Consolidated Financial Statements for the Nine Months Ended September 30, 2021 (IFRS)

These financial statements have been prepared for reference only.

November 12, 2021

Link and Motivation Inc.

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

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Filing of Quarterly Report (*Shihanki Hokokusho*) (scheduled): November 12, 2021
Start of distribution of dividends (scheduled): December 24, 2021
Supplementary documents for quarterly results: No
Quarterly results briefing: No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for the Nine Months Ended September 30, 2021 (January 1, 2021 – September 30, 2021)

(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 (%)
Nine months ended September 30, 2021	27,316	4.8	2,097	46.9	1,962	52.2	1,283	50.9
Nine months ended September 30, 2020	26,056	(8.8)	1,427	(26.3)	1,289	(30.9)	850	(26.1)

	Net income attributable to owners of the parent (¥ million)	Change (%)	Comprehensive income (¥ million)	Change (%)	Basic earnings per share (¥)	Diluted earnings per share (¥)
Nine months ended September 30, 2021	1,185	53.3	1,230	—	11.30	11.30
Nine months ended September 30, 2020	773	(33.0)	(95)	—	7.37	7.37

Note: Figures for the nine months ended September 30, 2020 reflect the finalization of provisional accounting treatment for business combinations on December 31, 2020.

(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 September 30, 2021	30,937	4,827	3,676	11.9
As of December 31, 2020	41,083	4,917	3,760	9.2

2. Dividends

	Dividends per share				
	1st Qtr.	2nd Qtr.	3rd Qtr.	Year-end	Total
2020	1.80	1.80	1.80	1.80	7.20
2021	1.80	1.80	1.90		
2021 (est.)				1.90	7.40

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

3. Forecast of Consolidated Results for 2021 (January 1, 2021 – December 31, 2021)

(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	32,300	5.1	2,020	881.2	1,010	—	901	—	8.59

Notes: 1. Revisions since the most recently announced forecast of results: Yes

2. See the news release “Notice of Revision of Forecast of Results,” dated November 12, 2021, for details of the revision of the forecast of consolidated results. From the fourth quarter of 2021, the domestic temp staff business of consolidated subsidiary Link Staffing Inc. will be classified under discontinued operations. As a result, in the forecast of results for 2021, revenues and operating income indicate the amount for continuing operations. Net income, net income attributable to owners of the

parent, and basic earnings per share indicate the total amount for continuing and discontinued operations. The same amounts have also been used to calculate the rate of change compared with the previous fiscal year.

Notes

(1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries Due to Change in Scope of Consolidation): 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: No
(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 stock)
Nine months ended September 30, 2021: 113,068,000; Year ended December 31, 2020: 113,068,000
(b) Number of treasury shares at the end of the period:
Nine months ended September 30, 2021: 8,145,796; Year ended December 31, 2020: 8,145,796
(c) Average number of shares outstanding (cumulative with earlier quarters):
Nine months ended September 30, 2021: 104,922,204; Nine months ended September 30, 2020: 104,922,204

* **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.

Contents of Attachments

1. Overview of Results of Operations and Other Information 2
(1) Overview of Results of Operations for the Nine Months Ended September 30, 2021 2
(2) Overview of Financial Position for the Nine Months Ended September 30, 2021 8
(3) Overview of Cash Flow for the Nine Months Ended September 30, 2021 8
(4) Forecast 8

2. Condensed Consolidated Financial Statements and Main Notes 10
(1) Condensed Consolidated Statements of Financial Position 10
(2) Condensed Consolidated Statements of Operations and Comprehensive Income 12
(3) Condensed Consolidated Statements of Changes in Equity 16
(4) Condensed Consolidated Statements of Cash Flow 17
(5) Notes to Condensed Consolidated Financial Statements 18
Significant Accounting Policies 18
Notes Regarding Significant Accounting Estimates and Judgements 18
Changes in Presentation Method 19
Notes Regarding Assumption of Going Concern 19
Significant Subsequent Events 19

