

# Link and Motivation Inc.

Consolidated Financial Information

for the Nine Months Ended September 30, 2016



ひとりひとりの本気がこの世界を熱くする

Link and Motivation Group



# First Nine Months of 2016: Presentation Agenda

1. Announcement of Results for the Nine Months Ended September 30, 2016
2. Announcements of Planned Relocation to Tokyo Integrated Office and Upward Revision of Business Results Forecast
3. Topics

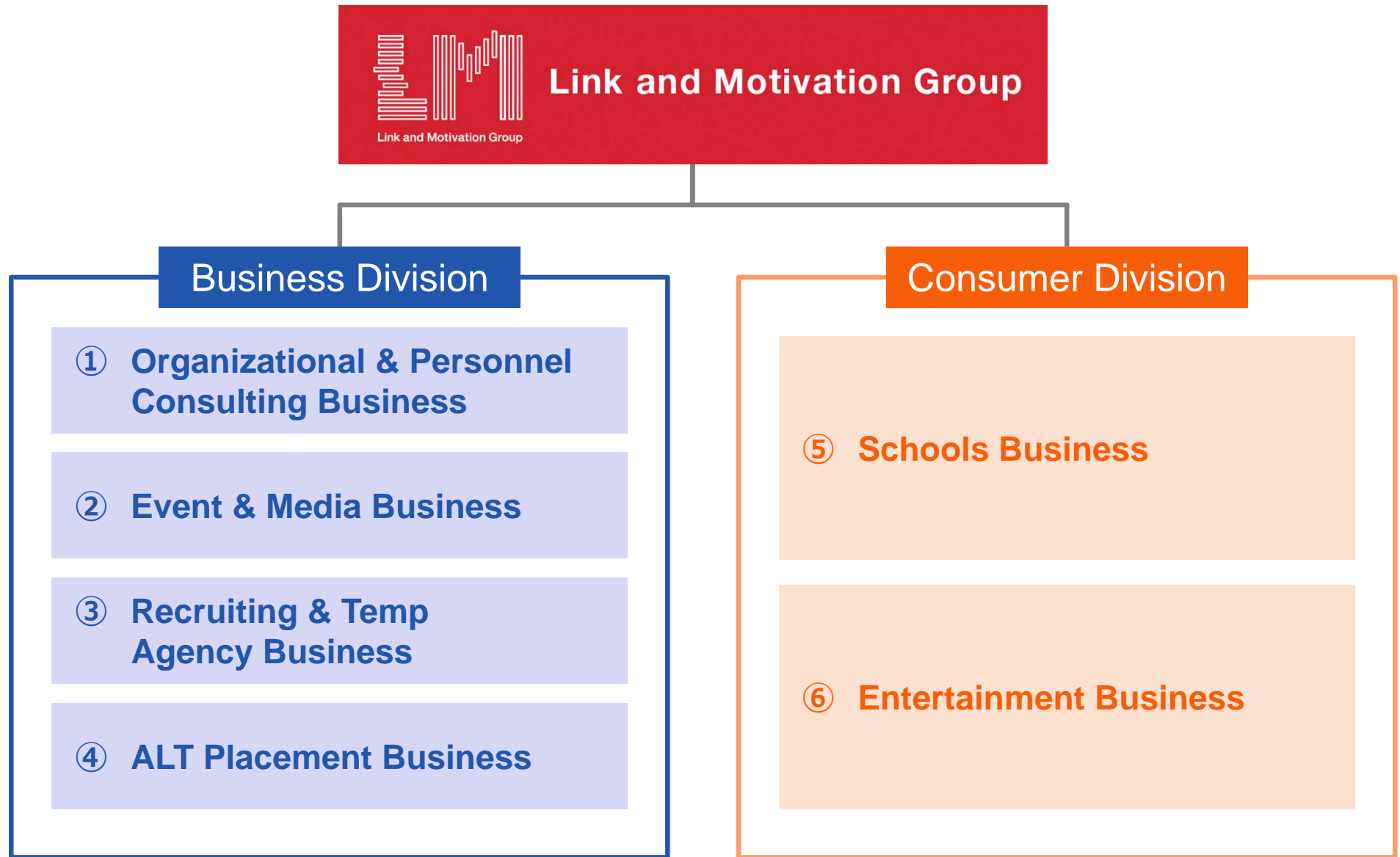


# 1

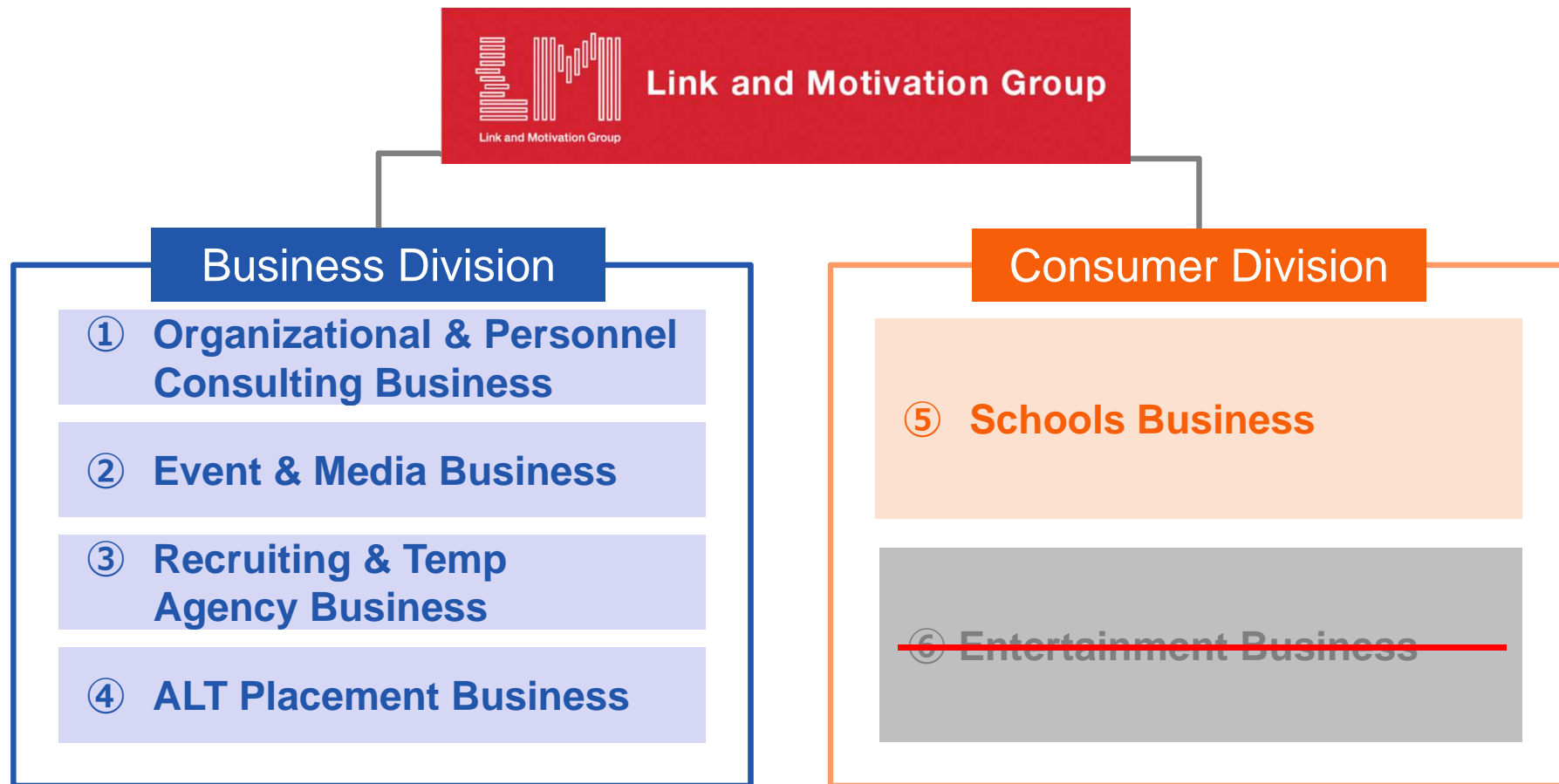


## Announcement of Results for the Nine Months Ended September 30, 2016

# Operating Structure until the First Half of 2016



# Operating Structure until the First Half of 2016

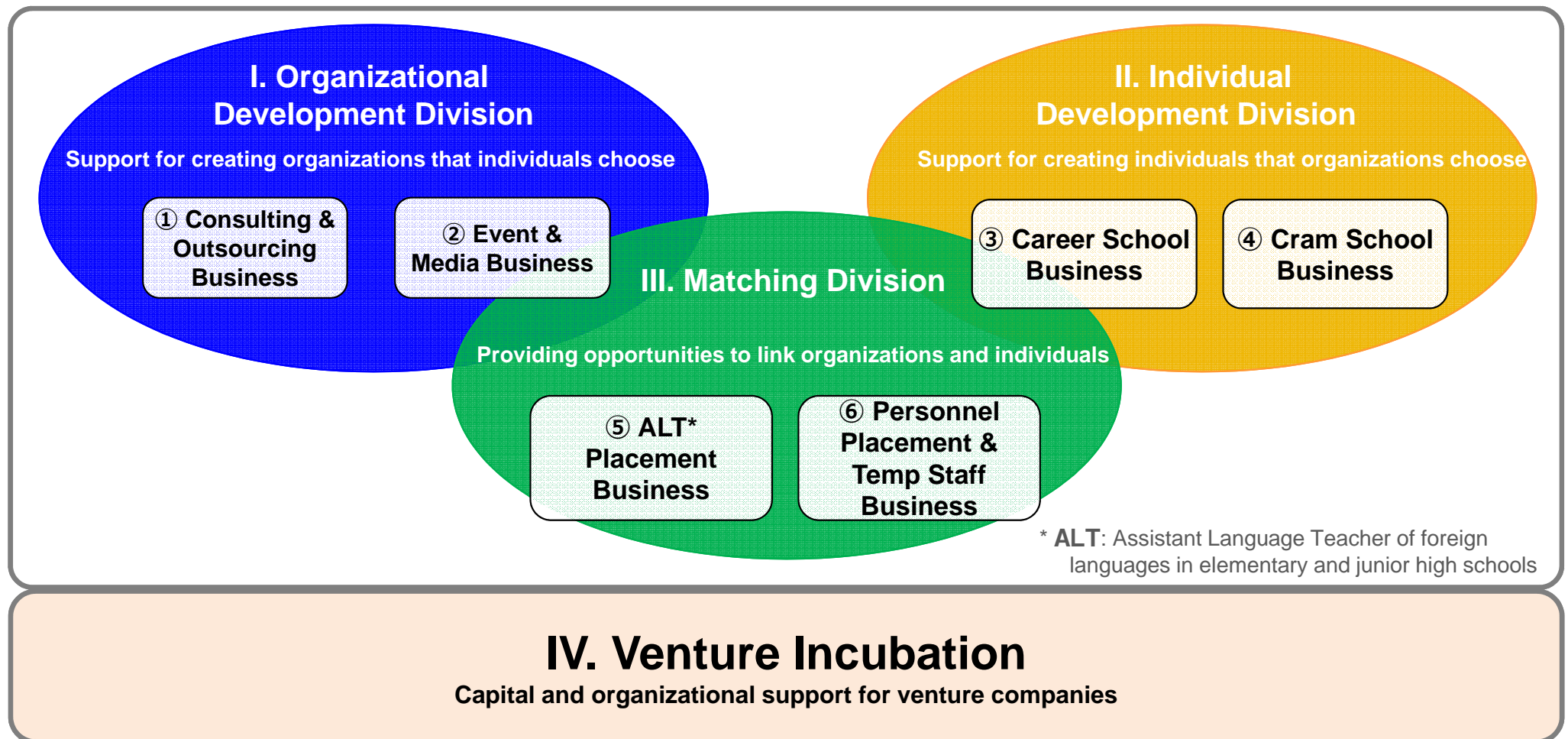


- All shares of Link Sports Entertainment Inc., a consolidated subsidiary that operates a professional basketball team, were transferred to Tochigi Brex Inc. as of June 30, 2016.
- We have reorganized our operating structure for selection and concentration of our management resources.

# Operating Structure from the Third Quarter of 2016

## Mission:

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



# Consolidated Statements of Operations (Results/YoY Change)

(¥ million)	2015 Results	2016 Results	YoY Change
Net Sales	23,539	25,336	+7.6%
Operating Income	223	1,470	+558.8%
Ordinary Income	177	1,395	+684.4%
Net Income	-14	1,178	-

- Net sales increased YoY due to the strong performance of the Organizational Development Division.
- Operating income and ordinary income increased substantially YoY due to the strong performance of the high-margin Organizational Development Division.
