

# Link and Motivation Inc.

Securities Code: 2170

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Consolidated Financial Information for the  
Fiscal Year Ended December 31, 2019



Link and Motivation Group

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2. Business Report (Announcement of Consolidated Results for 2019)
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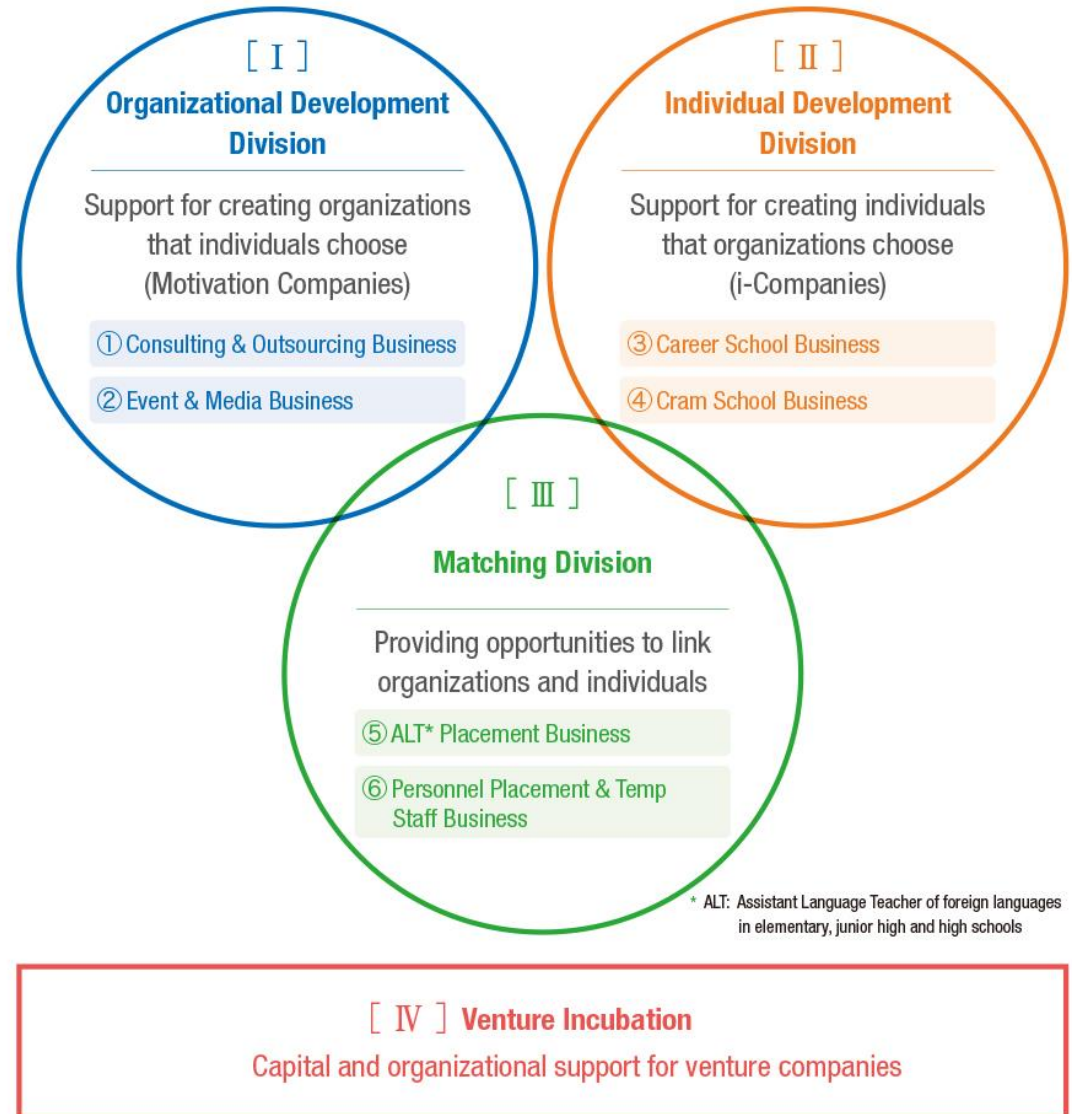
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# Company Overview

# Operating Structure of the Link and Motivation Group

## Mission

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



# Competitive Advantages of the Link and Motivation Group

**1** One-Stop Products, Services and Business Domains

**2** High-Quality Products and Services

**3** Robust Personnel and Organizational Capabilities

Based on Motivation Engineering, we provide one-stop products and services in each of our businesses, and operate in business domains that range widely from individuals to corporations

Rigorous development of products and services based on Motivation Engineering enables us to provide high-quality products and services that are reproducible and practical

By applying Motivation Engineering to our own companies, we can recruit and cultivate capable talent to create an organization with a high level of employee engagement



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# Business Report

(Announcement of Consolidated Results for 2019)

# Consolidated Statements of Operations

Revenues decreased slightly, both year-on-year (YoY) and compared with our forecast.

Operating income decreased substantially YoY but **exceeded** our forecast.

Net income decreased substantially YoY but **slightly exceeded** our forecast.

Revenues fell slightly short of the forecast because

Organizational Development Division performance was slightly below expectations.

Operating income exceeded the forecast due to steady performance in each business.

(¥ million)	2018 Results	2019 Results	YoY Change	2019 Forecast	Results vs. Forecast
Revenues	39,941	38,191	-4.4%	38,500	-0.8%
Operating Income	3,825	2,007	-47.5%	1,880	+6.8%
Net Income	1,918	1,090	-43.2%	1,050	+3.8%

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

Total selling, general and administrative (SG&A) expenses **increased slightly** YoY.

④ Sales-related Expenses increased substantially due to investment in the Motivation Cloud series and other core products.

(¥ million)	2018 Results	2019 Results	YoY Change
Total SG&A Expenses	11,592	11,773	+1.6%
① Personnel Expenses	5,320	5,348	+0.5%
② Recruiting, Training and Welfare Expenses	716	577	-19.4%
③ Office and System Expenses	2,577	2,224	-13.7%
④ Sales-related Expenses	1,917	2,508	+30.8%
⑤ Transportation and Other Expenses	1,059	1,113	+5.1%



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

**Organizational Development Division:** Revenues and gross profit both decreased substantially YoY.

**Individual Development Division:** Revenues decreased slightly and gross profit decreased YoY.

**Matching Division:** Revenues and gross profit both decreased slightly YoY.

(¥ million)		2018 Results	2019 Results	YoY Change
Organizational Development Division	Revenues	13,277	11,729	-11.7%
	Gross Profit	8,786	7,696	-12.4%
Individual Development Division	Revenues	7,879	7,838	-0.5%
	Gross Profit	2,983	2,822	-5.4%
Matching Division	Revenues	20,106	19,487	-3.1%
	Gross Profit	4,962	4,845	-2.3%

**Consulting & Outsourcing Business:** Revenues and gross profit both decreased substantially YoY.  
**Event & Media Business:** Revenues decreased substantially and gross profit decreased slightly YoY.

In ① the Consulting & Outsourcing Business, due to a concentration of personnel and other resources in the first half to focus on Cloud-based business, full-year revenues from Consulting decreased substantially YoY. Consequently, Media Production in ② the Event & Media Business also decreased substantially YoY.

