

Consolidated Financial Statements for the Cumulative Third Quarter of the Fiscal Year Ending December 31, 2008

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan. November 7, 2008

Link and Motivation Inc.
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Stock exchange listing: Tokyo, Second Section
Code number: 2170

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Start of distribution of dividends (scheduled):

December 25, 2008

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for the Cumulative Third Quarter of 2008 (January 1, 2008 – September 30, 2008)

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

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Nine months ended Sept. 30, 2008	5,906	6.3	770	17.5	772	22.1
Nine months ended Sept. 30, 2007	5,558	—	655	—	632	—
Year ended December 31, 2007	8,184	28.8	1,361	58.5	1,332	55.2

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Nine months ended Sept. 30, 2008	438	27.8	3,239.87	—
Nine months ended Sept. 30, 2007	342	—	2,721.34	—
Year ended December 31, 2007	743	60.2	5,882.72	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets / Total assets (%)	Net assets per share (¥)
As of September 30, 2008	4,253	3,448	81.1	25,555.44
As of September 30, 2007	3,554	2,062	58.0	16,371.36
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)
Nine months ended Sept. 30, 2008	432	(422)	(482)	1,196
Nine months ended Sept. 30, 2007	410	(706)	(88)	848
Year ended December 31, 2007	937	(794)	292	1,668

2. Dividends

	Dividends per share				
	1st Qtr.	Interim	3rd Qtr.	Year end	Full year
2007	—	655.00	163.00	947.00	1,765.00
2008 (actual)	525.00	787.00	309.00	—	—
2008 (est.)	—	—	—	1,637.00	3,258.00

Note: Breakdown of dividends per share is as follows:

First quarter (three months ended March 31, 2008): Regular dividend ¥315.00, Commemorative dividend: ¥210.00

Interim period (six months ended June 30, 2008): Regular dividend ¥472.20, Commemorative dividend: ¥314.80

Third quarter (nine months ended September 30, 2008): Regular dividend ¥185.40, Commemorative dividend: ¥123.60

3. Forecast of Results for 2008 (January 1, 2008 - December 31, 2008)

(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	8,790	7.4	1,570	15.3	1,570	17.9	880	18.4	6,508.42

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, see “Qualitative Information and Financial Statements, 4. Other” on page 6.

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

The forecast of consolidated results contained in this document is based on the most reliable information and assumptions available to the Company as of the date of submission. Please bear in mind that actual results may differ materially from the forecast due to numerous uncertain factors in an increasingly unclear economy.

Please refer to “Qualitative Information and Financial Statements, 3. Qualitative Information Regarding Forecast of Results” on page 6 for the background and conditions of the forecast of results.

Qualitative Information and Financial Statements

1. Analysis of Results of Operations

In the cumulative third quarter of the fiscal year ending December 31, 2008, the nine months ended September 30, 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 resulted in weak performance for many companies. Budgets of Link and Motivation Group customers, centered on small-to-medium sized companies, contracted in various areas. However, we believe that for the mid-to-long-term, interest will continue to increase in people as an important management resource and in the motivation of the individual as an important issue at many companies in response to a decrease in the workforce due to the declining birth rate and aging population, and the diversification of personal values.

Under such circumstances, the Group has positioned “strengthening sales of database products,” “strengthening the brand management business,” and “acquiring customers by expanding business sites” as its growth strategies. In the cumulative third quarter, each strategy proceeded smoothly, with significant increases in sales and profits of database analysis, the Brand Management business and the Tokai region.

As a result, consolidated net sales for the cumulative third quarter were ¥5,906,736 thousand (an increase of 6.3% compared with the same period of the previous year), gross profit was ¥3,595,167 thousand (an increase of 6.6%), operating income was ¥770,504 thousand (an increase of 17.5%), ordinary income was ¥772,138 thousand (an increase of 22.1%), and net income was ¥438,332 thousand (an increase of 27.8%).

The Group achieved the net sales and profit forecasts announced with the consolidated financial statements for the first quarter of 2008.

Cumulative third quarter operating results by business are described below.

Motivation Management Business

In the cumulative third quarter, the Motivation Management business generated net sales of ¥2,443,266 thousand (a decrease of 3.4% compared with the same period of the previous year) and gross profit of ¥1,796,391 thousand (a decrease of 3.4%).

