

## Consolidated Financial Results for the Three Months Ended March 31, 2020 [Japanese GAAP]

May 14, 2020

Company name: MEDLEY, INC.

Stock exchange listing: Tokyo

Code number: 4480

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

Representative: Kohei Takiguchi

Representative: Goichiro Toyoda

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Phone: 03-6372-1265

President and Chief Executive Officer

Representative Director (Medical Doctor)

Director and Head of Corporate Division

Scheduled date of filing quarterly securities report: May 14, 2020

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes (for institutional investors and analysts)

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

### 1. Consolidated Financial Results for the Three Months Ended March 31, 2020 (January 01, 2020 to March 31, 2020)

#### (1) Consolidated Operating Results

(% indicates changes from the previous corresponding period)

	Net sales		EBITDA※		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended March 31, 2020	1,249	-	(177)	-	(210)	-	(211)	-	(213)	-
March 31, 2019	-	-	-	-	-	-	-	-	-	-

(Note) Comprehensive income: Three months ended March 31, 2020: ¥ (213) million [ -%]  
Three months ended March 31, 2019: ¥ - million [ -%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2020	(7.59)	-
March 31, 2019	-	-

- (Notes)
1. Because Medley, Inc. ("the Company") did not prepare consolidated quarterly financial statements for the first quarter of the consolidated fiscal year ended December 31, 2019 (consolidated Q1 FY2019), no data is provided for Q1 FY2019 and no year-on-year quarterly comparisons are provided for the first quarter of the consolidated fiscal year ended December 31, 2020 (consolidated Q1 FY2020).
  2. Although potentially dilutive shares exist, they are not factored in to FY2019 diluted net profit per share (diluted earnings per share) because the Company has posted negative diluted earnings per share.
  3. EBITDA = Operating profit / loss + depreciation and amortization of goodwill  
Because the Company has posted no amortization of goodwill during consolidated Q1 FY2020, it is not included in calculation of EBITDA.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of March 31, 2020	5,049	3,164	62.4
December 31, 2019	5,400	3,359	62.0

(Reference) Equity: As of March 31, 2020: ¥ 3,150 million  
As of December 31, 2019: ¥ 3,345 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2019	Yen -	Yen 0.0	Yen -	Yen 0.0	Yen 0.0
Fiscal year ending December 31, 2020	-				
Fiscal year ending December 31, 2020 (Forecast)		0.0	-	0.0	0.0

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

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2020 (January 01, 2020 to December 31, 2020)

(% indicates changes from the previous corresponding period)

	Net sales		EBITDA※		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	6,600	38.5	500	100.8	330	115.5	350	96.2	300	-	10.65
	~	~	~	~	~	~	~	~	~	~	~
	6,900	44.8	800	221.3	630	311.3	650	264.5	550	-	19.52

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

\* Notes:

(1) Changes in significant subsidiaries during the three months ended March 31, 2020

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

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

Note) For details, see “Application of special accounting methods in preparation for quarterly consolidated financial statements” under “2. Quarterly consolidated financial statements and important notes, (3) Important notes regarding quarterly consolidated financial statements” on page 9 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: Yes

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):

March 31, 2020: 28,231,900shares

December 31, 2019: 28,145,100shares

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

March 31, 2020: -shares

December 31, 2019: -shares

3) Average number of shares during the period:

Three months ended March 31, 2020: 28,169,825shares

Three months ended March 31, 2019: -shares

Note) Because the Company did not prepare consolidated quarterly financial statements for the first quarter of the consolidated fiscal year ended December 31, 2019 (consolidated Q1 FY2019), no data is provided for average number of shares issued during that term.

\* 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

This preliminary earnings report contains forward-looking statements such as earnings forecasts which are based on information currently available to the Company and certain assumptions deemed to be reasonable. The Company 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 Company'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 “Qualitative information regarding quarterly

results” on page 4 of the attached documents.

