Consolidated Financial Statements for the Year Ended December 31, 2023 (IFRS)

These financial statements have been prepared for reference only.

February 13, 2024

Link and Motivation Inc. Stock exchange listing: Tokyo, Prime Market
http://www.lmi.ne.jp/english Code number: 2170
Representative: Ozasa Yoshihisa, Chairman and Representative Director
Contact: Yokoyama Hiroaki, Corporate Officer and Manager of Group Design Office Phone: +81-3-6853-8111

Ordinary General Meeting of Shareholders (scheduled): March 28, 2024
Start of distribution of dividends (scheduled): March 25, 2024
Filing of Securities Report (*Yuka Shoken Hokokusho*) (scheduled): March 28, 2024
Supplementary documents for quarterly results: Yes
Quarterly results briefing: No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for the Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)

(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, 2023	33,969	3.6	4,623	27.4	4,567	30.4	3,137	41.1	2,842	38.1
Year ended Dec. 31, 2022	32,776	0.4	3,627	75.6	3,501	83.9	2,223	—	2,058	—

	Comprehensive income		Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	(¥ million)	(%)	(¥)	(¥)	(%)	(%)	(%)
Year ended Dec. 31, 2023	3,665	69.7	25.51	25.48	29.6	15.3	13.6
Year ended Dec. 31, 2022	2,160	—	18.45	18.43	24.9	11.9	11.1

(Reference) Equity in earnings of affiliates: Year ended Dec. 31, 2023: ¥— million; Year ended Dec. 31, 2022: ¥— million

Note: The Company has adopted IAS 12 *Income Taxes* (May 2021 amendment) as of the fiscal year ended 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 (%)	Equity per share attributable to owners of the parent (¥)
As of Dec. 31, 2023	30,843	12,940	10,165	33.0	92.88
As of Dec. 31, 2022	28,908	11,243	9,057	31.3	81.19

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

(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, 2023	4,342	286	(3,353)	7,389
Year ended Dec. 31, 2022	3,550	(269)	(2,085)	6,112

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			
2022	1.90	1.90	1.90	2.00	7.70	859	41.7	10.4
2023	2.80	2.80	2.80	2.90	11.30	1,254	44.3	13.0

2024 (est.)	2.90	2.90	2.90	2.90	11.60		35.9	

3. Forecast of Consolidated Results for 2024 (January 1, 2024 – December 31, 2024)

(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	36,900	8.6	5,330	15.3	3,600	14.7	3,248	14.3	32.31

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: Yes*
(b) Changes in accounting policies other than (a) above: No
(c) Changes in accounting estimates: No
* Please refer to "(5) Notes to Consolidated Financial Statements" on page 14 for details.

(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, 2023: 113,068,000; Year ended December 31, 2022: 113,068,000
(b) Number of treasury shares at the end of the period:
Year ended December 31, 2023: 3,617,168; Year ended December 31, 2022: 1,506,468
(c) Average number of shares outstanding:
Year ended December 31, 2023: 111,437,425; Year ended December 31, 2022: 111,561,553

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for 2023 (January 1, 2023 – December 31, 2023)

(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, 2023	9,734	9.6	1,576	147.4	2,306	370.9	2,451	—
Year ended December 31, 2022	8,883	7.0	637	295.1	489	—	71	—

	Basic earnings per share	Diluted earnings per share
	(¥)	(¥)
Year ended December 31, 2023	22.00	—
Year ended December 31, 2022	0.64	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets/ Total assets (%)	Net assets per share (¥)
As of December 31, 2023	23,267	6,526	28.0	59.63
As of December 31, 2022	22,613	6,431	28.4	57.65

(Reference) Net worth: As of December 31, 2023: ¥6,526 million; As of December 31, 2022: ¥6,431 million
Note: Figures for non-consolidated results are based on Japanese standards.

(Reason for Difference between Non-consolidated Results and Previous Year Results)

Ordinary income increased due to higher sales resulting from expansion of demand in the Cloud business and dividends from subsidiaries. In addition, net income increased due to proceeds from the sale of investment securities.

*** 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**

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 in Japanese. For information in English, please see the Company website.

