

Consolidated Financial Statements for the Fiscal Year Ended December 31, 2010

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

February 14, 2011

Link and Motivation Inc.
3-7-3 Ginza, Chuo-ku, Tokyo 104-0061
http://www.lmi.ne.jp

Stock exchange listing: Tokyo, First Section
Code number: 2170

Representative: Yoshihisa Ozasa, President and Representative Director
Contact: Shunichi Ohno, Managing Executive Officer and
Manager of Corporate Design Division Phone: +81-3-3538-8558
Ordinary General Meeting of Shareholders (scheduled): March 19, 2011
Start of distribution of dividends (scheduled): March 22, 2011
Filing of Securities Report (*Yuka Shoken Hokokusho*) (scheduled): March 22, 2011

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for 2010 (January 1, 2010 - December 31, 2010)

(1) Sales and Income (Percentages represent change compared with the previous year.)

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
2010	7,098	(1.0)	731	783.9	746	697.9
2009	7,167	(13.4)	82	(94.2)	93	(93.4)

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)	Return on equity (%)	Ordinary income/Total assets (%)	Ordinary income/Net sales (%)
2010	585	—	4,339.19	—	19.4	16.4	10.3
2009	(503)	—	(3,728.14)	—	(15.1)	2.0	1.2

(Reference) Equity in earnings of affiliates: ¥— million (2009: ¥— million)

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets/ Total assets (%)	Net assets per share (¥)
2010	4,560	3,228	69.1	23,559.37
2009	4,637	2,892	62.4	21,428.63

(Reference) Net worth: ¥3,151 million (2009: ¥2,892 million)

(3) Cash Flow

	Cash flow from operating activities (¥ million)	Cash flow from investing activities (¥ million)	Cash flow from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
2010	1,084	102	(658)	1,671
2009	258	(362)	(65)	1,142

2. Dividends

	Dividends per share					Total dividends paid (full year) (¥ million)	Payout ratio (%)	Dividends/ Net assets (%)
	1st Qtr.	Interim	3rd Qtr.	Year-end	Full year			
2009	500.00	500.00	500.00	500.00	2,000.00	269	—	8.1
2010	500.00	500.00	500.00	500.00	2,000.00	269	46.1	8.4
2011 (est.)	500.00	500.00	500.00	500.00	2,000.00		70.8	

3. Forecast of Results for 2011 (January 1, 2011 - December 31, 2011)

(Percentages represent change compared to the previous interim period or fiscal year, as applicable)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Interim period	—	—	—	—	—	—	—	—	—
Full-year	7,270	2.4	750	2.6	750	0.5	370	(36.8)	2,821.38

Note: There is no forecast of results for the interim period. See "Outlook for 2011" in "Results of Operations" on page 5 for details.

4. Other

- (1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries due to Changes in the Scope of Consolidation): Yes
New: 1 company (Name: Motivation Academia Inc.)
Eliminations: 1 company (Name: Digit Co., Ltd.)
- (2) Changes in Accounting Rules, Procedures, Presentation Method, etc. for the Consolidated Financial Statements
 - (a) Changes in consolidated accounting methods: Yes
 - (b) Changes other than (a) above: No
- (3) Number of Shares Issued and Outstanding (Common Stock)
 - (a) Number of shares at end of period (including treasury stock): December 31, 2010: 134,960 shares,
December 31, 2009: 134,960 shares
 - (b) Treasury stock at end of period: December 31, 2010: 1,191 shares, December 31, 2009: 0 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for 2010 (January 1, 2010 – December 31, 2010)

(1) Sales and Income (Percentages represent change compared with the previous year.)

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
2010	4,175	(14.6)	626	513.9	637	509.5
2009	4,886	(30.3)	102	(92.5)	104	(92.4)

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
2010	637	—	4,728.22	—
2009	(531)	—	(3,934.91)	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets / Total assets (%)	Net assets per share (¥)
2010	4,124	3,083	74.8	23,050.02
2009	4,259	2,771	65.1	20,535.04

(Reference) Net worth: ¥3,083 million (2009: ¥2,772 million)

Explanation on Proper Use of the Forecast of Results and Other Special Instructions

For the background to the forecast of consolidated results contained in this document, please refer to “(1) Analysis of Results of Operations” of “1. Results of Operations” starting on page 3. The forecast of consolidated results contained in this document is based on the most reliable information and assumptions available to the Company as of the date of submission. Please bear in mind that numerous uncertain factors in an increasingly unclear economic environment, as well as the occurrence of the factors listed in “(4) Business and Other Risks” of “1. Results of Operations” starting on page 7 could cause actual results to differ materially from the forecast.

