

Link and Motivation Inc.

Securities Code: 2170

Consolidated Financial Information for the Nine Months Ended September 30, 2018

November 14, 2018



Link and Motivation Group

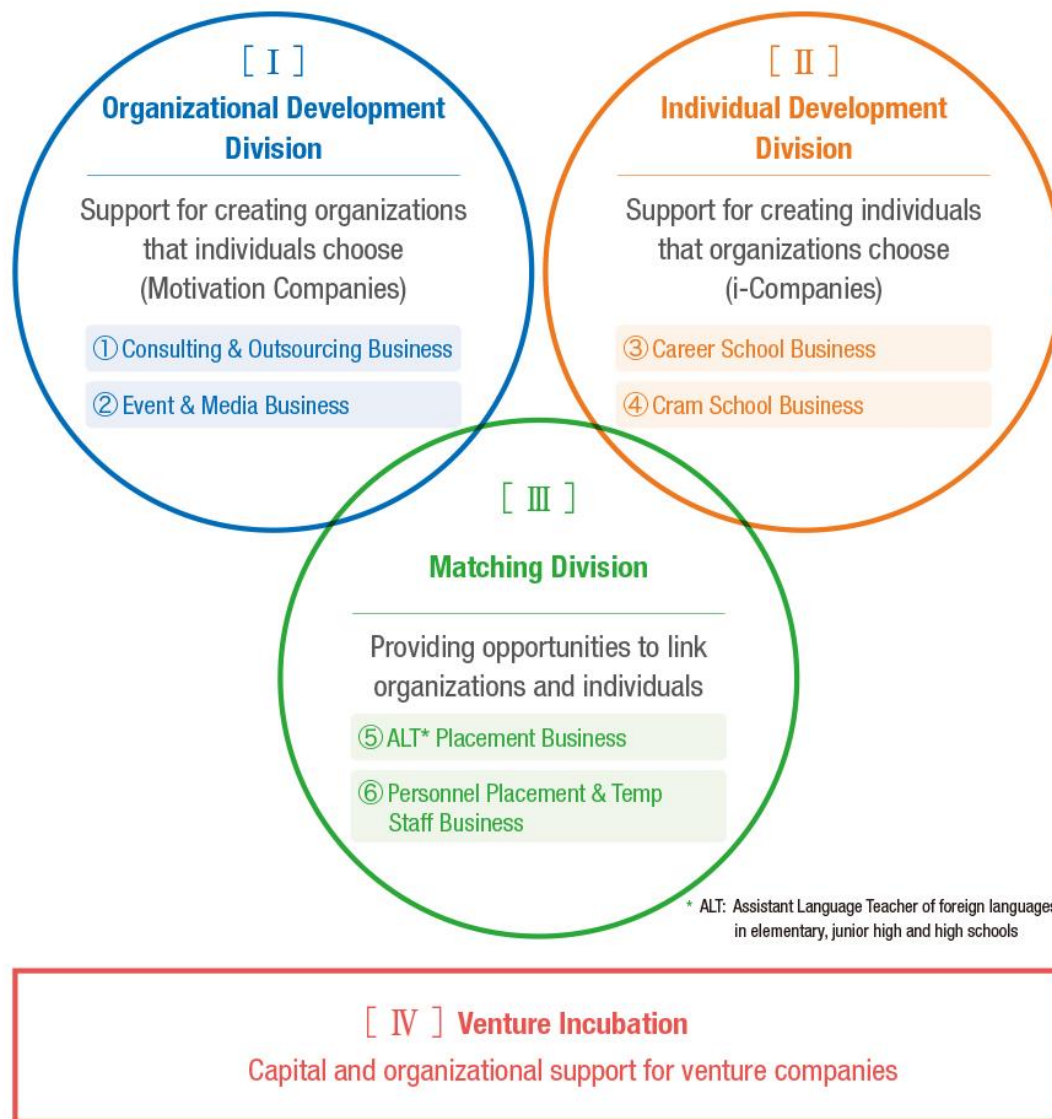
- 1 Announcement of Consolidated Business Results**
- 2 Report on Priority Themes**

1

Announcement of Consolidated Business Results

Mission

*Through Motivation Engineering, we provide opportunities to transform **organizations** and **individuals** and create a more meaningful society.*



Consolidated Statements of Operations (Results/YoY Change)

(¥ million)	2017 3Q Results	2018 3Q Results	YoY Change
Revenues	27,081	29,875	+10.3%
Operating Income	2,341	3,042	+30.0%
Net Income	1,505	1,939	+28.8%

Note: From the three months ended March 31, 2017, the Company has adopted International Financial Reporting Standards (IFRS) in place of the previously used generally accepted accounting principles in Japan.

Key Points



- Revenues and both levels of income increased substantially year-on-year (YoY) to **record highs**.
- In particular, **operating income and net income both increased approximately 30% as profitability improved**. (The operating income margin for the nine-month period increased from 8.7% in the previous year to 10.2%.)

Consolidated Statements of Operations (Results/Results vs. Forecast)

(¥ million)	2017 3Q Results	2018 3Q Forecast	2018 3Q Results	Results vs. Forecast	YoY Change
Revenues	27,081	30,000	29,875	-0.4%	+10.3%
Operating Income	2,341	3,000	3,042	+1.4%	+30.0%
Net Income	1,505	-	1,939	-	+28.8%

Note: From the three months ended March 31, 2017, the Company has adopted International Financial Reporting Standards (IFRS) in place of the previously used generally accepted accounting principles in Japan.

Key Point



- Revenues fell slightly short of the forecast, but **operating income exceeded the forecast** due to improved profitability in all divisions.

Consolidated Statements of Operations: SG&A Expenses (Results/YoY Change)

(¥ million)	2017 3Q Results	2018 3Q Results	YoY Change
Total SG&A Expenses	7,675	8,623	+12.4%
①Personnel Expenses	3,386	3,987	+17.8%
②Recruiting, Training and Welfare Expenses	586	539	-8.0%
③Rent	708	851	+20.1%
④Office and System Expenses	970	1,012	+4.3%
⑤Sales-related Expenses	1,276	1,456	+14.1%
⑥Transportation and Other Expenses	746	776	+4.0%

Note: From the three months ended March 31, 2017, the Company has adopted International Financial Reporting Standards (IFRS) in place of the previously used generally accepted accounting principles in Japan.

Key Points



- ① Personnel expenses increased substantially due to an increase in staff for the Group as a whole and ③ Rent also increased substantially due to the relocation to the Tokyo Integrated Office in May 2017 in connection with the expansion of business operations.
- Also, ⑤ Sales-related expenses increased substantially due to concentration of sales promotion expenses on Motivation Cloud and other priority businesses, causing total SG&A expenses to increase substantially YoY.

Revenues and Gross Profit by Segment (Results/YoY Change)

(¥ million)		2017 3Q Results	2018 3Q Results	YoY Change
Organizational Development Division	Revenues	8,719	10,064	+15.4%
	Gross Profit	5,536	6,663	+20.4%
Individual Development Division	Revenues	5,299	5,949	+12.3%
	Gross Profit	1,808	2,245	+24.2%
Matching Division	Revenues	14,169	14,938	+5.4%
	Gross Profit	3,340	3,673	+10.0%

Key Points



- In the Organizational Development Division, **revenues and gross profit both increased substantially YoY** due to the steady growth of the highly profitable Consulting & Outsourcing Business.
- In the Individual Development Division, **revenues and gross profit both increased substantially YoY** due to strong results in the Career School Business and business expansion in the Cram School Business.
- In the Matching Division, **revenues increased and gross profit increased substantially YoY** due to firm growth in results of the ALT Placement Business and the Personnel Placement & Temp Staff Business.

Organizational Development Division: Product Revenues by Business (Results/YoY Change) ①・②

Product (¥ million) [Gross profit in brackets]	2017 3Q Results	2018 3Q Results	YoY Change
① Consulting & Outsourcing Business	6,762	7,563	+11.8%
	[4,817]	[6,093]	+26.5%
Consulting	3,073	3,611	+17.5%
Package*	2,103	1,949	-7.4%
Member/database services	796	1,388	+74.5%
Outsourcing	789	614	-22.1%
② Event & Media Business	3,113	3,158	+1.4%
	[958]	[911]	-4.9%
Event production	2,062	1,358	-34.1%
Media production	1,050	1,799	+71.2%

* Primarily standardized training products

Key Points



- In ① the Consulting & Outsourcing Business, **revenues and gross profit both increased substantially YoY** due to significant growth in sales of highly profitable Consulting and Member/database services including Motivation Cloud.
- In ② the Event & Media Business, **revenues increased slightly and gross profit decreased YoY** due to an intentional substantial reduction in event production that had previously been ordered by ① the Consulting & Outsourcing Business, while on the other hand IR-related media production sales grew due to the addition of a new company to the Group.

Individual Development Division: Product Revenues by Business (Results/YoY Change) ③・④

Product (¥ million) [Gross profit in brackets]		2017 3Q Results	2018 3Q Results	YoY Change
③ Career School Business		5,036 [1,759]	5,417 [2,004]	+7.6% +13.9%
	Office	2,235	2,299	+2.9%
	Pro Series*	674	739	+9.5%
	Accounting courses	425	423	-0.4%
	National exam courses	450	506	+12.5%
	Civil servant courses	1,000	1,012	+1.2%
	Educational materials/other	101	133	+30.5%
	English conversation	148	303	+104.2%
④ Cram School Business		262 [49]	531 [241]	+102.4% +391.8%

*Programming courses and other courses for specialized IT skills

Key Point



- In ③ the Career School Business, **revenues increased YoY** due to steady sales of Pro Series, National exam courses and English conversation and **gross profit increased substantially YoY** due to significant improvement in school profitability with success in rapid development and placement of new graduates in the workforce.

