Consolidated Financial Statements for the Fiscal Year Ended December 31, 2011

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

February 10, 2012

Link and Motivation Inc.
3-7-3 Ginza, Chuo-ku, Tokyo 104-0061
http://www.lmi.ne.jp

Stock exchange listing: Tokyo, First Section
Code number: 2170

Representative: Yoshihisa Ozasa, President and Representative Director
Contact: Shunichi Ohno, Managing Executive Officer and
Manager of Corporate Design Division Phone: +81-3-3538-8558

Ordinary General Meeting of Shareholders (scheduled): March 17, 2012
Start of distribution of dividends (scheduled): March 19, 2012
Filing of Securities Report (*Yuka Shoken Hokokusho*) (scheduled): March 19, 2012
Supplementary documents for quarterly results: No
Quarterly results briefing: No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for 2011 (January 1, 2011 - December 31, 2011)

(1) Sales and Income

(Percentages represent change compared with the previous year.)

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
2011	10,507	48.0	812	11.1	810	8.7
2010	7,098	(1.0)	731	783.9	746	697.9

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)	Return on equity (%)	Ordinary income/Total assets (%)	Ordinary income/Net sales (%)
2011	596	2.0	4,582.86	—	19.2	12.4	7.7
2010	585	—	4,339.19	—	19.4	16.4	10.3

(Reference) Equity in earnings of affiliates: ¥— million (2010: ¥— million)

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets/ Total assets (%)	Net assets per share (¥)
2011	8,479	3,172	36.1	24,398.65
2010	4,560	3,228	69.1	23,559.37

(Reference) Net worth: ¥3,056 million (2010: ¥3,151 million)

(3) Cash Flow

	Cash flow from operating activities (¥ million)	Cash flow from investing activities (¥ million)	Cash flow from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
2011	747	(94)	576	2,901
2010	1,084	102	(658)	1,671

2. Dividends

	Dividends per share					Total dividends paid (full year) (¥ million)	Payout ratio (%)	Dividends/ Net assets (%)
	1st Qtr.	Interim	3rd Qtr.	Year-end	Full year			
2010	500.00	500.00	500.00	500.00	2,000.00	269	46.1	8.4
2011	500.00	500.00	500.00	500.00	2,000.00	258	43.4	8.1
2012 (est.)	500.00	500.00	500.00	500.00	2,000.00		—	

3. Forecast of Results for 2012 (January 1, 2012 - December 31, 2012)

(Percentages represent change compared to the previous interim period or fiscal year, as applicable)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Interim period	—	—	—	—	—	—	—	—	—
Full-year	18,600	77.0	1,260	55.1	1,220	50.4	700	17.3	5,722.66

Notes:

1. There is no forecast of results for the interim period. See “Outlook for 2012” in “Results of Operations” on page 4 for details.
2. The sizeable year-on-year increase in the consolidated earnings forecast for the year ended December 31, 2012 is due to the inclusion of Intec Japan, Inc. and Sales Marketing Co., Ltd. in the scope of consolidation.

4. Other

(1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries due to Changes in the Scope of Consolidation): Yes
New: 2 companies (Name: Raise-i Inc., AVIVA Co., Ltd.)
Eliminations: 0 (—)

(2) Changes in Accounting Rules, Procedures, Presentation Method, etc. for the Consolidated Financial Statements
(a) Changes in consolidated accounting methods: Yes
(b) Changes other than (a) above: No

(3) Number of Shares Issued and Outstanding (Common Stock)
(a) Number of shares at the end of the period (including treasury stock)
Year ended December 31, 2011: 134,960; Year ended December 31, 2010: 134,960
(b) Number of treasury shares at the end of the period:
Year ended December 31, 2011: 9,667; Year ended December 31, 2010: 1,191
(c) Average number of shares outstanding:
Year ended December 31, 2011: 130,235; Year ended December 31, 2010: 134,857

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for 2011 (January 1, 2011 – December 31, 2011)

(1) Sales and Income (Percentages represent change compared with the previous year.)

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
2011	4,227	1.3	471	(24.7)	528	(17.0)
2010	4,175	(14.6)	626	513.9	637	509.5

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
2011	353	(44.6)	2,712.78	—
2010	637	—	4,728.22	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets / Total assets (%)	Net assets per share (¥)
2011	5,021	2,745	54.7	21,913.87
2010	4,124	3,083	74.8	23,050.02

(Reference) Net worth: ¥2,745 million (2010: ¥3,083 million)

*** Presentation of Implementation Status of Auditing Procedures**

As of the date of publication of these financial statements, the auditing procedures for financial statements pursuant to the Financial Instruments and Exchange Act had not been completed.

