

Consolidated Financial Statements for the Nine Months Ended September 30, 2012

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

November 9, 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

Filing of Quarterly Report (*Shihanki Hokokusho*) (scheduled):

November 9, 2012

Start of distribution of dividends (scheduled):

December 25, 2012

Supplementary documents for quarterly results:

No

Quarterly results briefing:

No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for the Nine Months Ended September 30, 2012

(January 1, 2012 - September 30, 2012)

(1) Sales and Income

(Percentages represent change compared with the same period of the previous year.)

	Net sales (¥ million)	Change (%)	Operating income (¥ million)	Change (%)	Ordinary income (¥ million)	Change (%)
Nine months ended September 30, 2012	13,656	98.2	584	47.2	569	42.5
Nine months ended September 30, 2011	6,890	37.2	397	(19.2)	399	(20.6)

	Net income (¥ million)	Change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Nine months ended September 30, 2012	275	7.2	1,126.11	—
Nine months ended September 30, 2011	257	2.7	979.79	—

(Note) Comprehensive income For the nine months ended September 30, 2012: ¥273 million (31.4%)
For the nine months ended September 30, 2011: ¥208 million (-17.0%)

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)
As of September 30, 2012	10,884	2,886	26.5
As of December 31, 2011	8,479	3,172	36.1

(Reference) Net worth As of September 30, 2012: ¥2,886 million As of December 31, 2011: ¥3,056 million

2. Dividends

	Dividends per share				
	1st Qtr.	Interim	3rd Qtr.	Year-end	Full year
2011	500.00	500.00	500.00	500.00	2,000.00
2012	500.00	600.00	300.00		
2012 (est.)				300.00	1,700.00

Note: Revision of dividend forecast during the quarter: No

The Board of Directors resolved at a meeting held on May 10, 2012 to implement a free stock distribution of 2 shares for each 1 share of common stock with an effective date of July 1, 2012. The dividend forecast for the year ending December 31, 2012 takes the effect of this stock split into account.

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

(Percentages represent change compared to the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Full-year	18,600	77.0	1,260	55.1	1,220	50.4	700	17.3	2,861.33

Note: Revision of forecast of results during the quarter: No

The Board of Directors resolved at a meeting held on May 10, 2012 to implement a free stock distribution of 2 shares for each 1 share of common stock with an effective date of July 1, 2012. The consolidated forecast for net income per share for the year ending December 31, 2012 takes the effect of this stock split into account, with calculation assuming the stock split occurred at the beginning of the year.

4. Other

- (1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries due to Changes in the Scope of Consolidation): Yes
Added: 1 company (Sales Marketing Co., Ltd.)
Removed: No companies
- (2) Application of Accounting Procedures Specific to the Preparation of Quarterly Consolidated Financial Statements: Yes
- (3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements
 - (a) Changes in accounting policies due to change in accounting standards: Yes
 - (b) Changes in accounting policies other than (a) above: No
 - (c) Changes in accounting estimates: No
 - (d) Restatements: No
- (4) Number of Shares Issued and Outstanding (Common Stock)
 - (a) Number of shares at the end of the period (including treasury stock)
Nine months ended September 30, 2012: 269,920; Year ended December 31, 2011: 269,920
 - (b) Number of treasury shares at the end of the period:
Nine months ended September 30, 2012: 27,720; Year ended December 31, 2011: 19,334
 - (c) Average number of shares outstanding (cumulative with earlier quarters):
Nine months ended September 30, 2012: 244,867; Nine months ended September 30, 2011: 262,553

* Presentation of Implementation Status of Quarterly Review Procedures

- These “Consolidated Financial Statements for the Nine Months Ended September 30, 2012” are not subject to quarterly review procedures pursuant to the Financial Instruments and Exchange Act although, as of the date of publication of these statements, the review procedures for quarterly financial statements pursuant to the Financial Instruments and Exchange Act had been completed.

* Explanation of the Proper Use of Performance Forecasts and Other Special Instructions

(Explanation of the proper use of performance forecasts)

- Consolidated forecasts and other statements regarding the future contained in this document are based on information currently available to the Company and certain reasonable assumptions. Actual performance may differ substantially due to numerous factors.

(Other special instructions)

- The Board of Directors resolved at a meeting held on May 10, 2012 to implement a free stock distribution of 2 shares for each 1 share of common stock with an effective date of July 1, 2012. The consolidated forecast for net income per share for the year ending December 31, 2012 is therefore calculated assuming the number of shares outstanding after the stock split.