1. Results of Operations

(1) Analysis of Results of Operations

In 2010, the Japanese economy showed some signs of recovering, backed by increases in production and exports resulting from the growth of emerging countries and an improvement in corporate earnings due to cost cutting. Nonetheless, companies remained cautious about investing in human resources given numerous uncertainties in the operating environment, including the strong yen, deteriorated employment conditions and stagnant personal income.

In this operating environment, Link and Motivation Inc. (“the Company”) focused on strengthening services based on management issues and shifting to a highly flexible operating structure in order to realize a framework for stable profits. To strengthen services based on management issues, the Company is providing solutions that address target companies’ essential issues in order to improve their results, and the number of projects that touch on those issues has increased. To shift to a highly flexible operating structure, the Company concentrated on thorough in-house production, which allowed it to cut outsourcing costs by about 30%. In addition, the effects of moving out of the Shiodome and DaVinci Ginza offices became clearly apparent as the Company’s office-related costs decreased by about 60% from their peak.

As a result of these initiatives, consolidated net sales of the Link and Motivation Group were ¥7,098,607 thousand (a decrease of 1.0% compared with the previous fiscal year), gross profit was ¥3,735,741 thousand (an increase of 2.7%), operating income was ¥731,001 thousand (an increase of 783.9%), ordinary income was ¥746,074 thousand (an increase 697.9%) and net income was ¥585,170 thousand (compared with a net loss of ¥503,149 thousand in the previous fiscal year).

An overview by business area for 2010 is as follows.

Motivation Management Business

In 2009, the Motivation Management business generated sales of ¥2,681,697 thousand (a year-on-year increase of 2.3%) and gross profit of ¥1,606,960 thousand (an increase of 2.1%).

This segment offers services for personnel training and organization and system design aimed at creating highly motivated organizations. The segment also supports corporate vision and brand creation and market penetration.

Although sales decreased 7.8% year on year in the first half they rose a substantial 13.9% in the second half, resulting in a net increase for the full year. This was due to an increase in solutions that intrinsically address customers’ management issues achieved through more selective customer targeting and stronger customer relations amid the beginning of a recovery in customer budgets for personnel, training, advertising and PR as well their willingness to invest.

Going forward, the Company will concentrate on developing new products and setting themes and providing solutions that meet customer needs, based on insight into industry trends.

Entry Management Business

Sales of the Entry Management business were ¥2,297,569 thousand (a year-on-year decrease of 13.6%) and gross profit was ¥1,356,711 thousand (a 1.5% decrease).

This segment offers recruiting strategy planning services aimed at realizing the best matches between companies and applicants in the recruitment stage, and assistance with the execution of strategies. Sales decreased due to less work for large-scale company information sessions designed for hiring a large number of new university graduates, as the trend among client companies toward strict selection of students for recruitment grew stronger in a severe economic environment. However, gross profit remained at the same level as in the previous year due to strong sales of highly profitable recruitment tests and consulting services at the recruitment planning stage, as well as the success of thorough reduction of outsourcing costs. In addition,

we steadily moved forward with recruitment support service sales for the growing needs of major Japanese companies to recruit high-caliber Chinese employees.

We will continue to focus on providing appropriate solutions in line with changes in the recruiting trends of Japanese companies as well as developing products and strengthening services to address the globalization of large companies' recruiting activities.

Investor Relations Business

In the Investor Relations business, sales were ¥728,594 thousand (a year-on-year decrease of 10.7%) and gross profit was ¥370,407 thousand (a 9.7% increase).

This segment provides IR consulting services designed to achieve effective and efficient communication with investors, including annual report production and video distribution of business results briefings.

Sales in the core annual report business remained at the same level as in the previous fiscal year despite the falling number of listed companies, but segment sales decreased as a result of a drop in sales due to the transfer of the publishing business in the previous fiscal year and lower sales of video distribution services. However, with thorough cost-cutting, gross profit increased significantly.

