

LTH

Link Theory Holdings Announces Revisions on Interim and Full-Year Forecast for Fiscal 2009

January 28, 2009 Tokyo, Japan - Link Theory Holdings Co., Ltd. (“LTH”) hereby announces it has revised the interim and full-year FYE 2009 forecast (consolidated / non-consolidated) that was previously announced on October 8, 2008 due to following reasons: 1) deteriorating retail performance worldwide, 2) foreign exchange loss related to the Yen-denominated loans to US and European subsidiaries, and 3) extraordinary loss on the sale of all shares of Rosner GmbH & Co. KG (“Rosner”), its wholly-owned subsidiary in Europe.

1. Revision of forecast for the interim period ending February 2009

【Consolidated forecast / interim】

(Millions in JPY)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income Per Share (Yen)
Previous forecast (A)	30,700	1,000	750	30	188.77
Revised forecast (B)	27,197	560	-2,372	-4,372	-27,510.70
Change (B – A)	-3,503	-440	-3,122	-4,402	—
Change (%)	-11.4%	-44.0%	—	—	—
FYE August 2008 Interim results	31,045	1,399	429	360	2,347.76

【Non-consolidated forecast / interim】

(Millions in JPY)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income Per Share (Yen)
Previous forecast (A)	1,501	869	1,016	86	541.15
Revised forecast (B)	1,459	870	1,030	-2,204	-13,868.61
Change (B – A)	-42	1	14	-2,290	—
Change (%)	-2.8%	0.1%	1.4%	—	—
FYE August 2008 Interim results	1,483	880	1,027	523	3,408.32

【Backgrounds of revision for the consolidated forecast】

(1) Decrease in net sales in Japan, US and Europe

Net sales are expected to fall below the previous forecast by 3.5 billion JPY due to worldwide adverse retail market conditions as well as lower Yen conversion amount caused by the Yen's appreciation against the US dollar. Although cost cutting measures have been successfully implemented in each area, operating income is expected to decrease by 0.4 billion JPY from the previous forecast.

(2) Foreign exchange loss related to the Yen-denominated loans to the US and European subsidiaries

Ordinary income is expected to decline 3.1 billion JPY from the previous forecast as the foreign exchange loss related to the Yen-denominated loans to the US and European subsidiaries increased by 2.6 billion JPY due to the sharp appreciation of the Yen against the US dollar and Euro.

(3) Extraordinary loss on the sale of Rosner

Interim net loss is expected to decline 4.4 billion JPY from the previous forecast, due to a 1.7 billion JPY extraordinary loss incurred in the sale of all Rosner shares.

【Background of revision for the non-consolidated forecast】

Dividend income from the US subsidiary is expected to decrease because of the Yen's appreciation against the US dollar. Additionally, the extraordinary loss on the sale of Rosner increased the allowance for doubtful accounts for the European subsidiary.

Please note that, due to the foreign exchange loss and extraordinary loss described above, one of the conditions precedent for the 8.5 billion JPY syndicated loan agreements, signed and announced on November 7, 2008, may not be satisfied where LTH is required to maintain an amount of consolidated net assets at the end of interim period for FYE 2009 to be more than 70 % of that of the previous term.

2. Revision of forecast for the fiscal year ending August 2009

【Consolidated forecast / full-year】

(Millions in JPY)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income Per Share (Yen)
Previous forecast (A)	61,000	2,400	1,900	250	1,573.12
Revised forecast (B)	48,646	851	-2,032	-4,200	-26,428.39
Change (B - A)	-12,354	-1,549	-3,932	-4,450	—
Change (%)	-20.3%	-64.5%	—	—	—
FYE August 2008 results	59,887	2,056	396	-197	-1,262.40

【Non-consolidated forecast / full-year】

(Millions in JPY)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income Per Share (Yen)
Previous forecast (A)	3,002	1,681	1,900	184	1,160.96
Revised forecast (B)	2,918	1,640	1,856	-1,639	-10,313.37
Change (B - A)	-84	-41	-44	-1,825	—
Change (%)	-2.8%	-2.4%	-2.3%	—	—
FYE August 2008 results	2,973	1,731	2,032	329	2,108.33

【Backgrounds of revision for the consolidated forecast】

(1) Europe

Net sales are expected to decrease by 4.2 billion JPY from the previous forecast, mainly as Rosner is no longer consolidated for the 2nd half of the current fiscal year, and also as a result of the lower Yen conversion amount caused by the Yen's appreciation against Euro and difficult market conditions. However, operating income is expected to increase by 0.1 billion JPY as Rosner's forecasted net loss is eliminated.