- Net income increased substantially YoY due to an increase in extraordinary income from the sale of shares of an incubation business investee company and Link Sports Entertainment Inc. and from relocation of a Link Academy Inc. school.

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

(¥ million)	2015 Results	2016 Plan (Revised)	2016 Results	Results vs. Plan	YoY Change
Net Sales	23,539	25,000	25,336	+1.3%	+7.6%
Operating Income	223	1,150	1,470	+27.8%	+558.8%
Ordinary Income	177	-	1,395	-	+684.4%
Net Income	-14	-	1,178	-	-

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



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

(¥ million)	2015 Results	2016 Results	YoY Change
Total SG&A Expenses	7,492	7,722	+3.1%
① Personnel Expenses	3,172	3,617	+14.0%
② Recruiting, Training and Welfare Expenses	381	440	+15.4%
③ Rent	508	487	-4.1%
④ Office and System Expenses	781	834	+6.7%
⑤ Sales-related Expenses	1,432	1,120	-21.7%
⑥ Transportation and Other Expenses	665	672	+1.0%
⑦ Amortization of Goodwill	550	550	0.0%

- Slight YoY increase (¥230 million increase) in total SG&A expenses.
- ① Personnel Expenses increased YoY (¥445 million increase) due to an increase in the Groupwide number of sales employees.
- ② Recruiting, Training and Welfare Expenses increased YoY (¥59 million increase) due to a focus on new graduate and mid-career hires for Group expansion.
- ④ Office and System Expenses increased YoY (¥53 million increase) due to remodeling and relocation of integrated offices in Fukuoka and Nagoya.
- ⑤ Sales-related Expenses decreased substantially YoY (¥312 million decrease) due to achieving more efficient deployment of advertising expenditures in the Career School Business of the Individual Development Division.

