

# Consolidated Financial Statements for the Three Months Ended March 31, 2021 (IFRS)

These financial statements have been prepared for reference only.

May 13, 2021

Link and Motivation Inc.

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

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

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

May 13, 2021

Start of distribution of dividends (scheduled):

June 25, 2021

Supplementary documents for quarterly results:

No

Quarterly results briefing:

No

(Amounts are rounded down to the nearest million.)

## 1. Consolidated Results for the Three Months Ended March 31, 2021 (January 1, 2021 - March 31, 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 (%)
Three months ended March 31, 2021	8,962	(4.1)	630	4.3	575	1.8	280	(29.4)
Three months ended March 31, 2020	9,345	1.7	604	42.5	565	40.1	397	101.3

	Net income attributable to owners of the parent (¥ million)	Change (%)	Comprehen- sive income (¥ million)	Change (%)	Basic earnings per share (¥)	Diluted earnings per share (¥)
Three months ended March 31, 2021	245	(32.7)	268	(736.6)	2.34	2.34
Three months ended March 31, 2020	364	81.6	(42)	(109.7)	3.48	3.48

(2) Financial Position

	Total assets (¥ million)	Total equity (¥ million)	Equity attributable to owners of the parent (¥ million)	Ratio of equity attributable to owners of the parent to total assets (%)
As of March 31, 2021	32,645	4,997	3,805	11.7
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				
2021 (est.)		1.80	1.80	1.80	7.20

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

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

(Percentages represent change compared with the previous fiscal year.)

	Revenues		Operating income		Net income		Net income attributable to owners of the parent		Basic earnings per share (¥)
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	
Full-year	37,700	6.9	1,370	467.2	670	—	570	—	5.43

Note: Revisions since the most recently announced forecast of results: No

## 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)  
Three months ended March 31, 2021: 113,068,000; Year ended December 31, 2020: 113,068,000
  - (b) Number of treasury shares at the end of the period:  
Three months ended March 31, 2021: 8,145,796; Year ended December 31, 2020: 8,145,796
  - (c) Average number of shares outstanding (cumulative with earlier quarters):  
Three months ended March 31, 2021: 104,922,204; Three months ended March 31, 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

<b>1. Overview of Results of Operations and Other Information .....</b>	<b>2</b>
<b>(1) Overview of Results of Operations for the Three Months Ended March 31, 2021 .....</b>	<b>2</b>
<b>(2) Overview of Financial Position for the Three Months Ended March 31, 2021 .....</b>	<b>8</b>
<b>(3) Overview of Cash Flow for the Three Months Ended March 31, 2021 .....</b>	<b>8</b>
<b>(4) Forecast .....</b>	<b>8</b>
<b>(5) Important Information Regarding Assumption of Going Concern .....</b>	<b>8</b>
<b>2. Condensed Consolidated Financial Statements and Main Notes .....</b>	<b>9</b>
<b>(1) Condensed Consolidated Statements of Financial Position .....</b>	<b>9</b>
<b>(2) Condensed Consolidated Statements of Operations and Comprehensive Income .....</b>	<b>11</b>
<b>(3) Condensed Consolidated Statements of Changes in Equity .....</b>	<b>13</b>
<b>(4) Condensed Consolidated Statements of Cash Flow .....</b>	<b>14</b>
<b>(5) Notes to Condensed Consolidated Financial Statements .....</b>	<b>15</b>
<b>Changes in Accounting Policies .....</b>	<b>15</b>
<b>Notes Regarding Significant Accounting Estimates and Judgements .....</b>	<b>15</b>
<b>Changes in Presentation Method .....</b>	<b>16</b>
<b>Notes Regarding Assumption of Going Concern .....</b>	<b>16</b>
<b>Significant Subsequent Events .....</b>	<b>16</b>

