

# Consolidated Financial Statements for the Six Months Ended June 30, 2022 (IFRS)

These financial statements have been prepared for reference only.

August 10, 2022

Link and Motivation Inc.

Code number: 2170

Representative: Ozasa Yoshihisa, Chairman and Representative Director

Contact: Yokoyama Hiroaki, Corporate Officer and

Manager of System Design Office

Filing of Quarterly Report (*Shihanki Hokokusho*) (scheduled):

Start of distribution of dividends (scheduled):

Supplementary documents for quarterly results:

Quarterly results briefing:

Stock exchange listing: Tokyo, Prime Market

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August 10, 2022

September 22, 2022

No

No

(Amounts are rounded down to the nearest million.)

## 1. Consolidated Results for the Six Months Ended June 30, 2022

(January 1, 2022 – June 30, 2022)

(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 (%)
Six months ended June 30, 2022	16,766	2.2	1,969	31.0	1,879	32.5	1,000	10.5
Six months ended June 30, 2021	16,399	—	1,503	—	1,418	—	905	109.6

	Net income attributable to owners of the parent (¥ million)	Change (%)	Comprehen- sive income (¥ million)	Change (%)	Basic earnings per share (¥)	Diluted earnings per share (¥)
Six months ended June 30, 2022	907	8.8	977	3.7	8.14	8.14
Six months ended June 30, 2021	834	124.0	942	—	7.95	7.95

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 condensed consolidated statements of operations. Accordingly, revenues, operating income and income before taxes present the amounts for continuing operations. Because amounts for the six months ended June 30, 2021 have been restated in the same manner for presentation, rates of increase or decrease from the same period of the previous fiscal year are not presented for these items.

(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 June 30, 2022	28,710	9,229	7,982	27.8
As of December 31, 2021	30,062	8,648	7,493	24.9

## 2. Dividends

	Dividends per share				
	1st Qtr.	2nd Qtr.	3rd Qtr.	Year-end	Total
2021	1.80	1.80	1.90	1.90	7.40
2022	1.90	1.90			
2022 (est.)			1.90	1.90	7.60

Note: Revisions since the most recently announced dividend forecast: No

## 3. Forecast of Results for 2022 (January 1, 2022 – December 31, 2022)

(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	35,000	7.2	4,000	93.6	2,200	115.6	2,050	123.1	19.48

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: 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)  
Six months ended June 30, 2022: 113,068,000; Year ended December 31, 2021: 113,068,000
  - (b) Number of treasury shares at the end of the period:  
Six months ended June 30, 2022: 1,506,443; Year ended December 31, 2021: 1,506,443
  - (c) Average number of shares outstanding (cumulative with earlier quarters):  
Six months ended June 30, 2022: 111,561,557; Six months ended June 30, 2021: 104,922,204

**\* 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**

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 June 30, 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. In addition, for comparisons with the same period of the previous year, figures for the same period of the previous year have been restated according to the classification after the transfer.

