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## Consolidated Financial Results for the Nine Months Ended September 30, 2022 [Japanese GAAP]

November 11, 2022

Company name: MEDLEY, INC.

Stock exchange listing: Tokyo

Code number: 4480

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

Representative: Kohei Takiguchi

President and Chief Executive Officer

Contact: Ryo Kawahara

Chief Financial Officer

Phone: +813-6372-1265

Scheduled date of filing quarterly securities report: November 11, 2022

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

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

### 1. Consolidated Financial Results for the Nine Months Ended September 30, 2022 (January 01, 2022 to September 30, 2022)

#### (1) Consolidated Operating Results

(% indicates changes from the previous corresponding period)

|                    | Net sales   |      | EBITDA※     |      | Operating profit |      | Ordinary profit |      | Profit attributable to owners of parent |       |
|--------------------|-------------|------|-------------|------|------------------|------|-----------------|------|---|-------|
| Nine months ended  | Million yen | %    | Million yen | %    | Million yen      | %    | Million yen     | %    | Million yen                             | %     |
| September 30, 2022 | 10,476      | -    | 1,713       | -    | 1,246            | -    | 1,401           | -    | 957                                     | -     |
| September 30, 2021 | 8,072       | 54.5 | 1,009       | 55.8 | 670              | 23.9 | 671             | 21.6 | 442                                     | (4.2) |

(Note) Comprehensive income: Nine months ended September 30, 2022: ¥ 956 million [ -%]  
 Nine months ended September 30, 2021: ¥ 435 million [ (5.7)%]

|                    | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Nine months ended  | Yen                      | Yen                        |
| September 30, 2022 | 29.93                    | 29.34                      |
| September 30, 2021 | 14.02                    | 13.49                      |

- (Note) 1. EBITDA = Operating profit / loss + depreciation and amortization of goodwill + share-based compensation expenses  
 2. As of the end of consolidated FY2021, the Company finalized provisional accounting methods for business combinations and decisions regarding said provisional accounting methods are reflected in reporting for consolidated Q3 FY2021.  
 3. Starting in FY2022, the Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), and percentage increases/decreases are not provided above because figures for Q3 FY 2022 reflect the application of the relevant accounting standards, etc.

#### (2) Consolidated Financial Position

|                    | Total assets | Net assets  | Capital adequacy ratio |
|--------------------|--------------|-------------|------------------------|
| As of              | Million yen  | Million yen | %                      |
| September 30, 2022 | 21,340       | 14,791      | 68.9                   |
| December 31, 2021  | 20,208       | 14,049      | 69.1                   |

(Reference) Equity: As of September 30, 2022: ¥ 14,707 million

As of December 31, 2021: ¥ 13,968 million

Starting in FY2022, the Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), and figures for Q3 FY2022 reflect the application of the relevant accounting standards, etc.

## 2. Dividends

|  | Annual dividends   |                    |                    |          |       |
|--|--------------------|--------------------|--------------------|----------|-------|
|  | 1st<br>quarter-end | 2nd<br>quarter-end | 3rd<br>quarter-end | Year-end | Total |
|  | Yen                | Yen                | Yen                | Yen      | Yen   |
| Fiscal year ended December 31, 2021                | -                  | 0.00               | -                  | 0.00     | 0.00  |
| Fiscal year ending December 31, 2022               | -                  | 0.00               | -                  |          |       |
| Fiscal year ending December 31, 2022<br>(Forecast) |                    |                    |                    | 0.00     | 0.00  |

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

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 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 | 14,100      | - | 1,790       | - | 1,180            | - | 1,350           | - | 900                                     | - | 28.25                    |

(Note) Revision to the financial results forecast announced most recently: Yes

Starting in FY2022, the Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) and percentage increases/decreases are not provided above because figures in the above consolidated forecasts reflect the application of the relevant accounting standards, etc.

### \* Notes:

#### (1) Changes in significant subsidiaries during the nine months ended September 30, 2022

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

New 1 (Company name: Tenxia Co., Ltd. )

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

(Note) For details, please refer to 2. Quarterly Consolidated Financial Statements and Important Notes (3) Important notes regarding quarterly consolidated financial statements (Application of special accounting methods in preparation for quarterly consolidated financial statements) on page 11 of the attached documents.

