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Consolidated Financial Results for the Year Ended December 31, 2021 [Japanese GAAP]

February 14, 2022

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 Annual General Meeting of Shareholders: March 25, 2022

Scheduled date of commencing dividend payments: -

Scheduled date of filing annual securities report: March 25, 2022

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual 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 Fiscal Year Ended December 31, 2021 (January 01, 2021 to December 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	%
Fiscal year ended December 31, 2021	10,863	59.0	1,218	124.6	733	85.1	743	75.9	563	23.5
December 31, 2020	6,830	43.3	542	117.5	396	158.6	422	137.0	455	-

(Note) Comprehensive income: Fiscal year ended December 31, 2021: ¥ 557 million [122.3%]
Fiscal year ended December 31, 2020: ¥ 455 million [-%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2021	17.79	17.15	4.7	4.2	6.8
December 31, 2020	15.69	14.48	7.0	4.0	5.8

(Note) Because the Company has posted no amortization of goodwill and share-based remuneration expenses during consolidated FY2020, there were not included in EBITDA (operating profit / loss + depreciation, amortization of goodwill, and share-based remuneration expenses). From FY2021, amortization of goodwill of consolidated subsidiaries has been included in the calculation of EBITDA.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	20,208	14,049	69.1	438.43
December 31, 2020	15,519	9,717	62.6	314.53

(Reference) Equity: As of December 31, 2021: ¥ 13,968 million
As of December 31, 2020: ¥ 9,715 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2021	1,038	(3,294)	2,220	14,017
December 31, 2020	805	(283)	9,052	14,052

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 31, 2020	-	0.00	-	0.00	0.00	-	-	-
December 31, 2021	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending December 31, 2022 (Forecast)	-	0.00	-	0.00	0.00		-	

(Note) Breakdown of the year-end dividend for the fiscal year ended December 31, 2021 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2022 (January 01, 2022 to December 31, 2022)

(% 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	13,950	-	1,550	27.2	900	22.7	900	21.1	650	15.4	20.40

(Note) The above figures are in new revenue recognition standard applied from FY2022. If the net sales growth rate is calculated based on the net sales from the same period of previous fiscal year after retroactive application of the changes in the revenue recognition standard, the net sales growth rate is 35%.

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) 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

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

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

December 31, 2021: 32,462,500 shares

December 31, 2020: 30,889,100 shares

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

December 31, 2021: 603,100 shares

December 31, 2020: - shares

3) Average number of shares during the period:

Fiscal Year ended December 31, 2021: 31,656,415 shares

Fiscal Year ended December 31, 2020: 29,062,500 shares

* These consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.

* 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 Company and certain assumptions deemed to be reasonable. The Company 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 Company's results forecasts are based and notes regarding the use of results forecasts, please refer to "(4) Outlook" under "1. Outline of Business Performance" on page 5 of the attached documents.

1. Outline of Business Performance

(1) Outline of operating results for the consolidated fiscal year

During consolidated 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 were lifted in September. 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 HR 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 product 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 HR 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 FY2021, the Group posted net sales of ¥10,863,568 thousand (up 59.0% YoY), an EBITDA of ¥1,218,778 thousand (up 124.6% YoY), an operating profit of ¥733,247 (up 85.1% YoY), an ordinary profit of ¥743,485 thousand (up 75.9% YoY), and net profit attributable to owners of the parent company of ¥563,251 thousand (up 23.5% YoY).

The HR 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 (ended on December 31).

Earnings by business segment are as follows.

Intersegment eliminations and unallocated group-wide shared costs totaled ¥1,956,740 thousand (up 36.6% YoY).

1. HR Platform Business

During consolidated 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 17.4% compared with the end of consolidated FY2020, surpassing 253,000, and the number of job offers listed rose by 17.5% over the same period, to over 252,000. 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 HR Platform Business segment and has been performing smoothly.

As a result of the above, consolidated FY2021 segment net sales were ¥7,878,737 thousand (up 39.4% YoY) and segment profit before allocation of group-wide shared costs (operating profit) was ¥3,188,694 thousand (up 34.5% YoY).

2. Medical Platform Business

During consolidated 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 89% compared with the end of consolidated FY2020 and reaching 10,611. 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 integrated into the Medical Platform Business segment.