Going forward, we will focus on CSR activity support and other services for stakeholders of companies in addition to our existing services that support customers' IR activities.

Place Management Business

The Place Management business generated sales of ¥814,755 thousand (a year-on-year increase of 1.2%) and gross profit of ¥251,970 thousand (an increase of 4.5%).

This segment provides office brokerage services and consulting services related to office design and construction.

Although sales in the main consultation service business declined as customers refrained from active investment in offices, segment sales and gross profit increased due to large orders in the office brokerage business.

Going forward, we will focus on increasing income from the comprehensive online office information portal site and developing new services for building owners, in addition to strengthening our main services.

Other

Other sales totaled ¥575,991 thousand (a year-on-year increase of 95.9%).

In addition to proceeds from speeches at various business events, book publishing and articles written for newspapers and business magazines, results included sales of Link Sports Entertainment Inc., which operates the Link Tochigi Brex professional basketball team.

Note: Comparisons with the previous fiscal year for the Motivation Management and Investor Relations businesses, in which business areas have changed, are based on retroactively revised figures.

(ii) Outlook for 2011

On a consolidated basis, for 2011 we forecast net sales of ¥7,270 million (an increase of 2.4% year on year), operating income of ¥750 million (an increase of 2.6%), ordinary income of ¥750 million (an increase of 0.5%) and net income of ¥370 million (a decrease of 36.8%). Taking into account business sentiment in 2010, by business we forecast an increase in sales of about 10% from the previous fiscal year in the Motivation Management business and essentially flat sales in the Entry Management, Investor Relations and Place Management businesses. We have not made a forecast of our results for the interim period due to difficulty in predicting clients' stances on investment in human resources in the uncertain economic environment. We will rapidly disclose quarterly financial information.

Moreover, we will rapidly disclose revisions to our announced forecast of earnings in the event of significant variation from actual results.

(2) Analysis of Financial Condition

Significant Accounting Policies

The Company's consolidated and non-consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan (Japanese GAAP). The significant accounting policies used in the Company's consolidated financial statements are described in "4. Consolidated Financial Statements, (6) Basis of Presentation of Consolidated Financial Statements." The significant accounting policies used in the Company's non-consolidated financial statements are described in "5. Non-consolidated Financial Statements, (5) Significant Accounting Policies." [Both omitted from English translation.] In preparing these consolidated and non-consolidated financial statements, the Company made estimates and judgments based on various factors that it considers reasonable given past financial results and conditions. However, because of inherent uncertainties and risks, actual results in the future may differ from these estimates and judgments.

Assets, Liabilities and Net Assets

Total assets as of December 31, 2010 were ¥4,560,248 thousand, down ¥77,159 thousand from a year earlier. The principal factors included an increase of ¥479,183 thousand in cash and deposits and an increase of ¥123,532 thousand in notes and accounts receivable, as well as a decrease of ¥281,995 thousand in accrued corporate tax refund from the interim payment of income taxes, a decrease of ¥124,790 thousand in deferred tax assets, a decrease of ¥121,476 thousand in security deposits and a decrease of ¥82,842 thousand in goodwill.

Total liabilities were ¥1,331,510 thousand, down ¥413,889 thousand from a year earlier. The principal factors included a decrease of ¥400,000 thousand in short-term borrowings and a decrease of ¥62,250 thousand in allowance for restoration expenses.

Net assets increased ¥336,730 thousand from a year earlier to ¥3,228,738 thousand. The principal factors included an increase of ¥585,170 thousand in retained earnings from net income and an increase of ¥77,224 thousand in minority interests, as well as a decrease of ¥269,920 thousand in retained earnings due to payment of dividends and a decrease of ¥56,040 thousand due to purchase of treasury stock.

Cash Flow

The balance of cash and cash equivalents ("cash") as of December 31, 2010 was ¥1,671,715 thousand, an increase of ¥529,183 thousand compared with a year earlier.

Cash flow for the year ended December 31, 2010 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities was ¥1,084,407 thousand, a year-on-year increase of ¥826,208 thousand. Principal factors were income before income taxes of ¥725,686 thousand and income tax refund of ¥285,031 thousand, as well as non-cash expenses such as depreciation and amortization totaling ¥217,402 thousand and an increase in notes and accounts receivable – trade of ¥123,532 thousand.

