

Consolidated Financial Statements for the Nine Months Ended September 30, 2024 (IFRS)

These financial statements have been prepared for reference only.

November 13, 2024

Link and Motivation Inc.

Stock exchange listing: Tokyo, Prime Market
Code number: 2170

<http://www.lmi.ne.jp/english>

Representative: Ozasa Yoshihisa, Chairman and Representative Director

Contact: Yokoyama Hiroaki, Corporate Officer and

Manager of Group Design Office

Start of distribution of dividends (scheduled):

Financial results briefing presentation materials:

Financial results briefing:

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December 25, 2024

Yes

No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for the Nine Months Ended September 30, 2024

(January 1, 2024 - September 30, 2024)

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

	Revenues (¥ million)	Change (%)	Operating income (¥ million)	Change (%)	Income before income taxes (¥ million)	Change (%)	Net income (¥ million)	Change (%)
Nine months ended September 30, 2024	27,430	9.5	4,030	21.3	3,955	20.5	2,800	34.5
Nine months ended September 30, 2023	25,052	2.7	3,323	5.7	3,283	8.2	2,082	4.2

	Net income attributable to owners of the parent (¥ million)	Change (%)	Comprehen- sive income (¥ million)	Change (%)	Basic earnings per share (¥)	Diluted earnings per share (¥)
Nine months ended September 30, 2024	2,493	36.3	3,164	17.9	23.16	23.15
Nine months ended September 30, 2023	1,829	(2.0)	2,683	30.9	16.39	16.36

(2) Financial Position

	Total assets (¥ million)	Total equity (¥ million)	Equity attributable to owners of the parent (¥ million)	Ratio of equity attributable to owners of the parent to total assets (%)
As of September 30, 2024	33,068	13,593	10,486	31.7
As of December 31, 2023	30,843	12,940	10,165	33.0

2. Dividends

	Dividends per share				
	1st Qtr.	2nd Qtr.	3rd Qtr.	Year-end	Total
2023	2.80	2.80	2.80	2.90	11.30
2024	2.90	3.00	3.00		
2024 (est.)				3.30	12.20

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

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

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

Notes

- (1) Significant Changes in Scope of Consolidation during the Period: Yes

Added: – company (Name: –)

Removed: 1 company (Name: Link Interac Inc.)

We conducted an absorption-type merger in which Link Japan Careers Inc. is the surviving company and Link Interac Inc. is dissolved as the absorbed company. Following the merger, Link Japan Careers Inc. changed its name to Link Interac Inc.

- (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 shares)

Nine months ended September 30, 2024: 113,068,000; Year ended December 31, 2023: 113,068,000

(b) Number of treasury shares at the end of the period:

Nine months ended September 30, 2024: 6,589,017; Year ended December 31, 2023: 3,617,168

(c) Average number of shares outstanding (cumulative with earlier quarters):

Nine months ended September 30, 2024: 107,681,251; Nine months ended September 30, 2023: 111,604,389

*** Review by a Certified Public Accountant or Auditing Firm of the Attached Quarterly Consolidated Financial Statements: No**

*** 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 financial information:

Supplementary financial information is disclosed on the same day in Japanese on TDnet and the Company website. For information in English, please see the Company website.

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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 September 30, 2024, the last day of the consolidated accounting period under review.

