

Consolidated Financial Statements for the Nine Months Ended September 30, 2015

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

November 13, 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):

November 13, 2015

Start of distribution of dividends (scheduled):

December 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 Nine Months Ended September 30, 2015

(January 1, 2015 - September 30, 2015)

(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, 2015	23,539	14.3	223	(74.6)	177	(78.9)
Nine months ended September 30, 2014	20,594	23.9	877	7.3	843	7.1

	Net income (¥ million)	Change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Nine months ended September 30, 2015	(14)	—	(0.13)	—
Nine months ended September 30, 2014	283	(21.1)	2.74	—

Note: Comprehensive income For the nine months ended September 30, 2015: ¥18 million (—%)
For the nine months ended September 30, 2014: ¥286 million (-22.3%)

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)
As of September 30, 2015	18,694	6,443	34.5
As of December 31, 2014	17,896	6,834	38.2

(Reference) Net worth As of September 30, 2015: ¥6,435 million As of December 31, 2014: ¥6,823 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	1.10	1.10		
2015 (est.)				1.10	4.40

Note: Revision of dividend forecast during the quarter: No

3. Forecast of Consolidated Results for 2015 (January 1, 2015 - December 31, 2015)

(Percentages represent change compared with the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Full-year	31,800	10.1	1,050	(40.0)	1,000	(39.9)	680	(28.4)	6.01

Note: Revision of forecast of results during the quarter: Yes

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)
Nine months ended September 30, 2015: 113,068,000; Year ended December 31, 2014: 113,068,000
 - (b) Number of treasury shares at the end of the period:
Nine months ended September 30, 2015: 200; Year ended December 31, 2014: 200
 - (c) Average number of shares outstanding (cumulative with earlier quarters):
Nine months ended September 30, 2015: 113,067,800; Nine months ended September 30, 2014: 103,457,338
- * **Presentation of Implementation Status of Quarterly Review Procedures**
- These “Consolidated Financial Statements for the Nine Months Ended September 30, 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**
- 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 Nine Months Ended September 30, 2015

