

## Consolidated Financial Results for the Third Quarter Ended May 31, 2006

July 12, 2006

Company name: Link Theory Holdings Co.,Ltd. Code:3373 Tokyo Stock Exchange (Mothers)  
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### 1. Assumptions underlying preparation of the quarterly results

- ① Basis for consolidated quarterly financial statements
- |   |  |
|---|--|
|   | Standard for consolidated interim financial statements |
| ② Changes in accounting policies  | None   |
| ③ Changes in the scope of consolidation and equity method of accounting |  |
| • Number of newly consolidated subsidiaries                             | 17 companies   |
| • Number of consolidated subsidiaries excluded from consolidation       | 1 company  |
| • Number of affiliates newly accounted for by the equity method         | — company  |
| • Number of affiliates excluded from the equity method of accounting    | — company  |
| ④ Participation of auditors   |  |

In regard to consolidated quarterly financial statements, we have accepted procedures to express opinions based on “Standards related to expressions of opinion on quarterly financial statements” prescribed separately in the Tokyo Stock Exchange’s “Handling of regulations related to timely disclosure of corporate information by issuers of listed securities.”

### 2. Consolidated operating results (September 1, 2005 – May 31, 2006)

(1) Consolidated financial results (in millions of yen, with fractional amounts discarded)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
FY 2006, 3 <sup>rd</sup> Quarter	35,839	30.9	3,868	(7.4)	3,918	(4.0)
FY 2005, 3 <sup>rd</sup> Quarter	27,380	—	4,178	—	4,083	—
(Reference) FY 2005	35,646		4,644		4,602	
	Net income		Net income per share		Diluted net income per share	
	(Millions of yen)	(%)	(Yen)		(Yen)	
FY 2006, 3 <sup>rd</sup> Quarter	2,108	(9.6)	14,273	21	13,042	88
FY 2005, 3 <sup>rd</sup> Quarter	2,331	—	40,123	49	—	—
(Reference) FY 2005	2,586		40,654	62	39,472	92

(Notes)1. The percentages shown next to net sales, operating income, ordinary income, and net income represent the rate of change from that of the previous term.

2. A two-for-one stock split was affected on October 20, 2005, and the net income per share for 3<sup>rd</sup> quarter was calculated as if the stock split had been done at the beginning of the term.

3. Average number of shares during the term

FY 2006, 3 <sup>rd</sup> Quarter	147,716 shares	FY 2005, 3 <sup>rd</sup> Quarter	58,117 shares
FY 2005	61,396 shares		

## (2) Consolidated financial position

(in millions of yen, with fractional amounts discarded)

	Total assets	Net assets	Net assets ratio	Net assets per share	
	(Millions of yen)	(Millions of yen)	(%)	(Yen)	
FY 2006, 3 <sup>rd</sup> Quarter	56,733	18,437	32.5	121,999	38
FY 2005, 3 <sup>rd</sup> Quarter	19,249	6,819	35.4	114,581	40
(Reference) FY 2005	28,258	16,247	57.5	221,379	22

(Notes)1. On October 20, 2005, a two-for-one stock split was affected.

## 2. Number of shares outstanding at the end of the term

FY 2006, 3 <sup>rd</sup> Quarter	151,048 shares	FY 2005, 3 <sup>rd</sup> Quarter	59,520 shares
FY 2005	72,984 shares		

## (3) Consolidated cash flows

(in millions of yen, with fractional amounts discarded)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of term
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
FY 2006, 3 <sup>rd</sup> Quarter	(477)	(15,955)	22,461	16,871
FY 2005, 3 <sup>rd</sup> Quarter	1,618	(1,005)	(466)	1,822
(Reference) FY 2005	3,325	(1,288)	7,189	10,818

## 3. Consolidated forecast for the FY 2006 (September 1, 2005 - August 31, 2006)

	Net sales	Ordinary income	Net income
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Annual	47,510	3,180	1,783

(Reference) Estimated net income per share JPY 11,804.19

1. Consolidated Balance Sheets

(Thousands of yen)

