Link and Motivation Inc.

Securities Code: 2170

Consolidated Financial Information for the Nine Months Ended September 30, 2019

Link and Motivation Group

Agenda

1. Company Overview
2. Business Report (Announcement of Consolidated Business Results for the Nine Months Ended September 30, 2019)
3. Report on Conditions by Business
4. Conclusion of Agreement to Make OpenWork Inc. a Subsidiary
5. Incubation Business Update

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Company Overview

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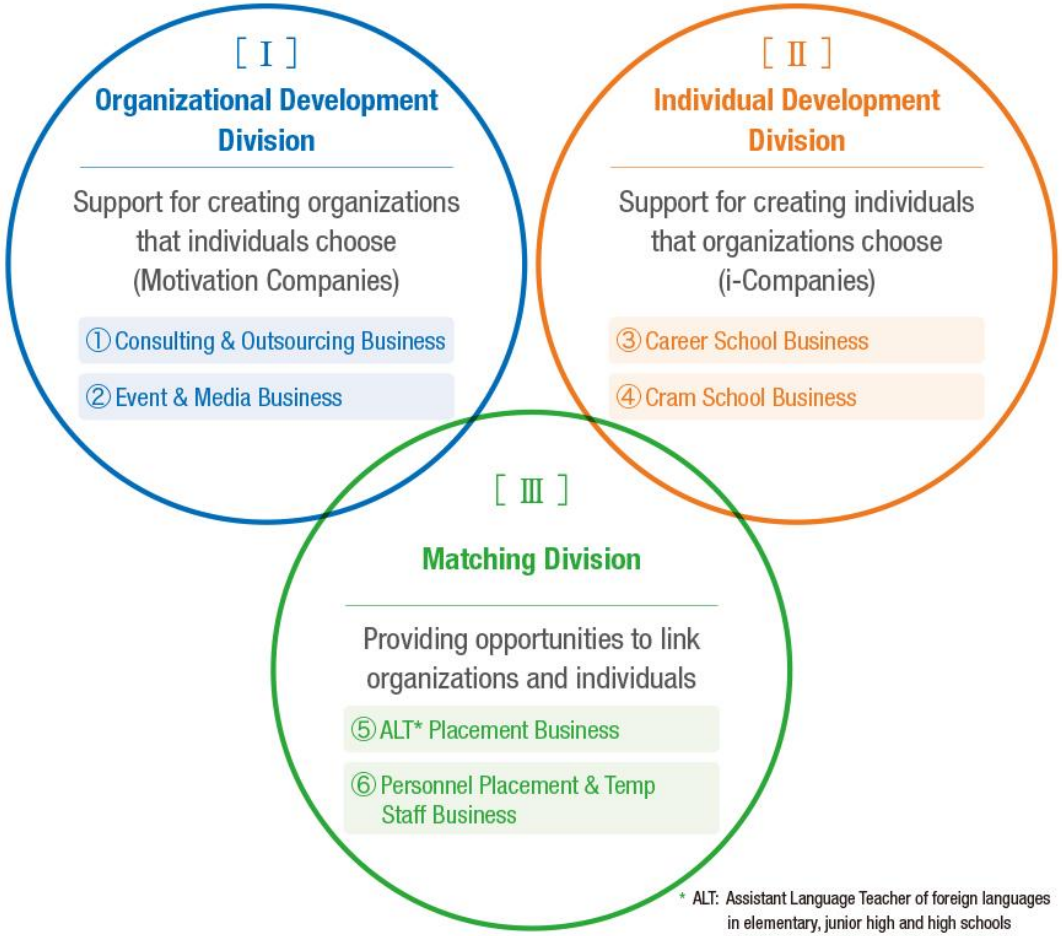
Operating Structure of the Link and Motivation Group

Mission

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



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Strengths of the Link and Motivation Group

1 “Only One” Status

Promotion of businesses that are the only one of their kind in their markets through the application of our core technology Motivation Engineering

2 Profit Stability and Growth

Operation of businesses that can pursue both profit stability and growth in business fields ranging widely from individuals to corporations

Segments with high stability: Individual Development Division, Matching Division

3 Engagement in the Company

Realization of an organization with a high level of engagement though the application of our core technology Motivation Engineering

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Business Report

(Announcement of Consolidated Results for the Nine Months Ended September 30, 2019)

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Consolidated Statements of Operations (Results/YoY Change)

Revenues decreased slightly year-on-year (YoY),
and operating income and net income decreased substantially YoY.
Progress toward the 2019 forecast was as planned.

Note: There is no change to the full-year forecast because we have conservatively estimated loss on impairment of goodwill in the fourth quarter of 2019.

(¥ million)	2018 3Q Results	2019 3Q Results	YoY Change	(Reference) 2019 Forecast	(Reference) Progress
Revenues	29,875	28,566	-4.4%	38,500	74.2%
Operating Income	3,042	1,936	-36.4%	1,880	103.0%
Net Income	1,939	1,151	-40.7%	1,050	109.6%

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

Total selling, general and administrative (SG&A) expenses increased slightly YoY.

④ Sales-related Expenses increased substantially as we stepped up investment in Motivation Cloud and other priority projects.

(¥ million)	2018 3Q Results	2019 3Q Results	YoY Change
Total SG&A Expenses	8,623	8,990	+4.3%
① Personnel Expenses	3,987	4,020	+0.8%
② Recruiting, Training and Welfare Expenses	539	452	-16.0%
③ Office and System Expenses	1,863	1,733	-6.9%
④ Sales-related Expenses	1,456	1,962	+34.7%
⑤ Transportation and Other Expenses	776	819	+5.6%

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

Organizational Development Division: Revenues and gross profit both decreased substantially YoY.
Individual Development Division: Revenues increased slightly and gross profit decreased slightly YoY.
Matching Division: Revenues and gross profit both decreased slightly YoY.

(¥ million)		2018 3Q Results	2019 3Q Results	YoY Change
Organizational Development Division	Revenues	10,064	8,837	-12.2%
	Gross Profit	6,663	5,825	-12.6%
Individual Development Division	Revenues	5,949	6,001	+0.9%
	Gross Profit	2,245	2,204	-1.8%
Matching Division	Revenues	14,938	14,412	-3.5%
	Gross Profit	3,673	3,543	-3.5%

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Consulting & Outsourcing Business: Revenues and gross profit both decreased substantially YoY.
Event & Media Business: Revenues decreased substantially and gross profit decreased slightly YoY.

In ① the Consulting & Outsourcing Business, revenues from Member/database services steadily grew and accounted for an increasing proportion of the product mix as the business structure gradually changes.