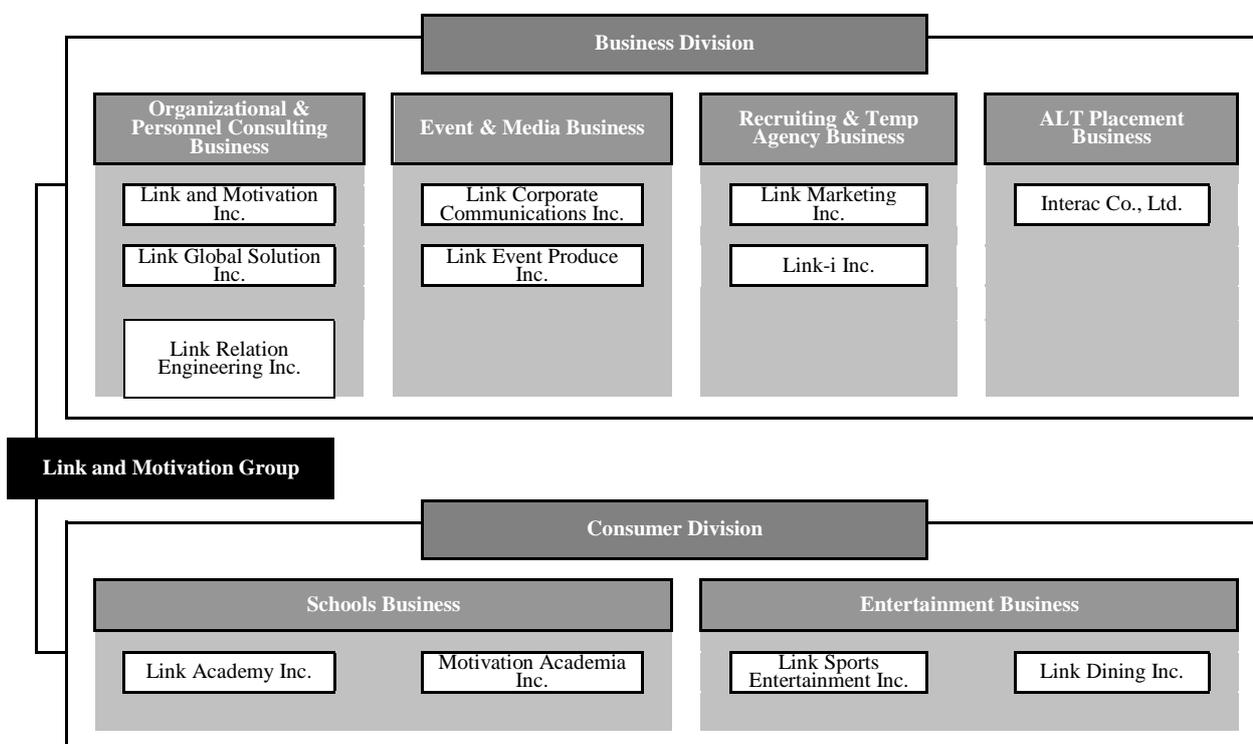
(1) Commentary on Results of Operations

(1) Analysis of Results of Operations

In the Japanese economy during the first nine months of 2015 (January 1, 2015 - September 30, 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 consolidated net sales and each line item of income for the first nine months of 2015 were as follows. Net sales increased substantially to ¥23,539,841 thousand (a 14.3% increase compared with the same period of the previous year) but due to an increase in the cost ratio in the Business Division, the increase in gross profit was limited to ¥7,715,521 thousand (a 4.4% increase). In addition, due to expenses for investigating and dealing with improper accounting practices and increases in selling, general and administrative expenses associated with strengthening advertising for new products, establishing integrated offices, renewing core systems and other matters, operating income was ¥223,179 thousand (a 74.6% decrease) and ordinary income was ¥177,884 thousand (a 78.9% decrease), decreasing substantially compared with the same period of the previous year. As a result, net loss was ¥14,837 thousand.

An overview of results by segment and business for the first nine months 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 offers services that strengthen relationships with an organization's stakeholders using "motivation engineering," which is the core technology of the Link and Motivation Group, with corporations such as companies and schools as its customers.

In this segment, as the result of the addition of Interac Co., Ltd. to the scope of consolidation in April 2014 and steady increases in sales in each business, segment sales for the nine-month period increased substantially compared with the same period of the previous year to ¥18,437,782 thousand (a 22.4% increase). On the other hand, the impact of an increase in outsourcing costs in the field of recruiting, limited the increase in segment income to ¥5,681,665 thousand (a 0.9% increase).

An overview of operating results in the first nine months of 2015 by business is as follows.

Organizational & Personnel Consulting Business

In this business, sales in the first nine months were ¥4,858,839 thousand (an 11.0% increase) and gross profit was ¥2,332,586 thousand (a 12.4% 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 nine months of 2015, sales increased compared with the same period of the previous year as sales of manager training and other package products that have been areas of focus increased substantially, and outsourcing sales also increased substantially from capturing business outsourcing needs in the recruiting field. On the other hand, due to the impact of an increase in outsourcing costs in the recruiting field, gross profit decreased substantially.

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.

Event & Media Business

In this business, sales in the first nine months were ¥2,435,886 thousand (an 8.9% increase) and gross profit was ¥598,200 thousand (a 25.3% 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 nine months of 2015, media production performed strongly by capturing needs for video media in the recruiting field and sales increased compared with the same period of the previous year. However, due to the impact of an increase in outsourcing costs in the recruiting field, gross profit decreased substantially.

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 nine months were ¥5,636,816 thousand (a 3.2% increase) and gross profit was ¥1,339,950 thousand (a 0.0% 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 temp staff agency that dispatches sales, office and other personnel.

In the first nine months, new graduate recruiting and introduction and mid-career employee introduction services, which have been areas of focus for some time, performed strongly, and office temp staff, an area where the business had been working to strengthen linkage with the Schools business in the Consumer Division, showed solid progress. As a result, both sales and gross profit increased compared with the same period of the previous year.

The business will work to reduce recruiting costs by raising its accuracy in matching corporate needs and further promoting long-term deployment of staff. In addition, the business will raise profitability by further accelerating

activities linked to corporate dispatch and introductions for individuals who have improved their skills at the Group's Schools business.

ALT Placement Business

In this business, sales in the first nine months were ¥7,090,001 thousand and gross profit was ¥1,836,612 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, 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 grow 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 nine months decreased and gross profit increased compared with the same period of the previous year. Segment sales were ¥5,901,191 thousand (a 6.8% decrease) and segment income was ¥2,297,659 thousand (a 6.5% increase). An overview of operating results in the first nine months of 2015 by business is as follows.

Schools Business

In this business, sales in the first nine months were ¥5,388,089 thousand (an 8.3% decrease) and gross profit was ¥2,095,811 thousand (a 6.1% 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 career advancement through acquisition of literacy skills and qualifications under the four service brands of "Aviva" personal computer schools, "Daiei" qualification schools, "Aviva English" language schools and newly established "Aviva Pro" IT schools.

