

Consolidated Financial Results for the First Quarter Ended November 30, 2007

January 9, 2008

Company name: Link Theory Holdings Co., Ltd. Code:3373 Tokyo Stock Exchange (Mothers)  
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(in millions of yen, with fractional amounts discarded)

1. Consolidated operating results (September 1, 2007 – November 30, 2007)

(1) Consolidated financial results

|                                  | Net sales         |      | Operating income  |        | Ordinary income   |        | Net income        |        |
|----------------------------------|-------------------|------|-------------------|--------|-------------------|--------|-------------------|--------|
|                                  | (Millions of yen) | (%)  | (Millions of yen) | (%)    | (Millions of yen) | (%)    | (Millions of yen) | (%)    |
| FY 2008, 1 <sup>st</sup> Quarter | 18,149            | 9.6  | 1,885             | 23.5   | 1,029             | (39.3) | 1,303             | 81.1   |
| FY 2007, 1 <sup>st</sup> Quarter | 16,556            | 52.2 | 1,526             | (25.1) | 1,695             | (20.1) | 720               | (40.0) |
| FY 2007                          | 59,419            | —    | 466               | —      | 1,115             | —      | (5,617)           | —      |

|                                  | Net income per share |     | Diluted net income per share |    |
|----------------------------------|----------------------|-----|------------------------------|----|
|                                  | (Yen)                |     | (Yen)                        |    |
| FY 2008, 1 <sup>st</sup> Quarter | 8,600                | 54  | 8,150                        | 71 |
| FY 2007, 1 <sup>st</sup> Quarter | 4,761                | 42  | 4,494                        | 42 |
| FY 2007                          | (37,111)             | 17) | —                            | —  |

(2) Consolidated financial position

|                                  | Total assets      | Net assets        | Net assets ratio | Net assets per share |    |
|----------------------------------|-------------------|-------------------|------------------|----------------------|----|
|                                  | (Millions of yen) | (Millions of yen) | (%)              | (Yen)                |    |
| FY 2008, 1 <sup>st</sup> Quarter | 43,213            | 13,404            | 31.0             | 88,347               | 23 |
| FY 2007, 1 <sup>st</sup> Quarter | 50,050            | 18,714            | 37.2             | 123,123              | 84 |
| FY 2007                          | 44,432            | 12,638            | 28.4             | 83,278               | 00 |

(3) Consolidated cash flows

|                                  | 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 2008, 1 <sup>st</sup> Quarter | (739)                                | 1,232                                | (1,702)                              | 4,442                                    |
| FY 2007, 1 <sup>st</sup> Quarter | (1,920)                              | (618)                                | (5,627)                              | 5,642                                    |
| FY 2007                          | 1,771                                | (3,294)                              | (6,681)                              | 5,672                                    |

2. Dividends

| (Record date)     | Dividend per share |           |           |          |            |
|-------------------|--------------------|-----------|-----------|----------|------------|
|                   | End of Q1          | End of Q2 | End of Q3 | Year-end | Annual     |
| FY2007            | (Yen) —            | (Yen) —   | (Yen) —   | (Yen) —  | (Yen) 0 00 |
| FY2008            | —                  | —         | —         | —        | 0 00       |
| FY2008 (forecast) | —                  | —         | —         | —        |            |

3. Consolidated forecasts for the FY 2008 (September 1, 2007 - August 31, 2008)

|         | Net sales         |      | Operating income  |       | Ordinary income   |        | Net income        |     | Net income per share |    |
|---------|-------------------|------|-------------------|-------|-------------------|--------|-------------------|-----|----------------------|----|
|         | (Millions of yen) | (%)  | (Millions of yen) | (%)   | (Millions of yen) | (%)    | (Millions of yen) | (%) | (Yen)                |    |
| Interim | 32,950            | 11.3 | 825               | 620.4 | (145)             | —      | 25                | —   | 164                  | 90 |
| Annual  | 66,000            | 11.1 | 1,900             | 307.4 | 740               | (33.7) | 50                | —   | 329                  | 80 |

4. Other

(1) Transfer of important subsidiaries during the term (Transfers of certain subsidiaries resulting in changes in the scope of consolidation)

: None

(2) Basis for consolidated quarterly financial statements

: Standard for consolidated interim financial statements

(3) Changes in accounting policies

: None

(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.”

(Note) The forecasts shown above are predicated upon information that is available as of the day of the announcement of this report; they incorporate assumptions, made as of the day of the announcement of this report, regarding a number of uncertain factors that may affect future performance. Actual financial performance, therefore, may differ considerably from these forecasts due to a variety of factors hereafter.

