

Venture Link Co., Ltd.

Financial Report 2008 / Year Ended December 31, 2008



Business Profiles

The Venture Link group was founded on a policy of providing hands-on management consulting and valuable information to small-to-medium sized businesses nationwide on a philosophy of "revitalizing the Japanese economy through revitalizing small businesses." Our service has grown beyond providing such management resources, and the company has been focusing on finding profitable business concepts, creating franchise/license packages from them, and offering business opportunities to small enterprises through business matching.

It is our basic management policy to generate valuable products and services (business opportunities) as the "New Business Creator" and to train and develop human resources with leading management skills as the "Human Value Innovator", both for facilitating small businesses to continue growing by participating in the businesses Venture Link represents.

We are committed to creating values and returning them to all who hold a stake in our business, be they our customers, shareholders, vendors, employees or society in general.

The Venture Link group operates in the following five business segments.

1) Membership/Financial Service Segment

Services include providing management information and business matching opportunities to small and medium sized business owners among the network created through alliances with financial institutions nationwide. The company has been promoting this segment since its inception that serves as the infrastructure for all businesses. In recent years, "Life Salon", an insurance retail business, and "Tempo Sonomama Auction", a real estate business, both started as business partners with financial institutions.

2) Foodservice Segment

Services encompass franchisee development and store management consulting (supervising) provided on behalf of franchisers outside the group, licensing

foodservice concepts ("Chin-Ma-Ya" brand) and operations of home meal replacement concepts and BBQ restaurants ("Ichigyū" brand) targeting family customers. This segment has been substantially downsized through closure of "Ichigyū" restaurants, termination of alliance with Fujio Food System and a former director's MBO of "Chin-Ma-Ya" business during restructuring.

3) Education Segment

The "7 Habits for Juniors®" program has been among prep-schools and private middle and high schools to promote character educations. Small businesses are offered an opportunity for a new entry into education business through participating in ITTO Kobetsu Shido Gakuin franchise. The segment also offers e-learning contents to promote academic skills for middle and high school students.

4) New Brand Segment

The segment includes newer business concepts under the research and development phase including "Curves Japan" (30 minute fitness for women only), "Takumi Hongo" (specialty food retail of soy products, rice, eggs and others), "Chokubai Norenkai" (support of sales expansion for food manufacturers) and "Missionary" (cosmetic retail). Under the restructuring plan, Venture Link has sold all the shares of Curves Japan whereby Curves Japan has been excluded from a consolidated reporting since the 4th quarter of the current fiscal year.

5) Other Business Segment

The segment includes peripheral services related to franchise businesses such as venture capital, lease and sales promotions using mobile communication devices. New services were recently added to sell mobile telephones and office equipment and provide website design and construction under the policy to return to the company's original business concept of "providing beneficial information and products" to small and medium sized companies.

Venture Link Financial Report 2008

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Financial Highlights

	Millions of yen					Thousands of U.S. dollars(Note1)
	Year ended May 31,		Seven months ended December 31,	Year ended December 31,		Year ended December 31,
	2005	2006	2006	2007	2008	2008
For the Period						
Operating revenue	¥15,866	¥14,771	¥10,688	¥19,672	¥13,302	\$148,460
Operating income (loss)	(1,974)	507	365	11	(6,241)	(69,654)
Net income (loss)	(2,566)	615	167	(88)	(8,918)	(99,531)
At end of period						
Total assets	¥14,571	¥15,506	¥16,893	¥15,712	¥5,573	\$62,199
Net assets	8,766	9,734	10,942	9,853	473	5,279
Per share data (in Yen and U.S.dollars)						
Net assets	¥68.8	¥76.4	¥78.4	¥74.9	¥3.4	\$37.9
Net income (loss)						
Basic	(21.2)	4.8	1.3	(0.7)	(70.0)	(781)
Diluted	-	4.8	1.3	-	-	-
Cash dividends	-	-	-	-	-	-

Notes

- Figures appearing in the table were extracted from financial data filed with the Ministry of Finance and/or publicly announced in Japan which were prepared in conformity with accounting principles and practices generally accepted in Japan which may be different in certain respects from International Accounting Standards or accounting standards generally accepted in the United States of America.
- During the year ended May 31, 2004, the Company issued 14,639,300 shares by private placement to a third party on November 29, 2003, and 1,250,000 shares by private placement to a third party on December 27, 2003.
- During the year ended May 31, 2005, the Company issued 3,024,600 shares by private placement to a third party on June 23, 2004, and 37,036,800 shares by private placement to a third party on July 29, 2004.
- FY 12/2006 had only 7 months in the period due to a change of the fiscal year end.
- Exchange rate of 89.6 Yen per dollar (as of the end of January 2009) was used for the currency conversion.