Product	2018 3Q Results Results	2018 3Q Results % of total	2019 3Q Results Results	2019 3Q Results % of total	YoY Change
① Consulting & Outsourcing Business	7,563 [6,093]	-	6,628 [5,271]	-	-12.4% -13.5%
Package	1,949	25.7%	1,762	26.6%	-9.6%
Consulting	3,611	47.7%	2,435	36.6%	-32.6%
Member/database services	1,388	18.3%	1,948	29.4%	+40.3%
Outsourcing	614	8.1%	480	7.2%	-21.8%
② Event & Media Business	3,158 [911]	- -	2,661 [879]	- -	-15.7% -3.6%
Event production	1,358	43.0%	832	31.2%	-38.7%
Media production	1,799	56.9%	1,828	68.6%	+1.6%

(¥ million)[Gross profit in brackets]

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Career School Business: Revenues and gross profit both increased slightly YoY.
Cram School Business: Revenues decreased and gross profit decreased substantially YoY.

③ The Career School Business performed well due to a concentration on English conversation.

Product	2018 3Q Results Results	2018 3Q Results % of total	2019 3Q Results Results	2019 3Q Results % of total	YoY Change
③ Career School Business	5,417 [2,004]	-	5,502 [2,008]	-	+1.6% +0.2%
Office	2,299	42.5%	2,227	40.5%	-3.1%
Pro Series*	739	13.6%	724	13.2%	-1.9%
Accounting courses	423	7.8%	452	8.2%	+6.8%
National exam courses	506	9.3%	529	9.6%	+4.7%
Civil servant courses	1,012	18.7%	954	17.3%	-5.8%
Educational materials/other	133	2.5%	132	2.4%	-0.4%
English conversation	303	5.6%	482	8.9%	+58.9%
④ Cram School Business	531 [241]	-	502 [197]	-	-5.6% -18.0%

* Programming courses and other courses for specialized IT skills

(¥ million)[Gross profit in brackets]

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ALT Placement Business: Revenues and gross profit both increased slightly YoY.
Personnel Placement & Temp Staff Business: Revenues decreased substantially and gross profit decreased YoY.

⑤ The ALT Placement Business continued its stable growth.

Product	2018 3Q Results	2019 3Q Results	YoY Change
⑤ ALT* Placement Business	8,856 [2,418]	9,274 [2,500]	+4.7% +3.4%
⑥ Personnel Placement & Temp Staff Business	6,564 [1,610]	5,715 [1,481]	-12.9% -8.0%
Store sales temp staff	5,163	4,272	-17.3%
Office temp staff	468	438	-6.3%
Foreign worker support	459	510	+11.0%
Recruiting/introductions	472	493	+4.4%

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

(¥ million)[Gross profit in brackets]

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Consolidated Balance Sheets (Results/YoY Change)

Assets decreased due to depreciation of fixed assets, etc.
Liabilities decreased due to repayment of financial liabilities, etc.
Equity increased due to recording retained earnings.

(¥ million)	December 31, 2018*	September 30, 2019	YoY Change
① Current Assets	7,647	6,683	-963
② Non-current Assets	36,693	34,915	-1,778
③ Deferred Assets	0	0	0
Total Assets	44,340	41,599	-2,741
④ Current Liabilities	13,667	11,537	-2,130
⑤ Non-current Liabilities	23,632	22,849	-783
Total Liabilities	37,300	34,386	-2,913
⑥ Total Equity	7,040	7,212	+171

* After application of IFRS 16

(¥ million)

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Third Quarter of 2019 Dividends

We continue to pay quarterly dividends.
A dividend of 1.80 yen per share is scheduled to be paid on Wednesday, December 25, as originally planned.

	Dividend per Share				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter (Scheduled)	Annual Dividend (Scheduled)
2019	1.8 yen	1.8 yen	1.8 yen	1.8 yen	7.2 yen

Notes: 1. 100 shares per unit of the Company's stock.
2. The Company increased its dividend as of the first quarter of 2019.

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Report on Conditions by Business

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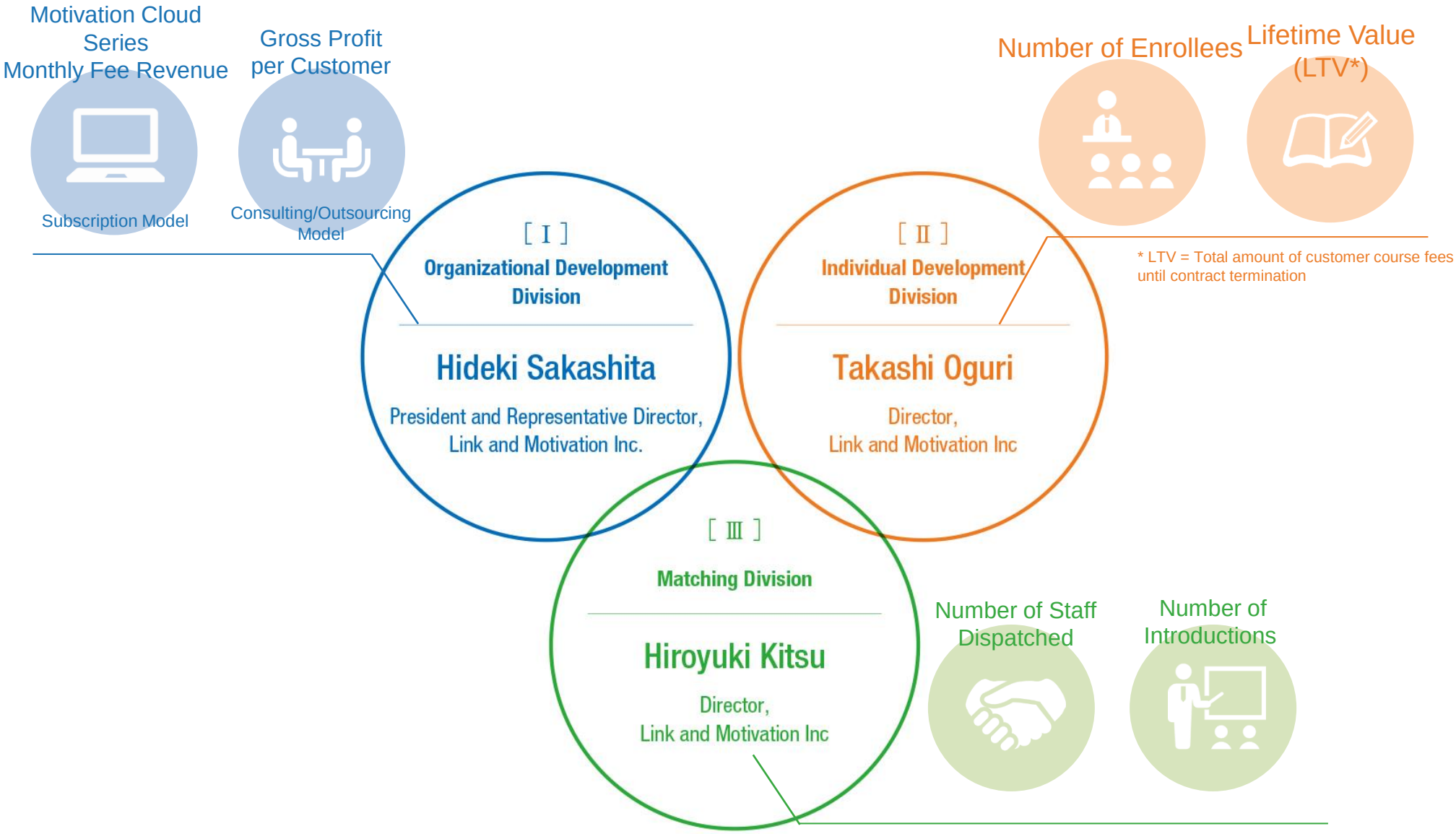
Business KPIs and Highlights by Segment