Individual Development Division: Product Revenues by Business (Results/YoY Change) ③・④

Product (¥ million) [Gross profit in brackets]	2017 3Q Results	2018 3Q Results	YoY Change
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*Programming courses and other courses for specialized IT skills

Key Points



- Particularly for National exam courses, there was an **increase in needs for acquisition of certifications such as certified social insurance and labor consultant and registered real-estate broker**, backed by a increase in leisure time for individual workers due to work style reform
- For English conversation, classes of a one-on-one English conversation school that joined the Group in April 2017 went on-line, and **sales grew substantially with a rollout to more than 75 existing career schools.**

Individual Development Division: Product Revenues by Business (Results/YoY Change) ③・④

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*Programming courses and other courses for specialized IT skills

Key Point



- In ④ the Cram School Business, **revenues and gross profit both increased substantially YoY** due to accelerated expansion of the number of classrooms, with the rollout of SS-1 individualized instruction schools for elementary school students at locations of Motivation Academia cram schools for junior high school students (rollout of 13 classrooms as of November 2018).

Matching Division: Product Revenues by Business (Results/YoY Change) ⑤・⑥

Product (¥ million) [Gross profit in brackets]	2017 3Q Results	2018 3Q Results	YoY Change
⑤ ALT* Placement Business	8,035	8,856	+10.2%
	[2,170]	[2,418]	+11.4%
⑥ Personnel Placement & Temp Staff Business	6,417	6,564	+2.3%
	[1,419]	[1,610]	+13.5%
Store sales temp staff	5,322	5,163	-3.0%
Office temp staff	472	468	-0.9%
Foreign worker support	230	459	+99.7%
Recruiting/introductions	392	472	+20.4%

* ALT: Assistant Language Teacher of foreign languages in elementary, junior high and high schools

Key Points



- In ⑤ the ALT Placement Business, **revenues and gross profit both increased substantially YoY** due to firm performance from precisely capitalizing on the expansion of English education promoted by the Ministry of Education, Culture, Sports, Science and Technology (MEXT).
- In ⑥ the Personnel Placement & Temp Staff Business, **revenues increased slightly and gross profit increased substantially YoY** due to a focus on highly profitable Foreign worker support and Recruiting/introductions.

Consolidated Balance Sheets (Results/YoY Change)

(¥ million)	Dec. 31, 2017	September 30, 2018	YoY Change
① Current Assets	7,589	7,534	-54
② Non-current Assets	18,180	19,254	+1,073
③ Deferred Assets	0	0	0
Total Assets	25,770	26,789	+1,019
④ Current Liabilities	12,129	11,564	-565
⑤ Non-current Liabilities	6,942	6,702	-240
Total Liabilities	19,072	18,266	-805
⑥ Total Equity	6,697	8,522	+1,824

Key Points



- Assets **increased** due to promotion of investment in Motivation Cloud, among other factors.
- Liabilities **decreased** with the repayment of long-term financial liabilities.
- Equity **increased** from recording net income and an increase in the value of incubation company stock.
- As a result, **the equity ratio improved from 26.0% to 31.8%.**

Dividend Policy for 2018

- Continue to **pay quarterly dividends**

Scheduled Third Quarter Dividend for 2018

- A dividend of **1.70 yen** per share is scheduled to be paid on **Tuesday, December 25**, as originally planned.

	First Quarter	Second Quarter	Third Quarter (scheduled)	Fourth Quarter (scheduled)
Dividend per share	1.70 yen	1.70 yen	1.70 yen	1.70 yen

Notes: 1. 100 shares per unit of the Company's stock.

2. The Company increased its dividend as of the first quarter of 2018.

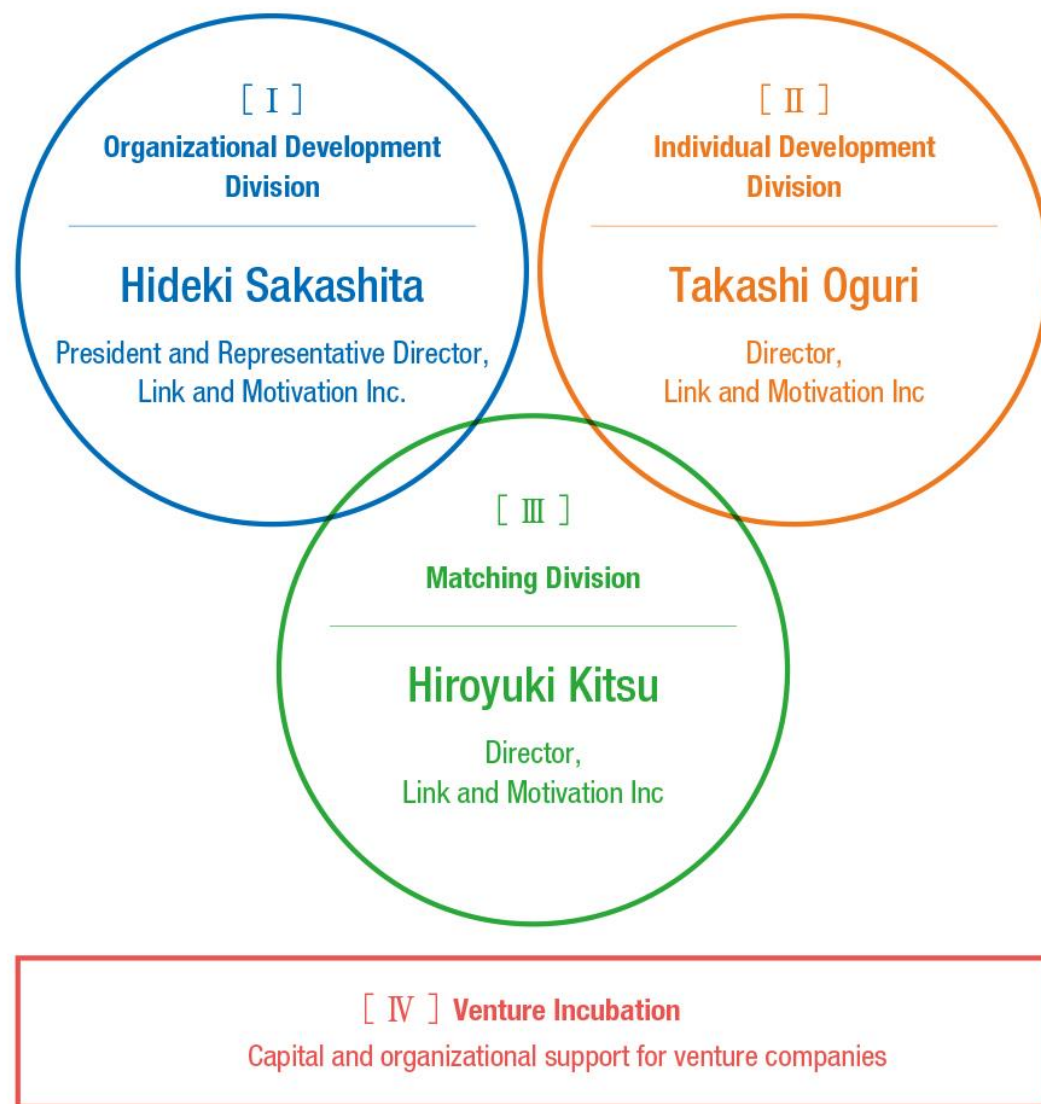
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Report on Priority Themes

Priority Themes in Each Division

Mission

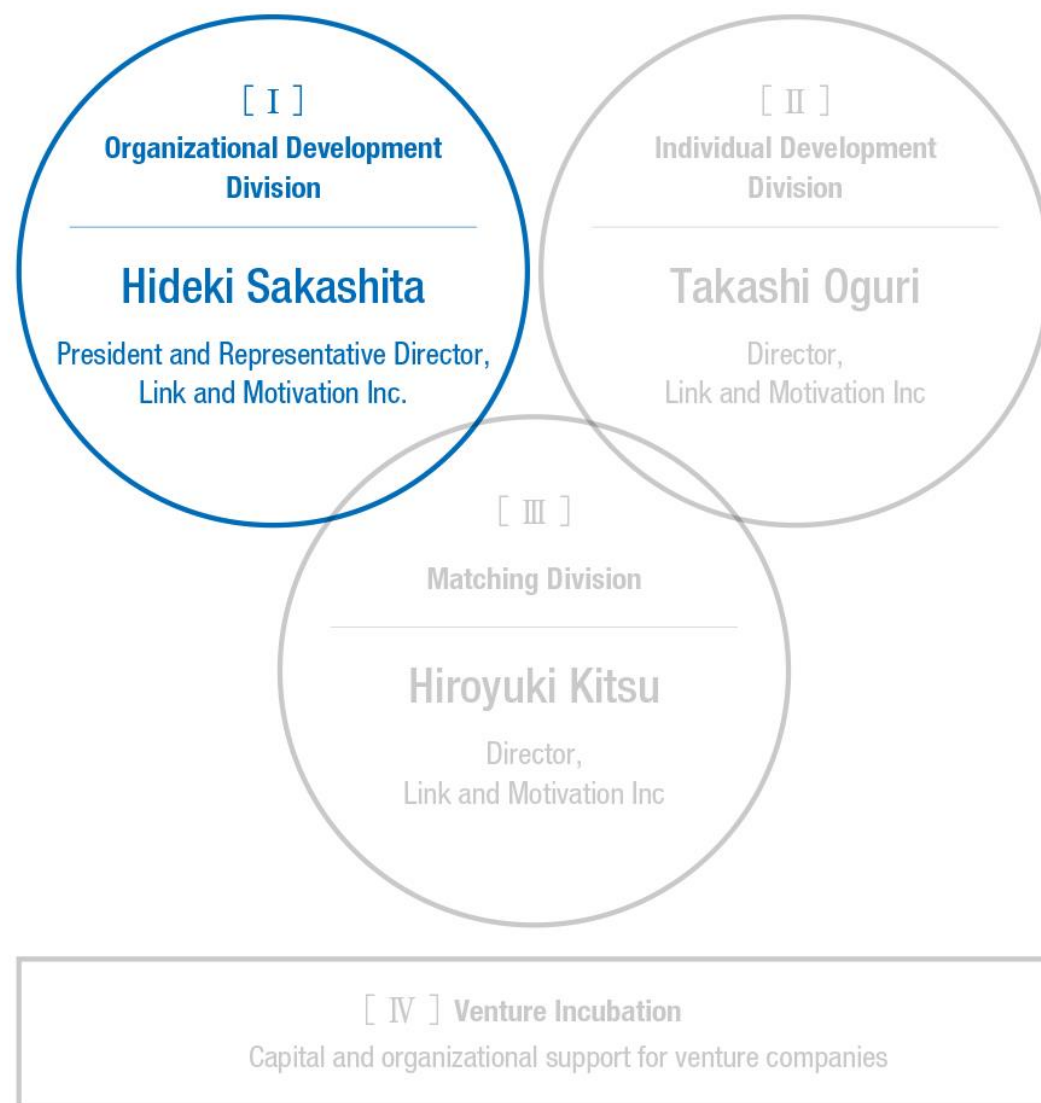
*Through Motivation Engineering, we provide opportunities to transform **organizations** and **individuals** and create a more meaningful society.*



