

Consolidated Financial Statements for the Six Months Ended June 30, 2023 (IFRS)

These financial statements have been prepared for reference only.

August 10, 2023

Link and Motivation Inc.

Code number: 2170

Representative: Ozasa Yoshihisa, Chairman and Representative Director

Contact: Yokoyama Hiroaki, Corporate Officer and

Manager of Group 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, 2023

September 25, 2023

No

No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for the Six Months Ended June 30, 2023

(January 1, 2023 – June 30, 2023)

(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, 2023	16,715	(0.3)	2,215	12.5	2,190	16.5	1,423	27.2
Six months ended June 30, 2022	16,766	2.2	1,969	31.0	1,879	32.5	1,118	—

	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, 2023	1,255	22.3	2,331	112.8	11.25	11.23
Six months ended June 30, 2022	1,026	—	1,095	—	9.20	9.20

Note: The Company has adopted IAS 12 *Income Taxes* (May 2021 amendment) as of the first quarter of the fiscal year ending December 31, 2023, and figures are retrospectively restated to reflect this change in accounting policy. The percentage change from the same period of the previous year in the amounts of net income, net income attributable to owners of the parent, and comprehensive income are not presented because retrospective adjustments were made in accordance with this change in accounting policy.

(2) Financial Position

	Total assets (¥ million)	Total equity (¥ million)	Equity attributable to owners of the parent (¥ million)	Ratio of equity attributable to owners of the parent to total assets (%)
As of June 30, 2023	30,871	13,553	10,862	35.2
As of December 31, 2022	28,908	11,243	9,057	31.3

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

2. Dividends

	Dividends per share				
	1st Qtr.	2nd Qtr.	3rd Qtr.	Year-end	Total
2022	1.90	1.90	1.90	2.00	7.70
2023	2.80	2.80			
2023 (est.)			2.80	2.80	11.20

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

3. Forecast of Results for 2023 (January 1, 2023 – December 31, 2023)

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

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

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: Yes*

(b) Changes in accounting policies other than (a) above: No

(c) Changes in accounting estimates: No

* Please refer to “(5) Notes to Condensed Consolidated Financial Statements” on page 17 for details.

(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, 2023: 113,068,000; Year ended December 31, 2022: 113,068,000

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

Six months ended June 30, 2023: 1,431,468; Year ended December 31, 2022: 1,506,468

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

Six months ended June 30, 2023: 111,588,051; Six months ended June 30, 2022: 111,561,557

