

# Consolidated Financial Statements for the Three Months Ended March 31, 2014

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

May 9, 2014

Link and Motivation Inc.  
3-7-3 Ginza, Chuo-ku, Tokyo 104-0061  
<http://www.lmi.ne.jp>

Stock exchange listing: Tokyo, First Section  
Code number: 2170

Representative: Yoshihisa Ozasa, President and Representative Director

Contact: Shunichi Ohno, Managing Executive Officer and

Manager of Corporate Design Division

Phone: +81-3-3538-8558

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

May 9, 2014

Start of distribution of dividends (scheduled):

June 25, 2014

Supplementary documents for quarterly results:

No

Quarterly results briefing:

No

(Amounts are rounded down to the nearest million.)

## 1. Consolidated Results for the Three Months Ended March 31, 2014

(January 1, 2014 - March 31, 2014)

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

	Net sales (¥ million)	Change (%)	Operating income (¥ million)	Change (%)	Ordinary income (¥ million)	Change (%)
Three months ended March 31, 2014	5,344	(4.0)	271	18.2	262	17.6
Three months ended March 31, 2013	5,565	28.0	229	44.4	223	43.0

	Net income (¥ million)	Change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Three months ended March 31, 2014	81	1.1	0.84	—
Three months ended March 31, 2013	80	12.9	0.83	—

Notes: 1. Comprehensive income: For the three months ended March 31, 2014: ¥80 million (-8.4%)

For the three months ended March 31, 2013: ¥87 million (+20.9%)

- The Company implemented stock splits of 2 shares for each 1 share of common stock with effective dates of May 1, 2013 and December 1, 2013. Earnings per share have been calculated as though the stock splits had occurred at the beginning of the previous fiscal year.
- The Company implemented a stock split of 100 shares for each 1 share of common stock with an effective date of April 1, 2014. Earnings per share have been calculated as though the stock split had occurred at the beginning of the previous fiscal year.

## (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)
As of March 31, 2014	10,425	3,788	36.3
As of December 31, 2013	10,371	3,794	36.6

(Reference) Net worth As of March 31, 2014: ¥3,788 million As of December 31, 2013: ¥3,794 million

## 2. Dividends

	Dividends per share				
	1st Qtr.	Interim	3rd Qtr.	Year-end	Full-year
2013	300.00	150.00	150.00	90.00	—
2014	90.00				
2014 (est.)		0.90	0.90	0.90	—

Notes: 1. Revision of dividend forecast during the quarter: No

- The Company implemented stock splits of 2 shares for each 1 share of common stock with effective dates of May 1, 2013 and December 1, 2013. Dividends per share for 2013 take the effect of this stock split into account.
- The Company has resolved to implement a stock split of 100 shares for each 1 share of common stock with an effective date of April 1, 2014. Dividends per share for 2014 take the effect of this stock split into account.

### 3. Forecast of Results for 2014 (January 1, 2014 - December 31, 2014)

(Percentages represent change compared with the previous interim period or fiscal year, as applicable.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Interim period	—	—	—	—	—	—	—	—	—
Full-year	30,800	37.6	2,120	36.1	2,080	37.7	1,100	32.2	11.35

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

2. The Company has resolved to implement a stock split of 100 shares for each 1 share of common stock with an effective date of April 1, 2014. The forecast for earnings per share takes the effect of this stock split into account.

#### Notes

- (1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries due to Changes in the Scope of Consolidation): No  
Added: –  
Removed: –
- (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: No  
(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)  
Three months ended March 31, 2014: 107,968,000; Year ended December 31, 2013: 107,968,000  
(b) Number of treasury shares at the end of the period:  
Three months ended March 31, 2014: 11,088,000; Year ended December 31, 2013: 11,088,000  
(c) Average number of shares outstanding (cumulative with earlier quarters):  
Three months ended March 31, 2014: 96,880,000; Three months ended March 31, 2013: 96,880,000

Notes:

1. The Company implemented stock splits of 2 shares for each 1 share of common stock with effective dates of May 1, 2013 and December 1, 2013. The number of shares for the three months ended March 31, 2013 takes the effect of these stock splits into account.
2. The Company implemented a stock split of 100 shares for each 1 share of common stock with an effective date of April 1, 2014. The number of shares for the three months ended March 31, 2013, the year ended December 31, 2013 and the three months ended March 31, 2014 take the effect of this stock split into account.

#### \* Presentation of Implementation Status of Quarterly Review Procedures

- These “Consolidated Financial Statements for the Three Months Ended March 31, 2014” 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.

