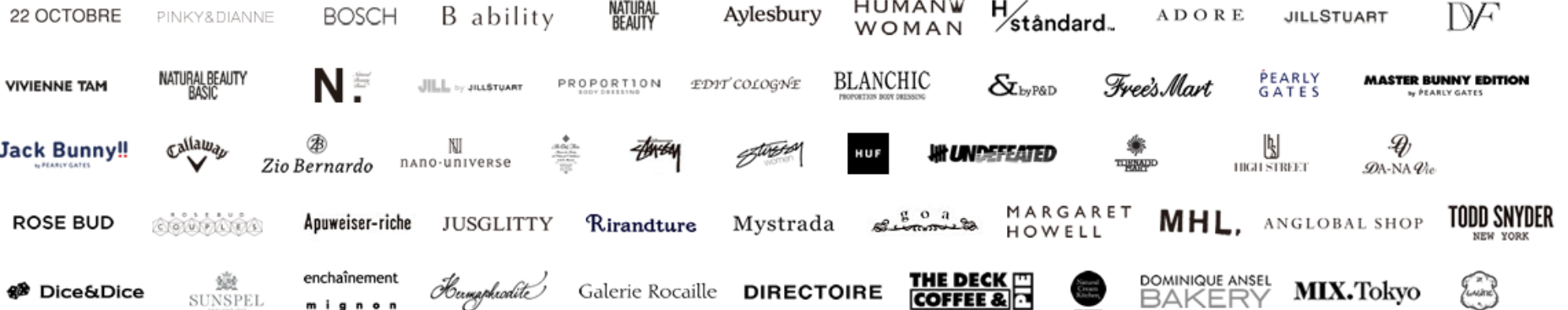




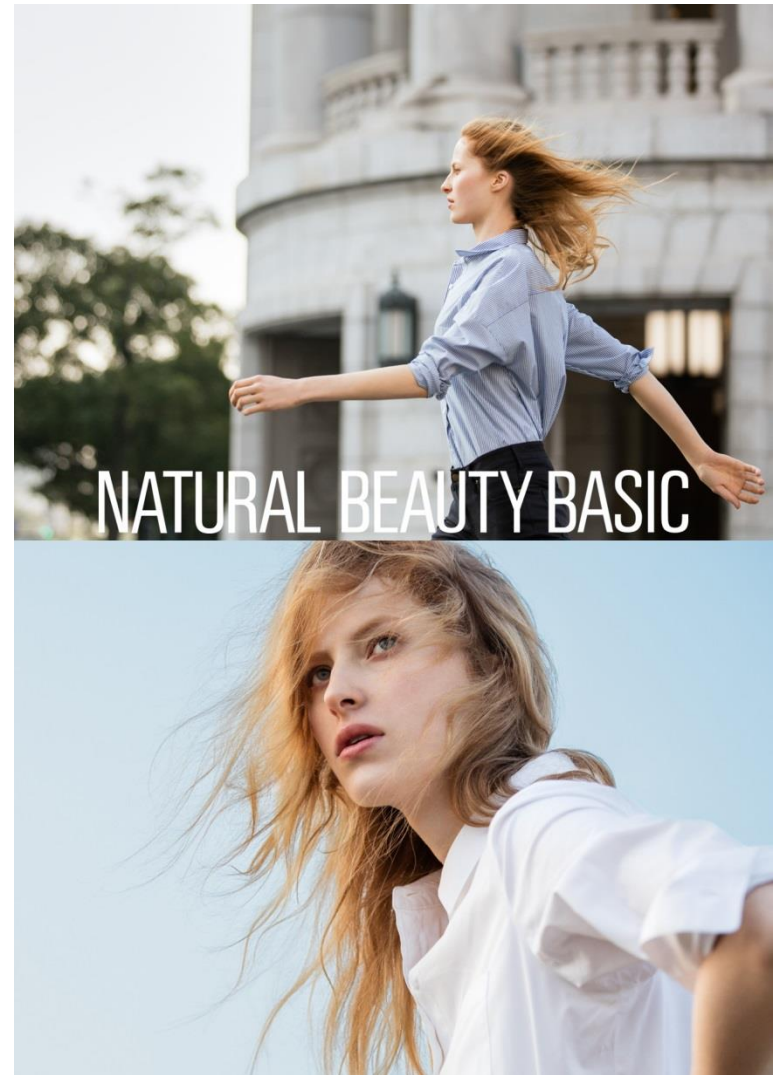
TSI HOLDINGS

Results Briefing: Q1ST(March to May 2016) Results of 2017 Ending February

2016.7.14



I. Results Overview



Operating income was x1.5 Y/Y through strict control of SG&A expenses by maintaining increase-decrease rate of SG&A expenses below that of net sales

(Unit: Million Yen)

