



Consolidated Financial Information for the Nine Months Ended September 30, 2023

Link and Motivation Inc.

Securities Code: 2170

AGENDA

- 01. Company Overview**
- 02. Announcement of Business Results for the Nine Months Ended September 30, 2023**
- 03. Forecast**
- 04. Announcement of Share Buyback**
- 05. Announcement of Dividend Increase**

Reference Materials: KPIs by Business

01 | Company Overview

MISSION

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

We have set forth a mission of supporting transformation to help our customers realize their wishes and resolve their problems, and of providing opportunities to do so. We will achieve this by steadily evolving Motivation Engineering, our core technology.

By working to accomplish our mission, we want to create a world in which organizations and individuals use their dreams and sense of purpose to draw forth deeper meaning from society.

BUSINESS



Organizational Development Division	Consulting & Cloud Business	Support for improving employee engagement
	IR Support Business	Support for improving investor engagement
Individual Development Division	Career School Business	Career development support for working adults
	Cram School Business	Support for improving the academic ability of elementary, junior high and high school students
Matching Division	ALT Placement Business	Support for matching local governments with foreigners who want to work in Japan*
	Personnel Placement Business	Support for matching job seekers and companies

► For more details, see the integrated report, [IR BOOK 2022 \(page 19\)](#).

* Matching that achieves a high retention rate by taking the applicant's personality and other factors into account, rather than conventional matching based solely on skills.

02

**Announcement of Business Results for the
Nine Months Ended September 30, 2023**

01 Consolidated Statements of Operations

Revenues	Slight increase YoY, but below the original forecast.
Gross profit	Increase YoY driven by the recovery of the Consulting & Cloud business and the substantial growth of the Personnel Placement business, both of which have high profit margins.
Operating income	Increase YoY even absent the one-time income recorded in the same period a year earlier (details on next page). Progressing as expected toward the full-year forecast, and projected to surpass the record high of 2018.
Net income	Substantial increase YoY when aligned with the calculation criteria before application of IAS 12. Progressing as expected toward the full forecast.

(¥ million)		2022 3Q Results	2023 3Q Results	YoY Change
Revenues		24,399	25,052	2.7%
Gross Profit		12,070	13,043	8.1%
Operating Income		3,143	3,323	5.7%
Net Income	Before Application of IAS 12	1,877	2,129	13.4%
	After Application of IAS 12*	1,998	2,082	4.2%
Net Income Attributable to Owners of the Parent	Before Application of IAS 12	1,745	1,876	7.5%
	After Application of IAS 12*	1,865	1,829	-2.0%

* Figures for the year ended December 31, 2022 have been revised in accordance with a change in accounting standard (IAS 12).
Gain on the transfer of the domestic temp staff business in January 2022 has also been reflected in the figures.

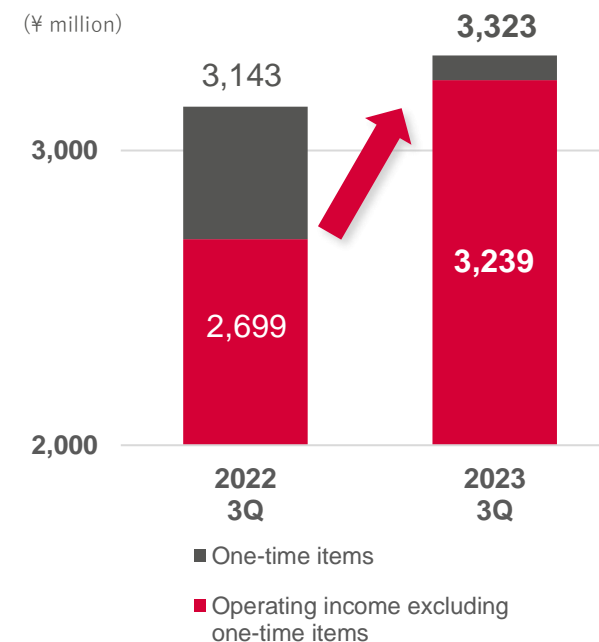
Consolidated Statements of Operations (Operating Income)

In 2022, recorded one-time income of ¥700 million on the reversal of lease liabilities under IFRS accounting standards as part of the relocation and closure of schools in the Career School business.

Excluding one-time items, operating income increased substantially by 20.0% YoY.

Operating Income

(¥ million)	2022 3Q Results	2023 3Q Results	YoY Change
Operating income	3,143	3,323	5.7%
One-time income (reversal of lease liabilities)	750	297	-
One-time expenses (impairment of property, plant and equipment and right-of-use assets)	(306)	(213)	-
Operating income excluding one-time items	2,699	3,239	20.0%



Revenues and Gross Profit by Segment

Organizational Development Division	Increase YoY driven by growth of Motivation Cloud and integrated reports.
Individual Development Division	Substantial decrease in revenues YoY due to the relocation and closure of schools in Career School business. However, gross profit was essentially unchanged as business efficiency improved with the shift to online courses.
Matching Division	Increase YoY as Personnel Placement business, including OpenWork, drove growth.

(¥ million)		2022 3Q Results	2023 3Q Results	YoY Change
All Divisions*	Revenues	24,399	25,052	2.7%
	Gross Profit	12,070	13,043	8.1%
Organizational Development Division	Revenues	8,917	9,439	5.9%
	Gross Profit	6,128	6,632	8.2%
Individual Development Division	Revenues	5,360	4,775	-10.9%
	Gross Profit	2,180	2,158	-1.0%
Matching Division	Revenues	10,783	11,416	5.9%
	Gross Profit	4,341	4,764	9.8%

* Excludes intersegment revenues.

04 Organizational Development Division Summary

Consulting & Cloud Business

Revenues **increased** YoY with **Consulting** recovering as expected. Gross profit **increased substantially** YoY, reflecting **strong growth** of the **Motivation Cloud series**.

IR Support Business

Revenues **increased** YoY and gross profit **increased substantially** as the core service of **integrated report production** grew in line with **expectations**.

