

Consolidated Financial Statements for the Year Ended December 31, 2022 (IFRS)

These financial statements have been prepared for reference only.

February 13, 2023

Link and Motivation Inc.
http://www.lmi.ne.jp/english

Stock exchange listing: Tokyo, Prime Market

Code number: 2170

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Ordinary General Meeting of Shareholders (scheduled):

March 30, 2023

Start of distribution of dividends (scheduled):

March 24, 2023

Filing of Securities Report (*Yuka Shoken Hokokusho*) (scheduled):

March 30, 2023

Supplementary documents for quarterly results:

No

Quarterly results briefing:

No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for the Year Ended December 31, 2022

(January 1, 2022 – December 31, 2022)

(1) Revenues and Income

(Percentages represent change compared with the previous year.)

	Revenues		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Year ended Dec. 31, 2022	32,776	0.4	3,627	75.6	3,501	83.9	2,106	106.4	1,941	111.3
Year ended Dec. 31, 2021	32,644	6.0	2,066	140.2	1,903	184.0	1,020	—	918	—

	Comprehensive income		Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	(¥ million)	(%)	(¥)	(¥)	(%)	(%)	(%)
Year ended Dec. 31, 2022	2,043	95.2	17.40	17.38	23.3	11.9	11.1
Year ended Dec. 31, 2021	1,047	—	8.73	8.73	16.3	5.4	6.3

Reference: Equity in earnings of affiliates: Year ended Dec. 31, 2022: (¥—million)

Year ended Dec. 31, 2021: (¥—million)

Note: As of the fiscal year ended December 31, 2021, the domestic temp staff business of Link Agent Inc. (formerly Link Staffing Inc.) has been classified as discontinued operations. As a result, profits from discontinued operations are presented separately from continuing operations in the consolidated statements of operations. Accordingly, revenues, operating income and income before taxes present the amounts for continuing operations.

(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 (%)	Equity per share attributable to owners of the parent (¥)
As of Dec. 31, 2022	28,952	11,345	9,159	31.6	82.11
As of Dec. 31, 2021	30,062	8,648	7,493	24.9	67.17

(3) Cash Flow

	Cash flow from operating activities (¥ million)	Cash flow from investing activities (¥ million)	Cash flow from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Year ended Dec. 31, 2022	3,561	(280)	(2,085)	6,112
Year ended Dec. 31, 2021	4,316	(728)	(5,124)	4,917

2. Dividends

	Dividends per share					Total dividends paid (full year) (¥ million)	Payout ratio (%)	Dividends/Net assets (Consolidated) (%)
	1st Qtr.	2nd Qtr.	3rd Qtr.	Year-end	Full year			
2021	1.80	1.80	1.90	1.90	7.40	789	84.7	14.3
2022	1.90	1.90	1.90	2.00	7.70	859	44.2	10.3

2023 (est.)	2.80	2.80	2.80	2.80	11.20		47.5	
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3. Forecast of Consolidated Results for 2023 (January 1, 2023 – December 31, 2023)

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

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

Notes

- (1) Changes in Significant Subsidiaries during the Period (Change 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: No
 - (b) Changes in accounting policies other than (a) above: No
 - (c) Changes in accounting estimates: No
- (3) Number of Shares Issued and Outstanding (Common Stock)
 - (a) Number of shares at the end of the period (including treasury stock)

Year ended December 31, 2022: 113,068,000; Year ended December 31, 2021: 113,068,000
 - (b) Number of treasury shares at the end of the period:

Year ended December 31, 2022: 1,506,468; Year ended December 31, 2021: 1,506,443
 - (c) Average number of shares outstanding:

Year ended December 31, 2022: 111,561,553; Year ended December 31, 2021: 105,249,619

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for 2022 (January 1, 2022 – December 31, 2022)

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

	Net sales		Operating income		Ordinary income		Net income	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Year ended December 31, 2022	8,883	7.0	637	295.1	489	—	71	—
Year ended December 31, 2021	8,304	11.3	161	(80.3)	(356)	—	(413)	—

	Basic earnings per share	Diluted earnings per share
	(¥)	(¥)
Year ended December 31, 2022	0.64	—
Year ended December 31, 2021	(3.93)	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets/Total assets (%)	Net assets per share (¥)
As of December 31, 2022	22,613	6,431	28.4	57.65
As of December 31, 2021	24,002	7,205	30.0	64.59

(Reference) Net worth: As of December 31, 2022: ¥6,431 million; As of December 31, 2021: ¥7,205 million

Note: Figures for non-consolidated results are based on Japanese standards.

* **These Financial Statement 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**

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.