Cash Flow from Investing Activities

Net cash provided by investing activities was ¥102,919 thousand, compared with net cash used of ¥362,388 thousand a year earlier. Principal factors were proceeds of ¥125,678 thousand from the return of security deposits and proceeds of ¥50,000 thousand from withdrawal of time deposits, as well as payments for acquisition of property and equipment and intangible fixed assets totaling ¥53,749 thousand.

Cash Flow from Financing Activities

Net cash used in financing activities was ¥658,143 thousand, an increase of ¥592,370 thousand from a year earlier. Principal factors included the repayment of short- and long-term debt totaling ¥402,052 thousand and payment of cash dividends totaling ¥270,231 thousand.

For reference:

Cash Flow Related Indicators

	2006	2007	2008	2009	2010
Net worth ratio (%)	51.5	66.4	76.3	62.4	69.1
Net worth ratio on market value basis (%)	—	556.7	127.3	118.6	140.6
Cash flow to interest-bearing debt (times)	1.47	0.34	0.15	3.32	0.42
Interest coverage ratio (times)	52.1	114.3	422.9	39.0	362.8

Net worth ratio: Net worth/Total assets

Net worth ratio on market value basis: Total market capitalization/Total assets

Cash flow to interest-bearing debt: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest expense

Notes: 1. Each indicator is calculated on a consolidated basis.

2. Total market capitalization: Share price at end of period/number of shares at end of period

3. Operating cash flow: Cash flow from operating activities in statements of cash flow

4. Interest expense: Interest expense on statements on statements of cash flow

5. Net worth ratio on market value basis is not calculated for 2006 because Link and Motivation Inc. was not yet a publicly traded company.

(3) Dividend Policy and Dividends for 2010 and 2011

The Company's basic dividend policy is to make more active and stable returns to shareholders while taking into account the future operating environment, investment plans and other factors.

The Company will allocate retained earnings for investment in mergers and acquisitions, human resources and facilities for the purpose of expanding business and raising efficiency, as part of its effort to expand its operations and increase its enterprise value. In addition, the Company will actively pay dividends on a quarterly basis, including interim and year-end dividends, for flexible shareholder returns.

In 2010, the Company paid quarterly dividends of ¥500.00 for a full-year dividend of ¥2,000.00.

In 2011, in order to make stable dividend payments to shareholders, the Company plans to pay quarterly dividends of ¥500.00 for a full-year dividend of ¥2,000.00, the same as for 2010.

(4) Business and Other Risks

The paragraphs below describe the items believed to be potential risk factors in the Group's business operations. From the standpoint of proactive information disclosure, this section also includes items considered to be significant in the investment decisions of investors, even though they are not necessarily considered business risks. The Group is aware of the possibility of these risk factors materializing, and makes efforts to prevent their occurrence and to respond in the event that they do occur. However, investment decisions with respect to the Company's stock should be made after careful judgment that also takes into account factors other than those described herein. Forward-looking statements contained in this text are based on the judgment of the Group's management as of February 12, 2011.

(i) Occurrence of Personal Information Leaks, etc.

Due to the nature of its corporate transformation consulting, the Group handles a large amount of personal information of clients, and conducts its motivation consulting business based on this information. In regard to the handling of personal information, the Personal Information Protection Act was promulgated and put into effect in May 2003, followed by full enforcement in April 2005. This necessitates even greater attention to handling of personal information. Link and Motivation Inc. obtained the Privacy Mark in February 2005, and, in response to an audit for Privacy Mark renewal conducted in November 2006, has established internal company rules for handling personal information, conducted regular in-house training, strengthened information management, and paid due attention to strengthening information management and handling of personal information. However, in the event that unforeseen circumstances cause personal information to be leaked to external parties, and this causes damage to the owner of the personal information, client companies or others, the resulting damage claims and loss of social trust could impact the Group's business results and financial condition.

(ii) Infringement of Intellectual Property Rights

In consulting, the business of the Group, securing copyrights, trademarks and other intellectual property rights is critical for conducting business.