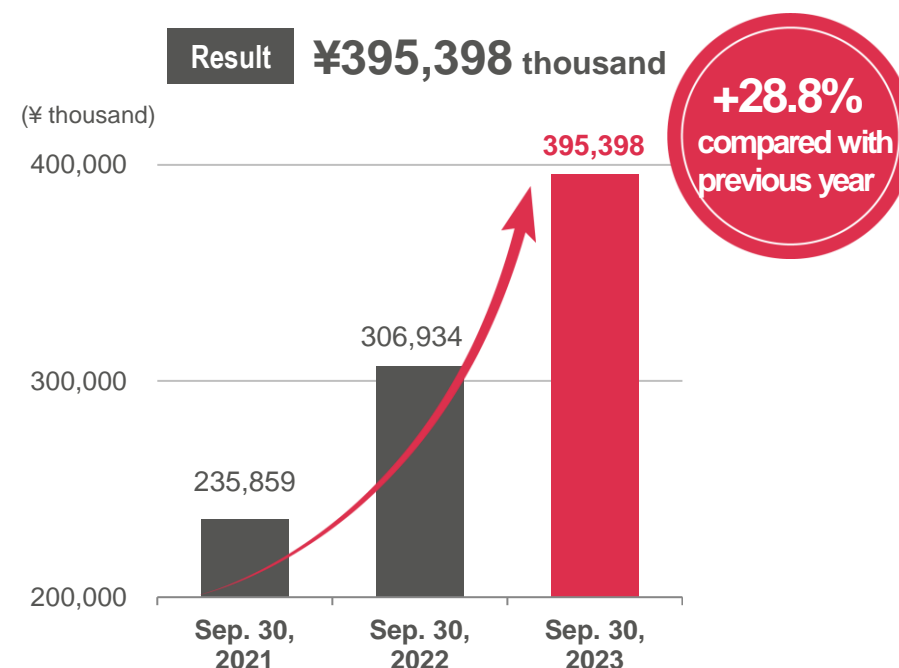
Revenue and Gross Profit by Product

(¥ million)		2022 3Q Results	2023 3Q Results	YoY Change
Consulting & Cloud Business	Revenues	7,729	8,088	4.7%
	Gross Profit	5,553	6,113	10.1%
IR Support Business	Revenues	1,357	1,487	9.6%
	Gross Profit after Retrospective Application*	503	605	20.1%
	Gross Profit*	656	605	-7.8%

* Gross profit decreased due to a change in accounting policy as of the fiscal year ending December 31, 2023.

Gross profit for the first three quarters of the year ended December 31, 2022 would be ¥503 million if the accounting policy for the fiscal year ending December 31, 2023 were applied retrospectively.

Motivation Cloud Series Monthly Fee Revenue



05 Organizational Development Division Details

In the first six months, growth weakened temporarily in both the consulting and cloud businesses. However, since July, when companies had largely completed human capital disclosure in securities reports, we have expanded cross-selling between businesses to meet wide-ranging needs for human capital management, and revenues for the **third quarter alone increased 14.2% YoY**. In addition, monthly fee revenue for the Motivation Cloud series achieved **record growth** quarter-on-quarter.

	2023 2Q	2023 3Q
External environment	Priority of “transformation” such as human resource development measures was relatively low as companies were pressed to respond to mandatory human capital disclosure.*	From July, efforts by companies to respond to disclosure requirements settled down, and needs for improvement of disclosure contents increased.
Internal environment	Organizations were realigned by product from the beginning of 2023. Each worked to expand sales independently, and as a result, their ability to respond to human capital management needs of diverse customers declined.	We have changed the management accounting system and expanded cross-selling to promote inter-organizational collaboration.
Year-on-year comparison of revenues	<u>Consulting & Cloud Business</u> 2Q alone -7.9% YoY	<u>Consulting & Cloud Business</u> 3Q alone + 14.2% YoY Monthly fee revenue for the Motivation Cloud series: Record growth on quarter-on-quarter basis

* For more information, see the “Special Report on the Disclosure of Sustainability Information” issued by the Financial Services Agency (in Japanese only).

[サステナビリティ情報の記載欄の新設等の改正について（解説資料）](#)

Individual Development Division Summary

Career School Business

Restructuring to relocate and close schools in response to changes in learning needs accelerated by the COVID-19 pandemic and the shift to online courses* **moved forward as planned**, and the **gross profit margin improved as expected**.

Cram School Business

The **number of enrollees grew**, revenues **increased substantially** YoY, and gross profit **increased**.

Revenue and Gross Profit by Product

(¥ million)		2022 3Q Results	2023 3Q Results	YoY Change
Career School Business	Revenues	4,857	4,214	-13.2%
	Gross Profit	1,961	1,921	-2.1%
Cram School Business	Revenues	502	560	11.6%
	Gross Profit	218	237	8.7%

* Detailed data available on page 21.

Progress of Restructuring

	At start of restructuring (2022 3Q)	Now (2023 3Q)
Number of schools	81	54
Online course revenues	¥214 million	¥393 million
Career School gross profit margin	40.4%	45.6%

ALT Placement Business

A law expanding social insurance coverage to ALTs who work 20 hours or more per week took effect in October 2022. This revision is being applied starting with companies with the most employees, so we assumed a challenging competitive environment this year.* Even in unfavorable conditions, revenues were essentially unchanged YoY. Gross profit decreased substantially due to the cost increase from social insurance premiums. Both items progressed in line with assumptions at the beginning of the year.

Personnel Placement Business

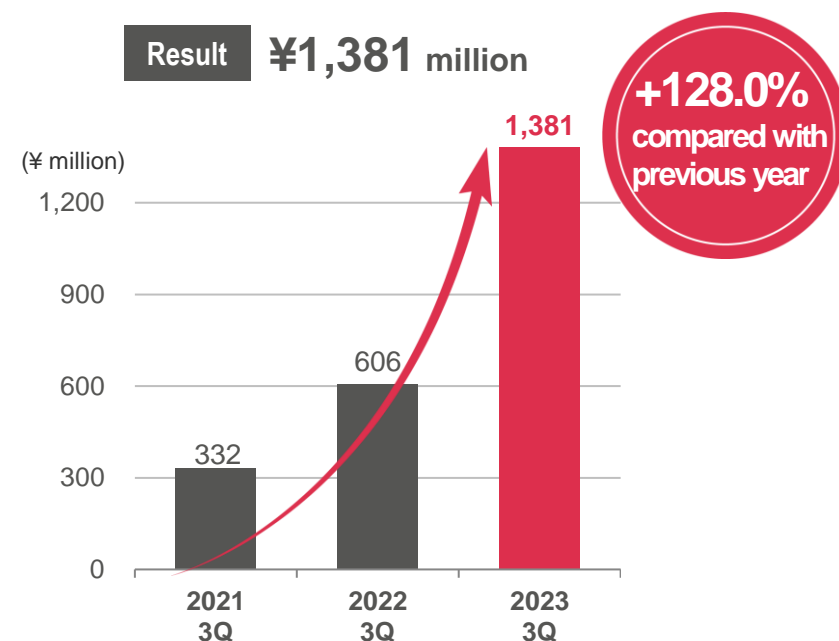
Revenues and gross profit both increased substantially due to greater-than-expected growth in OpenWork Recruiting.

