



Presentation Material for FY2024 Q2 Financial Results

Medley, Inc.

August 14, 2024

Disclaimer

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FY2024 Q2 Results

- **Q2 sales rose 40% YoY, progressing in line with our revised earnings forecast announced alongside Q1 results**
 - HR PF/New Services: Brought GUPPY's Inc. into consolidation
 - Medical PF: Earnings were impacted by concentration of sales in the Medical PF Business in Q1. H2 expected to normalize
- **Q2 EBITDA margin was 28%, down YoY, but in line with our revised forecast**
 - Consolidation of GUPPY's Inc. had no material impact on EBITDA margin
 - Earnings in the HR PF Business were impacted by a reopening demand last year and advertising tests implemented out of high-season, not implemented in the previous FY (see slide 8)

FY2024 Forecast

- **We leave our forecast unchanged as we have made steady progress toward our revised forecast**
 - We expect full-year sales and EBITDA to be in line with our revised forecast
 - EBITDA margin in H2 is expected to be at the same level as FY23
 - Ordinary profit and net profit likely to surpass our revised forecast

1. FY2024 Q2 Results

2. FY2024 Forecast

3. Investment Highlights

Summary of Consolidated FY2024 Q2 Results

JPY mm	FY2023 Q2	FY2024 Q2	YoY Growth
Sales	6,270	8,760	+40%
Gross Profit	4,504	6,161	+37%
EBITDA	2,210	2,467	+257⁽¹⁾
Operating Profit	2,040	2,015	-25⁽²⁾
Ordinary Profit	2,277	2,444	+167
Profit Attributable to Owners of Parent	1,525	1,541	+16

(1) See slide 8 for breakdown of changes

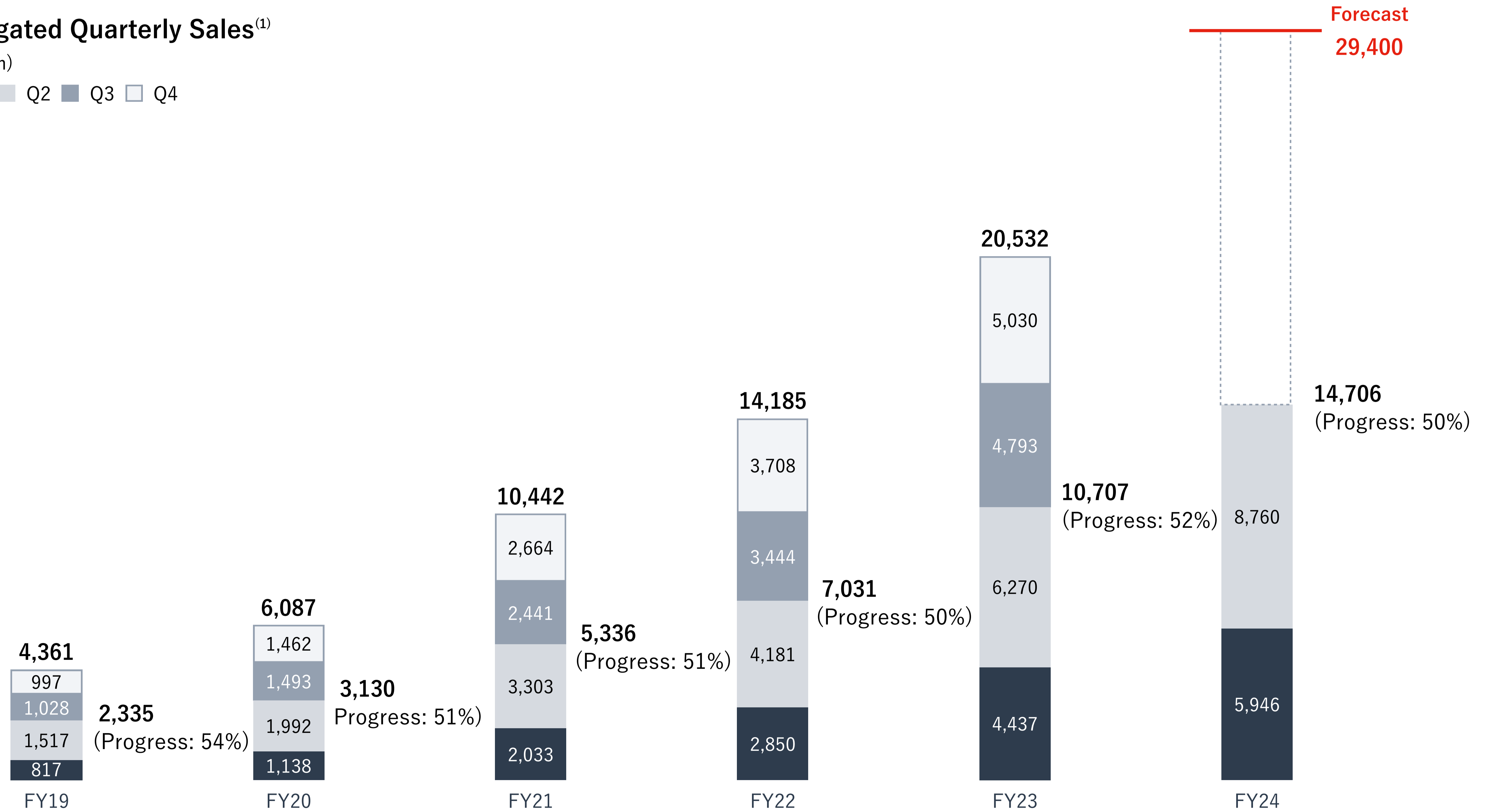
(2) Amortization of goodwill and intangible assets resulting from M&A of GUPPY's: JPY 225 mm

Cumulative FY2024 Q2 sales were in line with our revised earning forecast.

Aggregated Quarterly Sales⁽¹⁾

(JPY mm)

■ Q1 ■ Q2 ■ Q3 ■ Q4



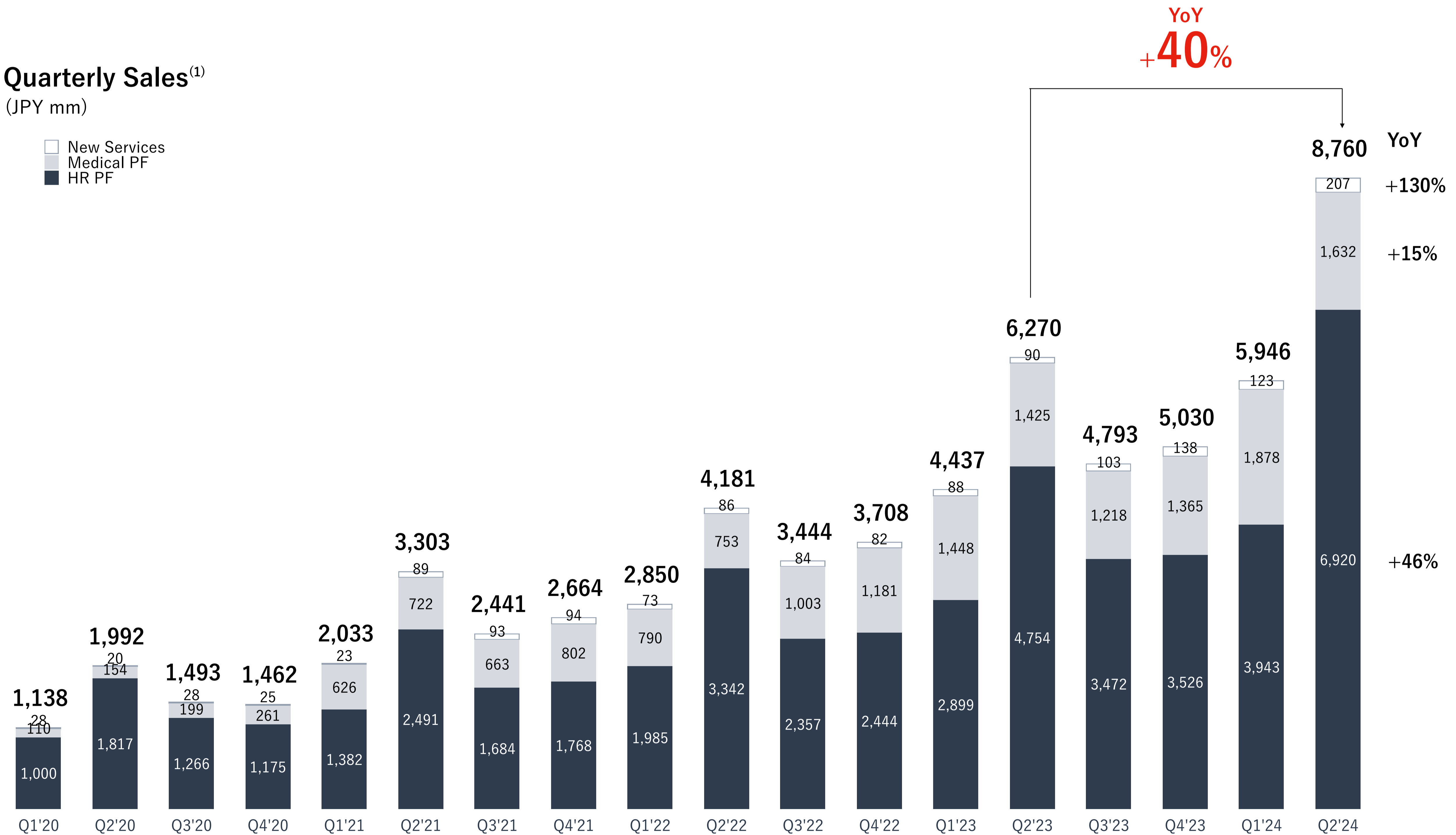
(1) Figures for FY2021 and earlier are based on the new revenue recognition standard.

Maintain High Sales Growth Rate

FY2024 Q2 sales were in line with our previous forecast in all segments and companywide sales rose 40% YoY.

Quarterly Sales⁽¹⁾ (JPY mm)

- New Services
- Medical PF
- HR PF



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

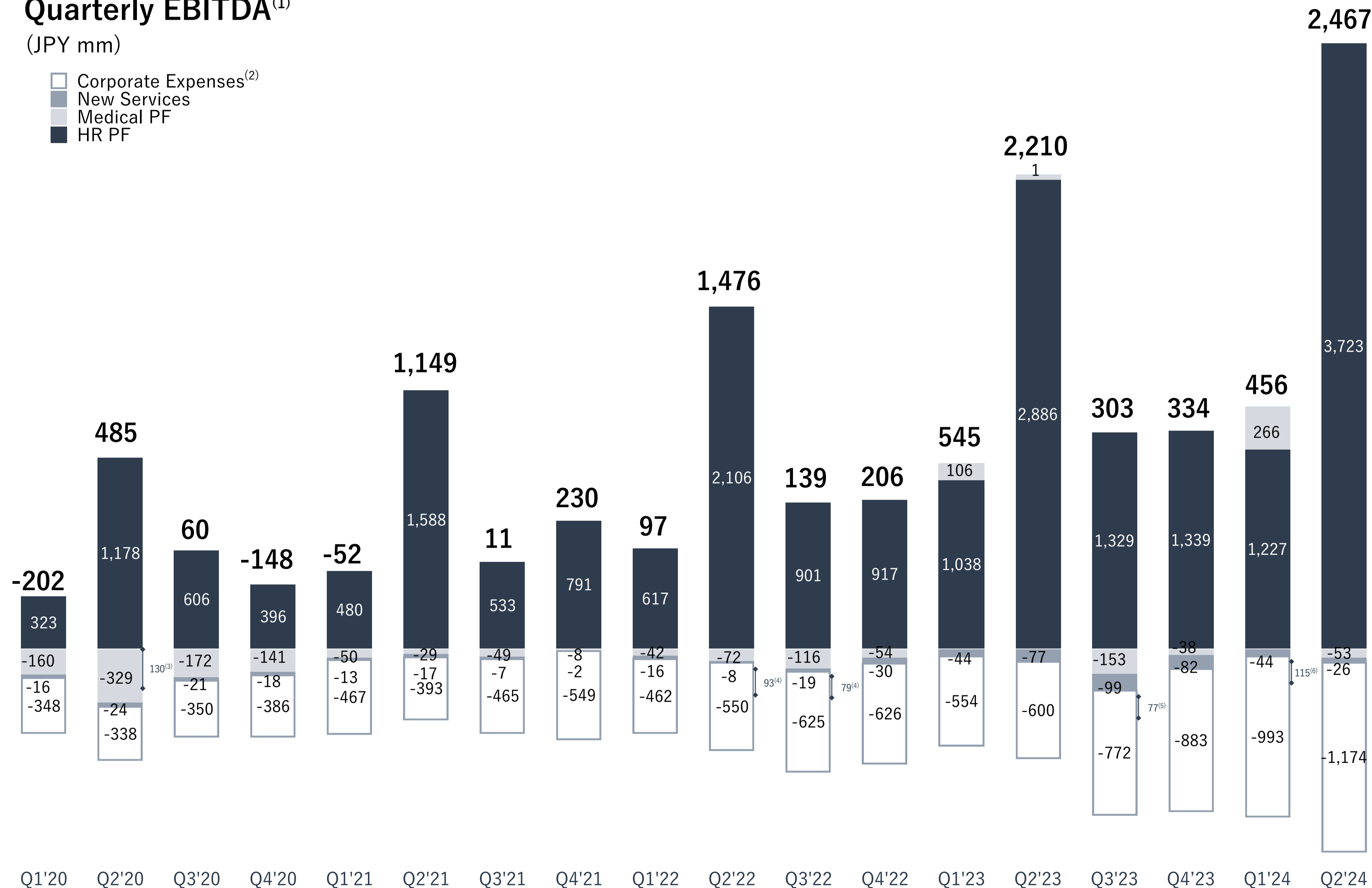
Continued Proactive Investment in Growth, etc Funded by Profitable Businesses

FY2024 Q2 EBITDA margin declined YoY on continued aggressive investment in long-term growth and costs related to business expansion. In the HR PF, advertising tests that were not conducted in the previous year were implemented, but the performance of these tests was weak.

Quarterly EBITDA⁽¹⁾

(JPY mm)

- Corporate Expenses⁽²⁾
- New Services
- Medical PF
- HR PF



EBITDA margin (YoY change)

Companywide
28% (-7%pt)

- Margin decline in HR PF Business (see below)
- Margin in H2 is expected to be at the same level as FY23

HR PF
54% (-7%pt)

- Reopening demand in FY23(-2%pt)
- Additional advertising and promotion costs for test not implemented in FY23 (-4%pt)
- Consolidation of GUPPY's Inc. (-1%pt)*
- *Same impact will be to continue in Q3 and after.

Medical PF
-3% (-3%pt)

- Sales concentrated in Q1 (sales concentrated in Q1 and Q2 in previous FY)

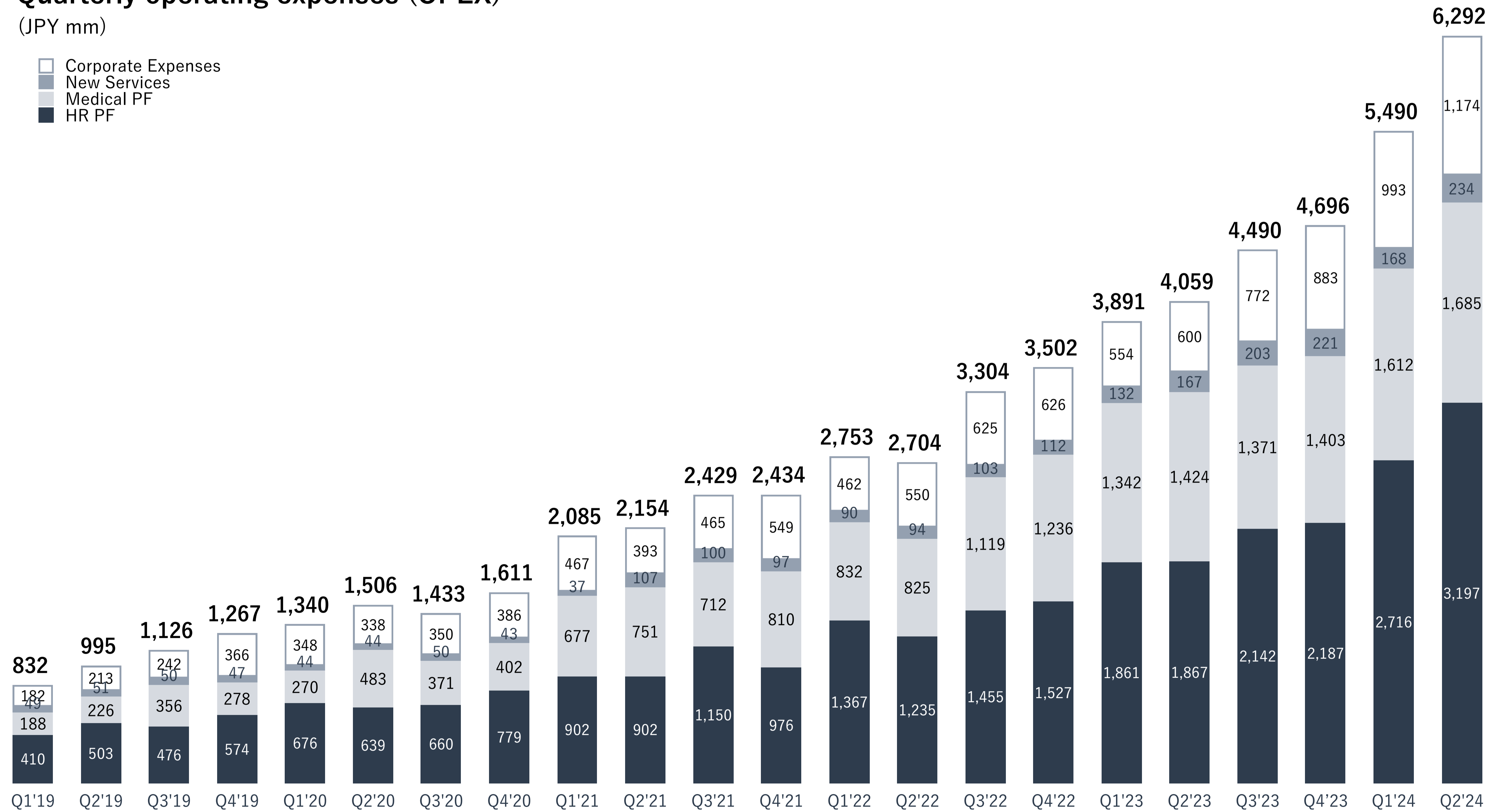
(1) Figures for FY2021 and earlier are based on the new revenue recognition standard.
 (2) Total of companywide expenses not allocated to segments and inter-segment eliminations.
 (3) One-time cost (JPY 130 million) for acquiring EMR assets from another company.
 (4) One-time office relocation costs: JPY 93 million in Q2, JPY 79 million in Q3.
 (5) One-time outsourcing costs (JPY 77 million) associated with M&A and strengthening of corporate system.
 (6) One-time acquisition cost (JPY 115 million) associated with acquisition of GUPPY's Inc.

Costs rose in FY2024 Q2 on costs related to the consolidation of GUPPY's Inc., and higher hiring and labor costs resulting from brisk progress in hiring.

Quarterly operating expenses (OPEX)⁽¹⁾

(JPY mm)

- Corporate Expenses
- New Services
- Medical PF
- HR PF



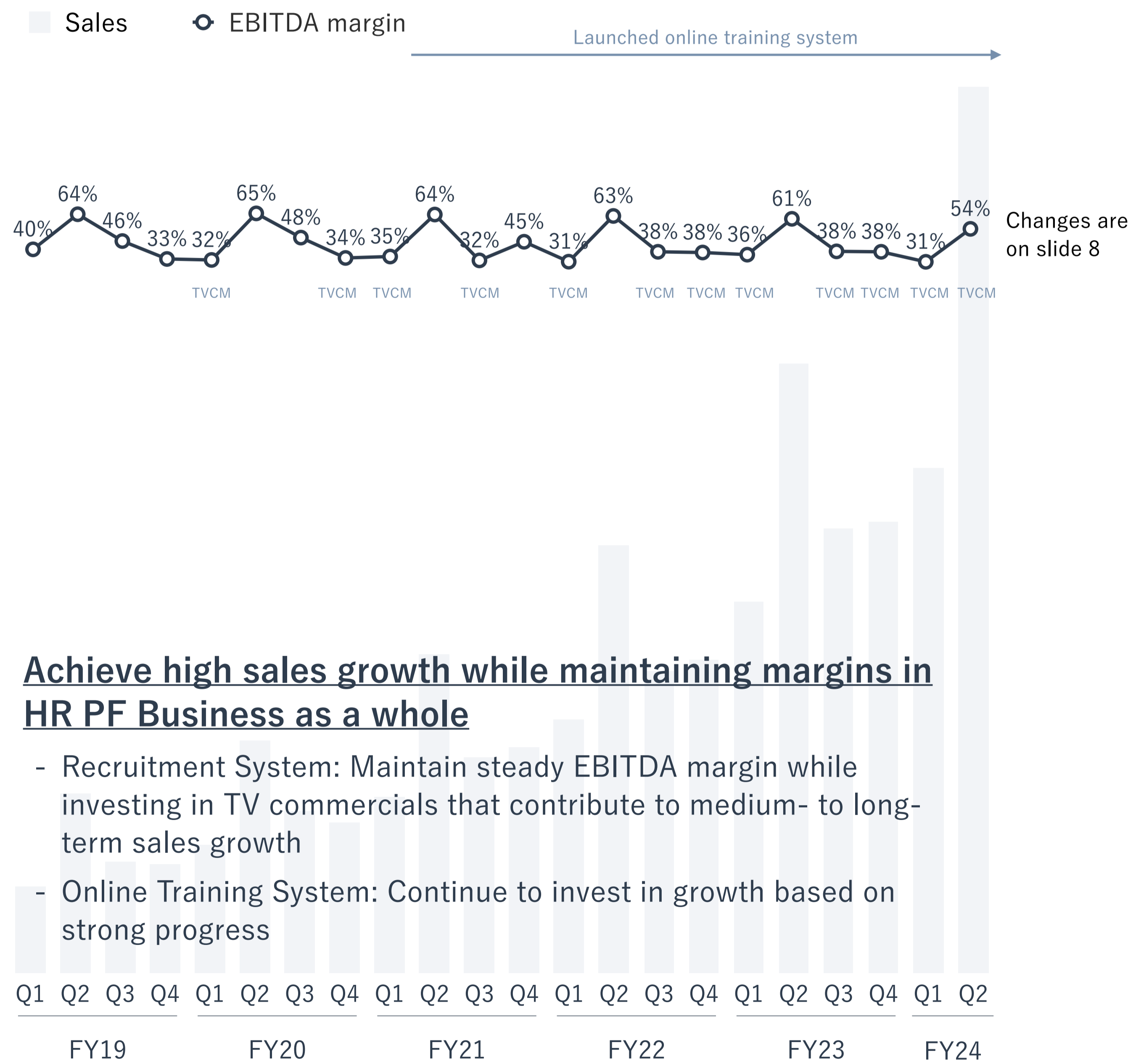
Main factors in QoQ changes

- Consolidation of GUPPY's Inc. +112
- Increase in hiring/labor costs +152
- Decline in outsourcing costs owing to M&A -115
- Consolidation of GUPPY's Inc. +59
- Increase in labor costs +54
- Consolidation of GUPPY's Inc. +381

(1) OPEX = Cost of sales + selling, general and administrative expenses - depreciation and amortization of goodwill - share-based compensation expenses.
 Figures for FY2021 and earlier are based on the new revenue recognition standard.

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 growth initiatives (as stated in our FY2023 presentation material), we plan to achieve high revenue growth while maintaining EBITDA profitability.

