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Consolidated Financial Results for the Year Ended December 31, 2022 [Japanese GAAP]

February 14, 2023

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 Annual General Meeting of Shareholders: March 29, 2023

Scheduled date of commencing dividend payments: -

Scheduled date of filing annual securities report: March 29, 2023

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (January 01, 2022 to December 31, 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	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2022	14,185	-	1,919	-	1,290	-	1,526	-	1,017	-
December 31, 2021	10,863	59.0	1,218	124.6	733	85.1	743	75.9	563	23.5

(Note) Comprehensive income: Fiscal year ended December 31, 2022: ¥ 1,313 million [-%]

Fiscal year ended December 31, 2021: ¥ 557 million [122.3%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2022	31.77	31.16	7.0	7.3	9.1
December 31, 2021	17.79	17.15	4.7	4.2	6.8

(Note) 1. EBITDA = Operating profit / loss + depreciation and amortization of goodwill + share-based compensation expenses

2. 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 FY2022 reflect the application of the relevant accounting standards, etc.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
December 31, 2022	21,810	15,170	69.1	469.79
December 31, 2021	20,208	14,049	69.1	438.43

(Reference) Equity: As of December 31, 2022: ¥ 15,081 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 FY2022 reflect the application of the relevant accounting standards, etc.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
As of	Million yen	Million yen	Million yen	Million yen
December 31, 2022	2,013	(751)	(927)	14,351
December 31, 2021	1,038	(3,294)	2,220	14,017

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 31, 2021	-	0.00	-	0.00	0.00	-	-	-
December 31, 2022	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending December 31, 2023 (Forecast)	-	0.00	-	0.00	0.00		-	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (January 01, 2023 to December 31, 2023)

(% 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	19,150	35.0	2,260	17.7	1,630	26.4	1,760	15.3	1,180	15.9	36.76

(Note) Forecast net profit per share is calculated by dividing forecast net profit attributable to owners of parent by the total number of shares of issued shares (excluding treasury shares) at the end of FY2022.

* Notes:

(1) Changes in significant subsidiaries during the period under review

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

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

(2) 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

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

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

December 31, 2022: 32,706,800 shares

December 31, 2021: 32,462,500 shares

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

December 31, 2022: 604,869 shares

December 31, 2021: 603,100 shares

3) Average number of shares during the period:

Fiscal Year ended December 31, 2022: 32,031,542 shares

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

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

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

(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 (4) Outlook under 1. Outline of Business Performance" on page 6.

(Regarding changes to monetary units)

Amounts of line items and other items presented in the Company's consolidated financial statements have previously been presented in units of ¥1,000. However, starting with the consolidated FY2022, the Company will present figures in units of ¥1,000,000. For ease of comparison, figures for the previous consolidated fiscal year is also presented in units of ¥1,000,000.

1. Outline of Business Performance

Starting in consolidated 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 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 3. Consolidated Financial Statements and Important Notes (5) Notes on consolidated financial statements (Changes to accounting policies) and 2. Method of calculating sales and profit (loss), identifiable assets and liabilities, and other items by reportable segment under 3. Consolidated Financial Statements and Important Notes (5) Notes on consolidated financial statements (Segment information, etc.).

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

During the consolidated fiscal year ended December 31, 2022 (consolidated 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 July 2022, case numbers began rising again in October 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 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 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 FY2022, the Group posted net sales of ¥14,185 million (compared with ¥10,863 million in FY2021), EBITDA of ¥1,919 million (EBITDA of ¥1,218 million in FY2021), an operating profit of ¥1,290 million (profit of ¥733 million in FY2021), an ordinary profit of ¥1,526 million (profit of ¥743 million in FY2021), and a net profit attributable to owners of the parent company of ¥1,017 million (profit of ¥563 million in 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 ¥2,374 million (¥1,956 million in FY2021).

1. HR PF Business

During consolidated 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 15.3% compared with the end of consolidated FY2021, to over 294 thousand, and the number of job offers listed rose by 22.1% over the

same period, to over 309 thousand.

As a result of the above, consolidated FY2022 segment net sales were ¥10,131 million (¥7,878 million in FY2021), and segment profit before allocation of group-wide shared costs (operating profit) was ¥4,275 million (¥3,188 million in FY2021).