Contents of Attachments

1. Overview of Results of Operations and Other Information

Forward-looking statements in the following text are based on judgments as of December 31, 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 2023

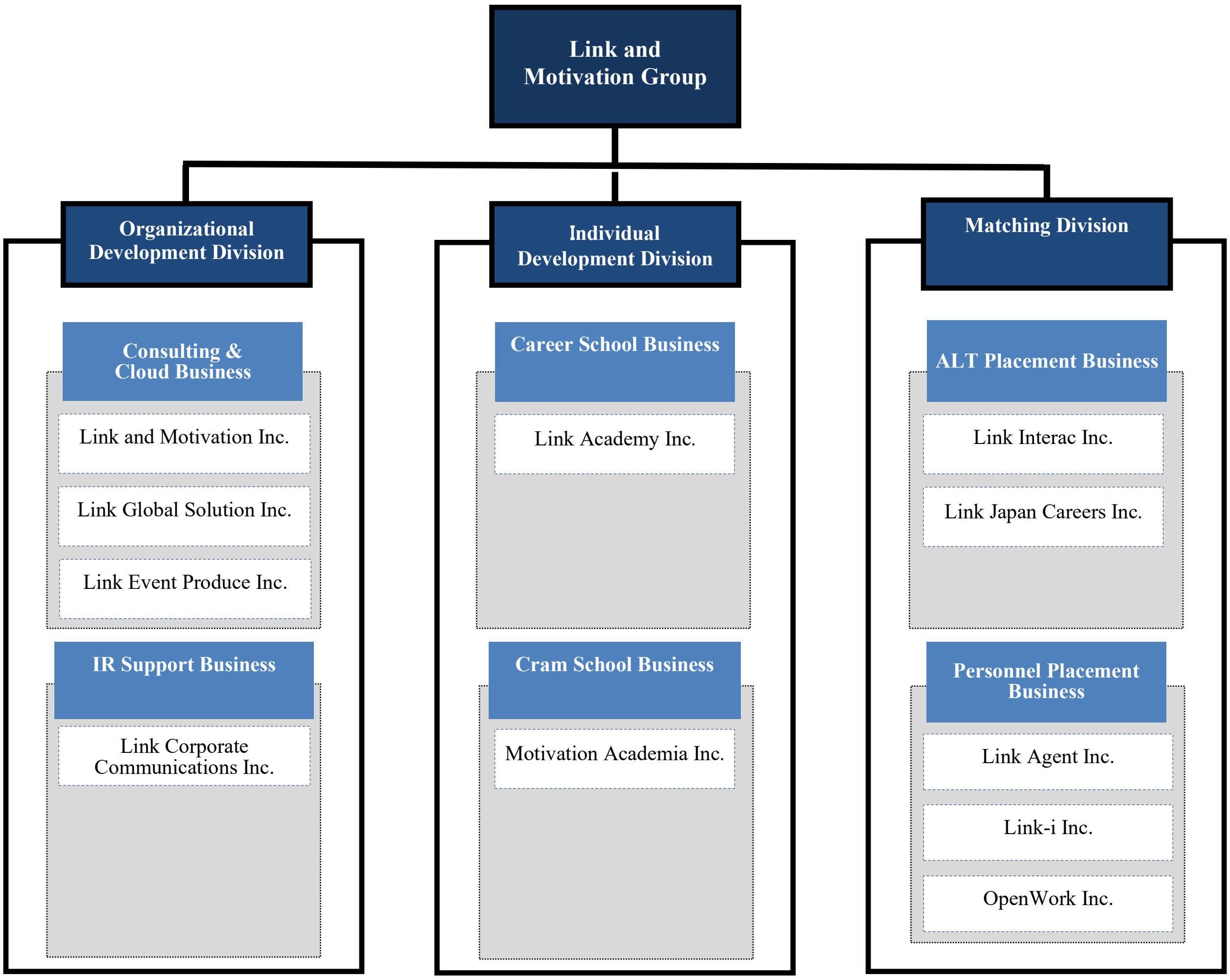
The Group supports the transformation of numerous organizations and individuals using "Motivation Engineering" (the Group's core technology), incorporating academic results in business administration, social systems theory, behavioral economics, psychology and other disciplines, under its mission: "Through Motivation Engineering, we provide opportunities to transform organizations and individuals and create a more meaningful society." During the fiscal year ended December 31, 2023, the Japanese economy recovered gradually with the normalization of social and economic activity following the reclassification of COVID-19 as a Class 5 infectious disease. 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, and more specifically, a need to improve employee engagement (the degree of mutual understanding and affinity between a company and its employees), and to secure and develop human resources.

