

Consolidated Financial Statements for the Six Months Ended June 30, 2010

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

August 9, 2010

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

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

August 9, 2010

Start of distribution of dividends (scheduled):

September 24, 2010

Supplementary information for the quarterly financial statements to be prepared:

Yes

Quarterly financial results meeting to be held:

Yes (for institutional investors)

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for the Six Months Ended June 30, 2010 (January 1, 2010 - June 30, 2010)

(1) Sales and Income

(Percentages represent comparison with the same period of the previous year.)

	Net sales (¥ million)	(%)	Operating income (¥ million)	(%)	Ordinary income (¥ million)	(%)
Six months ended June 30, 2010	3,493	94.0	395	4,295.3	404	4,388.8
Six months ended June 30, 2009	3,715	—	9	—	9	—

	Net income (loss) (¥ million)	Change (%)	Earnings (loss) per share (¥)	Earnings per share (diluted) (¥)
Six months ended June 30, 2010	190	—	1,411.26	—
Six months ended June 30, 2009	(212)	—	(1,572.47)	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets/ Total assets (%)	Net assets per share (¥)
As of June 30, 2010	4,166	2,948	70.8	21,843.84
As of December 31, 2009	4,637	2,892	62.4	21,428.63

(Reference) Net worth As of June 30, 2010: ¥2,948 million As of December 31, 2009: ¥2,892 million

2. Dividends

	Dividends per share				
	1st Qtr.	Interim	3rd Qtr.	Year-end	Full year
2009	500.00	500.00	500.00	500.00	2,000.00
2010	500.00	500.00			
2010 (est.)			500.00	500.00	2,000.00

3. Forecast of Consolidated Results for 2010 (January 1, 2010 - December 31, 2010)

(Percentages represent comparison with the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Full-year	6,700	(6.5)	680	722.2	690	637.9	450	—	3,334.32

Note: Revision of forecast of results during the six months ended June 30, 2010: Yes

4. Other (For details, see “(7) Other Information” on page 10 of “Supplemental Information”.)

- (1) Changes in Significant Subsidiaries during the Period: No

Note: Changes in specified subsidiaries due to changes in the scope of consolidation during the six months ended June 30, 2010

- (2) Application of Simplified Accounting Procedures and Specific Accounting Procedures: Yes

Note: Application of simplified accounting procedures and accounting procedures specific to the preparation of quarterly consolidated financial statements

- (3) Changes in Accounting Rules, Procedures, Presentation Methods, etc.

(a) Changes in consolidated accounting methods: No

(b) Changes other than (a) above: No

Note: Changes in accounting rules, procedures, presentation methods, etc. for the quarterly consolidated financial statements

- (4) Number of Shares Issued (Common Stock)

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

Six months ended June 30, 2010: 134,960; Year ended December 31, 2009: 134,960

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

Six months ended June 30, 2010: 0; Year ended December 31, 2009: 0

(c) Average number of shares outstanding:

Six months ended June 30, 2010: 134,960; Six months ended June 30, 2009: 134,960

Presentation of Present Status of Quarterly Review Procedures

This “Consolidated Financial Statements for the Six Months Ended June 30, 2010” is not subject to quarterly review procedures in accordance with the Financial Instruments and Exchange Law and, as of the date of publication of these statements, the review procedures for consolidated quarterly financial statements in accordance with the Financial Instruments and Exchange Law are still in progress.

Explanation on Proper Use of the Forecast of Results and Other Special Instructions

The forecast of consolidated results contained in this document is based on information currently available to the Company and assumptions judged to be reasonable. Diverse factors may cause actual performance to differ materially from the forecast. Please see “3. Qualitative Data on the Forecast of Consolidated Results” on page 3 of “Supplemental Information” for information on underlying assumptions of the forecast and points to be considered in connection with its use.

