

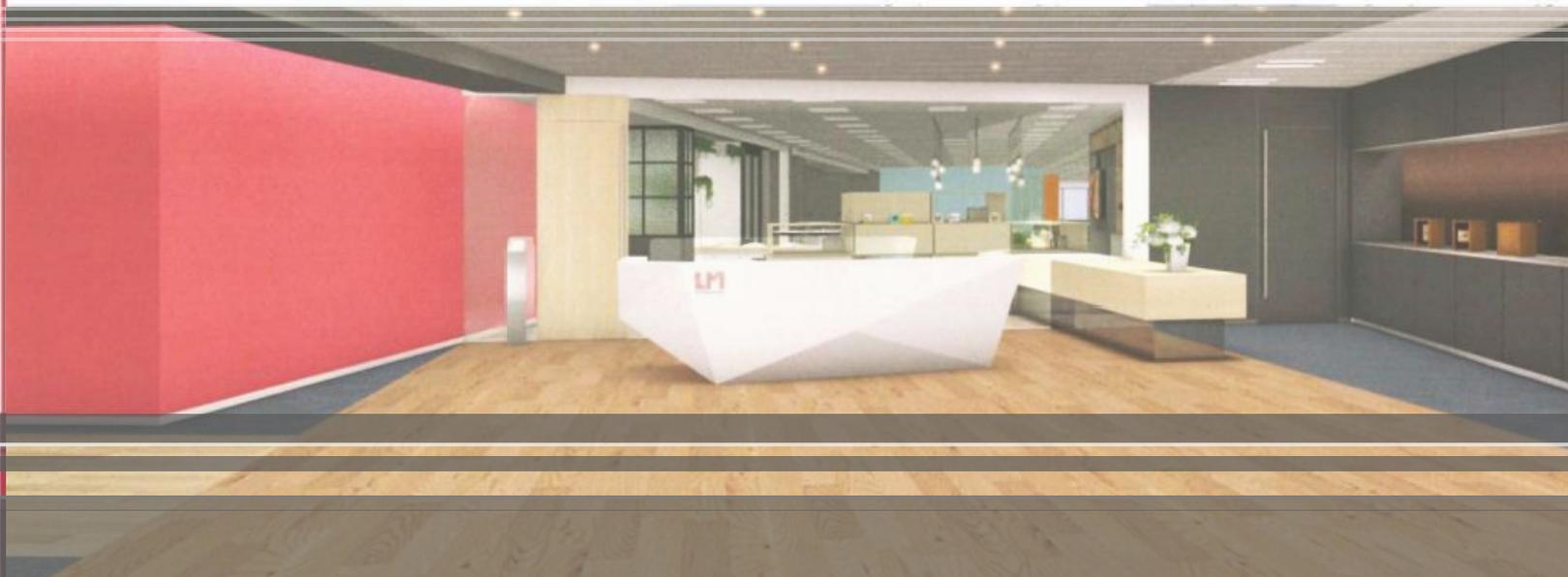
Link and Motivation Inc.

Consolidated Financial Information for the
Six Months Ended June 30, 2017
(First Half of 2017)



ひとりひとりの本気がこの世界を熱くする

Link and Motivation Group



1. Announcement of Consolidated Business Results for the Six Months Ended June 30, 2017
2. Upward Revision of Forecast and Dividend Increase
3. Progress Report on Key Indicators

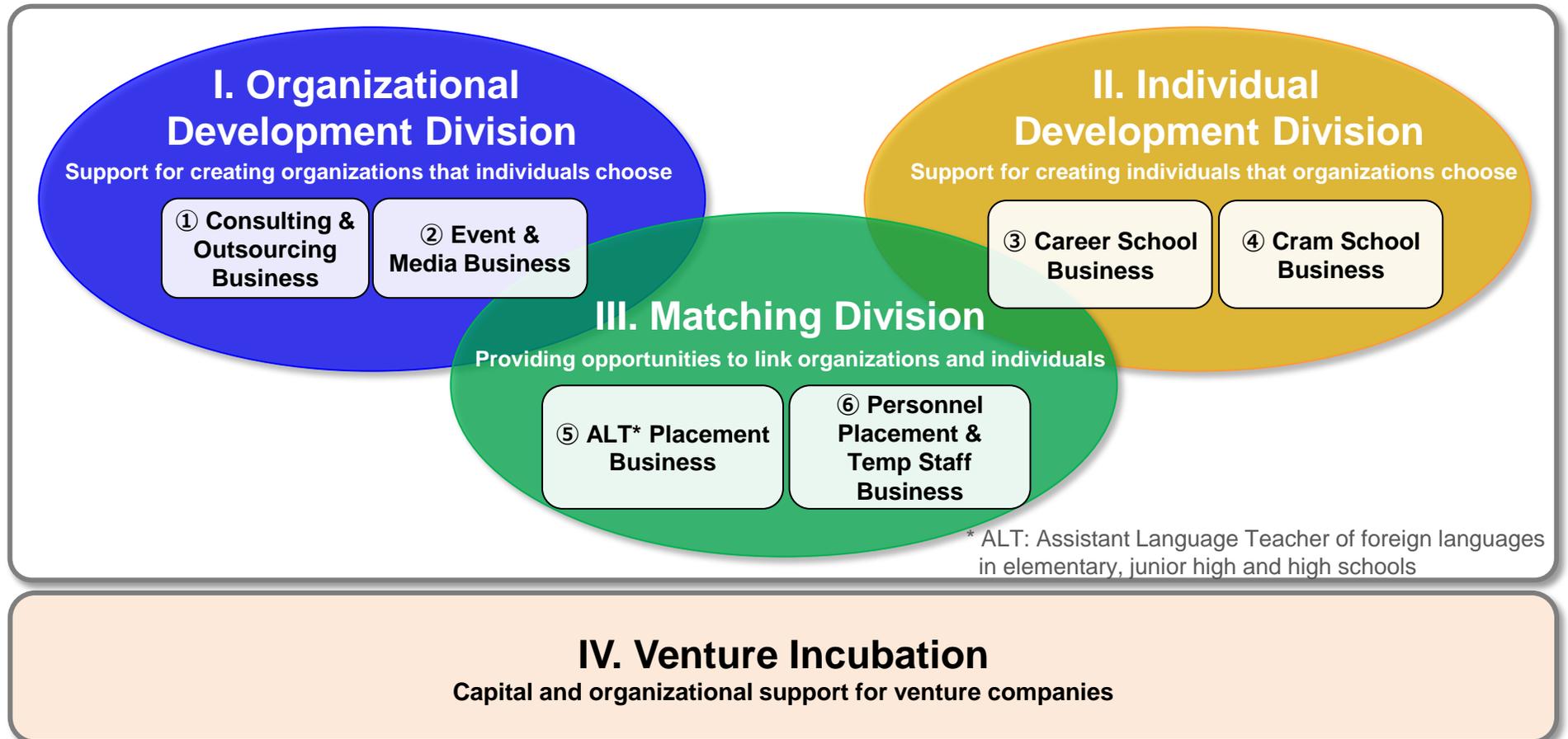
1

Announcement of Consolidated Business Results for the Six Months Ended June 30, 2017

Link and Motivation Group Operating Structure

Mission:

We will provide **organizations** and **individuals** with opportunities for transformation through Motivation Engineering to help achieve a more meaningful society.