Revenue and Gross Profit by Product

(¥ million)		2022 3Q Results	2023 3Q Results	YoY Change
ALT Placement Business	Revenues	8,901	8,835	-0.7%
	Gross Profit	2,494	2,226	-10.7%
Personnel Placement Business	Revenues	1,894	2,604	37.5%
	Gross Profit	1,859	2,561	37.7%

* Details of the law revision on social insurance enrollment of ALTs available on page 22.

OpenWork Recruiting Sales



Consolidated Statements of Operations: SG&A Expenses

Total SG&A expenses increased YoY.

④ Sales-related Expenses increased substantially YoY due to marketing investment in OpenWork.

(¥ million)	2022 3Q Results	2023 3Q Results	YoY Change
Total SG&A Expenses	9,464	9,809	+3.6%
① Personnel Expenses	4,831	4,902	+1.5%
② Recruiting, Training and Welfare Expenses	497	520	+4.5%
③ Office and System Expenses	1,771	1,797	+1.5%
④ Sales-related Expenses	1,625	1,916	+17.9%
⑤ Other Expenses	738	671	-9.0%

09 Consolidated Statements of Financial Position

Assets
Liabilities
Equity

Cash and cash equivalents increased due to sales of incubation stocks, etc.
Decreased due to repayment of loans.
Increased due to recording of net income and sales of incubation stocks.

(¥ million)	December 31, 2022*	September 30, 2023	Increase (Decrease)
Current Assets	10,633	12,505	1,872
Non-current Assets	18,275	18,089	(185)
Total Assets	28,908	30,594	1,686
Current Liabilities	11,737	12,142	405
Non-current Liabilities	5,927	4,854	(1,073)
Total Liabilities	17,664	16,997	(667)
Total Equity	11,243	13,597	2,354

* Figures for the year ended December 31, 2022 have been revised in accordance with a change in accounting policy (IAS 12).

03

Forecast

We view changes in the labor market as a crucial opportunity for the Group. For the time being, we will **focus on the Consulting & Cloud business of the Organizational Development Division**, which has significant growth potential, and use the knowledge we have gained since our founding to make it a growth driver for accomplishing our Mission.

Changes in the Labor Market

Short term

Human capital disclosure has become mandatory for listed companies, and human capital management will be necessary.

Short to mid term

With the increasing mobility of workers, securing human resources will become more difficult.

Long term

As the labor force continues to shrink, further improvement of labor productivity will be needed.



Given the number of companies we currently support, we believe there is ample room for expansion. We will continue to expand our support by leveraging **our unique ability to comprehensively support companies in human capital management** through the cycle of identification of problems through diagnosis, transformation of those problems, and disclosure of the transformation results

Number of Domestic Companies (with 50 or more employees)¹ and Number of Companies We Support

Approx. **100,000**

2022

Companies supported by our Consulting & Cloud business

Approx. **1,300**

Our Competitive Advantage

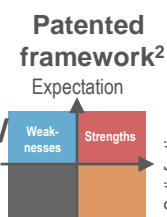
Human Capital Management

Diagnosis

Rather than simple data measurement, provide a **precise diagnosis of employee engagement**

Largest database in Japan

10,920 companies/
3.75 million people



Transformation

Rather than supporting recruitment and training alone, provide **one-stop organizational HR consulting**

Recruiting



Training



Systems



Corporate Culture



Companies supported annually
Approx. **800**

Disclosure

Rather than just information disclosure, **enhance disclosure based on diagnosis and transformation**



Report production



Video distribution

Companies disclosing Engagement Rating^{3,4}
108 (as of Sept. 30, 2023)

1. Prepared based on the [“2021 Economic Census for Business Activity”](#) Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry

2. Link and Motivation Inc. has acquired patents for its organizational development support system and its organizational development support methodology and programs. (Registration No.6298855).

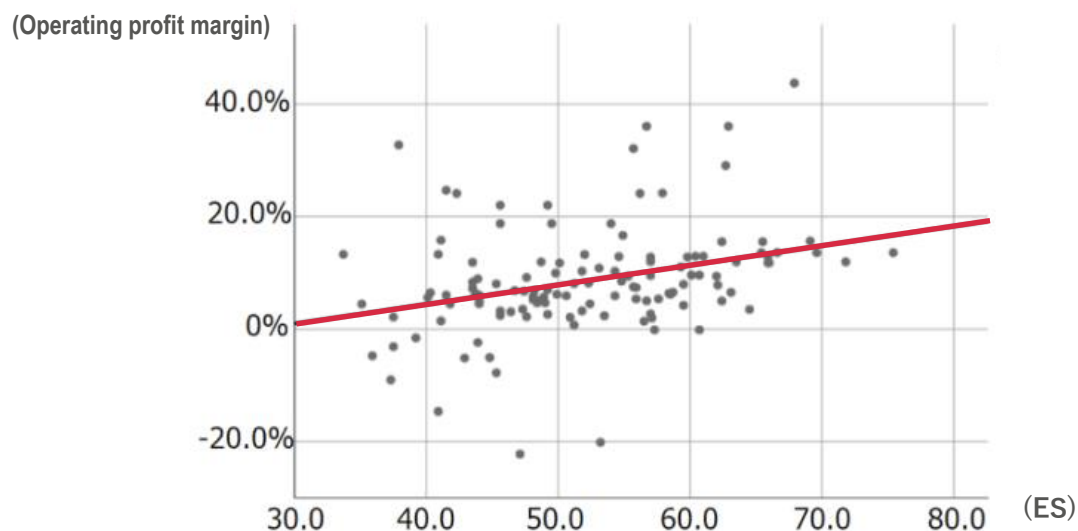
3. “Engagement Rating” is a registered trademark of Link and Motivation Inc. (Registration no. 6167649)

4. Number of companies disclosing the Engagement Rating and other diagnosis results in Motivation Cloud, which is provided by Link and Motivation Inc.