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

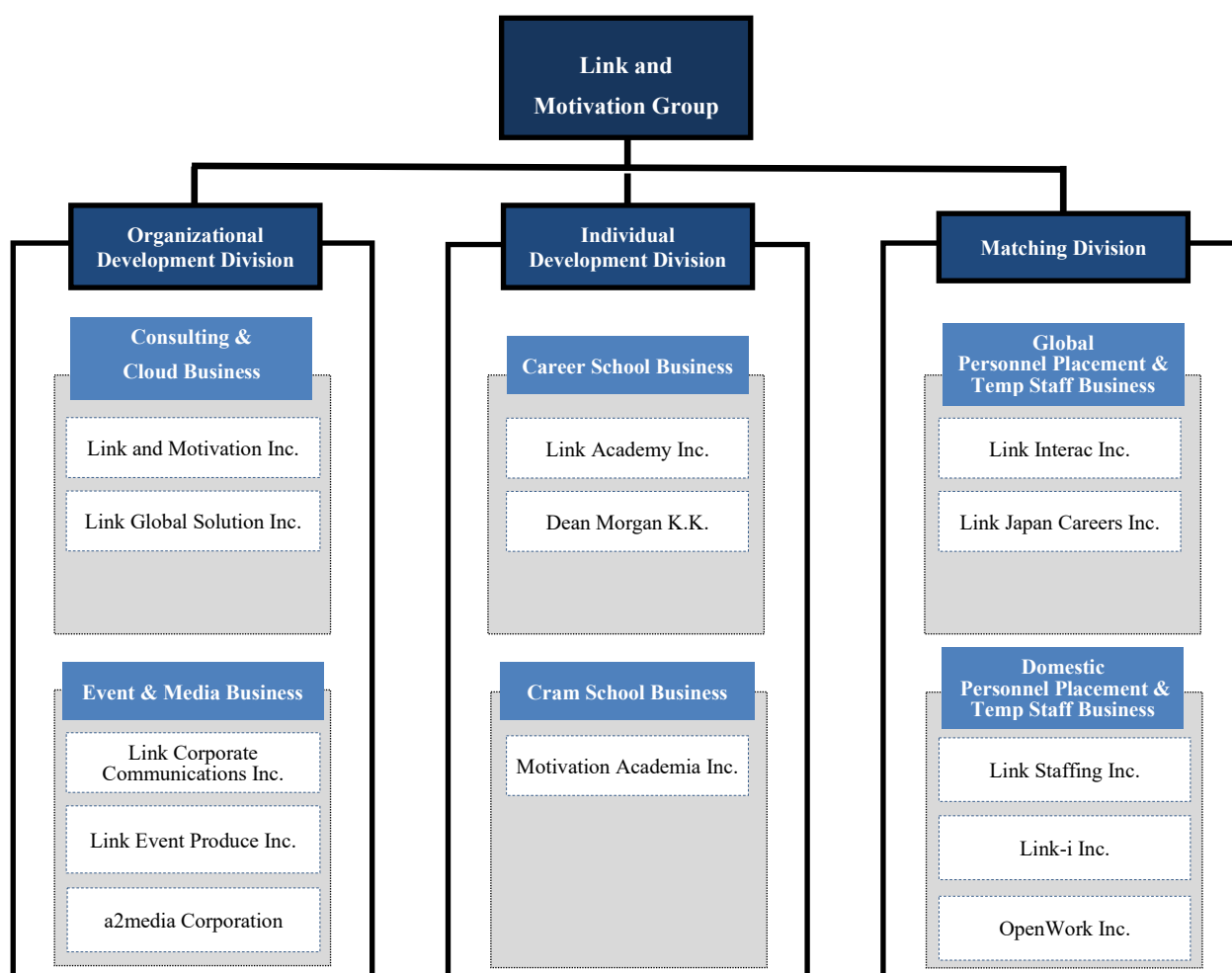
Forward-looking statements in the following text are based on judgments as of March 31, 2021, the last day of the consolidated quarterly accounting period under review. During the first quarter of the previous fiscal year, provisional accounting treatment was given to the business combination with OpenWork 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 Three Months Ended March 31, 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.” Since the second quarter of 2020, the novel coronavirus (“COVID-19”) pandemic has had an ongoing impact, and the economic outlook remains uncertain. On the other hand, 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 three months ended March 31, 2021 (the “first quarter of 2021”) were ¥8,962 million (a 4.1% decrease compared with the same period of the previous year), gross profit was ¥3,983 million (a 0.6% decrease), operating income was ¥630 million (a 4.3% increase) and net income attributable to owners of the parent was ¥245 million (a 32.7% decrease).

The segment and business classifications of the Group are as shown below, and an overview of the first quarter 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 quarter of 2021 were ¥2,487 million (a 0.2% decrease), and segment income was ¥1,777 million (a 1.8% increase). An overview of operating results by business for the first quarter 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 quarter of 2021 were ¥2,082 million (a 2.6% increase) and gross profit was ¥1,612 million (a 1.6% increase). Results by product in the Consulting & Cloud business were as follows.

