



# Presentation Material for FY2022 Q2 Financial Results

Medley, Inc.

August 12, 2022

## Disclaimer

In preparing these materials, Medley, Inc. (“the Company”) relies upon and assumes the accuracy and completeness of all available information. This presentation may contain future assumptions, prospects and forecasts based on planning, but these forward-looking statements are based on the information that is currently available to us, and on certain assumptions that we assume to be reasonable, but the Company does not promise to achieve these. Major differences may occur between the forecast and the actual performance, including changes in economic conditions, consumer needs and user preferences; competition with other companies; changes in laws, regulations and others; and a number of other future factors. Therefore, the actual performance announced may vary depending on these various factors.

## 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 Potential”. However, the Company’s financial data and key performance indicators are planned to be disclosed at the end of each quarter.

## FY2022 Q2 Results

- **Made steady progress toward our full-year earnings targets despite delayed posting of sales, etc.**
  - Delayed posting of sales to major clients in Medical PF Business
- **YoY improvement in EBITDA margin despite continued investment in growth and costs associated with office relocation**
  - Sales: JPY 4,181 million (YoY: +27%<sup>(1)</sup>)
  - EBITDA: JPY 1,476 million (YoY: +28%<sup>(1)</sup>)

## FY2022 Forecast

- **No change to our medium- and long-term goals even as we face COVID-19 and apply new revenue recognition standard**
- **No change to our FY2022 full-year earnings forecast**
  - Sales: JPY 13,950 million (YoY: +34%<sup>(1)</sup>)
  - EBITDA: JPY 1,550 million (EBITDA margin: 11%)
- **Based on the delayed posting of some sales, we expect to improve sales growth rate to YoY +35% or more in FY2022 2H (steady growth rate unchanged)**

(1) Figures for FY2021 and earlier are based on the new revenue recognition standard.

# 1. FY2022 Q2 Results

2. Progress Towards Mid-Term Targets and FY2022 Forecast

3. Investment Highlights

# Summary of Consolidated FY2022 Q2 Results

JPY mm	FY2021 Q2 <sup>(1)</sup>	FY2022 Q2	YoY growth
<b>Sales</b>	<b>3,303</b>	<b>4,181</b>	<b>+27%</b>
<b>Gross Profit</b>	<b>2,493</b>	<b>3,225</b>	<b>+29%</b>
<b>EBITDA</b>	<b>1,149</b>	<b>1,476</b>	<b>+28%</b>
<b>Operating Profit</b>	<b>1,001</b>	<b>1,328</b>	<b>+33%</b>
<b>Ordinary Profit</b>	<b>1,008</b>	<b>1,431</b>	<b>+42%</b>
<b>Profit Attributable to Owners of Parent</b>	<b>723</b>	<b>999</b>	<b>+38%</b>

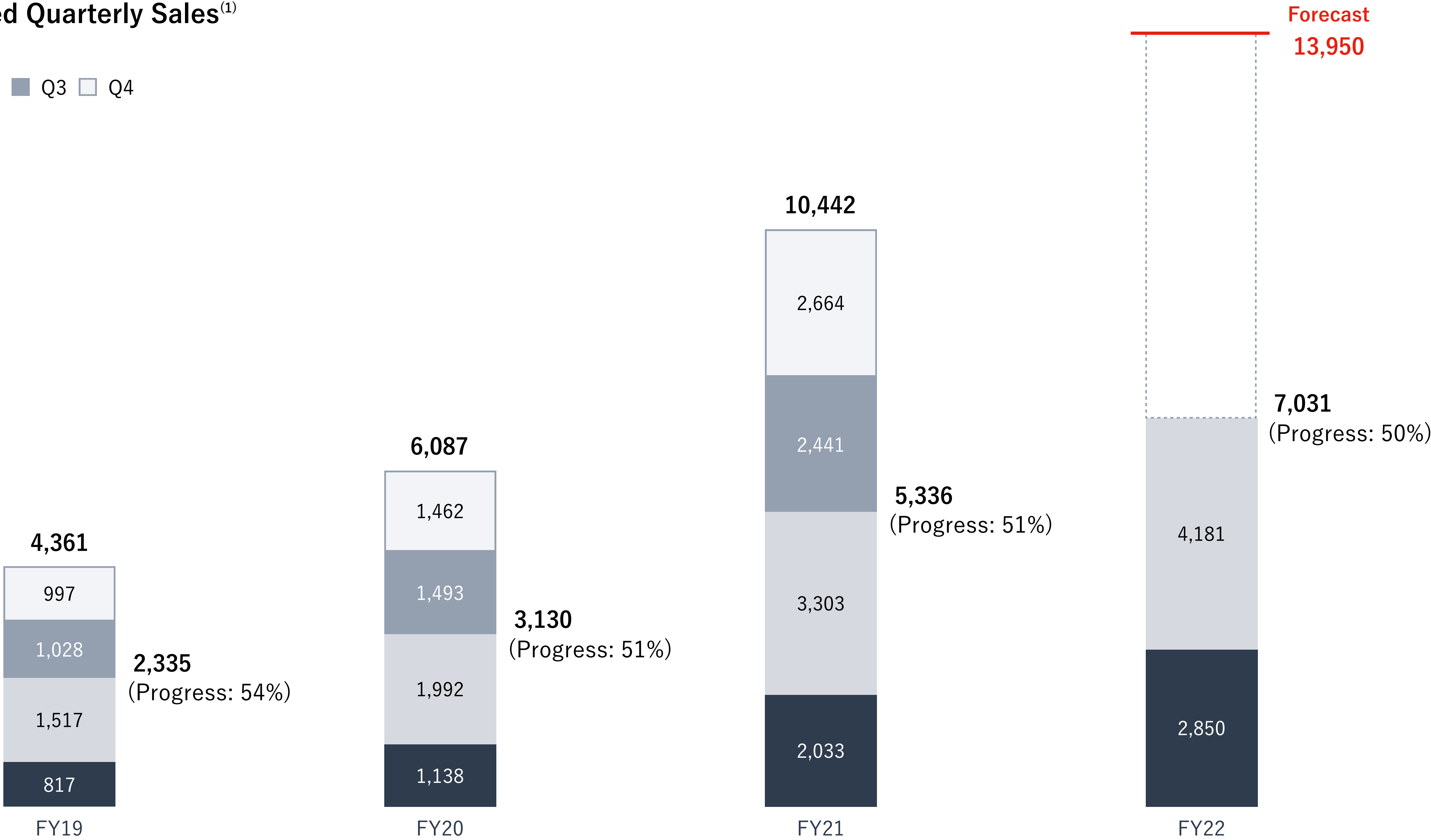
(1) Figures are based on the new revenue recognition standard.

Aggregate Q2 FY2022 sales represented 50% progress toward our full-year sales forecast. Please see slide 26 for information on progress toward our earnings (including profit) targets.

### Aggregated Quarterly Sales<sup>(1)</sup>

(JPY mm)

■ Q1 ■ Q2 ■ Q3 ■ Q4



(1) Figures for FY2021 and earlier are based on the new revenue recognition standard.

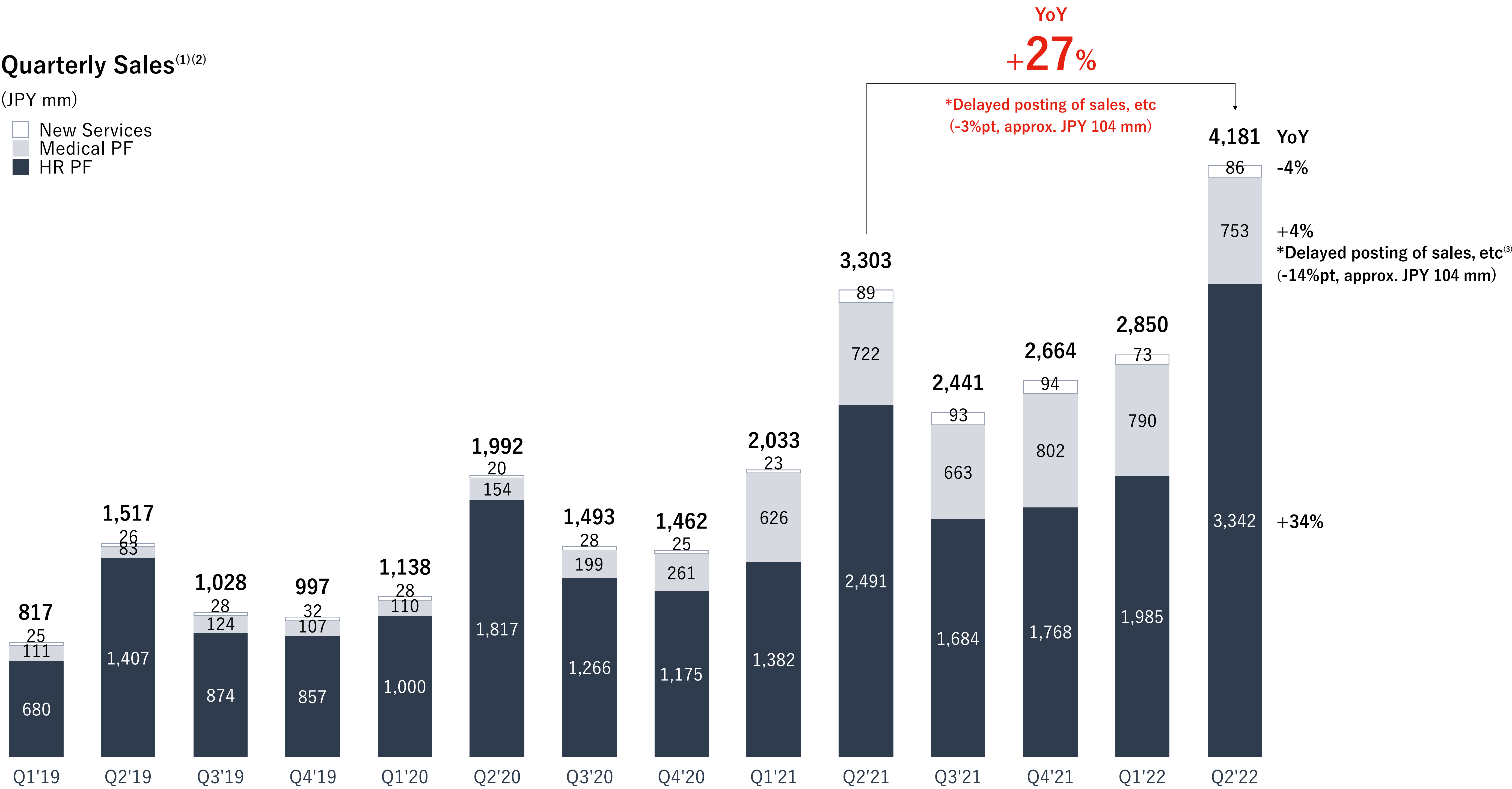


In Q2 FY2022, posting of some sales in the Medical PF Business was delayed, but companywide sales increased 27% YoY.

## Quarterly Sales<sup>(1)(2)</sup>

(JPY mm)

- New Services
- Medical PF
- HR PF



(1) HR PF Business posts sales based on the hire dates of new employees  
(2) Figures for FY2021 and earlier are based on the new revenue recognition standard.  
(3) Total YoY change in combined value of newly delayed sales posting in Q2 FY2022 and sales from businesses from which the Company withdrew as of Q2 FY2022 (on-premises receipt computer maintenance for clinics, etc.) was JPY 104 million

# Continued Aggressive Investment in Growth Funded by Profitable Businesses

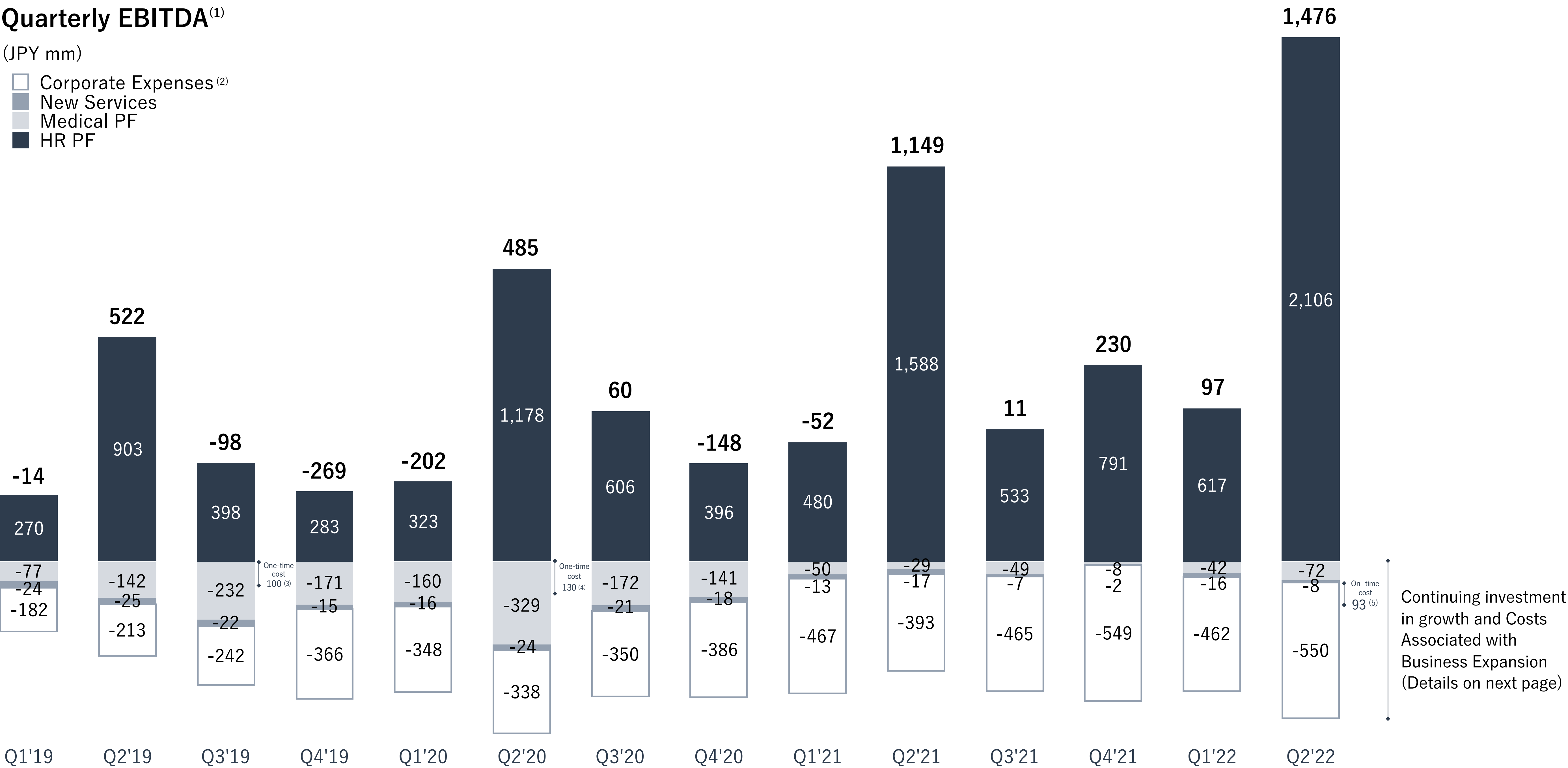


We improved our EBITDA margin in Q2 FY2022 even as we continued to make aggressive investments in growth and posted expenses associated with expanding our businesses including one-time costs associated with office relocation.

## Quarterly EBITDA<sup>(1)</sup>

(JPY mm)

- Corporate Expenses<sup>(2)</sup>
- New Services
- Medical PF
- HR PF



(1) Figures for FY2021 and earlier are based on the new revenue recognition standard.  
(2) Total of companywide expenses not allocated to segments and inter-segment eliminations  
(3) One-time cost (JPY 100 million) for acquiring a source code to add a new function to Medical PF Business  
(4) One-time cost (JPY 130 million) for acquiring EMR assets from another company  
(5) Posted one-time office relocation costs of JPY 93 million

Continuing investment in growth and Costs Associated with Business Expansion (Details on next page)



# Overview of Investments in Growth and Costs Associated with Business Expansion

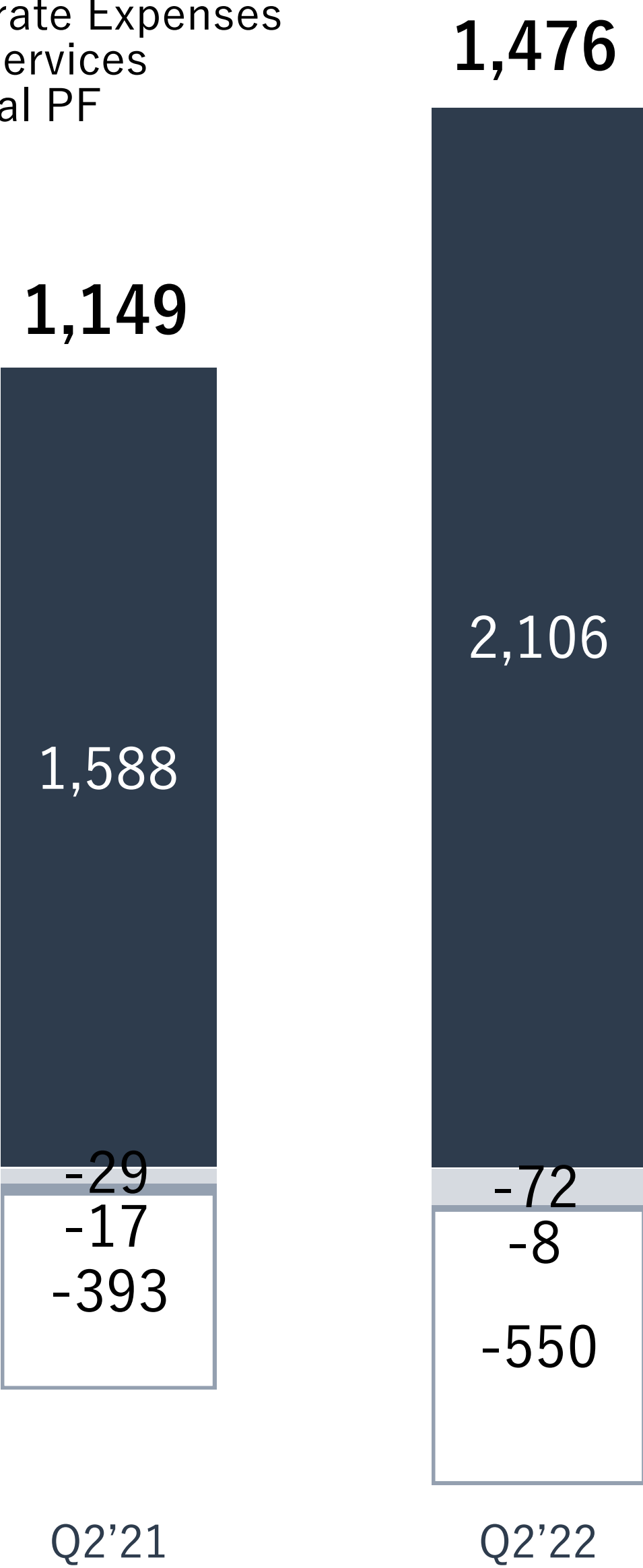


In HR PF Business, the EBITDA margin narrowed slightly owing to investment in growth including costs associated with marketing activities. In Medical PF Business, the EBITDA margin narrowed as we continued to increase the number of employees and also due to delayed posting of sales. The companywide cost-to-sales ratio continued to improve even as we expensed one-time costs associated with office relocation, and increased the number of corporate employees.

## Q2 EBITDA<sup>(1)</sup>

(JPY mm)

- Corporate Expenses
- New Services
- Medical PF
- HR PF



## Main Factors Contributing to Change in Q2 EBITDA margin

Segment	Q2 FY21 <sup>(1)</sup>	Q2 FY22	Main Factors
HR PF	63.8%	63.0%	<ul style="list-style-type: none"><li>Decrease in labor cost ratio (+3.6%pt)</li><li>Increase in marketing cost ratio (-4.2%pt)</li></ul>
Medical PF	-4.0%	-9.6%	<ul style="list-style-type: none"><li>Continued to increase number of employees</li><li>Impact of delayed posting of sales, etc.</li></ul>

## Main Factors Contributing to Change in corporate expenses

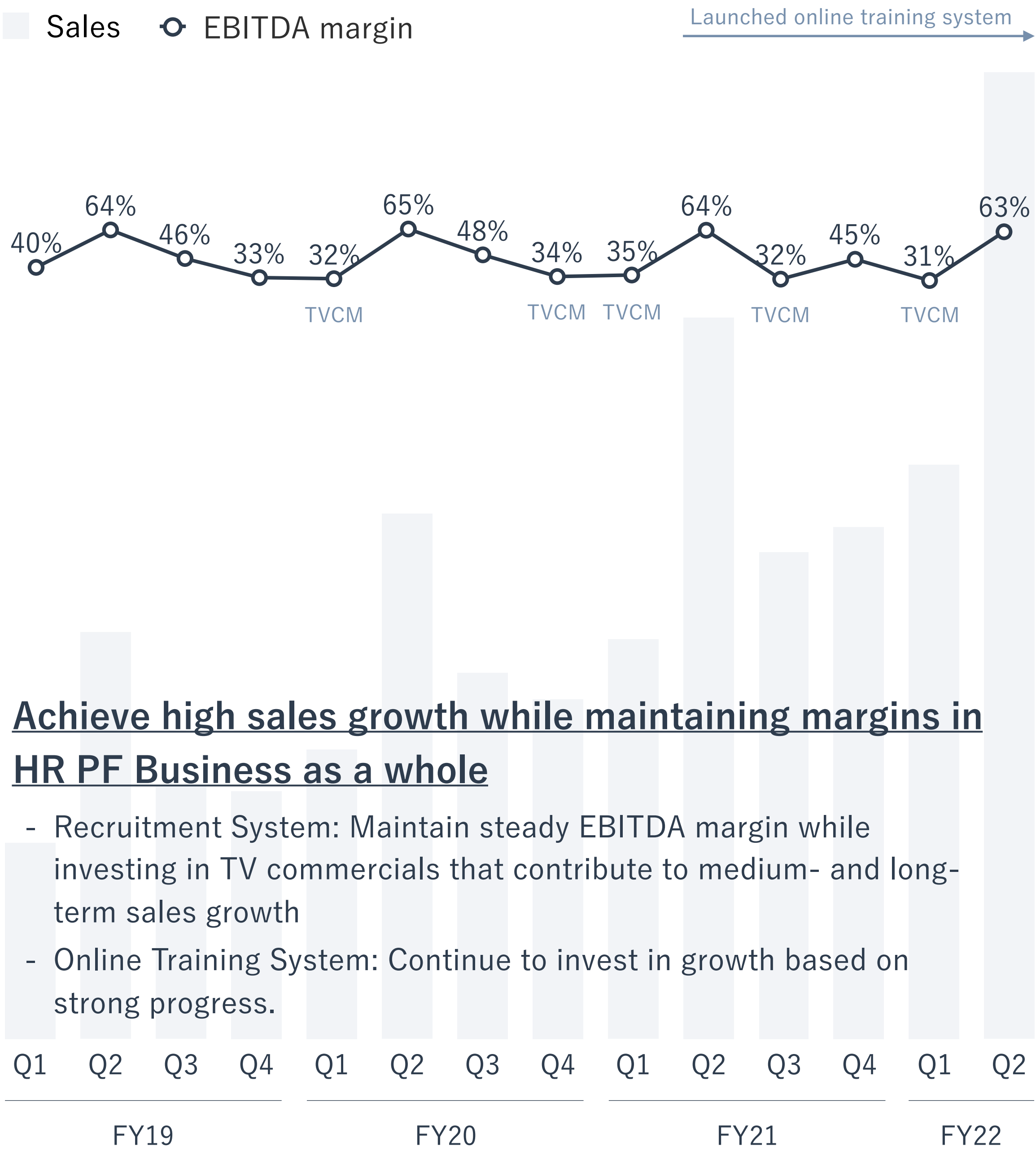
(JPY mm) \*figures in parentheses show each cost to quarterly sales ratio

Item	Q2 FY21 <sup>(1)</sup>	Q2 FY22	Main Factors
Personnel costs	164 (5.0%)	195 (4.7%)	<ul style="list-style-type: none"><li>Increase in the number of corporate employees</li></ul>
Rents	96 (2.9%)	177 (4.2%)	<ul style="list-style-type: none"><li>Office relocation associated with planned increase in number of employees (one-time cost of paying two rents: JPY 78 million)</li></ul>
Hiring costs	26 (0.8%)	68 (1.6%)	<ul style="list-style-type: none"><li>Ramping up hiring activities</li><li>Steady progress in human resource acquisition</li></ul>
Commission fees	44 (1.3%)	84 (2.0%)	<ul style="list-style-type: none"><li>Costs associated with installation of HR systems (JPY 7 million)</li><li>Costs associated with office relocation (JPY 14 million)</li></ul>
Other costs	63 (1.9%)	23 (0.6%)	<ul style="list-style-type: none"><li>Strict cost streamlining</li></ul>

(1) Figures for FY2021 and earlier are based on the new revenue recognition standard.