In the first nine months, measures including the closure or consolidation of unprofitable and adjacent locations, which has been in progress for some time, were successful, and although sales decreased, gross profit increased as the business transformed itself into a business entity with a low break-even point.

The 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 raise the loyalty of existing customers and attract more new customers.

Entertainment Business

In this business, sales in the first nine months were ¥533,091 thousand (a 10.3% increase) and gross profit was ¥208,582 thousand (a 9.9% 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 business, called Link Dining, operates an outlet in Ginza.

In the first nine months, ticket sales and sponsorship income were strong due to increases in the number of games played by the Link Tochigi Brex and the number of spectators. Business at Link Dining was solid, and as a result sales increased substantially and gross profit increased compared with the same period of the previous year.

The business will continue to aim for business development with originality driven by motivation engineering technology. In particular, although the Link Tochigi Brex failed to reach the final round of the playoffs for the 2014-2015 season, it has a positive reputation, attracting the highest number of spectators in the league, and the team has been selected for the first division of the new Japan Professional Basketball League. In the future, further raising the power of the team will lead to business growth.

(2) Commentary on Financial Condition

A. Assets, Liabilities and Net Assets

As of September 30, 2015, total assets were ¥18,694,801 thousand (an increase of ¥798,101 thousand from the end of the previous year), total liabilities were ¥12,251,046 thousand (an increase of ¥1,189,264 thousand from the end of the previous year) and net assets were ¥6,443,755 thousand (a decrease of ¥391,163 thousand from the end of the previous year).

(3) Commentary on Forecast of Consolidated Results and Other Information on Outlook

In light of recent trends in business results, the Company has revised its forecast of consolidated results for 2015 (January 1, 2015 - December 31, 2015), which was announced on February 13, 2015 in its Consolidated Financial Statements for the Year Ended December 31, 2014.

For details, please refer to “Announcement of Revision of Forecast of Consolidated Results,” which was released today (November 13, 2015).

2. Items Regarding Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

None applicable.

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

	Nine months ended September 30, 2015
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 September 30, 2015
ASSETS		
Current assets		
Cash and deposits	1,016,304	1,310,907
Notes and accounts receivable	3,944,691	3,492,147
Products	95,330	88,549
Goods in process	341,154	57,624
Merchandise and supplies	35,368	34,090
Prepaid expenses	294,593	422,452
Deferred tax assets	333,549	290,597
Short-term loans receivable	6,806	41,288
Accrued corporate tax refund	—	500,765
Accrued consumption taxes	—	16,643
Other	149,788	237,967
Allowance for doubtful accounts	(18,964)	(13,140)
Total current assets	6,198,624	6,479,893
Fixed assets		
Property and equipment		
Buildings and structures	931,009	1,202,526
Accumulated depreciation	(518,974)	(566,217)
Buildings and structures (net)	412,034	636,309
Vehicles	11,933	13,067
Accumulated depreciation	(11,147)	(11,582)
Vehicles (net)	785	1,485
Furniture and fixtures	639,078	680,416
Accumulated depreciation	(527,676)	(554,351)
Furniture and fixtures (net)	111,402	126,065
Lease assets	506,460	484,895
Accumulated depreciation	(204,804)	(230,181)
Lease assets (net)	301,656	254,713
Total property and equipment	825,879	1,018,573
Intangible assets		
Goodwill	7,804,410	7,254,099
Software	436,886	576,448
Other	124,238	7,166
Total intangible assets	8,365,535	7,837,713
Investments and other assets		
Investments in securities	1,123,054	1,890,742
Security deposits	1,187,791	1,266,949
Deferred tax assets	102,023	101,960
Claims in bankruptcy	13,053	13,053
Other	82,881	91,444
Allowance for doubtful accounts	(13,053)	(13,053)
Total investments and other assets	2,495,750	3,351,096
Total fixed assets	11,687,165	12,207,383
Deferred assets		
Stock issuance expenses	10,910	7,524
Total deferred assets	10,910	7,524
Total assets	17,896,700	18,694,801