Category	FY 2005, Q3 As of May 31, 2005		FY 2006, Q3 As of May 31, 2006		FY 2005 As of August 31, 2005	
	Amount	(%)	Amount	(%)	Amount	(%)
(Assets)						
I Current assets						
1.Cash and deposits	1,825,064		16,874,121		10,820,525	
2.Accounts receivable	3,287,979		5,593,437		2,525,264	
3.Inventories	3,409,117		6,997,693		3,915,969	
4.Deferred tax assets	960,525		1,218,350		1,087,642	
5.Other	153,543		577,858		289,264	
Allowance for doubtful accounts	(51,399)		(165,300)		(39,805)	
Total current assets	9,584,830	49.8	31,096,161	54.8	18,598,859	65.8
II Fixed assets						
1.Property and equipment	959,795	5.0	2,723,080	4.8	1,087,340	3.8
2.Intangible assets						
(1)Trademarks	5,026,429		9,647,252		5,023,339	
(2)Consolidated adjustment accounts	—		9,419,627		—	
(3)Other	176,558		320,005		201,245	
Total intangible assets	5,202,988	27.0	19,386,885	34.2	5,224,585	18.5
3.Investments and other assets						
(1)Investment securities	377		588,707		553,767	
(2)Leasehold deposits paid	599,266		838,763		629,953	
(3)Deferred tax assets	2,078,423		1,801,440		1,874,234	
(4)Other	924,247		402,122		393,369	
Allowance for doubtful accounts	(100,289)		(103,244)		(103,244)	
Total investments and other assets	3,502,025	18.2	3,527,789	6.2	3,348,082	11.9
Total fixed assets	9,664,809	50.2	25,637,755	45.2	9,660,007	34.2
Total assets	19,249,639	100.0	56,733,916	100.0	28,258,867	100.0

(Thousands of yen)

Category	FY 2005, Q3 As of May 31, 2005		FY 2006, Q3 As of May 31, 2006		FY 2005 As of August 31, 2005	
	Amount	(%)	Amount	(%)	Amount	(%)
<b>(Liabilities)</b>						
<b>I Current liabilities</b>						
1.Accounts payable-trade	2,232,149		4,419,308		2,776,914	
2.Short-term borrowings	890,754		1,484,750		—	
3.Current portion of long-term debt	1,463,037		2,868,876		1,371,024	
4.Accounts payable-other	739,445		1,518,870		1,003,806	
5.Accrued income taxes	980,918		350,240		905,975	
6.Accrued employees' bonuses	375,857		394,805		400,633	
7.Other	212,693		420,217		406,546	
<b>Total current liabilities</b>	<b>6,894,857</b>	<b>35.8</b>	<b>11,457,068</b>	<b>20.2</b>	<b>6,864,900</b>	<b>24.3</b>
<b>II Long-term liabilities</b>						
1.Convertible bond with warrants	—		13,200,000		—	
2.Long-term debt	4,963,225		11,691,209		4,594,529	
3.Deferred tax liabilities	—		1,032,426		—	
4.Discount on bond premium	—		65,541		—	
5.Accrued directors' and statutory auditors' retirement benefits	142,250		179,580		151,410	
6.Consolidated adjustment accounts	303,771		—		280,404	
7.Other	114,000		670,885		114,000	
<b>Total long-term liabilities</b>	<b>5,523,247</b>	<b>28.7</b>	<b>26,839,643</b>	<b>47.3</b>	<b>5,140,344</b>	<b>18.2</b>
<b>Total liabilities</b>	<b>12,418,105</b>	<b>64.5</b>	<b>38,296,711</b>	<b>67.5</b>	<b>12,005,245</b>	<b>42.5</b>
<b>(Minority interests)</b>						
<b>Minority interests</b>	<b>11,649</b>	<b>0.1</b>	<b>—</b>	<b>—</b>	<b>6,481</b>	<b>0.0</b>
<b>(Shareholders' equity)</b>						
<b>I Capital</b>	<b>2,560,060</b>	<b>13.3</b>	<b>—</b>	<b>—</b>	<b>6,314,668</b>	<b>22.3</b>
<b>II Capital surplus</b>	<b>2,475,060</b>	<b>12.8</b>	<b>—</b>	<b>—</b>	<b>7,901,492</b>	<b>28.0</b>
<b>III Retained earnings</b>	<b>2,079,223</b>	<b>10.8</b>	<b>—</b>	<b>—</b>	<b>2,333,397</b>	<b>8.3</b>
<b>IV Unrealized holding gain on securities</b>	<b>15</b>	<b>0.0</b>	<b>—</b>	<b>—</b>	<b>66</b>	<b>0.0</b>
<b>V Translation adjustments</b>	<b>(294,474)</b>	<b>(1.5)</b>	<b>—</b>	<b>—</b>	<b>(302,483)</b>	<b>(1.1)</b>
<b>Total shareholders' equity</b>	<b>6,819,885</b>	<b>35.4</b>	<b>—</b>	<b>—</b>	<b>16,247,140</b>	<b>57.5</b>
<b>Total liabilities, minority interests,     and shareholders' equity</b>	<b>19,249,639</b>	<b>100.0</b>	<b>—</b>	<b>—</b>	<b>28,258,867</b>	<b>100.0</b>

