



Announcement of Financial Results for the 2nd Quarter
of the Fiscal Year Ending February 28, 2013 (FY2012)

October 16, 2012

I. Summary of Financial Results for the 2nd Quarter 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 90,534 million yen (Y/Y 117.9%), Operating Income -1,076 million yen
(Compared with plan +623 million yen)

(Unit: millions of yen)

	Previous FY *1		2nd Quarter Cumulative, FY2012							
			Plan *2		Results					
	Results	% of Total	Results(A)	% of Total	Results(B)	% of Total	Y/Y Change	Y/Y	Diff.(A)-(B)	Ratio(A)/(B)
Net Sales	76,761	100.0%	94,000	100.0%	90,534	100.0%	+13,773	117.9%	-3,465	96.3%
Gross Profit	37,476	48.8%			46,298	51.1%	+8,822	123.5%		
SG&A Expenses	40,867	53.2%			47,374	52.3%	+6,507	115.9%		
Operating Income	-3,391	-4.4%	-1,700	-1.8%	-1,076	-1.2%	+2,315	—	+623	—
Ordinary Income	-4,892	-6.4%	-1,300	-1.4%	-1,123	-1.2%	+3,769	—	+176	—
Net Income (Qtr)	-4,482	-5.8%	-2,700	-2.9%	-2,424	-2.7%	+2,058	—	+275	—

*1: 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.

*2: The financial results plan released on April 13, 2012

2. Consolidated Financial Highlights - Group (2)

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

(Unit:millions of yen)

	Previous FY				2nd Quarter Cumulative, FY2012						
	Alone	Subsidiaries	Elimination/ others	Total	Alone	Y/Y	Subsidiaries	Y/Y	Elimination/ others	Total	Y/Y
Sales	12,962	16,508	-1,437	28,034	12,298	94.9%	31,911	193.3%	-4,955	39,254	140.0%
Gross margin	4,177	8,367	-108	12,436	4,582	109.7%	14,934	178.5%	-209	19,307	155.3%
Gross margin rate	32.2%	50.7%		44.4%	37.3%	+5.0pt	46.8%	-3.9pt		49.2%	+4.8pt
SG&A	8,169	7,209	417	15,796	8,110	99.3%	12,476	173.1%	225	20,812	131.8%
SG&A rate	63.0%	43.7%		56.3%	65.9%	+2.9pt	39.1%	-4.6pt		53.0%	-3.3pt
Operating income	-3,992	1,158	-526	-3,360	-3,527	—	2,457	212.1%	-434	-1,505	—
Ordinary income	-4,741	1,110	-878	-4,509	-3,224	—	2,234	201.3%	-666	-1,655	—
Current net income	-5,958	507	-1,127	-6,577	-3,281	—	1,218	—	-741	-2,804	—

- Net Sales: Massive increase of Y/Y 140.0% because companies that merged during the previous fiscal year gave contributions through the full business year.
- Gross Profit Ratio (Non-consolidated): Previous fiscal year: 32.2% → Current year: 37.3% (+5.0pt); due to the reduction of BOY inventory and the improvement of the final sales rates at our regular stores.
- Operating Income: Deficits were reduced due to contribution of subsidiaries' profit.

3. Consolidated Financial Highlights - Group (2)

SANEI INTERNATIONAL GROUP

(Unit: million of yen)

