Consolidated Financial Statements for the Nine Months Ended September 30, 2020 (IFRS)

These financial statements have been prepared for reference only.

November 12, 2020

Link and Motivation Inc. Stock exchange listing: Tokyo
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Filing of Quarterly Report (*Shihanki Hokokusho*) (scheduled): November 12, 2020
Start of distribution of dividends (scheduled): December 25, 2020
Supplementary documents for quarterly results: No
Quarterly results briefing: No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for the Nine Months Ended September 30, 2020 (January 1, 2020 – September 30, 2020)

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

	Revenues (¥ million)	Change (%)	Operating income (¥ million)	Change (%)	Income before income taxes (¥ million)	Change (%)	Net income (¥ million)	Change (%)
Nine months ended September 30, 2020	26,056	(8.8)	1,452	(25.0)	1,314	(29.6)	867	(24.9)
Nine months ended September 30, 2019	28,566	(4.4)	1,936	(36.4)	1,865	(38.1)	1,151	(40.7)

	Net income attributable to owners of the parent (¥ million)	Change (%)	Comprehensive income (¥ million)	Change (%)	Basic earnings per share (¥)	Diluted earnings per share (¥)
Nine months ended September 30, 2020	790	(31.5)	(79)	(108.1)	7.53	7.53
Nine months ended September 30, 2019	1,154	(41.5)	969	(61.1)	10.94	10.91

(2) Financial Position

	Total assets (¥ million)	Total equity (¥ million)	Equity attributable to owners of the parent (¥ million)	Ratio of equity attributable to owners of the parent to total assets (%)
As of September 30, 2020	42,850	7,356	6,189	14.4
As of December 31, 2019	44,787	7,033	7,043	15.7

2. Dividends

	Dividends per share				
	1st Qtr.	2nd Qtr.	3rd Qtr.	Year-end	Total
2019	1.80	1.80	1.80	1.80	7.20
2020	1.80	1.80	1.80		
2020 (est.)				1.80	7.20

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

3. Forecast of Consolidated Results for 2020 (January 1, 2020 – December 31, 2020)

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

	Revenues (¥ million)	(%)	Operating income (¥ million)	(%)	Net income (¥ million)	(%)	Net income attributable to owners of the parent (¥ million)	(%)	Basic earnings per share (¥)
Full-year	35,000	(8.4)	(1,950)	–	(2,900)	–	(2,850)	–	(27.64)

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

Adjusted operating income for year ending December 31, 2020: ¥1,750 million (-41.0%)

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.

Notes

(1) Changes in Significant Subsidiaries during the Period (Change in Specified Subsidiaries Due to Change in Scope of Consolidation: Yes
Added: 1 company (Name: OpenWork Inc.)

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

(3) Number of Shares Issued and Outstanding (Common Stock)
(a) Number of shares at the end of the period (including treasury stock)
Nine months ended September 30, 2020: 113,068,000; Year ended December 31, 2019: 113,068,000
(b) Number of treasury shares at the end of the period:
Nine months ended September 30, 2020: 8,145,796; Year ended December 31, 2019: 8,145,796
(c) Average number of shares outstanding (cumulative with earlier quarters):
Nine months ended September 30, 2020: 104,922,204; Nine months ended September 30, 2019: 105,552,043

* **These Financial Statements Are Not Subject to Review by a Certified Public Accountant or Auditing Firm**
These "Consolidated Financial Statements for the Nine Months Ended September 30, 2020" are not subject to quarterly review procedures pursuant to the Financial Instruments and Exchange Act although, as of the date of publication of these statements, the review procedures for quarterly financial statements pursuant to the Financial Instruments and Exchange Act had been completed.

* **Explanation of the Proper Use of Performance Forecasts and Other Special Instructions**
Consolidated forecasts and other statements regarding the future contained in this document are based on information currently available to the Company and certain reasonable assumptions. Actual performance may differ substantially due to numerous factors.

