

Consolidated Financial Statements for the Three Months Ended March 31, 2017 (IFRS)

These financial statements have been prepared for reference only.

May 12, 2017

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

May 15, 2017

Start of distribution of dividends (scheduled):

June 23, 2017

Supplementary documents for quarterly results:

No

Quarterly results briefing:

No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for the Three Months Ended March 31, 2017 (January 1, 2017 - March 31, 2017)

(1) Revenues and Income (Percentages represent change compared with the same quarter of the previous year.)

	Revenues (¥ million)	Change (%)	Operating income (¥ million)	Change (%)	Income before income taxes (¥ million)	Change (%)	Net income (¥ million)	Change (%)
Three months ended March 31, 2017	8,756	6.2	698	13.8	670	21.5	413	12.0
Three months ended March 31, 2016	8,246	—	613	—	551	—	368	—

	Net income attributable to owners of the parent (¥ million)	Change (%)	Comprehen- sive income (¥ million)	Change (%)	Basic earnings per share (¥)	Diluted earnings per share (¥)
Three months ended March 31, 2017	413	12.0	774	(29.9)	3.91	—
Three months ended March 31, 2016	368	—	1,103	—	3.27	—

(2) Financial Position

	Total assets (¥ million)	Total equity (¥ million)	Equity attributable to owners of the parent (¥ million)	Ratio of equity attributable to owners of the parent to total assets (%)
As of March 31, 2017	20,931	5,407	5,407	25.8
As of December 31, 2016	18,532	4,780	4,780	25.8

2. Dividends

	Dividends per share				
	1st Qtr.	2nd Qtr.	3rd Qtr.	Year-end	Total
2016	1.25	1.25	1.40	1.40	5.30
2017	1.50				
2017 (est.)		1.50	1.50	1.50	6.00

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

3. Forecast of Results for 2017 (January 1, 2017 - December 31, 2017)

(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	36,300	8.9	3,000	21.5	2,000	10.9	2,000	10.9	18.93

Note: Revisions since the most recently announced forecast of results: No

Notes

- (1) Changes in Significant Subsidiaries during the Period: No
- (2) Changes in Accounting Policies and Changes in Accounting Estimates
 - (a) Changes in accounting policies required by IFRS: No
 - (b) Changes in accounting policies other than (a) above: Yes
 - (c) Changes in accounting estimates: Yes
- (3) Number of Shares Issued and Outstanding (Common Stock)
 - (a) Number of shares at the end of the period (including treasury shares)
Three months ended March 31, 2017: 113,068,000; Year ended December 31, 2016: 113,068,000
 - (b) Number of treasury shares at the end of the period:
Three months ended March 31, 2017: 7,445,700; Year ended December 31, 2016: 7,445,700
 - (c) Average number of shares outstanding (cumulative with earlier quarters):
Three months ended March 31, 2017: 105,622,300; Three months ended March 31, 2016: 112,820,349

* **Presentation of Implementation Status of Quarterly Review Procedures**

These “Consolidated Financial Statements for the Three Months Ended March 31, 2017” are not subject to quarterly review procedures pursuant to the Financial Instruments and Exchange Act although, as of the date of publication of these statements, the review procedures for quarterly financial statements pursuant to the Financial Instruments and Exchange Act had been completed.

* **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. Qualitative Information Regarding Results for the Three Months Ended March 31, 2017

(1) Commentary on Results of Operations

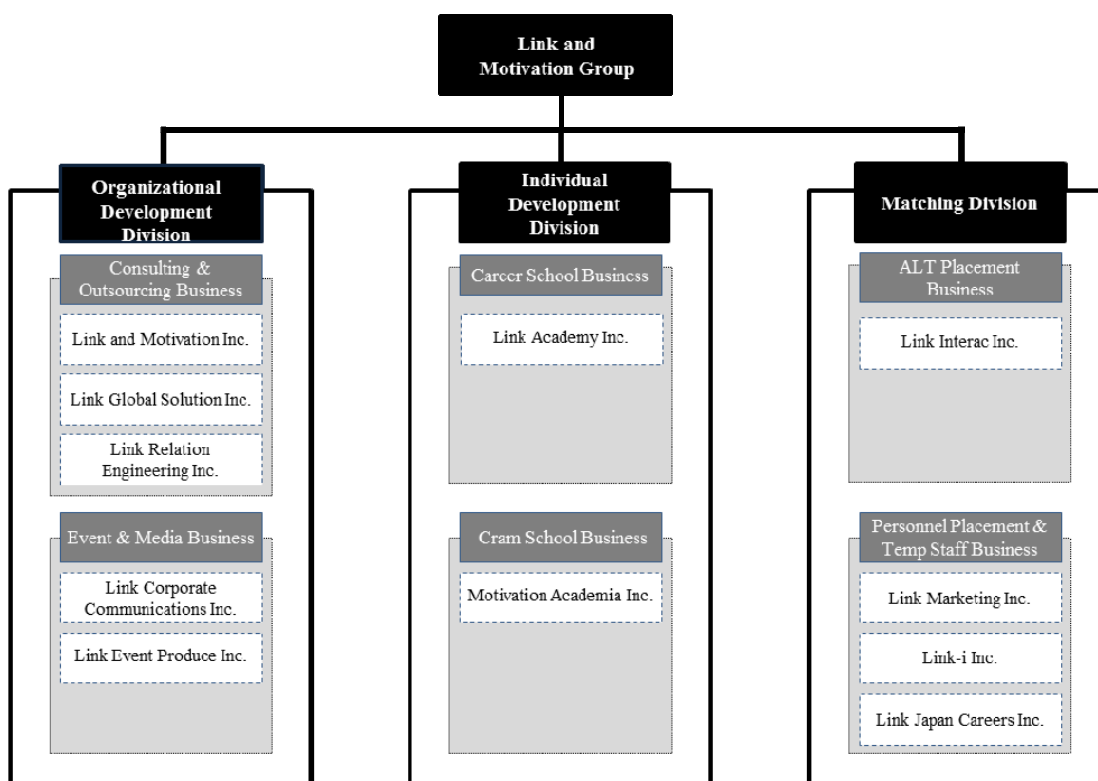
In the Japanese economy during the first quarter of 2017 (January 1, 2017 – March 31, 2017), a moderate recovery trend continued in business conditions, with an underlying recovery in corporate production and earnings due to government economic and financial policies. On the other hand, personal consumption, which had been in a persistent slump, remained weak despite expectations of a recovery backed by factors such as Japanese society’s promotion of work style reform and improvement in the income and employment environment. In industries related to the Link and Motivation Group (the “Group”), demand increased in the labor and employment environment along with the promotion of work style reform and women’s active participation in the workplace.

