

Consolidated Financial Statements for the Nine Months Ended September 30, 2013

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

November 8, 2013

Link and Motivation Inc.
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Stock exchange listing: Tokyo, First Section
Code number: 2170

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Filing of Quarterly Report (*Shihanki Hokokusho*) (scheduled):

November 8, 2013

Start of distribution of dividends (scheduled):

December 25, 2013

Supplementary documents for quarterly results:

No

Quarterly results briefing:

No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for the Nine Months Ended September 30, 2013 (January 1, 2013 - September 30, 2013)

(1) Sales and Income (Percentages represent change compared with the same period of the previous year.)

	Net sales (¥ million)	Change (%)	Operating income (¥ million)	Change (%)	Ordinary income (¥ million)	Change (%)
Nine months ended September 30, 2013	16,626	21.8	837	43.3	807	41.6
Nine months ended September 30, 2012	13,656	98.2	584	47.2	569	42.5

	Net income (¥ million)	Change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Nine months ended September 30, 2013	371	34.7	767.02	—
Nine months ended September 30, 2012	275	7.2	563.11	—

Notes: 1. Comprehensive income For the nine months ended September 30, 2013: ¥381 million (39.2%)
For the nine months ended September 30, 2012: ¥273 million (31.4%)

- The Company implemented a stock split of 2 shares for each 1 share of common stock on July 1, 2012. Accordingly, earnings per share have been calculated as though the stock split had occurred at the beginning of the previous year.
- The Company implemented a stock split of 2 shares for each 1 share of common stock on May 1, 2013. Accordingly, earnings per share have been calculated as though the stock split had occurred at the beginning of the previous year.

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)
As of September 30, 2013	11,119	3,411	30.7
As of December 31, 2012	10,303	3,248	31.5

(Reference) Net worth As of September 30, 2013: ¥3,411 million
As of December 31, 2012: ¥3,248 million

2. Dividends

	Dividends per share				
	1st Qtr.	Interim	3rd Qtr.	Year-end	Full-year
2012	500.00	600.00	300.00	300.00	1,700.00
2013	300.00	150.00	150.00		
2013 (est.)				90.00	690.00

Notes: 1. Revision of dividend forecast during the quarter: Yes

- The Company implemented a stock split of 2 shares for each 1 share of common stock on May 1, 2013. The dividend forecast for the year ending December 31, 2013 takes the effect of this stock split into account.
- At a Board of Directors' meeting held on November 8, 2013, the Company resolved to implement a stock split of 2 shares for each 1 share of common stock and to increase dividends by 20% as of December 1, 2013. As a result, dividends per share for 2013 are presented taking into consideration the effect of the stock split.

3. Forecast of Consolidated Results for 2013 (January 1, 2013 - December 31, 2013)

(Percentages represent change compared with the previous fiscal year.)

	Net sales	Change	Operating income	Change	Ordinary income	Change	Net income	Change	Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Full-year	22,500	20.3	1,550	34.9	1,510	33.2	830	17.2	856.73

Notes: 1. Revision of forecast of results during the quarter: Yes

2. The Company implemented a stock split of 2 shares for each 1 share of common stock with an effective date of May 1, 2013.

The forecast for consolidated earnings per share for the year ending December 31, 2013 takes the effect of this stock split into account, with calculation assuming the stock split had occurred at the beginning of the year.

3. At a Board of Directors' meeting held on November 8, 2013, the Company resolved to implement a stock split of 2 shares for each 1 share of common stock as of December 1, 2013. As a result, earnings per share in the forecast of consolidated results for 2013 are presented taking into consideration the effect of the stock split (assuming that the stock split had been conducted at the start of the year).

Notes

(1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries due to Changes in the Scope of Consolidation): Yes

Added: 1 company (Name: Daiei Education System Co., Ltd.)