*** Explanation on Proper Use of the Forecast of Results and Other Special Instructions**

Consolidated forecasts and other statements regarding the future contained in this document are based on currently available information to the Company and certain reasonable assumptions. Actual performance may differ substantially due to numerous factors. For information regarding the conditions of assumptions behind the results forecasts and notes regarding their use, please refer to "(1) Analysis of Results of Operations" on page 3.

1. Results of Operations

(1) Analysis of Results of Operations

In 2011, Japan's economy benefited from a recovery in exports from the beginning of the year and signs of improved domestic demand became apparent. However, global economic instability, including the impact of the Great East Japan Earthquake on March 11, 2011, the slowing recovery in the United States, financial problems in Europe, and the resulting appreciation of the yen have made it difficult to assess the future outlook. In addition, employment conditions in Japan remained severe despite a gradual recovery trend, with the unemployment rate at 4.5 percent and the ratio of job offers to university and other graduates at 0.69.

In this economic environment, consolidated net sales of the Link and Motivation Group for 2011 were ¥10,507,349 thousand (a 48.0% increase compared with the same period of the previous year), gross profit was ¥5,054,649 thousand (a 35.3% increase), operating income was ¥812,363 thousand (an 11.1% increase), ordinary income was ¥810,979 thousand (an 8.7% increase), and net income was ¥596,848 thousand (a 2.0% increase).

An overview of results by segment for 2011 is provided below. The segments of the Link and Motivation Group and respective service areas are as follows.

Segment classification	Service area	Name of Group company providing the service
B2B Division	Motivation Management business	Link and Motivation Inc. Link Event Produce Inc.
	Entry Management business	Link and Motivation Inc. Raise-i Inc.
	Investor Relations business	Link Corporate Communications Inc.
	Place Management business	Link Place Inc.
B2C Division	Schools business	AVIVA Co., Ltd.
	Sports business	Link Sports Entertainment Inc.
	Restaurant business	Link Dining Inc.
	Preparatory schools business	Motivation Academia Inc.

B2B Division

This segment offers one-stop services that support companies' management and growth by applying the "motivation engineering" technology essential for corporate innovation to their communication with stakeholders such as employees, job applicants, shareholders and investors.

For 2011, segment sales were ¥6,305,535 thousand and segment profit was ¥3,547,123 thousand, which were on par with the previous year. An overview of operating results by business area for 2011 is as follows.

Motivation Management Business

In the Motivation Management business, net sales in 2011 were ¥2,645,435 thousand and gross profit was ¥1,485,953 thousand.

This business offers services for personnel training and organization and system design aimed at creating highly motivated organizations. The business also supports corporate vision and brand creation and market penetration.

In 2011, this business carried out a strategy of strengthening services based on management issues amid the beginning of a recovery in spending on personnel, training, advertising and PR by customer corporations. As a result, consulting projects that addressed customers' essential management issues increased substantially. However, sales decreased slightly compared with 2010 as a result of cancellations of training programs due to the Great East Japan Earthquake.

Going forward, the Company will focus on meeting new management needs in areas such as diversity and globalization, as well as expanding sales of repeatable training products with high profit margins.

Entry Management Business

In the Entry Management business, net sales in 2011 were ¥2,322,367 thousand and gross profit was ¥1,528,410 thousand.

This business offers recruitment strategy planning services aimed at realizing the best matches between companies and applicants in the recruitment stage, and assistance with the execution of those strategies.

In 2011, this business carried out a strategy of strengthening products and services that are compatible with the recruitment environment as the trend to select fewer students more strictly gained momentum against the backdrop of a severe economic environment. As a result, sales of consulting for planning company information meetings and management of events declined. However, with strong sales of consulting services related to human resource assessment, Web-based company information support services in response to delays in the start of recruiting, and student recruitment services, sales were on par with 2010.

With a view to global-level personnel recruitment needs, the Company will build the framework to provide one-stop services that meet those needs, such as recruiting students that companies demand.

Investor Relations Business

In the Investor Relations business, net sales in 2011 were ¥696,327 thousand and gross profit was ¥343,002 thousand.

This business provides investor relations (IR) consulting services designed to achieve effective and efficient communication with investors, including annual report production and video distribution of business results briefings.

In 2011, sales of annual reports were below the level of the previous year, but production of creative tools for CSR use and the core video distribution service performed well compared with the previous year.

Going forward, the Company will focus on new product development and sales by applying its existing knowledge in areas such as Web-based annual reports and packaged services for client IR sites.

Place Management Business

In the Place Management business, net sales in 2011 were ¥641,405 thousand and gross profit was ¥189,757 thousand. This business provides office brokerage and consulting services related to office design and construction.

In 2011, customers refrained from active investment in offices. As a result, although sales in the core consulting service business remained firm, sales in the office brokerage business declined along with sales of large-scale turnkey contracts for office construction services.