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

(¥ million) [Gross profit in brackets]		2015 Results	2016 Results	YoY Change
Organizational Development Division	Sales	6,206	7,765	+25.1%
	Gross Profit	[2,754]	[4,946]	+79.6%
Individual Development Division	Sales	5,388	5,012	-7.0%
	Gross Profit	[2,095]	[1,722]	-17.8%
Matching Division	Sales	12,709	13,186	+3.8%
	Gross Profit	[3,022]	[3,065]	+1.4%

- In the Organizational Development Division, sales and gross profit both increased substantially YoY due to strong performance by the high-margin Consulting & Outsourcing Business.
- In the Individual Development Division, sales decreased and gross profit decreased substantially YoY due to the termination of transactions among some Group companies.

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

Note: Excludes Transactions among Some Group Companies

(¥ million) [Gross profit in brackets]		2015 Results	2016 Results	YoY Change
Organizational Development Division	Sales	6,206	7,765	+25.1%
	Gross Profit	[2,754]	[4,946]	+79.6%
Individual Development Division	Sales	4,888	5,012	+2.5%
	Gross Profit	[1,596]	[1,722]	+7.9%
Matching Division	Sales	12,709	13,186	+3.8%
	Gross Profit	[3,022]	[3,065]	+1.4%

Note: Excludes transactions among some Group companies.

- In the Individual Development Division, excluding transactions among some Group companies, sales increased slightly and gross profit increased YoY.
- We will continue to focus on increasing profitability by concurrently promoting measures such as more effective deployment of advertising expenditures.

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

Note: Excludes Transactions among Some Group Companies

(¥ million) [Gross profit in brackets]		2015 Results	2016 Results	YoY Change
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Matching Division	Sales	12,709	13,186	+3.8%
	Gross Profit	[3,022]	[3,065]	+1.4%

Note: Excludes transactions among some Group companies.

- In the Matching Division, sales and gross profit both increased slightly YoY due to firm performance by the ALT Placement Business and the Personnel Placement & Temp Staff Business.

# Organizational Development Division: Product Sales by Business (Results/YoY Change) ①・②

Product (¥ million) [Gross profit in brackets]		2015	2016	YoY Change
① Consulting & Outsourcing Business		5,086 [2,373]	6,165 [4,155]	+21.2% +75.0%
	Package	1,784	1,878	+5.2%
	Consulting	2,003	2,716	+35.6%
	Outsourcing	887	1,038	+17.0%
	Database	290	292	+0.7%
	Member services	120	240	+99.1%
② Event & Media Business		2,435 [598]	2,759 [1,025]	+13.3% +71.5%
	Event production	1,643	1,818	+10.6%
	Media production	792	941	+18.8%

- In ① the Consulting & Outsourcing Business, sales and gross profit both increased substantially YoY due to significant growth in Member services from the new “Motivation Cloud” service, in addition to significant growth in consulting and outsourcing under the theme of strengthening sales capabilities.
- In ② the Event & Media Business, sales and gross profit both increased substantially YoY due to the growth of high-margin products including planning and operation of anniversary events and employee general meetings, and visual media such as streaming video.

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

Product (¥ million) [Gross profit in brackets]	2015		2016		YoY Change
	Results	% of total	Results	% of total	
③ Career School Business	4,827 [1,602]	-	4,927 [1,723]	-	+2.1% +7.6%
Office	2,436	50.5%	2,466	50.0%	+1.2%
Pro Series	437	9.1%	549	11.1%	+25.5%
Accounting courses	504	10.5%	445	9.0%	-11.7%
National exam courses	391	8.1%	436	8.9%	+11.5%
Civil servant courses	708	14.7%	892	18.1%	+26.0%
Educational materials/other	348	7.2%	138	2.8%	-60.4%
④ Cram School Business	61 [-6]	-	84 [-1]	-	+37.1% -

Note: Excludes transactions among some Group companies.

Note: In addition to programming courses, Pro Series includes courses for other specialized IT skills.

- In ③ the Career Schools Business, sales increased slightly and gross profit increased YoY with a steady shift in the portfolio from Office to Pro Series, a focal product, and strong sales of National exam and Civil servant courses compensated for weak sales of Accounting courses.
- In ④ the Cram School Business, sales increased substantially and gross profit increased YoY due to a steady increase in the number of students.

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

	Product (¥ million) [Gross profit in brackets]	2015	2016	YoY Change
* ⑤	ALT Placement Business	7,090 [1,836]	7,419 [1,943]	+4.7% +5.8%
⑥	Personnel Placement & Temp Staff Business	5,409 [1,154]	5,775 [1,129]	+6.8% -2.1%
	Store sales temp staff	4,835	5,258	+8.8%
	Corporate sales temp staff	106	128	+20.7%
	New graduate recruiting/introductions	407	351	-13.8%
	Mid-career introductions	59	36	-39.1%

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

- ⑤ ALT Placement Business performance was firm due to the promotion of English language education in Japan. Sales and gross profit both increased YoY.
- In ⑥ the Recruiting & Temp Agency Business, sales increased YoY due to strong performance by sales and office temp staff, backed by a shortage of personnel at companies, but gross profit decreased slightly YoY due to a cutback in sales of new graduate recruiting and introductions to other companies to shift to strengthening new graduate recruiting for the Company and Group companies.

# Consolidated Balance Sheets (Results/YoY Change)

(¥ million)	Dec. 31, 2015	Sept. 30, 2016	Change
① Current Assets	5,851	7,097	+1,246
② Property and Equipment	11,616	11,516	- 100
③ Assets Carried Over	6	3	- 3
<b>Total Assets</b>	<b>17,474</b>	<b>18,616</b>	<b>+1,142</b>
④ Current Liabilities	8,866	9,040	+174
⑤ Long-term Liabilities	2,575	4,024	+1,449
⑥ Net Assets	6,032	5,552	- 480
<b>Total Liabilities and Net Assets</b>	<b>17,474</b>	<b>18,616</b>	<b>+1,142</b>

- ① Current Assets increased due to an increase in cash and deposits from the sale of shares of Akatsuki Inc., etc.
- ⑤ Long-term Liabilities increased with an increase in long-term debt with a view toward future investment.
- ⑥ Net Assets decreased, despite the steady increase in income, due to a share repurchase.



# Third Quarter of 2016 Dividends

- Dividend Policy for 2016

- Continue to **pay quarterly dividends**

- Scheduled Third-Quarter Dividend for 2016

- A dividend of **140 yen** per unit of shares is scheduled to be paid on Thursday, December 22, as originally planned.

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

Note: The dividend will be increased from the third quarter of 2016.

