Consolidated Financial Statements for the Nine Months Ended September 30, 2023 (IFRS)

These financial statements have been prepared for reference only.

November 13, 2023

Link and Motivation Inc. Stock exchange listing: Tokyo, Prime Market
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Filing of Quarterly Report (*Shihanki Hokokusho*) (scheduled): November 13, 2023
Start of distribution of dividends (scheduled): December 25, 2023
Supplementary documents for quarterly results: Yes
Quarterly results briefing: No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for the Nine Months Ended September 30, 2023 (January 1, 2023 – September 30, 2023)

(1) Revenues and Income (Percentages represent change compared with the same quarter of the previous year.)

	Revenues (¥ million)	Change (%)	Operating income (¥ million)	Change (%)	Income before income taxes (¥ million)	Change (%)	Net income (¥ million)	Change (%)
Nine months ended September 30, 2023	25,052	2.7	3,323	5.7	3,283	8.2	2,082	4.2
Nine months ended September 30, 2022	24,399	0.3	3,143	48.6	3,034	53.2	1,998	—

	Net income attributable to owners of the parent (¥ million)	Change (%)	Comprehensive income (¥ million)	Change (%)	Basic earnings per share (¥)	Diluted earnings per share (¥)
Nine months ended September 30, 2023	1,829	(2.0)	2,683	30.9	16.39	16.36
Nine months ended September 30, 2022	1,865	—	2,050	—	16.73	16.73

Note: The Company has adopted IAS 12 *Income Taxes* (May 2021 amendment) as of the first quarter of the fiscal year ending December 31, 2023, and figures are retrospectively restated to reflect this change in accounting policy. The percentage change from the same period of the previous year in the amounts of net income, net income attributable to owners of the parent, and comprehensive income are not presented because retrospective adjustments were made in accordance with this change in accounting policy.

(2) Financial Position

	Total assets (¥ million)	Total equity (¥ million)	Equity attributable to owners of the parent (¥ million)	Ratio of equity attributable to owners of the parent to total assets (%)
As of September 30, 2023	30,594	13,597	10,820	35.4
As of December 31, 2022	28,908	11,243	9,057	31.3

Note: The Company has adopted IAS 12 *Income Taxes* (May 2021 amendment) as of the first quarter of the fiscal year ending December 31, 2023, and figures are retrospectively restated to reflect this change in accounting policy.

2. Dividends

	Dividends per share				
	1st Qtr.	2nd Qtr.	3rd Qtr.	Year-end	Total
2022	1.90	1.90	1.90	2.00	7.70
2023	2.80	2.80	2.80		
2023 (est.)				2.90	11.30

Note: Revisions since the most recently announced dividend forecast: Yes

3. Forecast of Results for 2023 (January 1, 2023 – December 31, 2023)

(Percentages represent change compared with the previous fiscal year.)

	Revenues (¥ million)	(%)	Operating income (¥ million)	(%)	Net income (¥ million)	(%)	Net income attributable to owners of the parent (¥ million)	(%)	Basic earnings per share (¥)
Full-year	35,300	7.7	4,670	28.7	2,900	37.7	2,630	35.4	23.57

Note: Revisions since the most recently announced forecast of results: No

Notes

(1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries Due to Change in Scope of Consolidation): No

(2) Changes in Accounting Policies and Changes in Accounting Estimates
(a) Changes in accounting policies required by IFRS: Yes*
(b) Changes in accounting policies other than (a) above: No
(c) Changes in accounting estimates: No
* Please refer to "(5) Notes to Condensed Consolidated Financial Statements" on page 17 for details.

(3) Number of Shares Issued and Outstanding (Common Stock)
(a) Number of shares at the end of the period (including treasury stock)
Nine months ended September 30, 2023: 113,068,000; Year ended December 31, 2022: 113,068,000
(b) Number of treasury shares at the end of the period:
Nine months ended September 30, 2023: 1,431,468; Year ended December 31, 2022: 1,506,468
(c) Average number of shares outstanding (cumulative with earlier quarters):
Nine months ended September 30, 2023: 111,604,389; Nine months ended September 30, 2022: 111,561,557

* **These Financial Statements Are Not Subject to Review by a Certified Public Accountant or Auditing Firm**

* **Explanation of the Proper Use of Performance Forecasts and Other Special Instructions**
Note regarding forward-looking statements:
Consolidated forecasts and other statements regarding the future contained in this document are based on information currently available to the Company and certain reasonable assumptions. Actual performance may differ substantially due to numerous factors.

How to obtain supplementary quarterly financial information:
Supplementary quarterly financial information is disclosed on the same day on TDnet.