(2) US

In the US, net sales are expected to decrease by 6.4 billion JPY primarily due to worsening market conditions as well as the lower Yen conversion amount caused by the Yen's appreciation against the US dollar. Operating income is expected to decline 1.5 billion JPY from the previous forecast after

expense reduction measures, amounting to 1.6 billion JPY, are implemented.

(3) Japan

As direct-managed stores have been struggling, shortfall in net sales and operating income are expected at 2 billion JPY and 0.3 billion JPY, respectively.

(Note) Full year foreign exchange loss related to the Yen-denominated loan to the US and European subsidiaries For the 2nd half (January to June 2009) forecast for the foreign subsidiaries, applied exchange rates are assumed as follows: (see "Reference 1") 1 USD=91.01 JPY, 1 EUR=127.93 JPY that are actual exchange rate at the end of December 2008. Based on the assumed foreign exchange rates, no foreign exchange loss is estimated to incur for the 2nd half of the fiscal year; however, full-year foreign exchange loss, which depend on the exchange rate as of June 30 2009, may fluctuate according to the actual exchange rates.

【Backgrounds of revision for the non-consolidated forecast】

Dividend income from US subsidiary is expected to decrease because of the Yen's appreciation against the US dollar. In addition, it is affected by the increase in allowance for doubtful accounts, which will incur in the interim period.

3. Non-operating expenses: outline of foreign exchange loss

LTH has provided Yen-denominated loans to the US and European subsidiaries in order to finance the acquisition of the US Theory Group in 2003 as well as for retail store development and working capital. The balance of the loan is amounted to 14.1 billion JPY as of December 30, 2008. The loan is recorded in each subsidiary's book in local currency, and the value of the loan is converted according to the exchange rate fluctuation between the US dollar/Euro and the Yen at the end of each quarter. For the interim period ending February 2009, the foreign exchange loss related to the loan is expected to be 2.8 billion JPY.

4. Extraordinary loss: breakdowns of loss on the sales of Rosner

Sales loss	4.9 million EUR (see Note 1)
Allowance for rent obligation	6.3 million EUR (see Note 2)
<u>Transaction fee</u>	<u>0.4 million EUR</u>
Total	11.6 million EUR (Converted to 1.7 billion JPY)

(Note 1)

The amount of net assets, sales value of 1 EUR

(Note 2)

LTH has guaranteed Rosner's rent payment obligation for the office building and warehouse since the acquisition of Rosner in November 2005. After the sale of Rosner, the purchaser plans to leave the current operating site and shall ensure that those facilities are sublet. For 63 months from July 2009 until September 2014, LTH's European subsidiary, Link Theory Holdings (Europe) GmbH ("LTHE"), will be obligated to indemnify the purchaser up to two-thirds of any shortfall in rent income from the sub-lessee against the original rent amount. Such indemnification amount shall be offset against the principal and interest of the subordinated loan.

As a result of discussion with auditors, 6.3 million EUR allowance shall be incurred because it is estimated that the maximum indemnification amount would possibly reach that amount (100 thousands EUR per month for the 63 months of obligation), and it surpasses the principal amount of 5 million EUR subordinated loan provided by LTHE to Rosner.

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(Reference 1) Foreign exchange rates assumption

	JPY-USD			JPY-EUR		
	Interim period (Average)	Full-year (Average)	Year end	Interim period (Average)	Full-year (Average)	Year end
Previous forecast	105.00	105.00	105.00	160.00	160.00	160.00
Revised forecast	102.11	96.40	91.01	144.89	136.10	127.93

Revision of consolidated/non-consolidated forecasts is based on information available at present. As actual financial results may vary according to future conditions and factors, LTH does not assure or guarantee the achievement of such forecasts.

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