# 2

## Announcements of Planned Relocation to Tokyo Integrated Office and Upward Revision of Business Results Forecast

# Relocation to Tokyo Integrated Office

## Decision to **Relocate to Tokyo Integrated Office** as Part of Our Growth Strategy



### Overview of Tokyo Integrated Office

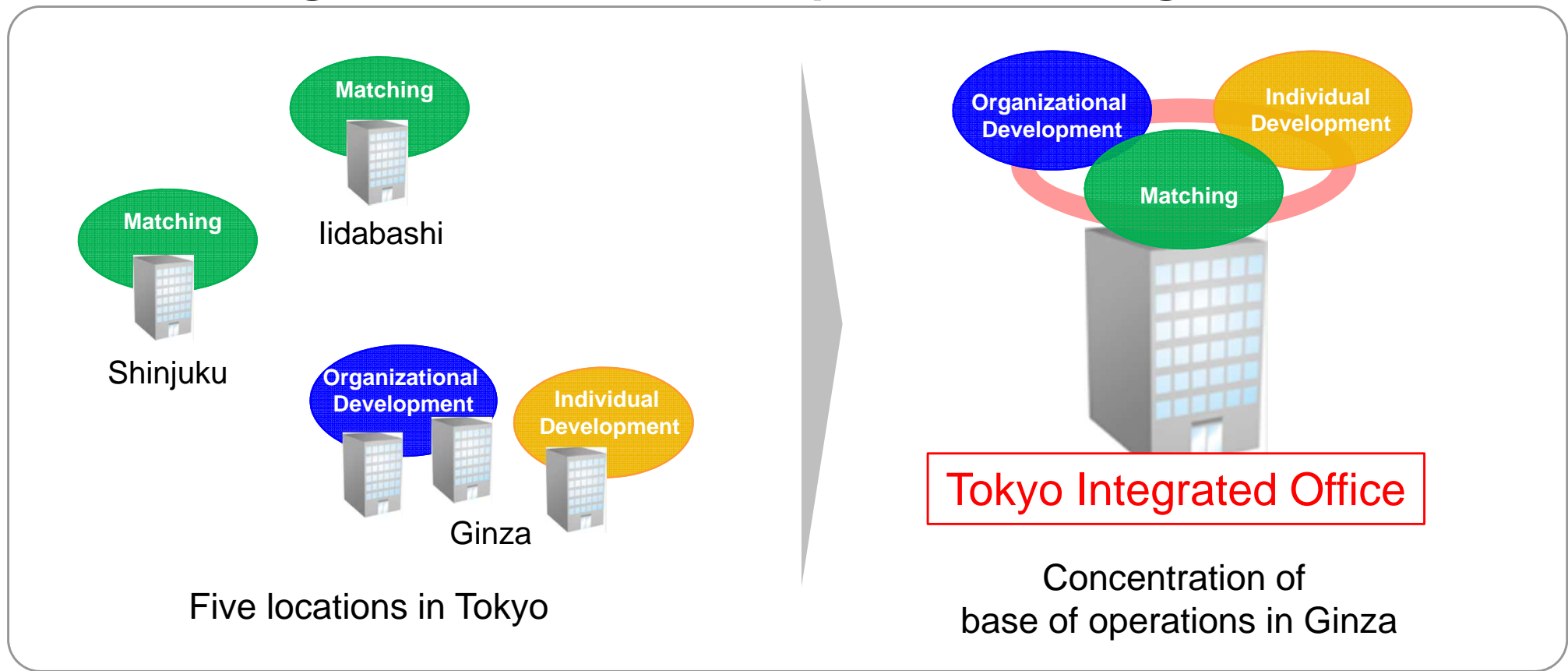
Relocation Date: **May 2017** (scheduled)

New Location: **Ginza Six** (Ginza 6-chome, Chuo-ku) on site of former Matsuzakaya Department Store



# Relocation to Tokyo Integrated Office

## Generating Greater Value as a Location That Strengthens Seamless Cooperation among Divisions



- Creating an environment that promotes interdivisional communication will accelerate information sharing and spur stronger business cooperation.

# Upward Revision of Business Results Forecast

(¥ million)	2015 Results	Before Revision		After Revision	
		2016 Forecast	YoY Change	2016 Forecast	YoY Change
Net Sales	31,950	34,000	+6.4%	34,000 (Record High)	+6.4%
Operating Income	868	1,650	+90.1%	<b>1,860</b> (Record High)	+114.3%
Ordinary Income	767	1,600	+108.6%	<b>1,760</b> (Record High)	+129.4%
Net Income	-316	1,300	-	<b>1,350</b> (Record High)	-

- Due to steady progress in results of the high-margin Organizational Development Division, we have revised forecasts upward for each item from operating income to the bottom line.
- Even taking into account investment costs for the integrated Tokyo office that will arise during 2016, we forecast that we will achieve record-high results at every level of income.



