

Chapter

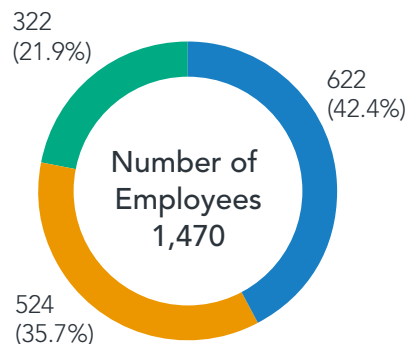
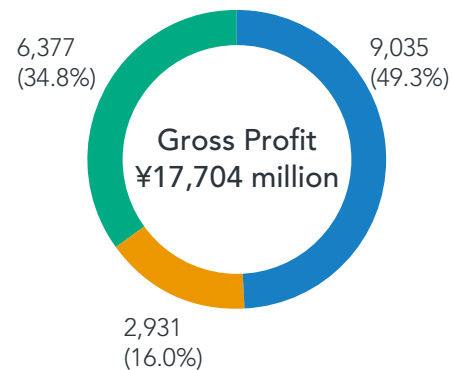
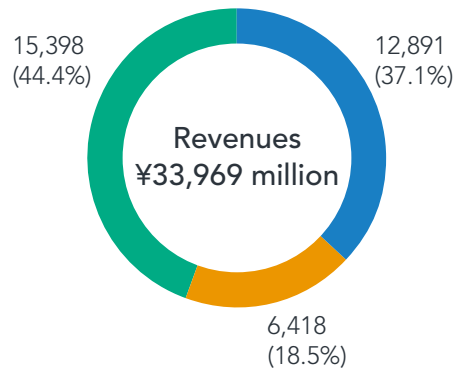
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Businesses and Organizations of the Link and Motivation Group

Overview of Businesses	27
Organizational Development Division: Consulting & Cloud Business	28
Organizational Development Division: IR Support Business	29
Individual Development Division: Career School Business	30
Individual Development Division: Cram School Business	31
Matching Division: ALT Placement Business	32
Matching Division: Personnel Placement Business	33
Group Organizational Strategy	34
Human Resource Capabilities: Role Survey Scores	35
Engagement: Engagement Ratings	36
Productivity	37
Recruiting, Training, Systems and Corporate Culture	38

Overview of Businesses

2023 Business Results



Notes: 1. Revenues and gross profit for each division include interdivisional transactions.
2. Number of employees includes two employees in a business segment that is not included in the reportable segments.

Business Domains

Organizational Development Division



Consulting & Cloud Business

One-stop support for improving employee engagement

We supply corporate clients with diagnostic and transformation solutions that improve human resource capabilities and employee engagement.

IR Support Business

One-stop support for corporate branding

We help companies build their corporate brand with support for a range of IR-related media and events.

Individual Development Division



Career School Business

A network of comprehensive career schools for working professionals that make it easy to maintain study habits

Through our one-stop support for computer skills, programming ability, acquisition of qualifications and language learning, we help working professionals advance their careers.

Cram School Business

A network of examination preparatory schools for elementary, junior high and high school students. These schools support the cultivation of human resources that play an active role in society.

Based on Motivation Engineering, this business supports elementary, junior high and high school students in developing skills for improving academic performance and playing an active role in society.

Matching Division



ALT Placement Business

Matching services that place talented individuals from overseas seeking to work in Japan at companies and educational institutions

We provide matching opportunities linking Japanese companies and talented individuals from overseas, ranging from the placement of assistant language teachers at elementary, junior high and high schools in Japan to referrals to Japanese companies looking for such individuals.

Personnel Placement Business

Matching services that help domestic human resources find satisfying work

We provide a range of matching opportunities, including referral of university graduates and mid-career employees, as well as an information platform for career change and job search.

Making Major Strides As a Growth Driver for the Group

The Consulting & Cloud Business is a growth driver for the Link and Motivation Group, and we are committed to allocating management capital to the business. Growth in 2023 slowed temporarily as companies were forced for the first time to deal with newly mandatory human capital disclosure. However, needs for organizational improvement that have been increasing from the second half of the year are expected to support growth going forward. By making major strides in this business, which was our founding business and maintains exceptionally strong competitive advantages, we continue to drive the expansion of the Group.

