



Link and Motivation Group

Human Capital Report 2021

Link and Motivation Group

Link and Motivation Group Profile

Mission

Through Motivation Engineering, we provide opportunities to transform organizations and individuals and create a more meaningful society.

Corporate Slogan

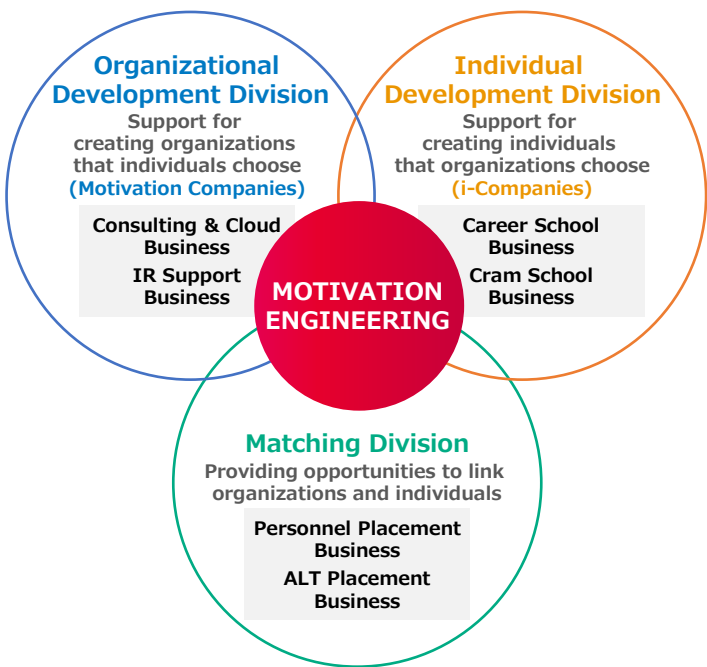
Individual Passion Inspires the World

Basic Information

(As of December 31, 2021)

Chairman and Representative Director: Ozasa Yoshihisa
Paid-in capital: 1,380,610,000 yen
Stock code: 2170
(Prime Section of Tokyo Stock Exchange)
Head office: Kabukiza Tower 15F, 4-12-15 Ginza,
Chuo-ku, Tokyo 104-0061, Japan
Established: April 2000
Revenues: 32.6 billion yen (consolidated)
Adjusted operating income: 3.1 billion yen (consolidated)
Number of employees: 1,493 (consolidated)

Business Structure



Overview by Division

(As of December 31, 2021)

	Revenues (billion yen)	Gross Profit (billion yen)	Number of Employees
Organizational Development Division	108	75	556
Individual Development Division	74	29	581
Matching Division	150	55	355

Message from Management

Motivation Driven

Our People Are Our Greatest, Most Powerful Asset

When we founded Link and Motivation in 2000, the English word “motivation” was an academic term in Japan, not a word used commonly by all. Now, just over 20 years later, it has become a word that even children might spontaneously use.

The ability to form organizations—their conception and evolution—is one of humankind’s most important breakthroughs. Massive wonders such as the Pyramids and the Great Wall of China were built not just through the efforts of individual people but also through the formation of organizations. When individuals cannot achieve something on their own, they bring in others to form organizations. Although technology has advanced significantly over the years, I believe this ability is still universal, and that it will guide us for as long as human beings are around.

At Link and Motivation, we regard our organizational and human resource strategies as core management themes of equal or greater importance than our business strategies, and we continue to invest regularly in them. That is because whether we are executing a business strategy or engaged in digital

transformation, the ones carrying out such initiatives are our people and organizations. They are the source of our growth.

Employees of the Link and Motivation Group sympathize with the LM Mission: “Through Motivation Engineering, we provide opportunities to transform organizations and individuals and create a more meaningful society.” They are inspired by that passion every day as they support the transformation of our customers. This is clear from a look at the Engagement Ratings we disclose, with nine out of 11 Link and Motivation Group companies scoring AAA—the highest level.

The publication of this Human Capital Report is one aspect of our efforts to lead human capital management in Japan. It does so by communicating our approaches and results in this area. I hope the report provides all our stakeholders with a better understanding of the Link and Motivation Group.

Ozasa Yoshihisa
Chairman and Representative Director
Founder

Human Capital Report 2021

Link and Motivation Group
Disclosure of Organizational Strategies

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CHAPTER 1 | Strategies

One for All, All for One

Link and Motivation was established in 2000 by seven people. When we began hiring mid-career employees, we took out an advertisement stating that “Corporations are leaving the most important management issue till last.” The fact that this message resonated with more than 200 applicants convinced us of the social need for addressing the theme of motivation.

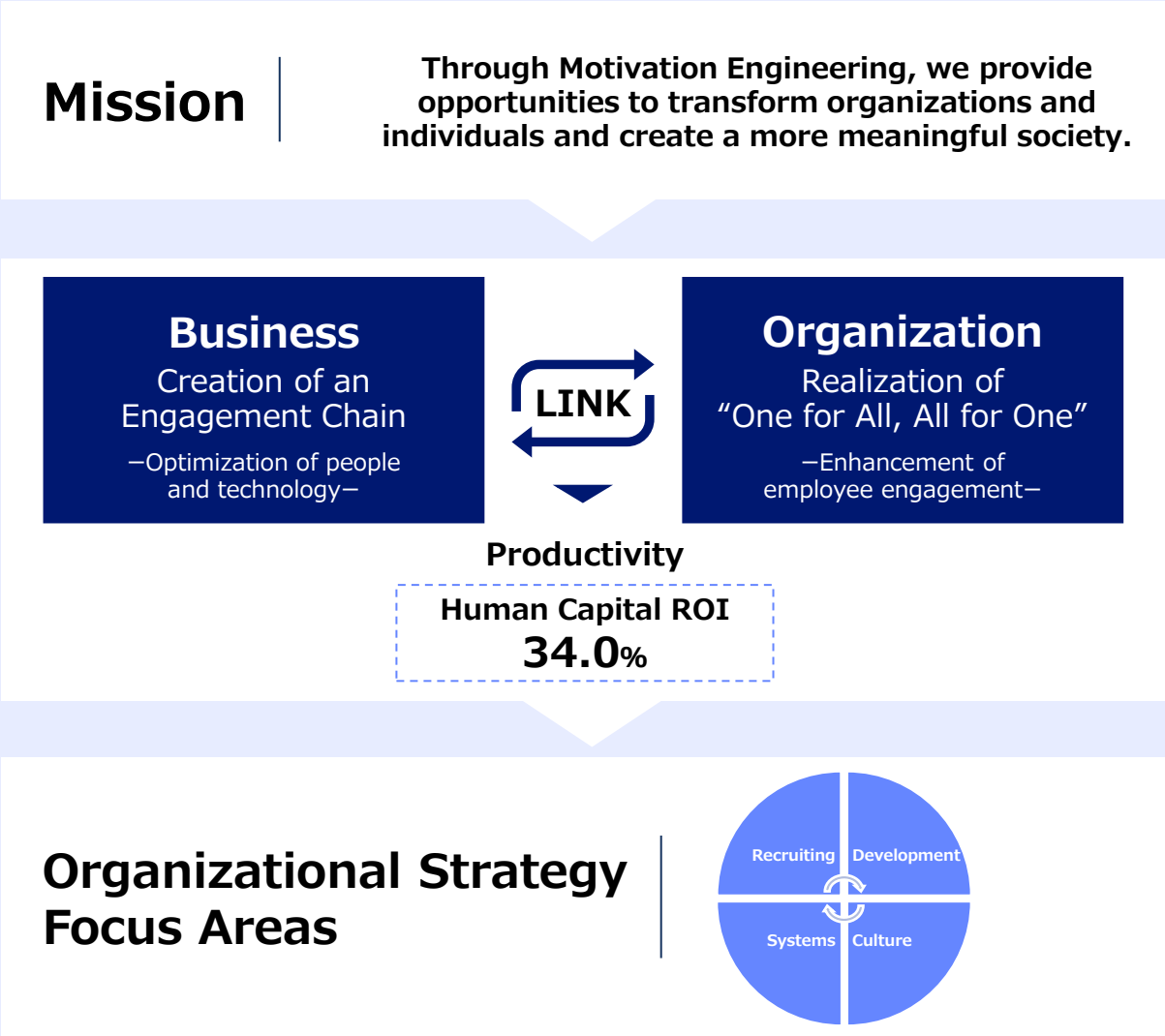
Another aspect of our management philosophy equal in importance to achieving the “motivation” in our company name is realizing “One for All, All for One.” This is the overriding theme in developing our organizational and human resource strategies. Thinking in terms of individuals and organizations, it can be rephrased as “The Individual for the Organization, the Organization for the Individual.” Focusing too closely on the desires of individuals makes an organization unable to maximize its results; conversely, too close a focus on organizational results will exhaust the individuals in it. We therefore believe that an essential element of corporate management is realizing high levels of both “One for All” and “All for One.”

We use Engagement Score (ES), a metric developed by Link and Motivation, to quantify the status of “One for All, All for One” among the Group’s organizations and individuals. In addition, this score can be used as a yardstick for comparing organizations. Our Engagement Rating (ER) metric is a simple way of organizing that data for disclosure. Nine of the 11 companies in the Link and Motivation Group have an ER of AAA—the highest level. We regard ES and ER as key organizational metrics and believe the results reflect the passion our employees have for their work.

In maintaining this high ER—in other words, this high level of “One for All, All for One”—we continue to be the world’s foremost company in its commitment to utilizing Motivation Engineering, which is the Group’s core technology, by managing our recruiting, development, systems and corporate culture to create organizations that serve as role models for society.

CHAPTER 1 | Strategies

01 Management Approach



Linking Employee Motivation to Business Strategy

Some take the view that “human resources are determined by business strategy,” but we also believe that **“business strategy is determined by human resources.”** In the long term, we will grow by linking our “engagement chain” business strategy and our “One for All, All for One” organizational strategy to carry out our Mission.

