

Link and Motivation Inc.

Securities Code: 2170

Consolidated Financial Information for the Three Months Ended March 31, 2018 (First Quarter of 2018)

May 14, 2018



Link and Motivation Group

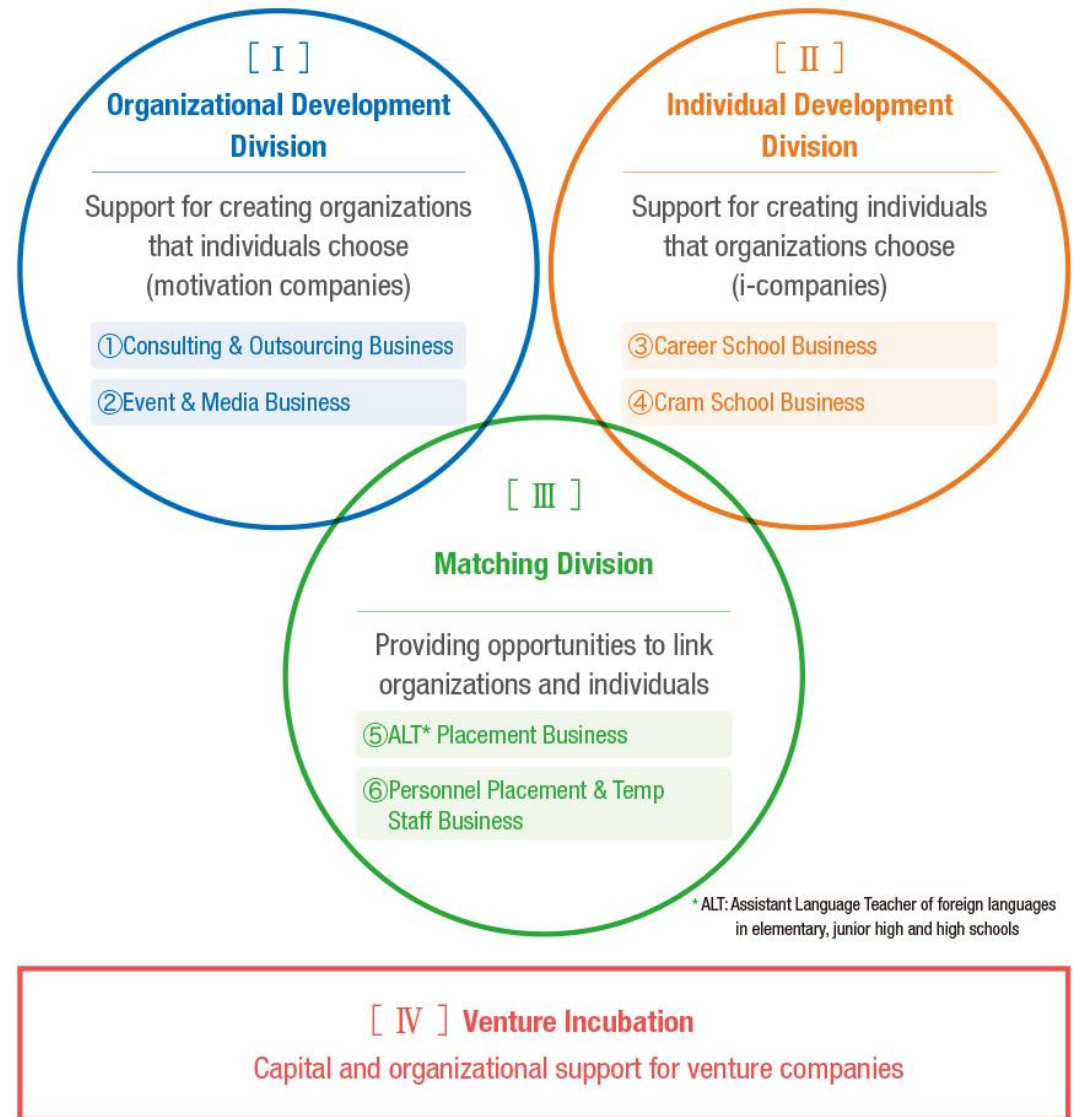
1. Announcement of Results for the Three Months Ended March 31, 2018
2. Report on Organizational Conditions for the Three Months Ended March 31, 2018
3. Topics: Introduction of New Directors
4. Progress Report on Key Indicators

1

Announcement of Results
for the Three Months Ended
March 31, 2018

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 1Q Results	2018 1Q Results	YoY Change
Revenues	8,756	9,642	+10.1%
Operating Income	698	862	+23.5%
Net Income	413	533	+29.1%

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.

Point



- ▶ Revenues and every level of income increased substantially YoY to **record highs**.
- ▶ In particular, **operating income and net income increased substantially as profitability improved.**
(1Q operating income margin 8.0% ⇒ 8.9%、1Q net income margin 4.7% ⇒ 5.5%)

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

(¥ million)	2017 1Q Results	2018 1Q Forecast	2018 1Q Results	Results vs. Forecast	YoY Change
Revenues	8,756	9,400	9,642	+2.6%	+10.1%
Operating Income	698	720	862	+19.7%	+23.5%
Net Income	413	-	533	-	+29.1%

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.

Point



- ▶ Revenues **made steady progress**, exceeding expectations.
- ▶ With growth in the highly profitable Organizational Development Division and improved profitability in the Individual Development Division, **operating income substantially exceeded the forecast.**

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

(¥ million)	2017 1Q Results	2018 1Q Results	YoY Change
Total SG&A Expenses	2,473	2,889	+16.8%
① Personnel Expenses	1,055	1,304	+23.6%
② Recruiting, Training and Welfare Expenses	187	200	+7.2%
③ Rent	175	272	+55.5%
④ Office and System Expenses	332	319	-3.8%
⑤ Sales-related Expenses	471	549	+16.5%
⑥ Transportation and Other Expenses	252	242	-4.1%

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.

Point



- ▶ **① Personnel expenses increased substantially** due to an increase in staff for the Group as a whole and **③ Rent also increased substantially** following relocation to the Tokyo Integrated Office in May 2017.
- ▶ Also, **⑤ Sales-related expenses increased substantially** due to proactive outlay of sales promotion expenses for Motivation Cloud and other new businesses, causing total SG&A expenses to **increase substantially YoY**.

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

(¥ million)		2017 1Q Results	2018 1Q Results	YoY Change
Organizational Development Division	Revenues	2,754	3,097	+12.4%
	Gross Profit	1,707	2,105	+23.4%
Individual Development Division	Revenues	1,601	1,874	+17.0%
	Gross Profit	478	664	+38.9%
Matching Division	Revenues	4,729	5,080	+7.4%
	Gross Profit	1,182	1,296	+9.6%

Point



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

Product (¥ million) [Gross profit in brackets]	2017 1Q Results	2018 1Q Results	YoY Change
① Consulting & Outsourcing Business	2,221	2,505	+12.8%
	[1,508]	[1,949]	+29.3%
Package ¹	591	595	+0.6%
Consulting	1,132	1,238	+9.3%
Outsourcing	283	234	-17.3%
Member/database services ²	213	437	+105.0%
② Event & Media Business	943	842	-10.7%
	[272]	[268]	-1.4%
Event production	622	324	-47.8%
Media production	321	517	+61.0%

Notes: 1. Primarily standardized training products
2. Including Motivation Cloud

Point



- ▶ In ① the Consulting & Outsourcing Business, sales of Consulting and Member/database services including Motivation Cloud grew substantially by capturing needs for organizational transformation backed by work style reform. The Business also improved profitability by bringing event production that had been outsourced to ② the Event & Media Business in-house, and as a result **revenues and gross profit both increased substantially YoY**.
- ▶ In ② the Event & Media Business, **revenues decreased substantially YoY** due to an intentional reduction of event production, which has a high cost ratio, that had previously been ordered by ① the Consulting & Outsourcing Business. On the other hand, because sales of IR-related media production grew, **gross profit decreased only slightly YoY**.

Product (¥ million) [Gross profit in brackets]	2017 1Q Results	2018 1Q Results	YoY Change
③ Career School Business	1,578 [489]	1,700 [589]	+7.8% +20.4%
Office	746	735	-1.4%
Pro Series*	203	230	+13.4%
Accounting courses	149	141	-5.2%
National exam courses	135	156	+15.4%
Civil servant courses	300	309	+3.1%
Educational materials/other	43	43	+0.6%
English conversation	-	83	-
④ Cram School Business	23 [-11]	173 [74]	+632.2% -

*Programming courses and other courses for specialized IT skills

Point



- ▶ In ③ the Career School Business, **revenues increased YoY** due to strong sales of Pro Series and National exam courses, and **gross profit increased substantially YoY** as profitability improved due to more efficient deployment of personnel.
- ▶ In ④ the Cram School Business, **revenues and gross profit both increased substantially YoY** due to an increase in the number of classrooms.