The Motivation Management business provides planning and implementation support services related to organizational strategy, including training, personnel systems and organizational climate, for raising employee motivation. Net sales were lower than in the same period of the previous year due to contracting budgets for personnel and training centered on small-to-medium sized companies affected by the economic downturn. In response to this changing environment, from July 2007 the Group shifted its sales strategy from small-to-medium-sized companies to large companies. The Group believes that this shift will bear fruit in the future.

Entry Management Business

In the cumulative third quarter, the Entry Management business generated net sales of ¥1,895,364 thousand (an increase of 7.4% compared with the same period of the previous year) and gross profit of ¥1,106,133 thousand (an increase of 15.3%).

The Entry Management business provides planning and implementation support services for employment strategies related to achieving best-match relationships in recruitment strategy. Some industries are reducing

the number of new graduates they recruit, but competition for excellent personnel remains intense, particularly for large companies, due to the declining birth rate. As a result, our customers are adopting increasingly complicated and advanced recruitment techniques. In order to strengthen sales to large companies, the Group is shifting sales personnel and has revised its marketing technique to offering comprehensive market-in solutions that resolve customers' upstream issues instead of product-out solutions. These initiatives contributed toward significant increases in sales and profits for the three months ended September 30, 2008, with net sales rising 25.0% and gross profit up 47.6% compared with the same three-month period of the previous year.

Brand Management Business

Net sales of the Brand Management business were ¥954,942 thousand (an increase of 36.6% compared with the same period of the previous year) and gross profit was ¥571,949 thousand (an increase of 42.3%).

(These figures include net sales of ¥55,768 thousand and gross profit of ¥25,935 thousand generated by Nihon Investors Service Inc., which the Company acquired on July 25, 2008).

The Brand Management business provides planning and implementation support services related to brand strategies and IR and marketing activities for clarification and penetration of brand image. In the cumulative third quarter, sales of internet research and databases regarding consumer trends and personal values, as well as associated consulting services, increased significantly, centered on large companies. In addition, sales of IR consulting and annual report services, which are IR branding activities, rose steadily as a result of current demands for finely tuned disclosure of information to investors.

Place Management Business

In the cumulative third quarter, the Place Management business generated net sales of ¥586,876 thousand (an increase of 12.9% compared with the same period of the previous year) and gross profit of ¥112,411 thousand (a decrease of 1.4%).

The Place Management business provides planning and implementation support services related to place strategies such as office structuring that energize communication and raise productivity and stimulate communication. Sales in place management consulting, the main service, decreased 8.2% compared with the same period of the previous year due to an increasing number of small-to-medium-sized companies cutting back on office investment because of the stagnating economy. On the other hand, revenues from the CABINS rental office service that started in January 2007 continued to grow steadily through the interim period, increasing 86.5% compared with the same period of the previous year. Net sales for the cumulative third quarter increased compared to the same period of the previous year, but gross profit decreased slightly.

Other

Other net sales in the cumulative third quarter totaled ¥26,285 thousand (a decrease of 43.5% 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.

In the first quarter, wholly owned subsidiary Link Dining Inc., which was included in Other until the

end of the previous year, became part of the Place Management business. Comparisons with the same period of the previous year are based on retroactively revised figures.

2. Qualitative Information Regarding Financial Position and Cash Flow

(1) Financial Position

Total assets as of September 30, 2008 were ¥4,253,762 thousand, a decrease of ¥759,771 thousand from the end of the previous year.

Principal factors in the decrease included a decrease of ¥422,151 thousand in cash and deposits due to payments of dividends totaling ¥296,136 thousand, income tax totaling ¥719,612 thousand and capital expenditures totaling ¥115,455 thousand in facilities at Link Port Harumi, which substantially exceeded the decrease in notes and accounts receivable – trade. In addition, notes and accounts receivable – trade decreased ¥444,769 thousand due to collection of receivables.

Total liabilities decreased ¥882,044 thousand from the end of the previous year to ¥804,799 thousand. Principal factors in the decrease were payments of notes and accounts payable, which caused a decrease of ¥288,767 thousand, payments of accrued income taxes, which caused a decrease of ¥402,084 thousand, and repayment of debt totaling ¥184,000 thousand.