Contents of Attachments

1. Overview of Results of Operations and Other Information 2
(1) Overview of Results of Operations for the Nine Months Ended September 30, 2023............................2
(2) Overview of Financial Position for the Nine Months Ended September 30, 2023.................................7
(3) Overview of Cash Flow for the Nine Months Ended September 30, 2023..7
(4) Forecast 8

2. Condensed Consolidated Financial Statements and Main Notes 9
(1) Condensed Consolidated Statements of Financial Position 9
(2) Condensed Consolidated Statements of Operations and Comprehensive Income 11
(3) Condensed Consolidated Statements of Changes in Equity 15
(4) Condensed Consolidated Statements of Cash Flow..16
(5) Notes to Condensed Consolidated Financial Statements 17
Change in Accounting Policies 17
Significant Accounting Policies 17
Notes Regarding Significant Accounting Estimates and Judgements 17
Notes Regarding Assumption of Going Concern 17
Significant Subsequent Events 18

1. Overview of Results of Operations and Other Information

Forward-looking statements in the following text are based on judgments as of September 30, 2023, the last day of the consolidated accounting period under review. Because the Link and Motivation Group (the "Group") transferred the domestic temp staff business operated by its subsidiary Link Agent Inc. (formerly Link Staffing Inc.) to iDA K.K. as of January 1, 2022, these operations are classified as discontinued. Therefore, the amount from continuing operations is shown for revenues, gross profit and operating income, and the total from continuing and discontinued operations is shown for net income attributable to owners of the parent.

(1) Overview of Results of Operations for the Nine Months Ended September 30, 2023

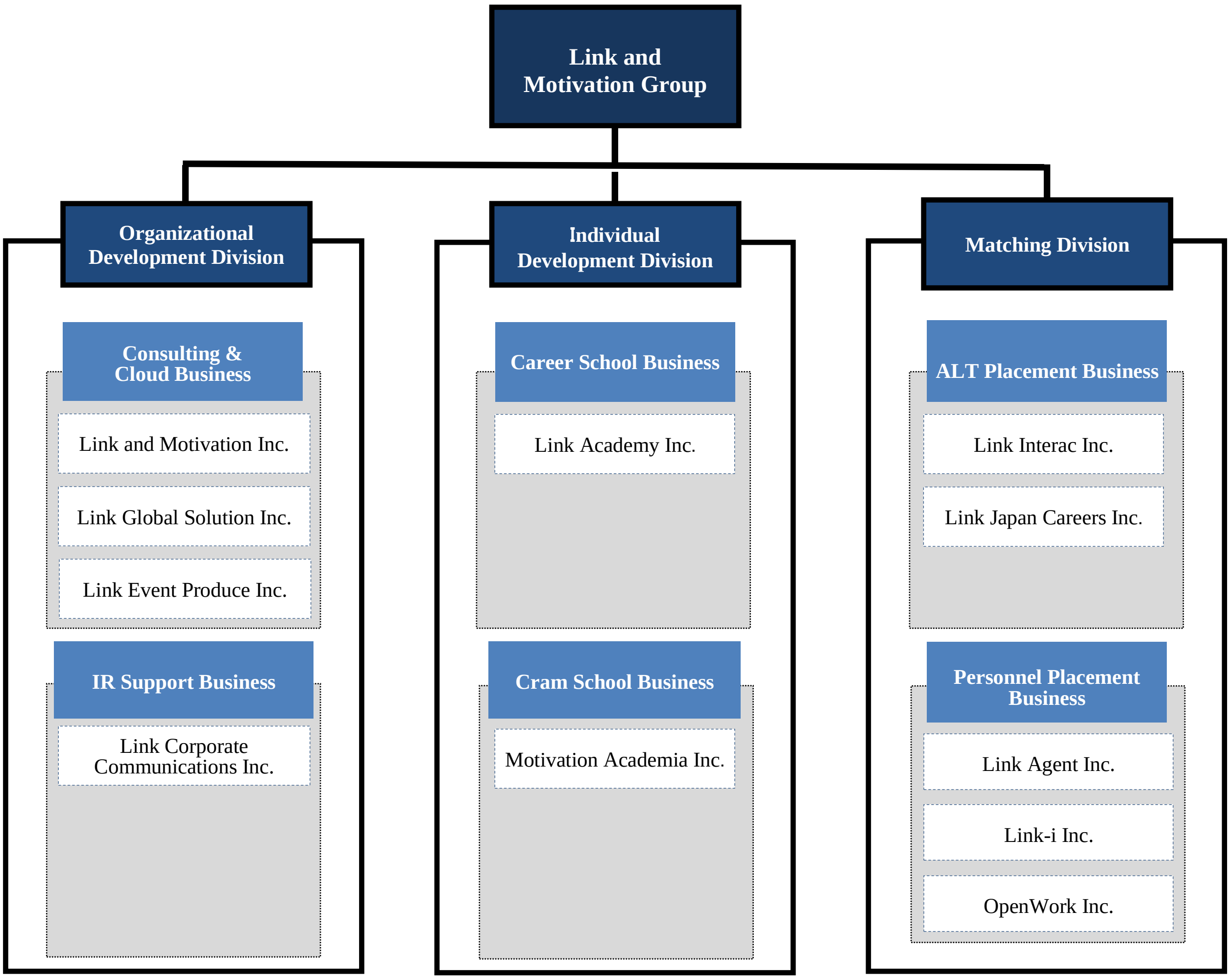
The Group supports the transformation of numerous organizations and individuals using "Motivation Engineering" (the Group's core technology), incorporating academic results in business administration, social systems theory, behavioral economics, psychology and other disciplines, under its mission: "Through Motivation Engineering, we provide opportunities to transform organizations and individuals and create a more meaningful society." During the nine months ended September 30, 2023 (the "first nine months of 2023"), the Japanese economy continued to recover gradually, supported by a pickup in personal consumption and an increase in demand from inbound tourism. However, the economic outlook remains unclear due to price increases in Japan and the risk of stagnation in the global economy due to long-term interest rate hikes in various countries. Under these economic conditions, the Group perceives a growing need for companies to promote human capital management in order to deal with change.

