

Link and Motivation Inc.

Consolidated Financial Information for the
Six Months Ended June 30, 2016
(First Half 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



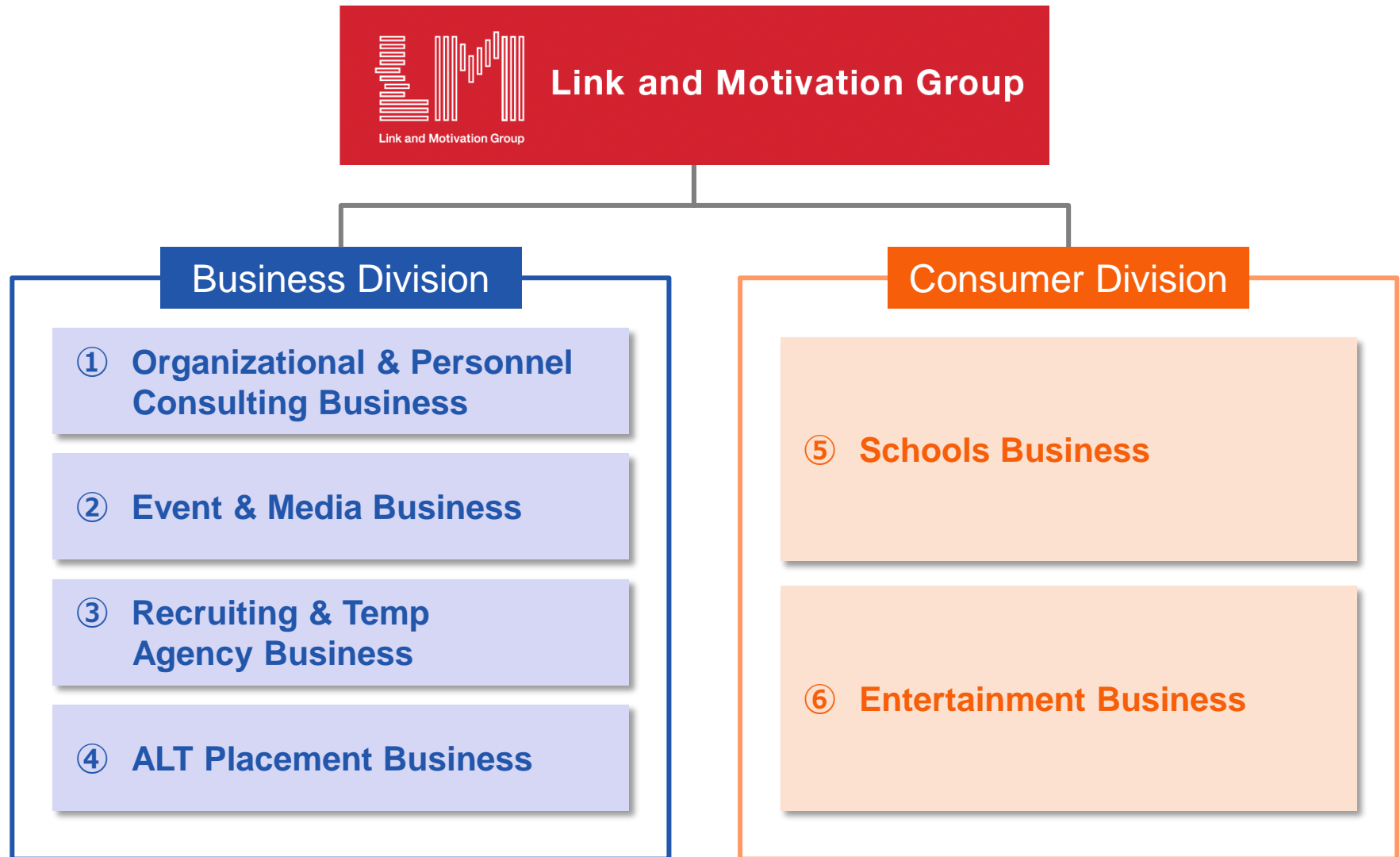
1. Announcement of Consolidated Business Results
for the Six Months Ended June 30, 2016
2. Upward Revision of Forecast and Dividend Increase
3. Changes in Operating Structure and Topics



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Announcement of Consolidated Business Results for the Six Months Ended June 30, 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 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

Consolidated Statements of Operations (Results/YoY Change)

(¥ million)	1H 2015 Results	1H 2016 Results	YoY Change
Net Sales	15,969	17,098	+7.1%
Operating Income	504	1,001	+98.4%
Ordinary Income	480	932	+94.0%
Net Income	216	600	+177.3%

- Net sales increased year on year (YoY) with strong performance by the Business Division.
- Operating income and ordinary income increased substantially YoY due to the strong performance of the high-margin Business Division.
- Net income increased substantially YoY due to an increase in extraordinary income from the sale of stock of Link Sports Entertainment Inc. and Link Academy Inc. classroom relocation.

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

(¥ million)	2015 Results	2016 Plan	2016 Results	Results vs. Plan	YoY Change
Net Sales	15,969	16,600	17,098	+3.0%	+7.1%
Operating Income	504	850	1,001	+17.8%	+98.4%
Ordinary Income	480	-	932	-	+94.0%
Net Income	216	-	600	-	+177.3%

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

Consolidated Statements of Operations:

SG&A Expenses (Results/YoY Change)

(¥ million)	2015 Results	2016 Results	YoY Change
Total SG&A Expenses	4,977	5,209	+4.6%
① Personnel Expenses	2,070	2,395	+15.7%
② Recruiting, Training and Welfare Expenses	249	252	+1.0%
③ Rent	332	332	0.0%
④ Office and System Expenses	503	563	+12.0%
⑤ Sales-related Expenses	1,034	799	-22.7%
⑥ Transportation and Other Expenses	419	498	+18.6%
⑦ Amortization of Goodwill	366	366	0.0%

- Slight YoY increase (¥232 million increase) in total SG&A expenses.
- ① Personnel Expenses increased YoY (¥325 million increase) due to an increase in the Groupwide number of employees.
- ④ Office and System Expenses increased YoY (¥60 million increase) due to remodeling and relocation for integrated offices in Fukuoka and Nagoya.
- ⑤ Sales-related Expenses decreased YoY (¥235 million decrease) due to more efficient deployment of advertising expenses in the Consumer Division.
- ⑥ Transportation and Other Expenses increased YoY (¥79 million increase) due to a one-time increase in expenses for changing the Group's auditing firm and the introduction of a shareholder benefit plan.

