

Consolidated Financial Statements for the Three Months Ended March 31, 2022 (IFRS)

These financial statements have been prepared for reference only.

May 12, 2022

Link and Motivation Inc.

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

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

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

May 12, 2022

Start of distribution of dividends (scheduled):

June 24, 2022

Supplementary documents for quarterly results:

No

Quarterly results briefing:

No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for the Three Months Ended March 31, 2022

(January 1, 2022 - March 31, 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 (%)
Three months ended March 31, 2022	7,947	0.0	800	28.3	723	27.3	361	28.9
Three months ended March 31, 2021	7,947	—	623	—	568	—	280	(29.4)

	Net income attributable to owners of the parent (¥ million)	Change (%)	Comprehen- sive income (¥ million)	Change (%)	Basic earnings per share (¥)	Diluted earnings per share (¥)
Three months ended March 31, 2022	318	29.5	317	18.1	2.85	2.85
Three months ended March 31, 2021	245	(32.7)	268	(736.6)	2.34	2.34

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 three months ended March 31, 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 March 31, 2022	28,555	8,768	7,570	26.5
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				
2022 (est.)		1.90	1.90	1.90	7.60

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

3. Forecast of Consolidated 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)
Three months ended March 31, 2022: 113,068,000; Year ended December 31, 2021: 113,068,000
 - (b) Number of treasury shares at the end of the period:
Three months ended March 31, 2022: 1,506,443; Year ended December 31, 2021: 1,506,443
 - (c) Average number of shares outstanding (cumulative with earlier quarters):
Three months ended March 31, 2022: 111,561,557; Three months ended March 31, 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 March 31, 2022, the last day of the consolidated accounting period under review. Because the Link and Motivation Group (the “Group”) transferred the domestic temp staff business operated by its subsidiary Link Agent Inc. (formerly Link Staffing Inc.) to iDA K.K. as of January 1, 2022, these operations are classified as discontinued. Therefore, the amount from continuing operations is shown for revenues, gross profit and operating income, and the total from continuing and discontinued operations is shown for net income attributable to owners of the parent. 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.

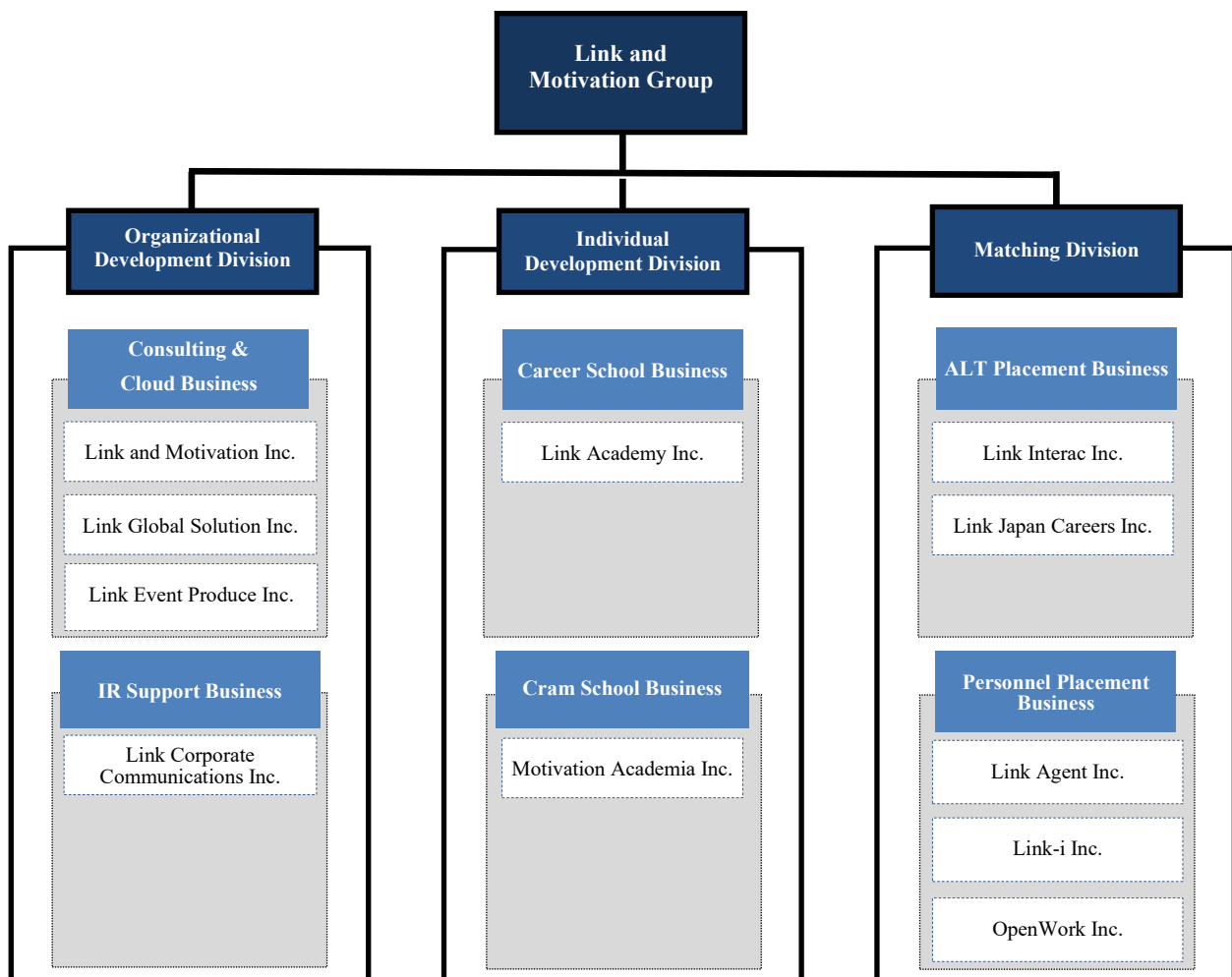
(1) Overview of Results of Operations for the Three Months Ended March 31, 2022