Operations Overview

Operating results

The economy in Japan during the period in review has seen overall slowdown with substantial decline in corporate earnings, particularly in export segment, due to the global economic recession and abrupt strengthening of Japanese Yen, shrinkage in consumers' expenditures and sluggish capital investments by businesses. Small business sectors being our primary customers are not exceptions in suffering from the negative impact, which is further amplified by limited availability of financing from banks. All these factors placed the group in continued struggles.

Based on the management judgment that the group's initial plan in developing franchisees as a vital part of earnings would be adversely affected under the circumstances, and such conditions would be prolonged for a lengthy period, the company has set a direction for business restructuring through comprehensive overhaul of the sales force and the cost structures.

In reviewing the sales force structure, the company restructured the group focusing on future earnings potential of each business and stronger balance sheet through transfer and/or discontinuance of certain businesses, implemented MBO by certain management members, and promoted a rapid return to its original business model of providing management information and support to small businesses. In the process of a shift of the group's merchandizing policy from developing company owned products to exploiting products through alliances with other business partners, the company has identified new products suitable to support our clients' primary business and cost savings. Such new products include sale of cellular phone and office equipment, and website development services for small businesses. While these initiatives have started in the second half of the fiscal year, a loss of revenues caused by the group restructuring has not been sufficiently recovered, whereby the revenues for the period have ended with a substantial shortage against the initial plan.

As for the cost structures, we focused on reducing overhead expenses by shedding payrolls through implementing a voluntary retirement program and reduction/closure of office space in our attempt to be breakeven after the group restructuring has been completed. The company also implemented downward

adjustments and partial cut in salary for management levels above executive directors. Our efforts also included employee transfers to some alliance business partners in order to achieve a breakeven while maintaining employment within the group to the possible extent. Through these restructuring measures, the number of employees in the group dropped 376 from 1,057 in the beginning of the fiscal year to 681 employees at the year end. Venture Link on the non-consolidated basis saw the reduction of 232 employees from 550 to 318 employees in the same period. These are expected to bring about a substantial decrease in overhead expenses in coming fiscal years.

Notwithstanding the efforts above, the company was forced to post increased bad debt expenses caused by turmoil in the general economy, evaluation loss of investment securities due to weak market and other extraordinary losses from business transfers and discontinuance during the group restructuring, loss from office relocation and impairment loss on fixed assets. All these factors attributed to operating loss, ordinary loss and net loss that are all substantially larger than the initial plan.

Consequently, the overall consolidated revenues of the group for the fiscal year were ¥13,302 million (32.4% down from the previous year), operating loss was ¥6,241 million (compared to ¥11 million operating income in the previous year), ordinary loss was ¥7,198 million (¥339 million ordinary income in the previous year), and net loss for the period was ¥8,918 million (¥88 million loss in the previous year).

Business Segments

	(¥ million)	
	Revenues	Operating Income
Membership/ Financial Services	3,483	(2,268)
Foodservice	2,378	(1,370)
Education	1,231	(1,526)
New Brands	5,117	(1,062)
Other Business	1,093	(15)
Total	13,302	(6,241)

1) Membership/Financial Service

The segment has been supporting financial institutions with all resources available throughout the group under the mission of contributing to the growth and prosperity of local small and medium sized enterprises as the partner of local financial institutions. The number of

Operations Overview

financial institutions in alliance decreased three during the fiscal year and ended with 148 institutions. The initial plan to develop and open “Life Salon” franchisees was substantially hampered by weak performance of the existing locations. The “Car Link brand (automobile related business) also failed to meet the expectations in one-time fee incomes (license fee incomes) being an essential part of revenues, while recurring fee incomes (membership fees, royalty fees and merchandize margins) were on the plan. Revenues were ¥3,483 million, 73.0% of the previous fiscal year, and failed to cover the headquarters overhead expenses for “Life Salon” franchise, resulting in operating loss of ¥2,268 million (compared to operating income of ¥780 million in the previous year).