2. Medical PF Business

During consolidated FY2022, the number of medical institution users served by the Medical PF Business increased compared with the previous consolidated fiscal year, rising 33.5% compared with the end of consolidated FY2021 to 14,165 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 FY2022 segment net sales were ¥3,729 million (¥2,676 million in FY2021) and segment loss before allocation of group-wide shared costs (operating loss) was ¥535 million (¥457 million loss in 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 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 FY2022 segment net sales were ¥326 million (¥308 million in FY2021) and segment loss before allocation of group-wide shared costs (operating loss) was ¥75 million (¥41 million loss in 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. We also established a base of operations in the USA and began conducting surveys and test marketing there.

(2) Outline of financial position

Assets

Current assets as of end-consolidated FY2022 totaled ¥16,198 million, an increase of ¥657 million, compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥417 million in accounts receivable (trade), ¥127 million in cash and deposits and ¥115 million in merchandise and finished goods. Non-current assets as of end-consolidated FY2022 totaled ¥5,578 million, an increase of ¥977 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥717 million in investments and other assets, ¥137 million in intangible fixed assets, and ¥122 million in Property, plant and equipment.

As a result of the above, total assets as of end-consolidated FY2022 totaled ¥21,810 million, an increase of ¥1,602 million compared with the end of the previous consolidated fiscal year.

Liabilities

Current liabilities as of end-consolidated FY2022 totaled ¥4,429 million, an increase of ¥1,087 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to increases of ¥862 million in contract liabilities, ¥382 million in accounts payable (other), ¥337 million in accrued expenses, ¥170 million in deposits received, and ¥162 million in accounts payable (trade), and decreases of ¥539 million in advances receive, ¥161 million in current portion of long-term borrowings, and ¥69 million in income taxes payable. Non-current liabilities as of end-consolidated FY2022 totaled ¥2,211 million, a decrease of ¥605 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to decreases of ¥568 million in long-term borrowings and ¥100 million in deferred tax liabilities.

As a result of the above, total liabilities as of end-consolidated FY2022 totaled ¥6,640 million, an increase of ¥481 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 on consolidated balance sheets in previous fiscal years is now reported as contract liabilities.

Net assets

Net assets as of end-consolidated FY2022 totaled ¥15,170 million, an increase of ¥1,120 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to increases of ¥52 million each in share capital and capital surplus due to the exercising of stock acquisition rights, an increase of ¥1,017 million in retained earnings due to the posting of net profit attributable to owners of the parent company, an increase of ¥292 million in valuation difference on available-for-sale securities, 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) Outline of cash flows for the consolidated fiscal year

Cash and cash equivalents (hereinafter, net cash) as of end-consolidated FY2022 totaled ¥14,351 million, an increase of ¥333 million compared with the end-FY2021. Cash flows during consolidated FY2022 were as follows.

Cash flows from operating activities

Net cash provided by operating activities during consolidated FY2022 was ¥2,013 million (compared with ¥1,038 million in FY2021). This increase was mainly attributable to ¥1,523 million in pretax net profit, adjusted for ¥386 million in depreciation and amortization costs, ¥303 million in settlement income, ¥181 million in amortization of goodwill, an increase of ¥242 million in accounts receivable (trade), an increase of ¥327 million in accounts payable - other, an increase of ¥333 million in accrued expenses, an increase of ¥166 million in deposits received, an increase of ¥862 million in contract liabilities, a decrease of ¥1,000 million in advances received, ¥496 million in taxes paid, and ¥227 million in settlement receive.

Cash flows from investing activities

Net cash used in investing activities during consolidated FY2022 was ¥751 million (compared with ¥3,294 million in FY2021). This was mainly attributable to ¥388 million from the acquisition of shares of subsidiary companies related to changes in the scope of consolidated accounting, ¥426 million in proceeds from refund of leasehold and guarantee deposits, ¥422 million in payments of leasehold and guarantee deposits, ¥334 million in purchase of investment securities, ¥383 million in proceeds from withdrawal of time deposits, ¥116 million in payments into time deposits, ¥232 million in purchase of intangible assets, and ¥146 million in purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used by financing activities during consolidated FY2022 was ¥927 million (compared with net cash provided ¥2,220 million in FY2021). This was mainly attributable to ¥1,024 million in repayment of long-term loans, and ¥104 million in proceeds from issuance of shares.

(4) Outlook

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

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

systems in the USA. In managing this initiative, we will maintain our focus on financial discipline.

The Company's consolidated financial results forecast for FY2023 is as shown below. The Company's forecast does not factor in any impact from the launch of new businesses not currently included in our business plan or M&A with low probabilities.

