

Link and Motivation Inc.
Consolidated Financial Information for the
Three Months Ended March 31, 2014
(First Quarter of 2014)



ひとりひとりの本気がこの世界を熱くする

Link and Motivation Group



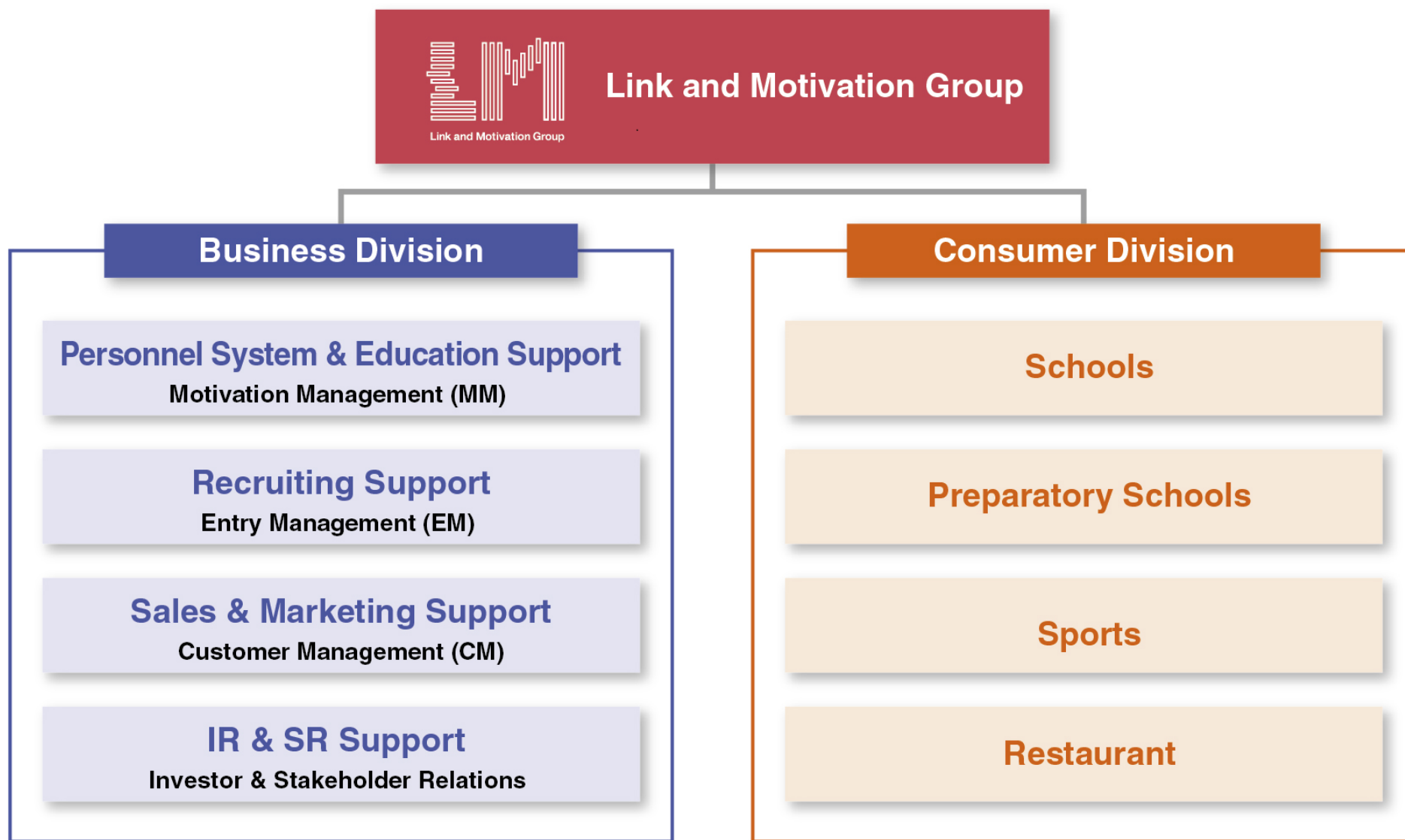
First Quarter of 2014: Presentation Agenda