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

1) Changes in accounting policies due to the revision of accounting standards: Yes

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

September 30, 2022: 32,659,300 shares

December 31, 2021: 32,462,500 shares

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

September 30, 2022: 603,622 shares

December 31, 2021: 603,100 shares

3) Average number of shares during the period:

Nine months ended September 30, 2022: 31,966,747 shares

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

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

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

(Cautionary statement regarding forward-looking statements)

This preliminary earnings report contains forward-looking statements such as earnings forecasts which are based on information currently available to the Group and certain assumptions deemed to be reasonable. The Group makes no guarantee regarding the accuracy of the forecasts contained herein. Because of variable factors, actual results may differ from the forecast figures. For information regarding assumptions upon which the Group's results forecasts are based and notes regarding the use of results forecasts, please refer to (3) Explanation regarding consolidated forecasts and forward-looking statements under 1. Qualitative information regarding quarterly results" on page 6.

(Regarding changes to monetary units)

Amounts of line items and other items presented in the Company's quarterly consolidated financial statements have previously been presented in units of ¥1,000. However, starting with the consolidated Q1 FY2022 and consolidated aggregate Q1 FY2022 consolidated financial statements, the Company presents figures in units of ¥1,000,000. For ease of comparison, figures for the previous consolidated fiscal year and Q3 FY2021 are also presented in units of ¥1,000,000.

## 1. Qualitative information regarding quarterly results

Starting in consolidated Q1 FY2022, the Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). As a result, accounting methods for revenue differ from those used in Q3 FY2021. Therefore, YoY percentage increases/decreases are not provided for operating results below.

For details regarding the impact of the adoption of these accounting standards on the Company's operational results and financial position, please refer to (Adoption of Accounting Standard for Revenue Recognition) under 2. Quarterly Consolidated Financial Statements and Important Notes (3) Important notes regarding quarterly consolidated financial statements (Changes to accounting policies) and 3. Matters related to changes in reportable segments, etc. under 2. Quarterly Consolidated Financial Statements and Important Notes (3) Important notes regarding quarterly consolidated financial statements (Segment information, etc.).

### (1) Explanation regarding operating results

During the third quarter of the consolidated fiscal year ending December 31, 2022 (consolidated Q3 FY2022), the Japanese medical and nursing industry continued to face human resource shortages and issues related to national budget shortage, and the ratio of job offers to applicants therefore trended at a level higher than the average for all industries. In addition, while COVID-19 infection cases had been on a downtrend following growth in infections in January 2022, case numbers began rising again in July 2022. The impact on the Company's results from the spread of COVID-19 is on a downtrend and is currently at a minimal level.

Amid this business environment, in consolidated Q3 FY2022, sales in the HR PF Business increased due to a steady increase in the number of customer offices and in our pool of registered workers for recruitment system JobMedley and the number of customer offices for online training system JobMedley Academy also grew.

Although sales in the HR PF Business saw an impact from the administration of vaccinations by medical institutions in consolidated FY2021 as vaccinations resulted in delays in hiring processes, the impact was limited in consolidated Q3 FY2022. We also achieved sales growth in the Medical PF Business as installation of our products at customers' facilities went smoothly, resulting in growth in the number of medical institution users. While the Group achieved sales growth, it also implemented measures aimed at expanding the scale of its business operations in the HR PF Business including marketing activities and investment in our online training product. The Group also made proactive investments in medium-to-long term growth in the Medical PF Business, such as continuing to increase the number of employees.

As a result of the above, in consolidated Q3 FY2022, the Group posted net sales of ¥10,476 million (compared with ¥8,072 million in Q3 FY2021), EBITDA of ¥1,713 million (EBITDA of ¥1,009 million in Q3 FY2021), an operating profit of ¥1,246 million (profit of ¥670 million in Q3 FY2021), an ordinary profit of ¥1,401 million (profit of ¥671 million in Q3 FY2021), and a net profit attributable to owners of the parent company of ¥957 million (profit of ¥442 million in Q3 FY2021).

