

Link and Motivation Inc.
Consolidated Financial Information for the
Three Months Ended March 31, 2016
(First Quarter of 2016)



ひとりひとりの本気がこの世界を熱くする

Link and Motivation Group

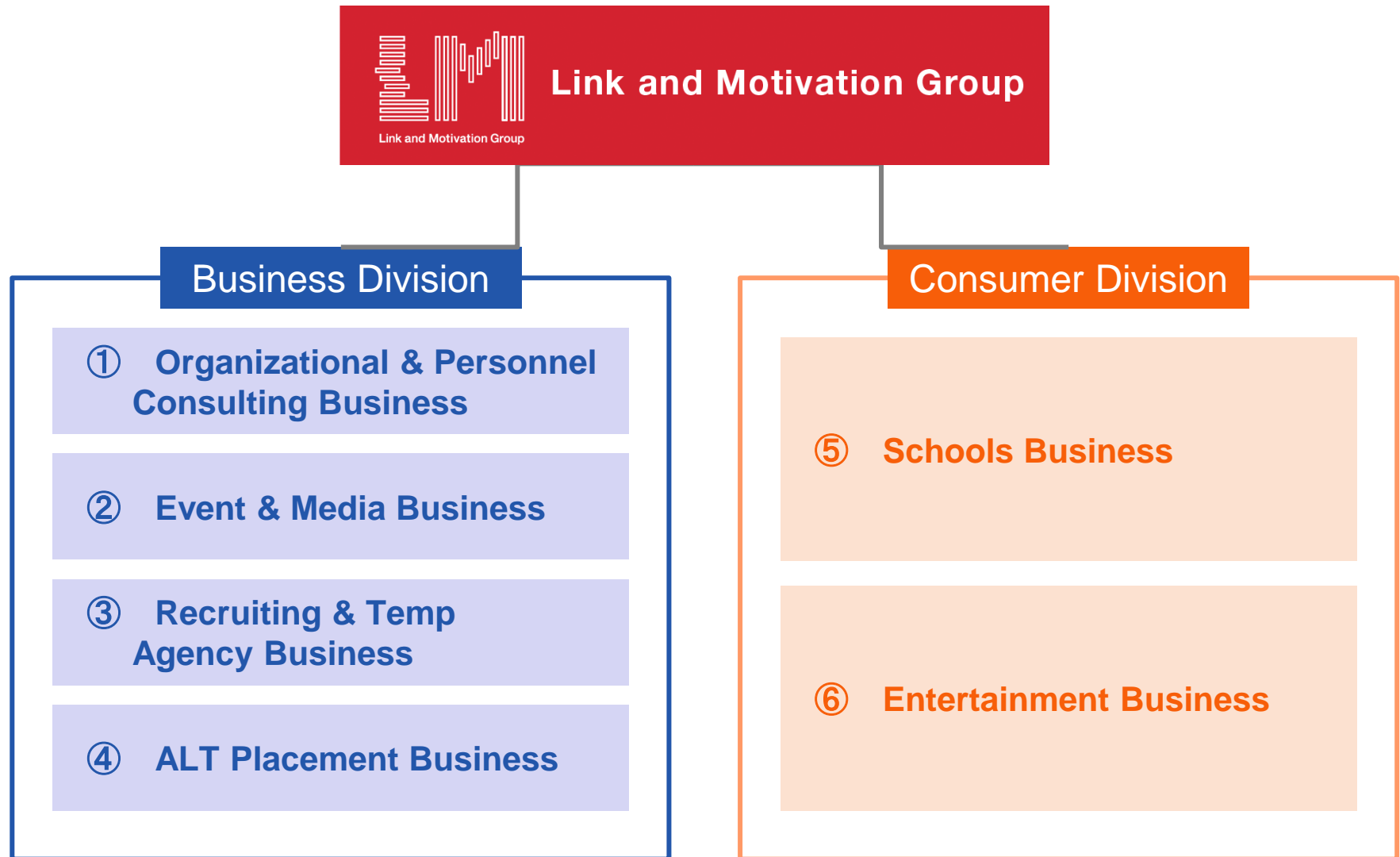


1. Announcement of Results for the Three Months Ended March 31, 2016
2. 2016 Growth Strategy and Topics

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Announcement of Results for the Three Months Ended March 31, 2016

Link and Motivation Group Operating Structure



Overview of Business Structure

LM Group

Business Division

① Organizational & Personnel Consulting Business

Organizational/personnel consulting focused on employee motivation
⇒ Offers organizational diagnostics, education and training, HR system building, recruiting and business consulting, etc.

② Event & Media Business

Event planning and management/media production focused on organizational communication
⇒ Offers anniversary events, recruiting events, PR/IR tools, webcasting, etc.

③ Recruiting & Temp Agency Business

Recruiting/temp staffing to meet corporate HR needs
⇒ Offers recruitment of new graduates/mid-career hires, temp staffing for sales and clerical workers, etc.

④ ALT Placement Business

Dispatch of ALTs to meet needs for teachers at educational institutions
⇒ Offers ALT dispatch/contracts for elementary/secondary schools throughout Japan

Consumer Division

⑤ Schools Business

School management with the concept of “developing i-companies”
⇒ Management of career schools such as Aviva PC schools and Daiei qualification schools; management of Motivation Academia preparatory schools

⑥ Entertainment Business

Providing entertainment with the concept of “creating quality of life” for individuals
⇒ Management of Link Tochigi Brex basketball team, Link Dining restaurant

Statements of Operations (Results/YoY Change)

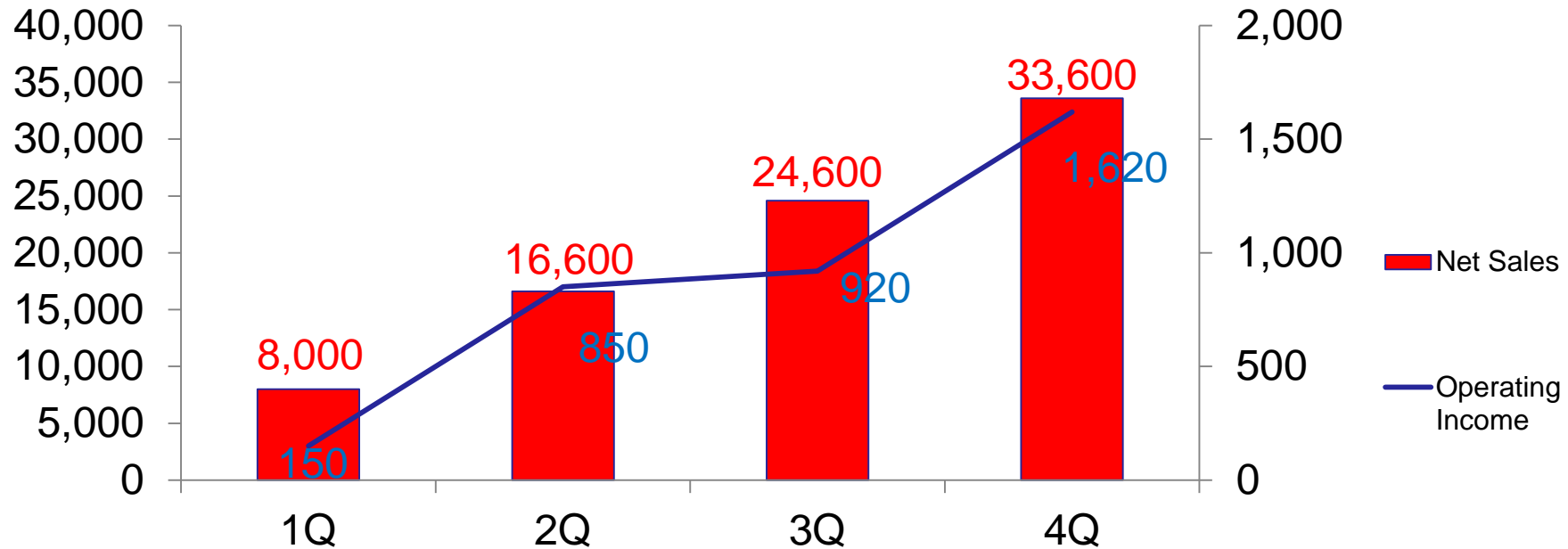
(¥ million)	2015 1Q Results	2016 1Q Results	YoY Change
Net Sales	7,720	8,309	+7.6%
Operating Income	33	356	+961.8%
Ordinary Income	20	296	+1,355.8%
Net Income	21	163	+671.6%

