

SAN-EI INTERNATIONAL CO.,LTD.

Second-Quarter Results Briefing  
for FY ending August 31, 2010

**April 16, 2010**

## I. Second-Quarter Financial Results for FY ending August 31, 2010

\*Note that all amounts listed are rounded off to the nearest million yen.

# 1. Consolidated Results-Summary

S&P N E I - INTERNATIONAL CO., LTD.

**Net sales of ¥52,124 million (88.0% YOY) Operating income of ¥736 million (162.6% YOY)**

(JPY millions)

	2Q results for FY ending Aug. 31, 2009		2Q forecast for FY ending Aug. 31, 2010		2Q results for FY ending Aug. 31, 2010		vs. same period YOY	vs. forecast
Net sales	59,227	100.0%	54,000	100.0%	52,124	100.0%	88.0%	96.5%
Gross margin	29,679	50.1%			26,635	51.1%	89.7%	
SG&A	29,226	49.3%			25,898	49.7%	88.6%	
Operating income	453	0.8%	950	1.8%	736	1.4%	162.6%	77.5%
Ordinary income	155	0.3%	630	1.2%	563	1.1%	364.5%	89.4%
Quarterly pre-tax net profit	1,480	-2.5%			604	1.2%		
Quarterly net profit	2,193	-3.7%	320	0.6%	157	0.3%		49.2%

\*The forecasts for the second-quarter of the FY ending August 31, 2010 are the earnings forecasts published on October 15.

- ▣ **Net sales:** Existing retail store sales at 88.3% vs. same period YOY (forecast assumption: 90%), plus decrease in overall no. of stores (down 155 vs. end of same period YOY) → revenues down: 88.0% vs. same period YOY
- ▣ **Gross margin ratio (51.1%):** Narrower markdown losses and losses on inventory valuation → 1.0-point increase vs. same period YOY
- ▣ **Ordinary income (¥563 million):** SG&A cutbacks (88.6% vs. same period YOY) → profit increase of ¥409 million vs. same period YOY

## 2. Consolidated Results - Leading Brand Sales

SAN EI INTERNATIONAL CO., LTD.

(JPY millions)

Brand	2Q results for FY ending Aug. 31, 2009	2Q results for FY ending Aug. 31, 2010	vs. same period YOY	Amount change	Existing retail stores vs. same period YOY
NATURAL BEAUTY BASIC	7,695	6,401	83.2%	1,295	88.1%
FREE'S SHOP	3,932	3,556	90.4%	376	84.3%
HUMAN WOMAN	3,391	3,267	96.3%	124	90.1%
MARGARET HOWELL	3,288	3,253	98.9%	35	98.8%
JILLSTUART	3,262	3,001	92.0%	261	78.4%
& by P&D	2,740	2,667	97.3%	73	92.5%
PROPORTION BODY DRESSING	2,900	2,545	87.8%	355	87.6%
PEARLY GATES	2,311	2,360	102.2%	+50	94.9%
Callaway Apparel	2,010	2,148	106.9%	+138	94.0%
kate spade new york	1,454	1,728	118.8%	+273	91.4%
Other brands	26,243	21,197	80.8%	5,046	86.7%
<b>Total</b>	<b>59,227</b>	<b>52,124</b>	<b>88.0%</b>	<b>7,103</b>	<b>88.3%</b>

\*Consolidated and eliminated entries have been posted for the sales of each brand.

\*Existing retail stores vs. same period YOY are for directly-managed domestic stores.

\*Control of the outlet business 'kate spade new york' that was run by LAST CALL Co., Ltd., our outlet subsidiary, was transferred on December 1, 2009 with the establishment of Kate Spade Japan CO., LTD., thus pre-transfer sales are listed under 'Other brands' and post-transfer sales under 'kate spade new york'.