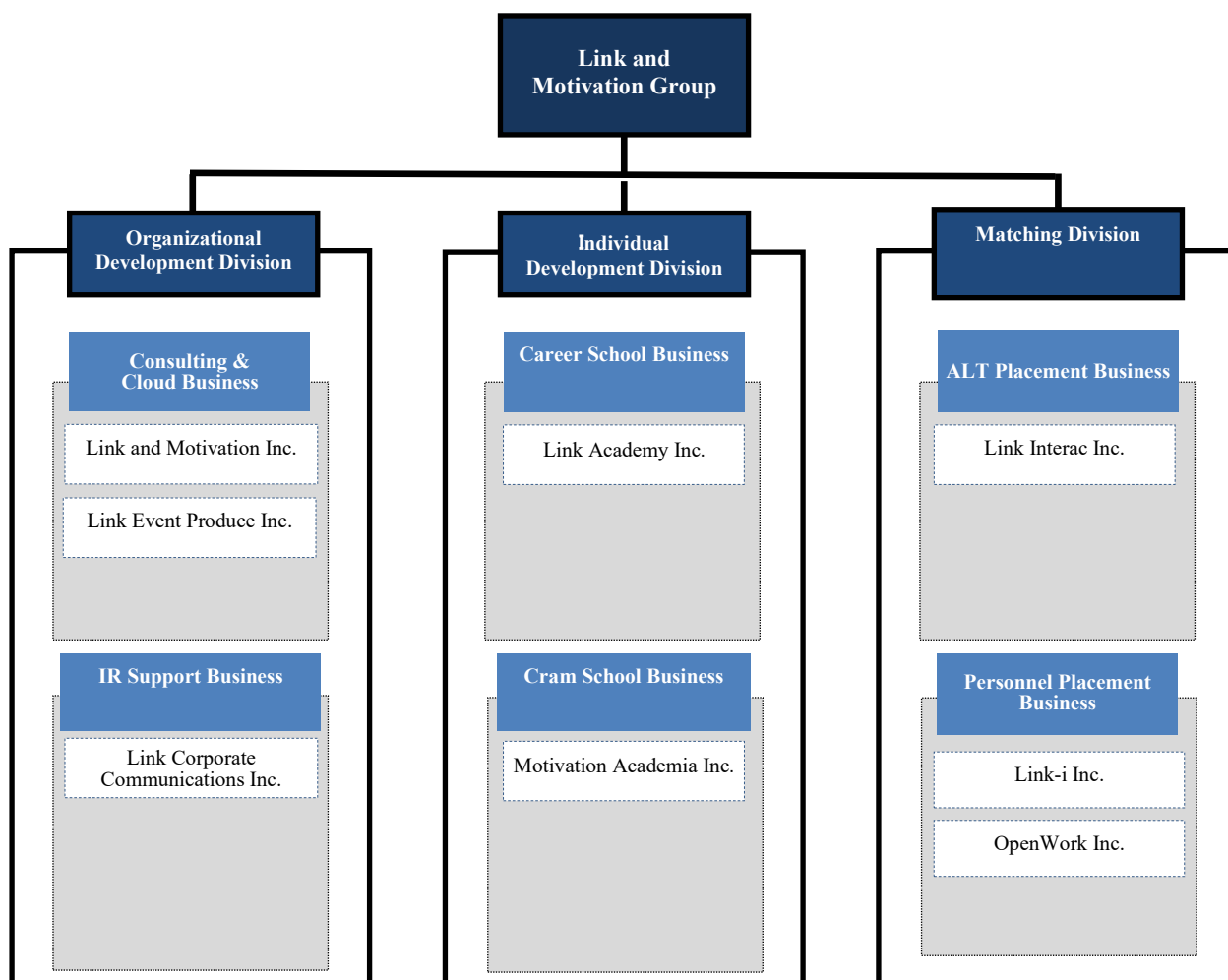
(1) Overview of Results of Operations for the Nine Months Ended September 30, 2024

The Group supports the transformation of numerous organizations and individuals using “Motivation Engineering” (the Group’s core technology), incorporating academic results in business administration, social systems theory, behavioral economics, psychology and other disciplines, under its mission: “Through Motivation Engineering, we provide opportunities to transform organizations and individuals and create a more meaningful society.” During the nine months ended September 30, 2024 (the “first nine months of 2024”), the Japanese economy continued its gradual recovery with the improvement of the employment and income environment. However, the economic outlook remains unclear because of rising prices due to the depreciation of the yen, and geopolitical risks due to the unstable international situation. 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 the first nine months of 2024 were ¥27,430 million (a 9.5% increase compared with the same period of the previous year), gross profit was ¥14,574 million (an 11.7% increase), operating income was ¥4,030 million (a 21.3% increase) and net income attributable to owners of the parent was ¥2,493 million (a 36.3% increase).