In order to produce optimal solutions from our business and organizational strategies, our monitoring looks at **enhancement of employee engagement as the key theme, for the purpose of increasing productivity (i.e., human capital ROI).**

To create an engagement chain and realize “One for All, All for One,” **our management emphasizes four domains: Recruiting, Development, Systems and Culture.**

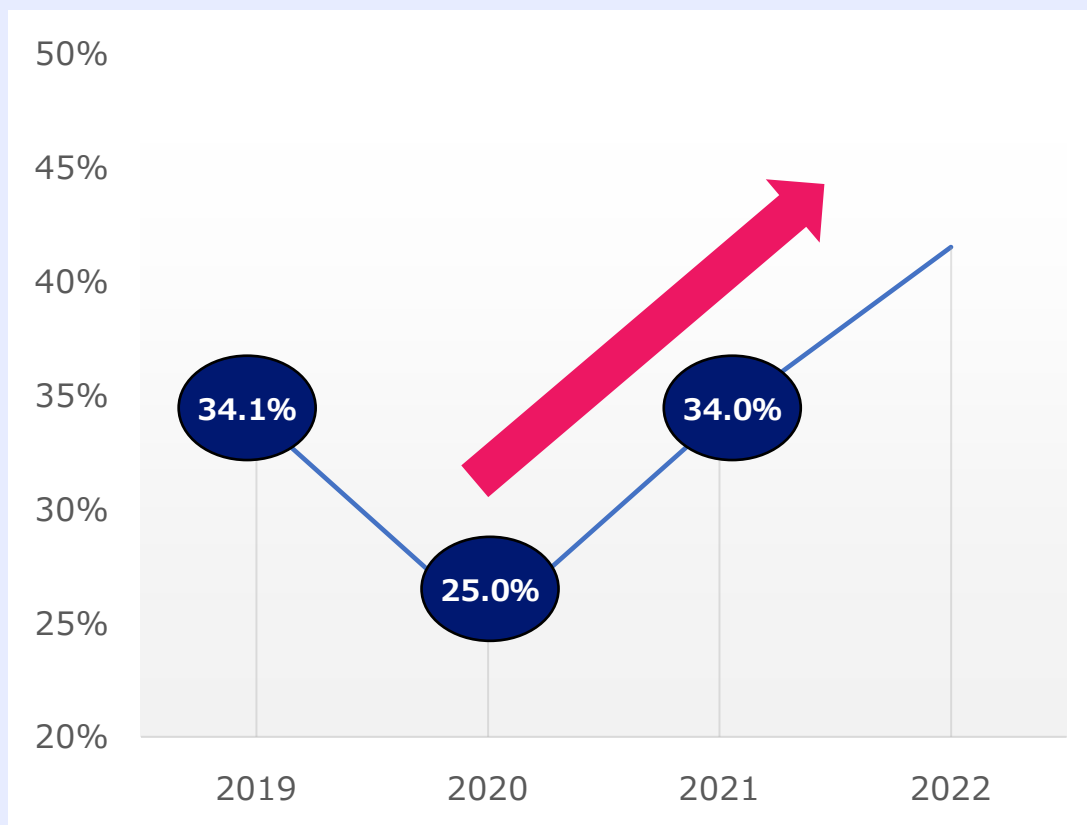
All our organizational strategies are designed and implemented based on Motivation Engineering, our core technology and the source of our competitive advantage. We ourselves are a testing ground for Motivation Engineering, and we value being a role model for organizations.

CHAPTER 1 | Strategies

02 Productivity

Human Capital ROI

Human Capital ROI
34.0%



Note: Human capital ROI = Adjusted operating income ÷ Human capital costs
Human capital costs are calculated as total personnel expenses including salaries, bonuses and benefits expenses, as well as executive compensation, etc.

Ongoing Pursuit of Productivity from Linking Our Business and Organizational Strategies

We emphasize productivity as a metric that shows the degree of optimization of the linkage between our business strategies and our organizational strategies. In particular, the Link and Motivation Group monitors **human capital return on investment (ROI)**, as a core metric.

In 2021, human capital ROI for the Group was 34.0%. Human capital ROI decreased in 2020, as the Group continued human capital investment even though the operating margin declined due to the COVID-19 pandemic. However, human capital ROI returned to the **same level as 2019 in 2021**.

We aim for further improvement in 2022. We believe that **making appropriate investments in human capital and achieving higher returns on those investments is essential for maximizing results and improving employee engagement**. We therefore constantly monitor these factors as part of management that aims to balance investment and returns.

CHAPTER 1 | Strategies

03 Key Organizational Themes



Employee Engagement is Our Top Priority

To achieve the organizational objective of “One for All, All for One,” we **regard enhancement of employee engagement as our top priority.** Attracting quality talent according to our business strategies and maintaining high employee engagement will lead to higher productivity.

In our business strategies, we are making a Group-wide push to enhance the value we deliver to customers through people and technology, under the banner of the “engagement chain.” We believe it is essential to promote the digital transformation of organizations in addition to improving employee engagement, in order to create an engagement chain. We are working to improve the IT skills of every employee, as well as to introduce various technology tools and reform our business processes.

CHAPTER 1 | Strategies

04 Employee Engagement

Engagement Survey Results

Number of Companies Ranked AAA
9 out of 11

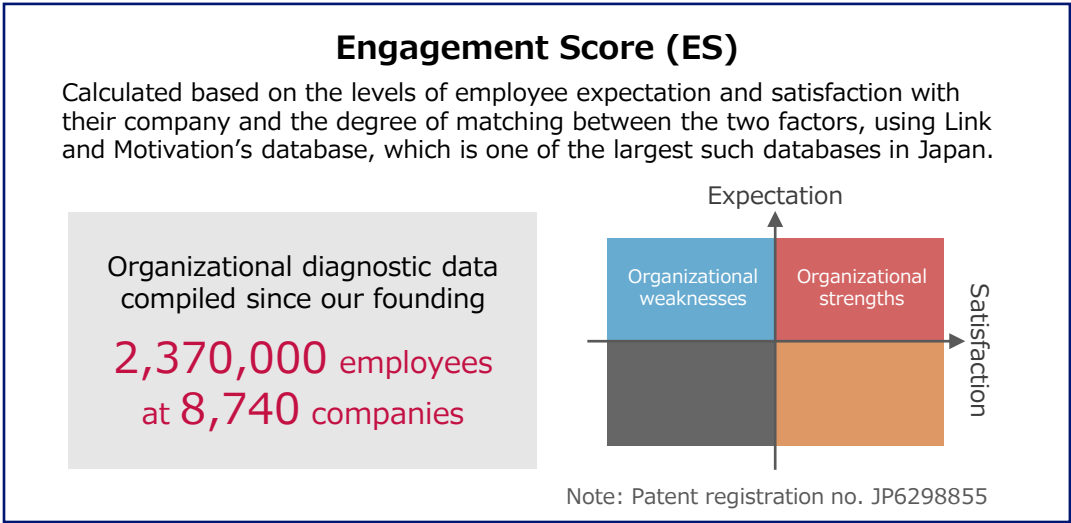
Engagement Score	Engagement Rating	2019 (Feb.)	2020 (Feb.)	2021 (Feb.)	(Companies) 2022 (Feb.)
67 or higher	AAA	11	10	11	9
Less than 67	AA	-	3	1	1
Less than 61	A	1	-	-	-
Less than 58	BBB	-	-	1	1
Less than 55	BB	-	-	-	-
Less than 52	B	-	-	-	-
Less than 48	CCC	-	-	-	-
Less than 45	CC	-	-	-	-
Less than 42	C	-	-	-	-
Less than 39	DDD	-	-	-	-
Less than 33	DD	-	-	-	-

Note: The total number of Group companies differs by fiscal year due to restructuring.

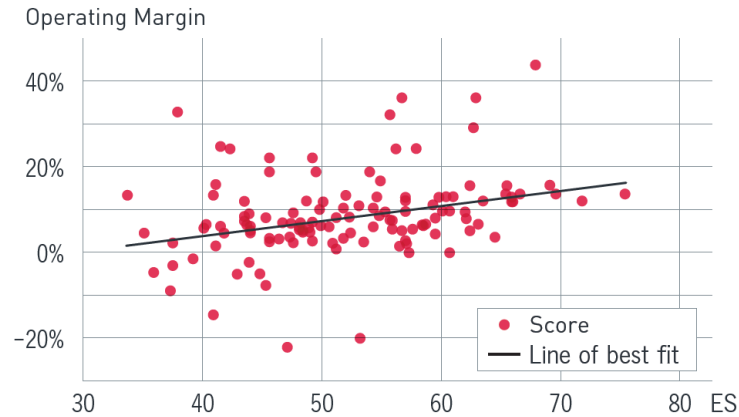
High Employee Engagement Enhances the Effectiveness of Business Strategies

Maintaining a high level of employee engagement is the foremost objective of our organizational strategy.

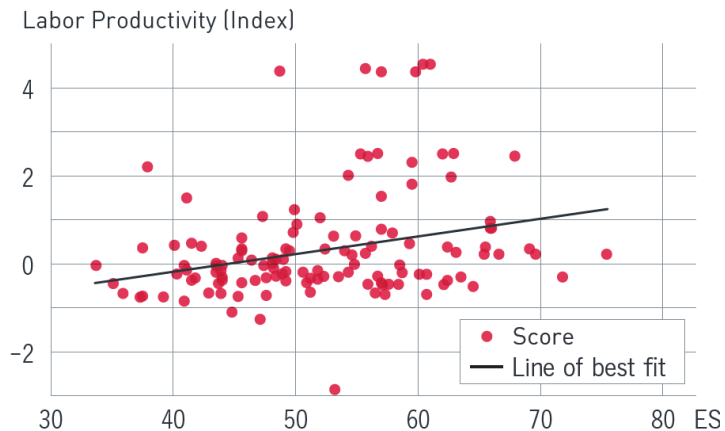
We therefore monitor our **Engagement Rating**, which ranks companies based on their Engagement Score. Currently, **nine out of 11 Group companies have the top AAA rating**, and we believe this high level of employee engagement is a competitive advantage of the Link and Motivation Group.



Correlation between ES and Operating Margin



Correlation between ES and Labor Productivity



Employee Engagement Is Correlated with Business Results

The Link and Motivation Group has helped to resolve the organizational issues of about 10,000 companies, but organizational issues in corporate management are endless. We see the creation of organizations the same way an artist sees creating art, and, above all, we will continue to deal with organizational issues to make us the best example of creating that art. We have come to the conclusion that **the most important factor in creating a strong organization is employee engagement (the degree of mutual understanding and affinity between a company and its employees)**. Proof is in the correlation between our unique indicator, Engagement Score (ES), which quantifies employee engagement, and the growth rate of a company's operating margin.

We conducted joint research with the Iwamoto Laboratory at Keio University's Graduate School of Business Administration on the relationship between ES on the one hand and operating margin and labor productivity on the other. Based on the finding of a 0.35% increase in the current-year operating margin and a 0.035-point increase in the labor productivity index for each one-point increase in ES, the study concluded that **improvement in ES contributes to improvements in operating margin and labor productivity**.

