

Consolidated Financial Statements for the First Quarter of 2008

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.
May 14, 2008

Link and Motivation Inc.
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Representative: Yoshihisa Ozasa, President and Representative Director
Contact: Shunichi Ohno, Managing Executive Officer and
Manager of Corporate Design Division
Start of distribution of dividends (scheduled): June 25, 2008

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for the First Quarter of 2008 (January 1, 2008 - March 31, 2008)

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

	Net sales (¥ million)	Change (%)	Operating income (¥ million)	Change (%)	Ordinary income (¥ million)	Change (%)
Three months ended March 31, 2008	2,137	5.8	245	3.7	246	4.8
Three months ended March 31, 2007	2,020	—	236	—	235	—
Year ended December 31, 2007	8,184	—	1,361	—	1,332	—

	Net income (¥ million)	Change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Three months ended March 31, 2008	142	12.5	1,048.49	—
Three months ended March 31, 2007	126	—	1,002.38	—
Year ended December 31, 2007	743	—	5,882.72	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets/ Total assets (%)	Net assets per share (¥)
As of March 31, 2008	4,478	3,339	74.6	24,648.82
As of March 31, 2007	3,752	1,945	51.8	15,441.85
As of December 31, 2007	5,013	3,326	66.4	24,551.21

(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)
Three months ended March 31, 2008	37	(121)	(216)	1,368
Three months ended March 31, 2007	220	(629)	185	1,009
Year ended December 31, 2007	937	(794)	292	1,668

2. Dividends

	Dividends per share
Three months ended March 31, 2008	525.00
Three months ended March 31, 2007	—

Note: The dividend for the first quarter of 2008 is composed of a regular dividend of ¥315.00 and a commemorative dividend of ¥210.00.

3. Forecast of Results for the Year Ending December 31, 2008 (January 1, 2008 - December 31, 2008) (Reference)

(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	4,300	10.3	580	19.2	575	18.4	310	12.8	2,287.82
Full year	9,200	12.4	1,660	21.9	1,620	21.6	880	18.4	6,494.46

Note: Results for the first quarter are essentially according to plan, and there is no change to the forecast of results announced on February 13, 2008 as of the release of this document.

4. Other

- (1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries due to Changes in the Scope of Consolidation): No
- (2) Adoption of Simplified Accounting Procedures: Yes
- (3) Changes in Accounting Procedures from the Most Recent Year: No

Note: For details, please refer to “Quantitative Information and Financial Statements, 4. Other” on page 6.

Note: Proper Use of Forecast of Results and Other Notes

(Cautionary Remark Regarding Forward-Looking Statements)

The forward-looking statements contained in this document, including forecasts of results, are based on information available to the Company at time of release. Actual business results may differ substantially due to a number of factors. Please refer to “Qualitative Information and Financial Statements, 3. Qualitative Information Regarding Forecast of Results” on page 6 for the background and conditions of forecasts of results.

The Company has revised the dividend forecast for the year ended December 31, 2007 announced on February 13, 2008 in the Consolidated Financial Statements for the Fiscal Year Ended December 31, 2007. Please refer to the “Announcement Regarding Commemorative Dividend” released on April 16, 2008.

Qualitative Information and Financial Statements

1. Qualitative Information Regarding Results of Operations

In the first quarter of 2008, factors including disruption in financial and capital markets stemming from the subprime mortgage crisis that originated in the United States and rising crude oil and grain prices created uncertainty about the direction of the Japanese economy.

In this economic environment, the Link and Motivation Group was affected in the short term by increased caution in corporate investment. However, interest is increasing in people as a management resource and the motivation of the individual as an important issue at many companies for the mid-to-long-term in response to a decrease in the workforce due to a declining birthrate and aging population, and the diversification of personal values.

The Link and Motivation Group will further strengthen contact with customers by adopting a style of operations that aims to provide longer and more continuous service in order to respond to mid-to-long-term needs, while focusing on gaining new clients. In addition, we will strengthen efforts to encompass various corporate needs by applying the Brand Management Business, established in the previous year, to the new area of “motivation engineering technology.”

In this market environment, consolidated net sales of the Link and Motivation Group for the first quarter of 2008 were ¥2,137,408 thousand (a 5.8% increase compared with the same period of the previous year), gross profit was ¥1,187,258 thousand (a 2.9% increase compared with the same period of the previous year), operating income was ¥245,344 thousand (a 3.7% increase compared with the same period of the previous year), ordinary income was ¥246,587 thousand (a 4.8% increase compared with the same period of the previous year), and net income was ¥142,070 thousand (a 12.5% increase compared with the same period of the previous year).

