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## Consolidated Financial Results for the Nine Months Ended September 30, 2023 [Japanese GAAP]

November 14, 2023

Company name: MEDLEY, INC.

Stock exchange listing: Tokyo

Code number: 4480

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

Representative: Kohei Takiguchi

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Scheduled date of filing quarterly securities report: November 14, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

President and Chief Executive Officer  
Chief Financial Officer

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

### 1. Consolidated Financial Results for the Nine Months Ended September 30, 2023 (January 1, 2023 to September 30, 2023)

#### (1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2023	15,501	48.0	3,059	78.6	2,544	104.2	3,229	130.4	2,177	127.4
September 30, 2022	10,476	-	1,713	-	1,246	-	1,401	-	957	-

(Note) Comprehensive income: Nine months ended September 30, 2023: ¥ 2,200 million [ 130.0%]  
 Nine months ended September 30, 2022: ¥ 956 million [ -%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2023	67.53	66.63
September 30, 2022	29.93	29.34

(Note) 1. Starting in FY2022, the Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), so percentage changes for Q3 FY2022 are not provided above because these figures reflect the application of the relevant accounting standard.

2. EBITDA = Operating profit / loss + depreciation and amortization of goodwill + share-based compensation expenses

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	25,186	17,517	69.2
December 31, 2022	21,810	15,170	69.1

(Reference) Equity: As of September 30, 2023: ¥ 17,427 million  
 As of December 31, 2022: ¥ 15,081 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	-	0.00	-	0.00	0.00
Fiscal year ending December 31, 2023	-	0.00	-		
Fiscal year ending December 31, 2023 (Forecast)				0.00	0.00

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

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023(January 1, 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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	19,800	39.6	2,950	53.7	2,250	74.4	3,000	96.5	2,000	96.5	62.30

(Note) Revision to the financial results forecast announced most recently: No

### \* Notes:

#### (1) Changes in significant subsidiaries during the six months ended September 30, 2023

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

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

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

(Note) For details, please refer to 2. Quarterly Consolidated Financial Statements and Important Notes (3) Important notes regarding quarterly consolidated financial statements (Application of special accounting methods in preparation for quarterly consolidated financial statements) on page 10 of the attached documents.

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

1) Changes in accounting policies due to the revision of accounting standards: No

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

September 30, 2023: 32,738,600 shares

December 31, 2022: 32,706,800 shares

##### 2) Number of treasury shares at the end of the period:

September 30, 2023: 455,391 shares

December 31, 2022: 604,869 shares

##### 3) Average number of shares outstanding during the period:

Nine months ended September 30, 2023: 32,240,687 shares

Nine months ended September 30, 2022: 31,996,747 shares

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

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

(Cautionary statement regarding forward-looking statements)

This preliminary earnings report contains forward-looking statements such as earnings forecasts which are based on information currently available to the Group and certain assumptions deemed to be reasonable. The Group makes no guarantee regarding the accuracy of the forecasts contained herein. Because of variable factors, actual results may differ from the forecast figures. For information regarding assumptions upon which the Group's results forecasts are based and notes regarding the use of results forecasts, please refer to (3) Explanation regarding consolidated forecasts and forward-looking statements under 1. Qualitative information regarding quarterly results" on page 5.

## 1. Qualitative information regarding quarterly results

### (1) Explanation regarding operating results

During the cumulative third quarter of the consolidated fiscal year ending December 31, 2023 (consolidated Q3 FY2023), the Japanese medical and nursing care industry continued to face labor shortages and issues related to national budget shortage, and therefore job offers-to-applicants ratio also continued to trend at a level higher than the average for all industries.

Amid this business environment, in consolidated Q3 FY2023, sales in the HR PF Business increased due to steady growth in the number of customer offices and registered workers for our recruitment system JobMedley. Furthermore, sales of online training system JobMedley Academy also grew due to expansion in the number of customer offices.

We also achieved sales growth in the Medical PF Business as we saw firm progress in the adoption of our products at customer facilities, resulting in growth in the number of medical institution users. While the Group achieved sales growth, it also made proactive investments towards its medium-to-long term growth including investments in marketing activities and our online training product to scale the HR PF Business, as well as increased headcount in the Medical PF Business.

As a result of the above, in consolidated Q3 FY2023, the Group posted net sales of ¥15,501 million (up 48.0% YoY), EBITDA of ¥3,059 million (up 78.6% YoY), operating profit of ¥2,544 million (up 104.2% YoY), ordinary profit of ¥3,229 million (up 130.4% YoY), and net profit attributable to owners of the parent company of ¥2,177 million (up 127.4% YoY).

The HR PF Business incurs sales on the day individuals looking for employment using the Group's services are hired at companies seeking employees. Sales therefore tend to concentrate in April, when Japanese companies usually hire more employees (as this is often the beginning of Japanese companies' fiscal year). The Group's net sales therefore tend to concentrate in Q2 (April-June) of its consolidated fiscal year (ending on December 31).