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1. Overview of Results of Operations and Other Information

Forward-looking statements in the following text are based on judgments as of December 31, 2022, 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.

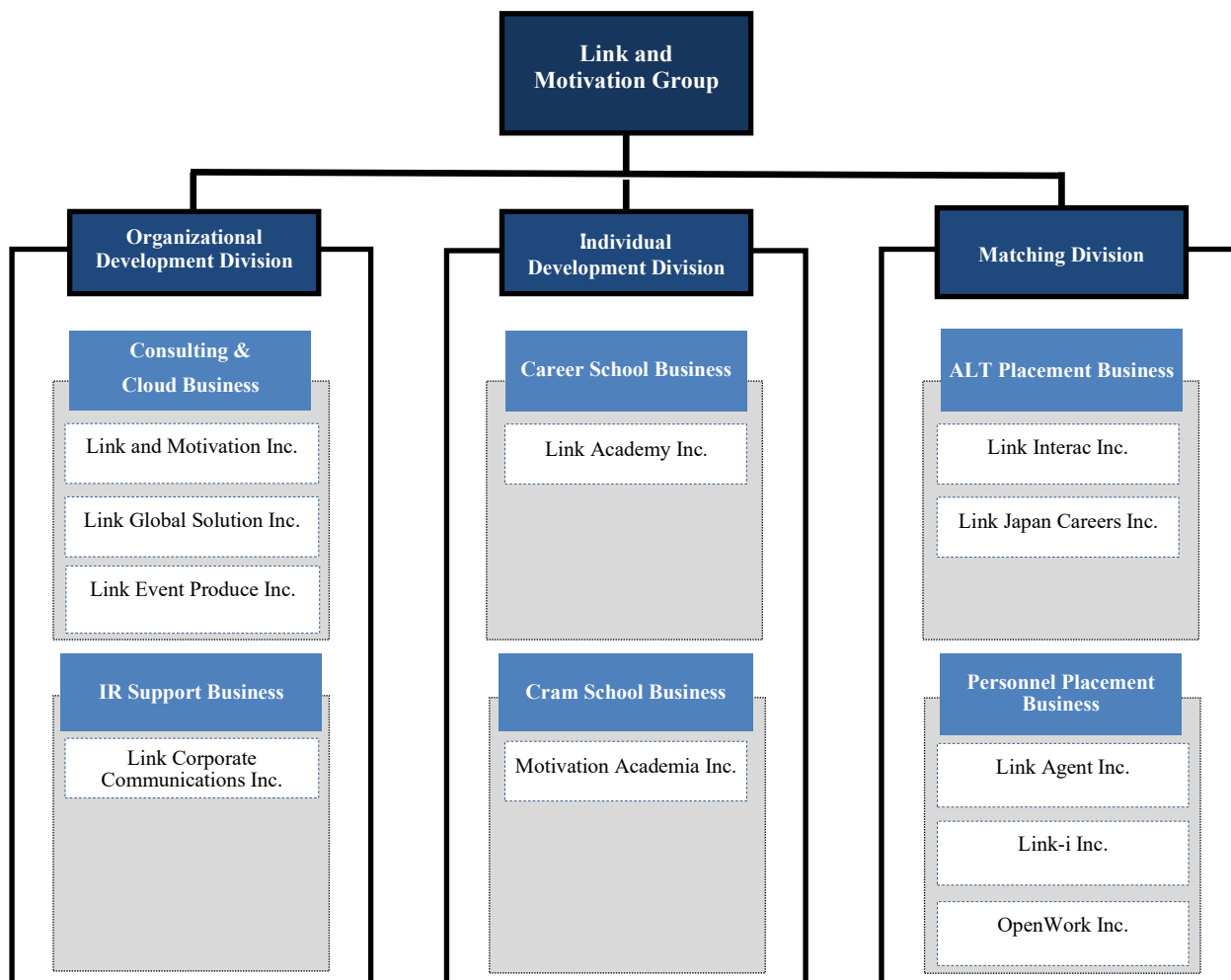
(1) Overview of Results of Operations for 2022

The Group supports the transformation of numerous organizations and individuals using “Motivation Engineering,” which is the Group’s core technology, incorporating academic results in business administration, social systems theory, behavioral economics, psychology and other disciplines, under its corporate philosophy: “Through Motivation Engineering, we provide opportunities to transform organizations and individuals and create a more meaningful society.” During the fiscal year ended December 31, 2022, the Japanese economy showed a gradual recovery trend amid easing of movement restrictions and progress in shifting to coexistence with COVID-19. However, the economic outlook remains unclear due to price increases stemming from the worsening situation in Ukraine and the impact of the rapid depreciation of the yen. Under these economic conditions, the Group perceives the need for companies to promote human capital management in order to deal with change—specifically, the rising needs for improving employee engagement (mutual understanding, empathy and commitment between companies and employees) and for securing and developing human resources.

