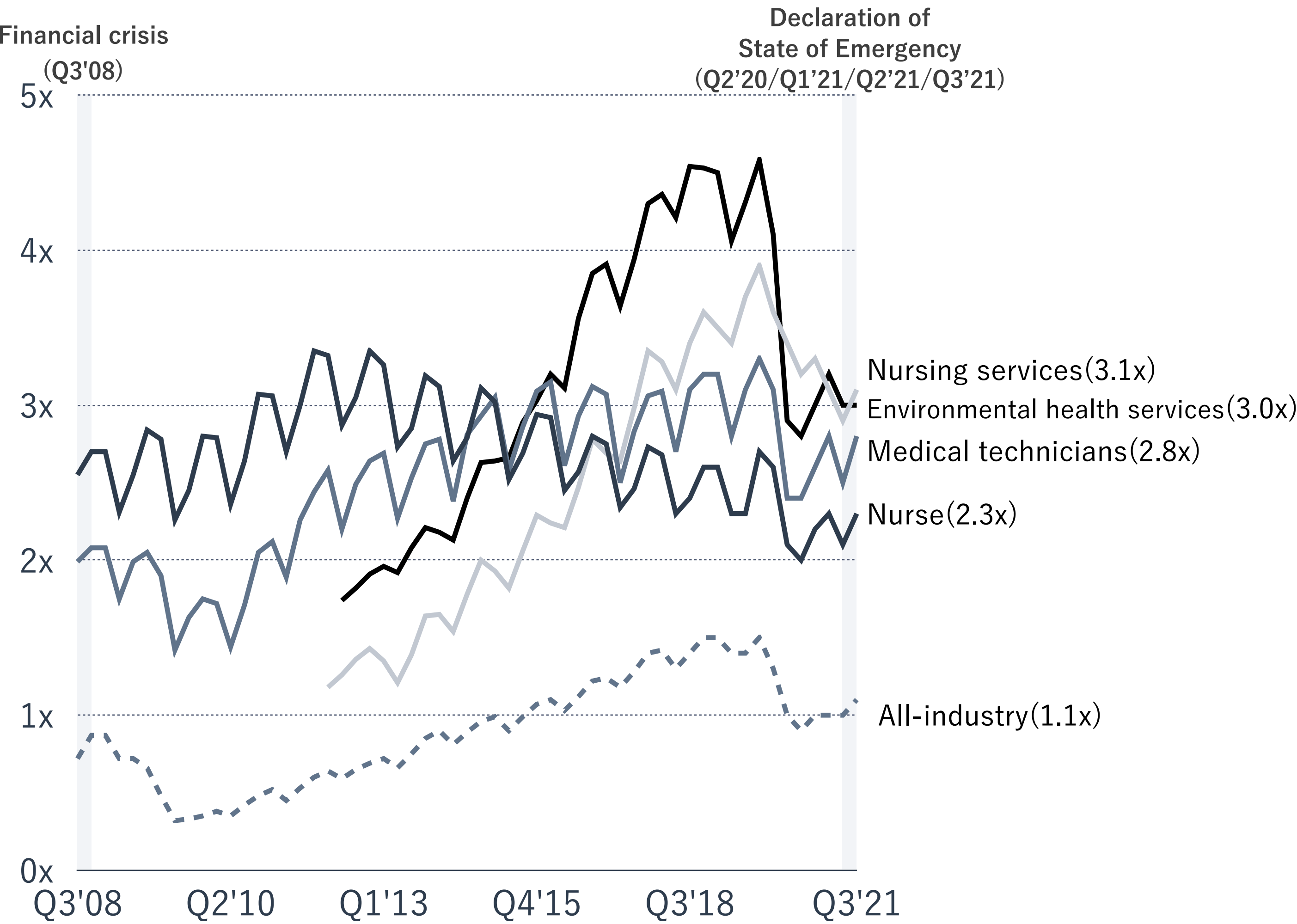
- Nursing care cost
- Medical cost



(1) Report from Ministry of Health, Labour and Welfare

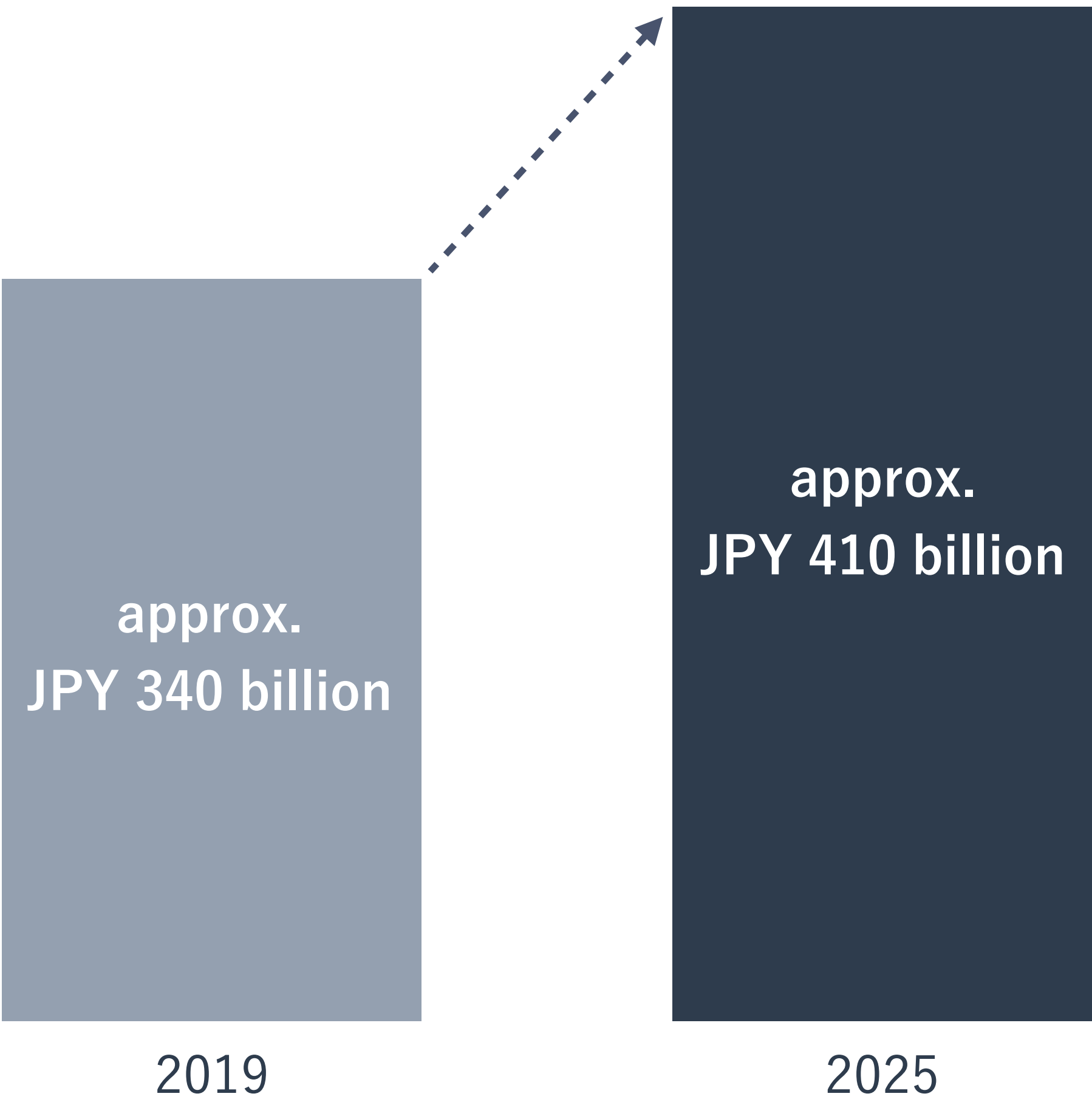
The Japanese medical industry suffers from a chronic shortage of workers, with a jobs-to-applicant ratio remains much higher than the average for all industries regardless of economic conditions. We estimate the current market size to be approximately JPY 340 billion, and expect expansion to up to JPY 410 billion in 2025 driven by increasing demand.

Ratios of Job Openings to Job Applicants⁽¹⁾



(1) Ministry of Health, Labour and Welfare statistics, 3-months average

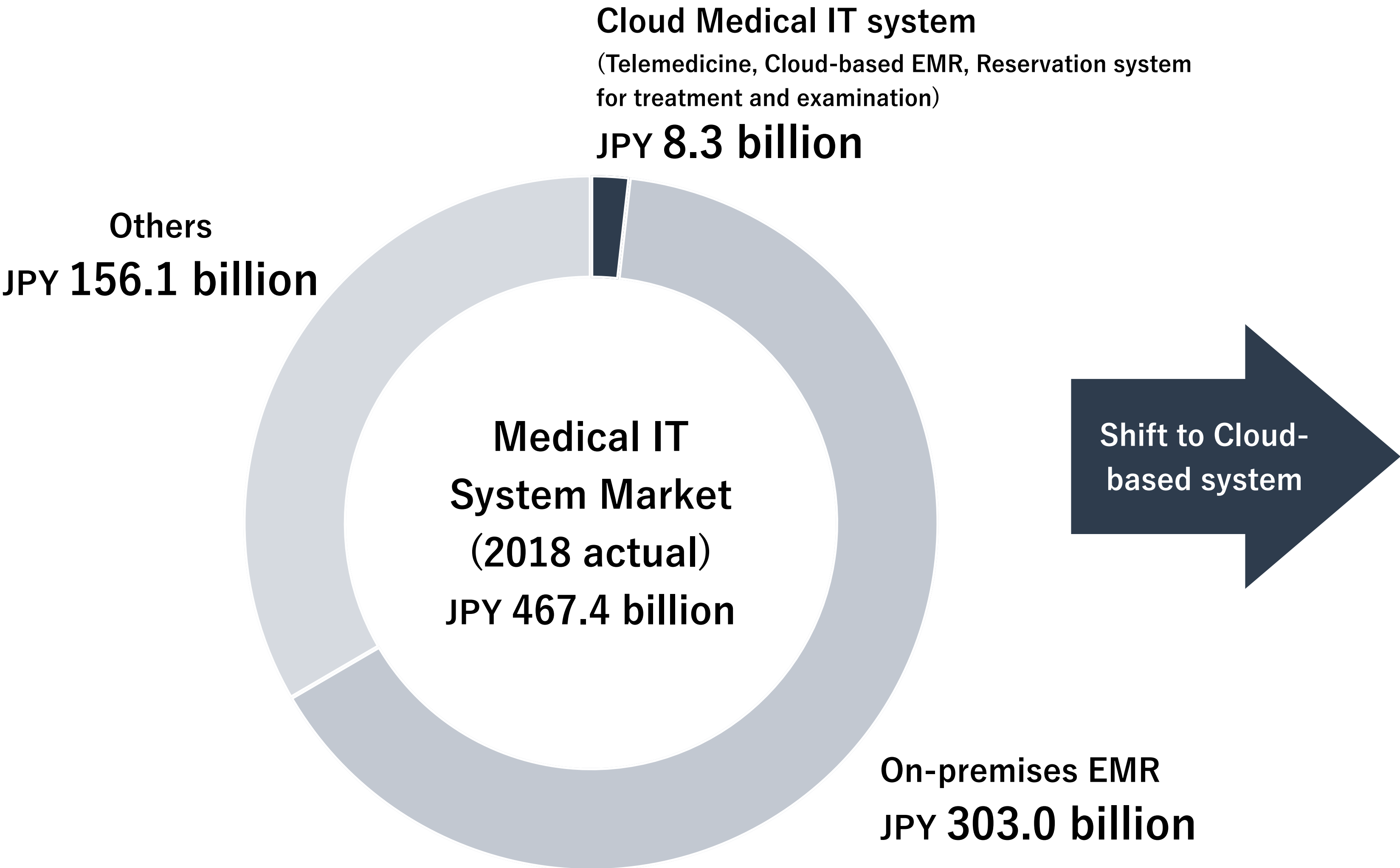
Market Scale of the Medical/Healthcare Recruitment Industry
(based on our unit price)⁽²⁾