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

(¥ million) [Gross profit in brackets]		2015 Results	2016 Results	YoY Change
Business Division	Sales	12,560	13,744	+9.4%
	Gross Profit	[4,081]	[5,193]	+27.3%
Consumer Division	Sales	4,015	3,636	-9.4%
	Gross Profit	[1,583]	[1,187]	-25.0%

- In the Business Division, sales increased and gross profit increased substantially YoY due to firm performance by the high-margin Organizational & Personnel Consulting Business.
- In the Consumer Division, sales decreased 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: Excludes Transactions among Group Companies

(¥ million) [Gross profit in brackets]		2015 Results	2016 Results	YoY Change
Business Division	Sales	12,560	13,744	+9.4%
	Gross Profit	[4,081]	[5,193]	+27.3%
Consumer Division	Sales	3,532	3,636	+2.9%
	Gross Profit	[1,100]	[1,187]	+7.9%

Note: Excludes transactions among Group companies.

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

Business Division: Product Sales by Business

(Results/YoY Change) ①・②

Product (¥ million) [Gross profit in brackets]		2015	2016	YoY Change
①	Organizational & Personnel Consulting Business	3,622	4,238	+17.0%
		[1,846]	[2,846]	+54.2%
	Package	1,301	1,317	+1.2%
	Consulting	1,639	1,911	+16.6%
	Outsourcing	412	664	+61.2%
	Database	199	214	+7.5%
	Member services	69	131	+89.9%
②	Event & Media Business	1,619	1,839	+13.6%
		[409]	[673]	+64.6%
	Event production	1,086	1,241	+14.3%
	Media production	532	597	+12.2%

- In ① the Organizational & Personnel Consulting Business, sales and gross profit both increased substantially YoY due to significant growth in consulting and outsourcing under the theme of strengthening sales capabilities.
- In ② the Event & Media Business, sales and gross profit both increased substantially YoY due to growth in anniversary events and streaming video, which are high-margin products.

Business Division: Product Sales by Business (Results/YoY Change) ③・④

Product (¥ million) [Gross profit in brackets]		2015	2016	YoY Change
③	Recruiting & Temp Agency Business	3,626	3,849	+6.2%
		[903]	[878]	-2.8%
	Sales temp staff	2,975	3,168	+6.5%
	Office temp staff	281	409	+45.6%
	New graduate recruiting/introductions	322	247	-23.3%
	Mid-career introductions	48	24	-50.0%
④	ALT Placement Business	4,829	5,063	+4.8%
		[1,281]	[1,355]	+5.8%

- 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 a cutback in sales of new graduate recruiting and introductions to shift to strengthening new graduate recruiting for the Company and Group companies.
- ④ ALT Placement Business performance was firm due to the promotion of English language education in Japan. Sales and gross profit both increased YoY.

Consumer Division: Product Sales by Business (Results/YoY Change) ⑤・⑥

Product (¥ million) [Gross profit in brackets]	2015		2016		YoY Change
	Results	% of total	Results	% of total	
⑤ Schools Business	3,146 [946]	-	3,279 [1,085]	-	+4.2% +14.8%
Office	1,846	58.7%	1,746	53.3%	-5.4%
Programming	0	0.0%	242	7.4%	-
Accounting courses	357	11.4%	289	8.8%	-19.1%
National exam courses	237	7.5%	252	7.7%	+6.5%
Civil servant courses	465	14.8%	534	16.3%	+14.8%
Educational materials/other	204	6.5%	165	5.0%	-19.1%
Preparatory schools	34	1.1%	48	1.5%	+38.0%
⑥ Entertainment Business	401 [159]	-	365 [104]	-	-8.8% -34.2%

Note: Excludes transactions among Group companies.

- In ⑤ the Schools Business, sales increased and gross profit increased substantially YoY as we smoothly shifted our portfolio from Office to Programming courses and strong sales of Civil servant courses compensated for weak sales of Accounting courses.
- In ⑥ the Entertainment Business, sales decreased and gross profit 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	June 30, 2016	Change
① Current Assets	5,899	6,235	+336
② Property and Equipment	11,568	12,816	+1,247
③ Assets Carried Over	6	4	-2
Total Assets	17,474	19,056	+1,581
④ Current Liabilities	8,866	9,923	+1,056
⑤ Long-term Liabilities	2,575	2,947	+372
⑥ Net Assets	6,032	6,185	+152
Total Liabilities and Net Assets	17,474	19,056	+1,581

- ② 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.
- ④ Current Liabilities increased due to an increase in short-term borrowings for payment of income taxes and relocation expenses.
- ⑥ 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 and income growth from strong business results.