## 1. Qualitative information regarding quarterly results

### (1) Explanation regarding operating results

During the first quarter of the consolidated fiscal year ended December 31, 2020 (consolidated Q1 FY2020), the Japanese medical and nursing industry continued to face human resource shortages and issues related to financial resources and the ratio of job offers to applicants also trended many times higher than the average for all industries. In addition, amid the spread of COVID-19, the Ministry of Health, Labour and Welfare (MHLW) issued a guidance statement regarding the promotion of telemedicine for patients receiving regular medical examinations for chronic diseases, etc. and patients with coronavirus infections presenting mild symptoms.

Amid this business environment, during consolidated Q1 FY2020, sales trends in the Recruitment Platform Business showed no particular negative impact from the spread of COVID-19. We therefore achieved growth in companywide sales. In addition to achieving sales growth, we also conducted investments aimed at expanding the scale of our business operations including continued investment in growth in the Recruitment Platform Business to develop systems functionality and increase the number of employees. We also made aggressive up-front investments in the Medical Platform Business, such strengthening our development teams.

Under these conditions, in consolidated Q1 FY2020, the Company posted net sales of ¥1,249,200 thousand, negative EBITDA of ¥177,608 thousand, an operating loss of ¥210,929 thousand, an ordinary loss of ¥211,612 thousand, and a quarterly net loss attributable to owners of the parent company of ¥213,869 thousand.

The Recruitment Platform Business posts sales based on the hiring dates of persons using the Group’s services to find employment at companies seeking employees. The posting of sales therefore tends to be concentrated in April, when Japanese companies tend to hire more employees (because this is often the beginning of Japanese companies’ fiscal years). The posting of the Company’s net sales therefore tends to be concentrated in Q2 of our consolidated fiscal year (ending on December 31).

In addition, although these events occurred after the end of consolidated Q1 FY2020, in response to the spread of COVID-19 in Japan, the Japanese government declared a state of emergency in accordance with the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response in seven prefectures in Japan including the Tokyo Metropolitan Area, where the Company’s headquarters is located. The geographical scope of the state of emergency was subsequently expanded to include all of Japan. The Company has implemented measures to prevent the spread of the virus while continuing our business activities. For example, in response to the request by the Japanese government, issued alongside the emergency declaration, regarding working from home, the Company implemented a policy stating that, in principle, all employees should work from home. However, if voluntary quarantines and voluntary suspension of business operations continue because the spread of the virus is not contained, resulting in a prolonged slowdown in the Japanese economy, this could have an adverse impact on the development of our business and on our operational results.

Regarding the impact of COVID-19 to our businesses, while we have observed an increase on the usage of CLINICS telemedicine system since the Japanese government temporarily lifted restrictions on telemedicine, there is delay on hiring process in some customer offices of our Recruitment Platform Business. However, their hiring demands are still high and we have not seen a material impact on the Company’s businesses and financial results at present. We will continue to monitor trends that may result in the spread of COVID-19 having an impact on our businesses and provide timely disclosures if we see a material risk resulting from the spread of the virus.

Earnings by business segment are as follows.

#### 1. Recruitment Platform Business

During consolidated Q1 FY2020, sales trends in the Recruitment Platform Business showed no particular negative impact from the spread of COVID-19. As a result, the number of customer offices served rose by 5.6% compared with the end of the previous fiscal year to over 192,000 locations and the number of positions listed rose 4.9% to over 212,000. We also continuously improved the functionality of our service websites to enhance user convenience and invested in television advertising aimed at increasing the number of medical and healthcare professionals making use of the Company’s services to find employment.

As a result of the above, consolidated Q1 FY2020 segment net sales were ¥1,084,183 thousand and segment profit before allocation of companywide shared costs (operating profit) was ¥293,073 thousand.

#### 2. Medical Platform Business

During consolidated Q1 FY2020, we temporarily limited acceptance of orders for our CLINICS EMR until March 2020. However, owing to social awareness in telemedicine as a measure to prevent the spread of COVID-19, sales in the CLINICS telemedicine system were strong and the number of medical institutions using our cloud-based CLINICS medical support systems continued to increase, rising by

7.1% compared with the end of the previous consolidated fiscal year, to over 1,270. In addition, NaCl Medical, Inc., which was converted into a consolidated (wholly owned) subsidiary in March 2019, remains entrusted with the development of Online Receipt Computer Advantage (ORCA) medical accounting software. We also continued to update and expand content for our Medley media service.