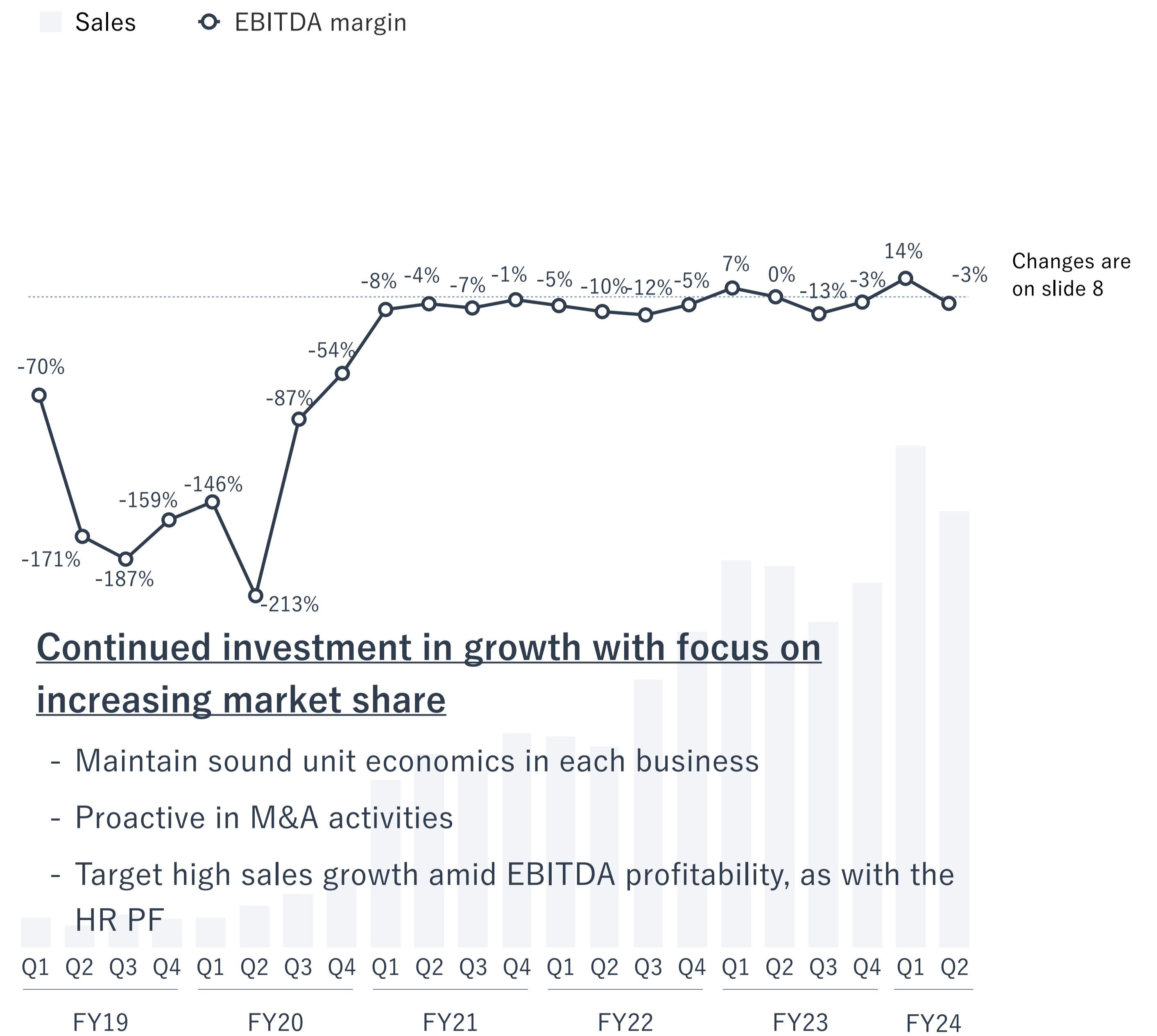
EBITDA margin policies in HR PF⁽¹⁾



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⁽¹⁾



Continued investment in growth with focus on increasing market share

- Maintain sound unit economics in each business
- Proactive in M&A activities
- Target high sales growth amid EBITDA profitability, as with the HR PF

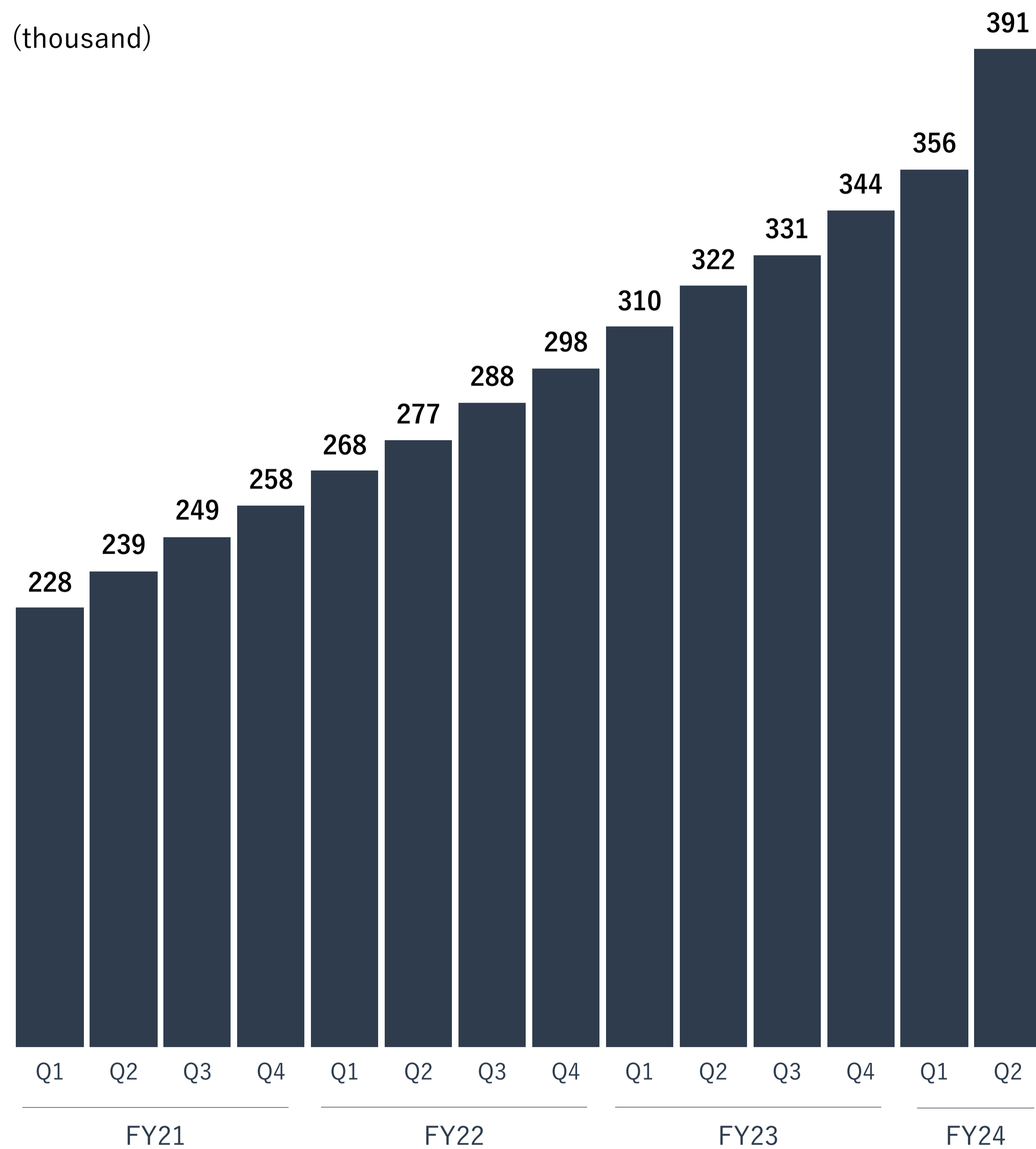
(1) Figures for FY2021 and earlier are based on the new revenue recognition standard.

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, the HR PF sales increase sharply in Q2, which also result in ARPU to increase.

Number of Customer Offices⁽¹⁾

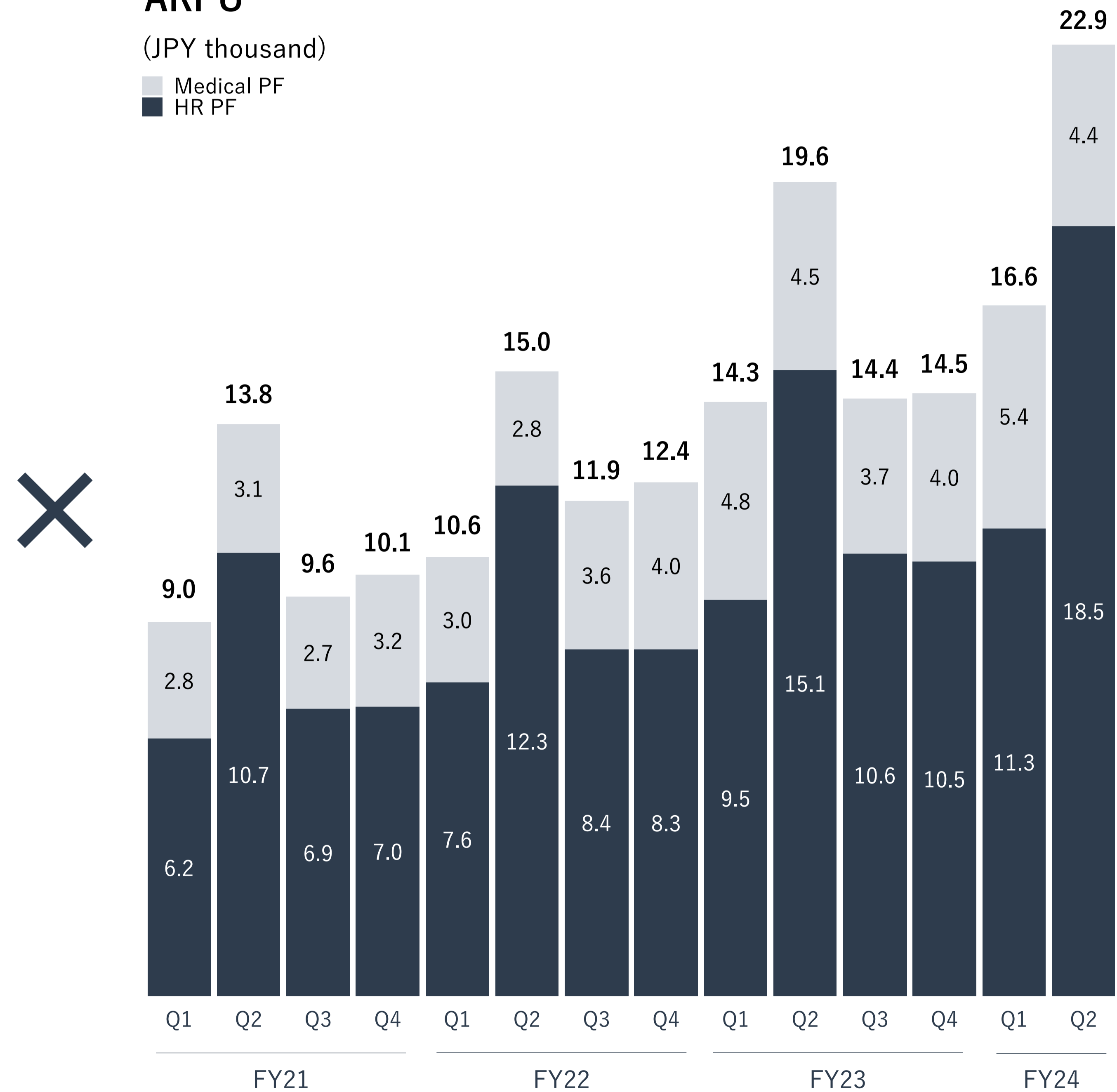
(thousand)



ARPU⁽²⁾

(JPY thousand)

Medical PF
HR PF



(1) Total number of customers in HR PF and Medical PF businesses. 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. Customer offices using both platforms have been counted as a single customer account.

Our financial base remained sound (D/E ratio of 0.66x) despite payment to minority shareholders of GUPPY's Inc. and bank borrowings in June 2024. Operating cash flow is also steady.

Quarterly B/S

(JPY mm)	FY22				FY23				FY24		QoQ
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Total assets	19,461	20,940	21,340	21,810	21,811	24,501	25,186	25,430	30,904	42,165	+11,261
Cash and deposits	13,470	14,638	14,149	14,422	13,952	16,005	15,462	15,354	16,556	20,855	+4,299
Other assets	5,990	6,302	7,190	7,388	7,858	8,495	9,723	10,076	14,348	21,310	+6,962
Total liabilities	5,692	6,153	6,548	6,640	6,242	7,270	7,669	7,792	12,740	22,631	+9,891
Debt	2,795	2,587	2,658	2,377	2,145	1,941	1,919	1,660	7,377	13,022	+5,645
Other liabilities	2,897	3,565	3,890	4,263	4,097	5,328	5,749	6,132	5,362	9,609	+4,247
Net assets	13,768	14,787	14,791	15,170	15,568	17,231	17,517	17,637	18,164	19,534	+1,370
Untapped LOC	2,000	2,000	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	+0
Capital ratio	70.3%	70.2%	68.9%	69.1%	70.9%	69.9%	69.2%	69.0%	58.4%	46.1%	-12.3%pt
D/E ratio	0.20x	0.18x	0.18x	0.16x	0.14x	0.11x	0.11x	0.09x	0.41x	0.66x	+0.25x

Quarterly C/F

Cash flow	-823	1,262	-488	383	-470	2,037	-533	-42	1,202	4,279
Operating CF	-449	1,703	11	747	-47	2,806	617	495	-818	3,328
Investing CF	-116	-249	-288	-96	-214	-591	-617	-239	-3,717	-4,438
Financing CF	-257	-191	-211	-267	-208	-177	-534	-298	5,737	5,389

HR PF

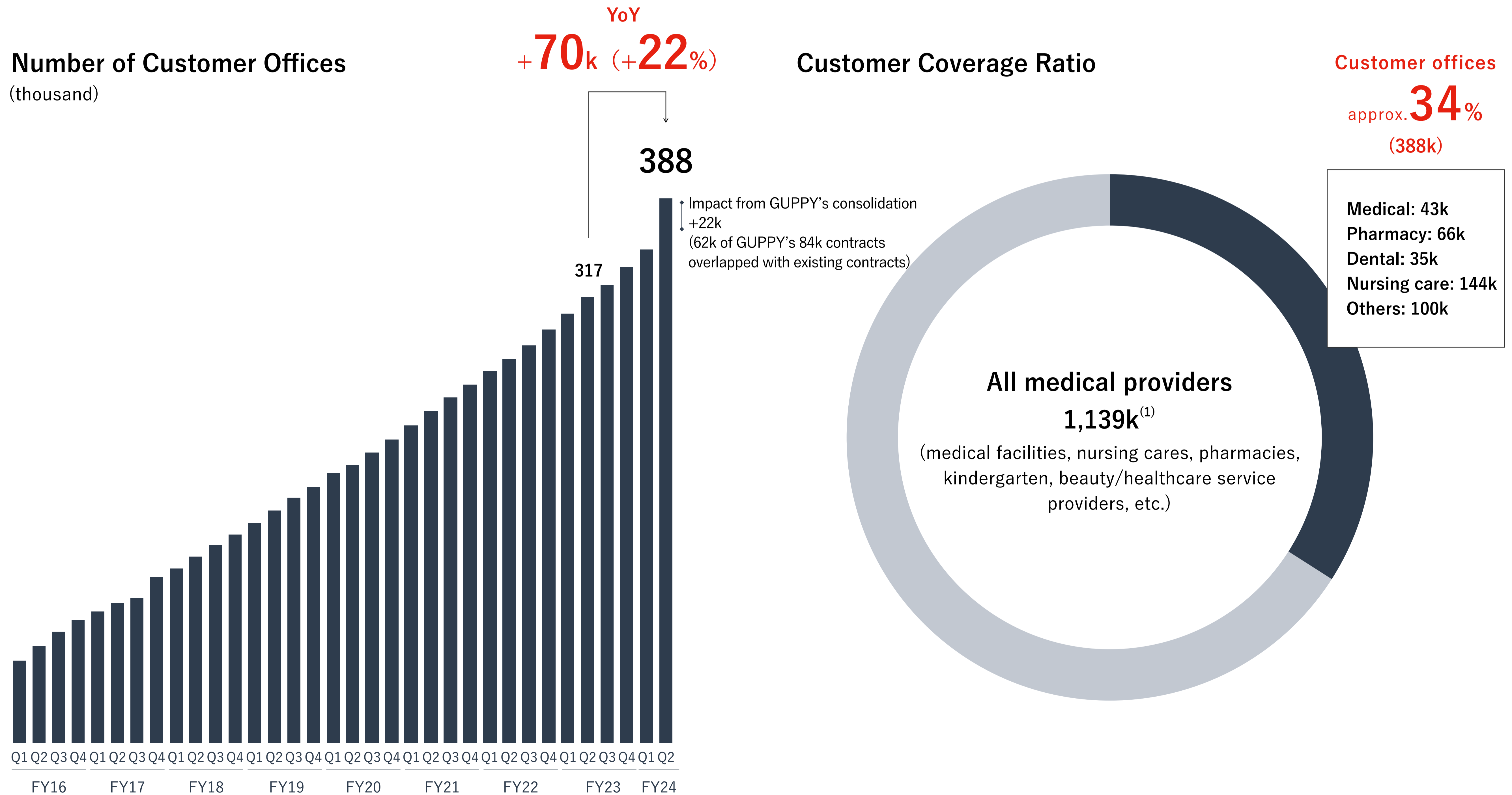
 Job Medley

 Job Medley academy

 GUPPY



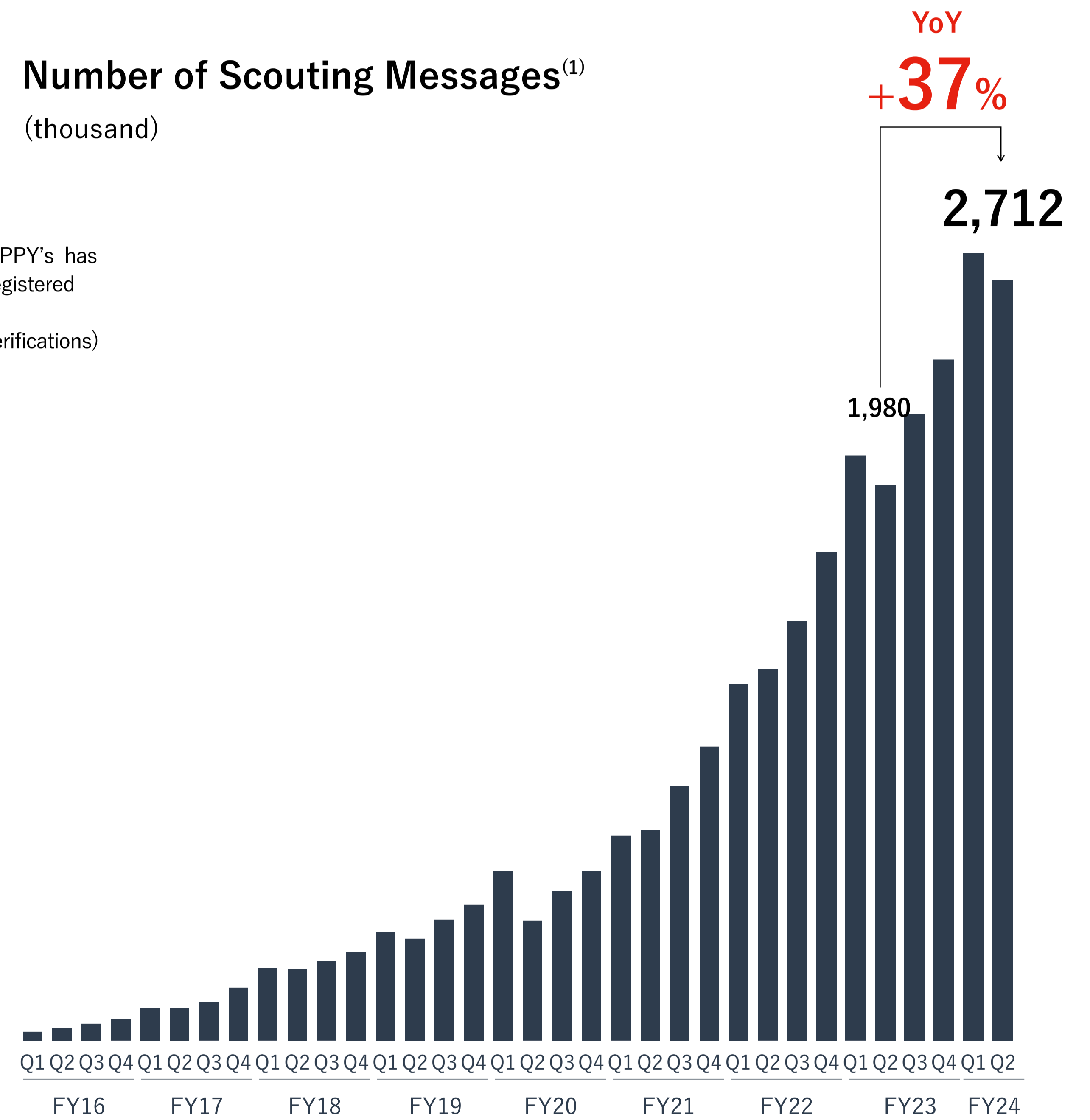
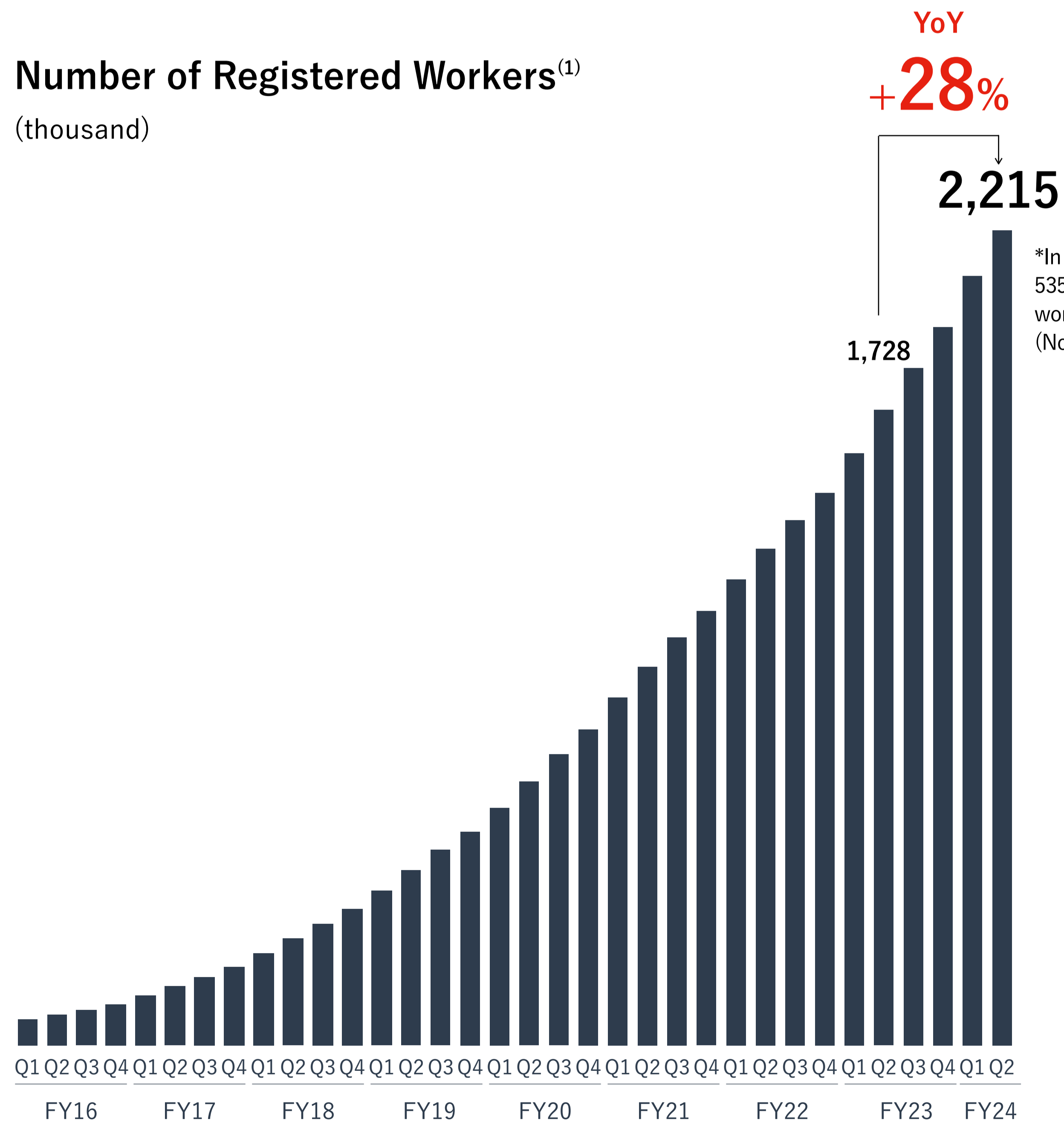
In FY2024 Q2, we continued to make steady progress in acquiring new customer offices and, as a result, reached 388 thousand contracts. Bringing GUPPY's Inc. to the group added 22 thousand contracts.



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

Recruitment System: Accelerate Direct Recruiting with Expansion of the Pool of Registered Workers

Proactive recruitment methods are effective for hiring medical and healthcare professionals. In FY2024 Q2, our customers increased usage of our scouting functions as we expanded our pool of registered workers.



(1) Number of workers registered and scouting messages in JobMedley

GUPPY's Inc. has been fully converted into a wholly owned subsidiary and has been consolidated since Q2. The post-merger integration (PMI) is progressing smoothly at both the business and corporate level and we have already started to realize sales and cost synergies.