# 3

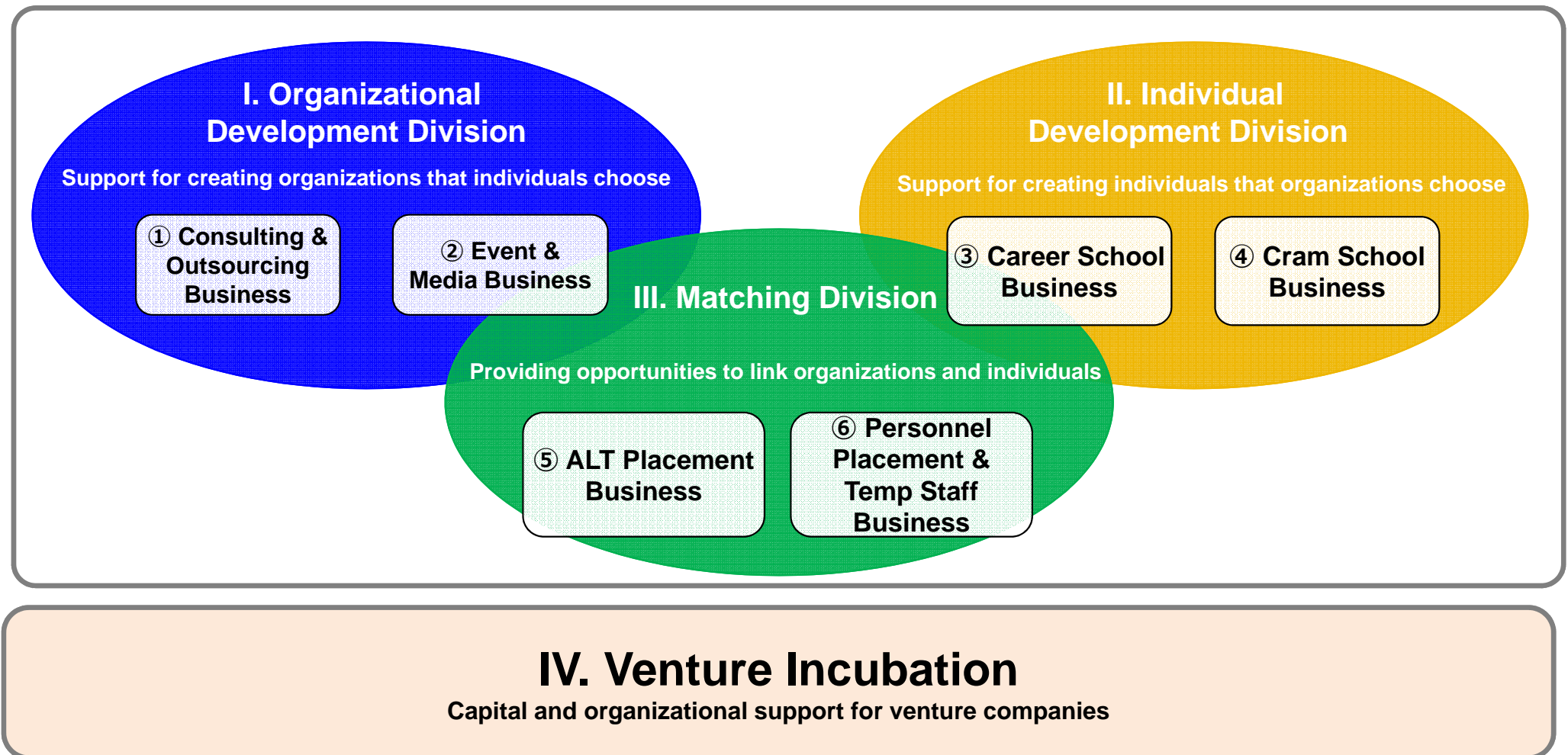
## Topics



# Operating Structure from the Third Quarter of 2016

## Mission:

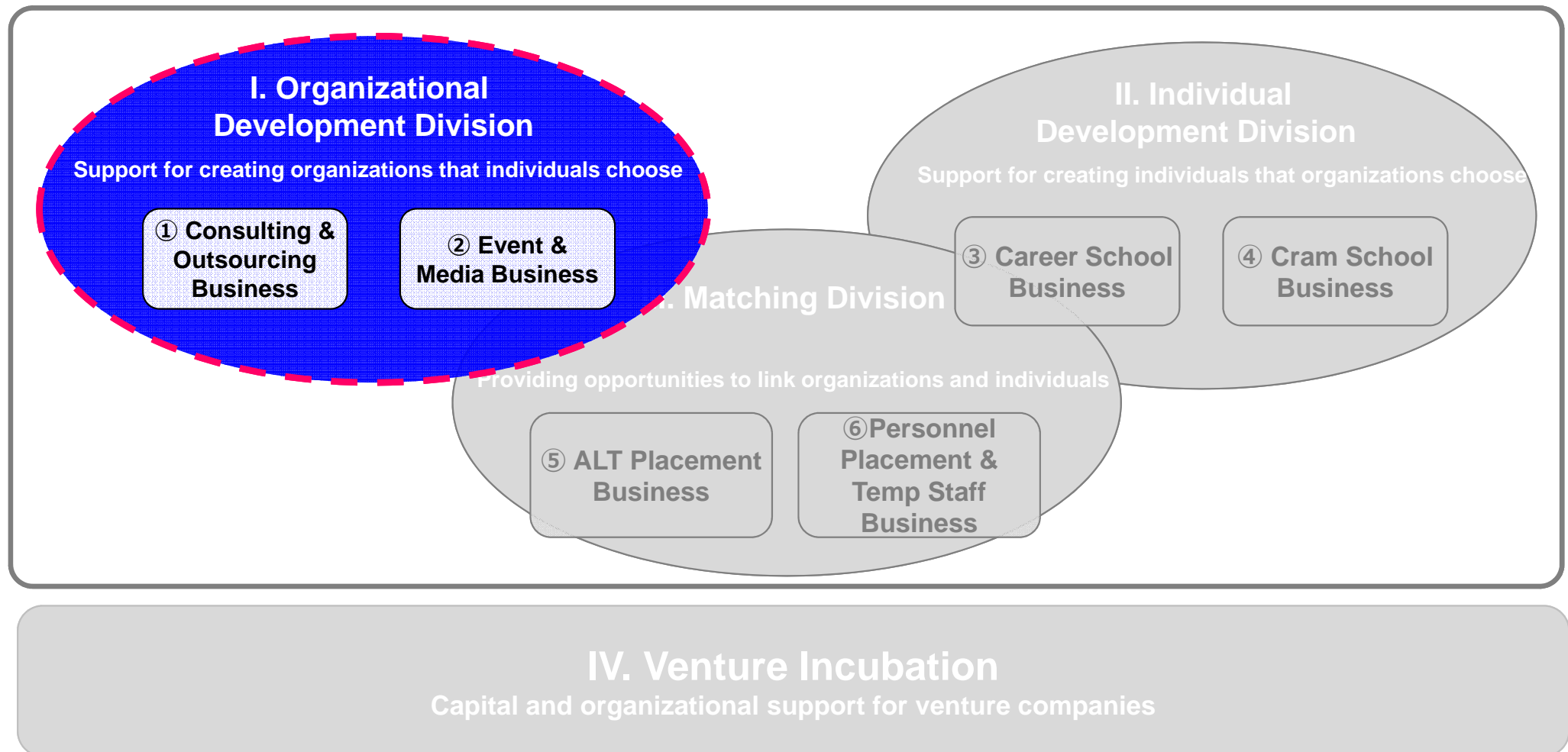
We will provide **organizations** and **individuals** with opportunities for transformation through Motivation Engineering to help achieve a more meaningful society.



# Operating Structure from the Third Quarter of 2016

## Mission:

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





**Steady increase in business** since the July 2016 release of “Motivation Cloud,” Japan’s first cloud-based service for organizational improvement, as an HR technology.

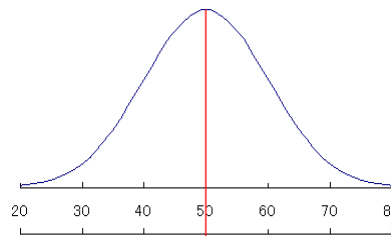
## Overview of the Service



# MOTIVATION CLOUD

Note: Patent pending.  
To be operated using AI.

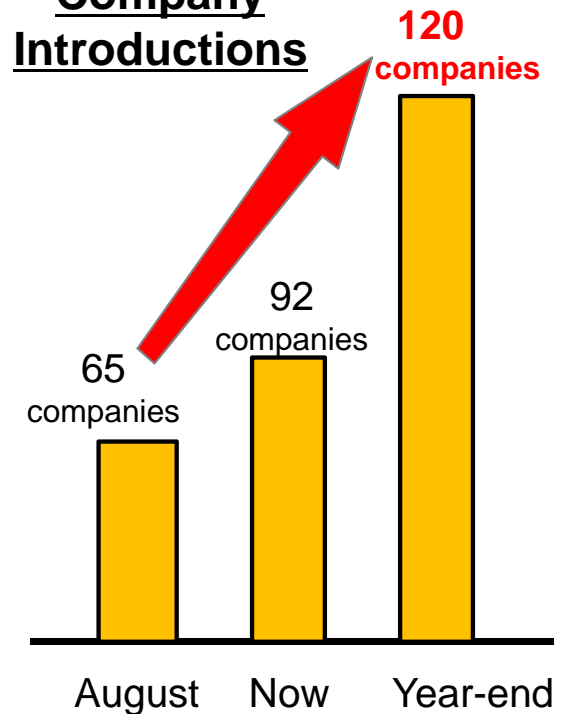
- **Organizational Diagnostics**  
Standardized scoring for organizational conditions using **data on 560,000 people at 2,350 companies.**



- **Organizational Improvement**  
**Cloud-based management** to monitor progress in organizational improvement