In this economic environment, the Group's revenues for 2023 were ¥33,969 million (a 3.6% increase compared with the previous year), gross profit was ¥17,704 million (a 10.2% increase), operating income was ¥4,623 million (a 27.4% increase) and net income attributable to owners of the parent was ¥2,842 million (a 38.1% increase).

The forecast for 2023 was revenues of ¥35,300 million (a 7.7% increase compared with the previous year), gross profit of ¥17,700 million (a 10.2% increase), operating income of ¥4,670 million (a 28.7% increase), and net income attributable to owners of the parent of ¥2,630 million (a 35.4% increase). Revenues fell short of the forecast, but increased from the previous year. On the other hand, gross profit reached the forecast level, reflecting improvement in the gross profit margin for the Group as a whole, and increased substantially year on year. Operating income, while slightly below the forecast level, reached a new record high, well above the previous ¥3,825 million recorded in 2018. Net income attributable to owners of the parent exceeded the forecast level and increased substantially compared with the previous year.

The Group has adopted IAS 12 *Income Taxes* (May 2021 amendment) as of the fiscal year ended December 31, 2023. This amendment has been applied retrospectively. As a result, net income attributable to owners of the parent increased by ¥117 million in the previous year and decreased by ¥37 million in 2023. Net income attributable to owners of the parent for 2023 would have been ¥2,879 million before the retrospective application (a 48.3% increase compared with the previous year before the retrospective application).

The segment and business classifications of the Group are as shown below, and an overview 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 2023 were ¥12,891 million (a 6.6% increase), and segment income was ¥9,035 million (a 9.5% increase). An overview of operating results by business for 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 2023 were ¥10,867 million (a 6.2% increase) and gross profit was ¥8,181 million (an 11.8% 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)	2022	2023	YoY change (%)
Consulting & Cloud Business	10,236 [7,320]	10,867 [8,181]	6.2% 11.8%
Consulting	6,641	6,195	-6.7%
Cloud	3,594	4,671	30.0%

In 2023, revenues achieved a greater-than-expected recovery from the third quarter on, after growth weakened temporarily in the second quarter, resulting in a year-on-year increase. Gross profit increased significantly, reflecting the substantial growth of the high-margin Motivation Cloud series. The need to promote human capital management continued to grow, primarily at major companies. Currently, this business is supporting approximately 1,500 companies, but considering that there are roughly 100,000 companies with 50 or more employees in Japan, the potential for future expansion is still significant. The Group will continue to expand its support by leveraging its unique ability to comprehensively support the human capital management of companies through the cycle of identification of problems through diagnosis, transformation of those problems, and disclosure of the transformation initiatives and results.

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. 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	December
Number of deliveries	745	768	820	831	846	851	883	915
Monthly fee revenue (¥ thousand)	256,155	284,692	306,934	328,505	339,179	358,792	395,398	427,345

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.

Monthly fee revenue from the Motivation Cloud series at the end of December 2023 was ¥427,345 thousand (a year-on-year increase of 30.1%). While slightly below the initial forecast of ¥430,000 thousand (a year-on-year increase of 30.9%), monthly fee revenue grew substantially by 30.1% year on year as a result of new introductions primarily by major companies. The Group will continue to promote the introduction of Motivation Cloud at major companies, which have substantial room for development, and will also introduce it at overseas subsidiaries of global Japanese companies, with an eye on global expansion. 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 “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 2023 were ¥2,187 million (a 5.9% increase) and gross profit was ¥959 million (a 6.5% decrease).

In 2023, revenues increased compared with the previous year as production of integrated reports, the core service, expanded in line with expectations. Gross profit decreased compared with 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, was 116 at the end of December 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 2023 were ¥6,418 million (a 7.8% decrease) and segment income was ¥2,931 million (a 6.4% increase). An overview of operating results by business for 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 2023 were ¥5,616 million (a 10.0% decrease) and gross profit was ¥2,571 million (a 5.9% increase).