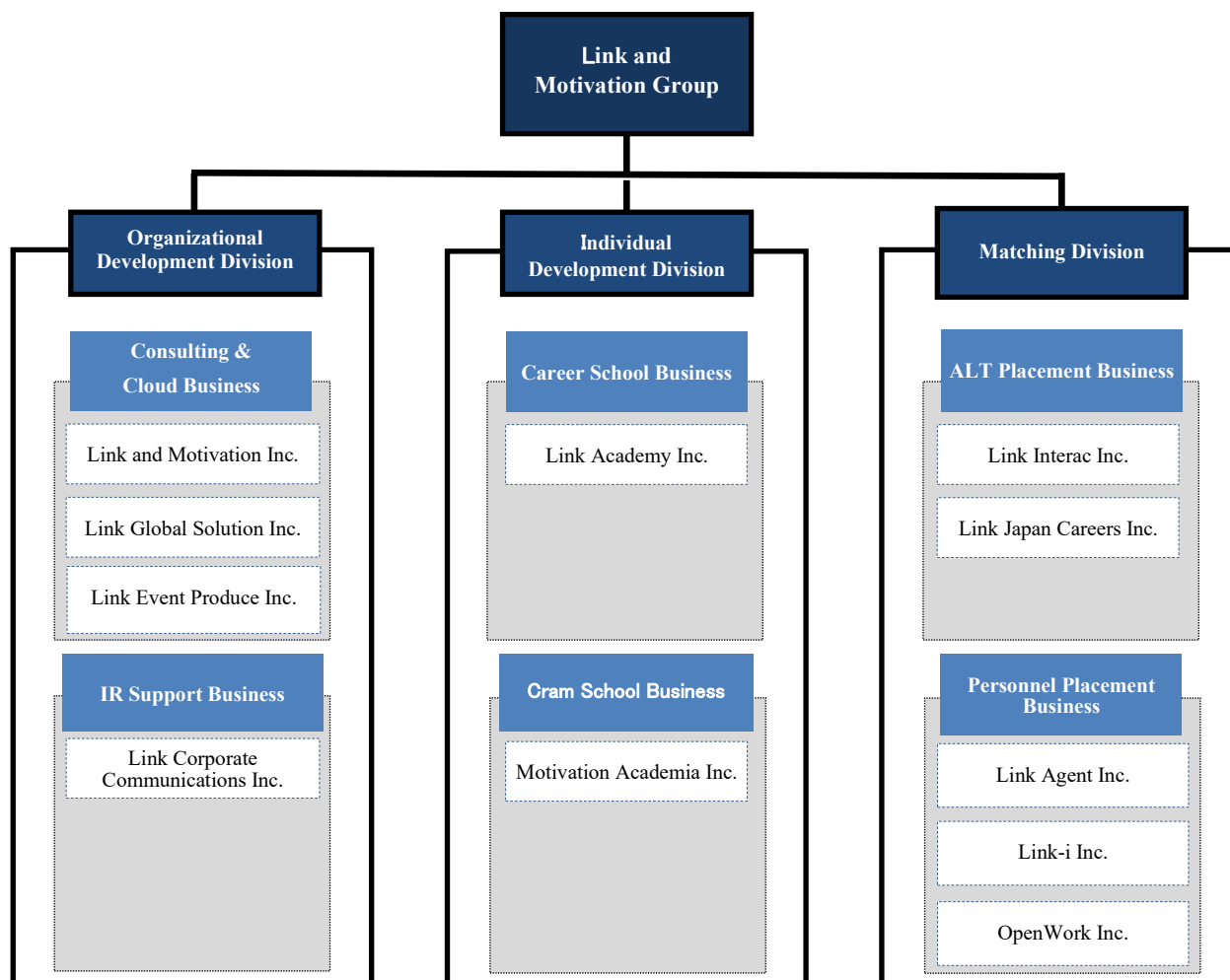
### (1) Overview of Results of Operations for the Six Months Ended June 30, 2022

The Group supports the transformation of numerous companies and individuals using “Motivation Engineering,” which is the Group’s core technology, backed by psychology, behavioral economics, social systems theory and other disciplines, under its corporate philosophy: “Through Motivation Engineering, we provide opportunities to transform organizations and individuals and create a more meaningful society.” The outlook for the Japanese economy was impossible to predict during the six months ended June 30, 2022 (the “first half of 2022”) due to assumptions of an economic slowdown caused by Russia’s attack on Ukraine among other factors, in addition to the unclear timing of the end of the COVID-19 pandemic. Particularly under these economic conditions, the Group perceives the importance for companies to secure and develop human resources capable of dealing with change—specifically, the rising needs for improving employee engagement (mutual understanding, empathy and commitment between companies and employees) due to changes in work style and for enhancing the skills of employees due to Digital Transformation (“DX”).

In this economic environment, the Group’s revenues for the first half of 2022 were ¥16,766 million (a 2.2% increase compared with the same period of the previous year), gross profit was ¥8,472 million (a 6.2% increase), operating income was ¥1,969 million (a 31.0% increase) and net income attributable to owners of the parent was ¥907 million (an 8.8 % increase).