## 5. Consolidated Balance Sheets

(Millions of yen)

| Category                           | FY 2007, Q1<br>As of November 30, 2006 |       | FY 2008, Q1<br>As of November 30, 2007 |       | FY 2007<br>As of August 31, 2007 |       |
|------------------------------------|--|-------|--|-------|----------------------------------|-------|
|                                    | Amount                                 | (%)   | Amount                                 | (%)   | Amount                           | (%)   |
| (Assets)                           |  |       |  |       |                                  |       |
| I Current assets                   |  |       |  |       |                                  |       |
| 1. Cash and deposits               | 5,644                                  |       | 4,442                                  |       | 5,672                            |       |
| 2. Notes and accounts receivable   | 6,852                                  |       | 6,465                                  |       | 3,997                            |       |
| 3. Inventories                     | 9,303                                  |       | 7,758                                  |       | 8,118                            |       |
| 4. Deferred tax assets             | 1,194                                  |       | 1,690                                  |       | 1,738                            |       |
| 5. Other                           | 696                                    |       | 949                                    |       | 1,632                            |       |
| Allowance for doubtful accounts    | (75)                                   |       | (82)                                   |       | (209)                            |       |
| Total current assets               | 23,616                                 | 47.2  | 21,224                                 | 49.1  | 20,950                           | 47.2  |
| II Fixed assets                    |  |       |  |       |                                  |       |
| 1. Property and equipment          | 4,032                                  |       | 5,546                                  |       | 5,881                            |       |
| 2. Intangible assets               |  |       |  |       |                                  |       |
| (1) Trademarks                     | 9,414                                  |       | 5,883                                  |       | 6,520                            |       |
| (2) Goodwill                       | 8,854                                  |       | 6,132                                  |       | 6,638                            |       |
| (3) Other                          | 311                                    |       | 307                                    |       | 306                              |       |
| Total intangible assets            | 18,580                                 |       | 12,323                                 |       | 13,465                           |       |
| 3. Investments and other assets    |  |       |  |       |                                  |       |
| (1) Investment securities          | 591                                    |       | 2                                      |       | 618                              |       |
| (2) Leasehold deposits paid        | 990                                    |       | 1,248                                  |       | 1,028                            |       |
| (3) Deferred tax assets            | 2,012                                  |       | 2,580                                  |       | 2,223                            |       |
| (4) Other                          | 394                                    |       | 605                                    |       | 440                              |       |
| Allowance for doubtful accounts    | (169)                                  |       | (317)                                  |       | (176)                            |       |
| Total investments and other assets | 3,820                                  |       | 4,119                                  |       | 4,135                            |       |
| Total fixed assets                 | 26,433                                 | 52.8  | 21,989                                 | 50.9  | 23,482                           | 52.8  |
| Total assets                       | 50,050                                 | 100.0 | 43,213                                 | 100.0 | 44,432                           | 100.0 |

(Millions of yen)