In 2023, we carried out restructuring to relocate or close schools and shift to online courses in response to changes in learning needs accelerated by the COVID-19 pandemic. The number of schools has decreased to 53 from 81 at the start of the restructuring, and we successfully improved business efficiency faster than expected. As a result, the gross profit margin for 2023 was 45.8%, a significant improvement compared with 38.9% in the previous fiscal year when the restructuring began. Revenues from online courses were ¥507 million, a substantial increase compared with ¥320 million in 2022. With the restructuring, the number of enrollees had been continuing to decrease, but bottomed out in 2023. In 2024, we will further improve business efficiency while maintaining revenues by expanding online services.

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.

In this business, revenues for 2023 were ¥801 million (an 11.3% increase) and gross profit was ¥360 million (a 9.8% increase).

Revenues increased substantially and gross profit also increased in 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.

<u>Matching Division</u>

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 applying “Motivation Engineering,” the core technology of the Group, to go beyond the skill requirements of companies and local governments and provide support for matching organizations and individuals based on the characteristics of each individual and other relevant data.

In this segment, segment revenues for 2023 were ¥15,398 million (a 5.7% increase) and segment income was ¥6,377 million (a 10.4% increase). An overview of operating results by business for 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 2023 were ¥12,011 million (a 0.0% increase) and gross profit was ¥3,046 million (a 7.4% decrease).

In 2023, revenues were essentially unchanged from the previous year, but gross profit decreased. 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 that have 101 or more 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 previous year, and progressed in line with the Group's original expectations. From October 2024, this law will also be applied to companies with 51 or more employees, and we expect the competitive environment to flatten. The Group will continue to aim for recovery of revenues and expansion of market share by shifting some services online and utilizing ICT, in addition to dispatching high-quality ALTs, one of its strengths.

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 2023 were ¥3,411 million (a 32.7% increase) and gross profit was ¥3,354 million (a 34.2% increase).

In 2023, 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 1,010,000. 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 ¥1,867 million (a 103.3% 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 consolidated statements of financial position, or under other income or other expenses on the consolidated statements of operations.

(2) Overview of Financial Position for 2023

Total assets as of December 31, 2023 were ¥30,843 million, an increase of ¥1,934 million from the end of the previous year. This was mainly due to a ¥1,277 million increase in cash and cash equivalents and a ¥420 million increase in other current assets.

Total liabilities as of December 31, 2023 were ¥17,902 million, an increase of ¥237 million from the end of the previous year. This was mainly due to factors including a ¥216 million decrease in contract liabilities and a ¥323 million increase in income tax payable.

Total equity as of December 31, 2023 was ¥12,940 million, an increase of ¥1,697 million from the end of the previous year. This was mainly due to factors including a ¥2,011 million increase in capital surplus associated with posting net income attributable to owners of the parent.

(3) Overview of Cash Flow for 2023

Cash and cash equivalents ("cash") as of December 31, 2023 were ¥7,389 million, an increase of ¥1,277 million during the period.

Cash flow during 2023 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities was ¥4,342 million, an increase of ¥791 million compared with the previous year. The principal factors decreasing cash were an ¥891 million increase in trade and other receivables and a ¥708 million increase in income taxes paid compared with the previous year, while the principal factors increasing cash included a ¥1,065 million increase in income before income taxes compared with the previous year and a ¥1,286 million increase in other.

Cash Flow from Investing Activities

Net cash provided by investing activities was ¥286 million (compared with net cash used of ¥269 million in the previous year). Principal factors decreasing cash included the non-recurrence of proceeds from business transfer that occurred in the previous year and a decrease of ¥827 million in proceeds from recovery of security deposits and guarantees, while the principal factors increasing cash included a ¥365 million decrease in payments for acquisition of intangible assets, a ¥987 million increase in proceeds from sale of investment securities, and a ¥377 million decrease in payments for fulfillment of asset retirement obligations.

Cash Flow from Financing Activities

Net cash used in financing activities was ¥3,353 million, an increase of ¥1,268 million compared with the previous year. The principal factor increasing cash was a ¥1,507 million net increase in long-term financial liabilities compared with the previous year, while the principal factors decreasing cash included a decrease of ¥996 million in proceeds from payments from non-controlling interests and an increase of ¥1,328 million in payments for acquisition of treasury shares.