In this economic environment, the Group's revenues for the first nine months of 2023 were ¥25,052 million (a 2.7% increase compared with the same period of the previous year), gross profit was ¥13,043 million (an 8.1% increase), operating income was ¥3,323 million (a 5.7% increase) and net income attributable to owners of the parent was ¥1,829 million (a 2.0% decrease).

In the first nine months of 2023, revenues were below the Group's expectations at the beginning of the year, increasing only slightly from the same period of the previous year. However, gross profit increased compared with the same period of the previous year due to recovery in the Consulting & Cloud business and substantial growth in the Personnel Placement business, both of which have high profit margins. In addition, operating income increased, even absent the one-time income of approximately ¥700 million recorded in the first nine months of 2022 due to the reversal of lease liabilities as part of the relocation and closure of schools in the Career School business. Operating income is progressing as expected toward the full-year financial forecast, and operating income for the fiscal year ending December 31, 2023 is projected to reach a new record, surpassing the ¥3,825 million recorded in the fiscal year ended December 31, 2018. Net income attributable to owners of the parent decreased slightly compared with the same period of the previous year, but is progressing as expected toward the full-year forecast.

The Group has adopted IAS 12 *Income Taxes* (May 2021 amendment) as of the first quarter of the fiscal year ending December 31, 2023. This amendment has been applied retrospectively. As a result, net income attributable to owners of the parent increased by ¥120 million in the first nine months of the previous year and decreased by ¥46 million in the first nine months of 2023. Net income attributable to owners of the parent for the first nine months of 2023 would have been ¥1,876 million before the retrospective application (a 7.5% increase compared with the same period of the previous year before the retrospective application).

The segment and business classifications of the Group are as shown below, and an overview of the first nine months of 2023 by segment and business follows.


Link and Motivation Group
Organizational Development Division
Consulting & Cloud Business
Link and Motivation Inc.
Link Global Solution Inc.
Link Event Produce Inc.
IR Support Business
Link Corporate Communications Inc.
Individual Development Division
Career School Business
Link Academy Inc.
Cram School Business
Motivation Academia Inc.
Matching Division
ALT Placement Business
Link Interac Inc.
Link Japan Careers Inc.
Personnel Placement Business
Link Agent Inc.
Link-i Inc.
OpenWork Inc.

Organizational Development Division

The Organizational Development Division provides support for the creation of companies that are chosen by individuals (“Motivation Companies”). In concrete terms, it offers services that provide support for increasing engagement with a company’s stakeholders (employees, job applicants, customers, shareholders) by applying “Motivation Engineering,” which is the core technology of the Group.

In this segment, segment revenues for the first nine months of 2023 were ¥9,439 million (a 5.9% increase), and segment income was ¥6,632 million (an 8.2% increase). An overview of operating results by business for the first nine months of 2023 is as follows.

Consulting & Cloud Business

To increase employee engagement, the Consulting & Cloud business diagnoses engagement based on its original diagnostic framework and offers one-stop solutions for innovations in recruiting, training, systems and corporate culture related to organizations and personnel. The business also provides the Motivation Cloud series of cloud-based services that allow customer companies to manage employee engagement themselves.

In this business, revenues for the first nine months of 2023 were ¥8,088 million (a 4.7% increase) and gross profit was ¥6,113 million (a 10.1% increase). Results by product in the Consulting & Cloud business were as follows.

Table 1. Revenues by Product

Product (¥ million) (Figures in brackets are gross profit)	Nine months ended September 30, 2022	Nine months ended September 30, 2023	YoY change (%)
Consulting & Cloud Business	7,729 [5,553]	8,088 [6,113]	4.7% 10.1%
Consulting	5,125	4,744	-7.4%
Cloud	2,603	3,344	28.4%

In the first nine months of 2023, revenues increased compared with the same period of the previous year, as services in the Consulting category recovered. Gross profit increased significantly, with the substantial growth of the high-margin Motivation Cloud series contributing to results. Until the end of the first half of 2023, companies continued to focus on responding to the requirement to disclose human capital information in securities reports starting from the fiscal year ended March 31, 2023, and placed lower priority on “transformation.” In addition, growth weakened temporarily because this business was unable to fully meet the human capital management needs of diverse customers due to the Group’s product-based organizational structure, but recovered as expected from July onward as efforts by companies to respond to disclosure requirements settled down. Promoting inter-organizational cooperation through changes in the management accounting system and expanding cross-selling between businesses were major factors in the recovery. Continuing to promote expansion of cross-selling and long-term support will improve the ability of the Consulting & Cloud business to meet the human capital management needs of a variety of customers.

Monthly fee revenue increased substantially compared with the same period of the previous year for the Motivation Cloud series of products, which are part of the Cloud category and are priority services. The number of deliveries and monthly fee revenue were as follows.

