TSI HOLDINGS

2013 Ending February: Results Briefing

2013.4.18

I. 2013 Ending February: Results Overview

*The amount given in this material is rounded to the nearest million yen.

TSI HOLDINGS

Net Sales:185,512 million yen (Y/Y 107.5%), Ordinary Income: 989 million yen (Compared with plan +989 million yen)

(Unit: Million yen)

	Previous FY		2013 ending February							
	Results	% of Total	Plan(A)	% of Total	Results(B)	% of Total	Y/Y Change	Y/Y	Diff.(B)-(A)	Ratio(B)/(A)
Net Sales	172,511	100.0%	188,000	100.0%	185,512	100.0%	+13,001	107.5%	-2,487	98.7%
Gross Profit	84,594	49.0%			93,023	50.1%	+8,429	110.0%		
SG&A Expenses	90,496	52.5%			94,300	50.8%	+3,804	104.2%		
Operating Income	-5,902	-3.4%	-500	-0.3%	-1,277	-0.7%	+4,624	―	-777	―
Ordinary Income	-11,393	-6.6%	0	0.0%	989	0.5%	+12,383	―	+989	―
Current Income Before Income Taxes	-23,858	-13.8%			2,772	1.5%	+26,631	―		
Current Net Income	-26,983	-15.6%	-1,960	-1.0%	-1,779	-1.0%	+25,203	―	+180	―

*Although the financial statements of TSI HOLDINGS for the previous fiscal year did not include the 1st quarter results of the pre-merger SANEI - INTERNATIONAL GROUP, these results were simply added to the TSI HOLDINGS' results for the previous fiscal year herein purely for the sake of comparison.

*Plan for 2013 ending February is the performance plan that was announced on November 14, 2012.

- Net Sales: Existing store sales for the second half of 2013 ending February declined 2.9% year on year due to challenging autumn winter sales performance.
- Operating Income: Operating loss for 2013 ending February decreased year on year thanks to our exit from low profitability business.
- Ordinary Income: Financial asset valuation gain of 1,039 million yen and foreign exchange gain of 214 million yen were recorded as non-operating income, respectively.
- Extraordinary Income: Accrued 1,884 million yen in profit on sales of investment securities, 2,750 million yen in profit from sales of affiliated company stocks, and Negative goodwill of 968 million yen.
- Extraordinary losses: Accrued 477 million yen in loss on sale of investment securities, 619 million yen in costs relating to the sale of the Vietnam factory, 525 million yen in costs relating to early retirement, and 836 million yen in loss on disposal of related company.

TOKYO STYLE Group (Y/Y comparison alone/by subsidiary)

(Unit: Million yen)

	2012 ending February: Results				2013 ending February: Results						
	Alone	Subsidiaries	Elimination/ others	Total	Alone	Y/Y	Subsidiaries	Y/Y	Elimination /others	Total	Y/Y
Net Sales	27,025	49,289	-6,186	70,128	23,461	86.8%	68,780	139.5%	-9,617	82,624	117.8%
Gross Profit	9,456	23,073	-341	32,188	8,459	89.5%	31,551	136.7%	-294	39,716	123.4%
Gross Profit Rate	35.0%	46.8%		45.9%	36.1%	+1.1pt	45.9%	-0.9pt		48.1%	+2.2pt
SG&A Expenses	17,811	19,106	2,205	39,123	14,710	82.6%	26,553	139.0%	585	41,849	107.0%
SGA Rate	65.9%	38.8%		55.8%	62.7%	-3.2pt	38.6%	-0.2pt		50.6%	-5.1pt
Operating Income	-8,354	3,966	-2,546	-6,935	-6,250	—	4,997	126.0%	-879	-2,132	—
Ordinary Income	-13,403	3,900	-2,620	-12,123	-4,805	—	5,726	146.8%	-1,094	-173	—
Current Income Before Income Taxes	-30,551	3,413	-661	-27,800	-5,793	—	5,749	168.4%	83	38	—
Current Net Income	-31,314	1,957	-922	-30,280	-5,799	—	3,127	159.8%	-319	-2,991	—

- Net Sales:
【Alone】Decreased due to reduction in total number of stores from closing down of brand and withdrawal of unprofitable stores.
【Subsidiaries】Increased year on year due to a full-year sales contribution by companies acquired by TSI through M&A during 2012 ending February.
- SG&A Expenses:【Alone】SGA rate declined significantly year on year thanks to Tokyo Style's exit from low profitability business.
- Operating Income: Decrease in SG&A expense rate and Deficits were reduced due to contribution of subsidiaries' profit.

