

LTH

FISCAL YEAR 2007 Q3 RESULTS

2007.7

LINK THEORY HOLDINGS CO., LTD.

I FYE2007 Q3 Earnings Results

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■ Consolidated P/L Statement (9months)

Net Sales 46.2bn (+28.9% YoY, -1.4% against forecast)

Operating Income 1.4bn (-64.6% YoY, +43.6% against forecast)

(Mil. JPY)

	FYE2007 Q3 results	FYE2007 Q3 forecast	FYE2006 Q3 results	against forecast (%)	against last year (%)
Net Sales	46,186	46,822	35,839	98.6%	128.9%
Gross Profit	23,579	23,555	19,451	100.1%	121.2%
(Gross profit margin)	51.1%	50.3%	54.3%	0.7	-3.2
SG&A	22,209	22,601	15,582	98.3%	142.5%
(to net sales)	48.1%	48.3%	43.5%	-0.2	4.6
Operating Income	1,369	953	3,868	143.6%	35.4%
(Operating margin)	3.0%	2.0%	10.8%	0.9	-7.8
Ordinary Income	1,485	924	3,918	160.7%	37.9%
Net Income	-4,221	-4,490	2,108	-	-
EBITDA	3,229	2,800	5,000	115.3%	64.6%
EBITDA margin	7.0%	6.0%	14.0%	1.0	-7.0

■ Consolidated P/L Statement (3months)

Net Sales 16.6bn (+14.5% YoY, -3.8% against forecast)

Operating Income 1.3bn (-9.6% YoY, +38.9% against forecast)

(Mil. JPY)

	FYE2007 Q3 results	FYE2007 Q3 forecast	FYE2006 Q3 results	against forecast (%)	against last year (%)
Net Sales	16,575	17,222	14,473	96.2%	114.5%
Gross Profit	8,830	8,855	7,771	99.7%	113.6%
(Gross profit margin)	53.3%	51.4%	53.7%	1.9	-0.4
SG&A	7,575	7,951	6,382	95.3%	118.7%
(to net sales)	45.7%	46.2%	44.1%	-0.5	1.6
Operating Income	1,255	903	1,388	138.9%	90.4%
(Operating margin)	7.6%	5.2%	9.6%	2.3	-2.0
Ordinary Income	1,065	594	1,257	179.2%	84.7%
Net Income	418	259	608	161.4%	68.8%

EBITDA	1,842	1,479	1,897	124.5%	97.1%
EBITDA margin	11.1%	8.6%	13.1%	2.5	-2.0

■ Q3 Summary (3months)

■ Q3 Objectives

- Improve gross profit margin through improving sales/inventory balance
- Streamline expenses



■ Q3 results against forecast

- Net sales: -650mil. due to sales shortfall in Japan
- Gross profit margin: +1.9% resulting from improving sales/inventory balance
- Operating income: +350mil. supported by streamlining expenses
- Net income: +160mil.

■ Performance by Region (Japan, 3 months)

Operating income: Exceeded forecast by improving sales/inventory balance, maintaining stringent control on expenses

(Mil. JPY)

	FYE2007 Q3 results	FYE2007 Q3 forecast	FYE2006 Q3 results	against forecast (%)	against last year (%)
Net Sales	5,676	6,292	5,495	90.2%	103.3%
Gross Profit	3,116	3,212	3,101	97.0%	100.5%
(Gross profit margin)	54.9%	51.1%	56.4%	3.8	-1.5
SG&A	2,614	2,852	2,544	91.7%	102.7%
(to net sales)	46.1%	45.3%	46.3%	0.7	-0.2
Operating Income	501	360	556	139.2%	90.1%
(Operating margin)	8.8%	5.7%	10.1%	3.1	-1.3
Ordinary Income	562	407	575	138.1%	97.9%
Income before taxes	589	394	562	149.4%	104.7%

(Note) Includes Group mgmt exp. in LTH, excludes Mgmt fee, ie. 55 mil., from net sales paid by subsidiaries since this fiscal year

■ Performance by Region (US, 3months)

Sales & bottom line improved through retail & wholesale growth

(Mil. JPY)

	FYE2007 Q3 results	FYE2007 Q3 forecast	FYE2006 Q3 results	against forecast (%)	against last year (%)
Net Sales	7,986	7,946	5,984	100.5%	133.4%
Gross Profit	4,488	4,294	3,357	104.5%	133.7%
(Gross profit margin)	56.2%	54.0%	56.1%	2.2	0.1
SG&A	3,316	3,274	2,267	101.3%	146.3%
(to net sales)	41.5%	41.2%	37.9%	0.3	3.6
Operating Income	1,171	1,019	1,090	114.9%	107.5%
(Operating margin)	14.7%	12.8%	18.2%	1.8	-3.5
Ordinary Income	944	708	964	133.4%	97.9%
Income before taxes	883	708	964	124.7%	91.6%