The Group makes efforts to protect and preserve its proprietary techniques, knowledge and know-how, which are developed internally as much as possible through acquisition of trademarks, specification of copyrights and establishment and maintenance of original brands. However, in the event that the Group's services are imitated by a malicious third party, this could interfere with the Group's sales efforts, which could potentially impact business results and financial condition.

(iii) Reliance on a Specific Individual

Yoshihisa Ozasa, the representative director of the Company, is the Company's founder and has served as representative director since the Company was established. By hiring and training excellent personnel and promoting standardization of services, the Company is building a systematic business management structure that is not dependent upon the skills of a single individual. However, at present, Mr. Ozasa plays an important role in terms of the Group's overall brand formation. In this aspect as well, the Group is building a stronger organization that can realize systematic brand formation. However, if for any reason it becomes difficult for Mr. Ozasa to continue his work for the Company, this could have an impact on the Company's business promotion and other aspects of operations.

(5) Notes regarding Assumption of Going Concern

Previous fiscal year (January 1, 2009 – December 31, 2009)

None applicable.

Fiscal year under review (January 1, 2010 – December 31, 2010)

None applicable.

2. [Omitted from English Translation]

3. Management Policies

(1) Basic Policy on Company Management

As discussed above, the Link and Motivation Group is a consulting firm specializing in “motivation,” a category that previously did not exist. The Group conducts its business with its mission to “contribute to the vitalization of society through motivation engineering.”

The Group has asked society about the importance of “motivation” of an enterprise’s various stakeholders and the effect that has on management, and built its business on corporate transformation through improvement of motivation. A prerequisite for growth is for the Group itself to continue being a model example of a first-rate “motivation company,” and the Group has set this as its basic management policy.

(2) Target Management Indicators

To ensure that management focuses on business profitability and productivity, the operating margin is positioned as a key management indicator in the Group.

Specifically, the Group carefully manages its operating margin by setting targets to increase sales of products and services with high gross profit, rather than high-priced products, and by introducing a management system that promotes a strong awareness of cost control. Even in the current operating environment, with sales expected to decrease amid the uncertain economic outlook, management is striving to achieve an operating margin of about 10% by responding flexibly to conditions.

(3) Medium- and Long-term Management Strategies

To improve enterprise value in a rapidly changing operating environment, the Link and Motivation Group has adopted the following three core business strategies.

In the Motivation Management business, the Company will strengthen consulting services that are directly connected to resolving management issues, as in the previous fiscal year. To maintain stable sales even in an environment of continued reluctance to invest, we will strengthen our approach of providing forward-looking solutions for solving management issues by bolstering assessment programs and enhancing goal-specific solutions.

In the Entry Management business, the Company will strengthen products and services that are compatible with changes in the recruiting environment. The recruiting environment is changing rapidly, as exemplified by the correction to early recruiting activities based on Nippon Keidanren’s Charter of Corporate Behavior and the shift from mass hiring to portfolio hiring. To generate stable profits during a time of rapid change, we will bolster recruitment services and enhance global hiring services as part of our efforts to strengthen products and services that are compatible with changes in the recruiting environment.

Finally, the Company will apply motivation engineering to B2C. We will provide new products and services by applying the expertise in motivation engineering that we have accumulated in the field of B2B to this new business domain, including the preparatory school business.

(4) Issues Facing the Company

As the speed of business expansion and the expectations of the Company’s various stakeholders further increase, the following two points concern the entire Company. We intend to take proactive steps in dealing with them.

The first point is cultivating human resources with management skills. Given expectations that the Company’s existing businesses will expand and that new businesses will be introduced, there is an urgent need to cultivate personnel capable of managing these businesses. We will do so by introducing a new management accounting scheme for the Group that enables personnel to acquire management skills.

The second point is strengthening R&D functions. As business diversifies, the Company must develop new products that use motivation engineering. We will focus on developing products that make full use of

knowledge that we are accumulating and compiling mainly through the Motivation Institute, which was established last year. We will then apply motivation engineering to new businesses, and offer new services.

(5) Other Important Matters Concerning the Company's Operations

Significant contracts in the Company's operations in 2010 were as follows.

1) Business Outsourcing Agreement

Name of contracting company:	Link and Motivation, Inc.
Name of contract counterparty:	Recruit Co., Ltd.
Content of contract:	Business outsourcing agreement in the field of entry management
Contract term:	July 1, 2009 - March 31, 2010

Note: This agreement was terminated as of March 31, 2010. The impact on earnings is not significant.

