Consolidated Financial Statements for the Year Ended December 31, 2021 (IFRS)
These financial statements have been prepared for reference only.

February 14, 2022

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: Yokoyama Hiroaki, Corporate Officer and Manager of System Design Office Phone: +81-3-6853-8111

Ordinary General Meeting of Shareholders (scheduled): March 30, 2022
Start of distribution of dividends (scheduled): March 25, 2022
Filing of Securities Report (*Yuka Shoken Hokokusho*) (scheduled): March 30, 2022
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, 2021 (January 1, 2021 – December 31, 2021)

(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 Dec. 31, 2021	32,644	6.0	2,066	140.2	1,903	184.0	1,020	—	918	—
Year ended Dec. 31, 2020	30,785	—	860	—	670	—	(929)	—	(996)	—

	Comprehensive income		Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	(¥ million)	(%)	(¥)	(¥)	(%)	(%)	(%)
Year ended Dec. 31, 2021	1,047	—	8.73	8.73	16.3	5.4	6.3
Year ended Dec. 31, 2020	(2,329)	—	(9.50)	(9.50)	(18.4)	1.6	2.8

Note: As of the fiscal year ended December 31, 2021, the domestic temp staff business of Link Staffing Inc. has been classified as discontinued operations. As a result, profits from discontinued operations are presented separately from continuing operations in the consolidated statements of operations. Accordingly, revenues, operating income and income before taxes present the amounts for continuing operations. Because amounts for the fiscal year ended December 31, 2020 have been restated in the same manner for presentation, rates of increase or decrease from the previous fiscal year are not presented for these items.

(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 Dec. 31, 2021	30,062	8,648	7,493	24.9	67.17
As of Dec. 31, 2020	41,083	4,917	3,760	9.2	35.84

(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 Dec. 31, 2021	4,316	(728)	(5,124)	4,917
Year ended Dec. 31, 2020	3,970	1,969	(1,647)	6,449

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			
2020	1.80	1.80	1.80	1.80	7.20	755	(81.2)	13.9
2021	1.80	1.80	1.90	1.90	7.40	789	84.7	14.3
2022 (est.)	1.90	1.90	1.90	1.90	7.60		39.0	

3. Forecast of Consolidated Results for 2022 (January 1, 2022 – December 31, 2022)

(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	35,000	7.2	4,000	93.6	2,200	115.6	2,050	123.1	19.48

Notes

(1) Changes in Significant Subsidiaries during the Period (Change 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)
Year ended December 31, 2021: 113,068,000; Year ended December 31, 2020: 113,068,000
(b) Number of treasury shares at the end of the period:
Year ended December 31, 2021: 1,506,443; Year ended December 31, 2020: 8,145,796
(c) Average number of shares outstanding:
Year ended December 31, 2021: 105,249,619; Year ended December 31, 2020: 104,922,204

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for 2021 (January 1, 2021 – December 31, 2021)

(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, 2021	8,304	11.3	161	(80.3)	(356)	—	(413)	—
Year ended December 31, 2020	7,460	(11.1)	818	(16.2)	2,311	189.7	337	(46.1)

	Basic earnings per share	Diluted earnings per share
	(¥)	(¥)
Year ended December 31, 2021	(3.93)	—
Year ended December 31, 2020	3.22	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets/ Total assets (%)	Net assets per share (¥)
As of December 31, 2021	24,002	7,205	30.0	64.59
As of December 31, 2020	26,976	4,181	15.5	39.85

(Reference) Net worth: As of December 31, 2021: ¥7,205 million; As of December 31, 2020: ¥4,181 million

Note: Figures for non-consolidated results are based on Japanese standards.