As a result of the above, consolidated FY2021 segment net sales were ¥2,676,746 thousand (up 149.7% YoY) and segment loss before allocation of group-wide shared costs (operating loss) was ¥457,258 thousand (compared with an operating loss of ¥461,415 thousand in 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 FY2021, the Kaigo-no Honne nursing facility search website business continued to proactively conduct operations in order to expand content and increase the number of facilities that can be introduced using the Company's Kaigo-no Honne service. In addition, some of the businesses of MEDiPASS Co., Ltd., were integrated into the New Services Segment.

As a result of the above, consolidated FY2021 segment net sales were ¥308,284 thousand (up 184.9% YoY) and the segment posted a loss before allocation of group-wide shared costs (operating loss) of ¥41,447 thousand (compared with an operating loss of ¥80,682 thousand in 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 FY2021 totaled ¥15,541,314 thousand, an increase of ¥995,650 thousand compared with the end of the previous consolidated fiscal year. This increase was mainly attributable to an increase of ¥242,428 thousand in cash and deposits and an increase of ¥548,415 thousand in accounts receivable (trade) and an increase of ¥96,972 thousand in pre-paid expenses. Non-current assets as of end-consolidated FY2021 totaled ¥4,600,354 thousand, an increase of ¥3,666,884 thousand compared with the end of the previous consolidated fiscal year. This increase was mainly attributable to an increase of ¥99,234 thousand in tangible non-current assets, an increase of ¥2,221,053 thousand in intangible non-current assets, and an increase of ¥1,346,595 thousand in investments and other assets compared with the end of the previous consolidated fiscal year.

As a result of the above, total assets as of end-consolidated FY2021 totaled ¥20,208,356 thousand, an increase of ¥4,688,363 thousand compared with the end of the previous consolidated fiscal year.

Liabilities

Current liabilities as of end-consolidated FY2021 totaled ¥3,341,685 thousand, an increase of ¥397,855 thousand compared with the end of the previous consolidated fiscal year. This increase was mainly attributable to increases of ¥263,914 thousand in income taxes payable, ¥217,261 thousand in accounts payable, ¥117,855 thousand in advances received, ¥108,414 thousand in the current portion of long-term borrowings, ¥52,340 thousand in accounts payable (trade), ¥50,000 thousand in the current portion of bonds payable, ¥27,901 thousand in deposits received, and ¥20,311 thousand in accrued expenses and a decrease of ¥500,000 thousand in short-term borrowings. Non-current liabilities as of end-consolidated FY2021 totaled ¥2,817,098 thousand, a decrease of ¥41,470 thousand compared with the end of the previous consolidated fiscal year. This increase was mainly attributable to an increase of ¥518,442 thousand in deferred tax liabilities and a decrease of ¥686,302 thousand in long-term loans payable.

As a result of the above, total liabilities as of end-consolidated FY2021 totaled ¥6,158,783 thousand, an increase of ¥356,385 thousand compared with the end of the previous consolidated fiscal year.

Net assets

Net assets as of end-consolidated FY2021 totaled ¥14,049,572 thousand, an increase of ¥4,331,978 thousand compared with the end of the previous consolidated fiscal year.

This increase was mainly attributable to increases of ¥2,726,654 thousand each in capital and capital reserves owing to issuance of shares related to third-party share allocations and the exercise of stock options, an increase of ¥563,251 thousand in retained earnings, and a decrease of ¥1,763,973 thousand owing to acquisition of treasury stock.

(3) Outline of cash flows for the consolidated fiscal year

Cash and cash equivalents (hereinafter, net cash) as of end-consolidated FY2021 totaled ¥14,017,556 thousand, a decrease of ¥34,478 thousand compared with the end-FY2020. Cash flows during consolidated FY2021 were as follows.

Cash flows from operating activities

Net cash provided by operating activities during consolidated FY2021 was ¥1,038,925 thousand (compared with ¥805,762 thousand in FY2020). This increase was mainly attributable to ¥764,860 thousand in pretax net profit, adjusted for ¥308,340 thousand in depreciation and amortization costs, ¥128,730 thousand in amortization of goodwill, an increase of ¥202,789 thousand in accounts receivable (trade), and ¥159,155 thousand in taxes paid.

