

Consolidated Financial Results for the Year Ended August 31, 2008

October 8, 2008

Company name: Link Theory Holdings Co.,Ltd. Code:3373 Tokyo Stock Exchange (Mothers)
 (URL <http://www.link-theory.com/>)
 Representative: Chikara Sasaki, President & CEO
 Contact person: Hidetsugu Onishi, Director & Group CFO TEL +81-3-3407-7502
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 Scheduled date of submission of Securities Report: November 28, 2008

1. Consolidated operating results (September 1, 2007 – August 31, 2008)

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

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
FY2008	59,887	0.8	2,056	340.9	396	(64.5)	(197)	—
FY2007	59,419	24.5	466	(86.0)	1,115	(65.7)	(5,617)	—

	Net income per share		Diluted net income per share		Net income on equity	Ordinary income on assets	Operating income on net sales
	(Yen)	(%)	(Yen)	(%)	(%)	(%)	(%)
FY2008	(1,262)	40)	—	—	(1.7)	0.9	3.4
FY2007	(37,111)	17)	—	—	(37.0)	2.2	0.8

(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)	
FY2008	40,310	11,225	27.8	70,495	46
FY2007	44,432	12,638	28.4	83,278	00

(Notes) Shareholders' equity at the end of the term FY2008 ¥11,203 million FY2007 ¥12,625 million

(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 year
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
FY 2008	1,061	(103)	(1,299)	5,312
FY 2007	1,771	(3,294)	(6,681)	5,672

2. Dividends

(Record date)	Dividend per share					Total annual dividend amount	Dividend payment ratio	Ratio of dividends to net assets
	End of Q1	End of Q2	End of Q3	Year-end	Annual			
FY2008	(Yen) —	(Yen) —	(Yen) —	(Yen) —	(Yen) 0 00	(Millions of yen) —	(%) —	(%) —
FY2007	(Yen) —	(Yen) —	(Yen) —	(Yen) —	(Yen) 0 00	(Millions of yen) —	(%) —	(%) —
FY2009 (forecast)	(Yen) —	(Yen) —	(Yen) —	(Yen) —	(Yen) 0 00	(Millions of yen) —	(%) —	(%) —

3. Consolidated forecasts for the FY2009 (September 1, 2008 - August 31, 2009)

	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	30,700	(1.1)	1,000	(28.5)	750	74.6	30	(91.7)	188	77
Annual	61,000	1.9	2,400	16.7	1,900	379.7	250	—	1,573	12

4. Other

(1) Transfer of important subsidiaries during the year (Transfers of certain subsidiaries resulting in changes in the scope of consolidation): No
(2) Changes in accounting methods, procedures and presentation in the making of these financial statements (Key items mentioned in "Significant items for the preparation of consolidated financial statements")

1) Change in line with revision of accounting standards: Yes

2) Other changes: No

(3) Number of shares outstanding

1) Number of shares outstanding at end of year FY2008 158,920 shares FY2007 151,608 shares

2) Number of treasury shares at end of year FY2008 - shares FY2007 - shares

(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.

4. Consolidated Balance Sheets

(Millions of yen)

Category	FY2007 As of August 31, 2007		FY2008 As of August 31, 2008	
	Amount	(%)	Amount	(%)
(Assets)				
I Current assets				
1. Cash and deposits	5,672		5,312	
2. Notes and accounts receivable	3,997		4,736	
3. Inventories	8,118		8,100	
4. Deferred tax assets	1,738		1,170	
5. Other	1,632		916	
Allowance for doubtful accounts	(209)		(110)	
Total current assets	20,950	47.2	20,126	49.9
II Fixed assets				
1. Property and equipment				
(1) Buildings and structures	5,377		5,310	
Accumulated depreciation	970	4,407	1,422	3,888
(2) Other	3,602		3,715	
Accumulated depreciation	2,128	1,474	2,358	1,356
Total property and equipment, net	5,881	13.2	5,245	13.0
2. Intangible assets				
(1) Trademarks	6,520		4,809	
(2) Software	305		265	
(3) Goodwill	6,638		5,421	
(4) Other	1		102	
Total intangible assets	13,465	30.3	10,598	26.3
3. Investments and other assets				
(1) Investment securities	618		2	
(2) Leasehold deposits paid	1,028		1,277	
(3) Deferred tax assets	2,223		2,628	
(4) Other	440		760	
Allowance for doubtful accounts	(176)		(330)	
Total investments and other assets	4,135	9.3	4,339	10.8
Total fixed assets	23,482	52.8	20,183	50.1
Total assets	44,432	100.0	40,130	100.0