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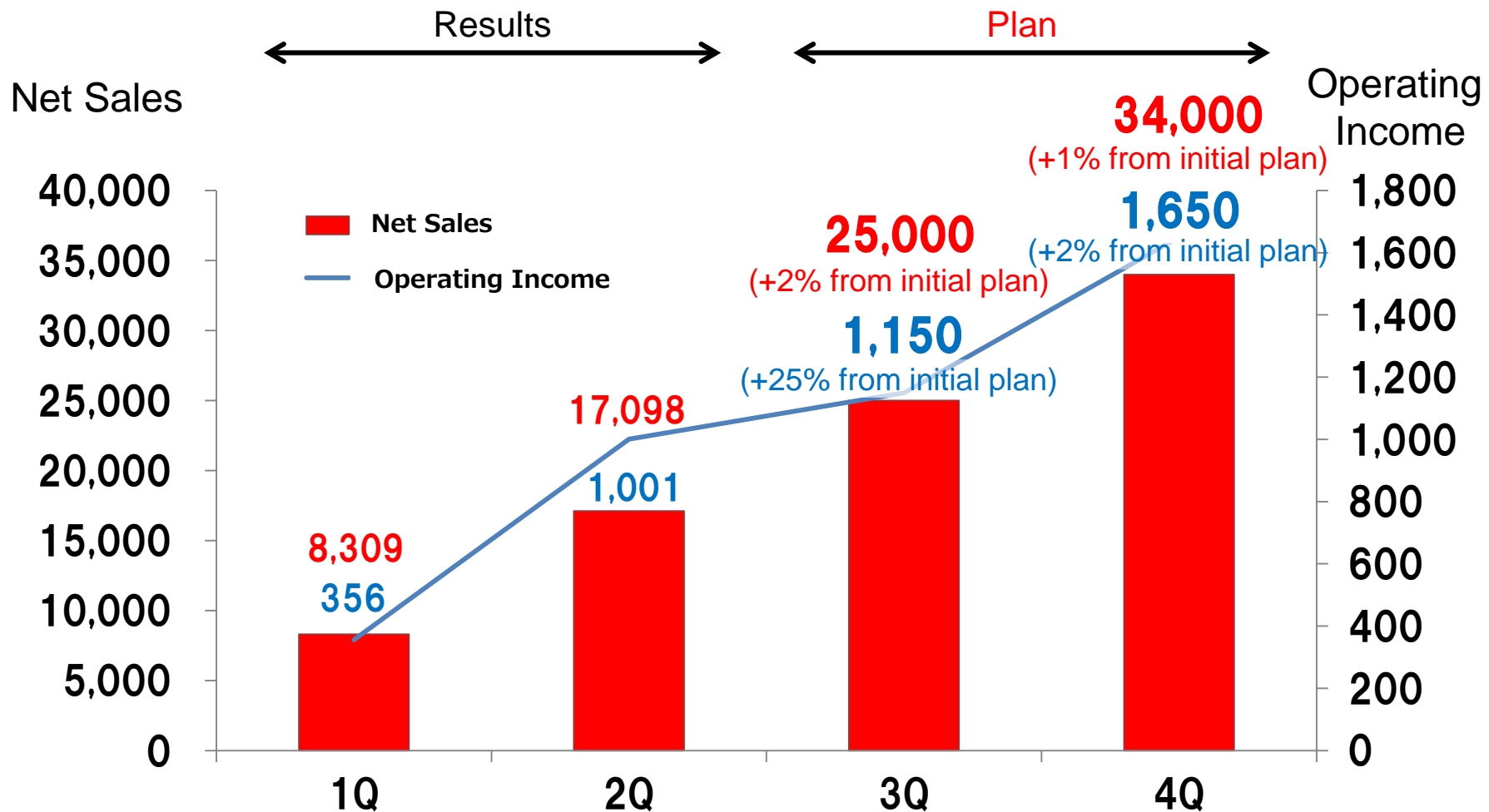
Upward Revision of Forecast and Dividend Increase

Upward Revision of Forecast

(¥ million)	2015 Results	Before Revision		After Revision	
		2016 Forecast	YoY Change	2016 Forecast	YoY Change
Net Sales	31,950	33,600	+5.2%	34,000	+6.4%
Operating Income	868	1,620	+86.6%	1,650	+90.1%
Ordinary Income	767	1,570	+104.6%	1,600	+108.6%
Net Income (Loss)	(316)	750	-	1,000	- (Record High)

- Due to steady progress in results in the first half, we have revised each level of our forecast upward.
- Net income is forecast to reach a record high of ¥1,000 million due to an increase in extraordinary income and a decrease in tax expenses.

Progress of Plan for 2016 Net Sales and Operating Income



- We have revised the progress of our plan for the year in line with the upward revision of the forecast.

Dividend Increase

- Scheduled 60 yen increase in annual dividends from the third quarter of 2016

Increase per Unit of Shares

- Annual: 500 yen \Rightarrow 560 yen (+12%)
- Quarterly: 125 yen \Rightarrow 140 yen (+12%)

	First Quarter (Paid)	Second Quarter (Scheduled)	Third Quarter (Scheduled)	Fourth Quarter (Scheduled)
Dividend per unit	125 yen	125 yen	140 yen	140 yen
Shares per unit	100 shares	100 shares	100 shares	100 shares

- Scheduled Second-Quarter Dividend for 2016

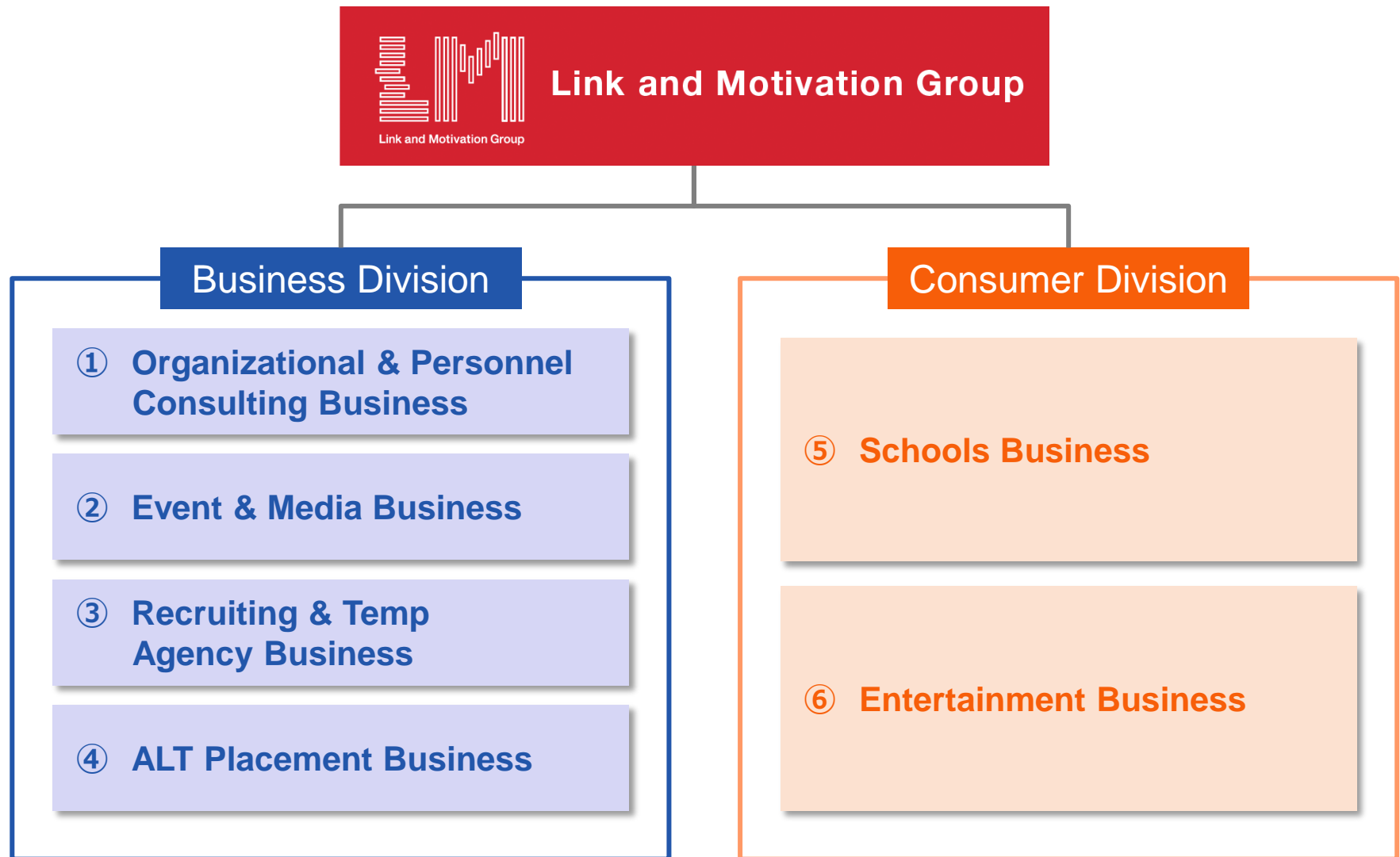
- A dividend of 125 yen per unit is scheduled to be paid on September 23 as planned

