Consolidated Financial Statements for the Year Ended December 31, 2020 (IFRS)
These financial statements have been prepared for reference only.

February 12, 2021

Link and Motivation Inc. | Stock exchange listing: Tokyo, First Section
http://www.lmi.ne.jp/english | Code number: 2170
Representative: Ozasa Yoshihisa, Chairman and Representative Director
Contact: Ohno Shunichi, Director and Manager of Group Design Office | Phone: +81-3-6779-9494
Ordinary General Meeting of Shareholders (scheduled): March 30, 2021
Start of distribution of dividends (scheduled): March 25, 2021
Filing of Securities Report (*Yuka Shoken Hokokusho*) (scheduled): March 30, 2021
Supplementary documents for quarterly results: No
Quarterly results briefing: No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for the Year Ended December 31, 2020
(January 1, 2020 – December 31, 2020)

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

	Revenues		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Year ended December 31, 2020	35,278	(7.6)	241	(88.0)	58	(97.0)	(929)	(185.2)	(996)	(191.7)
Year ended December 31, 2019	38,191	(4.4)	2,007	(47.5)	1,904	(43.8)	1,090	(43.2)	1,086	(44.2)

	Comprehensive income		Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	(¥ million)	(%)	(¥)	(¥)	(%)	(%)	(%)
Year ended December 31, 2020	(2,329)	(311.2)	(9.50)	(9.50)	(17.2)	0.1	0.7
Year ended December 31, 2019	1,103	(39.8)	10.30	10.28	14.7	5.3	5.3

(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 (%)	Equity per share attributable to owners of the parent (¥)
As of December 31, 2020	41,083	4,917	3,760	9.2	35.84
As of December 31, 2019	44,787	7,033	7,043	15.7	67.13

(3) Cash Flow

	Cash flow from operating activities (¥ million)	Cash flow from investing activities (¥ million)	Cash flow from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Year ended December 31, 2020	3,970	1,969	(1,647)	6,449
Year ended December 31, 2019	3,827	(2,990)	(655)	2,160

2. Dividends

	Dividends per share					Total dividends paid (full year) (¥ million)	Payout ratio (%)	Dividends/ Net assets (Consolidated) (%)
	1st Qtr.	2nd Qtr.	3rd Qtr.	Year-end	Full year			
2019	1.80	1.80	1.80	1.80	7.20	758	69.6	10.3
2020	1.80	1.80	1.80	1.80	7.20	755	(81.2)	13.9
2021 (est.)	1.80	1.80	1.80	1.80	7.20		—	

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	37,700	6.9	1,370	467.2	670	—	570	—	5.43

Notes

(1) Changes in Significant Subsidiaries during the Period (Change in Specified Subsidiaries Due to Change in Scope of Consolidation): Yes

Added: 1 company (OpenWork Inc.)

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

(a) Changes in accounting policies required by IFRS: Yes

(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)

Year ended December 31, 2020: 113,068,000; Year ended December 31, 2019: 113,068,000

(b) Number of treasury shares at the end of the period:

Year ended December 31, 2020: 8,145,796; Year ended December 31, 2019: 8,145,796

(c) Average number of shares outstanding:

Year ended December 31, 2020: 104,922,204; Year ended December 31, 2019: 105,406,071

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for 2020 (January 1, 2020 – December 31, 2020)

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

	Net sales		Operating income		Ordinary income		Net income	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Year ended December 31, 2020	7,460	(11.1)	818	(16.2)	2,311	189.7	337	(46.1)
Year ended December 31, 2019	8,394	(10.5)	977	(61.7)	797	(67.0)	625	(48.2)

	Basic earnings per share	Diluted earnings per share
	(¥)	(¥)
Year ended December 31, 2020	3.22	3.22
Year ended December 31, 2019	5.94	5.93

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets/ Total assets (%)	Net assets per share (¥)
As of December 31, 2020	27,045	4,181	15.5	39.85
As of December 31, 2019	26,866	5,171	19.3	49.29

(Reference) Net worth: As of December 31, 2020: ¥4,181 million; As of December 31, 2019: ¥5,171 million