Consolidated Statements of Operations (Results/YoY Change)

| (¥ million) | 2016 2Q Results | 2017 2Q Results | YoY Change |
|---|-----------------|-----------------|------------|
| Revenues | 16,721 | 18,031 | +7.8% |
| Operating Income before Exceptional Items | 1,330 | 1,587 | +19.3% |
| Operating Income | 1,353 | 1,609 | +18.9% |
| Net Income | 975 | 1,010 | +3.7% |

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.

- Revenues and every level of income set record highs, continuing from the first quarter to surpass the record-high results of the previous year.
- In particular, operating income before exceptional items and operating income increased substantially year on year (YoY), driven by results in the highly profitable Organizational Development Division.
- Net income increased YoY, with a higher tax rate than in the previous year.

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

| (¥ million) | 2016 2Q Results | 2017 2Q Forecast | 2017 2Q Results | Results vs. Forecast | YoY Change |
|---|-----------------|------------------|-----------------|----------------------|------------|
| Revenues | 16,721 | 18,100 | 18,031 | -0.4% | +7.8% |
| Operating Income before Exceptional Items | 1,330 | 1,500 | 1,587 | +5.8% | +19.3% |
| Operating Income | 1,353 | — | 1,609 | — | +18.9% |
| Net Income | 975 | — | 1,010 | — | +3.7% |

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.

- Although revenues fell slightly short of the forecast, operating income before exceptional items exceeded the forecast as the highly profitable Organizational Development Division made substantial progress and is on pace to exceed its forecast.

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

| (¥ million) | 2016 2Q Results | 2017 2Q Results | YoY Change |
|---|--------------------|--------------------|---------------|
| Total SG&A Expenses | 4,792 | 5,126 | +7.0% |
| ① Personnel Expenses | 2,378 | 2,258 | -5.0% |
| ② Recruiting, Training and Welfare Expenses | 252 | 381 | +51.3% |
| ③ Rent | 324 | 400 | +23.5% |
| ④ Office and System Expenses | 563 | 668 | +18.6% |
| ⑤ Sales-related Expenses | 795 | 895 | +12.7% |
| ⑥ Transportation and Other Expenses | 478 | 521 | +9.0% |

- ② Recruiting, training and welfare expenses increased due to increased hiring to expand the Group, ③ Rent and ④ Office and system expenses increased due to the establishment of an integrated office in Tokyo, and ⑤ Sales-related expenses increased due to strengthened sales promotion of key products such as Motivation Cloud, while on the other hand ① Personnel expenses decreased due to promotion of greater work efficiency among managers. As a result, total SG&A expenses increased YoY.

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

| (¥ million) [Gross profit in brackets] | | 2016 2Q Results | 2017 2Q Results | YoY Change |
|---|--------------|--------------------|--------------------|------------|
| Organizational Development Division | Revenues | 5,076 | 5,900 | +16.2% |
| | Gross Profit | [3,364] | [3,808] | +13.2% |
| Individual Development Division | Revenues | 3,275 | 3,362 | +2.6% |
| | Gross Profit | [1,078] | [1,079] | +0.1% |
| Matching Division | Revenues | 8,907 | 9,549 | +7.2% |
| | Gross Profit | [2,114] | [2,365] | +11.9% |

- In the Organizational Development Division, revenues and gross profit both increased substantially YoY due to good results in the Consulting & Outsourcing Business and firm performance in the Event & Media Business.
- In the Individual Development Division, revenues and gross profit both increased slightly YoY due to firm performance in the Career School Business.
- In the Matching Division, revenues increased and gross profit increased substantially YoY due to good results in the Personnel Placement & Temp Staff Business and firm performance in the ALT Placement Business.

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

| Product (¥ million) [Gross profit in brackets] | 2016 Results | 2017 Results | YoY Change |
|---|------------------|------------------|------------------|
| ① Consulting & Outsourcing Business | 4,232 [2,842] | 4,691 [3,284] | +10.8% +15.6% |
| Package | 1,379 | 1,578 | +14.4% |
| Consulting | 1,804 | 2,058 | +14.1% |
| Outsourcing | 708 | 580 | -18.1% |
| Member/database services | 345 | 474 | +37.2% |
| ② Event & Media Business | 1,647 [673] | 2,044 [676] | +24.1% +0.5% |
| Event production | 1,050 | 1,339 | +27.6% |
| Media production | 597 | 704 | +17.8% |

- In ① the Consulting & Outsourcing Business, revenues and gross profit increased substantially YoY due to growth in Package and Consulting, including training programs to strengthen sales capabilities and management, etc., spurred by work style reform, as well as substantial growth in Member/database services due to strong sales of Motivation Cloud, which is a core product.
- In ② the Event & Media Business, revenues increased substantially YoY with growth in sales of training events derived from the Package category of the Consulting & Outsourcing Business, IR-related media production and other products, but gross profit increased slightly YoY because training events are a product with a high cost ratio.

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

| Product (¥ million) [Gross profit in brackets] | 2016 Results | | 2017 Results | | YoY Change |
|---|------------------|------------|------------------|------------|----------------|
| | Results | % of total | Results | % of total | |
| ③ Career School Business | 3,229 [1,089] | — | 3,306 [1,099] | — | +2.4% +0.9% |
| Office | 1,656 | 51.3% | 1,478 | 44.7% | -10.7% |
| Pro Series | 362 | 11.2% | 426 | 12.9% | +17.6% |
| Accounting courses | 300 | 9.3% | 292 | 8.9% | -2.7% |
| National exam courses | 260 | 8.1% | 286 | 8.7% | +9.9% |
| Civil servant courses | 560 | 17.4% | 662 | 20.0% | +18.2% |
| Educational materials/other | 88 | 2.7% | 86 | 2.6% | -2.2% |
| English conversation | — | — | 73 | 2.2% | — |
| ④ Cram School Business | 46 [-11] | — | 55 [-20] | — | +20.2% — |

Note: Pro Series includes “Aviva Pro” programming courses and courses for other specialized IT skills.

- In ③ the Career School Business, revenues and gross profit both increased slightly YoY with smooth progress in the shift from Office to Pro Series, which has high market growth potential, growth in sales of national exam and civil servant courses, and the new addition of the Rosetta Stone brand of English conversation lessons to the lineup.
- In ④ the Cram School Business, revenues increased YoY as the number of schools increased, but gross profit decreased YoY due to an increase in the number of classroom operation personnel occasioned by the opening of a new school.

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

| Product (¥ million) [Gross profit in brackets] | 2016 Results | 2017 Results | YoY Change |
|---|--------------|--------------|------------|
| * ⑤ ALT Placement Business | 5,063 | 5,388 | +6.4% |
| | [1,355] | [1,484] | +9.5% |
| ⑥ Personnel Placement & Temp Staff Business | 3,849 | 4,323 | +12.3% |
| | [762] | [1,038] | +36.1% |
| Store sales temp staff | 3,253 | 3,535 | +8.7% |
| Office temp staff | 320 | 322 | +0.5% |
| Foreign worker support | — | 22 | — |
| Recruiting/introductions | 274 | 443 | +61.2% |

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

- In ⑤ the ALT Placement Business, revenues and gross profit increased YoY, with firm performance from capturing the expansion and acceleration of English language education in Japanese public schools.
- In ⑥ the Personnel Placement & Temp Staff Business, revenues increased substantially YoY due to strong results for store sales temp staff backed by a shortage of personnel at companies, mainly in the retail service industry, and gross profit increased substantially YoY, with significant growth in the high-margin new graduate introductions category of Recruiting/introductions.