(4) Forecast

For the fiscal year ending December 31, 2024, the Company has forecast revenues of ¥36,900 million (an 8.6% increase), operating income of ¥5,330 million (a 15.3% increase), and net income attributable to owners of the parent of ¥3,248 million (a 14.3% increase).

In recent years, the decline in the population of workers, the shift to information- and service-based businesses, and the diversification of work motivation have made it increasingly important and difficult for companies to continue to be selected by employees and applicants. In addition, competition to attract top talent is expected to intensify further as the technological advancement of AI progresses. Under these conditions, companies will need to improve their human resource capabilities to get the best performance from existing employees, and to improve employee engagement to attract and retain talent. The Group perceives these changes in the operating environment as an important opportunity. In addition, more attention is being paid to human capital management, which views human resources as capital, leading to medium- and long-term enhancement of corporate value, and the maximization of that capital's value. Therefore, our policy in the near term is to focus on the Consulting & Cloud business of the Organizational Development Division, which has high growth potential. The Group believes that there is still ample room for growth in providing support to domestic companies, and plans to leverage its ability to comprehensively support human capital management through the cycle of identification of organizational problems through diagnosis, transformation of those problems, and disclosure of the transformation results.

Specifically, the Group plans to focus on expanding the Motivation Cloud series. The Group released the cloud service Motivation Cloud in 2016 based on its belief that medium- and long-term support is essential to solving organizational and human resource challenges. Monthly fee revenue from the Motivation Cloud series, which includes that product, has grown strongly to ¥427,345 thousand as of the end of 2023. As a result of efforts to expand sales of Motivation Cloud by concluding contracts to introduce the series, the backlog of order (total orders for future projects obtained at a given point in time) has increased. As of the end of 2023, orders for projects to be delivered in 2024 have reached ¥7.0 billion. The Group is making steady progress in securing sales for 2024. Going forward, the Group will promote introduction at major domestic companies, which have substantial room for development, and will also introduce it at overseas subsidiaries of global Japanese companies. The Group projects that monthly fee revenue of the Motivation Cloud series at the end of 2024 will be ¥530,000 thousand, up 24.0% compared with the previous year. The Group will also achieve substantial growth in 2024 through the recovery of revenues with the improvement of business efficiency in the Career School business and the flattening of the competitive environment in the ALT Placement business, in addition to substantial growth of revenues in the Personnel Placement business, including OpenWork.

2. Basic Policy Regarding Selection of Accounting Standards

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

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, 2022	As of December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	6,112	7,389
Trade and other receivables	3,299	3,627
Inventories	183	225
Other current financial assets	12	12
Other current assets	1,025	1,446
Total current assets	10,633	12,701
Non-current assets		
Property, plant and equipment	599	604
Right-of-use assets	3,308	3,586
Goodwill	9,347	9,347
Intangible assets	2,417	2,194
Other non-current financial assets	1,947	1,753
Deferred tax assets	572	584
Other non-current assets	81	70
Total non-current assets	18,275	18,141
Total assets	28,908	30,843

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

	As of December 31, 2022	As of December 31, 2023
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities		
Trade and other payables	1,858	1,821
Contract liabilities	1,461	1,244
Interest-bearing and other financial liabilities	5,064	6,158
Lease liabilities	905	1,005
Income tax payable	712	1,036
Provisions	8	43
Other current liabilities	1,725	1,816
Total current liabilities	11,737	13,127
Non-current liabilities		
Interest-bearing and other financial liabilities	2,332	1,264
Lease liabilities	2,824	2,669
Provisions	318	335
Deferred tax liabilities	328	386
Other non-current liabilities	124	119
Total non-current liabilities	5,927	4,774
Total liabilities	17,664	17,902
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,380	1,380
Capital surplus	4,464	4,619
Treasury shares	(320)	(1,539)
Retained earnings	5,385	7,396
Other components of equity	(1,851)	(1,690)
Total equity attributable to owners of the parent	9,057	10,165
Non-controlling interests	2,185	2,774
Total equity	11,243	12,940
Total liabilities and equity	28,908	30,843

