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## Consolidated Financial Results for the Three Months Ended March 31, 2024 [Japanese GAAP]

May 14, 2024

Company name: MEDLEY,INC.

Stock exchange listing: Tokyo

Code number: 4480

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

Representative: Kohei Takiguchi

President and Chief Executive Officer

Contact: Ryo Kawahara

Chief Financial Officer

Phone: +81-3-6372-1265

Scheduled date of filing quarterly securities report: May 14, 2024

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

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

### 1. Consolidated Financial Results for the Three Months Ended March 31, 2024 (January 1, 2024 to March 31, 2024)

#### (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	%
Three months ended March 31, 2024	5,946	34.0	456	(16.4)	246	(35.2)	723	43.6	466	30.1
March 31, 2023	4,437	55.7	545	460.2	380	-	503	-	358	-

(Note) Comprehensive income: Three months ended March 31, 2024: ¥ 506 million [ 32.3%]  
Three months ended March 31, 2023: ¥ 382 million [ -%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2024	14.40	14.31
March 31, 2023	11.15	10.97

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
March 31, 2024	30,904	18,164	58.4
December 31, 2023	25,430	17,637	69.0

(Reference) Equity: As of March 31, 2024: ¥ 18,048 million  
As of December 31, 2023: ¥ 17,552 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, 2023	-	0.00	-	0.00	0.00
Fiscal year ending December 31, 2024	-				
Fiscal year ending December 31, 2024 (Forecast)		0.00	-	0.00	0.00

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

(Note) Breakdown of the 1st quarter dividend for the fiscal year ending December 31, 2024 :

Commemorative dividend	- yen
Special dividend	- yen

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024(January 1, 2024 to December 31, 2024)

(% 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	29,400	43.2	4,640	36.7	2,950	10.8	4,440	18.2	3,000	16.9	92.72

(Note) Revision to the financial results forecast announced most recently: Yes

\* Notes:

(1) Changes in significant subsidiaries during the three months ended March 31, 2024

(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

(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):

March 31, 2024: 32,738,600 shares

December 31, 2023: 32,738,600 shares

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

March 31, 2024: 293,535 shares

December 31, 2023: 384,191 shares

3) Average number of shares outstanding during the period:

Three months ended March 31, 2024: 32,423,094 shares

Three months ended March 31, 2023: 32,178,308 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.

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

## 1. Outline of Business Performance

### (1) Explanation regarding operating results

During the first quarter of the consolidated fiscal year ending December 31, 2024 (consolidated Q1 FY2024), both the HR PF Business and the Medical PF Business, Japanese medical and nursing industry continued to face human resource shortages and issues related to national budget shortage.

Amid this business environment, in consolidated Q1 FY2024, sales in the HR PF Business increased due to a steady increase in the number of customer offices and in our pool of registered workers for recruitment system JobMedley and the number of customer offices for online training system JobMedley Academy also grew.

We also achieved sales growth in the Medical PF Business as installation of our products at customers' facilities went smoothly, resulting in growth in the number of medical institution users. While the Group achieved sales growth, it also implemented measures aimed at expanding the scale of its business operations in the HR PF Business including marketing activities and investment in our online training product. The Group also made proactive investments in medium-to-long term growth in the Medical PF Business, such as continuing to increase the number of employees.

As a result of the above, in consolidated Q1 FY2023, the Group posted net sales of ¥5,946 million (up 34.0% YoY), EBITDA of ¥456 million (down 16.4% YoY), operating profit of ¥246 million (down 35.2% YoY), ordinary profit of ¥723 million (up 43.6% YoY), and net profit attributable to owners of the parent company of ¥466 million (up 30.1% YoY).

The HR PF Business posts sales based on the hiring dates of persons using the Group's services to find employment at companies seeking employees. The sales therefore tend 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 Group's net sales therefore tends to be concentrated 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 Q1 FY2024, 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 3.7% compared with the end of consolidated FY2023, to 351 thousand; and listed job offers rose by 2.7% over the same period, to 371 thousand.

In addition, the Group released functional improvements utilizing generative AI in JobMedley.

As a result of the above, consolidated Q1 FY2024 segment net sales were ¥3,944 million (up 36.0% YoY), and segment profit before allocation of group-wide shared costs (operating profit) was ¥1,163 million (up 20.5% YoY).