Earnings by business segment are as follows.

#### 1. HR PF Business

During consolidated Q3 FY2023, the Group continuously improved the functionality of its websites in order to improve user convenience. As a result, customer offices in the HR PF Business as a whole therefore grew 10.8% compared with the end of consolidated FY2022, to 326 thousand; and listed job offers rose by 9.9% over the same period, to 339 thousand.

As a result of the above, consolidated Q3 FY2023 segment net sales were ¥11,129 million (up 44.8% YoY), and segment profit before allocation of group-wide shared costs (operating profit) was ¥5,035 million (up 46.8% YoY).

#### 2. Medical PF Business

During consolidated Q3 FY2023, the number of medical institution users in the Medical PF Business continued to grow, rising 11.4% compared with the end of consolidated FY2022, to 16 thousand users. The main reason for this was progress rolling out Pharms, our cloud-based pharmacy support system, to pharmacies.

As a result of the above, consolidated Q3 FY2023 segment net sales were ¥4,092 million (up 60.7% YoY) and segment loss before allocation of group-wide shared costs (operating loss) was ¥266 million (¥410 million loss in Q3 FY2022).

Factors behind the operating loss in the segment include, prioritization of initiatives to improve gross profit margins, etc.

#### 3. New Services Segment

During consolidated Q3 FY2023, nursing facility search website, Kaigo-no Honne, continued proactive sales efforts to expand its content, as well as number of listed facilities.

As a result, consolidated Q3 FY2023 segment net sales were ¥282 million (up 15.6% YoY) and segment loss before allocation of group-wide shared costs (operating loss) was ¥227 million (¥44 million loss in Q3 FY2022).

Factors that drove the operating loss in the segment include costs related to market research and test marketing in the US.

In addition, adjustments not attributable to any segment (intersegment eliminations and companywide expenses not allocated to any segment) totaled ¥1,997 million (up 15.5% YoY).

### (2) Outline of financial position

#### Assets

Current assets as of end-consolidated Q3 FY2023 totaled ¥18,630 million, an increase of ¥2,431 million, compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥1,040 million in cash and deposits, ¥992 million in accounts receivable - other, and ¥307 million in accounts receivable - trade. Non-current assets as of end-consolidated Q3 FY2023 totaled ¥6,544 million, a ¥966 million increase compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥445 million in investments and other assets, ¥322 million in intangible fixed assets, and ¥198 million in property, plant and equipment.

As a result of the above, total assets as of end-consolidated Q3 FY2023 totaled ¥25,186 million, an increase of ¥3,375 million compared with the end of the previous consolidated fiscal year.

#### Liabilities

Current liabilities as of end-consolidated Q3 FY2023 totaled ¥5,994 million, an increase of ¥1,565 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥569 million in income taxes payable, ¥249 million in accounts payable (other), ¥206 million in accrued expenses, ¥176 million in deposits received, and ¥155 million in short-term borrowings. Non-current liabilities as of end-consolidated Q3 FY2023 totaled ¥1,674 million, a decrease of ¥537 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to a decrease of ¥560 million in long-term borrowings.

As a result of the above, total liabilities as of end-consolidated Q3 FY2023 totaled ¥7,669 million, an increase of ¥1,028 million compared with the end of the previous consolidated fiscal year.

#### Net assets

Net assets as of end-consolidated Q3 FY2023 totaled ¥17,517 million, an increase of ¥2,346 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to: (1) an increase of ¥29 million in capital surplus and a decrease of ¥73 million in treasury shares due to the disposal of treasury shares associated with restricted stock compensation for executive officers and employees; (2) a decrease of ¥304 million in capital surplus and a decrease of ¥358 million in treasury shares due to the disposal of treasury shares associated with the exercising of stock acquisition rights; and (3) an increase of ¥2,177 million in retained earnings due to incurring a quarterly net profit attributable to owners of the parent company.

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

Figures in the Company's full-year consolidated FY2023 forecast have not been changed from the forecast provided in the Notice Regarding Revision to Consolidated Financial Results Forecast for the Fiscal Year Ending December 2023 [Japanese GAAP] published on August 14, 2023.

