



Announcement of Financial Results for the 3rd Quarter
of the Fiscal Year Ending February 28, 2013 (FY2012)

January 17, 2013

I. Summary of Financial Results for the 3rd Quarter Cumulative of the Fiscal Year Ending February 28, 2013 (FY2012)

* The amounts of money stated on this document are rounded down to the nearest million yen.

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1. Consolidated Financial Highlights - Profit and Loss

Net Sales 137,208 million yen (Y/Y 111.8%), Ordinary Income 1,226 million yen (Y/Y Change + 4,847 million yen)

(Unit:millions of yen)

	Previous FY		3rd Quarter Cumulative, FY2012			
	Results	% of Total	Results	% of Total	Y/Y Change	Y/Y
Net Sales	122,769	100.0%	137,208	100.0%	+14,438	111.8%
Gross Profit	62,716	51.1%	71,261	51.9%	+8,544	113.6%
SG&A Expenses	65,042	53.0%	71,282	52.0%	+6,239	109.6%
Operating Income	-2,325	-1.9%	-20	0.0%	+2,304	—
Ordinary Income	-3,620	-2.9%	1,226	0.9%	+4,847	—
Income Before Income Taxes (Qtr)	-1,964	-1.6%	1,714	1.2%	+3,678	—
Net Income (Qtr)	-4,395	-3.6%	134	0.1%	+4,529	—

* 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.

- Ordinary Income: Returned to profitability due to profit on valuation of investment securities.
- Extraordinary Income: Accrued 2,750 million yen in profit from sales of affiliated company stocks, 454 million yen in gains from sales of fixed assets, and 496 million yen in profit on sales of investment securities.
- Extraordinary losses: Accrued 1,352 million yen loss on valuation of investment securities, 619 million yen in costs relating to the sale of the Vietnam factory, and 525 million yen in costs relating to early retirement.

2. Consolidated Financial Highlights - Group (1)

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

(Unit:millions of yen)

	Previous FY				3rd Quarter Cumulative, FY2012						
	Alone	Subsidiaries	Elimination/ others	Total	Alone	Y/Y	Subsidiaries	Y/Y	Elimination/ others	Total	Y/Y
Sales	20,237	31,254	-3,996	47,494	17,863	88.3%	49,472	158.3%	-7,366	59,968	126.3%
Gross margin	7,522	15,571	-382	22,712	6,569	87.3%	23,453	150.6%	-252	29,771	131.1%
Gross margin rate	37.2%	49.8%		47.8%	36.8%	-0.4pt	47.4%	-2.4pt		49.6%	+1.8pt
SG&A	12,868	12,726	1,195	26,790	11,277	87.6%	19,198	150.9%	430	30,906	115.4%
SG&A rate	63.6%	40.7%		56.4%	63.1%	-0.5pt	38.8%	-1.9pt		51.5%	-4.9pt
Operating income	-5,346	2,844	-1,577	-4,078	-4,707	—	4,255	149.6%	-682	-1,135	—
Ordinary income	-5,670	2,707	-2,057	-5,020	-3,521	—	4,266	157.6%	-841	-96	—
Income Before Income Taxes (Qtr)	-6,663	2,475	-2,316	-6,504	-4,851	—	4,278	172.8%	-800	-1,373	—
Net Income (Qtr)	-7,221	1,556	-2,444	-8,109	-4,870	—	2,437	156.6%	-1,005	-3,437	—

- Net Sales:
 - 【Alone】 Decreased due to reduction in total number of stores from closing down of brand and withdrawal of unprofitable stores.
 - 【Subsidiaries】 Companies that merged during the previous fiscal year gave contributions through the full business year.
- SG&A Expenses: 【Alone】 Decrease in SG&A expense rate due to withdrawal of unprofitable businesses.
- Operating Income: Decrease in SG&A expense rate and Deficits were reduced due to contribution of subsidiaries' profit.

SANEI INTERNATIONAL GROUP

(Unit:millions of yen)

	Previous FY		3rd Quarter Cumulative, FY2012			
	Results	% of Total	Results	% of Total	Y/Y Change	Y/Y
Sales	75,389	100.0%	77,196	100.0%	+1,806	102.4%
Gross Profit	40,007	53.1%	41,490	53.7%	+1,483	103.7%
SG&A Expenses	38,270	50.8%	39,959	51.8%	+1,688	104.4%
Operating Income	1,736	2.3%	1,531	2.0%	-204	88.2%
Ordinary Income	1,533	2.0%	1,819	2.4%	+285	118.6%
Income Before Income Taxes (Qtr)	648	0.9%	3,583	4.6%	+2,935	552.9%
Net Income (Qtr)	-170	-0.2%	4,111	5.3%	+4,281	—

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- Net Sales: Although first half sales achieved 105.3% compared with the previous quarter, third quarter sales were down to 97.1% compared to the previous quarter due to struggling performance by existing stores, and total third quarter sales were 102.4% compared to the previous quarter.
- Operating Income: Although profits increased in the first half, profits decreased due to a third quarter decrease in gross profit margin and increased SG&A expenses.