#### 2. Medical PF Business

During consolidated Q1 FY2024, the number of medical institution users in the Medical PF Business continued to grow, rising 2.5% compared with the end of consolidated FY2023, to 16 thousand users. The main reason for this is that existing customers increased the number of offices that use our cloud-based pharmacy support system, Pharms, because we increased its usefulness by adding functions.

As a result of the above, consolidated Q1 FY2024 segment net sales were ¥1,878 million (up 29.7% YoY) and segment profit before allocation of group-wide shared costs (operating loss) was ¥175 million (up 435.8% YoY).

#### 3. New Services Segment

During consolidated Q1 FY2024, the Group conducted market research and test marketing for the recruitment system in the U.S. In addition, 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 Q1 FY2024 segment net sales were ¥123 million (up 39.8% YoY) and segment loss before allocation of group-wide shared costs (operating loss) was ¥71 million (¥44 million loss in Q1 FY2023).

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

In addition, adjustments not attributable to any segment (intersegment eliminations and companywide expenses not allocated to any segment) totaled ¥1,022 million (up 78.1% YoY).

## (2) Outline of financial position

### Assets

Current assets as of end-consolidated Q1 FY2024 totaled ¥20,855 million, an increase of ¥1,922 million, compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥1,202 million in cash and deposits, ¥643 million in accounts receivable - trade. Non-current assets as of end-consolidated Q1 FY2024 totaled ¥10,047 million, a ¥3,556 million increase compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥377 million in intangible fixed assets, and ¥3,202 million in investments and other assets.

As a result of the above, total assets as of end-consolidated Q1 FY2024 totaled ¥30,904 million, an increase of ¥5,474 million compared with the end of the previous consolidated fiscal year.

### Liabilities

Current liabilities as of end-consolidated Q1 FY2024 totaled ¥6,655 million, an increase of ¥423 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥1,176 million in Current portion of long-term borrowings and decrease of ¥820 million in income taxes payable. Non-current liabilities as of end-consolidated Q1 FY2024 totaled ¥6,084 million, a increase of ¥4,524 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to a increase of ¥4,540 million in long-term borrowings.

As a result of the above, total liabilities as of end-consolidated Q1 FY2024 totaled ¥12,740 million, an increase of ¥4,947 million compared with the end of the previous consolidated fiscal year.

### Net assets

Net assets as of end-consolidated Q1 FY2024 totaled ¥18,164 million, an increase of ¥526 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to, an increase of ¥243 million in capital surplus and a decrease of ¥263 million in treasury shares due to the disposal of treasury shares, an increase of ¥466 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

The Group has revised its forecast for consolidated FY2024 and its forecast now differs from the forecast included in Consolidated Financial Results for the Year Ended December 31, 2023 [Japanese GAAP] released on February 14, 2024. For details regarding these changes, please refer to Notice Regarding Revision to Consolidated Financial Results Forecast for the Fiscal Year Ending December 2024, released on May 14, 2024.

Quarterly Consolidated Financial Statements  
Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2023	As of March 31, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	15,354	16,556
Accounts receivable - trade	1,612	2,256
Merchandise and finished goods	265	255
Work in process	18	13
Accounts receivable - other	1,371	1,602
Prepaid expenses	251	179
Other	92	25
Allowance for doubtful accounts	(34)	(34)
<b>Total current assets</b>	<b>18,932</b>	<b>20,855</b>
Non-current assets		
Property, plant and equipment	515	491
Intangible assets		
Software	344	343
Goodwill	1,491	1,902
Customer relationship	1,359	1,326
Other	4	4
<b>Total intangible assets</b>	<b>3,199</b>	<b>3,577</b>
Investments and other assets		
Shares of subsidiaries and associates	-	4,790
Other	2,775	1,187
<b>Total investments and other assets</b>	<b>2,775</b>	<b>5,978</b>
<b>Total non-current assets</b>	<b>6,491</b>	<b>10,047</b>
Deferred assets	6	2
<b>Total assets</b>	<b>25,430</b>	<b>30,904</b>

(Millions of yen)