**Table 1. Revenues by Product**

Product (¥ million) [Gross profit in brackets]	Three months ended March 31, 2020	Three months ended March 31, 2021	YoY change (%)
Consulting & Cloud Business	2,029 [1,586]	2,082 [1,612]	2.6 1.6
Consulting	1,352	1,419	5.0
Cloud	676	662	(2.1)

In the first quarter of 2021, both revenues and gross profit increased compared with the same period of the previous fiscal year due to strong sales of online training of new employees and managers and personnel system planning. In addition, due to the popularization of telework during the COVID-19 pandemic, there were growing needs for improving employee engagement. 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
Number of deliveries	906	795	770	759	747
Monthly fee revenue (¥ thousand)	203,789	183,600	190,423	200,927	206,485

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

Recently, shifting to adapt to the labor market, which consists of human resources, both employees and job applicants, has been a management issue for many companies. Under these circumstances, improving employee engagement at corporations has become a key management theme. In addition, the widespread adoption of telework due

to the COVID-19 pandemic has made it difficult to monitor employees. As a result, the premise of this business is that the importance of improving employee engagement, including visualization of organizational status, is increasing.

During the first quarter, “Cloud” sales decreased compared with same period of the previous year as new introductions slowed at small and medium-sized enterprises and venture companies, although new introductions continued to increase at major corporations and monthly fee revenue was firm, totaling ¥206,485 thousand for the month of March 2021 as average monthly fee revenue continued to rise, even during the COVID-19 pandemic.

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

### Event & Media Business

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

In this business, revenues for the first quarter of 2021 were ¥533 million (a 17.5% decrease) and gross profit was ¥247 million (a 0.7% increase). Results by product in the Event & Media business were as follows.

**Table 3. Revenues by Product**

Product (¥ million) [Gross profit in brackets]	Three months ended March 31, 2020	Three months ended March 31, 2021	YoY change (%)
Event & Media Business	646 [245]	533 [247]	(17.5) 0.7
Event	162	104	(35.6)
Media	483	428	(11.4)

In the first quarter of 2021, although productions of the Event business, which has been substantially impacted by the COVID-19 pandemic, were on a recovery track, they did not exceed the same period of the previous year and segment revenues decreased substantially. On the other hand, gross profit increased slightly 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.

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

## **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 quarter of 2021 were ¥1,831 million (a 0.3% increase) and segment income was ¥652 million (a 0.5% increase). An overview of operating results by business for the first quarter 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 six service brands of “Aviva” personal computer schools, “Daiei” qualification schools, “Aviva Pro” programming schools, and “Rosetta Stone Learning Center,” “Rosetta Stone Premium Club” and “Hummingbird” foreign language schools. Previously, the business mainly 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 quarter of 2021 were ¥1,684 million (a 1.2% increase) and gross profit was ¥584 million (a 1.4% increase). Results by product in the Career School business were as follows.

**Table 4. Revenues by Product**

Product (¥ million) [Gross profit in brackets]	Three months ended March 31, 2020	Three months ended March 31, 2021	YoY change (%)
Career School Business	1,664 [577]	1,684 [584]	1.2 1.4
IT	949	935	(1.4)
Qualifications	534	593	11.1
English conversation	181	155	(14.3)

Despite the declaration of a state of emergency during the first quarter, due to an increase in the number of enrollees, mainly in courses for civil servants, and promotion of online courses, revenues and gross profit both increased 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 quarter of 2021 were ¥148 million (an 8.8% decrease) and gross profit was ¥67 million (a 6.2% decrease).

In first quarter of 2021, as with the Career Schools business, revenues and gross profit both decreased compared with the same period of the previous year due to a slump in the contract rate for new enrollees, despite the promotion of a shift to online classes. 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 quarter of 2021 were ¥4,853 million (an 8.6% decrease) and segment income was ¥1,731 million (a 6.8% decrease), with segment revenues and segment income both decreasing compared with the same period of the previous year. An overview of operating results by business for the first quarter 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 quarter of 2021 were ¥3,305 million (a 6.0% increase) and gross profit was ¥1,056 million (a 4.8% increase).

During the first quarter of 2021, revenues and gross profit both increased despite restrictions on entry into Japan as a result of the success of measures such as extension of employment terms and hiring within Japan. This business has only one product.

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

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

The Domestic Personnel Placement & Temp Staff business provides 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 quarter 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 quarter of 2021 were ¥1,566 million (a 28.8% decrease) and gross profit was ¥684 million (a 20.3% 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]	Three months ended March 31, 2020	Three months ended March 31, 2021	YoY change (%)
Domestic Personnel Placement & Temp Staff Business	2,200 [858]	1,566 [684]	(28.8) (20.3)
Temp staff dispatch	1,563	1,042	(33.4)
Personnel placement	636	524	(17.6)

During the first quarter of 2021, although there was a recovery in revenues from temp staff dispatch, which were significantly affected by the COVID-19 pandemic, it did not result on a year-on-year increase, 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 Three Months Ended March 31, 2021**

Total assets as of March 31, 2021 were ¥32,645 million, a decrease of ¥8,438 million from the end of the previous year. This was mainly due to factors including a ¥8,775 million decrease right-of-use assets associated with a decision to relocate the Tokyo integrated office.