Table 2. Number of Deliveries and Monthly Fee Revenue for the Motivation Cloud Series at Quarter-End

	2022				2023		
	March	June	September	December	March	June	September
Number of deliveries	745	768	820	831	846	851	883
Monthly fee revenue (¥ thousand)	256,155	284,692	306,934	328,505	339,179	358,792	395,398

Since its founding in 2000, the Group has not only diagnosed the engagement status of companies and employees but has also supported their transformation. The Motivation Cloud series is a group of cloud-based services in the field of HR

Tech (human resources combined with technology) for improving employee engagement. The Group migrated the organization diagnosis service it has offered since its founding to the cloud and started providing the Motivation Cloud service in July 2016. Motivation Cloud is currently ranked number one in share of sales by vendor in the employee engagement market (the sixth consecutive year: fiscal 2017 to fiscal 2022 forecast) in *ITR Market View: Human Resources Management Market 2023*, a market research report published by ITR Corporation.

The Group is forecasting ¥430,000 thousand in fee revenue from the Motivation Cloud series for the month of December 2023 (a year-on-year increase of 30.9%). Monthly fee revenue for September 2023 was ¥395,398 thousand (a 28.8% increase). As a result of new introductions primarily by major companies, the growth of monthly fee revenue was ¥36,605 thousand in the third quarter of 2023, a new record for growth on a quarterly basis.

The Group will continue to promote the introduction of Motivation Cloud at major companies. In addition, for Stretch Cloud, a human resource development cloud service, we plan to expand in the human resource development market, which exceeds ¥500 billion. By executing these growth strategies, the Group will achieve further growth.

IR Support Business

The IR Support business provides one-stop support for corporate branding through various media and events centered on the field of investor relations for the “improvement of investor engagement” at corporations. In addition to production of printed media such as integrated reports for shareholders and investors, web-based media such as investor relations (IR) sites, and visual media such as webcasts of financial results briefings, the business creates forums for shareholders’ meetings and other events.

In this business, revenues for the first nine months of 2023 were ¥1,487 million (a 9.6% increase) and gross profit was ¥605 million (a 7.8% decrease).

In the first nine months of 2023, production of integrated reports, the core service, expanded as expected, and revenues increased compared with the same period of the previous year. Gross profit decreased compared with the same period of the previous year due to an increase in production-related personnel expenses.

Needs for disclosure of non-financial capital, particularly human capital information, are increasing further with the requirement to disclose human capital information in securities reports. The number of companies disclosing the diagnosis results of Motivation Cloud, which we provide, surpassed 100 at the end of September 2023. Disclosure of employee engagement is also steadily increasing. The business will generate synergies with the Consulting & Cloud business by continuing to enhance disclosure of human capital information based on diagnosis and transformation.

<u>Individual Development Division</u>

The Individual Development Division supports the creation of individuals who are chosen by organizations (“i-Companies”). Specifically, it applies “Motivation Engineering,” which is the core technology of the Group, to businesses in areas including career schools and cram schools, to provide one-stop services to customers from elementary school students to working adults. These services range from helping to set goals to understanding individual issues and formulating and implementing study plans.

In this segment, segment revenues for the first nine months of 2023 were ¥4,775 million (a 10.9% decrease) and segment income was ¥2,158 million (a 1.0% decrease). An overview of operating results by business for the first nine months of 2023 is as follows.

Career School Business

The Career School business provides five services aimed at the career advancement of university students and working adults: “Aviva” personal computer schools, “Daiei” qualification schools, “Rosetta Stone Learning Center,” “Rosetta Stone Premium Club” and “Hummingbird” foreign language schools.

In this business, revenues for the first nine months of 2023 were ¥4,214 million (a 13.2% decrease) and gross profit was ¥1,921 million (a 2.1% decrease).

In the first nine months of 2023 for BtoC services, restructuring to relocate or close the 81 schools nationwide in response to changes in learning needs accelerated by the COVID-19 pandemic and the shift to online courses moved forward as planned, and the gross profit margin improved as expected. The gross profit margin for the first nine months of 2023 was 45.6%, an improvement compared with 40.4% in the first nine months of 2022. Revenues from online courses, which were ¥214 million in the first nine months of 2022, were ¥393 million in the first nine months of 2023. This business will continue to enhance customer value while at the same time improving business efficiency. For BtoB services, this business is aiming to shift to services with a higher continuation rate. The monthly average number of participants in the “Cafeteria Plan,” a program for companies that allows employees to select their own benefits from a menu of options, increased by approximately 20% at the end of September 2023 compared with the end of June 2023. This business will continue to promote the shift to services with a high continuation rate.

Cram School Business

The Cram School business operates two cram schools in both in-person and online formats—“SS-1,” an individualized instruction school for students preparing for junior high school entrance exams, and “Motivation Academia” cram schools for junior high and high school students—to improve the academic ability of elementary, junior high and high school students. For Motivation Academia in particular, unlike typical cram schools, students can not only improve their academic ability but also acquire skills to play an active role in society. The Cram School business utilizes its assets in programming education and English conversation education to provide a place for students from elementary school straight through to high school to acquire skills that they can utilize in society, in addition to improving their academic ability.

In this business, revenues for the first nine months of 2023 were ¥560 million (an 11.6% increase) and gross profit was ¥237 million (an 8.7% increase).

Revenues increased substantially and gross profit also increased in the first nine months of 2023 due to expansion in the number of students enrolled in classes.