(2) Estimates by Medley, Inc.
FY2019A: Calculated based on the number of employees in the medical/beauty healthcare industries in Japan (roughly 8.7 million), the average annual hiring rate for occupations that fall under the category of “medical care/welfare” and “environmental health services” in FY2018 employment trend survey results (approximately 16% for the “medical care/welfare”, approximately 28% for the “environmental health services” = approximately 1.5 million people), and the average unit price of JobMedley placements for all occupation categories.
FY2025E: Based on the abovementioned FY2018A multiplied by the medical cost growth rate in Future Outlook for Social Security in Anticipation of 2040 published by the Cabinet Secretariat, the Cabinet Office, the Ministry of Finance, and the Ministry of Health, Labour and Welfare.

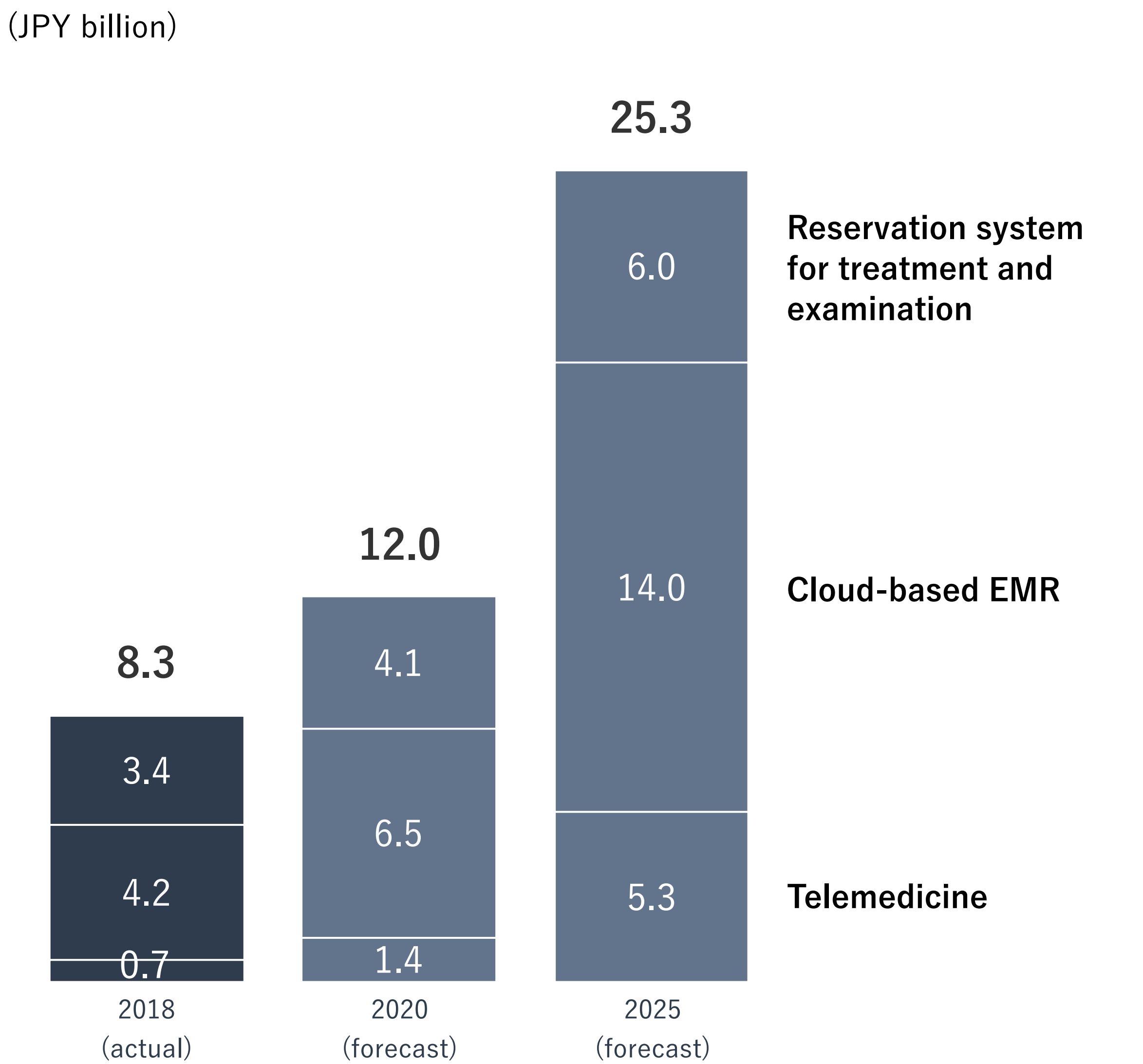
Estimated current medical IT system market size is approximately JPY 470 billion. Today, the bulk of the systems used in medical industry are on-premises based (on-site servers), but more platforms have been adopting cloud-based systems since the deregulation in 2010, owing to advantages in terms of costs and convenience. Due to the low operating efficiency and customary use of long-term contracts, 7-year (FY2018-2025) CAGR in target operating area of the cloud medical IT system market is expected to be 17.3%.

Scale of the Medical IT System Market⁽¹⁾



Currently, most systems are on-premises based (on-site servers)

Cloud Medical IT System Market in Our Operating Area⁽¹⁾



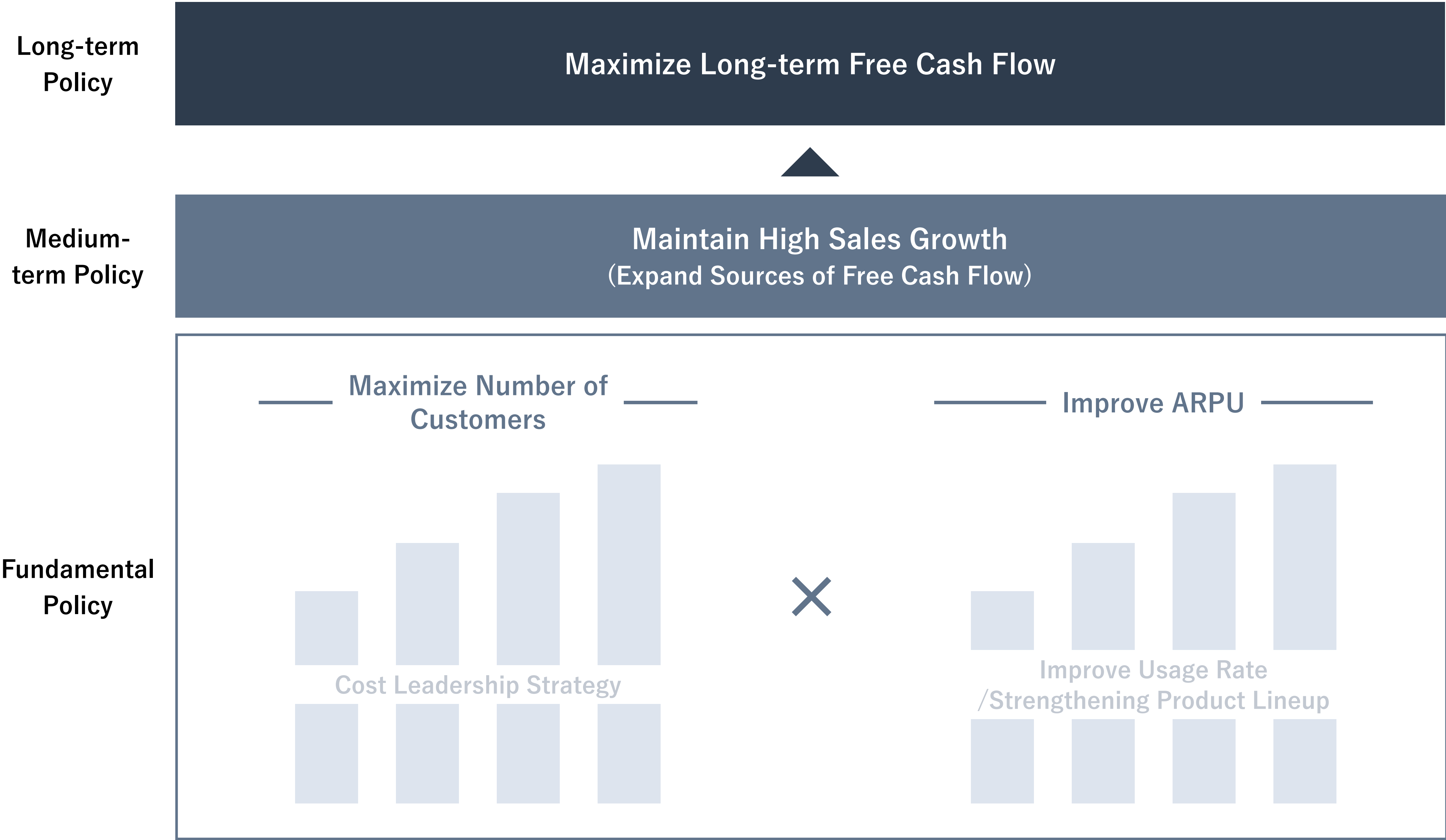
Cloud-based systems are expected to become more prevalent in light of deregulation, cost advantages, and greater convenience.

