Consolidated Financial Statements for the Fiscal Year Ended December 31, 2012

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

February 8, 2013

Link and Motivation Inc.
3-7-3 Ginza, Chuo-ku, Tokyo 104-0061
http://www.lmi.ne.jp

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

Representative: Yoshihisa Ozasa, Chairman and Representative Director
Contact: Shunichi Ohno, Managing Executive Officer and
Manager of Corporate Design Division Phone: +81-3-3538-8558

Ordinary General Meeting of Shareholders (scheduled): March 23, 2013
Start of distribution of dividends (scheduled): March 25, 2013
Filing of Securities Report (*Yuka Shoken Hokokusho*) (scheduled): March 25, 2013
Supplementary documents for quarterly results: No
Quarterly results briefing: No

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for 2012 (January 1, 2012 - December 31, 2012)

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

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
2012	18,705	78.0	1,149	41.5	1,133	39.8
2011	10,507	48.0	812	11.1	810	8.7

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)	Return on equity (%)	Ordinary income/Total assets (%)	Ordinary income/Net sales (%)
2012	708	18.7	2,901.19	—	22.5	11.0	6.1
2011	596	2.0	2,291.43	—	19.2	12.4	7.7

Notes: 1. Comprehensive income: Year ended December 31, 2012: ¥707 million (+37.3%);
Year ended December 31, 2011: ¥515 million (-11.7%)
2. The Company implemented a free stock distribution of 2 shares for each 1 share of common stock with an effective date of July 1, 2012. Accordingly, earnings per share has been calculated as though the stock split had occurred at the beginning of the previous fiscal year.

(Reference) Equity in earnings of affiliates: Year ended December 31, 2012: ¥— million; Year ended December 31, 2011: ¥— million

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets/ Total assets (%)	Net assets per share (¥)
2012	10,303	3,248	31.5	13,411.48
2011	8,479	3,172	36.1	12,199.32

Note: The Company implemented a free stock distribution of 2 shares for each 1 share of common stock with an effective date of July 1, 2012. Accordingly, net assets have been calculated as though the stock split had occurred at the beginning of the previous fiscal year.

(Reference) Net worth: As of December 31, 2012: ¥3,248 million; As of December 31, 2011: ¥3,056 million

(3) Cash Flow

	Cash flow from operating activities (¥ million)	Cash flow from investing activities (¥ million)	Cash flow from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
2012	1,137	(2,095)	493	2,437
2011	747	(94)	576	2,901

2. Dividends

	Dividends per share					Total dividends paid (full year) (¥ million)	Payout ratio (%)	Dividends/ Net assets (%)
	1st Qtr.	Interim	3rd Qtr.	Year-end	Full year			
2011	500.00	500.00	500.00	500.00	2,000.00	258	43.4	8.1
2012	500.00	600.00	300.00	300.00	—	269	38.1	8.3
2012 (est.)	300.00	300.00	300.00	300.00	1,200.00		—	

Note: The Company implemented a free stock distribution of 2 shares for each 1 share of common stock with an effective date of July 1, 2012. Accordingly, dividends per share for 2012 takes the effect of this stock split into account. For details, see “Dividend Policy and Dividends for 2012 and 2013” on page 9.

3. Forecast of Results for 2013 (January 1, 2013 - December 31, 2013)

(Percentages represent change compared with the previous interim period or fiscal year, as applicable.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Interim period	—	—	—	—	—	—	—	—	—
Full year	23,300	24.6	1,470	27.9	1,430	26.1	770	8.7	3,153.15

Note: There is no forecast of results for the interim period. See “Outlook for 2013” in “Results of Operations” on page 7 for details.

(1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries due to Changes in the Scope of Consolidation): Yes

Added: 1 company (Sales Marketing Co., Ltd.)

Removed: No companies

(2) Changes in Accounting Policies, Changes in Accounting Estimates and Restatements

(a) Changes in accounting policies due to change in accounting standards: Yes

(b) Changes in accounting policies other than (a) above: No

(c) Changes in accounting estimates: No

(d) Restatements: No

(3) Number of Shares Issued and Outstanding (Common Stock)

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

Year ended December 31, 2012: 269,920; Year ended December 31, 2011: 269,920

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

Year ended December 31, 2012: 27,720; Year ended December 31, 2011: 19,334

(c) Average number of shares outstanding:

Year ended December 31, 2012: 244,200; Year ended December 31, 2011: 260,470

Note: The Company implemented a free stock distribution of 2 shares for each 1 share of common stock with an effective date of July 1, 2012. Accordingly, the number of shares for the year ended December 31, 2011 has been restated to reflect the stock split.

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for 2012 (January 1, 2012 – December 31, 2012)

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

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
2012	4,569	8.1	456	(3.3)	429	(18.9)
2011	4,227	1.3	471	(24.7)	528	(17.0)

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
2012	240	(32.0)	983.94	—
2011	353	(44.6)	1,356.39	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets/ Total assets (%)	Net assets per share (¥)
2012	7,405	2,470	33.4	10,201.53
2011	5,021	2,745	54.7	10,956.93

(Reference) Net worth: ¥2,470 million (2011: ¥2,745 million)

*** Presentation of Implementation Status of Auditing Procedures**

As of the date of publication of these financial statements, the auditing procedures for financial statements pursuant to the Financial Instruments and Exchange Act had not been completed.