SANEI-INTERNATIONAL GROUP

(Unit: Million yen)

	2012 ending February: Results		2013 ending February: Results			
	Results	% of Total	Results	% of Total	Y/Y Change	Y/Y
Net Sales	102,480	100.0%	102,859	100.0%	+378	100.4%
Gross Profit	52,440	51.2%	53,441	52.0%	+1,000	101.9%
SG&A Expenses	51,415	50.2%	52,735	51.3%	+1,319	102.6%
Operating Income	1,024	1.0%	705	0.7%	-319	68.8%
Ordinary Income	891	0.9%	1,083	1.1%	+192	121.6%
Current Income Before Income Taxes	38	0.0%	2,591	2.5%	+2,552	6730.8%
Current Net Income	-610	-0.6%	1,520	1.5%	+2,131	—

*Although the financial statements of TSI HOLDINGS for the previous fiscal year did not include the 1st quarter results of the pre-merger SANEI-INTERNATIONAL GROUP, these results were simply added to the TSI HOLDINGS' results for the previous fiscal year herein purely for the sake of comparison.

- Net Sales: Sales for the first half of 2013 ending February grew 5.3% year on year. However, SANEI-INTERNATIONAL's subsidiary non-consolidation program and challenging existing store sales performance during the second half of the year resulted in sales for the second half of 2013 ending February showing a year-on-year decline of 4.1%. Thus, year-on-year sales growth for 2013 ending February stood at 0.4%.
- Operating Income: Although profits increased in the first half, profits decreased due to the second half decrease in gross profit margin and increased SG&A expenses.

(1)Extraordinary income: Continued to utilize assets effectively

● Gain on sale of fixed assets	454 million yen
● Gain on sales of investment securities	1,884 million yen
● Gain on sales of affiliated company stocks	2,750 million yen
● Gain on negative goodwill	968 million yen
● Others	352 million yen
Total extraordinary income	6,408 million yen

(2)Extraordinary Loss: Recognized business restructuring-related costs

● Loss on retirement of fixed assets	638 million yen
● Impairment loss	411 million yen
● Loss on sale of investment securities	477 million yen
● Loss on valuation of shares in related company	619 million yen
● Loss on disposal of related company	836 million yen
● Costs relating to early retirement	545 million yen
● Others	1,099 million yen
Total extraordinary loss	4,625 million yen

(1) Payment of dividends

Maintenance of stable dividend standard

- Consider the management environment, performance, and financial health in a comprehensive manner.
- TSI will allocate its internal reserves to the development of new brands and high-growth new businesses as well as to capital expenditure for opening new stores, thereby enhancing the Company's enterprise value.

Dividends

	2013 ending February	Plan for 2014 ending February
Annual dividend per share	17.50 yen	17.50 yen
Total dividend amount	2,026 million yen	

(2) Acquisition of treasury stock

TSI will acquire its shares as treasury stock as part of its shareholder return policy.

- The type of shares to be acquired by TSI: Common shares in TSI
- The total number of shares authorized to be acquired by TSI: 4,000,000 shares (3.45% of the total number of shares outstanding)
- Addition to the share acquisition value: 3,000 million yen (upper limit)
- Period of share acquisition: From April 19, 2013 to September 30, 2013

II. Progress of the Mid-term Management Plan of the TSI Group

6. A General Schedule of the Mid-term Management plan

"Structural reform without sanctuary" → "Continuous growth"

FY2011	FY2012	FY2013	FY2014

Results from the previous year

(1) "Reforming cost structure"

(2) "Improving profitability"

(3) "Strengthening group management capabilities"

