



# Presentation Material for FY2023 Q3 Financial Results

Medley, Inc.

November 14, 2023

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## **FY2023 Q3 Results**

- **Maintained a high rate of sales growth and progress outpacing our full-year forecast (revised up in FY23 Q2)**
  - Sales: JPY 4,793 million (YoY: +39%)
- **EBITDA progress also outpacing our full-year forecast driven by growth in sales and a cautious investment stance; margins improved YoY**
  - EBITDA: JPY 303 million (YoY: JPY +163 million)
  - EBITDA margin: 6% (FY22 Q3: 4%)

## **FY2023 Forecast**

- **Leaving our full-year forecast (revised up in FY23 Q2) unchanged, but we think sales and profits (including EBITDA) are highly likely to surpass our revised forecasts**
  - Sales: JPY 19,800 million (YoY: +40%)
  - EBITDA: JPY 2,950 million (EBITDA margin: 15%)

# 1. FY2023 Q3 Results

2. Progress Towards Mid-Term Targets and FY2023 Forecast

3. Investment Highlights

# Summary of Consolidated FY2023 Q3 Results

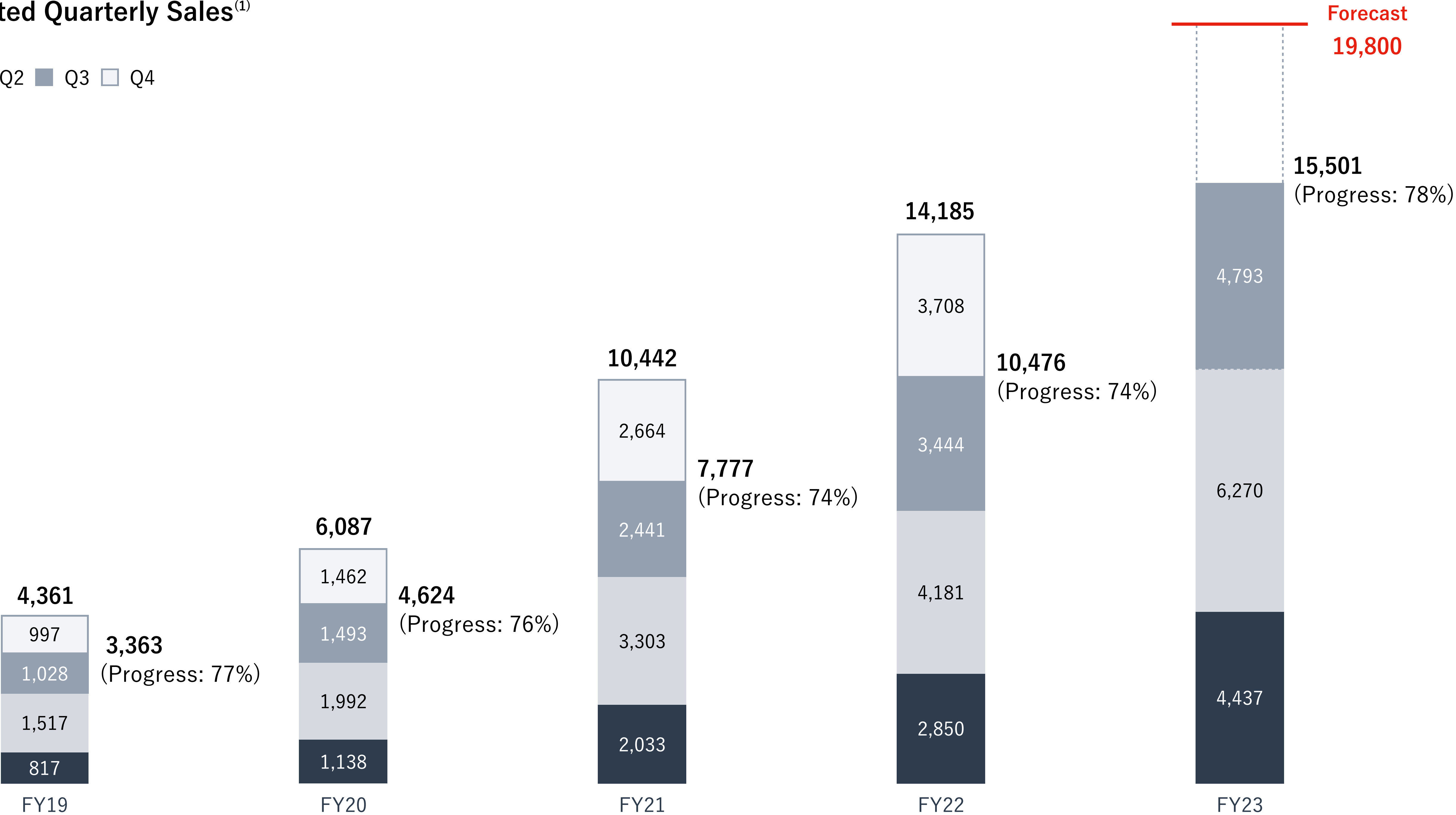
JPY mm	FY2022 Q3	FY2023 Q3	YoY Growth
<b>Sales</b>	<b>3,444</b>	<b>4,793</b>	<b>+39%</b>
<b>Gross Profit</b>	<b>2,242</b>	<b>3,063</b>	<b>+37%</b>
<b>EBITDA</b>	<b>139</b>	<b>303</b>	<b>+163</b>
Operating Profit	<b>-26</b>	<b>123</b>	<b>+149</b>
Ordinary Profit	<b>-4</b>	<b>448</b>	<b>+452</b>
Profit Attributable to Owners of Parent	<b>-11</b>	<b>292</b>	<b>+304</b>

Cumulative FY2023 Q3 sales made 78% progress toward our FY2023 full-year forecast (revised up in FY23 Q2), which is a higher rate of progress than our historical trend.

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

(JPY mm)

■ Q1 ■ Q2 ■ Q3 ■ Q4

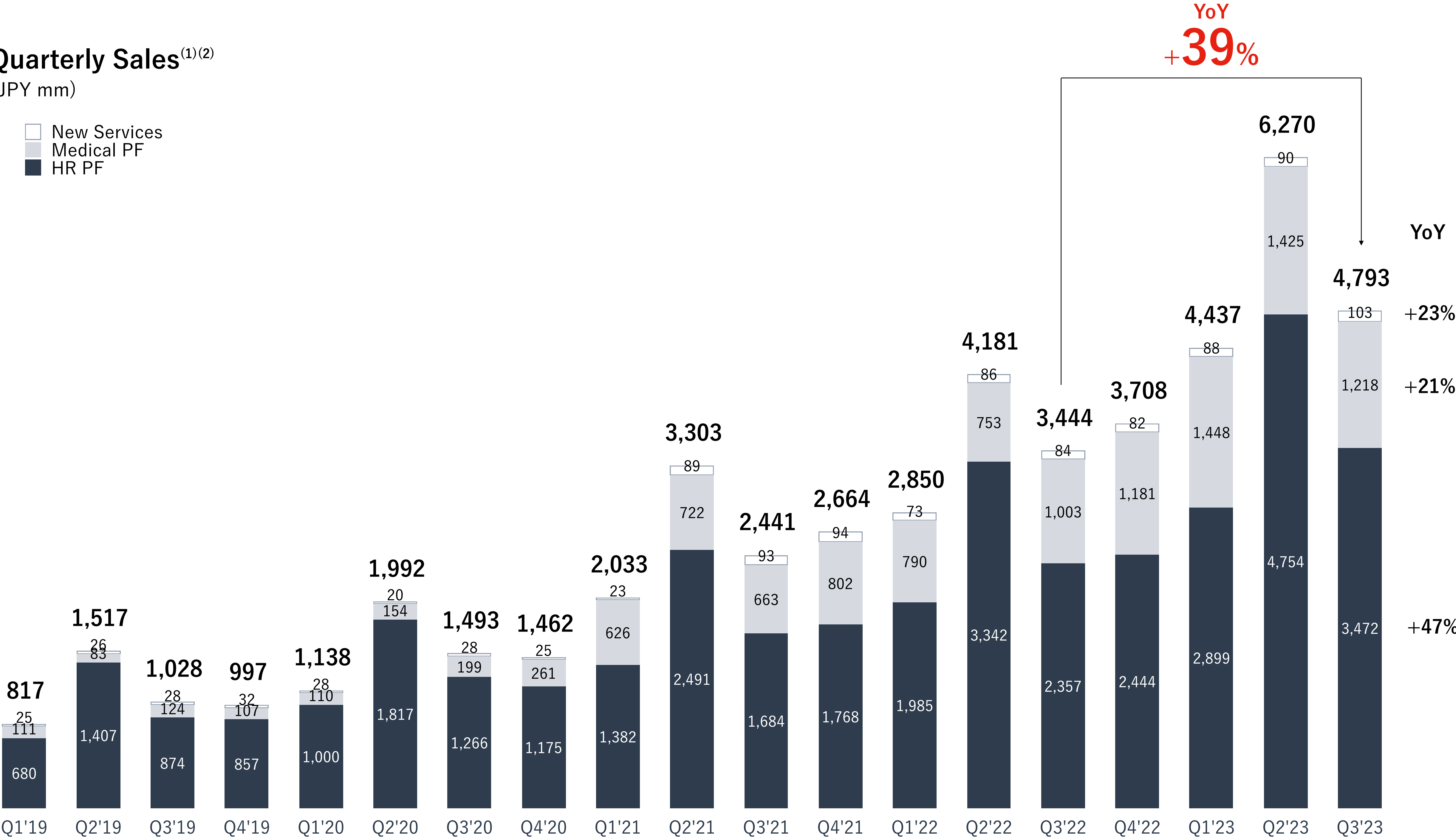


(1) Figures for FY2021 and earlier are based on the new revenue recognition standard.

Strong companywide sales growth of +39% YoY in FY2023 Q3.

Quarterly Sales<sup>(1)(2)</sup>  
(JPY mm)

- New Services
- Medical PF
- HR PF



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

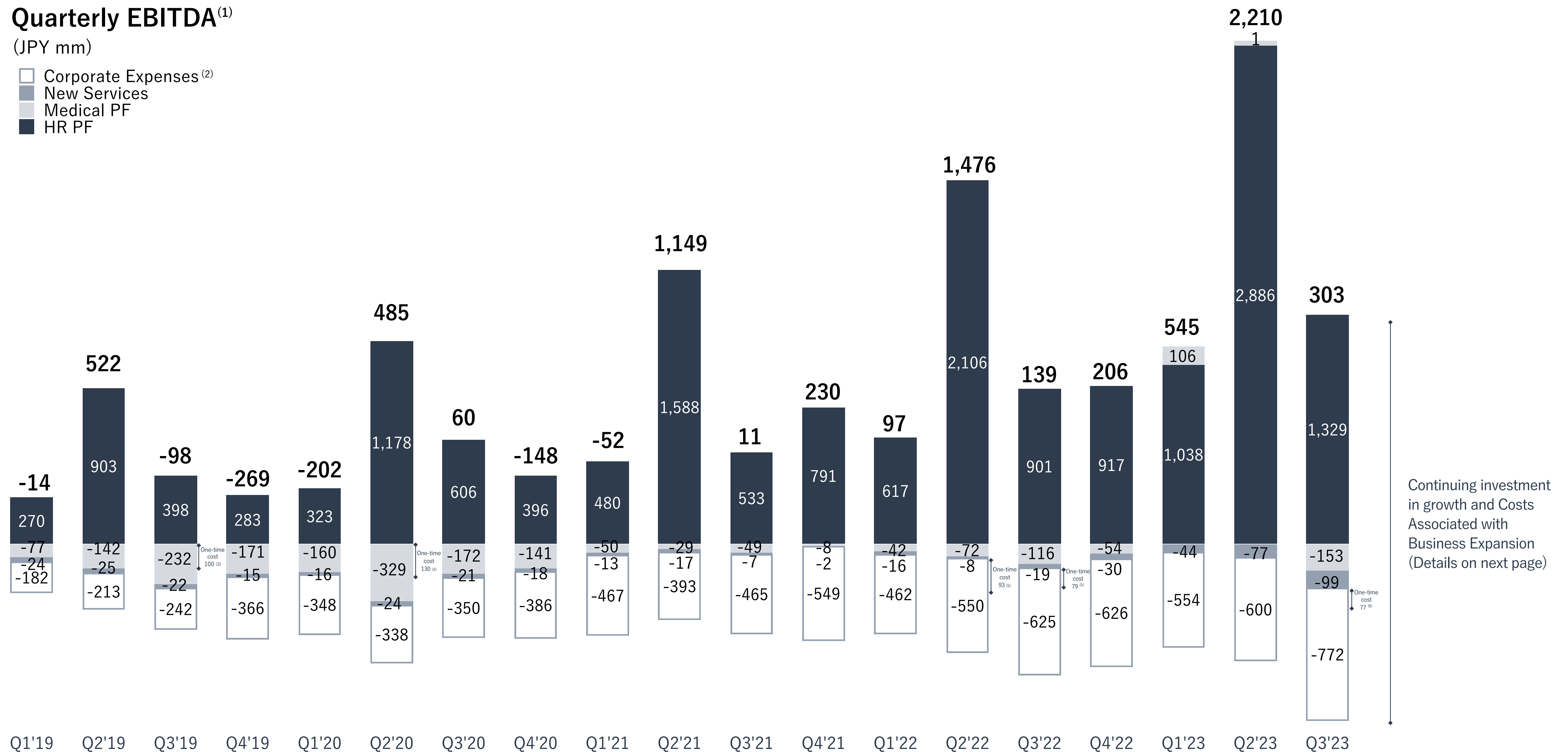


# Continued Proactive Investment in Growth, etc Funded by Profitable Businesses

Although we continued to proactively invest into growth initiatives and deployed costs to expand our businesses, EBITDA margin improved YoY in FY2023 Q3.

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

(JPY mm)



(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.

(6) One-time outsourcing costs (JPY 77 million) associated with M&A and strengthening of corporate system



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

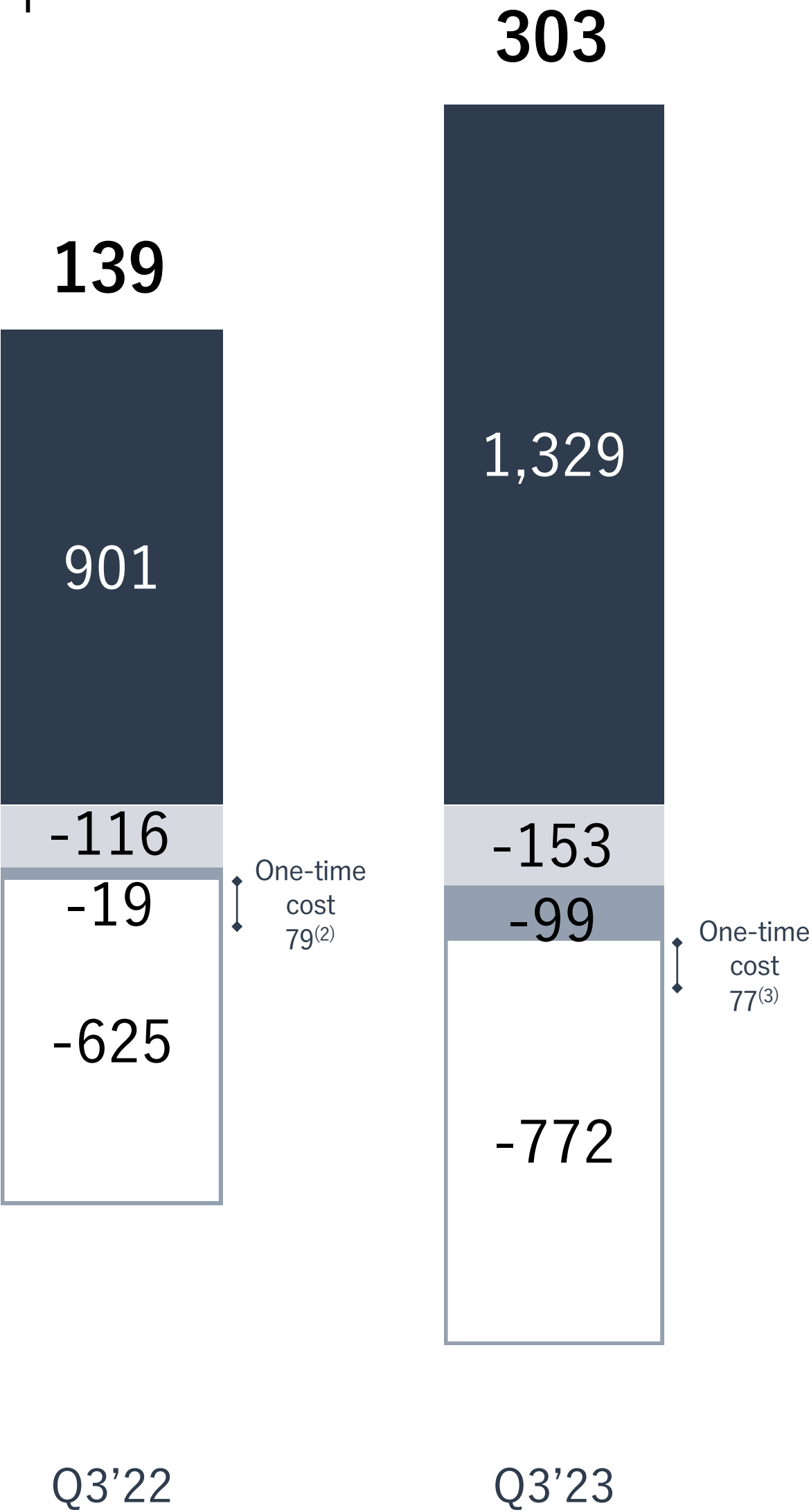


EBITDA margin in the HR PF segment was flat YoY despite continued proactive marketing spend and headcount growth. In the Medical PF segment, EBITDA margin declined due to the 1H concentration of sales to hospitals and investments aimed at improving gross margins. Companywide expense-to-sales ratio improved despite an increase in corporate headcount.

## Q3 EBITDA

(JPY mm)

- Corporate Expenses <sup>(1)</sup>
- New Services
- Medical PF
- HR PF



## Main Factors Contributing to Change in Q3 EBITDA margin

Segment	Q3 FY22	Q3 FY23	Main Factors
HR PF	38.2%	38.3%	<ul style="list-style-type: none"><li>Decrease in labor cost ratio (+2.5%pt)</li><li>Increase in advertising cost ratio (-3.7%pt)</li></ul>
Medical PF	-11.6%	-12.6%	<ul style="list-style-type: none"><li>Sales to hospitals concentrated in H1</li><li>Temporary slow down in sales growth due to prioritization of gross margin improvement initiatives</li></ul>

## Main Factors Contributing to Change in corporate expenses

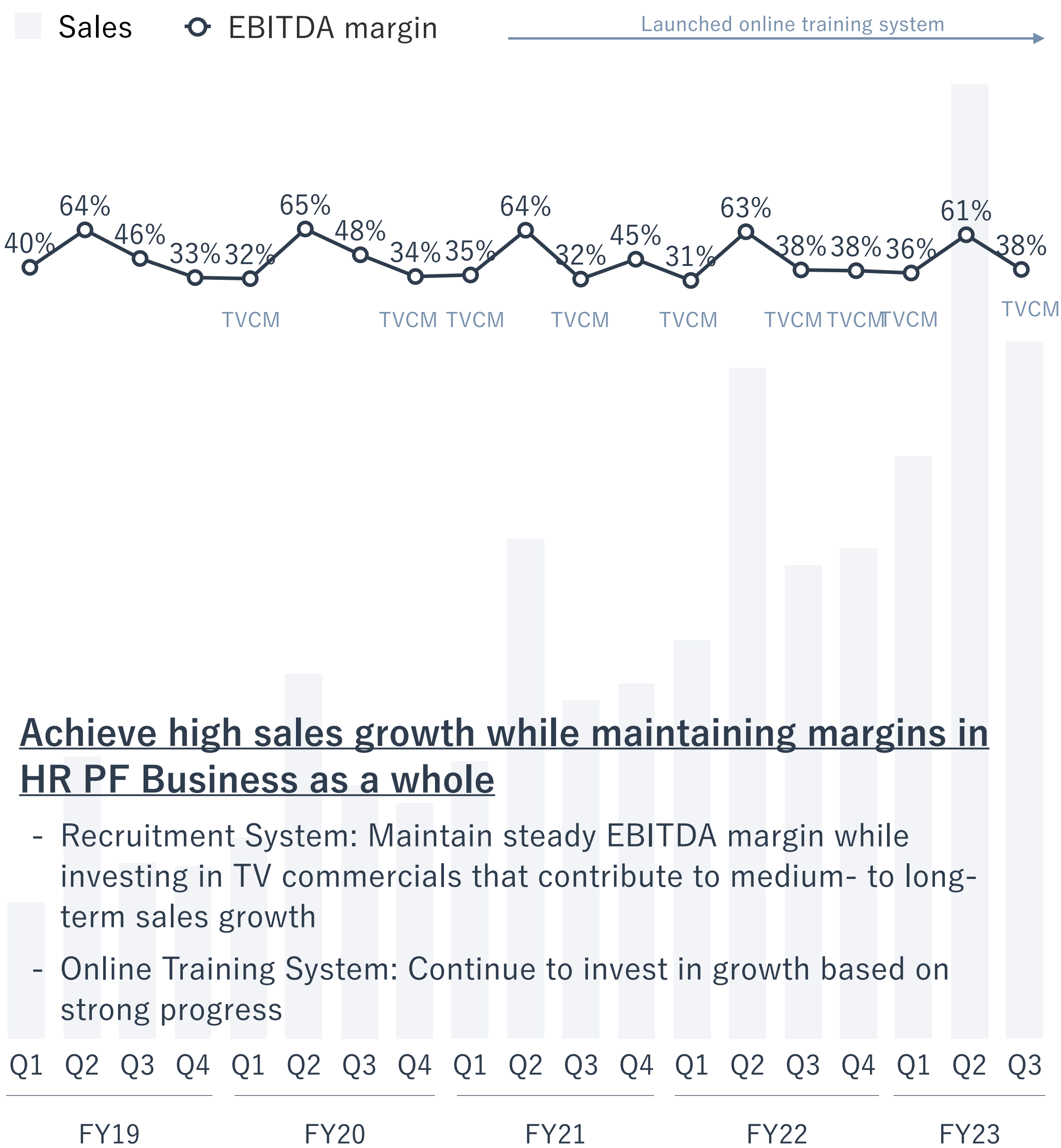
(JPY mm) \*figures in parentheses show each cost as a % of quarterly sales ratio

Item	Q2 FY22	Q2 FY23	Main Factors
Personnel costs	218 (6.3%)	285 (5.9%)	<ul style="list-style-type: none"><li>Increased headcount in the corporate departments</li></ul>
Rents	173 (5.0%)	151 (3.2%)	<ul style="list-style-type: none"><li>Decline in rent costs (JPY 79 mn) due to double rent paid in FY22 due to office relocation</li><li>Increase in rent on office space expansion</li></ul>
Hiring costs	82 (2.4%)	105 (2.2%)	<ul style="list-style-type: none"><li>Solid progress in hiring</li></ul>
Commission fees	120 (3.5%)	177 (3.7%)	<ul style="list-style-type: none"><li>Outsourcing costs associated with M&amp;A and strengthening of corporate functions (JPY 77 mn)</li></ul>
Other costs	30 (0.8%)	51 (1.0%)	<ul style="list-style-type: none"><li>Increase in equipment and fixings costs related to office space expansion</li></ul>

(1) Total companywide costs and cross-segment limitations not allocated to any business segment  
(2) One-time office relocation cost  
(3) One-time outsourcing costs associated with M&A and strengthening of corporate system

For the HR PF Business, our basic policy is to achieve high revenue growth while maintaining our EBITDA margin. For the Medical PF Business, though we will continue to invest in our medium-term growth (as stated in our FY2022 presentation material), we plan to improve our gross margin in order to enable high sales growth while maintaining EBITDA profitability.