Total liabilities as of March 31, 2021 were ¥27,647 million, a decrease of ¥8,519 million from the end of the previous year. This was mainly due to factors including a ¥8,839 million decrease in lease liabilities associated with a decision to relocate the Tokyo integrated office.

Total equity as of March 31, 2021 was ¥4,997 million, an increase of ¥79 million from the end of the previous year. This was mainly due to factors including a ¥56 million increase in retained earnings.

## **(3) Overview of Cash Flow for the Three Months Ended March 31, 2021**

Cash and cash equivalents (“cash”) as of March 31, 2021 were ¥6,458 million, an increase of ¥8 million during the period.

Cash flow during the three months ended March 31, 2021 was as follows.

### *Cash Flow from Operating Activities*

Net cash provided by operating activities was ¥482 million, an increase of ¥362 million compared with the same period of the previous year. The principal factors were an increase of ¥210 million in depreciation and amortization, a ¥446 million decrease in trade and other payables (compared with a ¥566 million decrease in the same period of the previous year), and a decrease of ¥395 million in income taxes paid, offset by a ¥44 million increase in trade and other receivables (compared with a ¥279 million decrease in the same period of the previous year) and negative ¥14 million in other (compared with positive ¥47 million in the same period of the previous year).

### *Cash Flow from Investing Activities*

Net cash used in investing activities was ¥382 million (in the same period of the previous year, net cash provided by investing activities was ¥2,064 million). Principal factors included an increase of ¥122 million in payments for security deposits and guarantees and 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 ¥94 million (in the same period of the previous year, net cash provided by financing activities was ¥557 million). The principal factors included a ¥1,000 million net increase in short-term financial liabilities (compared with a ¥1,800 million increase in the same period of the previous year) and ¥106 million in proceeds from long-term financial liabilities.

## **(4) Forecast**

There is no change from the forecast of consolidated results for 2021 announced in “Consolidated Financial Statements for the Year Ended December 31, 2020” dated February 12, 2021.

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

None applicable

## 2. Condensed Consolidated Financial Statements and Main Notes

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

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

	As of December 31, 2020	As of March 31, 2021
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	6,449	6,458
Trade and other receivables	3,680	3,732
Inventories	187	226
Other current financial assets	14	0
Other current assets	1,057	1,192
Total current assets	11,389	11,610
Non-current assets		
Property, plant and equipment	1,162	975
Right-of-use assets	12,790	4,015
Goodwill	9,376	9,376
Intangible assets	2,266	2,316
Other non-current financial assets	3,203	3,210
Deferred tax assets	646	885
Other non-current assets	245	253
Total non-current assets	29,694	21,034
Total assets	41,083	32,645

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

	As of December 31, 2020	As of March 31, 2021
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Current liabilities		
Trade and other payables	2,174	1,792
Contract liabilities	1,786	1,925
Interest-bearing and other financial liabilities	7,440	9,935
Lease liabilities	1,778	1,647
Income tax payable	484	245
Provisions	129	341
Other current liabilities	2,149	2,372
Total current liabilities	15,944	18,261
Non-current liabilities		
Interest-bearing and other financial liabilities	7,104	5,208
Lease liabilities	12,056	3,347
Provisions	560	303
Deferred tax liabilities	362	388
Other non-current liabilities	138	137
Total non-current liabilities	20,222	9,386
Total liabilities	36,166	27,647
<b>EQUITY</b>		
Equity attributable to owners of the parent		
Share capital	1,380	1,380
Capital surplus	1,855	1,855
Treasury shares	(1,733)	(1,733)
Retained earnings	3,989	4,045
Other components of equity	(1,731)	(1,743)
Total equity attributable to owners of the parent	3,760	3,805
Non-controlling interests	1,157	1,192
Total equity	4,917	4,997
Total liabilities and equity	41,083	32,645

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

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

	Three months ended March 31, 2020	Three months ended March 31, 2021
Revenues	9,345	8,962
Cost of sales	5,338	4,978
Gross profit	4,007	3,983
Selling, general and administrative expenses	3,384	3,310
Other income	0	18
Other expenses	19	60
Operating income	604	630
Financial revenues	1	1
Financial expenses	46	57
Equity in earnings of associates	4	—
Income before income taxes	565	575
Income taxes	167	294
Net income	397	280
(Attributable to)		
Owners of the parent	364	245
Non-controlling interests	32	35
Total	397	280