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 remained unclear during the three months ended March 31, 2022 (the “first quarter of 2022”) due to the impact of a resurgence of COVID-19 caused by a new variant. On the other hand, even under these economic conditions, the Group perceives 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 individuals due to rapid Digital Transformation (“DX”).

In this economic environment, the Group’s revenues for the first quarter of 2022 were ¥7,947 million (a 0.0% change compared with the same period of the previous year), gross profit was ¥4,019 million (a 5.3% increase), operating income was ¥800 million (a 28.3% increase) and net income attributable to owners of the parent was ¥318 million (a 29.5% increase).

The segment and business classifications of the Group are as shown below, and an overview of the first quarter 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 offers corporate customers services that provide support for building and strengthening relationships 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 quarter of 2022 were ¥2,555 million (a 2.8% increase), and segment income was ¥1,833 million (a 3.1% increase). An overview of operating results by business for the first quarter of 2022 is as follows.

Consulting & Cloud Business

The Consulting & Cloud business acts under the concept of creating numerous "Motivation Companies" in which employee motivation is the growth engine of an organization. As its method of providing services, the 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 quarter of 2022 were ¥2,284 million (a 5.1% increase) and gross profit was ¥1,704 million (a 3.3% increase). Results by product in the Consulting & Cloud business were as follows.

Table 1. Revenues by Product

Product (¥ million) [Gross profit in brackets]	Three months ended March 31, 2021	Three months ended March 31, 2022	YoY change (%)
Consulting & Cloud Business	2,173 [1,650]	2,284 [1,704]	5.1 3.3
Consulting	1,511	1,498	(0.9)
Cloud	662	786	18.7

In the first quarter of 2022, revenues and gross profit both increased compared with the same period of the previous fiscal year as the Cloud business grew by steadily capturing needs for improving employee engagement, mainly at major companies. 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
Number of deliveries	747	743	772	738	745
Monthly fee revenue (¥ thousand)	206,485	218,928	235,859	240,545	256,155

Since its founding in 2000, Link and Motivation has not only diagnosed the engagement status of companies and employees but has also supported organizational transformation at many companies. 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 fourth consecutive year (fiscal 2017 to fiscal 2020 forecast) in *ITR Market View: Human Resources Management Market 2021*, a market research report published by ITR Corporation.

During the first quarter of 2022, the Group succeeded in stepping up introductions at major companies and monthly fee revenue increased substantially compared with the same period of the previous year as more than 60% of such revenue came from major companies. The Group has forecast ¥320 million in fee revenues from the Motivation Cloud series for the month of December 2022 (a year-on-year increase of 33.0%), and total monthly fee revenue for March 2022 was ¥256,155 thousand, making steady progress.