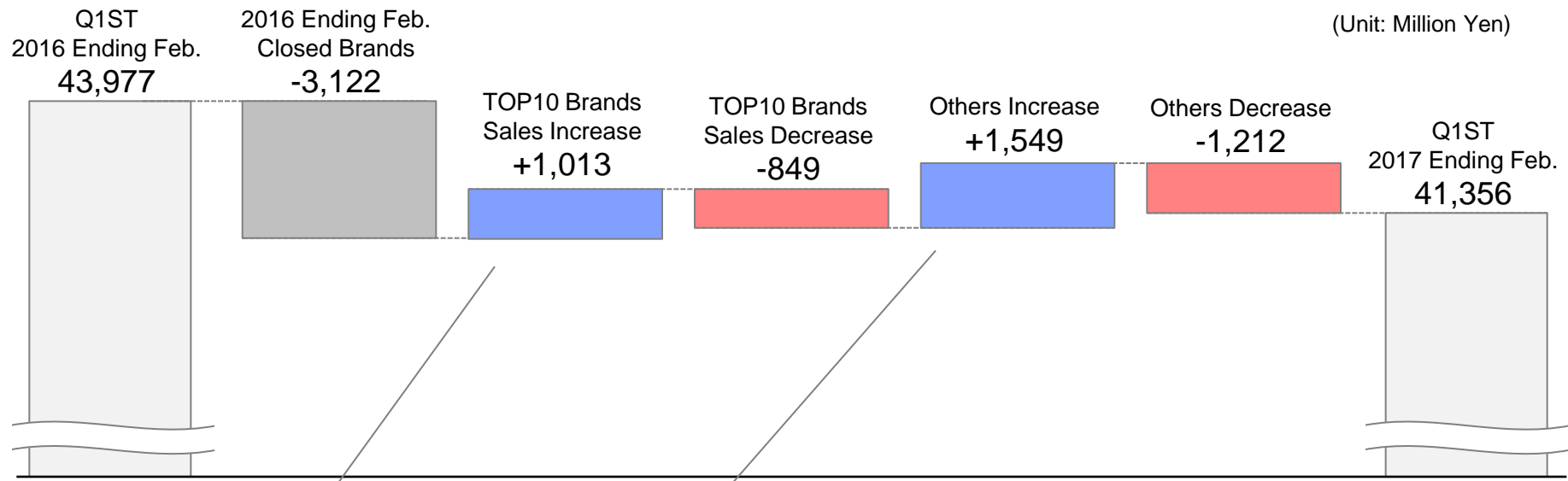
	Q1ST 2016 Ending Feb.		Q1ST 2017 Ending Feb.			
	Results	Composition Rate	Results	Composition Rate	Y/Y Change	Y/Y
Net Sales	43,977	100.0%	41,356	100.0%	-2,620	94.0%
Gross Profit	25,323	57.6%	24,019	58.1%	-1,304	94.9%
SG&A Expenses	23,727	54.0%	21,615	52.3%	-2,111	91.1%
Employment Costs	10,094	23.0%	8,841	21.4%	-1,253	87.6%
Business Strategy Costs	1,906	4.3%	1,199	2.9%	-707	62.9%
Store Rents	4,475	10.2%	4,254	10.3%	-221	95.1%
Other Expenses	5,641	12.8%	5,780	14.0%	+138	102.5%
SG&A Expenses (exc. Goodwill Amortization, Depreciation and Amortization)	22,118	50.3%	20,075	48.5%	-2,042	90.8%
Goodwill Amortization	359	0.8%	335	0.8%	-23	93.4%
Depreciation and Amortization	1,250	2.8%	1,204	2.9%	-45	96.3%
Operating Income	1,596	3.6%	2,403	5.8%	+807	150.6%
Ordinary Income	2,142	4.9%	2,678	6.5%	+536	125.0%
Extraordinary Income	59	0.1%	332	0.8%	+272	554.5%
Extraordinary Loss	941	2.1%	466	1.1%	-475	49.5%
Profit Before Taxes	1,260	2.9%	2,544	6.2%	+1,284	202.0%
Profit Attributable to Owners of Parent	851	1.9%	1,777	4.3%	+926	208.8%
EBITDA	3,205	7.3%	3,944	9.5%	+738	123.0%

*Employment Costs = Personnel Expenses + Subcontract Costs + Sales Commission

*Business Strategy Costs = Advertising and Sales Promotion Expenses

*EBITDA = Operating Income + Goodwill Amortization + Depreciation and Amortization

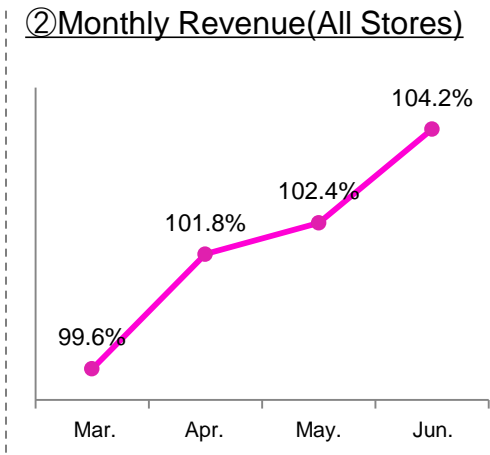
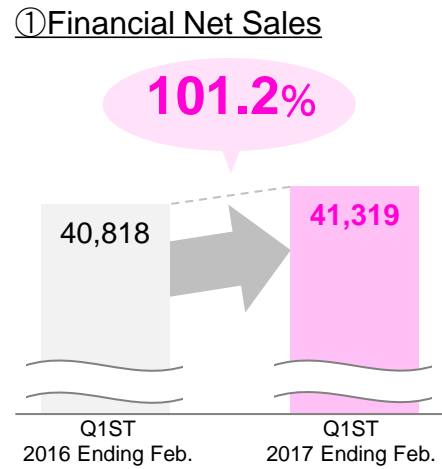
Net sales excluding withdrew brands was 101.2% Y/Y



