Presentation Material for FY2020 Q2 Financial Results

Medley, Inc.
August 14, 2020
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1. Financial Highlights

2. FY2020 Q2 Results

3. FY2020 Forecast

4. Appendix
Financial Highlights

FY2020 Q2 Results

- Steady progress toward our earnings targets
- Maintained high sales growth rate and continued aggressive investment in growth
  - Sales: JPY 2,315 million (YoY: +42%)
  - EBITDA: JPY 699 million (YoY: +28%)
    - Acquisition cost of EMR assets (JPY 130mm) was posted as one-time cost (see p9)

FY2020 Forecast

- Continue to make progress toward our medium- and long-term goals even as we face COVID-19
- Leave our FY2020 full-year forecast unchanged
  - Sales: JPY6,600~6,900million (YoY: +39~45%)
  - EBITDA: JPY500~800million (EBITDA margin: 7~12%)
- Strengthen efforts to achieve our medium-term targets while responding to changes in the operating environment caused by the COVID-19
  - Respond to increasing demand in our telemedicine systems business
  - Launch online drug administration guidance support system business
  - Established a subsidiary to provide digitalization services to pharmaceutical companies and medical device manufacturers
1. Financial Highlights

2. FY2020 Q2 Results

3. FY2020 Forecast

4. Appendix
## Summary of Consolidated FY2020 Q2 Results

<table>
<thead>
<tr>
<th>JPY mm</th>
<th>FY2019 Q2</th>
<th>FY2020 Q2</th>
<th>YoY growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,630</td>
<td>2,315</td>
<td>+42%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>1,213</td>
<td>1,804</td>
<td>+49%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>547</td>
<td>699</td>
<td>+28%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>525</td>
<td>663</td>
<td>+26%</td>
</tr>
<tr>
<td>Ordinary Profit</td>
<td>525</td>
<td>665</td>
<td>+27%</td>
</tr>
<tr>
<td>Profit Attributable to</td>
<td>525</td>
<td>593</td>
<td>+13%</td>
</tr>
<tr>
<td>Owners of Parent</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Steady progress toward our goals: H1 FY2020 sales represented 52% progress toward the high end of our FY2020 forecast range.

**Aggregated Quarterly Sales**

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1 (JPY mm)</th>
<th>Q2 (JPY mm)</th>
<th>Q3 (JPY mm)</th>
<th>Q4 (JPY mm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY20</td>
<td>1,249</td>
<td>2,315</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY19</td>
<td>871</td>
<td>1,630</td>
<td>1,173</td>
<td>1,089</td>
</tr>
<tr>
<td>FY18</td>
<td>523</td>
<td>1,039</td>
<td>693</td>
<td>676</td>
</tr>
</tbody>
</table>

H1 3,564 (Progress: 52%\(^{(1)}\))

Upper bound of forecast range 6,900

\(^{(1)}\) Progress toward JPY 6,900 million, which is the high end of our FY2020 forecast range of JPY 6,600 million to JPY 6,900 million
Maintained High Sales Growth Rate

Q2 FY2020 sales increased by 42% YoY, trending in line with our forecast range. While the Recruitment Platform Business was impacted by a bottleneck resulting from the COVID-19, our Medical Platform Business has seen an increase in the number of medical institutions using our telemedicine systems, resulting in strong growth in overall sales.

(1) The Recruitment Platform Business posts sales based on the hire dates of new employees.
In Q2 FY2020, we continued aggressive investment in growth funded by profitable businesses and earnings trended in line with our forecast. Adjusted for one-time costs such as those associated with the acquisition of the EMR assets, EBITDA grew by 51% YoY (see p10).

**Quarterly EBITDA**

(JPY mm)

- Corporate Expenses (1)
- New Services
- Medical Platform
- Recruitment Platform

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Corporate Expenses</th>
<th>New Services</th>
<th>Medical Platform</th>
<th>Recruitment Platform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1'17</td>
<td>-39</td>
<td>50</td>
<td>-66</td>
<td>-0.6</td>
</tr>
<tr>
<td>Q2'17</td>
<td>120</td>
<td>214</td>
<td>-79</td>
<td>-39</td>
</tr>
<tr>
<td>Q3'17</td>
<td>7</td>
<td>96</td>
<td>-95</td>
<td>-129</td>
</tr>
<tr>
<td>Q4'17</td>
<td>-42</td>
<td>95</td>
<td>-23</td>
<td>-115</td>
</tr>
<tr>
<td>Q1'18</td>
<td>-62</td>
<td>107</td>
<td>-39</td>
<td>-1</td>
</tr>
<tr>
<td>Q2'18</td>
<td>301</td>
<td>219</td>
<td>-91</td>
<td>-9</td>
</tr>
<tr>
<td>Q3'18</td>
<td>-77</td>
<td>219</td>
<td>-97</td>
<td>-26</td>
</tr>
<tr>
<td>Q4'18</td>
<td>-209</td>
<td>154</td>
<td>-114</td>
<td>-34</td>
</tr>
<tr>
<td>Q1'19</td>
<td>-17</td>
<td>270</td>
<td>-80</td>
<td>-24</td>
</tr>
<tr>
<td>Q2'19</td>
<td>547</td>
<td>398</td>
<td>-117</td>
<td>-25</td>
</tr>
<tr>
<td>Q3'19</td>
<td>-35</td>
<td>283</td>
<td>-169</td>
<td>-22</td>
</tr>
<tr>
<td>Q4'19</td>
<td>-244</td>
<td>323</td>
<td>-145</td>
<td>-15</td>
</tr>
<tr>
<td>Q1'20</td>
<td>-177</td>
<td>-136</td>
<td>-136</td>
<td>-16</td>
</tr>
<tr>
<td>Q2'20</td>
<td>1,178</td>
<td>-115</td>
<td>-338</td>
<td>-24</td>
</tr>
</tbody>
</table>

Earnings trended in line with our forecast while continuing investment in growth (details on next page)

(1) Total of companywide expenses not allocated to segments and intersegment eliminations
(2) One-time cost (JPY 100 mm) for acquiring a source code to add a new function to the Medical Platform
(3) One-time cost (JPY 130 mm) for acquiring EMR assets from another company
EBITDA margin for Medical Platform Business improved considerably as the EBITDA turned positive when adjusted for the one-time expense (JPY 130 million) associated with the acquisition of the EMR assets of another company. Companywide costs increased YoY on an increase in the number of corporate employees, but the ratio of companywide costs to sales remained steady.