Priority Themes in Each Division

Mission

*Through Motivation Engineering, we provide opportunities to transform **organizations** and **individuals** and create a more meaningful society.*



1 Motivation Cloud Progress Report

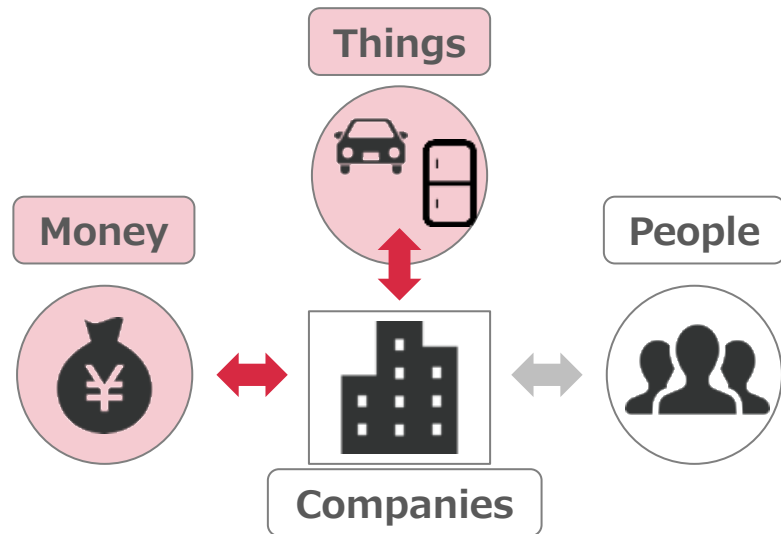
**2 Capital and Business Alliance with
Vorkers Inc.**

1 Motivation Cloud Progress Report

2 Capital and Business Alliance with Vorkers Inc.

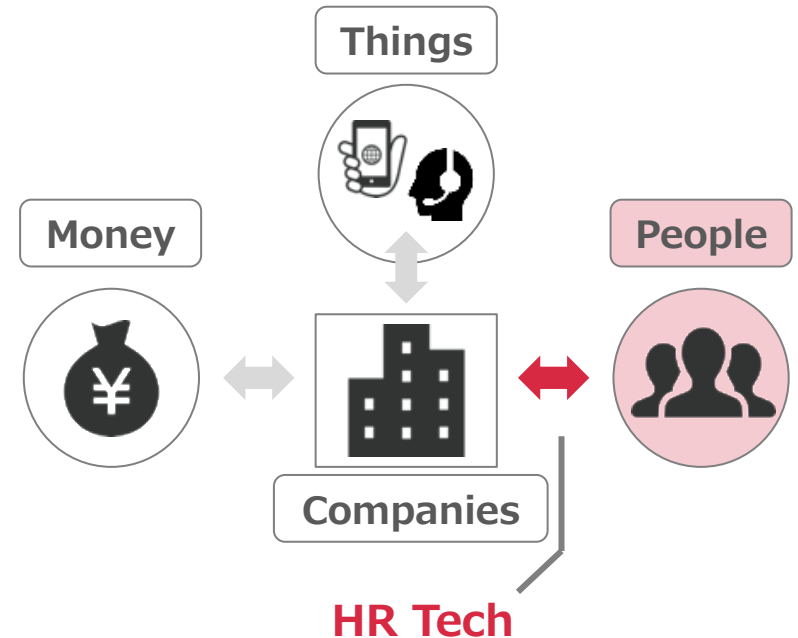
Era of Tangibles (Hard)

Focus on procuring **money** and
investing in **things**



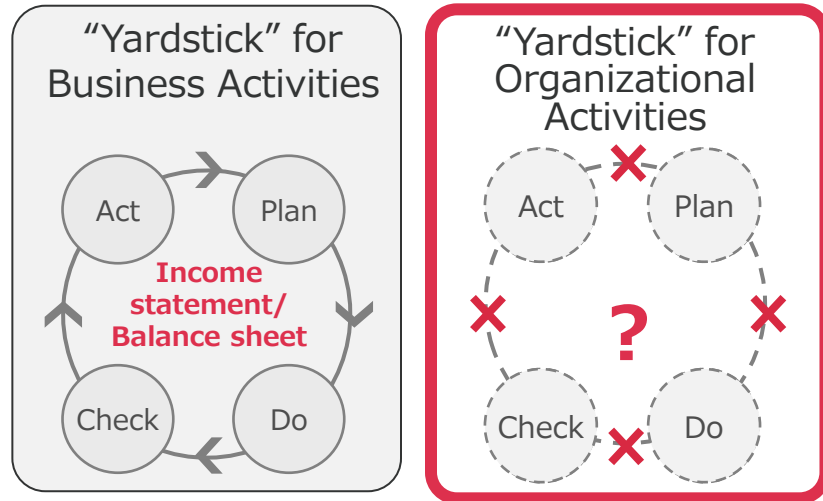
Era of Intangibles (Soft)

Shift to procuring and
investing in **people**



**Adaptation to the labor
market is inevitable**

Issue for Organizational Diagnostics



The income statement and balance sheet are the "yardstick" for business activities, but there is no "yardstick" for organizational activities

Issue for Organizational Improvement



Conduct only
employee satisfaction survey

Enables understanding of current conditions, but because targets are not set and no action is taken for improvement, there is no progress in organizational improvement

Absence of a "yardstick" for visualizing organizational conditions and a PDCA cycle for organizational improvement



Empowering change for all organizations



Motivation Cloud is a cloud-based service for improving **employee engagement**¹ that is **number-one in contact points in Japan.**²



A business with a monthly pay-as-you-go model that improves employee engagement by going through the PDCA cycle for ongoing organizational improvement

Cumulative data on **more than 910,000 employees at 3,940 companies**

All functions **patented**
(No. 6298855)

Selected for GOOD DESIGN BEST 100

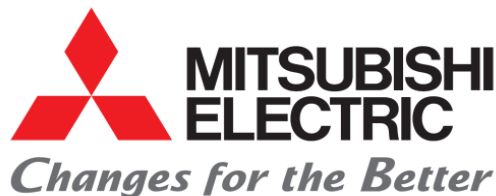
Notes:

1. Engagement (the level of mutual understanding, empathy and commitment between companies and employees) is correlated with business performance.
2. Link and Motivation data (as of September 2018)

We aim to improve employee engagement regardless of industry or company size.

Support is growing from leading companies in all industries.

昭和シェル石油



東急不動産

S&B



大日本住友製薬

Orchestrating a brighter world

NEC



FUJITSU

株式会社 富士通マーケティング



ITOKI

We aim to improve employee engagement regardless of industry or company size.

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UNISYS

掘りだそう、自然の力。

Calbee

mixi
G R O U P



CA CyberAgent®

RECRUIT
リクルートキャリア

RakSul

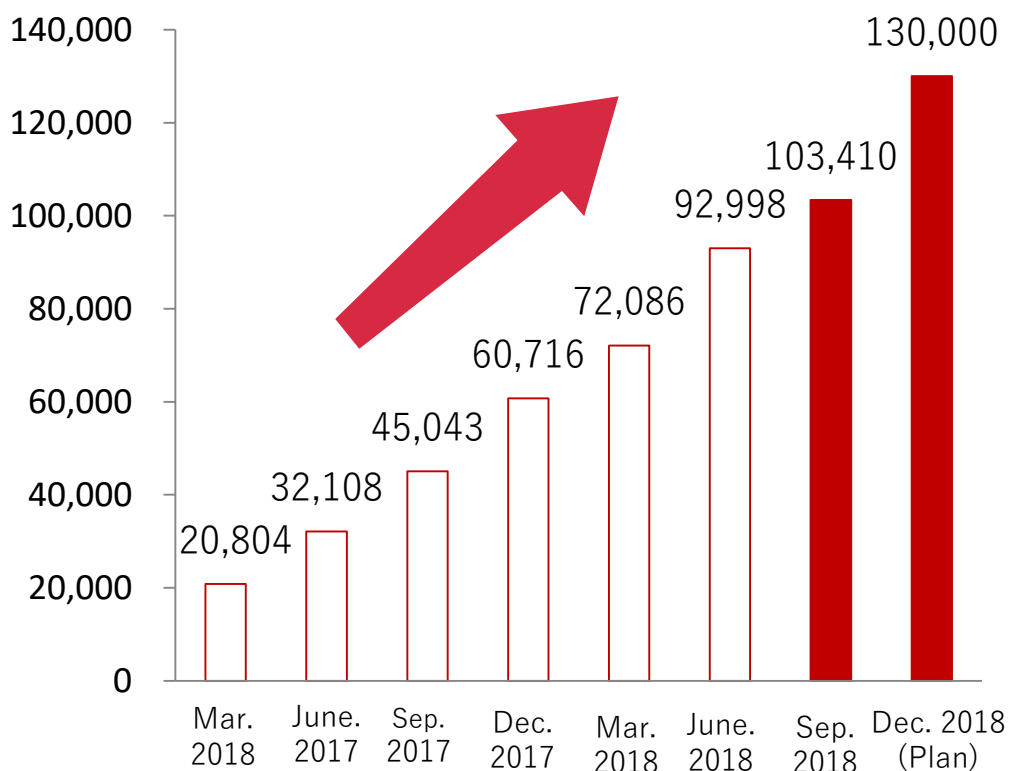
 **mercari**

UZABASE

We are **building a stable earnings structure** with steady gains in monthly fee revenue. In particular, **the average fee has increased substantially** from promoting introduction at major companies.