## Progress in Company Introductions

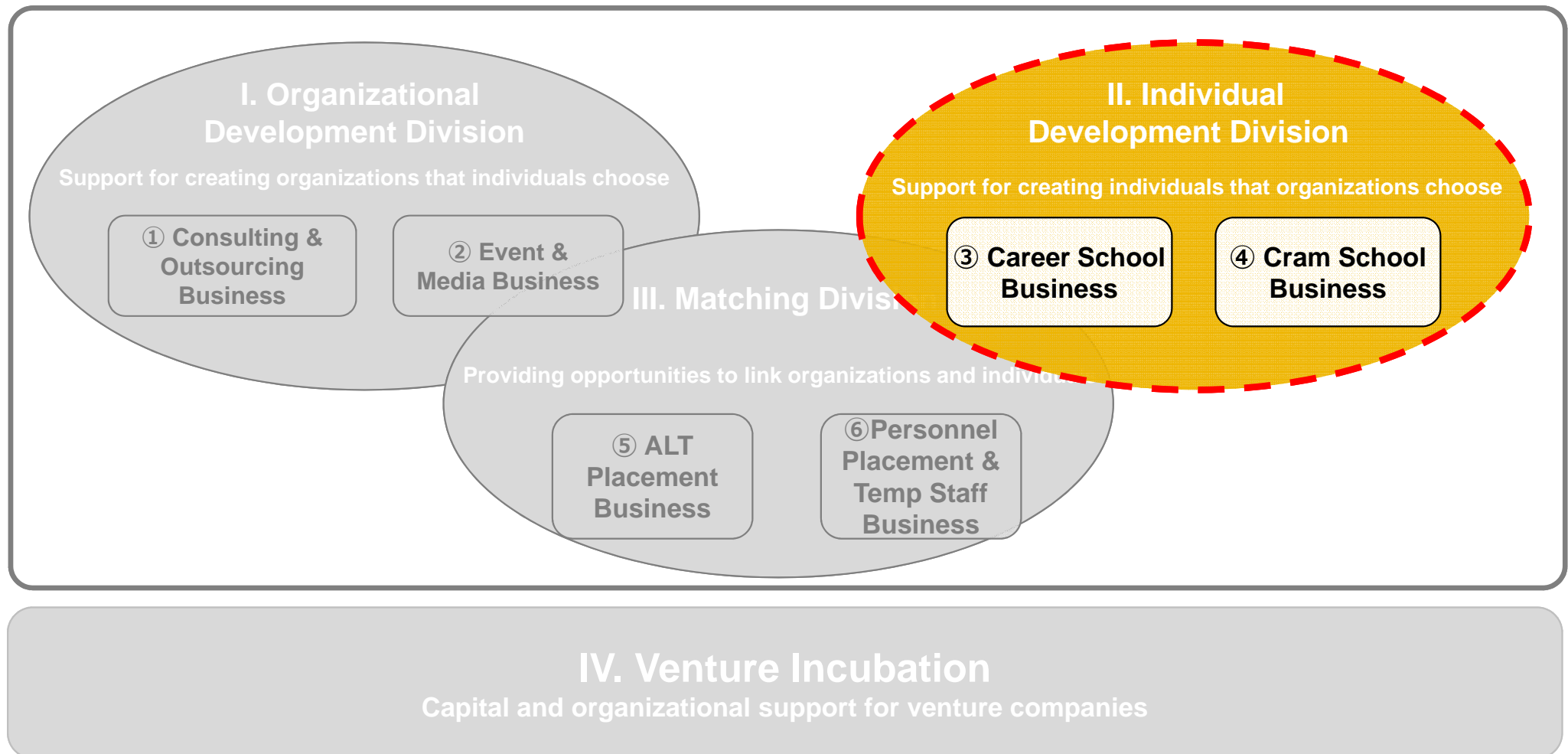


- Smooth launch of the test marketing stage since the launch in July, with a forecast of introduction at 120 companies during 2016.
- We continue to enhance product functions and expand the customer base toward introduction at 2,000 companies by 2020.

# Operating Structure from the Third Quarter of 2016

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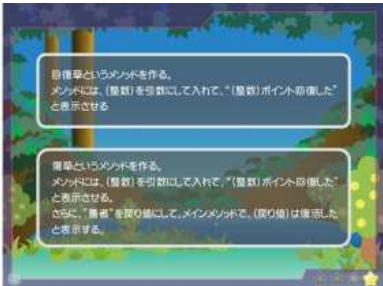
# Career School Business: “Aviva Pro” IT Course

Backed by the shortage of corporate IT staff as the IoT market expands,  
the Aviva Pro training course for IT human resources is steadily growing

## Service Overview

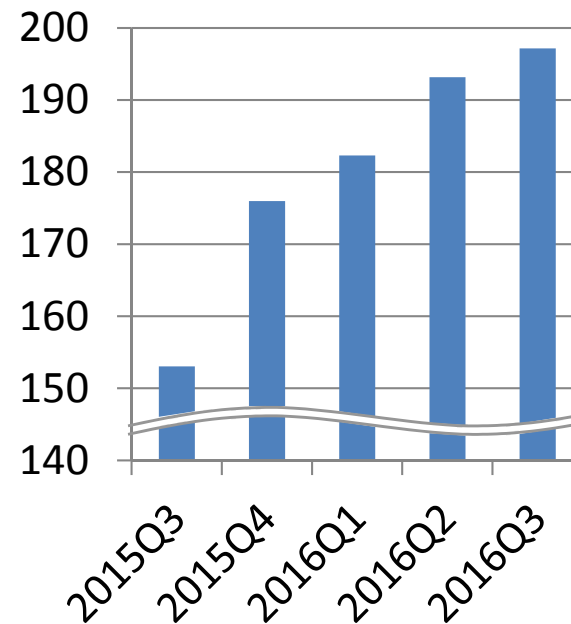


Released in July 2015. A course that teaches programming skills in a game format



## Aviva Pro Sales

(Millions of yen)



