

# Link and Motivation Inc. Consolidated Financial Information for the Six Months Ended June 30, 2011



ひとりひとりの本気がこの世界を熱くする Link and Motivation Group



# Presentation Agenda

- 1. M&A Report**
- 2. Financial Results for the Six Months Ended June 30, 2011**
- 3. Revisions to 2011 Full-Year Results Forecast**
- 4. Topics**

1

# M&A Report



# Acquisition of AVIVA Co. Ltd. Shares

(News Release of June 12, 2011)

We acquired all shares of AVIVA on June 11, 2011 and made it a consolidated subsidiary.

## Overview of Acquisition of Shares

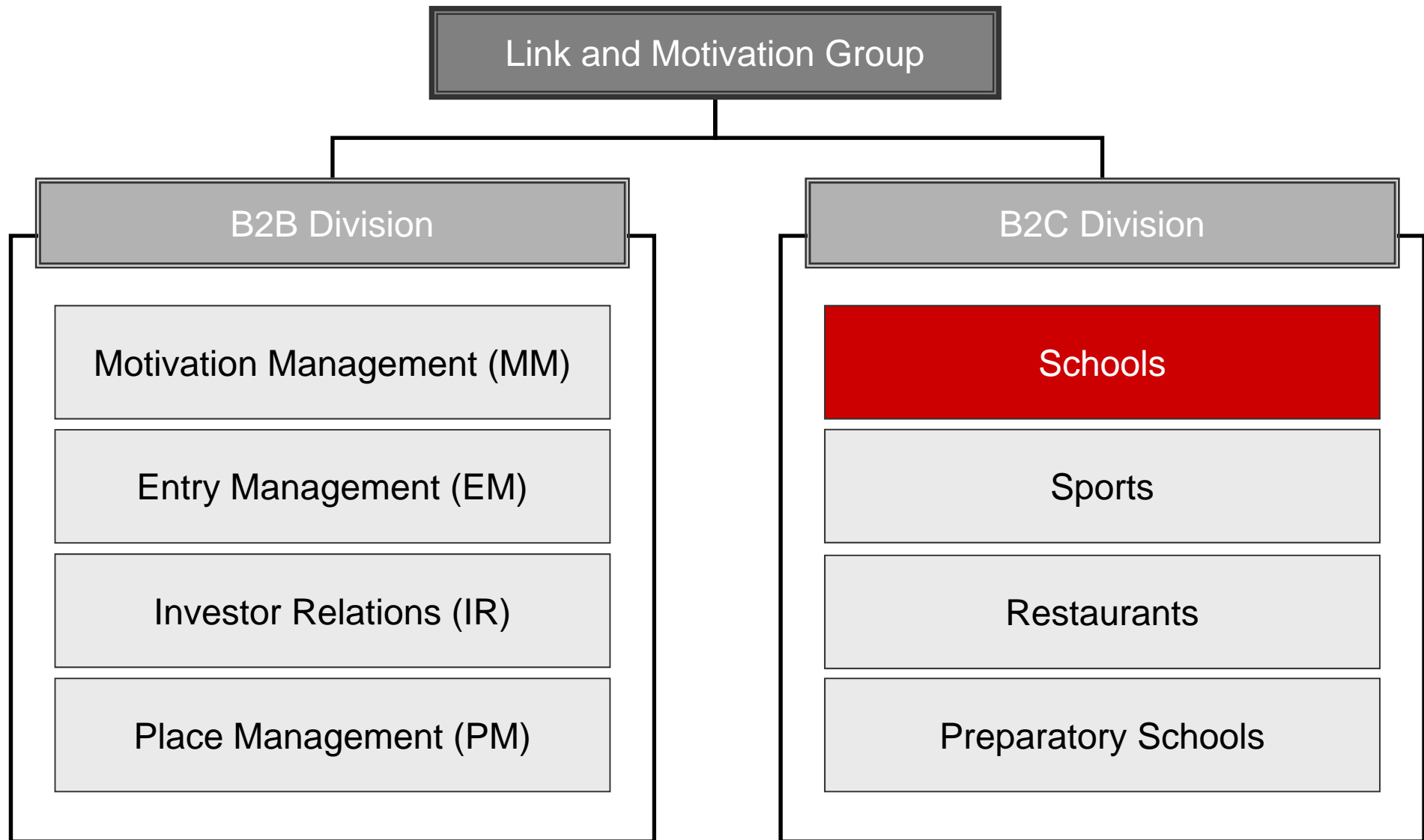
❑ Shares acquired	AVIVA common stock
❑ Company acquired	AVIVA Co., Ltd.
❑ Acquisition price	¥628 million
❑ No. of shares acquired	2,586
❑ Equity acquired	100.0%