(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, 2022	Year ended December 31, 2023
Continuing Operations		
Revenues	32,776	33,969
Cost of sales	16,708	16,264
Gross profit	16,068	17,704
Selling, general and administrative expenses	12,780	13,129
Other income	779	331
Other expenses	439	282
Operating income	3,627	4,623
Financial revenues	20	16
Financial expenses	146	72
Income before income taxes	3,501	4,567
Income taxes	1,336	1,430
Net income from continuing operations	2,165	3,137
Discontinued Operations		
Profit (loss) from discontinued operations	58	—
Net income	2,223	3,137
(Attributable to)		
Owners of the parent	2,058	2,842
Non-controlling interests	164	294
Total	2,223	3,137

(Yen)

Earnings per share attributable to owners of the parent		
Basic earnings (loss) per share		
Continuing operations	17.93	25.51
Discontinued operations	0.52	—
Basic earnings (loss) per share	18.45	25.51
Diluted earnings (loss) per share		
Continuing operations	17.91	25.48
Discontinued operations	0.52	—
Diluted earnings (loss) per share	18.43	25.48

Consolidated Statements of Comprehensive Income

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

	Year ended December 31, 2022	Year ended December 31, 2023
Net income	2,223	3,137
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	(57)	526
Total of items that will not be reclassified to profit or loss	(57)	526
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(5)	1
Total of items that may be reclassified to profit or loss	(5)	1
Total other comprehensive income	(62)	528
Total comprehensive income	2,160	3,665
(Attributable to)		
Owners of the parent	1,995	3,370
Non-controlling interests	164	294
Comprehensive income	2,160	3,665

(3) Consolidated Statements of Changes in Equity
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
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	—	—	—	2,058	—	2,058	164	2,223
Other comprehensive income	—	—	—	—	(62)	(62)	—	(62)
Total comprehensive income	—	—	—	2,058	(62)	1,995	164	2,160
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)	5,385	(1,851)	9,057	2,185	11,243

Year ended December 31, 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	—	—	—	2,842	—	2,842	294	3,137
Other comprehensive income	—	—	—	—	528	528	—	528
Total comprehensive income	—	—	—	2,842	528	3,370	294	3,665
Acquisition of treasury shares	—	—	(1,234)	—	—	(1,234)	—	(1,234)
Change in ownership interest in subsidiaries	—	125	—	—	—	125	294	419
Dividends from surplus	—	—	—	(1,160)	—	(1,160)	—	(1,160)
Exercise of stock options	—	40	—	—	(40)	—	—	—
Share-based payment transactions	—	(11)	15	—	2	7	—	7
Transfer from other components of equity to retained earnings	—	—	—	329	(329)	—	—	—
Total transactions with the owners	—	154	(1,218)	(831)	(367)	(2,262)	294	(1,968)
December 31, 2023	1,380	4,619	(1,539)	7,396	(1,690)	10,165	2,774	12,940

(4) Consolidated Statements of Cash Flow

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

	Year ended December 31, 2022	Year ended December 31, 2023
Cash flow from operating activities		
Income before income taxes	3,501	4,567
Profit (loss) before income taxes from discontinued operations	19	—
Depreciation and amortization	1,724	1,675
Loss on impairment	351	232
(Profit) loss from business transfer	(50)	—
Loss (gain) on valuation of investment securities	20	26
Stock listing expenses	22	—
Financial revenues and financial expenses	125	55
Decrease (increase) in trade and other receivables	552	(339)
Decrease (increase) in inventories	16	(42)
Increase (decrease) in trade and other payables	(237)	(24)
Other	(1,216)	69
Subtotal	4,830	6,221
Interest and dividends received	6	10
Interest paid	(131)	(67)
Income tax refund	5	45
Income taxes paid	(1,159)	(1,867)
Net cash provided by operating activities	3,550	4,342
Cash flow from investing activities		
Payments for acquisition of property, plant and equipment	(135)	(123)
Payments for acquisition of intangible assets	(898)	(533)
Proceeds from business transfer	441	—
Payments for acquisition of investment securities	(169)	(79)
Proceeds from sale of investment securities	1	989
Payments for security deposits and guarantees	(46)	(60)
Proceeds from recovery of security deposits and guarantees	990	162
Payments for fulfillment of asset retirement obligations	(452)	(74)
Other	(0)	6
Net cash provided by (used in) investing activities	(269)	286
Cash flow from financing activities		
Net increase (decrease) in short-term financial liabilities	(1,800)	1,300
Proceeds from long-term financial liabilities	2,400	100
Repayment of long-term financial liabilities	(2,081)	(1,373)
Proceeds from issuance of stock resulting from exercise of stock options	5	84
Payments of stock listing expenses	(18)	—
Payments of cash dividends	(847)	(1,156)
Repayments of lease liabilities	(1,191)	(1,079)
Proceeds from payments from non-controlling interests	1,449	452
Payments for acquisition of treasury shares	(0)	(1,329)
Net (increase) decrease in deposits	—	(351)
Net cash used in financing activities	(2,085)	(3,353)
Cash and cash equivalents translation adjustment	(1)	1
Net increase (decrease) in cash and cash equivalents	1,194	1,277
Cash and cash equivalents at beginning of year	4,917	6,112
Cash and cash equivalents at end of year	6,112	7,389