**Main factors contributing to change in Q2 EBITDA margin**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Q2 FY19</th>
<th>Q2 FY20</th>
<th>Main factors</th>
</tr>
</thead>
</table>
| Recruitment PF | 60.5%   | 61.2%   | • Decline in ratio of sales to advertising costs targeting acquisition of medical industry professionals as members  
- Q2 FY19: 16.6% → Q2 FY20: 15.3%  
- FY20 advertising costs (digital ads + TV commercials) concentrated in Q1 |
| Medical PF | -113.9% | -31.3%  | • Strong telemedicine sales  
• Acquisition cost of EMR assets (JPY 130 mm) |

**Main factors contributing to increase in Corporate Expenses**

<table>
<thead>
<tr>
<th>Cost item</th>
<th>Q2 FY19</th>
<th>Q2 FY20</th>
<th>Main factors</th>
</tr>
</thead>
</table>
| Personnel costs   | 85 (5.2%)| 155 (6.7%)| • Expansion of corporate planning and hiring teams  
- Number of corporate employees: 27 in Q2 FY19 → 45 in Q2 FY20 |
| Rents             | 43 (2.7%)| 61 (2.7%)| • Office expansion ahead of increase in number of employees (Q4 FY19)  
- 306 in Q2 FY19 → 451 in Q2 FY20 |
| Hiring costs      | 25 (1.6%)| 42 (1.8%)| • Progress made in companywide hiring (especially hiring to meet demand in the Medical Platform Business) |
| Commission fees   | 38 (2.4%)| 36 (1.6%)| • Decline in M&A-related costs and professional business outsourcing costs |
| Other costs       | 20 (1.2%)| 42 (1.9%)| • Size-based business tax associated with capital increase: JPY 13mm |

(1) Total of companywide expenses not allocated to segments and intersegment eliminations  
(2) One-time cost (JPY 130 mm) for acquiring EMR assets from another company
(Repost) Acquisition of EMR Assets

On May 1, we entered agreements(1) with Life Sciences Computing Corporation (“LSC”) to acquire its EMR assets with customer accounts and its license for PACS system. We are currently working with LSC to support the above mentioned customers that we will take on and we plan to leverage these assets to increase the number of customers using our medical platform and improve ARPU (minor near-term earnings impact).

**Assets to be acquired: EMR assets and related customer accounts**

| Details regarding assets to be acquired | • Mainly for medical clinics  
• Including cloud-based and on-premise assets |
| Number of customer accounts to be acquired | Approx. 200  
(one of the largest pools of cloud-based EMR accounts in Japan) |
| Acquisition price | JPY110mm  
(to be posted as a one-time sales promotion expenses) |

**Licensed asset: PACS technology**

| Overview of PACS | • Data archiving system for images produced by imaging equipment (such as CT and MRI scanners)  
• Used by large-scale internal medicine and orthopedic surgery departments, where compatibility with EMR is important. |
| Licensed fee | JPY20mm  
(to be posted as a one-time software expense) |

**Compatibility between EMR and PACS**

- **EMR**
  - Image display
- **PACS**
  - Image archiving
  - Imaging equipment (such as CT and MRI scanners)
- **Image capture**

**Purpose of acquisition**

<table>
<thead>
<tr>
<th>Expansion of our customer base</th>
<th>EMR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of roughly 200 customers</td>
<td></td>
</tr>
</tbody>
</table>
(We plan a phased transfer to CLINICS EMR after expansion of CLINICS EMR functionality.) |

<table>
<thead>
<tr>
<th>ARPU improvement</th>
<th>Telemedicine</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development and sale of products featuring integrated PACS and EMR functions</td>
<td>Cross selling of CLINICS Telemedicine to acquired customers</td>
</tr>
<tr>
<td>Development of new customers including orthopedic surgery departments</td>
<td></td>
</tr>
<tr>
<td>Sale of products featuring integrated functions to existing customers</td>
<td></td>
</tr>
</tbody>
</table>

(1) Contract scheduled to become effective on June 1, 2020
In Q2 FY2020, we have continued to aggressively invest in growth funded by profitable businesses. ARPU increases sharply in every Q2 as a result of the concentration of sales during the time period.

**Number of Customer Offices**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td>104</td>
<td>125</td>
<td>142</td>
<td>166</td>
</tr>
<tr>
<td>Q3</td>
<td>119</td>
<td>134</td>
<td>149</td>
<td>166</td>
</tr>
<tr>
<td>Q4</td>
<td>157</td>
<td>157</td>
<td>157</td>
<td>166</td>
</tr>
<tr>
<td>Q1</td>
<td>166</td>
<td>176</td>
<td>183</td>
<td>193</td>
</tr>
</tbody>
</table>

(1) Total number of customers in the Recruitment Platform and Medical Platform businesses. Please note, however, that since Q4 FY2019, customers using both platforms have been counted as a single customer account.

(2) Starting in Q2 FY2020, the number of customer offices served includes customers acquired from Life Sciences Computing Corporation.

**ARPU**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td>1,026</td>
<td>3,372</td>
<td>3,198</td>
<td>3,472</td>
</tr>
<tr>
<td>Q3</td>
<td>4,105</td>
<td>1,075</td>
<td>975</td>
<td>763</td>
</tr>
<tr>
<td>Q4</td>
<td>13,421</td>
<td>7,233</td>
<td>626</td>
<td>706</td>
</tr>
<tr>
<td>Q1</td>
<td>4,577</td>
<td>4,577</td>
<td>514</td>
<td>514</td>
</tr>
<tr>
<td>Q2</td>
<td>4,995</td>
<td>4,995</td>
<td>514</td>
<td>514</td>
</tr>
<tr>
<td>Q3</td>
<td>5,517</td>
<td>5,517</td>
<td>514</td>
<td>514</td>
</tr>
<tr>
<td>Q4</td>
<td>6,684</td>
<td>6,684</td>
<td>5,593</td>
<td>5,593</td>
</tr>
<tr>
<td>Q1</td>
<td>7,994</td>
<td>7,994</td>
<td>6,684</td>
<td>6,684</td>
</tr>
<tr>
<td>Q2</td>
<td>9,912</td>
<td>9,912</td>
<td>7,994</td>
<td>7,994</td>
</tr>
<tr>
<td>Q3</td>
<td>11,695</td>
<td>11,695</td>
<td>9,912</td>
<td>9,912</td>
</tr>
</tbody>
</table>

(3) \[\text{ARPU} = \frac{\text{Quarterly sales}}{\text{Average number of business locations (total for Recruitment Platform and Medical Platform businesses)}}\]

ARPU for each platform = Quarterly sales of each platform / Total number of customers in the Recruitment Platform and Medical Platform businesses. Please note, however, that since Q4 FY2019, customers using both platforms have been counted as a single customer account.
While keeping a strong financial position, we increased lines of credit and borrowings to take advantage of operating funds and investment opportunities. (capital ratio: 61%, D/E ratio: 0.34x).

### B/S as of the end of March 2020

<table>
<thead>
<tr>
<th>Cash and deposits 3,997</th>
<th>Other assets 1,051</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt 912</td>
<td>Net assets 3,164</td>
</tr>
</tbody>
</table>

### B/S as of the end of June 2020

<table>
<thead>
<tr>
<th>Cash and deposits 5,480</th>
<th>Other assets 1,171</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt 1,360</td>
<td>Net assets 4,054</td>
</tr>
</tbody>
</table>

#### Key Points:
- Make appropriate use of debt whilst monitoring cost of capital.
- Secure more LOC and increase borrowing to take advantage of business opportunities.
Institutional Investor Ownership Ratio Rose to 45%

Since our listing, we have conducted proactive IR activities designed to attract long-term investors. As a result of these efforts, our ratio of institutional investor ownership (mainly foreign institutional investors) rose from 30% to 45% over a period of six months. We will continue to endeavor to provide robust disclosure that helps both institutional and individual long-term investors make investment decisions.
① Recruitment Platform
While we saw slow growth owing to the impact of delays in hiring interviews and hiring postponements resulting from the promulgation of the state of emergency in response to the spread of COVID-19, after the full lifting of the state of emergency on May 25, we returned to a high-growth trend.

