



Tender Offer for GUPPY's Inc.

Medley, Inc.

January 19, 2024

Disclaimer

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Overall Structure	<ul style="list-style-type: none">• Tender offer for GUPPY’s and an off-market transaction (share transfer) with its controlling shareholder.<ul style="list-style-type: none">- As we aim to make GUPPY’s Inc. (“GUPPY’s”) a wholly owned subsidiary, we took into consideration a deal structure that protects the interest of its minority shareholders.- After the conclusion of the tender offer (planned minimum purchase amount: 10.19% of the total shares) and the squeeze-out, we plan to purchase 56.47% of the total shares from GUPPY's' controlling shareholder.- GUPPY's has officially expressed that it is in favor and recommends to apply to the tender offer, and the controlling shareholder has already signed the non-tender agreement and agreed to the share transfer.• Total acquisition cost (JPY 11,829 million): to be sourced from cash on hand and debt (bank loan)<ul style="list-style-type: none">- Weighted average price of the tender offer price and share transfer price: JPY 3,070 per share- Plan to maintain a solid financial base that will allow flexible future investments into growth initiatives
Tender Offer	<ul style="list-style-type: none">• Tender offer price: JPY 3,250 per share (total amount ⁽¹⁾: JPY 5,451 million)<ul style="list-style-type: none">- The price is within the results of valuation analysis by our financial advisor for this deal (Mizuho Securities Co., Ltd.)- Premium: vs. previous business day +86.0%, vs. 1-month average +33.6%, vs. 3-month average + 28.2%, vs. 6-month average +29.1%• Tender offer period: January 22, 2024 to March 7, 2024 (32 business days)
Off-Market (Share Transfer)	<ul style="list-style-type: none">• Share transfer price with the controlling shareholder: JPY 2,931 per share (total amount: JPY 6,378 million)
Objective	<ul style="list-style-type: none">• Add an examination prep support service for national qualifications and ARPU improvement for our HR PF business<ul style="list-style-type: none">- Acquisition of exam prep support mobile app for national qualifications and an online recruiting service for new graduates- Acquisition of a pay-per-click based online recruiting service for mid-career employees

(1) Including share options

GUPPY's Inc. was established in 2000 by Mr. Hida, a pharmacist. It currently provides internet-based services, such as examination prep support for national qualifications, recruitment, etc., in the HR field of the medical, nursing, and welfare industry and has a particularly strong presence in the new graduate students market. In addition, it is also working on a new health management mobile app targeted to businesses and local governments.

Company Overview

Established	September 2000
Number of Employees	85 (As of August 2023)
Overview of business	Business focusing on HR services in the medical, nursing, and welfare industry <ul style="list-style-type: none">- Recruiting site for mid-career employees (“GUPPY Kyujin”)- Recruiting site for new graduate students (“GUPPY Shinsotsu”), and more. Healthcare business utilizing a health management app

