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# Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 28, 2011 (Six Months Ended August 31, 2010)

**[Japanese GAAP]**

September 30, 2010


Company name: POINT INC. Listing: TSE 1st section
Stock code: 2685 URL: http://www.point.co.jp
Representative: Michio Fukuda, Representative Director, Chairman & President
Contact: Tsuyoshi Matsuda, Director, Managing Corporate Officer, General Manager of Administration Division
Tel: +81-3-3243-6011


Scheduled date of filing of Quarterly Report: October 15, 2010
Scheduled date of payment of dividend: October 25, 2010
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for investor)

(All amounts are rounded down to the nearest million yen)

## 1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 28, 2011 (March 1, 2010 – August 31, 2010)

(1) Consolidated results of operations (cumulative) (Percentages represent year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Six months ended Aug. 31, 2010 | 47,551 | 8.7 | 6,019 | (10.5) | 6,111 | (9.9) | 3,173 | (19.4) |
| Six months ended Aug. 31, 2009 | 43,741 | - | 6,722 | - | 6,780 | - | 3,939 | - |

| | Net income per share | Diluted net income per share |
|---|---|---|
| | Yen | Yen |
| Six months ended Aug. 31, 2010 | 130.43 | - |
| Six months ended Aug. 31, 2009 | 161.91 | - |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of Aug. 31, 2010 | 54,484 | 34,951 | 63.8 | 1,428.31 |
| As of Feb. 28, 2010 | 55,660 | 33,698 | 60.2 | 1,377.64 |

(Reference) Shareholders' equity Aug. 31, 2010: 34,753 million yen Feb. 28, 2010: 33,520 million yen

## 2. Dividends

| | Dividend per share | | | | |
|---|---|---|---|---|---|
| | 1Q-end | 2Q-end | 3Q-end | Yearend | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended Feb. 28, 2010 | - | 50.00 | - | 70.00 | 120.00 |
| Fiscal year ending Feb. 28, 2011 | - | 50.00 | | | |
| Fiscal year ending Feb. 28, 2011 (forecast) | | | - | 70.00 | 120.00 |

(Note) Revision of dividend forecast during the period: None

## 3. Consolidated Forecast for the Fiscal Year Ending February 28, 2011 (March 1, 2010 – February 28, 2011)

(Percentages represent year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 105,000 | 7.5 | 13,900 | (17.8) | 14,100 | (17.3) | 7,800 | (18.0) | 320.56 |

(Note) Revision of consolidated forecast during the period: Yes

## 4. Others

(1) Changes in significant subsidiaries during the period: None

Note: Changes in specified subsidiaries affecting the scope of consolidation during the period

(2) Application of simplified accounting methods and special accounting methods: Yes

Note: Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements

(3) Changes in accounting principles, procedures and presentation methods

1) Changes caused by revision of accounting standards: None

2) Other changes: Yes

Note: Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements described in "Changes in Significant Accounting Policies in the Preparation of Quarterly Consolidated Financial Statements"

(4) Number of outstanding shares (common shares)

1) Number of shares outstanding at end of period (including treasury stock)

| | | | |
|---|---|---|---|
| Aug. 31, 2010: | 24,400,000 shares | Feb. 28, 2010: | 25,990,720 shares |

2) Number of treasury stock at end of period

| | | | |
|---|---|---|---|
| Aug. 31, 2010: | 67,884 shares | Feb. 28, 2010: | 1,658,604 shares |

3) Average number of shares outstanding during the period (cumulative)

| | | | |
|---|---|---|---|
| Six months ended Aug. 31, 2010: | 24,332,116 shares | Six months ended Aug. 31, 2009: | 24,332,123 shares |

* Indication of quarterly review procedure implementation status

The current quarterly financial statements are exempted from quarterly review procedures based on the Financial Instruments and Exchange Law. At the time of disclosure, we have not completed the review process for these consolidated statements.

* Cautionary statement with respect to forward-looking statements

Forward-looking statements in this report are based on currently available information and certain assumptions judged to be reasonable. Actual results may differ significantly from these forecasts for a number of factors. Please refer to the section "Qualitative information regarding consolidated forecast" on page 3 regarding preconditions or other related matters for the forecast shown above.

**Reference: Summary of Non-consolidated Forecasts**

**Non-consolidated Forecast for the Fiscal Year Ending February 28, 2011 (March 1, 2010 – February 28, 2011)**

(Percentages represent year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 102,000 | 6.6 | 13,600 | (17.4) | 13,800 | (17.5) | 7,700 | (17.0) | 316.45 |

(Note) Revision of non-consolidated forecast during the period: Yes

## Contents of Attachments

## 1. Qualitative Information Regarding Quarterly Consolidated Financial Performance

### (1) Qualitative information regarding consolidated results of operations

In the first half (March 1, 2010 to August 31, 2010) of the current fiscal year, the Japanese economy continued to stage a moderate recovery as the global economy improved due to rapid economic growth in emerging countries and other factors. Consumer spending in Japan continued to rebound, chiefly for consumer durables, because of the benefits of numerous government economic stimulus measures and recently due to an unusually hot summer.