Supplemental Information Contents

1. Qualitative Information and Financial Statements, etc.....	1
(1) Qualitative Information Regarding Results of Consolidated Operations.....	1
(2) Qualitative Data on Consolidated Financial Positio.....	3
(3) Qualitative Data on the Forecast of Consolidated Results.....	3
2. Other	4
(1) Changes in Significant Subsidiaries during the Period.....	4
(2) Application of Simplified Accounting Procedures and Accounting Procedures Specific to the Preparation of Quarterly Consolidated Financial Statements.....	4
(3) Changes in Accounting Rules, Procedures, Presentation Methods, etc. for the Quarterly Consolidated Financial Statements.....	4
3. Consolidated Financial Statements.....	5
(1) Consolidated Balance Sheets.....	5
(2) Consolidated Statements of Operations.....	7
(Six months ended March 31, 2009).....	7
(Second quarter of 2009, March 31, 2009 to June 30, 2009).....	8
(3) Consolidated Statements of Cash Flow.....	9
(4) Notes regarding Assumption of Going Concern.....	10
(5) Segment Information.....	10
(6) Notes in the Event of Significant Changes in Shareholders' Equity.....	10
(7) Other Information.....	10

*The Company plans to hold a quarterly financial results meeting for institutional investors as follows. Presentation materials, video and main questions and answers will be made available on the Company's website soon after the meeting is held.

August 9, 2010 Quarterly Financial Results Meeting for Institutional Investors

1. Qualitative Information and Financial Statements, etc.

(1) Qualitative Information Regarding Results of Consolidated Operations

In the Japanese economy during the second-quarter period of 2010, the six months from January 1, 2010 to June 30, 2010, various economic indicators showed signs of recovery from the recession despite the risk of further downturn resulting from uncertainty on economics in Europe. However, while employment conditions improved, they remained severe, with the ratio of job offers to seekers at 0.50 and the overall unemployment rate at 5.2% in May 2010. In addition, the chill in new graduate hiring persisted with 68.7% of university students scheduled to graduate in March 2011 receiving job offers.

In this operating environment, Link and Motivation Inc. (“the Company”) was committed to strengthening services based on management issues and shifting to a highly flexible operating structure in order to realize a framework for stable profits. To strengthen services based on management issues, the Company is providing solutions that address target companies’ essential issues in order to improve their results, and the number of projects that touch on those issues has increased. To shift to a highly flexible operating structure, the Company concentrated on thorough in-house production, which allowed it to cut outsourcing costs by about 30%. In addition, the effects of moving out of the Shiodome and DaVinci Ginza offices became clearly apparent as the Company’s office-related costs decreased by about 60% from their peak.

As a result, consolidated net sales of the Link and Motivation Group for the six months ended June 30, 2010 were ¥3,493,092 thousand (a 6.0% decrease compared with the second period of the previous year), gross profit was ¥1,842,945 thousand (a 4.6% decrease), operating income was ¥395,114 thousand (a 4,195.3% increase), ordinary income was ¥404,662 thousand (a 4,288.8% increase) and net income was ¥190,464 thousand (compared with net loss in the same period of the previous fiscal year). Although sales and gross profit were below results in the same period of the previous fiscal year, income at all levels from operating income down greatly exceeded results in the same period of the previous year.

An overview by business area for the second-quarter period of 2010 is as follows.

Motivation Management Business

In the Motivation Management business, sales in the six months ended June 30, 2010 were ¥1,292,464 thousand (a 7.8% decrease compared with the same period of the previous year). Gross profit was ¥777,397 thousand (a 15.8% decrease).

This segment offers services for personnel training and organization and system design aimed at creating highly motivated organizations. The segment also supports corporate vision and brand creation and market penetration.

Sales improved from a 14.8% year-on-year decrease for the first quarter to a 3.2% year-on-year decrease for the second quarter due to more selective customer targeting, as well as the beginning of a recovery in budgets for personnel, training, advertising and PR. The reason behind the larger percentage decrease in gross profit compared with sales was the impact of the acquisition of Link Tourist Inc. in October 2009.

Going forward, we will focus on proposing solutions that directly and intrinsically address management issues, while watching for further willingness among corporations to invest.

Entry Management Business

In the Entry Management business, sales in the six months ended June 30, 2010 were ¥1,200,368 thousand (an 11.0% decrease compared with the same period of the previous year). Gross profit was ¥738,575 thousand (an 8.8% increase).

This segment offers recruiting strategy planning services aimed at realizing the best matches between companies and applicants in the recruitment stage, and assistance with the execution of strategies.

