Link and Motivation Inc.
Consolidated Financial Information for the Six Months Ended June 30, 2015
(First Half of 2015)



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

First Half of 2015: Presentation Agenda

- Results of Investigation and Verification of Improper Accounting, and Measures to Prevent a Recurrence
- Correction of Consolidated Business Results for Previous Years
- Disciplinary Measures for Parties Involved and Clarification of Accountability
- Announcement of Consolidated Business Results for the Six Months Ended June 30, 2015
- 5. Planned Dividends
- 6. Topics

1

Results of Investigation and Verification of Improper Accounting, and Measures to Prevent a Recurrence

☐ 1-1. Sequence of Events from Discovery of Improper Accounting to Announcement of Business Results

We deeply apologize for the great inconvenience and concern this matter has caused.

- In settling accounts for the second quarter of 2015, we discovered the improper accounting practice of delaying the recording of advertising expenses at consolidated subsidiary Link Academy Inc. (LAI).
- We established an Internal Investigation Committee and began an investigation.
- To conduct an investigation from a more objective and impartial viewpoint, we established a Special Investigation and Verification Committee made up mainly of external experts, and it began work.
- The Special Investigation and Verification Committee investigated and verified that there were no similar improper accounting practices at Group companies other than LAI.

1-2. Findings of the Special Investigation and Verification Committee

Results of Investigation and Verification of Improper Accounting Practices at LAI

- To divide up the total balance of outlays for advertising expenses, Director A of LAI acted on his
 own authority to intentionally delay the recording of expenses (in order to circumvent a decrease in
 the annual budget for advertising).
- It was established that the same improper accounting practices were used at LAI not only in the second quarter of 2015, but multiple times dating back to the first quarter of 2014.
- The improper accounting practices were not prevented beforehand due to a breakdown in internal controls at LAI, which is a new company formed by the merger of Aviva Co., Ltd. and Daiei Education System Co., Ltd on December 31, 2013.
- Please note that no evidence was found of kickbacks from suppliers to the relevant director.

Result of Investigation and Verification of Improper Accounting Practices at Other Group Companies

No similar improper accounting practices were identified at Group companies other than LAI.

3. Measures to Prevent a Recurrence, Corresponding to Factors in the Occurrence of the Improper Accounting Practices

Factors in Occurrence

- 1 Noncompliance with the approval process at LAI
- ② Unsatisfactory internal control of the purchasing process at LAI
- Weak checks and balances on LAI's management and disbursement departments
- Weak awareness of compliance among LAI's officers and employees
- (5) Insufficient scope of evaluation of the internal control and reporting system (J-SOX) at LAI

Note: Internal controls listed as ineffective in 2014 in the "Amended Internal Control Report"

Measures to Prevent a Recurrence

- 1 Thorough compliance with the approval process (training) and monitoring of approval at LAI
- 2 Rapid introduction of the Group's shared core system at LAI and review of the purchasing process
- ③ Strengthen checks and balances on LAI's management and disbursement departments
 ⇒ Same throughout the Link and Motivation Group
- Conduct training, etc., to improve awareness of compliance among LAI's directors and employees
 ⇒ Same throughout the Link and Motivation Group
- 5 Strengthen and expand internal auditing at LAI⇒ Same throughout the Link and Motivation Group

- We will thoroughly implement measures and expand their scope throughout the LM Group to prevent recurrence.
- We plan to complete implementation of all measures during 2015. Some are already under way.

2

Correction of Consolidated Business Results for Previous Years

2-1. Summary of Corrections to Business Results for Previous Years

We used the investigation as an opportunity to correct improper accounting practices and other errors in our business results for previous years.