(Note) Includes royalty income, excludes amortization of acquisition premium from SG&A, excludes mgmt fee paid to holding co., ie. 55 mil., since this fiscal year

Exchange rate (JPY) 119.18 118.00 116.76

■ Performance by Region (Europe, 3months)

Exceeded operating income forecast by reducing expenses

(Mil. JPY)

	FYE2007 Q3 results	FYE2007 Q3 forecast	FYE2006 Q3 results	against forecast (%)	against last year (%)
Net Sales	3,202	3,156	3,154	101.5%	101.5%
Gross Profit	1,175	1,269	1,263	92.6%	93.0%
(Gross profit margin)	36.7%	40.2%	40.1%	-3.5	-3.3
SG&A	1,303	1,464	1,149	89.0%	113.4%
(to net sales)	40.7%	46.4%	36.4%	-5.7	4.3
Operating Income	-127	-194	114	-	-
(Operating margin)	-4.0%	-6.2%	3.6%	2.2	-7.6
Ordinary Income	-152	-240	83	-	-
Income before taxes	-225	-240	83	-	-

(Note) Excludes amortization of acquisition premium from SG&A

Exchange rate (JPY)

155.30

156.00

140.55

■ Consolidated Balance Sheet (vs Feb.07)

AR increase in US & Europe for Spring/Summer shipment

ST borrowings increased on US & Europe working capital demand

(Mil. JPY)

	May-07	ratio	Feb-07	ratio	Aug-06	ratio	Change from Feb-07 (amount)
Current assets	23,783	51.0%	21,519	49.0%	29,205	53.3%	2,263
Fixed assets	22,808	49.0%	22,370	51.0%	25,580	46.7%	438
Total assets	46,591	100.0%	43,889	100.0%	54,786	100.0%	2,702
Current liabilities	13,351	28.6%	11,122	25.3%	13,274	24.2%	2,229
Long-term liabilities	19,420	41.7%	19,394	44.2%	23,656	43.2%	26
Total liabilities	32,772	70.3%	30,516	69.5%	36,930	67.4%	2,255
Net assets	13,819	29.7%	13,372	30.5%	17,855	32.6%	446
Total liabilities and net assets	46,591	100.0%	43,889	100.0%	54,786	100.0%	2,702

■ Consolidated Cash Flow (3months)

Operating CF: -350mil. due to AR increase in the US & Europe

Financing CF: +1.25bn due to ST borrowing increase in the US & Europe

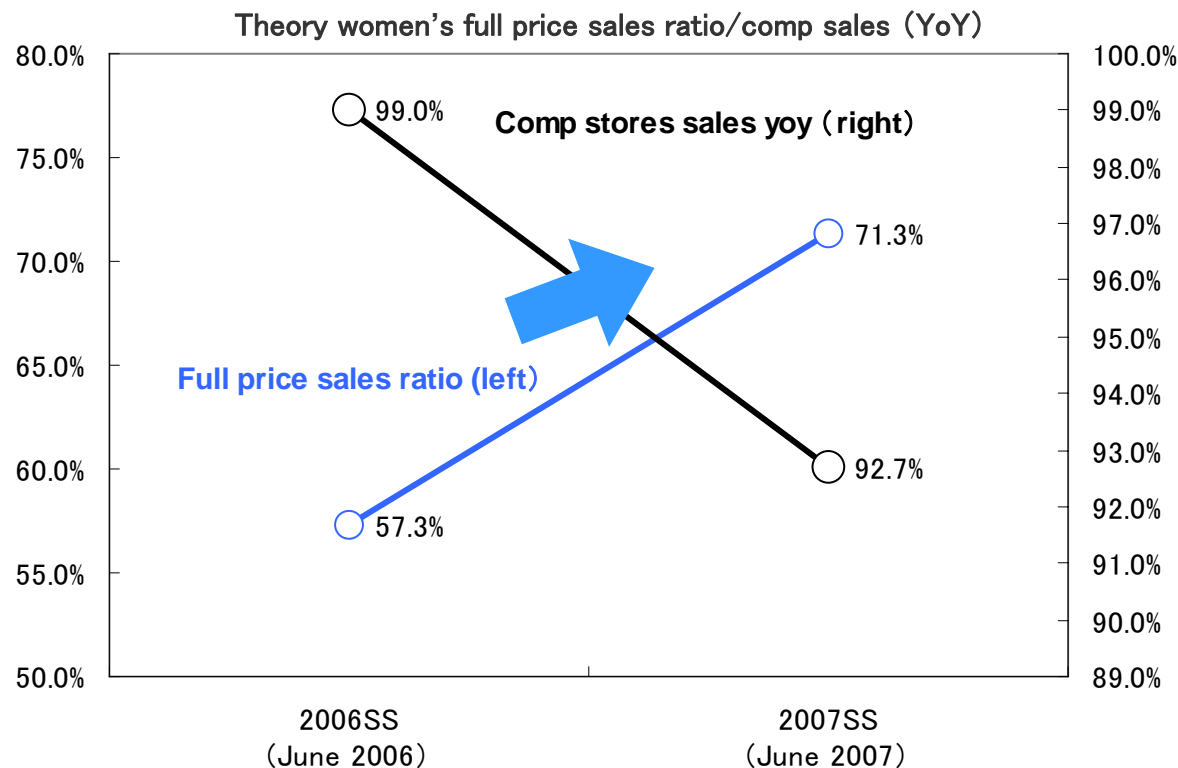
(Mil. JPY)