Sales decreased due to less work for large-scale company information sessions as the trend among client companies toward strict selection of students for recruitment grew stronger in a severe economic environment. However, gross profit increased significantly due to strong sales of highly profitable recruitment tests and consulting services at the recruitment planning stage, as well as to success in substantially reducing outsourcing costs. As a result of having strengthened direct sales with customers we dealt with during our business alliance with Recruit Co., Ltd., we are steadily building repeat business in recruiting university students scheduled to graduate in 2012. Going forward, we will respond to the growing needs of Japanese companies to recruit high-caliber Chinese employees as they advance into China, and continue to focus on strengthening direct sales to customers we dealt with during our business alliance with Recruit Co., Ltd.

Investor Relations Business

In the Investor Relations business, sales in the six months ended June 30, 2010 were ¥352,114 thousand (a

16.7% decrease compared with the same period of the previous year). Gross profit was ¥173,169 thousand (a 4.0% decrease).

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

Although sales of annual reports and video distribution services, our core products, remained firm, sales decreased compared with the same period of the previous year due to the impact of the transfer of the business of *Kabushiki Nippon*, a specialist magazine for investors. However, with the cost-cutting effects of moving production in-house, gross profit was essentially unchanged. Going forward, we will focus not only on our existing services that support customers' IR activities but also on developing services that support their CSR activities.

Place Management Business

In the Place Management business, sales in the six months ended June 30, 2010 were ¥399,711 thousand (a 15.7% decrease compared with the same period of the previous year). Gross profit was ¥116,250 thousand (a 12.8% decrease).

This segment provides office brokerage and consultation services related to office design and construction.

Net sales and gross profit decreased compared with the same period of the previous year due to a decline in sales in the main businesses of office brokerage and consultation services as customers refrained from active office investment. Going forward, we will focus on revitalizing our main services and on increasing earnings from our "Office no Hiroba" comprehensive online office information portal.

Other

Other sales in the six months ended June 30, 2010 totaled ¥248,433 thousand (a 273.5% increase compared with the same period of the previous fiscal year).

In addition to proceeds from speeches at various business events, book publishing and articles written for newspapers and business magazines, results included sales of Link Sports Entertainment Inc., in which the Company acquired shares in May 2009.

Note: Comparisons with the same period of the previous fiscal year for the Motivation Management and Investor Relations businesses, in which business areas have changed, are based on retroactively revised figures.

(2) Qualitative Data on Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets at June 30, 2010 were ¥4,166,360 thousand, down ¥471,047 thousand from the end of the previous year. The decrease was largely due to factors such as a ¥281,995 thousand decrease in accrued corporate tax refund, a ¥145,111 thousand decrease in notes and accounts receivable and a ¥57,814 thousand decrease in security deposits.

Total liabilities were ¥1,218,315 thousand, down ¥527,084 thousand from the end of the previous year. The principal factors included a ¥200,980 thousand increase in accrued income taxes, as well as a ¥450,000 thousand decrease in short-term borrowings, a ¥64,698 thousand decrease in advances received and a ¥164,118 thousand decrease in accounts payable and accounts.

Total net assets at June 30, 2010 were ¥2,948,044 thousand, up ¥56,036 thousand from the end of the previous year. Principal factors were a ¥190,464 thousand increase in retained earnings resulting from net income, as well as a ¥134,960 thousand decrease in retained earnings due to payment of dividends.

Cash Flow

Cash and cash equivalents (hereafter, "Cash") as of June 30, 2010 was ¥1,289,223 thousand, an increase of ¥146,691 thousand, or 45.6%, from the end of the previous year.

Cash flow for the six months ended June 30, 2010 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities was ¥657,320 thousand. Principal factors were income before income taxes of ¥386,351 thousand, income tax refund of ¥285,031 thousand and decrease in notes and accounts receivable - trade of ¥145,111 thousand, as well as decrease in accounts payable of ¥117,903 thousand.

Cash Flow from Investing Activities

Net cash provided by investing activities was ¥79,089 thousand. The principal factors were ¥61,814 thousand in proceeds from recovery of security deposits and ¥50,000 thousand from cancellation of time deposits, offset by ¥26,479 thousand in net payments for acquisition of fixed assets.