As a result of the above, consolidated Q1 FY2020 segment net sales were ¥134,693 thousand and the segment posted a loss before allocation of companywide shared costs (operating loss) of ¥137,071 thousand.

Factors behind the posting of an operating loss in the segment included investments in growth aimed at securing new medical institution users for our cloud-based CLINICS medical support systems and expanding its functionality, and also aggressive investment in new businesses.

### 3. New Services Segment

During consolidated Q1 FY2020, we proactively conducted operations to continuously expand content and increase the number of facilities that can be introduced using our Kaigo-no Honne service.

As a result of the above, consolidated Q1 FY2020 segment net sales were ¥30,323 thousand and the segment posted a loss before allocation of companywide shared costs (operating loss) of ¥16,089 thousand.

Factors behind the posting of an operating loss in the segment included investments in optimizing the earnings structure of our Kaigo-no Honne service.

Intersegment eliminations and unallocated companywide shared costs totaled ¥350,841 thousand.

## (2) Outline of financial position

### Assets

Current assets as of end-consolidated Q1 FY2020 totaled ¥4,382,434 thousand, a decline of ¥373,142 thousand compared with the end of the previous consolidated fiscal year. This decline was mainly attributable to a decline of ¥479,952 thousand in cash and deposits and an increase of ¥97,298 thousand in accounts receivable (trade). Non-current assets as of end-consolidated Q1 FY2020 totaled ¥661,129 thousand, an increase of ¥22,947 thousand compared with the end of the previous consolidated fiscal year. This increase was attributable to an increase of ¥10,312 thousand in tangible fixed assets and an increase of ¥14,101 thousand in intangible fixed assets.

As a result of the above, total assets as of end-consolidated Q1 FY2020 totaled ¥5,049,405 thousand, a decline of ¥351,083 thousand compared with the end of the previous consolidated fiscal year.

### Liabilities

Current liabilities as of end-consolidated Q1 FY2020 totaled ¥1,662,267 thousand, a decline of ¥105,337 thousand compared with the end of the previous consolidated fiscal year. This decline was mainly attributable to a decline of ¥93,631 thousand in taxes payable. Non-current liabilities as of end-consolidated Q1 FY2020 totaled ¥222,731 thousand, a decline of ¥50,364 thousand compared with the end of the previous consolidated fiscal year. This decline was mainly attributable to a decline of ¥50,364 thousand in long-term loans payable.

As a result of the above, total liabilities as of end-consolidated Q1 FY2020 totaled ¥1,884,998 thousand, a decline of ¥155,701 thousand compared with the end of the previous consolidated fiscal year.

### Net assets

Net assets as of end-consolidated Q1 FY2020 totaled ¥3,164,407 thousand, a decline of ¥195,382 thousand compared with the end of the previous consolidated fiscal year. This decline was attributable to increases of ¥9,243 thousand in capital and ¥9,243 thousand in capital surplus and a decline of ¥213,869 thousand in retained earnings.

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

In consolidated Q1 FY2020, consolidated results trended in line with the Company's initial full-year forecast for consolidated FY2020. Based on this, and in consideration of the impact on our businesses from changes in supply and demand trends resulting from the spread of COVID-19, we make no changes to the quantitative forecasts published in our Summary of Consolidated Financial Results for the Year Ended December 31, 2019 [Japanese GAAP] published on February 14, 2020.

