

# LTH

## FISCAL YEAR 2007 1Q RESULTS

2007.1

LINK THEORY HOLDINGS CO., LTD.

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## I Fiscal 2007 Q1 Earnings Results

Link Theory Holdings Co., Ltd.

Hidetsugu Onishi, Director and Group CFO

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## ■ Consolidated P/L Statement

Sales 16.5 bn (+52.2% YoY)

Operating Income 1.5 bn (▲25.1% YoY)

(Mil. JPY)

	FYE2007 1Q results	FYE2007 1Q forecast	FYE2006 1Q results	against forecast (%)	against last year (%)
Net Sales	16,556	16,605	10,879	99.7%	152.2%
Gross Profit	8,735	8,972	6,126	97.4%	142.6%
(Gross margin)	52.8%	54.0%	56.3%	-1.3	-3.6
Operating Income	1,526	1,668	2,037	91.5%	74.9%
(Operating margin)	9.2%	10.0%	18.7%	-0.8	-9.5
Ordinary Income	1,695	1,803	2,121	94.0%	79.9%
Net Income	720	920	1,200	78.3%	60.0%
EBITDA	2,144	2,287	2,299	93.7%	93.2%
EBITDA margin	12.9%	13.8%	21.1%	-0.8	-8.2

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## ■ Sales and Gross Profit

### ■ Sales increased by 5.67 bn (+52.2% YoY) to 16.5 bn

- Rosner consolidated\* 3.37 bn
- US operations 1.89 bn
- Japan operations 0.59 bn

### ■ Gross profit increased by 2.6 bn (+42.6% YoY)

### ■ Gross margin 52.8% (last year: 56.3%)

- Gross margin continues to be affected by lackluster performance by Rosner operations

※Rosner acquired in November 2005, no comparable data in last year

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## ■ Operating Income

- Consolidated operating income decreased by 510 Mil YoY; contributing factors included:

- US

- ▲ 230 Mil

- ( New initiatives (Helmut Lang etc.) ▲200 Mil
  - Rent costs doubled ▲220 Mil

- Japan

- ▲ 50 Mil

- Amortization of acquisition premium

- ▲ 290 Mil

(Regional Breakdown of Operating Income)

(100Mil. JPY)

	FYE2007 1Q results	FYE2006 1Q results
Japan (note)	7.4	7.9
US	11.4	13.7
Europe	1.3	-
Asia	-0.3	0.3
Subtotal	19.7	21.9
Amortization of acquisition premium	-4.4	-1.5
Consolidated Operating Income	15.3	20.4

(Note) Includes Group mgmt exp. (172 mil) in FYE2007 to make it comparable with FYE2006 results

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## ■ Performance by Region (Japan)

Increased sales in casual business result in slightly lower gross margin

(Mil. JPY)

	FYE2007 1Q results	FYE2006 1Q results	against last year (%)	(Ref) FYE2007 1Q results (excl. Group Mgmt. exp.)
Net Sales	5,911	5,319	111.1%	5,911
Gross Profit	3,188	2,910	109.5%	3,188
(Gross margin)	53.9%	54.7%	-0.8	53.9%
Operating Income	735	792	92.7%	907
(Operating margin)	12.4%	14.9%	-2.5	15.4%
Ordinary Income	827	805	102.6%	999
Income before taxes	815	724	112.7%	988

(Note) Includes Group mgmt exp. in LTH, excludes Mgmt fee from net sales paid by subsidiaries since this fiscal year

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## ■ Performance by Region (US)

Sales: wholesale & retail businesses continued growth

Gross margins went up due to increased retail sales

	FYE2007 1Q results	FYE2006 1Q results	against last year (%)	Dif. (last year)			(Mil. JPY)
					Dif. by Forex	Dif. other than Forex	against last year (dollar base) (%)
Net Sales	7,605	5,707	133.3%	1,898	326	1,572	127.6%
Gross Profit	4,227	3,129	135.1%	1,097	181	916	129.3%
(Gross margin)	55.6%	54.8%	0.7	-	-	-	0.7
Operating Income	1,138	1,366	83.3%	-227	101	-329	77.1%
(Operating margin)	15.0%	23.9%	-9.0	-	-	-	-9.5
Ordinary Income	1,246	1,412	88.2%	-166	222	-389	81.9%
Income before taxes	1,209	1,412	85.6%	-203	221	-424	79.4%

