

# Consolidated Financial Statements for the Cumulative Third Quarter of the Fiscal Year Ending December 31, 2010

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

November 5, 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):

November 5, 2010

Start of distribution of dividends (scheduled):

December 24, 2010

Supplementary information for the quarterly financial statements to be prepared: No

Quarterly financial results meeting to be held: No

(Amounts are rounded down to the nearest million.)

## 1. Consolidated Results for the Cumulative Third Quarter of 2010 (January 1, 2010 – September 30, 2010)

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

	Net sales (¥ million)	Change (%)	Operating income (loss) (¥ million)	Change (%)	Ordinary income (loss) (¥ million)	Change (%)
Nine months ended Sept. 30, 2010	5,023	(1.3)	491	—	503	—
Nine months ended Sept. 30, 2009	5,087	—	(155)	—	(153)	—

	Net income (loss) (¥ million)	Change (%)	Earnings (loss) per share (¥)	Earnings per share (diluted) (¥)
Nine months ended Sept. 30, 2010	250	—	1,855.21	—
Nine months ended Sept. 30, 2009	(341)	—	(2,527.57)	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets / Total assets (%)	Net assets per share (¥)
As of September 30, 2010	3,992	2,940	73.7	21,789.56
As of December 31, 2009	4,637	2,892	62.4	21,428.63

(Reference) Net worth As of September 30, 2010: ¥2,940 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 (actual)	500.00	500.00	500.00		
2010 (est.)				500.00	2,000.00

Note: Revisions to projected dividends during the quarter: No

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

(Percentages represent change compared to 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: Changes to the forecast of results during the third quarter: No

**4. Other** (For details, see “Other” on page 4 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 nine months ended September 30, 2010

(2) Application of Simplified Accounting Procedures and Specified 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 and 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)

Nine months ended September 30, 2010: 134,960; Year ended December 31, 2009: 134,960

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

Nine months ended September 30, 2010: 0; Year ended December 31, 2009: 0

(c) Average number of shares outstanding:

Nine months ended September 30, 2010: 134,960; Nine months ended September 30, 2009: 134,960

**Presentation of Present Status of Quarterly Review Procedures**

This “Consolidated Financial Statements for the Cumulative Third Quarter of the Fiscal Year Ending December 31, 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.

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## **1. Qualitative Information and Financial Statements**

### **(1) Qualitative Information Regarding Results of Consolidated Operations**

In the Japanese economy during the cumulative third quarter of the fiscal year ending December 31, 2010, the nine months from January 1, 2010 to September 30, 2010, economic decline appeared to be halting due to factors such as eco-car subsidies and other government measures that underpinned consumer spending and recovery in export industries driven by growth in emerging countries. However, the future of the economy remained uncertain due to factors including concern over deceleration in overseas economies centered on Europe and the United States and the rapid appreciation of the yen.

While employment conditions were no longer at their worst, they remained severe, with the ratio of job offers to job seekers at 0.54 and the unemployment rate at 5.1% in August 2010.

In this operating environment, Link and Motivation Inc. (“the Company”) focused on 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 nine months ended September 30, 2010 were ¥5,023,335 thousand (a 1.3% decrease compared with the same period of the previous year), gross profit was ¥2,665,330 thousand (a 2.3% increase), operating income was ¥491,317 thousand (compared with operating loss of ¥155,857 in the same period of the previous year), ordinary income was ¥503,463 thousand (compared with ordinary loss of ¥153,942 in the same period of the previous year) and net income was ¥250,379 thousand (compared with net loss of ¥341,121 in the same period of the previous year). Although net sales were at about the same level as results in the same period of the previous year, operating, ordinary and net income significantly improved.

An overview by business area for the nine months ended September 30, 2010 is as follows.

#### **Motivation Management Business**

In the Motivation Management business, sales in the nine months ended September 30, 2010 were ¥1,894,269 thousand (a decrease of 0.3% compared with the same period of the previous year) and gross profit was ¥1,132,597 thousand (a decrease of 7.6%).

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 gradually from a 14.8% year-on-year decrease for the first quarter to a 3.2% year-on-year decrease for the second quarter to a 20.8% increase for the third quarter. This was due an increase in solutions that intrinsically address customers’ management issues achieved through more selective customer targeting and stronger customer relations amid the beginning of a recovery in customer budgets for personnel, training, advertising and PR as well their willingness to invest.

Going forward, we will continue to focus on providing solutions that directly and intrinsically address customers’ management issues.