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

As of the first quarter of 2022, business classifications and business names have changed. Figures for the same period of 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 the first half of 2022 were ¥6,160 million (a 15.7% increase), and segment income was ¥4,223 million (a 12.7% increase). An overview of operating results by business for the first half of 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 the first half of 2022 were ¥5,376 million (a 17.5% increase) and gross profit was ¥3,839 million (an 11.3% increase). Results by product in the Consulting & Cloud business were as follows.

**Table 1. Revenues by Product**

Product (¥ million) [Gross profit in brackets]	Six months ended June 30, 2021	Six months ended June 30, 2022	YoY change (%)
Consulting & Cloud Business	4,576 [3,450]	5,376 [3,839]	17.5 11.3
Consulting	3,219	3,708	15.2
Cloud	1,356	1,667	22.9

In the first half of 2022, revenues and gross profit both increased substantially compared with the same period of the previous fiscal year as both the Consulting business and the Cloud business steadily captured the needs of major companies for improving employee engagement. Today, with greater demands for employee productivity, needs for improving employee engagement and development of human resources are rising more and more. These needs are expected to be long-term, and the Group, which has supported the organizational transformation of numerous companies since its establishment in 2000, is taking advantage of this major opportunity. The business will continue to promote introduction of its products, particularly at major companies, to achieve increased sales per customer and 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
Number of deliveries	747	743	772	738	745	768
Monthly fee revenue (¥ thousand)	206,485	218,928	235,859	240,545	256,155	284,692

Since its founding in 2000, Link and Motivation 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. The service is currently ranked number one in share of sales by vendor in the employee engagement market for 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 has 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%). During the first half of 2022, the business continued to promote the introduction of this product at major companies, and monthly fee revenue for June 2022 was ¥284,692 thousand, making steady progress toward the forecast.

This business will continue to ramp up new customer development, mainly at major companies. It expects to further increase monthly fee revenue with the July 2022 launch of a new service, which is a cloud-based version of an existing human resource development service. Implementation of these growth strategies will accelerate the rollout of the Cloud series 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 the first half of 2022 were ¥916 million (a 3.5% increase) and gross profit was ¥444 million (a 16.3% increase). This business has only one product.

In the first half of 2022, due to growth in production of integrated reports, which have a high profit margin, revenues increased and gross profit increased substantially compared with the same period of the previous year.

In addition, attention to non-financial capital has risen in recent years, with increasing needs for its disclosure, particularly for human capital. This business will take advantage of this trend to generate synergies with the Consulting & Cloud business by disclosing the results of its diagnosis and transformation initiatives, with a focus on human capital.

### **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 the first half of 2022 were ¥3,666 million (a 2.5% decrease) and segment income was ¥1,504 million (a 6.1% increase). An overview of operating results by business for the first half of 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. Previously, the business mainly conducted classroom lectures, but currently provides support of continuing learning by offering both in-school and online services.

In this business, revenues for the first half of 2022 were ¥3,359 million (a 3.5% decrease) and gross profit was ¥1,376 million (a 6.1% increase). Results by product in the Career School business were as follows.

**Table 3. Revenues by Product**

Product (¥ million) [Gross profit in brackets]	Six months ended June 30, 2021	Six months ended June 30, 2022	YoY change (%)
Career School Business	3,481 [1,297]	3,359 [1,376]	(3.5) 6.1
IT	1,938	1,921	(0.9)
Qualifications	1,231	1,179	(4.3)

English conversation	311	258	(17.0)
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In the first half of 2022, the impact of the continuing COVID-19 pandemic throughout the period on services for individuals was significant, and revenues decreased compared with the same period of the previous year. On the other hand, revenue from DX support for individuals at companies, which has a high profit margin, grew a substantial 68.0% compared with the same period of the previous year. In addition, the business achieved more efficient management through promotion of online courses and other measures, and gross profit increased compared with the same period of the previous year.

