

Link and Motivation Inc.
Consolidated Financial Information
for the Fiscal Year Ended December 31, 2016



ひとりひとりの本気がこの世界を熱くする

Link and Motivation Group



1. Announcement of Results for 2016
2. 2017 Forecast
3. Dividend Increase
4. New M&A

1

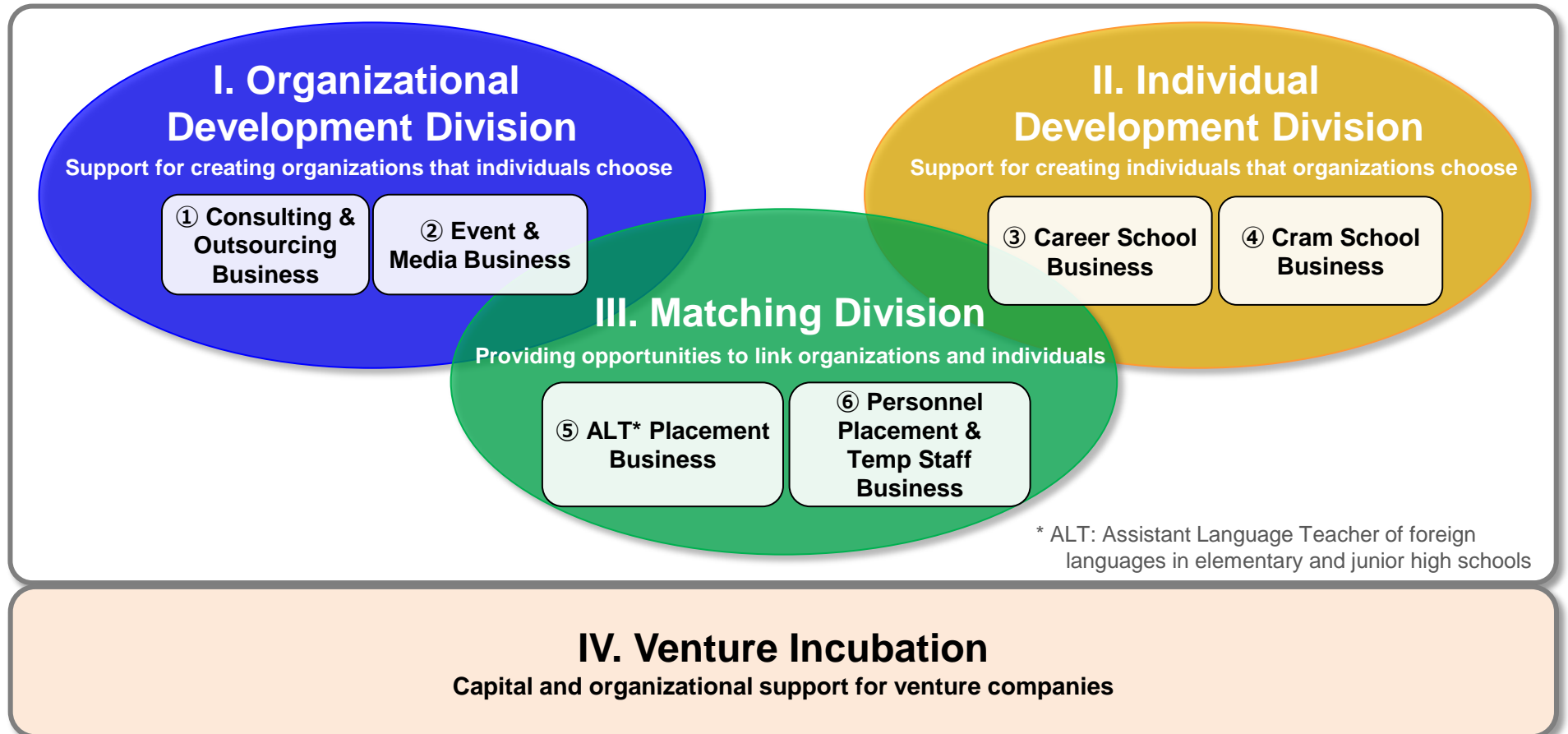
Announcement of Results for 2016



Link and Motivation Group Operating Structure

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	31,950	33,917	+6.2%
Operating Income	868	1,924	+121.7%
Ordinary Income	767	1,826	+138.1%
Net Income	-316	1,353	—

- Net sales increased YoY (record high) due to the strong performance of the Organizational Development Division.
- Operating income and ordinary income increased substantially YoY (record highs) due to the strong performance of the high-margin Organizational Development Division.
- Net income increased substantially YoY (record high) 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. Forecast)

(¥ million)	2015 Results	2016 Forecast (Revised)	2016 Results	Results vs. Forecast	YoY Change
Net Sales	31,950	34,000	33,917	-0.2%	+6.2%
Operating Income	868	1,860	1,924	+3.5%	+121.7%
Ordinary Income	767	1,760	1,826	+3.8%	+138.1%
Net Income	-316	1,350	1,353	+0.3%	-

- Net sales fell slightly short of the forecast, but operating income, ordinary income and net income exceeded the forecast due to strong performance by the high-margin Organizational Development Division.

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

(¥ million)	2015 Results	2016 Results	YoY Change
Total SG&A Expenses	10,021	10,350	+3.3%
① Personnel Expenses	4,347	4,828	+11.1%
② Recruiting, Training and Welfare Expenses	543	607	+11.8%
③ Rent	674	631	-6.4%
④ Office and System Expenses	1,036	1,164	+12.3%
⑤ Sales-related Expenses	1,792	1,470	-18.0%
⑥ Transportation and Other Expenses	893	914	+2.3%
⑦ Amortization of Goodwill	733	733	0.0%

- **YoY increase (¥329 million increase)** in total SG&A expenses.
- **① Personnel expenses increased YoY (¥481 million increase)** due to an increase in the Groupwide number of sales employees and an increase in bonuses associated with strong results.
- **② Recruiting, training and welfare expenses increased YoY (¥64 million increase)** due to a focus on new graduate and mid-career hires for Group expansion.
- **④ Office and system expenses increased YoY (¥128 million increase)** due to increases in depreciation expense and remodeling and relocation expenses associated with the establishment of integrated offices in Fukuoka and Nagoya and preparation for the establishment of an integrated office in Tokyo.
- **⑤ Sales-related expenses decreased substantially YoY (¥322 million decrease)** due to 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	8,374	10,242	+22.3%
	Gross Profit	[4,238]	[6,503]	+53.4%
Individual Development Division	Sales	7,114	6,651	-6.5%
	Gross Profit	[2,731]	[2,300]	-15.8%
Matching Division	Sales	17,305	17,973	+3.9%
	Gross Profit	[4,215]	[4,208]	-0.2%

- 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	8,374	10,242	+22.3%
	Gross Profit	[4,238]	[6,503]	+53.4%
Individual Development Division	Sales	6,518	6,651	+2.0%
	Gross Profit	[2,134]	[2,300]	+7.8%
Matching Division	Sales	17,305	17,973	+3.9%
	Gross Profit	[4,215]	[4,208]	-0.2%

Note: Excludes transactions among some Group companies.