Note: In this analysis, labor productivity is defined as EBITDA per yen of salary paid to employees.

CHAPTER 1 | Strategies

04 Employee Engagement

Engagement Survey Details Part 1

Group Company		Employees	2019 (Feb.)	2020 (Feb.)	2021 (Feb.)	2022 (Feb.)
Organizational Development Division	Link and Motivation Inc.	388	AAA	AAA	AAA	AAA
	Link Global Solution Inc.	22	AAA	AAA	AAA	AAA
	Link Event Produce Inc.	20	AAA	AA	AAA	AAA
	Link Corporate Communications Inc.	79	AAA	AAA	AAA	AAA
Individual Development Division	Link Academy Inc.	511	AAA	AAA	AAA	AAA
	Motivation Academia Inc.	31	AAA	AAA	AAA	AAA
Matching Division	Link Interac Inc.	172	AAA	AAA	AAA	AA
	Link Japan Careers Inc.	17	AAA	AAA	AAA	AAA
	Link Staffing Inc.	15	AAA	AAA	AAA	AAA
	Link-i Inc.	20	AAA	AAA	AAA	AAA
	OpenWork Inc.	74	-	AA	BBB	BBB

Engagement Factors and Group Priority Factors

Company Area	Company base	Organization	Direct Supervisor	Explanations	Decisions
	Philosophy	People		Awareness	Support
	Field	Facilities		Customer	Innovation
	Job	Conditions		Integration	Sharing
			Team Situation		

Positioning of Priority Factor “Philosophy” by Company

Expectation		Satisfaction
ICE BLOCK (Weakness)	INTERLINK (Strength)	
1 company	6 companies	
INK BLOT	IDLE LINE	
1 company	3 companies	

Instilling Our Philosophy Promotes Group Growth

The Link and Motivation Group has made **“Philosophy” its priority factor for analyzing employee engagement**. There are two reasons for this. **First, we believe that any organization we form should be inextricably connected through our principles and management philosophy**. Organizations are a mechanism for accomplishing that which no individual could accomplish alone.

We form organizations as teams to achieve a mission, so we emphasize the engagement factor of “Philosophy” as a metric indicating our success in that regard. **Second, our analysis has shown that a company’s “Philosophy” score is correlated with its Engagement Score**.

We aim to be a Group whose common thread is not a single person (i.e., our founder), but rather our principles and management philosophy. This will enable us to continue providing value long into the future.

CHAPTER 1 | Strategies

04 Employee Engagement

Engagement Survey Details Part 2

Engagement Survey Results by Attribute

By Division	Subjects	ER
Organizational Development Division	509	AAA
Individual Development Division	542	AAA
Matching Division	298	AA

By Gender	Subjects	ER
Male	734	AAA
Female	614	AAA

By Nationality (Region)	Subjects	ER
Japan	1,164	AAA
Asia (excluding Japan)	11	AAA
Oceania	6	AA
North America	34	AAA
Central and South America	2	AAA
Europe	11	AA

High Employee Engagement Facilitates the Success of Diverse Employees

People are intrinsically diverse, and whatever their gender, age or nationality may be, each person has their own unique background. Therefore, as the number of employees increases in tandem with our business expansion, the degree of diversity among employees in our organization will continue to increase as well.

This increase brings with it opportunities to generate innovation and improve motivation through the synergies generated among diverse individuals. We place great importance on continuing to create such opportunities.

We **emphasize relationships with diverse employees**. That is why we **emphasize employee engagement (the degree of mutual understanding and affinity between a company and its employees)**. We do this because we believe that the strong bonds between our Group companies and their employees enable each diverse employee to play an active role and generate innovation. For that reason, we pay close attention to employee engagement across a variety of attributes and take pride in the high level we have achieved.

CHAPTER 1 | Strategies

05 Enhancing Digital Transformation of Organizations

Process for Enhancing Digital Transformation (DX)

Average DX Score
98.9 out of 200

Six-Month Cycle

Diagnosis



Identify current skill level with DX Survey Basic

Transformation

Advanced

Knowledge

Acquisitions of skills and qualifications (IT Passport)

Basic

Operation

More efficient organizational operations

More efficient individual work

×

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スキな場所
スキのない学習



Increasing Individual Productivity by Improving IT Literacy

To raise productivity as an organization and drive further business growth, **improvement of the IT literacy of each employee** is essential. Since 2021, throughout the Link and Motivation Group, we have been raising this literacy by introducing our service to support digital transformation (DX) for individuals at companies, which is provided by the Individual Development Division.

In 2021, we administered the DX Survey to measure the IT knowledge and IT operation proficiency level of individual employees. The result (DX score) was an **average of 98.9 points for the Group** as a whole. In 2022, we will work to further improve IT skills and aim to raise the average to 110 points.

In addition, we have been **appointing Technology Administrators to promote digitalization** at each Group company, and we are promoting not only greater IT literacy among individuals, but also **more efficient organizational operations**. We will repeat the cycle of diagnosis and transformation regularly to enhance DX throughout the Link and Motivation Group.

CHAPTER 2 | Recruiting

Attracting the Talent We Want to Hire

Common wisdom in Japan says that the quality of the talent a company hires determines its future five to ten years ahead. Among the four areas of recruiting, development, systems and corporate culture, we invest the most in recruiting. Link and Motivation has been hiring mid-career employees since it was established in April 2000, but as our business expanded, we also took the unusual step of hiring new university graduates as early as April 2002 and have continued to do so every year since.

Securing capable talent is the sine qua non of recruiting, but we also emphasize engagement (mutual understanding and affinity), particularly an applicant's degree of sympathy with our philosophy. We are an organization that has come together to realize a mission. Unless prospective employees are sympathetic with our mission, we cannot expect them to perform at their best, no matter how talented they may be. As such, recruiting is key to increasing our core organizational metric of employee engagement, in the sense that it is management at the initial point of entry.

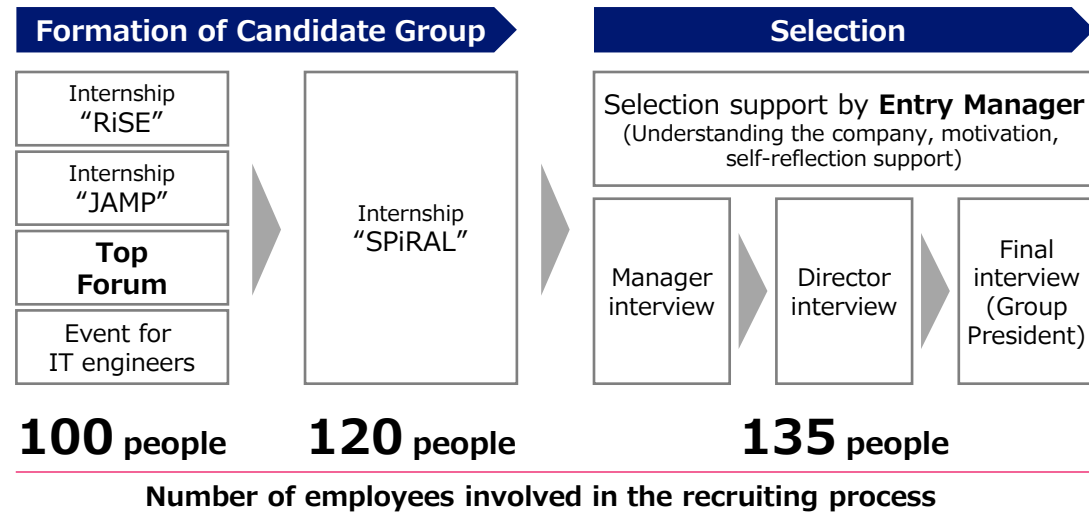
A January 2022 survey of all our new graduate candidates with conditional offers to join the Group this year showed their decision to accept our offer was the result of their sympathy with our philosophy and a high level of engagement.

Recruiting activities are important from the perspective of motivating current employees. They are also an opportunity for dialogue with applicants on their and our visions for the future. At the Link and Motivation Group, many employees are closely involved in various aspects of recruiting. Employees tell applicants in their own words their thoughts on the future of society and the Company, which becomes a pledge to the applicants. This in turn spurs current employees' motivation to live up to that pledge. Then, the newly hired employees tell the next round of applicants their thoughts on the future of the Company. This self-perpetuating system has become entrenched as the culture of the Link and Motivation Group, and it is a driving force behind the Group's high level of engagement.

CHAPTER 2 | Recruiting

01 Attracting the Talent We Want to Hire

New Graduate Recruiting Process Example: Link and Motivation Inc.



Number of participants in 2021
1,273

Attracting the Talent We Want, Rather Than Choosing from People Who Want to Work for Us

In creating organizations with high employee engagement, recruitment that serves as an entryway to the company is critical. Based on the idea that **recruiting capabilities will support the company's future 10 years from now**, we approach recruiting with the stance of **attracting the talent we want, rather than choosing from people who want to work for us**. Given that no one in the labor market has experience in our original technology of Motivation Engineering, we have focused in particular on recruiting new graduates.

We conduct recruiting with **the commitment of the whole company, from upper management to the youngest employees**. The idea is **not to put people into the company, but to put the company into applicants**. On that basis, we each try to give applicants a broad understanding of the Group, including its philosophy, strategies, businesses, work roles, human resources and systems.

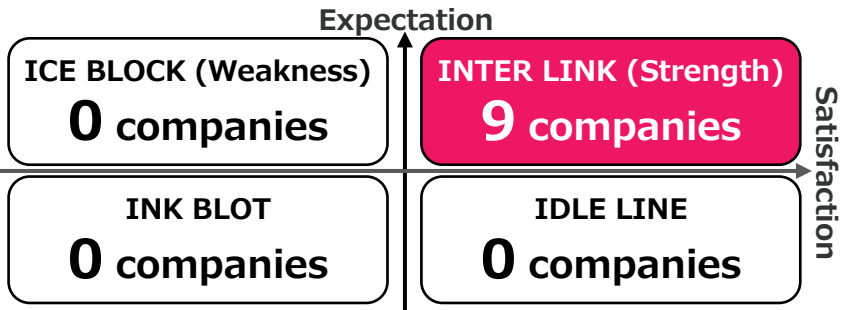
Conducting recruiting as a Group-wide endeavor has enabled us to build strong recruiting capabilities. For current employees, it is also an opportunity to take a fresh look at their day-to-day work and increase their motivation.