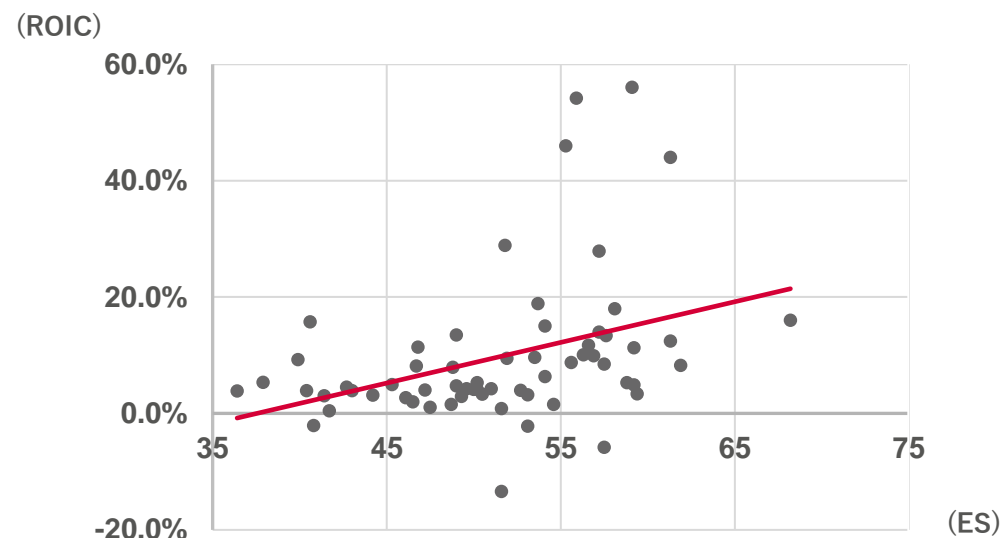
Reference: Relationship between Employee Engagement and Investment Indicators

In addition to the correlation of employee engagement with the operating profit margin and labor productivity, a positive correlation with ROE, ROIC and PBR has also been shown. One way of interpreting this is that the higher employee engagement is, the more likely it is that human capital will be utilized effectively and lead to generation of revenues.

Engagement Score and Operating Profit Margin



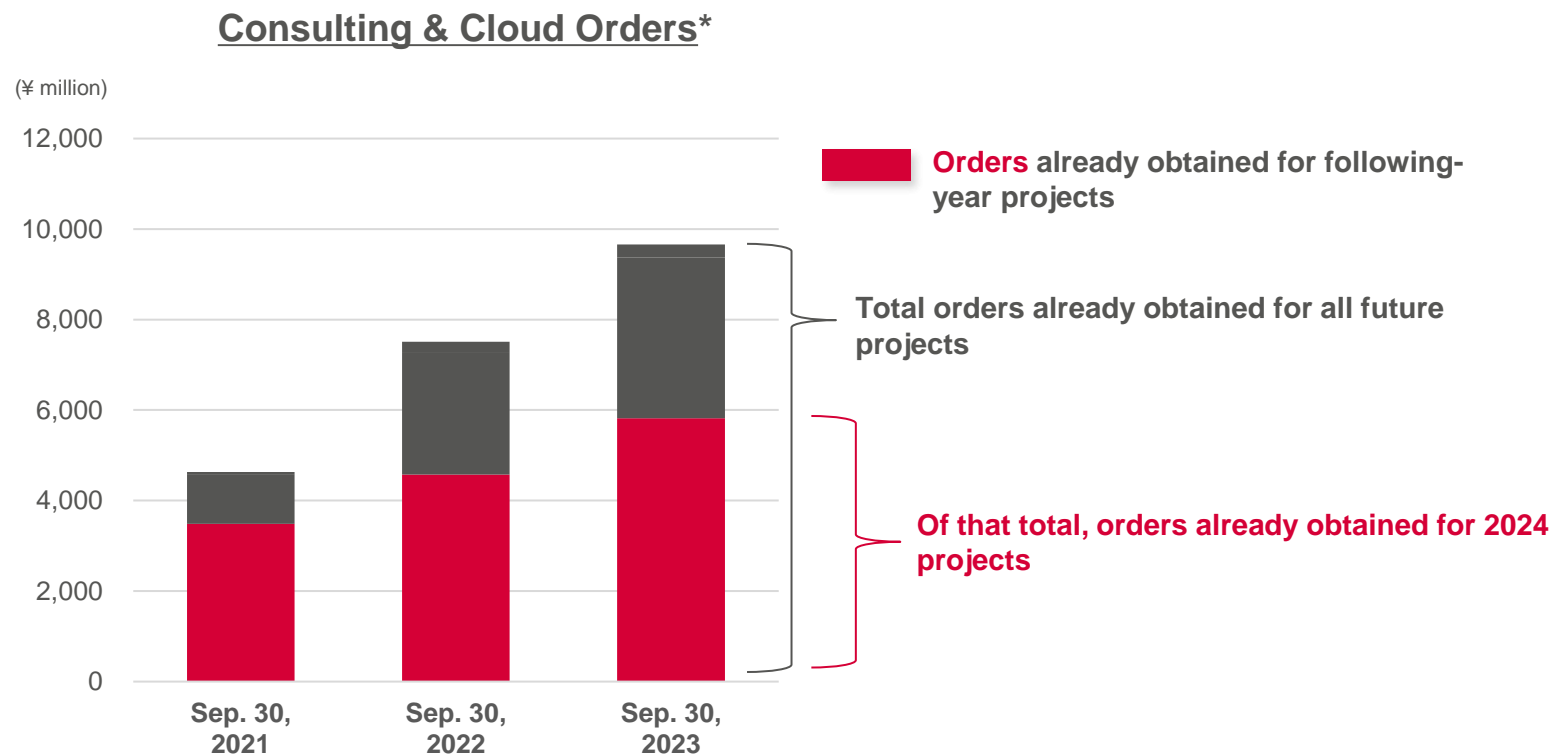
Engagement Score and ROIC



- ▶ Findings of research on employee engagement and corporate performance are available [here](#) (Japanese Only)
- ▶ Findings of a study on the relationship between employee engagement and investment indicators are available [here](#) (Japanese Only)

13 Key Indicators of Consulting & Cloud Business

To promote the shift of the Motivation Cloud series and other consulting services to a recurring revenue business model, we are focusing on increasing orders (total orders for future projects obtained at a given point in time). **Project orders for 2024** that we have already obtained **have substantially increased YoY**.



* From the third quarter of 2023, the balance of orders in each period is not included in the calculation.

Growth Investments of Consulting & Cloud Business

To achieve substantial growth in the Consulting & Cloud business of the Organizational Development Division, our policy is to **proactively make investments in businesses, including through M&As, and in human resources** in order to expand services that will promote the shift to a recurring revenue business model, and to acquire development technology and know-how.



Business
investment

- Product development and functional enhancements
- Marketing
- **M&As**

Human
resource
investment

- Hiring and training of consultants and engineers

04

Announcement of Share Buyback

Considering that our future profitability is not fully reflected in our stock price, we have decided on a share buyback of up to ¥2.0 billion and 4 million shares.

Management policy

Carry out a flexible capital policy to enhance capital efficiency and shareholder returns, after comprehensively considering our financial condition and stock price

Reason for this repurchase

- While the stock price is determined by the market, we believe that our future profitability is not reflected in our current stock price.
- We have sufficient cash necessary to fund growth investments.