- In the Individual Development Division, sales increased slightly and gross profit increased YoY, excluding transactions among some Group companies, and performance of the division's core business was firm.

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	8,374	10,242	+22.3%
	Gross Profit	[4,238]	[6,503]	+53.4%
Individual Development Division	Sales	6,518	6,651	+2.0%
	Gross Profit	[2,134]	[2,300]	+7.8%
Matching Division	Sales	17,305	17,973	+3.9%
	Gross Profit	[4,215]	[4,208]	-0.2%

Note: Excludes transactions among some Group companies.

- In the Matching Division, sales increased and gross profit decreased slightly YoY as performance by the ALT Placement Business was firm but the Personnel Placement & Temp Staff Business cut back on sales of recruiting and introductions to other companies to strengthen recruiting for the Company and Group companies.

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

Product (¥ million) [Gross profit in brackets]	2015 Results	2016 Results	YoY Change
① Consulting & Outsourcing Business	6,708 [3,462]	8,037 [5,474]	+19.8% +58.1%
Package	2,226	2,424	+8.9%
Consulting	2,766	3,552	+28.4%
Outsourcing	1,145	1,322	+15.4%
Member/database services	571	738	+29.4%
② Event & Media Business	3,280 [922]	3,677 [1,349]	+12.1% +46.2%
Event production	2,236	2,462	+10.1%
Media production	1,044	1,215	+16.5%

- In ① the Consulting & Outsourcing Business, sales and gross profit both increased substantially YoY with significant growth in member/database services due to the new “Motivation Cloud” service, in addition to growth in consulting with the theme of strengthening sales capabilities and package sales for new employee training, etc.
- 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 Results		2016 Results		YoY Change
	Results	% of total	Results	% of total	
③ Career School Business	6,436 [2,141]	-	6,546 [2,314]	-	+1.7% +8.1%
Office	3,309	51.4%	3,235	49.4%	-2.2%
Pro Series	604	9.4%	744	11.4%	+23.2%
Accounting courses	650	10.1%	581	8.9%	-10.7%
National exam courses	508	7.9%	587	9.0%	+15.6%
Civil servant courses	928	14.4%	1,214	18.6%	+30.9%
Educational materials/other	435	6.8%	182	2.8%	-58.1%
④ Cram School Business	81 [-6]	-	104 [-13]	-	+28.4% -

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 School Business, sales increased slightly and gross profit increased YoY with a steady portfolio shift from Office to Pro Series to capture needs for IT skill acquisition, 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 YoY due to a steady increase in the number of students from the establishment of a new school, but gross profit decreased YoY due to a one-time increase in costs for establishing the new school.

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	9,820 [2,623]	10,162 [2,723]	+3.5% +3.8%
⑥	Personnel Placement & Temp Staff Business	7,276 [1,561]	7,820 [1,494]	+7.5% -4.3%
	Store sales temp staff	6,117	6,711	+9.7%
	Office temp staff	604	619	+2.5%
	Recruiting/introductions	551	487	-11.6%

* 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 Personnel Placement & Temp Staff 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 YoY due to a cutback in sales of recruiting and introductions to other companies to strengthen recruiting for the Company and Group companies.

Consolidated Balance Sheets (Results/YoY Change)

(¥ million)	2015	2016	Change
Current Assets	5,851	6,974	+1,122
Property and Equipment	11,616	11,797	+180
Assets Carried Over	6	1	-4
Total Assets	17,474	18,773	+1,299
Current Liabilities	8,866	9,120	+253
Long-term Liabilities	2,575	3,858	+1,283
Total Liabilities	11,441	12,979	+1,537
Net Assets	6,032	5,794	-238

- Assets **increased** due to investment in a new incubation company, receipt of a deposit for the Tokyo Integrated Office and other factors, in addition to an increase in accounts receivable associated with strong sales.
- Liabilities **increased** because the above asset acquisitions were funded by borrowing.
- Net Assets **decreased slightly** as a decrease due to purchase of treasury stock was covered by recording net income.
- As a result, ROE **increased to 22.9%**.

- Dividend Policy for 2016
 - Continue to **pay quarterly dividends**

- Scheduled Fourth-Quarter Dividend for 2016
 - A dividend of **140 yen** per unit of shares is scheduled to be paid on Friday, March 24, as originally planned.

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

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

2

2017 Forecast



Forecast of Results for 2017 (IFRS)

(¥ million)	2016 Results (IFRS)	2017 Forecast (IFRS)	YoY Change
Revenues	33,346	36,300 (Record High)	+8.9%
Operating Income before Exceptional Items	2,650	3,000 (Record High)	+13.2%
Operating Income	2,516	3,000 (Record High)	+19.2%
Net Income	1,670	2,000 (Record High)	+19.7%

Note: Figures for 2016 are provisional and unaudited.

- We will adopt International Financial Reporting Standards (IFRS) to improve the international comparability of financial information.
- We forecast record highs for revenues and each level of income.
- We forecast double-digit growth for each level of income with the contribution from improved profitability.