*** 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

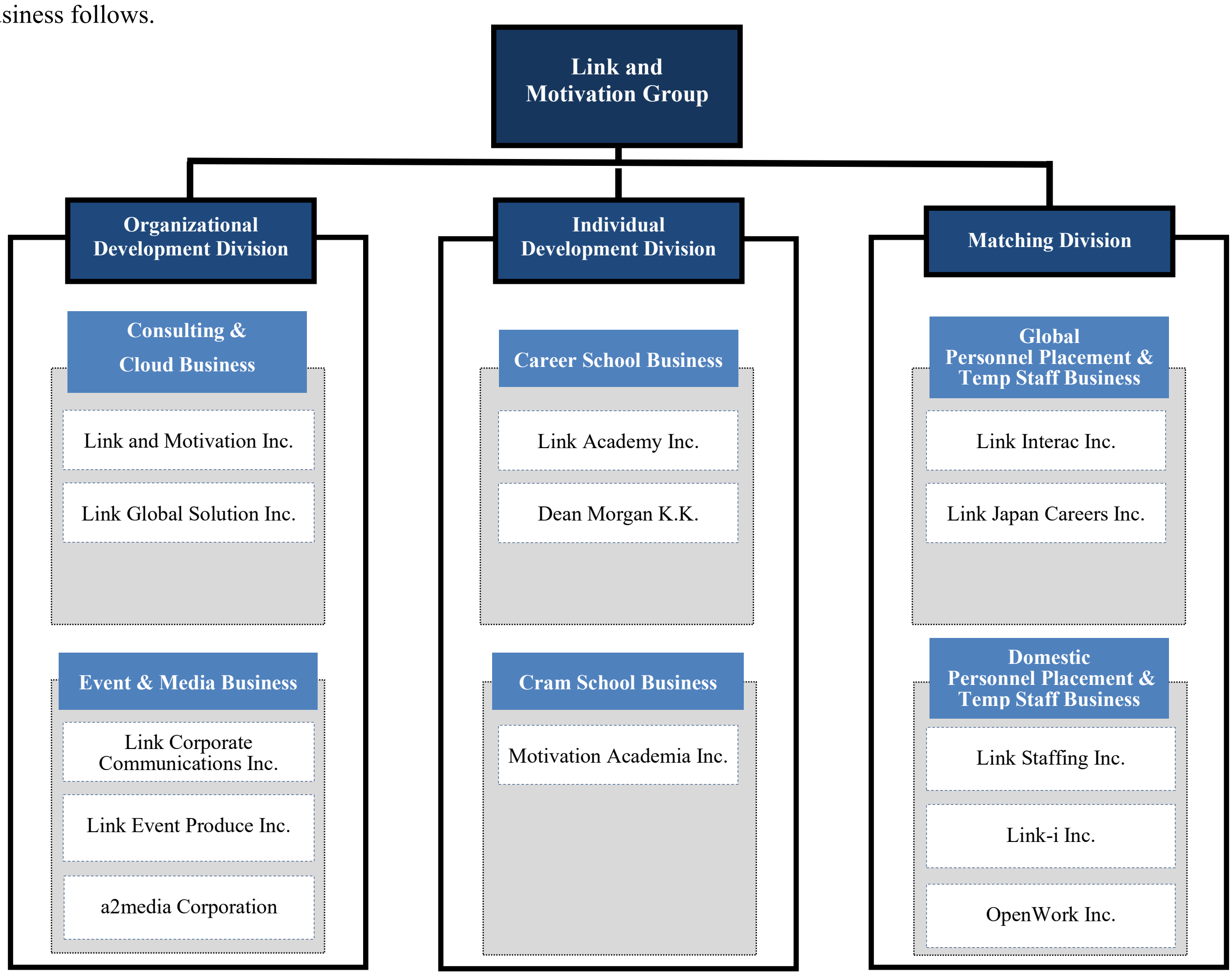
Forward-looking statements in the following text are based on judgments as of December 31, 2021, the last day of the consolidated accounting period under review. Because the Link and Motivation Group (the "Group") transferred the domestic temp staff business operated by its subsidiary Link Staffing Inc. to iDA K.K. (Location: Shibuya-ku, Tokyo; Representative Director, President and CEO: Kafuku Shinsuke) as of January 1, 2022, these operations are classified as discontinued. Therefore, the amount from continuing operations is shown for revenues, gross profit and operating income, and the total from continuing and discontinued operations is shown for net income attributable to owners of the parent. In addition, for year-on-year comparisons, figures for the previous year have been restated according to the classification after the transfer.