2) Foodservice

The number of franchisee units generating royalty fee income decreased from 611 to 579 units during the fiscal year offsetting 20 new openings. Slower consumer spending causing lower than expected sales performance as well as the decreased number of units generating supervising fee incomes have both attributed to the drop in recurring fee incomes (royalty fee incomes). Licensee development of “Chin-Ma-Ya” brand was also short of the plan, causing a sharp decline in one-time fee incomes. The segment revenues were ¥2,378 million, or 56.1% of the previous year. The shortage of revenues was the main reason for the operating loss of ¥1,370 million for the segment (compared to operating income of ¥254 million in the previous year).

“Ichigyu” brand was discontinued in the fourth quarter as its performance recovery was no longer promising. The supervising service contract with Fujio Food Systems has ended at the end of the fiscal year, and the “Chin-Ma-Ya” brand left the group with the MBO by one of the executive directors. All these events have substantially downsized the segment while some company-owned units remain in operation.

3) Education

The number of classrooms offering “7 Habits for Juniors ®” by FC Education, a wholly-owned subsidiary, increased 66 to 717 classrooms at the end of the fiscal year. While the monthly average number of enrolled students for the program increased from 12,740 to 14,856 students over a year, the total number enrolled at the end of the year dropped from 17,030 to 16,438. Various measures were taken to improve the segment earnings including transferring employees to an alliance

company in the fourth quarter. Nonetheless, the inflated development costs for the e-Learning program during its start-up phase and increase in bad debt expenses brought about an increase in overhead expenses. The revenues for the segment were ¥1,231 million, or 60.1% compared to the previous year and operating loss was ¥1,526 million (compared to operating loss of ¥140 million in the previous year).

4) New Brands

All shares in Curves Japan as the franchiser of “Curves” brand were sold in the process of business restructuring and the brand was removed from the consolidated reporting in the fourth quarter. This has attributed to the substantial drop in the total number of units in the segment including retail services from 1,155 down to 435 locations at the end of the fiscal year. Additionally, slower consumer spending hampered royalty fee incomes coming from overall sales in “Takumi Hongo” brand by Takumi Hongo Co., Ltd. and “Chokubai Norenkai” brand by Chokubai Norenkai Co., Ltd., both consolidated subsidiaries, and slower development of Chokubai Norenkai franchisees affected one-time fee incomes. The cost cutting efforts in certain franchise brands including “Missionary”, a cosmetic retail service, since the beginning of the year did not cover the shortage in revenues. Revenues were ¥5,117 million, or 72.4% of the previous year, and operating loss was ¥1,062 million (compared to operating loss of ¥866 million in the previous year).

5) Other Business

Focus was placed on development of new products and services for supporting small business owners and providing them with products for cost cutting including cellular phone, office equipment and website development services through an alliance with providers. Development of franchisees for “Fabrica” brand (automobile repair, body shop and paint service) was slower than the initial plan, resulting in revenues for the segment ¥1,093 million, or 70.7% of the previous year. With the reduction in overhead expenses by strategically transferring workforce in this segment to the Membership/Financial service segment, operating loss for this segment ended with ¥14 million (¥17 million operating loss in the previous year).

Operations Overview

Financial Position

1) Assets

Total assets at the end of the fiscal year were ¥5,573 million with a decrease by ¥10,139 million from ¥15,712 million at the end of the previous fiscal year. Main factors for this decrease included a decrease in cash and bank deposits by ¥3,901 million, a decrease in notes receivable and accounts receivable by ¥1,445 million, a decrease of ¥803 million in investment securities after disposition and a decrease in tangible and intangible fixed assets by ¥2,214 million by posting impairment losses.

2) Liabilities

Total liabilities were ¥5,100 million at the end of the fiscal year with a decrease by ¥759 million from ¥5,859 million at the end of the previous year. While we saw increases in current borrowings by ¥231 million and other payable by ¥596 million, notes and accounts payable decreased by ¥557 million, advance received by ¥319 million, deposit received by ¥719 million and accrued employees' retirement benefits decreased by ¥108 million.

3) Shareholders' Equity

Net assets decreased by ¥9,380 million from ¥9,853 million to ¥473 million at the end of the fiscal year. This was the result of net loss of ¥8,918 million for the period and an unrealized loss of investment securities by ¥105 million. Shareholders' equity ratio was 7.7%.

Cash Flows

Cash and cash equivalents at the end of the fiscal year were ¥536 million showing a decrease of ¥3,957 million compared to the end of the previous year.