**Impact of COVID-19**

**Job Opening/Application**
- No major change in hiring demand from customers or job seeker sentiment regarding changing jobs
- Some companies in the nursing care industry have suspended hiring activities

**Interview**
- Arranging interviews with some customers has become more challenging

**Employment**
- Some customers have pushed back hiring dates

**Transition of bottlenecks (YoY)**

- Declaration of State of Emergency (4/7)
- Full lifting of the declaration (5/25)

- Number of interviews
- Number of hires

- Jan
- Feb
- Mar
- Apr
- May
- Jun
While we saw an impact from the COVID-19 in Q2 FY2020, the number of customer offices served trended in line with our forecast and we currently have service contracts with 198k.

Number of Customer Offices (thousand)

- Q1 FY15: 87
- Q2 FY15: 100
- Q3 FY15: 115
- Q4 FY15: 130
- Q1 FY16: 145
- Q2 FY16: 160
- Q3 FY16: 175
- Q4 FY16: 190
- Q1 FY17: 205
- Q2 FY17: 220
- Q3 FY17: 235
- Q4 FY17: 250
- Q1 FY18: 265
- Q2 FY18: 280
- Q3 FY18: 295
- Q4 FY18: 310
- Q1 FY19: 325
- Q2 FY19: 340
- Q3 FY19: 355
- Q4 FY19: 370
- Q1 FY20: 385
- Q2 FY20: 400

YoY +33k (+20%)

198

Current Customer Coverage Ratio

- approx. 18% (198k)

All medical providers 1,106k\(^{(1)}\)

- Medical: 17k
- Pharmacy: 41k
- Dental: 15k
- Nursing Care: 83k
- Others: 41k

\(^{(1)}\) Ministry of Health, Labour and Welfare statistics
Accelerate Direct Recruiting with Expansion of the Pool of Registered Workers

We think proactive recruitment methods are effective for hiring medical and healthcare professionals. In Q2 FY2020, we saw a steady increase in medical industry professional members. While there was a temporary decline in the use of scouting functions by customer offices, usage recovered starting in June.
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\(^{(1)}\)

- 2020
- 2019
- 2018
- 2017
- 2016
- 2015
- 2014
- 2013
- 2012
- 2011
- 2010
- 2009

\(^{(1)}\) Based on per-customer monthly orders/sales value data
② Medical Platform
Strong Results in Telemedicine, Number of New Customers Rising

In Q2 FY2020, the number of medical institutions using our services increased greatly owing to increased adoption of telemedicine. We had expected a decline in EMR sales resulting from the declining number of new clinic openings due to the COVID-19. However, the sales remained strong. The number of medical institutions does not include pharmacies with advance applications (see p32).

Number of Customer Offices\(^{(1)(2)}\)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q2'17</th>
<th>Q3'17</th>
<th>Q4'17</th>
<th>Q1'18</th>
<th>Q2'18</th>
<th>Q3'18</th>
<th>Q4'18</th>
<th>Q1'19</th>
<th>Q2'19</th>
<th>Q3'19</th>
<th>Q4'19</th>
<th>Q1'20</th>
<th>Q2'20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts</td>
<td>443</td>
<td>581</td>
<td>667</td>
<td>798</td>
<td>803</td>
<td>882</td>
<td>972</td>
<td>1,032</td>
<td>1,087</td>
<td>1,176</td>
<td>1,187</td>
<td>1,271</td>
<td>2,173</td>
</tr>
</tbody>
</table>

Start of impact from COVID-19 (Feb. 2020)

(1) Number of customer offices = number of medical institutions that have begun using our systems and have not cancelled or discontinued their contracts; customers using multiple systems counted as a single customer account
(2) Starting in Q2 FY2020, the number of customer offices served includes customers acquired from Life Sciences Computing Corporation

Quarterly Sales

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q2'17</th>
<th>Q3'17</th>
<th>Q4'17</th>
<th>Q1'18</th>
<th>Q2'18</th>
<th>Q3'18</th>
<th>Q4'18</th>
<th>Q1'19</th>
<th>Q2'19</th>
<th>Q3'19</th>
<th>Q4'19</th>
<th>Q1'20</th>
<th>Q2'20</th>
</tr>
</thead>
<tbody>
<tr>
<td>JPY mm</td>
<td>99</td>
<td>104</td>
<td>108</td>
<td>92</td>
<td>98</td>
<td>86</td>
<td>74</td>
<td>108</td>
<td>108</td>
<td>133</td>
<td>134</td>
<td>368</td>
<td></td>
</tr>
</tbody>
</table>
Simultaneous Implementation of Measures to Expand Range of Targeted Customers, Improve ARPU, and Streamline Operations

In Q2 FY2020, we implemented a number of measures to boost the medium- to long-term growth and profitability of our Medical Platform Business. These include expanding our target customers, improving ARPU, and streamlining measures.

Main Measures Implemented in Q2 2020

<table>
<thead>
<tr>
<th>Expansion of targeted customers</th>
<th>Telemedicine</th>
<th>EMR</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved dissemination of information on various types of public subsidies</td>
<td>Strengthening of sales systems</td>
<td>Support worker’s accident compensation and mandatory vehicle liability insurance</td>
<td>Launch of online drug administration support system</td>
</tr>
<tr>
<td>Improvement in ARPU</td>
<td>Utilization promotion</td>
<td>Acquisition of EMR assets of another company</td>
<td>Improved dissemination of information on various types of public subsidies</td>
</tr>
<tr>
<td>A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>Participated in a Ministry of Health, Labour and Welfare study investigating the feasibility of telemedicine</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Streamlining</td>
<td>Improved device compatibility</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improvement of implementation process</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Optimized compatibility with ORCA (reduced costs)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
A: Continued Use of Telemedicine after the Lifting of the State of Emergency

Even after the lifting of the state of emergency, many patients are continuing to use telemedicine not only for their initial examination, but for follow-up examinations. Telemedicine is steadily becoming part of people’s daily lives. We will continue to promote the appropriate use of telemedicine by medical institutions and patients.

Number of follow-up examinations using CLINICS telemedicine system (weekly)

- Full lifting of the declaration (5/25)
- Declaration of State of Emergency (4/7)

<table>
<thead>
<tr>
<th>Date</th>
<th>Follow-up Examinations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/5</td>
<td>10</td>
</tr>
<tr>
<td>1/19</td>
<td>15</td>
</tr>
<tr>
<td>2/2</td>
<td>20</td>
</tr>
<tr>
<td>2/16</td>
<td>25</td>
</tr>
<tr>
<td>3/1</td>
<td>30</td>
</tr>
<tr>
<td>3/15</td>
<td>35</td>
</tr>
<tr>
<td>3/29</td>
<td>40</td>
</tr>
<tr>
<td>4/12</td>
<td>45</td>
</tr>
<tr>
<td>4/26</td>
<td>50</td>
</tr>
<tr>
<td>5/10</td>
<td>55</td>
</tr>
<tr>
<td>5/24</td>
<td>60</td>
</tr>
<tr>
<td>6/7</td>
<td>65</td>
</tr>
<tr>
<td>6/21</td>
<td>70</td>
</tr>
</tbody>
</table>
Although other companies have also launched telemedicine apps, our CLINICS app is consistently at the top of the rankings and we believe it the first choice of patients.