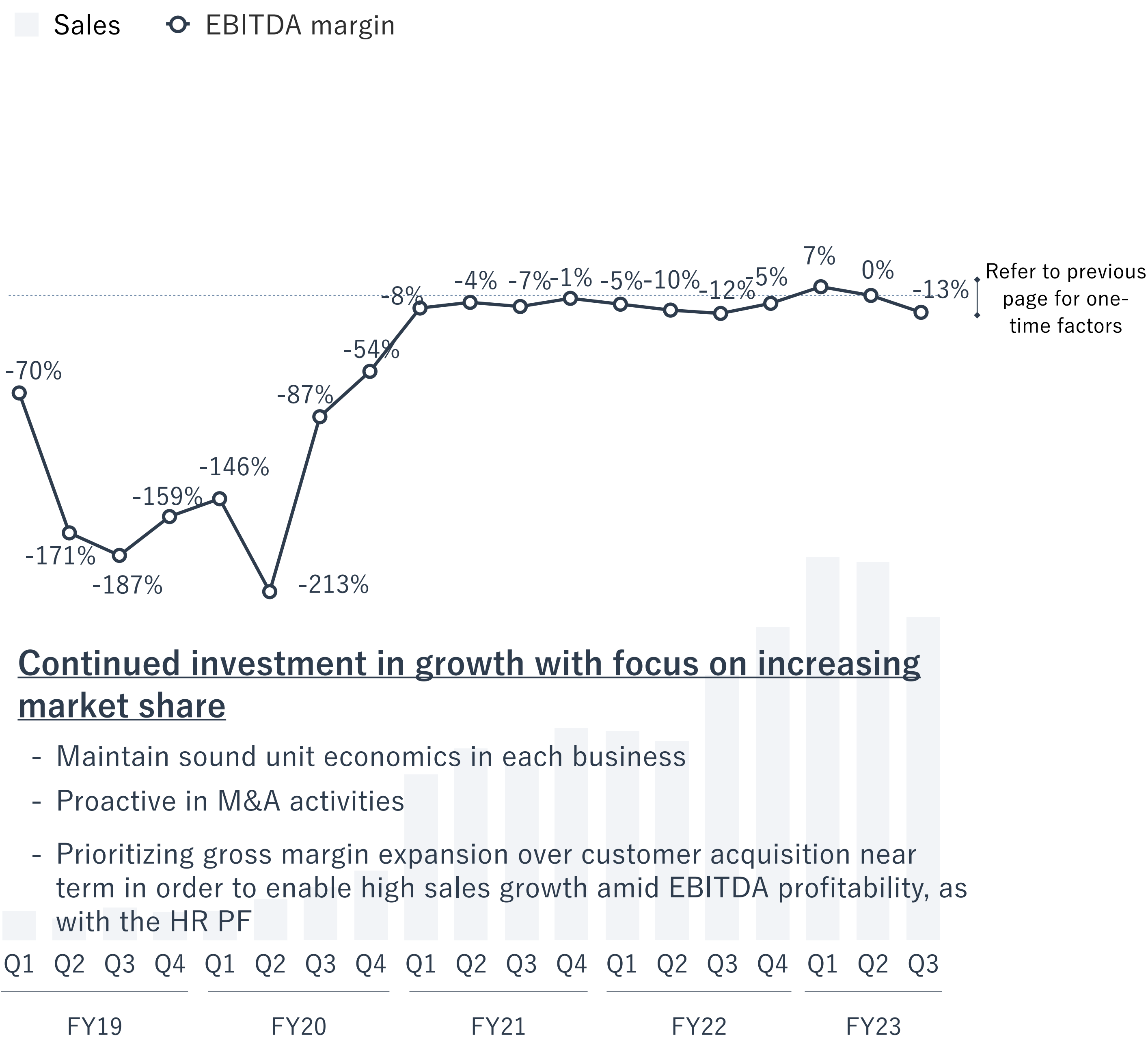
### EBITDA margin policies in HR PF<sup>(1)</sup>



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

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

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



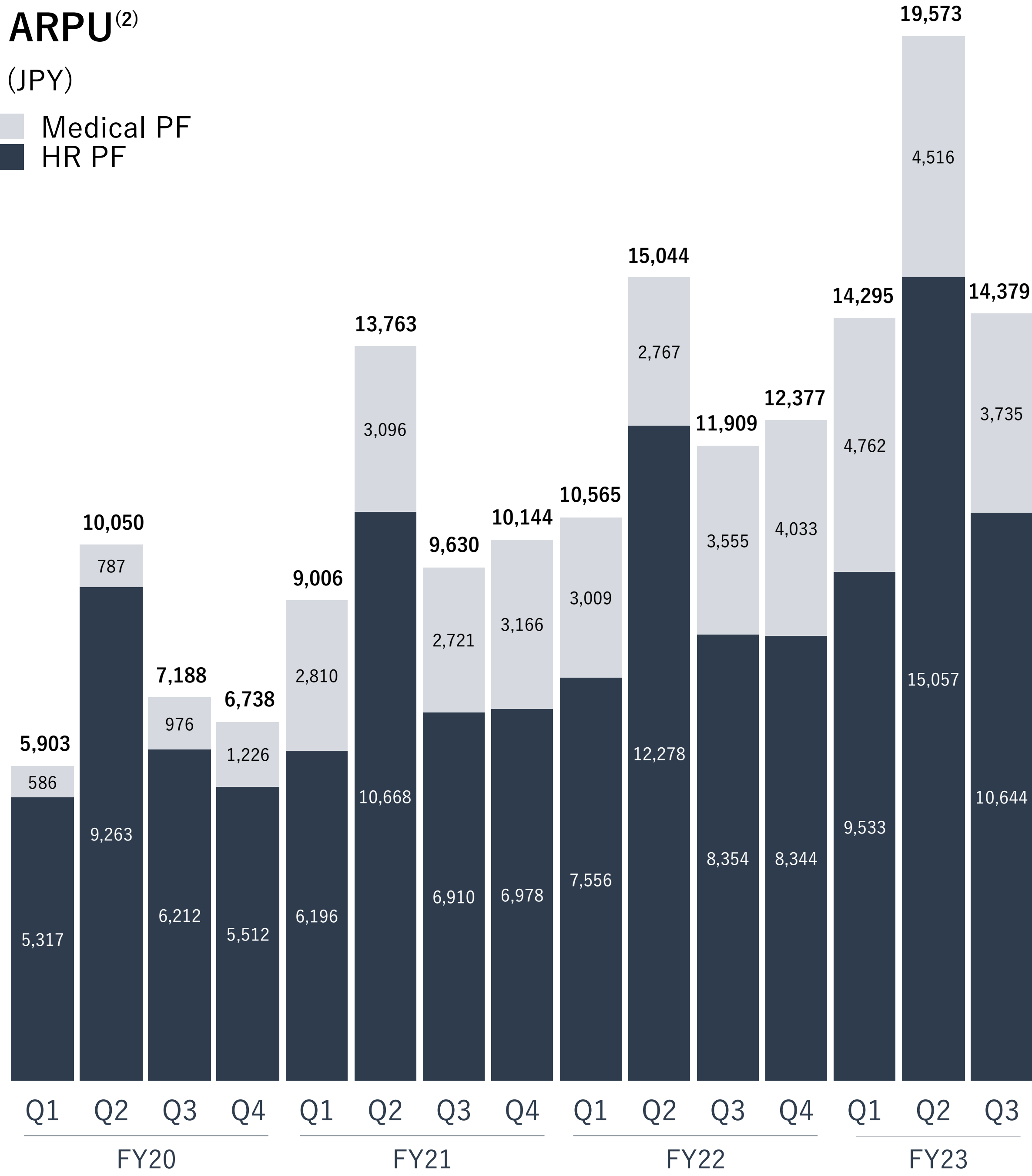
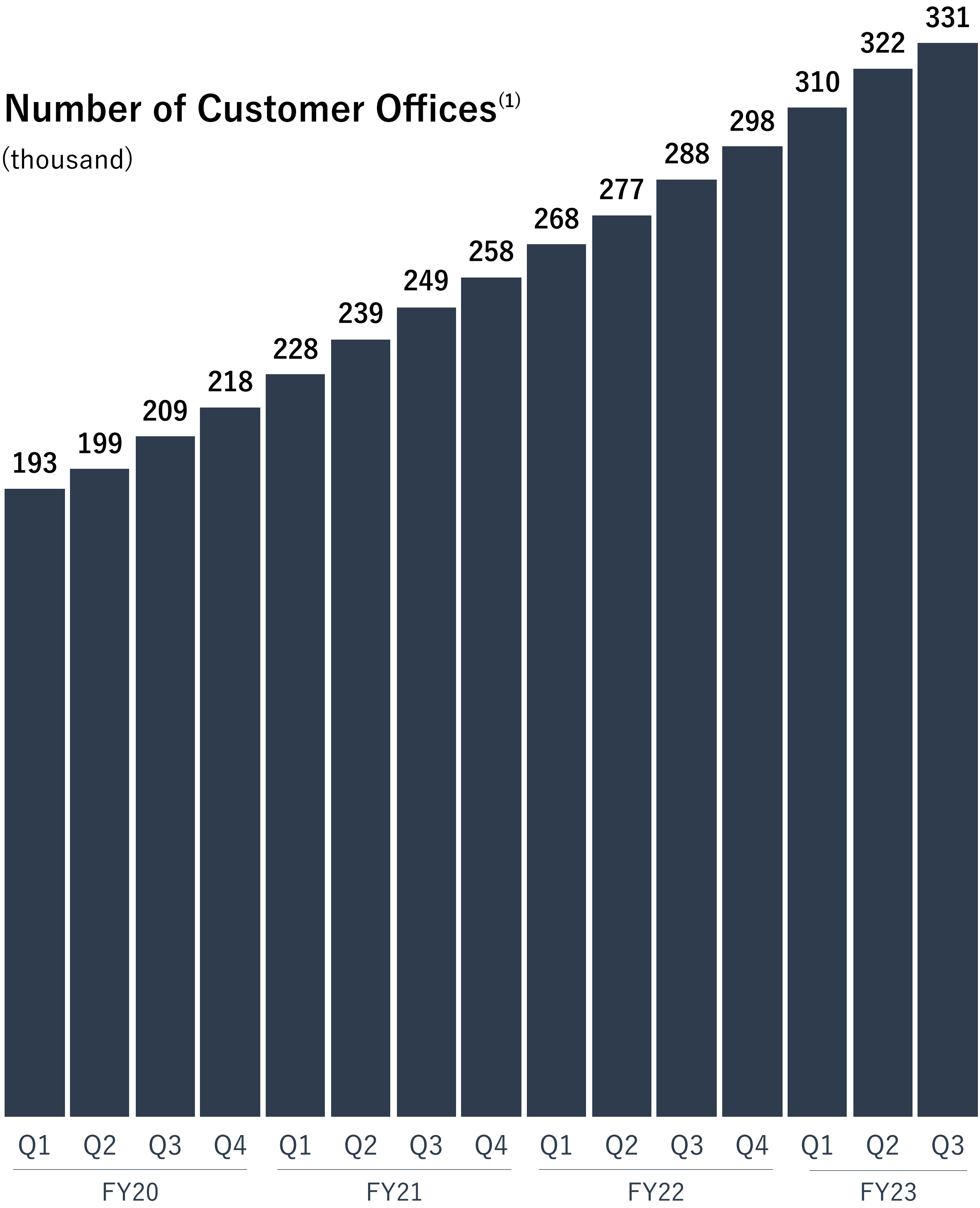
#### Continued investment in growth with focus on increasing market share

- Maintain sound unit economics in each business
- Proactive in M&A activities
- Prioritizing gross margin expansion over customer acquisition near term in order to enable high sales growth amid EBITDA profitability, as with the HR PF

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

# Steady Growth in Number of Customers and ARPU

The number of customer offices and ARPU, our main KPIs, have been continuously growing and we plan to keep investing going forward. Generally, HR PF sales increases sharply in Q2, which also results in ARPU to increase.



(1) Total number of customers in HR PF and Medical PF businesses. Since 4Q FY2019, customers using both platforms have been counted as a single customer account.

(2) 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 4Q FY2019, customer offices using both platforms have been counted as a single customer account.



Our financial base remains sound (capital ratio: 69.2%, D/E ratio 0.11x)

### B/S as of the End of June 2023

(JPY mm)

Cash raised from LOC	Untapped LOC 2,700
Cash and deposits 16,005	Debt 1,941
	Other liabilities 5,328
	Net assets 17,231
Other assets 8,495	

Capital ratio: 69.9%, D/E ratio: 0.11x



### B/S as of the End of September 2023

(JPY mm)

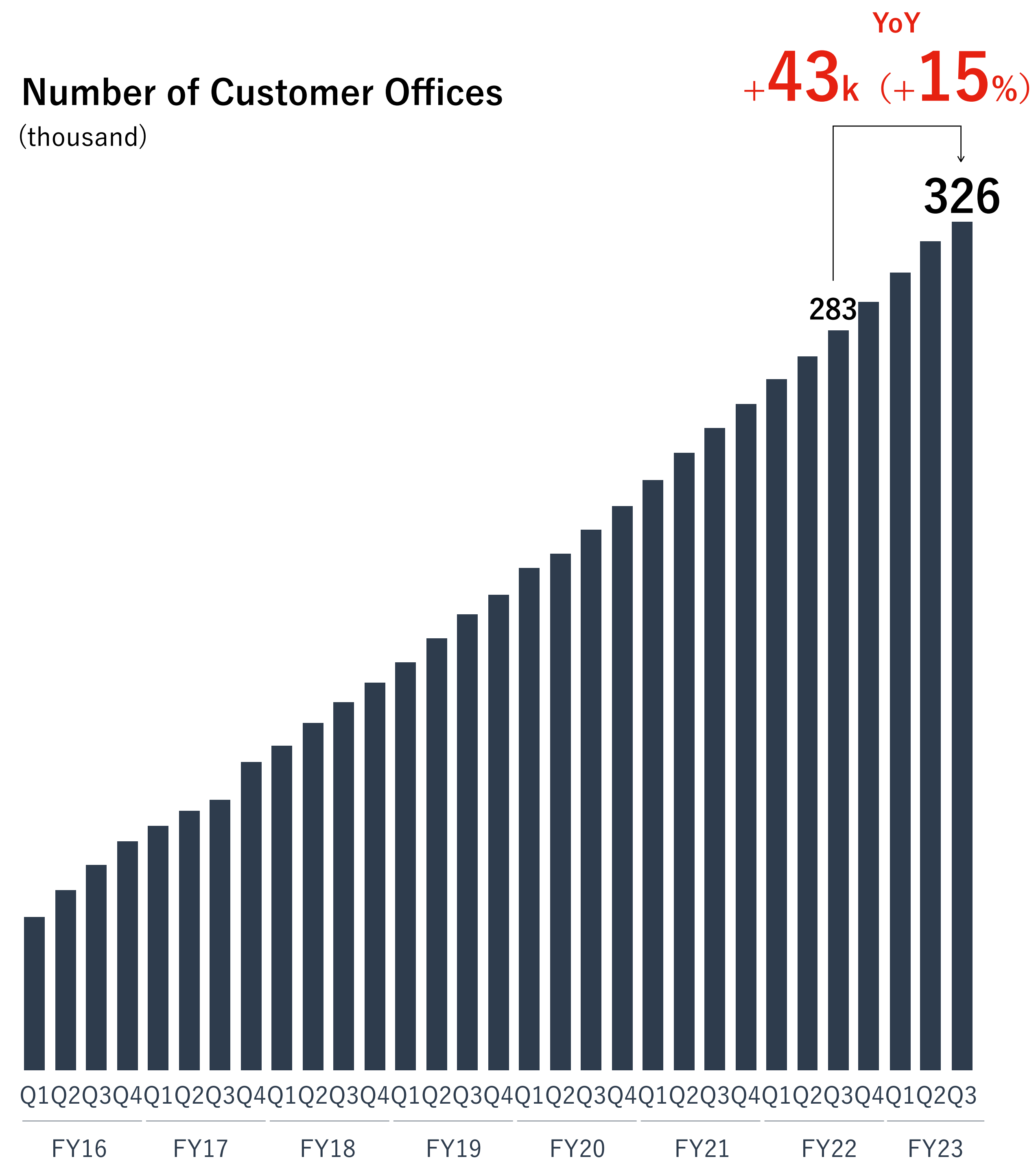
Cash raised from LOC	Untapped LOC 2,700
Cash and deposits 15,462	Debt 1,919
	Other liabilities 5,749
	Net assets 17,517
Other assets 9,723	

Capital ratio: 69.2%, D/E ratio: 0.11x

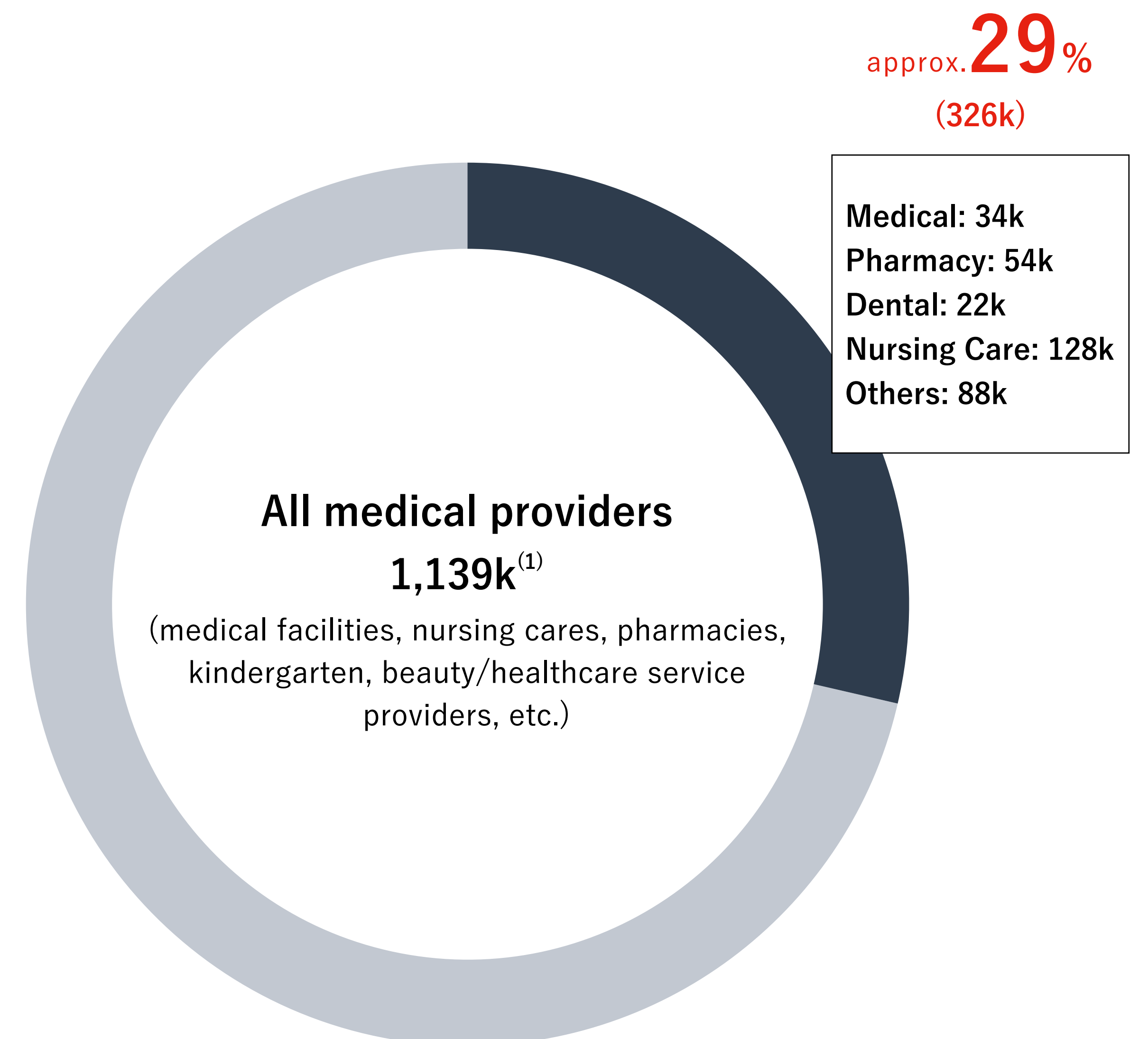
HR PF



In FY2023 Q3, we continued to make steady progress acquiring new customer offices and as a result achieved 326 thousand contracts.



