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Consolidated Financial Results for the Year Ended December 31, 2023 [Japanese GAAP]

February 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
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 Phone: +81-3-6372-1265
 Scheduled date of Annual General Meeting of Shareholders: March 26, 2024
 Scheduled date of commencing dividend payments: -
 Scheduled date of filing annual securities report: March 26, 2024
 Availability of supplementary briefing material on annual financial results: Yes
 Schedule of annual financial results briefing session: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	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	%
December 31, 2023	20,532	44.7	3,394	76.8	2,661	106.3	3,755	146.0	2,566	152.2
December 31, 2022	14,185	-	1,919	-	1,290	-	1,526	-	1,017	-

(Note) Comprehensive income: Fiscal year ended December 31, 2023: 2,287 million [74.1 %]
 Fiscal year ended December 31, 2022: 1,313 million [- %]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
December 31, 2023	79.53	78.55	15.8	15.9	13.0
December 31, 2022	31.77	31.16	7.0	7.3	9.1

(Note) 1. Starting in FY2022, the Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), so percentage changes for FY2022 are not provided above because these figures reflect the application of the relevant accounting standard.

2. EBITDA = Operating profit / loss + depreciation and amortization of goodwill + share-based compensation expenses

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2023	25,430	17,637	69.0	542.49
December 31, 2022	21,810	15,170	69.1	469.79

(Reference) Equity: As of December 31, 2023: 17,552 million
 As of December 31, 2022: 15,081 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2023	3,871	(1,662)	(1,218)	15,351
December 31, 2022	2,013	(751)	(927)	14,351

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
December 31, 2022	-	0.00	-	0.00	0.00	-	-	-
December 31, 2023	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending December 31, 2024 (Forecast)	-	0.00	-	0.00	0.00		-	

(Note) Breakdown of the year-end dividend for the fiscal year ended December 31, 2023 :

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	27,100	32.0	3,900	14.9	2,950	10.8	3,850	2.5	2,570	0.1	79.43

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New	1	(Company name: GCM Co., Ltd.)
Exclusion:	1	(Company name: Tenxia Co., Ltd.)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting:	No standards
2) Changes in accounting policies other than 1) above:	No
3) Changes in accounting estimates:	No
4) Retrospective restatement:	No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

December 31, 2023:	32,738,600 shares
December 31, 2022:	32,706,800 shares

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

December 31, 2023:	384,191 shares
December 31, 2022:	604,869 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended December 31, 2023:	32,269,117 shares
Fiscal Year ended December 31, 2022:	32,031,542 shares

*These consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.

* 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 (4) Outlook under 1. Outline of Business Performance" on page 4.

1. Outline of Business Performance

(1) Explanation regarding operating results

During the consolidated fiscal year ended December 31, 2023 (consolidated FY2023), both the HR PF Business and the Medical PF Business experienced short-term fluctuations due to the reopening from COVID, but the Japanese medical and nursing industry continued to face human resource shortages and issues related to national budget shortage.

In addition to contributing to the streamlining of business processes in the medical healthcare field, generative AI has emerged as a technological innovation that has the potential to significantly contribute to the streamlining with respect to our business operations.

Amid this business environment, in consolidated FY2023, 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 and improve gross profit margin.

As a result of the above, in consolidated FY2023, the Group posted net sales of ¥20,532 million (up 44.7% YoY), EBITDA of ¥3,394 million (up 76.8% YoY), operating profit of ¥2,661 million (up 106.3% YoY), ordinary profit of ¥3,755 million (up 146.0% YoY), and net profit attributable to owners of the parent company of ¥2,566 million (up 152.2% 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 FY2023, 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 15.2% compared with the end of consolidated FY2022, to 339 thousand; and listed job offers rose by 17.0% over the same period, to 361 thousand.

In addition, the Group tested and implemented functional improvements utilizing generative AI in JobMedley and JobMedley Academy.

As a result of the above, consolidated FY2023 segment net sales were ¥14,656 million (up 44.7% YoY), and segment profit before allocation of group-wide shared costs (operating profit) was ¥6,302 million (up 47.4% YoY).

2. Medical PF Business

During consolidated FY2023, the number of medical institution users in the Medical PF Business continued to grow, rising 12.3% compared with the end of consolidated FY2022, 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 FY2023 segment net sales were ¥5,458 million (up 46.4% YoY) and

segment loss before allocation of group-wide shared costs (operating loss) was ¥383 million (¥535 million loss in FY2022).