Going forward, the business will continue helping to generate results for students by providing value in virtual space without depending solely on business bases and achieve greater growth in the DX market, which is expected to further expand, by utilizing the IT skill support know-how and customer assets cultivated by the Organizational Development Division and the Matching Division.

### **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 Japan’s state of emergency and new lifestyles.

In this business, revenues for the first half of 2022 were ¥307 million (a 9.2% increase) and gross profit was ¥128 million (a 5.6% increase). This business has only one product.

Both revenues and gross profit increased in the first half of 2022 due to recovery in the number of enrollees.

In addition to continuing to provide stable services to increase the number of new enrollees through further improvements to the quality of its online classes and one-on-one meetings, this business aims to achieve one-stop services unattainable by conventional cram schools, ranging from elementary to high school students.

### **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) of foreign languages and 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 the first half of 2022 were ¥7,487 million (a 3.5% decrease) and segment income was ¥3,224 million (a 0.7% increase). An overview of operating results by business for the first half of 2022 is as follows.

### **ALT Placement Business**

The ALT Placement business dispatches non-Japanese assistant language teachers (ALTs) of foreign languages 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. The business is also capturing needs for employment of foreigners through its business that provides one-stop foreigner recruiting, training and labor support to companies seeking to hire them.

In this business, revenues for the first half of 2022 were ¥6,192 million (a 7.2% decrease) and gross profit was ¥1,951 million (a 9.0% decrease). This business has only one product.

In the first half of 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 budgets. As a result, both revenues and gross profit decreased compared with the same period of 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 June 30, 2022, 5,368 schools were using the product, closing in on the year-end target of 5,600 public elementary, junior high or high schools in Japan, and 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 broaden the infrastructure for Teachers Cloud in classrooms and use it in its sales activities to 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 conducts new graduate recruiting and referrals that connect university students looking for employment with company orientation meetings and interviews, and mid-career referrals that match working adults looking to change jobs with companies.

In this business, revenues for the first half of 2022 were ¥1,306 million (an 18.1% increase) and gross profit was ¥1,285 million (a 19.0% increase).

During the first half of 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 OpenWork’s direct hiring service have grown substantially, increasing about 80% compared with the previous year.

By continuing to utilize the customer base of the Organizational Development Division, to add to its stockpile of resumes of job seekers, and to improve its matching rate, this business 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 for growing venture companies on an organizational level with the aim of listing their stock. The two main criteria for selection of investees are (1) sympathy with creating a “Motivation Company” 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 condensed consolidated statements of operations.



## **(2) Overview of Financial Position for the Six Months Ended June 30, 2022**

Total assets as of June 30, 2022 were ¥28,710 million, a decrease of ¥1,352 million from the end of the previous year. This was mainly due to factors including decreases of ¥733 million in right-of-use assets and ¥748 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.

Total liabilities as of June 30, 2022 were ¥19,480 million, a decrease of ¥1,933 million from the end of the previous year. This was mainly due to factors including decreases of ¥831 million in interest-bearing and other financial liabilities and ¥546 million in lease liabilities.

Total equity as of June 30, 2022 was ¥9,229 million, an increase of ¥581 million from the end of the previous year. This was mainly due to factors including a ¥471 million increase in retained earnings associated with posting net income attributable to owners of the parent and other reasons, partially offset by the payment of dividends from surplus.

## **(3) Overview of Cash Flow for the Six Months Ended June 30, 2022**

Cash and cash equivalents (“cash”) as of June 30, 2022 were ¥4,817 million, a decrease of ¥100 million during the period.

Cash flow during the six months ended June 30, 2022 was as follows.

### *Cash Flow from Operating Activities*

Net cash provided by operating activities was ¥1,359 million, a decrease of ¥803 million compared with the same period of the previous year. The principal factor increasing cash was a ¥460 million increase in income before income taxes compared with the same period of the previous year, while the principal factors decreasing cash included a ¥726 million decrease in depreciation and amortization and a ¥436 million decrease in income tax refund compared with the same period of the previous year.