Although some business was affected by short-term market conditions, the overall Group achieved 100.3% of the net sales forecast (¥2,130,000 thousand) and 101.5% of the net income forecast (¥140,000 thousand) announced with the consolidated financial statements of 2007.

First quarter operating results by business are described below.

Motivation Management Business

In the first quarter of 2008, the Motivation Management business generated net sales of ¥732,844 thousand (a 6.7% decrease compared with the same period of the previous year) and gross profit of ¥545,815 thousand (a 7.0% decrease compared with the same period of the previous year).

The Motivation Management business provides planning and implementation support for services related to organizational strategy, including training, personnel systems and organizational climate, for raising employee motivation. Factors including a contraction in the scale of training centered on certain industries and leading medium- and small-sized companies and a revision in implementation timing drove results below the same period of the previous year, amid uncertainty about the direction of the Japanese economy. However, corporate needs regarding highly motivated personnel and reenergized organization remain strong for the medium term. The Company will strengthen its relationship with customers in order to accurately grasp their mid-to-long-term needs and provide long-term, continuous services.

Entry Management Business

In the first quarter of 2008, net sales of the Entry Management business were ¥935,161 thousand (a 0.6% decrease compared with the same period of the previous year) and gross profit was ¥473,772 thousand (a 0.5% decrease compared with the same period of the previous year).

The Entry Management business provides planning and implementation support for services related to achieving best-match relationships in new graduate and intermediate recruitment strategy. The environment surrounding this business is a high 2.14 ratio of job offers to job seekers (according to a survey by Works Institute of Recruit Co., Ltd.) and a sellers' market for new graduates. Companies have responded by starting recruiting activities earlier to secure talented human resources. As a result of pushing ahead recruiting management consulting, which usually begins in the first quarter of a given year, to the fourth quarter of the previous year, net sales and gross profit were at the level of the same period of the previous year.

Brand Management Business

In the first quarter of 2008, net sales of the Brand Management business amounted to ¥229,793 thousand (a 12.7% increase compared with the same period of the previous year), and gross profit was ¥128,562 thousand (a 76.8% increase compared with the same period of the previous year).

The Brand Management business provides planning and implementation support for services related to IR activities and marketing activities for clarification and penetration of brand image. Sales of the LifeStyle Motivation Indicator (LSMI), a database service of personal values and consumer trends, and the accompanying consulting service increased due to the effect of a diversification of personal values. The solid expansion of these high-profitability services increased net sales by 12.7% and gross profit by 76.8% compared with the same period of the previous year.

Place Management Business

In the first quarter of 2008, the Place Management business generated net sales of ¥230,436 thousand (a 166.0% increase compared with the same period of the previous year) and gross profit of ¥34,380 thousand (a 48.6% increase compared with the same period of the previous year). The Place Management business provides planning and implementation support for services related to office structuring and place strategy for energizing communication and raising productivity. This business accurately grasped a recent demand trend for added value in office spaces and steadily responded to market needs. As a result, large-scale orders covering projects from office space proposals to actual support of office structuring increased in the first quarter, leading to a 166.0% increase in net sales and a 48.6% increase in gross profit compared with the same period of the previous year.

The restaurant business operated by Link Dining Inc., a part of Other until the end of the previous year, was included in the Place Management business as of the first quarter of 2008. Comparisons with the same period of the previous year are based on retroactively revised figures.

Other

Other net sales in the first quarter of 2008 totaled ¥9,172 thousand (a 137.2% increase compared with the same period of the previous year).

Other net sales included compensation from speaking engagements at business events, as well as compensation from published books and contributions to newspapers and business journals. Net sales increased due to rising recognition of the Group and growing social interest in the topic of motivation.

Link Dining Inc., a part of Other until the end of the previous year, was included in the Place Management business. Comparisons with the same period of the previous year are based on retroactively revised figures.

2. Qualitative Information Regarding Financial Condition and Cash Flow

(1) Financial Condition

Total assets as of March 31, 2008 were ¥4,478,135 thousand, a decrease of ¥535,398 thousand from the end of the previous year. Total liabilities decreased ¥548,624 thousand from the end of the previous year to ¥1,138,219 thousand. Principal factors in the decrease included the payment of income taxes.