(Yen)

Earnings per share attributable to owners of the parent		
Basic earnings per share	3.48	2.34
Diluted earnings per share	3.48	2.34

## Condensed Consolidated Statements of Comprehensive Income

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

	Three months ended March 31, 2020	Three months ended March 31, 2021
Net income	397	280
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	(439)	(15)
Total of items that will not be reclassified to profit or loss	(439)	(15)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(0)	3
Total of items that may be reclassified to profit or loss	(0)	3
Total other comprehensive income	(439)	(11)
Total comprehensive income	(42)	268
(Attributable to)		
Owners of the parent	(74)	233
Non-controlling interests	32	35
Comprehensive income	(42)	268

**(3) Condensed Consolidated Statements of Changes in Equity****Three months ended March 31, 2020**

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

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total equity attributable to owners of the parent		
January 1, 2020	1,380	1,987	(1,733)	5,440	(31)	7,043	(10)	7,033
Net income	—	—	—	364	—	364	32	397
Other comprehensive income	—	—	—	—	(439)	(439)	—	(439)
Total comprehensive income	—	—	—	364	(439)	(74)	32	(42)
Change due to business combination	—	—	—	—	—	—	1,050	1,050
Dividends from surplus	—	—	—	(188)	—	(188)	—	(188)
Exercise of share options	—	(37)	—	—	—	(37)	45	8
Total transactions with the owners	—	(37)	—	(188)	—	(226)	1,096	870
March 31, 2020	1,380	1,950	(1,733)	5,616	(470)	6,742	1,118	7,861

**Three months ended March 31, 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	—	—	—	245	—	245	35	280
Other comprehensive income	—	—	—	—	(11)	(11)	—	(11)
Total comprehensive income	—	—	—	245	(11)	233	35	268
Dividends from surplus	—	—	—	(188)	—	(188)	—	(188)
Total transactions with the owners	—	—	—	(188)	—	(188)	—	(188)
March 31, 2021	1,380	1,855	(1,733)	4,045	(1,743)	3,805	1,192	4,997

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

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

	Three months ended March 31, 2020	Three months ended March 31, 2021
Cash flow from operating activities		
Income before income taxes	565	575
Depreciation and amortization	642	853
Loss on impairment	0	56
Financial revenues and financial expenses	44	55
Equity in losses (earnings) of associates	(4)	—
Decrease (increase) in trade and other receivables	279	(44)
Loss (gain) on step acquisitions	16	—
Decrease (increase) in inventories	(12)	(38)
Increase (decrease) in trade and other payables	(566)	(446)
Other	47	(14)
Subtotal	1,013	996
Interest and dividends received	0	0
Interest paid	(44)	(56)
Income tax refund	4	—
Income taxes paid	(853)	(458)
Net cash provided by operating activities	119	482
Cash flow from investing activities		
Payments for acquisition of property, plant and equipment	(60)	(31)
Payments for acquisition of intangible assets	(166)	(187)
Proceeds from acquisition of subsidiary stock associated with change in scope of consolidation	2,290	—
Payments for security deposits and guarantees	(19)	(142)
Proceeds from refund of security deposits and guarantees	16	55
Other	3	(76)
Net cash provided by (used in) investing activities	2,064	(382)
Cash flow from financing activities		
Net increase (decrease) in short-term financial liabilities	1,800	1,000
Proceeds from long-term financial liabilities	—	106
Repayment of long-term financial liabilities	(570)	(506)
Payments of cash dividends	(189)	(189)
Repayment of lease liabilities	(490)	(504)
Payments from non-controlling interests	8	—
Net cash provided by (used in) financing activities	557	(94)
Cash and cash equivalents translation adjustment	(0)	3
Net increase (decrease) in cash and cash equivalents	2,741	8
Cash and cash equivalents at beginning of quarter	2,160	6,449
Cash and cash equivalents at end of quarter	4,901	6,458



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

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

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

Income taxes expense for the three months ended March 31, 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.

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 three months ended March 31, 2021 each decreased ¥82 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 going out and the declaration of a state of emergency associated with the COVID-19 pandemic, the Group lost opportunities to provide its services. These lost opportunities included the postponement or cancellation of group training activities and other services in the Organizational Development Division, a decrease in the number of new enrollees due to the temporary closure of all schools nationwide in the Individual Development Division, and a decrease in the number of domestic personnel placements and temp staff dispatched in the Matching Division. However, the business environment has gradually been recovering since the third quarter 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)**

Related to the 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