CHAPTER 2 | Recruiting

02 Recruiting That Creates High Engagement

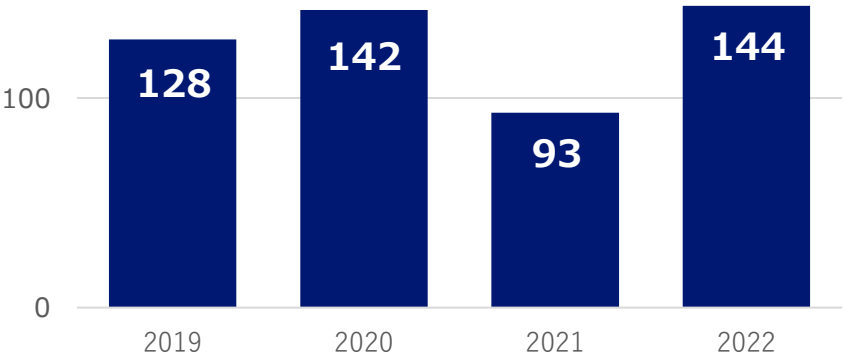
Results of 2021 Entry Management (EM) Survey

Position of Priority Factor “Philosophy” by Company



Note: Results for 9 companies that recruit new graduates

Number of New Graduates Hired



Focusing on Increasing Engagement to Enable Recruiting United by a Common Philosophy

To create high employee engagement after joining the company, we focus on **high engagement in recruiting**. And to maintain that high engagement, we place top priority on **sympathy with our philosophy as early as the recruitment stage** because of the importance we place on connection with our philosophy.

At the Link and Motivation Group, we measure the degree of mutual affinity between companies and applicants in recruiting activities based on the Entry Management (EM) Survey, a diagnostic tool that can quantify the degree of mutual commitment between companies and applicants. The results of the 2021 EM Survey are shown to the left. At all Group companies, “philosophy” falls under the category of strength, indicating that **employees are sympathetic with the Group’s philosophy when they join the company**.

We hired 93 new graduates in 2021, which was down from the previous year due to the COVID-19 pandemic, but plan to hire 144 new graduates in 2022.

Other Metrics for Recruiting

New University Graduate Recruiting

	2019	2020	2021
Recruitment costs ¹ (thousand yen)	476,797	443,973	355,000
Average length of time to fill vacant position ² (days)	58.7	72.1	56.1

Mid-Career Employee Recruiting

	2019	2020	2021
Recruitment costs ¹ (thousand yen)	156,841	200,514	180,085
Number of hires ³ (people)	56	53	42
Cost per hire ⁴ (thousand yen)	2,800	3,783	4,287

1. Total recruiting-related costs recorded in the relevant fiscal year.

2. Total number of days required to hire employees who joined the Group in the relevant fiscal year. Calculated based on the number of days from the application date to the offer acceptance date. Recruiting of mid-career applicants is not calculated because some Group companies hire throughout the year.

3. Total number of employees who joined the Group in the relevant fiscal year.

4. Calculated by dividing recruiting costs for the relevant fiscal year by the number of hires. Recruitment costs for new university graduates are not calculated because the amount invested in the relevant fiscal year is not directly linked to the number of hires.

Devoting Time and Money to Recruit Highly Engaged, Capable Talent

As mentioned on previous pages, we are committed to quality in recruiting, so we emphasize **devoting time and money to recruit capable human resources**. That is because we believe that human capital is **an investment, not a cost**, and that belief extends beyond the recruiting process.

The Link and Motivation Group's recruitment costs are shown on the left. The majority consists of personnel expenses for new university graduate recruiting and the operating expenses of Link-i Inc., a Group company that conducts new graduate placement. The time and money we invest is substantial.

Overall recruitment costs for new university graduates have decreased as a result of holding fewer real-world events, transitioning them to online events due to the impact of the COVID-19 pandemic. Cost per hire has risen because the Organizational Development Division is ramping up hiring of capable mid-career applicants for consultant and IT engineer positions.

CHAPTER 3 | Development

i-Company

One key element for creating a high level of employee engagement is the development of independent human resources. The following is an excerpt from our DNA Book, through which we pass down our management philosophy.

As a pro, deepening professional expertise and contributing to the organization are inextricably linked. At a higher level, both are synonymous. Pros are fully aware of their role in the organization and concentrate on performing to their maximum ability for the organization. This attitude builds the organization's trust in the individual, and consequently, it also leads to maximizing the satisfaction of his or her needs.

(Vol. 35: The Team Orientation of a Pro, *DNA Book*)

We emphasize that each employee should adopt the viewpoint of being the manager of their own “i-Company” to independently develop their careers. By doing so, they gain a new perspective on their i-Company's customers, partners and competitors, as well as its strengths and challenges, facilitating independent and autonomous career development.

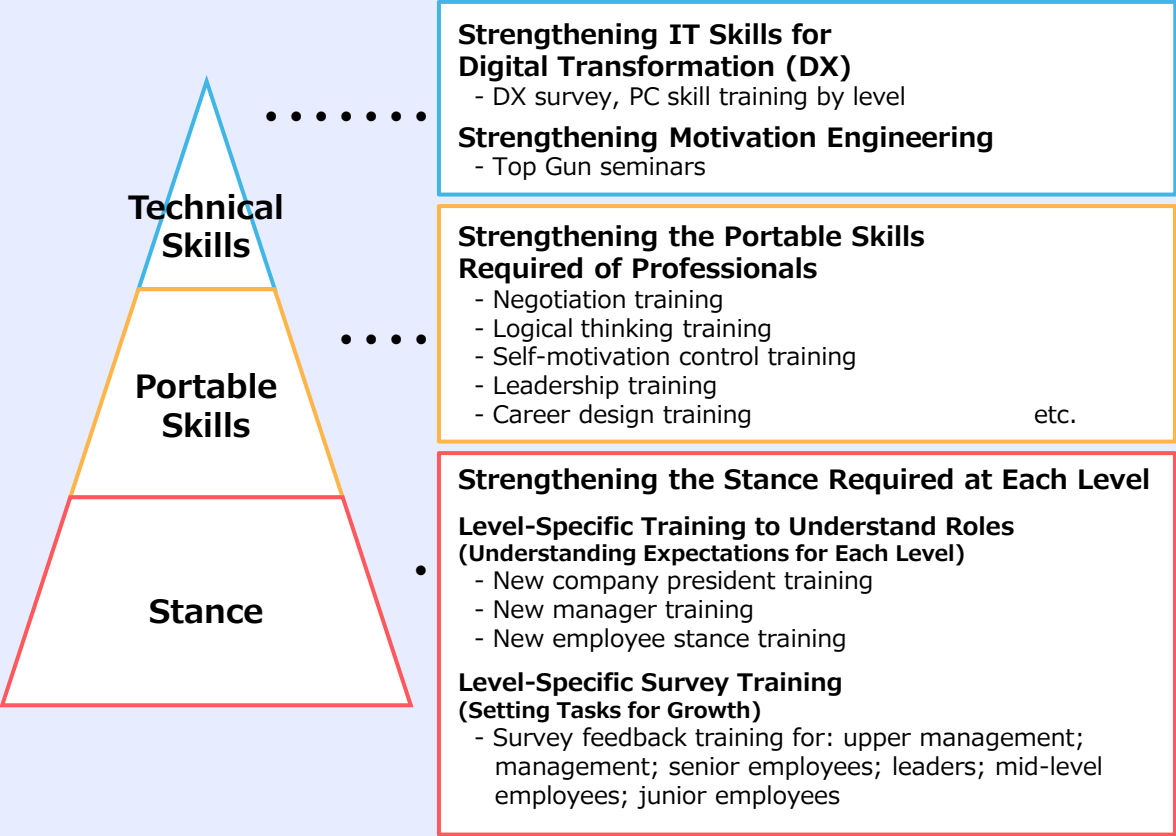
Moreover, learning about Motivation Engineering, which is our core technology and the source of our competitive advantage, is an opportunity that other companies cannot provide. We have operated LM College as an institution for developing human resources since its establishment in 2004. One of its main goals is to develop management skills consistent with our principles and to serve as a model that embodies our message to society, “Our people are our greatest, most powerful asset.”

We are also committed to nurturing our next generation of managers. To continue to change and grow, we must continuously develop new leaders. These leaders must be able not only to advance our business, but also to understand and embody our philosophy, increase employee engagement, and link those attributes to successful results. We have invested considerably in this area, and in 2021 we ramped up our efforts by launching Top Gun Selection, a new selective program for developing the next generation of managers.

CHAPTER 3 | Development

01 Developing i-Companies

Training System Based on Our Framework
of Requirements for Human Resources



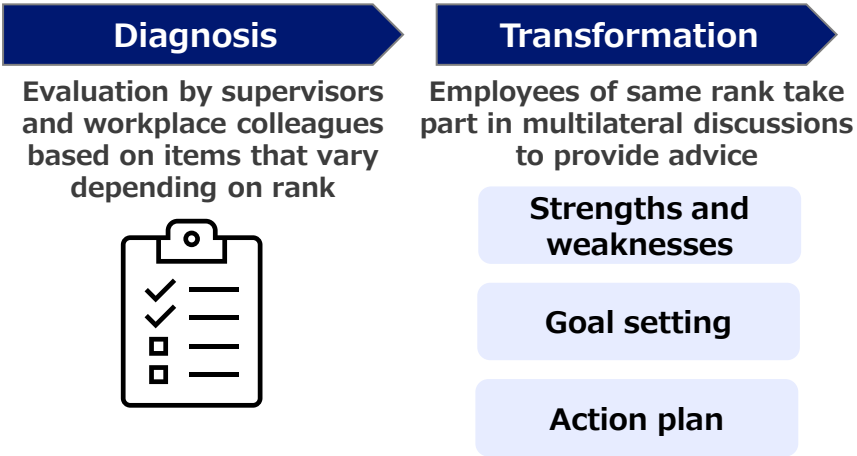
		2019	2020	2021
Total developing and training costs	Actual costs (thousand yen)	195,891	146,799	94,793
	Converted to amount charged for services to customers (thousand yen)	412,642	404,515	385,674

Cultivating i-Companies for Independent Career Development

The growth of every employee is essential for carrying out our business strategies. The Link and Motivation Group places great importance on **cultivating “i-Companies,”** in which individuals regard themselves as corporations **to independently develop their own careers.** We have therefore systematized the elements necessary for generating individual performance as a framework of requirements for human resources and **offer numerous opportunities for their development, mainly through the various types of training that Link and Motivation also provides as services outside the Group.**

Total developing and training costs in 2021 are shown on the left. They are calculated as external expenditures for training and personnel expenses, but actual costs are not that high because we utilize our own services. However, **when converted to the amount that would be charged for providing the same services to customers,** these figures make it apparent that **we invest a considerable sum.** Costs decreased in 2021 compared with the previous year because we switched to online implementation, but we intend to continue investing in developing our human resources.