	Business	Corporate
Achieved	<ul style="list-style-type: none"> • Brought GUPPY business marketing activities in-house <ul style="list-style-type: none"> - Increased customer/user acquisition efficiency - Reduced agency commissions • Integrated GUPPY business into PV-based billing system <ul style="list-style-type: none"> - Differentiated billing system from JobMedley • Began gradually ramping up cross selling to customers of both businesses 	<ul style="list-style-type: none"> • Made preparations for integration with corporate functions <ul style="list-style-type: none"> - Made preparations for integration of finance and accounting, HR, and internal IT functions - Implemented company-internal rules changes - Began secondment and transfer of some functions to Medley
Future goals	<ul style="list-style-type: none"> • Provide function allowing users to smoothly and simultaneously post to GUPPY when posting an urgent job opening on JobMedley • Support for users pursuing national certification and expansion of services for new graduates 	<ul style="list-style-type: none"> • Complete integration of corporate functions <ul style="list-style-type: none"> - Integration of finance and accounting, HR, and internal IT functions - Office integration (transfer to Medley's office)

Medical PF

 **CLINICS**

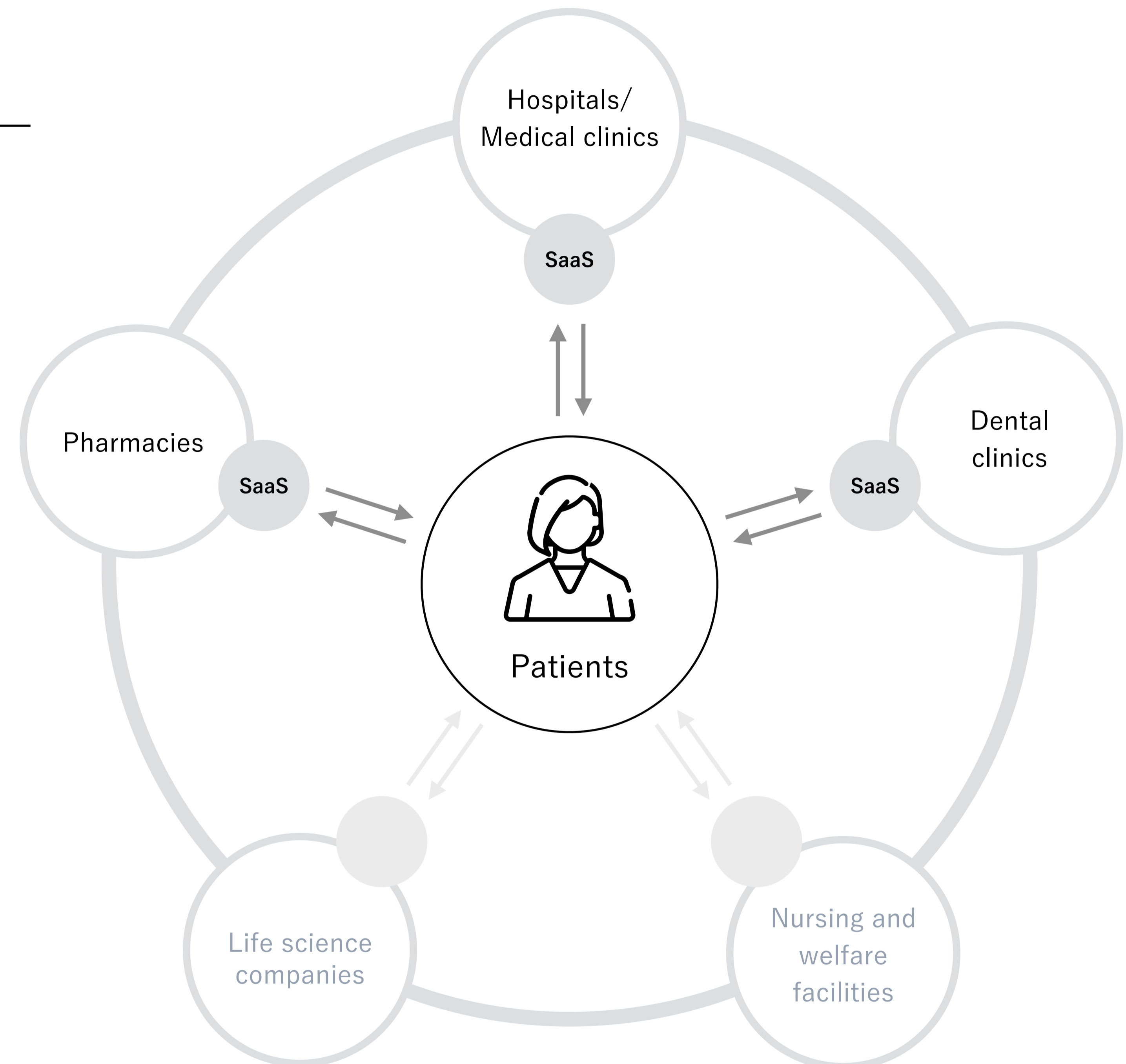
 **Pharms**

 **MALL**

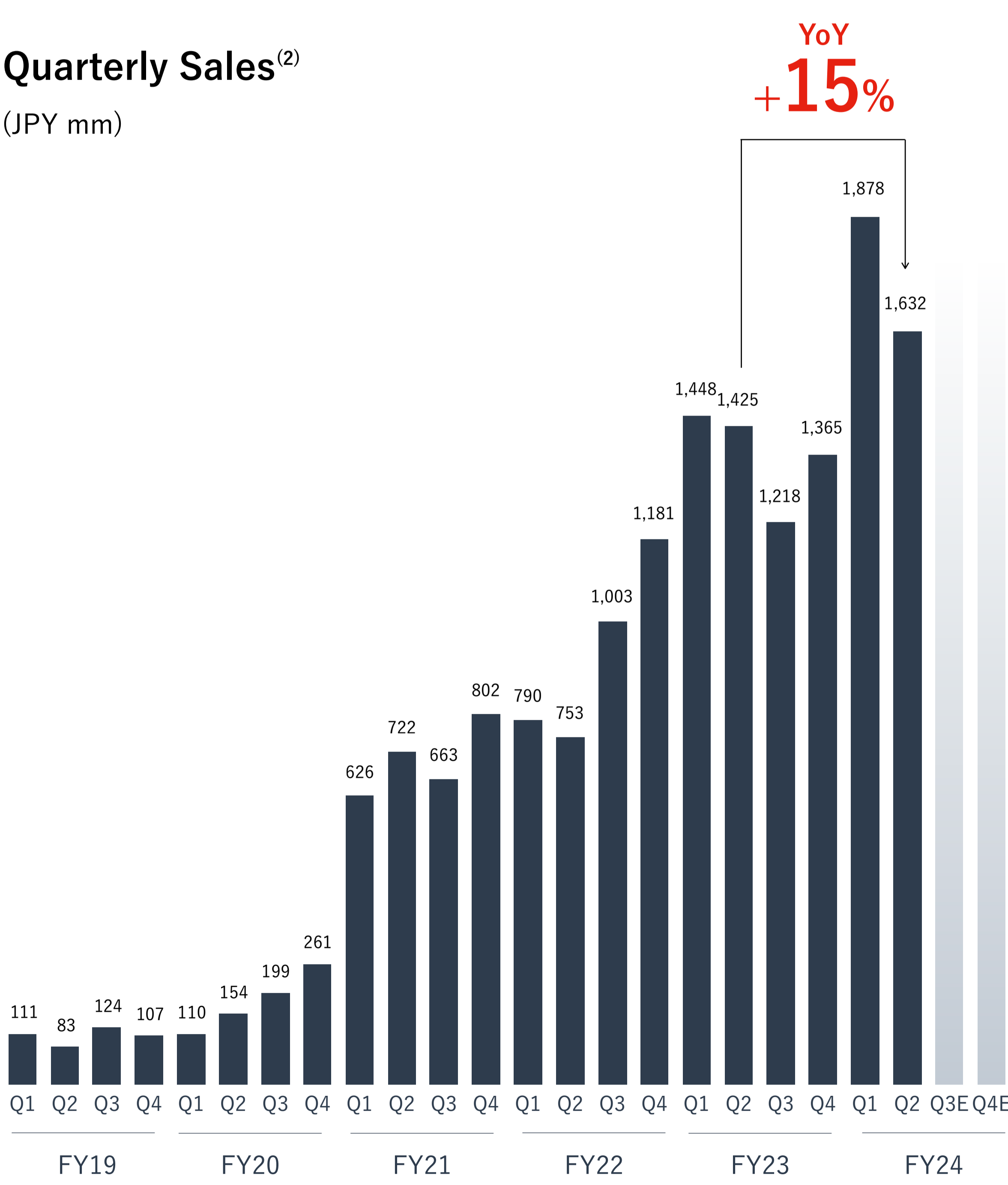
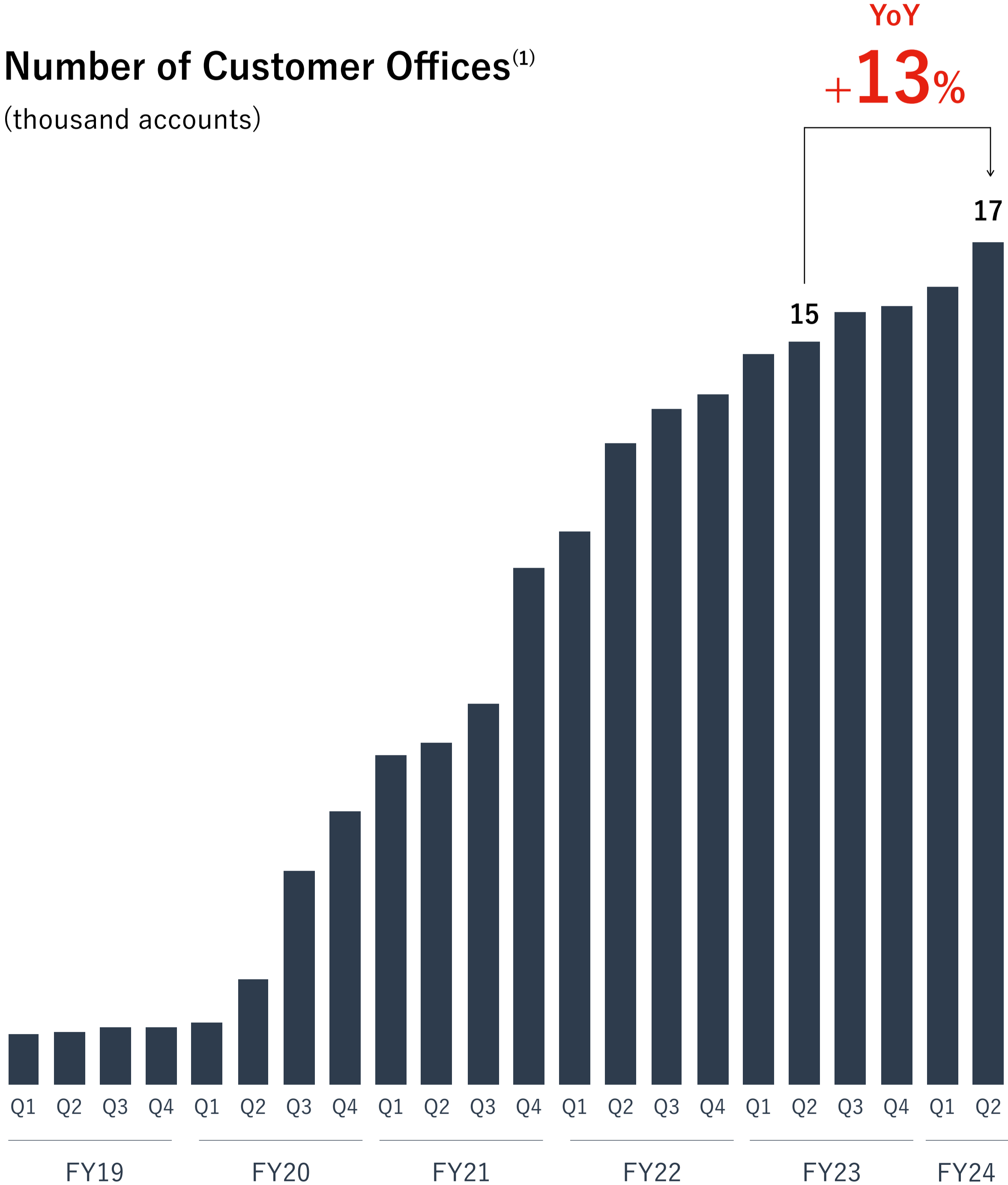
 **Dentis**

 **MINET**

 **Lalune**



Both medical institution customer numbers and sales continued to grow in FY2024 Q2. While there was an impact from sales to hospitals being concentrated in Q1, we expect sales growth of roughly 35% YoY in H2.



(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

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

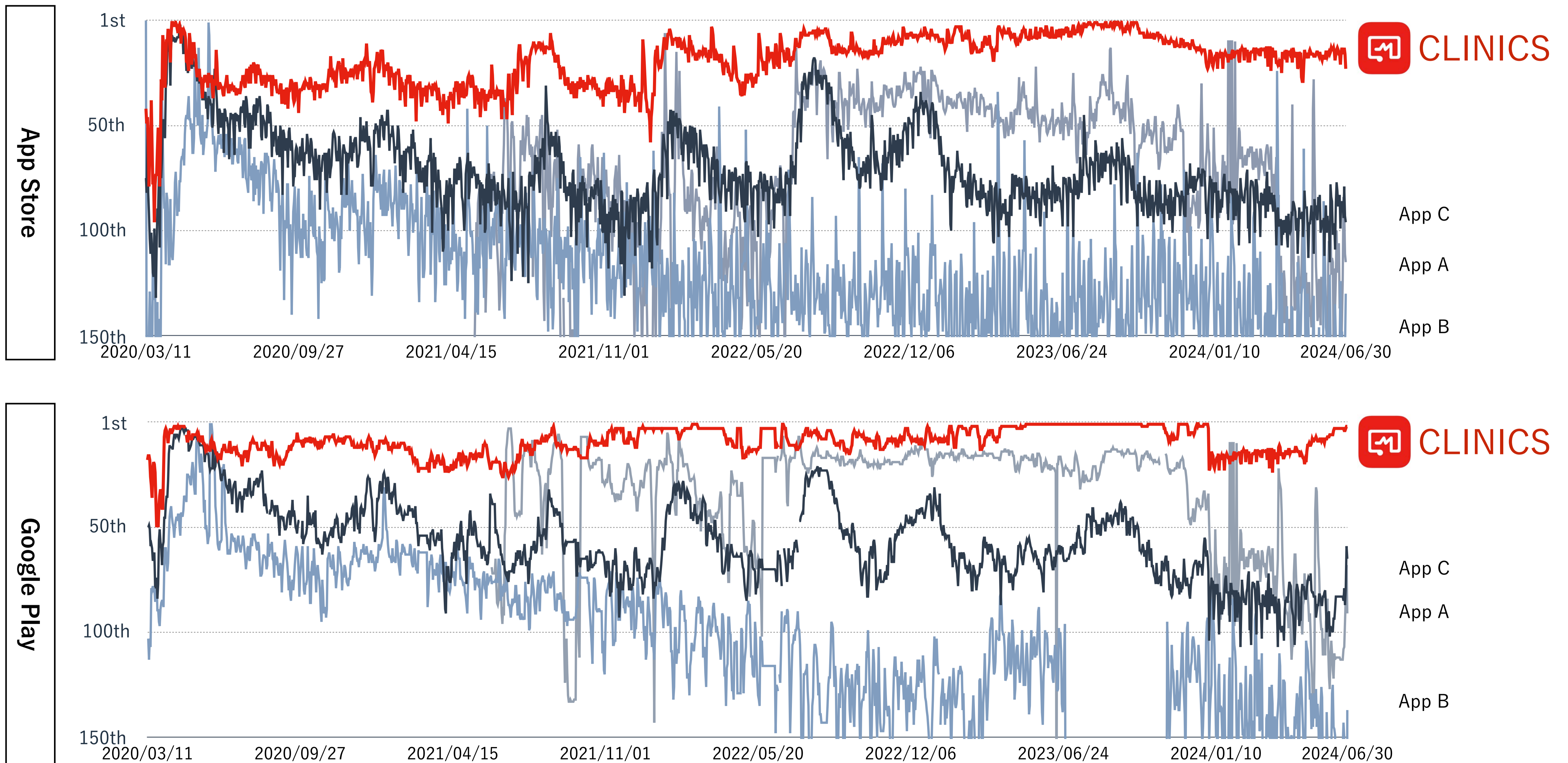
In FY2024 Q2, we implemented a number of measures to boost the medium- to long-term growth and profitability of the Medical PF Business. These included expanding our customer base, improving ARPU, and streamlining measures.

Main Measures Implemented in FY2024 Q2

	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	Improved gross margin of the EMR business		
Patient users expansion	^C Prepared for collaboration with Amazon Pharmacy	^B Collaborated with Uber Eats Japan to launch intra-day delivery service for prescription drugs	Strengthened integration with telemedicine app

Our CLINICS app is consistently at the top of the telemedicine app rankings. We plan to continue to expand our user base through initiatives such as the collaboration with Uber Eats Japan that began in April 2024 and the collaboration with Amazon that started in July 2024.

App rankings in the medical category (telemedicine apps only)⁽¹⁾

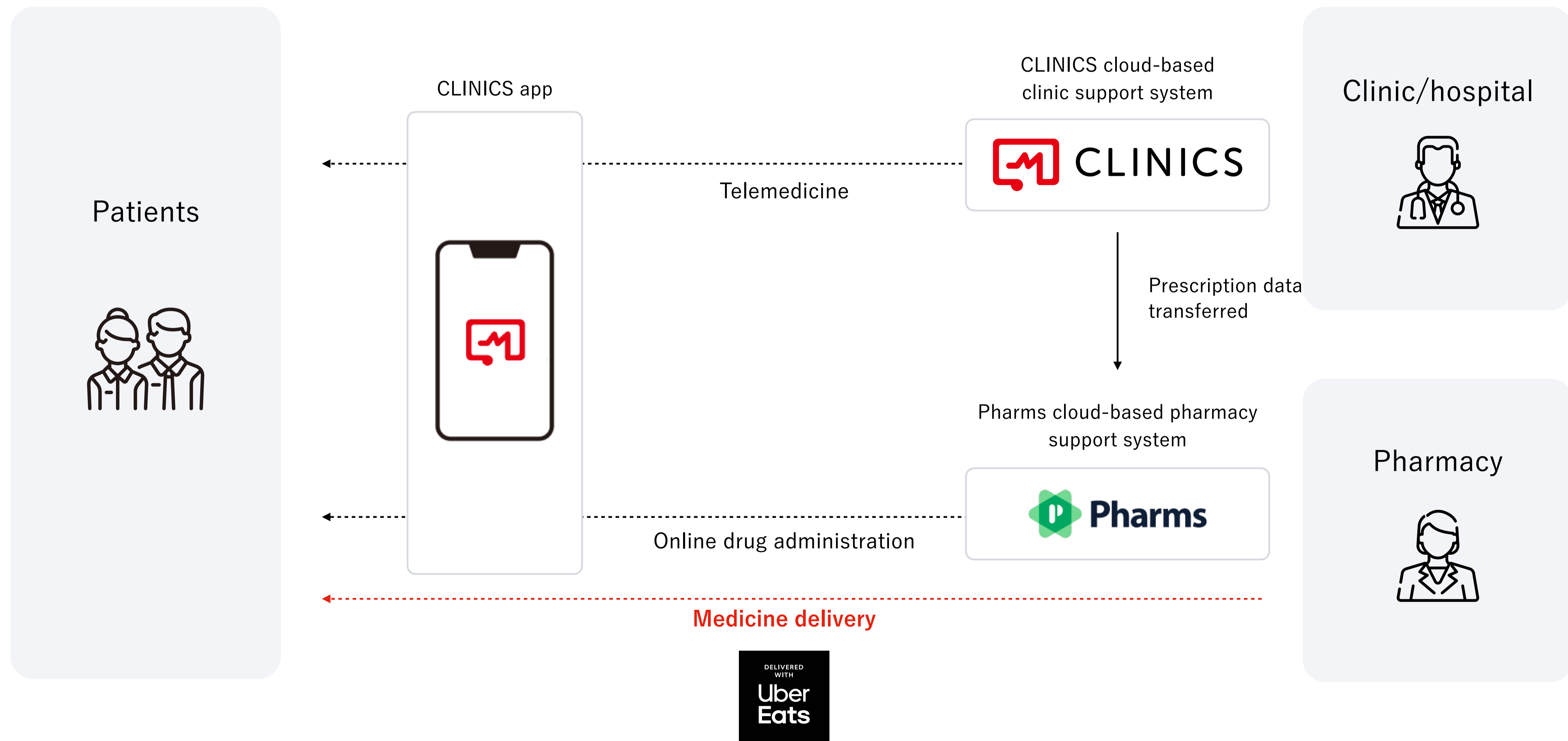


(1) Comparison among telemedicine apps which cover insured medical treatment; Source: data.ai

B: Collaboration with Uber Eats (immediate delivery service for prescription drugs)

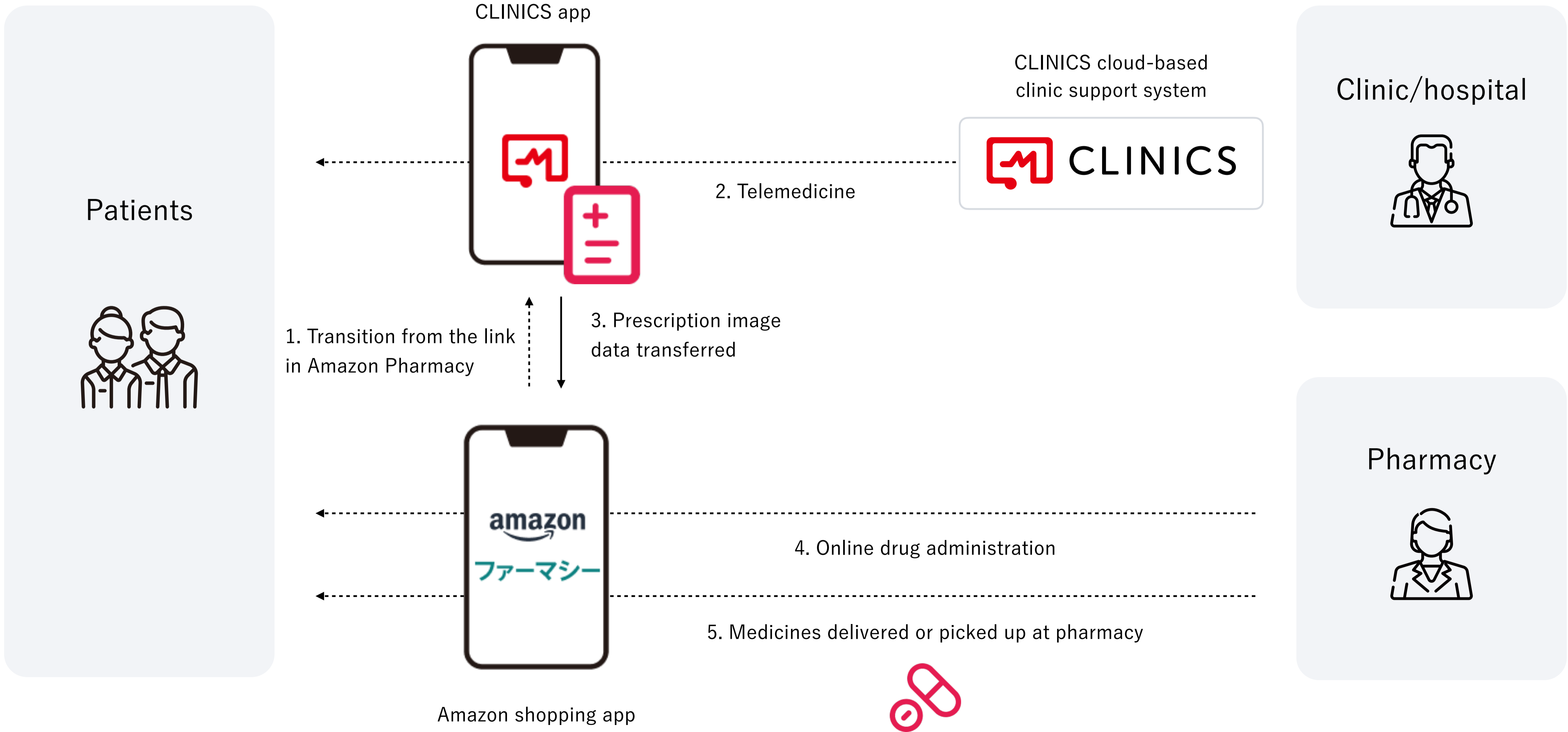
Since April 2024, we have been collaborating with Uber Eats Japan to enable pharmacies nationwide using Pharms to immediately send prescription medicines to patients after completing telemedicine and online drug administration. Patients using CLINICS app can personally receive prescribed medicines from pharmacies using Pharms via Uber Eats delivery partners.

Patients receiving medicines via Uber Eats delivery partner after completing telemedicine and online drug administration



In July 2024, we began working with Amazon Pharmacy. Operated by Amazon, Amazon Pharmacy provides a range of services from online drug administration to sale and delivery of prescription drugs. We expect this collaboration to result in an increase in the number of patients receiving telemedicine consultations via CLINICS app. We therefore see this as an opportunity for medical institutions using CLINICS cloud-based clinic support system to increase their telemedicine consultation volumes.

Patients using Amazon Pharmacy after completing telemedicine via CLINICS app



1. FY2024 Q2 Results

2. FY2024 Forecast

3. Investment Highlights

Leaving Our Full-year FY2024 Earnings Forecast Unchanged

We are making smooth progress toward our revised forecast and we leave our full-year forecast unchanged. Potential M&A deals are not included.