Contents of Attachments

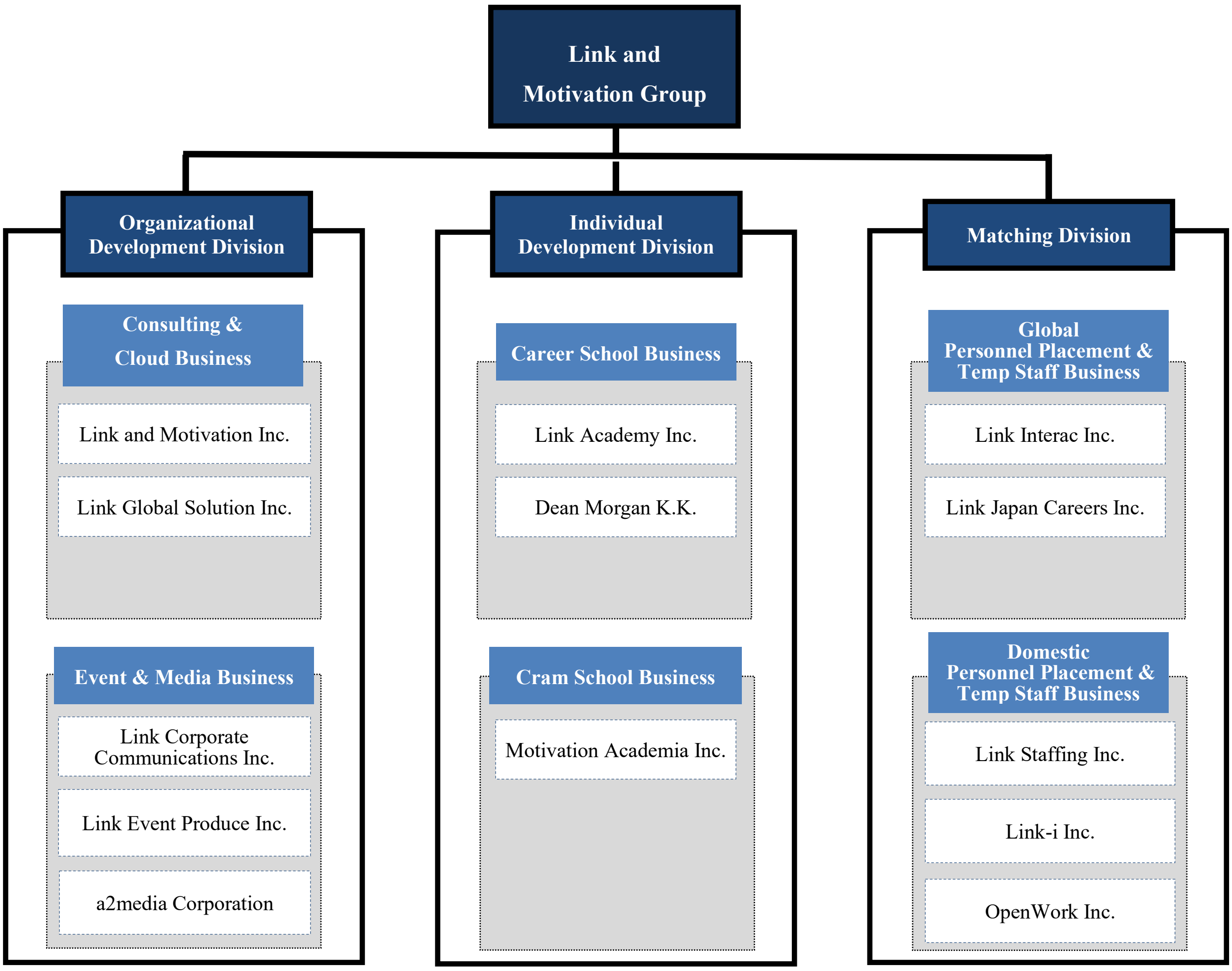
1. Overview of Results of Operations and Other Information

(1) Overview of Results of Operations for the Nine Months Ended September 30, 2020

The Link and Motivation Group (the "Group") supports the transformation of numerous companies and individuals using "Motivation Engineering," which is the Group's core technology, backed by psychology, behavioral economics, social systems theory and other disciplines, under its corporate philosophy: "Through Motivation Engineering, we provide opportunities to transform organizations and individuals and create a more meaningful society." In industries related to the Group, the market grew moderately as demand increased for facilitation of higher labor productivity and personnel recruiting associated with the promotion of work style reform. However, since February 2020, the novel coronavirus ("COVID-19") pandemic has had a substantial impact. After the end of the state of emergency in Japan, personal consumption and hiring have trended toward recovery, but the economic outlook remains uncertain.

