



Presentation Material for FY2022 Financial Results

Medley, Inc.

February 14, 2023

Disclaimer

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

FY2022 Q4 Results

- **Maintained high sales growth rate and achieved positive EBITDA**
 - Sales: JPY 3,708 million (YoY: +39%)
 - EBITDA: JPY 206 million (YoY: JPY -24 million)

FY2022 Full-year Results

- **Sales and EBITDA exceeded forecasts**
 - Sales: JPY 14,185 million (YoY: +36%)
 - EBITDA: JPY 1,919 million (YoY: +43%)

FY2023 Forecast

- **Planning investment targeting continued strong sales growth and expansion of the scale of our businesses**
 - Sales: JPY 19,150 million (YoY: +35%)
 - EBITDA: 2,260 million (EBITDA margin: 12%)
 - Plan to spend JPY 350 million on test marketing in the USA, JPY 50 million on development of EMR for acute care hospitals

Revising Mid-term Target

- **Brought forward timeline for achievement of our mid-term targets by one year**
 - Brought forward timing of reaching sales of JPY 23 billion from FY2025 to FY2024
 - Plan to announce new mid-term targets alongside our FY2023 results

1. FY2022 Q4 Results

2. FY2022 Results

3. Revision of Mid-Term Targets and FY2023 Forecast

4. Investment Highlights

Summary of Consolidated FY2022 Q4 Results

JPY mm	FY2021 Q4 ⁽¹⁾	FY2022 Q4	YoY Growth
Sales	2,664	3,708	+39%
Gross Profit	1,746	2,395	+37%
EBITDA	230	206	-24
Operating Profit	111	44	-67
Ordinary Profit	120	124	+4
Profit Attributable to Owners of Parent	199	60	-139

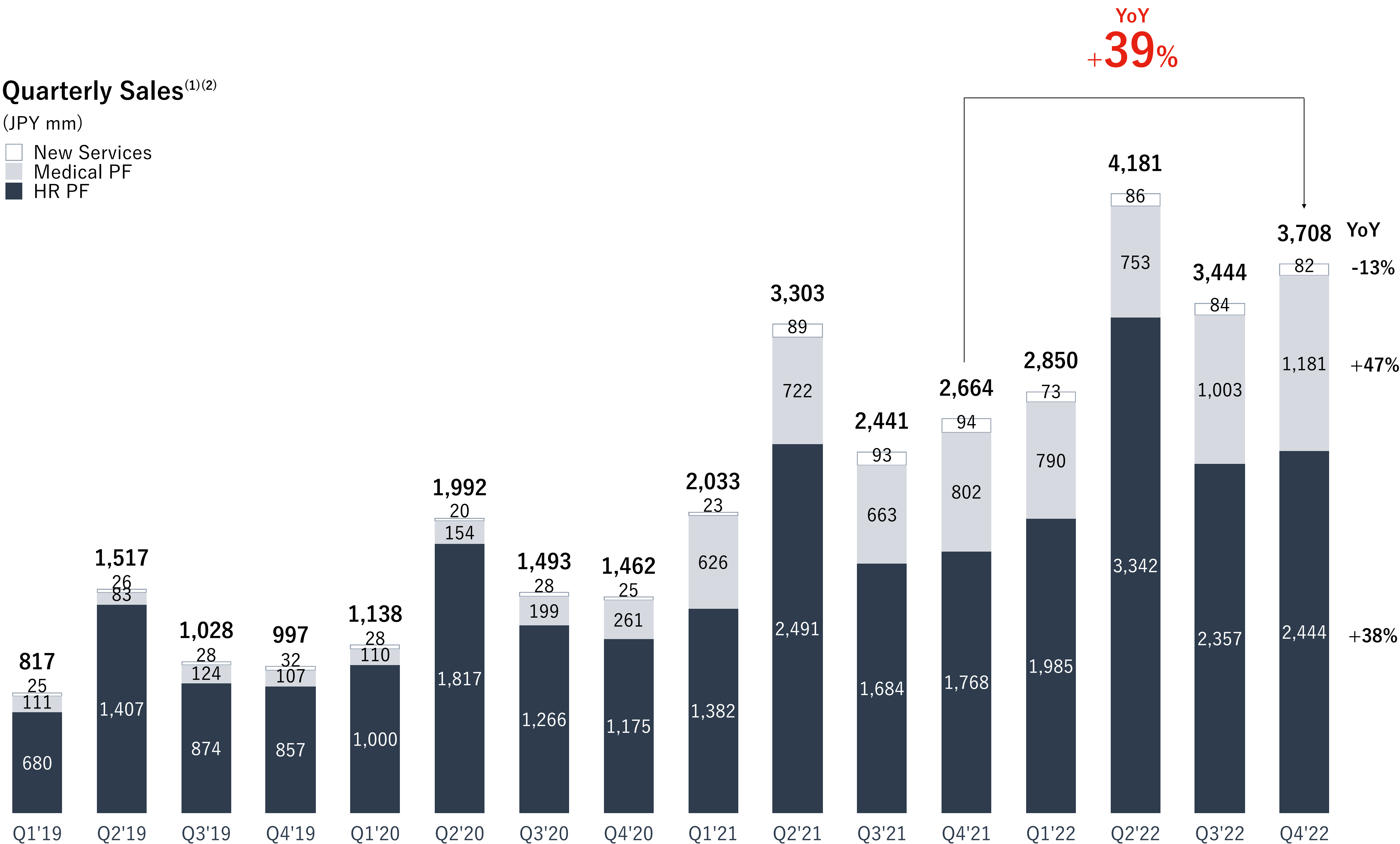
(1) Figures are based on the new revenue recognition standard.

Strong companywide sales growth of +39% YoY in Q4 FY2022.

Quarterly Sales⁽¹⁾⁽²⁾

(JPY mm)

- New Services
- Medical PF
- HR PF



(1) HR PF Business posts sales based on the hire dates of new employees
(2) Figures for FY2021 and earlier are based on the new revenue recognition standard.

Continued Aggressive Investment in Growth, etc Funded by Profitable Businesses

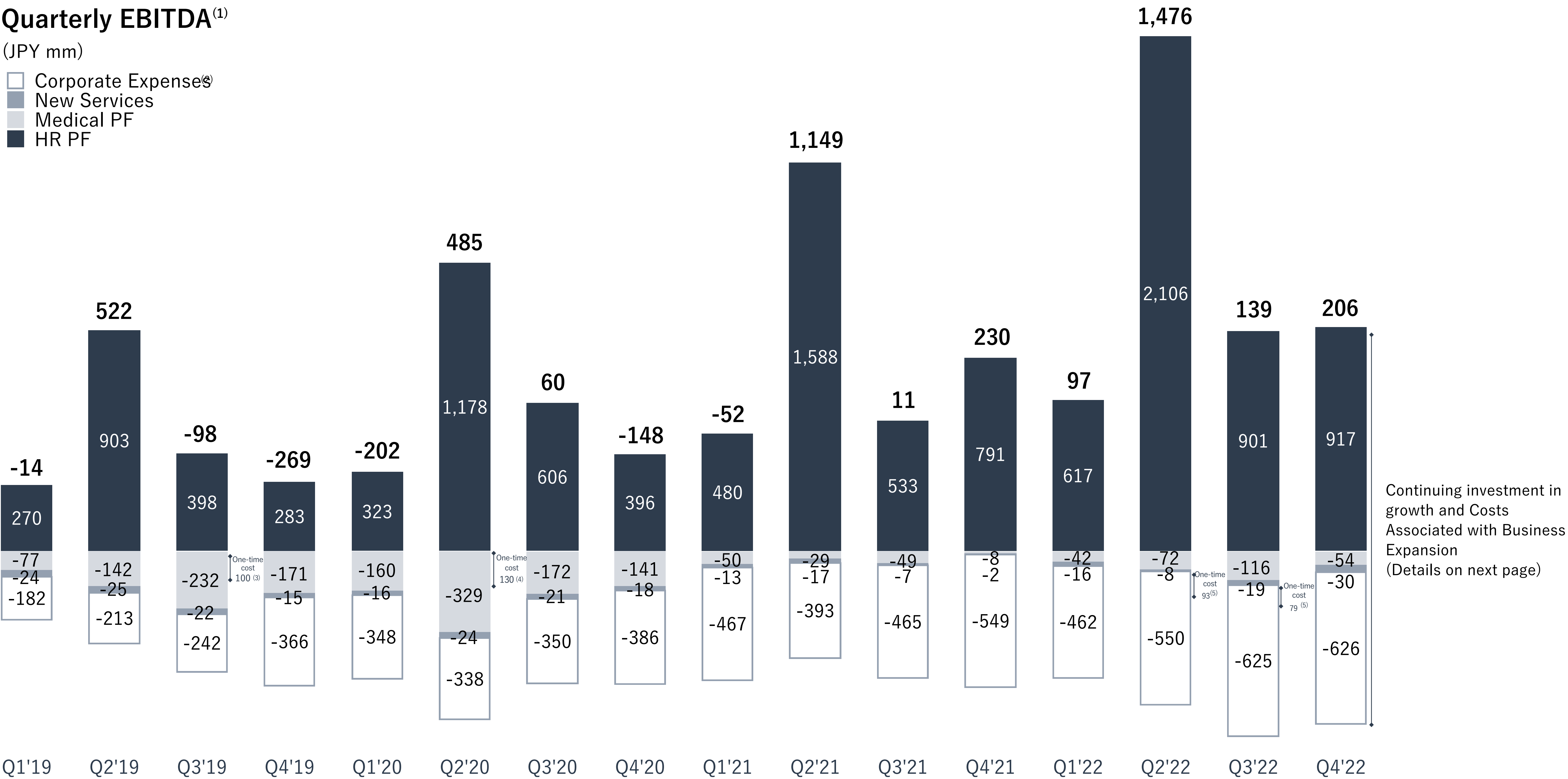


EBITDA margin declined YoY in Q4 FY2022 on aggressive investments in growth and the posting of expenses associated with expanding our businesses.

Quarterly EBITDA⁽¹⁾

(JPY mm)

- Corporate Expense⁽²⁾
- New Services
- Medical PF
- HR PF

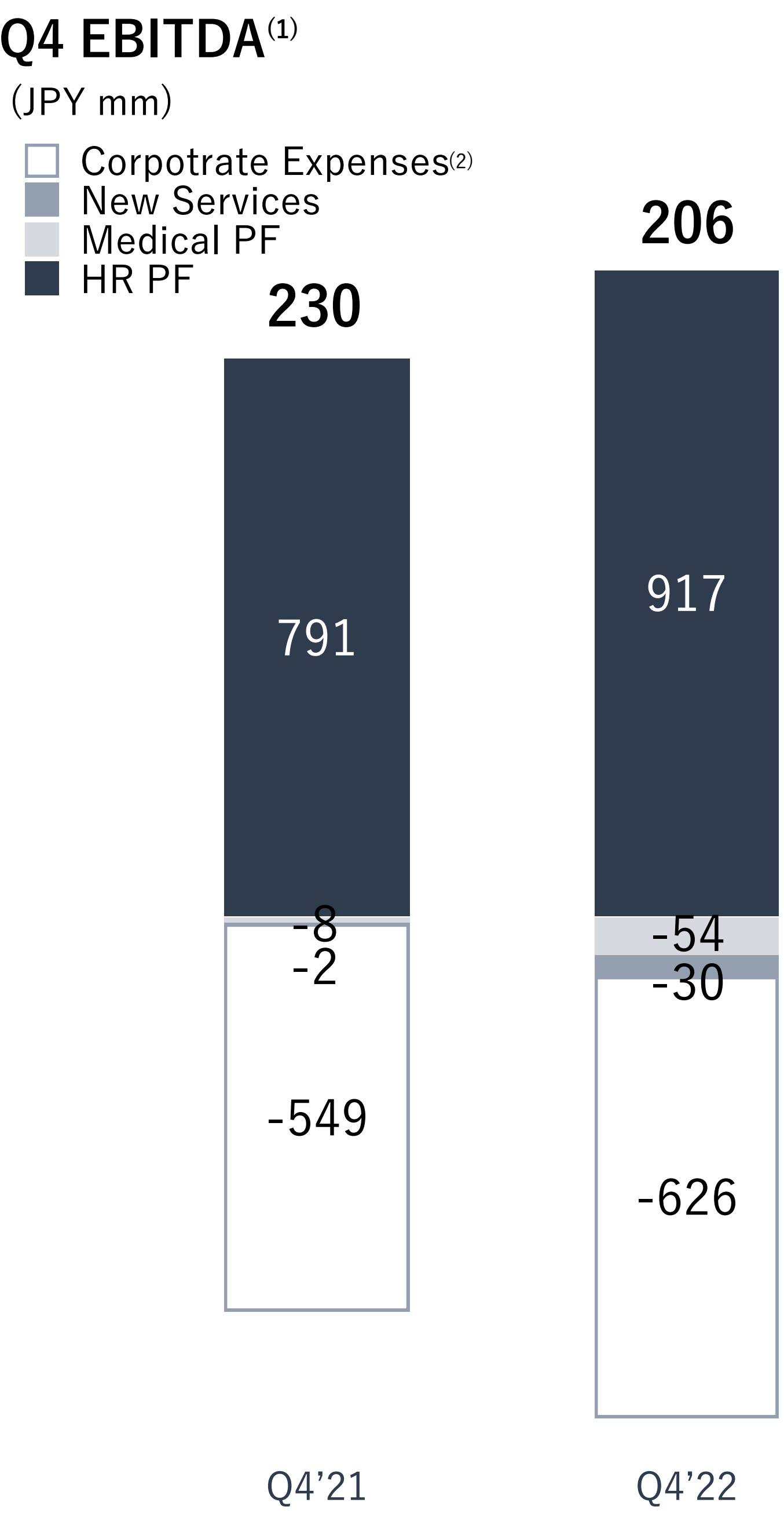


(1) Figures for FY2021 and earlier are based on the new revenue recognition standard.
(2) Total of companywide expenses not allocated to segments and inter-segment eliminations.
(3) One-time cost (JPY 100 million) for acquiring a source code to add a new function to Medical PF Business.
(4) One-time cost (JPY 130 million) for acquiring EMR assets from another company.
(5) One-time office relocation costs: JPY 93 million in Q2, JPY 79 million in Q3.

Overview of Investments in Growth and Costs Associated with Business Expansion



In the HR PF Business, the EBITDA margin narrowed on aggressive spending on marketing. In the Medical PF Business, the EBITDA margin also declined as we continued to increase the number of employees. The companywide cost-to-sales ratio improved even as we increased the number of corporate employees.



Main Factors Contributing to Change in Q4 EBITDA margin

Segment	Q4 FY21 ⁽¹⁾	Q4 FY22	Main Factors
HR PF	44.8%	37.5%	• Increase in advertising costs (-7.6%pt)
Medical PF	-1.1%	-4.7%	• Continue to increase the number of employees

Main Factors Contributing to Change in corporate expenses

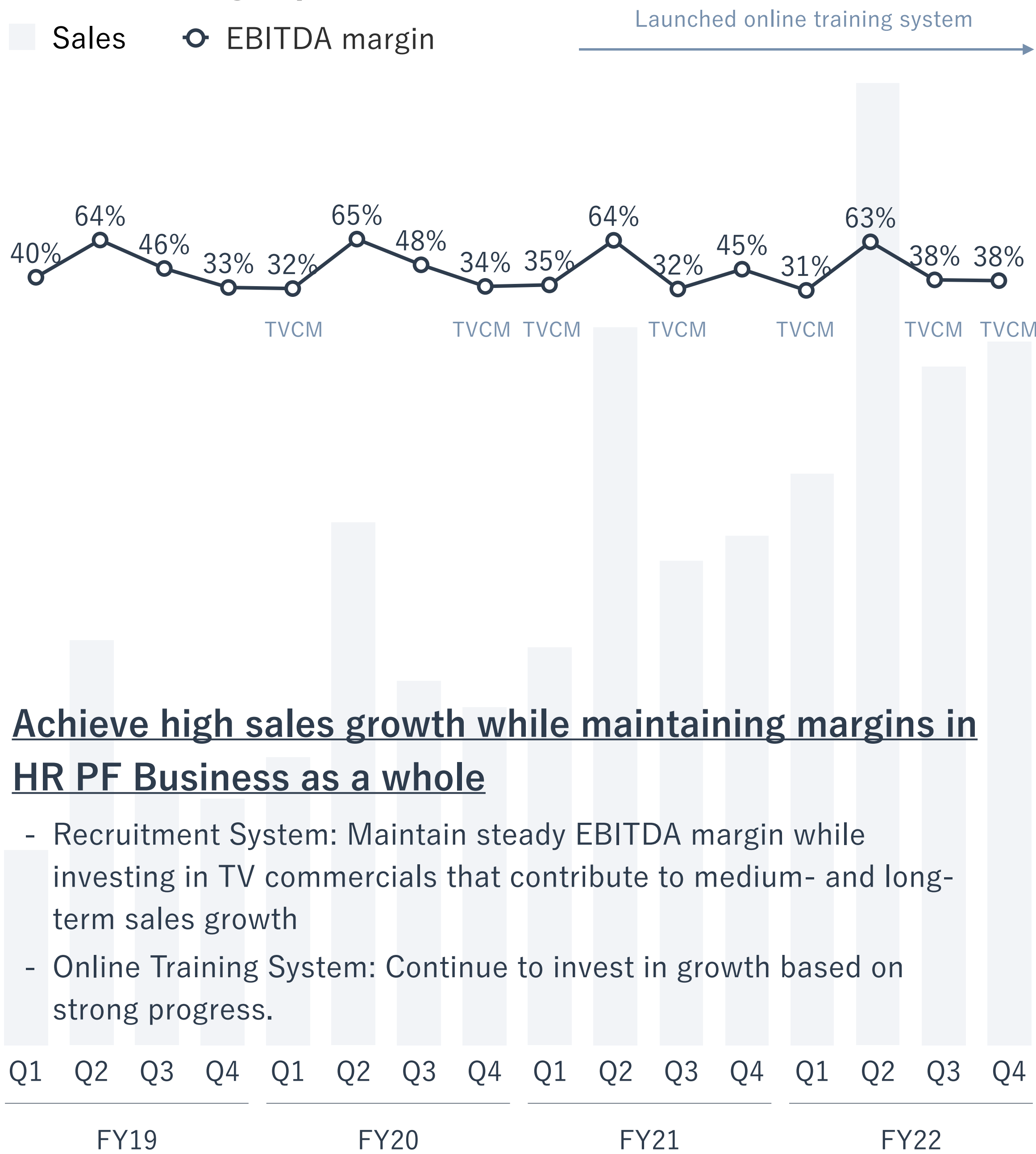
(JPY mm) *figures in parentheses show each cost to quarterly sales ratio

Item	Q4 FY21 ⁽¹⁾	Q4 FY22	Main Factors
Personnel costs	182 (6.8%)	284 (7.7%)	• Increase in the number of corporate employees
Rents	110 (4.1%)	94 (2.5%)	• Rent efficiencies from office relocations
Hiring costs	49 (1.8%)	67 (1.8%)	• Investment for hiring activities
Commission fees	150 (5.6%)	144 (3.9%)	• Decrease in personnel-related commission fees
Other costs	56 (2.1%)	34 (0.9%)	• Strict cost streamlining

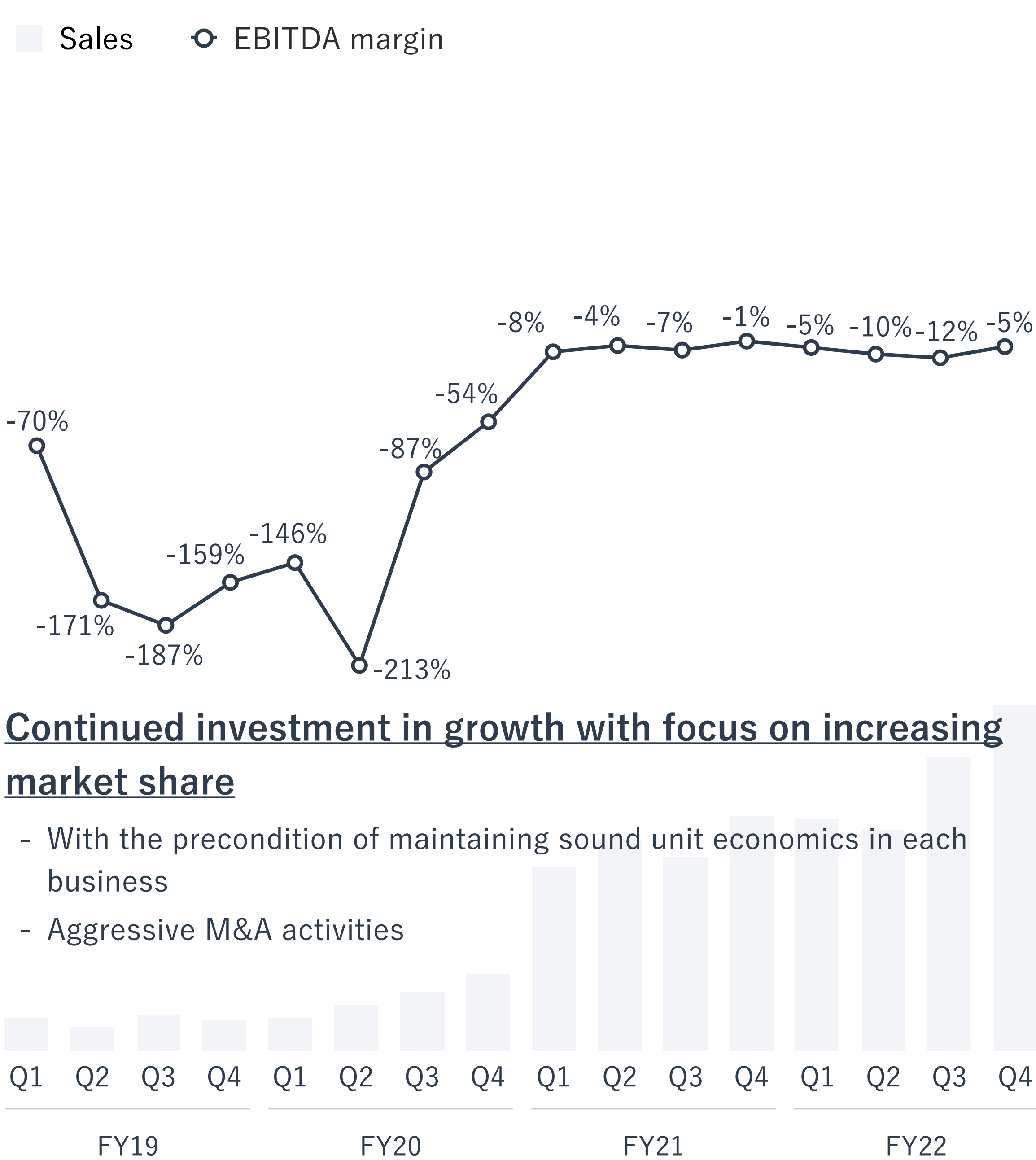
(1) Figures for FY2021 and earlier are based on the new revenue recognition standard.
(2) Total companywide costs and cross-segment limitations not allocated to any business segment