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Business KPIs and Highlights by Segment

Motivation Cloud Series Monthly Fee Revenue

Subscription Model

Gross Profit per Customer

Consulting/Outsourcing Model

[I]

Organizational Development Division

Hideki Sakashita

President and Representative Director, Link and Motivation Inc.

Number of Enrollees

Lifetime Value (LTV*)

[II]

Individual Development Division

Takashi Oguri

Director, Link and Motivation Inc

* LTV = Total amount of customer course fees until contract termination

[III]

Matching Division

Hiroyuki Kitsu

Director, Link and Motivation Inc

Number of Staff Dispatched

Number of Introductions

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Organizational Development Division Business KPI Results over Time (Subscription Model)

MOTIVATION CLOUD　TEAMWORK CLOUD　COMMUNICATION CLOUD

Business KPI

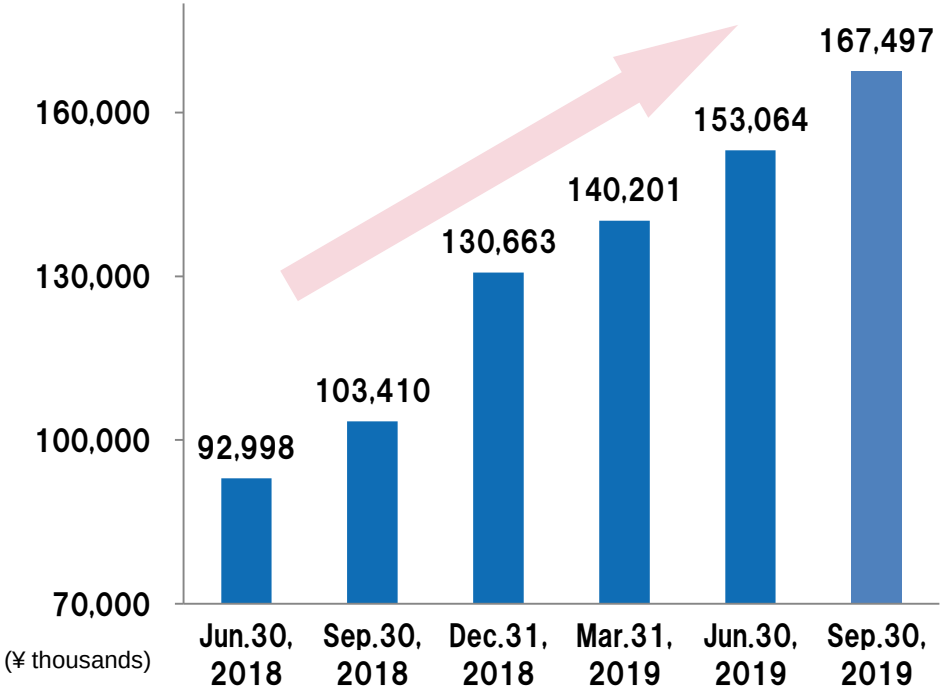
Motivation Cloud Monthly Fee Revenue

2019 3Q

Result ¥167,497 thousand

+9.4% vs. previous quarter

+61.9% YoY



September 2019

Breakdown of Monthly Fee Revenue

Delivered orders[1]: 749

Average monthly fee[2]: ¥223,000/month

(June: ¥213,000/month)

1. Number of companies where Motivation Cloud service delivery has started
2. Monthly fee revenue ÷ number of delivered orders