Summary

- Maximum amount of buyback: ¥2.0 billion
- Maximum number of shares to be bought back: 4 million shares
- Buyback period: November 14, 2023 to June 30, 2024

05

Announcement of Dividend Increase

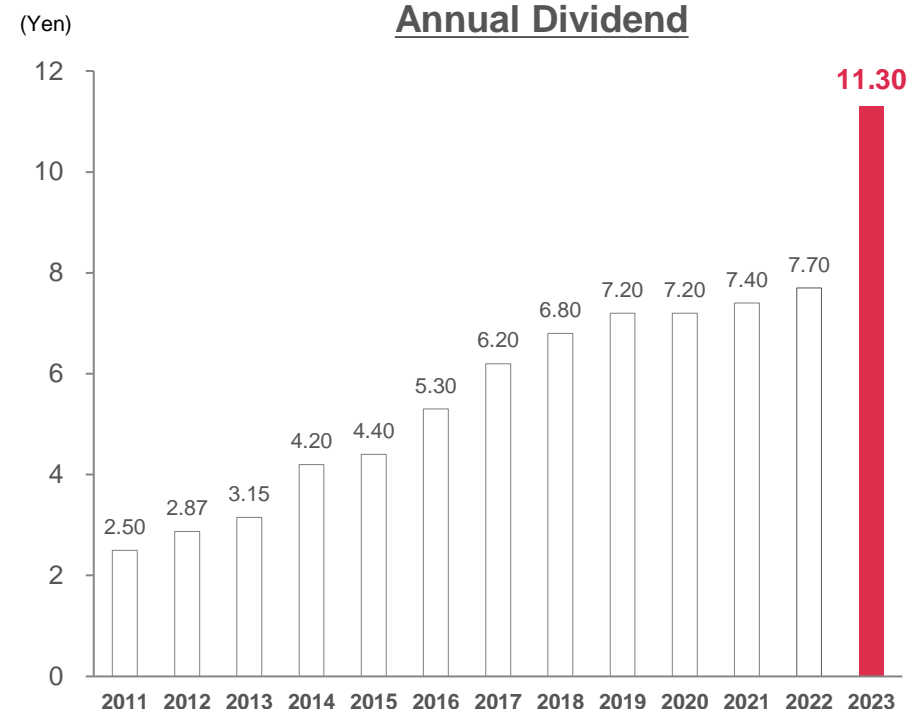
Announcement of 2023 3Q Dividend and 4Q Dividend Increase

For the third quarter, a dividend of 2.8 yen per share is scheduled to be paid on Monday, December 25. From the fourth quarter, we are planning a **dividend increase of 0.1 yen, for an annual dividend of 11.3 yen per share.** We continue to view shareholder returns as an important management issue, with a policy of paying dividends based on our business performance.

Quarterly Dividends in 2023

Dividend per Share				
First Quarter	Second Quarter	Third Quarter	Fourth Quarter (scheduled)	Annual Dividend (scheduled)
2.8 yen	2.8 yen	2.8 yen	2.9 yen	11.3 yen

Annual Dividend



Reference Materials: KPIs by Business



Organizational Development Division

(Consulting & Cloud business)

- **Revenues**
- **Consulting: Average revenues per customer for the past 12 months**
- **Motivation Cloud series**
Monthly fee revenue / Delivered orders / Average monthly fee

Individual Development Division

(Career School Business/Cram School Business)

- **Average number of enrollees for the past 12 months**

(Career School Business)

- **Average revenues per enrollee for the past 12 months**
- **Online course revenues**
- **BtoB service (reskilling support for employees) revenues**

Matching Division

(ALT Placement Business)

- **LMG share**
- **Average number of ALTs dispatched over the past 12 months**

(Personnel Placement Business)

- **Number of registered users of OpenWork and employee online reviews/evaluation scores**
- **Number of OpenWork Recruiting companies under contract**

Organization Development Division: Consulting & Cloud Business

Revenues / Average Revenues per Customer for the Past 12 Months

Consulting & Cloud Business Revenues

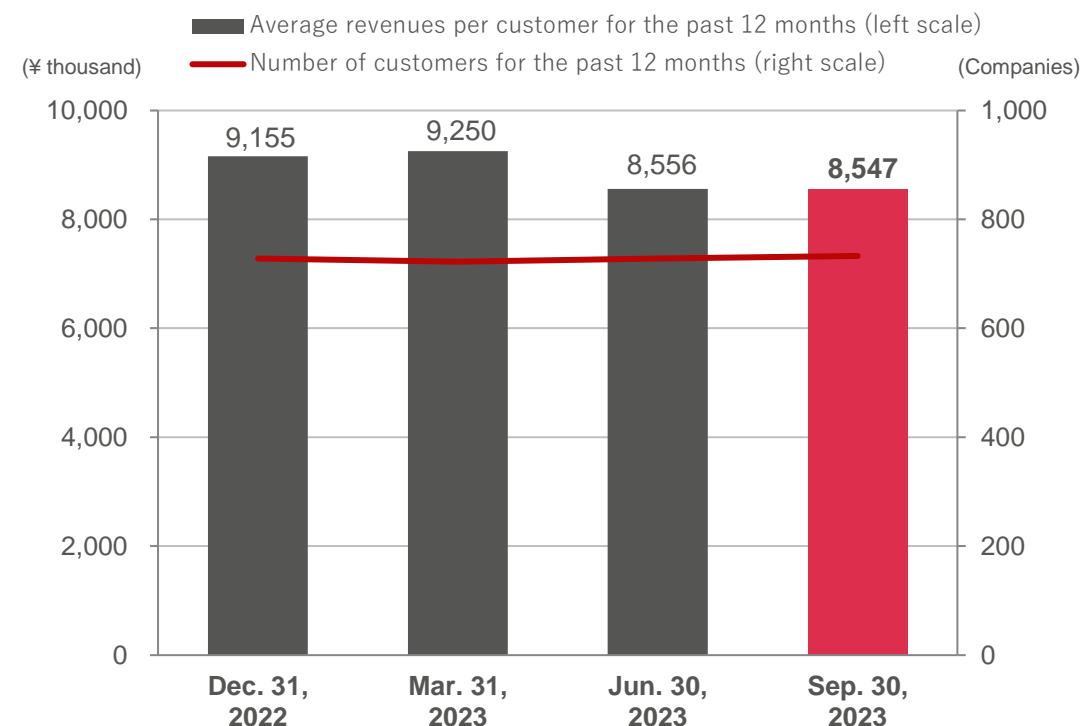
(¥ million)		2022 3Q Results	2023 3Q Results	YoY Change
Consulting & Cloud Business	Revenues	7,729	8,088	4.7%
	Gross Profit	5,553	6,113	10.1%
Consulting	Revenues	5,125	4,744	-7.4%
Cloud	Revenues	2,603	3,344	28.4%