Cash flows from investing activities

Net cash used in investing activities during consolidated FY2021 was ¥3,294,298 thousand (compared with ¥283,149 thousand in FY2020). This was mainly attributable to ¥1,910,558 thousand from the acquisition of shares of subsidiary companies related to changes in the scope of consolidated accounting and ¥901,852 thousand from the acquisition of investment securities.

Cash flows from financing activities

Net cash provided by financing activities during consolidated FY2021 was ¥2,220,895 thousand (compared with 9,052,025 thousand in FY2020). This was mainly attributable to ¥5,398,733 thousand in proceeds from the issuance of shares, ¥1,773,145 thousand in outflows from acquisition of treasury stock, and ¥864,692 thousand in repayment of long-term loans.

(4) Outlook

The Company views the providing of value to its customers, in other words, maximization of companywide sales, an essential to maximization of long-term free cash flow, leading to growth in corporate value. The Company therefore positioned net sales as a key performance indicator to be considered when making management decisions. Specifically, the Company will focus on developing its business based on a business model focused on stable relationships with customers in order to achieve continuous high growth in sales (number of customer offices × ARPU*). The Company will also strive to maximize customer numbers while strengthening its product lineup in order to continuously improve ARPU. In order to achieve these goals, to the extent possible, the Company plans to conduct the necessary investment in growth to continue to win customers, increase the customer usage rate, and expand the range of functions offered by its services.

Based on the above, in addition to net sales, which the Company views as the main source of long-term free cash flow, the Company focuses on EBITDA, a profit indicator that it views as closer to free cash flow. The Company will proactively disclose information on these two indicators to shareholders and investors. Profit indicators other than EBITDA include operating profit, ordinary profit, and net profit attributable to owners of the parent company. When M&A is conducted, accounting standards can have a sizable impact on progress made in terms of the abovementioned investment in growth. The Company therefore focuses on EBITDA as a profit indicator that measures actual profitability and is not impacted by such factors.

The Company's consolidated financial results forecast for FY2022 is as shown below. The following forecasts are based on the application of "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and other relevant standards. In addition, The Company's forecast does not factor in any impact from the launch of new businesses not currently included in our business plan or M&A with low probabilities. While the Company's financial results forecast for FY2021 was provided in the form of a range, we provide a single figure for each of the financial indicators in our FY2021 financial results forecast.

Financial results forecast for FY2022

Net sales

13,950 million yen

EBITDA	1,550 million yen
Operating profit	900 million yen
Ordinary profit	900 million yen
Profit attributable to owners of parent	650 million yen

The above forward-looking statements include forecasts are based on information currently available to the Company and certain assumptions deemed to be reasonable. These statements include risks and uncertainties. Actual results may vary due to various uncertain factors.

Please also refer to the Company's financial results presentation materials for more details.

(Note) ARPU (Average Revenue Per User) = average sales per Group customer business office

2. Fundamental view regarding selection of accounting standards

The Company has adopted Japanese accounting standards as a means to allow comparison between companies. The Company has the policy of appropriately adopting International Financial Reporting Standards (IFRS), taking into consideration conditions in Japan and overseas.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousand yen)

	As of December 31,2020	As of December 31,2021
Assets		
Current assets		
Cash and deposits	14,052,034	14,294,462
Accounts receivable - trade	300,272	848,687
Merchandise and finished goods	11,657	39,066
Work in process	4,338	3,412
Prepaid expenses	71,963	168,936
Accrued income	2,134	12,734
Other	134,327	193,728
Allowance for doubtful accounts	(31,065)	(19,715)
Total current assets	14,545,664	15,541,314
Non-current assets		
Property, plant and equipment		
Buildings, net	43,680	85,640
Machinery and equipment, net	-	4,455
Tools, furniture and fixtures, net	20,336	35,485
Vehicles, net	3,503	4,059
Land	-	37,113
Total property, plant and equipment	67,520	166,755
Intangible assets		
Software	275,196	307,640
Goodwill	80,828	819,076
Customer-related Assets	-	1,456,948
Other	7,222	635
Total intangible assets	363,247	2,584,301
Investments and other assets		
Investment securities	-	905,636
Deferred tax assets	125,648	256,468
Leasehold deposits	372,567	616,277
Other	4,485	70,915
Total investments and other assets	502,702	1,849,297
Total non-current assets	933,470	4,600,354
Deferred assets		
Share issuance costs	40,858	66,528
Other	-	159
Total deferred assets	40,858	66,687
Total assets	15,519,992	20,208,356