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

EBITDA margin policies in HR PF⁽¹⁾

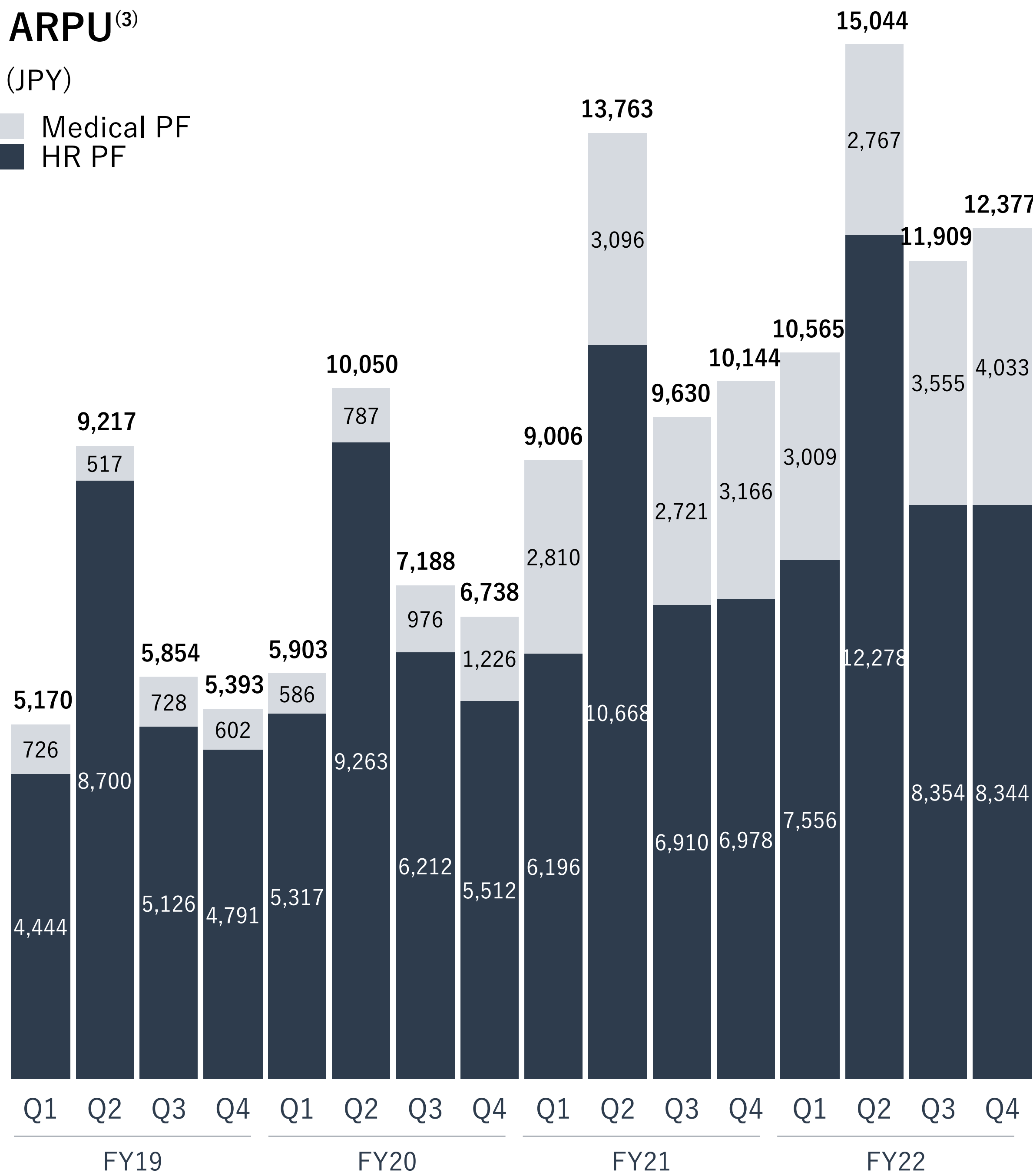
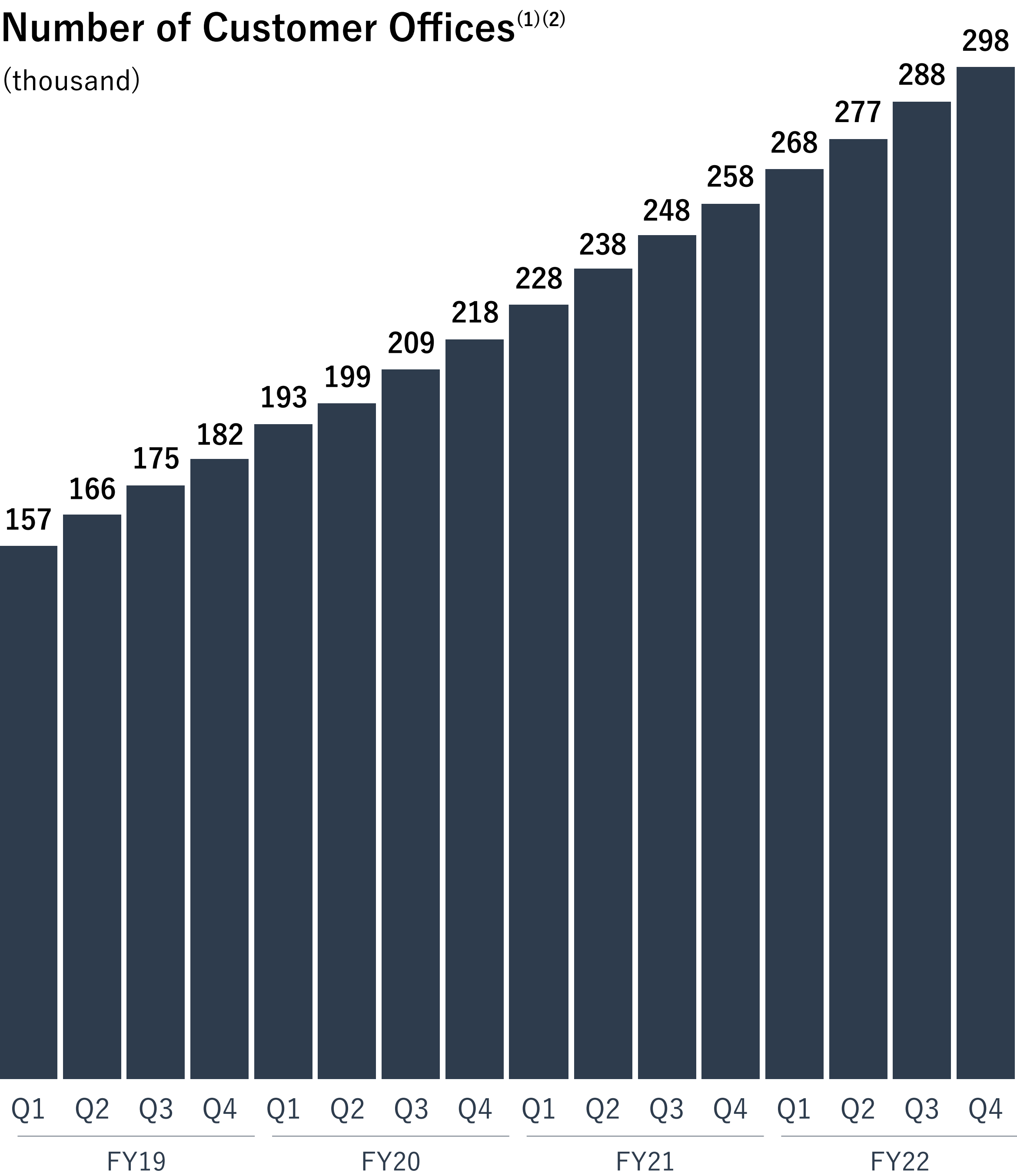


EBITDA margin policies in Medical PF⁽¹⁾



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

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



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

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

Our financial base remains sound (capital ratio: 69.1%、 D/E ratio 0.16x).

B/S as of the End of September 2022

(JPY mm)

Cash raised from LOC	Untapped LOC 2,700
Cash and deposits 14,149	Debt 2,658
	Other liabilities 3,890
	Net assets 14,791
Other assets 7,190	

Capital ratio: 68.9%, D/E ratio: 0.18x



B/S as of the End of December 2022

(JPY mm)

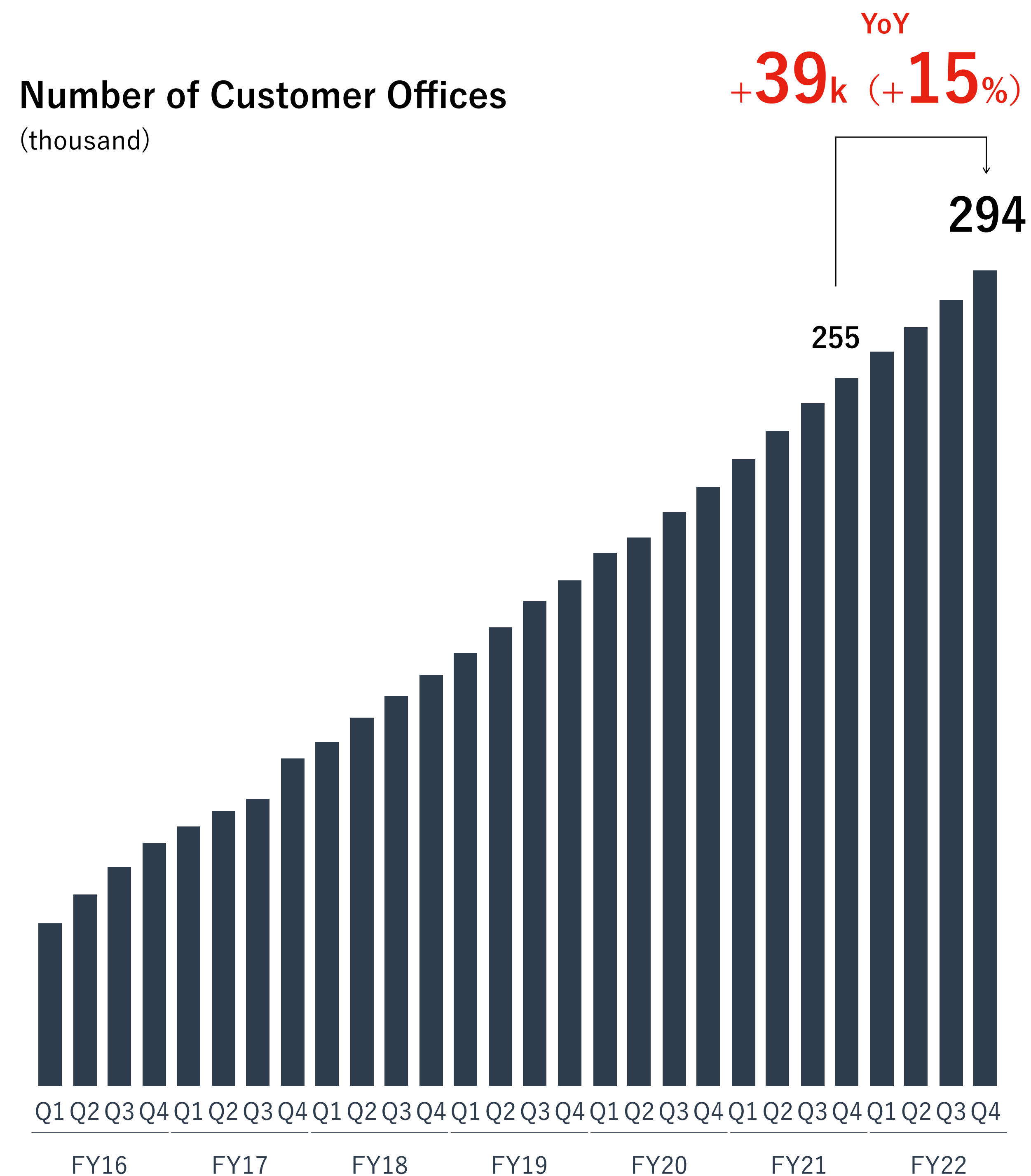
Cash raised from LOC	Untapped LOC 2,700
Cash and deposits 14,422	Debt 2,377
	Other liabilities 4,263
	Net assets 15,170
Other assets 7,388	

Capital ratio: 69.1%, D/E ratio: 0.16x

HR PF

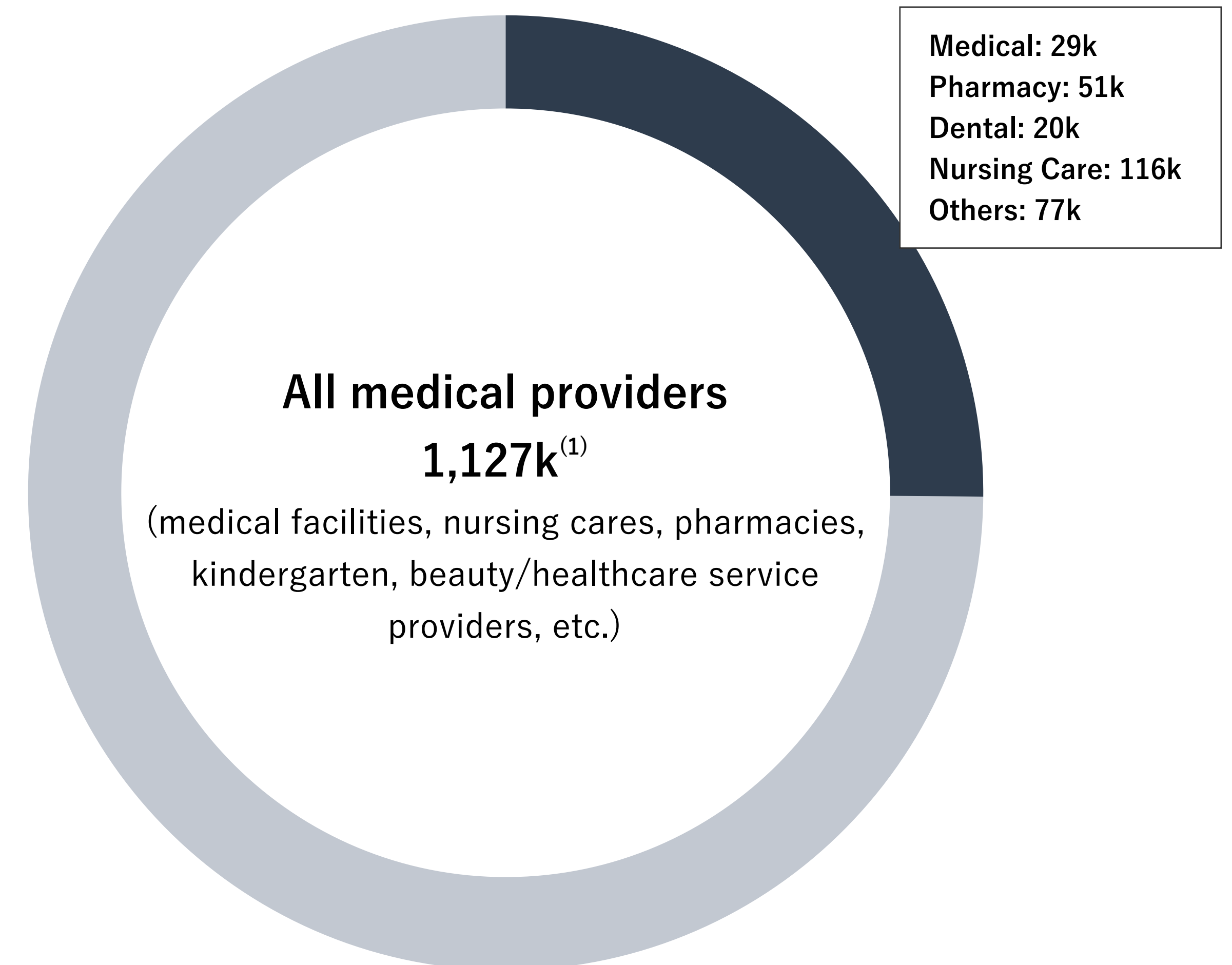


In Q4 FY2022, we continued to make steady progress in signing on new customer offices and we currently have contracts with 294 thousand offices.



Customer Coverage Ratio

approx. **26%**
(294k)



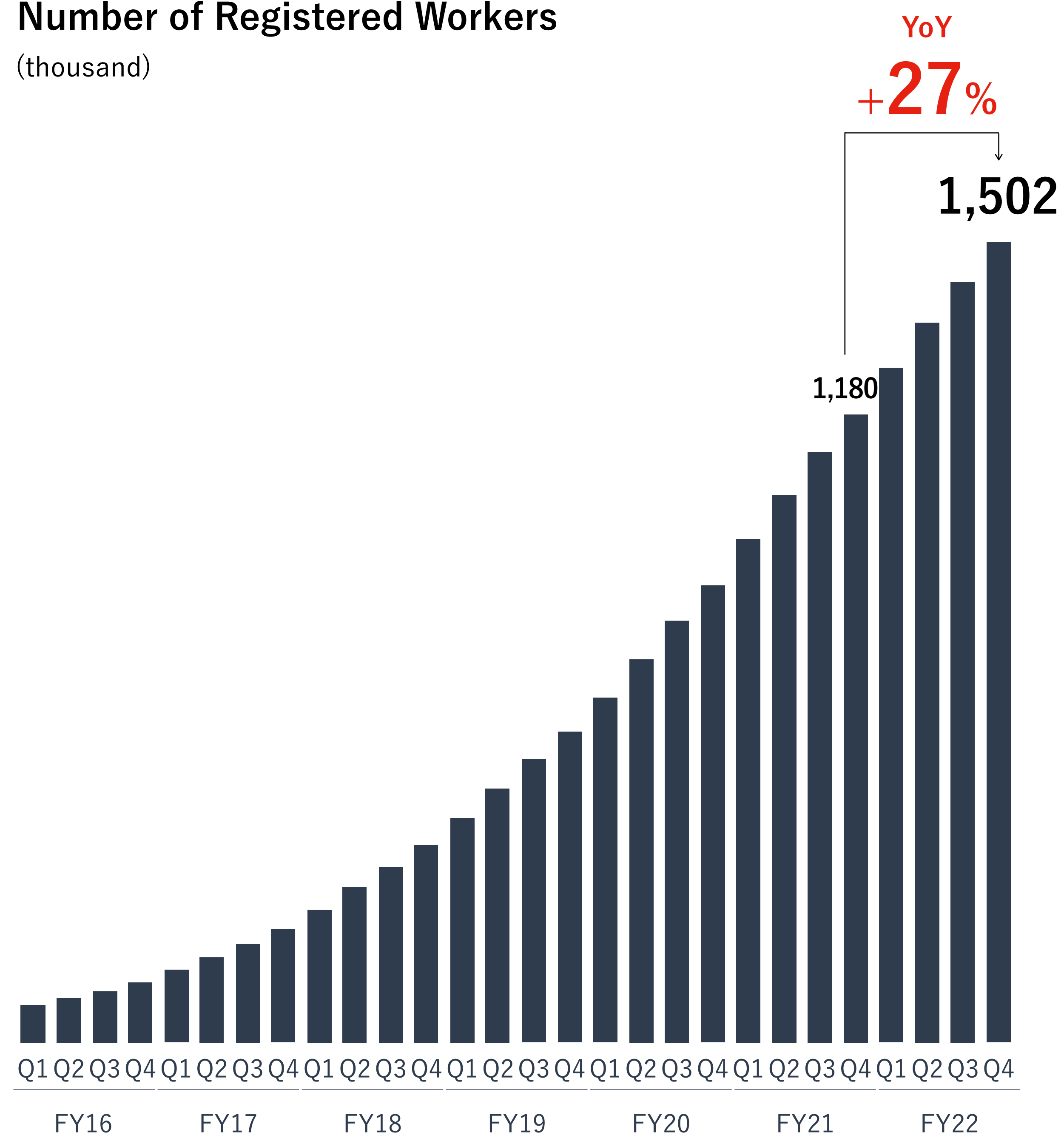
(1) Ministry of Health, Labour and Welfare, Ministry of Internal Affairs and Communications, and Cabinet Office statistics

Accelerate Direct Recruiting with Expansion of the Pool of Registered Workers

Proactive recruitment methods are effective for hiring medical and healthcare professionals. In Q4 FY2022, our customers increased usage of our scouting functions as we expanded our pool of registered workers.

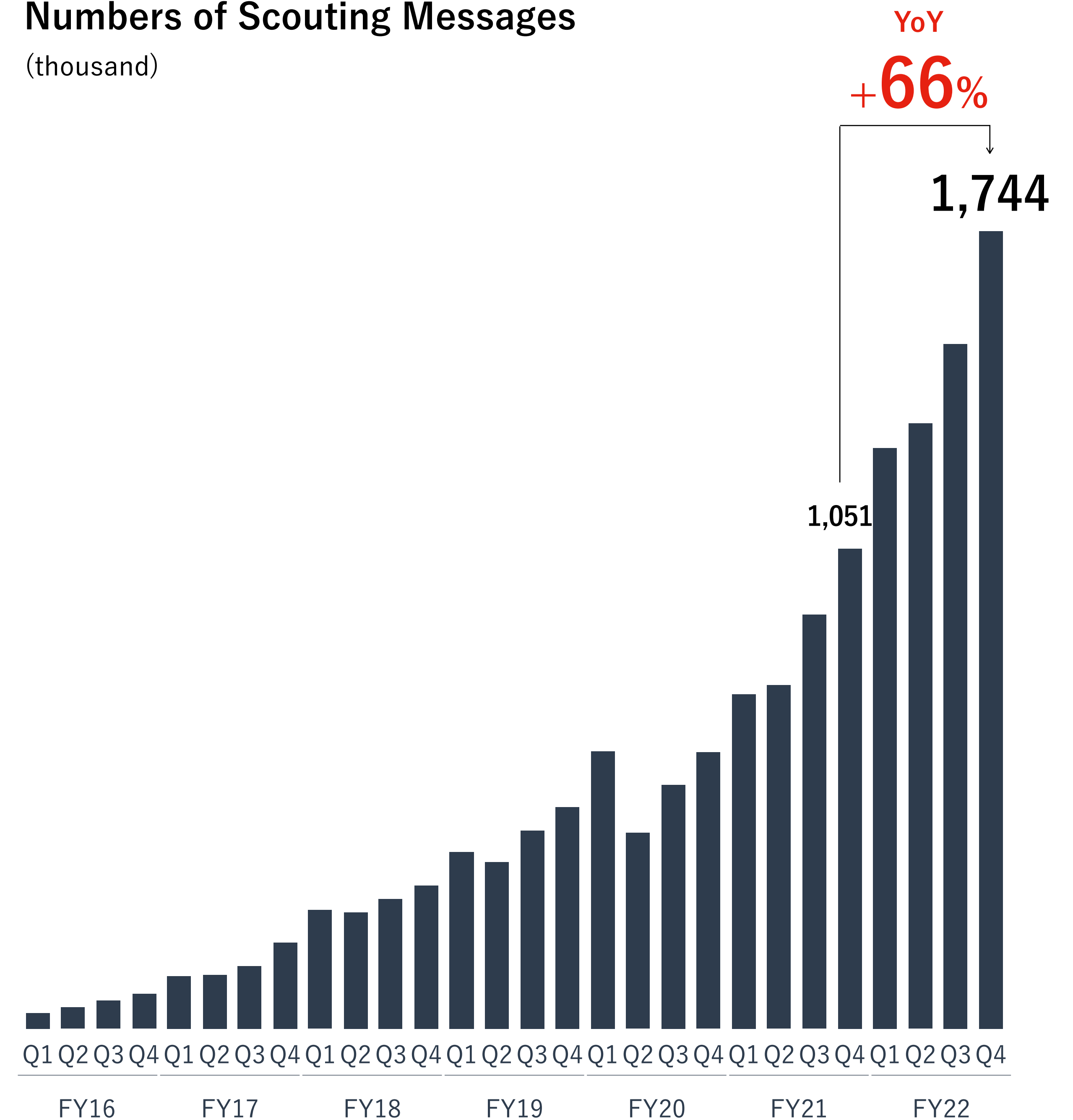
Number of Registered Workers

(thousand)



Numbers of Scouting Messages

(thousand)



