

Link and Motivation Inc. Ordinary General Meeting of Shareholders for the 16th Period (Fiscal Year Ended December 31, 2015)



ひとりひとりの本気がこの世界を熱くする

Link and Motivation Group



Report on Completion of Measures to Prevent a Recurrence of Improper Accounting

Chairman and Representative Director

Yoshihisa Ozasa

Measures implemented to prevent a recurrence based on the findings of the Special Investigation and Verification Committee

- Improve approval and purchasing processes, strengthen checks and balances
⇒ Begin application using new restructured processes **Completed**
- Raise awareness of compliance
⇒ Conduct training for all Group employees in early October
⇒ Start training with enhanced content from mid-November **Completed**
- Strengthen and expand internal auditing
⇒ Expand the effective scope of evaluation of internal controls **Completed**

Opening Remarks

Chairman and Representative Director

Yoshihisa Ozasa

Report on Number of Voting Rights

Chairman and Representative Director

Yoshihisa Ozasa

Agenda

1. Auditors' Report
2. Business Report/Financial Statements Report
3. Explanation of Proposals
4. Explanation of Growth Strategy and Business Plan
5. Questions and Answers
6. Voting on Proposals
7. Closing Remarks

1. Auditors' Report

Full-time Audit and Supervisory Board Member

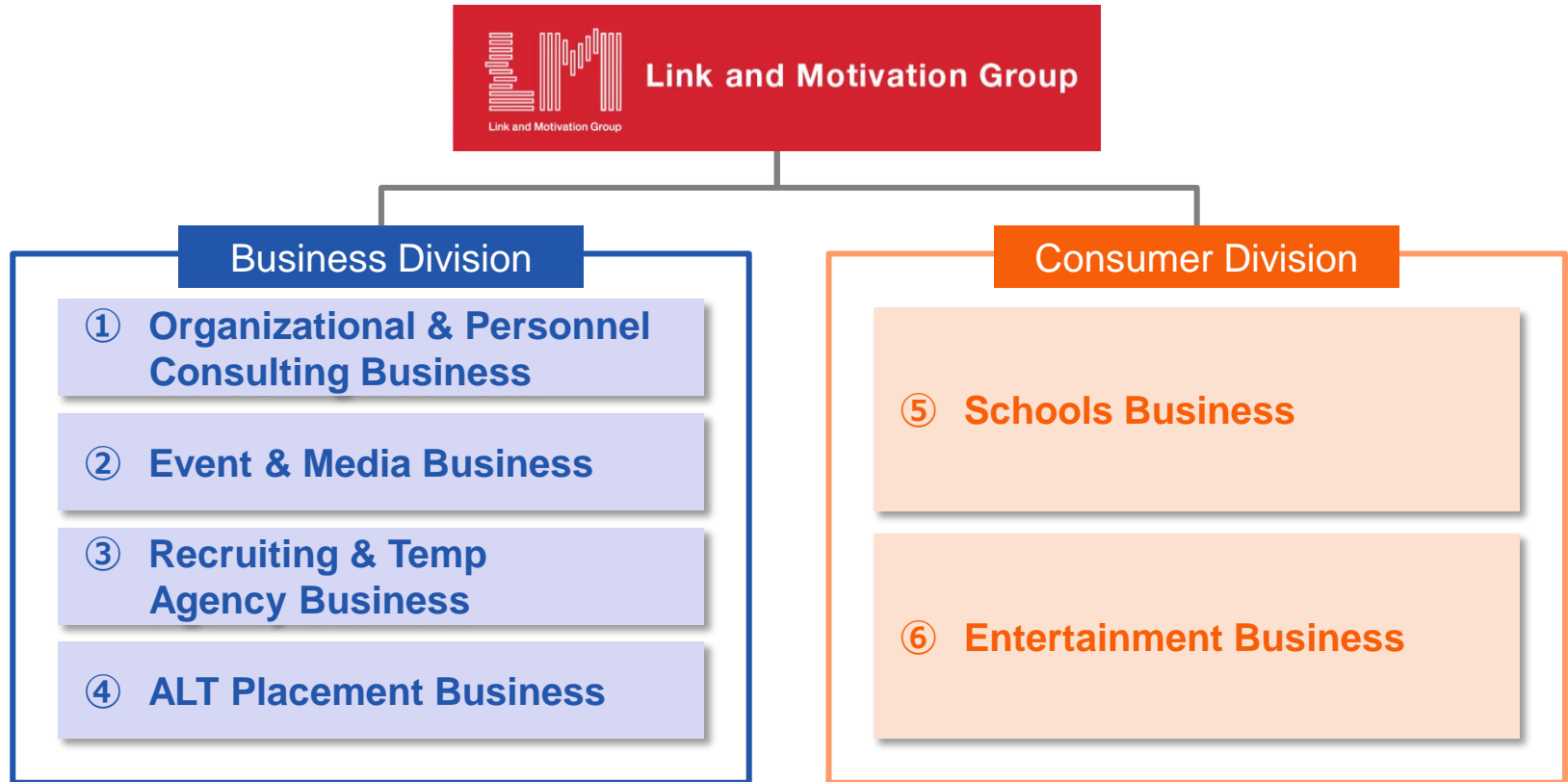
Yutaka Honda

2. Business Report/ Financial Statements Report

Chairman and Representative Director

Yoshihisa Ozasa

Link and Motivation Group Operating Structure



Consolidated Statements of Operations (Results vs. Plan/YoY Change)

(¥ million)	2014 Results	2015 Plan	2015 Results	Results vs. Plan	YoY Change
Net Sales	28,873	31,800	31,950	+0.5%	+10.7%
Operating Income	1,751	1,050	868	-17.3%	-50.5%
Ordinary Income	1,665	1,000	767	-23.3%	-53.9%
Net Income	950	680	-316	-	-

- Due to the addition of Interac to the scope of consolidation, net sales slightly exceeded the plan and increased substantially YoY.
- On the other hand, due to higher SG&A expenses caused by an increase in the cost ratio in the Business Division, dealing with improper accounting and other factors, operating income fell substantially, both compared with the plan and YoY.
- Recorded a net loss due to a profit balance among Group companies that resulted in higher-than expected taxes, proactive reduction of the present value of incubation companies with unfavorable results, and the carryover of the right to apply a tax refund to next year's projected net income.

Consolidated Statements of Operations: SG&A Expenses (Results/YoY Change)

(¥ million)	2014 Results	2015 Results	YoY Change
Personnel Expenses	3,780	4,298	+13.7%
Recruiting, Training and Welfare Expenses	390	516	+32.3%
Rent	619	674	+8.9%
Office and System Expenses	790	1,031	+30.5%
Sales-related Expenses	1,626	1,765	+8.5%
Transportation and Other Expenses	721	788	+9.3%
Amortization of Goodwill	675	733	+8.6%
Expenses for Dealing with Improper Accounting	-	212	-
Total SG&A Expenses	8,604	10,021	+16.5%

- Overall YoY increase due to addition of Interac Co., Ltd. (amount of impact: ¥678 million).
- Due to establishment of integrated offices and renewal of core systems to promote business synergy within the Group, rent and office and system expenses increased. (amount of impact: ¥214 million).
- Recorded one-time expenses for auditor compensation, etc., to deal with improper accounting (amount of impact: ¥212 million).
- Due to an increase in employees caused by the expansion of the size of the business, personnel expenses increased (amount of impact: ¥128 million).

Sales and Gross Profit by Segment (Results/YoY Change)

(¥ million) [Gross profit in brackets]		2014 Results	2015 Results	YoY Change
Business Division	Sales	21,532	25,096	+16.6%
	Gross Profit	[7,826]	[8,187]	+4.6%
Consumer Division	Sales	8,429	7,840	-7.0%
	Gross Profit	[3,031]	[3,052]	+0.7%

- In the Business Division, with the contribution of the addition of Interac Co., Ltd. to the scope of consolidation, sales increased substantially and gross profit increased YoY.
- In the Consumer Division, due to the impact of closure or consolidation of unprofitable locations in the Schools Business, sales decreased YoY. However, by improving the profit structure, gross profit increased slightly YoY.