Product	2018 Results		2019 Results		YoY Change
	Results	% of total	Results	% of total	
① Consulting & Outsourcing Business	10,071 [8,051]	-	8,883 [6,977]	-	-11.8% -13.3%
Package	2,503	24.9%	2,298	25.9%	-8.2%
Consulting	4,879	48.5%	3,302	37.2%	-32.3%
Member/database services	1,951	19.4%	2,660	30.0%	+36.4%
Outsourcing	736	7.3%	621	7.0%	-15.5%
② Event & Media Business	4,163 [1,172]	-	3,430 [1,131]	-	-17.6% -3.5%
Event production	1,829	43.9%	1,076	31.4%	-41.1%
Media production	2,334	56.1%	2,353	68.6%	+0.8%

(¥ million) [Gross profit in brackets]

**Career School Business:** Revenues **increased slightly** and gross profit decreased slightly YoY.

**Cram School Business:** Revenues decreased and gross profit decreased substantially YoY.

In ③ the Career School Business, as a result of investment in new schools and other factors, revenues increased YoY, although gross profit decreased YoY.

④ Cram School Business revenues decreased YoY due to the full-year impact of lower-than-expected growth in enrollment in the first half.

Product	2018 Results		2019 Results		YoY Change
	Results	% of total	Results	% of total	
③ Career School Business	7,122 [2,629]	-	7,139 [2,536]	-	+0.2% -3.5%
Office	3,030	42.5%	2,883	40.4%	-4.9%
Pro Series*	984	13.8%	947	13.3%	-3.7%
Accounting courses	568	8.0%	582	8.2%	+2.5%
National exam courses	676	9.5%	693	9.7%	+2.6%
Civil servant courses	1,252	17.6%	1,179	16.5%	-5.8%
Educational materials/other	169	2.4%	186	2.6%	+9.8%
English conversation	444	6.2%	667	9.4%	+50.3%
④ Cram School Business	758 [354]	-	704 [288]	-	-7.1% -18.7%

\* Programming courses and other courses for specialized IT skills

(¥ million) [Gross profit in brackets]

**ALT Placement Business:** Revenues and gross profit both **increased slightly** YoY.  
**Personnel Placement & Temp Staff Business:** Revenues decreased substantially  
 and gross profit decreased YoY.

- ⑤ The ALT Placement Business continued to grow steadily by reliably capitalizing on market expansion.  
 ⑥ The Personnel Placement & Temp Staff Business decreased YoY due to weak growth in revenue from store sales and office temp staff caused by the trend toward regular employment.

Product	2018 Results	2019 Results	YoY Change
⑤ ALT* Placement Business*	12,191 [3,352]	12,617 [3,421]	+3.5% +2.1%
⑥ Personnel Placement & Temp Staff Business	8,558 [2,089]	7,635 [1,938]	-10.8% -7.2%
Store sales temp staff	6,742	5,759	-14.6%
Office temp staff	624	573	-8.1%
Foreign worker support	619	687	+10.9%
Recruiting/introductions	572	616	+7.7%

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

(¥ million) [Gross profit in brackets]

## Consolidated Balance Sheets (Results/YoY Change)

Assets **increased slightly** due to the acquisition of shares of OpenWork Inc., etc.  
 Liabilities **increased slightly** due to borrowings to cover investments.  
 Equity decreased slightly due to returns to shareholders including dividends and a share buyback.

(¥ million)	December 31, 2018*	December 31, 2019	YoY Change
① Current Assets	7,647	11,454	+3,807
② Non-current Assets	36,693	33,333	-3,360
③ Deferred Assets	0	0	0
<b>Total Assets</b>	<b>44,340</b>	<b>44,787</b>	<b>+446</b>
④ Current Liabilities	13,667	12,831	-836
⑤ Non-current Liabilities	23,632	24,922	+1,290
<b>Total Liabilities</b>	<b>37,300</b>	<b>37,754</b>	<b>+454</b>
⑥ Total Equity	7,040	7,033	-7

\* After application of IFRS 16

(¥ million)

We continue to **pay quarterly dividends**.  
 A dividend of **1.8 yen** per share is scheduled to be paid on  
 Wednesday, March 25, as originally planned.

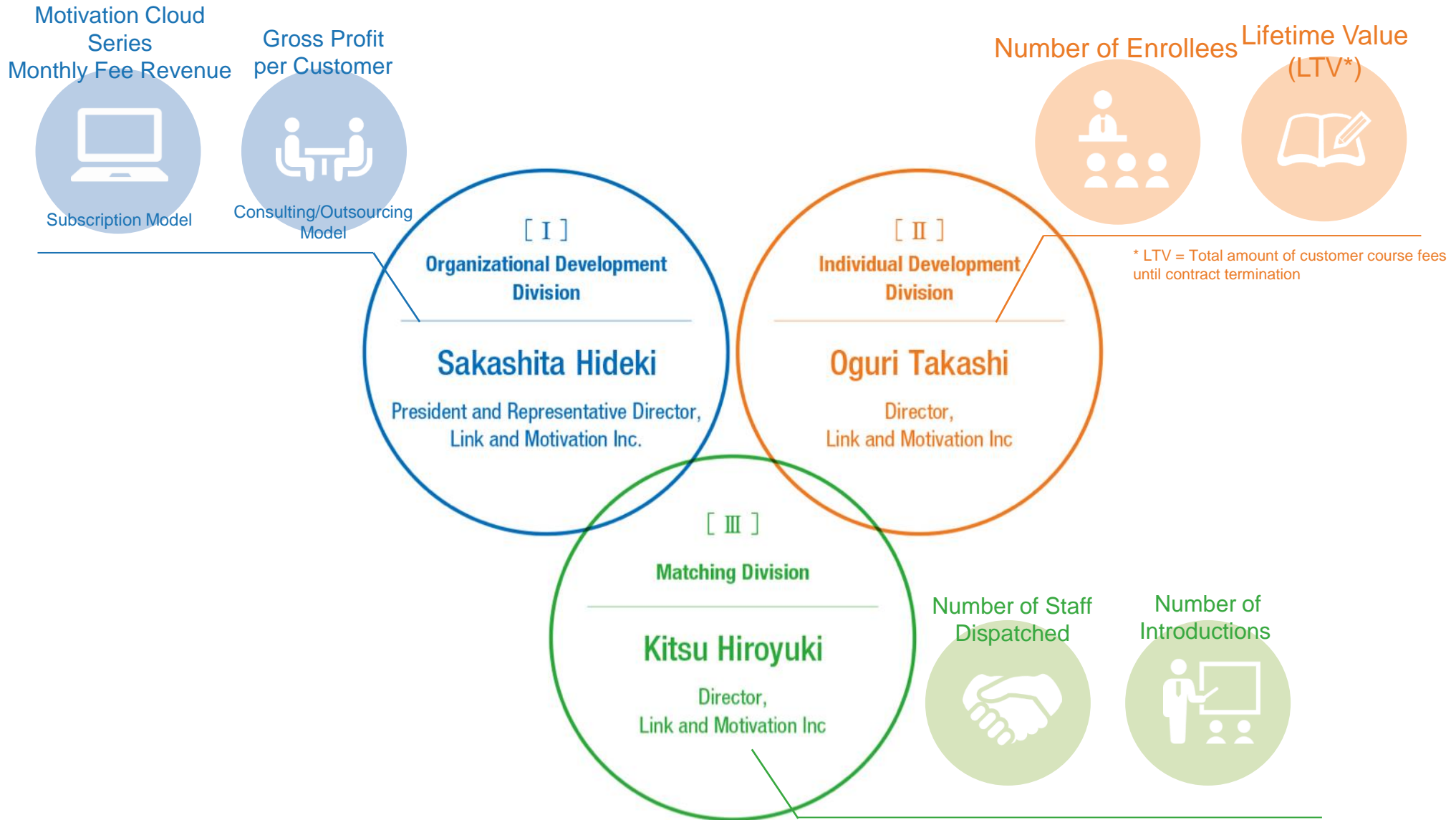
	Dividend per Share				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Dividend
2019	1.8 yen	1.8 yen	1.8 yen	1.8 yen	7.2 yen
2020 (Scheduled)	1.8 yen	1.8 yen	1.8 yen	1.8 yen	7.2 yen

Note: 100 shares per unit of the Company's stock.