	As of December 31, 2023	As of March 31, 2024
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	317	305
Current portion of long-term borrowings	731	1,908
Accounts payable - other	1,522	1,651
Accrued expenses	685	745
Contract liabilities	781	752
Deposits received	500	553
Income taxes payable	1,060	240
Other provisions	165	169
Other	466	327
Total current liabilities	6,232	6,655
Non-current liabilities		
Long-term borrowings	928	5,469
Deferred tax liabilities	400	390
Other	231	224
Total non-current liabilities	1,560	6,084
Total liabilities	7,792	12,740
<b>Net assets</b>		
Shareholders' equity		
Share capital	47	47
Capital surplus	14,812	14,568
Retained earnings	3,802	4,269
Treasury shares	(1,118)	(855)
Total shareholders' equity	17,543	18,031
Accumulated other comprehensive income		
Foreign currency translation adjustment	8	17
Total accumulated other comprehensive income	8	17
Non-controlling interests	85	115
Total net assets	17,637	18,164
<b>Total liabilities and net assets</b>	<b>25,430</b>	<b>30,904</b>

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

(Millions of yen)

	For the three months ended March 31, 2023	For the three months ended March 31, 2024
Net sales	4,437	5,946
Cost of sales	1,629	2,429
Gross profit	2,807	3,517
Selling, general and administrative expenses	2,427	3,270
Operating profit	380	246
Non-operating income		
Interest income	0	0
Settlement received	145	594
Subsidy income	1	0
Other	16	6
Total non-operating income	163	602
Non-operating expenses		
Interest expenses	2	3
Amortization of share issuance costs	7	4
Outsourcing expenses	27	114
Other	1	2
Total non-operating expenses	39	125
Ordinary profit	503	723
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	46	-
Gain on sale of non-current assets	0	2
Total extraordinary income	47	2
Extraordinary losses		
Loss on sale of non-current assets	0	-
Loss on abandonment of non-current assets	0	-
Total extraordinary losses	0	-
Profit before income taxes	550	725
Income taxes	168	228
Profit	381	497
Profit attributable to non-controlling interests	23	30
Profit attributable to owners of parent	358	466



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

(Millions of yen)

	For the three months ended March 31, 2023	For the three months ended March 31, 2024
Profit	381	497
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	-
Foreign currency translation adjustment	0	8
Total other comprehensive income	0	8
Comprehensive income	382	506
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	359	475
Comprehensive income attributable to non-controlling interests	23	30

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

(Notes related to going concern assumptions)

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 Q2 FY2024.

(Segment information, etc.)

(Segment information)

Consolidated financial results for consolidated Q1 FY2023 (January 01, 2023, to March 31, 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	2,899	1,448	88	4,437	—	4,437
Other revenue	—	—	—	—	—	—
Sales to external customers	2,899	1,448	88	4,437	—	4,437
Inter-segment sales and transfers	0	—	—	0	(0)	—
Total	2,900	1,488	88	4,437	(0)	4,437
Segment profit (loss)	965	32	(44)	954	(573)	380

Notes: 1. Segment profit (loss) adjustments of (¥573 million) include intersegment eliminations and corporate expenses not attributed to any reportable segments.

2. Segment profit (loss) is adjusted under operating profit 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 Q1 FY2023, the Company acquired the pharmacy business of Bamboo Inc.

As a result, goodwill in the Medical PF Business increased by ¥236 million.

(Significant gains in negative goodwill)

Not applicable

Consolidated financial results for consolidated Q1 FY2024 (January 01, 2024, to March 31, 2024)

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	3,943	1,878	79	5,902	—	5,902
Other revenue	—	—	43	43	—	43
Sales to external customers	3,943	1,878	123	5,946	—	5,946
Inter-segment sales and transfers	0	—	—	0	(0)	—
Total	3,944	1,878	123	5,947	(0)	5,946
Segment profit (loss)	1,163	175	(71)	1,268	(1,022)	246

Notes: 1. Segment profit (loss) adjustments of (¥1,022 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 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 FY2024, the Company acquired Lalune business of Ateam Wellness, Inc.

As a result, goodwill in the Medical PF Business increased by ¥491 million.