- Net sales increased year on year (YoY) with strong performance by the Business Division.
- Operating income and the levels of income below it increased substantially YoY due to the strong performance of the high-margin Business Division.

2016 Plan for Consolidated Net Sales and Operating Income (Reprint)

Net Sales (¥ million)

Operating Income (¥ million)



- Steady growth in net sales is expected in each quarter.
- Operating income is expected to grow substantially in the second and fourth quarters. Substantial growth is expected in personnel recruiting and development services in the high-margin Organizational & Personnel Consulting Business.

Statements of Operations (Results/Results vs. Plan)

(¥ million)	2015 1Q Results	2016 1Q Plan	2016 1Q Results	Results vs. Plan	YoY Change
Net Sales	7,720	8,000	8,309	+3.9%	+7.6%
Operating Income	33	150	356	+137.6%	+961.8%
Ordinary Income	20	-	296	-	+1,355.8%
Net Income	21	-	163	-	+671.6%

- Net sales exceeded the plan and operating income substantially exceeded the plan due to strong progress by the high-margin Organizational & Personnel Consulting Business in the Business Division.

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

(¥ million)	2015 1Q Results	2016 1Q Results	YoY Change
① Personnel Expenses	973	1,134	16.5%
② Recruiting, Training and Welfare Expenses	127	142	12.0%
③ Rent	159	166	4.6%
④ Office and System Expenses	250	292	16.9%
⑤ Sales-related Expenses	586	426	-27.2%
⑥ Transportation and Other Expenses	215	220	2.4%
⑦ Amortization of Goodwill	183	183	0.0%
Total SG&A Expenses	2,495	2,567	2.8%

- Slight YoY increase (¥71 million) in total SG&A expenses.
- ① Personnel Expenses and ② Recruiting, Training and Welfare Expenses increased YoY (¥175 million) due to an increase in the Groupwide number of employees.
- ④ Office and System Expenses increased YoY (¥42 million) due to remodeling and relocation for integration of offices in Fukuoka and Nagoya.
- ⑤ Sales-related Expenses decreased YoY (¥159 million) due to more efficient deployment of advertising expenses in the Consumer Division.

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

(¥ million) [Gross profit in brackets]		2015 1Q Results	2016 1Q Results	YoY Change
Business Division	Sales	6,082	6,677	+9.8%
	Gross Profit	[1,862]	[2,465]	+32.4%
Consumer Division	Sales	1,967	1,749	-11.1%
	Gross Profit	[765]	[526]	-31.3%

- In the Business Division, sales increased and gross profit increased substantially YoY due to strong progress by the high-margin Organizational & Personnel Consulting Business.
- In the Consumer Division, sales and gross profit both decreased substantially YoY due to the termination of transactions among Group companies in the Schools Business.

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

Note: Excluding transactions among Group companies

(¥ million) [Gross profit in brackets]		2015 1Q Results	2016 1Q Results	YoY Change
Business Division	Sales	6,082	6,677	+9.8%
	Gross Profit	[1,862]	[2,465]	+32.4%
Consumer Division	Sales	1,726	1,749	+1.3%
	Gross Profit	[524]	[526]	+0.4%

- Excluding transactions among Group companies in the Consumer Division, sales and gross profit both increased slightly YoY.
- We will continue to focus on improving profits by promoting more efficient deployment of advertising expenses, etc.

Business Division: Product Sales by Business (Results/YoY Change) ① · ②

Product (¥ million)	2015 1Q	2016 1Q	YoY Change
① Organizational & Personnel Consulting Business	1,599	1,962	+22.7%
	[801]	[1,299]	+62.2%
Package	459	469	+2.1%
Consulting	691	989	+43.1%
Outsourcing	330	339	+2.8%
Database	83	105	+26.8%
Member services	36	61	+68.2%

Product (¥ million)	2015 1Q	2016 1Q	YoY Change
② Event & Media Business	701	819	+16.9%
	[154]	[298]	+93.8%
Event production	437	526	+20.6%
Media production	264	292	+11.0%

- ① The Organizational & Personnel Consulting Business promotes database sales for organizational diagnostics. By mainly expanding personnel development consulting as a solution, sales and gross profit both increased substantially YoY.
- In ② the Event & Media Business, sales increased substantially YoY due to growth in anniversary/kickoff events and promotion/IR tools. In addition, gross profit increased substantially YoY due to the contribution from increasing added value in production expenses, etc.

Business Division: Product Sales by Business

(Results/YoY Change) ③ · ④

Product (¥ million)	2015 1Q	2016 1Q	YoY Change	
③ Recruiting & Temp Agency Business	1,858	1,957	+5.3%	
	[436]	[424]	-2.6%	
	Sales temp staff	1,535	1,681	+9.5%
	Office temp staff	137	154	+12.9%
	New graduate recruiting/introductions	161	107	-33.0%
Mid-career introductions	26	13	-46.9%	

Product (¥ million)	2015 1Q	2016 1Q	YoY Change
④ ALT Placement Business	2,469	2,534	+2.7%
	[660]	[716]	+8.5%

- In ③ the Recruiting & Temp Agency Business, sales increased YoY due to strong performance by sales and office temp staff, backed by a shortage of personnel at companies, but gross profit decreased YoY due to the impact on high-margin new graduate recruiting and introductions from moving back the period for corporate recruiting activities.
- ④ ALT Placement Business performance was firm as Japan promoted English language education. Sales and gross profit both increased YoY.