In this economic environment, the Group consistently provided opportunities for transformation of organizations and individuals using “Motivation Engineering,” its core technology. Specifically, it operated the businesses of (1) Organizational Development, which supports organizational transformation through “Motivation Engineering,” (2) Individual Development, which supports career creation through “career navigation,” and (3) Matching, which supports the creation of mutual attachment between organizations and individuals through “motivation matching.”

As a result, revenues of the Group were ¥8,756 million (a 6.2% increase compared with the same period of the previous year). In addition, each level of income increased substantially due to a reduction of the cost ratio and more efficient use of selling, general and administrative (SG&A) expenses. Gross profit was ¥3,121 million (a 6.9% increase), operating income was ¥698 million (a 13.8% increase) and net income attributable to owners of the parent was ¥413 million (a 12.0% increase).

The segment and business classifications of the Group are as shown below, and an overview of the first quarter of 2017 by segment and business follows.

Please note that in the first quarter of 2017 the Group changed the business segments presented as its reportable segments, and comparisons and analysis for the period are based on the classifications after the change.



Organizational Development Division

The Organizational Development Division offers corporate customers services that provide support for building and strengthening relationships with a company's stakeholders (employees, job applicants, customers, shareholders) using "Motivation Engineering," which is the core technology of the Group.

In this segment, due to strong performance by each business, segment revenues for the first quarter of 2017 increased compared with the same period of the previous year to ¥2,754 million (an 18.0% increase). In addition, with the contribution of strong performance by the Consulting & Outsourcing business, which has a high profit margin, segment income increased to ¥1,707 million (a 12.3% increase). An overview of operating results by business for the first quarter of 2017 is as follows.

Consulting & Outsourcing Business

The Consulting & Outsourcing business acts under the concept of creating numerous "motivation companies" in which employee motivation is a company's growth engine. As its method of providing services, the business diagnoses the state of a company's motivation based on its original diagnostic framework and offers various one-stop solutions for innovations related to organizations and personnel, including recruiting, training, framework and corporate culture.

In this business, revenues in the first quarter of 2017 were ¥2,221 million (a 13.2% increase) and gross profit was ¥1,508 million (a 16.1% increase).

In the first quarter of 2017, backed by promotion of work style reform in the market, there was substantial growth in stratified training programs such as training of key personnel and management, and training to strengthen sales capabilities, with the aim of raising productivity through employee education, as well as in consulting for integration of companywide consciousness through the formulation and penetration of a corporate philosophy. In addition, due to substantial growth in sales of Motivation Cloud, a new cloud-based service for organizational improvement, revenues and gross profit both increased compared with the same period of the previous year.

Substantially expanding the number of contact points that adopt Motivation Cloud and working to deepen customer relationships by developing linked solutions for innovation based on the results of its diagnosis will lead to further growth for the business.

Event & Media Business

The Event & Media business produces events and media for various types of communication associated with business activities to support the "creation of motivation companies" at corporations. In its event production, the business offers assistance in stimulating the interest and promoting the understanding of stakeholders through support for creation of forums such as anniversary events, recruiting presentations, promotional events and shareholders' meetings. In its media production, the business is involved in printed media such as company newsletters, corporate brochures and annual reports for shareholders, as well as web-based media such as corporate websites and investor relations sites and visual media such as videos that explain products and webcasts of shareholders' meetings.

In this business, revenues in the first quarter of 2017 were ¥943 million (a 24.2% increase) and gross profit was ¥272 million (an 8.9% decrease).

In the first quarter of 2017, the outsourcing business for event management, which captured rising needs for holding recruiting events, mainly at major firms, due to a change in the start of the hiring period, expanded substantially. In media production, the IR-related production business also grew, and as a result revenues increased compared with the same period of the previous year. On the other hand, gross profit decreased compared with the same period of the previous year due to a higher proportion of businesses with a high cost ratio such as event management.

The business will work for growth by developing products with greater advantages using "Motivation Engineering," the Group's core technology.

Individual Development Division

The Individual Development Division applies “Motivation Engineering,” which is the core technology of the Group, to businesses in areas including career schools and cram schools, to offer individual customers “career navigation” services, which provide total support for independent and autonomous career creation.

In this segment, due to firm performance in the Career School business, segment revenues for the first quarter of 2017 were ¥1,601 million (a 0.5% increase), but with a decline in the ratio of high-margin products in the composition of sales, segment income was ¥478 million (a 5.4% decrease). An overview of operating results by business for the first quarter of 2017 is as follows.

Career School Business

The Career School business defines human resources who act independently and autonomously, without depending on an organization, as “i-companies” and supports the production of numerous i-companies. As for specific services, the business operates career schools for university students and working adults, providing one-stop support for individual career advancement under the three service brands of “Aviva” personal computer schools, “Daiei” qualification schools and “Aviva Pro” programming schools.

In this business, revenues in the first quarter of 2017 were ¥1,578 million (a 0.4% increase) and gross profit was ¥489 million (a 4.7% decrease).

In the first quarter of 2017, an increase in revenues was expected from growth in personal consumption due to factors such as Japanese society’s promotion of work style reform and improvement in the income and employment environment, but revenues did not increase significantly compared with the same period of the previous year. Specifically, during the first quarter of 2017, to improve the balance of the ratio among the services that make up revenues, the business strengthened sales promotion of courses for national and civil servant exams and the new service “Pro Series,” a programming course for acquiring IT skills. As a result, sales of Office courses, which were a mainstay service in the past, decreased and revenues increased slightly as a result of growth in courses for national and civil servant exams and Pro Series. With the impact of the decrease in sales of high-margin Office courses associated with the portfolio shift to Pro Series, for which there is a strong corporate need, gross profit decreased compared with the same period of the previous year.

The business will enhance its courses as a total career school and establish comprehensive services from providing career guidance to offering employment opportunities in collaboration with the Personnel Placement & Temp Staff business. By doing so, it will promote career navigation with the aim of raising the loyalty of existing customers and attracting more new customers.

Cram School Business

Unlike typical cram schools, the Cram School business operates under the business concept of producing numerous “i-companies” in addition to improving the academic ability of its students. Its services consist of operating “Motivation Academia” cram schools for junior high and high school students to provide a place where students can not only prepare for school entrance exams but also develop skills to play a role in society.

In this business, revenues in the first quarter of 2017 were ¥23 million (a 2.5% decrease) and gross profit was negative ¥11 million (compared with a loss of ¥4 million in the same period of the previous year).