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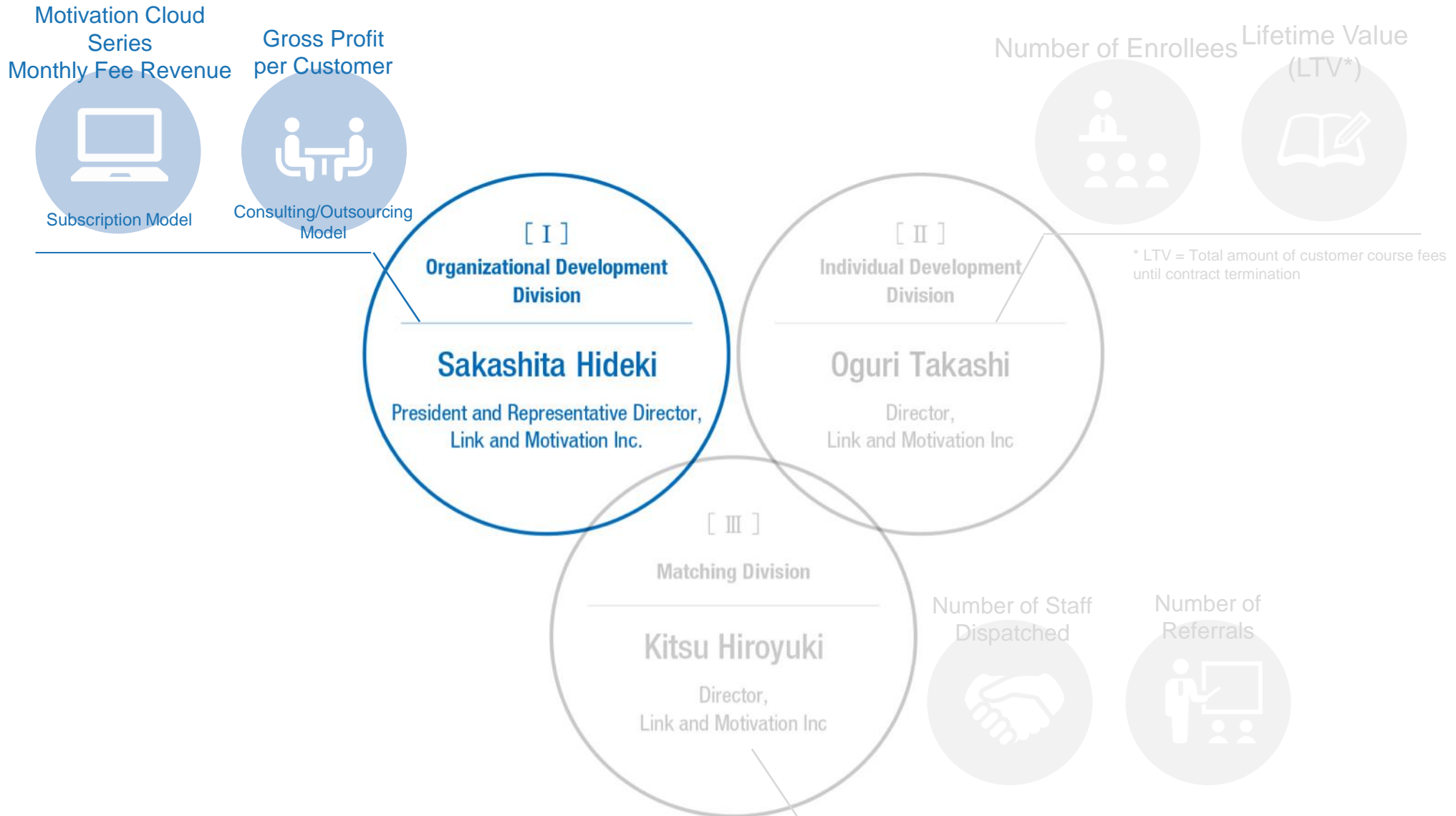
## Report on Conditions by Business

