

Link and Motivation Inc.

Securities Code: 2170

Consolidated Financial Information for the Fiscal Year Ended December 31, 2017

2.14.2018



Link and Motivation Group

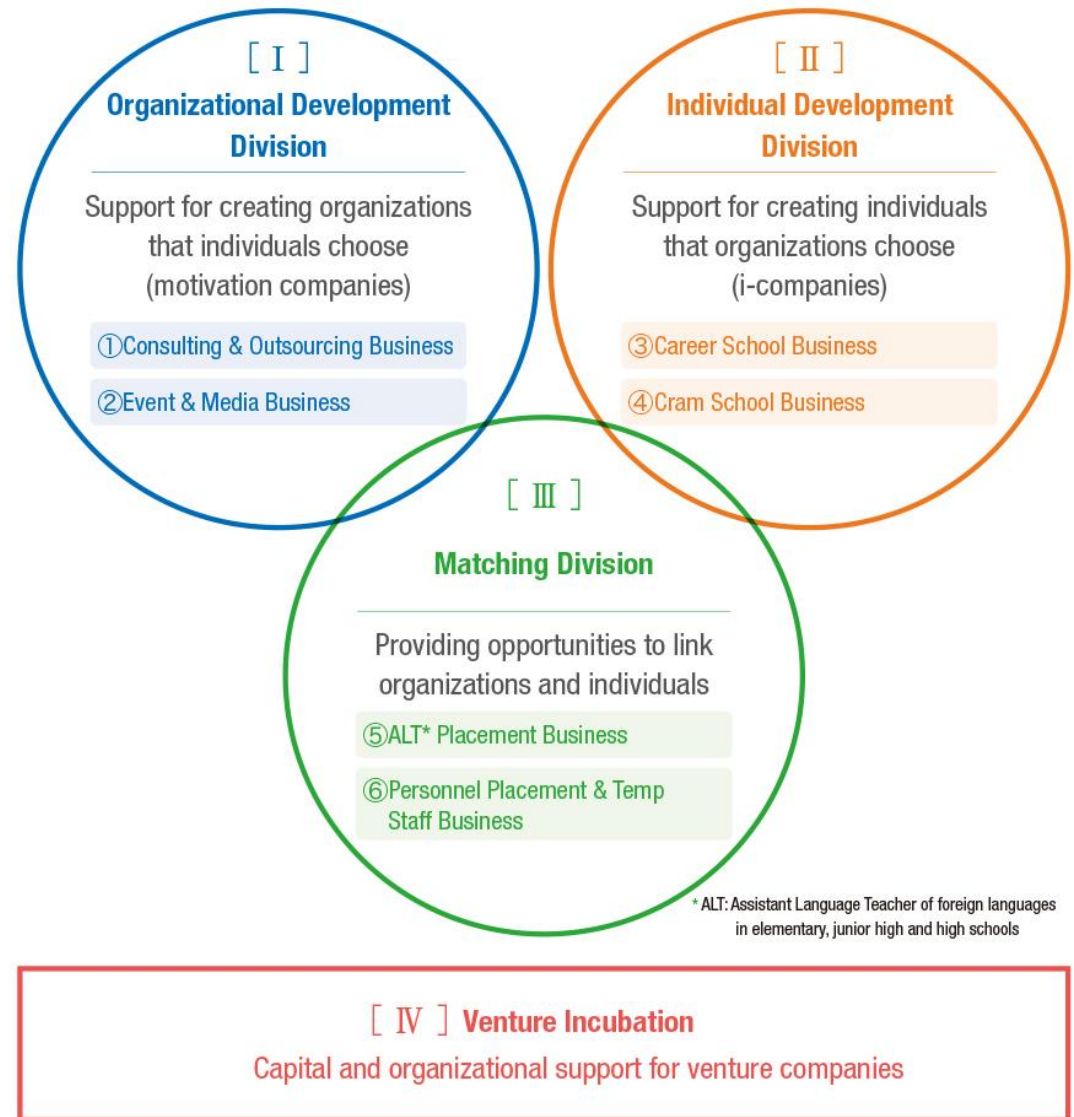
1. Announcement of Results for 2017
2. 2018 Forecast
3. Progress Report on Key Indicators
4. Dividend Increase
5. Topics

1

Announcement of Results for 2017

Mission

*Through Motivation Engineering, we provide opportunities to transform **organizations** and **individuals** and create a more meaningful society.*



Consolidated Statements of Operations (Results/YoY Change)

(¥ million)	2016 Results	2017 Results	YoY Change
Revenues	33,321	36,894	+10.7%
Operating Income before Exceptional Items	2,618	3,306	+26.3%
Operating Income	2,468	3,365	+36.3%
Net Income	1,804	2,096	+16.2%

Note: From the three months ended March 31, 2017, the Company has adopted International Financial Reporting Standards (IFRS) in place of the previously used generally accepted accounting principles in Japan.

Point



- ▶ Revenues and every level of income increased substantially YoY to **record highs**.
- ▶ Of note, the **operating income margin increased 1.7 percentage points YoY (7.4%→9.1%)** because the highly profitable Organizational Development Division drove **substantial growth in**

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

(¥ million)	2016 Results	2017 Forecast	2017 Results	Results vs. Forecast	YoY Change
Revenues	33,321	36,600	36,894	+0.8%	+10.7%
Operating Income before Exceptional Items	2,618	3,300	3,306	+0.2%	+26.3%
Operating Income	2,468	3,300	3,365	+2.0%	+36.3%
Net Income	1,804	2,100	2,096	-0.2%	+16.2%

Note: From the three months ended March 31, 2017, the Company has adopted International Financial Reporting Standards (IFRS) in place of the previously used generally accepted accounting principles in Japan.

Point



- ▶ **Operating income exceeded forecast** due to firm results in each division.
- ▶ However, net income was slightly below forecast because the effective tax rate was higher than forecast due to differences in earnings recognition among Group companies.

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

(¥ million)	2016 Results	2017 Results	YoY Change
Total SG&A Expenses	9,577	10,041	+4.8%
① Personnel Expenses	4,813	4,503	-6.4%
② Recruiting, Training and Welfare Expenses	607	666	+9.7%
③ Rent	623	993	+59.3%
④ Office and System Expenses	1,124	1,272	+13.2%
⑤ Sales-related Expenses	1,465	1,667	+13.8%
⑥ Transportation and Other Expenses	943	937	-0.6%

Note: From the three months ended March 31, 2017, the Company has adopted International Financial Reporting Standards (IFRS) in place of the previously used generally accepted accounting principles in Japan.

Point



- ▶ While ① Personnel expenses declined due to reduction of labor costs accompanying improvement of work efficiency, ③ Rent and ④ Office and system expenses increased substantially due to the establishment of an integrated office in Tokyo.
- ▶ In addition, due to proactive deployment of sales promotion expenses to accelerate expansion of new businesses, ⑤ Sales-related expenses increased substantially, and as a result overall SG&A expenses increased YoY.

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

(¥ million)		2016 Results	2017 Results	YoY Change
Organizational Development Division	Revenues	9,825	11,695	+19.0%
	Gross Profit	6,497	7,329	+12.8%
Individual Development Division	Revenues	6,647	7,220	+8.6%
	Gross Profit	2,298	2,506	+9.0%
Matching Division	Revenues	17,973	19,379	+7.8%
	Gross Profit	4,202	4,477	+6.5%

Point



- ▶ In the Organizational Development Division, **revenues and gross profit both increased substantially YoY** due to substantial growth in the highly profitable Consulting & Outsourcing Business.
- ▶ In the Individual Development Division, **revenues and gross profit both increased YoY** due to firm performance in the Career School Business and expansion in the Cram School Business.
- ▶ In the Matching Division, **revenues and gross profit both increased YoY** due to firm performance in the ALT Placement Business and the Personnel Placement &Temp Staff Business.

Product (¥ million) [Gross profit in brackets]	2016 Results	2017 Results	YoY Change
①Consulting & Outsourcing Business	8,034 [5,468]	8,959 [6,328]	+11.5% +15.7%
Package ¹	2,424	2,664	+9.9%
Consulting	3,548	4,136	+16.6%
Outsourcing	1,323	972	-26.5%
Member/database services ²	738	1,187	+60.7%
②Event & Media Business	3,264 [1,349]	4,243 [1,305]	+30.0% -3.3%
Event production	2,049	2,705	+32.0%
Media production	1,215	1,538	+26.6%

Notes: 1. Primarily standardized training products
2. Including Motivation Cloud

Point



- ▶ In ① the Consulting & Outsourcing Business, Package and Consulting sales grew, supported by increased training needs targeting improved productivity backed by work style reform. In addition, sales of Member/database services including the Motivation Cloud increased, and **revenues and gross profit increased substantially YoY**.
- ▶ In ② the Event & Media Business, **revenues increased substantially YoY** due to growing need for operation of training and other events and for IR-related media production and other products. On the other hand, **gross profit decreased slightly YoY** because of the increase in event operation, which has a high cost ratio, and the impact of a change in the method for recognizing personnel expenses.

Product (¥ million) [Gross profit in brackets]		2016 Results		2017 Results		YoY Change
		Results	% of total	Results	% of total	
③ Career School Business		6,545 [2,315]	-	6,730 [2,404]	-	+2.8% +3.8%
	Office	3,235	49.4%	2,970	44.1%	-8.2%
	Pro Series*	744	11.4%	888	13.2%	+19.4%
	Accounting courses	581	8.9%	563	8.4%	-3.0%
	National exam courses	587	9.0%	626	9.3%	+6.5%
	Civil servant courses	1,214	18.6%	1,260	18.7%	+3.8%
	Educational materials/other	181	2.8%	185	2.8%	+2.1%
	English conversation	-	-	234	3.5%	-
④ Cram School Business		101 [-16]	-	490 [102]	-	+381.1% -

*Programming courses and other courses for specialized IT skills

Point



- ▶ In ③ the Career School Business, revenues increased slightly YoY and gross profit increased YoY due to growth in sales of Pro Series and Civil servant courses, which offset a decline in sales of Office.
- ▶ In ④ the Cram School Business, revenues and gross profit both increased substantially YoY due to an increase in the number of classrooms.

Matching Division: Product Revenues by Business (Results/YoY Change) ⑤・⑥

Product (¥ million) [Gross profit in brackets]	2016 Results	2017 Results	YoY Change
⑤ALT* Placement Business	10,162 [2,742]	11,096 [2,991]	+9.2% +9.1%
⑥Personnel Placement & Temp Staff Business	7,820 [1,468]	8,692 [1,836]	+11.2% +25.1%
Store sales temp staff	6,712	7,222	+7.6%
Office temp staff	619	630	+1.7%
Foreign worker support	-	127	-
Recruiting/introductions	487	712	+46.1%

* ALT: Assistant Language Teacher of foreign languages in elementary, junior high and high schools

Point



- ▶ In ⑤ the ALT Placement Business, **revenues and gross profit both increased YoY**, with firm performance from capturing the expansion and acceleration of English language education in line with Ministry of Education, Culture, Sports, Science and Technology (MEXT) policies.
- ▶ In ⑥ the Personnel Placement & Temp Staff Business, **revenues and gross profit both increased substantially YoY** with firm performance of all products due to rising corporate hiring needs backed by a shortage of personnel.