### □ NATURAL BEAUTY BASIC: 83.2% vs. same period YOY

- The KOFI COLLECT brand, which had been sold with the NATURAL BEAUTY BASIC brand, was withdrawn in the second-quarter of last year. \*On a stand-alone basis, NATURAL BEAUTY BASIC sales are 90.9% vs. same period YOY (virtually in line with budget)

### □ MARGARET HOWELL: Existing retail store sales are 98.8% vs. same period YOY and continue to remain steady

### □ & by P&D: 1Q (Sept.-Nov.) sales: 92.3% vs. same period YOY / 2Q (Dec.-Feb.) sales: 101.8% vs. same period YOY

### 3. Consolidated Results - Brand Sales by Channel, No. of Stores

NEI-INTERNATIONAL CO., LTD.

(JPY millions)

		2Q (FY ending Aug. 31, 2009)					Full-year (FY ending Aug. 31, 2009)					2Q (FY ending Aug. 31, 2010)					vs. same period YOY	
		No. of stores		Term end	Net sales	Component ratio	No. of stores		Term end	Net sales	Component ratio	No. of stores			Term end	Net sales		Component ratio
		Openings	Closures				Openings	Closures				Openings	Closures	Transfer				
Directly-managed stores	Department store shop-in-shops	22	-57	642	23,347	39.4%	45	-151	571	42,099	37.6%	12	-59		524	19,113	36.7%	81.9%
	FB / free standing stores	28	-13	337	22,343	37.7%	57	-54	325	43,221	38.7%	18	-30	5	318	20,948	40.2%	93.8%
	LAST CALL (Outlets)	2	0	45	4,489	7.6%	3	-1	45	8,921	8.0%	3	0	-5	43	3,935	7.5%	87.7%
	International	7	-1	103	1,855	3.1%	20	-17	100	3,875	3.5%	9	-13		96	1,826	3.5%	98.4%
	Directly-managed store total	59	-71	1,127	52,034	87.9%	125	-223	1,041	98,116	87.7%	42	-102		981	45,823	87.9%	88.1%
	FC / wholesales			91	5,484	9.3%			87	10,305	9.2%				82	4,918	9.4%	89.7%
	Other			-	1,709	2.9%			-	3,397	3.0%				-	1,383	2.7%	80.9%
Total				1,218	59,227	100.0%			1,128	111,817	100.0%				1,063	52,124	100.0%	88.0%

\*FB: Fashion buildings (includes station buildings and shopping centers)

\*FC: Franchised stores

\*Control of the outlet business 'kate spade new york' that was run by LAST CALL Co., Ltd., was transferred on December 1, 2009 to our subsidiary Kate Spade Japan CO., LTD., thus post-transfer net sales and no. of stores are listed under 'FB / free standing stores'.

#### □ Promoting profit structure reforms (= withdrawal of non-profitable stores)

- Total no. of stores: 1,063 (net decrease of 155 stores vs. end of same period YOY)
- Department store shop-in-shops: Net decrease of 118 stores vs. end of same period YOY → - 2.7 points vs. same period YOY in the component ratio of total net sales
- FB / free standing stores: Net decrease of 19 stores vs. end of same period YOY → + 2.5 points vs. same period YOY in the component ratio of total net sales
- International: Net decrease of 7 stores vs. end of same period YOY

#### □ FC / wholesale sales: 89.7% vs. same period YOY

- FC: Revenues down due to net decrease of 9 stores vs. end of same period YOY
- Directly-managed e-commerce business: Net sales of ¥1,144 million (121.4% vs. same period YOY)

## II. Second-Quarter Business Overview for FY ending August 31, 2010

# 1. Business Overview - Quarterly Trends

S&P A E I - INTERNATIONAL CO., LTD.