# Business KPIs and Highlights by Segment





# Business KPIs and Highlights by Segment





## Business KPI

### Motivation Cloud Monthly Fee Revenue

2019

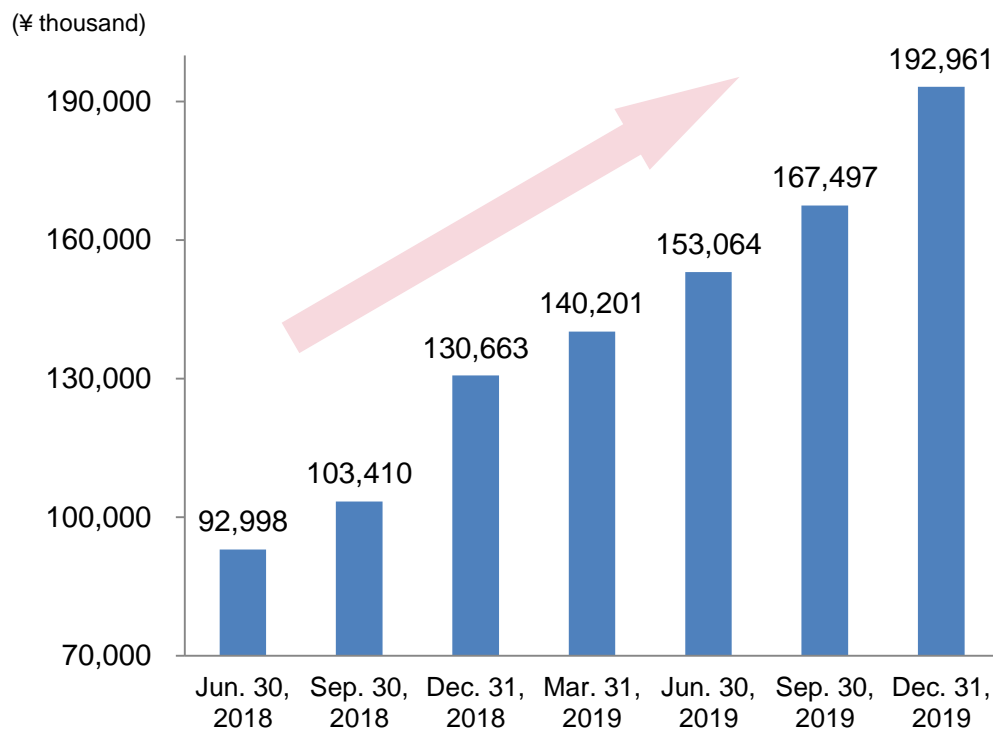
Result

¥192,961 thousand

+15.2%  
vs. previous quarter

+47.7%  
YoY

▶ Exceeded monthly fee revenue estimate of ¥190 million



December 2019

### Breakdown of Monthly Fee Revenue

Delivered orders<sup>1</sup> : 783

Average monthly fee<sup>2</sup>: ¥246,000/month

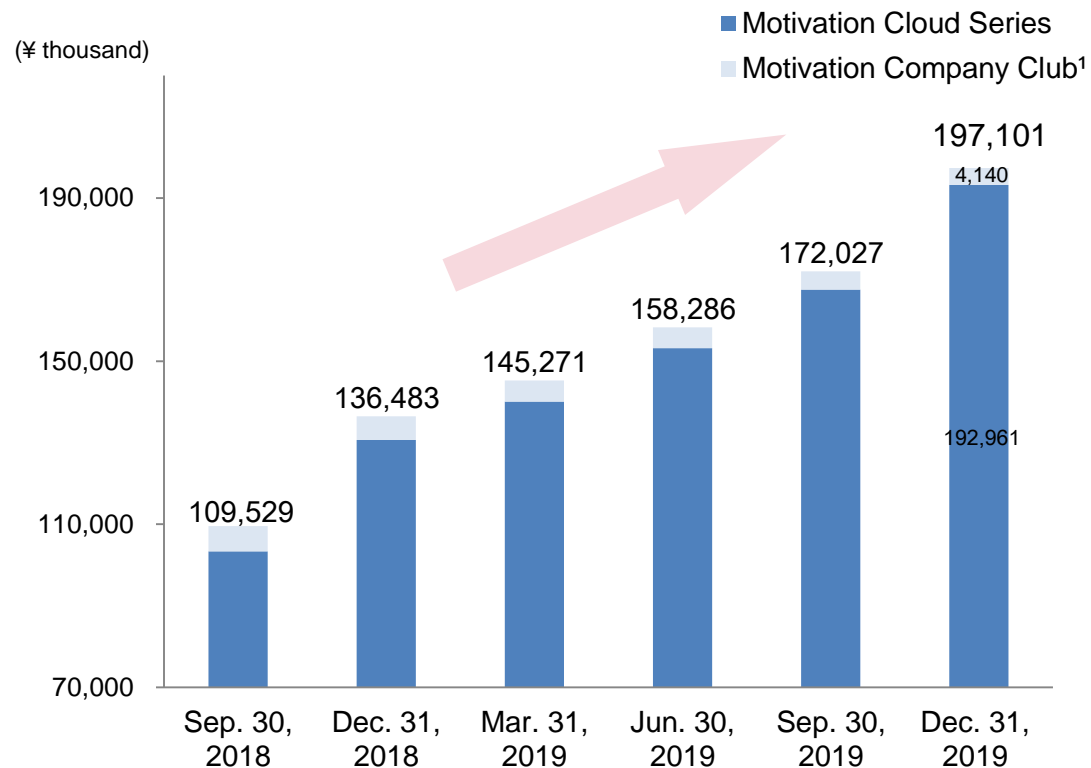
(As of September: ¥223,000/month)

1. Number of companies where Motivation Cloud service delivery has started
2. Monthly fee revenue ÷ number of delivered orders

# Highlights ① : Future Disclosure of Subscription Model Business Results

Previous disclosure covered the Motivation Cloud series.  
Future disclosure will **present figures including Motivation Company Club**,  
another subscription model business.

## ▶ Monthly fee revenue of subscription model businesses including Motivation Company Club



December 2019

### Breakdown of Monthly Fee Revenue

Delivered orders<sup>2</sup>: 921

Average monthly fee<sup>3</sup>: ¥214,000/month  
(As of September: ¥191,000/month)

1. A membership service of managers that continuously provides information and know-how on creating a Motivation Company. Monthly fee of ¥30,000 for all users.
2. Total number of starts for each service
3. Monthly fee revenue ÷ number of delivered orders

