

# LTH

## FISCAL YEAR 2009 Q1 RESULTS

2009.1

LINK THEORY HOLDINGS CO., LTD.

# LTH

LINK THEORY HOLDINGS CO.,LTD.

## I Fiscal 2009 Q1 Financial Results

Link Theory Holdings Co., Ltd.

Hidetsugu Onishi, Director and Group CFO

## ■ Consolidated P/L Statement

Sales 16.0bn JPY (-11.7% YoY)

Operating income 1.2bn JPY (-38.1% YoY)

(Mil. JPY)

	FYE2009 Q1 results	FYE2009 Q1 forecast	Variance (against forecast)	FYE2008 Q1 results	Variance (against last year)	against forecast (%)	against last year (%)
Net Sales	16,026	16,800	-773	18,149	-2,123	95.4%	88.3%
Gross Profit	8,806	9,100	-293	9,734	-928	96.8%	90.5%
(Gross margin)	54.9%	54.2%	-	53.6%	-	0.8	1.3
SG&A	7,639	8,005	-365	7,849	-210	95.4%	97.3%
(to net sales)	47.7%	47.6%	-	43.2%	-	0.0	4.4
Operating Income	1,166	1,095	71	1,885	-718	106.6%	61.9%
(Operating margin)	7.3%	6.5%	-	10.4%	-	0.8	-3.1
Ordinary Income	400	495	-94	1,029	-628	80.9%	38.9%
Net Income	23	20	3	1,303	-1,280	118.0%	1.8%
EBITDA	1,779	1,701	78	2,495	-716	104.6%	71.3%
EBITDA margin	11.1%	10.1%	-	13.8%	-	1.0	-2.6

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## ■ Sales and Gross Profit

### ■ Sales decreased by 2.1bn JPY (-11.7% YoY)

- U.S. : -1.4bn JPY

Shrinkage of JPY-denominated amount due to

Yen's appreciation : -0.8bn JPY

Decrease of sales amid the adverse retail conditions : -0.4bn JPY

(Out of the amount above, Theory wholesale : -0.2bn JPY)

Premise, Jean-Michel Cazabat, out of business : -0.2bn JPY

- Europe : -0.5bn JPY (decrease of Rosner's sales)

- Japan : -0.2bn JPY (Proof out of business)

### ■ Gross margin 54.9% (+1.3% YoY)

- Japan: Margin improved and gross profit increased due to the improvement of sales and inventory balance, despite sales decrease

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## ■ Operating Income (against last year)

### ■ Consolidated operating income: -720 Mil JPY YoY

- Japan :

+70 Mil JPY

(Improvement in gross profit,  
expense reductions)

- Europe:

-460 Mil JPY

(Decrease of Rosner's sales)

- U.S. :

-360 Mil JPY

(Decrease of Theory's sales due  
to the adverse retail conditions)

(Regional Breakdown of Operating Income against Last Year)

(100Mil. JPY)

	FYE2009 Q1 results	FYE2008 Q1 results	Variance
Japan	9.5	8.8	0.7
U.S.	8.5	12.1	-3.6
Europe	-1.4	3.3	-4.6
Asia	-0.3	-0.1	-0.1
Subtotal	16.3	24.0	-7.6
Goodwill & trademarks amortization	-2.9	-3.1	0.3
Group Mgmt exp. etc.	-1.8	-2.0	0.2
Consolidated Operating Income	11.7	18.9	-7.2

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## ■ Performance by Region (Japan)

Operating income increased through the improvement of gross margin and expense reductions despite sales decrease

(Mil. JPY)

	FYE2009 Q1 results	FYE2008 Q1 results	Variance (against last year)	against last year (%)
Net Sales	5,801	6,018	-216	96.4%
Gross Profit	3,369	3,329	39	101.2%
(Gross margin)	58.1%	55.3%	-	2.8
SG&A	2,416	2,451	-34	98.6%
(to net sales)	41.7%	40.7%	-	0.9
Operating Income	952	878	74	108.4%
(Operating margin)	16.4%	14.6%	-	1.8
Ordinary Income	1,047	961	85	108.9%
Income before taxes	1,212	943	269	128.5%

Group mgmt exp.

198

229

(Note1) Excludes mgmt fee and dividend, paid by overseas subsidiaries, from net sales

(Note2) Excludes group mgmt exp. from SG&A

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## ■ Performance by Region (U.S.)