Consolidated Balance Sheets (Results/YoY Change)

(¥ million)	Dec. 31, 2016	Dec. 31, 2017	YoY Change
① Current Assets	6,747	7,589	+841
② Non-current Assets	11,785	18,180	+6,395
③ Deferred Assets	0	0	+0
Total Assets	18,532	25,770	+7,237
④ Current Liabilities	9,668	12,129	+2,461
⑤ Non-current Liabilities	4,084	6,942	+2,858
Total Liabilities	13,752	19,072	+5,320
⑥ Total Equity	4,780	6,697	+1,917

Point



- ▶ Assets **increased** due to **improvement in the value of investment securities** associated with strong incubation company performance and the **acquisition of non-current assets** in connection with the establishment of an integrated office.
- ▶ Liabilities **increased** due to **borrowings to cover capital requirements resulting from aggressive investment** in new incubation companies and the establishment of an integrated office.
- ▶ Total equity **increased** as a result of the increase in the value of investment securities, the recognition of net income, and other factors.
- ▶ As a result, **ROE* was 36.7%**.

*ROE calculated using net income attributable to owners of the parent

- Dividend Policy for 2017
 - Continue to **pay quarterly dividends**

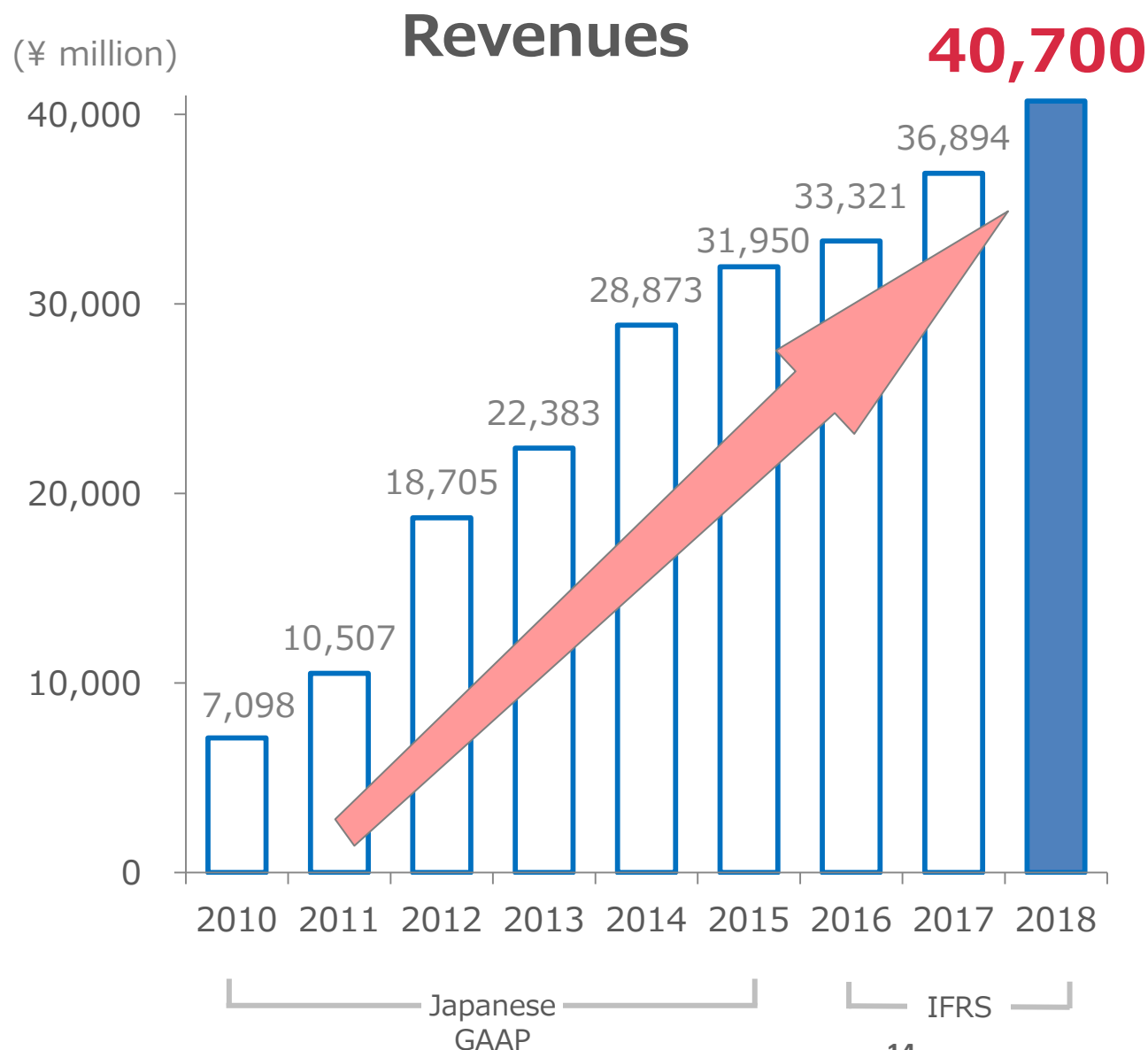
- Scheduled Fourth Quarter Dividend for 2017
 - A dividend of **1.60 yen** per share is scheduled to be paid on Friday, March 23, as originally planned.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter (scheduled)
Dividend per share	1.50 yen	1.50 yen	1.60 yen	1.60 yen

Notes: 100 shares per unit of the Company's stock.
The dividend has been increased as of the third quarter.

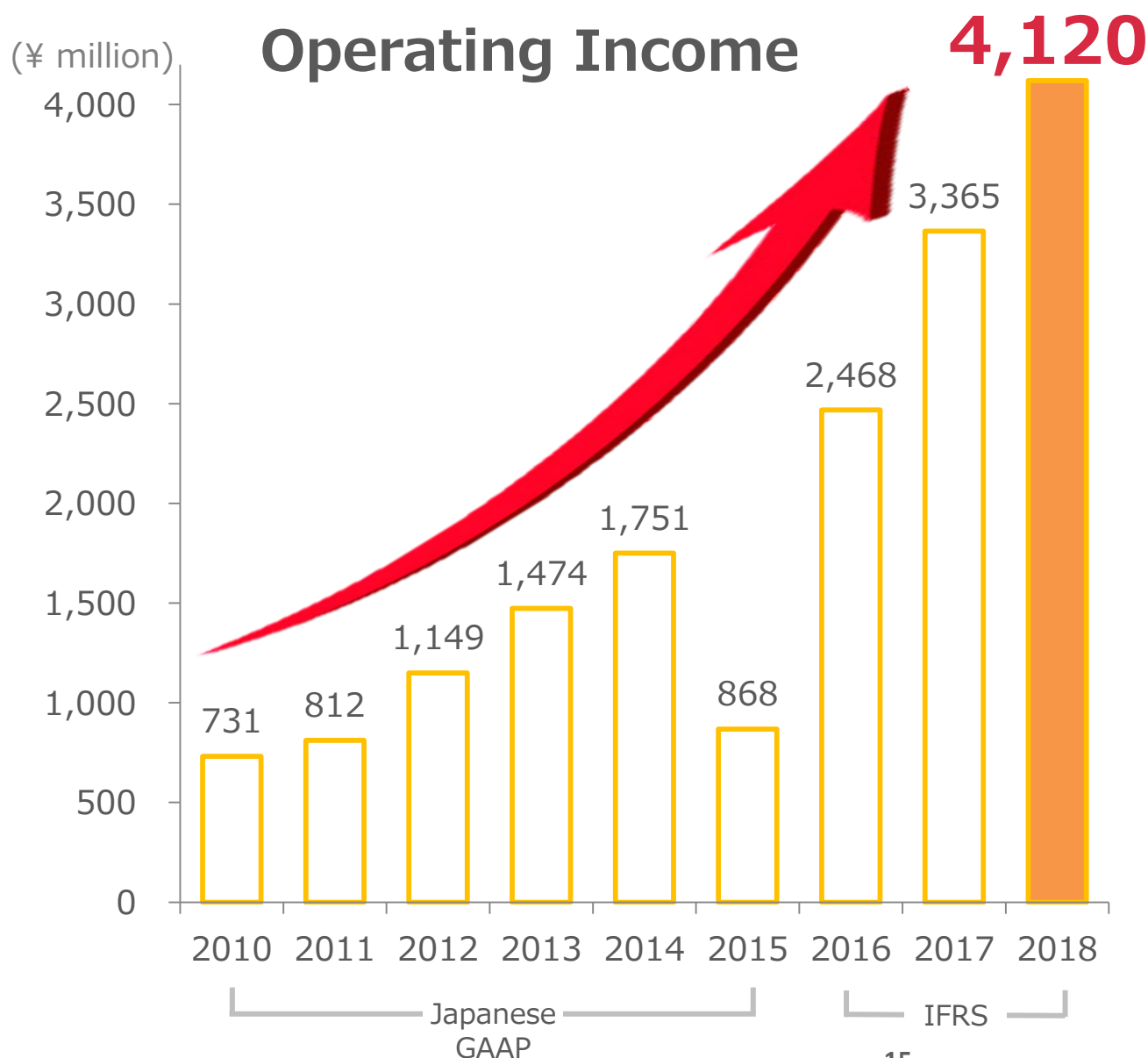
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2018 Forecast



+10.3%
YoY

**Growth forecast
for 8th
consecutive year**
Average annual growth of
24.4% for 2010-2018



+22.4%
YoY

**Growth forecast
for 3rd
consecutive year**
Average annual growth of
24.1% for 2010-2018

Consolidated 2018 Forecast: Summary

(¥ million)	2017 Results	2018 Forecast	YoY Change
Revenues	36,894	40,700	+10.3%
Operating Income	3,365	4,120	+22.4%
Net Income	2,096	2,530	+20.7%

Note: From the three months ended March 31, 2017, the Company has adopted International Financial Reporting Standards (IFRS) in place of the previously used generally accepted accounting principles in Japan.

Point



- ▶ Record highs are forecast for revenues, operating income and net income.
- ▶ Operating income and net income are forecast to increase more than 20% because of improved profitability.
- ▶ The operating income margin is forecast to increase 1.0 percentage point (9.1%→10.1%).