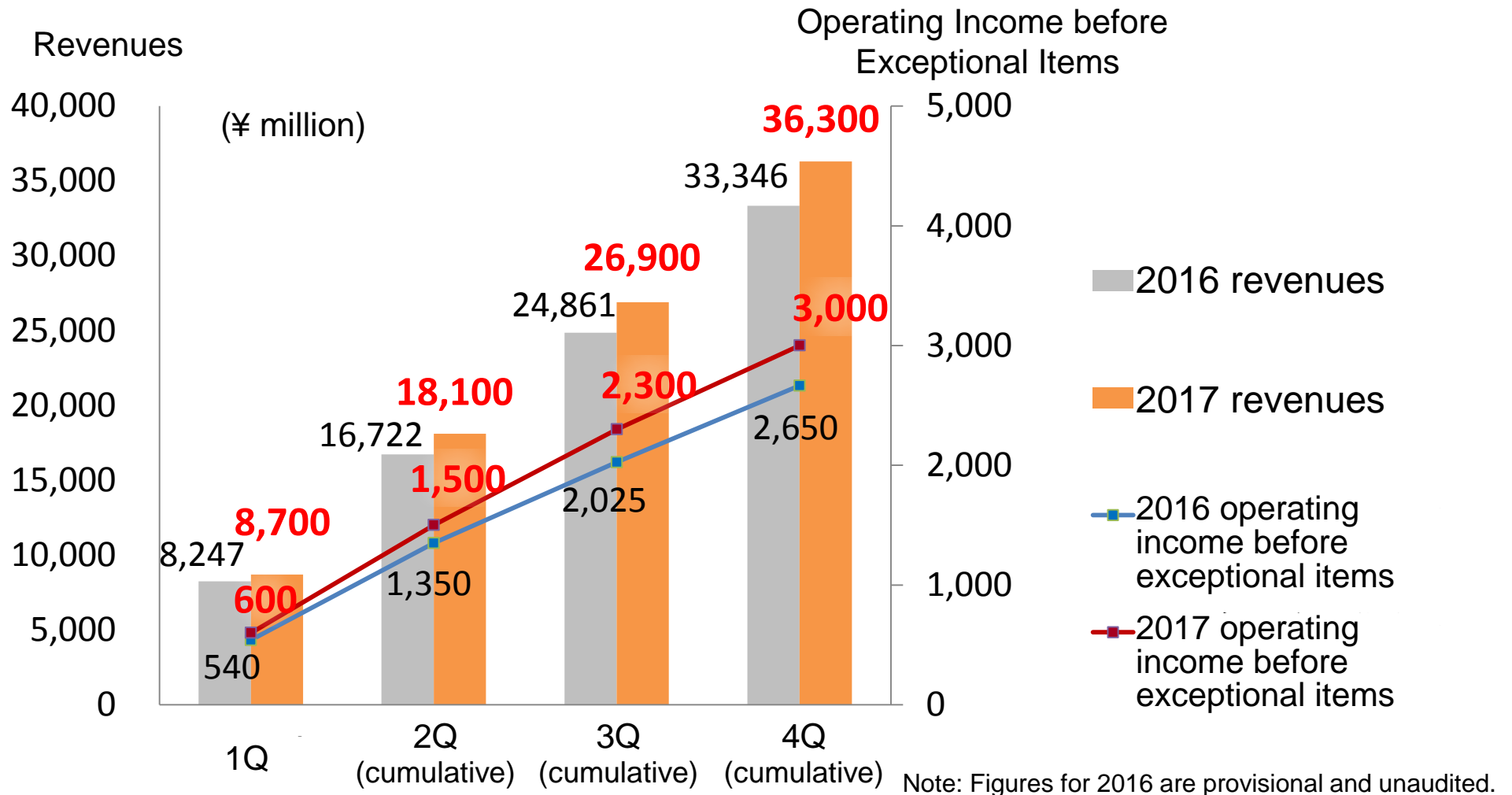
Forecast of 2017 Sales and Gross Profit by Division (IFRS)

(¥ million) [Gross profit in brackets]		2016 Results	2017 Forecast	YoY Change
Organizational Development Division	Sales	9,671	11,000	+13.7%
	Gross Profit	[6,503]	[7,500]	+15.3%
Individual Development Division	Sales	6,651	7,000	+5.2%
	Gross Profit	[2,300]	[2,500]	+8.7%
Matching Division	Sales	17,973	19,300	+7.4%
	Gross Profit	[4,208]	[4,700]	+11.7%

Note: Figures for 2016 are provisional and unaudited.

- The Organizational Development Division expects expansion of consulting for corporate work style innovation and Motivation Cloud, and forecasts substantial increases in both sales and gross profit YoY.
- The Individual Development Division expects steady growth from capturing HR needs in the service industry and at IT companies, and forecasts increases in both sales and gross profit YoY.
- The Matching Division expects expansion of the ALT market in line with government policies, and forecasts an increase in sales and a substantial increase in gross profit YoY.

Forecast of 2017 Revenues and Operating Income before Exceptional Items



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

Key Indicators by Division in 2017

Mission:

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

I. Organizational Development Division

**Hideki Sakashita, President
Link and Motivation Inc.**

II. Individual Development Division

**Takashi Oguri, President
Link Academy Inc.**

III. Matching Division

**Hiroyuki Kitsu
Director, Link Interac Inc.
President, Link Japan Careers Inc.**

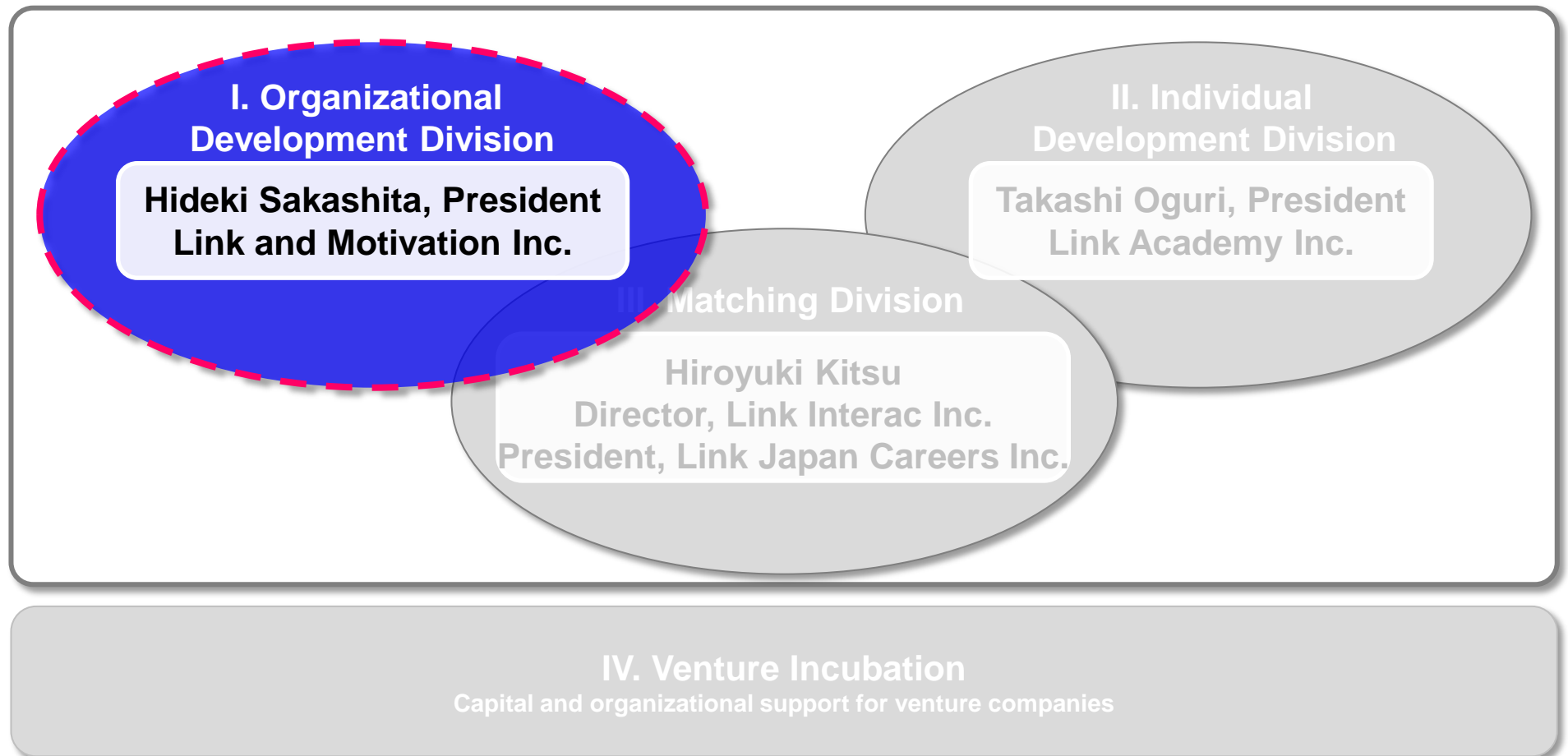
IV. Venture Incubation

Capital and organizational support for venture companies

Key Indicators by Division in 2017

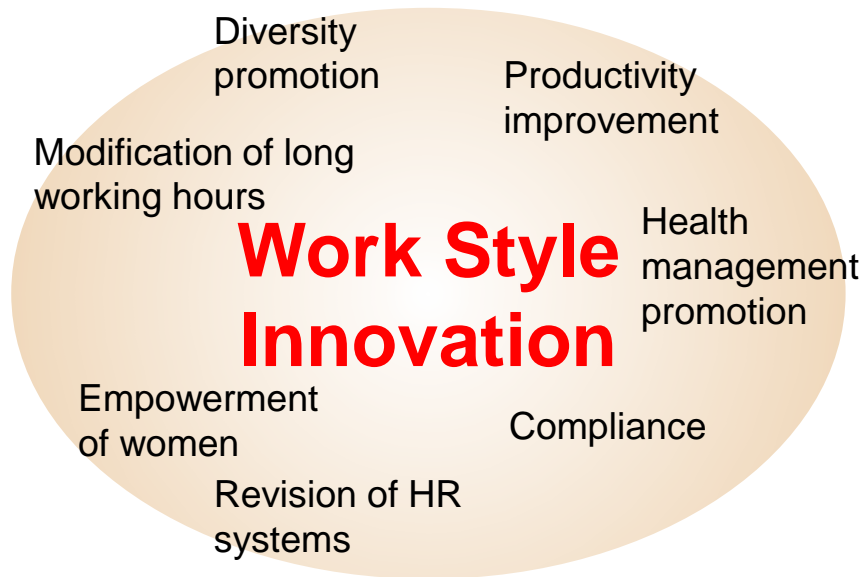
Mission:

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



Steady business expansion from management acceleration in terms of quantity and quality by capturing growing needs for work style innovation at Japanese companies

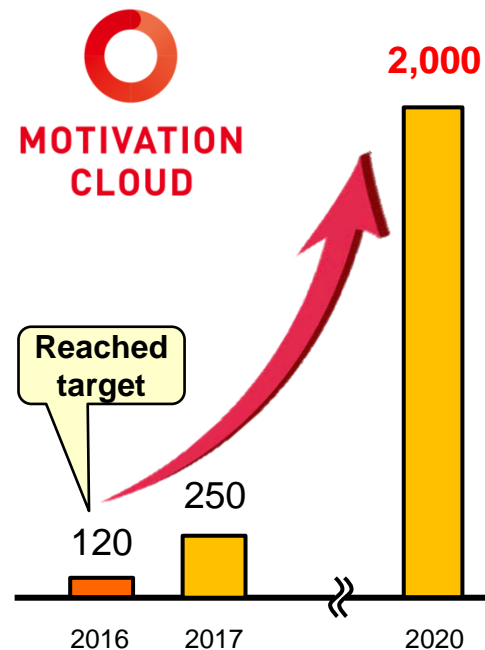
Changes in the external environment of the organizational HR field



We have entered an age when many companies, regardless of industry or scale, are rethinking their approaches to organizations and working style.