This business will continue to ramp up new customer development, mainly at major companies. It expects to increase monthly fee revenue with the launch of a new service, which is a cloud-based version of a human resource development service it already provides, in the second half of fiscal 2022. 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 annual reports for shareholders, 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 quarter of 2022 were ¥350 million (a 10.3% decrease) and gross profit was ¥171 million (a 3.4% decrease). This business has only one product.

In the first quarter of 2022, both revenues and gross profit decreased compared with the same period of the previous year due to a delay in the timing of delivery of a large-scale project.

However, 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 quarter of 2022 were ¥1,833 million (a 0.1% increase) and segment income was ¥813 million (a 24.7% increase). An overview of operating results by business for the first quarter 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 quarter of 2022 were ¥1,678 million (a 0.3% decrease) and gross profit was ¥741 million (a 26.9% increase). Results by product in the Career School business were as follows.

Table 3. Revenues by Product

Product (¥ million) [Gross profit in brackets]	Three months ended March 31, 2021	Three months ended March 31, 2022	YoY change (%)
Career School Business	1,684 [584]	1,678 [741]	(0.3) 26.9
IT	935	944	1.0

Qualifications	593	587	(1.0)
English conversation	155	146	(5.8)

In the first quarter of 2022, DX support for individuals at companies grew a substantial 106% compared with the same period of the previous year amid rising needs for employees to strengthen their skills for DX. With the additional promotion of online courses, gross profit increased significantly and the business achieved efficient management.

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 quarter of 2022 were ¥154 million (a 4.3% increase) and gross profit was ¥71 million (a 5.1% increase). This business has only one product.

Both revenues and gross profit increased in the first quarter of 2022 as the number of enrollees increased due to recovery in new enrollments.

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 services under the concept of “engagement matching,” which applies “Motivation Engineering,” the core technology of the Group, to its personnel placement businesses. It creates matches with a high retention rate, consisting of affinities between organizations with hiring needs and individuals who want to advance their careers by matching not only the technical skill requirements of companies but also the respective characteristics of individuals and companies based on the Group’s proprietary data.

In this segment, segment revenues for the first quarter of 2022 were ¥3,858 million (a 1.2% increase) and segment income was ¥1,647 million (a 6.1% increase). An overview of operating results by business for the first quarter of 2022 is as follows.

ALT Placement Business

The ALT Placement business dispatches foreign 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 quarter of 2022 were ¥3,194 million (a 3.4% decrease) and gross profit was ¥987 million (a 6.5% decrease). This business has only one product.

Both revenues and gross profit for the first quarter of 2022 decreased compared with the same period of the previous year due to the impact of temporary school closures as a result of the COVID-19 pandemic.

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 March 31, 2022, nearly 5,000 schools were using the product, which is more than 15% of all public

elementary, junior high and high schools in Japan, and the business plans to provide it to 14,000 schools, or about 45%, by 2024. The Group will continue to broaden the infrastructure for Teachers Cloud in classrooms and expand the market share of the ALT Placement business.

Personnel Placement Business

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

In this business, revenues for the first quarter of 2022 were ¥667 million (a 29.7% increase) and gross profit was ¥662 million (a 31.8% increase).

During the first quarter 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 as other components of equity on the condensed consolidated statements of financial position.

(2) Overview of Financial Position for the Three Months Ended March 31, 2022

Total assets as of March 31, 2022 were ¥28,555 million, a decrease of ¥1,507 million from the end of the previous year. This was mainly due to factors including decreases of ¥633 million in right-of-use assets and ¥829 million in other non-current financial assets associated with the relocation of the Tokyo integrated office.

Total liabilities as of March 31, 2022 were ¥19,786 million, a decrease of ¥1,627 million from the end of the previous year. This was mainly due to factors including a ¥709 million decrease in trade and other payables associated with a decrease in outstanding payments for corporate insurance and other factors, and decreases of ¥301 million in income tax payable and ¥326 million in other current liabilities.

Total equity as of March 31, 2022 was ¥8,768 million, an increase of ¥120 million from the end of the previous year. Principal factors included a ¥106 million increase in retained earnings due to posting net income attributable to owners of the parent, partially offset by the payment of dividends from surplus.

(3) Overview of Cash Flow for the Three Months Ended March 31, 2022

Cash and cash equivalents (“cash”) as of March 31, 2022 were ¥5,247 million, an increase of ¥329 million during the period.

Cash flow during the three months ended March 31, 2022 was as follows.

