

Link and Motivation Inc.

Securities Code: 2170

Consolidated Financial Information for the Six
Months Ended June 30, 2020
(First Half of 2020)



Link and Motivation Group

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for the Six Months Ended June 30, 2020)
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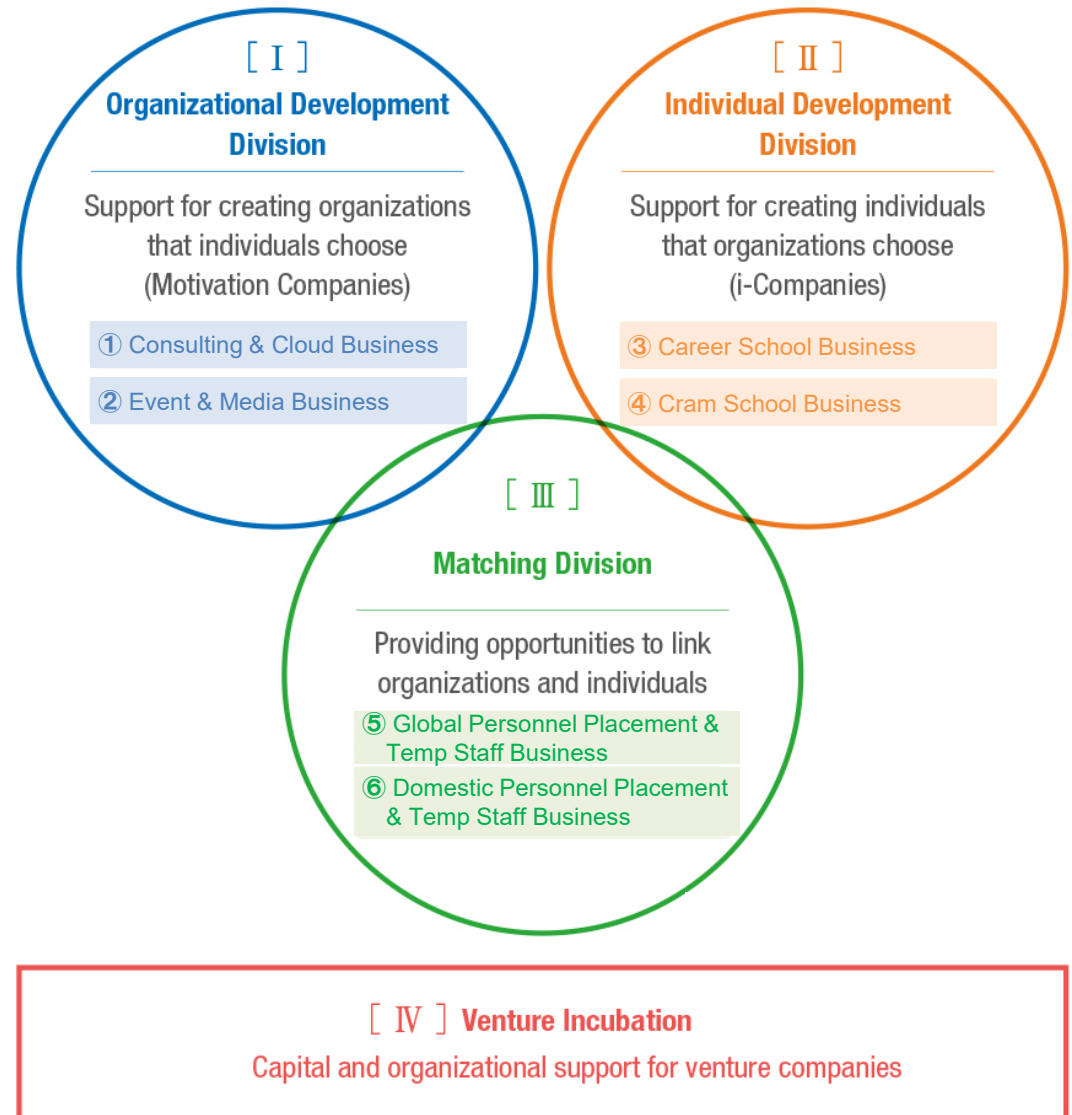
1

Company Overview

Operating Structure of the Link and Motivation Group

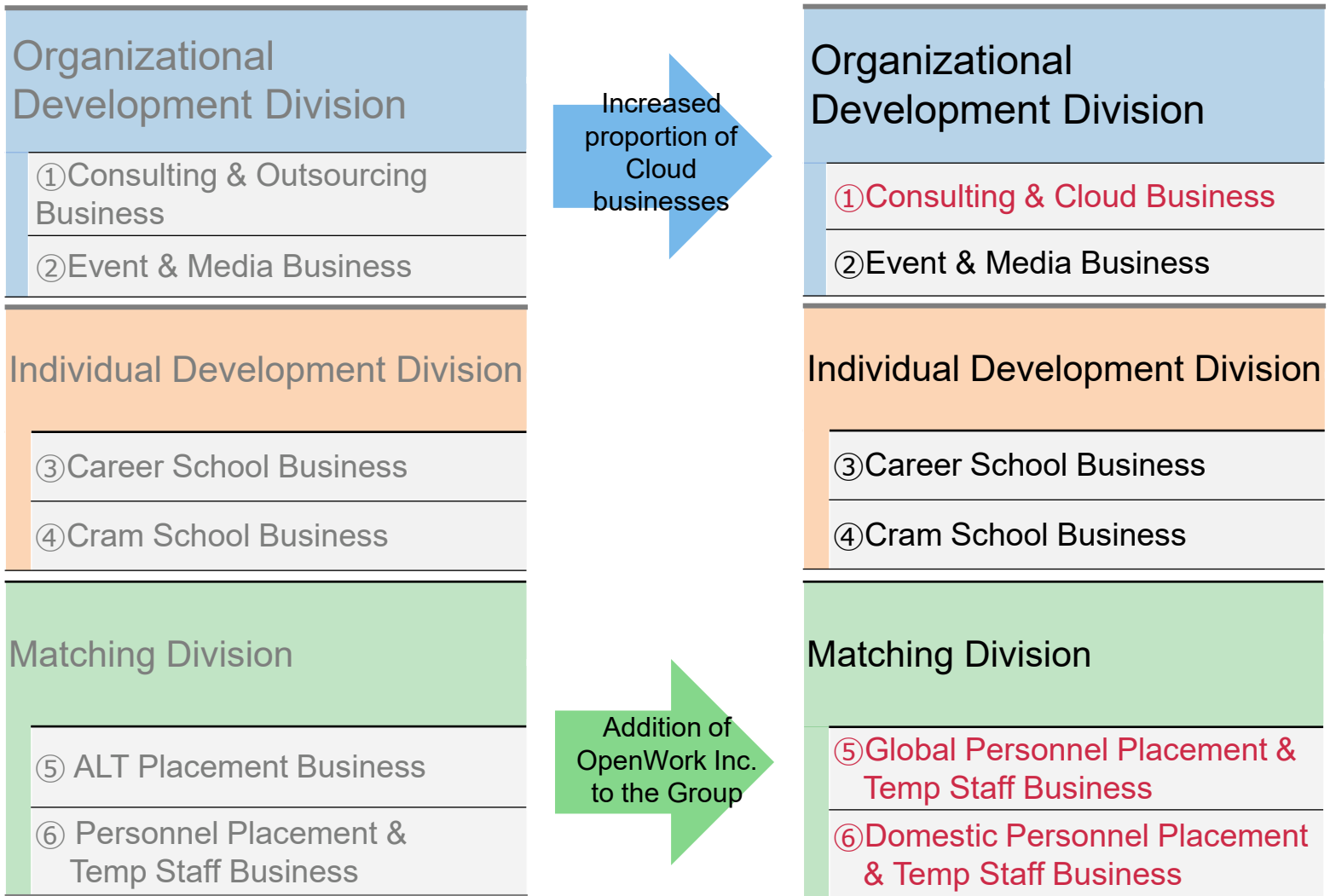
Mission

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



Reference: Renamed Businesses

Some businesses have been renamed in light of the addition of OpenWork Inc. to the scope of consolidation in the first quarter of 2020 and the changing product composition of the businesses.



2

Business Report

(Announcement of Consolidated Results for the
Six Months Ended June 30, 2020)

Consolidated Statements of Operations

Revenues decreased year-on-year (YoY).
Operating income decreased substantially YoY.
Net income decreased substantially YoY.

Since the first quarter, we have been promoting a shift to online operations and other measures in each division, but due to the impact of the COVID-19 pandemic, mainly on the Individual Development Division, results decreased year-on-year at every level.