*** 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

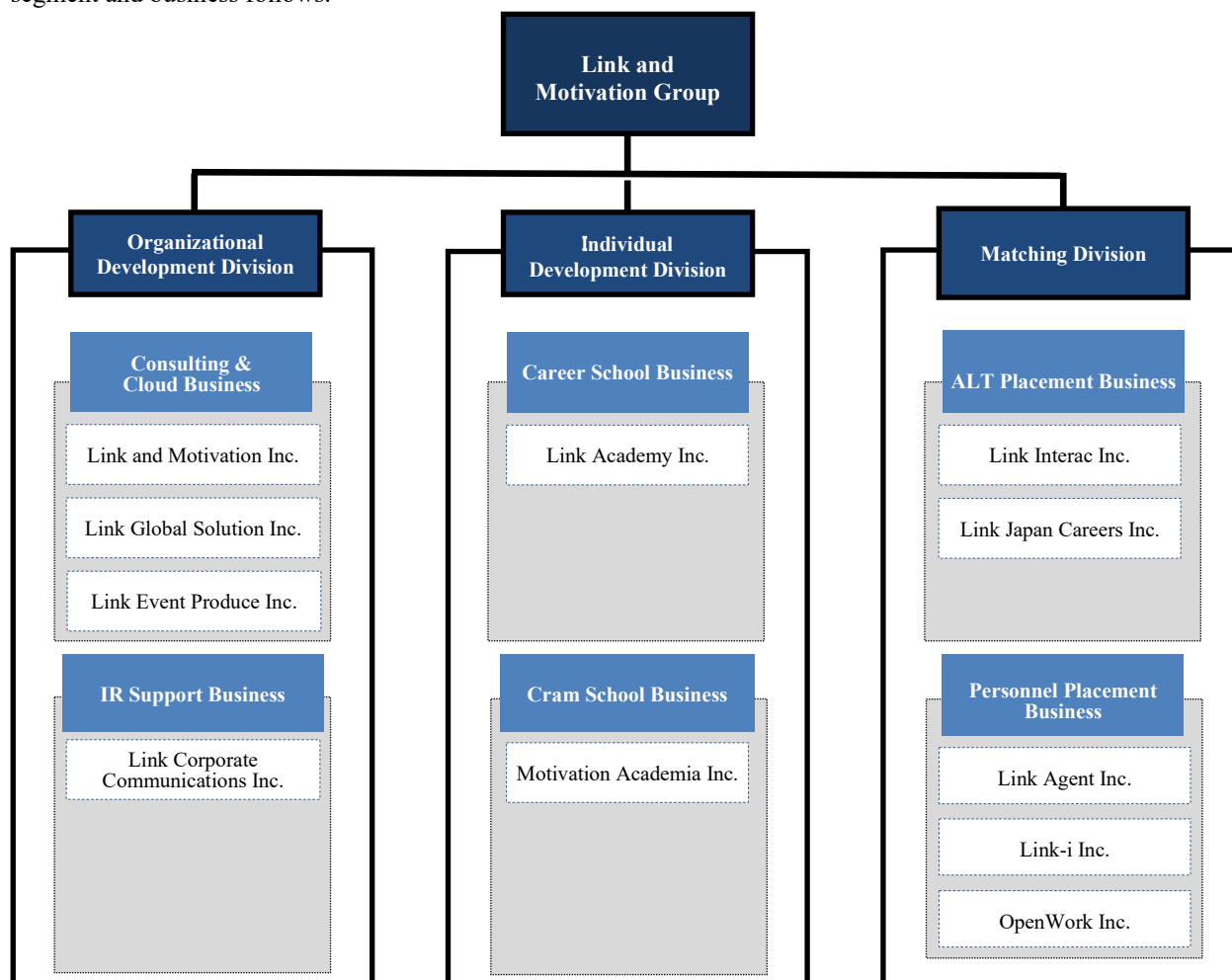
Forward-looking statements in the following text are based on judgments as of June 30, 2023, the last day of the consolidated accounting period under review. Because the Link and Motivation Group (the “Group”) transferred the domestic temp staff business operated by its subsidiary Link Agent Inc. (formerly Link Staffing Inc.) to iDA K.K. as of January 1, 2022, these operations are classified as discontinued. Therefore, the amount from continuing operations is shown for revenues, gross profit and operating income, and the total from continuing and discontinued operations is shown for net income attributable to owners of the parent.

(1) Overview of Results of Operations for the Six Months Ended June 30, 2023

The Group supports the transformation of numerous organizations and individuals using “Motivation Engineering” (the Group’s core technology), incorporating academic results in business administration, social systems theory, behavioral economics, psychology and other disciplines, under its mission: “Through Motivation Engineering, we provide opportunities to transform organizations and individuals and create a more meaningful society.” During the six months ended June 30, 2023 (the “first half of 2023”), the Japanese economy continued to recover gradually with the normalization of social and economic activity following the easing of movement restrictions imposed to prevent the spread of COVID-19. However, the economic outlook remains unclear due to price increases in Japan and the continuing risk of stagnation in the global economy due to interest rate hikes in various countries. Under these economic conditions, the Group perceives a growing need for companies to promote human capital management in order to deal with change.

In this economic environment, the Group’s revenues for the first half of 2023 were ¥16,715 million (a 0.3% decrease compared with the same period of the previous year), gross profit was ¥8,838 million (a 4.3% increase), operating income was ¥2,215 million (a 12.5% increase) and net income attributable to owners of the parent was ¥1,255 million (a 22.3% increase). The Group has adopted IAS 12 *Income Taxes* (May 2021 amendment) as of the first quarter of the fiscal year ending December 31, 2023. This amendment has been applied retrospectively. As a result, net income attributable to owners of the parent increased by ¥118 million in the first half of the previous year and decreased by ¥34 million in the first half of 2023. Net income attributable to owners of the parent for the first half of 2023 would have been ¥1,290 million before the retrospective application (a 42.1% increase compared with the same period of the previous year before the retrospective application).