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

	As of December 31, 2014	As of September 30, 2015
LIABILITIES		
Current liabilities		
Accounts	233,855	289,471
Short-term borrowings	1,752,563	3,700,000
Long-term debt due within one year	673,512	638,312
Accounts payable	1,644,131	1,722,063
Lease obligations	109,070	102,167
Expenses payable	166,483	130,162
Accrued income taxes	384,889	324,792
Accrued consumption taxes	720,149	364,292
Advances received	1,603,845	1,725,051
Accrued bonuses to employees	179,770	189,038
Accrued bonuses to officers	949	19,340
Provision for loss on store closure	18,259	—
Other	297,615	290,209
Total current liabilities	7,785,096	9,494,900
Long-term liabilities		
Long-term debt	2,752,188	2,282,254
Lease obligations	206,539	163,881
Deferred income taxes	41,518	41,518
Asset retirement obligations	65,474	81,688
Other	210,965	186,803
Total long-term liabilities	3,276,685	2,756,145
Total liabilities	11,061,782	12,251,046
NET ASSETS		
Shareholders' equity		
Common stock	1,380,610	1,380,610
Additional paid-in capital	2,146,648	2,146,648
Retained earnings	3,296,126	2,908,165
Treasury stock	(44)	(44)
Total shareholders' equity	6,823,340	6,435,379
Cumulative other comprehensive income		
Unrealized gain (loss) on securities	6,006	448
Deferred gain (loss) on hedges	—	313
Foreign currency translation adjustment	5,571	7,613
Total cumulative other comprehensive income	11,577	8,375
Total net assets	6,834,918	6,443,755
Total liabilities and net assets	17,896,700	18,694,801

(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, 2014	Nine months ended September 30, 2015
Net sales	20,594,280	23,539,841
Cost of sales	13,205,965	15,824,320
Gross profit	7,388,315	7,715,521
Selling, general and administrative expenses	6,511,242	7,492,342
Operating income	877,072	223,179
Non-operating income		
Interest income	312	1,446
Dividend income	112	3
Commission fees	34,681	10,564
Other	8,895	8,560
Total non-operating income	44,001	20,573
Non-operating expenses		
Interest expenses	34,022	32,463
Commission fees	39,087	11,921
Other	4,775	21,483
Total non-operating expenses	77,884	65,868
Ordinary income	843,189	177,884
Extraordinary income		
Compensation received	—	33,914
Other	—	961
Total extraordinary income	—	34,875
Extraordinary loss		
Loss on disposal of property and equipment	4,203	7,191
Impairment loss	—	5,157
Carryover of provision for loss on store closure	1,898	—
Business structure improvement expenses	35,706	1,340
Other	—	3,459
Total extraordinary loss	41,808	17,149
Income before income taxes	801,381	195,610
Total income taxes	517,855	210,447
Income (loss) before minority interests	283,525	(14,837)
Net income (loss)	283,525	(14,837)

Consolidated Statements of Comprehensive Income

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

	Nine months ended September 30, 2014	Nine months ended September 30, 2015
Income (loss) before minority interests	283,525	(14,837)
Other comprehensive income		
Unrealized gain (loss) on securities	318	(5,557)
Deferred gain on hedges	1,234	313
Foreign currency translation adjustment	1,632	2,041
Total other comprehensive income (loss)	3,185	(3,201)
Comprehensive income (loss)	286,711	(18,038)
(Attributable to)		
Owners of the parent	286,711	(18,038)

(3) Notes to Consolidated Financial Statements

Notes Regarding Assumption of Going Concern

None applicable.

Notes on Significant Changes in Shareholders' Equity

None applicable.

Segment Information

Segment Information

I. Nine months ended September 30, 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	14,772,439	5,821,841	20,594,280	—	20,594,280
Intersegment sales and transfers	289,535	512,427	801,962	(801,962)	—
Total	15,061,975	6,334,268	21,396,243	(801,962)	20,594,280
Segment income (Note 2)	5,630,420	2,156,985	7,787,406	(399,091)	7,388,315

Notes: 1. Adjustment represents elimination of intersegment transactions.

2. Segment income is gross profit.

2. Assets by Reportable Segment

Assets by reportable segment as of September 30, 2014 changed significantly from December 31, 2013.

During the nine months ended September 30, 2014, the Link and Motivation Group added Interac Co., Ltd. as a consolidated subsidiary, and included the assets of this company in the Business Division.

The addition of the consolidated subsidiary increased Business Division assets by ¥2,819,248 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 the stock of Interac Co., Ltd. This event increased goodwill by ¥4,463,042 thousand in the nine months ended September 30, 2014.

(Significant gains on negative goodwill)

None applicable.

II. Nine months ended September 30, 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	18,271,874	5,267,967	23,539,841	—	23,539,841
Intersegment sales and transfers	165,908	633,224	799,132	(799,132)	—
Total	18,437,782	5,901,191	24,338,974	(799,132)	23,539,841
Segment income (Note 2)	5,681,665	2,297,659	7,979,324	(263,802)	7,715,521

Notes: 1. Adjustment represents 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.