Consolidated Balance Sheets (Results/YoY Change)

(¥ million)	Dec. 31, 2014	Dec. 31, 2015	YoY Change
Current Assets	6,198	5,851	-347
Property and Equipment	11,687	11,616	-71
Assets Carried Over	10	6	-4
Total Assets	17,896	17,474	-422
Current Liabilities	7,785	8,866	+1,081
Long-term Liabilities	3,276	2,575	-701
Net Assets	6,834	6,032	-802
Total Liabilities and Net Assets	17,896	17,474	-422

- Current liabilities increased substantially due to short-term borrowings for funds to pay taxes.
- Long-term liabilities decreased steadily due to the regular repayment of long-term debt.
- Due to a decrease in net assets, the net worth ratio decreased to 34.5%.

2016 Dividend Policy

- Scheduled 15 yen increase from previous year in 2016
 - Dividend per unit: 110 yen \Rightarrow 125 yen
 - Annual dividends: 440 yen \Rightarrow 500 yen

	First Quarter (Scheduled)	Second Quarter (Scheduled)	Third Quarter (Scheduled)	Fourth Quarter (Scheduled)
Dividend per Unit	125 yen	125 yen	125 yen	125 yen
Shares per Unit	100 shares	100 shares	100 shares	100 shares

Please refer to pages 30 – 36 of the
Notice of the General Meeting of
Shareholders for this information.

3. Explanation of Proposals

Chairman and Representative Director

Yoshihisa Ozasa

Proposal 1: Election of Six Directors

The terms of office of all directors (4 persons) end as of the close of this meeting. We request that you elect 6 directors, adding 3 new directors (including 2 outside directors) to strengthen our management structure and corporate governance.

【Reappointment】	Yoshihisa Ozasa:	Chairman and Representative Director
【Reappointment】	Hideki Sakashita:	President and Representative Director
【Reappointment】	Shunichi Ohno:	Director
【New appointment】	Hiroyuki Kitsu:	Director
【New appointment】	Etsuko Okajima:	Outside Director
【New appointment】	Tomoyuki Yuasa:	Outside Director

Note: Planned positions upon taking office

Proposal 2: Election of an Accounting Auditor

Because PricewaterhouseCoopers Aarata, the Company's accounting auditor, will retire at the end of its term of office as of the close of this meeting, we request that you elect a new accounting auditor. This proposal is based on a resolution of the Audit & Supervisory Board. The Audit & Supervisory Board's choice of YUSEI Audit & Co. as a candidate for accounting auditor is the result of its comprehensive consideration of the firm's quality control system, independence, expertise and other factors.

Name	YUSEI Audit & Co.		
History	Established April 1998		
Overview	Partners (CPAs):	20	
	Specified partners:	4	
	Staff (CPAs):	64	
	(Associate members):	58	
	Other staff:	80	
	Total:	226	
	Capital:	¥91,500 thousand	(As of March 1, 2016)

4. Explanation of Growth Strategy and Business Plan

Chairman and Representative Director

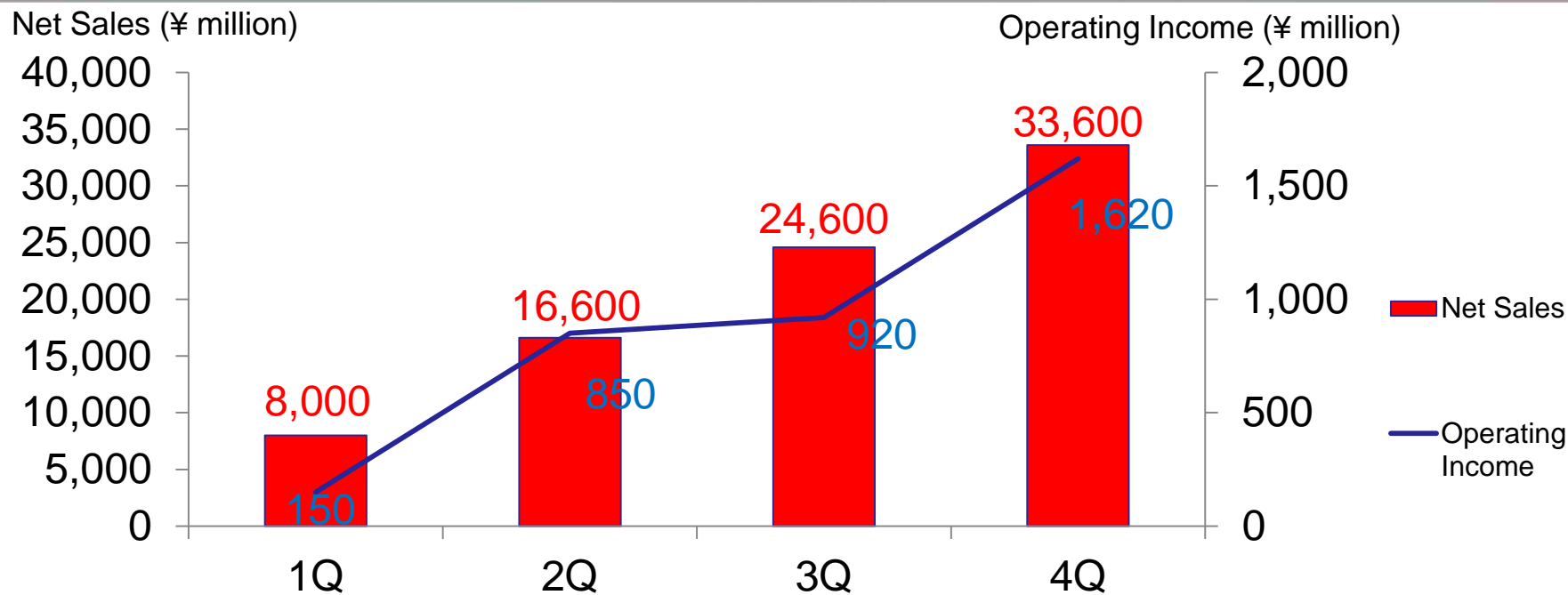
Yoshihisa Ozasa

2016 Plan for Consolidated Statements of Operations

(¥ million)	2015	2016	YoY Change
	Results	Plan	
Net Sales	31,950	33,600	+5.2%
Operating Income	868	1,620	+86.6%
Ordinary Income	759	1,570	+106.9%
Net Income	-302	750	-

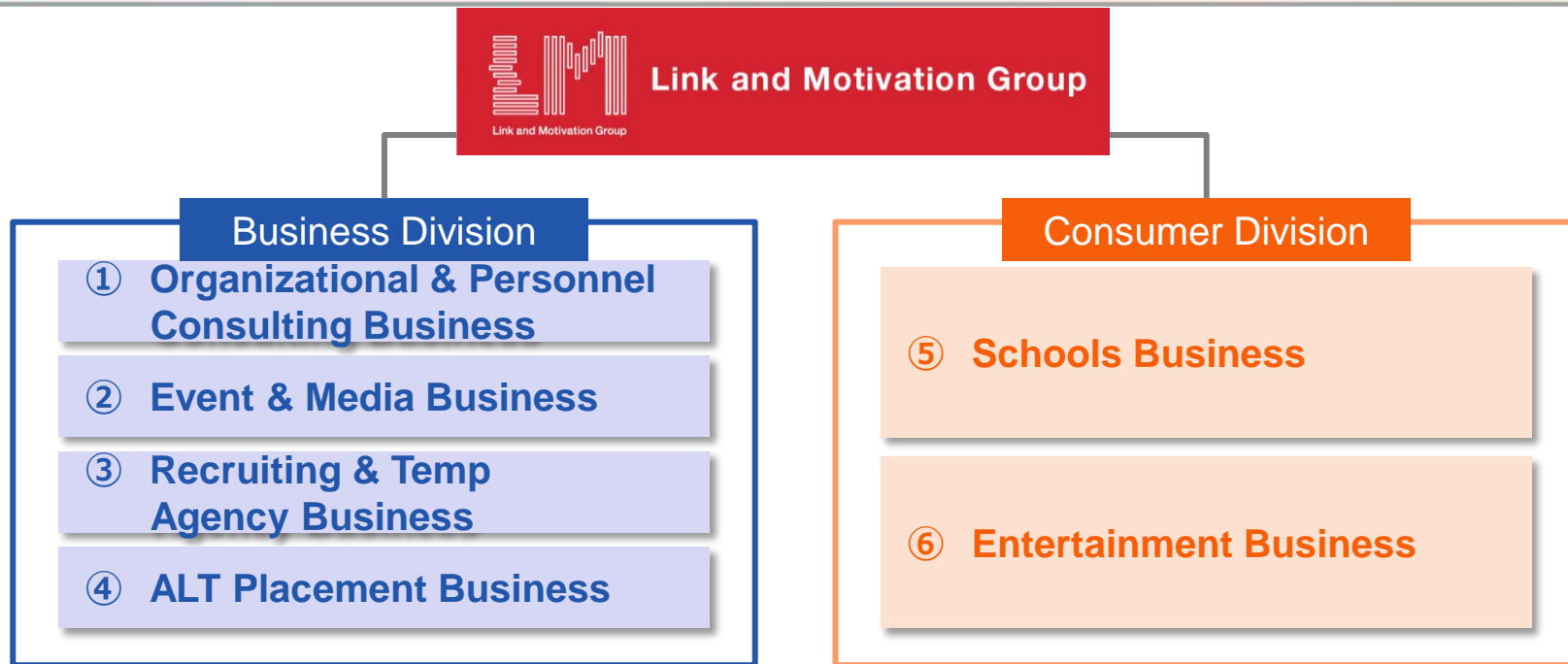
- Net sales are expected to increase YoY and operating income and the line items below it are expected to increase substantially YoY.
- A major factor is expected growth in the high-profit-margin Business Division. In addition, progress is being made in reducing outsourcing expenses and cutting costs.
- Adoption of International Financial Reporting Standards (IFRS) is under consideration to improve international comparability of financial reporting.
- If IFRS is adopted the largest impact will be on amortization of goodwill.
Note: In 2016, operating income before amortization of goodwill was ¥2,350 million.
- The Incubation Business is not considered in the above plan due to the high level of uncertainty of gain on sale of shares, etc.