Factors behind the operating loss in the segment include, investments into initiatives to improve gross profit margin and increase in headcount.

3. New Services Segment

During consolidated FY2023, 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 FY2023 segment net sales were ¥420 million (up 28.9% YoY) and segment loss before allocation of group-wide shared costs (operating loss) was ¥349 million (¥75 million loss in FY2022).

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 ¥2,907 million (up 22.4% YoY).

(2) Outline of financial position

Assets

Current assets as of end-consolidated FY2023 totaled ¥18,932 million, an increase of ¥2,733 million, compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥1,195 million in accounts receivable - other, ¥931 million in cash and deposits, and ¥346 million in accounts receivable - trade. Non-current assets as of end-consolidated FY2023 totaled ¥6,491 million, a ¥913 million increase compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥477 million in intangible fixed assets, ¥226 million in property, plant and equipment, and ¥209 million in investments and other assets.

As a result of the above, total assets as of end-consolidated FY2023 totaled ¥25,430 million, an increase of ¥3,619 million compared with the end of the previous consolidated fiscal year.

Liabilities

Current liabilities as of end-consolidated FY2023 totaled ¥6,232 million, an increase of ¥1,803 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥753 million in income taxes payable, ¥335 million in accounts payable (other), and ¥255 million in accrued expenses. Non-current liabilities as of end-consolidated FY2023 totaled ¥1,560 million, a decrease of ¥651 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to a decrease of ¥675 million in long-term borrowings. As a result of the above, total liabilities as of end-consolidated FY2023 totaled ¥7,792 million, an increase of ¥1,152 million compared with the end of the previous consolidated fiscal year.

Net assets

Net assets as of end-consolidated FY2023 totaled ¥17,637 million, an increase of ¥2,467 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to, an increase of ¥448 million in capital surplus and a decrease of ¥645 million in treasury shares due to the disposal of treasury shares, an increase of ¥2,566 million in retained earnings due to incurring a quarterly net profit attributable to owners of the parent company, and an decrease of ¥292 million in valuation difference on available-for-sale securities

(3) Outline of cash flows for the consolidated fiscal year

Cash and cash equivalents (hereinafter, net cash) as of end-consolidated FY2023 totaled ¥15,351 million, an increase of ¥1,000 million compared with the end-FY2022.

Cash flows during consolidated FY2023 were as follows.

Cash flows from operating activities

Net cash provided by operating activities during consolidated FY2023 was ¥3,871 million (compared with ¥2,013 million in FY2022). This increase was mainly attributable to ¥3,802 million in pretax net profit, adjusted for ¥1,376 million in settlement income, ¥416 million in depreciation and amortization costs, an increase of ¥332 million in accounts payable - other, an increase of ¥286 million in trade receivable, an increase of ¥244 million in accrued expenses, ¥243 million in amortization of goodwill, ¥827 million in settlement receive, and ¥585 million in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities during consolidated FY2022 was ¥1,662 million (compared with ¥751 million in FY2022). This was mainly attributable to ¥644 million from the acquisition of shares of subsidiary companies related to changes in the scope of consolidated accounting, ¥356 million in purchase of investment securities, ¥262 million in payments for acquisition of businesses, ¥207 million in purchase of intangible assets, and ¥196 million in purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used by financing activities during consolidated FY2023 was ¥1,218 million (compared with net cash provided ¥927 million in FY2022). This was mainly attributable to ¥903 million in repayment of long-term loans, and ¥374 million in Net decrease in short-term borrowings.

(4) Outlook

The Company views the providing of value to its customers, in other words, maximization of companywide sales, as essential to maximization of long-term free cash flow, leading to growth in corporate value. The Company therefore positioned net sales as a key performance indicator to be considered when making management decisions. Specifically, the Company will focus on developing its business based on a business model focused on stable relationships with customers in order to achieve continuous high growth in sales (number of customer offices × ARPU*). The Company will also strive to maximize customer numbers while strengthening its product lineup in order to continuously improve ARPU. In order to achieve these goals, to the extent possible, the Company plans to conduct necessary investments in growth to continue to win customers, increase customer usage rate, and expand the range of functions offered by its services.