(¥ million)	2019 2Q Results	2020 2Q Results	YoY Change
Revenues	19,134	17,400	-9.1%
Operating Income	1,471	767	-47.9%
Net Income	879	443	-49.6%

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

SG&A expenses **increased** YoY overall.

Overall expenses increased due to the addition of OpenWork Inc. to consolidation in the first quarter, but we cut costs, including a reduction in advertising expenses for the Motivation Cloud series of products, as we shifted sales, recruiting, training and other operations online along with other remote work.

(¥ million)	2019 2Q Results	2020 2Q Results	YoY Change
Total SG&A Expenses	6,050	6,395	+5.7%
① Personnel Expenses	2,644	2,834	+7.2%
② Recruiting, Training and Welfare Expenses	410	369	-10.0%
③ Office and System Expenses	1,160	1,410	+21.6%
④ Sales-related Expenses	1,240	1,224	-1.3%
⑤ Transportation and Other Expenses	593	555	-6.4%

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

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

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

Matching Division: Revenues **increased slightly** and gross profit **increased substantially** YoY.

(¥ million)		2019 2Q Results	2020 2Q Results	YoY Change
Organizational Development Division	Revenues	5,840	4,885	-16.3%
	Gross Profit	3,848	3,348	-13.0%
Individual Development Division	Revenues	3,944	3,090	-21.6%
	Gross Profit	1,404	830	-40.9%
Matching Division	Revenues	9,841	9,921	+0.8%
	Gross Profit	2,699	3,403	+26.1%

Consolidated Balance Sheets (Results/Change)

Assets **increased** due to goodwill from OpenWork Inc. and an increase in cash on hand from borrowings, etc.

Liabilities **increased** due to an increase in borrowings, etc.

Equity **increased** due to the addition of OpenWork Inc. and the recording of net income.

(¥ million)	December 31, 2019	June 30, 2020	Increase (Decrease)
① Current Assets	11,454	12,102	648
② Non-current Assets	33,333	34,498	1,164
③ Deferred Assets	0	0	0
Total Assets	44,787	46,600	1,813
④ Current Liabilities	12,831	16,106	3,275
⑤ Non-current Liabilities	24,922	23,269	(1,653)
Total Liabilities	37,754	39,375	1,621
⑥ Total Equity	7,033	7,224	191

3

Revision of Forecast and Dividends

Forecast of Financial Results for 2020

The consolidated results forecast has been revised downward due to the impact of COVID-19. As a result of factoring in the maximum amount of impairment of goodwill in the Individual Development Division, operating income is forecast to decrease substantially, but the Group as a whole will respond to change with a sense of urgency to generate profit in its businesses.

(¥ million)	2019 Results	2020 Initial Forecast	2020 Revised Forecast	YoY Change After Revision
Revenues	38,191	41,000	34,000	-11.0%
Adjusted Operating Income*	2,966	-	1,000	-66.3%
Operating Income (Loss)	2,007	2,870	(2,700)	-
Net Income (Loss)	1,090	1,570	(3,650)	-

* Adjusted operating income is a profit indicator that measures operating results by excluding temporary factors such as impairment of goodwill, right-of-use assets and fixed assets from operating income

Second Quarter of 2020 Dividends

We continue to **pay quarterly dividends**.
A dividend of **1.8 yen** per share
is scheduled to be paid on Friday, September 25.

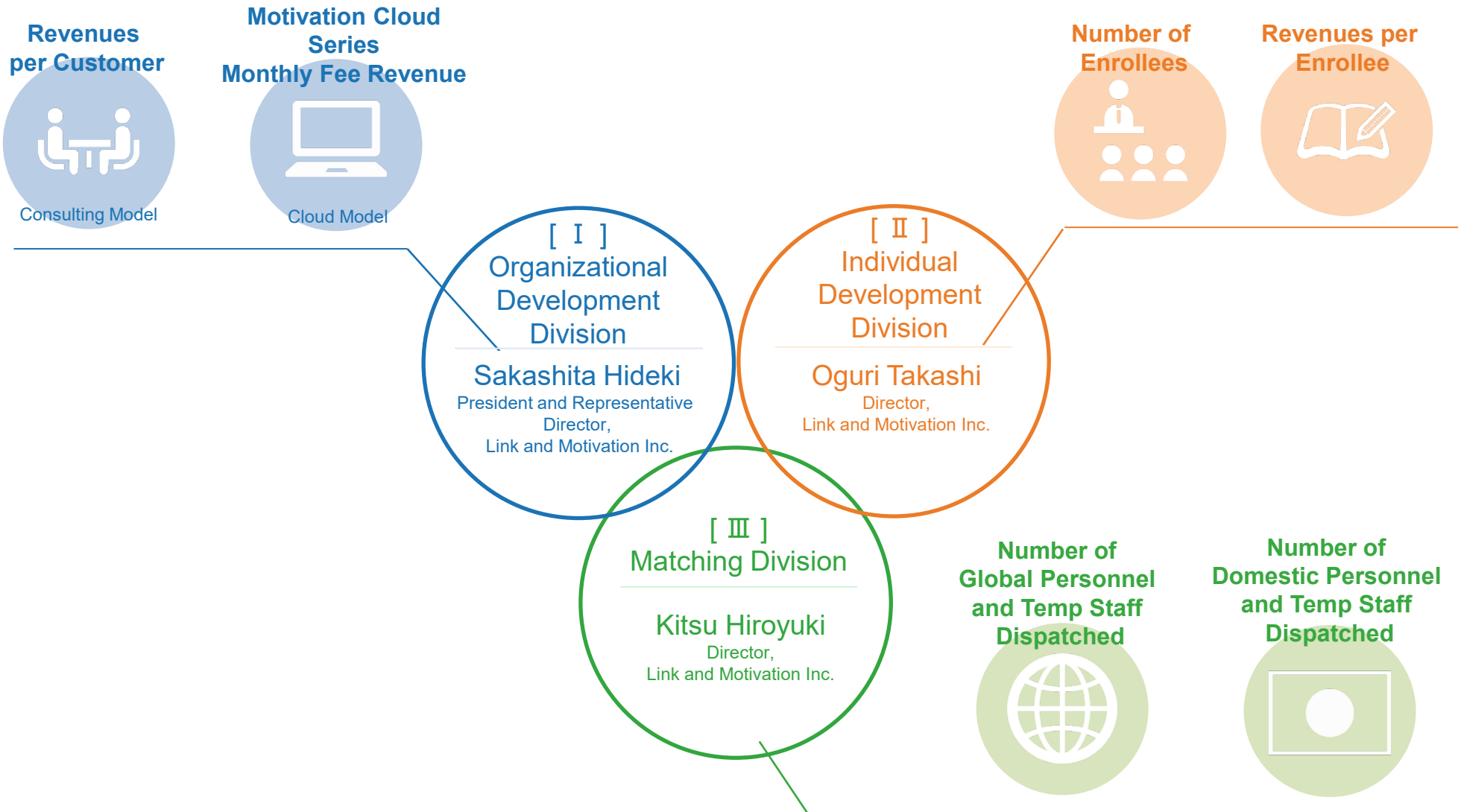
	Dividend per Share				
	First Quarter	Second Quarter	Third Quarter (Scheduled)	Fourth Quarter (Scheduled)	Annual Dividend (Scheduled)
2020	1.8 yen	1.8 yen	1.8 yen	1.8 yen	7.2 yen