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

Consolidated forecasts and other statements regarding the future contained in this document are based on currently available information to the Company and certain reasonable assumptions. Actual performance may differ substantially due to numerous factors. For information regarding the conditions of assumptions behind the results forecasts and notes regarding their use, please refer to “(1) Analysis of Results of Operations” on page 4.

Contents of Attachments

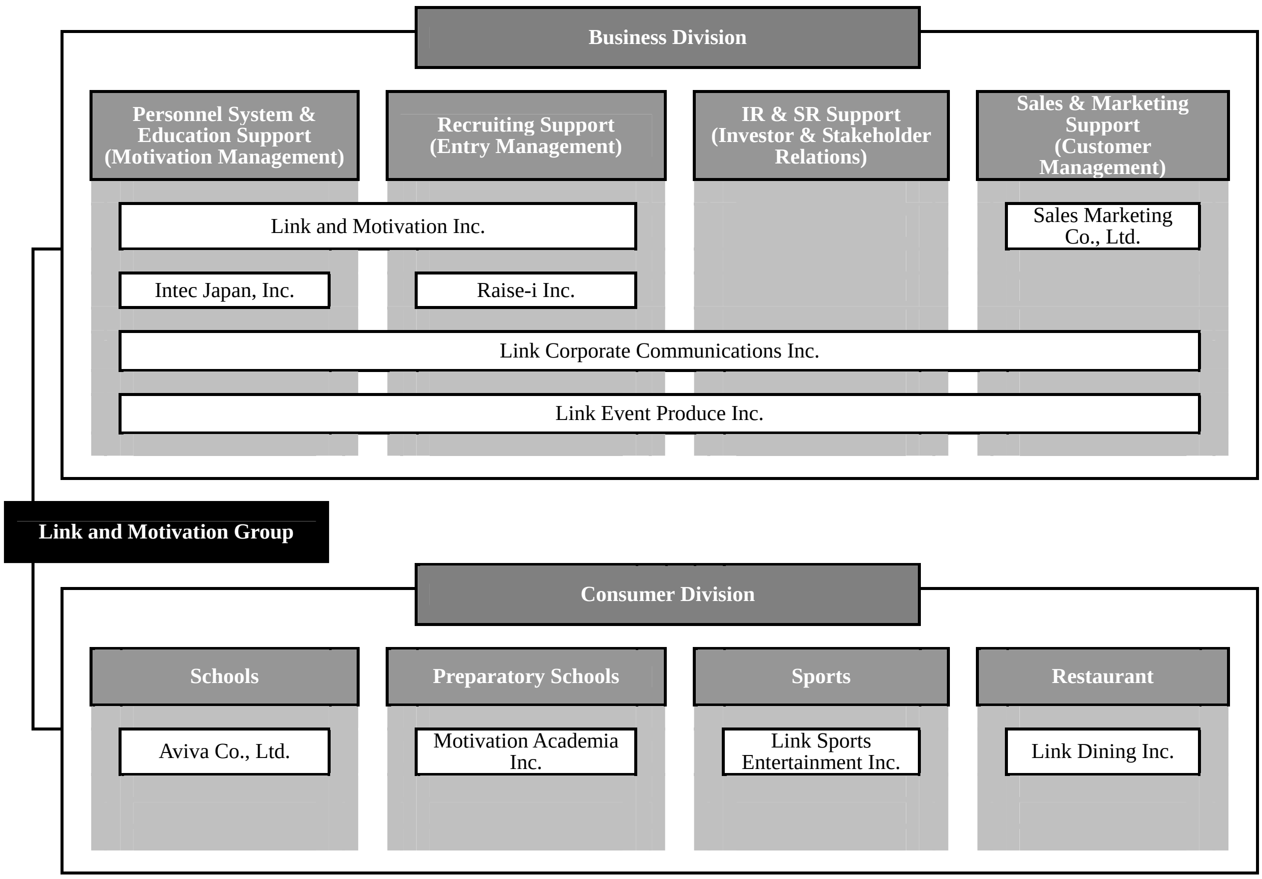
1. Results of Operations

(1) Analysis of Results of Operations

In 2012, Japan's economy benefited from factors including the emergence of reconstruction demand after the Great East Japan Earthquake, but recovery appeared to stall against the backdrop of a global economic slowdown from the summer. However, since the change in the governing party at the end of the year, rising expectations of an economic recovery, together with signs of a rebound in economic indicators such as the Nikkei average stock price, have become apparent, and although the outlook remains unclear, there has been a recovery in conditions with expectations for the coming fiscal year.

In this economic environment, consolidated net sales of the Link and Motivation Group for 2012 were ¥18,705,980 thousand (a 78.0% increase compared with the previous year), gross profit was ¥7,307,100 thousand (a 44.6% increase), operating income was ¥1,149,104 thousand (a 41.5% increase), ordinary income was ¥1,133,903 thousand (a 39.8% increase), and net income was ¥708,472 thousand (an 18.7% increase).

An overview of results by segment and field for 2012 is provided below. The segments of the Link and Motivation Group and respective service areas are as follows.



Business Division

This segment offers one-stop services that support the management and growth of companies by applying the Link and Motivation Group's core "motivation engineering" technology essential for corporate innovation to their communication with stakeholders such as employees, job applicants, investors and customers.