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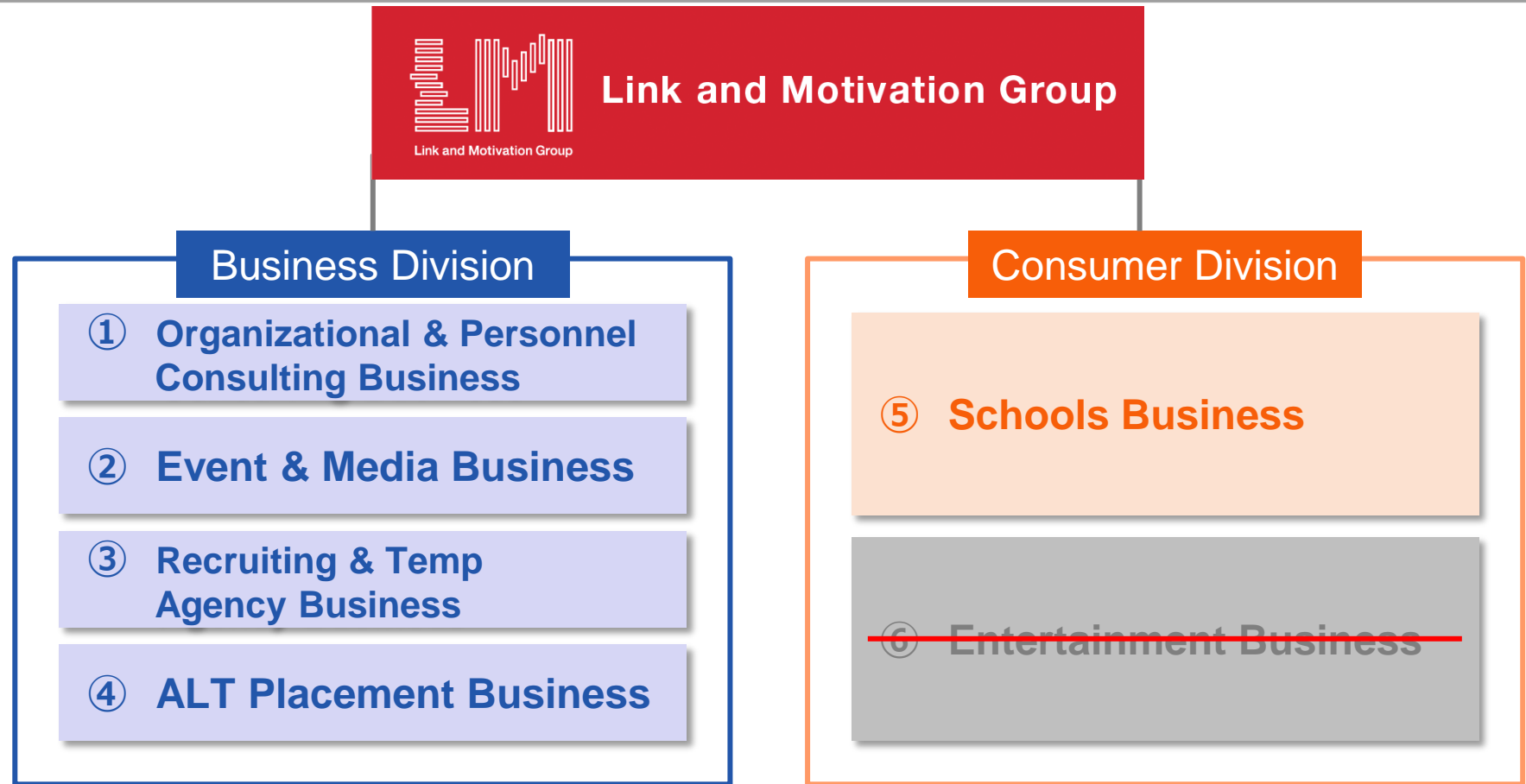
Changes in Operating Structure and Topics