Going forward, the Place Management business will be excluded from the Group's service businesses as a result of the management buyout (MBO) of subsidiary Link Place Inc.

B2C Division

In this segment, the Link and Motivation Group applies its core "motivation engineering" technology to manage and develop businesses including schools, preparatory schools, a sporting organization, and a restaurant.

The Link and Motivation Group acquired all of the shares of AVIVA Co., Ltd. on June 11, 2011. Segment sales and profit for 2011 therefore expanded significantly, with segment sales increasing to ¥4,352,933 thousand and segment profit increasing to ¥1,586,117 thousand. An overview of operating results for 2011 by business area is as follows.

Schools

In the Schools business, net sales in 2011 were ¥3,717,920 thousand and gross profit was ¥1,416,266 thousand.

This business area offers comprehensive personal computer training, courses and qualification through AVIVA's personal computer classes.

Enrollment in personal computer classes increased somewhat year on year. Product sales and sales of qualification support services through an alliance with Daiei Sogo Kyoiku System Co., Ltd. were firm. However, the change to a job applicant support system from vocational training programs resulted in fewer training programs. As a result, net sales were on par with the previous year.

Going forward, the Link and Motivation Group will employ various measures to meticulously enhance profitability through stronger synergy with established businesses. Examples include the shift of the corporate personal computer training business to Link and Motivation.

Other

In other businesses, net sales in 2011 were ¥635,012 thousand and gross profit was ¥169,851 thousand. Results in other businesses include Link Sports Entertainment Inc., which operates a professional basketball team called Link Tochigi Brex; Link Dining Inc., which operates an Italian restaurant called Link Dining; and Motivation Academia Inc., which operates preparatory schools.

Outlook for 2012

On a consolidated basis, for 2012 we forecast net sales of ¥18,600 million (an increase of 77.0% year on year), operating income of ¥1,260 million (an increase of 55.1%), ordinary income of ¥1,220 million (an increase of 50.4%) and net income of ¥700 million (an increase of 17.3%).

We have not made a forecast of our results for the interim period due to difficulty in predicting clients' stances on investment in human resources in the uncertain economic environment. We will rapidly disclose quarterly financial information.

Moreover, we will rapidly disclose revisions to our announced forecast of earnings in the event of significant variation from actual results.

(2) Analysis of Financial Condition
Significant Accounting Policies

The Company's consolidated and non-consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan (Japanese GAAP). The significant accounting policies used in the Company's consolidated financial statements are described in "4. Consolidated Financial Statements, (6) Basis of Presentation of Consolidated Financial Statements." The significant accounting policies used in the Company's non-consolidated financial statements are described in "5. Non-consolidated Financial Statements, (5) Significant Accounting Policies." [Both omitted from English translation.] In preparing these consolidated and non-consolidated financial statements, the Company made estimates and judgments based on various factors that it considers reasonable given past financial results and conditions. However, because of inherent uncertainties and risks, actual results in the future may differ from these estimates and judgments.

Assets, Liabilities and Net Assets

Total assets as of December 31, 2011 were ¥8,479,645 thousand, an increase of ¥3,919,397 thousand from a year earlier due to the acquisition of AVIVA. The principal factors included an increase of ¥1,229,438 thousand in cash and deposits, an increase of ¥1,475,190 thousand in goodwill and an increase of ¥602,550 thousand in security deposits.

Total liabilities were ¥5,307,193 thousand, an increase of ¥3,975,683 thousand from a year earlier due to the acquisition of AVIVA. The principal factors included an increase of ¥1,774,498 thousand in advances received and an increase of ¥1,121,379 thousand in long-term debt.

Net assets decreased ¥56,286 thousand from a year earlier to ¥3,172,452 thousand. The principal factors included an increase of ¥596,848 thousand in retained earnings from net income, a decrease of ¥263,056 thousand in retained earnings due to payment of dividends and a decrease of ¥428,966 thousand due to purchase of treasury stock.

Cash Flow

Cash and cash equivalents ("cash") as of December 31, 2011 was ¥2,901,154 thousand, an increase of ¥1,229,438 thousand compared with a year earlier. Cash flow for the year ended December 31, 2011 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities decreased ¥336,583 thousand to ¥747,824 thousand. Principal factors providing cash were income before income taxes of ¥825,545 thousand and amortization of goodwill of ¥176,916 thousand. Depreciation and amortization was ¥196,483 thousand. Principal factors using cash were a decrease in accounts payable of ¥126,223 thousand and decrease in advances received of ¥194,159 thousand.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥94,534 thousand, compared with net cash provided by investing activities of ¥102,919 thousand for the previous year. The principal factor providing cash was proceeds from acquisition of subsidiary stock due to a change in the scope of consolidation totaling ¥119,273 thousand and proceeds from recovery of security deposits and guarantees of ¥42,050 thousand. The principal factors using cash were payments for acquisition of property and equipment totaling ¥84,859 thousand, payments for acquisition of intangible fixed assets of ¥66,841 thousand and payments for security deposits and guarantees totaling ¥103,708 thousand.