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

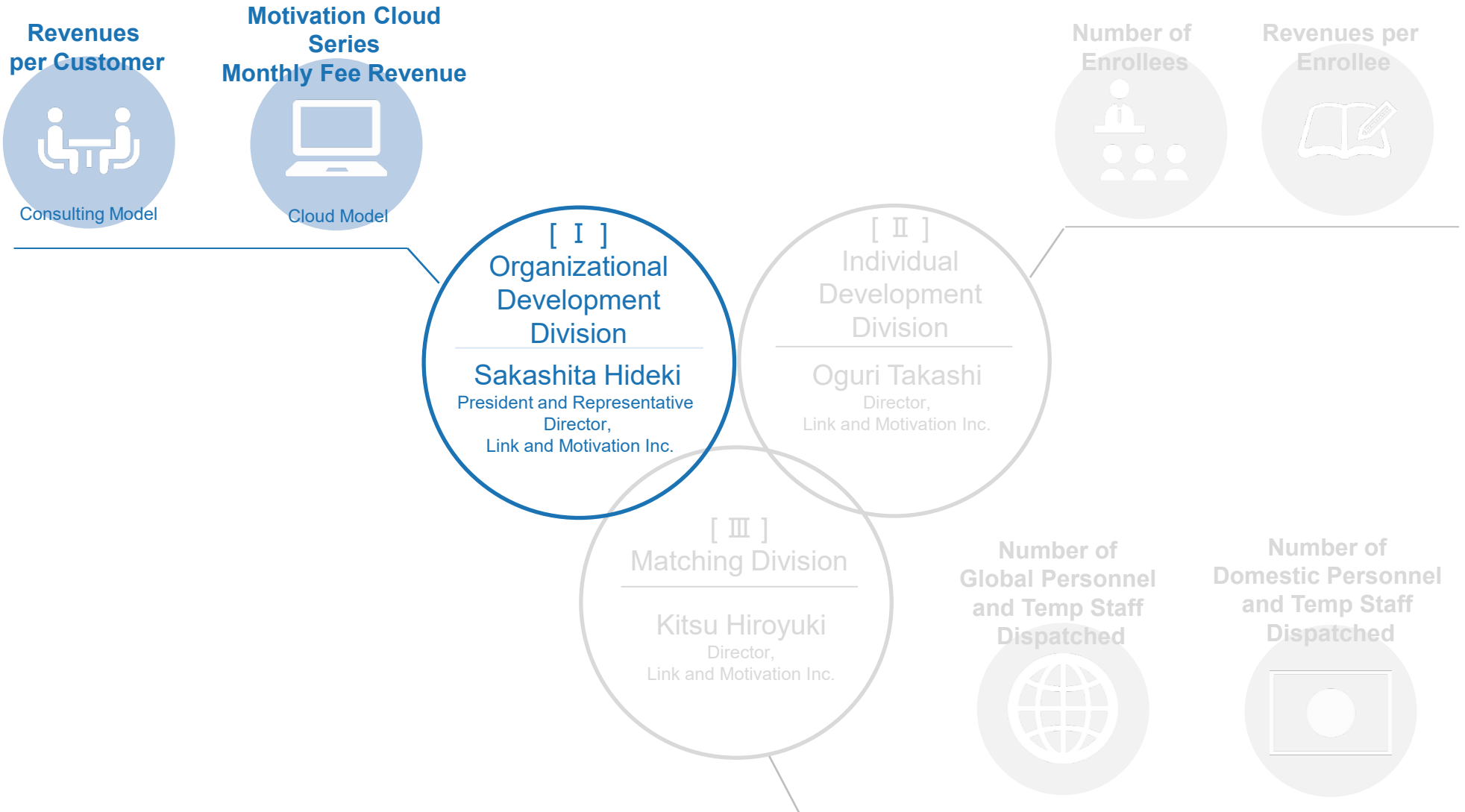
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Report on Conditions by Business

Business KPIs by Segment



Business KPIs by Segment



Consulting & Cloud Business: Revenues and gross profit both decreased substantially YoY.
Event & Media Business: Revenues and gross profit both decreased substantially YoY.

- ① Consulting & Cloud Business results decreased substantially, mainly due to the impact of postponements or cancellations of new employee training.
 ② Event & Media Business results decreased substantially due to declines in the Event business and in Media products for customer internal use.

Product	2019 2Q		2020 2Q		YoY Change
	Results	% of Total	Results	% of Total	
① Consulting & Cloud Business	4,306 [3,422]	-	3,794 [3,004]	-	-11.9% -12.2%
Consulting	3,227	74.9%	2,502	66.0%	-22.4%
Cloud	1,079	25.1%	1,291	34.0%	+19.6%
② Event & Media Business	1,866 [593]	-	1,389 [506]	-	-25.5% -14.7%
Event	683	36.6%	324	23.4%	-52.5%
Media	1,182	63.4%	1,064	76.6%	-10.0%

(¥ million) [Gross profit in brackets]

In addition to reducing various costs, build an online support system for improving employee engagement.

Offer Training and Events Online

Online Training

Switch real-world training to online content



Online Events

Switch anniversary and other events to live/video streaming



Step Up Support for Motivation Cloud Users

Enhance Knowledge Provision

Share knowledge on improving employee engagement in a management environment with an unclear outlook



Offer Some Communication Promotion Services for Free

Support promotion of internal company communications, such as sharing management policies



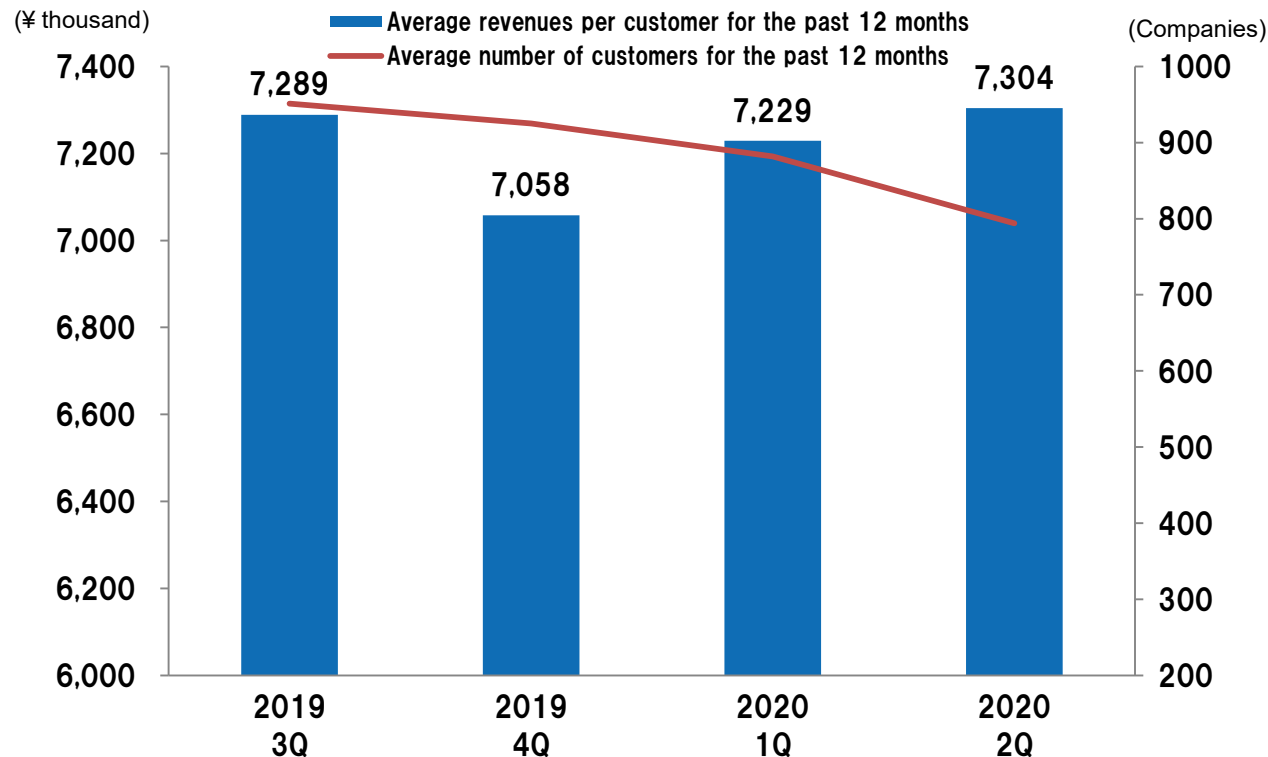
The number of customers decreased due to the uncertain conditions caused by the COVID-19 pandemic, but we increased average revenues per customer, even during the COVID-19 crisis, through successful sales promotion to major companies.

Business KPI
Average Revenues per Customer
for the Past 12 Months

2020 2Q

Result **¥7,304 thousand**

+1.0%
vs. previous
quarter



Monthly fee revenue decreased from the previous quarter due to the impact of temporary suspensions during the state of emergency. On the other hand, monthly fee revenue per customer rose with an increase in the number of introductions at major companies. We expect a return to growth from the third quarter.