In addition to improving the continuation rate from SS-1 to Motivation Academia, this business will continue to increase the number of new enrollees by providing learning opportunities through online courses to a wide range of students, not just those in areas where they can attend physical schools.

Matching Division

The Matching Division operates the ALT (assistant language teacher) Placement business and the Personnel Placement business in order to provide opportunities to connect organizations and individuals. It creates matches with a high retention rate by going beyond the skill requirements of companies and local governments to provide support for matching organizations and individuals based on the characteristics of each individual using data based on “Motivation Engineering,” the core technology of the Group.

In this segment, segment revenues for the first nine months of 2023 were ¥11,416 million (a 5.9% increase) and segment income was ¥4,764 million (an 9.8% increase). An overview of operating results by business for the first nine months of 2023 is as follows.

ALT Placement Business

The ALT Placement business dispatches non-Japanese assistant language teachers (ALTs) to elementary, junior high and high schools throughout Japan and provides English-language instruction services on contract, in order to match non-Japanese people who want to work in Japan with local governments. In this business, barriers to entry are extremely high due to the importance placed on relationships of trust with customers and a company’s track record, and the Group has established the predominant number-one share among private companies.

In this business, revenues for the first nine months of 2023 were ¥8,835 million (a 0.7% decrease) and gross profit was ¥2,226 million (a 10.7% decrease).

In the first nine months, revenues were essentially flat, but gross profit decreased substantially. From October 2022, a law requiring ALTs who work 20 or more hours per week to be enrolled in the social insurance program is being applied, starting with companies with the most employees. As the private company with the largest share, the law was applied to our company earlier than our competitors. Consequently, the Group was aware that the competitive environment in fiscal 2023 would be challenging, but even under these conditions, revenues were maintained at the level of the same period of the previous year, and progressed in line with the Group’s original expectations. The Group will continue to aim for further expansion of the business by shifting some services online and utilizing ICT, in addition to further enhancing the quality of ALTs, one of its strengths, to respond to diversifying customer needs.

Personnel Placement Business

The Personnel Placement business operates a referral service for human resources that introduces the human resources necessary for business growth in order to find the right fit between job applicants and companies. Mainly, it provides mid-career referrals that match working adults looking to change jobs with companies, and conducts new graduate recruiting and referrals that match university students looking for employment with companies.

In this business, revenues for the first nine months of 2023 were ¥2,604 million (a 37.5% increase) and gross profit was ¥2,561 million (a 37.7% increase).

In the first nine months, OpenWork Inc., which has a particularly high growth rate, continued to steadily accumulate registered users as well as employee online reviews and evaluation scores. The direct recruiting service (OpenWork Recruiting) saw an increase in the number of website visits resulting from continued investment in marketing, which led to an increase in the number of new online resume registrations. The cumulative number of online resume registrations (working adults and students) has grown to approximately 950,000. In addition, as a result of efforts to stimulate recruiting activity among existing customers, recruiting by employers and registered agencies increased, and revenues from this service were ¥1,381 million (a 128.0% increase).

This business will continue to expand synergy with the Organizational Development Division, and will ramp up its matching services by considering not only the skills of individuals but also the type of job seekers.

Venture Incubation

In addition to its divisions, the Group conducts venture incubation. In venture incubation, the Group provides its know-how in organizational and personnel consulting in addition to funding, as well as support on an organizational level for growing venture companies that aim to list their stock. The two main criteria for selection of investees are sympathy with the idea of "creation of Motivation Companies" and aim to list stock. Gains on sales and other results generated from venture incubation are recorded in retained earnings on the condensed consolidated statements of financial position, or under other income or other expenses on the consolidated statements of operations.

(2) Overview of Financial Position for the Nine Months Ended September 30, 2023

Total assets as of September 30, 2023 were ¥30,594 million, an increase of ¥1,686 million from the end of the previous year. This was mainly due to a ¥1,585 million increase in cash and cash equivalents.

Total liabilities as of September 30, 2023 were ¥16,997 million, a decrease of ¥667 million from the end of the previous year. This was mainly due to factors including ¥541 million in interest-bearing and other financial liabilities.

Total equity as of September 30, 2023 was ¥13,597 million, an increase of ¥2,354 million from the end of the previous year. This was mainly due to factors including a ¥1,310 million increase in capital surplus associated with posting net income attributable to owners of the parent and an increase of ¥591 million in non-controlling interests.

(3) Overview of Cash Flow for the Nine Months Ended September 30, 2023

Cash and cash equivalents ("cash") as of September 30, 2023 were ¥7,698 million, an increase of ¥1,585 million during the period.

Cash flow during the nine months ended September 30, 2023 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities was ¥2,864 million, an increase of ¥1,208 million in the same period of the previous year. The principal factor decreasing cash was a ¥934 million increase in trade and other receivables compared with the same period of the previous year, while the principal factors increasing cash included a ¥249 million increase in income before income taxes compared with the same period of the previous year, a ¥658 million increase in trade and other payables, and a ¥1,190 million increase in other.

Cash Flow from Investing Activities

Net cash provided by investing activities was ¥400 million, an increase of ¥188 million compared with the same period of the previous year. Principal factors decreasing cash included the non-recurrence of proceeds from business transfer that occurred in the same period of the previous year and a decrease of ¥792 million in proceeds from refund of security deposits and guarantees compared with the same period of the previous year, while the principal factors increasing cash included a ¥293 million decrease in payments for acquisition of intangible assets, a ¥987 million increase in proceeds from the sale of investment securities, and a ¥209 million decrease in payments for fulfillment of asset retirement obligations.