Market Environment

- Fiscal 2022 corporate training services market: ¥537 billion¹
- Employee engagement market CAGR (Fiscal 2021-2026): 24.8%²

Sources:

1. Yano Research Institute Ltd., Survey of Corporate Training Service Market (2023) (Announced on October 27, 2023, based on company net sales)
2. ITR CORPORATION, ITR Market View: Human Resource Management Market 2023, Employee Engagement Market Size and Forecast (Fiscal 2020-2026/Sales amount)

Note: Fiscal years in Japan refer to April 1 to March 31 of the following year.

Competitive Advantages

- Comprehensive support for human capital management through a cycle of diagnosis, transformation and disclosure
- Knowledge and a database accumulated over 20 years since our founding

Opportunities

- Growing momentum for human capital management
- Mandatory disclosure of human capital information in securities reports

Challenges for Growth

- Increasing recurring revenue per customer (increase in the ratio of major companies with high revenue per customer)
- Increasing one-time fee revenue per customer (increase profitability by deepening customer relationships)

Basic Data

Consulting

Services Provided

- Recruiting: Strategy design, operational efficiency improvement and enhancement of recruiting capabilities
- Training: Training by rank (new university graduates, mid-career employees, managers, executives) and training by theme
- Systems: Personnel system design
- Corporate Culture: Employee general meetings and anniversary events

End Users

Mainly employees, through the HR, corporate planning or other departments of customer companies

Delivery Methods

Face-to-face
Online

Priority Area

Cloud

Motivation Cloud Series



Mainly employees, through the HR, corporate planning or other departments of customer companies

Cloud-based services
(Subscription services)

Revenues (2023)

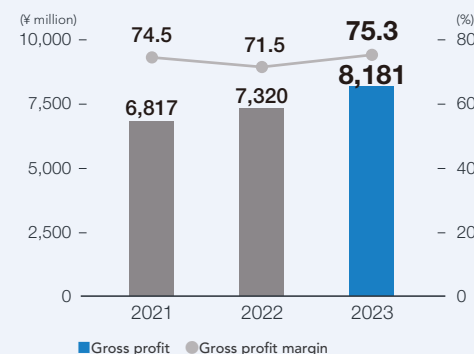
- Consulting: ¥6,195 million (-6.7% YoY)
- Cloud-based services: ¥4,671 million (+30.0% YoY)

Main KPIs

- Consulting & Cloud Business revenues
- Average revenues per customer
- Motivation Cloud series monthly fee revenue

Profitability

Gross Profit/Gross Profit Margin



The gross profit margin has been improving as the proportion of cloud-based services has increased since the launch of Motivation Cloud in 2016.

Growth Potential

3-year CAGR (2021-2023)

8.9%

Stability

Motivation Cloud market share for 6 consecutive years³

No.1³

Source:
3. ITR CORPORATION, ITR Market View: Human Resource Management Market 2023, Employee Engagement Market: Sales and Share by Vendor (Fiscal 2017-2022 Forecast)

Aiming for Steady Growth Backed by Mandatory Disclosure of Human Capital Information

Rising needs for disclosure of non-financial information have led to substantial growth over the past few years in production of integrated reports, a core service of this business. Collaboration with the Consulting & Cloud Business is also ramping up now that disclosure of human capital information in securities reports has become mandatory. As of December 31, 2023, 116 companies have disclosed the results of their Motivation Cloud diagnosis conducted by Link and Motivation, and engagement-related disclosure is making steady inroads. The business aims for steady growth by further improving productivity.

Market Environment

- Number of companies issuing integrated reports in 2022: 884*

Source:

KPMG Sustainable Value Services Japan, *Survey of Corporate Reports in Japan 2022*

* The number of issuing companies is based on Corporate Value Reporting Lab's, *List of Organizations in Japan Engaged in the Publication of Self-Declared Integrated Reports, 2022 Edition*.

Competitive Advantages

- Next step in the sequence after diagnosis and transformation by the Consulting & Cloud Business

Opportunities

- Rising demand for disclosure of non-financial information
- Rapid increase in number of companies issuing integrated reports

Challenges for Growth

- Rapid, substantial improvement in productivity

Basic Data

Services Provided

- Production of various reports
 - Priority area** Integrated reports
 - Shareholder reports
 - Human capital reports and others
- Streaming video
 - Financial results briefings
 - Briefings for individual investors
 - General meetings of shareholders

End Users

Investors through corporate IR

Delivery Methods

Production of printed materials and websites, and video production and streaming

Revenues (2023)