Contents of Attachments

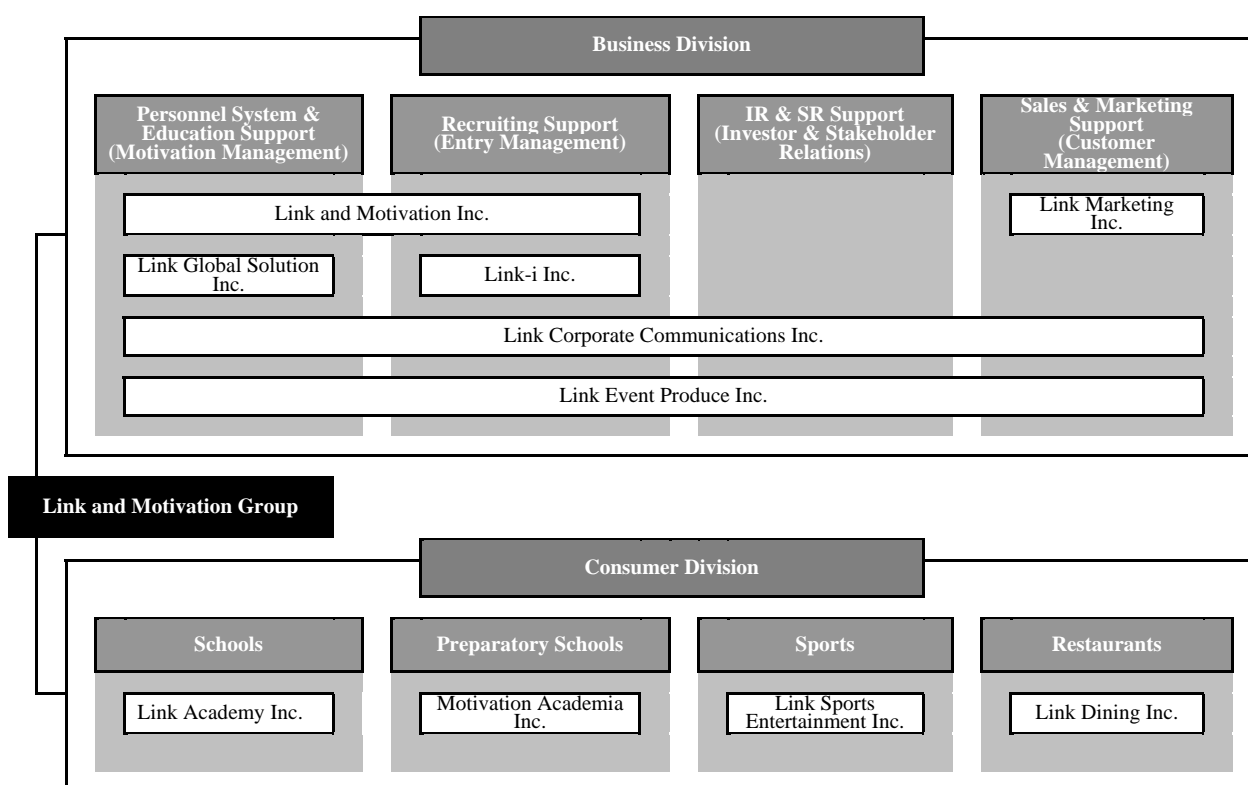
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## 1. Qualitative Information Regarding Results for the Three Months Ended March 31, 2014

### (1) Commentary on Results of Operations

During the first quarter of 2014 (January 1, 2014 - March 31, 2014), despite some concerns about overseas economies and other factors, the Japanese economy recovered and expanded, as improvement in corporate performance led to growth in employment against the backdrop of the government's fiscal policy and the Bank of Japan's monetary policy, and last-minute consumption ahead of the increase in the consumption tax rate became apparent. In this operating environment, net sales and each level of income of the Link and Motivation Group were generally firm for the first quarter, as net sales decreased slightly compared with the same period of the previous year but operating income and ordinary income increased substantially. Consolidated net sales for the first quarter of 2014 were ¥5,344,892 thousand (a 4.0% decrease compared with the same period of the previous year), gross profit was ¥2,168,222 thousand (a 2.2% increase), operating income was ¥271,130 thousand (an 18.2% increase), ordinary income was ¥262,448 thousand (a 17.6% increase), and net income was ¥81,470 thousand (a 1.1% increase).

An overview of results by segment and field for the first quarter of 2014 is provided below. The segments of the Link and Motivation Group and respective service fields are as follows.



### Business Division

This segment offers one-stop services that support the management and growth of companies by applying our core “motivation engineering” technology to their communication with stakeholders such as employees, job applicants, shareholders, investors and customers.