(1) Overview of Results of Operations for 2021

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." The Japanese economy was on a recovery track in 2021 as the impact of COVID-19 gradually eased with the increase in the vaccination rate, but the situation remains unpredictable, with factors including the confirmation of new variants, and the outlook continues to be as unclear as before. On the other hand, even under these economic conditions, the Group perceives rising needs for improving employee engagement due to changes in work style, including the continuation of telework from the previous fiscal year, and for enhancing the skills of individuals due to rapid Digital Transformation ("DX").

In this economic environment, the Group's revenues were ¥32,644 million (a 6.0% increase compared with the previous year), gross profit was ¥15,340 million (a 9.5% increase), operating income was ¥2,066 million (a 140.2% increase) and net income attributable to owners of the parent was ¥918 million (compared with net loss attributable to owners of the parent of ¥996 million in the previous fiscal year).

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



Because the domestic temp staff business operated by Link Staffing Inc. was transferred to iDA K.K. as of January 1, 2022, its operations have been classified as discontinued.

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 2021 were ¥10,819 million (a 9.0% increase), and segment income was ¥7,534 million (a 10.4% increase). An overview of operating results by business for 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 2021 were ¥8,716 million (an 11.6% increase) and gross profit was ¥6,703 million (a 9.1% increase). 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, 2020	Year ended December 31, 2021	YoY change (%)
Consulting & Cloud Business	7,808 [6,146]	8,716 [6,703]	11.6 9.1
Consulting	5,230	5,818	11.2
Cloud	2,578	2,897	12.4

In 2021, as the business continued to steadily capture needs for improving employee engagement, mainly at major companies, revenues increased and gross profit increased substantially compared with the previous fiscal year. According to the *Databook of International Labour Statistics 2019* from the Japan Institute for Labour Policy and Training, Japan's workforce is forecast to shrink at the fastest rate in the world, and with the recent increasing mobility of human resources, a key management issue for many corporations is shifting to securing and retaining human resources who can play an active role in their own companies. In addition, the push for human capital disclosure is gaining momentum around the world 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. Perceiving that needs for employee engagement and human resource development are rising greatly amid these conditions and that these needs will continue over the long term, the Group, which has supported the organizational transformation of numerous companies since its establishment in 2000, is taking advantage of this major opportunity. The business will continue to increase sales per customer by providing one-stop solutions using "Motivation Engineering."

Monthly fee revenue increased substantially compared with 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	December
Number of deliveries	906	795	770	759	747	743	772	738
Monthly fee revenue (¥ thousand)	203,789	183,600	190,423	200,927	206,485	218,928	235,859	240,545

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. The Motivation Cloud series is a group of cloud-based services in the field of HR Tech (human resources combined with technology) for improving employee engagement (mutual understanding, empathy and commitment between companies and employees). The Company migrated the organization diagnosis service it has offered since its founding to the cloud and started providing the Motivation Cloud service in July 2016. 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 2021, the Group succeeded in stepping up introductions at major companies, which increased substantially compared with the previous year. Monthly fee revenue has been firm, increasing to ¥240,545 thousand for the month of December 2021.