In this economic environment, the Group’s revenues for 2022 were ¥32,776 million (a 0.4% increase compared with the previous year), gross profit was ¥16,068 million (a 4.7% increase), operating income was ¥3,627 million (a 75.6% increase) and net income attributable to owners of the parent was ¥1,941 million (a 111.3% increase).

The segment and business classifications of the Group are as shown below, and an overview of fiscal 2022 by segment and business follows.

As of 2022, business classifications and business names have changed. Figures for the previous year have been restated for purposes of comparison.



Note: Link Staffing Inc. changed its corporate name to Link Agent Inc. on April 1, 2022.

Organizational Development Division

The Organizational Development Division defines companies that use employee motivation as the engine of corporate growth as “Motivation Companies,” and provides support for the creation of many such “Motivation Companies.” In concrete terms, it offers corporate customers services that provide support for increasing engagement with a company’s stakeholders (employees, job applicants, customers, shareholders) using “Motivation Engineering,” which is the core technology of the Group.

In this segment, segment revenues for 2022 were ¥12,092 million (an 11.8% increase), and segment income was ¥8,248 million (a 9.5% increase). An overview of operating results by business for 2022 is as follows.

Consulting & Cloud Business

To turn corporations into “Motivation Companies,” the Consulting & Cloud business diagnoses employee engagement based on its original diagnostic framework and offers one-stop solutions for innovations related to organizations and personnel, including hiring, training, systems and culture. The business is also rolling out the Motivation Cloud series of cloud-based services that allow customer companies to manage employee engagement themselves.

In this business, revenues for 2022 were ¥10,236 million (an 11.8% increase) and gross profit was ¥7,320 million (a 7.4% increase). Results by product in the Consulting & Cloud business were as follows.

Table 1. Revenues by Product

Product (¥ million) [Gross profit in brackets]	2021	2022	YoY change (%)
Consulting & Cloud Business	9,156 [6,817]	10,236 [7,320]	11.8 7.4
Consulting	6,259	6,641	6.1
Cloud	2,897	3,594	24.1

In 2022, revenues increased substantially and gross profit increased compared with the previous fiscal year as both the Consulting business and the Cloud business steadily captured the needs of major companies for improving employee engagement. Attention is increasingly being given to the practice of human capital management and related information disclosure due to factors including the November 2022 announcement by the Ministry of Finance of the proposed revision of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, which sets forth items concerning human capital to be disclosed in securities reports next fiscal year and thereafter. The Group will take advantage of this external environment to develop new customers, primarily major companies, and promote one-stop support for the diagnosis, transformation and information disclosure of organizations to achieve further growth.

Monthly fee revenue increased substantially compared with the previous year for the Motivation Cloud series of products, which are part of the Cloud category and are priority services for the Group. 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

	2021				2022			
	March	June	September	December	March	June	September	December
Number of deliveries	747	743	772	738	745	768	820	831
Monthly fee revenue (¥ thousand)	206,485	218,928	235,859	240,545	256,155	284,692	306,934	328,505

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 Company 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 fifth consecutive year: fiscal 2017 to fiscal 2021 forecast) in *ITR Market View: Human Resources Management Market 2022*, a market research report published by ITR Corporation.

The Group had forecast ¥320,000 thousand in fee revenues from the Motivation Cloud series for the month of December 2022 (a year-on-year increase of 33.0%), but the business successfully promoted the introduction of this product at major companies, and monthly fee revenue for December 2022 was ¥328,505 thousand (a 36.6% increase).

The business will continue to ramp up introductions at major companies, where there is still substantial room for growth, and will promote introductions at Japanese subsidiaries of global corporations and local governments. In addition, for Stretch Cloud (released in July 2022), we plan to expand in the human resource development market, which exceeds ¥500 billion. Execution of these growth strategies will accelerate further growth and drive the employee engagement market.

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 “creation of Motivation Companies” at corporations. In addition to printed media such as integrated reports for shareholders and investors, web-based media such as investor relations (IR) sites, and visual media such as videos that explain products and webcasts of shareholders’ meetings, the business creates physical and virtual forums for shareholders’ meetings and other events.

In this business, revenues for 2022 were ¥2,066 million (a 7.6% increase) and gross profit was ¥1,026 million (a 16.9% increase).

In 2022, revenues increased compared with the previous year as production of integrated reports expanded. Gross profit increased substantially compared with the previous year due to the success of efforts to improve the gross profit margin of video production.