(1) Future Outlook for Medical Big Data Business and Seamless IT / Cloud Computing of Medical IT in 2020 by Fuji Keizai

Maintain High Sales Growth by Maximizing Number of Customers and ARPU



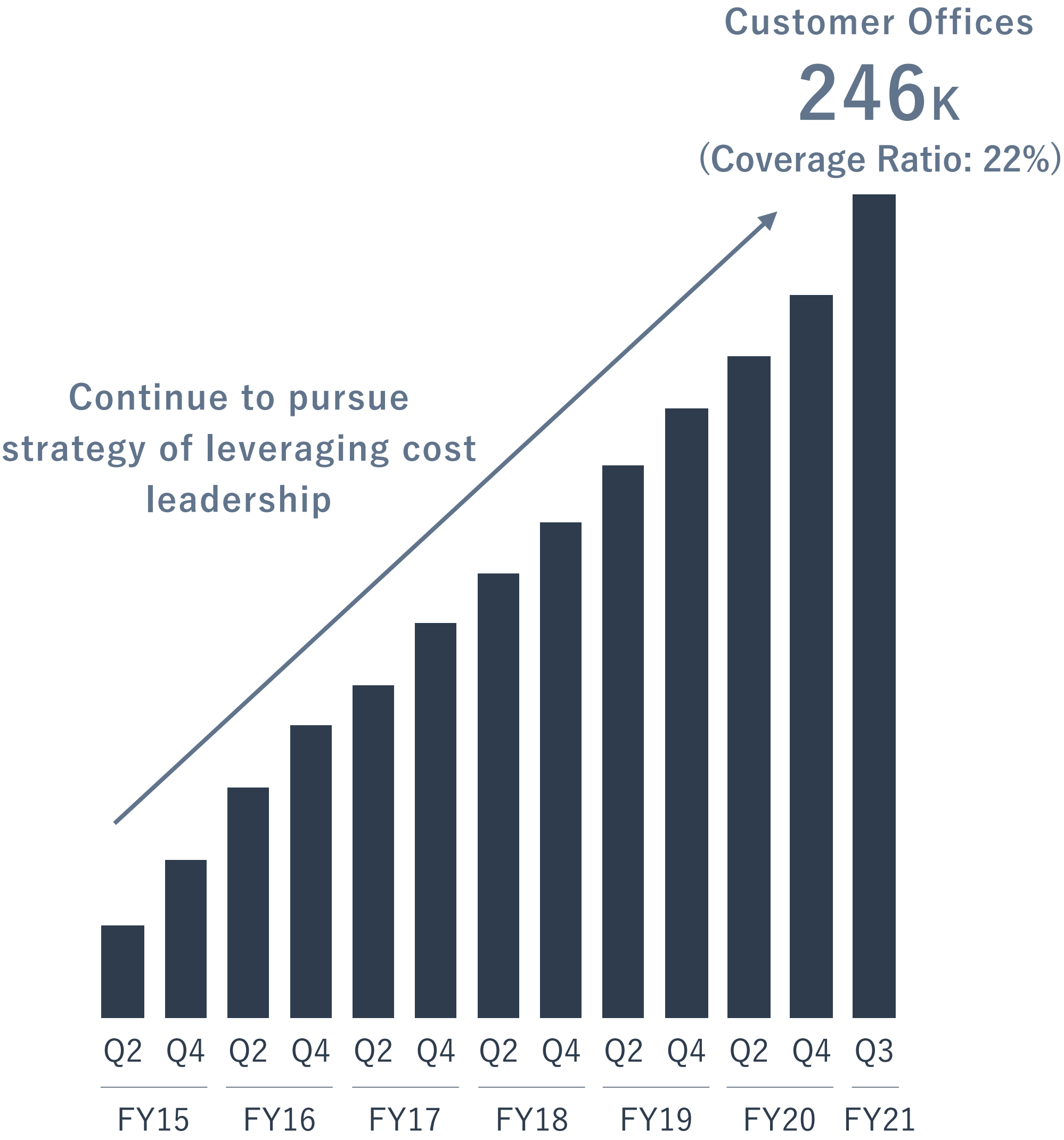
Our management policy is to maximize long-term free cash flow and maintain high sales growth by increasing the value provided to our customers. In order to achieve continuous sales growth, we pursue a basic strategy of maximizing the number of customer offices served and improving ARPU. In order to continuously improve ARPU, we pursue a business model focused on stable, recurring sales.



In the Recruitment Platform Business, in addition to shoring up our customer base and pool of registered workers, we conduct investments to develop and deliver new products while leveraging our customer base.

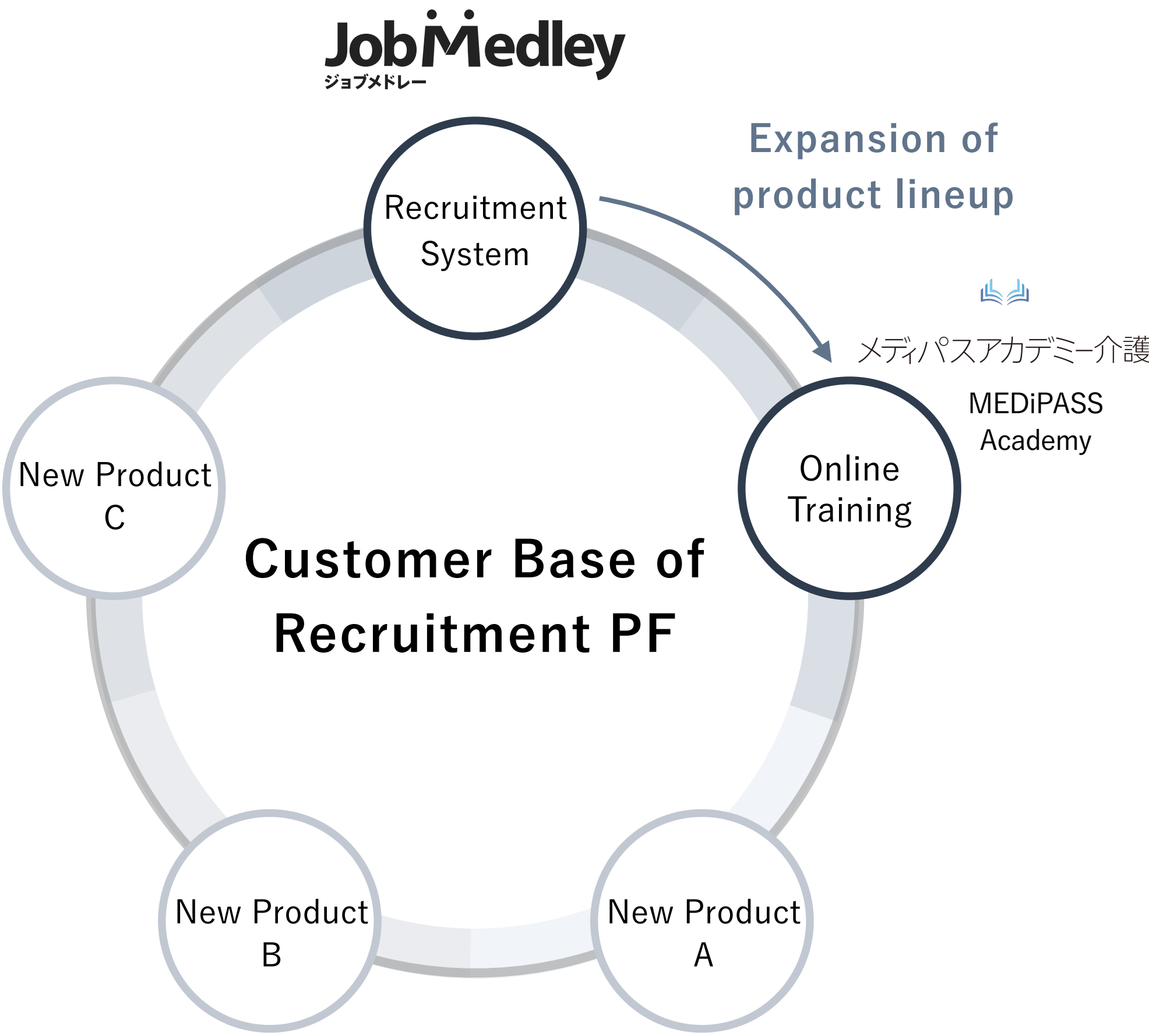
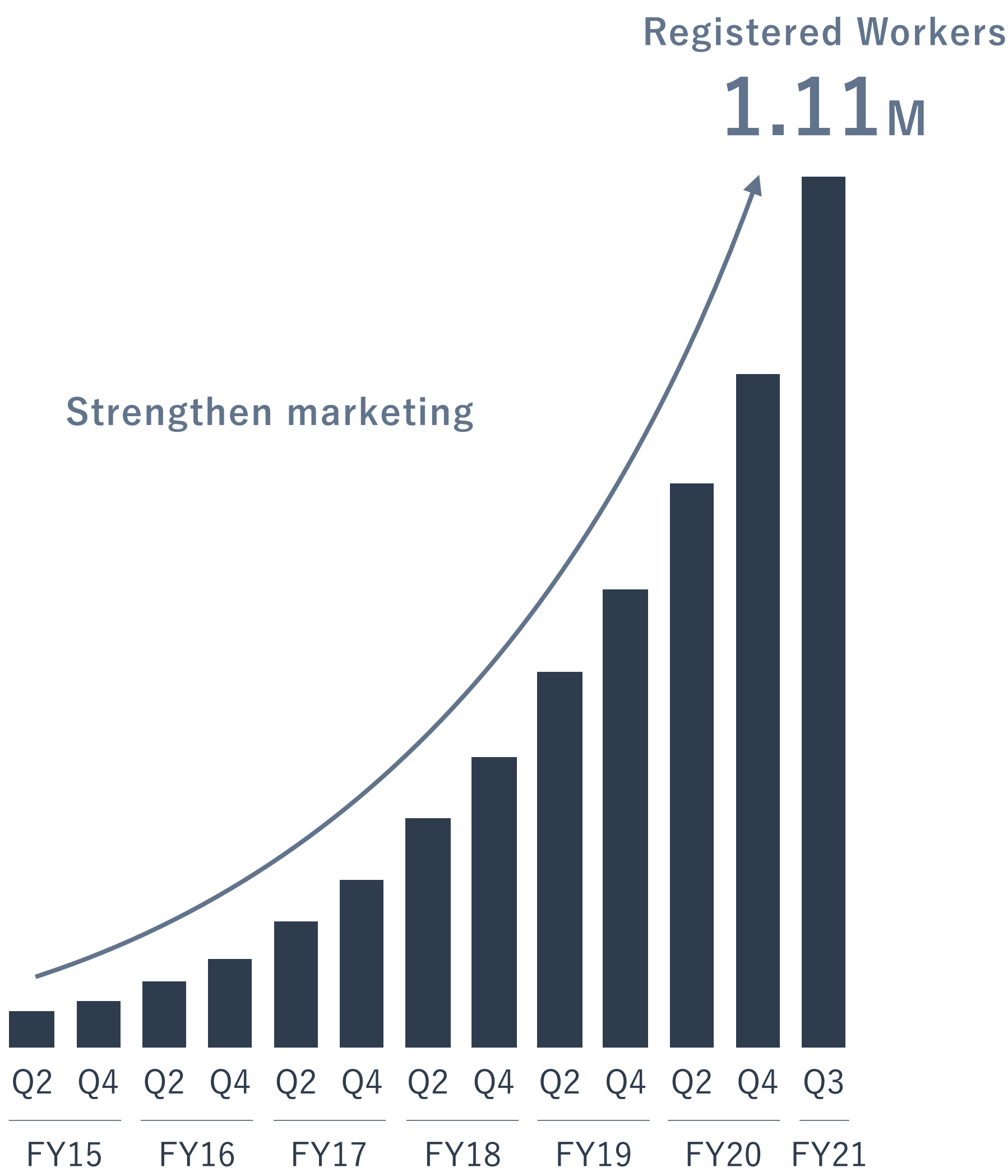
Maximize Number of Customers

