

LTH

Link Theory Holdings announced the revision of its Mid-term Plan: “LTH2010”

October 8, 2008 Tokyo, Japan - Link Theory Holdings Co., Ltd. (“LTH”) today announced the revision of its three-year mid-term plan “LTH 2010”, in line with the recent economic conditions. This plan, originally announced on October 10, 2007, covers fiscal years 2008 through 2010.

1. Revision of the mid-term plan

LTH rescinds the goals of 80 billion JPY in net sales and 6 billion JPY in operating income in fiscal 2010. However, the targeted 7.5% operating margin remains unchanged.

LTH will also stay focused on its “Growth with Sound Profitability” mid-term policy, and the following three initiatives:

- (1) Optimization of brand portfolio
- (2) Achievement of profitability in growing and turnaround brands
- (3) Steady growth of Theory

2. Background of the revision

The global financial crisis stems from home loans made to individuals in the U.S. with low creditworthiness (the subprime mortgage crisis), and it has recently resulted in bankruptcy of major American brokerage firms. The prospects of eluding this crisis are dim. This crisis also has a significant adverse effect on non-financial sectors, and together with the price increase of commodities such as crude oil, sluggishness in individual consumption persists worldwide.

Amid this extremely challenging macroeconomic environment, sales and operating income for fiscal 2009 will fall far short of the forecast outlined in the existing mid-term plan. The targets of 80 billion JPY in net sales and 6 billion JPY in operating income in fiscal 2010 are unrealistic in this current situation, making an amendment to the mid-term plan inevitable. Given the difficulty in forecasting caused by the global financial crisis, in lieu of the presentation of revised targets, LTH at this time only rescinds the previously established targets.

3. Results for fiscal 2008

During fiscal 2008, the first year of “LTH 2010”, LTH’s consolidated sales fell short of the target set forth in the mid-term plan by 6.1 billion JPY (1.9 billion JPY of which resulted from devaluation of foreign currency denominated sales due to the appreciation of JPY), attributable to deterioration in American and European market conditions and the high appreciation of JPY. Thanks, however, to improvement in gross margin from strict inventory control and expense control, LTH’s operating

LTH

profit exceeded the target set forth in the mid-term plan by 150 million JPY. In line with LTH's mid-term policy "Growth with Sound Profitability," the combined efforts of LTH members resulted in securing the target operating income, despite sales having fallen short of the planned target. Additionally, gross margin was 54.5%, surpassing the target of 53.4% outlined in the mid-term plan.

From the viewpoints of optimization of brand portfolio as well as achieving profitability in growing and turnaround brands, LTH steadily implemented a series of projects. It decided to discontinue the operations of JMC, Proof and Premise (U.S. operations only). Link International Co., Ltd. (a wholly-owned subsidiary of LTH) merged its wholly-owned subsidiary, Urbanholics Co., Ltd., which was active in the contemporary casual fashion business.

As to steady growth of Theory, its sales in fiscal 2008 steadily increased on a year-on-year basis in its principal markets, Japan and the U.S. In Europe, where Theory seeks significant growth, it increased market penetration. Theory opened its first free-standing store in London during Fiscal 2008 and 2 other stores in September (one of which is in an outlet shopping mall). Together with one store in Paris opened last year, Theory operates 4 directly-operated stores in Europe. Theory also increased the square footage of shops in major department stores. In Asia excluding Japan, the numbers of directly-operated stores reached 11 in China and Hong Kong combined. In addition to stores operated by local business partners in Korea, Taiwan and Singapore, Theory operations comprise 51 stores in total within this region.

As described above, LTH has steadily implemented activities according to the management policy in "LTH2010". LTH continues combined efforts to ride out this challenging business climate which continues to intensify.

INVESTOR RELATIONS

Link Theory Holdings Co., Ltd.

Shingo Watanabe

Manager, Group Management Division

+81.3.3407.7503

shingo.watanabe@link-theory.com