The division performed solidly overall, and sales and gross profit grew steadily in every field with the exception of sales in the IR & SR Support field. As a result, first quarter segment sales and income both increased compared with the same period of the previous year. Segment sales were ¥3,572,697 thousand (a 1.6% increase) and segment income was ¥1,681,581 thousand (an 18.7% increase). An overview of operating results in the first quarter of 2014 by service field is as follows.

### **Personnel System & Education Support (Motivation Management Field)**

In the Motivation Management field, sales in the first quarter were ¥743,122 thousand (a 3.9% increase) and gross profit was ¥593,652 thousand (a 22.4% increase).

This business field offers services for personnel training and organization and system design aimed at creating highly motivated organizations. The field also provides support for verbalization and diffusion of corporate visions and support for conducting corporate events to develop personnel and vitalize organizations.

In the first quarter, in response to the trend of increasing corporate budgets for personnel and training, the Motivation Management field focused on expanding sales of standardized packaged training products that bring together motivation engineering technologies and promoting sales of support for organizational revitalization through measures such as anniversary events, which were newly added to the product lineup. As a result of the smooth progress of these measures and an increase in high-profit-margin packaged products in the composition of sales, the field increased profitability.

The Motivation Management business field will respond to the increase in corporate budgets for investment in personnel associated with the recovery in business conditions by further promoting sales of packaged products and expanding its one-stop services that range from recruiting to training.

### **Recruiting Support (Entry Management Field)**

In the Entry Management field, sales in the first quarter were ¥918,725 thousand (a 1.3% increase) and gross profit was ¥693,342 thousand (a 17.4% increase).

This business field offers services related to planning and execution of recruitment strategies aimed at realizing the best matches between companies and applicants in the recruiting stage.

In the first quarter, the Entry Management field focused on promoting sales of recruiting consulting services and expanding its recruiting and introduction services for new university graduates in response to the trend of increasing corporate budgets for personnel and training, as well as a market environment that is changing from large-batch recruiting of new graduates to portfolio recruiting that seeks to place diverse individuals in the most appropriate positions. As a result of favorable progress in various measures to increase the ratio of sales of high-profit-margin products, the field improved profitability and achieved solid results.

The Entry Management business field will respond flexibly to changes in general conditions, such as the change in the time frame for new graduate recruiting activities, to strengthen its services in order to achieve the best match between customers and applicants, in addition to focusing on further promoting sales of new graduate recruiting and introduction services.

### **IR & SR Support (Investor & Stakeholder Relations Field)**

In the Investor & Stakeholder Relations field, sales in the first quarter were ¥108,360 thousand (an 8.9% decrease) and gross profit was ¥38,269 thousand (an 18.0% increase).

This business field provides services designed to achieve effective and efficient communication with investors, including annual report production and webcasts of business results briefings.

Due to the impact of a slight contraction of the overall IR market with the trend toward a decrease in the number of listed companies, annual reports fell below the level of the first quarter of the previous year, but with the successful promotion of sales of high-profit-margin webcast services, sales decreased and gross profit increased compared with the same period of the previous year.

The Investor & Stakeholder Relations business field will work to capture the trend of rising needs for tools for individual investors and focus on improving web-related services.

### **Sales & Marketing Support (Customer Management Field)**

In the Customer Management field, sales in the first quarter were ¥1,802,489 thousand (a 1.6% increase) and gross profit was ¥356,317 thousand (a 15.3% increase).

This business field provides one-stop personnel procurement services in the field of corporate sales and marketing, centered on temp staffing and personnel introductions for sales and marketing positions.

In the first quarter, sales and gross profit both increased. Although high-cost contract advertising services fell below the level of the first quarter of the previous year, the field captured rising needs for corporate personnel reinforcement and increased the number of working staff for temp services in the core service areas of retail apparel stores and elsewhere.

The Customer Management business field will continue its previous business policy of focusing on using the Link and Motivation Group's "motivation engineering" technology to train temp staff and lengthen their period of employment, in addition to setting up a system for faster and more accurate matching of customers and staff, and a system for long-term dispatch of personnel who are attractive to customers. In addition, the field will concentrate on rapidly establishing a new business model by further promoting initiatives to provide employment opportunities to customers in the Schools field.

### **Consumer Division**

In this segment, the Link and Motivation Group applies its core "motivation engineering" technology to provide services to consumer businesses including schools, preparatory schools and sports.

Segment sales for the first quarter were ¥2,129,497 thousand (a 4.5% decrease) and segment income was ¥716,299 thousand (a 2.8% decrease). An overview of operating results by service field for the first quarter of 2014 is as follows.