Results for 2012 increased substantially compared with the previous year due to significant increases in sales and gross profit for Personnel System & Education Support (Motivation Management) and the addition of Sales Marketing Co., Ltd. to the scope of consolidation in February 2012. Segment sales were ¥12,317,832 thousand (a 95.3% increase) and segment income was ¥5,033,676 thousand (a 41.9% increase). An overview of operating results by service area is as follows.

Personnel System & Education Support (Motivation Management)

In the Motivation Management business, net sales for 2012 were ¥3,200,545 thousand (a 21.0% increase) and gross profit was ¥2,000,473 thousand (a 34.6% increase). This business aimed at creating highly motivated organizations offers services that include personnel development, organization and workplace development, support for corporate vision verbalization and dissemination, human resources system design and support for the implementation of corporate events for personnel development and organizational vitalization.

In 2012, the Motivation Management business made progress under a strategy of enhancing services based on management themes to promote the development of one-stop services. In addition, the business concentrated on enhancing repeatable products centered on packages that incorporate motivation engineering technology for ongoing stable operations. The business also emphasized support for organizational vitalization through anniversary and other events. As a result, sales of personnel development consulting projects that extend to customers' essential management themes and organizational vitalization events increased significantly and led to an increase in training packages for personnel development including personal computer training. Net sales and gross profit both increased substantially compared with the same period a year earlier.

The Motivation Management business will address new management needs in areas such as diversity and globalization, while concentrating on increasing sales of repeatable product packages with a high profit margin.

Recruiting Support (Entry Management)

In the Entry Management business, net sales for 2012 were ¥2,548,358 thousand (a 9.7% increase) and gross profit was ¥1,528,894 thousand (a 0.0% increase).

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

In 2012, the Entry Management business made progress under a policy of transitioning from a single-engagement business model focusing on consulting services to a stable business model centered on repeatable products. As a result, sales of products such as aptitude diagnostics used as initial job applicant assessment tools and commissioned recruiting management services increased. Moreover, sales of direct student hiring services launched in the previous year increased steadily. Consequently, net sales increased, although gross profit was flat compared with the previous year.

To respond to the trend in new graduate recruiting of a shift from large-scale batch recruiting that requires a uniform volume to portfolio recruiting that demands specific qualities to meet each job requirement, the business will concentrate on expanding sales in areas such as global recruiting support and hiring services tailored to company requirements.

IR & SR Support (Investor & Stakeholder Relations)

In the Investor & Stakeholder Relations business, net sales for 2012 were ¥619,997 thousand (an 11.0% decrease) and gross profit was ¥319,935 thousand (a 6.7% decrease).

This business provides services designed to achieve effective and efficient communication with investors, including annual report production and video distribution of business results briefings.

The investor relations market has been contracting overall with the decreasing number of listed companies. Although sales of annual reports increased steadily in 2012 compared with the previous year, growth weakened in the video distribution service business, which was developed in anticipation of new trends, and as a result, net sales and gross profit both decreased compared with the same period of the previous year.

Link Corporate Communications Inc. will take over the web-based creative functions that were an advantage of Freeport Inc., which became a subsidiary on October 1, 2012, as it concentrates on new trends such as web-based annual reports and IR website packages.

Sales & Marketing Support (Customer Management)

In the Customer Management business, net sales for 2012 were ¥5,948,931 thousand and gross profit was ¥1,184,373 thousand. Results are not comparable with the same period of the previous fiscal year.

This business is a one-stop source for corporate sales and marketing needs. Services range from consulting involving the proposal, dissemination, promotion planning and implementation support for corporate brand strategies and proposals for corporate sales strategies to dispatch and referral services that meet human resource needs at the point of sale.

With the addition of Sales Marketing Co., Ltd. to the scope of consolidation from February 2012, both net sales and gross profit from this business contributed substantially to consolidated earnings in 2012. Sales of core human resource referral services for apparel stores were steady.

With highly functional devices such as smartphones now prevalent, needs for human resource referral services are increasing among big-box home appliance retailers and mobile phone shops. The Link and Motivation Group will use motivation engineering to enhance Sales Marketing's organizational capabilities and create a framework for dispatching human resources that are attractive to customers through a focus on recruiting and training staff available for dispatch.

Consumer Division

In this segment, the Link and Motivation Group applies its core motivation engineering technology to provide services in consumer businesses including schools, preparatory schools and a sporting organization.

The Link and Motivation Group acquired all of the shares of Aviva Co., Ltd. on June 11, 2011. Segment sales and each level of income for 2012 therefore expanded significantly. Segment sales were ¥6,852,461 thousand (a 57.4% increase) and segment income was ¥2,428,159 thousand (a 53.1% increase). An overview of operating results by business area for 2012 is as follows.

Schools Business/Preparatory Schools Business

For 2012, net sales were ¥6,209,883 thousand (a 66.8% increase) and gross profit was ¥2,228,456 thousand (a 59.3% increase).

The Schools business offers comprehensive personal computer training courses and measures to acquire qualifications through Aviva's personal computer classes. The Preparatory Schools business offers courses to prepare students for school entrance exams and to teach portable skills through preparatory schools managed by Motivation Academia Inc.

In the Schools business, results for 2012 were steady in the personal computer class business, a core service, as enhanced enrollment promotion drove substantial increases in the number of both new visitors and registered students. In addition, strengthened cooperation with Daiei Education System Co., Ltd., which became a subsidiary on January 1, 2013, resulted in a substantial increase in sales of qualification support services for fields including bookkeeping and medical administration. In the Preparatory Schools business, the addition of Avance Co., Ltd. to the scope of consolidation in April 2012 increased both sales and gross profit.

