

# Consolidated Financial Statements for the First Half of 2014

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

August 8, 2014

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

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Filing of Quarterly Report (*Shihanki Hokokusho*) (scheduled):

August 8, 2014

Start of distribution of dividends (scheduled):

September 25, 2014

Supplementary documents for quarterly results:

No

Quarterly results briefing:

No

(Amounts are rounded down to the nearest million.)

## 1. Consolidated Results for the Six Months Ended June 30, 2014 (January 1, 2014 - June 30, 2014)

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

	Net sales (¥ million)	Change (%)	Operating income (¥ million)	Change (%)	Ordinary income (¥ million)	Change (%)
Six months ended June 30, 2014	13,203	16.3	602	(6.1)	576	(8.2)
Six months ended June 30, 2013	11,349	24.6	642	45.9	628	45.9

Note: Comprehensive income Six months ended June 30, 2014: ¥220 million (-30.7%)

Six months ended June 30, 2013: ¥318 million (78.8%)

	Net income (¥ million)	Change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Six months ended June 30, 2014	220	(28.7)	2.13	—
Six months ended June 30, 2013	309	72.9	3.19	—

Note: The Company implemented a stock split of 2 shares for each 1 share of common stock as of May 1, 2013. The Company implemented a stock split of 2 shares for each 1 share of common stock as of December 1, 2013. The Company implemented a stock split of 100 shares for each 1 share of common stock as of April 1, 2014. Earnings per share have been calculated as though the stock splits had occurred at the beginning of the 14th period.

## (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)
As of June 30, 2014	16,907	6,385	37.8
As of December 31, 2013	10,371	3,794	36.6

Reference: Net worth As of June 30, 2014: ¥6,385 million

As of December 31, 2013: ¥3,794 million

## 2. Dividends

	Dividends per share				
	1st Qtr.	2nd Qtr.	3rd Qtr.	Year-end	Total
2013	300.00	150.00	150.00	90.00	690.00
2014	90.00	1.10			
2014 (est.)			1.10	1.10	93.3

Notes: 1. Revision of dividend forecast during the quarter: No

2. The Company implemented stock splits of 2 shares for each 1 share of common stock with effective dates of May 1, 2013 and December 1, 2013. Dividends per share for 2013 take the effect of this stock split into account.

3. The Company implemented a stock split of 100 shares for each 1 share of common stock with an effective date of April 1, 2014. Dividends per share for 2014 take the effect of this stock split into account.

## 3. Forecast of Consolidated Results for 2014 (January 1, 2014 - December 31, 2014)

(Percentages represent change compared with the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Full-year	30,800	37.6	2,120	36.1	2,080	37.7	1,100	32.2	9.72

Notes: 1. Revision of forecast of results during the quarter: No

2. The Company implemented a stock split of 100 shares for each 1 share of common stock with an effective date of April 1, 2014. The forecast for earnings per share takes the effect of this stock split into account.

## Notes

- (1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries due to Changes in the Scope of Consolidation): No  
Added: –  
Removed: –
- (2) Application of Accounting Procedures Specific to the Preparation of Quarterly Consolidated Financial Statements: Yes
- (3) Changes in Accounting Policies, Changes in Accounting Estimates and Restatements
  - (a) Changes in accounting policies: No
  - (b) Changes in accounting policies other than (a) above: No
  - (c) Changes in accounting estimates: No
  - (d) Restatements: No
- (4) Number of Shares Issued and Outstanding (Common Stock)
  - (a) Number of shares at the end of the period (including treasury stock)  
Six months ended June 30, 2014: 113,068,000; Year ended December 31, 2013: 107,968,000
  - (b) Number of treasury shares at the end of the period:  
Six months ended June 30, 2014: 200; Year ended December 31, 2013: 11,088,000
  - (c) Average number of shares outstanding (cumulative with earlier quarters):  
Six months ended June 30, 2014: 103,266,385; Six months ended June 30, 2013: 96,880,000

### Notes:

1. The Company implemented stock splits of 2 shares for each 1 share of common stock with effective dates of May 1, 2013 and December 1, 2013. The number of shares for the six months ended June 30, 2013 takes the effect of these stock splits into account.
2. The Company implemented a stock split of 100 shares for each 1 share of common stock with an effective date of April 1, 2014. The number of shares for the six months ended June 30, 2013, the year ended December 31, 2013 and the six months ended June 30, 2014 take the effect of this stock split into account.