It is likely that needs for disclosure of information on non-financial capital, particularly human capital information, will increase further with the requirement to disclose human capital information in securities reports. The business will respond to these needs as well as generate synergies with the Consulting & Cloud business by disclosing the results of its diagnosis and transformation initiatives.

Individual Development Division

The Individual Development Division supports the creation of “i-Companies,” which it defines as individuals who independently and autonomously develop their own careers and lives. 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 2022 were ¥6,960 million (a 6.8% decrease) and segment income was ¥2,755 million (a 5.2% decrease). An overview of operating results by business for 2022 is as follows.

Career School Business

The Career School business provides one-stop services for individual career advancement, targeting mainly university students and working adults, under the five service brands of “Aviva” personal computer schools, “Daiei” qualification schools, and “Rosetta Stone Learning Center,” “Rosetta Stone Premium Club” and “Hummingbird” foreign language schools.

In this business, revenues for 2022 were ¥6,240 million (an 8.6% decrease) and gross profit was ¥2,427 million (a 6.5% decrease). Results by product in the Career School business were as follows.

Table 3. Revenues by Product

Product (¥ million) [Gross profit in brackets]	2021	2022	YoY change (%)
Career School Business	6,824 [2,596]	6,240 [2,427]	(8.6) (6.5)
IT	3,791	3,438	(9.3)
Qualifications	2,406	2,258	(6.2)
English conversation	626	543	(13.3)

In 2022, the number of enrollees failed to recover as the impact of COVID-19 on B2C services continued, and revenues decreased compared with the previous year.

In B2C services, the business carried out structural reforms initiated in the third quarter. Specifically, in response to the significant changes in lifestyles due to COVID-19, and the shift of learning needs from in-person to online, the business intends to port all courses and support for its B2C services online. It also plans to reduce fixed costs and improve business efficiency by rationalizing schools through relocation or closure. Meanwhile, the business achieved substantial year-on-year growth of 32.7% in its DX support for individuals at companies (a B2B service) amid rapidly expanding corporate needs for reskilling. The business will grow these services further by utilizing the customer assets of the Organizational Development Division, in addition to the IT skill support know-how it has cultivated.

Cram School Business

Unlike typical cram schools, the Cram School business operates under the business concept of producing numerous “i-Companies” in addition to improving the academic ability of its students. Its services consist of operating “Motivation Academia” cram schools for junior high and high school students to provide a place where students can not only prepare for school entrance exams but also develop skills to play a role in society. The business also operates “SS-1,” an individualized instruction school for students preparing for junior high school entrance exams. 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 develop skills that will be of use in society. Like the Career School business, it now offers both in-school and online services in response to lifestyle changes caused by the COVID-19 pandemic.

In this business, revenues for 2022 were ¥720 million (a 10.5% increase) and gross profit was ¥327 million (a 5.6% increase).

Revenues increased substantially and gross profit increased in 2022 due to recovery in the number of enrollees.

This business will continue to increase the number of new enrollees by providing learning opportunities to a wide range of students through online classes.

Matching Division

The Matching Division provides opportunities to connect organizations and individuals under the concept of “engagement matching.” In concrete terms, it applies “Motivation Engineering,” the core technology of the Group, to the placement of non-Japanese assistant language teachers (ALTs) to schools and human resources to other businesses. It creates matches with a high retention rate by going beyond the skill requirements of companies and local governments for matching with the characteristics of each individual based on the Group’s proprietary data.

In this segment, segment revenues for 2022 were ¥14,564 million (a 3.2% decrease) and segment income was ¥5,778 million (a 4.4% increase). An overview of operating results by business for 2022 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 this business, where barriers to entry are extremely high due to the importance placed on relationships of trust with customers and a company’s track record, the Group has established the predominant number-one share among private companies.

In this business, revenues for 2022 were ¥12,006 million (an 8.5% decrease) and gross profit was ¥3,291 million (a 9.8% decrease).

In 2022, due to price adjustments by the business as a result of the expansion of social insurance coverage that will take effect in October 2022, some local governments withdrew their bids because the price exceeded their expectations. As a result, both revenues and gross profit decreased compared with the previous year.

On the other hand, there was a steady increase in the number of schools using “Teachers Cloud,” a cloud-based service launched in June 2021 to improve the efficiency of teachers’ preparation for English classes, their English ability and their teaching skills. As of December 31, 2022, 5,676 schools were using the product, achieving the year-end target of 5,600 schools. The business plans to provide it to 14,000 schools, or about 45% of all public elementary, junior high or high schools in Japan, by 2024. The Group will continue to roll out Teachers Cloud as a part of classroom infrastructure and expand the market share of the ALT Placement business.