In this economic environment, the Group's revenues were ¥26,056 million (an 8.8% decrease compared with the same period of the previous year), gross profit was ¥10,729 million (a 2.1% decrease), operating income was ¥1,452 million (a 25.0% decrease) and net income attributable to owners of the parent was ¥790 million (a 31.5% decrease).

The segment and business classifications of the Group are as shown below, and an overview of the nine months ended September 30, 2020 (the "first nine months of 2020") by segment and business follows. As of the first quarter of 2020, business classifications have changed due to the inclusion of OpenWork Inc. in the scope of consolidation. Figures for the same period of the previous year have been restated for the purpose of comparison.



Organizational Development Division

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

In this segment, segment revenues for the first nine months of 2020 were ¥7,297 million (a 17.4% decrease), and segment income was ¥5,010 million (a 14.0% decrease), both decreasing substantially compared with the same period of the previous year. An overview of operating results by business for the first nine months of 2020 is as follows.

Consulting & Cloud Business

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

In this business, revenues for the first nine months of 2020 were ¥5,696 million (a 14.1% decrease) and gross profit was ¥4,509 million (a 14.5% decrease). Results by product in the Consulting & Cloud business were as follows.

Table 1. Revenues by Product

Product (¥ million) [Gross profit in brackets]	Nine months ended September 30, 2019	Nine months ended September 30, 2020	YoY change (%)
Consulting & Cloud Business	6,628 [5,271]	5,696 [4,509]	(14.1) (14.5)
Consulting	4,939	3,817	(22.7)
Cloud	1,689	1,878	11.2

In the first nine months of 2020, as a result of stepping up provision of value online from the first quarter onward, a trend toward recovery became apparent, centered on training, but there was a decrease in consulting related to formulating and establishing corporate philosophies, and revenues and gross profit both decreased substantially.

On the other hand, as remote work becomes widespread due to the COVID-19 pandemic, we perceive growing needs to improve 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. Going forward, the business will steadily capture these needs and create more "Motivation Companies" by providing diagnostics and transformation services using "Motivation Engineering."

Meanwhile, monthly fee revenue increased substantially 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. Progress in the number of deliveries and monthly fee revenue was as follows.

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

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

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.

The recent environmental change of shifting to adapt to the labor market to target human resources, both employees and job applicants, is a management issue for many companies. Amid these circumstances, improving employee engagement through corporate organizational activities is a key management theme. In addition, the widespread adoption of remote work due to the COVID-19 pandemic has made it difficult to monitor employees. As a result, it is the business’s stance that importance of improving employee engagement, including visualization of organizational status, is increasing.

During the first half, there were cancellations and suspensions of Motivation Cloud, mainly among small and medium-sized enterprises and venture companies whose business environment has deteriorated. However, during the first nine months of 2020, new introductions increased, mainly among major corporations, and monthly fee revenue for the Motivation Cloud series of products is once again back on a growth track, totaling ¥190,423 thousand for the month of September 2020.

The business will work to further step up new introductions at major corporations, mainly leading companies, in addition to promoting the swift return of customers that have suspended service.

Event & Media Business

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

In this business, revenues for the first nine months of 2020 were ¥1,980 million (a 25.6% decrease) and gross profit was ¥729 million (a 17.0% decrease). Results by product in the Event & Media business were as follows.

Table 3. Revenues by Product

Product (¥ million) [Gross profit in brackets]	Nine months ended September 30, 2019	Nine months ended September 30, 2020	YoY change (%)
Event & Media Business	2,661 [879]	1,980 [729]	(25.6) (17.0)
Event	832	406	(51.2)
Media	1,828	1,574	(13.9)

In the first nine months of 2020, revenues from the Event business continued their significant decline from the second quarter as customers voluntarily refrained from holding events, and the Media business was impacted by a delay in delivery of IR-related media products beyond the end of the period, among other factors. As a result, segment revenues and gross profit both decreased substantially compared with the same period of the previous year.