### \* **Presentation of Implementation Status of Quarterly Review Procedures**

- These “Consolidated Financial Statements for the First Half of 2014” are not subject to quarterly review procedures pursuant to the Financial Instruments and Exchange Act although, as of the date of publication of these statements, the review procedures for quarterly financial statements pursuant to the Financial Instruments and Exchange Act had been completed.

### \* **Explanation of the Proper Use of Performance Forecasts and Other Special Instructions**

#### *Explanation of the proper use of performance forecasts*

- Consolidated forecasts and other statements regarding the future contained in this document are based on information currently available to the Company and certain reasonable assumptions. Actual performance may differ substantially due to numerous factors.

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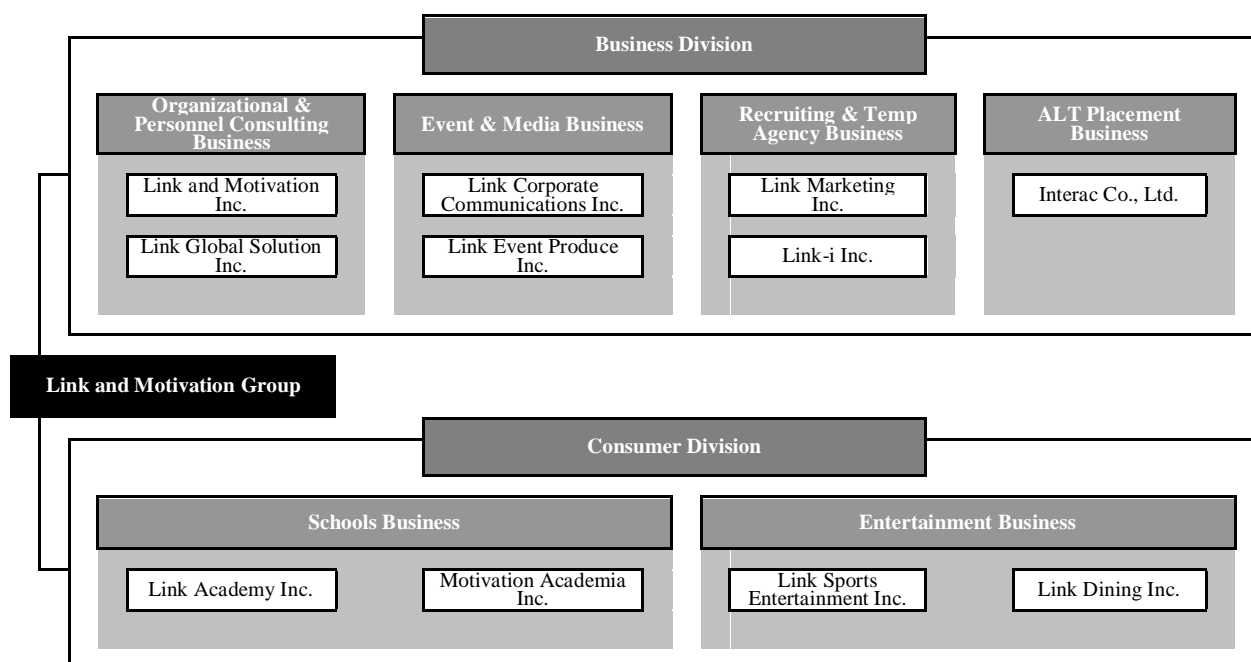
## 1. Qualitative Information Regarding Results for the Six Months Ended June 30, 2014

### (1) Commentary on Results of Operations

Matters in this document regarding the future represent the judgment of the Link and Motivation Group as of the last day of the accounting period under review.