### *Cash Flow from Investing Activities*

Net cash provided by investing activities was ¥402 million (in the same period of the previous year, net cash used in investing activities was ¥169 million). Principal factors decreasing cash included a ¥512 million decrease in proceeds from sale of investment securities compared with the same period of the previous year, while the principal factors increasing cash included ¥441 million in proceeds from business transfer and an increase of ¥777 million in proceeds from refund of security deposits and guarantees compared with the same period of the previous year.

### *Cash Flow from Financing Activities*

Net cash used in financing activities was ¥1,860 million, a decrease of ¥337 million compared with the same period of the previous year. The principal factors decreasing cash included an ¥800 million net decrease in short-term financial liabilities and a ¥434 million increase in repayment of long-term financial liabilities compared with the same period of the previous year, while the principal factors increasing cash included an increase of ¥994 million in proceeds from long-term financial liabilities and a decrease of ¥370 million in repayment of lease liabilities compared with the same period of the previous year.

## **(4) Forecast**

Due to the growth of the Consulting & Cloud business, which has a high profit margin, and the Personnel Placement business, in addition to the impact of structural reforms that included the transfer of the domestic temp staff business and office relocations, the Group substantially increased operating income in the first half of 2022 compared with the same period of the previous year and has evolved into a robust management structure. For the fiscal year ending December 31, 2022, the Company has forecast ¥4,000 million in operating income (an increase of 93.6% year on year), which will be a record high. Despite a decrease in revenues in some businesses, the Group is making steady progress in transforming into a highly profitable enterprise centered on growth businesses, consisting of the Consulting & Cloud business in the Organizational Development Division and the Personnel Placement business in the Matching Division.

Over the medium term, the Group’s policy will be to grow businesses that have synergies with the Organizational Development Division in particular. In June 2021, a policy to strengthen disclosure of information on human capital was set forth in Japan’s Corporate Governance Code, and in July 2022, a policy was announced under Japan’s “New

Capitalism” measures making it mandatory for listed companies to visualize their non-financial information from fiscal 2023. Consequently, attention to human capital management and disclosure of human capital information are on the rise, and the Group considers this an advantageous trend, particularly for the Consulting & Cloud business in the Organizational Development Division. The Group will continue to provide one-stop solutions for diagnosis and transformation, mainly for major companies with strong needs for human capital management, as it rolls out cloud-based services using the data and know-how it has accumulated through consulting. By doing so, the Group aims for accelerated growth in fiscal 2023 and beyond.

## 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, 2021	As of June 30, 2022
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	4,917	4,817
Trade and other receivables	3,851	4,190
Inventories	200	252
Other current financial assets	9	16
Other current assets	753	712
Total current assets	9,732	9,989
Non-current assets		
Property, plant and equipment	637	594
Right-of-use assets	4,149	3,415
Goodwill	9,410	9,410
Intangible assets	2,234	2,398
Other non-current financial assets	2,744	1,996
Deferred tax assets	984	822
Other non-current assets	168	82
Total non-current assets	20,329	18,720
Total assets	30,062	28,710

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

	As of December 31, 2021	As of June 30, 2022
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Current liabilities		
Trade and other payables	2,094	1,835
Contract liabilities	1,615	1,660
Interest-bearing and other financial liabilities	7,161	5,966
Lease liabilities	1,079	983
Income tax payable	716	835
Provisions	274	143
Other current liabilities	2,075	1,786
Total current liabilities	15,018	13,211
Non-current liabilities		
Interest-bearing and other financial liabilities	1,716	2,079
Lease liabilities	3,929	3,478
Provisions	359	325
Deferred tax liabilities	256	255
Other non-current liabilities	134	129
Total non-current liabilities	6,395	6,268
Total liabilities	21,413	19,480
<b>EQUITY</b>		
Equity attributable to owners of the parent		
Share capital	1,380	1,380
Capital surplus	3,879	3,879
Treasury shares	(320)	(320)
Retained earnings	4,406	4,877
Other components of equity	(1,853)	(1,835)
Total equity attributable to owners of the parent	7,493	7,982
Non-controlling interests	1,154	1,247
Total equity	8,648	9,229
Total liabilities and equity	30,062	28,710