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

Product (¥ million) [Gross profit in brackets]	2017 1Q Results	2018 1Q Results	YoY Change
⑤ ALT* Placement Business	2,642	2,907	+10.0%
	[774]	[806]	+4.1%
⑥ Personnel Placement & Temp Staff Business	2,109	2,332	+10.6%
	[425]	[617]	+44.9%
Store sales temp staff	1,813	1,834	+1.2%
Office temp staff	155	160	+3.4%
Foreign worker support	-	141	-
Recruiting/introductions	141	196	+39.3%

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

Point



- ▶ In ⑤ the ALT Placement Business, **revenues increased substantially YoY** due to firm performance thanks to the trend to strengthen English education promoted by the Ministry of Education, Culture, Sports, Science and Technology (MEXT). However, with the increase in costs from outsourcing ALT hiring to the Foreign worker support operations of ⑥ the Personnel Placement & Temp Staff Business, **gross profit increased YoY**.
- ▶ In ⑥ the Personnel Placement & Temp Staff Business, **revenues and gross profit both increased substantially YoY** with steady sales of Recruiting/introductions of domestic human resources and the smooth start-up of Foreign worker support.

Consolidated Balance Sheets (Results/YoY Change)

(¥ million)	Dec. 31, 2017	March 31, 2018	YoY Change
① Current Assets	7,589	7,427	-161
② Non-current Assets	18,180	18,225	+44
③ Deferred Assets	0	0	+0
Total Assets	25,770	25,653	-116
④ Current Liabilities	12,129	12,212	+83
⑤ Non-current Liabilities	6,942	6,537	-404
Total Liabilities	19,072	18,750	-321
⑥ Total Equity	6,697	6,902	+204

Point



- ▶ Assets **decreased slightly** due to decreases in cash and cash equivalents and trade and other receivables.
- ▶ Liabilities **decreased** with the repayment of long-term financial liabilities.
- ▶ Equity **increased** from recording net income.
- ▶ As a result, **the equity ratio improved from 26.0% to 26.9%**.

- Dividend Policy for 2018
 - Continue to **pay quarterly dividends**

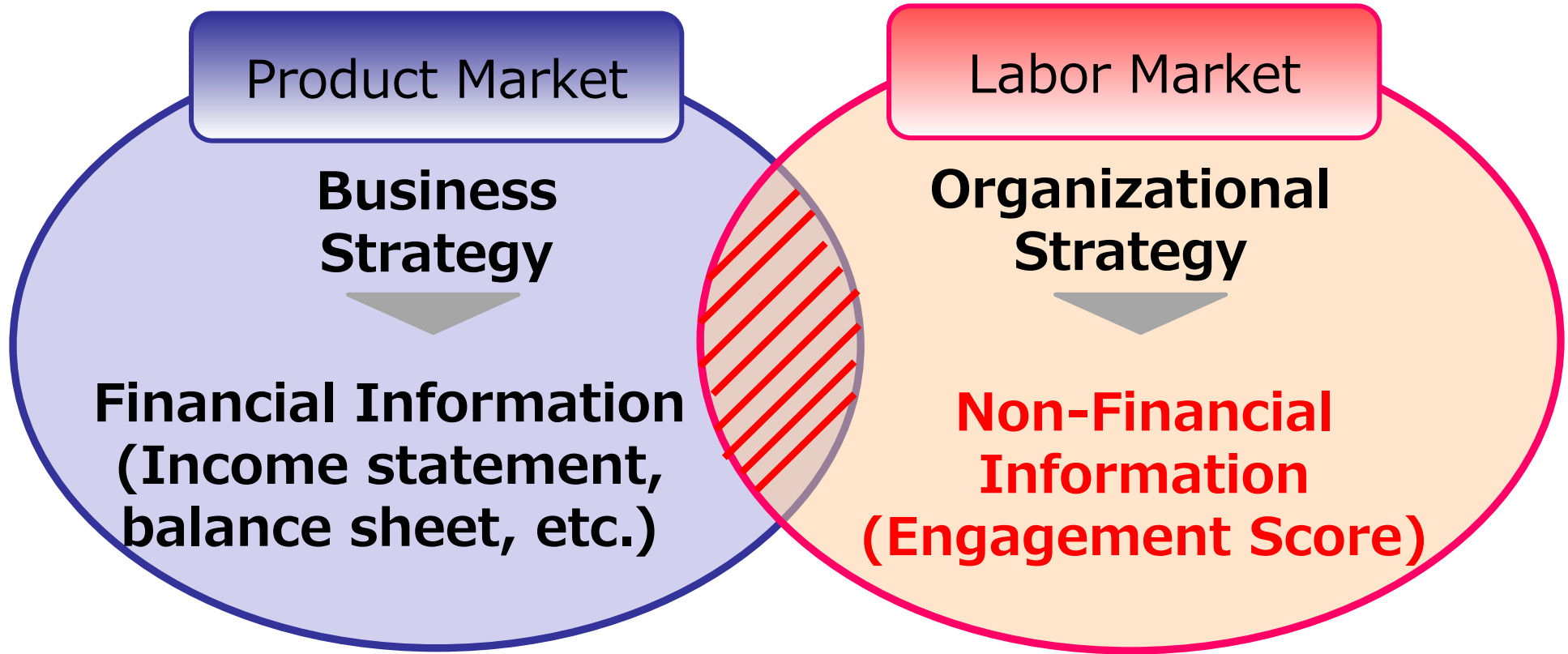
- Scheduled First Quarter Dividend for 2018
 - A dividend of **1.70 yen** per share is scheduled to be paid on Monday, June 25, as originally planned.

	First Quarter	Second Quarter (scheduled)	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.

2

Report on Organizational Conditions
for the Three Months Ended
March 31, 2018



Point

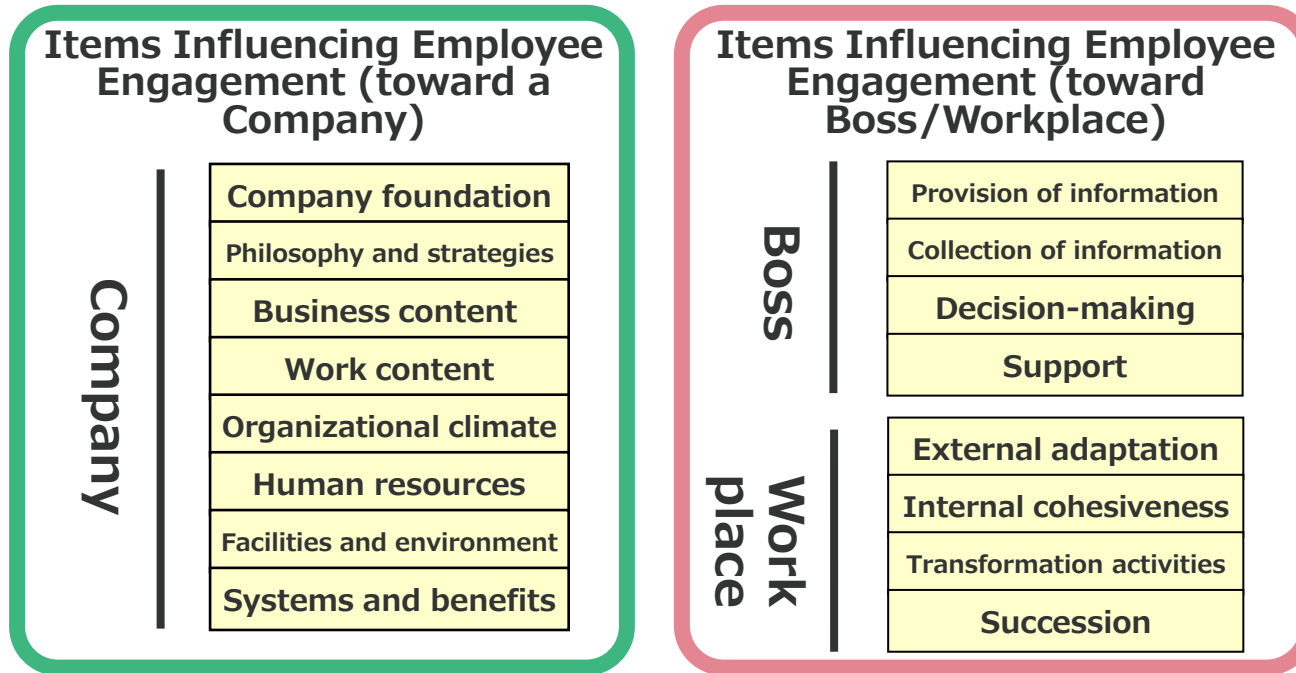


- ▶ As the source of competitive advantage shifts from “business strategy” to “organization strategy” and employment becomes more flexible, **adaptation to the labor market** as well as the product market **is critical for businesses**.
- ▶ To add to financial statements, which measure adaptation to the product market, Link and Motivation **has introduced and administers Engagement Score (ES), the key management indicator for measuring adaptation to the labor market**.