Net cash used in operating activities was ¥4,902 million. While net loss before tax for the period was ¥9,166 million, allowance for doubtful accounts increased ¥1,612 million, provision for office relocation loss increased ¥507 million and asset impairment loss of ¥2,071 million was posted for non-cash items, accounts receivable decreased by ¥628 million and other operational debts increased by ¥759 million.

Cash provided by investing activities was ¥1,306 million. While ¥843 million was used for loans and ¥921 million was used for acquisition of tangible and intangible fixed assets, ¥1,675 million was provided by sale of securities in subsidiaries causing a change in the scope of consolidation and ¥887 million was provided by collection of loans.

Cash used in financing activities was ¥327 million, resulting from current borrowing of ¥2,050 million and repayment of current borrowing of ¥2,523 million.

Main Group Companies (as of February 28, 2009)

■ Membership/Financial Services Segment	
M&A Auction Co., Ltd.	Operation of "Tempo Sonomama Auction"
VLDD Co. Ltd.	Strategy and evaluation of commercial properties
Link Trust Co., Ltd.	Franchiser of "Life Salon" brand
Seminar Link Co., Ltd.	Planning and operation of management seminars
■ Education Segment	
FC Education Co., Ltd.	Franchiser of "7 Habits for Juniors ®"
■ New Brands Segment	
Takumi Hongo Co., Ltd.	Franchiser of "Takumi Hongo" brand
Chokubai Norenkai Co., Ltd.	Sales support for food manufacturers
Ayamedo Co., Ltd.	Distribution of tofu and soy-related products
Venture Link Taiwan Co., Ltd.	Restaurant operation and Curves franchise in Taiwan
Venture Link Shenzhen Co., Ltd.	Restaurant operation in China
■ Other Business Segment	
Venture Link International, Inc.	International business and research
Link Investment & Consulting Corporation	Financing and consulting for franchisers
Link Agent Co., Ltd.	Recruiting and human resource consulting
Link Solution Co., Ltd.	Agents for cellphone subscription and office equipment

(*) "7 Habits ®" and "7 Habits for Juniors ®" are trademarks of Franklin Covey Company.

Consolidated Balance Sheets (Unaudited)

	(Millions of yen)		(Thousands of U.S.dollars)
	December 31, 2007	December 31, 2008	December 31, 2008
Assets			
Current assets;			
Cash and deposits	¥4,439	¥537	\$5,993
Notes and accounts receivable-trade	2,755	1,309	14,609
Operational investment securities	718	610	6,808
Allowance for investment loss	(490)	(518)	(5,781)
Operating loans	188	112	1,250
Short-term investment securities	181	—	—
Inventories	421	202	2,254
Prepaid expenses	370	266	2,969
Short-term loans receivable	813	531	5,926
Accounts receivable-other	211	553	6,172
Other	247	120	1,339
Allowance for doubtful accounts	(296)	(1,267)	(14,141)
Total current assets	9,557	2,455	27,400
Noncurrent assets;			
Property, plant and equipment			
Buildings and structures	1,298	1,172	13,080
Accumulated depreciation	593	1,052	11,741
Buildings and structures, net	705	120	1,339
Machinery and vehicles	132	87	971
Accumulated depreciation	106	83	926
Machinery and vehicles, net	26	4	45
Equipment	2,747	1,276	14,241
Accumulated depreciation	2,347	1,240	13,839
Equipment, net	400	36	402
Land	7	7	78
Total property and equipment	1,138	167	1,864
Intangible assets			
Goodwill	318	—	—
Software	1,220	311	3,471
Telephone subscription right	17	0	0
Total intangible assets	1,555	311	3,471
Investments and other assets			
Investment securities	1,473	670	7,478
Investments in capital	0	0	0
Long-term loans receivable	405	286	3,192
Long-term loans receivable for directors	—	770	8,594
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,217	1,103	12,310
Long-term prepaid expenses	389	129	1,440
Long-term accounts receivable-other	—	308	3,438
Lease and guarantee deposits	1,210	1,165	13,002
Other	311	216	2,411
Allowance for doubtful accounts	(1,543)	(2,007)	(22,400)
Total investments and other assets	3,462	2,640	29,464
Total noncurrent assets	6,155	3,118	34,799
Total assets	15,712	5,573	62,199

※The financial statements herein were translations from annual financial reports submitted to the Japanese Financial Services Agency.