1. Overview of Results of Operations and Other Information

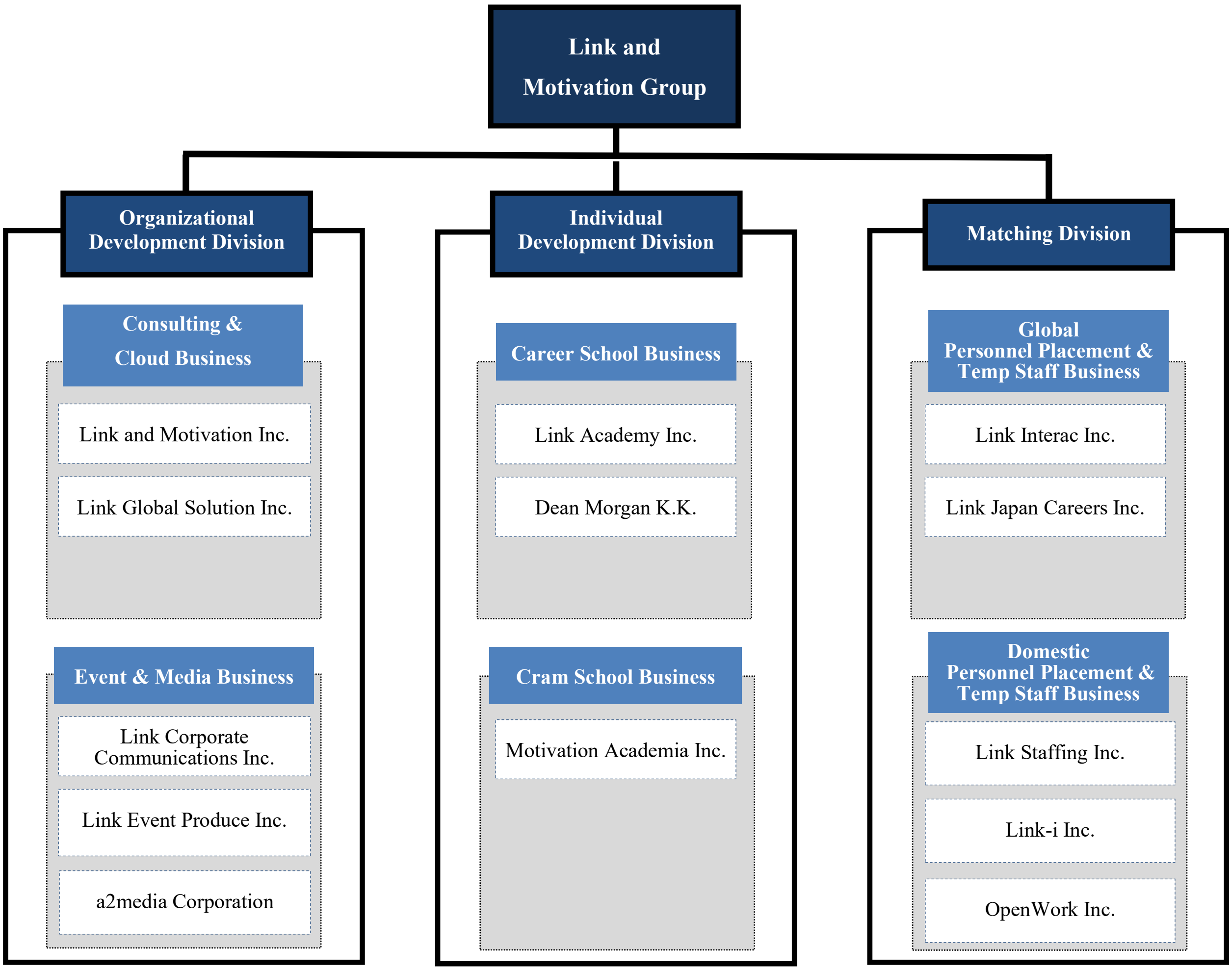
Forward-looking statements in the following text are based on judgments as of September 30, 2021, the last day of the consolidated quarterly accounting period under review. During the first nine months of the previous fiscal year, provisional accounting treatment was given to the business combination with OpenWork Inc., which was conducted on January 1, 2020. However, because the business combination was finalized at the end of the previous fiscal year, the amount after the revision due to finalization of the provisional accounting treatment is used for comparison and analysis with regard to the same period of the previous year.

(1) Overview of Results of Operations for the Nine Months Ended September 30, 2021

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.” Extensions of the state of emergency due to the COVID-19 pandemic have continued since the start of 2021, mainly in urban areas, but economic activity is expected to gradually recover going forward as the vaccination rate increases. In particular, the Group perceives rising needs for improving employee engagement due to changes in work style and for enhancing the skills of individuals due to rapid digital transformation.

In this economic environment, the Group’s revenues for the nine months ended September 30, 2021 (the “first nine months of 2021”) were ¥27,316 million (a 4.8% increase compared with the same period of the previous year), gross profit was ¥12,000 million (an 11.8% increase), operating income was ¥2,097 million (a 46.9% increase) and net income attributable to owners of the parent was ¥1,185 million (a 53.3% increase).

The segment and business classifications of the Group are as shown below, and an overview of the first nine months of 2021 by segment and business follows.



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 for the first nine months of 2021 were ¥8,086 million (a 10.8% increase), and segment income was ¥5,718 million (a 14.1% increase). An overview of operating results by business for the first nine months of 2021 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. The business is also rolling out the Motivation Cloud series of cloud-based services that allow customer companies to manage employee engagement themselves.

In this business, revenues for the first nine months of 2021 were ¥6,577 million (a 15.5% increase) and gross profit was ¥5,118 million (a 13.5% increase). Results by product in the Consulting & Cloud business were as follows.