## Securing profits takes priority over sales: rein on purchasing, inventory reductions

(JPY millions)

		FY ending August 31, 2009		FY ending August 31, 2010		vs. same period YOY
1Q (Sept.-Nov.)	Net sales	30,968	100.0%	26,628	100.0%	86.0%
	Gross margin	17,366	56.1%	15,007	56.4%	86.4%
	Operating income	2,276	7.3%	2,110	7.9%	92.7%
	Purchases	17,659		14,513		82.2%
	Inventory at quarter end	14,967		12,521		83.7%
2Q (Dec.-Feb.)	Net sales	28,258	100.0%	25,495	100.0%	90.2%
	Gross margin	12,313	43.6%	11,628	45.6%	94.4%
	Operating income	1,823	-6.5%	1,374	-5.4%	
	Purchases	10,732		9,780		91.1%
	Inventory at quarter end	9,826		8,756		89.1%
1H cumulative total (Sept.-Feb.)	Net sales	59,227	100.0%	52,124	100.0%	88.0%
	Gross margin	29,679	50.1%	26,635	51.1%	89.7%
	Operating income	453	0.8%	736	1.4%	162.6%
	Purchases	28,390		24,293		85.6%

1Q (Sept.-Nov.) characteristic

Autumn-winter fashions on sale at full price  
Easy to secure operating income

2Q (Dec.-Feb.) characteristic

Autumn-winter fashions on sale at bargain prices  
Markdowns make it difficult to secure operating income

\*Purchases: Total cost of all OEM purchases, product purchases, outsourced processing expenses and materials purchases.

\*Inventory at quarter end: Total volume of all merchandise, products, partly-finished goods and materials.

\*2Q (Dec.-Feb.) figures are the simple difference between 1H cumulative total and 1Q (Sept.-Nov.) figures (excluding inventory at quarter end).

- ❑ Purchases: Kept to 82.2% vs. same period YOY during 1Q → inventory reductions (83.7% vs. end of 1Q YOY)
- ❑ Gross margin ratio: + 0.3 points in 1Q, +2.0 points in 2Q, + 1.0 points in 1H cumulative total
  - Inventory reductions in 1Q → less bargain discounting in 2Q
  - Narrower losses in inventory valuation in 2Q (down ¥363 million vs. same period YOY)
- ❑ Operating income: Scaling back of 2Q deficits (down ¥449 million vs. same period YOY) → profit increase for 1H cumulative total

## 2. Business Overview - 1H Initiatives

Continue profit structure reforms: shed non-profitable businesses, invest in growth businesses

Profit structure reforms

1) Closure of non-profitable, low-revenue stores

Directly-managed store closures	2Q (FY ending Aug. 31, 2007)	2Q (FY ending Aug. 31, 2008)	2Q (FY ending Aug. 31, 2009)	2Q (FY ending Aug. 31, 2010)
Department store shop-in-shops	21	22	57	59
FB / free standing stores	14	19	13	30
Outlets	0	0	0	0
International	4	7	1	13
<b>Total</b>	<b>39</b>	<b>48</b>	<b>71</b>	<b>102</b>

\* FB: Fashion buildings (includes station buildings and shopping centers)

2) Withdrawal of non-profitable brands ("abx", "charlotte ronson", "Lovefool", "TO&CO.")

3) Drastic cost cuts → Cut SG&A by ¥3,328 million; 88.6% vs. same period YOY

Reworking of Market structures

4) Development of market-tailored brands

	2Q (FY ending Aug. 31, 2010)			
	Sales budget (JPY millions)	Sales results (JPY millions)	vs. budget	No. of directly-managed stores at term end
JILL by JILLSTUART (Launched autumn 2008)	1,077	1,240	115.2%	8
FREE'S MART (Launched autumn 2009)	366	611	167.0%	6

\*Consolidated and eliminated entries have been posted for sales.