Consolidated Balance Sheets (Unaudited)

	(Millions of yen)		(Thousands of U.S.dollars)
	December 31, 2007	December 31, 2008	December 31, 2008
Liabilities			
Current liabilities;			
Notes and accounts payable-trade	¥1,031	¥473	\$5,279
Short-term loans payable	20	251	2,801
Long-term loans payable-current	—	48	536
Accounts payable-other	876	1,473	16,440
Accrued expenses	290	228	2,545
Income taxes payable	307	79	882
Accrued consumption taxes	115	12	134
Deferred tax liabilities	8	1	11
Advances received	1,013	694	7,746
Deposits received	881	—	—
Provision for bonuses	86	54	603
Reserve for business restructuring	172	115	1,283
Reserve for costs associated with exit of business unit	—	147	1,641
Reserve for displacement	—	508	5,670
Other	27	223	2,489
Total current liabilities	4,826	4,306	48,058
Noncurrent liabilities;			
Bonds with subscription rights to shares	—	28	313
Long-term loans payable	71	67	748
Deferred tax liabilities	45	—	—
Provision for retirement benefits	157	48	536
Provision for loss on guarantees	24	—	—
Long-term accounts payable-other	1	—	—
Long-term deposits received	118	51	569
Long-term guarantee deposited	—	584	6,518
Other	617	16	179
Total noncurrent liabilities	1,033	794	8,862
Total liabilities	5,859	5,100	56,920
Net assets			
Shareholders' equity;			
Capital stock	13,225	13,225	147,600
Capital surplus	1	1	11
Retained earnings	(3,144)	(12,061)	(134,609)
Treasury stock	(626)	(626)	(6,987)
Total shareholders' equity	9,456	539	6,016
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	78	(28)	(313)
Foreign currency translation adjustment	4	(82)	(915)
Total valuation and translation adjustments	82	(110)	(1,228)
Minority interests	315	44	491
Total net assets	9,853	473	5,279
Total liabilities and net assets	15,712	5,573	62,199

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Consolidated Statements of Income (Unaudited)

	Millions of yen		Thousands of U.S.dollars
	For the year ended December 31, 2007	For the year ended December 31, 2008	For the year ended December 31, 2008
Operating revenue	¥19,672	¥13,302	\$148,460
Cost of sales	7,130	6,124	68,348
Gross profit	12,542	7,178	80,112
Selling, general and administrative expenses	12,531	13,419	149,766
Operating income	11	(6,241)	(69,654)
Non-operating income;			
Interest income	34	—	—
Dividends income	5	—	—
Gain on sales of investment securities	473	49	547
Income from lease	113	103	1,150
Other	98	168	1,875
Total non-operating income	723	320	3,571
Non-operating expenses;			
Foreign exchange losses	6	—	—
Equity in losses of affiliates	270	151	1,685
Cost of lease revenue	111	103	1,150
Provision of allowance for doubtful accounts	—	972	10,848
Other	8	51	569
Total non-operating expenses	395	1,277	14,252
Ordinary income	339	(7,198)	(80,335)
Extraordinary income;			
Gain on sales of noncurrent assets	1	—	—
Gain on sales of subsidiaries and affiliates' stocks	—	1,357	15,145
Gain on sales of investment securities	7	53	592
Reversal of reserve for business restructuring	30	—	—
Reversal of provision for loxx on guarantees	2	—	—
Revenue from cancellation of agreement	—	433	4,833
Reversal of allowance for investment loss	6	—	—
Reversal of reserve for displacement	6	—	—
Gain on bad debts recovered	30	—	—
Other	5	184	2,054
Total extraordinary income	87	2,027	22,623
Extraordinary loss;			
Loss on sales of noncurrent assets	3	—	—
Loss on retirement of noncurrent assets	8	—	—
Loss on valuation of investment securities	106	—	—
Loss on exit of business unit	—	859	9,587
Loss on displacement	—	918	10,246
Impairment loss	30	1,418	15,826
Overtime rate of previous period	41	—	—
Other	42	800	8,929
Total extraordinary losses	230	3,995	44,587
Income before income taxes and minority interests	196	(9,166)	(102,299)
Income taxes-current	273	78	871
Minority interests in income	11	(326)	(3,638)
Net income	(88)	(8,918)	(99,531)

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Consolidated Statements of Shareholders' Equity (Unaudited)