The business will continue to step up new introductions at major companies and to advance a global rollout that includes support for the global branch offices of Japanese companies through promotion of multilingual capabilities. In addition, the Company plans to migrate its human resource development services, with their proven track record of deliveries, to the cloud during fiscal 2022 for a launch as a new cloud service that offers opportunities for transformation. By rolling out this new cloud-based service in addition to Motivation Cloud, the Group forecasts ¥320 million in fee revenues from the Motivation Cloud series for the month of December 2022 (a year-on-year increase of 33.0%). To achieve this target, it will accelerate the development of its 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 2021 were ¥2,479 million (a 4.8% decrease) and gross profit was ¥1,081 million (a 12.6% increase). 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, 2020	Year ended December 31, 2021	YoY change (%)
Event & Media Business	2,604 [960]	2,479 [1,081]	(4.8) 12.6
Event	523	416	(20.4)
Media	2,080	2,062	(0.9)

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

The business will continue to promote online events using its Internet and video production capabilities and focus on providing Internet and video media services for IR.

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 2021 were ¥7,471 million (an 11.0% increase) and segment income was ¥2,904 million (a 36.9% increase). An overview of operating results by business for 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 2021 were ¥6,824 million (a 12.4% increase) and gross profit was ¥2,596 million (a 44.3% increase). 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, 2020	Year ended December 31, 2021	YoY change (%)
Career School Business	6,071 [1,799]	6,824 [2,596]	12.4 44.3
IT	3,331	3,791	13.8
Qualifications	2,146	2,406	12.1
English conversation	593	626	5.6

In 2021, gross profit significantly exceeded the level of the previous year due to growth in revenues from IT courses along with rising needs for skills for DX and success in improving the gross profit margin as a result of the promotion of online courses. In addition, DX support services for individuals at companies have also been growing steadily as needs increase for employees to strengthen their skills for DX.

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 greater growth in the DX market, which is expected to further expand, by utilizing the IT skill support know-how and customer assets cultivated by the Organizational Development Division and the Matching Division.

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 2021 were ¥651 million (a 2.2% decrease) and gross profit was ¥310 million (a 3.9% decrease).

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

In addition to continuing to provide stable services to increase the number of new enrollees through further improvements to the quality of its online classes and one-on-one meetings, 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 businesses. It creates matches with a high retention rate, consisting of 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, and employees who want to change jobs.

In this segment, segment revenues for 2021 were ¥15,043 million (a 1.3% increase) and segment income was ¥5,534 million (a 1.8% decrease). An overview of operating results by business for 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. 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 2021 were ¥13,123 million (a 1.5% increase) and gross profit was ¥3,650 million (a 3.5% decrease).

In 2021, revenues increased, despite the continuation of restrictions on entry into Japan, 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, support during the quarantine period after entering the country and other factors. 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. As of December 31, 2021, more than 4,300 schools were using the product, which is about 15% of public elementary, junior high and high schools nationwide, and the business plans to provide it to 14,000 schools, or about 40%, by 2024. The business will increase the contract renewal rate for ALTs and further expand market share by continuing to improve its brand power through Teachers Cloud.

Domestic Personnel Placement Business

The Domestic Personnel Placement business provides the human resources an organization needs to grow in the form of a referral service for human resources. The main businesses include new graduate recruiting and referral that connects university students looking for employment with company orientation meetings and interviews, and mid-career referral that matches working adults looking to change jobs with companies. 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 sources of income are from referrals to employment agencies and direct hiring services on its platform.

In this business, revenues for 2021 were ¥1,943 million (a 0.1% decrease) and gross profit was ¥1,907 million (a 1.2% increase).

OpenWork Inc., which is the main source of revenue, has been steadily accumulating registered users and the number of employee online reviews and evaluation score data during the COVID-19 pandemic, and its direct hiring service has grown substantially, by about 80% compared with the previous year. By continuing to utilize the customer base of the Organizational Development Division, to add to its stockpile of resumes of job-seekers, and to improve its matching rate, this business will ramp up “engagement matching” that achieves true mutual understanding and affinity between organizations and individuals.

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 2021

Total assets as of December 31, 2021 were ¥30,062 million, a decrease of ¥11,021 million from the end of the previous year. This was mainly due to factors including a ¥8,641 million decrease in right-of-use assets associated with a decision to relocate the Tokyo integrated office.