Cash Flow from Financing Activities

Net cash used in financing activities was ¥1,677 million, a decrease of ¥738 million compared with the same period of the previous year. The principal factor decreasing cash was a decrease of ¥1,300 million in proceeds from long-term financial liabilities compared with the same period of the previous year, while the principal factors increasing cash included a ¥900 million net increase in short-term financial liabilities, a decrease of ¥735 million in repayment of long-term financial liabilities, and an increase of ¥452 million in proceeds from payments from non-controlling interests.

(4) Forecast

In the first nine months of 2023, operating income increased compared with the same period of the previous year, driven by the recovery of the e Consulting & Cloud business and the substantial growth of the Personnel Placement business, both of which have high profit margins. In the first nine months of 2022, the Group recorded one-time income of approximately ¥700 million on the reversal of lease liabilities as part of the relocation and closure of schools in the Career School business. Excluding one-time items (income and expenses), operating income increased substantially by 20.0% compared with the same period of the previous year. Operating income is progressing as planned toward the full-year forecast, and for the fiscal year ending December 31, 2023, the Group has forecast operating income of ¥4,670 million (a 28.7% increase), which would be a new record.

The Group views changes in the labor market as a crucial opportunity, and for the time being will focus on the Consulting & Cloud business of the Organizational Development Division, which has significant growth potential. The Group believes that there is still ample room for expansion in support of domestic companies, and plans to leverage its unique ability to comprehensively support human capital management through the cycle of identification of problems through diagnosis, transformation of those problems, and disclosure of the transformation results. To achieve further growth, the Group considers it essential to shift its consulting services to a recurring revenue business model, and is focusing on increasing the balance of orders (total orders for future projects obtained at a given point in time). As of September 30, 2023, orders increased substantially compared with the same period of the previous year, and the transition to a recurring revenue business model is making steady progress. Orders for projects in the year ending December 2024 have increased substantially compared with the same period of the previous year (orders for projects in the year ending December 2023 as of September 30, 2022). The Group is making steady progress in securing sales for 2024. Going forward, the Group will achieve substantial growth by proactively making investments in businesses, including through M&As, and in human resources. It will also focus on expansion of cross-selling and enhancement of long-term support.

2. Condensed Consolidated Financial Statements and Main Notes

(1) Condensed Consolidated Statements of Financial Position

(Millions of yen, rounded down to the nearest million)

	As of December 31, 2022	As of September 30, 2023
ASSETS		
Current assets		
Cash and cash equivalents	6,112	7,698
Trade and other receivables	3,299	3,752
Inventories	183	240
Other current financial assets	12	25
Other current assets	1,025	787
Total current assets	10,633	12,505
Non-current assets		
Property, plant and equipment	599	624
Right-of-use assets	3,308	3,458
Goodwill	9,347	9,347
Intangible assets	2,417	2,240
Other non-current financial assets	1,947	1,854
Deferred tax assets	572	495
Other non-current assets	81	68
Total non-current assets	18,275	18,089
Total assets	28,908	30,594

(Millions of yen, rounded down to the nearest million)

	As of December 31, 2022	As of September 30, 2023
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities		
Trade and other payables	1,858	1,771
Contract liabilities	1,461	1,281
Interest-bearing and other financial liabilities	5,064	5,386
Lease liabilities	905	1,007
Income tax payable	712	930
Provisions	8	45
Other current liabilities	1,725	1,720
Total current liabilities	11,737	12,142
Non-current liabilities		
Interest-bearing and other financial liabilities	2,332	1,468
Lease liabilities	2,824	2,549
Provisions	318	334
Deferred tax liabilities	328	382
Other non-current liabilities	124	119
Total non-current liabilities	5,927	4,854
Total liabilities	17,664	16,997
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,380	1,380
Capital surplus	4,464	4,641
Treasury shares	(320)	(288)
Retained earnings	5,385	6,696
Other components of equity	(1,851)	(1,609)
Total equity attributable to owners of the parent	9,057	10,820
Non-controlling interests	2,185	2,777
Total equity	11,243	13,597
Total liabilities and equity	28,908	30,594

(2) Condensed Consolidated Statements of Operations and Comprehensive Income

Condensed Consolidated Statements of Operations

Nine Months Ended September 30

(Millions of yen, rounded down to the nearest million)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Continuing Operations		
Revenues	24,399	25,052
Cost of sales	12,329	12,008
Gross profit	12,070	13,043
Selling, general and administrative expenses	9,464	9,809
Other income	776	317
Other expenses	238	228
Operating income	3,143	3,323
Financial revenues	20	20
Financial expenses	129	60
Income before income taxes	3,034	3,283
Income taxes	1,082	1,200
Net income	1,951	2,082
Discontinued Operations		
Profit from discontinued operations	47	—
Net income	1,998	2,082
(Attributable to)		
Owners of the parent	1,865	1,829
Non-controlling interests	132	253
Total	1,998	2,082

(Yen)