Removed: No companies

(2) Application of Accounting Procedures Specific to the Preparation of Quarterly Consolidated Financial Statements: Yes

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Restatements

(a) Changes in accounting policies due to change in accounting standards: Yes

(b) Changes in accounting policies other than (a) above: No

(c) Changes in accounting estimates: No

(d) Restatements: No

(4) Number of Shares Issued and Outstanding (Common Stock)

(a) Number of shares at the end of the period (including treasury stock)

Nine months ended September 30, 2013: 539,840; Year ended December 31, 2012: 539,840

(b) Number of treasury shares at the end of the period:

Nine months ended September 30, 2013: 55,440; Year ended December 31, 2012: 55,440

(c) Average number of shares outstanding (cumulative with earlier quarters):

Nine months ended September 30, 2013: 484,400; Nine months ended September 30, 2012: 489,683

Notes:

1. The Company implemented a stock split of 2 shares for each 1 share of common stock on July 1, 2012. Accordingly, earnings per share have been calculated as though the stock split had occurred at the beginning of the previous year.

2. The Company implemented a stock split of 2 shares for each 1 share of common stock with an effective date of May 1, 2013. Accordingly, the number of shares for the nine months ended September 30, 2012, the year ended December 31, 2012 and the nine months ended September 30, 2013 have been presented to reflect the impact of the stock split.

* Presentation of Implementation Status of Quarterly Review Procedures

- These "Consolidated Financial Statements for the Nine Months Ended September 30, 2013" are not subject to quarterly review procedures pursuant to the Financial Instruments and Exchange Act although, as of the date of publication of these statements, the review procedures for quarterly financial statements pursuant to the Financial Instruments and Exchange Act had been completed.

* Explanation of the Proper Use of Performance Forecasts and Other Special Instructions

(Explanation of the proper use of performance forecasts)

- Consolidated forecasts and other statements regarding the future contained in this document are based on information currently available to the Company and certain reasonable assumptions. Actual performance may differ substantially due to numerous factors.

(Other special instructions)

- At a Board of Directors' meeting held on November 8, 2013, the Company resolved to implement a stock split of 2 shares for each 1 share of common stock as of December 1, 2013. As a result, earnings per share in the forecast of consolidated results for 2013 are presented taking into consideration the effect of the stock split.

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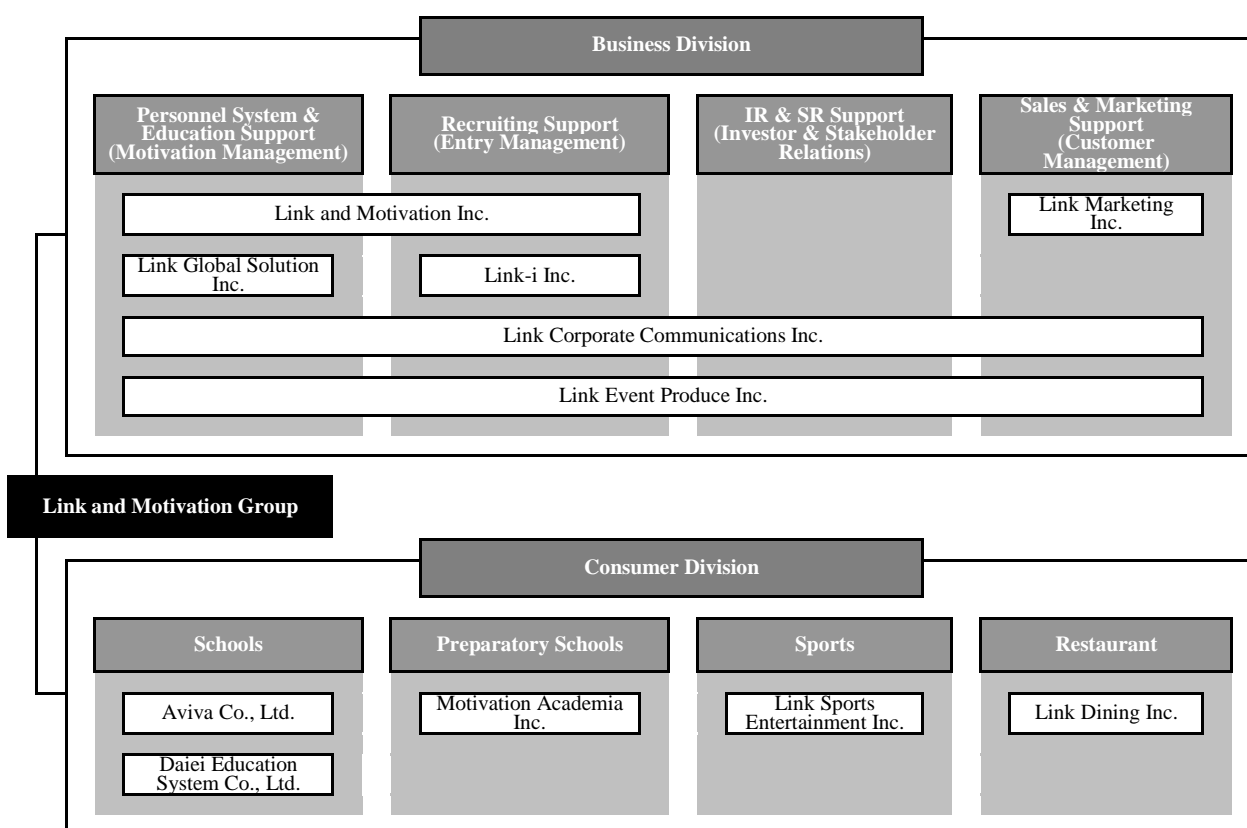
1. Qualitative Information Regarding Results for the Nine Months Ended September 30, 2013