	Millions of yen		Thousands of U.S. dollars
	For the year ended December 31,2007	For the year ended December 31,2008	For the year ended December 31,2008
Shareholders' equity			
Capital stock			
Balance at the end of previous period	¥13,224	¥13,225	\$147,600
Changes of items during the period			
Issuance of new shares	1	—	—
Total changes of items during the period	1	—	—
Balance at the end of current period	13,225	13,225	147,600
Capital surplus			
Balance at the end of previous period	12,828	1	11
Changes of items during the period			
Issuance of new shares	1	—	—
Decrease in capital surplus reserve	(12,828)	—	—
Total changes of items during the period	(12,827)	—	—
Balance at the end of current period	1	1	11
Retained earnings			
Balance at the end of previous period	(15,884)	(3,144)	(35,089)
Changes of items during the period			
Net income	(88)	(8,918)	(99,531)
Decrease in capital surplus reserve	12,828	—	—
Increase due to exclusion from equity-method	—	1	11
Total changes of items during the period	12,740	(8,917)	(99,520)
Balance at the end of current period	(3,144)	(12,061)	(134,609)
Treasury stock			
Balance at the end of previous period	(626)	(626)	(6,987)
Changes of items during the period			
Purchase of treasury stock	(0)	(0)	0
Total changes of items during the period	(0)	(0)	0
Balance at the end of current period	(626)	(626)	(6,987)
Total shareholders' equity			
Balance at the end of previous period	9,542	9,456	105,536
Changes of items during the period			
Issuance of new shares	2	—	—
Net income	(88)	(8,918)	(99,531)
Purchase of treasury stock	(0)	(0)	0
Increase due to exclusion from equity-method	—	1	11
Total changes of items during the period	(86)	(8,917)	(99,520)
Balance at the end of current period	9,456	539	6,016

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Consolidated Statements of Shareholders' Equity (Unaudited)

	Millions of yen		Thousands of U.S. dollars
	For the year ended December 31,2007	For the year ended December 31,2008	For the year ended December 31,2008
Valuation and translation adjustments			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	¥436	¥78	\$871
Changes of items during the period			
Net changes of items other than shareholders' equity	(358)	(106)	(1,183)
Total changes of items during the period	(358)	(106)	(1,183)
Balance at the end of current period	78	(28)	(313)
Foreign currency translation adjustment			
Balance at the end of previous period	15	5	56
Changes of items during the period			
Net changes of items other than shareholders' equity	(11)	(87)	(971)
Total changes of items during the period	(11)	(87)	(971)
Balance at the end of current period	4	(82)	(915)
Total valuation and translation adjustments			
Balance at the end of previous period	451	83	926
Changes of items during the period			
Net changes of items other than shareholders' equity	(369)	(193)	(2,154)
Total changes of items during the period	(369)	(193)	(2,154)
Balance at the end of current period	82	(110)	(1,228)
Subscription rights to shares			
Balance at the end of previous period	0	—	
Changes of items during the period			
Net changes of items other than shareholders' equity	(0)	—	
Total changes of items during the period	(0)	—	
Balance at the end of current period	—	—	
Minority interests			
Balance at the end of previous period	948	315	3,516
Changes of items during the period			
Net changes of items other than shareholders' equity	(633)	(271)	(3,025)
Total changes of items during the period	(633)	(271)	(3,025)
Balance at the end of current period	315	44	491
Total net assets			
Balance at the end of previous period	10,941	9,854	109,978
Changes of items during the period			
Issuance of new shares	2	—	—
Net income	(88)	(8,918)	(99,531)
Purchase of treasury stock	(0)	(0)	0
Increase due to exclusion from equity-method	—	1	11
Net changes of items other than shareholders' equity	(1,002)	(464)	(5,179)
Total changes of items during the period	(1,088)	(9,381)	(104,699)
Balance at the end of current period	9,853	473	5,279

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Consolidated Statements of Cash Flows (Unaudited)