Consulting Average Revenues per Customer for the Past 12 Months

2023 3Q

Result

¥8,547 thousand

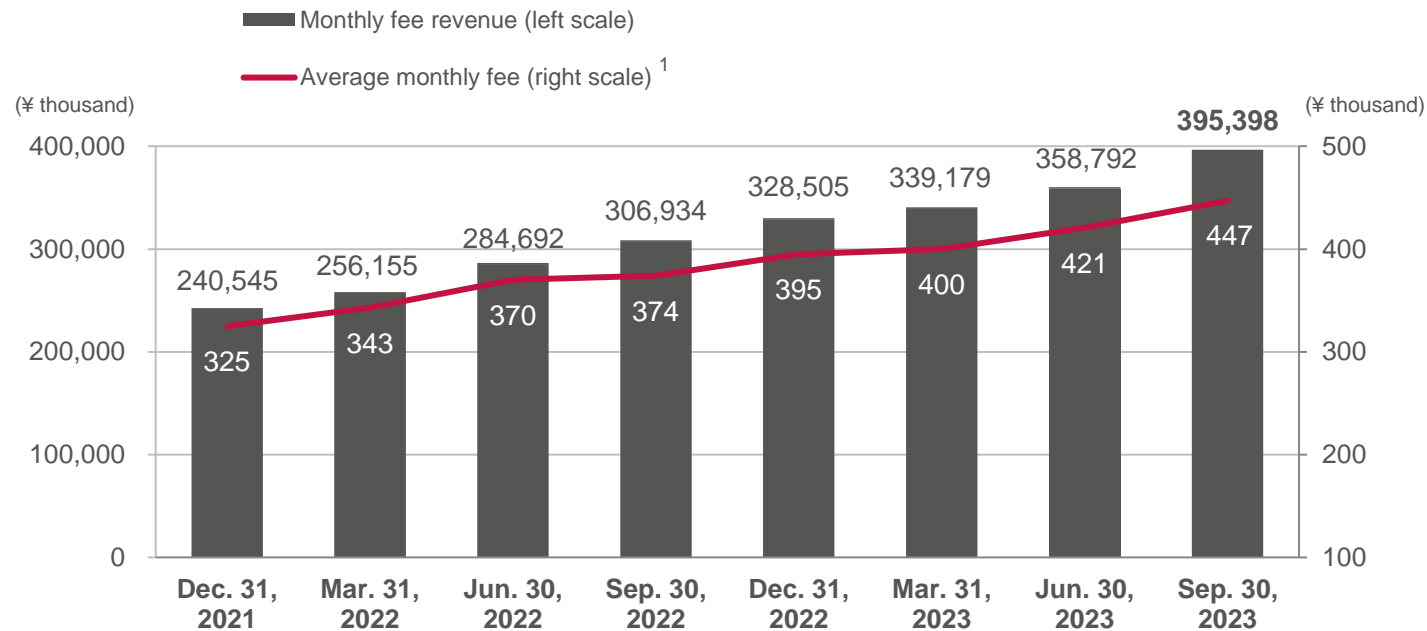


Motivation Cloud Series Monthly Fee Revenue

2023 3Q

Result

¥395,398 thousand



September 2023

Breakdown of Monthly Fee Revenue

Delivered orders²: 883

Average monthly fee: ¥447,000/month

1. Monthly fee revenue ÷ Number of delivered orders

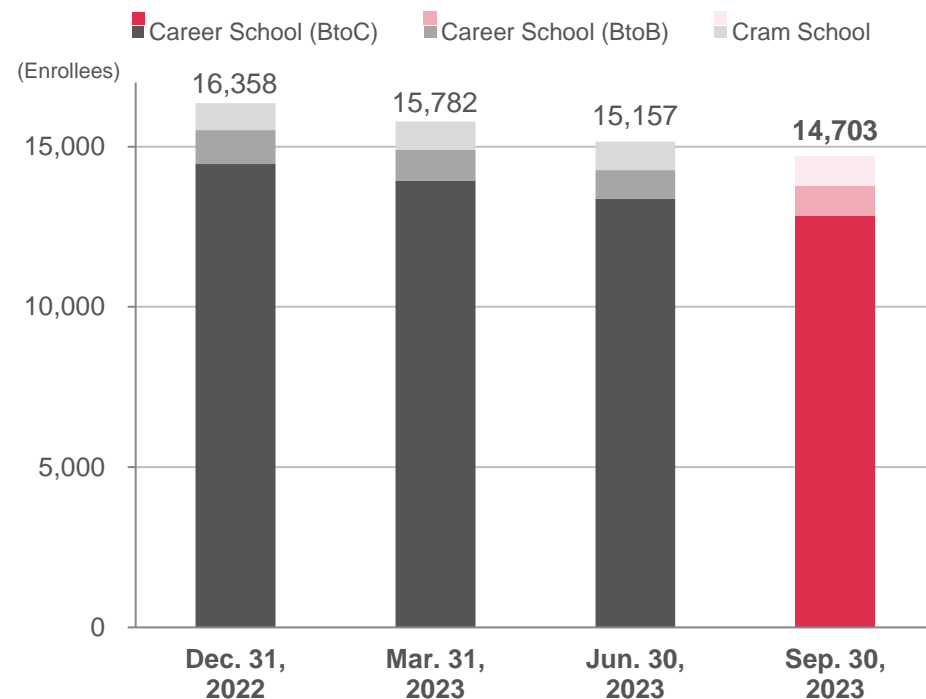
2. Number of delivery starts for each service

Average Number of Enrollees
for the Past 12 Months

2023 3Q

Result

14,703



Note: Figures for December 31, 2022 have been revised due to a change in the calculation method.