Personnel Placement Business

The Personnel Placement business provides the human resources an organization needs to grow in the form of a referral service for human resources. Mainly, it provides mid-career referrals that match working adults looking to change jobs with companies, and conducts new graduate recruiting and referrals that connect university students looking for employment with company orientation meetings and interviews.

In this business, revenues for 2022 were ¥2,570 million (a 32.2% increase) and gross profit was ¥2,500 million (a 31.0% increase).

In 2022, OpenWork Inc., which has a particularly high growth rate, continued to steadily accumulate registered users and data on employee online reviews and evaluation scores despite the COVID-19 pandemic. Amid the increasing activity in the market for people changing jobs, revenues from the direct recruiting service (OpenWork Recruiting) have grown substantially, increasing 102.5% compared with the previous year.

This business will continue to expand synergy with the Organizational Development Division, and will ramp up “engagement matching” that achieves true mutual understanding and affinity between organizations and individuals.

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 (1) sympathy with the idea of “creation of Motivation Companies” and (2) aim to list stock. Gains on sales and other results generated from venture incubation are recorded in other components of equity 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 2022

Total assets as of December 31, 2022 were ¥28,952 million, a decrease of ¥1,110 million from the end of the previous year. This was mainly due to factors including decreases of ¥840 million in right-of-use assets and ¥797 million in other non-current financial assets associated with the transfer of the domestic temp staff business and the relocation of the Tokyo integrated office, as well as a decrease of ¥552 million in trade and other receivables. Cash and cash equivalents increased ¥1,194 million.

Total liabilities as of December 31, 2022 were ¥17,606 million, a decrease of ¥3,807 million from the end of the previous year. This was mainly due to factors including decreases of ¥1,481 million in interest-bearing and other financial liabilities and ¥1,278 million in lease liabilities.

Total equity as of December 31, 2022 was ¥11,345 million, an increase of ¥2,697 million from the end of the previous year. This was mainly due to factors including a ¥1,080 million increase in retained earnings associated with posting net income attributable to owners of the parent and a ¥1,030 million increase in non-controlling interests, partially offset by the payment of dividends from surplus.

(3) Overview of Cash Flow for 2022

Cash and cash equivalents (“cash”) as of December 31, 2022 were ¥6,112 million, an increase of ¥1,194 million during the period.

Cash flow during 2022 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities was ¥3,561 million, a decrease of ¥755 million compared with the previous year. The principal factors increasing cash were a ¥1,597 million increase in income before income taxes and a ¥725 million decrease in trade and other receivables compared with the previous year, while the principal factors decreasing cash included a ¥1,146 million decrease in depreciation and amortization, a ¥405 million decrease in loss on impairment, a ¥658 million decrease in other, a ¥434 million decrease in income tax refund and a ¥343 million increase in income taxes paid compared with the previous year.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥280 million, a decrease of ¥447 million from the previous year. Principal factors decreasing cash included a ¥512 million decrease in proceeds from sale of investment securities and a ¥309 million increase in payments for asset retirement obligations compared with the previous year, while the principal factors increasing cash included ¥441 million in proceeds from business transfer and an increase of ¥690 million in proceeds from refund of security deposits and guarantees compared with the previous year.

Cash Flow from Financing Activities

Net cash used in financing activities was ¥2,085 million, a decrease of ¥3,039 million compared with the previous year. The principal factors were a ¥4,185 million net increase in financial liabilities compared with the previous year, ¥1,449 million in payments from non-controlling interests, a decrease of ¥776 million in repayment of lease liabilities and the absence of payments for acquisition of interests in subsidiaries from non-controlling interests, which were incurred in the previous year. These factors were partially offset by a decrease in cash due to the absence of proceeds from sales of treasury shares recorded in the previous year.

(4) Forecast

The Consulting & Cloud business of the Organizational Development Division and the Personnel Placement business of the Matching Division grew substantially in 2022. In addition, progress was made in relocation or closure of schools and structural reforms were carried out in B2C services of the Career School business, which continues to be impacted by the COVID-19 pandemic.