In the first nine months of 2024, revenues increased year on year due to growth in the Consulting & Cloud business and the ALT Placement business. Gross profit increased substantially year on year due to the growth of the high-margin Consulting & Cloud business and the Personnel Placement business, which includes OpenWork Inc. (“OpenWork”). Operating income also increased substantially year on year, driven by the Consulting & Cloud business, which is a focal point for the Group. The Group is making steady progress toward the full-year forecast for record-high operating income of ¥5,330 million. Net income attributable to owners of the parent increased significantly due to the increase in operating income. All items progressed as expected.

The segment and business classifications of the Group are as shown below, and an overview of the first nine months of 2024 by segment and business follows.



Organizational Development Division

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

In this segment, segment revenues for the first nine months of 2024 were ¥10,708 million (a 13.4% increase), and segment income was ¥7,471 million (a 12.6% increase). An overview of operating results by business for the first nine months of 2024 is as follows.

Consulting & Cloud Business

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

In this business, revenues for the first nine months of 2024 were ¥9,172 million (a 13.4% increase) and gross profit was ¥6,736 million (a 10.2% increase). Results by product in the Consulting & Cloud business were as follows.

Table 1. Revenues by Product

Product (¥ million) (Figures in brackets are gross profit)	Nine months ended September 30, 2023	Nine months ended September 30, 2024	YoY change (%)
Consulting & Cloud Business	8,088 [6,113]	9,172 [6,736]	13.4% 10.2%
Consulting	4,744	4,896	3.2%
Cloud	3,344	4,276	27.9%

As in the first half, revenues and gross profit increased substantially during the first nine months of 2024 compared with the same period of the previous year as a result of significant growth from an increase in new contracts for the Motivation Cloud series.

In the Consulting category, revenues increased in the first nine months of 2024 compared with the same period of the previous year, and revenues per customer recovered. The business will continue to focus on providing comprehensive support for human capital management to major companies.

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

	2023				2024		
	March	June	September	December	March	June	September
Number of deliveries	846	851	883	915	883	915	962
Monthly fee revenue (¥ thousand)	339,179	358,792	395,398	427,345	424,550	458,130	493,684

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 seventh consecutive year: fiscal 2017 to fiscal 2023 forecast) in *ITR Market View: Human Resources Management Market 2024*, a market research report published by ITR Corporation.

Monthly fee revenue from the Motivation Cloud series at the end of September 2024 was ¥493,684 thousand (a 24.9% increase). Monthly fee revenue is progressing as expected toward the target of ¥530,000 thousand at the end of December 2024.

For Stretch Cloud, a human resource development cloud service, business is expanding steadily in the human resource development market, which exceeds ¥500 billion. The Group will continue to focus on introducing Stretch Cloud at major companies, where there is substantial room for development, and will accelerate growth by improving customer satisfaction, thereby further extending the length of contracts.

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, shareholder reports, 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 nine months of 2024 were ¥1,670 million (a 12.3% increase) and gross profit was ¥830 million (a 37.3% increase).

In the first nine months, production of integrated reports, the core service, drove significant increases in revenues and gross profit.

Needs for disclosure of non-financial capital, particularly human capital information, are continuing to increase with the requirement to disclose human capital information in securities reports. The number of companies disclosing the diagnosis results of Motivation Cloud, which the Group provides, was 152 at the end of September 2024. 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.

Individual Development Division

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

In this segment, segment revenues for the first nine months of 2024 were ¥4,834 million (a 1.2% increase) and segment income was ¥2,237 million (a 3.7% increase). An overview of operating results by business for the first nine months of 2024 is as follows.

Career School Business

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

In this business, revenues for the first nine months of 2024 were ¥4,211 million (a 0.1% decrease) and gross profit was ¥1,961 million (a 2.1% increase).

In the first nine months of 2024, revenues were essentially unchanged while gross profit increased compared with the same period of the previous year. Furthermore, the gross profit margin for the first nine months was 46.6%, an increase compared with the same period of the previous year as profitability continued to improve. In addition, sales from online courses in the first nine months of 2024 were ¥406 million, an increase compared with the same period of the previous year, as a result of efforts to focus on online services. The business will target improved efficiency and customer satisfaction by continuing to expand 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 the first nine months of 2024 were ¥623 million (an 11.1% increase) and gross profit was ¥276 million (a 16.5% increase).