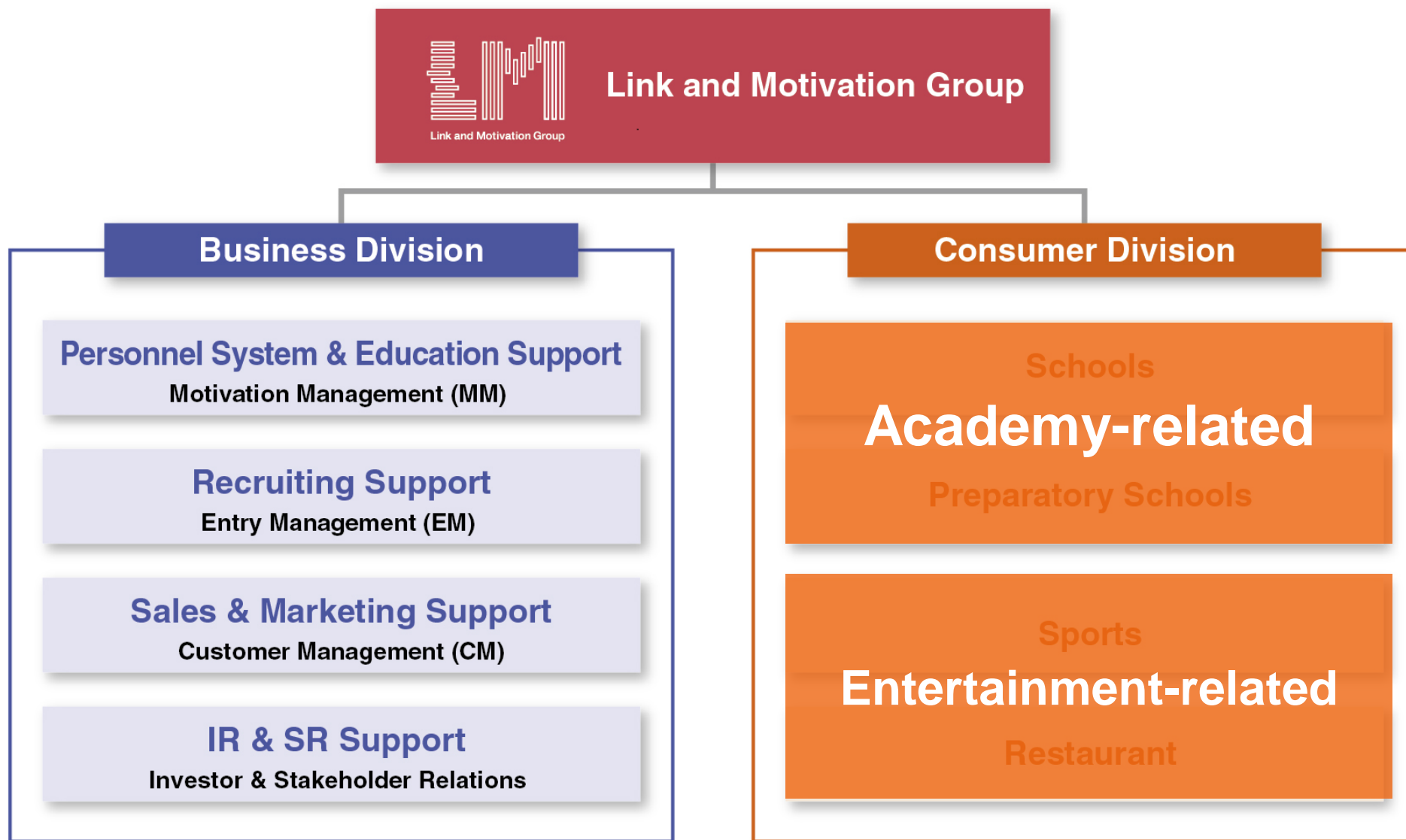
1. Announcement of Results for the
Three Months Ended March 31, 2014
2. Topics 1: Report on Acquisition of Interac Co., Ltd.
3. Topics 2: Progress Report on the Incubation Business
4. Upward Revision of 2014 Results Forecast

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Announcement of Results for the Three Months Ended March 31, 2014

First Quarter of 2014 Operating Structure





Consolidated Statements of Operations (First Quarter)

<u>¥ million</u>	2013	2014	YoY Change
Net Sales	5,565	5,344	-4.0%
Operating Income	229	271	+18.2%
Ordinary Income	223	262	+17.6%
Net Income	80	81	+1.1%

- Slight YoY decrease in net sales due to impact of Consumer Division
- Substantial YoY increases (new record highs) in operating income and ordinary income due to improvement in profitability
- Slight YoY increase in net income due to increase in extraordinary loss in Consumer Division, etc.