(Note) Includes royalty income, excludes amortization of acquisition premium from SG&A, excludes mgmt fee paid to holding co.  
Exchange rate (JPY) 116.25 111.26

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## ■ Performance by Region (Europe)

Gross margin went down due to discount sales

179 Mil in restructuring exp. as extraordinary loss

	FYE2007 1Q results	FYE2006 1Q results	against last year (%)
Net Sales	3,372	-	-
Gross Profit	1,301	-	-
(Gross margin)	38.6%	-	-
Operating Income	130	-	-
(Operating margin)	3.9%	-	-
Ordinary Income	99	-	-
Income before taxes	-79	-	-

(Note) Excludes amortization of acquisition premium from SG&A  
Exchange rate (JPY) 148.17

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## ■ Non-Operating & Extraordinary Items (Mil. JPY)

### Non-operating income

Non-Operating Income total	281
(Main item)	
Foreign exchange gain	250
Interest and dividend income	14

### Extraordinary loss

Extraordinary loss total	227
(Main item)	
Allowance for restructuring expense	179
Loss on extinguishment of debt financing	37

### Non-operating expenses

Non-Operating expenses total	112
(Main item)	
Interest expense	105

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## ■ Consolidated Balance Sheet

Repaid subsidiaries' debt with funds raised by convertible bonds  
issuance

(Mil. JPY)

	Nov-06	ratio	Aug-06	ratio	Change (%)	Change (amount)
Current assets	23,616	47.2%	29,205	53.3%	80.9%	-5,588
Fixed assets	26,433	52.8%	25,580	46.7%	103.3%	852
Total assets	50,050	100.0%	54,786	100.0%	91.4%	-4,736
Current liabilities	11,339	22.7%	13,274	24.2%	85.4%	-1,934
Long-term liabilities	19,995	39.9%	23,656	43.2%	84.5%	-3,660
Total liabilities	31,335	62.6%	36,930	67.4%	84.9%	-5,594
Net assets	18,714	37.4%	17,855	32.6%	104.8%	858
Total liabilities and net assets	50,050	100.0%	54,786	100.0%	91.4%	-4,736

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## ■ Consolidated Cash Flow

Operating activities: ▲1.92 bn due to increase in accounts receivable etc.  
 Financing activities: ▲5.62 bn due to repayment of subsidiaries' debt

	FYE2007 1Q	FYE2006 1Q	(Mil. JPY) Change (amount)
Cash flows from operating activities	-1,920	-399	-1,520
Income before income taxes	1,468	2,039	-571
(Increase) decrease in accounts receivable	-2,933	-1,463	-1,470
Increase (decrease) in accounts payable-trade	-528	385	-913
Income taxes paid	-419	-858	439
Cash flows from investing activities	-618	-390	-228
Purchases of property and equipment	-698	-297	-400
Purchases of intangible assets	-58	-89	31
Cash flows from financing activities	-5,627	-483	-5,144
Increase (decrease) in short-term borrowings	-26	-	-26
Repayment of long-term debt	-5,538	-390	-5,147
Net change in cash and cash equivalents	-8,147	-1,269	-6,878
Cash and cash equivalents at end of fiscal period	5,642	9,549	-3,907

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## ■ Operational update: Japan

### ■ Retail

- December comparable store sales were down 8.6% YoY

### ■ Reformation of Kulson business

- Re-branding as "Proof" in 2007 Spring Summer season

### ■ Helmut Lang

- Initiate distribution in 2007 Spring Summer season
  - (Distribution at Isetan Shinjuku and Hankyu Umeda)
  - (Retail store in Aoyama, Tokyo)