Monthly Fee Revenue

(¥ thousand)



Breakdown of Monthly Fee Revenue in September 2018

Contact points ¹ :	641
Delivered orders ² :	563
Average monthly fee ³ :	¥183,000/month
(As of June 2018:	¥176,000/month)

While the **average fee is expected to rise** with the introduction of contact points at major companies, the period from introduction to final delivery takes time. As a result, although progress in increasing the average monthly fee has been delayed somewhat, in December **monthly fee revenue is expected to reach ¥130 million.**

1. Number of companies subscribed to Motivation Cloud
2. Number of companies where Motivation Cloud service delivery has started
3. Monthly fee revenue ÷ number of completed orders

Broadcasting in the Fukuoka area since October 26, 2018.
Planning to also invest in marketing to cultivate more customers.



A television commercial for Motivation Cloud. The background is a solid red color. On the left, a man with dark hair and a mustache, wearing a dark suit, white shirt, and red tie, is shown from the chest up. In the top left corner, the Motivation Cloud logo is displayed, consisting of a white circle with a dot inside, followed by the text "MOTIVATION CLOUD" and "by Link and Motivation Group" below it. In the top right corner, a laptop is shown displaying the Motivation Cloud interface, which includes a large number "67.3" and a red circular gauge. Below the laptop, the Japanese text "すべての組織が、これで変わる。" (All organizations will change with this) is written in white. Below that, the text "国内初、組織改善クラウド" (First in Japan, Organization Improvement Cloud) is written in white. In the bottom left corner, the text "※特許「第6298855号」取得済み" (Patent No. 6298855 acquired) is written in white. In the bottom right corner, there is a white rectangular box containing the Good Design Award 2018 logo and the text "GOOD DESIGN AWARD 2018 BEST 100".

MOTIVATION CLOUD
by Link and Motivation Group

すべての組織が、
これで変わる。
国内初、組織改善クラウド

※特許「第6298855号」取得済み

GOOD DESIGN AWARD 2018
BEST 100

- 1 Motivation Cloud Progress Report
- 2 Capital and Business Alliance with
Vorkers Inc.**

Entered into a capital and business alliance agreement. Vorkers Inc. will become an equity-method associate of Link and Motivation.

株式会社ヴォークース

VORKERS

Established	June 2007
Capital	¥20 million
President	Shinjiro Masui
Employees	Approximately 40
Head Office	Tokyo (Shibuya)
Philosophy	“Live freely, with worthwhile work for all.” Innovate the job market and empower working individuals to display their talents in their own way.
Business Description	Development and operation of the “Vorkers” job search information platform

A job search platform **with one of Japan's largest sections for online reviews by employees**

VORKERS

Worthwhile Work for All

Job Search Information Platform

A job search information platform with one of Japan's largest sections for online reviews by employees.

Number of
Ratings by
Employees

Approx.
6.3
million

Number of
Registered
Users

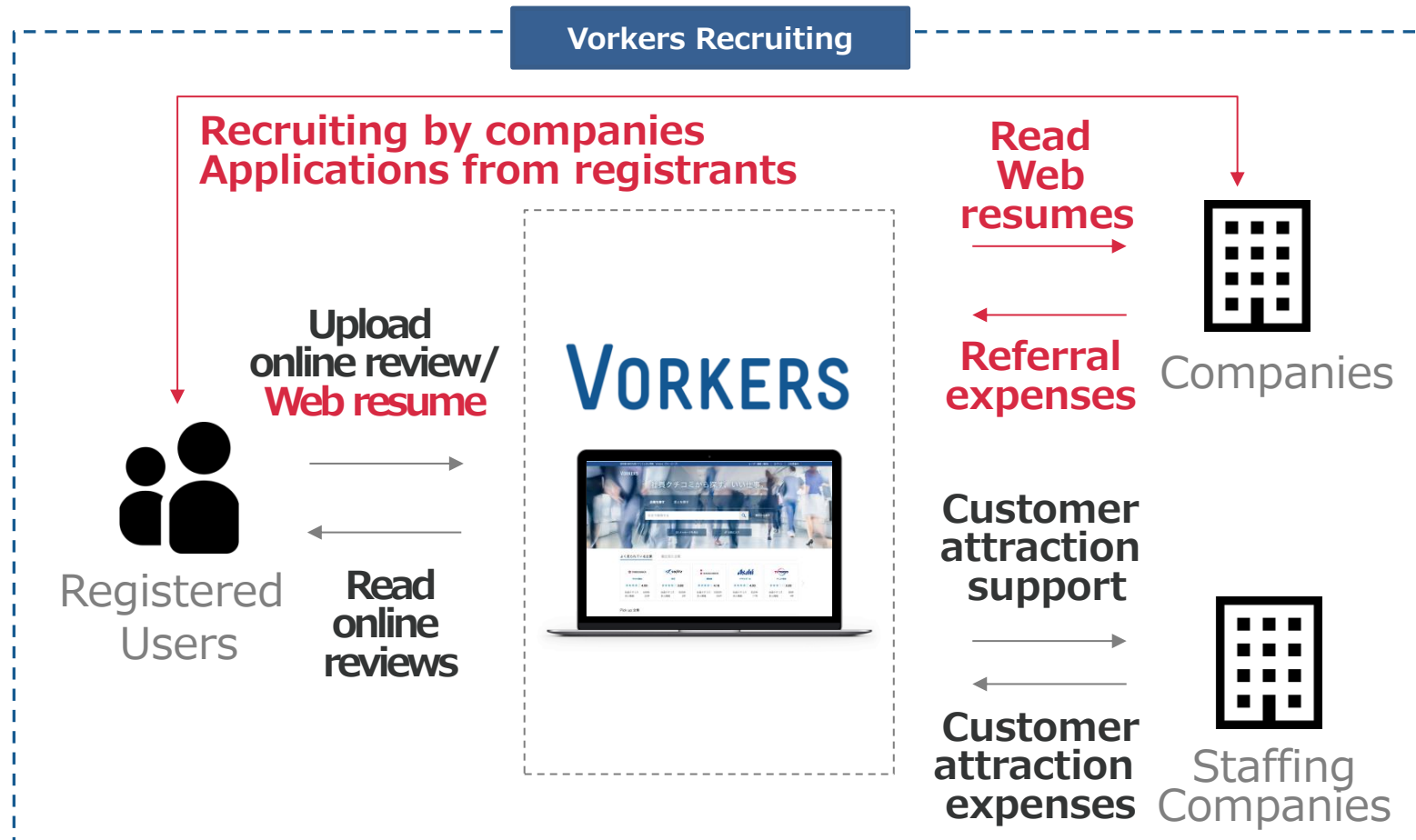
Approx.
2.45
million

Number of
Daily New User
Registrations

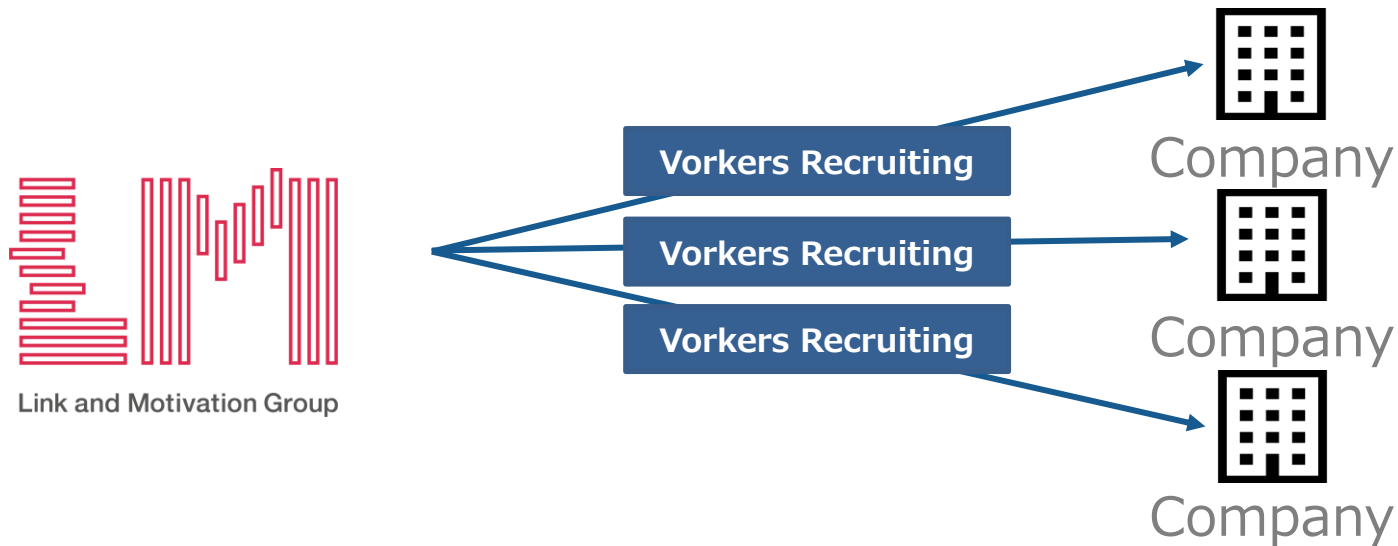
3,000
users/day



Vorkers has started a new business: **Vorkers Recruiting**

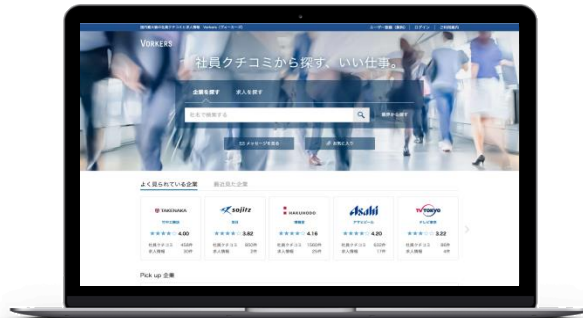


Sales and operation of new Vorkers Recruiting business conducted by Link and Motivation



