

Consolidated Financial Statements for the Three Months Ended March 31, 2015

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

May 15, 2015

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): May 15, 2015

Start of distribution of dividends (scheduled): June 25, 2015

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, 2015

(January 1, 2015 - March 31, 2015)

(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, 2015	7,720	44.5	78	(70.9)	65	(75.0)
Three months ended March 31, 2014	5,344	(4.0)	271	18.2	262	17.6

	Net income (¥ million)	Change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Three months ended March 31, 2015	27	(66.3)	0.24	—
Three months ended March 31, 2014	81	1.1	0.84	—

Comprehensive income: For the three months ended March 31, 2015: ¥29 million (-63.6%)

For the three months ended March 31, 2014: ¥80 million (-8.4%)

Note: 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, 2015	17,853	6,759	37.9
As of December 31, 2014	17,921	6,854	38.2

(Reference) Net worth As of March 31, 2015: ¥6,759 million As of December 31, 2014: ¥6,854 million

2. Dividends

	Dividends per share				
	1st Qtr.	Interim	3rd Qtr.	Year-end	Full-year
2014	90.00	1.10	1.10	1.10	93.30
2015	1.10				
2015 (est.)		1.10	1.10	1.10	4.40

Note: The Company implemented 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 2015 (January 1, 2015 - December 31, 2015)

(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	33,000	14.3	1,930	15.6	1,860	17.4	1,060	13.9	9.37

Note: Revision of forecast of results during the quarter: No

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, 2015: 113,068,000; Year ended December 31, 2014: 113,068,000
 - (b) Number of treasury shares at the end of the period:
Three months ended March 31, 2015: 200; Year ended December 31, 2014: 200
 - (c) Average number of shares outstanding (cumulative with earlier quarters):
Three months ended March 31, 2015: 113,067,800; Three months ended March 31, 2014: 96,880,000

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

- These “Consolidated Financial Statements for the Three Months Ended March 31, 2015” 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.

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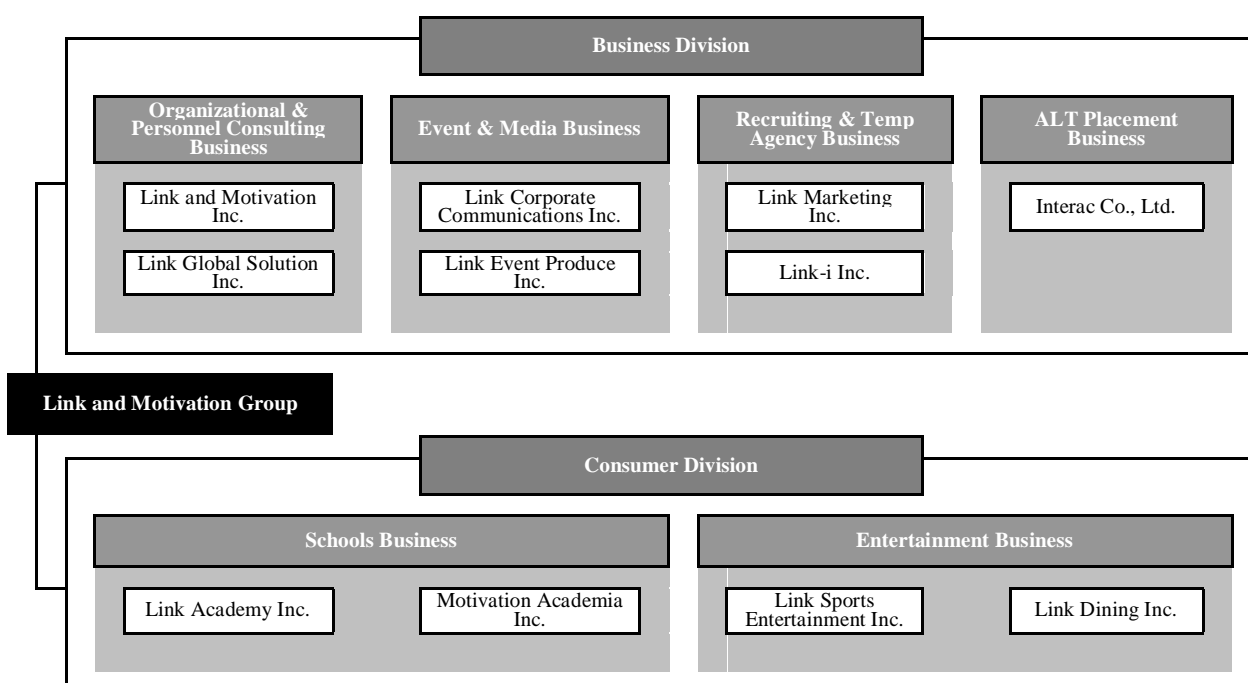
1. Qualitative Information Regarding Results for the Three Months Ended March 31, 2015

(1) Commentary on Results of Operations

In the Japanese economy during the first quarter of 2015 (January 1, 2015 - March 31, 2015), business conditions remained on a moderate recovery track, backed by factors including a drop in crude oil prices, recovery in employment conditions, and firm trends in consumer spending reflecting these factors.