Based on the above, in addition to net sales, which the Company views as the main source of long-term free cash flow, the Company focuses on EBITDA, a profit indicator that it views as closer to free cash flow. The Company will proactively disclose information on these two indicators to shareholders and investors. Profit indicators other than EBITDA include operating profit, ordinary profit, and net profit attributable to owners of the parent company. When M&A is conducted, accounting standards can have a sizable impact on progress made in terms of the abovementioned investments in growth. The Company therefore focuses on EBITDA as a profit indicator that measures actual profitability and is not impacted by such factors. EBITDA levels may vary depending on the growth phases of businesses including new businesses or growth of group companies driven by M&A. However, we establish timeframes for individual businesses to reach positive EBITDA and proactively conduct investments with the goal of maximizing long-term free cash flow.

Recently, as part of our efforts to target a wider range of markets in order to maximize our long-term free cash flow, we have completed some of our market research and test marketing programs in the US and proceeded to the business development phase.

In managing this initiative, we will maintain our focus on financial discipline.

The Company's consolidated financial results forecast for FY2023 is as shown below. The Company's forecast does not factor in any impact from the launch of new businesses not currently included in our business plan or M&A with low probabilities. The Company's forecast also does not factor in any impact in the event that the tender offer for GUPPY's Inc., announced on January 19, 2024, is successful.

Financial results forecast for FY2024

Net sales	27,100 million yen
EBITDA	3,900 million yen
Operating profit	2,950 million yen
Ordinary profit	3,850 million yen
Profit attributable to owners of parent	2,570 million yen

The above forward-looking statements include forecasts that are based on information currently available to the Company and certain assumptions deemed to be reasonable. These statements include risks and uncertainties. Actual results may vary due to various uncertain factors.

Please also refer to the Company's financial results presentation materials for more details.

(Note) ARPU (Average Revenue Per User) = average sales per Group customer business office

2. Fundamental view regarding selection of accounting standards

The Company has adopted Japanese accounting standards as a means to allow comparison between companies. The Company has the policy of appropriately adopting International Financial Reporting Standards (IFRS), taking into consideration conditions in Japan and overseas.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	14,422	15,354
Accounts receivable - trade	1,265	1,612
Merchandise and finished goods	154	265
Work in process	12	18
Accounts receivable - other	175	1,371
Prepaid expenses	148	251
Other	46	92
Allowance for doubtful accounts	(27)	(34)
Total current assets	16,198	18,932
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	167	274
Tools, furniture and fixtures, net	62	105
Other, net	58	136
Total property, plant and equipment	289	515
Intangible assets		
Software	340	344
Goodwill	1,029	1,491
Customer-related assets	1,346	1,359
Other	5	4
Total intangible assets	2,722	3,199
Investments and other assets		
Investment securities	1,683	1,592
Deferred tax assets	187	361
Leasehold deposits	591	732
Other	104	90
Total investments and other assets	2,566	2,775
Total non-current assets	5,578	6,491
Deferred assets	33	6
Total assets	21,810	25,430

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	272	317
Current portion of long-term borrowings	772	731
Accounts payable - other	1,186	1,522
Accrued expenses	430	685
Contract liabilities	862	781
Deposits received	340	500
Income taxes payable	307	1,060
Other provisions	51	165
Other	205	466
Total current liabilities	4,429	6,232
Non-current liabilities		
Long-term borrowings	1,604	928
Deferred tax liabilities	418	400
Other	189	231
Total non-current liabilities	2,211	1,560
Total liabilities	6,640	7,792
Net assets		
Shareholders' equity		
Share capital	40	47
Capital surplus	15,276	14,812
Retained earnings	1,236	3,802
Treasury shares	(1,764)	(1,118)
Total shareholders' equity	14,788	17,543
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	292	-
Foreign currency translation adjustment	(0)	8
Total accumulated other comprehensive income	292	8
Share acquisition rights	0	-
Non-controlling interests	88	85
Total net assets	15,170	17,637
Total liabilities and net assets	21,810	25,430