Business KPI Motivation Cloud Series Monthly Fee Revenue

2020 2Q

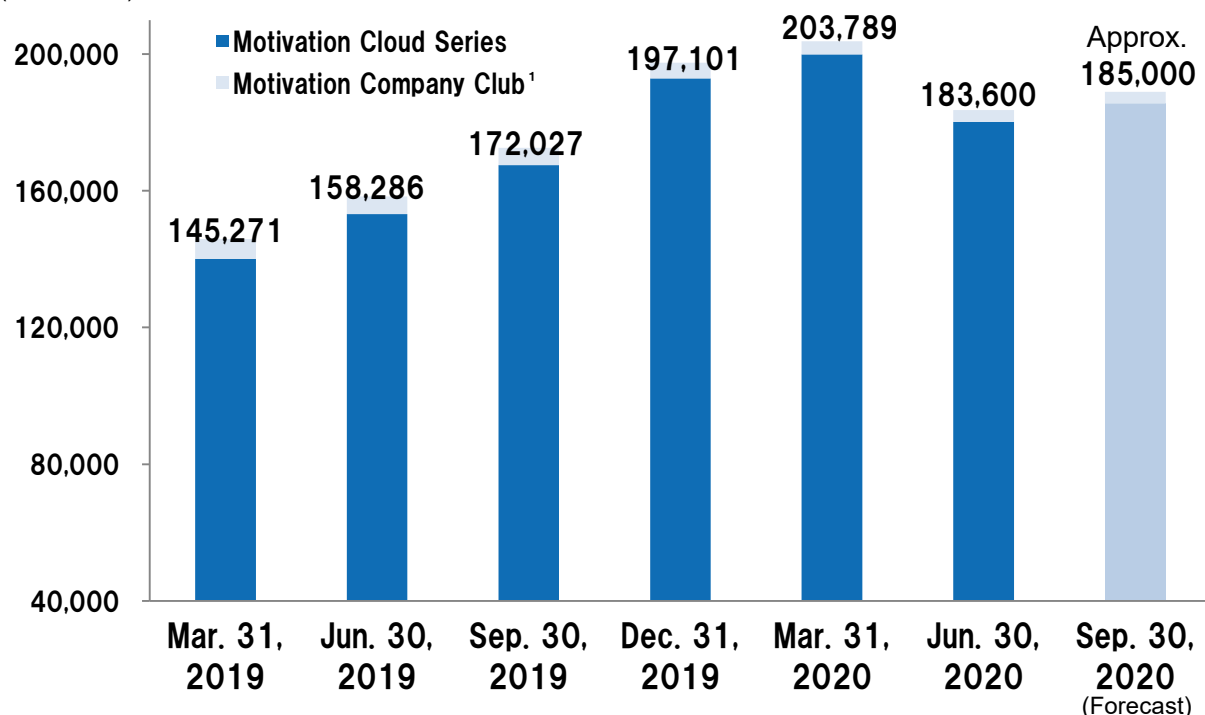
Result

¥183,600 thousand

-9.9%
vs. previous
quarter

+16.0%
YoY

(¥ thousand)



June 2020

Breakdown of Monthly Fee Revenue

Delivered orders² : 795

Average monthly fee³ : ¥230,000/month

1. A membership service for managers to provide ongoing knowledge and expertise for the creation of Motivation Companies. Monthly fee is a flat rate of ¥30,000.
2. Number of delivery starts for each service
3. Monthly fee revenue ÷ Number of delivered orders

Introduction of Motivation Cloud at Major Companies

Even amid the COVID-19 crisis, introductions at major companies is steadily progressing, and the proportion of major companies is growing in both monthly fee revenue and new memberships. Going forward, in addition to working to maintain contracts at existing customers, we will focus on promoting introductions at leading companies.

[Reference]

Proportion of Major Companies
in Monthly Fee Revenue

2020 2Q

Result

44.8%

+6.6 pts
YoY

[Reference]

Proportion of Major Companies in
New Memberships (Monetary Basis)

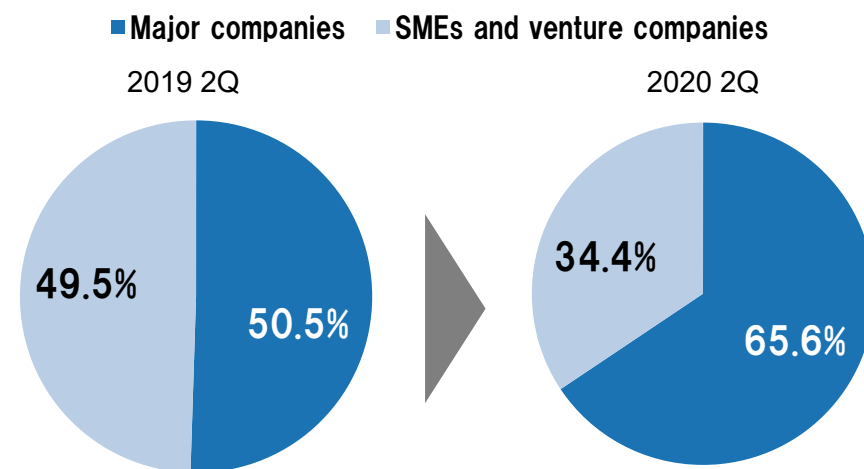
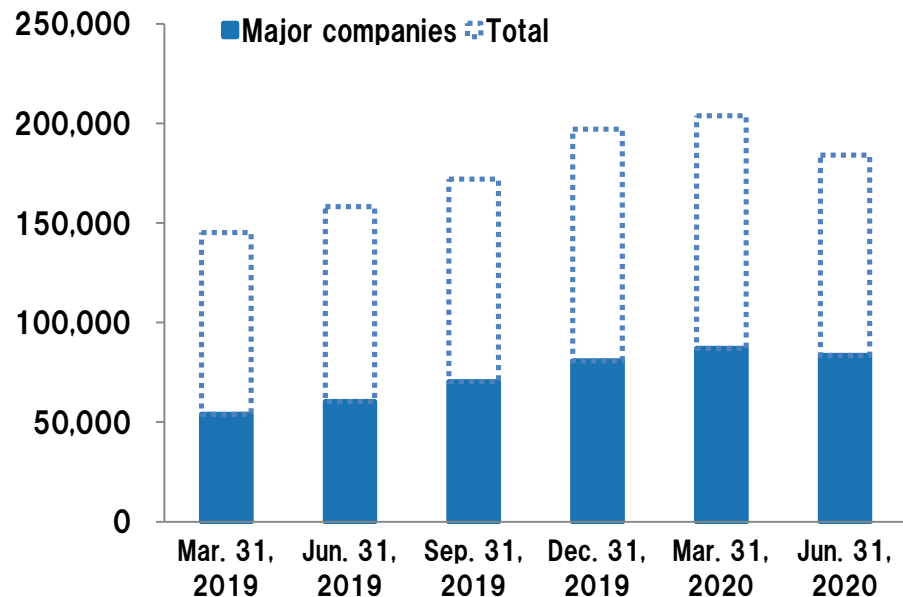
2020 2Q

Result

65.6%

+15.1 pts
YoY

(¥ thousand)



Due to the economic downturn caused by the COVID-19 pandemic, many companies are temporarily cutting back their investment in human resources, but the **necessity for companies to adapt to the labor market remains high.**

As questions arise about the speed of response to the COVID-19 crisis, it **lays the foundation for providing the essential value** of organizational development through **diagnostics and transformation.**



Consulting

Step up provision of value online using “Motivation Engineering”

Training

- Further improve the quality of online training (Level/theme-specific training, etc.)

Recruiting

- Provide online internships

Cloud

Quickly reinstate customers who have suspended service and step up new introductions at major companies