- The number of target customers is 1.1 million⁽¹⁾ and we still see sizable upside potential in this area



Improve ARPU

- As the number of employees in the medical industry in Japan is over 8.7 million⁽¹⁾, we see considerable upside potential
- Leverage the customer base for our recruitment systems and promote digitalization of related operations such as online training, etc.

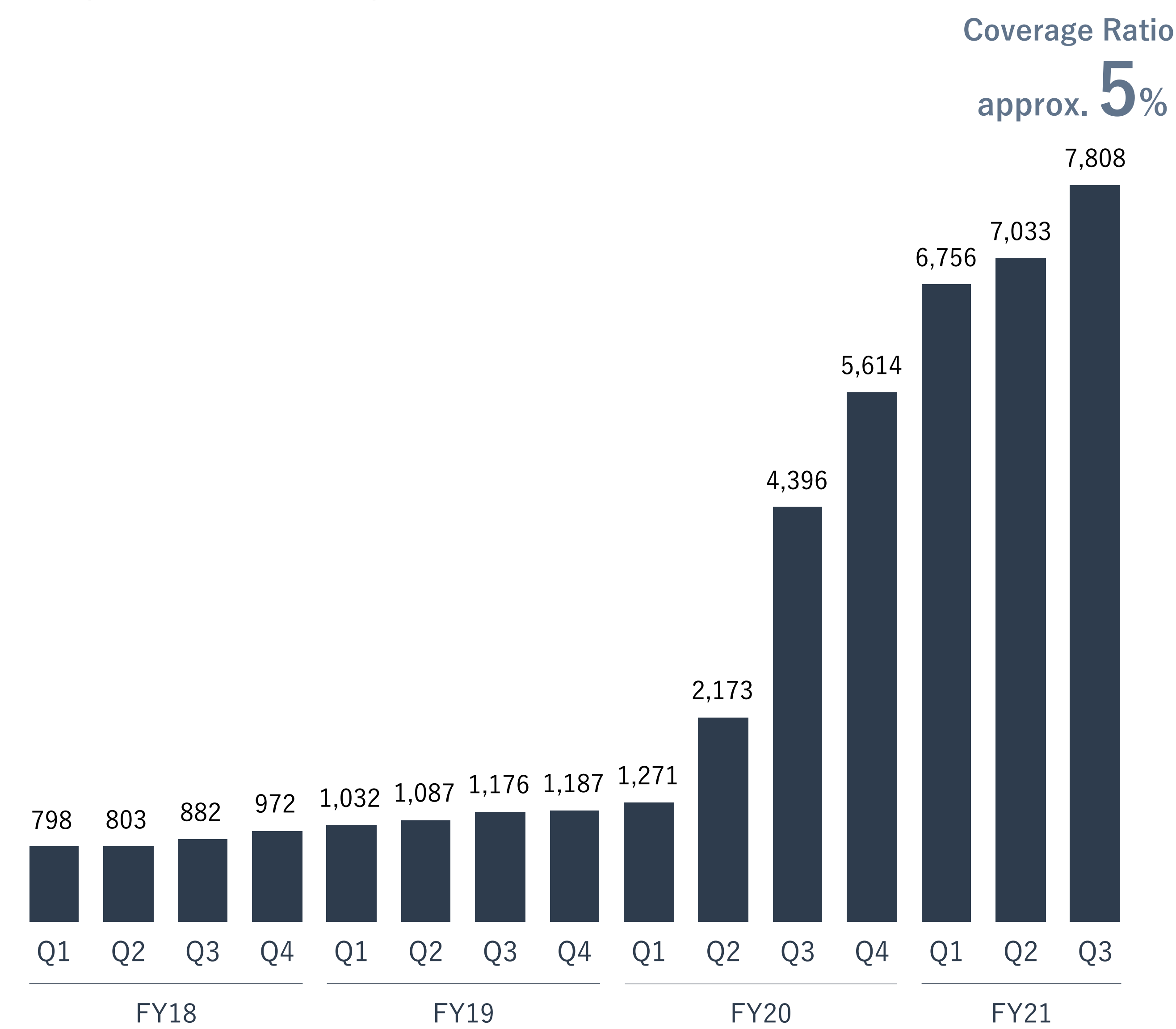


(1) Ministry of Health, Labour and Welfare, Ministry of Internal Affairs and Communications etc. statistics

In the Medical Platform Business, in addition to expanding our customer base, we will aggressively invest in strengthening our product lineup in order to build a robust patient-centered platform.

Maximize Number of Customers

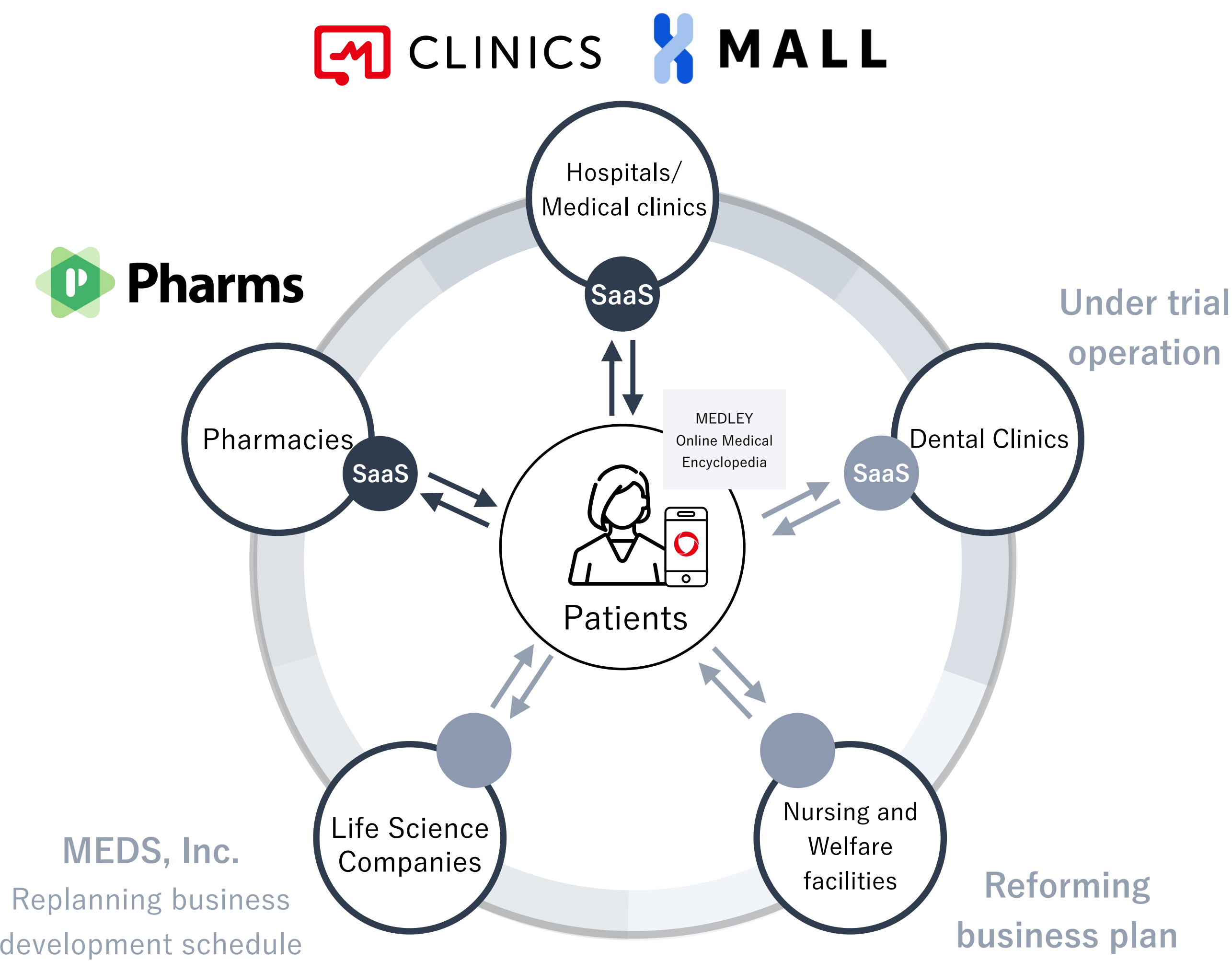
- Target customer base has sizable upside potential with roughly 170k⁽¹⁾ hospitals, clinics, and pharmacies



(1) Ministry of Health, Labour and Welfare statistics

Improve ARPU

- Room for improvement of boosting efficiency of medical institutions' operations and enhancing patients' experiences by strengthening our product lineup



