

Consolidated Financial Statements for the First Quarter of 2012

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

May 10, 2012

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

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

May 10, 2012

Start of distribution of dividends (scheduled):

June 25, 2012

Supplementary documents for quarterly results:

No

Quarterly results briefing:

No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for First Quarter of 2012 (January 1, 2012 - March 31, 2012)

(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, 2012	4,349	166.8	158	374.8	156	350.8
Three months ended March 31, 2011	1,630	(0.8)	33	54.5	34	(53.0)

	Net income (¥ million)	Change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Three months ended March 31, 2012	71	—	572.55	—
Three months ended March 31, 2011	(11)	—	(88.45)	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)
As of March 31, 2012	11,618	2,984	25.7
As of December 31, 2011	8,479	3,172	36.1

(Reference) Net worth As of March 31, 2012: ¥2,984 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				
2012 (est.)		600.00	300.00	300.00	1,700.00

Note: Revision of dividend forecast during the quarter: Yes

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 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	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: 3 companies (Names: Intec Japan, Inc., Sales Marketing Co., Ltd. and Avance Co., Ltd.)
Removed: 1 company (Name: Link Place Inc.)
- (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: No
 - (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)
Three months ended March 31, 2012: 134,960; Year ended December 31, 2011: 134,960
 - (b) Number of treasury shares at the end of the period:
Three months ended March 31, 2012: 11,167; Year ended December 31, 2011: 9,667
 - (c) Average number of shares outstanding (cumulative with earlier quarters):
Three months ended March 31, 2012: 124,677; Three months ended March 31, 2011: 132,699

* Presentation of Implementation Status of Quarterly Review Procedures

- These “Consolidated Financial Statements for the First Quarter of 2012” are not subject to quarterly review procedures pursuant to the Financial Instruments and Exchange Act and, 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 not 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.

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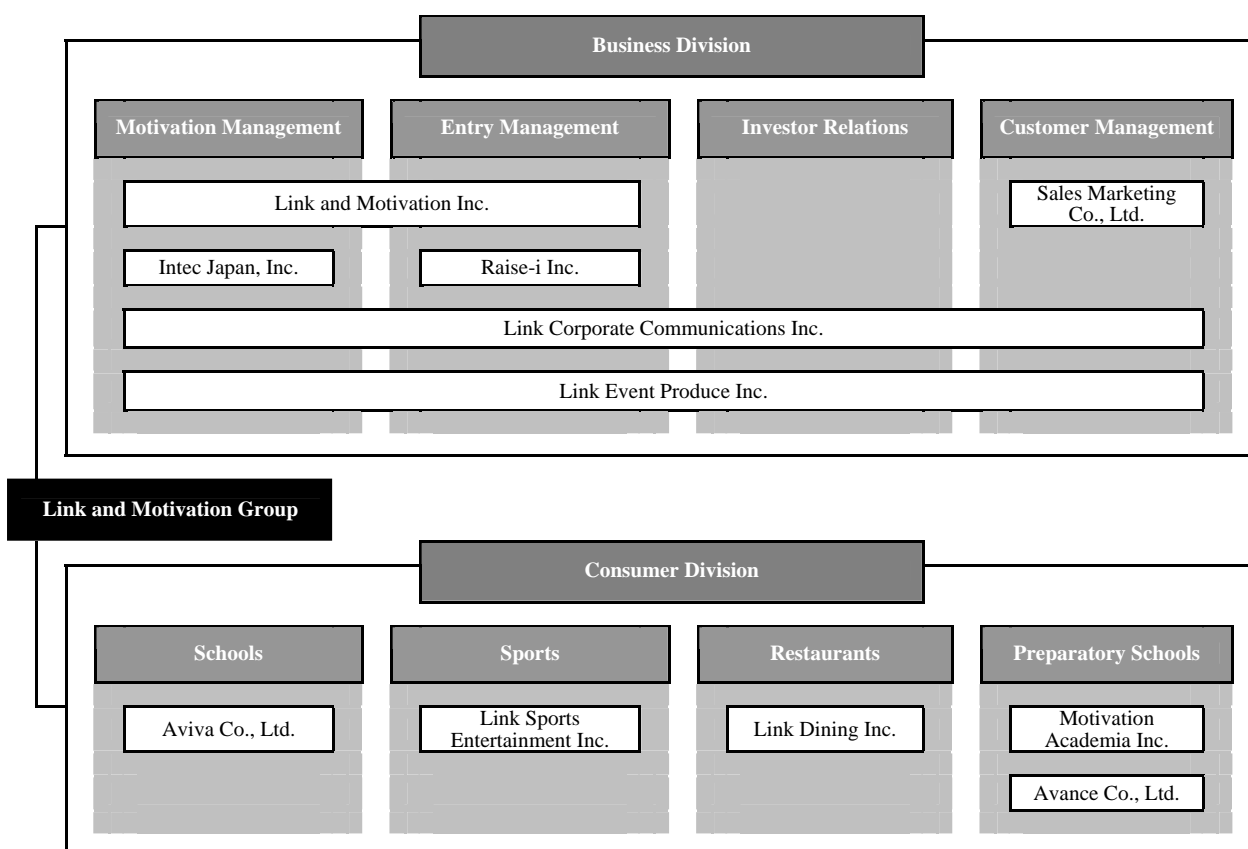
1. Qualitative Information Regarding Results for the Three Months Ended March 31, 2012