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Net sales	14,185	20,532
Cost of sales	4,464	6,945
Gross profit	9,720	13,586
Selling, general and administrative expenses	8,430	10,924
Operating profit	1,290	2,661
Non-operating income		
Interest income	0	0
Settlement received	303	1,376
Subsidy income	14	6
Other	18	42
Total non-operating income	337	1,426
Non-operating expenses		
Interest expenses	11	11
Amortization of share issuance costs	33	27
Outsourcing expenses	49	283
Other	5	10
Total non-operating expenses	100	333
Ordinary profit	1,526	3,755
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	-	46
Gain on sale of non-current assets	0	0
Total extraordinary income	0	47
Extraordinary losses		
Loss on sale of non-current assets	1	0
Loss on abandonment of non-current assets	1	0
Total extraordinary losses	2	0
Profit before income taxes	1,523	3,802
Income taxes - current	527	1,317
Income taxes - deferred	(25)	(86)
Total income taxes	502	1,230
Profit	1,021	2,571
Profit attributable to non-controlling interests	4	5
Profit attributable to owners of parent	1,017	2,566

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Profit	1,021	2,571
Other comprehensive income		
Valuation difference on available-for-sale securities	292	(292)
Foreign currency translation adjustment	(0)	8
Total other comprehensive income	292	(283)
Comprehensive income	1,313	2,287
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,309	2,282
Comprehensive income attributable to non-controlling interests	4	5

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended December 31, 2022

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	6,695	8,517	520	(1,763)	13,968	-	-	-	0	80	14,049
Cumulative effects of changes in accounting policies			(301)		(301)						(301)
Restated balance	6,695	8,517	218	(1,763)	13,666	-	-	-	0	80	13,748
Changes during period											
Issuance of new shares	52	52			104						104
Capital reduction	(6,706)	6,706			-						-
Profit attributable to owners of parent			1,017		1,017						1,017
Purchase of treasury shares				(0)	(0)						(0)
Net changes in items other than shareholders' equity						292	(0)	292	-	7	299
Total changes during period	(6,654)	6,759	1,017	(0)	1,122	292	(0)	292	-	7	1,422
Balance at end of period	40	15,276	1,236	(1,764)	14,788	292	(0)	292	0	88	15,170

For the fiscal year ended December 31, 2023

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	40	15,276	1,236	(1,764)	14,788	292	(0)	292	0	88	15,170
Changes during period											
Issuance of new shares	7	7			14						14
Profit attributable to owners of parent			2,566		2,566						2,566
Purchase of treasury shares				(0)	(0)						(0)
Disposal of treasury shares		(448)		645	197						197
Change in ownership interest of parent due to transactions with non-controlling interests		(23)			(23)						(23)
Net changes in items other than shareholders' equity						(292)	8	(283)	(0)	(2)	(286)
Total changes during period	7	(464)	2,566	645	2,754	(292)	8	(283)	(0)	(2)	2,467
Balance at end of period	47	14,812	3,802	(1,118)	17,543	-	8	8	-	85	17,637

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	1,523	3,802
Depreciation	386	416
Amortization of goodwill	181	243
Amortization of security deposit	23	15
Increase (decrease) in allowance for doubtful accounts	6	6
Interest and dividend income	(0)	(0)
Interest expenses	11	11
Amortization of share issuance costs	33	27
Settlement income	(303)	(1,376)
Gain on sale of non-current assets	(0)	(0)
Loss on sales of non current assets	1	0
Loss on abandonment of non-current assets	1	0
Gain on sale of shares of subsidiaries and associates	-	(46)
Decrease (increase) in trade receivables	(242)	(286)
Decrease (increase) in accounts receivable - other	92	62
Decrease (increase) in inventories	(48)	(87)
Increase (decrease) in trade payables	17	16
Increase (decrease) in accounts payable - other	327	332
Increase (decrease) in accrued expenses	333	244
Increase (decrease) in advances received	(1,000)	-
Increase (decrease) in contract liabilities	862	(80)
Increase (decrease) in deposits received	166	14
Other, net	(82)	328
Subtotal	2,292	3,640
Interest and dividends received	0	0
Interest paid	(10)	(11)
Settlement received	227	827
Income taxes paid	(496)	(585)
Net cash provided by (used in) operating activities	2,013	3,871
Cash flows from investing activities		
Purchase of investment securities	(334)	(356)
Payments into time deposits	(116)	(56)
Proceeds from withdrawal of time deposits	383	125
Purchase of property, plant and equipment	(146)	(196)
Proceeds from sale of property, plant and equipment	36	5
Purchase of intangible assets	(232)	(207)
Payments of leasehold and guarantee deposits	(422)	(169)
Proceeds from refund of leasehold and guarantee deposits	426	3
Payments for acquisition of businesses	-	(262)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(388)	(644)
Other, net	41	98
Net cash provided by (used in) investing activities	(751)	(1,662)