(Thousand yen)

	As of December 31,2020	As of December 31,2021
Liabilities		
Current liabilities		
Accounts payable - trade	57,287	109,627
Current portion of bonds payable	-	50,000
Short-term borrowings	500,000	-
Current portion of long-term borrowings	825,826	934,240
Accounts payable - other	587,056	804,317
Accrued expenses	72,609	92,920
Advances received	421,392	539,248
Deposits received	141,492	169,394
Income taxes payable	112,300	376,215
Accrued consumption taxes	193,866	198,773
Provision for bonuses	-	17,640
Provision for refund of sales	10,656	15,472
Provision for continuous service bonuses	19,368	24,045
Provision for other	1,971	1,297
Other	-	8,492
Total current liabilities	2,943,829	3,341,685
Non-current liabilities		
Long-term borrowings	2,858,569	2,172,267
Deferred tax liabilities	-	518,442
Other	-	126,389
Total non-current liabilities	2,858,569	2,817,098
Total liabilities	5,802,398	6,158,783
Net assets		
Shareholders' equity		
Share capital	3,968,433	6,695,087
Capital surplus	5,790,380	8,517,035
Retained earnings	(43,151)	520,100
Treasury shares	-	(1,763,973)
Total shareholders' equity	9,715,662	13,968,250
Share acquisition rights	1,932	878
Non-controlling interests	-	80,444
Total net assets	9,717,594	14,049,572
Total liabilities and net assets	15,519,992	20,208,356

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended December 31,2020	For the fiscal year ended December 31,2021
Net sales	6,830,791	10,863,568
Cost of sales	2,159,623	3,877,788
Gross profit	4,671,167	6,985,780
Selling, general and administrative expenses	4,275,072	6,252,532
Operating profit	396,094	733,247
Non-operating income		
Interest income	36	235
Settlement received	24,750	47,214
Subsidy income	12,585	15,605
Other	9,143	15,554
Total non-operating income	46,514	78,609
Non-operating expenses		
Interest expenses	10,143	18,729
Amortization of share issuance costs	7,208	27,853
Loss on extinguishment share-based compensation expenses	-	11,962
Commission for purchase of treasury shares	-	9,172
Outsourcing expenses	2,128	-
Other	441	654
Total non-operating expenses	19,921	68,371
Ordinary profit	422,687	743,485
Extraordinary income		
Gain on sale of non-current assets	-	17
Gain on sale of businesses	-	22,390
Total extraordinary income	-	22,408
Extraordinary losses		
Loss on abandonment of non-current assets	55	1,033
Total extraordinary losses	55	1,033
Profit before income taxes	422,632	764,860
Income taxes - current	92,293	354,173
Income taxes - deferred	(125,648)	(147,194)
Total income taxes	(33,354)	206,979
Profit	455,986	557,881
Loss attributable to non-controlling interests	-	(5,370)
Profit attributable to owners of parent	455,986	563,251

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended December 31,2020	For the fiscal year ended December 31,2021
Profit	455,986	557,881
Other comprehensive income		
Total other comprehensive income	-	-
Comprehensive income	455,986	557,881
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	455,986	563,251
Comprehensive income attributable to non-controlling interests	-	(5,370)

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended December 31,2020

(Thousand yen)

	Shareholders' equity					Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity			
Balance at beginning of period	1,011,523	2,833,471	(499,137)	-	3,345,857	13,932	-	3,359,789
Changes during period								
Issuance of new shares	2,956,909	2,956,909			5,913,818			5,913,818
Profit attributable to owners of parent			455,986		455,986			455,986
Purchase of treasury shares								-
Net changes in items other than shareholders' equity						(12,000)		(12,000)
Total changes during period	2,956,909	2,956,909	455,986	-	6,369,805	(12,000)	-	6,357,805
Balance at end of period	3,968,433	5,790,380	(43,151)	-	9,715,662	1,932	-	9,717,594

For the fiscal year ended December 31,2021

(Thousand yen)