Consolidated 2018 Forecast: Segment

(¥ million)		2017 Results	2018 Forecast	YoY Change
Organizational Development Division	Revenues	11,695	13,700	+17.1%
	Gross Profit	7,329	9,000	+22.8%
Individual Development Division	Revenues	7,220	7,600	+5.3%
	Gross Profit	2,506	2,550	+1.7%
Matching Division	Revenues	19,379	21,000	+8.4%
	Gross Profit	4,477	4,600	+2.7%

Point



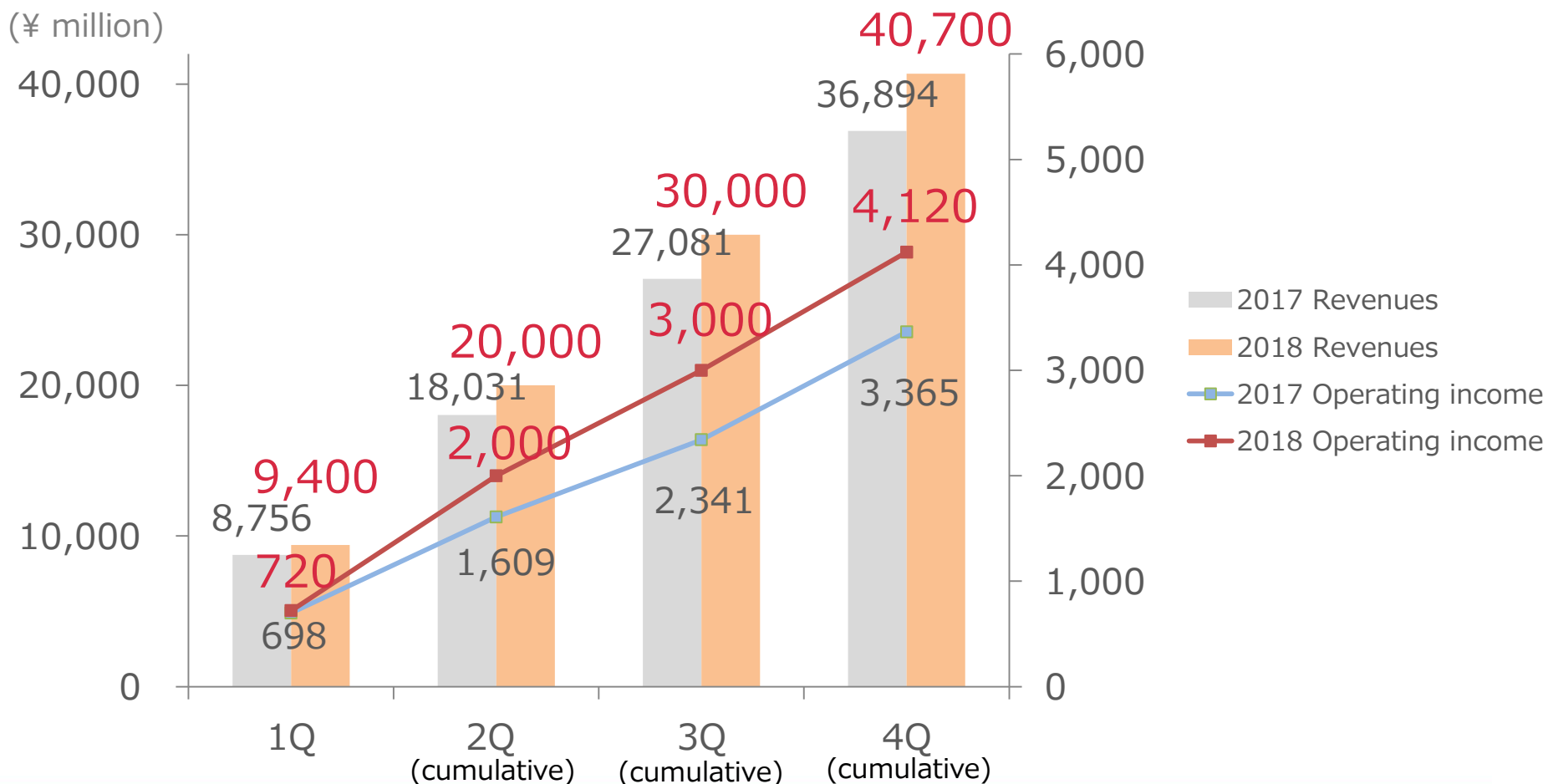
- ▶ The Organizational Development Division expects expansion of consulting and Motivation Cloud services backed by current trends in corporate personnel investment, and **forecasts that revenues and gross profit will increase substantially YoY.**
- ▶ The Individual Development Division expects the trend toward greater individual career investment to result in a **YoY increase in revenues and a slight YoY increase in gross profit.**
- ▶ The Matching Division expects the personnel needs of companies and educational institutions to expand, and **forecasts that revenues will increase YoY and gross profit will increase slightly YoY.**

Consolidated 2018 Forecast: Revenues and Operating Income

Revenues

(¥ million)

Operating Income



Point

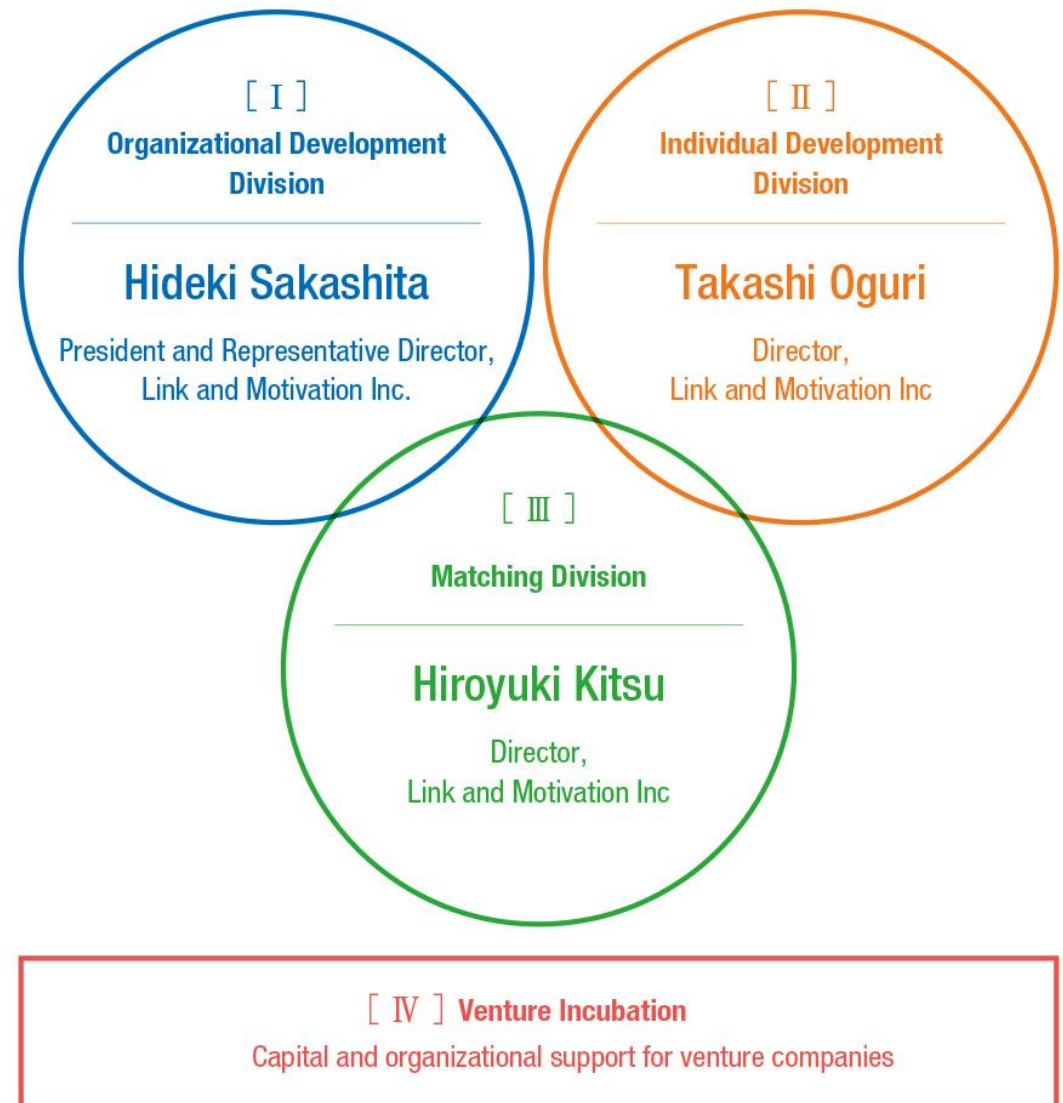
- ▶ Both revenues and operating income are forecast to grow steadily in each quarter, exceeding the previous year.
- ▶ Steady generation of profit in each quarter is expected to continue from the previous year.