| Category  | FY 2007, Q1<br>As of November 30, 2006 |              | FY 2008, Q1<br>As of November 30, 2007 |              | FY 2007<br>As of August 31, 2007 |              |
|---|--|--------------|--|--------------|----------------------------------|--------------|
|   | Amount                                 | (%)          | Amount                                 | (%)          | Amount                           | (%)          |
| <b>(Liabilities)</b>  |  |              |  |              |                                  |              |
| <b>I Current liabilities</b>                                      |  |              |  |              |                                  |              |
| 1. Accounts payable—trade   | 4,292                                  |              | 4,542                                  |              | 4,834                            |              |
| 2. Short-term borrowings  | 3,112                                  |              | 2,131                                  |              | 3,217                            |              |
| 3. Current portion of long-term debt                              | 950                                    |              | 1,119                                  |              | 1,196                            |              |
| 4. Accounts payable—other   | 1,372                                  |              | 1,574                                  |              | 1,831                            |              |
| 5. Accrued income taxes   | 586                                    |              | 1,056                                  |              | 367                              |              |
| 6. Accrued employees' bonuses                                     | 478                                    |              | 610                                    |              | 548                              |              |
| 7. Accrued directors' and statutory auditors' bonuses             | 13                                     |              | —                                      |              | —                                |              |
| 8. Allowance for restructuring expenses                           | 181                                    |              | 198                                    |              | 280                              |              |
| 9. Other  | 352                                    |              | 399                                    |              | 517                              |              |
| <b>Total current liabilities</b>                                  | <b>11,339</b>                          | <b>22.7</b>  | <b>11,631</b>                          | <b>26.9</b>  | <b>12,793</b>                    | <b>28.8</b>  |
| <b>II Long-term liabilities</b>                                   |  |              |  |              |                                  |              |
| 1. Convertible bond with warrants                                 | 13,262                                 |              | 13,257                                 |              | 13,258                           |              |
| 2. Long-term debt   | 4,562                                  |              | 2,873                                  |              | 3,662                            |              |
| 3. Deferred tax liabilities                                       | 523                                    |              | —                                      |              | —                                |              |
| 4. Accrued directors' and statutory auditors' retirement benefits | 189                                    |              | 189                                    |              | 189                              |              |
| 5. Accrued employees' retirement benefits                         | 632                                    |              | 690                                    |              | 694                              |              |
| 6. Other  | 825                                    |              | 1,166                                  |              | 1,196                            |              |
| <b>Total long-term liabilities</b>                                | <b>19,995</b>                          | <b>39.9</b>  | <b>18,177</b>                          | <b>42.1</b>  | <b>19,000</b>                    | <b>42.8</b>  |
| <b>Total liabilities</b>  | <b>31,335</b>                          | <b>62.6</b>  | <b>29,809</b>                          | <b>69.0</b>  | <b>31,793</b>                    | <b>71.6</b>  |
| <b>(Net assets)</b>   |  |              |  |              |                                  |              |
| <b>I Shareholders' equity</b>                                     |  |              |  |              |                                  |              |
| 1. Common stock   | 6,351                                  | 12.7         | 6,369                                  | 14.7         | 6,369                            | 14.3         |
| 2. Capital surplus  | 7,938                                  | 15.9         | 4,452                                  | 10.3         | 7,956                            | 17.9         |
| 3. Retained earnings (accumulated deficit)                        | 4,329                                  | 8.6          | 2,799                                  | 6.5          | (2,008)                          | (4.5)        |
| <b>Total shareholders' equity</b>                                 | <b>18,618</b>                          | <b>37.2</b>  | <b>13,621</b>                          | <b>31.5</b>  | <b>12,317</b>                    | <b>27.7</b>  |
| <b>II Valuation, translation adjustments and other</b>            |  |              |  |              |                                  |              |
| 1. Unrealized holding gain (loss) on securities                   | 0                                      | 0.0          | (0)                                    | (0.0)        | (0)                              | (0.0)        |
| 2. Unrealized gain and loss on hedging instruments                | 9                                      | 0.0          | (26)                                   | (0.1)        | 10                               | 0.0          |
| 3. Translation adjustments  | 4                                      | 0.0          | (200)                                  | (0.4)        | 297                              | 0.7          |
| <b>Total valuation, translation adjustments and other</b>         | <b>14</b>                              | <b>0.0</b>   | <b>(226)</b>                           | <b>(0.5)</b> | <b>308</b>                       | <b>0.7</b>   |
| <b>III Minority interests</b>                                     | <b>81</b>                              | <b>0.2</b>   | <b>10</b>                              | <b>0.0</b>   | <b>13</b>                        | <b>0.0</b>   |
| <b>Total net assets</b>   | <b>18,714</b>                          | <b>37.4</b>  | <b>13,404</b>                          | <b>31.0</b>  | <b>12,638</b>                    | <b>28.4</b>  |
| <b>Total liabilities and net assets</b>                           | <b>50,050</b>                          | <b>100.0</b> | <b>43,213</b>                          | <b>100.0</b> | <b>44,432</b>                    | <b>100.0</b> |

## 6. Consolidated statements of operations

(Millions of yen)