(Millions of yen)

Category	FY2007 As of August 31, 2007		FY2008 As of August 31, 2008	
	Amount	(%)	Amount	(%)
(Liabilities)				
I Current liabilities				
1. Accounts payable-trade	4,834		4,289	
2. Short-term borrowings	3,217		3,302	
3. Current portion of long-term debt	1,196		1,349	
4. Accounts payable-other	1,831		1,898	
5. Accrued income taxes	367		138	
6. Accrued consumption taxes	200		106	
7. Deferred tax liabilities	2		—	
8. Accrued employees' bonuses	548		524	
9. Allowance for restructuring expenses	280		—	
10. Other	313		477	
Total current liabilities	12,793	28.8	12,087	30.0
II Long-term liabilities				
1. Convertible bond with warrants	13,258		13,253	
2. Long-term debt	3,662		1,707	
3. Accrued directors' and statutory auditors' retirement benefits	189		189	
4. Accrued employees' retirement benefits	694		726	
5. Other	1,196		1,120	
Total long-term liabilities	19,000	42.8	16,997	42.2
Total liabilities	31,793	71.6	29,084	72.2

(Millions of yen)

Category	FY2007 As of August 31, 2007		FY2008 As of August 31, 2008	
	Amount	(%)	Amount	(%)
(Net assets)				
I Shareholders' equity				
1. Common stock	6,369	14.3	6,396	15.9
2. Capital surplus	7,956	17.9	4,479	11.1
3. Retained earnings	(2,008)	(4.5)	1,303	3.2
Total shareholders' equity	12,317	27.7	12,180	30.2
II Valuation, translation adjustments and other				
1. Unrealized holding gain on securities	(0)	(0.0)	(0)	(0.0)
2. Unrealized gain and loss on hedging instruments	10	0.0	18	0.1
3. Translation adjustments	297	0.7	(995)	(2.5)
Total valuation, translation adjustments and other	308	0.7	(977)	(2.4)
III Share warrant	—	—	7	0.0
IV Minority interests	13	0.0	14	0.0
Total net assets	12,638	28.4	11,225	27.8
Total liabilities and net assets	44,432	100.0	40,310	100.0

5. Consolidated statements of operations

(Millions of yen)

Category	FY2007 (For the year ended August 31, 2007)		FY2008 (For the year ended August 31, 2008)			
	Amount	(%)	Amount	(%)		
I Net sales		59,419	100.0		59,887	100.0
II Cost of sales		29,076	48.9		27,232	45.5
Gross profit		30,342	51.1		32,655	54.5
III Selling, general and administrative expenses		29,876	50.3		30,598	51.1
Operating income		466	0.8		2,056	3.4
IV Non-operating income						
1. Interest and dividend income	83			34		
2. Foreign exchange gain	918			—		
3. Rent income	1			—		
4. Insurance dividend income	—			30		
5. Gain on sales of supplies	—			7		
6. Other	80	1,084	1.8	61	133	0.3
V Non-operating expenses						
1. Interest expense	319			190		
2. Foreign exchange loss	—			1,588		
3. Stock issuance expenses	0			2		
4. Other	115	435	0.7	12	1,794	3.0
Ordinary income		1,115	1.9		396	0.7

(Millions of yen)

Category	FY2007 (For the year ended August 31, 2007)			FY2008 (For the year ended August 31, 2008)		
	Amount		(%)	Amount		(%)
VI Extraordinary income						
1. Gain on sales of property and equipment	4			4		
2. Dividend income	—			968		
3. Reversal of allowance for doubtful accounts	—			35		
4. Reversal of allowance for restructuring expenses	—			83		
5. Other	0	4	0.0	42	1,133	1.9
VII Extraordinary loss						
1. Loss on sales or disposal of property and equipment	52			45		
2. Loss on restructuring of business	172			154		
3. Loss on disposal of finished goods	2			2		
4. Loss on cancellation of lease contracts	29			23		
5. Loss on extinguishment of debt financing	38			—		
6. Loss on allowance for restructuring expenses	262			—		
7. Loss on restructuring	—			272		
8. Impairment loss on fixed assets	5,032			—		
9. Loss related to lawsuits	90			166		
10. Loss related to transfer of headquarter	—			55		
11. Other	480	6,160	10.4	9	728	1.3
Income before income taxes and minority interests		(5,039)	(8.5)		800	1.3
Income taxes-current	1,886			1,292		
Income taxes-deferred	(1,276)	609	1.0	(297)	994	1.6
Minority interests		(32)	(0.0)		3	0.0
Net loss		(5,617)	(9.5)		(197)	(0.3)