The HR PF Business posts sales based on the hiring dates of persons using the Group's services to find employment at companies seeking employees. The 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 Group's net sales therefore tends to be concentrated in Q2 (April-June) of its consolidated fiscal year (ending on December 31).

Earnings by business segment are as follows.

Intersegment eliminations and unallocated group-wide shared costs totaled ¥1,729 million (¥1,375 million in Q3 FY2021).

#### 1. HR PF Business

During consolidated Q3 FY2022, in contrast with the previous consolidated fiscal year, recruitment system JobMedley saw little impact from delays in hiring processes associated with the administration of COVID-19 vaccines. In addition, 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 in the HR PF Business as a whole therefore grew 11.0% compared with the end of consolidated FY2021, to over 283 thousand, and the number of job offers listed rose by 13.7% over the

same period, to over 287 thousand.

As a result of the above, consolidated Q3 FY2022 segment net sales were ¥7,686 million (¥5,967 million in Q3 FY2021), and segment profit before allocation of group-wide shared costs (operating profit) was ¥3,430 million (¥2,463 million in Q3 FY2021).

## 2. Medical PF Business

During consolidated Q3 FY2022, the number of medical institution users served by the Medical PF Business increased compared with the previous consolidated fiscal year, rising 30.6% compared with the end of consolidated FY2021 to 13,861 users. The main reason for this is that existing customers increased the number of offices that use our Pharms, cloud-based pharmacy support system, because we increased its usefulness by adding functions.

As a result of the above, consolidated Q3 FY2022 segment net sales were ¥2,547 million (¥1,892 million in Q3 FY2021) and segment loss before allocation of group-wide shared costs (operating loss) was ¥410 million (¥378 million loss in Q3 FY2021).

Factors behind the posting of the operating loss in the segment included investments in growth over the medium-to-long term such as increasing the number of employees, and continued development of products.

## 3. New Services Segment

During consolidated Q3 FY2022, the Kaigo-no Honne nursing facility search website business continued to be impacted by postponement of facilities tours and limitations on accepting new patients and residents resulting from the spread of COVID-19. However, the Company continued to proactively conduct operations to expand content and increase the number of facilities that can be introduced using the Kaigo-no Honne service.

As a result, consolidated Q3 FY2022 segment net sales were ¥244 million (¥212 million in Q3 FY2021) and segment loss before allocation of group-wide shared costs (operating loss) was ¥44 million (¥38 million loss in Q3 FY2021).

Factors behind the posting of the operating loss in the segment included continued investment in growth aimed at expanding the variety of the contents on the Kaigo-no Honne website.

## (2) Outline of financial position

### Assets

Current assets as of end-consolidated Q3 FY2022 totaled ¥15,920 million, an increase of ¥379 million, compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥456 million in accounts receivable (trade) and ¥115 million in merchandise and finished goods and decreases of ¥144 million in cash and deposits and ¥17 million in prepaid expenses. Non-current assets as of end-consolidated Q3 FY2022 totaled ¥5,378 million, an increase of ¥778 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥432 million in investments and other assets, ¥220 million in intangible fixed assets, and ¥125 million in Property, plant and equipment.

As a result of the above, total assets as of end-consolidated Q3 FY2022 totaled ¥21,340 million, an increase of ¥1,132 million compared with the end of the previous consolidated fiscal year.

### Liabilities

Current liabilities as of end-consolidated Q3 FY2022 totaled ¥4,141 million, an increase of ¥799 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to increases of ¥847 million in contract liabilities, ¥257 million in accounts payable (other), ¥161 million in accrued expenses, ¥150 million in accounts payable (trade), ¥75 million in deposits received, and ¥26 million in refund liabilities and decreases of ¥539 million in advances received, ¥109 million in the current portion of long-term borrowings, ¥109 million in income taxes payable, ¥46 million in accrued consumption taxes, and ¥15 million in provision for refund of sales. Non-current liabilities as of end-consolidated Q3 FY2022 totaled ¥2,407 million, a decrease of ¥409 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to decreases of ¥338 million in long-term borrowings and ¥96 million in deferred tax liabilities.