Operating Structure until the First Half of 2016



Operating Structure until the First Half of 2016

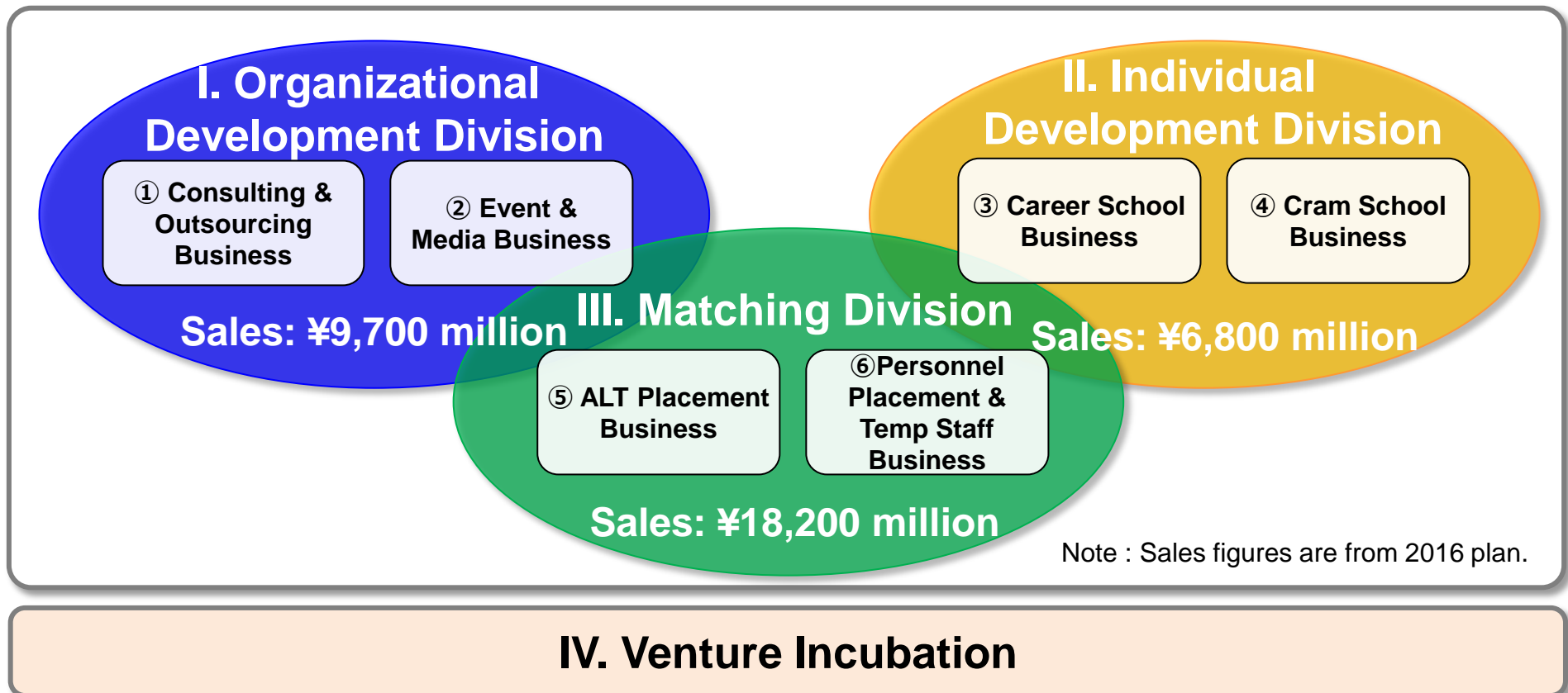


- All shares of Link Sports Entertainment Inc., a consolidated subsidiary that operates a professional basketball team, were transferred to Tochigi Brex Inc. as of June 30, 2016.
- We will reorganize our operating structure for selection and concentration of our management resources.

Operating Structure from the Third Quarter of 2016

Mission:

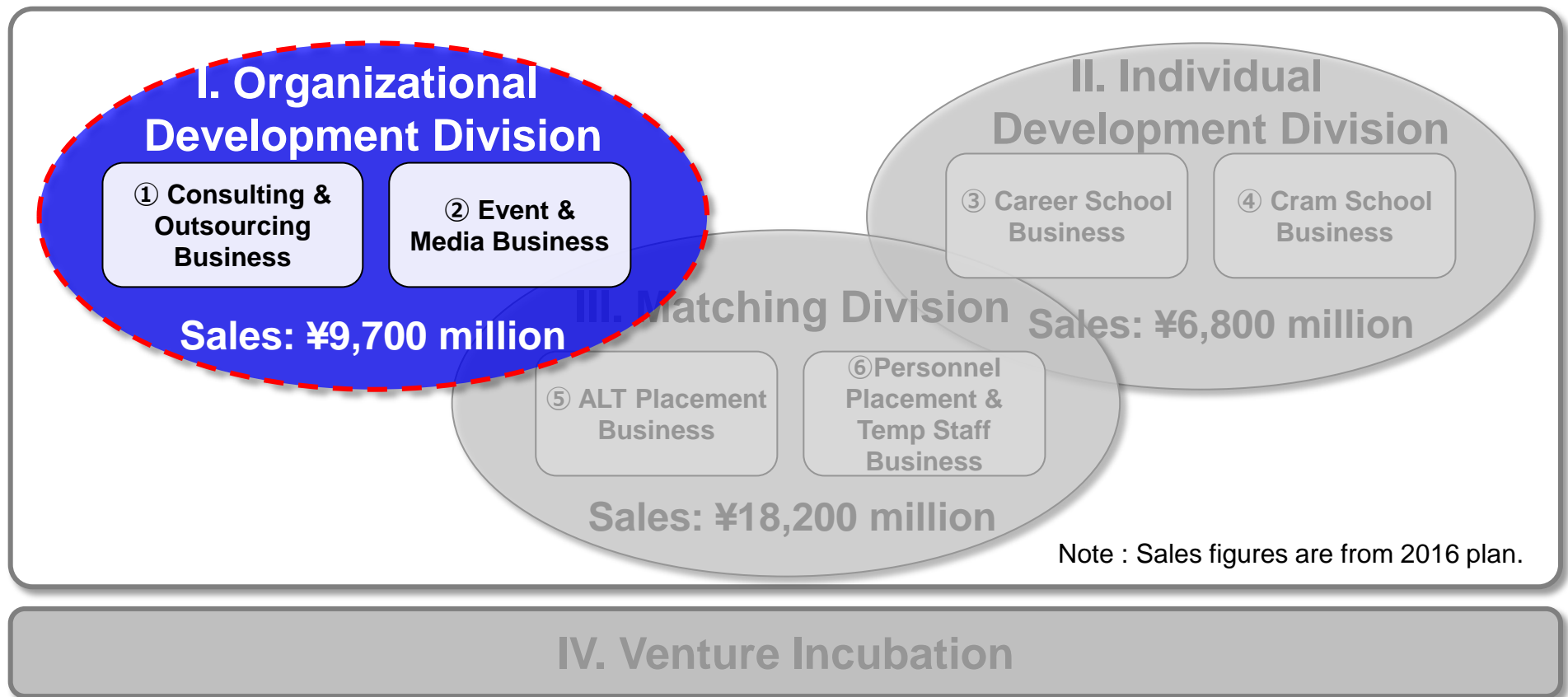
We will provide **organizations** and **individuals** with opportunities for transformation through Motivation Engineering to help achieve a more meaningful society.



Operating Structure from the Third Quarter of 2016

Mission:

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



Release of “Motivation Cloud,” Japan’s first cloud-based service for organizational improvement, on July 29.

Full-scale entry into the HR tech field using AI on organizational data.

Overview of the Service



Note: Patent pending.
To be operated using AI.

- **Organizational Diagnostics**
Standardized scoring for organizational conditions using **data on 560,000 people at 2,350 companies**. Sampling and analysis of organizational problems from all perspectives.

