

# Consolidated Financial Statements for the Three Months Ended March 31, 2020 (IFRS)

These financial statements have been prepared for reference only.

May 14, 2020

Link and Motivation Inc.  
http://www.lmi.ne.jp/english

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

May 14, 2020

Start of distribution of dividends (scheduled):

June 25, 2020

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, 2020 (January 1, 2020 - March 31, 2020)

(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, 2020	9,345	1.7	613	44.4	573	42.1	403	104.1
Three months ended March 31, 2019	9,189	(4.7)	424	(50.7)	403	(52.7)	197	(63.0)

	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, 2020	370	84.4	(36)	(108.4)	3.53	3.53
Three months ended March 31, 2019	200	(63.5)	433	15.9	1.90	1.88

## (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, 2020	45,808	7,867	6,748	14.7
As of December 31, 2019	44,787	7,033	7,043	15.7

## 2. Dividends

	Dividends per share				
	1st Qtr.	2nd Qtr.	3rd Qtr.	Year-end	Total
2019	1.80	1.80	1.80	1.80	7.20
2020	1.80				
2020 (est.)		1.80	1.80	1.80	7.20

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

## 3. Forecast of Consolidated Results for 2020 (January 1, 2020 - December 31, 2020)

(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	—	—	—	—	—	—	—	—	—

Note: Revisions since the most recently announced forecast of results: Yes

Regarding the forecast of results for the fiscal year ending December 31, 2020, as stated in "Notice Concerning Revision of the Forecast of Results" announced today, because there is no end in sight for the outbreak of the novel coronavirus and it is impossible for the Company to objectively and reasonably recalculate its full-year forecast for 2020, the forecast of results announced on February 13, 2020 is temporarily withdrawn and remains undetermined. The Company will make an announcement promptly as soon as a calculation of the forecast becomes possible.

## Notes

- (1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries Due to Change in Scope of Consolidation): Yes  
Added: 1 company (Name: OpenWork Inc.)
- (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: No
  - (c) Changes in accounting estimates: No
- (3) Number of Shares Issued and Outstanding (Common Stock)
  - (a) Number of shares at the end of the period (including treasury stock)  
Three months ended March 31, 2020: 113,068,000; Year ended December 31, 2019: 113,068,000
  - (b) Number of treasury shares at the end of the period:  
Three months ended March 31, 2020: 8,145,796; Year ended December 31, 2019: 8,145,796
  - (c) Average number of shares outstanding (cumulative with earlier quarters):  
Three months ended March 31, 2020: 104,922,204; Three months ended March 31, 2019: 105,622,243

**\* These Financial Statements Are Not Subject to Review by a Certified Public Accountant or Auditing Firm**

**\* Explanation of the Proper Use of Performance Forecasts and Other Special Instructions**

Consolidated forecasts and other statements regarding the future contained in this document are based on information currently available to the Company and certain reasonable assumptions. Actual performance may differ substantially due to numerous factors.

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## 1. Overview of Results of Operations and Other Information