However, in the casual wear market in which our group operates, consumption remained weak due to consumers' defensive spending stance and preference for low-priced items even though signs emerged of a slight easing of the harsh employment and income conditions.

In this environment, domestic existing-store sales were 96.3% of the same period in the previous fiscal year (0.9 points below the full-year target) mainly because of unseasonable weather. However, consolidated net sales increased 8.7% due to newly opened stores.

The following domestic brands remained at high sales growth rates: HEATHER, LEPSIM LOWRYS FARM, APART BY LAWRYS and RAGEBLUE.

We continued to aggressively open new stores and close unprofitable ones: we opened 48 new stores, and closed 10, resulting in the domestic store network of 665 stores at the end of the second quarter (including 28 e-commerce websites).

Overseas, a *COLLECT POINT* store was opened each in Shanghai and in Xinzhu, Taiwan in the first half. As a result, there were 18 stores in Taiwan, 13 in Hong Kong and two in Shanghai for a total of 33 overseas stores at the end of the second quarter.

Regarding profits, the gross profit margin was 59.9%, down 1.0 point year-on-year, mainly because of timely revisions to selling prices responding to changes in market conditions.

Selling, general and administrative (SG&A) expenses increased 12.9% year-on-year mainly because of aggressive store development and higher personnel expenses resulting from an increase in wages and other benefits. As a result, the SG&A-to-sales ratio rose 1.7 points year-on-year to 47.2%, and the operating income margin declined 2.7 points to 12.7%.

We booked an extraordinary gain of 2 million yen from the reversal of allowance for doubtful accounts. However, we also booked extraordinary losses of 733 million yen, including a 24 million yen loss on retirement of noncurrent assets, a 163 million yen loss on cancellation of store rental contracts, a 143 million yen impairment loss and a 393 million yen loss on adjustment for changes of accounting standard for asset retirement obligations.

As a result, consolidated net sales in the first half increased 8.7% year-on-year to 47,551 million yen, operating income decreased 10.5% to 6,019 million yen, ordinary income decreased 9.9% to 6,111 million yen, and net income decreased 19.4% to 3,173 million yen.

### (2) Qualitative information regarding consolidated financial position

1) Balance sheet position

Total assets decreased 1,175 million yen from as of February 28, 2010 to 54,484 million yen as of August 31, 2010. This was mainly due to a decrease in short-term investment securities (commercial papers and treasury bills) of 2,499 million yen.

Liabilities decreased 2,428 million yen to 19,533 million yen. This was mainly due to decreases in accounts payable-trade of 461 million yen and income taxes payable of 911 million yen.

Net assets rose 1,253 million yen to 34,951 million yen mainly due to an increase in shareholders' equity of 1,469 million yen.

2) Cash flow position

Cash and cash equivalents (hereinafter “net cash”) as of August 31, 2010 amounted to 23,171 million yen, or 3,029 million yen less than as of February 28, 2010.

A summary of cash flows from each activity is as follows.

(Cash flows from operating activities)

Net cash provided by operating activities totaled 1,362 million yen. The main factors include income before income taxes of 5,380 million yen, an increase in inventories of 987 million yen, and income taxes paid of 3,198 million yen.

(Cash flows from investing activities)

Net cash used in investing activities totaled 2,653 million yen. This was mainly due to the payment of 2,730 million yen for purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities totaled 1,702 million yen. This was due to cash dividends paid.

**(3) Qualitative information regarding consolidated forecast**

The operating environment is expected to remain challenging as consumer spending continues to be unstable and sales of autumn apparel are impacted by the late end to summer heat in Japan this year.

In response to these challenges, the POINT Group will work even harder and faster on the basic strategies of the TOP12 medium-term management plan that was started in the fiscal year that ended on February 28, 2010. We believe that these initiatives are needed to achieve further growth in corporate value.

As a result, in addition to initiatives that were planned at the beginning of this fiscal year, group companies are developing new brands, opening large stores, aggressively recruiting many types of new employees and taking other actions.

These activities include the following initiatives.

- Increase sales area at suburban shopping centers by opening many large stores and integrated stores.
- Establish a Production Division for the purposes of stabilizing procurement activities and improving the quality of products
- Use *COLLECT POINT* brand products to attract a larger number of customer segments
- Open a *COLLECT POINT* store in Shinjuku
- Aggressively pursue new customer segments by introducing JEWELIUM and other new brands
- Expand rapidly outside Japan (China, Hong Kong, Taiwan)
- Aggressively recruit employees with a variety of backgrounds

In addition, the consolidated and non-consolidated forecasts for the current fiscal year have been revised. One reason is a revision in the initial plan for new stores. Revisions also reflect a reduction in planned second-half sales at domestic existing stores from 97.3% to 93.7% of sales in the second half of the previous fiscal year, taking into account of unstable weather condition.

For the fiscal year ending on February 28, 2011, POINT forecasts a 7.5% increase in consolidated net sales to 105.0 billion yen, a 17.8% decrease in operating income to 13.9 billion yen, a 17.3% decrease in ordinary income to 14.1 billion yen and an 18.0% decrease in net income to 7.8 billion yen.