| Category   | FY 2007, Q1 (Three months ended November 30, 2006) |        |       | FY 2008, Q1 (Three months ended November 30, 2007) |        |       | FY 2007 (Year ended August 31, 2007) |         |       |
|--|--|--------|-------|--|--------|-------|--------------------------------------|---------|-------|
|  | Amount   |        | (%)   | Amount   |        | (%)   | Amount                               |         | (%)   |
| I Net sales  |  | 16,556 | 100.0 |  | 18,149 | 100.0 |                                      | 59,419  | 100.0 |
| II Cost of sales   |  | 7,820  | 47.2  |  | 8,414  | 46.4  |                                      | 29,076  | 48.9  |
| Gross profit   |  | 8,735  | 52.8  |  | 9,734  | 53.6  |                                      | 30,342  | 51.1  |
| III Selling, general and administrative expenses         |  | 7,209  | 43.6  |  | 7,849  | 43.2  |                                      | 29,876  | 50.3  |
| Operating income   |  | 1,526  | 9.2   |  | 1,885  | 10.4  |                                      | 466     | 0.8   |
| IV Non-operating income                                  |  |        |       |  |        |       |                                      |         |       |
| 1. Interest and dividend income                          | 14   |        |       | 7  |        |       | 83                                   |         |       |
| 2. Foreign exchange gain                                 | 250  |        |       | —  |        |       | 918                                  |         |       |
| 3. Insurance dividend income                             | —  |        |       | 7  |        |       | —                                    |         |       |
| 4. Gain on sales of supplies                             | —  |        |       | 6  |        |       | —                                    |         |       |
| 5. Other   | 17   | 281    | 1.7   | 10   | 31     | 0.2   | 82                                   | 1,084   | 1.8   |
| V Non-operating expenses                                 |  |        |       |  |        |       |                                      |         |       |
| 1. Interest expense                                      | 105  |        |       | 79   |        |       | 319                                  |         |       |
| 2. Foreign exchange loss                                 | —  |        |       | 800  |        |       | —                                    |         |       |
| 3. Stock issuance expenses                               | 0  |        |       | —  |        |       | 0                                    |         |       |
| 4. Other   | 6  | 112    | 0.7   | 7  | 887    | 4.9   | 115                                  | 435     | 0.7   |
| Ordinary income  |  | 1,695  | 10.2  |  | 1,029  | 5.7   |                                      | 1,115   | 1.9   |
| VI Extraordinary income                                  |  |        |       |  |        |       |                                      |         |       |
| 1. Gain on sales of property and equipment               | 0  |        |       | 2  |        |       | 4                                    |         |       |
| 2. Dividend income                                       | —  |        |       | 1,035  |        |       | —                                    |         |       |
| 3. Other   | —  | 0      | 0.0   | 0  | 1,037  | 5.7   | 0                                    | 4       | 0.0   |
| VII Extraordinary loss                                   |  |        |       |  |        |       |                                      |         |       |
| 1. Loss on sales or disposal of property and equipment   | 0  |        |       | 0  |        |       | 52                                   |         |       |
| 2. Loss on business restructuring                        | —  |        |       | —  |        |       | 172                                  |         |       |
| 3. Loss on disposal of finished goods                    | 1  |        |       | 0  |        |       | 2                                    |         |       |
| 4. Loss on cancellation of lease contracts               | —  |        |       | 2  |        |       | 29                                   |         |       |
| 5. Loss on extinguishment of debt financing              | 37   |        |       | —  |        |       | 38                                   |         |       |
| 6. Loss on allowance for restructuring expenses          | 179  |        |       | —  |        |       | 262                                  |         |       |
| 7. Impairment loss on fixed assets                       | —  |        |       | —  |        |       | 5,032                                |         |       |
| 8. Loss related to lawsuits                              | —  |        |       | 17   |        |       | 90                                   |         |       |
| 9. Other   | 9  | 227    | 1.4   | 0  | 21     | 0.1   | 480                                  | 6,160   | 10.4  |
| Income (loss) before income taxes and minority interests |  | 1,468  | 8.8   |  | 2,045  | 11.3  |                                      | (5,039) | (8.5) |
| Income taxes   |  | 757    | 4.6   |  | 743    | 4.1   |                                      | 609     | 1.0   |
| Minority interests                                       |  | (9)    | (0.1) |  | (2)    | (0.0) |                                      | (32)    | (0.0) |
| Net income (loss)  |  | 720    | 4.3   |  | 1,303  | 7.2   |                                      | (5,617) | (9.5) |

## 7. Consolidated statements of changes in net assets

FY 2007, Q1 (Three months ended November 30, 2006)

(Millions of yen)

|   | Shareholders' equity |                 |                   |                            |
|---|----------------------|-----------------|-------------------|----------------------------|
|   | Common stock         | Capital surplus | Retained earnings | Total shareholders' equity |
| Balance as of August 31, 2006                                 | 6,335                | 7,922           | 3,703             | 17,961                     |
| Changes during the term                                       |                      |                 |                   |                            |
| Issuance of common stock                                      | 15                   | 15              |                   | 31                         |
| Cash dividends paid   |                      |                 | (94)              | (94)                       |
| Net income  |                      |                 | 720               | 720                        |
| Net changes in items other than those in shareholders' equity |                      |                 |                   |                            |
| Total changes during the term                                 | 15                   | 15              | 625               | 657                        |
| Balance as of November 30, 2006                               | 6,351                | 7,938           | 4,329             | 18,618                     |

|   | 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, 2006                                 | 0  | 33  | (227)                   | (194)  | 88                 | 17,855           |
| Changes during the term                                       |  |   |                         |  |                    |                  |
| Issuance of common stock                                      |  |   |                         |  |                    | 31               |
| Cash dividends paid   |  |   |                         |  |                    | (94)             |
| Net income  |  |   |                         |  |                    | 720              |
| Net changes in items other than those in shareholders' equity | 0  | (23)  | 232                     | 208  | (7)                | 201              |
| Total changes during the term                                 | 0  | (23)  | 232                     | 208  | (7)                | 858              |
| Balance as of November 30, 2006                               | 0  | 9   | 4                       | 14   | 81                 | 18,714           |

FY 2008, Q1 (Three months ended November 30, 2007)

