



## Financial Result Summary (Consolidated) for the 1st Quarter of the Fiscal Year Ending August 2006

January 11, 2006

Listed company name: Link Theory Holdings Co., Ltd.

Code: 3373 (TSE Mothers)

(URL <http://www.link-theory.com/>)

Representative: President & CEO, Chikara Sasaki

Person to contact with inquiries: Director and Group CFO, Hidetsugu Onishi

TEL: (03) 3407-7502

### 1. Matters related to the preparation of the quarterly consolidated financial data

#### ① Standards for preparing quarterly consolidated financial statements

Standards for interim consolidated financial statements

#### ② Change in accounting methods from the most recent consolidated accounting year

None

#### ③ Changes in the scope of consolidation and equity accounting

Yes

(Details) Newly consolidated 8 companies

- Theory Leesburg LLC
- Theory Round Rock LLC
- Theory Woodbury II LLC
- Theory Forum Shops LLC
- Theory Atlanta LLC
- Theory Sawgrass Mills LLC
- Theory Camarillo, Inc.
- Link Theory Holdings (Europe) GmbH

#### ④ Involvement of accounting auditor

Yes

The quarterly consolidated financial statements have undergone the procedures for expressing opinions based on the “Standards for Expressing Opinions in Quarterly Financial Statements,” which are stipulated in the attachment to the Tokyo Stock Exchange’s “Handling of Rules for the Timely Disclosure of Corporate Data by Listed Securities Issuers.”

### 2. Summary of financial results for the 1st Quarter of the FY ending August 2006 (September 1, 2005 – November 30, 2005)

#### (1) Progress of the consolidated operating results

(Amounts shown are rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income		Quarterly net income	
	(Million yen)	%	(Million yen)	%	(Million yen)	%	(Million yen)	%
FY2006, 1st Quarter	10,879	—	2,037	—	2,121	—	1,200	—
FY2005, 1st Quarter	—	—	—	—	—	—	—	—
(Reference) FY2005	35,646		4,644		4,602		2,586	

	Quarterly net income (loss)/share		Diluted quarterly net income per share	
	(Yen)	(Sen)	(Yen)	(Sen)
FY2006, 1st Quarter	8,221	34	7,423	5
FY2005, 1st Quarter	—		—	
(Reference) FY2005	40,654	62	39,472	92

(Notes) 1. A two-for-one stock split was effected on October 20, 2005, and the quarterly net income per share was calculated as if the stock split had been done at the beginning of the term.

2. Average number of shares during the term

FY2006, 1st Quarter 145,981 shares

FY2005 61,396 shares

3. Results and ratios for the same quarter of the last year are not shown because accounts were not settled in the first quarter of the last consolidated accounting year.

<Qualitative data regarding the progress of consolidated operating results>

Fall collection sales started off slowly due to weather conditions in the first half of the first quarter accounting period, so sales in both Japan and the United States were below forecast. In the second half of the quarter, however, due to sales efforts such as adjustments in merchandising and external factors such as the onset fall and winter, demand for products in our basic line returned to normal and sales grew steadily, led by products with high unit prices. In addition, we started full-scale development of the retail business in the United States, which is going well and performed beyond the initial forecast.

As a result of the above, net sales were JPY10,879 million, ordinary income was JPY2,121 million, and 1st quarter net income was JPY1,200 million for the first quarter accounting period of FY2006.

(2) Consolidated financial condition (Amounts shown are rounded down to the nearest million yen.)

	Total assets	Shareholders' equity	Equity ratio	Equity per share	
	(Million yen)	(Million yen)	%	(Yen)	(Sen)
FY2006, 1 <sup>st</sup> Quarter	29,262	17,290	59.1	118,422	92
FY2005, 1 <sup>st</sup> Quarter	—	—	—	—	—
(Reference) FY2005	28,258	16,247	57.5	221,379	22

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

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

FY2006, 1 <sup>st</sup> Quarter	146,008 shares
FY2005	72,984 shares

3. Results for the same quarter of the last year are not shown because accounts were not settled in the first quarter of the last consolidated accounting year.