Cash Flow from Financing Activities

Net cash provided by financing activities was ¥576,147 thousand, compared with net cash used in financing activities of ¥658,143 thousand for the previous year. The principal factors using cash were repayment of short-term debt of ¥450,000 thousand, payments for purchase of treasury stock of ¥434,601 thousand and payment of cash dividends of ¥265,772 thousand. The principal factors providing cash were increase in short-term debt of ¥300,000 thousand, proceeds from long-term debt of ¥1,373,600 thousand and proceeds from stock issuance to minority shareholders of ¥120,000 thousand.

For reference:
Cash Flow Related Indicators

	2007	2008	2009	2010	2011
Net worth ratio (%)	66.4	76.3	62.4	69.1	36.1
Net worth ratio on market value basis (%)	556.7	127.3	118.6	140.6	63.4
Cash flow to interest-bearing debt (times)	0.34	0.15	3.32	0.42	2.18
Interest coverage ratio (times)	114.3	422.9	39.0	362.8	75.8

Net worth ratio: Net worth/Total assets
Net worth ratio on market value basis: Total market capitalization/Total assets
Cash flow to interest-bearing debt: Interest-bearing debt/Operating cash flow
Interest coverage ratio: Operating cash flow/Interest expense

Notes: 1. Each indicator is calculated on a consolidated basis.
2. Total market capitalization: Share price at end of period/number of shares at end of period
3. Operating cash flow: Cash flow from operating activities in statements of cash flow
4. Interest expense: Interest expense on statements on statements of cash flow

(3) Dividend Policy and Dividends for 2011 and 2012

The Company's basic dividend policy is to make more active and stable returns to shareholders while taking into account the future operating environment, investment plans and other factors.

The Company will allocate retained earnings for investment in mergers and acquisitions, human resources and facilities for the purpose of expanding business and raising efficiency, as part of its effort to expand its operations and increase its enterprise value. In addition, the Company will actively pay dividends on a quarterly basis, including interim and year-end dividends, for flexible shareholder returns.

In 2011, the Company paid quarterly dividends of ¥500.00 for a full-year dividend of ¥2,000.00.

In 2012, in order to make stable dividend payments to shareholders, the Company plans to pay quarterly dividends of ¥500.00 for a full-year dividend of ¥2,000.00, the same as for 2011.

(4) Business and Other Risks

The paragraphs below describe the items believed to be potential risk factors in the Group's business operations. From the standpoint of proactive information disclosure, this section also includes items considered to be significant in the investment decisions of investors, even though they are not necessarily considered business risks. The Group is aware of the possibility of these risk factors materializing, and makes efforts to prevent their occurrence and to respond in the event that they do occur. However, investment decisions with respect to the Company's stock should be made after careful judgment that also takes into account factors other than those described herein.

Forward-looking statements contained in this text are based on the judgment of the Group's management as of February 10, 2012.

(i) Occurrence of Personal Information Leaks, etc.

Due to the nature of its corporate transformation consulting, the Group handles a large amount of personal information of clients, and conducts its motivation consulting business based on this information. In regard to the handling of personal information, the Personal Information Protection Act was promulgated and put into effect in May 2003, followed by full enforcement in April 2005. This necessitates even greater attention to handling of personal information. Link and Motivation Inc. obtained the Privacy Mark in February 2005, and, in response to an audit for Privacy Mark renewal conducted in November 2006, has established internal company rules for handling personal information, conducted regular in-house training, strengthened information management, and paid due attention to strengthening information management and handling of personal information. However, in the event that unforeseen circumstances cause personal information to be leaked to external parties, and this causes damage to the owner of the personal information, client companies or others, the resulting damage claims and loss of social trust could impact the Group's business results and financial condition.

(ii) Infringement of Intellectual Property Rights

In consulting, the business of the Group, securing copyrights, trademarks and other intellectual property rights is critical for conducting business. The Group makes efforts to protect and preserve its proprietary techniques, knowledge and know-how, which are developed internally as much as possible through acquisition of trademarks, specification of copyrights and establishment and maintenance of original brands. However, in the event that the Group's services are imitated by a malicious third party, this could interfere with the Group's sales efforts, which could potentially impact business results and financial condition.