Net assets increased ¥13,226 thousand from a year earlier to ¥3,339,916 thousand. Principal factors in the increase included net income of ¥142,070 thousand and ¥128,318 thousand paid as dividends for the previous year.

(2) Cash Flow

The balance of cash and cash equivalents (“cash”) as of March 31, 2008 was ¥1,368,462 thousand, a decrease of ¥300,414 thousand from the end of the previous year. Specific factors in the decrease were cash flow provided by operating activities of ¥37,146 thousand, cash flow used in investment activities of ¥121,340 thousand, and cash flow used in financing activities of ¥216,219 thousand. Details are presented below.

Cash Flow from Operating Activities

In the first quarter of 2008, in addition to net income before income taxes of ¥246,587 thousand, recovery of notes and accounts receivable - trade of ¥286,377 thousand surpassed notes and accounts payable of ¥62,973 thousand. However, cash flow provided by operating activities was ¥37,146 thousand, due to the payment of ¥432,309 thousand in income taxes for the previous year.

Cash Flow from Investing Activities

Payments for acquisition of business

In the first quarter of 2008, the Company made an expenditure of ¥80,000 thousand related to accounts payable for a contract completed with ODS Corporation for a business transfer carried out in the previous year. This expenditure completes the Company’s payment obligation related to the contract.

Payments for security deposits

Link Port Harumi opened in the first quarter of 2008 as a facility for carrying out training provided by the Company. ¥31,416 thousand was used as a security deposit following the opening of the facility.

Cash Flow from Financing Activities

Repayment of long-term debt

In the first quarter of 2008, the Company repaid ¥94,000 thousand in long-term notes and accounts receivable per agreement.

Payment of cash dividends

The Company paid ¥122,219 thousand in cash dividends for the previous year in the first quarter of 2008.

3. Qualitative Information Regarding Forecast of Results

Results for the first quarter were essentially according to plan.

There is no change to the forecast of results announced on February 13, 2008 as of the release of this document.

4. Other

- (1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries due to Changes in the Scope of Consolidation): No
- (2) Adoption of Simplified Accounting Procedures
The Company calculates depreciation of property and equipment for the year according to the period in which it occurred.
- (3) Changes in Accounting Procedures from the Most Recent Year: No

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of March 31, 2007	As of March 31, 2008	Increase (decrease)		(Reference) December 31, 2007
	Amount	Amount	Amount	Percentage	Amount
ASSETS					
I Current assets					
Cash and deposits	1,009,027	1,368,462	359,435	35.6	1,668,877
Notes and accounts receivable	935,624	1,257,095	321,470	34.4	1,543,472
Inventories	61,450	83,149	21,699	35.3	81,303
Other	167,242	127,266	(39,976)	(23.9)	184,742
Total current assets	2,173,344	2,835,973	662,629	30.5	3,478,395
II Fixed assets					
Property and equipment	289,012	384,038	95,026	32.9	275,943
Intangible assets	794,208	668,138	(126,069)	(15.9)	698,888
Investments and other assets	496,240	589,983	93,743	18.9	560,306
Total fixed assets	1,579,461	1,642,161	62,700	4.0	1,535,137
Total assets	3,752,805	4,478,135	725,329	19.3	5,013,533
LIABILITIES					
I Current liabilities					
Accounts payable – trade	215,361	337,746	122,385	56.8	323,089
Short-term borrowings	360,000	—	(360,000)	(100.0)	—
Long-term debt due within one year	375,880	172,000	(203,880)	(54.2)	225,000
Accounts payable	278,188	290,846	12,657	4.5	312,519
Accrued income taxes	91,572	82,305	(9,266)	(10.1)	439,100
Accrued bonuses to employees	140,767	111,053	(29,714)	(21.1)	117,747
Other	124,360	95,267	(29,093)	(23.4)	179,386
Total current liabilities	1,586,131	1,089,219	(496,912)	(31.3)	1,596,843
II Long-term liabilities					
Long-term debt	221,000	49,000	(172,000)	(77.8)	90,000
Long-term liabilities	221,000	49,000	(172,000)	(77.8)	90,000
Total liabilities	1,807,131	1,138,219	(668,913)	(37.0)	1,686,843
NET ASSETS					
I Shareholders' equity					
Common stock	538,000	979,750	441,750	82.1	979,750
Additional paid-in capital	292,845	734,595	441,750	150.8	734,595
Retained earnings	1,117,387	1,627,485	510,098	45.7	1,613,733
Total shareholders' equity	1,948,232	3,341,830	1,393,598	71.5	3,328,078
II Valuation and translation adjustments					
Unrealized gain on securities	(2,558)	(1,914)	644	25.2	(1,388)
Total valuation and translation adjustments	(2,558)	(1,914)	644	25.2	(1,388)
Total net assets	1,945,673	3,339,916	1,394,242	71.7	3,326,690
Total liabilities and net assets	3,752,805	4,478,135	725,329	19.3	5,013,533