- **NATURAL BEAUTY BASIC**
(Shop# 95(Y/Y +15))
- **PEARLY GATES**
(Shop# 68(Y/Y +17))
- **STUSSY**
(Shop# 54(Y/Y +2))
- **Free's Mart**
(Shop# 41(Y/Y +6))
- **HUMAN WOMAN**
(Shop# 80(Y/Y +12))
- **Callaway Apparel**
(Shop# 23(Y/Y +8))

- **Apuweiser-riche**
(Shop# 16(Y/Y -2))
- **JILL by JILLSTUART**
(Shop# 23(Y/Y +5))
- **JUSGLITTY**
(Shop# 14(Y/Y +0))
- **JILLSTUART**
(Shop# 33(Y/Y +3))
- **MYSTRADA**
(Shop# 5(Y/Y -1))
- **d'un à dix**
(Shop# 15(Joined the group on 3/1))

Continuing Brands Comparison

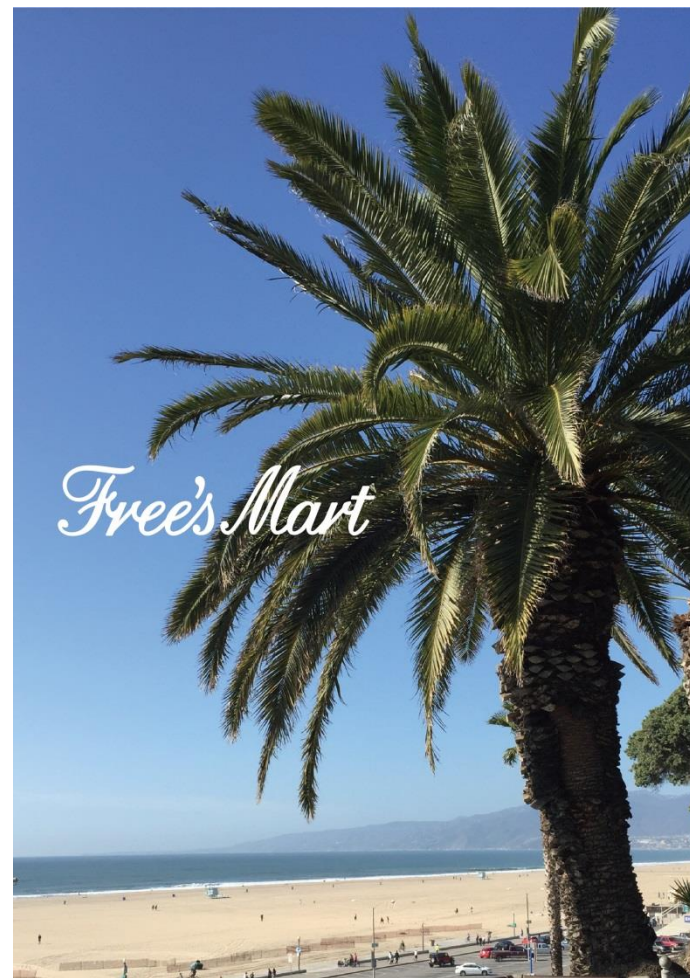


6 out of TOP10 brands increased revenue Y/Y

(Unit: Million Yen)

