

Translation

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Summary of Consolidated Financial Results for the Year Ended July 31, 2022 (Based on Japanese GAAP)

September 14, 2022

Company name: Link-U Inc.
 Stock exchange listing: Tokyo
 Stock code: 4446 URL <https://www.link-u.co.jp/>
 Representative: Representative Director and President Yuuki Matsubara
 Inquiries: Director and CFO Yuuta Shimura TEL 03(6260)9279
 Scheduled date of ordinary general meeting of shareholders: October 27, 2022
 Scheduled date to file Securities Report: October 27, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended July 31, 2022 (from August 1, 2021 to July 31, 2022)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended July 31, 2022	2,275	39.2	117	(47.8)	86	(60.6)	33	(78.5)
Year ended July 31, 2021	1,634	–	225	–	219	–	157	–

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended July 31, 2022	2.40	2.38	1.6	3.2	5.2
Year ended July 31, 2021	11.20	11.04	7.4	8.4	13.8

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of July 31, 2022	2,860	2,130	71.9	145.58
As of July 31, 2021	2,622	2,184	80.6	149.64

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended July 31, 2022	74	(104)	(139)	923
Year ended July 31, 2021	255	(639)	(8)	1,041

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended July 31, 2021	–	0.00	–	0.00	0.00	–	–	–
Year ended July 31, 2022	–	0.00	–	0.00	0.00	–	–	–
Year ending July 31, 2023 (Forecast)	–	0.00	–	0.00	0.00	–	–	–

3. Forecast of consolidated financial results for the year ending July 31, 2023 (from August 1, 2022 to July 31, 2023)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	2,890	27.0	251	113.9	186	116.1	84	150.0	5.99

4. Notes

(1) Changes in significant subsidiaries during the year ended July 31, 2022

(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of July 31, 2022	14,132,700 shares	As of July 31, 2021	14,130,300 shares
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Number of treasury shares at the end of the period

As of July 31, 2022	68 shares	As of July 31, 2021	68 shares
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Average number of shares during the period

Year ended July 31, 2022	14,131,797 shares	Year ended July 31, 2021	14,039,684 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of July 31, 2021	As of July 31, 2022
Assets		
Current assets		
Cash and deposits	1,041,742	923,961
Accounts receivable - trade	312,219	453,879
Contract assets	–	84,307
Accounts receivable - other	132,228	191,423
Work in process	18,911	–
Supplies	691	691
Prepaid expenses	18,073	88,847
Other	28,143	44,399
Allowance for doubtful accounts	(2,347)	(4,529)
Total current assets	1,549,663	1,782,981
Non-current assets		
Property, plant and equipment		
Buildings	63,734	67,157
Accumulated depreciation	(2,713)	(10,924)
Buildings, net	61,020	56,233
Facilities attached to buildings	56,024	61,053
Accumulated depreciation	(2,405)	(9,816)
Facilities attached to buildings, net	53,619	51,236
Tools, furniture and fixtures	203,251	228,408
Accumulated depreciation	(123,453)	(161,082)
Tools, furniture and fixtures, net	79,798	67,325
Total property, plant and equipment	194,439	174,796
Intangible assets		
Goodwill	268,165	239,174
Other	3,289	51,885
Total intangible assets	271,455	291,059
Investments and other assets		
Investment securities	455,915	452,004
Leasehold and guarantee deposits	108,649	111,635
Deferred tax assets	4,155	36,207
Other	38,100	11,242
Total investments and other assets	606,820	611,089
Total non-current assets	1,072,715	1,076,945
Deferred assets		
Organization expenses	–	496
Total deferred assets	–	496
Total assets	2,622,378	2,860,423

(Thousands of yen)