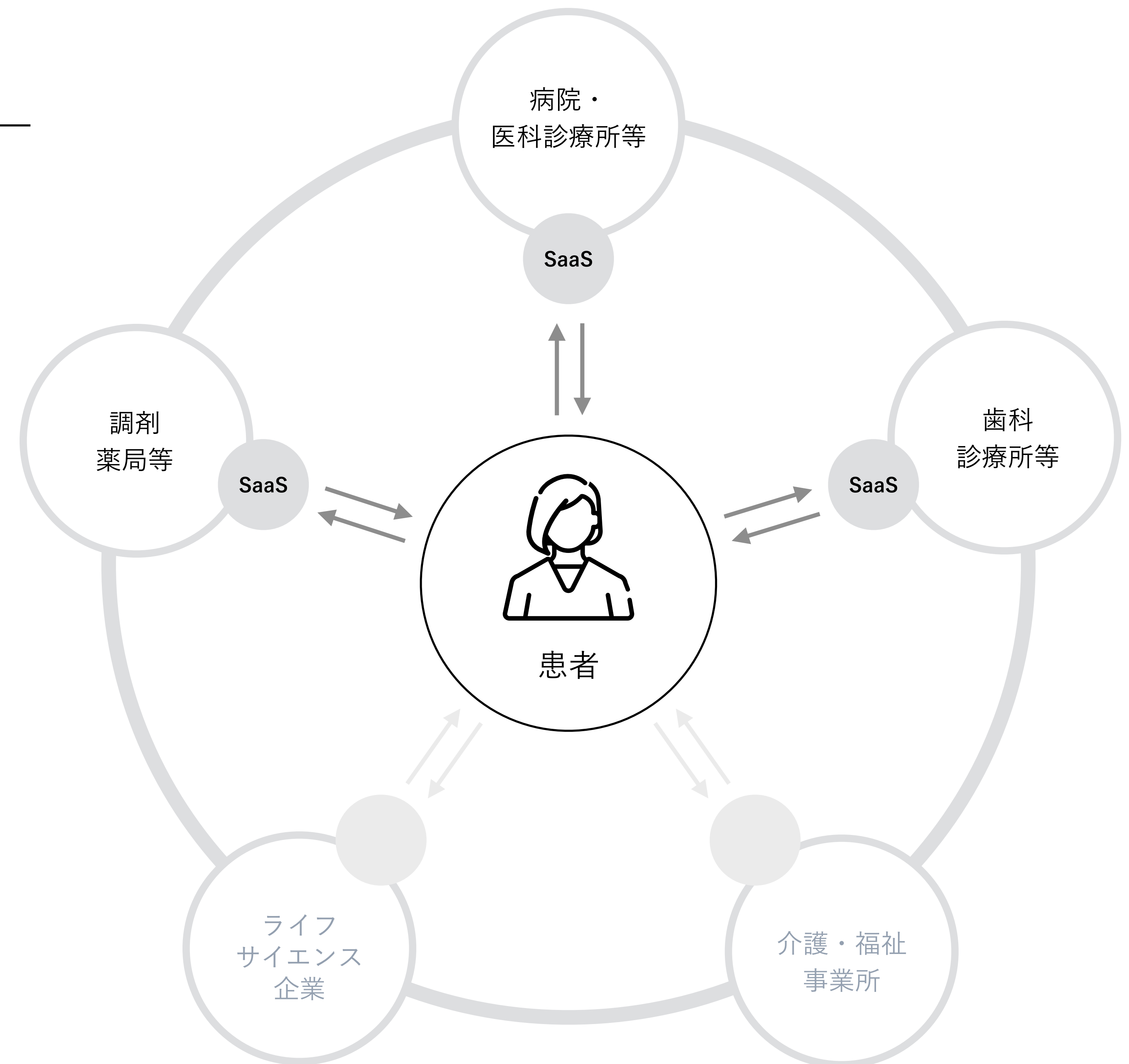
Medical PF

 **CLINICS**

 **Pharms**

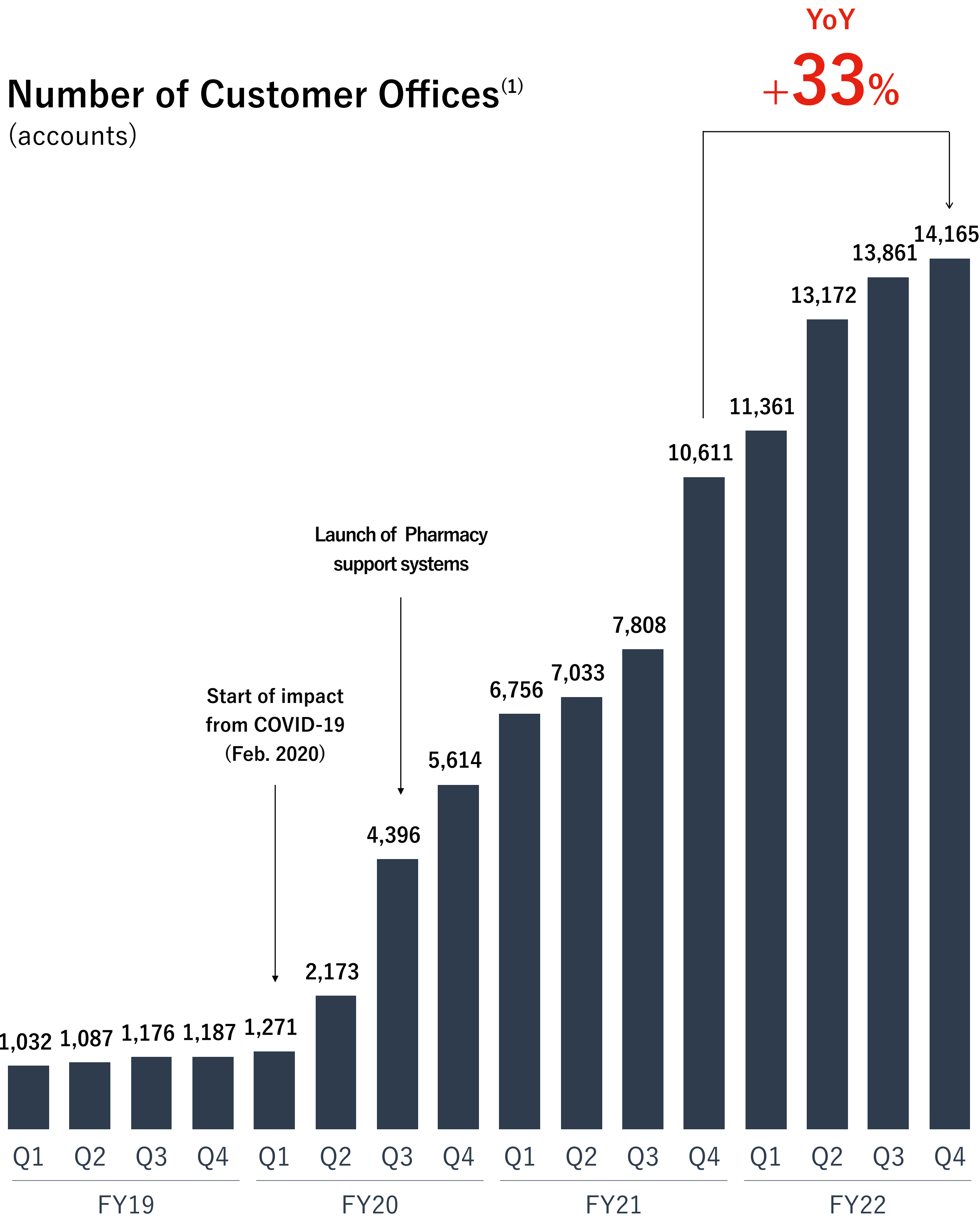
 **MALL**

 **Dentis**

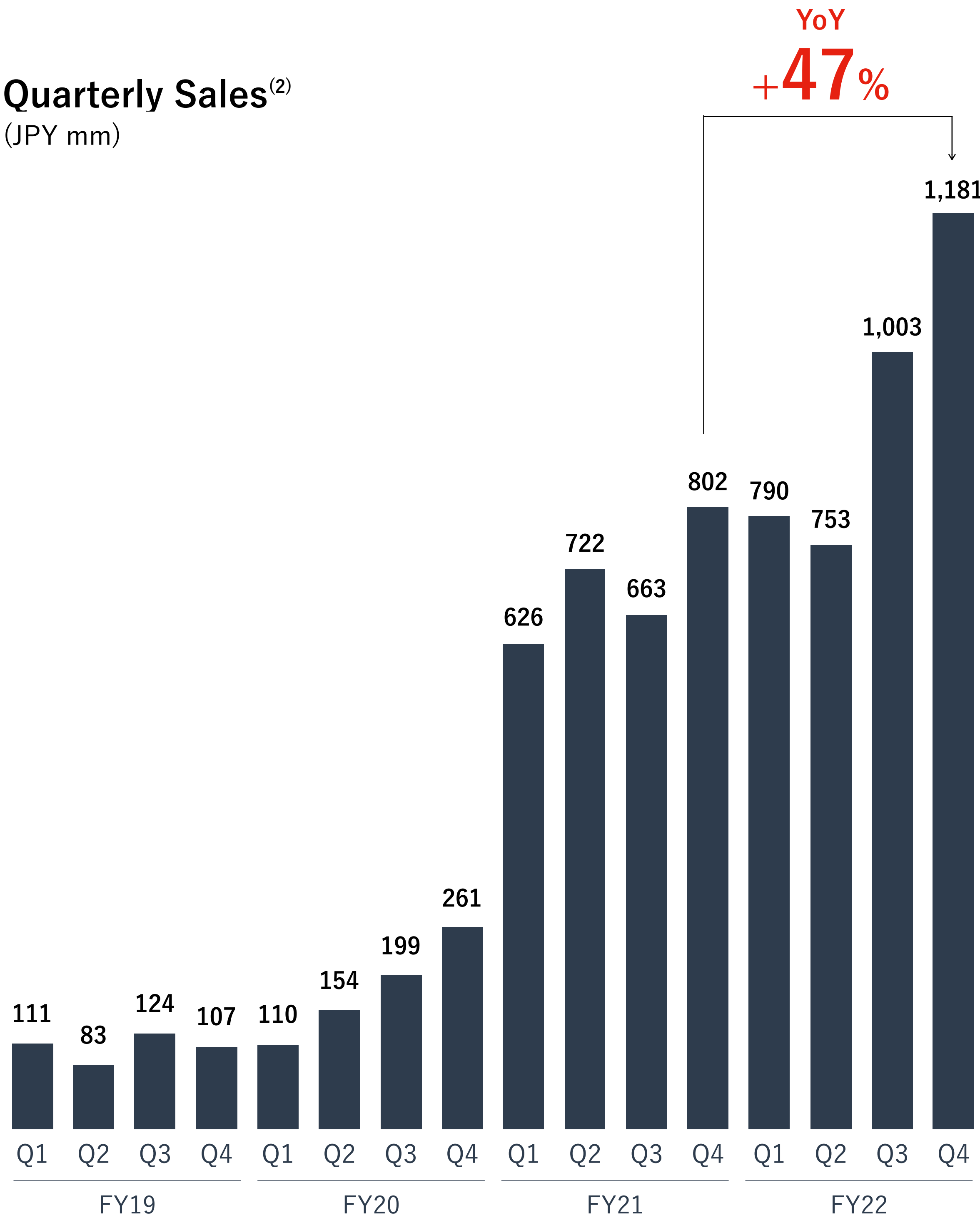


In Q4 FY2022, we achieved YoY growth in both our medical institution client installed base and in sales. Sales reached a new historical high.

Number of Customer Offices⁽¹⁾
(accounts)



Quarterly Sales⁽²⁾
(JPY mm)



(1) Number of customer offices = number of medical intuitions that have begun using our systems (CLINICS, Pharms, etc.) and have not cancelled or discontinued their contracts; customers using multiple systems counted as a single customer account
(2) Figures for FY2021 and earlier are based on the new revenue recognition standard.

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

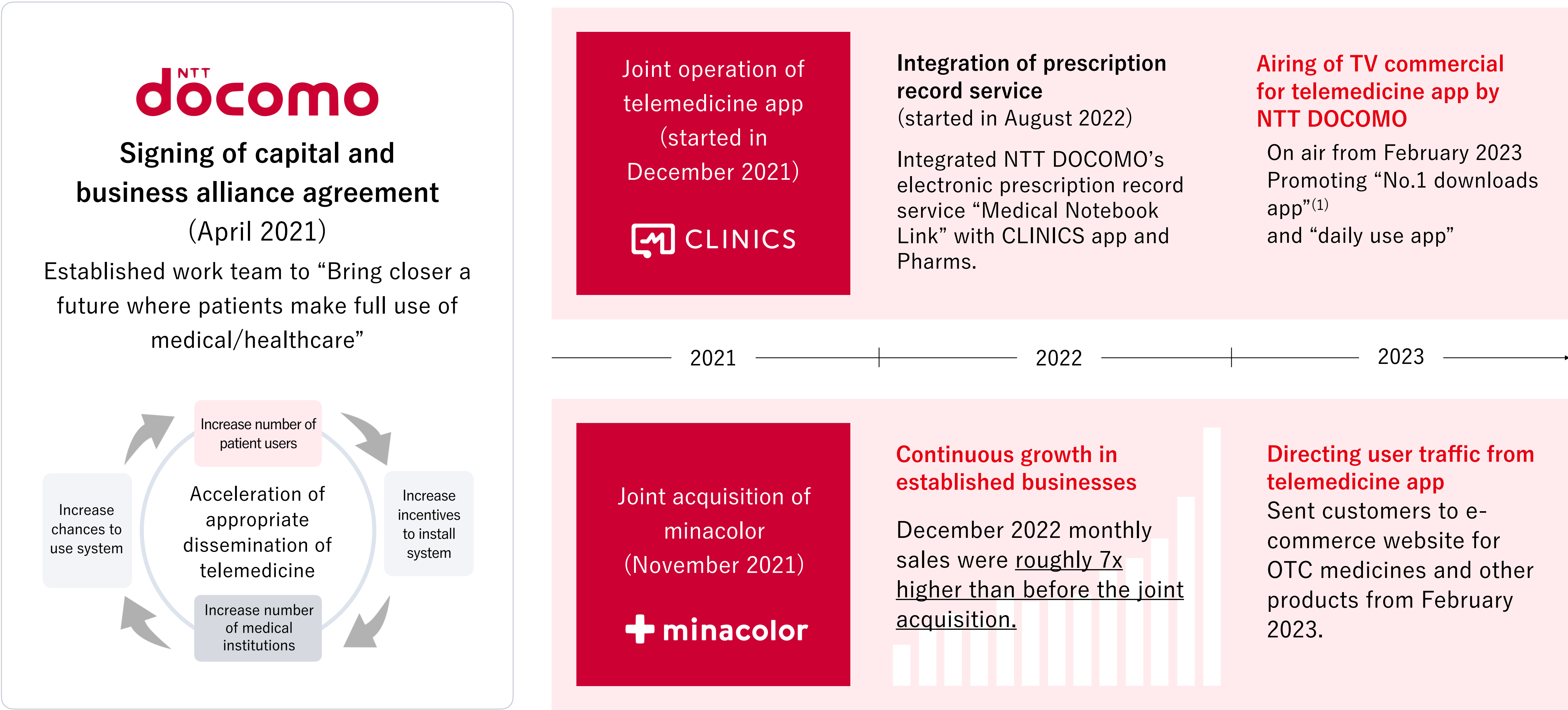
In Q4 FY2022, we implemented a number of measures to boost the medium- to long-term growth and profitability of Medical PF Business. These include expanding our target customers, improving ARPU, and streamlining measures.

Main Measures Implemented in Q4 FY2022

	Hospital / Medical Clinics	Pharmacies	Dental Clinics
Expansion of targeted customers	<div>Strengthened sales of EMR to hospitals</div> <div>Major updates of CLINICS Progressed to a One-Stop Cloud Medical Support System</div>	<div>A Integrated with NTT DOCOMO's electronic prescription record business</div>	<div>Development of sub-EMR and home-visit dental care Improved convenience of dental clinic support system</div>
Improvement in ARPU	<div>A Increased settlement fees owing to growth in number of users</div> <div>Strengthened sales of partner products</div>		
Streamlining	<div>Improved EMR operation process</div>		
Patient users expansion	<div>A Strengthened sales advertisement of telemedicine app with NTT DOCOMO</div>	<div>A Joint operation of businesses with NTT DOCOMO via minacolor</div>	

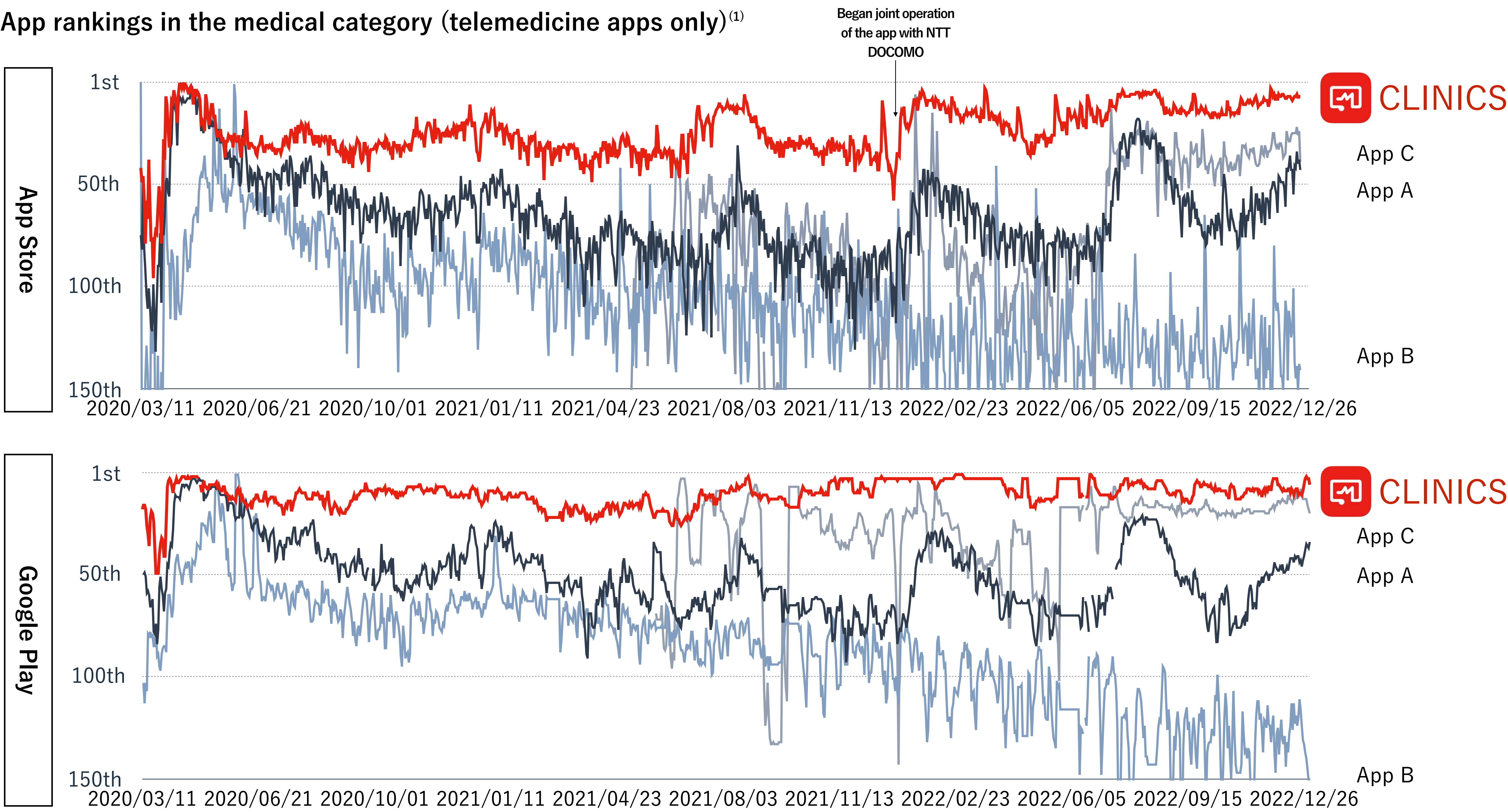
A: Steady Progress in Joint operation of telemedicine app with NTT DOCOMO

In February 2023, NTT DOCOMO began airing a TV commercial aimed at increasing the user base for the CLINICS telemedicine app jointly operated by Medley and NTT DOCOMO. Earnings at jointly operated minacolor are also growing steadily and integration with the CLINICS app is being strengthened.



(1) Total number of downloads of telemedicine apps in Japan, according to data.ai, App Store/Google Play combined, as of January 2023.

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



1. FY2022 Q4 Results

2. FY2022 Results

3. Revision of Mid-Term Targets and FY2023 Forecast

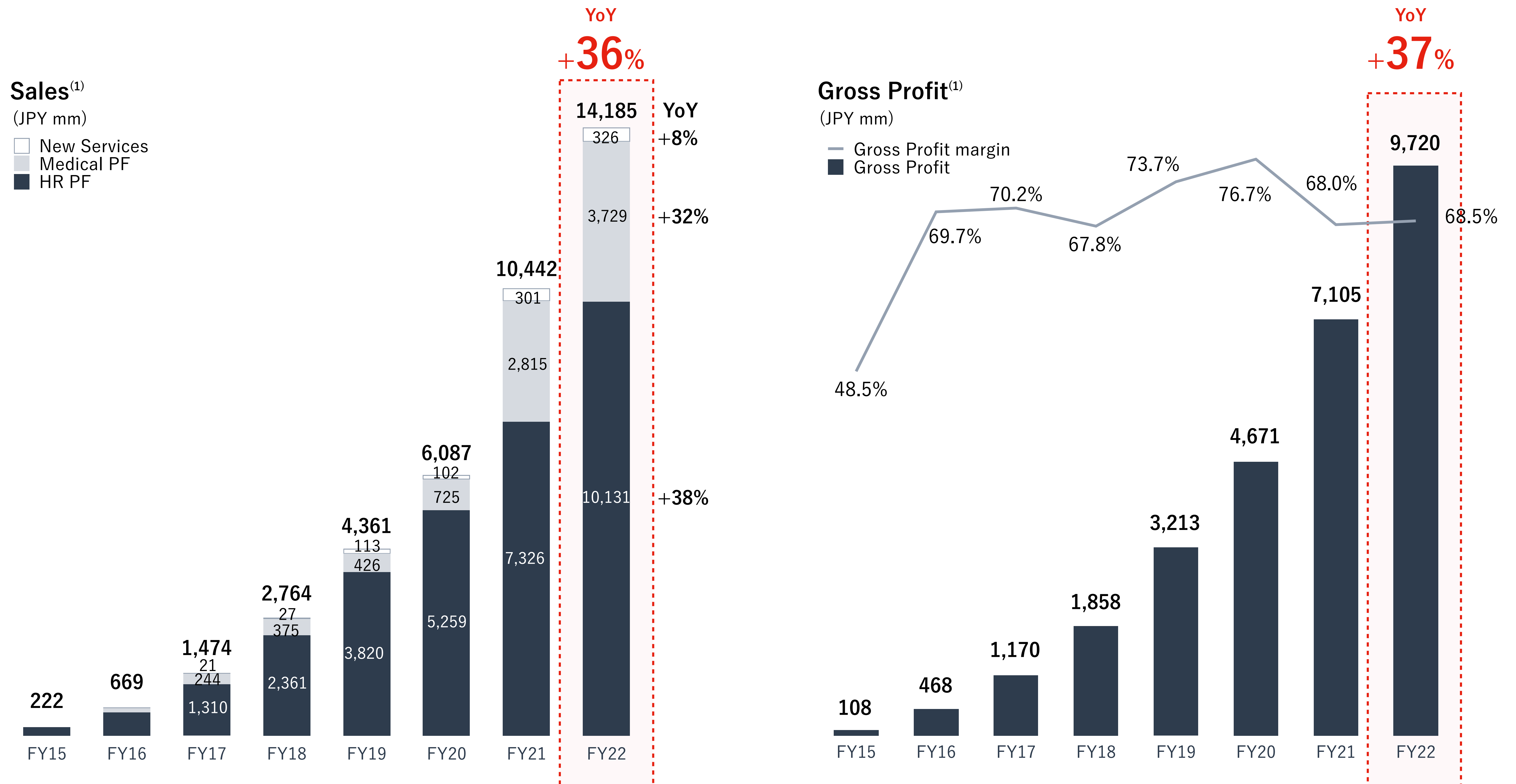
4. Investment Highlights

Summary of Consolidated FY2022 Results

JPY mm	Actual			Forecast	
	FY2021 ⁽¹⁾	FY2022	YoY	FY2022 (Before revision)	FY2022 (After revision)
Sales	10,442	14,185	+36%	13,950	14,100
Gross Profit	7,105	9,720	+37%	9,450	9,600
EBITDA	1,338	1,919	+43%	1,550	1,790
Operating Profit	853	1,290	+51%	900	1,180
Ordinary Profit	863	1,526	+77%	900	1,350
Profit Attributable to Owners of Parent	683	1,017	+49%	650	900

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

Strong sales growth continued in FY2022, surpassing our forecast. Gross profit also continued to rise rapidly.



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

EBITDA beyond Our Expectation, and Operating CF Continues to Expand

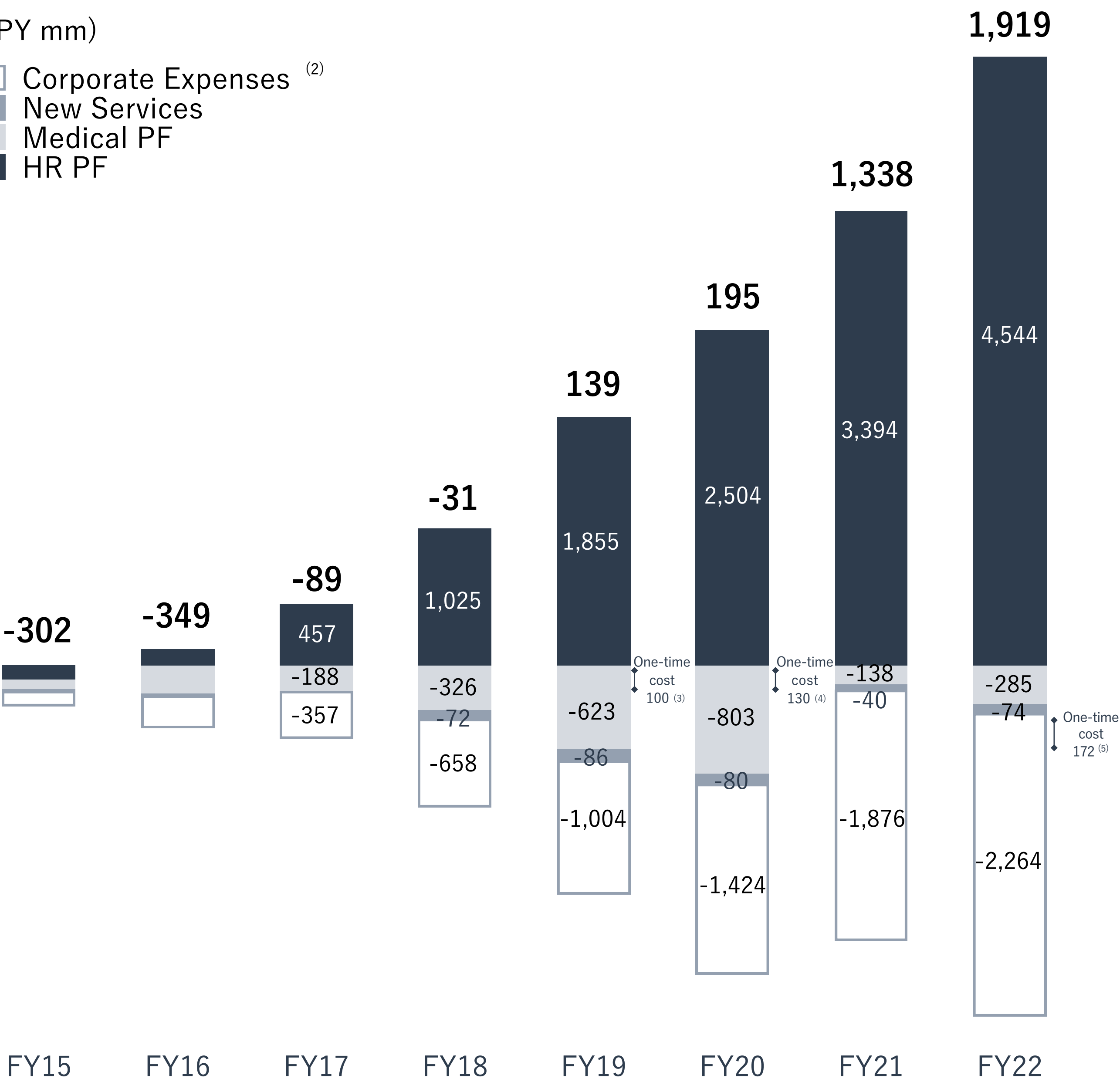


EBITDA exceeded our forecast in FY2022 even as we aggressively invested in growth. Operating cash flow also continued to increase.