	Shareholders' equity					Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity			
Balance at beginning of period	3,968,433	5,790,380	(43,151)	-	9,715,662	1,932	-	9,717,594
Changes during period								
Issuance of new shares	2,726,654	2,726,654			5,453,309			5,453,309
Profit attributable to owners of parent			563,251		563,251			563,251
Purchase of treasury shares				(1,763,973)	(1,763,973)			(1,763,973)
Net changes in items other than shareholders' equity						(1,054)	80,444	79,390
Total changes during period	2,726,654	2,726,654	563,251	(1,763,973)	4,252,587	(1,054)	80,444	4,331,978
Balance at end of period	6,695,087	8,517,035	520,100	(1,763,973)	13,968,250	878	80,444	14,049,572

(4) Consolidated Statements of Cash Flows

	(Thousand yen)	
	For the fiscal year ended December 31,2020	For the fiscal year ended December 31,2021
Cash flows from operating activities		
Profit before income taxes	422,632	764,860
Depreciation	146,584	308,340
Amortization of goodwill	-	128,730
Amortization of security deposit	5,866	32,667
Increase (decrease) in allowance for doubtful accounts	7,069	(11,349)
Increase (decrease) in provision for bonuses	(1,461)	8,640
Interest and dividend income	(36)	(235)
Interest expenses	10,143	18,729
Amortization of share issuance costs	7,208	27,853
Commission for purchase of treasury shares	-	9,172
Loss on extinguishment share-based compensation expenses	-	11,962
Settlement received	(24,750)	(47,214)
Gain on sale of non-current assets	-	(17)
Loss on abandonment of non-current assets	55	1,033
Gain on sale of businesses	-	(22,390)
Decrease (increase) in trade receivables	(58,774)	(202,789)
Decrease (increase) in inventories	(4,148)	13,267
Increase (decrease) in trade payables	15	34,780
Increase (decrease) in accounts payable - other	24,792	103,981
Increase (decrease) in advances received	272,106	90,568
Increase (decrease) in accrued consumption taxes	88,564	(20,168)
Other, net	27,935	(66,382)
Subtotal	923,804	1,184,040
Interest and dividends received	36	235
Interest paid	(11,023)	(18,823)
Settlement package received	19,066	32,627
Income taxes paid	(126,122)	(159,155)
Net cash provided by (used in) operating activities	805,762	1,038,925
Cash flows from investing activities		
Purchase of securities	-	(901,852)
Payments into time deposits	-	(267,204)
Proceeds from withdrawal of time deposits	-	261,562
Purchase of property, plant and equipment	(22,176)	(64,130)
Proceeds from sale of property, plant and equipment	-	545
Purchase of intangible assets	(191,717)	(178,402)
Proceeds from sale of businesses	-	24,630
Payments of leasehold and guarantee deposits	(14,133)	(273,217)
Proceeds from refund of leasehold and guarantee deposits	-	13,221
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(55,122)	(1,910,558)
Other, net	-	1,107
Net cash provided by (used in) investing activities	(283,149)	(3,294,298)

	(Thousand yen)	
	For the fiscal year ended December 31,2020	For the fiscal year ended December 31,2021
Cash flows from financing activities		
Repayments of short-term borrowings	-	(540,000)
Proceeds from long-term borrowings	3,500,000	-
Repayments of long-term borrowings	(308,456)	(864,692)
Proceeds from issuance of shares	5,860,481	5,398,733
Purchase of treasury shares	-	(1,773,145)
Net cash provided by (used in) financing activities	9,052,025	2,220,895
Net increase (decrease) in cash and cash equivalents	9,574,638	(34,478)
Cash and cash equivalents at beginning of period	4,477,395	14,052,034
Cash and cash equivalents at end of period	14,052,034	14,017,556

(5) Notes on consolidated financial statements

(Notes related to of going concern assumptions)

Not applicable

(Changes in Accounting Policies)

(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.

Also, in the previous consolidated fiscal year (FY2020), “Software in progress” was reported independently as a separate line item under “Intangible non-current assets”. However, as these items have become insignificant in terms of value, starting from consolidated FY2021, it will be included in “Other”. Consolidated financial statements for FY2020 have been revised to reflect this change in accounting policies.

As a result of the above, the consolidated balance sheet for FY2020 has been revised. Previously, “Software in progress” under “Intangible non-current assets” was reported as ¥7,222 thousand. This has been revised to show ¥7,222 thousand in “Other”.

(Changes in accounting estimates)

(Changes in depreciation period)

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 FY2021 operating profit, ordinary profit, and profit before income taxes declined by ¥47,399 thousand each.