Cash Flow from Operating Activities

Net cash used in operating activities was ¥41 million (in the same period of the previous year, net cash provided by operating activities was ¥482 million). The principal factor increasing cash was a ¥492 million decrease in trade and other receivables compared with the same period of the previous year, while the principal factors decreasing cash included a ¥407 million decrease in depreciation and amortization, a ¥299 million decrease in trade and other payables, and a ¥229 million increase in income taxes paid compared with the same period of the previous year.

Cash Flow from Investing Activities

Net cash provided by investing activities was ¥748 million (in the same period of the previous year, net cash used in investing activities was ¥382 million). Principal factors increasing cash included ¥441 million in proceeds from business transfer and an increase of ¥836 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 ¥377 million, an increase of ¥282 million compared with the same period of the previous year. The principal factor increasing cash was an increase of ¥1,294 million in proceeds from long-term financial liabilities, while the principal factors decreasing cash included a ¥1,200 million net decrease in short-term financial liabilities and a ¥554 million increase in repayment of long-term financial liabilities.

(4) Forecast

Through structural reforms of both businesses and costs consisting of the transfer of the domestic temp staff business and office relocations in the previous fiscal year, the Group substantially increased operating income in the first quarter of 2022 and has evolved into a robust management structure. For the fiscal year ending December 31, 2022, the Company forecasts ¥35,000 million in revenues (an increase of 7.2% year on year); ¥4,000 million in operating income (an increase of 93.6%) and ¥2,050 million in net income attributable to owners of the parent (an increase of 123.1%). As shown by the management results for the first quarter of 2022, the Company is making steady progress.

Due to the announcement in 2020 by the Securities and Exchange Commission (SEC) of the United States that listed companies will be required to report on human capital, attention to human capital is rising worldwide. In March 2022, the Group became the first in Asia to obtain certification under ISO 30414 guidelines for human capital reporting, and disclosed its organizational and personnel strategies.

The Company believes that management of human capital, including improving employee engagement, is essential for companies to be able to achieve sustainable growth amid the drastic changes in conditions for organizations and individuals. Based on this approach, the Group has achieved numerous corporate transformations based on its core

“Motivation Engineering” technology since its founding in 2000 as a pioneer in organizational and personnel consulting. Monthly fee revenue for the Motivation Cloud series, which supports organizational diagnosis and transformation, for the month of December 2022 is forecast to be ¥320 million, and progress toward this target has been steady. The Group will continue to accelerate growth going forward through support for diagnosis, transformation and disclosure.

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 March 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	4,917	5,247
Trade and other receivables	3,851	3,403
Inventories	200	277
Other current financial assets	9	0
Other current assets	753	765
Total current assets	9,732	9,693
Non-current assets		
Property, plant and equipment	637	605
Right-of-use assets	4,149	3,515
Goodwill	9,410	9,410
Intangible assets	2,234	2,388
Other non-current financial assets	2,744	1,915
Deferred tax assets	984	942
Other non-current assets	168	82
Total non-current assets	20,329	18,861
Total assets	30,062	28,555

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

	As of December 31, 2021	As of March 31, 2022
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities		
Trade and other payables	2,094	1,384
Contract liabilities	1,615	1,695
Interest-bearing and other financial liabilities	7,161	6,633
Lease liabilities	1,079	1,015
Income tax payable	716	414
Provisions	274	34
Other current liabilities	2,075	1,748
Total current liabilities	15,018	12,926
Non-current liabilities		
Interest-bearing and other financial liabilities	1,716	2,383
Lease liabilities	3,929	3,723
Provisions	359	365
Deferred tax liabilities	256	256
Other non-current liabilities	134	130
Total non-current liabilities	6,395	6,860
Total liabilities	21,413	19,786
EQUITY		
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	4,513
Other components of equity	(1,853)	(1,882)
Total equity attributable to owners of the parent	7,493	7,570
Non-controlling interests	1,154	1,198
Total equity	8,648	8,768
Total liabilities and equity	30,062	28,555

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

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

	Three months ended March 31, 2021	Three months ended March 31, 2022
Continuing Operations		
Revenues	7,947	7,947
Cost of sales	4,128	3,928
Gross profit	3,818	4,019
Selling, general and administrative expenses	3,152	3,199
Other income	18	15
Other expenses	60	35
Operating income	623	800
Financial revenues	1	2
Financial expenses	56	79
Income before income taxes	568	723
Income taxes	292	271
Net income	275	451
Discontinued Operations		
Profit (loss) from discontinued operations	5	(90)
Net income	280	361
(Attributable to)		
Owners of the parent	245	318
Non-controlling interests	35	43
Total	280	361