### III. Policies for the Second Half and Full-year Forecasts for FY ending August 31, 2010

# 1. Consolidated Results Forecast for FY ending August 31, 2010 IRI/IEI-INTERNATIONAL CO.,LTD.

Despite downward revision of 2H sales, ordinary income should be in line with initial forecasts

## Full-year forecast

(JPY millions)

	Full-year results for FY ending Aug. 31, 2009		Initial full-year forecast for FY ending Aug. 31, 2010		Revised full-year forecast for FY ending Aug. 31, 2010		YOY	vs. initial forecast
Net sales	111,817	100.0%	106,500	100.0%	101,500	100.0%	90.8%	95.3%
Operating income	42	0.0%	1,000	0.9%	850	0.8%	2022.7%	85.0%
Ordinary income	525	-0.5%	340	0.3%	340	0.3%		100.0%
Net profit	3,648	-3.3%	120	0.1%	400	-0.4%		

## 2H forecast

	2H results for FY ending Aug. 31, 2009		Initial 2H forecast for FY ending Aug. 31, 2010		Revised 2H forecast for FY ending Aug. 31, 2010		vs. same period YOY	vs. initial forecast
Net sales	52,591	100.0%	52,500	100.0%	49,376	100.0%	93.9%	94.0%
Operating income	411	-0.8%	50	0.1%	114	0.2%		227.7%
Ordinary income	680	-1.3%	290	-0.6%	223	-0.5%		
Net profit	1,454	-2.8%	200	-0.4%	557	-1.1%		

□ Net sales (full-year): ¥101,500 million (90.8% YOY)

- Sales forecasts for 2H have been revised downwards in light of recent sales trends

□ Ordinary income (full-year): ¥340 million (up ¥865 million YOY); in line with initial budget due to profit structure reforms

□ Extraordinary loss: ¥324 million (excluded in initial budget) due to introduction of voluntary retirement program

### Undertake sweeping structural reform while continuing to make strategic investment

1) Continue making investment that offers future potential

Continue to invest in JILL by JILL STUART as a brand for the station building, fashion building market

- Open 2 directly-managed stores in 2H (1 stand-alone, 1 combined store)

Focus on FREE'S MART, a new SC brand with strong sales

- Open 7 stores in 2H (5 directly-managed stores, 2 FC stores)

2) Develop needs-tailored business categories

Start opening N.Natural Beauty Basic stores at beginning of spring/summer sale season

- Develop new business category for the highly profitable NATURAL BEAUTY BASIC brand tailored to fashion-sensitive city center stores

→ 5-store plan (remodeling of 4 existing stores + opening of 1 new store) for current period planned

3) Seek low-cost operation

Trim head office costs (= fixed cost) with introduction of voluntary retirement program

- Promote efficiency in administrative departments towards realizing the profit structure reforms set forward in the Medium-Term Management Vision

→ streamline the organization

\*88 employees have applied for voluntary retirement

## IV. Reference Data

## [Reference Data] Consolidated Cash Flow Statement

S&P N E I - INTERNATIONAL CO., LTD.

(JPY millions)