Consumer Division: Product Sales by Business (% of Total/YoY Change)

Note: Excluding transactions among Group companies

(¥ million)	2015 1Q		2016 1Q		YoY Change
	Results	% of Total	Results	% of Total	
⑤ Schools Business	1,535 [455]	-	1,596 [508]	-	+3.9% +11.7%
Office	911	59.4%	952	59.7%	+4.5%
Programming	0	0.0%	56	3.6%	-
Accounting courses	172	11.2%	143	9.0%	-16.4%
National exam courses	103	6.7%	110	6.9%	+7.2%
Civil servant courses	213	13.9%	237	14.9%	+11.1%
Educational materials/other	115	7.5%	70	4.4%	-39.0%
Preparatory schools	19	1.3%	24	1.5%	+21.1%
⑥ Entertainment Business	198 [70]	-	156 [18]	-	-21.2% -73.7%

- In ⑤ the Schools Business, sales increased and gross profit increased substantially YoY as strong sales of Office and Civil servant courses and the start-up of new Programming courses compensated for weak sales of Accounting courses.
- In ⑥ the Entertainment Business, sales and gross profit both decreased substantially YoY due to a downturn in sponsorship income for our pro basketball team.

Consolidated Balance Sheets (Results/YoY Change)

(¥ million)	Dec. 31, 2015	Mar. 31, 2016	Change
Current Assets	5,851	5,983	+132
Property and Equipment	11,616	13,167	+1,551
Assets Carried Over	6	5	-1
Total Assets	17,474	19,157	+1,682
Current Liabilities	8,866	9,686	+820
Long-term Liabilities	2,575	2,913	+338
Net Assets	6,032	6,556	+524
Total Liabilities and Net Assets	17,474	19,157	+1,682

- Property and equipment increased due to gain on evaluation of stock of investee companies in the incubation business and renovation/relocation of integrated offices in Fukuoka and Nagoya.
- Current liabilities increased due to an increase in short-term borrowings for payment of income taxes and relocation expenses.
- Net assets increased, despite a decrease due to a stock repurchase, due to gain on evaluation of stock of investee companies in the incubation business.

● Scheduled 15 yen increase from previous year in 2016

- Dividend per unit: 110 yen ⇒ 125 yen
- Annual dividends: 440 yen ⇒ 500 yen

● Scheduled first-quarter dividend for 2016

- A dividend of 125 yen per unit is scheduled to be paid on Friday, June 24 as planned.

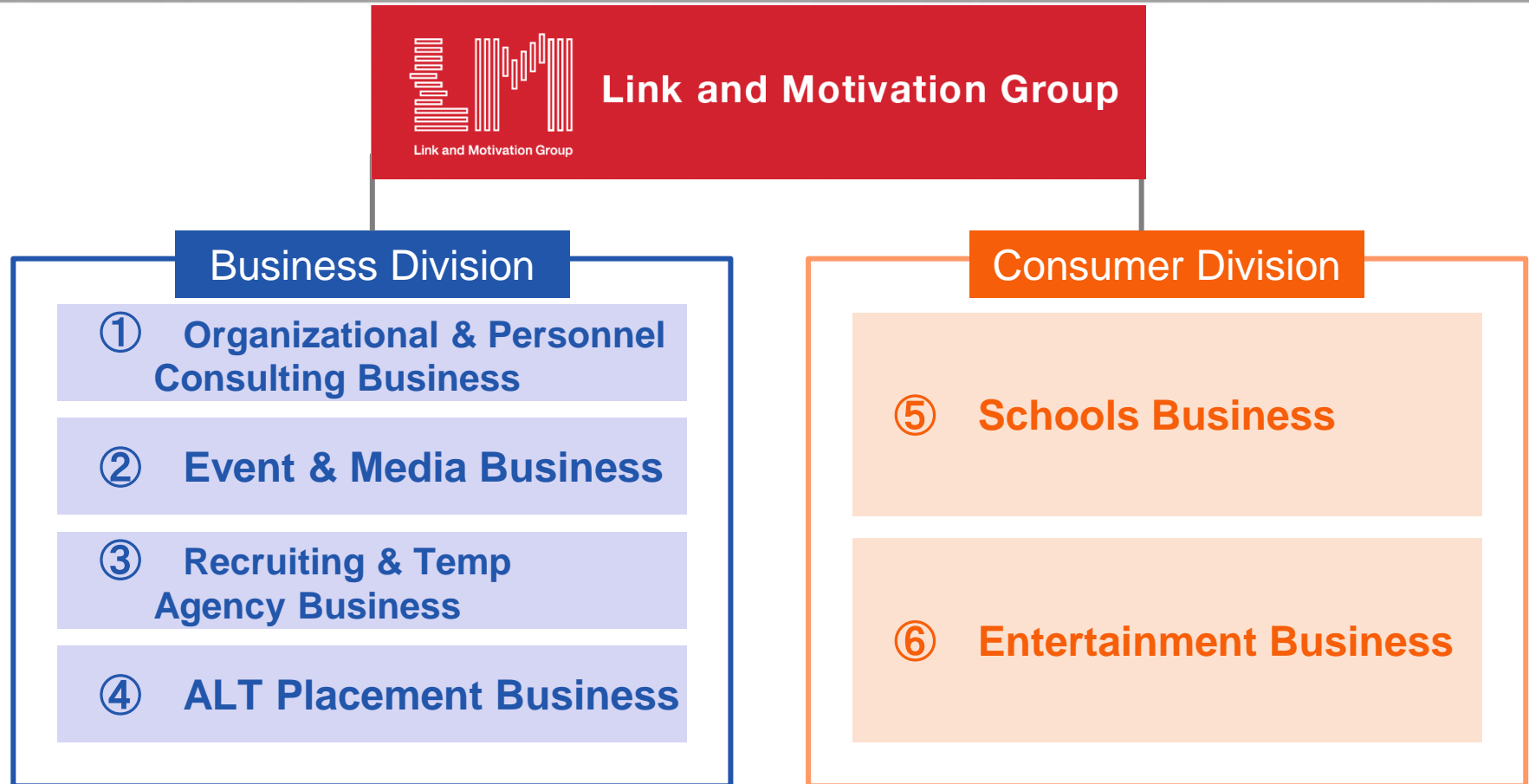
	First Quarter (Scheduled)	Second Quarter (Scheduled)	Third Quarter (Scheduled)	Fourth Quarter (Scheduled)
Dividend per Unit	125 yen	125 yen	125 yen	125 yen
Shares per Unit	100 shares	100 shares	100 shares	100 shares