### **Schools Field/Preparatory Schools Field**

In the first quarter, sales were ¥1,970,169 thousand (a 3.1% decrease) and gross profit was ¥666,003 thousand (a 2.9% decrease).

In the Schools field, Aviva Co., Ltd. and Daiei Education System Co., Ltd. merged on December 31, 2013 to establish Link Academy Inc., which operates "a total career school based on motivation," to provide total support for career improvement through personal computer training courses, acquisition of qualifications, and other means. The Preparatory Schools field offers courses to prepare students for school entrance exams and to teach portable skills through preparatory schools managed by Motivation Academia Inc.

Currently, the Schools field aims to transform itself into a business structure with a low break-even point by reducing costs through measures such as closure or consolidation of unprofitable and adjacent locations, consolidation of management divisions and more effective planning. As a result, sales and gross profit for the first quarter both decreased due to the decline in students resulting from proactive closure and consolidation of schools. In the Preparatory Schools field, sales and gross profit both increased with the increase in the number of students due to factors including introductions by existing students against the background of Motivation Academia's instruction performance.

The Schools field will establish a position as a type of career school that did not previously exist, with total support ranging from career guidance to providing employment opportunities, in addition to support for skills for a better career through various personal computer, qualification and language courses. At the same time, it will aim to further improve profitability by promoting consolidation of functions. In addition, the Preparatory Schools field aims to further raise the number of students by building its track record of performance in instruction and expanding locations.

### **Sports Field/Restaurant Field**

In these fields, sales for the first quarter were ¥159,328 thousand (a 19.7% decrease) and gross profit was ¥50,295 thousand (a 1.7% decrease). Sales and gross profit are recorded in the Sports field by Link Sports Entertainment Inc., which operates a professional basketball team called Link Tochigi Brex, and in the Restaurant field by Link Dining Inc., which operates an Italian restaurant called Link Dining.

In the first quarter, the Sports field aimed to improve its earnings structure by reducing personnel expenses for

players. As a result, sponsorship income decreased slightly with the release of players to reduce personnel expenses, in addition to a decrease in sponsorship income on a monthly basis due to the extension of the season. Consequently, both sales and gross profit decreased. Going forward, both businesses aim to undertake unique development using motivation engineering.

## **(2) Commentary on Consolidated Performance Forecast and Other Information on Outlook**

### **Change in Business Classifications**

From the second quarter onward, the Company plans to change its business classifications. An overview by segment and by business is as shown below. Please note that the classification of segments is unchanged, and Interac Co., Ltd. is included in the Business Division.

### **Business Division**

The Business Division conducts operations with corporations such as companies and schools as its customers. It helps to improve their organizational capabilities using “motivation engineering,” which is the core technology of the Link and Motivation Group. The Business Division is further divided into four fields: (1) the Organizational & Personnel Consulting business; (2) the Event & Media business; (3) the Recruiting & Temp Agency business; and (4) the ALT Placement business.

#### **(1) Organizational & Personnel Consulting Business**

This business has been operating since the establishment of the Company in 2000. It acts under the concept of producing numerous “motivation companies” in which employee motivation is a company’s growth engine. As its method of providing services, the business diagnoses the state of a company’s motivation based on its original diagnostic framework and offers various one-stop solutions for innovations related to organizations and personnel, including recruiting, training, framework and corporate culture. The business is putting its efforts into developing product packages that are not personalized, and arranges training products by job rank and theme. Recently, it has been emphasizing global personnel training and conducts consulting for global personnel training using the expertise of Interac Co., Ltd., which the Company has acquired.

#### **(2) Event & Media Business**

This business offers solutions that vitalize communications inside and outside companies to create motivation companies. Under the idea that an organization is a structure for communication, the business creates forums and media that are sites for various types of communication on business activities. In its event production, the business promotes stakeholder interest and understanding through support for creation of forums such as anniversary events, recruiting presentations, promotional events and shareholders’ meetings. In its media production, the business is involved in printed media such as company newsletters, corporate brochures and annual reports for shareholders, as well as web-based media such as corporate websites and investor relations sites and visual media such as videos that explain products and webcasts of shareholders’ meetings.

