Consolidated Financial Statements for the Six Months Ended June 30, 2021 (IFRS)

These financial statements have been prepared for reference only.

August 11, 2021

Link and Motivation Inc.

Stock exchange listing: Tokyo, First Section

Code number: 2170

https://www.lmi.ne.jp/english

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Start of distribution of dividends (scheduled): September 24, 2021

Supplementary documents for quarterly results: No

Quarterly results briefing: No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for the Six Months Ended June 30, 2021 (January 1, 2021 – June 30, 2021)

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

	Revenues (¥ million)	Change (%)	Operating income (¥ million)	Change (%)	Income before income taxes (¥ million)	Change (%)	Net income (¥ million)	Change (%)
Six months ended June 30, 2021	18,370	5.6	1,484	97.7	1,398	103.8	905	109.6
Six months ended June 30, 2020	17,400	(9.1)	750	(49.0)	686	(51.9)	431	(50.9)

	Net income attributable to owners of the parent (¥ million)	Change (%)	Comprehensive income (¥ million)	Change (%)	Basic earnings per share (¥)	Diluted earnings per share (¥)
Six months ended June 30, 2021	834	124.0	942	–	7.95	7.95
Six months ended June 30, 2020	372	(57.8)	(411)	–	3.55	3.55

(Note) Figures for the six months ended June 30, 2020 reflect the finalization of provisional accounting treatment for business combinations on December 31, 2020.

(2) Financial Position

	Total assets (¥ million)	Total equity (¥ million)	Equity attributable to owners of the parent (¥ million)	Ratio of equity attributable to owners of the parent to total assets (%)
As of June 30, 2021	31,212	5,230	3,985	12.8
As of December 31, 2020	41,083	4,917	3,760	9.2

2. Dividends

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

Note: Revisions since the most recently announced dividend forecast: Yes

3. Forecast of 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	38,200	8.3	2,010	732.2	1,000	–	900	–	8.58

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

Notes

(1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries Due to Change in Scope of Consolidation): No

(2) Changes in Accounting Policies and Changes in Accounting Estimates
- (a) Changes in accounting policies required by IFRS: No
- (b) Changes in accounting policies other than (a) above: No
- (c) Changes in accounting estimates: Yes

(3) Number of Shares Issued and Outstanding (Common Stock)
- (a) Number of shares at the end of the period (including treasury stock)
  Six months ended June 30, 2021: 113,068,000; Year ended December 31, 2020: 113,068,000
- (b) Number of treasury shares at the end of the period:
  Six months ended June 30, 2021: 8,145,796; Year ended December 31, 2020: 8,145,796
- (c) Average number of shares outstanding (cumulative with earlier quarters):
  Six months ended June 30, 2021: 104,922,204; Six months ended June 30, 2020: 104,922,204