Sales and Gross Profit by Segment (First Quarter)

¥ million [Gross profit in brackets]	2013	2014	YoY Change
Business Division	Sales	3,515	+1.6%
	Gross Profit	[1,417]	+18.7%
Consumer Division	Sales	2,230	-4.5%
	Gross Profit	[736]	-2.8%

- In the Business Division, sales increased slightly YoY and gross profit increased substantially YoY (contribution of strong sales of high-profit-margin products)
- In the Consumer Division, sales and gross profit both decreased slightly YoY (impact of closure/consolidation of unprofitable locations)

Business Division: Sales and Gross Profit (First Quarter)

¥ million [Gross profit in brackets]	2013	2014	YoY Change	Product Trends
① Personnel System & Education Support (MM)	715 [485]	743 [593]	+3.9% +22.4%	Employee education and training ↗ HR system consulting ↗ Anniversary events ↗
② Recruiting Support (EM)	907 [590]	918 [693]	+1.3% +17.4%	New graduate introduction ↗ New graduate recruiting ↗ Recruiting consulting ↗
③ Sales & Marketing Support (CM)*	1,774 [308]	1,802 [356]	+1.6% +15.3%	Temp staffing for sales/marketing ↗ Contract advertising ↘
④ IR & SR Support (IR)	118 [32]	108 [38]	-8.9% +18.0%	Annual reports ↘ Webcast services ↗

In each field, gross profit increased substantially YoY ⇒ Significant improvement in profitability in every field

- ① MM: Contribution of strong sales of high-profit-margin products such as employee education and training, HR system consulting and anniversary events
- ② EM: Contribution of strong sales of high-profit-margin products such as new graduate introduction, new graduate recruiting and recruiting consulting
- ③ CM: Reduction of high-cost contract advertising projects, contribution of strong sales of temp staffing for sales/marketing
- ④ IR: Reduction of high-cost annual reports, contribution of high-profit-margin webcast products, etc.

Consumer Division: Sales and Gross Profit (First Quarter)

¥ million [Gross profit in brackets]		2013	2014	YoY Change	Product Trends
①•②	Academy-related	2,032	1,970	-3.1%	Personal computer course fees ↘
	(Schools/Preparatory Schools)	[685]	[666]	-2.9%	Qualification test course fees ↗
③•④	Entertainment-related	198	159	-19.7%	Sponsorship income ↘
	(Sports/Restaurant)	[51]	[50]	-1.7%	

- ①•② Academy-related: Sales and gross profit both decreased slightly YoY (impact of closure/consolidation of unprofitable locations, etc., to improve long-term profitability of Link Academy Inc.)
- ③•④ Entertainment-related: Sales decreased YoY and gross profit decreased slightly YoY (impact of carryover to next term for recording sponsorship income in sports field due to extension of Japan Basketball League season)

Consolidated Balance Sheets

¥ million	Dec. 31, 2013	March 31, 2014	Change
Current Assets	4,195	4,151	-44
Property and Equipment	6,176	6,274	+98
Total Assets	10,371	10,425	+54
Current Liabilities	5,083	5,260	+177
Long-term Liabilities	1,493	1,377	-116
Net Assets	3,794	3,788	-6
Total Liabilities and Net Assets	10,371	10,425	+54

- Increase in property and equipment from construction to consolidate Group locations and investment in incubation projects
- Increase in current liabilities due to short-term borrowings for payment of taxes
- Decrease in long-term liabilities due to repayment of long-term debt

- First-quarter dividend policy
⇒ Dividends **paid quarterly**

- First-quarter dividend conditions
 - Amount
⇒ **90 yen** per share
 - Scheduled payment date
⇒ **Wednesday, June 25**

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Topics1:

Report on Acquisition of Interac Co., Ltd.