Key Characteristic: Strong Presence in the New Graduate Student Market

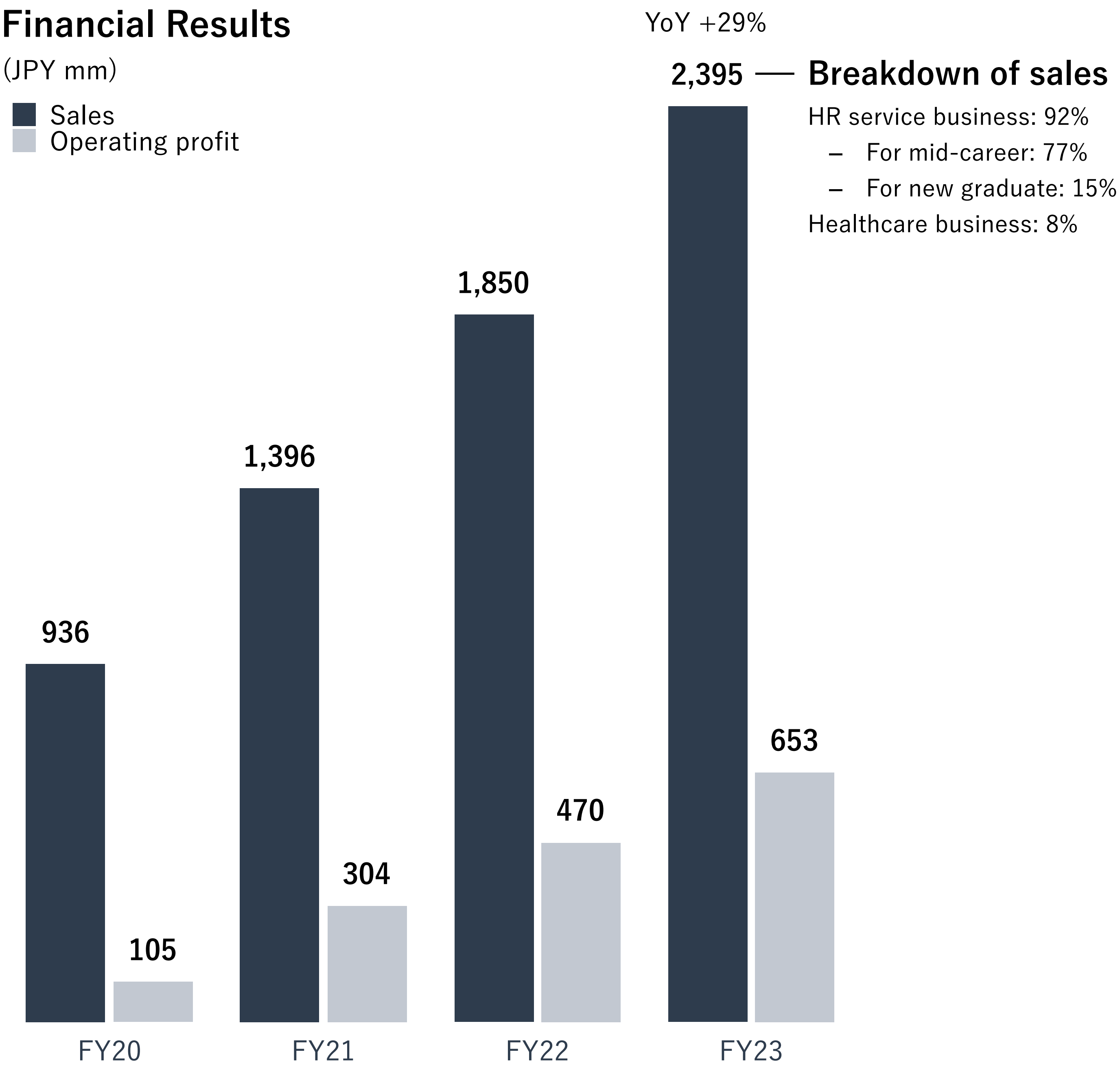
National qualification exam prep support apps	<ul style="list-style-type: none">• Development of apps for each of 16 national qualifications in the medical, nursing, and welfare industry• Used by 80% of students in the dental hygienist and registered dietician fields
Recruiting website for new graduate students	<ul style="list-style-type: none">• Job search website for 27 occupations in medical, nursing, and welfare• Approximately 30,000 students registered nationwide• Annual job posting fee collected from customers
Jointly organizing job fairs	<ul style="list-style-type: none">• A place where dental clinics can promote themselves to students who plan to become dentists, dental hygienists, etc.

Sources: GUPPY's Securities Report, Financial Results, and Presentation Material

Financial Results

(JPY mm)