Business KPI

Average Gross Profit per Customer for the Past 12 Months

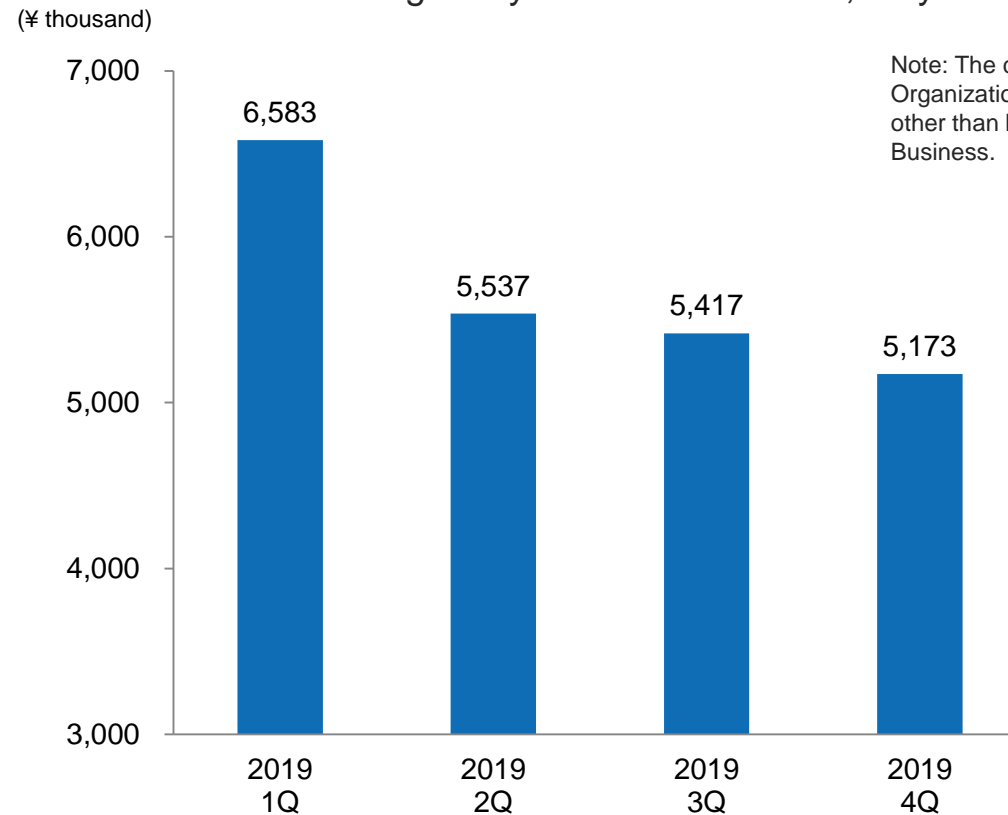
2019

Result

¥5,173 thousand

-4.5%  
vs. previous quarter

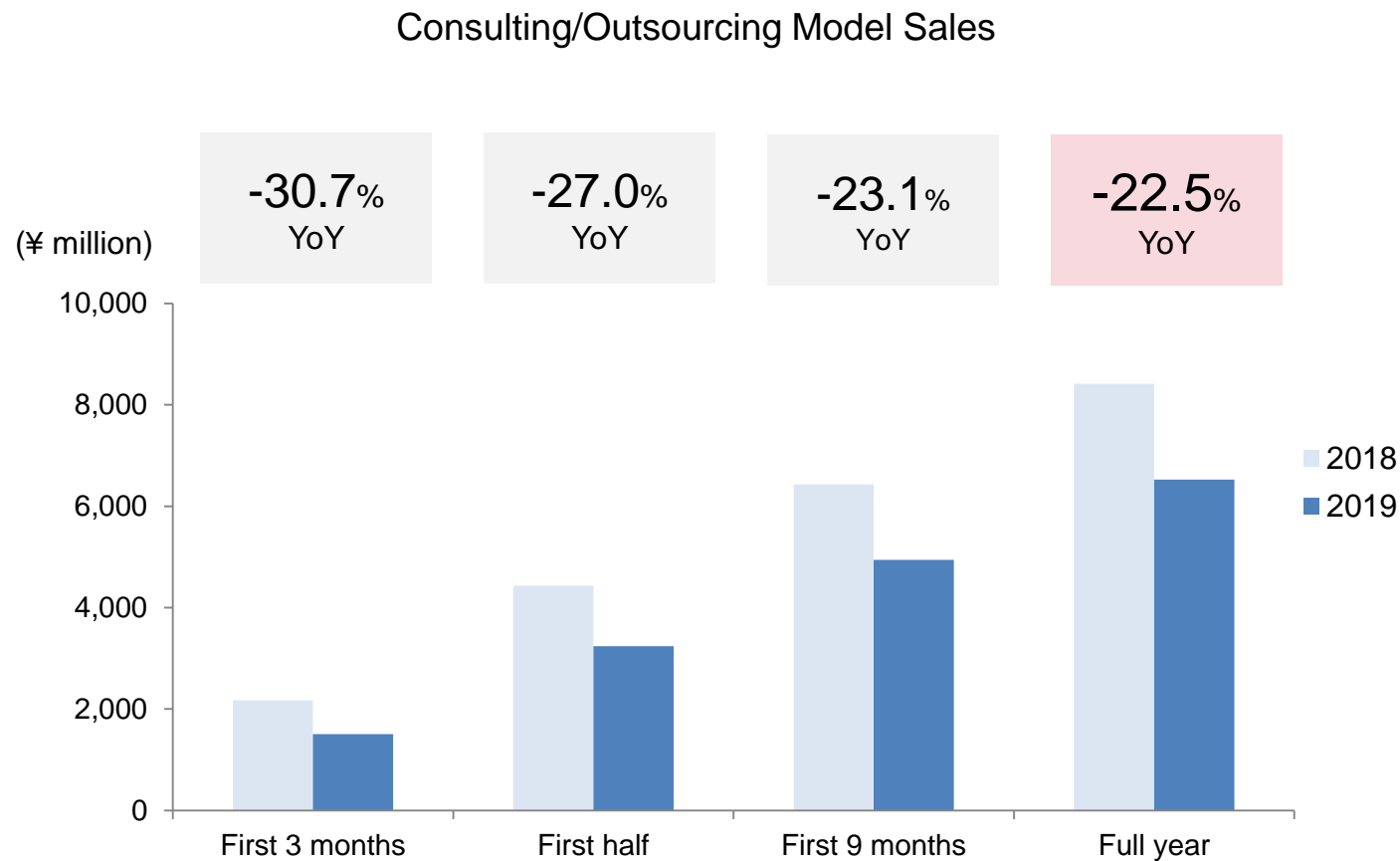
- ▶ Revenues remained nearly flat compared with the third quarter, and although they have bottomed out, they have not yet recovered



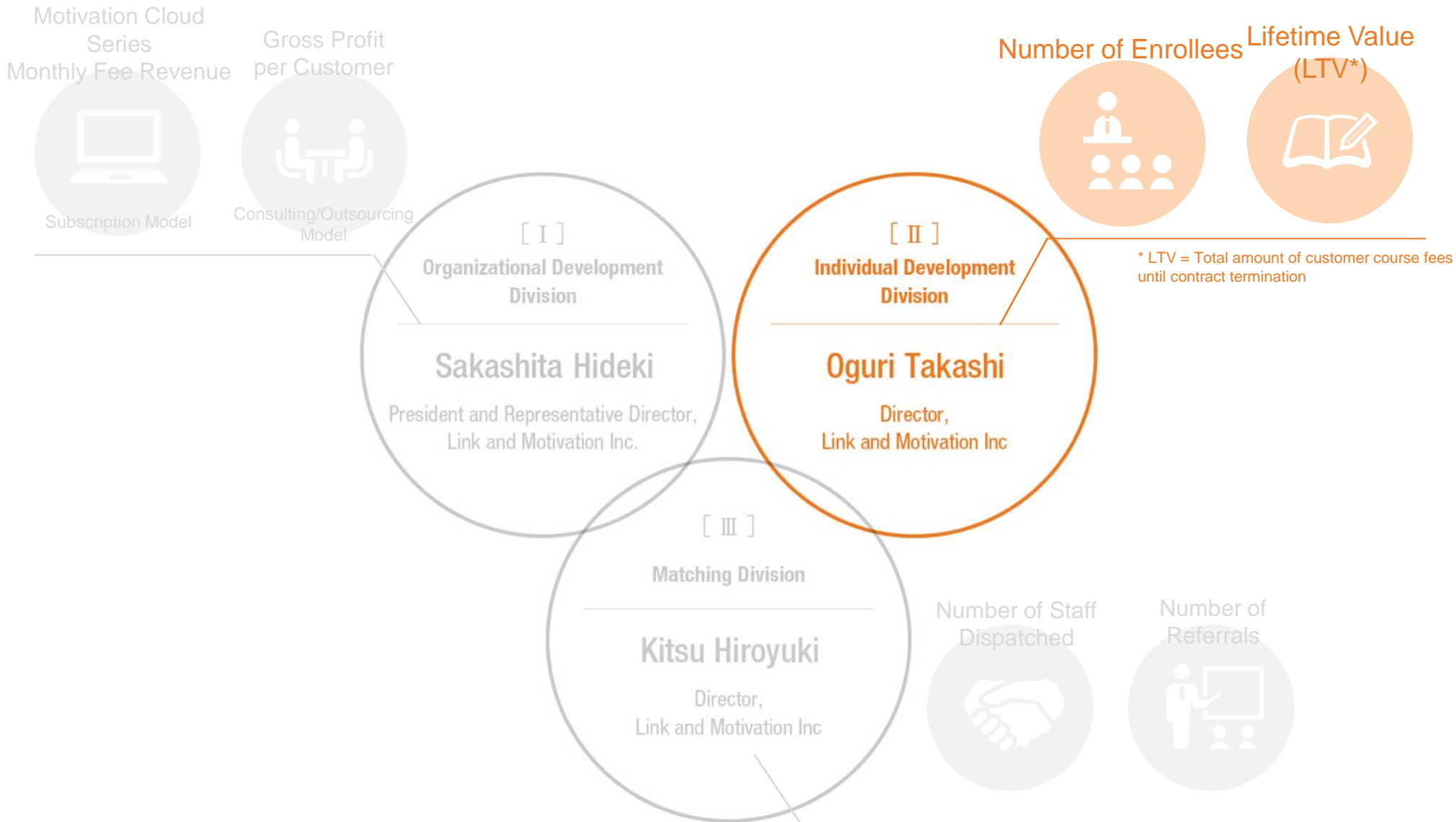
Note: The consulting/outsourcing model is for Organizational Development Division businesses other than Motivation Cloud and the Event & Media Business.