(iii) Reliance on a Specific Individual

Yoshihisa Ozasa, the representative director of the Company, is the Company's founder and has served as representative director since the Company was established. By hiring and training excellent personnel and promoting standardization of services, the Company is building a systematic business management structure that is not dependent upon the skills of a single individual. However, at present, Mr. Ozasa plays an important role in terms of the Group's overall brand formation. In this aspect as well, the Group is building a stronger organization that can realize systematic brand formation. However, if for any reason it becomes difficult for Mr. Ozasa to continue his work for the Company, this could have an impact on the Company's business promotion and other aspects of operations.

(5) Notes regarding Assumption of Going Concern

Previous fiscal year (January 1, 2010 – December 31, 2010)
None applicable.
Fiscal year under review (January 1, 2011 – December 31, 2011)
None applicable.

2. [Omitted from English Translation]

3. Management Policies

(1) Basic Policy on Company Management

The Link and Motivation Group conducts its business with its mission to "contribute to the vitalization of society through motivation engineering," and operates in B2B and B2C businesses.

The Group has asked society about the importance of "motivation" of an organization's various stakeholders and the effect that has on management, and built its business on organizational transformation through improvement of motivation. A prerequisite for growth is for the Group itself to continue being a model example of a first-rate "motivation company," and the Group has set this as its basic management policy.

(2) Target Management Indicators

To ensure that management focuses on business profitability and productivity, the operating margin had been positioned as a key management indicator in the Group. The operating margin will remain a key management indicator, but sales and operating income will also be positioned as important management indicators as the Group concentrates on increasing its scale. At present, management is steering toward expanding the size of the company in ways such as revitalizing existing businesses, aggressively conducting M&A and establishing new businesses. As a result, goodwill and other expenses will increase with new investment. Increases in sales and operating income will be important indicators for the Group in order to support investment in continued expansion.

(3) Medium- and Long-term Management Strategies

In January 2012, Link Place was excluded from the Link and Motivation Group following an MBO, and the Company acquired 100% of the equity of Intec Japan, Inc. In February 2012, the Company acquired 100% of the equity of Sales Marketing Co., Ltd. As a result, the governance framework of the Link and Motivation Group has changed. From 2012, the B2B Division will no longer include the place management business, while it has added the new customer management business, which provides sales and marketing support services.

Within the above framework, the following three points will provide medium-term direction for the Group in increasing corporate value and expanding its scale.

A. B2B businesses will strengthen stakeholder management services that help increase corporate value by providing guidance for sound relationships with employees, job applicants, investors and customers, who are corporate stakeholders. We will enhance our lineup of solutions that resolve the challenges of the future, such as the cultivation of global personnel, and support the creation of even more vibrant companies through personnel system and education support in the Motivation Management business, recruiting support in the Entry Management business, IR and stakeholder relations (SR) support in the Investor Relations business, and sales and marketing support in the Customer Management business.

B. B2C businesses will targets groups such as juniors (junior and senior high school students), adults (college students and adults) and seniors (the elderly) in businesses that improve practical skills, including exam and job hunting support, IT training support and qualification support. We will use the Group's motivation engineering to increase the motivation of individuals to learn and help them achieve their goals, thus producing many people who can deal confidently with society.

C. Finally, in the Sports business and other businesses, where providing attractive venues is directly related to success, we will apply the Group's motivation engineering to generate new value and contribute to the creation of a more meaningful society. Specifically, we will assess the status of the businesses in A and B above and proceed based on assessment of target businesses and timing.

(4) Issues Facing the Company

As the speed of business expansion and the expectations of various stakeholders further increase, the following three points concern the entire Group. We intend to take proactive steps in dealing with them.

The first point is strengthening cooperation among Group companies. While our businesses diversify, we will rally around motivation engineering to strengthen mutual cooperation rather than operating each business separately. In this way, we will multiply rather than simply achieve the sum of their results. This will increase the speed at which we can increase the scale and profitability of the Group.

The second point is cultivating personnel with management capabilities. Assuming that existing businesses will expand and new ones will be developed, there is an urgent need to cultivate personnel who can manage businesses. The Group will work to cultivate managers through human resource development aimed at imparting management capabilities, energetic rotation of staff, and selective promotion.