(JPY mm)	H1 FY2024 results	Full-year FY2024 forecast	Progress toward target	Progress toward full-year targets
Sales	14,706	29,400	50%	Expected to be In line with full-year targets.
Gross Profit	9,678	19,950	49%	
EBITDA	2,923	4,640	63%	Expected to be In line with full-year targets. (Depending on cost usage, profits may surpass full-year targets.)
Operating Profit	2,261	2,950	77%	
Ordinary Profit	3,167	4,440	71%	Likely to surpass full-year targets.
Profit Attributable to Owners of Parent	2,008	3,000	67%	

	Assumptions	Financial Indicators	Progress
HR PF	<ul style="list-style-type: none"> Number of customer offices: Maintain the same level of annual acquisitions Improvement of ARPU <ul style="list-style-type: none"> Improvement of utilization rate by gaining job seekers, improvement of functionality Contribution from online training system 	<ul style="list-style-type: none"> Sales Growth: <u>approx. +45%</u> EBITDA margin: <u>approx. 40%</u> 	<ul style="list-style-type: none"> Consolidation of the HR service business of GUPPY's Inc. (see slide 16)
Medical PF	<ul style="list-style-type: none"> Securing of customer offices, improvement of ARPU, streamlining of costs <ul style="list-style-type: none"> Strengthening of approaches to acquiring patient users Impact from deregulation is conservatively factored in Continuation of investment in development targeting medium-term growth 	<ul style="list-style-type: none"> Sales Growth: <u>approx. +30%</u> EBITDA margin: <u>approx. 5%</u> Minor impact on P/L from revision of alliance with NTT DOCOMO 	
New Services	<ul style="list-style-type: none"> Expansion of US businesses Commencement of development of EMR for acute care hospitals Commencement of development of new businesses in the HR PF Business 	<ul style="list-style-type: none"> Costs related to US businesses: <u>approx. JPY 500 mm</u> Development costs for EMR for acute care hospitals: <u>approx. JPY 200 mm</u> New business development costs in HR PF: <u>approx. JPY 200 mm</u> 	<ul style="list-style-type: none"> Consolidation of the healthcare business of GUPPY's Inc., currently reformulating plan Total costs expected to be below initial expectations
Corporate Expenses	<ul style="list-style-type: none"> Continuation of proactive hiring to achieve medium-term growth <ul style="list-style-type: none"> HR PF : approx. 160 new hires Medical PF : approx. 130 new hires Corporate : approx. 60 new hires 	<ul style="list-style-type: none"> Continued downtrend in ratio of companywide expenses-to-sales <ul style="list-style-type: none"> <u>Increased investments in human capital related areas, including hiring</u> 	<ul style="list-style-type: none"> Hiring progressing smoothly
Others	<ul style="list-style-type: none"> Sales from to-be-determined new businesses, as well as potential impact of M&A deals with low probability are not factored into forecasts (will be reflected when concluded) 		<ul style="list-style-type: none"> Reflected GUPPY's Inc. in forecast Minority investments in Q2, but no impact for FY2024

We are making progress in creating a cost structure in our US Jobley business that will allow us to provide performance-based recruitment services at a low cost. Jobley currently targets dental professionals only. We will continue with our policy of capping annual and medium-term investments and then leveraging these investments to deliver long-term value growth.

Preparation
/surveys
(FY23)

Conducted test marketing

* Spent approx. JPY 300 mm (mainly for personnel and marketing costs)

Preparation
for
operations
(FY24)

Securing of customer offices and medical professional members

- Marketing
- Expansion of service coverage area (starting in August 2024)

Preparation for operations

- Enhancement of organizational standards
 - Start of operation in the Philippines (started in April 2024)
- * Spent approx. JPY 100 mm in H1

Continuous
investment
(starting
from FY25)

Maintain investment discipline and continue to expand business

* Losses not expected to increase significantly

Expansion of service coverage area

- Conducted test marketing in three states; Washington, Oregon, California from FY23
- Based on operational streamlining, Jobley's service area will be expanded nationwide in phases starting in August 2024 (approvals will be required in some states).

Launched Jobley Nonprofit Support Program 2024

- Launched pro bono service to nonprofit dental clinics, which provide free, quality dental care to people who are unable to undergo satisfied dental care.
- Eligible clinics are able to use "Jobley" standard services free of charge, supporting the recruitment process and reducing recruitment costs.

(Ref.) Possible tightening of regulations regarding “continuous service allowance” of JobMedley (1/2)

At present, the government and other agencies are discussing whether to prohibit "small continuous service allowance" to be paid to job seekers who have been hired through employment websites. Although the decision has not yet been made, we will provide an update in anticipation of inquiries from shareholders.

Background of the Regulatory Tightening Discussion

- In April 2021, the "employment bonuses" were banned in the "fee-charging employment placement" (=recruitment agency) industry as some providers offered large bonuses (several hundred thousand yen) to job seekers and facilitated multiple job changes in short period of time. Employment websites were exempted from the regulation as they are not involved in recruitment agency activities.
- At a meeting of the Employment Security Sectional Committee of the Labor Policy Council held on July 24, 2024, the Ministry of Health, Labor and Welfare drafted a response that, in principle, prohibits the provision of money, etc. in the “business of providing recruitment information” (=employment website).
- It has not yet been decided whether such a regulation will be implemented or not and the timing is also undetermined.

Overview of JobMedley and “continuous service allowance”

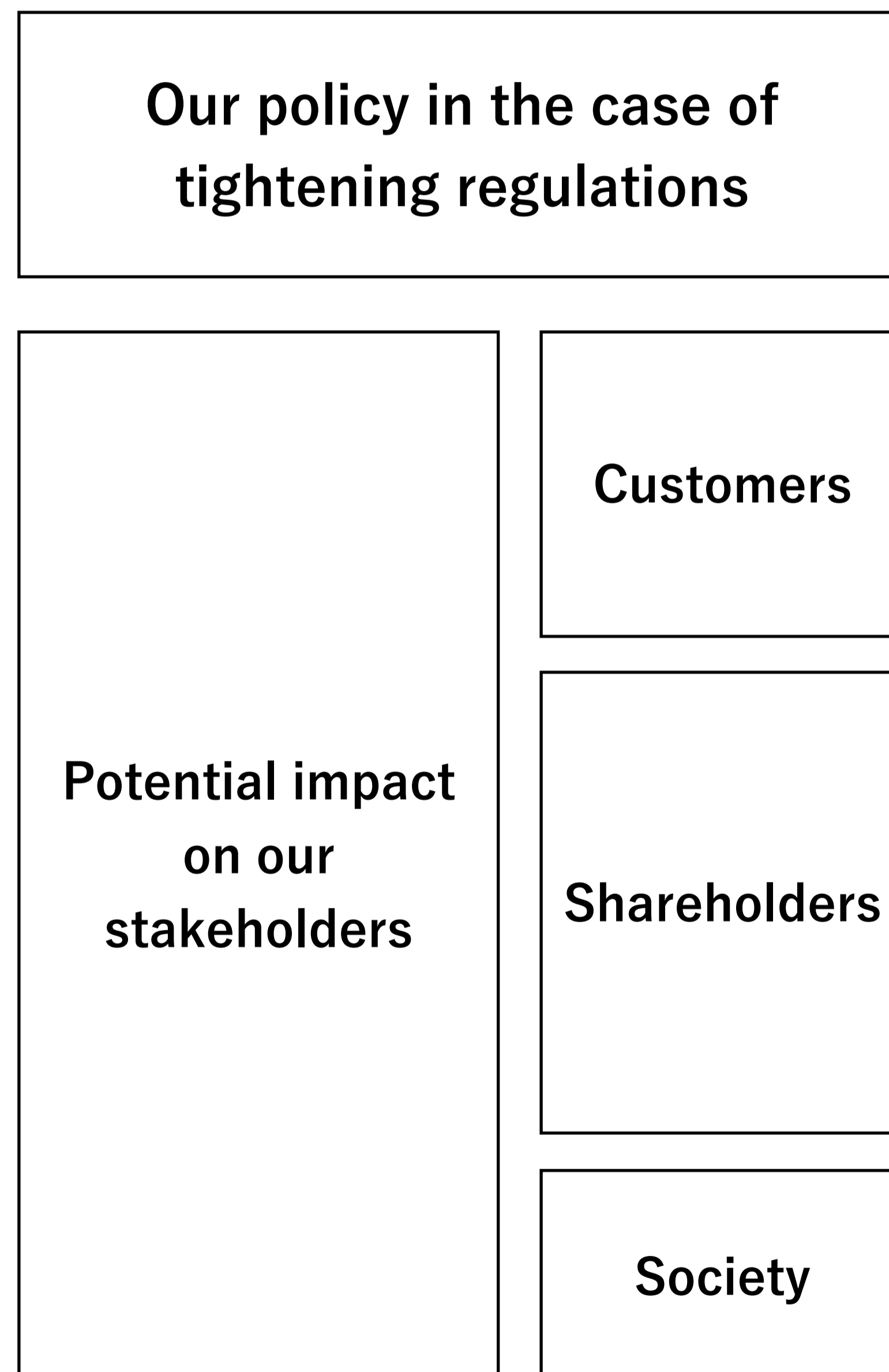
- 15 years of business efforts have made JobMedley’s success fees significantly lower than those of our competitors.
 - Services to implement the digital transformation (DX) of medical and healthcare staffing
 - Success fees levels range from 2-13% of annual income (Competitive recruitment agencies: 20-35%.)
 - In order to charge a success fee to medical providers, verification of hiring is required
- “Continuous service allowance” play an important role in providing inexpensive service.
 - Efficient double-checking of hiring confirmations by providing “continuous service allowance” to job seekers who have worked for 60 days or more
 - The amount paid is on average less than JPY 10,000 per case (set at an amount less than the cost of job search for each job category)
 - 574 reports per year in 2023 from job seekers regarding suspected concealment of hiring by medical providers

Requests submitted by Medley

- Establish appropriate guidelines or limits for “continuous service allowance” etc., common to recruitment agencies and employment websites, etc., within the scope of achieving the original goal of preventing job changes for the purpose of celebratory payments.
- This will allow us to continue our system of "continuous service allowance" and continue to provide the industry with a low-cost recruitment system.

(Ref.) Possible tightening of regulations regarding “continuous service allowance” of JobMedley (2/2)

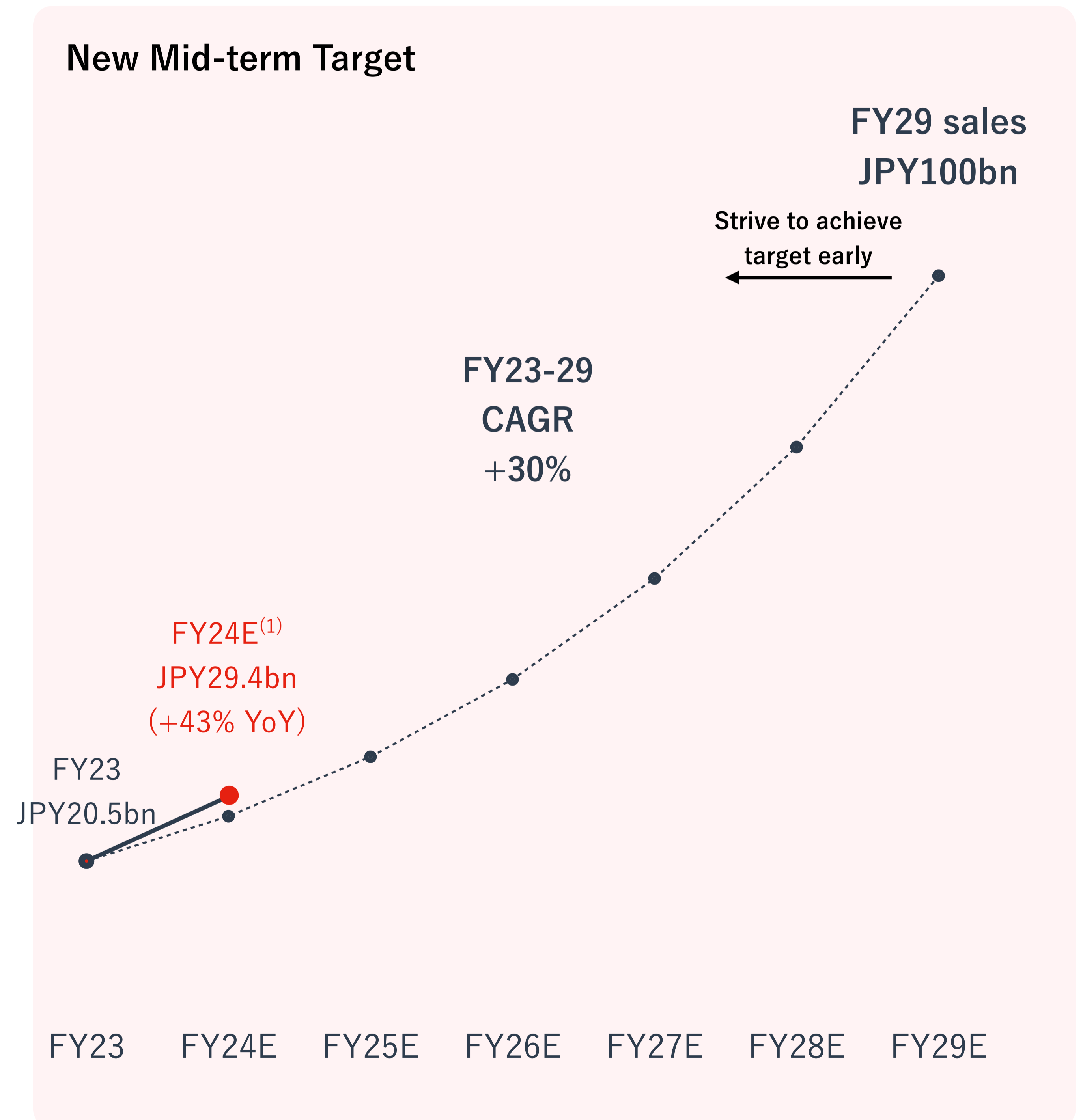
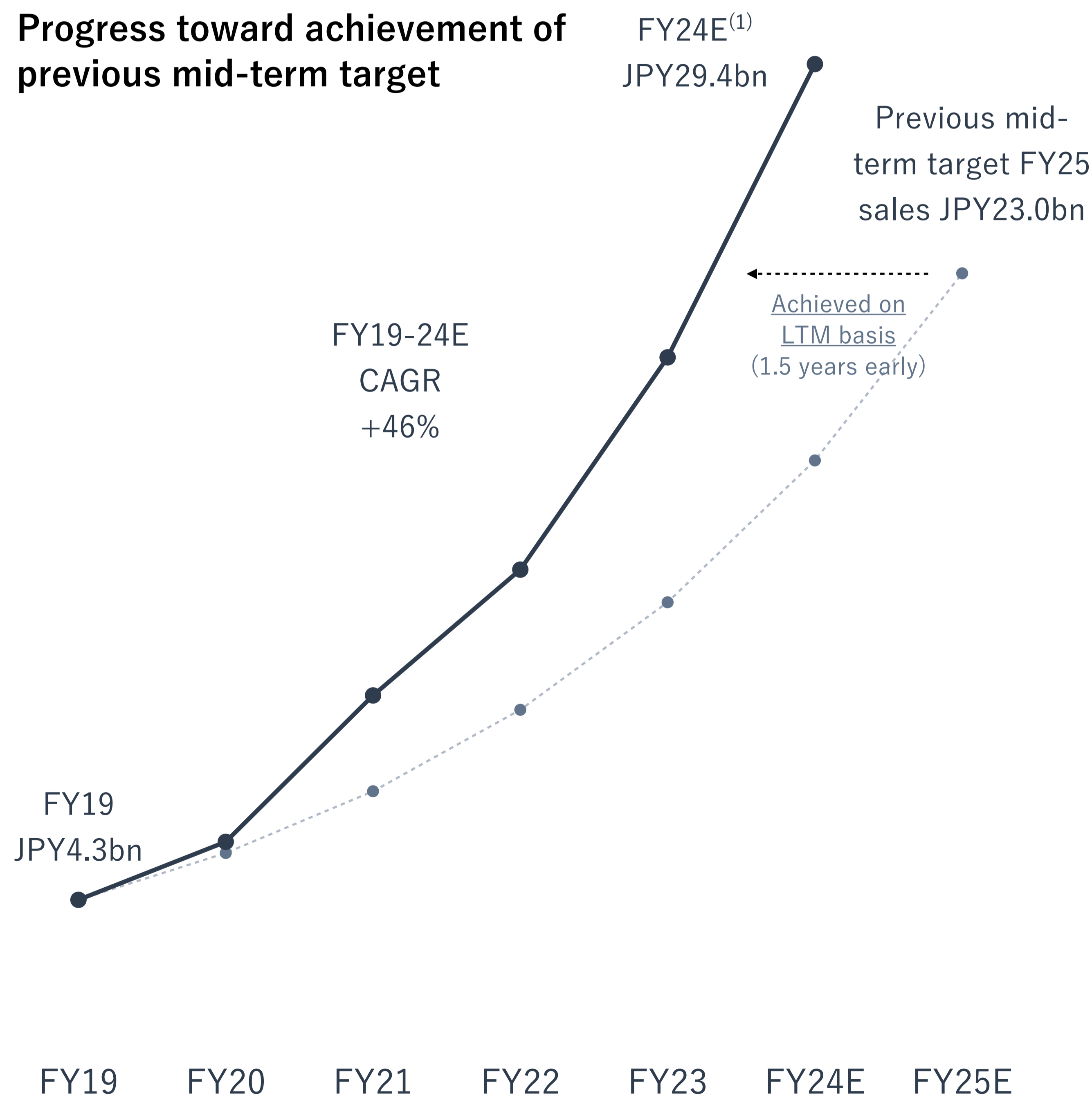
If the requests of the employment website providers, including ourselves, and our customers are not accepted and we are prohibited from offering any “continuous service allowance” in the future, we may increase our prices to match those of other recruitment agencies. However, we will make every effort to offer our services at a lower price than theirs. We will continue to provide the government with information to help them make rational decisions, and we will promptly disclose any significant progress regarding the regulations and our actions to address them as soon as it becomes available.



- If regulations are tightened, we will raise prices (aiming to set prices lower than those of other companies), taking into account the additional personnel required to assess the actual hiring situation and the associated employment investment risk.
- Increase in hiring costs for our customers
- Through our business efforts (including efficient operations, etc.), we aim to offer relatively low pricing compared to other success fee-based services (e.g., recruitment agencies, etc.).
- JobMedley will become one of the largest services in the industry in the short term, with an increase in sales/profits. On the other hand, sales growth thereafter may be lower than the current level, and we may revise our business portfolio to some extent.
- The impact of this issue is that if the actual number of hires on our service in 2023 is recalculated on a recruitment agency’s fee level, sales will improve by more than JPY 25 billion, so there is sufficient room for adjustment to protect the interests of shareholders.
- Increase in social welfare spending over the medium to long term
- Delayed digital transformation (DX) in the area of medical/healthcare

(Ref.) Progress Toward New Mid-term Target

In FY2024 Q2, we made steady progress toward the new medium-term targets established in February 2024 (FY2029 sales: JPY 100 billion, EBITDA: 20 billion). While in principle, we target growth in sales and profit during the period covered by the medium-term business plan, we will prioritize adapting to changes in the business environment and taking advantage of investment opportunities and, as with our previous medium-term targets, aim to achieve them ahead of schedule.



(1) Revised forecast

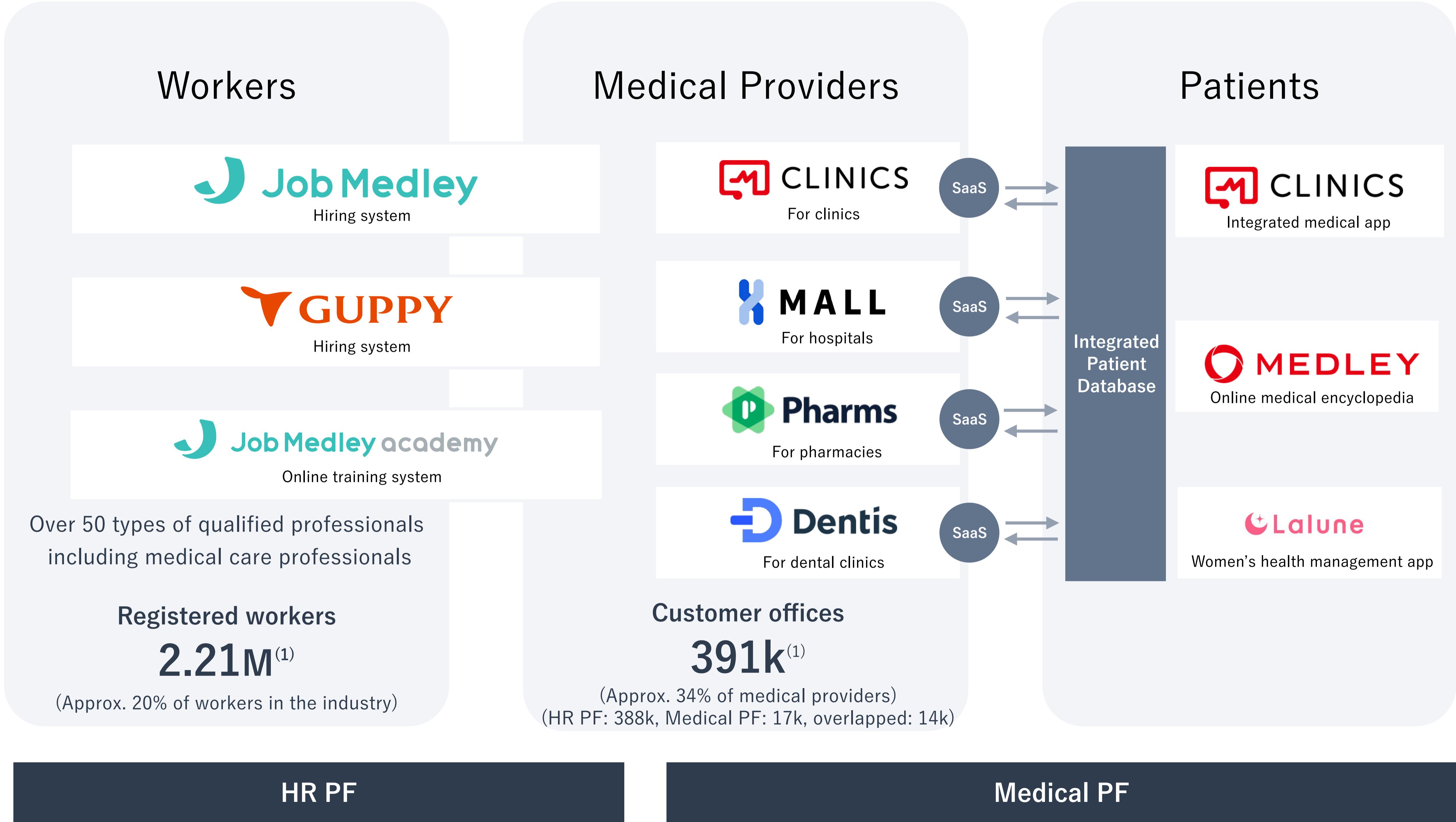
1. FY2024 Q2 Results

2. FY2024 Forecast

3. Investment Highlights

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

Our HR PF business connects medical healthcare professionals and businesses and our Medical PF business provides SaaS products and customer touch points to businesses. Currently, we mainly pursue a business model wherein we receive fees from businesses. We will leverage our strength, which is our connections with businesses, to increase ARPU by increasing profit margins and expanding our product offerings.



(1) As of end of June 2024

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.

Key Challenges Surrounding in Medical and Healthcare Industry

Medical Providers

Heavy burden on-site

- Labor shortage and declining profitability
- Complex medical technologies

Patients

Increasingly complex medical care

- Difficulty of appropriate medical use
- Long waiting/traveling time

Government

Financial stringency

- Shrinking workforce
- Massive social welfare spending

Technological Progress



Highly functional mobile device



Sensing technology

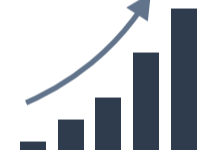


Security

Changes in Industry Environment



Declining birthrate and aging population



Rising medical cost



Deregulation

Promote Digitalization

Medley's Vision for Future



Efficient Operation by Medical Providers



Full Utilization of Medical Services by Patients



Optimal Allocation of Resources by Government

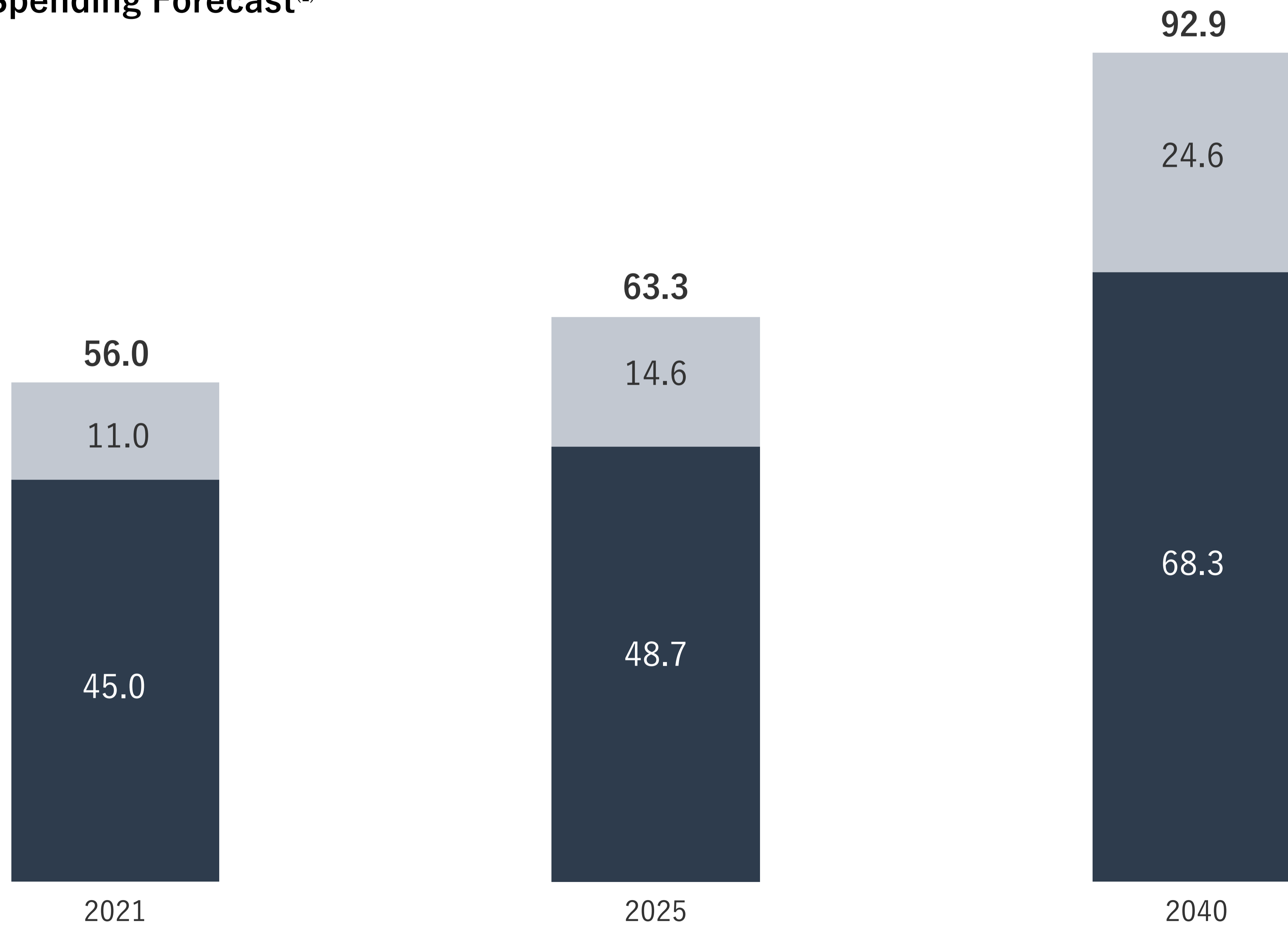
Defensive Growth Industry: Social Welfare Spending and Number of Employees Not Impacted by Economic Trends

Spending on social welfare is expected to rise continuously in Japan owing to the aging of the population. This and the declining workforce population are important and well recognized issues in Japan.