(4) Consolidated Statements of Operations

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

	Three months ended March 31, 2007	Three months ended March 31, 2008	Increase (decrease)		(Reference) Year ended December 31, 2007
	Amount	Amount	Amount	Percentage	Amount
I Net sales	2,020,238	2,137,408	117,170	5.8	8,184,955
II Cost of sales	866,519	950,149	83,631	9.7	3,194,042
Gross profit	1,153,718	1,187,258	33,539	2.9	4,990,912
III Selling, general and administrative expenses	917,145	941,914	24,769	2.7	3,629,649
Operating income	236,573	245,344	8,770	3.7	1,361,263
IV Nonoperating income	1,272	1,931	658	51.8	7,689
Interest income	508	989	481	94.6	1,551
Other	764	941	177	23.2	6,138
IV Nonoperating expenses	2,534	688	(1,846)	(72.8)	36,815
Interest expenses	2,512	598	(1,914)	(76.2)	8,123
Other	21	89	68	316.9	28,691
Ordinary	235,312	246,587	11,275	4.8	1,332,137
VI Extraordinary loss	2,764	—	(2,764)	(100.0)	20,399
Loss on valuation of investment securities	2,764	—	(2,764)	(100.0)	9,379
Other	—	—	—	—	11,020
Income before income taxes	232,548	246,587	14,039	6.0	1,311,737
Current income taxes	104,806	70,229	(34,577)	(33.0)	587,840
Deferred income taxes	1,441	34,287	32,846	2278.8	(19,557)
Net income	126,300	142,070	15,770	12.5	743,454

(3) Consolidated Statements of Cash Flow

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

	Three months ended March 31, 2007	Three months ended March 31, 2008	(Reference) Year ended March 31, 2007
	Amount	Amount	Amount
I Cash flow from operating activities			
Income before income taxes	232,548	246,587	1,311,737
Depreciation and amortization	28,241	31,359	130,750
Amortization of goodwill	32,649	32,649	130,598
Increase (decrease) in accrued bonuses to employees	555	(6,837)	(21,936)
Decrease (increase) in notes and accounts receivable - trade	359,975	286,377	(247,872)
Decrease (increase) in inventories	27,067	(1,846)	7,213
Increase (decrease) in notes and accounts payable	(128,293)	14,657	(20,565)
Decrease in advances received	(81,382)	(73,394)	(61,072)
Decrease in accounts payable	(26,886)	(77,631)	(4,327)
Other	(23,087)	16,965	68,261
Subtotal	421,387	468,887	1,292,787
Interest and dividends received	374	1,039	2,154
Interest paid	(2,516)	(471)	(8,206)
Income taxes paid	(199,227)	(432,309)	(348,823)
Net cash provided by operating activities	220,018	37,146	937,911
II Cash flow from investing activities			
Payments for acquisition of property and equipment	(11,366)	(1,743)	(76,225)
Payments for acquisition of intangible fixed assets	(30,750)	(5,800)	(71,622)
Payments for acquisition of business	(517,654)	(80,000)	(517,654)
Payments for security deposits	(66,662)	(31,416)	(140,455)
Other	(3,199)	(2,380)	11,471
Net cash used in investing activities	(629,632)	(121,340)	(794,487)
III Cash flow from financing activities			
Increase in short-term borrowings	360,000	—	—
Repayment of long-term debt	(103,290)	(94,000)	(385,170)
Payment of cash dividends	(70,963)	(122,219)	(191,772)
Other	—	—	869,500
Net cash provided by (used in) financing activities	185,746	(216,219)	292,558
IV Net increase (decrease) in cash and cash equivalents	(223,867)	(300,414)	435,982
V Cash and cash equivalents at beginning of period	1,232,894	1,668,877	1,232,894
VI Cash and cash equivalents at end of period	1,009,027	1,368,462	1,668,877