Net assets increased ¥12,273 thousand from the end of the previous year to ¥3,448,963 thousand. Principal factors in the increase included net income of ¥438,332 thousand and ¥296,136 thousand paid as dividends.

(2) Cash Flow

The balance of cash and cash equivalents as of September 30, 2008 was ¥1,196,725 thousand, a decrease of ¥472,151 thousand from the end of the previous year.

Behind the decrease was net cash provided by operating activities totaling ¥432,169 thousand, net cash used in investing activities totaling ¥422,009 thousand, and net cash used in financing activities totaling ¥482,311 thousand.

Details are as follows.

Cash Flow from Operating Activities

In addition to income before income taxes of ¥762,416 thousand, factors contributing net cash in the cumulative third quarter were a decrease in notes and accounts receivable - trade of ¥482,880 thousand that exceeded a decrease in notes and accounts payable of ¥263,824 thousand, and an increase in internal reserves of ¥204,002 thousand due to depreciation and amortization and amortization of goodwill.

The payment of income taxes for the previous year and the interim period of the current year used net cash of ¥719,612 thousand. As a result, net cash provided by operating activities was ¥432,169 thousand.

Cash Flow from Investing Activities

In the cumulative third quarter, the Company paid ¥80,000 thousand outstanding on a business transfer contract completed with ODS Corporation executed in the previous year. In addition, it paid ¥54,164 thousand

for the acquisition of shares of Nihon Investors Service Inc., as well as ¥122,383 thousand for acquisition of property and equipment and ¥49,205 thousand for security deposits for the opening of the Link Port Harumi training facility and the transfer of the Tokai Branch.

Moreover, the Company used net cash of ¥68,810 thousand for aggressive database development, and paid ¥50,000 thousand into time deposits exceeding three months. As a result, net cash used in investing activities was ¥422,009 thousand.

Cash Flow from Financing Activities

Net cash used in financing activities for the cumulative third quarter was ¥482,311 thousand as a result of factors including scheduled repayment of long-term debt totaling ¥184,000 thousand and payment of cash dividends totaling ¥296,136 thousand.

3. Qualitative Information Regarding Forecast of Results

Results for the cumulative third quarter were essentially according to plan.

There is no change to the forecast of results in the “Notice of Revision to Forecast of Results for 2008” announced on September 25, 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

(Simplified Calculation Procedures for Depreciation of Property and Equipment)

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. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of	As of	Increase		(Reference)
	September 30, 2007	September 30, 2008	(decrease)		As of December 31, 2007
	Amount	Amount	Amount	Percentage	Amount
ASSETS					
I Current assets					
1. Cash and deposits	848,465	1,246,725	398,260	46.9	1,668,877
2. Notes and accounts receivable	989,804	1,098,703	108,898	11.0	1,543,472
3. Inventories	61,699	105,535	43,836	71.0	81,303
4. Prepaid expenses	76,609	94,952	18,342	23.9	82,985
5. Deferred tax assets	51,546	83,931	32,384	62.8	83,505
6. Other	15,257	21,738	6,481	42.5	20,772
Allowance for doubtful accounts	(2,065)	(15,708)	(13,643)	660.7	(2,521)
Total current assets	2,041,318	2,635,879	594,560	29.1	3,478,395
II Fixed assets					
1. Property and equipment					
(1) Buildings and structures	259,117	326,627	67,510	26.1	259,117
Accumulated depreciation	(102,120)	(132,030)	(29,910)	29.3	(109,347)
(2) Vehicles	18,372	—	(18,372)	(100.0)	18,372
Accumulated depreciation	(4,767)	—	4,767	(100.0)	(6,193)
(3) Furniture and fixtures	276,505	330,830	54,324	19.6	275,624
Accumulated depreciation	(148,145)	(195,002)	(46,856)	31.6	(161,630)
Total property and equipment	298,962	330,425	31,463	10.5	275,943
2. Intangible assets					
(1) Software	172,387	203,707	31,320	18.2	174,318
(2) Goodwill	552,743	484,827	(67,916)	(12.3)	520,093
(3) Other	4,646	3,963	(683)	(14.7)	4,475
Total intangible assets	729,777	692,498	(37,279)	(5.1)	698,888
3. Investments and other assets					
(1) Investments in securities	18,191	15,734	(2,457)	(13.5)	17,521
(2) Security deposits	408,718	530,189	121,470	29.7	481,258
(3) Deferred tax assets	19,487	14,895	(4,591)	(23.6)	21,268
(4) Other	38,174	34,140	(4,034)	(10.6)	40,258
Total investments and other assets	484,571	594,959	110,387	22.8	560,306
Total fixed assets	1,513,311	1,617,883	104,571	6.9	1,535,137
Total assets	3,554,630	4,253,762	699,132	19.7	5,013,533