2016 Plan for Consolidated Net Sales and Operating Income

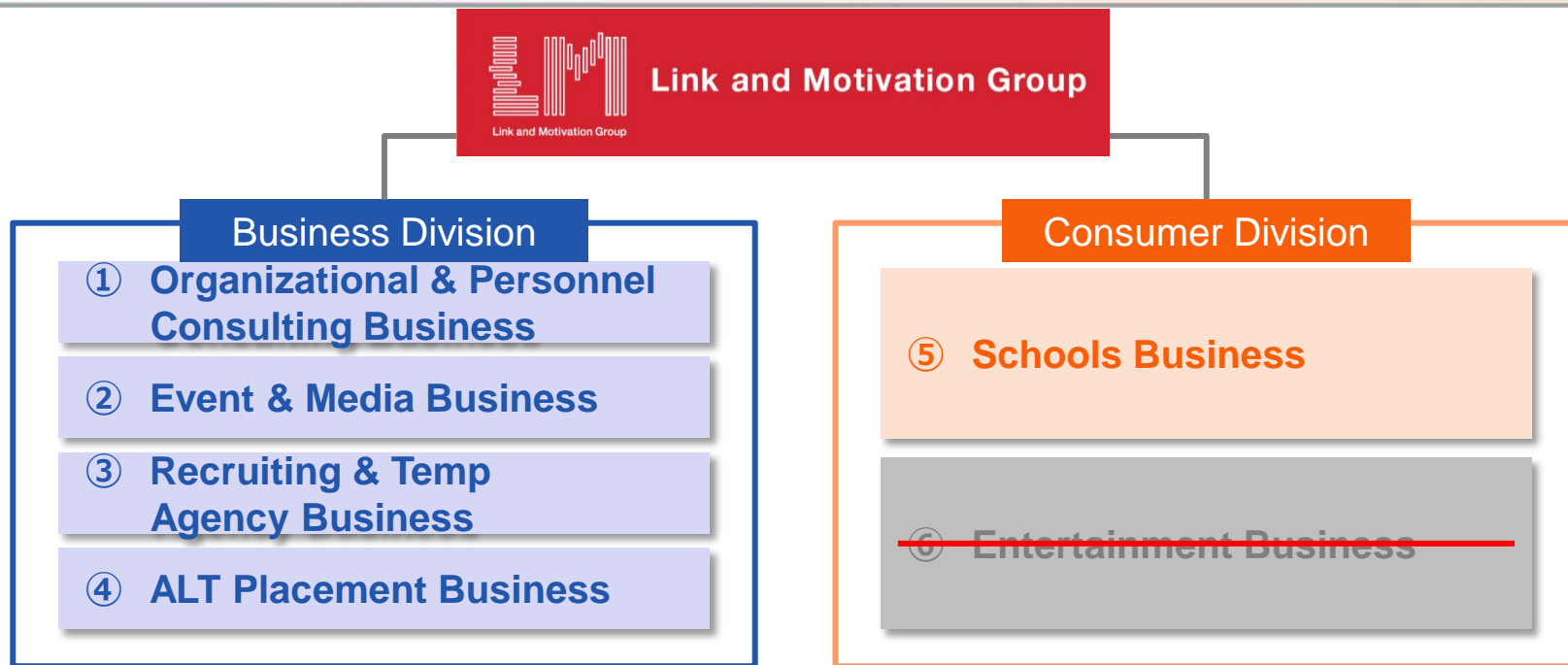


- Steady growth in net sales is expected in each quarter.
- Significant increases in operating income are forecast for the second and fourth quarters. Substantial growth is expected in high-profit-margin personnel recruiting and training services in the Organizational & Personnel Consulting Business.

Current Operating Structure



Current Operating Structure

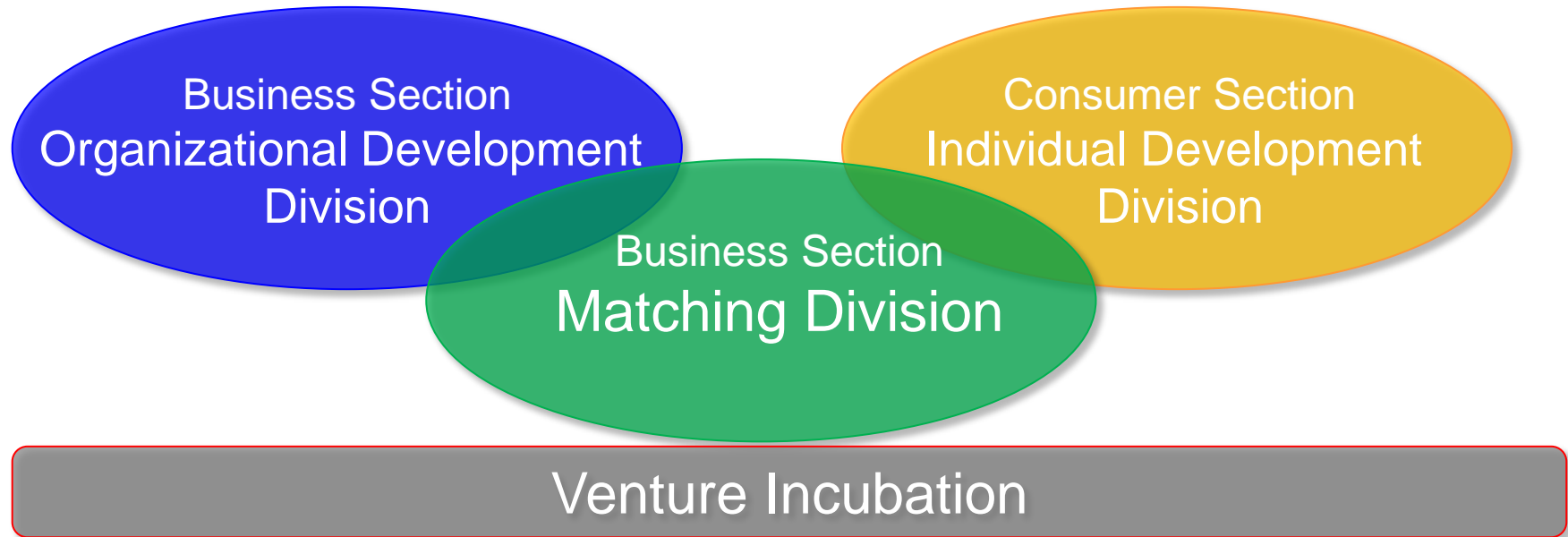


- All shares of Link Sports Entertainment Inc., a consolidated subsidiary that operates a professional basketball team, are scheduled to be transferred to Tochigi Brex Inc. as of July 1, 2016.
- We will restructure our businesses for selection and concentration of our management resources.