As a result of the above, total liabilities as of end-consolidated Q3 FY2022 totaled ¥6,548 million, an increase of ¥390 million compared with the end of the previous consolidated fiscal year.

In connection with the adoption of new accounting standards related to new revenue recognition, items reported as advances received and provision for refund of sales under current liabilities on consolidated balance sheets in previous fiscal years are now reported as contract liabilities and refund liabilities, respectively.

#### Net assets

Net assets as of end-consolidated Q3 FY2022 totaled ¥14,791 million, an increase of ¥742 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to increases of ¥41 million each in share capital and capital surplus due to the exercising of stock acquisition rights and an increase of ¥957 million in retained earnings due to the posting of quarterly net profit attributable to owners of the parent company and a decrease of ¥301 million in retained earnings due to adjustments to the balance at the beginning of the period owing to the adoption of new accounting standards related to revenue recognition.

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

The Group has revised its forecast for consolidated FY2022 and its forecast now differs from the forecast included in Consolidated Financial Results for the Year Ended December 31, 2021 [Japanese GAAP] released on February 14, 2022. For details regarding these changes, please refer to Notice Regarding Revision to Consolidated Financial Results Forecast for the Fiscal Year Ending December 2022, released on November 11, 2022.

## 2. Quarterly Consolidated Financial Statements and Important Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

|                                 | As of December 31,2021 | As of September 30,2022 |
|---------------------------------|------------------------|-------------------------|
| <b>Assets</b>                   |                        |                         |
| Current assets                  |                        |                         |
| Cash and deposits               | 14,294                 | 14,149                  |
| Accounts receivable - trade     | 848                    | 1,305                   |
| Merchandise and finished goods  | 39                     | 154                     |
| Work in process                 | 3                      | 8                       |
| Prepaid expenses                | 168                    | 151                     |
| Other                           | 206                    | 179                     |
| Allowance for doubtful accounts | (19)                   | (28)                    |
| Total current assets            | 15,541                 | 15,920                  |
| Non-current assets              |                        |                         |
| Property, plant and equipment   | 166                    | 292                     |
| Intangible assets               |                        |                         |
| Goodwill                        | 819                    | 1,081                   |
| Customer relationship           | 1,456                  | 1,373                   |
| Other                           | 308                    | 349                     |
| Total intangible assets         | 2,584                  | 2,804                   |
| Investments and other assets    | 1,849                  | 2,281                   |
| Total non-current assets        | 4,600                  | 5,378                   |
| Deferred assets                 | 66                     | 41                      |
| Total assets                    | 20,208                 | 21,340                  |

|  | As of December 31,2021 | As of September 30,2022 |
|--|------------------------|-------------------------|
| <b>Liabilities</b>                       |                        |                         |
| Current liabilities                      |                        |                         |
| Accounts payable - trade                 | 109                    | 260                     |
| Current portion of long-term borrowings  | 934                    | 824                     |
| Accounts payable - other                 | 804                    | 1,061                   |
| Accrued expenses                         | 92                     | 254                     |
| Advances received                        | 539                    | -                       |
| Contract liabilities                     | -                      | 847                     |
| Deposits received                        | 169                    | 244                     |
| Income taxes payable                     | 376                    | 266                     |
| Accrued consumption taxes                | 198                    | 152                     |
| Provision for refund of sales            | 15                     | -                       |
| Refund liabilities                       | -                      | 26                      |
| Provision for continuous service bonuses | 24                     | 33                      |
| Other                                    | 77                     | 168                     |
| Total current liabilities                | 3,341                  | 4,141                   |
| Non-current liabilities                  |                        |                         |
| Long-term borrowings                     | 2,172                  | 1,833                   |
| Deferred tax liabilities                 | 518                    | 421                     |
| Other                                    | 126                    | 151                     |
| Total non-current liabilities            | 2,817                  | 2,407                   |
| Total liabilities                        | 6,158                  | 6,548                   |
| <b>Net assets</b>                        |                        |                         |
| Shareholders' equity                     |                        |                         |
| Share capital                            | 6,695                  | 29                      |
| Capital surplus                          | 8,517                  | 15,265                  |
| Retained earnings                        | 520                    | 1,176                   |
| Treasury shares                          | (1,763)                | (1,764)                 |
| Total shareholders' equity               | 13,968                 | 14,707                  |
| Share acquisition rights                 | 0                      | 0                       |
| Non-controlling interests                | 80                     | 83                      |
| Total net assets                         | 14,049                 | 14,791                  |
| <b>Total liabilities and net assets</b>  | <b>20,208</b>          | <b>21,340</b>           |