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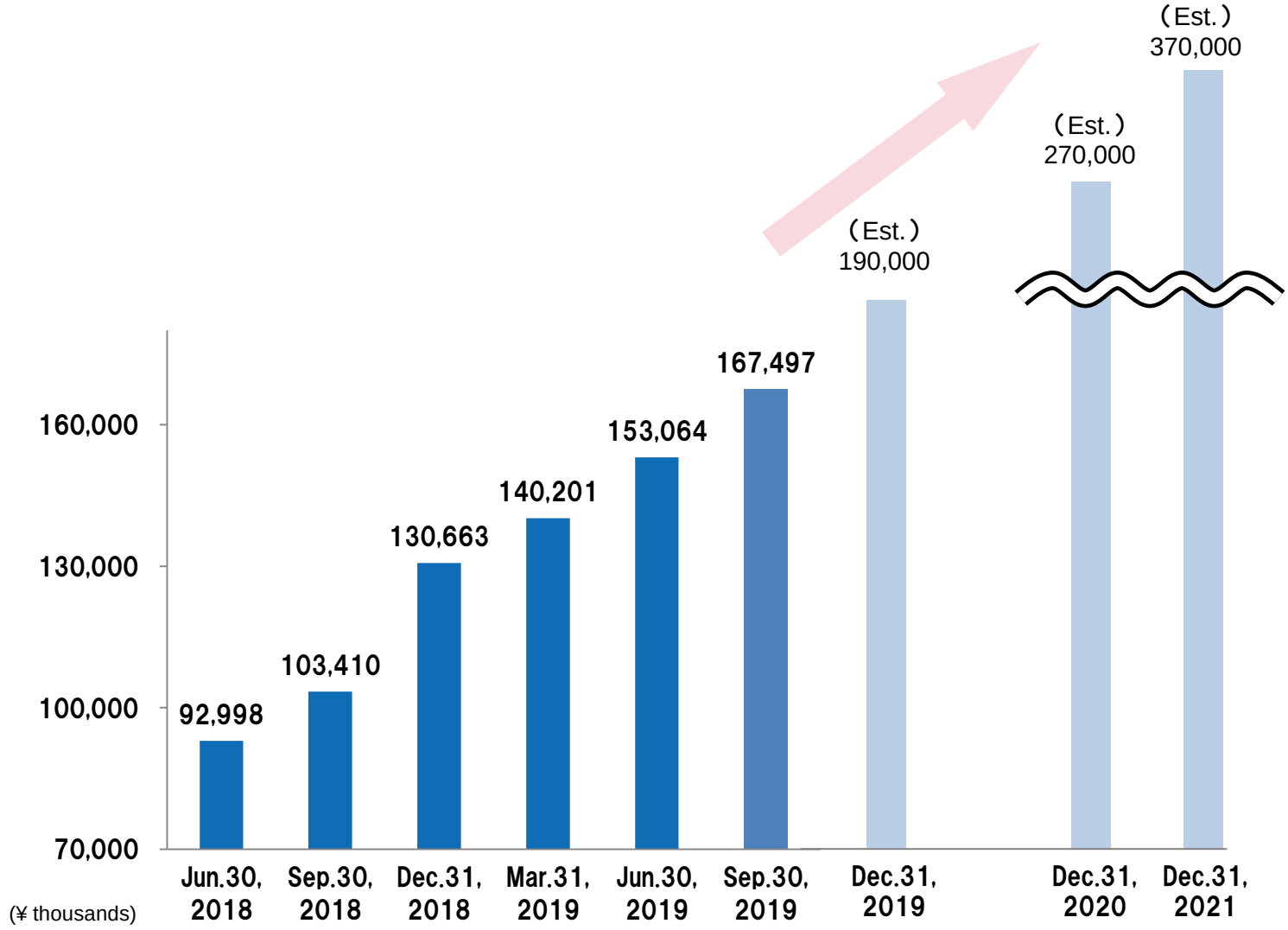
On track to achieve forecast for December 31, 2019.
Full-scale upselling of new products expected from 2020 onward.



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Business KPI Results over Time (Consulting/Outsourcing Model)

Business KPI

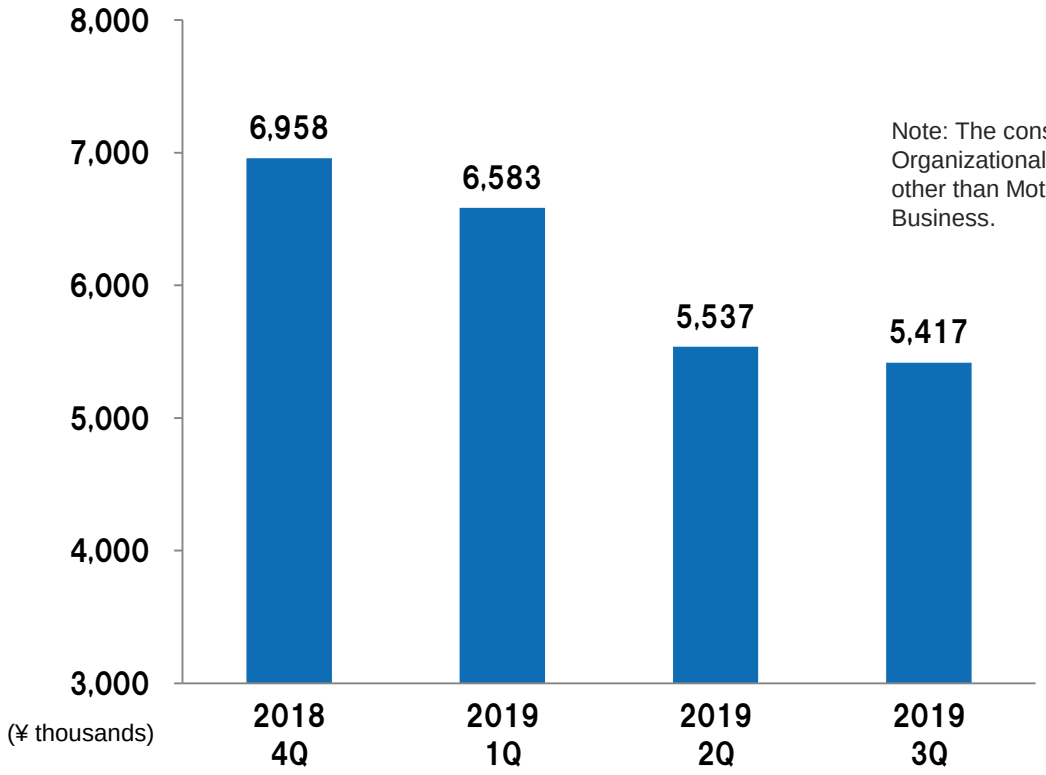
Average Gross Profit per Customer for the Past 12 Months

2019 3Q

Result ¥5,417 thousand

-2.2%
vs. previous quarter

Note: Gross profit did not grow due to the impact of the first half.



Note: The consulting/outsourcing model is for Organizational Development Division businesses other than Motivation Cloud and the Event & Media Business.