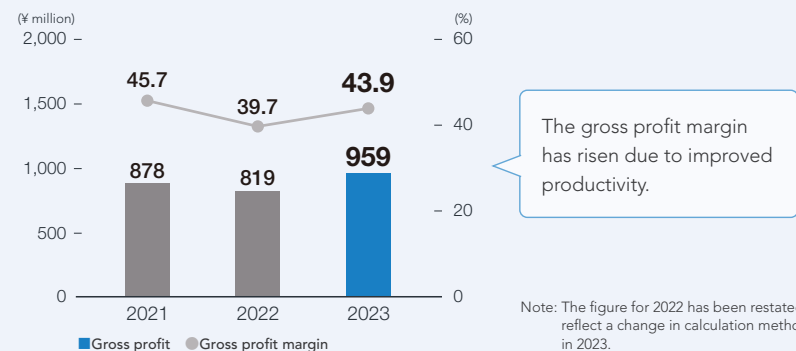
- ¥2,187 million (+5.9% YoY)

Main KPI

- Sales of integrated reports (figure not disclosed)

Profitability

Gross Profit/Gross Profit Margin



Growth Potential

3-year CAGR (2021-2023)

6.7%

Stability

Number of corporate customers in 2023

334

Improving Profit Margins by Moving Services Online

To adapt to changes in learning needs during the COVID-19 pandemic, since the third quarter of 2022 this business has been restructuring by relocating or closing brick-and-mortar schools and moving its services online. As it reduced the number of schools from 81 at the start of restructuring to 53, revenue from online courses sales grew 58.3% compared with the previous year. The business also improved operating efficiency faster than expected. In 2024, it is aiming to further improve operating efficiency while maintaining revenues by expanding the online services it provides.

Market Environment

- Estimated market size of e-learning (BtoC) in Japan in fiscal 2022: ¥263.0 billion

Source: Yano Research Institute Ltd., *E-Learning & Digital Education Business 2023* (issued on April 11, 2023, based on provider net sales)

Competitive Advantages

- Ability to provide a wide range of learning opportunities in areas ranging from IT to preparation for obtaining qualifications and language skills

Opportunities

- Popularization of online courses

Challenges for Growth

- Increase the sales ratio of online courses

Basic Data

- Brands Provided** »
- Aviva personal computer schools
 - Daiei qualification schools
 - Foreign language schools
 - Rosetta Stone Learning Center
 - Rosetta Stone Premium Club
 - Hummingbird

AVIVA
パソコンスクール アビバ

Rosetta Stone
Learning Center

DAIEI
資格スクール 大栄

ハミングバード
Hummingbird Learning Center

End Users » Working adults aiming for career advancement and university students

Delivery Methods » 53 schools throughout Japan

Priority area Online courses

Revenues (2023)

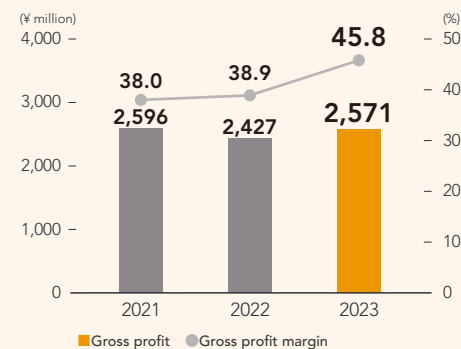
- ¥5,616 million (-10.0% YoY)

Main KPIs

- Average number of enrollees/Average revenues per enrollee
- Online course revenues

Profitability

Gross Profit/Gross Profit Margin



Restructuring by relocating or closing brick-and-mortar schools and moving services online to adapt to changes in learning needs during the COVID-19 pandemic has substantially improved the gross profit margin at a faster than expected pace.

Growth Potential

3-year CAGR (2021-2023)

-9.3%

Stability

Average LTV over the past 12 months*

¥565,014

* LTV (Lifetime value) = Average purchase price per customer x Average number of purchases x Average number of continuous years

Aiming for Stable Growth by Increasing Enrollees and Improving the Retention Rate

The number of enrollees grew substantially in 2023 due to an increase in enrollments through referrals, among other factors. The Cram School Business operates two brands—SS-1 for elementary school students and Motivation Academia for junior high and high school students—making its ability to provide continuous learning a distinctive feature of the business. It will continue to increase the number of new enrollees by providing value to a wide range of students through online classes, in addition to improving the retention rate of enrollees after they take the junior high school entrance exam.