Table 1. Revenues by Product

Product (¥ million) [Gross profit in brackets]	Nine months ended September 30, 2020	Nine months ended September 30, 2021	YoY change (%)
Consulting & Cloud Business	5,696 [4,509]	6,577 [5,118]	15.5 13.5
Consulting	3,817	4,456	16.7
Cloud	1,878	2,121	12.9

In the first nine months of 2021, the business continued to steadily capture needs for improving employee engagement, mainly at major companies, and both revenues and gross profit increased substantially compared with the same period of the previous fiscal year. In addition to the emergence of issues related to organizations and human resource development during the COVID-19 pandemic, a recent change in the operating environment is that shifting to adapt to the labor market in order to target human resources—both employees and applicants—has become a management issue for many companies. Under these circumstances, improving employee engagement has become a key management theme. The business views this change as a major opportunity for the Group, which has supported the organizational transformation of numerous companies since its establishment in 2000. The business will continue to increase sales per customer by providing one-stop solutions using "Motivation Engineering."

Monthly fee revenue increased compared with the same period of the previous year for the Motivation Cloud series of products, which are part of the Cloud category and are priority services for the Group. The number of deliveries and monthly fee revenue were as follows.

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

	2020				2021		
	March	June	September	December	March	June	September
Number of deliveries	906	795	770	759	747	743	772
Monthly fee revenue (¥ thousand)	203,789	183,600	190,423	200,927	206,485	218,928	235,859

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.

Currently, due to needs for visualizing the status of an organization that has adopted telework and the global trend toward human capital reporting, which is gaining momentum through measures such as the issuance of ISO 30414 for human resource management by the International Organization for Standardization and new requirements for human capital reporting in the United States, the number of companies that feel the need to improve employee engagement is increasing, especially among major companies. In addition, because investors are paying greater attention to human capital as ESG investment increases, this business expects needs for improved employee engagement to continue over the long term. Since its founding in 2000, Link and Motivation has not only diagnosed the engagement status of companies and employees, but has also supported organizational transformation at many companies. At present, the Company has been ranked number one in share of sales by vendor in the employee engagement market for the fourth consecutive year (fiscal 2017 to fiscal 2020 forecast) in *ITR Market View: Human Resources Management Market 2021*, a market research report published by ITR Corporation.

During the first nine months of 2021, the Group succeeded in stepping up introductions at major companies, which increased substantially compared with same period of the previous year. Monthly fee revenue has been firm, increasing to ¥235,859 thousand for the month of September 2021.

The business will continue to step up new introductions at major companies and conduct a nationwide rollout, including at superior regional companies, as well as work to enhance the functions and expand the lineup of the Motivation Cloud series. To that end, it will accelerate the development of the Motivation Cloud series by proactively investing in human resources and IT to become the driving force in the employee engagement market.

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 physical and virtual 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 for the first nine months of 2021 were ¥1,781 million (a 10.1% decrease) and gross profit was ¥785 million (a 7.7% increase). Results by product in the Event & Media business were as follows.

Table 3. Revenues by Product

Product (¥ million) [Gross profit in brackets]	Nine months ended September 30, 2020	Nine months ended September 30, 2021	YoY change (%)
Event & Media Business	1,980 [729]	1,781 [785]	(10.1) 7.7
Event	406	273	(32.8)
Media	1,574	1,507	(4.2)

In the first nine months of 2021, revenues decreased compared with the same period of the previous year due to the continuing impact of the COVID-19 pandemic on the Event business. On the other hand, gross profit increased compared with the same period of the previous year due to factors including an improved gross profit margin associated with a shift online.

The business will continue to actively promote online events using its Internet and video production capabilities as it focuses on its strongly performing IR-related media business.

Individual Development Division

The Individual Development Division supports the creation of "i-Companies," which it defines as individuals who independently and autonomously develop their own careers and lives. Specifically, it applies "Motivation Engineering," which is the core technology of the Group, to businesses in areas including career schools and cram schools, to provide one-stop services to customers from elementary school students to working adults. These services range from helping to set goals to understanding individual issues and formulating and implementing study plans.

In this segment, segment revenues for the first nine months of 2021 were ¥5,662 million (a 14.7% increase) and segment income was ¥2,186 million (a 46.2% increase). An overview of operating results by business for the first nine months of 2021 is as follows.

Career School Business

The Career School business provides one-stop services for individual career advancement, targeting mainly university students and working adults, under the five service brands of "Aviva" personal computer schools, "Daiei" qualification schools, and "Rosetta Stone Learning Center," "Rosetta Stone Premium Club" and "Hummingbird" foreign language schools. Previously, the business mainly conducted classroom lectures, but currently provides support of continuing learning by offering both in-school and online services.

In this business, revenues for the first nine months of 2021 were ¥5,206 million (a 16.4% increase) and gross profit was ¥1,978 million (a 54.6% increase). Results by product in the Career School business were as follows.