Social Welfare Spending Forecast⁽¹⁾

(JPY Trillion)

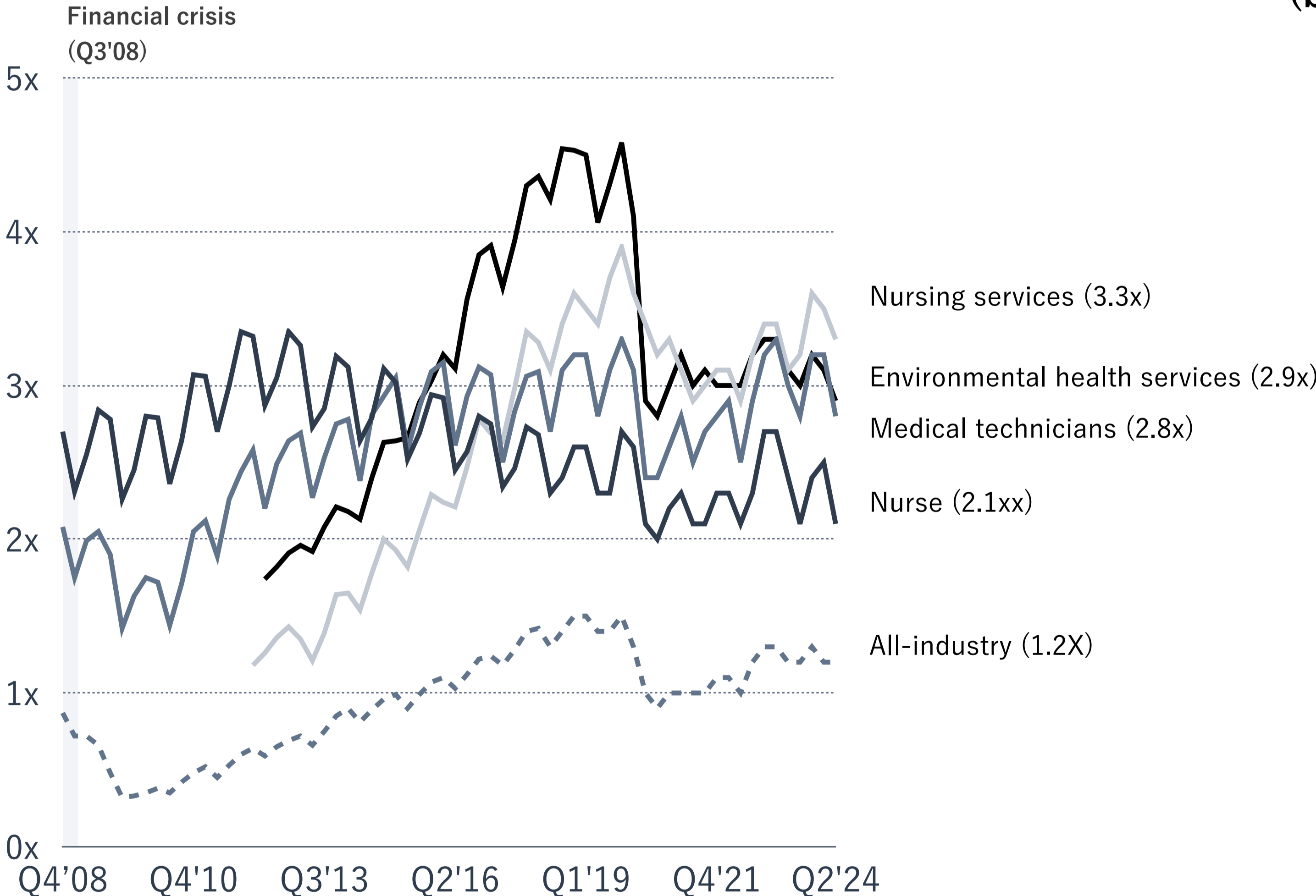
- Nursing care cost
- Medical cost



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

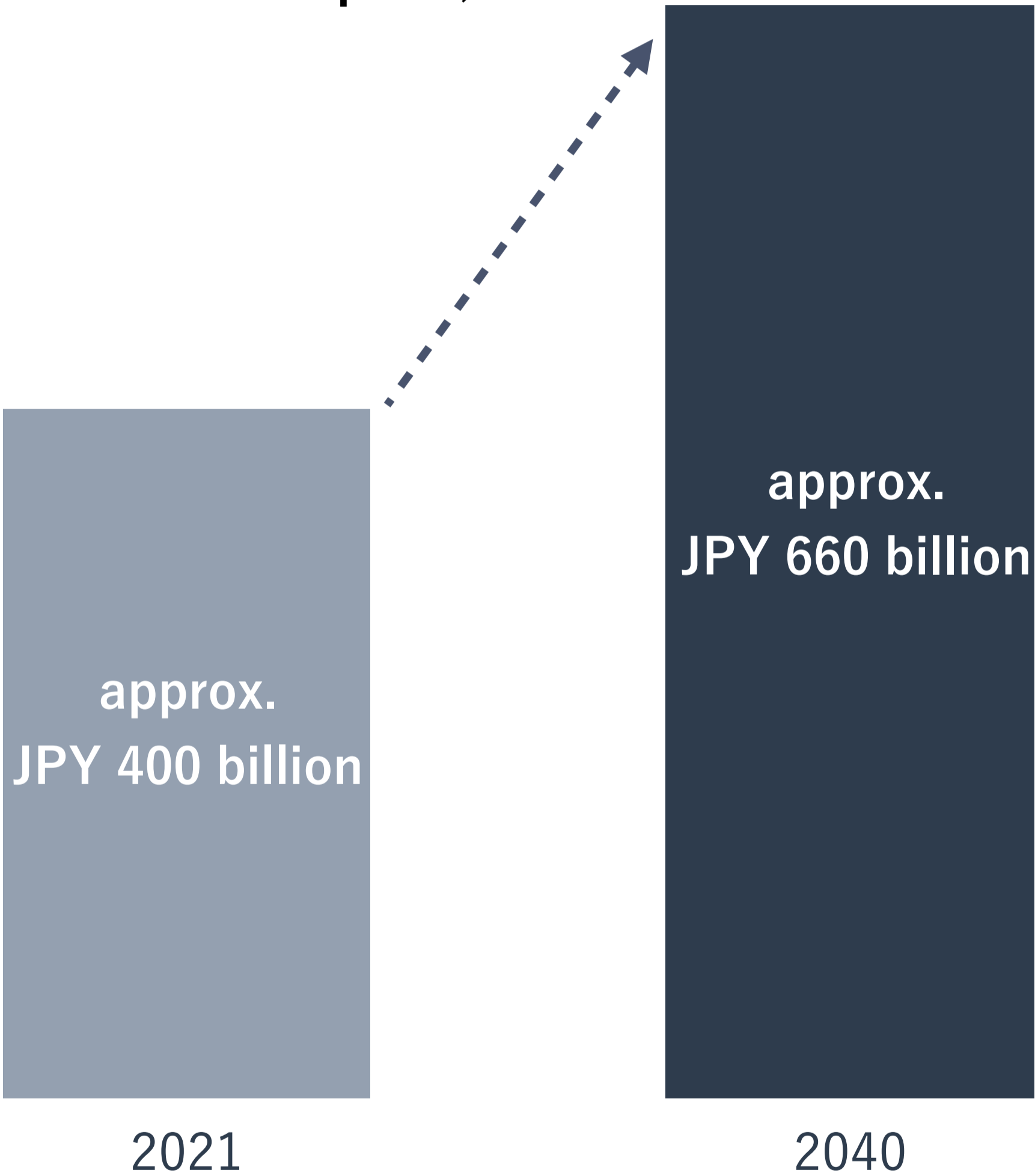
The Japanese medical industry suffers from a chronic shortage of workers, with a jobs-to-applicant ratio that remains much higher than the average for all industries regardless of economic conditions. We estimate the current market size to be approximately JPY 400 billion, and expect expansion to up to JPY 660 billion in 2040 driven by increasing demand.

Ratios of Job Openings to Job Applicants⁽¹⁾



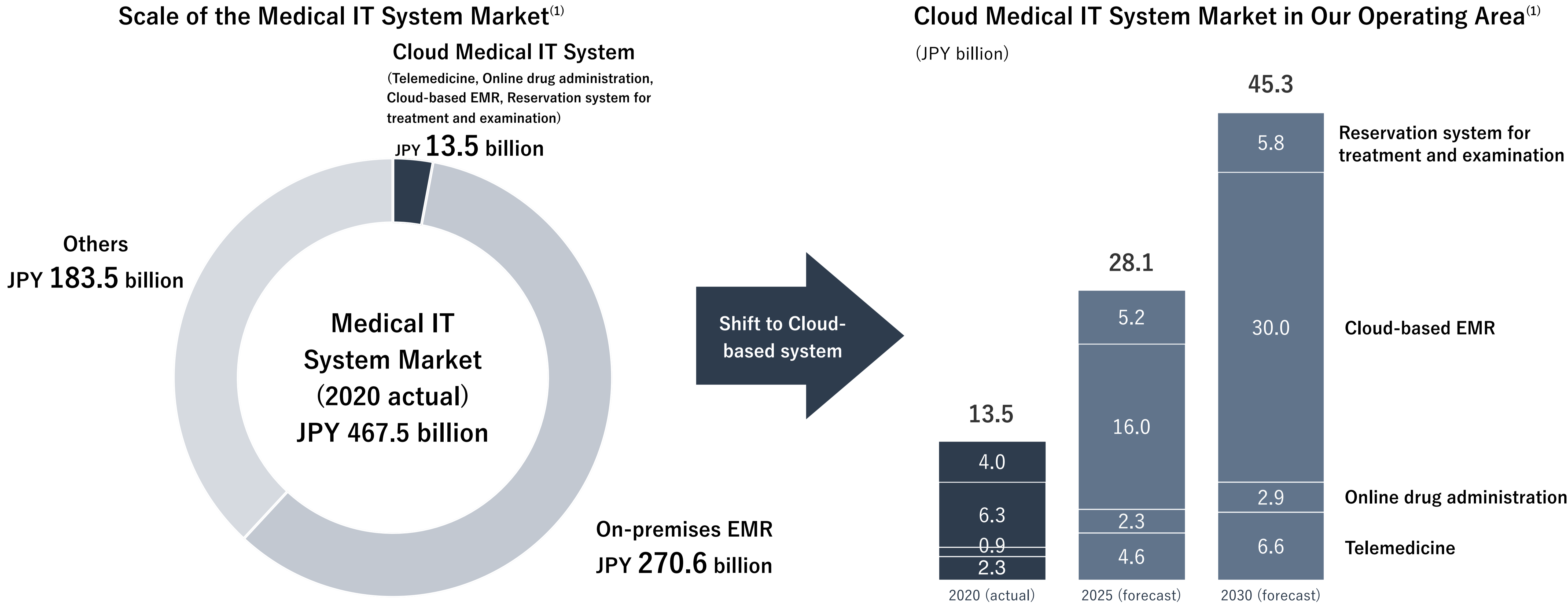
(1) Ministry of Health, Labour and Welfare statistics, 3-months average

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



(2) Estimates by Medley, Inc.

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.

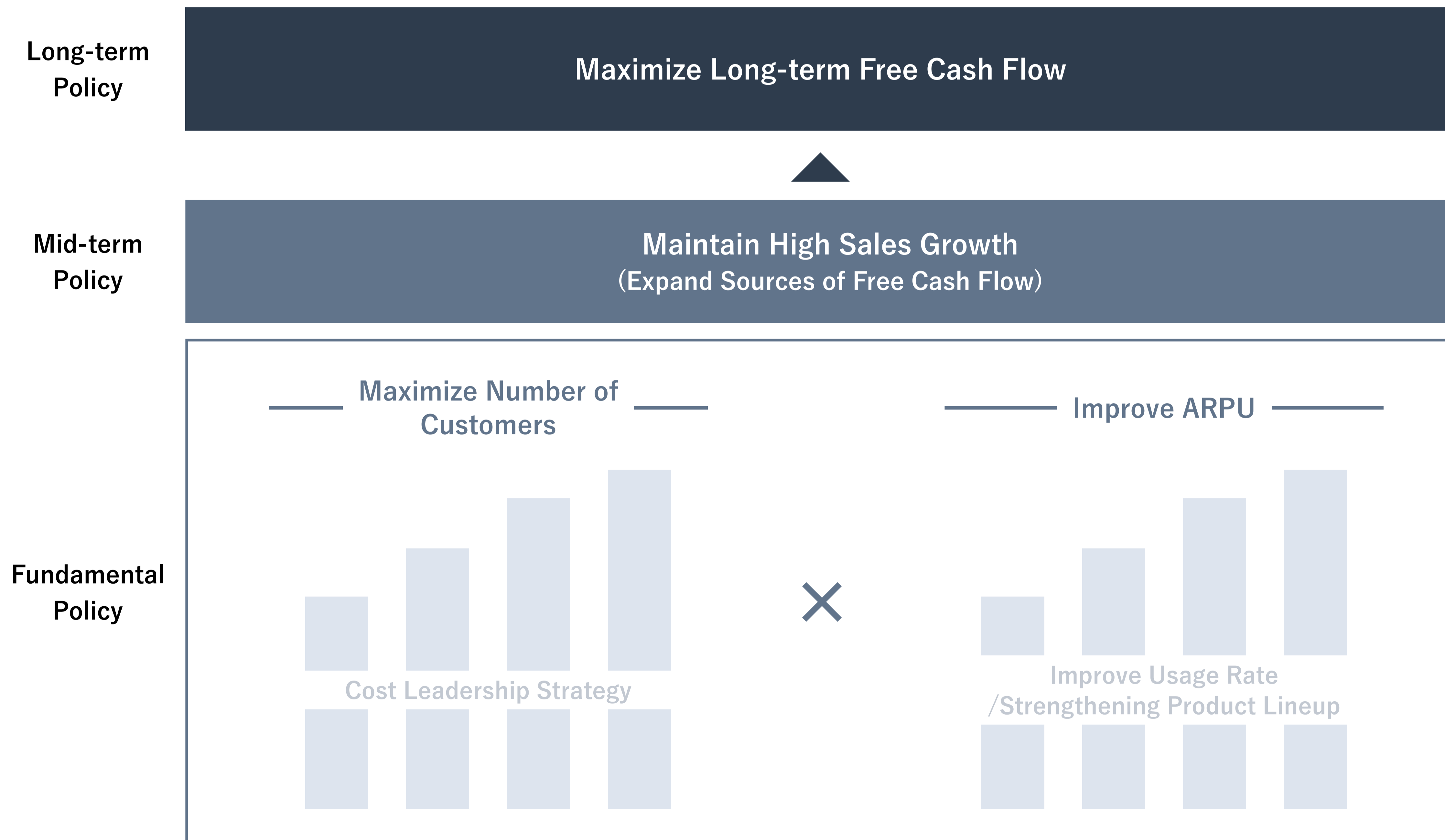
(1) The Current Status and Future Market Trends Related to Medical Cooperation and Medical Platforms in 2022 by Fuji Keizai

The Japanese government has announced and implemented deregulation and policies to promote telemedicine and EMR, as well as the revitalization of regional healthcare through the use of digital technologies. We view these initiatives as beneficial to the development of our businesses.

Institution/Policy	Overview	Major medical implications
Medical DX roadmap	<ul style="list-style-type: none"> 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"> Update of the Basic Policy to promote DX in the medical healthcare field 	<ul style="list-style-type: none"> Creation of a nationwide medical data platform <ul style="list-style-type: none"> Creation of an EMR data sharing service (planned in 2025) Data sharing using My Number card Consideration of DX and standardization of pharmacy data Promotion of standardization and introduction of EMR data <ul style="list-style-type: none"> Utilization of subsidies to launch EMR data sharing service Start development of a standardized EMR <u>Targeting adoption of EMR system by almost all medical institutions by 2030</u>
Revisions to official medical prices in FY2024	<ul style="list-style-type: none"> Implemented June 1, 2024 Triple revisions to medical care, long-term care, and welfare services Promotion of human resource recruitment and work style reforms based on current employment conditions Looking ahead to the post-2025 era and deepening and promoting regional comprehensive care systems, differentiating and strengthening of medical functions including medical DX, and promotion of cooperation 	<ul style="list-style-type: none"> Promotion of human resource recruitment and work style reforms <ul style="list-style-type: none"> Efforts to increase wages of medical professionals Task sharing/task shifting <u>Promotion of use of ICT contributing to operational efficiency</u> Promotion of differentiation and strengthening of medical functions including medical DX, promotion of cooperation <ul style="list-style-type: none"> Effective utilization of medical information through promotion of medical DX, promotion of telemedicine
Comprehensive Strategy for the Vision for a Digital Garden City Nation (DIGIDEN)	<ul style="list-style-type: none"> June 7, 2022: Cabinet decision Aiming for a “nationwide society that is convenient and comfortable for anyone to live in” <ul style="list-style-type: none"> Rapidly develop digital infrastructure and actively promote DX in rural areas in both the public and private sectors National government support of regional digital initiatives via grants Medical healthcare is an important theme in creation of attractive local areas 	<ul style="list-style-type: none"> Revitalizing local communities through disease prevention and health promotion <ul style="list-style-type: none"> Creating an environment for the development of PHR services Use of future technologies in the medical field <ul style="list-style-type: none"> Use of future technologies in the medical field (appropriate expansion of telemedicine) Expansion of online dosage guidance Promotion of electronic prescriptions, online verification, etc.

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.

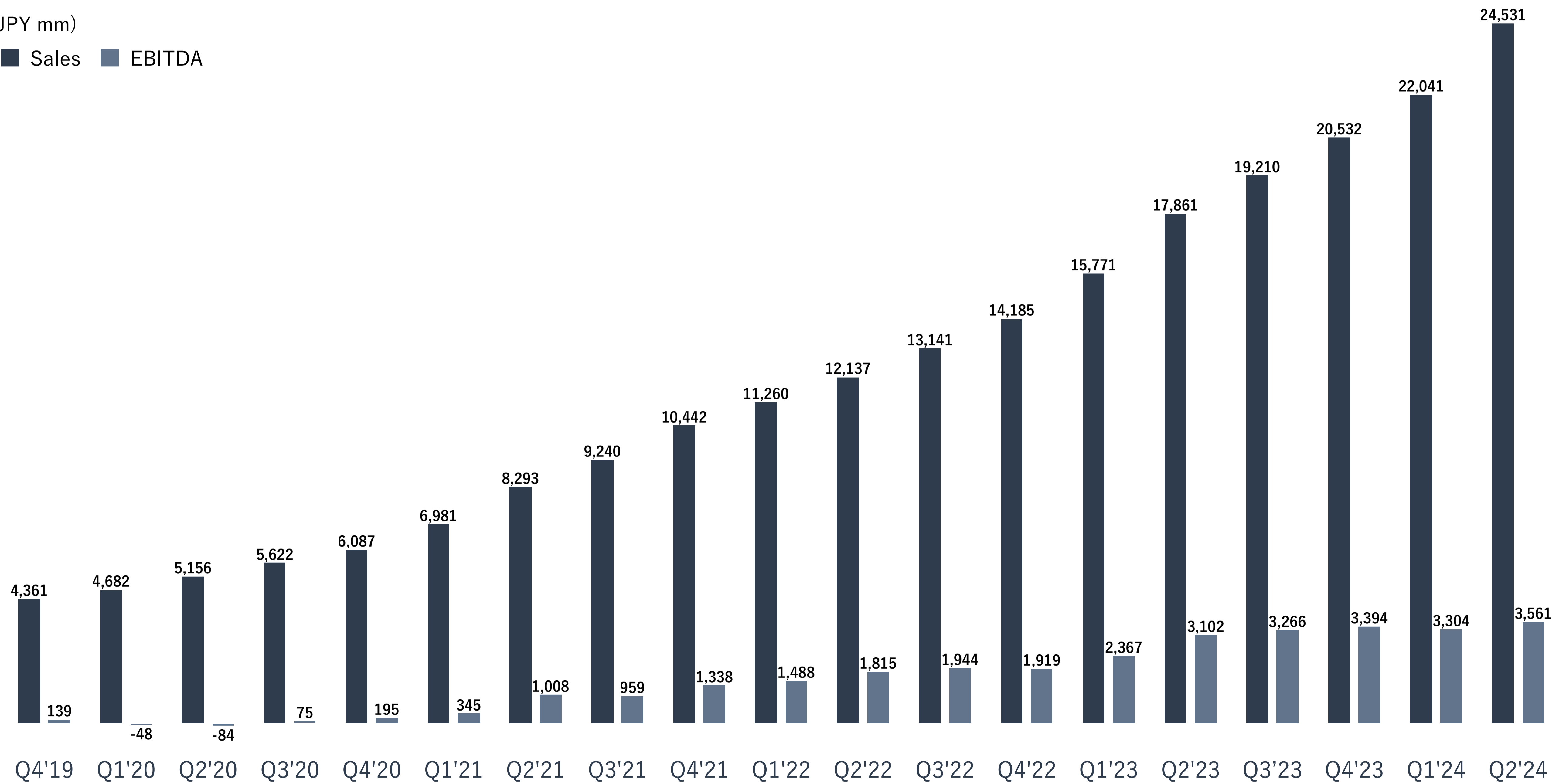


Although sales in the HR PF tend to seasonally concentrate on every Q2, sales and EBITDA for the last 12 months (LTM) have been on a stable increasing trend.

LTM Sales and EBITDA⁽¹⁾

(JPY mm)

■ Sales ■ EBITDA

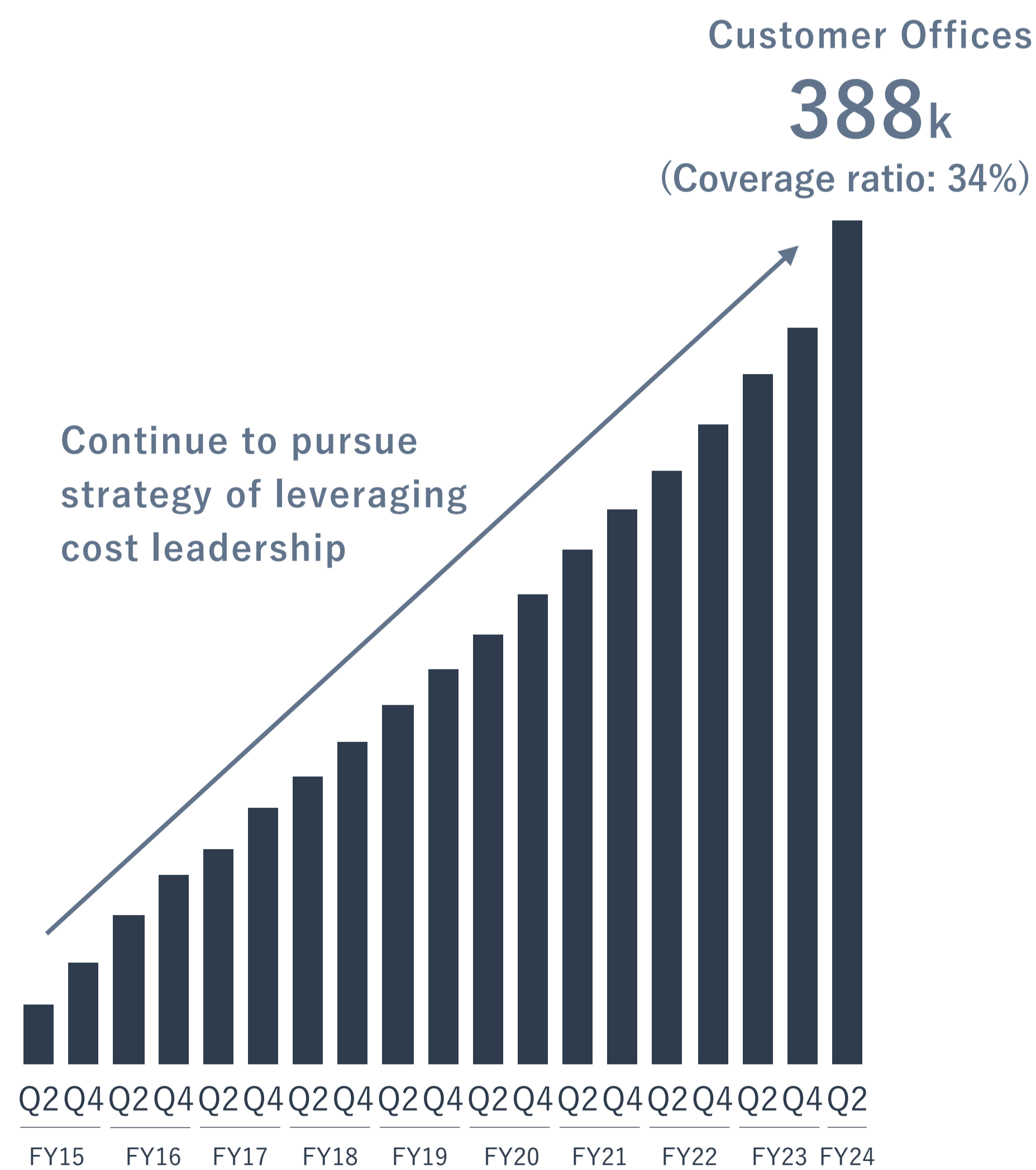


(1) Sum of sales and EBITDA for the last 12 months from the end of each quarter. Figures for FY2021 and earlier are based on the new revenue recognition standard.