Market Environment

- Fiscal 2020 cram school/preparatory school market: ¥924.0 billion
- Source: Yano Research Institute Ltd., *Cram School and Preparatory School Market 2021* (issued on September 6, 2021, based on operator net sales)

Competitive Advantages

- Support that goes beyond exam preparation to help people acquire skills of use in society, following diagnosis to identify each individual's issues

Opportunities

- Growing market share for the individual instruction method
- Expanding scope of needs for learning

Challenges for Growth

- Revamping the sales system to increase enrollment rate
- Improving the retention rate

Basic Data

SS-1

Individualized instruction school for students preparing for the junior high school entrance exam

Brands Provided »

SS-1

Motivation Academia

Cram school that nurtures human resources who can succeed in society



End Users »

Elementary school students

Junior high and high school students

Delivery Methods »

Brick-and-mortar schools (9 schools, mainly in Tokyo)

Priority area

Online courses

Revenues (2023)

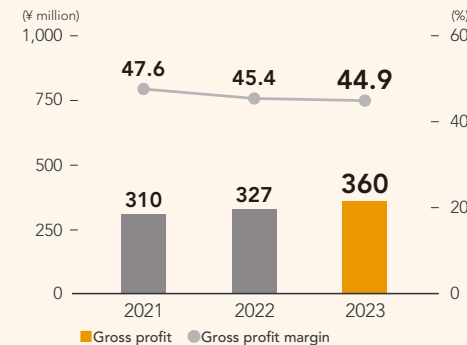
- ¥801 million (+11.3% YoY)

Main KPI

- Average number of enrollees

Profitability

Gross Profit/Gross Profit Margin



There have been no major trend changes. The business will work to increase operating efficiency by continuing to offer online courses.

Growth Potential

3-year CAGR (2021-2023)

10.9%

Stability

Percentage of students attending Motivation Academia after SS-1

17.3%

Matching Division: ALT Placement Business

Aiming for Steady Growth amid Severe Competition

Revenues in 2023 were flat due to the severe competitive environment resulting from the requirement for social insurance coverage for assistant language teachers (ALTs), as explained on the right. However, competition is expected to ease during 2024 due to the further expansion of the scope of coverage in October 2024. The business aims to recover revenue and expand market share by leveraging its strength as the leader in dispatching high-quality ALTs while also moving online and utilizing information and communications technologies.

Market Environment

- In October 2022, a law came into effect making it mandatory for part-time workers, including ALTs, to be covered by social insurance. Link Interac Inc., which operates the ALT Placement Business and dispatches the largest number of ALTs in Japan's private sector, was among the initial group of companies subject to the law, making its operating environment more challenging. However, conditions are expected to improve when the law's scope of application is extended to all companies in October 2024.

Competitive Advantages

- A customer base built over 50 years and employment of ALTs with a high level of engagement

Challenges for Growth

- Reviewing investment allocation to sales in order to acquire large-scale projects and increase repeat business
- Responding to diversifying customer needs

Opportunities

- Popularization of English language classes in school education
- Advances in establishing an environment for online classes at schools

Basic Data

Services Provided

Dispatch of high-quality non-Japanese human resources, mainly to elementary, junior high and high schools

End Users

Local governments and private schools

Delivery Methods

Classes are generally held face-to-face
Note: Also expanding online services to meet customer needs

Features

■ Acquisition and development of capable human resources

- Year-round hiring at three recruiting bases outside Japan

■ Support system utilizing a nationwide network

- Collection of information from educational sites nationwide
- Regular training for ALTs
- Support for handling the necessary matters in daily life
- Proposals for new lessons in collaboration with textbook publishers

Revenues (2023)

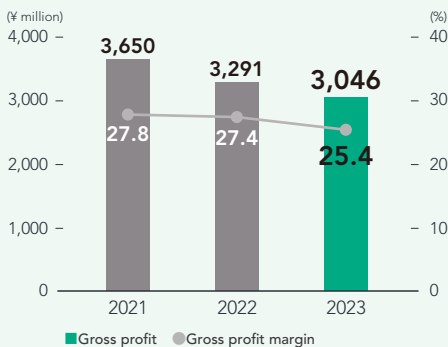
- ¥12,011 million (+0.0% YoY)

Main KPIs

- Market share
- Average number of ALTs dispatched

Profitability

Gross Profit/Gross Profit Margin



Although gross profit has decreased due to the impact of higher costs for social insurance premiums, improvement is expected in 2024 due to increased revenues as the competitive environment eases.