In the first nine months of 2024, revenues and gross profit both increased substantially year on year in line with expectations as a result of increased enrollment and revenues per enrollee. This business will continue to increase the number of new enrollees by providing learning opportunities through online courses to a wide range of students, not just those in areas where they can attend physical schools.

Matching Division

The Matching Division operates the ALT (assistant language teacher) Placement business and the Personnel Placement business in order to provide opportunities to connect organizations and individuals. It creates matches with a high retention rate by 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 the first nine months of 2024 were ¥12,365 million (an 8.3% increase) and segment income was ¥5,314 million (an 11.5% increase). An overview of operating results by business for the first nine months of 2024 is as follows.

ALT Placement Business

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

In this business, revenues for the first nine months of 2024 were ¥9,381 million (a 6.2% increase) and gross profit was ¥2,373 million (a 6.6% increase).

In the first nine months of 2024, the number of ALTs dispatched increased in line with expectations, resulting in increases in both revenues and gross profit compared with the same period of the previous year. This business was impacted until 2023 by the requirement to enroll ALTs in social insurance. In 2024, contracts for the new fiscal year that began in April recovered as expected, and the average number of ALTs dispatched during the past 12 months exceeded 3,000. The Group will continue aiming to expand market share by shifting some services online and utilizing ICT, while leveraging its strength in dispatching high-quality ALTs.

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. It provides a wide range of matching opportunities, including an information platform for people looking to find or change jobs, and employment referrals for university students.

In this business, revenues for the first nine months of 2024 were ¥3,002 million (a 15.3% increase) and gross profit was ¥2,960 million (a 15.6% increase).

In the first nine months of 2024, OpenWork, 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) continued to make an active investment in marketing, which led to an increase in the number of online resume registrations. The cumulative number of online resume registrations (working adults and students) has grown to approximately 1,260,000. In addition, as a result of efforts to stimulate recruiting activity among existing customers and increase employment opportunities, recruiting by employers and applications from job seekers expanded, and revenues from this service were ¥1,810 million (a 31.0% increase).

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

Venture Incubation

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

In October 2024, Schoo Inc., one of the Group’s investees, was newly listed on the Tokyo Stock Exchange Growth Market, and the Group sold all of the shares it held to help improve Schoo’s corporate value. Including this example, the Group has helped 12 companies successfully list their stock. As human capital management continues to gain attention, we will continue to support investees to create “Motivation Companies” and accelerate the promotion of human capital management.

(2) Overview of Financial Position for the Nine Months Ended September 30, 2024

Total assets as of September 30, 2024 were ¥33,068 million, an increase of ¥2,225 million from the end of the previous year. Factors included a ¥1,971 million increase in investments accounted for using the equity method .

Total liabilities as of September 30, 2024 were ¥19,474 million, an increase of ¥1,572 million from the end of the previous year. This was mainly due to factors including a ¥2,862 million increase in interest-bearing and other financial liabilities, which was offset by a ¥368 million decrease in trade and other payables and a ¥561 million decrease in lease liabilities.

Total equity as of September 30, 2024 was ¥13,593 million, an increase of ¥653 million from the end of the previous year. This was mainly because the Group posted net income attributable to owners of the parent and other comprehensive income, among other factors, offset by decreases due to acquisition of treasury shares and payments of cash dividends.

(3) Overview of Cash Flow for the Nine Months Ended September 30, 2024

Cash and cash equivalents (“cash”) as of September 30, 2024 were ¥8,152 million, an increase of ¥762 million during the period.

Cash flow during the nine months ended September 30, 2024 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities was ¥2,667 million, a decrease of ¥196 million compared with the same period of the previous year. The principal factors increasing cash compared with the same period of the previous year included a ¥671 million increase in income before income taxes and a ¥440 million increase from an income tax refund. The principal factors decreasing cash compared with the same period of the previous year included a ¥180 million gain on sale of investment securities, a ¥115 million increase in trade and other receivables, a ¥285 million decrease in trade and other payables, and a ¥547 million increase in income taxes paid.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥1,827 million (compared with net cash provided totaling ¥400 million in the same period of the previous year). The principal factors decreasing cash compared with the same period of the previous year included payments for investments accounted for using the equity method totaling ¥1,992 million.