## (2) Quarterly Consolidated Statements of Income and Comprehensive Income

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

(Million yen)

|  | For the nine months<br>ended September 30,2021 | For the nine months<br>ended September 30,2022 |
|--|--|--|
| Net sales  | 8,072  | 10,476   |
| Cost of sales  | 2,811  | 3,151  |
| Gross profit   | 5,260  | 7,325  |
| Selling, general and administrative expenses             | 4,589  | 6,079  |
| Operating profit   | 670  | 1,246  |
| Non-operating income                                     |  |  |
| Interest income  | 0  | 0  |
| Settlement received                                      | 17   | 206  |
| Subsidy income   | 13   | 9  |
| Other  | 14   | 7  |
| Total non-operating income                               | 46   | 224  |
| Non-operating expenses                                   |  |  |
| Interest expenses  | 14   | 9  |
| Amortization of share issuance costs                     | 19   | 25   |
| Outsourcing expenses                                     | -  | 29   |
| Loss on extinguishment share-based compensation expenses | 11   | -  |
| Other  | 0  | 4  |
| Total non-operating expenses                             | 45   | 68   |
| Ordinary profit  | 671  | 1,401  |
| Extraordinary income                                     |  |  |
| Gain on sale of non-current assets                       | -  | 0  |
| Gain on sale of businesses                               | 22   | -  |
| Total extraordinary income                               | 22   | 0  |
| Extraordinary losses                                     |  |  |
| Loss on sale of non-current assets                       | -  | 1  |
| Loss on abandonment of non-current assets                | 0  | 0  |
| Total extraordinary losses                               | 0  | 2  |
| Profit before income taxes                               | 693  | 1,399  |
| Income taxes   | 258  | 442  |
| Profit   | 435  | 956  |
| Loss attributable to non-controlling interests           | (7)  | (0)  |
| Profit attributable to owners of parent                  | 442  | 957  |

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

(Million yen)

|   | For the nine months<br>ended September 30,2021 | For the nine months<br>ended September 30,2022 |
|---|--|--|
| Profit  | 435  | 956  |
| Other comprehensive income  |  |  |
| Total other comprehensive income                                  | -  | -  |
| Comprehensive income  | 435  | 956  |
| Comprehensive income attributable to                              |  |  |
| Comprehensive income attributable to owners of<br>parent          | 442  | 957  |
| Comprehensive income attributable to non-controlling<br>interests | (7)  | (0)  |

### (3) Important notes regarding quarterly consolidated financial statements

(Notes related to going concern assumptions)

Not applicable

(Notes in the event of significant changes in the amount of shareholders' equity)

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

Significant change in shareholders' equity

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

Consolidated financial results for consolidated Q3 FY2022 (January 01, 2022, to September 30, 2022)

Significant change in shareholders' equity

In consolidated Q3 FY2022, in accordance with the resolution of the Ordinary General Meeting of Shareholders held on March 25, 2022, the Company conducted a capital reduction that took effect on June 1, 2022, resulting in a ¥6,706 million decrease in share capital and a ¥6,706 million increase in capital surplus. As a result of these, as of end-consolidated Q3 FY2022, share capital was ¥29 million and capital surplus was ¥15,265 million.

(Application of special accounting methods in preparation for quarterly consolidated financial statements)

Tax expenses are calculated by multiplying quarterly net income before income taxes by an effective tax rate reasonably estimated after applying tax effect accounting on net income for the consolidated fiscal year including Q3 FY2022.

(Changes to accounting policies)

(Adoption of Accounting Standard for Revenue Recognition)

Starting in consolidated Q1 FY2022, the Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). As a result of this, when control of promised goods or services is transferred to a customer, revenue is recognized at the amount expected to be received in exchange for said goods or services. Main changes resulting from this are as follows.