(Millions of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	(374)
Repayments of long-term borrowings	(1,024)	(903)
Proceeds from issuance of shares	104	14
Proceeds from disposal of treasury shares	-	87
Purchase of treasury shares	(0)	(0)
Other, net	(7)	(42)
Net cash provided by (used in) financing activities	(927)	(1,218)
Effect of exchange rate change on cash and cash equivalents	(0)	9
Net increase (decrease) in cash and cash equivalents	333	1,000
Cash and cash equivalents at beginning of period	14,017	14,351
Cash and cash equivalents at end of period	14,351	15,351

(5) Notes on consolidated financial statements

(Notes related to going concern assumptions)

Not applicable

(Segment information, etc.)

(Segment information)

1. Overview of reportable segments

(1) Classification of reportable segments

The business segments the Company reports are the business units from which individual financial information can be obtained, and on which the Board of Directors can conduct periodic investigations to determine the appropriate distribution of operational resources and evaluate business performance.

The Company's consists of service-specific segments based on business divisions, and the Company's reportable segments are composed of the following three units: HR PF Business, Medical PF Business, and New Services Segment.

(2) Services provided by each reportable segment

The HR Platform Business handles JobMedley hiring support service that runs on a placement fee business model and assists companies in the medical healthcare field to address issues such as labor shortages and uneven regional distribution of medical professionals and JobMedley Academy online nursing training service. The Medical Platform Business handles CLINICS cloud medical support system, Pharms pharmacy window support system, MEDLEY medical information service, MALL electronic medical record system for hospitals, and Dentis cloud dental support system. The New Services Segment handles Kaigo-no Honne nursing facility search website aimed at people searching for nursing care facilities and Factoring services to meet customer offices' early funding needs.

2. Method of calculating sales and profit (loss), identifiable assets and liabilities, and other items by reportable segment

Accounting methods for reportable segments are basically the same as those used when creating financial statements. Profit by reportable segment is reported on an operating profit basis.

3. Information on net sales and operating profit (loss), identifiable assets and liabilities, other items by reportable segment, and revenue analysis information

Consolidated Fiscal Year 2022 (from January 1, 2022 to December 31, 2022)

(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	10,129	3,729	326	14,185	—	14,185
Other revenue	—	—	—	—	—	—
Sales to external customers	10,129	3,729	326	14,185	—	14,185
Inter-segment sales and transfers	2	—	—	2	(2)	—
Total	10,131	3,729	326	14,187	—	14,185
Segment profit (loss)	4,275	(535)	(75)	3,664	(2,374)	1,290
Segment assets	808	2,093	2	2,903	18,907	21,810
Other items						
Depreciation	198	139	0	338	48	386
Amortization of goodwill	71	110	—	181	—	181
Increase in property, plant and equipment and intangible assets	394	374	0	769	99	869

- Notes: 1. Segment profit (loss) adjustments of (¥2,374 million) include intersegment eliminations and corporate expenses unallocated to reportable segments.
2. Segment profit (loss) is adjusted under operating profit on the Consolidated Statements of Income.
3. Adjustments of identifiable segment assets of ¥18,907 million mainly include company-wide assets unallocated to reportable segments.
4. In consolidated FY2022, At Home Inc. and Tenxia Co., Ltd. were brought into the scope of consolidated accounting. Adjustment of increase in property, plant and equipment and intangible assets includes goodwill arising from the acquisition of shares in both companies.

Consolidated Fiscal Year 2022 (from January 1, 2023 to December 31, 2023)

(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	14,653	5,458	362	20,474	—	20,474
Other revenue	—	—	58	58	—	58
Sales to external customers	14,653	5,458	420	20,532	—	14,185
Inter-segment sales and transfers	2	—	—	2	(2)	—
Total	14,656	5,458	420	20,535	(2)	20,532
Segment profit (loss)	6,302	(383)	(349)	5,569	(2,907)	2,661
Segment assets	700	2,372	477	3,550	21,879	25,430
Other items						
Depreciation	203	163	26	393	23	416
Amortization of goodwill	87	136	19	243	—	243
Increase in property, plant and equipment and intangible assets	179	620	519	1,318	105	1,423

- Notes: 1. Segment profit (loss) adjustments of (¥2,907 million) include intersegment eliminations and corporate expenses unallocated to reportable segments.
2. Segment profit (loss) is adjusted under operating profit on the Consolidated Statements of Income.
3. Adjustments of identifiable segment assets of ¥21,879 million mainly include company-wide assets unallocated to reportable segments.
4. In consolidated FY2023, the Company acquired the pharmacy business of Bamboo Inc. and increases in tangible fixed assets and intangible fixed assets include goodwill associated with this acquisition. Also, in consolidated FY2023, GCM Co., Ltd. (GCM) was brought into the scope of consolidated accounting and increases in tangible fixed assets and intangible fixed assets include goodwill associated with the acquisition of the shares of GCM.