#### **(3) Recruiting & Temp Agency Business**

This business provides solutions in the form of recruiting and temp agency services for the human resources an organization requires to create a motivation company. Rather than simply carrying out the function of sending human resources to an organization, the business is unique in diagnosing each applicant’s motivation type to match applicant and company according to corporate personnel needs. The main businesses include new graduate recruiting and introduction, which sends university students looking for employment to corporate presentations and interviews, the mid-career introduction business, which matches working adults looking to change jobs with appropriate companies, and the sales and marketing temp staff and agency business, which dispatches temporary sales and marketing staff to apparel and mobile phone stores and handles corporate sales activities. Recently, the

business has been concentrating on business expansion and increasing efficiency by starting activities to encourage individuals who have improved their career skills in (5) the Schools business to register as temp staff or for job opportunities with companies, as well as a business that provides corporate introductions for foreigners who want to work in Japan and have registered with (4) the ALT Placement business.

#### **(4) ALT Placement Business**

This is the main business of Interac Co., Ltd., which the Company acquired in April 2014. The business offers the services of contracting with and placing foreign assistant language teachers (ALTs) in elementary, secondary and other schools throughout Japan to meet the staffing needs of educational corporations in developing “young global personnel.” Of the approximately 10,000 foreigners working in the ALT market in Japan, about 2,600, or one out of four, are employed by the Link and Motivation Group, for the overwhelming top share in the industry among private companies. With the momentum from factors such as the Tokyo Olympics to be held in 2020, there is a trend toward strengthening government curriculum guidelines for English ability in elementary and middle schools. By combining Interac’s business foundation and the education and training content accumulated in (1) the Organizational & Personnel Consulting business, this business will enhance the quality and quantity of language classes in schools.

#### **Consumer Division**

The Consumer Division conducts operations targeting individuals. It consists of two businesses, (5) the Schools business, which supports individuals who want to improve their careers, and (6) the Entertainment business, which provides services such as sporting events and dining.

#### **(5) Schools Business**

This business defines human resources who act independently and autonomously, without depending on an organization, as “i-companies” and operates under the business concept of producing numerous i-companies. Its service lineup is broadly divided into the two areas of the preparatory school business for secondary school students who are preparing for school entrance exams and the career school business for university students and adult workers who want to improve their careers. Under the Motivation Academia service brand, the preparatory schools business aims to go beyond simply providing instruction for entrance exams with total human resource training that provides a forum for sharpening skills that will be of use in society. Under the three service brands of Aviva personal computer schools, Daiei qualification schools and Aviva English language schools, the career schools business has put together a lineup for one-stop instruction in literacy skills such as personal computer skills, language skills and accounting skills as well as technical skills for positions such as medical office worker, notary public and certified public accountant. In addition, more than simply providing skills, the business offers career navigation with the ultimate utilization of these skills in mind, which is linked to (3) the Recruiting & Temp Agency business. Currently the business operates directly managed classrooms in 142 locations nationwide.

#### **(6) Entertainment Business**

This business conducts the sports business, which manages a professional basketball team, and the restaurant business, which operates an Italian restaurant, under the concept of “creating quality of life” for individuals. The sports business manages the Link Tochigi Brex team located in Tochigi, and its main sources of earnings are sales of tickets to games, sales of goods and sponsorship fees. The restaurant business operates Link Dining, a restaurant in Ginza.

#### **Revision of Consolidated Forecast of Results**

As a result of the acquisition of the stock of Interac Co., Ltd, on April 30, 2014, the Company has revised its forecast of results for 2014 (January 1, 2014 to December 31, 2014).



Net sales for 2014 are forecast to increase substantially year on year to ¥30,800 million (a 37.6% increase compared with the previous year) due to the impact of the inclusion of Interac Co., Ltd. in the scope of consolidation. In addition, each level of income is forecast to increase substantially year on year due to improved profitability in existing businesses, in addition to the impact of the inclusion of Interac Co., Ltd. in the scope of consolidation. For 2014, operating income is forecast to be ¥2,120 million (a 36.1% increase compared with the previous year), ordinary income is forecast to be ¥2,080 million (a 37.7% increase) and net income is forecast to be ¥1,100 million (a 32.2% increase).

The forecast of net sales for 2014 by segment and business is as follows.

Sales in the Business Division for 2014 are forecast to increase substantially year on year to ¥22,800 million (a 61.3% increase compared with the previous year) due to the new establishment of the ALT Placement business in addition to expected growth of existing businesses. Sales by business for 2014 are forecast to be ¥6,400 million in the Organizational & Personnel Consulting business (a 19.2% increase), ¥3,600 million in the Event & Media business (a 14.3% increase), ¥7,800 million in the Recruiting & Temp Agency business (a 15.4% increase) and ¥6,600 million in the ALT Placement business.