(Thousands of yen)

Category	FY 2005, Q3 As of May 31, 2005		FY 2006, Q3 As of May 31, 2006		FY 2005 As of August 31, 2005	
	Amount	(%)	Amount	(%)	Amount	(%)
(Net assets)						
I Shareholders' equity						
1.Common stock	—		6,332,448	11.1	—	
2.Capital surplus	—		7,919,272	14.0	—	
3.Retained earnings	—		4,260,549	7.5	—	
Total shareholders' equity	—	—	18,512,269	32.6	—	—
II Valuation, translation adjustments and other						
1.Unrealized holding gain on securities	—		86	0.0	—	
2.Unrealized gain and loss on hedging instruments	—		(1,385)	(0.0)	—	
3.Translation adjustments	—		(83,207)	(0.1)	—	
Total valuation, translation adjustments and other	—	—	(84,506)	(0.1)	—	—
III Minority interests	—	—	9,442	0.0	—	—
Total net assets	—	—	18,437,205	32.5	—	—
Total liabilities and net assets	—	—	56,733,916	100.0	—	—

2. Consolidated statements of operations

(Thousands of yen)

Category	FY 2005, Q3 (Nine months ended May 31, 2005)		FY 2006, Q3 (Nine months ended May 31, 2006)		FY 2005 (Year ended August 31, 2005)	
	Amount	(%)	Amount	(%)	Amount	(%)
I Net sales	27,380,324	100.0	35,839,517	100.0	35,646,203	100.0
II Cost of sales	12,482,400	45.6	16,388,154	45.7	16,438,982	46.1
Gross profit	14,897,923	54.4	19,451,363	54.3	19,207,221	53.9
III Selling, general and administrative expenses	10,719,306	39.1	15,582,784	43.5	14,563,045	40.9
Operating income	4,178,617	15.3	3,868,579	10.8	4,644,175	13.0
IV Non-operating income						
1.Foreign exchange gain	—		287,755		97,376	
2.Amortization of discount on bond premium	—		458		—	
3.Amortization of consolidated adjustment accounts	70,101		28,521		93,468	
4.Other	8,770	78,871	0.3	15,696	332,431	0.9
11,470					202,315	0.6
V Non-operating expenses						
1.Interest expense	97,255		248,588		137,903	
2.Stock issuance expenses	—		1,810		43,467	
3.Bond issuance expenses	—		16,911		—	
4.Stock listing expense	18,737		—		32,633	
5.Foreign exchange loss	31,886		—		—	
6.Other	26,402	174,281	0.6	15,572	282,883	0.8
29,924					243,928	0.7
Ordinary income	4,083,206	15.0	3,918,126	10.9	4,602,562	12.9
VI Extraordinary income						
1.Gain on sales of investment securities	—	—	—	—	112	0.0
112					112	0.0
VII Extraordinary loss						
1.Loss on sales or disposal of property and equipment	6,265		106,396		48,693	
2.Loss on write-down of investment securities	5,000		—		5,000	
3.Loss on disposal of finished goods	18,513		1,776		20,192	
4.Loss on cancellation of lease contracts	19,985		24,261		47,509	
5.Loss on liquidation of affiliated companies	29,643		—		33,543	
6.Additional tax for non-payment of withholding tax	30,300		—		—	
7.Loss on extinguishment of debt financing	91,493		—		91,558	
8.Other	9,155	210,358	0.8	53,632	186,067	0.5
15,479					261,977	0.7
Income before income taxes and minority interests	3,872,848	14.2	3,732,059	10.4	4,340,697	12.2
Income taxes	1,551,732	5.7	1,621,670	4.5	1,769,601	4.9
Minority interests	(10,740)	(0.0)	2,007	0.0	(14,935)	(0.0)
Net income	2,331,856	8.5	2,108,381	5.9	2,586,031	7.3