(Related information)

Consolidated Fiscal Year 2022 (from January 1, 2022 to December 31, 2022)

1. Information about each product or service

This information is omitted here because similar information is disclosed in Segment information.

2. Information for geographical regions

(1) Net sales

This information is omitted because sales to external customers in Japan account for over 90% of the net sales in the consolidated statements of income.

(2) Property, plant and equipment

Not applicable because there is no property, plant, and equipment located outside Japan.

3. Information about major customers

This information is omitted because no customer accounts for over 10% of the net sales in the consolidated statements of income.

Consolidated Fiscal Year 2023 (from January 1, 2023 to December 31, 2023)

1. Information about each product or service

This information is omitted here because similar information is disclosed in Segment information.

2. Information for geographical regions

(1) Net sales

This information is omitted because sales to external customers in Japan account for over 90% of the net sales in the consolidated statements of income.

(2) Property, plant and equipment

(Million yen)

Japan	U.S.	Total
435	80	515

3. Information about major customers

This information is omitted because no customer accounts for over 10% of the net sales in the consolidated statements of income.

(Information on impairment losses on non-current assets by reportable segment)

Consolidated Fiscal Year 2022 (from January 1, 2022 to December 31, 2022)

Not applicable

Consolidated Fiscal Year 2023 (from January 1, 2023 to December 31, 2023)

Not applicable

(Information regarding the amount of amortization of goodwill and unamortized balance for each reporting segment)

Consolidated Fiscal Year 2022 (from January 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segment				Other	Company-wide/ amortization	Total
	HR PF Business	Medical PF Business	New Services	Total			
Balance at end of period	360	668	—	1,029	—	—	1,029

Notes: Information on amount of amortization of goodwill is omitted here because similar information is disclosed in Segment information.

Consolidated Fiscal Year 2023 (from January 1, 2023 to December 31, 2023)

(Million yen)

	Reportable segment				Other	Company-wide/ amortization	Total
	HR PF Business	Medical PF Business	New Services	Total			
Balance at end of period	273	949	268	1,491	—	—	1,491

Notes: Information on amount of amortization of goodwill is omitted here because similar information is disclosed in Segment information.

(Information regarding the amount of amortization of goodwill and unamortized balance for each reporting segment)

Not applicable

(Business combinations, etc.)

(Business combination via transaction)

(1) Summary of business combination

1) Name and description of business of acquired corporation

Name of acquired corporation : Bamboo Inc.

Description of business activities : Pharmacy and home medical care

2) Main purpose of business combination

The Medley Group proactively conducts proof-of-concept testing and business development using digital technologies aimed at creating a sustainable regional healthcare. As part of these efforts, we recently acquired Bamboo Inc. and its home health care knowhow that was gained in cooperation with doctors, visiting nurses, and care managers and we will accelerate the application of digital technology through a variety of initiatives as well as the improvement of the Group's products.

3) Business combination date

February 1, 2023

4) Legal form of business combination

Absorption-type demerger with Community Medical Inc. as the successor company and Bamboo Inc. as the demerged company

5) Name of acquired company after acquisition

Community Medical Inc.

6) Primary basis for determination of acquiring company

Community Medical Inc. took over the business of Bamboo Inc. for cash consideration

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

February 1, 2023 to December 31, 2023

(3) Acquisition cost and breakdown by type of considerations

Consideration paid in cash : 262 million yen

Acquisition cost : 262 million yen

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

Compensation for advisory services : 27 million yen

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

1) Goodwill recognized

236 million yen

2) Reason of recognized

Mainly recognized on the basis of the future earnings potential of Bamboo Inc. based on the expected future development of its 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	17 million yen
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Non-current assets	12 million yen
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Total assets	29 million yen
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Non-current liabilities	3 million yen
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Total liabilities	3 million yen
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(7) Estimated amount and calculation method of the impact of the business combination on the consolidated statement of income for consolidated FY2023 assuming that the business combination was completed on the first day of consolidated FY2023

This information is omitted due to lack of materiality.