Motivation Index: Standardized indicator to show organizational conditions

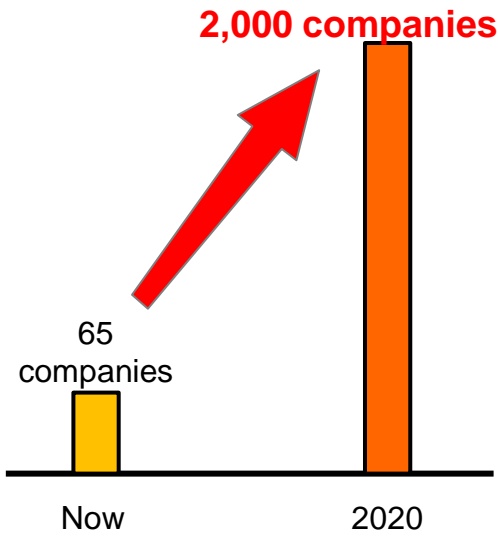
スコア	33	39	42	45	48	52	55	58	61	67	
格付け ランク	E	D-	D	D+	C-	C	C+	B-	B	B+	A

- **Organizational Improvement**
Set up improvement plan with a highly experienced consultant and use **cloud-based management** to monitor progress



Plan for Company Introductions

Aiming for introduction at **2,000 companies** by the end of 2020

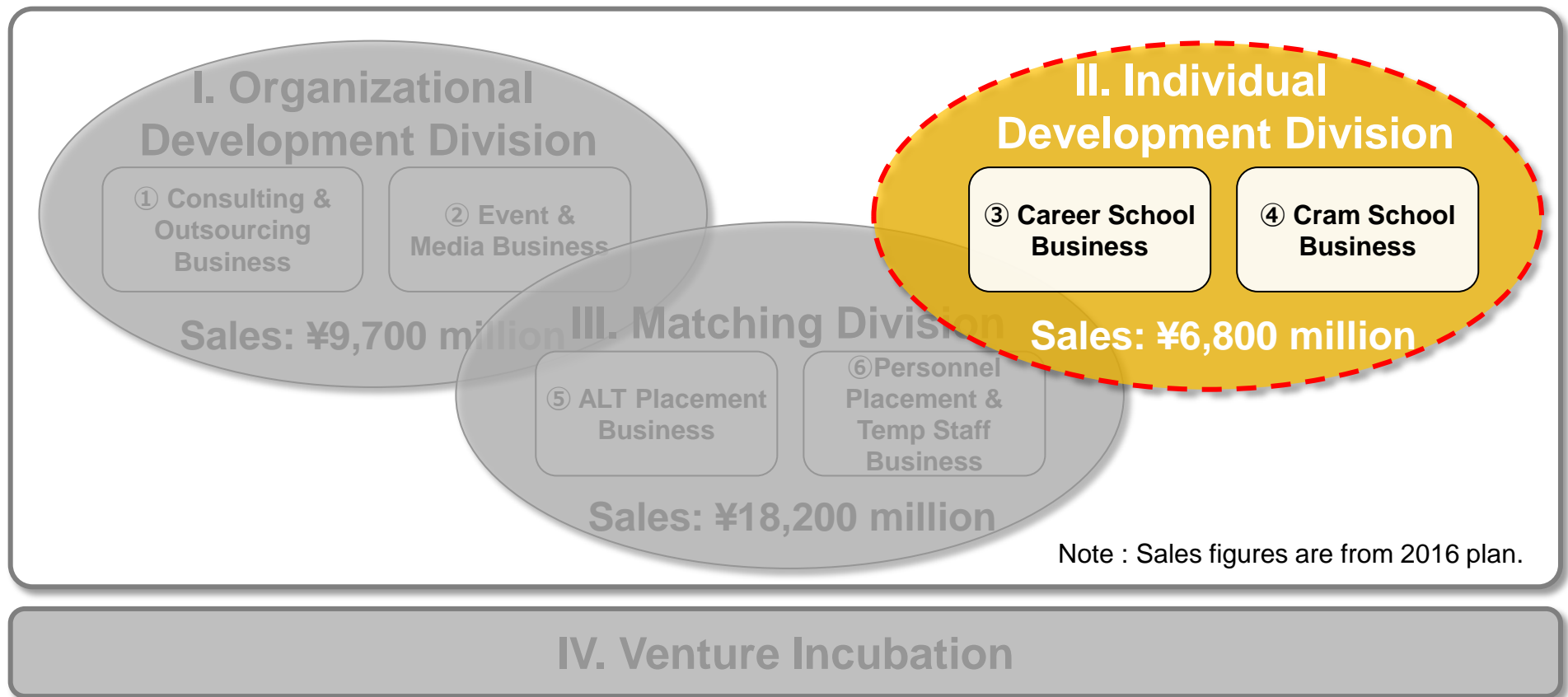


- Provide “Motivation Cloud” to more companies to expand customer base and organizational consulting opportunities.
- Introduced at 65 companies as of July 2016 release. We aim for introduction at 2,000 companies by the end of 2020.

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With the shortage of corporate IT staff as the IoT market grows,
we will strengthen a system for training IT human resources and giving them access to employment

HR Training



Accelerate development of courses for IT skills through joint development with investee company schoo Inc.

IT Engineer Course

Programming language
• Java
Database creation
• SQL
App development
• **Android apps**

CAD Operator Course

Blueprint production
• AutoCAD

Web Creator Course

Website creation

- Markup engineer (Basic)
- **Markup engineer (Applied)**

Design tools

- Illustrator
- Photoshop
- Dreamweaver
- **Web elements**
- **DTP**

Development
Partner

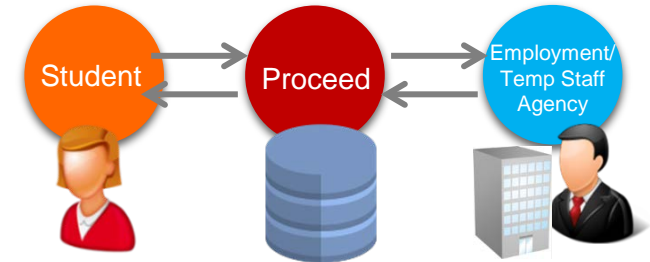


Note: Courses in red are scheduled for release during 2016.