Consolidated Balance Sheets (Results/YoY Change)

| (¥ million) | Dec. 31, 2016 | June 30, 2017 | YoY Change |
|---------------------------|---------------|---------------|------------|
| ① Current Assets | 6,747 | 8,218 | +1,470 |
| ② Non-current Assets | 11,785 | 15,958 | +4,173 |
| ③ Deferred Assets | 0 | 0 | 0 |
| Total Assets | 18,532 | 24,177 | +5,644 |
| ④ Current Liabilities | 9,668 | 10,688 | +1,020 |
| ⑤ Non-current Liabilities | 4,084 | 6,940 | +2,856 |
| Total Liabilities | 13,752 | 17,628 | +3,876 |
| ⑥ Total Equity | 4,780 | 6,548 | +1,767 |

- Assets **increased** due to improvement in the value of investment securities associated with strong incubation company performance and the acquisition of fixed assets associated with the establishment of an integrated office.
- Liabilities **increased** due to borrowings to cover the capital requirements for the above outlay.
- Total equity **increased** as a result of an increase in the value of investment securities, the recording of net income and other factors.

2

Upward Revision of Forecast and Dividend Increase



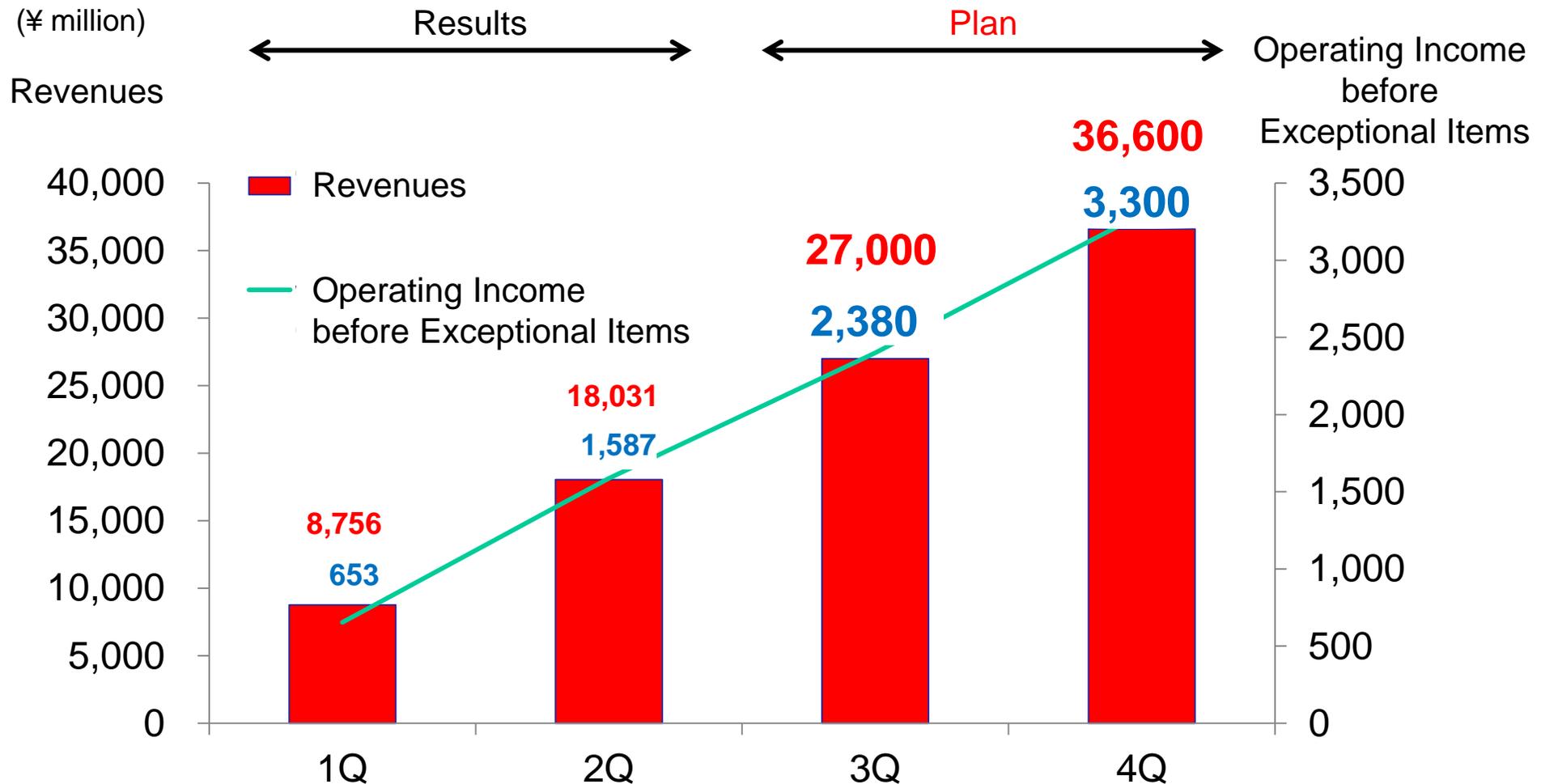
Upward Revision of Forecast

| (¥ million) | 2016 Results (IFRS) | Before Revision | | After Revision | |
|---|------------------------|-------------------------|------------|--------------------------------|---------------|
| | | 2017 Forecast (IFRS) | YoY Change | 2017 Forecast (IFRS) | YoY Change |
| Revenues | 33,321 | 36,300 | +8.9% | 36,600 (Record High) | +9.8% |
| Operating Income before Exceptional Items | 2,618 | 3,000 | +14.6% | 3,300 (Record High) | +26.0% |
| Operating Income | 2,468 | 3,000 | +21.5% | 3,300 (Record High) | +33.7% |
| Net Income | 1,804 | 2,000 | +10.9% | 2,100 (Record High) | +16.4% |

Note: Figures for 2016 have been audited.

- We have revised the forecast for revenues and each level of income upward due to the smooth progress in the results of the highly profitable Organizational Development Division.
- We forecast record highs for revenues and each level of income.

2017 Revenues and Operating Income before Exceptional Items: Progress toward the Plan



- We have revised our progress toward our plan for the year along with the upward revision of the forecast for the year.