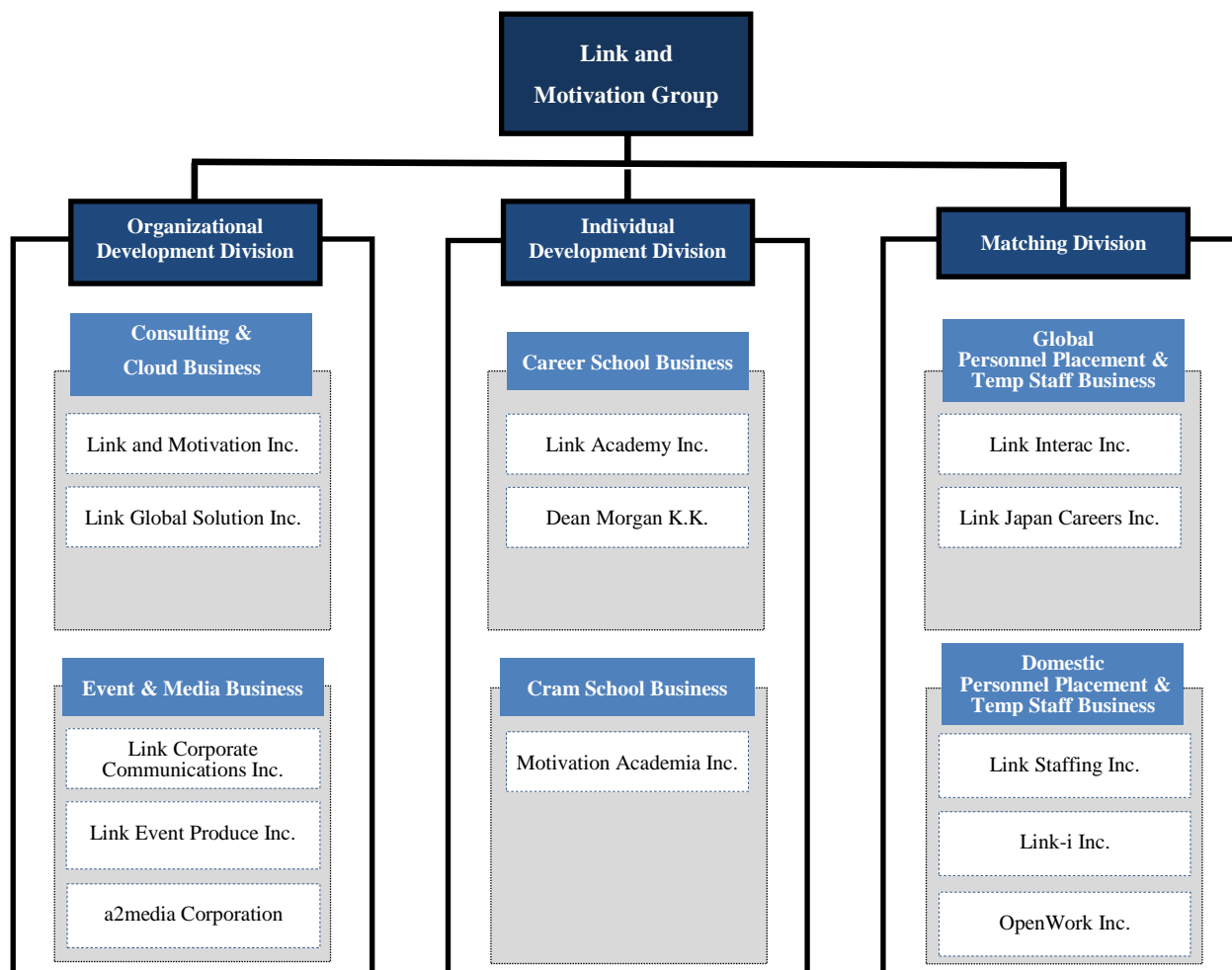
### (1) Overview of Results of Operations for the Three Months Ended March 31, 2020

The Link and Motivation Group (the “Group”) supports the transformation of numerous companies and individuals using “Motivation Engineering,” which is the Group’s core technology, backed by psychology, behavioral economics, social systems theory and other disciplines, under its corporate philosophy: “Through Motivation Engineering, we provide opportunities to transform organizations and individuals and create a more meaningful society.” In industries related to the Group, the market grew moderately as demand increased for facilitation of higher labor productivity and personnel recruiting associated with the promotion of work style reform. However, since February 2020, the economic outlook has become uncertain due to the novel coronavirus (“COVID-19”) pandemic. A variety of budgetary cutbacks have begun to emerge among the Group’s customer companies, mainly at small and medium-sized companies.

In this economic environment, the Group’s revenues were ¥9,345 million (a 1.7% increase compared with the same period of the previous year), gross profit was ¥4,007 million (a 14.1% increase), operating income was ¥613 million (a 44.4% increase) and net income attributable to owners of the parent was ¥370 million (an 84.4% increase).

The segment and business classifications of the Group are as shown below, and an overview of the three months ended March 31, 2020 (the “first quarter of 2020”) by segment and business follows.

As of the first quarter of 2020, business classifications have changed due to the inclusion of OpenWork Inc. in the scope of consolidation. Figures for the same period of the previous year have been restated for the purpose of comparison.