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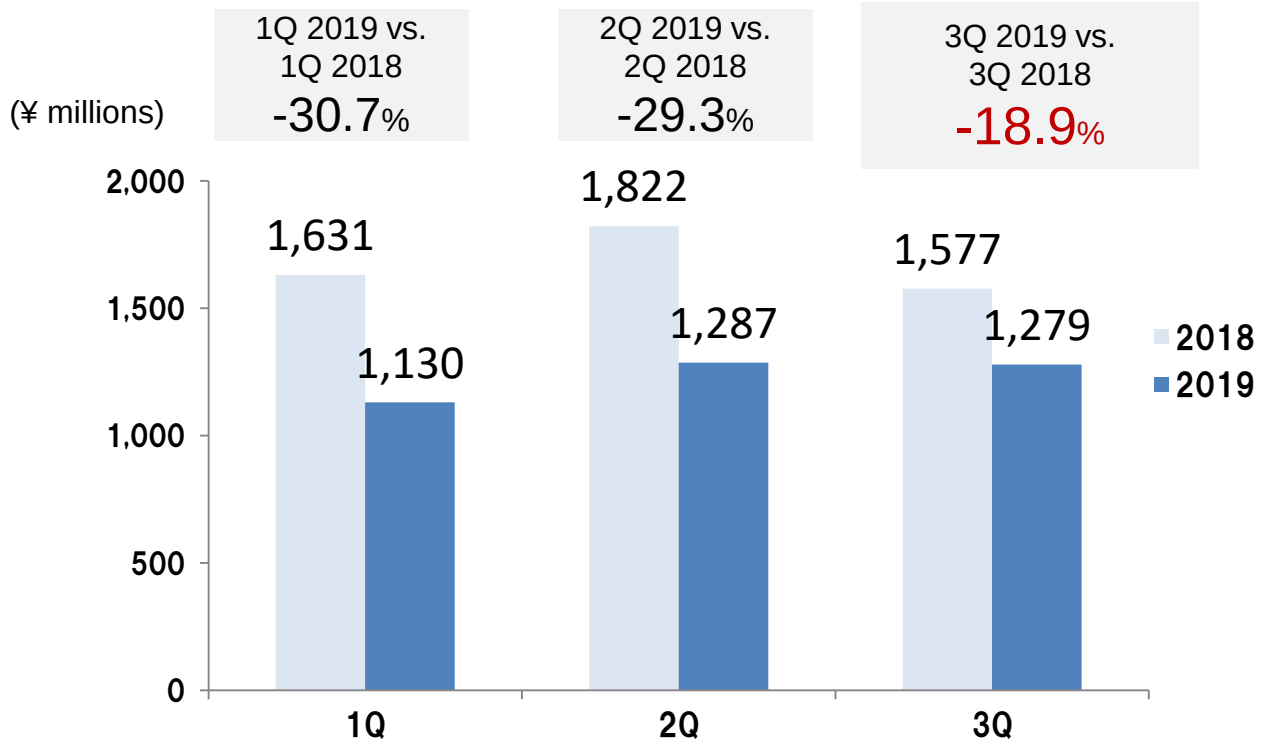
Comparing only the third quarters of 2018 and 2019,
the decrease in gross profit recovered to less than 20%,
and it is likely that the downward trend has bottomed out.

Gross Profit from the Consulting/Outsourcing Model



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Business KPIs and Highlights by Segment

Motivation Cloud Series Monthly Fee Revenue

Subscription Model

Gross Profit per Customer

Consulting/Outsourcing Model

Number of Enrollees

Lifetime Value (LTV*)

* LTV = Total amount of customer course fees until contract termination

[Ⅰ]

Organizational Development Division

Hideki Sakashita

President and Representative Director, 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

Number of Staff Dispatched

Number of Introductions

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Individual Development Division: Business KPI Results over Time

Business KPI ①

Average Number of Enrollees for the Past 12 Months

2019 3Q

Result 17,797

-0.3% vs. previous quarter

Business KPI ②

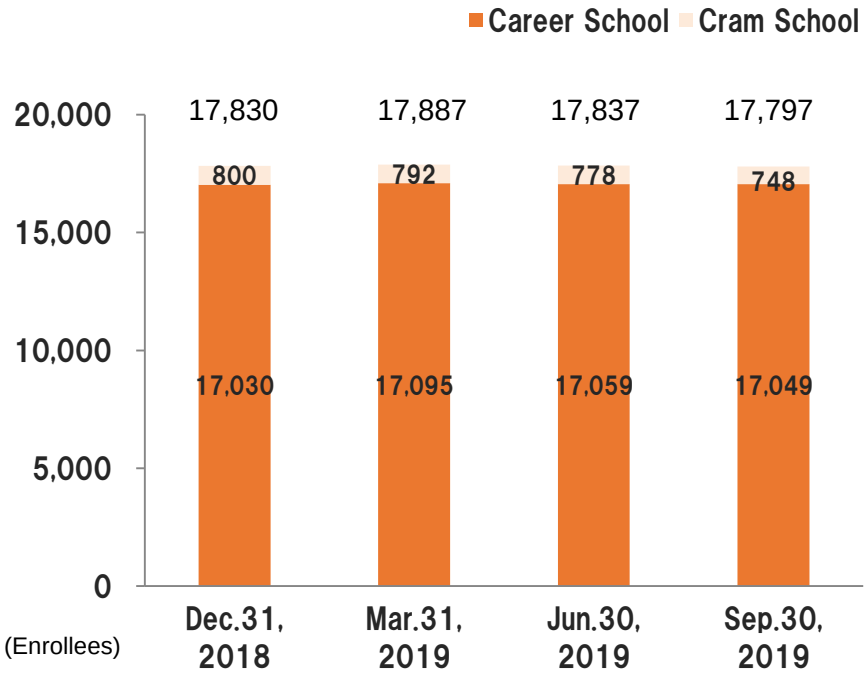
Average LTV* for the Past 12 Months

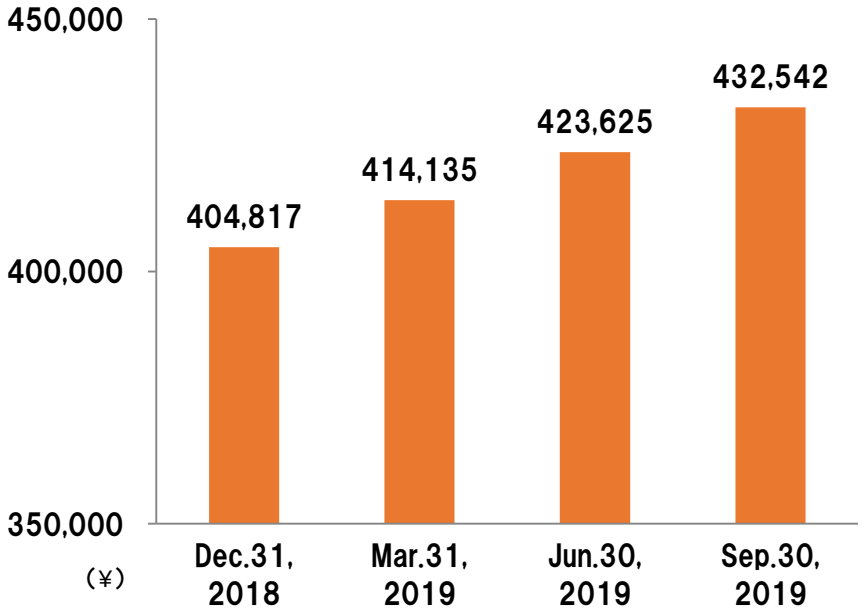
2019 3Q

Result ¥432,542

+2.1% vs. previous quarter

* Total amount of all prior contracts of enrollees for the month ÷ Total number of enrollees for the month (Career School Business only)





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Highlight: New “i-Company Club” Service

Launch on November 8 of a subscription model service
to support habits of self-improvement

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Significance of the Service in Changing Times

As a result of the changing times, value in education is shifting from content to motivation.