Table 4. Revenues by Product

Product (¥ million) [Gross profit in brackets]	Nine months ended September 30, 2020	Nine months ended September 30, 2021	YoY change (%)
Career School Business	4,473 [1,280]	5,206 [1,978]	16.4 54.6
IT	2,416	2,887	19.5
Qualifications	1,620	1,856	14.6
English conversation	436	462	6.0

Despite the continuation of the state of emergency during the first nine months of 2021, a recovery was apparent in courses in all areas of IT, qualifications and English conversation due to the promotion of online courses. Revenues increased substantially compared with the same period of the previous year and, due to success in improving the gross profit margin as a result of the promotion of online courses, gross profit significantly exceeded the level of the previous year.

Going forward, the business will continue helping to generate results for students by providing value in virtual space without depending solely on business bases and achieve further growth by providing the IT skill support services cultivated in the B-to-C domain to individuals in companies.

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 utilizes 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. Like the Career School business, it now offers both in-school and online services in response to Japan's state of emergency and new lifestyles.

In this business, revenues for the first nine months of 2021 were ¥459 million (a 1.3% decrease) and gross profit was ¥209 million (a 3.0% decrease).

In first nine months of 2021, despite a recovery trend in the number of new enrollees, revenues and gross profit both decreased slightly compared with the same period of the previous year as the price per enrollee decreased. This business has only one product.

By proactively promoting a shift of classes and one-on-one meetings online and applying the know-how in human resource development 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 "engagement matching," which applies "Motivation Engineering," the core technology of the Group, to its personnel placement and temp staff businesses. It creates affinities between organizations with hiring needs and individuals who want to advance their careers by matching not only the technical skill requirements of companies but also the respective characteristics of individuals and companies based on the Group's proprietary data. Its main targets are foreign nationals who want to work in Japan, students who want to find a job, employees who want to change jobs and temporary workers.

In this segment, segment revenues for the first nine months of 2021 were ¥14,202 million (a 1.8% decrease) and segment income was ¥4,663 million (a 1.8% decrease). An overview of operating results by business for the first nine months of 2021 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 through its business that provides one-stop foreigner recruiting, training and labor support to companies seeking to hire them.

In Japan, reforms of English education by the Ministry of Education, Culture, Sports, Science and Technology (MEXT) are promoting an earlier start for English-language learning. From fiscal 2020, English education starts from the third grade of elementary school, and is treated as a formal subject from the fifth grade of elementary school. Accordingly, ALT placement is proceeding rapidly. Meanwhile, because many local governments still have few classes that use ALTs, the business expects continuing expansion of the English education market in Japan.

In this business, revenues for the first nine months of 2021 were ¥9,643 million (a 2.5% increase) and gross profit was ¥2,704 million (a 2.0% decrease).

During the first nine months of 2021, revenues increased, despite ongoing restrictions on entry into Japan from the previous year, as a result of the steady progress of measures such as extension of employment terms and hiring within Japan. On the other hand, gross profit decreased slightly due to the impact of increased costs associated with hiring in Japan. This business has only one product.

In addition, there was a steady increase in the number of schools using "Teachers Cloud," a cloud service launched in June 2021 to improve the efficiency of teachers' preparation for English classes, their English ability and their teaching skills, exceeding 1,300 schools as of September 30, 2021. The business will increase the number of stable repeat customers and its market share by continuing to improve its brand power.

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 new graduate recruiting and referral that connects university students looking for employment with company orientation meetings and interviews, mid-career referral that matches working adults looking to change jobs with companies, and temp staffing that dispatches personnel for sales, clerical work and other fields. OpenWork Inc., which was added to the scope of consolidation as of the first three months of 2020, 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 for the first nine months of 2021 were ¥4,604 million (a 9.4% decrease) and gross profit was ¥1,985 million (a 1.5% decrease). 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]	Nine months ended September 30, 2020	Nine months ended September 30, 2021	YoY change (%)
Domestic Personnel Placement & Temp Staff Business	5,079 [2,017]	4,604 [1,985]	(9.4) (1.5)
Temp staff dispatch	3,526	3,070	(12.9)
Personnel placement	1,553	1,534	(1.2)

During the first nine months of 2021, although there was a recovery in the number of people dispatched by the temp staff dispatch business, which was significantly affected by the COVID-19 pandemic, it fell short of the level of the same period of the previous year, and revenues and gross profit both decreased.

In personnel placement, the number of registered users, employee online reviews and evaluation scores have grown steadily during the pandemic. By linking the assets held by OpenWork Inc. with the organizational and individual data assets held by the Group, the business will expedite engagement matching that achieves true mutual understanding and affinity between organizations and individuals. Specifically, it will promote the further growth of OpenWork Recruiting, which uses a direct recruiting model, by utilizing the customer base of the Organizational Development Division.

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 consolidated statements of financial position.

(2) Overview of Financial Position for the Nine Months Ended September 30, 2021

Total assets as of September 30, 2021 were ¥30,937 million, a decrease of ¥10,146 million from the end of the previous year. This was mainly due to factors including a ¥7,957 million decrease in right-of-use assets associated with a decision to relocate the Tokyo integrated office.