For the fiscal year ending December 31, 2023, the Company has forecast revenues of ¥35,300 million (a 7.7% increase), operating income of ¥4,670 million (a 28.7% increase), and net income attributable to owners of parent of ¥2,630 million (a 35.4% increase). The operating income forecast represents a record high. Out of all the Group’s businesses, the greatest growth is expected from the Consulting & Cloud business in the Organizational Development Division. In this business, the Company perceives that needs for improving employee engagement and securing and

developing human resources will expand further, especially among major companies, in response to the recent changes in working styles caused by the COVID-19 pandemic and the global trend toward human capital disclosure. For the Group, which has provided organizational and human resource consulting since it was established in 2000, these changes in the external environment are producing the best market environment since the Company's inception. The Company plans to accelerate growth through further customer development for Motivation Cloud and cross-selling to Stretch Cloud. For the Organizational Development Division, the Company forecasts ¥14,200 million in revenues (a 17.4% increase) and ¥9,700 million in gross profit (a 17.6% increase) in 2023, and ¥430 million in subscription revenues from the Motivation Cloud series for the month of December 2023 (a 30.9% increase). Moreover, the Company will achieve further growth in the Individual Development Division and the Matching Division by focusing on businesses that can be expected to generate synergies with the Organizational Development Division.

2. Basic Policy Regarding Selection of Accounting Standards

The Group has applied International Financial Reporting Standards (IFRS) since the first quarter of the fiscal year ended December 31, 2017 to improve the international comparability of its financial information in capital markets. The Group formerly applied generally accepted accounting principles in Japan (Japanese GAAP).

3. Consolidated Financial Statements and Main Notes
(1) Consolidated Statements of Financial Position

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

	As of December 31, 2021	As of December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	4,917	6,112
Trade and other receivables	3,851	3,299
Inventories	200	183
Other current financial assets	9	12
Other current assets	753	1,025
Total current assets	9,732	10,633
Non-current assets		
Property, plant and equipment	637	599
Right-of-use assets	4,149	3,308
Goodwill	9,410	9,347
Intangible assets	2,234	2,417
Other non-current financial assets	2,744	1,947
Deferred tax assets	984	617
Other non-current assets	168	81
Total non-current assets	20,329	18,319
Total assets	30,062	28,952

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

	As of December 31, 2021	As of December 31, 2022
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities		
Trade and other payables	2,094	1,858
Contract liabilities	1,615	1,461
Interest-bearing and other financial liabilities	7,161	5,064
Lease liabilities	1,079	905
Income tax payable	716	712
Provisions	274	8
Other current liabilities	2,075	1,725
Total current liabilities	15,018	11,737
Non-current liabilities		
Interest-bearing and other financial liabilities	1,716	2,332
Lease liabilities	3,929	2,824
Provisions	359	318
Deferred tax liabilities	256	269
Other non-current liabilities	134	124
Total non-current liabilities	6,395	5,869
Total liabilities	21,413	17,606
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,380	1,380
Capital surplus	3,879	4,464
Treasury shares	(320)	(320)
Retained earnings	4,406	5,487
Other components of equity	(1,853)	(1,851)
Total equity attributable to owners of the parent	7,493	9,159
Non-controlling interests	1,154	2,185
Total equity	8,648	11,345
Total liabilities and equity	30,062	28,952

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

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

	Year ended December 31, 2021	Year ended December 31, 2022
Continuing Operations		
Revenues	32,644	32,776
Cost of sales	17,304	16,708
Gross profit	15,340	16,068
Selling, general and administrative expenses	12,625	12,780
Other income	112	779
Other expenses	760	439
Operating income	2,066	3,627
Financial revenues	12	20
Financial expenses	174	146
Income before income taxes	1,903	3,501
Income taxes	801	1,310
Net income from continuing operations	1,102	2,191
Discontinued Operations		
Profit (loss) from discontinued operations	(82)	(84)
Net income	1,020	2,106
(Attributable to)		
Owners of the parent	918	1,941
Non-controlling interests	101	164
Total	1,020	2,106
		(Yen)
Earnings per share attributable to owners of the parent		
Basic earnings (loss) per share		
Continuing operations	9.51	18.17
Discontinued operations	(0.78)	(0.76)
Basic earnings (loss) per share	8.73	17.40
Diluted earnings (loss) per share		
Continuing operations	9.51	18.14
Discontinued operations	(0.78)	(0.76)
Diluted earnings (loss) per share	8.73	17.38

Consolidated Statements of Comprehensive Income

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

	Year ended December 31, 2021	Year ended December 31, 2022
Net income	1,020	2,106
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	22	(57)
Total of items that will not be reclassified to profit or loss	22	(57)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	4	(5)
Total of items that may be reclassified to profit or loss	4	(5)
Total other comprehensive income	26	(62)
Total comprehensive income	1,047	2,043
(Attributable to)		
Owners of the parent	945	1,878
Non-controlling interests	101	164
Comprehensive income	1,047	2,043