(1) Qualitative Information Regarding Results of Consolidated Operations

During the first quarter of 2012 (January 1, 2012 - March 31, 2012), Japan's economy benefited from demand linked to recovery from the Great East Japan Earthquake and a moderate recovery in personal consumption. Employment conditions, once termed the worst ever, also showed signs of improvement. The Ministry of Health, Labour and Welfare announced that the ratio of job offers to university and other graduates of 0.76 for March 2012 was the highest in the three years and five months since the 0.79 ratio for October 2008, and had improved for 10 consecutive months.

In this economic environment, consolidated net sales of the Link and Motivation Group for the first quarter of 2012 were ¥4,349,372 thousand (a 166.8% increase compared with the same period of the previous year), gross profit was ¥1,685,139 thousand (a 113.5% increase), operating income was ¥158,832 thousand (a 374.8% increase), ordinary income was ¥156,089 thousand (a 350.8% increase), and net income was ¥71,384 thousand (compared with a net loss).

An overview of results by segment for the first quarter of 2012 is provided below. The segments of the Link and Motivation Group and respective service areas are as follows.



*Sales and marketing support (Customer Management business) was added to the Business Division from the first quarter of 2012. Also, Place Management was removed from the Business Division due to the management buyout of Link Place Inc.

Business 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.

First quarter results improved substantially compared with the same period of the previous year. Segment sales were ¥2,730,386 thousand (an 82.5% increase) and segment income was ¥1,160,757 thousand (a 49.8% increase). An overview of operating results by business area is as follows.

Motivation Management Business

In the Motivation Management business, net sales in the first quarter were ¥710,274 thousand (a 45.4% increase) and gross profit was ¥470,750 thousand (a 72.2% increase).

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

In the first quarter, the Motivation Management business made progress under a strategy of enhancing services based on management themes amid the beginning of a recovery in spending on personnel, training, advertising and PR. As a result, sales of consulting projects linked with customers' essential management issues expanded substantially, as did sales of packages of training and other products. Sales and gross profit increased substantially compared with the first quarter of the previous year. The Motivation Management business will address new management needs in areas such as diversity and globalization, while concentrating on increasing sales of repeatable training products that are highly profitable.

Entry Management Business

In the Entry Management business, net sales in the first quarter were ¥807,239 thousand (a 10.0% increase) and gross profit was ¥420,309 thousand (a 3.9% increase).

This segment 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 first quarter, the Entry Management business made progress under a strategy of enhancing products and services that match the recruiting environment amid the growing trend toward selectivity in recruiting fewer graduates as a result of the increasing need to raise recruiting efficiency. This resulted in robust sales of highly profitable human resource assessment tools and direct human resource hiring services tailored to company requirements that the segment fully commercialized in the previous fiscal year. Sales increased significantly compared with the same quarter of the previous year, and gross profit increased as well.

Mid-career hiring needs, a leading indicator, are growing, and new-graduate recruiting needs are expected to increase as well. The Company will continue to provide corporate PR support services that help promote corporate brands among the student population while continuing to concentrate on further expanding new student recruitment services.

Investor Relations Business

In the Investor Relations business, net sales were ¥95,210 thousand (a 13.6% decrease) and gross profit was ¥30,245 thousand (a 36.8% decrease).

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

In the first quarter, sales decreased compared with the same quarter of the previous year because of lower sales of the core video distribution service. Sales of creative tools, primarily paper media such as annual and CSR reports, increased compared with the same quarter of the previous year. Sales of annual reports, typically strongest in the second and third quarters, benefited from steady sales activities, and are expected to increase year on year.

The Company will energetically market creative IR tools, its core product, while concentrating on serving emerging trends such as web-based annual reports and IR website packages.