The third point is aggressively expanding and enhancing capabilities, including through M&A. We need to aggressively develop new businesses and add new products and services to our lineup in order to increase the speed of expansion. We will energetically invest in future growth, making bold decisions after taking a hard look at our financial condition.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen, rounded down to the nearest thousand)

	As of December 31, 2010	As of December 31, 2011
ASSETS		
Current assets		
Cash and deposits	1,671,715	2,901,154
Notes and accounts receivable	1,214,475	1,446,736
Products	11,890	70,909
Goods in process	53,647	48,140
Merchandise and supplies	13,618	17,845
Prepaid expenses	64,508	152,996
Deferred tax assets	155,563	108,564
Accrued corporate tax refund	—	1,360
Accrued consumption tax	6,223	4,591
Other	32,555	44,326
Allowance for doubtful accounts	(13,861)	(16,341)
Total current assets	3,210,337	4,780,283
Fixed assets		
Property and equipment		
Buildings and structures	140,444	590,303
Accumulated depreciation	(91,378)	(307,413)
Buildings and structures (net)	49,065	282,889
Vehicles	6,411	10,057
Accumulated depreciation	(5,690)	(9,476)
Vehicles (net)	721	581
Furniture and fixtures	263,338	359,183
Accumulated depreciation	(208,299)	(289,371)
Furniture and fixtures (net)	55,039	69,811
Lease assets	37,073	79,201
Accumulated depreciation	(12,187)	(32,039)
Lease assets (net)	24,886	47,162
Total property and equipment	129,713	400,444
Intangible assets		
Goodwill	542,689	2,017,880
Software	174,142	174,103
Other	4,440	3,966
Total intangible assets	721,272	2,195,950
Investments and other assets		
Investments in securities	18,360	35,514
Security deposits	370,564	973,114
Deferred tax assets	63,702	34,784
Claims in bankruptcy	242	1,182
Other	46,298	59,553
Allowance for doubtful accounts	(242)	(1,182)
Total investments and other assets	498,925	1,102,967
Total fixed assets	1,349,911	3,699,362
Total assets	4,560,248	8,479,645

(Thousands of yen, rounded down to the nearest thousand)

	As of December 31, 2010	As of December 31, 2011
LIABILITIES		
Current liabilities		
Accounts	314,055	347,130
Short-term borrowings	450,000	300,000
Long-term debt due within one year	2,052	203,721
Accounts payable	209,128	395,516
Lease obligations	11,442	20,393
Expenses payable	13,158	166,575
Accrued income taxes	23,422	214,076
Accrued consumption taxes	36,041	53,738
Advances received	69,538	1,844,037
Accrued bonuses to employees	122,041	167,316
Accrued bonuses to officers	6,630	23,501
Provision for loss on store closure	—	5,785
Asset retirement obligations	—	2,499
Other	58,078	74,894
Total current liabilities	1,315,589	3,819,188
Long-term liabilities		
Long-term debt	1,881	1,123,260
Lease obligations	14,039	28,863
Reserve for employee retirement benefits	—	160,356
Asset retirement obligations	—	40,773
Other	—	134,750
Total long-term liabilities	15,920	1,488,004
Total liabilities	1,331,510	5,307,193
NET ASSETS		
Shareholders’ equity		
Common stock	979,750	979,750
Additional paid-in capital	734,595	734,595
Retained earnings	1,493,530	1,827,321
Treasury stock	(56,040)	(485,006)
Total shareholders’ equity	3,151,835	3,056,660
Cumulative other comprehensive income		
Unrealized gain (loss) on securities	(321)	320
Total cumulative other comprehensive income	(321)	320
Minority interests	77,224	115,471
Total net assets	3,228,738	3,172,452
Total liabilities and net assets	4,560,248	8,479,645

(2) Consolidated Statements of Operations

(Thousands of yen, rounded down to the nearest thousand)

	Year ended December 31, 2010	Year ended December 31, 2011
Net sales	7,098,607	10,507,349
Cost of sales	3,362,866	5,452,699
Gross profit	3,735,741	5,054,649
Selling, general and administrative expenses	3,004,739	4,242,286
Operating income	731,001	812,363
Non-operating income		
Interest income	591	989
Dividend income	275	535
Interest on refund of income taxes	10,267	—
Co-sponsor fee	1,980	1,590
Commissions received	—	5,119
Other	6,233	5,231
Total non-operating income	19,347	13,466
Non-operating expenses		
Interest expenses	2,989	9,069
Expenses for purchase of treasury stock	962	5,635
Other	322	145
Total non-operating expenses	4,274	14,850
Ordinary income	746,074	810,979
Extraordinary income		
Gain on sale of property and equipment	1,865	—
Reversal of allowance for doubtful accounts	—	33,857
Reversal of provision for loss on store closure	—	1,304
Adjusted gain from prior period	—	9,414
Other	13,400	4,482
Total extraordinary income	15,265	49,060
Extraordinary loss		
Loss on sale of property and equipment	2,857	—
Loss on valuation of investment securities	1,330	3,035
Loss on disposal of property and equipment	5,909	6,262
Office transfer expenses	12,508	—
Loss on impairment	—	10,551
Adjusted loss from previous period	9,692	—
Adoption of revised accounting standard for asset retirement obligations	—	8,860
Provision for loss on store closure	—	5,785
Other	3,355	—
Total extraordinary loss	35,653	34,494
Income before income taxes	725,686	825,545
Current income taxes	18,580	235,289
Income tax refund	(1,481)	—
Deferred income taxes	124,592	75,159
Total income taxes	141,691	310,449
Income before gain (loss) on minority interests	—	515,095
Loss on minority interests	(1,175)	(81,752)
Net income	585,170	596,848