Growth Potential

3-year CAGR (2021-2023)

-4.3%

Stability

Market share among private companies

No. 1*

* LMG survey

Ramping Up Investment in Marketing in Expectation of Continuing Rapid Growth

Core business OpenWork Recruiting is growing rapidly, backed by a brisk market for changing jobs. This business will continue to invigorate matching, as well as increase its customer base of both people changing jobs and companies looking to hire them. Continued growth is expected in 2024 due to efforts to encourage current users to register their resumes. To increase recognition as a matching site, the business is also stepping up promotional activities to attract users with a strong desire to change jobs.

Competitive Advantages

- Fiscal 2022 white-collar employment agency market: ¥351.0 billion
- Source: Yano Research Institute Ltd., *Human Resources Business 2023* (issued on October 20, 2023, based on company net sales)

Competitive Advantages

- High-engagement matching using one of Japan's largest platforms for high-quality online reviews

Opportunities

- Increasing labor mobility
- Popularization of reading online reviews when finding or changing jobs

Challenges for Growth

- Number of resumes registered online
- Increasing the number of job openings

Basic Data

	OpenWork	OpenWork Recruiting	Recruiting Agency
Services Provided	Operation of online review site Employee reviews/Evaluation scores: 16.2 million* Cumulative registered users: 6.05 million*	Contingency fee-based employment support service Number of online resume registrations: 1.01 million* Number of companies under contract: 2,830*	
End Users	Individuals seeking employment or considering changing jobs	Individuals seeking employment or considering changing jobs Companies seeking to hire human resources	Individuals seeking employment or considering changing jobs Companies seeking to hire human resources
Delivery Methods	Online review platform OpenWork	Online review platform OpenWork	Placement support through career advisors

* As of December 31, 2023

Revenues (2023)

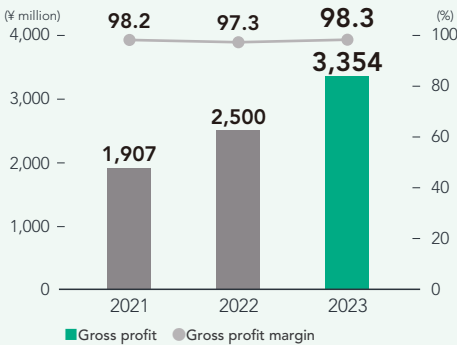
- ¥3,411 million (+32.7% YoY)

Main KPIs

- Number of registered users of OpenWork/Number of employee reviews and evaluation scores (cumulative)
- Number of companies under contract with OpenWork Recruiting

Profitability

Gross Profit/Gross Profit Margin



Due to the highly profitable model of the OpenWork platform, the business maintains a high gross profit margin above 95%.

Growth Potential

3-year CAGR (2021-2023)