(1) Qualitative Information Regarding Results of Consolidated Operations

During the cumulative third-quarter period of 2013 (January 1, 2013 - September 30, 2013), despite concerns in some quarters about unstable overseas economies and other factors, the Japanese economy was on a recovery track as the yen weakened and stock prices rose against the background of positive expectations for the economic policies of the Abe administration, or “Abenomics.”

The Link and Motivation Group performed well in this economic environment. Consolidated net sales for the nine months ended September 30, 2013 were ¥16,626,733 thousand (a 21.8% increase compared with the same period of the previous year), gross profit was ¥6,410,513 thousand (a 24.0% increase), operating income was ¥837,866 thousand (a 43.3% increase), ordinary income was ¥807,093 thousand (a 41.6% increase), and net income was ¥371,545 thousand (a 34.7% increase).

An overview of results by segment for the nine months ended September 30, 2013 is provided below. The segments of the Link and Motivation Group and respective service areas are as follows.



Business Division

This segment offers one-stop services that support the management and growth of companies by applying the motivation engineering technology essential for corporate innovation to their communication with the various stakeholders of companies including employees, job applicants, shareholders, investors and customers.

Businesses in all fields performed well in the nine months ended September 30, 2013, resulting in substantial gains compared with the same period of the previous year. Segment sales were ¥10,392,342 thousand (a 16.3% increase) and segment income was ¥4,132,280 thousand (a 16.2% increase). An overview of operating results in the nine months ended September 30, 2013 by business field is as follows.

Personnel System & Education Support (Motivation Management Business)

In this business, net sales in the nine months ended September 30, 2013 were ¥2,444,205 thousand (a 2.3% increase) and gross profit was ¥1,605,747 thousand (a 9.1% increase).

This business offers services to create highly motivated organizations including personnel training, organization and system design, corporate vision verbalization and support for its dissemination, and support for corporate events that aim to develop personnel and vitalize organizations.

In the nine months ended September 30, 2013, sales were solid as the business took advantage of the growth trend in corporate budgets for personnel and training. The business maintained high profitability from strong sales of new employee and other training services for large corporations and consulting in areas including building personnel systems and membership services for small and mid-sized companies.

The Personnel System & Education Support business will concentrate on further enhancing its lineup of effective solutions to benefit from more aggressive corporate management and the trend toward larger corporate training budgets as the economy recovers.