Brands	Q1ST 2016 Ending Feb.			Q1ST 2017 Ending Feb.			Y/Y	
	Sales		Gross Profit Ratio	Sales		Gross Profit Ratio	Sales	Gross Profit Ratio
	Composition			Composition				
1 nano· universe	5,859	13.3%	59.5%	5,455	13.2%	57.2%	93.1%	-2.3pt
2 NATURAL BEAUTY BASIC	4,430	10.1%	63.6%	4,753	11.5%	62.8%	107.3%	-0.8pt
3 MARGARET HOWELL	3,237	7.4%	59.5%	3,215	7.8%	61.5%	99.3%	+2.0pt
4 PEARLY GATES	2,265	5.2%	41.6%	2,576	6.2%	50.3%	113.7%	+8.6pt
5 ROSE BUD	2,858	6.5%	50.2%	2,466	6.0%	55.2%	86.3%	+5.0pt
6 STUSSY	1,340	3.0%	66.7%	1,563	3.8%	68.7%	116.7%	+1.9pt
7 PROPORTION BODY DRESSING	1,346	3.1%	53.9%	1,313	3.2%	59.3%	97.5%	+5.4pt
8 Free's Mart	1,293	2.9%	63.8%	1,313	3.2%	60.6%	101.6%	-3.2pt
9 HUMAN WOMAN	1,239	2.8%	53.4%	1,256	3.0%	57.0%	101.3%	+3.6pt
10 Callaway Apparel	1,117	2.5%	30.4%	1,239	3.0%	41.3%	110.9%	+10.8pt
TOP10	24,988	56.8%	56.1%	25,153	60.8%	58.1%	100.7%	+2.0pt
Other Brands	15,829	36.0%	63.0%	16,166	39.1%	58.1%	102.1%	-4.9pt
Continuing Brands	40,818	92.8%	58.8%	41,319	99.9%	58.1%	101.2%	-0.7pt
Closed Brands	3,159	7.2%	42.1%	36	0.1%	40.2%	1.2%	-1.8pt
TOTAL	43,977	100.0%	57.6%	41,356	100.0%	58.1%	94.0%	+0.5pt

II. Progress of Growth Strategy



TSI at present

2016 Ending Feb.

2017 Ending Feb.

2018 Ending Feb.

2019 Ending Feb.

Enhancement of Profitability Basis

Short-term profitability structural reform

- **Withdrawal** of unprofitable businesses and closure of brands
- Rationalization of **procurement**

Management Discipline

- **Complete PDCA**: Strict budget control with "Golden Rule" and "Landing the helicopter", Detailed quarterly review with subsidiaries

Highly Developed Operation

- **Introduction of NPS**: High quality customer experience through NPS, eNPS and PDCA
- **Implementation of BPR**: Reduction of sales opportunity loss and lost profits by improving operation
- **Streamlining SCM**: warehouse consolidation, direct trading, overseas inspection/assort and optimization of the margin for trading companies
- **Unified Core System**: introduction of the core system to all subsidiaries

Acceleration of Growth Strategy

Strategic Investment for Growth

- **Digital**: Omni-channeling, investment to digital marketing and IoT of stores to utilize big data
- **Overseas**: Cross-boarder E-commerce, partnership with Chinese apparel companies, acceleration of overseas business in South-East Asia, Discussion of International M&A
- **Affiliated Businesses Creating Synergy to the Core Apparel**: Establish a new business model from combination of fashion and beauty
- **Brand Portfolio Management**: Evaluate each brand's maximum growth potential and carefully select M&A to fill in blank spaces in the portfolio
- **Reinforcement of Design and Creation**: Establishment of "Fashion Marketing Office" and actions to find next generation seeds

Measures Implemented during Q1ST 2017 Ending Feb and Action Plans for Future

Enhancement of Profitability Basis

Portfolio Management

- Restructure of 2 companies at the end of previous fiscal year → Operating profit for Q1ST of Spic International was x2 Y/Y and that of WAVE International was x1.5 Y/Y
- Discussion of monitoring and restructuring of low profitability brands is always on the table

Complete PDCA

- Formulate budgets of subsidiaries through strict guideline
- Manage budget progress through quarterly review

Introduction of NPS

- Expand introduction of NPS which was implemented in SANEI bd last fiscal year: Introduction of NPS, eNPS and PDCA has been started in SANEI-INTERNATIONAL, ANGLOBAL, TOKYOSTYLE, ROSEBUD
- In addition to recovery of revenue in SANEI bd, eNPS score also improved by 7%pt



Implementation of BPR

- BPR project's construction phase "to obviate and minimized sales opportunity losses and lost profits" is completed at the end of June. Specific measures are proceeding for more sophisticated operations



Rationalization of Procurement

- Reduced 1.6bn yen cost by the procurement cost cut project started last year compared to 2015 ending Feb. (This fiscal year's impact will be around 0.8bn yen)

Streamlining SCM

- Aiming for 18.4% of the direct trading ratio from 11.8% the record of last fiscal year
- Supplier integration project is to be initiated for consolidating suppliers of products and raw materials etc.

Measures Implemented during Q1ST 2017 Ending Feb and Action Plans for Future

Acceleration of Growth Strategy	E-Commerce/ Digital	<ul style="list-style-type: none"> • Launching of omni-channeling websites for all the brands have completed by the end of May • Using olapic, the US venture’s service to link brands’ E-commerce websites and Instagram • Acceleration in globalization by cross-border E-commerce business • Test installation of RetailNext, a latest US store IoT platform 	P12
	M&A	<ul style="list-style-type: none"> • 2 M&A’s were conducted this term; d’un à dix (Female apparel) on March 1, and Laline JAPAN (Natural cosmetics in Israel) on June 1 • PMI(Post Merger Integration) will be conducted for management integration and synergy creation within the group 	P13
	Overseas	<ul style="list-style-type: none"> • JV establishment is being discussed with a major Chinese apparel company for developing business from Spring/Summer 2017, full-scale entry to the quasi-wealthy population market through big-scale store development in China • TSI brands expansion is planned by M&A of major South-East Asian companies, and by licensing 	P13
	Reinforcement of Design and Creation	<ul style="list-style-type: none"> • Newly established Fashion Marketing Office conducted season trend review seminars with product designers and MDs(merchandisers) of subsidiaries 1st(April) : 6 companies, 169 participants 2nd(June): 7 companies, 198 participants 	