Previously, for some transactions conducted in the Medical PF Business initial cost sales were recognized as revenue upon commencement of services to customers. However, these are now recognized as revenue throughout the period of service provision. In the HR PF Business, some early retirement refunds were posted under cost of goods sold, but they are now deducted from net sales.

The application of the Revenue Recognition Accounting Standard follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in the case of retroactively applying the new accounting policy to the period before the beginning of consolidated Q1 FY2022 are adjusted in retained earnings at the beginning of consolidated Q1 FY2022, and the new accounting policy is applied from this initial balance. As a result, consolidated Q3 FY2022 net sales declined by ¥542 million, cost of sales declined by ¥563 million, and income taxes increased by ¥12 million, resulting in increases in operating profit, ordinary profit, and profit before income taxes of ¥20 million each and an increase in profit attributable to owners of parent of ¥7 million. In addition, retained earnings at the beginning of FY2022 declined by ¥301 million. In connection with the adoption of new accounting standards related to new revenue recognition, items reported as advances received and provision for refund of sales under current liabilities on consolidated balance sheets in previous fiscal years are now reported as contract liabilities and refund liabilities, respectively. The Company has also complied with the transitional treatment set forth in Article 89-2 of the Accounting Standard for Revenue Recognition, meaning that it is not presenting data from consolidated FY2021 modified to conform to the revised standard. The Company has additionally complied with the transitional treatment set forth in Article 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12; March 21, 2020), meaning that it is not presenting a breakdown of revenue derived from contracts with customers as regards consolidated

FY2021.

(Application of accounting standards for market value calculation)

"Accounting Standard for Market Value Calculation" (ASBJ Statement No. 30, July 4, 2019), etc., was applied from the beginning of consolidated FY2022. Also, following Paragraph 19 of the Accounting Standard for Market Value Calculation and the transitional treatment stipulated in Paragraph 44-2 of "Accounting Standard for Financial Instruments" (Corporate Accounting Standard No. 10, July 4, 2019), the new accounting policy stipulated by the market value accounting standards, etc. was applied from the beginning of consolidated FY2022. There is no impact on the consolidated financial statements of consolidated Q3 FY2022.

(Segment information, etc.)

(Segment information)

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

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

|                                   | Reportable segment |                     |              |       | (Million yen)     |  |
|-----------------------------------|--------------------|---------------------|--------------|-------|-------------------|--|
|                                   | HR PF Business     | Medical PF Business | New Services | Total | Adjustment (Note) | Amount in the consolidated financial statement |
| Net sales                         |                    |                     |              |       |                   |  |
| Sales to external customers       | 5,967              | 1,892               | 212          | 8,072 | —                 | 8,072  |
| Inter-segment sales and transfers | 0                  | —                   | —            | 0     | (0)               | —  |
| Total                             | 5,967              | 1,892               | 212          | 8,072 | (0)               | 8,072  |
| Segment profit (loss)             | 2,463              | (378)               | (38)         | 2,046 | (1,375)           | 670  |

Notes: 1. Segment profit (loss) adjustments of (¥1,375 million) include intersegment eliminations and corporate expenses not attributed to any reportable segments.

2. Segment profit (loss) is adjusted under operating profit on the Quarterly Consolidated Statements of Income.

3. Segment information for Q3 FY2021 reflects a significant revision to the initial allocation of acquisition costs due to the finalization of the provisional accounting methods for business combinations.

2. Information on impairment losses on non-current assets or amortization of goodwill by reportable segment

(Major impairment losses on non-current assets)

Not applicable

(Significant changes in goodwill values)

In consolidated Q1 FY2021, the Group acquired shares of Pacific Medical, Inc. and MEDiPASS Co., Ltd. and integrated them into the scope of consolidated accounting. As a result, goodwill in the Medical PF Business increased by ¥572 million and goodwill in the HR PF Business increased by ¥225 million. The amount of said goodwill reflects a significant revision to the initial allocation of acquisition costs due to finalization of provisional accounting methods for business combinations.