(1) Comparison among telemedicine apps which cover insured medical treatment; Source: App Annie
We have been working with the Ministry of Health, Labour and Welfare (MHLW) on a research project that studies the future of telemedicine medical fees. Medley, along with Juntendo University and medical institutions using CLINICS are contributing to a study on telemedicine, of which there are very few.

Overview of the research

- Principal research organization: Juntendo University
- Contributing research organization: Medley and others
- Research results: MHLW
- Subsidy

Blood pressure data etc.

Contributing medical institutions (users of the CLINICS telemedicine system)

In-person examinations
Telemedicine

Patients with high blood pressure

Summary of the research

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Summary of the research¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investigation of the need for in-person examinations once every three months for patients receiving telemedicine treatment for hypertension as required in medical fee calculation guidelines</td>
<td></td>
</tr>
<tr>
<td>Production of data to be used when considering the future of medical fees</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Background</th>
<th>Summary of the research¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypertension is a lifestyle disease that can cause death if it is prolonged or progresses</td>
<td></td>
</tr>
<tr>
<td>The number of aged patients who have difficulty traveling to hospitals is on an uptrend</td>
<td></td>
</tr>
<tr>
<td>One possible solution to this issue is the use of telemedicine</td>
<td></td>
</tr>
<tr>
<td>- However, under the current Japanese healthcare insurance system, patients are required to have an in-person medical examination once every three months</td>
<td></td>
</tr>
<tr>
<td>- Studies on the efficacy of telemedicine are rare</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Significance</th>
<th>Summary of the research¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved treatment continuation rates may prevent disease progression</td>
<td></td>
</tr>
<tr>
<td>Telemedicine can reduce the mental and physical burden on patients and their families</td>
<td></td>
</tr>
</tbody>
</table>

¹ Source: The research plan, partially modified
In April 2020, we decided to develop a service pharmacies called Pharms. Through integration with existing telemedicine services, we can provide patients with a full end-to-end online experience from treatment to online drug administration guidance.
1. Financial Highlights

2. FY2020 Q2 Results

3. FY2020 Forecast

4. Appendix
Continued Progress Toward our Medium- and Long-term Goals, Even Amid COVID-19

Our management policy is to maximize long-term free cash flow, and aim to maintain high sales growth by increasing the value provided to our customers. We continue to implement our plans, even amid COVID-19, while giving top priority to human life.
No Changes to Medium-term Targets or FY2020 Earnings Forecast

Taking into consideration steady results as of end-H1 and our cautious assessment regarding the future impact of the COVID-19, we leave our full-year forecast and medium-term targets (announced on February 14, 2020) unchanged. We will also strengthen our efforts to reach our medium-term goals ahead of schedule.

### Progress toward Our Mid-term Sales Target

<table>
<thead>
<tr>
<th>Year</th>
<th>CAGR30%</th>
<th>Sales Forecast</th>
<th>Actual Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>4.7</td>
<td>4.6</td>
<td>4.7</td>
</tr>
<tr>
<td>2020</td>
<td>6.1</td>
<td>6.6~6.9</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>8.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>10.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>13.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td>17.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>23.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Assumptions as of February 14, 2020 and Updates

## Assumptions as of announcement on February 14 2020

<table>
<thead>
<tr>
<th>Recruitment PF</th>
<th>Medical PF</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Number of customer offices: steady annual acquisition rate</td>
<td>• Continued improvement in ARPU, growth in range of targeted customers, and cost reduction</td>
</tr>
<tr>
<td>• ARPU: Increase driven by improved functionality</td>
<td>• Targeting NaCl Medical to turn profitable in FY2020</td>
</tr>
<tr>
<td>• Continued improvement in ARPU, growth in range of targeted customers, and cost reduction</td>
<td>• Targeting narrower losses in the EMR business as it approaches profitability</td>
</tr>
<tr>
<td>• Continue investment in development targeting mid-term growth</td>
<td>• Forecast does not factor in any impact from revisions to official medical fees or deregulation</td>
</tr>
<tr>
<td>• Plan to continue expanding the range of services</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Continued aggressive hiring to achieve growth</td>
</tr>
<tr>
<td>• Recruitment Platform: 60 new hires</td>
</tr>
<tr>
<td>• Medical Platform: 40 new hires</td>
</tr>
<tr>
<td>• New Services: 5 new hires</td>
</tr>
<tr>
<td>• Corporate: 20 new hires</td>
</tr>
<tr>
<td>• Forecast does not factor in any impact from undetermined new business sales or M&amp;A</td>
</tr>
</tbody>
</table>

| Corporate Expenses |

| Others |

<table>
<thead>
<tr>
<th>Updates</th>
</tr>
</thead>
<tbody>
<tr>
<td>▶ The declaration of the state of emergency resulted in a bottleneck in April and May, but the situation has been improving since June. We expect to reach our original full-year target of FY2020 [p16]</td>
</tr>
<tr>
<td>▶ Demand grew owing to the temporary relaxation of telemedicine regulations [p21, p23]</td>
</tr>
<tr>
<td>▶ Online drug administration guidance support system business off to a smooth start [p32]</td>
</tr>
<tr>
<td>▶ Decided to establish a new business to serve pharmaceutical and medical equipment manufacturers (no significant impact) [p34-35]</td>
</tr>
<tr>
<td>▶ New nursing care business on a gradual recovery trend</td>
</tr>
<tr>
<td>▶ Adjust our hiring plans in line with progress on measures to strengthen our telemedicine systems and the launch of our online drug administration guidance support system business (adjusted based on sales outlook)</td>
</tr>
<tr>
<td>▶ Rise in hiring and human resource costs associated with start of new businesses serving pharmaceutical and medical equipment manufacturers (no significant impact)</td>
</tr>
<tr>
<td>▶ Includes impact from acquisition of EMR assets of another company in June</td>
</tr>
</tbody>
</table>
Promote the Use of Digital Technologies Leveraging Our Customer Base

We aim to take advantage of the broad customer base of our Recruitment Platform Business and promote the use of digital technologies in medical/healthcare industry by implementing new initiatives.

Customer base of Recruitment PF

Promotion of Medical Digital Transformation

Currently under trial operation

Utilization of customer base

MEDS, Inc. Established on 8/3

Currently formulating business plan
Pharms: Securing Advance Applications Ahead of September Launch

A number of pharmacies are applying for Pharms ahead of its launch in September. The momentum is supported by external factors including deregulation regarding ODAG and increasing demands due to COVID-19. Our track record of business and end-to-end service integrating telemedicine aiming to improve patients’ convenience also raise expectations.