SANEI bd recovered its revenue and also improved eNPS score by 7%pt through improvements of working condition/treatment of sales personnel

Revenue Improvement

Brand	Q1ST Net Sales Y/Y	
	2016 Ending Feb.	2017 Ending Feb.
NATURAL BEAUTY BASIC	89.5%	▶ 107.3%
PROPORTION BODY DRESSING	88.8%	▶ 97.5%
Free's Mart	120.4%	▶ 101.6%
JILL by JILLSTUART	96.8%	▶ 118.8%
N. <small>Natural Beauty Basic</small>	85.3%	▶ 103.6%

※Excluding & by P&D because its sales personnel are mostly from sales representation

Improvement of eNPS(Sales personnel loyalty)

<Measures conducted in SANEI bd to improve working condition/treatment of sales personnel>

- Increased first salary and accompanying wage raise
- Enhance clarity in bonus payment
- Revision of human resource system for sales personnel(dilute seniority rule and redistribution to the young)
- Introduction of allowance for deputy store manager
- Enhancement of various incentive systems (e.g. incentives for monthly sales budget)
- Individual support for stores with low eNPS score
- Enhancement of training systems and multiplication of career paths (e.g. in-house qualification "Service Associate License")

eNPS score has improved by 7%pt from the 1st survey(Oct. 2015) to the 2nd survey(Jun. 2016)

Specified and initiated 7 measures for sophisticated operation and expecting 0.3~0.5 bn yen improvement of gross profit

Overview of central measures for BPR

Medium-Term

- ① MD plan based on styling aiming to enhance proper selling of major products
- ② Most suitable QR (quick response) decision making based on gross profit and disposal risk simulation

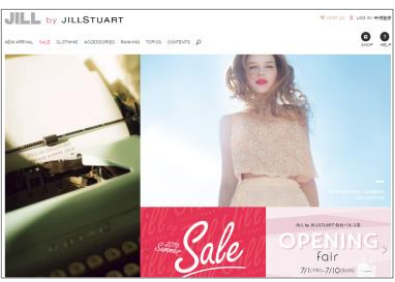
Short-Term

- ③ Improvement of store distribution accuracy by revising the primary distribution logic
- ④ Realization of 365 day delivery to stores
- ⑤ Realization of stock accommodation among stores
- ⑥ Establishment of sellout method that does not depend on markdowns by E-Commerce enhancement
- ⑦ Logical decision making for markdowns based on gross profit simulation

Individual measures to strengthen E-commerce business and digital marketing are proceeding smoothly

Omni-channeling strategy through Smartphone Apps

Opened omni-channeling site of JILL by JILLSTUART(5/17) and that of TOKYOSTYLE(5/17), thus completed the launching of omni-channeling sites of all the brands in TSI



▶ Will release smartphone apps with point managing functions respectively to accelerate omni-channeling strategy by mobile-first

Acceleration in globalization by cross-border E-Commerce

Gradual opening of DTC(fully-owned) and 3rd party E-commerce sites for pilot brands as cross-border E-Commerce strategy



▶ Test trial of cross-border E-commerce business through DTC and T-MALL Global with JILLSTUART and JILL by JILLSTUART

Connection of E-Commerce and Social Media with Olapic

Post images of daily styling using items of brands by connecting brands' E-commerce websites with Instagram

Introduced to Free's Mart

- Employees search images wearing items of the brand on Instagram
- Send messages to users by Olapic and ask permission for usage
- Match the images with product data and post them to brand's E-commerce websites



▶ Introduced to 4 brands including Free's Mart by this August and analyze E-commerce conversion and Instagram images

Evolution of stores' IoT to utilize big data

Test installation of a latest US store IoT platform "RetailNext" in the stores



Analyzing customer defection rate, purchasing rate, conversion rate, customer attribution, ages etc. through video to improve selling efficiency



▶ Test installation at 10 stores from 6 brands including PEARLY GATES

Initiating PMI(Post Merger Integration) of 2 M&A companies, and discussing with potential partner candidates to accelerate development of overseas businesses

M&A

d'un à dix (Joined the group from 3/1)



d'un à dix S.A.