6. Consolidated statements of changes in net assets

FY2007 (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 year				
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 year	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 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 year						
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 year	(0)	(22)	525	503	(75)	(5,216)
Balance as of August 31, 2007	(0)	10	297	308	13	12,638

FY2008 (Year ended August 31, 2008)

(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 year				
Issuance of common stock	27	27		55
Decrease in capital surplus		(3,503)	3,503	—
Increase in retained earnings resulting from changes in scope of consolidation			5	5
Net loss			(197)	(197)
Net changes in items other than those in shareholders' equity				
Total changes during the year	27	(3,476)	3,311	(136)
Balance as of August 31, 2008	6,396	4,479	1,303	12,180

	Valuation, translation adjustments and other				Share warrant	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, 2007	(0)	10	297	308	—	13	12,638
Changes during the year							
Issuance of common stock							55
Decrease in capital surplus							—
Increase in retained earnings resulting from changes in scope of consolidation							5
Net loss							(197)
Net changes in items other than those in shareholders' equity	(0)	7	(1,292)	(1,285)	7	1	(1,276)
Total changes during the year	(0)	7	(1,292)	(1,285)	7	1	(1,413)
Balance as of August 31, 2008	(0)	18	(995)	(977)	7	14	11,225

7. Consolidated statements of cash flows

(Millions of yen)

	FY2007 (For the year ended August 31, 2007)	FY2008 (For the year ended August 31, 2008)
Category	Amount	Amount
I Cash flows from operating activities		
Income (loss) before income taxes and minority interests	(5,039)	800
Depreciation	989	1,244
Amortization of goodwill	432	321
Increase in accrued employees' bonuses	171	24
Increase in allowance for doubtful accounts	143	88
Increase (decrease) in accrued employees' retirement benefits	(0)	21
(Decrease) increase in allowance for restructuring expenses	262	(273)
Interest and dividend income	(83)	(1,002)
Interest expense	319	190
Foreign exchange loss (gain)	(796)	1,602
Amortization of trademarks	1,061	847
Stock issuance expenses	0	2
Loss on disposal of finished goods	2	2
Gain on sales of property and equipment	(4)	(4)
Reversal of allowance for doubtful accounts	—	(35)
Reversal of allowance for restructuring expenses	—	(83)
Loss on sales or disposal of property and equipment	52	45
Loss on restructuring of business	172	154
Loss on cancellation of lease contracts	29	23
Loss on extinguishment of debt financing	38	—
Loss on business restructuring	—	272
Impairment loss on fixed assets	5,032	—
Loss related to lawsuits	90	166
Loss related to transfer of headquarter	—	55
Loss on write-down of stored goods	351	—
(Increase) decrease in accounts receivable	46	(1,002)
(Increase) decrease in inventories	774	(631)
Decrease in accounts payable-trade	(138)	(229)
Increase (decrease) in accounts payable-other	(77)	150
Increase in accrued expenses	7	4
(Decrease) increase in accrued consumption taxes	212	(157)
Other	446	83

	FY2007 (For the year ended August 31, 2007)	FY2008 (For the year ended August 31, 2008)
Category	Amount	Amount
Subtotal	4,494	2,680
Interest and dividends received	86	20
Interest paid	(351)	(206)
Loss on cancellation of lease contracts	(51)	(43)
Income taxes paid	(2,048)	(1,019)
Other	(359)	(370)
Net cash provided by operating activities	1,771	1,061

(Millions of yen)

	FY2007 (For the year ended August 31, 2007)	FY2008 (For the year ended August 31, 2008)
Category	Amount	Amount
II Cash flows from investing activities		
Decrease in time deposits	2	—
Purchases of property and equipment	(3,278)	(1,234)
Proceeds from sales of property and equipment	88	25
Purchases of intangible assets	(164)	(257)
Proceeds from sales of intangible assets	0	—
Purchases of investment securities	(1)	(1)
Proceeds from distribution of investments securities	—	1,519
Short-term loans made	—	(74)
Proceeds from sales of memberships	1	—
Proceeds from purchase price reduction of subsidiary's stock	154	—
Other	(96)	(82)
Net cash used in investing activities	(3,294)	(103)