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## ■US ①Operational update

- Retail: comparable store sales (Dec.2006 YTD) were over 6.2% YoY  
US retail sales (flash)

	Dec-06		Dec-06 YTD	
	Total sales	Comparable store sales	Total sales	Comparable store sales
Retail sales total	198.5%	116.7%	161.4%	106.2%

- NY flagship store opened in Nov.2006, sales continue to be strong

- Wholesale

Dec.2006 YTD sales was +19.7% YoY

Order backlog as of Dec.2006 end: +12.6% YoY

(Note) As the above shows flash results, it doesn't comprise P/L precisely

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## ■US ②New initiatives

- Helmut Lang

- Wholesales to begin in 2007 Spring Summer season
- Sold to selected specialty stores at 1st season



- Premise

- Wholesales to begin in 2007 Spring Summer season as "Theory luxe" in US
- Very well-received by high-end department stores

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## ■ Operational update: Europe

### ■ Rosner

- Continue to execute overhaul of operations
- Initiatives such as downsizing, to reduce expenses

### ■ Theory

- Sales are on target
- Enhance brand recognition through opening Paris store in March 2007

Appendix.

### ■Sales breakdown by brand (Q1, FYE2007)

	Japan	US	Europe	Asia	Total
Theory women's	25.4%	38.8%	2.0%	0.5%	66.7%
Theory men's	3.5%	4.4%	0.0%	0.0%	7.9%
Rosner	0.0%	0.0%	17.5%	0.0%	17.5%
Urbanholics	2.4%	0.0%	0.0%	0.0%	2.4%
Kulson	2.2%	0.0%	0.0%	0.0%	2.2%
Others	2.1%	0.4%	0.8%	0.0%	3.3%
Total	35.5%	43.7%	20.3%	0.5%	100.0%

(Note) Urbanholics sales include 7 For All Mankind, Joie etc.

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### ■Sales breakdown by brand (FYE 2006)

	Japan	US	Europe	Asia	Total
Theory women's	32.7%	38.9%	1.1%	1.1%	73.8%
Theory men's	4.5%	4.3%	0.0%	0.0%	8.8%
Rosner	0.0%	0.0%	9.8%	0.0%	9.8%
Urbanholics	1.3%	0.0%	0.0%	0.0%	1.3%
Kulson	3.0%	0.1%	0.0%	0.0%	3.1%
Others	2.6%	0.0%	0.6%	0.0%	3.2%
合計	44.1%	43.3%	11.5%	1.1%	100.0%

(Note) Urbanholics sales include 7 For All Mankind, Joie etc.

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## ■ SG&A (Q1, FYE2007)

(Mil. JPY)

	FYE2007 1Q results	FYE2006 1Q results	against last year (%)
Personnel	3,186	1,905	167.2%
Warehouse & Distribution	416	186	223.1%
Selling	1,021	391	260.7%
Advertisement & Promotions	207	187	110.4%
Rent	875	413	211.9%
Depreciation and amortization	617	262	235.5%
Outsourcing	244	417	58.4%
Others	640	324	197.2%
SG&A total	7,209	4,089	176.3%

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## ■ Number of retail stores

	Number of stores as of Aug.2005	Store openings in FYE2006		Number of stores as of Aug.2006	Store openings in FYE2007 1Q		Number of stores as of Nov.2006	Expected number of stores in Aug.2007
			(Net increase)			(Net increase)		
Japan	131	39	31	162	8	8	170	175
Theory women's	46	3	0	46	2	2	48	48
Theory men's	24	4	4	28	1	1	29	29
Theory luxe	17	15	14	31	2	2	33	37
Theory accessory	1	6	6	7	0	0	7	7
Theory petit	8	2	2	10	0	0	10	10
Kulson	18	3	2	20	0	0	20	17
Others	17	6	3	20	3	3	23	27
US	14	7	6	20	5	5	25	32
Europe(note)	0	2	2	2	0	0	2	3
Asia	7	2	0	7	1	0	7	8
Total	152	50	39	191	14	13	204	218

(Note)Stores in Europe increased due to Rosner acquisition

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