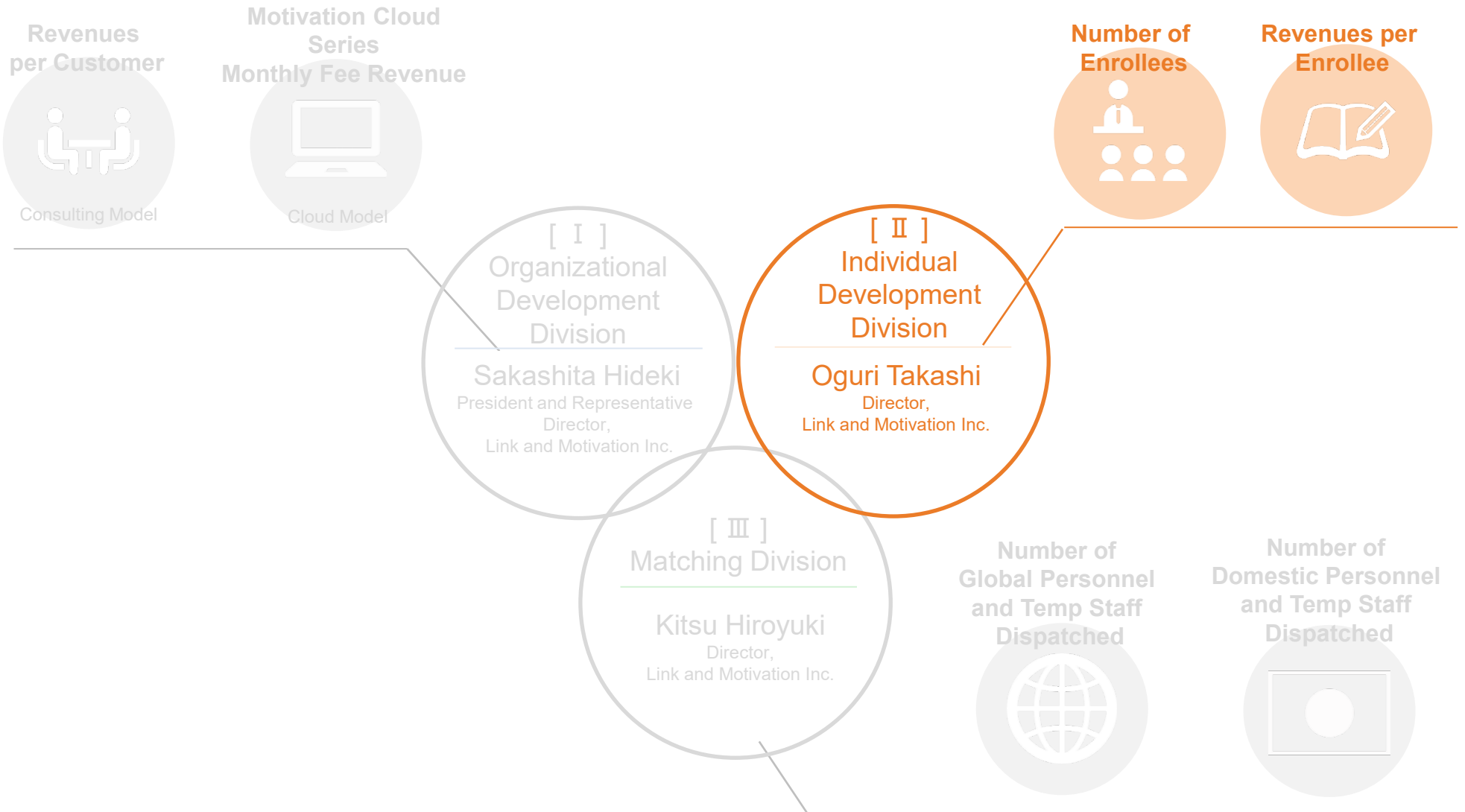
Sales

- Analysis of data related to business outcomes
- Increase the proportion of cross-selling with Consulting

Development

- Increase processing speed for large-scale introductions, etc.

Individual Development Division: Report on Conditions by Business



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

- ③ Career School Business results decreased YoY due to a decline in new enrollees caused by school closures during April and May.
- ④ Cram School Business revenues decreased due to a decline in new enrollees, despite progress in moving classes online.

Product	2019 2Q		2020 2Q		YoY Change
	Results	% of total	Results	% of total	
③ Career School Business	3,639 [1,294]		2,803 [705]	-	-23.0% -45.5%
IT	2,060	56.6%	1,494	53.3%	-27.5%
Qualifications	1,275	35.0%	1,032	36.8%	-19.0%
English conversation	302	8.3%	276	9.9%	-8.8%
④ Cram School Business	307 [110]	-	289 [125]	-	-5.9% +13.0%

(¥ million) [Gross profit in brackets]

In addition to reducing various costs, move all processes from trial courses and enrollment to course attendance online.

Provide online IT and English conversation courses in addition to on-demand qualification courses



Provide online learning support to students whose schools are closed



Individual Development Division: Business KPI Results over Time - Number of Enrollees

The number of enrollees decreased substantially due to the impact of the closure of all schools in April and May, when new enrollment usually increases. On the other hand, the number of new enrollees is on a recovery track with the reopening of all schools from June.

Business KPI ①

Average Number of Enrollees
for the Past 12 Months

2020 2Q

Result

17,009

-3.3%
vs. previous
quarter

[Reference]

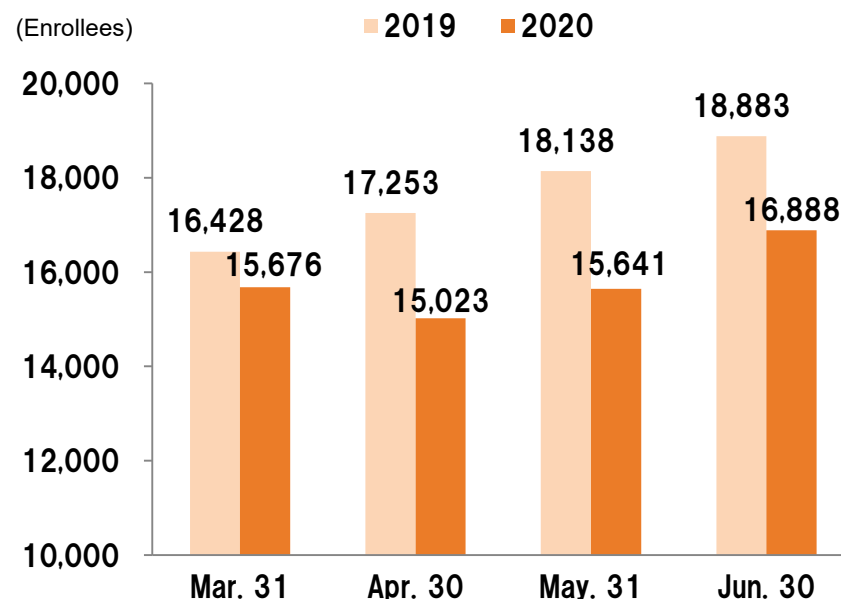
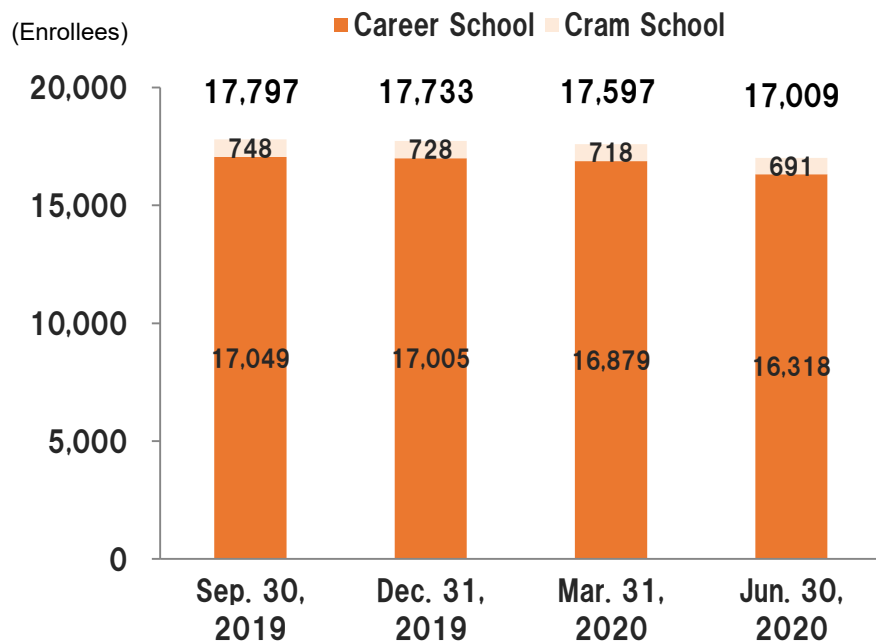
Number of Enrollees in March-June
(Career School)

June 2020

Result

16,888

-10.6%
YoY



Note: Figures for March 31, 2020 have been corrected.

Individual Development Division: Business KPI Results over Time – Revenues per Enrollee

Average revenues per enrollee decreased substantially because existing enrollees could not complete their courses while schools were closed. Results have been improving since June, as we have been able to provide both online and in-school classes.