**(2) Condensed Consolidated Statements of Operations and Comprehensive Income****Condensed Consolidated Statements of Operations****Six Months Ended June 30**

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

	Six months ended June 30, 2021	Six months ended June 30, 2022
Continuing Operations		
Revenues	16,399	16,766
Cost of sales	8,422	8,293
Gross profit	7,977	8,472
Selling, general and administrative expenses	6,367	6,427
Other income	29	129
Other expenses	135	204
Operating income	1,503	1,969
Financial revenues	1	8
Financial expenses	86	99
Income before income taxes	1,418	1,879
Income taxes	505	786
Net income	913	1,092
Discontinued Operations		
Profit (loss) from discontinued operations	(8)	(92)
Net income	905	1,000
(Attributable to)		
Owners of the parent	834	907
Non-controlling interests	70	92
Total	905	1,000

(Yen)

Earnings per share attributable to owners of the parent		
Basic earnings (loss) per share		
Continuing operations	8.03	8.97
Discontinued operations	(0.08)	(0.83)
Basic earnings (loss) per share	7.95	8.14
Diluted earnings (loss) per share		
Continuing operations	8.03	8.97
Discontinued operations	(0.08)	(0.83)
Diluted earnings (loss) per share	7.95	8.14

**Three Months Ended June 30**

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

	Three months ended June 30, 2021	Three months ended June 30, 2022
<b>Continuing Operations</b>		
Revenues	8,452	8,818
Cost of sales	4,293	4,365
Gross profit	4,159	4,452
Selling, general and administrative expenses	3,215	3,227
Other income	10	113
Other expenses	74	169
Operating income	879	1,169
Financial revenues	0	6
Financial expenses	30	19
Income before income taxes	850	1,156
Income taxes	212	515
Net income	637	640
<b>Discontinued Operations</b>		
Profit (loss) from discontinued operations	(13)	(2)
Net income	624	638
(Attributable to)		
Owners of the parent	588	589
Non-controlling interests	35	48
<b>Total</b>	<b>624</b>	<b>638</b>

(Yen)

<b>Earnings per share attributable to owners of the parent</b>		
Basic earnings (loss) per share		
Continuing operations	5.74	5.31
Discontinued operations	(0.13)	(0.02)
Basic earnings (loss) per share	5.61	5.29
Diluted earnings (loss) per share		
Continuing operations	5.74	5.31
Discontinued operations	(0.13)	(0.02)
Diluted earnings (loss) per share	5.61	5.29

**Condensed Consolidated Statements of Comprehensive Income**  
**Six Months Ended June 30**

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

	Six months ended June, 2021	Six months ended June, 2022
Net income	905	1,000
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	32	(16)
Total of items that will not be reclassified to profit or loss	32	(16)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	4	(7)
Total of items that may be reclassified to profit or loss	4	(7)
Total other comprehensive income	37	(23)
Total comprehensive income	942	977
(Attributable to)		
Owners of the parent	871	884
Non-controlling interests	70	92
Comprehensive income	942	977

**Condensed Consolidated Statements of Comprehensive Income**  
**Three Months Ended June 30**

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

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net income	624	638
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	48	26
Total of items that will not be reclassified to profit or loss	48	26
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	0	(4)
Total of items that may be reclassified to profit or loss	0	(4)
Total other comprehensive income	48	21
Total comprehensive income	673	659
(Attributable to)		
Owners of the parent	637	611
Non-controlling interests	35	48
Comprehensive income	673	659