What is Engagement Score (ES)?

An indicator that provides a standard deviation value for employee engagement (the level of mutual understanding, empathy and commitment between companies and employees). An evaluation based on the results of an original organizational diagnostic survey developed by Link and Motivation.

Items for Measuring Employee Engagement



Point



- ▶ Elements that significantly influence employee engagement are **classified into 16 areas based on social psychology**.
- ▶ The areas are further subdivided into 132 items for questions on the organizational diagnostic survey.

- Total score is calculated from items measuring employee engagement in areas including **employee expectation, employee satisfaction and their level of matching** and broadly divided into **9 ranks**
- Cumulative data from **more than 790,000 employees at 3,330 companies**

▼ Correspondence between Engagement Score and Rank

Score	42	45	48	52	55	58	61	67	
Rank	C	CC	CCC	B	BB	BBB	A	AA	AAA

Our Own Engagement Score
(Link and Motivation Inc.) \Rightarrow **AAA rank**

Overview of Organizational Diagnostic Survey
Date: February 2018
Subjects: All employees of Link and Motivation Inc.
Number of Subjects: 239

Point



- ▶ With an **AAA rank** Engagement Score, employee engagement at Link and Motivation Inc. is in **excellent condition**.
- ▶ The Company aims to **use the management resources of its personnel and organization** for ongoing business growth.

3

Topics: Introduction of New
Directors

Topics: Introduction of New Directors

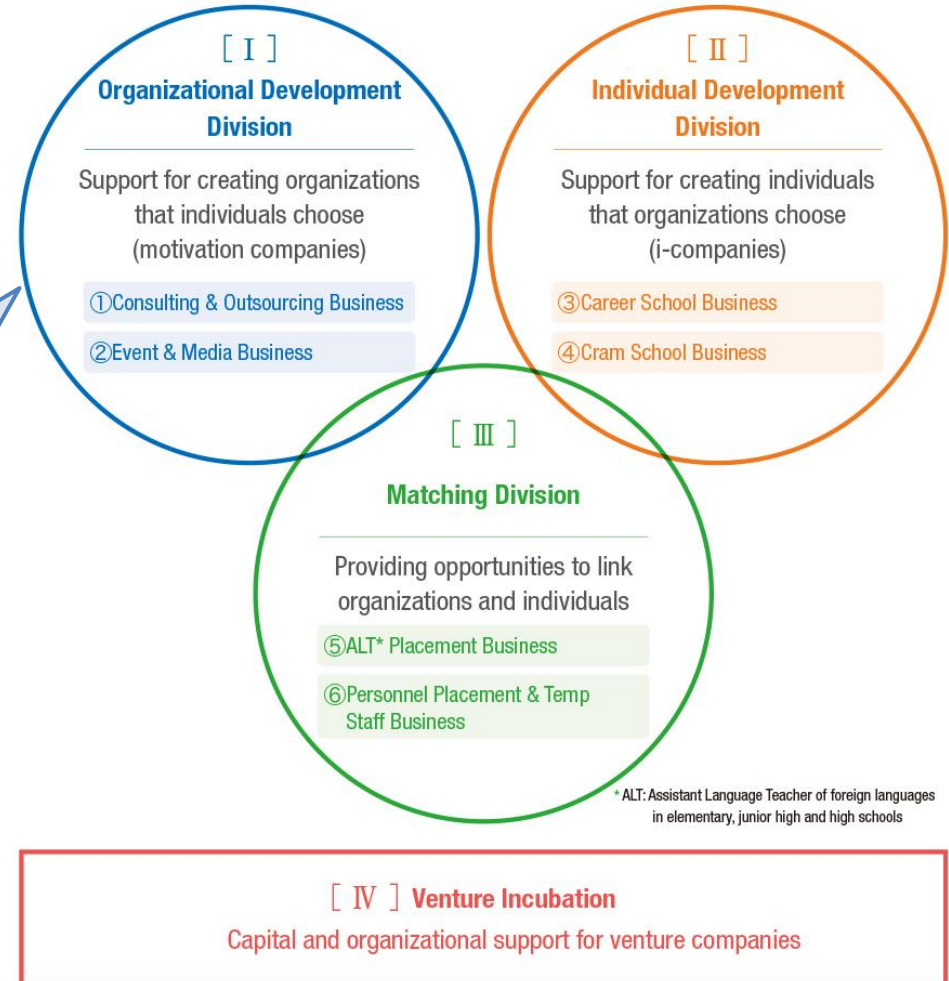
We will **strengthen the management structure** of the Organizational Development Division's Consulting & Outsourcing Business, where profitability is highest and substantial growth is expected.

After receiving approval at the 18th General Meeting of Shareholders, we **appointed two new directors**.

The two new directors are in charge of **the Consulting & Outsourcing Business, our most profitable business.**

Large Corporation
Consulting Department

Small and Medium-
Sized Venture
Company Consulting
Department



New Director Profile

Name

Koji Asano

Academic & Professional History

- 1979 Born on November 3 in Hyogo Prefecture
- 2003 Graduated from Keio University, Faculty of Law
- 2003 Entered Link and Motivation Inc. (LMI)
- 2010 Executive Officer of LMI and General Manager of Business Development Dept., Motivation Management Company
- 2013 Executive Officer of LMI and Company Manager of Employee Relationship Management Company
- 2018 Director in charge of Small and Medium-Sized Venture Company Consulting Department, LMI (to present)



Reason for Appointment

Since entering LMI, he has been involved in consulting in the recruiting field, then in recruiting and personnel duties as the person in charge at the company. Thereafter, as an Executive Officer, **he promoted the start of venture incubation and the launch of Motivation Cloud, Japan's first cloud-based organizational development service.** He has knowledge and experience of the Company's overall business and in the field of organizational development, and he has been appointed Director to utilize them in the management of the Link and Motivation Group.

Area of Responsibility

Small and Medium-Sized Venture Company Consulting Department, Consulting & Outsourcing Business, Organizational Development Division

New Director Profile

Name

Masanao Kawauchi

Academic and Professional History

1979 Born on August 18 in Fukuoka Prefecture

2003 Graduated from Waseda University, School of Education

2003 Entered Link and Motivation Inc. (LMI)

2010 Executive Officer of LMI and General Manager of
Entry Management Dept., Kansai Company

2013 Executive Officer of LMI and Company Manager of
Entry Management West Company

2014 Executive Officer of LMI and Company Manager of
Motivation Management Company

2018 Director in charge of Large Corporation Consulting Department, LMI (to present)



Reason for Appointment

Since entering LMI, he has been involved in consulting in the recruiting field, then the field of human resource training for current employees. Thereafter, as an Executive Officer, **he has been a major driver of results as the person in charge of the Consulting Department in the fields of hiring, training and organizational vitalization for major corporations, the department with the highest earnings.** He has knowledge and experience of the Company's overall business and in the field of organizational development, and he has been appointed Director to utilize them in the management of the Link and Motivation Group.