### Customer Coverage Ratio

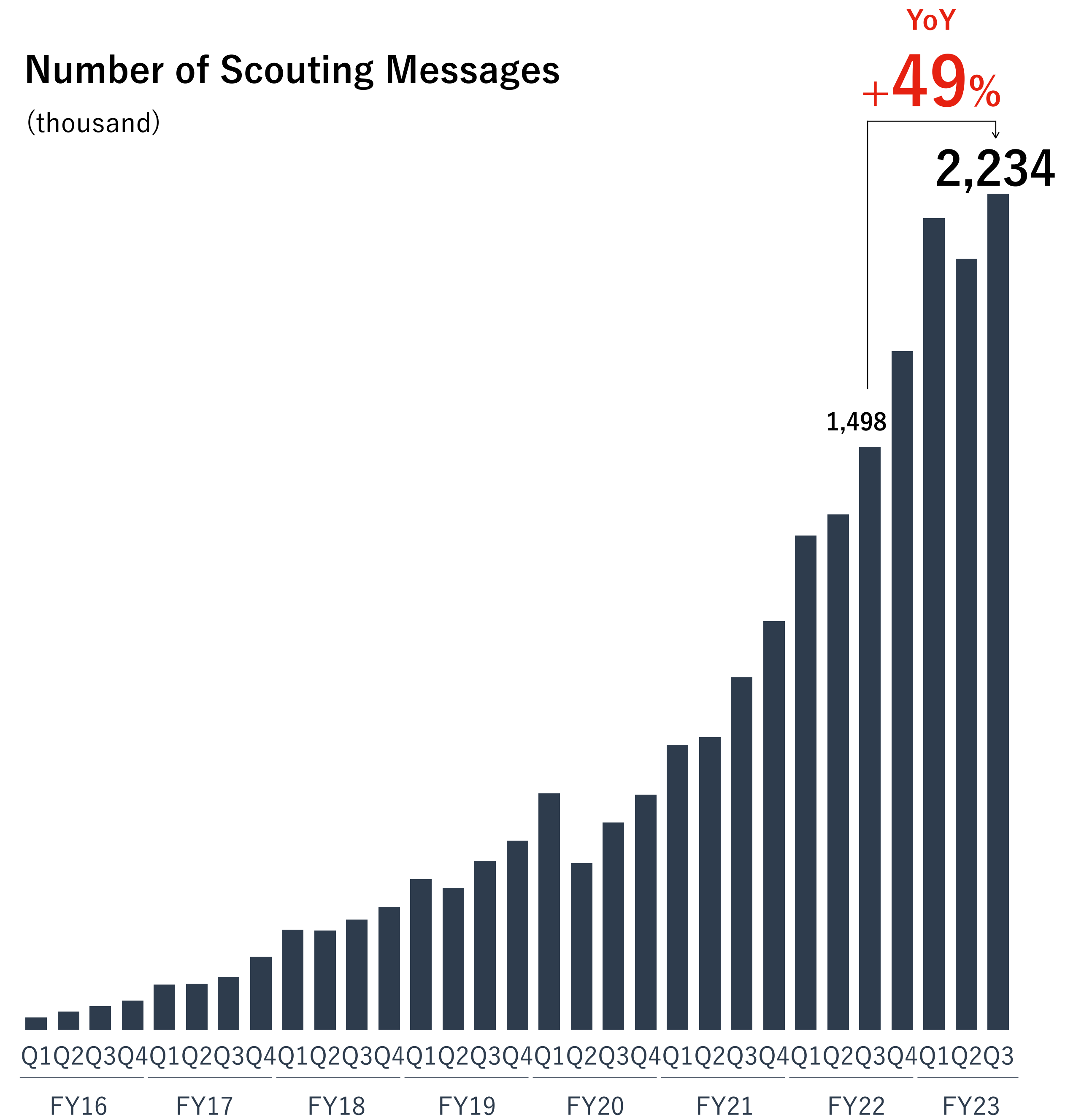
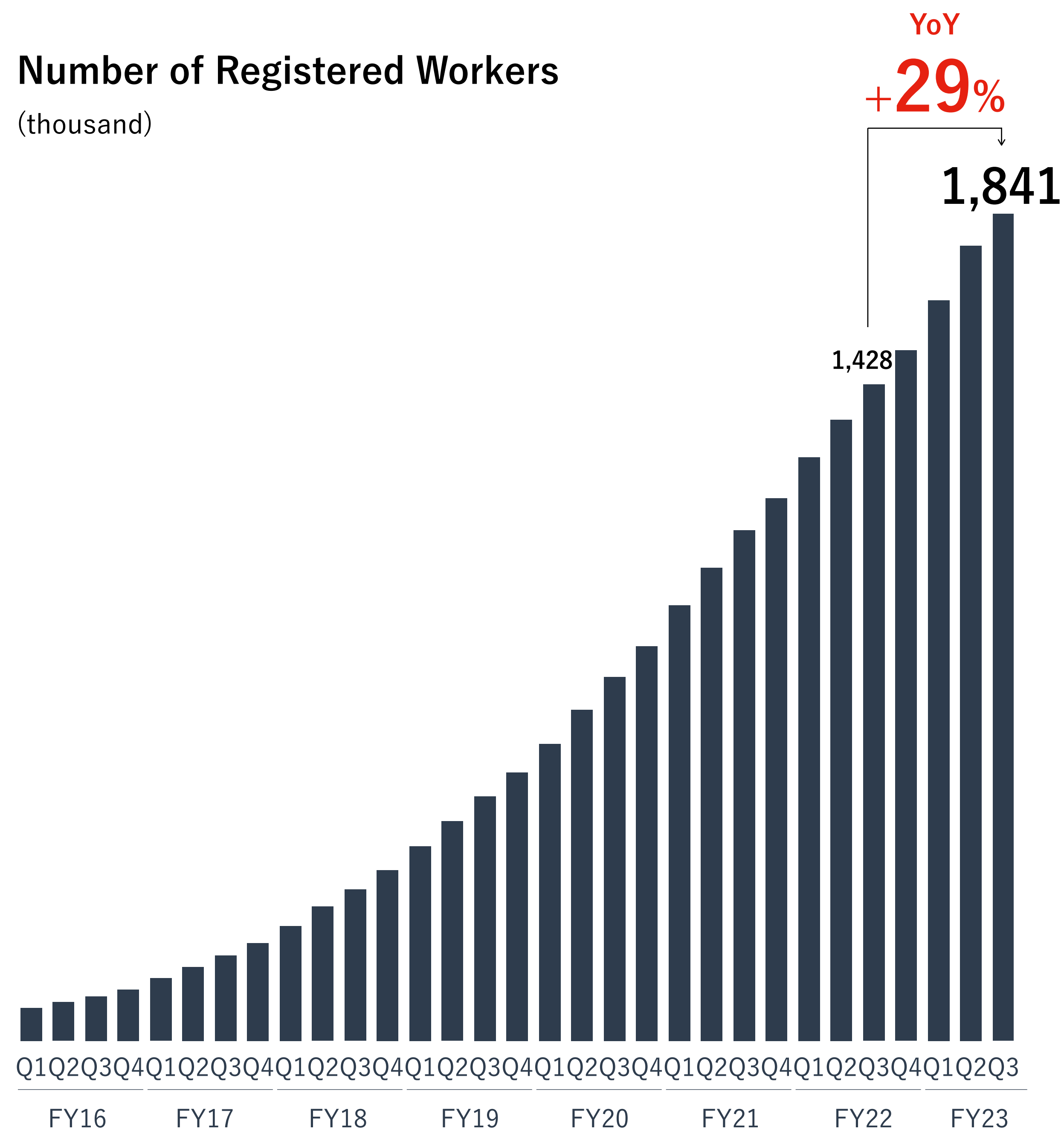


(1) Ministry of Health, Labour and Welfare, Ministry of Internal Affairs and Communications, and Cabinet Office statistics



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

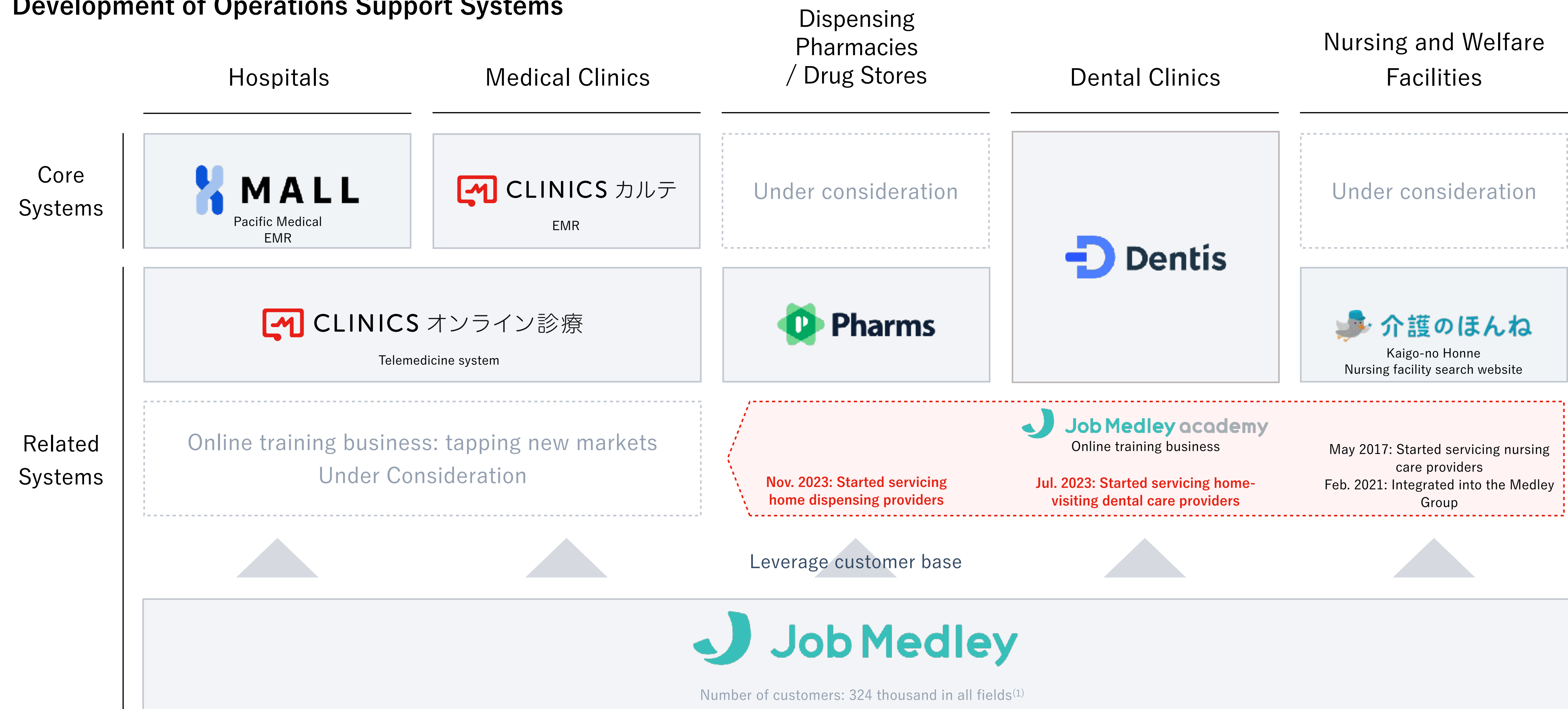
Proactive recruitment methods are effective for hiring medical and healthcare professionals. In FY2023 Q3, our customers increased usage of our scouting functions as we expanded our pool of registered workers.



# Began providing service to home dispensing providers

Regarding our online training system, after launching a version for home-visiting dental care in July 2023, we began providing training for the home dispensing field in November 2023. We plan to continue to proactively leverage our customer base to create synergies by tapping new markets.

## Development of Operations Support Systems



(1) As of end of September 2023

## Medical PF

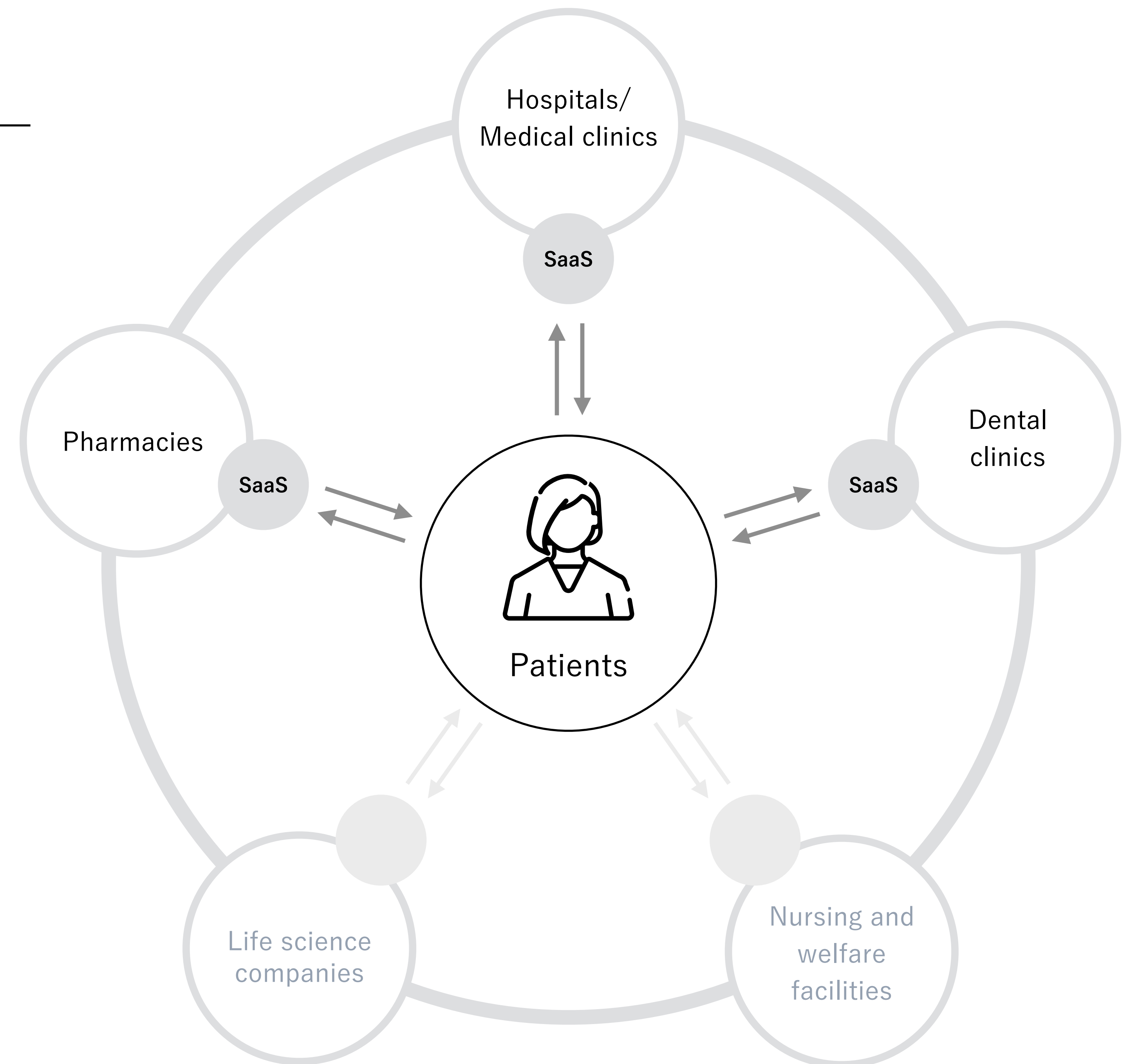
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 **CLINICS**

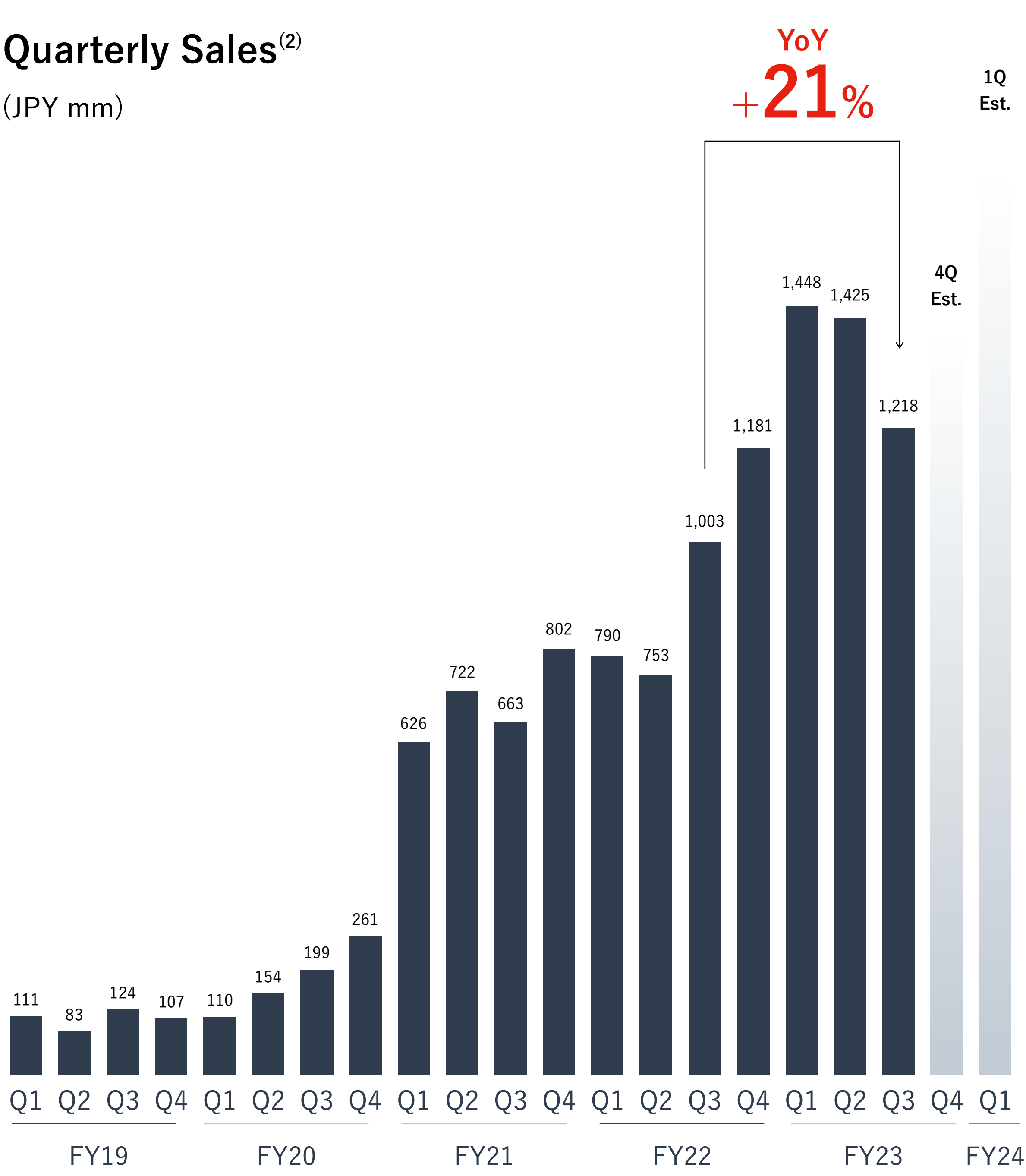
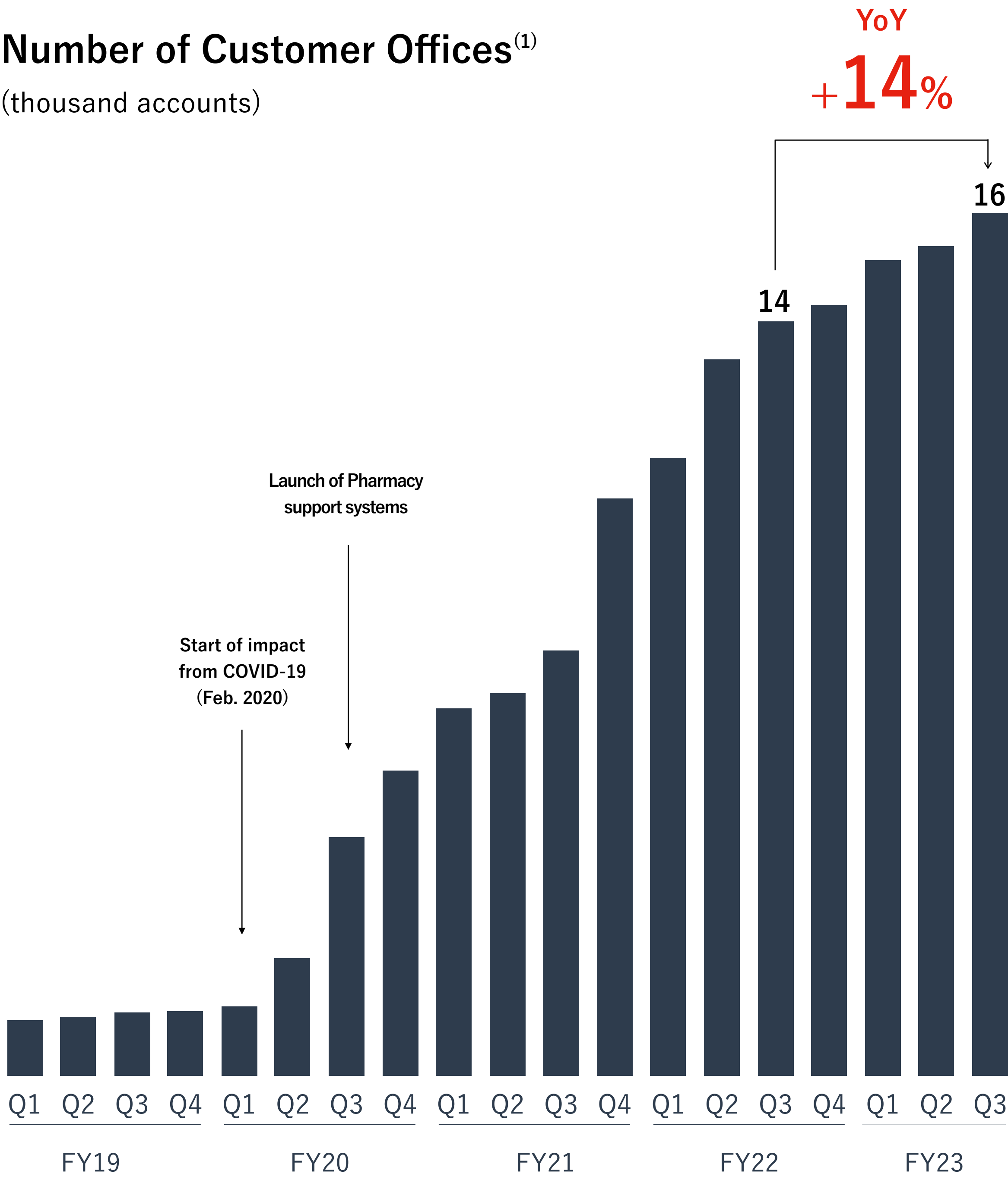
 **Pharms**

 **MALL**

 **Dentis**



In Q3 FY2023, we achieved YoY growth in both our sales and install base of medical institution clients. We are planning a slowdown in sales growth in FY2023 as we continue to prioritize initiatives aimed at improving our gross margin (details in page 21). However, we expect growth to improve from FY2024 Q1.