Rank-Based Survey Training



Target Rank	Survey* Conducted	Number of Participants in 2nd Half of 2021
Upper management	Plato Survey	52
Management	Lincoln Survey	106
Senior employees	KOSI Survey	17
Leaders	Einstein Survey	130
Mid-level employees	Columbus Survey	729
New employees	Darwin Survey	209

* Surveys conducted are products of Link and Motivation Inc., and the product names are listed.

Accelerating Individual Growth by Frequently Implementing the PDCA Cycle

To accelerate the growth of individuals, all employees, including directors, complete a **twice-annual 360-degree evaluation survey**, a service of Link and Motivation, **to identify individual growth issues and create an action plan.**

First, each supervisor and workplace colleague evaluates the individual on 40 items that vary depending on the roles required for the relevant rank. This entails evaluation on two axes—degree of expectation and degree of satisfaction—to measure whether the individual is meeting the expectations of those around them. The survey results are then used for training in the form of multilateral discussions to provide advice. Employees of the same rank are grouped randomly, and these five-member groups give each other advice on issues they are facing. Joining each group is one employee of a higher rank who plays a facilitating role in raising the field of vision of group members. For example, in the advice session for directors, Link and Motivation Group Chairman and Representative Director Ozasa Yoshihisa participates in the facilitation role.

In this way, we are putting considerable effort into individual development, and provide **an environment where people can continue to grow no matter their seniority or position.**

Transfers

Developing Portable Skills through Transfers

Portable Skills

Skills that are transferable regardless of industry or occupation

Task-directed capabilities	Ability to attempt	Ability to change	Ability to be agile	Ability to create
	Ability to plan	Ability to propel	Ability to perform	Ability to analyze
Self-directed capabilities	Ability to make decisions	Ability to deal with ambiguity	Ability to act quickly	Ability to take risks
	Ability to persevere	Ability to maintain discipline	Ability to persist	Ability to be prudent
Interpersonal skills	Ability to assert opinions	Ability to deny	Ability to persuade	Ability to lead
	Ability to listen	Ability to accept	Ability to support	Ability to cooperate

	2019	2020	2021
Average period in the same field ¹ (years)	3.4	3.7	4.1
Internal mobility rate ² (%)	73.2	56.4	69.7

- 1. Group businesses are categorized into specified fields, and the period an individual spends in each field is calculated.
- 2. Transfers among occupations and the fields in note 1., as well as changes in roles due to promotions or demotions, are defined as internal transfers for the purpose of calculating the internal mobility rate for the year.

Accelerating Individual Growth through Strategic Transfers

In addition to development through training, **appropriate transfers to acquire a full range of competencies** are important for cultivating i-Companies. Human resources whose experience is exclusively in the same field or occupation find it difficult to achieve a full range of competencies and skills, and thus tend toward specialization. Experiencing multiple fields and occupations broadens a person’s range of competencies and skills, and we believe that enables us to contribute to the development of i-Companies. Therefore, the Link and Motivation Group focuses on how long an individual is assigned to the same field, and conducts transfers once every four years as a rough guideline.

At the same time, we believe objectives other than individual development should also be considered in making transfers. Considerations include **appropriate allocation of human resources** to supplement organizations that lack personnel, as well as **organizational revitalization**, in which transfers prevent the human resources in an organization from becoming set in their ways. We aim to build more productive organizations by **considering these various objectives to conduct the most appropriate transfers**.

CHAPTER 3 | Development

02 Developing Management Personnel

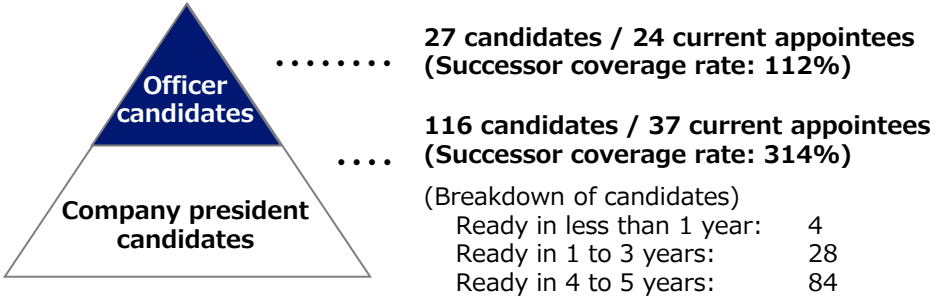
“Top Gun Selection” Training for Management Personnel

Selective Training Program (Excerpt)

PROGRAM 1 Proposal Presentation Meeting Presentations to directors on various themes and feedback	PROGRAM 2 Survey Feedback Training Setting tasks and targets with Group Representative Director Ozasa Yoshihisa	PROGRAM 3 Group Dinner Sharing views from various angles and socializing with Group Representative Director Ozasa Yoshihisa
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Class	Objective	No. of Participants	
		2021	2022
Corporate officer	Raise the level of corporate officers	—	5
Company president	Cultivate the next group of officer candidates	5	5
Manager	Cultivate future officer candidates	5	12
General employee	Cultivate the next group of manager candidates	6	6

Prospective Management Personnel (As of December 31, 2021)



Discontinuous Corporate Growth through the Cultivation of Human Resources Who Can Adapt to Product, Labor and Capital Markets

Cultivating management personnel to lead the organization is indispensable for business expansion and growth. The Link and Motivation Group’s management personnel are expected to be **able to adapt to product, labor and capital markets, and to think from a Group-wide perspective**. However, in carrying out day-to-day duties, there is a tendency to adapt only to the product market and to take the perspective of one’s own particular field. Therefore, since 2021 we have been implementing the selective training program **Top Gun Selection** as an opportunity for growth separate from actual work. The year-long program selects members from each level, from general employees to senior managers, to **learn the perspective and approach a manager should have**.

A total of 16 participants from all levels received training in 2021. Comments included, “**I felt an urgent need** to develop the perspective of a manager” and “**It prepared me** to take charge of my company someday in the future.” We believe that the program has been effective in developing human resources as management personnel.

In 2022, 23 people have been selected and training is under way. We will continue to focus on developing human resources who will be leaders in the future.

CHAPTER 3 | Development

02 Developing Management Personnel

Leadership Development Policy

Managers Serve as a “Junction Point”

Explanations


Decisions

Awareness

Support

Managers General Meeting (Held Quarterly)

4th Quarter Managers General Meeting Theme



Understanding the Capital Market

Development Program	Objective	Participation Rate (%)		
		2019	2020	2021
New manager training	Understand the role expected of a manager	100.0	100.0	100.0
Level-specific training for managers	Understand current situation to set tasks and targets	92.2	94.2	91.0
Managers General Meeting	Broaden perspective as a manager	-	-	100.0

Manager Leadership Evaluation

Five Sources of Influence Expected of a Manager

Expertise

4.5

Appeal

4.3

Reciprocity

4.7

Consistency

4.3

Strictness

4.1

Note: Calculated as the average for all managers, based on the results of individual surveys regarding managers. Responses are scored on a five-point scale from 1 (“not satisfied at all”) to 5 (“very satisfied”). Figures are results for 2021.

Training for Managers Who Serve as a “Junction Point” to Broaden Their Perspective and Fulfill Their Roles

We believe that the role of a manager is to serve as a “junction point” that connects a company and its members—it is a role crucial for maintaining a high level of employee engagement while producing business results. To that end, we conduct manager training and monitor how others evaluate managers’ leadership as a core metric.

Our main manager training programs consist of new manager training so they understand the role they should play, level-specific training so they recognize their current situation to set tasks, and participation in the Managers General Meeting to broaden their perspective.

We also monitor how others evaluate managers’ leadership based on the results of individual surveys. In 2021, results for all five metrics scored 4.0 or higher (of a maximum of 5), so we feel that the managers of the Link and Motivation Group are functioning well as junction points.

We intend to continue to enhance manager leadership going forward by conducting the development measures managers need.

Leadership Team Skill Matrix

Name	Current Position	Corporate Management		Areas of Expertise					
		Managerial Experience	Employee Engagement	Industry Knowledge	Finance & Accounting	Legal & Risk Management	Research & Development	DX & IT	Sales & Marketing
Ozasa Yoshihisa	Chairman and Representative Director	●	●	●			●		
Sakashita Hideki	President and Representative Director	●	●	●					●
Ohno Shunichi	Director		●		●	●		●	
Yuasa Tomoyuki	Outside Director	●		●				●	●
Kakuyama Takashi	Outside Director		●	●			●		
Kuriyama Hiromi	Audit & Supervisory Board Member (Full-time)				●	●			
Kimura Hidekazu	Audit & Supervisory Board Member (Part-time)	●	●	●					
Tominaga Kenji	Audit & Supervisory Board Member (Part-time)	●	●	●					

Appointing Directors Capable of Making Management Decisions That Link Business and Organizational Strategies

The Board of Directors of the Link and Motivation Inc. is composed of five directors (two outside directors). The three internal directors **make management decisions that link business and organizational strategies** as professionals in organizational transformation, with extensive experience as organizational and personnel consultants. The two outside directors leverage their deep insight into corporate management and expert knowledge of industrial and organizational psychology, which has affinity with the Group's business.

In January 2022, the Company **introduced a corporate officer system** with the aim of separating management decision-making and supervision from business execution, thereby enabling the execution of management based on judgments that accurately grasp both the business environment and changes in it. Three managing directors oversee the Organizational Development Division, the Individual Development Division and the Matching Division, respectively, and five corporate officers oversee various Group-wide functions.

CHAPTER 4 | Systems

Conveying Messages from Management through Our Personnel Systems

Our style of management, which emphasizes motivation-driven employee engagement, recognizes humans as emotional beings with limits to their rationality. People do not work 24/7/365, absorbed in thoughts only of financial reward. There are times when people derive greater satisfaction from their own growth or from the feeling of contributing to customers and others, rather than from monetary benefit. Therefore, we invest in providing emotional as well as financial rewards to our capable employees to raise their motivation to strive for greater achievements.