(3) Consolidated Statements of Changes in Equity
Year ended December 31, 2021

(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, 2021	1,380	1,855	(1,733)	3,989	(1,731)	3,760	1,157	4,917
Net income	—	—	—	918	—	918	101	1,020
Other comprehensive income	—	—	—	—	26	26	—	26
Total comprehensive income	—	—	—	918	26	945	101	1,047
Acquisition of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Disposition of treasury shares	—	2,673	1,413	—	—	4,087	—	4,087
Change in ownership interest in subsidiaries	—	(649)	—	—	—	(649)	(103)	(753)
Dividends from surplus	—	—	—	(764)	—	(764)	—	(764)
Share-based payment transactions	—	—	—	—	115	115	—	115
Transfer from other components of equity to retained earnings	—	—	—	263	(263)	—	—	—
Total transactions with the owners	—	2,024	1,413	(501)	(148)	2,787	(103)	2,683
December 31, 2021	1,380	3,879	(320)	4,406	(1,853)	7,493	1,154	8,648

Year ended December 31, 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
Net income	—	—	—	1,941	—	1,941	164	2,106
Other comprehensive income	—	—	—	—	(62)	(62)	—	(62)
Total comprehensive income	—	—	—	1,941	(62)	1,878	164	2,043
Acquisition of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Change in ownership interest in subsidiaries	—	581	—	—	—	581	866	1,447
Dividends from surplus	—	—	—	(847)	—	(847)	—	(847)
Exercise of stock options	—	2	—	—	(2)	—	—	—
Share-based payment transactions	—	—	—	—	53	53	—	53
Transfer from other components of equity to retained earnings	—	—	—	(12)	12	—	—	—
Total transactions with the owners	—	584	(0)	(860)	64	(212)	866	653
December 31, 2022	1,380	4,464	(320)	5,487	(1,851)	9,159	2,185	11,345

(4) Consolidated Statements of Cash Flow

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

	Year ended December 31, 2021	Year ended December 31, 2022
Cash flow from operating activities		
Income before income taxes	1,903	3,501
Profit (loss) before income taxes from discontinued operations	(13)	19
Depreciation and amortization	2,870	1,724
Loss on impairment	756	351
Loss (profit) from business transfer	—	(50)
Loss (gain) on sales of fixed assets	(3)	—
Loss (gain) on valuation of investment securities	—	20
Stock listing expenses	—	22
Gain on cancellation of insurance	(8)	—
Financial revenues and financial expenses	163	125
Decrease (increase) in trade and other receivables	(173)	552
Decrease (increase) in inventories	(12)	16
Increase (decrease) in trade and other payables	(78)	(237)
Other	(547)	(1,206)
Subtotal	4,856	4,841
Interest and dividends received	0	6
Interest paid	(162)	(131)
Income tax refund	439	5
Income taxes paid	(816)	(1,159)
Net cash provided by operating activities	4,316	3,561
Cash flow from investing activities		
Payments for acquisition of property, plant and equipment	(330)	(135)
Proceeds from sale of property, plant and equipment	3	—
Payments for acquisition of intangible assets	(889)	(898)
Proceeds from business transfer	—	441
Payments for acquisition of investment securities	—	(169)
Proceeds from sale of investment securities	513	1
Payments for security deposits and guarantees	(272)	(49)
Proceeds from recovery of security deposits and guarantees	291	982
Payments for fulfillment of asset retirement obligations	(142)	(452)
Proceeds from cancellation of insurance	85	—
Other	13	(0)
Net cash provided by (used in) investing activities	(728)	(280)
Cash flow from financing activities		
Net increase (decrease) in short-term financial liabilities	—	(1,800)
Proceeds from long-term financial liabilities	506	2,400
Repayment of long-term financial liabilities	(6,173)	(2,081)
Proceeds from exercise of stock options	—	5
Payments of stock listing expenses	—	(18)
Payments of cash dividends	(765)	(847)
Repayments of lease liabilities	(1,968)	(1,191)
Payments from non-controlling interests	—	1,449
Payments for acquisition of interest in subsidiary from non-controlling interests	(753)	—
Payments for acquisition of treasury shares	—	(0)
Proceeds from sales of treasury shares	4,029	—
Net cash used in financing activities	(5,124)	(2,085)
Cash and cash equivalents translation adjustment	4	(1)
Net increase (decrease) in cash and cash equivalents	(1,532)	1,194
Cash and cash equivalents at beginning of year	6,449	4,917
Cash and cash equivalents at end of year	4,917	6,112

(5) Notes to Consolidated Financial Statements
(Notes Regarding Assumption of Going Concern)

None applicable

(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 the consolidated financial statements are the same as those in the consolidated financial statements for the previous fiscal year.

(Accounting Estimates Related to the COVID-19 Pandemic)

Despite the extreme difficulty of predicting factors such as the timing of the end of the spread of COVID-19 and the scope of infection, and assuming that the impact will not be long-term, the Group has made accounting estimates regarding impairment of fixed assets, including goodwill, the recoverability of deferred tax assets and other matters based on the information available as of the date of preparation of these consolidated financial statements.