Financial results forecast for FY2023

Net sales	19,150 million yen
EBITDA	2,260 million yen
Operating profit	1,630 million yen
Ordinary profit	1,760 million yen
Profit attributable to owners of parent	1,180 million yen

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

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

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

2. Fundamental view regarding selection of accounting standards

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

3.Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of December 31,2021	As of December 31,2022
Assets		
Current assets		
Cash and deposits	14,294	14,422
Accounts receivable - trade	848	1,265
Merchandise and finished goods	39	154
Work in process	3	12
Prepaid expenses	168	148
Other	206	222
Allowance for doubtful accounts	(19)	(27)
Total current assets	15,541	16,198
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	85	167
Machinery, equipment and vehicles, net	8	16
Tools, furniture and fixtures, net	35	62
Land	37	37
Other, net	-	5
Total property, plant and equipment	166	289
Intangible assets		
Software	307	340
Goodwill	819	1,029
Customer-related assets	1,456	1,346
Other	0	5
Total intangible assets	2,584	2,722
Investments and other assets		
Investment securities	905	1,683
Deferred tax assets	256	187
Leasehold deposits	616	591
Other	70	104
Total investments and other assets	1,849	2,566
Total non-current assets	4,600	5,578
Deferred assets		
Share issuance costs	66	32
Other	0	0
Total deferred assets	66	33
Total assets	20,208	21,810

	As of December 31,2021	As of December 31,2022
Liabilities		
Current liabilities		
Accounts payable - trade	109	272
Current portion of long-term borrowings	934	772
Accounts payable - other	804	1,186
Accrued expenses	92	430
Advances received	539	-
Contract liabilities	-	862
Deposits received	169	340
Income taxes payable	376	307
Provision for other	58	51
Other	257	205
Total current liabilities	3,341	4,429
Non-current liabilities		
Long-term borrowings	2,172	1,604
Deferred tax liabilities	518	418
Other	126	189
Total non-current liabilities	2,817	2,211
Total liabilities	6,158	6,640
Net assets		
Shareholders' equity		
Share capital	6,695	40
Capital surplus	8,517	15,276
Retained earnings	520	1,236
Treasury shares	(1,763)	(1,764)
Total shareholders' equity	13,968	14,788
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-	292
Foreign currency translation adjustment	-	(0)
Total accumulated other comprehensive income	-	292
Share acquisition rights	0	0
Non-controlling interests	80	88
Total net assets	14,049	15,170
Total liabilities and net assets	20,208	21,810

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended December 31,2021	For the fiscal year ended December 31,2022
Net sales	10,863	14,185
Cost of sales	3,877	4,464
Gross profit	6,985	9,720
Selling, general and administrative expenses	6,252	8,430
Operating profit	733	1,290
Non-operating income		
Interest income	0	0
Settlement received	47	303
Subsidy income	15	14
Other	15	18
Total non-operating income	78	337
Non-operating expenses		
Interest expenses	18	11
Amortization of share issuance costs	27	33
Outsourcing expenses	-	49
Loss on extinguishment share-based compensation expenses	11	-
Commission for purchase of treasury shares	9	-
Other	0	5
Total non-operating expenses	68	100
Ordinary profit	743	1,526
Extraordinary income		
Gain on sale of non-current assets	0	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	1	1
Total extraordinary losses	1	2
Profit before income taxes	764	1,523
Income taxes - current	354	527
Income taxes - deferred	(147)	(25)
Total income taxes	206	502
Profit	557	1,021
Profit (loss) attributable to non-controlling interests	(5)	4
Profit attributable to owners of parent	563	1,017

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended December 31,2021	For the fiscal year ended December 31,2022
Profit	557	1,021
Other comprehensive income		
Valuation difference on available-for-sale securities	-	292
Foreign currency translation adjustment	-	(0)
Total other comprehensive income	-	292
Comprehensive income	557	1,313
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	563	1,309
Comprehensive income attributable to non-controlling interests	(5)	4

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended December 31, 2021

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	3,968	5,790	(43)	-	9,715	-	-	-	1	-	9,717
Cumulative effects of changes in accounting policies					-						-
Restated balance	3,968	5,790	(43)	-	9,715	-	-	-	1	-	9,717
Changes during period											
Issuance of new shares	2,726	2,726			5,453						5,453
Capital reduction											
Profit attributable to owners of parent			563		563						563
Purchase of treasury shares				(1,763)	(1,763)						(1,763)
Net changes in items other than shareholders' equity									(1)	80	79
Total changes during period	2,726	2,726	563	(1,763)	4,252	-	-	-	(1)	80	4,331
Balance at end of period	6,695	8,517	520	(1,763)	13,968	-	-	-	0	80	14,049