Shrinkage of JPY-denominated amount due to Yen's appreciation

Last year: 1bn JPY extraordinary income from the sale of investment in Seven For All Mankind

(Mil. JPY)

	FYE2009 Q1 results	FYE2008 Q1 results	Variance (against last year)	Variance		against last year (%)	against last year (Dollar base) (%)
				Var. by Forex	Var. other than Forex		
Net Sales	8,051	9,408	-1,356	-771	-585	85.6%	93.8%
Gross Profit	4,355	4,920	-565	-417	-148	88.5%	97.0%
(Gross margin)	54.1%	52.3%	-	-	-	1.8	1.8
SG&A	3,506	3,714	-207	-335	128	94.4%	103.5%
(to net sales)	43.6%	39.5%	-	-	-	4.1	4.1
Operating Income	848	1,206	-358	-81	-277	70.3%	77.0%
(Operating margin)	10.5%	12.8%	-	-	-	-2.3	-2.3
Ordinary Income	462	323	138	431	-292	142.9%	156.5%
Income before taxes	446	1,356	-910	432	-1,342	32.9%	36.1%

(Note) Includes royalty income in net sales, excludes goodwill & trademarks amortization from SG&A

Exchange rate (JPY)	107.66	117.97
Royalty	326	258
Goodwill & trademarks amortization	285	312

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## ■ Performance by Region (Europe)

Sluggish Rosner's sales while Theory's sales increased

Non-operating items: Foreign exchange loss related to JPY-denominated intercompany loan

(Mil. JPY)

	FYE2009 Q1 results	FYE2008 Q1 results	Variance (against last year)	Variance		against last year (%)	against last year (Euro base) (%)
				Var. by Forex	Var. other than Forex		
Net Sales	2,693	3,181	-487	4	-492	84.7%	84.5%
Gross Profit	1,032	1,461	-429	1	-431	70.6%	70.5%
(Gross margin)	38.3%	45.9%	-	-	-	-7.6	-7.6
SG&A	1,170	1,135	35	1	33	103.1%	102.9%
(to net sales)	43.5%	35.7%	-	-	-	7.8	7.8
Operating Income	-138	326	-464	0	-464	-	-
(Operating margin)	-5.1%	10.3%	-	-	-	-15.4	-15.4
Ordinary Income	-615	270	-886	-451	-434	-	-
Income before taxes	-615	271	-887	-451	-435	-	-

Exchange rate (JPY)	162.16	161.89
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## ■ Non-Operating & Extraordinary Items (Q1, FYE2009)

(Mil. JPY)

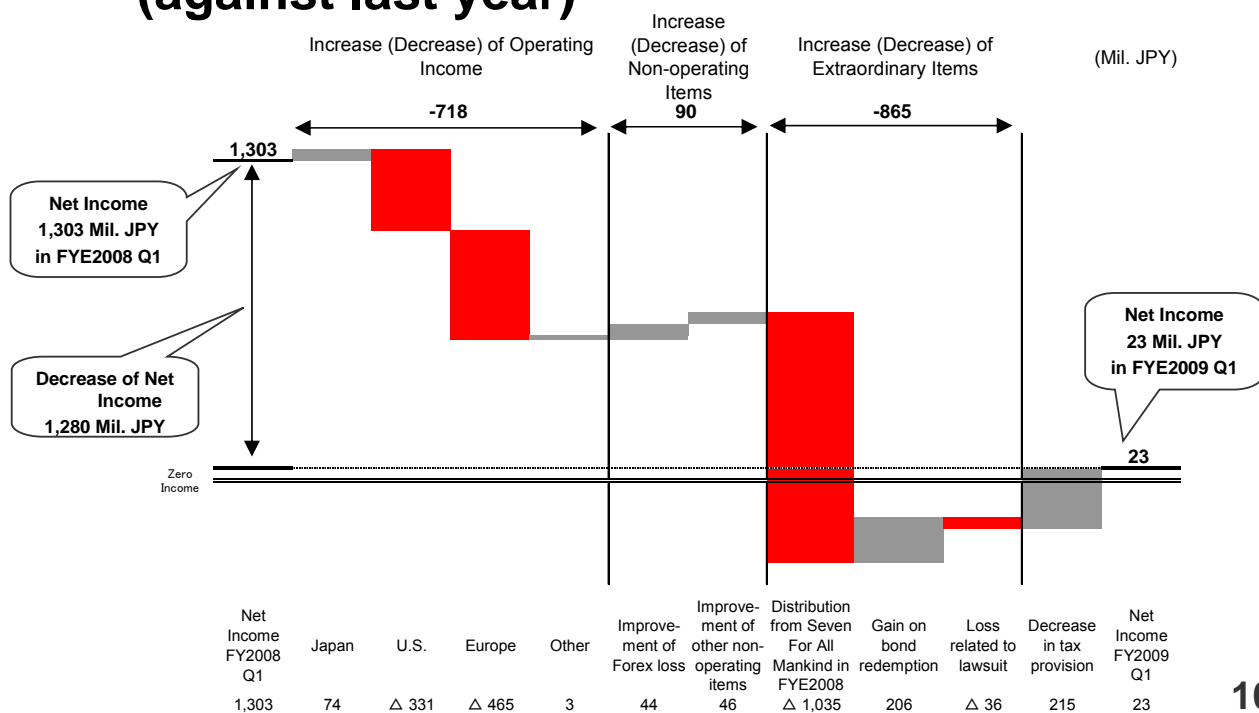
Non-operating income	
Non-operating Income total	22
(Main item(s))	
Interest and dividend income	7