Earnings per share attributable to owners of the parent		
Basic earnings per share		
Continuing operations	16.30	16.39
Discontinued operations	0.42	—
Basic earnings per share	16.73	16.39
Diluted earnings per share		
Continuing operations	16.30	16.36
Discontinued operations	0.42	—
Diluted earnings per share	16.73	16.36

Three Months Ended September 30

(Millions of yen, rounded down to the nearest million)

	Three months ended September 30, 2022	Three months ended September 30, 2023
Continuing Operations		
Revenues	7,633	8,337
Cost of sales	4,035	4,131
Gross profit	3,598	4,205
Selling, general and administrative expenses	3,037	3,195
Other income	647	179
Other expenses	34	80
Operating income	1,173	1,108
Financial revenues	11	10
Financial expenses	30	25
Income before income taxes	1,154	1,093
Income taxes	273	433
Net income	880	659
Discontinued Operations		
Profit (loss) from discontinued operations	(1)	—
Net income	879	659
(Attributable to)		
Owners of the parent	839	573
Non-controlling interests	40	85
Total	879	659

(Yen)

Earnings per share attributable to owners of the parent		
Basic earnings (loss) per share		
Continuing operations	7.53	5.14
Discontinued operations	(0.01)	—
Basic earnings (loss) per share	7.52	5.14
Diluted earnings (loss) per share		
Continuing operations	7.53	5.13
Discontinued operations	(0.01)	—
Diluted earnings (loss) per share	7.52	5.13

Condensed Consolidated Statements of Comprehensive Income

Nine Months Ended September 30

(Millions of yen, rounded down to the nearest million)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Net income	1,998	2,082
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	62	603
Total of items that will not be reclassified to profit or loss	62	603
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(10)	(2)
Total of items that may be reclassified to profit or loss	(10)	(2)
Total other comprehensive income	52	601
Total comprehensive income	2,050	2,683
(Attributable to)		
Owners of the parent	1,918	2,430
Non-controlling interests	132	253
Comprehensive income	2,050	2,683

Three Months Ended September 30

(Millions of yen, rounded down to the nearest million)

	Three months ended September 30, 2022	Three months ended September 30, 2023
Net income	879	659
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	78	(306)
Total of items that will not be reclassified to profit or loss	78	(306)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(3)	(0)
Total of items that may be reclassified to profit or loss	(3)	(0)
Total other comprehensive income	75	(306)
Total comprehensive income	955	352
(Attributable to)		
Owners of the parent	914	266
Non-controlling interests	40	85
Comprehensive income	955	352

(3) Condensed Consolidated Statements of Changes in Equity

Nine Months Ended September 30, 2022

(Millions of yen, rounded down to the nearest million)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total equity attributable to owners of the parent		
January 1, 2022	1,380	3,879	(320)	4,406	(1,853)	7,493	1,154	8,648
Cumulative effect of change in accounting policy	—	—	—	(219)	—	(219)	—	(219)
Balance at beginning of period reflecting change in accounting policy	1,380	3,879	(320)	4,187	(1,853)	7,274	1,154	8,429
Net income	—	—	—	1,865	—	1,865	132	1,998
Other comprehensive income	—	—	—	—	52	52	—	52
Total comprehensive income	—	—	—	1,865	52	1,918	132	2,050
Dividends from surplus	—	—	—	(635)	—	(635)	—	(635)
Share-based payment transactions	—	—	—	—	40	40	—	40
Transfer from other components of equity to retained earnings	—	—	—	(12)	12	—	—	—
Total transactions with the owners	—	—	—	(648)	53	(594)	—	(594)
September 30, 2022	1,380	3,879	(320)	5,404	(1,747)	8,597	1,287	9,884

Nine Months Ended September 30, 2023

(Millions of yen, rounded down to the nearest million)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total equity attributable to owners of the parent		
January 1, 2023	1,380	4,464	(320)	5,385	(1,851)	9,057	2,185	11,243
Net income	—	—	—	1,829	—	1,829	253	2,082
Other comprehensive income	—	—	—	—	601	601	—	601
Total comprehensive income	—	—	—	1,829	601	2,430	253	2,683
Change in ownership interest in subsidiaries	—	175	—	—	—	175	338	513
Dividends from surplus	—	—	—	(848)	—	(848)	—	(848)
Exercise of stock acquisition rights	—	30	—	—	(30)	—	—	—
Share-based payment transactions	—	(28)	31	—	1	4	—	4
Transfer from other components of equity to retained earnings	—	—	—	329	(329)	—	—	—
Total transactions with the owners	—	177	31	(518)	(358)	(667)	338	(329)
September 30, 2023	1,380	4,641	(288)	6,696	(1,609)	10,820	2,777	13,597