## **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, segment revenues in the first quarter of 2020 were ¥2,491 million (a 2.5% decrease), and segment income was ¥1,747 million (a 1.4% decrease), both decreasing slightly compared with the same period of the previous year. An overview of operating results by business for the first quarter of 2020 is as follows.

### **Consulting & Cloud Business**

The Consulting & Cloud business acts under the concept of creating numerous "Motivation Companies" in which employee motivation is the growth engine of an organization. As its method of providing services, the business diagnoses employee engagement based on its original diagnostic framework and offers one-stop solutions for innovations related to organizations and personnel, including hiring, training, systems and culture.

In this business, revenues in the first quarter of 2020 were ¥2,029 million (a 0.5% increase) and gross profit was ¥1,586 million (a 1.3% decrease). Results by product in the Consulting & Cloud business were as follows.

**Table 1. Revenues by Product**

Product (¥ million) [Gross profit in brackets]	Three months ended March 31, 2019	Three months ended March 31, 2020	YoY change (%)
Consulting & Cloud Business	2,019 [1,608]	2,029 [1,586]	0.5 (1.3)
Consulting	1,501	1,352	(9.9)
Cloud	517	676	30.8

In the first quarter of 2020, although results had been steady due to a focus at the end of 2019 on orders for 2020, from March 2020 onward group training activities began to be postponed or cancelled in connection with requests to voluntarily refrain from holding events as a result of the impact of the COVID-19 pandemic, and first-quarter revenues increased slightly and gross profit decreased slightly. Going forward, the business will provide solutions for organizational transformation that can be implemented under conditions such as online training, which has already been developed.

On the other hand, revenues increased substantially compared with the same period of the previous year for the Motivation Cloud series of cloud-based organizational improvement services, which are part of the Cloud category and are priority services for the Group. Progress in the number of deliveries and monthly fee revenue was as follows. As of the first quarter of 2020, figures disclosed include Motivation Company Club, which is also a subscription-model service.

**Table 2. Number of Deliveries and Monthly Fee Revenue for the Motivation Cloud Series at Quarter-End**

	2019				2020
	March	June	September	December	March
Number of deliveries	872	889	900	921	906
Monthly fee revenue (¥ thousand)	145,271	158,286	172,027	197,101	203,789

The Motivation Cloud series is a group of cloud-based services in the field of HR Tech (human resources combined with technology) for managing employee engagement (mutual understanding, empathy and commitment between companies and employees). The business began providing these subscription-model products in July 2016.

The recent environmental change of shifting to adapt to the labor market to target human resources, both employees and job applicants, is a management issue for many companies. Amid these circumstances, improving employee engagement through corporate organizational activities is a key management theme. However, the absence of a "yardstick" for visualizing the state of the organization and of a PDCA cycle for truly achieving organizational improvements has been an issue for many organizational activities. Successfully capturing such companies' needs for organizational transformation has led to steady growth, with total monthly fee revenue of ¥203,789 thousand for the Motivation Cloud and Motivation Company Club subscription-model services for the month of March 2020.

## 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 assists 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 (IR) sites and visual media such as videos that explain products and webcasts of shareholders’ meetings.

In this business, revenues in the first quarter of 2020 were ¥646 million (an 11.9% decrease) and gross profit was ¥245 million (a 4.1% decrease). Results by product in the Event & Media business were as follows.

**Table 3. Revenues by Product**

Product (¥ million) [Gross profit in brackets]	Three months ended March 31, 2019	Three months ended March 31, 2020	YoY change (%)
Event & Media Business	733 [255]	646 [245]	(11.9) (4.1)
Event	306	162	(46.9)
Media	426	483	13.3

In the first quarter of 2020, segment revenues decreased substantially and gross profit decreased compared with the same period of the previous year due to a significant decline in revenues from the Event business as a result of requests to voluntarily refrain from holding events.

In the Media business, in addition to efforts to stabilize operations by focusing on IR-related media, which has low sensitivity to economic conditions, as in the previous fiscal year, streaming video services for financial results briefings and other purposes have been performing strongly due to growth in demand for online services.

The business will support the transformation of its customers by hosting events online and working to integrate events and media using its video production capabilities.