In the HR PF Business, not only will we work towards improving labor shortage so that patients can receive appropriate medical services, but also we will provide full-scale support to both businesses and workers offering medical and welfare services. Currently, in addition to strengthening our customer base and pool of registered workers, we leverage such this customer base to develop and deliver new products.

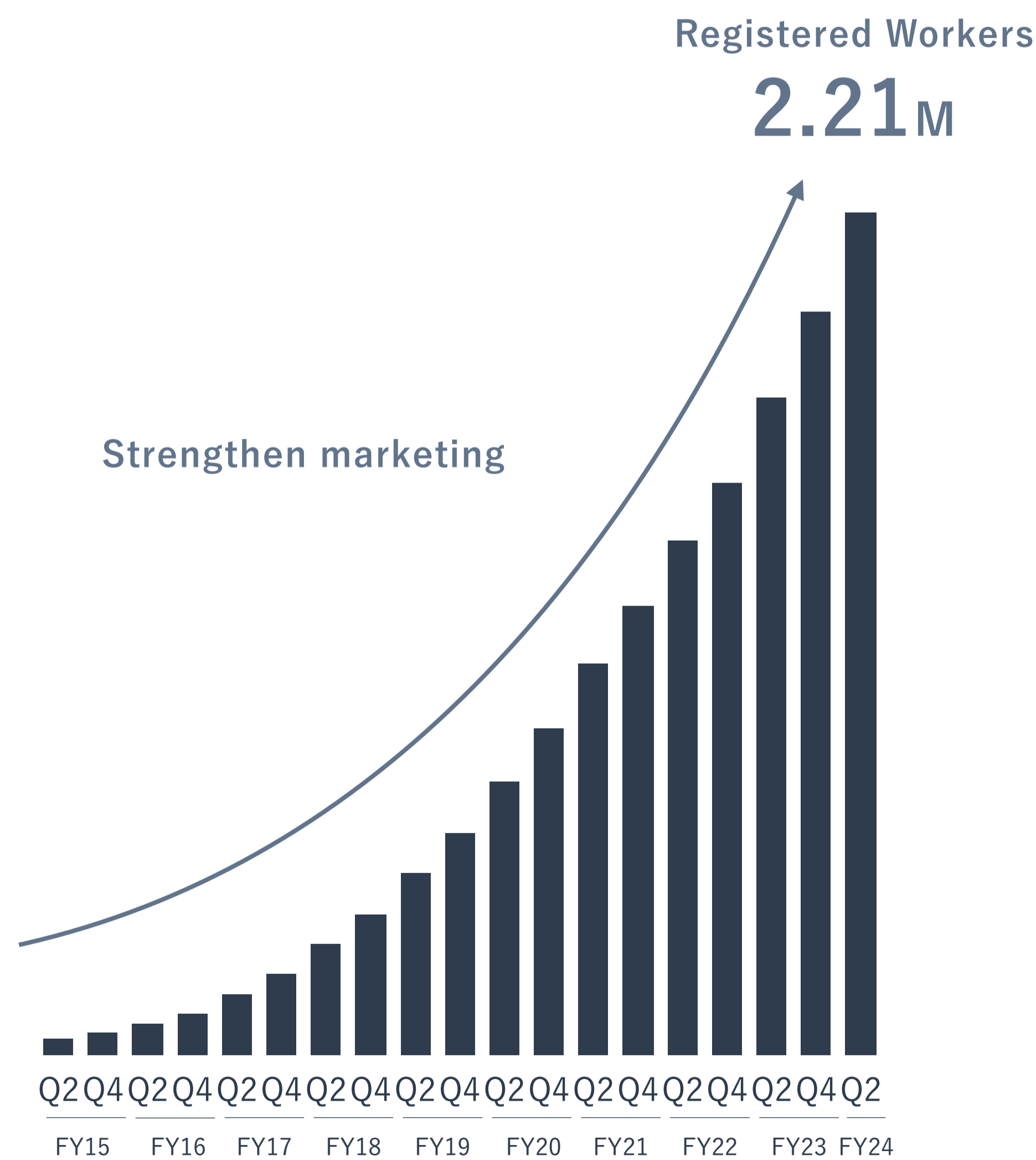
Maximize Number of Customers

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

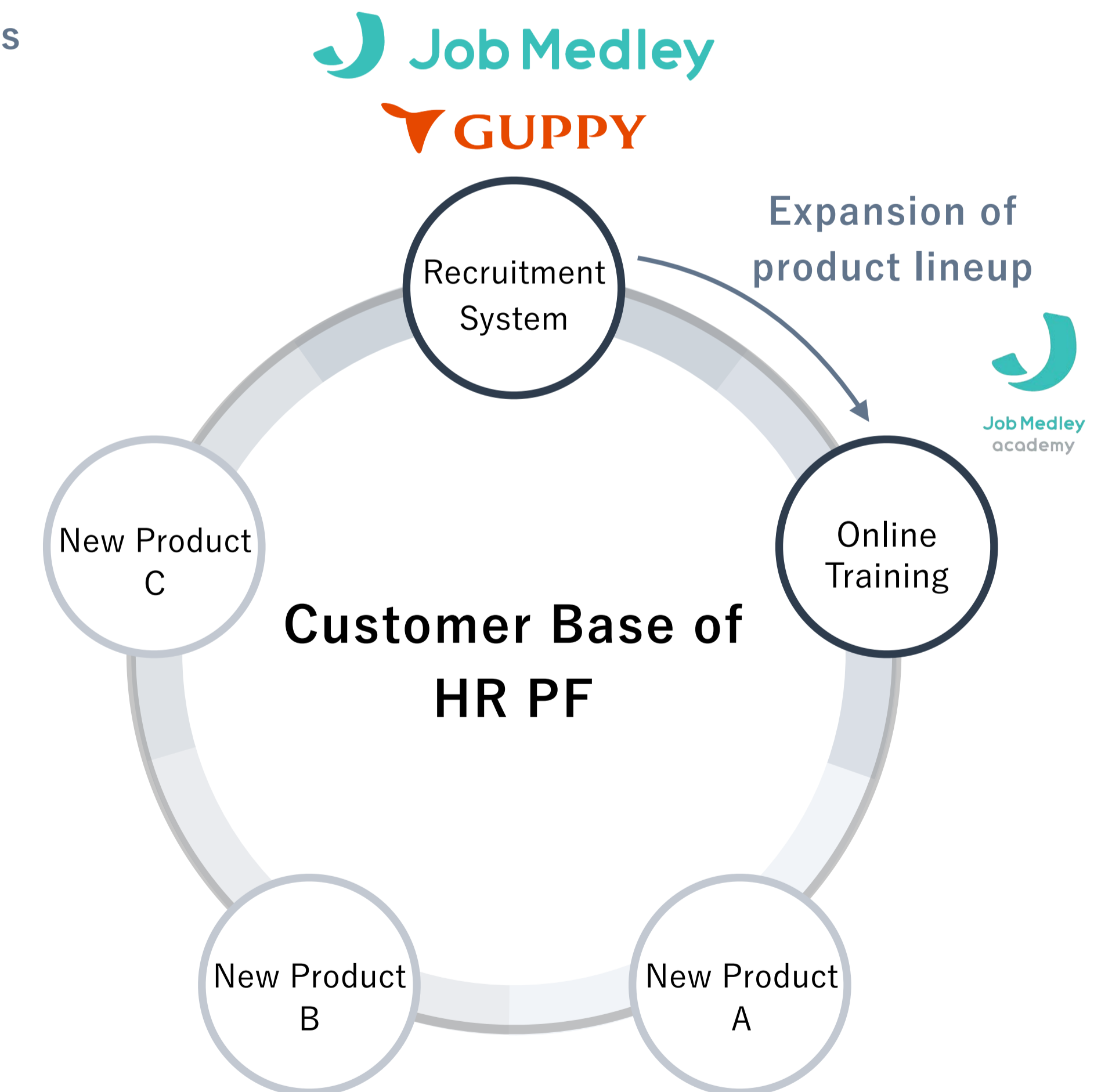


Improve ARPU

- There are over 10 million⁽¹⁾ 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.

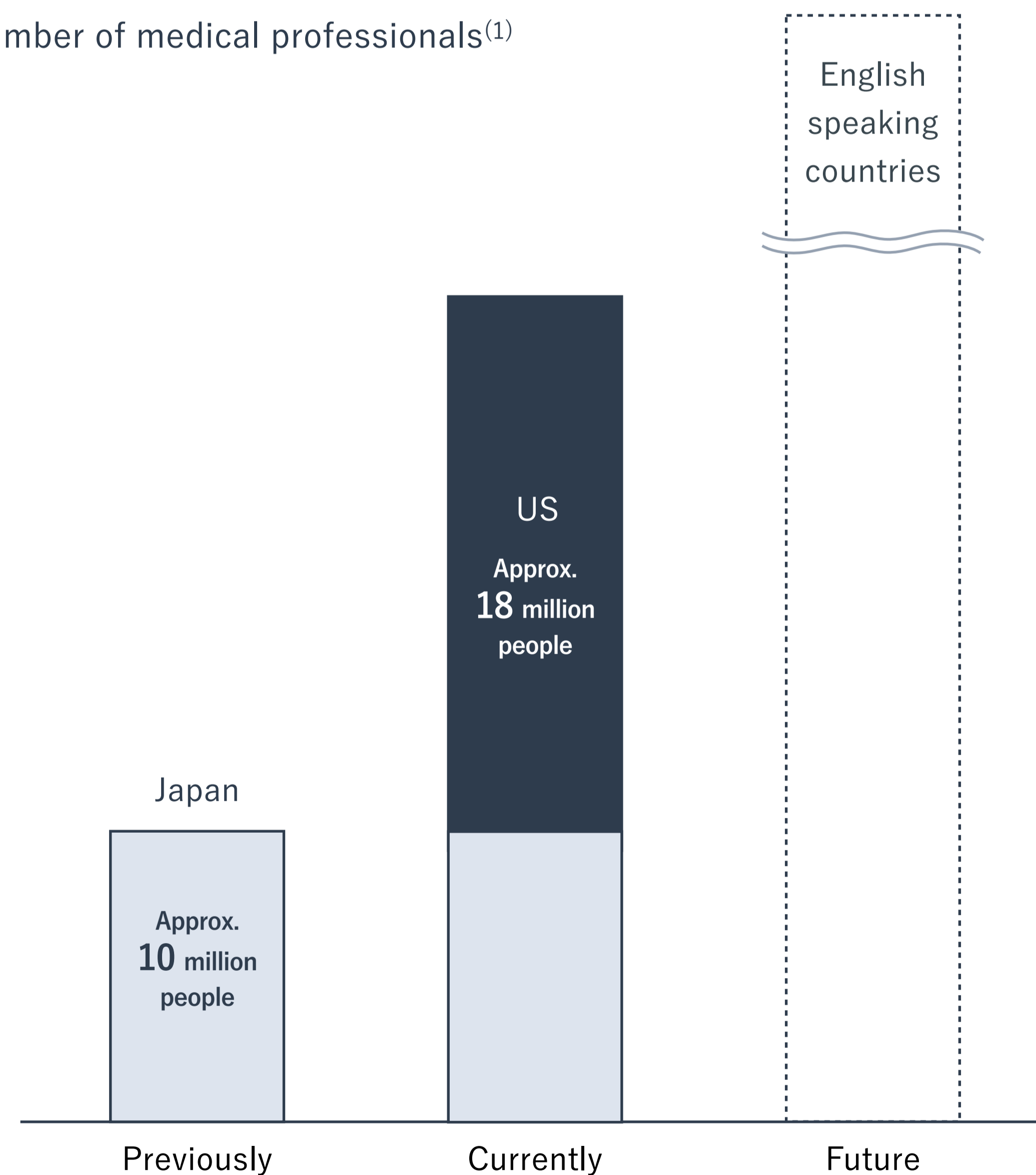


(1) Ministry of Health, Labour and Welfare, Ministry of Internal Affairs and Communications etc. statistics

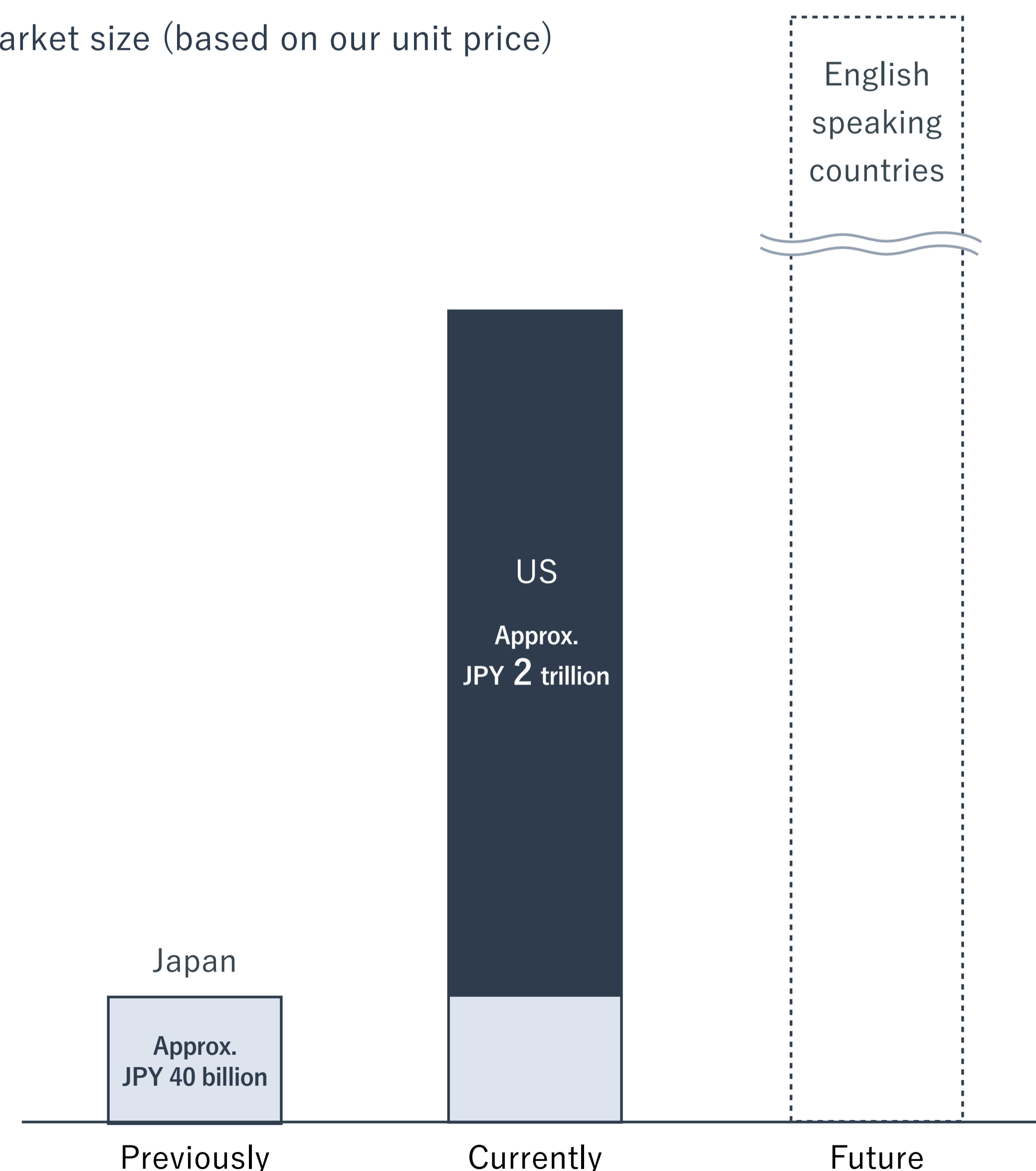
In the HR PF Business, as part of our first overseas business, we are expanding our TAM in the US market. By combining development and operations in Japan and the Philippines, where labor costs are lower than in the US, we aim to achieve better performance on business investments than that achieved in Japan alone. Our basic plan is to first make US operations profitable and then expand operations to other English-speaking countries.

Expansion of TAM⁽¹⁾

Number of medical professionals⁽¹⁾



Market size (based on our unit price)



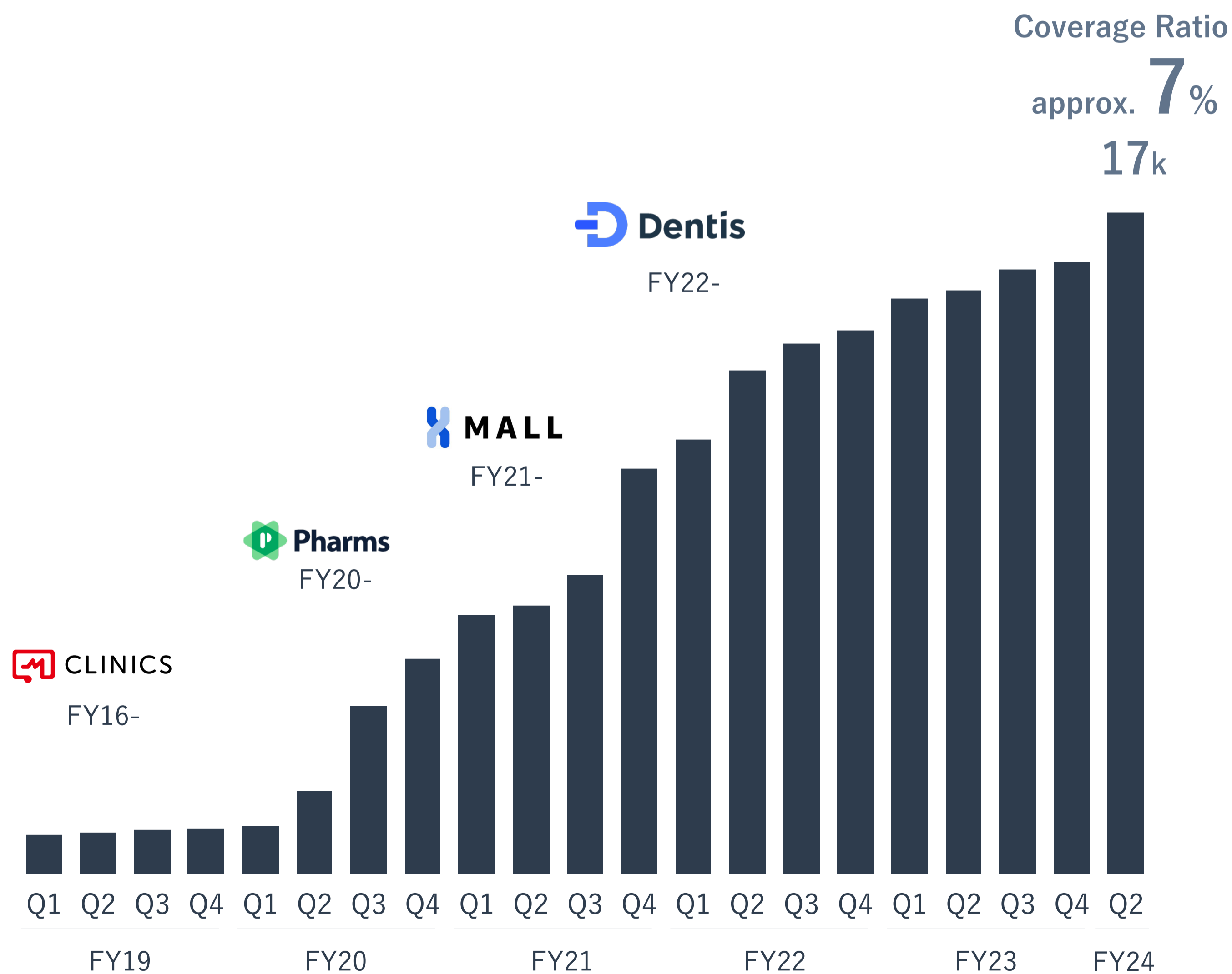
(1) For Japan: Based on the average annual hiring rate for "medical and welfare" and "lifestyle-related services" categories (approximately 14% for medical and welfare and approximately 29% for lifestyle-related services, total of approximately 1.73 million persons) in the FY2022 Survey on Employment Trends and the average unit cost per hire for JobMedley for each job category. For the US: Our estimates are based on publicly available information. (Assuming \$1=JPY150)

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

In the Medical PF Business, we help our customers improve operational efficiencies, as well as contact with patient by use of digital technology. We are currently focused on developing SaaS products and, in addition to leveraging the customer base of our HR PF Business to expand the number of customer offices, we are improving ARPU by strengthening our product lineup.