*** These Financial Statement 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

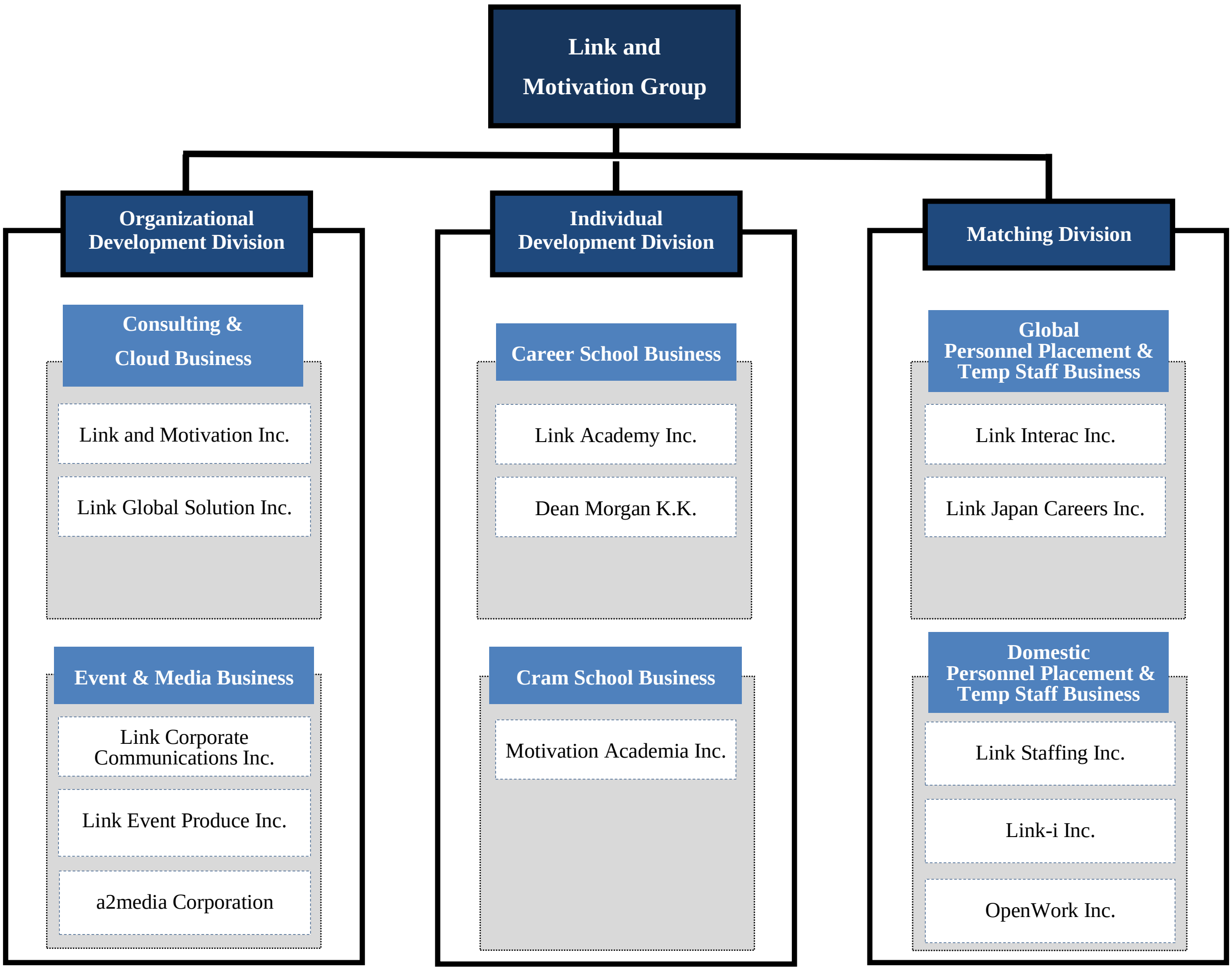
1. Overview of Results of Operations and Other Information

(1) Overview of Results of Operations for 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 novel coronavirus ("COVID-19") pandemic has had a substantial impact. Personal consumption and hiring have trended toward recovery, but the economic outlook remains uncertain.

In this economic environment, the Group's revenues were ¥35,278 million (a 7.6% decrease compared with the previous year), gross profit was ¥14,653 million (a 0.4% increase), operating income was ¥241 million (an 88.0% decrease) and net loss attributable to owners of the parent was ¥996 million (compared with ¥1,086 million in net income attributable to owners of the parent in the previous fiscal year).