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

Individual Development Division

The Individual Development Division applies "Motivation Engineering," which is the core technology of the Group, to businesses in areas including career schools and cram schools, to offer individual customers "career navigation" services, which provide total support for independent and autonomous career creation.

In this segment, segment revenues for the first nine months of 2020 were ¥4,935 million (a 17.8% decrease) and segment income was ¥1,495 million (a 32.2% decrease). An overview of operating results by business for the first half of 2020 is as follows.

Career School Business

The Career School business defines human resources who act independently and autonomously, without depending on an organization, as "i-Companies" and supports the production of numerous "i-Companies." As for specific services, the business provides one-stop services for individual career advancement, targeting mainly university students and working adults, under the six service brands of "Aviva" personal computer schools, "Daiei" qualification schools, "Aviva Pro" programming schools, and "Rosetta Stone Learning Center," "Rosetta Stone Premium Club" and "Hummingbird" foreign language schools. Previously, the business mainly used classroom lectures to provide continuing learning support, but currently provides both in-school and online services in response to Japan's state of emergency and new lifestyles. In addition, the "i-Company Club" subscription-model membership service supports continuous learning by students.

In this business, revenues for the first nine months of 2020 were ¥4,473 million (an 18.7% decrease) and gross profit was ¥1,280 million (a 36.3% decrease). Results by product in the Career School business were as follows.

Table 4. Revenues by Product

Product (¥ million) [Gross profit in brackets]	Nine months ended September 30, 2019	Nine months ended September 30, 2020	YoY change (%)
Career School Business	5,502 [2,008]	4,473 [1,280]	(18.7) (36.3)
IT	3,083	2,417	(21.6)
Qualifications	1,936	1,620	(16.3)
English conversation	482	436	(9.5)

This business was significantly affected during the second quarter by temporary classroom closures nationwide in April and May due to the announcement of a state of emergency, among other factors. Despite recovery in new enrollments and the progress of classes during the third quarter, it has not been enough to cover the period when schools were closed and, as a result, revenues and gross profit both decreased substantially.

On the other hand, because the business provides both in-school and online services, revenues per student increased compared with the same period of the previous year as students made progress in taking the courses they had registered for. Moreover, in October the business also made major improvements to "i-Company Club," which supports habits of self-improvement. Going forward, the business will promote additional contracts by acquiring more new subscribers and improving the retention rate among existing students.

Cram School Business

Unlike typical cram schools, the Cram School business operates under the business concept of producing numerous "i-Companies" in addition to improving the academic ability of its students. Its services consist of operating "Motivation Academia" cram schools for junior high and high school students to provide a place where students can not only prepare for school entrance exams but also develop skills to play a role in society. The business also operates "SS-1," an individualized instruction school for students preparing for junior high school entrance exams. The Cram School business utilizes its assets in programming education and English conversation education to provide a place for students from elementary school straight through to high school to develop skills that will be of use in society. Like the Career School business, it now offers both in-school and online services in response to Japan's state of emergency and new lifestyles.

In this business, revenues for the first nine months of 2020 were ¥465 million (a 7.3% decrease) and gross profit was ¥215 million (a 9.1% increase).

During the first nine months of 2020, although the number of new enrollees has recovered from July onward, it was not enough to cover the period when schools were closed in April and May, and revenues decreased compared with the same period of the previous year. This business has only one product.

By continuing to provide value online and applying the know-how in training adults that has been cultivated in the Consulting & Cloud business, this business aims to offer one-stop services unattainable by conventional cram schools, ranging from elementary to high school students and adults.

Matching Division

The Matching Division provides services under the concept of matching organizations with hiring needs and individuals who want to advance their careers through “motivation matching,” which applies “Motivation Engineering,” the core technology of the Group, to its personnel placement and temp staff businesses. Its main targets are foreign nationals who want to work in Japan, students who want to find a job, employees who want to change jobs and temporary workers.

In this segment, segment revenues for the first nine months of 2020 were ¥14,458 million (a 0.3% increase) and segment income was ¥4,747 million (a 34.0% increase), with segment revenues increasing slightly and segment income increasing substantially compared with the same period of the previous year. An overview of operating results by business for the first nine months of 2020 is as follows.