## 2. Quarterly Consolidated Financial Statements and Important Notes

## (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	14,422	15,462
Accounts receivable - trade	1,265	1,573
Merchandise and finished goods	154	172
Work in process	12	7
Accounts receivable - other	175	1,168
Prepaid expenses	148	237
Other	46	50
Allowance for doubtful accounts	(27)	(42)
Total current assets	16,198	18,630
Non-current assets		
Property, plant and equipment	289	488
Intangible assets		
Software	340	343
Goodwill	1,029	1,433
Customer relationship	1,346	1,262
Other	5	4
Total intangible assets	2,722	3,044
Investments and other assets	2,566	3,012
Total non-current assets	5,578	6,544
Deferred assets	33	11
Total assets	21,810	25,186

	As of December 31, 2022	As of September 30, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	272	230
Short-term borrowings	-	155
Current portion of long-term borrowings	772	720
Accounts payable - other	1,186	1,436
Accrued expenses	430	637
Contract liabilities	862	794
Deposits received	340	516
Income taxes payable	307	876
Other provisions	51	157
Other	205	468
Total current liabilities	4,429	5,994
Non-current liabilities		
Long-term borrowings	1,604	1,043
Deferred tax liabilities	418	393
Other	189	237
Total non-current liabilities	2,211	1,674
Total liabilities	6,640	7,669
<b>Net assets</b>		
Shareholders' equity		
Share capital	40	47
Capital surplus	15,276	14,987
Retained earnings	1,236	3,413
Treasury shares	(1,764)	(1,328)
Total shareholders' equity	14,788	17,120
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	292	292
Foreign currency translation adjustment	(0)	15
Total accumulated other comprehensive income	292	307
Share acquisition rights	0	0
Non-controlling interests	88	88
Total net assets	15,170	17,517
Total liabilities and net assets	21,810	25,186

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

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

(Millions of yen)

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2023
Net sales	10,476	15,501
Cost of sales	3,151	5,125
Gross profit	7,325	10,376
Selling, general and administrative expenses	6,079	7,832
Operating profit	1,246	2,544
Non-operating income		
Interest income	0	0
Settlement received	206	866
Subsidy income	9	6
Other	7	28
Total non-operating income	224	901
Non-operating expenses		
Interest expenses	9	7
Amortization of share issuance costs	25	22
Outsourcing expenses	29	176
Other	4	9
Total non-operating expenses	68	216
Ordinary profit	1,401	3,229
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	-	46
Gain on sale of non-current assets	0	0
Total extraordinary income	0	47
Extraordinary losses		
Loss on sale of non-current assets	1	0
Loss on abandonment of non-current assets	0	0
Total extraordinary losses	2	0
Profit before income taxes	1,399	3,276
Income taxes	442	1,091
Profit	956	2,185
Profit (loss) attributable to non-controlling interests	(0)	8
Profit attributable to owners of parent	957	2,177



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

(Millions of yen)

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2023
Profit	956	2,185
Other comprehensive income		
Valuation difference on available-for-sale securities	-	(0)
Foreign currency translation adjustment	-	15
Total other comprehensive income	-	15
Comprehensive income	956	2,200
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	957	2,192
Comprehensive income attributable to non-controlling interests	(0)	8

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

(Notes related to going concern assumptions)

Not applicable

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

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

Significant change in shareholders' equity

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

Consolidated financial results for consolidated Q3 FY2023 (January 01, 2023, to September 30, 2023)

Significant change in shareholders' equity

In consolidated Q3 FY2023, capital surplus increased by ¥29 million and treasury shares decreased by ¥73 million due to disposal of treasury shares associated with restricted stock compensation effective April 13, 2023 in accordance with the resolution of the Board of Directors on February 27, 2023. In addition, capital surplus decreased by ¥304 million and treasury shares decreased by ¥358 million due to disposal of treasury shares associated with the exercising of stock acquisition rights. As a result of these, as of end-consolidated Q3 FY2023, capital surplus was ¥14,987 million and treasury shares was ¥1,328 million.

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

Tax expenses are calculated by multiplying quarterly net income before income taxes by an effective tax rate reasonably estimated after applying tax effect accounting on net income for the consolidated fiscal year including Q3 FY2023.

(Segment information, etc.)

(Segment information)

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

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

(Million yen)

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

Notes: 1. Segment profit (loss) adjustments of (¥1,729 million) include intersegment eliminations and corporate expenses not attributed to any reportable segments.

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

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

(Major impairment losses on non-current assets)

Not applicable

(Significant changes in goodwill values)

In consolidated Q3 FY2022, the Group acquired shares of At Home Inc. and Tenxia Co., Ltd. and integrated them into the scope of consolidated accounting. As a result, goodwill in the HR PF Business increased by ¥199 million and goodwill in the Medical PF Business increased by ¥119 million.

(Significant gains in negative goodwill)

Not applicable

Consolidated financial results for consolidated Q3 FY2023 (January 01, 2023, to September 30, 2023)

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

(Million yen)

	Reportable segment				Adjustment (Note)	Amount in the consolidated financial statement
	HR PF Business	Medical PF Business	New Services	Total		
Net sales						
Revenue from contracts with customers	11,126	4,092	268	15,487	—	15,487
Other revenue	—	—	14	14	—	14
Sales to external customers	11,126	4,092	282	15,501	—	15,501
Inter-segment sales and transfers	2	—	—	2	(2)	—
Total	11,129	4,092	282	15,504	(2)	15,501
Segment profit (loss)	5,035	(266)	(227)	4,541	(1,997)	2,544

Notes: 1. Segment profit (loss) adjustments of (¥1,997 million) include intersegment eliminations and corporate expenses unallocated to reportable segments.