## Highlights ② : Recovery of the Consulting/Outsourcing Model

Compared with last year, although 2019 sales faced difficult conditions in the first half, they recovered steadily in the second half, and we aim for further recovery in 2020.



# Business KPIs and Highlights by Segment



# Individual Development Division: Business KPI Results over Time

## Business KPI ①

Average Number of Enrollees for the Past 12 Months

2019

Result

17,733

-0.4%  
vs. previous  
quarter

## Business KPI ②

Average LTV\* for the Past 12 Months

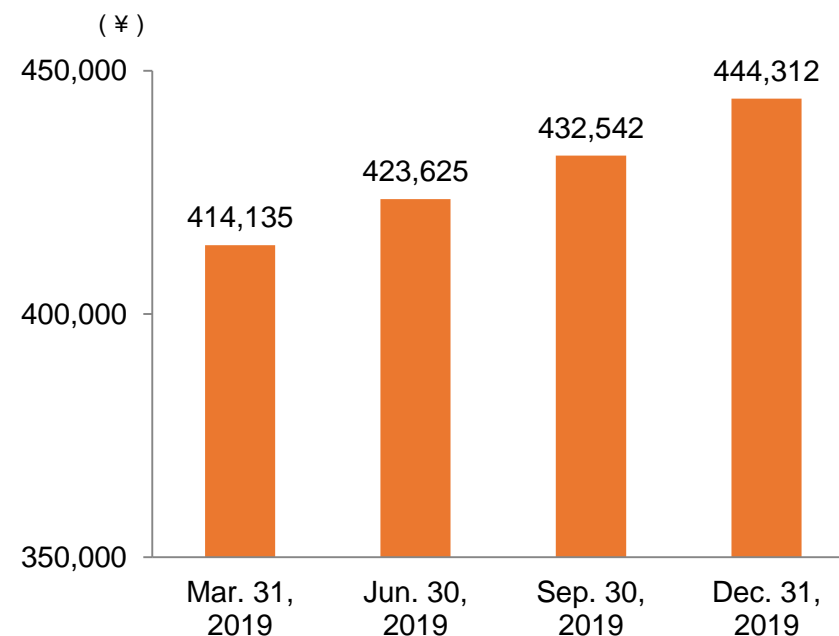
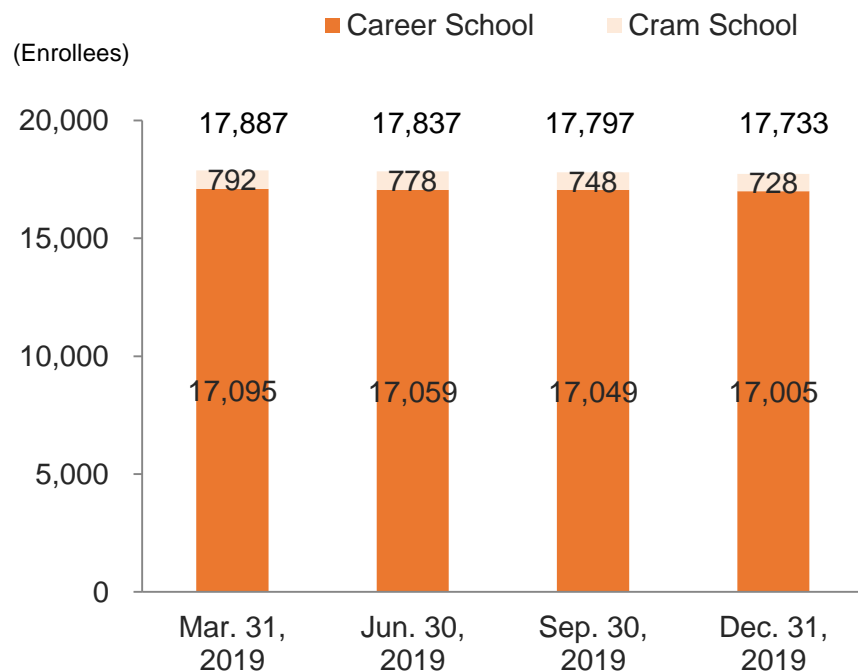
2019

Result

¥444,312

+2.7%  
vs. previous  
quarter

\* Total amount of all prior contracts of enrollees for the month + Total number of enrollees for the month (Career School Business only)



# Highlight: Progress of i-Company Club

More than **3,000 members** in approximately two months since the launch.  
About **40%** of total users are **in their twenties** and use it for planning their careers.

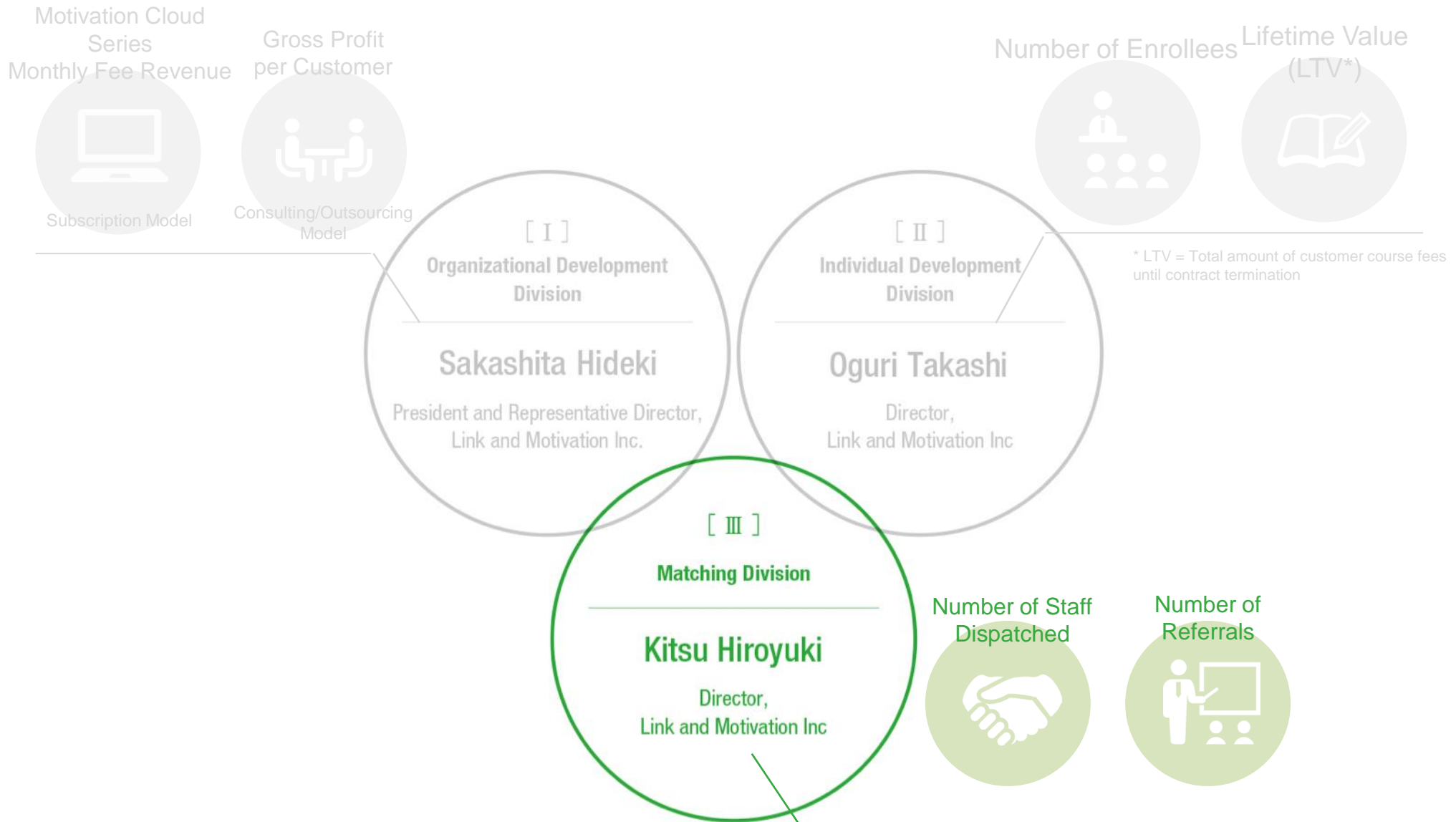


Improve continuation rate (and medium-to-long-term unit price) by aiming to maintain student motivation with three types of support for forming good habits