(Yen)

Earnings per share attributable to owners of the parent		
Basic earnings (loss) per share		
Continuing operations	2.29	3.66
Discontinued operations	0.05	(0.81)
Basic earnings (loss) per share	2.34	2.85
Diluted earnings (loss) per share		
Continuing operations	2.29	3.66
Discontinued operations	0.05	(0.81)
Diluted earnings (loss) per share	2.34	2.85

Condensed Consolidated Statements of Comprehensive Income

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

	Three months ended March 31, 2021	Three months ended March 31, 2022
Net income	280	361
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	(15)	(42)
Total of items that will not be reclassified to profit or loss	(15)	(42)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	3	(2)
Total of items that may be reclassified to profit or loss	3	(2)
Total other comprehensive income	(11)	(44)
Total comprehensive income	268	317
(Attributable to)		
Owners of the parent	233	273
Non-controlling interests	35	43
Comprehensive income	268	317

(3) Condensed Consolidated Statements of Changes in Equity

Three months ended March 31, 2021

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

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total equity attributable to owners of the parent		
January 1, 2021	1,380	1,855	(1,733)	3,989	(1,731)	3,760	1,157	4,917
Net income	—	—	—	245	—	245	35	280
Other comprehensive income	—	—	—	—	(11)	(11)	—	(11)
Total comprehensive income	—	—	—	245	(11)	233	35	268
Dividends from surplus	—	—	—	(188)	—	(188)	—	(188)
Total transactions with the owners	—	—	—	(188)	—	(188)	—	(188)
March 31, 2021	1,380	1,855	(1,733)	4,045	(1,743)	3,805	1,192	4,997

Three months ended March 31, 2022

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

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total equity attributable to owners of the parent		
January 1, 2022	1,380	3,879	(320)	4,406	(1,853)	7,493	1,154	8,648
Net income	—	—	—	318	—	318	43	361
Other comprehensive income	—	—	—	—	(44)	(44)	—	(44)
Total comprehensive income	—	—	—	318	(44)	273	43	317
Dividends from surplus	—	—	—	(211)	—	(211)	—	(211)
Share-based payment transactions	—	—	—	—	14	14	—	14
Total transactions with the owners	—	—	—	(211)	14	(197)	—	(197)
March 31, 2022	1,380	3,879	(320)	4,513	(1,882)	7,570	1,198	8,768

(4) Condensed Consolidated Statements of Cash Flow

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

	Three months ended March 31, 2021	Three months ended March 31, 2022
Cash flow from operating activities		
Income before income taxes	568	723
Profit before tax from discontinued operations	7	24
Depreciation and amortization	853	445
Loss on impairment	56	21
(Profit) loss from business transfer	—	(50)
Financial revenues and financial expenses	55	77
Decrease (increase) in trade and other receivables	(44)	448
Decrease (increase) in inventories	(38)	(77)
Increase (decrease) in trade and other payables	(446)	(745)
Other	(14)	(141)
Subtotal	996	725
Interest and dividends received	0	0
Interest paid	(56)	(78)
Income taxes paid	(458)	(687)
Net cash provided by operating activities	482	(41)
Cash flow from investing activities		
Payments for acquisition of property, plant and equipment	(31)	(4)
Payments for acquisition of intangible assets	(187)	(342)
Proceeds from business transfer	—	441
Payments for security deposits and guarantees	(142)	(7)
Proceeds from refund of security deposits and guarantees	55	892
Payments for asset retirement obligations	(96)	(238)
Other	20	8
Net cash used in investing activities	(382)	748
Cash flow from financing activities		
Net increase (decrease) in short-term financial liabilities	1,000	(200)
Proceeds from long-term financial liabilities	106	1,400
Repayment of long-term financial liabilities	(506)	(1,061)
Payments of cash dividends	(189)	(210)
Repayment of lease liabilities	(504)	(305)
Net cash used in financing activities	(94)	(377)
Cash and cash equivalents translation adjustment	3	(1)
Net increase (decrease) in cash and cash equivalents	8	329
Cash and cash equivalents at beginning of quarter	6,449	4,917
Cash and cash equivalents at end of quarter	6,458	5,247

(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 three months ended March 31, 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 three months ended March 31, 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