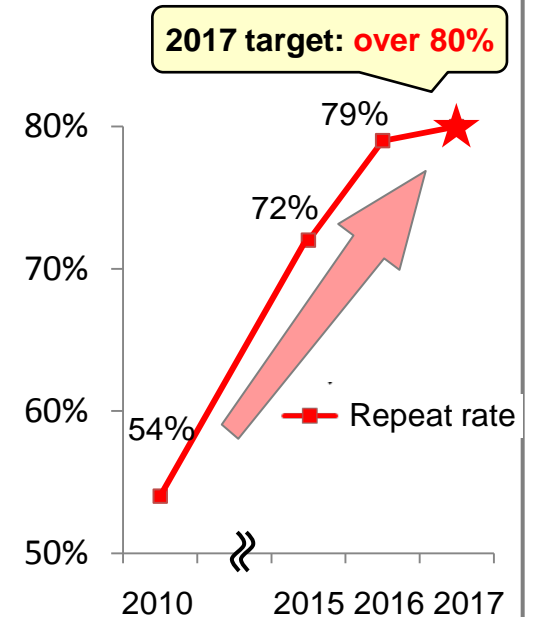
Key Quantity Indicator

Number of companies that have adopted Motivation Cloud



Key Quality Indicator

Link and Motivation Inc. customer repeat rate

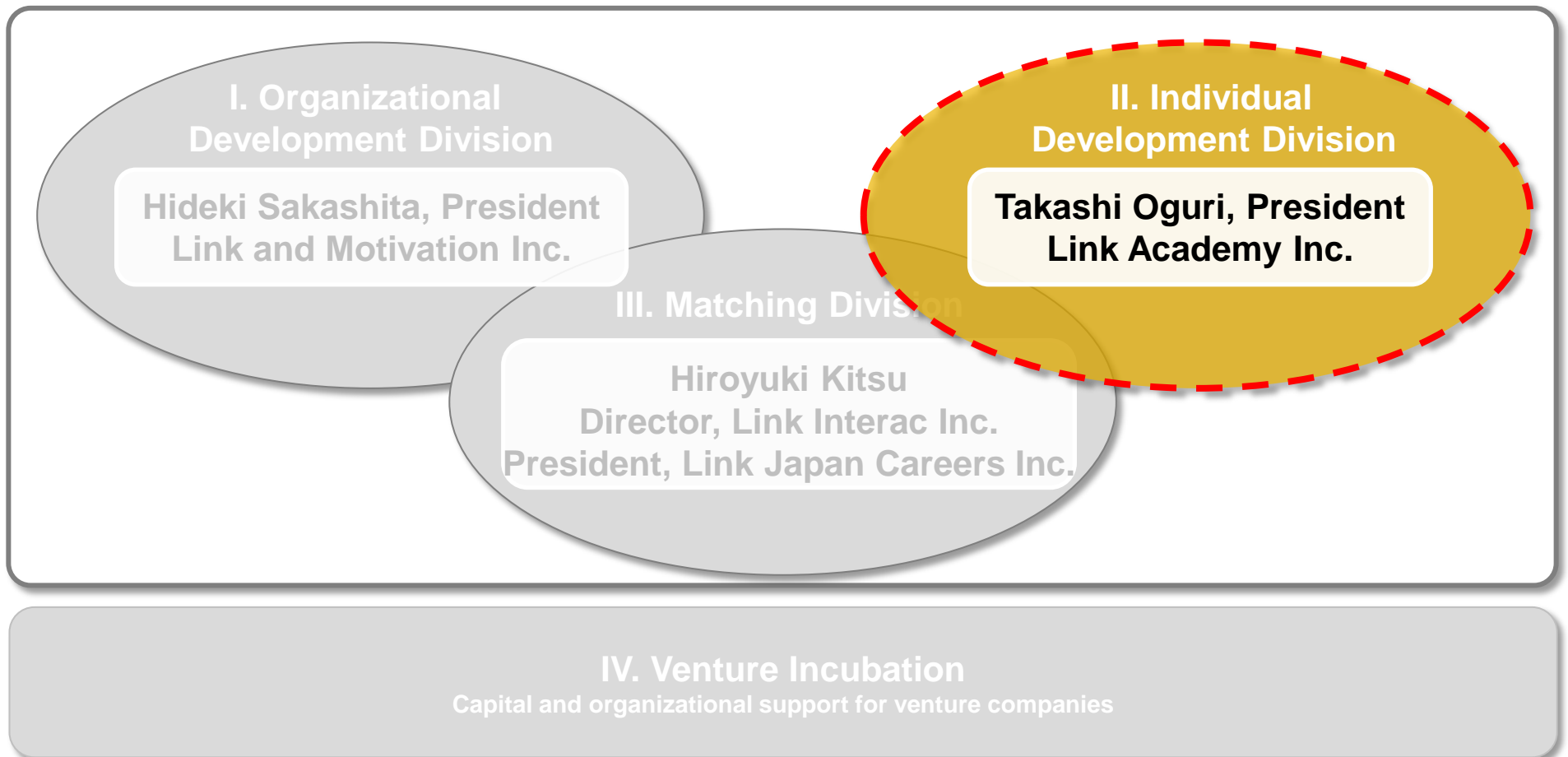


- In addition to increasing the number of companies that adopt Motivation Cloud, we intend to deepen customer relationships through an understanding of the associated management issues that arise from it.

Key Indicators by Division in 2017

Mission:

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

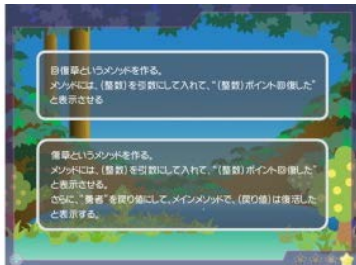


Backed by the shortage of corporate IT staff as the IoT market expands,
the Aviva Pro training course for IT human resources is steadily growing.

Service Overview

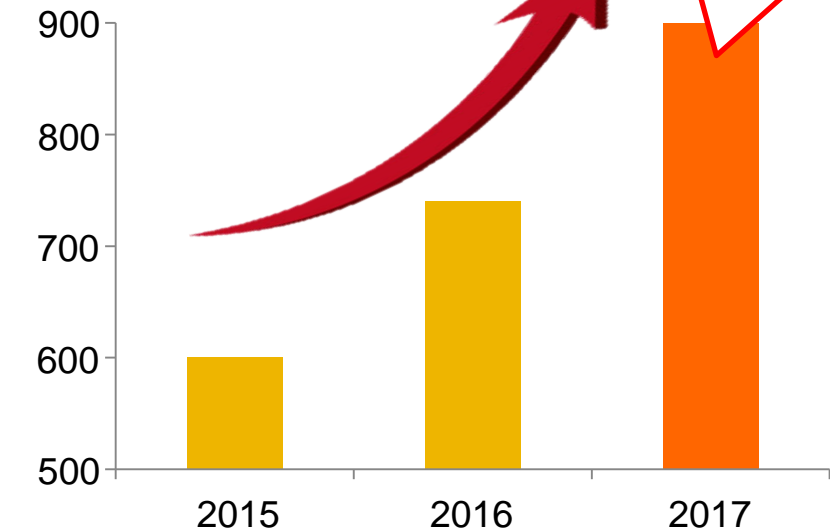


Released in July 2015. A course that teaches programming skills in a game format



Sales Plan

(¥ million)

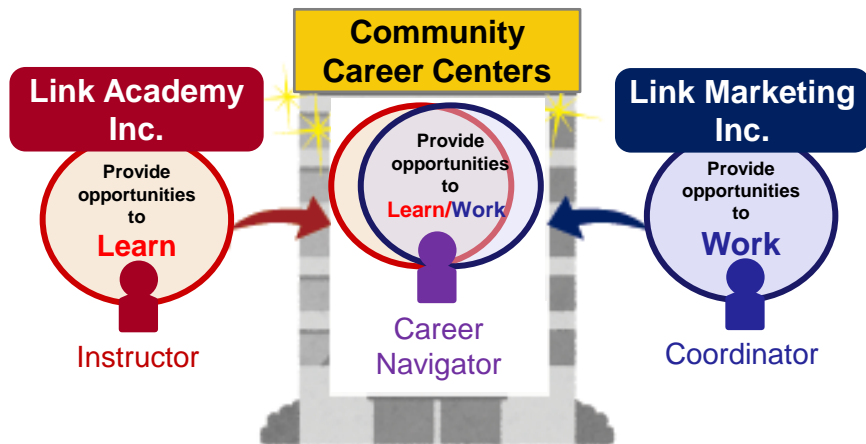


- Aviva Pro sales are expanding steadily due to the need to develop and turn out IT personnel who are eager to learn.
- Further growth is expected as a pillar of new businesses in the Individual Development Division.
- Plan for sales of ¥900 million (+20% YoY) in 2017

Startup of new Community Career Centers offering end-to-end career support using the assets of the Career School Business and the Personnel Placement & Temp Staff Business

Career Center Overview

Rollout of centers combining two companies that respectively provide opportunities to **learn** and to **work**. **Career Centers** offer an environment where each individual can take responsibility for his/her own career.



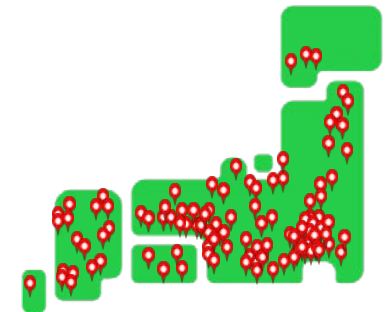
Center Rollout Plan (2017)

Career Centers: **7** locations

Workforce: Approx. **800**

(Number of people employed through the Career Center)

Note: We plan to convert our **103 schools** currently operating nationwide to **Career Centers** in stages.