	As of July 31, 2021	As of July 31, 2022
Liabilities		
Current liabilities		
Accounts payable - other	114,126	198,771
Accrued expenses	205,601	371,257
Income taxes payable	14,347	30,568
Provision for bonuses	–	7,610
Other	104,146	121,458
Total current liabilities	438,222	729,665
Total liabilities	438,222	729,665
Net assets		
Shareholders' equity		
Share capital	476,396	476,567
Capital surplus	475,396	362,660
Retained earnings	1,162,721	1,196,515
Treasury shares	(135)	(135)
Total shareholders' equity	2,114,379	2,035,607
Accumulated other comprehensive income		
Foreign currency translation adjustment	–	21,860
Total accumulated other comprehensive income	–	21,860
Share acquisition rights	420	420
Non-controlling interests	69,356	72,870
Total net assets	2,184,156	2,130,758
Total liabilities and net assets	2,622,378	2,860,423

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended July 31, 2021	Fiscal year ended July 31, 2022
Net sales	1,634,847	2,275,923
Cost of sales	539,324	905,238
Gross profit	1,095,523	1,370,684
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	51,980	62,020
Salaries	119,305	158,468
Advertising expenses	392,005	631,222
Depreciation	9,674	12,683
Provision of allowance for doubtful accounts	372	1,981
Amortization of goodwill	21,743	28,990
Bad debt expenses	3,260	588
Provision for bonuses	6,339	26,975
Other	265,276	330,036
Total selling, general and administrative expenses	869,959	1,252,967
Operating profit	225,563	117,717
Non-operating income		
Interest income	96	60
Outsourcing service income	959	518
compensation received	4,000	–
Refund	996	503
Other	735	2,527
Total non-operating income	6,788	3,609
Non-operating expenses		
Interest expenses	6	–
Foreign exchange losses	518	728
Share of loss of entities accounted for using equity method	11,281	19,053
Office relocation expenses	1,087	130
Loss on valuation of cryptocurrencies	–	14,758
Other	1	124
Total non-operating expenses	12,896	34,793
Ordinary profit	219,456	86,533
Extraordinary income		
Gain on change in equity	8,159	–
Total extraordinary income	8,159	–
Extraordinary losses		
extraordinary loss on office	3,923	–
Loss on retirement of non-current assets	1,025	–
Loss on valuation of investment securities	–	38,109
Total extraordinary losses	4,948	38,109
Profit before income taxes	222,666	48,424
Income taxes - current	57,588	64,201
Income taxes - deferred	6,904	(32,051)
Total income taxes	64,492	32,150
Profit	158,174	16,273
Profit (loss) attributable to non-controlling interests	964	(17,574)
Profit attributable to owners of parent	157,209	33,848

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended July 31, 2021	Fiscal year ended July 31, 2022
Profit	158,174	16,273
Other comprehensive income		
Foreign currency translation adjustment	–	21,860
Total other comprehensive income	–	21,860
Comprehensive income	158,174	38,134
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	157,209	55,708
Comprehensive income attributable to non-controlling interests	964	(17,574)

Consolidated statements of changes in equity

Fiscal year ended July 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	474,076	473,076	1,033,673	–	1,980,826
Changes during period					
Issuance of new shares	2,320	2,320			4,641
Profit attributable to owners of parent			157,209		157,209
Decrease resulting from consolidation of new subsidiary			(31,416)		(31,416)
Increase due to decrease in affiliates			3,254		3,254
Change in ownership interest of parent due to transactions with non-controlling interests					
Purchase of treasury shares				(135)	(135)
Net changes in items other than shareholders' equity					
Total changes during period	2,320	2,320	129,047	(135)	133,553
Balance at end of period	476,396	475,396	1,162,721	(135)	2,114,379

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	–	–	–	–	1,980,826
Changes during period					
Issuance of new shares					4,641
Profit attributable to owners of parent					157,209
Decrease resulting from consolidation of new subsidiary					(31,416)
Increase due to decrease in affiliates					3,254
Change in ownership interest of parent due to transactions with non-controlling interests					–
Purchase of treasury shares					(135)
Net changes in items other than shareholders' equity	–	–	420	69,356	69,776
Total changes during period	–	–	420	69,356	203,329
Balance at end of period	–	–	420	69,356	2,184,156