EBITDA⁽¹⁾

(JPY mm)

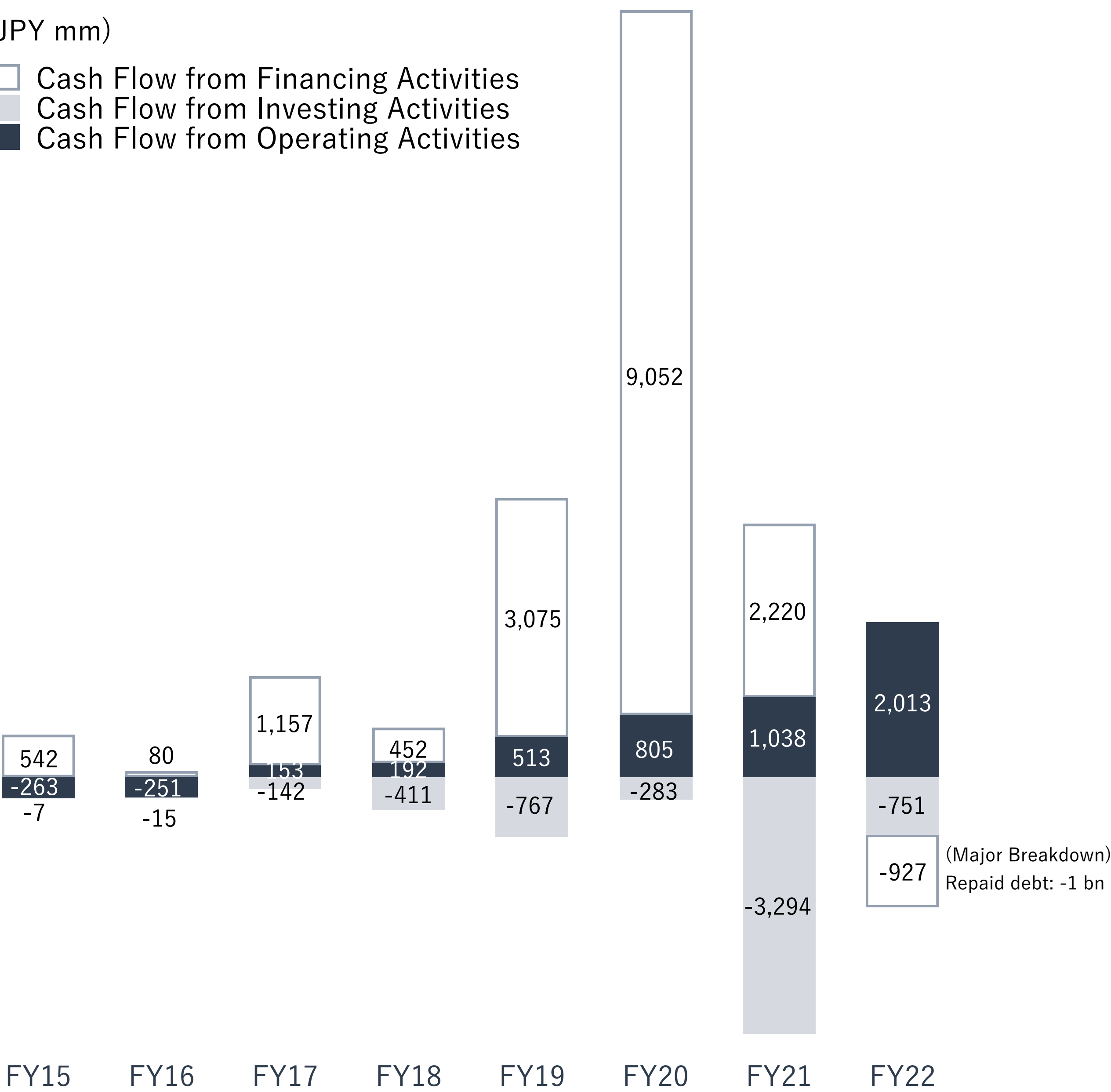
- Corporate Expenses⁽²⁾
- New Services
- Medical PF
- HR PF



Cash Flow

(JPY mm)

- Cash Flow from Financing Activities
- Cash Flow from Investing Activities
- Cash Flow from Operating Activities



(1) Figures for FY2021 and earlier are based on the new revenue recognition standard.
(2) Total of companywide expenses not allocated to segments and inter-segment eliminations.
(3) One-time cost (JPY 100 million) for acquiring a source code to add a new function to Medical PF Business.
(4) One-time cost (JPY 130 million) for acquiring EMR assets from another company.
(5) One-time office relocation costs: JPY 93 million in Q2, JPY 79 million in Q3.

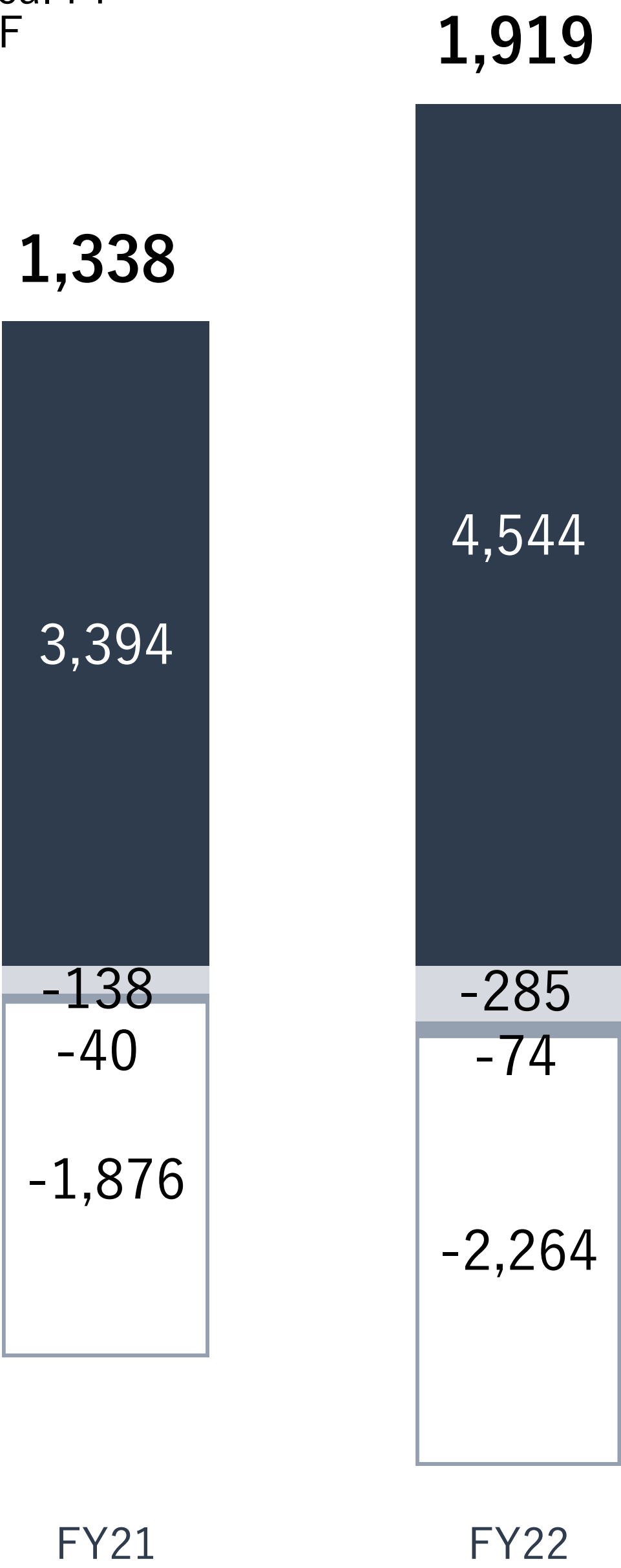
Breakdown of Investments: Investments Aimed at Expanding the Scale of Our Businesses

In 2022, we aggressively invested in expanding the scale of our businesses, including moving to a new office in anticipation of an increase in the number of employees, and preparing to enter the USA market.

Annual EBITDA⁽¹⁾

(JPY mm)

- Corporate Expenses⁽²⁾
- New Services
- Medical PF
- HR PF



Main Factors Contributing to Change in FY2022 EBITDA Margin

Segment	FY21	FY22	Main Factors
HR PF	46.3%	44.9%	• Increase in marketing expenses, including costs related to TV commercials (-2.9%pt)
Medical PF	-4.9%	-7.7%	• Continue to increase the number of employees

Main Factors Contributing to Change in corporate expenses

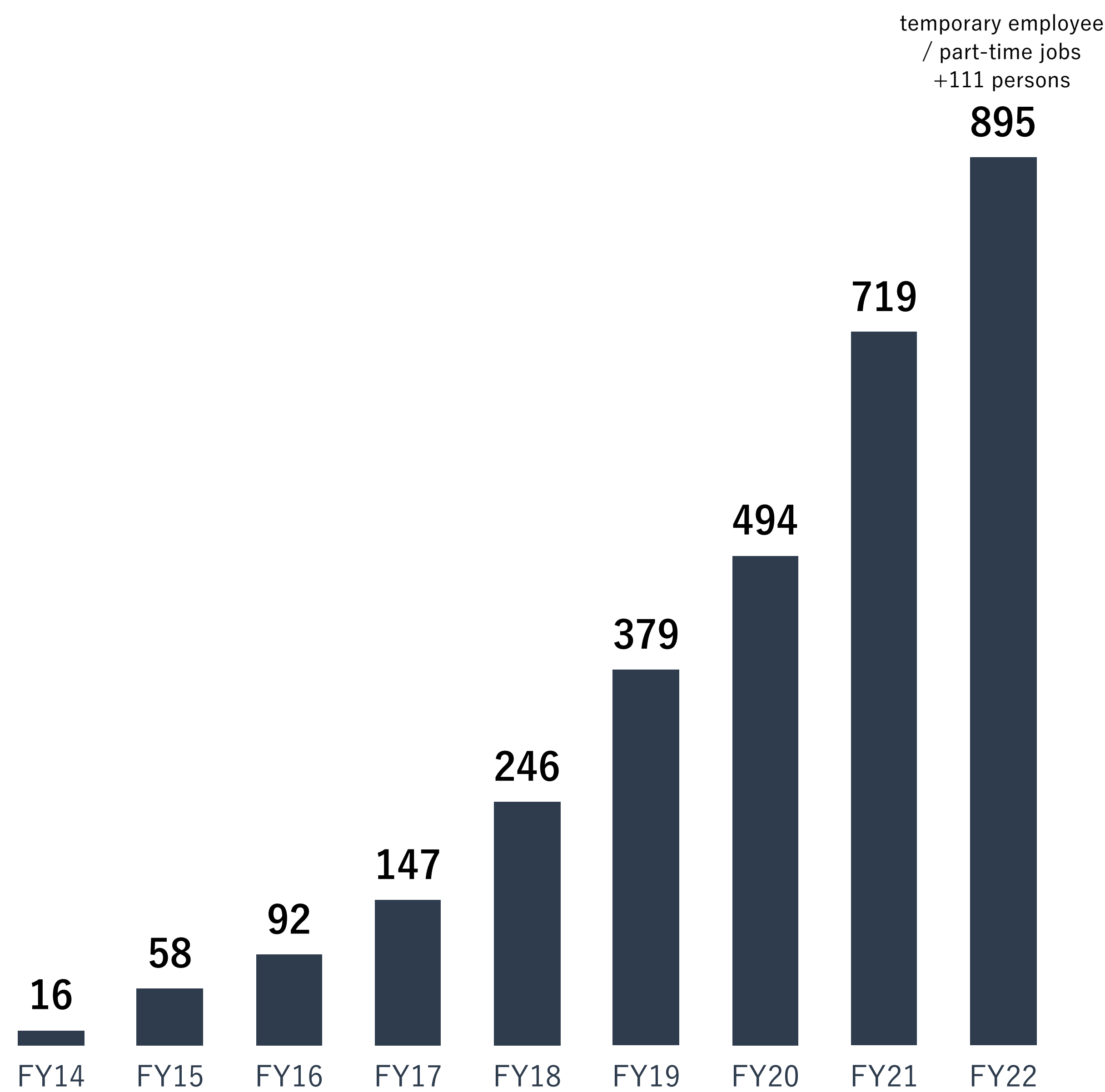
(JPY mm) *figures in parentheses show each cost to quarterly sales ratio

Item	FY21	FY22	Main Factors
Personnel costs	685 (6.6%)	887 (6.3%)	• Increase in number of corporate employees
Rents	401 (3.8%)	554 (3.9%)	• Office relocation cost
Hiring costs	150 (1.4%)	267 (1.9%)	• Steady progress in human resource acquisition
Commission fees	396 (3.8%)	436 (3.1%)	• Professional services outsourcing fees, etc.
Other costs	243 (2.3%)	118 (0.8%)	• Strict cost streamlining

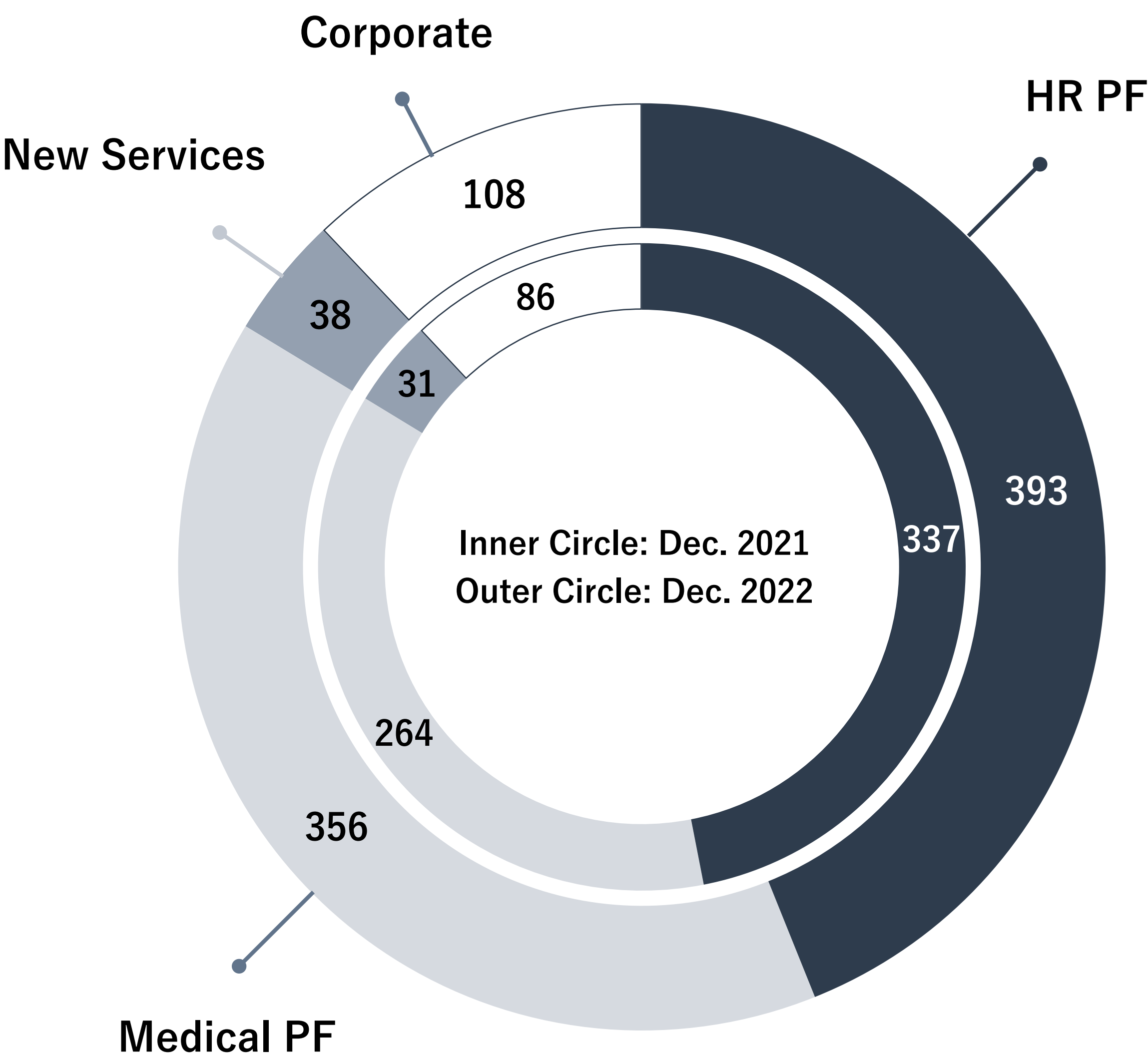
(1) Figures for FY2021 and earlier are based on the new revenue recognition standard.
(2) Total of companywide expenses not allocated to segments and inter-segment eliminations.

We plan to increase the number of employees in both of our PF businesses in preparation for continued growth and also the number of corporate employees in accordance with expansion of the scale of our businesses.

Number of Employees (as of December 31 each year)



Breakdown of Employees by Segment



1. FY2022 Q4 Results

2. FY2022 Results

3. Revision of Mid-Term Targets and FY2023
Forecast

4. Investment Highlights

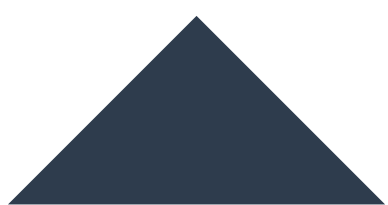
Assumptions		<ul style="list-style-type: none">• Long-term Policy: Maximize Long-term Free Cash Flow• Mid-term Policy: Maintain High Sales Growth (Expand Sources of Free Cash Flow)
Mid-term Target	Current Plan	<ul style="list-style-type: none">• Brought forward achievement of mid-term targets by 1 year<ul style="list-style-type: none">- Steady earnings progress has made it more likely that we will be able to achieve our targets early, so we have changed our forecast for the timing of achievement of JPY 23 billion in sales <u>from FY2025 to FY2024</u>
	Next Plan	<ul style="list-style-type: none">• We plan to announce new mid-term targets alongside FY2023 results<ul style="list-style-type: none">- We will announce our new mid-term targets alongside our full-year FY2023 results. These targets will be based on factors such as earnings progress in FY2023 and the results of our test marketing in the USA.- Although details have not been decided, regarding the general direction of our next mid-term plan, <u>we are considering annual sales growth of approximately 30% (until around FY30) and a rising profit margin.</u>
FY2023 Forecast		<ul style="list-style-type: none">• Planning investment targeting continued rapid growth in sales and expansion of the scale of our businesses<ul style="list-style-type: none">- Sales: JPY 19,150 million (YoY: +35%)- EBITDA: JPY 2,260 million (EBITDA margin: 12%)<ul style="list-style-type: none">▸ <u>We plan to spend JPY 350 million on test marketing in the USA and JPY 50 million on development of EMR for acute care hospitals. Adjusted for these outlays, we expect an EBITDA margin is higher than FY2022.</u>

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

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

Long-term
Policy

Maximize Long-term Free Cash Flow



Mid-term
Policy

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

Primary
KPIs

Maximize Number of Customers

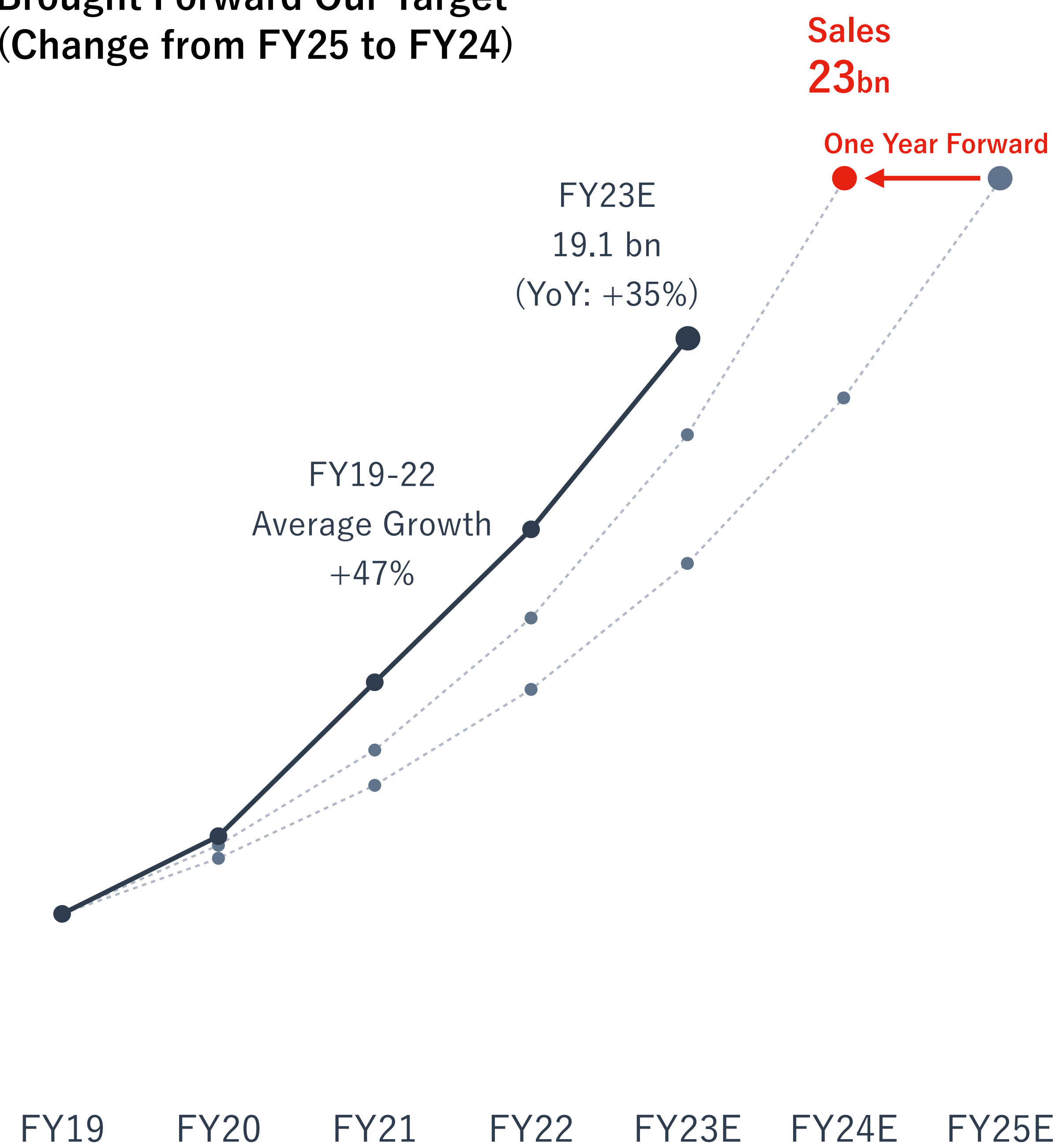


Improve ARPU
(Increase utilization ratio
/ Expand product lineup)

Revision of Mid-term Target: Brought Forward Timeline for Achievement of the Goals by one year.

Steady earnings progress has made it more likely that we will be able to achieve our targets in FY2024, so we have brought forward our forecast for the timing of the achievement of the goals in our current mid-term plan by one year.

Brought Forward Our Target
(Change from FY25 to FY24)



(billion yen)

Year	Before Revision (CAGR32%)	After Revision (CAGR39%)	Sales Forecast	Actual Sales
2019	4.3	4.3	-	4.3
2020	5.7	6.0	-	6.0
2021	7.5	8.4	-	10.4
2022	10.0	11.8	-	14.1
2023	13.2	16.4	19.1	
2024	17.5	23.0		
2025	23.0			

We plan to announce our next mid-term plan alongside our full-year FY2023 results. We are focusing on high sales growth to maximize long-term free cash flow, and will complete our review during FY2023, including our profit policy during the next mid-term target period.

	Targets of Current Mid-term Plan	The General Direction of Next Mid-term Plan
Timing of Announcement	February 2020 (Updated today)	February 2024
Timing of Achievement of Goals	FY24 (Brought Forward from FY25)	Around FY30
Sales CAGR	+39% (FY19-FY24E) *Expected to be exceeded	Around +30%
Profit	Positive EBITDA	Profit margin increase (Positive EBITDA in all fiscal years)

	Assumption	Financial Indicators
HR PF	<ul style="list-style-type: none">Number of customer offices: Maintain the same growthImprovement of ARPU<ul style="list-style-type: none">Improve utilization rate by gaining job seekers, Increase by improving functionalityContribution of online training system	<ul style="list-style-type: none">Sales Growth: <u>Approximately +30%</u> (FY22: +38%)EBITDA margin: <u>Approximately 40%</u> (FY22: 45%)
Medical PF	<ul style="list-style-type: none">Focus on ARPU improvement and streamlining costs more than the number of customer offices in order to return the segment to EBITDA profitability<ul style="list-style-type: none">Continue growing existing businessesStrengthening approaches to acquire patient usersContinue investment in development targeting mid-term growthImpact from deregulation is conservatively factored in	<ul style="list-style-type: none">Sales Growth: <u>+40% or more</u> (FY22: +32%)EBITDA margin: <u>Approximately -5%</u> (FY22: -8%)<ul style="list-style-type: none">As with HR PF, priority is given to improving gross margin to enable high growth <u>with positive EBITDA.</u>
New Services	<ul style="list-style-type: none">Plan to expanded business related to nursing careConduct test marketing in the USABegan development of EMR for acute care hospitals	<ul style="list-style-type: none">Bringing new nursing care related business <u>into the black</u>Test marketing costs in the USA: <u>Approximately JPY 350 million</u>Development costs for EMR for acute care hospitals: <u>Approximately JPY 50 million</u>
Corporate Expenses	<ul style="list-style-type: none">Continued aggressive hiring to achieve growth<ul style="list-style-type: none">HR PF: approx. 160 new hiresMedical PF: approx. 110 new hiresCorporate: approx. 50 new hires	<ul style="list-style-type: none">Continued downtrend in ratio of companywide expenses to sales
Others	<ul style="list-style-type: none">Still-to-be-determined sales from new businesses and potential impact of M&A deals with low probability not factored into forecast	<ul style="list-style-type: none">-

We target continued high sales growth in FY2023, however, as the assumption on slide 31, our initial forecast for overall sales growth is 35%, as Medical PF will focus on improving gross margin. In addition, we plan to spend a total of JPY 400 million on test marketing in the USA and development of EMR for acute care hospitals. Adjusted for these outlays, we expect an EBITDA margin is higher than FY2022.



(JPY mm)	FY2022 Actual	FY2023 Forecast	Ref: Adjusted for investments in the USA, etc
Sales	14,185	19,150	19,150
Sales growth	35.8%	35.0%	35.0%
Gross Profit	9,720	13,120	13,120
Gross Profit margin	68.5%	68.5%	68.5%
EBITDA	1,919	2,260	2,660
EBITDA margin	13.5%	11.8%	13.9%

Development of New Services:

Began Development of EMR for Acute Care Hospitals

We began development of EMR systems, mainly for acute care hospitals, as a way to strengthen its product lineup and plans to enter the acute care hospital EMR market. We plan to invest JPY 50 million in this project in FY2023 and aim to launch a commercial product in 2025.

EMR Market and Product Development Status

	Medium to large hospitals (200 or more beds)	Small hospitals (fewer than 200 beds)	Medical clinics
Market Potential ⁽¹⁾	252 billion (Mostly medium to large hospitals)		17.1 billion
Usage Rate ⁽²⁾	81% (1,537/1,909)	49% (2,572/5,270)	50% (51,199/102,612)
General Unit Price	High	Middle	Low
Our Products (EMR)	<div> <div>EMR for Acute Care Hospitals</div> <div> 2023 Development starts 2025 Planned to be commercialized </div> </div> <div>  MALL Pacific Medical EMR </div> <div>  CLINICS カルテ EMR </div>	<div> <div>Applying MALL's features</div> <ul style="list-style-type: none"> • Low-cost • High customizability • High linkage </div>	

(1) "2020 EMR Market Trend Study" by Seed Planning
(2) Report from Ministry of Health, Labour and Welfare

Development of New Services: Started providing test recruitment system in the USA

In November 2022, we established a corporation in the USA in preparation for our entry into the USA market and began market research and test marketing. In 2023, we plan to make a decision on whether or not to officially start offering the service and the amount of investment. We will make this decision based on the results of our test marketing.