The segment and business classifications of the Group are as shown below, and an overview of the first half of 2023 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 half of 2023 were ¥6,209 million (a 0.8% increase), and segment income was ¥4,379 million (a 3.7% increase). An overview of operating results by business for the first half of 2023 is as follows.

Consulting & Cloud Business

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

In this business, revenues for the first half of 2023 were ¥5,403 million (a 0.5% increase) and gross profit was ¥4,092 million (a 6.6% 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)	Six months ended June 30, 2022	Six months ended June 30, 2023	YoY change (%)
Consulting & Cloud Business	5,376 [3,839]	5,403 [4,092]	0.5% 6.6%
Consulting	3,708	3,285	-11.4%
Cloud	1,667	2,117	27.0%

In the first half of 2023, revenues were flat compared with the same period of the previous year, reflecting the temporary stagnation of services in the Consulting category. However, gross profit increased, led by growth of the high-margin Cloud category. In the Consulting category, results declined from the levels of the same period of the previous year because companies continued to focus on responding to the requirement to disclose human capital information in securities reports starting from the fiscal year ended March 31, 2023, and placed lower priority on “transformation.” Strong growth is projected in the second half with the expected increase in needs for improvement of disclosure content as the efforts by companies to respond to disclosure requirements settle down from July onward. In addition, promoting inter-organizational cooperation through changes in the management accounting system and expanding cross-selling will improve the ability of the Consulting & Cloud business to meet the human capital management needs of a variety of customers.

Monthly fee revenue increased substantially compared with the same period of 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

	2022				2023	
	March	June	September	December	March	June
Number of deliveries	745	768	820	831	846	851
Monthly fee revenue (¥ thousand)	256,155	284,692	306,934	328,505	339,179	358,792

Since its founding in 2000, the Group has not only diagnosed the engagement status of companies and employees but has also supported their transformation. The Motivation Cloud series is a group of cloud-based services in the field of HR Tech (human resources combined with technology) for improving employee engagement. The Group migrated the

organization diagnosis service it has offered since its founding to the cloud and started providing the Motivation Cloud service in July 2016. Motivation Cloud is currently ranked number one in share of sales by vendor in the employee engagement market (the sixth consecutive year: fiscal 2017 to fiscal 2022 forecast) in *ITR Market View: Human Resources Management Market 2023*, a market research report published by ITR Corporation.

The Group is forecasting ¥430,000 thousand in fee revenue from the Motivation Cloud series for the month of December 2023 (a year-on-year increase of 30.9%). Monthly fee revenue for June 2023 was ¥358,792 thousand (a 26.0% increase).

The Group will continue to promote the introduction of Motivation Cloud at major companies and lateral deployment at their group companies. In addition, for Stretch Cloud, a human resource development cloud service, we plan to expand in the human resource development market, which exceeds ¥500 billion. By executing these growth strategies, the Group will achieve further growth.

IR Support Business

The IR Support business provides one-stop support for corporate branding through various media and events centered on the field of investor relations for the “improvement of investor engagement” at corporations. In addition to production of printed media such as integrated reports for shareholders and investors, web-based media such as investor relations (IR) sites, and visual media such as webcasts of financial results briefings, the business creates physical and virtual forums for shareholders’ meetings and other events.

In this business, revenues for the first half of 2023 were ¥918 million (a 0.2% increase) and gross profit was ¥353 million (a 20.6% decrease).

In the first half, although production of integrated reports, the core service, expanded, revenues were flat compared with the same period of the previous year because production of websites decreased. Gross profit decreased substantially compared with the same period of the previous year due to an increase in production-related personnel expenses.