(Significant gains in negative goodwill)

Not applicable

Consolidated financial results for consolidated Q3 FY2022 (January 01, 2022, to September 30, 2022)

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

(Million yen)

|                                       | Reportable segment |                           |                 |        | Adjustment<br>(Note) | Amount in<br>the<br>consolidated<br>financial<br>statement |
|---------------------------------------|--------------------|---------------------------|-----------------|--------|----------------------|--|
|                                       | HR PF<br>Business  | Medical<br>PF<br>Business | New<br>Services | Total  |                      |  |
| Net sales                             |                    |                           |                 |        |                      |  |
| Revenue from contracts with customers | 7,684              | 2,547                     | 244             | 10,476 | —                    | 10,476   |
| Other revenue                         | —                  | —                         | —               | —      | —                    | —  |
| Sales to external customers           | 7,684              | 2,547                     | 244             | 10,476 | —                    | 10,476   |
| Inter-segment sales and transfers     | 1                  | —                         | —               | 1      | (1)                  | —  |
| Total                                 | 7,686              | 2,547                     | 244             | 10,478 | (1)                  | 10,476   |
| Segment profit (loss)                 | 3,430              | (410)                     | (44)            | 2,975  | (1,729)              | 1,246  |

Notes: 1. Segment profit (loss) adjustments of (¥1,729 million) include intersegment eliminations and corporate expenses unallocated to reportable segments.

2. Segment profit (loss) is adjusted under operating profit on the Quarterly Consolidated Statements of Income.

2. Information on impairment losses on non-current assets or amortization of goodwill by reportable segment

(Major impairment losses on non-current assets)

Not applicable

(Significant changes in goodwill values)

In consolidated Q3 FY2022, the Group acquired shares of At Home Inc. and Tenxia Co., Ltd. and integrated them into the scope of consolidated accounting.

As a result, goodwill in the HR PF Business increased by ¥199 million and goodwill in the Medical PF Business increased by ¥119 million.

(Significant gains in negative goodwill)

Not applicable

3. Matters related to changes in reportable segments, etc.

The Company has applied the Accounting Standard for Revenue Recognition from the beginning of FY2022 as described in Changes in Accounting Policies and has changed its accounting methods related to revenue recognition. The calculation method for profit (loss) by business segment has therefore been changed accordingly.

As a result of these changes, compared with under the previous accounting policy, in Q3 FY2022, in the HR PF Business, net sales declined by ¥581 million and segment profit declined by ¥25 million, in the Medical PF Business, net sales increased by ¥45 million and segment loss declined by ¥45 million, and in the New Services, net sales declined by ¥6 million and there was no impact on segment loss.

(Business combinations, etc.)

(Business combination via transaction)

(1) Summary of business combination

1) Name and description of business of acquired corporation

Name of acquired corporation : At Home Inc.

Description of business activities : Pharmacy and home medical care

2) Main purpose of business combination

The Medley Group proactively conducts proof-of-concept testing and business development using digital technologies aimed at creating sustainable regional healthcare. Starting in January 2022, Medley's consolidated subsidiary Pacific Medical, Inc. began providing MINET, a regional comprehensive healthcare solution that promotes collaboration and information sharing among a wide range of professions. Also, Medley's consolidated subsidiary MEDiPASS Co., Ltd. provides various support services helping to promote collaboration between regional medical institutions and nursing care facilities.

The recently acquired company, At Home Inc., provides pharmaceutical dispensing services to homebound patients and patients in elderly care facilities in collaboration with physicians, visiting nurses, and care managers. The two companies will combine their knowhow to improve the Group's products and thereby promote the use of digital technologies to create sustainable regional healthcare.

3) Business combination date

August 1, 2022

4) Legal form of business combination

Acquisition of shares in exchange for cash

5) Name of acquired company after acquisition

At Home Inc.

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 At Home Inc.

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

August 1, 2022 to September 30, 2022

(3) Acquisition cost and breakdown by type of considerations

Consideration paid in cash : 279 million yen

Acquisition cost : 279 million yen

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

Compensation for advisory services : 33 million yen

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

1) Goodwill recognized

119 million yen

2) Reason of recognized

Mainly recognized on the basis of the future earnings potential of At Home 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.