Cash Flow from Financing Activities

Net cash used in financing activities was ¥77 million, a decrease of ¥1,600 million compared with the same period of the previous year. The principal factors decreasing cash compared with the same period of the previous year included a ¥3,300 million net decrease in short-term financial liabilities, a ¥376 million increase in repayment of long-term financial liabilities, the non-recurrence of proceeds from payments from non-controlling interests, and a ¥1,395 million increase in payments for acquisition of treasury shares. The principal factors increasing cash compared with the same period of the previous year included a ¥7,080 million increase in proceeds from long-term financial liabilities.

(4) Forecast

In the first nine months of 2024, revenues increased compared with the same period of the previous year due to growth in the Consulting & Cloud business and the ALT Placement business, operating income increased substantially compared with the same period of the previous year, driven by the Consulting & Cloud business, which is a focal point for the Group. Progress toward the performance forecasts for the year ending December 31, 2024 of revenues of ¥36,900 million (an 8.6% increase) and record-high operating income of ¥5,330 million (a 15.3% increase) is proceeding smoothly as expected.

In addition, the backlog of orders in the Consulting & Cloud business, which is an indicator of total orders for future projects obtained at a given point in time, has increased significantly. As of September 30, 2024, the backlog of orders for 2025 and thereafter was approximately ¥11.5 billion, an increase of around 20% from a year earlier, and approximately ¥7.0 billion of this amount is the backlog of orders scheduled for delivery during 2025, an increase of around 20% from a year earlier, indicating steady progress in 2025 and thereafter.

To generate growth over the medium- to long-term, for the time being we will focus on the Consulting & Cloud business of the Organizational Development Division, which has high growth potential. Currently, the Organizational Development Division’s Consulting & Cloud business supports approximately 1,500 companies in Japan, but considering that Japan has approximately 100,000 companies with 50 or more employees, there is still ample room for

expansion. The Group will focus on major domestic companies that offer potential for development, and will promote the introduction of its services to small and medium-sized enterprises by leveraging the customer base of FCE Inc., with which a business alliance agreement was concluded in August 2024. In addition, with a view to long-term growth, the Group will establish new subsidiaries in Singapore, Vietnam, Thailand and the Philippines, with operations scheduled to begin in January 2025.

In addition, we will thoroughly consider M&As and business alliances centered on adding new products and expanding sales channels, and we have already made progress in alliances with two companies. In addition to the Consulting & Cloud business, the Individual Development Division will also begin collaborating with FCE Inc., which became an equity-method affiliate in September 2024. FCE has obtained a license from Franklin Covey Japan Co., Ltd. to provide training courses based on the book *The 7 Habits of Highly Effective People*[®]. It offers a wide range of programs including *The 7 Habits of Highly Effective People*[®]: Business Ownership, *The 7 Habits of Highly Effective People: Self Coaching* and *The 7 Habits of Highly Effective People J*[®] to corporate clients, individuals and children. Through this alliance, the Group aims to improve course efficiency and increase average revenues per enrollee by making skill acquisition a habit. FCE is now collaborating with the Individual Development Division to provide *The 7 Habits of Highly Effective People J*[®] and *The 7 Habits of Highly Effective People: Self Coaching* training courses to about 30,000 customers. In addition, we concluded a business alliance agreement with GO Inc. in November 2024. GO is skilled at helping companies with corporate branding. By combining this expertise with the Group's strengths in one-stop consulting for inculcating purpose, we will support companies in achieving purpose-driven management.