(3) Consolidated cash flow (Amounts shown are rounded down to the nearest million yen.)

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Balance of cash and cash equivalents at the end of the term
	(Million yen)	(Million yen)	(Million yen)	(Million yen)
FY2006, 1 <sup>st</sup> Quarter	(-399)	(-390)	(-483)	9,549
FY2005, 1 <sup>st</sup> Quarter	—	—	—	—
(Reference) FY2005	3,325	(-1,288)	7,189	10,818

(Note) Since accounts were not settled in the first quarter of the last consolidated accounting year, results for the same quarter of the last year are not shown.

<Qualitative data on changes in the consolidated financial condition>

① Changes in financial condition

Total assets at the end of this first quarterly consolidated accounting period increased by JPY1,003 million compared with the end of the last consolidated accounting year due to an increase in accounts receivable resulting from an increase in sales and due to an increase in wholesale assets. Liabilities decreased by JPY46 million compared with the end of the last consolidated accounting year due to the repayment of interest-bearing debt. Equity increased by JPY1,043 million compared with the end of the last consolidated accounting year due to the first quarter net income this year.

② Cash flow

Cash and cash equivalents decreased by JPY1,269 million compared with the end of the last consolidated accounting year.

Cash used in operating activities was JPY399 million. This was due to an increase of JPY1,463 million in accounts receivable and payment of JPY858 million in corporate taxes, which offset a before-tax first quarter net income of JPY2,039 million.

Cash used in investing activities was JPY390 million. This was primarily due to the acquisition of tangible and intangible fixed assets for JPY387 million.

Cash used in financing activities was JPY483 million. This was primarily due to JPY390 million in repayments of long-term debt and JPY91 million in dividend payments.

3. Consolidated earnings results forecast for the FY ending August 2006 (September 1, 2005 – August 31, 2006)

	Net sales	Ordinary income	Net income
	(Million yen)	(Million yen)	(Million yen)
Interim	21,245	2,705	1,465
Annual	47,510	4,573	2,552

(Reference) Estimated net income per share (annual) JPY17,478.49

<Qualitative data relating to the earnings result forecast>

The Company bought out Schleicher Holding in November of the first quarter consolidated accounting period. Rosner (Germany) is a subsidiary of Schleicher Holding. This laid the foundation for accelerating the development of Theory business in Europe. As a result, the Company's consolidated earnings result forecast will change as follows.

Adding sales at Rosner for approximately 2 months of the interim and 8 months of the full year, our net sales are expected to be JPY21,245 million (up 5.6% from the forecast of JPY20,123 million at beginning of term) and JPY47,510 million (up 14.1% from the forecast of JPY41,642 million at beginning of term), respectively.

Interim ordinary income and interim net income are expected to be JPY2,705 million (up 6.3% from the forecast of JPY2,545 million at the beginning of the term) and JPY1,465 million (up 0.2% from the forecast of JPY1,462 million at the beginning of the term), respectively, due to the impact of foreign exchange gains on yen-denominated loans between affiliated companies. In addition, annual ordinary income and annual net income are expected to be JPY4,573 million (down 7.9% from the forecast of JPY4,965 million at the beginning of the term) and JPY2,552 million (down 5.7% from the forecast of JPY2,707 million at the beginning of the term). This was due to the amortization of trademarks and the consolidated adjustment account in connection with the acquisition of Schleicher Holding, anticipated expenses for starting up Theory Europe, and the increase in general administrative expenses in connection with the recording of acquisition related expenses.

In this period, the European business, which is primarily a wholesale business, was consolidated for only 8 months of the current term, and those 8 months did not include profitable fall-winter season. Because of this and special factors such as acquisition-related expenses and anticipated expenses, the European business to be consolidated during this term is expected to record an operating deficit. As a result, we need to revise our consolidated operating income forecast downward. However, these special factors will no longer exist from next year onward, and the European business is expected to make a stable, positive contribution to consolidated earnings results.

The estimated figures above have been forecasted based on information obtainable at the time of the presentation of this material and actual results may differ from the estimated figures above due to changes in various factors.