In this operating environment, the Link and Motivation Group's net sales and gross profit for the first quarter of 2015 were firm. Consolidated net sales were ¥7,720,830 thousand (a 44.5% increase compared with the same period of the previous year) and gross profit was ¥2,573,891 thousand (an 18.7% increase). On the other hand, operating income was ¥78,840 thousand (a 70.9% decrease), ordinary income was ¥65,613 thousand (a 75.0% decrease), and net income was ¥27,940 thousand (a 66.3% decrease), each decreasing substantially compared with the same period of the previous year due to a temporary increase in selling, general and administrative (SG&A) expenses as a result of strengthened advertising and promotion of new products, the establishment of consolidated offices, and other factors.

An overview of general conditions by segment and business for the first quarter of 2015 is provided below. The classification of segments and businesses of the Link and Motivation Group is as follows.



Business Division

The Business Division conducts operations with corporations such as companies and schools as its customers. It offers personnel training support and services that raise organizational capabilities by strengthening relationships with the organization's stakeholders using "motivation engineering," which is the core technology of the Link and Motivation Group.

In this segment, with the significant impact of the addition of Interac Co., Ltd. to the scope of consolidation from April 2014, first quarter segment sales and income increased substantially compared with the same period of the previous year. Segment sales were ¥6,082,601 thousand (a 70.3% increase) and segment income was ¥1,906,372 thousand (a 13.4% increase). An overview of operating results by business for the first quarter of 2015 is as follows.

Organizational & Personnel Consulting Business

In this business, sales in the first quarter were ¥1,371,369 thousand (a 9.4% decrease) and gross profit was ¥796,989 thousand (a 25.7% decrease).

The Organizational & Personnel Consulting business 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.

In the first quarter, sales and gross profit both decreased due to the postponement of consulting projects as a result of the impact of rescheduling of corporate recruiting events, despite firm sales of the packaged products that the business has been focusing on, including manager training and global personnel training.

In addition to restructuring its products and services for more substantive resolution of organizational issues in line with rising corporate willingness to invest in human resources, the business will focus on training its own personnel to achieve an increase in added value that leads to further business growth. In addition, with the establishment of Link Relation Engineering Inc., the business will work for growth in a new direction and start to provide clients with one-stop support services from database-backed consulting to execution for building relations with customers and applicants.

Event & Media Business

In this business, sales in the first quarter were ¥701,306 thousand (a 9.4% decrease) and gross profit was ¥154,187 thousand (a 43.0% decrease).

The Event & Media business produces events and media for various communications in corporate activities to create motivation companies. In its event production, the business supports organizational vitalization by promoting stakeholders’ 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.

In the first quarter, sales and gross profit both decreased due to the postponement of consulting projects as a result of the impact of rescheduling of corporate recruiting events, despite firm performance by media production from capturing needs for video media applications in the field of recruiting.

The business will work to stabilize sales and improve its profit margin by developing highly differentiated, high-margin standardized products using motivation engineering technology.

Recruiting & Temp Agency Business

In this business, sales in the first quarter were ¥2,086,124 thousand (a 7.9% increase) and gross profit was ¥485,024 thousand (a 2.0% increase).

The Recruiting & Temp Agency business provides solutions in the form of recruiting and temp agency services for the human resources an organization requires to grow. The main businesses include new graduate recruiting and introduction, which connects university students looking for employment with corporate presentations and interviews, a mid-career introduction service, which matches working adults looking to change jobs with companies, and a sales and marketing temp staff and agency service, which dispatches temporary sales and office staff and handles corporate sales activities.

In the first quarter, the business captured corporate needs to reinforce staff and increased the number of deployed office temp staff, which is a new area of focus. In addition, corporate services for recruitment and introduction of new graduates and introduction of mid-career employees performed well and as a result sales and gross profit both increased compared with the same period of the previous year.

The business will work to reduce recruiting costs by using motivation engineering technology to raise its accuracy in matching corporate needs and further promote long-term deployment of staff. In addition, the business will raise profitability by encouraging individual staff to register with the Group’s Schools business to improve their skills, thus further accelerating activities linked to corporate dispatch and introductions.

ALT Placement Business

In this business, sales in the first quarter were ¥2,469,031 thousand and gross profit was ¥660,387 thousand.