Changes in Japanese ODAG Regulations / Track Record of Medley

*ODAG: Online drug administration guidance
*PMD Act: Pharmaceuticals and Medical Devices Act

- **November 2017**: MHLW Announcement: ODAG would be permitted when providing telemedicine services in national strategic special zones
- **December 2018**: Entrusted by the MHLW with a project to promote full-scale use of electronic prescriptions
- **February 2020**: Launched ODAG business in national strategic special zone
- **November 2019**: Enactment of the Amended PMD Act: Lifting of geographical limitations on ODAG within a year from the date of its publication (December 2019)
- **April 2020**: MHLW Guidance: Temporary, provisional lifting of the ban on telemedicine for first-time patients and ODAG to prevent the spread of COVID-19
- **September 2020**: Scheduled implementation of the Amended PMD Act: Lifting of geographical limitations on ODAG

Decided to launch ODAG system business

Number of customer offices signing advance applications: 1,000+

**Background to the positive momentum of Pharms**

<table>
<thead>
<tr>
<th>Deregulation regarding ODAG</th>
<th>Impact of COVID-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enactment of the Revised PMD Act (Scheduled to be implemented in September 2020) allows drug administration guidance online, which currently requires in-person</td>
<td>• High demands in telemedicine and ODAG</td>
</tr>
<tr>
<td></td>
<td>• MHLW announcement in April 2020 lifted the ban on ODAG with telemedicine for first-time patients</td>
</tr>
</tbody>
</table>

**Strong track record in medical systems businesses** (Telemedicine/ODAG)

- Robust customer support
- Trusted security measures
- ODAG business in national strategic special zone (Feb)

**Integration with telemedicine** (Patient convenience)

Full end-to-end online experience from treatment to ODAG

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(1) [https://secure.nippon-pa.org/mail/img/833.pdf](https://secure.nippon-pa.org/mail/img/833.pdf) (Japanese language only)
(2) Patients are required to have received in-person drug guidance before receiving ODAG.
(3) [https://www.city.abinoku.lg.jp/content/00018529.pdf](https://www.city.abinoku.lg.jp/content/00018529.pdf) (Japanese language only)
(4) Advance contract numbers do not include those mentioned on p12 and p21.
Medical Media: Cooperating with Google to Provide Access to Reliable Medical Information

Since 2015, through “MEDLEY”, our online medical encyclopedia, we have cooperated with medical professionals under the slogan, “Providing the strength to face medical care challenges”, to develop a database of diseases, symptoms, and trials and a service that helps patients get access to medical treatment. On July 7, Google announced that it has begun efforts to support access to medical information. Medley will cooperate and participate in this project to the fullest extent possible.

Medley’s key values when providing medical information

Cooperation with Google

Medley uses Question Hub, a tool provided by Google, to identify search keywords for “pending” questions and publishes medical information content based on keyword themes on its online medical encyclopedia MEDLEY.

MEDLEY, an online medical encyclopedia created by doctors

Online medical encyclopedia used by over three million users per month, including medical institutions. It also has a “symptom checker” function that allows users to narrow down the range of possible diseases based on a patient’s symptoms.

Google’s Question Hub tool

Question Hub is a tool that automatically gathers and displays search keywords for “pending” questions – those for which users have likely not yet found relevant information. For this project, the beta version of Question Hub was used to provide keywords for pending questions regarding COVID-19 to the project team. This project is expected to make it easier to understand what topics users are interested in and which keywords will be useful to them.
MEDS: New Company Established to Support Life Science Companies

Amid the spread of COVID-19, Medley has received an increasing number of inquiries regarding digitization of operations from pharmaceutical companies and medical device manufacturers. In response, we established a new company on August 3, 2020, earlier than we had originally planned. The Representative Director and CEO of the company is highly knowledgeable in this field and is moving to aggressively expand the business.

### New subsidiary profile

<table>
<thead>
<tr>
<th>Company Name</th>
<th>MEDS, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership ratio</td>
<td>MEDLEY, INC., 100%</td>
</tr>
<tr>
<td>Name of Representative</td>
<td>Fumihiko Ugajin</td>
</tr>
<tr>
<td>Main Business</td>
<td>Provision of support for the digital operations of pharmaceutical companies and medical device manufacturers</td>
</tr>
</tbody>
</table>

### Business development plan

**Basic Policy**
- Business structure focused on recurring sales
- Leverage assets of the Medical Platform Business

**Direction**
- Supporting digitization to enhance patients’ medical experiences and therapeutic effect

---

**Introduction of Representative Director and CEO**

Representative Director and CEO  
MEDS, Inc.  
Fumihiko Ugajin

In August 2020, Fumihiko was appointed Representative Director and CEO of MEDS, Inc.

Before joining the company, he was Representative Director of IQVIA Solutions Japan from 2015 to 2020.

He was graduated from the University of Tokyo majoring in economics, and Graduate School of Public Health, the University of North Carolina at Chapel Hill.

About IQVIA Solutions Japan
- Japanese branch of a global research and consulting firm specializing in the healthcare field with a broad range of medical information
- Provides information, technology, and services for customers in the pharmaceutical industry in Japan
MEDS will provide digitalization services to life science companies such as pharmaceutical companies and medical device manufacturers by leveraging the assets of the Medical Platform Business, aiming to enhance patients' medical experiences and therapeutic effect. The company will respond to the demands of life science businesses and create digital services including, but not limited to, the following.

**Examples of MEDS Business Domains**

**PHR (Personal Health Record) Apps**
- App that manages medical information and health status such as patients' diagnoses and dosage histories

**DTx (Digital Therapeutics)**
- Software that supports or conducts disease prevention, diagnosis, and treatment using digital devices and IoT
  - Used under the supervision of a physician
  - Requires approval as a medical device

**ePRO (Electric Patient-Reported Outcome)**
- Digitization, storage, and analysis of patients' self-assessments and symptom reports (PRO) for clinical trials
  - Subjective patient assessment
    - Level of satisfaction with treatment, severity of symptoms
    - HR-QOL (Health-Related Quality of Life)
  - Early acquisition of highly accurate data
    - Avoidance of typing errors by patients
    - Improvement of patients' input rate

**Appropriate Delivery of Clinical Information**
- Services that allow pharmaceutical companies to effectively offer medical workers and patients clinical information via the Internet (e.g. eDetailing\(^1\), PSP\(^2\))

---

\(^{1}\) eDetailing: service that allows MRs to provide medical information online to physicians

\(^{2}\) PSP: abbreviation of Patient Support Program; service to support patients' medical experiences including an access to appropriate medical care
(Ref.) Increased Usage of Digital Technology in the Life Sciences Industry

Digitalization is promoted in the life sciences industry in various ways as drug discovery becomes increasingly difficult and digital technology is further developed.

Life sciences industry increasingly working with IT companies and using digital technology\(^1\)

**eDetailing**
Volume of information provided to physicians by pharmaceutical companies (Third week of April 2020: YoY)

- In-person Communication: 63% \(\downarrow\)
- Remote Communication: 34% \(\uparrow\)

Survey by IQVIA Japan, from Yakuji Nippo

**PHR Apps**
Apps that assist lung cancer patients in managing their treatment

- Recording of lung cancer drug dosages and symptoms, etc.