3

Progress Report on Key Indicators

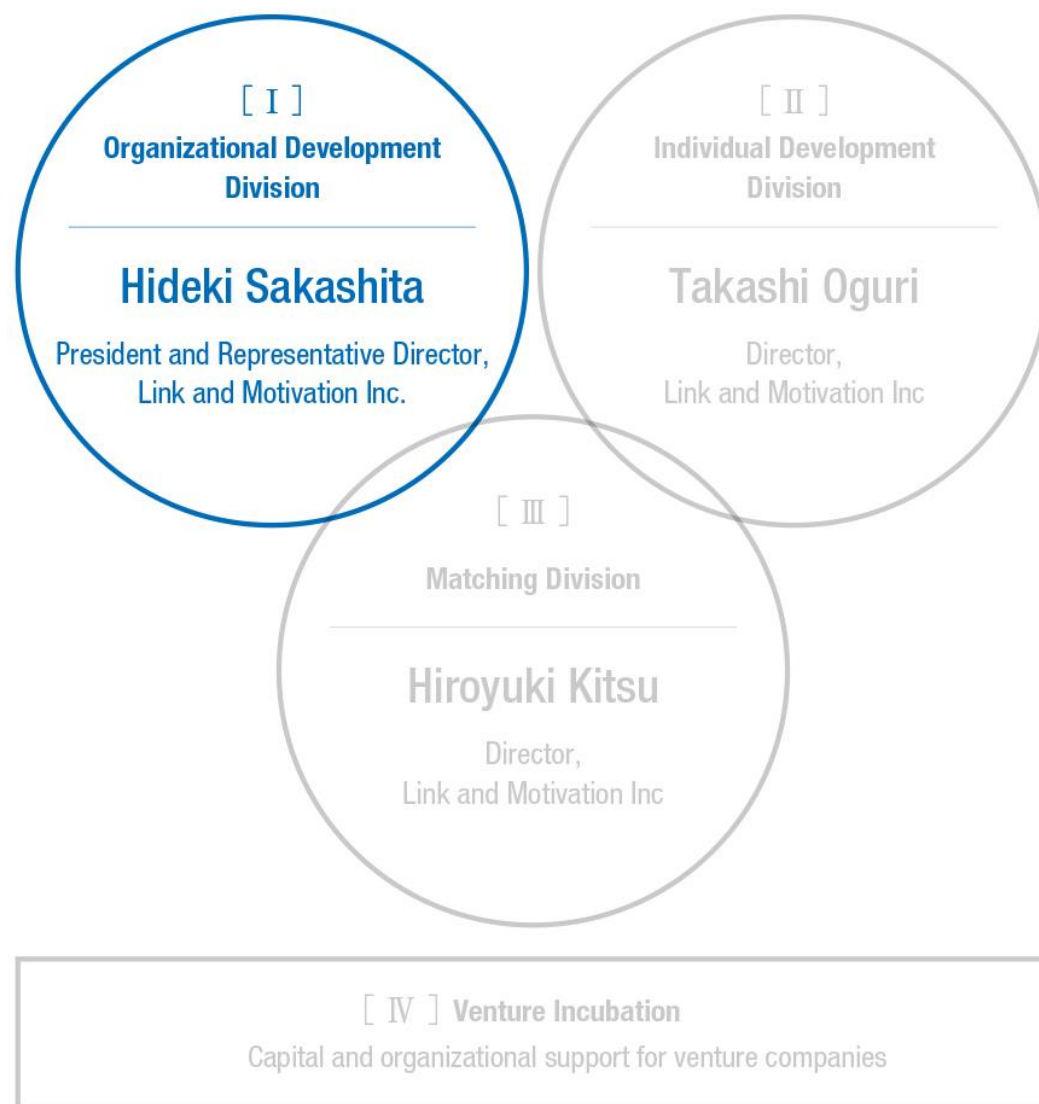
Mission

*Through Motivation Engineering, we provide opportunities to transform **organizations** and **individuals** and create a more meaningful society.*



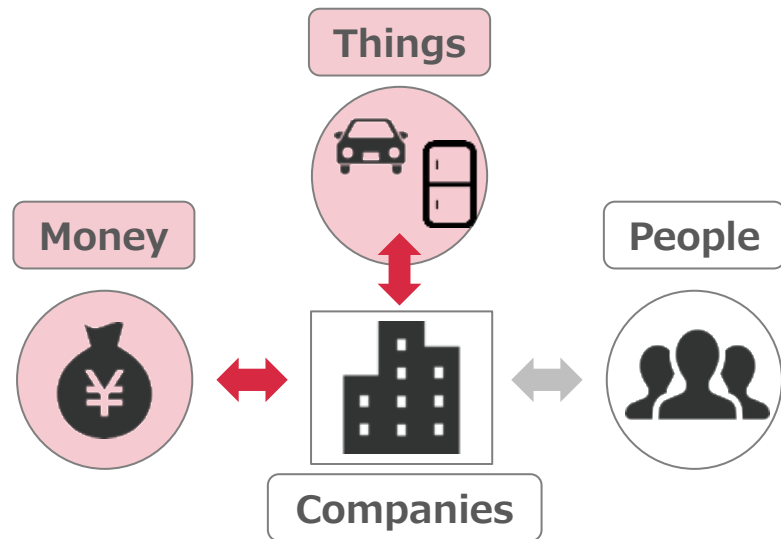
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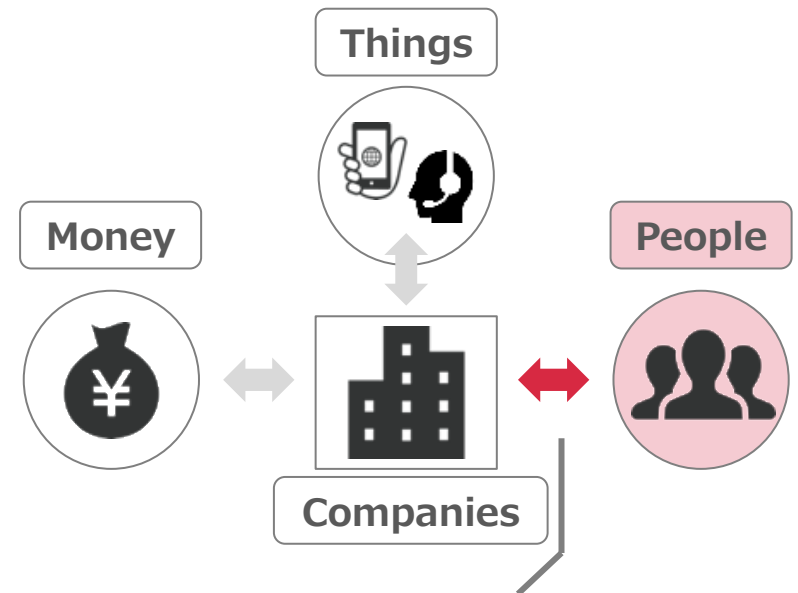
Era of Tangibles (Hard)

Focus on procuring **money** and investing in **things**



Era of Intangibles (Soft)

Shift to procuring and investing in **people**



People x Technology

Advance of HR Tech

Motivation Cloud is the first **HR tech** cloud service in Japan for managing **employee engagement**.*



Empowering change for all organizations

*Employee engagement: Correlation between performance and the level of mutual understanding, empathy, commitment and engagement between companies and employees.



Number one¹ cloud service for managing employee engagement.

430 contact points. Cumulatively deployed at over 3,000 companies for 740,000 employees.²

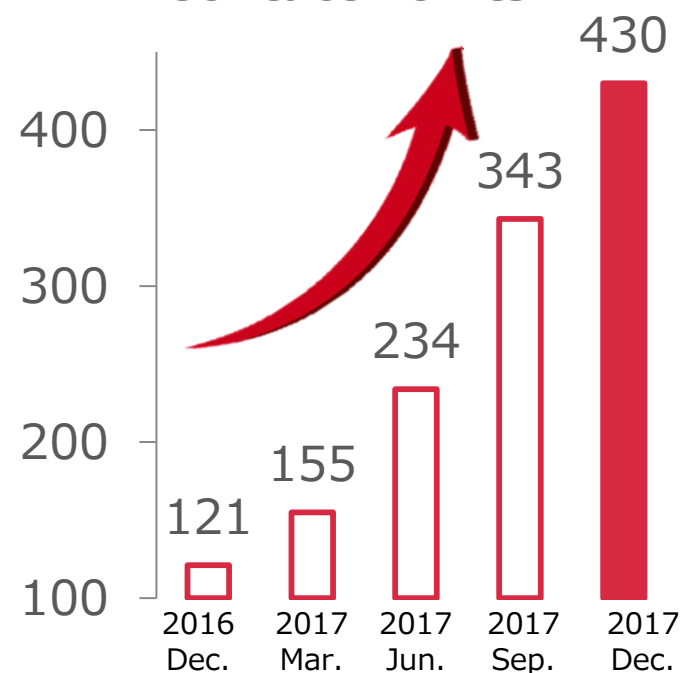
1. Link & Motivation data. As of Feb. 2018

2. Motivation Cloud service subscribers



Monthly pay-as-you-go model (fee business) corresponding to business size
Quantifies engagement to support organizational improvement
Certain functions patented

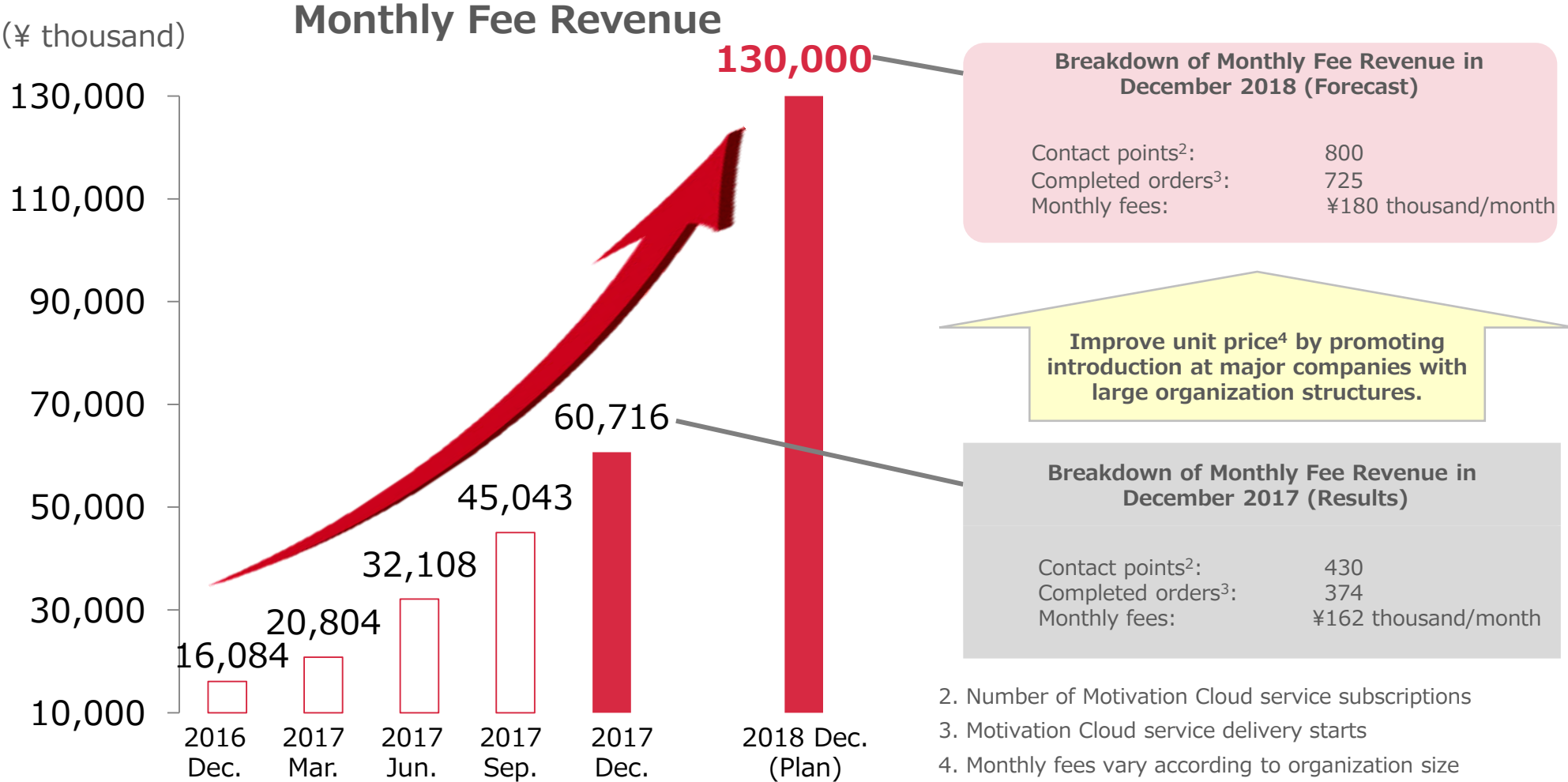
Contact Points



Upward revision of initial target of 250 for the year.
Significantly exceeded goal of 380 for the year due to steady client introductions.