## 2. Quarterly Consolidated Financial Statements and important notes

### (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of December 31,2019	As of March 31,2020
<b>Assets</b>		
Current assets		
Cash and deposits	4,477,395	3,997,443
Accounts receivable - trade	241,498	338,796
Merchandise and finished goods	211	454
Work in process	-	2,635
Prepaid expenses	37,192	25,044
Accrued income	3,033	-
Other	20,241	50,258
Allowance for doubtful accounts	(23,995)	(32,198)
Total current assets	4,755,577	4,382,434
Non-current assets		
Property, plant and equipment	56,007	66,320
Intangible assets	222,324	236,426
Investments and other assets	359,849	358,382
Total non-current assets	638,181	661,129
Deferred assets	6,729	5,841
Total assets	5,400,488	5,049,405

	As of December 31,2019	As of March 31,2020
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,495	3,130
Short-term borrowings	500,000	500,000
Current portion of long-term borrowings	190,256	190,256
Accounts payable - other	557,636	545,920
Accrued expenses	44,766	28,238
Advances received	149,286	186,120
Deposits received	81,597	86,331
Income taxes payable	106,922	13,290
Accrued consumption taxes	105,302	49,549
Provision for bonuses	1,461	22,227
Provision for refund of sales	8,596	13,472
Provision for cashback for newly hired	12,987	20,300
Other Allowance	7,295	3,429
Total current liabilities	1,767,604	1,662,267
Non-current liabilities		
Long-term borrowings	273,095	222,731
Total non-current liabilities	273,095	222,731
Total liabilities	2,040,699	1,884,998
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,011,523	1,020,767
Capital surplus	2,833,471	2,842,715
Retained earnings	(499,137)	(713,007)
Total shareholders' equity	3,345,857	3,150,475
Share acquisition rights	13,932	13,932
Total net assets	3,359,789	3,164,407
<b>Total liabilities and net assets</b>	<b>5,400,488</b>	<b>5,049,405</b>

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income (For the three months)

(Thousand yen)

	For the three months ended March 31,2020
Net sales	1,249,200
Cost of sales	489,189
Gross profit	760,011
Selling, general and administrative expenses	970,940
Operating loss	(210,929)
Non-operating income	
Interest income	12
Penalty income	808
Miscellaneous income	869
Other	411
Total non-operating income	2,101
Non-operating expenses	
Interest expenses	1,896
Amortization of share issuance cost	887
Total non-operating expenses	2,784
Ordinary loss	(211,612)
Loss before income taxes	(211,612)
Income taxes - current	2,257
Total income taxes	2,257
Loss	(213,869)
Loss attributable to owners of parent	(213,869)

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

(Thousand yen)

	For the three months ended March 31,2020
Net loss	(213,869)
Other comprehensive income	
Total other comprehensive income	-
Comprehensive income	(213,869)
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	(213,869)
Comprehensive income attributable to non-controlling interests	-



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

(Notes related to of going concern assumptions)

Not applicable

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

Not applicable

(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 Q1 FY2020.

(Changes in Accounting Policies)

(Changes to accounting methods used for tax expenses)

In the past, tax expenses of the Company and its consolidated subsidiaries were calculated using a principles-based approach. However, in order to more efficiently carry out quarterly account settlement operations for the Company and its consolidated subsidiaries, starting in consolidated Q1 FY2020, the method for calculating tax expenses was changed to one wherein a reasonable estimate of the effective tax rate on net income before income taxes for the consolidated fiscal year after the application of tax effect accounting is calculated and pretax quarterly net income is multiplied by said estimated effective tax rate.

The impact of this change on results is negligible.

(Segment information, etc.)

(Segment information)

Consolidated Financial Results for the Three Months Ended March 31, 2020 (January 01, 2020 to March 31, 2020)

#### 1. Information on net sales and operating profit (loss), identifiable assets and liabilities, and other items by reportable segment

(Thousands of yen)

	Reportable segment				Adjustment (Note)	Amount in the consolidated financial statement
	Recruitment Platform Business	Medical Platform Business	New Services	Total		
Net sales						
Sales to external customers	1,084,183	134,693	30,323	1,249,200	—	1,249,200
Inter-segment sales and transfers	—	—	—	—	—	—
Total	1,084,183	134,693	30,323	1,249,200	—	1,249,200
Segment profit (loss)	293,073	(137,071)	(16,089)	139,912	(350,841)	(210,929)

Notes: 1. Segment profit (loss) adjustments of (¥350,841) thousand include intersegment eliminations and corporate expenses unallocated to 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)

Not applicable

(Significant gains in negative goodwill)

Not applicable