Name of contracting company:	Link and Motivation, Inc.
Name of contract counterparty:	Eikoh Inc.
Content of contract:	Business outsourcing agreement in the field of education services
Contract term:	From November 5, 2010

Note: For details, please refer to "Announcement Regarding Business Alliance with Eikoh Inc. and Establishment of Joint Venture Company," which was disclosed on November 5, 2010. (Available in Japanese only)

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen, rounded down to the nearest thousand)

	As of December 31, 2009	As of December 31, 2010
ASSETS		
Current assets		
Cash and deposits	1,192,532	1,671,715
Notes and accounts receivable	1,090,943	1,214,475
Products	4,226	11,890
Goods in process	32,574	53,647
Merchandise and supplies	11,706	13,618
Prepaid expenses	62,939	64,508
Deferred tax assets	76,339	155,563
Accrued corporate tax refund	281,995	—
Accrued consumption tax	54,532	6,223
Other	20,344	32,555
Allowance for doubtful accounts	(15,499)	(13,861)
Total current assets	2,812,634	3,210,337
Fixed assets		
Property and equipment		
Buildings and structures	131,280	140,444
Accumulated depreciation	(82,522)	(91,378)
Buildings and structures (net)	48,758	49,065
Vehicles	5,840	6,411
Accumulated depreciation	(4,209)	(5,690)
Vehicles (net)	1,631	721
Furniture and fixtures	296,406	263,338
Accumulated depreciation	(217,076)	(208,299)
Furniture and fixtures (net)	79,330	55,039
Lease assets	21,138	37,073
Accumulated depreciation	(3,499)	(12,187)
Lease assets (net)	17,639	24,886
Total property and equipment	147,359	129,713
Intangible assets		
Goodwill	625,532	542,689
Software	230,752	174,142
Other	5,289	4,440
Total intangible assets	861,575	721,272
Investments and other assets		
Investments in securities	9,196	18,360
Security deposits	492,040	370,564
Deferred tax assets	267,717	63,702
Claims in bankruptcy	11,352	242
Other	46,885	46,298
Allowance for doubtful accounts	(11,352)	(242)
Total investments and other assets	815,839	498,925
Total fixed assets	1,824,773	1,349,911
Total assets	4,637,408	4,560,248

(Thousands of yen, rounded down to the nearest thousand)

	As of December 31, 2009	As of December 31, 2010
LIABILITIES		
Current liabilities		
Accounts	219,615	314,055
Short-term borrowings	850,000	450,000
Long-term debt due within one year	2,052	2,052
Accounts payable	238,359	209,128
Lease obligations	6,075	11,442
Expenses payable	20,647	13,158
Accrued income taxes	569	23,422
Accrued consumption taxes	28,679	36,041
Advances received	121,749	69,538
Accrued bonuses to employees	105,826	122,041
Accrued bonuses to officers	5,846	6,630
Other reserves	62,250	—
Other	68,104	58,078
Total current liabilities	1,729,776	1,315,589
Long-term liabilities		
Long-term debt	3,933	1,881
Lease obligations	11,690	14,039
Total long-term liabilities	15,623	15,920
Total liabilities	1,745,400	1,331,510
NET ASSETS		
Shareholders' equity		
Common stock	979,750	979,750
Additional paid-in capital	734,595	734,595
Retained earnings	1,178,280	1,493,530
Treasury stock	—	(56,040)
Total shareholders' equity	2,892,625	3,151,835
Valuation and translation adjustments		
Unrealized gain (loss) on securities	(617)	(321)
Total valuation and translation adjustments	(617)	(321)
Minority interests	—	77,224
Total net assets	2,892,008	3,228,738
Total liabilities and net assets	4,637,408	4,560,248

(2) Consolidated Statements of Operations

(Thousands of yen, rounded down to the nearest thousands)