Propose introduction of Motivation Cloud to companies with low ratings on Vorkers Recruiting

VORKERS
働きがいすべての人へ



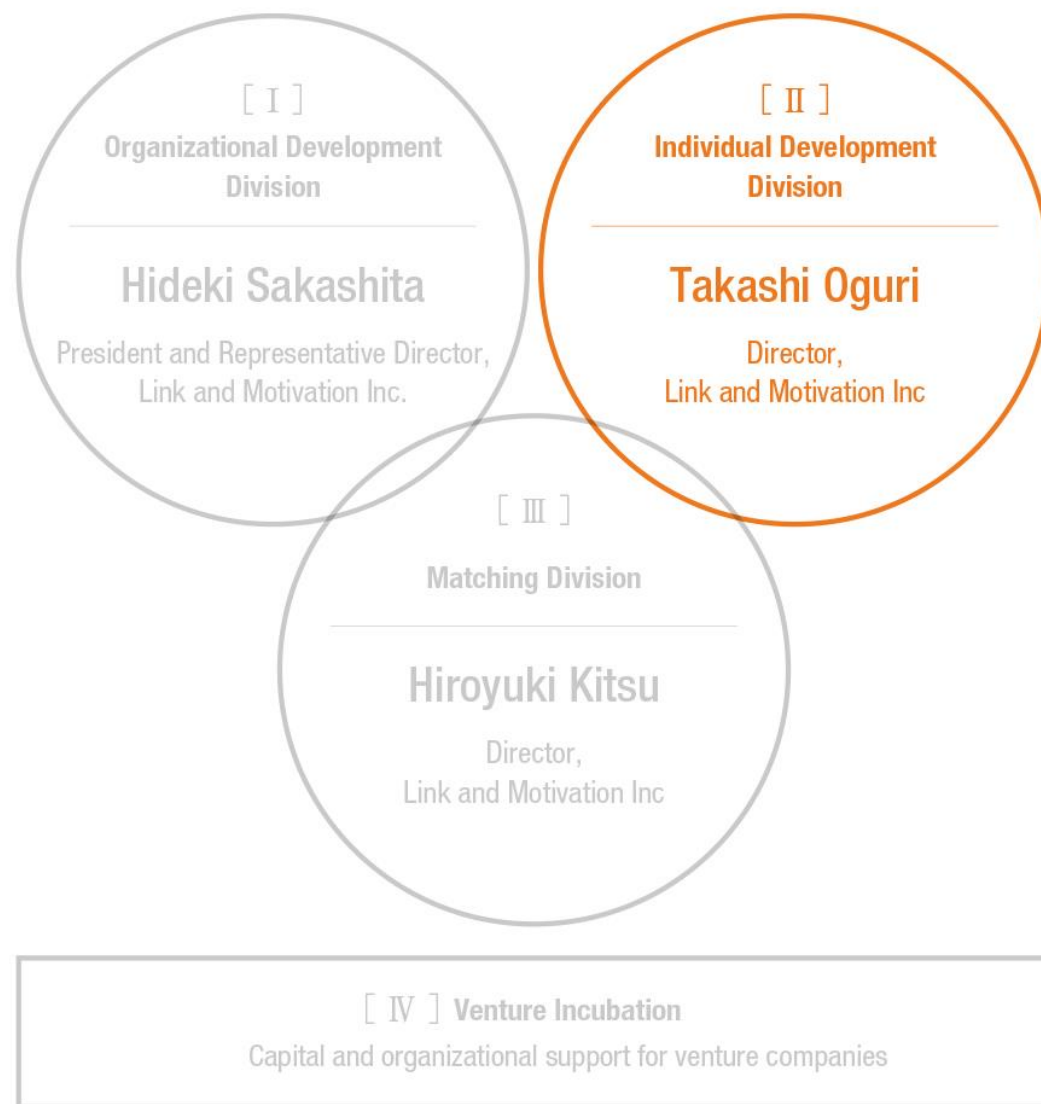
**MOTIVATION
CLOUD**
by Link and Motivation Group



Priority Themes in Each Division

Mission

*Through Motivation Engineering, we provide opportunities to transform **organizations** and **individuals** and create a more meaningful society.*



Change in the Value of Education

Content < **Motivation**



Shift in the core of value from content (what one learns) to motivation (how one learns)

Change in Working Lifespan

Lifespan of companies and business models < **Lifespan of individuals**



Increasing risk to career development of dependence on a specific skill



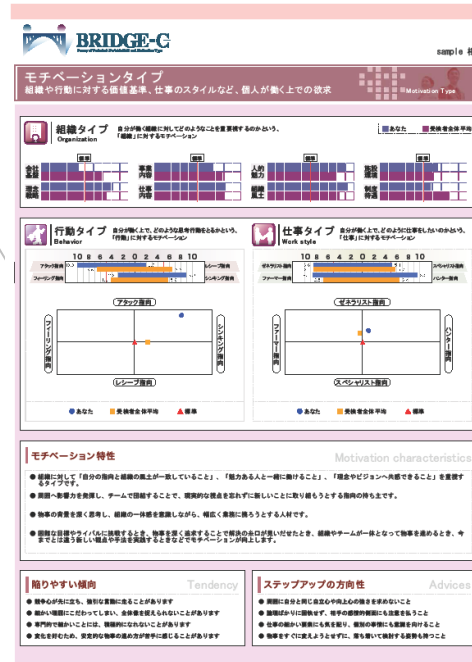
Link and Motivation Group

Contributing to the
development of i-Companies with
“unfailing total career support”

“Unfailing total career support” with **Bridge-C career diagnostic**, developed using Motivation Engineering, our core technology

Bridge-C career diagnostic

Achieve **unfailing, ongoing learning** through diagnosis of course enrollee's motivation type



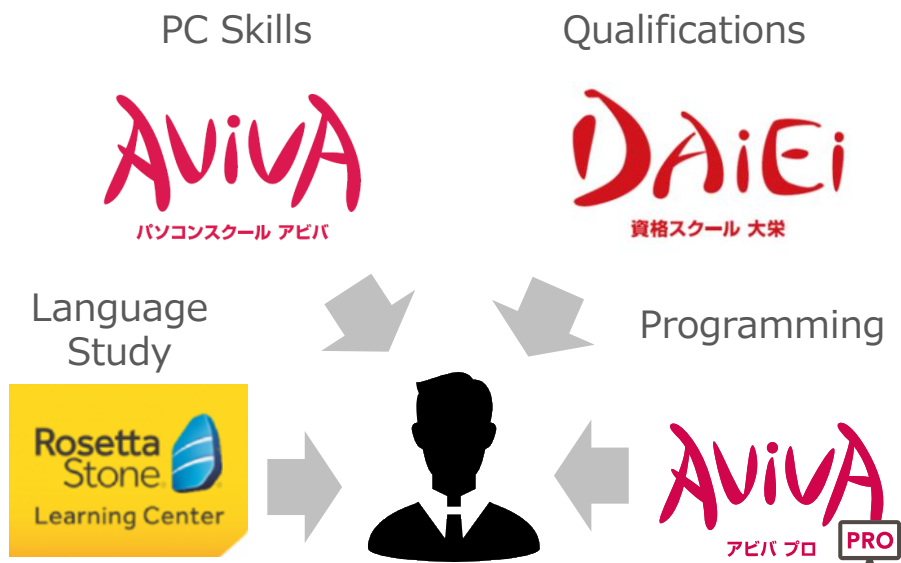
Comprehensive proposal for skill development to advance career using course enrollee's skill sufficiency diagnosis

Rollout of Bridge-C* to
approximately 35,000 course enrollees throughout Japan

* As of September 30, 2018, more than 11,000 course enrollees have taken Bridge-C since its launch in February 2018.