Management speed is also important. We manage our business based on our unique perspective on time, in which three months everywhere else is one year at the Link and Motivation Group. We therefore set targets and conduct evaluations once every three months.

Furthermore, the Group considers compliance to be closely linked to employee engagement, which is the degree of mutual understanding and affinity between a company and its employees. If there is a decline in employee engagement—that is, if a company is facing organizational issues—compliance will also be affected. We have set “management with integrity” as one of the three goals of our management policy, and senior management and all employees work continually to ensure we live up to this goal.

In these and other ways, our management system reflects what we think is most important. It is ever-visible in our personnel systems and management policy, and also serves to raise employee motivation. This is management that leverages our core technology of Motivation Engineering.

CHAPTER 4 | Systems

01 Evaluation and Compensation That Connect Motivation to Results

List of Awards



Work	Best Motivation Project Project that produced outstanding results
	Motivation Creator Team member who produced outstanding results
	Motivation Manager Manager who produced outstanding results
	Rookie of the Year First to third year employees hired as new graduates who produced outstanding results
Individuals	Entry Manager of the Year Entry manager (recruiter) who had a major influence on applicants and achieved results
	Administrator of the Year Administrator who achieved outstanding results in the role of improving employee engagement in his/her organization
	Company of the Year Company that produced outstanding results over the course of a year
Organizations	

Number of Awards

	2019	2020	2021
Number of awards	34	40	37

Increasing Individual Motivation by Providing Emotional Rewards

We view humans not as completely driven by economic rationality, but as **emotional beings with limits to their rationality**. In other words, although people think and behave rationally to a certain extent, they ultimately make decisions based on feelings and emotions. That is why we place importance on **providing emotional rewards** as well as monetary rewards in order to enhance the motivation and engagement of individuals.

We have set up an **awards system** as an important form of emotional reward. This system recognizes outstanding employees and projects at the Group General Meeting held once every three months. We judge and select award winners based on a comprehensive range of factors, including level of performance, degree of growth and change, and influence on others. A certificate with the reasons for the evaluation and relevant anecdotes is read in front of all employees, and the winner has the opportunity to make a speech. **This not only helps to spur the further growth of the award recipient, but also has a substantial positive effect on other employees.**

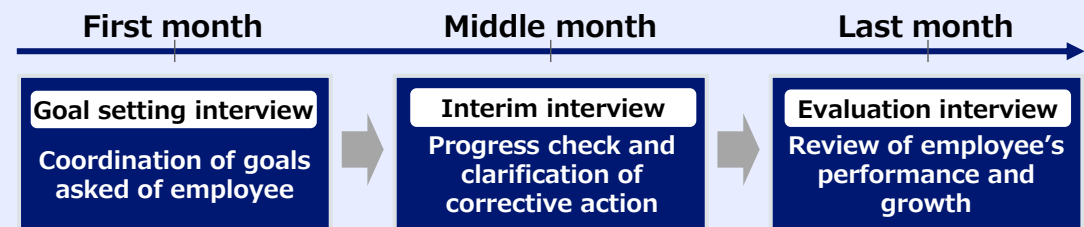
Going forward, we will further enhance employee motivation and engagement by providing appropriate emotional rewards.

CHAPTER 4 | Systems

01 Evaluation and Compensation That Connect Motivation to Results

Three-Month Evaluation Cycle

Three months for the rest of the world is one year at LMG.
We aim for not merely an accurate evaluation, but a satisfying one.



Evaluation Items

Performance	Degree of contribution to company results and the organization
Stretch	Individual growth and change

Speeding Up the Evaluation and Compensation Cycle Increases Individual Motivation

The Link and Motivation Group is particular about the speed of management, and therefore operates an **evaluation and compensation cycle that repeats every three months**. Specifically, setting of goals for individuals, decisions on class promotion, and payment of premium compensation (bonus) all take place once every three months. This **accelerates the growth of individuals** and

Metrics for Compensation

	2019	2020	2021
Average monthly salary (thousand yen)	361	366	401
Average yearly salary ¹ (thousand yen)	4,895	4,871	5,505
Ratio of officers' compensation to the average salary and remuneration ² (%)	4.3	4.1	4.7

1. Calculated as monthly salary plus bonus paid four times a year.
2. Calculated as total officers' compensation as ratio of the average total compensation of all employees.

Metrics for Evaluation

		2019	2020	2021
Average individual evaluation score ³	Performance	4.7	4.7	4.8
	Stretch	4.9	5.0	5.0
	Total	9.6	9.7	9.8

3. Performance and stretch are evaluated on a scale of 1 to 9, with 5 being "met expectations."

enables satisfying evaluation and compensation. As a result, we believe it leads to the improved motivation of individuals.

In individual evaluations, **we evaluate two axes with equal weightings: performance, which evaluates contribution to results, and stretch, which evaluates the individual's growth**. This system plays an important role in accelerating the growth of individuals.

CHAPTER 4 | Systems

02 Management with Integrity

Compliance Metrics¹

	2019	2020	2021
Number of grievances filed ²	10	8	3
(Type) Harassment	2	3	0
Workplace environment	7	2	1
Other	1	3	2
Number of concluded disciplinary actions	21	5	5
(Type) Reprimands/pay cuts	16	5	5
Suspensions/demotions	2	0	0
Requests for resignation/ disciplinary dismissal	3	0	0
Number of unresolved external audit findings ³	0	0	0
Percentage of employees who have completed training on compliance (%)	100.0	100.0	100.0

- 1. The number of grievances filed and concluded disciplinary actions covers officers, employees, part-time staff and ALTs. The training participation rate covers officers, employees and part-time staff, but excludes ALTs.
- 2. The number of consultations with the hotline that is open to all employees.
- 3. The number of findings in external audits by the Labor Standards Inspection Office, etc. that are still unresolved.

Improving Employee Engagement Is Key to Promoting Understanding of Compliance

The Link and Motivation Group strives to practice **Management with Integrity – i.e., management with no illegality or dishonesty** toward any of its stakeholders, including customers, business partners, employees and shareholders. We are proactively strengthening compliance and ethics, which are prerequisites for achieving this. As a company, we abide by laws, regulations, corporate ethics and social norms, and understand that individual employees must also make efforts to avoid transgressions.

Our performance is shown on the left. At the Link and Motivation Group, we believe that **our emphasis on employee engagement helps to strengthen compliance**, and see our high performance in these metrics to be a result of our high level of employee engagement.

In the future, we will further deepen understanding of compliance through our commitment to employee engagement. We are also focusing on raising employee awareness in various ways, such as through compliance training in which management conveys its point of view, as well as through the Six Codes of LM, which summarize our various rules, and regular communication from the Legal Department on matters relating to compliance.

Resignation System

	2019	2020	2021
Turnover rate ¹ (%)	12.8	9.8	10.0
Voluntary turnover rate (%)	12.6	9.6	9.8
Voluntary turnover rate (management) ² (%)	0.8	0.6	0.3
Voluntary turnover rate (IT engineers) ² (%)	0.0	0.3	0.3

1. The annual (12-month period) sum total of the monthly turnover rate (monthly number of leavers ÷ monthly average number of employees)
2. The annual (12-month period) sum total of the monthly turnover rate of defined category of employees (monthly number of leavers ÷ monthly average number of employees)

Main Reasons for Leaving in 2021

Rank	Reason	(n=125)
1	Work	43.2%
2	Family	18.4%
3	Treatment/Pay	16.0%
4	Health	8.8%
5	Philosophy	8.8%
6	Company culture	2.4%
7	Retirement age	2.4%

Want to grow in a new job, want to start own business, etc.

Human relations in the workplace, etc.

A Company That's Easy to Leave because Both Parties Select Each Other, Not a Company That's Hard to Leave because of a Mutually Binding Relationship

The relationship between companies and individuals is **shifting from a mutually binding relationship to a mutually selective relationship**. For that reason, instead of a system that makes it hard for individuals to leave because of seniority-based pay and retirement benefits based on the premise of lifetime employment, the Link and Motivation Group has built a system in which individuals can easily leave so that the company and the individual have a relationship of their own choices, and is focusing on coordinating the diverse work motivation styles of diverse people.

Therefore, we focus not on the overall turnover rate, but on critical turnover (i.e., regrettable turnover). Specifically, we monitor the turnover rates of management and IT engineers, which are especially critical for the company's business strategy.

We also keep a close watch on reasons for leaving. As shown on the left, the main reasons for leaving in 2021 were work-related, while the **percentage of people leaving because of the company culture—which we are particular about—is small**. Many people left for reasons of self-actualization, such as a desire to change jobs to achieve growth on a new stage. We therefore think mutual selection has been achieved.

CHAPTER 5 | Culture

Communication

When blood flow is blocked, the human body develops various disorders and illnesses. Similarly, when communication is blocked in an organization, various issues arise. In short, communication is the lifeblood of an organization.

On the one hand, growing the Link and Motivation Group necessitates specialization into organizational hierarchies and functions. However, increasing specialization in an organization gives rise to a host of problems. A sense of distance naturally increases, both vertically in the hierarchy and horizontally among functions, the intentions of senior management are not communicated, and cooperation weakens in each department, among other issues. Therefore, as we promote specialization within our organization to maximize results. We also invest in communication to achieve the seemingly contradictory goals of integration and mutual understanding. Communication also generates greater employee motivation. This investment in communication is essential for us to maintain a high level of employee engagement as we continue to grow.

Even outside Japan, we think it is rare for a company to be so committed to communication. Used with imagination, communication is essential to sharing a variety of feelings: to inspire emotion, to express gratitude, or to encourage reflection. There may be times when employees feel overwhelmed by their daily workload; however, constant communication helps engender a Group-wide perspective and acquaints them with the details of the duties and determination of others who are working to high standards. It is as an opportunity to improve motivation toward work.

We hold a general meeting attended by all Group employees once every three months. In addition, senior management sends out a monthly message, which receives comments from many employees. We have also implemented a variety of imaginative communication initiatives in each department. We understand the importance of communicating in such a way and take pride in sharing our corporate climate and culture, the evolution of which we ourselves promote.

CHAPTER 5 | Culture

01 Strategic Communication Design

Communication Measures



Group General Meeting
Average participation
in 2021

908 people

Note: Due to the business models of some of our businesses, it may be difficult for all employees to attend, so the number of participants varies each meeting.



Top Comment
Average access
rate in 2021

92%

Active Communication for Mutual Understanding between the Company and Employees

We believe **communication to be the “bloodstream” of an organization**. Therefore, to maintain motivation in the organization, we think it is crucial to **enhance vertical and lateral communication**.