(Millions of yen)

	FY2007 (For the year ended August 31, 2007)	FY2008 (For the year ended August 31, 2008)
Category	Amount	Amount
III Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(99)	392
Proceeds from long-term debt	—	1,601
Repayment of long-term debt	(6,554)	(3,345)
Proceeds from issuance of common stock	66	52
Cash dividends paid	(94)	(0)
Net cash used in financing activities	(6,681)	(1,299)
IV Effect of exchange rate changes on cash and cash equivalents	86	(16)
V Net change in cash and cash equivalents	(8,117)	(357)
VI Cash and cash equivalents at beginning of year	13,789	5,672
VII Decrease in cash and cash equivalents resulting from changes in scope of consolidation	—	(2)
VIII Cash and cash equivalents at end of year	5,672	5,312

6. 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, operating income and total assets.

b. Geographical Segments

Geographical segment information, which is classified by location of the Group's entities, for the years ended August 31, 2007 and 2008, is summarized as follows.

FY2007 (Year ended August 31, 2007) (Millions of yen)

	Japan	North America	Europe	Other	Total	Eliminations 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
Assets	7,970	28,373	3,980	272	40,597	3,834	44,432

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.

Note 4: Corporate assets included under "Eliminations and/or corporate" of ¥4,265 million principally consisted of funds for the management of surplus funds (cash and deposits) for the company, Link Theory Holdings (US) Inc. and Link Theory Holdings (Europe) GmbH.

FY2008 (Year ended August 31, 2008)

(Millions of yen)

	Japan	North America	Europe	Other	Total	Eliminations and/or corporate	Consolidated
Net sales:							
External customers	21,573	29,703	8,192	417	59,887	—	59,887
Inter-segment	903	1,794	—	—	2,697	(2,697)	—
Total	22,476	31,498	8,192	417	62,584	(2,697)	59,887
Operating expenses	18,877	29,654	9,688	400	58,621	(790)	57,830
Operating income (loss)	3,598	1,843	(1,496)	17	3,963	(1,906)	2,056
Assets	7,749	24,523	4,744	296	37,314	2,995	40,310

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

Note 2: “North America” includes primarily the United States, “Europe” includes primarily U.K., France and 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 ¥1,241 million and mainly consisted of administrative expenses such as accounting, human resources and general affairs.

Note 4: Corporate assets included under “Eliminations and/or corporate” of ¥3,680 million principally consisted of funds for the management of surplus funds (cash and deposits) for the company, Link Theory Holdings (US) Inc. and Link Theory Holdings (Europe) GmbH.

c. Overseas Sales

Overseas sales information, which is classified by location of the Group's customers, for the years ended August 31, 2007 and 2008 is summarized as follows:

FY2007 (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.

FY2008 (Year ended August 31, 2008)

(Millions of yen)

	North America	Europe	Other	Total
Overseas sales	29,313	8,209	1,282	38,805
Consolidated net sales	—	—	—	59,887
Overseas sales as a percentage of consolidated net sales (%)	49.0	13.7	2.1	64.8

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, U.K. and Austria, 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.

7. Sales by Brand

Sales by brand, which is classified by brand of the Group's entities, for the years ended August 31, 2007 and 2008 is summarized as follows.

(Millions of yen)

Brand	FY2007 (Year ended August 31, 2007)		FY2008 (Year ended August 31, 2008)		Difference	
	Amount	%	Amount	%	Amount	%
Theory Women's	40,845	68.7	41,256	68.9	411	1.0
Theory Men's	5,410	9.1	5,532	9.2	121	2.2
Rosner	7,542	12.7	6,334	10.6	(1,207)	(16.0)
Urbanholics	1,530	2.6	1,319	2.2	(211)	(13.8)
Proof (Kulson)	1,285	2.2	364	0.6	(921)	(71.6)
Other	2,803	4.7	5,079	8.5	2,276	81.2
Total	59,419	100.0	59,887	100.0	468	0.8

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

Note 2: Kulson has been taken over to new brand, Proof, in FY2007, and net sales have been summed up. In addition, Proof operation has been terminated at the end of fall/winter 2007.

Note 3: "Other" includes primarily Premise, Helmut Lang and PLS+T etc.