2016Q3 sales  
= approx. ¥200 million

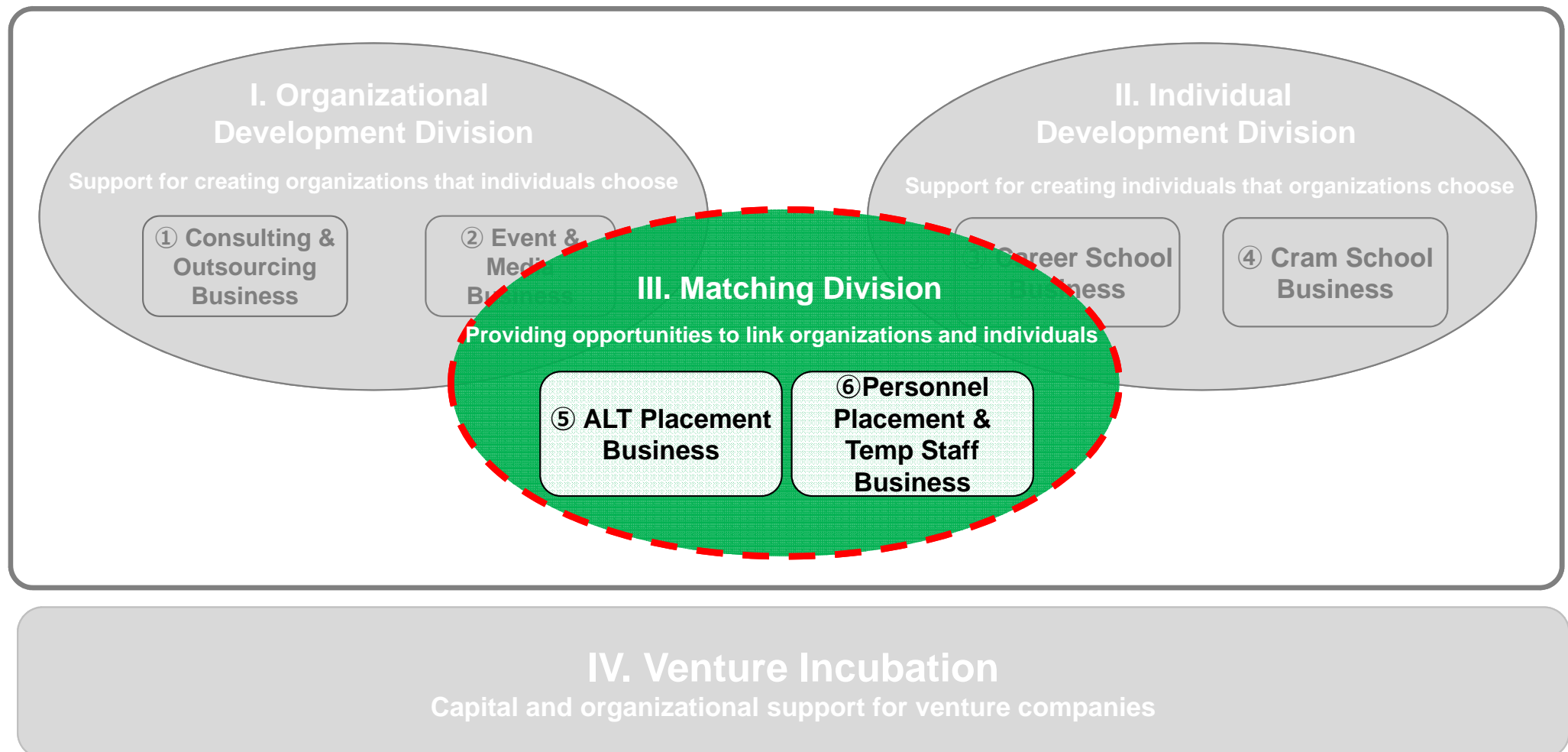
¥200 million × 4 quarters  
= **¥800 million/year**

- Steady increase in sales with Aviva Pro as the product following Office, our original core product (growth to an annual scale of ¥800 million)
- Ongoing acceleration in developing and turning out IT personnel who are eager to learn

# Operating Structure from the Third Quarter of 2016

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# Matching Division: Establishment of New Company

## LM Group Assets Cultivated in the ALT Placement Business

### Recruiting/Training Capabilities for Foreigners

Recruit **approximately 1,000** English-speaking foreigners each year from a database of **approximately 20,000 foreigners in 150 countries** and train them as ALTs



### Foreigner Labor Management Capability

A network of **approximately 400 people** in Japan who provide support for everyday living for **approximately 3,000 foreigners**



- Establish a new company to make full use of one of Japan's strongest foreigner recruiting/training and labor management capabilities, cultivated in the ALT Placement Business

# Matching Division: Establishment of New Company

## Overview of New Company

### **Link Japan Careers Inc.**

Representative: Hiroyuki Kitsu, President and Representative Director

Establishment: October 3, 2016

Start of Operations: April 2017 (scheduled)  
(Employment/temp agency license application pending)

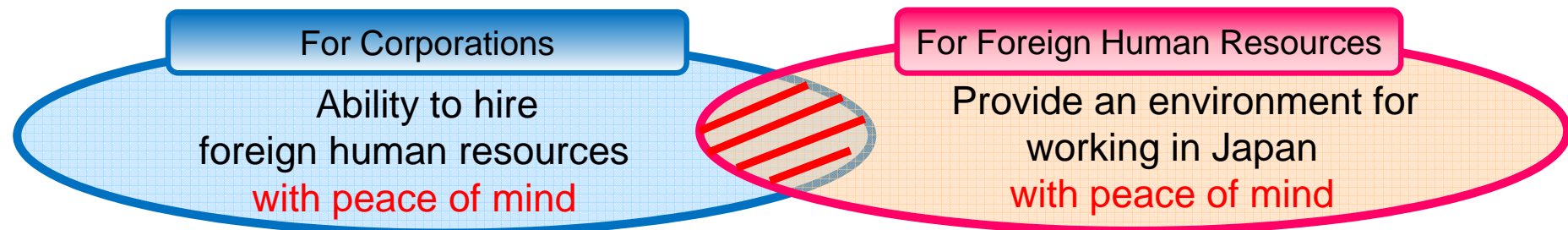


Link and Motivation Group

**Link Japan Careers Inc.**

株式会社リンクジャパンキャリア

## Service Value of New Company



By providing one-stop recruiting, training and lifestyle support for foreign human resources, support employment of foreign human resources in Japan