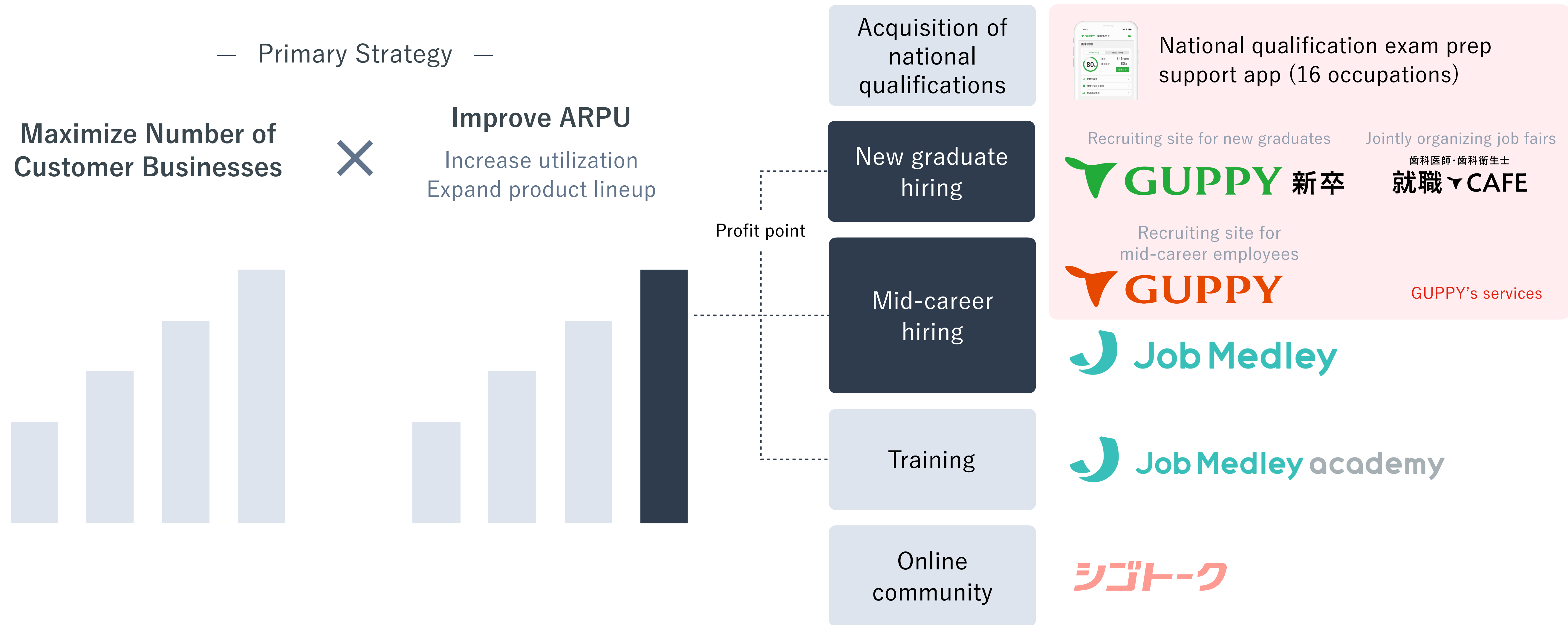
■ Sales
■ Operating profit



Purpose of the Transaction

To achieve continuous high sales growth, our primary strategy is to maximize the number of customers and improve ARPU. We plan to significantly grow our HR PF business ARPU through this transaction, which will include the acquisition of an exam prep support mobile app for national qualification, an online recruiting service for new graduates, and a pay-per-click online service for mid-career recruitment.

Acquiring New Internet Services to Improve ARPU (HR PF in Japan)



Starting National Qualification Exam Preparation Support Service



We want to help society by supporting the acquisition of national qualifications in an industry suffering from a chronic labor shortage. Currently, GUPPY’s has an examination prep support app for each of 16 national qualifications in the medical, nursing, and welfare industry. We plan to continuously grow the HR PF business’ number of customers by improving the UX and increasing the number of qualifications we support.

Market Size⁽¹⁾

Number of people per year who take and pass exams for national qualification in the medical, nursing, and welfare industry ⁽¹⁾