In HR PF Business, our basic policy is to achieve high revenue growth while maintaining our EBITDA margin.  
In Medical PF Business, we will continue to conduct disciplined investment in growth while growing at a rapid pace.

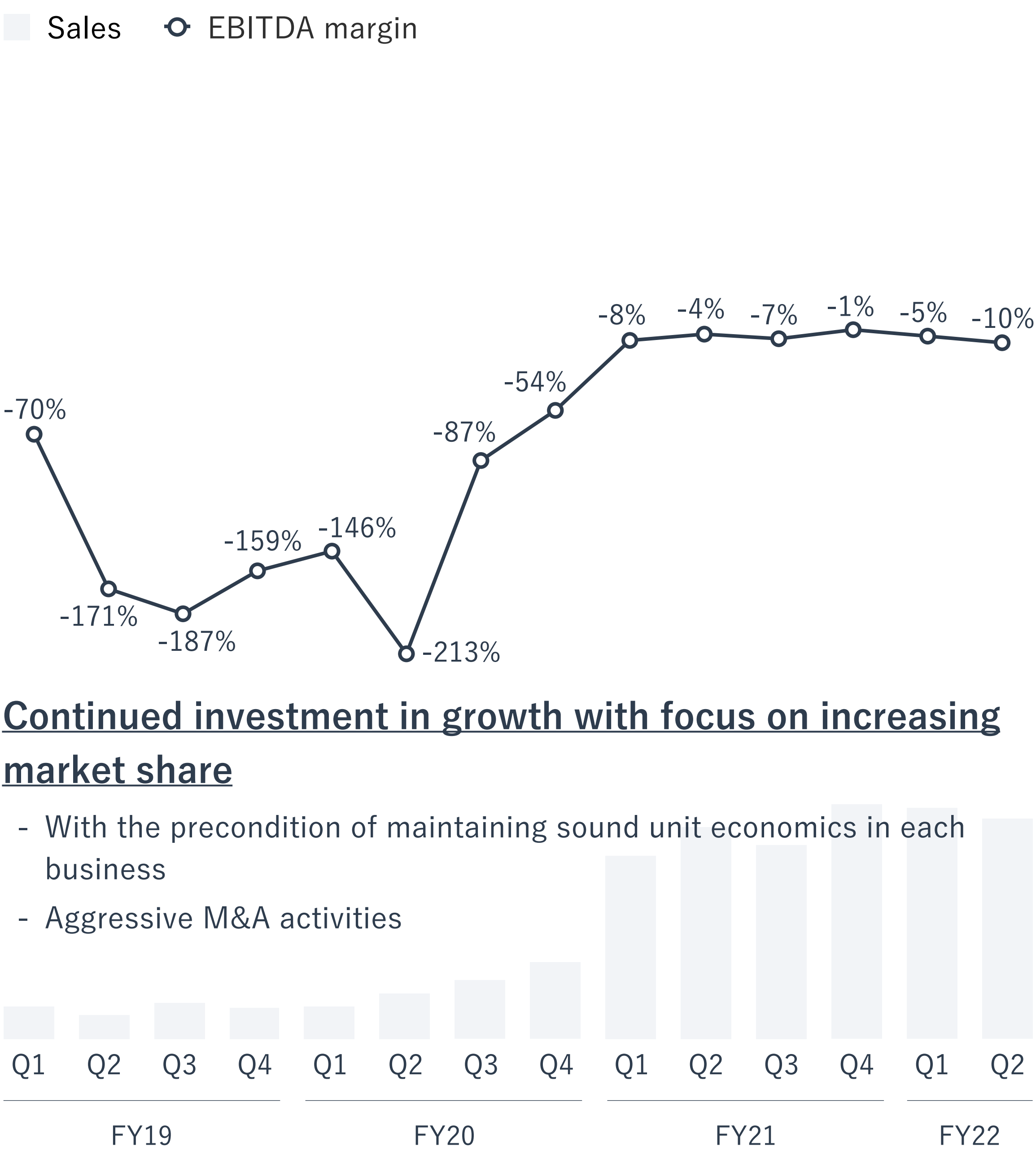
### EBITDA margin policies in HR PF<sup>(1)</sup>



#### Achieve high sales growth while maintaining margins in HR PF Business as a whole

- Recruitment System: Maintain steady EBITDA margin while investing in TV commercials that contribute to medium- and long-term sales growth
- Online Training System: Continue to invest in growth based on strong progress.

### EBITDA margin policies in Medical PF<sup>(1)</sup>

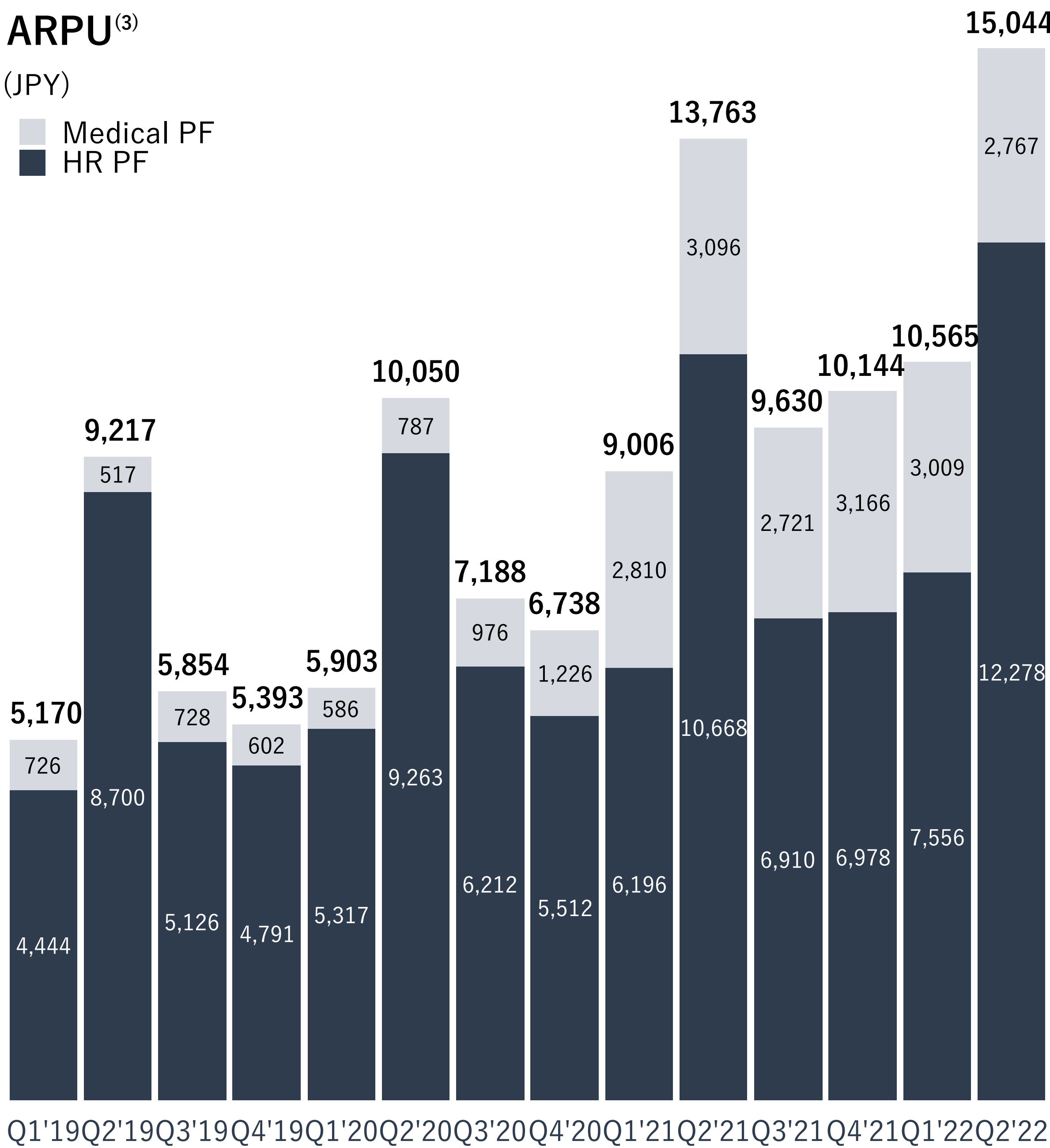
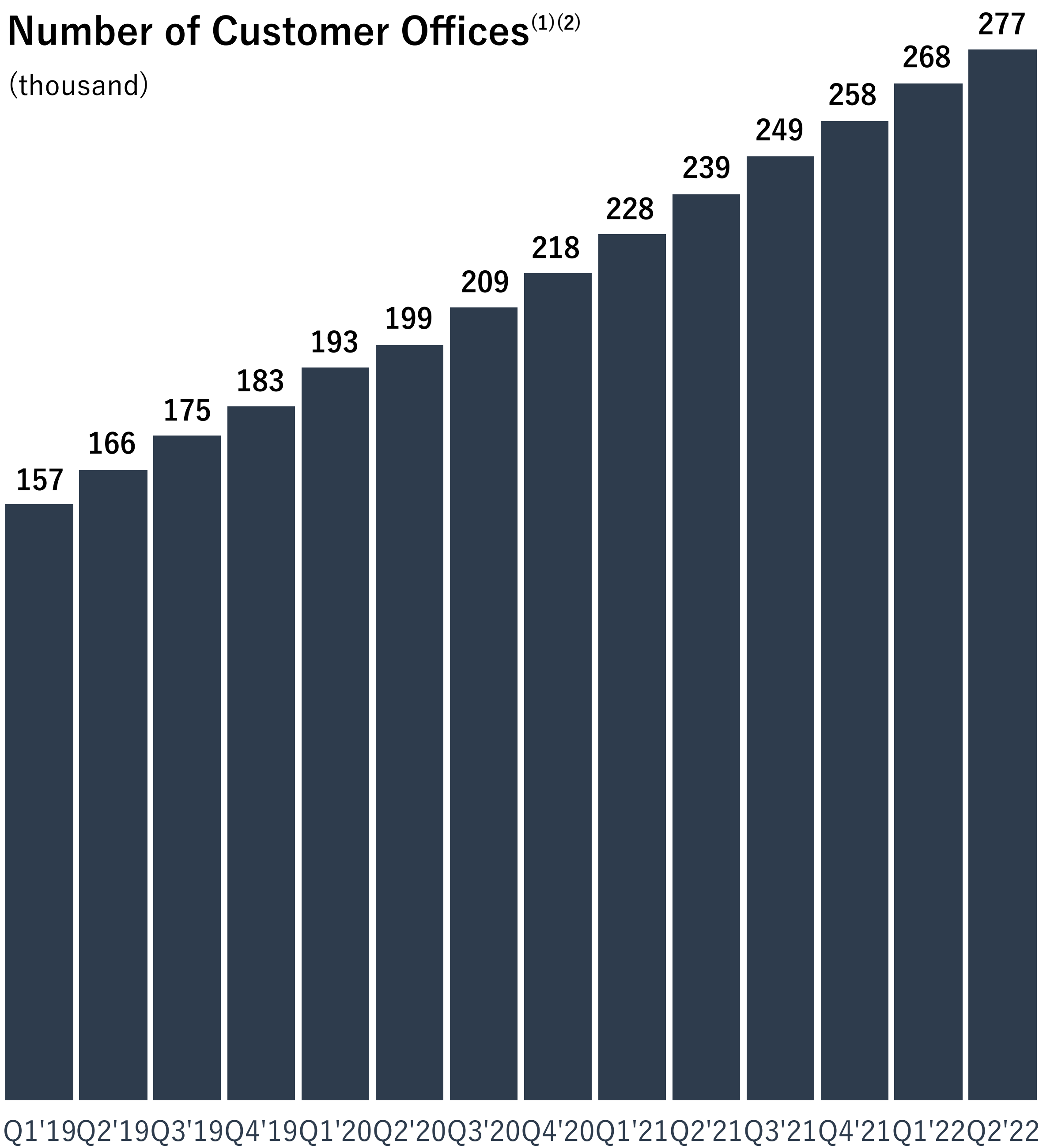


#### Continued investment in growth with focus on increasing market share

- With the precondition of maintaining sound unit economics in each business
- Aggressive M&A activities

(1) Figures for FY2021 and earlier are based on the new revenue recognition standard.

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 HR PF and Medical PF businesses. Since Q2 FY2019, customers using both platforms have been counted as a single customer account.  
(2) Starting in Q2 FY2020, the number of customer offices served includes customers acquired from Life Sciences Computing Corporation.

(3) ARPU = Quarterly sales / Average number of customer offices (total for HR PF and Medical PF businesses)  
ARPU for each platform = Quarterly sales of each platform / Total number of customer offices in HR PF and Medical PF businesses. Since Q4 FY2019, customer offices using both platforms have been counted as a single customer account. Figures for FY2021 and earlier are calculated using the new revenue recognition standard.



Our financial base remains sound (capital ratio: 70.2%、 D/E ratio 0.18x). The increase in cash and deposits is mainly attributable to seasonal factors in HR PF Business.

### B/S as of the End of March 2022

(JPY mm)

Cash raised from LOC	Untapped LOC 2,000
Cash and deposits 13,470	Debt 2,845
	Other liabilities 2,847
	Net assets 13,768
Other assets 5,990	

Capital ratio: 70.3%、 D/E ratio: 0.21x



### B/S as of the End of June 2022

(JPY mm)

Cash raised from LOC	Untapped LOC 2,000
Cash and deposits 14,638	Debt 2,637
	Other liabilities 3,515
	Net assets 14,787
Other assets 6,302	

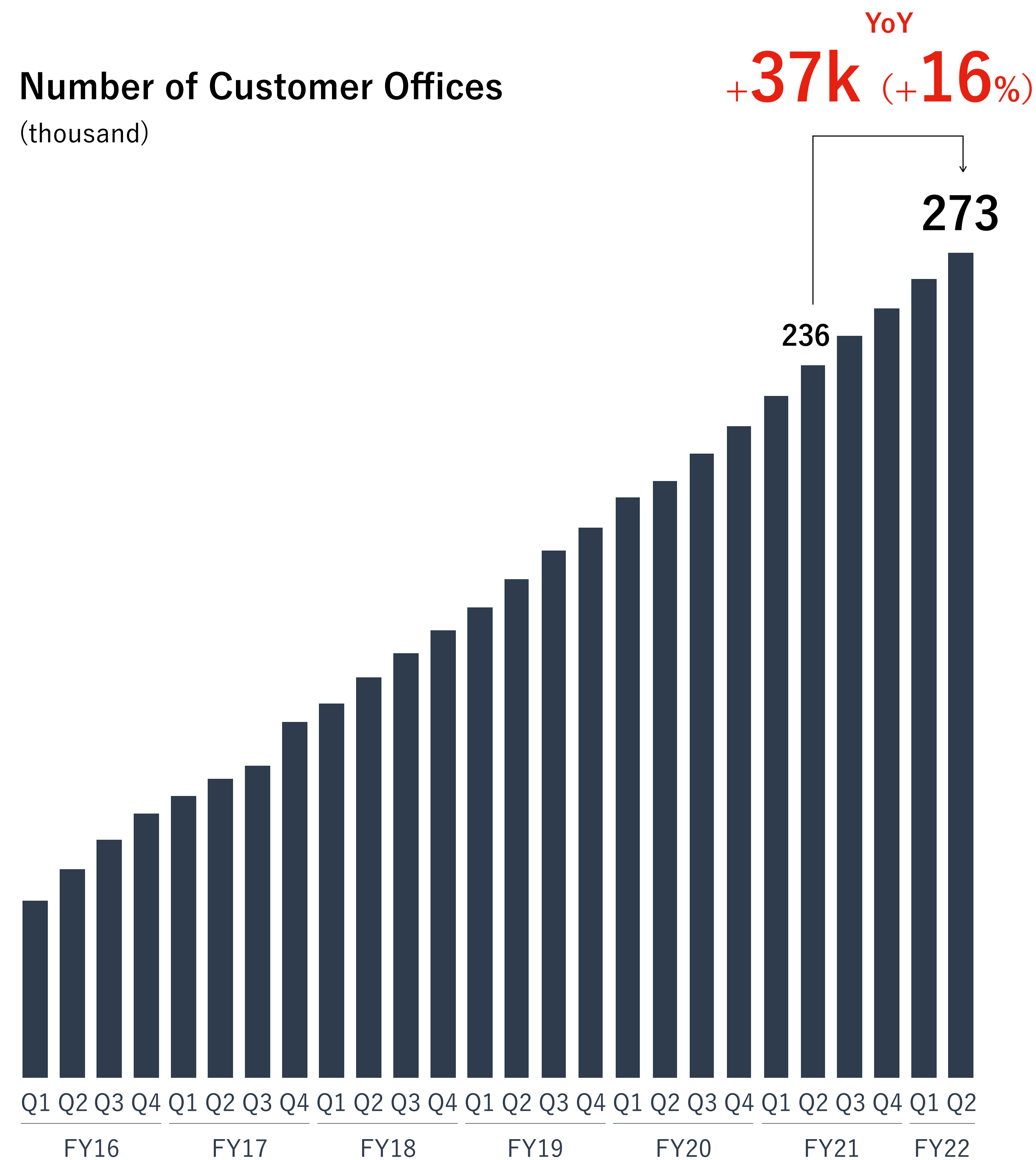
Capital ratio: 70.2%、 D/E ratio: 0.18x

HR PF

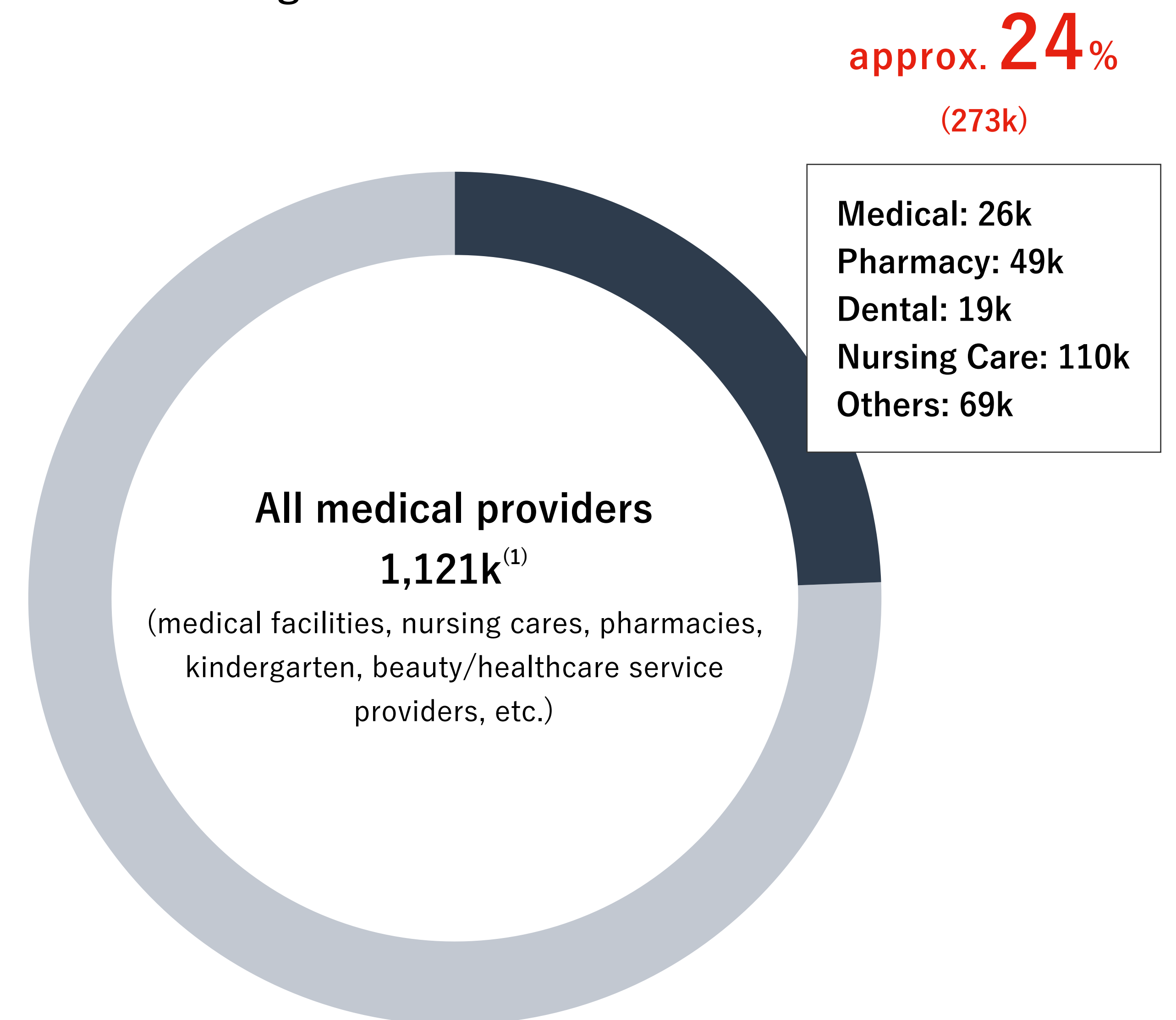


In Q2 FY2022, we continued to make steady progress in signing on new customer offices and we currently have contracts with 273 thousand offices.

**Number of Customer Offices**  
(thousand)



**Customer Coverage Ratio**

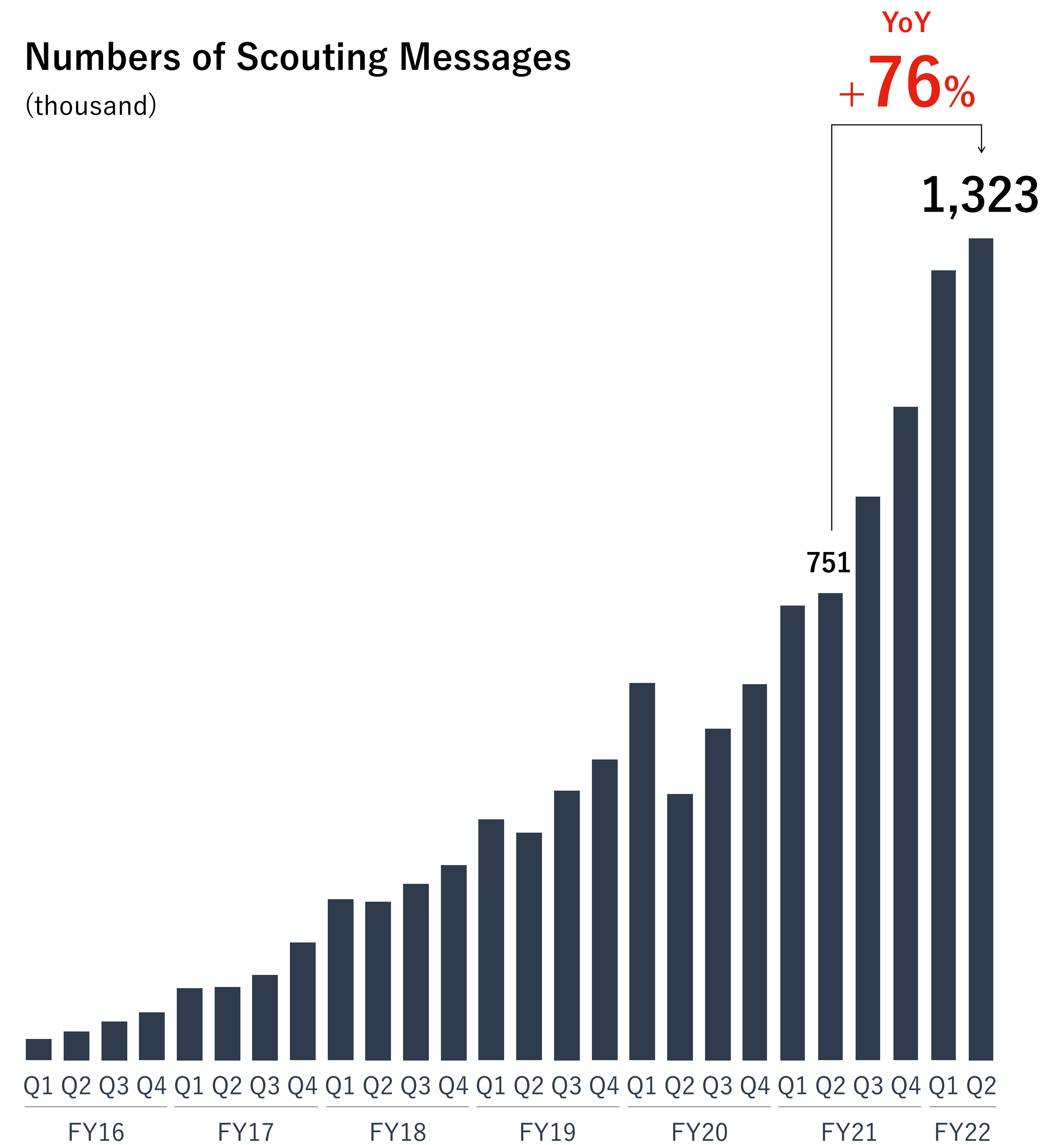
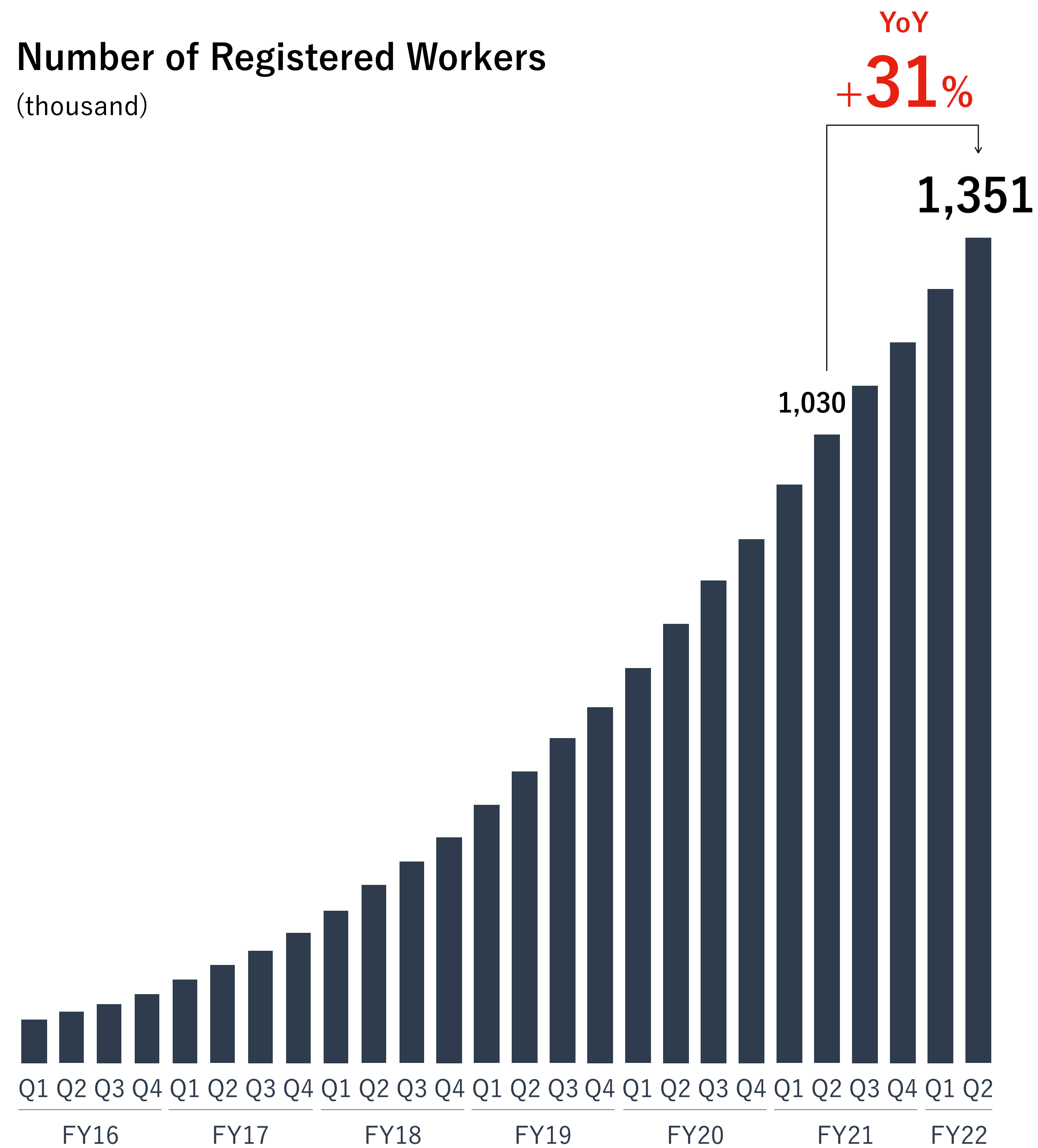