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

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

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

Contents of Attachments

1. Overview of Results of Operations and Other Information

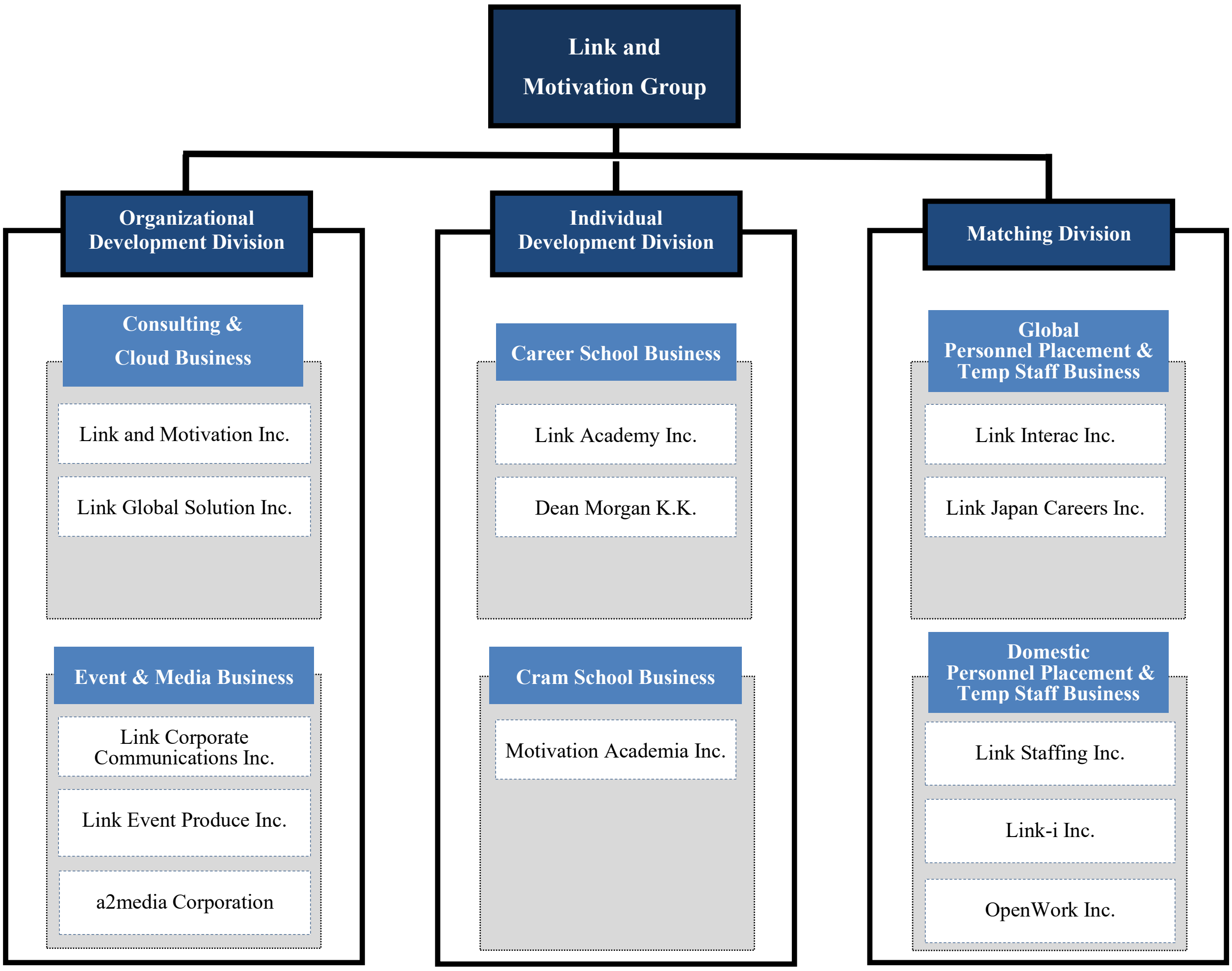
Forward-looking statements in the following text are based on judgments as of June 30, 2021, the last day of the consolidated quarterly accounting period under review. During the first half of the previous fiscal year, provisional accounting treatment was given to the business combination with OpenWork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

(1) Overview of Results of Operations for the Six Months Ended June 30, 2021

The Link and Motivation Group (the "Group") supports the transformation of numerous companies and individuals using "Motivation Engineering," which is the Group's core technology, backed by psychology, behavioral economics, social systems theory and other disciplines, under its corporate philosophy: "Through Motivation Engineering, we provide opportunities to transform organizations and individuals and create a more meaningful society." Due to the ongoing impact of the novel coronavirus ("COVID-19") pandemic, the economic outlook is uncertain, but the Group perceives rising needs for improving employee engagement during telework and for individual learning.

In this economic environment, the Group's revenues for the six months ended June 30, 2021 (the "first half of 2021") were ¥18,370 million (a 5.6% increase compared with the same period of the previous year), gross profit was ¥8,271 million (a 15.8% increase), operating income was ¥1,484 million (a 97.7% increase) and net income attributable to owners of the parent was ¥834 million (a 124.0% increase).

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



Organizational Development Division

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

In this segment, segment revenues for the first half of 2021 were ¥5,324 million (a 9.0% increase), and segment income was ¥3,748 million (a 12.0% increase). An overview of operating results by business for the first half of 2021 is as follows.