Main Factors in the Corrected Amounts

- 1 Impact of items found by the Special Investigation and Verification Committee
- ② Impact of reflecting uncorrected errors in previous years
- 3 Impact of correcting a newly discovered error

(¥ million)

	2013		2014		1Q 2015		Total					
	Before Correction	After Correction	Amount of Correction									
Sales	22,383	22,383		28,873	28,873		7,720			58,978	58,978	
Gross Profit	8,742	8,658	-83	10,273	10,356	83	2,573	2,529	-44	21,589	21,544	-44
Operating Income	1,558	1,474	-83	1,669	1,751	82	78	33	-45	3,306	3,260	-46
Ordinary Income	1,510	1,427	-83	1,583	1,665	82	65	20	-45	3,159	3,113	-46
Net Income	832	793	-38	931	950	19	27	21	-6	1,791	1,765	-26
Net Assets	3,794	3,755	-38	6,854	6,834	-19	6,759	6,733	-26	_	_	
Total Assets	10,371	10,320	-50	17,921	17,896	-24	17,853	17,829	-24	_	_	_

 The cumulative impact on operating income from 2013 to the first quarter of 2015 was approximately ¥46 million.

□ 2. Breakdown of Corrections 1: Impact of Items Found by the Special Investigation and Verification Committee

The impact of improper accounting practices and errors made by LAI that were found by the Special Investigation and Verification Committee are as shown below.

(Presented in units of thousands of yen for accuracy.)

(¥ thousand)

		20	2015	Total		
	1Q	2Q	3Q	4Q	1Q	Total
Operating Income	-151,377	-119,446	-45,487	-1,150	755	-394

(Quarterly figures are cumulative.)

- The cumulative impact of improper accounting practices and errors on operating income was ¥1,150 thousand for 2014 and ¥394 thousand in total.
- Revision of the valuation of the shares of LAI's subsidiary was deemed unnecessary.

2-3. Breakdown of Corrections 2: Impact of Reflecting Uncorrected Errors in Previous Years

In addition to correcting improper accounting practices, etc.,
we corrected errors due to omissions in deduction of unrealized gain upon consolidation.

The impact of the errors is as shown below.

(Presented in units of thousands of yen for accuracy.)

(¥ thousand)

	2013				2014				Total
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Total
Gross Profit	-23,579	-4,757	-20,128	-83,214	-50,279	83,214	83,214	83,214	_

(Quarterly figures are cumulative.)

- There were omissions in deduction of unrealized gain upon consolidation in 2013 and the first quarter of 2014.
- We used the correction of the business results from previous years due to the improper accounting practices, etc., as an opportunity to correct the errors on omission in deduction of unrealized gain upon consolidation.
- Although the amounts have been changed, there is no impact on gross profit for the cumulative period from 2013 to 2014.

4. Breakdown of Corrections 3: Impact of Correcting a Newly Discovered Error

In addition to correcting improper accounting practices, etc., we corrected an error due to overstatement of goods in process at LMI.

The impact of the error is as shown below.

(Presented in units of thousands of yen for accuracy.)

(¥ thousand)

	2015	Total
	1Q	
Gross Profit	-44,234	-44,234

(Quarterly figures are cumulative.)

- In the process of settling accounts for the second quarter of 2015, an error was found that resulted from an overstatement of goods in process of Link and Motivation Inc. (LMI), which was recorded in the first quarter of 2015.
- The cumulative negative impact on gross profit up to the first quarter of 2015 was approximately ¥44 million, and there was no impact in 2014 or earlier.

2-5. Summary of Corrections to Business Results for Previous Years (Repeated)

We used the investigation as an opportunity to correct improper accounting practices and other errors in our business results for previous years.

Main Factors in the Corrected Amounts

- Impact of items found by the Special Investigation and Verification Committee
- 2 Impact of reflecting uncorrected errors in previous years
- 3 Impact of correcting newly discovered errors

(¥ million)

	2013			2014			1Q 2015		
	Before Correction	After Correction	Amount of Correction	Before Correction	After Correction	Amount of Correction	Before Correction	After Correction	Amount of Correction
Sales	22,383	22,383	_	28,873	28,873	_	7,720	7,720	_
Gross Profit	8,742	8,658	-83	10,273	10,356	83	2,573	2,529	-44
Operating Income	1,558	1,474	-83	1,669	1,751	82	78	33	-45
Ordinary Income	1,510	1,427	-83	1,583	1,665	82	65	20	-45
Net Income	832	793	-38	931	950	19	27	21	-6
Net Assets	3,794	3,755	-38	6,854	6,834	-19	6,759	6,733	-26
Total Assets	10,371	10,320	-50	17,921	17,896	-24	17,853	17,829	-24

 As a result of the corrections, there was no change in sales for either year. Gross profit and items below it on the income statement have been adjusted downward for 2013, upward for 2014, and downward for the first quarter of 2015.