---

2019

- Otsuka Pharmaceutical
- Shionogi
- Astellas Pharma
- Pharmaceutical companies
  - Remote support of MR activities through web-based conference systems, etc.
- Astellas Pharma
- Pharmaceutical companies
  - M3 (Remote Detailing)

2020

- AstraZeneca
- Amgen
- Integrity Healthcare

---

**DTx**
Co-development in Japan of BlueStar, a digital therapeutic product for diabetic patients

Support for disease self-management, sharing of patient status with physicians

**ePRO**
Verification project for telemedicine in the field of chronic skin diseases and ePRO

Telemmedicine

Sharing patients’ subjective/QOL information with physicians

---

\(^1\) Materials from each company, graphics by Medley
1. Financial Highlights

2. FY2020 Q2 Results

3. FY2020 Forecast

4. Appendix
Creating the Future of Medical/Healthcare

Technology is not being fully leveraged in the medical/healthcare industry due to heavy regulations. Our ultimate goal is to solve medical/healthcare issues by leveraging the internet and information technology.

Recruitment Platform Business

We operate JobMedley, one of Japan’s largest recruitment systems in both medical and healthcare fields. Our objective is not only to provide better matching for job seekers and medical providers, but also to resolve the shortage of medical and healthcare personnel by facilitating unemployed but skilled and qualified workers return to work and tackling the issue of uneven service distribution between communities.

Medical Platform Business

Focusing on CLINICS telemedicine, the largest telemedicine system in Japan, allow us to create platforms that can enable both patients and medical institutions to enjoy the benefits of technology. We also aim to provide necessary information to consumers through MEDLEY, an online medical encyclopedia dedicated to patients.
## Company Overview

<table>
<thead>
<tr>
<th>Corporate Name</th>
<th>Medley, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters</td>
<td>Sumitomo Fudosan Roppongi Grand Tower 22F 3-2-1 Roppongi, Minato-ku, Tokyo</td>
</tr>
<tr>
<td>Established</td>
<td>June 5, 2009</td>
</tr>
<tr>
<td>Business</td>
<td>Recruitment Platform Business  Medical Platform Business</td>
</tr>
<tr>
<td>Management</td>
<td>Kohei Takiguchi (President and CEO)  Goichiro Toyoda (Representative Director, Doctor)</td>
</tr>
<tr>
<td>No. of employees</td>
<td>451 (as of June 30, 2020)</td>
</tr>
<tr>
<td>Group Companies</td>
<td>NaCl Medical, Inc. (Shimane), MEDS, Inc. (Tokyo)</td>
</tr>
</tbody>
</table>
Experienced Management Team

Representative Director, President and Chief Executive Officer
Kohei Takiguchi
He established Medley to heighten awareness of medical issues from personal medical experiences.
As the CEO of Medley, he oversees the CEO’s administrative office, the organizational strategy office and the internal audit department. Prior to establishing Medley, at the age of 17, he established Gemeinschaft, Inc., a U.S. corporation, and became involved in domestic and overseas marketing and statistical research.

Director and CTO
Sosuke Hirayama
He was appointed director of Medley in January 2016. He leads the medical platform system and is currently in charge of the incubation development as CTO. Prior to joining Medley, he worked for Hitachi Software Engineering, Co., Ltd. and Gree, Inc., as well as working as CTO with Livesense, Inc. He has been selected to lead projects that are aimed at creating completely new types of software.

Director and Head of Corporate Division
Yuta Tamaru
In May 2016, he joined Medley and worked on the development of the telemedicine business as Chief Legal Officer. After that, he was appointed director in January 2018, in charge of overseeing the corporate headquarters. Prior to joining Medley, he worked on M&A, business alliances, and other cross-border company legislations at Paul Hastings LLP and White & Case LLP. He holds attorney qualifications.

External Director
Noboru Kotani
He was appointed outside director of Medley in March 2018. He has an extensive career as a senior vice president at the Boston Consulting Group, as well as a founder and representative director at Dream Incubator Inc. He currently serves as the external director for Combi Corporation, Jins Holdings, Inc., SanBio Co., Ltd., Bilcom Inc, and Innophys Co., Ltd. He holds a Master’s degree in Industrial Engineering from Stanford University and graduated from the University of Tokyo Graduate School of Engineering · Faculty of Engineering.

Representative Director (Medical Doctor)
Goichiro Toyoda
He was appointed co-representative of Medley in February 2015. He took the lead in launching the Medical Encyclopedia MEDLEY and engaged in educational activities aimed at disseminating correct telemedicine. Currently, he is in charge of the business collaboration promotion department. Prior to joining Medley, he worked as a physician at Seihei Hamamatsu General Hospital and NTT Medical Center Tokyo; conducted brain research at Children’s Hospital of Michigan; and worked at McKinsey & Company. He graduated from the University of Tokyo Faculty of Medicine. He also published the book, “Working to Create Our Future.”

Director
Yosuke Ishizaki
He was appointed director of Medley in April 2015. He is driving the growth of businesses. Prior to joining Medley, he worked at Hatena Co., Ltd. and worked as director of the media department, as well as president of a subsidiary at GREE, Inc.

Director and CFO
Ryo Kawahara
He was appointed director of Medley in July 2016. As CFO, he is engaged in financial activities across Medley, including financial affairs, analysis, and investor relations. Prior to joining Medley, he worked on domestic and overseas finance and M&A advisory business at JPMorgan Securities Japan Co., Ltd.

External Director
Hidetoshi Takano
He was appointed outside director of Medley since the establishment in June 2009. Prior to joining Medley, he was involved in the start up of the talent referral business at Intelligence, Inc. He is also the founder and representative director of KeyPlayers, Inc. He graduated from the Tohoku University Faculty of Economics.
Steadily Securing Human Resources to Fuel Growth of Business Operations

Not only the number of employees working in both platform businesses, but we have also increased the number of corporate employees working in our planning and hiring teams.

Number of employees\(^{(1)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY14 Q4</td>
<td>16</td>
</tr>
<tr>
<td>FY15 Q4</td>
<td>58</td>
</tr>
<tr>
<td>FY16 Q4</td>
<td>92</td>
</tr>
<tr>
<td>FY17 Q4</td>
<td>147</td>
</tr>
<tr>
<td>FY18 Q4</td>
<td>246</td>
</tr>
<tr>
<td>FY19 Q4</td>
<td>379</td>
</tr>
<tr>
<td>FY20 Q2</td>
<td>451</td>
</tr>
</tbody>
</table>

Breakdown of employees by segment\(^{(1)}\)

- **Corporate** (Expansion of corporate planning and hiring teams)
  - FY14 Q4: 16
  - FY15 Q4: 58
  - FY16 Q4: 92
  - FY17 Q4: 147
  - FY18 Q4: 246
   - **Inner Circle: Dec. 2019**
     - 65
   - **Outer Circle: Jun. 2020**
     - 106
- **Recruitment Platform**
  - FY14 Q4: 19
  - FY15 Q4: 17
  - FY16 Q4: 123
  - FY17 Q4: 207
  - FY18 Q4: 244

\(^{(1)}\) Includes part-time employees etc.
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. The number of medical care workers taking care of elderly patients is also expected to rise.