Total liabilities as of September 30, 2021 were ¥26,110 million, a decrease of ¥10,056 million from the end of the previous year. This was mainly due to factors including a ¥8,309 million decrease in lease liabilities associated with a decision to relocate the Tokyo integrated office.

Total equity as of September 30, 2021 was ¥4,827 million, a decrease of ¥89 million from the end of the previous year. Principal factors included a ¥649 million decrease in capital surplus due to change in ownership interest in subsidiaries, offset by a ¥739 million increase in retained earnings as a result of recording net income attributable to owners of the parent and other factors.

(3) Overview of Cash Flow for the Nine Months Ended September 30, 2021

Cash and cash equivalents ("cash") as of September 30, 2021 were ¥4,773 million, a decrease of ¥1,676 million during the period.

Cash flow during the nine months ended September 30, 2021 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities was ¥2,408 million, an increase of ¥896 million compared with the same period of the previous year. The principal factors decreasing cash were a ¥667 million increase in trade and other receivables and a ¥904 million decrease in other cash flow from operating activities compared with the same period of the previous year, while the principal factors increasing cash included an increase of ¥672 million in income before income taxes, an increase in trade and other payables of ¥290 million, an increase of ¥411 million in income tax refund, and a decrease of ¥846 million in income taxes paid. The main reasons for the decrease in other cash flow from operating activities included a ¥224 million increase in prepaid expenses such as license fees for core systems and a ¥347 million payment for withholding income tax on dividends between Group companies.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥333 million (in the same period of the previous year, net cash provided by investing activities was ¥2,169 million). Principal factors included a decrease in cash due to the absence of proceeds from acquisition of subsidiary stock associated with change in scope of consolidation in the same period of the previous year (in the same period of the previous year, cash and cash equivalents increased ¥2,290 million as a result of making OpenWork Inc. a subsidiary).

Cash Flow from Financing Activities

Net cash provided by financing activities was ¥3,755 million (in the same period of the previous year, net cash used in financing activities was ¥22 million). The principal factor decreasing cash was the absence of a net change in short-term financial liabilities that had been recorded in the same period of the previous year (compared with a ¥3,800 million increase in the same period of the previous year).

(4) Forecast

As announced today (November 12, 2021), the Company has decided that in order to further expedite engagement matching, which efficiently and effectively achieves true mutual understanding and affinity between organizations and individuals, it would be best to concentrate management resources on strengthening the domestic personnel placement business in its Matching Division, which includes the domestic temp staff business, and therefore resolved to transfer the domestic temp staff business of its consolidated subsidiary Link Staffing Inc. to iDA K.K. and entered into an agreement to that effect. Reassigning human resources that have been hired and trained by the Group, mainly to the domestic personnel placement business, will support higher profitability and expedite engagement matching.

Based on the above, the Company has decided to treat the domestic temp staff business as discontinued operations in its consolidated financial statements based on International Financial Reporting Standards (IFRS). Due to the change in classification, revenues and other items from the relevant business will be deducted from the full-year consolidated financial results from continuing operations for 2021.

As a result, for the fiscal year ending December 2021, the Company forecasts ¥32,300 million in revenues (a year-on-year increase of 5.1%), ¥3,030 million in adjusted operating income (a year-on-year increase of 48.2%), ¥2,020 million in operating income (a year-on-year increase of 781.2%) and ¥901 million in net income attributable to owners of the parent. Adjusted operating income is a profit indicator that measures operating results by excluding temporary factors such as impairment of goodwill, right-of-use assets and fixed assets from operating income.

In addition, gain on the transfer of this business will be recorded in income from discontinued operations.

The Company expects corporate needs for improving employee engagement to continue to grow in 2022 and thereafter. The Company plans to achieve record-high profits in 2022 by establishing support for higher profitability through this business transfer and other means, in addition to the ongoing driving force of the Consulting & Cloud business.

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, 2020	As of September 30, 2021
ASSETS		
Current assets		
Cash and cash equivalents	6,449	4,773
Trade and other receivables	3,680	3,922
Inventories	187	260
Other current financial assets	14	18
Other current assets	1,057	883
Total current assets	11,389	9,858
Non-current assets		
Property, plant and equipment	1,162	705
Right-of-use assets	12,790	4,833
Goodwill	9,376	9,317
Intangible assets	2,266	2,440
Other non-current financial assets	3,203	2,832
Deferred tax assets	646	780
Other non-current assets	245	168
Total non-current assets	29,694	21,078
Total assets	41,083	30,937