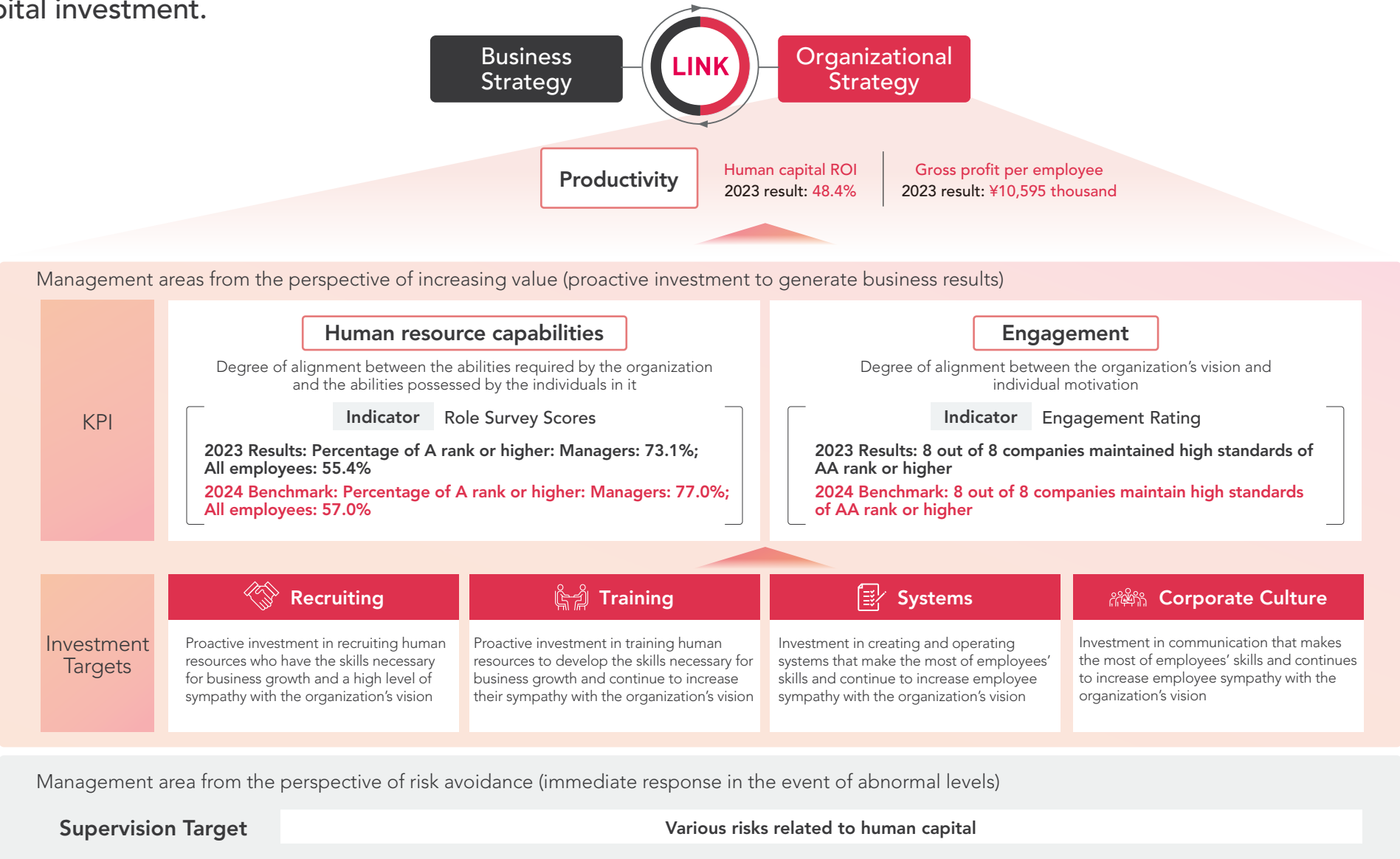
32.5%

Stability

One of the largest numbers of registered users in Japan

6.05 million (cumulative)

We place business strategy and organizational strategy on an equal footing and conduct management that links them. For organizations, we invest in recruiting, training, systems and corporate culture to increase human resource capabilities and engagement, thus maximizing productivity, which is a measure of the return on human capital investment.



The Link and Motivation Group maintains its human resource capabilities at a constant level, with role survey scores ranked “A” or higher for more than 55% of all employees, and more than 70% for managers.

Role Survey Scores

A measurement of the degree of alignment between the expectations and satisfaction of others regarding the performance of the survey subject

Roles	Rating*		October 2023 Results						
	Rating	Score		2021	2022	2023			
Upper management	AAA	67 or higher	All employees	Number of eligible respondents	1,386	1,137	1,378		
Management	AA	Less than 67		A rank or higher	713	646	764		
	A	Less than 61			Percentage of total (%)	51.4	56.8	55.4	
	BBB	Less than 58				Managers and above	Number of eligible respondents	159	146
BB	Less than 55	A rank or higher		111			110	114	
B	Less than 52			Percentage of total (%)	69.8		75.3	73.1	
CCC	Less than 48				Managers and above		Number of eligible respondents	159	146
CC	Less than 45	A rank or higher					111	110	114
C	Less than 42			Percentage of total (%)		69.8	75.3	73.1	
DDD	Less than 39				Managers and above	Number of eligible respondents	159	146	156
DD	Less than 33	A rank or higher				111	110	114	
Junior employees									

Average among the general public

* Calculated based on data from approximately 720,000 respondents in 7,030 corporate diagnoses

Engagement: Engagement Ratings

The Link and Motivation Group continues to maintain a high level of employee engagement, with an Engagement Rating¹ of AAA for six companies and AA for two companies out of the eight Group companies.²

Engagement Ratings

A ranking on an 11-level ratings scale according to Engagement Score,³ calculated based on employee expectations, satisfaction, and the degree of alignment between the two, using one of the largest databases in Japan

Engagement Measured in 16 Areas			Rating ⁴	
Company			Rating	Score
Company	Boss	Company foundation	AAA	67 or higher
		Philosophy and strategies	AA	Less than 67
		Business content	A	Less than 61
		Work content	BBB	Less than 58
	Workplace	Organizational climate	BB	Less than 55
		Human resources	B	Less than 52
		Facilities and environment	CCC	Less than 48
		Systems and benefits	CC	Less than 45
		Provision of information	C	Less than 42
		Collection of information	DDD	Less than 39
		Decision-making	DD	Less than 33
		Support		
		External adaptation		
		Internal cohesiveness		
		Transformation activities		
		Succession		