- We plan to increase our quarterly dividend from the third quarter.

| | Dividend per Share | | | | |
|------|--------------------|----------------|-----------------|-----------------|------------------|
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Annual Dividends |
| 2016 | 1.25 yen | 1.25 yen | 1.40 yen | 1.40 yen | 5.30 yen |
| 2017 | 1.50 yen | 1.50 yen | 1.60 yen | 1.60 yen | 6.20 yen |

Note: 100 shares per unit of stock

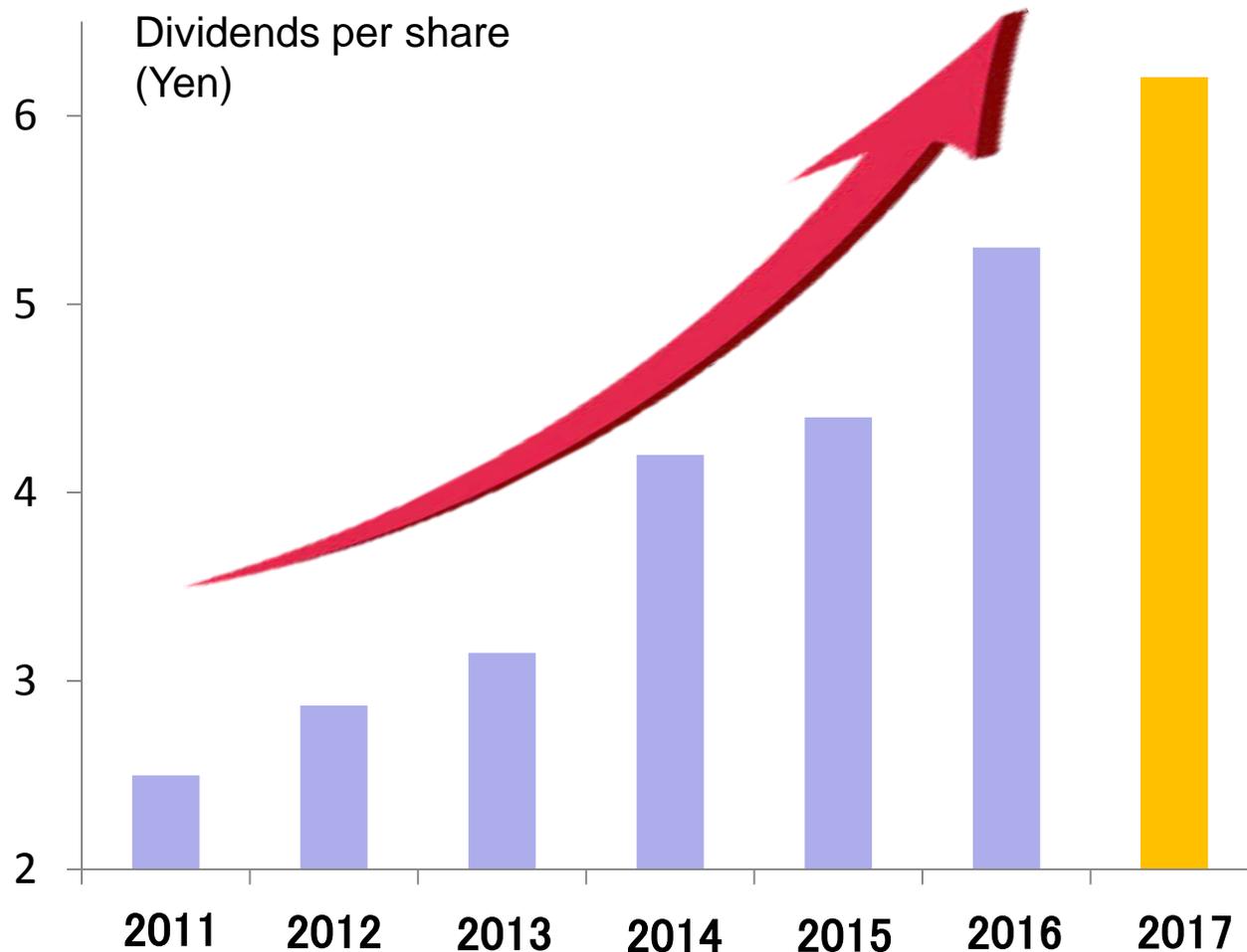
Annual Dividends per Share

- 2016: 5.3 yen
- 2017: 6.2 yen **(+17% increase)**

- **Scheduled second-quarter dividend for 2017**

- A dividend of 1.5 yen per share is scheduled to be paid on Monday, September 25, as originally planned.

Dividends



- We plan on a sixth consecutive year of dividend increases since 2011.
- We will maintain our stance of providing high returns on profit.

3

Progress Report on Key Indicators



Key Indicators by Division in 2017

Mission:

We will provide **organizations** and **individuals** with opportunities for transformation through Motivation Engineering to help achieve a more meaningful society.

I. Organizational Development Division

Hideki Sakashita
President, Link and Motivation Inc.

II. Individual Development Division

Takashi Oguri
Director, Link and Motivation Inc.

III. Matching Division

Hiroyuki Kitsu
Director, Link and Motivation Inc.

IV. Venture Incubation

Capital and organizational support for venture companies

Key Indicators by Division in 2017

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Capital and organizational support for venture companies

Motivation Cloud meets the needs of Japanese companies to adapt to the labor market spurred by work style reform.

Service Overview



MOTIVATION CLOUD

Note: **Monthly pay-as-you-go model** corresponding to organization size

- **Organizational Diagnostic (See)**
Quantifies **engagement** between companies and employees using **data on 660,000 people at 2,700 companies**

Standardized indicator showing organizational conditions: Engagement score

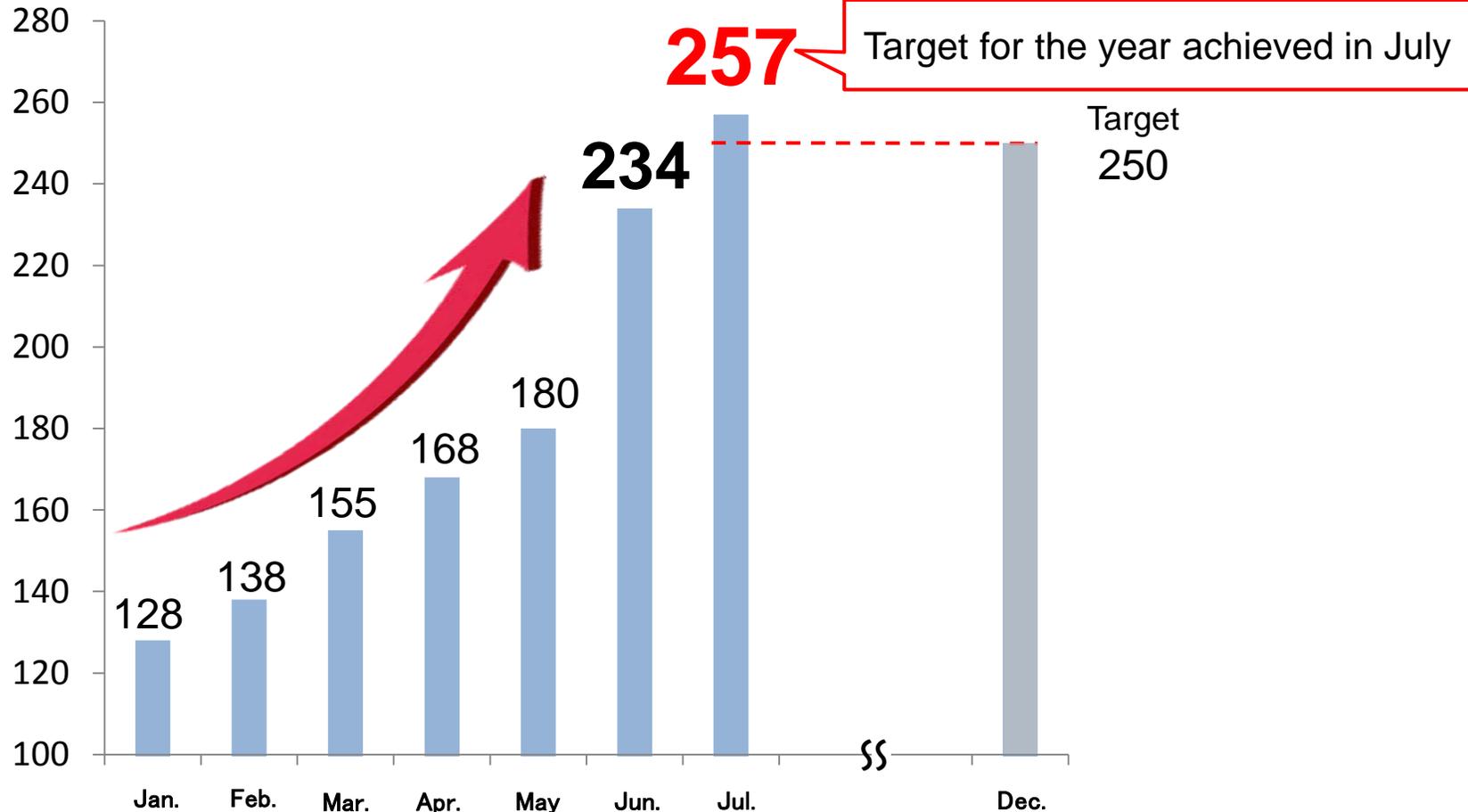
| Score | 33 | 39 | 42 | 45 | 48 | 52 | 55 | 58 | 61 | 67 | |
|-------|----|----|----|----|----|----|----|----|----|----|---|
| Grade | E | D- | D | D+ | C- | C | C+ | B- | B | B+ | A |