Acquired 100% of the Stock of Interac Co., Ltd. and Made It a Wholly Owned Subsidiary on April 30, 2014

Overview of Interac Co., Ltd.



International **E**ducation **R**esearch and **A**nalysis **C**orporation

Representative: Seiichi Matsumoto, President

Address: Fujimi 2-14-36, Chiyoda-ku, Tokyo

Established: 1972

Net Sales: ¥9.2 billion

(Note: Consolidated, year ended March 2013)

Number of Employees: 265

Main Group Companies:

MAXCEED CO., LTD.

Interac America Co Ltd.



1 (For schools) ALT placement

ALT: Assistant Language Teacher



2 (For corporations) Training of global personnel



3 (For corporations) Recruiting/placement of foreign staff



Core Assets

**Ability to recruit foreign language teachers
Foreign language teacher management skills
(labor management)**

Overwhelming Top Industry Share Among Private Companies

Size

- Staff placed: **Approx. 2,600/year**
- Schools covered: **Approx. 7,500/year**
(4,400 elementary schools, 2,600 secondary schools, schools, 400 kindergartens, etc., 70 special schools)

Note: One out of four elementary and middle schools in Japan has an ALT from Interac.



Special Features

- **Customer relationships built over approximately 20 years**
- **Business structure that creates high barriers to entry**

Market Outlook

MEXT* “English Education Reform Plan” Announced in December 2013

“Build a framework to implement the following measures in stages from fiscal 2018”

*MEXT: Ministry of Education, Culture, Sports, Science and Technology

Elementary
Schools

Make English
language classes
mandatory

Middle
Schools

Conduct classes in
English

High Schools

High-level linguistic
activities (debates,
negotiations, etc.)

“Improve the teaching skills of English language teachers” and “Expand placement of ALTs” are core themes

ALTs in 2013

11,000

ALTs in 2018

(LMI estimate)

15,000

Synergy with the LM Group (Business Cooperation)

① Apply the LM Group's organizational and personnel management measures to Interac
(Strengthen Interac's existing business)

② Develop solutions for training global corporate personnel
(Cooperation with Link Global Solution Inc.)



③ Accelerate the start-up of the recruiting/placement of foreign staff business
(Cooperation with Link-i Inc. and Link Marketing Co., Ltd.)

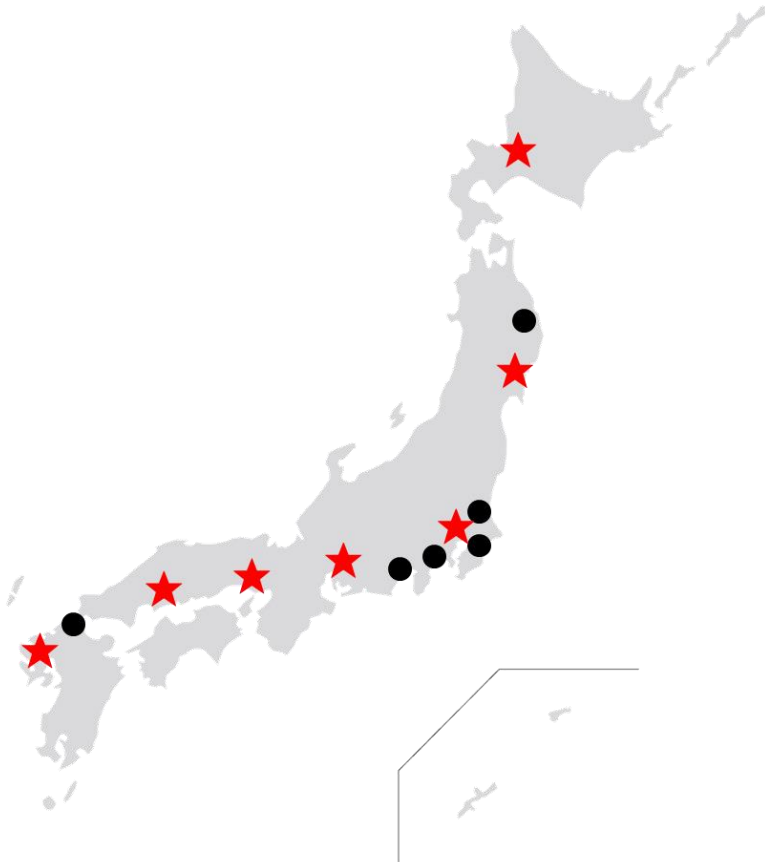
④ Develop English-language courses using experienced ALTs
(Cooperation with Link Academy Inc.)