The segment and business classifications of the Group are as shown below, and an overview 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 previous year have been restated for the purpose of comparison.



<u>Organizational Development Division</u>

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 2020 were ¥9,923 million (a 15.4% decrease), and segment income was ¥6,824 million (an 11.3% decrease), both decreasing substantially compared with the previous year. An overview of operating results by business for 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. 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 2020 were ¥7,808 million (a 12.1% decrease) and gross profit was ¥6,146 million (an 11.9% decrease). Results by product in the Consulting & Cloud business were as follows.

Table 1. Revenues by Product

Product (¥ million) [Gross profit in brackets]	Year ended December 31, 2019	Year ended December 31, 2020	YoY change (%)
Consulting & Cloud Business	8,883 [6,977]	7,808 [6,146]	(12.1) (11.9)
Consulting	6,521	5,230	(19.8)
Cloud	2,361	2,578	9.2

In Consulting, both sales and gross profit decreased significantly compared with the previous fiscal year due to factors including the effects of cancellation or postponement of training and cutbacks in investment in human resources by small and medium-sized enterprises during the first half of the year.

On the other hand, there was a turnaround from the third quarter onward due to further growth in needs for improving employee engagement in areas such as online training of new employees and managers under telework conditions. Moreover, the expansion of ESG investment is also increasing investor attention to human capital, and we see this as a major opportunity for the Group. Going forward, the business will steadily capture these needs and increase sales per customer by providing one-stop solutions using “Motivation Engineering.”

Meanwhile, 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

	2019				2020			
	March	June	September	December	March	June	September	December
Number of deliveries	872	889	900	921	906	795	770	759
Monthly fee revenue (¥ thousand)	145,271	158,286	172,027	197,101	203,789	183,600	190,423	200,927

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.

Recently, shifting to adapt to the labor market, which consists of human resources, both employees and job applicants, has been a management issue for many companies. Under these circumstances, improving employee engagement at corporations has become a key management theme. In addition, the widespread adoption of telework due to the COVID-19 pandemic has made it difficult to monitor employees. As a result, the premise of this business is that the importance of improving employee engagement, including visualization of organizational status, is increasing.

During the second quarter, there were cancellations and suspensions of Motivation Cloud, mainly among small and medium-sized enterprises and venture companies whose business environment has deteriorated. However, for the full year, new introductions increased substantially, mainly among major corporations, and monthly fee revenue for the Motivation Cloud series of products is once again back on a growth track from the third quarter onward, totaling ¥200,927 thousand for the month of December 2020.

The business will work to further step up new introductions at major corporations, mainly leading companies, and will accelerate a rollout to companies nationwide, including superior local companies, by developing products that customers can operate on their own to improve their organizations.

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, earnings announcements and webcasts of shareholders' meetings.

In this business, revenues for 2020 were ¥2,604 million (a 24.1% decrease) and gross profit was ¥960 million (a 15.1% decrease). Results by product in the Event & Media business were as follows.

Table 3. Revenues by Product

Product (¥ million) [Gross profit in brackets]	Year ended December 31, 2019	Year ended December 31, 2020	YoY change (%)
Event & Media Business	3,430 [1,131]	2,604 [960]	(24.1) (15.1)
Event	1,076	523	(51.4)
Media	2,353	2,080	(11.6)

In 2020, revenues from the Event business decreased substantially from the second quarter onward due to the impact of the COVID-19 pandemic. IR-related media products, which have a low susceptibility to economic conditions, performed well, but production of internal company media products decreased as customer companies reduced their budgets. As a result, segment revenues and gross profit both decreased substantially compared with the previous year.

Going forward, the business will actively promote online events using its Internet and video production capabilities as it continues to focus on its strongly performing IR-related media business.

<u>Individual Development Division</u>

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 2020 were ¥6,732 million (a 14.1% decrease) and segment income was ¥2,121 million (a 24.8% decrease). An overview of operating results by business for 2020 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 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. Previously, the business mainly used classroom lectures to provide continuing learning support, but currently provides both in-school and online services in response to Japan's state of emergency and new lifestyles. In addition, the "i-Company Club" subscription-model membership service supports continuous learning by students.

In this business, revenues for 2020 were ¥6,071 million (a 15.0% decrease) and gross profit was ¥1,799 million (a 29.1% decrease). Results by product in the Career School business were as follows.