(Millions of yen)

|   | Shareholders' equity |                 |                   |                            |
|---|----------------------|-----------------|-------------------|----------------------------|
|   | Common stock         | Capital surplus | Retained earnings | Total shareholders' equity |
| Balance as of August 31, 2007                                 | 6,369                | 7,956           | (2,008)           | 12,317                     |
| Changes during the term                                       |                      |                 |                   |                            |
| Decrease in capital surplus                                   |                      | (3,503)         | 3,503             | —                          |
| Net income  |                      |                 | 1,303             | 1,303                      |
| Net changes in items other than those in shareholders' equity |                      |                 |                   |                            |
| Total changes during the term                                 | —                    | (3,503)         | 4,807             | 1,303                      |
| Balance as of November 30, 2007                               | 6,369                | 4,452           | 2,799             | 13,621                     |

|   | Valuation, translation adjustments and other |   |                         |  | Minority interests | Total net assets |
|---|--|---|-------------------------|--|--------------------|------------------|
|   | Unrealized holding gain (loss) on securities | Unrealized gain and loss on hedging instruments | Translation adjustments | Total valuation, translation adjustments and other |                    |                  |
| Balance as of August 31, 2007                                 | (0)  | 10  | 297                     | 308  | 13                 | 12,638           |
| Changes during the term                                       |  |   |                         |  |                    |                  |
| Decrease in capital surplus                                   |  |   |                         |  |                    | —                |
| Net income  |  |   |                         |  |                    | 1,303            |
| Net changes in items other than those in shareholders' equity | 0  | (37)  | (498)                   | (535)  | (2)                | (538)            |
| Total changes during the term                                 | 0  | (37)  | (498)                   | (535)  | (2)                | 765              |
| Balance as of November 30, 2007                               | (0)  | (26)  | (200)                   | (226)  | 10                 | 13,404           |

FY 2007 (Year ended August 31, 2007)

(Millions of yen)

|   | Shareholders' equity |                 |                   |                            |
|---|----------------------|-----------------|-------------------|----------------------------|
|   | Common stock         | Capital surplus | Retained earnings | Total shareholders' equity |
| Balance as of August 31, 2006                                 | 6,335                | 7,922           | 3,703             | 17,961                     |
| Changes during the term                                       |                      |                 |                   |                            |
| Issuance of common stock                                      | 33                   | 33              |                   | 67                         |
| Cash dividends paid   |                      |                 | (94)              | (94)                       |
| Net loss  |                      |                 | (5,617)           | (5,617)                    |
| Net changes in items other than those in shareholders' equity |                      |                 |                   |                            |
| Total changes during the term                                 | 33                   | 33              | (5,711)           | (5,644)                    |
| Balance as of August 31, 2007                                 | 6,369                | 7,956           | (2,008)           | 12,317                     |

|   | Valuation, translation adjustments and other |   |                         |  | Minority interests | Total net assets |
|---|--|---|-------------------------|--|--------------------|------------------|
|   | Unrealized holding gain (loss) on securities | Unrealized gain and loss on hedging instruments | Translation adjustments | Total valuation, translation adjustments and other |                    |                  |
| Balance as of August 31, 2006                                 | 0  | 33  | (227)                   | (194)  | 88                 | 17,855           |
| Changes during the term                                       |  |   |                         |  |                    |                  |
| Issuance of common stock                                      |  |   |                         |  |                    | 67               |
| Cash dividends paid   |  |   |                         |  |                    | (94)             |
| Net loss  |  |   |                         |  |                    | (5,617)          |
| Net changes in items other than those in shareholders' equity | (0)  | (22)  | 525                     | 503  | (75)               | 427              |
| Total changes during the term                                 | (0)  | (22)  | 525                     | 503  | (75)               | (5,216)          |
| Balance as of August 31, 2007                                 | (0)  | 10  | 297                     | 308  | 13                 | 12,638           |

## 8. Consolidated statements of cash flows

(Millions of yen)