Recruiting Support (Entry Management Business)

In the Recruiting Support business, net sales in the nine months ended September 30, 2013 were ¥2,177,400 thousand (a 25.2% increase) and gross profit was ¥1,243,520 thousand (a 30.4% increase).

This business offers recruitment strategy planning services aimed at realizing the best matches between companies and new graduate applicants in the recruitment process, and assistance with the execution of those strategies.

In the nine months ended September 30, 2013, to capture a market environment that is changing from large-scale batch recruiting of new graduates to portfolio recruiting, the Recruiting Support business promoted recruitment strategy planning, consulting on the increasingly complex recruitment process and the new service area of one-stop services for new graduate placement and introduction. As a result, performance was very strong, with substantial increases in the number of customers and sales per customer.

The Recruiting Support business will continue to respond flexibly to changes in the time frame for new graduate recruiting activities and focus on further expanding sales of new graduate placement and introduction services tailored to company requirements.

IR & SR Support (Investor & Stakeholder Relations Business)

In the IR & SR Support business, net sales in the nine months ended September 30, 2013 were ¥490,723 thousand (a 5.0% decrease) and gross profit was ¥244,398 thousand (a 6.4% decrease).

This business provides IR consulting services designed to achieve effective and efficient communication with investors, including annual report production and video distribution of business results briefings.

In the nine months ended September 30, 2013, sales were firm for IR tools, primarily printed media such as shareholder reports. However, sales of the video distribution business fell below the previous year's level, and sales and gross profit both decreased slightly compared with the same period of the previous year.

The IR & SR Support business will anticipate new trends by concentrating on web-based annual reports, IR website packages and other products that leverage web-based creative functions.

Sales & Marketing Support (Customer Management Business)

In the Sales & Marketing Support business, net sales were ¥5,280,012 thousand (a 23.0% increase) and gross profit was ¥1,038,615 thousand (a 19.4% increase). (Note: Because Link Marketing Inc. (formerly Sales Marketing Co., Ltd.) was added to the scope of consolidation from February 2012, its results for January 2012 are not included in results for the same period of the previous year.)

This business is a one-stop source for corporate sales and marketing needs. Services range from consulting, involving the proposal, dissemination, promotion planning and implementation support for corporate brand strategies and proposals for corporate sales strategies, to dispatch and referral services that meet human resource needs at the point of sale.

In the nine months ended September 30, 2013, both net sales and gross profit increased substantially as the business captured rising needs for staff reinforcement, with significant increases in the number of staff dispatched

and the number of customers for temp staffing services for retail apparel stores, major mass merchandisers of home appliances and mobile phone shops, which is a core service.

Using the Link and Motivation Group's motivation engineering technology, this business will create a framework to enable long-term dispatch of personnel who are attractive to customers by nurturing temporary staff and focusing on their long-term dispatch, and setting up a framework to conduct faster and more accurate matching of temp staff with customers.

Consumer Division

In this segment, the Link and Motivation Group applies its core motivation engineering technology to provide services in consumer businesses including schools, preparatory schools, a sporting organization and a restaurant.

With the impact of the acquisition of all the shares of Daiei Education System Co., Ltd. on January 1, 2013, results for the nine months ended September 30, 2013 grew substantially. Segment sales were ¥6,902,664 thousand (a 37.5% increase) and segment income was ¥2,434,602 thousand (a 41.0% increase). An overview of operating results by business field for the nine months ended September 30, 2013 is as follows.

Schools Business/Preparatory Schools Business

In the nine months ended September 30, 2013, net sales were ¥6,465,670 thousand (a 39.5% increase) and gross profit was ¥2,331,497 thousand (a 41.3% increase).

The Schools business offers comprehensive personal computer training courses and courses to acquire qualifications through Aviva Co., Ltd. and newly acquired Daiei Education System. The Preparatory Schools business offers courses to prepare students for school entrance exams and to teach portable skills through preparatory schools managed by Motivation Academia Inc.