Social welfare spending forecast (1)

Employment trend forecast (2)

In 2040, one in five workers in Japan is expected to be employed in the medical care/welfare industry.

---

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

(2) Report from Cabinet Secretariat, Cabinet Office, Ministry of Finance, Ministry of Health, Labor and Welfare
Stable, High Demand in the Medical/Healthcare Industry

The Japanese medical industry suffers from a chronic shortage of workers, with a jobs-to-applicant ratio remains much higher than the average for all industries regardless of economic conditions. We estimate the current market size to be approximately JPY300 billion, and expect expansion to up to JPY370 billion in 2025 driven by increasing demand.

### Ratios of Job Openings to Job Applicants

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Ratio Q2'20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctor/Pharmacist</td>
<td>3.5x</td>
</tr>
<tr>
<td>Nursing services</td>
<td>3.4x</td>
</tr>
<tr>
<td>Medical technicians</td>
<td>2.4x</td>
</tr>
<tr>
<td>Nurse</td>
<td>2.1x</td>
</tr>
<tr>
<td>All-industry</td>
<td>1.0x</td>
</tr>
</tbody>
</table>

### Market Scale of the Medical/Healthcare Recruitment Industry

(2) Estimates by Medley, Inc.
FY2018A: Calculated based on the number of employees in the medical industry in Japan (roughly 7 million), the average annual hiring rate for occupations that fall under the category of “medical care / welfare” in FY2016 employment trend survey results (approximately 15% of roughly 7 million = approximately 1 million people), and the average unit price of JobMedley placements for all occupation categories.
FY2025E: Based on the abovementioned FY2018A multiplied by the medical cost growth rate in Future Outlook for Social Security in Anticipation of 2040 published by the Cabinet Secretariat, the Cabinet Office, the Ministry of Finance, and the Ministry of Health, Labor and Welfare.
Success-fee-based Hiring Support System for the 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.
Industry has a Long-tail Structure: Our Strengths are in the Middle and Tail Segments

Out of the 7 million workers in the medical/healthcare industry, 30% 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 70% - the middle and tail segments - where we have captured a leading market share. We currently have over 600,000 users in more than 50 occupations registered in our system.

Our Target Area

Low-cost Structure Gives Advantages in Terms of Pricing

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**

<table>
<thead>
<tr>
<th>Success Fee (of annual income; back calculation)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>JobMedley</strong></td>
</tr>
<tr>
<td>2~13%</td>
</tr>
<tr>
<td><strong>Major Recruitment Agencies</strong></td>
</tr>
<tr>
<td>20~35%</td>
</tr>
</tbody>
</table>

(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 50 occupations we handle. (Some recruitment services employ different methods for setting success fee amounts that are different from that described above.)
Vast Opportunities in Cloud-based Medical IT System Market

Estimated current medical IT system market size is approximately JPY470 billion. Today, the bulk of the systems used in medical industry are on-premises based (on-site servers), but more platforms are adopting cloud-based systems since the deregulation in 2010, owing to advantages in terms of costs and convenience. Due to the low operating efficiency and customary use of long-term contracts, 7-year (FY2018-2025) CAGR in target operating area of the cloud medical IT system market is expected to be 17.3%.

Scale of the Medical IT System Market\(^{(1)}\)

**Cloud Medical IT system**
(Telemedicine, Cloud-based EMR, Reservation system for treatment and examination)

**On-premises EMR**

**Others**

Currently, most systems are on-premises based (on-site servers)

**Cloud Medical IT System Market in Our Operating Area\(^{(1)}\)**

(JPY billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cloud-based EMR</th>
<th>Telemedicine</th>
<th>Reservation system for treatment and examination</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>6.5</td>
<td>1.4</td>
<td>0.7</td>
</tr>
<tr>
<td>2020</td>
<td>14.0</td>
<td>5.3</td>
<td>12.0</td>
</tr>
<tr>
<td>2025</td>
<td>14.0</td>
<td>5.3</td>
<td>25.3</td>
</tr>
</tbody>
</table>

(1) Future Outlook for Medical Big Data Business and Seamless IT / Cloud Computing of Medical IT in 2020 by Fuji Keizai
Telemedicine is one of the keys to next-generation medical care. We aim to create a world where medical institutions, in cooperation with pharmacies and care providers, can realize benefits to patients by appropriately combining traditional face-to-face medical care and telemedicine. CLINICS charges system usage fees from medical institutions and provide additional functions to the system platform.

(1) According to Fuji Keizai’s report on “Future Outlook for Medical Big Data Business and Seamless IT / Cloud Computing of Medical IT in 2020: No.1 Medical IT and Medical Information Platforms”, as of 2018, the CLINICS telemedicine system had the largest installed base in the telemedicine systems and services category.
CLINICS is Evolving into a Comprehensive Cloud-based Medical Support System

In addition to the telemedicine system (launched in 2016), in 2019, a cloud-based EMR system (CLINICS EMR) was launched. As this system is connected with apps used by patients, CLINICS is evolving into a cloud-based medical support system that smoothly connects institutions and patients, handling functions including reservations, reception, treatment, and accounting.

Cloud-based treatment support system connecting patients to medical professionals

Cloud-based EMR (paid service)
Telemedicine can be conducted using EMR.①
Examination data can be sent to patients’ apps.①

Cloud-based EMR (paid service)
Patients can make appointments for face-to-face medical treatment and telemedicine at any time.①

Telemedicine system (paid service)
Telemedicine system that can complete reservations, handle prior consultations, video chat consultations, payments, and delivery of medicines and prescriptions in one stop.
Consultation data of telemedicine can be linked with EMR②

① When used concurrently with CLINICS Telemedicine
② When used concurrently with CLINICS EMR
Official medical fees were established for telemedicine treatment in April 2018, but strict regulations regarding the practice of telemedicine were also established. After that, deliberations regarding telemedicine continued and regulations were relaxed to some degree with the revision to official medical fees conducted in April 2020. Significant deregulation was then implemented as a temporary measure in response to COVID-19.

(1) A meeting to be held by the Prime Minister to promote bold investments in fields that contribute to future growth through public-private partnerships and to accelerate growth strategies and structural reforms aimed at expanding "investment in the future". Held from September 2016. [Link](http://www.kantei.go.jp/jp/PDF/speech/201611/16mirai_toshi.html)
(Ref.) Changes in Japanese Telemedicine Regulations

On April 1, 2020, the regular biannual revision of revision to official medical fees was conducted and regulations regarding telemedicine were relaxed to some extent. Then, on April 10, in response to COVID-19, national health insurance coverage was extended to include initial medical examinations conducted via telemedicine systems and restrictions regarding which conditions may be treated via telemedicine were also lifted. This has resulted in significant temporary changes in our telemedicine business.