Needs for disclosure of non-financial capital, particularly human capital information, are increasing further with the requirement to disclose human capital information in securities reports. The business will generate synergies with the Consulting & Cloud business by enhancing 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 half of 2023 were ¥3,158 million (a 13.8% decrease) and segment income was ¥1,391 million (a 7.5% decrease). An overview of operating results by business for the first half of 2023 is as follows.

Career School Business

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

In this business, revenues for the first half of 2023 were ¥2,816 million (a 16.2% decrease) and gross profit was ¥1,260 million (an 8.4% decrease).

In the first half, revenues decreased substantially compared with the same period of the previous year as the repeat rate became an issue in BtoB services (reskilling support for employees), and because of fewer schools in BtoC services. Gross profit also decreased despite increased profitability due to the increase in online classes.

In BtoC services, the business continued to carry out structural reforms. Specifically, the business is relocating and closing schools as it moves toward providing all courses and support for its BtoC services online in light of the changes in learning needs brought on by the COVID-19 pandemic. The number of schools, which was 81 at the end of September 2022, decreased to 54 at the end of June 2023, and non-consolidated revenue from online courses increased from ¥66 million in the first nine months of 2022 to ¥127 million in the first six months of 2023. Going forward, this business will

enhance customer value while at the same time improving business efficiency. For BtoB services, the business will shift from one-off training for upgrading IT skills to services with a higher repeat rate, including as part of the “Cafeteria Plan,” a program for companies that allows employees to select their own benefits from a menu of options.

Cram School Business

The Cram School business operates two cram schools—“Motivation Academia” cram schools for junior high and high school students and “SS-1,” an individualized instruction school for students preparing for junior high school entrance exams—to improve the academic ability of elementary, junior high and high school students. In Motivation Academia, unlike typical cram schools, students can not only prepare for school entrance exams but also acquire skills to play an active role in society. The Cram School business utilizes its assets in programming education and English conversation education to provide a place for students from elementary school straight through to high school to develop skills that will be of use in society. Like the Career School business, it now offers both in-school and online services in response to lifestyle changes brought on by the COVID-19 pandemic.

In this business, revenues for the first half of 2023 were ¥342 million (an 11.5% increase) and gross profit was ¥130 million (a 1.6% increase).

Revenues increased substantially in the first half due to an increase in the number of enrollees with improvement in the continuation rate after completion of junior high school entrance exams. Gross profit increased slightly as an increase in personnel was reflected in cost of sales.

In addition to improving the continuation rate, this business will continue to increase the number of new enrollees by providing learning opportunities to a wide range of students through online classes.

Matching Division

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

In this segment, segment revenues for the first half of 2023 were ¥7,831 million (a 4.6% increase) and segment income was ¥3,490 million (an 8.2% increase). An overview of operating results by business for the first half of 2023 is as follows.

ALT Placement Business

The ALT Placement business dispatches non-Japanese assistant language teachers (ALTs) to elementary, junior high and high schools throughout Japan and provides English-language instruction services on contract, with the aim of matching 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 half of 2023 were ¥6,037 million (a 2.5% decrease) and gross profit was ¥1,729 million (an 11.3% decrease).

In the first half, revenues decreased slightly, but gross profit decreased substantially due to the expansion of social insurance coverage for ALTs that took effect in October 2022. The Group will continue to aim for the stable growth of the ALT Placement business by shifting some services online and utilizing ICT, in addition to enhancing the quality of ALTs, one of its strengths, to meet the diversifying needs of local governments.

Personnel Placement Business

The Personnel Placement business operates a referral service for human resources that introduces the human resources necessary for growth to businesses, with the goal of finding the right fit between job applicants and companies. Mainly, it provides mid-career referrals that match working adults looking to change jobs with companies, and conducts new graduate recruiting and referrals that connect university students looking for employment with company orientation meetings and interviews.

In this business, revenues for the first half of 2023 were ¥1,816 million (a 39.1% increase) and gross profit was ¥1,783 million (a 38.7% increase).