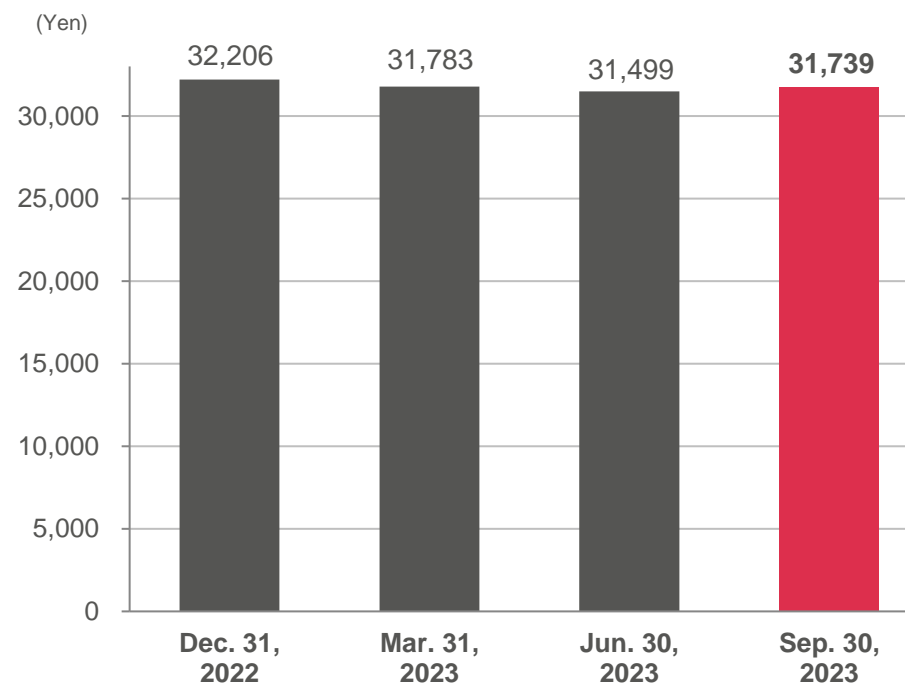
Career School Business

Average Revenues per Enrollee for the
Past 12 Months

2023 3Q

Result

¥31,739



Note: The figures above represent unit sales of BtoC services in the Career School business.

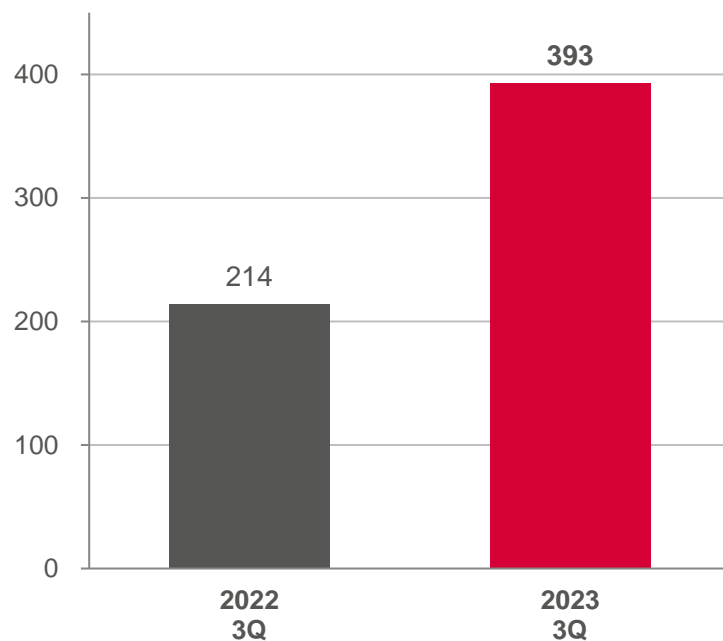
Online Course Revenues

2023 3Q

Result

¥393 million

(¥ million)



BtoB Service Revenues

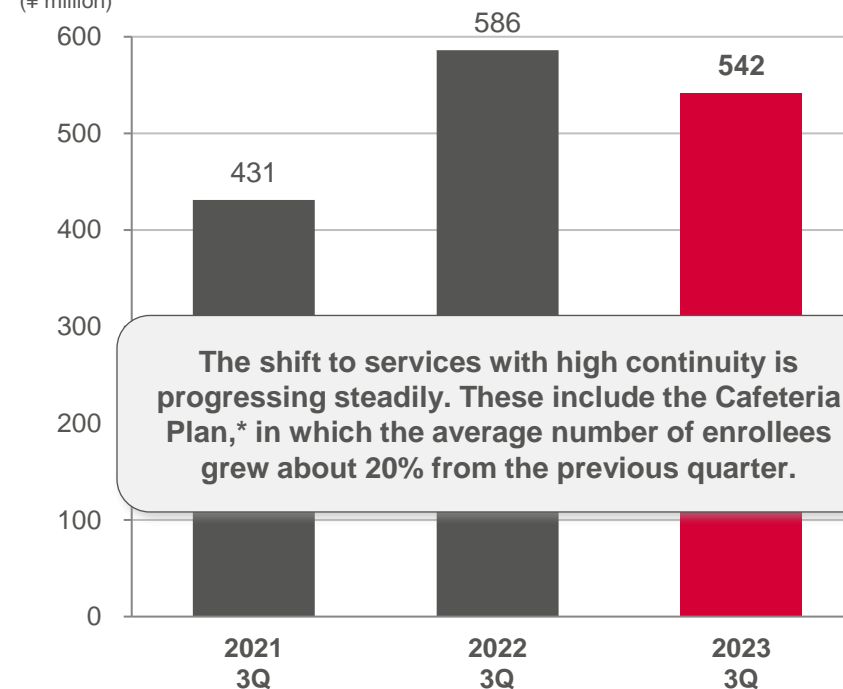
(Reskilling Support for Employees)

2023 3Q

Result

¥542 million

(¥ million)

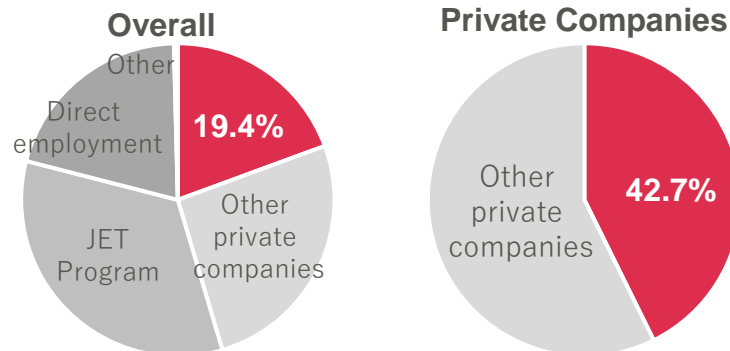


* A program for companies that allows employees to select their own benefits from a menu of options

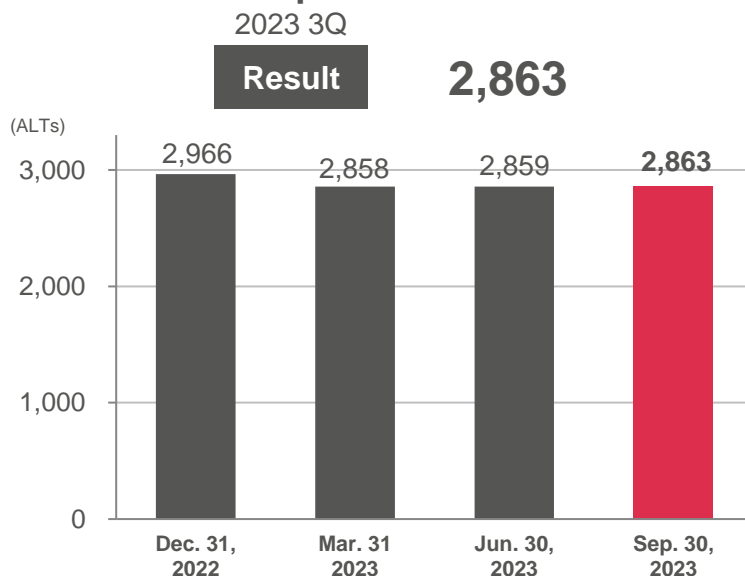
Matching Division: ALT Placement Business

LMG Share and Average Number of ALTs Dispatched over the Past 12 Months

LMG Share¹



Average Number of ALTs Dispatched over the Past 12 Months



Amendment of Law on Social Insurance Coverage of ALTs

■ Summary of the amendment

The amendment of the National Pension Act in May 2020² expanded the scope of coverage of social insurance.