Business KPI ②

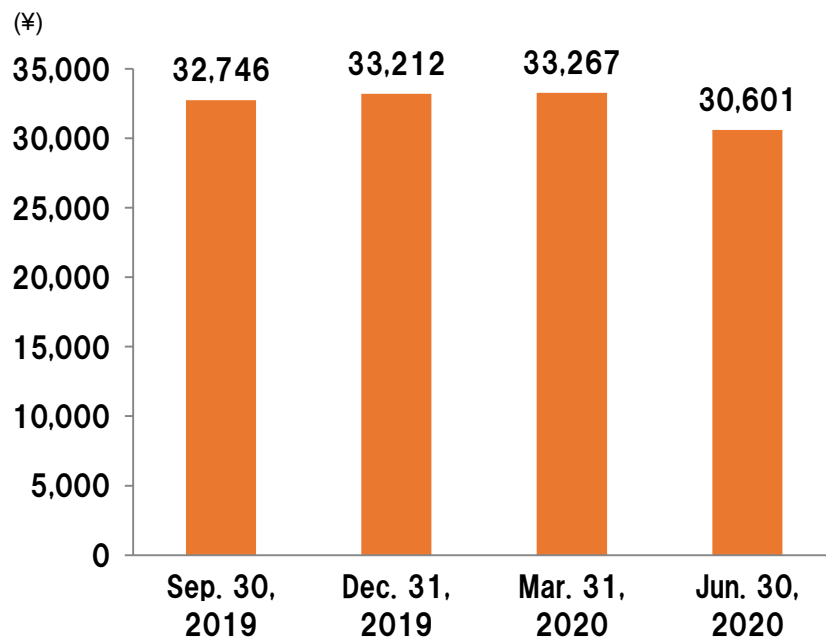
Average Revenues per Enrollee for the Past 12 Months

2020 2Q

Result **¥30,601/month**

-8.0%
vs. previous quarter

Note: Excluding intercompany transactions and i-Company Club sales (Career School Business only)



Note: Figures for March 31, 2020 have been corrected.

[Reference]

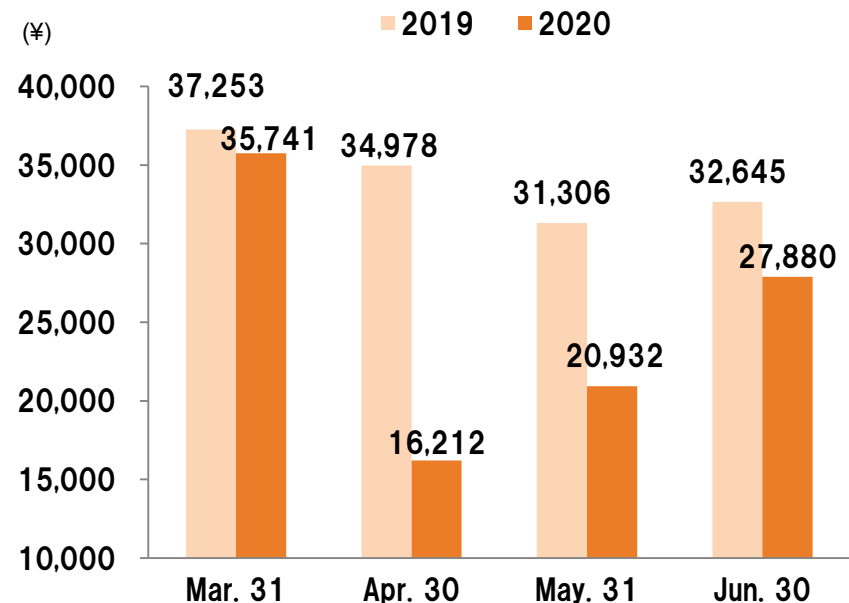
Revenues per Enrollee in March-June

June 2020

Result **¥27,880/month**

-14.6%
YoY

Note: Excluding intercompany transactions and i-Company Club sales (Career School Business only)



Currently, the monthly contract amount has improved to about 90% of the level a year ago, and we perceive **a trend of growing needs for individual learning.**

We will **thoroughly reduce costs** and **promote online attendance** for all courses.



Cost Reductions

Reduce rent for each school, review the number of instructors, etc.

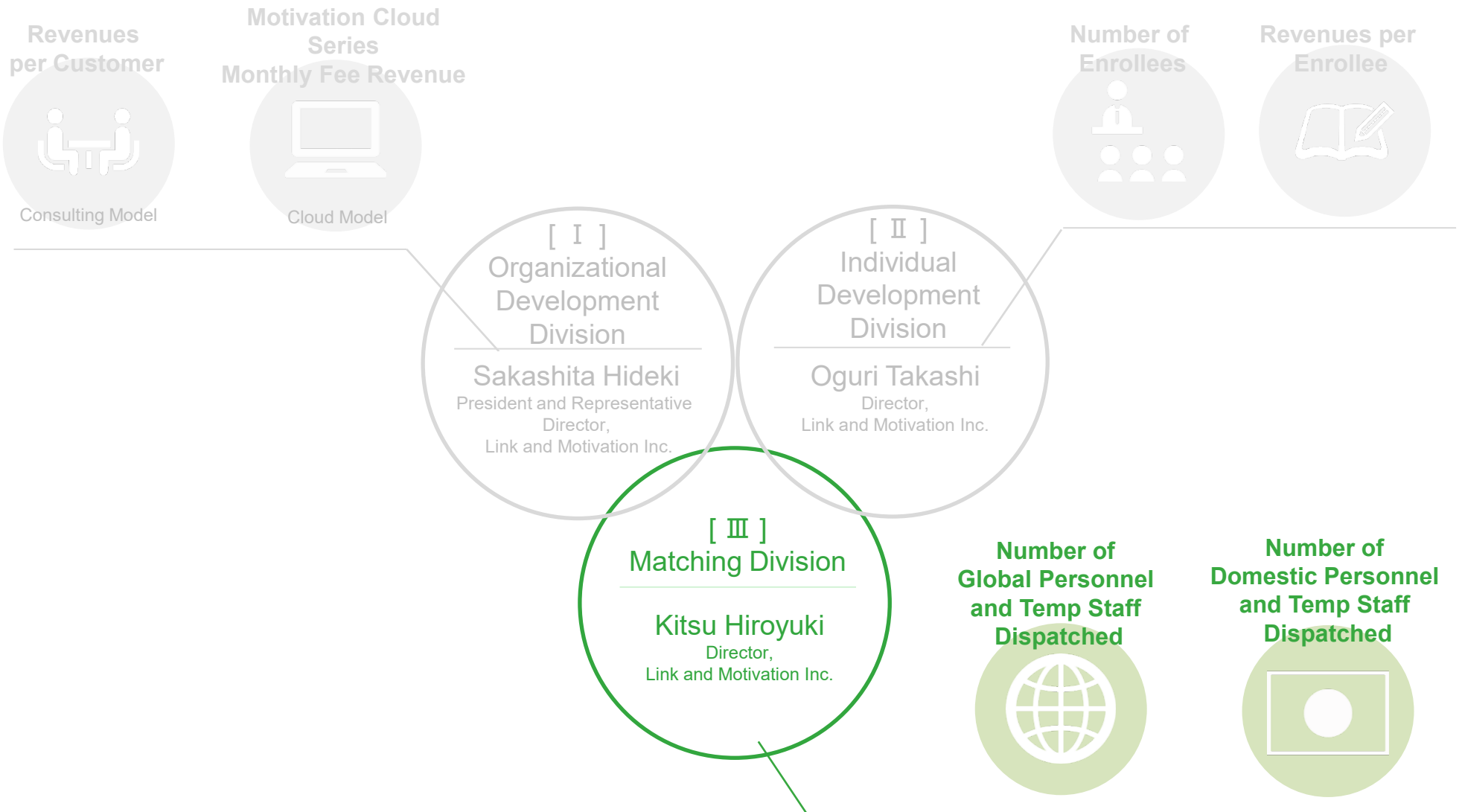


Provide Online Classes

Promote online attendance for all courses



Matching Division: Report on Conditions by Business



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

Global Personnel Placement & Temp Staff Business: Revenues decreased slightly and gross profit increased slightly YoY.

Domestic Personnel Placement & Temp Staff Business: Revenues increased slightly and gross profit increased substantially YoY.

- ⑤ Global Personnel Placement & Temp Staff Business revenues decreased due to a decline in placements of foreign workers, although ALT placements remained steady.
- ⑥ Domestic Personnel Placement & Temp Staff Business revenues increased due to the addition of OpenWork Inc., which has a high gross profit margin, to the Group.

Product	2019 2Q Results	2020 2Q Results	YoY Change
⑤ Global Personnel Placement & Temp Staff Business	6,299 [1,921]	6,221 [1,949]	-1.2% +1.4%
⑥ Domestic Personnel Placement & Temp Staff Business	3,566 [800]	3,731 [1,484]	+4.6% +85.4%
Temp Staff Dispatch	3,158	2,545	-19.4%
Personnel Referral	408	1,186	+190.6%

(¥ million) [Gross profit in brackets]

In addition to reducing various costs, ensure employment for ALTs and secure customer companies with high demand for temp staff.