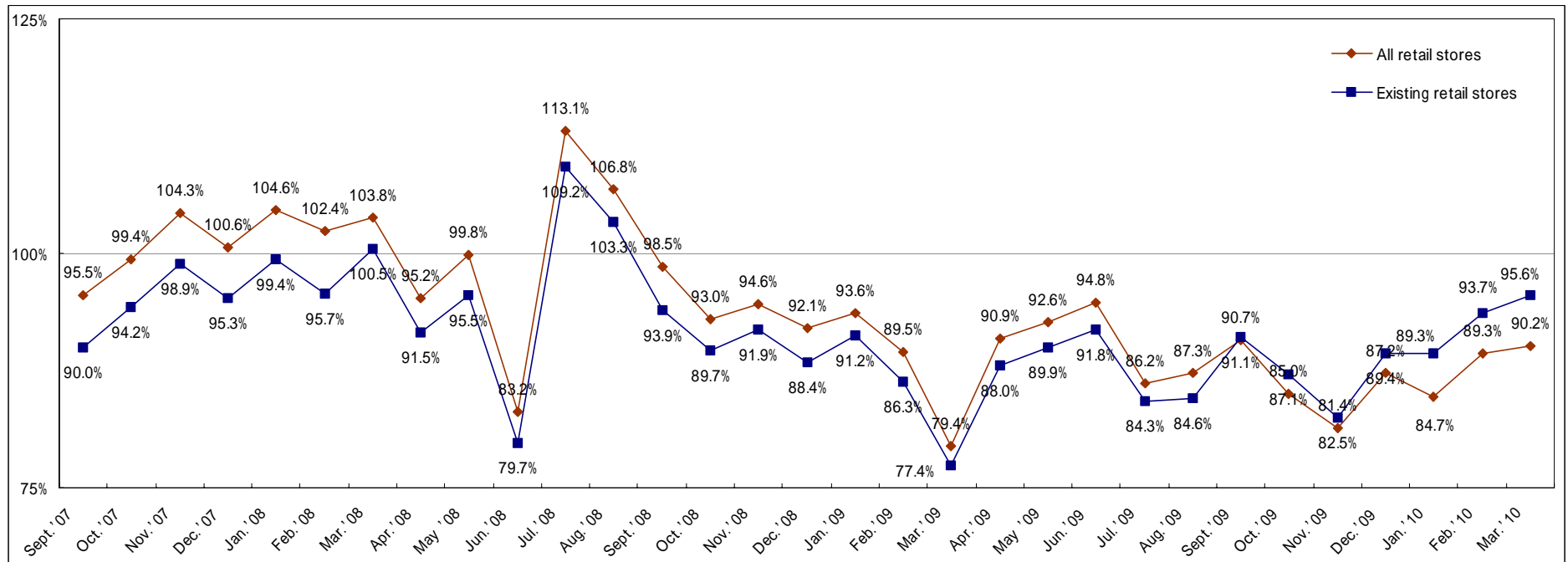
	2Q (FY ending Aug. 31, 2009)	2Q (FY ending Aug. 31, 2010)	Increase/ Decrease
Operating cash flow	2,979	4,683	+1,705
Investment cash flow	2,138	713	+1,426
Financial cash flow	1,349	184	1,165
Increase (decrease) in cash and cash equivalents	1,901	4,097	+2,196
Balance of cash and cash equivalents at term end	17,709	16,582	1,127
Free cash flow	840	3,971	+3,131

# [Reference Data] Sales Trends for Directly-Managed Domestic Retail Stores

Term 59 (FY ending Aug. 31, 2008)	Sept. '07	Oct. '07	Nov. '07	Dec. '07	Jan. '08	Feb. '08	1H total	Mar. '08	Apr. '08	May '08	Jun. '08	Jul. '08	Aug. '08	2H total	Full-year total
All retail stores	95.5%	99.4%	104.3%	100.6%	104.6%	102.4%	101.3%	103.8%	95.2%	99.8%	83.2%	113.1%	106.8%	100.4%	100.9%
Existing retail stores	90.0%	94.2%	98.9%	95.3%	99.4%	95.7%	95.9%	100.5%	91.5%	95.5%	79.7%	109.2%	103.3%	96.6%	96.3%

Term 60 (FY ending Aug. 31, 2008)	Sept. '08	Oct. '08	Nov. '08	Dec. '08	Jan. '09	Feb. '09	1H total	Mar. '09	Apr. '09	May '09	Jun. '09	Jul. '09	Aug. '09	2H total	Full-year total
All retail stores	98.5%	93.0%	94.6%	92.1%	93.6%	89.5%	93.7%	79.4%	90.9%	92.6%	94.8%	86.2%	87.3%	87.8%	90.9%
Existing retail stores	93.9%	89.7%	91.9%	88.4%	91.2%	86.3%	90.5%	77.4%	88.0%	89.9%	91.8%	84.3%	84.6%	85.4%	88.1%