In the first quarter of 2017, revenues and gross profit both decreased compared with the same period of the previous year due to an increase in one-time costs associated with the establishment of the new Shimokitazawa School, in addition to a slight decrease in the number of students. By further applying the know-how in training adults that has been cultivated in the Consulting & Outsourcing business, this business aims to achieve added value unattainable by conventional cram schools.

Matching Division

The Matching Division provides services under the concept of matching organizations with hiring needs and individuals who want to advance their careers through “motivation matching,” which applies “Motivation Engineering,” the core technology of the Group, to personnel placement and temp staff dispatch.

In this segment, segment revenues for the first quarter of 2017 were ¥4,729 million (a 5.3% increase) and segment income was ¥1,182 million (an 8.5% increase), both increasing compared with the same period of the previous year. An overview of operating results by business for the first quarter of 2017 is as follows.

ALT Placement Business

The ALT Placement business dispatches foreign assistant language teachers (ALTs) to elementary, junior high and high schools throughout Japan and provides English-language instruction services on contract. In this business, where barriers to entry are extremely high due to the importance placed on relationships of trust with customers and a company’s track record, the Group has established the number-one share among private companies.

In this business, revenues in the first quarter of 2017 were ¥2,642 million (a 4.2% increase) and gross profit was ¥774 million (an 8.0% increase).

In the first quarter of 2017, the business capitalized on the trend toward strengthening English ability as outlined in educational guidelines for elementary and junior high schools, and revenues and gross profit both increased compared with the previous year.

The business will use the personnel training capabilities accumulated by the Consulting & Outsourcing business as a new advantage, in addition to the ability to recruit foreign employees and the labor management capability it has built up. Moreover, to capture rising needs for employment of foreigners by providing one-stop hiring, training and labor support for foreign nationals to the companies that want to promote their hiring, in October 2016 the business established Link Japan Careers Inc., which started business in April 2017. In this way, the business will also provide placement services to locations other than the conventional avenues for ALTs as it aims for further business growth.

Personnel Placement & Temp Staff Business

The Personnel Placement & Temp Staff business provides solutions in the form of introductions and temp staffing of the human resources an organization needs to grow. The main businesses include a new graduate recruiting and introduction business that connects university students looking for employment with company orientation meetings and interviews, a mid-career introduction business that matches working adults looking to change jobs with companies, and a temp staff business that dispatches personnel for sales, clerical work, and other fields.

In this business, revenues in the first quarter of 2017 were ¥2,109 million (a 7.8% increase) and gross profit was ¥425 million (a 13.8% increase).

In the first quarter of 2017, the temp staff business grew by capturing personnel procurement needs, backed by a shortage of human resources in the retail industry. In addition, the new graduate recruiting and introduction business grew compared with the same period of the previous year by capturing corporate needs to hire new graduates, backed by the strengthening of the work force accompanying the promotion of work style reform. As a result, both revenues and gross profit increased compared with the same period of the previous year.

The business will work to increase profitability by further accelerating activities linked to corporate dispatch and introductions for individuals who have improved their skills through the Group’s Career School business.

(2) Commentary on Financial Condition

Total assets as of March 31, 2017 were ¥20,931 million, an increase of ¥2,398 million from the end of the previous year. This was mainly due to factors including an increase in cash and cash equivalents of ¥1,170 million and an increase in other non-current financial assets of ¥1,141 million due to acquisition of other non-current financial assets.

Total liabilities were ¥15,524 million, an increase of ¥1,772 million from the end of the previous year. This was mainly due to an increase in interest-bearing and other financial liabilities of ¥1,957 million.

Total equity was ¥5,407 million, an increase of ¥626 million from the end of the previous year. This was mainly due to an increase in other components of equity resulting from recording net income attributable to owners of the parent and a ¥363 million increase in the fair value of other non-current financial assets.

(3) Cash Flow

Cash and cash equivalents (“cash”) as of March 31, 2017 were ¥2,253 million, an increase of ¥1,170 million during the period.

Cash flow during the first quarter was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities decreased ¥213 million to ¥192 million. The principal factors were income before income taxes of ¥670 million, which was an increase of ¥118 million compared with the same period of the previous year, and a decrease in trade and other receivables of ¥284 million compared with the same period of the previous year.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥820 million, a net decrease of ¥80 million in cash compared with the same period of the previous year.

Cash Flow from Financing Activities

Net cash provided by financing activities was ¥1,798 million, an increase of ¥1,344 million in cash compared with the same period of the previous year. The principal factor was a ¥1,977 million increase in short-term and long-term financial liabilities compared with the same period of the previous year.

2. Items Regarding Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

None applicable.

(2) Changes in Accounting Policies and Changes in Accounting Estimates

(Change in Classification for Recording Expenses)

Certain expenses previously recorded as selling, general and administrative expenses have been changed to a method of recording as cost of sales from the first quarter ended March 31, 2017.

This change is due to an adequate understanding of costs and other items in relation to revenues because it has become possible to calculate cost of sales in more detail with the introduction of a new attendance management system.

Since it is impossible in part to obtain past data corresponding to the data of the new attendance management system and it is impossible in practice to apply the accounting policy after the change retroactively to the past, the accounting policy after the change is applied only from the current fiscal year.

(Change in Estimates of Asset Retirement Obligations)

Estimates of asset retirement obligations for the Company and certain consolidated subsidiaries that were recorded as an obligation to restore a site to its original condition associated with the real estate rental agreement for the head office have changed due to obtaining new information regarding site restoration expenses that were deemed necessary in the past.

Due to this change, operating income, ordinary income and income before income taxes for the fiscal year have each decreased by ¥15 million.

3. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Balance Sheets

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

	Notes	(IFRS) As of January 1, 2016	As of December 31, 2016	As of March 31, 2017
ASSETS				
Current assets				
Cash and cash equivalents		997	1,082	2,253
Trade and other receivables		3,694	4,001	4,256
Inventories		153	144	204
Other current financial assets		17	11	1
Current income tax assets		56	345	383
Other current assets		687	1,161	675
Total current assets		5,607	6,747	7,774
Non-current assets				
Property, plant and equipment		1,203	1,084	1,202
Goodwill		5,202	5,202	5,202
Intangible assets		542	484	496
Other non-current financial assets		3,484	4,279	5,421
Other non-current assets		275	384	484
Deferred tax assets		341	349	349
Total non-current assets		11,048	11,785	13,157
Total assets		16,655	18,532	20,931