(5) Notes to Consolidated Financial Statements

(Notes Regarding Assumption of Going Concern)

None applicable

(Change in Accounting Policies)

(Income Taxes)

The Group has adopted the following standard as of the fiscal year ended December 31, 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 consolidated financial statements 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 consolidated statements of operations for the previous fiscal year, income taxes increased by ¥25 million and profit from continuing operations decreased by ¥25 million. In addition, profit from discontinued operations increased by ¥143 million and net income increased by ¥117 million.

Basic earnings per share from continuing operations and diluted earnings per share from continuing operations for the previous fiscal year each decreased by ¥0.23. Basic earnings per share from discontinued operations and diluted earnings per share from discontinued operations each increased by ¥1.28, and basic earnings per share and diluted earnings per share each increased by ¥1.05.

Because the cumulative effect was reflected in equity at the beginning of the fiscal year ended December 31, 2022, the beginning balance of retained earnings in the consolidated statements of changes in equity after retrospective application decreased by ¥219 million.

(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.

(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, 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 (profit) (Note 1)	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	1,021	648	56	1,727	0	—	1,727
Impairment loss	—	276	18	295	48	—	343

Notes: 1. The Other segment consists of the restaurant business and other operations not included in the other reportable segments.
2. Adjustment is the elimination of intersegment transactions.

Year ended December 31, 2023

(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	12,533	6,273	15,155	33,963	6	—	33,969
Intersegment revenues and transfers	357	144	243	745	41	(786)	—
Total	12,891	6,418	15,398	34,708	47	(786)	33,969
Segment income (profit) (Note 1)	9,035	2,931	6,377	18,343	(25)	(613)	17,704
Selling, general and administrative expenses							13,129
Other revenue/expenses (net)							48
Financial revenue/expenses (net)							(55)
Income before income taxes							4,567
Other items							
Depreciation and amortization	990	583	113	1,688	0	—	1,688
Impairment loss	15	214	—	230	—	—	230

Notes: 1. The Other segment consists of the restaurant business and other operations not included in the other reportable segments.

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, 2022	Year ended December 31, 2023
Continuing operations	17.93	25.51
Discontinued operations	0.52	—
Basic earnings per share (Yen)	18.45	25.51
Continuing operations	17.91	25.48
Discontinued operations	0.52	—
Diluted earnings per share (Yen)	18.43	25.48

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

	Year ended December 31, 2022	Year ended December 31, 2023
Profit used to calculate basic and diluted earnings per share		
Net income attributable to owners of the parent (Millions of yen)	2,058	2,842
Amount not attributable to ordinary shareholders of the parent (Millions of yen)	—	—
Profit used to calculate basic earnings per share (Millions of yen)	2,058	2,842
Continuing operations	2,000	2,842
Discontinued operations	58	—
Profit adjustment amount		
Adjustment for share options to be issued by associates (Millions of yen)	(2)	(3)
Profit used to calculate diluted earnings per share (Millions of yen)	2,056	2,839
Continuing operations	1,997	2,839
Discontinued operations	58	—
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)	111,561,553	111,437,425
Effect of dilutive shares: stock options	—	—
Weighted average number of ordinary shares used to calculate diluted earnings per share (Shares)	111,561,553	111,437,425

(Significant Subsequent Events)

None applicable