In the first half, OpenWork Inc., which has a particularly high growth rate, continued to steadily accumulate registered users and data on employee online reviews and evaluation scores. The direct recruiting service (OpenWork Recruiting) saw an increase in the number of website visits through natural searches, and stronger marketing efforts led to an increase in the number of new online resume registrations. The cumulative number of online resume registrations (working adults and students) has grown to approximately 890,000. In addition, as a result of efforts in the previous fiscal year to revitalize existing customers and increase the number of job listings, recruiting by employers and registered agencies increased, and revenues from this service were ¥887 million.

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 (1) sympathy with the idea of “creation of Motivation Companies” and (2) aim to list stock. Gains on sales and other results generated from venture incubation are recorded in retained earnings on the condensed consolidated statements of financial position, or under other income or other expenses on the consolidated statements of operations.

(2) Overview of Financial Position for the Six Months Ended June 30, 2023

Total assets as of June 30, 2023 were ¥30,871 million, an increase of ¥1,963 million from the end of the previous year. This was mainly due to a ¥1,013 million increase in cash and cash equivalents and an ¥889 million increase in other non-current financial assets.

Total liabilities as of June 30, 2023 were ¥17,318 million, a decrease of ¥346 million from the end of the previous year. This was mainly due to factors including an increase of ¥142 million in income tax payable and decreases of ¥345 million in trade and other payables and ¥308 million in interest-bearing and other financial liabilities.

Total equity as of June 30, 2023 was ¥13,553 million, an increase of ¥2,310 million from the end of the previous year. This was mainly due to factors including a ¥1,078 million increase in other components of equity, and a ¥519 million increase in capital surplus associated with 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 Six Months Ended June 30, 2023

Cash and cash equivalents (“cash”) as of June 30, 2023 were ¥7,126 million, an increase of ¥1,013 million during the period.

Cash flow during the six months ended June 30, 2023 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities was ¥2,141 million, an increase of ¥782 million in the same period of the previous year. The principal factors increasing cash included a ¥310 million increase in income before income taxes compared with the same period of the previous year, and a ¥531 million increase in other.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥257 million (compared with net cash provided of ¥402 million in the same period of the previous year). Principal factors increasing cash included a ¥255 million decrease in payments for acquisition of intangible assets and a ¥240 million decrease in payments for fulfillment of asset retirement obligations, while the principal factors decreasing cash included the non-recurrence of proceeds from business transfer that occurred in the same period of the previous year and a decrease of ¥781 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 ¥871 million a decrease of ¥988 million compared with the same period of the previous year. The principal factor decreasing cash was a decrease of ¥1,300 million in proceeds from long-term financial liabilities compared with the same period of the previous year, while the principal factors increasing cash

included a ¥1,100 million net increase in short-term financial liabilities, a decrease of ¥723 million in repayment of long-term financial liabilities, and an increase of ¥452 million in proceeds from payments from non-controlling interests.

(4) Forecast

The temporary decline in profit in the Career School business compared with the same period of the previous year was offset by the highly profitable Personnel Placement business. As a result, while revenues were flat compared with the previous year, operating income increased substantially. For the fiscal year ending December 31, 2023, the Group has forecast revenues of ¥35,300 million (a 7.7% year-on-year increase) and operating income of ¥4,670 million (a 28.7% increase).

Among the Group's businesses, the Consulting & Cloud business in the Organizational Development Division has the strongest growth prospects in the medium term. Changes in the external environment of companies, such as the human capital disclosure requirement for listed companies, are accelerating. Under these circumstances, this business aims to grow by applying the organizational personnel consulting expertise and knowledge cultivated since the Group's inception, primarily targeting Japanese companies that still have substantial room for expansion. In the fiscal year ending December 31, 2023, after the response to mandatory human capital disclosure by companies settles down from July onward, needs for improvement of disclosure content for next year are expected to increase. To address this opportunity, the Group will work to enhance its ability to respond to the diversifying human capital management needs of customers by visualizing employee engagement through cloud services (diagnosis), providing one-stop consulting on people and organizations (transformation), and expanding cross-selling of disclosure in integrated reports (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, 2022	As of June 30, 2023
ASSETS		
Current assets		
Cash and cash equivalents	6,112	7,126
Trade and other receivables	3,299	3,698
Inventories	183	199
Other current financial assets	12	38
Other current assets	1,025	548
Total current assets	10,633	11,610
Non-current assets		
Property, plant and equipment	599	635
Right-of-use assets	3,308	3,523
Goodwill	9,347	9,347
Intangible assets	2,417	2,280
Other non-current financial assets	1,947	2,836
Deferred tax assets	572	561
Other non-current assets	81	74
Total non-current assets	18,275	19,260
Total assets	28,908	30,871