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

	Notes	(IFRS) As of January 1, 2016	As of December 31, 2016	As of March 31, 2017
LIABILITIES AND EQUITY				
LIABILITIES				
Current liabilities				
Trade and other payables		3,630	3,566	3,656
Interest-bearing and other financial liabilities		3,732	3,337	4,764
Income tax payable		426	373	267
Provisions		—	35	59
Other current liabilities		1,611	2,354	1,832
Total current liabilities		9,401	9,668	10,580
Non-current liabilities				
Interest-bearing and other financial liabilities		2,287	3,438	3,968
Provisions		299	278	448
Deferred tax liabilities		143	199	359
Other non-current liabilities		178	167	166
Total non-current liabilities		2,908	4,084	4,943
Total liabilities		12,309	13,752	15,524
EQUITY				
Equity attributable to owners of the parent				
Share capital		1,380	1,380	1,380
Capital surplus		2,137	2,137	2,137
Treasury shares		(0)	(1,373)	(1,373)
Retained earnings		408	1,952	2,217
Other components of equity		418	683	1,044
Total equity attributable to owners of the parent		4,345	4,780	5,407
Total equity		4,345	4,780	5,407
Total liabilities and equity		16,655	18,532	20,931

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

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

	Notes	Three months ended March 31, 2016	Three months ended March 31, 2017
Revenues		8,246	8,756
Cost of sales		5,326	5,634
Gross profit		2,919	3,121
Selling, general and administrative expenses		2,392	2,473
Other income		91	68
Other expenses		5	17
Operating income		613	698
Financial income		5	2
Financial expenses		66	30
Income before income taxes		551	670
Income taxes		182	257
Net income		368	413
(Attributable to)			
Owners of the parent		368	413
Non-controlling interests		—	—
Total		368	413
			(Yen)
Earnings per share			
Basic		3.27	3.91
Diluted		—	—

Condensed Quarterly Consolidated Statements of Comprehensive Income

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

	Notes	Three months ended March 31, 2016	Three months ended March 31, 2017
Net income		368	413
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		738	361
Items may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(3)	(0)
Total other comprehensive income		734	361
Total comprehensive income		1,103	774
(Attributable to)			
Owners of the parent		1,103	774
Non-controlling interests		—	—
Comprehensive income		1,103	774

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Three months ended March 31, 2016

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

	Notes	Equity attributable to owners of the parent						Total equity attributable to owners of the parent	Total equity
		Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity			
January 1, 2016		1,380	2,137	(0)	408	418	4,345	4,345	
Net income					368	—	368	368	
Other comprehensive income						734	734	734	
Total comprehensive income		—	—	—	368	734	1,103	1,103	
Purchase of treasury shares				(215)		—	(215)	(215)	
Dividends from surplus					(124)	—	(124)	(124)	
Total transactions with the owners		—	—	(215)	(124)	—	(340)	(340)	
March 31, 2016		1,380	2,137	(215)	653	1,153	5,109	5,109	

Three months ended March 31, 2017

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

	Notes	Equity attributable to owners of the parent						Total equity attributable to owners of the parent	Total equity
		Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity			
January 1, 2017		1,380	2,137	(1,373)	1,952	683	4,780	4,780	
Net income					413	—	413	413	
Other comprehensive income						361	361	361	
Total comprehensive income		—	—	—	413	361	774	774	
Purchase of treasury shares						—			
Dividends from surplus					(147)	—	(147)	(147)	
Total transactions with the owners		—	—	—	(147)	—	(147)	(147)	
March 31, 2017		1,380	2,137	(1,373)	2,217	1,044	5,407	5,407	

(4) Condensed Quarterly Consolidated Statements of Cash Flow

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

	Notes	Three months ended March 31, 2016	Three months ended March 31, 2017
Cash flow from operating activities			
Income before income taxes		551	670
Depreciation and amortization		132	186
Loss on impairment		—	2
Interest and dividends income		(4)	(2)
Interest expense		16	30
Compensation received		(88)	—
Loss on disposal of non-current assets		0	—
Decrease (increase) in trade and other receivables		28	(255)
Decrease (increase) in inventories		(43)	(59)
Increase (decrease) in trade and other payables		(20)	54
Other		157	(41)
Subtotal		731	584
Interest and dividends received		2	0
Interest paid		(11)	(23)
Proceeds from compensation		88	—
Income taxes paid		(404)	(368)
Net cash provided by operating activities		406	192
Cash flow from investing activities			
Payments for acquisition of property, plant and equipment		(78)	(33)
Payments for acquisition of intangible assets		(69)	(37)
Payments for acquisition of investment securities		(150)	(277)
Payments for security deposits and guarantees		(431)	(472)
Proceeds from refund of security deposits and guarantees		2	11
Other		(13)	(11)
Net cash provided by (used in) investing activities		(739)	(820)
Cash flow from financing activities			
Increase (decrease) in short-term financial liabilities		691	1,385
Proceeds from long-term financial liabilities		300	1,566
Repayment of long-term financial liabilities		(166)	(974)
Payments for purchase of treasury shares		(215)	—
Payments of cash dividends		(124)	(148)
Other		(29)	(28)
Net cash provided by (used in) financing activities		454	1,798
Cash and cash equivalents translation adjustment		(3)	(0)
Net increase (decrease) in cash and cash equivalents		117	1,170
Cash and cash equivalents at beginning of year		997	1,082
Increase (decrease) in cash and cash equivalents associated with transfer to assets held for sale		(23)	—
Cash and cash equivalents at end of the quarter		1,091	2,253

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes Regarding Assumption of Going Concern)

None applicable

(First-Time Adoption)

(1) Transition to Reporting Based on IFRS

The condensed quarterly consolidated financial statements of the Group for the first quarter ended March 31, 2017 are the first condensed quarterly consolidated financial statements to which IFRS has been applied. See “3. Important Accounting Policies” for the accounting policy adopted for preparation. The most recent consolidated financial statements prepared in conformity with generally accepted accounting principles in Japan (Japanese GAAP) are for the fiscal year ended December 31, 2016, and the date of transition to IFRS is January 1, 2016.

Exemption Provisions for Retrospective Application

IFRS 1 requires retrospective application of IFRS by companies adopting IFRS for the first time. However, exceptions are allowed in certain parts, and the Group has applied the exemption provisions to the following.

- The Group has elected to apply IFRS 3 from the IFRS transition date into the future and has not applied it retroactively to business combinations that occurred prior to the IFRS transition date.
- The cumulative foreign currency translation difference on the IFRS transition date related to investment in overseas marketing has been set to zero, and has no effect on subsequent profit and loss on disposal.

An overview of the effects of adoption of IFRS is shown in the following reconciliation tables. Items that do not affect retained earnings or comprehensive income are included in “Reclassification” in the adjustment table, and items that affect retained earnings and comprehensive income are included in “Recognition and measurement differences.”