Customer Management Business

In the Customer Management business, net sales were ¥1,117,662 thousand and gross profit was ¥239,452 thousand. Results are not comparable with the same quarter of the previous fiscal year.

This segment is a one-stop source for corporate sales and marketing needs. It provides services ranging from consulting and proposals for corporate sales strategies and tactics to dispatch and referral services that meet human resource needs at the point of sale.

In the first quarter, the February 2012 addition of Sales Marketing Co., Ltd. sales to the Link and Motivation Group contributed substantially to consolidated sales and gross profit. Segment 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 Company will provide human resource services that are even quicker, more flexible and more responsive by enhancing recruiting capabilities and increasing referral service salespeople.

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, 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 each level of income for the first quarter therefore expanded significantly. Segment sales were ¥1,666,681 thousand (a 998.2% increase) and segment profit was ¥547,057 thousand (a 2,724.7% increase). An overview of operating results by business area for the first quarter of 2012 is as follows.

Schools Business

In the first quarter, net sales were ¥1,494,304 thousand and gross profit was ¥513,867 thousand. Results are not comparable with the same quarter of the previous fiscal year.

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

Sales of vocational training programs that support employment in Japan decreased because of regulatory changes. Results were steady in the core Schools business as enhanced enrollment promotion drove a 20 percent increase in the number of new visitors and students compared with the same quarter of the previous year. In addition, sales of qualification support services for fields including bookkeeping and medical administration increased substantially compared with the same quarter of the previous year.

The Schools business will strengthen promotion while building a dominant position in the contracting personal computer school industry. It will also expand operations as a company that provides qualification support education services in areas other than personal computer skills.

Other Businesses

In other businesses, net sales for the first quarter of 2012 were ¥172,376 thousand (a 13.6% increase) and gross profit was ¥33,189 thousand (a 71.4% 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 preparatory schools.

2. Summary Information (Other Items)

(1) Changes in Significant Subsidiaries for the Three Months Ended March 31, 2012

Newly acquired companies Intec Japan, Inc., Sales Marketing Co., Ltd. and Avance Co., Ltd. were included in the scope of consolidation from the first quarter of 2012. In addition, Link Place Inc. was removed from the scope of consolidation upon divestiture of shares.

(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 quarter 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. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of December 31, 2011	As of March 31, 2012
ASSETS		
Current assets		
Cash and deposits	2,901,154	3,807,583
Notes and accounts receivable	1,446,736	2,256,024
Products	70,909	66,197
Goods in process	48,140	49,079
Merchandise and supplies	17,845	16,913
Prepaid expenses	152,996	174,696
Deferred tax assets	108,564	134,049
Accrued corporate tax refund	1,360	–
Accrued consumption tax	4,591	5,431
Other	44,326	82,078
Allowance for doubtful accounts	(16,341)	(29,506)
Total current assets	4,780,283	6,562,549
Fixed assets		
Property and equipment		
Buildings and structures	590,303	669,853
Accumulated depreciation	(307,413)	(348,666)
Buildings and structures (net)	282,889	321,187
Vehicles	10,057	10,057
Accumulated depreciation	(9,476)	(9,597)
Vehicles (net)	581	460
Furniture and fixtures	359,183	408,965
Accumulated depreciation	(289,371)	(312,781)
Furniture and fixtures (net)	69,811	96,183
Lease assets	79,201	100,225
Accumulated depreciation	(32,039)	(38,633)
Lease assets (net)	47,162	61,592
Total property and equipment	400,444	479,423
Intangible assets		
Goodwill	2,017,880	3,185,870
Software	174,103	181,942
Other	3,966	5,131
Total intangible assets	2,195,950	3,372,944
Investments and other assets		
Investments in securities	35,514	38,038
Security deposits	973,114	1,044,435
Deferred tax assets	34,784	56,346
Claims in bankruptcy	1,182	5,703
Other	59,553	64,740
Allowance for doubtful accounts	(1,182)	(5,703)
Total investments and other assets	1,102,967	1,203,560
Total fixed assets	3,699,362	5,055,928
Total assets	8,479,645	11,618,477