Target 1.
Return to Profitable sales

Target 2.
Operating income rate
2.3%

● **Results** (billions of yen)	● **Results** (billions of yen)	● **Forecasts** (billions of yen)	● **Plan** (Reexamined plan) (billions of yen)
Sales：147.8	Sales：185.5	Sales：180	Sales：195
Operating income：-6.9	Operating income：-1.3	Operating income：1.2	Operating income：4.5
Operating income rate：-4.6%	Operating income rate：-0.7%	Operating income rate：0.7%	Operating income rate：2.3%

Structural reform without sanctuary

(1) Reforming cost structure

1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.

①Reform the organization of TOKYO STYLE into divisions of each brand business.
→ Clarification of profit responsibility

②Withdraw from unprofitable business･･･Close four brands of TOKYO STYLE.

③Close low-yielder/unprofitable stores.･･･Close approx. 297 unprofitable stores of TOKYO STYLE.

④Discontinuation of branch system at TOKYO STYLE

⑤Cost structure (Advertising expenses/Logistics costs/General expenses)

⑥Implementation of early retirement support system

⑦Sale and closure of some factories

※ Cost reduction accompanying implementation of structural reforms: −1,343 million yen

＋ Additional cost reduction: −762 million yen

(Unit: million yen)

Reduced items	Reduction accompanying cost-structural reform		Additional reduction
Personnel costs	−903		
Logistics costs	−40		
Advertising expenses	−400	＋	−762
Others	—		
Total	−1,343		

Structural reform without sanctuary

(2) Improving profitability

1) Development of new business

- Launch in the spring/summer 2013 season "Planet blue world," a casual style idea store format, as well as "PEARLY GATES THE GREEN GOLF STORE," a golf casual wear store format.

2) Expansion of core brands

- Aggressive investments on large-market brands such as "nano・universe," "NATURAL BEAUTY BASIC," etc.

3) Effective utilization of assets

- Continue to sell investment securities and unused assets aggressively, and secure the funds for pursuing the Company's growth strategy for its core business at an accelerated pace while using the funds for repaying debt.

(3) Strengthening group management capabilities

1) Concentration of management functions at TSI HOLDINGS

- Consolidate HR, accounting, administration, and system divisions that TOKYO STYLE and SANEI INTERNATIONAL have separately into the Administrative Headquarters of TSI HOLDINGS.
- Establish the Store Development Dept. and Web Business Strategy Preparation Office within the Business Headquarters of TSI HOLDINGS.
  → Consolidate the functions of TOKYO STYLE and SANEI INTERNATIONAL together.

2) Unification of production management functions

- Consolidate and promote rationalization of the production and logistics divisions of TOKYO STYLE and SANEI INTERNATIONAL into TSI HOLDINGS subsidiary, TSI Production Network.

3) Introduce tax consolidation system

- Consolidate the corporate taxes for 16 domestic wholly-owned subsidiaries from 2014 payment.
  → In addition to the merits of integrated taxation, promotion of streamlining of filing tax returns.

Ⅲ. 2014 Ending February: Outlook

9. Consolidated business plan for 2014 ending February

Plan to achieve 180,000 million yen in sales and 1,200 million yen in operating income

(Unit: Million yen)

	1st half			2nd half			Throughout the year		
	2013 ending February: Result	2014 ending February: Plan	Y/Y	2013 ending February: Result	2014 ending February: Plan	Y/Y	2013 ending February: Result	2014 ending February: Plan	Y/Y
Net Sales	90,534	86,500	95.5%	94,978	93,500	98.4%	185,512	**180,000**	97.0%
Operating Income	−1,076	−1,500	—	−201	2,700	—	−1,277	**1,200**	—
Ordinary Income	−1,123	−1,200	—	2,112	3,300	—	989	**2,100**	212.2%
Current Net Income	−2,424	−2,300	—	644	1,500	—	−1,779	**-800**	—

- Net Sales: Sales for 2014 ending February will likely decrease year on year due to store closing by Tokyo Style and sale of subsidiary shares by SANEI-INTERNATIONAL.
- Operating Income: Operating profitability is expected to be achieved on the back of Tokyo Style’s improving gross margin and declining SGA expenses.
- Current Net Income: Although the Group’s adoption of consolidated taxation will allow it to enjoy a lower tax burden, net loss of 800 million yen is projected to be recorded since extraordinary income, unlike in 2013 ending February, is not expected to be recognized in 2014 ending February.