(1) Ministry of Health, Labour and Welfare, Ministry of Internal Affairs and Communications, and Cabinet Office statistics



# Accelerate Direct Recruiting with Expansion of the Pool of Registered Workers

Proactive recruitment methods are effective for hiring medical and healthcare professionals. In Q2 FY2022, our customers increased usage of our scouting functions as we expanded our pool of registered workers.



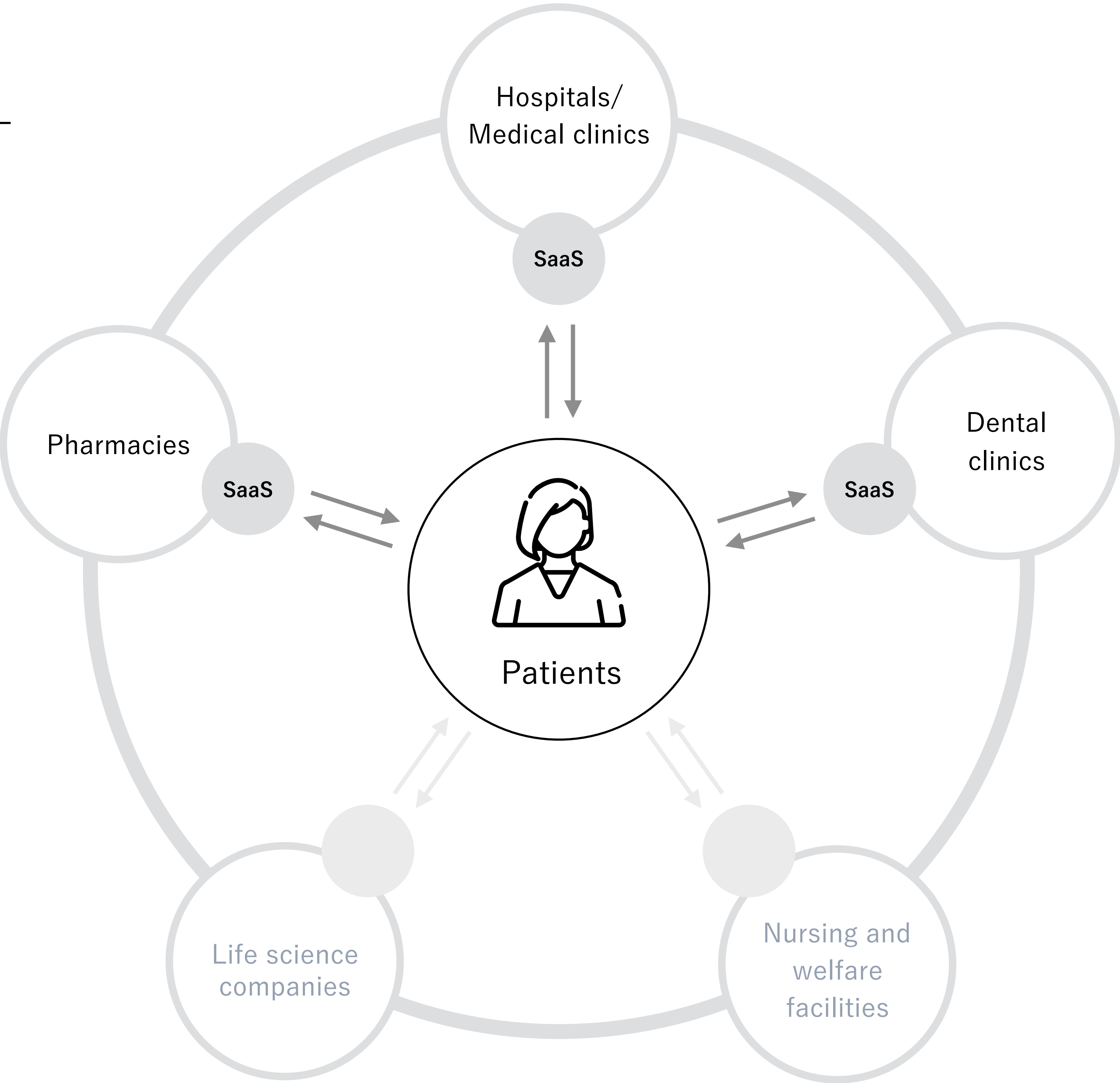
# Medical PF

 **CLINICS**

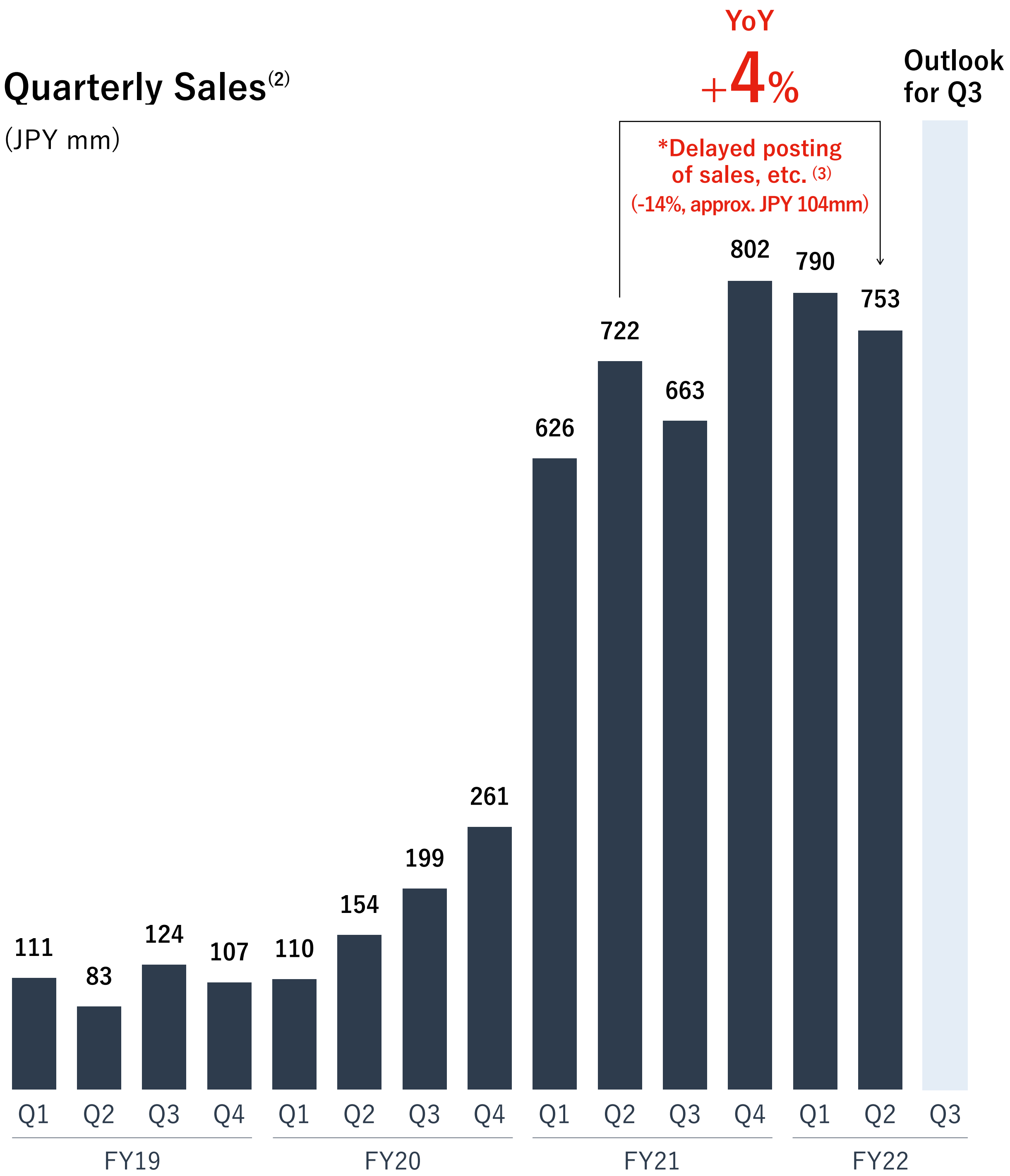
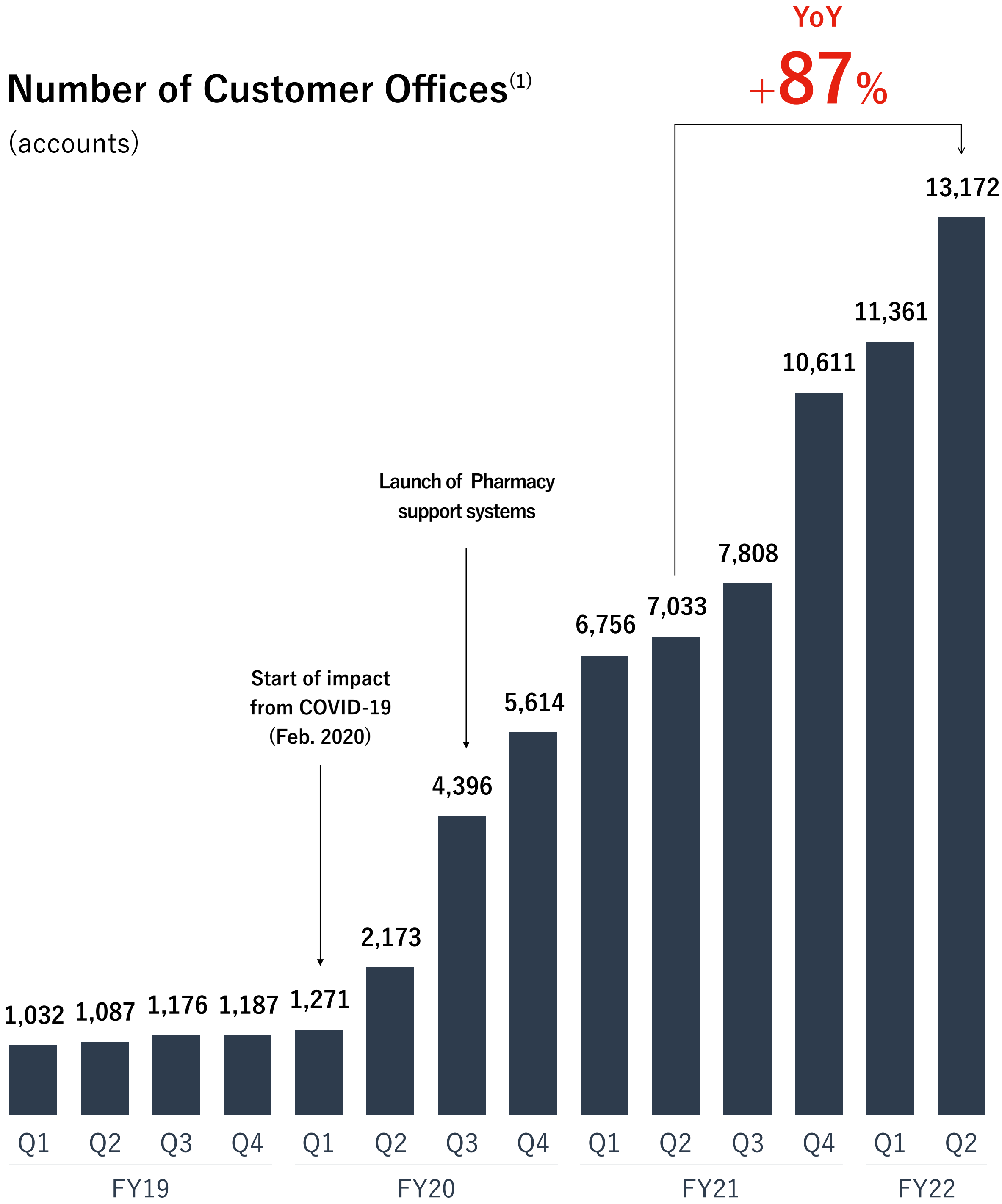
 **Pharms**

 **MALL**

 **Dentis**



In Q2 FY2022, we achieved YoY growth in both our medical institution client installed base and in sales, but we saw negative impacts from the delayed posting of sales to major clients and termination of some businesses. We expect to post record-high sales in Q3.



(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

(2) Figures for FY2021 and earlier are based on the new revenue recognition standard.

(3) Total YoY change in combined value of newly delayed sales posting in Q2 FY2022 and sales from businesses from which the Company withdrew as of Q2 FY2022 (on-premises receipt computer maintenance for clinics, etc.) was JPY 104 million

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

In Q2 FY2022, we implemented a number of measures to boost the medium- to long-term growth and profitability of Medical PF Business. These include expanding our target customers, improving ARPU, and streamlining measures.






## Main Measures Implemented in Q2 FY2022

	Hospital/Medical Clinics	Pharmacies	Dental Clinics
Expansion of targeted customers	Continued to provide systems to COVID-19 patients in cooperation with NTT DOCOMO	B Preparation for integration with NTT DOCOMO's electronic prescription record business	
	Strengthened sales of EMR to hospitals		
	A Preparation for major updates of CLINICS Progressed to a One-Stop Cloud Medical Support System		
Improvement in ARPU	C Increased 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		
Patient users expansion	C Joint operation of telemedicine app with NTT DOCOMO	Joint operation of businesses with NTT DOCOMO via minacolor	Jointly implemented Proof of Concept Testing for dental office collaboration with NTT Data



CLINICS cloud-based medical support system has evolved into a system that supports improvements in the overall efficiency of medical institution’s operations in the areas of in-person consultation and online questionnaires. This enables us to increase our contribution to the value of clinics wishing to digitize paper medical records and questionnaires and conduct medical exams using a single integrated system. We therefore provide a safer and more efficient healthcare experience for patients.

Evolution and expectations of CLINICS cloud-based medical support system

Work flow	Major updates	Value provided	Expected impacts on business performance
Appointment scheduling	<div> CLINICS 予約 (CLINICS reservation) <b>Strengthened functionality</b> Allows appointment scheduling on a single website regardless of whether or not patients have registered on the app</div>	<div> CLINICS</div> <div><b>One-stop cloud-based medical care support system</b></div> <div>Provides a seamless medical care experience to patients regardless of whether they use in-person or online consultation and eliminates inefficiencies in outpatient care for medical institutions and patients</div>	<div><b>Improved ARPU</b></div> <div><ul style="list-style-type: none"><li>• Products and new function options provided in exchange for monthly fees <sup>(1)</sup></li><li>• Upselling to existing CLINICS customers</li><li>• Marketing of total service packages to new customers</li><li>• Reduction of contract cancelations by increasing contribution to value of consultation operations</li></ul></div>
Questionnaires	<div> CLINICS 問診 (CLINICS questionnaires) <b>New product</b> Allows patients to provide online questionnaire responses before appointments or while in waiting rooms Questionnaire responses automatically shared with CLINICS EMRs</div>		<div><b>Increasing number of customer offices</b></div> <div><ul style="list-style-type: none"><li>• Increased demand for improved efficiency and remote operations in response to shortage of human resources and infection control measures</li><li>• Expansion in range of usage scenarios owing to simplification of online consultations (expansion of target medical institutions)<ul style="list-style-type: none"><li>- Reaction from clients who used provide systems to COVID-19 patients in cooperation with NTT DOCOMO <sup>(2)</sup></li></ul></li></ul></div>
Examinations	<div> CLINICS オンライン診療 (CLINICS telemedicine) <b>New function option: videoconferencing</b> Enables online consultations by simply entering a phone number (in cases when advance appointments and settlement are not mandatory)</div>		
Accounting	<div> CLINICS カルテ (CLINICS EMR) <b>As is</b> One-stop cloud-based medical care support system Provides a seamless medical care experience to patients regardless of whether they use in-person or online consultation and eliminates inefficiencies in outpatient care for medical institutions and patients</div>		

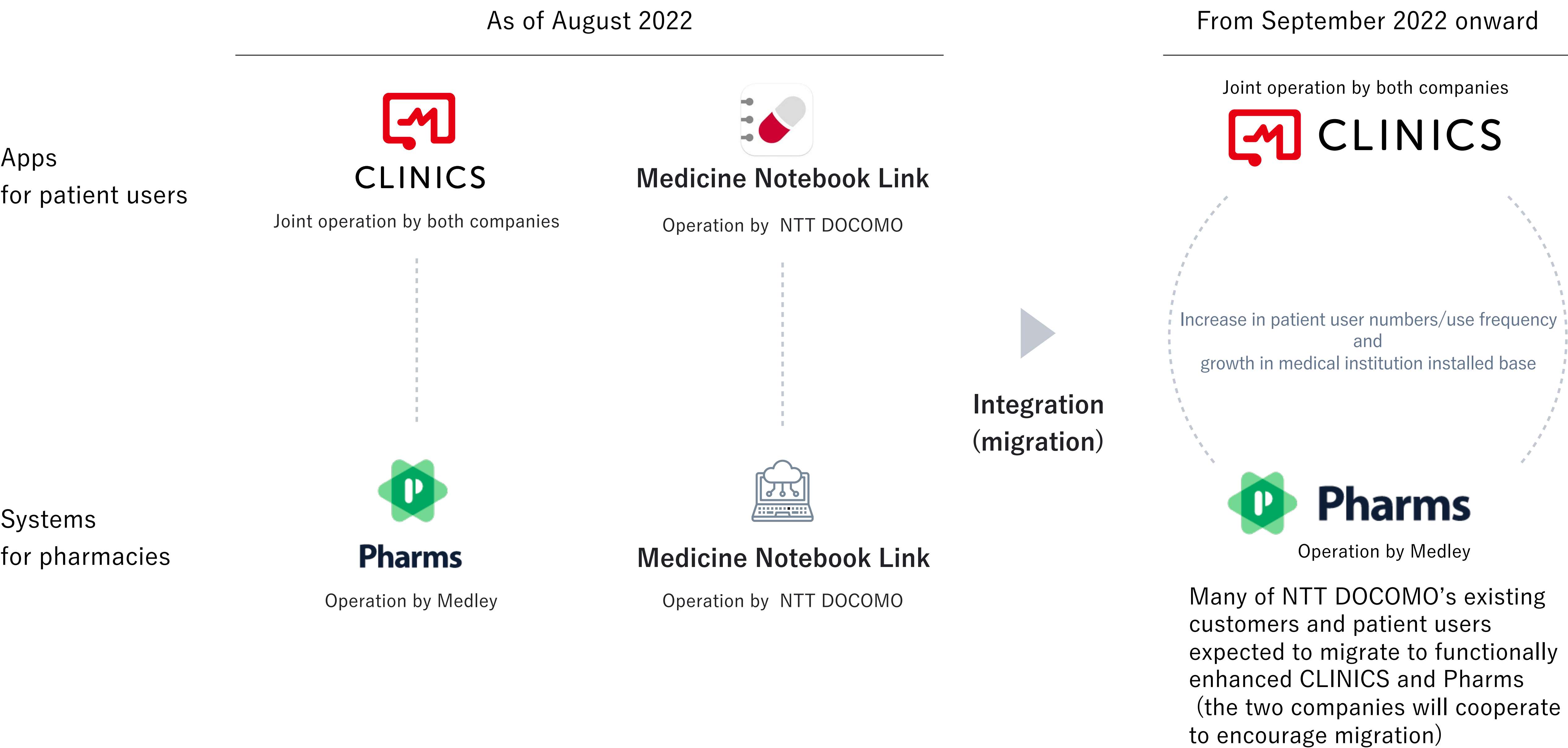
(1) Initial costs are required to use these products.

(2) In cooperation with NTT DOCOMO and NTT Communications, provided an online medical examination system with simple videoconferencing functionality free of charge, and as a result, the system was used by a wide range of medical institutions.

# B: Began Integration with NTT DOCOMO's Electronic Prescription Record Service

As part of the joint operation with NTT DOCOMO of our CLINICS telemedicine and drug administration guidance app, we will integrate NTT DOCOMO's electronic prescription record service with CLINICS and Pharms. Because CLINICS and Pharms provide strong functions and support systems<sup>(1)</sup>, we expect many customers and patient users of NTT DOCOMO's services to migrate to CLINICS and Pharms.