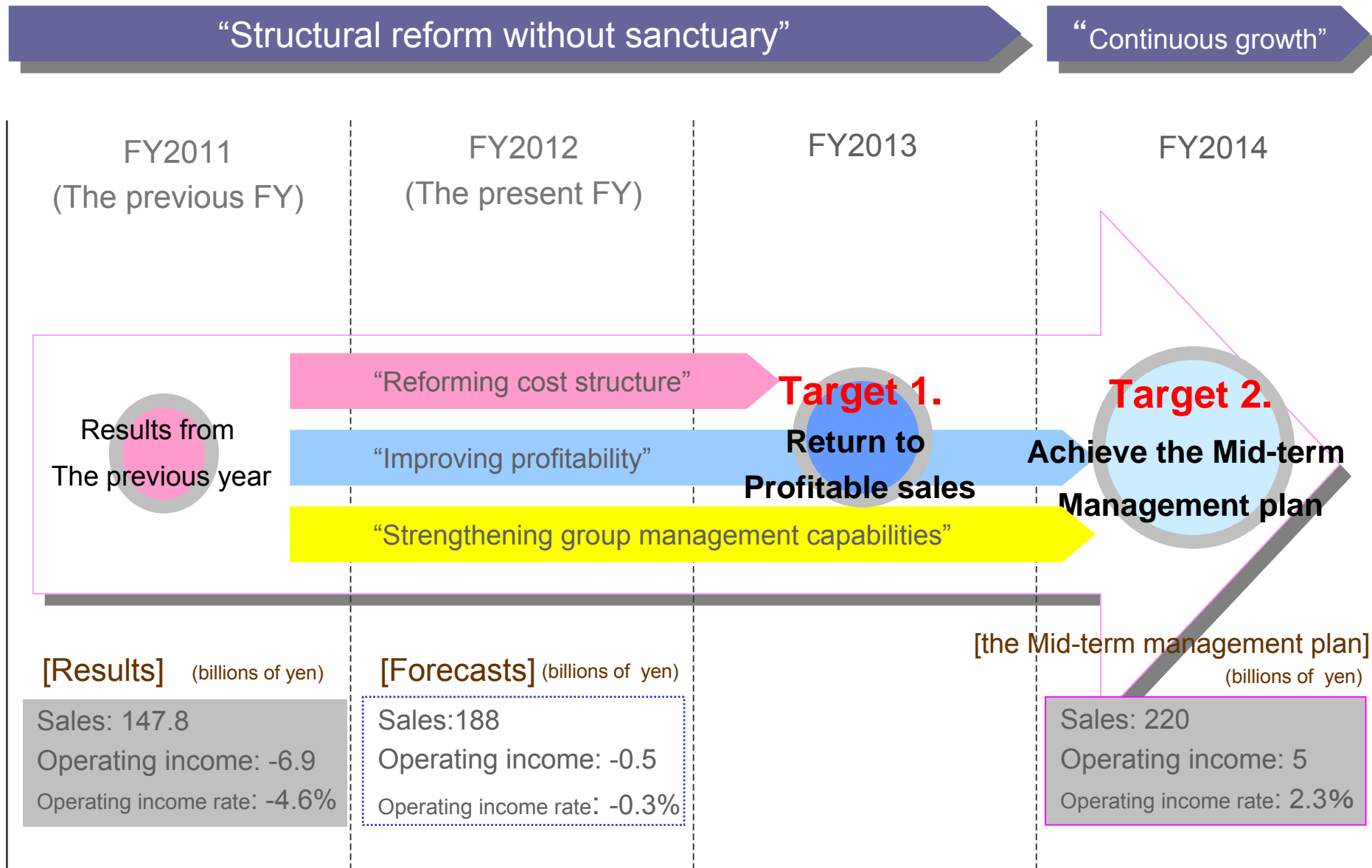
	Previous FY *		2nd Quarter Cumulative, FY2012			
	Results	% of Total	Results	% of Total	Y/Y Change	Y/Y
Net Sales	48,733	100.0%	51,312	100.0%	+2,579	105.3%
Gross Profit	25,021	51.3%	27,001	52.6%	+1,980	107.9%
SG&A Expenses	25,025	51.4%	26,373	51.4%	+1,348	105.4%
Operating Income	-3	0.0%	628	1.2%	+632	—
Ordinary Income	-243	-0.5%	786	1.5%	+1,030	—
Net Income (Qtr)	-1,614	-3.3%	534	1.0%	+2,149	—

*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: Increased due to a higher revenue from the main brands and the aggressive openings of the focus brand stores
- Gross Profit Ratio: Increased thanks to a higher proportion of non-discount sales, improved cost-to-sales ratio and reduced inventory valuation losses
- Operating Income: Returned to profitability due to a higher gross profit ratio and reduced 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

(1) Reforming cost structure

1) Close low-yielder/unprofitable stores

- Close 297 unprofitable stores of TOKYO STYLE.

2) Withdraw from unprofitable business.

- Close four brands of TOKYO STYLE.
- As for the low-yielding brands of the group, a restructure plan is to be made in which the withdrawal of the brands is to be studied. → Investment is to be concentrated on growing brands.

3) Increase of Gross Profit

- The organizational structure of TOKYO STYLE was changed from a four-division structure to a two-division structure . → Focus resources on the main business
- Reconsider the planning and production system of the TOKYO STYLE brand.
→ Reduce advanced plans and increase the interim planning ratio.

4) Effects of the drastic improvement of the SG&A expenses ratio

		(Unit:millions of yen)	
		FY2012 (The present FY)	FY2013 and later
	Reduced items		
Close withdrawn brand's 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	-2,958

(2) Improving profitability

1) Development of new business

- M&A of 5 companies in FY 2011 → These companies give contributions to the consolidated financial results in the full business year from FY2012.
- Start "Planet Blue" from spring/summer 2013, which is a store business for casual-style fashion.