(Business combination via transaction)

(1) Summary of business combination

1) Name and description of business of acquired corporation

Name of acquired corporation: GCM Co., Ltd.

Description of business activities: Factoring and other businesses

2) Main purpose of business combination

GCM Co., Ltd.'s factoring business purchases medical fee receivables and nursing care benefit receivables billed to the Social Insurance Medical Fee Payment Fund and the Federation of National Health Insurance Association from medical institutions and nursing care facilities. This service allows clients to shorten the approximately two months it normally takes from the issuance of claims to the collection of funds for these receivables, thereby allowing them to meet their funding needs more rapidly.

The acquisition will allow the Company's corporate group to meet a wider range of needs in the medical healthcare field. The Company will leverage its customer base to proactively expand its businesses and achieve synergies via the acquisition.

3) Business combination date

September 1, 2023

4) Legal form of business combination

Acquisition of shares in exchange for cash

5) Name of acquired company after acquisition

GCM Co., Ltd.

6) Percentage of voting rights acquired

Percentage of voting rights acquired on the date of acquisition: 100%

7) Primary basis for determination of acquiring company

The Company acquired 100% of the voting rights of GCM Co., Ltd. via acquisition of shares in exchange for cash.

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

September 1, 2023 to December 31, 2023

(3) Acquisition cost and breakdown by type of considerations

Consideration paid in cash: 505 million yen

Acquisition cost: 505 million yen

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

Compensation for advisory services ¥52 million

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

1) Goodwill recognized

¥287 million

2) Reason of recognized

Mainly recognized based on the future earnings potential from the expected future development of businesses of GCM Co., Ltd..

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 allocated to intangible fixed assets other than goodwill and its breakdown by major classification, and weighted average amortization period for the whole amount and for each major classification

Classification	Amount	Weighted average amortization period
Assets attributable to customers	138 million yen	7年

(7) Amount and major breakdown of assets received and liabilities assumed on business combination date

Current assets	813 million yen
Non-current assets	139 million yen
Total assets	953 million yen
Current liabilities	563 million yen
Non-current liabilities	173 million yen
Total liabilities	736 million yen

(8) Estimated amount and calculation method of the impact of the business combination on the consolidated statement of income for consolidated FY2023 assuming that the business combination was completed on the first day of consolidated FY2023

This information is omitted due to lack of materiality.

(Per share information)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Net assets per share	469.79 Yen	542.49 Yen
Net profit (loss) per share	31.77 Yen	79.53 Yen
Diluted net profit per share	31.16 Yen	78.55 Yen

(Note) Methods used to calculate net profit per share and diluted net profit per share are shown below.

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Net profit (loss) per share		
Net profit (loss) attributable to owners of parent (million yen)	1,017	2,566
Amount not attributable to common shareholders (million yen)	-	-
Net loss attributable to parent company shareholders of common stock (million yen)	1,017	2,566
Average number of common shares during fiscal year (share)	32,031,542	32,269,117
Diluted net profit per share		
Net profit adjustment attributable to owner of parent (million yen)	-	-
Amount of increase in common shares (share)	631,505	404,106
Descriptions of potentially non-dilutive common shares that were not included in the calculation of diluted net profit per share	-	-

(Significant subsequent events)

(Business combination via transaction)

(1) Summary of business combination

At the Board of Directors Meeting held on October 24, 2023, the Company resolved to take over the business operations related to Lalune, a women's health consultation application operated by Ateam Wellness, Inc. (Ateam Wellness) and to enter into an absorption-type demerger agreement with Ateam Wellness, effective February 1, 2024. Procedures related to the absorption-type demerger were completed on February 1, 2024.

1) Name and description of business of acquired corporation

Name of acquired corporation: Bamboo Inc.

Description of business activities: Pharmacy and home medical care

2) Main purpose of business combination

The Medley Group proactively conducts proof-of-concept testing and business development using digital technologies aimed at creating sustainable regional healthcare. As part of these efforts, we recently acquired the home health care knowhow of Bamboo Inc. gained in cooperation with doctors, visiting nurses, and care managers and we will accelerate the application of digital technology through a variety of initiatives including improvement of the Group's products.