Table 4. Revenues by Product

Product (¥ million) [Gross profit in brackets]	Year ended December 31, 2019	Year ended December 31, 2020	YoY change (%)
Career School Business	7,139 [2,536]	6,071 [1,799]	(15.0) (29.1)
IT	4,016	3,331	(17.0)
Qualifications	2,455	2,146	(12.6)
English conversation	667	593	(11.2)

Due to factors including temporary classroom closures nationwide because of the COVID-19 pandemic in April and May, when the number of new enrollees usually increases, revenues and gross profit both decreased substantially compared with the previous year.

On the other hand, with the prompt establishment of a system of online classes in the second quarter to steadily capture needs for learning, revenues have been on a recovery track from the third quarter onward. Going forward, the business will help generate results for students by providing value in virtual space without depending solely on business bases and will ramp up matching with companies as employers. In addition, the evolution of "i-Company Club" as a platform to support these efforts will help to increase the true market value of individuals.

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 2020 were ¥666 million (a 5.4% decrease) and gross profit was ¥323 million (a 12.1% increase).

In 2020, as with the Career Schools business, revenues and gross profit both decreased substantially compared with the previous year because classrooms were temporarily closed nationwide because of the COVID-19 pandemic in April and May, when the number of new enrollees usually increases. This business has only one product.

By continuing to provide value online and applying the know-how in training adults that has been cultivated in the Consulting & Cloud business, this business aims to offer 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 2020 were ¥19,427 million (a 0.3% decrease) and segment income was ¥6,336 million (a 30.8% increase), with segment revenues decreasing slightly and segment income increasing substantially compared with the previous year. An overview of operating results by business for 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 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. In fiscal 2020, English education will start from the third grade of elementary school, and will be treated as a formal subject from the fifth grade of elementary school. Accordingly, ALT placement is proceeding rapidly. Meanwhile, because dispatch to all local governments has not been completed, the business expects continuing expansion of the English education market in Japan.

In this business, revenues for 2020 were ¥12,931 million (a 2.9% increase) and gross profit was ¥3,782 million (a 9.9% increase).

During 2020, revenues and gross profit both increased despite temporary school closures nationwide in April and May, with stable results for the full year due to factors including classes held during summer vacation to make up for the period of school closures. This business has only one product.

While continuing to pay close attention to the immigration situation, the business will continue working to improve its English instruction and profitability by hiring high-quality foreign teachers with a view toward further expanding English education in Japan.

Domestic Personnel Placement & Temp Staff Business

The Domestic Personnel Placement & Temp Staff business provides services 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 quarter, 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 2020 were ¥6,535 million (a 5.9% decrease) and gross profit was ¥2,586 million (an 81.2% 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]	Year ended December 31, 2019	Year ended December 31, 2020	YoY change (%)
Domestic Personnel Placement & Temp Staff Business	6,948 [1,427]	6,535 [2,586]	(5.9) 81.2
Temp staff dispatch	6,332	4,581	(27.7)
Personnel placement	616	1,954	217.3

During 2020, revenues decreased as a result of factors including temporary closures by temp staff customer companies and cutbacks in the number of corporate employees due to the COVID-19 pandemic. On the other hand, gross profit increased substantially due to the addition to the Group of OpenWork Inc., which has a high profit margin.

In temp staff dispatch, the decline in the number of temp staff dispatched has bottomed out and is on a recovery track due to a portfolio shift from the former dispatch to apparel retailers to supermarkets and call centers, where demand is expected. In personnel placement, the business will expedite engagement matching that achieves true mutual understanding and affinity between organizations and individuals by linking the assets held by OpenWork Inc. with the organizational and individual data assets held by the Group.

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 2020

Total assets as of December 31, 2020 were ¥41,083 million, a decrease of ¥3,703 million from the end of the previous year. This was mainly due to factors including a ¥2,788 million decrease in investments in associates in connection with making OpenWork Inc. a consolidated subsidiary and a ¥3,848 million decrease in other current assets, offset by a ¥4,289 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 December 31, 2020 were ¥36,166 million, a decrease of ¥1,587 million from the end of the previous year. This was mainly due to factors including a ¥1,656 million decrease in interest-bearing and other financial liabilities associated with a decision to relocate operating bases.