Disciplinary Measures for Parties Involved and Clarification of Accountability

3. Disciplinary Measures for Parties Involved and Clarification of Accountability

1. Disciplinary Measures for Parties Involved

- Directly involved Director A
 Dismissal as of September 14
- Indirectly involved employees
 Strict disciplinary measures based on company rules

2. Clarification of Accountability

The following managers will voluntarily return a portion of their compensation as officers to clarify accountability.

Link and Motivation Inc.

Chairman and Representative Director	Yoshihisa Ozasa	30% of compensation for 3 months
President and Representative Director	Hideki Sakashita	30% of compensation for 3 months
Director	Shunichi Ono	30% of compensation for 3 months

Link Academy Inc.

President and Representative Director	30% of compensation for 3 months
Directors other than directly involved Director A	10% of compensation for 3 months

- Director A of LAI, who was directly involved in the improper accounting practices, will be dismissed and disciplinary measures will also be taken against indirectly involved employees.
- Officers of the parent company Link and Motivation Inc. and officers of Link Academy Inc. will voluntarily return a portion of their compensation.

4

Announcement of Consolidated Business Results for the Six Months Ended June 30, 2015

4-1. Link and Motivation Group Operating Structure



4-2. Overview of Business Structure

LM Group

Business Division

- **1** Organizational & Personnel Consulting Business
- 2 Event & Media Business
- ③ Recruiting & Temp Agency Business
- **4** ALT Placement Business

Organizational/personnel consulting focused on employee motivation

⇒ Offers organizational diagnostics, education and training, HR system building, recruiting consulting, etc.

Event planning and management/media production focused on organizational communication

⇒ Offers anniversary events, recruiting events, PR/IR tools, webcasting, etc.

Recruiting/temp staffing to meet corporate HR needs

⇒ Offers recruitment of new graduates/mid-career hires, temp staffing for sales and clerical workers, etc.

Dispatch of ALTs to meet <u>needs for teachers at educational institutions</u>

⇒ Offers ALT dispatch/contracts for elementary/secondary schools throughout Japan

Consumer Division

- **5 Schools Business**
- **6** Entertainment 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

Providing entertainment with the concept of "creating quality of life" for individuals

⇒ Management of Link Tochigi Brex basketball team, Link Dining restaurant

4-3. Statements of Operations (Results/YoY Change)

(¥ million)	1H 2014 Results	1H 2015 Results	YoY Change
Net Sales	13,203	15,969	+21.0%
Operating Income	566	504	-10.9%
Ordinary Income	540	480	-11.1%
Net Income	173	216	+24.7%

- Net sales increased substantially YoY due to the addition of Interac to the scope of consolidation and strong performance by the Business Division.
- Costs increased with the growth of Interac and other businesses with a high cost ratio. In addition, SG&A
 expenses (office/system expenses) rose temporarily, and as a result, operating income and ordinary income
 decreased YoY.
- On the other hand, <u>net income increased substantially YoY</u> due to a large extraordinary loss on closure or consolidation of schools in 2014 and large extraordinary income from relocation of schools in 2015.
- Operating income for the first half fell short of the planned ¥630 million, for an achievement rate of 80%.

4-5. Sales and Gross Profit by Segment (Results/YoY Change)

(¥ million) [Gross profit in brackets]		1H 2014 Results	1H 2015 Results	YoY Change
Business	Sales	9,434	12,560	+33.1%
Division	Gross Profit	[3,673]	[4,081]	+11.1%
Consumer	Sales	4,337	4,015	-7.4%
Division	Gross Profit	[1,480]	[1,583]	+7.0%

- In the Business Division, <u>sales increased substantially. Gross profit increased YoY</u>, but not at the same rate as sales. (Contribution from the addition of Interac Co., Ltd. to the scope of consolidation and firm performance by other businesses.)
- In the Consumer Division, <u>sales decreased YoY but gross profit increased YoY.</u> (Contribution from closure or consolidation of unprofitable locations in the Schools Business.)