## Current and future image of Medley and NTT DOCOMO's electronic prescription record service

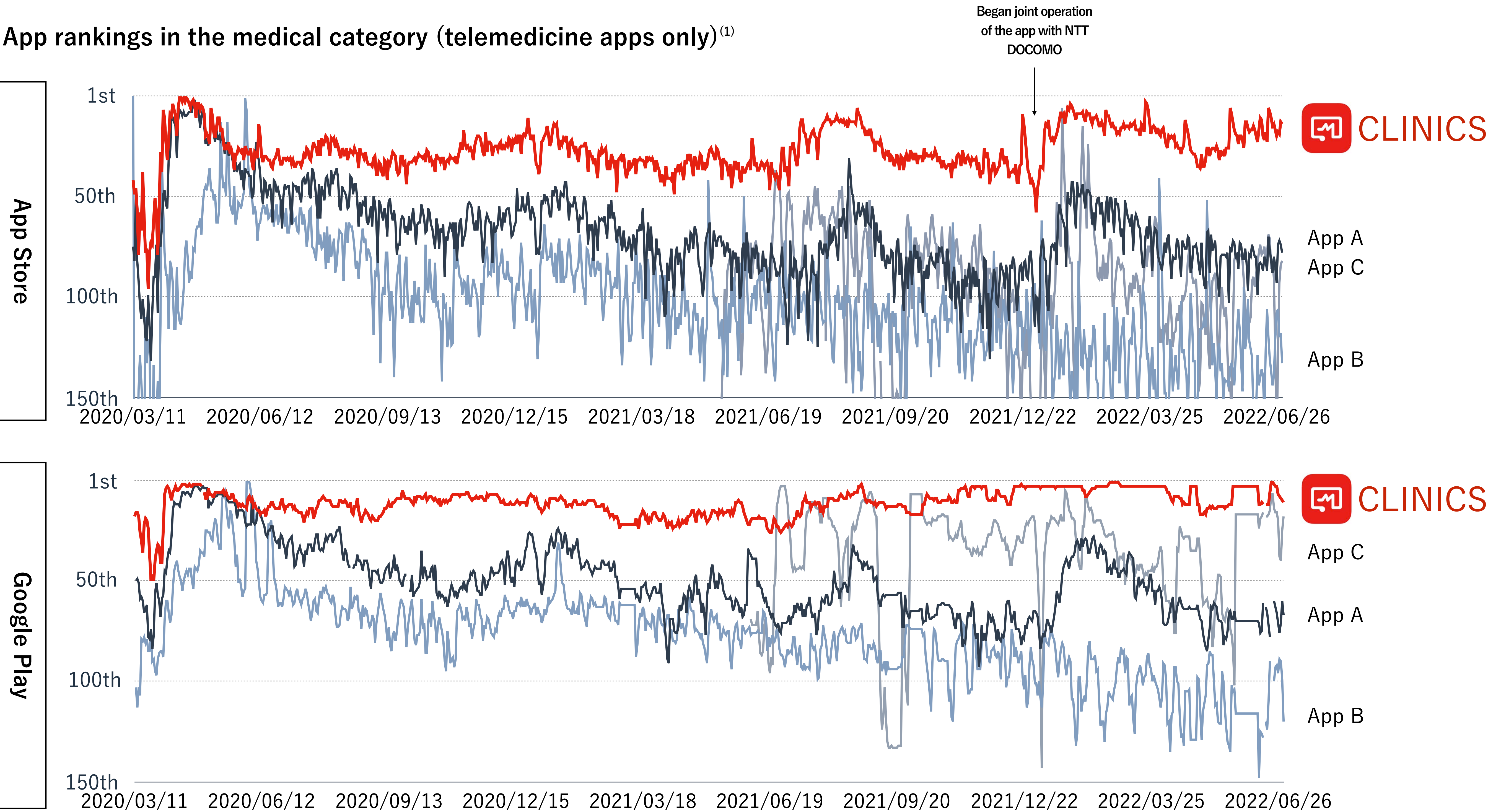


(1) NTT DOCOMO's electronic prescription record service provides online prescription reception and prescription record functions only. However, CLINICS and Pharms feature online examination, drug administration guidance, dosage period follow-up, and settlement functions.



Our CLINICS app is consistently at the top of the telemedicine app rankings. We began joint operation of the app with NTT DOCOMO in December 2021 and our patient user base continues to grow.

App rankings in the medical category (telemedicine apps only)<sup>(1)</sup>



(1) Comparison among telemedicine apps which cover insured medical treatment; Source: App ANNIE

1. FY2022 Q2 Results

## 2. Progress Towards Mid-Term Targets and FY2022 Forecast

3. Investment Highlights

# 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

×

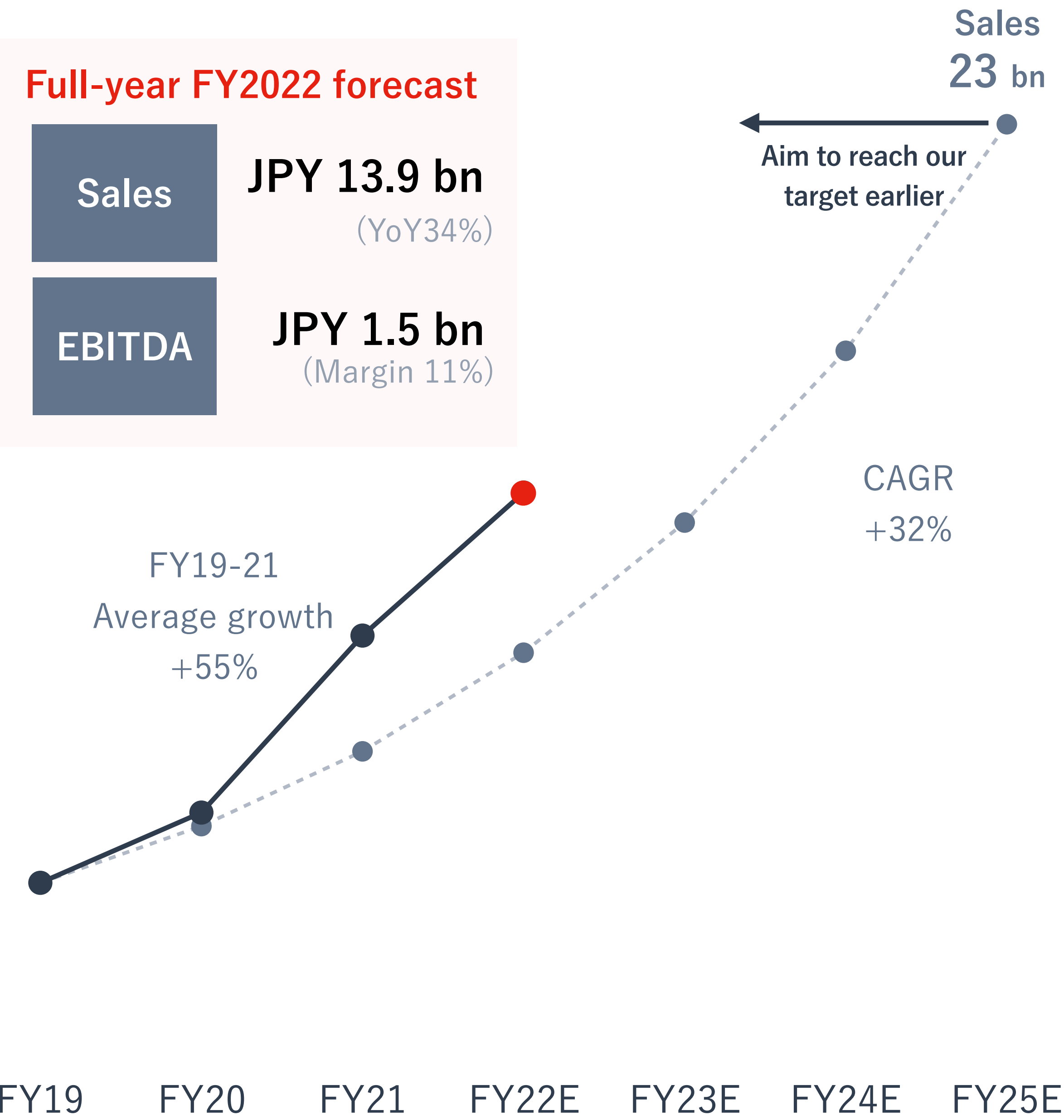
Improve ARPU  
(Increase utilization ratio  
/ Expand product lineup)



# Maintaining Our Medium-term Target Despite Adoption of the New Revenue Recognition Standard

While we considered revising our medium-term target alongside the adoption of the New Revenue Recognition Standard, owing to steady progress toward our goals, we decided to leave our original medium-term target of sales of over JPY 23.0 billion in FY2025 unchanged.

## Progress toward Our Mid-term Sales Target



(billion yen)	New Revenue Recognition Standard			Old Standard	
	Year	CAGR 32%	Sales Forecast	Actual Sales	Actual Sales
	2019	4.4	-	4.3	4.7
	2020	5.8	-	6.0	6.8
	2021	7.6	-	10.4	10.8
	2022	10.1	13.9	10.4	-
	2023	13.3		13.6	-
	2024	17.5		17.6	-
	2025	23.0		23.0	-

# Assumption of FY2022 Full-Year Forecast

	Assumption of FY2022 Full-Year Forecast (As of February 14, 2022)	Current Update
HR PF	<ul style="list-style-type: none"> <li>Number of customer offices: Maintain the same growth</li> <li>ARPU: <ul style="list-style-type: none"> <li>Improve utilization rate by gaining job seekers, Increase by improving functionality</li> <li>Contribution of online training system</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Impact from the 3rd vaccinations was limited, in line with our expectations</li> <li><u>Monitoring the impact of the 4th vaccination and the 7th wave spread of COVID-19 infection.</u></li> </ul>
Medical PF	<ul style="list-style-type: none"> <li>Continue to increase ARPU, expand customer base, and improve cost efficiencies <ul style="list-style-type: none"> <li>Continue growing existing businesses (CLINICS, Pharms etc.)</li> <li>Start of performance impact from new businesses (Dentis)</li> </ul> </li> <li>Continue investment in development targeting mid-term growth</li> <li>Impact from deregulation is conservatively factored in</li> </ul>	<ul style="list-style-type: none"> <li>Earnings trending above plan, especially in telemedicine owing to the impact of revisions to official medical fees</li> <li><u>Increased number of Pharms's customers through integration with NTT DOCOMO's electronic prescription record service (see slide 20).</u></li> </ul>
New Services	<ul style="list-style-type: none"> <li>Plan to expand business</li> </ul>	<ul style="list-style-type: none"> <li>New nursing care related business proceeding according to plan</li> </ul>
Corporate Expenses	<ul style="list-style-type: none"> <li>Continued aggressive hiring to achieve growth <ul style="list-style-type: none"> <li>HR PF: approx. 130 new hires<sup>(1)</sup></li> <li>Medical PF: approx. 30 new hires<sup>(1)</sup></li> <li>Corporate: approx. 30 new hires<sup>(1)</sup></li> </ul> </li> <li>Expect one-time expenses associated with office relocation (JPY 172 million<sup>(2)</sup>)</li> </ul>	<ul style="list-style-type: none"> <li>Hiring activity progressing in line with plan</li> <li><u>One-time costs associated with office relocation were in line with our expectations</u></li> </ul>
Others	<ul style="list-style-type: none"> <li>Still-to-be-determined sales from new businesses and potential impact of M&amp;A deals with low probability not factored into forecast</li> <li>We forecast that any disruption caused by the third round (and any subsequent rounds) of vaccinations will be smaller than that seen in 2021</li> <li>Adoption of new revenue recognition standard factored into forecast</li> </ul>	<ul style="list-style-type: none"> <li>Limited impact from the 3rd vaccinations, in line with our expectations</li> <li><u>Monitoring the impact of the 4th vaccination and the 7th wave spread of COVID-19 infection.</u></li> <li><u>Continued preparations for applying to change TSE market segment to the Prime Market. Making decisions on timing based on market conditions and other factors. (see slide 27)</u></li> </ul>

(1) Number of planned hires at parent company

(2) Double rent and moving expenses incurred during the restoration period of the original office after relocation

# Full-year FY2022 Forecast Unchanged

For profit line items EBITDA and below, 2Q aggregate profit has already surpassed our full-year forecasts and, although there is a possibility of revising FY2022 targets, we make no changes to our forecast at this time.

JPY mm	FY2022 Q2 Cumulative Results	Full-year FY2022 forecast	Progress	Progress Toward Full-year Forecasts
<b>Sales</b>	<b>7,031</b>	<b>13,950</b>	<b>50%</b>	Steady progress toward our full-year targets (For reference)
<b>Gross Profit</b>	<b>5,082</b>	<b>9,450</b>	<b>54%</b>	Outlook for sales growth in 2H : YoY +35% or more
<b>EBITDA</b>	<b>1,573</b>	<b>1,550</b>	<b>101%</b>	Made strong progress toward targets, even considering seasonal factors.
Operating Profit	1,272	900	141%	The Company may surpass its full- year forecast.
Ordinary Profit	1,405	900	156%	Posted non-operating profit and made strong progress toward targets even considering seasonal factors.
Profit Attributable to Owners of Parent	969	650	149%	The Company may surpass its full-year forecast.



# (Ref.) Listing Criteria for the Prime Market and Our Applied Status

At the time of the decision to conduct the share repurchase on November 12, 2021, we disclosed the status of preparations for the change of market classification to the Prime Market, as this constituted a significant information. We apply all listing requirements (Initial Requirements) including market cap as of August 10, 2022. Hereafter, we will continue to monitor market conditions and M&A investment opportunities, while preparing for the reclassification of the listed market.

Item		Outline of listing requirements (Initial Requirements)	Our latest figures
<b>Liquidity</b>	Number of shareholders	At least 800 shareholders	17,129 shareholders <sup>(1)</sup>
	Number of tradable shares	At least 20,000 units	183,958 units <sup>(1)</sup>
	Tradable share market cap	At least JPY 10 bn	JPY 56.8 bn <sup>(2)</sup>
	Trading volume	At least JPY 25 bn market cap	JPY 100.7 bn market cap <sup>(2)</sup>
<b>Governance</b>	Tradable share ratio	At least 35%	56% <sup>(1)</sup>
<b>Business performance / Financial status</b>	Business performance <sup>(3)</sup>	Sales at least JPY 10 bn & <u>market cap at least JPY 100 bn</u>	FY21 Sales: JPY 10.8 bn <sup>(4)</sup> <u>Market cap: JPY 100.7 bn<sup>(2)</sup></u>
	Financial status (Shareholder equity)	At least JPY 5 bn	JPY 14.7 bn <sup>(1)</sup>

(1) As of end of June 2022

(2) As of August 10, 2022

(3) Criteria, "Total profit for recent 2 years, at least JPY 2.5 bn." is not listed on this slide.

(4) FY2021

1. FY2022 Q2 Results

2. Progress Towards Mid-Term Targets and FY2022 Forecast

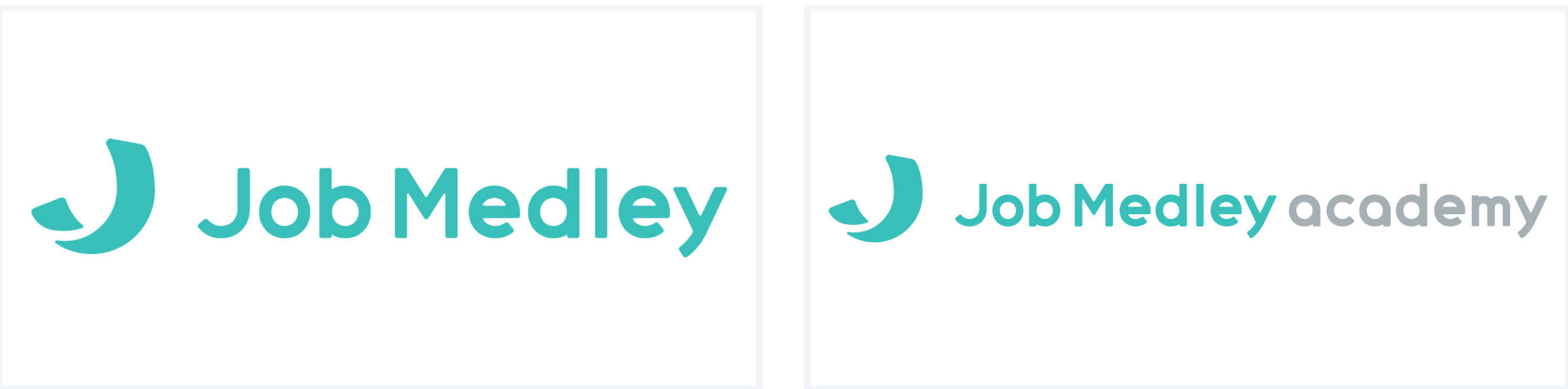
3. Investment Highlights

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.

## HR PF Business

We operate JobMedley, one of Japan's largest recruitment systems in medical healthcare field, and JobMedley 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.



## New Services

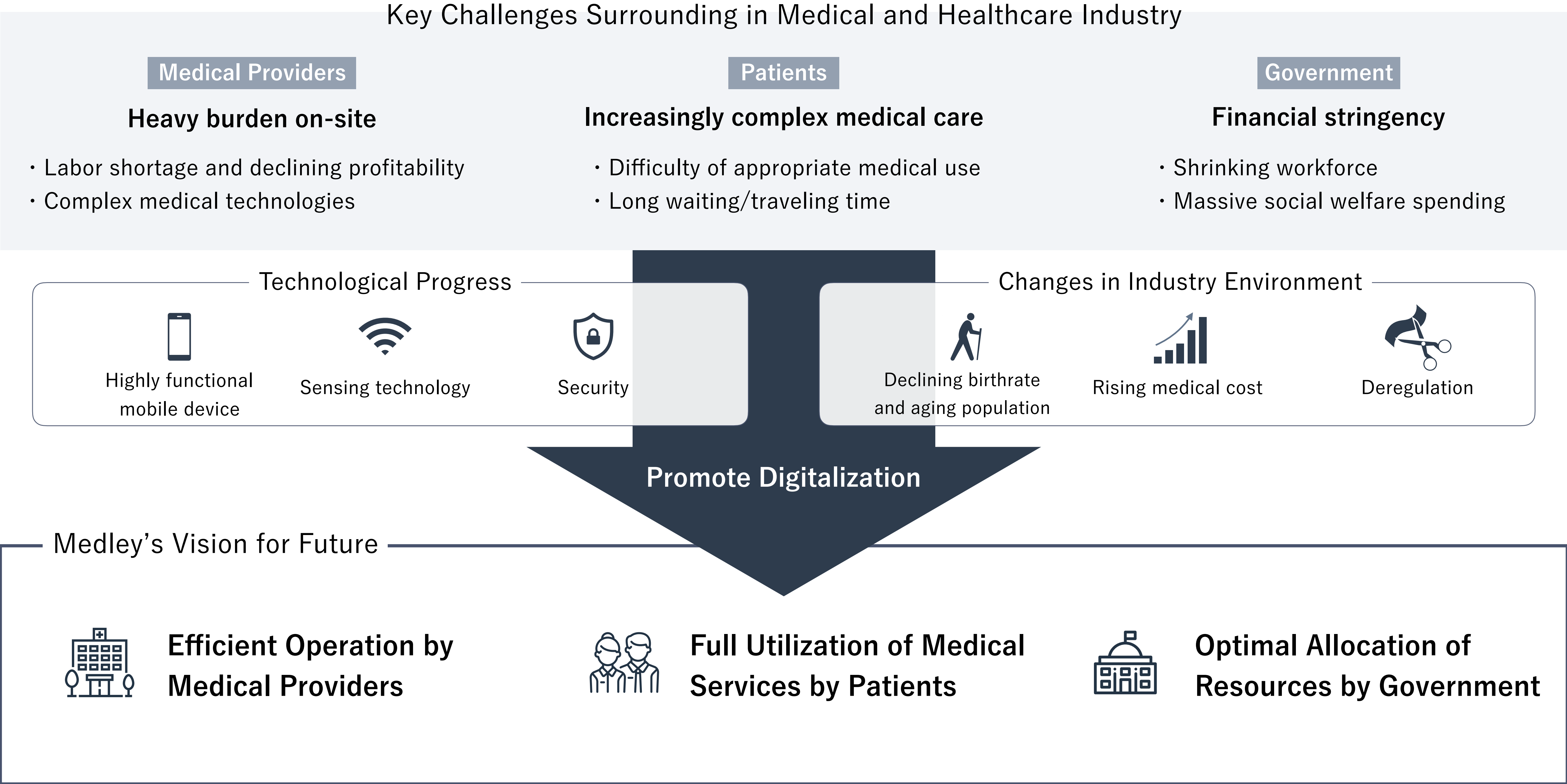
We are continuously developing businesses to promote the use of IT in the nursing care area and in peripheral areas.

## Medical PF Business

We provide CLINICS telemedicine, one of the leading telemedicine system in Japan, CLINICS electronic medical record system (EMR) for clinics, Pharms (cloud-based pharmacy support system) for pharmacies, MEDLEY (online medical encyclopedia dedicated for patients), MALL (EMR for hospitals), and Dentis (cloud-based dental clinic support system) 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

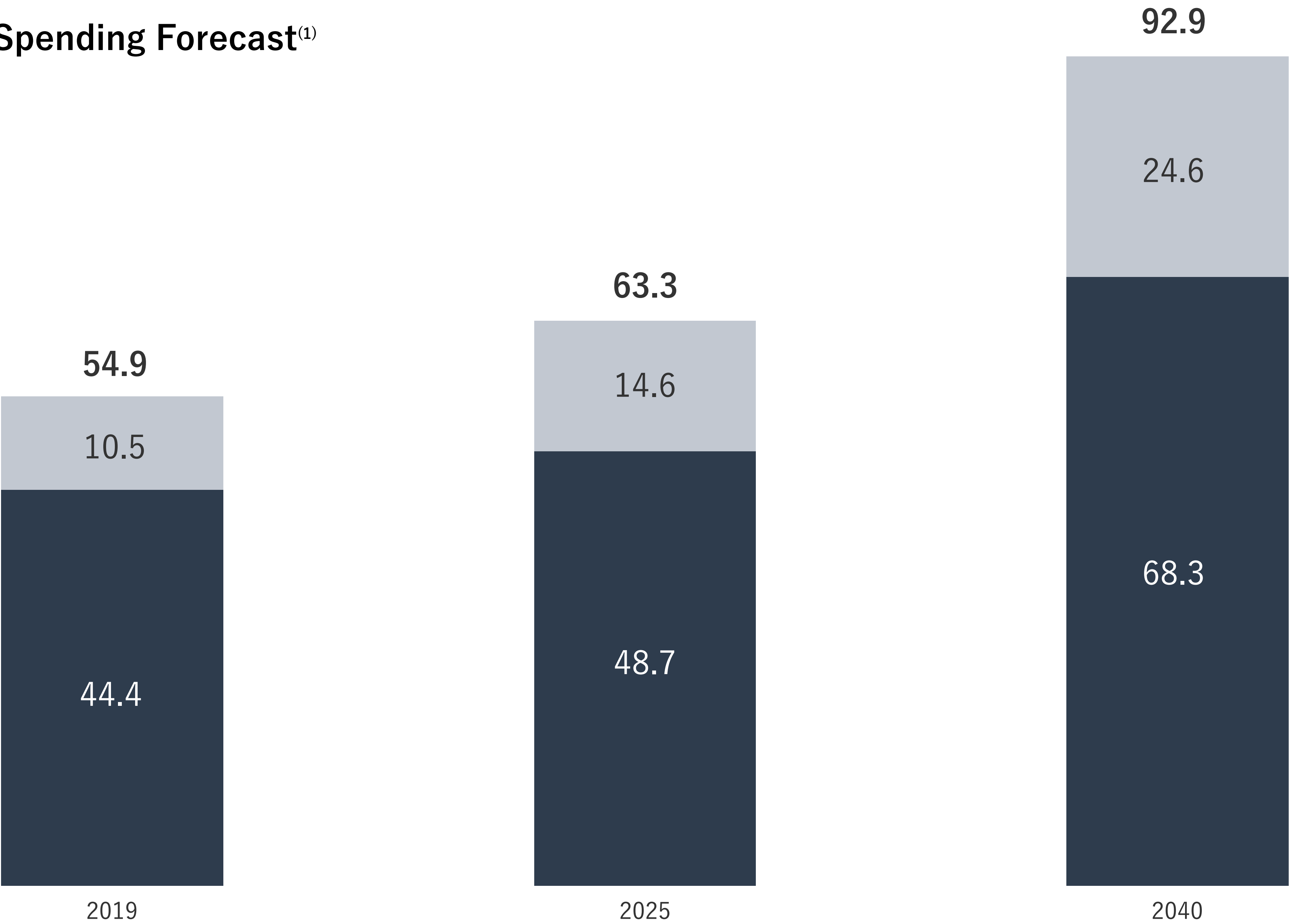


Spending on social welfare is expected to rise continuously in Japan owing to the aging of the population. The number of medical care workers taking care of elderly patients is also expected to rise.