- **Organizational Improvement (Plan/Do)**
Establishes improvement plans together with highly experienced consultants, with progress in organizational improvement **managed using the cloud**



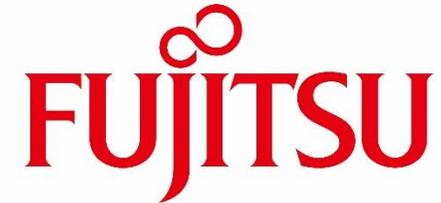
- Quantification of engagement between companies and their employees, and support for improvement

Number of contact points that have adopted Motivation Cloud



- Our plan set at the beginning of the year for adoption by 250 contact points has already been achieved as of July.

Contact points that have adopted Motivation Cloud (partial list)



株式会社 富士通マーケティング



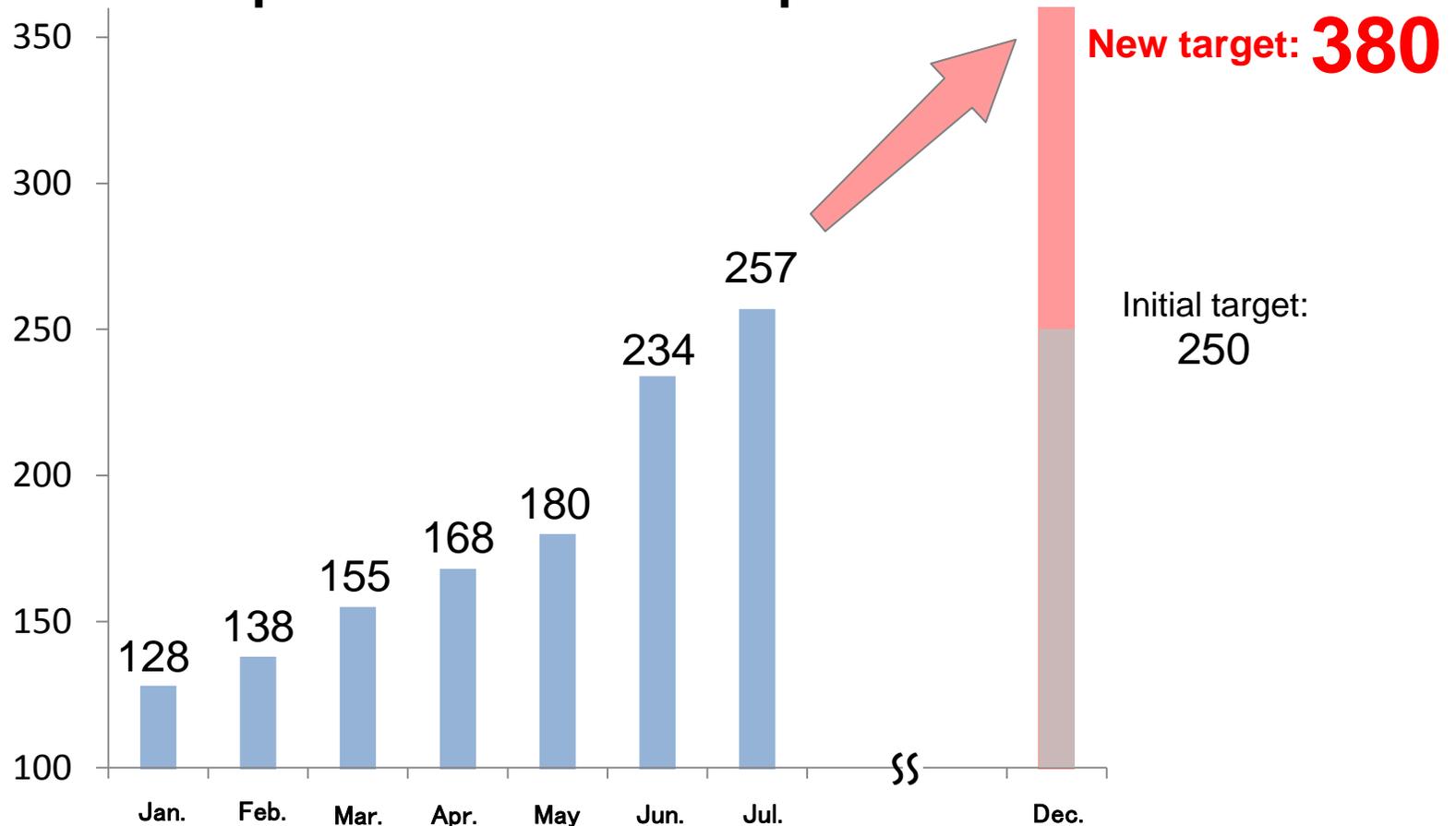
mercari



RakSul

- Support is growing from leading companies in Japan that aim to increase employee engagement, regardless of industry.