Total equity as of December 31, 2020 was ¥4,917 million, a decrease of ¥2,115 million from the end of the previous year. This was mainly due to factors including a decrease in other components of equity associated with the sale of listed stock, in addition to a decrease in retained earnings associated with a decrease in net income.

(3) Overview of Cash Flow for 2020

Cash and cash equivalents (“cash”) as of December 31, 2020 were ¥6,449 million, an increase of ¥4,289 million during the period.

Cash flow during the year ended December 31, 2020 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities was ¥3,970 million, an increase of ¥143 million compared with the previous year. The principal factor decreasing net cash was a decrease of ¥1,845 million in income before income taxes to ¥58 million, while the principal factors increasing net cash included an increase of ¥1,427 million in loss on impairment and an increase of ¥317 million in depreciation and amortization.

Cash Flow from Investing Activities

Net cash provided by investing activities was ¥1,969 million (in the previous year, net cash used in investing activities was ¥2,990 million). Principal factors included an absence of advance payments.

Cash Flow from Financing Activities

Net cash used in financing activities was ¥1,647 million (in the previous year, net cash used in financing activities was ¥655 million). The principal factor increasing net cash was a ¥4,640 million net increase in short-term financial liabilities, while the principal factors decreasing net cash included an absence of proceeds from long-term financial liabilities, which were ¥5,255 million in the previous year.

(4) Forecast

During the second quarter of the fiscal year ended December 31, 2020, all divisions were significantly impacted by the COVID-19 pandemic, but in each business, the Group established new models for providing value including online operations. In addition, the sudden, drastic change in work styles and lifestyles has further increased needs for improving employee engagement and individual learning, and steadily capturing those needs led to a substantial recovery from the third quarter onward. This growth trend is expected to continue in 2021 and beyond.

In addition, the Group will significantly reduce office costs by relocating and reducing the number of its bases nationwide, including the Tokyo head office. The Group plans to reorganize all its operating bases by the end of 2021 to reduce floor area by about 60% and rent by about 70%. The Group expects temporary large selling, general and administrative expenses of approximately ¥1.0 billion in 2021 due to the downsizing or relocation of each base.

(5) Important Information Regarding Assumption of Going Concern

None applicable

2. Basic Policy Regarding Selection of Accounting Standards

The Group has applied International Financial Reporting Standards (IFRS) since the first quarter of the year ended December 31, 2017 to improve the international comparability of its financial information in capital markets. The Group formerly applied generally accepted accounting principles in Japan (Japanese GAAP).

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Statements of Financial Position

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

	As of December 31, 2019	As of December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	2,160	6,449
Trade and other receivables	4,114	3,680
Inventories	256	187
Other current financial assets	17	14
Other current assets	4,905	1,057
Total current assets	11,454	11,389
Non-current assets		
Property, plant and equipment	17,400	13,953
Goodwill	5,927	9,376
Intangible assets	2,095	2,266
Investments in associates	2,788	—
Other non-current financial assets	4,033	3,203
Deferred tax assets	839	646
Other non-current assets	248	245
Total non-current assets	33,333	29,694
Total assets	44,787	41,083

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

	As of December 31, 2019	As of December 31, 2020
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities		
Trade and other payables	2,397	2,174
Contract liabilities	1,760	1,786
Interest-bearing and other financial liabilities	5,943	9,218
Income tax payable	865	484
Provisions	21	129
Other current liabilities	1,843	2,149
Total current liabilities	12,831	15,944
Non-current liabilities		
Interest-bearing and other financial liabilities	24,092	19,161
Provisions	462	560
Deferred tax liabilities	218	362
Other non-current liabilities	148	138
Total non-current liabilities	24,922	20,222
Total liabilities	37,754	36,166
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,380	1,380
Capital surplus	1,987	1,855
Treasury shares	(1,733)	(1,733)
Retained earnings	5,440	3,989
Other components of equity	(31)	(1,731)
Total equity attributable to owners of the parent	7,043	3,760
Non-controlling interests	(10)	1,157
Total equity	7,033	4,917
Total liabilities and equity	44,787	41,083