Total liabilities as of December 31, 2021 were ¥21,413 million, a decrease of ¥14,752 million from the end of the previous year. This was mainly due to factors including ¥5,667 million in interest-bearing and other financial liabilities and a ¥8,825 million decrease in lease liabilities associated with a decision to relocate the Tokyo integrated office.

Total equity as of December 31, 2021 was ¥8,648 million, an increase of ¥3,731 million from the end of the previous year. Principal factors included a ¥2,024 million increase in capital surplus due to disposition of treasury shares and other factors, and a ¥1,413 million decrease in treasury shares.

(3) Overview of Cash Flow for 2021

Cash and cash equivalents ("cash") as of December 31, 2021 were ¥4,917 million, a decrease of ¥1,532 million during the year.

Cash flow during 2021 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities was ¥4,316 million, an increase of ¥346 million compared with the previous year. The principal factors decreasing cash were a ¥1,629 million decrease in loss on impairment, a ¥676 million increase in trade and other receivables and a ¥1,205 million decrease in other cash flow from operating activities compared with the previous year, while the principal factors increasing cash included an increase of ¥1,233 million in income before income taxes, a decrease in loss before income taxes from discontinued operations of ¥597 million, a decrease in gain on valuation of investment securities of ¥563 million, an increase of ¥411 million in income tax refund, and a decrease of ¥858 million in income taxes paid compared with the previous year. 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.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥728 million (in the previous year, net cash provided by investing activities was ¥1,969 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 previous year (in 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 used in financing activities was ¥5,124 million (in the previous year, net cash used in financing activities was ¥1,647 million). The principal factor increasing cash was ¥4,029 million in proceeds from sale of treasury shares, while the principal factors decreasing cash included the absence of a net change in short-term financial liabilities that had been recorded in the previous year (compared with a ¥3,640 million increase in the previous year) and a ¥3,796 million increase in repayment of long-term financial liabilities.

(4) Forecast

In 2021, by conducting reforms in the areas of both businesses and costs to overcome the COVID-19 pandemic, the Company has completed laying the groundwork for growth from 2022 onward and has evolved into a robust management structure.

For its businesses, the Company has been promoting new models of providing value including a shift to online services in each division, and has been focusing on four businesses that can be expected to grow in anticipation of market expansion (the Motivation Cloud series in the Organizational Development Division, DX support for individuals at companies in the Individual Development Division, and OpenWork Inc. and the ALT dispatch business in the Matching Division). In addition, by transferring the domestic temp staff business to specialize in the high-margin personnel placement business, the operating margin improved 5.7 percentage points compared with the previous year to 6.3%.

As for costs, the Company completed the relocation and downsizing of business bases throughout Japan, including the Tokyo Head Office, premised on "Compatible Work," a new style of working that balances office work and telework. Although the Company recorded one-time expenses of approximately ¥1.0 billion associated with the relocation in 2021, due to the approximately 60% reduction in floor space it expects a decrease in rent of approximately 70% compared with the previous year in 2022. In addition, the Company worked to achieve more sound finances through measures including the disposition of treasury shares, which improved the ratio of equity attributable to owners of the parent to total assets to 24.9%.