Established a Corporation in the USA



Market Potential⁽¹⁾

	Japan	USA
Number of Medical Healthcare Professionals	Approx. 10 million	Approx. 18 million
Job Turnover Rate	Approx. 20%	Approx. 20%
Market Size	Approx. 370 billion yen	1 trillion yen or more

Future Plans

Preparations/
Surveys
(until FY2023)

Conduct test marketing

*Maximum planned outlay of JPY 350 million (mainly for human resources and marketing costs)

Investment
decision
(end-FY2023)

Decision whether to move forward with full-scale investment, timing of investment

To be decided in consideration of the following factors

- Test marketing is successful
- Medical PF Business reached the black
- Sufficiency of global headquarters functions

Full-scale
investment
(starting in
FY2024)

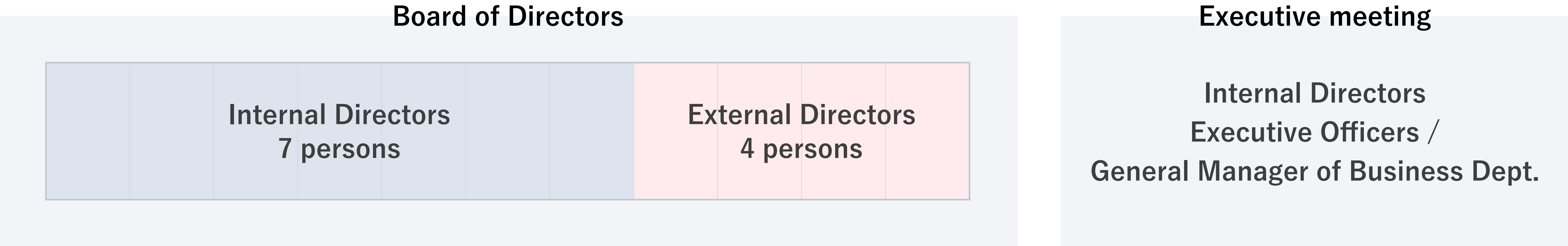
Full-scale investment targeting business expansion

(limited-scale investment or withdrawal also possible)

(1) For Japan, the figures are calculated by multiplying the annual average job entry rate for occupations falling into the "Medical and Welfare" and "Lifestyle Related Services" categories in the FY2019 Employment Trends Survey results (approximately 16% for "Medical and Welfare" and 25% for "Lifestyle Related Services," totaling approximately 1.68 million) by the average JobMedley unit hiring rate for each occupational category. The figures for the USA are our calculations based on publicly available information.

From April 2023, in order to strengthen the supervisory function of the Board of Directors and improve the execution speed of management, the structure of the Board of Directors will be redesigned and its authority will be transferred to the executive divisions.

Current



Strengthen the supervisory function
of the Board of Directors



Improve the execution speed of management
(transfer of authority)

Change proposal



The profiles of the new Directors and Corporate Auditors to be appointed are as follows. The aim is to strengthen in particular the areas of human resources and organization and global management, taking into account the balance of knowledge, experience and competence of the Board of Directors as a whole (skills matrix).

External Director

Rina Sakuraba

She joined GE Healthcare Japan in 2016 after working for Pan Nations Consulting Group Co., Ltd., GE Fleet Services Corp. (currently Sumitomo Mitsui Finance and Leasing Company, Limited), Allianz Global Corporate & Specialty SE, etc. She served as General Manager of the Human Resources Division and as Executive Officer. In 2020, she founded 35 CoCreation Inc., which provides organizational development and other support and HR consulting services, continues to serve as a Representative Partner.

External Director

Reiko Nagatsuma

Worked at KDDI Corporation and Tokyo FM Broadcasting before joining Microsoft Japan in 2003. She engaged in business strategy planning for online business, etc. In 2009, she joined Amazon Japan, heading up the Seller Services Business Division as a General Manager, She currently serves Managing Director of Twitter Japan. (plans to retire in February 2023)

External Director

Keisuke Hioki

After working at Sumio Sato Tax Accountant Office (currently Zeirishi Houjin Meinan Keiei), PwC Consulting, and IBM Business Consulting Services, he joined Deloitte Tohmatsu Consulting (currently Deloitte Tohmatsu Consulting LLC) in 2007. He served as an Executive Partner from 2013. Joined Boston Consulting Group as an expert in Corporate and Portfolio Strategy in 2020, he was involved Global corporate functions design, CxO advisory program, etc.

External Auditor

Ryoko Nagata

In 1987, she joined Japan Tobacco Inc. After working in the Pharmaceutical Division, Human Resources Department, and the General Manager of the Product Management of Food Division, she became the company's first female Executive Officer in 2008, when she was appointed Executive Officer and General Manager of the Beverage Division. She has served as an Executive Officer in charge of CSR and as a full-time auditor. Since 2021, she has also served as an Outside Director (member of the audit committee) of Honda Motor Co., Ltd.

Major Potential Risk Factors Toward Mid-Term Targets and Measures (1/2)

As part of our efforts to reach our mid-term targets and maximize free cash flow over the long term, we identify and analyze risks and develop appropriate responses to them. Below, we outline major risks.

Major Risk Factor ⁽¹⁾	Segment	Possible Risk Scenario	Major Measures
Intensification of competition for human resources	All	<ul style="list-style-type: none"> Intensification of competition with other Internet companies for human resources could impede the continued growth of our businesses 	<ul style="list-style-type: none"> Strengthen our incentive plan Introduce a human resources system with the goal of achieving sustainable business growth Increase spending related to engineer hiring and raise unit prices
Large-scale leak of personal information	All	<ul style="list-style-type: none"> The leak or loss of personal information obtained by the Group could lead to a loss of trust in the Group by society, a decline in competitiveness, and result in the bearing of large costs in the form of compensation for damages 	<ul style="list-style-type: none"> Continue international ISMS certification Conduct information handling training for employees Improve security systems Conduct thorough information access management Strengthen internal control systems
Large-scale system failure	All	<ul style="list-style-type: none"> Prolonged system failure could have an adverse impact on the relationships of trust that the Group has built with our customers 	<ul style="list-style-type: none"> Strengthen systems to ensure stable operations Enhance security Construct a system that can be restored in a short period of time
Prolongation of the COVID-19 crisis	All	<ul style="list-style-type: none"> An extended economic slowdown in Japan resulting from people voluntarily refraining from outings and businesses voluntarily suspending operations owing to prolongation of the COVID-19 crisis could have an adverse impact on our businesses 	<p>(HR PF)</p> <ul style="list-style-type: none"> Fully integrate online interview and video screening functions <p>(All segments)</p> <ul style="list-style-type: none"> Enhance remote work environment Improve internal communication

(1) Herein, we summarize a selection of the risks to growth and achievement of our targets listed in the Business Risks section of our securities reports. Highlighted are risks that have a medium or greater possibility of materializing.
For information regarding other risks, please see the Business Risks section of our securities reports.

Major Risk Factor ⁽¹⁾	Segment	Possible Risk Scenario	Major Measures
Intensification of competition	HR PF	<ul style="list-style-type: none">• Increase in advertising and sales promotion costs in response to heating up of competition	<ul style="list-style-type: none">• Continue to follow cost leadership strategy• Expand and enhance our pool of registered medical professionals• Expand our product lineup to meet the needs of our customers• Improve functionality and user friendliness to increase customer utilization ratio• <u>Considering raising prices to meet wage increases</u>
	Medical PF	<ul style="list-style-type: none">• Decline in per-customer unit pricing due to heating up of competition	<ul style="list-style-type: none">• Increase per-customer unit pricing by expanding product lineup• Develop services with input from medical professionals with clinical experience including engineers and doctors• Increase efficiency and functionality of operations• <u>Expanding business to provide high-value-added services leveraging our large customer base</u>
Regulatory changes	Medical PF	<ul style="list-style-type: none">• As the Company provides novel healthcare experiences including telemedicine and online drug administration guidance, if an issue arises in the provision of these services, questions could be raised in society regarding the reliability and appropriateness of such services and this could result in the tightening of applicable regulations	<ul style="list-style-type: none">• As the company with a track record of installing the largest telemedicine and online drug administration guidance systems in Japan, we will leverage our systems to support medical institutions in an appropriate manner

(1) Herein, we summarize a selection of the risks to growth and achievement of our targets listed in the Business Risks section of our securities reports. Highlighted are risks that have a medium or greater possibility of materializing.
For information regarding other risks, please see the Business Risks section of our securities reports.

1. FY2022 Q4 Results

2. FY2022 Results

3. Revision of Mid-Term Targets and FY2023 Forecast

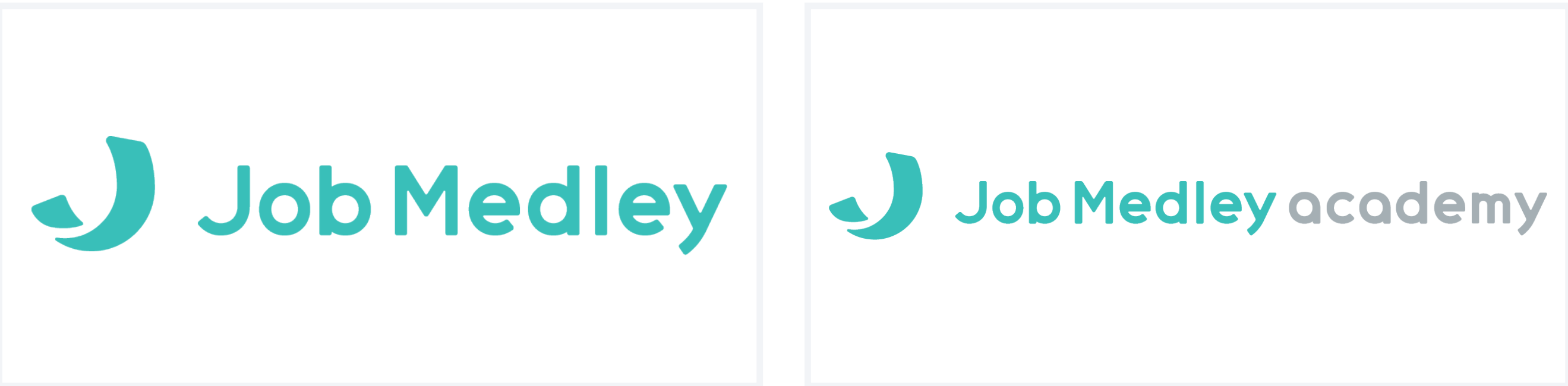
4. Investment Highlights

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

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

HR PF Business

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



New Services

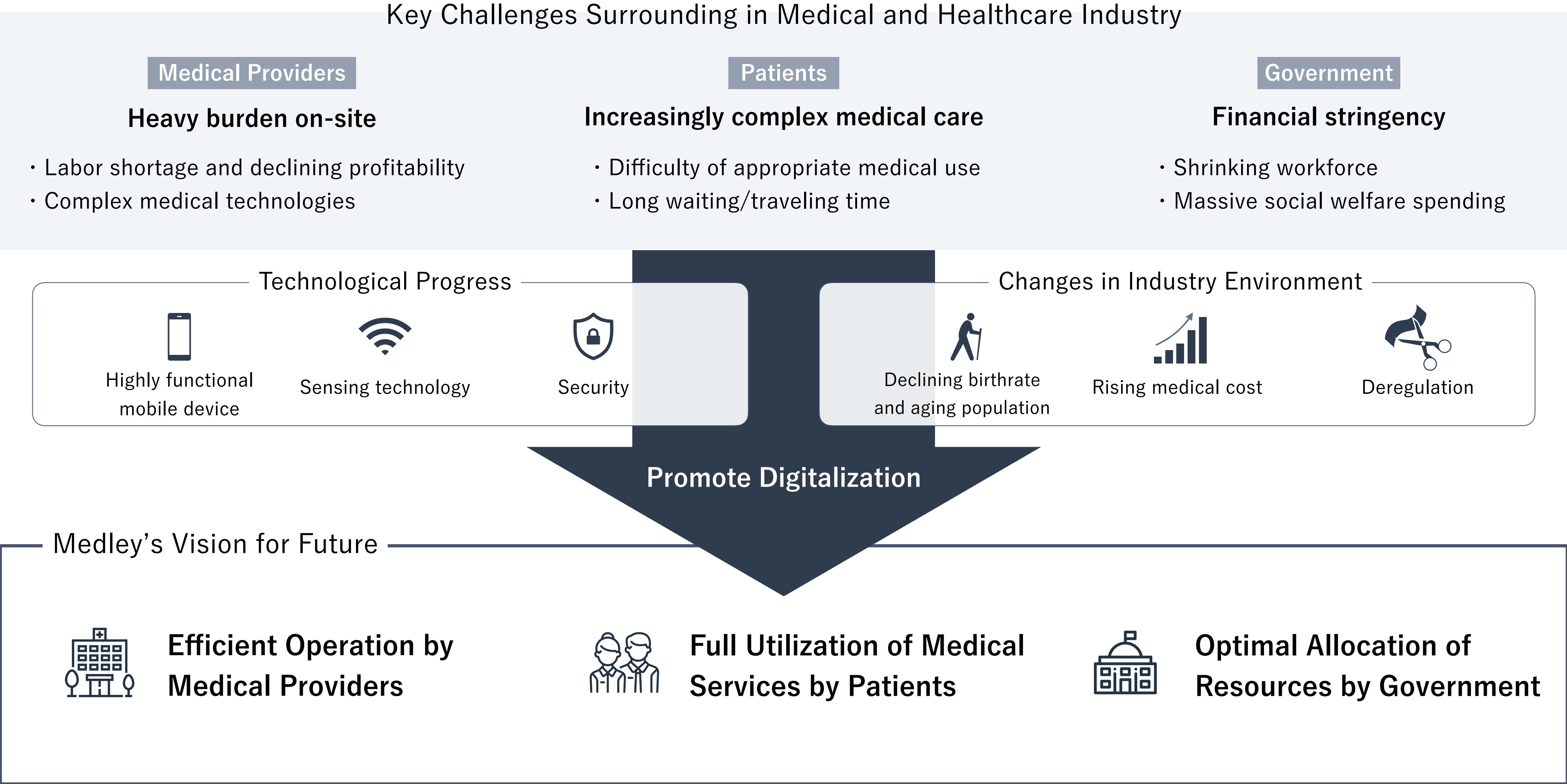
We are continuously developing businesses to promote the use of IT in the nursing care area and in peripheral areas.

Medical PF Business

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



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



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

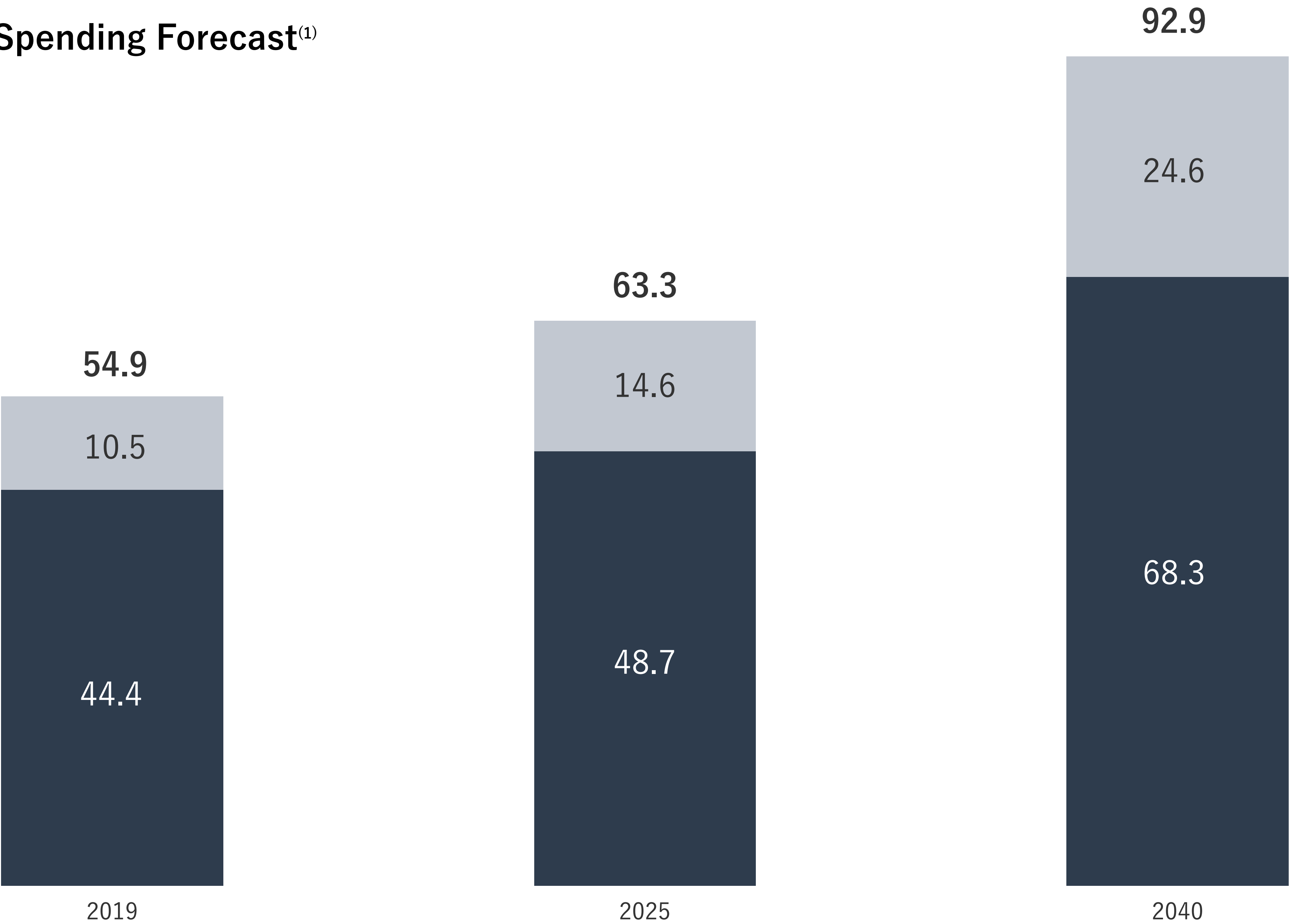


Spending on social welfare is expected to rise continuously in Japan owing to the aging of the population. The number of medical care workers taking care of elderly patients is also expected to rise.

Social Welfare Spending Forecast⁽¹⁾

(JPY Trillion)

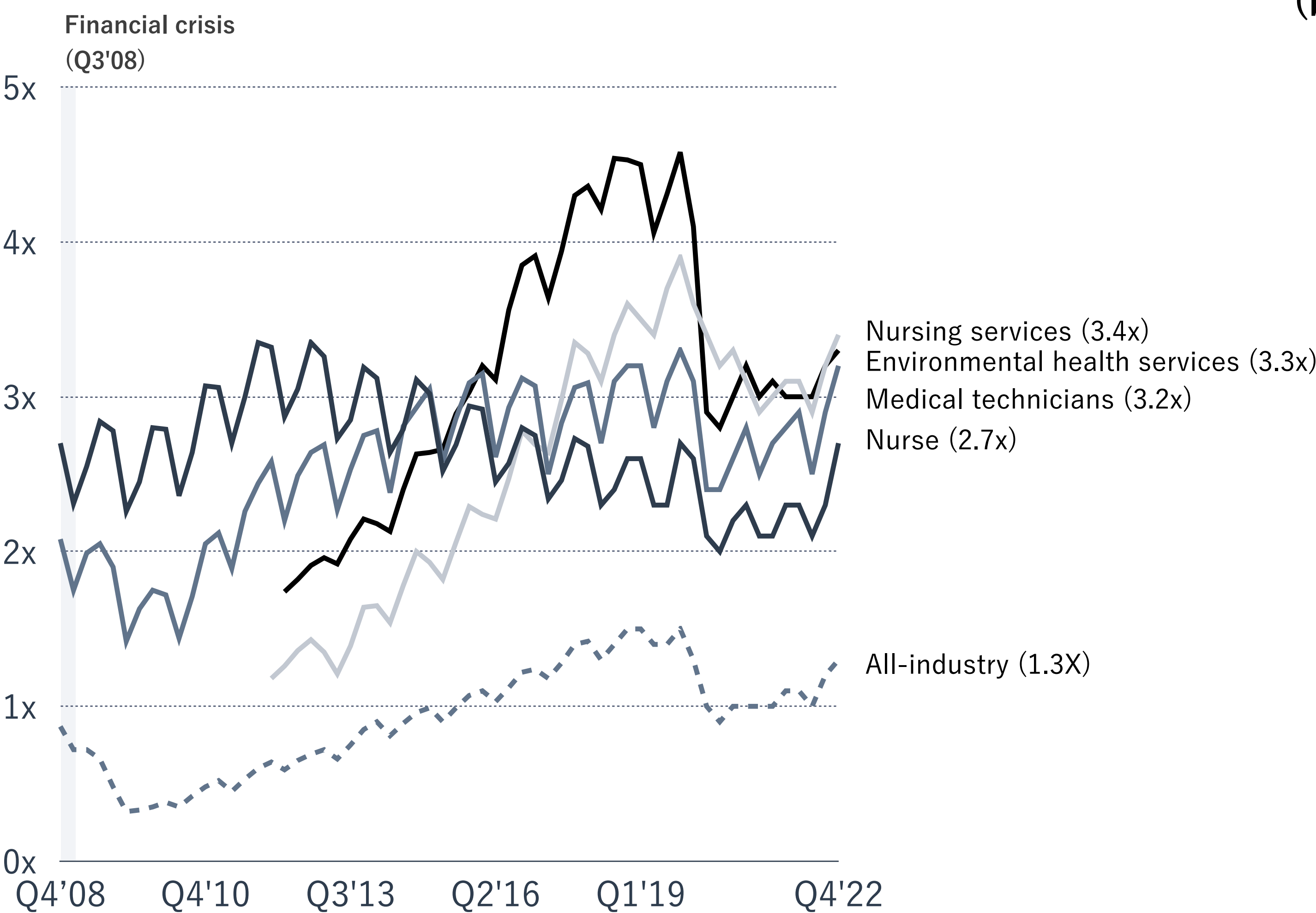
- Nursing care cost
- Medical cost



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

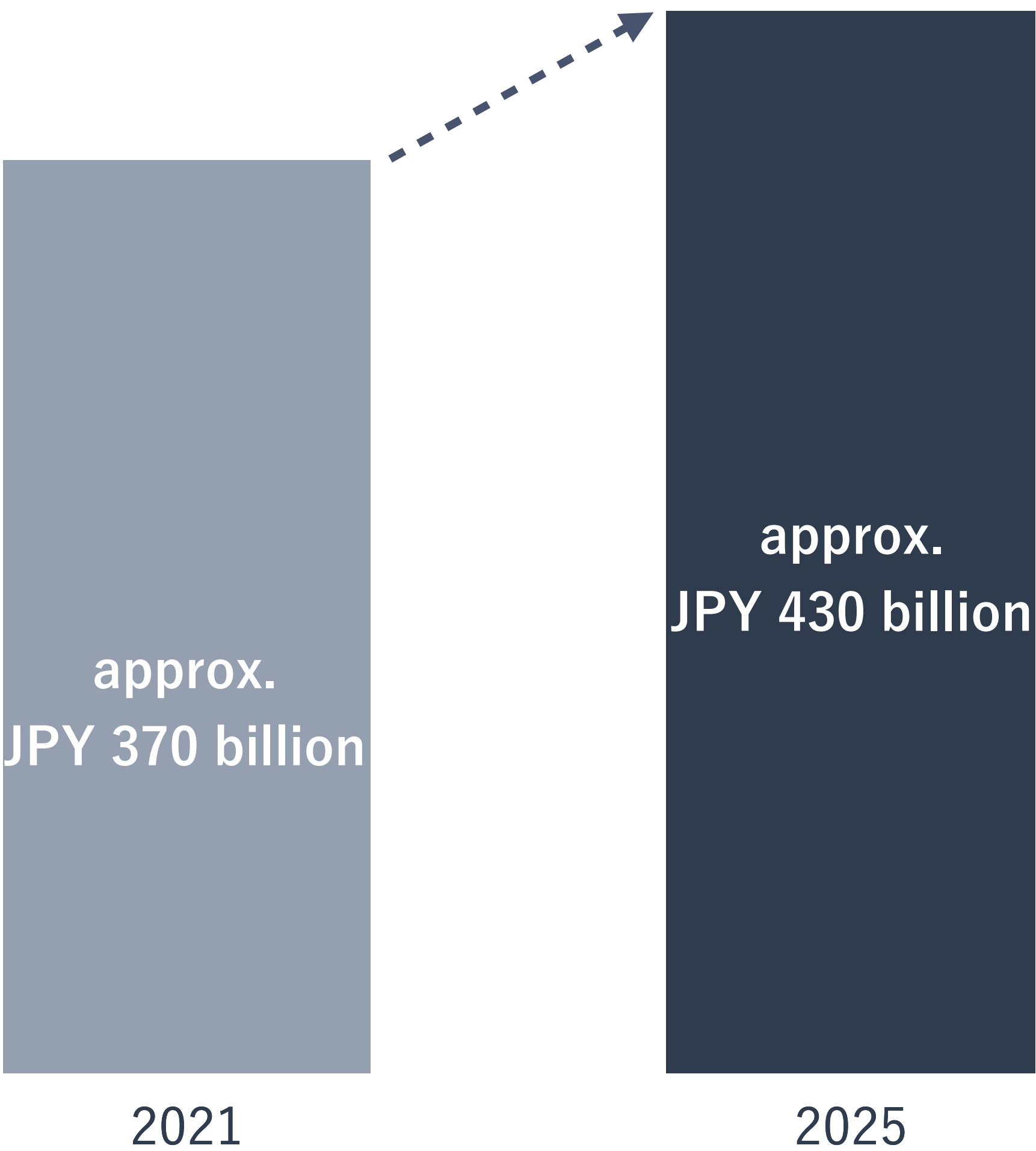
The Japanese medical industry suffers from a chronic shortage of workers, with a jobs-to-applicant ratio remains much higher than the average for all industries regardless of economic conditions. We estimate the current market size to be approximately JPY 370 billion, and expect expansion to up to JPY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