**Recruiting support**

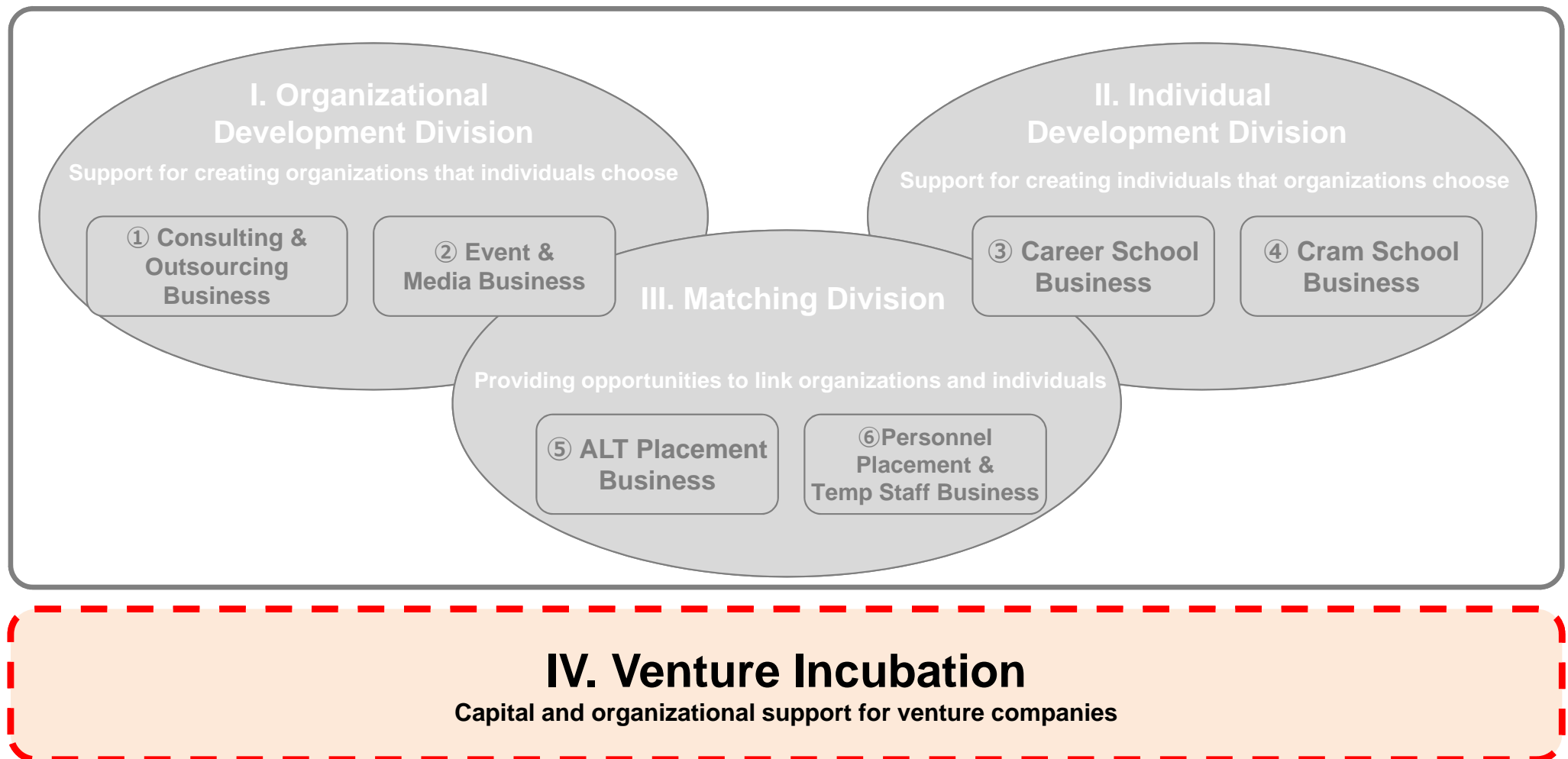
**Training support**

**Lifestyle support**

# Operating Structure from the Third Quarter of 2016

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# Venture Incubation Business: Investments at a Glance

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



⑨ Renoveru Co., Ltd.  
Used housing renovation



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



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



③ Akatsuki Inc.  
App development/  
Smartphone service development



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



④ FiNC Inc.  
FiNC diet coaches/Wellness management support



⑫ Innovation Inc.  
Marketing support specializing in BtoB



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



⑬ First Brand Inc.  
Corporate and individual branding support



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



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



⑦ schoo Inc.  
Schoo Web campus



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



⑧ raksul, Inc.  
E-commerce printing/support for attracting customers



⑯ ashita-team Inc.  
Creation of/support for personnel evaluation systems



- Selection criteria: (1) Sympathy with creating a Motivation Company; (2) Aim to list stock
- Target investment ratio: 3% to 10%
- Contribution to business growth through support in the organizational and personnel field
- On November 9, we will sign a basic agreement to invest in ashita-team Inc.



# Venture Incubation: Basic Agreement to Invest in ashita-team Inc.

ashita-team Inc.

**Established:** September 2008

**Representative:** Kyosuke Takahashi

**Capital:** ¥368,100 thousand (including capital surplus)

**Employees:** 81 (As of June 2016)

**Mission:** Build tomorrow's team by creating excitement in working people.

**Businesses:** Consulting for creating personnel evaluation systems

Outsourcing for personnel evaluation systems

Cloud-based services for personnel evaluation



Kyosuke Takahashi,  
President

はたらく人のワクワクをクリエイトする。

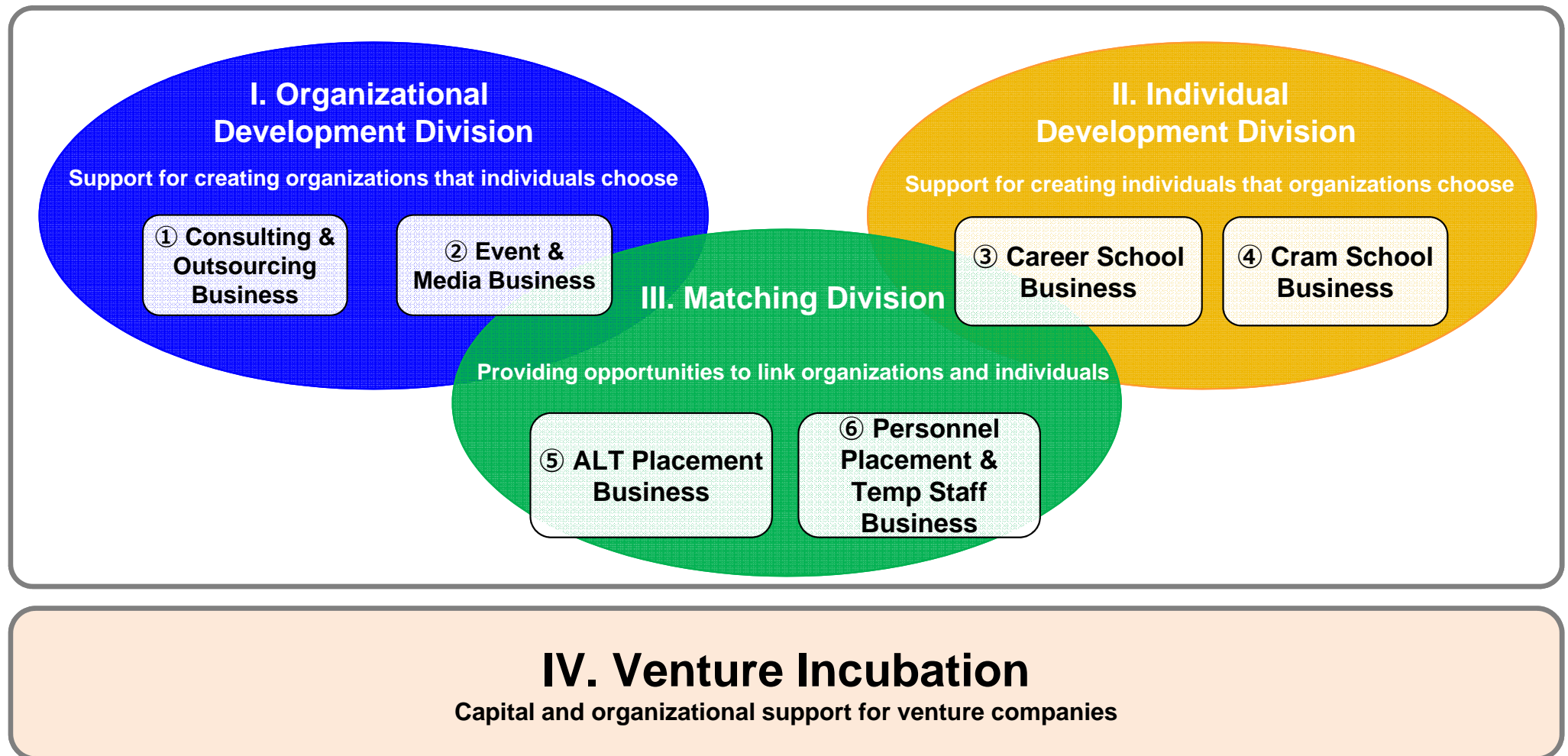
**あしたのチーム**

- We will contribute to business expansion by providing organizational support, as well as capital.

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for the Nine Months Ended September 30, 2016



ひとりひとりの本気がこの世界を熱くする

Link and Motivation Group