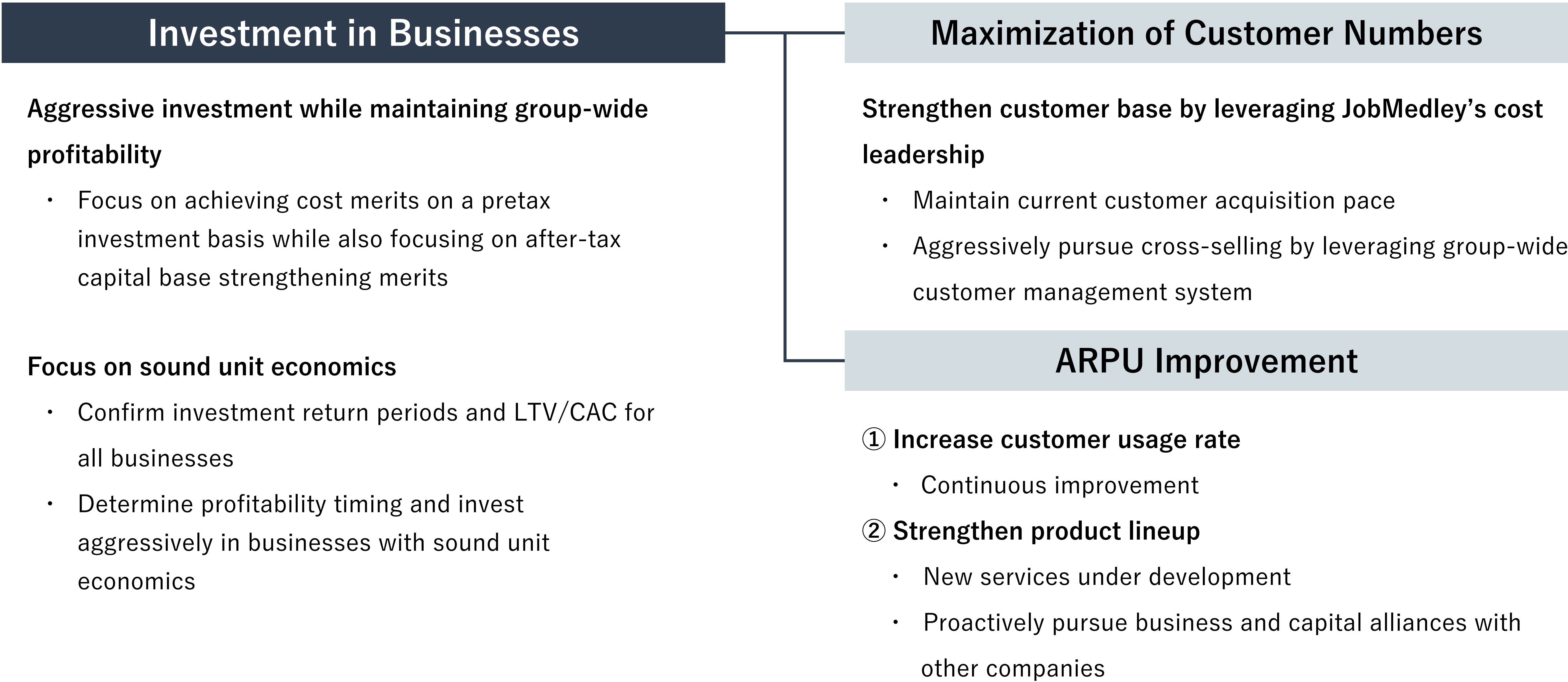
In order to reach our medium-term targets ahead of schedule, we will aggressively invest capital secured via operating cash flow and interest-bearing debt in our businesses. We will also conduct M&A while keeping the company EBITDA positive on a companywide basis.

Priority (in principle)	Uses of funds	Sources of funds
<div></div>	<div><div>A</div><div>Investment in businesses</div><ul style="list-style-type: none">• Aggressive investment while maintaining profitability on a companywide basis<ul style="list-style-type: none">- Make use of cost merits on a pretax investment basis• Maximize number of customers and achieve ARPU growth<ul style="list-style-type: none">- Continue to leverage cost leadership of JobMedley- Improve utilization rate and product lineup</div>	<div><div>C</div><div>Operating cash flows from profitable businesses</div><ul style="list-style-type: none">• Establish target timetable for bringing loss-making businesses into the black and systematically increase operating cash flow<ul style="list-style-type: none">- Focus on sound unit economics</div>
	<div><div>B</div><div>M&A</div><ul style="list-style-type: none">• Focus on synergy<ul style="list-style-type: none">- Sizable customer base- Internet product development knowhow- Digital marketing knowhow• Conduct M&A necessary for the future without delay</div>	<div><div>D</div><div>Debt</div><ul style="list-style-type: none">• Take full advantage of financing opportunities presented by very low interest rates in Japan and our business model focused on stable, recurring sales</div>
	<div><div></div><div>Share repurchase</div><ul style="list-style-type: none">• Flexible investments based on factors such as our share price, market conditions, cost of capital, and our financing capacity</div>	<div><div>D</div><div>Equity</div><ul style="list-style-type: none">• Equity financing will be conducted based on factors such as our share price, market conditions, and whether it is necessary to procure capital in order to reach our medium-term targets</div>

A: Investment in Growth Targeting Maximization of Customer Numbers and Improvement of ARPU



We aggressively invest capital secured via operating cash flow and interest-bearing debt while keeping the group-wide EBITDA positive.

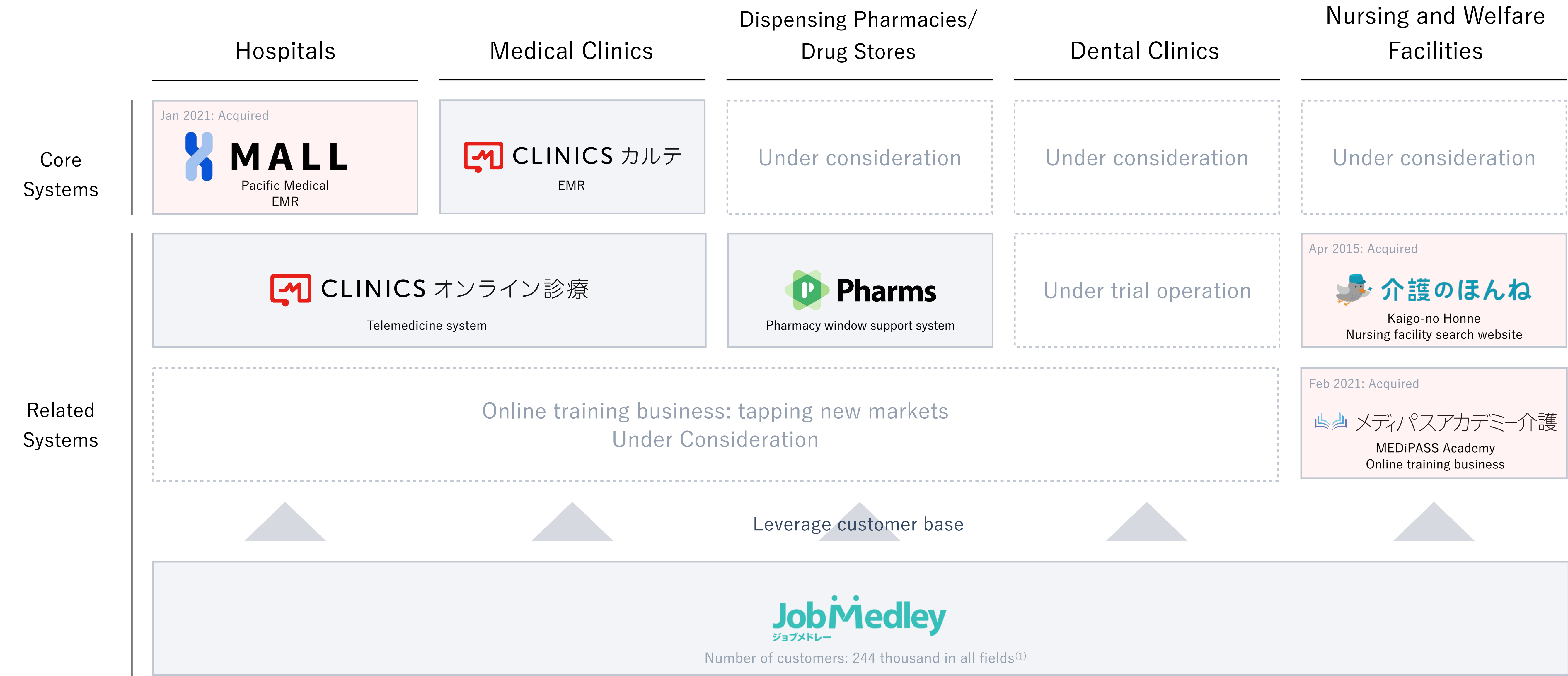


B: Promoting Digitalization in the Healthcare Sector Through Synergy-Focused M&A



We view M&A as an important growth driver. Our group companies will work together to promote digitalization by focusing on creating synergies utilizing our robust customer base in the healthcare sector.

Development of Operations Support Systems



(1) As of end of September 2021

C: Increase Operating Cash Flow by Making Lossmaking Businesses Profitable in Line with Our Plans



We have set target years for bringing lossmaking businesses into the black and will increase operating cash flow in line with our plans.

Cash generation phase: Positive operating cash flow

Profitability phase: Operating cash flow negative, but unit economics sound (return on investment expected)

Commercialization phase: Creation of business model targeting generation of operating cash flow, unit economics carefully monitored

	Profitable in FY2020	In the red in FY2020	
	Cash generation phase	Profitability phase	Commercialization phase
Recruitment Platform	<div>JobMedley</div> <div>Expected to turn profitable in FY22</div>	<div>メディパスアカデミー介護 MEDiPASS Academy</div>	
Medical Platform	<div>CLINICS オンライン診療 Telemedicine system</div> <div>Turned Profitable in FY19</div> <div>Expected to turn profitable in FY22</div> <div>Expected to turn profitable in FY22</div> <div>N M E D NaCl MEDICAL</div> <div>Turned Profitable in FY20</div> <div>MALL EMR for hospitals</div> <div>Planning investment to accelerate growth</div>	<div>CLINICS カルテ EMR</div> <div>Pharms</div> <div>Launched in September FY2020</div> <div>Business for dispensing pharmacies</div>	<div>MEDLEY</div> <div>Preparation for next phase</div> <div>No expansion of losses</div> <div>Service for Dental Clinics</div> <div>Began development in FY19</div> <div>Plan to commence business in FY21</div> <div>MEDS, Inc.</div> <div>Established in August FY20</div> <div>Rescheduled development plan after FY22</div> <div>Partial participation in alliance with NTT DOCOMO</div> <div>New Service</div> <div>Began development in FY19</div> <div>Plan to begin business development in FY22</div>
New Services	<div>Expected to turn profitable in FY23</div>	<div>介護のほんね Kaigo no Honne; Nursing facility search website</div>	

The company has a strong financial base and derives sufficient cash holdings to fund business operations from business activities, public offerings, and loans. This cash will be allocated to fund new and existing businesses and M&A deals.