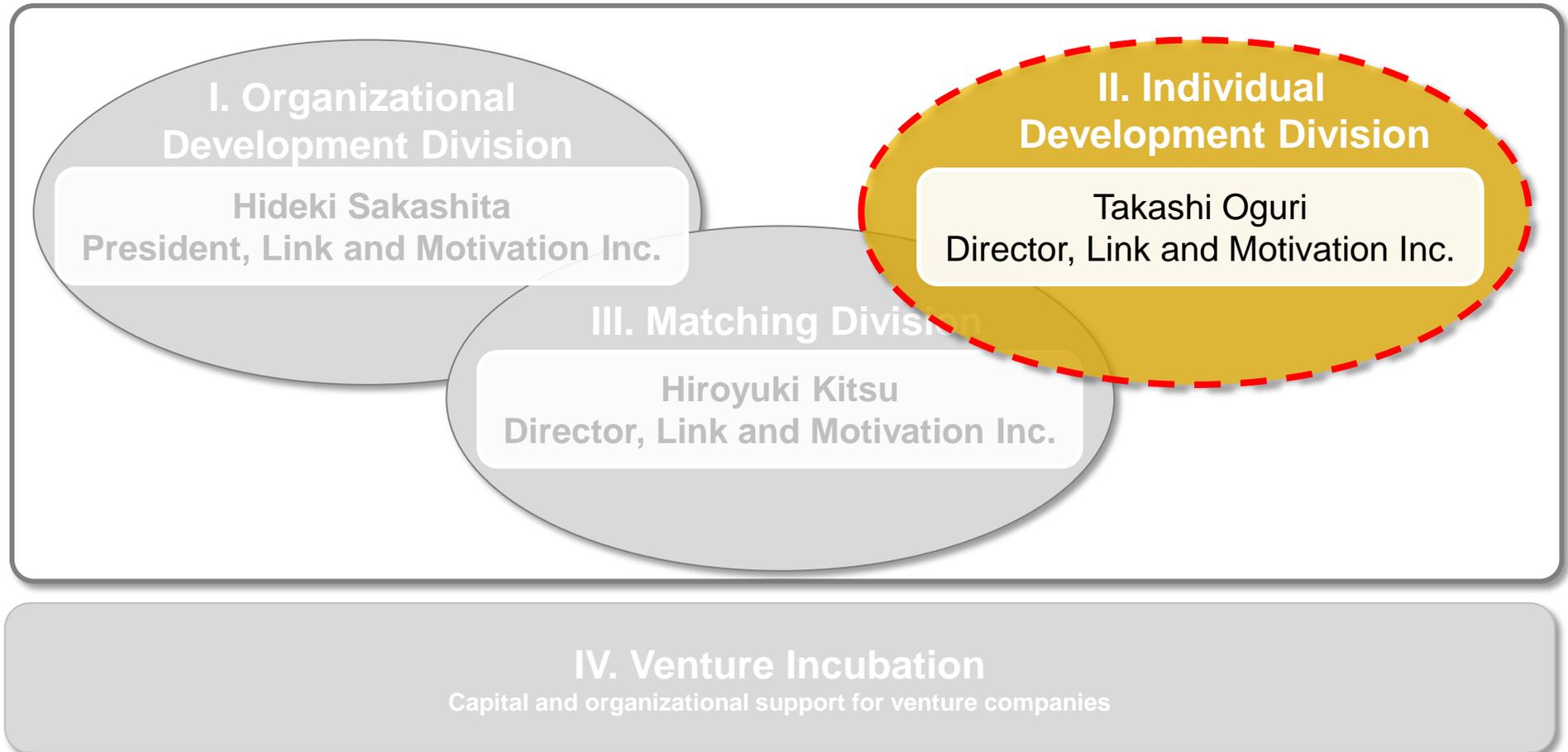
Number of contact points that have adopted Motivation Cloud



- As a result of substantial progress in adoption of Motivation Cloud due to rising needs for organizational transformation backed by work style reform, we have revised the target for the end of 2017 upward to 380 contact points.

Mission:

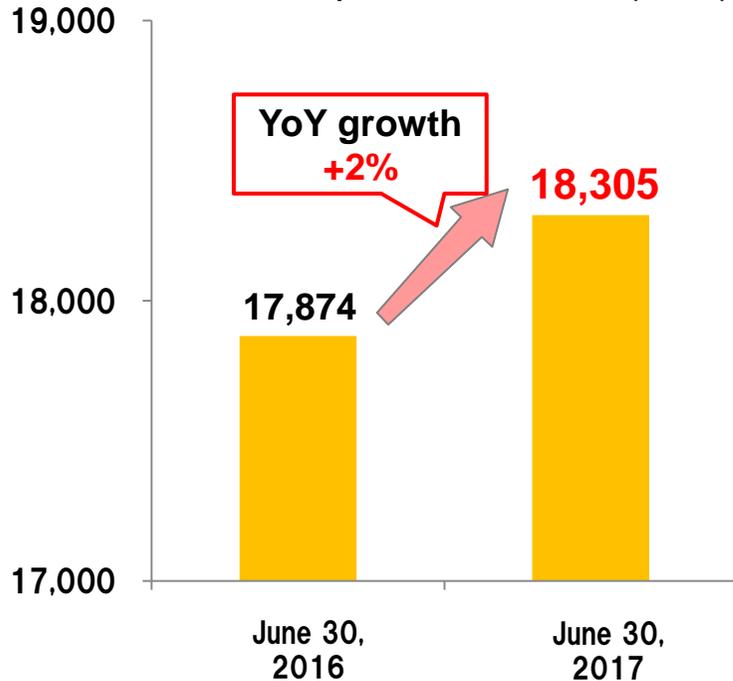
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Individual Development Division Key Indicator: Aviva Pro IT Human Resource Training Course

Backed by the shortage of IT staff, the **steady expansion of the Aviva Pro** training course for IT human resources is leading to **firm growth in the number of students** in the Individual Development Division.

Number of students in the Individual Development Division (total)



Expansion of Aviva Pro training course for IT human resources



IT courses for learning **JAVA** and **SQL** in a game format. In the 2 years since its launch, the lineup has grown to **24 courses**, among the most in the industry.



- By further enhancing the course lineup for Aviva Pro, we aim to further increase the number of students and unit price by the end of 2017.

Individual Development Division Key Indicator: Rosetta Stone at GINZA SIX Concept

Start of English conversation lessons using advanced language learning techniques in a top-class space
Aim to increase recognition by raising the value of the Rosetta Stone brand

Service Overview

Operation of a **Rosetta Stone** brand one-on-one conversation school (English, French and pronunciation correction) targeting high-end customers in the **GINZA SIX** building under the concept of an **Executive Education Lounge**

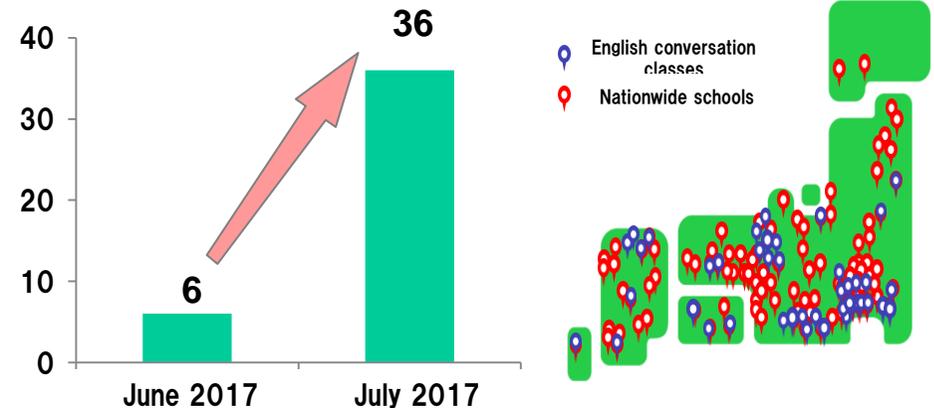


Pumpkin © Yayoi Kusama
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Future Plan

The number of learning centers has grown from 6 as of June 30, 2017 to 36 from July. During 2017, we aim to expand to **1,600** English conversation students at **50 locations**.