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

	As of	As of	Increase		As of
	September 30, 2007	September 30, 2008	(decrease)		December 31, 2007
	Amount	Amount	Amount	Percentage	Amount
LIABILITIES					
I Current liabilities					
1. Accounts payable - trade	136,811	197,447	60,635	44.3	323,089
2. Short-term borrowings	390,000	10,000	(380,000)	(97.4)	—
3. Long-term debt due within one year	262,060	131,000	(131,060)	(50.0)	225,000
4. Accounts payable	246,927	149,392	(97,534)	(39.5)	312,519
5. Expenses payable	1,549	13,192	11,643	751.4	862
6. Accrued income taxes	104,913	37,016	(67,897)	(64.7)	439,100
7. Accrued consumption taxes	21,768	47,477	25,708	118.1	55,444
8. Advances received	27,102	57,329	30,227	111.5	90,593
9. Accrued bonuses to employees	104,638	114,475	9,837	9.4	117,747
10. Accrued bonuses to officers	11,728	800	(10,928)	(93.2)	—
11. Allowance for sales returns	—	4,707	4,707	—	—
12. Other	53,338	39,335	(14,002)	(26.3)	32,485
Total current liabilities	1,360,837	802,174	(558,663)	(41.1)	1,596,843
II Long-term liabilities					
1. Long-term debt	131,000	2,625	(128,375)	(98.0)	90,000
Total long-term liabilities	131,000	2,625	(128,375)	(98.0)	90,000
Total liabilities	1,491,837	804,799	(687,038)	(46.1)	1,686,843
NET ASSETS					
I Shareholders' equity					
1. Common stock	538,000	979,750	441,750	82.1	979,750
2. Additional paid-in capital	292,845	734,595	441,750	150.8	734,595
3. Retained earnings	1,233,705	1,735,601	501,895	40.7	1,613,733
Total shareholders' equity	2,064,550	3,449,946	1,385,395	67.1	3,328,078
II Valuation and translation adjustments					
1. Unrealized gain on securities	(1,758)	(983)	775	(44.1)	(1,388)
Total valuation and translation adjustments	(1,758)	(983)	775	(44.1)	(1,388)
Total net assets	2,062,792	3,448,963	1,386,171	67.2	3,326,690
Total liabilities and net assets	3,554,630	4,253,762	699,132	19.7	5,013,533

(2) Consolidated Statements of Operations

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

	Nine months ended Sept. 30, 2007	Nine months ended Sept. 30, 2008	Increase (decrease)		Year ended December 31, 2007
	Amount	Amount	Amount	Percentage	Amount
I. Net sales	5,558,711	5,906,736	348,024	6.3	8,184,955
II. Cost of sales	2,191,240	2,311,568	120,327	5.5	3,194,042
Gross profit	3,367,470	3,595,167	227,696	6.8	4,990,912
III. Selling, general and administrative expenses	2,711,698	2,824,662	112,963	4.2	3,629,649
Operating income	655,772	770,504	114,732	17.5	1,361,263
IV. Non-operating income					
1. Interest income	1,355	2,815	1,459	107.7	1,551
2. Dividend income	194	238	43	22.2	284
3. Refund of consumption tax	4,328	—	(4,328)	(100.0)	4,328
4. Other	1,705	1,409	(295)	(17.4)	1,525
Total non-operating income	7,583	4,462	(3,120)	(41.2)	7,689
V. Non-operating expenses					
1. Interest expenses	6,359	1,986	(4,373)	(68.8)	8,123
2. Stock listing expenses	24,500	—	(24,500)	(100.0)	28,545
3. Loss on insurance contract cancellation	—	480	480	—	—
4. Other	102	362	260	253.8	146
Total non-operating loss	30,962	2,829	(28,132)	(90.9)	36,815
Ordinary income	632,393	772,138	139,744	22.1	1,332,137
VI. Extraordinary loss					
1. Loss on sales of fixed assets	—	4,867	4,867	—	—
2. Loss on disposal of fixed assets	10,906	1,708	(9,197)	(84.3)	11,020
3. Loss on valuation of investment securities	8,085	3,145	(4,940)	(61.1)	9,379
Total extraordinary loss	18,991	9,721	(9,269)	(48.8)	20,399
Income before income taxes	613,401	762,416	149,014	24.3	1,311,737
Current income taxes	256,076	319,090	63,014	24.6	587,840
Deferred income taxes	14,436	4,994	(9,442)	(65.4)	(19,557)
Net income	342,889	438,332	95,443	27.8	743,454