(2) Consolidated Statements of Operations and Comprehensive Income

Consolidated Statements of Operations

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

	Year ended December 31, 2019	Year ended December 31, 2020
Revenues	38,191	35,278
Cost of sales	23,589	20,624
Gross profit	14,602	14,653
Selling, general and administrative expenses	11,773	12,852
Other income	171	853
Other expenses	992	2,413
Operating income	2,007	241
Financial revenues	24	18
Financial expenses	170	242
Equity in earnings of associates	43	41
Income before income taxes	1,904	58
Income taxes	814	988
Net income (loss)	1,090	(929)
(Attributable to)		
Owners of the parent	1,086	(996)
Non-controlling interests	4	66
Total	1,090	(929)
		(Yen)
Earnings (loss) per share attributable to owners of the parent		
Basic earnings per share	10.30	(9.50)
Diluted earnings per share	10.28	(9.50)

Consolidated Statements of Comprehensive Income

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

	Year ended December 31, 2019	Year ended December 31, 2020
Net income (loss)	1,090	(929)
Other comprehensive income (loss)		
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	13	(1,397)
Total of items that will not be reclassified to profit or loss	13	(1,397)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(0)	(2)
	(0)	(2)
Total other comprehensive income (loss)	13	(1,399)
Total comprehensive income (loss)	1,103	(2,329)
(Attributable to)		
Owners of the parent	1,099	(2,396)
Non-controlling interests	4	66
Comprehensive income (loss)	1,103	(2,329)

(3) Consolidated Statements of Changes in Equity

Year ended December 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	—	—	—	1,086	—	1,086	4	1,090
Other comprehensive income	—	—	—	—	13	13	—	13
Total comprehensive income	—	—	—	1,086	13	1,099	4	1,103
Acquisition of treasury shares	—	(1)	(360)	—	—	(362)	—	(362)
Dividends from surplus	—	—	—	(749)	—	(749)	—	(749)
Transfer from other components of equity to retained earnings	—	—	—	980	(980)	—	—	—
Total transactions with the owners	—	(1)	(360)	231	(980)	(1,111)	—	(1,111)
December 31, 2019	1,380	1,987	(1,733)	5,440	(31)	7,043	(10)	7,033

Year ended December 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 (loss)	—	—	—	(996)	—	(996)	66	(929)
Other comprehensive income	—	—	—	—	(1,399)	(1,399)	—	(1,399)
Total comprehensive income	—	—	—	(996)	(1,399)	(2,396)	66	(2,329)
Change due to business combination							1,050	1,050
Change in ownership interest in subsidiaries	—	(94)	—	—	—	(94)	4	(90)
Dividends from surplus	—	—	—	(755)	—	(755)	—	(755)
Exercise of share options		(37)				(37)	45	8
Transfer from other components of equity to retained earnings	—	—	—	300	(300)	—	—	—
Total transactions with the owners	—	(132)	—	(454)	(300)	(887)	1,101	213
December 31, 2020	1,380	1,855	(1,733)	3,989	(1,731)	3,760	1,157	4,917

(4) Consolidated Statements of Cash Flow

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

	Year ended December 31, 2019	Year ended December 31, 2020
Cash flow from operating activities		
Income before income taxes	1,904	58
Depreciation and amortization	2,480	2,798
Loss on impairment	959	2,386
Gain on valuation of investment securities	—	(563)
Loss (gain) on sales of fixed assets	—	(7)
Financial revenues and financial expenses	146	224
Equity in (earnings) losses of associates	(43)	(41)
Loss (gain) on sales of investments accounted for using the equity method	(160)	—
Decrease (increase) in trade and other receivables	418	503
Loss (gain) on step acquisition	—	16
Decrease (increase) in inventories	22	68
Increase (decrease) in trade and other payables	8	(263)
Other	(43)	657
Subtotal	5,693	5,837
Interest and dividends received	9	5
Interest paid	(155)	(226)
Income tax refund	62	28
Income taxes paid	(1,783)	(1,675)
Net cash provided by operating activities	3,827	3,970
Cash flow from investing activities		
Payments for acquisition of property, plant and equipment	(337)	(222)
Proceeds from sale of property, plant and equipment	—	16
Payments for acquisition of intangible assets	(772)	(699)
Proceeds from acquisition of subsidiary stock associated with a change in the scope of consolidation	—	2,290
Payments for acquisition of investment securities	(204)	—
Proceeds from sale of investment securities	1,966	636
Proceeds from sales of investments accounted for using the equity method	498	—
Payments for security deposits and guarantees	(122)	(56)
Proceeds from recovery of security deposits and guarantees	120	56
Advance payments	(4,075)	—
Other	(63)	(53)
Net cash provided by (used in) investing activities	(2,990)	1,969
Cash flow from financing activities		
Net increase (decrease) in short-term financial liabilities	(1,000)	3,640
Proceeds from long-term financial liabilities	5,255	—
Repayment of long-term financial liabilities	(1,972)	(2,376)
Payments of cash dividends	(747)	(754)
Repayments of lease liabilities	(1,827)	(2,075)
Payments from non-controlling interests	—	8
Payments for acquisition of interest in subsidiary from non-controlling interests	—	(90)
Payments for acquisition of treasury shares	(362)	—
Net cash used in financing activities	(655)	(1,647)
Cash and cash equivalents translation adjustment	(0)	(2)
Net increase (decrease) in cash and cash equivalents	180	4,289
Cash and cash equivalents at beginning of year	1,979	2,160
Cash and cash equivalents at end of year	2,160	6,449