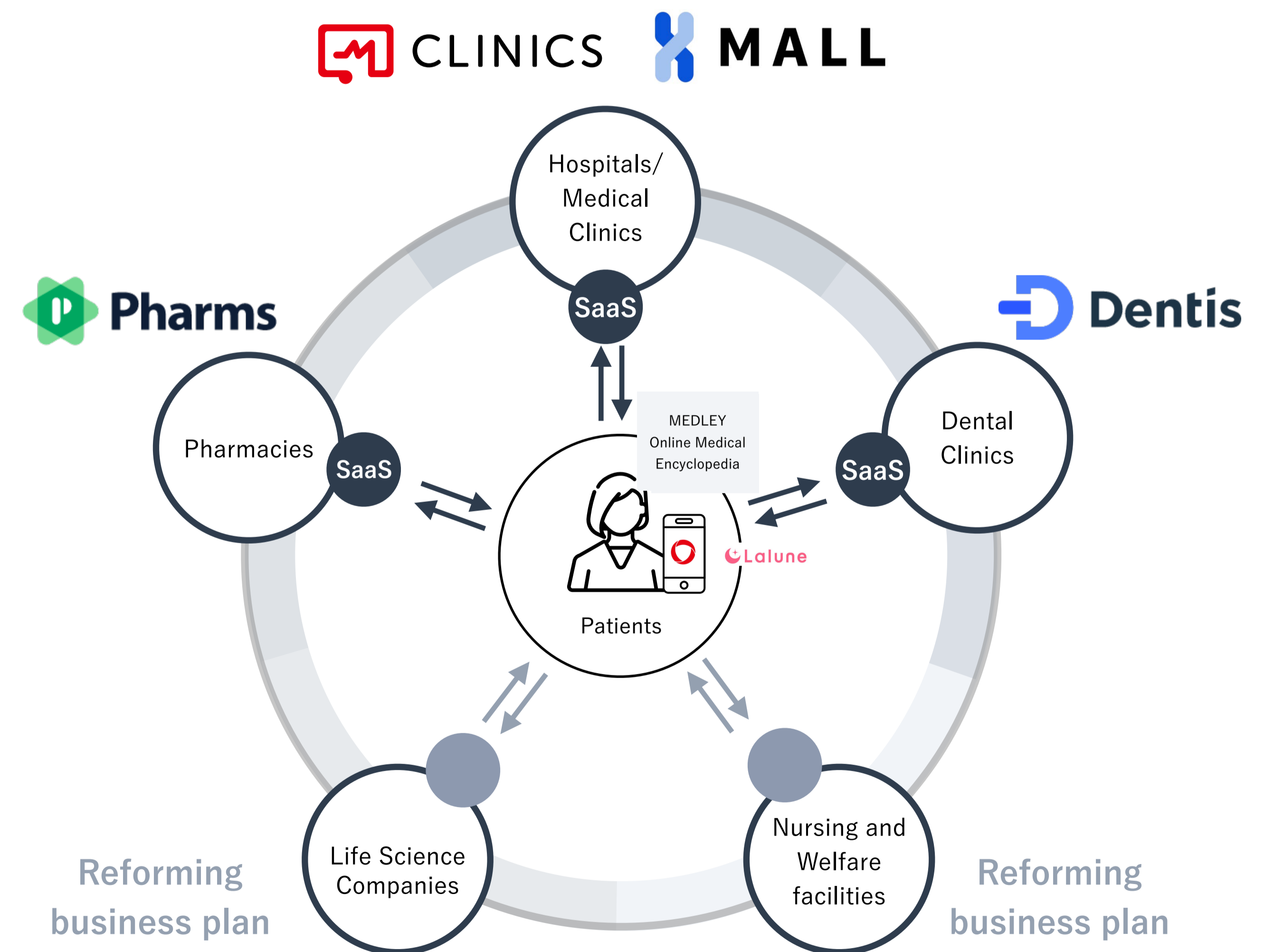
Maximize Number of Customers

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



Improve ARPU

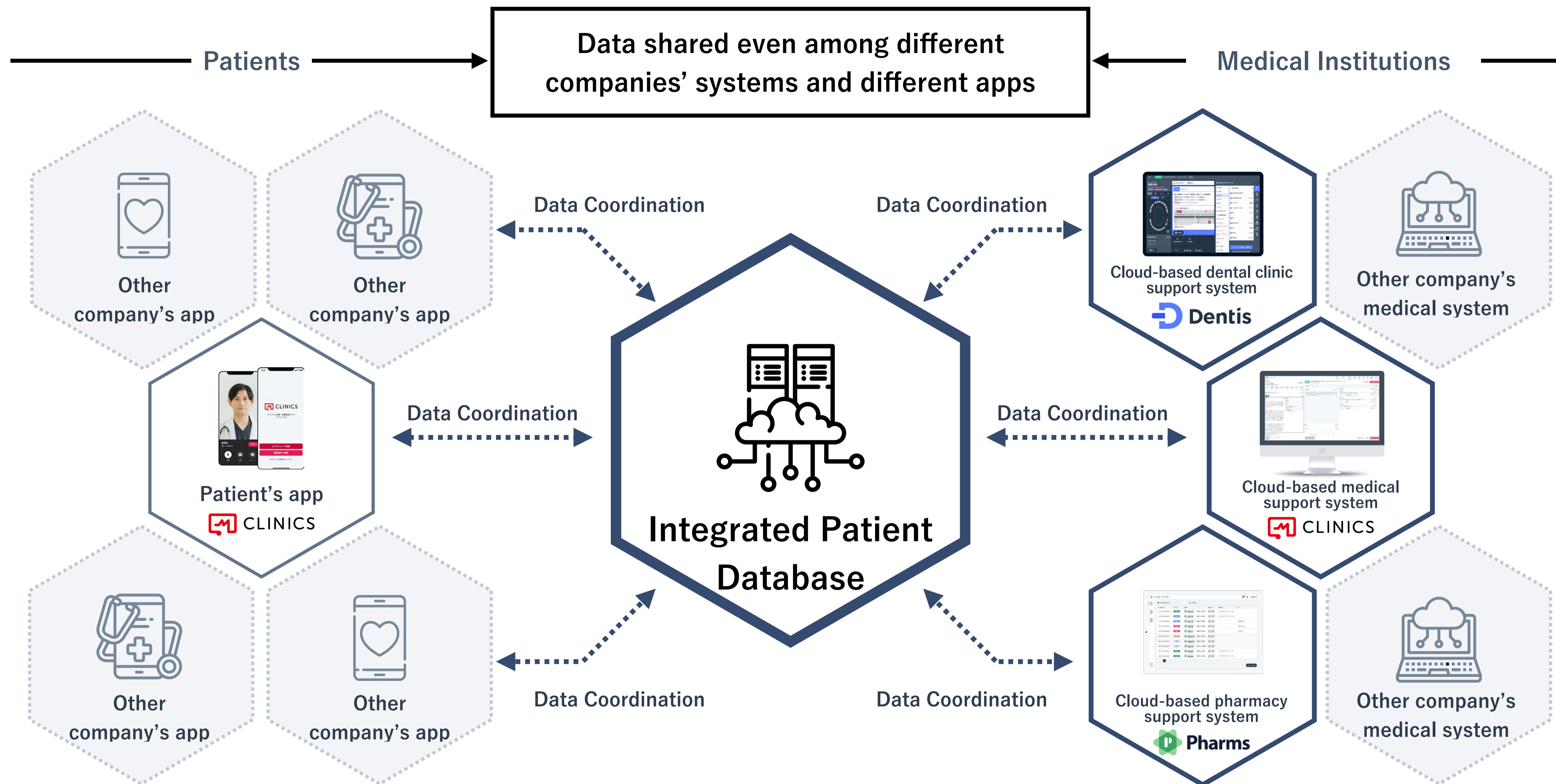
- Room for improvement of boosting efficiency of medical institutions' operations and enhancing patients' experiences by strengthening our product lineup



(1) Ministry of Health, Labour and Welfare statistics

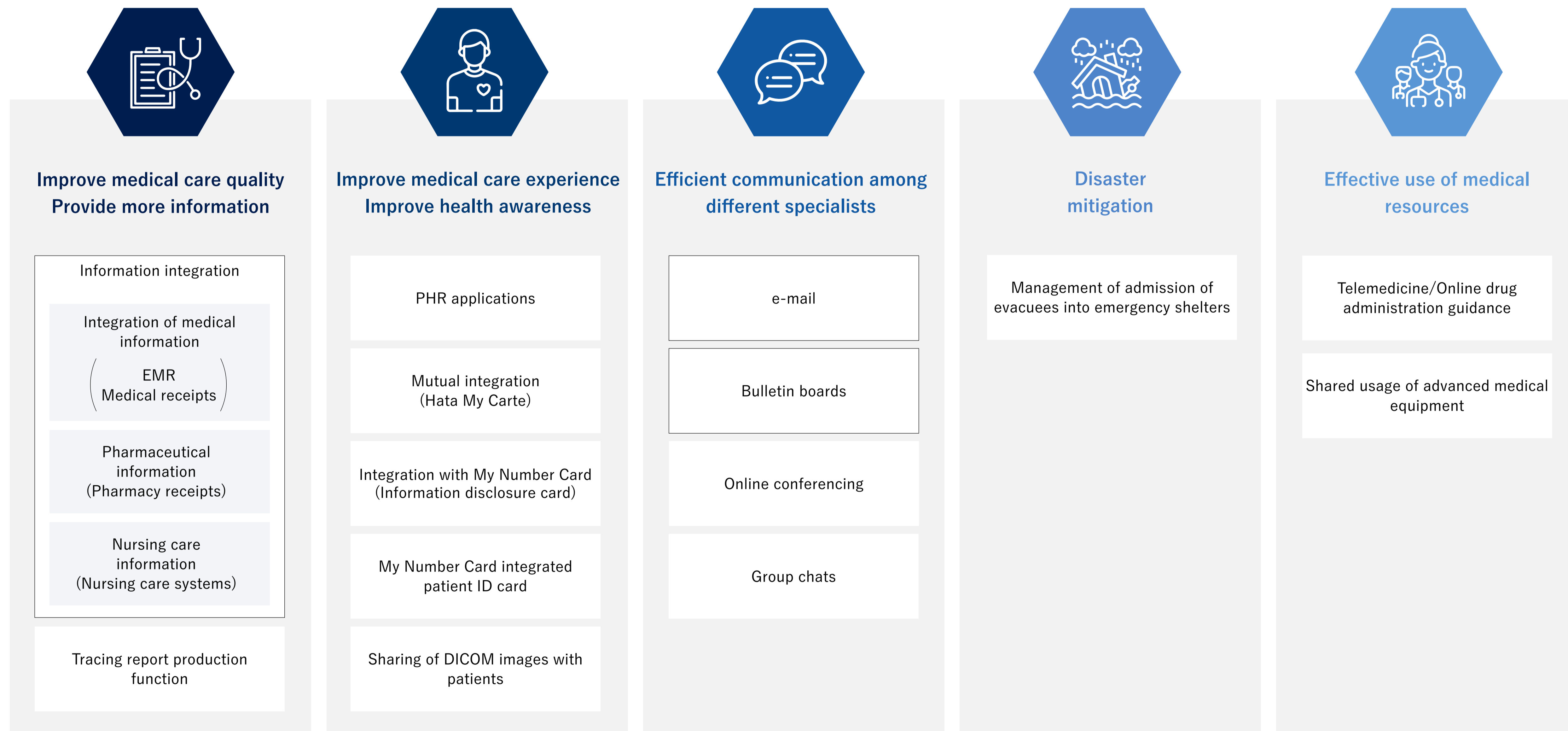
Medical PF: Product Development Using Integrated Patient Database as a Core Technology

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). We will raise the overall efficiency of medical services by improving patient access to medical healthcare services.

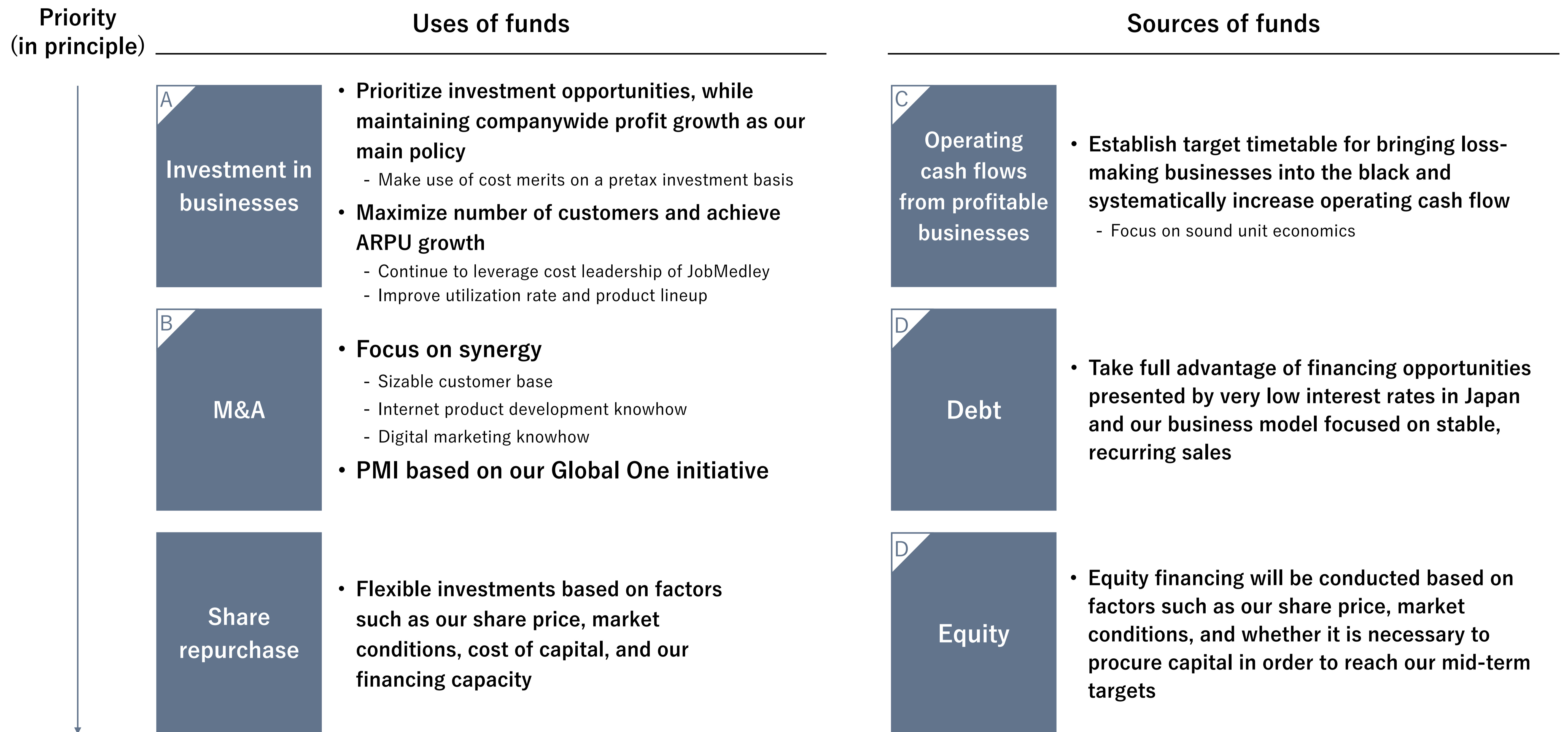


One of the unique features of our customer base is that it covers over 30% of medical and welfare offices from a wide range of categories including hospitals, clinics, pharmacies, and nursing care and public welfare facilities. We will leverage our customer base to help increase the efficiency of regional medical coordination.

Example of Hatamarunet, the special medical zone of Hata district (Kochi prefecture)



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 into our business and acquisitions, while keeping companywide profit growth as our principal policy. That said, if attractive investment opportunities arise, we will prioritize these opportunities over profit growth.



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

We will proactively invest capital secured via operating cash flow and interest-bearing debt, while keeping company-side profit growth as our main policy. That said, if attractive investment opportunities arise, we will prioritize these opportunities over profit growth.

Investment in Businesses

Prioritize investment opportunities, while maintaining companywide profit growth as our main policy

- Focus on achieving cost merits on a pretax investment basis, while also focusing on merits from after-tax capital base strengthening

Focus on sound unit economics

- Confirm investment return periods and LTV/CAC for all businesses
- Determine profitability timing and invest proactively in businesses with sound unit economics

Maximization of Customer Numbers

Strengthen customer base by leveraging JobMedley's cost leadership

- Maintain current customer acquisition pace
- Proactively pursue cross-selling by leveraging group-wide customer management system

ARPU Improvement

① **Increase customer usage rate**

- Continuous improvement

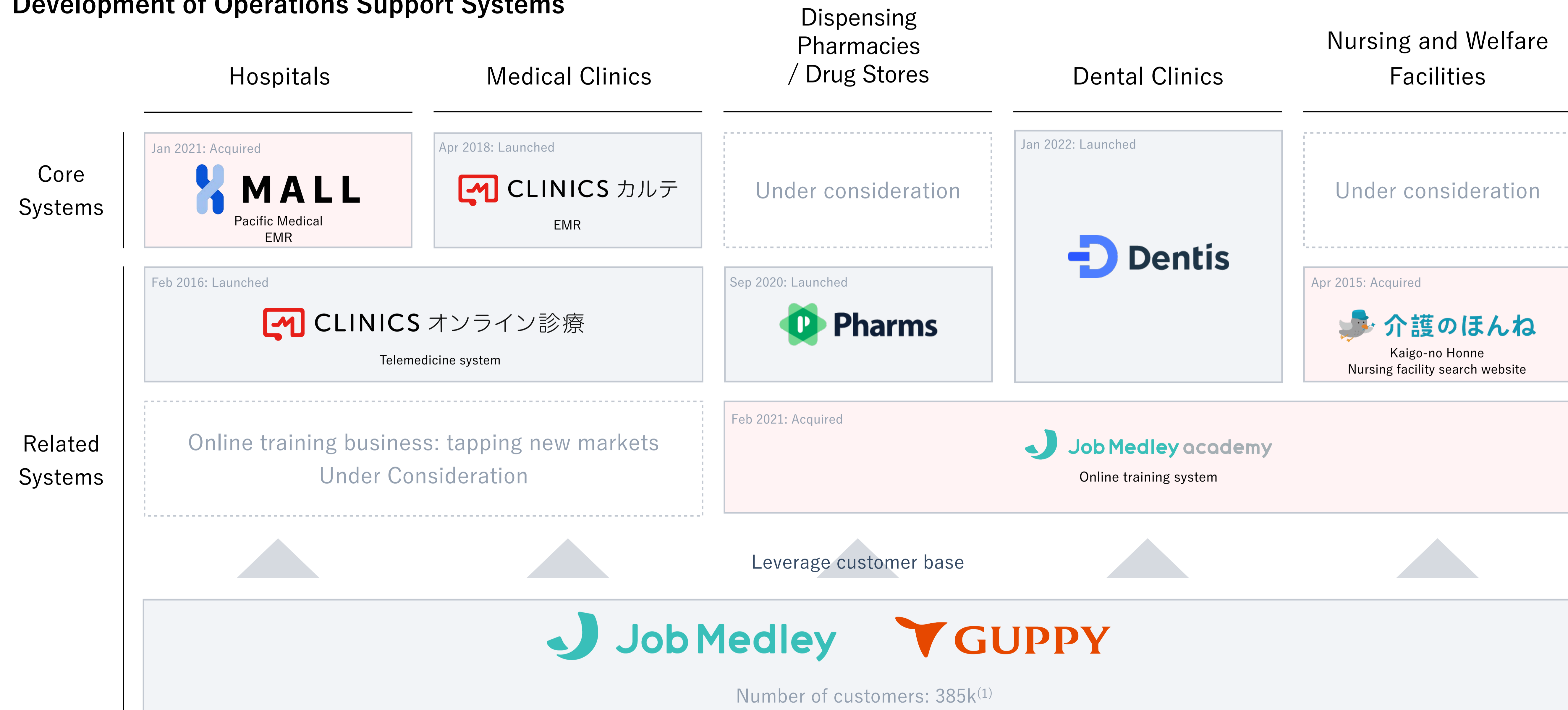
② **Strengthen product lineup**

- New services under development
- Proactively pursue business and capital alliances with other companies

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

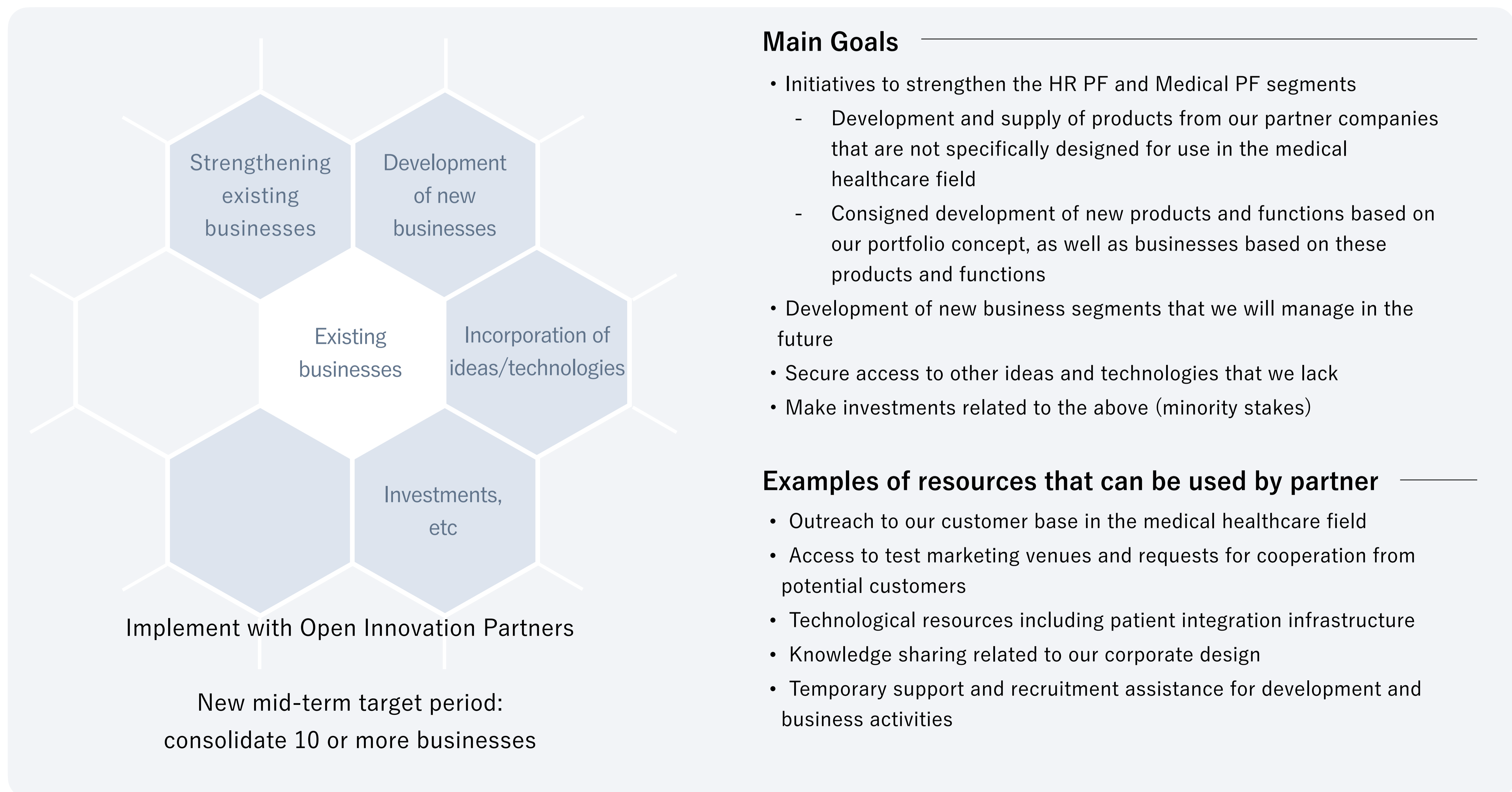


(1) As of end of June 2024

We will develop a wide range of systems necessary to create the future of medical healthcare so that patients can take full advantage of medical care, medical institutions can operate efficiently, and administrators can optimally allocate medical resources. We plan to develop our business based on three development pillars: in-house development, M&A, and open innovation. See below for a review of the M&A deals we have completed.

Name	Impacted segment	Time of grouping	Acquisition price	Annual sales at time of acquisition	Status
GUPPY's	HR PF/New Services	Apr. 2024	JPY 11.8bn	JPY 2.4bn	<ul style="list-style-type: none"> Tender offer for minority shareholders completed in March 2024; squeeze-out procedures for minority shareholders and transfer of shares from Mr. Hida implemented.
Lalune	Medical PF	Feb. 2024	JPY 0.5bn	JPY 0.3bn	<ul style="list-style-type: none"> Executed an absorption-type demerger agreement in Oct. 2023, and consolidated in Feb. 2024 Creation of synergies with our business to improve patients' medical access
GCM	New Services	Jul. 2023	JPY 0.5bn	JPY 0.1bn	<ul style="list-style-type: none"> Leverage customer base to further expand the business Improve efficiency of business operations with technology utilization
Tenxia	HR PF	Sep. 2022	JPY 0.1bn	JPY 0.1bn	<ul style="list-style-type: none"> Initiatives to generate long-term synergies with recruitment system Integrated into Medley in February 2023
minacolor	Medical PF	Oct. 2021	-	-	<ul style="list-style-type: none"> Jointly operated with NTT DOCOMO since 2022 via a joint venture. <u>Sold our stake on Feb. 21, 2024.</u>
MEDiPASS	HR PF/Medical PF/ New Services	Feb. 2021	JPY 1.5bn	JPY 1.2bn	<ul style="list-style-type: none"> Integrated online training business with Medley in January 2022, improved core functions, and developed multilingual support Regarding other MEDiPASS businesses, withdrew from the staffing businesses (sales expected to decline in some businesses in FY2022)
Pacific Medical	Medical PF	Jan. 2021	JPY 0.8bn (80%)	JPY 0.6bn	<ul style="list-style-type: none"> Strengthened sales and marketing of EMR systems to small-and-medium-sized hospitals Leveraged existing assets to develop MINET, a regional medical cooperation and group management system for medical corporations <u>Expect to raise our current 80% equity stake to 100% in the future</u>
Proof-of-concept testing	Medical PF	Dec. 2020	-	-	<ul style="list-style-type: none"> Ownership of facilities where proof-of-concept testing for Pharms system for pharmacies was conducted contributed considerably to development of Pharms 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
Other	Medical PF	Jun. 2020	JPY 0.1bn	-	<ul style="list-style-type: none"> Acquired knowhow and customer accounts by securing EMRs of other companies. Partial transfer of EMRs completed
Source code of dental receipt	Medical PF	Aug. 2019	JPY 0.1bn	-	<ul style="list-style-type: none"> Leveraged knowhow to completely rebuild system assets acquired in 2019 and released new system Dentis in January 2022
NaCI MEDICAL	Medical PF	Mar. 2019	JPY 0.5bn	-	<ul style="list-style-type: none"> Made progress in development of new cloud-based receipt computer and merged the company with Medley

In order to accomplish our mission of “Creating the future of medical healthcare”, we will strengthen our open innovation initiatives. We define open innovation as sparking innovation by leveraging the business/research assets and knowledge of outside companies and individuals such as researchers, entrepreneurs, and experts. During the period covered by our new mid-term target, we will use open innovation to consolidate 10 or more businesses.



Main Goals

- Initiatives to strengthen the HR PF and Medical PF segments
 - Development and supply of products from our partner companies that are not specifically designed for use in the medical healthcare field
 - Consigned development of new products and functions based on our portfolio concept, as well as businesses based on these products and functions
- Development of new business segments that we will manage in the future
- Secure access to other ideas and technologies that we lack
- Make investments related to the above (minority stakes)

Examples of resources that can be used by partner

- Outreach to our customer base in the medical healthcare field
- Access to test marketing venues and requests for cooperation from potential customers
- Technological resources including patient integration infrastructure
- Knowledge sharing related to our corporate design
- Temporary support and recruitment assistance for development and business activities

C: Increase Operating Cash Flow by Making Loss-making Businesses Profitable in Line with Our Plans



We focus on our companywide sales growth rate. For individual businesses, we not only make commitments regarding sales growth rates, but we also set target years for bringing lossmaking businesses into the black and will increase operating cash flow in line with our plans. JobMedley Academy and Pharms became profitable on FY2023. However, the timing of the turnaround for CLINICS EMR and Kaigo no Honne 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 FY2023	In the red in FY2023	
	Cash generation phase	Profitability phase	Commercialization phase
HR PF	 		
Medical PF	 <div style="border: 1px dashed black; padding: 2px; margin-top: 5px;">Expected to turn profitable in FY25</div> <div style="border: 1px dashed black; padding: 2px; margin-top: 5px;">Expected to turn profitable in FY26</div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> </div> <div style="border: 1px solid black; padding: 5px;"> <ul style="list-style-type: none"> • Launched in January FY22 • Business for dental clinics </div>	 <ul style="list-style-type: none"> • Preparation for next phase • No expansion of losses <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p>New Development (Receipt Computer)</p> <ul style="list-style-type: none"> • Started in FY23 </div>
New Services	<div style="border: 1px dashed black; padding: 2px; margin-bottom: 5px;">Expected to turn profitable in FY24</div> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;">Factoring business</div>	<div style="border: 1px solid black; padding: 5px;"> Kaigo-no Honne Nursing facility search website </div>	<div style="border: 1px dashed black; padding: 5px; margin-bottom: 5px;">Recruitment System in the US</div> <div style="border: 1px dashed black; padding: 5px;">EMR for Acute Care Hospitals</div>

Operating cash flow produced by our businesses is on a rising trend owing to business expansion and margin improvement in our existing businesses. We estimate that our investment capacity (including additional borrowing capacity) will be approximately JPY 90 billion during the period covered by the new mid-term target and we expect to be able to take advantage of attractive investment opportunities.