|   | FY 2007, Q1 (Three months ended November 30, 2006) | FY 2008, Q1 (Three months ended November 30, 2007) | FY 2007 (Year ended August 31, 2007) |
|---|--|--|--------------------------------------|
| Category  | Amount   | Amount   | Amount                               |
| I Cash flows from operating activities                        |  |  |                                      |
| Income (loss) before income taxes and minority interests      | 1,468  | 2,045  | (5,039)                              |
| Depreciation  | 202  | 297  | 989                                  |
| Amortization of goodwill                                      | 123  | 85   | 432                                  |
| Increase in accrued employees' bonuses                        | 116  | 85   | 171                                  |
| Increase in accrued directors' and statutory auditors bonuses | 13   | —  | —                                    |
| Increase in allowance for doubtful accounts                   | 22   | 18   | 143                                  |
| Increase (decrease) in accrued employees' retirement benefits | 5  | 5  | (0)                                  |
| Increase (decrease) in allowance for restructuring expenses   | 179  | (77)   | 262                                  |
| Interest and dividend income                                  | (14)   | (1,042)  | (83)                                 |
| Interest expense  | 105  | 79   | 319                                  |
| Foreign exchange (gain) loss                                  | (252)  | 802  | (796)                                |
| Amortization of trademarks                                    | 291  | 226  | 1,061                                |
| Stock issuance expenses                                       | 0  | —  | 0                                    |
| Gain on sales of property and equipment                       | 0  | (2)  | (4)                                  |
| Loss on disposal of finished goods                            | 1  | 0  | 2                                    |
| Loss on sales or disposal of property and equipment           | 0  | 0  | 52                                   |
| Loss on business restructuring                                | —  | —  | 172                                  |
| Loss on cancellation of lease contracts                       | —  | 2  | 29                                   |
| Loss on extinguishment of debt financing                      | 37   | —  | 38                                   |
| Impairment loss on fixed assets                               | —  | —  | 5,032                                |
| Loss related to lawsuits                                      | —  | 17   | 90                                   |
| Loss on write-downs of supplies                               | —  | —  | 351                                  |
| (Increase) decrease in accounts receivable                    | (2,933)  | (2,612)  | 46                                   |
| (Increase) decrease in inventories                            | (322)  | 75   | 774                                  |
| Decrease in accounts payable—trade                            | (528)  | (129)  | (138)                                |
| Decrease in accounts payable—other                            | (352)  | (124)  | (77)                                 |
| (Decrease) increase in accrued expenses                       | (262)  | 12   | 7                                    |
| Increase (decrease) in accrued consumption taxes              | 152  | (11)   | 212                                  |
| Other   | 651  | (239)  | 446                                  |
| Subtotal  | (1,294)  | (483)  | 4,494                                |

(Millions of yen)

|  | FY 2007, Q1 (Three months ended November 30, 2006) | FY 2008, Q1 (Three months ended November 30, 2007) | FY 2007 (Year ended August 31, 2007) |
|--|--|--|--------------------------------------|
| Category   | Amount   | Amount   | Amount                               |
| Interest and dividends received  | 16   | 6  | 86                                   |
| Interest paid  | (98)   | (52)   | (351)                                |
| Loss on cancellation of lease contracts                                | —  | (2)  | (51)                                 |
| Income taxes (paid) refunded   | (419)  | 36   | (2,048)                              |
| Other  | (126)  | (245)  | (359)                                |
| Net cash (used in) provided by operating activities                    | (1,920)  | (739)  | 1,771                                |
| <b>II Cash flows from investing activities</b>                         |  |  |                                      |
| Decrease in time deposits  | —  | —  | 2                                    |
| Purchases of property and equipment                                    | (698)  | (319)  | (3,278)                              |
| Proceeds from sales of property and equipment                          | 0  | 12   | 88                                   |
| Purchases of intangible assets   | (58)   | (65)   | (164)                                |
| Proceeds from sales of intangible assets                               | —  | —  | 0                                    |
| Purchases of investment securities                                     | (0)  | (0)  | (1)                                  |
| Proceeds from distribution of investments securities                   | —  | 1,625  | —                                    |
| Proceeds from sales of golf-club memberships                           | —  | —  | 1                                    |
| Proceeds from reduction in purchase price of a subsidiary's stock      | 148  | —  | 154                                  |
| Other  | (10)   | (20)   | (96)                                 |
| Net cash (used in) provided by investing activities                    | (618)  | 1,232  | (3,294)                              |
| <b>III Cash flows from financing activities</b>                        |  |  |                                      |
| Decrease in short-term borrowings                                      | (26)   | (951)  | (99)                                 |
| Proceeds from long-term debt   | —  | 1,600  | —                                    |
| Repayment of long-term debt  | (5,538)  | (2,351)  | (6,554)                              |
| Proceeds from issuance of common stock                                 | 31   | —  | 66                                   |
| Cash dividends paid  | (94)   | (0)  | (94)                                 |
| Net cash used in financing activities                                  | (5,627)  | (1,702)  | (6,681)                              |
| <b>IV Effect of exchange rate changes on cash and cash equivalents</b> | 19   | (19)   | 86                                   |
| <b>V Net change in cash and cash equivalents</b>                       | (8,147)  | (1,229)  | (8,117)                              |
| <b>VI Cash and cash equivalents at beginning of term</b>               | 13,789   | 5,672  | 13,789                               |
| <b>VII Cash and cash equivalents at end of term</b>                    | 5,642  | 4,442  | 5,672                                |

## 9. Segment Information

### a. Business Segments

Business segment information has not been presented because the apparel segment accounted for more than 90% of the Company's consolidated net sales and operating income.

### b. Geographical Segments

Geographical segment information, which is classified by location of the Group's entities, for the three months ended November 30, 2006 and 2007, and for the year ended August 31, 2007, is summarized as follows.