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

	As of December 31, 2020	As of September 30, 2021
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities		
Trade and other payables	2,174	1,807
Contract liabilities	1,786	1,685
Interest-bearing and other financial liabilities	7,440	8,606
Lease liabilities	1,778	1,402
Income tax payable	484	471
Provisions	129	253
Other current liabilities	2,149	1,976
Total current liabilities	15,944	16,203
Non-current liabilities		
Interest-bearing and other financial liabilities	7,104	4,959
Lease liabilities	12,056	4,122
Provisions	560	388
Deferred tax liabilities	362	301
Other non-current liabilities	138	135
Total non-current liabilities	20,222	9,907
Total liabilities	36,166	26,110
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,380	1,380
Capital surplus	1,855	1,206
Treasury shares	(1,733)	(1,733)
Retained earnings	3,989	4,728
Other components of equity	(1,731)	(1,904)
Total equity attributable to owners of the parent	3,760	3,676
Non-controlling interests	1,157	1,151
Total equity	4,917	4,827
Total liabilities and equity	41,083	30,937

(2) Condensed Consolidated Statements of Operations and Comprehensive Income

Condensed Consolidated Statements of Operations

Nine Months Ended September 30

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

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Revenues	26,056	27,316
Cost of sales	15,326	15,315
Gross profit	10,729	12,000
Selling, general and administrative expenses	9,487	9,792
Other income	208	62
Other expenses	23	173
Operating income	1,427	2,097
Financial revenues	17	13
Financial expenses	187	148
Equity in earnings of associates	31	—
Income before income taxes	1,289	1,962
Income taxes	439	679
Net income	850	1,283
(Attributable to)		
Owners of the parent	773	1,185
Non-controlling interests	76	97
Total	850	1,283
		(Yen)
Earnings per share attributable to owners of the parent		
Basic earnings per share	7.37	11.30
Diluted earnings per share	7.37	11.30

Three Months Ended September 30

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

	Three months ended September 30, 2020	Three months ended September 30, 2021
Revenues	8,655	8,945
Cost of sales	5,068	5,216
Gross profit	3,586	3,729
Selling, general and administrative expenses	3,075	3,111
Other income	166	33
Other expenses	0	37
Operating income	677	613
Financial revenues	10	11
Financial expenses	96	60
Equity in earnings of associates	12	—
Income before income taxes	603	563
Income taxes	185	185
Net income	418	377
(Attributable to)		
Owners of the parent	400	350
Non-controlling interests	17	27
Total	418	377
		(Yen)
Earnings per share attributable to owners of the parent		
Basic earnings per share	3.82	3.34
Diluted earnings per share	3.82	3.34

Condensed Consolidated Statements of Comprehensive Income

Nine Months Ended September 30

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

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Net income	850	1,283
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	(944)	(56)
Total items that will not be reclassified to profit or loss	(944)	(56)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(1)	3
Total items that may be reclassified to profit or loss	(1)	3
Total other comprehensive income	(946)	(52)
Total comprehensive income	(95)	1,230
(Attributable to)		
Owners of the parent	(172)	1,132
Non-controlling interests	76	97
Comprehensive income	(95)	1,230

Condensed Consolidated Statements of Comprehensive Income

Three Months Ended September 30

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

	Three months ended September 30, 2020	Three months ended September 30, 2021
Net income	418	377
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	(102)	(89)
Total items that will not be reclassified to profit or loss	(102)	(89)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(0)	(0)
Total items that may be reclassified to profit or loss	(0)	(0)
Total other comprehensive income	(103)	(89)
Total comprehensive income	315	288
(Attributable to)		
Owners of the parent	297	260
Non-controlling interests	17	27
Comprehensive income	315	288

(3) Condensed Consolidated Statements of Changes in Equity

Nine Months Ended September 30, 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	—	—	—	773	—	773	76	850
Other comprehensive income	—	—	—	—	(946)	(946)	—	(946)
Total comprehensive income	—	—	—	773	(946)	(172)	76	(95)
Change due to business combination	—	—	—	—	—	—	1,050	1,050
Change in ownership interest in subsidiaries	—	(94)	—	—	—	(94)	4	(90)
Dividends from surplus	—	—	—	(566)	—	(566)	—	(566)
Exercise of share options	—	(37)	—	—	—	(37)	45	8
Transfer from other components of equity to retained earnings	—	—	—	305	(305)	—	—	—
Total transactions with the owners	—	(132)	—	(261)	(305)	(698)	1,101	402
September 30, 2020	1,380	1,855	(1,733)	5,952	(1,282)	6,172	1,167	7,339

Nine Months Ended September 30, 2021

(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, 2021	1,380	1,855	(1,733)	3,989	(1,731)	3,760	1,157	4,917
Net income	—	—	—	1,185	—	1,185	97	1,283
Other comprehensive income	—	—	—	—	(52)	(52)	—	(52)
Total comprehensive income	—	—	—	1,185	(52)	1,132	97	1,230
Change in ownership interest in subsidiaries	—	(649)	—	—	—	(649)	(103)	(753)
Dividends from surplus	—	—	—	(566)	—	(566)	—	(566)
Transfer from other components of equity to retained earnings	—	—	—	120	(120)	—	—	—
Total transactions with the owners	—	(649)	—	(446)	(120)	(1,216)	(103)	(1,320)
September 30, 2021	1,380	1,206	(1,733)	4,728	(1,904)	3,676	1,151	4,827