(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

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

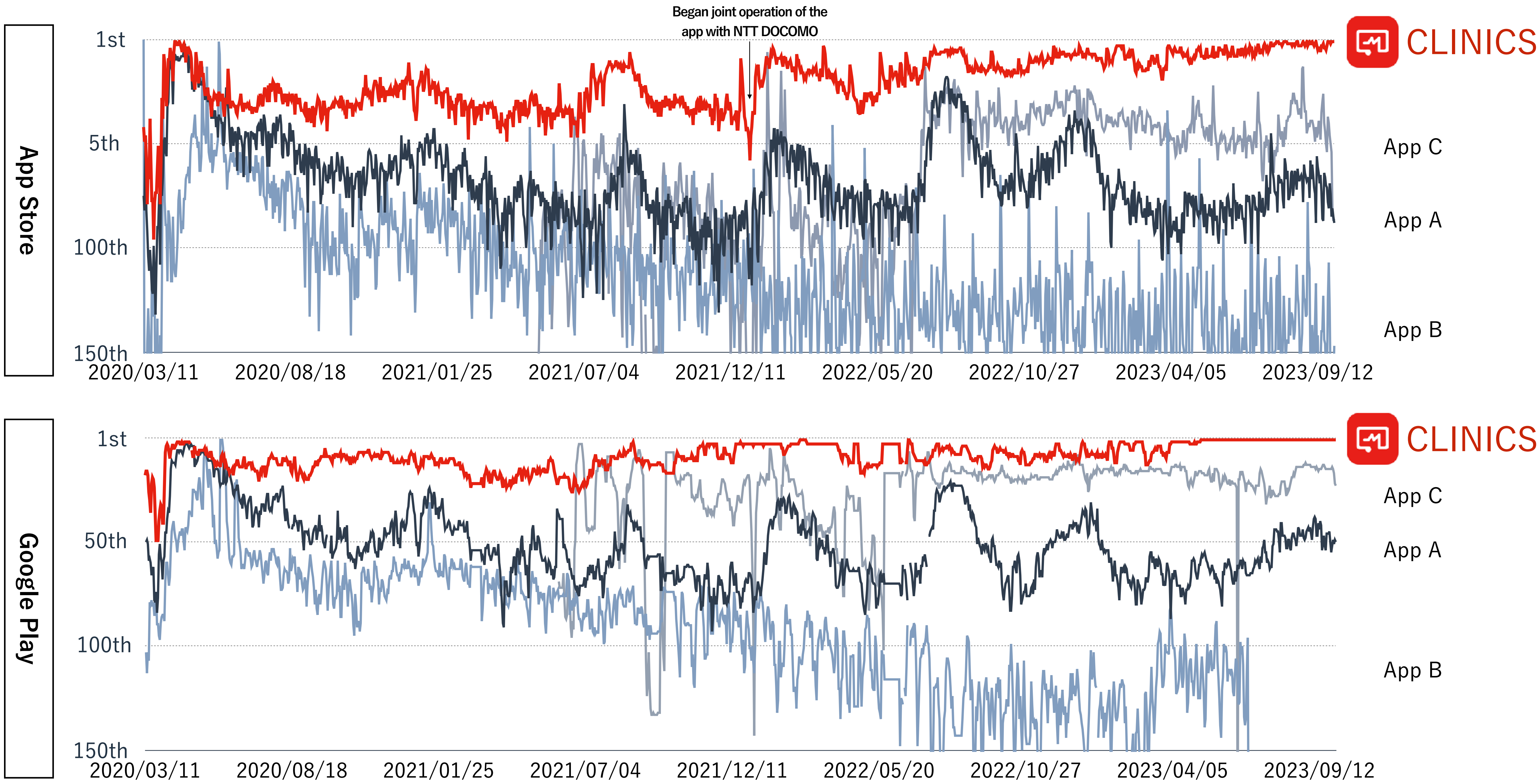
In FY2023 Q3, we implemented a number of measures to boost the medium- to long-term growth and profitability of the Medical PF Business. These include expanding our target customers, improving ARPU, and streamlining measures.

## Main Measures Implemented in FY2023 Q3

	Hospital / Medical Clinics	Pharmacies	Dental Clinics
Expansion of targeted customers	Strengthened sales of EMR to hospitals		
	Strengthened EMR functions for hospitals	Conducted development aimed at strengthening functionality	Conducted development aimed at strengthening functionality
Improvement in ARPU	A Increased settlement fees owing to growth in number of users		
	Strengthened sales of partner products		
Streamlining	B Improved gross margin of the EMR business		
Patient users expansion	A Strengthened advertisement of telemedicine app with NTT DOCOMO	Joint operation of businesses with NTT DOCOMO via minacolor	Strengthened integration with CLINICS app

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 through different initiatives our patient user base continues to grow.

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

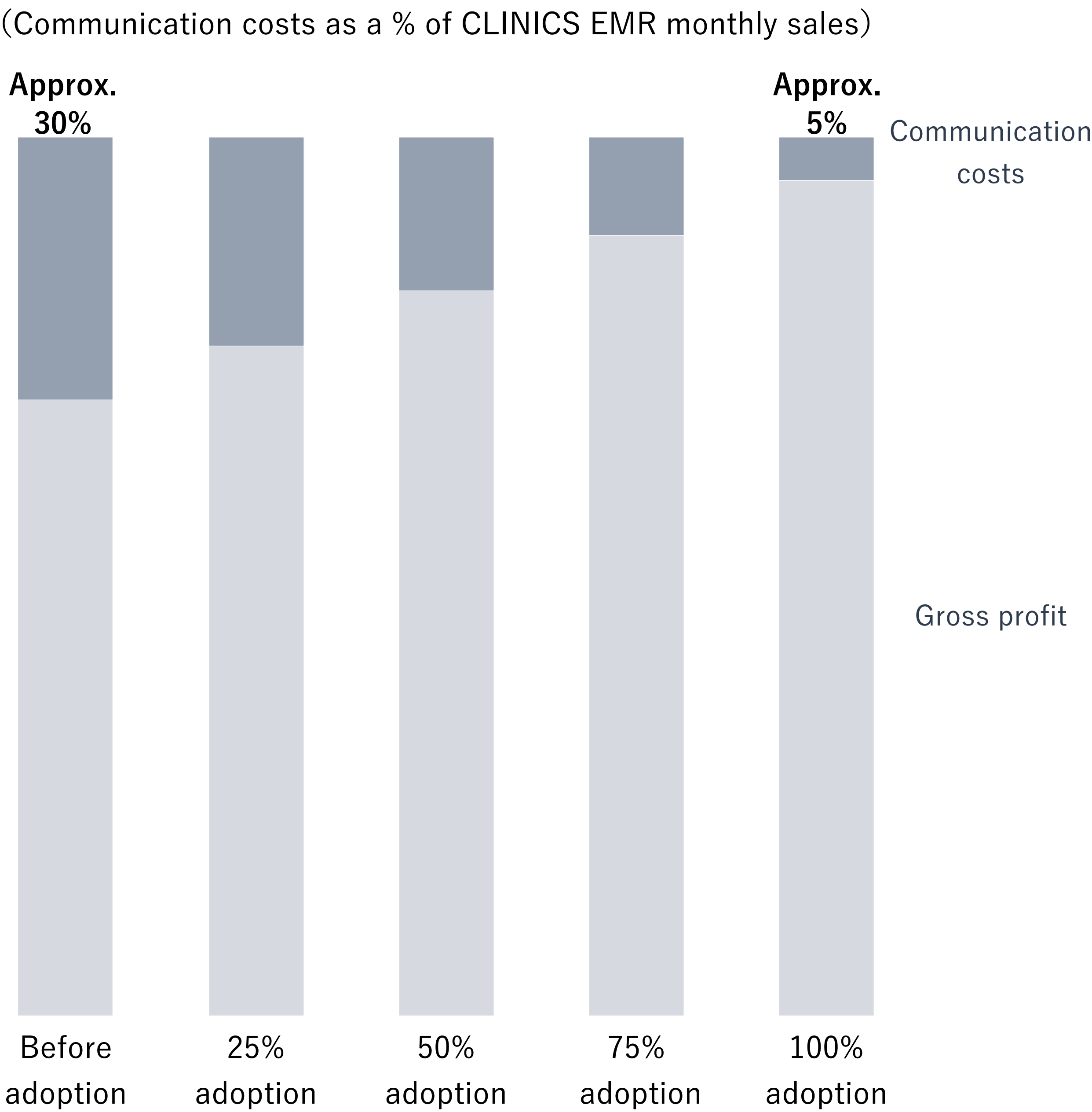


(1) Comparison among telemedicine apps which cover insured medical treatment; Source: data.ai



We are rolling out our cloud-based medical receipt computer system (SRIM) as an initiative to improve gross margins of CLINICS EMR. Communication costs will decline as a result of this and improve CLINICS EMR’s gross margins.

SRIM adoption impact



Overview of SRIM

**What is SRIM?**

- A cloud-based medical receipt computer developed by NaCl Medical (acquired in 2019 and merged in 2021)
- Rolled out in 2023

**Concept**

**Sustainable**

- Using the latest technology and techniques, such as language models/frameworks and process automation that will allow us to provide service for the long run

**Reasonable**

- Providing an efficient service with little waste at an appropriate price point by minimizing server costs through the use of the cloud, lowering development and maintenance costs by not providing a UI, etc

**Improvable**

- We will continuously improve our service after release
- Continuously build new functions, such as: supporting revisions in medical service fees and regional govt. public expenditures, better check systems, etc

**Manageable**

- We will own the improvement strategy, including specifications and schedule in order to provide our clients with a superior receipt computer

1. FY2023 Q3 Results

## 2. Progress Towards Mid-Term Targets and FY2023 Forecast

3. Investment Highlights

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

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

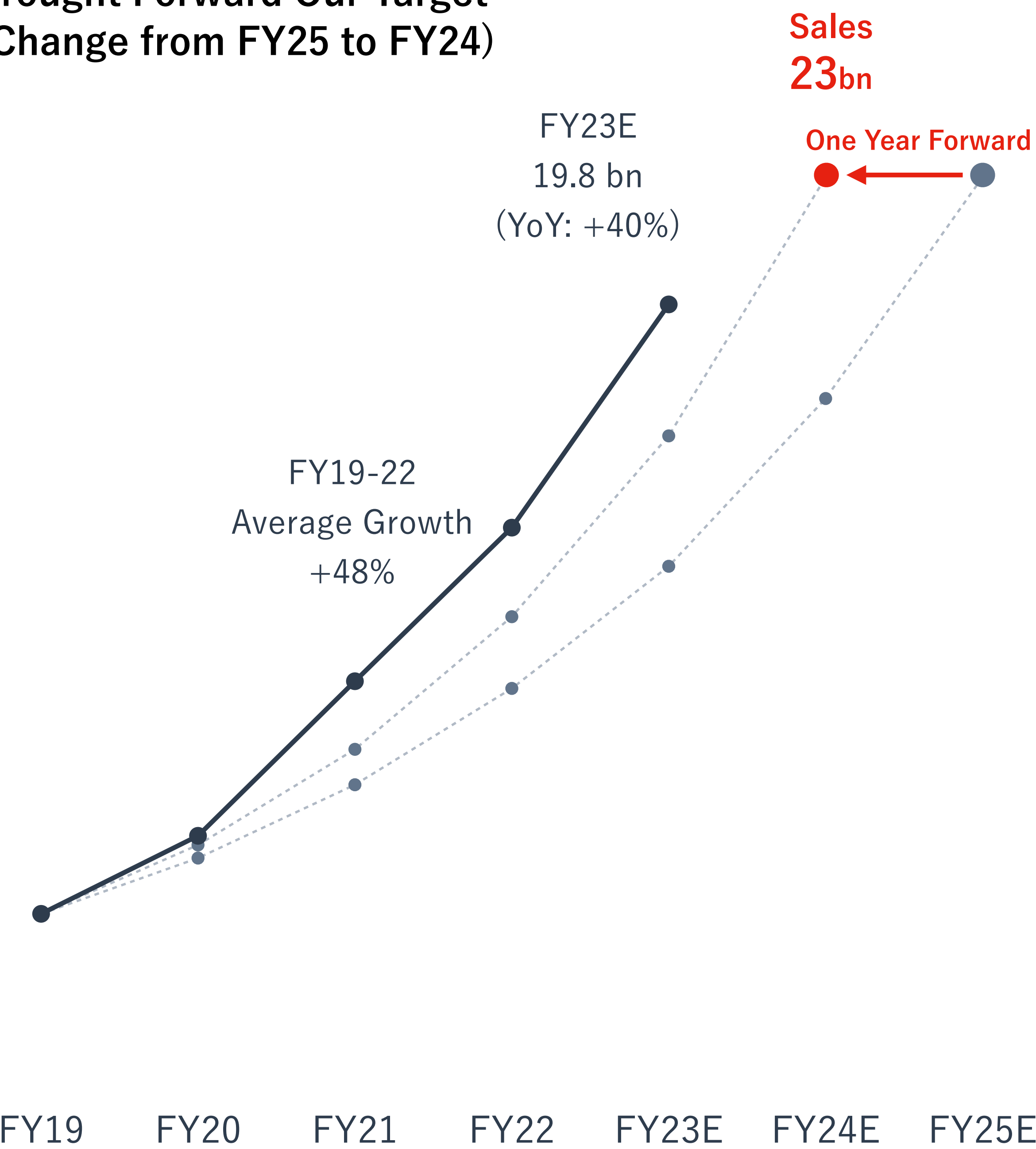


Improve ARPU  
(Increase utilization ratio  
/ Expand product lineup)

# (Ref.) 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, in February 2023, we brought forward our mid-term targets 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	19.8	
2024	17.4	23.0		
2025	23.0			

We plan to announce our next mid-term plan in February 2024 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 in February 2023)	February 2024
Timing of Achievement of Goals	FY24 (Brought Forward from FY25)	Around FY30
Sales CAGR	+39% (FY19-FY24E) *Expect to exceed target	Around +30%
Profit	Positive EBITDA	Profit margin increase (Positive EBITDA in all fiscal years)



# FY2023 Forecast: Assumption and Progress

\*new updates in red

	Assumption	Financial Indicators	Progress/Update
HR PF	<ul style="list-style-type: none"> <li>Number of customer offices: Maintain the same growth</li> <li>Improvement of ARPU                             <ul style="list-style-type: none"> <li>Improve utilization rate by gaining job seekers, Increase by improving functionality</li> <li>Contribution of online training system</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Sales Growth: <b>+40% or more</b> (FY22: +38%)</li> <li>EBITDA margin: <u>Approximately 40%</u> (FY22: 45%)</li> </ul>	<ul style="list-style-type: none"> <li><b>Progress outpacing our forecast (revised up in Q2)</b></li> </ul>
Medical PF	<ul style="list-style-type: none"> <li>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"> <li>Continue growing existing businesses</li> <li>Strengthening approaches to acquire patient users</li> </ul> </li> <li>Continue investment in development targeting mid-term growth</li> <li>Impact from deregulation is conservatively factored in</li> </ul>	<ul style="list-style-type: none"> <li>Sales Growth: <b>+40% or more</b> (FY22: +32%)</li> <li>EBITDA margin: <u>Approximately 0%</u> (FY22: -8%)                             <ul style="list-style-type: none"> <li>Prioritizing gross margin expansion to enable high growth <u>with positive EBITDA</u>, as with HR PF</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Solid progress</li> <li>Sales to hospitals concentrated in the 1H</li> </ul>
New Services	<ul style="list-style-type: none"> <li>Plan to expanded business related to nursing care</li> <li>Conduct test marketing in the USA</li> <li>Began development of EMR for acute care hospitals</li> </ul>	<ul style="list-style-type: none"> <li>Bringing new nursing care related business <u>into the black</u></li> <li>Test marketing costs in the USA: <u>Approximately JPY 350 million</u></li> <li>Development costs for EMR for acute care hospitals: <u>Approximately JPY 50 million</u></li> </ul>	<ul style="list-style-type: none"> <li>Started generating revenues in the US, but see large room to improve operational efficiency</li> <li>Acquisition and consolidation of GCM Co., Ltd. (negligible impact on sales)</li> </ul>
Corporate Expenses	<ul style="list-style-type: none"> <li>Continued proactive hiring to achieve growth                             <ul style="list-style-type: none"> <li>HR PF: approx. 160 new hires</li> <li>Medical PF: approx. 110 new hires</li> <li>Corporate: approx. 50 new hires</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Continued downtrend in ratio of companywide expenses to sales</li> </ul>	<ul style="list-style-type: none"> <li>Hiring proceeding according to plan</li> </ul>
Others	<ul style="list-style-type: none"> <li>Still-to-be-determined sales from new businesses and potential impact of M&amp;A deals with low probability not factored into forecast</li> </ul>		



# FY2023 Forecast Unchanged

Progress of cumulative FY2023 Q3 results is trending above FY2022 trends and outpacing our FY2023 forecasts. Although we currently expect sales and profits (including EBITDA) are highly likely to surpass our FY2023 forecasts (revised up in FY23 Q2), we are leaving our full-year forecast unchanged.

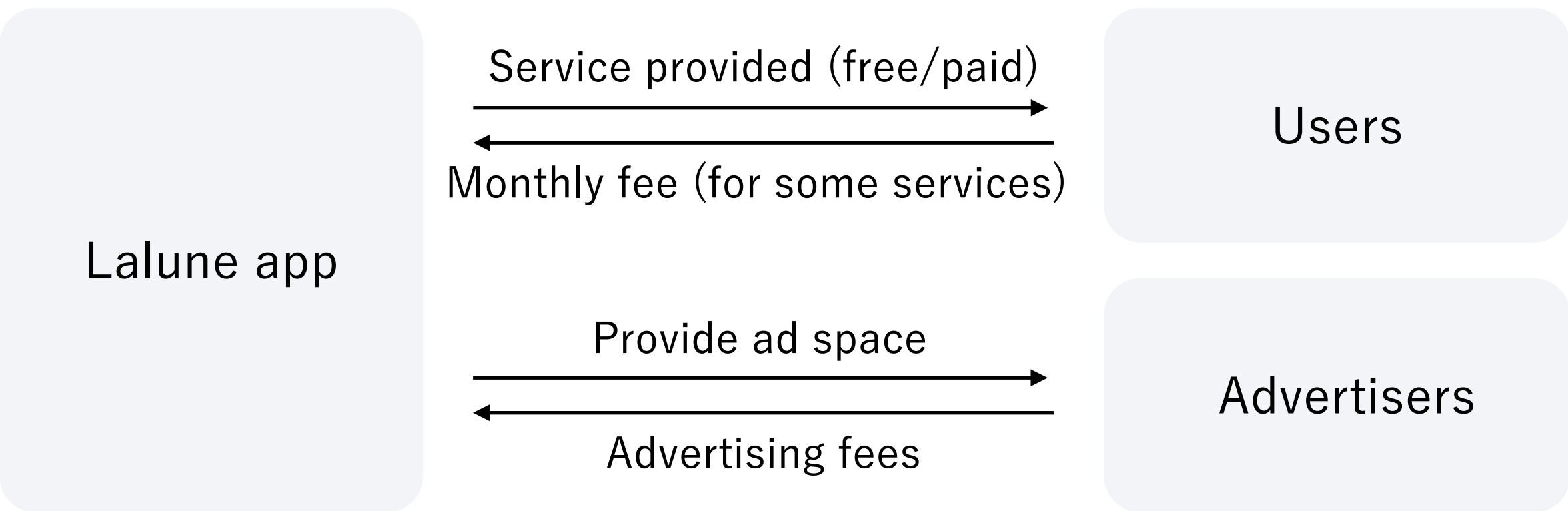
(JPY mm)	FY2023 3Q Cumulative Results	FY2023 Forecast	Progress	Progress (FY22 Q3)	Progress Toward Full-year Forecast
Sales	15,501	19,800	78%	74%	Solid progress of the HR PF; highly likely to surpass our previously raised FY23 forecasts
Gross Profit	10,376	13,300	78%	75%	
EBITDA	3,059	2,950	104%	89%	Highly likely to surpass our previously raised FY23 forecasts
Operating Profit	2,544	2,250	113%	97%	
Ordinary Profit	3,229	3,000	108%	92%	
Profit attributable to Owners of Parent	2,177	2,000	109%	94%	

On October 24, 2023, Medley decided to acquire the business operations related to Lalune, a women’s health consultation application operated by Ateam Wellness, Inc. The Lalune app has accumulated 8.67 million<sup>(1)</sup> users since its launch in 2010. Going forward, we will improve access to healthcare for patients by creating synergies between the Lalune business and Medley’s other businesses.

Overview

Business	Operation Lalune, a women’s health consultation application
Cumulative total users	8.67 million <sup>(1)</sup>
Consolidation	February 2024 (expected)
FY24 impact	Limited impact: JPY 100-200 million in sales

Business model of the Lalune business



- Main user demographic: Women in their 20s and 30s
- Current income streams:
  - Monthly fees from paid services e.g. conception support, etc
  - Advertising revenue from ads on the app

(1) As of September 2023

Value provided by Lalune app<sup>(2)</sup>

Concept	“Peace of mind for all women”
Key values provided	<ul style="list-style-type: none"><li>• Three modes to match users’ life stage:<ul style="list-style-type: none"><li>- Cycle management, Seeking conception, During pregnancy</li></ul></li><li>• Simple data log interface</li><li>• Use of AI to predict menstruation, ovulation, and probable conception dates</li><li>• Information for users trying to conceive</li></ul>



(2) The images above are from the Lalune official website, but may differ from the latest design.

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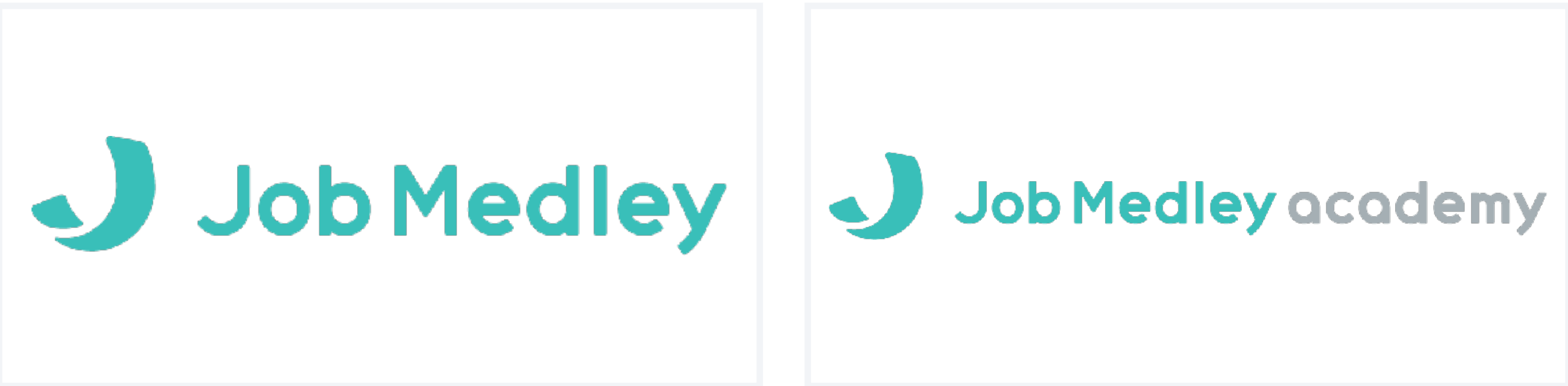
1. Vast opportunities in the medical and healthcare field
2. Continuous growth through maximization of customer office numbers and ARPU
3. Disciplined investment in growth



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 training service. Our objective is not only to provide better matching for job seekers and medical providers, but to resolve the shortage of medical and healthcare personnel by facilitating unemployed but qualified workers return to work and tackling the issue of uneven service distribution between communities.