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

2. Information on assets by reportable segment

(Significant increases in assets)

In consolidated Q3 FY2023, the Company acquired shares of GCM Co., Ltd. and brought it into the scope of consolidated accounting. As a result, assets in the New Services Segment increased by ¥481 million compared with the end of the previous consolidated fiscal year. As of the end of consolidated Q3 FY2023, allocation of assets to this segment based on the cost of this acquisition had not been completed. Therefore, the amount has been calculated on a tentative basis.

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

(Major impairment losses on non-current assets)

Not applicable

(Significant changes in goodwill values)

In consolidated Q1 FY2023, the Company acquired the pharmacy business of Bamboo Inc. As a result, goodwill in the Medical PF Business increased by ¥236 million.

Also, in consolidated Q3 FY2023, the Company acquired shares of GCM Co., Ltd. and brought it into the scope of consolidated accounting. As a result, goodwill in the New Services Segment increased by ¥382 million. As of the end of consolidated Q3 FY2023, recognition of goodwill based on the cost of this acquisition had not been completed. Therefore, the amount has been calculated on a tentative basis.

(Significant gains in negative goodwill)

Not applicable

(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: GCM Co., Ltd.

Description of business activities: Factoring and other businesses

2) Main purpose of business combination

GCM Co., Ltd.'s factoring business purchases medical fee receivables and nursing care benefit receivables billed to the Social Insurance Medical Fee Payment Fund and the Federation of National Health Insurance Association from medical institutions and nursing care facilities. This service allows clients to shorten the approximately two months it normally takes from the issuance of claims to the collection of funds for these receivables, thereby allowing them to meet their funding needs more rapidly.

The acquisition will allow the Company's corporate group to meet a wider range of needs in the medical healthcare field. The Company will leverage its customer base to proactively expand its businesses and achieve synergies via the acquisition.

3) Business combination date

September 1, 2023

4) Legal form of business combination

Acquisition of shares in exchange for cash

5) Name of acquired company after acquisition

GCM Co., Ltd.

6) Percentage of voting rights acquired

Percentage of voting rights acquired on the date of acquisition: 100%

7) Primary basis for determination of acquiring company

The Company acquired 100% of the voting rights of GCM Co., Ltd. via acquisition of shares in exchange for cash.

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

September 1, 2023 to September 30, 2023

(3) Acquisition cost and breakdown by type of considerations

Consideration paid in cash: 505 million yen

Acquisition cost: 505 million yen

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

Compensation for advisory services ¥52 million

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

1) Goodwill recognized

¥382 million

As of the end of consolidated Q3 FY2023, recognition of goodwill based on the cost of this acquisition had not been completed. Therefore, the amount has been calculated on a tentative basis.

2) Reason of recognized

Mainly recognized based on the future earnings potential from the expected future development of businesses of GCM Co., Ltd..

3) Amortization method and period of goodwill

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

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

Current assets ¥813 million

Non-current assets ¥1 million

Total assets	¥815 million
Current liabilities	¥578 million
Non-current liabilities	¥125 million
Total liabilities	¥703 million

(Significant subsequent events)

(Business combination via transaction)

(1) Summary of business combination

At the Board of Directors Meeting held on October 24, 2023, the Company resolved to take over the business operations related to Lalune, a women's health consultation application operated by Ateam Wellness, Inc. (Ateam Wellness) and to enter into an absorption-type demerger agreement with Ateam Wellness, effective February 1, 2024.

1) Name and description of business of acquired corporation

Name of acquired corporation: Ateam Wellness Inc.

Description of relevant business: business related to Lalune, a women's health consultation application

2) Main purpose of business combination

The Company has built a strong business base in the medical healthcare area, such as telemedicine application CLINICS. By adding to our portfolio the Lalune business, which boasts one of the largest registered memberships in Japan, we believe we can achieve growth and expand our business opportunities. Going forward, we will improve access to healthcare for patients by creating synergies between the Lalune business and the Company's other businesses.

3) Business combination date

February 1, 2024

4) Legal form of business combination

Absorption-type demerger wherein the Company is the successor company and Ateam Wellness is the divesting entity.

5) Name of acquired company after acquisition

Medley, Inc.

6) Primary basis for determination of acquiring company

The Company will take over the business of Ateam Wellness Inc. for cash consideration

(2) Acquisition cost and breakdown by type of considerations

Consideration paid in cash: 500 million yen

Acquisition cost: 500 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