## Social Welfare Spending Forecast<sup>(1)</sup>

(JPY Trillion)

- Nursing care cost
- Medical cost

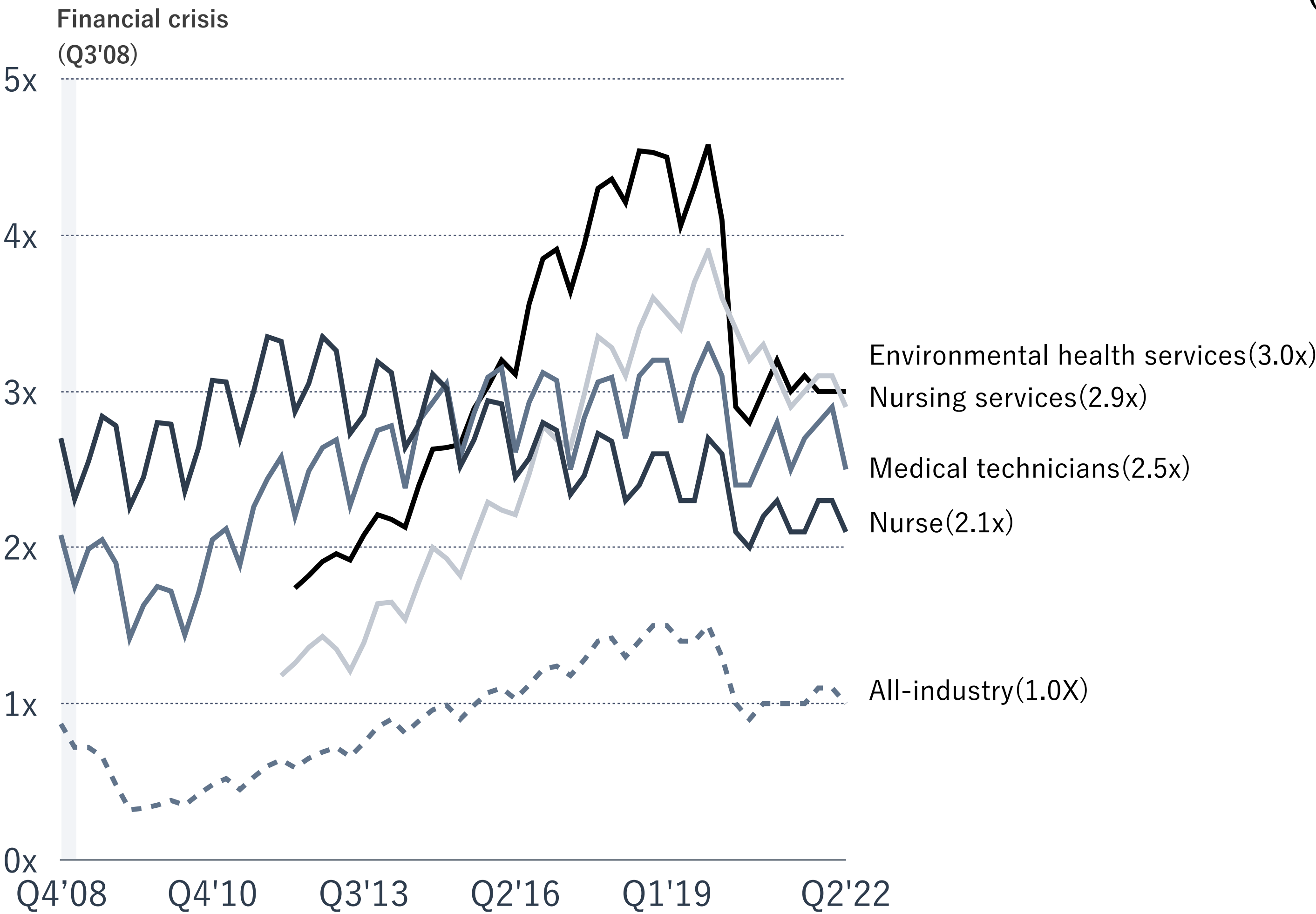


(1) Report from Ministry of Health, Labour and Welfare



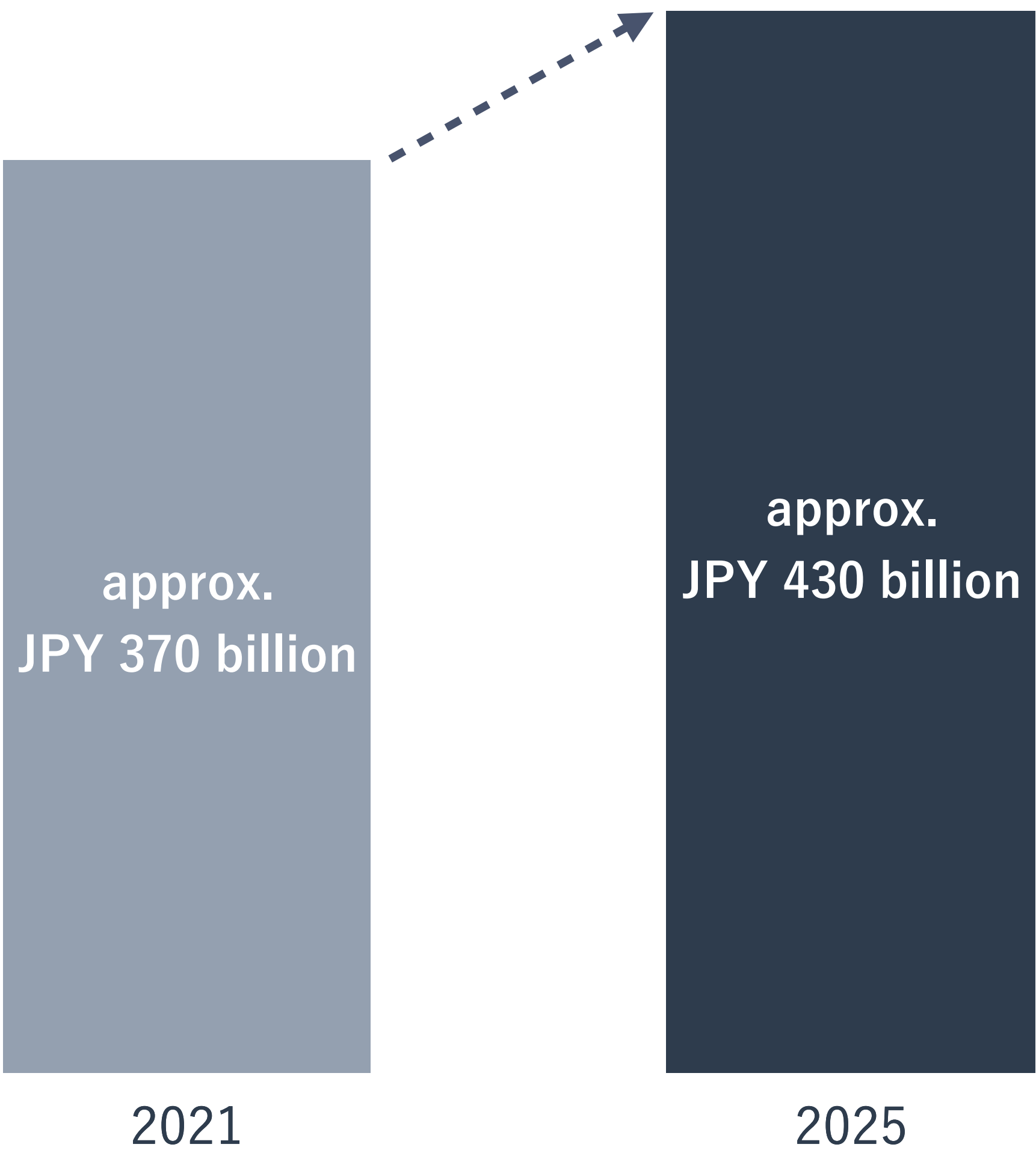
The Japanese medical industry suffers from a chronic shortage of workers, with a jobs-to-applicant ratio remains much higher than the average for all industries regardless of economic conditions. We estimate the current market size to be approximately JPY 370 billion, and expect expansion to up to JPY 430 billion in 2025 driven by increasing demand.

Ratios of Job Openings to Job Applicants<sup>(1)</sup>



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

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

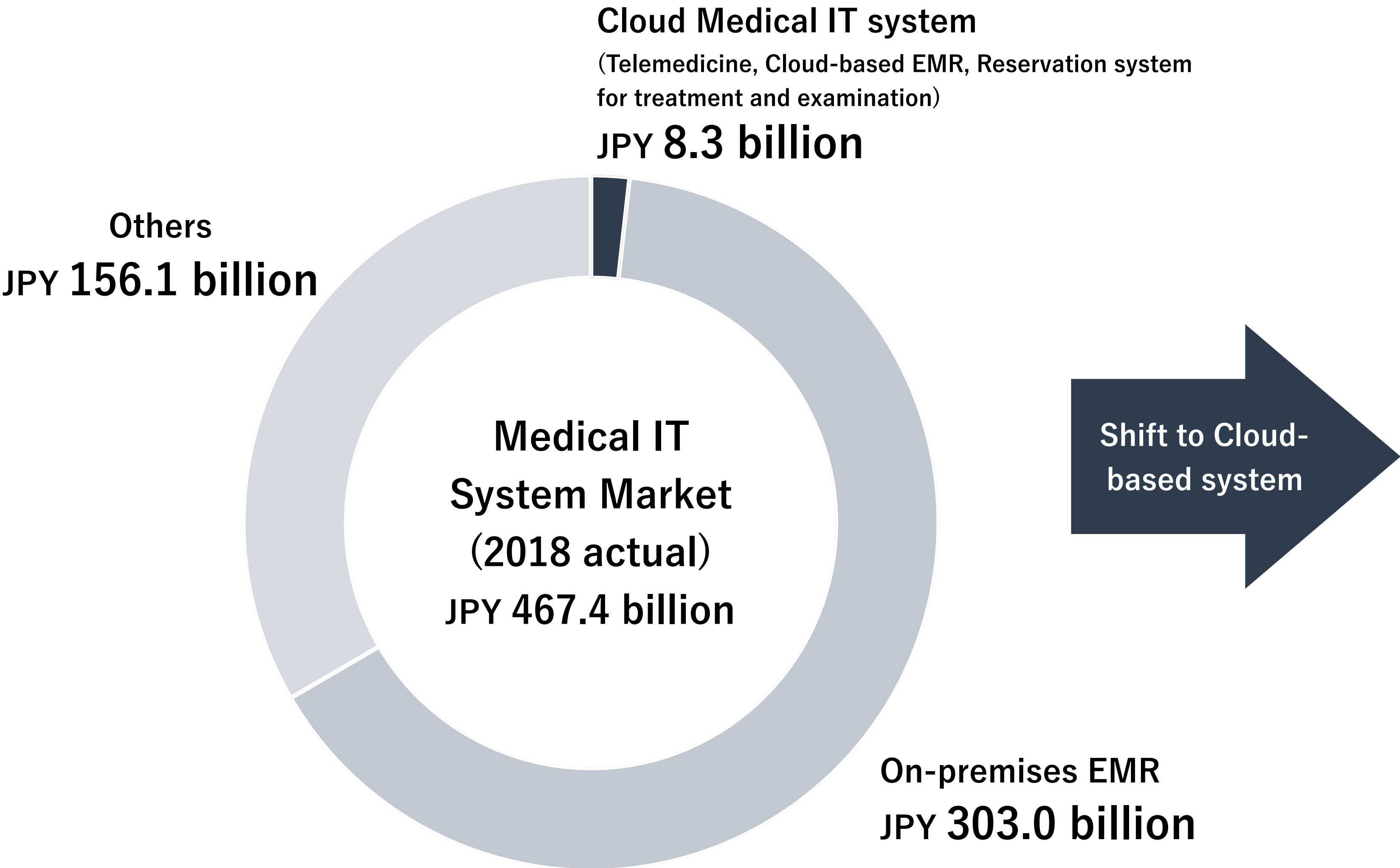


(2) Estimates by Medley, Inc.

FY2021A: Calculated based on the number of employees in the medical/beauty healthcare industries in Japan (roughly 9.9 million), the average annual hiring rate for occupations that fall under the category of “medical care/welfare” and “environmental health services” in FY2019 employment trend survey results (approximately 16% for the “medical care/welfare”, approximately 25% for the “environmental health services” = approximately 1.6 million people), and the average unit price of JobMedley placements for all occupation categories.  
FY2025E: Based on the abovementioned FY2021A 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.

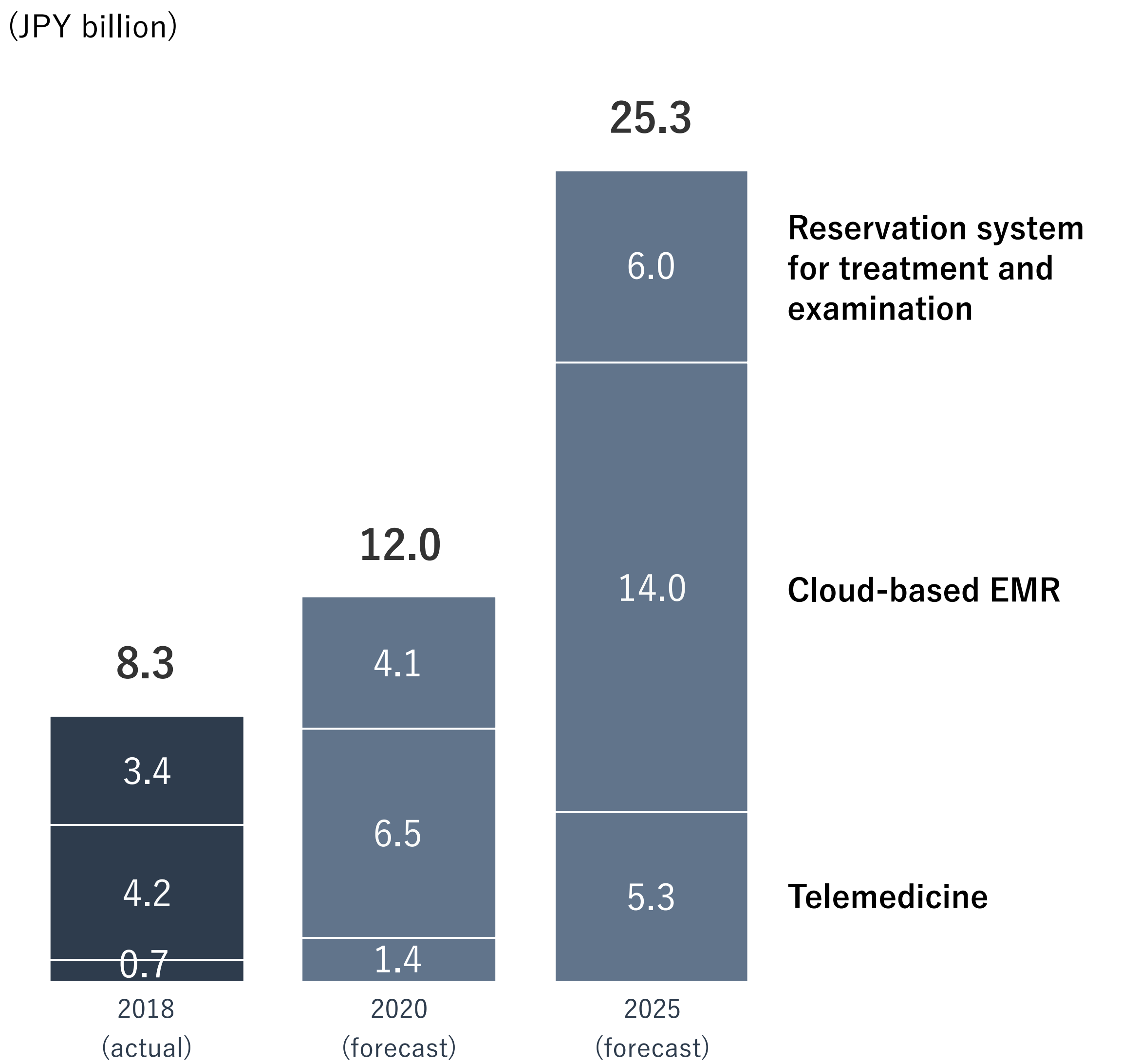
Estimated current medical IT system market size is approximately JPY 470 billion. Today, the bulk of the systems used in medical industry are on-premises based (on-site servers), but more platforms have been adopting cloud-based systems since the deregulation in 2010, owing to advantages in terms of 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 <sup>(1)</sup>



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

Cloud Medical IT System Market in Our Operating Area <sup>(1)</sup>



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

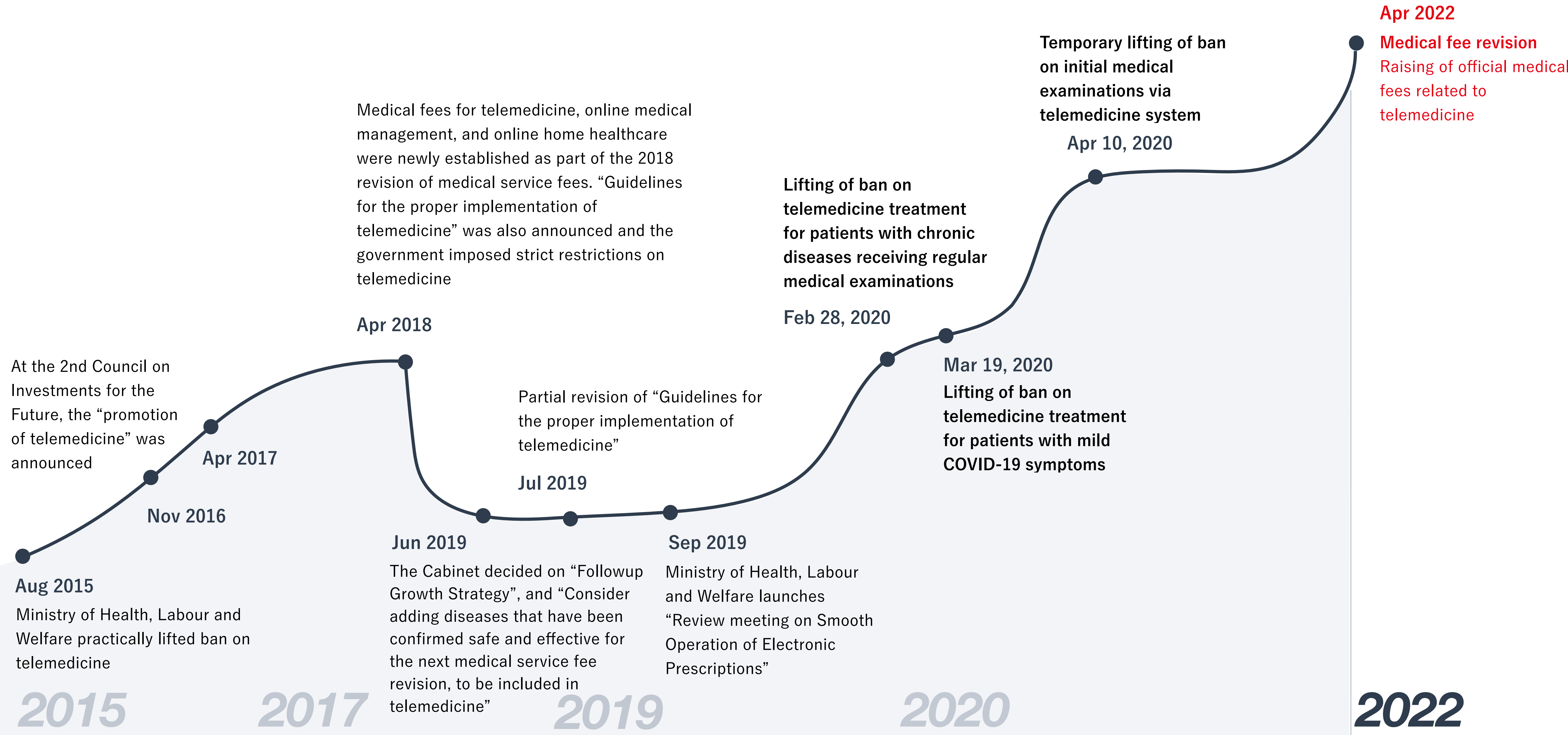


While COVID-19 has increased consumer awareness and behavior toward digital utilization, it has also revealed a delay in the digital utilization of healthcare. In response, the government has announced and implemented deregulations and policies related to the promotion of online medical services and electronic medical records and the revitalization of regional healthcare through digital utilization, which we believe will be a tailwind for our business development.

Institution/Policy	Overview	Major medical affairs
<b>The Revision of Official Medical Fees in 2022</b>	<ul style="list-style-type: none"><li>• Implemented on April 1, 2022</li><li>• Large-scale deregulation of telemedicine and Online drug administration (see slide 36)</li><li>• Promoting digital utilization in the dental field</li></ul>	<ul style="list-style-type: none"><li>• Increase in points assigned to initial examinations (to just under 90% of face-toface medical treatment)</li><li>• Changes to calculation requirements for online drug administration guidance<ul style="list-style-type: none"><li>- Calculation requirements for online drug administration guidance is no longer limited to “patients receiving prescriptions via telemedicine systems“</li></ul></li><li>• Addition of item related to “follow up” to requirements for drug administration guidance fees</li><li>• Additional points for home dental care using telecommunication devices</li></ul>
<b>Basic Policy on Economic and Fiscal Management and Reform 2022 (The Basic Policy 2022<sup>(1)</sup>)</b>	<ul style="list-style-type: none"><li>• Cabinet decision on June 7, 2022</li><li>• Basic economic policy of Kishida Cabinet<ul style="list-style-type: none"><li>- Fiscal policy, and investment in human resources, green procurement, digitalization,etc. to achieve the concept of “New Form of Capitalizm”</li></ul></li><li>• Promoting medical DX as a priority investment</li></ul>	<ul style="list-style-type: none"><li>• Creation of a national medical data platform<ul style="list-style-type: none"><li>- Sharing and exchanging information using “On-line qualification confirmation” system</li></ul></li><li>• Promoting standardization and implementation of EMRs<ul style="list-style-type: none"><li>- Utilization of a medical informatization support fund</li><li>- Streamlining for revision and the related of official medecal fees</li></ul></li></ul>
<b>Vision for a Digital Garden City Nation<sup>(2)</sup></b>	<ul style="list-style-type: none"><li>• Cabinet decision on June 7, 2022</li><li>• Realize new rural environments nationwide that are both convenient and attractive while maintaining their prosperity<ul style="list-style-type: none"><li>- Aggressive promotion of DX in rural areas in both the public and private sectors by building digital infrastructure quickly</li></ul></li><li>• The government provides grants to local governments</li><li>• Healthcare is an important theme for " building an attractive community".</li></ul>	<ul style="list-style-type: none"><li>• Community revitalization through disease prevention and promotion of health promotion<ul style="list-style-type: none"><li>- Improving the environment for the development of PHR services, etc.</li></ul></li><li>• Use of future technologies in the medical field<ul style="list-style-type: none"><li>- Use of future technologies in the medical field (Proper spread and promotion of telemedicine)</li><li>- The spread and promotion of online drug administration</li><li>- Pushing for using electronic prescription and on-line qualification confirmation, etc.</li></ul></li></ul>

(1) The Kishida Cabinet’s Basic Policy on Economic and Fiscal Management and Reform 2022 Reference: [https://japan.kantei.go.jp/ongoingtopics/kishida\\_basic\\_policy.html](https://japan.kantei.go.jp/ongoingtopics/kishida_basic_policy.html)  
(2) Prime Minister Kishida’s policy concept Reference: [https://www.japan.go.jp/kizuna/ userdata/pdf/2022/spring2022/vision\\_for\\_a\\_digital\\_garden\\_city\\_nation.pdf](https://www.japan.go.jp/kizuna/ userdata/pdf/2022/spring2022/vision_for_a_digital_garden_city_nation.pdf)

Starting in 2020, large-scale deregulation was implemented as a temporary measure in response to COVID-19. Further deregulation was implemented along with the revision to official medical fees in 2022.

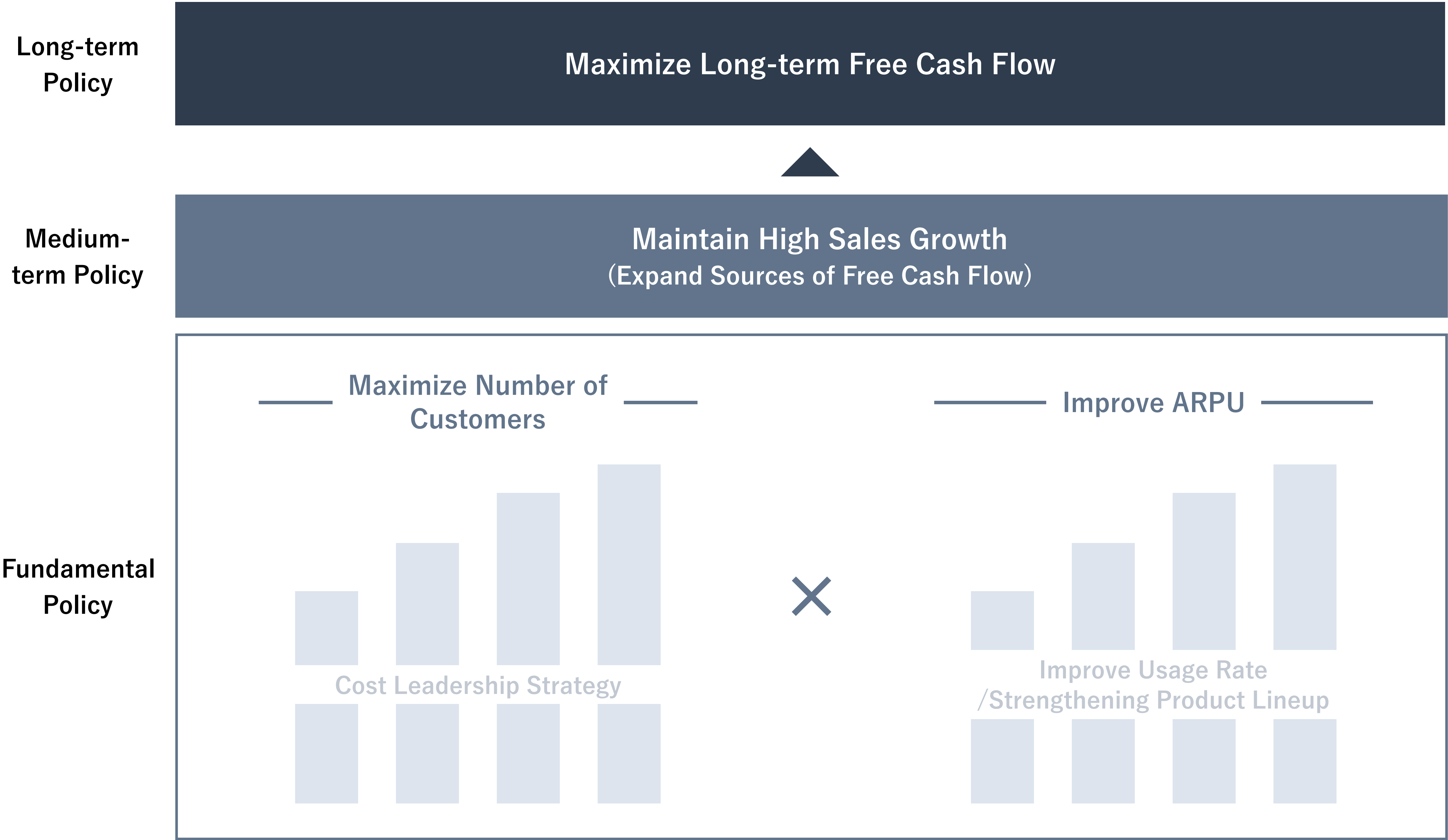




# Maintain High Sales Growth by Maximizing Number of Customers and ARPU



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.