Sales in the Consumer Division for 2014 are forecast to decrease slightly year on year to ¥8,700 million (a 5.2% decrease compared with the previous year) due to an emphasis on improvement of long-term profitability in the Schools business. Sales by business for 2014 are forecast to be ¥8,000 million in the Schools business (a 5.8% decrease) and ¥700 million in the Entertainment business (a 2.9% increase).

**2. Items Regarding Summary Information (Notes)**

**(1) Changes in Significant Subsidiaries for the Three Months Ended March 31, 2014**

None applicable.

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

	Three months ended March 31, 2014
1. Calculation of tax expenses	Tax expenses are calculated by multiplying pretax net income for the fiscal year by a reasonable estimate of the effective tax rate after application of tax effect accounting to pretax net income.

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

None applicable.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

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

	As of December 31, 2013	As of March 31, 2014
<b>ASSETS</b>		
Current assets		
Cash and deposits	555,487	694,365
Notes and accounts receivable	2,582,310	2,094,767
Products	117,579	115,909
Goods in process	295,255	546,381
Merchandise and supplies	17,804	17,048
Prepaid expenses	252,290	277,812
Deferred tax assets	261,166	258,998
Short-term loans receivable	343	263
Accrued corporate tax refund	1,031	11,094
Other	141,677	155,109
Allowance for doubtful accounts	(29,636)	(20,729)
Total current assets	4,195,311	4,151,022
Fixed assets		
Property and equipment		
Buildings and structures	661,360	778,360
Accumulated depreciation	(398,624)	(410,208)
Buildings and structures (net)	262,736	368,151
Vehicles	8,812	8,812
Accumulated depreciation	(8,728)	(8,739)
Vehicles (net)	83	73
Furniture and fixtures	547,665	601,197
Accumulated depreciation	(462,740)	(462,492)
Furniture and fixtures (net)	84,924	138,704
Lease assets	283,755	283,755
Accumulated depreciation	(111,551)	(127,964)
Lease assets (net)	172,203	155,791
Total property and equipment	519,948	662,721
Intangible assets		
Goodwill	3,821,745	3,693,892
Software	288,726	308,816
Other	3,282	9,398
Total intangible assets	4,113,754	4,012,108
Investments and other assets		
Investments in securities	213,683	292,676
Security deposits	1,229,825	1,214,083
Deferred tax assets	14,984	13,480
Claims in bankruptcy	8,977	8,736
Other	83,889	79,888
Allowance for doubtful accounts	(8,977)	(8,736)
Total investments and other assets	1,542,382	1,600,127
Total fixed assets	6,176,085	6,274,957
Total assets	10,371,397	10,425,979

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

	As of December 31, 2013	As of March 31, 2014
<b>LIABILITIES</b>		
Current liabilities		
Accounts	335,376	270,305
Short-term borrowings	260,273	800,000
Long-term debt due within one year	327,240	327,240
Accounts payable	1,031,929	950,121
Lease obligations	65,125	69,920
Expenses payable	116,793	99,667
Accrued income taxes	385,584	180,472
Accrued consumption taxes	183,402	153,836
Advances received	2,002,319	2,085,241
Accrued bonuses to employees	226,747	163,486
Accrued bonuses to officers	—	3,687
Provision for loss on store closure	23,299	9,435
Other	124,985	147,183
Total current liabilities	5,083,077	5,260,598
Long-term liabilities		
Long-term debt	1,054,980	973,170
Lease obligations	124,428	108,690
Deferred income taxes	6,422	6,422
Asset retirement obligations	49,218	49,572
Other	258,414	239,410
Total long-term liabilities	1,493,463	1,377,265
Total liabilities	6,576,541	6,637,864
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	979,750	979,750
Additional paid-in capital	734,595	734,595
Retained earnings	2,807,677	2,801,956
Treasury stock	(731,840)	(731,840)
Total shareholders' equity	3,790,182	3,784,461
Cumulative other comprehensive income		
Unrealized gain (loss) on securities	4,672	3,653
Total cumulative other comprehensive income	4,672	3,653
Total net assets	3,794,855	3,788,114
Total liabilities and net assets	10,371,397	10,425,979