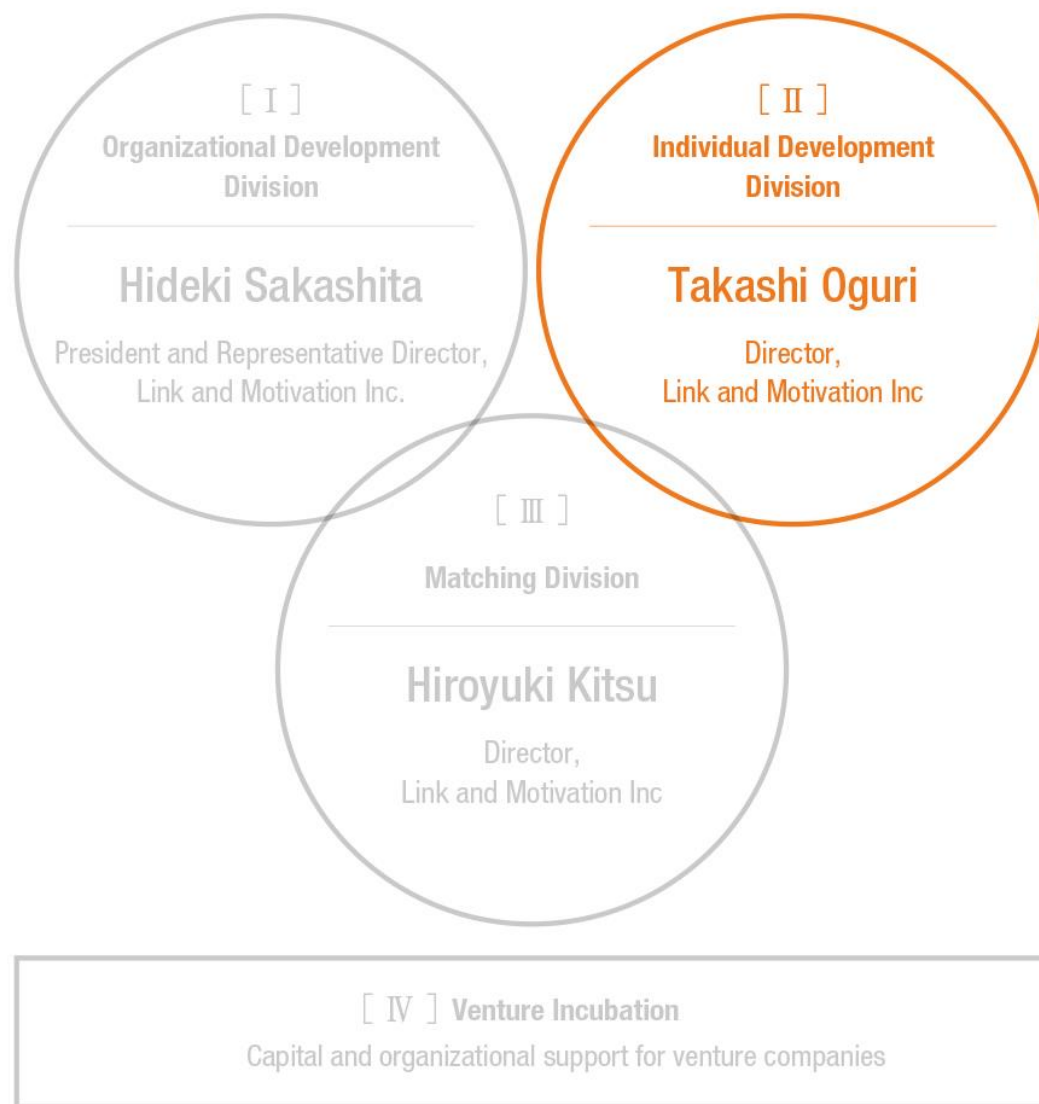
Building a **stable earnings structure** with steady gains in monthly fee revenue.
Forecast for monthly fee revenue: ¥130 million by December 2018; ¥330 million by December 2020.¹

1. ¥330 million/month x 12 months = Annual fee revenue of about ¥4.0 billion



Mission

*Through Motivation Engineering, we provide opportunities to transform **organizations** and **individuals** and create a more meaningful society.*



We intend to become
the number one private company for recurrent education in Japan.

External Environment

Product & Market Changes

Shorter cycles for business models, products and services

Labor Market Changes

Work style reform and the human resource development revolution are extending one's working life



A lifetime of self-directed learning (and relearning) and career development that is independent of industry or company

Expansion of recurrent education

Our Positioning

Diagnostic Technologies

Bridge-C career diagnostics

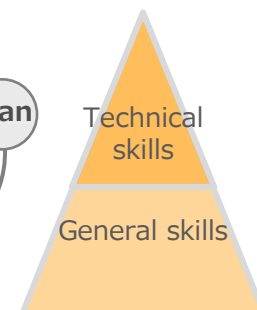
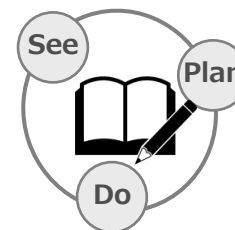


Began offering free of charge on Feb. 13, 2018

Transformation Technologies

Frustration-free PDS cycle

One-stop source for courses



Applied diagnostic and transformation technologies that employ our core Motivation Engineering technology

Frustration-free continued education

Backed by demand for hiring IT staff, the **Aviva Pro** training course for IT human resources is **growing steadily**.

Aviva Pro Training Course for IT Human Resources



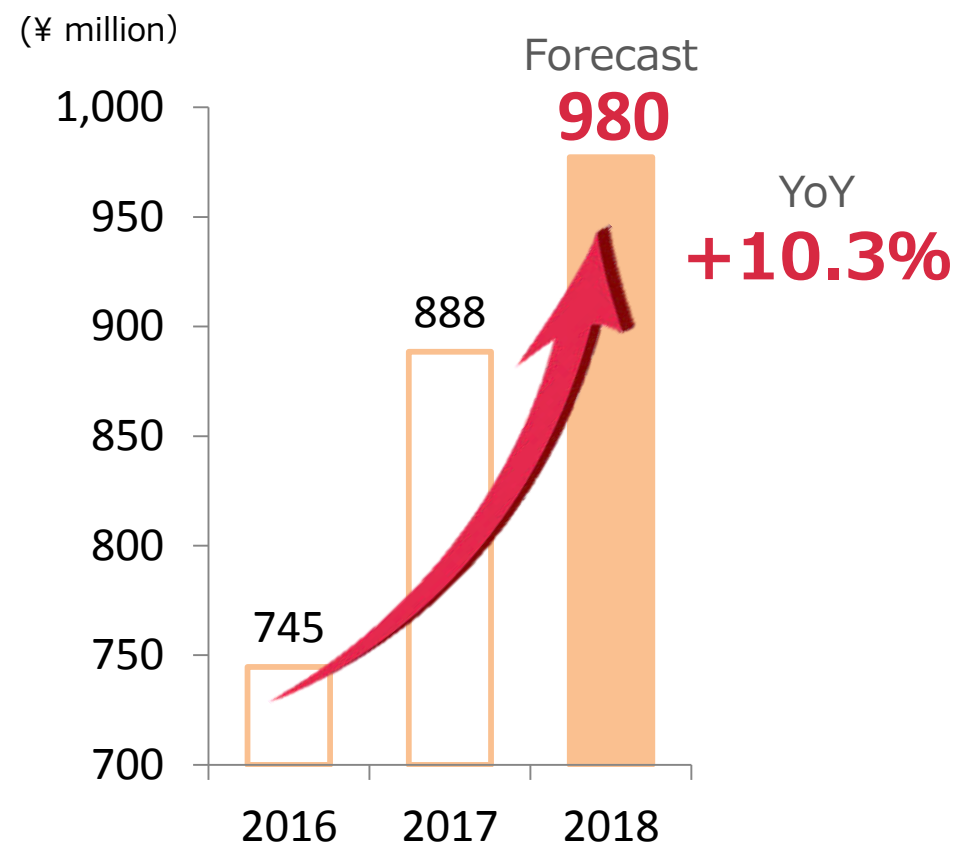
Course for learning **Java**, **SQL** and other programming skills in a game format.
Industry-leading lineup of 40 courses.



We plan to complement courses such as **PHP**, **CAD** and **Android applications** by adding IT courses such as **AI** and **Deep Learning**.

Our goal is 50 courses at the end of 2018 and 70 courses at the end of 2019.

Sales of Aviva Pro



We plan to **expand the number of English conversation and cram school classrooms**, making use of our existing career school centers.

English Conversation Classrooms



Leverage over 100 career school centers nationwide to provide English conversation courses.

We plan to have 85 English conversation classrooms at the end of 2018 (65 classrooms at the end of 2017).