4-6. Business Division: Sales and Gross Profit by Business (Results/YoY Change)

	(¥ million) [Gross profit in brackets]	1H 2014 Results	1H 2015 Results	YoY Change
1	Organizational & Personnel	3,044	3,394	+11.5%
	Consulting Business	[1,843]	[1,797]	-2.5%
②	Event & Media Business	1,577	1,619	+2.7%
	Everil & iviedia busilless	[523]	[409]	-21.8%
3	Recruiting & Temp	3,675	3,854	+4.9%
3	Agency Business	[820]	[952]	+16.1%
4 ALT F	ALT Discoment Business*	2,244	4,829	+115.2%
	ALT Placement Business*	[589]	[1,281]	+117.2%

^{*} ALT (Assistant Language Teacher): Foreign language teaching assistant in elementary and middle schools

2014 results are for April-June 2014. (Figures for 2014 have been corrected.)

- 1 In the Organizational & Personnel Consulting Business, sales increased substantially but gross profit decreased slightly YoY due to an increase in outsourcing costs.
- The Event & Media Business captured media needs in the advertising and IR fields, and sales increased. Due to a decline in the number of major events held in the recruiting field, gross profit decreased substantially.
- 3 The Recruiting & Temp Agency Business captured corporate needs to increase personnel, and <u>sales increased</u> and gross profit increased substantially.
- 4 In the ALT Placement Business, sales and gross profit both grew steadily as the number of instructors increased smoothly.

4-7. Business Division: Product Sales by Business (Results/YoY Change)

Р	roduct	(¥ million)	1H 2014	1H 2015	YoY Change
① Organizational & Personnel Consulting Business			3,044	3,394	+11.5%
	Databa	se	175	198	+13.1%
	Packag	je	1,112	1,320	+18.7%
	Consulting		1,463	1,282	-12.4%
	Outsou	rcing	226	524	+131.7%
	Membe	er services	67	70	+4.2%
Event &	Media I	Business	1,577	1,619	+2.7%
	Event p	production	1,162	1,085	-6.6%
	Media _I	oroduction	415	534	+28.7%

Prod	duct (¥ million)	1H 2014	1H 2015	YoY Change
	3 Recruiting & Temp Agency Business		3,854	+4.9%
	New graduates	255	322	+26.3%
	Mid-career	30	48	+62.2%
	Store temp staff	3,007	2,908	-3.3%
	Office temp staff	15	281	+1,715.7%
	Sales temp staff	100	67	-33.4%
	Contract sales	268	228	-15.0%
(4)	Γ Placement siness	2,244	4,829	+115.2%

- 1 In the Organizational & Personnel Consulting Business, <u>package sales increased substantially</u> due to stronger promotion of sales of training for managers. <u>Outsourcing sales increased substantially YoY</u> as a result of capturing corporate needs for outsourcing recruiting operations.
- In the Event & Media Business, event production sales decreased YoY due to a decrease in recruiting events. Media production sales increased substantially YoY as a result of a capturing needs for visual media applications in the advertising and IR fields.
- In the Recruiting & Temp Agency Business, new graduate and mid-career hiring, which have been areas of focus, increased substantially YoY. Office temp staff increased substantially YoY due to success in strengthening links with the Schools Business in the Consumer Division.

4-8. Consumer Division: Sales and Gross Profit by Business (Results/YoY Change)

(¥ million) [Gross profit in brackets]	1H 2014 Results	1H 2015 Results	YoY Change
© Schoole Rusiness	3,992	3,629	-9.1%
5 Schools Business	[1,338]	[1,429]	+6.8%
6 Entertainment Business	360	401	+11.2%
	[146]	[159]	+8.7%

(Figures for 2014 have been corrected.)