New Operating Structure

Mission:

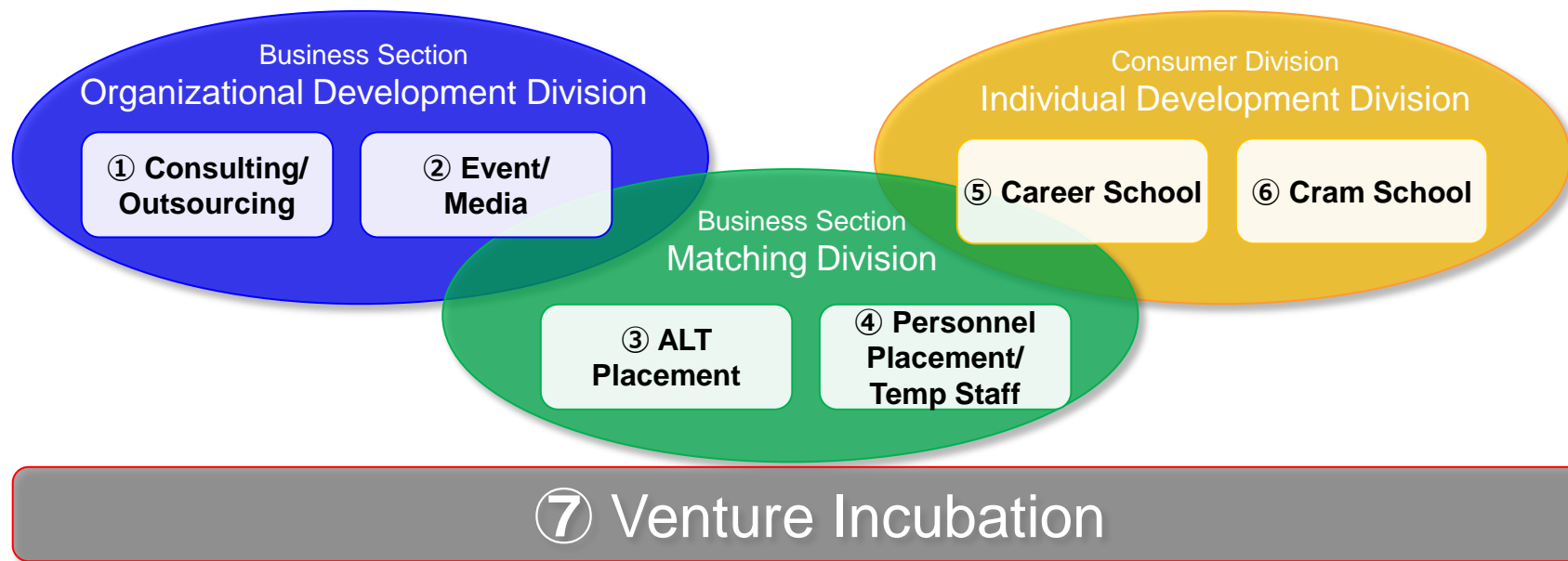
We will provide **organizations** and **individuals** with opportunities for transformation through Motivation Engineering to help achieve a more meaningful society.



New Operating Structure

Mission:

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2016 Plan for Sales and Gross Profit by Division

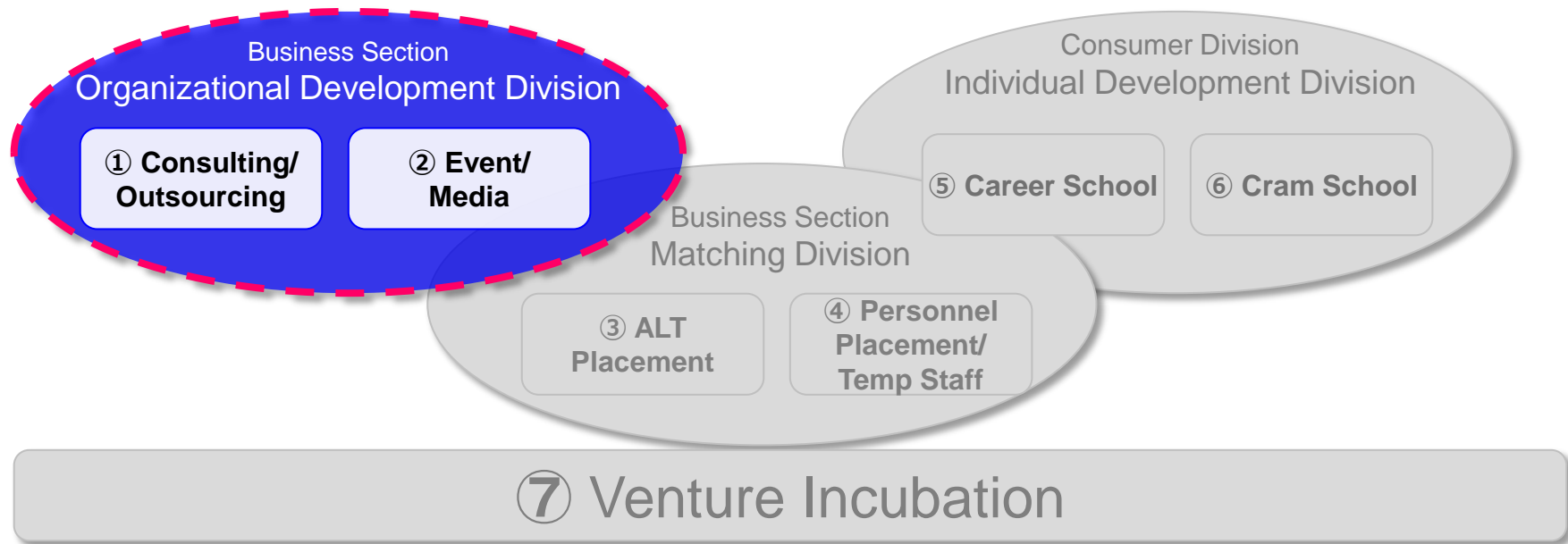
(¥ million) [Gross profit in brackets]		2015 Results	2016 Plan	YoY Change
Organizational Development Division	Sales	8,374	9,300	+11.0%
	Gross Profit	[4,118]	[4,600]	+11.7%
Matching Division	Sales	17,306	18,200	+5.2%
	Gross Profit	[4,398]	[4,700]	+6.9%
Individual Development Division	Sales	7,114	6,800	-4.4%
	Gross Profit	[2,731]	[2,750]	+0.7%

- **Organizational Development Division:** Substantial YoY increase. Substantial growth expected in Consulting/Outsourcing Business.
- **Matching Division:** YoY increase. Solid growth expected in all businesses (ALT Placement, Personnel Placement and Temp Staff).
- **Individual Development Division:** Slight decrease in sales and slight increase in gross profit YoY. Strengthening profitability will take precedence.

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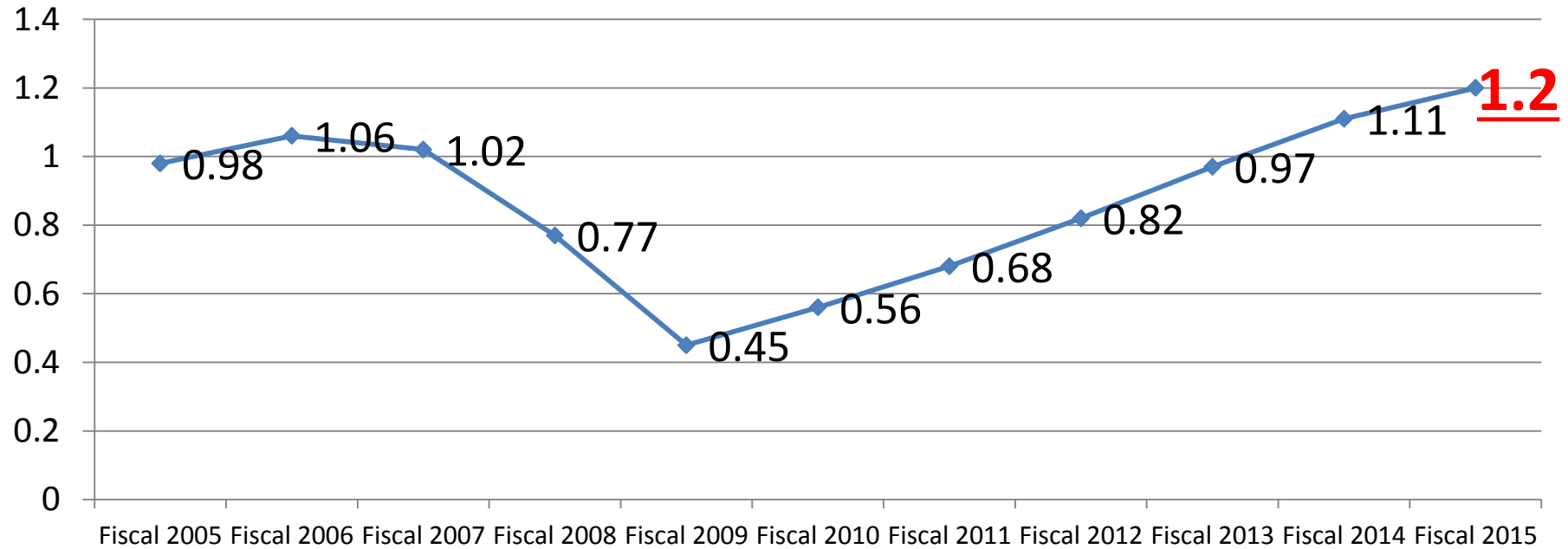