Contents of Attachments

1. Qualitative Information Regarding Results for the Nine Months Ended September 30, 2012	2
(1) Qualitative Information Regarding Results of Consolidated Operations	2
2. Summary Information (Other Items)	6
(1) Changes in Significant Subsidiaries for the Nine Months Ended September 30, 2012	6
(2) Application of Accounting Procedures Specific to the Preparation of the Quarterly Consolidated Financial Statements	6
(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements	6
3. Consolidated Financial Statements	7
(1) Consolidated Balance Sheets	7
(2) Consolidated Statements of Operations and Comprehensive Income	9
Consolidated Statements of Operations	9
Consolidated Statements of Comprehensive Income	10
(3) Notes Regarding Assumption of Going Concern	11
(4) Segment Information	11
(5) Notes on Significant Changes in Shareholders' Equity	12

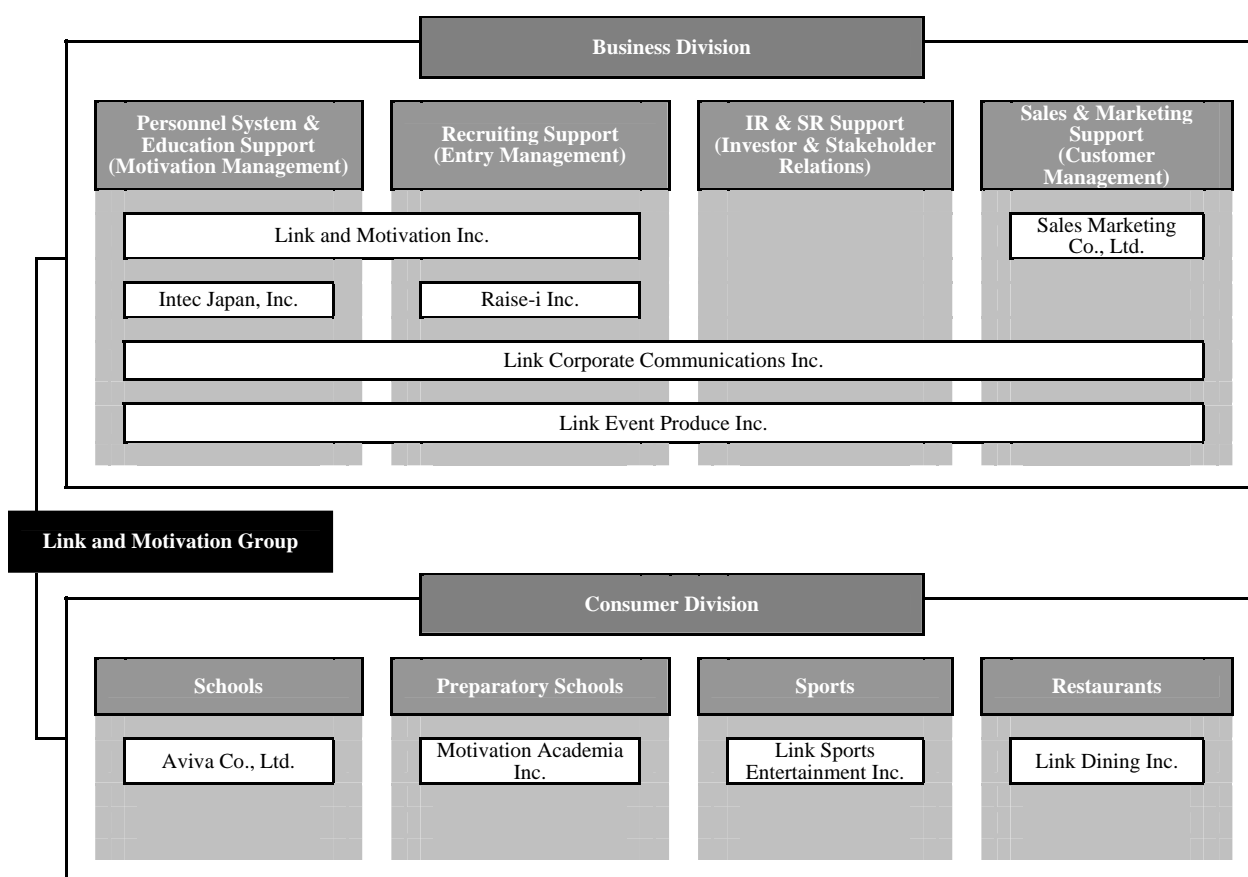
1. Qualitative Information Regarding Results for the Nine Months Ended September 30, 2012