Number of Locations

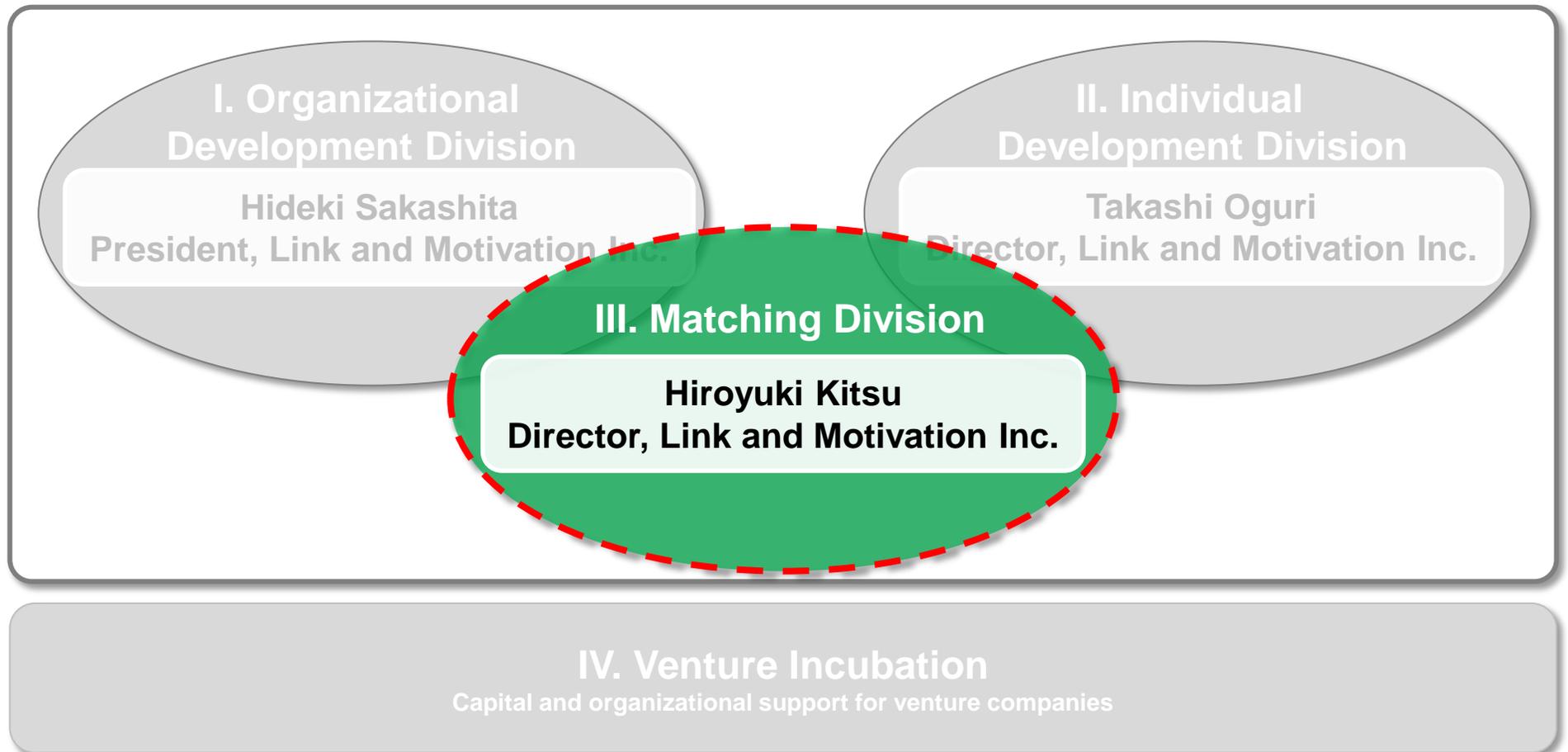


- Opening of Rosetta Stone brand English conversation lessons targeting high-end customers with language learning using advanced techniques in the top-class space of the GINZA SIX building
- Rollout to 50 locations nationwide by the end of 2017 with a plan for 1,600 English conversation students

Key Indicators by Division in 2017

Mission:

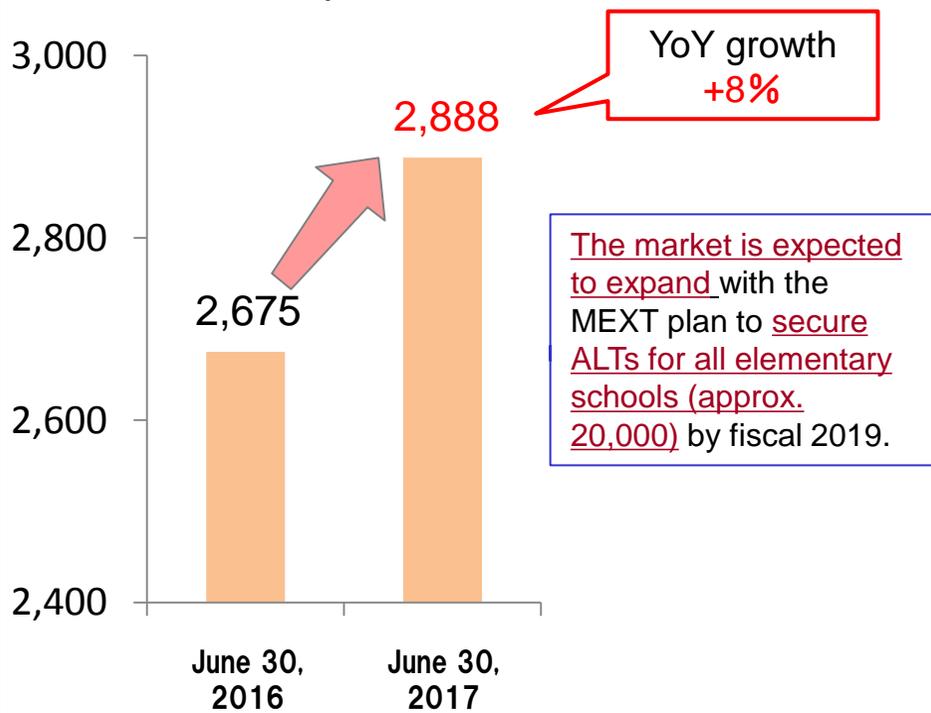
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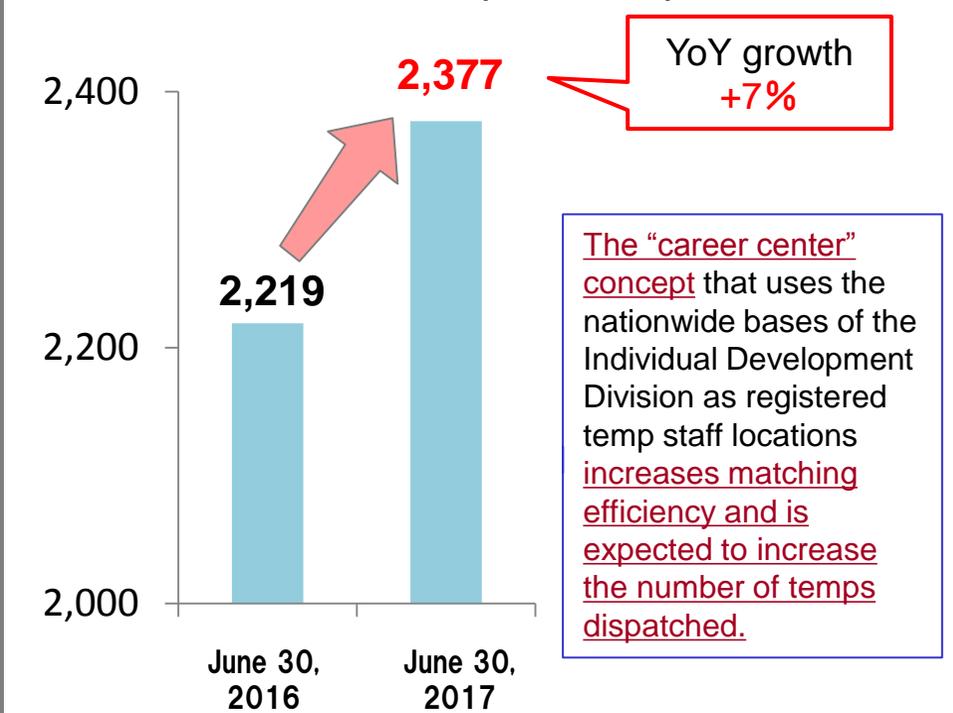
Matching Division Key Indicators: Number of ALT Placed and Temp Staff Dispatched