For the fiscal year ended December 31, 2022

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	6,695	8,517	520	(1,763)	13,968	-	-	-	0	80	14,049
Cumulative effects of changes in accounting policies			(301)		(301)						(301)
Restated balance	6,695	8,517	218	(1,763)	13,666	-	-	-	0	80	13,748
Changes during period											
Issuance of new shares	52	52			104						104
Capital reduction	(6,706)	6,706			-						-
Profit attributable to owners of parent			1,017		1,017						1,017
Purchase of treasury shares				(0)	(0)						(0)
Net changes in items other than shareholders' equity					-	292	(0)	292	-	7	299

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Total changes during period	(6,654)	6,759	1,017	(0)	1,122	292	(0)	292	-	7	1,422
Balance at end of period	40	15,276	1,236	(1,764)	14,788	292	(0)	292	0	88	15,170

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	764	1,523
Depreciation	308	386
Amortization of goodwill	128	181
Amortization of security deposit	32	23
Increase (decrease) in allowance for doubtful accounts	(11)	6
Interest and dividend income	(0)	(0)
Interest expenses	18	11
Amortization of share issuance costs	27	33
Commission for purchase of treasury shares	9	-
Loss on extinguishment share-based compensation expenses	11	-
Settlement income	(47)	(303)
Gain on sale of non-current assets	(0)	(0)
Loss on sale of non-current assets	-	1
Loss on abandonment of non-current assets	1	1
Gain on sale of businesses	(22)	-
Decrease (increase) in trade receivables	(202)	(242)
Decrease (increase) in inventories	13	(48)
Increase (decrease) in trade payables	34	17
Increase (decrease) in accounts payable - other	103	327
Increase (decrease) in accrued expenses	(8)	333
Increase (decrease) in advances received	90	(1,000)
Increase (decrease) in contract liabilities	-	862
Increase (decrease) in deposits received	4	166
Other, net	(74)	9
Subtotal	1,184	2,292
Interest and dividends received	0	0
Interest paid	(18)	(10)
Settlement received	32	227
Income taxes paid	(159)	(496)
Net cash provided by (used in) operating activities	1,038	2,013
Cash flows from investing activities		
Purchase of investment securities	(901)	(334)
Payments into time deposits	(267)	(116)
Proceeds from withdrawal of time deposits	261	383
Purchase of property, plant and equipment	(64)	(146)
Proceeds from sale of property, plant and equipment	0	36
Purchase of intangible assets	(178)	(232)
Proceeds from sale of businesses	24	-
Payments of leasehold and guarantee deposits	(273)	(422)
Proceeds from refund of leasehold and guarantee deposits	13	426
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,910)	(388)
Other, net	1	41
Net cash provided by (used in) investing activities	(3,294)	(751)

(Million yen)

	For the fiscal year ended December 31,2021	For the fiscal year ended December 31,2022
Cash flows from financing activities		
Repayments of short-term borrowings	(540)	-
Repayments of long-term borrowings	(864)	(1,024)
Proceeds from issuance of shares	5,398	104
Purchase of treasury shares	(1,773)	(0)
Other, net	-	(7)
Net cash provided by (used in) financing activities	2,220	(927)
Effect of exchange rate change on cash and cash equivalents	-	(0)
Net increase (decrease) in cash and cash equivalents	(34)	333
Cash and cash equivalents at beginning of period	14,052	14,017
Cash and cash equivalents at end of period	14,017	14,351

(5) Notes on consolidated financial statements

(Notes related to going concern assumptions)

Not applicable

(Changes to accounting policies)

(Adoption of Accounting Standard for Revenue Recognition)

Starting in consolidated 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 FY2022 are adjusted in retained earnings at the beginning of consolidated FY2022, and the new accounting policy is applied from this initial balance. As a result, consolidated FY2022 net sales declined by ¥731 million, cost of sales declined by ¥763 million, and income taxes increased by ¥12 million, resulting in increases in operating profit, ordinary profit, and profit before income taxes of ¥32 million each and an increase in profit attributable to owners of parent of ¥19 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 on consolidated balance sheets in previous fiscal years is now reported as contract liabilities. 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 89-3 of the Accounting Standard for Revenue Recognition, 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. As a result, in consolidated FY2022, investment securities increased by ¥446 million, valuation difference on available-for-sale securities increased by ¥292 million, and deferred tax asset declined by ¥154 million.