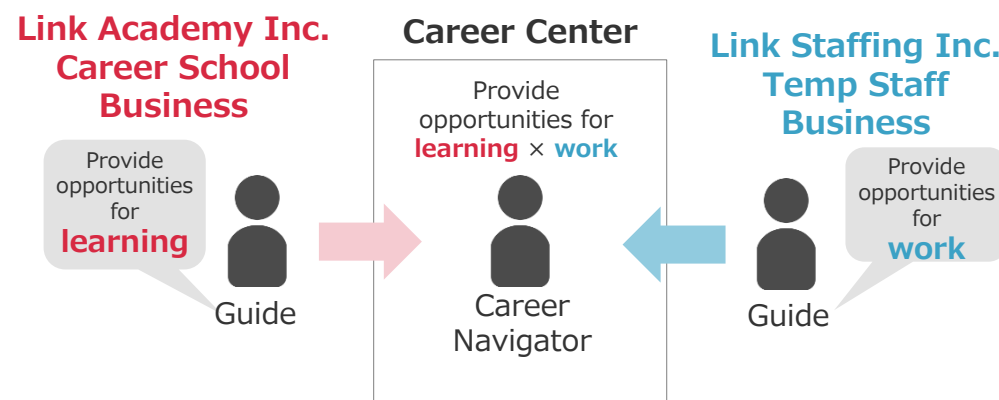
Comprehensively providing opportunities for learning and work to **improve value as a total career school**

Total Support for Learning



Career navigators make **comprehensive proposals for learning** from among approximately 50 courses from four brands at each school

Total Support up to Work



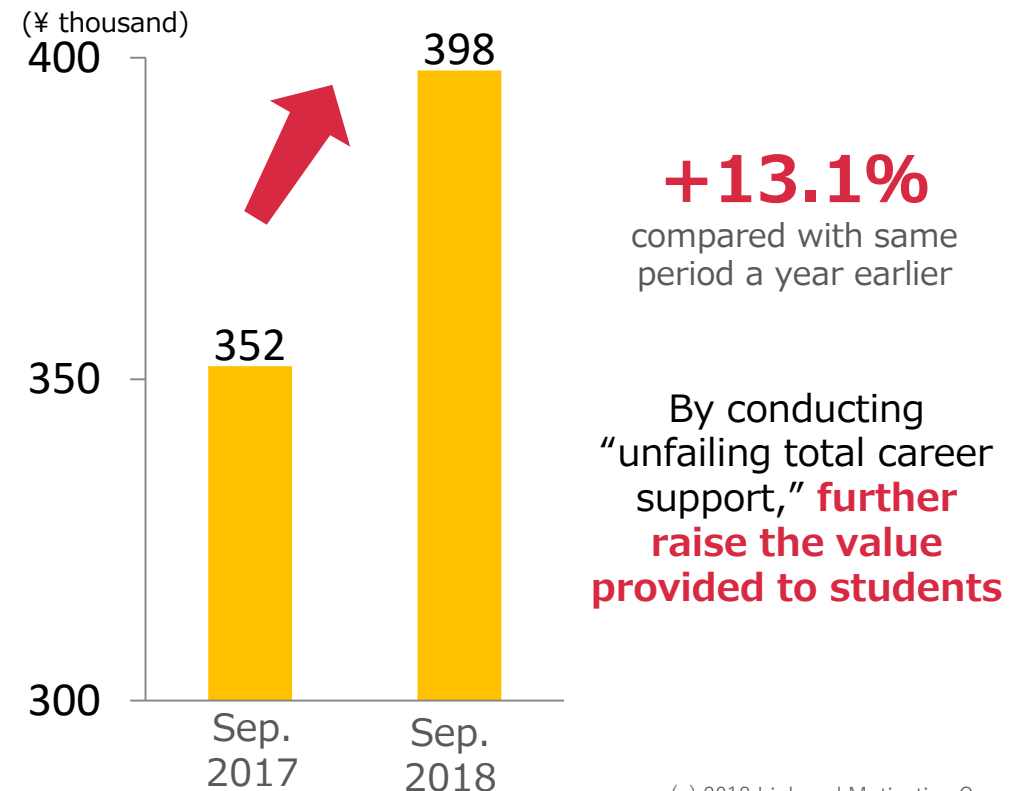
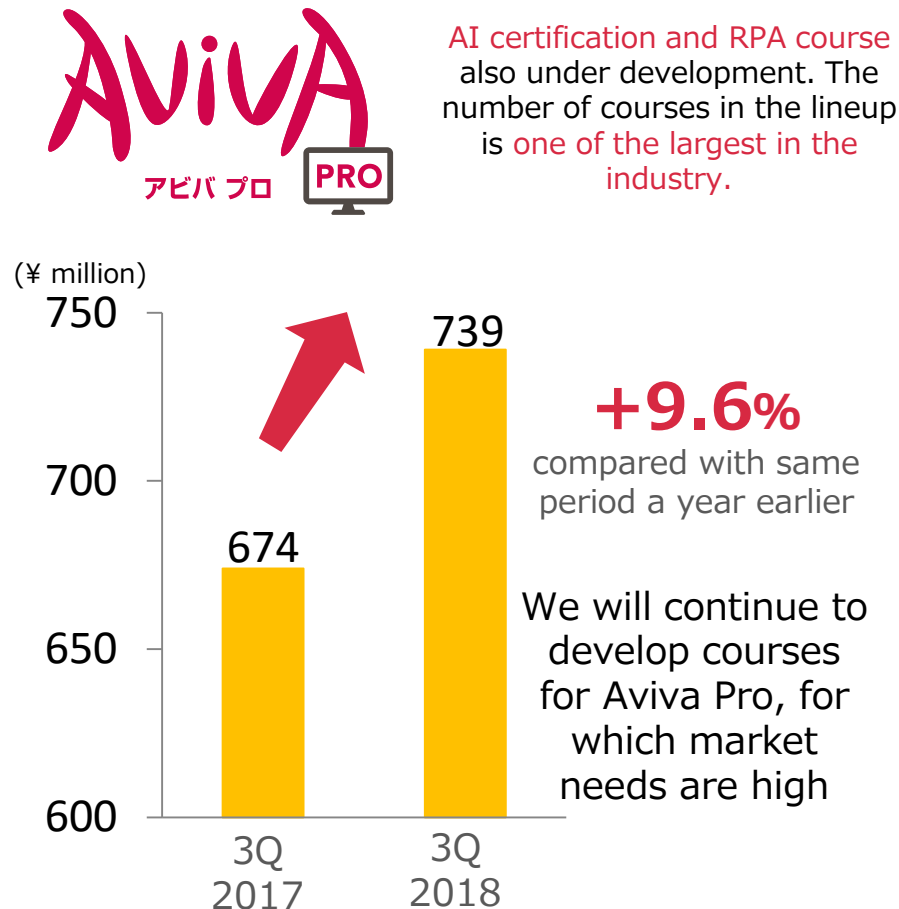
Provide simultaneous opportunities for learning and work by referring course enrollees to prospective employers

Steady growth from creating an environment where more students can study longer through unfailing total career support

Aviva Pro Training Course for IT Human Resources

Life Time Value (LTV*) per Career School Student

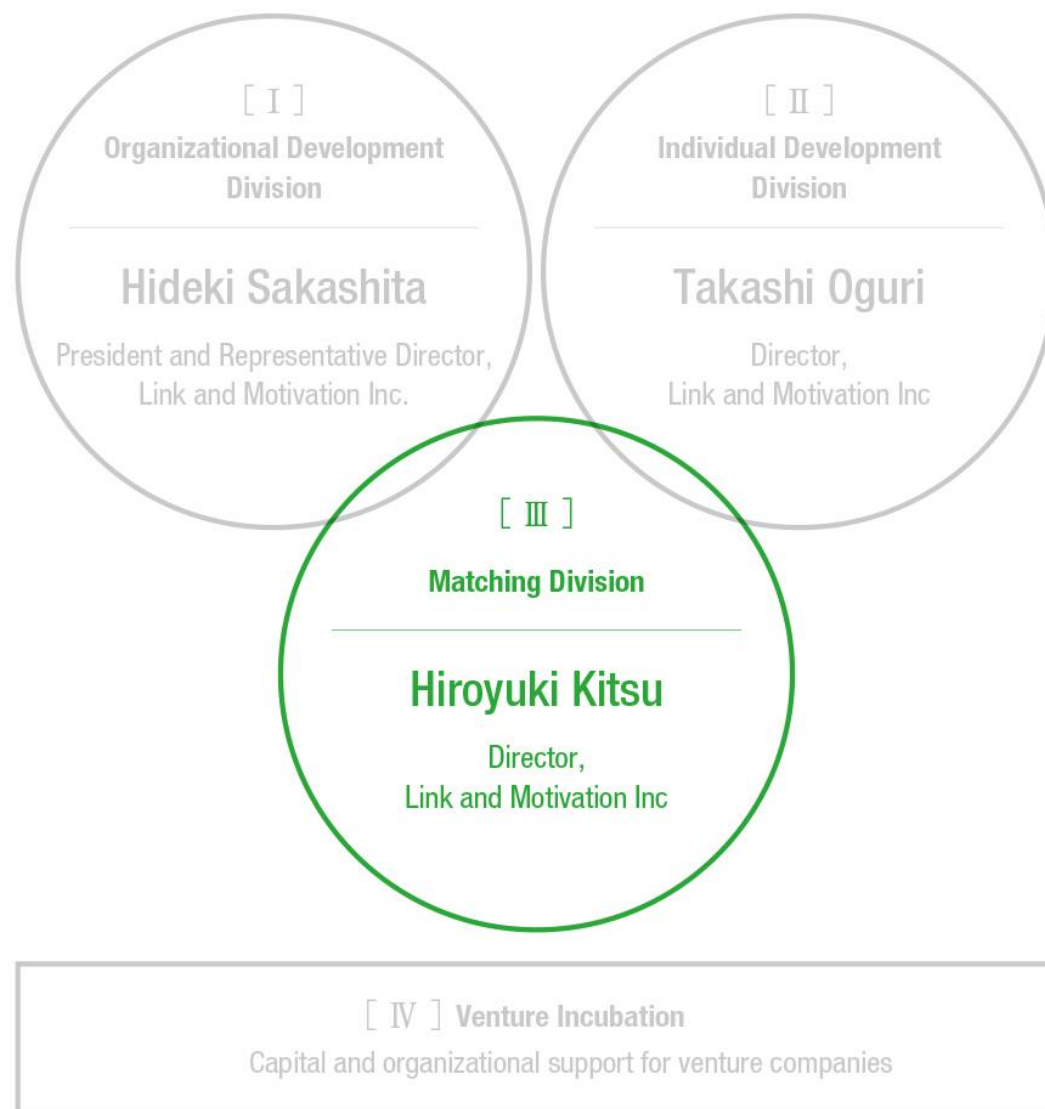
* LTV = Lifelong career school fees paid per student