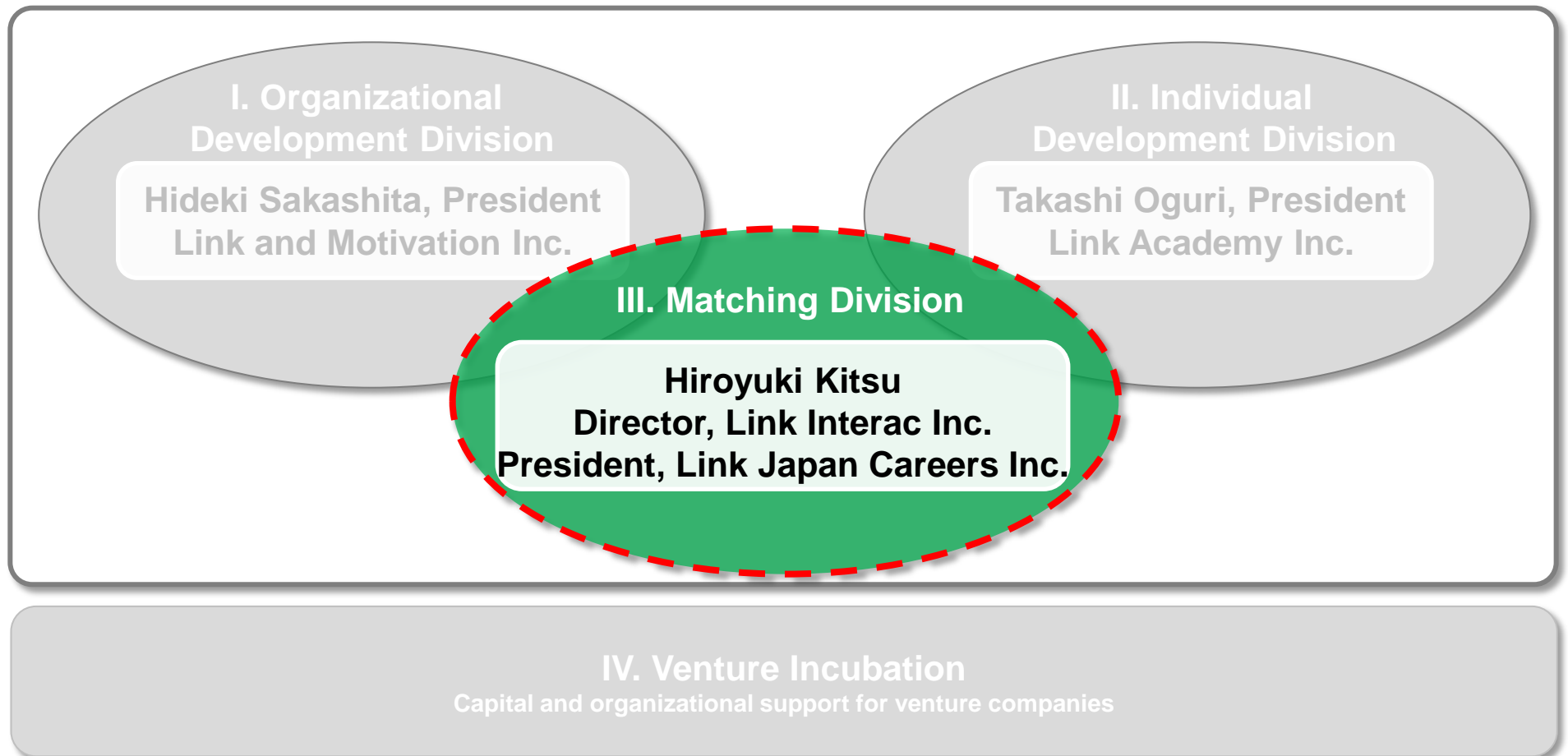


- Substantially increase value with end-to-end support for career formation tailored to each person.
- Open 7 Career Centers in locations nationwide to handle training and temp staffing functions in a single system.
- Planned workforce of 800 as of December 31, 2017 will contribute substantially to Matching Division sales.

Key Indicators by Division in 2017

Mission:

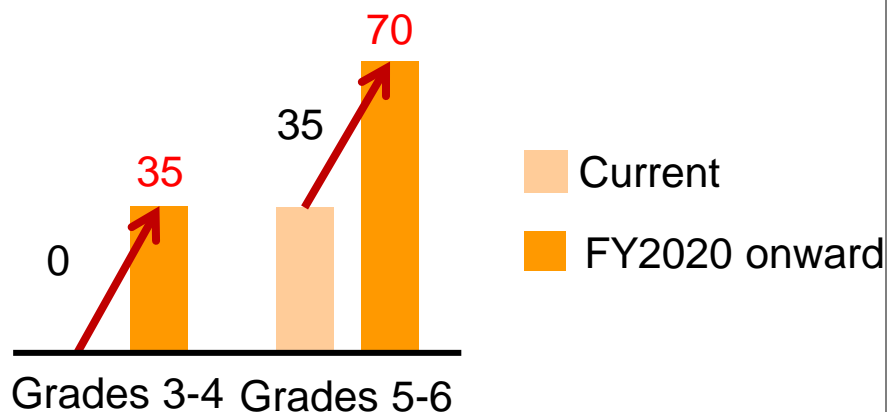
We will provide **organizations** and **individuals** with opportunities for transformation through Motivation Engineering to help achieve a more meaningful society.



Matching Division Key Indicator: ALT Placement

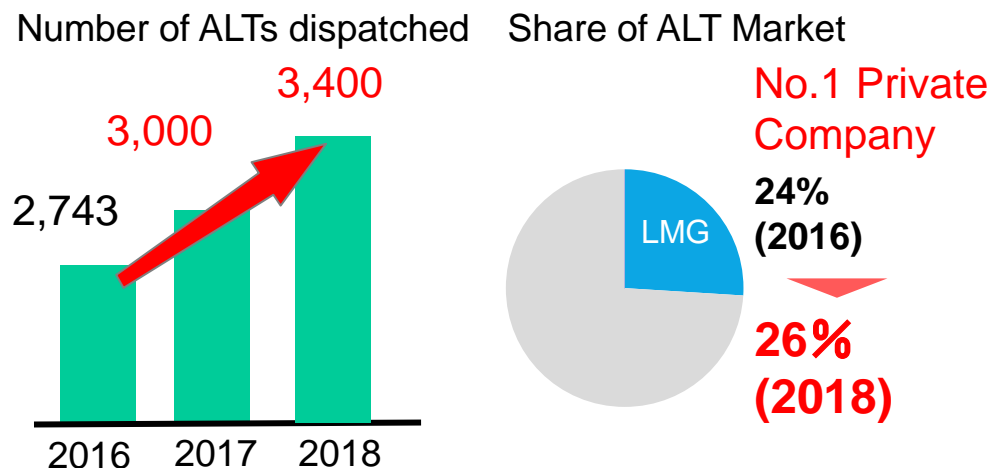
Expansion is forecast from acceleration of English education at Japanese public schools under a directive from MEXT.