2016 Organizational Development Division Sales by Business (Plan/YoY Change)

(¥ million)		2015	2016	YoY Change
Business Section Organizational Development Division	① Consulting/Outsourcing Business	6,481	7,700	+18.8%
	② Event/Media Business	3,280	3,500	+6.7%

- ① Consulting/Outsourcing Business: Substantial 18.8% increase YoY expected, backed by the corporate HR field.
- ② Event/Media Business: 6.7% YoY increase planned, with strong sales of recruiting events and streaming video.

① 90% of Consulting/Outsourcing Business from the Corporate HR Field: Market Environment



From "Employment Referrals for General Workers," Ministry of Health, Labour and Welfare

- With the rising job-to-applicant ratio, companies are facing severe conditions for securing a workforce.
- In addition to adapting to product markets, it is critical for companies to adapt strategically to the labor market.

① Consulting/Outsourcing Business Topics: Building a Membership Organization for Client Companies

Build a membership of company managers and hold seminars on HR strategy, informal get-togethers, award ceremonies, etc.

Raise awareness of “creating Motivation Companies” adapted to the labor market.

Best Motivation Company Award
presented to high-motivation companies



Seminar for managers



**“HR Committee” for
major leading companies**

Now: 88 companies  100 by end of 2016

**“Motivation Company Club”
for venture companies**

Now: 385 companies  450 by end of 2016

- We are increasing opportunities for communication with managers to build a membership organization of client companies. This will create chances to offer consulting and promote improvement of existing products and development of new ones.

① Consulting/Outsourcing Business Topics: “HR Committee” Members (Partial List)

Panasonic

SONY

dentsu

docomo

MIZUHO

Marubeni

avex
group



株式会社

セブン-イレブン・ジャパン

JR
JR西日本

LIXIL

 株式会社 オリエンタルランド

BANDAI
NAMCO
Entertainment

アソビきれない毎日を。

 Otsuka 大塚製薬



東急不動産

おいしさと健康
Glico

Calbee



Mitsui & Co. HRD Institute

- Fulfilling a role as a hub of 100 leading companies that represent their respective industries.

① Consulting/Outsourcing Business Topics:

WAO Service to Promote the Active Participation of Women



Women's All in One service

Responds to the Act to Advance Women's Success in Their Working Life with support for working women at a cost of one coin (¥500) per month to help promote the active participation of women

Career Formation

- Lectures/Seminars
- Training service

Raising Skills

- Education service
- Qualification acquisition service



Management Improvement

- Motivation survey (Magellan) for female employees

Life Support

- Babysitting service
- Sick child care service
- Housekeeping service

- Promoting the active participation of women has become a major theme as companies deal with the labor shortage and struggle to secure superior human resources.
- Started in February 2016; 9,290 members as of March 30. Steady increase in members expected.

① Consulting/Outsourcing Business Topics: Motivation Company System (MCS) for Improving Organizational Strength

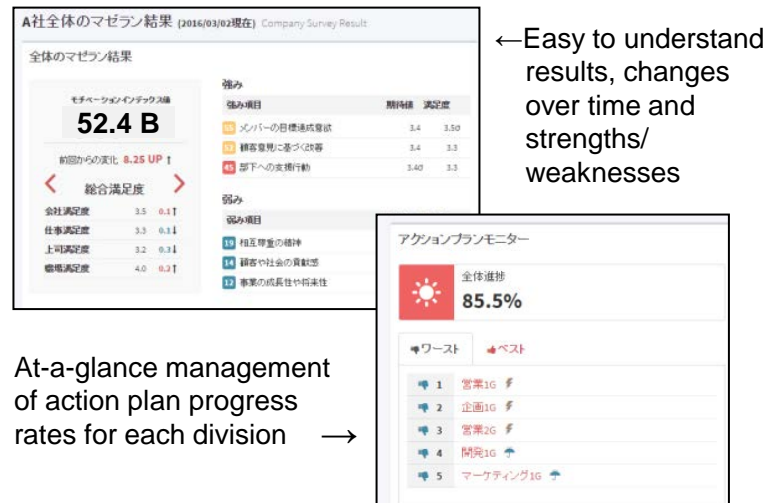
Creation of a cloud-based system for the “Magellan” motivation survey diagnostic tool with results from 560,000 people at 2,350 companies over the past 15 years

“Magellan” Motivation Survey

- Indicates degree of adaptation to the labor market. It measures “degree of mutual selection” between a company and its employees

Features of MCS

- Easy numerical comparisons with companies in the same industry, of the same size, etc., using our database
- Clients can check data analysis and the progress of action plans themselves



← Easy to understand results, changes over time and strengths/weaknesses

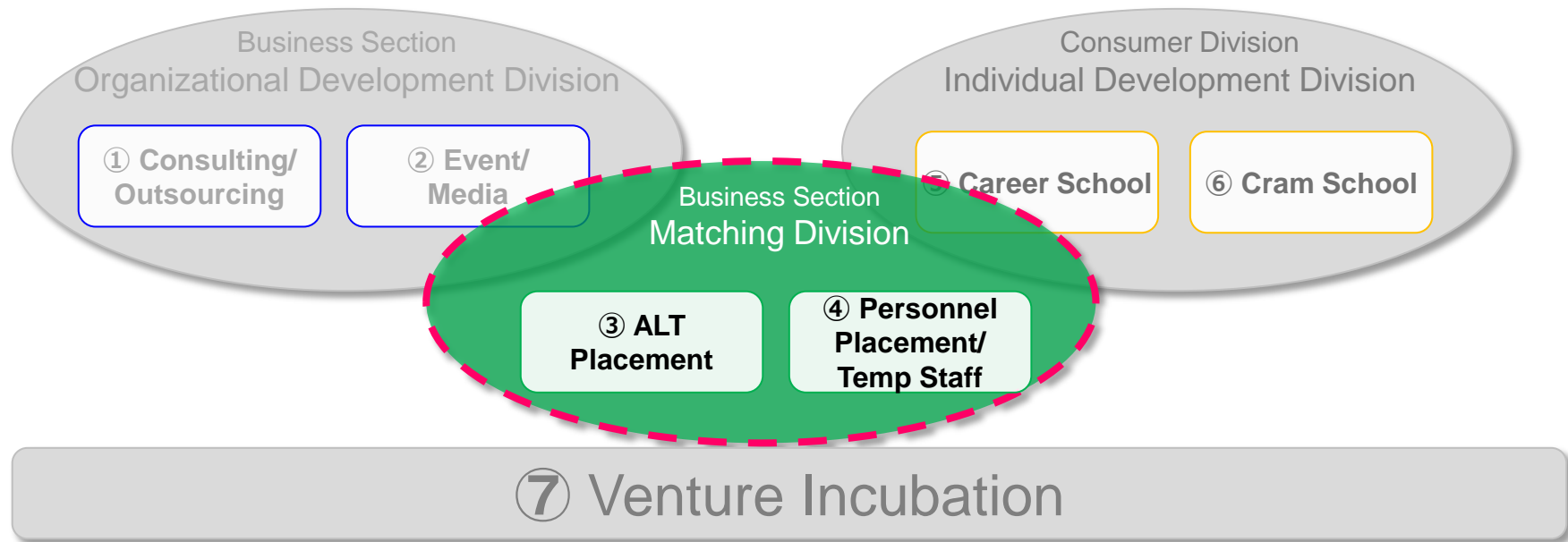
At-a-glance management of action plan progress rates for each division →

- By giving more companies access to the “Magellan” motivation survey, which indicates degree of adaptation to the labor market, we can offer consulting and support for developing and implementing solutions.
- To be released in July 2016, with the aim of implementation at 100 companies by the end of 2016.