(4) Condensed Consolidated Statements of Cash Flow

(Millions of yen, rounded down to the nearest million)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Cash flow from operating activities		
Income before income taxes	3,034	3,283
Profit before tax from discontinued operations	19	—
Depreciation and amortization	1,291	1,249
Loss on impairment	160	185
(Profit) loss from business transfer	(50)	—
Loss (gain) on valuation of investment securities	20	26
Financial revenues and financial expenses	109	40
Decrease (increase) in trade and other receivables	481	(453)
Decrease (increase) in inventories	(72)	(57)
Increase (decrease) in trade and other payables	(743)	(85)
Other	(1,276)	(85)
Subtotal	2,975	4,103
Interest and dividends received	5	10
Interest paid	(115)	(51)
Income tax refund	2	45
Income taxes paid	(1,212)	(1,243)
Net cash provided by operating activities	1,655	2,864
Cash flow from investing activities		
Payments for acquisition of property, plant and equipment	(71)	(108)
Payments for acquisition of intangible assets	(693)	(400)
Proceeds from business transfer	441	—
Payments for acquisition of investment securities	(79)	(79)
Proceeds from sale of investment securities	1	989
Payments for security deposits and guarantees	(22)	(38)
Proceeds from refund of security deposits and guarantees	924	131
Payments for fulfillment of asset retirement obligations	(282)	(73)
Other	(4)	(20)
Net cash provided (used in) investing activities	212	400
Cash flow from financing activities		
Net increase (decrease) in short-term financial liabilities	(500)	400
Proceeds from long-term financial liabilities	1,400	100
Repayment of long-term financial liabilities	(1,777)	(1,041)
Proceeds from exercise of stock acquisition rights	—	62
Payments of cash dividends	(634)	(844)
Repayment of lease liabilities	(904)	(805)
Proceeds from payments from non-controlling interests	—	452
Payments for acquisition of treasury shares	—	(0)
Net cash used in financing activities	(2,416)	(1,677)
Cash and cash equivalents translation adjustment	(1)	(1)
Net increase (decrease) in cash and cash equivalents	(549)	1,585
Cash and cash equivalents at beginning of the quarter	4,917	6,112
Cash and cash equivalents at end of the quarter	4,368	7,698

(5) Notes to Condensed Consolidated Financial Statements

(Change in Accounting Policies)

(Income Taxes)

The Group has adopted the following standard as of the first quarter of 2023.

IFRS		Summary of New Establishment or Amendment
IAS 12	Income Taxes (May 2021 amendment)	Clarifies deferred tax accounting for leases and decommissioning obligations

This amendment clarifies that entities should recognize deferred tax liabilities and deferred tax assets on certain transactions (e.g., leases and decommissioning obligations) that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

This amendment is applied retrospectively to the condensed quarterly consolidated financial statements and the consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year.

As a result, in the consolidated statements of financial position for the previous fiscal year, deferred tax assets decreased by ¥44 million, deferred tax liabilities increased by ¥58 million and retained earnings decreased by ¥102 million compared with the amounts before the retrospective application. In the condensed consolidated statements of operations, income taxes increased by ¥19 million and profit from continuing operations decreased by ¥19 million. In addition, profit from discontinued operations increased by ¥140 million and net income increased by ¥120 million.

Basic earnings per share from continuing operations and diluted earnings per share from continuing operations for the nine months ended September 30, 2022 each decreased by ¥0.18. Basic earnings per share from discontinued operations and diluted earnings per share from discontinued operations each increased by ¥1.26, and basic earnings per share and diluted earnings per share each increased by ¥1.08.

Because the cumulative effect was reflected in equity at the beginning of the nine months ended September 30, 2022, the beginning balance of retained earnings in the condensed consolidated statements of changes in equity after retrospective application decreased by ¥219 million.

(Significant Accounting Policies)

The significant accounting policies applied in these condensed consolidated financial statements are the same as those applied in the consolidated financial statements for the previous fiscal year except for those noted in “Change in Accounting Policies” and in the item below.

Income taxes expense for the nine months ended September 30, 2023 was calculated using the estimated average annual effective tax rate.

(Stock-Based Compensation)

The Group has introduced a restricted stock compensation plan as an equity-settled, share-based compensation plan for executive officers effective from the six months ended June 30, 2023. Restricted stock compensation is measured by referring to the fair value on the date the shares are granted, and is recognized as an expense over the vesting period from the grant date, with the corresponding amount recognized as an increase in equity.

(Notes Regarding Significant Accounting Estimates and Judgements)

In preparing the consolidated financial statements, management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The results of accounting estimates may differ from actual results.

The estimates and their underlying assumptions are reviewed on an ongoing basis. The effects of a review of accounting estimates are recognized in the accounting period in which the estimates are reviewed as well as in future periods.

Estimates and estimate-related judgments that have a significant impact on these condensed consolidated financial statements are the same as those in the condensed consolidated financial statements for the same period of the previous fiscal year.

(Notes Regarding Assumption of Going Concern)

None applicable

(Significant Subsequent Events)

(Authorization of Share Buyback)

At a Board of Directors meeting held on November 13, 2023, the Group authorized the repurchase of shares of its common stock pursuant to Article 459, paragraph 1 of the Companies Act of Japan, and Article 43 of the Articles of Incorporation.

(1) Reason for the Share Buyback

The Group is implementing a flexible capital policy to enhance capital efficiency and shareholder returns, after comprehensively considering its financial condition and stock price. Having sufficiently secured the cash necessary to fund growth investments, the Group believes that its future profitability is not fully reflected in its stock price, and therefore made the decision to buy back its own shares.

(2) Details of the Share Buyback

1) Type of shares to be bought back	Common stock
2) Total number of shares to be bought back	4,000,000 shares (upper limit) (3.58% of total shares issued, excluding treasury stock)
3) Total amount of buyback	¥2 billion (upper limit)
4) Buyback period	November 14, 2023 – June 30, 2024