Having prepared for dramatic growth through the above reforms, for the fiscal year ending December 31, 2022, the Company forecasts ¥35,000 million in revenues (an increase of 7.2% year on year); ¥4,500 million in adjusted operating income (an increase of 43.1%); ¥4,000 million in operating income (an increase of 93.6%) and ¥2,050 million in net income attributable to owners of the parent (an increase of 123.1%). 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, and operating income is forecast to reach a record high. Out of all the Group's businesses, the greatest growth is expected from the Consulting & Cloud business in the Organizational Development Division. Due to the recent changes in working styles caused by the COVID-19 pandemic and the global trend toward human capital disclosure, the Company perceives that needs for improving employee engagement are increasing all the more, especially among major companies. While continuing to capture these needs, the Company will accelerate growth by responding on a global scale and launching a new cloud-based product for human resource development. For the Organizational Development Division, the Company forecasts ¥12,000 million in revenues (a year-on-year increase of 10.9%), ¥8,700 million in gross profit (a year-on-year increase of 15.5%), and ¥320 million in subscription revenues from the Motivation Cloud series for the month of December 2022 (a year-on-year increase of 33.0%). Moreover, the Company will also achieve further growth in the Individual Development Division and the Matching Division by focusing on strengthening businesses and technologies that can be expected to generate synergies with the Organizational Development Division.

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, 2020	As of December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	6,449	4,917
Trade and other receivables	3,680	3,851
Inventories	187	200
Other current financial assets	14	9
Other current assets	1,057	753
Total current assets	11,389	9,732
Non-current assets		
Property, plant and equipment	1,162	637
Right-of-use assets	12,790	4,149
Goodwill	9,376	9,410
Intangible assets	2,266	2,234
Other non-current financial assets	3,203	2,744
Deferred tax assets	646	984
Other non-current assets	245	168
Total non-current assets	29,694	20,329
Total assets	41,083	30,062

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

	As of December 31, 2020	As of December 31, 2021
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities		
Trade and other payables	2,174	2,094
Contract liabilities	1,786	1,615
Interest-bearing and other financial liabilities	7,440	7,161
Lease liabilities	1,778	1,079
Income tax payable	484	716
Provisions	129	274
Other current liabilities	2,149	2,075
Total current liabilities	15,944	15,018
Non-current liabilities		
Interest-bearing and other financial liabilities	7,104	1,716
Lease liabilities	12,056	3,929
Provisions	560	359
Deferred tax liabilities	362	256
Other non-current liabilities	138	134
Total non-current liabilities	20,222	6,395
Total liabilities	36,166	21,413
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,380	1,380
Capital surplus	1,855	3,879
Treasury shares	(1,733)	(320)
Retained earnings	3,989	4,406
Other components of equity	(1,731)	(1,853)
Total equity attributable to owners of the parent	3,760	7,493
Non-controlling interests	1,157	1,154
Total equity	4,917	8,648
Total liabilities and equity	41,083	30,062

(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, 2020	Year ended December 31, 2021
Continuing Operations		
Revenues	30,785	32,644
Cost of sales	16,777	17,304
Gross profit	14,008	15,340
Selling, general and administrative expenses	12,084	12,625
Other income	757	112
Other expenses	1,820	760
Operating income	860	2,066
Financial revenues	8	12
Financial expenses	240	174
Equity in earnings of associates	41	—
Income before income taxes	670	1,903
Income taxes	977	801
Net income (loss) from continuing operations	(307)	1,102
Discontinued Operations		
Loss from discontinued operations	(622)	(82)
Net income (loss)	(929)	1,020
(Net income (loss) attributable to)		
Owners of the parent	(996)	918
Non-controlling interests	66	101
Net income (loss)	(929)	1,020
		(Yen)
Net income (loss) per share attributable to owners of the parent		
Basic earnings (loss) per share		
Continuing operations	(3.56)	9.51
Discontinued operations	(5.93)	(0.78)
Basic earnings (loss) per share	(9.50)	8.73
Diluted earnings (loss) per share		
Continuing operations	(3.56)	9.51
Discontinued operations	(5.93)	(0.78)
Diluted earnings (loss) per share	(9.50)	8.73

Consolidated Statements of Comprehensive Income

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

	Year ended December 31, 2020	Year ended December 31, 2021
Net income (loss)	(929)	1,020
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	(1,397)	22
Total of items that will not be reclassified to profit or loss	(1,397)	22
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(2)	4
	(2)	4
Total other comprehensive income	(1,399)	26
Total comprehensive income	(2,329)	1,047
(Attributable to)		
Owners of the parent	(2,396)	945
Non-controlling interests	66	101
Comprehensive income	(2,329)	1,047