	Year ended December 31, 2009	Year ended December 31, 2010
Net sales	7,167,451	7,098,607
Cost of sales	3,530,301	3,362,866
Gross profit	3,637,149	3,735,741
Selling, general and administrative expenses	3,554,445	3,004,739
Operating income	82,704	731,001
Non-operating income		
Interest income	1,643	591
Dividend income	213	275
Interest on refund	—	10,267
Refund of consumption tax	4,062	—
Co-sponsor fee	—	1,980
Reversal of allowance for doubtful accounts	2,867	—
Other	9,477	6,233
Total non-operating income	18,264	19,347
Non-operating expenses		
Interest expenses	6,624	2,989
Expenses for purchase of treasury stock	—	962
Other	835	322
Total non-operating expenses	7,460	4,274
Ordinary income	93,509	746,074
Extraordinary income		
Gain on sale of property and equipment	—	1,865
Gain on donated fixed assets	2,300	—
Prior year adjustment	991	—
Other	—	13,400
Total extraordinary income	3,291	15,265
Extraordinary loss		
Loss on sale of property and equipment	—	2,857
Loss on valuation of investment securities	—	1,330
Loss on disposal of property and equipment	14,535	5,909
Office transfer expenses	290,721	12,508
Loss on lease cancellation	14,984	—
Business structure improvement expenses	176,957	—
Loss on impairment	324,797	—
Adjusted loss from previous period	—	9,692
Other	1,070	3,355
Total extraordinary loss	823,067	35,653
Income (loss) before income taxes	(726,266)	725,686
Current income taxes	11,704	18,580
Income tax refund	—	(1,481)
Deferred income taxes	(234,821)	124,592
Total income taxes	(223,117)	141,691
Loss on minority interests	—	(1,175)
Net income (loss)	(503,149)	585,170

(3) Consolidated Statements of Changes in Net Assets

(Thousands of yen, rounded down to the nearest thousand)

	Year ended December 31, 2009	Year ended December 31, 2010
Shareholders' equity		
Common stock		
Balance at December 31, 2009	979,750	979,750
Balance at December 31, 2010	979,750	979,750
Additional paid-in capital		
Balance at December 31, 2009	734,595	734,595
Balance at December 31, 2010	734,595	734,595
Retained earnings		
Balance at December 31, 2009	2,074,028	1,178,280
Changes during the year		
Dividends from capital surplus	(392,598)	(269,920)
Net income (loss)	(503,149)	585,170
Total changes during the year	(895,748)	315,250
Balance at December 31, 2010	1,178,280	1,493,530
Treasury stock		
Balance at December 31, 2009	—	—
Changes during the year		
Payments for purchase of treasury stock	—	(56,040)
Retirement of treasury stock	—	—
Total changes during the year	—	(56,040)
Balance at December 31, 2010	—	(56,040)
Total shareholders' equity		
Balance at December 31, 2009	3,788,373	2,892,625
Changes during the year		
Dividends from capital surplus	(392,598)	(269,920)
Net income (loss)	(503,149)	585,170
Payments for purchase of treasury stock	—	(56,040)
Total changes during the year	(895,748)	259,210
Balance at December 31, 2010	2,892,625	3,151,835

(Thousands of yen, rounded down to the nearest thousand)

	Year ended December 31, 2009	Year ended December 31, 2010
Valuation and translation adjustments		
Unrealized gains on securities		
Balance at December 31, 2009	(515)	(617)
Changes during the year		
Changes in items other than shareholders' equity (net)	(102)	295
Total changes during the year	(102)	295
Balance at December 31, 2010	(617)	(321)
Total valuation and translation adjustments		
Balance at December 31, 2009	(515)	(617)
Changes during the year		
Changes in items other than shareholders' equity (net)	(102)	295
Total changes during the year	(102)	295
Balance at December 31, 2010	(617)	(321)
Minority interests		
Balance at December 31, 2009	—	—
Changes during the year		
Changes in items other than shareholders' equity (net)	—	77,224
Total changes during the year	—	77,224
Balance at December 31, 2010	—	77,224
Total net assets		
Balance at December 31, 2009	3,787,858	2,892,008
Changes during the year		
Dividends from capital surplus	(392,598)	(269,920)
Net income (loss)	(503,149)	585,170
Payments for purchase of treasury stock	—	(56,040)
Changes in items other than shareholders' equity (net)	(102)	77,520
Total changes during the year	(895,850)	336,730
Balance at December 31, 2010	2,892,008	3,228,738