Number of examinees: **397** thousand

Number of those who pass: **268** thousand

Future Strategy

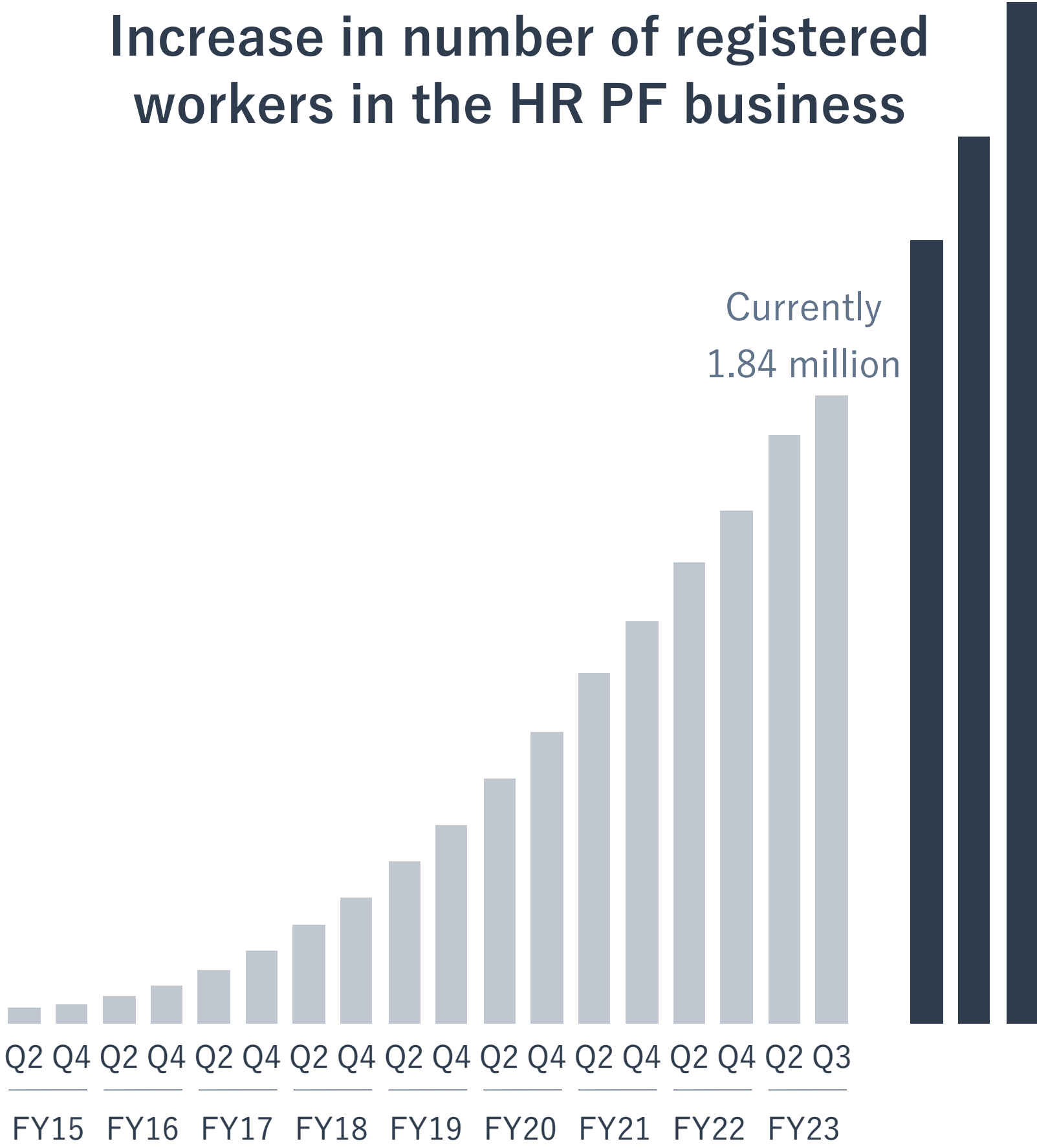
Expansion of covered qualifications

Further improvement of UX

Strengthening of services for new graduate students

Expected Results

Increase in number of registered workers in the HR PF business

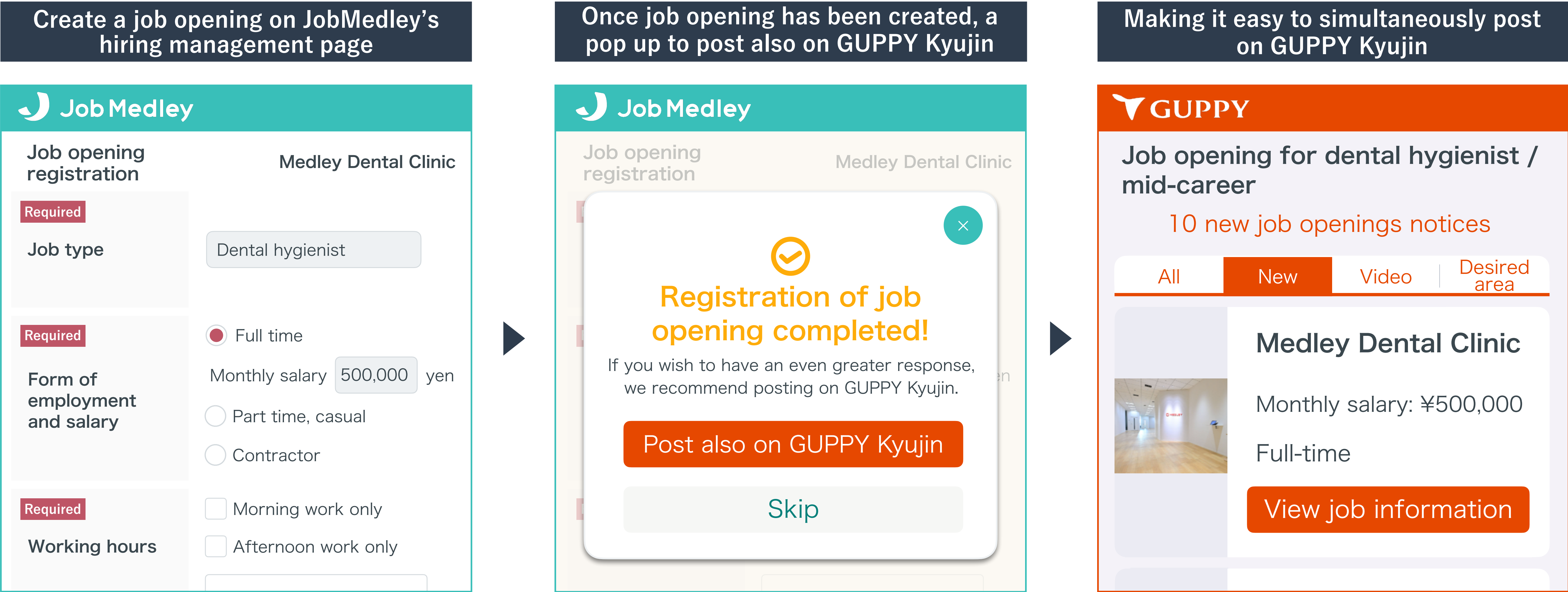


(1) Covering 25 types of medical, nursing, and welfare national qualifications, and using the most recent results

Utilizing Our Large Customer Base in the Mid-Career Recruiting Field



In the mid-career recruiting area, we will utilize our large customer base to achieve strong growth of “GUPPY Kyujin” (GUPPY Recruiting). For example, we plan to provide a function that will allow JobMedley customers with urgent hiring needs to smoothly post a job simultaneously on GUPPY. This should quickly increase the number of job applications from potential candidates.



(1) The above is a simplified illustration; the actual design and specifications of the provided services may differ.

Financial Base for Flexible Investment in Growth Even After the Acquisition

Leveraging the interest environment in Japan, we plan to use cash on hand and debt (bank loan) for this acquisition. Furthermore, we have already obtained official commitment for a loan from the banks for the full amount of the acquisition. The diagram below shows our balance sheet if we were to finance the entire transaction through debt. Our and GUPPY’s operating cash flows are expanding, and by taking a wholly-owned subsidiary and the creation of synergies, it will allow us to continue for flexible investment in growth initiatives even after the acquisition.

Our consolidated Balance Sheet if the Entire Acquisition Amount was Financed through Debt⁽¹⁾ (JPY mm)

Medley’s Consolidated B/S (as of end of September 2023)	
Cash raised from LOC	Untapped LOC 2,700
Cash and deposits 15,462	Debt 1,919
	Other liabilities 5,749
	Net assets 17,517
Goodwill 1,433	
Other assets 8,290	

GUPPY’s B/S ⁽²⁾ (as of end of November 2023)	
	Debt 98
Cash and deposits 2,223	Net assets 2,178