Change in Annual Number of English Classes in Elementary Schools



Expected expansion of ALT market

ALT Workforce Plan



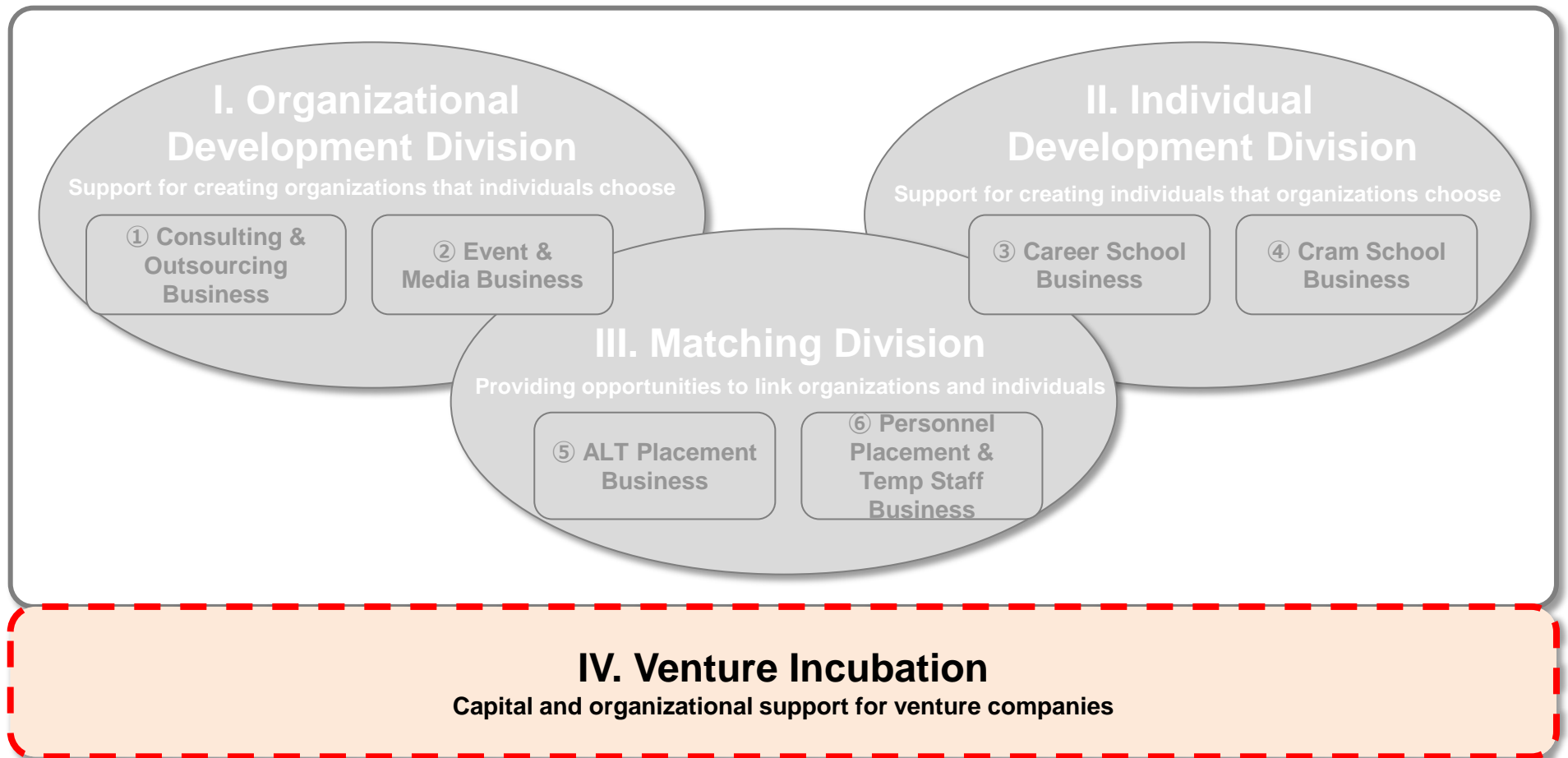
Aim for further share growth

- Plan to secure ALTs for all elementary schools (approx. 20,000) by fiscal 2019
(From "Five Recommendations on the English Education Reform Plan Responding to the Rapid Globalization," MEXT)
- We currently hold a 24% share of the ALT market (top share among private companies), and aim for further share growth in 2018.
- Plan for ¥11.0 billion in sales (+9% YoY) in the ALT Placement Business in 2017

Link and Motivation Group Operating Structure

Mission:

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



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



Stock Listed March 17, 2016

- 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



Stock Listed December 21, 2016

- 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
- Innovation Inc. listed its stock on December 21, 2016, and we completed investment in ashita-team Inc. on December 27, 2016.

3

Dividend Increase



- Following the dividend increase in the third quarter of 2016, we plan a dividend increase in the first quarter of 2017.