(4) Condensed Consolidated Statements of Cash Flow

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

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Cash flow from operating activities		
Income before income taxes	1,289	1,962
Depreciation and amortization	2,024	2,263
Loss on impairment	1	122
Loss (gain) on sales of fixed assets	—	(0)
Gain on cancellation of insurance	—	(8)
Financial revenues and financial expenses	169	135
Equity in (earnings) losses of associates	(31)	—
Decrease (increase) in trade and other receivables	423	(244)
Loss (gain) on step acquisition	16	—
Decrease (increase) in inventories	38	(72)
Increase (decrease) in trade and other payables	(703)	(413)
Other	101	(802)
Subtotal	3,329	2,940
Interest and dividends received	5	0
Interest paid	(170)	(137)
Income tax refund	28	439
Income taxes paid	(1,681)	(835)
Net cash provided by operating activities	1,512	2,408
Cash flow from investing activities		
Payments for acquisition of property, plant and equipment	(175)	(155)
Proceeds from sale of property, plant and equipment	—	0
Payments for acquisition of intangible assets	(530)	(655)
Proceeds from acquisition of subsidiary stock associated with a change in consolidation	2,290	—
Proceeds from sale of investment securities	636	513
Payments for security deposits and guarantees	(25)	(272)
Proceeds from refund of security deposits and guarantees	45	284
Payments for asset retirement obligations	(24)	(137)
Proceeds from cancellation of insurance	—	85
Other	(45)	3
Net cash provided used in investing activities	2,169	(333)
Cash flow from financing activities		
Net increase (decrease) in short-term financial liabilities	3,800	—
Proceeds from long-term financial liabilities	—	506
Repayment of long-term financial liabilities	(1,683)	(1,486)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(90)	(753)
Payments of cash dividends	(565)	(567)
Repayment of lease liabilities	(1,492)	(1,454)
Payments from non-controlling interests	8	—
Net cash used in financing activities	(22)	(3,755)
Cash and cash equivalents translation adjustment	(1)	3
Net increase (decrease) in cash and cash equivalents	3,657	(1,676)
Cash and cash equivalents at beginning of the quarter	2,160	6,449
Cash and cash equivalents at end of the quarter	5,817	4,773

(5) Notes to Condensed Consolidated Financial Statements

(Significant 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 nine months ended September 30, 2021 was calculated using the estimated average annual effective tax rate.

(Notes Regarding Significant Accounting Estimates and Judgements)

In preparing the consolidated financial statements, management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The results of accounting estimates may differ from actual results.

The estimates and their underlying assumptions are reviewed on an ongoing basis. The effects of a review of accounting estimates are recognized in the accounting period in which the estimates are reviewed as well as in future periods.

Other than a change in accounting estimates of useful life of property, plant and equipment, estimates and estimate-related judgments that have a significant impact on the condensed consolidated financial statements are the same as those in the consolidated financial statements for the previous fiscal year.

(Useful Life of Property, Plant and Equipment)

The Group passed a resolution in February 2021 to relocate its Tokyo head office, and the move was completed in October 2021. Therefore, the Group has shortened the future useful life of the building equipment, appliances and fixtures belonging to the Tokyo head office that will become unusable due to relocation from the date of the relocation resolution to the relocation date.

In addition to the above change, as of the three months ended March 31, 2021 the Group has changed the useful life of some property, plant and equipment from 15 years to 6 years. This change has been made to reflect a more realistic useful life for the right-of-use assets related to each integrated office nationwide, primarily the head office, in consideration of the actual usage of each integrated office, based on the abovementioned relocation resolution.

As a result of the above two changes, right-of-use assets and lease liabilities decreased approximately ¥8,814 million compared with their previous useful life, and the operating income and income before income tax for the nine months ended September 30, 2021 each decreased ¥250 million, respectively.

(Accounting Estimates Related to the COVID-19 Pandemic)

Estimates and judgments that have a significant impact on the amounts in these consolidated financial statements are the same as those in the consolidated financial statements for the previous fiscal year in principle, but include the following factors in consideration of the impact of COVID-19.

Due to requests for people to voluntarily refrain from unnecessary travel and the declaration of a state of emergency associated with the COVID-19 pandemic, the Group lost opportunities to provide its services. These lost opportunities included the postponement or cancellation of group training activities and other services in the Organizational Development Division, a decrease in the number of new enrollees due to the temporary closure of all schools nationwide in the Individual Development Division, and a decrease in the number of domestic personnel placements and temp staff dispatched in the Matching Division. However, the business environment has gradually been recovering since the third quarter of 2020, when the state of emergency that had been declared on April 7, 2020 was completely lifted, and the Group perceives a growing trend for greater needs for individual learning in the Individual Development Division, which was most impacted by COVID-19. Even since the declaration of a state of emergency on April 25, 2021, the impact on business results has been minor, despite temporary closures of commercial facilities, and therefore the Group has made various estimates and judgments regarding the demand forecast for 2022 onward assuming that recovery will continue in 2021 and thereafter, and the impact of the COVID-19 pandemic will not be prolonged.