### **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, segment revenues in the first quarter of 2020 were ¥1,826 million (a 3.6% decrease) and segment income was ¥648 million (a 2.4% increase). An overview of operating results by business for the first quarter of 2020 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 provides one-stop services for individual career advancement, targeting mainly university students and working adults, under the six service brands of “Aviva” personal computer schools, “Daiei” qualification schools, “Aviva Pro” programming schools, and “Rosetta Stone Learning Center,” “Rosetta Stone Premium Club” and “Hummingbird” foreign language schools.

In this business, revenues in the first quarter of 2020 were ¥1,664 million (a 3.8% decrease) and gross profit was ¥577 million (a 0.7% increase). Results by product in the Career School business were as follows.

**Table 4. Revenues by Product**

Product (¥ million) [Gross profit in brackets]	Three months ended March 31, 2019	Three months ended March 31, 2020	YoY change (%)
Career School Business	1,731 [573]	1,664 [577]	(3.8) 0.7
IT	995	949	(4.7)
Qualifications	594	534	(10.2)
English conversation	140	181	29.3

During the first quarter of 2020, due to declines in class attendance and new enrollees from the impact of voluntary restraint by individuals in going out, revenues decreased while gross profit increased slightly. On the other hand, revenues from English conversation courses have increased due to rising needs for global human resources.

This business will continue to support opportunities for ongoing learning by proactively promoting online classes.

#### **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. The business also operates “SS-1,” an individualized instruction school for students preparing for junior high school entrance exams. The Cram School business will utilize its assets in programming education and English conversation education to provide a place for students from elementary school straight through to high school to develop skills that will be of use in society.

In this business, revenues in the first quarter of 2020 were ¥162 million (a 0.6% decrease) and gross profit was ¥72 million (an 18.5% increase).

During the first quarter of 2020, revenues decreased slightly compared with the same period of the previous year due to a decline in the number of new inquiries as a result of the impact of the COVID-19 pandemic. This business has only one product.

By proactively promoting online classes and consultations, and applying the know-how in training adults that has been cultivated in the Consulting & Cloud business, this business aims to achieve one-stop services unattainable by conventional cram schools, ranging from elementary to high school students and adults.

## **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 in the first quarter of 2020 were ¥5,310 million (a 5.6% increase) and segment income was ¥1,856 million (a 35.5% increase), with segment revenues increasing and segment income increasing substantially compared with the same period of the previous year. An overview of operating results by business for the first quarter of 2020 is as follows.

### **Global Personnel Placement & Temp Staff Business**

The Global Personnel Placement & Temp Staff business dispatches foreign assistant language teachers (ALTs) of foreign languages 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 predominant number-one share among private companies. The business is also capturing needs for employment of foreigners by conducting a business that provides one-stop foreigner recruiting, training and labor support to companies seeking to hire them.

The market for English education in Japan continues to grow along with the expansion of English education being promoted by the Ministry of Education, Culture, Sports, Science and Technology (MEXT).

In this business, revenues in the first quarter of 2020 were ¥3,119 million (a 0.3% decrease) and gross profit was ¥1,007 million (an 11.5% increase).

During the first quarter of 2020, revenues decreased only slightly despite the impact of a decrease in the number of ALTs working due to the closure of elementary, junior high and high schools nationwide, and gross profit increased substantially. This business has only one product.

An increasing number of local governments have extended the period of school closures due to the impact of the COVID-19 pandemic. However, many ALTs are working in areas such as providing content for online lessons as learning support for students during school closures.

The business will continue working to retain foreign teachers and raise their quality with a view toward further expanding English education in Japan.

### **Domestic Personnel Placement & Temp Staff Business**

The Domestic Personnel Placement & Temp Staff business provides solutions in the form of referrals and temp staffing of the human resources an organization needs to grow. The main businesses include a new graduate recruiting and referral business that connects university students looking for employment with company orientation meetings and interviews, a mid-career referral 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 addition, OpenWork Inc. was added to the scope of consolidation as of the first quarter of 2020. OpenWork Inc. operates OpenWork, one of Japan’s largest employee online review platforms for job seekers, and its main source of income is from referrals to employment agencies.

