

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.

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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

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

Individuals

Organizations

Company of the Year

Company that produced outstanding results over the course of a year

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.

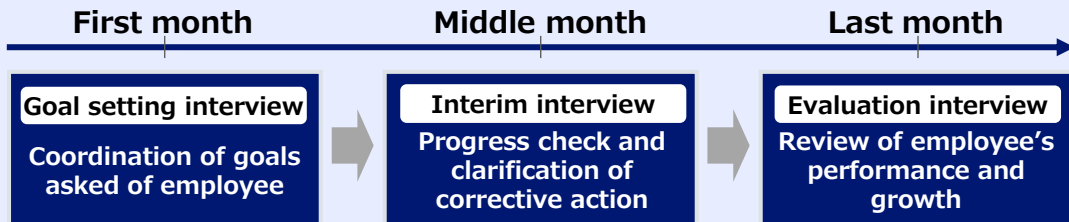
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01 Evaluation and Compensation That Connect Motivation to Results

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.

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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.