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

	As of December 31, 2011	As of March 31, 2012
LIABILITIES		
Current liabilities		
Accounts	347,130	283,767
Short-term borrowings	300,000	1,149,688
Long-term debt due within one year	203,721	383,808
Accounts payable	395,516	1,078,386
Lease obligations	20,393	24,633
Expenses payable	166,575	181,426
Accrued income taxes	214,076	199,497
Accrued consumption taxes	53,738	149,365
Advances received	1,844,037	2,078,866
Accrued bonuses to employees	167,316	213,750
Accrued bonuses to officers	23,501	2,531
Provision for loss on store closure	5,785	3,196
Asset retirement obligations	2,499	–
Other	74,894	169,855
Total current liabilities	3,819,188	5,918,773
Long-term liabilities		
Long-term debt	1,123,260	2,324,550
Lease obligations	28,863	40,132
Reserve for employee retirement benefits	160,356	167,523
Asset retirement obligations	40,773	40,238
Other	134,750	143,085
Total long-term liabilities	1,488,004	2,715,529
Total liabilities	5,307,193	8,634,302
NET ASSETS		
Shareholders' equity		
Common stock	979,750	979,750
Additional paid-in capital	734,595	734,595
Retained earnings	1,827,321	1,825,494
Treasury stock	(485,006)	(557,236)
Total shareholders' equity	3,056,660	2,982,603
Cumulative other comprehensive income		
Unrealized gain on securities	320	1,571
Total cumulative other comprehensive income	320	1,571
Minority interests	115,471	–
Total net assets	3,172,452	2,984,175
Total liabilities and net assets	8,479,645	11,618,477

(2) Consolidated Statements of Operations and Comprehensive Income

Consolidated Statements of Operations

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

	Three months ended March 31, 2011	Three months ended March 31, 2012
Net sales	1,630,444	4,349,372
Cost of sales	841,157	2,664,232
Gross profit	789,287	1,685,139
Selling, general and administrative expenses	755,834	1,526,307
Operating income	33,452	158,832
Non-operating income		
Interest income	129	387
Dividend income	72	9
Subsidy income	–	1,944
Commission fees	1,059	2,796
Office work fees	1,096	–
Other	893	1,456
Total non-operating income	3,251	6,593
Non-operating expenses		
Interest expenses	639	8,605
Expenses for purchase of treasury stock	1,392	688
Other	46	43
Total non-operating expenses	2,078	9,336
Ordinary income	34,626	156,089
Extraordinary income		
Gain on sale of shares of subsidiary	–	13,894
Total extraordinary income	–	13,894
Extraordinary loss		
Loss on valuation of investment securities	3,083	–
Loss on disposal of property and equipment	–	245
Loss on impairment	–	661
Loss on adjustment for changes of accounting standard for asset retirement obligations	8,860	–
Provision for loss on store closure	–	1,687
Total extraordinary loss	11,943	2,593
Income before income taxes	22,683	167,390
Total income taxes	41,490	96,006
Income (loss) before minority interests	(18,807)	71,384
Loss on minority interests	(7,068)	–
Net income (loss)	(11,738)	71,384

Consolidated Statements of Comprehensive Income

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

	Three months ended March 31, 2011	Three months ended March 31, 2012
Income (loss) before minority interests	(18,807)	71,384
Other comprehensive income		
Unrealized gain on securities	939	1,251
Total other comprehensive income	939	1,251
Comprehensive income	(17,867)	72,635
(Attributable to)		
Owners of the parent	(10,799)	72,635
Minority interests	(7,068)	—

(3) Notes Regarding Assumption of Going Concern

None applicable

(4) Segment Information

Segment Information

I. First quarter of 2011 (January 1, 2011 – March 31, 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	1,490,830	139,614	1,630,444	—	1,630,444
Intersegment sales and transfers	5,004	12,147	17,151	(17,151)	—
Total	1,495,834	151,761	1,647,596	(17,151)	1,630,444
Segment income (Note 2)	774,756	19,366	794,122	(4,834)	789,287

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. First quarter of 2012 (January 1, 2012 – March 31, 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	2,718,689	1,630,683	4,349,372	—	4,349,372
Intersegment sales and transfers	11,697	35,997	47,695	(47,695)	—
Total	2,730,386	1,666,681	4,397,068	(47,695)	4,349,372
Segment income (Note 2)	1,160,757	547,057	1,707,815	(22,675)	1,685,139

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 B2C 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 the end of the first quarter on March 31, 2012 changed significantly from December 31, 2011. During the first quarter, 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 ¥1,769,001 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 segment, goodwill increased due to the acquisition of Intec Japan, Inc. and Sales Marketing Co., Ltd. In the Consumer Division segment, goodwill increased due to the acquisition of the shares of Avance Co., Ltd. These events increased goodwill by ¥1,209,978 thousand.

(Significant gains on negative goodwill)

None applicable

(5) Notes on Significant Changes in Shareholders' Equity

None applicable

(6) Major Subsequent Events

None applicable