(3) Consolidated Statements of Cash Flow

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

	Nine months ended Sept. 30, 2007	Nine months ended Sept. 30, 2008	Year ended December 31, 2007
I Cash flow from operating activities			
Income before income taxes	613,401	762,416	1,311,737
Depreciation and amortization	94,413	102,754	130,750
Amortization of goodwill	97,948	101,247	130,598
Increase (decrease) in allowance for doubtful accounts	(293)	13,187	162
Decrease in allowance for employees' bonuses	(29,208)	(3,272)	(16,098)
Increase (decrease) in allowance for officers' bonuses	5,728	800	(6,000)
Loss on valuation of investment securities	8,085	3,145	9,379
Loss on sales of fixed assets	—	4,867	—
Loss on disposal of fixed assets	10,906	1,708	11,020
Loss on insurance contract cancellation	—	480	—
Interest and dividend income	(1,550)	(3,053)	(1,836)
Interest expense	6,359	1,986	8,123
Stock listing expenses	24,500	—	28,545
Decrease (increase) in notes and accounts receivable - trade	305,794	482,880	(247,872)
Decrease (increase) in inventories	26,818	(24,232)	7,213
Decrease in notes and accounts payable	(206,843)	(157,855)	(20,565)
Decrease in accounts payable	(71,749)	(105,969)	(4,327)
Decrease in advances received	(124,563)	(33,263)	(61,072)
(Decrease) increase in accrued consumption taxes	(14,186)	(7,291)	19,489
Other	15,505	1,989	(6,460)
Subtotal	761,066	1,142,527	1,292,787
Interest and dividends received	1,868	3,053	2,154
Interest paid	(6,832)	(1,765)	(8,206)
Income taxes paid	(345,901)	(719,612)	(348,823)
Proceeds from insurance contract cancellation	—	7,966	—
Net cash provided by operating activities	410,201	432,169	937,911
II Cash flow from investing activities			
Payments into time deposits	—	(50,000)	—
Payments for acquisition of property and equipment	(77,579)	(122,383)	(76,225)
Proceeds from sale of property and equipment	—	5,044	—
Payments for acquisition of intangible fixed assets	(56,692)	(68,810)	(71,622)
Payments for acquisition of business	(517,654)	(80,000)	(517,654)
Payments for acquisition of stock of subsidiary for consolidation	—	(54,164)	—
Payments for security deposits	(67,824)	(49,025)	(140,455)
Proceeds from return of security deposits	17,179	—	17,269
Other	(3,713)	(2,670)	(5,797)
Net cash used in investing activities	(706,286)	(422,009)	(794,487)
III Cash flow from financing activities			
Increase in short-term borrowings	390,000	6,000	—
Proceeds from long-term debt	—	2,625	—
Repayment of long-term debt	(307,110)	(184,000)	(385,170)
Proceeds from issuance of stock	—	—	869,500
Payments for purchase of treasury stock	—	(10,800)	—
Payment of cash dividends	(171,234)	(296,136)	(191,772)
Net cash (used in) provided by financing activities	(88,344)	(482,311)	292,558
IV Net (decrease) increase in cash and cash equivalents	(384,429)	(472,151)	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	848,465	1,196,725	1,668,877