Extraordinary income / loss	
Extraordinary income total	206
(Main item(s))	
Gain on bond redemption	206
Extraordinary loss total	57
(Main item(s))	
Loss related to lawsuits	47

Non-operating expenses	
Non-operating expenses total	788
(Main item(s))	
Foreign exchange loss (Related to intercompany loan to subsidiaries)	756
Interest expense	29

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## ■ Variance analysis of net income (against last year)



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## ■ Consolidated Balance Sheet (against last year-end)

(Mil. JPY)

	Nov-08	ratio	Aug-08	ratio	Variance (against Aug-08)
Current assets	18,997	49.2%	20,126	49.9%	-1,128
Fixed assets	19,602	50.8%	20,183	50.1%	-580
Total assets	38,600	100.0%	40,310	100.0%	-1,709
Current liabilities	12,950	33.5%	12,087	30.0%	863
Long-term liabilities	14,444	37.4%	16,997	42.2%	-2,552
Total liabilities	27,394	71.0%	29,084	72.2%	-1,689
Net assets	11,205	29.0%	11,225	27.8%	-20
Total liabilities and net assets	38,600	100.0%	40,310	100.0%	-1,709

(Reasons for 1.7bn JPY decrease of total assets from Aug. 2008)  
(Var. by Forex)

Impact of yen appreciation (1USD@106.42→103.63JPY  
1EUR@168.04→149.06JPY): -1.1bn JPY

(Var. other than Forex)  
Oversea subs -0.2bn JPY, Japan -0.4bn JPY

## ■ Consolidated Cash Flow (Q1, FYE2009)

(Mil. JPY)

	FYE2009 Q1 results	FYE2008 Q1 results	Variance (against last year)
Cash flows from operating activities	-27	-739	712
Income before income taxes and minority interests	550	2,045	-1,495
(Increase) decrease in accounts receivable	-1,159	-2,612	1,453
(Increase) decrease in inventories	-368	75	-443
Decrease in accounts payable-trade	-23	-129	105
Foreign exchange loss	746	802	-56
Cash flows from investing activities	-292	1,232	-1,525
Purchases of property and equipment	-227	-319	91
Purchases of intangible fixed assets	-11	-65	53
Proceeds from distribution of investments securities	-	1,625	-1,625
Cash flows from financing activities	-1,736	-1,702	-34
Increase (decrease) in short-term borrowings	753	-951	1,705
Decrease in long-term borrowings	-183	-751	567
Payment for bond redemption	-2,303	-	-2,303
Effect of exchange rate changes on cash and cash equivalents	-75	-19	-55
Cash and cash equivalents at beginning of term	5,312	5,672	-359
Net change in cash and cash equivalents	-2,132	-1,229	-902
Cash and cash equivalents at end of term	3,180	4,442	-1,262

(Comments on variance in 3 months this fiscal year)

Seasonal increase as the sales of Fall/Winter increases  
Increase in the U.S., due to earlier purchase of finished goods, etc.

Foreign exchange loss related to the yen-denominated loan to the U.S. and European subsidiaries due to the yen's appreciation against the USD and EUR

Cash distribution from Seven For All Mankind securities

Increase of short-term borrowing by 0.7 bn JPY in the U.S.