▶
If we were to finance the entire acquisition (JPY 11,829mm) through debt⁽¹⁾

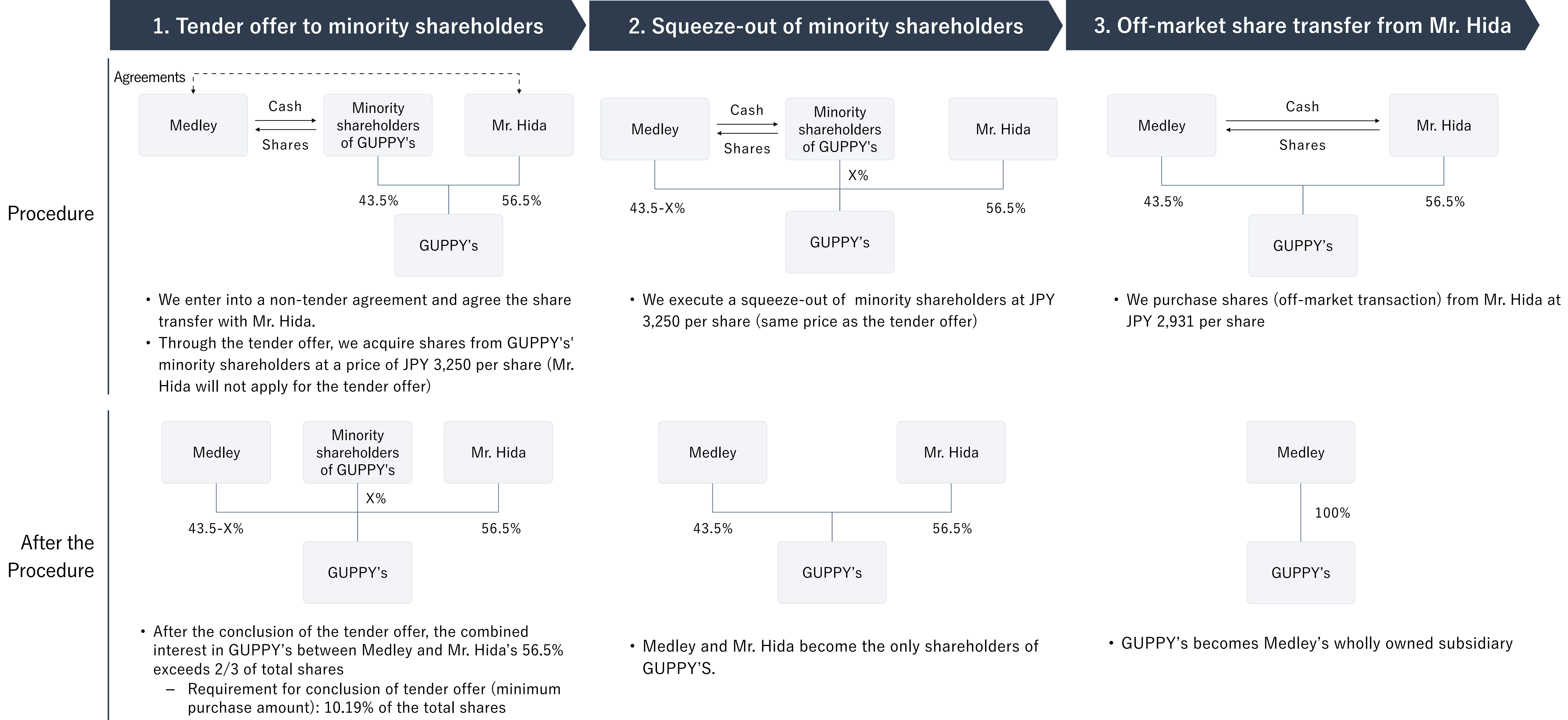
Medley’s Consolidated B/S Immediately after the acquisition	
Cash raised from LOC	Untapped LOC 2,700
Cash and deposits 17,685	Debt 13,846
	Other liabilities 6,301
Goodwill ⁽³⁾ 11,084 [including 9,651 of goodwill related to this deal]	Net assets 17,517
Other assets 8,895	

Capital ratio: 46.3%、D/E ratio: 0.8x

(1) The relevant amount of borrowing has not been determined at this time.
(2) GUPPY’s has JPY 270 million of untapped LOC (Letter of Credit)

(3) The goodwill value for this deal is the value prior to purchase price allocation

Taking into account Mr. Hida’s⁽¹⁾ and GUPPY’s wishes, in this M&A transaction, we will adopt a deal structure⁽²⁾ that also accounts for the protection of GUPPY’s minority shareholder interests. We will execute a tender offer (JPY 3,250 per share) for minority shareholders⁽¹⁾, and after a squeeze-out, we will have an off-market share transfer from Mr. Hida (JPY 2,931 per share), to make GUPPY's a wholly owned subsidiary of ours.



(1) Mr. Hida means the collective name for Mr. Hida (the largest shareholder) and Guppy Co., Ltd., (the second largest shareholder); and the minority shareholders include the share option holders.

(2) The shareholding ratio in the above chart are calculated based on the total number of issued shares and shares to be issued upon exercise of share options, excluding treasury stock. The above chart shows the case where there will be no fractional shares held by Mr. Hida at the squeeze-out transaction. In the event where Mr. Hida has any fractional shares at the squeeze-out transaction, the total amount paid to Mr. Hida, including the purchase price of the fractional shares from Mr. Hida, will be JPY 6,378 million.