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

	As of December 31, 2022	As of June 30, 2023
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities		
Trade and other payables	1,858	1,513
Contract liabilities	1,461	1,461
Interest-bearing and other financial liabilities	5,064	5,329
Lease liabilities	905	1,016
Income tax payable	712	854
Provisions	8	41
Other current liabilities	1,725	1,681
Total current liabilities	11,737	11,898
Non-current liabilities		
Interest-bearing and other financial liabilities	2,332	1,758
Lease liabilities	2,824	2,823
Provisions	318	337
Deferred tax liabilities	328	380
Other non-current liabilities	124	120
Total non-current liabilities	5,927	5,420
Total liabilities	17,664	17,318
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,380	1,380
Capital surplus	4,464	4,639
Treasury shares	(320)	(288)
Retained earnings	5,358	5,905
Other components of equity	(1,851)	(773)
Total equity attributable to owners of the parent	9,057	10,862
Non-controlling interests	2,185	2,690
Total equity	11,243	13,553
Total liabilities and equity	28,908	30,871

(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, 2022	Six months ended June 30, 2023
Continuing Operations		
Revenues	16,766	16,715
Cost of sales	8,293	7,877
Gross profit	8,472	8,838
Selling, general and administrative expenses	6,427	6,613
Other income	129	138
Other expenses	204	147
Operating income	1,969	2,215
Financial revenues	8	10
Financial expenses	99	35
Income before income taxes	1,879	2,190
Income taxes	808	766
Net income	1,070	1,423
Discontinued Operations		
Profit from discontinued operations	48	—
Net income	1,118	1,423
(Attributable to)		
Owners of the parent	1,026	1,255
Non-controlling interests	92	167
Total	1,118	1,423

(Yen)

Earnings per share attributable to owners of the parent		
Basic earnings per share		
Continuing operations	8.77	11.25
Discontinued operations	0.43	—
Basic earnings per share	9.20	11.25
Diluted earnings per share		
Continuing operations	8.77	11.23
Discontinued operations	0.43	—
Diluted earnings per share	9.20	11.23

Three Months Ended June 30

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

	Three months ended June 30, 2022	Three months ended June 30, 2023
Continuing Operations		
Revenues	8,818	8,707
Cost of sales	4,365	4,023
Gross profit	4,452	4,684
Selling, general and administrative expenses	3,227	3,376
Other income	113	49
Other expenses	169	7
Operating income	1,169	1,349
Financial revenues	6	9
Financial expenses	19	17
Income before income taxes	1,156	1,341
Income taxes	555	425
Net income	600	915
Discontinued Operations		
Profit (loss) from discontinued operations	(2)	—
Net income	598	915
(Attributable to)		
Owners of the parent	549	833
Non-controlling interests	48	82
Total	598	915

(Yen)

Earnings per share attributable to owners of the parent		
Basic earnings (loss) per share		
Continuing operations	4.95	7.47
Discontinued operations	(0.02)	—
Basic earnings (loss) per share	4.93	7.47
Diluted earnings (loss) per share		
Continuing operations	4.95	7.45
Discontinued operations	(0.02)	—
Diluted earnings (loss) per share	4.93	7.45

Condensed Consolidated Statements of Comprehensive Income
Six Months Ended June 30

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

	Six months ended June, 2022	Six months ended June, 2023
Net income	1,118	1,423
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	(16)	910
Total of items that will not be reclassified to profit or loss	(16)	910
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(7)	(1)
Total of items that may be reclassified to profit or loss	(7)	(1)
Total other comprehensive income	(23)	908
Total comprehensive income	1,095	2,331
(Attributable to)		
Owners of the parent	1,003	2,164
Non-controlling interests	92	167
Comprehensive income	1,095	2,331