(Additional information)

(Accounting estimates regarding the impact from the spread of COVID-19)

The Company provides accounting estimates regarding such issues as non-current asset impairment and recoverability of deferred tax assets based on information available at the time of preparation of quarterly consolidated financial statements. While the Company expects the impact on its business from the spread of COVID-19 to vary from segment to segment, it does not currently expect a material impact that would necessitate a major revision to its consolidated FY2020 earnings forecast. However, given the highly uncertain impact on economic activity from the spread of COVID-19, any changes to the assumptions provided above could impact the Company's financial condition and operational performance.

(Business combinations, etc.)

(Business combination via acquisition)

1. Pacific Medical, Inc.

(1) Overview of merger

1) Name and business activities of acquired company

Name of acquired company Pacific Medical, Inc.

Business activities

Development and sales of EMR
Customized system development; storage and maintenance of server apparatus
Planning, designing, and consulting of system installation

2) Main purpose of the business combination

Pacific Medical has developed and offered electronic medical records (EMR) for small- and medium-sized hospitals over the past 17 years. 98% of its customers are highly satisfied repeat users of its EMR systems owing to their high functionality and low price. While the EMR market for small- and medium-sized hospitals, an area of strength for Pacific Medical, has been expanding, a majority of these hospitals still use paper-based medical records, which indicates a delay in the adoption of digital technology. The Company believes it is essential to expand the adoption of low-cost, highly functional EMR systems for small- and medium-sized hospitals in order to realize sustainable regional medical care in Japan, where the population is aging and decreasing. The acquisition of Pacific Medical provides the Company with the opportunity to enter the hospital EMR market. The Company and Pacific Medical will accelerate the adoption of digital technology in the medical and healthcare industries by leveraging the Company's customer base to increase market share of EMR for hospitals as well as generating synergies with other products including the Company's telemedicine system.

3) Business combination date

January 4, 2021 (deemed date of acquisition: January 1, 2021)

4) Legal form of business combination

Acquisition of shares

5) Name of acquired company after business combination

Pacific Medical, Inc.

6) Percentage of voting rights acquired

Percentage of voting rights held after business combination: 80%

7) Primary basis for determination of acquiring company

The Company paid cash in consideration for acquiring 80% of the voting rights of Pacific Medical, Inc.

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

January 01, 2021 to December 31, 2021

(3) Acquisition cost and breakdown by type of considerations

Consideration paid in cash ¥792 million

Acquisition cost ¥792 million

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

Compensation for advisory services ¥29 million

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

1) Goodwill recognized

¥448 million

2) Reason of recognized

Mainly recognized on the basis of the future earnings potential of Pacific Medical, Inc. based on the expected future development of its businesses.

3) Amortization method and period of goodwill

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

(6) Amount allocated to intangible fixed assets other than goodwill and its breakdown by major classification, and weighted average amortization period for the whole amount and for each major classification

Classification	Amount	Weighted average amortization period
Assets attributable to customers	¥426 million	18 years

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

Current assets	¥513 million
Non-current assets	¥1,013 million
Deferred assets	¥0 million
Total assets	¥1,527 million
Current liabilities	¥136 million
Non-current liabilities	¥614 million
Total liabilities	¥751 million

2. MEDiPASS Co., Ltd.

(1) Overview of merger

1) Name and business activities of acquired company

Name of acquired company	MEDiPASS Co., Ltd.
Business activities	Operation of online video nursing training service “MEDiPASS Academy” Online introduction service for paid senior living facilities “Goika no Kaigo” Operational support for home healthcare and nursing providers, etc.

2) Main purpose of the business combination

In line with its mission of “Connecting people and creating systems to solve the problems of super-aging society”, MEDiPASS offers services for healthcare and nursing care providers. Especially since the launch of online video training service “MEDiPASS Academy” in 2018, MEDiPASS has built an impressive track record by providing nursing care providers with a wide range of content. MEDiPASS also offers “Goika no Kaigo”, an online introduction service for paid senior living facilities, which has strengths in the arrangement of discharge of patients, and operational support for medical institutions which provide residents of nursing care facilities with medical care, etc.