Access to Employment



Accelerate employment support for IT companies by finding openings at employment and temp staff agencies for students who are eager to learn



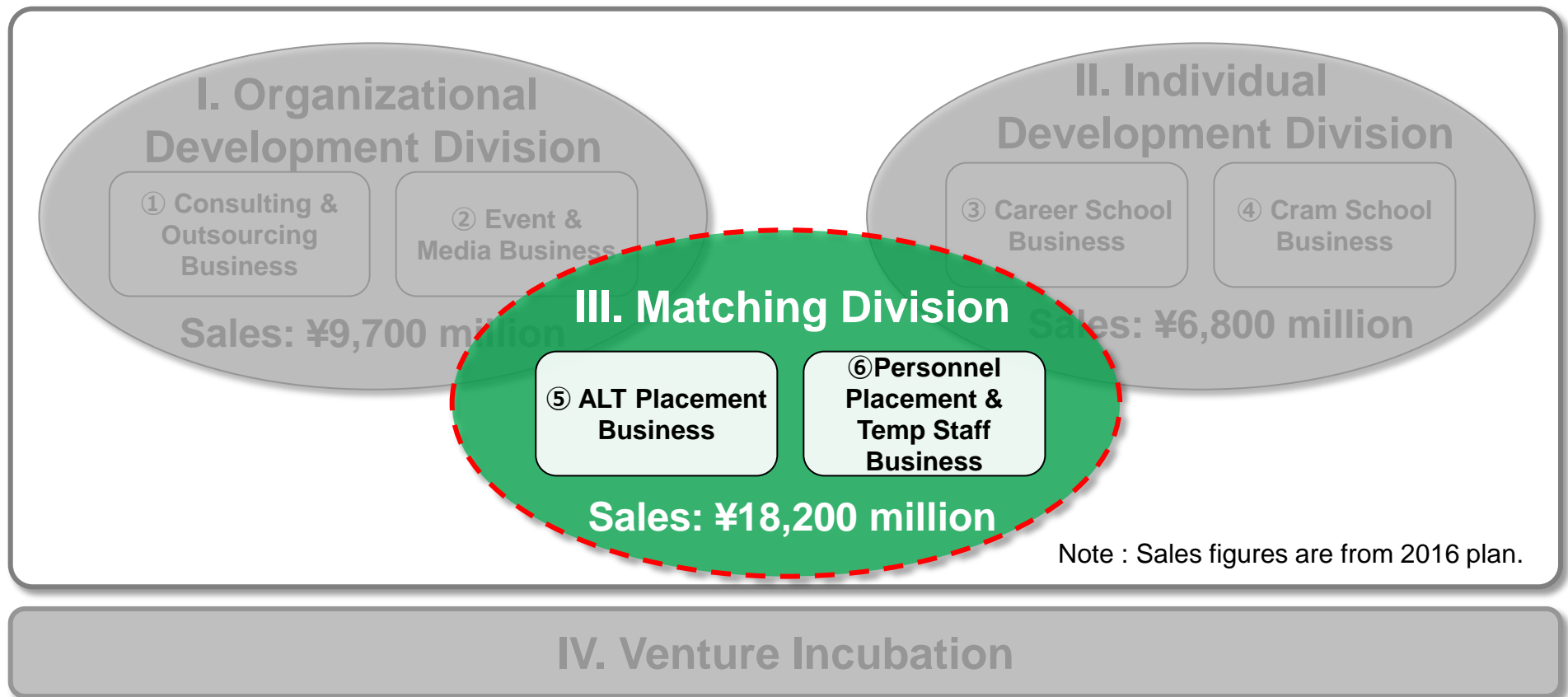
Planned acquisition of personnel placement licenses at 106 schools nationwide during 2017

- Steady business growth of Aviva Pro with more than 3,000 students over the past 6 months
- Scheduled expansion from 7 to 11 courses during 2016 through joint development with investee company schoo Inc.
- Accelerated rollout of Proceed to match students who are eager to learn with employment and temp staff agencies

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ALT Placement Business: Expanded Employment of Foreigners

Use the ALT Placement Business's accumulated assets and know-how in foreigner employment to **create non-ALT employment opportunities** in addition to further expanding the ALT Placement Business

Current Assets and Know-How

Recruiting

- **30,000** foreign applicants **annually**
- Recruiting bases in **5 countries around the world**

Training

- **Japanese language** skills
- Adjustment to **Japanese culture**
- Business **communication**

Labor Management

- **500 domestic** labor management supporters

Non-ALT Employment Opportunities

English conversation schools



Service industry



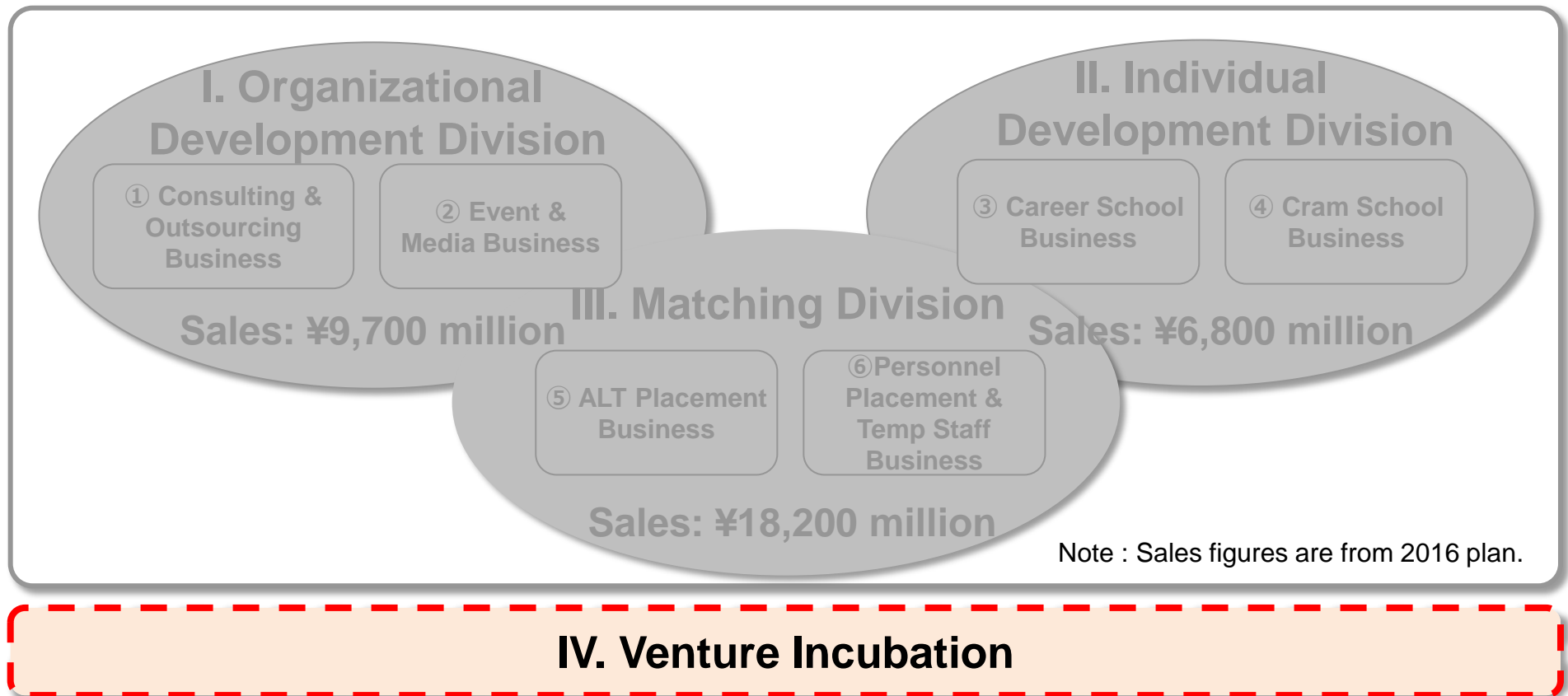
Meet needs for active participation by foreigners in Japan in the future