Cram School Classrooms



Motivation Academia, a cram school for junior and high school students, has three classrooms in Tokyo



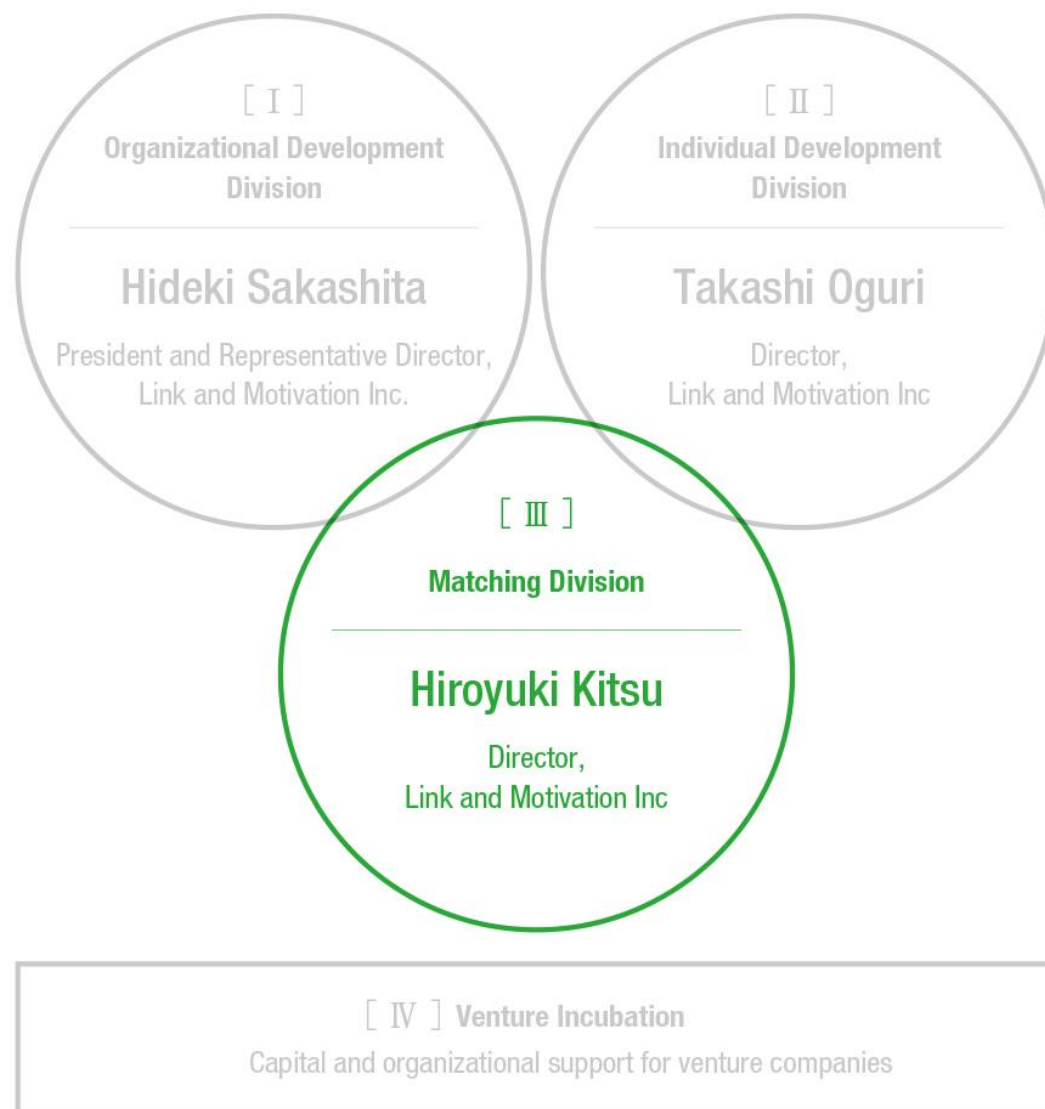
SS-1, an individual instruction school for students preparing for the junior high entrance exam, has 6 classrooms in Tokyo and Kansai

We plan to expand the number of classrooms because we see the **shift away from rote knowledge** in the 2020 university entrance examinations as an opportunity.

We plan to have 12 cram school classrooms at the end of 2018 (9 classrooms at the end of 2017).

Mission

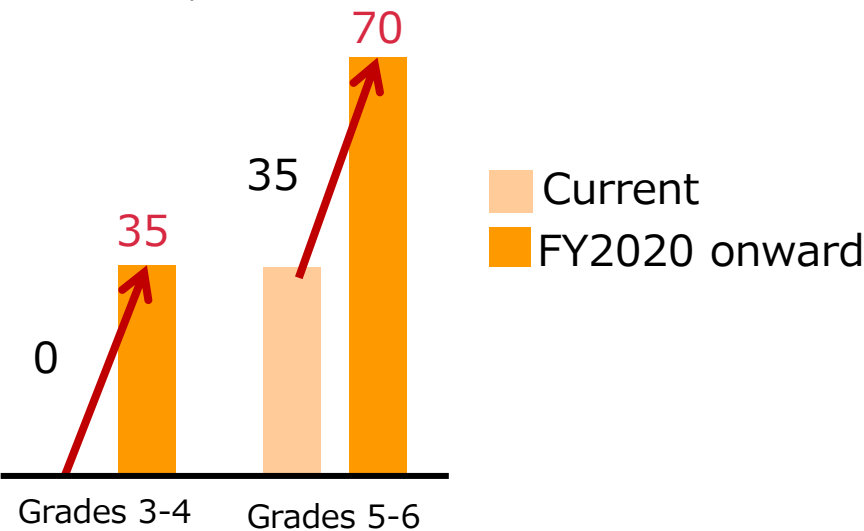
*Through Motivation Engineering, we provide opportunities to transform **organizations** and **individuals** and create a more meaningful society.*



The ALT market is expanding in line with MEXT policies.
We anticipate further expansion of the ALT Placement Business.

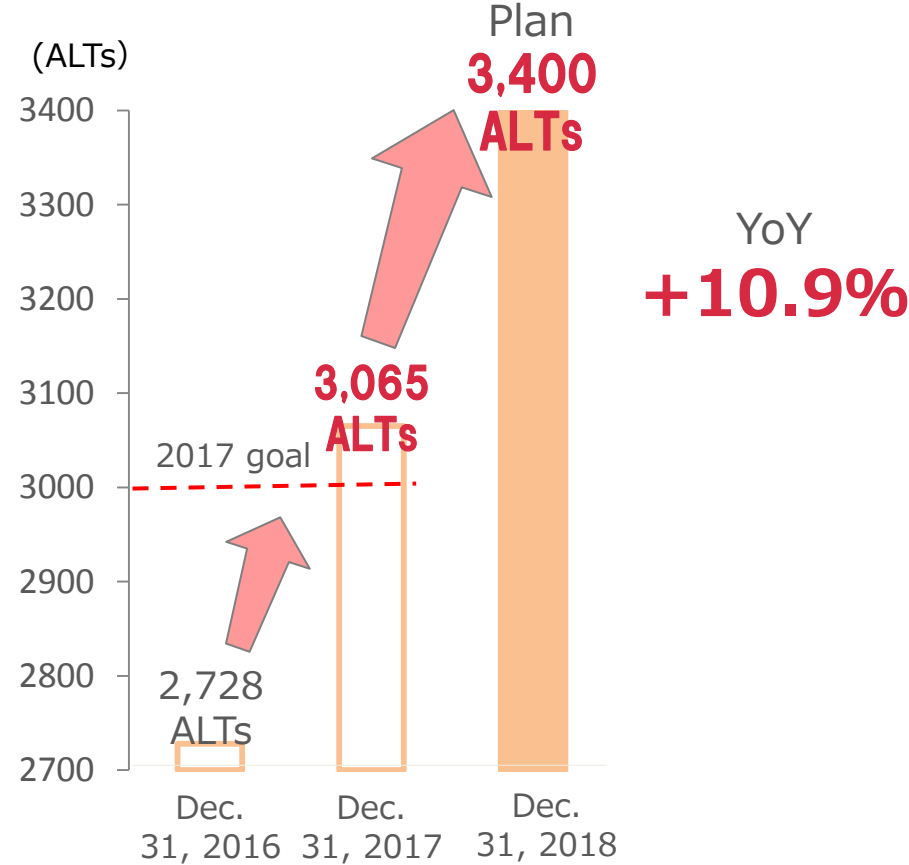
Changing ALT Market Environment

Changes in annual number of English classes in elementary schools

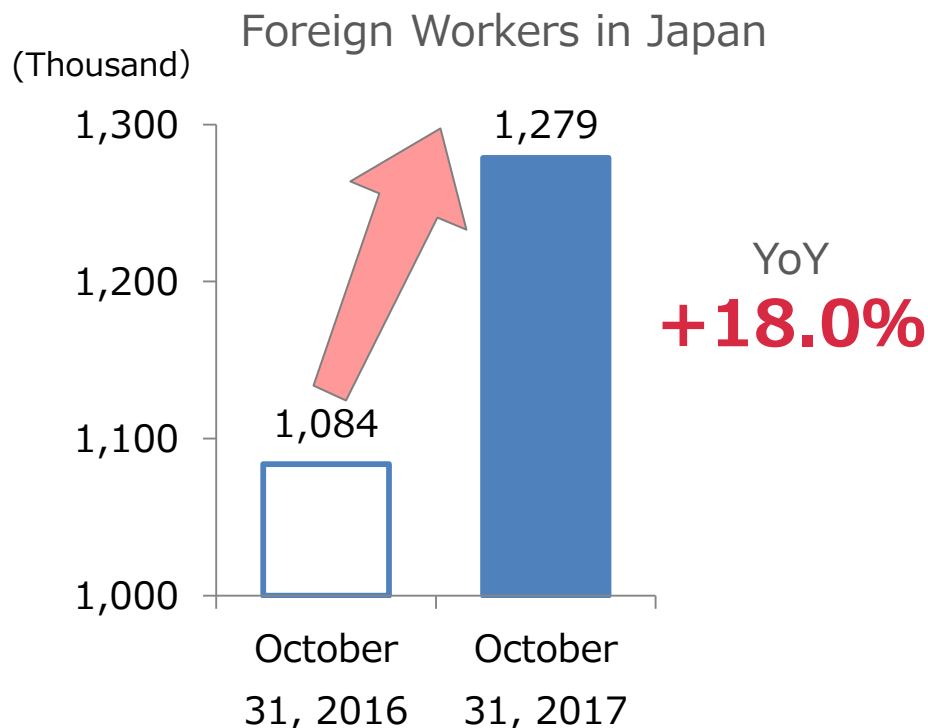


The Ministry of Education, Culture, Sports, Science and Technology is planning to place ALTs at all elementary schools (approximately 20,000 schools) by 2020, so ALT demand is expected to expand.

Number of ALTs Placed



Increasing need to recruit foreign talent creates potential in the foreign personnel placement business



Record number of foreign workers because the government has been encouraging entry into Japan among skilled foreign personnel and students.