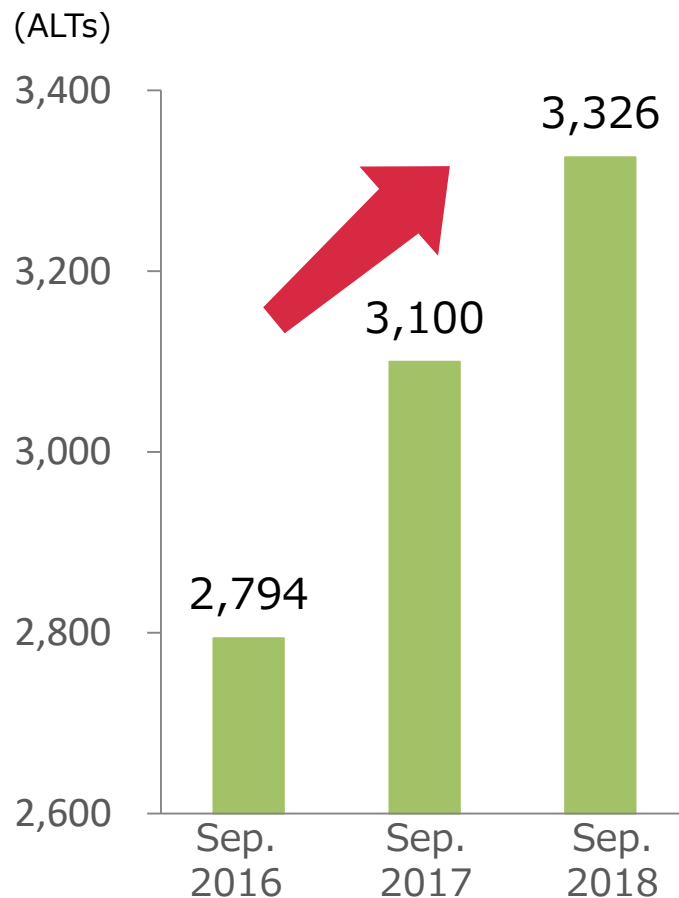
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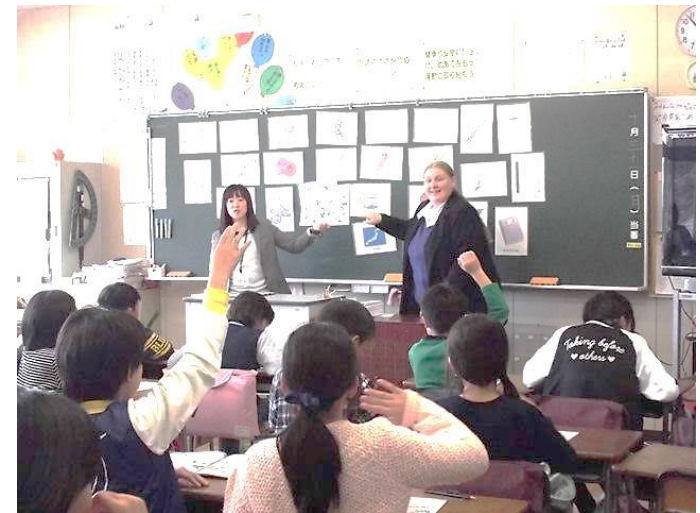


Due to the MEXT policy to enhance English Education¹
the number of ALTs² we have placed is growing steadily



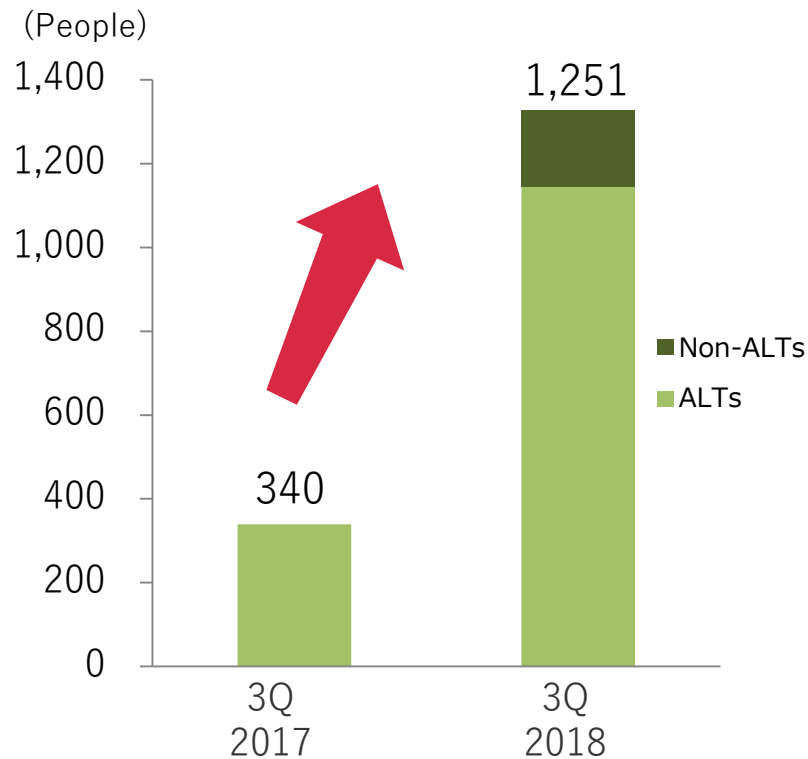
1. The Ministry of Education, Culture, Sports, Science and Technology (MEXT) is planning to place ALTs at all elementary schools (approximately 20,000 schools) by 2020, so ALT demand is expected to expand.
2. ALT: Assistant Language Teacher

3-year
average
growth
+9.1%



Foreign worker support service provides one-stop support for recruiting, reception and acclimation. **Steadily expanding to non-ALTs as well.**

Recruiting Support:
Number of Introductions*



The number of introductions has **already reached our plan for the year of 1,250**

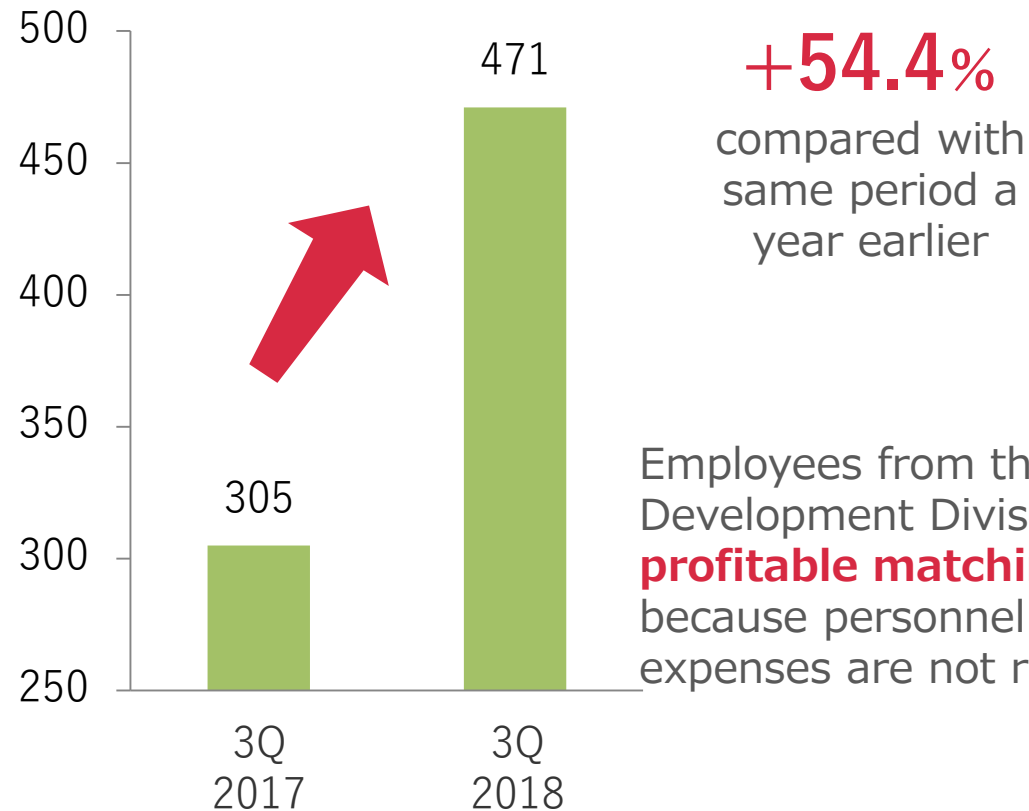
Introductions of personnel in areas such as English conversation instructors in addition to ALTs for more than 40,000 registrants who want to work in Japan



Introductions of English conversation instructors to an LMG incubation company

Expected improvement in profitability from raising matching effectiveness by strengthening synergy with the Individual Development Division to provide job opportunities to students

Number of Individual Development
Division Students We Placed in Jobs
(People)