## Company Overview

❑ Company name	AVIVA Co., Ltd.
❑ Established	December 15, 1995
❑ Business	Operation of AVIVA personal computer schools
❑ Net sales	¥6,511 million*
❑ Operating income	¥446 million*
❑ No. of students	Approx. 20,000*
*Year ended December 2010	
❑ Employees	646**
❑ No. of schools	Directly operated: 111** Franchise: 281**
**As of June 30, 2011	
❑ Representative	Ryoichi Tanaka

# Link and Motivation Group Operating Structure



2

## Financial Results for the Six Months Ended June 30, 2011

The background of the slide features a photograph of a modern building facade at night. The building has a grid-like structure of windows and panels. A large, illuminated logo is visible on the upper part of the facade, consisting of several vertical bars of varying heights. Below the logo, the text "Link and Motivation Group" is written in a sans-serif font, following the angle of the building's facade.

Link and Motivation Group

## Statements of Operations Vs. Same Period of Previous Year

Consolidated (¥ million)	2010	2011	YoY Change
Net Sales	3,493	3,906	+11.8%
Gross Profit	1,842	2,022	+9.7%
Operating Income	395	310	-21.4%
Ordinary Income	404	312	-22.9%
Net Income	190	133	-29.7%

- Net sales and gross profit increased year on year due to the inclusion of AVIVA.
- Operating income decreased year on year due to investment in preparatory schools.

## Net Sales & Gross Profit by Segment Vs. Same Period of Previous Year

Consolidated (¥ million) [Gross profit in brackets]	2010	2011	YoY Change
B2B Division	3,219	3,155	-2.0%
	[1,794]	[1,768]	[-1.4%]
B2C Division	308	821	+166.5%
	[55]	[273]	[+395.6%]

- The B2B division performed on par with the previous year despite the impact of the Great East Japan earthquake.
- The B2C division results increased substantially due to inclusion of AVIVA.



## B2B Division: Net Sales & Gross Profit Vs. Same Period of Previous Year

Consolidated (¥ million) [Gross profit in brackets]	2010	2011	YoY Change
Motivation Management (MM)	1,292 [743]	1,273 [732]	-1.5% [-1.4%]
Entry Management (EM)	1,200 [766]	1,236 [757]	+3.0% [-1.2%]
Investor Relations (IR)	352 [173]	340 [180]	-3.3% [+4.2%]
Place Management (PM)	370 [113]	305 [97]	-17.6% [-14.3%]

- MM performed on par with the previous year despite the impact of the Great East Japan earthquake.
- EM sales increased slightly by adapting to needs for hiring fewer, carefully selected employees.

## B2C Division: Net Sales & Gross Profit Vs. Same Period of Previous Year

Consolidated (¥ million) [Gross profit in brackets]	2010	2011	YoY Change
Schools	0	547	-
	[0]	[213]	-
Sports	263	226	-14.2%
	[51]	[48]	[-4.9%]
Other*	44	47	+6.8%
	[3]	[11]	[+197.8%]

\*“Other” consists of the restaurant and preparatory school businesses.

- AVIVA statement of operations is included in schools.
- Sports results decreased year on year because the earthquake reduced the number of games.

# SG&A Expenses

Consolidated (¥ million)	2010	2011	YoY Change
<b>SG&amp;A Expenses</b>	<b>1,447</b>	<b>1,711</b>	<b>+263</b>

## Factors in YoY Change

◆ New Additions to the Scope of Consolidation	+ approx. ¥246 million
• AVIVA	+ approx. ¥171 million
• Motivation Academia	+ approx. ¥75 million
◆ Scope of Consolidation prior to New Additions	+ approx. ¥17 million
• Recruiting & training expenses	+ approx. ¥41 million
• Advertising expenses	+ approx. ¥26 million
• Office-related expenses	- approx. ¥47 million

- Substantial increase from new additions to the scope of consolidation.
- SG&A of scope of consolidation prior to new additions on par with previous year.

# Balance Sheets

Consolidated (¥ million)	December 31, 2010	June 30, 2011	Change
Current Assets	3,210	4,571	+1,361
Fixed Assets	1,349	3,437	+2,087
Total Assets	4,560	8,009	+3,449

Consolidated (¥ million)	December 31, 2010	June 30, 2011	Change
Current Liabilities	1,315	4,107	+2,791
Long-Term Liabilities	15	763	+747
Net Assets	3,228	3,139	-89
Total Liabilities and Net Assets	4,560	8,009	+3,449

## Substantial increases in assets and liabilities due to inclusion of AVIVA

### ○ Factors in change

- Current assets: Increase in cash and deposits + approx. ¥1,230 million
- Fixed assets: Increase in goodwill + approx. ¥1,244 million
- Current liabilities: Increase in advances received + approx. ¥1,953 million
- Long-term liabilities: Increase in long-term debt due to acquisition of shares + approx. ¥418 million