Source: Ministry of Health, Labor and Welfare;
“Employment Status of Foreigners” (October 31, 2017)

Foreign Personnel Placement Potential



Recruiting Support

Over 40,000 registrants want to work in Japan

⇒ Potential to place in positions other than ALTs such as English conversation teachers



Reception Support

Support smooth career start in Japan

⇒ Support reception of ALTs at other companies



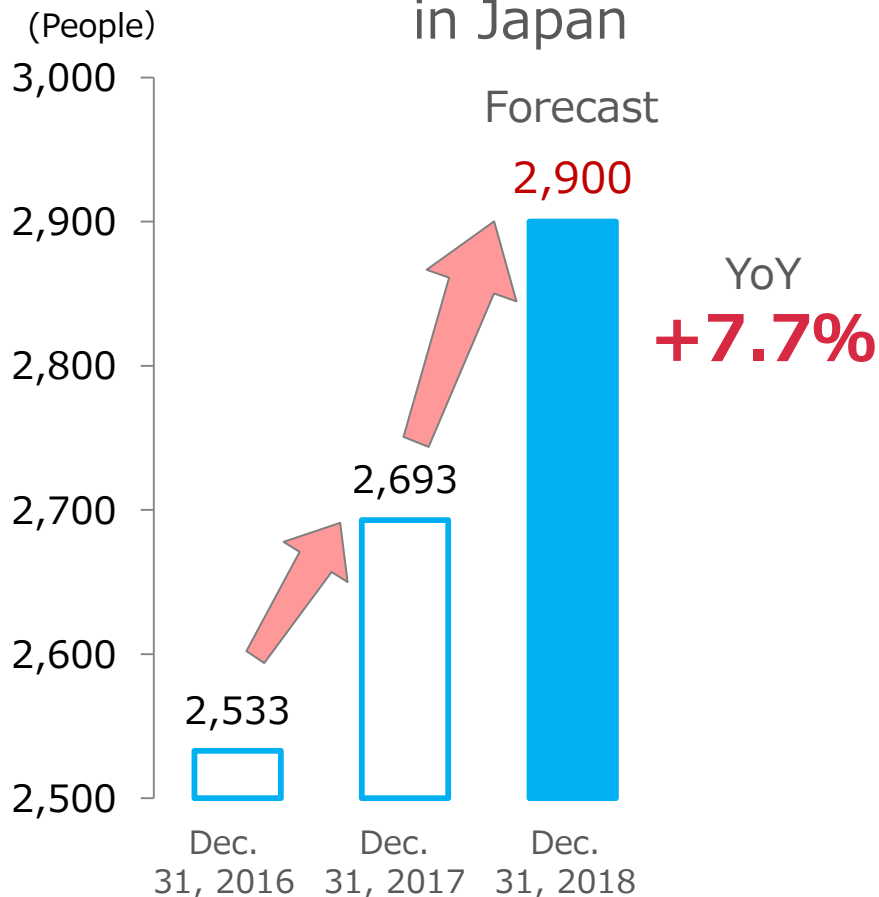
Acclimation Support

Network to support employment and living in Japan

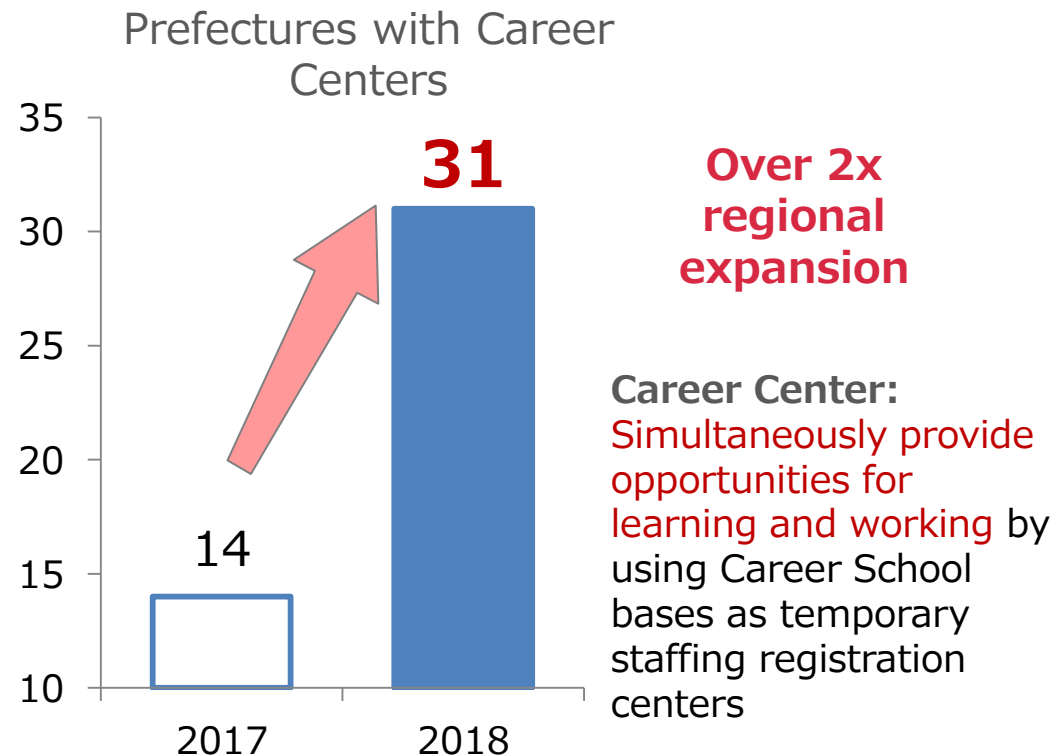
⇒ Support for foreign personnel not limited to ALTs

We will address rising corporate needs for personnel by **steadily expanding the number of temporary workers dispatched** in Japan from our Career Centers and **ensuring the availability of talented personnel.**

Number of Temp Staff Dispatched in Japan

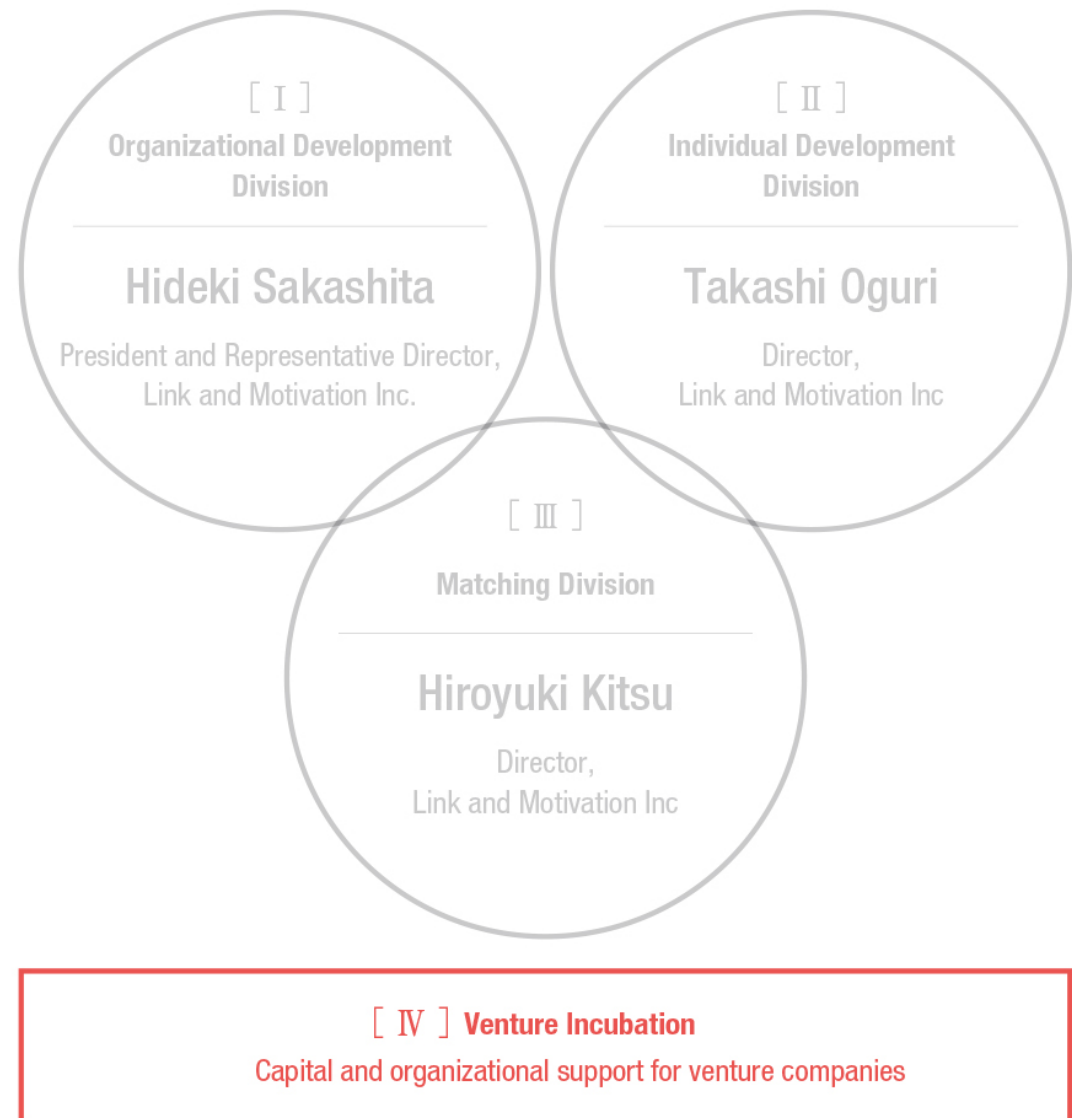


Career Centers in Japan



Mission

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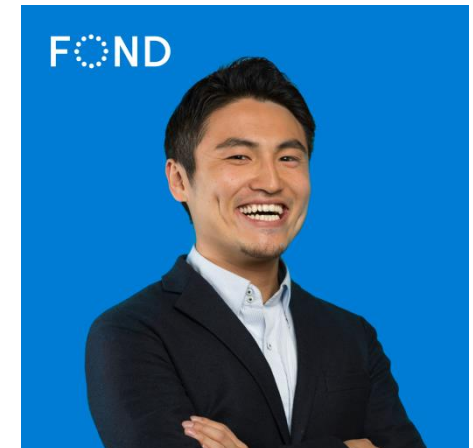


Fond, Inc. (Formerly AnyPerk)

Established:	2012
Representative:	CEO Taro Fukuyama
Address:	33 New Montgomery, St. 700, San Francisco, CA
Employees:	50
Mission Statement:	To help companies build places where employees love to work.
Business:	Perks: An employee perks platform (top U.S. share). An online platform that gives participating companies access to over 850 discounts and benefits including fitness, entertainment and phone call discounts. Rewards: An employee recognition and rewards platform.

*About ¥5 trillion in size, the U.S. rewards and recognition market is gaining attention as the movement to recruit and retain talented people with perks and rewards is growing.

FOND



CEO Taro Fukuyama

Mr. Fukuyama is the first Japanese entrepreneur to receive backing from the U.S. venture capital firm Y Combinator.

Point



- ▶ Completed investment in Fond, Inc., which has the top share of the U.S. employee perks market.
- ▶ We will support high-potential companies in Japan and overseas.

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



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



Stock Listed March 17, 2016

- 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 **rakul, Inc.**
E-commerce
printing/Support for
attracting customers



- ⑨ **Renoveru Co., Ltd.**
Used housing renovation



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



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



Point

- ▶ Two selection criteria: (1) Sympathy with creating a Motivation Company; (2) Aim to list stock.
- ▶ Contribution to business growth through support in the organizational and personnel field.