- Expansion of the inbound market due to the 2020 Tokyo Olympics.
- Use Japanese companies' growing needs to employ foreigners as a business opportunity to **develop employment leads for foreigners in English conversation schools and the service industry** in addition to ALT placement.

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Venture Incubation Business: Investments at a Glance

① RichMedia Co., Ltd.
Media design/Inbound marketing



⑨ Renoveru Co., Ltd.
Used housing renovation



② from scratch Co., Ltd.
Marketing support/Dispatch of technical staff



⑩ LiB, Inc.
Job-change support for upper-echelon female employees



Stock
listed
on Mar.
17

③ Akatsuki Inc.
App development/
Smartphone service development



⑪ PLAN-B Co., Ltd.
Web consulting centered on SEO



④ FiNC Inc.
FiNC diet coaches/Wellness
management support



⑫ Innovation Inc.
Marketing support specializing in BtoB



⑤ NEO CAREER CO., LTD.
Personnel introduction/
Temp staffing (medical/nursing/daycare/IT)



⑬ First Brand Inc.
Corporate and individual
branding support



⑥ Leading Mark, Inc.
New graduate recruiting support/
Job search consulting



⑭ BizReach, Inc.
Job-change website for upper-echelon employees



⑦ schoo Inc.
Schoo Web campus



⑮ GlobalCast Co., Ltd.
Industry-specific business
process outsourcing



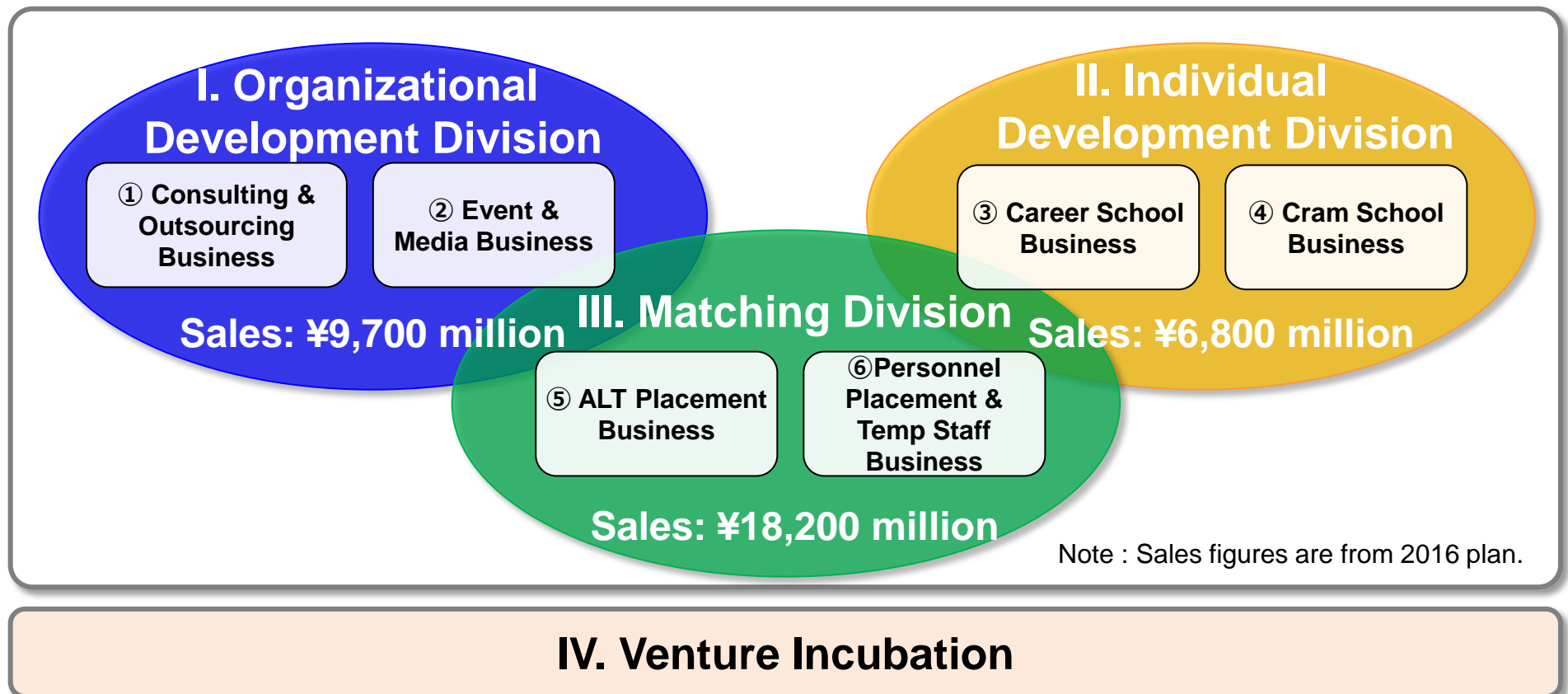
Investment Made on July 29

- 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 GlobalCast Co., Ltd. on July 29

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