(1) Qualitative Information Regarding Results of Consolidated Operations

During the cumulative third-quarter period of 2012 (January 1, 2012 - September 30, 2012), Japan's economy benefited from factors including the emergence of reconstruction demand after the Great East Japan Earthquake, but recovery appeared to stall against the backdrop of a global economic slowdown. In addition, although employment conditions have shown signs of improvement from their weakness since the financial crisis of 2008 and the Ministry of Health, Labour and Welfare announced a ratio of job offers to job seekers of 0.83 for July 2012, representing 14 consecutive months of improvement, the ratio for August 2012 remained unchanged from the previous month at 0.83, with conditions reflecting the feeling of standstill in the economy, albeit at a high level.

In this economic environment, consolidated net sales of the Link and Motivation Group for the nine months ended September 30, 2012 were ¥13,656,378 thousand (a 98.2% increase compared with the same period of the previous year), gross profit was ¥5,170,157 thousand (a 56.1% increase), operating income was ¥584,743 thousand (a 47.2% increase), ordinary income was ¥569,811 thousand (a 42.5% increase), and net income was ¥275,747 thousand (a 7.2% increase).

An overview of results by segment for the nine months ended September 30, 2012 is provided below. The segments of the Link and Motivation Group and respective service areas are as follows.



Business Division

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

Results for the nine months ended September 30, 2012 increased substantially compared with the same period of the previous year due to significant increases in sales and gross profit for Personnel System & Education Support (Motivation Management) and the addition of Sales Marketing Co., Ltd. to the scope of consolidation in February

2012. Segment sales were ¥8,938,606 thousand (a 100.9% increase) and segment income was ¥3,556,738 thousand (a 45.2% increase). An overview of operating results by service area is as follows.

Personnel System & Education Support (Motivation Management)

In the Motivation Management business, net sales for the nine months ended September 30, 2012 were ¥2,390,074 thousand (a 27.2% increase) and gross profit was ¥1,471,867 thousand (a 39.8% increase). This business offers services for personnel training and organization and system design aimed at creating highly motivated organizations, as well as to support corporate vision verbalization and dissemination and the implementation of corporate events for personnel development and organizational vitalization.

In the nine months ended September 30, 2012, the Motivation Management business made progress under a strategy of enhancing services based on management themes to promote the development of one-stop services. In addition, the business concentrated on enhancing repeatable products centered on packages that incorporate motivation engineering technology for ongoing stable operations. The business also emphasized support for organizational vitalization through anniversary and other events. As a result, sales of consulting projects that extend to customers' essential management themes and organizational vitalization events increased, and sales of product packages centered on training and organizational diagnostics grew significantly. Net sales and gross profit both increased substantially compared with the same period a year earlier.

The Motivation Management business will address new management needs in areas such as diversity and globalization, while concentrating on increasing sales of repeatable product packages with a high profit margin.

Recruiting Support (Entry Management)

In the Entry Management business, net sales for the nine months ended September 30, 2012 were ¥1,739,736 thousand (an 11.7% increase) and gross profit was ¥953,833 thousand (a 3.1% decrease).

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 the nine months ended September 30, 2012, the Entry Management business made progress under a policy of transitioning from a single-engagement business model focusing on consulting services to a stable business model centered on repeatable products. As a result, sales of products such as aptitude diagnostics used as initial job applicant assessment tools and commissioned recruiting management services increased substantially. Moreover, sales of direct student hiring services launched in the previous year increased steadily. Compared with the same period a year earlier, net sales increased steadily but gross profit decreased slightly.

To respond to the changeover from large-scale batch recruiting to portfolio recruiting aimed at hiring diverse individuals, as seen in global recruiting, the business will concentrate on expanding sales in areas such as global recruiting support and direct hiring services tailored to company requirements.

IR & SR Support (Investor & Stakeholder Relations)

In the Investor & Stakeholder Relations business, net sales for the nine months ended September 30, 2012 were ¥516,466 thousand (a 6.1% decrease) and gross profit was ¥261,089 thousand (an 8.4% decrease).