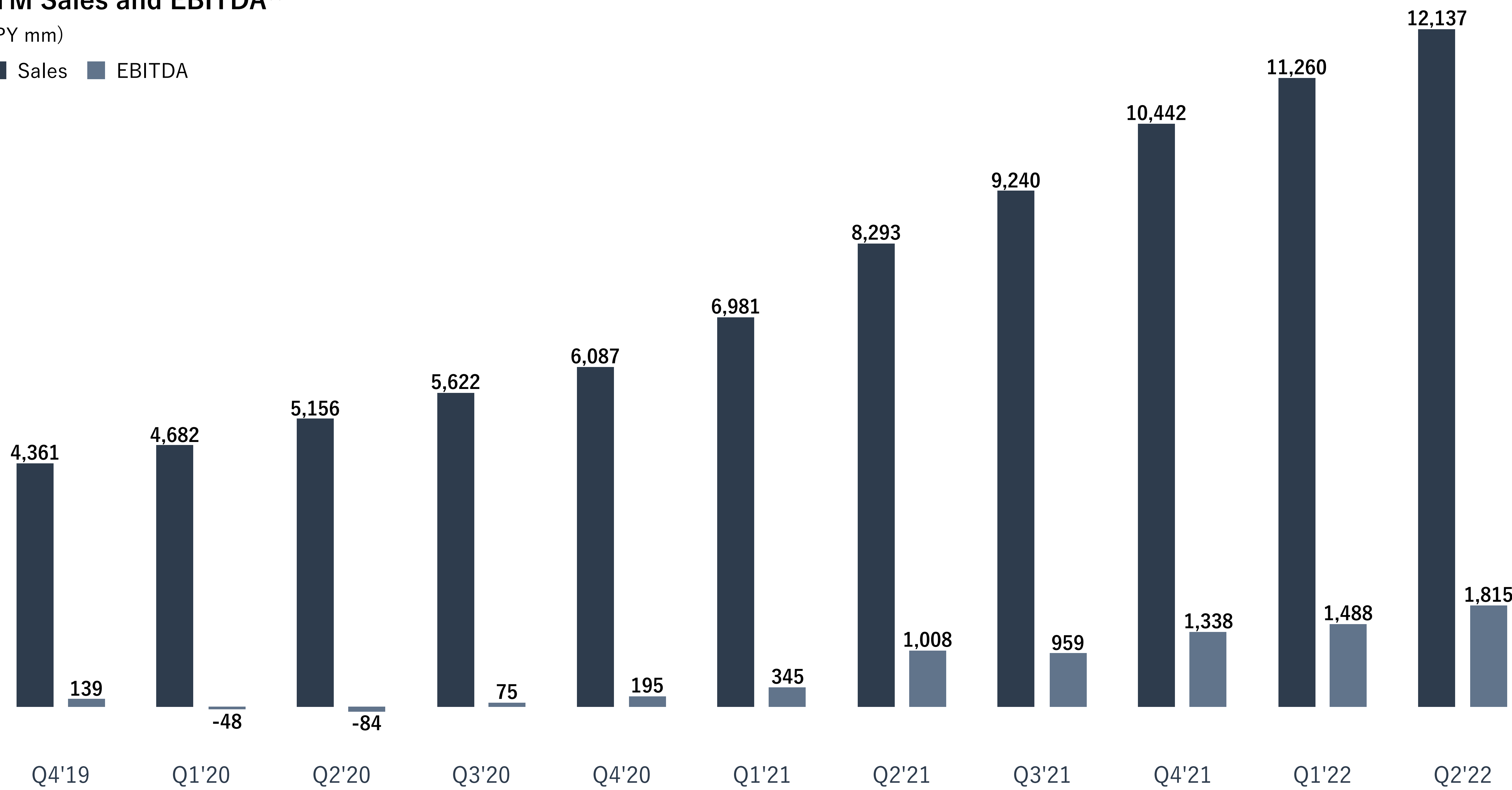


Although sales in HR PF tend to concentrate on every Q2, sales and EBITDA for the last 12 months (LTM) have been on a stable increasing trend.

### LTM Sales and EBITDA<sup>(1)</sup>

(JPY mm)

■ Sales ■ EBITDA

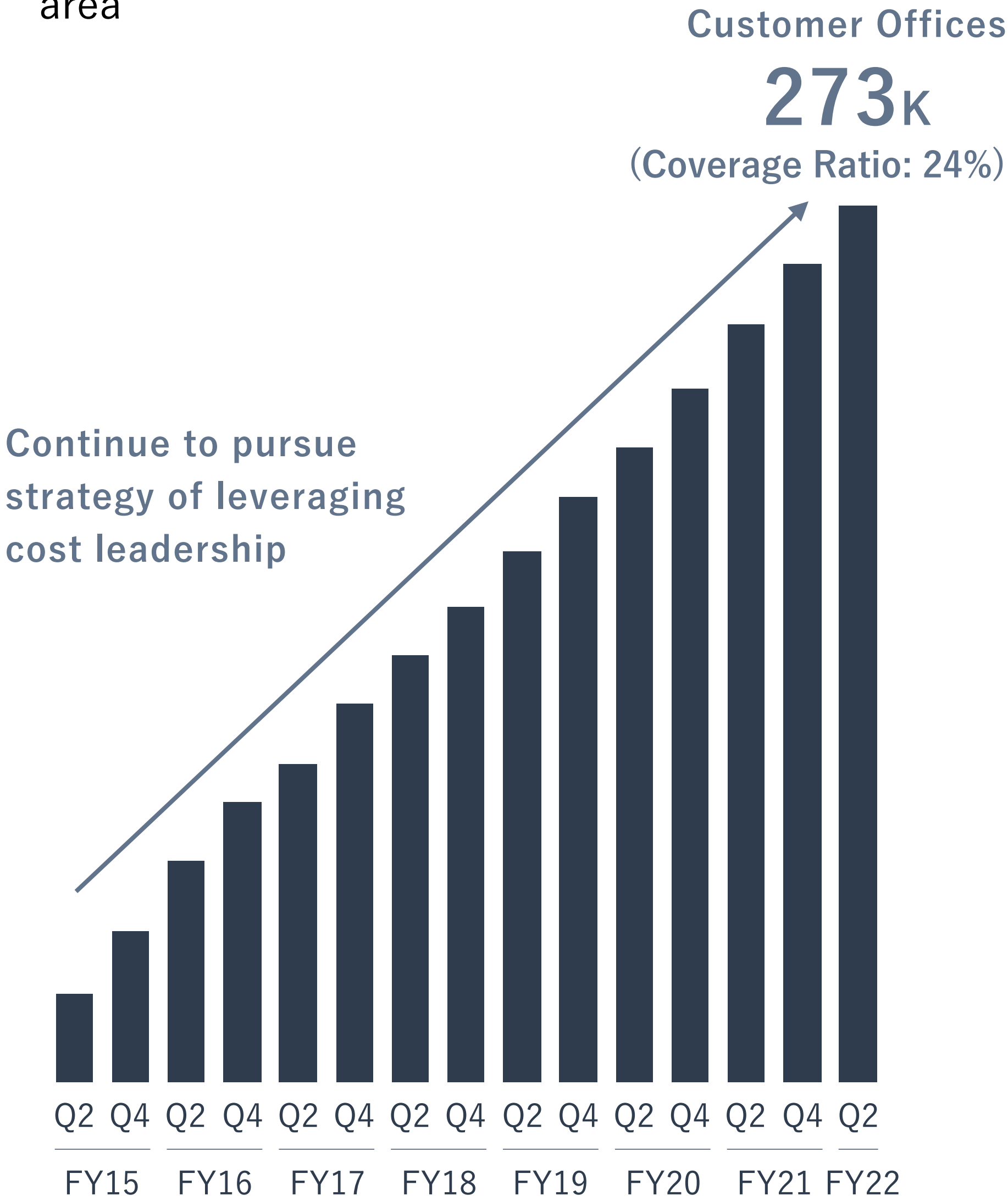


(1) Sum of sales and EBITDA for the last 12 months from the end of each quarter. Sales is based on New Revenue Recognition Standard.

In HR PF 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.

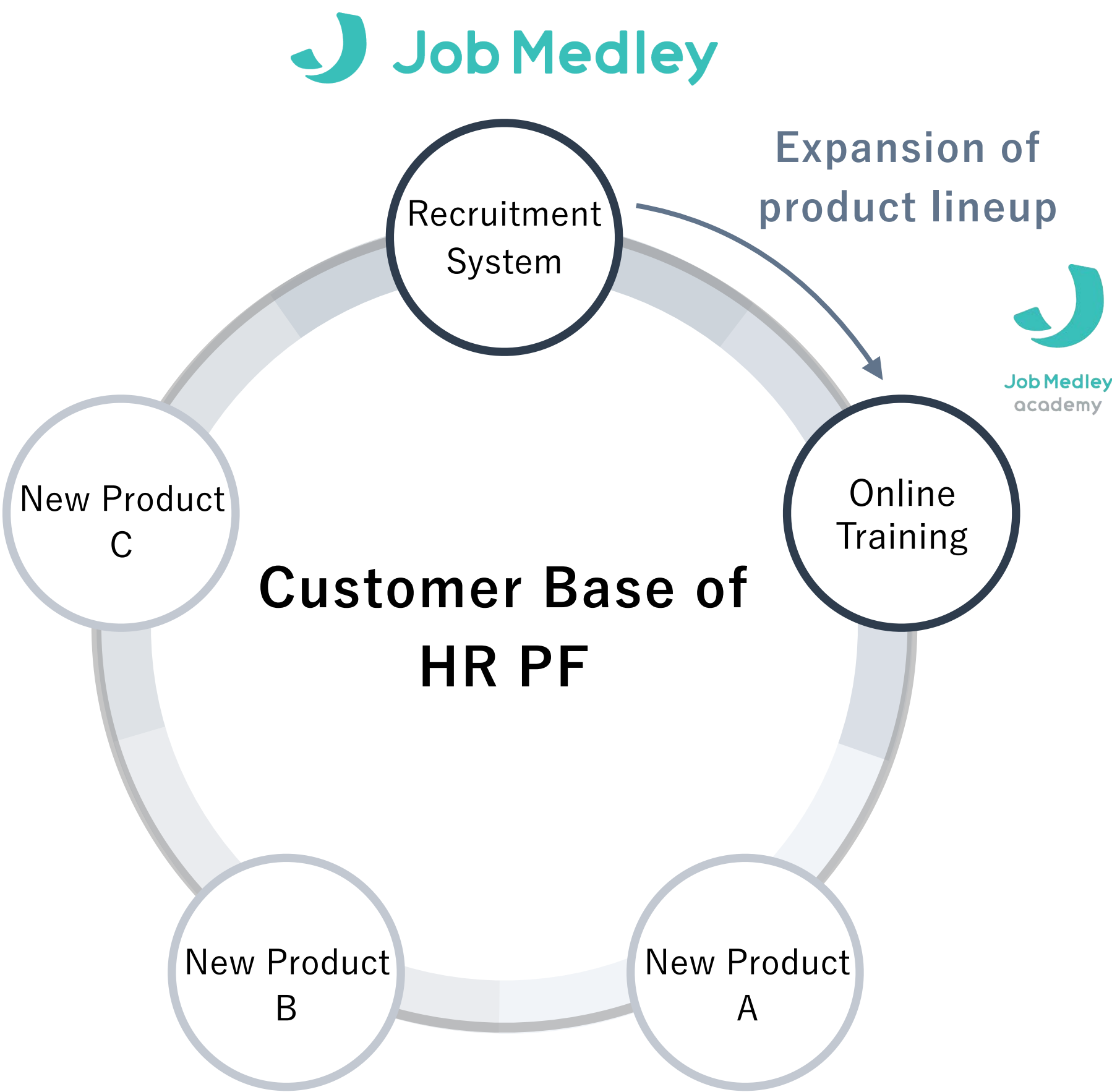
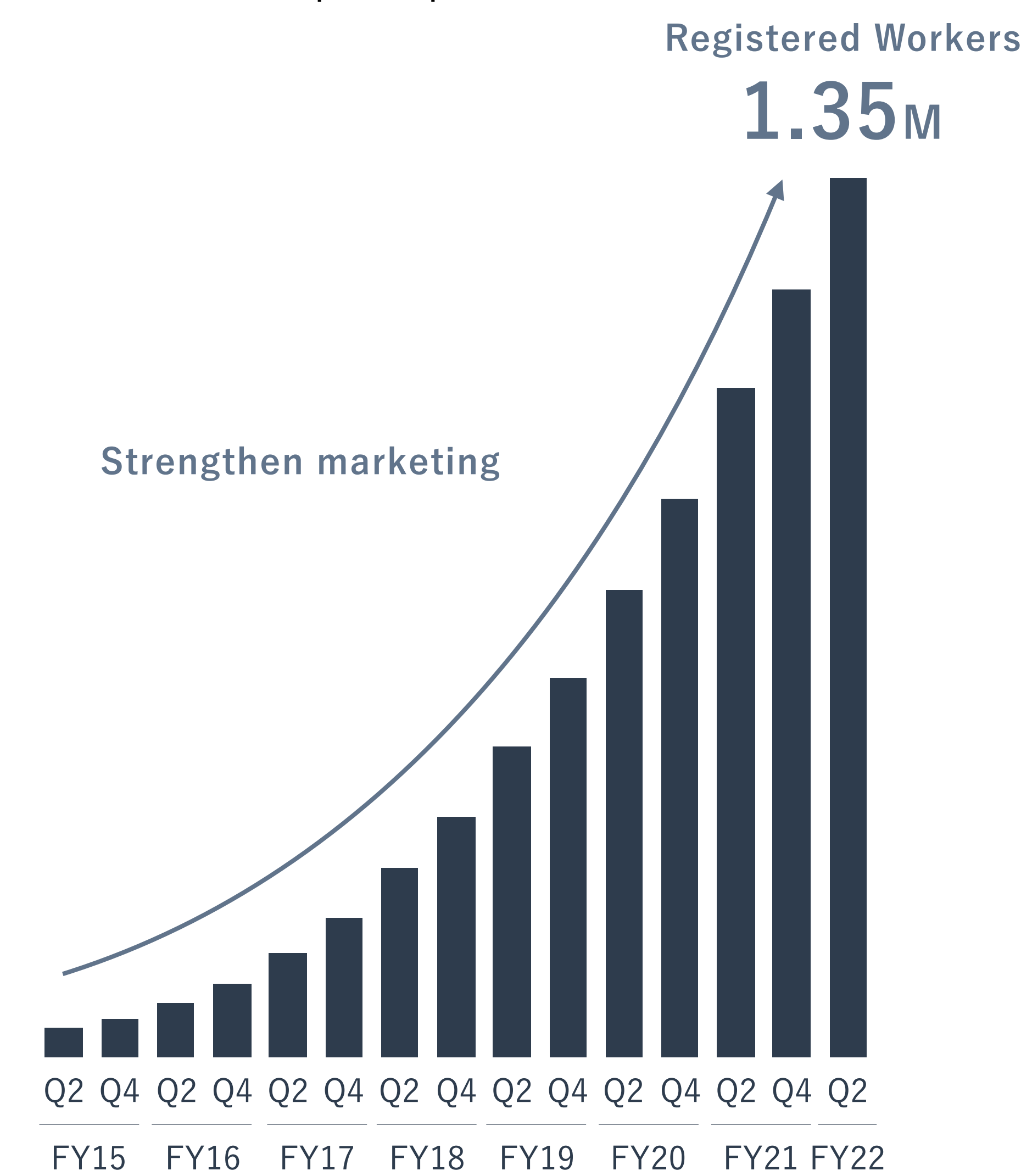
### Maximize Number of Customers

- The number of target customers is 1.1 million<sup>(1)</sup> 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 9.9 million<sup>(1)</sup>, 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

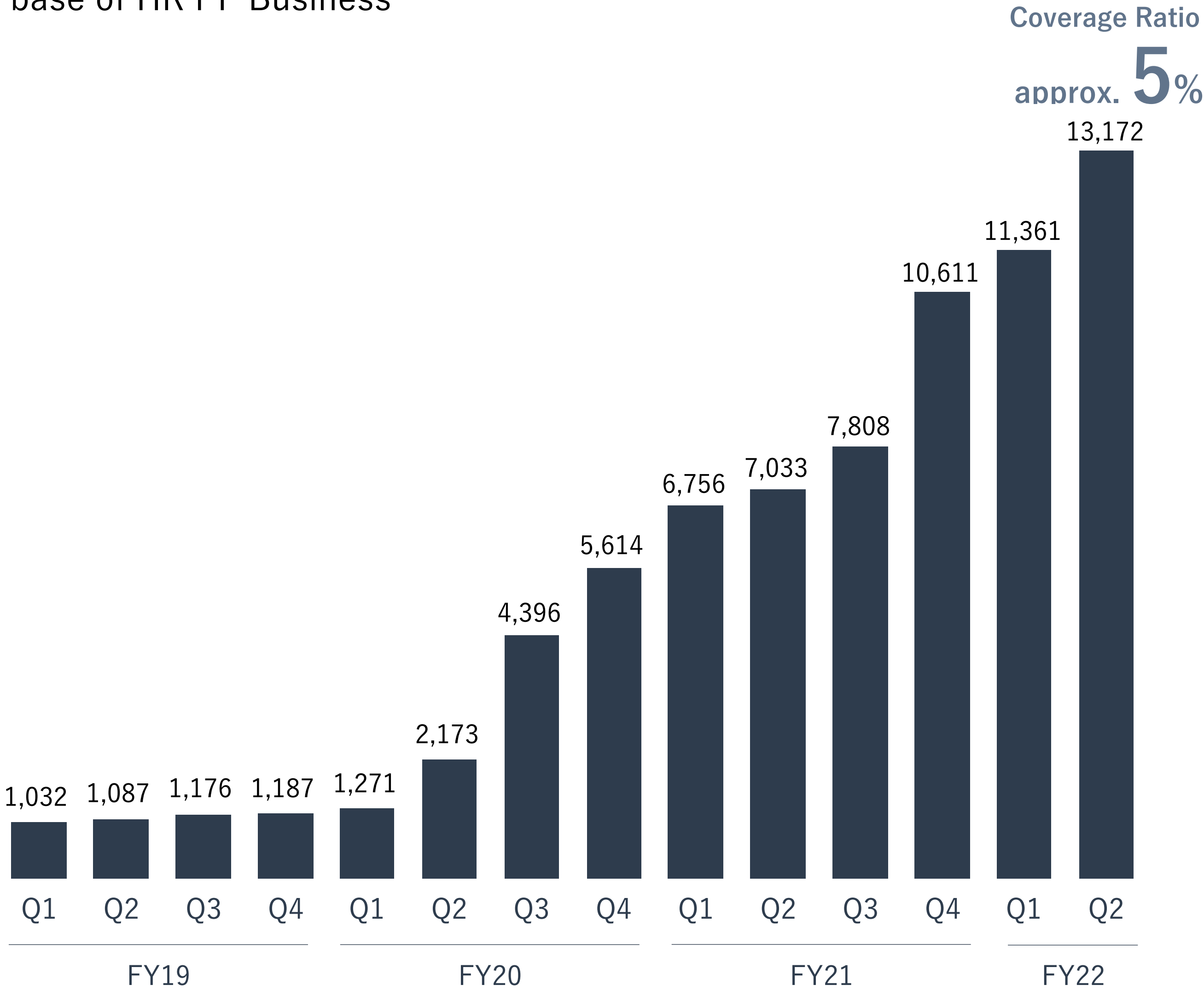
# Medical PF: Improved ARPU via Synergy with HR PF Business Customer Base



Medical PF is currently focused on developing SaaS products and, in addition to leveraging the customer base of HR PF Business to expand the number of customer offices, we are improving ARPU by strengthening our product lineup.

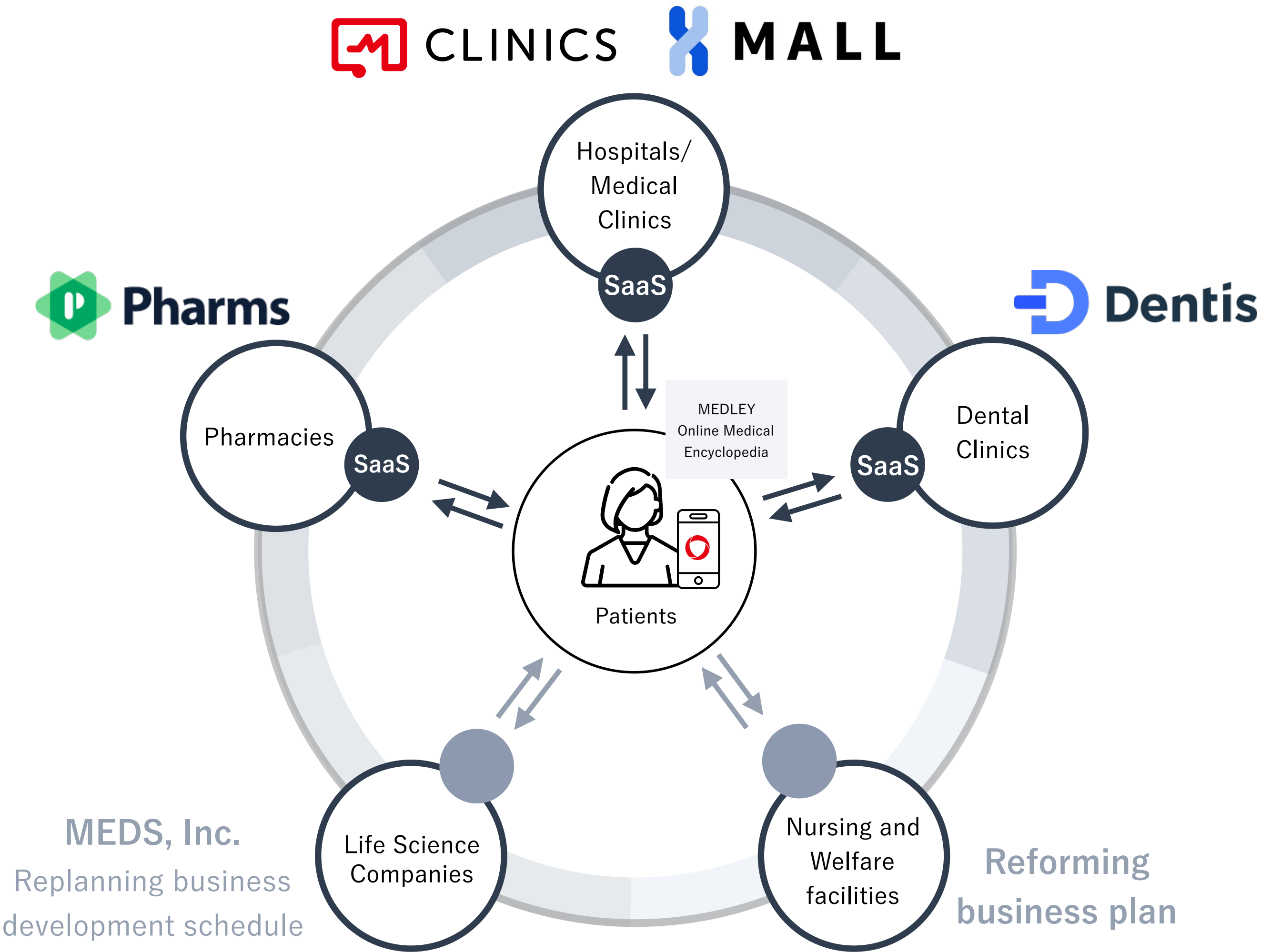
## Maximize Number of Customers

- Target customer base has sizable upside potential with roughly 250k<sup>(1)</sup> hospitals, clinics, pharmacies, and dental clinics
- Conducted sales promotion that leveraged synergies with the customer base of HR PF Business