TSI HOLDINGS

(1) Tokyo Style Group

(Unit: Million yen)

	1st half			2nd half			Throughout the year		
	2013 ending February: Result	2014 ending February: Plan	Y/Y	2013 ending February: Result	2014 ending February: Plan	Y/Y	2013 ending February: Result	2014 ending February: Plan	Y/Y
Net Sales	39,254	37,200	94.8%	43,370	40,800	94.1%	82,624	**78,000**	94.4%
Operating Income	−1,505	−810	—	−626	1,789	—	−2,132	**978**	—
Ordinary Income	−1,655	−510	—	1,482	2,389	161.2%	−173	**1,878**	—

(2) SANEI-INTERNATIONAL Group

(Unit: Million yen)

	1st half			2nd half			Throughout the year		
	2013 ending February: Result	2014 ending February: Plan	Y/Y	2013 ending February: Result	2014 ending February: Plan	Y/Y	2013 ending February: Result	2014 ending February: Plan	Y/Y
Sales	51,312	49,134	95.8%	51,546	52,594	102.0%	102,859	**101,729**	98.9%
Operating Income	628	−696	—	77	834	1080.6%	705	**138**	19.6%
Ordinary Income	786	−686	—	297	869	292.8%	1,083	**183**	16.9%

IV. Reference Data

11. Net Sales per Brand

(Unit: Million yen)

	Brand Name	2013 ending February, Cumulative	% of Total	Y/Y
1	nano・universe	19,592	10.6%	133.2%
2	NATURAL BEAUTY BASIC	14,060	7.6%	106.2%
3	MARGARET HOWELL	8,995	4.8%	113.6%
4	ROSE BUD	8,937	4.8%	—
5	Apuweiser-riche	6,703	3.6%	—
6	& by P&D	5,846	3.2%	102.8%
7	FREE'S SHOP	5,676	3.1%	92.4%
8	HUMAN WOMAN	5,581	3.0%	94.6%
9	PEARLY GATES	5,314	2.9%	112.3%
10	TORNADO MART	4,695	2.5%	106.0%
	Others	100,109	54.0%	—
	Total	185,512	100.0%	—

*The net sales of ROSE BUD is the consolidated net sales of ROSE BUD CO., Ltd. and Elephant Co., Ltd.

*As the subsidiaries ROSE BUD and Apuweiser-riche were consolidated during the previous period, a comparison with the previous quarter has been omitted.

Tokyo Style Group

SANEI-INTERNATIONAL Group

12. Net Sales per Sales Channel

(Unit: Million yen)

Sales Channel	2013 ending February, Cumulative						
	TOKYO STYLE GROUP		SANEI INTERNATIONAL GROUP		TSI(Non-consolidated) Eliminations	Consolidates	
	Results	% of Total	Results	% of Total		Results	% of Total
Department store	29,948	36.2%	30,987	30.1%	—	60,936	32.8%
Commercial facilities*1	30,785	33.8%	54,443	52.9%	—	85,229	45.9%
EC	9,372	11.3%	4,059	3.9%	—	13,432	7.2%
Overseas	5,528	7.2%	3,742	3.6%	—	9,270	5.0%
Others*2	6,989	11.4%	9,625	9.4%	28	16,644	9.0%
Total	82,624	100.0%	102,859	100.0%	28	185,512	100.0%

*1 Commercial facilities: Fashion buildings, railroad station buildings, individual stores, outlet shops, etc., except for department stores

*2 Others: Apparel business, such as wholesale and in-company sales and the non-apparel business of group companies

- The performance outlook for TSI Holdings indicated in this material is based on the assessments/assumptions from the information available as of this material’s date. Actual performance may differ depending on various factors.