During the first half of 2014 (January 1, 2014 – June 30, 2014), the impact of a pullback from the last-minute surge in demand ahead of the increase in the consumption tax rate in March led to a downturn in business sentiment in the Japanese economy in April through June, mainly in the retail industry. Reflecting a labor shortage and increased costs for corporations due to a rise in personnel expenses and prices of related materials, business sentiment declined further. In this operating environment, net sales and gross profit of the Link and Motivation Group for the first half of 2014 increased, but every other level of income decreased compared with the same period of the previous year. Consolidated net sales for the first half of 2014 were ¥13,203,316 thousand (a 16.3% increase compared with the same period of the previous year), gross profit was ¥4,772,697 thousand (a 7.2% increase), operating income was ¥602,651 thousand (a 6.1% decrease), ordinary income was ¥576,906 thousand (an 8.2% decrease), and net income was ¥220,700 thousand (a 28.7% decrease).

An overview of results by segment and business for the first half of 2014 is provided below. Please note that, as disclosed in the announcement of results for the first quarter, the classification of segments and businesses of the Link and Motivation Group has been changed as follows from the second quarter.



### Business Division

The Business Division conducts the Organizational & Personnel Consulting business, the Event & Media business, the Recruiting & Temp Agency business and the ALT Placement business using “motivation engineering,” which is the core technology of the Link and Motivation Group, with corporations such as companies and schools as its customers.

In this segment, as the result of steady growth in sales of each business except the Event & Media business and the addition of Interac Co., Ltd. to the Group in April, segment sales and income for the first half increased compared with the same period of the previous year. Segment sales were ¥9,434,318 thousand (a 31.0% increase) and segment income was ¥3,598,210 thousand (a 23.0% increase). An overview of operating results in the first half of 2014 by business is as follows.

### **Organizational & Personnel Consulting Business**

In this business, sales in the first half were ¥3,044,294 thousand (a 4.7% increase) and gross profit was ¥1,840,444 thousand (a 5.5% increase).

The Organizational and Personnel Consulting business acts under the concept of producing numerous “motivation companies” in which employee motivation is a company’s growth engine. As its method of providing services, the business diagnoses the state of a company’s motivation based on its original diagnostic framework and offers various one-stop solutions for innovations related to organizations and personnel, including recruiting, training, framework and corporate culture.

In the first half of 2014, sales of management training, new employee training and other packaged products increased substantially compared with the same period of the previous year, while on the other hand the start of new graduate recruiting activities were delayed longer than expected, mainly at major corporations in connection with a change in the charter of corporate ethics, and sales of new graduate recruiting consulting services were delayed to the fourth quarter. As a result, the increases in sales and gross profit were limited to a small amount, and each level of consolidated income fell below the level of the same period of the previous year.

The business will focus on securely linking earnings to the peak in sales, which will be concentrated in the fourth quarter, by raising the operating efficiency of its consultants. It will also focus further on sales of high-margin packaged products with the aim of raising profitability.

### **Event & Media Business**

In this business, sales in the first half were ¥1,577,398 thousand (a 17.4% decrease) and gross profit was ¥523,285 thousand (an 8.5% decrease).

The Event & Media business produces events and media for communications associated with corporate activities in various situations. In its event production, the business helps to vitalize organizations and stimulate the interest of customers and investors through support for creation of forums such as anniversary events, recruiting presentations, promotional events and shareholders’ meetings. In its media production, the business is involved in printed media such as company newsletters, corporate brochures and annual reports for shareholders, as well as web-based media such as corporate websites and investor relations sites and visual media such as videos that explain products and webcasts of shareholders’ meetings.