(Segment information, etc.)

(Segment information)

1. Overview of reportable segments

(1) Classification of reportable segments

The business segments the Company reports are the business units from which individual financial information can be obtained, and on which the Board of Directors can conduct periodic investigations to determine the appropriate distribution of operational resources and evaluate business performance.

The Company's consists of service-specific segments based on business divisions, and the Company's reportable segments are composed of the following three units: HR PF Business, Medical PF Business, and New Services Segment.

(2) Services provided by each reportable segment

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

medical support system, Pharms pharmacy window support system, MEDLEY medical information service, MALL electronic medical record system for hospitals, and Dentis cloud dental support system. The New Services Segment handles Kaigo-no Honne nursing facility search website aimed at people searching for nursing care facilities.

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

Accounting methods for reportable segments are basically the same as those used when creating financial statements. Profit by reportable segment is reported on an operating profit basis. 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 FY2022, in the HR PF Business, net sales declined by ¥770 million and segment profit declined by ¥19 million, in the Medical PF Business, net sales increased by ¥51 million and segment loss declined by ¥51 million, and in the New Services, net sales declined by ¥13 million and there was no impact on segment loss.

3. Information on net sales and operating profit (loss), identifiable assets and liabilities, other items by reportable segment, and revenue analysis information

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

	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	7,878	2,676	308	10,863	—	10,863
Inter-segment sales and transfers	0	—	—	0	(0)	—
Total	7,878	2,676	308	10,863	(0)	10,863
Segment profit (loss)	3,188	(457)	(41)	2,689	(1,956)	733
Segment assets	681	2,006	0	2,688	17,519	20,208
Other items						
Depreciation	175	100	0	276	31	308
Amortization of goodwill	49	79	—	128	—	128
Increase in property, plant and equipment and intangible assets	619	2,089	0	2,708	53	2,762

Notes: 1. Segment profit (loss) adjustments of (¥1,956 million) include intersegment eliminations and corporate expenses unallocated to reportable segments.

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

3. Adjustments of identifiable segment assets of ¥17,519 million mainly include company-wide assets unallocated to reportable segments.

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

Consolidated Fiscal Year 2022 (from January 1, 2022 to December 31, 2022)

	Reportable segment				(Million yen)	
	HR PF Business	Medical PF Business	New Services	Total	Adjustment (Note)	Amount in the consolidated financial statement

Net sales						
Revenue from contracts with customers	10,129	3,729	326	14,185	—	14,185
Other revenue	—	—	—	—	—	—
Sales to external customers	10,129	3,729	326	14,185	—	14,185
Inter-segment sales and transfers	2	—	—	2	(2)	—
Total	10,131	3,729	326	14,187	—	14,185
Segment profit (loss)	4,275	(535)	(75)	3,664	(2,374)	1,290
Segment assets	808	2,093	2	2,903	18,907	21,810
Other items						
Depreciation	198	139	0	338	48	386
Amortization of goodwill	71	110	—	181	—	181
Increase in property, plant and equipment and intangible assets	394	374	0	769	99	869

Notes: 1. Segment profit (loss) adjustments of (¥2,374 million) include intersegment eliminations and corporate expenses unallocated to reportable segments.

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

3. Adjustments of identifiable segment assets of ¥18,907 million mainly include company-wide assets unallocated to reportable segments.

4. In consolidated FY2022, At Home Inc. and Tenxia Co., Ltd. were brought into the scope of consolidated accounting. Adjustment of increase in property, plant and equipment and intangible assets includes goodwill arising from the acquisition of shares in both companies.

(Related information)

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

1. Information about each product or service

This information is omitted here because similar information is disclosed in Segment information.

2. Information for geographical regions

(1) Net sales

This information is omitted because sales to external customers in Japan account for over 90% of the net sales in the consolidated statements of income.

(2) Property, plant and equipment

Not applicable because there is no property, plant, and equipment located outside Japan.

3. Information about major customers

This information is omitted because no customer accounts for over 10% of the net sales in the consolidated statements of income.

Consolidated Fiscal Year 2022 (from January 1, 2022 to December 31, 2022)

1. Information about each product or service

This information is omitted here because similar information is disclosed in Segment information.