(5) Notes to Consolidated Financial Statements

(Notes Regarding Assumption of Going Concern)

None applicable

(Changes in Accounting Policies)

The significant accounting policies applied to the consolidated financial statements for the fiscal year ended December 31, 2020 are the same as the accounting policies applied to the consolidated financial statements for the previous fiscal year, except for the following.

As of the second quarter of the current fiscal year, the Group has adopted early application of the following standard.

IFRS		Overview of New Standard/Amendment
IFRS 16	Leases	Amended accounting treatment for COVID-19-related rent concessions

This amendment recognizes the selection of simplified accounting treatment for lessees of leases that have received rent concessions as a direct consequence of the novel coronavirus (“COVID-19”) pandemic.

This amendment permits lessees, as a practical expedient, to choose not to assess whether particular rent concessions related to COVID-19 that meet specified requirements are “lease modifications” as stipulated in IFRS 16.

The Group has applied this expedient to rent concessions that meet the above requirements.

The application of this expedient increased income before income taxes by ¥27 million in the year ended December 31, 2020.

(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.

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 going out 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, when the state of emergency was completely lifted, and the business results of the Individual Development Division, which was most impacted by COVID-19, are on a recovery track, despite the closure of its schools for approximately two months, as the Group perceives a growing trend for greater needs for individual learning. Even at present, during the declaration of a second state of emergency, the impact on business results has been minor, and therefore the Group has made various estimates and judgments regarding the demand forecast for 2021 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.

(Segment Information, Etc.)

(Segment Information)

1. Overview of Reportable Segments

The reportable segments of the Group are based on available financial information divided among the constituent units of the Group and are subject to periodic analysis by the Board of Directors to determine allocation of management resources and to evaluate operating results.

The Group draws up comprehensive strategies and conducts business activities for the services it handles.

The Group is composed of divisional segments based on the form in which services are provided, with three reportable segments: the "Organizational Development Division," the "Individual Development Division," and the "Matching Division."

(Matters Related to Changes in Reportable Segments)

From the first quarter of 2020, the importance of the Matching Division has increased with the inclusion of OpenWork Inc. as a consolidated subsidiary, and as a result of a review of the operations in this division, the Group has judged it necessary to recognize and manage the Matching Division in its entirety as a single classification for management of profit and loss.

For this reason, as of the year ended December 31, 2020, the Group has changed from its former four segments consisting of the "Organizational Development Division," the "Individual Development Division," the "Matching Division ALT Placement Business," and the "Matching Division Personnel Placement & Temp Staff Business" to three segments, consisting of the "Organizational Development Division," the "Individual Development Division," and the "Matching Division."

Segment information for the previous fiscal year has been presented based on the classifications after the change.

2. Revenues, Income or Loss, and Other Items in Reportable Segments

The accounting policies for reportable segments are the same as the Group's accounting policies presented in Note 3.

Income of reportable segments is based on gross profit on the Consolidated Statement of Operations.

Figures for intersegment transactions are decided using the same method as for sales to outside customers.

Revenues, income or loss, and other items for each reportable segment of the Group are as follows.