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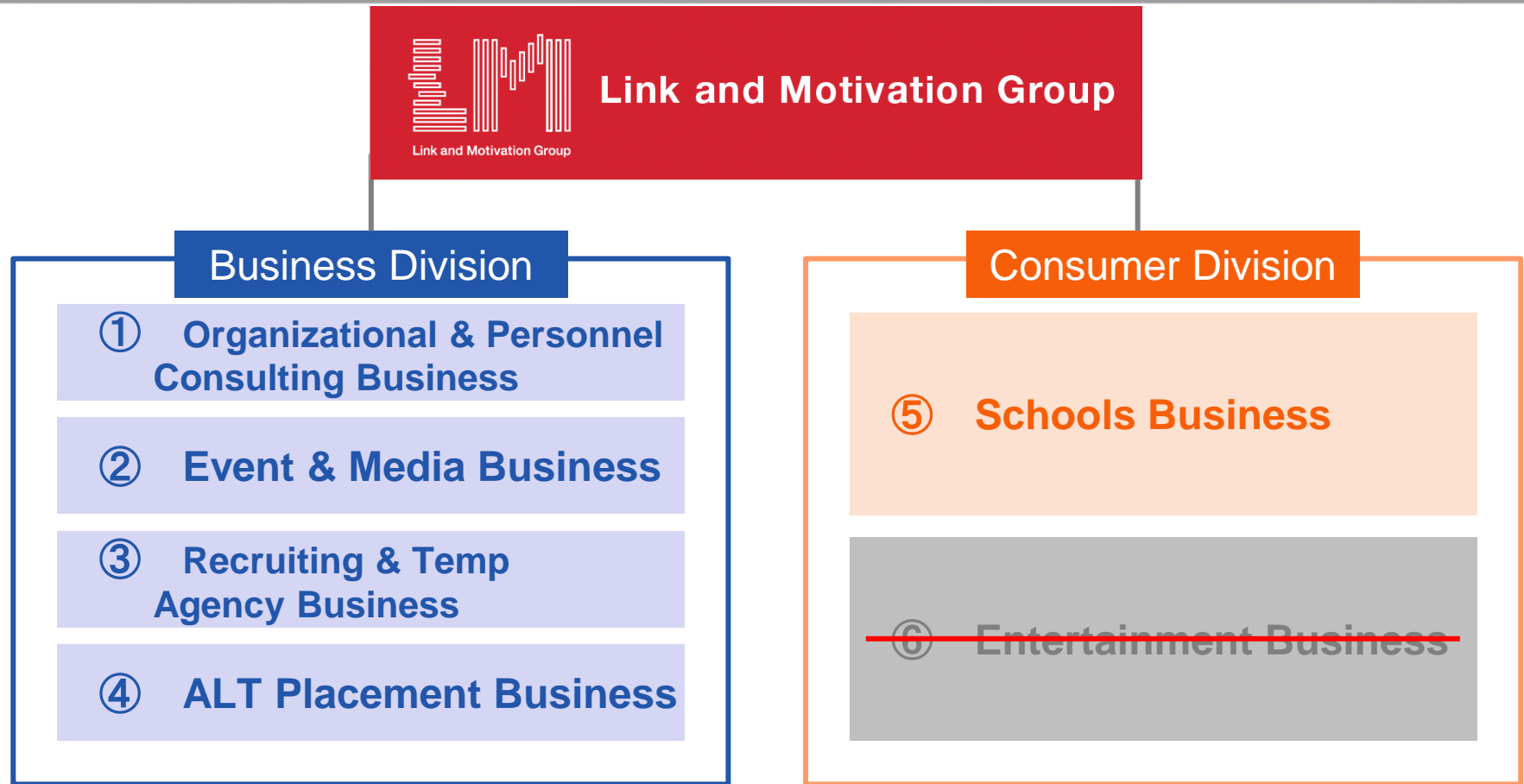
2016 Growth Strategy and Topics



Current Operating Structure



Current Operating Structure

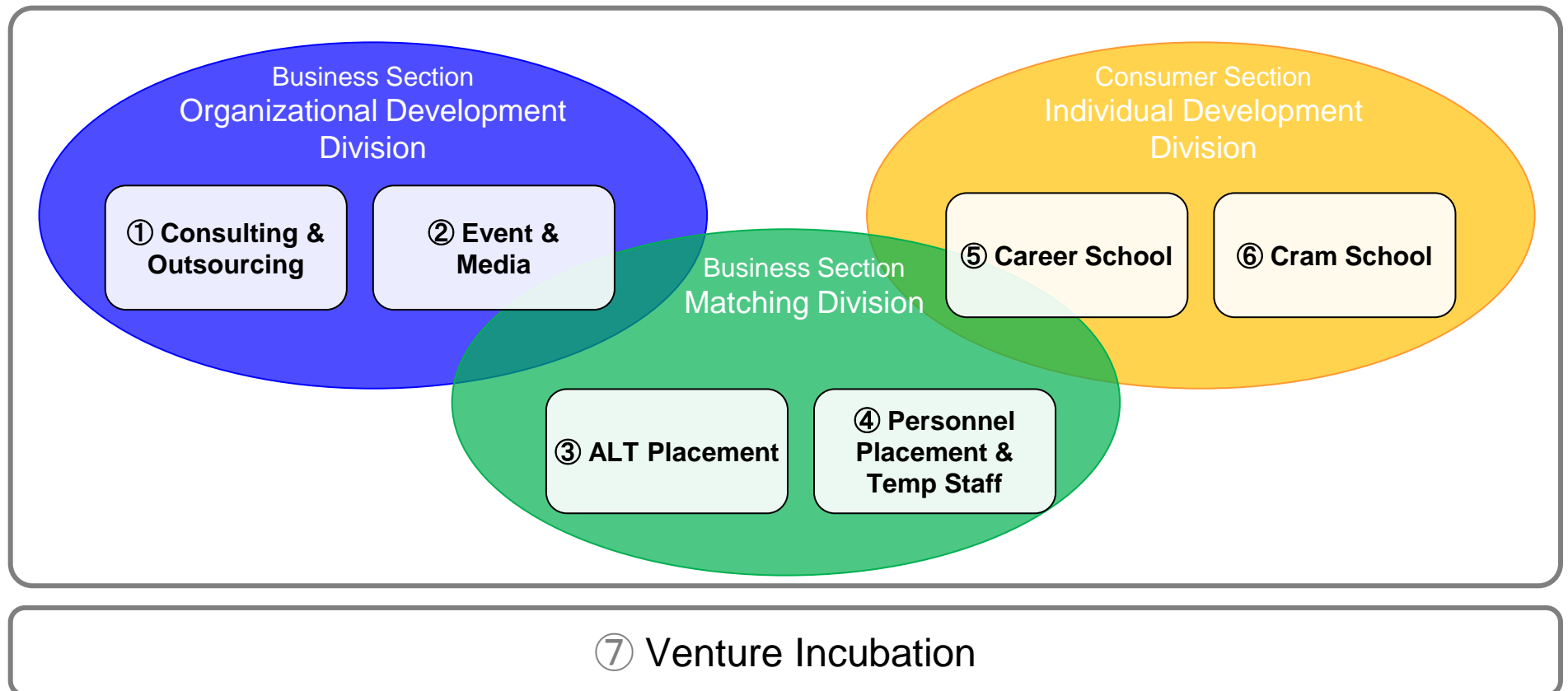


- All shares of Link Sports Entertainment Inc., a consolidated subsidiary that operates a professional basketball team, are scheduled to be transferred to Tochigi Brex Inc. as of July 1, 2016.
- We will restructure our businesses for selection and concentration of our management resources.

