

Translation

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**Summary of Consolidated Financial Results
for the Year Ended July 31, 2023
(Based on Japanese GAAP)**

September 14, 2023

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 26, 2023
 Scheduled date to file Securities Report: October 26, 2023
 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, 2023 (from August 1, 2022 to July 31, 2023)

(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, 2023	3,129	37.5	434	268.7	397	359.1	204	503.5
Year ended July 31, 2022	2,275	39.2	117	(47.8)	86	(60.6)	33	(78.5)

	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, 2023	14.44	14.35	9.4	11.4	13.9
Year ended July 31, 2022	2.40	2.38	1.6	3.2	5.2

(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, 2023	4,098	2,313	55.4	160.13
As of July 31, 2022	2,860	2,130	71.9	145.58

(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, 2023	401	(193)	557	1,756
Year ended July 31, 2022	74	(104)	(139)	923

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, 2022	–	0.00	–	0.00	0.00	–	–	–
Year ended July 31, 2023	–	0.00	–	0.00	0.00	–	–	–
Year ending July 31, 2024 (Forecast)	–	0.00	–	0.00	0.00	–	–	–

3. Forecast of consolidated financial results for the year ending July 31, 2024 (from August 1, 2023 to July 31, 2024)

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	3,289	5.1	342	(21.1)	333	(16.0)	186	(8.7)	13.16

4. Notes

(1) Changes in significant subsidiaries during the year ended July 31, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(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: No

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, 2023	14,171,700 shares	As of July 31, 2022	14,132,700 shares
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Number of treasury shares at the end of the period

As of July 31, 2023	68 shares	As of July 31, 2022	68 shares
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Average number of shares during the period

Year ended July 31, 2023	14,143,637 shares	Year ended July 31, 2022	14,131,797 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of July 31, 2022	As of July 31, 2023
Assets		
Current assets		
Cash and deposits	923,961	1,756,004
Accounts receivable - trade	453,879	599,206
Contract assets	84,307	200,190
Accounts receivable - other	191,423	272,754
Supplies	691	622
Prepaid expenses	88,847	130,199
Other	44,399	41,857
Allowance for doubtful accounts	(4,529)	(1,686)
Total current assets	1,782,981	2,999,149
Non-current assets		
Property, plant and equipment		
Buildings	67,157	65,595
Accumulated depreciation	(10,924)	(19,258)
Buildings, net	56,233	46,336
Facilities attached to buildings	61,053	59,125
Accumulated depreciation	(9,816)	(17,423)
Facilities attached to buildings, net	51,236	41,702
Tools, furniture and fixtures	228,408	226,482
Accumulated depreciation	(161,082)	(177,903)
Tools, furniture and fixtures, net	67,325	48,578
Total property, plant and equipment	174,796	136,617
Intangible assets		
Goodwill	239,174	240,731
Other	51,885	39,335
Total intangible assets	291,059	280,067
Investments and other assets		
Investment securities	452,004	524,077
Leasehold and guarantee deposits	111,635	107,387
Deferred tax assets	36,207	46,254
Other	11,242	4,806
Total investments and other assets	611,089	682,525
Total non-current assets	1,076,945	1,099,210
Deferred assets		
Organization expenses	496	380
Business commencement expenses	—	158
Total deferred assets	496	538
Total assets	2,860,423	4,098,898

(Thousands of yen)

	As of July 31, 2022	As of July 31, 2023
Liabilities		
Current liabilities		
Accounts payable - other	198,771	245,117
Accrued expenses	371,257	561,625
Income taxes payable	30,568	117,282
Provision for bonuses	7,610	–
Provision for loss on orders received	–	4,666
Current portion of long-term borrowings	–	44,040
Other	121,458	171,745
Total current liabilities	729,665	1,144,478
Non-current liabilities		
Long-term borrowings	–	640,660
Total non-current liabilities	–	640,660
Total liabilities	729,665	1,785,138
Net assets		
Shareholders' equity		
Share capital	476,567	477,054
Capital surplus	362,660	368,957
Retained earnings	1,196,515	1,400,779
Treasury shares	(135)	(135)
Total shareholders' equity	2,035,607	2,246,655
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	–	(22)
Foreign currency translation adjustment	21,860	22,660
Total accumulated other comprehensive income	21,860	22,638
Share acquisition rights	420	420
Non-controlling interests	72,870	44,045
Total net assets	2,130,758	2,313,759
Total liabilities and net assets	2,860,423	4,098,898

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

(Thousands of yen)