Current Financial Position and Policy

B/S as of end of September 2021
(JPY million)

- Plans for use of cash and deposits
- Increasing working capital
 - Investment in new/existing businesses to drive medium- to long-term growth
 - M&A
 - Capital allocated to address emerging risks

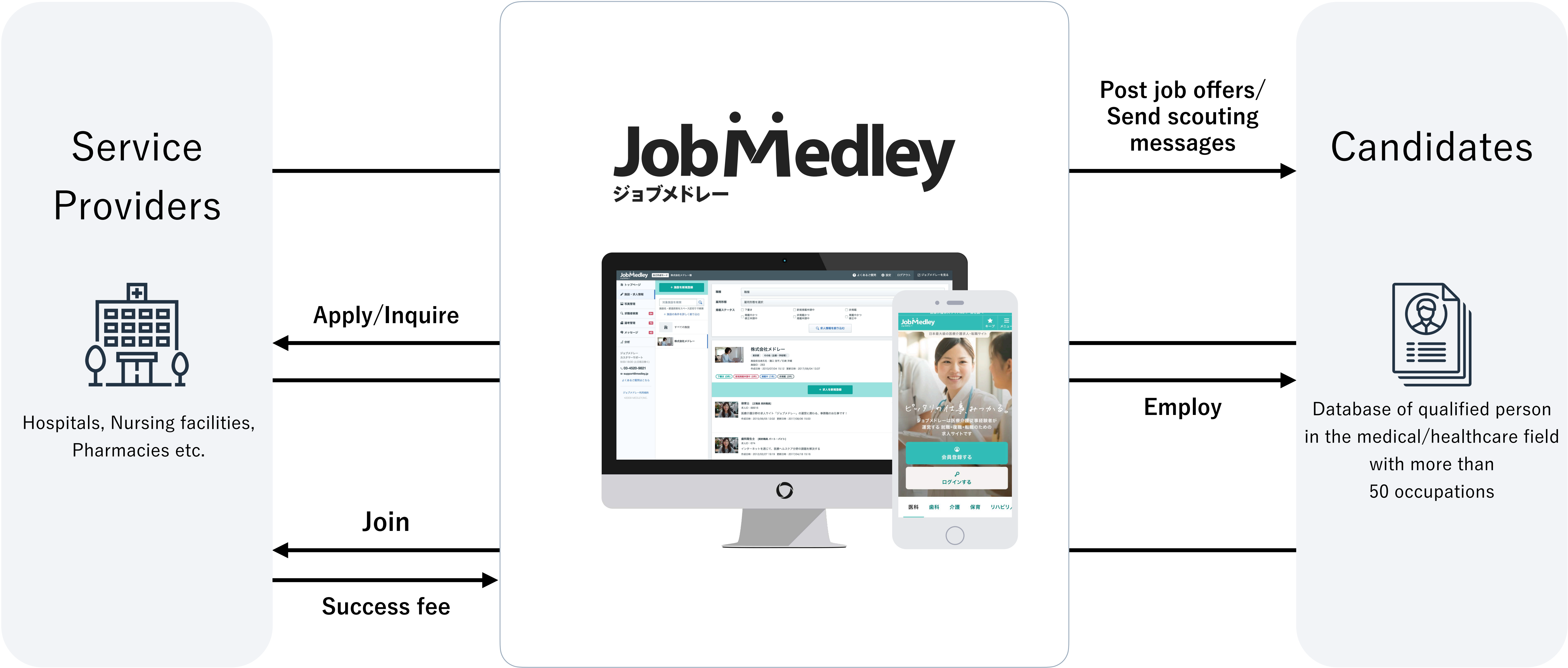
Cash raised from LOC		Untapped LOC 2,000	
Cash and deposits 17,059		Debt 3,357	
		Other liabilities 2,488	
		Net assets 15,505	
Other assets 4,292			

- Make appropriate use of debt whilst monitoring cost of capital
- Secure more LOC and increase borrowings to take advantage of business opportunities
- May 2020: Long-term borrowings JPY 0.5 bn
 - November 2020: Long-term borrowings JPY 3.0 bn
- September 2020:
- Conducted JPY 5.4 bn public offering
- Recruitment PF: JPY 2.8 bn
 - Medical PF: JPY 2.6 bn
- May 2021:
- Conducted JPY 5.1 bn third-party allotment
- Allocation to M&A

Recruitment PF:
Success-fee-based Hiring Support System for Medical/Healthcare Industry



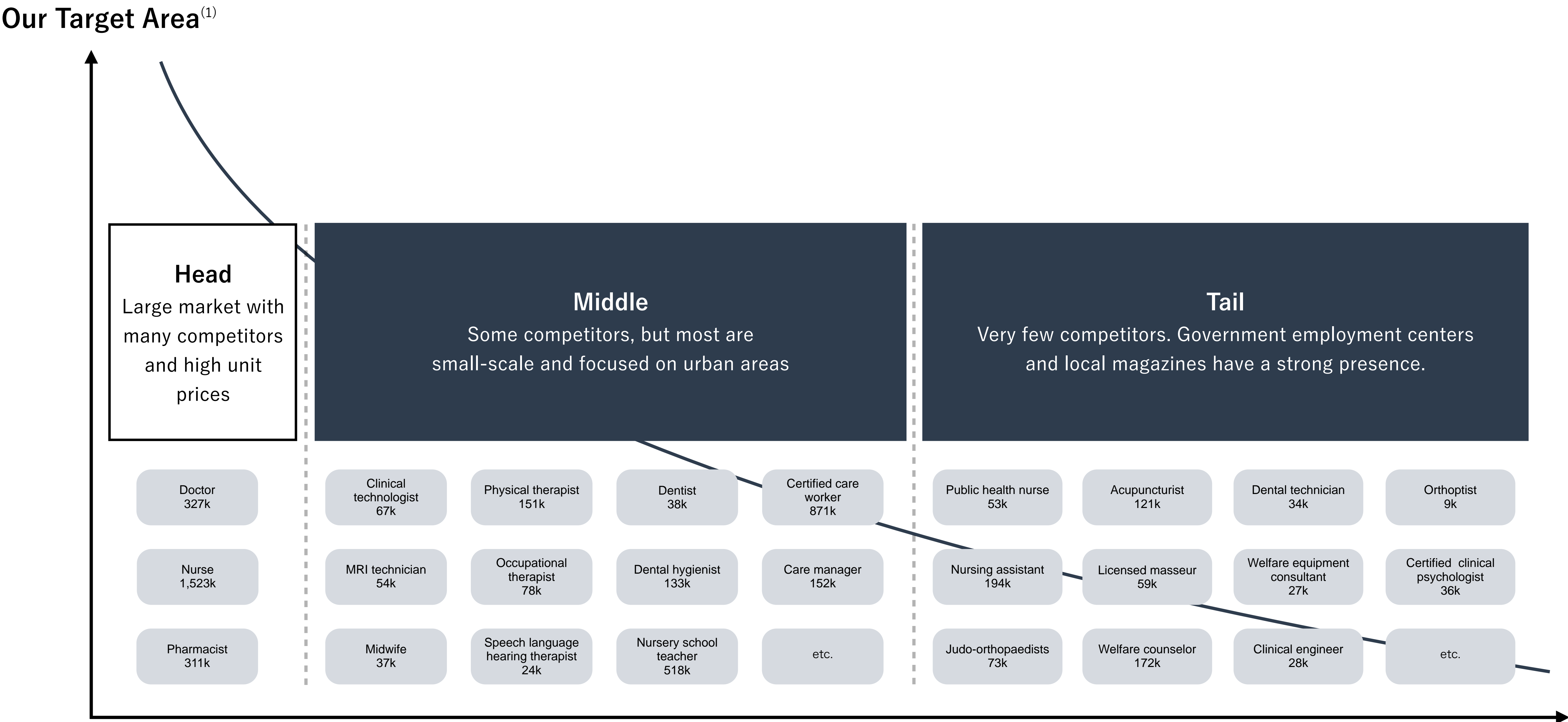
JobMedley is a recruitment system used by businesses (mainly medical institutions) in the nursing, childcare, and healthcare fields. Recruitment information for over 50 types of qualified professionals can be entered into the system and placement fee is charged when a placement is successfully made. The placement fee varies depending on the occupation type and hiring classification.



Recruitment PF:
Industry Has a Long-tail Structure:
Our Strengths Are in the Middle and Tail Segments



Out of the 8.7 million workers in the medical/beauty healthcare industry, 25% are doctors, nurses, and pharmacists, who are highly competitive in terms of job placement. On the other hand, there are few competitors in the remaining 75% - the middle and tail segments - where we have captured a leading market share. We currently have over 1,000,000 users in more than 50 occupations registered in our system.