New Operating Structure

Mission:

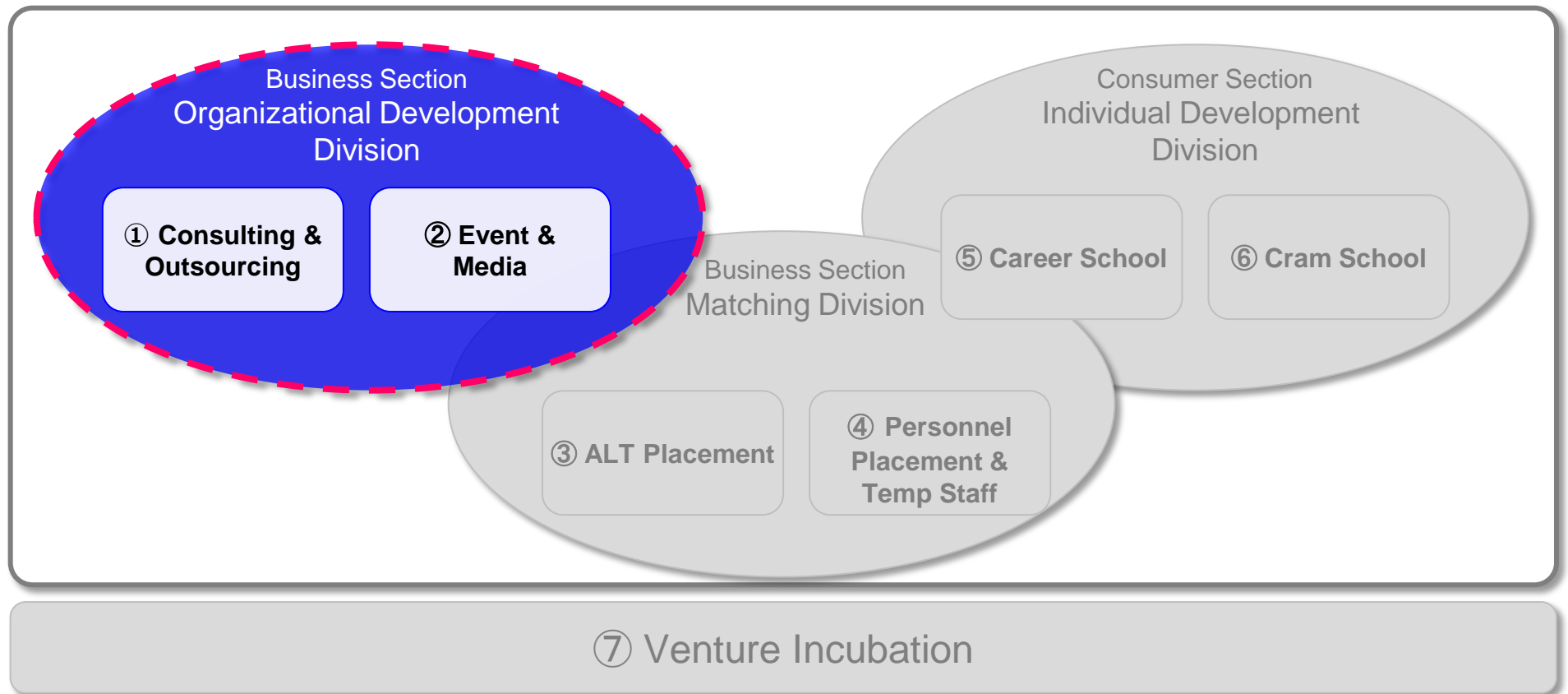
We will provide **organizations** and **individuals** with opportunities for transformation through Motivation Engineering to help achieve a more meaningful society.



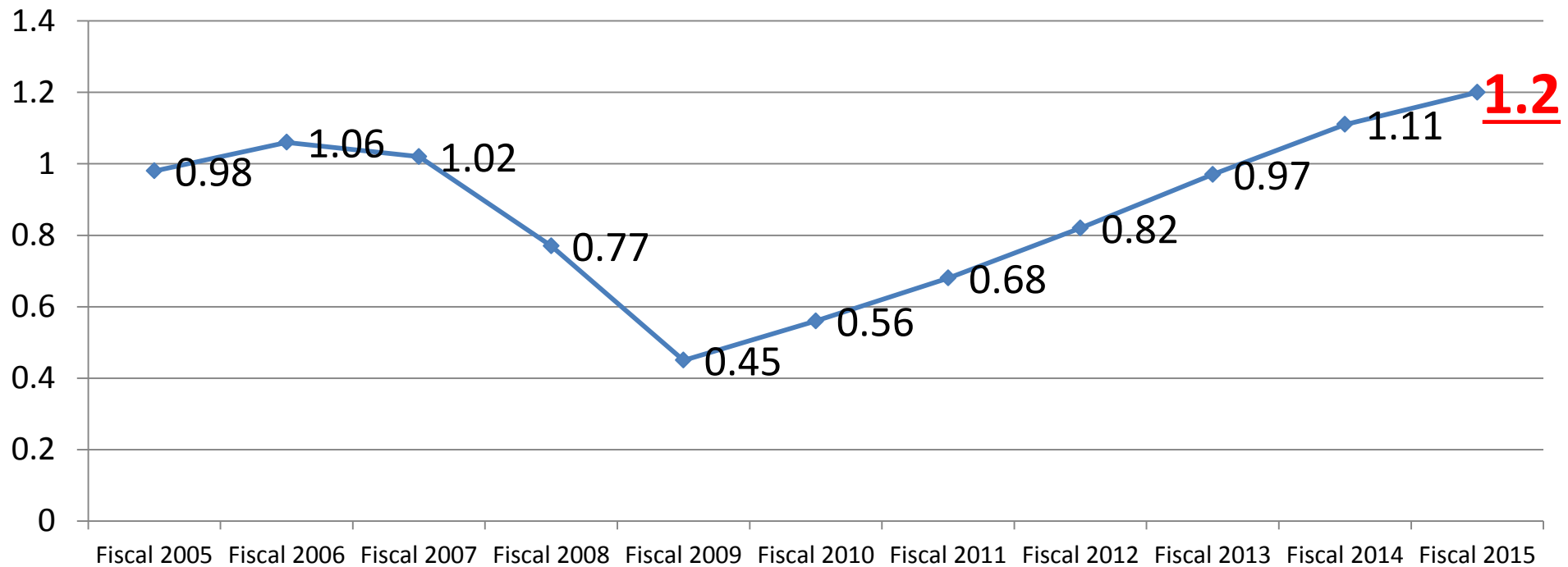
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① 90% of Consulting & Outsourcing Business from the Corporate HR Field: Market Environment



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.



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 31. Steady increase in members expected.