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, 2023	As of September 30, 2024
ASSETS		
Current assets		
Cash and cash equivalents	7,389	8,152
Trade and other receivables	3,627	4,194
Inventories	225	347
Other current financial assets	12	35
Other current assets	1,446	842
Total current assets	12,701	13,572
Non-current assets		
Property, plant and equipment	604	714
Right-of-use assets	3,586	3,148
Goodwill	9,347	9,347
Intangible assets	2,194	2,078
Investments accounted for using the equity method	—	1,971
Other non-current financial assets	1,753	1,561
Deferred tax assets	584	610
Other non-current assets	70	62
Total non-current assets	18,141	19,495
Total assets	30,843	33,068

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

	As of December 31, 2023	As of September 30, 2024
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities		
Trade and other payables	1,821	1,452
Contract liabilities	1,244	1,206
Interest-bearing and other financial liabilities	6,158	4,054
Lease liabilities	1,005	857
Income tax payable	1,036	783
Provisions	43	16
Other current liabilities	1,816	1,872
Total current liabilities	13,127	10,242
Non-current liabilities		
Interest-bearing and other financial liabilities	1,264	6,231
Lease liabilities	2,669	2,255
Provisions	335	370
Deferred tax liabilities	386	256
Other non-current liabilities	119	117
Total non-current liabilities	4,774	9,231
Total liabilities	17,902	19,474
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,380	1,380
Capital surplus	4,619	4,592
Treasury shares	(1,539)	(3,090)
Retained earnings	7,396	8,536
Other components of equity	(1,690)	(932)
Total equity attributable to owners of the parent	10,165	10,486
Non-controlling interests	2,774	3,106
Total equity	12,940	13,593
Total liabilities and equity	30,843	33,068

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

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

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Revenues	25,052	27,430
Cost of sales	12,008	12,855
Gross profit	13,043	14,574
Selling, general and administrative expenses	9,809	10,524
Other income	317	201
Other expenses	228	221
Operating income	3,323	4,030
Financial revenues	20	11
Financial expenses	60	65
Equity in earnings/losses of affiliates	—	(21)
Income before income taxes	3,283	3,955
Income taxes	1,200	1,154
Net income	2,082	2,800
(Attributable to)		
Owners of the parent	1,829	2,493
Non-controlling interests	253	307
Total	2,082	2,800

(Yen)

Earnings per share attributable to owners of the parent		
Basic earnings per share	16.39	23.16
Diluted earnings per share	16.36	23.15

Condensed Consolidated Statements of Comprehensive Income

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

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Net income	2,082	2,800
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	603	364
Total of items that will not be reclassified to profit or loss	603	364
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(2)	(0)
Total of items that may be reclassified to profit or loss	(2)	(0)
Total other comprehensive income	601	363
Total comprehensive income	2,683	3,164
(Attributable to)		
Owners of the parent	2,430	2,857
Non-controlling interests	253	307
Comprehensive income	2,683	3,164

(3) Condensed Consolidated Statements of Changes in Equity

Nine Months Ended September 30, 2023

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

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

Nine Months Ended September 30, 2024

(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, 2024	1,380	4,619	(1,539)	7,396	(1,690)	10,165	2,774	12,940
Net income	—	—	—	2,493	—	2,493	307	2,800
Other comprehensive income	—	—	—	—	363	363	—	363
Total comprehensive income	—	—	—	2,493	363	2,857	307	3,164
Acquisition of treasury shares	—	(24)	(1,561)	—	—	(1,585)	—	(1,585)
Change in ownership interest in subsidiaries	—	(17)	—	—	—	(17)	24	7
Dividends from surplus	—	—	—	(952)	—	(952)	—	(952)
Exercise of stock options	—	5	—	—	(5)	—	—	—
Share-based payment transactions	—	10	10	—	(1)	19	—	19
Transfer from other components of equity to retained earnings	—	—	—	(400)	400	—	—	—
Total transactions with the owners	—	(26)	(1,551)	(1,353)	394	(2,536)	24	(2,511)
September 30, 2024	1,380	4,592	(3,090)	8,536	(932)	10,486	3,106	13,593