In the nine months ended September 30, 2013, sales and gross profit in the Schools business increased substantially with the popularity of a service that allows students to take the qualification courses of Daiei Education System in Aviva personal computer classrooms. In the Preparatory Schools business, the number of students increased significantly due to factors including referrals by registered students who are satisfied with Motivation Academia's instruction performance. Both sales and gross profit therefore increased.

The Schools business will develop a new, motivation-based comprehensive career school by integrating Aviva and Daiei Education System and changing the name of the new corporation to Link Academy Inc. In addition to reducing costs by integrating overlapping schools, head offices and other functions, the new company will conduct total career support that provides students with various courses and employment opportunities to establish a position as a new type of career school that did not exist previously. In addition, the Preparatory Schools business aims to further raise the number of students and build up a track record of performance in instruction.

Sports Business/Restaurant Business

In these businesses, net sales for the nine months ended September 30, 2013 were ¥436,993 thousand (a 12.8% increase) and gross profit was ¥103,105 thousand (a 34.4% increase). Sales and gross profit are recorded in the Sports business by Link Sports Entertainment Inc., which operates a professional basketball team called Link Tochigi Brex, and in the Restaurant business by Link Dining Inc., which operates an Italian restaurant called Link Dining.

In the Sports business, sponsorship income from sponsor companies, which has a high profit margin, increased substantially. As a result, net sales and gross profit both increased substantially compared with same period of the previous year. Going forward, both businesses aim to undertake unique development using motivation engineering.

(2) Qualitative Information Regarding Forecast of Consolidated Results

In light of recent trends in business results, the Company has revised its forecast of consolidated results for 2013 (January 1, 2013 – December 31, 2013), which was announced on February 8, 2013 in its Consolidated Financial Statements for the Year Ended December 31, 2012.

For details, please refer to “Announcement of Revision of Forecast of Consolidated Results,” which was released today (November 8, 2013).

2. Items Regarding Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Newly acquired company Daiei Education System Co., Ltd. was included in the scope of consolidation from the first quarter of 2013.

(2) Application of Accounting Procedures Specific to the Preparation of the Quarterly Consolidated Financial Statements

The Company calculates tax expenses by multiplying pretax net income by a reasonable estimate of the effective tax rate after application of tax effect accounting to pretax net income. The quarterly Consolidated Statements of Operations present income taxes net of deferred income taxes.

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Restatements

1. Change in accounting policies

In accordance with the revision of the Corporation Tax Act of Japan, the depreciation method for property and equipment acquired on or after January 1, 2013 by the Company and its consolidated subsidiaries has been changed to the method under the revised act from the first quarter of 2013.

The impact of this change on operating income, ordinary income, and income before income taxes and minority interests for the nine months ended September 30, 2013 is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen, rounded down to the nearest thousand)

	As of December 31, 2012	As of September 30, 2013
ASSETS		
Current assets		
Cash and deposits	2,467,457	2,184,955
Notes and accounts receivable	2,041,411	2,018,182
Products	57,477	115,809
Goods in process	118,678	136,921
Merchandise and supplies	20,019	22,724
Prepaid expenses	203,513	262,689
Deferred tax assets	93,235	93,600
Short-term loans receivable	331,893	1,143
Accrued corporate tax refund	35,799	11,322
Other	110,351	63,735
Allowance for doubtful accounts	(25,073)	(35,406)
Total current assets	5,454,765	4,875,680
Fixed assets		
Property and equipment		
Buildings and structures	675,267	856,591
Accumulated depreciation	(395,217)	(513,162)
Buildings and structures (net)	280,050	343,428
Vehicles	10,057	8,812
Accumulated depreciation	(9,959)	(8,708)
Vehicles (net)	98	104
Furniture and fixtures	492,590	564,308
Accumulated depreciation	(411,465)	(481,644)
Furniture and fixtures (net)	81,124	82,664
Lease assets	207,832	279,068
Accumulated depreciation	(70,717)	(95,005)
Lease assets (net)	137,114	184,062
Total property and equipment	498,388	610,260
Intangible assets		
Goodwill	2,948,313	3,949,598
Software	179,813	299,978
Other	4,497	3,423
Total intangible assets	3,132,624	4,253,000
Investments and other assets		
Investments in securities	24,585	35,624
Security deposits	1,057,798	1,201,877
Deferred tax assets	69,787	59,420
Claims in bankruptcy	8,489	9,423
Other	65,446	84,076
Allowance for doubtful accounts	(8,489)	(9,423)
Total investments and other assets	1,217,617	1,380,998
Total fixed assets	4,848,629	6,244,259
Total assets	10,303,395	11,119,939