Term 61 (FY ending Aug. 31, 2010)	Sept. '09	Oct. '09	Nov. '09	Dec. '09	Jan. '10	Feb. '10	1H total	Mar. '10	Apr. '10	May '10	Jun. '10	Jul. '10	Aug. '10	2H total	Full-year total
All retail stores	90.7%	85.0%	81.4%	87.2%	84.7%	89.3%	85.9%	90.2%						90.2%	86.5%
Existing retail stores	91.1%	87.1%	82.5%	89.4%	89.3%	93.7%	88.3%	95.6%						95.6%	89.3%



## [Reference Data] Brand Development Status

SANEI-INTERNATIONAL CO.,LTD.

	Brand	Brand type	Company affiliation
1	VIVAYOU	Original	SANEI-INTERNATIONAL CO., LTD.
2	BOSCH	Original	SANEI-INTERNATIONAL CO., LTD.
3	Pinky & Dianne	Original	SANEI-INTERNATIONAL CO., LTD.
4	NOVESPASIO	Original	SANEI-INTERNATIONAL CO., LTD.
5	Vert Dense	Original	SANEI-INTERNATIONAL CO., LTD.
6	PEARLY GATES	Original	SANEI-INTERNATIONAL CO., LTD.
7	NATURAL BEAUTY	Original	SANEI-INTERNATIONAL CO., LTD.
8	BODY DRESSING Deluxe	Original	SANEI-INTERNATIONAL CO., LTD.
9	NATURAL BEAUTY BASIC	Original	SANEI-INTERNATIONAL CO., LTD.
10	JILLSTUART	Original	SANEI-INTERNATIONAL CO., LTD.
11	HUMAN WOMAN	Original	SANEI-INTERNATIONAL CO., LTD.
12	Pinky Girls	Original	FREE'S INTERNATIONAL CO., LTD.
13	PROPORTION BODY DRESSING	Original	SANEI-INTERNATIONAL CO., LTD.
14	MATERIA	Original	SANEI-INTERNATIONAL CO., LTD.
15	& by P&D	Original	SANEI-INTERNATIONAL CO., LTD.
16	MARGARET HOWELL	Original	ANGLOBAL Ltd.
17	JILLSTUART NEWYORK	Original	SANEI-INTERNATIONAL CO., LTD.
18	ADORE	Original	SANEI-INTERNATIONAL CO., LTD.
19	uni ; que par vert dense	Original	SANEI-INTERNATIONAL CO., LTD.
20	JILL by JILLSTUART	Original	SANEI-INTERNATIONAL CO., LTD.
21	N.Natural Beauty Basic	Original	SANEI-INTERNATIONAL CO., LTD.
22	kate spade new york	International	Kate Spade Japan CO., LTD.
23	VIVIENNE TAM	International	SANEI-INTERNATIONAL CO., LTD.
24	Callaway Apparel	International	SANEI-INTERNATIONAL CO., LTD.
25	Barbie	International	SANEI-INTERNATIONAL CO., LTD.
26	Barbie Kids	International	SANEI-INTERNATIONAL CO., LTD.
27	DIANE von FURSTENBERG	International	SANEI-INTERNATIONAL CO., LTD.
28	FREE'S SHOP	Other	FREE'S INTERNATIONAL CO., LTD.
29	ANGLOBAL SHOP	Other	ANGLOBAL Ltd.
30	FREE'S SHOP MEN	Other	FREE'S INTERNATIONAL CO., LTD.
31	FREE'S MART	Other	FREE'S INTERNATIONAL CO., LTD.
32	LAST CALL	Other	LAST CALL Co., Ltd.

□ All results forecasts for this company included in these materials are based on decisions that have been made on the basis of the information available as of the date of publication and certain assumptions made by us. We wish to caution you that these statements are only predictions and that actual results may differ materially from those expressed as a result of various factors.