PMI is to be mostly completed in September

- **New Top Management** Already sent general manager class personnel
- **Budget/Revenue Control** Quarterly review process has begun
- **IT Infrastructure** Core System will be integrated (from 9/1)
- **Group Finance** Completed changes of bank loans to group finance
- **Human Resource System** Revision of human resource system (from 9/1)
- **Procurement Cost** Already applied TSI procurement unit cost
- **SCM** Warehouse consolidation (from 9/1)
- **Growth Strategy** Planning to open 1~2 store(s) in the next fiscal year

Laline JAPAN (Joined the group from 6/1)



PMI started from Day 1(6/1)

- Plan to invite officer class personnel from outside
- Quarterly review process has begun
- Discussing core system integration
- Plan to change bank loans to group finance
- Investigating human resource system
- Investigating expenses items to which TSI procurement unit cost can be applied
-
- Drafting store opening strategy by TSI

Overseas

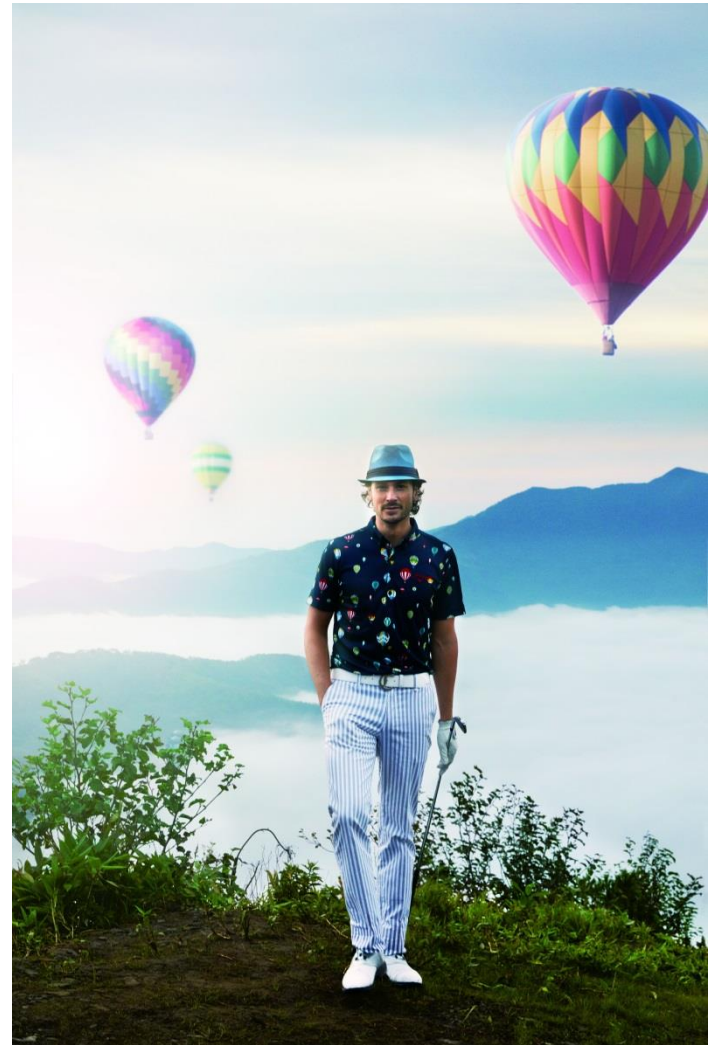
China

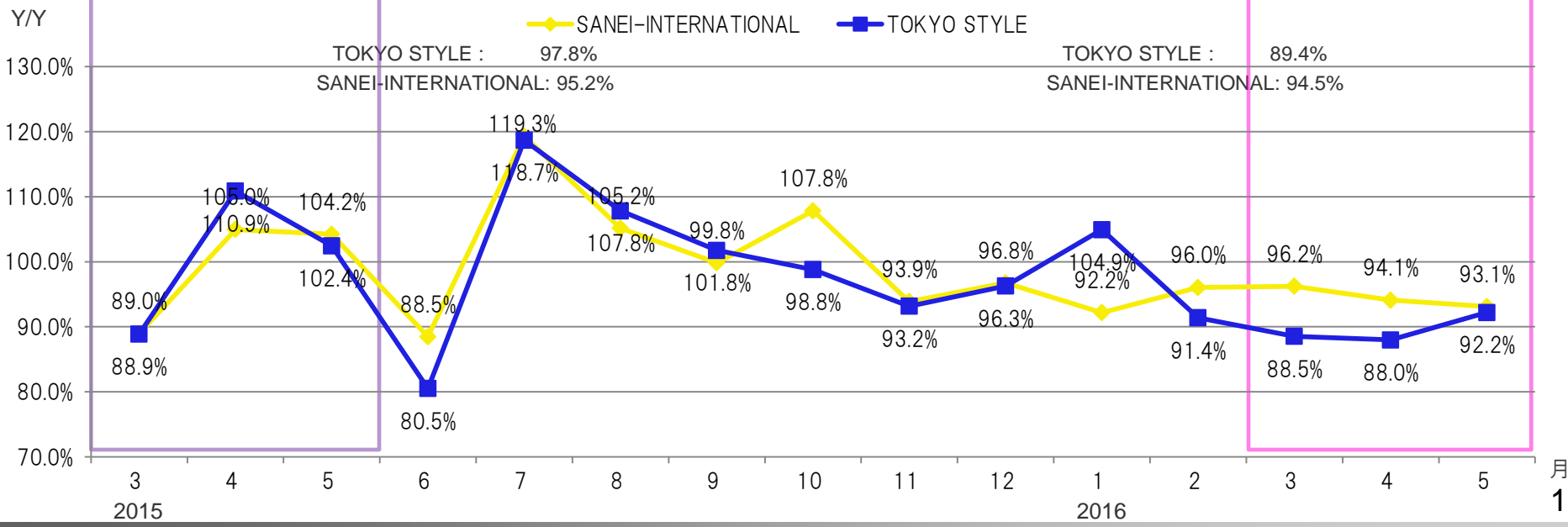
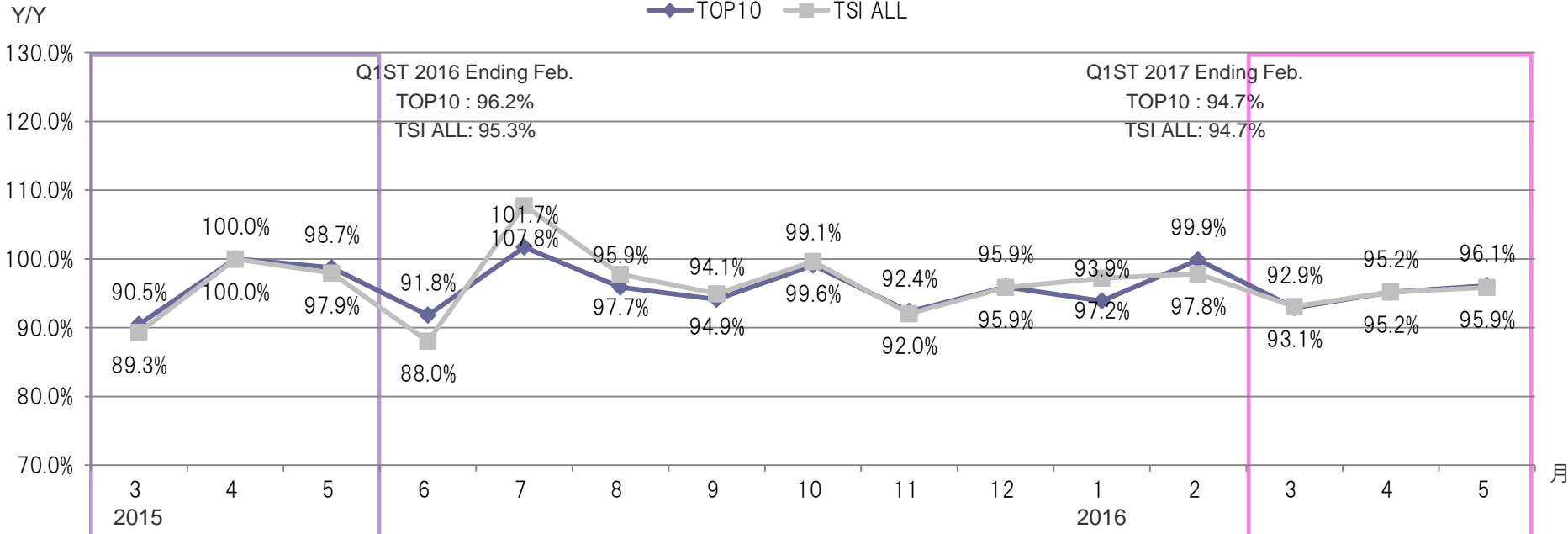
JV establishment is being discussed with a major Chinese apparel company for developing business from Spring/Summer 2017