(Thousands of yen, rounded down to the nearest thousand)

	As of December 31, 2012	As of September 30, 2013
LIABILITIES		
Current liabilities		
Accounts	285,079	347,802
Short-term borrowings	292,636	619,951
Long-term debt due within one year	382,440	449,640
Accounts payable	814,107	865,036
Lease obligations	48,723	64,647
Expenses payable	246,012	115,685
Accrued income taxes	238,282	251,247
Accrued consumption taxes	127,969	176,467
Advances received	1,807,892	2,161,589
Accrued bonuses to employees	160,598	181,389
Accrued bonuses to officers	17,043	14,153
Provision for loss on store closure	2,551	1,001
Other	129,895	142,869
Total current liabilities	4,553,232	5,391,483
Long-term liabilities		
Long-term debt	2,037,720	1,849,690
Lease obligations	96,505	130,101
Deferred income taxes	6,824	8,189
Reserve for employee retirement benefits	188,536	—
Asset retirement obligations	45,057	48,247
Other	127,257	280,826
Total long-term liabilities	2,501,902	2,317,055
Total liabilities	7,055,135	7,708,538
NET ASSETS		
Shareholders' equity		
Common stock	979,750	979,750
Additional paid-in capital	734,595	734,595
Retained earnings	2,265,931	2,419,496
Treasury stock	(731,840)	(731,840)
Total shareholders' equity	3,248,436	3,402,001
Cumulative other comprehensive income		
Unrealized gain on securities	(176)	9,399
Total cumulative other comprehensive income	(176)	9,399
Total net assets	3,248,260	3,411,401
Total liabilities and net assets	10,303,395	11,119,939

(2) Consolidated Statements of Operations and Comprehensive Income

Consolidated Statements of Operations

(Thousands of yen, rounded down to the nearest thousand)

	Nine months ended September 30, 2012	Nine months ended September 30, 2013
Net sales	13,656,378	16,626,733
Cost of sales	8,486,221	10,216,219
Gross profit	5,170,157	6,410,513
Selling, general and administrative expenses	4,585,414	5,572,646
Operating income	584,743	837,866
Non-operating income		
Interest income	921	1,612
Dividend income	422	515
Commission fees	5,049	12,107
Other	12,734	6,854
Total non-operating income	19,127	21,089
Non-operating expenses		
Interest expenses	30,037	29,321
Expenses for purchase of treasury stock	2,250	—
Commission fees	—	14,993
Other	1,771	7,548
Total non-operating expenses	34,059	51,862
Ordinary income	569,811	807,093
Extraordinary income		
Gain on termination of retirement benefit plan	—	27,680
Gain on sale of shares of subsidiary	6,406	—
Reversal of provision for loss on store closure	—	6,652
Other	—	736
Total extraordinary income	6,406	35,068
Extraordinary loss		
Loss on disposal of property and equipment	3,214	2,707
Loss on impairment	2,371	17,119
Business structure improvement expenses	—	2,614
Carryover of provision for loss on store closure	2,916	—
Other	—	5,031
Total extraordinary loss	8,503	27,471
Income before income taxes	567,714	814,690
Total income taxes	291,966	443,145
Income before minority interests	275,747	371,545
Net income	275,747	371,545