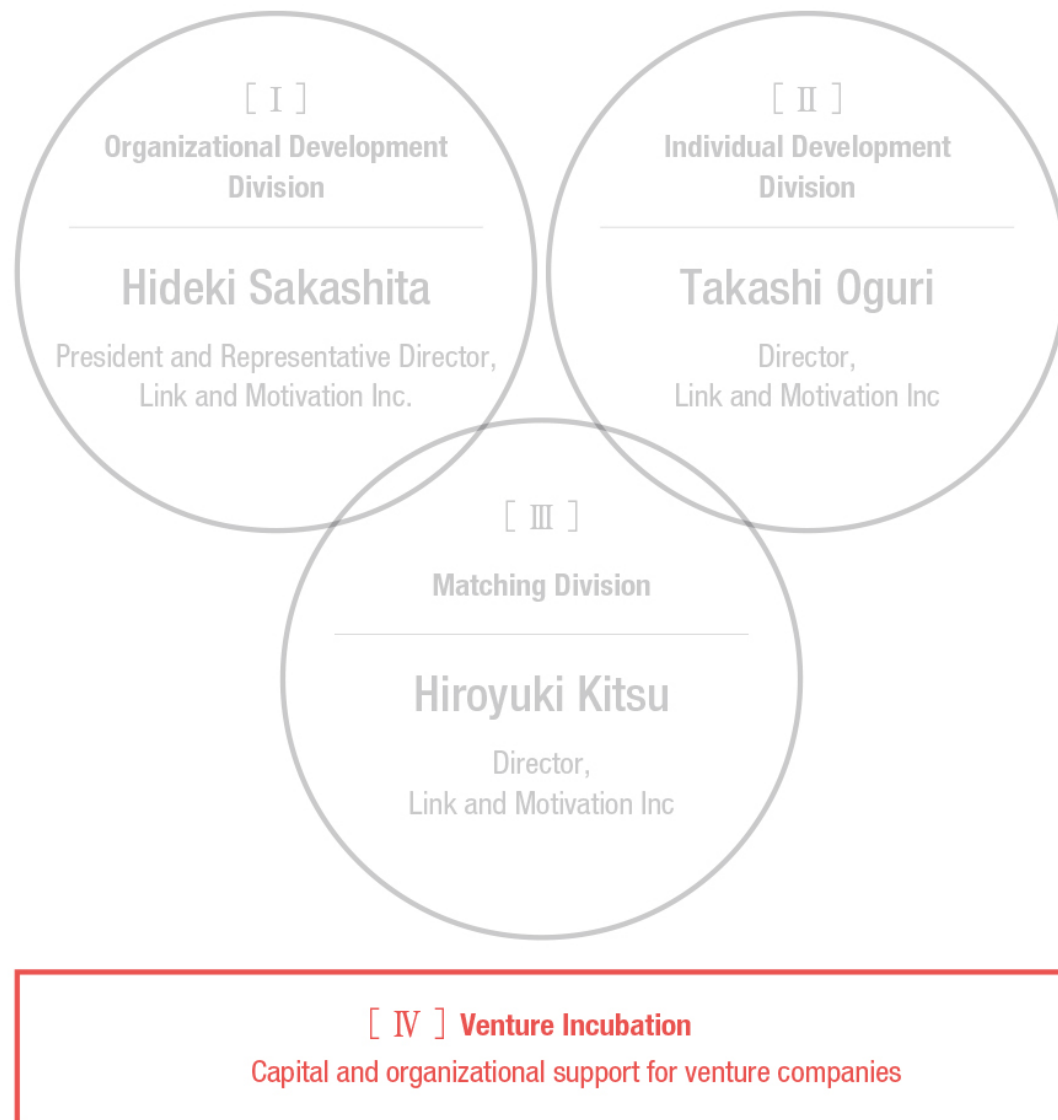


Employees from the Individual Development Division make **highly profitable matching** possible because personnel recruiting expenses are not required

Priority Themes in Each Division

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Note: Some company names have changed.

- ① **RichMedia Co., Ltd.**
Media design/Inbound marketing



- ② **from scratch Co., Ltd.**
Marketing support/Dispatch of technical staff



1. Stock Listed March 17, 2016

- ③ **Akatsuki Inc.**
App development/Smartphone service development



- ④ **FiNC Inc.**
FiNC diet coaches/Wellness management support



- ⑤ **NEO CAREER CO., LTD**
Personnel introduction/
Temp staffing (medical/nursing/daycare/IT)



- ⑥ **Leading Mark, Inc.**
New graduate recruiting support/
Job search consulting



- ⑦ **schoo Inc**
Schoo Web campus



3. Stock Listed May 31, 2018

- ⑧ **RAKSUL INC.**
E-commerce
printing/Support for
attracting customers



- ⑨ **Renoveru Co., Ltd.**
Used housing renovation



- ⑩ **LiB, Inc.**
Job-change support for upper-
female employees



- ⑪ **PLAN-B Co., Ltd**
Web consulting centered on SEO



Key Points


- ▶ Two selection criteria: **(1) Sympathy with creating a Motivation Company; (2) Aim to list stock.**
- ▶ Contribution to business growth through support in the organizational and personnel field.

Note: Some company names have changed.

2. Stock Listed December 21, 2016

- ⑫ **Innovation Inc.** 
Marketing support specializing in BtoB

- ⑬ **First Brand Inc.**  **First Brand**
Corporate and individual branding support


- ⑭ **BizReach, Inc.** 
Job-change website for upper-echelon employees

- ⑮ **GlobalCast Co., Ltd.** 
Industry-specific business process outsourcing

- ⑯ **ashita-team Inc.** 
Creation of/support for personnel evaluation systems


- ⑰ **Tasuki Consulting** 
Accounting and tax consulting

- ⑱ **Willgate, Inc.** 
Content marketing/media business

- ⑲ **YARUKI Switch Group Holdings Co., Ltd.** 
Individualized instruction/operation of day care facilities

4. Buyout on August 31, 2018

- ⑳ **Phone Appli Inc.** 
Planning, development and sale of Web phone directory services

- ㉑ **Fond, Inc.** 
Employee perks and rewards platform services

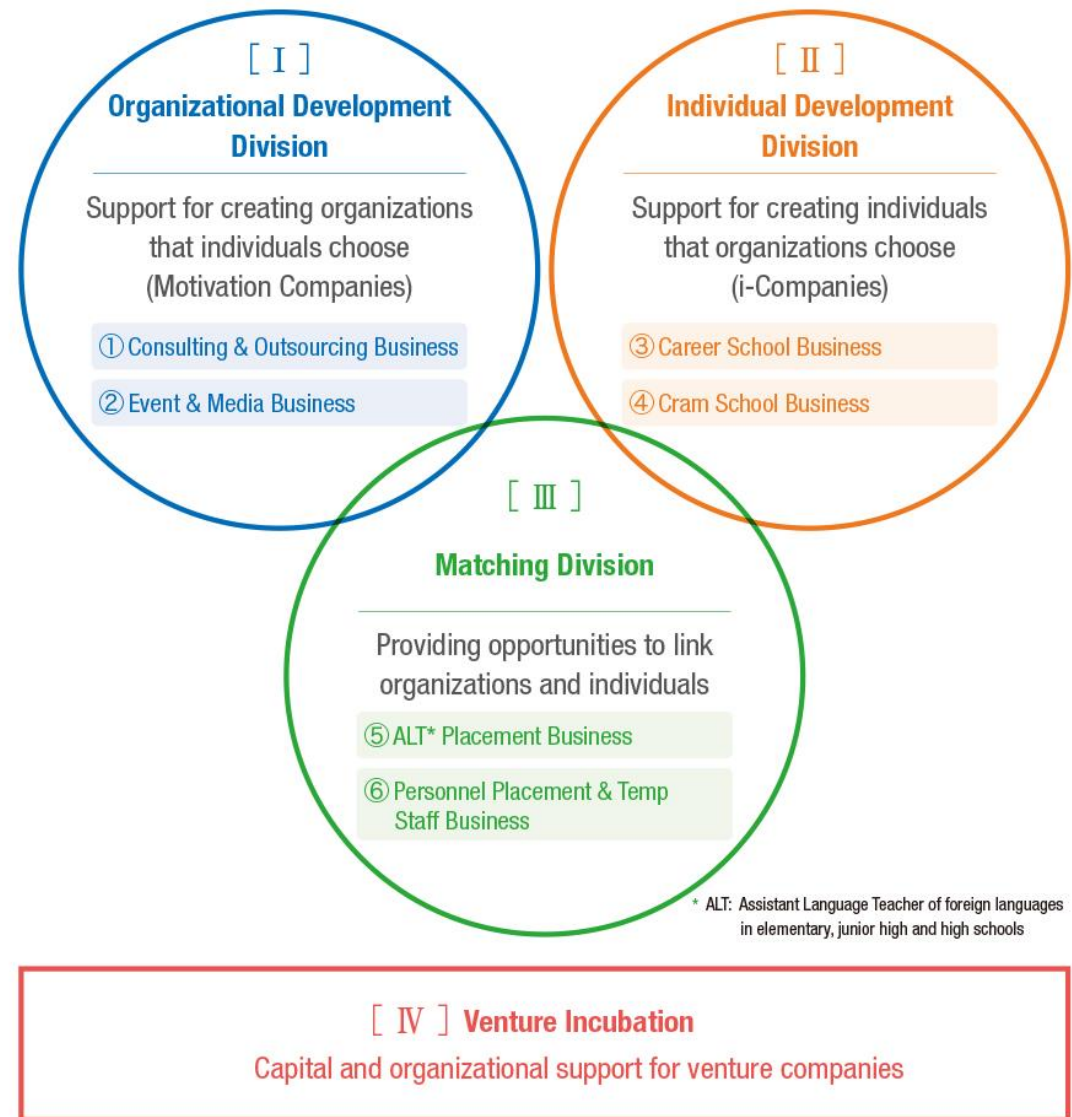
- ㉒ **Gojo & Company, Inc.**
Financial services in developing countries 

Key Points

- ▶ Two selection criteria: (1) Sympathy with creating a Motivation Company; (2) Aim to list stock.
- ▶ Contribution to business growth through support in the organizational and personnel field.

Mission

*Through Motivation Engineering, we provide opportunities to transform **organizations** and **individuals** and create a more meaningful society.*



Link and Motivation Inc.

Securities Code: 2170

Consolidated Financial Information for the Nine Months Ended September 30, 2018

November 14, 2018



Link and Motivation Group