Consulting & Cloud Business

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

In this business, revenues for the first half of 2021 were ¥4,351 million (a 14.7% increase) and gross profit was ¥3,403 million (a 13.3% increase). Results by product in the Consulting & Cloud business were as follows.

Table 1. Revenues by Product

Product (¥ million) [Gross profit in brackets]	Six months ended June 30, 2020	Six months ended June 30, 2021	YoY change (%)
Consulting & Cloud Business	3,794 [3,004]	4,351 [3,403]	14.7 13.3
Consulting	2,502	2,993	19.6
Cloud	1,291	1,357	5.1

In the first half of 2021, both revenues and gross profit increased substantially compared with the same period of the previous fiscal year due to continued strong sales of online training of new employees and managers and personnel system planning. With the perception that the COVID-19 pandemic is increasingly bringing organizational issues to the fore, these conditions are expected to continue. 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. The business will continue to steadily capture these needs and increase sales per customer by providing one-stop solutions using "Motivation Engineering."

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

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

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

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 has become a key management theme for corporations. 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 first half of 2021, the Group stepped up introductions at major corporations, which increased compared with same period of the previous year. Monthly fee revenue had already bottomed out and has shifted to a steady growth track, increasing to ¥218,928 thousand for the month of June 2021.

The business will continue working to further step up new introductions at major corporations, mainly leading companies, and conducting a rollout to companies nationwide, including superior regional companies. In addition, it will accelerate the rollout of Motivation Cloud by steadily taking advantage of the global trend toward more robust human capital disclosure and promoting disclosure of Engagement Ratings as a driving force in the employee engagement market.

Event & Media Business

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

In this business, revenues for the first half of 2021 were ¥1,167 million (a 16.0% decrease) and gross profit was ¥487 million (a 3.8% decrease). Results by product in the Event & Media business were as follows.

Table 3. Revenues by Product

Product (¥ million) [Gross profit in brackets]	Six months ended June 30, 2020	Six months ended June 30, 2021	YoY change (%)
Event & Media Business	1,389 [506]	1,167 [487]	(16.0) (3.8)
Event	324	213	(34.3)
Media	1,064	954	(10.4)

In the first half of 2021, although assembly-type productions of the Event business and in-house media, which have been substantially impacted by the COVID-19 pandemic, were undergoing a recovery, they did not exceed the same period of the previous year and segment revenues decreased substantially. On the other hand, the decrease in gross profit was slight compared with the same period of the previous year due to factors including an improved gross profit margin for events associated with a shift online.

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

Individual Development Division

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

In this segment, segment revenues for the first half of 2021 were ¥3,760 million (a 21.7% increase) and segment income was ¥1,418 million (a 70.8% increase). An overview of operating results by business for the first half of 2021 is as follows.

Career School Business

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

In this business, revenues for the first half of 2021 were ¥3,481 million (a 24.2% increase) and gross profit was ¥1,297 million (an 83.9% increase). Results by product in the Career School business were as follows.

Table 4. Revenues by Product

Product (¥ million) [Gross profit in brackets]	Six months ended June 30, 2020	Six months ended June 30, 2021	YoY change (%)
Career School Business	2,803 [705]	3,481 [1,297]	24.2 83.9
IT	1,494	1,938	29.7
Qualifications	1,032	1,231	19.3
English conversation	276	311	12.7

Despite the continuation of the declaration of a state of emergency during the first half of 2021, a recovery was apparent in the number of enrollees for courses in all areas of IT, qualifications and English conversation due to the promotion of online courses, and revenues and gross profit both increased substantially compared with the same period of the previous year.

Going forward, the business will continue helping to generate results for students by providing value in virtual space without depending solely on business bases and ramping 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 the first half of 2021 were ¥281 million (an 3.0% decrease) and gross profit was ¥121 million (a 2.9% decrease).

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

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

Matching Division

The Matching Division provides services under the concept of "engagement matching," which applies "Motivation Engineering," the core technology of the Group, to its personnel placement and temp staff businesses. It creates affinities between organizations with hiring needs and individuals who want to advance their careers by matching not only the technical skill requirements of companies but also the respective characteristics of individuals and companies based on the Group's proprietary data. Its main targets are foreign nationals who want to work in Japan, students who want to find a job, employees who want to change jobs and temporary workers.