## New Services

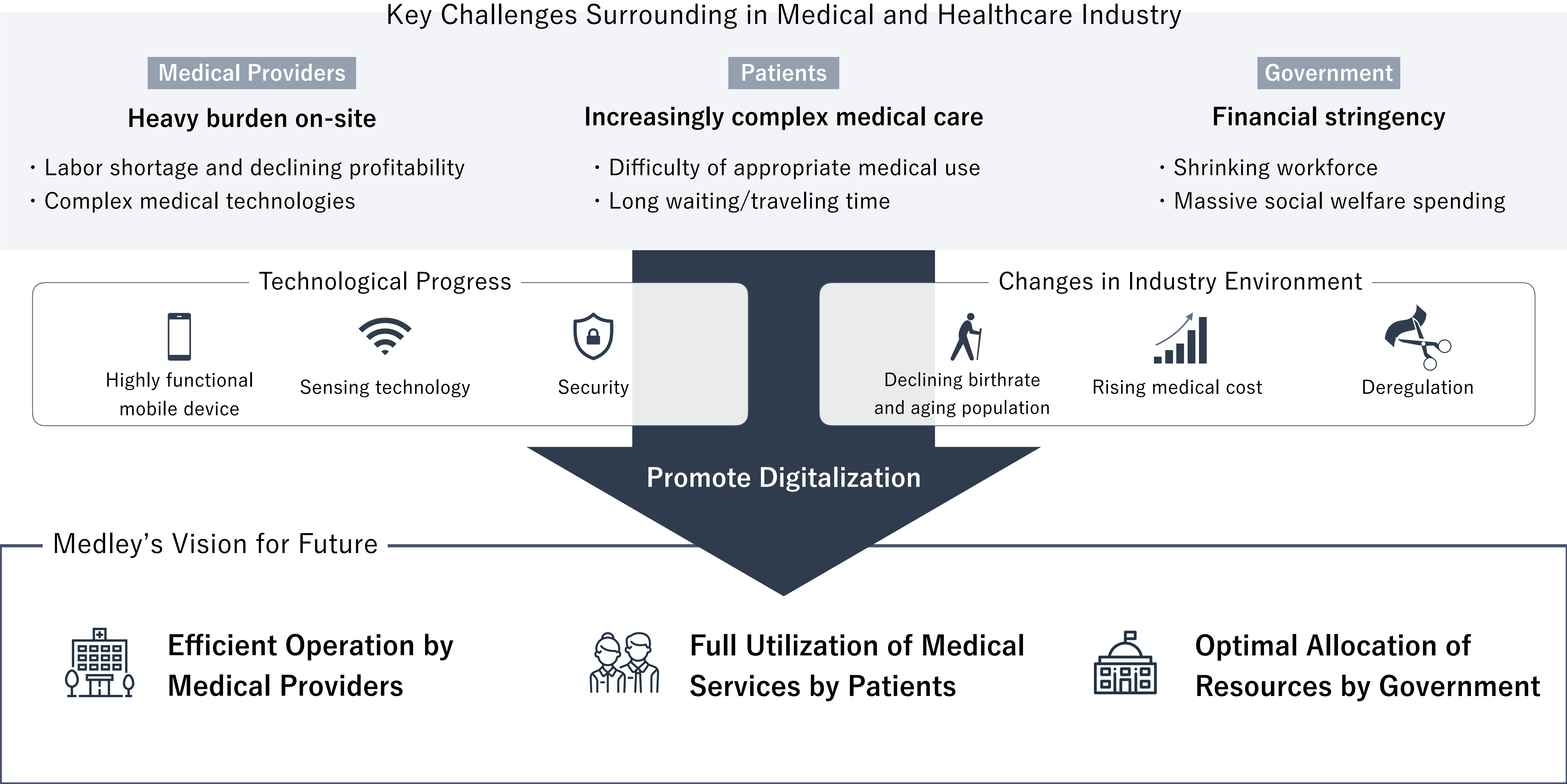
We are continuously developing businesses to promote the use of IT in the nursing care area and in peripheral areas.

## Medical PF Business

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



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





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

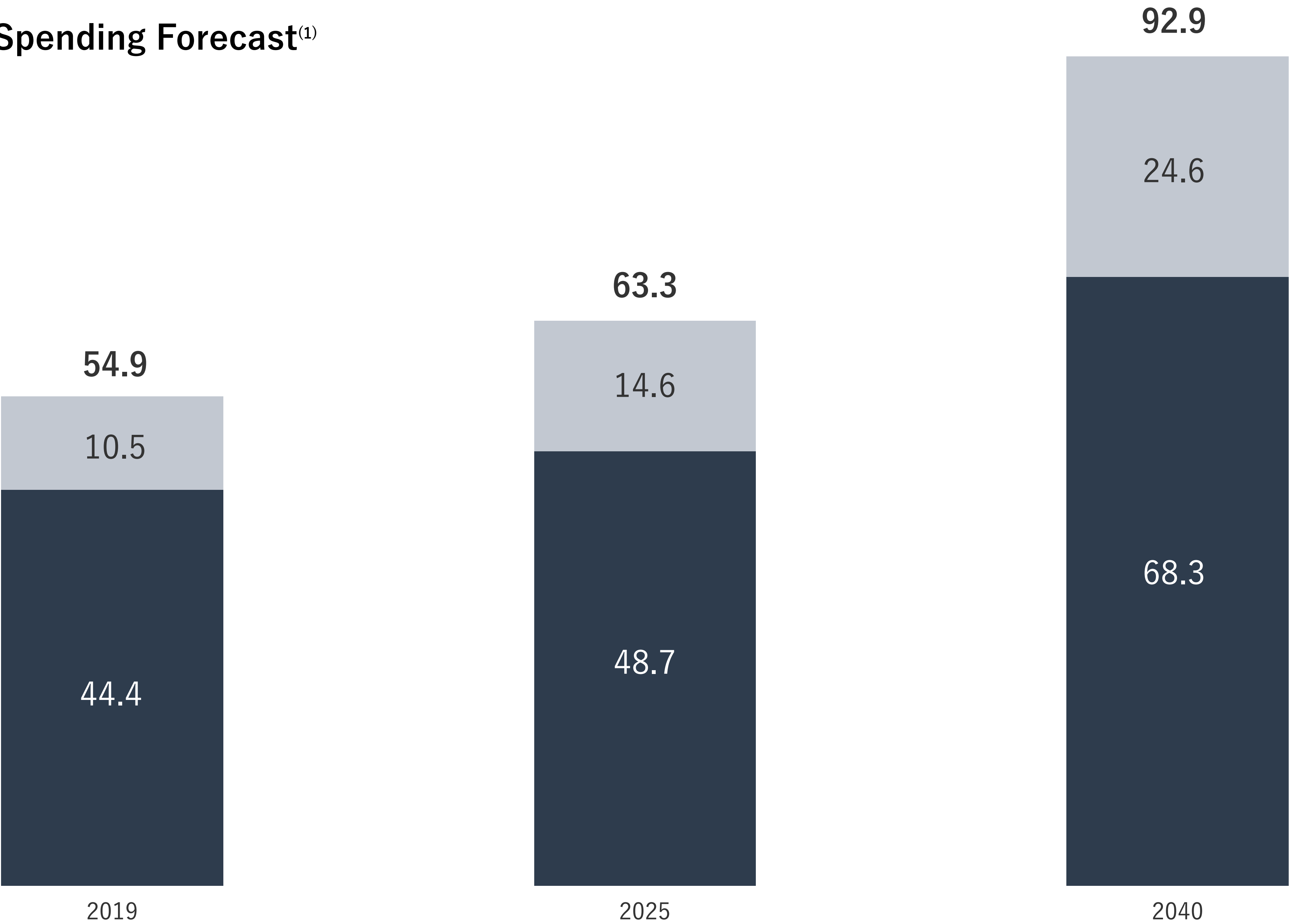


Spending on social welfare is expected to rise continuously in Japan owing to the aging of the population. The number of medical care workers taking care of elderly patients is also expected to rise.

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

(JPY Trillion)

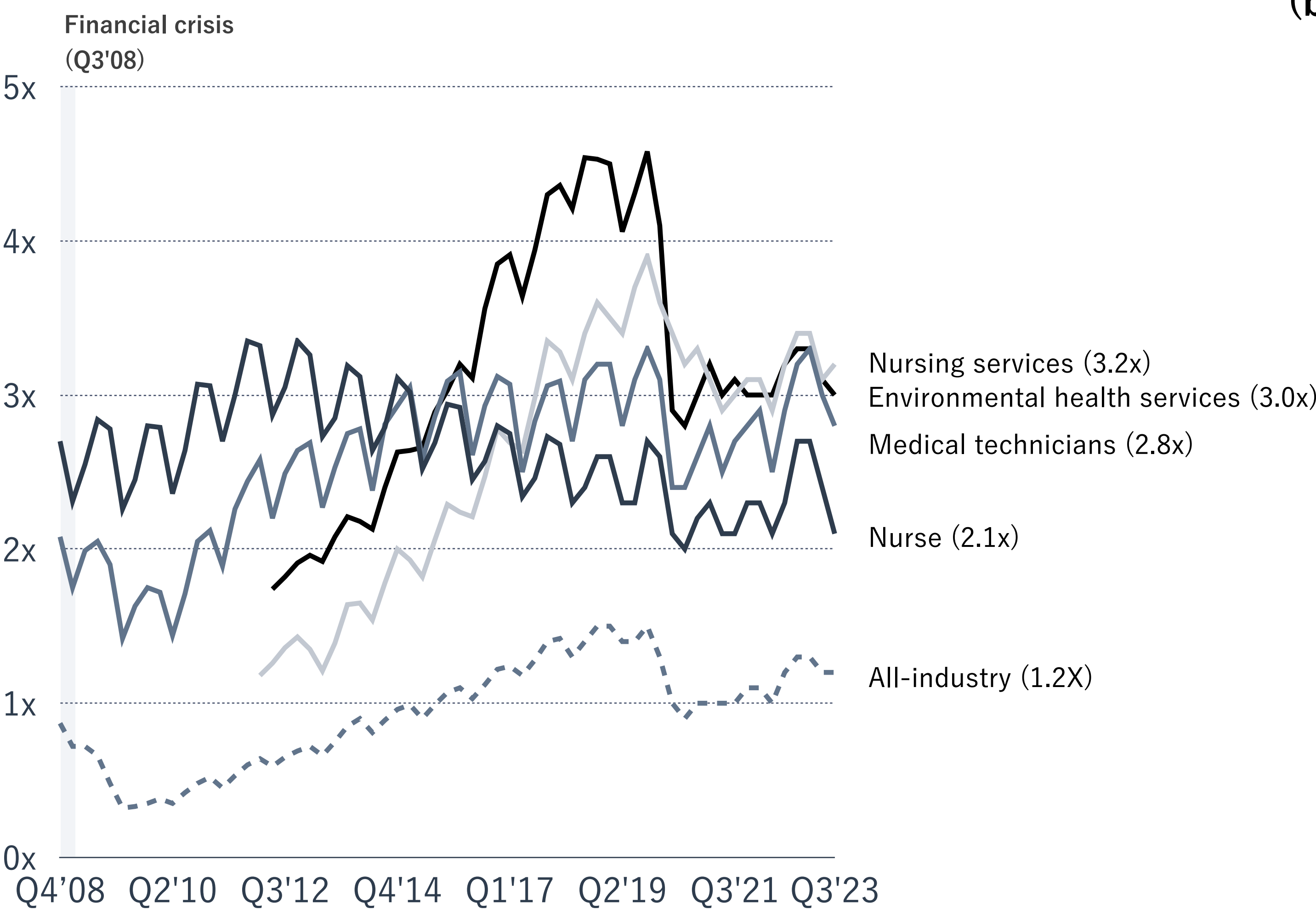
- Nursing care cost
- Medical cost



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

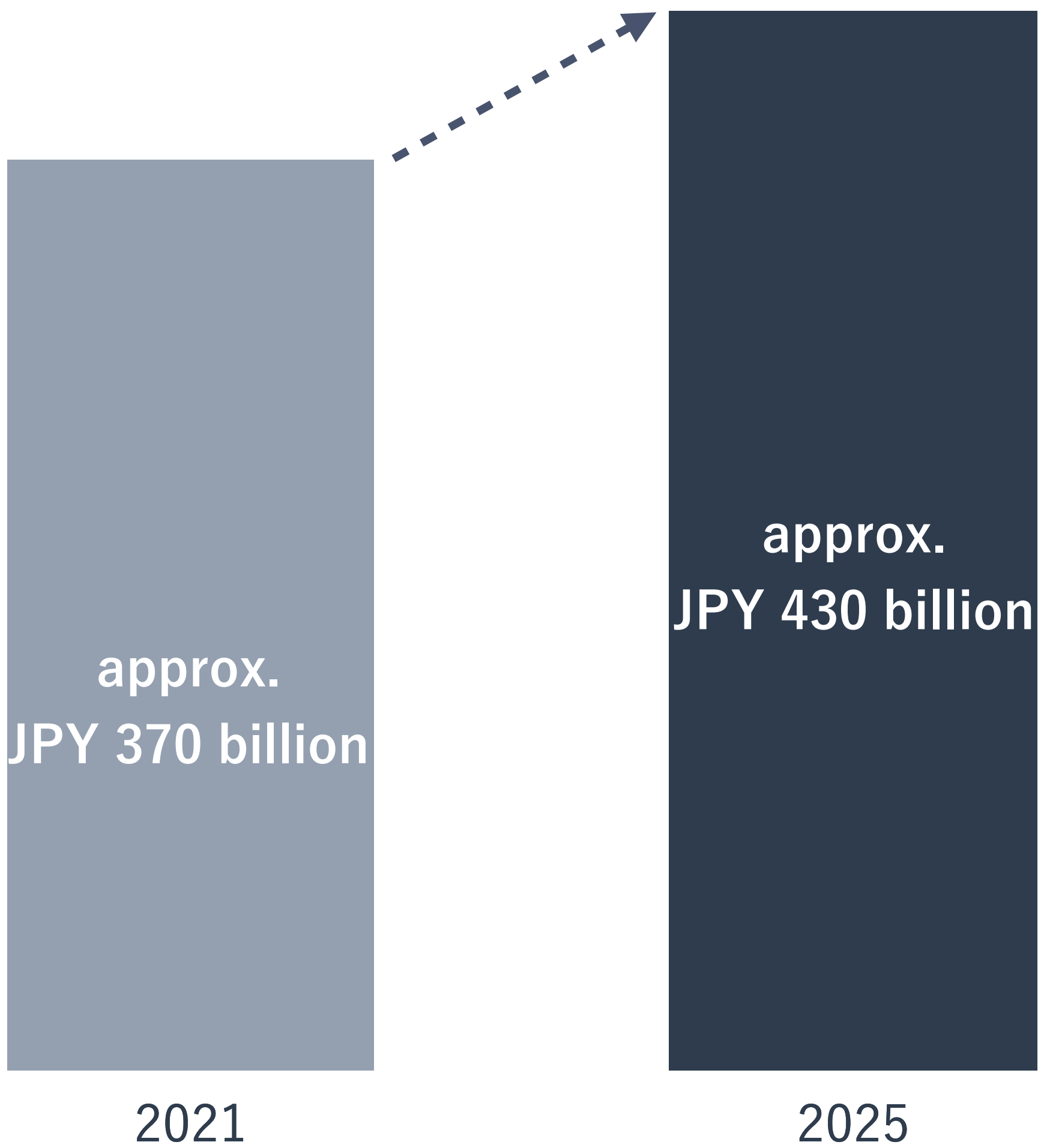
The Japanese medical industry suffers from a chronic shortage of workers, with a jobs-to-applicant ratio that remains much higher than the average for all industries regardless of economic conditions. We estimate the current market size to be approximately JPY 370 billion, and expect expansion to up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

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



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

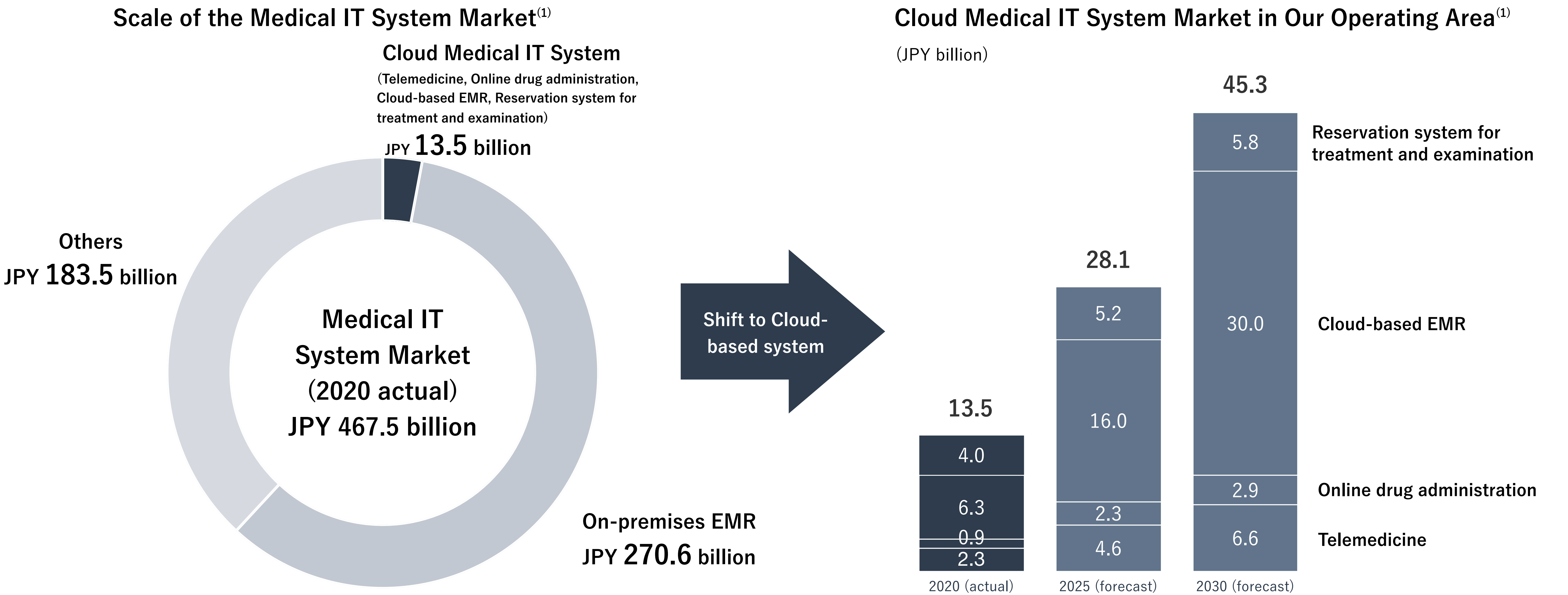
Market Size of the Medical/Healthcare Recruitment Industry  
(based on our unit price)<sup>(2)</sup>



(2) Estimates by Medley, Inc.

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

The estimated current medical IT system market size is approximately JPY 470 billion. Today, the bulk of the systems used in medical industry are on-premise based (on-site servers), but more platforms have been adopting cloud-based systems since deregulation in 2010, owing to advantages in terms of costs and convenience. The cloud medical IT system market is expected to grow at a 10-year (FY2020-2030) CAGR of 12.9% due to the low operating efficiency and customary use of long-term contracts.



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

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



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

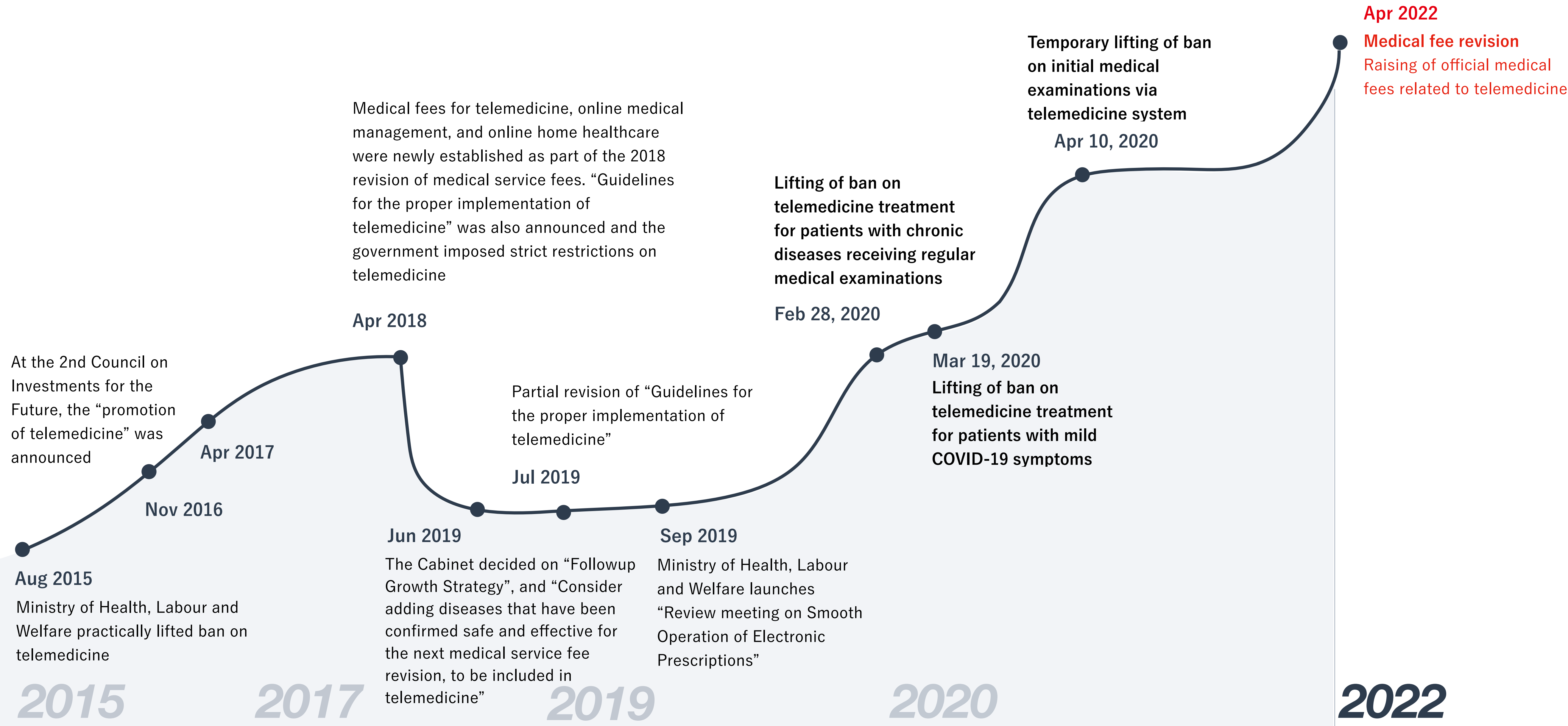
Institution/Policy	Overview	Major medical affairs
<b>The Revision of Official Medical Fees in 2022</b>	<ul style="list-style-type: none"><li>Implemented on April 1, 2022</li><li>Large-scale deregulation of telemedicine and Online drug administration</li><li>Promoting digital utilization in the dental field</li></ul>	<ul style="list-style-type: none"><li>Increase in points assigned to initial examinations (to just under 90% of face-to-face medical treatment)</li><li>Changes to calculation requirements for online drug administration guidance<ul style="list-style-type: none"><li>Calculation requirements for online drug administration guidance is no longer limited to “patients receiving prescriptions via telemedicine systems”</li></ul></li><li>Addition of item related to “follow up” to requirements for drug administration guidance fees</li><li>Additional points for home dental care using telecommunication devices</li></ul>
<b>Basic Policy on Economic and Fiscal Management and Reform 2022 (The Basic Policy 2022<sup>(1)</sup>)</b>	<ul style="list-style-type: none"><li>Cabinet decision on June 7, 2022</li><li>Basic economic policy of Kishida Cabinet<ul style="list-style-type: none"><li>Fiscal policy, and investment in human resources, green procurement, digitalization, etc. to achieve the concept of “New Form of Capitalism”</li></ul></li><li>Promoting medical DX as a priority investment<ul style="list-style-type: none"><li>Established “Headquarters for Medical Digital Transformation (DX) Promotion” on October 12, 2022</li></ul></li></ul>	<ul style="list-style-type: none"><li>Creation of a national medical data platform<ul style="list-style-type: none"><li>Sharing and exchanging information using “On-line qualification confirmation” system</li></ul></li><li>Promoting standardization and implementation of EMRs<ul style="list-style-type: none"><li>Utilization of a medical informatization support fund</li></ul></li><li>Promoting DX related of medical fee revision<ul style="list-style-type: none"><li>Streamlining for revision and the related of official medical fees</li></ul></li></ul>
<b>Vision for a Digital Garden City Nation<sup>(2)</sup></b>	<ul style="list-style-type: none"><li>Cabinet decision on June 7, 2022</li><li>Realize new rural environments nationwide that are both convenient and attractive while maintaining their prosperity<ul style="list-style-type: none"><li>Aggressive promotion of DX in rural areas in both the public and private sectors by building digital infrastructure quickly</li></ul></li><li>The government provides grants to local governments</li><li>Healthcare is an important theme for “building an attractive community”</li></ul>	<ul style="list-style-type: none"><li>Community revitalization through disease prevention and promotion of health promotion<ul style="list-style-type: none"><li>Improving the environment for the development of PHR services, etc.</li></ul></li><li>Use of future technologies in the medical field<ul style="list-style-type: none"><li>Use of future technologies in the medical field (Proper spread and promotion of telemedicine)</li><li>The spread and promotion of online drug administration</li><li>Pushing for using electronic prescription and on-line qualification confirmation, etc.</li></ul></li></ul>
<b>Medical DX roadmap</b>	<ul style="list-style-type: none"><li>As indicated in the Basic Policy 2022 published by the Headquarters for Medical Digital Transformation (DX) Promotion on June 2, 2023<ul style="list-style-type: none"><li>Driving medical/healthcare-related policies stated in the Basic Policy 2022</li></ul></li></ul>	<ul style="list-style-type: none"><li>Creation of a nationwide medical data platform<ul style="list-style-type: none"><li>Creation of an EMR data sharing system (tentative name)</li><li>Data sharing using My Number card</li></ul></li><li>Standardization of EMR information<ul style="list-style-type: none"><li>Start development of a standardized EMR (in FY2024)</li><li>Targeting to have almost all medical institutions adopt an EMR system by 2030</li></ul></li></ul>