Global Personnel Placement & Temp Staff Business

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

In Japan, reforms of English education by the Ministry of Education, Culture, Sports, Science and Technology (MEXT) are promoting an earlier start for English-language learning. In fiscal 2020, English education will start from the third grade of elementary school, and will be treated as a formal subject from the fifth grade of elementary school. Accordingly, ALT placement is proceeding rapidly. Meanwhile, because dispatch to all local governments has not been completed, the business expects continuing expansion of the English education market in Japan.

In this business, revenues for the first nine months of 2020 were ¥9,409 million (a 1.9% increase) and gross profit was ¥2,760 million (an 11.6% increase).

During the first nine months of 2020, revenues increased slightly as many municipalities made up for school closures in April and May by holding classes during summer vacation and gross profit increased substantially with the progress of a thorough examination of projects with low gross profit. This business has only one product.

In the third quarter and thereafter, stable operations are expected as various municipalities are moving to increase the number of classes from July to make up for temporary school closures. The business will continue working to improve its English instruction and profitability by hiring high-quality foreign teachers with a view toward further expanding English education in Japan.

Domestic Personnel Placement & Temp Staff Business

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

In this business, revenues for the first nine months of 2020 were ¥5,079 million (a 2.4% decrease) and gross profit was ¥2,017 million (an 84.6% increase). Results by product in the Domestic Personnel Placement & Temp Staff business were as follows.

Table 5. Revenues by Product

Product (¥ million) [Gross profit in brackets]	Nine months ended September 30, 2019	Nine months ended September 30, 2020	YoY change (%)
Domestic Personnel Placement & Temp Staff Business	5,205 [1,092]	5,079 [2,017]	(2.4) 84.6
Temp staff dispatch	4,711	3,526	(25.2)
Personnel placement	493	1,553	215.0

During the first nine months of 2020, although the decline in the number of temp staff dispatched bottomed out due to switching the portfolio of customer companies from the former apparel-related businesses to supermarkets and call centers, the slump continued and, as a result, revenues decreased. On the other hand, gross profit increased substantially due to the addition to the Group of OpenWork Inc., which has a high profit margin.

In temp staff dispatch, the business will continue to reorient its portfolio toward the types of jobs for which it can expect demand.

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 statements of financial position.

(2) Overview of Financial Position for the Nine Months Ended September 30, 2020

Total assets as of September 30, 2020 were ¥42,850 million, a decrease of ¥1,936 million from the end of the previous year. This was mainly due to factors including a ¥2,236 million decrease in investments in associates in connection with making OpenWork Inc. a consolidated subsidiary and a ¥1,394 million decrease in other non-current financial assets, offset by a ¥3,657 million increase in cash and cash equivalents as a result of securing working capital and making OpenWork Inc. a consolidated subsidiary.

Total liabilities as of September 30, 2020 were ¥35,494 million, a decrease of ¥2,260 million from the end of the previous year. This was mainly due to factors including a ¥796 million decrease in interest-bearing and other financial liabilities associated with a decision to relocate operating bases, in addition to decreases of ¥655 million in trade and other payables and ¥838 million in income tax payable, among other factors.

Total equity as of September 30, 2020 was ¥7,356 million, an increase of ¥323 million from the end of the previous year. This was mainly due to factors including an increase in non-controlling interests in connection with making OpenWork Inc. a consolidated subsidiary, offset by a decrease in other components of equity associated with a decrease in other non-current financial assets, among other factors.

(3) Overview of Cash Flow for the Nine Months Ended September 30, 2020

Cash and cash equivalents (“cash”) as of September 30, 2020 were ¥5,817 million, an increase of ¥3,657 million during the period.

Cash flow during the nine months ended September 30, 2020 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities was ¥1,512 million, a decrease of ¥472 million compared with the same period of the previous year. The principal factor decreasing net cash was a decrease of ¥551 million in income before income taxes, while the principal factors increasing net cash included an increase of ¥117 million in depreciation and amortization.