II. Progress of the Mid-term Management Plan (FY2012 to FY2014) of the TSI Group

4. A general Schedule of the Mid-term Management plan

“Structural reform without sanctuary”

“Continuous growth”

FY2011

FY2012
(The present FY)

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.
Achieve the Mid-term
Management plan

● **Results** (billions of yen)

Sales: 147.8
Operating income: -6.9
Operating income rate: -4.6%

● **Forecasts** (billions of yen)

Sales: 188
Operating income: -0.5
Operating income rate: -0.3%

● **the Mid-term management plan**
(billions of yen)

Sales: 220
Operating income: 5
Operating income rate: 2.3%

Structural reform without sanctuary

(1) Reforming cost structure

1st Quarter

2nd Quarter

3rd Quarter

4th Quarter

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

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

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

④ Discontinuation of branch system at TOKYO STYLE

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

⑥ Implementation of early retirement support system

⑦ Sale and closure of some factories

※ Estimated cost reduction accompanying implementation of structural reforms

		(Unit:millions of yen)	
		FY2012 (The present FY)	FY2013 and later (Full year conversion)
	Reduced items		
Personnel adjustment accompanying implementation of early retirement support system	Personnel costs	—	-500
Closure of discontinued brand stores and unprofitable stores	Personnel costs	-814	-1,953
Staffing structure streamlining due to downsizing	Personnel costs	-89	-293
Perform a part of the outsourced activities of logistics in-house.	Logistics costs	-40	-112
Reduce advertising expenses	Advertising expenses	-400	-600
Total		-1,343	-3,458

Structural reform without sanctuary

(2) Improving profitability

1) Development of new business

- Start "Planet Blue World" from spring/summer 2013, which is a store business for casual-style fashion.
- Starting a new type of business of "PEARLY GATES", a golf casual brand, from spring/summer 2013.

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. Policies of Financial Results for the 4th Quarter Cumulative of the Fiscal Year Ending February 28, 2013 (FY2012)

(1) Business policies

Secure gross profit

- Fourth quarter (Dec.–Feb.) is the selling period for autumn and winter products
→ While minimizing sale discount rates, strive to sell autumn and winter products

2012 December Revenue of Directly Managed Stores (vs. Last Year)

- All Stores :95.9% Existing Stores :97.6%

(2) Financial policies

Effective utilization of assets

- Continue to sell investment securities and idle assets by making a decision at appropriate timing, secure cash reserves to accelerate growth strategy for this business and appropriate toward repayment of debts.

Adjustment of group management

- Promote group company integration, dissolution, and 100% acquisition of ownership.

Reference: Performance plan by group for 2013 ending February

(Unit:millions of yen)

	Previous FY		2013 ending February			
	Results	% of Total	Plan	% of Total	Y/Y Change	Y/Y
Sales	172,511	100.0%	188,000	100.0%	+15,488	109.0%
Operating income	-5,902	-3.4%	-500	-0.3%	+5,402	—
Ordinary income	-11,393	-6.6%	0	0.0%	+11,393	—
Current net income	-26,983	-15.6%	-1,960	-1.0%	+25,023	—

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IV. Reference Data

8. Net Sales per Brand

(Unit:millions of yen)

Brand Name	FY 2012 3rd Quarter Cumulative	% of Total	Y/Y
1 nano·universe	13,571	9.9%	138.5%
2 NATURAL BEAUTY BASIC	10,673	7.8%	106.1%
3 ROSE BUD	6,869	5.0%	—
4 MARGARET HOWELL	6,557	4.8%	111.7%
5 Apuweiser-riche	4,809	3.5%	—
6 HUMAN WOMAN	4,268	3.1%	96.1%
7 FREE'S SHOP	4,239	3.1%	94.8%
8 & by P&D	4,098	3.0%	104.6%
9 kate spade new york	4,021	2.9%	106.1%
10 PEARLY GATES	3,907	2.8%	113.1%
Others	74,190	54.1%	—
Total	137,208	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.

9. Net Sales per Sales Channel

(Unit:millions of yen)

Sales Channel	FY 2012 3rd Quarter, Cumulative						
	TOKYO STYLE GROUP		SANEI INTERNATIONAL GROUP		TSI(Non-consolidated) Eliminations	Consolidates	
	Results	% of Total	Results	% of Total		Results	% of Total
Department store	22,492	37.5%	23,404	30.3%	—	45,897	33.5%
Commercial facilities* ¹	21,876	36.5%	41,184	53.4%	—	63,061	46.0%
EC	6,469	10.8%	3,002	3.9%	—	9,471	6.9%
Overseas	3,292	5.5%	2,420	3.1%	—	5,713	4.2%
Others* ²	5,837	9.7%	7,184	9.3%	42	13,064	9.5%
Total	59,968	100.0%	77,196	100.0%	42	137,208	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-companu sales and the non-apparel business of group companies

□ In this document, our company's forecast is premised on judgments and presumptions made through information obtainable as of the date of the document. The actual results may vary due to a variety of factors.