The ALT Placement business is the main business of Interac Co., Ltd., whose stock the Link and Motivation Group acquired in April 2014, and which dispatches foreign assistant language teachers (ALTs) in elementary, secondary and other schools throughout Japan and provides English-language instruction services on contract. In this business, the number of business opportunities each year is limited and customer trust is essential, and Interac, which has the top track record among private companies, has established superiority over its competitors. Consequently, first-quarter results were steady.

In the future, there will be a growing trend toward strengthening English ability in educational guidelines for elementary and middle schools ahead of the Tokyo Olympics to be held in 2020. In this operating environment with an expanding market, the business aims to further expand with the personnel training methods accumulated by the Organizational & Personnel Consulting business as a new advantage to add to Interac's accumulated ALT management expertise.

Consumer Division

The Consumer Division provides services by applying motivation engineering, which is the core technology of the Link and Motivation Group, to business for consumers in areas including schools, preparatory schools and sports.

In this segment, segment sales for the first quarter decreased and gross profit increased compared with the same period of the previous year. Segment sales were ¥1,967,918 thousand (a 7.6% decrease) and segment income was ¥765,774 thousand (a 6.9% increase). An overview of operating results by business for the first quarter of 2015 is as follows.

Schools Business

In this business, sales in the first quarter were ¥1,777,605 thousand (a 9.9% decrease) and gross profit was ¥697,040 thousand (a 4.4% increase).

The Schools 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 services are broadly divided into the two areas of preparatory schools for middle and high school students and career schools for university students and working adults. Preparatory schools provide a place where students can not only prepare for school entrance exams but also develop skills to play a role in society under the "Motivation Academia" service brand. Career schools provide one-stop support for literacy skills such as personal computer and language skills and for acquiring qualifications under the three service brands of "Aviva" personal computer schools, "Daiei" qualification schools and "Aviva English" language schools.

In the first quarter, measures for the operation of career schools including the closure or consolidation of unprofitable and adjacent locations, which have been ongoing from the previous year, were successful. Although sales decreased with the decline in the number of students associated with school closures and consolidation, gross profit increased as the business transformed itself into a business entity with a low break-even point.

This business will enhance its courses as a total career school and establish comprehensive services from providing career guidance to offering employment opportunities in collaboration with the Recruiting & Temp Agency business. By doing so, it aims to add value to the Schools business as a whole in the belief that it can raise the loyalty of existing customers and attract more new customers.

Entertainment Business

In this business, sales in the first quarter were ¥198,525 thousand (a 19.9% increase) and gross profit was ¥70,747 thousand (a 37.6% increase).

The Entertainment business manages a professional basketball team and operates an Italian restaurant under the concept of “creating quality of life” for individuals. The professional basketball team managed by the business is the Link Tochigi Brex, which is based in Tochigi, and revenues consist mainly of sales of tickets for games and goods and sponsorship income. The Italian restaurant operation, called Link Dining, is located in Ginza.

In the first quarter, ticket sales and sponsorship income from the management of the Link Tochigi Brex were strong due to increases in the number of games played and spectators. Performance at Link Dining was solid, and sales and gross profit both increased substantially compared with the same period of the previous year.

This business will continue to aim for business development with originality driven by motivation engineering technology. In particular, at the Link Tochigi Brex, Thomas Wisman, who guided the team to a league championship in the 2009-2010 season, has been named head coach, and as of May 14, 2015, the team has ended the regular season with a higher ranking than in the previous year, and is advancing in the playoffs. The business will continue to increase the number of core local fans and reach the league championship by further increasing the team’s capabilities, which will lead to the growth of the business.

2. Items Regarding Summary Information (Notes)

(1) Changes in Significant Subsidiaries for the Three Months Ended March 31, 2015

None applicable.