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

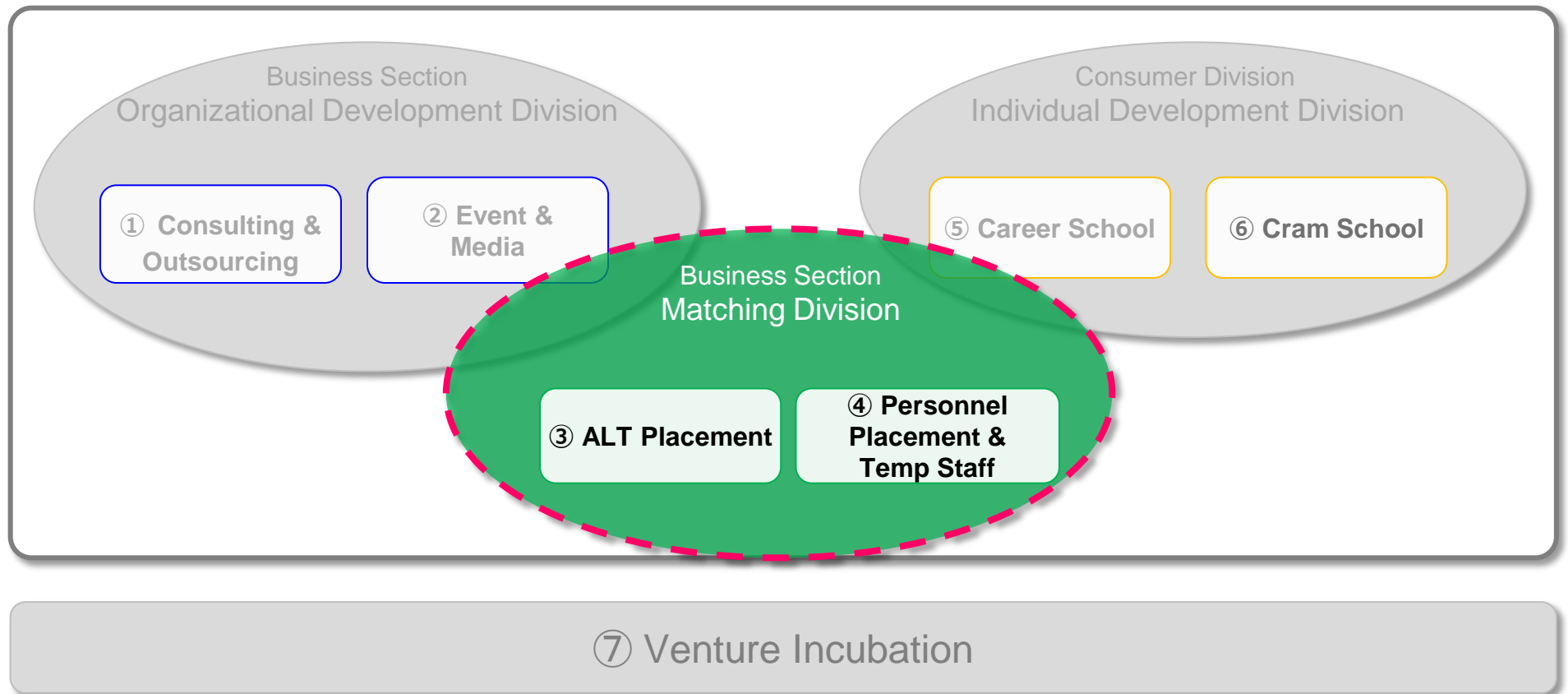


- By giving more companies access to the “Magellan” motivation survey, which indicates degree of adaptation to the labor market, we can offer consulting and support for developing and implementing solutions.
- To be released in July 2016, with the aim of implementation at 100 companies by the end of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

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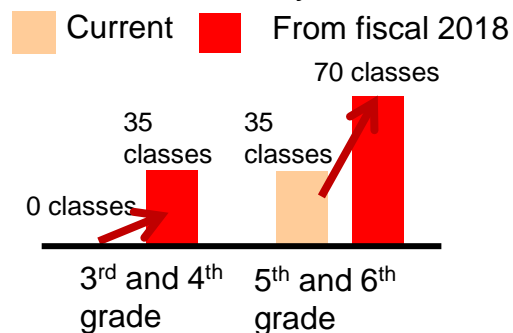
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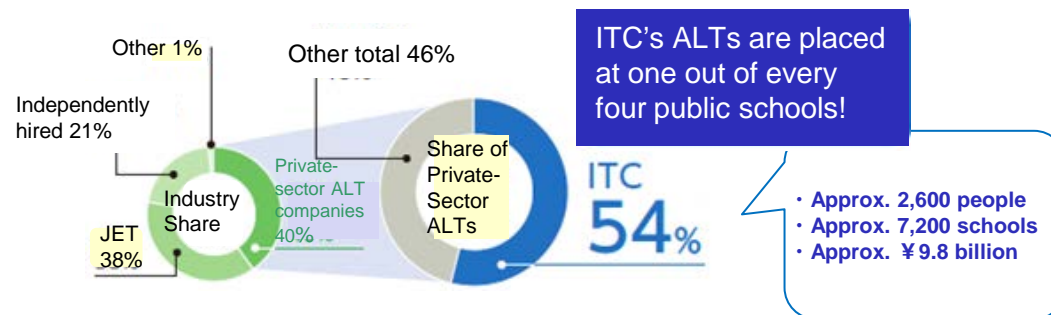
③ ALT Placement Business: Trends in English Education in Japan