The acquisition of MEDiPASS will enable the Company to enter the field of online training and accelerate digital transformation in the medical and healthcare industries by expanding the product lineup offered via JobMedley. The Company will continue to address the challenges that medical and healthcare industries are facing such as the shortage of medical workers and low availability of medical services in some regions by proactively creating synergies through business expansion leveraging the customer base of JobMedley.

3) Business combination date

February 26, 2021 (deemed date of acquisition: March 31, 2021)

4) Legal form of business combination

Acquisition of shares

5) Name of acquired company after business combination

MEDiPASS Co., Ltd.

6) Percentage of voting rights acquired

Percentage of voting rights held after business combination: 100%

7) Primary basis for determination of acquiring company

The Company paid cash in consideration for acquiring 100% of the voting rights of MEDiPASS Co., Ltd.

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

April 01, 2021 to December 31, 2021

(3) Acquisition cost and breakdown by type of considerations

Consideration paid in cash	¥1,500 million
Acquisition cost	¥1,500 million

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

Compensation for advisory services ¥8 million

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

1) Goodwill recognized

¥348 million

2) Reason of recognized

Mainly recognized on the basis of the future earnings potential of MEDiPASS Co., Ltd. based on the expected future development of its businesses.

3) Amortization method and period of goodwill

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

(6) Amount allocated to intangible fixed assets other than goodwill and its breakdown by major classification, and weighted average amortization period for the whole amount and for each major classification

Classification	Amount	Weighted average amortization period
Assets attributable to customers	¥1,120 million	13 years

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

Current assets ¥499 million

Non-current assets ¥1,561 million

Total assets ¥2,060 million

Current liabilities ¥173 million

Non-current liabilities ¥387 million

Total liabilities ¥560 million

(8) Estimated impact on consolidated statements of income for the consolidated fiscal year if the business combination had been completed on the first day of the consolidated fiscal year and calculation method of said estimated impact

The estimated impact is omitted as it is immaterial.

(Segment information, etc.)

(Segment information)

1. Overview of reportable segments

(1) Classification of reportable segments

The business segments the Company reports are the business units from which individual financial information can be obtained, and on which the Board of Directors can conduct periodic investigations to determine the appropriate distribution of operational resources and evaluate business performance. Based on its mission of “Creating the future of medical healthcare”, the Company develops and provides online services in the field of medical healthcare. In this field, despite daily advances in medical treatment technologies, owing to regulations and delays in the application of technologies, there are many obstacles that must be overcome before large numbers of patients can benefit from advances in medicine. Faced with this situation, the Company believes that joining together with a wide range of stakeholders in the field of medical healthcare to leverage network technologies to solve issues one by one will allow medical care businesses to provide patients with excellent medical care. The Medley Group therefore provides services that respond to the needs of society. The Company’s reportable segments are composed of the following three units: HR Platform Business, Medical Platform Business, and New Services Segment.

(2) Services provided by each reportable segment

The HR Platform Business handles JobMedley hiring support service that runs on a placement fee business model and assists companies in the medical healthcare field to address issues such as labor shortages and uneven regional distribution of medical professionals and MEDiPASS Academy online nursing training service.

The Medical Platform Business handles CLINICS cloud medical support system, Pharms pharmacy window support system, MEDLEY medical information service, and MALL electronic medical record system for hospitals.

The New Services Segment handles Kaigo-no Honne nursing facility search website aimed at people searching for nursing care facilities.

2. Method of calculating sales and profit (loss), identifiable assets and liabilities, and other items by reportable segment

Accounting methods for reportable segments are basically the same as those used when creating financial statements. Profit by

reportable segment is reported on an operating profit basis.

3. Information on net sales and operating profit (loss), identifiable assets and liabilities, and other items by reportable segment
Consolidated Fiscal Year 2020 (from January 1, 2020 to December 31, 2020)

(Thousands of yen)

	Reportable segment				Adjustment (Note) 1	Total
	HR Platform Business	Medical Platform Business	New Services	Total		
Net sales						
Sales to external customers	5,650,569	1,072,005	108,216	6,830,791	—	6,830,791
Inter-segment sales and transfers	-	—	—	—	—	—
Total	5,650,569	1,072,005	108,216	6,830,791	—	6,830,791
Segment profit (loss)	2,371,070	(461,415)	(80,682)	1,828,972	(1,432,877)	396,094
Segment assets	285,589	97,143	597	383,330	15,136,662	15,519,992
Other items						
Depreciation	133,627	4,578	221	138,428	8,155	146,584
Amortization of goodwill	-	-	-	-	-	-
Increase in property, plant and equipment and intangible assets	194,376	4,764	555	199,696	14,984	214,681