Despite the extreme difficulty of predicting factors such as the timing of the end of the spread of COVID-19 and the scope of infection, in light of the above, the Group has made accounting estimates regarding impairment of fixed assets, including goodwill, the recoverability of deferred tax assets and other matters based on the information available as of the date of preparation of these consolidated financial statements.

The financial position and operating results of the Group may be affected by the state of the spread of infection in the future.

(Changes in Presentation Method)

Consolidated Financial Statements

“Right-of-use assets,” which was included in “Property, plant and equipment” under non-current assets in the previous fiscal year, has been presented independently as of the current fiscal year for a clearer, more realistic presentation.

The consolidated financial statements for the previous fiscal year have been changed to reflect this change in presentation method.

As a result, in the consolidated statement of financial position for the previous fiscal year, ¥13,953 million in “Property, plant and equipment” under non-current assets has been restated as ¥1,162 million in “Property, plant and equipment” and ¥12,790 million in “Right-of-use assets.”

In addition, “Lease liabilities,” which were included in “Interest-bearing and other financial liabilities” under current liabilities and non-current liabilities in the previous consolidated fiscal year, has been presented independently as of the current fiscal year for a clearer, more realistic presentation.

The consolidated financial statements for the previous fiscal year have been changed to reflect this change in presentation method.

As a result, in the consolidated statement of financial position for the previous fiscal year, ¥9,218 million in “Interest-bearing and other financial liabilities” under current liabilities has been restated as ¥7,440 million in “Interest-bearing and other financial liabilities” and ¥1,778 million in “Lease liabilities,” and ¥19,161 million in “Interest-bearing and other financial liabilities” under non-current liabilities has been restated as ¥7,104 million in “Interest-bearing and other financial liabilities” and ¥12,056 million in “Lease liabilities.”

(Notes Regarding Assumption of Going Concern)

None applicable

(Significant Subsequent Events)

At a Board of Directors meeting held on November 12, 2021, the Company resolved to transfer the domestic temp staff business of Link Staffing Inc. to iDA K.K. as of January 1, 2022 and entered into an agreement for an absorption-type split on the same date. After entering into the agreement, the Company decided to treat the business as discontinued operations.

1. Reason for Business Transfer

The Company decided that in order to further expedite engagement matching, which achieves true mutual understanding and affinity between organizations and individuals, mainly through OpenWork Inc. in its Matching Division, it would be best to concentrate management resources on strengthening the domestic personnel placement business of its subsidiary Link Staffing Inc., and therefore resolved to transfer the domestic temp staff business of Link Staffing Inc. Reassigning all the human resources that have been hired and trained by the Group within the Group to focus on strengthening the personnel placement business will support higher profitability.

2. Overview of Subsidiary Transferring Business

Name	Link Staffing Inc.
Address (Head Office)	Kabukiza Tower 15th floor, 4-12-15 Ginza, Chuo-ku, Tokyo
Representative	Odaka Masayoshi
Business description	Worker dispatch business specializing in sales and retail positions, temp staffing business for personnel placement, etc.

Capital	¥100 million
Established	2005
Main shareholder and equity ratio	Link and Motivation Inc.: 100%

3. Overview of Business Transfer

(1) Business to Be Transferred

Domestic temp staff business

(2) Reporting Segment That Includes the Business to Be Transferred

Matching Division

(3) Business Results for the Past Three Years and Most Recent Business Results

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

	2018	2019	2020	Nine months ended September 30, 2021
Revenues	7,420	6,378	4,614	3,093
Operating income (loss)	109	93	(133)	(30)
Ordinary income (loss)	110	98	(64)	(21)

(4) Assets and Liabilities to Be Transferred

None applicable

(5) Schedule

Date of Board of Directors resolution	November 12, 2021
Date of agreement	November 12, 2021
Date of business transfer	January 1, 2022 (scheduled)

4. Overview of Transferee

Name	iDA K.K.	
Address	Head Office	Odakyu Southern Tower 7th floor, 2-2-1 Yoyogi, Shibuya-ku, Tokyo
Website	https://ida-mode.com/company/info/	
Representative	Kafuku Shinsuke, Representative Director, President and CEO	
Business description	Human resources business specializing in the fashion industry	
Capital	¥151.9 million	
Established	1999	

5. Impact of Business Transfer and Outlook

After entering into the agreement, the Company confirmed that the domestic temp staff business will be treated as discontinued operations in its consolidated financial statements based on International Financial Reporting Standards (IFRS). Due to the change in classification, revenues and other items from the relevant business will be deducted from the full-year consolidated financial results from continuing operations for 2021. In addition, gain on the transfer of this business will be recorded in income from discontinued operations, the amount and impact of which is currently being calculated.