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2016 Matching Division Sales by Business (Plan/YoY Change)

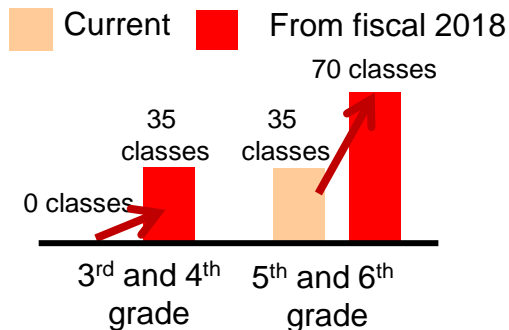
(¥ million)		2015	2016	YoY Change
Business Section Matching Division	③ ALT Placement	9,820	10,300	+4.9%
	④ Personnel Placement/Temp Staff	7,503	8,000	+6.6%

- ③ ALT Placement Business: Expected 4.9% increase YoY to exceed ¥10 billion in sales, backed by the English language teaching policy of the Ministry of Education, Culture, Sports, Science and Technology (MEXT).
- ④ Personnel Placement /Temp Staff Business: Expected 6.6% increase YoY due to growth in corporate recruiting needs.

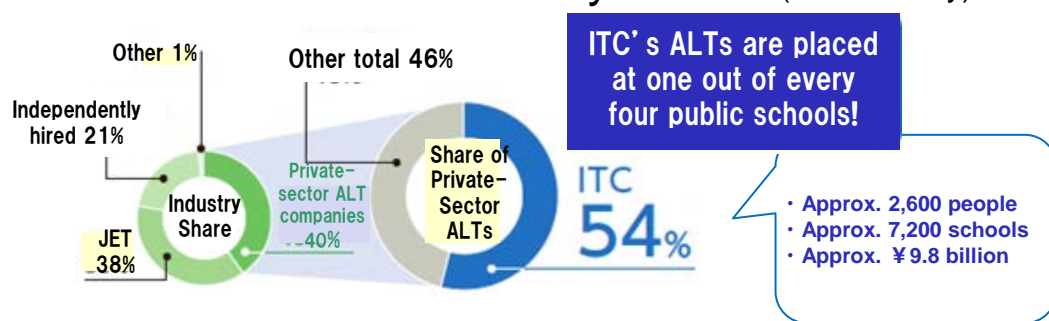
③ ALT Placement Business: Trends in English Education in Japan

English language education in Japan is expected to grow due to accelerated public education based on MEXT directive.

Change in Yearly Number of English Classes
in Elementary Schools



LMG's Industry Share (LMG survey)



- Plan to place ALTs in all (approx. 20,000) elementary schools by fiscal 2019. (MEXT, "English Education Reform Plan corresponding to Globalization")
- Although we hold the top share among private-sector businesses at 54%, there is substantial room for growth because many schools employ ALTs on their own.
- Planned sales of ¥10.3 billion in 2016 (4.9% increase YoY).

④ Personnel Placement/Temp Staff Business Topics: Cooperation with ⑤ Career School Business

Cooperation with ⑤ Career Schools Business, which operates schools nationwide, as a source of human resources for

④ Personnel Placement/Temp Staff Business

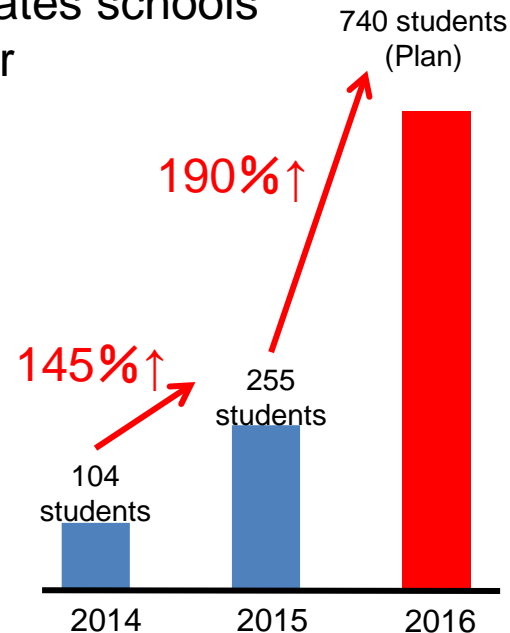
Course Attendance

- Acquisition of skills at Aviva or Daiei
- Career navigation



Job Search Support

- Counseling, job interview measures
- Job placement in major cities nationwide

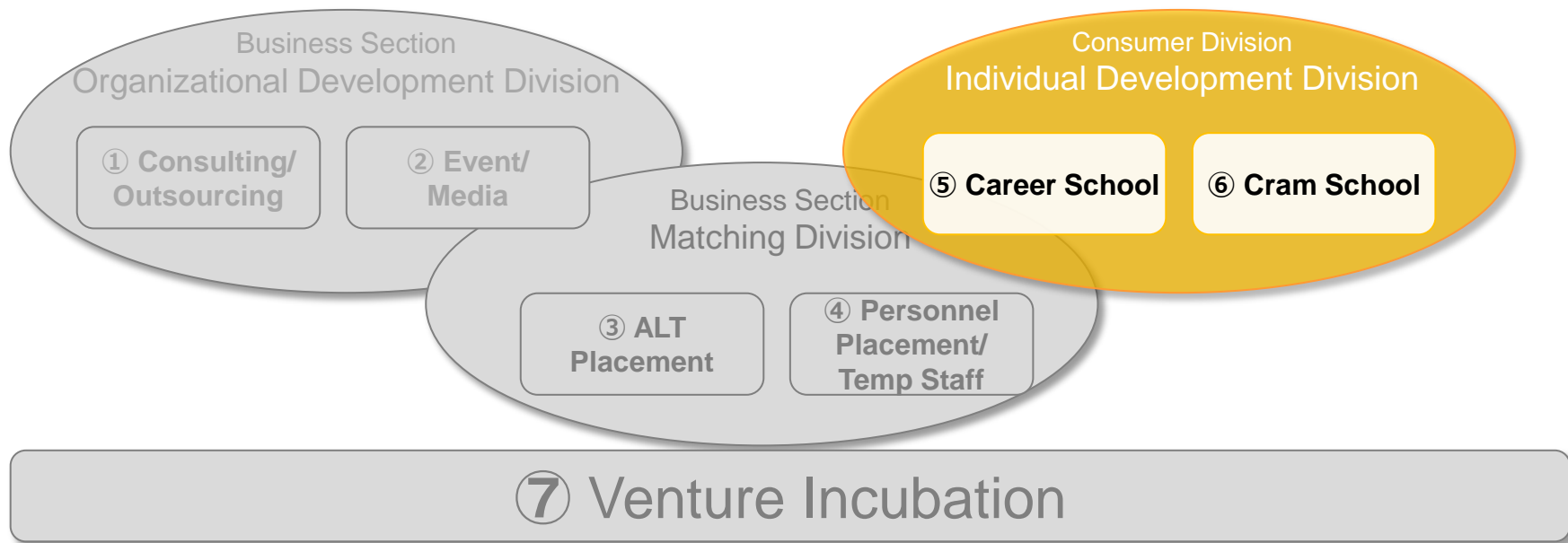


- For ④ Personnel Placement/Temp Staff Business, cooperation with the Career School Business reduces the cost of finding human resources.
- For ⑤ Career Schools Business, providing job search support as well as skills and qualifications significantly increases value for students.