2. Information for geographical regions

(1) Net sales

This information is omitted because sales to external customers in Japan account for over 90% of the net sales in the consolidated statements of income.

(2) Property, plant and equipment

Not applicable because there is no property, plant, and equipment located outside Japan.

3. Information about major customers

This information is omitted because no customer accounts for over 10% of the net sales in the consolidated statements of income.

(Information on impairment losses on non-current assets by reportable segment)

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

Not applicable

Consolidated Fiscal Year 2022 (from January 1, 2022 to December 31, 2022)

Not applicable

(Information regarding the amount of amortization of goodwill and unamortized balance for each reporting segment)

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

(Million yen)

	Reportable segment				Other	Company-wide/ amortization	Total
	HR PF Business	Medical PF Business	New Services	Total			
Balance at end of period	232	586	—	819	—	—	819

Notes: Information on amount of amortization of goodwill is omitted here because similar information is disclosed in Segment information.

Consolidated Fiscal Year 2022 (from January 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segment				Other	Company-wide/ amortization	Total
	HR PF Business	Medical PF Business	New Services	Total			
Balance at end of period	360	668	—	1,029	—	—	1,029

Notes: Information on amount of amortization of goodwill is omitted here because similar information is disclosed in Segment information.

(Information regarding the amount of amortization of goodwill and unamortized balance for each reporting segment)

Not applicable

(Per share information)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Net assets per share	438.43 Yen	469.79 Yen
Net profit (loss) per share	17.79 Yen	31.77 Yen
Diluted net profit per share	17.15 Yen	31.16 Yen

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

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Net profit (loss) per share		
Net profit (loss) attributable to owners of parent (million yen)	563	1,017
Amount not attributable to common shareholders (million yen)	-	-
Net loss attributable to parent company shareholders of common stock (million yen)	563	1,017

Average number of common shares during fiscal year (share)	31,656,415	32,031,542
Diluted net profit per share		
Net profit adjustment attributable to owner of parent (million yen)	-	-
Amount of increase in common shares (share)	1,179,275	631,505
Descriptions of potentially non-dilutive common shares that were not included in the calculation of diluted net profit per share	-	-

(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. As part of these efforts, we recently acquired the home health care knowhow of At Home, Inc. gained in cooperation with doctors, visiting nurses, and care managers and we will accelerate the application of digital technology through a variety of initiatives including improvement of the Group's products.

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 consolidated financial statements

August 1, 2022 to December 31, 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 operates “ShigoTalk”, a group of anonymous online communities that cater to specific occupations in the medical healthcare field. “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.

Currently, “JobMedley” is mainly used by medical and healthcare professionals when either considering changing jobs or actually changing jobs.

Until recently, “JobMedley” has mainly been used by medical and healthcare professionals when either considering changing jobs or actually changing jobs. This business combination allows us to establish a service system that enables daily contact with medical healthcare professionals and supports the work of more people.

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 consolidated financial statements

October 1, 2022 to December 31, 2022

(3) Acquisition cost and breakdown by type of considerations

Consideration paid in cash: 259 million yen

Acquisition cash: 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 subsequent events)

(Business combination via transaction)

(1) Summary of business combination

At the meeting of the Board of Directors held on November 18, 2022, it was resolved that consolidated subsidiary Community Medical Inc. would enter an absorption-type demerger agreement effective February 1, 2023 to take over the pharmacy business of Bamboo Inc. Procedures related to the absorption-type demerger were completed on February 1, 2023.

1) Name and description of business of acquired corporation

Name of acquired corporation: Bamboo 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. As part of these efforts, we recently acquired the home health care knowhow of Bamboo Inc. gained in cooperation with doctors, visiting nurses, and care managers and we will accelerate the application of digital technology through a variety of initiatives including improvement of the Group's products.

3) Business combination date

February 1, 2023

4) Legal form of business combination

Absorption-type demerger with Community Medical Inc. as the successor company and Bamboo Inc. as the demerged company

5) Name of acquired company after acquisition

Community Medical Inc.

6) Primary basis for determination of acquiring company

Community Medical Inc. took over the business of Bamboo Inc. for cash consideration

(2) Acquisition cost and breakdown by type of considerations

Consideration paid in cash: 260 million yen

Acquisition cost: 260 million yen

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

Not determined at present time

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

Not determined at present time

(5) Breakdown of the amount of major assets accepted and liabilities assumed on the date of business combination

Not determined at present time