## (2) Consolidated Statements of Operations and Comprehensive Income

### Consolidated Statements of Operations

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

	Three months ended March 31, 2013	Three months ended March 31, 2014
Net sales	5,565,290	5,344,892
Cost of sales	3,443,851	3,176,669
Gross profit	2,121,438	2,168,222
Selling, general and administrative expenses	1,892,092	1,897,092
Operating income	229,346	271,130
Non-operating income		
Interest income	567	133
Dividend income	28	112
Commission fees received	9,625	1,229
Other	3,010	1,655
Total non-operating income	13,231	3,130
Non-operating expenses		
Interest expenses	12,641	4,742
Commission fees paid	6,709	6,594
Other	82	474
Total non-operating expenses	19,433	11,812
Ordinary income	223,144	262,448
Extraordinary income		
Gain on sale of property and equipment	731	—
Total extraordinary income	731	—
Extraordinary loss		
Loss on disposal of property and equipment	419	2,858
Loss on impairment	1,502	—
Carryover of provision for loss on store closure	254	—
Business structure improvement expenses	—	13,025
Total extraordinary loss	2,176	15,884
Income before income taxes	221,700	246,563
Total income taxes	141,127	165,093
Income before minority interests	80,573	81,470
Net income	80,573	81,470

**Consolidated Statements of Comprehensive Income**

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

	Three months ended March 31, 2013	Three months ended March 31, 2014
Income (loss) before minority interests	80,573	81,470
Other comprehensive income		
Unrealized gain on securities	7,232	(1,018)
Total other comprehensive income	7,232	(1,018)
Comprehensive income	87,805	80,451
(Attributable to)		
Owners of the parent	87,805	80,451

### (3) Notes to Consolidated Financial Statements

#### Notes Regarding Assumption of Going Concern

None applicable.

#### Notes on Significant Changes to Shareholders' Equity

None applicable.

#### Segment Information, etc.

##### Segment Information

#### I. First quarter of 2013 (January 1, 2013 – March 31, 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	3,374,340	2,190,949	5,565,290	—	5,565,290
Intersegment sales and transfers	141,305	39,655	180,961	(180,961)	—
Total	3,515,645	2,230,605	5,746,251	(180,961)	5,565,290
Segment income (Note 2)	1,417,023	736,793	2,153,817	(32,378)	2,121,438

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 the end of the first quarter on March 31, 2013 changed significantly from December 31, 2012 because the Company recorded the assets of Daiei Education System Co., Ltd. (merged into Link Academy Inc. in December 2013) in the Consumer Division reportable segment during the first quarter in connection with making that company a consolidated subsidiary.

The addition of the consolidated subsidiary increased Consumer Division assets by ¥838,160 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 segment, goodwill increased due to the acquisition of the shares of Daiei Education System Co., Ltd. (merged into Link Academy Inc. in December 2013). This event increased goodwill by ¥1,384,843 thousand in the three months ended March 31, 2013.

(Significant gains on negative goodwill)

None applicable.

#### II. First quarter of 2014 (January 1, 2014 – March 31, 2014)

##### 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	3,391,568	1,953,324	5,344,892	—	5,344,892
Intersegment sales and transfers	181,129	176,173	357,302	(357,302)	—
Total	3,572,697	2,129,497	5,702,195	(357,302)	5,344,892
Segment income (Note 2)	1,681,581	716,299	2,397,880	(229,657)	2,168,222

Notes: 1. Adjustments represent elimination of intersegment transactions.

2. Segment income is gross profit.

2. Assets by Reportable Segment

None applicable.

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)

None applicable.

(Significant gains on negative goodwill)

None applicable.

## Major Subsequent Events

### Stock Split

In light of the Action Plan for Consolidating Trading Units announced by the Japanese stock exchanges in November 27, 2007, the Board of Directors of the Company resolved at a meeting held on February 14, 2014 to conduct the following stock split and adopt a trading unit system of 100 shares of the Company's stock per trading unit.

1. Ratio and timing of stock split: 100 shares for each 1 share of common stock held by shareholders on a record date of March 31, 2014 and with an effective date of April 1, 2014
2. Increase in number of shares due to the stock split: 106,888,320 shares
3. The effect on per share information is as follows.

(Earnings per share and basis for calculation)

	Three months ended March 31, 2013	Three months ended March 31, 2014
Earnings per share (¥)	0.83	0.84
(Basis for calculation)		
Net income (¥ thousand)	80,573	81,470
Amount not attributable to common shareholders (¥ thousand)	—	—
Net income related to common stock (¥ thousand)	80,573	81,470
Average number of outstanding shares of common stock during the period (shares)	48,440,000	96,880,000

Notes:

1. Diluted earnings per share are not presented because the Company has not issued potential shares.
2. The Company implemented stock splits of 2 shares for each 1 share of its common stock with effective dates of May 1, 2013 and December 1, 2013, and a stock split of 100 shares for each 1 share of its common stock with an effective date of April 1, 2014. Earnings per share have been calculated assuming that the stock split had taken place at the beginning of the three months ended March 31, 2013.