Ratios of Job Openings to Job Applicants⁽¹⁾



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

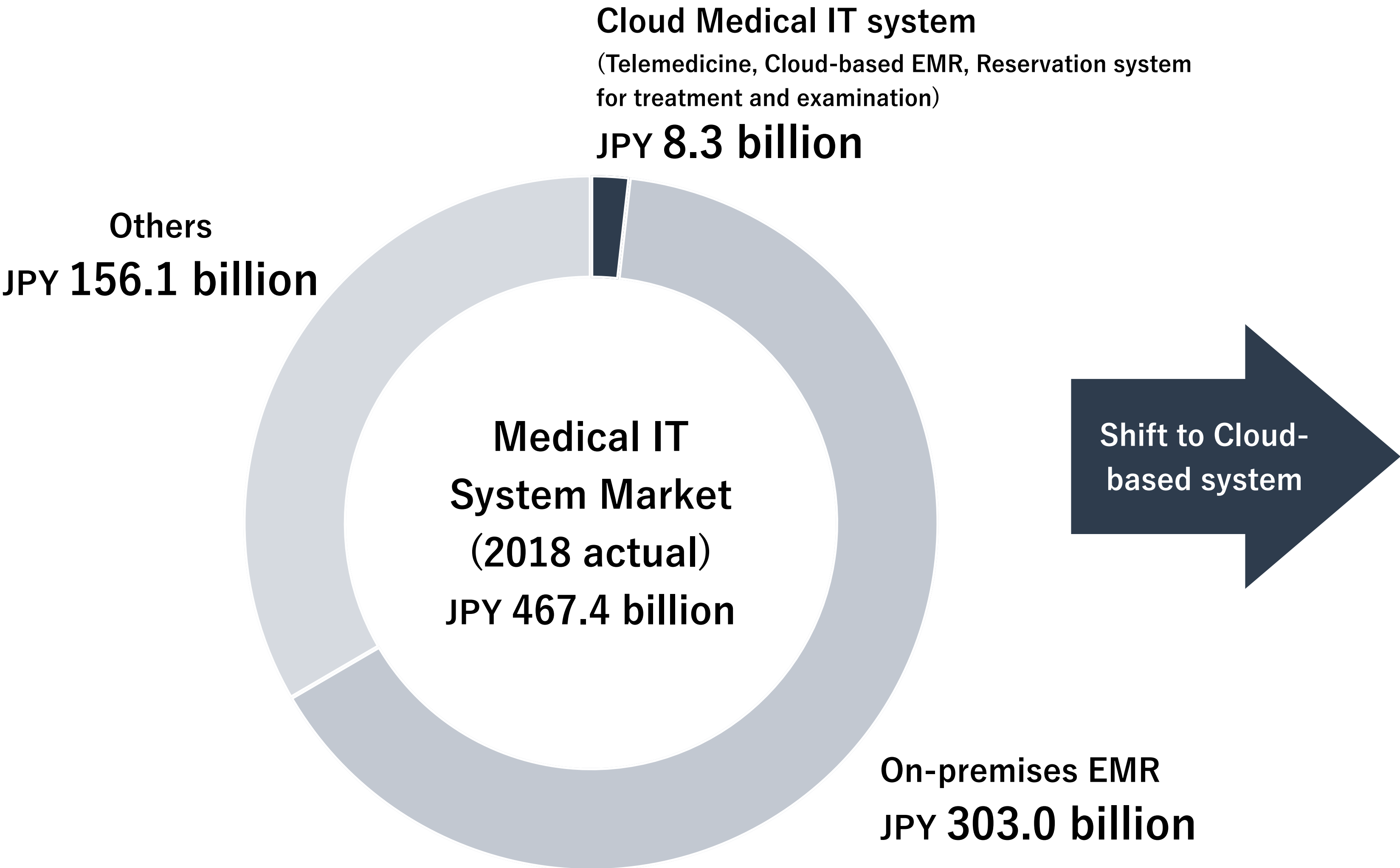
Market Scale of the Medical/Healthcare Recruitment Industry
(based on our unit price)⁽²⁾



(2) Estimates by Medley, Inc.
FY2021A: Calculated based on the number of employees in the medical/beauty healthcare industries in Japan (roughly 9.9 million), the average annual hiring rate for occupations that fall under the category of “medical care/welfare” and “environmental health services” in FY2019 employment trend survey results (approximately 16% for the “medical care/welfare”, approximately 25% for the “environmental health services” = approximately 1.6 million people), and the average unit price of JobMedley placements for all occupation categories.
FY2025E: Based on the abovementioned FY2021A multiplied by the medical cost growth rate in Future Outlook for Social Security in Anticipation of 2040 published by the Cabinet Secretariat, the Cabinet Office, the Ministry of Finance, and the Ministry of Health, Labour and Welfare.

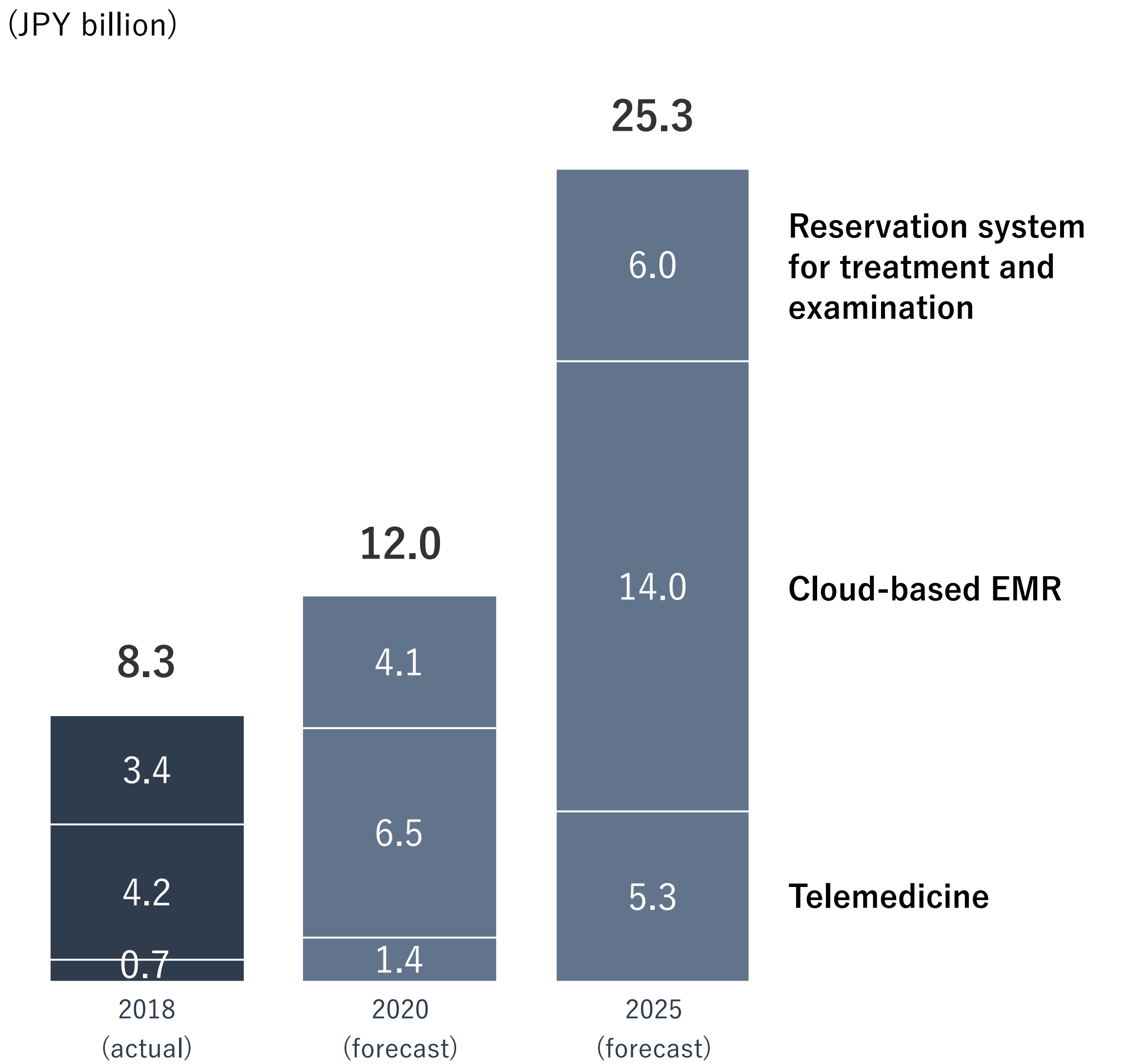
Estimated current medical IT system market size is approximately JPY 470 billion. Today, the bulk of the systems used in medical industry are on-premises based (on-site servers), but more platforms have been adopting cloud-based systems since the deregulation in 2010, owing to advantages in terms of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

Scale of the Medical IT System Market ⁽¹⁾



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

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



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

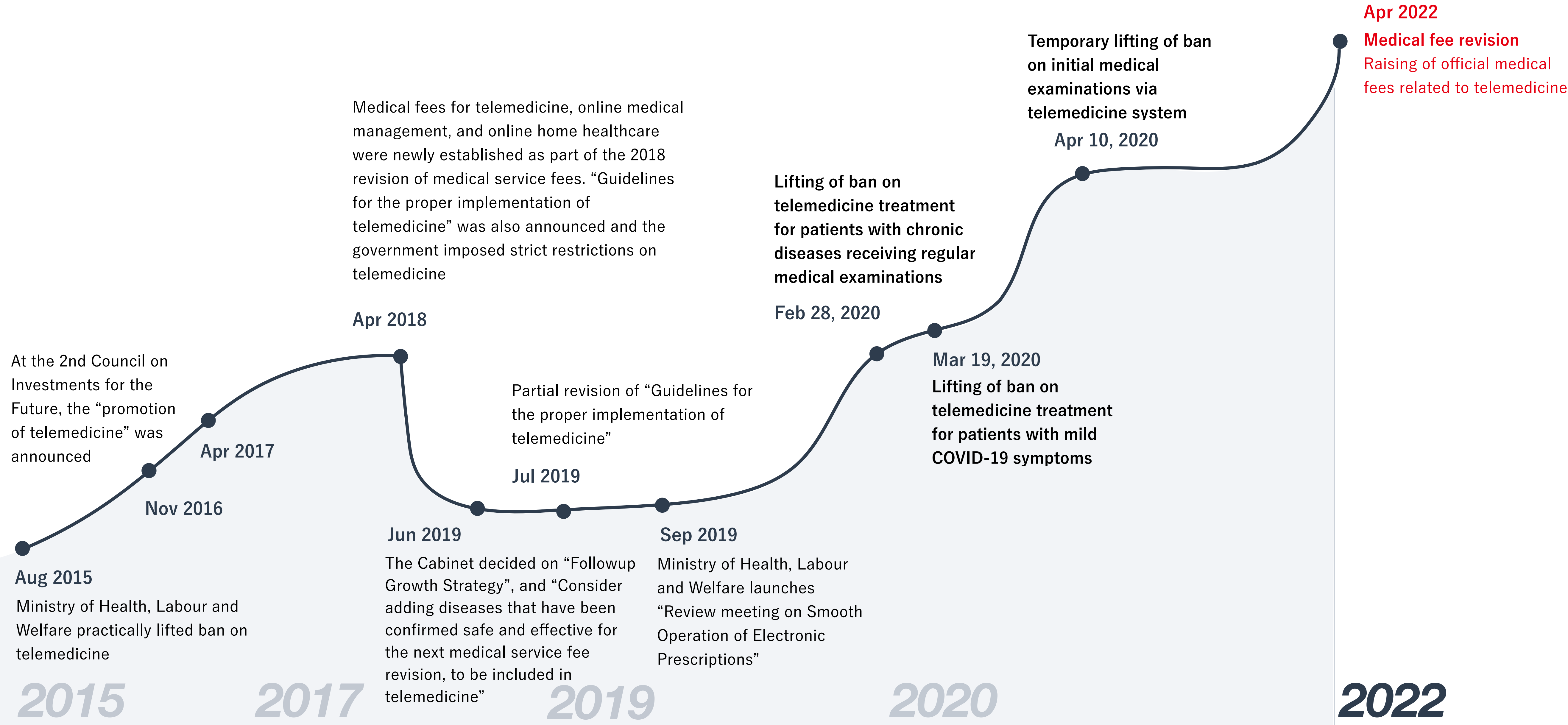
(1) Future Outlook for Medical Big Data Business and Seamless IT / Cloud Computing of Medical IT in 2020 by Fuji Keizai

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

Institution/Policy	Overview	Major medical affairs
The Revision of Official Medical Fees in 2022	<ul style="list-style-type: none">Implemented on April 1, 2022Large-scale deregulation of telemedicine and Online drug administrationPromoting digital utilization in the dental field	<ul style="list-style-type: none">Increase in points assigned to initial examinations (to just under 90% of face-to-face medical treatment)Changes to calculation requirements for online drug administration guidance<ul style="list-style-type: none">Calculation requirements for online drug administration guidance is no longer limited to “patients receiving prescriptions via telemedicine systems”Addition of item related to “follow up” to requirements for drug administration guidance feesAdditional points for home dental care using telecommunication devices
Basic Policy on Economic and Fiscal Management and Reform 2022 (The Basic Policy 2022 ⁽¹⁾)	<ul style="list-style-type: none">Cabinet decision on June 7, 2022Basic economic policy of Kishida Cabinet<ul style="list-style-type: none">Fiscal policy, and investment in human resources, green procurement, digitalization, etc. to achieve the concept of “New Form of Capitalism”Promoting medical DX as a priority investment<ul style="list-style-type: none">Established “Headquarters for Medical Digital Transformation (DX) Promotion” on October 12, 2022	<ul style="list-style-type: none">Creation of a national medical data platform<ul style="list-style-type: none">Sharing and exchanging information using “On-line qualification confirmation” systemPromoting standardization and implementation of EMRs<ul style="list-style-type: none">Utilization of a medical informatization support fundPromoting DX related of medical fee revision<ul style="list-style-type: none">Streamlining for revision and the related of official medical fees
Vision for a Digital Garden City Nation ⁽²⁾	<ul style="list-style-type: none">Cabinet decision on June 7, 2022Realize new rural environments nationwide that are both convenient and attractive while maintaining their prosperity<ul style="list-style-type: none">Aggressive promotion of DX in rural areas in both the public and private sectors by building digital infrastructure quicklyThe government provides grants to local governmentsHealthcare is an important theme for “building an attractive community”	<ul style="list-style-type: none">Community revitalization through disease prevention and promotion of health promotion<ul style="list-style-type: none">Improving the environment for the development of PHR services, etc.Use of future technologies in the medical field<ul style="list-style-type: none">Use of future technologies in the medical field (Proper spread and promotion of telemedicine)The spread and promotion of online drug administrationPushing for using electronic prescription and on-line qualification confirmation, etc.

(1) The Kishida Cabinet’s Basic Policy on Economic and Fiscal Management and Reform 2022 Reference: https://japan.kantei.go.jp/ongoingtopics/kishida_basic_policy.html
(2) Prime Minister Kishida’s policy concept Reference: https://www.japan.go.jp/kizuna/_userdata/pdf/2022/spring2022/vision_for_a_digital_garden_city_nation.pdf

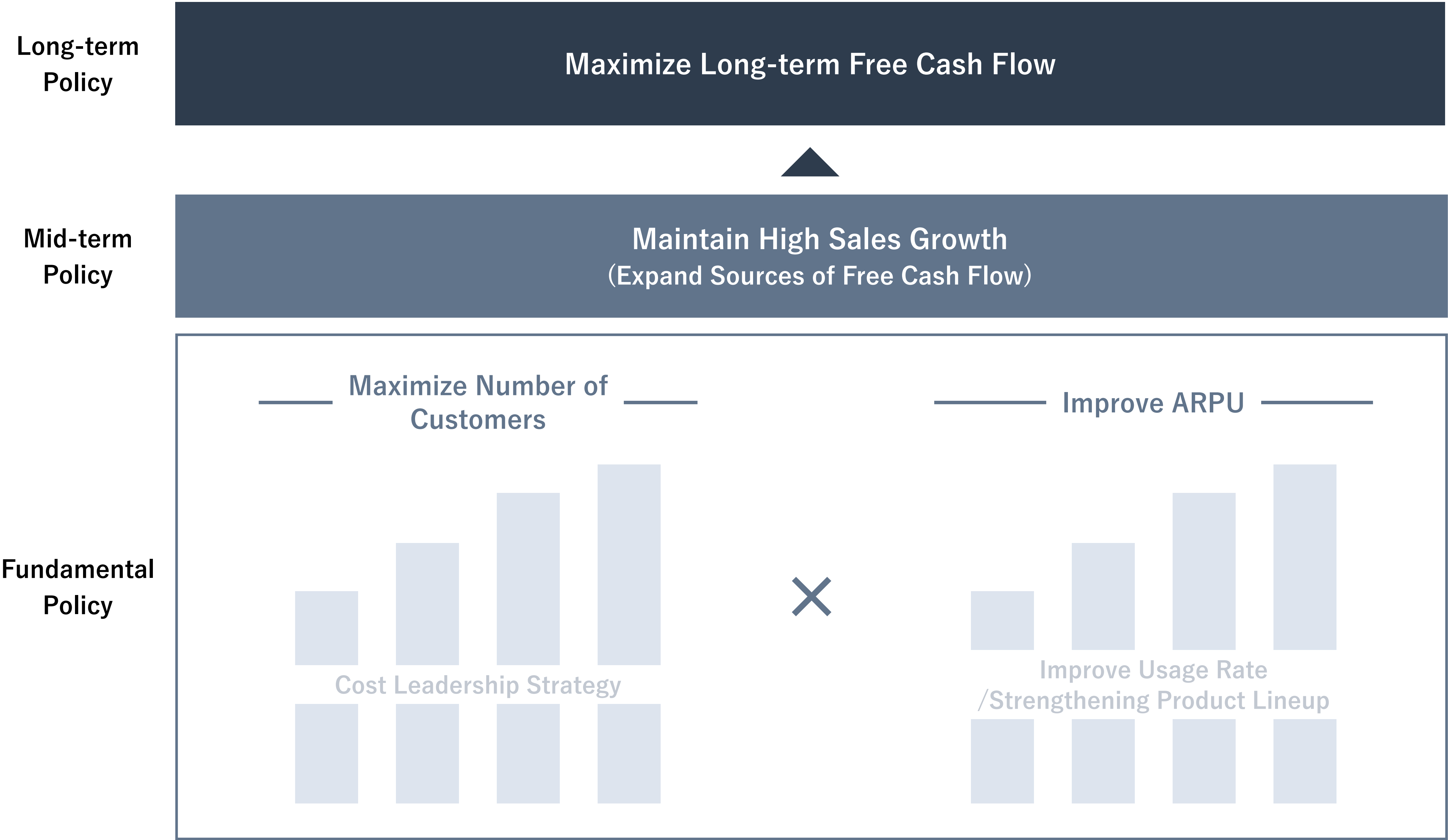
Starting in 2020, large-scale deregulation was implemented as a temporary measure in response to COVID-19. Further deregulation was implemented along with the revision to official medical fees in 2022.



Maintain High Sales Growth by Maximizing Number of Customers and ARPU



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

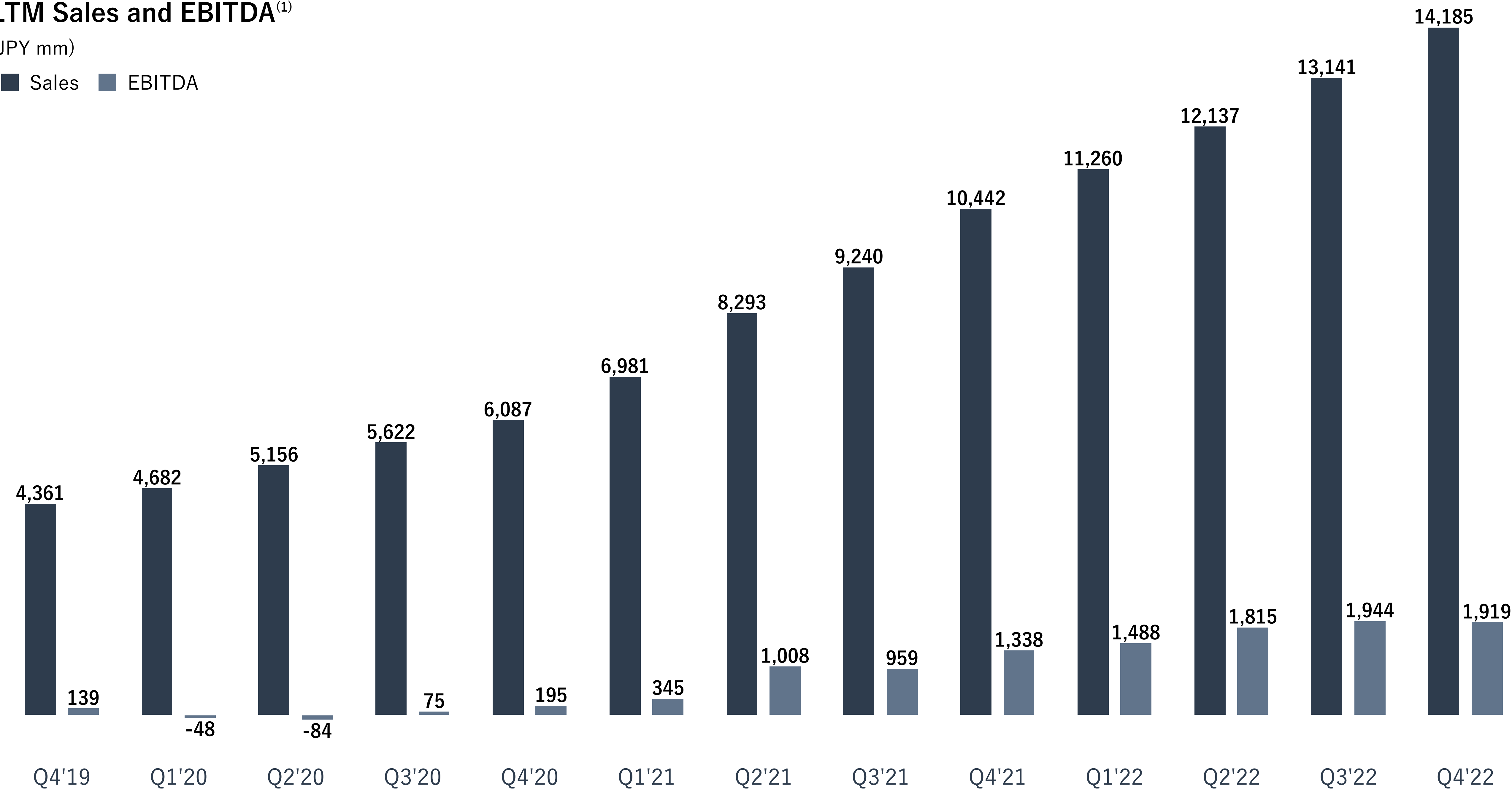


Although sales in HR PF tend to concentrate on every Q2, sales and EBITDA for the last 12 months (LTM) have been on a stable increasing trend.

LTM Sales and EBITDA⁽¹⁾

(JPY mm)

■ Sales ■ EBITDA

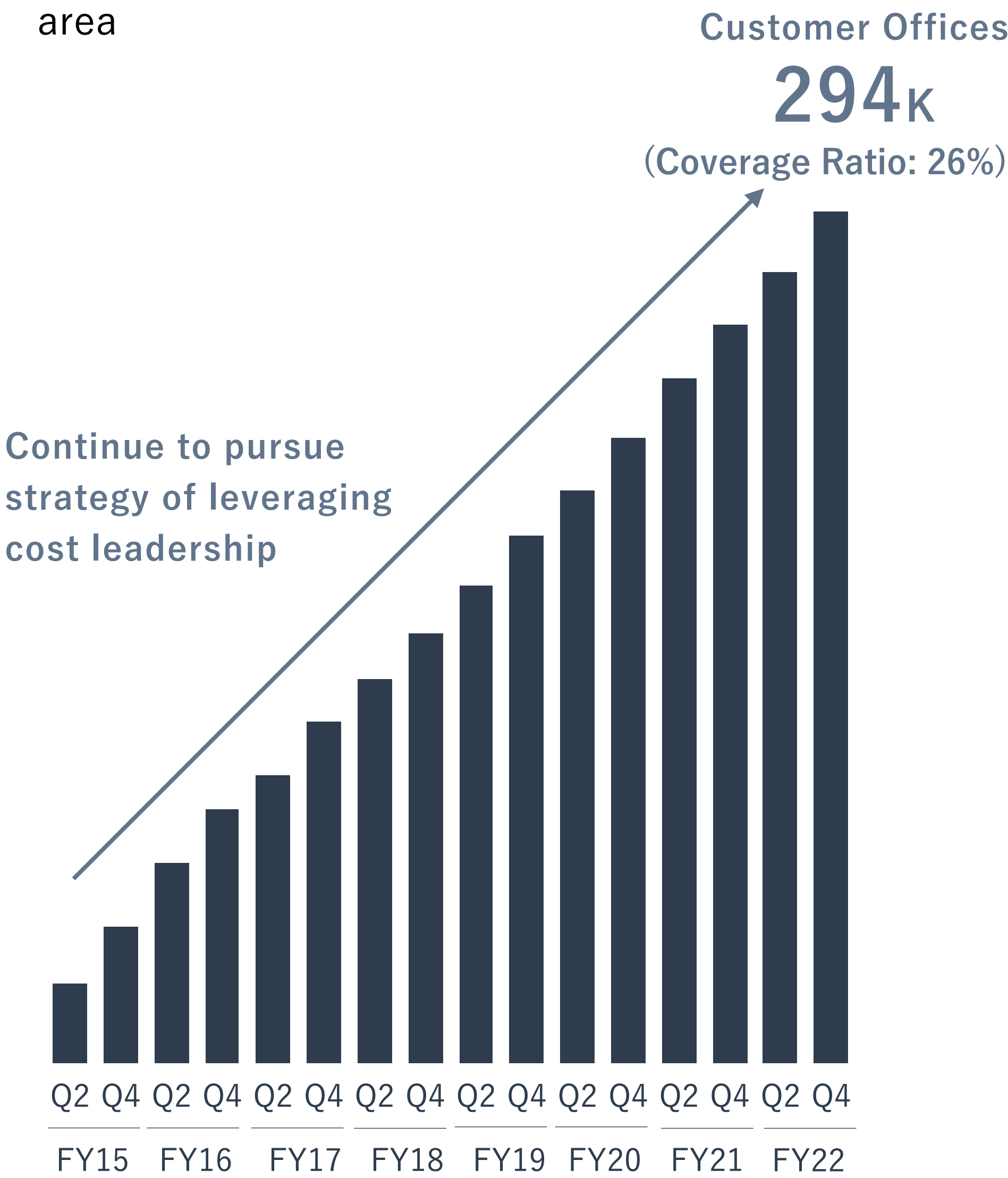


(1) Sum of sales and EBITDA for the last 12 months from the end of each quarter. Sales is based on New Revenue Recognition Standard.