Area of Responsibility

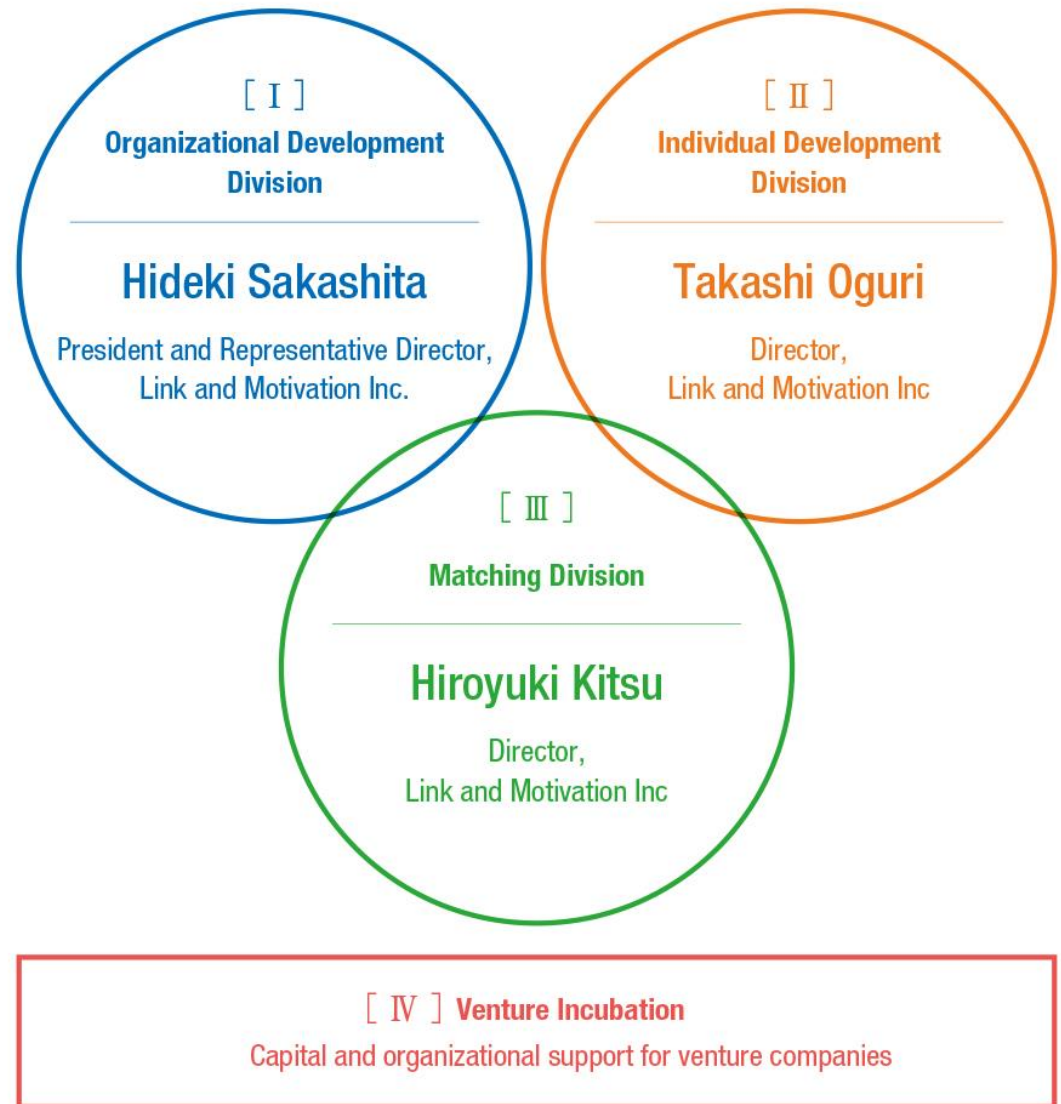
Large Corporation Consulting Department, Consulting & Outsourcing Business, Organizational Development Division

4

Progress Report on Key Indicators

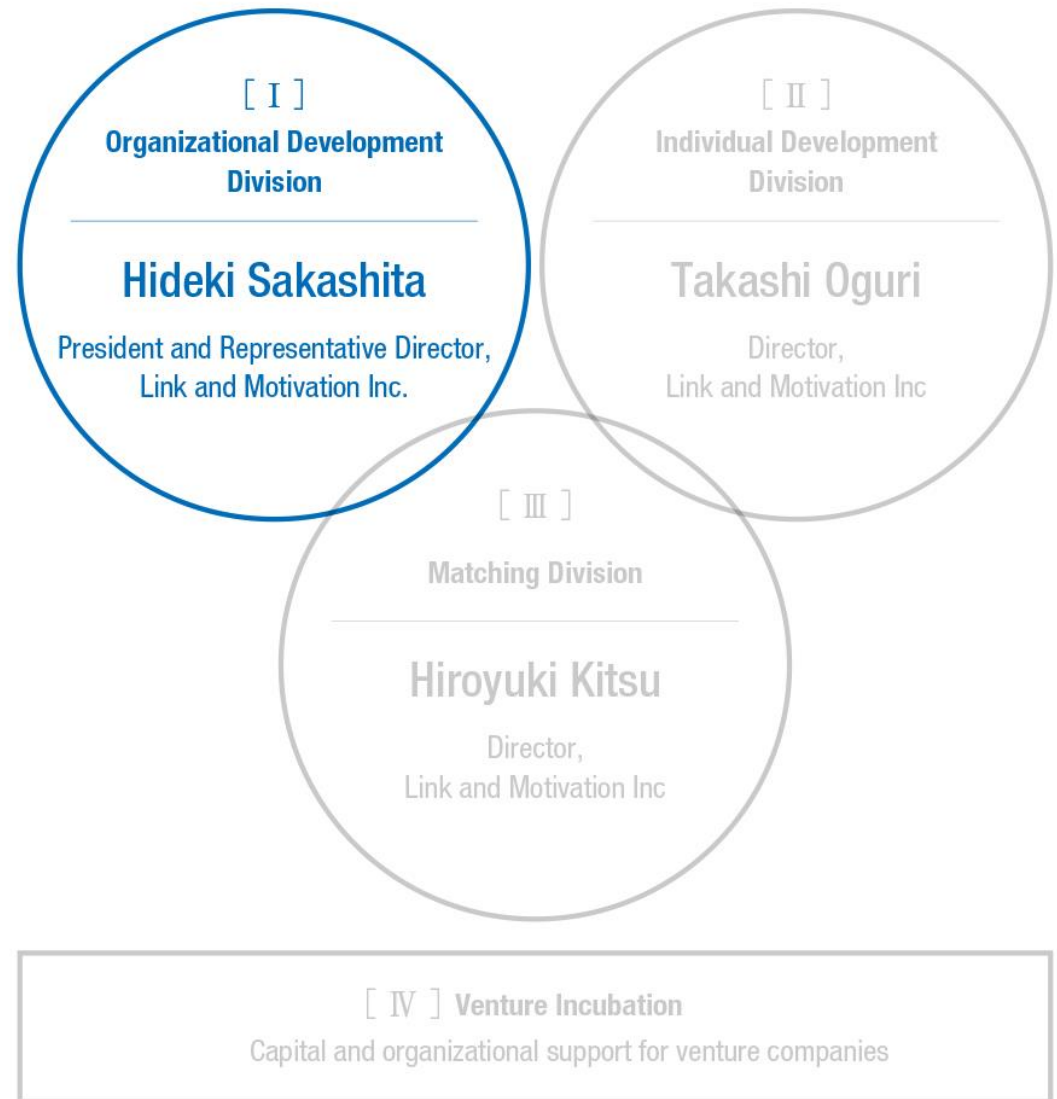
Mission

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



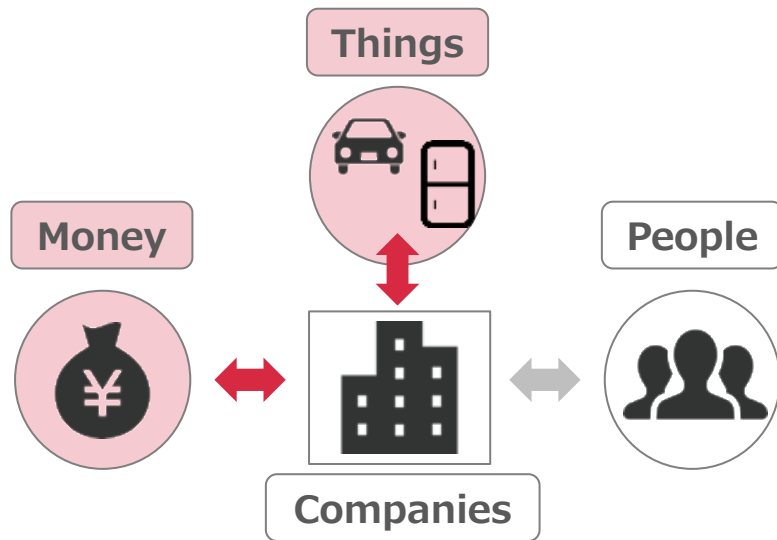
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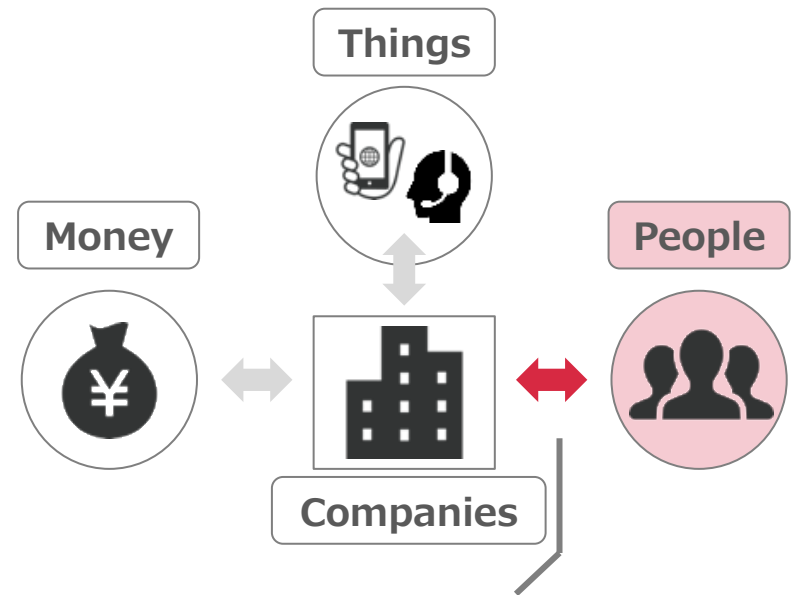
Era of Tangibles (Hard)