The Link and Motivation Group ensures communication opportunities at various meetings, and focuses particularly on the **Group General Meeting** and the **Top Comment**. The Group General Meeting, which takes place every three months, includes a review of business results, presentation of MVP awards, sharing of management policies going forward, and more, in order to share views of the Group as a whole. The Top Comment, posted each month via our intranet, delivers a message to employees from Chairman and Representative Director Ozasa Yoshihisa, covering the Group’s current direction and recent developments, in order to share the views of senior management.

Consequently, our yearly investment in communication exceeds 100 million yen. This cost has been declining as we have shifted to holding the Group General Meeting online and cut back on paper-based publications, but we will continue to actively invest in communication as a way to increase employee engagement.

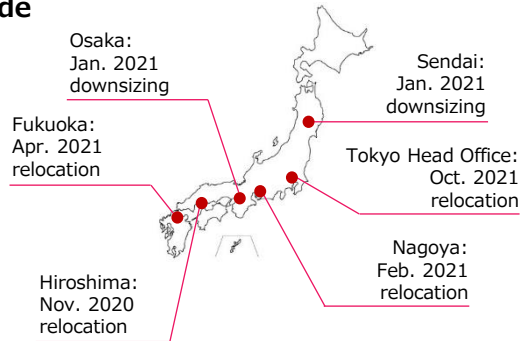
CHAPTER 5 | Culture

02 Work Styles

New Way of Working: Compatible Work

2021

Approx. 60% reduction in floor space from office downsizing and relocation nationwide



2022

Shifted to Compatible Work while monitoring the COVID-19 situation

Benefits of office work (real world)



Benefits of telework (virtual)



Simultaneously Raising Productivity and Employee Engagement with a New Work Style

The Link and Motivation Group responded to the COVID-19 pandemic by **relocating and downsizing its offices throughout Japan, and by establishing a new work style model called Compatible Work.**

The idea of Compatible Work is based on **transforming the way we work by combining real-world and virtual spaces to increase productivity and employee engagement.**

In Compatible Work, each team schedules days for working at the office and for telework, and designs its work processes according to respective work styles. At the office, in-house meetings, quarterly kickoffs and other such meetings that benefit from real-world interaction are given priority. When teleworking, employees focus on drafting documents, clerical work, and other activities that benefit from working virtually. With this approach, we will **design our work processes systematically according to the benefits we seek to obtain.**

In this way, we aim to increase productivity by appropriately designing our work processes, while also enhancing employee engagement by providing opportunities for real-world communication. Given how important employee engagement is to us, we will continue to **flexibly transform our methods of communication in response to the emerging situation.**

Conclusion

Conclusion

The Link and Motivation Group has become the first company in Japan—and indeed Asia—to acquire ISO 30414 certification, an international standard for human capital reporting, after undergoing a review by HC Produce Inc. and HR Metrics. We would like to thank everyone involved in helping us to acquire the certification.

The importance of human capital management in corporate management is increasing rapidly. The decline in the working population amid the demographic aging of Japan will accelerate. Moreover, companies are shifting to intangible products and services, and the source of their competitive advantage is becoming more dependent on employees' creativity, hospitality and motivation. Furthermore, as the work motivations of workers have diversified, increasing their work motivation and bringing employees together to achieve the company's mission has become a key role of managers.

We have utilized our core technology of Motivation Engineering to support the human capital management of a wide variety of companies. With the acquisition of ISO 30414 certification and the issuance of this *Human Capital Report*, we reaffirmed that our objective in human capital management is to realize “One for All, All for One,” and to that end, our top priority is to increase employee engagement (the degree of mutual understanding and affinity between a company and its employees). We will continue to effect various changes in pursuit of the LM Mission. At the same time, we will engage in dialogue with employees based on measuring employee engagement and working to achieve mutual understanding and affinity. That way, we will all grow together as a team.

We sincerely appreciate all the stakeholders who back us in this challenge, and hope for your continued support.

Independent Auditors Report

To all the stakeholders of Link & Motivation Group.

We, HC Produce Inc. and HR Metrics, have jointly audited the data, statements, systems and strategies for Human Capital reporting in the fiscal year of 2021 by Link & Motivation Group. (LMG) and consolidated subsidiaries from January to March 2022.

We conducted conformance assessment audit in accordance with the Human Capital Reporting guideline of ISO 30414. The audit includes interviews with LMG's leadership and management teams of each metric, assessment of LMI's data contents, guidelines and systems, assessment of LMG's statements clarifying strategies and internal guidelines, and assessment of LMG's external and internal reports for each metric of ISO 30414.

In our opinion, the statements, systems and strategies referred to above fairly, in all material respects, the position of LMG and consolidated subsidiaries as of 31st March 2022 results of their managements of Human Capital reporting, ended in conformance with ISO 30414.



HC Produce Inc.
CEO Shunsuke Hosaka
March 31st 2022



HR Metrics
CEO Zahid Mubarik
March 31st 2022

独立審査機関による ISO 30414 適合証明書

株式会社リンクアンドモチベーション及び連結子会社の内外ステークホルダー各位：

株式会社 HC プロデュース（以下、HCPro）及び HR Metrics（以下、HRM）は、独立審査機関として、人的資本の開示に関する国際規格：ISO 30414 に基づき、2021 年度の株式会社リンクアンドモチベーション及び連結子会社（以下、LMG）のデータ、システム、ステートメント及び戦略に関する ISO 30414 の適合性審査を実施した。

審査では、以下(1)～(4)のプロセスを通して、ISO 30414 の各指標について、LMG のデータ取得度、データ開示度、戦略実践度を評価した。

- (1) LMG の従業員及び各指標別責任者に対するインタビューの実施
- (2) LMG の人的資本データ及びデータ取得・開示システムの内容・動作の確認
- (3) LMG の人的資本データ取得・開示及び戦略に関する各種ルールの確認
- (4) LMG による社内外向けレポート内容の確認

これらの審査の結果、HCPro 及び HRM は、LMG の人的資本に関するデータ、システム、ステートメント及び戦略が ISO 30414 に適合していることを認める。



株式会社 HC プロデュース
代表取締役 CEO 保坂駿介
2022 年 3 月 31 日



HR Metrics
CEO Zahid Mubarik
2022 年 3 月 31 日

Appendix

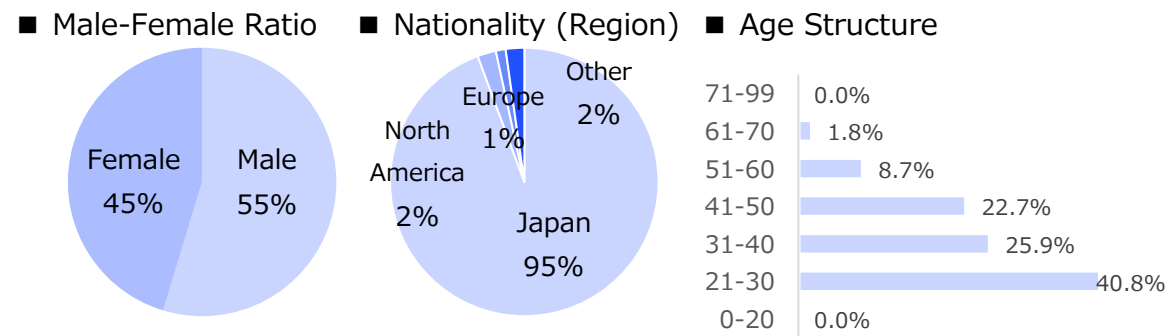
Appendix

Productivity Metrics

		2019	2020	2021
Per employee ¹	Revenues (thousand yen)	19,321	17,713	18,675
	Gross profit (thousand yen)	8,241	8,060	8,775
	Net income (loss) (thousand yen)	659	(535)	583

In 2020, the decline in revenues due to the COVID-19 pandemic was also reflected in a decline in per-employee results. However, results per employee improved with the recovery in business performance in 2021.

Employee Attribute Metrics



Note: Excludes non-responses

In the Link and Motivation Group, we conduct hiring, evaluation, promotion, and other corporate functions based on each individual's performance and growth, irrespective of attributes such as gender, nationality or age. Workforce diversity ratios at the end of 2021 with respect to each attribute are shown above.

Workforce Metrics

		2019	2020	2021
Number of employees	Officers ¹	24	28	30
	Employees	1,390	1,498	1,493
	Part-time staff	516	381	403
	ALTs	3,245	3,378	3,304
	Total	5,175	5,285	5,230
Full-time/Part-time ²	Full-time	1,452	1,537	1,518
	Part-time	478	370	408
Full-time equivalent (FTE) ³		1,654	1,738	1,748
Absenteeism (unplanned leave) rate (%)		1.1	0.9	0.9

In 2020, the number of employees increased because OpenWork Inc. was made a consolidated subsidiary. The number of part-time workers fell that year due to the COVID-19 pandemic but began increasing again in 2021. We will continue to secure an appropriate number of employees and invest in them, according to changes in the environment and business conditions.

1. Total of directors and executive officers, including outside directors.
2. Contractual working time of at least 40 hours a week is considered "full-time" and less than 40 hours a week is considered "part-time," regardless of the form of employment. (Excludes ALTs.)
3. Number of employees when converted to full-time (40 hours a week). Calculated by dividing total working hours per week of all employees by 40 hours. (Excludes ALTs.)

Appendix

Metric Related to Employment of People with Disabilities

	2019	2020	2021
Employees with disabilities* (%)	1.04	1.35	1.52

We have strengthened recruitment of people with disabilities, but although the number of people with disabilities has increased, we fell short of the legally mandated employment rate of 2.3 percent. While some Group companies do satisfy this rate, this remains a management issue for the Group as a whole, so we will further strengthen our recruitment efforts.

* Tabulated based on the contents of the Report on the Status of Employment of People with Disabilities submitted to the Ministry of Health, Labour and Welfare each year. The results shown are as of June 1, in accordance with the aforementioned report.

Metric Related to Hiring

	2019	2020	2021
Quality per hire*	10.0	10.1	10.1

To determine whether we are hiring people who meet expectations, we monitor evaluation results during the probation period. Specifically, our goal is 10 or higher, which indicates “met expectations.” The result for 2021 was 10.1. We therefore believe that we are hiring people who produce results that exceed the company’s expectations.

* The six months after joining the company are a probation period. After the probation period ends, employees are evaluated on a scale of 2-18, with 10 meaning “met expectations.”