(1) The Kishida Cabinet’s Basic Policy on Economic and Fiscal Management and Reform 2022 Reference: [https://japan.kantei.go.jp/ongoingtopics/kishida\\_basic\\_policy.html](https://japan.kantei.go.jp/ongoingtopics/kishida_basic_policy.html)

(2) Prime Minister Kishida’s policy concept Reference: [https://www.japan.go.jp/kizuna/\\_userdata/pdf/2022/spring2022/vision\\_for\\_a\\_digital\\_garden\\_city\\_nation.pdf](https://www.japan.go.jp/kizuna/_userdata/pdf/2022/spring2022/vision_for_a_digital_garden_city_nation.pdf)



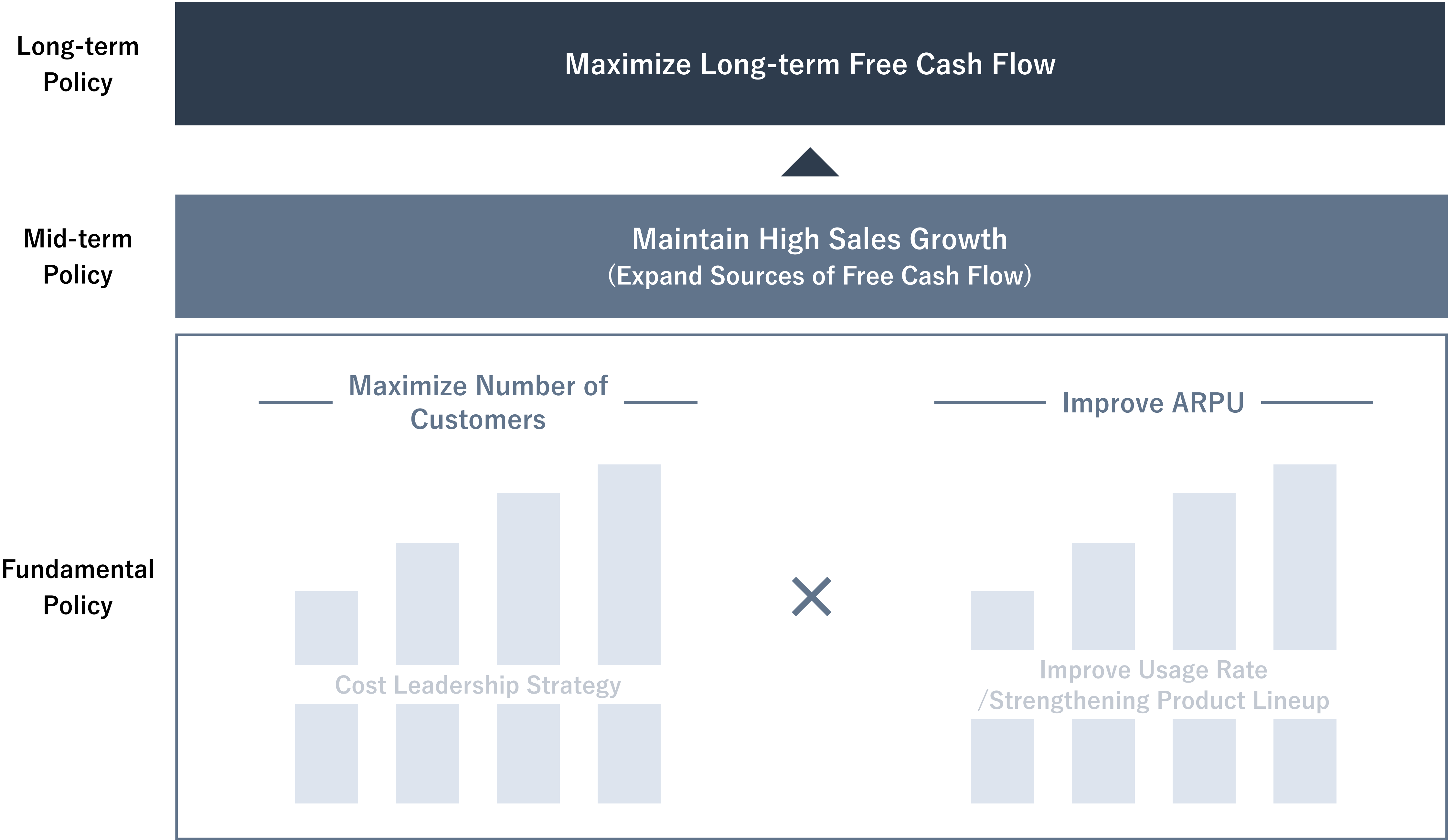
Starting in 2020, large-scale deregulation was implemented as a temporary measure in response to COVID-19. Further deregulation was implemented along with the revision to official medical fees in 2022.



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



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

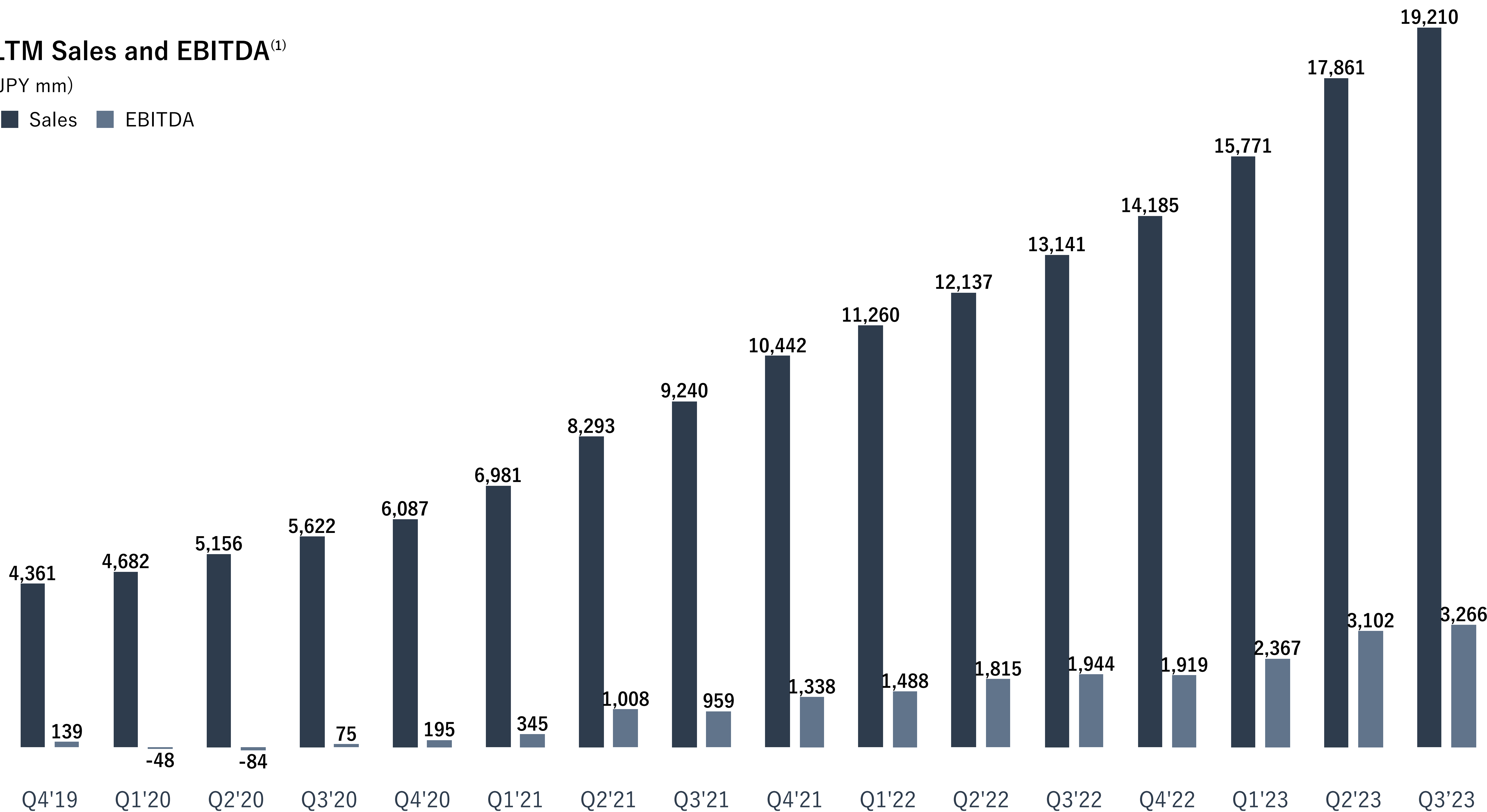


Although sales in HR PF tend to seasonally concentrate on every Q2, sales and EBITDA for the last 12 months (LTM) have been on a stable increasing trend.

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

(JPY mm)

■ Sales ■ EBITDA

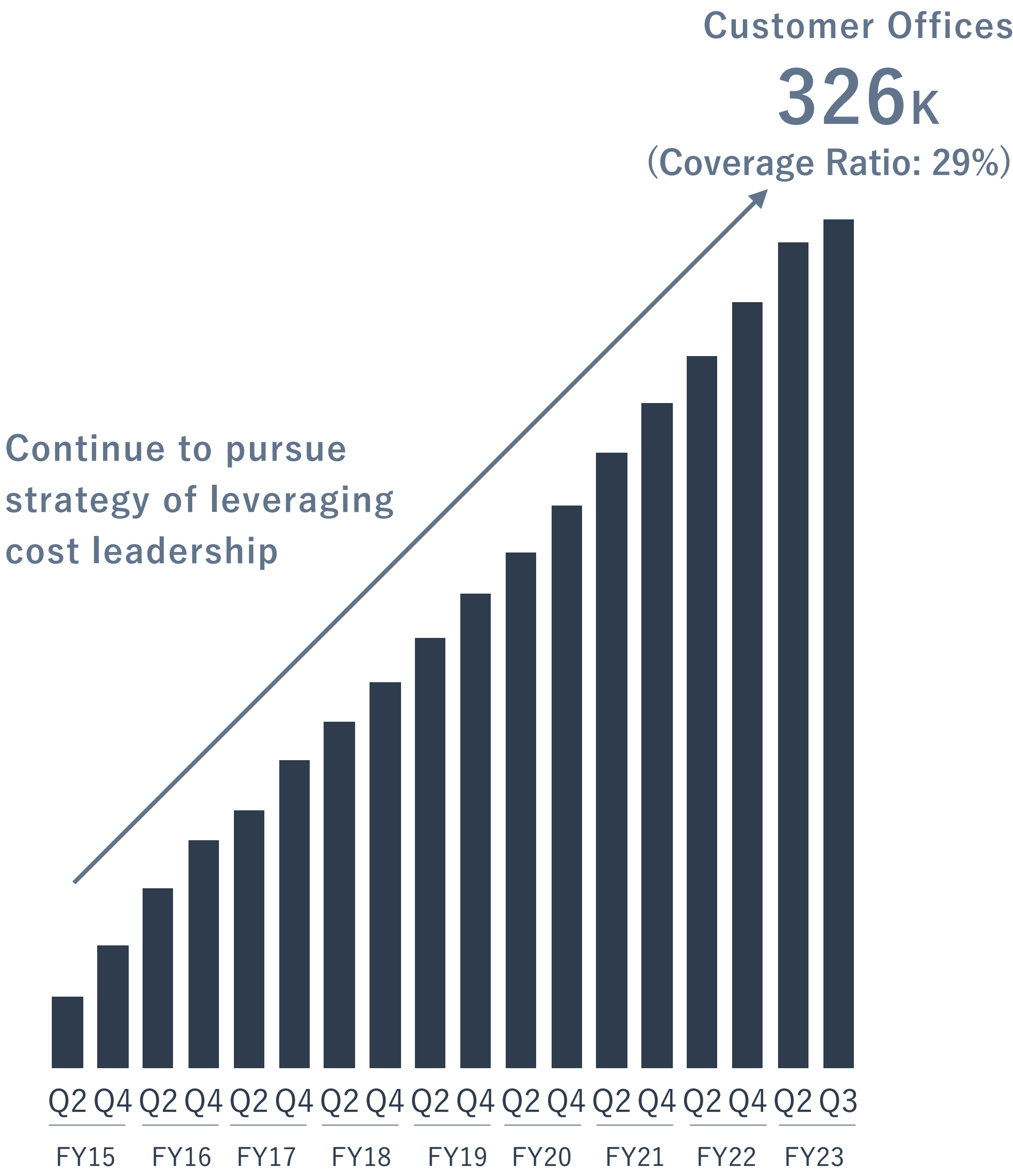


(1) Sum of sales and EBITDA for the last 12 months from the end of each quarter. Figures for FY2021 and earlier are based on the new revenue recognition standard.

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.

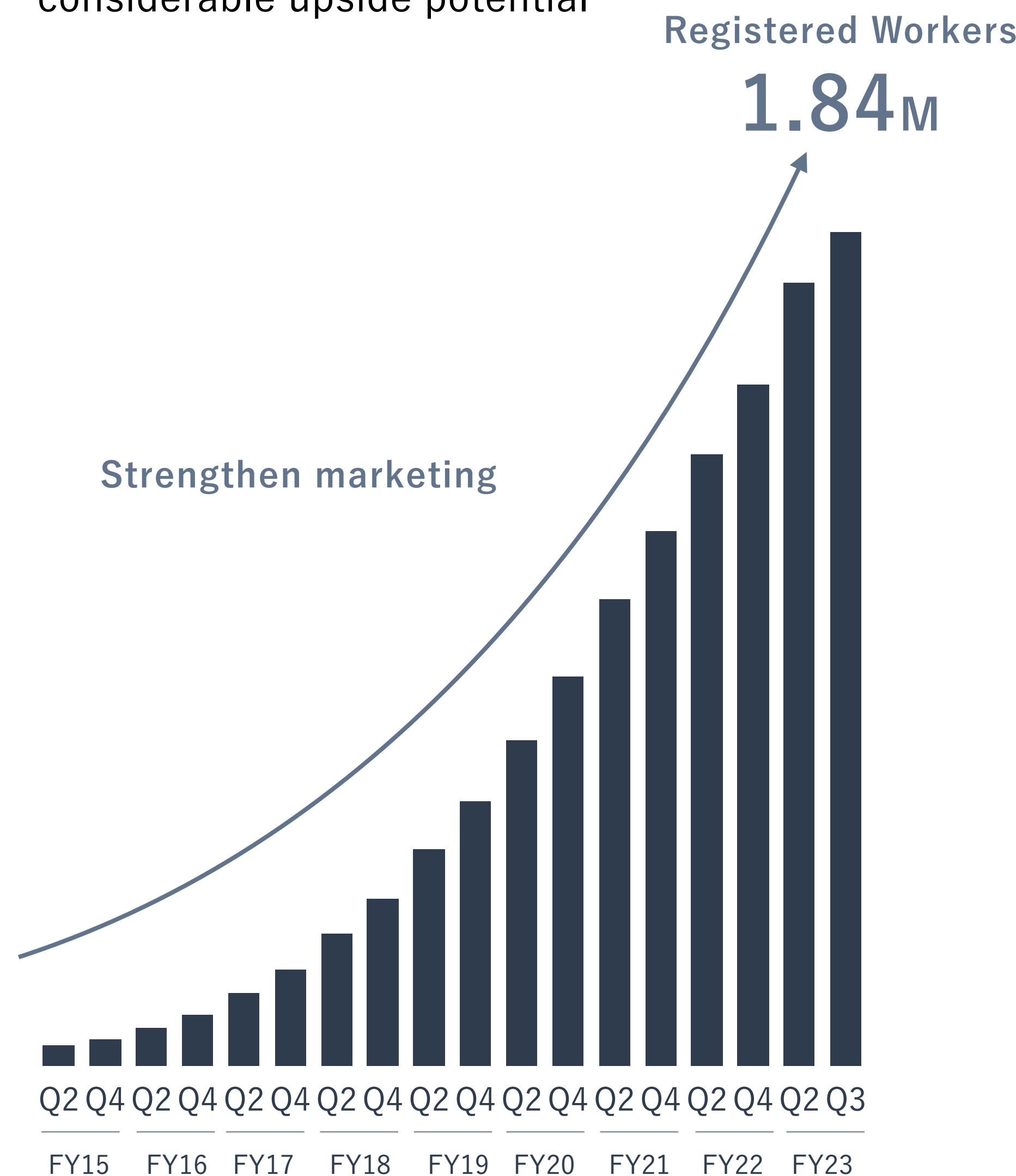
### Maximize Number of Customers

- There are 1.1 million<sup>(1)</sup> target customers in Japan, thus continue to see sizable upside potential

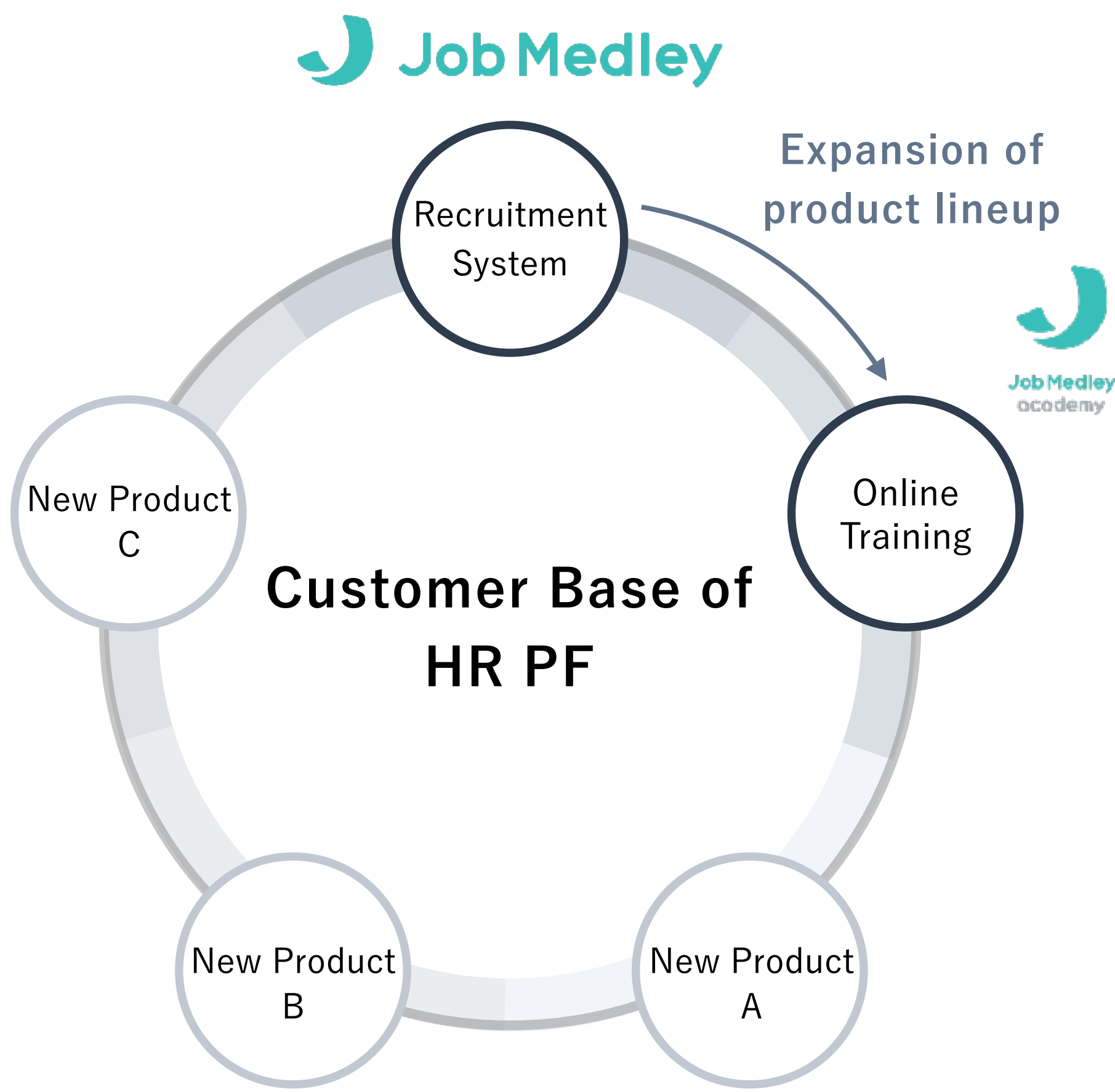


### Improve ARPU

- There are over 10 million<sup>(1)</sup> medical industry workers in Japan, thus continue to 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



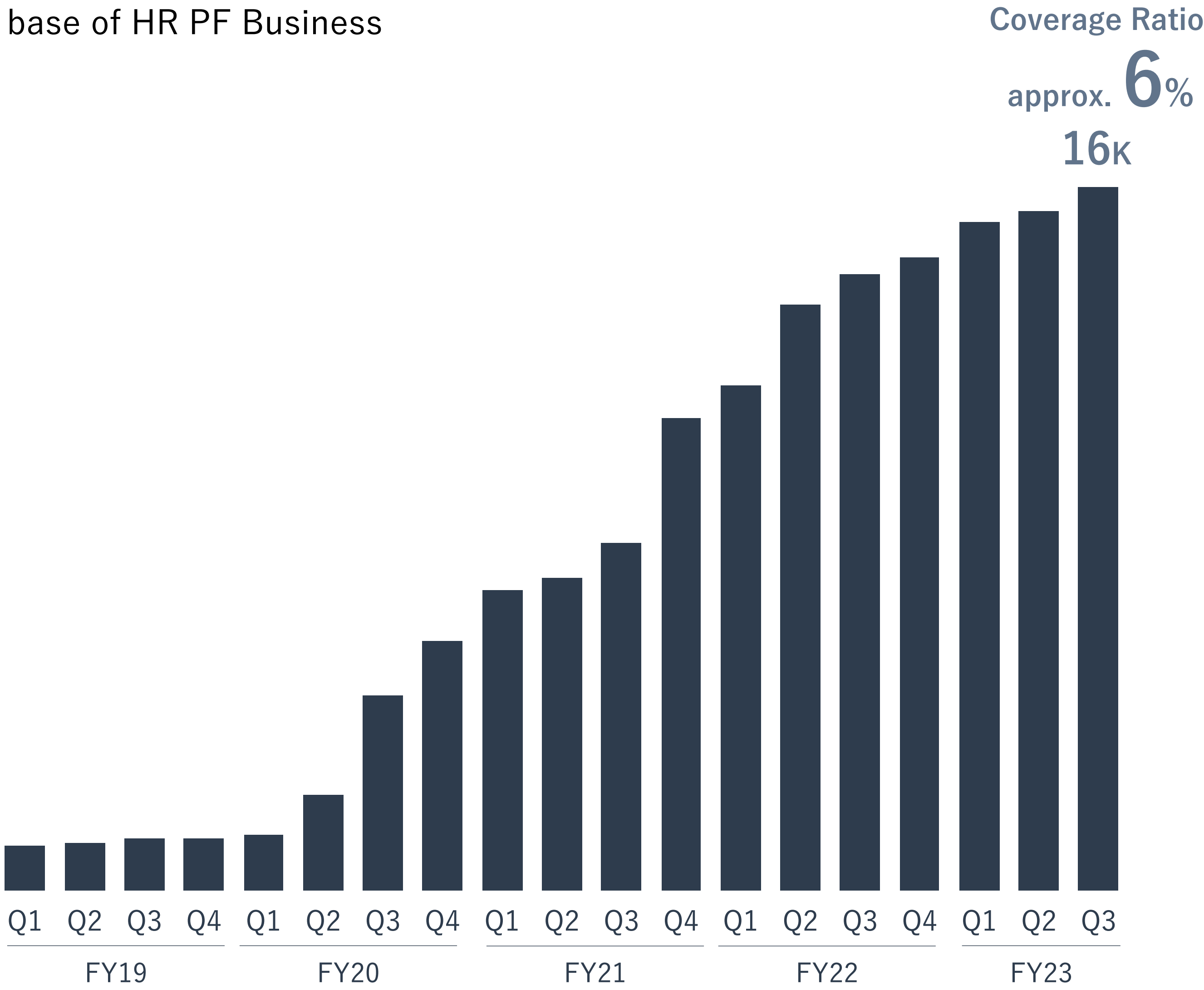
# Medical PF: Improved ARPU via Synergy with HR PF Business Customer Base



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.