- (Notes) 1. Segment profit (loss) adjustments of (¥1,432,877) thousand include intersegment eliminations and corporate expenses unallocated to reportable segments.
2. Segment profit (loss) is adjusted under operating profit on the Consolidated Statements of Comprehensive Income.
3. Adjustments of identifiable segment assets of ¥15,136,662 thousand mainly include corporate expenses unallocated to reportable segments
4. In consolidated FY2021, MEDS, INC. and OTO, Inc. were brought into the scope of the Company's consolidated accounting. As the deemed acquisition date for shares of OTO, Inc. was October 31, 2020, it was included in the consolidated balance sheet only and not in other consolidated financial statements for FY2021.

Consolidated Fiscal Year 2021 (from January 1, 2021 to December 31, 2021)

(Thousands of yen)

	Reportable segment				Adjustment (Note) 1	Total
	HR Platform Business	Medical Platform Business	New Services	Total		
Net sales						
Sales to external customers	7,878,537	2,676,746	308,284	10,863,568	—	10,863,568
Inter-segment sales and transfers	200	-	-	200	(200)	—
Total	7,878,737	2,676,746	308,284	10,863,768	(200)	10,863,568
Segment profit (loss)	3,188,694	(457,258)	(41,447)	2,689,988	(1,956,740)	733,247
Segment assets	681,467	1,944,084	278	2,625,830	17,582,525	20,208,356
Other items						
Depreciation	175,193	100,874	508	276,575	31,764	308,340
Amortization of goodwill	49,195	79,535	-	128,730	-	128,730
Increase in property, plant and equipment and intangible assets	618,925	2,089,861	55	2,708,843	53,967	2,762,810

- (Notes) 1. Segment profit (loss) adjustments of (¥1,956,740) thousand include intersegment eliminations and corporate expenses unallocated to reportable segments.
2. Segment profit (loss) is adjusted under operating profit on the Consolidated Statements of Comprehensive Income.
3. Adjustments of identifiable segment assets of ¥17,582,525 thousand mainly include corporate expenses unallocated to reportable segments.

4. In consolidated FY2021, Pacific Medical, Inc. and MEDiPASS Co., Ltd. were brought into the scope of consolidated accounting. Adjustment of increase in property, plant and equipment and intangible assets includes goodwill arising from the acquisition of shares in both companies and identified intangible assets.

4. Information on impairment losses on non-current assets or amortization of goodwill by reportable segments

Consolidated Fiscal Year 2020 (from January 1, 2020 to December 31, 2020)

(Major impairment losses on non-current assets)

Not applicable

(Significant changes in goodwill values)

Goodwill of ¥80,828 thousand was posted at end-FY2020 in the Medical Platform Business reporting segment due to the acquisition of shares in a dispensing pharmacy company.

(Significant gains in negative goodwill)

Not applicable

Consolidated Fiscal Year 2021 (from January 1, 2021 to December 31, 2021)

(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 HR Platform Business increased by ¥225,091 thousand and goodwill in the Medical Platform Business increased by ¥572,044 thousand.

(Significant gains in negative goodwill)

Not applicable

(Per share information)

	For the fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021
Net assets per share	314.53 Yen	438.43 Yen
Net profit (loss) per share	15.69 Yen	17.79 Yen
Diluted net profit per share	14.48 Yen	17.15 Yen

(Note) 1. Methods used to calculate net profit per share and diluted net profit per share are shown below.

	For the fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021
Net profit (loss) per share		
Net profit (loss) attributable to owners of parent (thousand yen)	455,986	563,251
Amount not attributable to common shareholders (thousand yen)	-	-
Net loss attributable to parent company shareholders of common stock (thousand yen)	455,986	563,251
Average number of common shares during fiscal year (share)	29,062,500	31,656,415
Diluted net profit per share		
Net profit adjustment attributable to owner of parent (thousand yen)	-	-
Amount of increase in common shares (share)	2,431,777	1,179,275
Descriptions of potentially non-dilutive common shares that were not included in the calculation of diluted net profit per share	-	-