Cost Metrics

	2019	2020	2021
Total workforce costs ¹ (million yen)	19,934	19,875	21,349
External workforce costs ² (million yen)	12,013	11,548	12,125
Total costs of employment ³ (million yen)	8,775	8,893	9,724

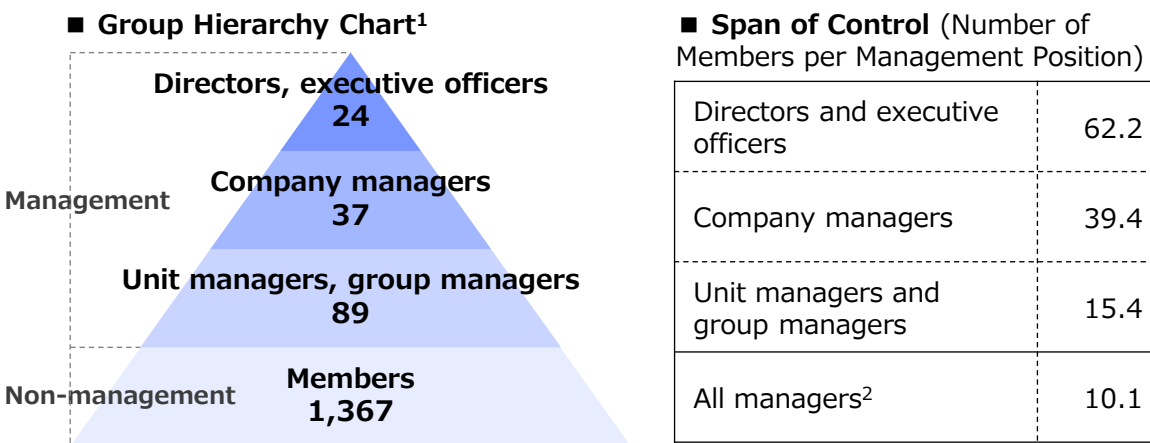
Our current policy is to scale back investment in offices and speed up investment in human resources and IT. Because of that, total workforce costs and total costs of employment have generally been increasing, although reducing the number of employees had an impact in 2020.

Furthermore, external workforce costs are increasing, reflecting the temporary increase in the cost of recruiting ALTs in the Matching Division due to the COVID-19 pandemic.

1. Total costs the Group paid directly to employees.
Defined to include total costs for the external workforce (see note 2.) in addition to employees the Group employs directly.
2. Total costs paid to outsourcers, temporary staff and other workers the company does not employ directly.
3. Total costs incurred in employment.
Defined as total costs that directly benefit employees. (Training costs, benefit expenses, etc.)

Appendix

Leadership Metrics



The appropriate span of control at each hierarchical level differs depending on various factors such as business model, management maturity, composition of members, and organizational relationships, so we do not target a flat standard across the Group. For that reason, we constantly monitor the suitability of our hierarchical structure based on the results of individual surveys regarding managers and employee engagement results of organizations, and make adjustments as necessary. Currently, given that on the whole, organizations in the Link and Motivation Group have high employee engagement scores, we believe our organizational structure to be appropriate.

In the future, we will flexibly change our organizational structure as necessary in accordance with changes in employee engagement.

1. As hierarchy names differ depending on Group company, figures are calculated by classifying positions within the hierarchy based on certain criteria. Outside directors, part-time workers and ALTs are not included in the number of people for each level.
2. Calculated by dividing the total number of people at all levels by the number of managers.

Training Metrics

■ Training Participation Rates

	Name of Training	Participation Rate (%)
Technical Skills	Top Gun seminars	98.5
Portable Skills	Negotiation training	88.9
	Logical thinking training	53.0
	Self-motivation control training	100.0
	Leadership training	63.2
	Career design training	79.2
Stance	New company president training	100.0
	New manager training	100.0
	New employee stance training	100.0
Stance (level-specific survey)	Survey training for upper management	96.2
	Survey training for management	91.0
	Survey training for senior employees	94.3
	Survey training for leaders	95.9
	Survey training for mid-level employees	93.2
	Survey training for junior employees	97.4

All employees participated in multiple forms of training, and participation rates for each type of training are shown above. In addition, average formalized training hours per employee, including training conducted at the departmental level, was 31.8 hours.* For Group-wide training, we aim for a participation rate of 100%.

* Calculated by dividing the total hours spent for all training in 2021 by the number of employees at the end of 2021.

Appendix

Health and Safety Metrics

	2019	2020	2021
Number of occupational accidents ¹ (per million work hours)	3.82	3.74	4.15
Lost time for injury ¹ (total lost time in hours per million work hours)	10.49	12.80	3.80
Number of people killed during work ¹	0	0	0

	2019	2020	2021
Percentage of employees who participated in health and safety training ² (%)	75.5	87.4	92.4
Percentage of employees who took time off for mental health reasons (%)	0.8	0.6	0.9
Maternity leave rate (%)	100.0	100.0	100.0
Paternity leave rate (%)	8.3	13.6	25.7

Most occupational accidents in the Link and Motivation Group occurred during commuting or travel. These results are reasonable since we have a business model where workplace accidents do not easily occur.

Moreover, the above results for metrics relating to employee health and safety and the balance of work and childcare indicate that we have supportive workplace environments.

1. Calculated based on total number of employees (officers, employees, part-time staff and ALTs).
2. Calculated based on participation rate in annual stress checks.

Metrics Related to Appointments and Critical Positions

	2019	2020	2021
Percentage of positions filled internally ¹ (%)	77.6	68.7	73.1
Percentage of critical positions ² (%)	1.3	1.5	1.6
Percentage of critical positions filled internally ³ (%)	100.0	100.0	100.0
Succession effectiveness rate ⁴ (%)	100.0	100.0	100.0
Percentage of vacant critical positions in relation to all vacant positions (%)	0.0	0.0	0.0
Average length of time to fill vacant critical position (days)	0.0	0.0	0.0

In the Link and Motivation Group, we define critical positions as “directors and executive officers (except outside directors), including those of Group companies.” However, when a vacancy arises, we either appoint an immediate replacement or eliminate that position, so positions are never left vacant. Accordingly, the “percentage of vacant critical positions” and “length of time to fill critical vacant positions” are zero.

Regarding appointment to critical positions, all have been filled internally in the past three years. We believe that these results are an indication of our systematic approach to successor development.

1. Calculated as the number of vacant positions filled through internal recruitment divided by the total number of vacant positions filled through internal plus external recruitment.
2. Calculated as the number of critical positions divided by the total number of positions.
3. Percentage of critical positions that opened up during the year that were filled through internal recruitment.
4. Percentage of critical positions filled through internal recruitment as of the end of the year.

Appendix

Correspondence with ISO 30414 Metrics

No.	Metric	Page(s)
1 Compliance and ethics		
1-1	Number and type of grievance filed	<u>32</u>
1-2	Number and type of concluded disciplinary action	<u>32</u>
1-3	Percentage of employees who have completed training on compliance and ethics	<u>32</u>
1-4	Disputes referred to external parties	–
1-5	Number, type and source of external audit findings and actions arising from these	<u>32</u>
2 Costs		
2-1	Total workforce costs	<u>43</u>
2-2	External workforce costs	<u>43</u>
2-3	Ratio of the average salary and remuneration	<u>31</u>
2-4	Total costs of employment	<u>43</u>
2-5	Cost per hire	<u>19</u>
2-6	Recruitment costs	<u>19</u>
2-7	Turnover costs	–
3 Diversity		
3-1	Workforce diversity ratio with respect to age	<u>42</u>
3-2	Workforce diversity ratio with respect to gender	<u>42</u>
3-3	Workforce diversity ratio with respect to disability	<u>43</u>
3-4	Workforce diversity ratio with respect to other indicators of diversity	<u>42</u>
3-5	Diversity of leadership team	<u>27</u>
4 Leadership		
4-1	Leadership trust	<u>26</u>
4-2	Span of control	<u>44</u>
4-3	Leadership development	<u>26</u>

No.	Metric	Page(s)
5 Organizational culture		
5-1	Engagement/satisfaction/commitment	<u>10, 12, 13</u>
5-2	Retention rate	<u>33</u>
6 Organizational health, safety and well-being		
6-1	Lost time for injury	<u>45</u>
6-2	Number of occupational accidents	<u>45</u>
6-3	Number of people killed during work	<u>45</u>
6-4	Percentage of employees who participated in training	<u>45</u>
7 Productivity		
7-1	EBIT/revenue/turnover/profit per employee	<u>42</u>
7-2	Human capital ROI	<u>8</u>
8 Recruitment, mobility, turnover		
8-1	Number of qualified candidates per position	–
8-2	Quality per hire	<u>43</u>
8-3	Average length of time to fill vacant position	<u>19</u>
8-4	Average length of time to fill vacant critical position	<u>45</u>
8-5	Transition and future workforce capabilities assessment	–
8-6	Percentage of positions filled internally	<u>45</u>
8-7	Percentage of critical business positions filled internally	<u>45</u>
8-8	Percentage of critical positions	<u>45</u>
8-9	Percentage of vacant critical business positions in relation to all vacant positions	<u>45</u>
8-10	Internal mobility rate	<u>24</u>
8-11	Employee bench strength	<u>25</u>
8-12	Turnover rate	<u>33</u>
8-13	Voluntary turnover rate	<u>33</u>
8-14	Voluntary critical turnover rate	<u>33</u>
8-15	Exit/turnover reasons/leaving employment by reason	<u>33</u>

No.	Metric	Page(s)
9 Skills and capabilities		
9-1	Total developing and training costs	<u>22</u>
9-2	Training participation rate	<u>44</u>
9-3	Average formalized training hours per employee	<u>44</u>
9-4	Percentage of employees who participate in training compared with total number of employees per year	<u>44</u>
9-5	Workforce competency rate	–
10 Succession planning		
10-1	Succession effectiveness rate	<u>45</u>
10-2	Succession coverage rate	<u>25</u>
10-3	Succession depth rate: ready now	<u>25</u>
10-4	Succession depth rate: ready in 1-3 years/4-5 years	<u>25</u>
11 Workforce availability		
11-1	Number of employees	<u>42</u>
11-2	Number of employees: full-time and part-time	<u>42</u>
11-3	Full-time equivalents	<u>42</u>
11-4	Contingent workforce: independent contractor	–
11-5	Contingent workforce: temporary workforce	–
11-6	Absenteeism: unplanned leave	<u>42</u>