Cash Flow from Investing Activities

Net cash provided by investing activities was ¥2,169 million (in the same period of the previous year, investing activities provided net cash totaling ¥210 million). Principal factors included a ¥2,290 million increase in proceeds from acquisition of subsidiary stock in connection with a change in the scope of consolidation due to making OpenWork Inc. a consolidated subsidiary.

Cash Flow from Financing Activities

Net cash used in financing activities was ¥22 million (in the same period of the previous year, financing activities used net cash totaling ¥2,729 million). Principal factors increasing net cash included a ¥5,200 million net increase in short-term financial liabilities, while the principal factors decreasing net cash included the absence of proceeds from long-term financial liabilities, which were ¥2,285 million in the same period of the previous year.

(4) Forecast

In the first half of 2020, due to requests for people to voluntary refrain from going out and the declaration and extension of a state of emergency, the COVID-19 pandemic had a substantial impact, including 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.

On the other hand, amid the significant transformation of working styles and lifestyles brought about by the COVID-19 pandemic, the Group believes that needs for employee engagement and personal learning will further increase. To steadily capture those needs, we intend to respond quickly to changes based on "Motivation Engineering" in each division. During the third quarter of 2020, we strengthened the provision of new value including online services in the Organizational Development Division, conducted thorough reductions of all types of costs and stepped up promotion of online attendance of various courses in the Individual Development Division, and reorganized the portfolio of temp staffing clients in the Matching Division, and as a result, both revenues and gross profit recovered in all divisions. Due to the impact of an increase in work during the summer vacation and employment adjustment subsidies in the Global Personnel Placement & Temp Staff Business of the Matching Division in particular, adjusted operating income has already surpassed the target announced on August 7, 2020. Because it has become apparent that the pace of recovery is faster than initially anticipated, the forecast for adjusted operating income has been revised upward to ¥1,750 million (a year-on-year decrease of 41.0%).

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.

Meanwhile, we are aware that the impact of the COVID-19 pandemic persists. We recognize that among the Group's customers, there has still been no full recovery in the contraction of budgets for investment in personnel at small and medium-sized enterprises as well as at major corporations that have been significantly impacted, or in the downturn in personal consumption. Particularly in the Individual Development Division, although a recovery is under way, the impact of the temporary closure of both career schools and cram schools in April and May due to the declaration of a state of emergency was substantial, and we expect uncertain conditions to persist. Under these circumstances, to conduct management that anticipates all potential future risks, we have continued to incorporate the maximum amount of impairment of goodwill and other factors in the Individual Development Division in our forecast of financial results for 2020. Moreover, we will focus not only on the short term consisting of the fiscal year ending December 31, 2020, but also on establishing a foundation for recovery in the fiscal year ending December 31, 2021 and thereafter.

As a result of the above, for our results for the fiscal year ending December 31, 2020, we forecast ¥35,000 million in revenues (a decrease of 8.4% year-on-year), an operating loss of ¥1,950 million, and ¥2,850 million in net loss attributable to owners of the parent.

The impacts described above are based on information available as of October 2020. We will continue to carefully assess the impact on the Group and announce and future revisions promptly, if they become necessary.

(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, 2019	As of September 30, 2020
ASSETS		
Current assets		
Cash and cash equivalents	2,160	5,817
Trade and other receivables	4,114	3,848
Inventories	256	217
Other current financial assets	17	27
Other current assets	4,905	800
Total current assets	11,454	10,711
Non-current assets		
Property, plant and equipment	17,400	14,835
Goodwill	5,927	10,902
Intangible assets	2,095	2,145
Investments in associates	2,788	551
Other non-current financial assets	4,033	2,639
Deferred tax assets	839	820
Other non-current assets	248	244
Total non-current assets	33,333	32,139
Total assets	44,787	42,850

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

	As of December 31, 2019	As of September 30, 2020
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities		
Trade and other payables	2,397	1,742
Contract liabilities	1,760	1,683
Interest-bearing and other financial liabilities	5,943	9,478
Income tax payable	865	27
Provisions	21	132
Other current liabilities	1,843	1,843
Total current liabilities	12,831	14,908
Non-current liabilities		
Interest-bearing and other financial liabilities	24,092	19,761
Provisions	462	521
Deferred tax liabilities	218	159
Other non-current liabilities	148	143
Total non-current liabilities	24,922	20,585
Total liabilities	37,754	35,494
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,380	1,380
Capital surplus	1,987	1,855
Treasury shares	(1,733)	(1,733)
Retained earnings	5,440	5,969
Other components of equity	(31)	(1,282)
Total equity attributable to owners of the parent	7,043	6,189
Non-controlling interests	(10)	1,167
Total equity	7,033	7,356
Total liabilities and equity	44,787	42,850