	Fiscal year ended July 31, 2022	Fiscal year ended July 31, 2023
Net sales	2,275,923	3,129,985
Cost of sales	905,238	1,392,930
Gross profit	1,370,684	1,737,054
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	62,020	63,049
Salaries	158,468	224,839
Advertising expenses	631,222	421,598
Depreciation	12,683	12,097
Provision of allowance for doubtful accounts	1,981	(1,805)
Amortization of goodwill	28,990	32,385
Bad debt expenses	588	1,514
Provision for bonuses	26,975	48,922
Other	330,036	500,412
Total selling, general and administrative expenses	1,252,967	1,303,014
Operating profit	117,717	434,040
Non-operating income		
Interest income	60	137
Outsourcing service income	518	600
Refund	503	565
Subsidy income	–	17,173
Other	2,527	5,775
Total non-operating income	3,609	24,251
Non-operating expenses		
Interest expenses	–	4,060
Foreign exchange losses	728	1,069
Share of loss of entities accounted for using equity method	19,053	41,826
Office relocation expenses	130	–
Loss on valuation of cryptocurrencies	14,758	13,788
Other	124	272
Total non-operating expenses	34,793	61,017
Ordinary profit	86,533	397,273
Extraordinary income		
Subsidy income	–	5,960
Total extraordinary income	–	5,960
Extraordinary losses		
Loss on retirement of non-current assets	–	2,236
Loss on tax purpose reduction entry of non-current assets	–	4,276
Loss on valuation of investment securities	38,109	41,645
Loss on step acquisitions	–	29,501
Total extraordinary losses	38,109	77,659
Profit before income taxes	48,424	325,574
Income taxes - current	51,897	130,737
Income taxes for prior periods	12,304	–
Income taxes - deferred	(32,051)	(10,046)
Total income taxes	32,150	120,691
Profit	16,273	204,883
Profit (loss) attributable to non-controlling interests	(17,574)	619
Profit attributable to owners of parent	33,848	204,263

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended July 31, 2022	Fiscal year ended July 31, 2023
Profit	16,273	204,883
Other comprehensive income		
Valuation difference on available-for-sale securities	–	(22)
Foreign currency translation adjustment	21,860	800
Total other comprehensive income	21,860	777
Comprehensive income	38,134	205,661
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	55,708	205,041
Comprehensive income attributable to non-controlling interests	(17,574)	619

Consolidated statements of changes in equity

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
sinki			(54)		(54)
Change in ownership interest of parent due to transactions with non-controlling interests		(112,906)			(112,906)
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
sinki					(54)
Change in ownership interest of parent due to transactions with non-controlling interests					(112,906)
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

Fiscal year ended July 31, 2023

(Thousands of
yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	476,567	362,660	1,196,515	(135)	2,035,607
Changes during period					
Issuance of new shares	487	487			975
Profit attributable to owners of parent			204,263		204,263
Change in ownership interest of parent due to transactions with non-controlling interests		5,809			5,809
Net changes in items other than shareholders' equity					
Total changes during period	487	6,296	204,263	–	211,048
Balance at end of period	477,054	368,957	1,400,779	(135)	2,246,655

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	–	21,860	21,860	420	72,870	2,130,758
Changes during period						
Issuance of new shares						975
Profit attributable to owners of parent						204,263
Change in ownership interest of parent due to transactions with non-controlling interests						5,809
Net changes in items other than shareholders' equity	(22)	800	777		(28,825)	(28,047)
Total changes during period	(22)	800	777	–	(28,825)	183,000
Balance at end of period	(22)	22,660	22,638	420	44,045	2,313,759

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended July 31, 2022	Fiscal year ended July 31, 2023
Cash flows from operating activities		
Profit before income taxes	48,424	325,574
Depreciation	65,662	79,960
Loss (gain) on valuation of investment securities	38,109	41,645
Amortization of goodwill	28,990	32,385
Increase (decrease) in allowance for doubtful accounts	1,831	(2,842)
Increase (decrease) in provision for bonuses	7,610	(7,610)
Interest income	(60)	(137)
Share of loss (profit) of entities accounted for using equity method	19,053	41,826
Loss(Gain) on valuation of crypto assets	14,758	13,788
Interest expenses	–	4,060
Decrease (increase) in trade receivables	(117,451)	(239,705)
Decrease (increase) in inventories	18,911	69
Decrease (increase) in long-term prepaid expenses	(5,962)	6,442
Decrease (increase) in prepaid expenses	(68,275)	(41,352)
Increase (decrease) in accounts payable - other	81,568	42,642
Increase (decrease) in accrued expenses	59,942	177,401
Increase (decrease) in accrued consumption taxes	19,908	67,412
Other, net	(87,885)	(60,814)
Subtotal	125,135	480,748
Interest received	59	8
Interest paid	–	(4,103)
Income taxes paid	(51,138)	(75,179)
Net cash provided by (used in) operating activities	74,055	401,473
Cash flows from investing activities		
Purchase of investment securities	(58,306)	(154,790)
Proceeds from sale of investment securities	10,000	–
Purchase of property, plant and equipment	(30,283)	(18,058)
Proceeds from sale of property, plant and equipment	–	96
Purchase of intangible assets	(19,422)	(19,428)
Payments of leasehold and guarantee deposits	(6,722)	(2,020)
Proceeds from refund of leasehold and guarantee deposits	174	196
Purchase of long-term prepaid expenses	–	(6)
Proceeds from collection of loans receivable	–	660
Net cash provided by (used in) investing activities	(104,560)	(193,351)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	580,000
Repayments of long-term borrowings	–	(32,970)
Proceeds from issuance of shares	340	10,775
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(140,000)	–
Net cash provided by (used in) financing activities	(139,659)	557,805
Effect of exchange rate change on cash and cash equivalents	–	757
Net increase (decrease) in cash and cash equivalents	(170,164)	766,685
Cash and cash equivalents at beginning of period	1,041,742	923,961
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	52,383	65,357
Cash and cash equivalents at end of period	923,961	1,756,004