Cash Flow from Financing Activities

Net cash used in financing activities was ¥589,718 thousand. Principal factors included ¥450,000 thousand used to repay short-term debt and ¥135,680 thousand for payment of cash dividends.

(3) Qualitative Data on the Forecast of Consolidated Results

The forecast of results assumed further decrease in net sales due to the impact of long-term economic recession. However, net sales have been firmer than initially assumed as a result of the suitability of the Company's approach to customers who have become more willing to invest for future earnings growth as the economy has bottomed. Believing that this trend will continue in the third and fourth quarters, the Company has made upward revisions to its forecast of consolidated results for 2010 (January 1, 2010 - December 31, 2010) for net sales, operating income and ordinary income. Because tax expenses are forecast to increase as a result of variations in the profit balance among subsidiaries compared with initial assumptions, the Company has not revised the forecast for net income.

2. Other

(1) Changes in Significant Subsidiaries during the Period

Second-quarter period (January 1, 2010 –June 30, 2010)

None applicable.

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

Six Months Ended June 30, 2010
(January 1, 2010 to June 30, 2010)

(Simplified accounting procedures)

1. Appraisal method for inventory assets

With respect to the calculation of inventory assets as of June 30, 2010, physical stocktaking was not conducted, and instead a method of reasonably calculating inventory based on physical inventory figures at the end of the previous consolidated fiscal year was adopted. In addition, with respect to the write-down of book values, actual sales value is estimated for those inventory assets with clearly diminished profitability.

2. Calculation method for the depreciation cost of fixed assets

With respect to the assets calculated using the age-life method, the portion of depreciation cost for the consolidated fiscal year under review is included.

Six Months Ended June 30, 2010
(January 1, 2009 to June 30, 2010)

(Accounting procedures specific to the preparation of quarterly consolidated financial statements)

1. Calculation of tax expenses

With respect to tax expenses, a reasonable estimate is made for the effective tax rate after the application of tax effect accounting to pretax net income for the consolidated fiscal year, and the estimated tax rate is multiplied by pretax net income. The adjustment for corporate and other taxes is included in income taxes in the Consolidated Statements of Operations.

(3) Changes in Accounting Rules, Procedures, Presentation Methods, etc. for the Quarterly Consolidated Financial Statements

None applicable.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of June 30, 2010	As of December 31, 2009
ASSETS		
Current assets		
Cash and deposits	1,289,223	1,192,532
Notes and accounts receivable	945,832	1,090,943
Goods in process	33,187	32,574
Products	3,651	4,226
Merchandise and supplies	11,593	11,706
Prepaid expenses	107,580	62,939
Deferred tax assets	74,148	76,339
Accrued corporate tax refund	—	281,995
Accrued consumption tax	570	54,532
Other	38,458	20,344
Allowance for doubtful accounts	(13,636)	(15,499)
Total current assets	2,490,610	2,812,634
Fixed assets		
Property and equipment		
Buildings and structures	136,026	131,280
Accumulated depreciation	(86,646)	(82,522)
Buildings and structures (net)	49,379	48,758
Vehicles	5,840	5,840
Accumulated depreciation	(4,885)	(4,209)
Vehicles (net)	954	1,631
Furniture and fixtures	264,149	296,406
Accumulated depreciation	(200,270)	(217,076)
Furniture and fixtures (net)	63,878	79,330
Lease assets	21,138	21,138
Accumulated depreciation	(6,611)	(3,499)
Lease assets (net)	14,526	17,639
Total property and equipment	128,740	147,359
Intangible assets		
Goodwill	584,111	625,532
Software	203,857	230,752
Other	4,862	5,289
Total intangible assets	792,831	861,575
Investments and other assets		
Investments in securities	8,709	9,196
Security deposits	434,225	492,040
Deferred tax assets	266,941	267,717
Claims in bankruptcy	7,810	11,352
Other	44,301	46,885
Allowance for doubtful accounts	(7,810)	(11,352)
Total investments and other assets	754,177	815,839
Total fixed assets	1,675,749	1,824,773
Total assets	4,166,360	4,637,408