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) Acquisition cost and breakdown by type of considerations

Consideration paid in cash: 500 million yen

Acquisition cost: 500 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) Breakdown of the amount of major assets accepted and liabilities assumed on the date of business combination

Not determined at present time

(Tender Offer for GUPPY’s Inc.)

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.

(1) Purpose of the tender offer

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.

Additionally, if the Target’s listing is maintained, the Target will have to carry out business operations with a certain degree of independence from the Company, which from an information management standpoint, should result in limiting the mutual sharing of information between the Company and the Target, etc. Additionally, there are concerns that there would be certain restrictions on the mutual sharing and use of management resources and knowhow, as well as on agile decision making; so it is believed that it is desirable to make the Target a wholly owned subsidiary of the Company in order to maximize their mutual synergies.

(2) Outline of the Target

- 1) Name GUPPY’s Inc.
- 2) Location 14-1 Nishi-Shinjuku 6-chome, Shinjuku-ku, Tokyo
- 3) Title and name of representative Yoshimitsu Hida, Representative Director
- 4) Business details Human resource service business specializing in medical care, nursing care, and welfare, and healthcare business utilizing a health management app
- 5) Stated capital 439,190,000 yen (as of November 30, 2023)
- 6) Date of incorporation September 19, 2000

(3) Overview of the Tender Offer

1) Purchase Period in the Tender Offer Statement

From January 22, 2024 (Monday) to March 7, 2024 (Thursday) (32 business days)

2) Tender Offer Price, etc

3,250 yen per one common share

1 yen per one unit of Series 5 Share Options

3) Number of Share Certificates, etc. to be Purchased

Number to be Purchased 1,677,274 shares

Minimum Number to be Purchased 392,800 shares

Maximum Number to be Purchased - shares

Notes: If the total number of the Tendered Share Certificates, etc. is less than the minimum number of shares to be purchased (392,800 shares), the purchase, etc. of all of the Tendered Share Certificates, etc. will not be carried out. If the total number of the Tendered Share Certificates, etc. is at least the minimum number of shares to be purchased (392,800 shares), the purchase, etc. of all of the Tendered Share Certificates, etc. will be carried out

4) Aggregate Tender Offer Price: 5,451 million yen

Note: The “aggregate Tender Offer Price” is the amount calculated by multiplying the number of shares to be

purchased (1,677,274 shares) in the Tender Offer by the Tender Offer Price (3,250 yen).

5) Commencement date of settlement

March 14, 2024 (Thursday)

6) Reorganization, etc. Policy After the Tender Offer (Matters Concerning Two-Stage Acquisitions)

The Company has executed a tender-offer non-tender agreement with (i) Yoshimitsu Hida, the representative director of the Target who is a major shareholder and the largest shareholder of the Target (as of November 30, 2023, hereinafter “Mr. Hida”) and (ii) Guppy Co., Ltd. (hereinafter “Guppy”), the asset management company in which Mr. Hida and his family hold all of the issued shares and the second largest shareholder of the Target (as of November 30, 2023); and Mr. Hida and Guppy are collectively referred to as the “Planned Non-Tendering Shareholders”.

After the conclusion of the Tender Offer, it is planned that the Company and the Planned Non-Tendering Shareholders will become the sole shareholders of the Target, and the necessary procedures will be carried out to implement a series of procedures (the “Squeeze-Out Procedures”) to delist the Target, and after the completion of the Squeeze-Out Procedures, the Company will receive the shares in exchange for 6,377,000,000 yen* from the Planned Non-Tendering Shareholders and the Target will become a wholly owned subsidiary of the Company.

* Calculated by multiplying the number of Shares Not Planned to be Tendered (2,176,000 shares, as of November 30, 2023) by the per-share share transfer price (2,931 yen)

(Sale of investment securities)

At the meeting of the board of directors held on February 14, 2024, the Company resolved to sell its holdings of common stock and convertible bonds of minacolor inc.

(1) Reason for sale of investment securities

The sale will be conducted in order to facilitate the early termination of the capital and business alliance agreement with NTT DOCOMO, which was signed on April 26, 2021.

(2) Details regarding sale of investment securities

Name of counterparty company	:	NTT DOCOMO, INC.
Scheduled date of sale	:	February 21, 2024 (scheduled)
Sale price	:	1,569 million yen
Gain/loss on sale of investment securities	:	- million yen