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

The investor relations market has been contracting slightly overall with the decreasing number of listed companies, but sales of creative tools, primarily paper media such as annual and CSR reports, increased during the nine months ended September 30, 2012 compared with the same period of the previous year. In particular, sales of annual reports, which are strongest in the third quarter, increased steadily compared with the same period of the previous year. On the other hand, growth weakened in the video distribution service business, which was being developed in anticipation of new trends, and as a result, net sales and gross profit both decreased compared with the same period of the previous year.

The Investor Relations business will make the most of the web-based creative functions that are an advantage of Freeport Inc., which became a subsidiary on October 1, 2012, as it concentrates on serving emerging trends such as web-based annual reports and IR website packages.

Sales & Marketing Support (Customer Management)

In the Customer Management business, net sales for the nine months ended September 30, 2012 were ¥4,292,328 thousand and gross profit was ¥869,948 thousand. Results are not comparable with the same period of the previous fiscal year.

This business is a one-stop source for corporate sales and marketing needs. Its services range from consulting involving the proposal, dissemination, promotion planning and implementation support for corporate brand strategies and proposals for corporate sales strategies to dispatch and referral services that meet human resource needs at the point of sale.

In the nine months ended September 30, 2012, with the addition of Sales Marketing Co., Ltd. to the scope of consolidation from February 2012, both net sales and gross profit from this business contributed substantially to consolidated earnings. Sales of core human resource referral services for apparel stores were steady.

With highly functional devices such as smartphones now prevalent, needs for human resource referral services are increasing among big-box home appliance retailers and mobile phone shops. The Link and Motivation Group will use motivation engineering to enhance Sales Marketing's organizational capabilities and create a framework for dispatching human resources that are attractive to customers through a focus on recruiting and training staff available for dispatch.

Consumer Division

In this segment, the Link and Motivation Group applies its core "motivation engineering" technology to provide services in consumer businesses including schools, preparatory schools and a sporting organization.

The Link and Motivation Group acquired all of the shares of AVIVA Co., Ltd. on June 11, 2011. Segment sales and each level of income for the nine months ended September 30, 2012 therefore expanded significantly. Segment sales were ¥5,020,952 thousand (a 98.2% increase) and segment profit was ¥1,727,272 thousand (a 93.6% increase). An overview of operating results by business area for the nine months ended September 30, 2012 is as follows.

Schools Business

For the nine months ended September 30, 2012, net sales were ¥4,588,388 thousand (a 114.2% increase) and gross profit was ¥1,649,507 thousand (a 99.8% increase).

This business offers comprehensive personal computer training courses and measures to acquire qualifications through AVIVA's personal computer classes.

Continuing on from the second quarter, results were steady in the personal computer class business, a core service, as enhanced enrollment promotion drove a 18% increase in the number of new visitors compared with the same period of the previous year. In addition, the business strengthened cooperation with Daiei Kyoiku System Co., Ltd. and sales of qualification support services for fields including bookkeeping and medical administration increased 74% compared with the same period of the previous year. As a result, the number of enrolled students, which is a sales indicator, increased by 668 as of September 30, 2012 compared with a year earlier.

The Schools business will expand its operations to become a group that provides qualification support education services in areas other than personal computer skills, and build a dominant position in the personal computer school and qualification school industries.

Other Businesses

In other businesses, net sales for the nine months ended September 30, 2012 were ¥432,564 thousand (a 10.8% increase) and gross profit was ¥77,764 thousand (a 17.1% increase). 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 the Motivation Academia preparatory schools.

At Link Sports Entertainment Inc., sponsorship income from sponsor companies, which has a high profit margin, decreased slightly. However, sales in the Preparatory Schools business increased because Avance Co., Ltd. was added to the scope of consolidation in April 2012. Consequently, net sales and gross profit both increased compared with the same period of the previous fiscal year. Going forward, while each business will undertake unique development using motivation engineering, the Company's first focus will be profitability in the Preparatory Schools business.

2. Summary Information (Other Items)

(1) Changes in Significant Subsidiaries for the Nine Months Ended September 30, 2012

Newly acquired company Sales Marketing Co., Ltd. has been included in the scope of consolidation from the nine months ended September 30, 2012.

(2) Application of Accounting Procedures Specific to the Preparation of the Quarterly Consolidated Financial Statements

The Company calculates tax expenses by multiplying pretax net income for the nine months ended September 30, 2012 by a reasonable estimate of the effective tax rate after application of tax effect accounting to pretax net income. The quarterly Consolidated Statements of Operations present income taxes net of deferred income taxes.