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

	As of June 30, 2010	As of December 31, 2009
LIABILITIES		
Current liabilities		
Accounts	171,895	219,615
Short-term borrowings	400,000	850,000
Long-term debt due within one year	2,052	2,052
Accounts payable	121,960	238,359
Lease obligations	6,173	6,075
Expenses payable	10,825	20,647
Accrued income taxes	201,550	569
Accrued consumption taxes	36,901	28,679
Advances received	57,051	121,749
Accrued bonuses to employees	104,555	105,826
Accrued bonuses to officers	—	5,846
Other reserves	43,000	62,250
Other	50,862	68,104
Total current liabilities	1,206,827	1,729,776
Long-term liabilities		
Long-term debt	2,907	3,933
Lease obligations	8,581	11,690
Total long-term liabilities	11,488	15,623
Total liabilities	1,218,315	1,745,400
NET ASSETS		
Shareholders' equity		
Common stock	979,750	979,750
Additional paid-in capital	734,595	734,595
Retained earnings	1,233,784	1,178,280
Total shareholders' equity	2,948,129	2,892,625
Valuation and translation adjustments		
Unrealized gain on securities	(85)	(617)
Total valuation and translation adjustments	(85)	(617)
Total net assets	2,948,044	2,892,008
Total liabilities and net assets	4,166,360	4,637,408

(2) Consolidated Statements of Operations

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

	Six months ended March 31, 2009	Six months ended March 31, 2010
Net sales	3,715,214	3,493,092
Cost of sales	1,784,068	1,650,147
Gross profit	1,931,146	1,842,945
Selling, general and administrative expenses	1,921,948	1,447,831
Operating income	9,198	395,114
Non-operating income		
Interest income	701	391
Dividend income	152	104
Interest on refund of income taxes	—	7,971
Co-sponsor fee	—	1,223
Other	2,136	2,211
Total non-operating income	2,990	11,901
Non-operating expenses		
Interest expenses	2,553	2,187
Payment guarantee fees	244	—
Other	170	166
Total non-operating loss	2,968	2,353
Ordinary income	9,220	404,662
Extraordinary income		
Gain on sale of property and equipment	—	1,865
Gain on donated fixed assets	2,000	—
Other	—	13,400
Total extraordinary income	2,000	15,265
Extraordinary loss		
Loss on sale of property and equipment	—	2,857
Loss on valuation of investment securities	—	1,380
Loss on disposal of property and equipment	4,092	5,259
Office transfer expenses	199,185	11,646
Loss on lease cancellation	14,984	—
Business structure improvement expenses	78,958	—
Adjusted loss from previous period	—	9,692
Other	786	2,741
Total extraordinary loss	298,006	33,575
Income (loss) before income taxes	(286,786)	386,351
Income taxes	(74,565)	195,887
Net income (loss)	(212,221)	190,464

(2) Consolidated Statements of Operations

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

	Second quarter of fiscal 2009 April 1, 2009 to June 30, 2009	Second quarter of fiscal 2009 April 1, 2010 to June 30, 2010
Net sales	1,988,586	1,849,543
Cost of sales	766,874	839,170
Gross profit	1,221,711	1,010,372
Selling, general and administrative expenses	927,243	688,848
Operating income	294,467	321,524
Non-operating income		
Interest income	24	258
Dividend income	103	81
Interest on refund of income taxes	—	7,971
Co-sponsor fee	—	1,223
Other	916	1,014
Total non-operating income	1,043	10,549
Non-operating expenses		
Interest expenses	1,552	1,029
Payment guarantee fees	244	—
Other	20	5
Total non-operating loss	1,817	1,034
Ordinary income	293,693	331,039
Extraordinary income		
Gain on sale of property and equipment	—	1,865
Gain on donated fixed assets	2,000	—
Other	—	13,400
Total extraordinary income	2,000	15,265
Extraordinary loss		
Loss on sale of property and equipment	—	625
Loss (gain) on valuation of investment securities	(1,215)	185
Loss on disposal of property and equipment	—	5,259
Office transfer expenses	192,121	4,744
Loss on lease cancellation	12,061	—
Business structure improvement expenses	78,958	—
Other	786	2,741
Total extraordinary loss	282,713	13,555
Income before income taxes	12,980	332,748
Income taxes	24,116	151,396
Net income (loss)	(11,136)	181,352