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

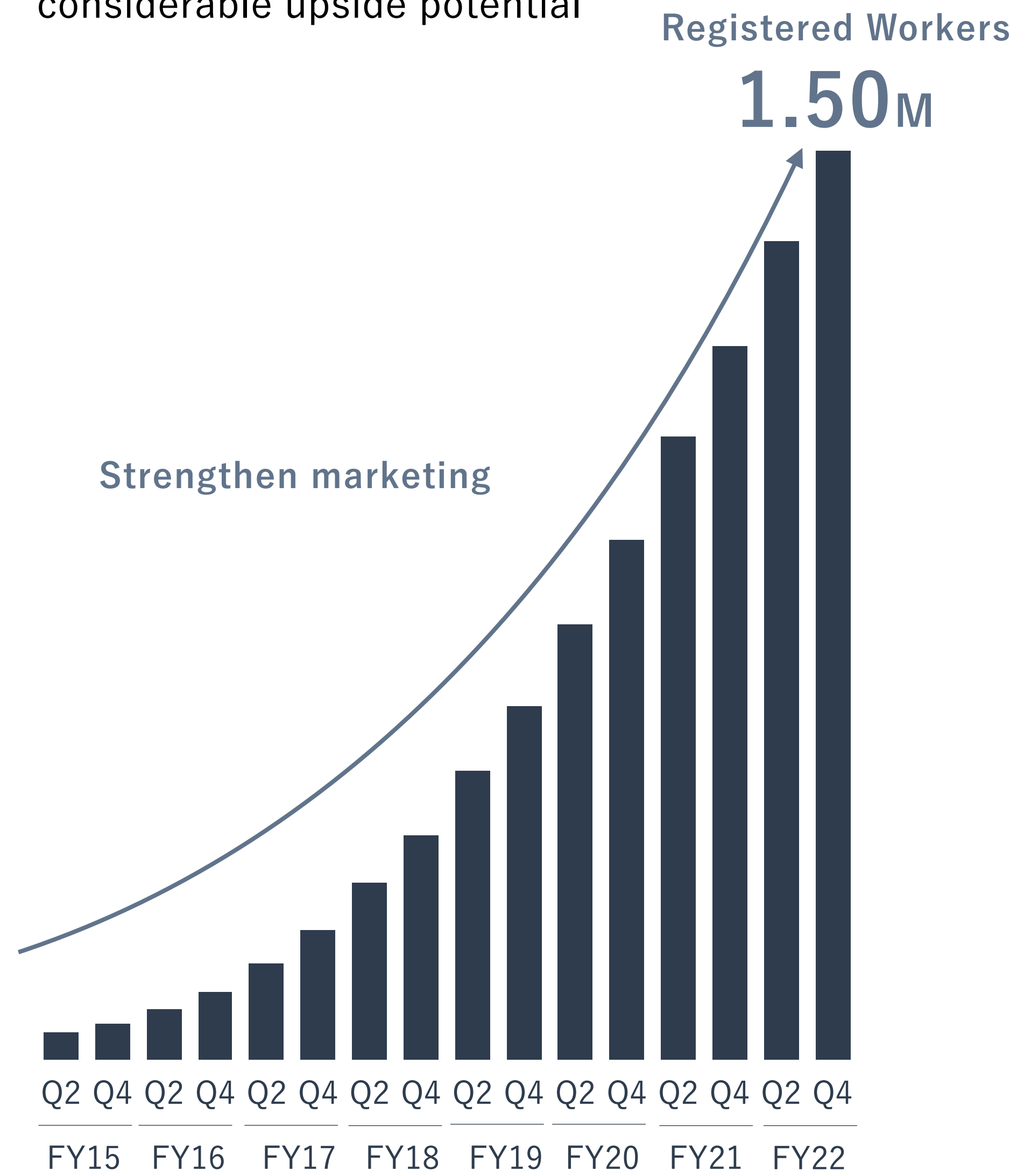
Maximize Number of Customers

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

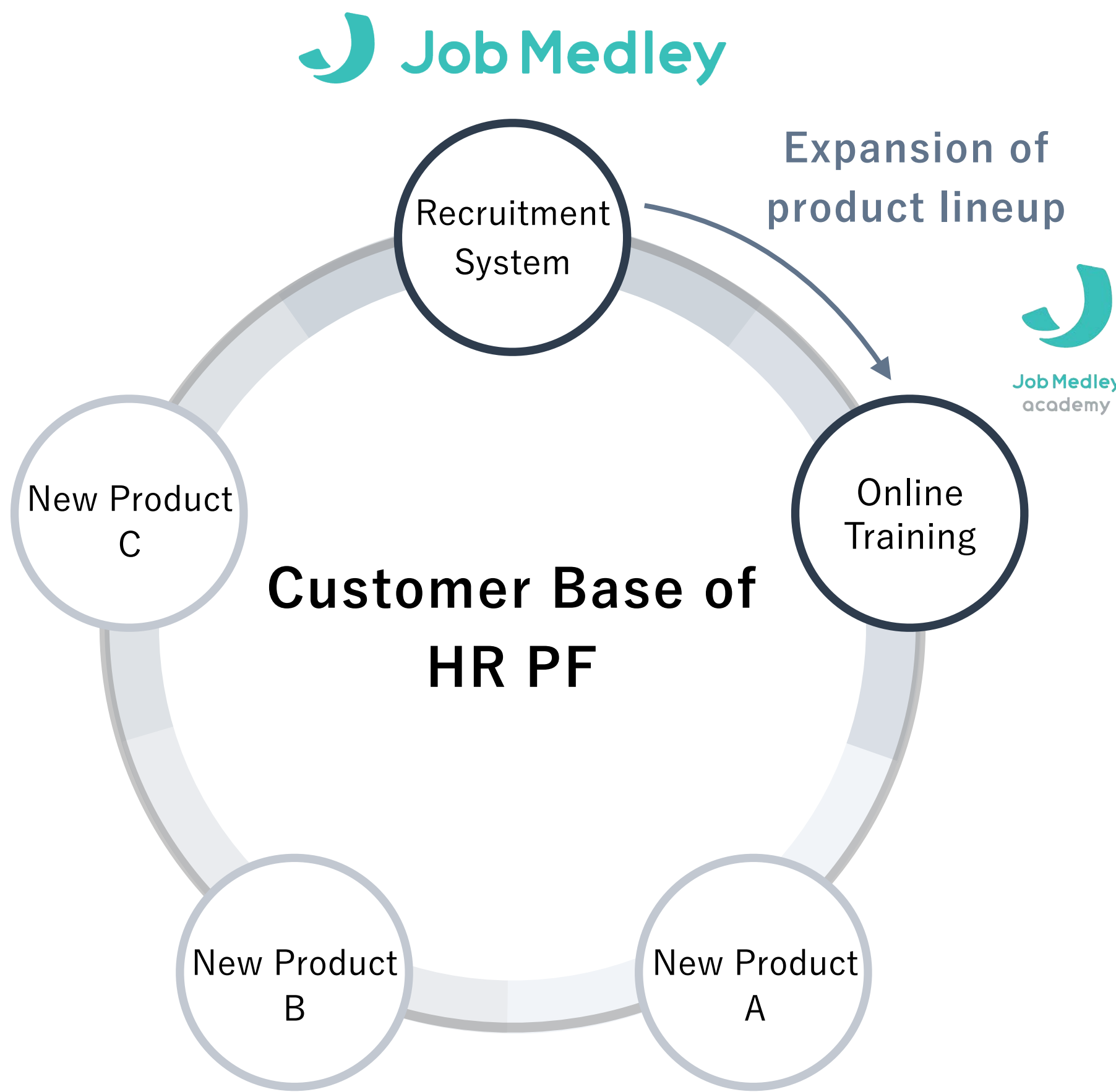


Improve ARPU

- As the number of employees in the medical industry in Japan is over 10 million⁽¹⁾, we see considerable upside potential



- Leverage the customer base for our recruitment systems and promote digitalization of related operations such as online training, etc.



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

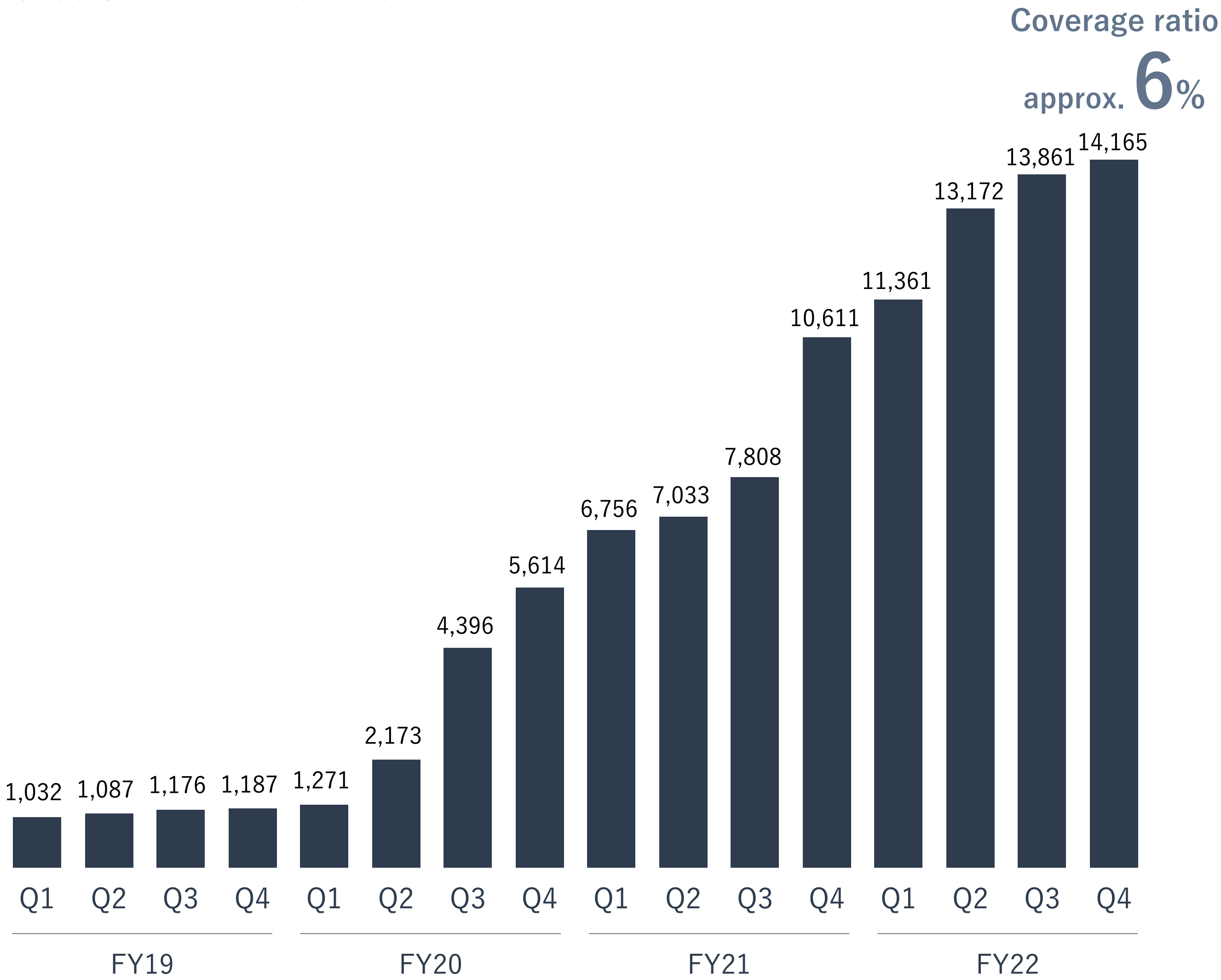
Medical PF: Improved ARPU via Synergy with HR PF Business Customer Base



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

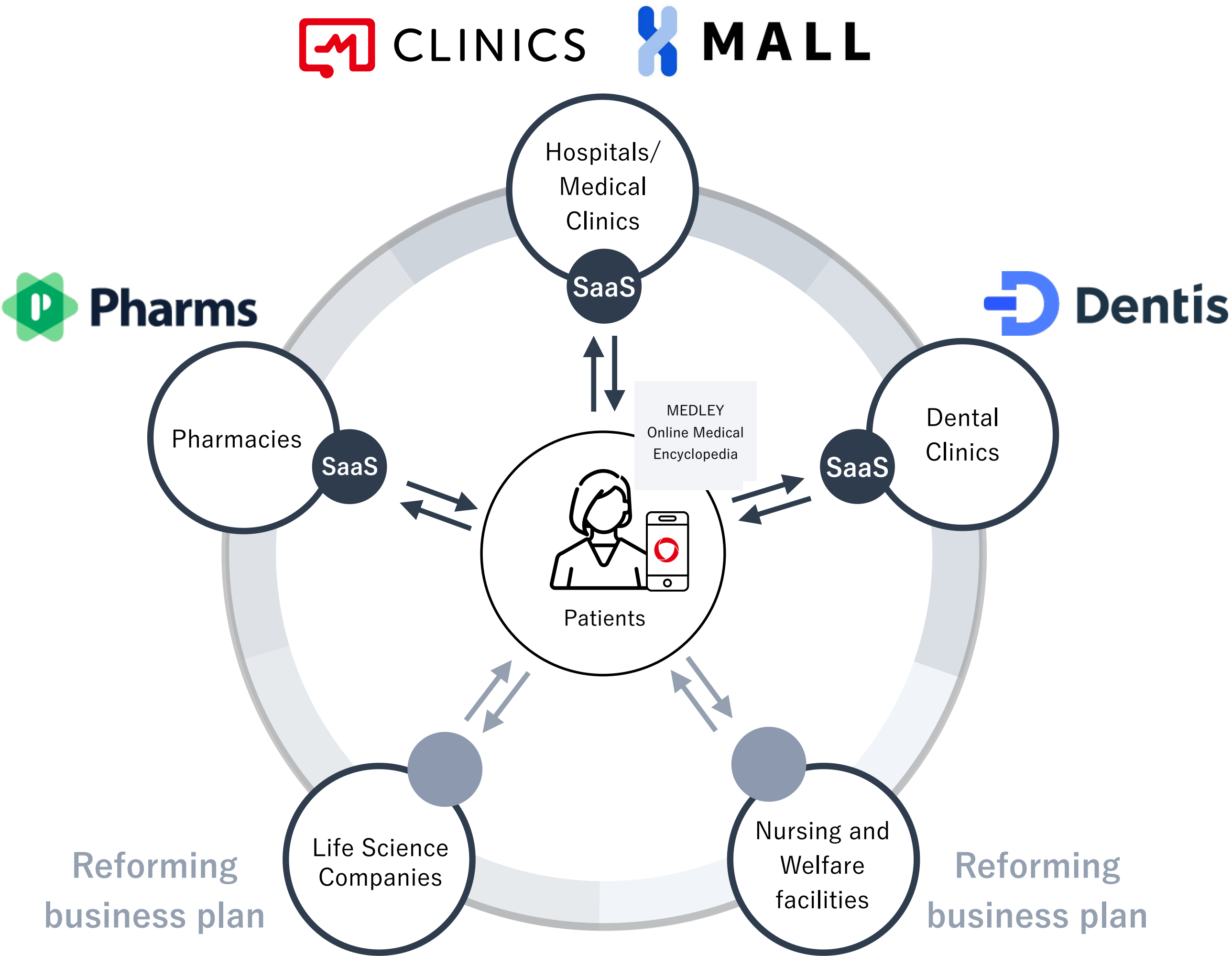
Maximize Number of Customers

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



Improve ARPU

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

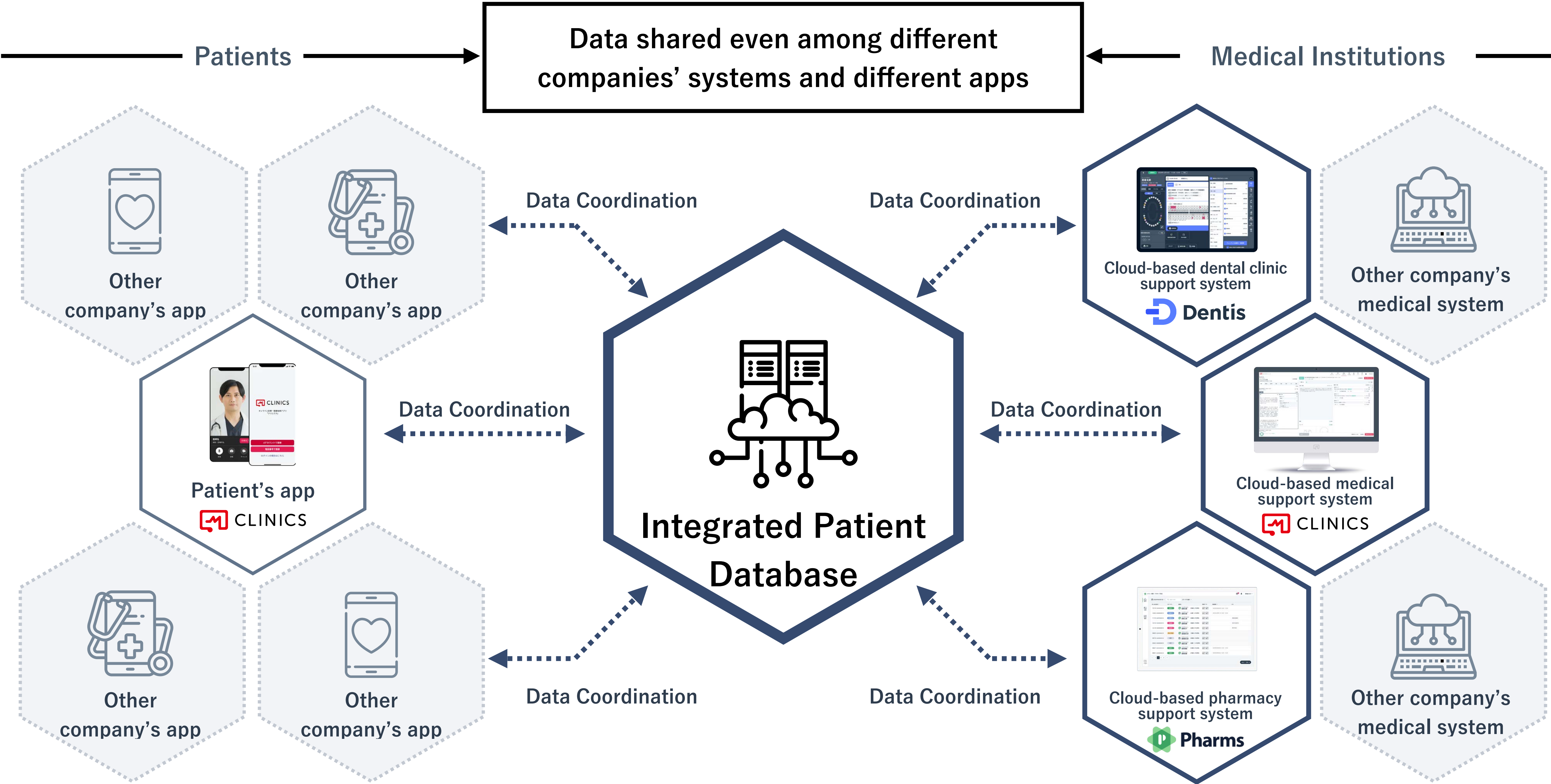


(1) Ministry of Health, Labour and Welfare statistics

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



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



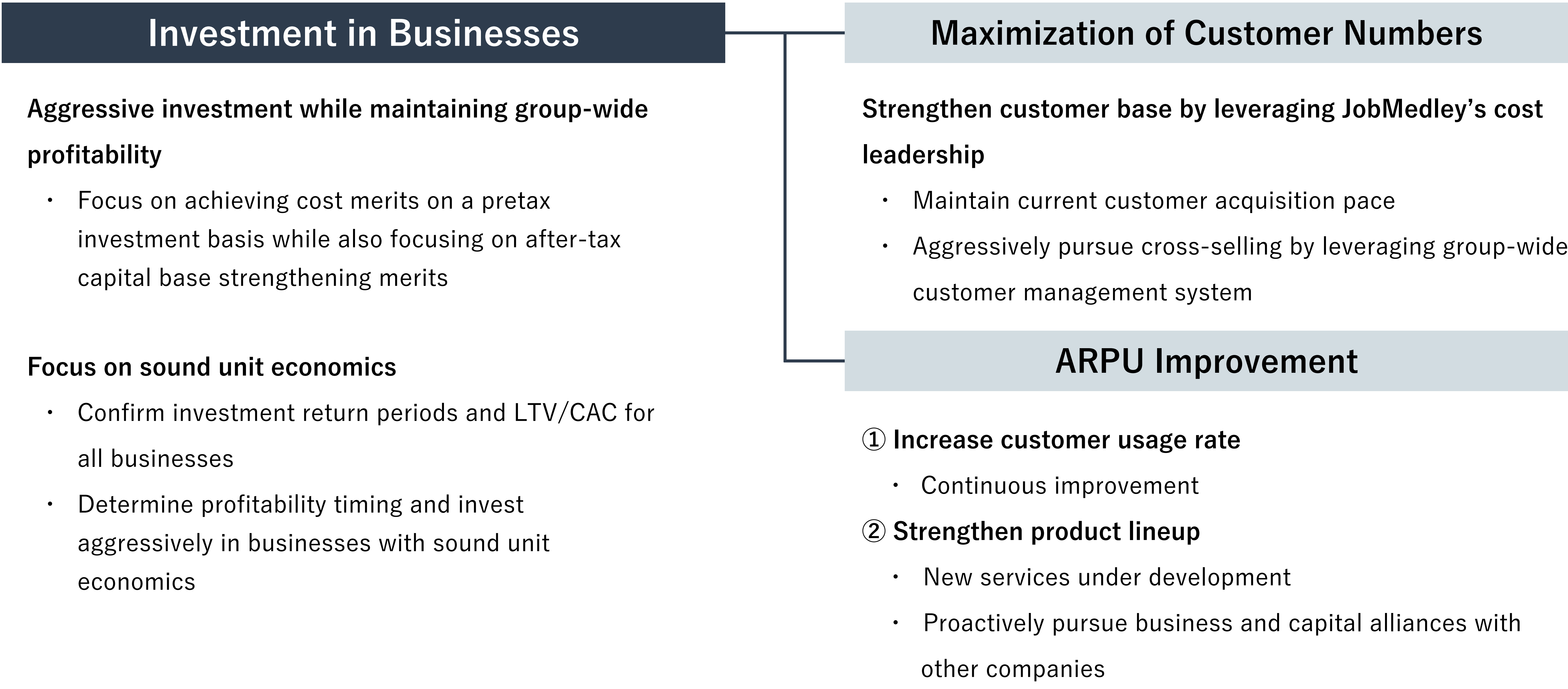
In order to reach our mid-term targets ahead of schedule, we will aggressively invest capital secured via operating cash flow and interest-bearing debt in our businesses. We will also conduct M&A while keeping the company EBITDA positive on a companywide basis.