In this segment, segment revenues for the first half of 2021 decreased slightly to ¥9,777 million (a 1.5% decrease) and segment income increased slightly to ¥3,522 million (a 3.5% increase) compared with the same period of the previous year. An overview of operating results by business for the first half of 2021 is as follows.

Global Personnel Placement & Temp Staff Business

The Global Personnel Placement & Temp Staff business dispatches foreign assistant language teachers (ALTs) of foreign languages to elementary, junior high and high schools throughout Japan and provides English-language instruction services on contract. In this business, where barriers to entry are extremely high due to the importance placed on relationships of trust with customers and a company's track record, the Group has established the predominant number-one share among private companies. The business is also capturing needs for employment of foreigners through its business that provides one-stop foreigner recruiting, training and labor support to companies seeking to hire them.

In Japan, reforms of English education by the Ministry of Education, Culture, Sports, Science and Technology (MEXT) are promoting an earlier start for English-language learning. From fiscal 2020, English education starts from the third grade of elementary school, and is treated as a formal subject from the fifth grade of elementary school. Accordingly, ALT placement is proceeding rapidly. Meanwhile, because 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 the first half of 2021 were ¥6,673 million (a 7.3% increase) and gross profit was ¥2,143 million (a 10.0% increase).

During the first half of 2021, revenues and gross profit both increased, despite ongoing restrictions on entry into Japan from the previous year, as a result of the steady progress of measures such as extension of employment terms and hiring within Japan. This business has only one product.

In June 2021, the business launched "teachers cloud," a cloud service for teachers that posts extensive content for elementary, junior high and high school students and practical sample lessons using ALTs nationwide to improve the efficiency of teachers' preparation for English classes and their teaching skills. The business will achieve greater market share by continuing to improve its brand power.

Domestic Personnel Placement & Temp Staff Business

The Domestic Personnel Placement & Temp Staff business provides solutions in the form of referrals and temp staffing of the human resources an organization needs to grow. The main businesses include new graduate recruiting and referral that connects university students looking for employment with company orientation meetings and interviews, mid-career referral that matches working adults looking to change jobs with companies, and temp staffing that dispatches personnel for sales, clerical work and other fields. OpenWork Inc., which was added to the scope of consolidation as of the first half of 2020, operates OpenWork, one of Japan's largest employee online review platforms for job seekers, and its main source of income is from referrals to employment agencies.

In this business, revenues for the first half of 2021 were ¥3,147 million (a 15.7% decrease) and gross profit was ¥1,405 million (a 5.3% decrease). Results by product in the Domestic Personnel Placement & Temp Staff business were as follows.

Table 5. Revenues by Product

Product (¥ million) [Gross profit in brackets]	Six months ended June 30, 2020	Six months ended June 30, 2021	YoY change (%)
Domestic Personnel Placement & Temp Staff Business	3,731 [1,484]	3,147 [1,405]	(15.7) (5.3)
Temp staff dispatch	2,545	2,039	(19.9)
Personnel placement	1,186	1,107	(6.6)

During the first half of 2021, although there was a recovery in revenues from temp staff dispatch, which were significantly affected by the COVID-19 pandemic, improvements to the portfolio were delayed, and revenues and gross profit both decreased compared with the same period of the previous year.

In temp staff dispatch, the business will continue to conduct a portfolio shift to supermarkets and call centers, where demand is expected. In personnel placement, the number of registered users and employee online reviews have grown steadily during the pandemic, but neither recovered to the level of the same period of the previous year before the impact of COVID-19. By linking the assets held by OpenWork Inc. with the organizational and individual data assets held by the Group, the business will increase the number of job offers and enhance its matching engine to expedite 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 the Six Months Ended June 30, 2021

Total assets as of June 30, 2021 were ¥31,212 million, a decrease of ¥9,871 million from the end of the previous year. This was mainly due to factors including a ¥9,138 million decrease in right-of-use assets associated with a decision to relocate the Tokyo integrated office.