<p>1 Contribution to Medley's FY24 consolidated results</p>	<ul style="list-style-type: none"> • If the tender offer is successful, GUPPY's Inc. will become Medley's consolidated subsidiary as of March 14, 2024 (the commencement date for settlement of the tender offer). Consolidation of the PnL will be from April 2024. • If GUPPY's PnL is consolidated in April 2024, we expect that the impact on Medley's FY24 consolidated results will be roughly at least +JPY 2,125 million in sales and at least +JPY 482 million in EBITDA. At this point, synergies have not been factored into these figures. Accordingly, we will make revisions based on the results of examinations, which will start after July 2024, of initiatives we plan to implement.
<p>2 Appropriateness of the Tender Offer Price</p>	<ul style="list-style-type: none"> • The weighted average price of the tender offer price JPY 3,250 per share and the off-market share transfer price JPY 2,931 per share is JPY 3,070 per share. We believe each price is appropriate as it falls within the results of the DCF analysis by Mizuho Securities (Medley's financial advisor), which was based on business projection plans closely examined and modified by Medley through interviews and the business plan received from GUPPY's Inc. <ul style="list-style-type: none"> - DCF range: JPY 2,665 to JPY 4,060 - Premium over the tender offer price (JPY 3,250): vs. previous business day +86.0%, vs. one-month average +33.6%, vs. three-month average +28.2%, vs. six-month average +29.1%
<p>3 Impairment risk</p>	<ul style="list-style-type: none"> • Pursuant to 2 above, we believe that impairment risks can be controlled. After announcing the Tender Offer, we plan to promptly implement PMI (post merger integration - synergy creation process) with the cooperation of GUPPY's to further reduce impairment risks (steady achievement of the business plan).
<p>4 Pay-back period</p>	<ul style="list-style-type: none"> • We expect that the pay-back period will conservatively be about 7 to 8 years. An even earlier pay-back can be expected depending on contributions from synergies.
<p>5 Impact on earnings per share (EPS)</p>	<ul style="list-style-type: none"> • Taking into account the burden of goodwill amortization expenses post a successful acquisition, in the short term we expect only a minor negative impact to EPS; and in the mid to long term, we expect a positive impact due to profit growth. We plan to go through accounting procedures that allocate the acquisition costs (PPA – purchase price allocation) and finalize the specific amount of goodwill amortization expenses once the Tender Offer successfully settles.
<p>6 Funding of the acquisition (tender offer + share transfer)</p>	<ul style="list-style-type: none"> • As of the end of Sept. 2023, Medley has JPY 15.4 billion in cash on hand; but we plan to use debt, either in part or in whole, to finance this acquisition in order to be able to flexibly invest in future growth opportunities (outside of this acquisition). • At this time we have no plans to raise equity to finance this acquisition.

<p>7 Operation of GUPPY's during PMI period</p>	<ul style="list-style-type: none"> • GUPPY's will be operated according to its current organizational structure. • Subject to approvals by various entities, we plan for several persons from Medley to participate in the board of directors.
<p>8 Organization</p>	<ul style="list-style-type: none"> • We don't plan to integrate entities for the time being to minimize the impact on business, but we will aim for a unified organizational management for corporate functions and a business organization that has an optimum operational structure to create synergies with Medley. • We will make the most of and integrate the best parts of each company's personnel systems and rules, and maintain the employment conditions for the employees of GUPPY's.
<p>9 Business policy for the new graduate recruitment business</p>	<ul style="list-style-type: none"> • We plan to maintain the current services and expand occupation coverage. (See p.6) - We will also maintain service names such as "GUPPY Shinsotsu" (GUPPY New Graduate). • Regarding disclosure, we plan to add the business into the HR PF business segment after consolidation.
<p>10 Business policy for the mid-career recruitment field</p>	<ul style="list-style-type: none"> • We will aim for early creation of business synergies by leveraging our current services, as well as keeping the service brand name "GUPPY Kyujin" (GUPPY Recruiting). (See p.7) • Regarding disclosure, we plan to add the business into the HR PF business segment after consolidation.
<p>11 Business policy for the healthcare field</p>	<ul style="list-style-type: none"> • At this time, a detailed evaluation of this business has yet to be done. During the PMI period we will consider growth scenarios that include synergies with Medley. • Regarding disclosure, we plan to add the business into the New Services segment after consolidation.



Creating the Future of Medical and Healthcare