Previously	Going Forward
Emphasis on content to acquire specific skills	Emphasis on motivation to continue learning as times change

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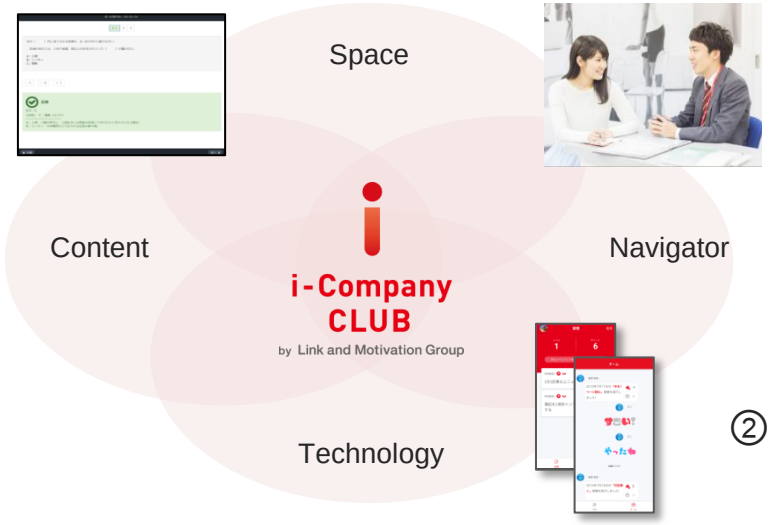
Overview of i-Company Club

Aims to increase retention rate(medium-to-long-term unit cost) of student enrollees by maintaining their motivation through three types of support for their habits.

Support

③ Content



① Counseling and reporting

② App

Pricing

Category	Monthly Fee (including Tax)
Basic (3 months)	¥3,300/month
Standard (6 months)	¥2,970/month
Premium (12 months)	¥2,640/month

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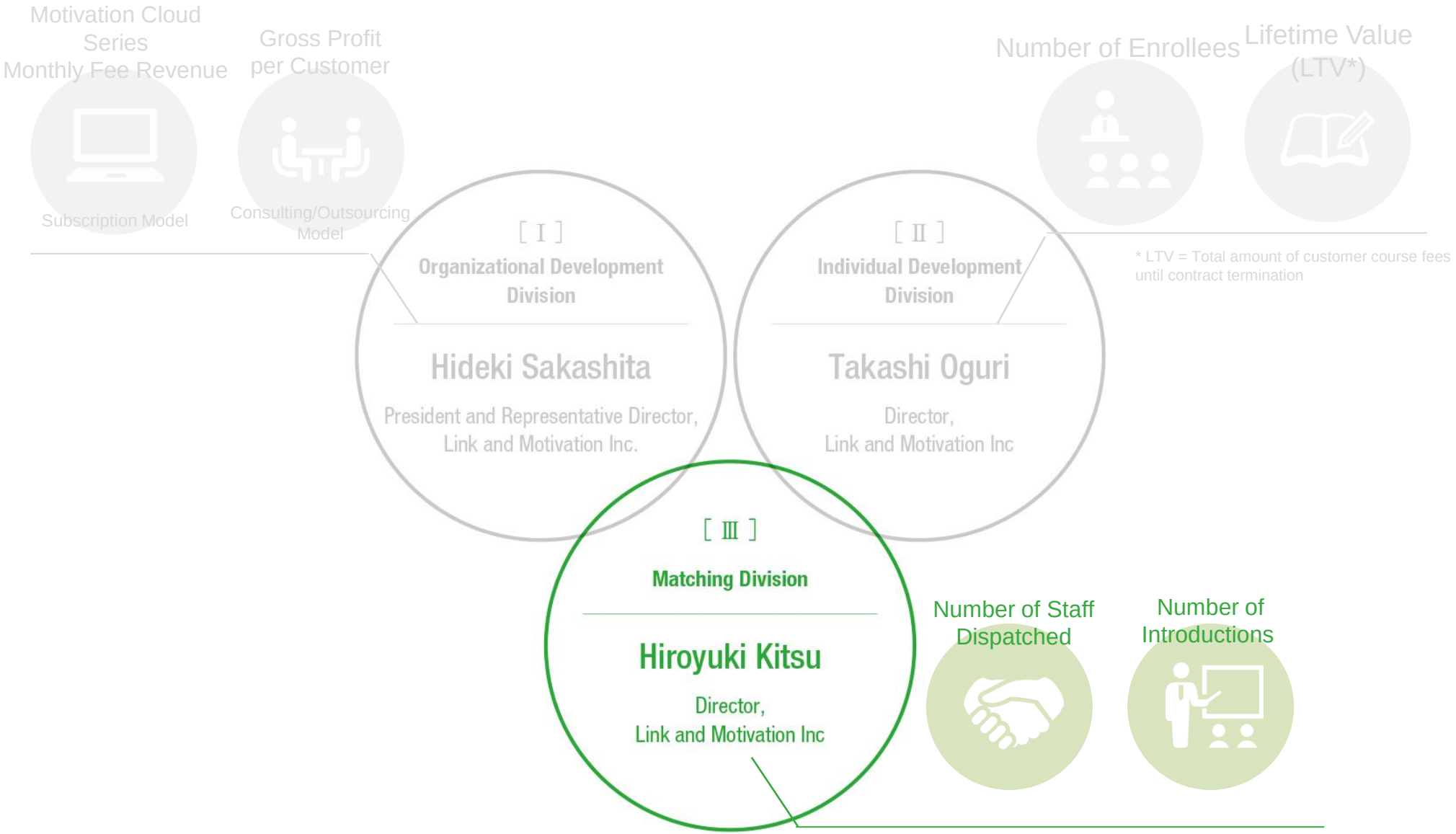
Business KPIs and Highlights by Segment



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Matching Division: Business KPI Results over Time