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, 2022	Three months ended June 30, 2023
Net income	598	915
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain on revaluation of financial assets measured at fair value through other comprehensive income	26	767
Total of items that will not be reclassified to profit or loss	26	767
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(4)	(1)
Total of items that may be reclassified to profit or loss	(4)	(1)
Total other comprehensive income	21	765
Total comprehensive income	619	1,681
(Attributable to)		
Owners of the parent	571	1,599
Non-controlling interests	48	82
Comprehensive income	619	1,681

(3) Condensed Consolidated Statements of Changes in Equity**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
Cumulative effect of change in accounting policy	—	—	—	(219)	—	(219)	—	(219)
Balance at beginning of period reflecting change in accounting policy	1,380	3,879	(320)	4,187	(1,853)	7,274	1,154	8,429
Net income	—	—	—	1,026	—	1,026	92	1,118
Other comprehensive income	—	—	—	—	(23)	(23)	—	(23)
Total comprehensive income	—	—	—	1,026	(23)	1,003	92	1,095
Dividends from surplus	—	—	—	(423)	—	(423)	—	(423)
Share-based payment transactions	—	—	—	—	28	28	—	28
Transfer from other components of equity to retained earning	—	—	—	(12)	12	—	—	—
Total transactions with the owners	—	—	—	(436)	41	(395)	—	(395)
June 30, 2022	1,380	3,879	(320)	4,777	(1,835)	7,881	1,247	9,129

Six months ended June 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	—	—	—	1,255	—	1,255	167	1,423
Other comprehensive income	—	—	—	—	908	908	—	908
Total comprehensive income	—	—	—	1,255	908	2,164	167	2,331
Change in ownership interest in subsidiaries	—	175	—	—	—	175	337	512
Dividends from surplus	—	—	—	(535)	—	(535)	—	(535)
Exercise of stock acquisition rights	—	30	—	—	(30)	—	—	—
Share-based payment transactions	—	(30)	31	—	0	1	—	1
Transfer from other components of equity to retained earning	—	—	—	(200)	200	—	—	—
Total transactions with the owners	—	174	31	(735)	170	(358)	337	(21)
June 30, 2023	1,380	4,639	(288)	5,905	(773)	10,862	2,690	13,553

(4) Condensed Consolidated Statements of Cash Flow

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

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flow from operating activities		
Income before income taxes	1,879	2,190
Profit before tax from discontinued operations	20	—
Depreciation and amortization	859	810
Loss on impairment	148	137
(Profit) loss from business transfer	(50)	—
Financial revenues and financial expenses	90	24
Decrease (increase) in trade and other receivables	(337)	(398)
Decrease (increase) in inventories	(52)	(16)
Increase (decrease) in trade and other payables	(291)	(340)
Other	(135)	395
Subtotal	2,131	2,801
Interest and dividends received	5	8
Interest paid	(97)	(33)
Income tax refund	2	45
Income taxes paid	(683)	(680)
Net cash provided by operating activities	1,359	2,141
Cash flow from investing activities		
Payments for acquisition of property, plant and equipment	(50)	(66)
Payments for acquisition of intangible assets	(516)	(261)
Proceeds from business transfer	441	—
Payments for acquisition of investment securities	(79)	(79)
Proceeds from sale of investment securities	1	120
Payments for security deposits and guarantees	(22)	(35)
Proceeds from refund of security deposits and guarantees	913	131
Payments for fulfillment of asset retirement obligations	(279)	(39)
Other	(5)	(28)
Net cash provided (used in) investing activities	402	(257)
Cash flow from financing activities		
Net increase (decrease) in short-term financial liabilities	(800)	300
Proceeds from long-term financial liabilities	1,400	100
Repayment of long-term financial liabilities	(1,431)	(708)
Proceeds from exercise of stock acquisition rights	—	61
Payments of cash dividends	(422)	(533)
Repayment of lease liabilities	(605)	(542)
Proceeds from payments from non-controlling interests	—	452
Payments for acquisition of treasury shares	—	(0)
Net cash used in financing activities	(1,860)	(871)
Cash and cash equivalents translation adjustment	(1)	1
Net increase (decrease) in cash and cash equivalents	(100)	1,013
Cash and cash equivalents at beginning of the quarter	4,917	6,112
Cash and cash equivalents at end of the quarter	4,817	7,126