	FYE2007 Q3 results	FYE2006 Q3 results	Change (amount)
Cash flows from operating activities	-350	-1,056	706
Income (loss) before income taxes	947	1,240	-292
(Increase) decrease in accounts receivable	-3,369	-2,709	-659
(Increase) decrease in inventories	751	-131	883
Cash flows from investing activities	-891	-3,035	2,143
Purchases of property and equipment	-823	-505	-317
Purchases of intangible assets	-37	-2,490	2,452
Cash flows from financing activities	1,251	16,191	-14,939
Increase (decrease) in short-term borrowings	1,359	422	937
Increase (decrease) in long-term borrowings	-111	2,508	-2,619
Proceeds from issuance of convertible bond with warrants	-	13,260	-13,260
Cash and cash equivalents at beginning of fiscal period	7,098	4,769	2,329
Net change in cash and cash equivalents	38	12,102	-12,063
Cash and cash equivalents at end of fiscal period	7,137	16,871	-9,733

Operational Update: Japan

■ Retail sales : Comp stores sales declined 7.3% YoY from March–June

➡ Amid 80% purchase YoY, we have an improved balance of sales across the product line




(Note) Comp sales compared sales from March to June

■ Operational Update: US

■ Theory wholesale

2nd Half to date sales increased 22% YoY (flash), steady order backlog

■ Theory retail: 2nd Half to date comp sales decreased 5.5% YoY

 Impact of weak sales in some stores, steady performance overall

US retail sales (*)

	June-07		January - June 07	
	Total sales	Comparable store sales	Total sales	Comparable store sales
Retail sales total	141.8%	98.7%	146.9%	94.5%

■ Helmut Lang, Premise

Almost in line with forecast

(*) The above numbers are preliminary and subject to final revision

■ Operational Update: Europe

■ Dedicated to turning around Rosner

- 2007 Fall/Winter: Stick to delivery schedule, improve fit
- 2008 Spring/Summer: Strong reception from wholesale customers

■ Theory business on track

- Wholesale: Sales increase mainly driven by premium department stores such as Selfridges, Harrods, etc.
- 1st retail store in Paris performed well



(Theory store in Paris)

Appendix.

■ Performance by Region (Japan, 9months)

Increased discount sales in 1st half results in lower gross profit margin

(Mil. JPY)

	FYE2007 Q3 results	FYE2006 Q3 results	against last year (%)	(Ref) FYE2007 Q3 results (excl. Group Mgmt. exp.)
Net Sales	17,304	15,970	108.4%	17,304
Gross Profit	8,755	8,683	100.8%	8,755
(Gross profit margin)	50.6%	54.4%	-3.8	50.6%
SG&A	7,626	6,899	110.5%	7,094
(to net sales)	44.1%	43.2%	0.9	41.0%
Operating Income	1,128	1,783	63.3%	1,660
(Operating margin)	6.5%	11.2%	-4.6	9.6%
Ordinary Income	1,346	1,834	73.4%	1,878
Income before taxes	1,245	1,656	75.2%	1,778

(Note) Includes Group mgmt exp. in LTH, excludes Mgmt fee, ie. 165 mil., from net sales paid by subsidiaries since this fiscal year

■ Performance by Region (US, 9months)

Net sales: wholesale & retail business continued growth
 Gross profit margin decreased due to increased discount sales in
 1st half

(Mil. JPY)

	FYE2007 Q3 results	FYE2006 Q3 results	against last year (%)	Dif. (last year)	Dif.		against last year (dollar base) (%)
					by Forex	other than Forex	
Net Sales	21,681	16,491	131.5%	5,190	487	4,702	128.5%
Gross Profit	11,631	8,987	129.4%	2,644	261	2,382	126.5%
(Gross profit margin)	53.6%	54.5%	-0.8	-	-	-	-0.8
SG&A	9,626	6,105	157.7%	3,521	378	3,142	154.1%
(to net sales)	44.4%	37.0%	7.4	-	-	-	7.4
Operating Income	2,005	2,882	69.6%	-876	-116	-759	68.0%
(Operating margin)	9.3%	17.5%	-8.2	-	-	-	-8.2
Ordinary Income	1,932	2,890	66.9%	-957	-147	-809	65.4%
Income before taxes	1,816	2,890	62.8%	-1,073	-150	-923	61.4%