(2) Reconciliations of equity as of the IFRS transition date (January 1, 2016)

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

Japanese GAAP	Japanese GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	997			997		Cash and cash equivalents
Notes and accounts receivable	3,724	(30)		3,694	3	Trade and other receivables
Products	75	78		153	4, 20	Inventories
Work in progress	63	(63)				
Raw materials and supplies	37	(14)	(22)			
Prepaid expenses	340	(340)				
Short-term loans receivable	17			17	5	Other current financial assets
Accrued corporate tax refund	56			56		Current income tax assets
Accrued consumption tax	23	(23)				
Deferred tax assets	221	(221)				
Other	323	364		687	6	Other current assets
Allowance for doubtful accounts	(29)	30	(0)			
Total current assets	5,851	(221)	(22)	5,607		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	978		224	1,203	22, 25	Property, plant and equipment
Intangible assets						
Goodwill	7,070		(1,868)	5,202	23	Goodwill
Software	536	6		542		Intangible assets
Other	6	(6)				
Investments and other assets						
Investment securities	1,606	(2,248)	641			
Securities and deposits	1,258	2,198	27	3,484	7, 21	Other non-current financial assets
Claims in bankruptcy	10	(10)				
Deferred tax assets	18	221	100	341	2, 26	Deferred tax assets
Other	190		84	275		Other non-current assets
Allowance for doubtful accounts	(60)	60				
Total fixed assets	11,616	221	(789)	11,048		Total non-current assets
Deferred assets						
Stock issuance expenses	6		(6)			
Total assets	17,474	—	(819)	16,655		Total assets

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

Japanese GAAP	Japanese GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	IFRS
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Accounts	322	3,308		3,630	8	Current liabilities
Short-term borrowings	3,008	724		3,732	9	Trade and other payables
Long-term debt due within one year	621	(621)				Interest-bearing and other financial liabilities
Lease obligations	102	(102)				
Expenses payable	155	(155)				
Accounts payable	1,580	(1,580)				
Advances received	1,727	(1,727)				
Accrued income taxes	426			426		Income tax payable
Accrued consumption taxes	433	(433)				
Accrued bonuses to employees	194	(194)				
Accrued bonuses to officers	29	(29)				
Other	263	813	534	1,611	10, 24, 27	Other current liabilities
Total current liabilities	8,866	—	534	9,401		Total current liabilities
Long-term liabilities						Non-current liabilities
Long-term debt	2,130	156		2,287	12	Interest-bearing and other financial liabilities
Lease obligations	156	(156)				
Asset retirement obligations	88		210	299	11, 25	Provisions
Deferred tax liability	21		122	143	2, 26	Deferred tax liabilities
Other	178			178		Other non-current liabilities
Total long-term liabilities	2,575	—	333	2,908		Total non-current liabilities
Total liabilities	11,441	—	867	12,309		Total liabilities
Net assets						Equity
Common stock	1,380			1,380		Share capital
Additional paid-in capital	2,146		(9)	2,137	28	Capital surplus
Retained earnings	2,482		(2,073)	408	30	Retained earnings
Treasury stock	(0)			(0)		Treasury shares
Unrealized gain (loss) on securities	15		403	418	13, 21, 29	Other components of equity
Deferred gain (loss) on hedges	0		(0)			
Foreign currency translation adjustment	7		(7)			
Total net assets	6,032	—	(1,686)	4,345		Total equity
Total liabilities and net assets	17,474	—	(819)	16,655		Total liabilities and equity

(3) Reconciliations of equity as of the end of the first quarter of 2016 (March 31, 2016)

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

Japanese GAAP	Japanese GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	1,114	(23)		1,091		Cash and cash equivalents
Notes and accounts receivable	3,738	(184)		3,553	3	Trade and other receivables
Products	92	81		174	4, 20	Inventories
Work in progress	89	(89)				
Raw materials and supplies	35	(14)	(21)			
Short-term loans receivable	13			13	5	Other current financial assets
Prepaid expenses	368	(368)				
Accrued corporate tax refund	65	(26)		38		Current income tax assets
Accrued consumption tax	2	(2)				
Deferred tax assets	224	(224)				
Other	360	336		696	6	Other current assets
Allowance for doubtful accounts	(122)	122	(0)			
		198		198	1	Assets held for sale
Total current assets	5,983	(195)	(21)	5,767		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	1,067	(7)	221	1,282	22, 25	Property, plant and equipment
Intangible assets						
Goodwill	6,887		(1,685)	5,202	23	Goodwill
Software	548	70		619		Tangible assets
Other	73	(73)				
Investments and other assets						
Investment securities	2,782	(3,508)	725			
Securities and deposits	1,680	3,504	30	5,215	7, 21	Other non-current financial assets
Deferred tax assets	17	224	100	341	2, 26	Deferred tax assets
Claims in bankruptcy	10	(10)				
Other	109	(15)	84	179		Other non-current assets
Allowance for doubtful accounts	(10)	10				
Total fixed assets	13,167	195	(522)	12,840		Total non-current assets
Deferred assets						
Stock issuance expenses	5		(5)			
Total assets	19,157	—	(548)	18,608		Total assets

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

Japanese GAAP	Japanese GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	IFRS
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Accounts	376	3,246		3,622	8	Current liabilities
Short-term borrowings	3,700	795		4,495	9	Trade and other payables
Long-term debt due within one year	804	(804)				Interest-bearing and other financial liabilities
Lease obligations	116	(116)				
Accounts payable	1,542	(1,542)				
Advances receivable	1,750	(1,750)				
Expenses payable	59	(59)				
Accrued income taxes	203	(0)		203	30	Income tax payable
Accrued consumption taxes	494	(494)				
Accrued bonuses to employees	226	(266)				
Accrued bonuses to officers	14	(14)				
Other	359	816	535	1,710	10, 24, 27	Other current liabilities
		189		189	1	Liabilities directly related to assets held for sale
Total current liabilities	9,686	—	535	10,222		Total current liabilities
Long-term liabilities						Non-current liabilities
Long-term debt	2,080	196		2,277	12	Interest-bearing and other financial liabilities
Lease obligations	196	(196)				
Asset retirement obligations	94		217	311	11, 25	Provisions
Deferred tax liability	368		145	514	2, 26	Deferred tax liabilities
Other	172			172		Other non-current liabilities
Total long-term liabilities	2,913	—	363	3,276		Total non-current liabilities
Total liabilities	12,600	—	898	13,499		Total liabilities
Net assets						Equity
Common stock	1,380			1,380		Share capital
Additional paid-in capital	2,146		(9)	2,137	28	Capital surplus
Retained earnings	2,521		(1,868)	653	30	Retained earnings
Treasury stock	(215)			(215)		Treasury shares
Unrealized gain (loss) on securities	720	(3)	436	1,153	13, 21, 29	Other components of equity
Deferred gain (loss) on hedges	(1)		1			
Foreign currency translation adjustment	4	3	(7)			
Total net assets	6,556	—	(1,447)	5,109		Total equity
Total liabilities and net assets	19,157	—	(548)	18,608		Total liabilities and equity