The Schools business will expand its operations to become a group that provides qualification support education services in areas other than personal computer skills, and build a dominant position in the personal computer school and qualification school industries. The Preparatory Schools business aims to further raise its profitability.

Sports Business/Restaurant Business

In these businesses, net sales for 2012 were ¥642,577 thousand (a 1.9% increase) and gross profit was ¥199,702 thousand (a 6.6% increase).

Sales and gross profit are recorded in the Sports business by Link Sports Entertainment Inc., which operates a professional basketball team called Link Tochigi Brex, and in the Restaurant business by Link Dining Inc., which operates an Italian restaurant called Link Dining.

At Link Sports Entertainment Inc., sponsorship income from sponsor companies, which has a high profit margin, decreased slightly. However, because of sales growth in the Restaurant business, net sales and gross profit both increased compared with the previous fiscal year. Going forward, both businesses aim to undertake unique development using motivation engineering.

Outlook for 2013

On a consolidated basis, for 2013 we forecast net sales of ¥23,300 million (an increase of 24.6% year on year), operating income of ¥1,470 million (an increase of 27.9%), ordinary income of ¥1,430 million (an increase of 26.1%) and net income of ¥770 million (an increase of 8.7%).

We have not made a forecast of our results for the interim period due to difficulty in predicting clients' stances on investment in human resources in the uncertain economic environment. We will rapidly disclose quarterly financial information.

Moreover, we will rapidly disclose revisions to our announced forecast of earnings in the event of significant variation from actual results.

(2) Analysis of Financial Condition

Significant Accounting Policies

The Company's consolidated and non-consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan (Japanese GAAP). The significant accounting policies used in the Company's consolidated financial statements are described in "4. Consolidated Financial Statements, (6) Basis of Presentation of Consolidated Financial Statements." The significant accounting policies used in the Company's non-consolidated financial statements are described in "5. Non-consolidated Financial Statements, (5) Significant Accounting Policies." [Both omitted from English translation.] In preparing these consolidated and non-consolidated financial statements, the Company made estimates and judgments based on various factors that it considers reasonable given past financial results and conditions. However, because of inherent uncertainties and risks, actual results in the future may differ from these estimates and judgments.

Assets, Liabilities and Net Assets

Total assets as of December 31, 2012 were ¥10,303,395 thousand, an increase of ¥1,823,750 thousand from a year earlier as a result of increases in goodwill and accounts receivable from the acquisitions of Sales Marketing Co., Ltd. and Intec Japan, Inc.

Total liabilities were ¥7,055,135 thousand, an increase of ¥1,747,942 thousand from a year earlier due to factors including increases of ¥1,085,815 thousand in borrowings and ¥418,591 thousand in accounts payable, similarly as a result of the acquisitions of Sales Marketing Co., Ltd. and Intec Japan, Inc.

Net assets increased ¥75,808 thousand from a year earlier to ¥3,248,260 thousand. The principal factor in the increase was ¥708,472 thousand in net income recorded in retained earnings, despite a decrease of ¥269,863 thousand in retained earnings due to payment of dividends and a decrease of ¥246,834 thousand due to purchase of treasury stock.

Cash Flow

Cash and cash equivalents ("cash") as of December 31, 2012 was ¥2,437,457 thousand, a decrease of ¥463,697 thousand compared with a year earlier. Cash flow for the year ended December 31, 2012 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities increased ¥389,947 thousand to ¥1,137,772 thousand. Principal factors providing cash were income before income taxes of ¥1,117,125 thousand, depreciation and amortization of ¥262,674 thousand and amortization of goodwill of ¥358,704 thousand. The principal factor using cash was income taxes paid of ¥527,621 thousand.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥2,095,339 thousand, an increase of ¥2,000,805 thousand from the previous year. The principal factors using cash were payments for acquisition of subsidiary stock due to a change in the scope of consolidation totaling ¥1,409,223 thousand, payments for loans totaling ¥330,000 thousand, payments for acquisition of property and equipment totaling ¥103,736 thousand and payments for acquisition of intangible fixed assets of ¥59,143 thousand.

Cash Flow from Financing Activities

Net cash provided by financing activities was ¥493,869 thousand, a decrease of ¥82,278 thousand from the previous year. The principal factors using cash were repayment of short-term debt of ¥803,771 thousand, payments for purchase of treasury stock of ¥249,084 thousand and payment of cash dividends of ¥270,616 thousand. The principal factor providing cash was proceeds from borrowings totaling ¥1,850,000 thousand.

Reference:

Cash Flow Related Indicators

	2008	2009	2010	2011	2012
Net worth ratio (%)	76.3	62.4	69.1	36.1	31.5
Net worth ratio on market value basis (%)	127.3	118.6	140.6	63.4	82.5
Cash flow to interest-bearing debt (times)	0.15	3.32	0.42	2.18	2.51
Interest coverage ratio (times)	422.9	39.0	362.8	75.8	27.4

Net worth ratio: Net worth/Total assets
Net worth ratio on market value basis: Total market capitalization/Total assets
Cash flow to interest-bearing debt: Interest-bearing debt/Operating cash flow
Interest coverage ratio: Operating cash flow/Interest expense
Notes: 1. Each indicator is calculated on a consolidated basis.
2. Total market capitalization: Share price at end of period/number of shares at end of period
3. Operating cash flow: Cash flow from operating activities in statements of cash flow
4. Interest expense: Interest expense on statements of cash flow

(3) Dividend Policy and Dividends for 2012 and 2013

The Company's basic dividend policy is to make more active and stable returns to shareholders while taking into account the future operating environment, investment plans and other factors. The Company will allocate retained earnings for investment in mergers and acquisitions, human resources and facilities for the purpose of expanding business and raising efficiency, as part of its effort to expand its operations and increase its enterprise value. In addition, the Company will actively pay dividends on a quarterly basis, including interim and year-end dividends, for flexible shareholder returns.