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



Era of Intangibles (Soft)

Shift to procuring and investing in **people**



People x Technology

Advance of HR Tech

Motivation Cloud is the first **HR tech** cloud service in Japan for managing **employee engagement**.¹

1. Engagement (the level of mutual understanding, empathy and commitment between companies and employees) is correlated with business performance.



A cloud-based service that improves engagement by **quantifying the level of employee engagement** and **going through the Plan-Do-Check-Act (PDCA) cycle for organizational improvement**

Monthly pay-as-you-go model (fee business) corresponding to business size
Certain functions **patented**
Cumulative data on **more than 790,000 employees at 3,330 companies**

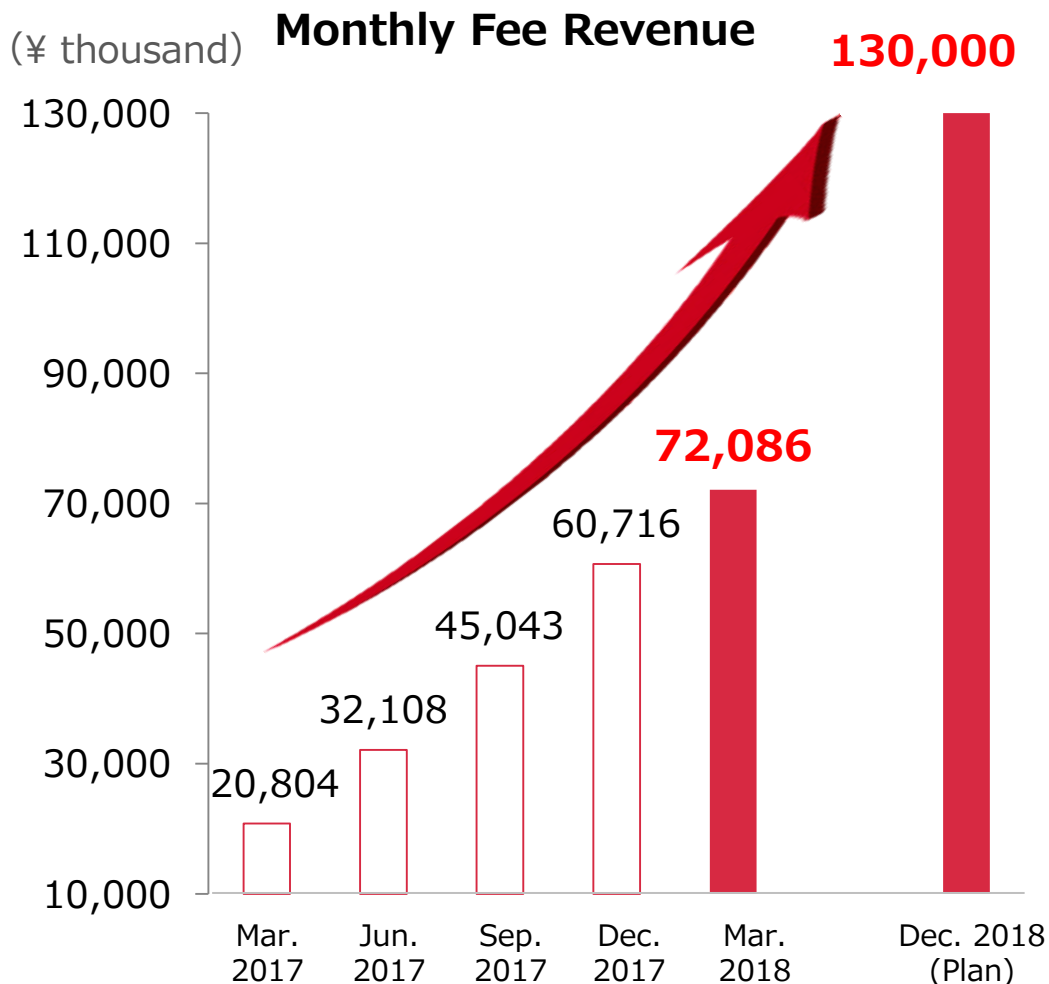
Since its release in July 2016, the number of contact points² **has exceeded 520**
Number one cloud service for managing employee engagement³

2. Motivation Cloud service subscribers (as of April 2018)

3. Link & Motivation data (as of April 2018)



We are building a **stable earnings structure** with steady gains in monthly fee revenue. Due to promotion of contact points at major corporations, **the unit price has risen.**



Breakdown of Monthly Fee Revenue in March 2018

Completed orders¹: 435
Average monthly fee²: ¥165,000/month

Promotion of contact points at major corporations with large organizations has led to an **increase in the average monthly fee³**
(As of Dec, 2017: ¥162,000/month)

Steadily growing toward monthly fee revenue of ¥330 million by the end of 2020 (annual business around ¥4 billion)

1. Motivation Cloud service delivery starts
2. Monthly fee revenue ÷ number of accounts
3. Monthly fees vary according to organization size

We aim to raise employee engagement regardless of industry or company size.
Support is growing from leading companies in all industries.