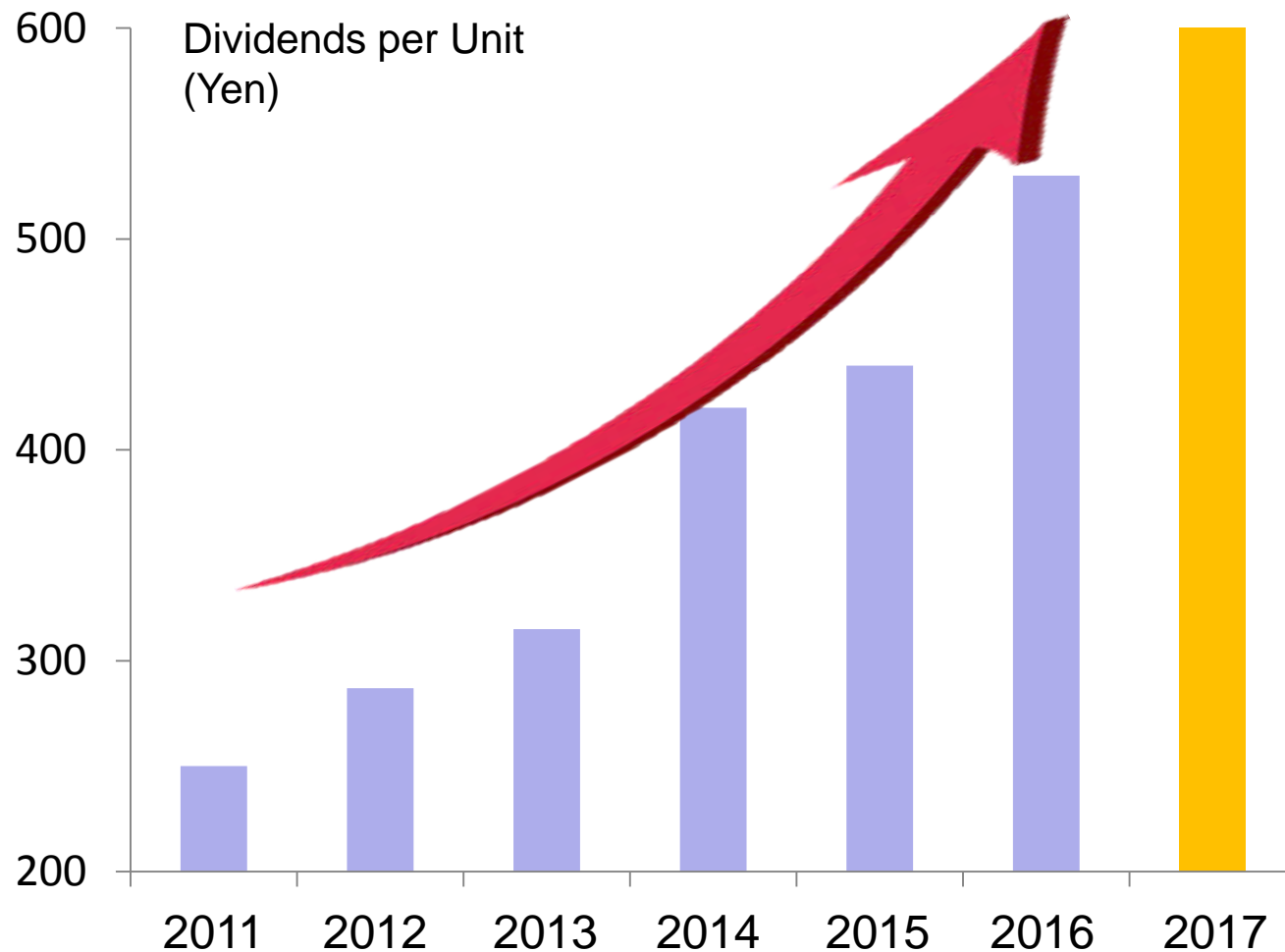
Dividend per unit of shares

• 140 yen \Rightarrow 150 yen (+7.1%)

	First Quarter Dividend	Second Quarter Dividend	Third Quarter Dividend	Fourth Quarter Dividend
2016 dividends per unit of shares	125 yen	125 yen	140 yen	140 yen
2017 dividends per unit of shares	150 yen	150 yen	150 yen	150 yen

Note: 100 shares per unit

Dividends



- We plan on a sixth consecutive year of dividend increases since 2011.
- We will continue our stance of providing a high return on profit.

4

New M&A



Signing of Basic Agreement on Share Acquisition

On April 1, 2017, we will acquire 51% of the equity of a company that operates foreign language schools and plan to roll out the Rosetta Stone brand of foreign language courses throughout Japan.

February 14, 2017: Signed basic agreement on share acquisition detailed below

Company Overview

Company name: Dean Morgan K.K.

Established: April 2004

Capital: ¥34 million

Net sales: ¥315 million (2015, consolidated)

Employees: Approximately 60

Locations: 5 (Shinjuku, Ikebukuro, Ginza, Umeda, Nanba)

Business: Operation of the Rosetta Stone brand of foreign language schools



Representative: Dean R. Rogers

Nationality: USA

Career: Graduate of UCLA, Japanese major
Harvard Business School graduate
Chairperson, Tokyo American Club
Olympic Committee



Rosetta Stone Learning Center foreign language school

One-on-one foreign language school (English/French) using the Rosetta Stone brand



Hummingbird foreign language school

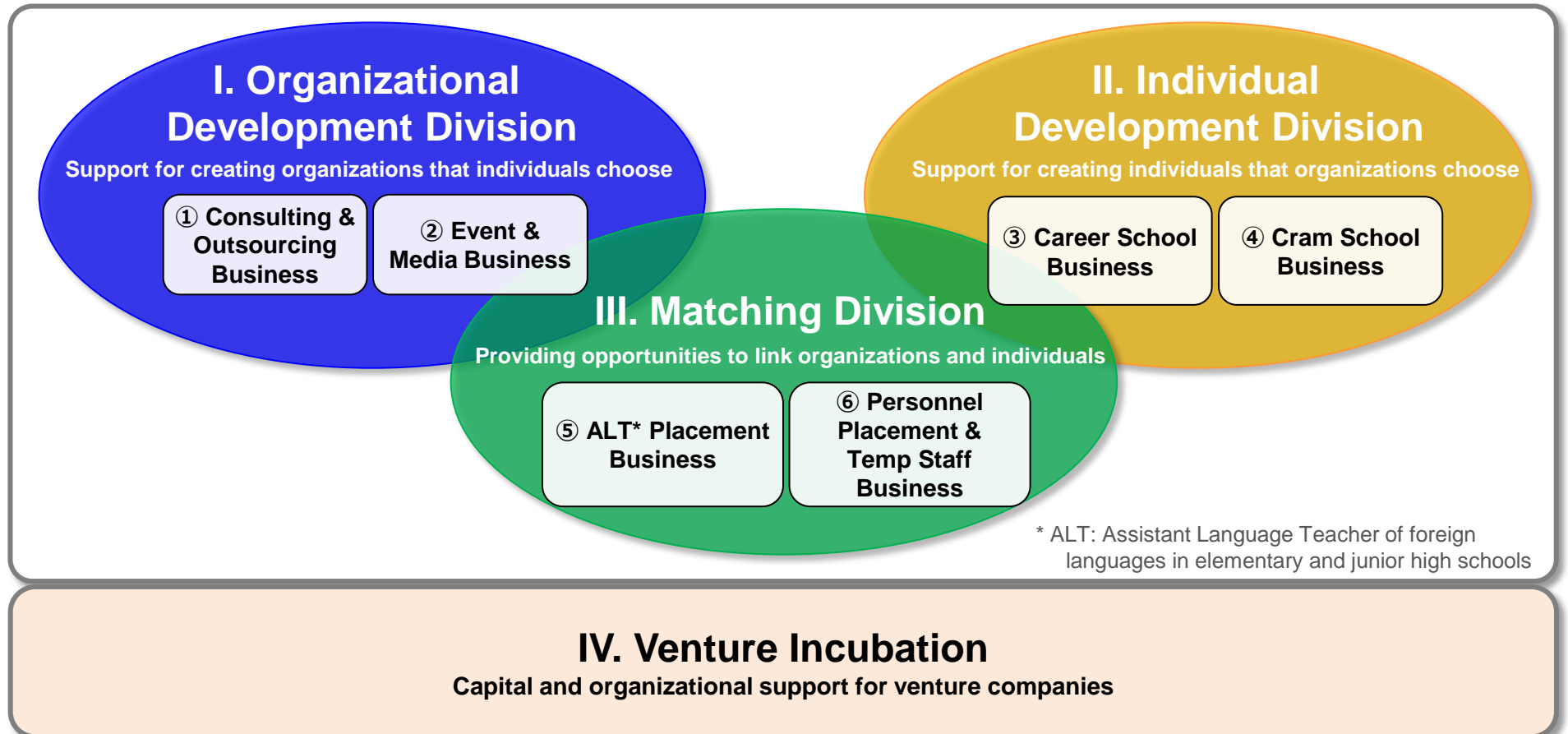
Foreign language group lessons that specialize in correcting pronunciation

- We plan a rollout in stages of foreign language classes at Link Academy Inc., which has 103 schools nationwide.
- Over the mid-to-long term, we aim to roll out a foreign language learning service for LMG's corporate customers and expand the foreign language business using the ALT Placement Business's accumulated recruiting and labor management capabilities.

Link and Motivation Group Operating Structure

Mission:

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



Link and Motivation Inc.
Consolidated Financial Information
for the Fiscal Year Ended December 31, 2016



ひとりひとりの本気がこの世界を熱くする

Link and Motivation Group