(4) Reconciliations of equity as of the end of the previous year (December 31, 2016)

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

Japanese GAAP	Japanese GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	1,082			1,082		Cash and cash equivalents
Notes and accounts receivable	4,010	(8)		4,001	3	Trade and other receivables
Products	70	74		144	4, 20	Inventories
Work in progress	54	(54)				
Raw materials and supplies	40	(19)	(20)			
Short-term loans receivable	11			11	5	Other current financial assets
Prepaid expenses	380	(380)				
Accrued corporate tax refund	345			345		Current income tax assets
Accrued consumption tax	519	(519)				
Deferred tax assets	206	(206)				
Other	261	900		1,161	6	Other current assets
Allowance for doubtful accounts	(8)	8				
Total current assets	6,974	(206)	(20)	6,747		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	896		188	1,084	22, 25	Property, plant and equipment
Intangible assets						
Goodwill	6,336		(1,134)	5,202	23	Goodwill
Software	434	(434)				Intangible assets
Other	50	434		484		
Investments and other assets						
Investments in securities	2,153	(2,715)	562			
Securities and deposits	1,634	2,611	34	4,279	7, 21	Other non-current financial assets
Deferred tax assets	100	206	42	349	2, 26	Deferred tax assets
Claims in bankruptcy	18	(18)				
Other	295		88	384		Other non-current assets
Allowance for doubtful accounts	(122)	122				
Total fixed assets	11,797	206	(218)	11,785		Total non-current assets
Deferred assets						
Stock issuance expenses	1		(1)			
Total assets	18,773	—	(240)	18,532		Total assets

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

Japanese GAAP	Japanese GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	IFRS
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Accounts	273	3,292		3,566	8	Current liabilities
Short-term borrowings	1,714	1,622		3,337	9	Trade and other payables
Long-term debt due within one year	1,509	(1,509)				Interest-bearing and other financial liabilities
Lease obligations	112	(112)				
Accounts payable	1,782	(1,782)				
Advances received	1,510	(1,510)				
Expenses payable	235	(235)				
Accrued income taxes	373			373	30	Income taxes payable
Accrued consumption taxes	1,017	(1,017)				
Accrued bonuses to employees	272	(272)				
Accrued bonuses to officers	29	(29)				
Allowance for shareholder benefit program	26	(26)				
Asset retirement obligation	35			35	11, 25	Provisions
Other	226	1,581	547	2,354	10, 24, 27	Other current liabilities
Total current liabilities	9,120	—	547	9,668		Total current liabilities
Long-term liabilities						Non-current liabilities
Long-term debt	3,293	153	(7)	3,438	12	Interest-bearing and other financial liabilities
Lease obligations	153	(153)				
Asset retirement obligation	70		207	278	11, 25	Provisions
Deferred tax liability	174		25	199	2, 26	Deferred tax liabilities
Other	167			167		Other non-current liabilities
Total long-term liabilities	3,858	—	225	4,084		Total non-current liabilities
Total liabilities	12,979	—	772	13,752		Total liabilities
Net assets						Equity
Common stock	1,380			1,380		Share capital
Additional paid-in capital	2,146		(9)	2,137	28	Capital surplus
Retained earnings	3,289		(1,336)	1,952	30	Retained earnings
Treasury stock	(1,373)			(1,373)		Treasury shares
Unrealized gain (loss) on securities	345	(1)	339	683	13, 21, 29	Other components of equity
Foreign currency translation adjustments	5	1	(7)			
Total net assets	5,794	—	(1,013)	4,780		Total equity
Total liabilities and net assets	18,773	—	(240)	18,532		Total liabilities and equity

(5) Reconciliations of comprehensive income for the first quarter of 2016 (January 1, 2016 – March 31, 2016)

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

Japanese GAAP	Japanese GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	IFRS
Net sales	8,309	(59)	(3)	8,246	27	Revenues
Cost of sales	5,386	(59)	0	5,326	27	Cost of sales
Gross profit	2,923	—	(3)	2,919		Gross profit
Selling, general and administrative expenses	2,567	7	(181)	2,392		Selling, general and administrative expenses
		91		91	17	Other income
		5		5	18	Other expenses
Operating income	356	78	178	613		Operating income
Non-operating income	4	(3)	3	5	15	Financial income
Non-operating expenses	65	(2)	3	66	16	Financial expenses
Extraordinary income	88	(88)				
Extraordinary loss	30	(3)	(27)			
Income before income taxes	353	(7)	205	551		Income before income taxes
Income taxes	190	(7)		182		Income taxes
Net income	163	—	205	368		Net income

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

Japanese GAAP	Japanese GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	IFRS
Net income	163	—	205	368		Net income
Other comprehensive income						Other comprehensive income
Unrealized gain (loss) on securities	705		32	738		Financial assets measured at fair value through other comprehensive income
Foreign currency translation adjustment	(3)			(3)		Exchange differences on translation of foreign operations
Deferred gain (loss) on hedges	(1)	—	1			
Total other comprehensive income	700	—	34	734		Total other comprehensive income
Comprehensive income	863	—	240	1,103		Total comprehensive income
(Attributable to)						
Owners of the parent	863	—	240	1,103		Owners of the parent
Non-controlling interests	—			—		Non-controlling interests

(6) Reconciliations of comprehensive income for 2016 (January 1, 2016 – December 31, 2016)

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

Japanese GAAP	Japanese GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	IFRS
Net sales	33,917	(176)	(420)	33,321	27	Revenues
Cost of sales	21,642	(91)	(406)	21,144	27	Cost of sales
Gross profit	12,275	(84)	(13)	12,177		Gross profit
Selling, general and administrative expenses	10,350	(40)	(732)	9,577		Selling, general and administrative expenses
		113		113	17	Other income
		244		244	18	Other expenses
Operating income	1,924	(174)	718	2,468		Operating income
Non-operating income	30	(28)	10	13	15	Financial income
Non-operating expenses	128	(6)	14	136	16	Financial expenses
Extraordinary income	568	(139)	(429)			
Extraordinary loss	265	(237)	(27)			
Income before income taxes	2,129	(97)	313	2,345		Income before income taxes
Current income taxes	837	(252)		584	1	Income taxes
Deferred income taxes	(63)	198	(136)			
	1,353	(43)	450	1,760		Net income from continuing operations
		43		43	14	Income from discontinued operations
Net income	1,353	—	450	1,804		Net income

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

Japanese GAAP	Japanese GAAP	Reclassification	Recognition and measurement differences	IFRS	Notes	IFRS
Net income	1,353	—	450	1,804		Net income
Other comprehensive income						Other comprehensive income
Unrealized gain (loss) on securities	330		222	553		Financial assets measured at fair value through other comprehensive income
Foreign currency translation adjustment	(1)			(1)		Exchange differences on translation of foreign operations
Deferred gain (loss) on hedges	(0)		0			
Total other comprehensive income	328		222	551		Total other comprehensive income
Comprehensive income	1,682	—	673	2,355		Total comprehensive income
(Attributable to)						
Owners of the parent	1,682	—	673	2,355		Owners of the parent
Non-controlling interests	—			—		Non-controlling interests

(7) Notes Regarding Reclassifications

The main details of differences in classification are as follows.