Orchestrating a brighter world

NEC

掘りだそう、自然の力。

Calbee

昭和シェル石油

 **MITSUBISHI
ELECTRIC**
Changes for the Better

JCB

 **NTT Communications**
Transform. Transcend.

S&B

FUJITSU
株式会社 富士通マーケティング

 **RECRUIT**
リクルートキャリア

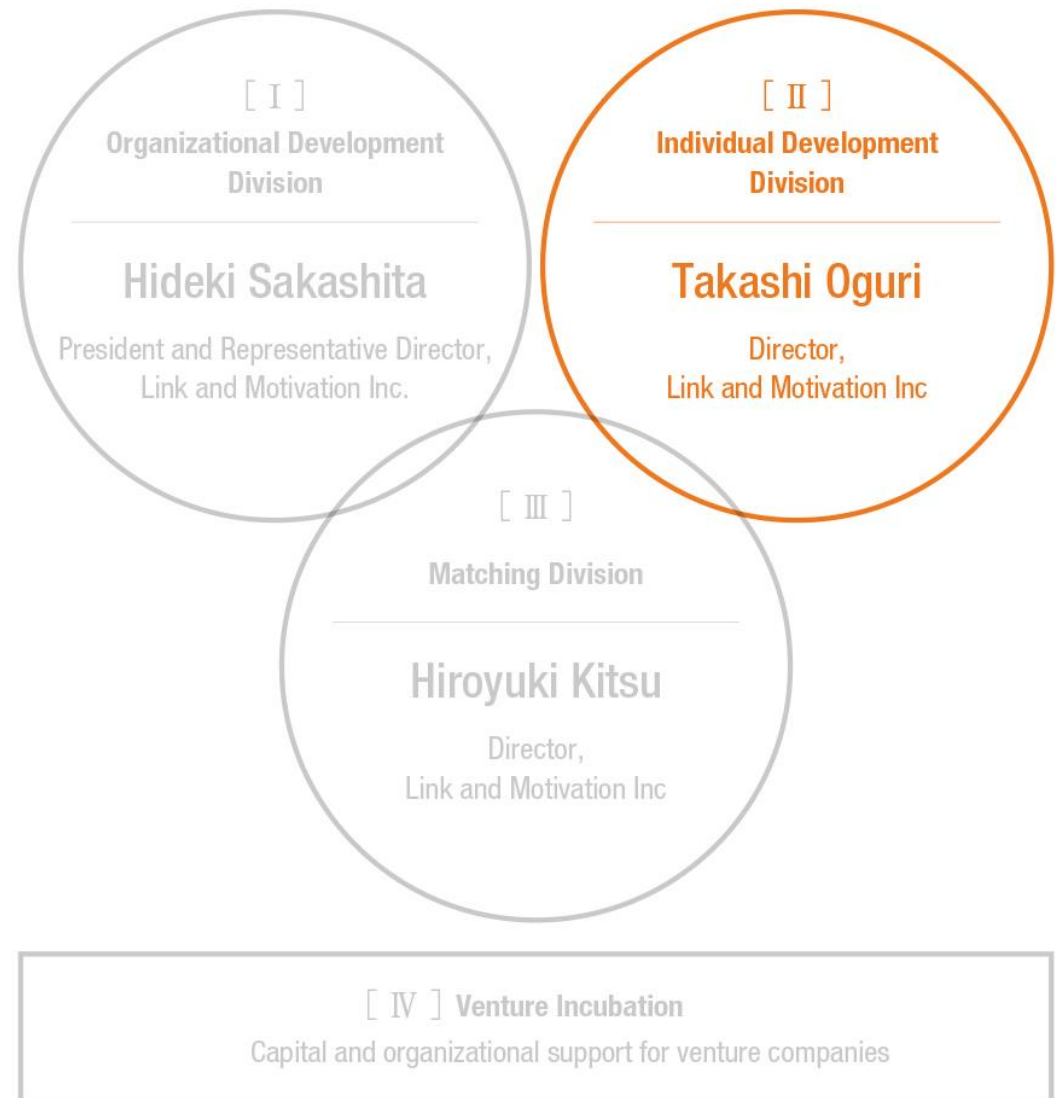
mixi
GROUP

 **mercari**

 **RakSul**

Mission

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



Backed by demand for hiring IT staff, the **Aviva Pro** training course for IT human resources is **growing steadily**.

Aviva Pro Training Course for IT Human Resources



Course for learning **Java, SQL** and other programming skills in a game format. **Industry-leading lineup of 40 courses.**

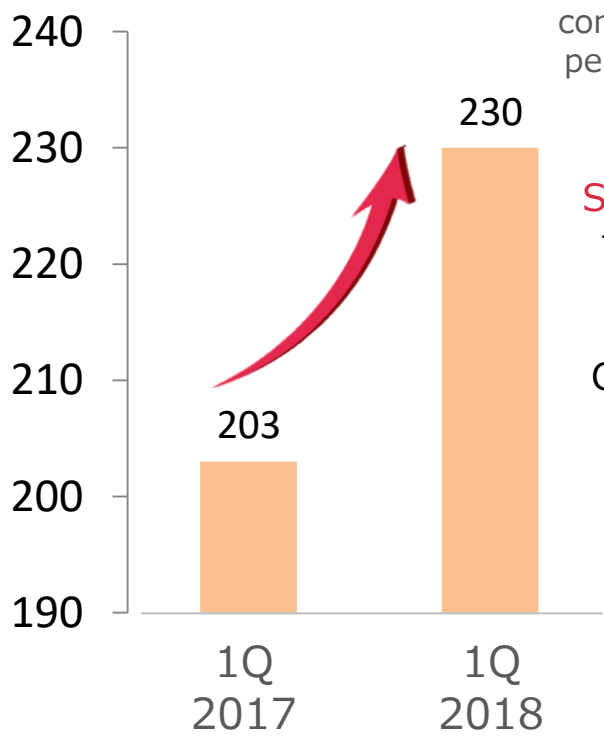


We plan to complement courses such as **PHP, CAD and Android applications** by adding IT courses such as **AI and Deep Learning**.

Promoting development with a target of 50 courses by the end of 2018.

Sales of Aviva Pro

(¥ million)



+13.4%

compared with same period a year earlier

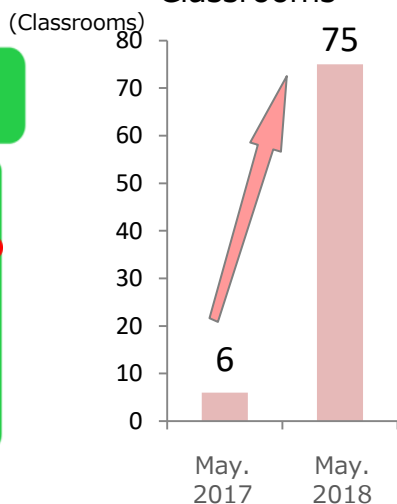
Steady growth due to rising demand for practical courses such as CAD, creative and other practical courses

Rollout of English conversation course and cram schools using existing career school locations; **steady growth** backed by rising English education needs and trends in educational reforms.



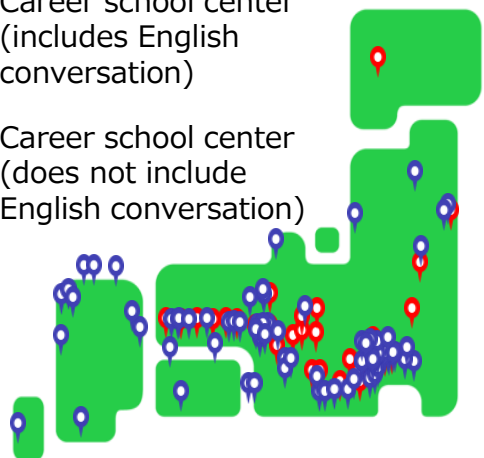
English Conversation Classrooms

Growth in Number of Classrooms



Career school center (includes English conversation)

Career school center (does not include English conversation)



We are making progress in providing English conversation courses using 109 Career Schools nationwide.

We have grown to 75 English conversation classrooms as of May, and are steadily expanding toward 85 classrooms by the end of 2018.

Cram School Classrooms



Motivation Academia, a cram school for junior and high school students, has three classrooms in Tokyo



SS-1, an individual instruction school for students preparing for the junior high entrance exam, has 7 classrooms in Tokyo and Kansai

We are using the **shift from overemphasis on rote learning** spurred by the university entrance exam reforms set for 2020 as an opportunity to increase the number of classrooms.

With the May 1 opening of the SS-1 Shibuya school, we now have 10 cram school classrooms, and are steadily expanding toward 12 classrooms by the end of 2018.

Mission

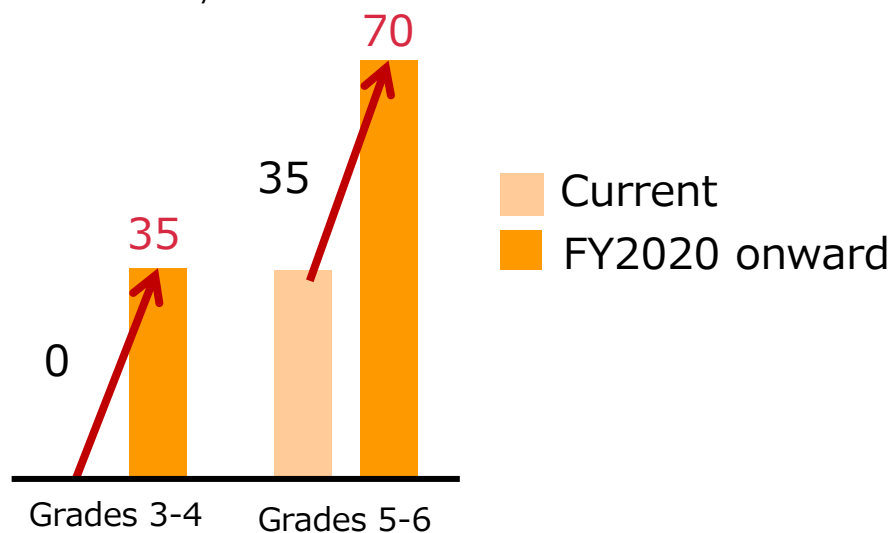
*Through Motivation Engineering, we provide opportunities to transform **organizations** and **individuals** and create a more meaningful society.*



The ALT market is expanding in line with MEXT policies.
The number of ALTs placed has grown substantially in fiscal 2018.