Total liabilities as of June 30, 2021 were ¥25,982 million, a decrease of ¥10,183 million from the end of the previous year. This was mainly due to factors including a ¥9,298 million decrease in lease liabilities associated with a decision to relocate the Tokyo integrated office.

Total equity as of June 30, 2021 was ¥5,230 million, an increase of ¥312 million from the end of the previous year. Principal factors included a ¥643 million increase in retained earnings as a result of recording net income attributable to owners of the parent and other factors, offset by a ¥268 million decrease in capital surplus due to change in ownership interest in subsidiaries.

(3) Overview of Cash Flow for the Six Months Ended June 30, 2021

Cash and cash equivalents ("cash") as of June 30, 2021 were ¥6,249 million, a decrease of ¥200 million during the period.

Cash flow during the six months ended June 30, 2021 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities was ¥2,162 million, an increase of ¥1,372 million compared with the same period of the previous year. The principal factor decreasing cash was a ¥522 increase in trade and other receivables compared with the same period of the previous year, while the principal factors increasing cash included an increase of ¥712 million in income before income taxes, an increase in trade and other payables of ¥320 million, an increase of ¥411 million in income tax refund, and a decrease of ¥414 million in income taxes paid.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥169 million (in the same period of the previous year, net cash provided by investing activities was ¥2,355 million). Principal factors included a decrease in cash due to the absence of proceeds from acquisition of subsidiary stock associated with change in scope of consolidation (in the same period a year earlier, 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 ¥2,197 million (in the same period of the previous year, net cash provided by financing activities was ¥1,777 million). The principal factors increasing cash included ¥406 million in proceeds from long-term financial liabilities, while the principal factors decreasing cash included the absence of a net change in short-term financial liabilities (compared with a ¥4,400 million increase in the same period of the previous year).

(4) Forecast

Despite requests for people to voluntarily refrain from unnecessary travel and the declaration of a state of emergency, we have revised our forecast of results for the fiscal year ending December 31, 2021 due to growth exceeding our expectations in the Organizational Development Division, particularly the Consulting & Cloud Business targeting major corporations. With the spread of telework and other major changes in working styles due to the COVID-19 pandemic, organizational and personnel issues are increasingly coming to the fore, and corporate needs for employee engagement are rising. We expect these conditions to continue in the future.

As a result of the above factors, for our results for the fiscal year ending December 31, 2021, we forecast ¥38,200 million in revenues (an increase of 8.3% year on year); ¥3,000 million in adjusted operating income (an increase of 45.8%); ¥2,010 million in operating income (an increase of 732.2%) and ¥900 million in net income attributable to owners of the parent. Adjusted operating income is a profit indicator that measures operating results by excluding temporary factors such as impairment of goodwill, right-of-use assets and fixed assets from operating income.

Going forward, we plan to secure record high profit in 2022 from significant growth in the Consulting & Cloud Business, OpenWork Inc., which boasts overwhelming advantages, and the Global Personnel Placement & Temp Staff Business, which conducts the ALT placement business, together with reforms of our cost structure.

2. Condensed Consolidated Financial Statements and Main Notes

(1) Condensed Consolidated Statements of Financial Position

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

	As of December 31, 2020	As of June 30, 2021
ASSETS		
Current assets		
Cash and cash equivalents	6,449	6,249
Trade and other receivables	3,680	4,038
Inventories	187	236
Other current financial assets	14	19
Other current assets	1,057	728
Total current assets	11,389	11,272
Non-current assets		
Property, plant and equipment	1,162	805
Right-of-use assets	12,790	3,652
Goodwill	9,376	9,317
Intangible assets	2,266	2,341
Other non-current financial assets	3,203	2,753
Deferred tax assets	646	830
Other non-current assets	245	240
Total non-current assets	29,694	19,940
Total assets	41,083	31,212