Brisk growth in the number of ALT placements due to the expansion of English education in Japanese public schools and **increase in the number of temp staff** due to rising corporate needs for personnel

Number of ALTs placed



Number of domestic temp staff dispatched



- The number of ALTs has substantially exceeded last year's results, and we are making smooth progress towards our plan for 3,000 ALTs placed by the end of the year.
- Through synergy with our "career center" concept, we will further accelerate the increase in temp staff dispatched.

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Capital and organizational support for venture companies

New Investment: YARUKI Switch Group Holdings Co., Ltd.

YARUKI Switch Group Holdings Co., Ltd.

| | |
|--------------------|---|
| Established: | November 1989 |
| Representative: | Masao Matsuda, Representative Director |
| Capital: | ¥254 million |
| Employees: | Approx. 700 |
| Philosophy: | To find the human treasures of the world, providing our full support to allow them to sparkle. To engage the motivation switch of all, and while realizing our full potential, contribute to the creation of a society in which we may all happily exist. |
| Businesses: | Individual instruction, English conversation school, preschool education, and operation of private day care facilities |
| Number of schools: | Approx. 1,300 worldwide (Group total) |



やる気スイッチグループ



- We completed investment in YARUKI Switch Group Holdings Co., Ltd. on May 31, 2017.
- By providing our recruiting, training and living support functions for native instructors of foreign languages, we will support the growth and development of the English language education-related businesses operated by the company.

Venture Incubation Business: Investments at a Glance

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



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



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



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-echelon female employees



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



Stock Listed December 21, 2016

⑫ Innovation Inc.
Marketing support specializing in BtoB



⑬ First Brand Inc.
Corporate and individual branding support



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



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



GlobalCast Co.,Ltd.
Impression & Thanks

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



⑰ CLEAR CONSULTING CO., Ltd.
Accounting/tax consulting



⑱ Willgate, Inc.
Content marketing/media business



Investment Completed May 31, 2017

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

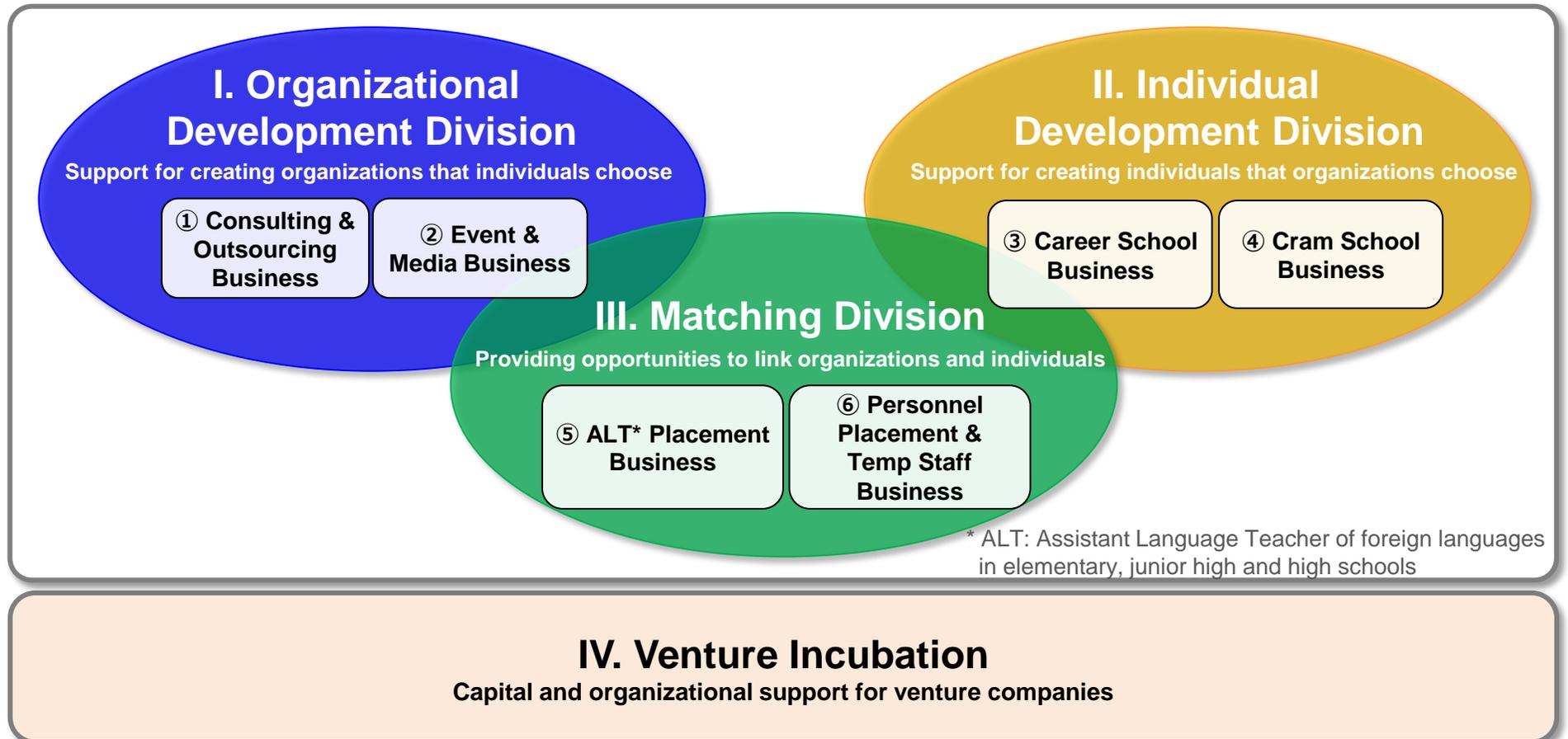


- Two selection criteria: (1) Sympathy with creating a Motivation Company; (2) Aim to list stock
- Target investment ratio: 3% to 10%
- Contribution to business growth through support in the organizational and personnel field.

Link and Motivation Group Operating Structure

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Link and Motivation Group