Note: LM Group = Link and Motivation Group

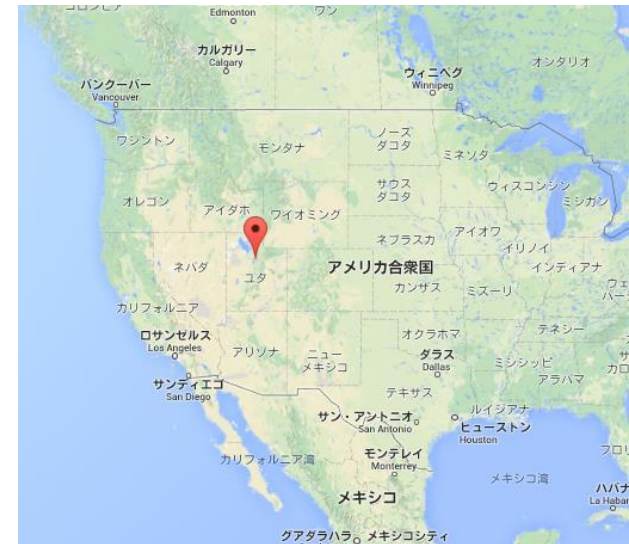
13 Locations in Japan

★ LM Group Business Division Offices

- ★ Tokyo Head Office
- ★ Sapporo Branch
- Morioka Branch
- ★ Sendai Branch
- Mito Branch
- Chiba Branch
- Yokohama Branch
- Hamamatsu Branch
- ★ Nagoya Branch
- ★ Osaka Branch
- ★ Hiroshima Branch
- Kitakyushu Branch
- ★ Fukuoka Branch



1 Location Overseas



Interac America Co Ltd.

Location: Orem, Utah, U.S.A.

Function: Recruiting foreign teachers



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Topics 2:

Progress Report on the
Incubation Business



Investments Made in the Following Two Companies

Investments

As of March 28

AgentGate, Inc.

Shareholding Ratio: 10%



As of May 8

FROM SCRATCH Co., Ltd.

Shareholding Ratio: 10%



AgentGate, Inc.



President Daisuke Midorikawa

Established: 2007

Representative: Daisuke Midorikawa

Capital: ¥20,000 thousand

Businesses: Ad technology business
Business integration
Creative design

LMI Group shareholding ratio: 10%



- Support for strengthening recruiting ability and organizational management capability to expand the business

FROM SCRATCH Co., Ltd.



Established: 2010

Representative: Yasuhiro Abe

Capital: ¥10,000 thousand

Businesses: Web strategy
Web creative
System engineering service

LMI Group shareholding ratio: 10%



President Yasuhiro Abe

- Support for strengthening recruiting ability and organizational management capability to expand the business

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Upward Revision of 2014 Results Forecast



Plan for Consolidated Statements of Operations (Full Year)

¥ million	2013 Results	Before Revision		After Revision	
		2014 Forecast	Vs. 2013	2014 Forecast	Vs. 2013
Net Sales	22,383	25,000	+11.7%	30,800	+37.6%
Operating Income	1,558	1,820	+16.8%	2,120	+36.1%
Ordinary Income	1,510	1,800	+19.2%	2,080	+37.7%
Net Income	832	1,000	+20.2	1,100	+32.2%

- Substantial YoY increase planned for net sales from the impact of including Interac Co., Ltd. in the scope of consolidation
- Substantial YoY increase planned for each level of income from improved profitability in existing businesses in addition to the impact of including Interac Co., Ltd. in the scope of consolidation