The financial position and operating results of the Group may be affected by the state of the spread of infection in the future.

(Segment Information, Etc.)**(Segment Information)****1. Overview of Reportable Segments**

The reportable segments of the Group are based on available financial information divided among the constituent units of the Group and are subject to periodic analysis by the Board of Directors to determine allocation of management resources and to evaluate operating results.

The Group draws up comprehensive strategies and conducts business activities for the services it handles.

The Group is composed of divisional segments based on the form in which services are provided, with three reportable segments: the “Organizational Development Division,” the “Individual Development Division,” and the “Matching Division.”

2. Revenues, Income or Loss, and Other Items in Reportable Segments

The accounting policies for reportable segments are the same as the Group’s accounting policies.

Income of reportable segments is based on gross profit on the Consolidated Statement of Operations.

Values of intersegment transactions are decided using the same method as for sales to outside customers.

Revenues, income or loss, and other items for each reportable segment of the Group are as follows.

Year ended December 31, 2021**(Millions of yen)**

	Reportable Segment				Other (Note 1)	Adjustment (Note 2)	Consolidated
	Organizational Development Division	Individual Development Division	Matching Division	Total			
Segment revenues							
Revenue to outside customers	10,461	7,449	14,728	32,640	4	—	32,644
Intersegment revenues and transfers	357	21	314	694	14	(708)	—
Total	10,819	7,471	15,043	33,334	18	(708)	32,644
Segment income							
	7,534	2,904	5,534	15,973	(46)	(587)	15,340
Selling, general and administrative expenses							12,625
Other revenue/expenses (net)							(648)
Financial revenue/expenses (net)							(162)
Income before income taxes							1,903
Other items							
Depreciation and amortization	1,997	647	64	2,709	0	—	2,709
Impairment loss	2	563	166	732	—	—	732

Notes: 1. The Other segment consists of the restaurant business.

2. Adjustment is the elimination of intersegment transactions.

Year ended December 31, 2022

(Millions of yen)

	Reportable Segment				Other (Note 1)	Adjustment (Note 2)	Consolidated
	Organizational Development Division	Individual Development Division	Matching Division	Total			
Segment revenues							
Revenue to outside customers	11,728	6,817	14,227	32,773	3	—	32,776
Intersegment revenues and transfers	364	143	336	844	24	(868)	—
Total	12,092	6,960	14,564	33,617	28	(868)	32,776
Segment income	8,248	2,755	5,778	16,782	(32)	(681)	16,068
Selling, general and administrative expenses							12,780
Other revenue/expenses (net)							339
Financial revenue/expenses (net)							(125)
Income before income taxes							3,501
Other items							
Depreciation and amortization	1,014	587	57	1,659	0	—	1,659
Impairment loss	—	284	18	302	48	—	351

Notes: 1. The Other segment consists of the restaurant business.

2. Adjustment is the elimination of intersegment transactions.

(Per Share Information)

1. Basic earnings per share and diluted earnings per share

	Year ended December 31, 2021	Year ended December 31, 2022
Continuing operations	9.51	18.17
Discontinued operations	(0.78)	(0.76)
Basic earnings per share (Yen)	8.73	17.40
Continuing operations	9.51	18.14
Discontinued operations	(0.78)	(0.76)
Diluted earnings per share (Yen)	8.73	17.38

2. Basis for calculating basic earnings per share and diluted earnings per share

	Year ended December 31, 2021	Year ended December 31, 2022
Profit used to calculate basic and diluted earnings per share		
Net income attributable to owners of the parent (Millions of yen)	918	1,941
Amount not attributable to ordinary shareholders of the parent (Millions of yen)	—	—
Profit (loss) used to calculate basic earnings per share (Millions of yen)	918	1,941
Continuing operations	1,001	2,026
Discontinued operations	(82)	(84)
Profit adjustment amount		
Adjustment for share options to be issued by associates (Millions of yen)	—	(2)
Profit (loss) used to calculate diluted earnings per share (Millions of yen)	918	1,939
Continuing operations	1,001	2,023
Discontinued operations	(82)	(84)
Weighted average number of ordinary shares used to calculate basic and diluted earnings per share (Shares)		
Weighted average number of ordinary shares used to calculate basic earnings per share (Shares)	105,249,619	111,561,553
Effect of dilutive shares: stock options	—	—
Weighted average number of ordinary shares used to calculate diluted earnings per share (Shares)	105,249,619	111,561,553

(Significant Subsequent Events)

None applicable