Stock Listed December 21, 2016

⑫ **Innovation Inc.**

Marketing support specializing in BtoB

INNOVATION

⑬ **First Brand Inc.**

Corporate and individual branding support



FirstBrand

⑭ **BizReach, Inc.**

Job-change website for upper-echelon employees

BIZREACH

⑮ **GlobalCast Co., Ltd.**

Industry-specific business process outsourcing



⑯ **ashita-team Inc.**

Creation of/support for personnel evaluation systems



⑰ **CLEAR CONSULTING CO., Ltd.**

Accounting/tax consulting



⑱ **Willgate, Inc.**

Content marketing/media business



⑲ **YARUKI Switch Group Holdings Co., Ltd.**

Individualized instruction/operation of day care facilities



⑳ **Phone Appli Inc.**

Planning, development and sale of Web phone directory services



Investment Completed

㉑ **Fond, Inc.**

Employee perks and rewards platform services



Point



- ▶ Two selection criteria: (1) Sympathy with creating a Motivation Company; (2) Aim to list stock.
- ▶ Contribution to business growth through support in the organizational and personnel field.

4

Dividend Increase

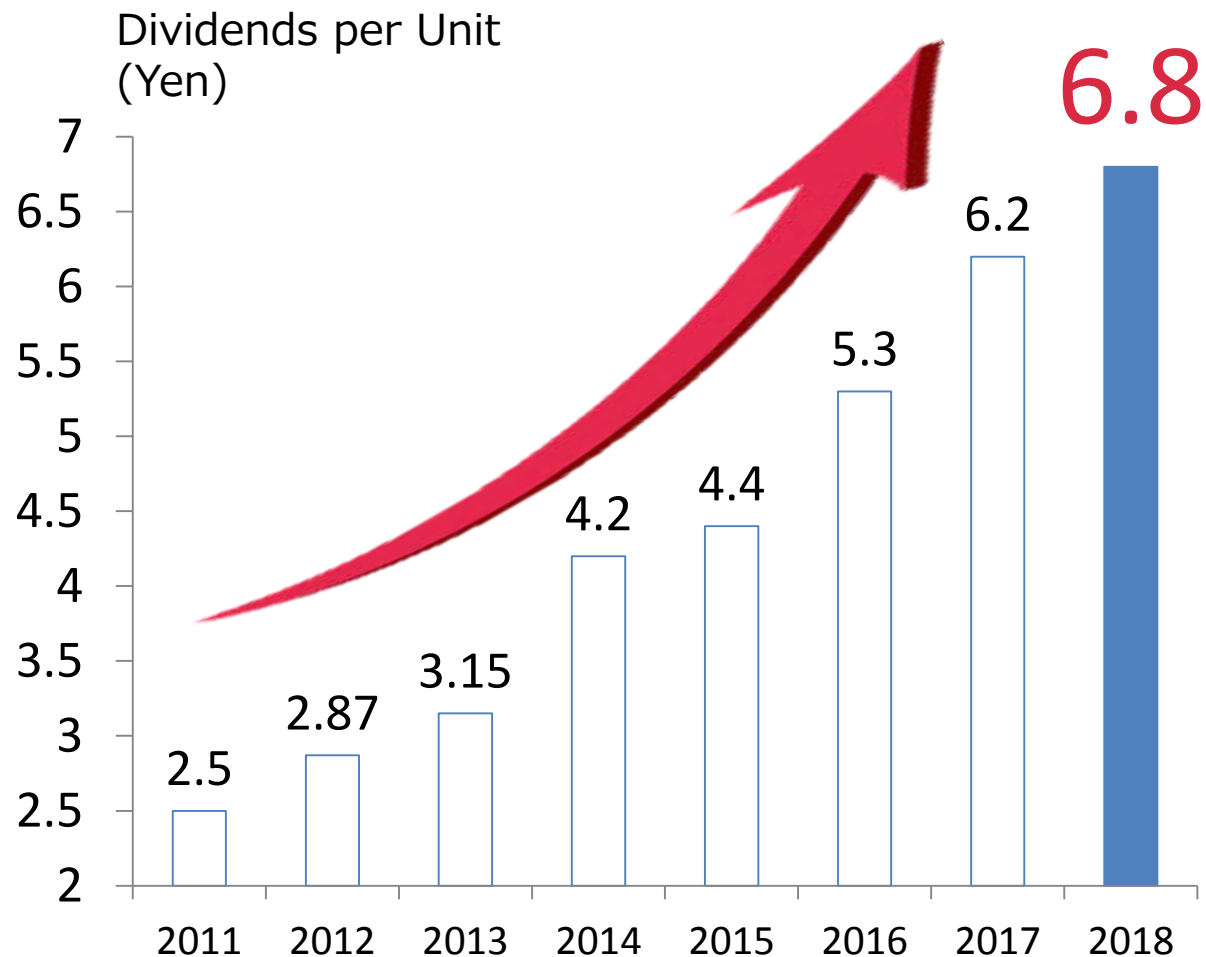
Following the dividend increase in the third quarter of 2017, we plan a **dividend increase** in the first quarter of 2018.

	Dividend per unit of shares				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Dividend
2017	1.50 yen	1.50 yen	1.60 yen	1.60 yen	6.20 yen
2018	1.70 yen	1.70 yen	1.70 yen	1.70 yen	6.80 yen

Note: 100 shares per unit

Annual dividend per unit of shares:

- 2017: 6.20 yen
- 2018 6.80 yen (+9.7%)



Point



- ▶ We plan on a seventh consecutive year of **dividend increases** since 2011.
- ▶ We will maintain our commitment to returning a significant share of earnings to shareholders.

5

Topics

Ranked 6th in the “Employer Job Satisfaction Ranking 2018” published by Vorkers, a corporate research website for finding or changing jobs.



Link and Motivation will continue to maintain a high level of engagement with its employees to set an example for other corporations as a Motivation Company.

	Company	Score
1	salesforce.com, Inc.	4.71
2	Suntory Holdings Limited	4.66
3	P&G Japan	4.47
4	ITOCHU Corporation	4.40
5	Mitsui & Co., Ltd.	4.39
6	Link and Motivation Inc.	4.38
7	The Prudential Life Insurance Co., Ltd.	4.38
8	Mitsubishi Corporation	4.38
9	Asahi Kasei Corporation	4.33
10	Recruit Holdings Co., Ltd.	4.31

Notes: 1. Scores are tabulated to five decimal places.
2. Figures in the rankings differ from the scores presented on individual company pages as they cover a limited period of time.

Ranking details : <https://www.vorkers.com/award/>

Topic 2: Honorable Mention at the 12th JFMA Awards

Recognition of Link and Motivation's **management initiatives to promote engagement** through **active communication** among employees at its offices and other facilities.

Group companies on a single floor



Office entrance



Various communication spaces



Activity-based working



Visiting days for children

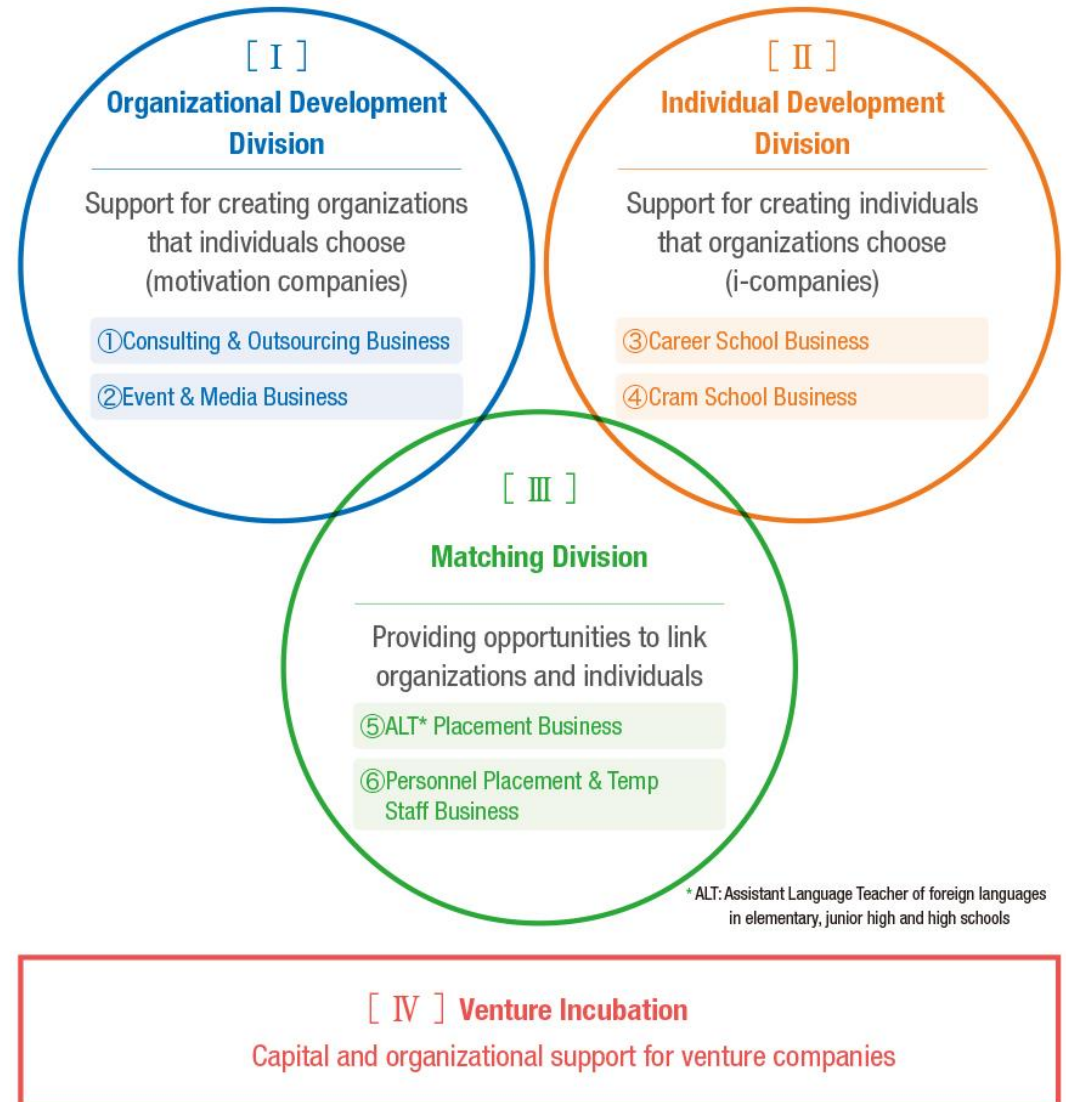


Exchanges among companies



Mission

*Through Motivation Engineering, we provide opportunities to transform **organizations** and **individuals** and create a more meaningful society.*



Link and Motivation Inc.

Securities Code: 2170

Consolidated Financial Information for the Fiscal Year Ended December 31, 2017

2.14.2018



Link and Motivation Group