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

	As of December 31, 2020	As of June 30, 2021
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities		
Trade and other payables	2,174	1,807
Contract liabilities	1,786	1,936
Interest-bearing and other financial liabilities	7,440	8,794
Lease liabilities	1,778	1,417
Income tax payable	484	632
Provisions	129	252
Other current liabilities	2,149	2,115
Total current liabilities	15,944	16,957
Non-current liabilities		
Interest-bearing and other financial liabilities	7,104	5,154
Lease liabilities	12,056	3,119
Provisions	560	304
Deferred tax liabilities	362	311
Other non-current liabilities	138	135
Total non-current liabilities	20,222	9,025
Total liabilities	36,166	25,982
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,380	1,380
Capital surplus	1,855	1,587
Treasury shares	(1,733)	(1,733)
Retained earnings	3,989	4,632
Other components of equity	(1,731)	(1,881)
Total equity attributable to owners of the parent	3,760	3,985
Non-controlling interests	1,157	1,244
Total equity	4,917	5,230
Total liabilities and equity	41,083	31,212

(2) Condensed Consolidated Statements of Operations and Comprehensive Income

Condensed Consolidated Statements of Operations

Six Months Ended June 30

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

	Six months ended June 30, 2020	Six months ended June 30, 2021
Revenues	17,400	18,370
Cost of sales	10,257	10,099
Gross profit	7,142	8,271
Selling, general and administrative expenses	6,411	6,681
Other income	42	28
Other expenses	22	135
Operating income	750	1,484
Financial revenues	7	2
Financial expenses	90	87
Equity in earnings of associates	19	—
Income before income taxes	686	1,398
Income taxes	254	493
Net income	431	905
(Attributable to)		
Owners of the parent	372	834
Non-controlling interests	59	70
Total	431	905

(Yen)

Earnings per share attributable to owners of the parent		
Basic earnings per share	3.55	7.95
Diluted earnings per share	3.55	7.95

Condensed Consolidated Statements of Operations
Three Months Ended June 30

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

	Three months ended June 30, 2020	Three months ended June 30, 2021
Revenues	8,055	9,408
Cost of sales	4,919	5,120
Gross profit	3,135	4,287
Selling, general and administrative expenses	3,027	3,370
Other income	41	10
Other expenses	3	74
Operating income	145	853
Financial revenues	5	0
Financial expenses	44	30
Equity in earnings of associates	14	—
Income before income taxes	120	823
Income taxes	86	198
Net income	34	624
(Attributable to)		
Owners of the parent	7	588
Non-controlling interests	26	35
Total	34	624

(Yen)

Earnings per share attributable to owners of the parent		
Basic earnings per share	0.07	5.61
Diluted earnings per share	0.07	5.61

Condensed Consolidated Statements of Comprehensive Income

Six Months Ended June 30

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

	Six months ended June 30, 2020	Six months ended June 30, 2021
Net income	431	905
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	(842)	32
Total items that will not be reclassified to profit or loss	(842)	32
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(0)	4
Total items that may be reclassified to profit or loss	(0)	4
Total other comprehensive income	(842)	37
Total comprehensive income	(411)	942
(Attributable to)		
Owners of the parent	(470)	871
Non-controlling interests	59	70
Comprehensive income	(411)	942

Condensed Consolidated Statements of Comprehensive Income

Three Months Ended June 30

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

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net income	34	624
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	(403)	48
Total items that will not be reclassified to profit or loss	(403)	48
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(0)	0
Total items that may be reclassified to profit or loss	(0)	0
Total other comprehensive income	(403)	48
Total comprehensive income	(368)	673
(Attributable to)		
Owners of the parent	(395)	637
Non-controlling interests	26	35
Comprehensive income	(368)	673

(3) Condensed Consolidated Statements of Changes in Equity

Six Months Ended June 30, 2020

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

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total equity attributable to owners of the parent		
January 1, 2020	1,380	1,987	(1,733)	5,440	(31)	7,043	(10)	7,033
Net income	—	—	—	372	—	372	59	431
Other comprehensive income	—	—	—	—	(842)	(842)	—	(842)
Total comprehensive income	—	—	—	372	(842)	(470)	59	(411)
Change due to business combination	—	—	—	—	—	—	1,050	1,050
Change in ownership interest in subsidiaries	—	(94)	—	—	—	(94)	4	(90)
Dividends from surplus	—	—	—	(377)	—	(377)	—	(377)
Exercise of share options	—	(37)	—	—	—	(37)	45	8
Transfer from other components of equity to retained earnings	—	—	—	305	(305)	—	—	—
Total transactions with the owners	—	(132)	—	(72)	(305)	(509)	1,101	591
June 30, 2020	1,380	1,855	(1,733)	5,740	(1,179)	6,063	1,149	7,213