Aim to capture more new customers going forward by developing services in-house and in collaboration with other companies



# Business KPIs and Highlights by Segment



# Matching Division: Business KPI Results over Time

## Business KPI ①

Average Number of Temp Staff  
Dispatched during the Past 12 Months

2019

Result

5,271

-0.4%  
vs. previous  
quarter

## Business KPI ②

Total Number of Referrals  
during the Past 12 Months

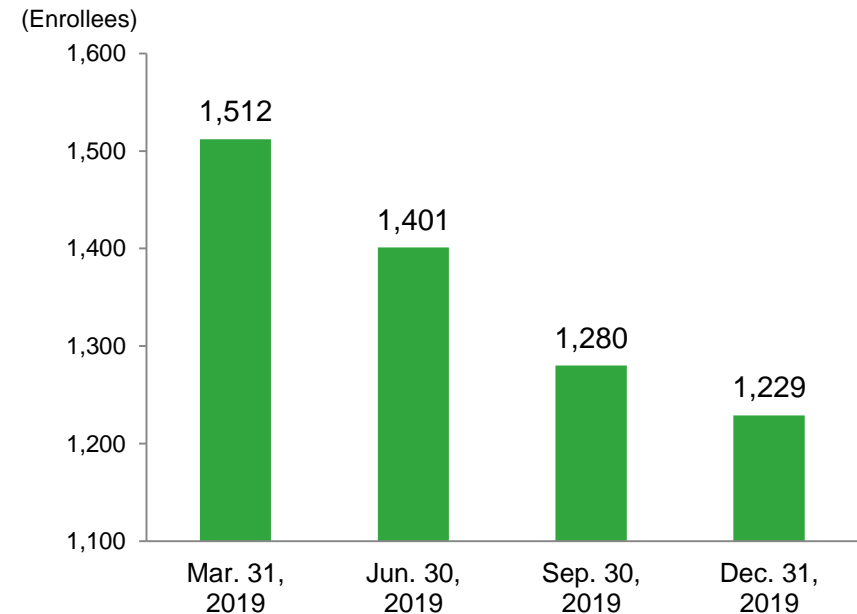
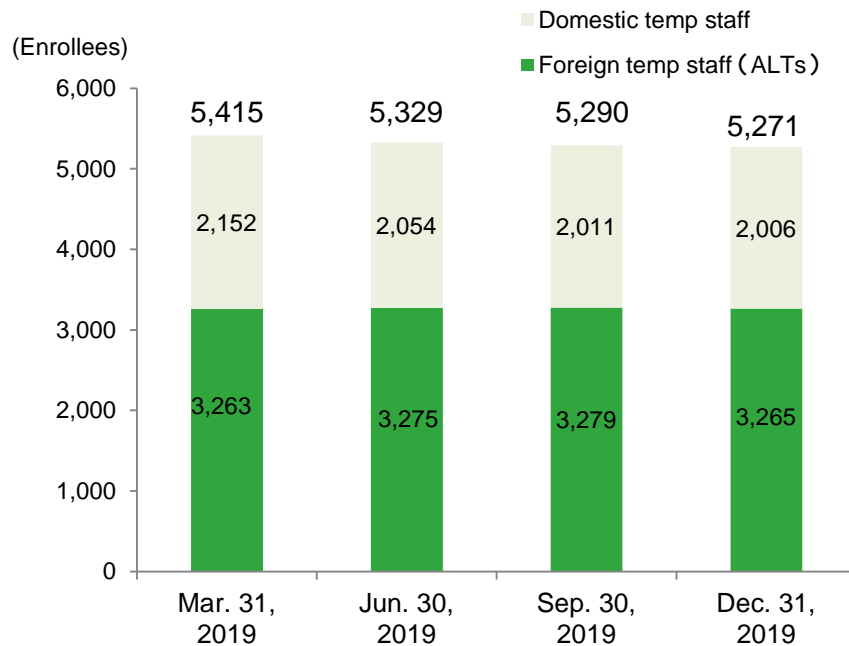
2019

Result

1,229

-4.0%  
vs. previous  
quarter

Note: The decrease in the number of referrals within the Group is due to an increase in length of ALT service in the ALT Placement Business.



# Highlight: Establishment of Overseas Recruiting Bases

**Link Japan Careers**, which provides services for foreign national recruiting, on-boarding and on-going support, **established an office in Europe** in January 2020.

## Overseas Recruiting Bases

- Name: Link Japan Careers Europe Ltd.
- Location: Edinburgh, U.K.
- Objective: **Strengthen hiring in Europe**  
(Scheduled start of operations in April 2020)



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## Report on Conditions by Organization (Report on Engagement Ratings)

At a time when it is **critical for companies to adapt to the labor market** as well as the product market, we **use Engagement Score (ES) as a management indicator** in addition to our financial statements, which measure adaptation to the product market

Product Market

**Business  
Strategy**



**Financial Information  
(Income Statement,  
Balance Sheet, etc.)**

Labor Market

**Organizational  
Strategy**

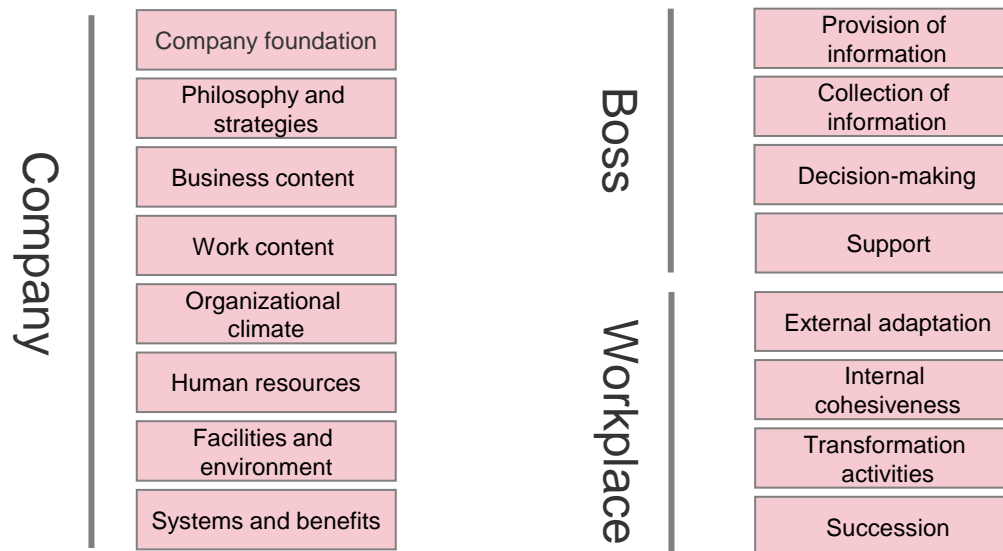


**Non-Financial  
Information  
(Engagement Score)**

An indicator that provides a standard deviation value for employee engagement (the level of mutual understanding, empathy and commitment between companies and employees).