### 3. Consolidated statements of surplus

(Thousands of yen)

Category	FY 2005, Q3 (Nine months ended May 31, 2005)		FY 2005 (Year ended August 31, 2005)	
	Amount		Amount	
<b>(Capital surplus)</b>				
I Capital surplus balance at beginning of term		2,457,420		2,457,420
II Increase in capital surplus				
1.Issuance of common stock by public offering	—		5,423,044	
2.Issuance of common stock by execution of stock option	17,640	17,640	21,028	5,444,072
III Capital surplus balance at end of term		2,475,060		7,901,492
<b>(Retained earnings)</b>				
I Retained earnings balance at beginning of term		(115,883)		(115,883)
II Increase in retained earnings				
1.Net income	2,331,856	2,331,856	2,586,031	2,586,031
III Decrease in retained earnings				
1.Dividends	71,250		71,250	
2.Bonuses to directors	65,500	136,750	65,500	136,750
IV Retained earnings balance at end of term		2,079,223		2,333,397

#### 4. Consolidated statements of changes in net assets

FY 2006, Q3 (Nine months ended May 31, 2006)

(Thousands of yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance as of August 31, 2005	6,314,668	7,901,492	2,333,397	16,549,557
Changes during the term				
Issuance of common stock	17,780	17,780		35,560
Cash dividends paid			(91,230)	(91,230)
Bonuses to directors			(90,000)	(90,000)
Net income			2,108,381	2,108,381
Net changes in items other than those in shareholders' equity				
Total changes during the term	17,780	17,780	1,927,151	1,962,711
Balance as of May 31, 2006	6,332,448	7,919,272	4,260,549	18,512,269

	Valuation, translation adjustments and other				Minority interests	Total net assets
	Unrealized holding gain on securities	Unrealized gain and loss on hedging instruments	Translation adjustments	Total valuation, translation adjustments and other		
Balance as of August 31, 2005	66	27,824	(302,483)	(274,592)	6,481	16,281,446
Changes during the term						
Issuance of common stock						35,560
Cash dividends paid						(91,230)
Bonuses to directors						(90,000)
Net income						2,108,381
Net changes in items other than those in shareholders' equity	20	(29,210)	219,276	190,085	2,961	193,046
Total changes during the term	20	(29,210)	219,276	190,085	2,961	2,155,758
Balance as of May 31, 2006	86	(1,385)	(83,207)	(84,506)	9,442	18,437,205

## 5. Consolidated statements of cash flows

(Thousands of yen)