Year ended December 31, 2019

(Millions of yen)

	Reportable Segment				Other (Note 1)	Adjustment (Note 2)	Consolidated
	Organizational Development Division	Individual Development Division	Matching Division	Total			
Segment revenues							
Revenue to outside customers	11,288	7,824	19,048	38,160	30	—	38,191
Intersegment revenues and transfers	441	14	439	895	65	(960)	—
Total	11,729	7,838	19,487	39,055	95	(960)	38,191
Segment income (profit) (Note 1)	7,696	2,822	4,845	15,363	(15)	(746)	14,602
Selling, general and administrative expenses							11,773
Other revenue/expenses (net)							(820)
Financial revenue/expenses (net)							(146)
Equity in earnings of associates							43
Income before income taxes							1,904
Other items							
Depreciation and amortization	1,585	719	174	2,479	0	—	2,480
Impairment loss	54	802	102	959	—	—	959

Notes: 1. The Other segment consists of the restaurant business and other operations not included in the reportable segments.

2. Adjustment is the elimination of intersegment transactions.

Year ended December 31, 2020

(Millions of yen)

	Reportable Segment				Other (Note 1)	Adjustment (Note 2)	Consolidated
	Organizational Development Division	Individual Development Division	Matching Division	Total			
Segment revenues							
Revenue to outside customers	9,469	6,725	19,064	35,259	18	—	35,278
Intersegment revenues and transfers	454	7	362	824	27	(852)	—
Total	9,923	6,732	19,427	36,084	46	(852)	35,278
Segment income (profit) (Note 1)	6,824	2,121	6,336	15,281	(42)	(586)	14,653
Selling, general and administrative expenses							12,852
Other revenue/expenses (net)							(1,560)
Financial revenue/expenses (net)							(224)
Equity in earnings of associates							41
Income before income taxes							58
Other items							
Depreciation and amortization	1,866	733	197	2,797	0	—	2,798
Impairment loss	113	1,621	614	2,348	38	—	2,386

Notes: 1. The Other segment consists of the restaurant business and other operations not included in the reportable segments.

2. Adjustment is the elimination of intersegment transactions.

(Per Share Information)

1. Basic earnings per share and diluted earnings per share

	Year ended December 31, 2019	Year ended December 31, 2020
Basic earnings per share (Yen)	10.30	(9.50)
Diluted earnings per share (Yen)	10.28	(9.50)

2. Basis for calculating basic earnings per share and diluted earnings per share

	Year ended December 31, 2019	Year ended December 31, 2020
Profit used to calculate basic and diluted earnings per share		
Net income attributable to owners of the parent (Millions of yen)	1,086	(996)
Amount not attributable to ordinary shareholders of the parent (Millions of yen)	—	—
Profit used to calculate basic earnings per share (Millions of yen)	1,086	(996)
Profit adjustment amount		
Adjustment for share options to be issued by associates (Millions of yen)	(2)	—
Profit used to calculate diluted earnings per share (Millions of yen)	1,084	(996)
Weighted average number of ordinary shares used to calculate basic and diluted earnings per share (Shares)		
Weighted average number of ordinary shares used to calculate basic earnings per share (Shares)	105,406,071	104,922,204
Effect of dilutive shares: stock options	—	—
Weighted average number of ordinary shares used to calculate diluted earnings per share (Shares)	105,406,071	104,922,204

(Significant Subsequent Event)

Relocation of Head Office

At a meeting of the Board of Directors of the Company held on February 12, 2021, it was resolved as follows regarding the relocation of the Head Office.

1. Destination of relocation
Kabukiza Tower, 4-12-15 Ginza, Chuo-ku, Tokyo

2. Timing of relocation
October 2021 (planned)

3. Purpose of relocation
The Company has used the COVID-19 pandemic as an opportunity to create a new model work style called "Compatible Work." Compatible Work utilizes real-world and virtual characteristics to achieve simultaneous improvement in work productivity and employee engagement. Specific dates for working in the office and teleworking dates will be set for each team, and work will be designed and executed appropriately for the respective dates. As a result of the reduction of office space due to the promotion of Compatible Work, it was decided to relocate.

4. Impact on financial position and business results
In the fiscal year ending December 31, 2021, the main impact is expected to be a decrease of approximately ¥8,613 million in right-of-use assets and lease obligations, approximately ¥311 million in depreciation as a result of accelerated amortization, and an increase of approximately ¥51 million in other relocation expenses.