# Cash Flow

Consolidated (¥ million)	Change	Cash and Cash Equivalents
As of January 1, 2011		1,671
C/F from operating activities	+344	
C/F from investing activities	+400	
C/F from financing activities	+485	
Total C/F	+1,230	
As of June 30, 2011		2,902

## ○Factors in change

- C/F from operating activities: Increase in income before income taxes + approx. ¥300 million
- C/F from investing activities: Increase in cash and cash equivalents  
due to changes in the scope of consolidation + approx. ¥470 million
- C/F from financing activities: Increase in debt to acquire shares + approx. ¥677 million
- C/F from financing activities: Increase in payments for purchase of treasury stock - approx. ¥171 million

Cash and cash equivalents increased from ¥1,671 million to ¥2,902 million.

# Second Quarter Dividend for 2011

## ○ Dividend Policy

- Dividends are paid quarterly
- **Fixed dividend** of **¥500** each quarter, **¥2,000** annually

## ○ Second Quarter Dividend

- Payment on **September 22** of **¥500** dividend, as planned

	1Q Actual	2Q Actual	3Q Planned	4Q Planned
Cash dividends per share	<b>¥500</b>	<b>¥500</b>	<b>¥500</b>	<b>¥500</b>

3

# Revisions to 2011 Full-Year Results Forecast



Forecast / Upward Revision of Forecast / Statements of Operations  
(News Release of June 12, 2011)

Consolidated (¥ million)	Previous Forecast	Revised Forecast	Increase
Net Sales	7,270	10,000	+37.6%
Operating Income	750	770	+2.7%
Ordinary Income	750	760	+1.3%
Net Income	370	590	+59.5%

- Forecasts for net sales and income revised upward due to the inclusion of AVIVA.
- Income expected to increase compared with 2010.



# 4 Topics



# Summary of Topics

## **MM**

1. First Annual Best Motivation Company Awards

## **EM**

2. Raise-i Inc. initiates services

## **New Businesses**

3. Synergies with AVIVA

# 1. First Annual Best Motivation Company Awards

(News Release of June 22, 2011)

We held the First Annual Best Motivation Company Awards on June 22, 2011.

## Recognized the 10 companies with the highest scores among companies that implemented our Employee Motivation Survey

Note: Chosen from 117 companies, excluding companies with less than 100 employees

### ○Award-Winning Companies

1. Super Hotel Co., Ltd.
2. JR East Station Retailing Co., Ltd.
3. Sumitomo Forestry Home Service Co., Ltd.
4. Krispy Kreme Doughnuts Japan Co., Ltd.
5. MIKKI GAKKI Co., Ltd.
6. Daichiku Co., Ltd.
7. NEXT Co., Ltd.
8. Club Tourism Co., Ltd.
9. Nippon Sigmax Co., Ltd.
9. U&S Co., Ltd.



### ○Main Media for Publicity

- ◆ *Shukan Diamond* July 16, 2011 edition
  - ◆ *Jinijitsumu* (Monthly) August 2011 edition
  - ◆ *nikkei BPnet*
  - ◆ *nikkei WOMAN Online*
  - ◆ KIGYOKA.COM Topics
  - ◆ Eco News (<http://www.eco-news.in/>)
- And many others

We have established the de facto standard for analyzing motivation by publicizing companies with a rewarding organization that motivates employees.

## 2. Raise-i Inc. Initiates Service

(News Release of April 8, 2011)

A joint venture among the three companies of Zoshinkai Publishers Inc., Eikoh Inc. and Link and Motivation Inc., Raise-i Inc. has initiated service.

### ◆ Recruitment market changes

Revised code of ethics



#### Corporate publicity support services

Raise-i executes programs with the goal of helping student participants understand industries and jobs to support client publicity activities targeting students.

Portfolio recruitment



#### Personnel recruitment support services

Raise-i dispatches the students it has nurtured to customer recruiting events to provide the quality human resources customers seek.

Responding to changes in the recruiting market,  
Raise-i will use its network of students to deliver new services.

## 2. Raise-i Inc. Initiates Service

Numerous corporate customers are participating in Raise-i programs.



Working with leading companies in various industries, Raise-i aggregates, cultivates and dispatches students in building a new model for employment and participation in society.

### 3. Synergies with AVIVA

#### ○ AVIVA and MM

- ◆ Provide a one-stop source of new employee training and personal computer skills training
- ◆ MM will offer courses to AVIVA's approximately 20,000 students.

#### ○ AVIVA and Raise-i

- ◆ Mutual referrals among Raise-i student members and AVIVA students

#### ○ AVIVA and Link Sports Entertainment, Inc.

- ◆ AVIVA will open a new Tochigi branch and work in an alliance with Link Tochigi Brex to create a new school model.

We will create multiple synergies between existing businesses and AVIVA.



# Link and Motivation Inc.

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