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.
- Consolidate the production and logistics divisions of TOKYO STYLE and SANEI INTERNATIONAL into TSI HOLDINGS subsidiary, TSI Production Network. → Unification of management functions
- 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.

III. Forecast for FY2012

Net Sales was revised downward / Income was unchanged

(Unit:millions of yen)

2013 ending February: Plan

	2nd half				Throughout the year			
	Original plan(A1)	Revised plan(B2)	Diff.(A1)-(B1)	Ratio(A1)/(B1)	Original plan(A2)	Revised plan(B2)	Diff.(A2)-(B2)	Ratio(A2)/(B2)
Net Sales	103,000	97,465	-5,534	94.6%	197,000	188,000	-9,000	95.4%
Operating Income	1,200	576	-623	—	-500	-500	±0	—
Ordinary Income	1,300	1,123	-176	—	0	0	±0	—
Net Income	1,100	824	-275	—	-1,600	-1,600	±0	—

*The original plan released on July 13, 2012

- Net Sales: Revised the full year net sales plan as the first half sales fell short of expectations and the second half sales estimate was modified.
- Operating Income: Although the first half operating income exceeded expectations, the second half plan was modified, so the full year forecast was unchanged.

8. Performance plan by group for 2013 ending February

(1) TOKYO STYLE Group

(Unit:millions of yen)

2013 ending February: Plan								
	2nd half				Throughout the year			
	Original plan(A1)	Revised plan(B2)	Diff.(A1)-(B1)	Ratio(A1)/(B1)	Original plan(A2)	Revised plan(B2)	Diff.(A2)-(B2)	Ratio(A2)/(B2)
Sales	45,776	43,345	-2,430	94.7%	84,863	82,599	-2,263	97.3%
Operating income	-131	-227	-96	—	-1,764	-1,732	+31	—
Ordinary income	-163	269	+432	—	-1,502	-1,386	+115	—
Current net income	-1,924	-1,160	+763	—	-4,204	-3,965	+238	—

(2) SANEI INTERNATIONAL Group

(Unit:millions of yen)

2013 ending February: Plan								
	2nd half				Throughout the year			
	Original plan(A1)	Revised plan(B2)	Diff.(A1)-(B1)	Ratio(A1)/(B1)	Original plan(A2)	Revised plan(B2)	Diff.(A2)-(B2)	Ratio(A2)/(B2)
Sales	57,715	54,366	-3,348	94.2%	113,071	105,679	-7,391	93.5%
Operating income	1,346	758	-587	56.3%	1,294	1,386	+92	107.1%
Ordinary income	1,421	808	-612	56.9%	1,503	1,595	+91	106.1%
Current net income	2,969	1,956	-1,012	65.9%	2,622	2,491	-130	95.0%

- TOKYO STYLE Group: Although sales are anticipated to decline, the full year income is likely to be in line with the original plan thanks to higher subsidiary income.
- SANEI INTERNATIONAL Group: The second half plan was revised in view of the current situation. Still, as the first half income exceeded expectations, the full year income is expected to be more or less in line with the original plan.

IV. Reference Data

9. Net Sales per Brand

(Unit:millions of yen)

Brand Name	FY2012 2nd Quarter Cumulative	% of Total	Y/Y
1 nano・universe	8,281	9.1%	139.8%
2 NATURAL BEAUTY BASIC	7,022	7.8%	107.8%
3 ROSE BUD	4,266	4.7%	—
4 MARGARET HOWELL	4,213	4.7%	111.7%
5 kate spade new york	3,069	3.4%	123.6%
6 Apuweiser-riche	3,062	3.4%	—
7 FREE'S SHOP	2,855	3.2%	97.9%
8 & by P&D	2,850	3.1%	107.0%
9 HUMAN WOMAN	2,819	3.1%	99.1%
10 PEARLY GATES	2,413	2.7%	113.5%
Others	49,680	54.8%	—
合計	90,534	100.0%	—

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

10. Net Sales per Sales Channel

(Unit:millions of yen)

Sales Channel	TOKYO STYLE GROUP		SANEI INTER NATIONAL GROUP		TSI(Non-consolidated) Eliminations	Consolidated	
	Results	% of Total	Results	% of Total		Results	% of Total
Department store	15,054	38.4%	15,264	29.7%	—	30,318	33.5%
Commercial facilities ^{*1}	14,131	36.0%	27,512	53.6%	—	41,643	46.0%
EC	4,210	10.7%	2,024	3.9%	—	6,234	6.9%
Overseas	2,285	5.8%	1,546	3.0%	—	3,831	4.2%
Others ^{*2}	3,574	9.1%	4,964	9.8%	-32	8,506	9.4%
Total	39,254	100.0%	51,312	100.0%	-32	90,534	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.