Business KPI ①

Average Number of Temp Staff Dispatched during the Past 12 Months

2019 3Q

Result 5,290

-0.8% vs. previous quarter

Business KPI ②

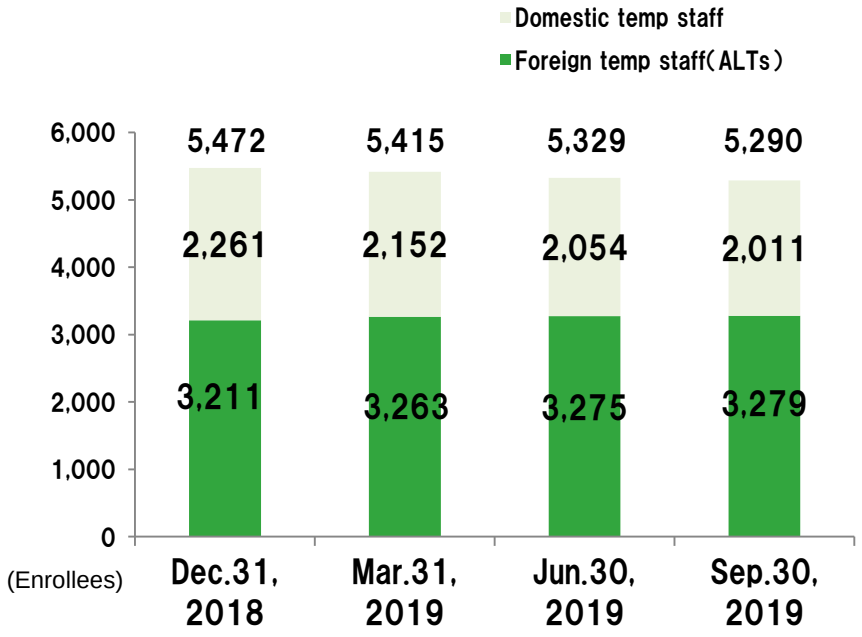
Total Number of Introductions during the Past 12 Months

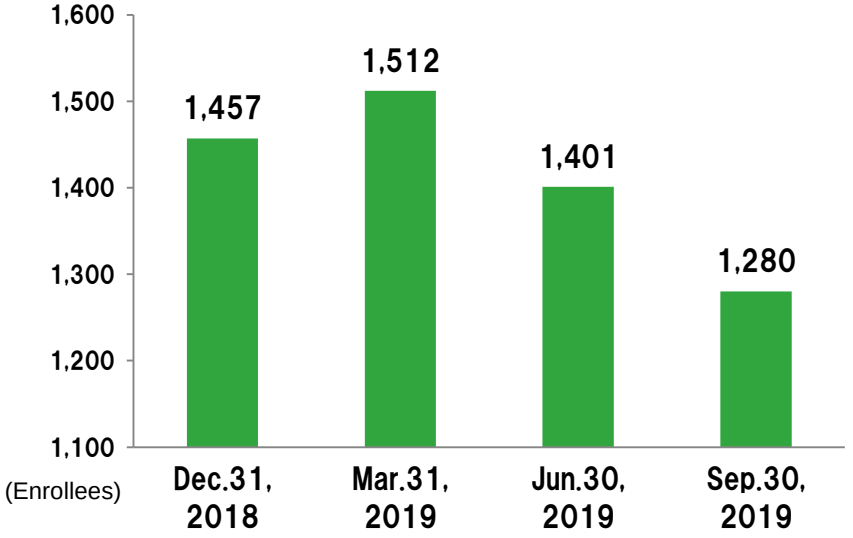
2019 3Q

Result 1,280

-8.7% vs. previous quarter

Note: The decrease in the number of introductions within the Group is due to an increase in length of ALT service in the ALT Placement Business.





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Highlight: Increasing ALT Engagement

We aim to raise the repeat rate(increase the number of temp staff dispatched)by increasing ALT engagement through various measures

Lecture on individual career planning

Team building exercises

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Conclusion of Agreement to Make OpenWork Inc. a Subsidiary

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Link and Motivation Plans to Acquire Additional Stock of Its Equity-Method Associate OpenWork Inc. and Make It a Consolidated Subsidiary

Date of Stock Acquisition: January 1, 2020

Impact on Business Results: Consolidated results from first quarter of 2020

Company Overview

openwork

Established:	June 2007
Capital:	¥645 million
Representative:	Shinjiro Masui, President
Employees:	Approximately 60
Head Office:	Tokyo (Shibuya)
Philosophy:	“Live freely, with worthwhile work for all.”
Business:	• Development and operation of OpenWork, a job search information platform • Development and operation of OpenWork Recruiting employment support

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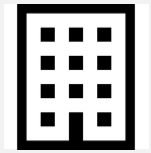
Business Overview of OpenWork Inc.

Support for better matching between companies and employees through OpenWork, one of Japan's largest platforms for making corporate organizational conditions more open

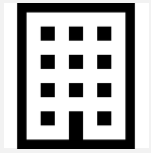
Other HR introduction companies



② Customer referral fees

Customer referrals

Companies



Companies with higher scores for their organizational conditions are able to attract more applicants

③ Introduction fees

Introductions (OpenWork Recruiting)

openwork

OpenWork

Information platform on organizational conditions

Displays online reviews from current and former employees and gives scores for companies' organizational conditions (OpenWork Score)

① Membership fees

Provide information (online reviews)

Individuals

Refer to OpenWork information to choose companies when looking or a job (3.2 million current members)

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Advantages of OpenWork Inc.

Building one of Japan's largest platforms with the strength of a database compiled since the company's establishment

1 Extensive database

Approximately 8.5 million reviews and evaluations of workplace environments accumulated over more than a decade since the company was established

2 High-quality database

Employees can check reviews at any time for thorough quality control

3 Early-stage first contact with users

Users are not only current job applicants, there are also many pre-application viewers and registrants at the research stage of their job search

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Significance of the Agreement: Benefits for Both Companies

Both companies will support corporate adaptation to the labor market
to help realize a society with many companies with high employee engagement

Vision

① A rapid increase in registrants for OpenWork will result in companies with more open organizations

② Increasing polarization between the companies job seekers will and will not choose to work for

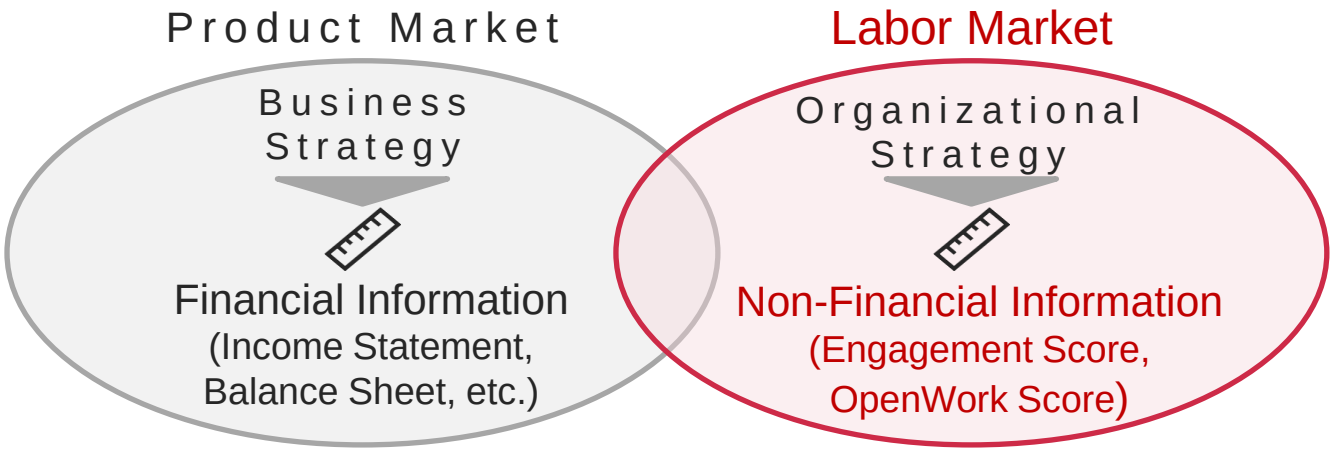
⇒ *Companies will be chosen based on their organizational conditions, not on how many ads they buy*