Current financial position and outlook for investment capacity

Consolidated balance sheet as of December 2023 (unit: million JPY)

- Operating cash flow continues to rise and **we expect to generate total operating cash flow of over JPY 40 billion during the mid-term target period.**
- Our investments will include M&A mainly focused on potential synergies
- Funds available for investment during the the mid-term target period **total roughly JPY 40 billion assuming no additional capital procurement**

Cash and deposits 15,354	Debt 1,660
	Other liabilities 6,132
Other assets 10,076	Net assets 17,637

- Owing to our focus on cost of capital, we plan to **prioritize debt financing over equity financing.**
- Factoring in accumulation of net assets from profit achieved during the period covered by the mid-term target and assuming that we maintain a debt-to-equity ratio below 1.0x, we have additional borrowing capacity of **approximately JPY 50 billion.**

Capital ratio: 69.0%, D/E ratio: 0.09x

HR PF: Success-fee-based Hiring Support System for Medical / Healthcare Industry

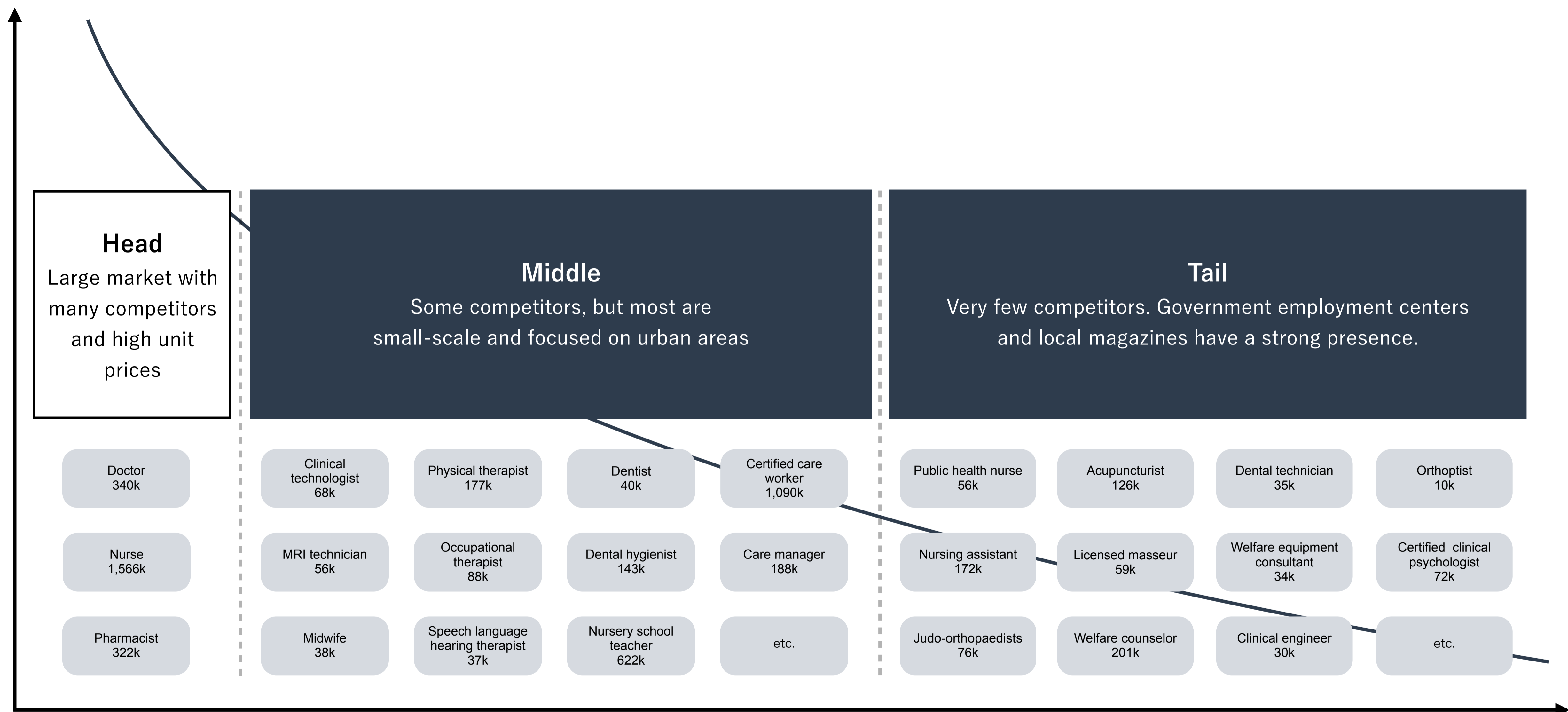
JobMedley is a recruitment system used by businesses (mainly medical institutions) in the nursing, childcare, and healthcare fields. Recruitment information for over 50 types of qualified professionals can be entered into the system and placement fee is charged when a placement is successfully made. 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 2.2 million users in more than 50 occupations registered in our platform and we have seen expansion in the Head segment in recent years.

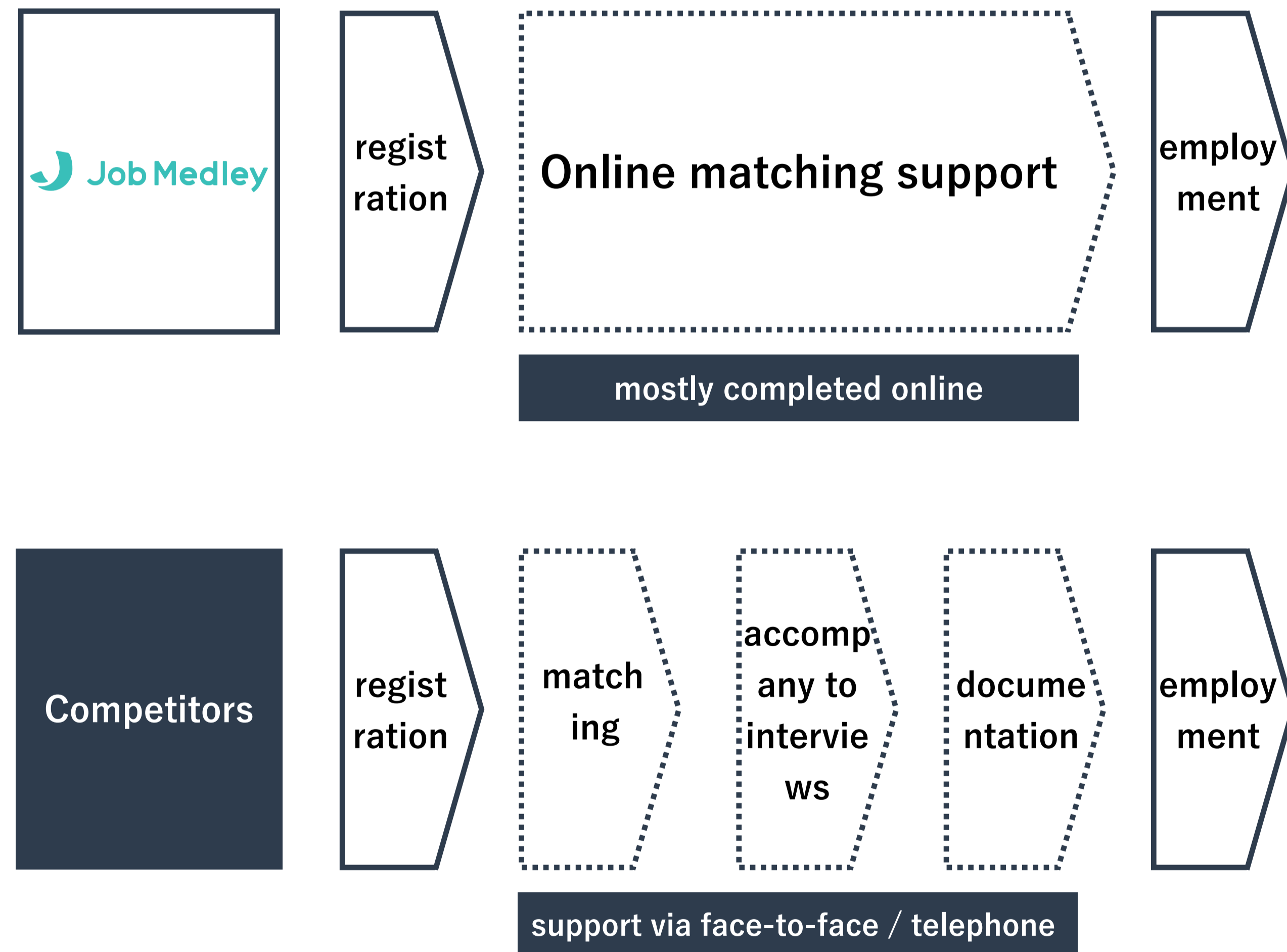
Our Target Area⁽¹⁾



(1) Ministry of Health, Labour and Welfare statistics

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

Success Fee (of annual income; back calculation)

2~13%⁽¹⁾

Success Fee (of annual income)

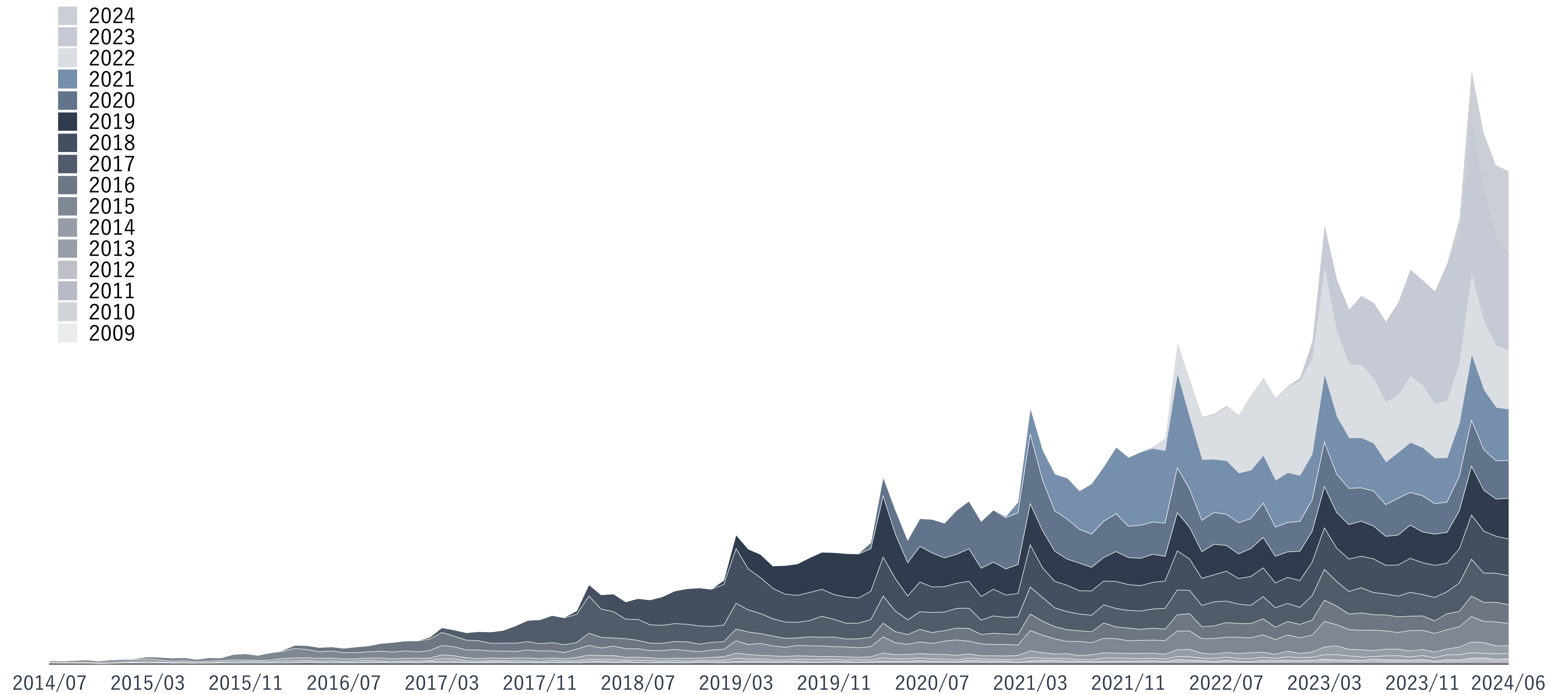
Major Recruitment Agencies **20~35%**⁽²⁾

(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 53 occupations we handle. (Some recruitment services employ different methods for setting success fee amounts that are different from that described above.)

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.

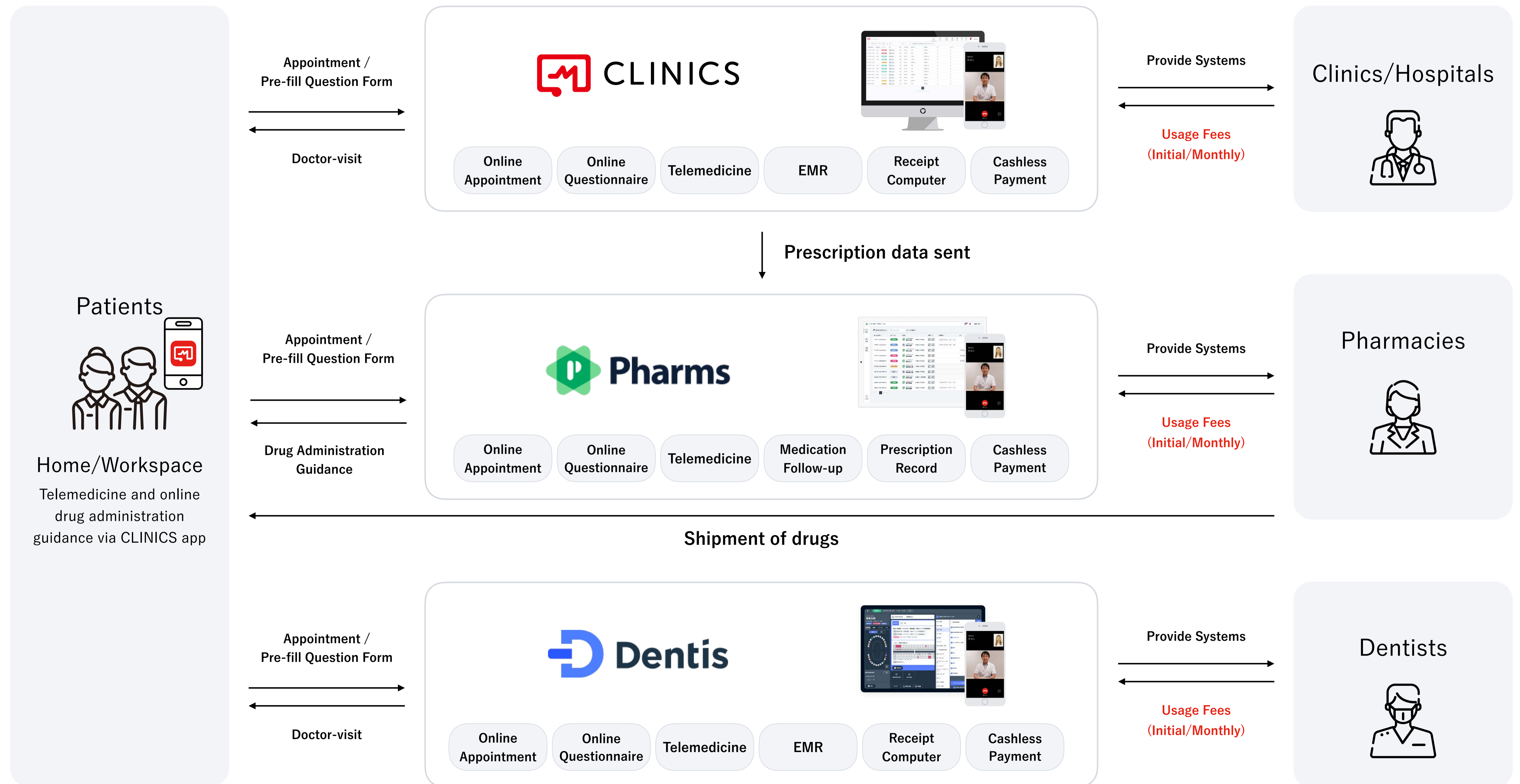
Sales by Customer Acquisition Year⁽¹⁾



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

Medical PF: Earnings Model: Platform Fee From Medical Institutions

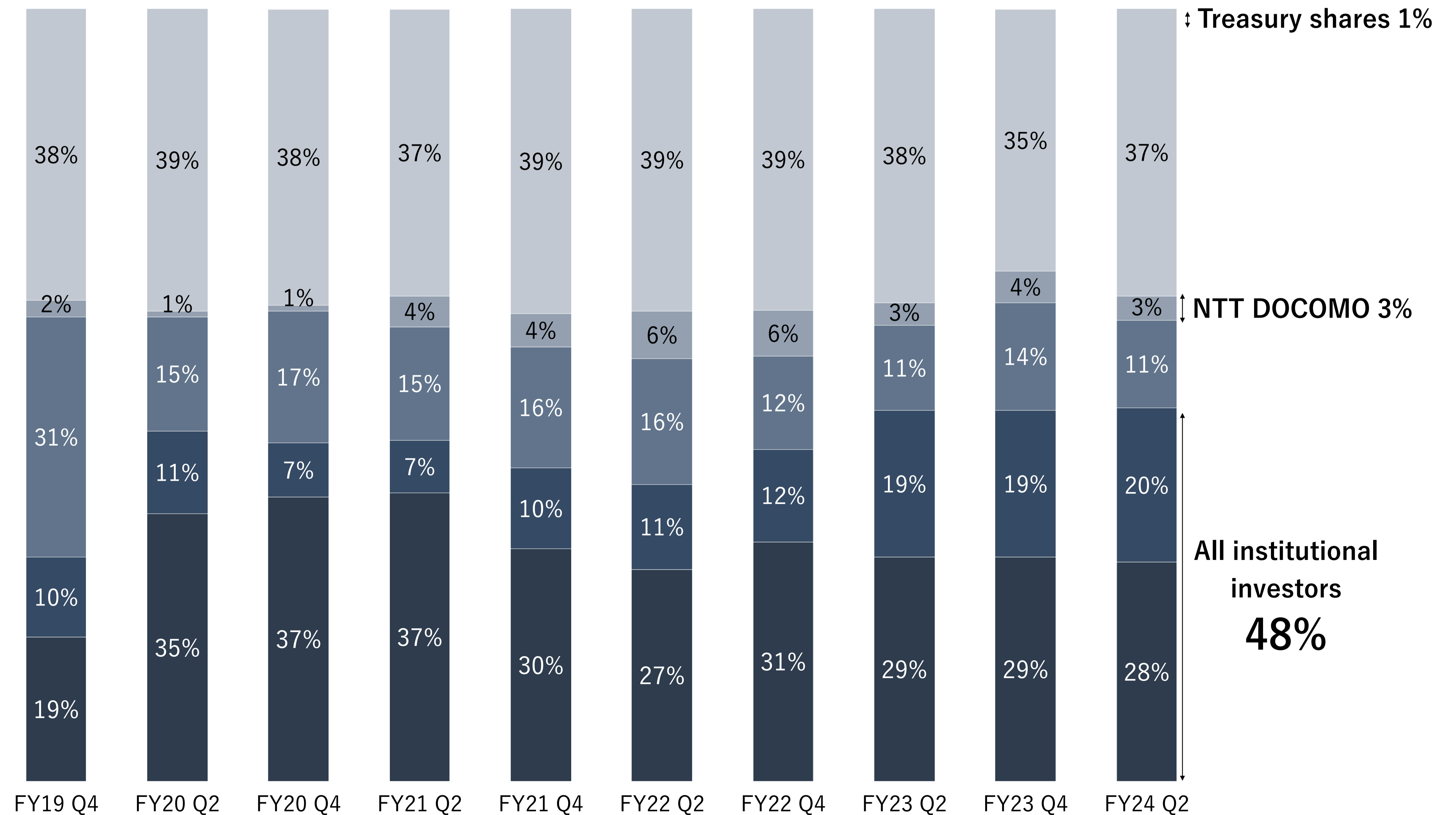
CLINICS, Pharms, and Dentis employ an earnings model whereby it receives system usage fees from clinics, hospitals, pharmacies, and dental clinics. Usage fees include initial fees for installation and monthly fee payments. These systems and CLINICS app offer patients a seamless online and offline medical experience from treatment to drug administration guidance.



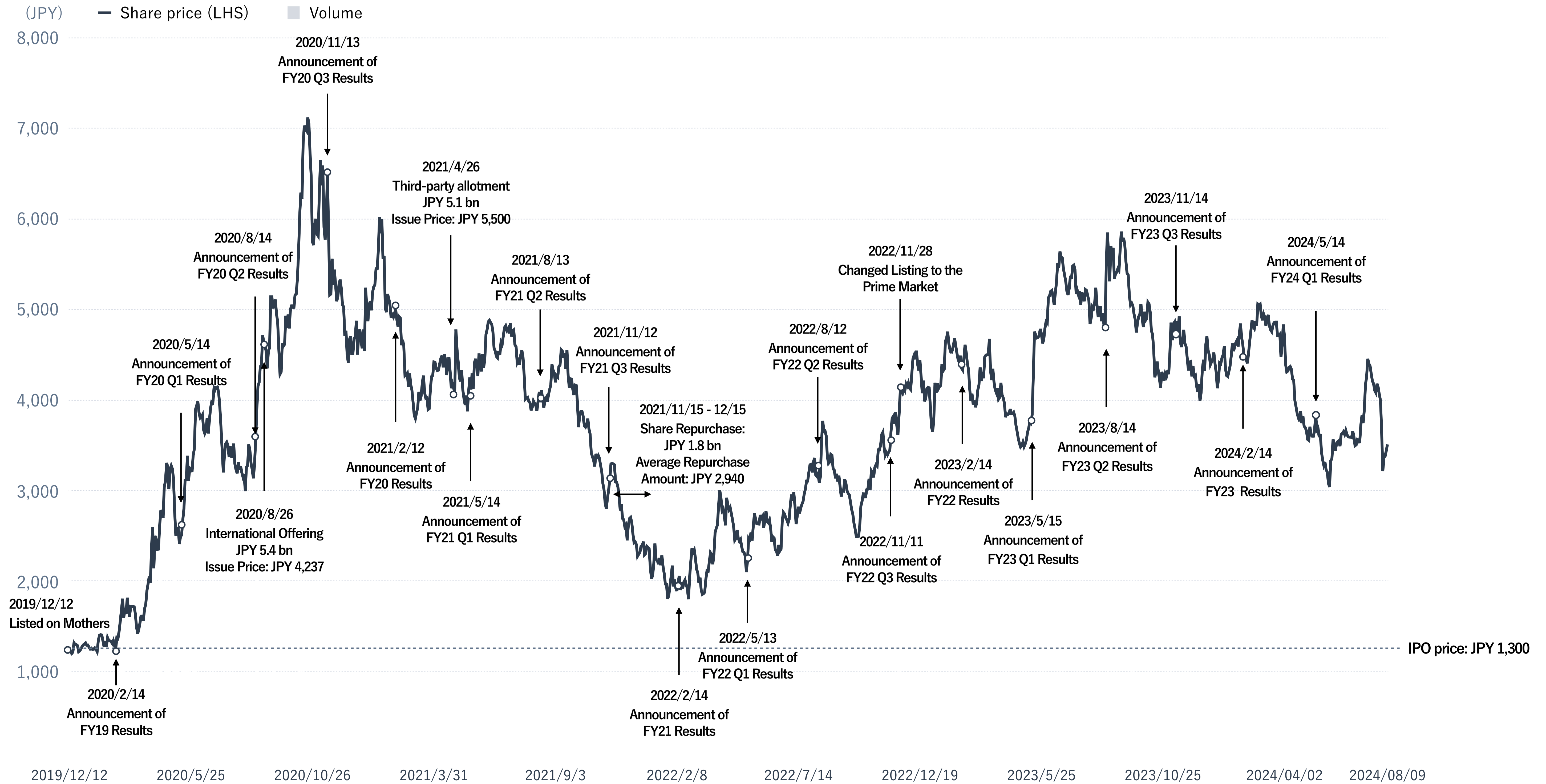
Change in Ratio of Ownership

The ratio of institutional investors, mainly overseas institutional investors, accounts for 48% as of end-June 2024. We will continue to endeavor to provide robust disclosure that helps both institutional and individual long-term investors make investment decisions.

- Executive and employees, Treasury shares
- Other Corporates
- Individual investors
- Domestic institutional investors
- Foreign institutional investors



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



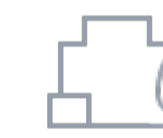
For medical providers

- 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