This amendment newly requires workers with short working hours (20 to less than 30 hours per week) to be enrolled in social insurance.

This amendment is being applied first to companies with the most employees. From October 2022, it will apply to companies with 101 or more employees. From October 2024, it will apply to companies with 51 or more employees.

■ Impact on private companies

Costs increase due to insurance premiums.

Therefore, it is necessary to pass on part of the increase to prices.

■ Our approach

The law was applied to our company ahead of others, as we have the largest share among private companies, so we were assuming a challenging competitive environment. Under these conditions, in addition to enhancing ALT quality, one of our strengths, we will work to re-expand our share by responding to customer needs such as for online learning and utilization of ICT.

1. LMG survey

2. For details, see ["Act of the Partial Revision of the National Pension Act \(Act No. 40 of 2020\)"](#) issued by the Ministry of Health, Labour and Welfare

Matching Division: Personnel Placement Business

Number of Registered Users of OpenWork and Employee Reviews/Evaluation Scores & OpenWork Recruiting Companies under Contract

OpenWork

2023 3Q

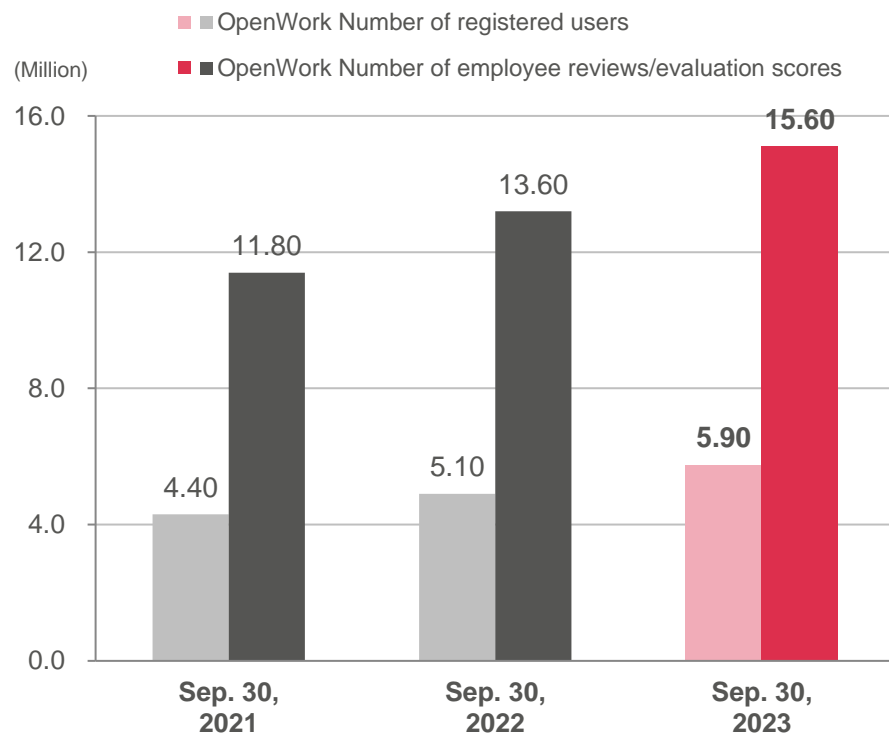
Result

Registered users

5.9 million

Employee reviews/Evaluation scores

15.60 million



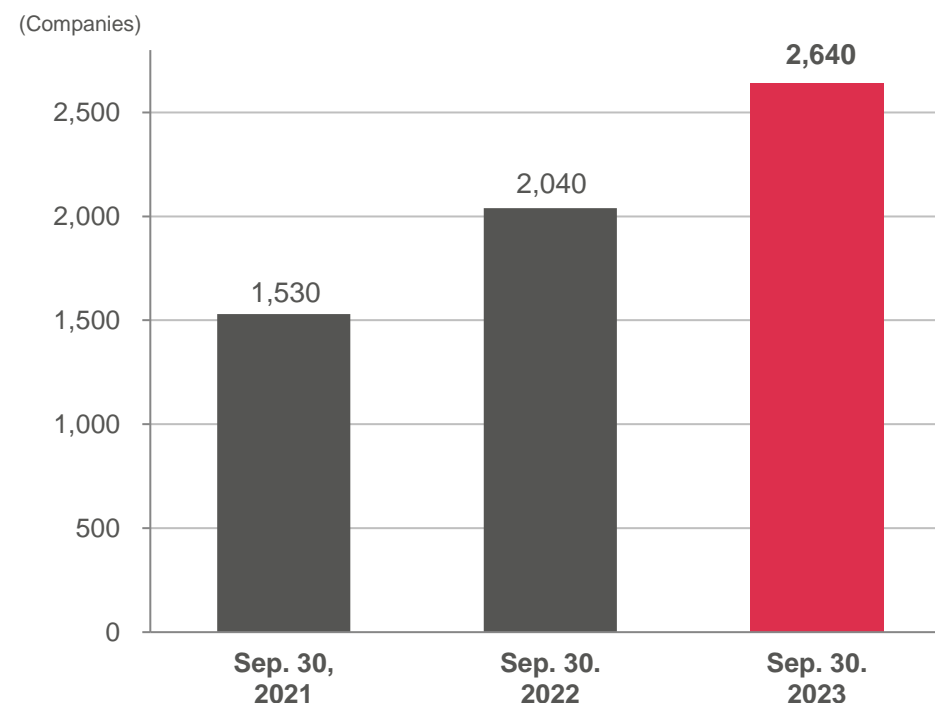
OpenWork Recruiting

2023 3Q

Result

Companies under Contract

2,640



► For details, see "IR information" ([IR情報](#)) on the OpenWork website (in Japanese only)



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Link and Motivation Inc.

Securities Code: 2170