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

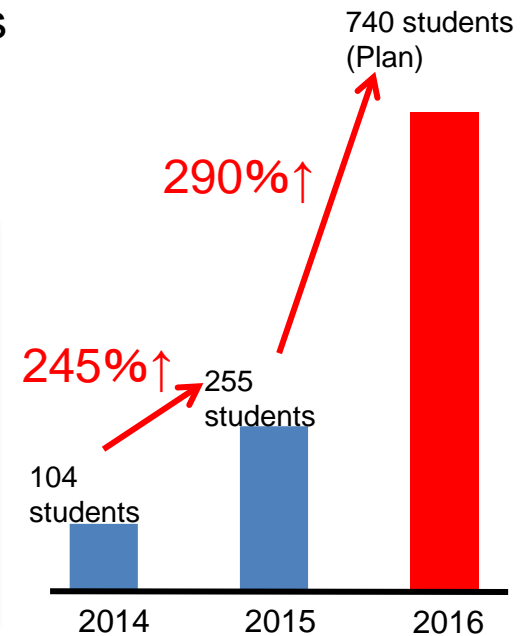
Course Attendance

- Acquisition of skills at Aviva or Daiei
- Career navigation



Job Search Support

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

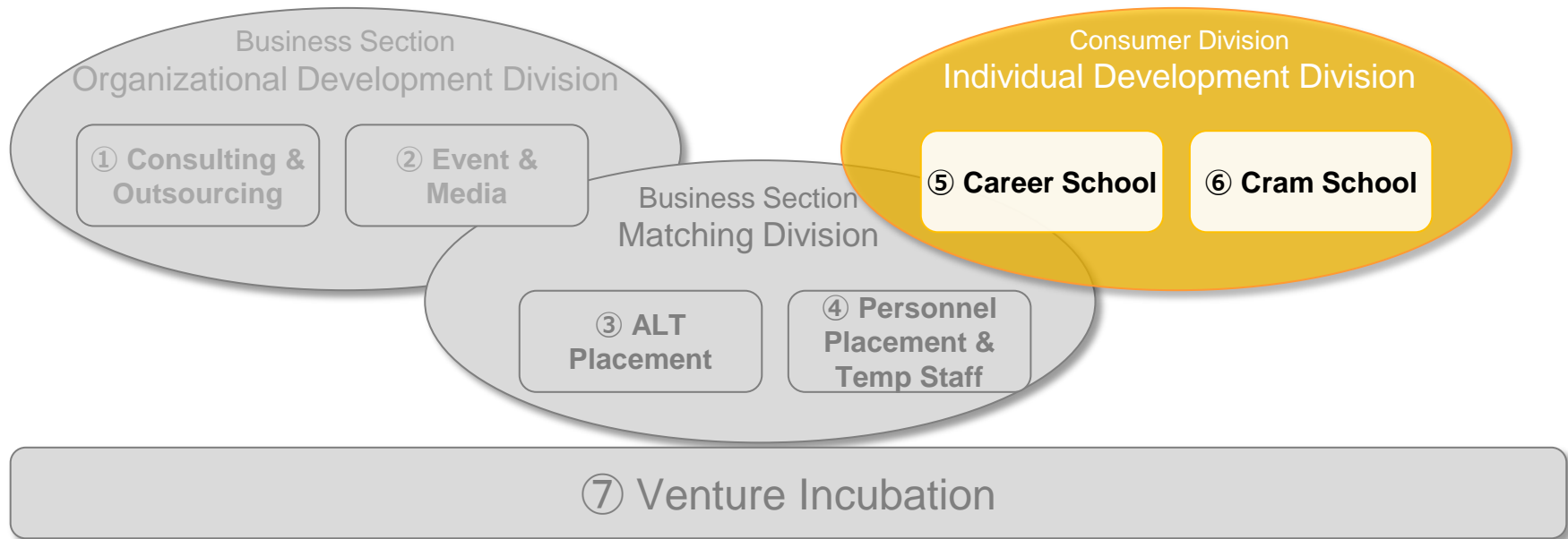


- For ④ Personnel Placement & Temp Staff Business, cooperation with the Career School Business reduces the cost of finding human resources.
- For ⑤ Career Schools Business, providing job search support as well as skills and qualifications significantly increases value for students.

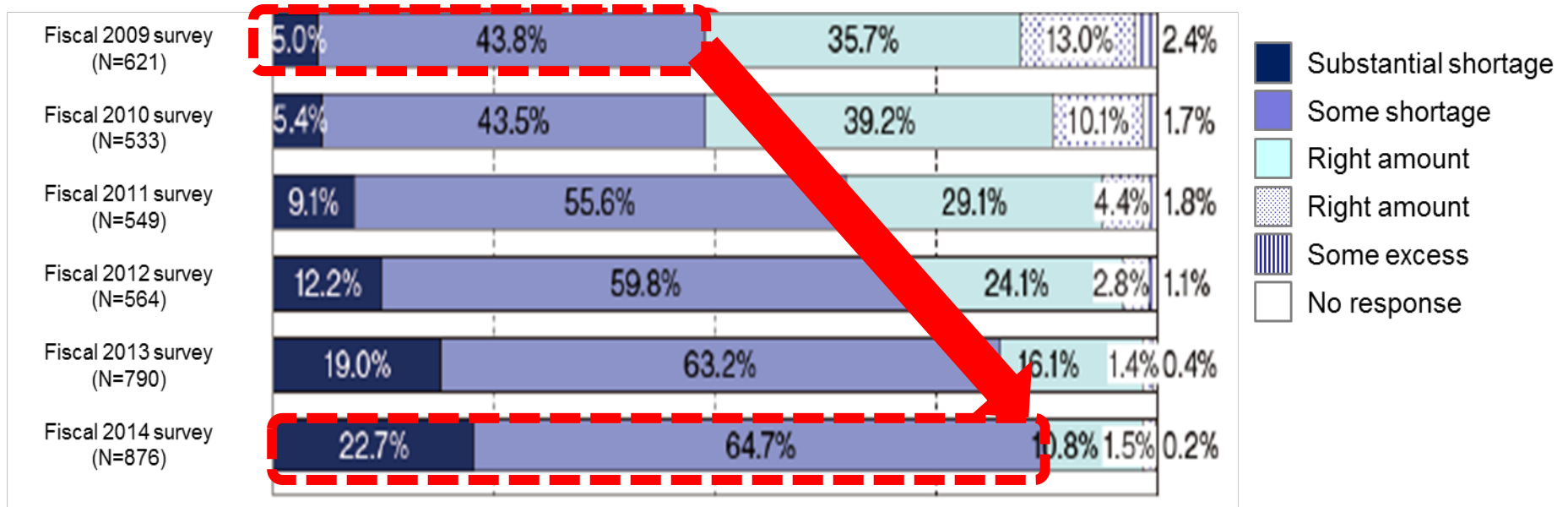
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⑤ Career School Business: Shortage of Corporate IT Staff



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.

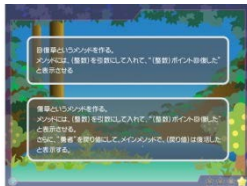


Shift to IT skills in individual career development, backed by the shortage of corporate IT staff. The number of students has already passed 3,000 since the July 2015 launch as of March 31.

