

# LTH

## **Link Theory Holdings Announces Foreign Exchange Loss related to the Yen-denominated Loan to its US Subsidiary**

July 9, 2008 Tokyo, Japan - Link Theory Holdings Co., Ltd. (“LTH”) today announced it will incur the foreign exchange loss related to the Yen-denominated loan (“the Loan”) to its US subsidiary for the fiscal year ending August 2008.

### **1. Summary of foreign exchange loss and its background**

Considering the importance of the US market, LTH has provided loan to its US subsidiary in order to finance fund for acquiring the US Theory Group in 2003 and as well as for store developments. The balance of the Loan is amounted to 11.5 billion JPY as of June 30, 2008. The US subsidiary makes payments of principal and interest by offsetting against Yen-denominated royalty receivables from Link International Co., Ltd, a subsidiary of LTH. (See Note 1 and Reference 2)

The Loan is recorded in the US subsidiary’s book in US Dollars and the value of the Loan is adjusted according to the exchange rate fluctuation between the US dollar and the Yen at the end of each quarter. For the fiscal year ending August 2008, the foreign exchange loss related to the Loan is amounted to 1,699 million JPY, surpassing the loss estimated at the beginning of the fiscal year by 886 million JPY, due to unexpected sharp appreciation of the Yen against the US dollar. The change of the amount of foreign exchange profit/loss does not affect the actual cash flow on a consolidated basis, because the loan repayment is offset against the Yen-denominated royalty from Japan to the US subsidiary without any cash settlement.

LTH recognizes its consolidated operating income is the more appropriate indicator of its business conditions than its consolidated ordinary income, which may substantially be affected by the foreign exchange gain/loss. (See Reference 1)

(Note 1) We adopt the Yen-denominated loan for collecting invested fund from the tax point of view. A capital injection is not appropriate since the return of capital is regarded as a dividend income from tax authorities.

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(Foreign exchange gain/loss related to the Yen-denominated loan to the US subsidiary)

(Millions in JPY)

	JPY-USD forex rate	Outstanding loan to US subsidiary	Foreign exchange gain/loss (loss in (-)) (Note: 2)
Previous fiscal year (June 30th, 2007)	1USD = 123.27 JPY	12,057	736
Initial forecast for current fiscal year (June 30th, 2008)	1USD = 115.00 JPY	11,200	-813
Preliminary result for current fiscal year (June 30th, 2008)	1USD = 106.42 JPY	11,531	-1,699

(Note 2) The amount of foreign exchange gain/loss above related solely to the Yen-denominated loan to the US subsidiary. On the consolidated financial statement, foreign exchange gain/loss related to the loan to the European subsidiary is also included.

## 2. Full-year forecast for the fiscal year ending August 2008

Please also refer to the announcement “Link Theory Holdings Revises Full-Year Forecast for Fiscal 2008,” which was released today with this release and related to the foreign exchange loss described above.

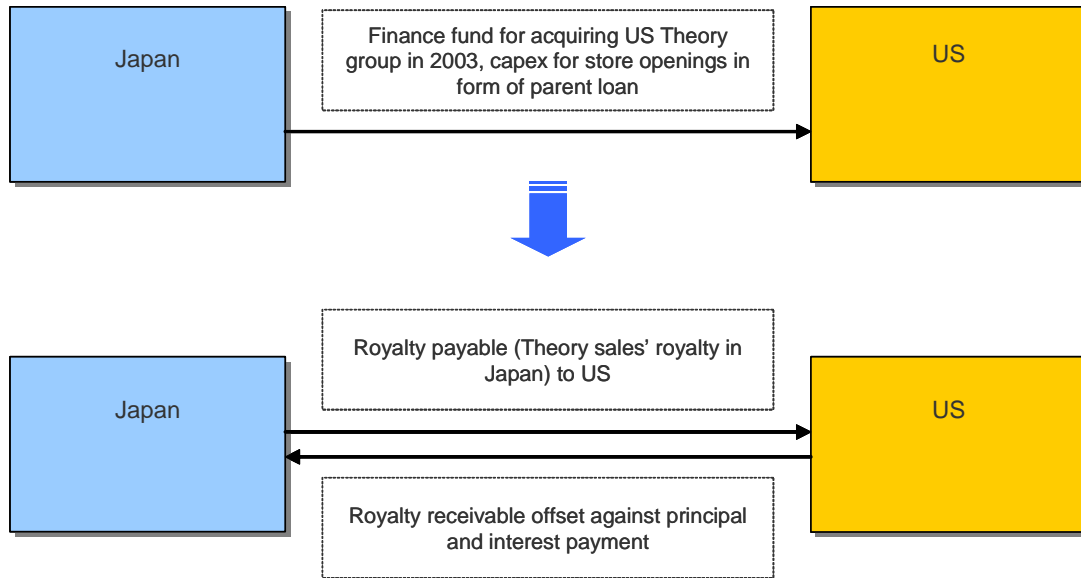
(Reference 1) Foreign exchange gain/loss for the last four fiscal years (Note 3)

(Millions in JPY)

Fiscal Year	Foreign exchange gain/loss
FY 2004	-339
FY 2005	97
FY 2006	171
FY 2007	918

(Note 3) For FY 2007, foreign exchange gain/loss related to the loan to the European subsidiary is included.

(Reference 2) Structure of the Yen-denominated loan to the US subsidiary



## INVESTOR RELATIONS

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