In this business, revenues in the first quarter of 2020 were ¥2,200 million (a 15.7% increase) and gross profit was ¥858 million (an 83.5% increase). Results by product in the Domestic Personnel Placement & Temp Staff business were as follows.

**Table 5. Revenues by Product**

Product (¥ million) [Gross profit in brackets]	Three months ended March 31, 2019	Three months ended March 31, 2020	YoY change (%)
Domestic Personnel Placement & Temp Staff Business	1,902 [468]	2,200 [858]	15.7 83.5
Temp staff dispatch	1,644	1,563	(4.9)
Personnel placement	258	636	146.5



During the first quarter of 2020, although Temp staff dispatch revenues were weak due to a continuing trend toward full-time employment from the previous fiscal year and cutbacks in corporate hiring due to the impact of the COVID-19 pandemic, Personnel placement revenues grew significantly with the addition of OpenWork Inc. to the scope of consolidation, and overall revenues and gross profit both increased substantially.

### **Venture Incubation**

In addition to its divisions, the Group conducts venture incubation. In venture incubation, the Group provides its know-how in organizational and personnel consulting in addition to funding, as well as support for growing venture companies on an organizational level with the aim of listing their stock. The two main criteria for selection of investees are (1) sympathy with creating a “Motivation Company” and (2) aim to list stock. Gains on sales and other results generated from venture incubation are recorded as other components of equity on the statements of financial position.

### **(2) Overview of Financial Position for the Three Months Ended March 31, 2020**

Total assets as of March 31, 2020 were ¥45,808 million, an increase of ¥1,021 million from the end of the previous year. This was mainly due to factors including a ¥2,263 million decrease in investments in associates in connection with making OpenWork Inc. a consolidated subsidiary, offset by a ¥2,741 million increase in cash and cash equivalents as a result of securing working capital and making OpenWork Inc. a consolidated subsidiary.

Total liabilities as of March 31, 2020 were ¥37,941 million, an increase of ¥186 million from the end of the previous year. This was mainly due to factors including a ¥1,229 million increase in interest-bearing and other financial liabilities to secure working capital, offset by decreases of ¥416 million in trade and other payables and ¥610 million in income tax payable, among other factors.

Total equity as of March 31, 2020 was ¥7,867 million, an increase of ¥834 million from the end of the previous year. This was mainly due to factors including an increase in non-controlling interests in connection with making OpenWork Inc. a consolidated subsidiary.

### **(3) Overview of Cash Flow for the Three Months Ended March 31, 2020**

Cash and cash equivalents (“cash”) as of March 31, 2020 were ¥4,901 million, an increase of ¥2,741 million during the period.

Cash flow during the three months ended March 31, 2020 was as follows.

#### *Cash Flow from Operating Activities*

Net cash provided by operating activities was ¥119 million, a decrease of ¥278 million compared with the same period of the previous year. The principal factors increasing net cash were increases of ¥170 million in income before income taxes and ¥500 million in trade and other payables compared with the same period of the previous year, while the principal factors decreasing net cash were decreases of ¥117 million in income taxes paid and ¥190 million in trade and other receivables compared with the same period of the previous year.

#### *Cash Flow from Investing Activities*

Net cash provided by investing activities was ¥2,064 million (in the same period of the previous year, investing activities used net cash totaling ¥342 million). Principal factors included a ¥2,290 million increase in cash and cash equivalents in connection with making OpenWork Inc. a consolidated subsidiary.

#### *Cash Flow from Financing Activities*

Net cash provided by financing activities was ¥557 million (in the same period of the previous year, financing activities used net cash totaling ¥685 million). Principal factors included a ¥1,600 million net increase in short-term financial liabilities.

### **(4) Forecast**

In light of the COVID-19 pandemic, the Organizational Development Division will work to maintain contracts through measures including providing online training and offering existing Motivation Cloud customers some features of its communication promotion services free of charge. The Individual Development Division has started to provide online services for processes from trial courses and enrollment to course attendance, and the temp staff business of the Matching

Division is working to dispatch staff to supermarkets and call centers, where demand is expected, and to secure stable employers.