Consolidated Statements of Comprehensive Income

(Thousands of yen, rounded down to the nearest thousand)

	Year ended December 31, 2010	Year ended December 31, 2011
Income before minority interests	—	515,095
Other comprehensive income		
Unrealized gain on securities	—	641
Total other comprehensive income	—	641
Comprehensive income	—	515,737
(Attributable to)		
Owners of the parent	—	597,490
Minority interests	—	(81,752)

(3) Consolidated Statements of Changes in Net Assets

(Thousands of yen, rounded down to the nearest thousand)

	Year ended December 31, 2010	Year ended December 31, 2011
Shareholders' equity		
Common stock		
Balance at December 31, 2010	979,750	979,750
Balance at December 31, 2011	979,750	979,750
Additional paid-in capital		
Balance at December 31, 2010	734,595	734,595
Balance at December 31, 2011	734,595	734,595
Retained earnings		
Balance at December 31, 2010	1,178,280	1,493,530
Changes during the year		
Dividends from capital surplus	(269,920)	(263,057)
Net income	585,170	596,848
Total changes during the year	315,250	333,791
Balance at December 31, 2011	1,493,530	1,827,321
Treasury stock		
Balance at December 31, 2010	—	(56,040)
Changes during the year		
Payments for purchase of treasury stock	(56,040)	(428,966)
Total changes during the year	(56,040)	(428,966)
Balance at December 31, 2011	(56,040)	(485,006)
Total shareholders' equity		
Balance at December 31, 2010	2,892,625	3,151,835
Changes during the year		
Dividends from capital surplus	(269,920)	(263,057)
Net income	585,170	596,848
Payments for purchase of treasury stock	(56,040)	(428,966)
Total changes during the year	259,210	(95,175)
Balance at December 31, 2011	3,151,835	3,056,660

(Thousands of yen, rounded down to the nearest thousand)

	Year ended December 31, 2010	Year ended December 31, 2011
Cumulative other comprehensive income		
Unrealized gain (loss) on securities		
Balance at December 31, 2010	(617)	(321)
Changes during the year		
Changes in items other than shareholders' equity (net)	295	641
Total changes during the year	295	641
Balance at December 31, 2011	(321)	320
Total cumulative other comprehensive income		
Balance at December 31, 2010	(617)	(321)
Changes during the year		
Changes in items other than shareholders' equity (net)	295	641
Total changes during the year	295	641
Balance at December 31, 2011	(321)	320
Minority interests		
Balance at December 31, 2010	—	77,224
Changes during the year		
Changes in items other than shareholders' equity (net)	77,224	38,247
Total changes during the year	77,224	38,247
Balance at December 31, 2011	77,224	115,471
Total net assets		
Balance at December 31, 2010	2,892,008	3,228,738
Changes during the year		
Dividends from capital surplus	(269,920)	(263,057)
Net income	585,170	596,848
Payments for purchase of treasury stock	(56,040)	(428,966)
Changes in items other than shareholders' equity (net)	77,520	38,888
Total changes during the year	336,730	(56,286)
Balance at December 31, 2011	3,228,738	3,172,452

(4) Consolidated Statements of Cash Flow

(Thousands of yen, rounded down to the nearest thousand)