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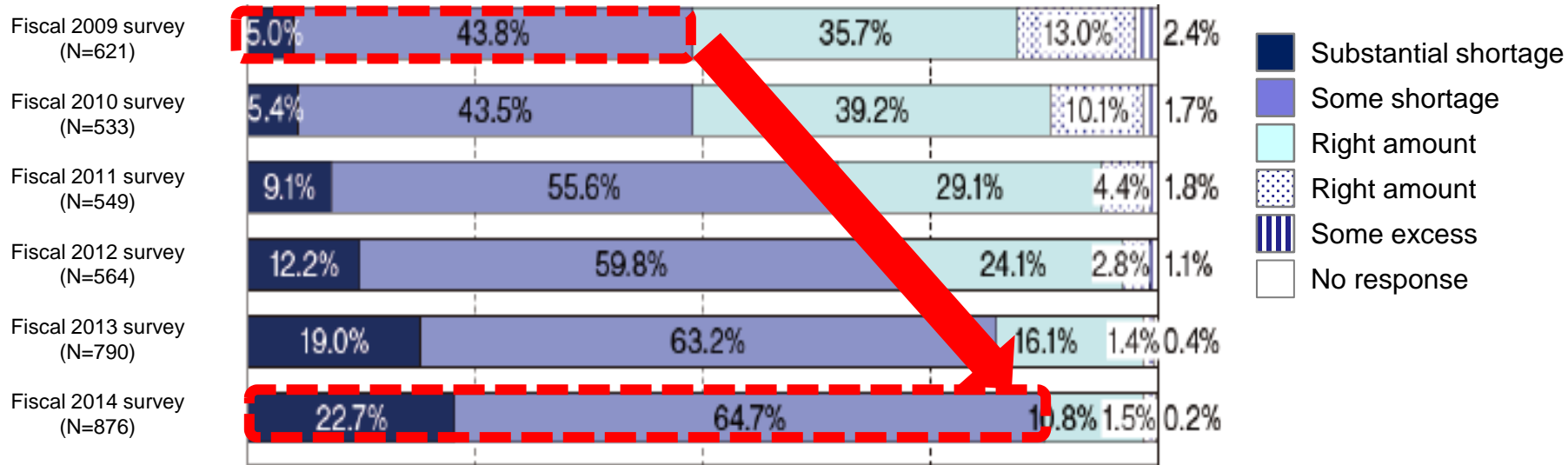


2016 Individual Development Division Sales by Business (Plan/YoY Change)

(¥ million)		2015	2016	YoY Change
Consumer Section Individual Development Division	⑤ Career School Business	6,978	6,580	-5.7%
	⑥ Cram School Business	136	130	-4.5%

- ⑤ The Career School Business plans a slight YoY decrease in sales due to the decrease in the number of classrooms (112 at start of 2015 → 107 at start of 2016) and expects to continue its efforts to strengthen its profit structure from 2015.
- ⑥ The Cram School Business plans a slight YoY decrease in sales from the closure of the Kashiwa school. The business will also reform its profit structure and make long-term plans for its next school openings.

⑤ Career School Business: Shortage of Corporate IT Staff



Information Technology Promotion Agency of Japan, "2015 White Paper on IT Human Resources"

- In a fiscal 2014 survey, approximately 87% of companies said they had a shortage of IT staff.
- Among these companies, the need for human resources with programming skills is growing.

⑤ Career School Business: Sales by Product (Plan/YoY Change)

(¥ million)	2015	2016	YoY Change
Office-related courses	3,731	3,687	-1.2%
Programming courses	50	312	+526.8%
Accounting courses	766	697	-9.1%
National exam courses	507	542	+7.0%
Civil servant courses	904	975	+7.8%
Sales of educational materials, etc.	1,020	467	-54.2%
Total	6,978	6,680	-4.3%

- We will proactively change the product mix.
- Existing Office-related courses for personal computer skills (Excel, Word, etc.) are expected to be flat, but we will focus on courses that teach programming skills to meet corporate needs.
- We expect solid growth in courses that focus on acquiring qualifications in national exams and as civil servants, where needs have been increasing recently.

⑤ Career School Business Topics: Strong Performance of AVIVA-Pro for Acquisition of IT Skills and Employment

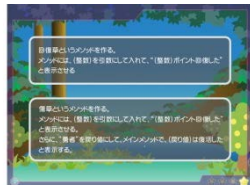


Shift to IT skills in individual career development, backed by the shortage of corporate IT staff. The number of students has already passed 3,000 since the July 2015 launch.

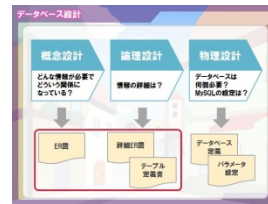
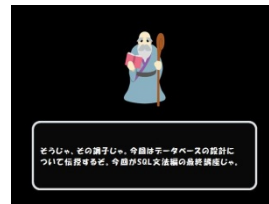
AVIVA-Pro Programming Series

Courses for learning programming skills in a game format

July 2015
Java Quest



March 2016
SQL Quest

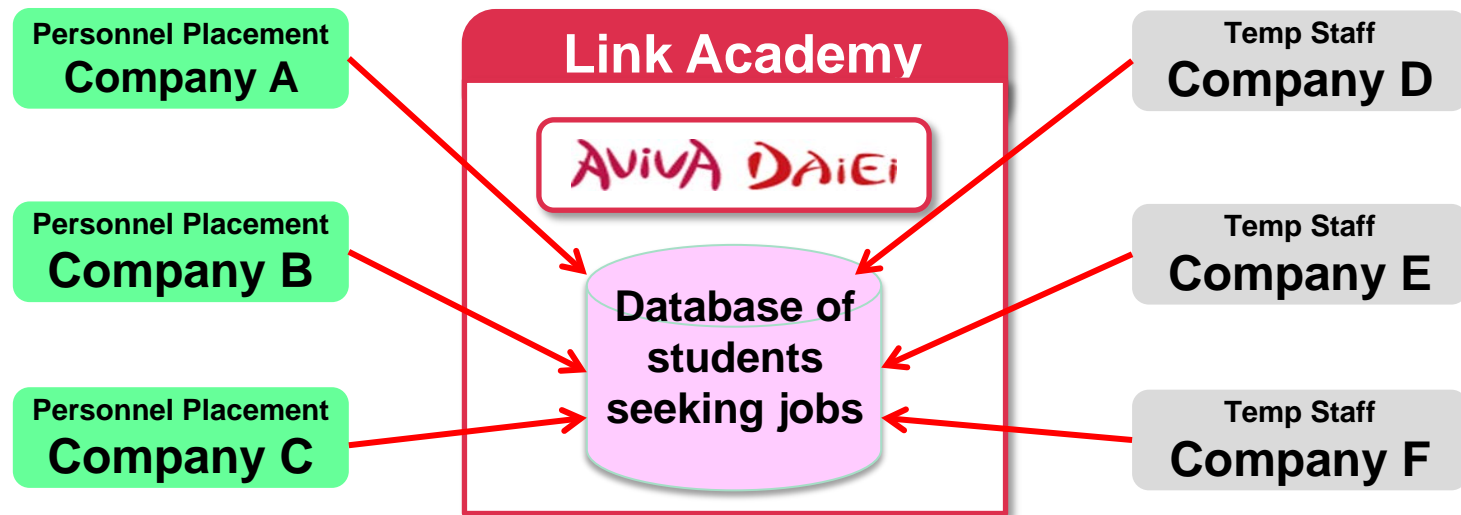


Note: Java and SQL are computer languages for creating software and databases

- Support for individual career development with development of courses in response to the corporate IT staff shortage.
- Use the corporate IT staff shortage as a business opportunity to accelerate cooperation between the Individual Development Division and the Matching Division.

⑤ Career School Business Topics: Scheduled Release of New Product “Proceed”

Creation of a database of job-seeking students at Link Academy career school for a service that charges employment and temp staff agencies to access it (database user fees, matching fees for temp staff/personnel placement, etc.)