On the other hand, the outlook is expected to remain unclear due to growing uncertainties such as the timing of the end of the COVID-19 pandemic and consumer trends following the cancellation of the state of emergency declaration, and consequently the Group assumes that the impact on its business activities will persist in the second quarter and thereafter. In the Organizational Development Division, there has been an increase in postponements and cancellations of group training activities as well as an increasing number of suspensions and cancellations of Motivation Cloud, mainly by SMEs and venture companies due to the uncertain economic environment, and major companies are also starting to suspend or cancel membership. In the Individual Development Division, we expect some classrooms to remain closed for an extended period, depending on the term of the state of emergency declaration. Moreover, the Matching Division expects a decrease in the number of personnel placements due to corporate cutbacks in hiring as well as decrease in temp staff dispatched as a result of closures by employers.

Based on these circumstances, the Group has concluded that it is impossible to reasonably recalculate its consolidated forecast of financial results at present due to numerous uncertainties that will impact its business results. Accordingly, the Group's outlook is undetermined. While keeping an eye on trends in COVID-19, the Group will disclose its forecast promptly as soon as a calculation becomes possible.

**(5) Important Information Regarding Assumption of Going Concern**

None applicable

## 2. Condensed Consolidated Financial Statements and Main Notes

### (1) Condensed Consolidated Statements of Financial Position

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

	As of December 31, 2019	As of March 31, 2020
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	2,160	4,901
Trade and other receivables	4,114	3,988
Inventories	256	268
Other current financial assets	17	0
Other current assets	4,905	814
Total current assets	11,454	9,974
Non-current assets		
Property, plant and equipment	17,400	17,546
Goodwill	5,927	10,902
Intangible assets	2,095	2,146
Investments in associates	2,788	525
Other non-current financial assets	4,033	3,647
Deferred tax assets	839	809
Other non-current assets	248	256
Total non-current assets	33,333	35,834
Total assets	44,787	45,808

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

	As of December 31, 2019	As of March 31, 2020
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Current liabilities		
Trade and other payables	2,397	1,980
Contract liabilities	1,760	1,816
Interest-bearing and other financial liabilities	5,943	7,798
Income tax payable	865	254
Provisions	21	11
Other current liabilities	1,843	1,841
Total current liabilities	12,831	13,703
Non-current liabilities		
Interest-bearing and other financial liabilities	24,092	23,467
Provisions	462	475
Deferred tax liabilities	218	150
Other non-current liabilities	148	143
Total non-current liabilities	24,922	24,237
Total liabilities	37,754	37,941
<b>EQUITY</b>		
Equity attributable to owners of the parent		
Share capital	1,380	1,380
Capital surplus	1,987	1,950
Treasury shares	(1,733)	(1,733)
Retained earnings	5,440	5,622
Other components of equity	(31)	(470)
Total equity attributable to owners of the parent	7,043	6,748
Non-controlling interests	(10)	1,118
Total equity	7,033	7,867
Total liabilities and equity	44,787	45,808

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

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

	Three months ended March 31, 2019	Three months ended March 31, 2020
Revenues	9,189	9,345
Cost of sales	5,675	5,338
Gross profit	3,513	4,007
Selling, general and administrative expenses	3,066	3,375
Other income	3	0
Other expenses	24	19
Operating income	424	613
Financial revenues	2	1
Financial expenses	43	46
Equity in earnings of associates	19	4
Income before income taxes	403	573
Income taxes	206	170
Net income	197	403
(Attributable to)		
Owners of the parent	200	370
Non-controlling interests	(3)	32
Total	197	403

(Yen)

Earnings per share attributable to owners of the parent		
Basic earnings per share	1.90	3.53
Diluted earnings per share	1.88	3.53

## Consolidated Statements of Comprehensive Income

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

	Three months ended March 31, 2019	Three months ended March 31, 2020
Net income	197	403
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	235	(439)
Total of items that will not be reclassified to profit or loss	235	(439)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	0	(0)
Total of items that may be reclassified to profit or loss	0	(0)
Total other comprehensive income	236	(439)
Total comprehensive income	433	(36)
(Attributable to)		
Owners of the parent	437	(69)
Non-controlling interests	(3)	32
Comprehensive income	433	(36)