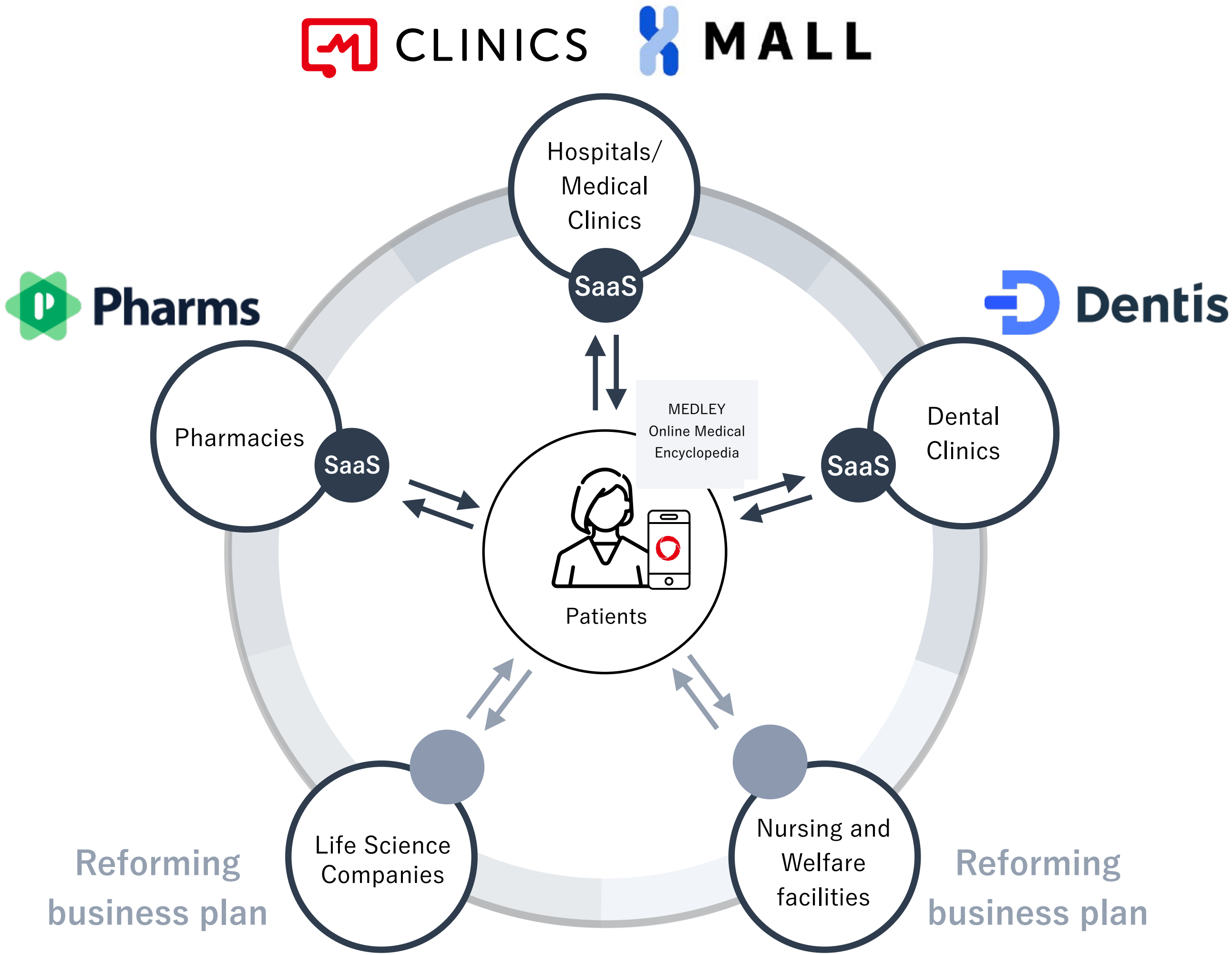
## Maximize Number of Customers

- Target customer base has sizable upside potential with roughly 260k<sup>(1)</sup> hospitals, clinics, pharmacies, and dental clinics
- Conducted sales promotion that leveraged synergies with the customer base of HR PF Business



## Improve ARPU

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

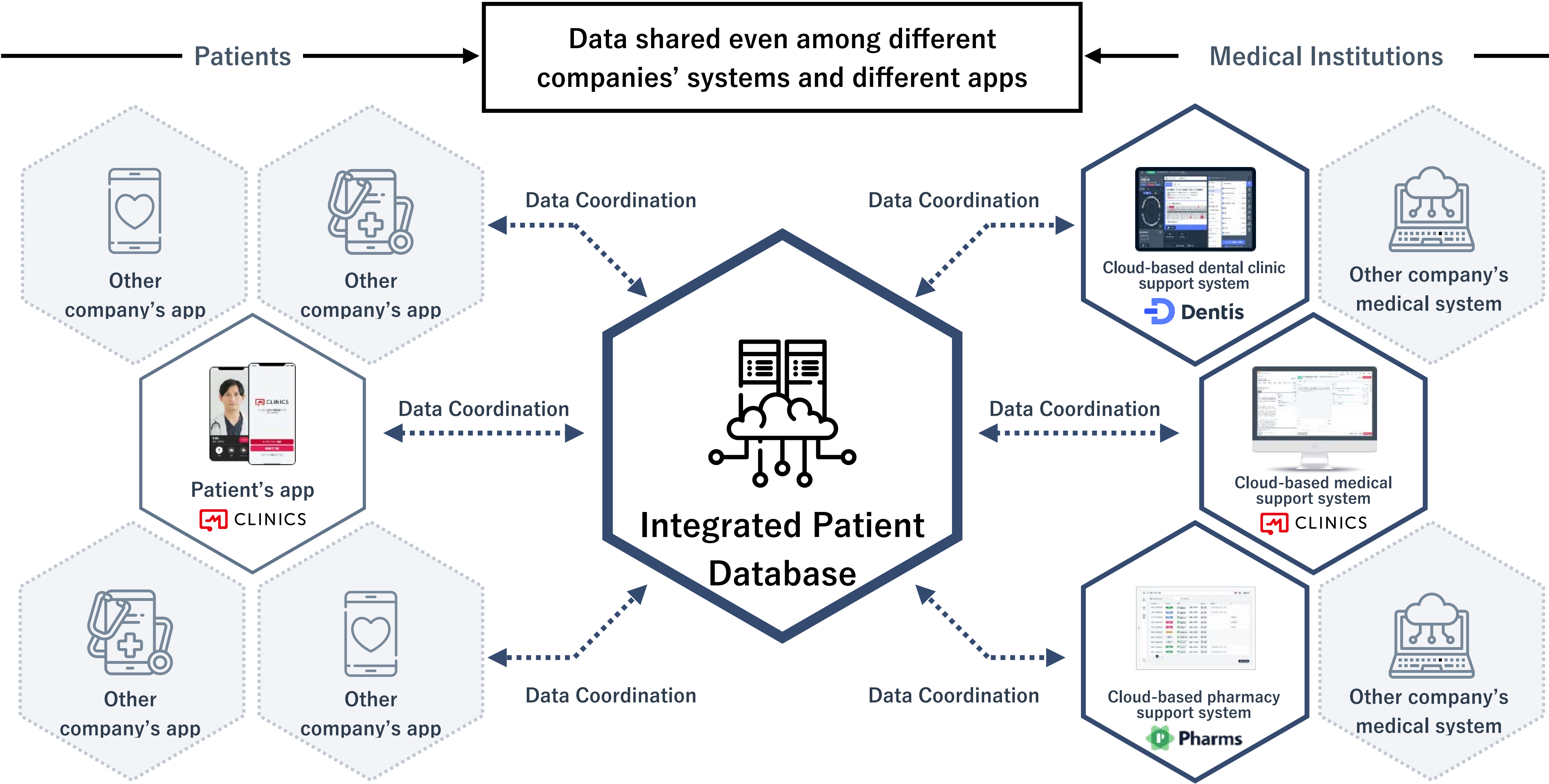


(1) Ministry of Health, Labour and Welfare statistics

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



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





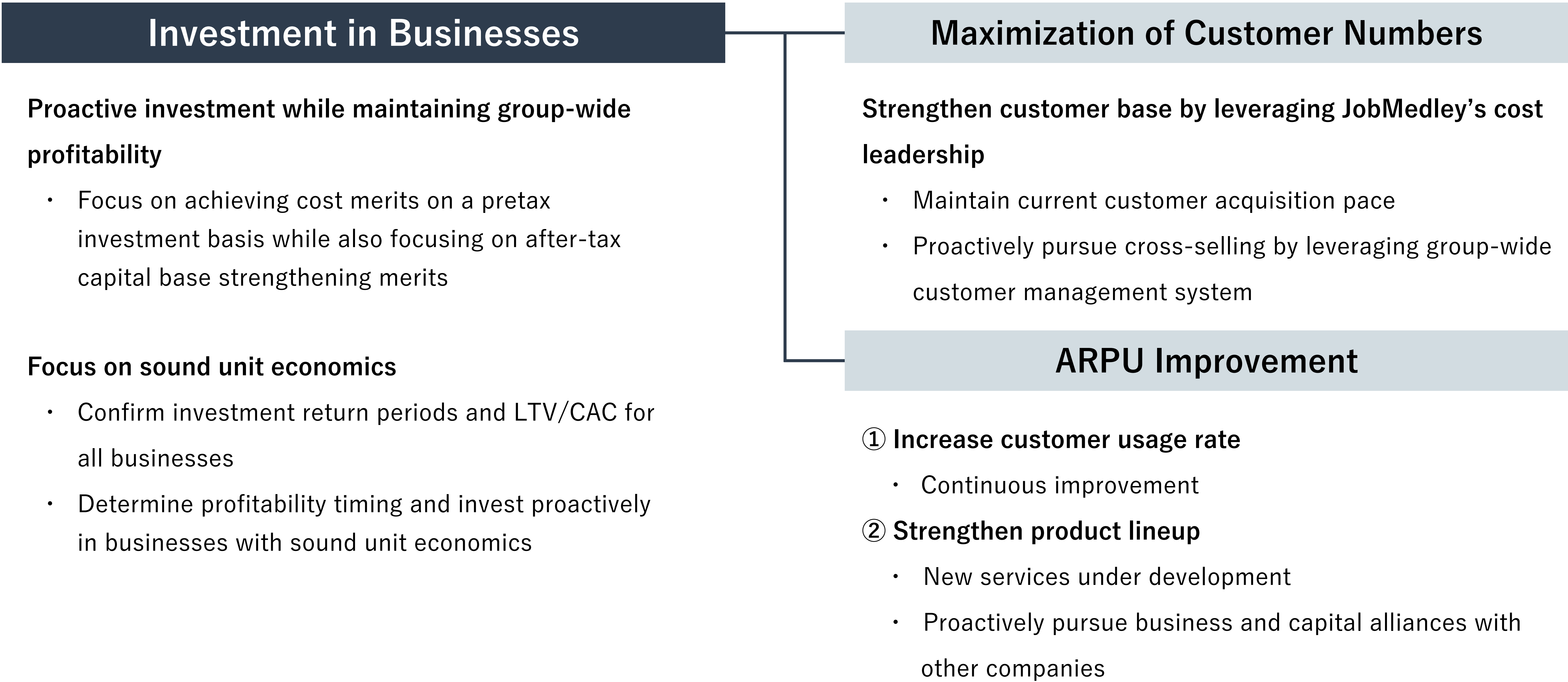
In order to reach our mid-term targets ahead of schedule, we will proactively invest capital secured via operating cash flow and interest-bearing debt in our businesses. We will also conduct M&A while keeping the company EBITDA positive on a companywide basis.

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

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



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



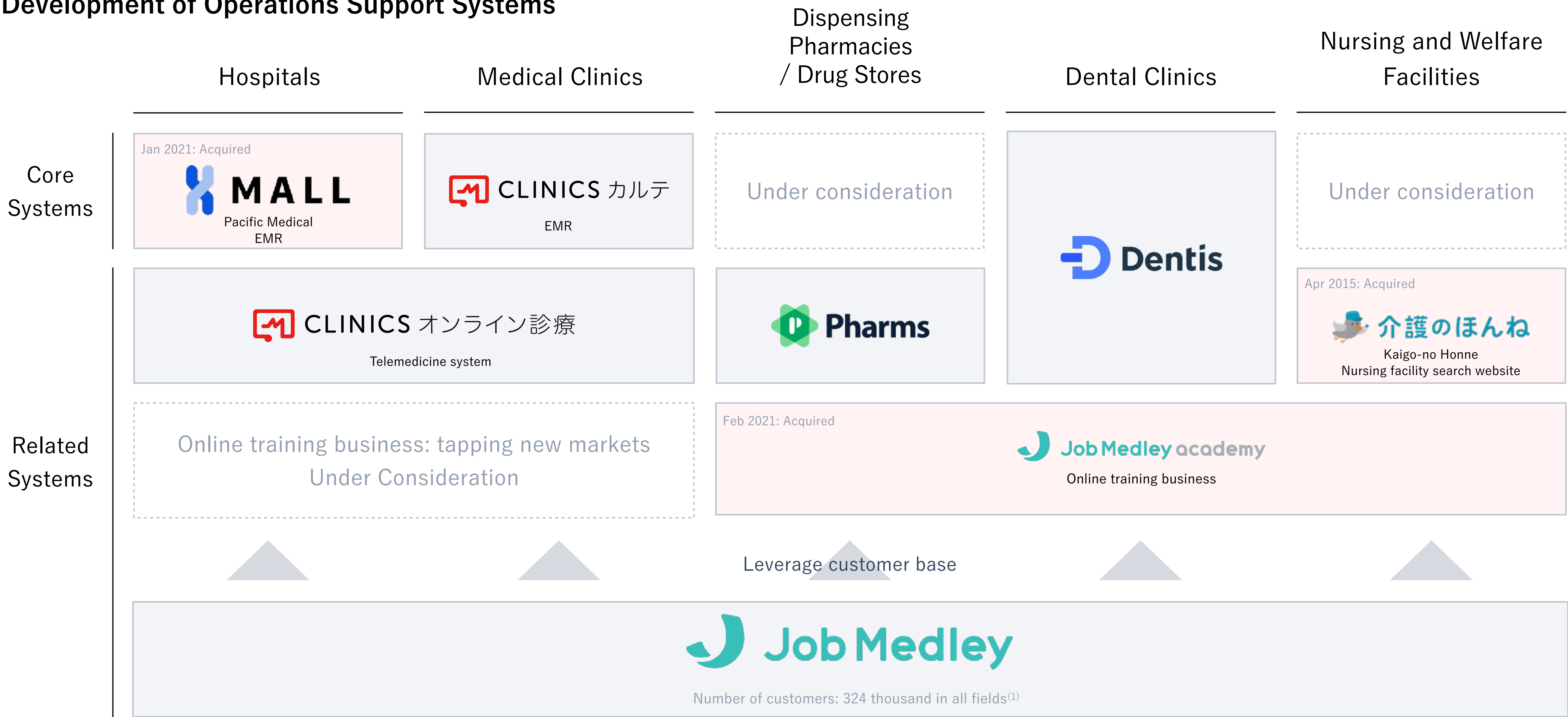


# B: Promoting Digitalization in the Healthcare Sector Through Synergy-Focused M&A



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 September 2023

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

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



We have set target years for bringing lossmaking businesses into the black and will increase operating cash flow in line with our plans. 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> <div>Expected to turn profitable in FY24</div>	<div></div>	
Medical PF	<div> CLINICS オンライン診療 Telemedicine system</div> <div>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</div> <div>Investing to accelerate growth</div>	<div> CLINICS カルテ EMR</div> <div> Pharms</div> <div>Launched in September FY20 Business for dispensing pharmacies</div> <div> Dentis</div> <div>Launched in January FY22 Business for dental clinics</div>	<div></div> <div>Preparation for next phase No expansion of losses</div> <div>New Development (Receipt Computer)</div> <div>Plan to begin in FY23</div>
New Services	<div>Expected to turn profitable in FY23</div> <div>Factoring business</div>	<div> 介護のほんね 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 September 2023  
(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 15,462		Debt 1,919	
		Other liabilities 5,749	
		Net assets 17,517	
Other assets 9,723			

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.

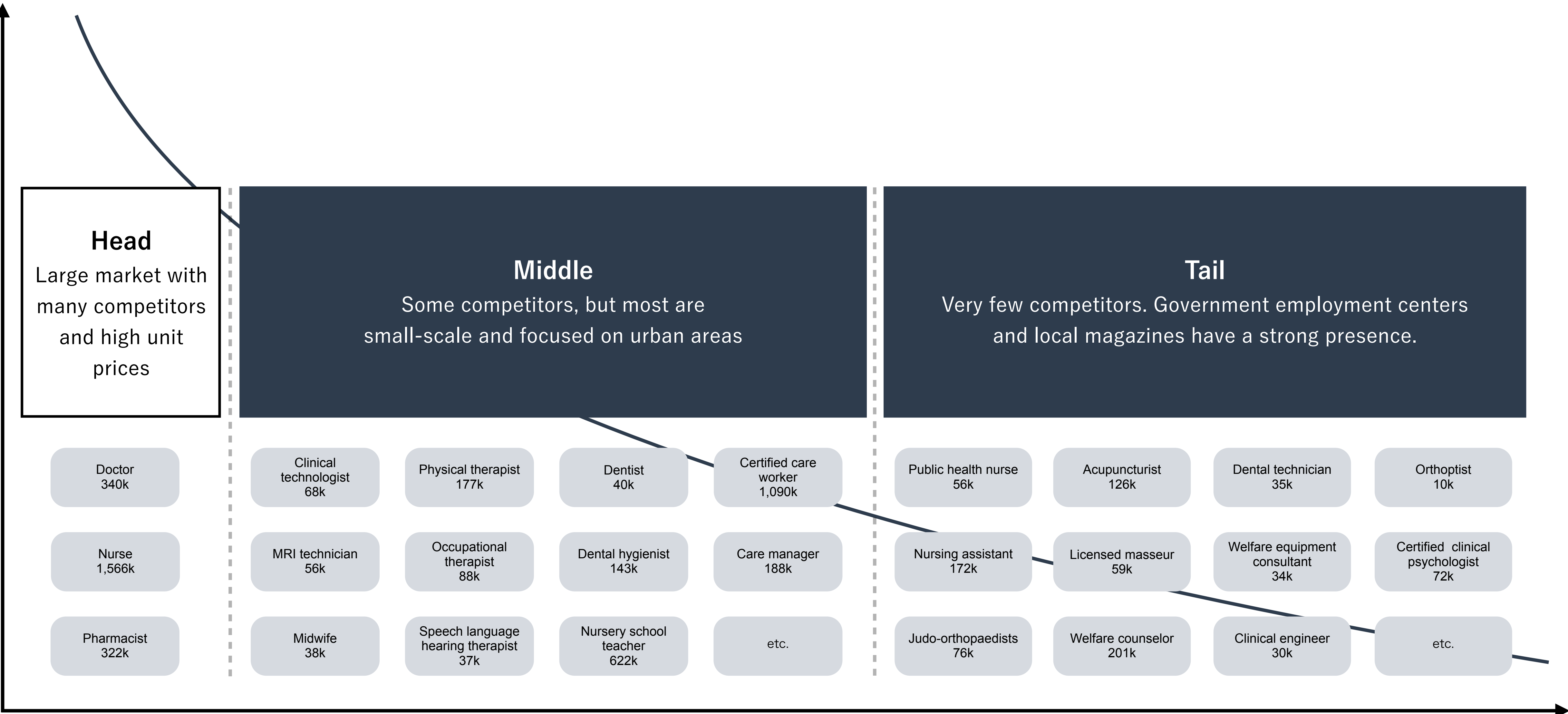


HR PF:  
**Industry Has a Long-tail Structure:  
Our Strengths Are in the Middle and Tail Segments**



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 1.8 million users in more than 50 occupations registered in our system.