In 2012, the Company increased dividends in the second quarter and conducted a stock split on July 1, 2012, resulting in dividend payment of ¥500.00 for the first quarter, ¥600.00 for the second quarter, ¥300.00 for the third quarter and ¥300.00 for the fourth quarter, for a full-year dividend of ¥1,700.00. In 2013, in order to make stable dividend payments to shareholders under the same policy as for 2012, the Company plans to pay quarterly dividends of ¥300.00 for a full-year dividend of ¥1,200.00.

(4) Business and Other Risks

The paragraphs below describe the items believed to be potential risk factors in the Group's business operations. From the standpoint of proactive information disclosure, this section also includes items considered to be significant in the investment decisions of investors, even though they are not necessarily considered business risks. The Group is aware of the possibility of these risk factors materializing and makes efforts to prevent their occurrence and to respond in the event that they do occur. However, investment decisions with respect to the Company's stock should be made carefully, taking into account factors other than those described herein.

Forward-looking statements contained in this text are based on the judgment of the Group's management as of February 8, 2013.

(i) Occurrence of Personal Information Leaks, Etc.

Due to the nature of its business, the Group handles a large amount of personal information from clients in both its Business Division and its Consumer Division. In regard to the handling of personal information, the Personal Information Protection Act was promulgated and put into effect in May 2003, followed by full enforcement in April 2005. This necessitates even greater attention to the handling of personal information. Since Link and Motivation Inc. obtained the Privacy Mark in February 2005, it has responded to audits for Privacy Mark renewal and has established internal company rules for handling personal information, conducted regular in-house training, strengthened information management and paid due attention to strengthening information management and the handling of personal information. However, in the event that unforeseen circumstances cause personal information to be leaked to external parties, and this causes damage to the owner of the personal information, client companies or others, the resulting damage claims and loss of social trust could impact the Group's business results and financial condition.

(ii) Infringement of Intellectual Property Rights

In the business of the Group, securing copyrights, trademarks and other intellectual property rights is critical for conducting business in both the Business Division and the Consumer Division. The Group makes efforts to protect and preserve its proprietary techniques, knowledge and know-how, which are developed internally as much as possible through acquisition of trademarks, specification of copyrights and establishment and maintenance of original brands. However, in the event that the Group's services are imitated by a malicious third party, this could interfere with the Group's sales efforts, which could potentially impact business results and financial condition.

(iii) Reliance on a Specific Individual

Yoshihisa Ozasa, the representative director of the Company, is the Company's founder and has served as representative director since the Company was established. By hiring and training excellent personnel and promoting standardization of services, the Company is building a systematic business management structure that is not dependent upon the skills of a single individual. However, at present, Mr. Ozasa plays an important role in terms of the Group's overall brand formation. In this aspect as well, the Group is building a stronger organization that can realize systematic brand formation, including newly appointing Hideki Sakashita as president and representative director. However, if for any reason it becomes difficult for Mr. Ozasa to continue his work for the Company, this could have an impact on the Company's business promotion and other aspects of operations.

2. [Omitted from English Translation]

3. Management Policies

(1) Basic Policy on Company Management

The Link and Motivation Group conducts its business with its mission to “contribute to the vitalization of society through motivation engineering” and operates the Business and Consumer divisions.

The Business Division in particular has asked society about the importance of “motivation” to an organization’s various stakeholders and the effect that has on management and built its business based on organizational transformation through the improvement of motivation. A prerequisite for growth is for the Group itself to continue being a model example of a first-rate “motivation company,” and the Group has set this as its basic management policy.

(2) Target Management Indicators

To ensure that management focuses on business profitability and productivity, the operating margin has been positioned as a key management indicator in the Group. In addition, to concentrate on increasing the scale of the Group, sales and operating income have also been made important management indicators. In the future, increases in sales and operating income will grow in importance for ongoing investment in further expansion of existing businesses and growth in the scale of the Group through proactive M&A and other means.

(3) Medium- and Long-term Management Strategies

While employing the above management indicators, the following three points will provide medium-term direction for the Group in increasing corporate value and expanding its scale.

A. The Business Division will strengthen stakeholder management services that help increase corporate value by providing guidance for sound relationships with employees, job applicants, investors and customers, who are corporate stakeholders. We will enhance our lineup of solutions that resolve future challenges in each field and support the creation of even more vibrant companies through personnel system and education support in the Motivation Management business, recruiting support in the Entry Management business, IR and stakeholder relations (SR) support in the Investor Relations business, and sales and marketing support in the Customer Management business.

B. The Consumer Division will targets groups such as juniors (junior and senior high school students), adults (college students and adults) and seniors in businesses that improve practical skills, including exam and job hunting support, IT training support and qualification support. We will use the Group’s motivation engineering and the accumulated classroom management know-how of Aviva Co., Ltd. and Daiei Education System Co., Ltd. to increase the motivation of individuals to learn and help them achieve their goals, thus concentrating on producing many “i-Companies” (autonomous individuals who are not dependent on a corporation).