In the first half, under a policy of improving profitability, the business terminated provision of contract advertising services, which have a low profit margin, and promoted expansion of sales of anniversary and other intra-company events and webcasts of shareholders’ meetings. As a result, although sales decreased substantially compared with the same period of the previous year, the business’s efforts led to a certain level of increase in the profit ratio, which improved approximately 3 percentage points.

The business will work to improve profitability by focusing on expanding sales of intra-company events and various recruitment-related media while raising the efficiency of its production processes.

### **Recruiting & Temp Agency Business**

In this business, sales in the first half were ¥3,675,932 thousand (a 10.8% increase) and gross profit was ¥820,416 thousand (a 9.1% increase).

The Recruiting & Temp Agency business provides solutions in the form of recruiting and temp agency services for the human resources an organization requires to grow. The main services include new graduate recruiting and introduction, which connects university students looking for employment with corporate presentations and interviews, a mid-career introduction service, which matches working adults looking to change jobs with appropriate companies, and a sales and marketing temp staff and agency service, which dispatches temporary sales and marketing staff to apparel and mobile phone stores and handles corporate sales activities.

In the first half, sales increased substantially with an increase in sales and clerical temp staff deployed, including in the core service of temp sales staff for apparel stores, in response to rising corporate needs to reinforce staff. Amid rising trends in average staff salary and the cost per person placed as the recruiting environment becomes

more severe, the promotion of longer-term deployment of temp staff resulted in success in containing the decline in gross profit brought on by rising costs per person placed.

This business will simultaneously secure staff and reduce recruiting costs by promoting longer-term deployment of temp staff and further accelerating activities to link students who are improving their career skills in the Schools business to corporate temp staffing and introductions.

### **ALT Placement Business**

In this business, sales in the first half were ¥2,244,318 thousand and gross profit was ¥589,843 thousand.

The ALT Placement business is the main business of Interac Co., Ltd., which joined the Link and Motivation Group in April 2014. The business offers the services of contracting with and placing foreign assistant language teachers (ALTs) in elementary, secondary and other schools throughout Japan to meet the staffing needs of boards of education and educational corporations. In this business, Interac has built relationships of trust with its customers using the labor management capabilities and ability to recruit foreigners it has accumulated to secure a predominant share in which one out of four elementary and middle schools in Japan have ALTs placed by Interac.

In the first half, performance was solid as a result of promoting steady sales activities based on a trend toward strengthening English ability in educational guidelines for elementary and middle schools.

With the further expansion of the market for the Tokyo Olympics to be held in 2020, recruitment of foreigners is expected to become more difficult. In this environment, we believe that Interac will be able to further increase its share, with its ability to attract foreigners overseas giving it a significant competitive edge.

### **Consumer Division**

The Consumer Division conducts the Schools business and the Entertainment business, with individuals as its customers, using motivation engineering, which is the core technology of the Link and Motivation Group.

In this segment, segment sales and income for the first half decreased compared with the same period of the previous year. Segment sales were ¥4,337,126 thousand (a 5.8% decrease) and segment income was ¥1,482,927 thousand (a 6.9% decrease). An overview of operating results in the first half of 2014 by business is as follows.

#### **Schools Business**

In this business, sales in the first half were ¥3,992,953 thousand (an 8.9% decrease) and gross profit was ¥1,341,028 thousand (a 12.0% decrease).

The Schools business defines human resources who act independently and autonomously, without depending on an organization, as “i-companies” and conducts the following two services under the business concept of producing numerous i-companies. One is “Motivation Academia,” a preparatory school that helps to improve the skills of middle and high school students so that they can improve their academic performance to pass the exams of their chosen schools and play a role in society. The other is “Link Academy,” a career school that provides total support for its students’ career advancement by providing personal computer, qualification, language and other courses to university students and working adults.