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements

1. Changes in Accounting Policies

From the first quarter of 2012, the Company applies the Accounting Standard for Earnings Per Share (Accounting Standards Board of Japan (ASBJ), Statement No. 2, revised June 30, 2010), the Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, revised June 30, 2010), and Practical Solution on Accounting for Earnings Per Share (ASBJ Practical Issue Task Force No. 9, revised June 30, 2010).

The Company implemented a free stock distribution of 2 shares for each 1 share of common stock with an effective date of July 1, 2012. Calculation of quarterly consolidated net income per share assumes the stock split occurred at the beginning of the previous consolidated fiscal year.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of December 31, 2011	As of September 30, 2012
ASSETS		
Current assets		
Cash and deposits	2,901,154	3,686,798
Notes and accounts receivable	1,446,736	1,719,873
Products	70,909	62,886
Goods in process	48,140	33,349
Merchandise and supplies	17,845	21,032
Prepaid expenses	152,996	253,432
Deferred tax assets	108,564	137,719
Accrued corporate tax refund	1,360	1,183
Accrued consumption tax	4,591	2,431
Other	44,326	99,635
Allowance for doubtful accounts	(16,341)	(21,386)
Total current assets	4,780,283	5,996,956
Fixed assets		
Property and equipment		
Buildings and structures	590,303	691,198
Accumulated depreciation	(307,413)	(387,947)
Buildings and structures (net)	282,889	303,251
Vehicles	10,057	10,057
Accumulated depreciation	(9,476)	(9,838)
Vehicles (net)	581	218
Furniture and fixtures	359,183	482,749
Accumulated depreciation	(289,371)	(392,666)
Furniture and fixtures (net)	69,811	90,082
Lease assets	79,201	178,235
Accumulated depreciation	(32,039)	(58,157)
Lease assets (net)	47,162	120,077
Total property and equipment	400,444	513,629
Intangible assets		
Goodwill	2,017,880	3,007,142
Software	174,103	166,004
Other	3,966	4,610
Total intangible assets	2,195,950	3,177,757
Investments and other assets		
Investments in securities	35,514	24,859
Security deposits	973,114	1,050,268
Deferred tax assets	34,784	53,450
Claims in bankruptcy	1,182	7,754
Other	59,553	67,808
Allowance for doubtful accounts	(1,182)	(7,754)
Total investments and other assets	1,102,967	1,196,386
Total fixed assets	3,699,362	4,887,774
Total assets	8,479,645	10,884,730

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

	As of December 31, 2011	As of September 30, 2012
LIABILITIES		
Current liabilities		
Accounts	347,130	265,228
Short-term borrowings	300,000	1,286,040
Long-term debt due within one year	203,721	382,782
Accounts payable	395,516	777,314
Lease obligations	20,393	43,434
Expenses payable	166,575	235,576
Accrued income taxes	214,076	167,452
Accrued consumption taxes	53,738	105,604
Advances received	1,844,037	1,870,229
Accrued bonuses to employees	167,316	144,899
Accrued bonuses to officers	23,501	7,593
Provision for loss on store closure	5,785	1,742
Asset retirement obligations	2,499	—
Other	74,894	140,446
Total current liabilities	3,819,188	5,428,343
Long-term liabilities		
Long-term debt	1,123,260	2,133,330
Lease obligations	28,863	82,687
Reserve for employee retirement benefits	160,356	180,513
Asset retirement obligations	40,773	44,453
Other	134,750	128,626
Total long-term liabilities	1,488,004	2,569,611
Total liabilities	5,307,193	7,997,955
NET ASSETS		
Shareholders' equity		
Common stock	979,750	979,750
Additional paid-in capital	734,595	734,595
Retained earnings	1,827,321	1,905,866
Treasury stock	(485,006)	(731,840)
Total shareholders' equity	3,056,660	2,888,371
Cumulative other comprehensive income		
Unrealized gain on securities	320	(1,596)
Total cumulative other comprehensive income	320	(1,596)
Minority interests	115,471	—
Total net assets	3,172,452	2,886,775
Total liabilities and net assets	8,479,645	10,884,730