C. Finally, in the Sports business and other businesses, where providing attractive venues is directly related to success, we will apply the Group’s motivation engineering to generate new value and contribute to the creation of a more meaningful society. Specifically, we will assess the status of the businesses in A and B above and proceed based on the assessment of target businesses and timing.

(4) Issues Facing the Company

As the speed of business expansion and the expectations of various stakeholders further increase, the following three points concern the entire Group. We intend to take proactive steps in dealing with them.

The first point is strengthening cooperation among Group companies. While our businesses diversify, we will strengthen mutual cooperation rather than operating each business separately. In this way, we will multiply rather than simply achieve the sum of the Group companies' results. This will increase the speed at which we can increase the scale and profitability of the Group.

The second point is promoting an integrated brand. As our businesses diversify, we believe that improving the current environment in which our various businesses have their own unique brands and providing comprehensive services by strengthening cooperation among Group companies under an integrated brand will lead to an increase in profitability. We will create appropriate brands for each segment and work for their uptake by society.

The third point is aggressively expanding and enhancing capabilities, including through mergers and acquisitions. We need to aggressively develop new businesses and add new products and services to our lineup to increase the speed of expansion. We will energetically invest in future growth, making bold decisions after taking a hard look at our financial condition.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

	As of December 31, 2011	As of December 31, 2012
ASSETS		
Current assets		
Cash and deposits	2,901,154	2,467,457
Notes and accounts receivable	1,446,736	2,041,411
Products	70,909	57,477
Goods in process	48,140	118,678
Merchandise and supplies	17,845	20,019
Prepaid expenses	152,996	203,513
Deferred tax assets	108,564	93,235
Short-term loans receivable	—	331,893
Accrued corporate tax refund	1,360	35,799
Accrued consumption tax	4,591	—
Other	44,326	110,351
Allowance for doubtful accounts	(16,341)	(25,073)
Total current assets	4,780,283	5,454,765
Fixed assets		
Property and equipment		
Buildings and structures	590,303	675,267
Accumulated depreciation	(307,413)	(395,217)
Buildings and structures (net)	282,889	280,050
Vehicles	10,057	10,057
Accumulated depreciation	(9,476)	(9,959)
Vehicles (net)	581	98
Furniture and fixtures	359,183	492,590
Accumulated depreciation	(289,371)	(411,465)
Furniture and fixtures (net)	69,811	81,124
Lease assets	79,201	207,832
Accumulated depreciation	(32,039)	(70,717)
Lease assets (net)	47,162	137,114
Total property and equipment	400,444	498,388
Intangible assets		
Goodwill	2,017,880	2,948,313
Software	174,103	179,813
Other	3,966	4,497
Total intangible assets	2,195,950	3,132,624
Investments and other assets		
Investments in securities	35,514	24,585
Security deposits	973,114	1,057,798
Deferred tax assets	34,784	69,787
Claims in bankruptcy	1,182	8,489
Other	59,553	65,446
Allowance for doubtful accounts	(1,182)	(8,489)
Total investments and other assets	1,102,967	1,217,617
Total fixed assets	3,699,362	4,848,629
Total assets	8,479,645	10,303,395

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

	As of December 31, 2011	As of December 31, 2012
LIABILITIES		
Current liabilities		
Accounts	347,130	285,079
Short-term borrowings	300,000	292,636
Long-term debt due within one year	203,721	382,440
Accounts payable	395,516	814,107
Lease obligations	20,393	48,723
Expenses payable	166,575	246,012
Accrued income taxes	214,076	238,282
Accrued consumption taxes	53,738	127,969
Advances received	1,844,037	1,807,892
Accrued bonuses to employees	167,316	160,598
Accrued bonuses to officers	23,501	17,043
Reserve for repairs	—	2,100
Provision for loss on store closure	5,785	2,551
Asset retirement obligations	2,499	—
Other	74,894	127,795
Total current liabilities	3,819,188	4,553,232
Long-term liabilities		
Long-term debt	1,123,260	2,037,720
Lease obligations	28,863	96,505
Reserve for employee retirement benefits	160,356	188,536
Deferred income taxes	—	6,824
Asset retirement obligations	40,773	45,057
Other	134,750	127,257
Total long-term liabilities	1,488,004	2,501,902
Total liabilities	5,307,193	7,055,135
NET ASSETS		
Shareholders’ equity		
Common stock	979,750	979,750
Additional paid-in capital	734,595	734,595
Retained earnings	1,827,321	2,265,931
Treasury stock	(485,006)	(731,840)
Total shareholders’ equity	3,056,660	3,248,436
Cumulative other comprehensive income		
Unrealized gain (loss) on securities	320	(176)
Total cumulative other comprehensive income	320	(176)
Minority interests	115,471	—
Total net assets	3,172,452	3,248,260
Total liabilities and net assets	8,479,645	10,303,395