<table>
<thead>
<tr>
<th>Requirement for a patient to begin treatment via telemedicine</th>
<th>April 1 2018: Medical Fee Revision</th>
<th>April 1 2020: Medical Fee Revision</th>
<th>April 10 2020: Guidance Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main requirements to be covered by insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Requirements for medical care system</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target patients</td>
<td>The doctor conducting telemedicine treatment must also provide face-to-face medical treatment <strong>every month for at least six months</strong></td>
<td>The doctor conducting telemedicine treatment must also provide face-to-face medical treatment <strong>every month for at least three months</strong></td>
<td><strong>Initial medical examinations via telemedicine systems allowed</strong></td>
</tr>
<tr>
<td>In the event of an emergency, face-to-face medical treatment must be possible within roughly 30 minutes</td>
<td><strong>No restrictions</strong></td>
<td><strong>No restrictions</strong></td>
<td></td>
</tr>
<tr>
<td>Certain patients with lifestyle-related diseases such as hypertension and diabetes</td>
<td><strong>Chronic headaches and nicotine addiction</strong> added to list of conditions eligible for telemedicine treatment</td>
<td><strong>No restrictions</strong></td>
<td></td>
</tr>
</tbody>
</table>
(Ref.) Markets Targeted by the Online Drug Administration Guidance Support System Business

The online drug administration guidance support system business targets approximately 59,000 pharmacies across Japan. Unlike medical and dental clinics, roughly 30% of pharmacies in Japan are members of top-tier or second-tier pharmacy chains.

Pharmacies are now our target customers

- **Pharms**
  - Pharmacies: approx. 59k
  - Dental clinics: approx. 68k
  - Medical clinics and hospitals: approx. 110k

Service for dental clinics (currently conducting test marketing)

Market share (number of locations) in pharmacy market (breakdown of 59k pharmacies nationwide)

- **Top-tier chains** (more than 100 locations)
- **Second-tier chains** (30-99 locations)
- **Mid-tier chains** (10-29 locations)
- **Small-scale pharmacy companies with less than 10 pharmacies** (35% have less than two pharmacies)

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(2) Classified based on establishing entity as entered in the “list of medical institutions receiving notification” of each regional Bureau of Health and Welfare. Therefore, pharmacy operators that have different corporate names, but are members of the same corporate group are counted separately (as of October 2019)
Use of Operating Cash Flows from Profitable Businesses and Debt for Aggressive Investment

We focus on companywide sales growth rather than on growth of individual businesses. We have set target years for bringing lossmaking businesses into the black and will increase operating cash flow in line with our plans.

Priority (in principle)

Use of funds

Procurement of funds

Prioritization based on investment efficiency

Business Investment

Operating Cash Flows from Profitable Businesses

M&A

Debt

Share Buyback

Equity
Increase Operating Cash Flow by Making Lossmaking Businesses Profitable in Line with Our Plans

We have set target years for bringing lossmaking businesses into the black and will increase operating cash flow in line with our plans.

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

<table>
<thead>
<tr>
<th>Profitable in FY2019</th>
<th>In the red in FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash generation phase</td>
<td>Profitability phase</td>
</tr>
<tr>
<td>Recruitment Platform</td>
<td>Medical Platform</td>
</tr>
<tr>
<td>JobMedley</td>
<td>CLINICS オンライン診療 (Teledicine)</td>
</tr>
<tr>
<td>Expected to turn profitable in FY2022</td>
<td>Expected to turn profitable in FY2020</td>
</tr>
<tr>
<td>Service for Dental Clinics</td>
<td>New Service</td>
</tr>
</tbody>
</table>
| • Preparation for next phase  
• No expansion of losses | • Began development in FY2019  
• Plan to begin business development in FY2020 | • Began development in FY2019  
• Plan to begin business development in FY2021  
• Consideration of optimal earnings structure |
Investment in Growth Targeting Maximization of Customer Numbers and ARPU Improvement

Aggressively invest capital secured via operating cash flow and interest-bearing debt while keeping the company in the EBITDA positive on a companywide basis.

**Investment in Growth**

Aggressive investment while maintaining profitability on a companywide basis

- We will focus on achieving cost merits on a pretax investment basis while also focusing on after-tax capital base strengthening merits.

Focus on sound unit economics

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

**Maximization of Customer Numbers**

Strengthen customer base by leveraging JobMedley’s cost leadership

- Maintain current customer acquisition pace
- Aggressively pursue cross selling by leveraging companywide customer management system

**ARPU Improvement**

1. Increase customer usage rate
   - Continuous improvement
2. Strengthen product lineup
   - New services under development
   - Plan to increase number of services
   - Proactively pursue operational and capital alliances with other companies
Continue to Expand Customer Base by Leveraging JobMedley’s Cost Leadership

All businesses face human resources constraints. Providing low-cost human resource systems in the field of healthcare enabled increase in number of customers and users. We will further strengthen our customer base by continuing to pursue our cost leadership strategy. Our basic strategy is to develop and deliver valuable services to our customers.

Customer Base Expansion

Ratio of target businesses using our services

- Medical: 17k
- Pharmacies: 41k
- Dental: 15k
- Nursing Care: 83k
- Others: 41k

Approximately 18% (198k offices)

All medical / healthcare providers

Approximately 1,100k

(medical facilities, nursing cares, pharmacies, kindergarten, beauty, healthcare etc.)
Leveraging Our Customer Base to Promote the Use of Digital Technologies in Medical/Healthcare Industry

Shifting medical institutions’ on-site systems to the cloud is an essential step for society in terms of increasing the efficiency of the medical healthcare industry as a whole. The outsourcing of services required by all medical institutions would benefit patients, cut costs, and boost sales. We will leverage JobMedley’s strong customer base to aggressively develop and widely distribute such services.
Proactive Pursuit of M&A

In addition to continued investment in development, M&A is a core component of our growth strategy and we are strengthening our M&A team.

<table>
<thead>
<tr>
<th>M&amp;A Plan</th>
<th>M&amp;A team</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Conduct strategic M&amp;A</strong></td>
<td><strong>Ability to handle sourcing, due diligence, negotiations, and post-merger integration with in-house team</strong></td>
</tr>
<tr>
<td>• Proactively acquire functions necessary for each business segment</td>
<td>• Team members with experience:</td>
</tr>
<tr>
<td><strong>Focus on synergy</strong></td>
<td>- working at investment banks</td>
</tr>
<tr>
<td>• Sales support to leverage our strong customer base</td>
<td>- working in companies undergoing M&amp;A</td>
</tr>
<tr>
<td>• To leverage our Internet product development knowhow</td>
<td>- working as legal and financial specialists</td>
</tr>
<tr>
<td>• To leverage our digital marketing knowhow</td>
<td>- serving as general manager</td>
</tr>
<tr>
<td><strong>Conduct M&amp;A necessary for the future without delay</strong></td>
<td>- working as DX engineer</td>
</tr>
<tr>
<td>* Because it is not always possible to make the necessary acquisitions at the time they are needed.</td>
<td></td>
</tr>
</tbody>
</table>
Promotion of companion diagnosis(1) and individualized medicine

By sharing data between corporate systems and patient services, we aim to lighten patient burden and enable full utilization of medical services by patients to achieve excellent medical care. To achieve this, we will continue developing applications and products for consumers and patients.

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(1) Companion diagnosis involves clinical testing to predict the efficacy and side effects of a drug before administering medication.

(2) Triage is the process of deciding treatment priorities based on the urgency and severity of injuries when a large number of victims must be treated due to a disaster.
Creating the Future of Medical / Healthcare