	FY 2005, Q3 (Nine months ended May 31, 2005)	FY 2006, Q3 (Nine months ended May 31, 2006)	FY 2005 (Year ended August 31, 2005)
Category	Amount	Amount	Amount
I Cash flows from operating activities			
Income before income taxes and minority interests	3,872,848	3,732,059	4,340,697
Depreciation	248,656	395,953	340,728
Amortization of consolidated adjustment accounts	(70,101)	125,432	(93,468)
Increase in accrued directors' and statutory auditors' retirement benefits	37,520	28,170	46,680
Increase (decrease) in accrued employees' bonuses	257,551	(19,482)	274,947
Increase in allowance for doubtful accounts	28,178	121,092	18,755
Interest and dividend income	(173)	(1,938)	(603)
Interest expense	97,255	248,588	137,903
Foreign exchange loss (gain)	56,885	(300,560)	20,759
Amortization of discount on bond premium	—	(458)	—
Amortization of trademarks	445,606	581,573	595,364
Stock issuance expenses	—	1,810	43,467
Bond issuance expenses	—	16,911	—
Stock listing expenses	18,737	—	32,633
Gain on sales of investment securities	—	—	(112)
Loss on disposal of finished goods	18,513	1,776	20,192
Loss on sales or disposal of property and equipment	6,265	106,396	48,693
Loss on write-down of investment securities	5,000	—	5,000
Loss on cancellation of lease contracts	19,985	24,261	47,509
Loss on liquidation of affiliated companies	29,643	—	33,543
Loss on extinguishment of debt financing	—	—	91,558
Increase in accounts receivable	(1,467,049)	(1,879,416)	(674,067)
Decrease (increase) in inventories	267,693	(972,965)	(178,598)
(Decrease) increase in accounts payable-trade	(653,762)	1,085,361	(154,581)
(Decrease) increase in accrued expenses	(232,172)	80,860	(43,123)
Increase (decrease) in accrued consumption taxes	22,062	(102,863)	23,056
Bonuses paid to directors	(65,500)	(90,000)	(65,500)
Other	379,913	(555,577)	469,869
Subtotal	3,323,558	2,626,986	5,381,306

(Thousands of yen)

	FY 2005, Q3 (Nine months ended May 31, 2005)	FY 2006, Q3 (Nine months ended May 31, 2006)	FY 2005 (Year ended August 31, 2005)
Category	Amount	Amount	Amount
Interest and dividends received	173	1,923	554
Interest paid	(97,312)	(203,881)	(133,348)
Loss on cancellation of lease contracts	(30,879)	(24,261)	(40,945)
Income taxes paid	(1,517,089)	(2,650,677)	(1,785,943)
Other	(59,850)	(227,386)	(96,406)
Net cash provided by (used in) operating activities	1,618,600	(477,297)	3,325,216
<b>II Cash flows from investing activities</b>			
Increase in time deposits	(1,940)	—	(1,984)
Purchases of property and equipment	(305,809)	(1,334,651)	(517,731)
Proceeds from sales of property and equipment	16,326	14,667	16,326
Purchases of intangible assets	(81,213)	(2,644,402)	(122,350)
Purchases of investment securities	(3,726)	(698)	(2,543,276)
Proceeds from sales of investment securities	—	—	2,004,110
Purchases of its own stock by a subsidiary	—	(6,896,789)	—
Short-term loans made	(929)	(554)	(4,131)
Collection of loans receivable	1,687	3,860	1,843
Purchases of memberships	—	—	(13,150)
Proceeds from sales of memberships	—	10,000	—
Purchases of investment	(537,060)	—	—
Purchases of subsidiary's stock resulting in changes in scope of consolidation	—	(5,018,815)	—
Other	(92,727)	(88,385)	(108,402)
Net cash used in investing activities	(1,005,391)	(15,955,770)	(1,288,745)

(Thousands of yen)

	FY 2005, Q3 (Nine months ended May 31, 2005)	FY 2006, Q3 (Nine months ended May 31, 2006)	FY 2005 (Year ended August 31, 2005)
Category	Amount	Amount	Amount
III Cash flows from financing activities			
Increase (decrease) in short-term borrowings	532,954	994,603	(355,505)
Proceeds from long-term debt	4,053,348	9,798,669	4,056,855
Repayment of long-term debt	(5,021,130)	(1,535,772)	(5,585,717)
Proceeds from issuance of convertible bond with warrants	—	13,260,785	—
Cash dividends paid	(71,250)	(90,699)	(71,250)
Proceeds from issuance of common stock	32,540	33,749	9,170,847
Proceeds from minority shareholders	6,568	—	6,568
Payment related to stock listing	—	—	(32,633)
Net cash (used in) provided by financing activities	(466,968)	22,461,335	7,189,165
IV Effect of exchange rate changes on cash and cash equivalents	(70,940)	25,086	(154,943)
V Net change in cash and cash equivalents	75,299	6,053,354	9,070,691
VI Cash and cash equivalents at beginning of term	1,700,396	10,818,369	1,700,396
VII Increase in cash and cash equivalents resulting from changes in scope of consolidation	47,281	—	47,281
VIII Cash and cash equivalents at end of term	1,822,976	16,871,723	10,818,369