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

	Three months ended March 31, 2015
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, 2014	As of March 31, 2015
ASSETS		
Current assets		
Cash and deposits	1,016,304	690,831
Notes and accounts receivable	3,944,691	3,485,281
Products	95,330	91,174
Goods in process	341,154	530,982
Merchandise and supplies	35,368	30,273
Prepaid expenses	294,593	302,681
Deferred tax assets	333,549	341,726
Short-term loans receivable	6,806	11,557
Accrued corporate tax refund	—	61,269
Other	149,788	174,181
Allowance for doubtful accounts	(18,964)	(24,236)
Total current assets	6,198,624	5,695,723
Fixed assets		
Property and equipment		
Buildings and structures	931,009	1,020,557
Accumulated depreciation	(518,974)	(528,948)
Buildings and structures (net)	412,034	491,608
Vehicles	11,933	11,933
Accumulated depreciation	(11,147)	(11,228)
Vehicles (net)	785	704
Furniture and fixtures	639,078	654,021
Accumulated depreciation	(527,676)	(534,955)
Furniture and fixtures (net)	111,402	119,066
Lease assets	506,460	509,446
Accumulated depreciation	(204,804)	(229,908)
Lease assets (net)	301,656	279,537
Total property and equipment	825,879	890,916
Intangible assets		
Goodwill	7,804,410	7,620,973
Software	436,886	483,734
Other	124,238	104,960
Total intangible assets	8,365,535	8,209,669
Investments and other assets		
Investments in securities	1,123,054	1,618,812
Security deposits	1,187,791	1,245,105
Deferred tax assets	126,772	101,961
Claims in bankruptcy	13,053	13,053
Other	82,881	81,871
Allowance for doubtful accounts	(13,053)	(13,053)
Total investments and other assets	2,520,499	3,047,751
Total fixed assets	11,711,914	12,148,337
Deferred assets		
Stock issuance expenses	10,910	9,782
Total deferred assets	10,910	9,782
Total assets	17,921,449	17,853,842

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

	As of December 31, 2014	As of March 31, 2015
LIABILITIES		
Current liabilities		
Accounts	233,855	310,809
Short-term borrowings	1,752,563	2,250,132
Long-term debt due within one year	673,512	671,912
Accounts payable	1,642,889	1,607,016
Lease obligations	109,070	107,842
Expenses payable	166,483	110,364
Accrued income taxes	391,111	111,213
Accrued consumption taxes	720,241	454,919
Advances received	1,603,845	1,799,073
Accrued bonuses to employees	179,770	234,178
Accrued bonuses to officers	949	16,989
Provision for loss on store closure	18,259	4,449
Other	297,615	331,092
Total current liabilities	7,790,168	8,009,993
Long-term liabilities		
Long-term debt	2,752,188	2,585,410
Lease obligations	206,539	185,281
Deferred income taxes	41,518	41,518
Asset retirement obligations	65,474	72,718
Other	210,965	199,377
Total long-term liabilities	3,276,685	3,084,305
Total liabilities	11,066,853	11,094,299
NET ASSETS		
Shareholders' equity		
Common stock	1,380,610	1,380,610
Additional paid-in capital	2,146,648	2,146,648
Retained earnings	3,315,803	3,218,919
Treasury stock	(44)	(44)
Total shareholders' equity	6,843,017	6,746,133
Cumulative other comprehensive income		
Unrealized gain on securities	6,006	5,524
Foreign currency translation adjustment	5,571	7,885
Total cumulative other comprehensive income	11,577	13,409
Total net assets	6,854,595	6,759,543
Total liabilities and net assets	17,921,449	17,853,842

(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, 2014	Three months ended March 31, 2015
Net sales	5,344,892	7,720,830
Cost of sales	3,176,669	5,146,938
Gross profit	2,168,222	2,573,891
Selling, general and administrative expenses	1,897,092	2,495,051
Operating income	271,130	78,840
Non-operating income		
Interest income	133	1,944
Dividend income	112	1
Commission fees	1,229	3,082
Other	1,655	3,211
Total non-operating income	3,130	8,239
Non-operating expenses		
Interest expenses	4,742	10,783
Commission fees	6,594	7,957
Other	474	2,725
Total non-operating expenses	11,812	21,466
Ordinary income	262,448	65,613
Extraordinary income		
Compensation received	—	31,188
Other extraordinary income	—	666
Total extraordinary income	—	31,854
Extraordinary loss		
Loss on disposal of property and equipment	2,858	11
Loss on impairment	—	5,157
Business structure improvement expenses	13,025	432
Total extraordinary loss	15,884	5,601
Income before income taxes	246,563	91,866
Total income taxes	165,093	64,376
Income before minority interests	81,470	27,490
Net income	81,470	27,490

Consolidated Statements of Comprehensive Income

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

	Three months ended March 31, 2014	Three months ended March 31, 2015
Income before minority interests	81,470	27,490
Other comprehensive income		
Unrealized gain on securities	(1,018)	(481)
Foreign currency translation adjustment	—	2,314
Total other comprehensive income	(1,018)	1,832
Comprehensive income	80,451	29,322
(Attributable to)		
Owners of the parent	80,451	29,322

(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 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.

II. First quarter of 2015 (January 1, 2015 – March 31, 2015)

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	6,019,667	1,701,162	7,720,830	—	7,720,830
Intersegment sales and transfers	62,934	266,756	329,690	(329,690)	—
Total	6,082,601	1,967,918	8,050,520	(329,690)	7,720,830
Segment income (Note 2)	1,906,372	765,774	2,672,146	(98,255)	2,573,891

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.