Average among the general public

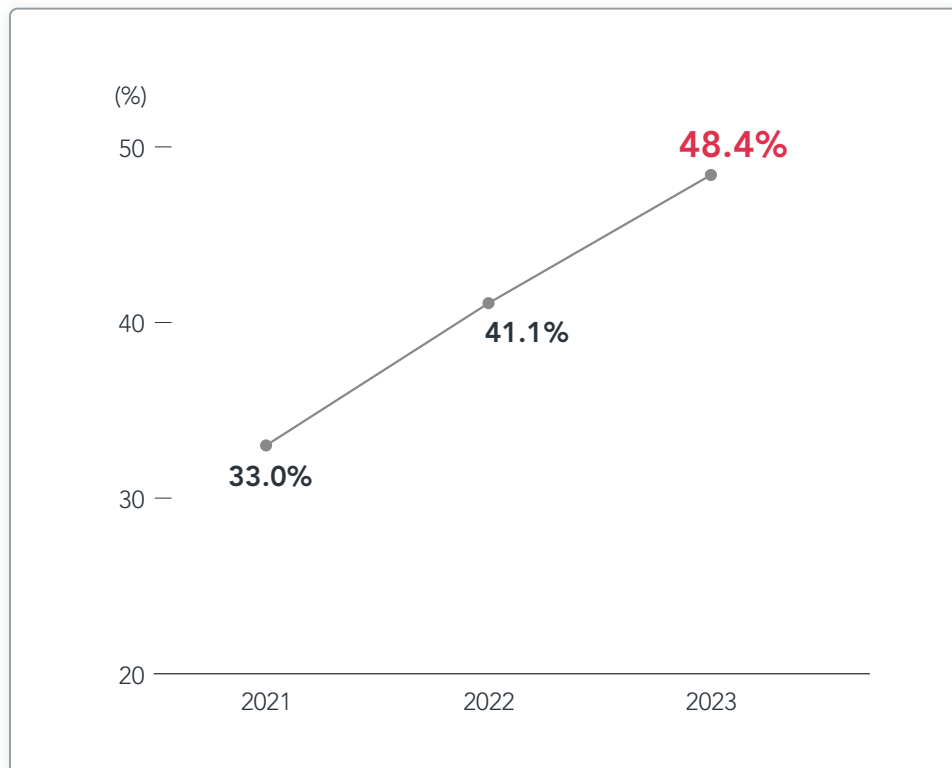
1. Engagement Rating is a registered trademark of Link and Motivation Inc. (registration number 6167649).
2. Excluding Link Dining Inc. in the Other segment
3. Engagement Score is a registered trademark of Link and Motivation Inc. (registration number 6115383).
4. Calculated based on data from approximately 4.03 million respondents in 11,360 corporate diagnoses

February 2024 Results				
Division	Company	Rating		
		Feb. 2022	Feb. 2023	Feb. 2024
Organizational Development Division	Link and Motivation Inc.	AAA	AAA	AAA
	Link Event Produce Inc.	AAA	AAA	AAA
	Link Corporate Communications Inc.	AAA	AAA	AAA
Individual Development Division	Link Academy Inc.	AAA	AAA	AAA
	Motivation Academia Inc.	AAA	AAA	AAA
Matching Division	Link Interac Inc.	AA	AAA	AA
	OpenWork Inc.	BBB	AA	AA
	Link-i Inc.	AAA	AAA	AAA