(3) Consolidated Statements of Changes in Equity

Year ended December 31, 2020

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

	Equity attributable to owners of the parent							
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
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

Year ended December 31, 2021

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

	Equity attributable to owners of the parent							
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
January 1, 2021	1,380	1,855	(1,733)	3,989	(1,731)	3,760	1,157	4,917
Net income	—	—	—	918	—	918	101	1,020
Other comprehensive income	—	—	—	—	26	26	—	26
Total comprehensive income	—	—	—	918	26	945	101	1,047
Acquisition of treasury shares	—	—	(0)	—	—	(0)	—	(0)
Disposition of treasury shares	—	2,673	1,413	—	—	4,087	—	4,087
Change in ownership interest in subsidiaries	—	(649)	—	—	—	(649)	(103)	(753)
Dividends from surplus	—	—	—	(764)	—	(764)	—	(764)
Share-based payment transactions	—	—	—	—	115	115	—	115
Transfer from other components of equity to retained earnings	—	—	—	263	(263)	—	—	—
Total transactions with the owners	—	2,024	1,413	(501)	(148)	2,787	(103)	2,683
December 31, 2021	1,380	3,879	(320)	4,406	(1,853)	7,493	1,154	8,648

(4) Consolidated Statements of Cash Flow

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

	Year ended December 31, 2020	Year ended December 31, 2021
Cash flow from operating activities		
Income before income taxes	670	1,903
Loss before income taxes from discontinued operations	(611)	(13)
Depreciation and amortization	2,798	2,870
Loss on impairment	2,386	756
Gain on valuation of investment securities	(563)	—
Loss (gain) on sales of fixed assets	(7)	(3)
Gain on cancellation of insurance	—	(8)
Financial revenues and financial expenses	224	163
Equity in (earnings) losses of associates	(41)	—
Decrease (increase) in trade and other receivables	503	(173)
Loss (gain) on step acquisition	16	—
Decrease (increase) in inventories	68	(12)
Increase (decrease) in trade and other payables	(263)	(78)
Other	657	(547)
Subtotal	5,837	4,856
Interest and dividends received	5	0
Interest paid	(226)	(162)
Income tax refund	28	439
Income taxes paid	(1,675)	(816)
Net cash provided by operating activities	3,970	4,316
Cash flow from investing activities		
Payments for acquisition of property, plant and equipment	(222)	(330)
Proceeds from sale of property, plant and equipment	16	3
Payments for acquisition of intangible assets	(699)	(889)
Proceeds from acquisition of subsidiary stock associated with a change in the scope of consolidation	2,290	—
Proceeds from sale of investment securities	636	513
Payments for security deposits and guarantees	(56)	(272)
Proceeds from recovery of security deposits and guarantees	56	291
Payments for asset retirement obligations	(44)	(142)
Proceeds from cancellation of insurance	—	85
Other	(9)	13
Net cash provided by (used in) investing activities	1,969	(728)
Cash flow from financing activities		
Net increase (decrease) in short-term financial liabilities	3,640	—
Proceeds from long-term financial liabilities	—	506
Repayment of long-term financial liabilities	(2,376)	(6,173)
Payments of cash dividends	(754)	(765)
Repayments of lease liabilities	(2,075)	(1,968)
Payments from non-controlling interests	8	—
Payments for acquisition of interest in subsidiary from non-controlling interests	(90)	(753)
Payments for acquisition of treasury shares	—	4,029
Net cash used in financing activities	(1,647)	(5,124)
Cash and cash equivalents translation adjustment	(2)	4
Net increase (decrease) in cash and cash equivalents	4,289	(1,532)
Cash and cash equivalents at beginning of year	2,160	6,449
Cash and cash equivalents at end of year	6,449	4,917

(5) Notes to Consolidated Financial Statements

(Notes Regarding Assumption of Going Concern)

None applicable

(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 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 year ended December 31, 2021 each decreased ¥188 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 2022 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 was included in "Interest-bearing and other financial liabilities" under current liabilities and non-current liabilities 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, ¥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."