(4) Condensed Consolidated Statements of Cash Flow

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

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Cash flow from operating activities		
Income before income taxes	3,283	3,955
Depreciation and amortization	1,249	1,190
Loss on impairment	185	134
Loss (gain) on sales of fixed assets	—	(0)
Loss (gain) on valuation of investment securities	26	—
Loss (gain) on sale of investment securities	—	(180)
Financial revenues and financial expenses	40	54
Equity in (earnings) losses of affiliates	—	21
Decrease (increase) in trade and other receivables	(453)	(569)
Decrease (increase) in inventories	(57)	(122)
Increase (decrease) in trade and other payables	(85)	(370)
Other	(85)	(83)
Subtotal	4,103	4,030
Interest and dividends received	10	4
Interest paid	(51)	(62)
Income tax refund	45	485
Income taxes paid	(1,243)	(1,791)
Net cash provided by (used in) operating activities	2,864	2,667
Cash flow from investing activities		
Payments for acquisition of property, plant and equipment	(108)	(169)
Proceeds from sale of property, plant and equipment	—	0
Payments for acquisition of intangible assets	(400)	(393)
Payments for acquisition of investment securities	(79)	(300)
Proceeds from sale of investment securities	989	1,092
Payments for investments accounted for using the equity method	—	(1,992)
Payments for security deposits and guarantees	(38)	(22)
Proceeds from recovery of security deposits and guarantees	131	70
Payments for fulfillment of asset retirement obligations	(73)	(90)
Other	(20)	(21)
Net cash provided by (used in) investing activities	400	(1,827)
Cash flow from financing activities		
Net increase (decrease) in short-term financial liabilities	400	(2,900)
Proceeds from long-term financial liabilities	100	7,180
Repayment of long-term financial liabilities	(1,041)	(1,417)
Proceeds from exercise of stock options	62	10
Payments of cash dividends	(844)	(955)
Repayment of lease liabilities	(805)	(783)
Proceeds from payments from non-controlling interests	452	—
Payments for acquisition of treasury shares	(0)	(1,395)
Net (increase) decrease in deposits	—	185
Net cash provided by (used in) financing activities	(1,677)	(77)
Cash and cash equivalents translation adjustment	(1)	(0)
Net increase (decrease) in cash and cash equivalents	1,585	762
Cash and cash equivalents at beginning of period	6,112	7,389
Cash and cash equivalents at end of period	7,698	8,152

(5) Notes to Condensed Consolidated Financial Statements
(Change in Accounting Policies)

None applicable

(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 nine months ended September 30, 2024 was calculated using the estimated average annual effective tax rate.

(Notes Regarding Significant Accounting Estimates and Judgements)

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

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

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

(Change in Scope of Consolidation or Application of Equity Method)

From the third quarter of 2024, FCE Inc., in which the Group acquired shares, is accounted for under the equity method.

(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 condensed 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.

Nine Months Ended September 30, 2023 (January 1, 2023 to September 30, 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	9,169	4,685	11,192	25,047	4	—	25,052
Intersegment revenues and transfers	270	89	223	583	30	(614)	—
Total	9,439	4,775	11,416	25,631	35	(614)	25,052
Segment income	6,632	2,158	4,764	13,556	(19)	(493)	13,043
Selling, general and administrative expenses							9,809
Other revenue/expenses (net)							89
Financial revenue/expenses (net)							(40)
Income before income taxes							3,283

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.

Nine Months Ended September 30, 2024 (January 1, 2024 to September 30, 2024)

(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	10,469	4,780	12,176	27,425	4	—	27,430
Intersegment revenues and transfers	239	54	188	482	37	(519)	—
Total	10,708	4,834	12,365	27,908	41	(519)	27,430
Segment income	7,471	2,237	5,314	15,023	(13)	(435)	14,574
Selling, general and administrative expenses							10,524
Other revenue/expenses (net)							(19)
Financial revenue/expenses (net)							(54)
Equity in earnings/losses of affiliates							(21)
Income before income taxes							3,955

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.

(Notes Regarding Assumption of Going Concern)

None applicable

(Significant Subsequent Event)

(Cancellation of Treasury Shares)

At the Board of Directors meeting held on November 13, 2024, the Company resolved to cancel its treasury shares pursuant to Article 178 of the Companies Act.

Share Cancellation Summary

1) Type of shares to be cancelled	Common shares
2) Number of shares to be cancelled	4,068,000 (3.6% of shares issued and outstanding before cancellation)
3) Scheduled cancellation date	November 25, 2024
4) Number of shares issued and outstanding after cancellation	109,000,000