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

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



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

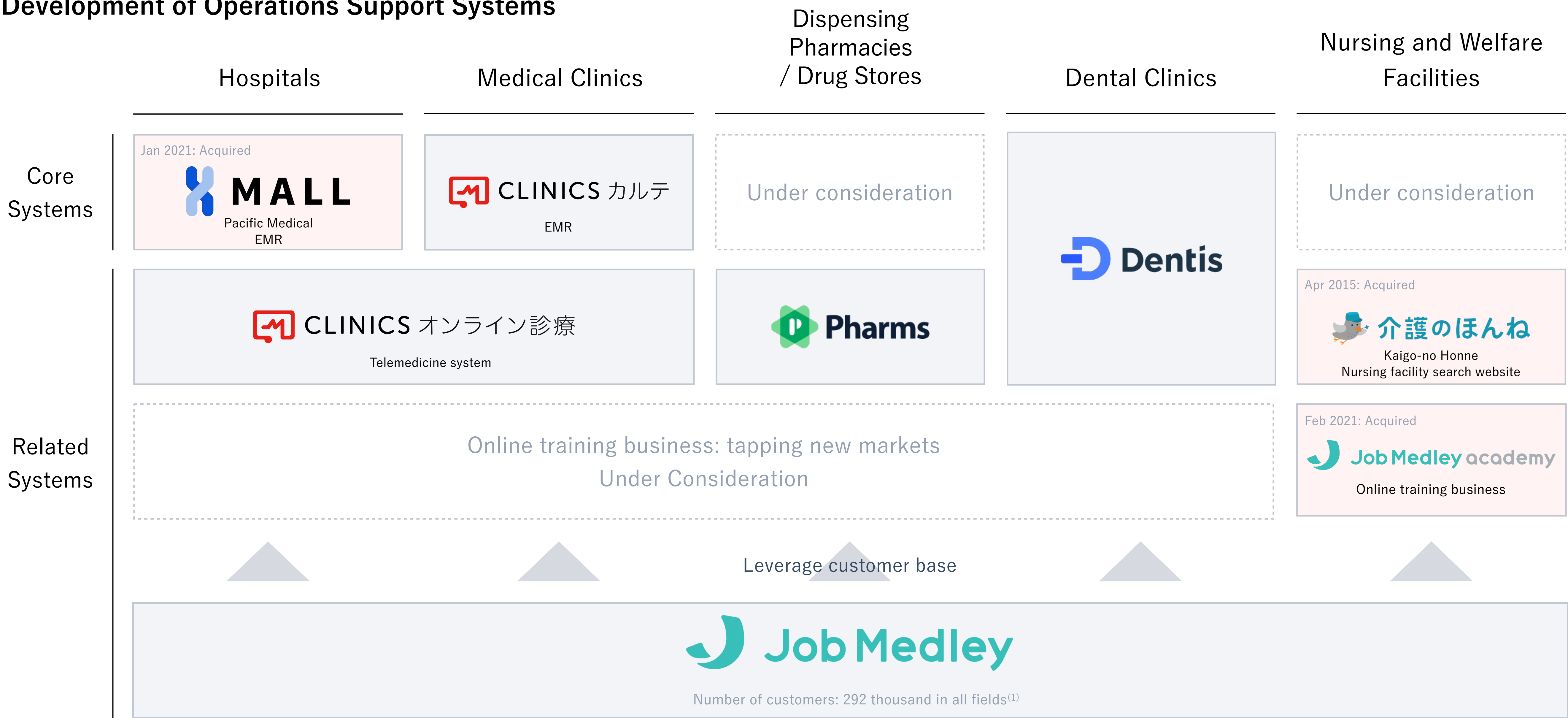


B: Promoting Digitalization in the Healthcare Sector Through Synergy-Focused M&A



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

Development of Operations Support Systems



(1) As of end of December 2022

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










Name	Impacted segment	Time of grouping	Status
Tenxia	HR PF	Sep. 2022	<ul style="list-style-type: none">Initiatives to generate long-term synergies with recruitment systemIntegrated into Medley in February 2023
NaCI MEDICAL	Medical PF	Mar. 2019	<ul style="list-style-type: none">Made progress in development of new cloud-based receipt computer and merged the company with Medley
Pacific Medical	Medical PF	Jan. 2021	<ul style="list-style-type: none">Strengthened sales and marketing of EMR systems to small- and medium-sized hospitalsLeveraged existing assets to develop the MINET group management system for medical corporations and to assist with regional medical cooperation
MEDiPASS	HR PF/Medical PF / New Services	Feb. 2021	<ul style="list-style-type: none">Integrated online training business with Medley in January 2022, improved core functions, and developed multilingual supportRegarding other MEDiPASS businesses, withdrew from the staffing businesses (sales expected to decline in some businesses in FY2022)
Source code of dental receipt computer	Medical PF	Aug. 2019	<ul style="list-style-type: none">Leveraged knowhow to completely rebuild system assets acquired in 2019 and released new system Dentis in January 2022
Proof-of-concept testing base	Medical PF	Dec. 2020	<ul style="list-style-type: none">Ownership of facilities where proof-of-concept testing for Pharms system for pharmacies was conducted contributed considerably to development of Pharms.As facilities where proof-of-concept testing is conducted must serve as models for the future, we consider to retain ownership of other facilities formats.
minacolor <small>*an equity method affiliate in the future</small>	Medical PF	Oct. 2021	<ul style="list-style-type: none">Joint operation of businesses with NTT DOCOMOSteady expansion of business performance after becoming a group companyStrengthened linkage with our services, such as setting up a lead-in line from CLINICS app
Other	Medical PF	Jun. 2020	<ul style="list-style-type: none">Acquired knowhow and customer accounts by securing EMRs of other companies. Partial transfer of EMRs completed.

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



We have set target years for bringing lossmaking businesses into the black and will increase operating cash flow in line with our plans. In terms of Pharms, the timing of the turnaround was pushed back by one year due to delays in ARPU improvement.

Cash generation phase: Positive operating cash flow
Profitability phase: Operating cash flow negative, but unit economics sound (return on investment expected)
Commercialization phase: Creation of business model targeting generation of operating cash flow, unit economics carefully monitored

	Profitable in FY2022	In the red in FY2022	
	Cash generation phase	Profitability phase	Commercialization phase
HR PF	<div> <div>Expected to turn profitable in FY24</div></div>	<div></div>	
Medical PF	<div><div> CLINICS オンライン診療 Telemedicine system Turned Profitable in FY19</div><div>Expected to turn profitable in FY24</div><div>Expected to turn profitable in FY23</div><div> MALL EMR for hospitals • Planning investment to accelerate growth</div></div>	<div><div> CLINICS カルテ EMR</div><div> Pharms • Launched in September FY20 • Business for dispensing pharmacies</div><div> Dentis • Launched in January FY22 • Business for dental clinics</div></div>	<div> • Preparation for next phase • No expansion of losses</div> <div><div>New Development (Receipt Computer)</div><div>• Plan to begin begin in FY23</div></div>
New Services	<div>Expected to turn profitable in FY23</div>	<div> Kaigo no Honne; Nursing facility search website</div>	<div>Recruitment System in the USA</div> <div>EMR for Acute Care Hospitals</div>

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

Current Financial Position and Policy

B/S as of end of December 2022
(JPY million)

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

Cash raised from LOC	Untapped LOC 2,700
Cash and deposits 14,422	Debt 2,377
	Other liabilities 4,263
Other assets 7,388	Net assets 15,170

- Make appropriate use of debt whilst monitoring cost of capital
- Secure more LOC and increase borrowings to take advantage of business opportunities
- May 2020: Long-term borrowings JPY 0.5 bn
 - November 2020: Long-term borrowings JPY 3.0 bn
- September 2020:
Conducted JPY 5.4 bn public offering
- HR PF: JPY 2.8 bn
 - Medical PF: JPY 2.6 bn
- May 2021:
Conducted JPY 5.1 bn third-party allotment
- Allocation to M&A
- December 2021:
Repurchased JPY 1.8 bn of shares

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



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

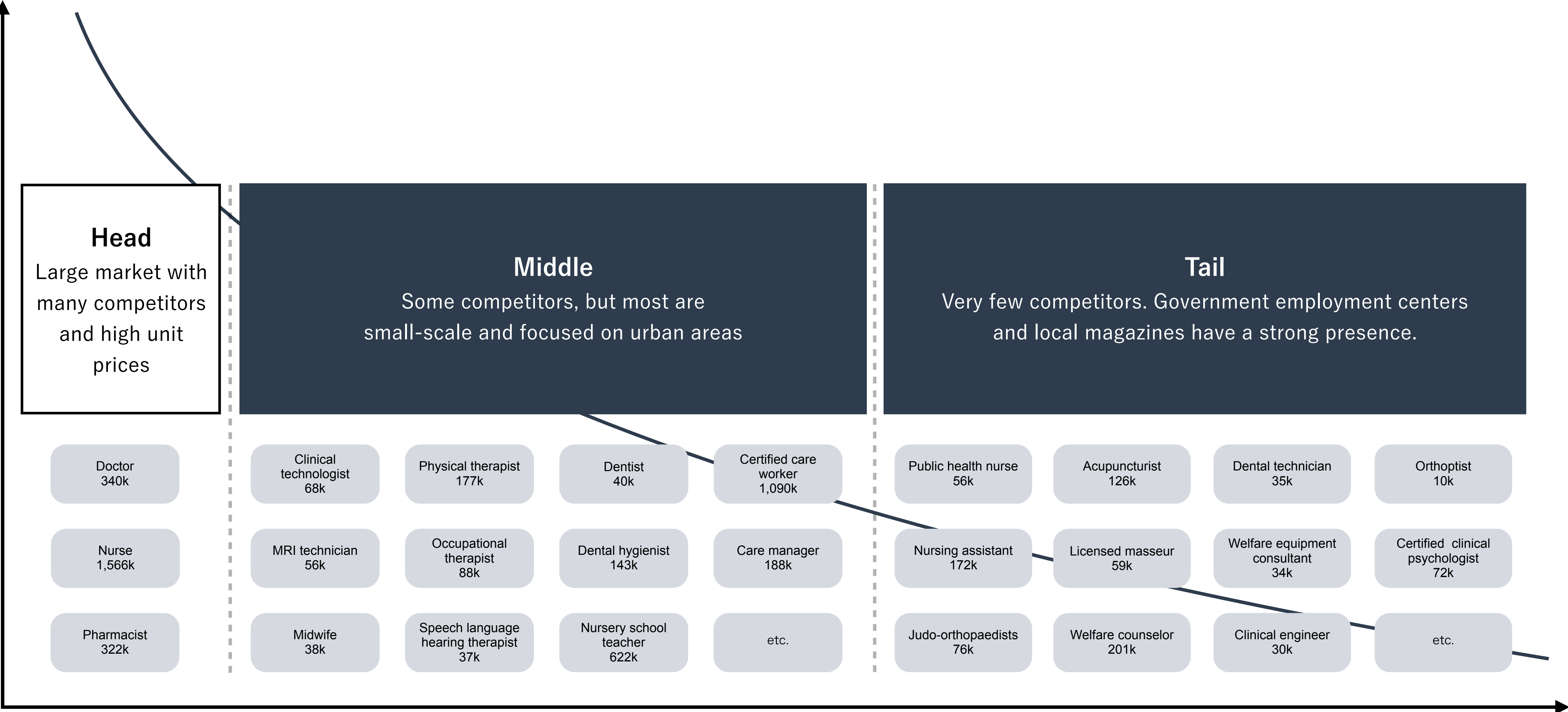


HR PF:
**Industry Has a Long-tail Structure:
Our Strengths Are in the Middle and Tail Segments**



Out of the 10 million workers in the medical/beauty healthcare industry, 22% are doctors, nurses, and pharmacists, who are highly competitive in terms of job placement. On the other hand, there are few competitors in the remaining 78% - the middle and tail segments - where we have captured a leading market share. We currently have over 1.50 million users in more than 50 occupations registered in our system.

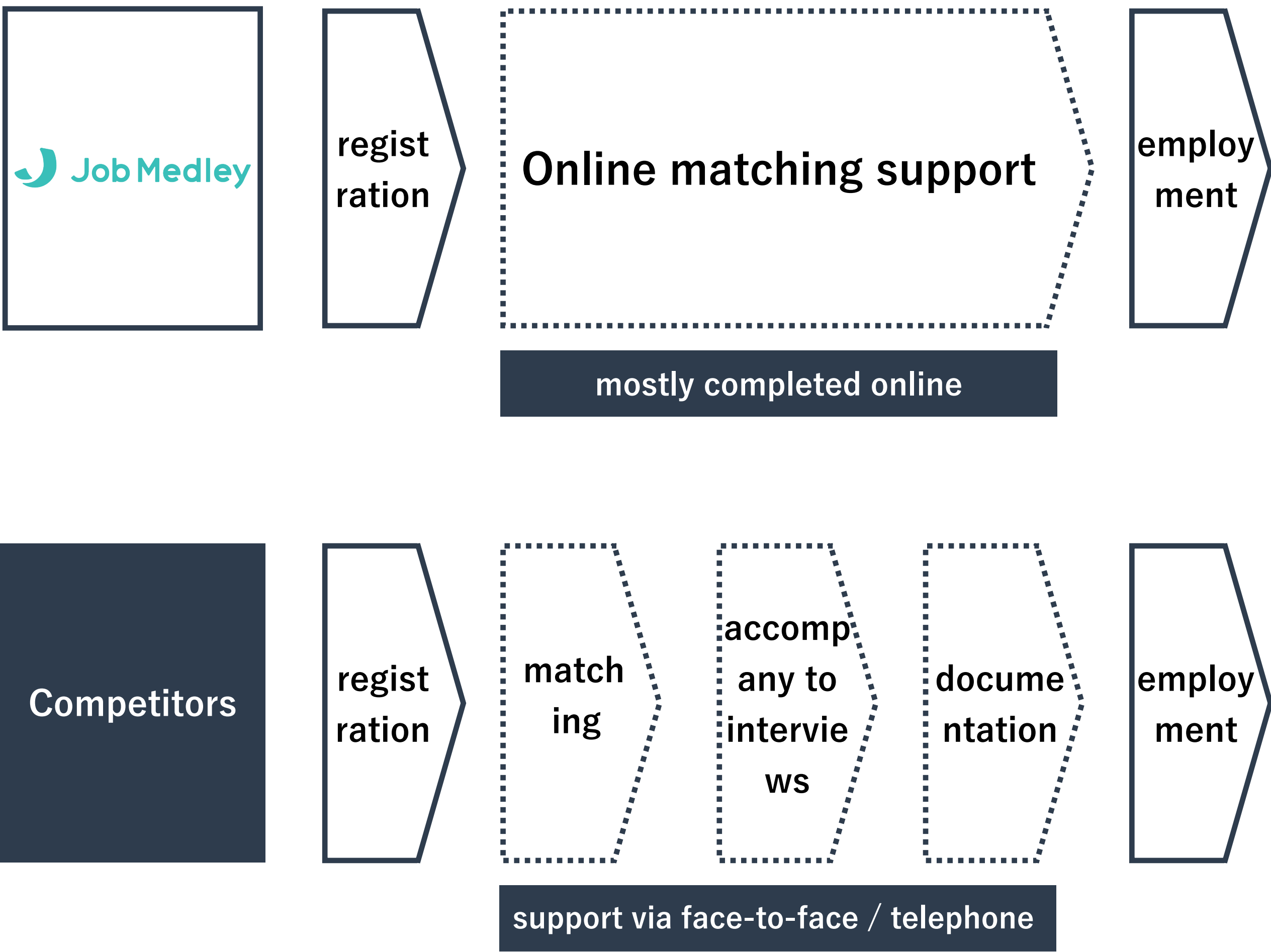
Our Target Area⁽¹⁾



(1) Ministry of Health, Labour and Welfare statistics

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

Improved Efficiency by Leveraging Online Support



Price Advantages



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

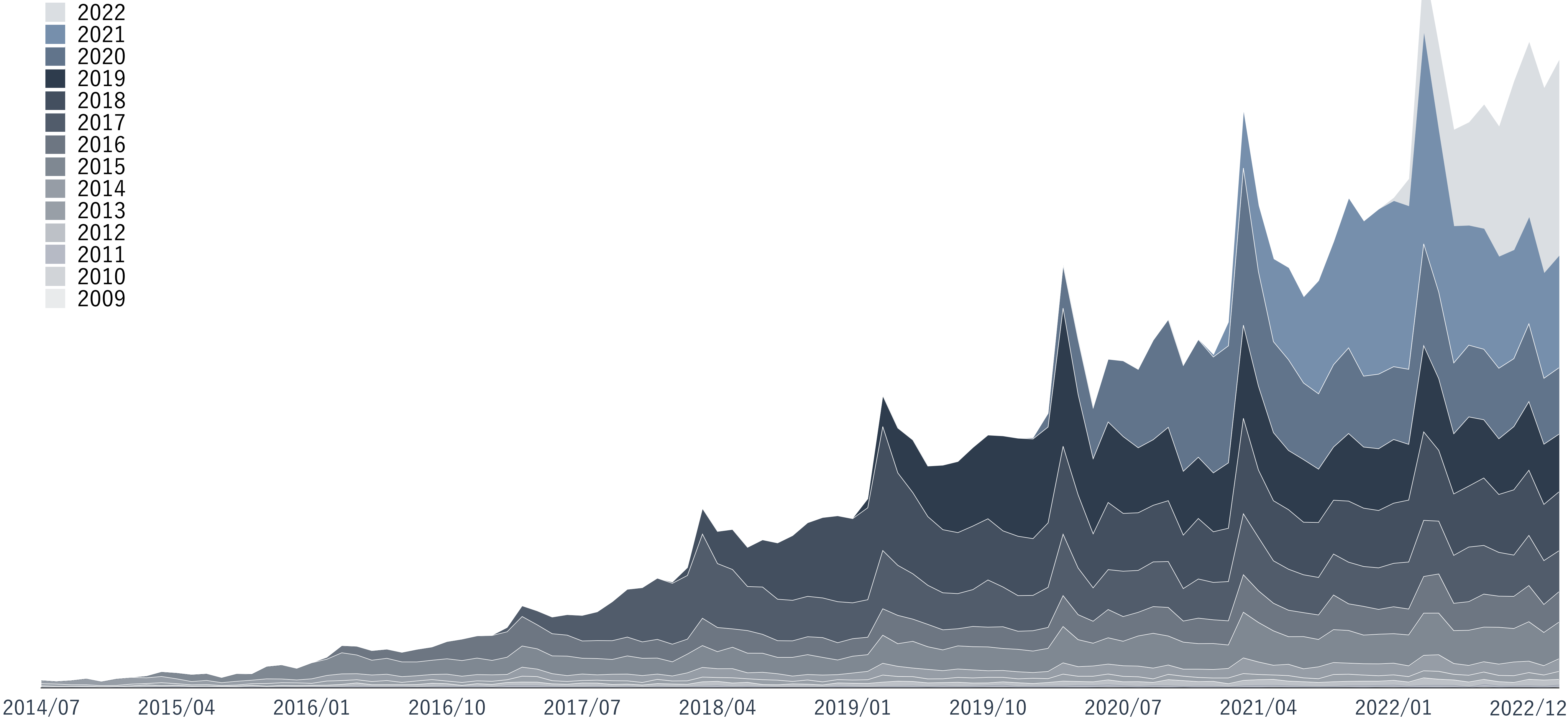
(2) This refers to typical fees for recruitment services for occupations such as doctors, nurses, childcare professionals, physical therapists, dentists, and care workers among the 50 occupations we handle. (Some recruitment services employ different methods for setting success fee amounts that are different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

HR PF:
Building a Stable Customer Base with Repeat Customers



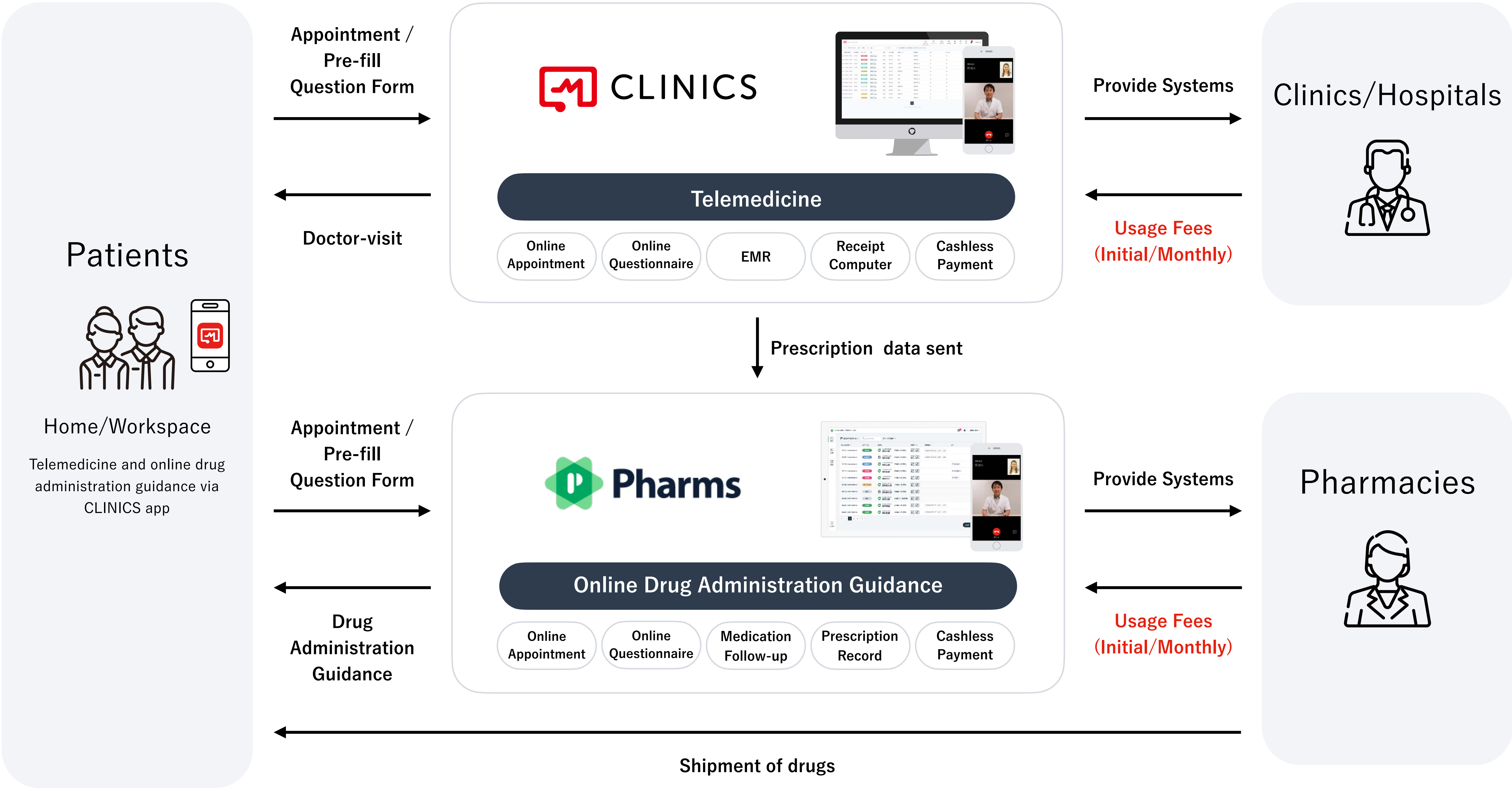
We are building a stable customer base by encouraging customers to become repeat users of JobMedley. Recently acquired customers are making extensive use of our scouting functions. This has boosted the ratio of applicants per job offering and contributed to sales growth.

Sales by Customer Acquisition Year⁽¹⁾

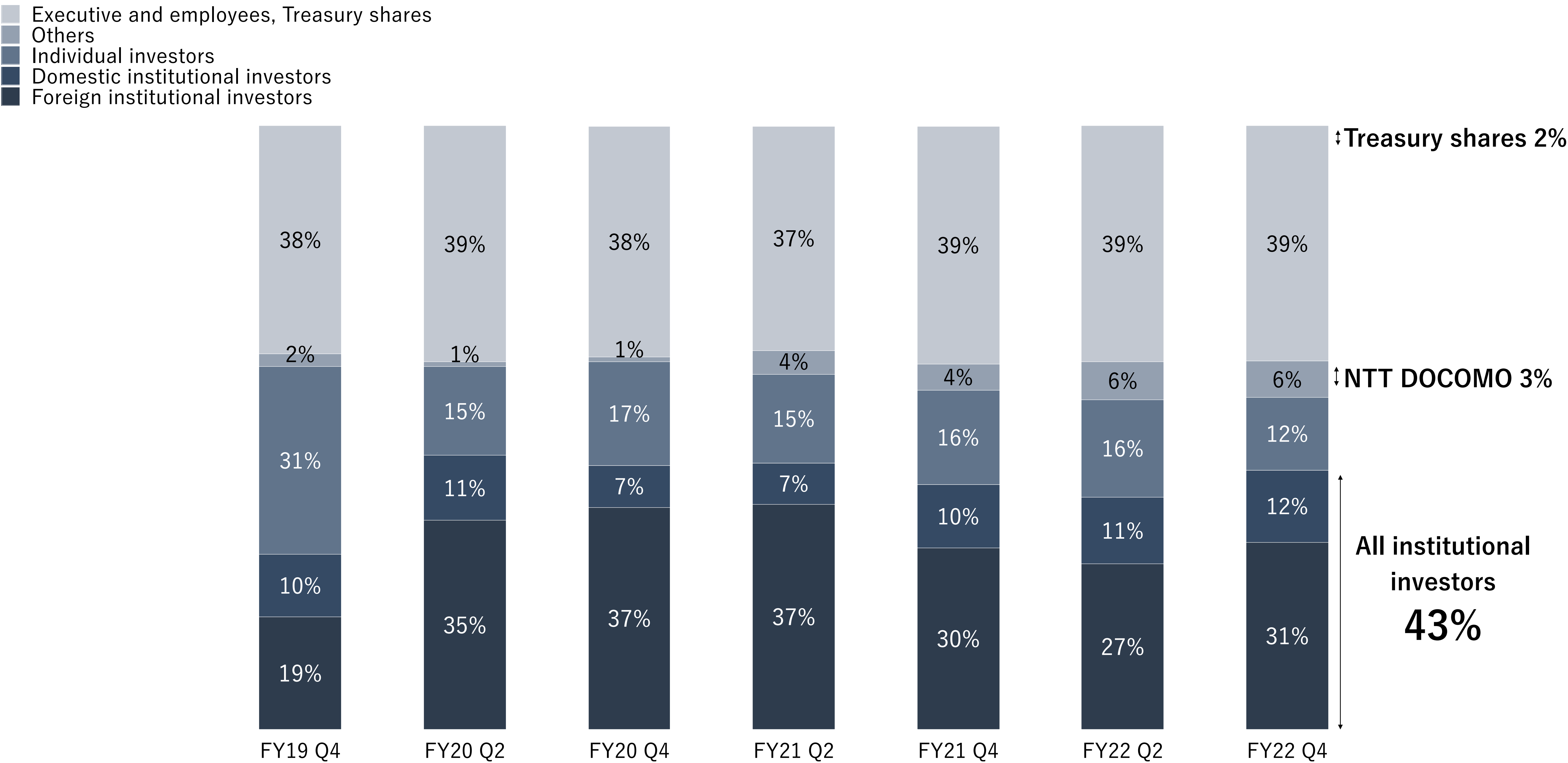


(1) Based on per-customer monthly orders/sales value data.

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



The ratio of institutional investors, mainly overseas institutional investors, accounts for 43% as of end-December 2022. We will continue to endeavor to provide robust disclosure that helps both institutional and individual long-term investors make investment decisions.



Historical Share Price




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

Creating the Future of Medical and Healthcare


Solutions for social challenges through our businesses

Promotion of digitalization in medical and healthcare industry




For medical providers

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



For patients users

- Provision of medical information
- Supports in utilizing medical services



For government & communities

- Participation in proof-of-concept testing/information provision
- Supports for disaster areas
- Supports for infection prevention measures

Fundamentals backing our businesses

Ensuring information security and privacy protection

Promotion of diversity & inclusion

Strengthening of governance

- Ensuring information security
- Privacy protection of users

- Promotion of hiring and active participation of diverse human resources

- Strengthening of corporate governance

For more information, access our corporate website.



Creating the Future of Medical and Healthcare