#### **Entry Management Business**

In the Entry Management business, sales in the nine months ended September 30, 2010 were ¥1,595,453 thousand (a 10.7% decrease compared with the same period of the previous year) and gross profit was ¥980,552 thousand (a 10.9% 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 the success of thorough reduction of outsourcing costs. In addition, we steadily moved forward with recruitment support service sales for the growing needs of major Japanese companies to recruit high-caliber Chinese employees.

We will continue to focus our efforts on providing product development and services to respond to globalization, including the need to recruit Chinese employees.

### **Investor Relations Business**

In the Investor Relations business, sales in the nine months ended September 30, 2010 were ¥580,086 thousand (a 13.0% decrease compared with the same period of the previous year). Gross profit was ¥289,511 thousand (a 3.8% increase).

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 due to the impact of the transfer of the business of Kabushiki Nippon, a specialist magazine for investors. However, with thorough cost-cutting, gross profit increased significantly. 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 and web-based IR solutions.

### **Place Management Business**

In the Place Management business, sales in the nine months ended September 30, 2010 were ¥557,378 thousand (a 7.4% decrease compared with the same period of the previous year), while gross profit was ¥161,941 thousand (a 13.9% decrease).

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

Net sales and gross profit decreased due to a decline in sales in the main businesses of office brokerage and consultation services as customers refrained from active office investment. During the third quarter ended September 30, 2010, we launched "Office no Hiroba," a comprehensive online office information portal.

Going forward, we will focus on revitalizing our main services and on increasing earnings from the online information portal.

### **Other**

Other sales in the nine months ended September 30, 2010 totaled ¥396,148 thousand (a 200.4% increase compared with the same period of the previous year).

In addition to proceeds from speeches at various business events, book publishing and articles written for newspapers and business magazines, results from the third quarter included sales of Link Sports Entertainment Inc., acquired 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 September 30, 2010 were ¥3,992,438 thousand, down ¥644,969 thousand from the end of the previous year. The principal factors included an increase of ¥137,899 thousand in cash and deposits and decreases of ¥237,758 thousand in notes and accounts receivable, ¥281,995 thousand in accrued corporate tax refund of income taxes and ¥119,959 thousand in security deposits.

Total liabilities were ¥1,051,718 thousand, down ¥693,681 thousand from the end of the previous year. The principal factors included an increase of ¥237,732 thousand in accrued income taxes and decreases of ¥650,000 thousand in short-term borrowings and ¥121,966 thousand in accounts payable.

Total net assets were ¥2,940,720 thousand, up ¥48,712 thousand from the end of the previous year. Principal factors were a ¥250,379 thousand increase in retained earnings resulting from net income, as well as a ¥202,440 thousand decrease in retained earnings due to payment of dividends.

### **Cash Flow**

Cash and cash equivalents (hereafter “cash”) as of September 30, 2010 was ¥1,330,431 thousand, an increase of ¥187,899 thousand, or 31.1%, from the end of the previous year.

Cash flow for the nine months ended September 30, 2010 was as follows.

#### *Cash Flow from Operating Activities*

Net cash provided by operating activities was ¥918,034 thousand. Principal factors were income before income taxes of ¥485,262 thousand, income tax refund of ¥285,031 thousand and decrease in notes and accounts receivable – trade of ¥237,758 thousand, as well as decrease in notes and accounts payable, accounts payable and advances received totaling ¥189,932 thousand.

#### *Cash Flow from Investing Activities*

Net cash provided by investing activities was ¥130,707 thousand. The principal factors were ¥124,151 thousand in proceeds from recovery of security deposits and guarantees, and ¥50,000 thousand in proceeds from withdrawal of time deposits, offset by ¥36,351 thousand in net payments for acquisition of fixed assets.

#### *Cash Flow from Financing Activities*

Net cash used in financing activities was ¥860,842 thousand. Principal factors included ¥650,000 thousand used to repay short-term debt and ¥203,629 thousand for payment of cash dividends.

## **(3) Qualitative Data on the Forecast of Consolidated Results**

There are currently no revisions to the forecast for the year ending December 31, 2010.

## 2. Other

### (1) Changes in Significant Subsidiaries during the Period

Nine months ended September 30, 2010 (January 1, 2010 – September 30, 2010)

None applicable.

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

Nine Months Ended September 30, 2010 (January 1, 2010 to September 30, 2010)
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(Simplified accounting procedures)

1. Appraisal method for inventory assets

With respect to the calculation of inventory assets as of September 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.

Nine Months Ended September 30, 2010 (January 1, 2010 to September 30, 2010)
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(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.

### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

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

	As of September 30, 2010	As of December 31, 2009
<b>ASSETS</b>		
Current assets		
Cash and deposits	1,330,431	1,192,532
Notes and accounts receivable	853,184	1,090,943
Goods in process	37,931	32,574
Products	8,857	4,226
Merchandise and supplies	12,973	11,706
Prepaid expenses	76,605	62,939
Deferred tax assets	76,339	76,339
Accrued corporate tax refund	—	281,995
Accrued consumption tax	5,525	54,532
Other	17,740	20,344
Allowance for doubtful accounts	(12,181)	(15,499)
Total current assets	<u>2,407,406</u>	<u>2,812,634</u>
Fixed assets		
Property and equipment		
Buildings and structures	136,026	131,280
Accumulated depreciation	(88,880)	(82,522)
Buildings and structures (net)	<u>47,145</u>	<u>48,758</u>
Vehicles	6,411	5,840
Accumulated depreciation	(5,216)	(4,209)
Vehicles (net)	<u>1,195</u>	<u>1,631</u>
Furniture and fixtures	268,106	296,406
Accumulated depreciation	(207,146)	(217,076)
Furniture and fixtures (net)	<u>60,959</u>	<u>79,330</u>
Lease assets	37,073	21,138
Accumulated depreciation	(9,303)	(3,499)
Lease assets (net)	<u>27,770</u>	<u>17,639</u>
Total property and equipment	<u>137,071</u>	<u>147,359</u>
Intangible assets		
Goodwill	563,400	625,532
Software	187,511	230,752
Other	4,651	5,289
Total intangible assets	<u>755,563</u>	<u>861,575</u>
Investments and other assets		
Investments in securities	9,224	9,196
Security deposits	372,080	492,040
Deferred tax assets	266,571	267,717
Claims in bankruptcy	7,810	11,352
Other	44,521	46,885
Allowance for doubtful accounts	(7,810)	(11,352)
Total investments and other assets	<u>692,397</u>	<u>815,839</u>
Total fixed assets	<u>1,585,032</u>	<u>1,824,773</u>
Total assets	<u>3,992,438</u>	<u>4,637,408</u>



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

	As of September 30, 2010	As of December 31, 2009
<b>LIABILITIES</b>		
Current liabilities		
Accounts	185,360	219,615
Short-term borrowings	200,000	850,000
Long-term debt due within one year	2,052	2,052
Accounts payable	116,393	238,359
Lease obligations	11,493	6,075
Expenses payable	14,307	20,647
Accrued income taxes	238,302	569
Accrued consumption taxes	29,750	28,679
Advances received	88,587	121,749
Accrued bonuses to employees	110,210	105,826
Accrued bonuses to officers	—	5,846
Other reserves	—	62,250
Other	36,322	68,104
Total current liabilities	1,032,790	1,729,776
Long-term liabilities		
Long-term debt	2,394	3,933
Lease obligations	16,534	11,690
Total long-term liabilities	18,928	15,623
Total liabilities	1,051,718	1,745,400
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	979,750	979,750
Additional paid-in capital	734,595	734,595
Retained earnings	1,226,220	1,178,280
Total shareholders' equity	2,940,565	2,892,625
Valuation and translation adjustments		
Unrealized gain (loss) on securities	155	(617)
Total valuation and translation adjustments	155	(617)
Total net assets	2,940,720	2,892,008
Total liabilities and net assets	3,992,438	4,637,408

**(2) Consolidated Statements of Operations**

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

	Nine months ended September 30, 2009	Nine months ended September 30, 2010
Net sales	5,087,458	5,023,335
Cost of sales	2,481,940	2,358,005
Gross profit	2,605,518	2,665,330
Selling, general and administrative expenses	2,761,375	2,174,012
Operating income (loss)	(155,857)	491,317
Non-operating income		
Interest income	724	581
Dividend income	188	125
Interest on refund of income taxes	—	7,971
Co-sponsor fee	—	1,980
Other	5,611	4,059
Total non-operating income	6,523	14,717
Non-operating expenses		
Interest expenses	3,741	2,279
Payment guarantee fees	362	—
Other	503	291
Total non-operating expenses	4,608	2,571
Ordinary income (loss)	(153,942)	503,463
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	—	1,270
Loss on disposal of property and equipment	4,092	5,259
Office transfer expenses	213,901	11,646
Loss on lease cancellation	14,984	—
Business structure improvement expenses	79,511	—
Adjusted loss from previous period	—	9,692
Other	786	2,741
Total extraordinary loss	313,276	33,465
Income (loss) before income taxes	(465,218)	485,262
Income taxes	(124,096)	234,882
Net income (loss)	(341,121)	250,379