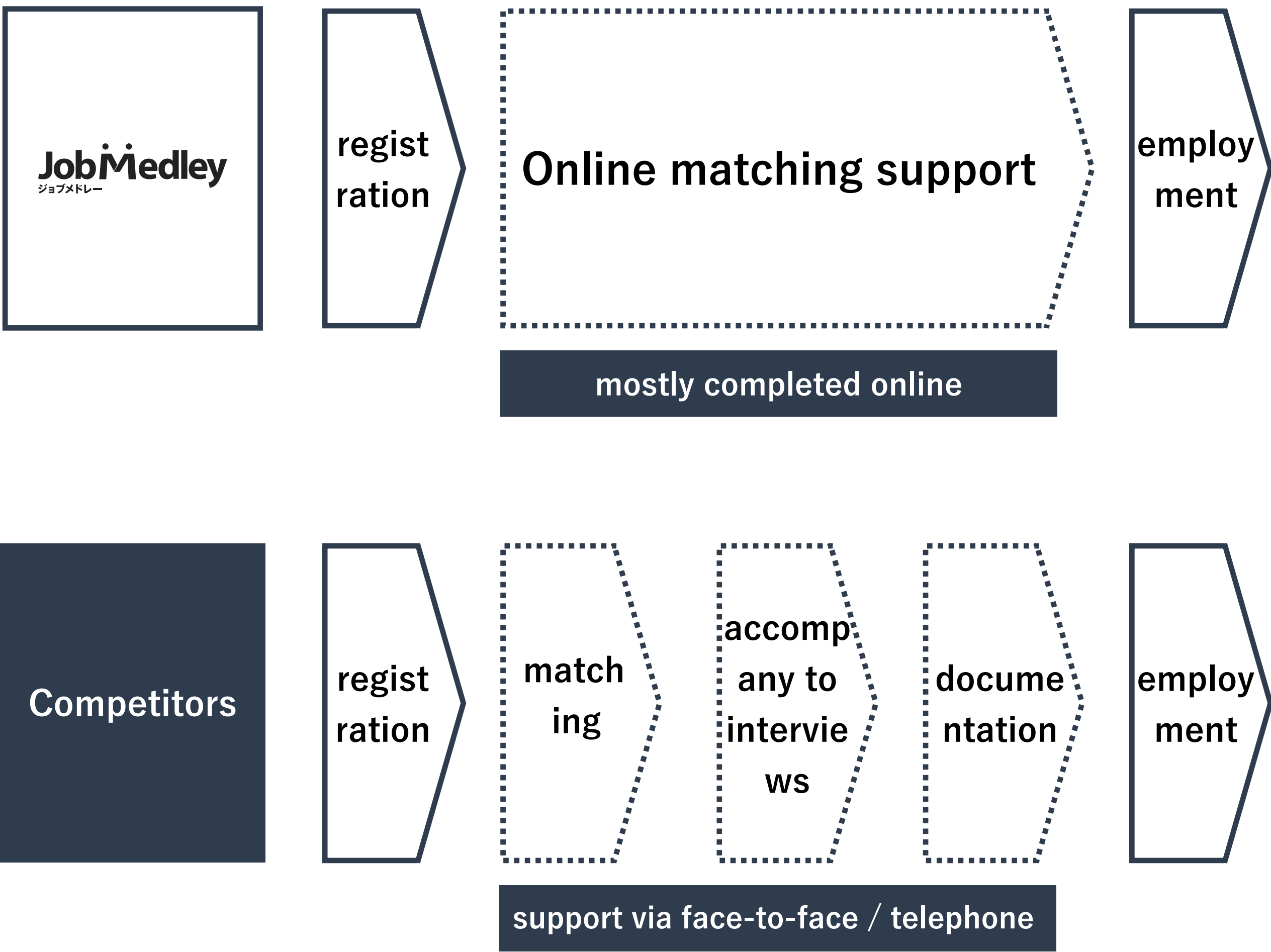
(1) Ministry of Health, Labour and Welfare statistics,

Recruitment PF:
Low-cost Structure Gives Advantages in Terms of Pricing



JobMedley covers more than 50 different types of medical/healthcare occupations, and recruitment success fee is approximately 50 - 80% lower than the industry average. While many recruitment agencies conduct most of their business in person, JobMedley uses online support staff, thereby increasing efficiency and enabling lower fees.

Improved Efficiency by Leveraging Online Support



Price Advantages

	Success Fee (of annual income; back calculation)
JobMedley ジョブメドレー	2~13% ⁽¹⁾
Major Recruitment Agencies	Success Fee (of annual income) 20~35% ⁽²⁾

(1)Ratio of our recruitment success fee to annual salary (full-time) is calculated based on the 2018 Basic Survey on Wage Structure (range of nurses, childcare professionals, physiotherapists, dentists, and caregivers).

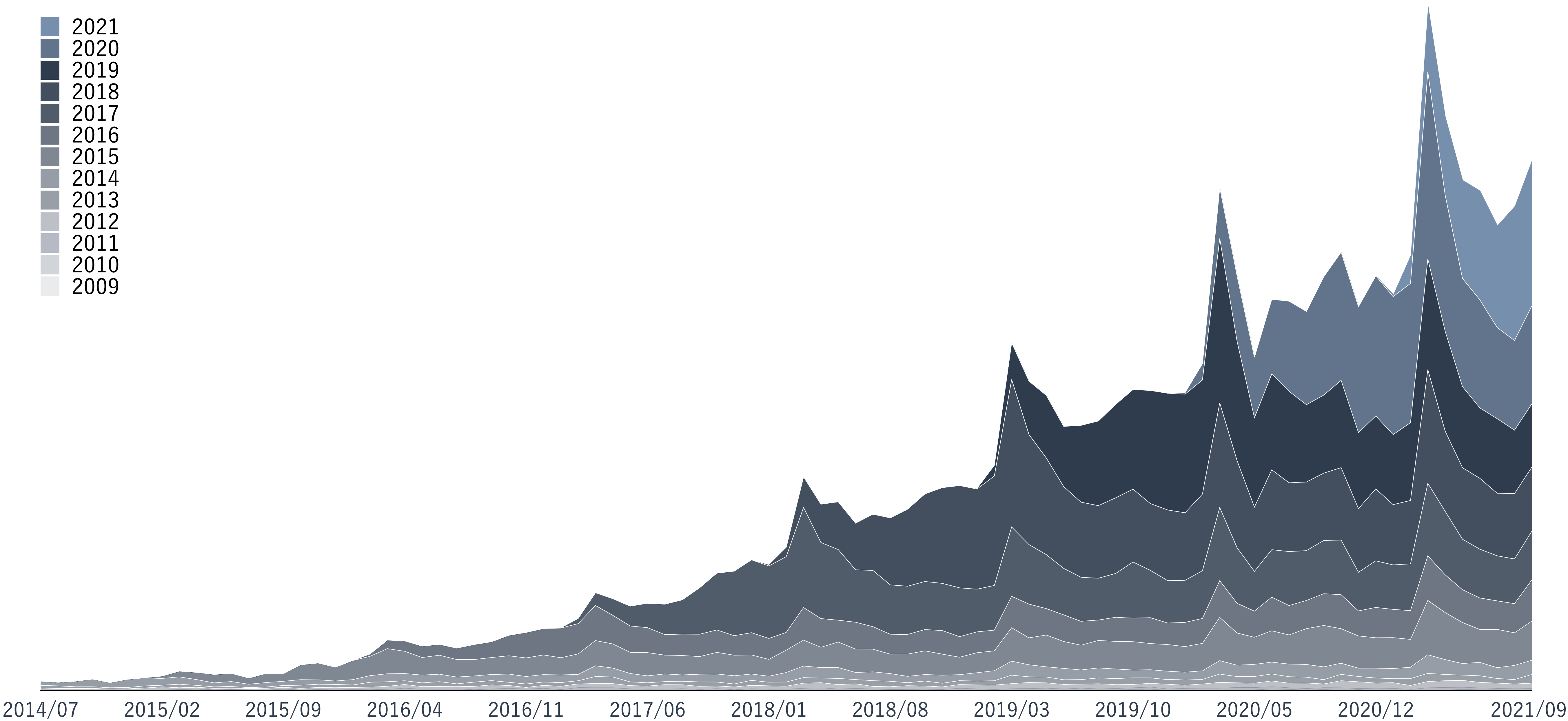
(2) This refers to typical fees for recruitment services for occupations such as doctors, nurses, childcare professionals, physical therapists, dentists, and care workers among the 50 occupations we handle. (Some recruitment services employ different methods for setting success fee amounts that are different from that described above.)

Recruitment PF:
Building a Stable Customer Base with Repeat Customers



We are building a stable customer base by encouraging customers to become repeat users of JobMedley. Recently acquired customers are making extensive use of our scouting functions. This has boosted the ratio of applicants per job offering and contributed to sales growth.

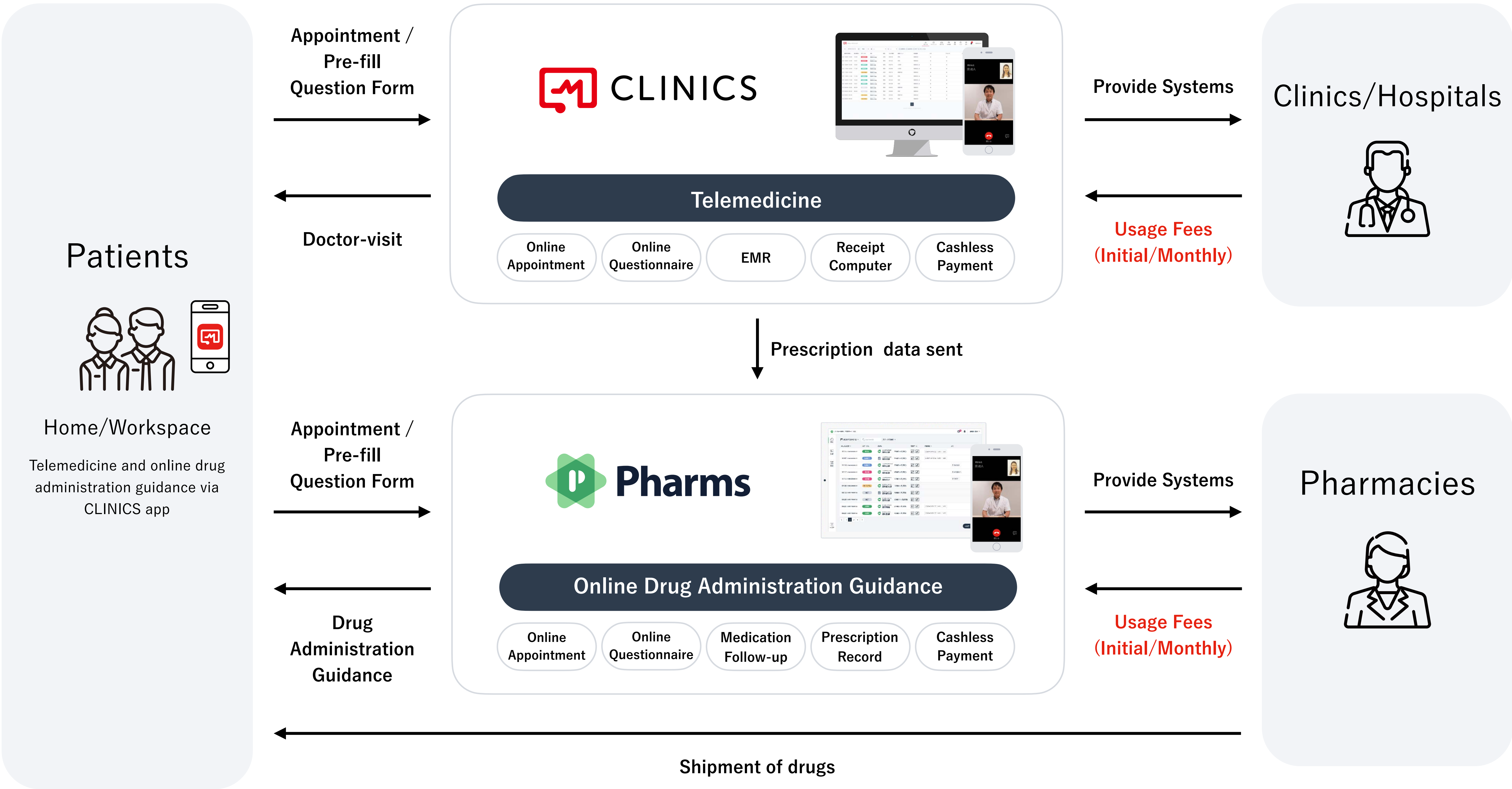
Sales by Customer Acquisition Year⁽¹⁾



(1) Based on per-customer monthly orders/sales value data

Medical PF:
CLINICS/Pharms Earnings Models

CLINICS and Pharms use earnings models wherein it receives system usage fees from medical institutions (CLINICS: clinics/hospitals, Pharms: dispensing pharmacies). Usage fees include initial fees for installation and monthly fee payments. Patients can receive online medical experience from treatment to drug administration guidance via both systems and CLINICS app.