(5) Notes to Condensed Consolidated Financial Statements

(Change in Accounting Policies)

(Income Taxes)

The Group has adopted the following standard as of the first quarter of 2023.

IFRS		Summary of New Establishment or Amendment
IAS 12	Income Taxes (May 2021 amendment)	Clarifies deferred tax accounting for leases and decommissioning obligations

This amendment clarifies that entities should recognize deferred tax liabilities and deferred tax assets on certain transactions (e.g., leases and decommissioning obligations) that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

This amendment is applied retrospectively to the condensed quarterly consolidated financial statements and the consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year.

As a result, in the consolidated statements of financial position for the previous fiscal year, deferred tax assets decreased by ¥44 million, deferred tax liabilities increased by ¥58 million and retained earnings decreased by ¥102 million compared with the amounts before the retrospective application. In the condensed quarterly consolidated financial statements for the six months ended June 30, 2023, deferred tax liabilities increased by ¥34 million and retained earnings decreased by ¥34 million. In the condensed consolidated statements of operations, income taxes increased by ¥21 million and profit from continuing operations decreased by ¥21 million. In addition, profit from discontinued operations increased by ¥140 million and net income increased by ¥118 million. In the condensed quarterly consolidated statements of operations for the six months ended June 30, 2023, income taxes increased by ¥34 million and net income decreased by ¥34 million.

Basic earnings per share from continuing operations and diluted earnings per share from continuing operations for the six months ended June 30, 2022 each decreased by ¥0.20. Basic earnings per share from discontinued operations and diluted earnings per share from discontinued operations each increased by ¥1.26, and basic earnings per share and diluted earnings per share each increased by ¥1.06. Basic earnings per share and diluted earnings for the six months ended June 30, 2023 each decreased by ¥0.31.

Because the cumulative effect was reflected in equity at the beginning of the six months ended June 30, 2022, the beginning balance of retained earnings in the condensed consolidated statements of changes in equity after retrospective application decreased by ¥219 million.

(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 except for those noted in “Change in Accounting Policies” and in the item below.

Income taxes expense for the six months ended June 30, 2023 was calculated using the estimated average annual effective tax rate.

(Stock-Based Compensation)

The Group has introduced a restricted stock compensation plan as an equity-settled, share-based compensation plan for executive officers effective from the six months ended June 30, 2023. Restricted stock compensation is measured by referring to the fair value on the date the shares are granted, and is recognized as an expense over the vesting period from the grant date, with the corresponding amount recognized as an increase in equity.

(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.

(Notes Regarding Assumption of Going Concern)

None applicable

(Significant Subsequent Events)

At a management meeting held on June 29, 2023, the Group decided to enter into an agreement to sell shares of YARUKI Switch Group Holdings Co., Ltd. that it holds. The Group sold the shares on July 31, 2023.

(1) Details of the Sale of Investment Securities

1) Shares to be sold	YARUKI Switch Group Holdings Co., Ltd.
2) Number of shares to be sold	912,500
3) Purchaser of shares	TBS Holdings, Inc.
4) Sale date	July 31, 2023
5) Gain on sale	Non-consolidated accounts (Japanese GAAP): ¥807 million

(2) Outlook

1) Impact on Non-Consolidated Results (Japanese GAAP)

The Group plans to recognize the gain on sale of investment securities as extraordinary income in the financial statements for the fiscal year ending December 31, 2023. In addition, the Group expects to incur a corresponding tax expense.

2) Impact on Consolidated Results (IFRS)

The change in fair value of these shares is included in other comprehensive income and will be recognized as retained earnings in the financial statements for the fiscal year ending December 31, 2023.