(3) Consolidated Statements of Cash Flow

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

	Six months ended June 30, 2009	Six months ended June 30, 2010
Cash flow from operating activities		
Income (loss) before income taxes	(286,786)	386,351
Depreciation and amortization	87,408	65,973
Amortization of goodwill	100,963	41,421
Increase (decrease) in allowance for doubtful accounts	1,417	(5,404)
Increase (decrease) in allowance for employees' bonuses	(8,541)	(1,271)
Increase (decrease) in allowance for officers' bonuses	(611)	(5,846)
Transfer expenses	199,185	11,646
Business structure improvement expenses	78,958	—
Increase (decrease) in reserve for loss on returned goods	(2,766)	—
Gain on donated fixed assets	(2,000)	—
Gain on disposal of fixed assets	—	992
Loss on disposal of fixed assets	4,092	5,259
Loss (gain) on valuation of investment securities	—	1,380
Interest expense	2,553	2,187
Interest and dividend income	(853)	(496)
Decrease (increase) in inventories	112,056	1,423
Decrease (increase) in notes and accounts receivable - trade	462,416	145,111
Increase (decrease) in accounts payable	(85,320)	(117,903)
Increase (decrease) in notes and accounts payable	(146,429)	(47,719)
Increase (decrease) in accrued consumption taxes	(68,828)	62,183
Increase (decrease) in advances received	(17,521)	(64,698)
Decrease (increase) in other current assets	(35,052)	(86,626)
Subtotal	404,342	393,963
Interest and dividends received	853	496
Interest paid	(2,414)	(1,524)
Income tax refund	—	285,031
Income taxes paid	(308,200)	(3,149)
Officers' retirement bonuses	(40,000)	—
Payment for transfer expenses	(5,071)	(17,496)
Payment for business reorganization	(2,415)	—
Net cash provided by operating activities	47,094	657,320
Cash flow from investing activities		
Proceeds from repayment of time deposits	—	50,000
Payments for acquisition of property and equipment	(36,908)	(12,974)
Payments for acquisition of intangible assets	(26,033)	(13,504)
Payments for acquisition of stock of subsidiary for consolidation	(588,857)	—
Payments for acquisition of stock of subsidiary	(7,920)	—
Proceeds from recovery of short-term loans	200,000	—
Proceeds from recovery of long-term loans	30,000	—
Payments for security deposits and guarantees	(2,032)	(4,000)
Proceeds from recovery of security deposits and guarantees	45,292	61,814
Other	(3,066)	(2,245)
Net cash used in investing activities	(389,525)	79,089
Cash flow from financing activities		
Net increase (decrease) in short-term debt	528,000	(450,000)
Repayment of long-term debt	(328,752)	(1,026)
Payments for redemption of bonds	(33,200)	—
Repayment of lease obligations	—	(3,011)
Payment of cash dividends	(250,848)	(135,680)
Net cash provided by (used in) financing activities	(84,800)	(589,718)
Net increase (decrease) in cash and cash equivalents	(427,232)	146,691
Cash and cash equivalents at beginning of period	1,312,494	1,142,532
Cash and cash equivalents at end of period	885,261	1,289,223

(4) Notes regarding Assumption of Going Concern

Second-quarter period (January 1, 2010 – June 30, 2010)

None applicable.

(5) Segment Information

a. Business Segment Information

Second-quarter period (January 1, 2010 – June 30, 2010)

Applicable information is not available as the Company's business and that of its subsidiaries, "management consulting motivation engineering," are in one segment.

b. Geographic Segment Information

Second-quarter period (January 1, 2010 – June 30, 2010)

Geographic segment information is not disclosed because the Company has no consolidated subsidiaries or significant branch offices outside Japan.

c. Overseas Sales

Second-quarter period (January 1, 2010 – June 30, 2010)

Overseas sales information is omitted because the Company has no overseas sales.

(6) Notes in the Event of Significant Changes in Shareholders' Equity

Second-quarter period (January 1, 2010 – June 30, 2010)

None applicable.

(7) Other Information

None applicable.