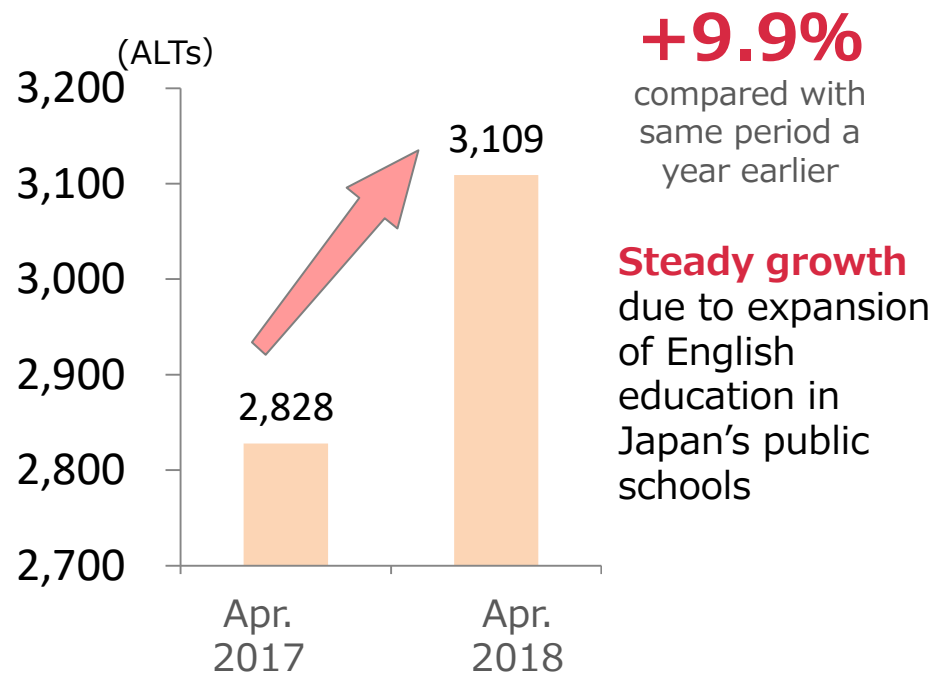
Changing ALT Market Environment

Changes in annual number of English classes in elementary schools



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

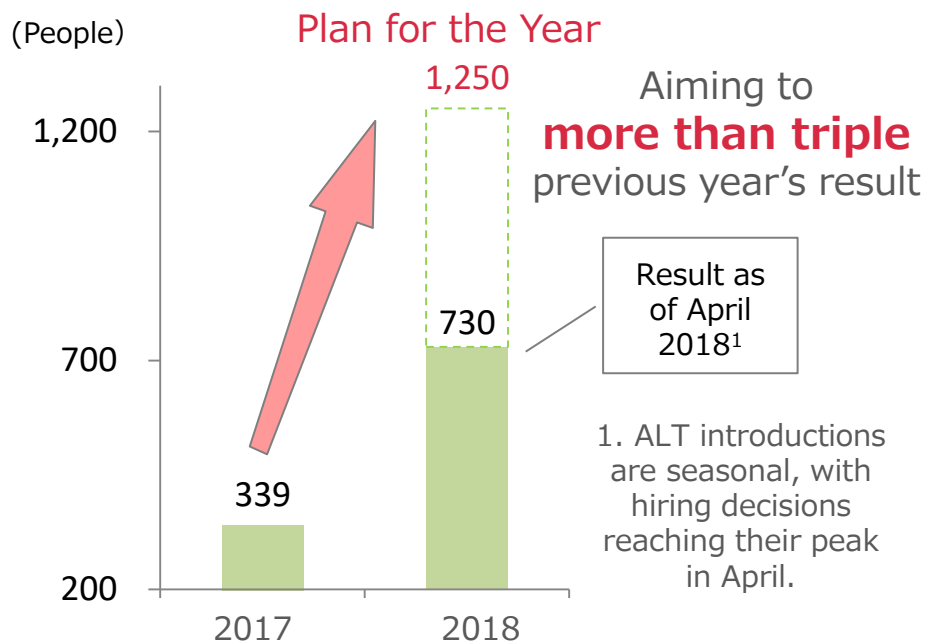
Number of ALTs Placed



Rollout of new Foreign Worker Support Service that provides one-stop support for recruiting, reception and acclimation.

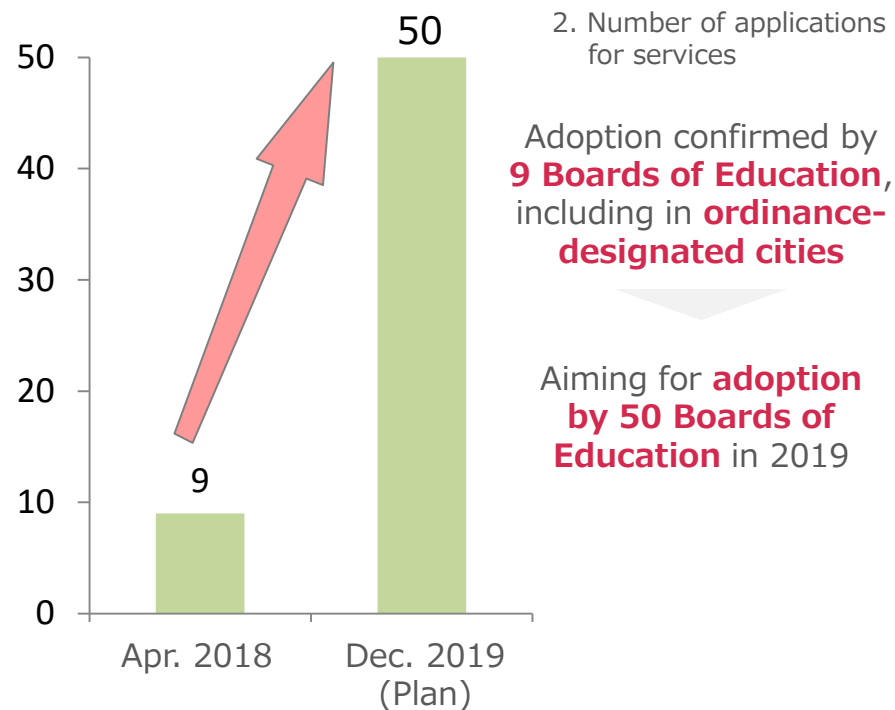
Steady growth from capturing foreign personnel employment needs.

Recruiting Support:
Number of Introductions



Introduction of foreign human resources as ALTs, English conversation teachers and in related fields from a pool of more than 40,000 registrants who want to work in Japan

Reception/Acclimation Support:
Number of Recipients²

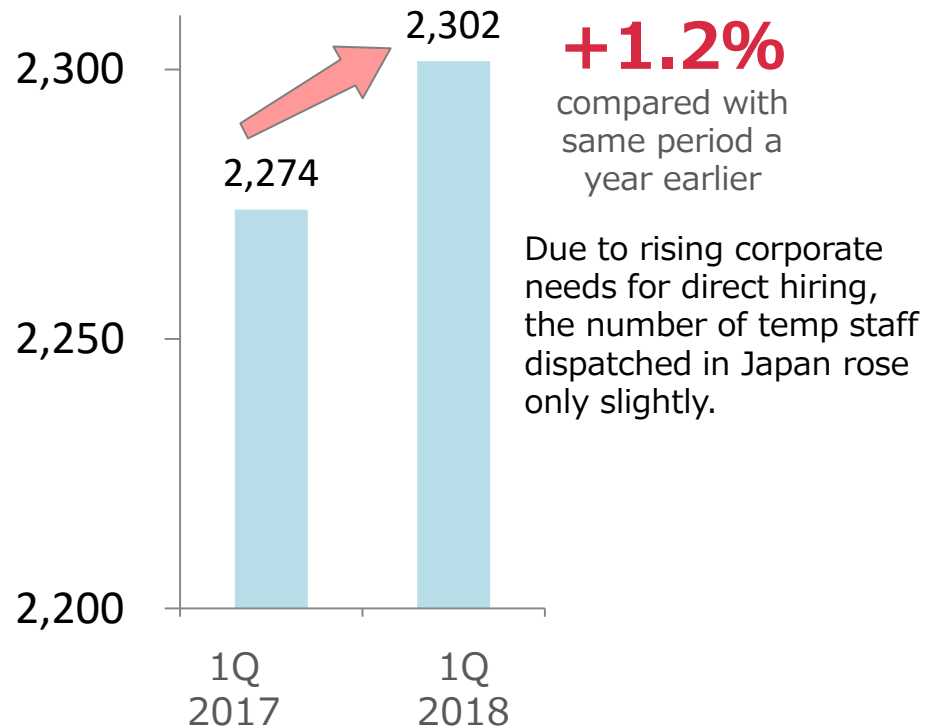


Providing an environment that makes it easy to work with support for foreign workers in Japan ranging from finding housing and resident registration upon arrival to support for daily life