- In the Schools Business, sales decreased YoY but gross profit increased as the number
 of schools was reduced from 128 on June 30, 2014 to 108 on June 30, 2015 through
 the closure/consolidation of unprofitable locations.
- In the Entertainment Business, sales increased substantially YoY and gross profit increased due to the positive impact of the Link Tochigi Brex's successful season.

4-9. Consumer Division: Product Sales by Business (Results/Composition)

Products		1H 2014		1H 2015		YoY	
	[Gross profit in brackets]		Results	% of total	Results	% of total	Change
Schools Business		3,992		3,629		-9.1%	
		[1,338]		[1,429]		+6.8%	
		PC courses	2,085	52%	1,769	49%	-15.2%
		Civil servant courses	457	11%	465	13%	+1.8%
		Accounting courses	368	9%	284	8%	-22.8%
		National exam courses	236	6%	237	7%	+0.4%
		Corporate training, etc.	379	9%	591	16%	+55.9%
		Sales of educational materials, etc.	219	5%	159	4%	-27.4%
		Sales of tests, etc.	104	3%	43	1%	-58.7%
		Preparatory schools	140	4%	78	2%	-44.5%
6	6 Entertainment Business		360	_	401	_	+11.2%
			[146]		[159]		+8.7%

- Overall decrease in sales due to the impact of closure/consolidation of schools. We are rebalancing our product
 mix by strategically reducing the ratio of PC courses. Sales of civil servant courses were firm and increased YoY.
- PC courses for new employees, offered in coordination with the Business Division, performed well and corporate training, etc. <u>increased substantially YoY.</u>
- Preparatory schools <u>decreased substantially YoY</u> with the impact of the strategic withdrawal from the Kashiwa School.

4-10. Consolidated SG&A Expenses (Results/YoY Change)

(¥ million)	1H 2014 Results	1H 2015 Results	YoY Change
Personnel Expenses	1,781	2,070	+16.2%
Recruiting, Training and Welfare Expenses	210	249	+18.4%
Rent	290	332	+14.6%
Office and System Expenses	392	503	+28.2%
Sales-related Expenses	955	1,034	+8.3%
Transportation and Other Expenses	345	419	+21.4%
Amortization of Goodwill	310	366	+18.2%
Total SG&A Expenses	4,286	4,977	+16.1%

- Substantial YoY increase overall due to addition of Interac Co., Ltd.
- Temporary increase in office and system expenses due to establishment of consolidated offices in Osaka and Hiroshima to promote synergy among Group businesses, and renewal of core systems.

4-11. Consolidated Balance Sheets (Results/YoY Change)

(¥ million)	Dec. 31, 2014	June 30, 2015	Change
Current Assets	6,198	6,294	+95
Property and Equipment	11,687	12,152	+465
Assets Carried Over	10	8	-2
Total Assets	17,896	18,455	+559
Current Liabilities	7,785	8,712	+927
Long-term Liabilities	3,276	2,937	-339
Net Assets	6,834	6,805	-29
Total Liabilities and Net Assets	17,896	18,455	+559

- Property and equipment increased substantially due to the establishment of consolidated offices and renewal of core systems.
- <u>Current liabilities increased substantially</u> due to short-term borrowings for funds to pay taxes.
- Long-term liabilities decreased steadily due to the regular repayment of long-term debt.
- The net worth ratio <u>decreased slightly</u> from 38.2% to 36.9%.



- Dividend Policy for 2015
 - Dividends paid quarterly
- Scheduled Second-Quarter Dividend for 2015
 - A dividend of 110 yen is scheduled to be paid on Wednesday, September 30

Note: Dividend distribution date changed from Friday, September 25.

	First Quarter (Actual)	Second Quarter (Scheduled)	Third Quarter (Scheduled)	Fourth Quarter (Scheduled)
Dividend per unit	110 yen	110 yen	110 yen	110 yen



6-1. Topic 1: Steady Expansion of Incubation Business

1 RichMedia Co., Ltd.



2 Uchinavi, Ltd.



3 AgentGate, Inc.



4 FROM SCRATCH Co., Ltd. FROM SCRATCH



5 Akatsuki Inc.



6 FiNC inc.



7 Neo Career Co., Ltd.



8 Leading Mark, Inc.



9 schoo Inc.