**(3) Condensed Consolidated Statements of Changes in Equity****Six Months Ended June 30, 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	—	—	—	834	—	834	70	905
Other comprehensive income	—	—	—	—	37	37	—	37
Total comprehensive income	—	—	—	834	37	871	70	942
Change in ownership interest in subsidiaries	—	(268)	—	—	—	(268)	16	(251)
Dividends from surplus	—	—	—	(377)	—	(377)	—	(377)
Transfer from other components of equity to retained earnings	—	—	—	186	(186)	—	—	—
Total transactions with the owners	—	(268)	—	(190)	(186)	(646)	16	(629)
June 30, 2021	1,380	1,587	(1,733)	4,632	(1,881)	3,985	1,244	5,230

**Six Months Ended June 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
Net income	—	—	—	907	—	907	92	1,000
Other comprehensive income	—	—	—	—	(23)	(23)	—	(23)
Total comprehensive income	—	—	—	907	(23)	884	92	977
Dividends from surplus	—	—	—	(423)	—	(423)	—	(423)
Share-based payment transactions	—	—	—	—	28	28	—	28
Transfer from other components of equity to retained earnings	—	—	—	(12)	12	—	—	—
Total transactions with the owners	—	—	—	(436)	41	(395)	—	(395)
June 30, 2022	1,380	3,879	(320)	4,877	(1,835)	7,982	1,247	9,229

**(4) Condensed Consolidated Statements of Cash Flow**

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

	Six months ended June 30, 2021	Six months ended June 30, 2022
Cash flow from operating activities		
Income before income taxes	1,418	1,879
Profit (loss) before tax from discontinued operations	(19)	20
Depreciation and amortization	1,586	859
Loss on impairment	115	148
(Profit) loss from business transfer	—	(50)
Loss (gain) on sales of fixed assets	(0)	—
Financial revenues and financial expenses	85	90
Decrease (increase) in trade and other receivables	(359)	(337)
Decrease (increase) in inventories	(49)	(52)
Increase (decrease) in trade and other payables	(377)	(291)
Other	(126)	(135)
Subtotal	2,272	2,131
Interest and dividends received	0	5
Interest paid	(92)	(97)
Income tax refund	439	2
Income taxes paid	(457)	(683)
Net cash provided by operating activities	2,162	1,359
Cash flow from investing activities		
Payments for acquisition of property, plant and equipment	(134)	(50)
Proceeds from sale of property, plant and equipment	0	—
Payments for acquisition of intangible assets	(396)	(516)
Proceeds from business transfer	—	441
Payments for acquisition of investment securities	—	(79)
Proceeds from sale of investment securities	513	1
Payments for security deposits and guarantees	(155)	(22)
Proceeds from refund of security deposits and guarantees	135	913
Payments for fulfillment of asset retirement obligations	(137)	(279)
Other	3	(5)
Net cash provided by (used in) investing activities	(169)	402
Cash flow from financing activities		
Net increase (decrease) in short-term financial liabilities	—	(800)
Proceeds from long-term financial liabilities	406	1,400
Repayment of long-term financial liabilities	(996)	(1,431)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(251)	—
Payments of cash dividends	(378)	(422)
Repayment of lease liabilities	(976)	(605)
Net cash used in financing activities	(2,197)	(1,860)
Cash and cash equivalents translation adjustment	4	(1)
Net increase (decrease) in cash and cash equivalents	(200)	(100)
Cash and cash equivalents at beginning of the quarter	6,449	4,917
Cash and cash equivalents at end of the quarter	6,249	4,817

## **(5) Notes to Condensed Consolidated Financial Statements**

### **(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.

Income taxes expense for the six months ended June 30, 2022 was calculated using the estimated average annual effective tax rate.

### **(Notes Regarding Significant Accounting Estimates and Judgements)**

In preparing the condensed 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.

In the six months ended June 30, 2022, there was no change to the “Accounting Estimates Related to the COVID-19 Pandemic” presented in the Securities Report for the previous fiscal year.

### **(Notes Regarding Assumption of Going Concern)**

None applicable

### **(Significant Subsequent Events)**

None applicable