	Millions of yen		Thousands of U.S.dollars
	For the year ended December 31,2007	For the year ended December 31,2008	For the year ended December 31,2008
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	¥196	(¥9,166)	(\$102,299)
Depreciation and amortization	779	788	8,795
Increase (decrease) in allowance for doubtful accounts	(233)	1,612	17,991
Increase in provision for bonuses	22	6	67
Increase (decrease) in provision of employees' retirement benefit	42	(109)	(1,217)
Decrease in reserve for business restructuring	(36)	(57)	(636)
Increase in reserve for costs associated with exit of business unit	—	147	1,641
Increase in reserve for displacement	—	508	5,670
Amortization of goodwill	52	34	379
Interest and dividends income	(38)	(37)	(413)
Interest expenses	—	36	402
Equity in (earnings) losses of affiliates	270	151	1,685
Gain on sale of fixed assets	(1)	—	—
Loss on sale of fixed assets	3	—	—
Loss on retirement of noncurrent assets	8	104	1,161
Gain on sale of investment securities	(479)	(102)	(1,138)
Gain on sale of investment securities of affiliates	—	(1,357)	(15,145)
Loss on valuation of investment securities	106	259	2,891
Impairment loss	30	2,071	23,114
Decrease (increase) in notes and accounts receivable-trade	(477)	628	7,009
Decrease (increase) in inventories	(12)	(10)	(112)
Increase in accounts receivable-other	—	(361)	(4,029)
Decrease in deposits	—	(473)	(5,279)
Increase (decrease) in notes and accounts payable-trade	176	(218)	(2,433)
Decrease (increase) in advance received	(593)	(142)	(1,585)
Increase in other operating liabilities	92	760	8,482
Decrease in provision for loss on guarantees	(2)	(21)	(234)
Increase in long-term deposits	19	—	—
Increase (decrease) in allowance for investment loss	(6)	28	313
Decrease in Operational investment securities	152	—	—
Decrease in Operational loans	100	—	—
Other, net	(1)	318	3,549
Subtotal	169	(4,603)	(51,373)
Interest and dividends income received	38	39	435
Interest expenses paid	—	(36)	(402)
Income taxes paid	(217)	(302)	(3,371)
Net cash used in operating activities	(10)	(4,902)	(54,710)

※The financial statements herein were translations from annual financial reports submitted to the Japanese Financial Services Agency.

Consolidated Statements of Cash Flows (Unaudited)

	Millions of yen		Thousands of U.S.dollars
	For the year ended December 31,2007	For the year ended December 31,2008	For the year ended December 31,2008
Net cash provided by (used in) investing activities			
Payments into time deposits	(100)	—	—
Proceeds from withdrawal of time deposits	—	125	1,395
Purchase of intangible assets	(1,383)	(922)	(10,290)
Proceeds from sales of property, plant and equipment and intangible assets	4	22	246
Purchase of investment securities	(198)	(61)	(681)
Proceeds from sales of investment securities	575	374	4,174
Expenditures for purchase of shares in new subsidiaries	(46)	—	—
Proceeds from acquisition of shares in new subsidiaries	28	—	—
Purchase of additional shares in subsidiaries	(50)	(6)	(67)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	1,675	18,694
Proceeds from reimbursement of investment securities	18	20	223
Payments of loans receivable	(1,068)	(844)	(9,420)
Collection of loans receivable	471	887	9,900
Collection of bankruptcy and delinquent receivables	47	39	435
Purchase of long-term prepaid expenses	(125)	(97)	(1,083)
Proceeds from collection of lease and guarantee deposits	179	278	3,103
Proceeds from redemption of securities	—	78	871
Other, net	(81)	(262)	(2,924)
Net cash (used in) provided by investing activities	(1,729)	1,306	14,576
Net cash provided by (used in) financing activities			
Proceeds from stock issuance to minority shareholders	—	270	3,013
Repayments to minority shareholders	(6)	—	—
Cash dividend paid for minority shareholders	(630)	(210)	(2,344)
Increase in short-term loans payable	—	2,050	22,879
Decrease in short-term loans payable	(10)	(2,524)	(28,170)
Proceeds from long-term loans payable	—	122	1,362
Repayment of long-term loans payable	—	(63)	(703)
Proceeds from issuance of bonds	—	28	313
Proceeds from issuance of common stock	1	—	—
Purchase of treasury stock	(0)	(0)	(0)
Net cash used in financing activities	(645)	(327)	(3,650)
Effect of exchange rate change on cash and cash equivalents	(7)	(34)	(379)
Net increase (decrease) in cash and cash equivalents	(2,391)	(3,957)	(44,163)
Cash and cash equivalents at beginning of period	6,884	4,493	50,145
Cash and cash equivalents at end of period	4,493	536	5,982

※The financial statements herein were translations from annual financial reports submitted to the Japanese Financial Services Agency.

Corporate Data (as of December 31, 2008)

■ Company name	Venture Link Co., Ltd.
Head office	1-5-10 Kotobuki, Taito-ku, Tokyo, Japan 111-8608
Capital	¥13,225,040,000
Incorporated	March 1, 1986
No. of employees	318 employees (681 on a consolidated basis)

(Note) Capital has been increased by ¥1,184,000,000 to ¥14,409,040,451 with the third party allocation on March 13, 2009, and exercise of the warrant on June 23, 2009.