(Note) Includes royalty income, excludes amortization of acquisition premium from SG&A, excludes mgmt fee paid to holding co.,
 ie. 165 mil., since this fiscal year

Exchange rate (JPY) 117.81 115.16

■ Performance by Region (Europe, 9months)

Gross profit margin remained low due to increased discount sales
4.8bn impairment loss for Rosner

(Mil. JPY)

	FYE2007 Q3 results	FYE2006 Q3 results	against last year (%)	Dif. (last year)	Dif.		against last year (euro base) (%)
					Dif. by Forex	Dif. other than Forex	
Net Sales	8,007	3,800	210.7%	4,206	611	3,594	194.6%
Gross Profit	3,055	1,559	195.9%	1,495	233	1,262	180.9%
(Gross profit margin)	38.2%	41.0%	-2.9	-	-	-	-2.9
SG&A	3,622	1,650	219.5%	1,971	276	1,695	202.7%
(to net sales)	45.2%	43.4%	1.8	-	-	-	1.8
Operating Income	-567	-90	-	-476	-43	-433	-
(Operating margin)	-7.1%	-2.4%	-4.7	-	-	-	-4.7
Ordinary Income	-603	-140	-	-462	44	-507	-
Income before taxes	-5,590	-140	-	-5,449	-336	-5,113	-

(Note) Excludes amortization of acquisition premium from SG&A, just 5 months results was consolidated last year

Exchange rate (JPY) 152.10 140.48

■ Sales Breakdown by Brand (Q3, 9months)

	Japan	US	Europe	Asia	Total
Theory women's	26.3%	38.3%	1.7%	1.0%	67.2%
Theory men's	3.8%	5.2%	0.0%	0.0%	9.1%
Rosner	0.0%	0.0%	15.0%	0.0%	15.0%
Urbanholics	2.5%	0.0%	0.0%	0.0%	2.5%
Proof (Kulson)	2.3%	0.0%	0.0%	0.0%	2.3%
Others	2.4%	1.0%	0.6%	0.0%	3.9%
Total	37.2%	44.4%	17.3%	1.0%	100.0%

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

■ SG&A (Q3, 9months)

(Mil. JPY)

	FYE2007 Q3 results	FYE2006 Q3 results	against last year (%)
Personnel	9,826	6,885	142.7%
Warehouse & Distribution	941	851	110.6%
Selling	3,064	1,910	160.4%
Advertisement & Promotions	843	601	140.2%
Rent	2,853	1,863	153.1%
Depreciation and amortization	1,859	1,131	164.3%
Outsourcing	806	797	101.1%
Others	2,014	1,542	130.7%
SG&A total	22,209	15,582	142.5%

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

Non-operating income	
Non-Operating Income total	425
(Main items)	
Foreign exchange gain	321
Interest and dividend income	48

Non-operating expenses	
Non-Operating expenses total	310
(Main items)	
Interest expense	296

Extraordinary loss	
Extraordinary loss total	5,216
(Main items)	
Impairment loss	4,799
Allowance for restructuring expense	184

■ Consolidated Cash Flow (9months)

Operating CF: +57mil. due to decrease in inventories etc.

(Mil. JPY)

	FYE2007 Q3 results	FYE2006 Q3 results	Change (amount)
Cash flows from operating activities	57	-477	534
Income (loss) before income taxes	-3,728	3,732	-7,460
(Increase) decrease in accounts receivable	-2,635	-1,879	-755
(Increase) decrease in inventories	1,506	-972	2,479
Impairment loss	4,799	-	4,799
Cash flows from investing activities	-2,441	-15,955	13,514
Purchases of property and equipment	-2,428	-1,334	-1,094
Purchases of its own stock by a subsidiary	-	-6,896	6,896
Purchases of subsidiary's stock resulting in changes in scope of consolidation	-	-5,018	5,018
Cash flows from financing activities	-4,331	22,461	-26,792
Increase (decrease) in short-term borrowings	1,810	994	815
Increase (decrease) in long-term borrowings	-6,087	8,262	-14,350
Proceeds from issuance of convertible bond with warrants	-	13,260	-13,260
Cash and cash equivalents at beginning of fiscal period	13,789	10,818	2,971
Net change in cash and cash equivalents	-6,651	6,053	-12,705
Cash and cash equivalents at end of fiscal period	7,137	16,871	-9,733

Disclaimer

- Forecasts described in this presentation is based on information available at present. As actual financial results may change according to future conditions and factors, LTH doesn't assure or guarantee the achievement of the forecasts.