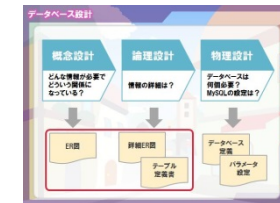
AVIVA-Pro Programming Series

Courses for learning programming skills in a game format

July 2015
Java Quest



March 2016
SQL Quest



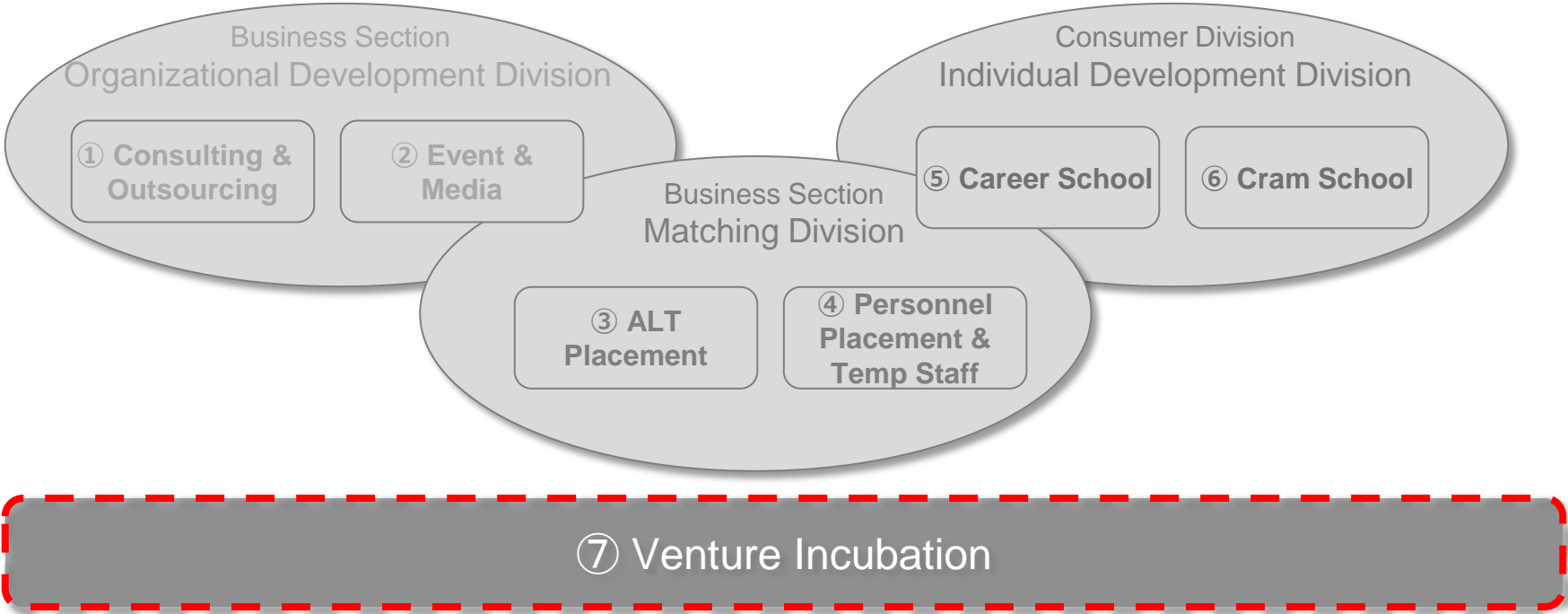
Note: Java and SQL are computer languages for creating software and databases

- 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.















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⑦ Venture Incubation Business: Investments at a Glance

- | | | | |
|---|--|--|---|
| ① RichMedia Co., Ltd.
Media design/Inbound marketing |  | ⑧ raksul, Inc.
E-commerce printing/support for attracting customers |  |
| ② from scratch Co., Ltd.
Marketing support/Dispatch of technical staff |  | ⑨ Renoveru Co., Ltd.
Used housing renovation |  |
| ③ Akatsuki Inc.
App development/
Smartphone service development |  | ⑩ LiB, Inc.
Job-change support for upper-echelon female employees |  |
| ④ FiNC Inc.
FiNC diet coaches/Wellness management support |  | ⑪ PLAN-B Co., Ltd.
Web consulting centered on SEO |  |
| ⑤ NEO CAREER CO., LTD.
Personnel introduction/
Temp staffing (medical/nursing/daycare/IT) |  | ⑫ Innovation Inc.
Marketing support specializing in BtoB |  |
| ⑥ Leading Mark, Inc.
New graduate recruiting support/
Job search consulting |  | ⑬ First Brand Inc. (February)
Corporate and individual branding support |  |
| ⑦ schoo Inc.
Schoo Web campus |  | ⑭ BizReach, Inc. (March)
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
- Invested in two new companies during the first quarter: First Brand Inc. and BizReach, Inc.

⑦ Venture Incubation Business: Investments at a Glance

Human Resources

⑤ NEO CAREER CO., LTD.



⑩ LiB, Inc.



⑥ Leading Mark, Inc.



⑭ BizReach, Inc.



Marketing

① RichMedia Co., Ltd.



RICHMEDIA

⑧ raksul, Inc.



⑫ Innovation Inc.

INNOVATION

② from scratch Co., Ltd.



from scratch

⑪ PLAN-B Co., Ltd.

PLAN-B co.,Ltd



⑬ First Brand Inc.



Consumer

Social Games

③ Akatsuki Inc.



Wellness

④ FiNC Inc.



Education

⑦ schoo Inc.



Renovation

⑨ Renoveru Co., Ltd.



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**

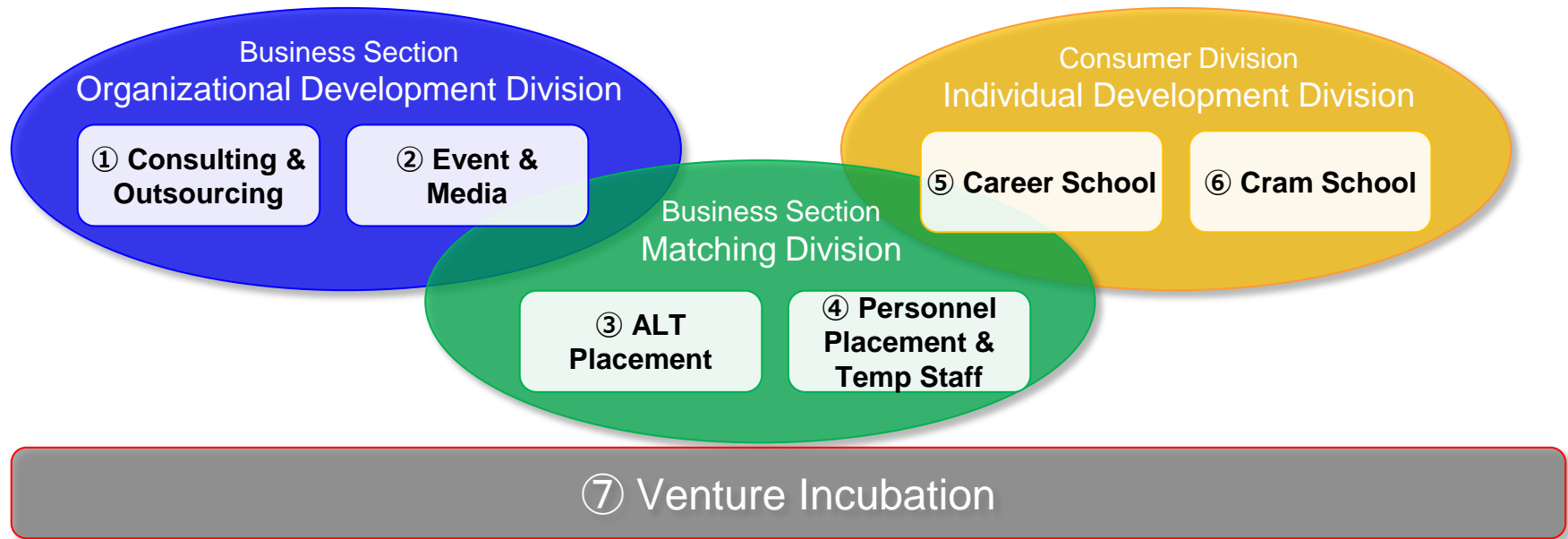


- LMI holds 454,500 shares
- We will continue to provide support in organizational and personnel areas, as well as capital.

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