FY 2007, 1<sup>st</sup> Quarter (Three months ended November 30, 2006)

(Millions of yen)

|                         | Japan | North America | Europe | Other | Total  | Eliminations and/or corporate | Consolidated |
|-------------------------|-------|---------------|--------|-------|--------|-------------------------------|--------------|
| Net sales:              |       |               |        |       |        |                               |              |
| External customers      | 5,879 | 7,224         | 3,372  | 80    | 16,556 | —                             | 16,556       |
| Inter-segment           | 87    | 381           | —      | —     | 469    | (469)                         | —            |
| Total                   | 5,966 | 7,605         | 3,372  | 80    | 17,025 | (469)                         | 16,556       |
| Operating expenses      | 4,926 | 6,837         | 3,355  | 114   | 1,5233 | (203)                         | 15,029       |
| Operating income (loss) | 1,040 | 768           | 17     | (33)  | 1,792  | (265)                         | 1,526        |

Note 1: Segments have been divided according to geographical proximity.

Note 2: "North America" includes primarily the United States, "Europe" includes primarily Germany, and "Other" includes primarily Korea, China (including Hong Kong) and Taiwan.

Note 3: Operating expenses which cannot be allocated to a particular segment and are reported under "Eliminations and/or corporate" amounted to ¥250 million and mainly consisted of administrative expenses such as accounting, human resources and general affairs.

FY 2008, 1<sup>st</sup> Quarter (Three months ended November 30, 2007)

(Millions of yen)

|                         | Japan | North America | Europe | Other | Total  | Eliminations and/or corporate | Consolidated |
|-------------------------|-------|---------------|--------|-------|--------|-------------------------------|--------------|
| Net sales:              |       |               |        |       |        |                               |              |
| External customers      | 5,974 | 8,918         | 3,181  | 75    | 18,149 | —                             | 18,149       |
| Inter-segment           | 72    | 489           | —      | —     | 562    | (562)                         | —            |
| Total                   | 6,047 | 9,408         | 3,181  | 75    | 18,712 | (562)                         | 18,149       |
| Operating expenses      | 5,061 | 8,514         | 2,855  | 88    | 16,520 | (255)                         | 16,264       |
| Operating income (loss) | 985   | 894           | 326    | (13)  | 2,192  | (307)                         | 1,885        |

Note 1: Segments have been divided according to geographical proximity.

Note 2: "North America" includes primarily the United States, "Europe" includes primarily Germany, and "Other" includes primarily Korea, China (including Hong Kong) and Taiwan.

Note 3: Operating expenses which cannot be allocated to a particular segment and are reported under "Eliminations and/or corporate" amounted to ¥307 million and mainly consisted of administrative expenses such as accounting, human resources and general affairs.

FY 2007 (Year ended August 31, 2007)

(Millions of yen)

|                         | Japan  | North America | Europe  | Other | Total  | Eliminations<br>and/or corporate | Consolidated |
|-------------------------|--------|---------------|---------|-------|--------|----------------------------------|--------------|
| Net sales:              |        |               |         |       |        |                                  |              |
| External customers      | 22,045 | 28,057        | 8,815   | 500   | 59,419 | —                                | 59,419       |
| Inter-segment           | 297    | 1,463         | —       | —     | 1,760  | (1,760)                          | —            |
| Total                   | 22,342 | 29,520        | 8,815   | 500   | 61,179 | (1,760)                          | 59,419       |
| Operating expenses      | 20,149 | 28,437        | 10,542  | 506   | 59,635 | (682)                            | 58,952       |
| Operating income (loss) | 2,193  | 1,083         | (1,726) | (6)   | 1,544  | (1,077)                          | 466          |

Note 1: Segments have been divided according to geographical proximity.

Note 2: “North America” includes primarily the United States, “Europe” includes primarily Germany, and “Other” includes primarily Korea, China (including Hong Kong) and Taiwan.

Note 3: Operating expenses which cannot be allocated to a particular segment and are reported under “Eliminations and/or corporate” amounted to ¥1,067 million and mainly consisted of administrative expenses such as accounting, human resources and general affairs.

c. Overseas Sales

Overseas sales information, which is classified by location of the Group's customers, for the three months ended November 30, 2006 and 2007, and for the year ended August 31, 2007, is summarized as follows:

| FY 2007, 1 <sup>st</sup> Quarter (Three months ended November 30, 2006) |               |        |       | (Millions of yen) |
|---|---------------|--------|-------|-------------------|
|   | North America | Europe | Other | Total             |
| Overseas sales  | 7,228         | 3,368  | 80    | 10,677            |
| Consolidated net sales  | —             | —      | —     | 16,556            |
| Overseas sales as a percentage of consolidated net sales (%)            | 43.7          | 20.3   | 0.5   | 64.5              |

Note 1: Segments have been divided according to geographical proximity.