- Main Lines of Business
- Providing business information on opportunities, products and technology
 - Publishing of magazine and various other publications
 - Planning and operations of new business training and seminars
 - Operations of franchise headquarters
 - Recruiting and training / education of franchisees for headquarters

■ Board of Directors (as of March 31, 2009)

Directors		Auditors	
Nobuhiko Matsumoto	President	Kiichiro Fukai	Full time auditor
Keishi Ishigaki	Director	Yoji Terasaki	Auditor
Junetsu Ishikawa	Director	Nobuyuki Fukui	Auditor
Toshiyuki Matsudaira	Director	Isamu Kobori	Auditor
Yukinari Hamano	Director		

- Branch Offices
- Asakusabashi Office Higashi-Nihonbashi, Chuo-ku, Tokyo
 - Sendai Branch Aoba-ku, Sendai-shi, Miyagi
 - Nagoya Branch Kita-ku, Nagoya-shi, Aichi
 - Osaka Branch Kita-ku, Osaka-shi, Osaka
 - Fukuoka Branch Hakata-ku, Fukuoka-shi, Fukuoka
 - Sapporo Sales Office Chuo-ku, Sapporo-shi, Hokkaido
 - Hiroshima Sales Office Naka-ku, Hiroshima-shi, Hiroshima

Contact Information

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Tel : +81-3-5827-7211

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<http://www.venture-link.co.jp>

In English-

Venture Link International, Inc., USA

Tel : +1-310-477-4416

Fax : +1-310-477-7656

E-mail : murai@vlusa.com

Shareholder Data (as of December 31, 2008)

- Stock authorized to be issued; 287,844,000 shares
- Stock issued and outstanding; 127,932,223 shares
- Number of shareholders; 19252

(*) As of June 30, 2009, the number of authorized share is 400,000,000 shares, and of the outstanding shares is 275,932,223 shares.

Major Shareholders	No. of Shares	% of Shares
Gyosei Co., Ltd.	15,954,900	12.52%
NIS Lease Co., Ltd.	12,285,400	9.64%
Tadashi Kobayashi	5,015,600	3.93%
Japan Trusty Service (Trust 4G)	3,677,100	2.88%
Link Consulting Associates-Japan Corporation	3,185,000	2.50%
Pershing Div of Donaldson, Lufkin and Jenrette SEC Corporation	1,700,000	1.33%
UBS AG Singapore	1,300,000	1.02%
Kozato Yoko	1,270,000	0.99%
Yashima Industry Co., Ltd.	920,000	0.72%
Eiji Fujii	884,500	0.69%

(*) the largest shareholder is NIS Partners Fund #1 Investment Partnership (127,000,000 shares) and the second largest shareholder is HIKARI TSUSHIN, INC.(21,000,000 shares), after the third party allocation on March 13, 2009, and exercise of warrant on June 23, 2009.

- Stock ownership breakdown

Individuals and other	59.8%
Domestic firms	27.6%
Foreign firms, individual	5.6%
Financial institutions	4.9%
Security firms	2.1%

TOPICS

* Equity/business alliance agreement is entered on February 25, 2009

The company resolved to enter equity/business alliance agreements with Incubator Bank of Japan and NIS Partners Fund #1 Investment Partnership, and to issue new shares and new share subscription rights based on the agreements. The company also allocated new shares to HIKARI TSUSHIN, INC. who has been providing operational and financial support since the second half of the previous fiscal year. These alliances will not only enhance the equity structure, but also emerge maximum synergy effects in mutual operations which are expected to allow expansion of earnings opportunities.

* The third party allocation (March 13, 2009)

Financed amount: 1,312 million Yen (16 Yen per share)
 Number of shares issued through the allocation: 82,000,000 shares (39% of total voting rights after the allocation)
 Allocated to: NIS Partners Fund #1 Investment Partnership (61,000,000 shares),
 HIKARI TSUSHIN, INC. (21,000,000 shares)

* Issuance of new share subscription rights (March 31, 2009)

Financed amount: none
 Number of new share subscription rights: 660,000 rights
 Exercise price: initially 16 Yen per share
 Financed amount after exercise of the rights: 1,056 million Yen
 Number of new shares after exercise of full rights: 66,000,000 shares (23.9% of total voting rights after the exercise of rights)
 Allocated to: NIS Partners Fund #1 Investment Partnership (660,000 rights)