**(3) Condensed Consolidated Statements of Changes in Equity****Three months ended March 31, 2019**

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

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total equity attributable to owners of the parent		
January 1, 2019	1,380	1,989	(1,373)	4,763	936	7,696	(15)	7,681
Impact of change in accounting policy	—	—	—	(640)	—	(640)	—	(640)
Balance at beginning of period after reflecting change in accounting policy	1,380	1,989	(1,373)	4,122	936	7,055	(15)	7,040
Net income	—	—	—	200	—	200	(3)	197
Other comprehensive income	—	—	—	—	236	236	—	236
Total comprehensive income	—	—	—	200	236	437	(3)	433
Dividends from surplus	—	—	—	(179)	—	(179)	—	(179)
Transfer from other components of equity to retained earnings	—	—	—	(56)	56	—	—	—
Total transactions with the owners	—	—	—	(235)	56	(179)	—	(179)
March 31, 2019	1,380	1,989	(1,373)	4,087	1,229	7,313	(18)	7,295

**Three months ended March 31, 2020**

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

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total equity attributable to owners of the parent		
January 1, 2020	1,380	1,987	(1,733)	5,440	(31)	7,043	(10)	7,033
Net income	—	—	—	370	—	370	32	403
Other comprehensive income	—	—	—	—	(439)	(439)	—	(439)
Total comprehensive income	—	—	—	370	(439)	(69)	32	(36)
Change due to business combination	—	—	—	—	—	—	1,050	1,050
Dividends from surplus	—	—	—	(188)	—	(188)	—	(188)
Exercise of share options	—	(37)	—	—	—	(37)	45	8
Total transactions with the owners	—	(37)	—	(188)	—	(226)	1,096	870
March 31, 2020	1,380	1,950	(1,733)	5,622	(470)	6,748	1,118	7,867

**(4) Condensed Consolidated Statements of Cash Flow**

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

	Three months ended March 31, 2019	Three months ended March 31, 2020
Cash flow from operating activities		
Income before income taxes	403	573
Depreciation and amortization	639	634
Loss on impairment	1	0
Financial revenues and financial expenses	40	44
Equity in losses (earnings) of associates	(19)	(4)
Decrease (increase) in trade and other receivables	469	279
Loss (gain) on step acquisitions	—	16
Decrease (increase) in inventories	(51)	(12)
Increase (decrease) in trade and other payables	(65)	(566)
Other	(12)	47
Subtotal	1,405	1,013
Interest and dividends received	0	0
Interest paid	(36)	(44)
Income tax refund	—	4
Income taxes paid	(971)	(853)
Net cash provided by operating activities	397	119
Cash flow from investing activities		
Payments for acquisition of property, plant and equipment	(113)	(60)
Payments for acquisition of intangible assets	(176)	(166)
Proceeds from acquisition of subsidiary stock associated with change in scope of consolidation	—	2,290
Payments for security deposits and guarantees	(66)	(19)
Proceeds from refund of security deposits and guarantees	29	16
Other	(15)	3
Net cash used in investing activities	(342)	2,064
Cash flow from financing activities		
Net increase (decrease) in short-term financial liabilities	200	1,800
Proceeds from long-term financial liabilities	300	—
Repayment of long-term financial liabilities	(489)	(570)
Payments of cash dividends	(179)	(189)
Repayment of lease liabilities	(516)	(490)
Payments from non-controlling interests	—	8
Net cash used in financing activities	(685)	557
Cash and cash equivalents translation adjustment	0	(0)
Net increase (decrease) in cash and cash equivalents	(630)	2,741
Cash and cash equivalents at beginning of quarter	1,979	2,160
Cash and cash equivalents at end of quarter	1,349	4,901



## **(5) Notes to Condensed Consolidated Financial Statements**

### **(Changes in Accounting Policies)**

The significant accounting policies applied in these condensed consolidated financial statements are the same as those applied in the consolidated financial statements for the previous fiscal year.

Income taxes expense for the three months ended March 31, 2020 was calculated using the estimated average annual effective tax rate.

### **(Notes Regarding Assumption of Going Concern)**

None applicable

### **(Significant Subsequent Events)**

None applicable