(2) Condensed Consolidated Statements of Operations and Comprehensive Income

Condensed Consolidated Statements of Operations

Nine Months Ended September 30

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

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Revenues	28,566	26,056
Cost of sales	17,610	15,326
Gross profit	10,955	10,729
Selling, general and administrative expenses	8,990	9,462
Other income	12	208
Other expenses	41	23
Operating income	1,936	1,452
Financial revenues	22	17
Financial expenses	133	187
Equity in earnings of associates	40	31
Income before income taxes	1,865	1,314
Income taxes	714	446
Net income	1,151	867
(Attributable to)		
Owners of the parent	1,154	790
Non-controlling interests	(3)	76
Total	1,151	867
		(Yen)
Earnings per share attributable to owners of the parent		
Basic earnings per share	10.94	7.53
Diluted earnings per share	10.91	7.53

Three Months Ended September 30

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

	Three months ended September 30, 2019	Three months ended September 30, 2020
Revenues	9,431	8,655
Cost of sales	6,018	5,068
Gross profit	3,413	3,586
Selling, general and administrative expenses	2,940	3,067
Other income	1	166
Other expenses	9	0
Operating income	464	685
Financial revenues	10	10
Financial expenses	50	96
Equity in earnings of associates	13	12
Income before income taxes	438	611
Income taxes	167	187
Net income	271	423
(Attributable to)		
Owners of the parent	271	406
Non-controlling interests	0	17
Total	271	423
		(Yen)
Earnings per share attributable to owners of the parent		
Basic earnings per share	2.57	3.87
Diluted earnings per share	2.57	3.87

Condensed Consolidated Statements of Comprehensive Income

Nine Months Ended September 30

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

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Net income	1,151	867
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	(180)	(944)
Total items that will not be reclassified to profit or loss	(180)	(944)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(0)	(1)
Total items that may be reclassified to profit or loss	(0)	(1)
Total other comprehensive income	(181)	(946)
Total comprehensive income	969	(79)
(Attributable to)		
Owners of the parent	972	(155)
Non-controlling interests	(3)	76
Comprehensive income	969	(79)

Condensed Consolidated Statements of Comprehensive Income
Three Months Ended September 30

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

	Three months ended September 30, 2019	Three months ended September 30, 2020
Net income	271	423
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	(87)	(102)
Total items that will not be reclassified to profit or loss	(87)	(102)
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	(86)	(103)
Total comprehensive income	184	320
(Attributable to)		
Owners of the parent	184	303
Non-controlling interests	0	17
Comprehensive income	184	320

(3) Condensed Consolidated Statements of Changes in Equity

Nine Months Ended September 30, 2019

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

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total equity attributable to owners of the parent		
January 1, 2019	1,380	1,989	(1,373)	4,763	936	7,696	(15)	7,681
Impact of change in accounting policy	—	—	—	(640)	—	(640)	—	(640)
Balance at beginning of period after reflecting change in accounting policy	1,380	1,989	(1,373)	4,122	936	7,055	(15)	7,040
Net income				1,154	—	1,154	(3)	1,151
Other comprehensive income					(181)	(181)	—	(181)
Total comprehensive income	—	—	—	1,154	(181)	972	(3)	969
Acquisition of treasury shares		(1)	(238)			(239)		(239)
Dividends from surplus				(559)	—	(559)		(559)
Transfer from other components of equity to retained earnings				587	(587)	—		—
Total transactions with the owners	—	(1)	(238)	(28)	(587)	(798)	—	(798)
September 30, 2019	1,380	1,988	(1,612)	5,305	167	7,230	(18)	7,212