Six Months Ended June 30, 2021

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

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total equity attributable to owners of the parent		
January 1, 2021	1,380	1,855	(1,733)	3,989	(1,731)	3,760	1,157	4,917
Net income	—	—	—	834	—	834	70	905
Other comprehensive income	—	—	—	—	37	37	—	37
Total comprehensive income	—	—	—	834	37	871	70	942
Change in ownership interest in subsidiaries	—	(268)	—	—	—	(268)	16	(251)
Dividends from surplus	—	—	—	(377)	—	(377)	—	(377)
Transfer from other components of equity to retained earnings	—	—	—	186	(186)	—	—	—
Total transactions with the owners	—	(268)	—	(190)	(186)	(646)	16	(629)
June 30, 2021	1,380	1,587	(1,733)	4,632	(1,881)	3,985	1,244	5,230

(4) Condensed Consolidated Statements of Cash Flow

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

	Six months ended June 30, 2020	Six months ended June 30, 2021
Cash flow from operating activities		
Income before income taxes	686	1,398
Depreciation and amortization	1,287	1,586
Loss on impairment	1	115
Loss (gain) on sales of fixed assets	—	(0)
Financial revenues and financial expenses	83	85
Equity in (earnings) losses of associates	(19)	—
Decrease (increase) in trade and other receivables	162	(359)
Loss (gain) on step acquisition	16	—
Decrease (increase) in inventories	24	(49)
Increase (decrease) in trade and other payables	(698)	(377)
Other	170	(126)
Subtotal	1,716	2,272
Interest and dividends received	5	0
Interest paid	(88)	(92)
Income tax refund	28	439
Income taxes paid	(871)	(457)
Net cash provided by operating activities	789	2,162
Cash flow from investing activities		
Payments for acquisition of property, plant and equipment	(147)	(134)
Proceeds from sale of property, plant and equipment	—	0
Payments for acquisition of intangible assets	(385)	(396)
Proceeds from acquisition of subsidiary stock associated with a change in consolidation	2,290	—
Proceeds from sale of investment securities	636	513
Payments for security deposits and guarantees	(20)	(155)
Proceeds from refund of security deposits and guarantees	27	135
Payments for fulfillment of asset retirement obligations	(14)	(137)
Other	(31)	3
Net cash provided used in investing activities	2,355	(169)
Cash flow from financing activities		
Net increase (decrease) in short-term financial liabilities	4,400	—
Proceeds from log-term financial liabilities	—	406
Repayment of long-term financial liabilities	(1,126)	(996)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(90)	(251)
Payments of cash dividends	(377)	(378)
Repayment of lease liabilities	(1,036)	(976)
Proceeds from sale of interests in subsidiaries to non-controlling interests	8	—
Net cash used in financing activities	1,777	(2,197)
Cash and cash equivalents translation adjustment	(0)	4
Net increase (decrease) in cash and cash equivalents	4,922	(200)
Cash and cash equivalents at beginning of the quarter	2,160	6,449
Cash and cash equivalents at end of the quarter	7,082	6,249

(5) Notes to Condensed Consolidated Financial Statements

(Significant Accounting Policies)

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

Income taxes expense for the six months ended June 30, 2021 was calculated using the estimated average annual effective tax rate.

(Notes Regarding Significant Accounting Estimates and Judgements)

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

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

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

(Useful Life of Property, Plant and Equipment)

The Group passed a resolution in February 2021 to relocate its Tokyo head office, and the move is expected to be completed by the end of 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 scheduled 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 six months ended June 30, 2021 each decreased ¥170 million yen, respectively.

(Accounting Estimates Related to the COVID-19 Pandemic)

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

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

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

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

(Changes in Presentation Method)

Consolidated Financial Statements

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

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

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

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

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

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

(Notes Regarding Assumption of Going Concern)

None applicable

(Significant Subsequent Events)

None applicable