(Significant gains in negative goodwill)

Not applicable

(Business combination via transaction)

(1) Summary of business combination

1) Name and description of business of acquired corporation

Name of acquired corporation: Ateam Wellness, Inc.

Description of business activities: Lalune business

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

February 1, 2024 to March 31, 2024

(3) Acquisition cost and breakdown by type of considerations

Consideration paid in cash: 500 million yen

Acquisition cost: 500 million yen

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

Compensation for advisory services 7 million yen

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

1) Goodwill recognized

491 million yen

2) Reason of recognized

Mainly recognized based on the future earnings potential from the expected future development of businesses.

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	32 million yen
Non-current assets	1 million yen
Total assets	33 million yen
Current liabilities	24 million yen
Non-current liabilities	—
Total liabilities	33 million yen

(Disposal of treasury shares as restricted stock)

On April 11, 2024, the Company conducted a disposal of treasury shares as restricted stock.

1. Overview of disposal

	6th and 7th restricted stock compensation	8th and 9th restricted stock compensation
(1) Disposal date	April 11, 2024	April 11, 2024
(2) Class and number of shares to be disposed	11,900 common shares of the Company	18,400 common shares of the Company
(3) Disposal price	JPY 4,815 per share	JPY 4,710 per share
(4) Total value of disposal	57 million yen	86 million yen
(5) Allottees	28 employees: 10,400 shares director and employees of subsidiaries: 1,500 shares	1 director: 2,100 shares 10 executive officers: 16,300 shares

2. Purposes of and Reasons for disposal

In order to provide employees of the Group with incentive to sustainably increase the Group's corporate value and more closely align their interests with those of the Company's shareholders, in order to allocate restricted stock compensation, monetary compensation claims equivalent to the amount paid for restricted stock are paid. The Company disposed of treasury stock in order to have monetary claims granted by the Company contributed in kind and to allocate common shares of the Company.

3. Overview of the restricted stock

(1) Conditions for cancelling transfer restriction

1) Eligible employees other than Directors

(a) On the condition that an eligible employee continuously serves the position as Director, auditor, or employee of the Company or one of its subsidiaries during the transfer restriction period, with respect to the shares equivalent to one half of the allotted shares (shares of less than one unit shall be rounded down, hereinafter "A shares"), on the date of expiration of the transfer restriction period, the Company shall cancel the restriction on transfer of all A shares.

The transfer restriction will be released for a portion of the A shares allocated to the eligible employee at the time immediately after the loss of position occurs in cases wherein the eligible employee resigns or retires from his/her position (or in the case of rehiring after fixed age retirement, the end date of the rehiring period), or is no longer a Director, auditor or employee of the Company or its subsidiaries due to death or other reasons accepted as valid by the Company. This portion will be calculated by,

immediately after said loss of position, first dividing the number of months from the month that contains the payment date to the month that contains the date when the loss occurs by 12 and then multiplying this number by the total amount of the A shares allocated to the eligible employee (however, if any fractional share arises as a result of the calculation, this will be rounded down).

(b) The transfer restriction will be released for the allotted shares other than A shares (hereinafter “B shares”), subject to the condition that the eligible employee continuously holds the position of director, corporate auditor, executive officer or employee of the Company or its subsidiary during the transfer restriction period, on the date of expiration of said transfer restriction period. The transfer restriction will be released for a portion of the B shares allocated to the eligible employee at the time immediately after the loss of position occurs in cases wherein the eligible employee resigns or retires from his/her position, or is no longer a Director, auditor or employee of the Company or its subsidiaries due to death or other reasons accepted as valid by the Company. This portion will be calculated by subtracting twelve from the number of months from the month following the month containing the allocation date to the month containing the date of the loss of position, dividing the result by twelve, and then multiplying this result by the number of B shares (however, if any fractional share arises as a result of the calculation, this will be rounded down).

2)Eligible Directors

The transfer restriction will be released for all the allotted shares, subject to the condition that the eligible employee continuously holds the position of director, corporate auditor, executive officer or employee of the Company or its subsidiary during the transfer restriction period, on the date of expiration of said transfer restriction period.