1. Non-current assets or disposal groups held for sale are presented as assets held for sale in current assets and liabilities directly related to assets held for sale in current liabilities under IFRS.
2. Deferred tax assets and deferred tax liabilities, which had been presented separately on a one-year basis under Japanese GAAP, are all presented in the categories of non-current assets and non-current liabilities under IFRS.
3. Trade accounts receivable, notes receivable and allowance for doubtful accounts in current assets, which had been stated separately under Japanese GAAP, are presented as trade and other receivables under IFRS.
4. Work in progress, products, and raw materials and supplies, which had been stated separately under Japanese GAAP, are presented as inventories under IFRS.
5. Short-term loans receivable, which had been stated separately under Japanese GAAP, are presented as other current financial assets under IFRS.
6. Prepaid expenses and accrued consumption tax, which had been stated separately under Japanese GAAP, are presented as other current assets under IFRS.
7. Securities and deposits, claims in bankruptcy, and allowance for doubtful accounts in non-current assets, which had been stated separately under Japanese GAAP, are presented as other non-current financial assets under IFRS.
8. Accounts, accounts payable and advances received, which had been stated separately under Japanese GAAP, are presented as trade and other payables under IFRS.
9. Short-term borrowings, long-term debt due within one year and lease obligations, which had been stated separately under Japanese GAAP, are presented as interest-bearing and other financial liabilities in current liabilities under IFRS.
10. Expenses payable, accrued consumption taxes, accrued bonuses to employees, accrued bonuses to officers and allowance for shareholder benefit program, which had been stated separately under Japanese GAAP, are presented as other current liabilities under IFRS.
11. Asset retirement obligations, which had been stated separately under Japanese GAAP, are stated as provisions under IFRS.
12. Long-term debt and lease obligations, which had been stated separately under Japanese GAAP, are stated as interest-bearing and other financial liabilities in non-current liabilities under IFRS.
13. Unrealized gain on securities and foreign currency translation adjustment, which had been stated separately under Japanese GAAP, are presented as other components of equity under IFRS.
14. Due to a resolution of the Board of Directors regarding the signing of a stock transfer agreement involving the loss of control of a subsidiary of the Company on March 18, 2016, the gains, losses and cash flows related to said subsidiary of the Company that occurred on or after April 1, 2016, have been separated from continuing operations and are presented as discontinued operations.

15. Interest income and dividends received, which had been stated separately under Japanese GAAP, are presented as financial income under IFRS.

16. Interest expense, which had been stated separately under Japanese GAAP, is presented as financial expenses under IFRS.

17. Compensation received, which had been stated separately under Japanese GAAP, is presented as other income under IFRS.

18. Impairment loss and loss on disposal of fixed assets, which had been stated separately under Japanese GAAP, are presented as other expenses under IFRS.

(8) Notes Regarding Adjustments to Recognition and Measurement

The main details of recognition and measurement differences are as follows.

20. Adjustment to Inventories

Goods and other items for sales promotion that had been recognized as supplies under Japanese GAAP are not recognized as assets under IFRS because they do not meet the definition of assets. As a result, inventories and retained earnings have changed.

21. Adjustment to Non-Marketable Financial Instruments

Non-marketable financial instruments that had been recorded at the acquisition cost under Japanese GAAP, when classified as financial assets measured at fair value through other comprehensive income (hereafter, "FVTOCI financial instruments") based on IFRS 9, are measured at fair value after initial recognition, and the change in fair value is included in "Net change in fair value of financial assets measured through other comprehensive income" for items not reclassified into net income or loss. As a result, other non-current financial assets, retained earnings and other components of equity have changed.

22. Adjustment to Depreciation

Under Japanese GAAP, the depreciation method adopted for property, plant and equipment (excluding lease assets) was mainly the declining-balance method. However, under IFRS the depreciation method has been reviewed and the straight-line method has been adopted. As a result, property, plant and equipment and retained earnings have changed.

23. Adjustment to Goodwill

Under Japanese GAAP, the Group had decided to estimate the period of amortization of goodwill and amortize goodwill over such period. However, under IFRS goodwill is not amortized but, as required due to an impairment test, is recorded as an impairment loss and measured as the acquisition cost less the accumulated impairment loss. As a result, goodwill and retained earnings have changed.

Based on the business plan as of the IFRS transition date, the Company conducted impairment tests on each cash generating unit group, and the recoverable amount, which is discounted cash flow, was less than the carrying amount including goodwill. As a result, impairment losses were recognized for Link Corporate Communications Inc. (¥109 million) and Link Interac Inc. (¥1,758 million).

Recoverable value is measured based on use value. Use value is created by reflecting past experience and external information, and applying a discount to the current value of estimated cash flow based on a 5-year business plan approved by the management. The growth rate (0% to 1%) is determined with reference to the inflation rate in the market to which the cash generating unit belongs, among other factors, and the discount rate is calculated based on the pre-tax weighted average capital cost of the cash generating unit (Link Corporate Communications Inc.: capital cost 10.1%; Link Interac Inc.: capital cost 9.0%).

The impact of these adjustments on the consolidated balance sheets was as follows.

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

	(Transition Date) As of January 1, 2016	As of March 31, 2016	As of December 31, 2016
Adjusted balance as of the transition date	(1,868)	(1,868)	(1,868)
(Japanese GAAP) Reversal of fixed-term amortization	—	183	733
Total	(1,863)	(1,685)	(1,134)

24. Adjustment to Unused Paid Leave

Unused paid leave, which had not been required to be accounted for under Japanese GAAP, is recorded as a liability under IFRS. As a result, other current liabilities and retained earnings have changed.