In the first half, Link Academy continued its efforts from the first quarter to reduce costs by closing or consolidating unprofitable or neighboring locations and by combining administrative divisions to promote a transformation into a business entity with a low break-even point. As a result, sales and gross profit for the first half decreased due to a decline in the number of students associated with the closure and consolidation of schools, and the expenses of closure and consolidation reduced Group consolidated operating income.

We expect to recoup profits in the fourth quarter from further promotion of closures and consolidation. In addition, the business strives to establish a total career school, and will continue to promote cross-selling, such as sales of qualification courses to personal computer course students, and steadily provide employment opportunities to students in coordination with the personnel introduction and temp staffing businesses of the Business Division. For preparatory schools, the business will focus on increasing the loyalty of current students and aims to attract more new customers.

## **Entertainment Business**

In this business, sales in the first half were ¥360,557 thousand (a 10.5% increase) and gross profit was ¥146,466 thousand (a 110.1% increase).

The Entertainment business manages the Link Tochigi Brex professional basketball team based in Tochigi and operates Link Dining, an Italian restaurant located in Ginza, under the concept of “creating quality of life” for individuals.

In the first half, ticket sales for the Link Tochigi Brex were strong due to the extension of its playing season as it advanced to the playoffs. In addition, sponsorship income increased substantially because of the team’s advance to the playoffs, and as a result gross profit increased substantially.

This business will continue to aim for business development with originality driven by motivation engineering technology. Thomas Wisman, who guided the Link Tochigi Brex to a league championship in the 2009-2010 season, will return as head coach for the 2014-2015 season with the intention of leading the team to another league championship.

## **(2) Commentary on Financial Condition**

### **A. Assets, Liabilities and Net Assets**

As of June 30, 2014, total assets were ¥16,907 million (an increase of ¥6,535 million from the end of the previous year), total liabilities were ¥10,521 million (an increase of ¥3,945 million from the end of the previous year) and net assets were ¥6,385 million (an increase of ¥2,590 million from the end of the previous year).

### **B. Cash Flow**

Cash and cash equivalents as of June 30, 2014 increased ¥164 million to ¥689 million (30.7% compared with the same period of the previous year). Net cash provided by operating activities was ¥226 million (27.7% compared with the same period of the previous year), net cash used in investing activities was ¥5,601 million (net cash used in investing activities in the same period of the previous year was ¥16 million), and net cash used in financing activities was ¥5,538 million (net cash used in financing activities in the same period of the previous year was ¥1,023 million).

## **(3) Commentary on Forecast of Consolidated Results and Other Information on Outlook**

The forecast of consolidated results for 2014 is unchanged from the figures announced on May 9, 2014.

**2. Items Regarding Summary Information (Notes)**

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

Six months ended June 30, 2014
The Company acquired Interac Co., Ltd. and included it in the scope of consolidation on April 30, 2014.

**(2) Application of Accounting Procedures Specific to the Preparation of the Quarterly Consolidated Financial Statements**

	Six months ended June 30, 2014
Calculation of tax expenses	Tax expenses are calculated by multiplying pretax net income for the fiscal year by a reasonable estimate of the effective tax rate after application of tax effect accounting to pretax net income.

**(3) Changes in Accounting Policies, Changes in Accounting Estimates and Restatements**

None applicable.



### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

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

	As of December 31, 2013	As of June 30, 2014
<b>ASSETS</b>		
Current assets		
Cash and deposits	555,487	719,712
Notes and accounts receivable	2,582,310	3,333,842
Products	117,579	120,777
Goods in process	295,255	435,782
Merchandise and supplies	17,804	38,288
Prepaid expenses	252,290	269,868
Deferred tax assets	261,166	344,499
Short-term loans receivable	343	27,961
Accrued corporate tax refund	1,031	82
Other	141,677	96,253
Allowance for doubtful accounts	(29,636)	(19,160)
Total current assets	4,195,311	5,467,908
Fixed assets		
Property and equipment		
Buildings and structures	661,360	921,997
Accumulated depreciation	(398,624)	(469,502)
Buildings and structures (net)	262,736	452,495
Vehicles	8,812	11,933
Accumulated depreciation	(8,728)	(10,925)
Vehicles (net)	83	1,007
Furniture and fixtures	547,665	661,362
Accumulated depreciation	(462,740)	(519,052)
Furniture and fixtures (net)	84,924	142,309
Lease assets	283,755	362,620
Accumulated depreciation	(111,551)	(163,389)
Lease assets (net)	172,203	199,230
Total property and equipment	519,948	795,043
Intangible assets		
Goodwill	3,821,745	8,091,603
Software	288,726	480,625
Other	3,282	8,323
Total intangible assets	4,113,754	8,580,553
Investments and other assets		
Investments in securities	213,683	796,249
Security deposits	1,229,825	1,264,222
Deferred tax assets	14,984	8,292
Claims in bankruptcy	8,977	9,311
Other	83,889	82,887
Allowance for doubtful accounts	(8,977)	(9,311)
Total investments and other assets	1,542,382	2,151,652
Total fixed assets	6,176,085	11,527,248
Deferred assets		
Stock issuance expenses	—	12,210
Total deferred assets	—	12,210
<b>Total assets</b>	<b>10,371,397</b>	<b>16,907,367</b>

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

	As of December 31, 2013	As of June 30, 2014
<b>LIABILITIES</b>		
Current liabilities		
Accounts	335,376	229,251
Short-term borrowings	260,273	3,700,000
Long-term debt due within one year	327,240	332,040
Accounts payable	1,031,929	1,612,987
Lease obligations	65,125	83,202
Expenses payable	116,793	149,852
Accrued income taxes	385,584	382,283
Accrued consumption taxes	183,402	396,059
Advances received	2,002,319	1,816,551
Accrued bonuses to employees	226,747	155,328
Accrued bonuses to officers	—	1,443
Other reserves	—	19,757
Provision for loss on store closure	23,299	—
Other	124,985	308,147
Total current liabilities	5,083,077	9,186,904
Long-term liabilities		
Long-term debt	1,054,980	891,360
Lease obligations	124,428	138,553
Deferred income taxes	6,422	36,582
Asset retirement obligations	49,218	52,909
Other	258,414	215,268
Total long-term liabilities	1,493,463	1,334,673
Total liabilities	6,576,541	10,521,577
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	979,750	1,380,610
Additional paid-in capital	734,595	2,146,648
Retained earnings	2,807,677	2,853,998
Treasury stock	(731,840)	(44)
Total shareholders' equity	3,790,182	6,381,212
Cumulative other comprehensive income		
Unrealized gain (loss) on securities	4,672	4,698
Deferred gain (loss) on hedges	—	(120)
Total cumulative other comprehensive income	4,672	4,577
Total net assets	3,794,855	6,385,789
Total liabilities and net assets	10,371,397	16,907,367

## (2) Consolidated Statements of Operations and Comprehensive Income

### Consolidated Statements of Operations

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

	Six months ended June 30, 2013	Six months ended June 30, 2014
Net sales	11,349,704	13,203,316
Cost of sales	6,895,880	8,430,618
Gross profit	4,453,824	4,772,697
Selling, general and administrative expenses	3,811,774	4,170,046
Operating income	642,049	602,651
Non-operating income		
Interest income	1,395	276
Dividend income	473	112
Commission fees	11,117	12,530
Other	6,488	5,506
Total non-operating income	19,475	18,425
Non-operating expenses		
Interest expenses	21,510	22,738
Commission fees	9,976	20,353
Other	1,575	1,078
Total non-operating expenses	33,062	44,170
Ordinary income	628,462	576,906
Extraordinary income		
Gain on termination of retirement benefit plan	28,680	—
Reversal of provision for loss on store closure	6,114	—
Other	736	—
Total extraordinary income	35,531	—
Extraordinary loss		
Loss on disposal of property and equipment	2,707	3,134
Loss on impairment	17,119	—
Business structure improvement expenses	—	22,750
Other	33	—
Total extraordinary loss	19,859	25,885
Income before income taxes	644,134	551,020
Total income taxes	334,687	330,321
Income before minority interests	309,447	220,700
Net income	309,447	220,700