(4) Consolidated Statements of Cash Flow

(Thousands of yen, rounded down to the nearest thousand)

	Year ended December 31, 2009	Year ended December 31, 2010
Cash flow from operating activities		
Income (loss) before income taxes	(726,266)	725,686
Depreciation and amortization	174,864	134,559
Loss on impairment	324,797	—
Amortization of goodwill	222,173	82,842
Increase (decrease) in allowance for doubtful accounts	7,444	(12,747)
Increase (decrease) in allowance for employees' bonuses	(3,451)	16,214
Decrease in allowance for officers' bonuses	5,235	783
Decrease in reserve for loss on returned goods	(2,766)	—
Transfer expenses	290,721	12,508
Business structure improvement expenses	176,957	—
Gain on donated fixed assets	(2,300)	—
Loss (gain) on valuation of investment securities	—	1,330
Loss (gain) on sale of fixed assets	—	992
Loss on disposal of fixed assets	14,535	5,909
Interest and dividend income	(1,857)	(866)
Interest expense	6,624	2,989
Decrease (increase) in notes and accounts receivable - trade	548,377	(123,532)
Decrease (increase) in inventories	125,015	(30,649)
Increase (decrease) in notes and accounts payable	(85,119)	94,440
Increase (decrease) in accounts payable	(19,009)	(28,219)
Increase (decrease) in advances received	49,860	(52,210)
Increase (decrease) in accrued consumption taxes	(98,082)	55,671
Other	54,814	(16,913)
Subtotal	1,062,570	868,787
Interest and dividends received	1,857	866
Interest paid	(6,618)	(2,878)
Income tax refund	—	285,031
Income taxes paid	(601,530)	(6,903)
Officers' retirement bonuses	(40,000)	—
Payment for transfer expenses	(151,360)	(17,496)
Payment for business reorganization	(6,717)	(43,000)
Net cash provided by operating activities	258,199	1,084,407
Cash flow from investing activities		
Proceeds from withdrawal of time deposits	50,000	50,000
Proceeds from recovery of investments	—	100
Payments for acquisition of property and equipment	(50,014)	(24,762)
Proceeds from sale of property and equipment	—	163
Payments for acquisition of intangible fixed assets	(40,396)	(28,987)
Proceeds from transfer of business	7,505	—
Payments for acquisition of stock of subsidiary for consolidation	(777,008)	—
Proceeds from acquisition of stock of subsidiaries for consolidation	39,391	—
Payments for acquisition of stock of subsidiary	(8,699)	—
Payments for acquisition of investment securities	—	(10,000)
Proceeds from recovery of short-term loans	200,000	—
Proceeds from recovery of long-term loans	30,000	—
Payments for security deposits and guarantees	(12,287)	(4,202)
Proceeds from recovery of security deposits and guarantees	202,663	125,678
Other	(3,542)	(5,070)
Net cash provided by (used in) investing activities	(362,388)	102,919
Cash flow from financing activities		
Increase (decrease) in short-term debt	838,000	(400,000)
Repayment of long-term debt	(474,238)	(2,052)
Payments for redemption of bonds	(43,200)	—
Repayment of lease obligations	—	(8,219)
Payments for purchase of treasury stock	—	(56,040)
Payment of cash dividends	(386,334)	(270,231)
Proceeds from stock issuance to minority shareholders	—	78,400
Net cash used in financing activities	(65,772)	(658,143)
Net increase (decrease) in cash and cash equivalents	(169,961)	529,183
Cash and cash equivalents at beginning of year	1,312,494	1,142,532
Cash and cash equivalents at end of year	1,142,532	1,671,715

5. Segment Information

a. Business Segment Information

Fiscal year ended December 31, 2010 (January 1, 2010 – December 31, 2010)

Applicable information is not available as the Company's business and that of its subsidiaries, "management consulting motivation engineering," are in one segment.

b. Geographic Segment Information

Fiscal year ended December 31, 2010 (January 1, 2010 – December 31, 2010)

Geographic segment information is not disclosed because the Company has no consolidated subsidiaries or significant branch offices outside Japan.

c. Overseas Sales

Fiscal year ended December 31, 2010 (January 1, 2010 – December 31, 2010)

Overseas sales information is omitted because the Company has no overseas sales.