25. Adjustment to Asset Retirement Obligations

Asset retirement obligations, which had been deducted from security deposits under Japanese GAAP, are recorded in liabilities as provisions based on the results of remeasurement under IFRS. As a result, property, plant and equipment, provisions and retained earnings have changed.

26. Adjustment to Deferred Tax Assets

Deferred tax assets and deferred tax liabilities have changed due to temporary differences incurred in connection with adjustments including fair value valuation of unlisted capitalized financial instruments, recognition of liability for unused paid leave and changes in the depreciation method for property, plant and equipment.

27. Adjustment to Revenues

When the Group falls under the designation of a “main contractor” for a transaction, the total amount of consideration received from a customer is presented, and when it falls under the designation of an “agent, etc.,” the net amount after deducting fees and other payments to third parties from the total amount of consideration received from a customer is presented.

In addition, admission fees in the schools business had been recognized as earnings collectively at the time of receipt under Japanese GAAP. However, under IFRS, the amount of the portion that is expected to be returned is estimated and deducted from that portion of revenues. As a result, other current liabilities and revenues have changed.

28. Adjustment to Capital Surplus

“Stock issuance expenses,” which are included in “non-operating expenses” under Japanese GAAP, are deducted from “capital surplus” under IFRS. As a result, capital surplus and retained earnings have changed.

29. Adjustment to Other Components of Equity

The Company selected the exemption provision set forth in IFRS 1 and the balance of cumulative foreign currency translation adjustments related to overseas subsidiaries has been transferred to retained earnings in its entirety on the transition date. As a result, retained earnings and other components of equity have changed.

30. Adjustment to Retained Earnings

The main items of difference in recognition and measurement of retained earnings are as follows.

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

	(Transition Date) As of January 1, 2016	As of March 31, 2016	As of December 31, 2016
Adjustment to inventory	(22)	(21)	(20)
Adjustment to non-marketable financial instruments	46	73	(67)
Adjustment to depreciation	124	121	103
Adjustment to goodwill	(1,868)	(1,685)	(1,134)
Adjustment to unused paid leave	(532)	(532)	(540)
Adjustment to asset retirement obligations	1	(2)	0
Others	7	5	15
Subtotal	(2,244)	(2,039)	(1,644)
Adjustment due to tax-effect accounting	170	170	307
Total	(2,073)	(1,868)	(1,336)

(9) Adjustment to Cash Flow for the Previous Fiscal Year (January 1, 2016 – December 31, 2016)

There is no significant difference between the consolidated statement of cash flow based on Japanese GAAP and the consolidated statement of cash flow based on IFRS.

(Significant Subsequent Events)

(Acquisition of Shares of Dean Morgan K.K. and Underwriting of Third-Party Allocation)

At a Board of Directors meeting held on March 18, 2017, the Company resolved to acquire shares of Dean Morgan K.K. and underwrite a third-party allocation as follows.

1. Reason for the Share Acquisition and Third-Party Allocation

By adding Dean Morgan K.K., which operates “Rosetta Stone” Learning Centers (hereafter, “RSLC”) and “Hummingbird” foreign language schools in six locations in Japan, to the Group, the Company aims to successively roll out RSLC at Link Academy, which has 103 schools nationwide and, over the medium to long term, to conduct foreign language learning services for corporate customers of Link and Motivation and expand the foreign language business using the recruiting and labor management skills cultivated in the ALT Placement business.

2. Content of the Share Acquisition and Third-Party Allocation

By acquiring shares of Dean Morgan K.K. from existing shareholders as well as underwriting a third-party allocation, the Company acquired shares equivalent to 59.98% of the issued and outstanding shares of said company. Accordingly, said company became a consolidated subsidiary of the Company.

Details are as follows.

- | | |
|-----------------------------------|---|
| (1) Ownership ratio before change | 0% |
| (2) Ownership ratio after change | 59.98% |
| (3) Number of shares acquired | 1,476 thousand shares
(983 thousand shares acquired, third-party allotment of 493 thousand shares) |
| (4) Business combination date | April 3, 2017 |

3. Procurement Method and Payment Method of Funds Paid

Appropriation from own funds

4. Overview of Dean Morgan K.K.

- | | |
|------------------|------------------------------------|
| (1) Company name | Dean Morgan K.K. |
| (2) Location | Nishi Shinjuku, Shinjuku-ku, Tokyo |
| (3) Capital | ¥34 million |

5. Impact on Business Results

Because accounting procedures for the share acquisition and third-party allotment of shares have not been completed, detailed information on accounting for business combinations is not disclosed.

6. Fair Value and Non-Controlling Interests of Assets Acquired and Liabilities Assumed at the Date of Business Combination

Not determined at this time.

7. Amount of Goodwill Generated, Etc.

Because allocation of acquisition costs has not been completed, undetermined at this time.

(Business Acquisition)

Motivation Academia Inc., a wholly owned subsidiary of the Company, concluded a contract on May 10, 2017 agreeing to take over the “SS-1” individualized instruction school business for students preparing for entrance exams at elite junior high schools, which is operated by Superweb Co., Ltd., from said company.

1. Purpose of Business Acquisition

The Group aims to produce more “i-company managers” who blaze a trail into the future independently and autonomously by not only studying for exams, but also by cultivating skills that are accepted in society. It concluded the contract for the business acquisition because greater synergy is expected from taking over the customers of SS-1 in Tokyo, Osaka and Hyogo, who are enthusiastic about education, and utilizing its know-how in guidance based on “Motivation Engineering,” the Company’s core technology.

Going forward, the Group aims to expand business by strengthening the linkage between Motivation Academia and SS-1 by sharing the assets of both brands. Over the medium to long term, the Group aims to provide a place for developing skills that are useful in society for students from elementary school through to high school by utilizing the “programming education” and “English conversation education” assets of the Group’s Career School business.

2. Overview of the Business Acquisition

(1) Name of Other Company Transferring the Business

Superweb Co., Ltd.

(2) Content of the Business to be Transferred

“SS-1” individualized instruction school business

(3) Transfer Date

July 1, 2017

(4) Legal Form of Business Transfer

Business succession by absorption and separation with cash consideration

(5) Business Name after Combination

Motivation Academia Inc.

(6) Main Grounds for Decision by Acquiring Company

Due to the Company’s decision that Motivation Academia Inc. succeed the SS-1 business of Superweb Co., Ltd. for cash consideration.

3. Content and Amount of Main Acquisition-Related Expenses

Not determined at this time.

4. Fair Value of Assets and Liabilities and Goodwill of Transferred Business

Evaluation procedures necessary for calculating the fair value of the assets and liabilities of the business transferred at the date of execution of this business transfer have not been completed at this time.