Note 2: "North America" includes primarily the United States and Canada, "Europe" includes primarily Germany, the Netherlands and Sweden, and "Other" includes primarily Korea, China (including Hong Kong) and Taiwan.

Note 3: Overseas sales include sales of the Company and its consolidated subsidiaries which occurred in countries or areas outside Japan.

Note 4: "Europe" was included in "Other" for the three months ended November 30, 2005, but was reclassified as a separate line item because sales in "Europe" increased in significance. Sales in "Europe" for the three months ended November 30, 2005 amounted to ¥185 million.

| FY 2008, 1 <sup>st</sup> Quarter (Three months ended November 30, 2007) |               |        |       | (Millions of yen) |
|---|---------------|--------|-------|-------------------|
|   | North America | Europe | Other | Total             |
| Overseas sales  | 8,918         | 3,181  | 223   | 12,323            |
| Consolidated net sales  | —             | —      | —     | 18,149            |
| Overseas sales as a percentage of consolidated net sales (%)            | 49.2          | 17.5   | 1.2   | 67.9              |

Note 1: Segments have been divided according to geographical proximity.

Note 2: "North America" includes primarily the United States and Canada, "Europe" includes primarily Germany, the Netherlands and Sweden, and "Other" includes primarily Korea, China (including Hong Kong) and Taiwan.

Note 3: Overseas sales include sales of the Company and its consolidated subsidiaries which occurred in countries or areas outside Japan.

| FY 2007 (Year ended August 31, 2007)                         |               |        |       | (Millions of yen) |
|--|---------------|--------|-------|-------------------|
|  | North America | Europe | Other | Total             |
| Overseas sales   | 28,041        | 8,832  | 634   | 37,508            |
| Consolidated net sales                                       | —             | —      | —     | 59,419            |
| Overseas sales as a percentage of consolidated net sales (%) | 47.2          | 14.8   | 1.1   | 63.1              |

Note 1: Segments have been divided according to geographical proximity.

Note 2: "North America" includes primarily the United States and Canada, "Europe" includes primarily Germany, the Netherlands and Sweden, and "Other" includes primarily Korea, China (including Hong Kong) and Taiwan.

Note 3: Overseas sales include sales of the Company and its consolidated subsidiaries which occurred in countries or areas outside Japan.

## 10. Sales

### (1) Sales by brand

(Millions of yen)

| Brand          | FY 2007, 1 <sup>st</sup> Quarter (Three months ended November 30, 2006) |       | FY 2008, 1 <sup>st</sup> Quarter (Three months ended November 30, 2007) |       | FY 2007 (Year ended August 31, 2007) |       |
|----------------|---|-------|---|-------|--------------------------------------|-------|
|                | Amount  | %     | Amount  | %     | Amount                               | %     |
| Theory Women's | 11,047  | 66.7  | 11,644  | 64.1  | 40,845                               | 68.7  |
| Theory Men's   | 1,303   | 7.9   | 1,637   | 9.0   | 5,410                                | 9.1   |
| Rosner         | 2,889   | 17.5  | 2,609   | 14.4  | 7,542                                | 12.7  |
| Urbanholics    | 394   | 2.4   | 419   | 2.3   | 1,530                                | 2.6   |
| Proof (Kulson) | 369   | 2.2   | 173   | 1.0   | 1,285                                | 2.2   |
| Other          | 552   | 3.3   | 1,664   | 9.2   | 2,803                                | 4.7   |
| Total          | 16,556  | 100.0 | 18,149  | 100.0 | 59,419                               | 100.0 |

Note 1: Consumption tax is not included in above amount.

Note 2: "Other" includes primarily Premise, Helmut Lang and PLS+T.

### (2) Sales by channel

(Millions of yen)

| Channel         | FY 2007, 1 <sup>st</sup> Quarter (Three months ended November 30, 2006) |       | FY 2008, 1 <sup>st</sup> Quarter (Three months ended November 30, 2007) |       | FY 2007 (Year ended August 31, 2007) |       |
|-----------------|---|-------|---|-------|--------------------------------------|-------|
|                 | Amount  | %     | Amount  | %     | Amount                               | %     |
| Retail sales    | 6,567   | 39.7  | 7,230   | 39.8  | 26,978                               | 45.3  |
| Wholesale sales | 9,728   | 58.7  | 10,698  | 59.0  | 31,635                               | 53.3  |
| Other           | 260   | 1.6   | 220   | 1.2   | 805                                  | 1.4   |
| Total           | 16,556  | 100.0 | 18,149  | 100.0 | 59,419                               | 100.0 |

Note 1: Consumption tax is not included in above amount.

Note 2: "Other" includes primarily sales to employees.