**(2) Consolidated Statements of Operations**

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

	Third quarter of 2009 July 1, 2009 to September 30, 2009	Third quarter of 2010 July 1, 2010 to September 30, 2010
Net sales	1,372,243	1,530,243
Cost of sales	697,872	707,858
Gross profit	674,371	822,384
Selling, general and administrative expenses	839,427	726,181
Operating income (loss)	(165,056)	96,202
Non-operating income		
Interest income	22	189
Dividend income	35	21
Co-sponsor fee	—	757
Other	3,474	1,847
Total non-operating income	3,533	2,815
Non-operating expenses		
Interest expenses	1,188	92
Payment guarantee fees	117	—
Other	333	124
Total non-operating expenses	1,639	217
Ordinary income (loss)	(163,162)	98,801
Extraordinary income		
Total extraordinary income	—	—
Extraordinary loss		
Loss on valuation of investment securities	—	(110)
Office transfer expenses	14,716	—
Business structure improvement expenses	552	—
Total extraordinary loss	15,269	(110)
Income (loss) before income taxes	(178,431)	98,911
Income taxes	(49,531)	38,995
Net income (loss)	(128,900)	59,915

### (3) Consolidated Statements of Cash Flow

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

	Nine months ended September 30, 2009	Nine months ended September 30, 2010
Cash flow from operating activities		
Income (loss) before income taxes	(465,218)	485,262
Depreciation and amortization	128,079	99,417
Amortization of goodwill	166,020	62,131
Increase (decrease) in allowance for doubtful accounts	3,407	(6,858)
Increase (decrease) in allowance for employees' bonuses	(22,456)	4,393
Decrease in allowance for officers' bonuses	(611)	(5,846)
Transfer expenses	213,901	11,646
Business structure improvement expenses	79,511	—
Decrease in reserve for loss on returned goods	(2,766)	—
Gain on donated fixed assets	(2,000)	—
Loss on disposal of fixed assets	4,092	5,259
Loss on sale of fixed assets	—	992
Loss on valuation of investment securities	—	1,270
Interest expense	3,741	2,279
Interest and dividend income	(912)	(707)
Decrease (increase) in inventories	92,757	(11,255)
Decrease in notes and accounts receivable - trade	730,058	237,758
Decrease in accounts payable	(97,430)	(122,516)
Decrease in notes and accounts payable	(137,975)	(34,254)
Increase (decrease) in accrued consumption taxes	(98,379)	50,077
Increase (decrease) in advances received	14,032	(33,161)
Other	58,266	(44,065)
Subtotal	666,118	701,824
Interest and dividends received	597	707
Interest paid	(3,714)	(2,128)
Income tax refund	—	285,031
Income taxes paid	(601,530)	(6,903)
Payment for transfer expenses	(149,787)	(17,496)
Payment for business reorganization	(6,717)	(43,000)
Officers' retirement bonuses	(40,000)	—
Net cash provided by (used in) operating activities	(135,033)	918,034
Cash flow from investing activities		
Proceeds from withdrawal of time deposits	50,000	50,000
Proceeds from recovery of investments	—	100
Payments for acquisition of property and equipment	(41,934)	(14,989)
Payments for acquisition of intangible assets	(39,473)	(21,362)
Proceeds from transfer of business	7,505	—
Payments for acquisition of stock of subsidiary for consolidation	(588,857)	—
Payments for acquisition of stock of subsidiary	(8,699)	—
Proceeds from recovery of short-term loans	200,000	—
Proceeds from recovery of long-term loans	30,000	—
Proceeds from recovery of security deposits and guarantees	81,097	124,151
Payments for security deposits and guarantees	(2,330)	(4,192)
Other	(2,200)	(3,001)
Net cash provided by (used in) investing activities	(314,893)	130,707
Cash flow from financing activities		
Net increase (decrease) in short-term debt	988,000	(650,000)
Repayment of long-term debt	(473,791)	(1,539)
Payments for redemption of bonds	(43,200)	—
Repayment of lease obligations	—	(5,674)
Payment of cash dividends	(318,687)	(203,629)
Net cash provided by (used in) financing activities	152,321	(860,842)
Cash and cash equivalents at beginning of period	(297,605)	187,899
Net increase (decrease) in cash and cash equivalents	1,312,494	1,142,532
Cash and cash equivalents at end of period	1,014,888	1,330,431

**(4) Notes regarding Assumption of Going Concern**

Cumulative third quarter (January 1, 2010 – September 30, 2010)

None applicable.

**(5) Segment Information**

a. Business Segment Information

Cumulative third quarter (January 1, 2010 – September 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

Cumulative third quarter (January 1, 2010 – September 30, 2010)

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

c. Overseas Sales

Third-quarter period (January 1, 2010 – September 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**

Cumulative third quarter (January 1, 2010 – September 30, 2010)

None applicable.

**(7) Other Information**

None applicable.