Nine Months Ended September 30, 2020

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

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total equity attributable to owners of the parent		
January 1, 2020	1,380	1,987	(1,733)	5,440	(31)	7,043	(10)	7,033
Net income				790	—	790	76	867
Other comprehensive income					(946)	(946)	—	(946)
Total comprehensive income	—	—	—	790	(946)	(155)	76	(79)
Change due to business combination							1,050	1,050
Change in ownership interest in subsidiaries		(94)				(94)	4	(90)
Dividends from surplus				(566)	—	(566)		(566)
Exercise of share options		(37)				(37)	45	8
Transfer from other components of equity to retained earnings				305	(305)	—		—
Total transactions with the owners	—	(132)	—	(261)	(305)	(698)	1,101	402
September 30, 2020	1,380	1,855	(1,733)	5,969	(1,282)	6,189	1,167	7,356

(4) Condensed Consolidated Statements of Cash Flow

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

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Cash flow from operating activities		
Income before income taxes	1,865	1,314
Depreciation and amortization	1,882	1,999
Loss on impairment	12	1
Financial revenues and financial expenses	111	169
Equity in (earnings) losses of associates	(40)	(31)
Decrease (increase) in trade and other receivables	355	423
Loss (gain) on step acquisition	—	16
Decrease (increase) in inventories	(19)	38
Increase (decrease) in trade and other payables	(282)	(703)
Other	(168)	101
Subtotal	3,715	3,329
Interest and dividends received	8	5
Interest paid	(107)	(170)
Income tax refund	62	28
Income taxes paid	(1,695)	(1,681)
Net cash provided by operating activities	1,984	1,512
Cash flow from investing activities		
Payments for acquisition of property, plant and equipment	(289)	(175)
Payments for acquisition of intangible assets	(600)	(530)
Proceeds from acquisition of subsidiary stock associated with a change in the scope of consolidation	—	2,290
Payments for acquisition of investment securities	(99)	—
Proceeds from sale of investment securities	1,227	636
Payments for security deposits and guarantees	(85)	(25)
Proceeds from refund of security deposits and guarantees	113	45
Other	(55)	(70)
Net cash provided used in investing activities	210	2,169
Cash flow from financing activities		
Net increase (decrease) in short-term financial liabilities	(1,400)	3,800
Proceeds from long-term financial liabilities	2,285	—
Repayment of long-term financial liabilities	(1,442)	(1,683)
Payments for acquisition of interests in subsidiaries from non-controlling interests	—	(90)
Payments of cash dividends	(557)	(565)
Repayment of lease liabilities	(1,374)	(1,492)
Payments from non-controlling interests	—	8
Payments for purchase of treasury shares	(239)	—
Net cash used in financing activities	(2,729)	(22)
Cash and cash equivalents translation adjustment	(0)	(1)
Net increase (decrease) in cash and cash equivalents	(535)	3,657
Cash and cash equivalents at beginning of the quarter	1,979	2,160
Cash and cash equivalents at end of the quarter	1,444	5,817

(5) Notes to Condensed Consolidated Financial Statements

(Changes in Accounting Policies)

The significant accounting policies applied to these condensed consolidated financial statements are the same as the accounting policies applied to the consolidated financial statements for the previous fiscal year, except for the following.

Income tax expenses for the nine months ended September 30, 2020 have been calculated using the estimated average annual effective tax rate.

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

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

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

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

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

The application of this expedient increased income before income taxes by ¥27 million in the nine months ended September 30, 2020.

(Notes Regarding Significant Accounting Estimates and Judgements)

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

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

Estimates and judgments that have a significant impact on the amounts in these condensed 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. Consequently, consolidated business results for the nine months ended September 30, 2020 worsened in comparison with a typical year, and revenues for the full fiscal year are projected to drop by about one-tenth compared with the previous fiscal year. However, the business environment has gradually been recovering since the third quarter, when the state of emergency was completely lifted, and the business results of the Individual Development Division, which was most impacted by COVID-19, are on a recovery track, despite the closure of its schools for approximately two months, as the Group perceives a growing trend for greater needs for individual learning. As a result, the demand forecast for 2021 and thereafter is expected to be the same as the forecast as of the end of 2019.

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 condensed 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.

(Notes Regarding Assumption of Going Concern)
None applicable

(Significant Subsequent Events)
None applicable