Medical PF:
Changes in Japanese Telemedicine Regulations



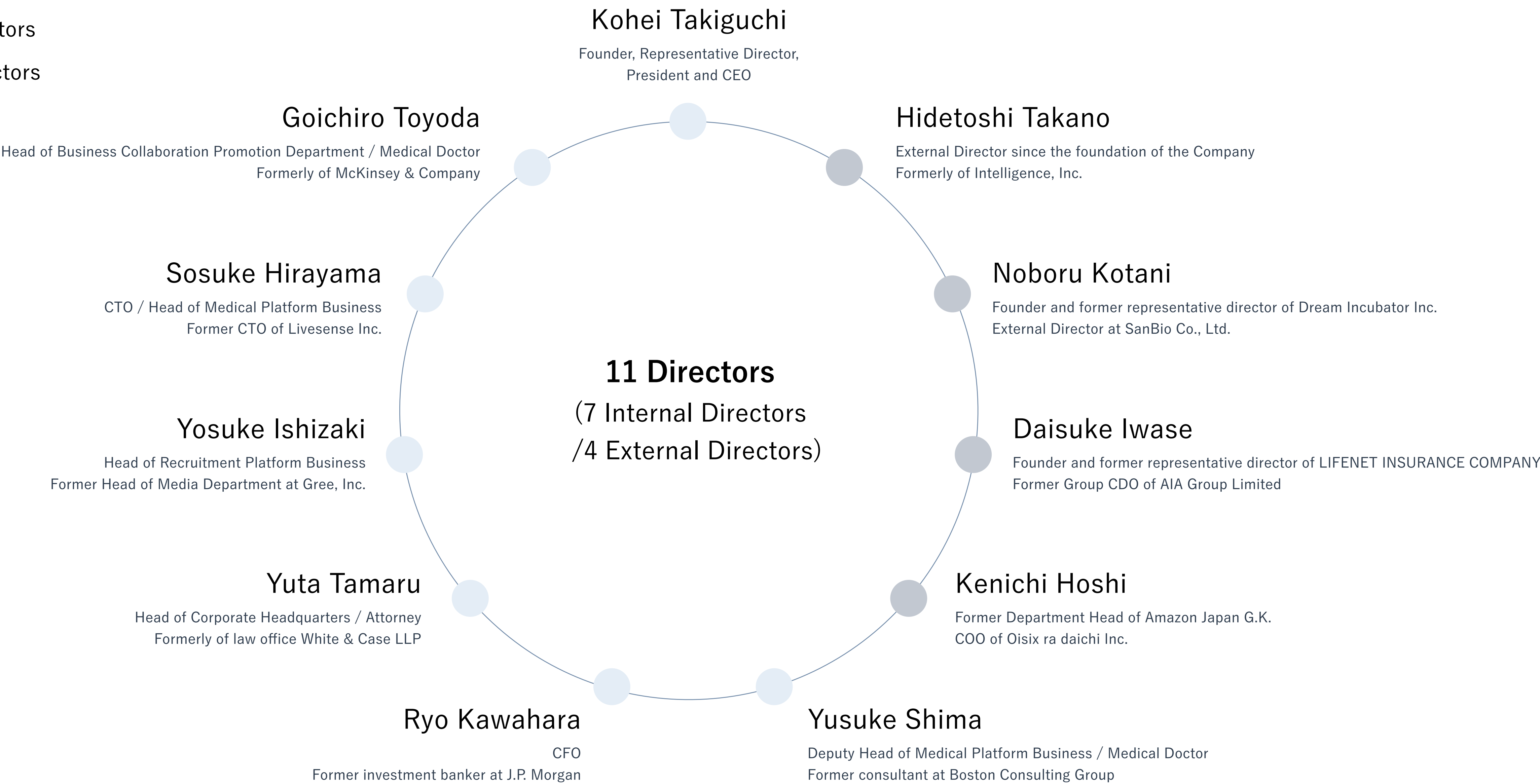
On April 10, 2020, in response to COVID-19, national health insurance coverage was extended to include initial medical examinations via telemedicine and restrictions regarding conditions treated via telemedicine were also lifted. Currently, the Ministry of Health, Labour and Welfare (MHLW) has been discussing permanent ease of telemedicine and the Central Social Insurance Medical Council (Chuikyo) plans to discuss ahead of the revision to medical fees scheduled for April 1, 2022.

Main requirements to be covered by insurance	Continuing impact until March 31, 2022		Temporary impact from COVID-19	Current Discussions
	April 1 2018: Medical Fee Revision	April 1 2020: Medical Fee Revision	April 10 2020: Guidance Statement	
Requirement for a patient to begin treatment via telemedicine	The doctor conducting telemedicine treatment must also provide face-to-face medical treatment <u>every month for at least six months</u>	The doctor conducting telemedicine treatment must also provide face-to-face medical treatment <u>every month for at least three months</u>	<u>Initial medical examinations via telemedicine systems allowed</u>	Permanent ease of initial medical examinations via telemedicine - Discussions ongoing within an investigating committee of MHLW on reviewing guidelines for the proper use of telemedicine
Requirements for medical care system	In the event of an emergency, face-to-face medical treatment must be possible within roughly 30 minutes	<u>No restrictions</u>	<u>No restrictions</u>	Revision of medical fees of telemedicine - Discussions to be held among members of Chuikyo of MHLW ahead of the revision to medical fees scheduled for April 1, 2022
Target patients	Certain patients with lifestyle-related diseases such as hypertension and diabetes	<u>Chronic headaches and nicotine addiction</u> added to list of conditions eligible for telemedicine treatment	<u>No restrictions</u>	

Medley’s Board of Directors consists of 11 directors, including 4 external directors. In addition to founder and CEO Kohei Takiguchi, internal directors include medical, IT, legal, and financial professionals and external directors include people with extensive management experience.

Board of Directors

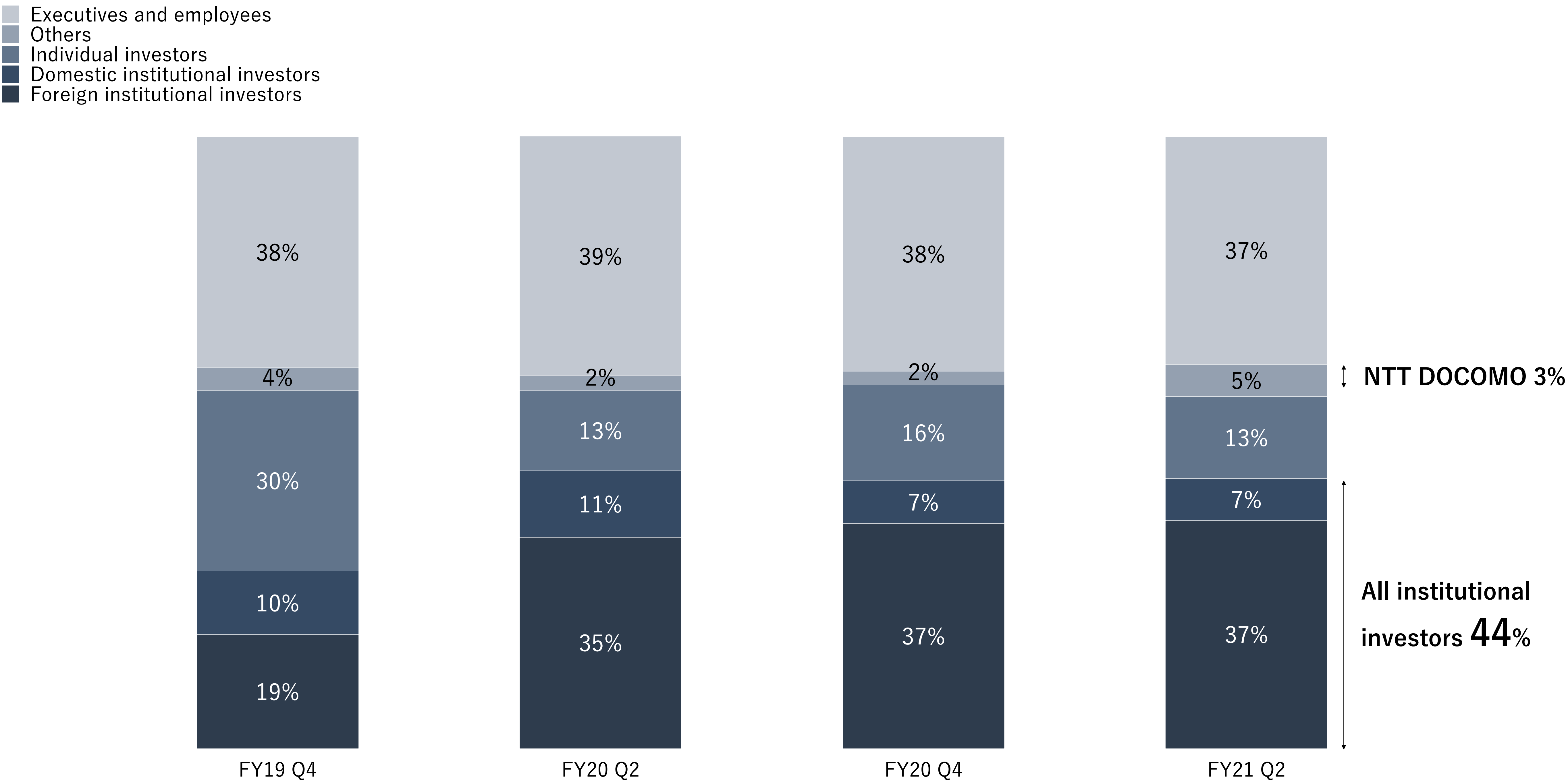
- Internal Directors
- External Directors



Changes in Ratio of Ownership



The ratio of institutional investors (primarily foreign institutional investors) has increased greatly since the IPO to 44% as of end-June 2021. We will continue to endeavor to provide robust disclosure that helps both institutional and individual long-term investors make investment decisions.





Creating the Future of Medical and Healthcare