Fiscal year ended July 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	476,396	475,396	1,162,721	(135)	2,114,379
Changes during period					
Issuance of new shares	170	170			340
Profit attributable to owners of parent			33,848		33,848
Decrease resulting from consolidation of new subsidiary			(54)		(54)
Increase due to decrease in affiliates					–
Change in ownership interest of parent due to transactions with non-controlling interests		(112,906)			(112,906)
Purchase of treasury shares					–
Net changes in items other than shareholders' equity					
Total changes during period	170	(112,736)	33,793	–	(78,772)
Balance at end of period	476,567	362,660	1,196,515	(135)	2,035,607

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	–	–	420	69,356	2,184,156
Changes during period					
Issuance of new shares					340
Profit attributable to owners of parent					33,848
Decrease resulting from consolidation of new subsidiary					(54)
Increase due to decrease in affiliates					–
Change in ownership interest of parent due to transactions with non-controlling interests					(112,906)
Purchase of treasury shares					–
Net changes in items other than shareholders' equity	21,860	21,860	–	3,514	25,374
Total changes during period	21,860	21,860	–	3,514	(53,397)
Balance at end of period	21,860	21,860	420	72,870	2,130,758

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended July 31, 2021	Fiscal year ended July 31, 2022
Cash flows from operating activities		
Profit before income taxes	222,666	48,424
Depreciation	56,727	65,662
Loss (gain) on valuation of investment securities	–	38,109
Amortization of goodwill	21,743	28,990
Increase (decrease) in allowance for doubtful accounts	372	1,831
Increase (decrease) in provision for bonuses	(1,546)	7,610
Interest income	(96)	(60)
Interest expenses	6	–
Share of loss (profit) of entities accounted for using equity method	11,281	19,053
Loss (gain) on change in equity	(8,159)	–
Loss(Gain) on valuation of crypto assets	–	14,758
Decrease (increase) in trade receivables	56,113	(117,451)
Decrease (increase) in inventories	(6,762)	18,911
Decrease (increase) in long-term prepaid expenses	–	(5,962)
Decrease (increase) in prepaid expenses	(12,594)	(68,275)
Increase (decrease) in accounts payable - other	49,352	81,568
Increase (decrease) in accrued expenses	91,782	59,942
Increase (decrease) in accrued consumption taxes	(56,491)	19,908
Other, net	(60,503)	(87,885)
Subtotal	363,891	125,135
Interest received	95	59
Interest paid	(6)	–
Income taxes paid	(108,306)	(51,138)
Net cash provided by (used in) operating activities	255,674	74,055
Cash flows from investing activities		
Purchase of investment securities	(219,735)	(58,306)
Proceeds from sale of investment securities	–	10,000
Purchase of property, plant and equipment	(169,716)	(30,283)
Purchase of intangible assets	(2,751)	(19,422)
Payments for asset retirement obligations	(6,620)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(220,135)	–
Payments of leasehold and guarantee deposits	(13,658)	(6,722)
Proceeds from refund of leasehold and guarantee deposits	31,477	174
Payments for sale of businesses	(12,609)	–
Other, net	(25,700)	–
Net cash provided by (used in) investing activities	(639,448)	(104,560)

(Thousands of yen)

	Fiscal year ended July 31, 2021	Fiscal year ended July 31, 2022
Cash flows from financing activities		
Proceeds from issuance of shares	4,641	340
Purchase of treasury shares	(135)	–
Payment of listing expenses	(13,267)	–
Proceeds from issuance of share acquisition rights	420	–
Payments for acquisition of subsidiaries not resulting in change in scope of consolidation	–	(140,000)
Net cash provided by (used in) financing activities	(8,342)	(139,659)
Net increase (decrease) in cash and cash equivalents	(392,116)	(170,164)
Cash and cash equivalents at beginning of period	1,433,859	1,041,742
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	52,383
Cash and cash equivalents at end of period	1,041,742	923,961