 → full-scale entry to the quasi-wealthy population market through big-scale store development in China

South East Asia

TSI brands expansion is planned by M&A of major South-East Asian companies, and by licensing

III Reference Data





(Unit: Million Yen)

	Q1ST 2016 Ending Feb.		Q1ST 2017 Ending Feb.			
	Results	Composition Rate	Results	Y/Y	Composition Rate	Composition Rate Y/Y Change
Department Stores	10,834	24.6%	8,839	81.6%	21.4%	-3.3pt
Commercial Facilities(*1)	21,732	49.4%	20,714	95.3%	50.1%	+0.7pt
E-Commerce	4,238	9.6%	5,278	124.5%	12.8%	+3.1pt
Overseas	3,026	6.9%	2,357	77.9%	5.7%	-1.2pt
Others(*2)	4,146	9.4%	4,166	100.5%	10.1%	+0.6pt
TOTAL	43,977	100.0%	41,356	94.0%	100.0%	-

*1 Fashion buildings, shopping centers, railroad station buildings, individual stores, outlet shops etc. except for department stores

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

		Q1ST 2016 Ending Feb.	2016 Ending Feb.	Store Open	Store Close	Q1ST 2017 Ending Feb.
Domestic	# of Stores	1,623	1,331	66	16	1,381
	Change	+53	-70			+50
Overseas	# of Stores	230	227	7	12	222
	Change	+7	-1			-5
Total	# of Stores	1,853	1,558	73	28	1,603
	Change	+60	-71			+45