(Business combination via transaction)

(1) Summary of business combination

1) Name and description of business of acquired corporation

Name of acquired corporation : Tenxia Co., Ltd.

Description of business activities : Planning and development of SNS and HR-related services

2) Main purpose of business combination

Tenxia was established in July 2018 and operates “ShigoTalk”, a group of anonymous online communities that cater to specific occupations in the medical healthcare field. These currently include “KangoTalk” for nurses, “KaigoTalk” for nursing care professionals, “HoikuTalk” for childcare professionals, and “YakuzaiTalk” for pharmacists.

“ShigoTalk” provides an online space wherein medical and healthcare professionals of each occupation can discuss concerns ranging from work environment and other work-related matters to daily lives anonymously. It is currently accessible via browsers and mobile app and has a broad user base.

Currently, “JobMedley” is mainly used by medical and healthcare professionals when either considering changing jobs or actually changing jobs. However, with this acquisition, the Company will add “ShigoTalk”, where medical and healthcare professionals can feel free to discuss workplace and daily life concerns anonymously, to its product lineup. This enables “JobMedley” to have access to medical and healthcare professionals on a daily basis, thereby the Company will be able to provide a service that can support the “work” of a wider range of healthcare professionals. Going forward, the Company will continue to offer services which provide full support for reasonable medical welfare by delivering valuable services to more people by expanding “ShigoTalk”’s service area into other occupations, etc.

3) Business combination date

September 30, 2022

4) Legal form of business combination

Acquisition of shares in exchange for cash

5) Name of acquired company after acquisition

Tenxia 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 Tenxia Co., Ltd.

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

For consolidated Q3 FY2022, included in the scope of consolidated accounting on the balance sheet only and the acquired company's business results are not included in the scope of consolidated accounting.

(3) Acquisition cost and breakdown by type of considerations

Consideration paid in cash : 259 million yen

Acquisition cost : 259 million yen

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

Compensation for advisory services : 6 million yen

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

1) Goodwill recognized

199 million yen

2) Reason of recognized

Mainly recognized on the basis of the future earnings potential of Tenxia 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.

Significant revision to initial allocation of acquisition costs in comparative information

(Pacific Medical, Inc.)

In the business combination with Pacific Medical, Inc. conducted on January 4, 2021 (deemed acquisition date: January 1, 2021), provisional accounting procedures were applied in consolidated Q1 FY2021, but were finalized at the end of consolidated FY2021. With the finalization of the provisional accounting procedures, in the comparative information included in the quarterly financial statements for consolidated Q3 FY2022, a significant revision is reflected in the initial allocation of acquisition costs. As a result of the allocation of ¥426 million to customer relationship, ¥33 million to other intangible assets, ¥146 million to deferred tax liabilities, and ¥76 million to non-controlling interests, provisionally calculated goodwill of ¥686 million was decreased by ¥237 million to ¥448 million.

(MEDiPASS Co., Ltd.)

In the business combination with MEDiPASS Co., Ltd. conducted on February 26, 2021 (deemed acquisition date: March 31, 2021), provisional accounting procedures were applied in consolidated Q1 FY2021, but were finalized at the end of consolidated FY2021. With the finalization of the provisional accounting procedures, in the comparative information included in the quarterly financial statements for consolidated Q3 FY2022, a significant revision is reflected in the initial allocation of acquisition costs. As a result of the allocation of ¥1,120 million to customer relationship and ¥387 million to deferred tax liabilities, provisionally calculated goodwill of ¥1,080 million was decreased by ¥732 million to ¥348 million.

As a result of the above, in the quarterly financial statements for consolidated Q3 FY2022, mainly due to an increase of ¥61 million in depreciation of intangible fixed assets, and ¥9 million in loss attributable to non-controlling interests, and decreases of ¥89 million in amortization of goodwill, and ¥21 million in income taxes, SG&A expenses and general administrative expenses declined by ¥27 million. Also, operating profit, ordinary profit, and profit before income taxes increased by ¥27 million each, quarterly net profit increased by ¥49 million, and quarterly net profit attributable to owners of the parent company increased by ¥58 million.