(2) Consolidated Statements of Operations and Comprehensive Income

Consolidated Statements of Operations

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

	Nine months ended September 30, 2011	Nine months ended September 30, 2012
Net sales	6,890,908	13,656,378
Cost of sales	3,579,342	8,486,221
Gross profit	3,311,566	5,170,157
Selling, general and administrative expenses	2,914,408	4,585,414
Operating income	397,158	584,743
Non-operating income		
Interest income	662	921
Dividend income	510	422
Co-sponsor fees	1,571	—
Commission fees	3,362	5,049
Other	5,090	12,734
Total non-operating income	11,197	19,127
Non-operating expenses		
Interest expenses	4,796	30,037
Expenses for purchase of treasury stock	3,637	2,250
Other	109	1,771
Total non-operating expenses	8,544	34,059
Ordinary income	399,811	569,811
Extraordinary income		
Reversal of allowance for doubtful accounts	33,857	—
Gain on sale of shares of subsidiary	—	6,406
Other	5,104	—
Total extraordinary income	38,962	6,406
Extraordinary loss		
Loss on valuation of investment securities	3,180	—
Loss on disposal of property and equipment	5,671	3,214
Impairment loss	—	2,371
Loss on adjustment for changes of accounting standard for asset retirement obligations	8,860	—
Provision for loss on store closure	2,408	2,916
Total extraordinary loss	20,119	8,503
Income before income taxes	418,654	567,714
Income taxes	212,758	291,966
Income before minority interests	205,895	275,747
Loss on minority interests	(51,352)	—
Net income	257,247	275,747

Consolidated Statements of Comprehensive Income

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

	Nine months ended September 30, 2011	Nine months ended September 30, 2012
Income before minority interests	205,895	275,747
Other comprehensive income		
Unrealized gain (loss) on securities	2,554	(1,916)
Total other comprehensive income (loss)	2,554	(1,916)
Comprehensive income	208,450	273,831
(Attributable to)		
Owners of the parent	259,802	273,831
Minority interests	(51,352)	—

(3) Notes Regarding Assumption of Going Concern

None applicable

(4) Segment Information

Segment Information

I. Cumulative third quarter of 2011 (January 1, 2011 – September 30, 2011)

1. Sales and income by reportable segment

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

	Reportable Segment			Adjustment (Note 1)	Consolidated
	Business Division	Consumer Division	Total		
Segment sales					
Sales to outside customers	4,440,384	2,450,524	6,890,908	—	6,890,908
Intersegment sales and transfers	9,810	82,167	91,978	(91,978)	—
Total	4,450,194	2,532,692	6,982,887	(91,978)	6,890,908
Segment income (Note 2)	2,450,140	892,036	3,342,177	(30,610)	3,311,566

Notes: 1. Adjustments represent elimination of intersegment transactions.

2. Segment income is gross profit.

2. Loss on Impairment of Fixed Assets and Goodwill by Reportable Segment

None applicable

II. Cumulative third quarter of 2012 (January 1, 2012 – September 30, 2012)

1. Sales and income by reportable segment

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

	Reportable Segment			Adjustment (Note 1)	Consolidated
	Business Division	Consumer Division	Total		
Segment sales					
Sales to outside customers	8,760,891	4,895,487	13,656,378	—	13,656,378
Intersegment sales and transfers	177,714	125,464	303,179	(303,179)	—
Total	8,938,606	5,020,952	13,959,558	(303,179)	13,656,378
Segment income (Note 2)	3,556,738	1,727,272	5,284,011	(113,853)	5,170,157

Notes: 1. Adjustments represent elimination of intersegment transactions.

2. Segment income is gross profit.

3. Effective from the first quarter of 2012, the name of the former B2B Division was changed to the Business Division, and the name of the former B2C Division was changed to the Consumer Division. This change did not affect segment information.

2. Assets by Reportable Segment

Assets by reportable segment as of September 30, 2012 changed significantly from December 31, 2011.

During the cumulative third-quarter period, the Link and Motivation Group added Intec Japan, Inc. and Sales Marketing Co., Ltd. as consolidated subsidiaries, and included the assets of these companies in the Business Division. The addition of consolidated subsidiaries increased Business Division assets by ¥1,741,373 thousand.

3. Loss on Impairment of Fixed Assets and Goodwill by Reportable Segment

(Significant loss on impairment of fixed assets)

None applicable

(Significant changes in goodwill)

In the Business Division, goodwill increased due to the acquisition of Intec Japan, Inc. and Sales Marketing Co., Ltd. In the Consumer Division, goodwill increased due to the acquisition of the shares of Avance Co., Ltd. These events increased goodwill by ¥1,131,928 thousand in the nine months ended September 30, 2012.

(Significant gains on negative goodwill)

None applicable

(5) Notes on Significant Changes in Shareholders' Equity

None applicable