Change in Business Structure

LM Group

Business Division

① **Personnel System & Education Support**
Motivation Management (MM)

② **Recruiting Support**
Entry Management (EM)

③ **Sales & Marketing Support**
Customer Management (CM)

④ **IR & SR Support**
Investor & Stakeholder Relations

① **Organizational & Personnel Consulting Business**

② **Event & Media Business**

③ **Recruiting & Temp Agency Business**

④ **ALT Placement Business**

Consumer Division

⑤ **Academy-related**
(Schools · Preparatory Schools)

⑥ **Entertainment-related**
(Sports · Restaurant)

⑤ **Schools Business**

⑥ **Entertainment Business**

Overview
of
Changes

- No change in segments; Interac Co., Ltd will be classified in the Business Division
- Classifications within Business Division will change from field to business
- Classifications within Consumer Division will change from type of service to business

Overview of New Business Structure

LM-G

Business Division

① Organizational & Personnel Consulting Business

Organizational/personnel consulting focused on employee motivation
⇒ Offers organizational diagnostics, education and training, HR system building, recruiting consulting, etc.

② Event & Media Business

Event planning and management/media production focused on organizational communication
⇒ Offers anniversary events, recruiting events, PR/IR tools, webcasting, etc.

③ Recruiting & Temp Agency Business

Recruiting/ temp staffing to meet corporate HR needs
⇒ Offers recruitment of new graduates/mid-career hires, temp staffing for sales and clerical workers, etc.

④ ALT Placement Business

Dispatch of ALTs to meet needs for teachers at educational institutions
⇒ Offers ALT dispatch/contracts for elementary/secondary schools throughout Japan

Consumer Division

⑤ Schools Business

School management with the concept of "developing i-companies"
⇒ Management of career schools such as Aviva PC schools and Daiei qualification schools; management of Motivation Academia preparatory schools

⑥ Entertainment Business

Providing entertainment with the concept of "creating quality of life" for individuals
⇒ Management of Link Tochigi Brex basketball team, Link Dining restaurant

Sales Plan by Segment/Business (Full Year)

¥ million	2013 Results	After Revision	
		2014 Forecast	YoY Change
Link and Motivation Group	22,383	30,800	+37.6%
Business Division	14,137	22,800	+61.3%
(1) Organizational & personnel consulting	5,368	6,400	+19.2%
(2) Event & media	3,148	3,600	+14.3%
(3) Recruiting & temp agency	6,757	7,800	+15.4%
(4) ALT placement	-	6,600	-
Consumer Division	9,177	8,700	-5.2%
(5) Schools	8,496	8,000	-5.8%
(6) Entertainment	680	700	+2.9%

Note: 2013 results have been restated to conform to the new businesses. Sales for each business are consolidated.

- In the Business Division, a substantial YoY increase is planned with the growth of existing businesses and the establishment of the ALT placement business
- In the Consumer Division, a slight YoY decrease is planned due to a focus on improving profitability in the schools business

First Quarter of 2014 Presentation Summary

1. Announcement of Results for the Three Months Ended March 31, 2014

- ⇒ Net sales decreased slightly YoY due to impact of Consumer Division
- ⇒ Operating income and ordinary income increased substantially YoY (reaching record highs) due to improvement in profitability
- ⇒ Net income increased slightly YoY due to increase in extraordinary loss in Consumer Division, etc.

2. Topics 1: Report on Acquisition of Interac Co., Ltd.

- ⇒ Acquired 100% of the stock of Interac Co., Ltd. and made it a consolidated subsidiary
- ⇒ Focus on generating synergy among businesses/locations with the expectation of further growth in the core ALT placement business

3. Topics 2: Progress Report on the Incubation Business

- ⇒ Invested in AgentGate, Inc, and FROM SCRATCH Co., Ltd.

4. Upward Revision of 2014 Results Forecast

- ⇒ Substantial YoY increase in net sales from addition of Interac Co., Ltd. to the scope of consolidation
- ⇒ Substantial increases planned in each level of income due to increased profitability in existing businesses, as well as addition of Interac to the scope of consolidation
- ⇒ Change in business structure associated with addition of Interac to the Group

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