(2) Consolidated Statements of Operations and Comprehensive Income

Consolidated Statements of Operations

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

	Year ended December 31, 2011	Year ended December 31, 2012
Net sales	10,507,349	18,705,980
Cost of sales	5,452,699	11,398,879
Gross profit	5,054,649	7,307,100
Selling, general and administrative expenses	4,242,286	6,157,996
Operating income	812,363	1,149,104
Non-operating income		
Interest income	989	1,309
Dividend income	535	552
Co-sponsor fee	1,590	—
Consulting fees	—	6,000
Reversal of allowance for doubtful accounts	—	670
Commissions received	5,119	4,567
Other	5,231	15,526
Total non-operating income	13,466	28,626
Non-operating expenses		
Interest expenses	9,069	40,785
Expenses for purchase of treasury stock	5,635	2,250
Other	145	790
Total non-operating expenses	14,850	43,827
Ordinary income	810,979	1,133,903
Extraordinary income		
Reversal of allowance for doubtful accounts	33,857	—
Reversal of provision for loss on store closure	1,304	—
Gain on sale of subsidiary stock	—	6,406
Adjusted gain from prior period	9,414	—
Other	4,482	1,187
Total extraordinary income	49,060	7,594
Extraordinary loss		
Loss on valuation of investment securities	3,035	1,999
Loss on disposal of property and equipment	6,262	3,214
Loss on impairment	10,551	15,136
Adoption of revised accounting standard for asset retirement obligations	8,860	—
Provision for loss on store closure	5,785	3,276
Other	—	745
Total extraordinary loss	34,494	24,372
Income before income taxes	825,545	1,117,125
Current income taxes	235,289	391,223
Deferred income taxes	75,159	17,428
Total income taxes	310,449	408,652
Income before gain (loss) on minority interests	515,095	708,472
Loss on minority interests	(81,752)	—
Net income	596,848	708,472

Consolidated Statements of Comprehensive Income

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

	Year ended December 31, 2011	Year ended December 31, 2012
Income before minority interests	515,095	708,472
Other comprehensive income		
Unrealized gain on securities	641	(496)
Total other comprehensive income	641	(496)
Comprehensive income	515,737	707,976
(Attributable to)		
Owners of the parent	597,490	707,976
Minority interests	(81,752)	—

(3) Consolidated Statements of Changes in Net Assets

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

	Year ended December 31, 2011	Year ended December 31, 2012
Shareholders' equity		
Common stock		
Balance at December 31, 2011	979,750	979,750
Balance at December 31, 2012	979,750	979,750
Additional paid-in capital		
Balance at December 31, 2011	734,595	734,595
Balance at December 31, 2012	734,595	734,595
Retained earnings		
Balance at December 31, 2011	1,493,530	1,827,321
Changes during the year		
Dividends from capital surplus	(263,057)	(269,863)
Net income	596,848	708,472
Total changes during the year	333,791	438,609
Balance at December 31, 2012	1,827,321	2,265,931
Treasury stock		
Balance at December 31, 2011	(56,040)	(485,006)
Changes during the year		
Payments for purchase of treasury stock	(428,966)	(246,833)
Total changes during the year	(428,966)	(246,833)
Balance at December 31, 2012	(485,006)	(731,840)
Total shareholders' equity		
Balance at December 31, 2011	3,151,835	3,056,660
Changes during the year		
Dividends from capital surplus	(263,057)	(269,863)
Net income	596,848	708,472
Payments for purchase of treasury stock	(428,966)	(246,833)
Total changes during the year	(95,175)	191,776
Balance at December 31, 2012	3,056,660	3,248,436

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

	Year ended December 31, 2011	Year ended December 31, 2012
Cumulative other comprehensive income		
Unrealized gain (loss) on securities		
Balance at December 31, 2011	(321)	320
Changes during the year		
Changes in items other than shareholders’ equity (net)	641	(496)
Total changes during the year	641	(496)
Balance at December 31, 2012	320	(176)
Total cumulative other comprehensive income		
Balance at December 31, 2011	(321)	320
Changes during the year		
Changes in items other than shareholders’ equity (net)	641	(496)
Total changes during the year	641	(496)
Balance at December 31, 2012	320	(176)
Minority interests		
Balance at December 31, 2011	77,224	115,471
Changes during the year		
Changes in items other than shareholders’ equity (net)	38,247	(115,471)
Total changes during the year	38,247	(115,471)
Balance at December 31, 2012	115,471	—
Total net assets		
Balance at December 31, 2011	3,228,738	3,172,452
Changes during the year		
Dividends from capital surplus	(263,057)	(269,863)
Net income	596,848	708,472
Payments for purchase of treasury stock	(428,966)	(246,833)
Changes in items other than shareholders’ equity (net)	38,888	(115,967)
Total changes during the year	(56,286)	75,808
Balance at December 31, 2012	3,172,452	3,248,260