### Addition of a Subsidiary by Acquisition of Stock

On April 30, 2014, the Company acquired 100% of the stock of Interac Co., Ltd. Consequently, the Company has made Interac a consolidated subsidiary.

#### (1) Overview of Business Combination

##### 1) Name and Business Description of Acquired Company

Name of Acquired Company: Interac Co., Ltd.

Business Description: ALT placement business for schools, language teaching business for corporations, personnel introduction and temp staffing business, other language-related education business



## 2) Main Reasons for the Business Combination

Interac Co., Ltd. was established in 1972 and has steadily built up a track record in the business of foreign language training for corporations. In the mid-1990s, it started an ALT (assistant language teacher) placement business ahead of the rest of the industry, and currently has built the top position in the industry among private-sector companies operating ALT placement businesses. The language teaching expertise, ability to recruit foreigners and labor management capabilities Interac has accumulated in conducting its business have also become valuable assets. We believe that adding the organizational management expertise of the Link and Motivation Group to this business will increase the potential for further business expansion.

By making Interac Co., Ltd. a subsidiary, the Link and Motivation Group will promote the development of global-related businesses. Specifically, we will accelerate the business of developing global personnel for corporations. Currently, consolidated subsidiary Link Global Solution Inc. provides global personnel training services, mainly cross-cultural communication training. This business combination will enable us to enhance our lineup of solutions, including language training and overseas dispatch-based training. In doing so, we will be able to offer one-stop global personnel training services. In addition, we believe we can utilize Interac's contacts with foreigners who want to work in Japan (approximately 30,000 people) to develop personnel introduction and temp staffing for education-related and customer service businesses. On the other hand, Link Academy Inc. is currently selling TOEIC courses for individuals under the "Aviva English" brand. By making Interac a subsidiary, we will be able to offer one-stop language services using Interac's teachers as a resource for improving global personnel capabilities.

## 3) Date of Business Combination

April 30, 2014

## 4) Legal Form of Business Combination

Stock acquisition

## 5) Company Name after Combination

No change

## 6) Ratio of Voting Rights Acquired

100%

## 7) Grounds for Identification as Acquiring Company

Link and Motivation Inc. acquired 100% of the voting rights by acquiring stock for cash consideration.

## (2) Breakdown of Acquired Company and Acquisition Price

Consideration for acquisition	Cash	¥5,107 million
Acquisition price		¥5,107 million

## (3) Amount of Goodwill Expected to Be Generated, the Causes, and Its Depreciation Method and Period

### 1) Amount of goodwill expected to be generated

The stock acquisition is expected to generate ¥4,447 million in goodwill. Please note that this includes ¥949 million in goodwill held and being depreciated by Interac Co., Ltd. and goodwill will increase by ¥3,498 million upon its consolidation. Auditing by an audit corporation has not been completed at present.

### 2) Reason for Generation

Goodwill is generated based on a reasonable estimate of future excess earning power expected from business development and synergy.

### 3) Depreciation Method and Period

Goodwill in the amount of ¥4,447 million generated by the stock acquisition is expected to be depreciated over a period of 20 years using the straight-line method.

### (4) Amount and Breakdown of Assets and Liabilities Expected to be Assumed as of the Date of the Business Combination

The amount and breakdown of assets and liabilities expected to be assumed are as follows. Please note that auditing by an audit corporation has not been completed at present.

Current assets	¥1,614,904 thousand
<u>Fixed assets</u>	<u>¥227,260 thousand</u>
<u>Total assets</u>	<u>¥1,842,165 thousand</u>
Current liabilities	¥1,100,392 thousand
<u>Long-term liabilities</u>	<u>¥82,075 thousand</u>
<u>Total liabilities</u>	<u>¥1,182,467 thousand</u>

### ***Large-Scale Borrowings***

The Company borrowed funds from financial institutions after the end of first quarter to fund its acquisition of the stock of Interac Co., Ltd.

(1) Names of Lenders: Mizuho Bank, Ltd.; The Bank of Tokyo-Mitsubishi UFJ, Ltd.

(2) Amount Borrowed: ¥5,000,000,000

(3) Interest Rate: Determined based on market rate

(4) Implementation Date: Mizuho Bank, Ltd.: April 30, 2014; The Bank of Tokyo-Mitsubishi UFJ, Ltd.: April 25, 2014

(5) Repayment Date: Mizuho Bank, Ltd.: April 30, 2015; The Bank of Tokyo-Mitsubishi UFJ, Ltd.: April 25, 2015

(6) Repayment Conditions: Lump-sum repayment at end of term

(7) Assets Provided for Collateral: Partially guaranteed by assets of the acquired company