**Consolidated Statements of Comprehensive Income**

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

	Six months ended June 30, 2013	Six months ended June 30, 2014
Income before minority interests	309,447	220,700
Other comprehensive income		
Unrealized gain on securities	8,730	25
Deferred gain (loss) on hedges	—	(120)
Total other comprehensive income	8,730	(95)
Comprehensive income	318,177	220,605
(Attributable to)		
Owners of the parent	318,177	220,605

**(3) Consolidated Statements of Cash Flow**

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

	Six months ended June 30, 2013	Six months ended June 30, 2014
Cash flow from operating activities		
Income before income taxes	644,134	551,020
Depreciation and amortization	169,135	172,111
Loss on impairment	17,119	—
Amortization of goodwill	255,705	310,400
Increase (decrease) in allowance for doubtful accounts	(120)	(10,142)
Increase (decrease) in allowance for employees' bonuses	16,238	(105,655)
Increase (decrease) in allowance for officers' bonuses	(7,687)	1,443
Increase (decrease) in reserve for employee retirement benefits	(188,536)	—
Increase (decrease) in provision for loss on store closure	(148,500)	(23,299)
Loss on disposal of fixed assets	2,707	3,134
Interest and dividend income	(1,869)	(388)
Interest expense	21,510	22,738
Decrease (increase) in notes and accounts receivable – trade	132,518	177,993
Decrease (increase) in inventories	2,886	(162,185)
Increase (decrease) in notes and accounts payable	(11,983)	(106,125)
Increase (decrease) in accounts payable	(37,594)	(136,028)
Increase (decrease) in advances received	22,811	(188,229)
Increase (decrease) in long-term accounts payable	161,613	(43,142)
Increase (decrease) in accrued consumption taxes	12,441	124,003
Other	(26,352)	144,391
Subtotal	1,036,174	732,042
Interest and dividends received	2,257	699
Interest paid	(21,649)	(22,828)
Income tax refund	53,917	7,369
Income taxes paid	(252,100)	(490,724)
Net cash provided by operating activities	818,598	226,557
Cash flow from investing activities		
Payments for acquisition of property and equipment	(109,953)	(274,707)
Gain on sale of property and equipment	1,796	—
Payments for acquisition of intangible fixed assets	(75,916)	(104,202)
Payments for acquisition of investment securities	—	(581,978)
Payments for acquisition of subsidiary stock due to a change in the scope of consolidation	—	(4,624,349)
Proceeds from acquisition of subsidiary stock due to a change in the scope of consolidation	82,055	—
Payments for loans	—	(21,858)
Payments for investments in capital of subsidiaries and affiliates	(8,000)	—
Payments for security deposits and guarantees	(64,329)	(32,053)
Proceeds from recovery of security deposits and guarantees	162,153	54,549
Other	(3,995)	(16,703)
Net cash used in investing activities	(16,190)	(5,601,303)
Cash flow from financing activities		
Increase (decrease) in short-term debt	(466,884)	3,439,726
Proceeds from long-term debt	200,000	—
Repayment of long-term debt	(556,100)	(237,553)
Proceeds from issuance of stock	—	801,720
Repayment of lease obligations	(55,188)	(33,556)
Proceeds from disposal of treasury stock	—	1,743,033
Payments for purchase of treasury stock	—	(44)
Payment of cash dividends	(145,668)	(174,356)
Net cash provided by (used in) financing activities	(1,023,840)	(5,538,969)
Net increase in cash and cash equivalents	(221,432)	164,224
Cash and cash equivalents at beginning of period	2,467,457	525,487
Cash and cash equivalents at end of period	2,246,024	689,712

#### **(4) Notes to Consolidated Financial Statements**

##### **Notes Regarding Assumption of Going Concern**

None applicable.