The transfer restriction will be released for a portion of the allotted shares at the time immediately after the loss of position occurs in cases wherein the eligible employee resigns or retires from his/her position, or is no longer a Director, auditor or employee of the Company or its subsidiaries due to death or other reasons accepted as valid by the Company. This portion will be calculated by, immediately after said loss of position, first dividing the number of months from the month that contains the payment date to the month that contains the date when the loss occurs by 24 and then multiplying this number by the total amount of the allotted shares (however, if any fractional share arises as a result of the calculation, this will be rounded down).

(2) Transfer restriction period

1)Eligible employees other than Directors

A shares: April 11, 2024 – April 11, 2025

B shares: April 11, 2024 – April 11, 2026

2)Eligible Directors

April 11, 2024 – April 11, 2026

(3) Acquisition of allocated shares by the Company without compensation

The Company will, as a matter of course, acquire all of the allocated stocks with no compensation in cases where the transfer restriction has not been released when the transfer restricted period ends immediately after the end of said transfer restricted period.

(Business combinations, etc)

(Business combination via transaction)

At the meeting of the board of directors held on January 19, 2024, the Company resolved to acquire the share certificates, etc. of GUPPY’s Inc. (the “Target”) through a tender offer in order to convert the Target into a wholly owned subsidiary of the Company. This tender offer was consummated and, on March 14, 2024, the Company acquired 1,474,085 shares (note: ownership ratio of 38.26%) of GUPPY’s Inc.

At the meeting of the board of directors held on April 26, 2024, officers of the Company were appointed as directors of the Target, and furthermore, there was a resolution at the Board of Directors Meeting to change the Target’s administrative authority table, so the Company has come to control material financial and operational or business policy decisions of the Target. Therefore, the Target has become a subsidiary of the Company as of today.

(Note) The “ownership ratio” is the ratio to the total number of issued shares as of February 29, 2024 stated in the second quarter report for the 24th fiscal year submitted by the Target on April 15, 2024 (the “Target Q2 Report”) (3,853,300 shares) minus the number of treasury shares held by the Target as of February 29, 2024 stated in the Target Q2 Report (170 shares) (3,853,130 shares; hereinafter the “Base Number of Shares”).

(1) Summary of business combination

1) Name and description of business of acquired corporation

Name of acquired corporation: GUPPY’s Inc.

Description of business activities: Human resource service business specializing in medical care, nursing care, and welfare, and healthcare business utilizing a health management app

2) Main purpose of business combination

The Company has been searching for opportunities to further improve the value proposition in human resources services in the medical healthcare field by measures such as carrying out M&As with competitors. The Company came to believe that it would be possible to achieve further value proposition enhancements through the mutual sharing and utilization of both parties’ business knowhow and assets as the Company and the Target have developed different business models while working to resolve the

social issues faced by patients, professionals, and businesses, etc. in the same medical healthcare field.

3) Business combination date

April 26, 2024 (Deemed acquisition date: March 1, 2024 )

4) Legal form of business combination

Acquisition of shares in exchange for cash.

5) Name of acquired company after acquisition

GUPPY's Inc.

6) Percentage of voting rights acquired

38.26% (56.48%)

The percentage of voting rights of those consenting to the acquisition is shown in parentheses.

7) Main basis for determining the acquiring company

The Company acquired a portion of the shares of GUPPY's Inc. in exchange for cash and, together with the voting rights of those consenting to the acquisition, the Company has acquired more than a majority of the voting rights of GUPPY's Inc. and also appointed the Company's officers as directors and further has resolved to change its delegation of authorization chart, which has resulted in the Company controlling important financial, operating, and business policy decisions.

(2) Acquisition cost and breakdown by type of considerations

Consideration paid in cash: 4,790 million yen

Acquisition cost: 4,790 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) Amount and major breakdown of assets received and liabilities assumed on business combination date

Not determined at present time

(Significant subsequent events)

(Purchase of investment securities)

At a meeting of the Board of Directors held on May 14, 2024, the Company resolved to underwrite convertible bonds issued by Medical & Technologies, Inc.

Payment related to the underwriting of convertible bonds issued by Medical & Technologies, Inc. is scheduled to be made in multiple stages and is contingent on achieving targeted performance indicators. The acquisition cost is expected to maximum 2,700 million yen (initial payment of 400 million yen).

All funds for the acquisition of the convertible bonds will be allocated from cash and cash equivalents on hand.