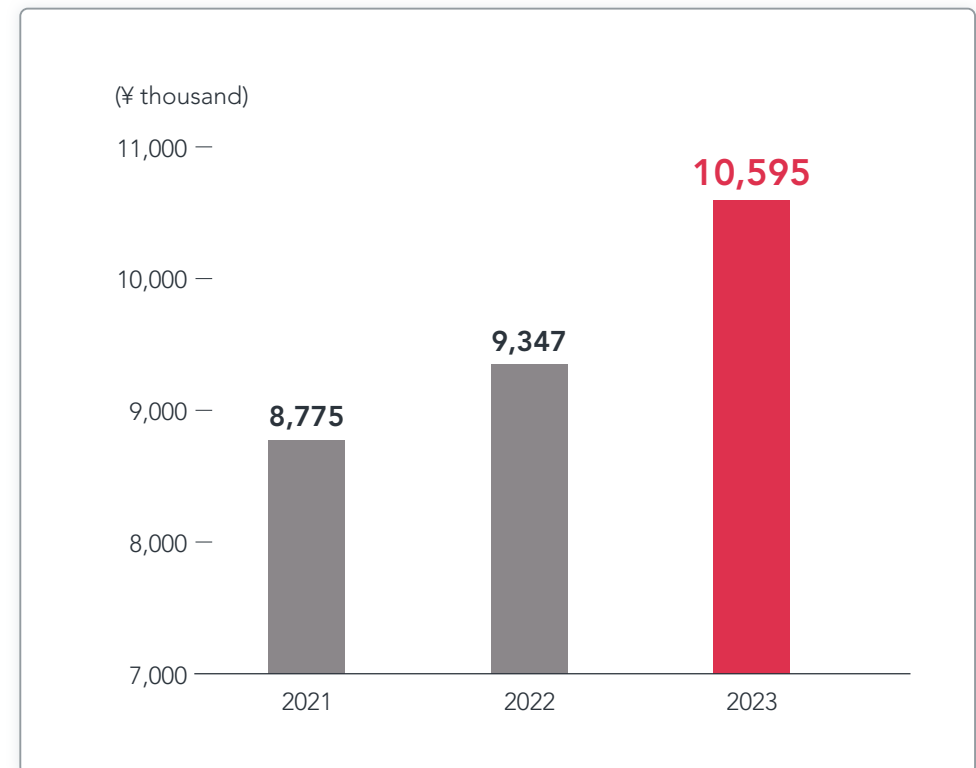
Productivity

In 2023, gross profit increased 10.2% and operating income grew a substantial 27.4% compared with the previous year as productivity (Human capital ROI* ÷ Gross profit per employee) improved in line with our expectations.

Human Capital ROI



Gross Profit per Employee



* Human capital ROI = Adjusted operating income ÷ Investment in human capital

Adjusted operating income is a profit indicator that measures operating results. It excludes temporary factors such as goodwill, right-of-use assets, and impairment of fixed assets from operating income.

Investment in human capital reflects total expenditures, including employee salaries and bonuses, statutory internal and external welfare expenses, commuting expenses and other executive compensation.



Proactive investment in recruiting human resources who have the skills necessary for business growth and a high level of sympathy with the organization's vision

Investment Themes

- Recruiting events
- Entry Management Survey/Entry manager system

Sample Initiative

Entry Management Survey

We use our Entry Management Survey, a diagnostic tool for visualizing engagement between companies and applicants, then go through the plan-do-check-act (PDCA) cycle to determine the level of sympathy with our philosophy among those we hire. In 2023, we positioned our philosophy and strategies as a selling point in conducting recruiting for each Group company, and found that human resources with the skills we require sympathize with our philosophy when joining Group companies.

Group companies whose strength lies in LMG's philosophy and strategies

8 companies



Proactive investment in training human resources to develop the skills necessary for business growth and continue to increase employee sympathy with the organization's vision

Investment Themes

- DX promotion
- Management personnel development
- i-Company Branding Support (career management)

Sample Initiative

Top Gun Selection

To develop management personnel who can make a difference in carrying out our mission, we conduct a year-long selective training program called Top Gun Selection, in which participants learn the perspectives and approaches a manager should have. The successor coverage rate was 112.5% in 2023, remaining at a level that meets our target.

Successor coverage rate **112.5%**



Investment in creating and operating systems that make the most of employees' skills and continue to increase employee sympathy with the organization's vision

Investment Themes

- Quarterly goal setting and evaluation
- Compatible work system
- Employee stock ownership association
- Life event support

Sample Initiative

Employee Stock Ownership Association

An employee stock ownership association is a system in which employees can regularly acquire company stock to help them build up assets over the medium-to-long term. In addition to this benefit, we hope that this opportunity fosters a sense of ownership among employees as members of the Link and Motivation Group. In 2023, the membership rate in the employee stock ownership association was 90.9%, remaining at a high level that meets our target.

Employee stock ownership association membership rate

90.9%



Investment in communication that makes the most of employees' skills and continues to increase employee sympathy with the organization's vision

Investment Themes

- Company events (Group General Meeting)
- In-house media

Sample Initiative

Group General Meeting

Once every three months, we hold the Group General Meeting to share a Group-wide perspective. Through content including a review of business performance, MVP awards, and messages from senior management, the meetings provide opportunities for all employees to act toward common goals. The level of attendance at Group General Meetings was high in 2023, with an average of 1,371 attendees.

Average number of attendees **1,371**