##### **Notes on Significant Changes in Shareholders' Equity**

On June 10, 2014, the Company received payment for the issuance of new stock through a public offering and disposal of treasury stock through a public offering. In addition, on June 26, 2014, the Company received payment from Daiwa Securities Co. Ltd. for an increase in capital through a private placement of shares. As a result, during the six months ended June 30, 2014, common stock increased ¥400,860 thousand and capital surplus increased ¥400,860 thousand due to the issuance of new stock and increase in capital through a private placement, and other additional paid-in capital increased ¥1,011,193 thousand and treasury stock increased ¥731,840 thousand due to the disposal of treasury stock, and as of June 30, 2014, common stock increased ¥1,380,610 thousand and additional paid-in capital increased ¥2,146,648 thousand.

## Segment Information

### Segment Information

#### I. Six months ended June 30, 2013

##### 1. Sales and Income by Reportable Segment

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

	Reportable Segment			Adjustment (Note 1)	Consolidated
	Business Division	Consumer Division	Total		
Segment sales					
Sales to outside customers	6,832,639	4,517,065	11,349,704	—	11,349,704
Intersegment sales and transfers	370,556	88,290	458,846	(458,846)	—
Total	7,203,195	4,605,356	11,808,551	(458,846)	11,349,704
Segment income (Note 2)	2,925,662	1,592,169	4,517,831	(64,007)	4,453,824

Notes: 1. Adjustment represents elimination of intersegment transactions.

2. Segment income is gross profit.

##### 2. Assets by Reportable Segment

Assets by reportable segment as of June 30, 2013 changed significantly from December 31, 2012. During the cumulative second-quarter period, the Link and Motivation Group added Daiei Education System Co., Ltd. as a consolidated subsidiary, and included the assets of this company in the Consumer Division.

The addition of the consolidated subsidiary increased Consumer Division assets by ¥682,039 thousand.

##### 3. Loss on Impairment of Fixed Assets and Goodwill by Reportable Segment

(Significant loss on impairment of fixed assets)

None applicable

(Significant changes in goodwill)

In the Consumer Division, goodwill increased due to the acquisition of Daiei Education System Co., Ltd.

This event increased goodwill by ¥1,315,600 thousand in the six months ended June 30, 2013.

(Significant gains on negative goodwill)

None applicable

#### II. Six months ended June 30, 2014

##### 1. Sales and Income by Reportable Segment

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

	Reportable Segment			Adjustment (Note 1)	Consolidated
	Business Division	Consumer Division	Total		
Segment sales					
Sales to outside customers	9,221,893	3,981,422	13,203,316	—	13,203,316
Intersegment sales and transfers	212,425	355,703	568,128	(568,128)	—
Total	9,434,318	4,337,126	13,771,444	(568,128)	13,203,316
Segment income (Note 2)	3,598,210	1,482,927	5,081,138	(308,440)	4,772,697

Notes: 1. Adjustment represents elimination of intersegment transactions.

2. Segment income is gross profit.

##### 2. Assets by Reportable Segment

Assets by reportable segment as of June 30, 2014 changed significantly from December 31, 2013. During the six months ended June 30, 2014, the Link and Motivation Group added Interac Co., Ltd. as a consolidated subsidiary, and included the assets of this company in the Business Division.

The addition of the consolidated subsidiary increased Business Division assets by ¥2,771,665 thousand.

3. Loss on Impairment of Fixed Assets and Goodwill by Reportable Segment

(Significant loss on impairment of fixed assets)

None applicable.

(Significant changes in goodwill)

In the Business Division, goodwill increased due to the acquisition of the stock of Interac Co., Ltd. This event increased goodwill by ¥4,520,260 thousand in the six months ended June 30, 2014.

(Significant gains on negative goodwill)

None applicable.