Purchase and cancellation of a portion of convertible bonds amounted to 2.5 bn JPY

## II The Sale of Rosner

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### ■ Reasons of the Sale

#### ■ Reasons of the sale

- In November 2005, LTH acquired all of the shares of Rosner, with the aim of expanding the Theory business in Europe
- Rosner has recorded losses since FYE2006
- Despite efforts to turn it around by FYE2010, LTH concluded that the prospects of the turnaround were dim amid uneasy economic climate
- LTH decided the sale, after concluding that it achieved the goal of the acquisition in that LTH established a suitable platform for expanding the Theory business, in order to optimize the brand portfolio

Financial results of the last three fiscal years			(Mil. EUR)
	FYE2006	FYE2007	FYE2008
Net sales	35.5	52.1	42.0
Gross profit	15.2	18.7	17.0
Operating income	▲ 4.3	▲ 8.4	▲ 6.9
Net income	▲ 3.1	▲ 3.5	▲ 8.6
Total assets	27.5	20.0	17.5
Net assets	5.2	1.7	▲ 6.8

(Note 1)

(Note 2)

(Note 1) Eight months results due to the year of acquisition

(Note 2) Numbers above do not include impairment losses (31.6 million Euro) on Rosner's goodwill, trademark and tangible fixed assets in FYE2007. Rosner also recorded a 7 million Euro gain on a debt waiver in FYE2007 as non-operating profit

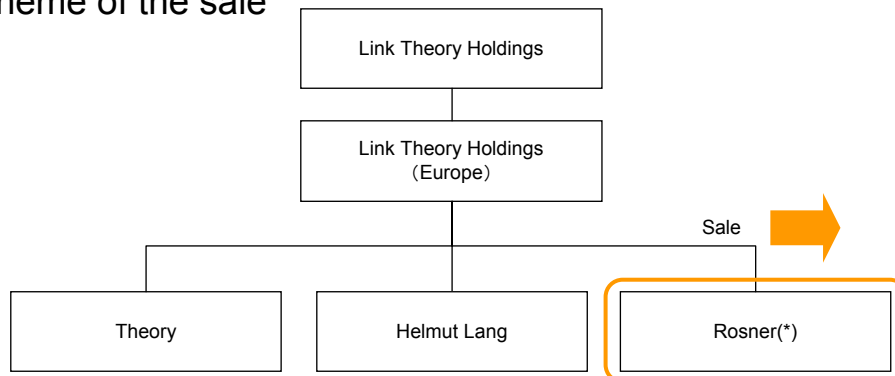
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## ■ Outline of the Sale

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- Sale of all shares in Rosner (total sale price: 1 Euro)
- Purchaser of the shares: CFC Industriebeteiligungen (Germany)
- Seller obligation: 5 million Euro subordinated loan to Rosner

### ■ Scheme of the sale



(\*) The following entities were sold:  
 • Rosner GmbH & Co. KG  
 • Link Rosner GmbH

## ■ Impact on P/L

### ■ The impact of the sale

(before the sale)

- Operating loss incurred
- No tax benefit from losses (no recognition of deferred tax assets)



(upon the sale)

- Extraordinary loss incurred (amount under review)

(thereafter)

- Improvement of LTH's consolidated income, because loss-making Rosner is no longer consolidated

## ■ Current Situation by region

### ■ Japan

- Comp sales decreased by 5.6% YoY during the period from September to December 2008
- Remains steady amid the sales drop of fashion and apparel items at department stores

### ■ U.S.

- Theory wholesale
  - Sales increased by 1.7 % YoY in the first half (flash)
  - Outlook of orders in the second half: far below the forecast due to the steep economic downturn
- Helmut Lang
  - Sales increased above the budget

### ■ Europe

- Theory wholesale
  - Sales in the first half: expected to fall short of the budget, although its amount is almost in line with that of the last first half

## Appendix.

## ■Sales Breakdown by Brand (Q1, FYE2009)

	Japan	US	Europe	Asia	Total
Theory Women's	26.2%	35.2%	3.4%	0.7%	65.6%
Theory Men's	3.7%	6.2%	0.2%	0.0%	10.1%
Rosner	0.0%	0.0%	12.2%	0.0%	12.2%
Helmut Lang	0.4%	3.3%	0.7%	0.0%	4.5%
Others	5.6%	1.7%	0.3%	0.0%	7.6%
Total	35.9%	46.5%	16.8%	0.8%	100.0%

## ■SG&A (Q1, FYE2009)

(Mil. JPY)

	FYE2009 Q1 results	FYE2008 Q1 results	Variance (against last year)	against last year (%)
Personnel	3,560	3,604	-44	98.8%
Warehouse & Distribution	309	292	16	105.5%
Selling	617	908	-291	68.0%
Advertisement & Promotions	396	396	0	100.0%
Rent	1,121	1,060	61	105.8%
Depreciation and amortization	612	610	2	100.4%
Outsourcing	425	325	99	130.7%
Others	595	649	-54	91.6%
SG&A total	7,639	7,849	-210	97.3%

## Disclaimer

- Forecasts and outlook 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 and outlook.