(4) Consolidated Statements of Cash Flow

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

	Year ended December 31, 2011	Year ended December 31, 2012
Cash flow from operating activities		
Income before income taxes	825,545	1,117,125
Depreciation and amortization	196,483	262,674
Loss on impairment	10,551	15,136
Amortization of goodwill	176,916	358,704
Increase (decrease) in allowance for doubtful accounts	(3,164)	(18,621)
Increase (decrease) in allowance for employees' bonuses	(41,759)	(27,604)
Increase (decrease) in allowance for officers' bonuses	11,377	(6,457)
Loss (gain) on valuation of investment securities	3,035	1,999
Loss (gain) on sale of subsidiary stock	—	(6,406)
Loss on disposal of fixed assets	6,262	3,214
Interest and dividend income	(1,525)	(1,862)
Interest expense	9,069	40,785
Decrease (increase) in notes and accounts receivable — trade	(54,995)	(3,280)
Decrease (increase) in inventories	(2,665)	(55,604)
Adjustment for changes of accounting standard for asset retirement obligations	8,860	—
Increase (decrease) in notes and accounts payable	(4,895)	34,430
Increase (decrease) in accounts payable	(126,223)	(42,194)
Increase (decrease) in advances received	(194,159)	(45,455)
Increase (decrease) in accrued consumption taxes	(3,628)	7,339
Other	(1,157)	71,570
Subtotal	813,925	1,705,495
Interest and dividends received	1,525	1,475
Interest paid	(9,866)	(41,576)
Income taxes paid	(57,759)	(527,621)
Net cash provided by operating activities	747,824	1,137,772
Cash flow from investing activities		
Payments for time deposits	—	(30,000)
Proceeds from recovery of investments	10	—
Payments for acquisition of property and equipment	(84,859)	(103,736)
Payments for acquisition of intangible fixed assets	(66,841)	(59,143)
Proceeds from sale of subsidiary stock due to a change in the scope of consolidation	—	24,599
Payments for business transfer	—	(45,000)
Payments for acquisition of subsidiary stock due to a change in the scope of consolidation	—	(1,409,223)
Proceeds from acquisition of subsidiary stock due to a change in the scope of consolidation	119,273	—
Payments for acquisition of subsidiary stock	—	(117,000)
Proceeds from redemption of securities	—	10,000
Payments for loans	—	(330,000)
Proceeds from recovery of short-term loans	—	1,500
Payments for security deposits and guarantees	(103,708)	(56,212)
Proceeds from recovery of security deposits and guarantees	42,050	26,935
Other	(458)	(8,058)
Net cash provided by (used in) investing activities	(94,534)	(2,095,339)
Cash flow from financing activities		
Repayment of short-term debt	(150,000)	(76,950)
Proceeds from long-term debt	1,373,600	1,500,000
Repayment of long-term debt	(50,552)	(376,821)
Repayment of lease obligations	(16,526)	(32,658)
Payments for purchase of treasury stock	(434,601)	(249,084)
Payment of cash dividends	(265,772)	(270,616)
Proceeds from stock issuance to minority shareholders	120,000	—
Net cash used in (provided by) financing activities	576,147	493,869
Net increase (decrease) in cash and cash equivalents	1,229,438	(463,697)
Cash and cash equivalents at beginning of year	1,671,715	2,901,154
Cash and cash equivalents at end of year	2,901,154	2,437,457

5. Notes Regarding Assumption of Going Concern

None applicable

6. Segment Information

Segment Information

1. Overview of reportable segments

The reportable segments of the Group are constituent units for which separate financial information is available and for which the Board of Directors undertakes a regular review to determine the allocation of management resources and assess business performance.

The Group operates based on comprehensive strategies for the services it offers.

The Group consists of business segments based on the format in which the services are offered and has consequently set two segments—the Business Division and the Consumer Division—as its reportable segments.

In the Business Division, the Group applies “motivation engineering,” the essential technology for corporate innovation, to communicate with corporate stakeholders such as employees, applicants, shareholders, and investors and supports the management and growth of companies with one-stop services. In the Consumer Division, the Group offers services by applying the same essential motivation engineering technology to Consumer business domains such as schools, preparatory schools, sports and restaurants.

2. Method of calculating sales, income or loss, assets, liabilities and other items by reportable segment

The accounting method for reportable business segments generally conforms to the basic standards for preparation of consolidated financial statements. Segment income is based on gross profit in the Consolidated Statements of Operations.

3. Sales, income or loss, assets, liabilities and other items by reportable segment

Fiscal 2011 (January 1, 2011 – December 31, 2011)

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

	Reportable Segment			Adjustments (Note 1)	Consolidated
	Business Division	Consumer Division	Total		
Segment sales					
Sales to outside customers	6,294,287	4,213,061	10,507,349	—	10,507,349
Intersegment sales and transfers	11,247	139,872	151,120	(151,120)	—
Total	6,305,535	4,352,933	10,658,469	(151,120)	10,507,349
Segment income (Note 2)	3,547,123	1,586,117	5,133,241	(78,591)	5,054,649
Segment assets	5,325,169	2,806,649	8,131,818	347,827	8,479,645
Segment liabilities	2,544,218	2,873,371	5,417,590	(110,396)	5,307,193
Other items					
Depreciation and amortization	70,768	0	70,768	0	70,768

Notes: 1. Adjustments represent elimination of intersegment transactions.
2. Segment income is gross profit.

Fiscal 2012 (January 1, 2012 – December 31, 2012)

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

	Reportable Segment			Adjustments (Note 1)	Consolidated
	Business Division	Consumer Division	Total		
Segment sales Sales to outside customers	12,057,972	6,648,007	18,705,980	—	18,705,980
Intersegment sales and transfers	259,859	204,454	464,313	(464,313)	—
Total	12,317,832	6,852,461	19,170,294	(464,313)	18,705,980
Segment income (Note 2)	5,033,676	2,428,159	7,461,835	(154,736)	7,307,100
Segment assets	7,628,915	3,198,267	10,827,183	(523,788)	10,303,395
Segment liabilities	4,940,236	2,888,245	7,828,481	(773,347)	7,055,135
Other items Depreciation and amortization	62,287	0	62,287	0	62,287

Notes: 1. Adjustments represent elimination of intersegment transactions.
2. Segment income is gross profit.