An evaluation based on the results of an original organizational diagnostic survey developed by Link and Motivation.

## 16 Areas for Measuring Employee Engagement



- Elements that significantly influence employee engagement are classified into 16 areas based on social psychology. The areas are further subdivided into 132 items for questions on the organizational diagnostic survey.
- Engagement score (standard deviation value) is calculated based on employee expectations and satisfaction, the level of correspondence between the two items, and our database on 1.42 million employees at 5,950 companies.

Engagement Scores are grouped into 11 ranks to provide an **Engagement Rating (ER)**.

Engagement Rating	Engagement Score
AAA	67 or higher
AA	Less than 67
A	Less than 61
BBB	Less than 58
BB	Less than 54
B	Less than 52
CCC	Less than 48
CC	Less than 45
C	Less than 42
DDD	Less than 39
DD	Less than 33

# Engagement Ratings

Among the 14 companies in the Link and Motivation Group,  
**11 have an AAA rating and 3 have an AA rating.**

Division		Company Name	Subjects	August 2019	February 2020
Organizational Development Division	Consulting & Outsourcing Business	Link and Motivation Inc.	320	AAA	→ AAA
		Link Global Solution Inc.	22	AAA	→ AAA
	Event & Media Business	Link Event Produce Inc.	32	AAA	→ AA
		Link Corporate Communications Inc.	37	AAA	→ AAA
		a2media Corporation	32	AA	→ AA
Individual Development Division	Career School Business	Link Academy Inc.	479	AAA	→ AAA
		Dean Morgan K.K.	46	AAA	→ AAA
	Cram School Business	Motivation Academia Inc.	24	AAA	→ AAA
Matching Division	ALT Placement Business	Link Interac Inc.	142	AAA	→ AAA
	Personnel Placement & Temp Staff Business	Link Staffing Inc.	66	AAA	→ AAA
		Link Japan Careers Inc.	38	AAA	→ AAA
		Link-i Inc.	27	AAA	→ AAA
		OpenWork Inc.	61	-	AA
Other	Link Dining Inc.	3	AAA	→ AAA	



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2020 Forecast

# Summary of Consolidated Forecast for 2020: Quantitative

We forecast substantial year-on-year increases in all three categories of revenues, operating income and net income

(¥ million)	2019 Results	2020 Forecast	YoY Change
Revenues	38,191	41,000	+7.4%
Operating Income	2,007	2,870	+42.9%
Net Income	1,090	1,570	+44.0%

We forecast **substantial increases in revenues and income** due to the following key points for each division.

## 1 Organizational Development Division

- Recovery in consulting  
⇒ We expect a return to form, as advance indicators have already been steadily showing.
- Steady growth of Motivation Cloud series

## 2 Individual Development Division

- Further expansion of English conversation courses
- Improvement in i-Company Club continuation rate

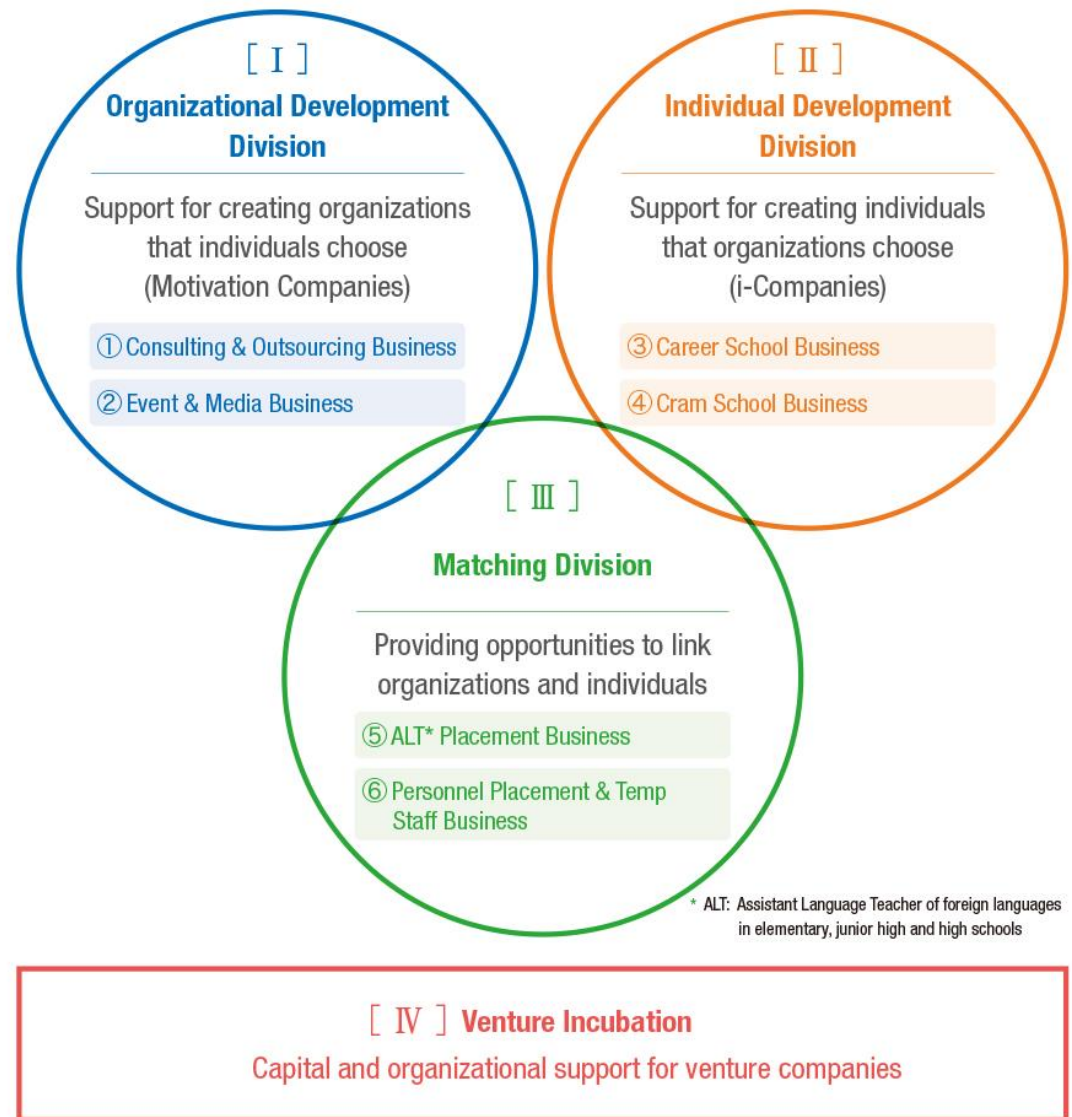
## 3 Matching Division

- Stable growth of ALT Placement Business
- Addition of OpenWork Inc. to the Group

# Operating Structure of the Link and Motivation Group

## Mission

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



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