## Improve ARPU

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



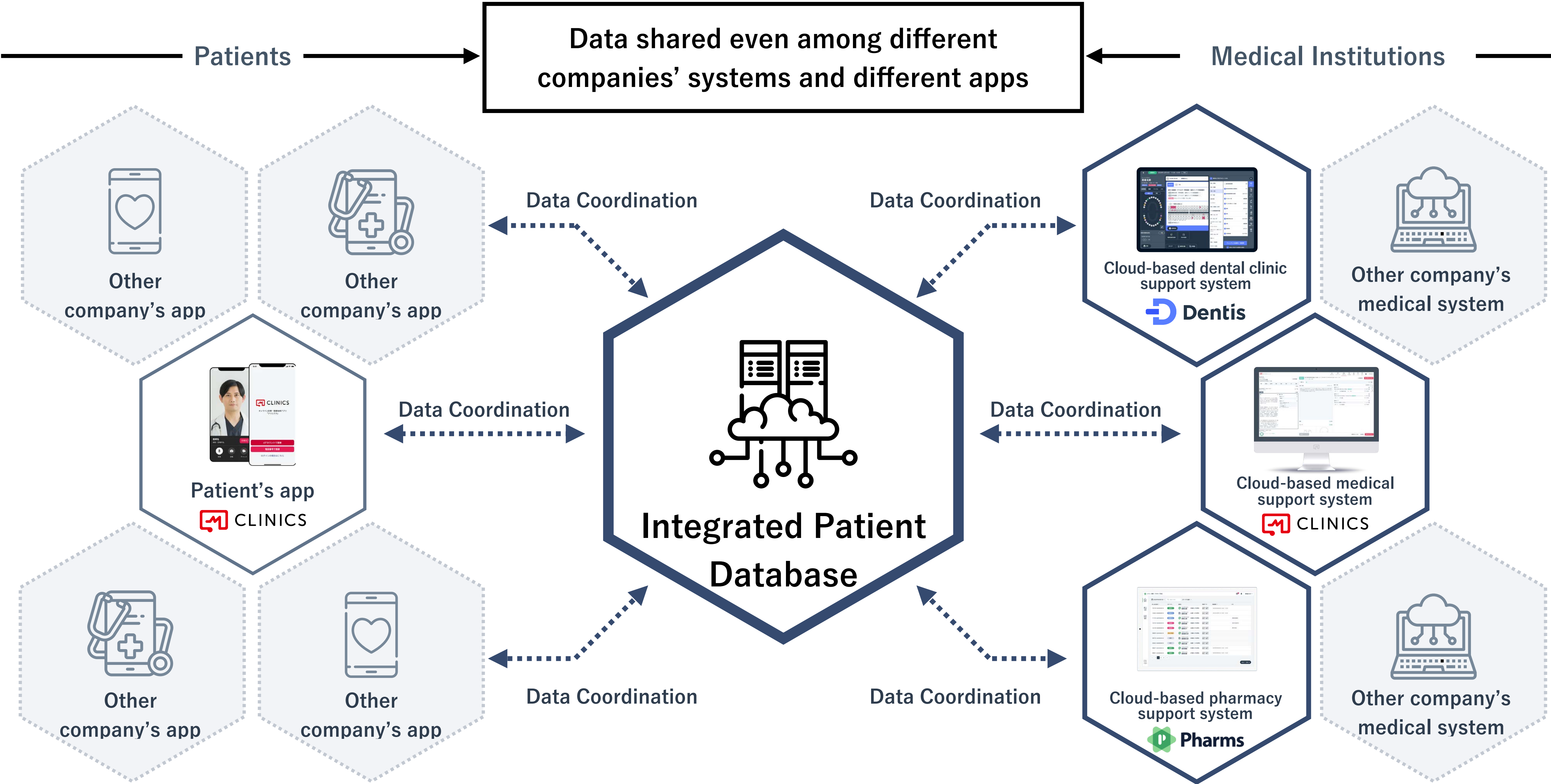
(1) Ministry of Health, Labour and Welfare statistics



# Medical PF: Product Development Using Integrated Patient Database as a Core Technology



Many of the products provided by Medical PF Business use as a core technology our patient integration platform, which allows the sharing of medical data between different medical systems and applications used by patients (Japanese patent registration number 6921177).



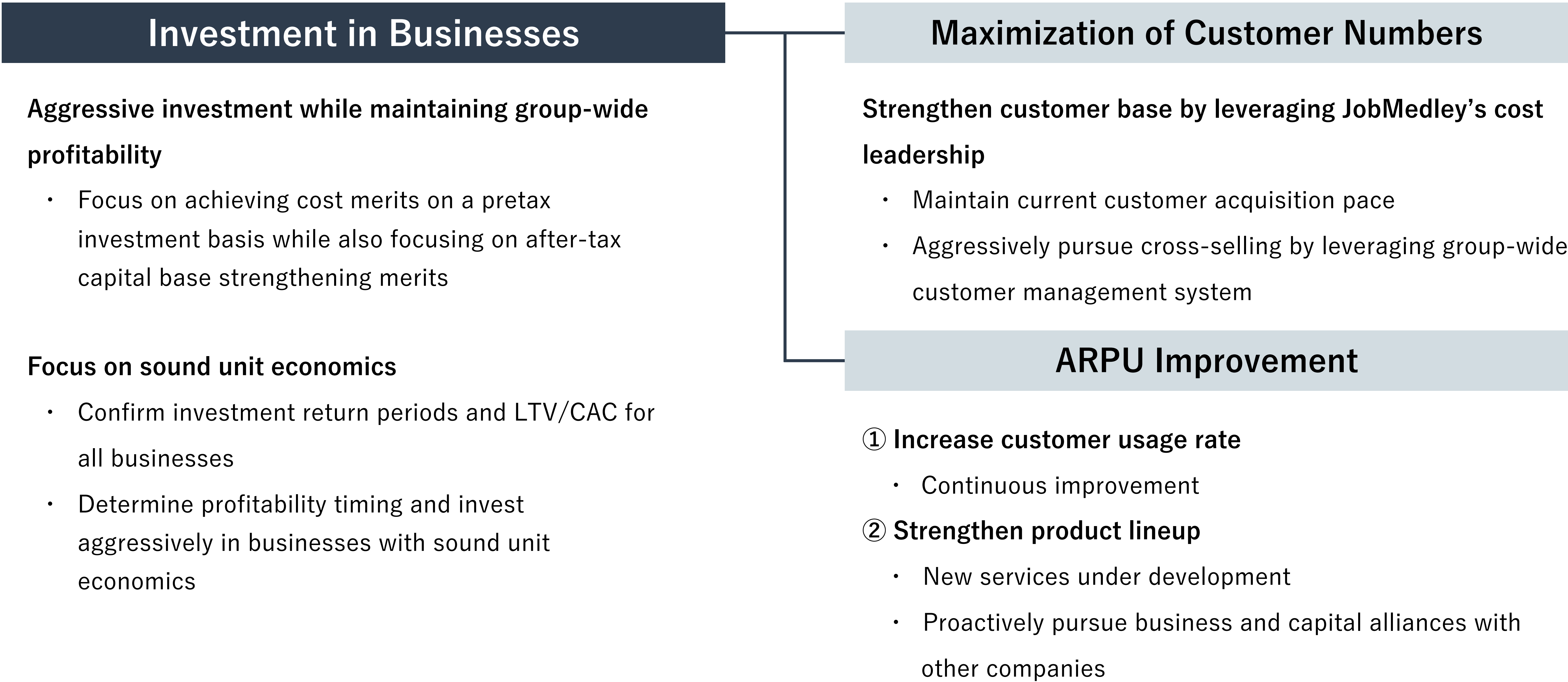
In order to reach our medium-term targets ahead of schedule, we will aggressively invest capital secured via operating cash flow and interest-bearing debt in our businesses. We will also conduct M&A while keeping the company EBITDA positive on a companywide basis.

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

# 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.



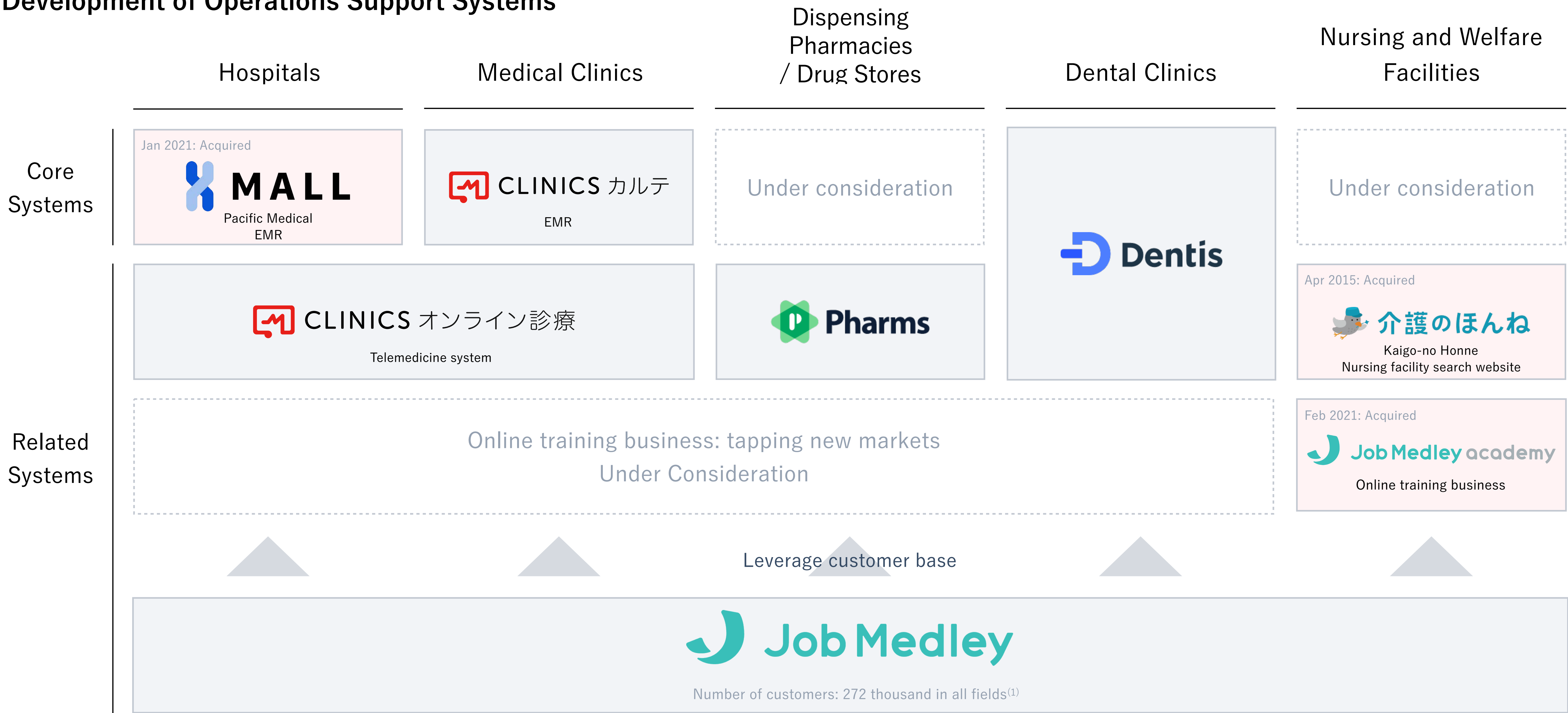


# B: Promoting Digitalization in the Healthcare Sector Through Synergy-Focused M&A



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 June 2022



We must develop a wide range of systems in order to achieve our mission of “Creating the future of medical healthcare” wherein patients are able to make full use of medical care, medical institutions are efficiently managed, and governments are able to optimally allocate medical resources. We plan to expand our businesses through both in-house development and M&A. Below, we provide an overview of completed M&A.

Name	Impacted segment	Time of grouping	Status
NaCI MEDICAL	Medical PF	Mar. 2019	<ul style="list-style-type: none"><li>Made progress in development of new cloud-based receipt computer and merged the company with Medley</li></ul>
Pacific Medical	Medical PF	Jan. 2021	<ul style="list-style-type: none"><li>Strengthened sales and marketing of EMR systems to small- and medium-sized hospitals</li><li>Leveraged existing assets to develop the MINET group management system for medical corporations and to assist with regional medical cooperation</li></ul>
MEDiPASS	HR PF/Medical PF /New Services	Feb. 2021	<ul style="list-style-type: none"><li>Integrated online training business with Medley in January 2022, improved core functions, and developed multilingual support</li><li>Regarding other MEDiPASS businesses, withdrew from the staffing businesses (sales expected to decline in some businesses in FY2022)</li></ul>
Source code of dental receipt computer	Medical PF	Aug. 2019	<ul style="list-style-type: none"><li>Leveraged knowhow to completely rebuild system assets acquired in 2019 and released new system Dentis in January 2022 (please see P41 for more information)</li></ul>
Proof-of-concept testing base	Medical PF	Dec. 2020	<ul style="list-style-type: none"><li>Ownership of facilities where proof-of-concept testing for Pharms system for pharmacies was conducted contributed considerably to development of Pharms.</li><li>As facilities where proof-of-concept testing is conducted must serve as models for the future, we consider to retain ownership of other facilities formats.</li></ul>
minacolor <small>*an equity method affiliate in the future</small>	Medical PF	Oct. 2021	<ul style="list-style-type: none"><li>Began operation as a joint venture with NTT DOCOMO developing high-valueadded services</li><li>Currently working to design governance systems, strengthen organizational systems, and develop the business to ensure success as a joint venture</li></ul>
Other	Medical PF	Jun. 2020	<ul style="list-style-type: none"><li>Acquired knowhow and customer accounts by securing EMRs of other companies. Partial transfer of EMRs completed.</li></ul>

# 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 FY2021	In the red in FY2021	
	Cash generation phase	Profitability phase	Commercialization phase
HR PF	<div> <div>Expected to turn profitable in FY24</div></div>	<div></div>	
Medical PF	<div><div> CLINICS オンライン診療 Telemedicine system Turned Profitable in FY19</div><div>Expected to turn profitable in FY24</div><div>Expected to turn profitable in FY22</div><div> MALL EMR for hospitals • Planning investment to accelerate growth</div></div>	<div><div> CLINICS カルテ EMR</div><div> Pharms • Launched in September FY20 • Business for dispensing pharmacies</div><div> Dentis • Launched in January FY22 • Business for dental clinics</div></div>	<div> • Preparation for next phase • No expansion of losses</div> <div><div>MEDS, Inc.</div><div>• Established in August FY20 • Rescheduled development plan after FY22 • Partial participation in alliance with NTT DOCOMO</div></div> <div><div>New Service</div><div>• Began development in FY19 • Plan to begin business in FY22</div></div>
New Services	<div>Expected to turn profitable in FY23</div>	<div> Kaigo no Honne; Nursing facility search website</div>	

We set a high ratio of cash and deposits in order to make flexible investments. In addition to cash flow from operations, we have a strong financial base funded by equity offerings and by bank loans. Under the current circumstances, additional equity financing to achieve our mid-term targets is not required. We seek for appropriate use of capital as attractive investment opportunities are expected under market fluctuations.

Current Financial Position and Policy

B/S as of end of June 2022  
(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 14,638	Debt 2,637
	Other liabilities 3,515
Other assets 6,302	Net assets 14,787

- 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
- HR 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
- December 2021:  
Repurchased JPY 1.8 mn of shares



HR 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.



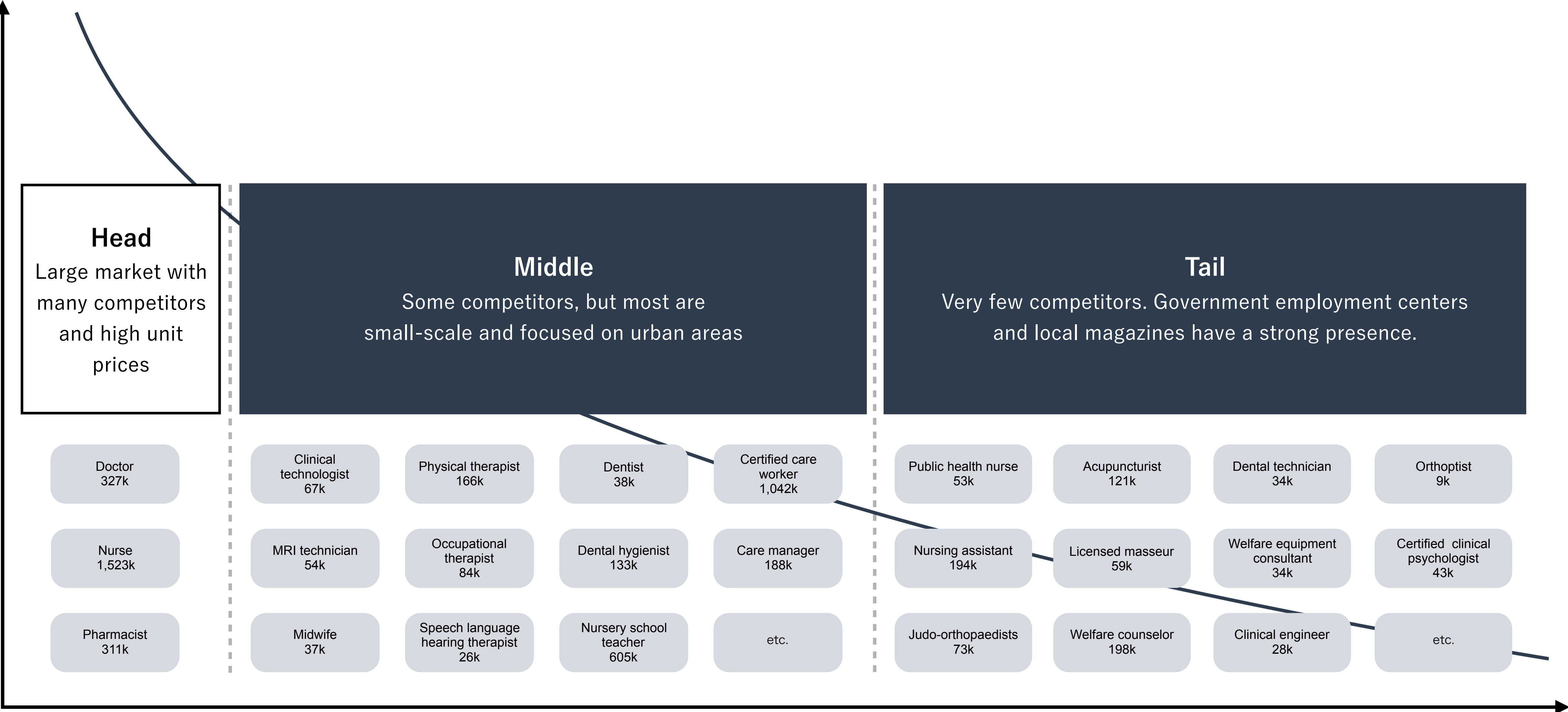


HR PF:  
**Industry Has a Long-tail Structure:  
Our Strengths Are in the Middle and Tail Segments**



Out of the 9.9 million workers in the medical/beauty healthcare industry, 22% 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 78% - the middle and tail segments - where we have captured a leading market share. We currently have over 1.35 million users in more than 50 occupations registered in our system.

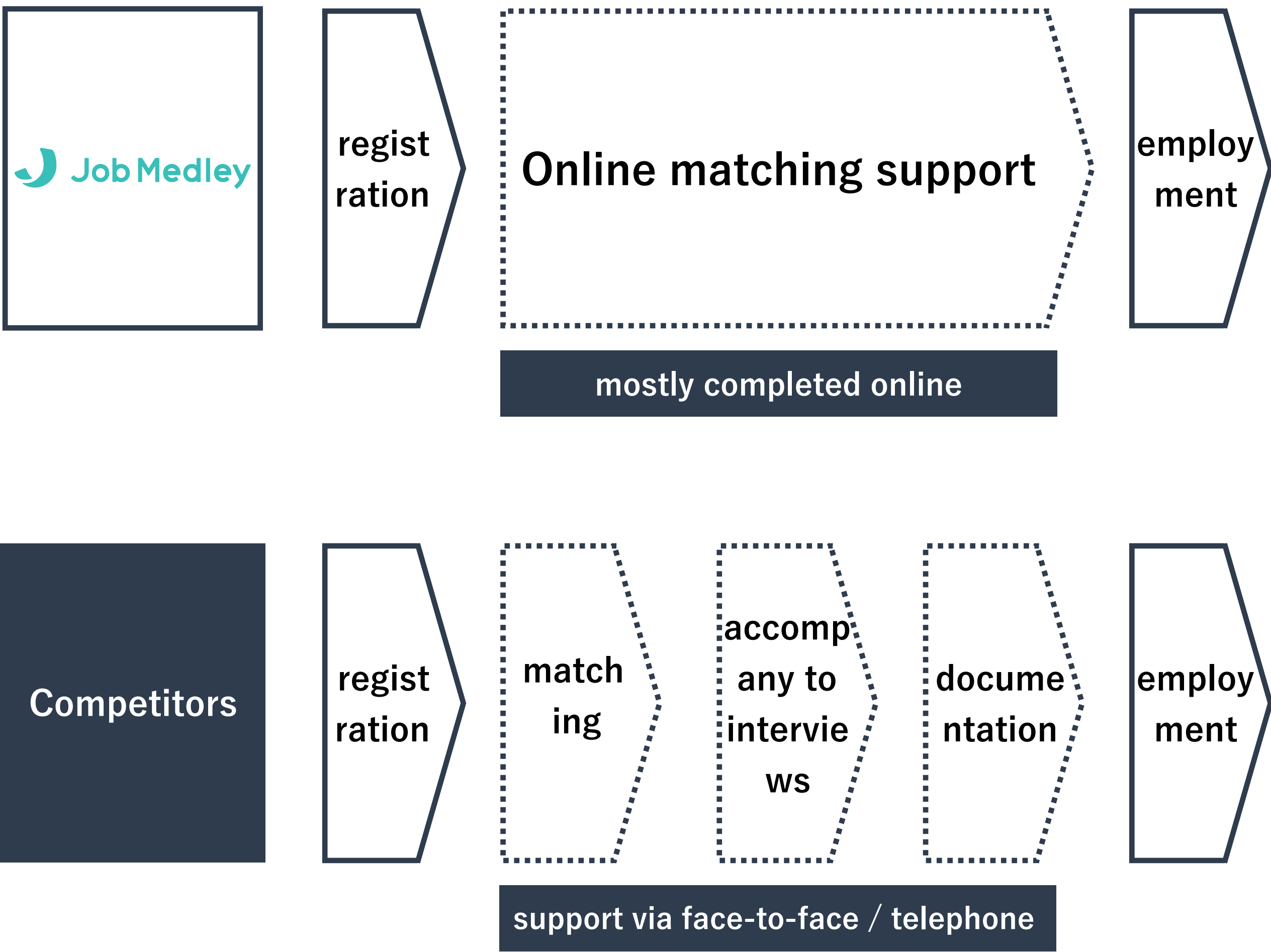
Our Target Area<sup>(1)</sup>



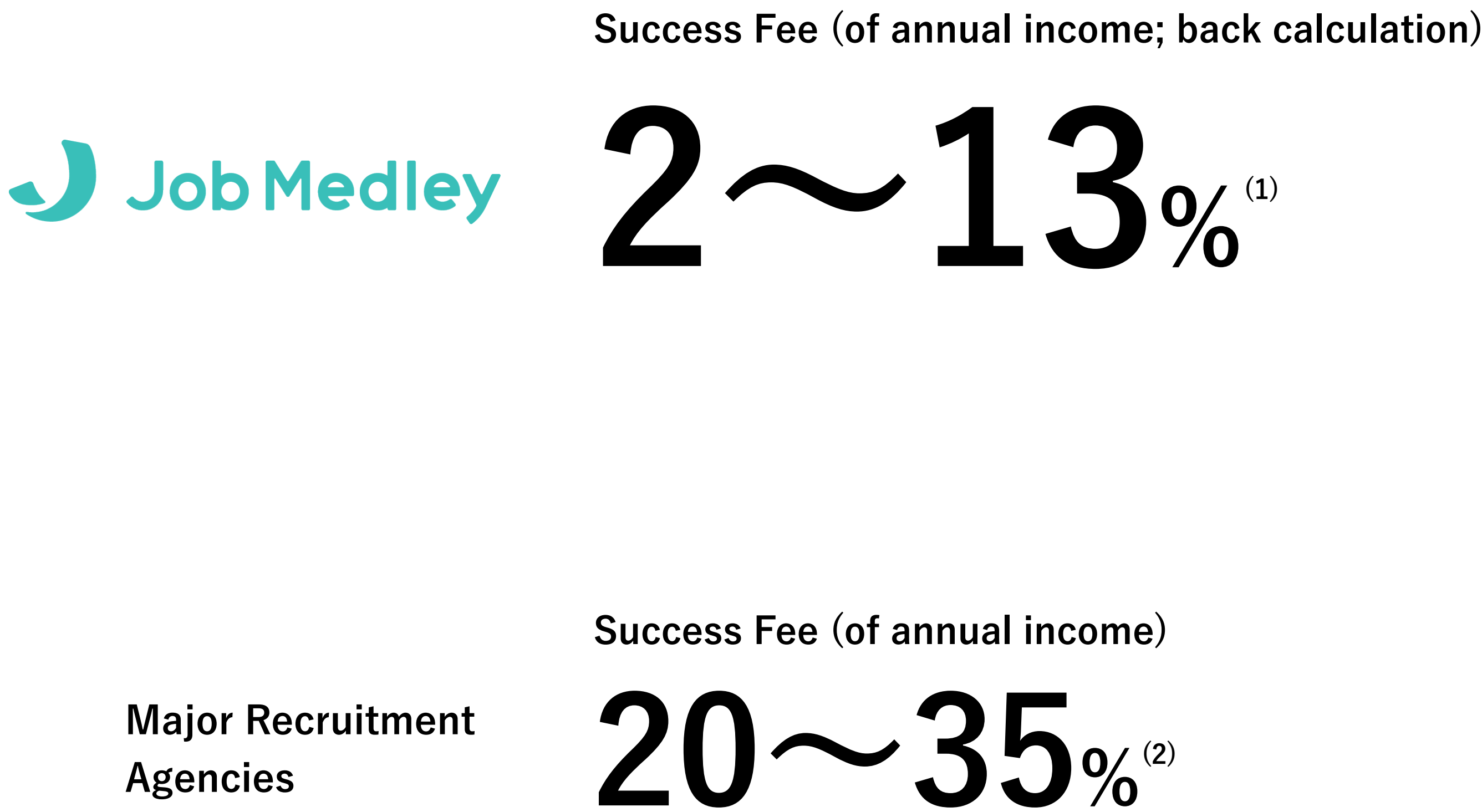
(1) Ministry of Health, Labour and Welfare statistics,

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



(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).