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



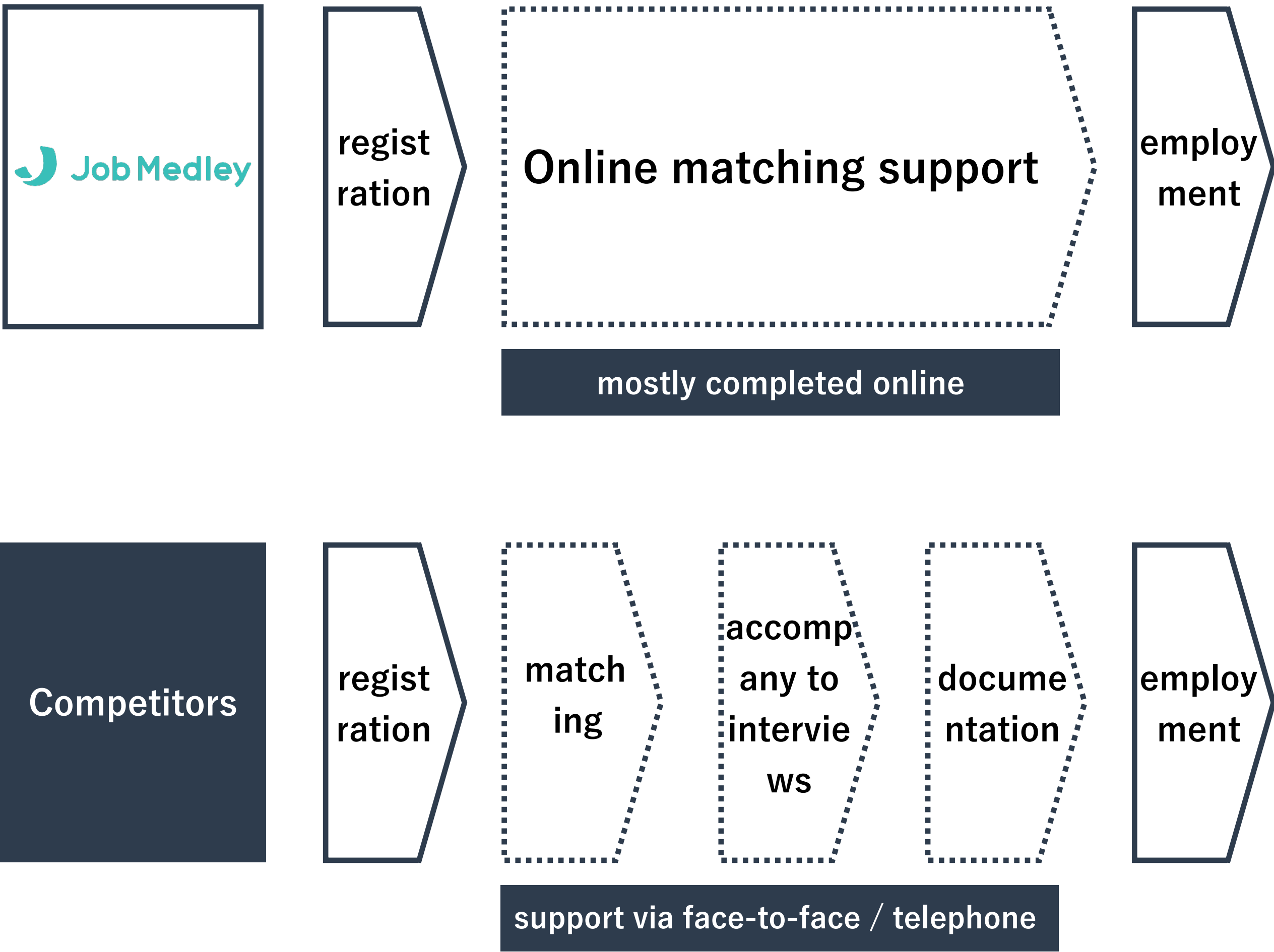
(1) Ministry of Health, Labour and Welfare statistics

HR PF:  
**Low-cost Structure Gives Advantages in Terms of Pricing**

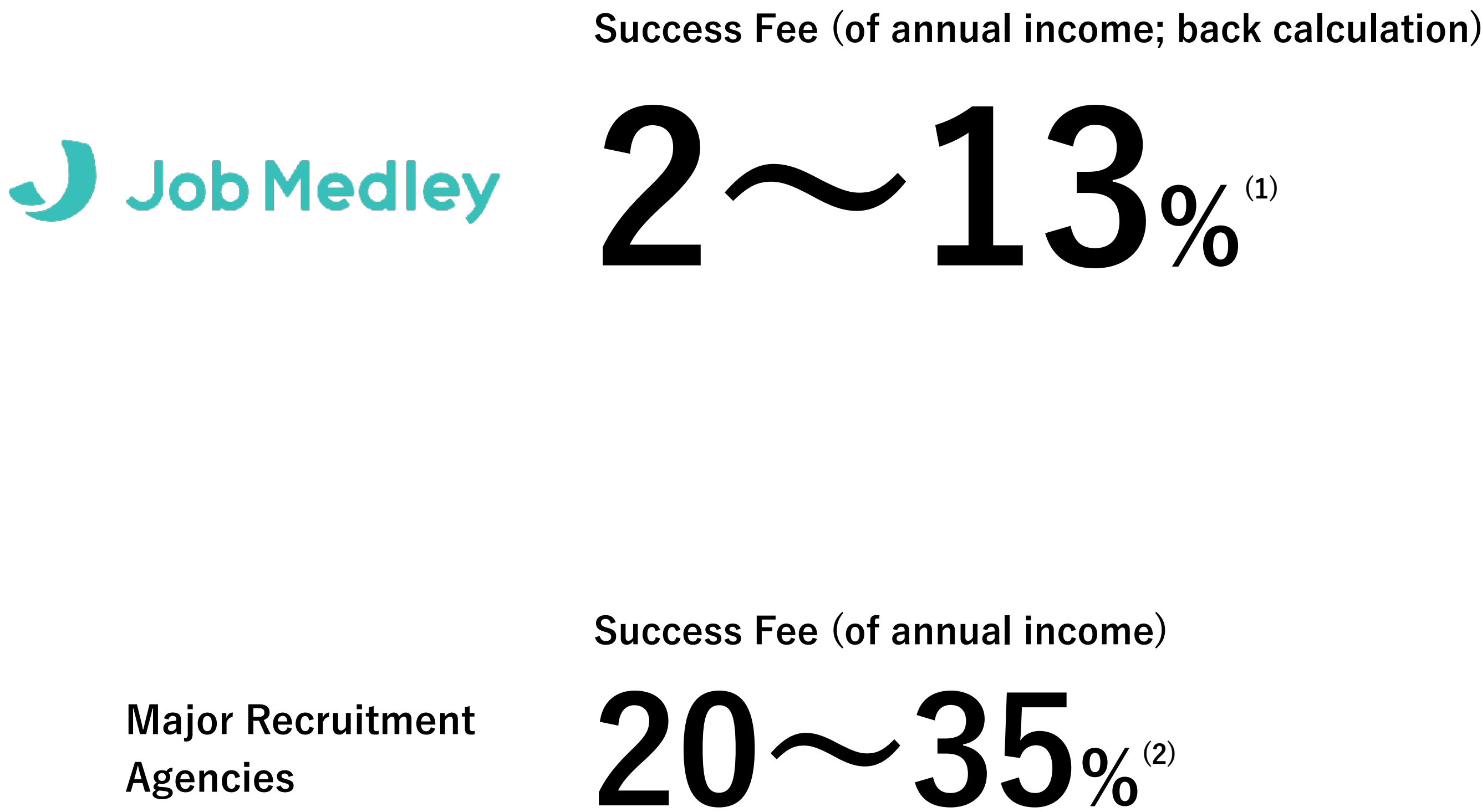


JobMedley covers more than 50 different types of medical/healthcare occupations, and recruitment success fee is approximately 50 - 80% lower than the industry average. While many recruitment agencies conduct most of their business in person, JobMedley uses online support staff, thereby increasing efficiency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

Improved Efficiency by Leveraging Online Support



Price Advantages



(1)Ratio of our recruitment success fee to annual salary (full-time) is calculated based on the 2018 Basic Survey on Wage Structure (range of nurses, childcare professionals, physiotherapists, dentists, and caregivers).  
(2) This refers to typical fees for recruitment services for occupations such as doctors, nurses, childcare professionals, physical therapists, dentists, and care workers among the 50 occupations we handle. (Some recruitment services employ different methods for setting success fee amounts that are different from that described above.)

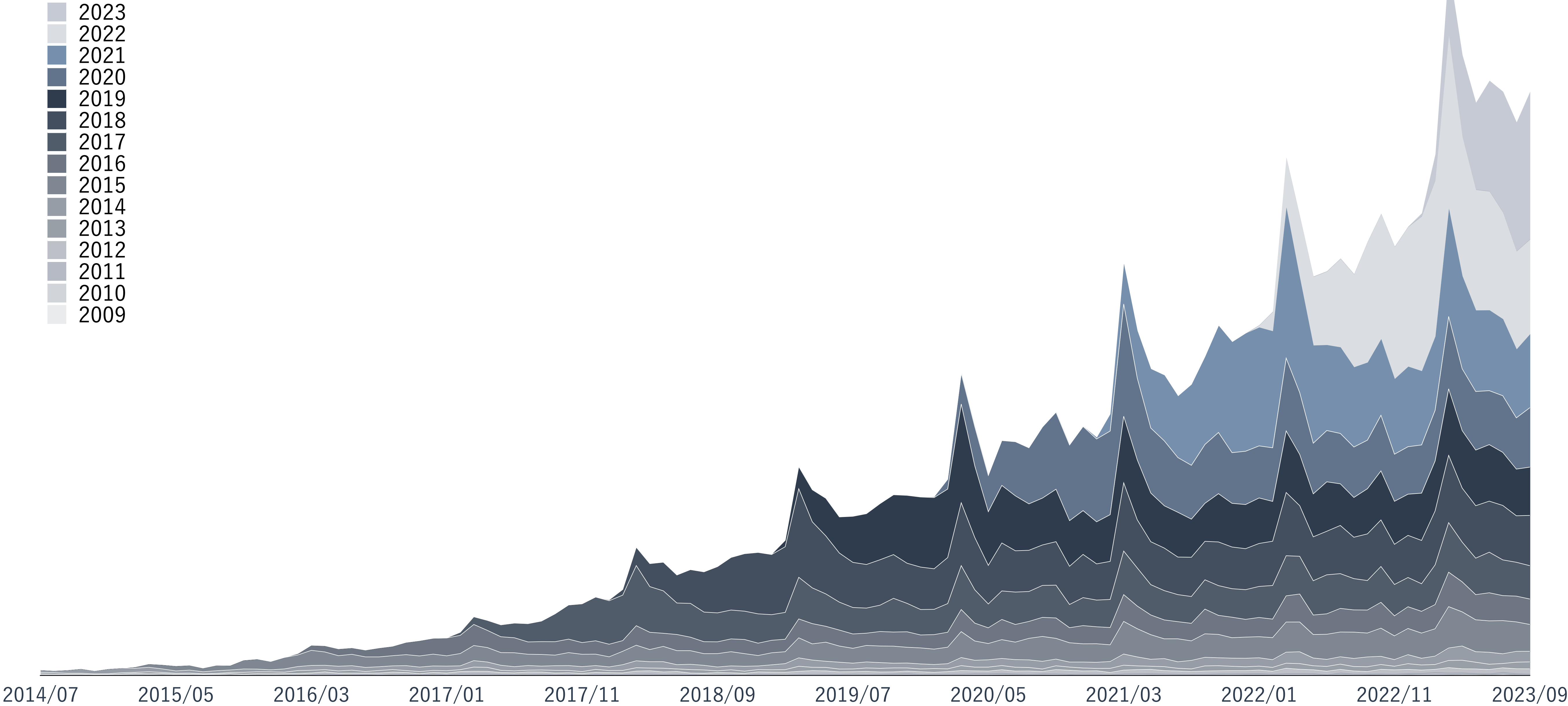


HR PF:  
**Building a Stable Customer Base with Repeat Customers**



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

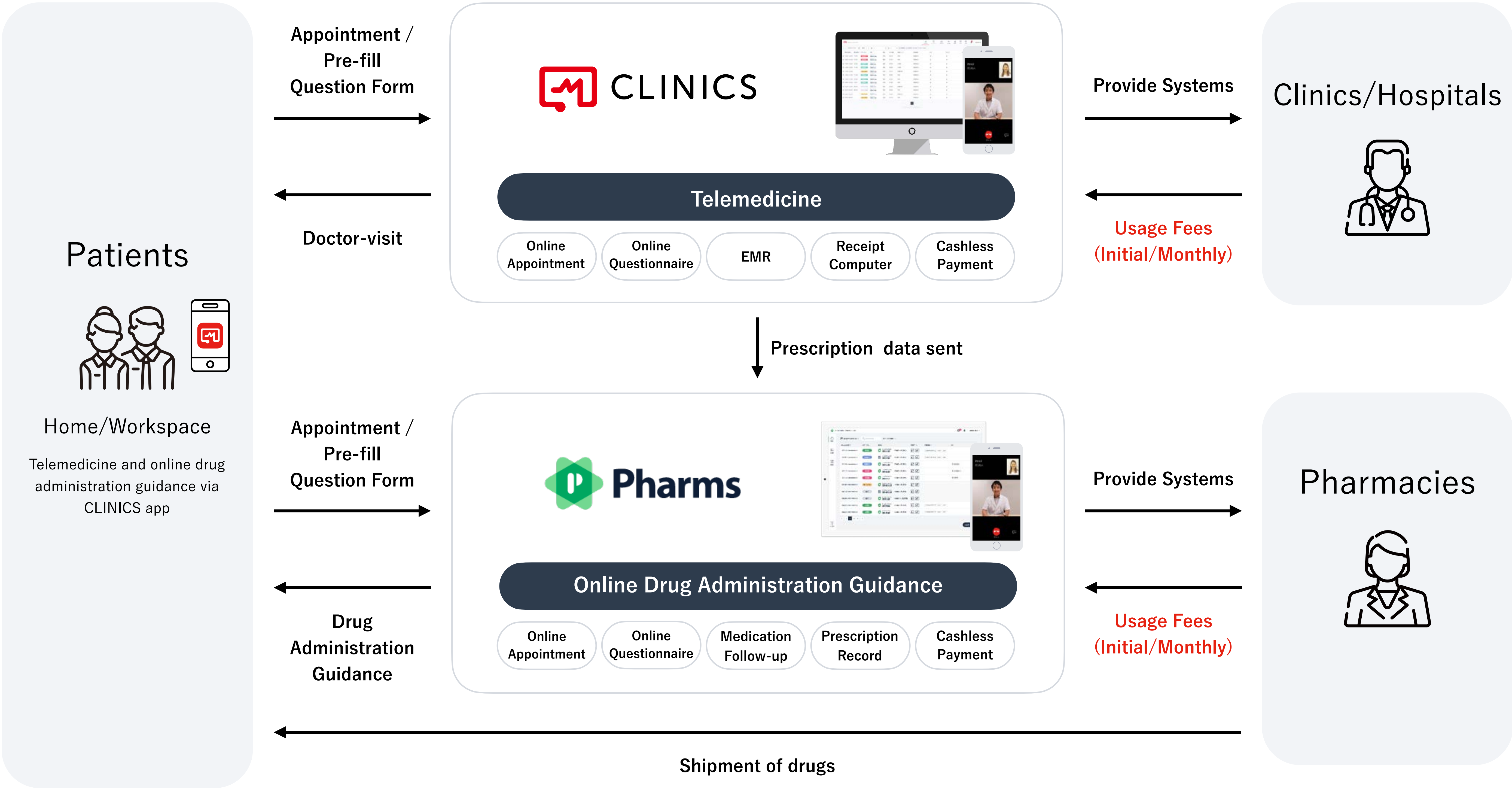
**Sales by Customer Acquisition Year<sup>(1)</sup>**



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



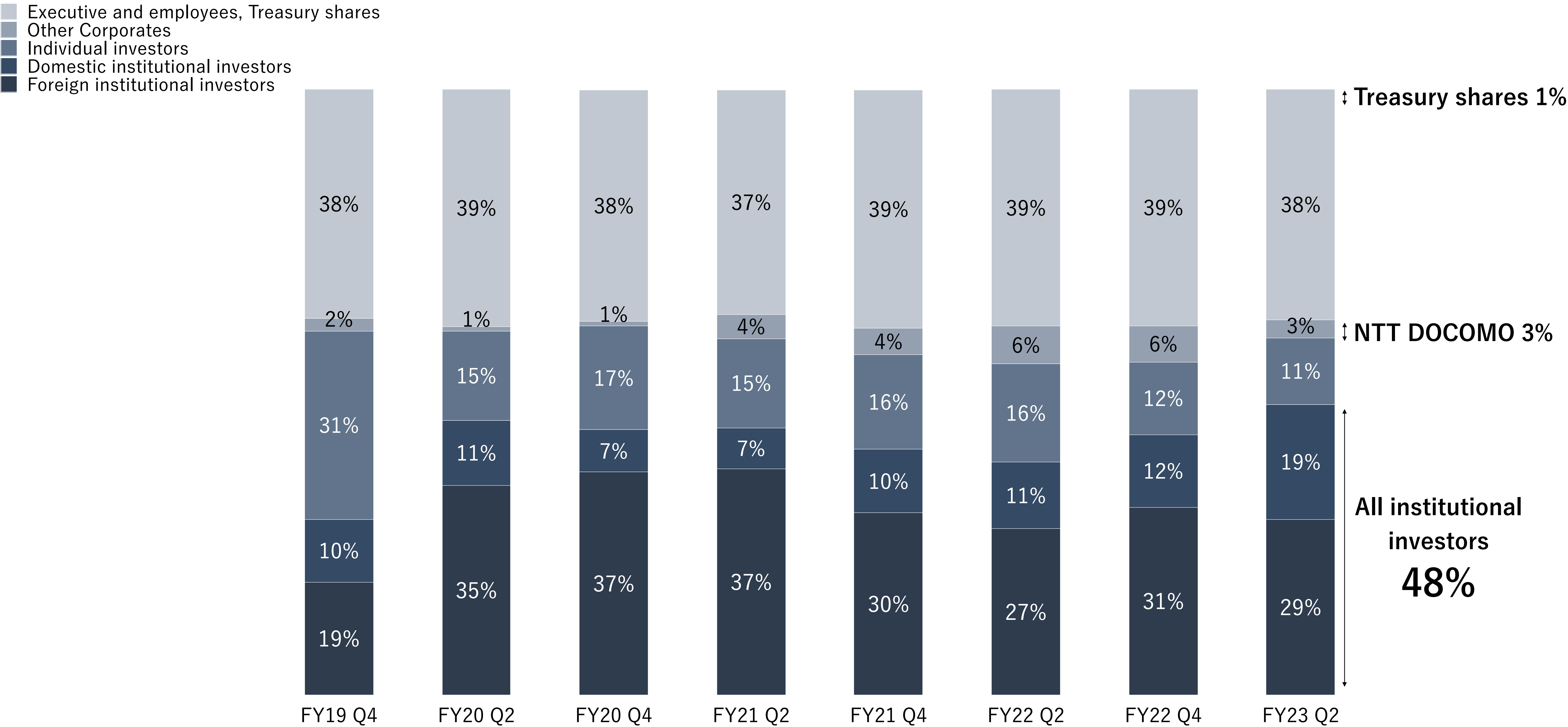
CLINICS and Pharms use earnings models wherein it receives system usage fees from medical institutions (CLINICS: clinics/hospitals, Pharms: dispensing pharmacies). Usage fees include initial fees for installation and monthly fee payments. Patients can receive online medical experience from treatment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



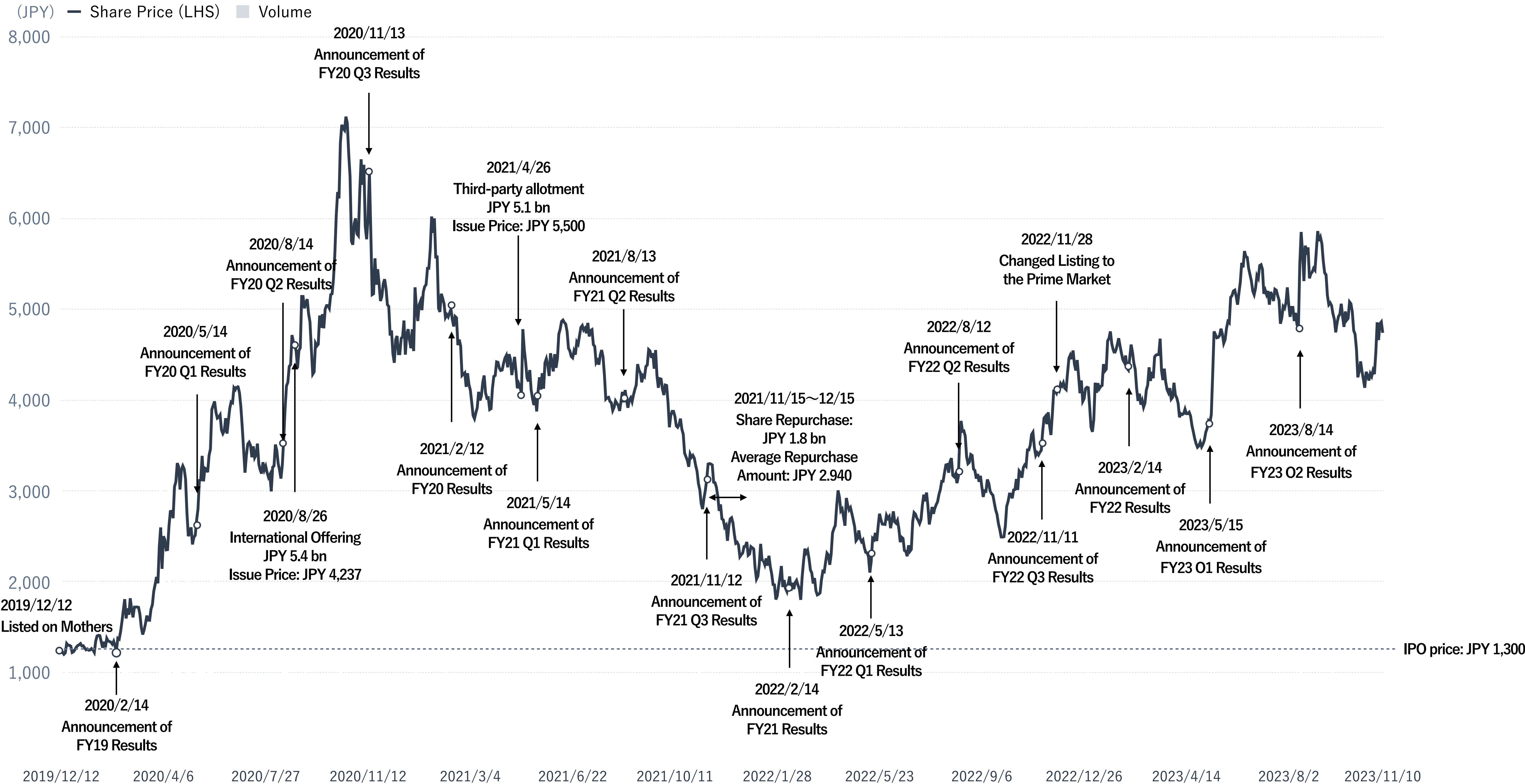
# Change in Ratio of Ownership



The ratio of institutional investors, mainly overseas institutional investors, accounts for 48% as of end-June 2023. 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

- Ensuring information security
- Privacy protection of users

Promotion of diversity & inclusion

- Promotion of hiring and active participation of diverse human resources

Strengthening of governance

- Strengthening of corporate governance

For more information, access our corporate website.





Creating the Future of Medical and Healthcare