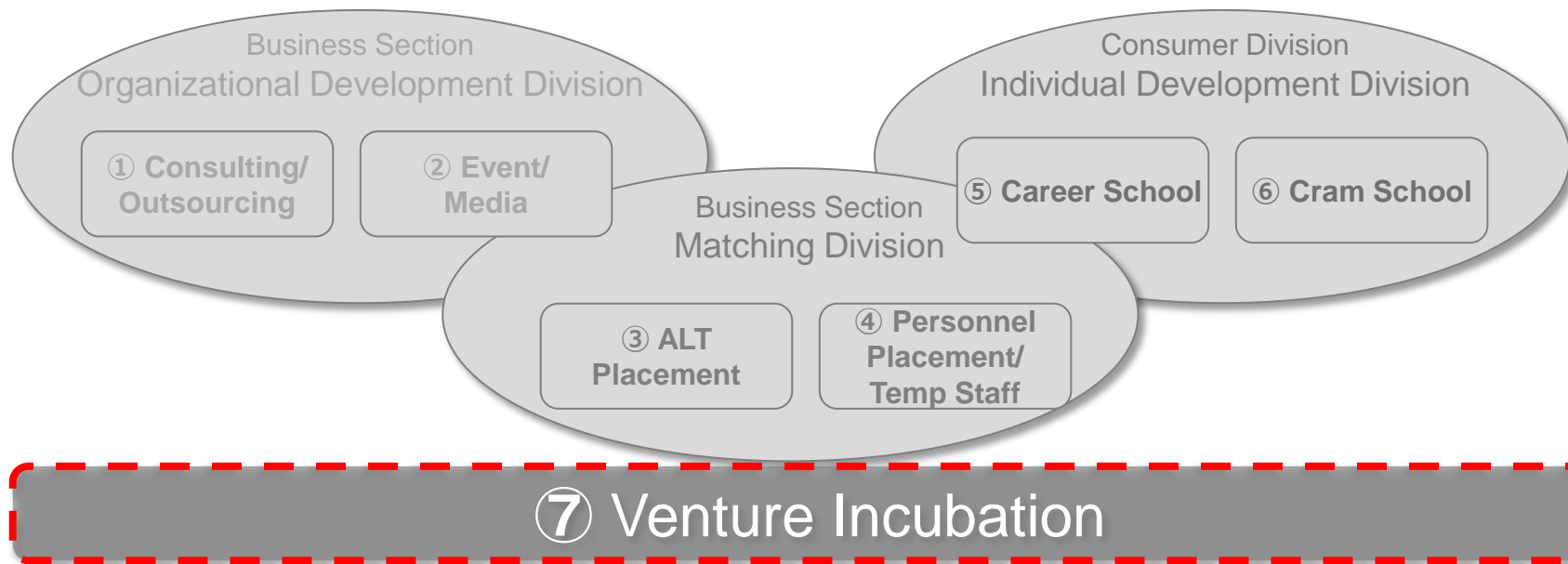


- Link Academy raises the value of students by broadening the scope of potential jobs.
- Creates a new business model based on usage fees from employment agencies in addition to tuition fees from students.
- Plan to register 3,000 students out of the annual total of 33,000 for the launch in June 2016.

New Operating Structure

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⑦ Venture Incubation Business: Investments at a Glance

① RichMedia Co., Ltd.

Media design/Inbound marketing



② from scratch Co., Ltd.

Marketing support/Dispatch of technical staff



③ Akatsuki Inc.

App development/
Smartphone service development



④ FiNC Inc.

FiNC diet coaches/Wellness
management support



⑤ NEO CAREER CO., LTD.

Personnel introduction/
Temp staffing (medical/nursing/daycare/IT)



⑥ Leading Mark, Inc.

New graduate recruiting support/
Job search consulting



⑦ schoo Inc.

Schoo Web campus



⑧ raksul, Inc.

E-commerce printing/support for
attracting customers

⑨ Renoveru Co., Ltd.

Used housing renovation



⑩ LiB, Inc.

Job-change support for upper-echelon
female employees



⑪ PLAN-B Co., Ltd.

Web consulting centered on SEO



⑫ Innovation Inc.

Marketing support specializing in BtoB



⑬ First Brand Inc.

Corporate and individual branding support



⑭ BizReach, Inc. (Investment on March 29)

Job-change website for upper-echelon employees



- Selection criteria: (1) Sympathy with creating a Motivation Company; (2) Aim to list stock
- Target investment ratio: 3% to 10%
- Contribution to business growth through support in the organizational and personnel field

⑦ Venture Incubation Business: Investments at a Glance

Human Resources

⑤ NEO CAREER
CO., LTD.



⑥ Leading Mark, Inc.



⑩ LiB, Inc.



⑭ BizReach, Inc.



Marketing

① RichMedia Co., Ltd.



② from scratch Co., Ltd.



⑧ raksul, Inc.



⑪ PLAN-B Co., Ltd.



⑫ Innovation Inc.



⑬ First Brand Inc.



Consumer

Social Games

③ Akatsuki Inc.



Wellness

④ FiNC Inc.



Education

⑦ schoo Inc.



Renovation

⑨ Renoveru Co., Ltd.



⑦ Venture Incubation Business: Akatsuki Inc. Stock Listed on March 17, 2016

Akatsuki Inc.

Established: 2010

Representatives: Genki Shiota, CEO

Tetsuro Kouda, COO

Employees: 65 (as of December 31, 2015)

Capital: ¥1,400,860 thousand

Society vision: “A society that develops
with emotion as a reward”

Mission: “Making the world happy with the
power of games”

Business: Planning and development of
smartphone services and
social network apps

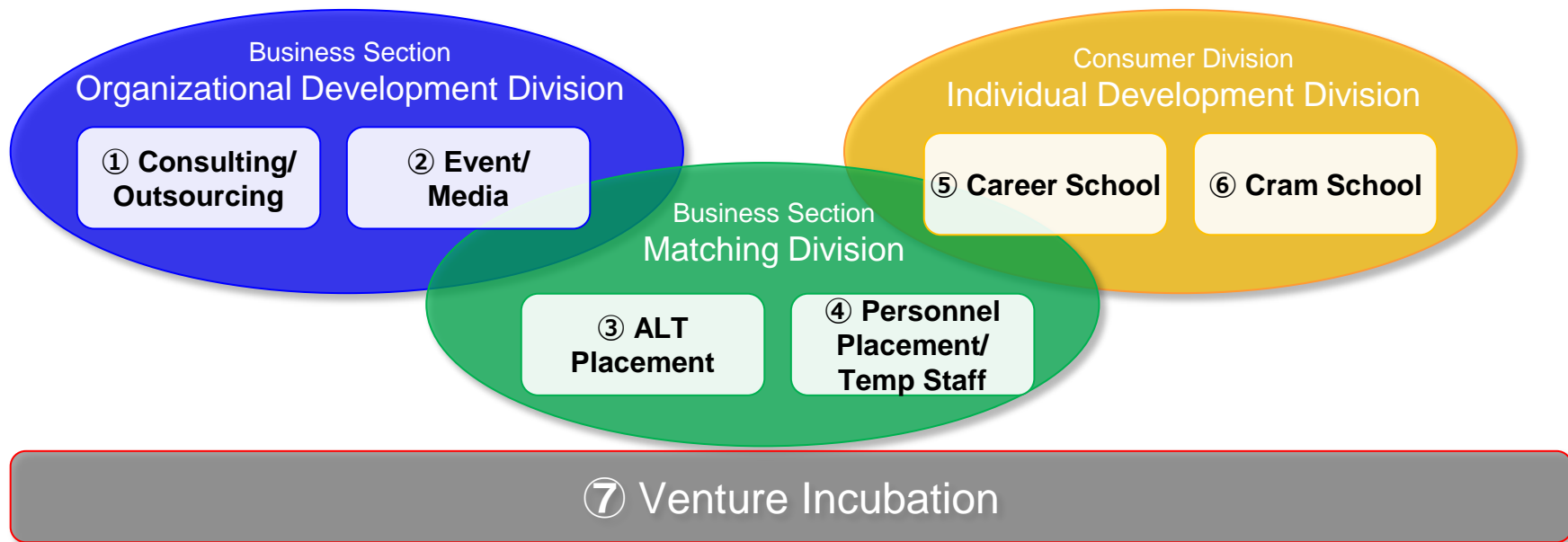


- LMI holds 4,545,000 shares
- We will continue to provide support in organizational and personnel areas, as well as capital.

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6. Voting on Proposals

Please refer to pages 40 – 46 of the
Notice of the General Meeting of
Shareholders for the
content of the proposal.

Please refer to page 47 of the
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Shareholders for the
content of the proposal.

7. Closing Remarks

Link and Motivation Inc. Ordinary General Meeting of Shareholders for the 16th Period (Fiscal Year Ended December 31, 2015)



ひとりひとりの本気がこの世界を熱くする

Link and Motivation Group