Secure ALTs in preparation for the resumption of classes and handle the short-term increase in classes



Shift temp staff dispatch from conventional customers, mainly for apparel, to supermarkets and call centers, where demand is expected



Demand for global personnel (ALTs) was temporarily affected by school closures nationwide, but remains strong over the medium-to-long term.

Business KPI ①

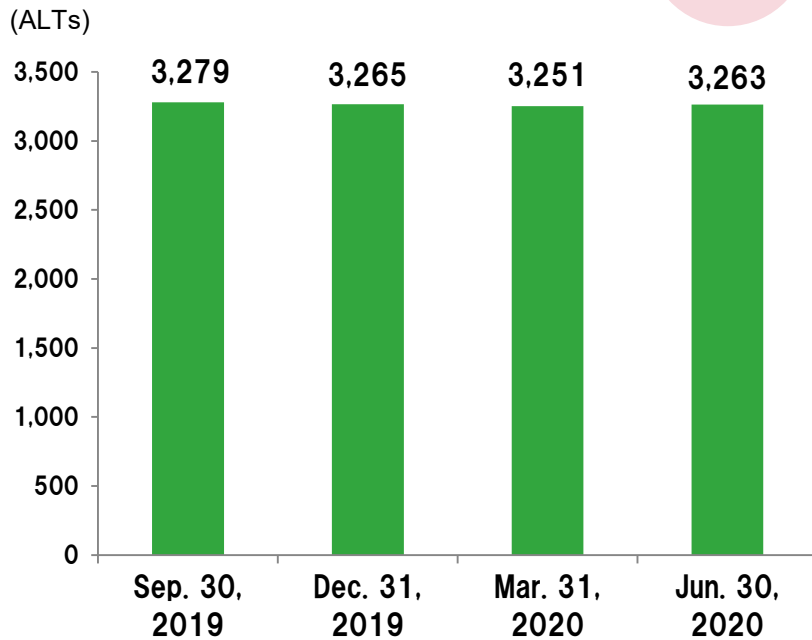
Average Number of Temp Staff Dispatched in the Past 12 Months: Global Personnel (ALTs)

2020 2Q

Result

3,263

+0.4%
vs. previous
quarter



[Reference]

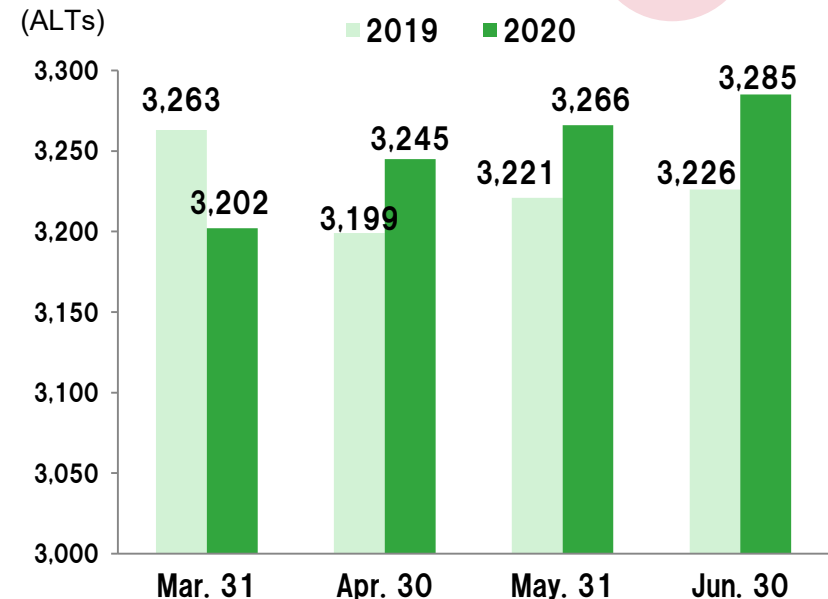
Temp Staff Dispatched in March-June: Global Personnel (ALTs)

June 2020

Result

3,285

+1.8%
YoY

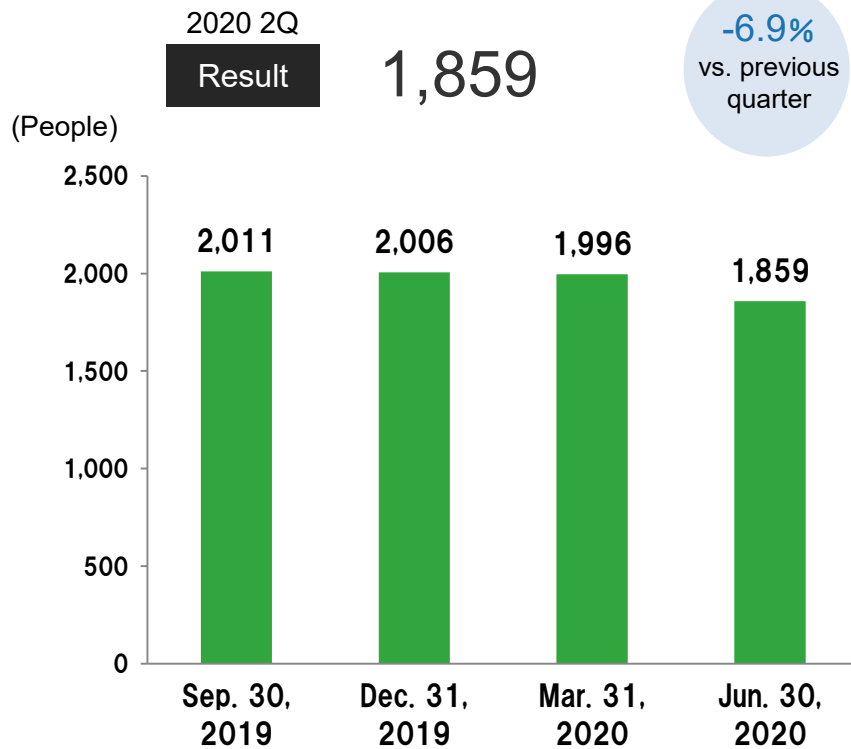


Matching Division: Business KPI Results over Time – Number of Temp Staff Dispatched (Domestic Personnel)

Domestic personnel dispatched decreased substantially due to temporary closures at customer companies and corporate cutbacks in hiring. On the other hand, the scope of the decrease has moderated, and appears to be bottoming out.

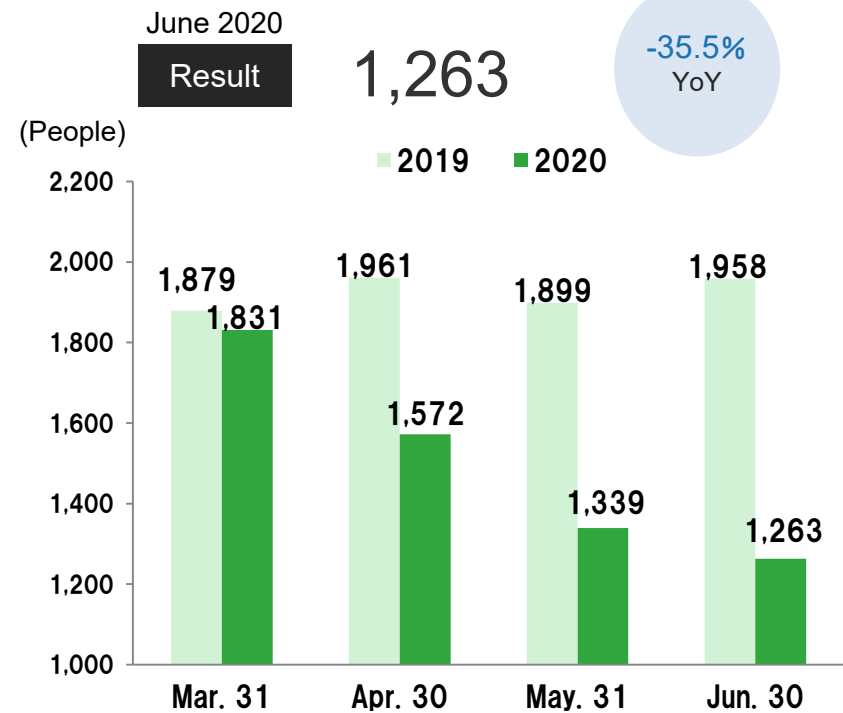
Business KPI ②

Average Number of Temp Staff Dispatched in the Past 12 Months: Domestic Personnel



[Reference]

Temp Staff Dispatched in March-June: Domestic Personnel



Global Personnel Placement & Temp Staff Business

We expect **stable work** due to an increase in classes from July as municipalities nationwide make up for school closures



Promote **longer terms of employment of foreign workers in Japan** in addition to **domestic recruiting and online classes**

Domestic Personnel Placement & Temp Staff Business

We expect a **bottoming out** due to a shift in our client portfolio from apparel to supermarkets, call centers and other industries.