③ Many companies will work to improve employee engagement to be chosen by job seekers

⇒ *Expansion of demand for Motivation Cloud series, consulting, etc.*

④ Companies with high employee engagement will attract capable job seekers

⇒ *Expansion of use of OpenWork Recruiting*



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5 Incubation Business Update

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Venture Incubation: Introduction of New Investee Company

Completed new investment in UniFa, Inc. on September 26, 2019

Established: May 2013

Representative: Yasuyuki Toki, President and CEO

Employees: 198 (As of Sept. 2019) Note: Includes temp and part-time staff

Capital: ¥4,415,770 thousand (As of Sept. 2019)

Business: Provides total solutions using IoT and AI to support nurseries and create **smart childcare facilities**

Yasuyuki Toki, President and CEO

Personal History

Born in 1980 in Fukuoka. Degree in economics.
Established the company in 2013 to
enrich household communication worldwide
by combining technologies with families.

Business Ambition

To create smart childcare facilities
by using IoT and AI to reduce the burden on caregivers
and improve nursing.

Core Service
"Look-mee Nap Check," a healthcare service that uses medical equipment to monitor infants while napping

Just attach the nap sensor and launch the nap
Note: For ages 0-2

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Venture Incubation Business: Investments at a Glance

Contributing to the business expansion of 24 companies that aim to list their stock with support in the organizational and HR fields

Two selection criteria: (1) Sympathy with creating a Motivation Company; (2) Aim to list stock.

RICHMEDIA

from scratch

Investment 1

Akatsuki

Stock Listed March 17, 2016

FiNC Technologies

neocareer GROUP

Schoo

LEADING MARK

Investment 3

RakSul

Stock Listed May 31, 2018

選ぶ・つくる・住む・つながる リノベる。

LiB

PLAN-B

Investment 2

INNOVATION

Stock Listed December 21, 2016

First Brand

BIZREACH

GlobalCast Co.,Ltd.

Impression & Thanks

はたらく人のワクワクをクリエイトする。 あしたのチーム

たすきコンサルティング TASUKI CONSULTING

WILLGATE MAKE YOUR WILL COME TRUE

やる気スイッチグループ

Investment 4

Phone Appli

Buyout on August 31, 2018

FOND

Gojo & Company, Inc.

Vogaro

UniFa

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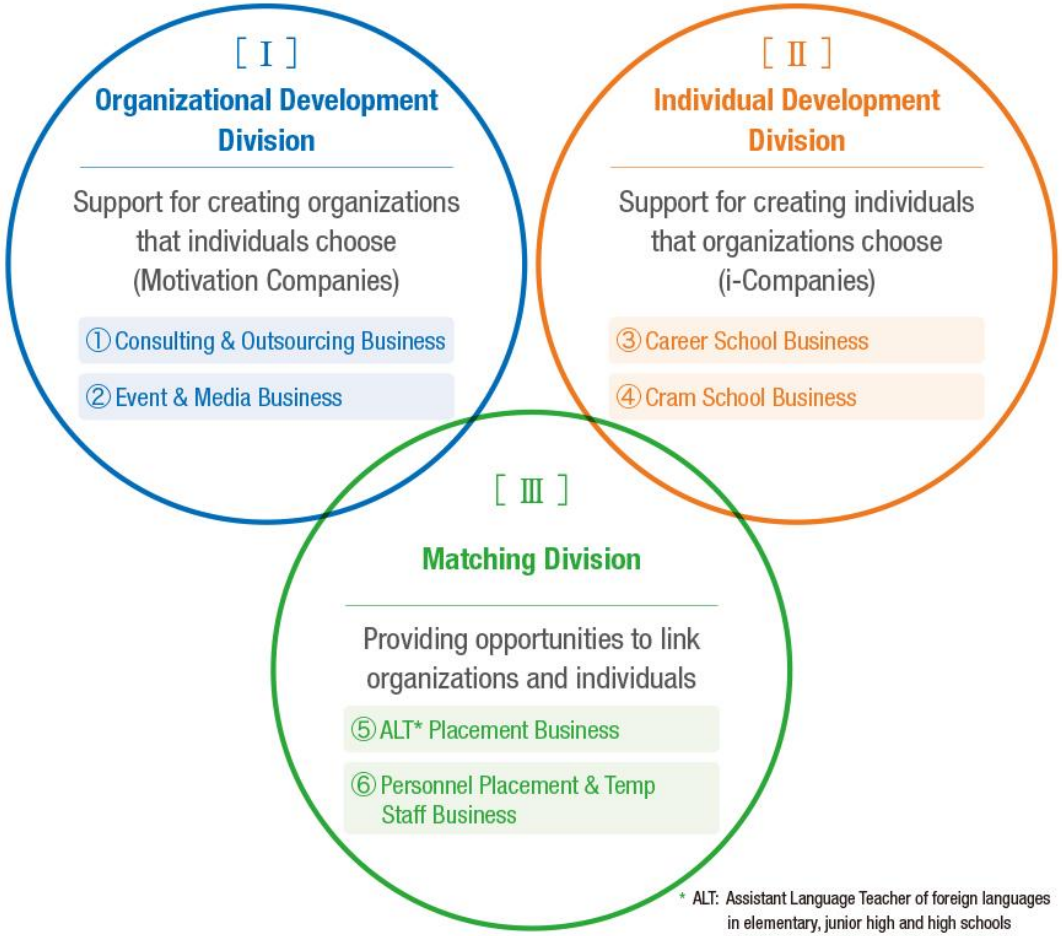
Operating Structure of the Link and Motivation Group

Mission

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



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