(Consolidated Statements of Cash Flow)

"Payments for asset retirement obligations," which were included in "Other" under "Cash flow from investing activities" in the previous fiscal year, is presented separately from the fiscal year ended December 31, 2021 due to its increased monetary importance.

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 cash flow for the previous fiscal year, negative ¥53 million in "Other" under "Cash flow from investing activities" has been restated as negative ¥44 million in "Payments for asset retirement obligations" and negative ¥9 million in "Other."

(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."

The Group classified the domestic temp staff business of Link Staffing Inc. as discontinued operations in the fiscal year ended December 31, 2021. As a result, relevant figures for the previous fiscal year have been restated.

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.

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

Values of 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, 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	9,518	6,726	14,521	30,766	18	—	30,785
Intersegment revenues and transfers	404	6	325	736	27	(764)	—
Total	9,923	6,732	14,846	31,503	46	(764)	30,785
Segment income (profit) (Note 1)	6,824	2,121	5,637	14,582	(42)	(531)	14,008
Selling, general and administrative expenses							12,084
Other revenue/expenses (net)							(1,063)
Financial revenue/expenses (net)							(231)
Equity in earnings of associates							41
Income before income taxes							670
Other items							
Depreciation and amortization	1,866	733	103	2,703	0	—	2,704
Impairment loss	113	1,621	21	1,755	38	—	1,794

Notes: 1. The Other segment consists of the restaurant business and other operations not included in the other reportable segments.
2. Adjustment is the elimination of intersegment transactions.

Year ended December 31, 2021

(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	10,461	7,449	14,728	32,640	4	—	32,644
Intersegment revenues and transfers	357	21	314	694	14	(708)	—
Total	10,819	7,471	15,043	33,334	18	(708)	32,644
Segment income (profit) (Note 1)	7,534	2,904	5,534	15,973	(46)	(587)	15,340
Selling, general and administrative expenses							12,625
Other revenue/expenses (net)							(648)
Financial revenue/expenses (net)							(162)
Equity in earnings of associates							—
Income before income taxes							1,903
Other items							
Depreciation and amortization	1,997	647	64	2,709	0	—	2,709
Impairment loss	48	516	166	732	—	—	732

Notes: 1. The Other segment consists of the restaurant business and other operations not included in the other 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, 2020	Year ended December 31, 2021
Continuing operations Discontinued operations	(3.56) (5.93)	9.51 (0.78)
Basic earnings per share (Yen)	(9.50)	8.73
Continuing operations Discontinued operations	(3.56) (5.93)	9.51 (0.78)
Diluted earnings per share (Yen)	(9.50)	8.73

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

	Year ended December 31, 2020	Year ended December 31, 2021
Profit used to calculate basic and diluted earnings per share		
Net income (loss) attributable to owners of the parent (Millions of yen)	(996)	918
Amount not attributable to ordinary shareholders of the parent (Millions of yen)	—	—
Profit (loss) used to calculate basic earnings per share (Millions of yen)	(996)	918
Continuing operations	(373)	1,001
Discontinued operations	(622)	(82)
Profit adjustment amount		
Adjustment for share options to be issued by consolidated subsidiaries (Millions of yen)	—	—
Profit (loss) used to calculate diluted earnings per share (Millions of yen)	(996)	918
Continuing operations	(373)	1,001
Discontinued operations	(622)	(82)
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)	104,922,204	105,249,619
Effect of dilutive shares: stock options	—	—
Weighted average number of ordinary shares used to calculate diluted earnings per share (Shares)	104,922,204	105,249,619

(Significant Subsequent Events)

None applicable