Consolidated Statements of Comprehensive Income

(Thousands of yen, rounded down to the nearest thousand)

	Nine months ended September 30, 2012	Nine months ended September 30, 2013
Income before minority interests	275,747	371,545
Other comprehensive income		
Unrealized gain (loss) on securities	(1,916)	9,575
Total other comprehensive income (loss)	(1,916)	9,575
Comprehensive income	273,831	381,120
(Attributable to)		
Owners of the parent	273,831	381,120

(3) Notes Regarding Assumption of Going Concern

None applicable

(4) Segment Information

Segment Information

I. Cumulative third quarter of 2012 (January 1, 2012 – September 30, 2012)

1. Sales and income by reportable segment

(Thousands of yen, rounded down to the nearest thousand)

	Reportable Segment			Adjustment (Note 1)	Consolidated
	Business Division	Consumer Division	Total		
Segment sales					
Sales to outside customers	8,760,891	4,895,487	13,656,378	—	13,656,378
Intersegment sales and transfers	177,714	125,464	303,179	(303,179)	—
Total	8,938,606	5,020,952	13,959,558	(303,179)	13,656,378
Segment income (Note 2)	3,556,738	1,727,272	5,284,011	(113,853)	5,170,157

Notes: 1. Adjustments represent elimination of intersegment transactions.

2. Segment income is gross profit.

2. Assets by Reportable Segment

Assets by reportable segment as of September 30, 2012 changed significantly from December 31, 2011. During the cumulative third-quarter period, the Link and Motivation Group added Intec Japan, Inc. and Sales Marketing Co., Ltd. as consolidated subsidiaries, and included the assets of these companies in the Business Division. The addition of consolidated subsidiaries increased Business Division assets by ¥1,741,373 thousand.

3. Loss on Impairment of Fixed Assets and Goodwill by Reportable Segment

(Significant loss on impairment of fixed assets)

None applicable

(Significant changes in goodwill)

In the Business Division, goodwill increased due to the acquisition of Intec Japan, Inc. and Sales Marketing Co., Ltd. In the Consumer Division, goodwill increased due to the acquisition of the shares of Avance Co., Ltd. These events increased goodwill by ¥1,131,928 thousand in the nine months ended September 30, 2012.

(Significant gains on negative goodwill)

None applicable

II. Cumulative third quarter of 2013 (January 1, 2013 – September 30, 2013)

1. Sales and income by reportable segment

(Thousands of yen, rounded down to the nearest thousand)

	Reportable Segment			Adjustment (Note 1)	Consolidated
	Business Division	Consumer Division	Total		
Segment sales					
Sales to outside customers	9,937,573	6,689,160	16,626,733	—	16,626,733
Intersegment sales and transfers	454,769	213,503	668,273	(668,273)	—
Total	10,392,342	6,902,664	17,295,006	(668,273)	16,626,733
Segment income (Note 2)	4,132,280	2,434,602	6,566,882	(156,369)	6,410,513

Notes: 1. Adjustments represent elimination of intersegment transactions.

2. Segment income is gross profit.

2. Assets by Reportable Segment

Assets by reportable segment as of September 30, 2013 changed significantly from December 31, 2012.

During the cumulative third-quarter period, the Link and Motivation Group added Daiei Education System Co., Ltd. as a consolidated subsidiary, and included the assets of this company in the Consumer Division.

The addition of the consolidated subsidiary increased Consumer Division assets by ¥621,520 thousand.

3. Loss on Impairment of Fixed Assets and Goodwill by Reportable Segment

(Significant loss on impairment of fixed assets)

None applicable

(Significant changes in goodwill)

In the Consumer Division, goodwill increased due to the acquisition of Daiei Education System Co., Ltd.

This event increased goodwill by ¥1,280,979 thousand in the nine months ended September 30, 2013.

(Significant gains on negative goodwill)

None applicable

(5) Notes on Significant Changes in Shareholders' Equity

None applicable