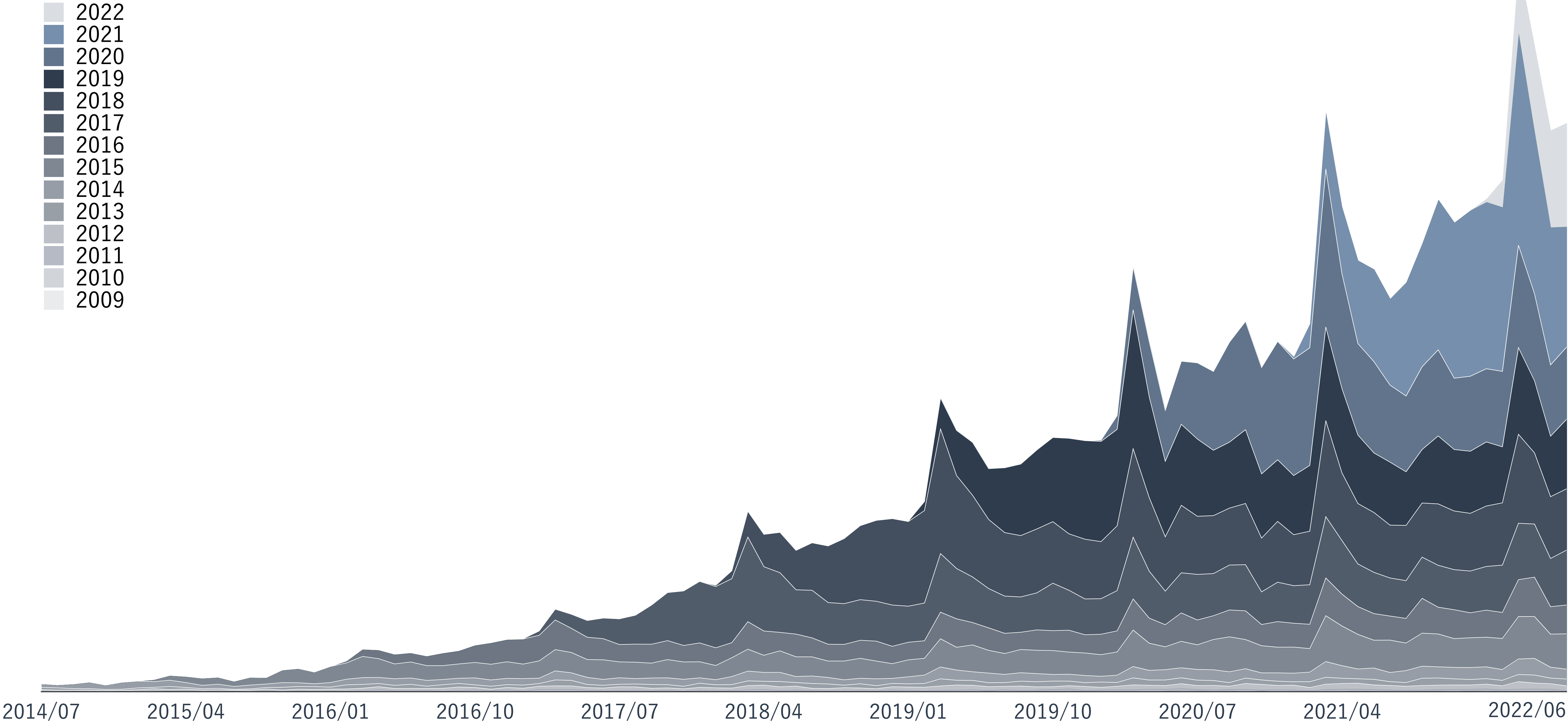
(2) This refers to typical fees for recruitment services for occupations such as doctors, nurses, childcare professionals, physical therapists, dentists, and care workers among the 50 occupations we handle. (Some recruitment services employ different methods for setting success fee amounts that are different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

HR 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.

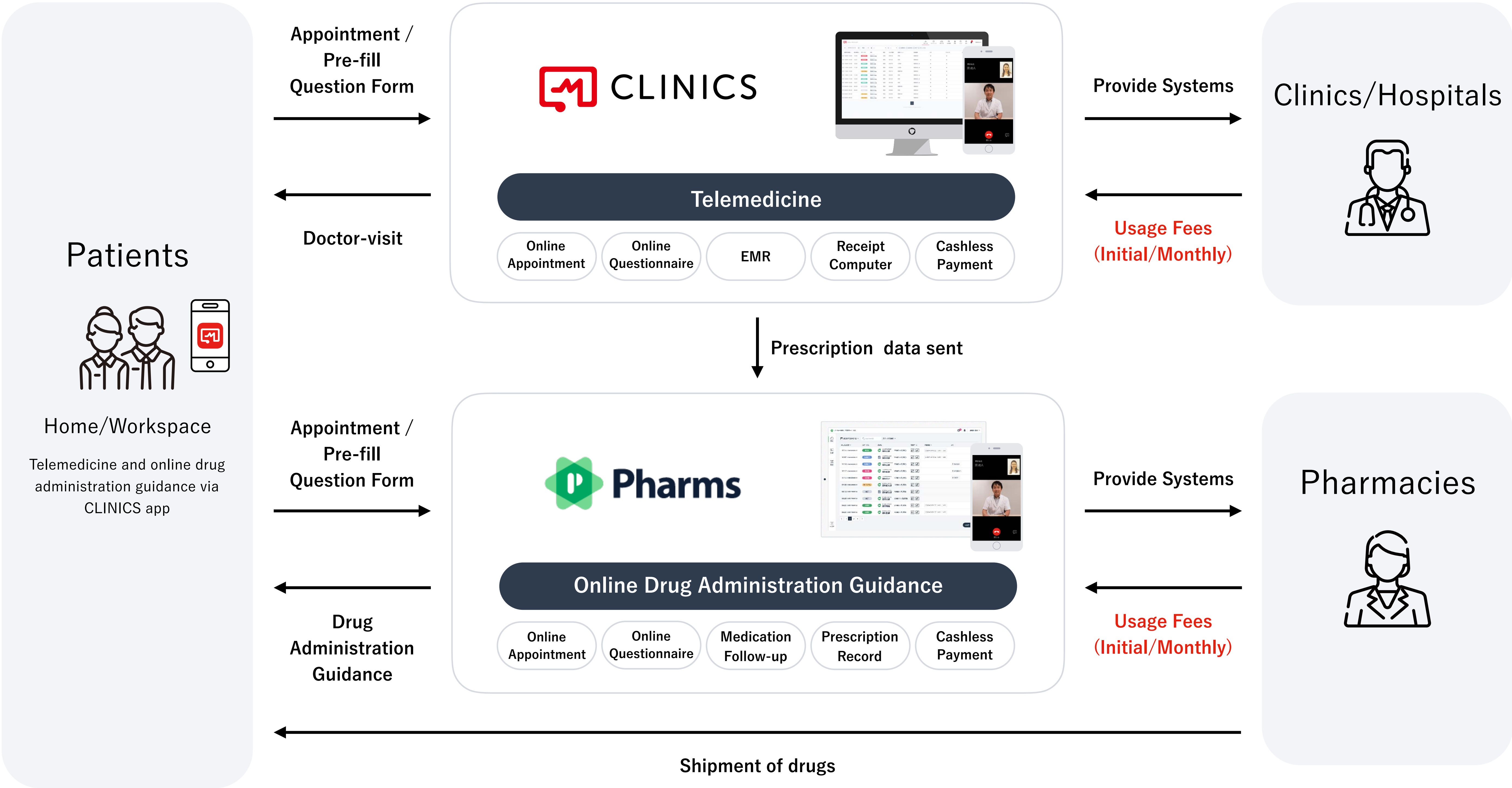
**Sales by Customer Acquisition Year<sup>(1)</sup>**



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



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.

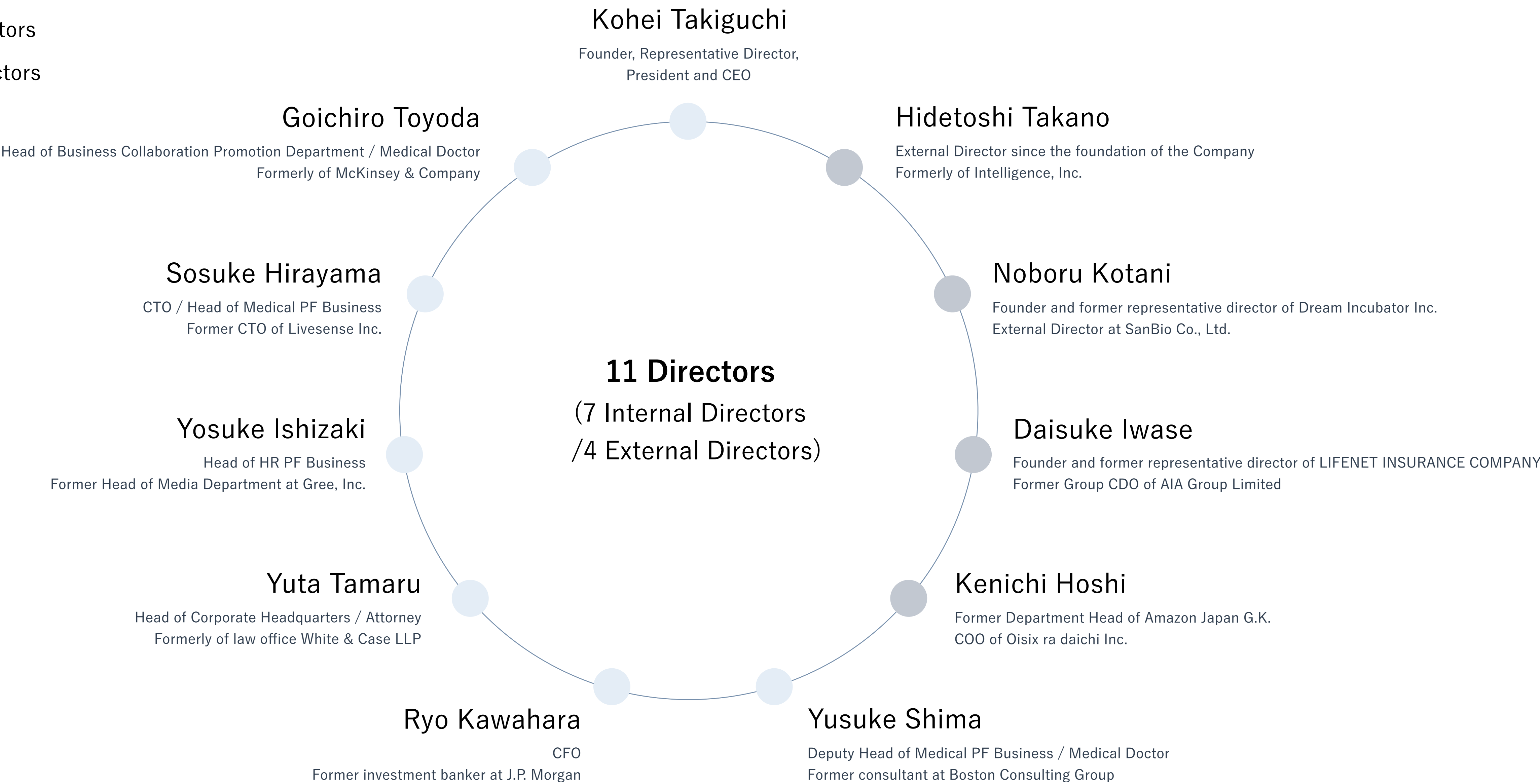




Medley’s Board of Directors consists of 11 directors, including 4 external directors. In addition to founder and CEO Kohei Takiguchi, internal directors include medical, IT, legal, and financial professionals and external directors include people with extensive management experience.

Board of Directors<sup>(1)</sup>

- Internal Directors
- External Directors

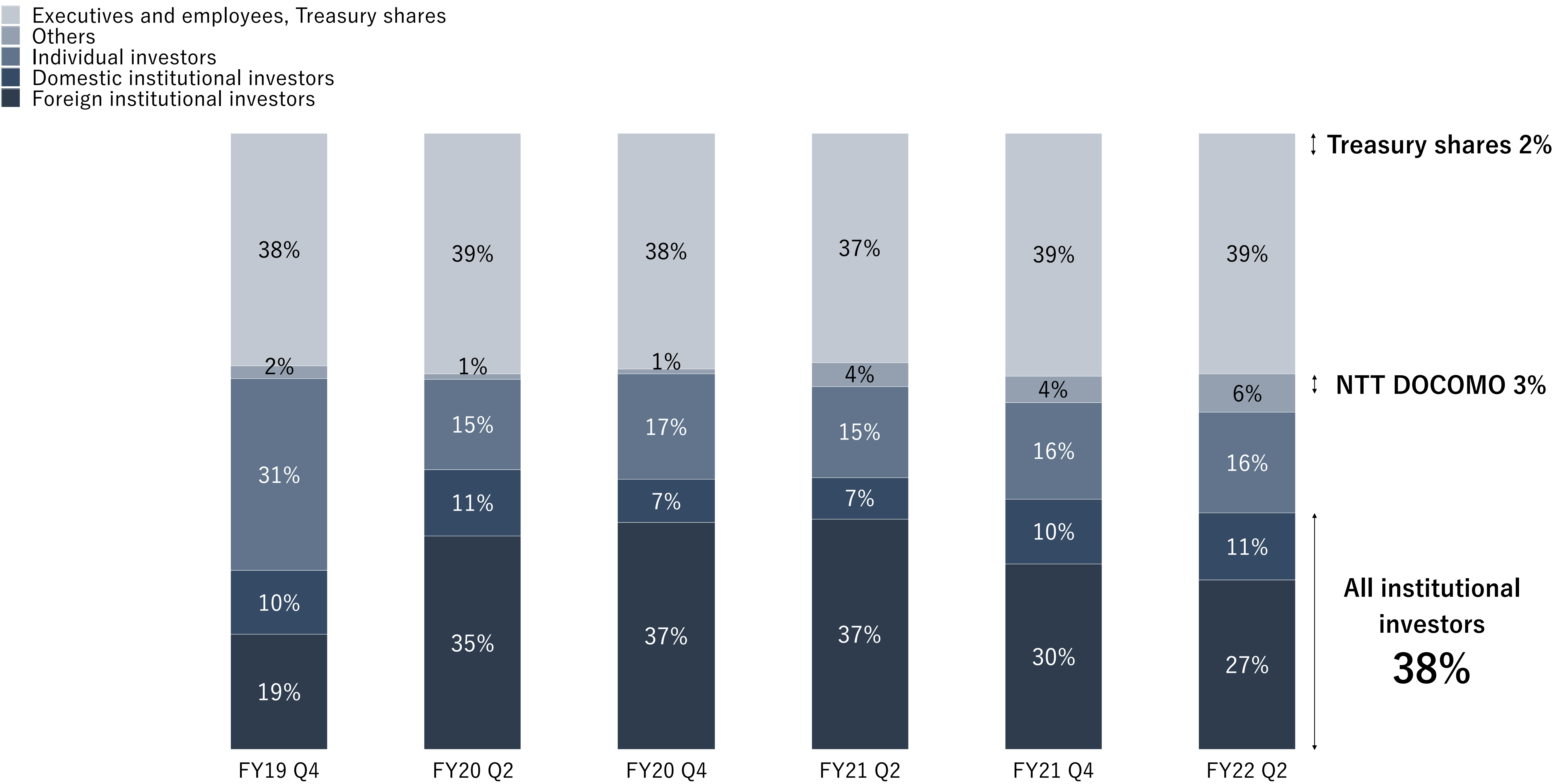


(1) As of end of December 2021

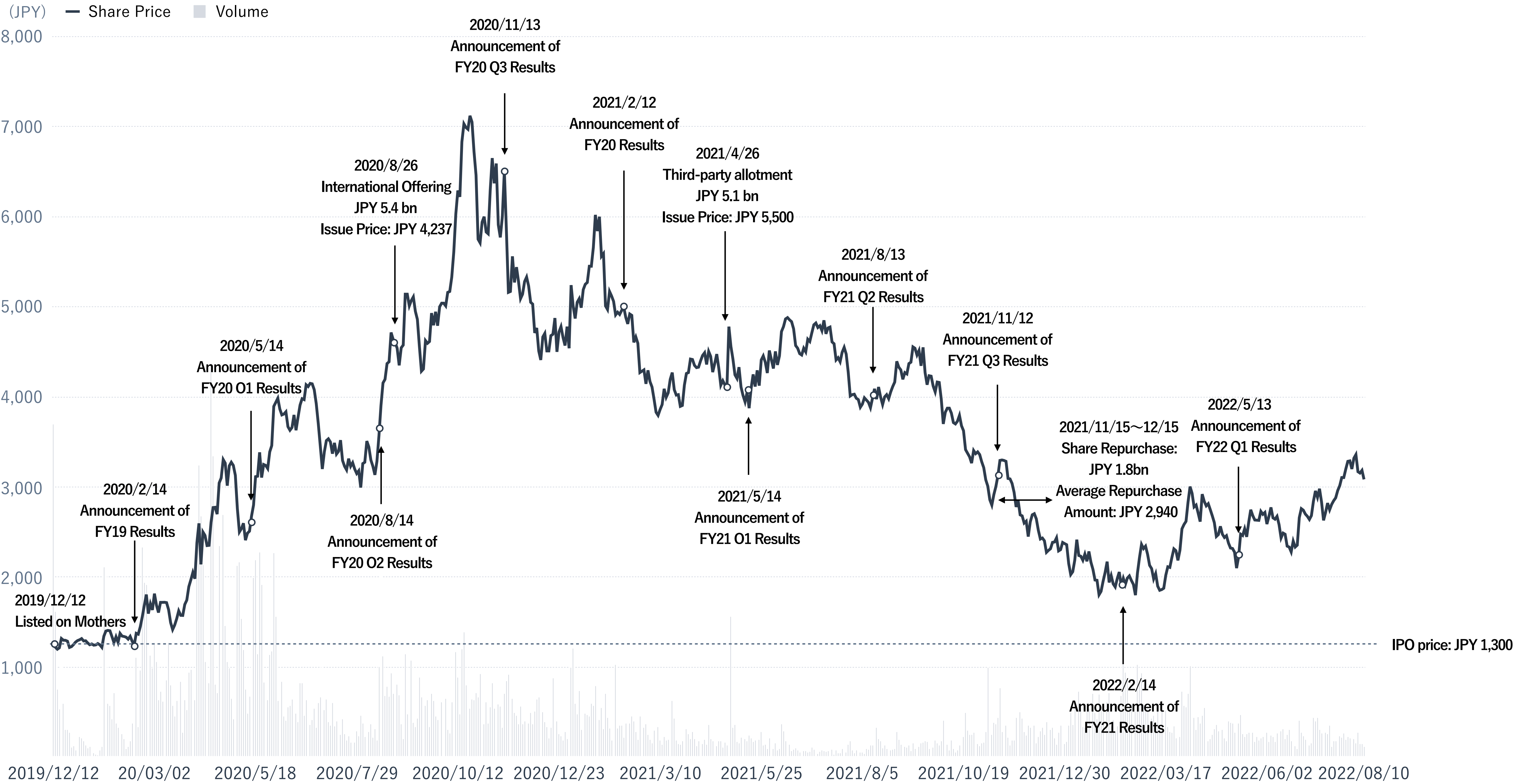
# Change in Ratio of Ownership



The ratio of institutional investors, mainly overseas institutional investors, accounts for 38% as of end-June 2022. We will continue to endeavor to provide robust disclosure that helps both institutional and individual long-term investors make investment decisions.



# Historical Share Price



# Adopted New Revenue Recognition Standard



We have started to adopt the new revenue recognition standard in FY2022. These changes are expected to have a limited impact on FY2022 earnings and we make no changes to our FY2022 earnings forecast or our medium-term targets. In order to facilitate comparisons, figures for FY2021 and earlier in this presentation are based on the new revenue recognition standard.

Red box: Major new changes

## Changes in Accounting Methods

	HR PF <sup>(1)</sup>	Medical PF <sup>(2)</sup>
Sales	Sales, CoGS: Refund-related costs are deducted from sales and sales CoGS	Reporting method for initial costs changed from one-time expense to pro-rata period-weighted method
CoGS		No Change
Gross Profit	No Change	Change in sales and commensurate change in value
EBITDA		
Operating Profit		
Ordinary Profit		
Profit Attributable to Owners of Parent		

(1) Includes the Recruitment System Segment in HR PF Business and the New Services Segment.  
(2) Includes the SaaS Segment of Medical PF Business and the Online Training Segment of HR PF Business.

Red box: Major new changes

## (Ref.) Changes in FY2021 Results

(JPY mm)	Old Standard	New Revenue Recognition Standard	Changes
Sales	10,863	10,442	-420
HR PF	7,878	7,326	-552
Medical PF	2,676	2,815	+138
New Services	308	301	-6

(JPY mm)	Old Standard	New Revenue Recognition Standard	Changes
EBITDA	1,218	1,338	+120
HR PF	3,413	3,394	-18
Medical PF	-276	-138	+138
New Services	-40	-40	-
Corporate Expenses	-1,876	-1,876	-



# Sales by Segment: Comparison of Old and New Standards



## Old Standard (JPY mm)

	FY19				FY20				FY21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	871	1,630	1,173	1,089	1,249	2,315	1,661	1,604	2,125	3,413	2,533	2,791
HR PF	736	1,494	956	923	1,084	1,925	1,368	1,271	1,491	2,651	1,823	1,911
Medical PF	108	108	186	133	134	368	263	305	605	671	615	784
New Services	26	27	29	33	30	21	29	27	27	90	94	96
EBITDA	-17	547	-35	-244	-177	699	125	-104	-73	1,110	-27	209
HR PF	270	903	398	283	323	1,178	606	396	480	1,601	542	788
Medical PF	-80	-117	-170	-145	-136	-115	-108	-97	-72	-80	-97	-26
New Services	-24	-25	-22	-15	-16	-24	-21	-18	-13	-17	-7	-2
Corporate Expenses	-182	-213	-242	-366	-348	-338	-350	-386	-467	-393	-465	-549

## New Revenue Recognition Standard (JPY mm)


	FY19				FY20				FY21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	817	1,517	1,028	997	1,138	1,992	1,493	1,462	2,033	3,303	2,441	2,664
HR PF	680	1,407	874	857	1,000	1,817	1,266	1,175	1,382	2,491	1,684	1,768
Medical PF	111	83	124	107	110	154	199	261	626	722	663	802
New Services	25	26	28	32	28	20	28	25	23	89	93	94
EBITDA	-14	522	-98	-269	-202	485	60	-148	-52	1,149	11	230
HR PF	270	903	398	283	323	1,178	606	396	480	1,588	533	791
Medical PF	-77	-142	-232	-171	-160	-329	-172	-141	-50	-29	-49	-8
New Services	-24	-25	-22	-15	-16	-24	-21	-18	-13	-17	-7	-2
Corporate Expenses	-182	-213	-242	-366	-348	-338	-350	-386	-467	-393	-465	-549

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

 For medical providers

- Streamlining operation through internet products
- Solving lack of workforce in medical and healthcare field

 For patients users

- Provision of medical information
- Supports in utilizing medical services

 For government & communities

- 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

- Ensuring information security
- Privacy protection of users

Promotion of diversity & inclusion

- Promotion of hiring and active participation of diverse human resources

Strengthening of governance

- Strengthening of corporate governance

For more information, access our corporate website.



Creating the Future of Medical and Healthcare