Although the number of temp staff dispatched in Japan has increased only slightly, with the rollout of career centers **we expect to improve profitability by increasing matching efficiency.**

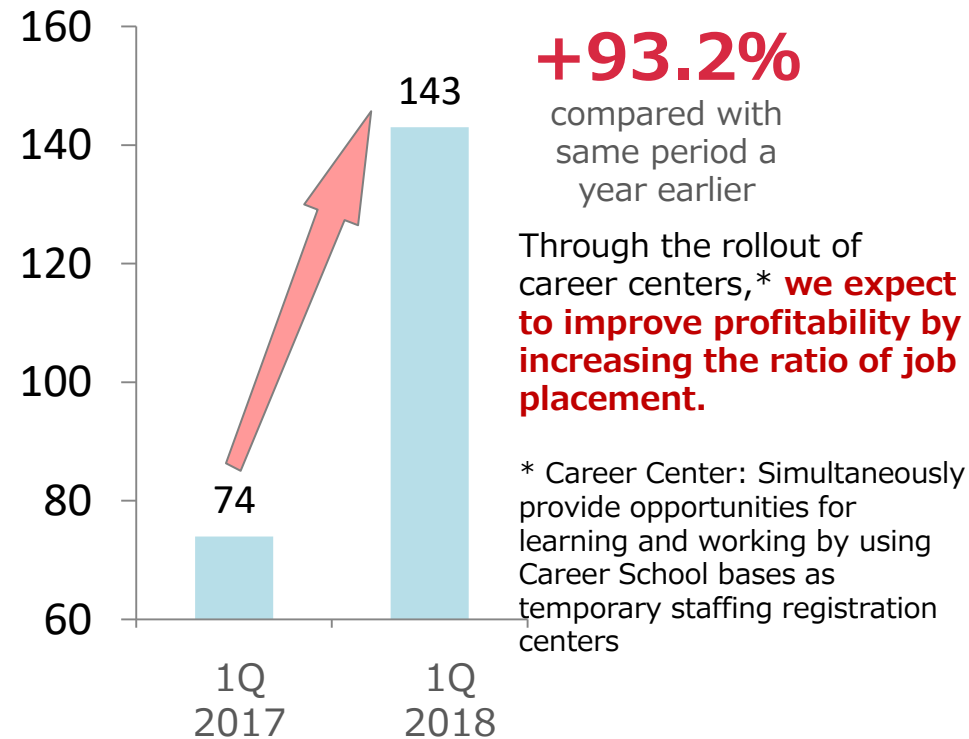
Number of Temp Staff Dispatched in Japan

(People)



Number of Individual Development Division Students We Placed in Jobs

(People)



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[IV] Venture Incubation

Capital and organizational support for venture companies

Gojo & Company, Inc.

Established: July 2014
Representative: Taejun Shin, Representative Director & CEO
Employees: Non-consolidated: 12;
Consolidated: 496 (in 5 countries)
Capital: ¥1,183,064,254
Manifesto: We aspire to create a world in which everyone has an opportunity to overcome one's own destiny and attain a better life.
Business: **Microfinance and related businesses**

Small-scale financial services provided to low-income people who have no access to banks and other formal financial institutions

Currently doing business in Myanmar, Sri Lanka, Cambodia, India and other countries



Gojo & Company, Inc.



Taejun Shin,
Representative Director & CEO

After graduating from Waseda Graduate School of Finance, worked for Morgan Stanley Capital, Unison Capital and elsewhere, then founded Gojo & Company, Inc, in 2014.

Point



- ▶ **Completed investment in Gojo & Company, Inc. with the aim of expanding microfinance worldwide.**
- ▶ We will continue to provide support **in the areas of organization and personnel as well as capital.**

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



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



First Listing: 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 **rakul, 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



Point

- ▶ 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.

Second Listing: Stock Listed December 21, 2016

⑫ Innovation Inc.

Marketing support specializing in BtoB

INNOVATION

⑬ First Brand Inc.

Corporate and individual branding support



⑭ BizReach, Inc.

Job-change website for upper-echelon employees

BIZREACH

⑮ GlobalCast Co., Ltd.

Industry-specific business process outsourcing



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



⑲ YARUKI Switch Group Holdings Co., Ltd.

Individualized instruction/operation of day care facilities



⑳ Phone Appli Inc.

Planning, development and sale of Web phone directory services



㉑ Fond, Inc.

Employee perks and rewards platform services



Investment Completed

㉒ Gojo & Company, Inc.

Financial services in developing countries

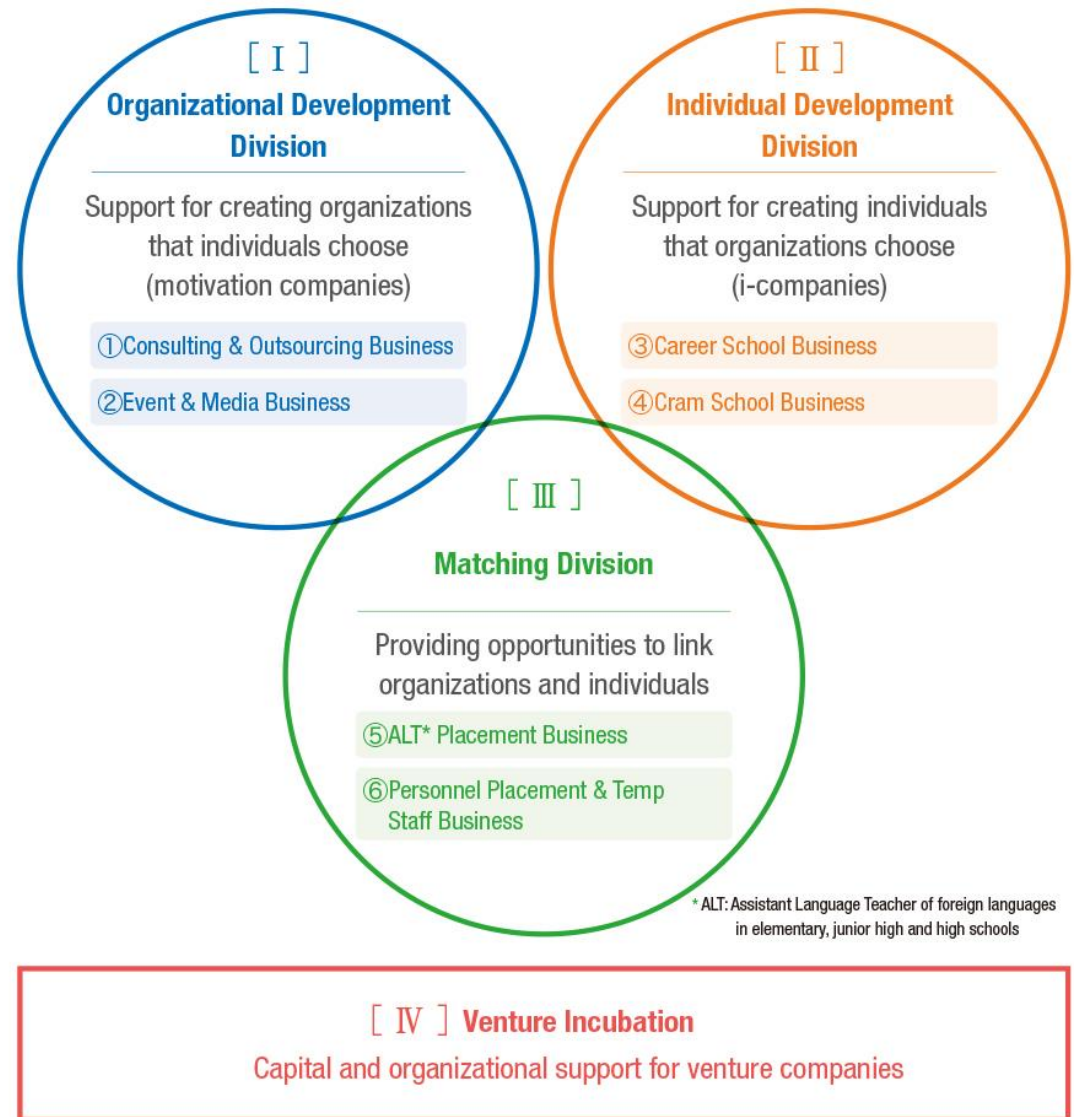
Gojo & Company, Inc.

Point

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 Three Months Ended March 31, 2018 (First Quarter of 2018)

May 14, 2018



Link and Motivation Group