10 raksul, Inc.



nenoveru co., ltd.



New Investment July 8

12 LiB, Inc.



Business: Job-change support for upper-echelon female employees

New Investment July 10

13 PLAN-B co., Ltd.

PLAN-B co.,Ltd

Business: Web consulting centered on SEO

New Investment July 15

(14) Innovation Inc.

INNOVATION

Business: Marketing support specializing in B2B

- Investment completed in three new investments: LiB, Inc., PLAN-B co., Ltd. and Innovation Inc.
- We will continue to invest in growing venture companies, with a targeted investment rate of 3% to 10%, and provide support in the areas of organization and personnel.

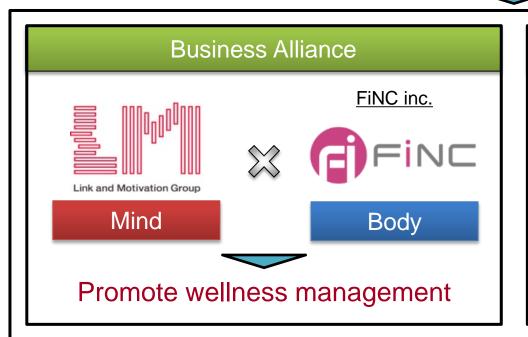
6-2. Topic 2: Development of Wellness Survey to Promote Wellness Management

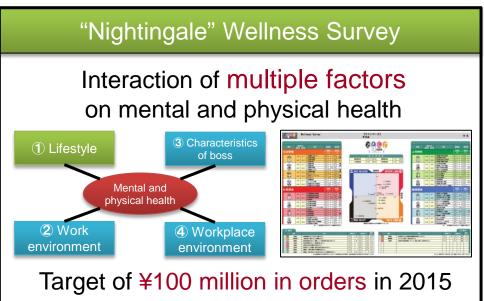
Abe Administration's Japan Revitalization Strategy

"Extend the healthy life expectancy of the Japanese people"



- Chosen for the Health and Productivity Stock Selection
- Mandatory stress checks for employees from December





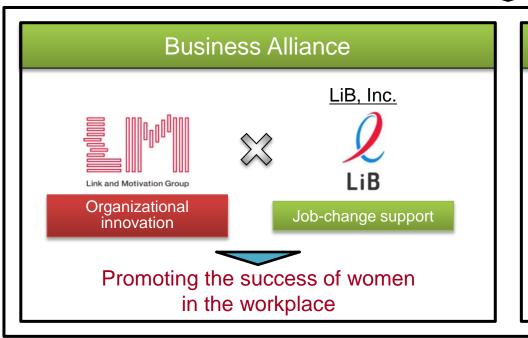
Completed development of a wellness survey that ascertains factors that promote and inhibit wellness in order to improve employees' mental and physical health, and began sales in August.

6-3. Topic 3: Development of Diagnostic Tool to Promote the Success of Women in the Workplace

Issues to prepare for the aging society are securing adequate workforce and long-term personnel



Women are forced to leave work or interrupt their careers for childbirth, childrearing, etc.





Target of orders from 50 companies in 2015

- Start of efforts to create companies where women don't have to interrupt their careers.
- Promotion of the creation of companies where diverse women can play active roles, led by Link and Motivation.

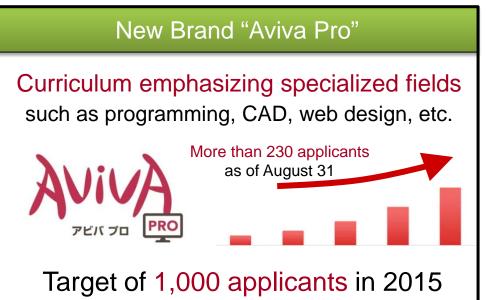
6-4. Topic 4: Release of "Aviva Pro" to Cultivate IT Professionals

87% of IT companies think there is a personnel shortage.



People think there are high hurdles to acquiring IT skills.





- Start of a new brand emphasizing specialized fields to capture growing need for IT personnel.
- Support for people who want to work in IT by combining training and employment.

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