Continue to **change our portfolio of customer companies**

5

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**

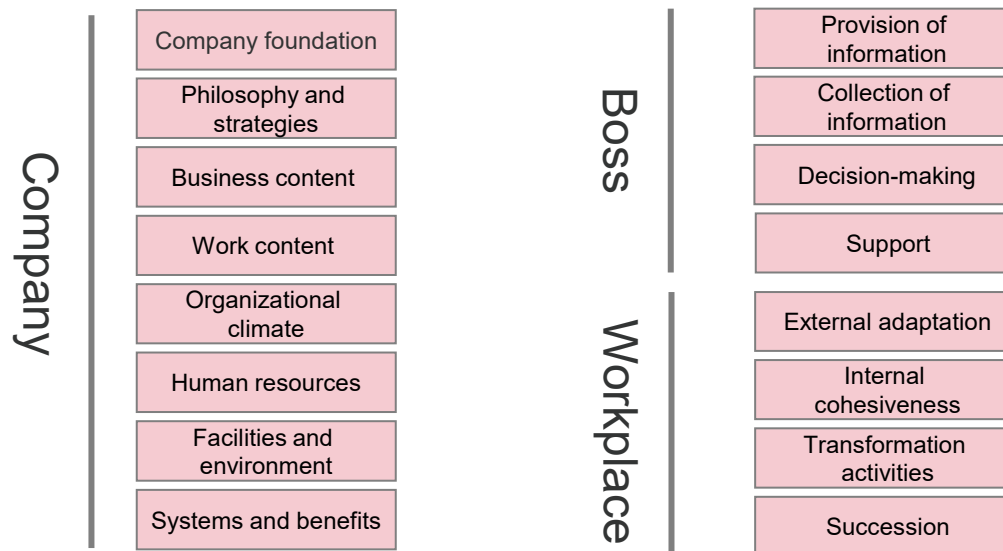


**Non-Financial
Information
(Engagement Score)**

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 1.57 million employees at 6,620 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 55
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 (As of February 2020)

Employee engagement remains very high at the 14 companies of the Link and Motivation Group, with Engagement Ratings of **AAA at 11 companies and AA at three companies.**

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

Maintain high employee engagement to “Transform” business with a sense of urgency, even during the COVID-19 crisis

Groupwide

- Changed working style based on remote work from April
- Moved all recruiting activities online, including the final interview
- In 2Q, conducted the Group General Meeting online for the first time in the Company’s history

Organizational Development Division

- Developing and providing online training from March
- Established a support group at headquarters for instantaneous cross-organizational knowledge sharing
- Holding knowledge-sharing seminars to improve employee engagement

Individual Development Division

- Early launch of online classes and interviews
- Moved all procedures from application to attendance online
- Conducting thorough measures to prevent infection at all schools

Matching Division

- Led competitors in announcing payment of full ALT salaries during school closures
- Online classes in collaboration with a leading textbook company
- Information sharing with local governments using our nationwide network

Engagement Ratings (as of August 2020)

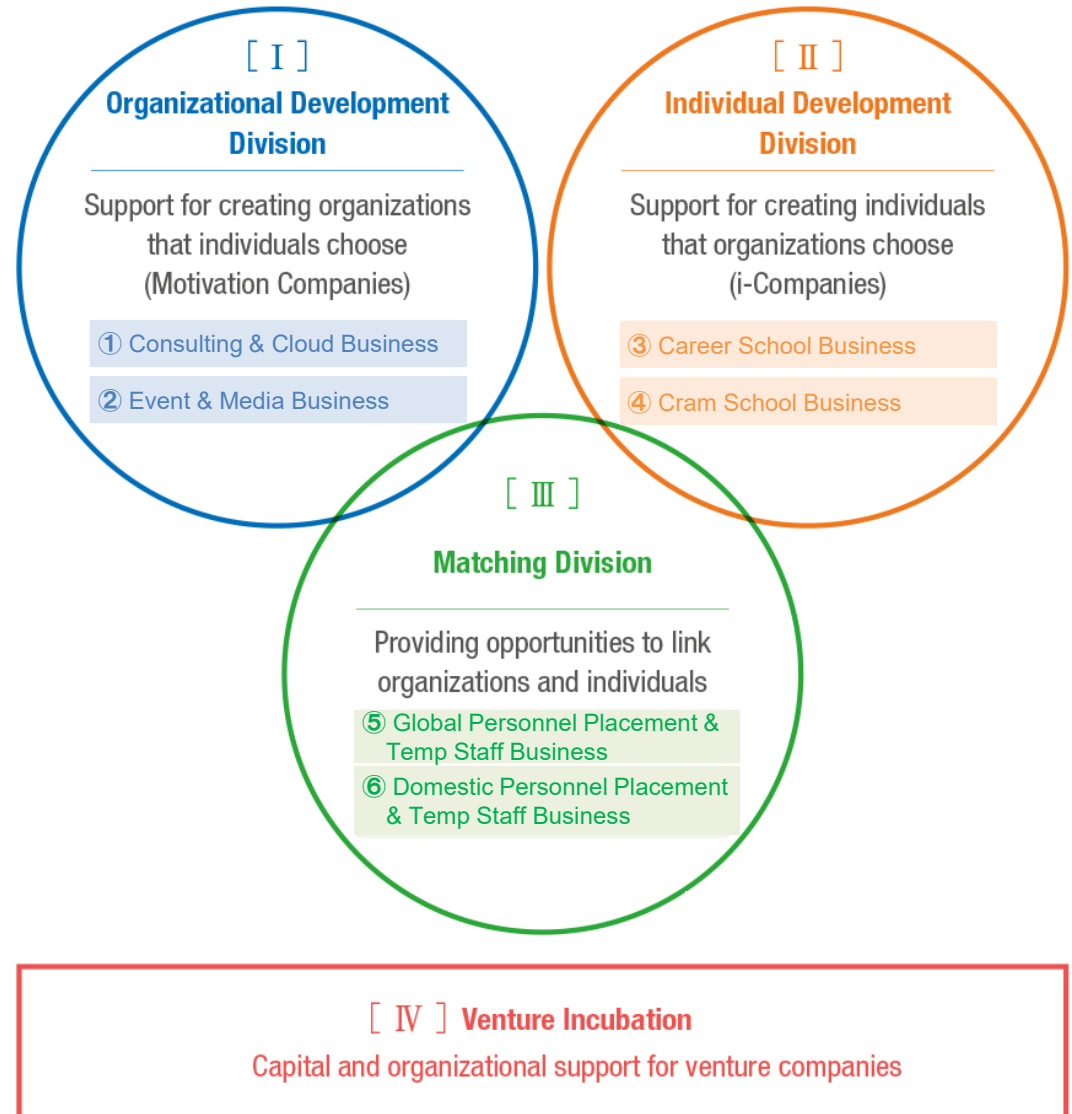
We maintained high engagement in August, with **11 AAA ratings, two AA ratings and one BB rating** at our 14 Group companies. We will continue working to “Transform” our business and aim for an early recovery.

Division	Business	Company Name	Subjects	February 2020	August 2020
Organizational Development Division	Consulting & Cloud Business	Link and Motivation Inc.	375	AAA	→ AAA
		Link Global Solution Inc.	19	AAA	→ AA
	Event & Media Business	Link Event Produce Inc.	28	AA	→ AAA
		Link Corporate Communications Inc.	45	AAA	→ AAA
		a2media Corporation	28	AA	→ AA
Individual Development Division	Career School Business	Link Academy Inc.	508	AAA	→ AAA
		Dean Morgan K.K.	48	AAA	→ AAA
	Cram School Business	Motivation Academia Inc.	28	AAA	→ AAA
Matching Division	Global Personnel Placement & Temp Staff Business	Link Interac Inc.	166	AAA	→ AAA
		Link Japan Careers Inc.	36	AAA	→ AAA
	Domestic Personnel Placement & Temp Staff Business	Link Staffing Inc.	72	AAA	→ AAA
		Link-i Inc.	29	AAA	→ AAA
		OpenWork Inc.	68	AA	→ BB
Other		Link Dining Inc.	3	AAA	→ AAA

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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Securities Code: 2170

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