	Year ended December 31, 2010	Year ended December 31, 2011
Cash flow from operating activities		
Income before income taxes	725,686	825,545
Depreciation and amortization	134,559	196,483
Loss on impairment	—	10,551
Amortization of goodwill	82,842	176,916
Increase (decrease) in allowance for doubtful accounts	(12,747)	(3,164)
Increase (decrease) in allowance for employees’ bonuses	16,214	(41,759)
Increase (decrease) in allowance for officers’ bonuses	783	11,377
Transfer expenses	12,508	—
Loss (gain) on valuation of investment securities	1,330	3,035
Loss (gain) on sale of fixed assets	992	—
Loss on disposal of fixed assets	5,909	6,262
Interest and dividend income	(866)	(1,525)
Interest expense	2,989	9,069
Decrease (increase) in notes and accounts receivable — trade	(123,532)	(54,995)
Decrease (increase) in inventories	(30,649)	(2,665)
Adjustment for changes of accounting standard for asset retirement obligations	—	8,860
Increase (decrease) in notes and accounts payable	94,440	(4,895)
Increase (decrease) in accounts payable	(28,219)	(126,223)
Increase (decrease) in advances received	(52,210)	(194,159)
Increase (decrease) in accrued consumption taxes	55,671	(3,628)
Decrease (increase) in other current assets	(16,913)	27,868
Increase (decrease) in other current assets	—	(29,026)
Subtotal	868,787	813,925
Interest and dividends received	866	1,525
Interest paid	(2,878)	(9,866)
Income tax refund	285,031	—
Income taxes paid	(6,903)	(57,759)
Payment for transfer expenses	(17,496)	—
Payment for business reorganization	(43,000)	—
Net cash provided by operating activities	1,084,407	747,824
Cash flow from investing activities		
Proceeds from withdrawal of time deposits	50,000	—
Proceeds from recovery of investments	100	10
Payments for acquisition of property and equipment	(24,762)	(84,859)
Proceeds from sale of property and equipment	163	—
Payments for acquisition of intangible fixed assets	(28,987)	(66,841)
Proceeds from acquisition of subsidiary stock due to a change in the scope of consolidation	—	119,273
Payments for acquisition of investment securities	(10,000)	—
Payments for security deposits and guarantees	(4,202)	(103,708)
Proceeds from recovery of security deposits and guarantees	125,678	42,050
Other	(5,070)	(458)
Net cash provided by (used in) investing activities	102,919	(94,534)
Cash flow from financing activities		
Increase (decrease) in short-term debt	(400,000)	300,000
Repayment of short-term debt	—	(450,000)
Proceeds from long-term debt	—	1,373,600
Repayment of long-term debt	(2,052)	(50,552)
Repayment of lease obligations	(8,219)	(16,526)
Payments for purchase of treasury stock	(56,040)	(434,601)
Payment of cash dividends	(270,231)	(265,772)
Proceeds from stock issuance to minority shareholders	78,400	120,000
Net cash used in (provided by) financing activities	(658,143)	576,147
Net increase (decrease) in cash and cash equivalents	529,183	1,229,438
Cash and cash equivalents at beginning of year	1,142,532	1,671,715
Cash and cash equivalents at end of year	1,671,715	2,901,154

Notes Regarding Assumption of Going Concern

Fiscal year ended December 31, 2010 (January 1, 2010 – December 31, 2010)

None applicable.

Fiscal year ended December 31, 2011 (January 1, 2011 – December 31, 2011)

None applicable.

Segment Information

a. Business Segment Information

Fiscal year ended December 31, 2010 (January 1, 2010 – December 31, 2010)

Not applicable because the business of the Company and its subsidiaries, “Management consulting through motivation engineering,” was a single segment.

b. Geographic Segment Information

Fiscal year ended December 31, 2010 (January 1, 2010 – December 31, 2010)

Geographic segment information is not disclosed because the Company had no consolidated subsidiaries or significant branch offices outside Japan.

c. Overseas Sales

Fiscal year ended December 31, 2010 (January 1, 2010 – December 31, 2010)

Overseas sales information is omitted because the Company had no overseas sales.

d. Segment Information

Fiscal year ended December 31, 2011 (January 1, 2011 – December 31, 2011)

(Additional Information)

As of the consolidated fiscal year under review, the Company has adopted the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17, issued March 27, 2009) and Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, issued March 21, 2008).

1. Overview of reportable segments

The reportable segments of the Group are constituent units for which separate financial information is available and for which the Board of Directors undertakes a regular review to determine the allocation of management resources and assess business performance.

The Group operates based on comprehensive strategies for the services it offers.

The Group consists of business segments based on the format in which the services are offered and has consequently set two segments—the B2B Division and the B2C Division—as its reportable segments.

In the B2B Division, the Group applies “motivation engineering,” the essential technology for corporate innovation, to communicate with corporate stakeholders such as employees, applicants, shareholders, and investors and supports the management and growth of companies with one-stop services. In the B2C Division, the Group offers services by applying the same essential motivation engineering technology to B2C business domains such as schools, preparatory schools, sports and restaurants.

2. Sales and income by reportable segment

Fiscal year ended December 31, 2011 (January 1, 2011 – December 31, 2011)

(Thousands of yen, rounded down to the nearest thousand)

	Reportable Segment			Adjustment (Note 1)	Consolidated
	B2B Division	B2C Division	Total		
Segment sales					
Sales to outside customers	6,294,287	4,213,061	10,507,349	—	10,507,349
Intersegment sales and transfers	11,247	139,872	151,120	(151,120)	—
Total	6,305,535	4,352,933	10,658,469	(151,120)	10,507,349
Segment profit	3,547,123	1,586,117	5,133,241	(78,591)	5,054,649

Notes:

1. Adjustments represent elimination of intersegment transactions.
2. Segment profit is gross profit.