*Number indicated on "Change" rows are comparison with its previous quarter

Page#	Word/Phrase	Definition
7	PDCA	Stands for "Plan, Do, Check and Action", meaning a method of improving operations continuously by repeating these four phases.
	Golden Rule	The rule to maintain increase of SG&A expenses less than that of net sales.
	Landing the helicopter	A method to ensure earning of the planned profit when net sales is missing the target by controlling expenses.
	Quarterly Review	Documents for managing the performance status of operating companies every quarter. It is used to list issues found from various managerial indexes, and to create and perform improvement measures.
	NPS	Stands for "Net Promoter Score", and is an index for measuring loyalty. Customers are asked: "What is the likelihood of you recommending our company to your friends?" and then asked to score the possibility from 0 to 10 points. Those who scored 9 to 10 are called promoters, those who score 7 to 8 are neutral and those who score 6 and under are detractors; the rate of detractors is deducted from the rate of promoters. The customers are also asked to comment on how it can be improved, and these improvement measures are shared in the company and lead to improvement actions.
	eNPS	This is for disseminating NPS to employees, and improving their loyalty to the company.
	BPR	Stands for "Business Process Reengineering", which improves profitability by drastically revising and redesigning the existing operation flows and contents.
	SCM	Stands for "Supply Chain Management", which is a system for creating profit by reviewing the entire flow from procurement, manufacturing, logistics to sales beyond the company boundaries.
	Direct Trading	Manufacturers take up the trading business for imports/exports themselves.
	Omni-Channeling	To have contact with customers at all channels including stores, Internet stores, mobile stores, etc. Data of stocks and memberships as well as logistics are integrated, and it enables to provide purchase experience regardless of differences between real stores and Internet stores.
	Digital Marketing	Promotion of products using electrical media such as the Internet and smartphone apps.
	IoT	Stands for "Internet of Things", which means to change consumers' lives and businesses by connecting virtually everything to the Internet except information devices, e.g. PC and smartphones.
	Big Data	Data that is much bigger and more diverse than existing data that companies used. It is based on data such as customer information, purchase histories accumulated in E-commerce and SNS, etc., and is utilized for businesses in various fields.
	Cross-border E-commerce	E-commerce that not only sells domestically, but also internationally via foreign languages sites for oversea consumers.
	M&A	Stands for the Merger & Acquisition of companies.
Brand Portfolio Management	A brand management method for making rational investment decisions analysing brands' market values and growth potentials by systematizing multiple brands according to customers' age and taste and visually mapping each brand.	

Page#	Word/Phrase	Definition
8	Sales Opportunity Loss	Although the consumer wants to buy and the seller wants to sell, the purchase does not take place due to difficulties for the seller (e.g. there is no stock), and sales decrease.
	Lost Profits	Profit that should have been earned, but was not earned due to some problems.
	Procurement	Purchase of materials, equipment and consumables that are not directly related to the manufacturing.
9	Olapic	A picture platform business of the US venture "olapic," which enables the user to easily get permission to use user generated contents(UGC) posted on Instagram.
	RetailNext	An IoT platform that is provided by the major US store analyzer, RetailNext. They install cameras in stores for detailed data analysis, collecting and analyzing information such as the customer visit rate and customer attribution etc. in order to increase selling efficiency.
	Synergy	To cooperatively operate multiple companies and organizations to create a bigger effect and results than each could achieve by operating separately.
	PMI	Stands for "Post Merger Integration", meaning an integration process after an M&A agreement. In order to maximize the synergy effect between the two companies in M&A, it aims at achieving organic functions of systems, etc.
	JV	Stands for Joint Venture, meaning joint creation of business by multiple companies.
	Licensing	A system in which a company lends a brand name to another company, and allowing the latter to develop and sell products under that name. The company that borrows the brand name pays for the use of the brand (royalty).
	MD	A job type that comprehensively manages products i.e. from product development, sales planning, to budget management in an apparel company. Diverse jobs such as market research, analysis of successful products, promotions and purchase are included in his/her job, and planning, selling and delivery are managed.
10	Service Associate	A part of career support for sales personnel and is a license system of SANEI bd that certifies them as customer service professionals. It aims to provide sales personnel who can contribute in improving customer service skills and team levels, and lead to increased customers' satisfaction.
11	Proper Selling	To sell at a proper price without markdowns.
	Styling	To create an effective style by combining one product with other products and items.
	QR	A system to quickly reflect selling information e.g. successful items, etc., to manufacturing, using a POS system.
	Primary Distribution Logic	To make distinct changes in the number of delivered items at the first time of delivery, based on the store's scale and sales amount.
	Markdown	Deduction of the price.
12	Conversion Rate	The rate of actions performed in a way expected by the users (e.g. As for an expected action in a store (to purchase a product), the rate of number of customers who purchased a product against the number of customers who entered the store is the conversion rate).
	SEO	Stands for "Search Engine Optimization", which means optimizing measures to maximize the exposure of a website in a research result.
	DTC	Stands for "Direct to Consumer", which means selling products/items directly to consumers.
13	TSI Procurement Unit Cost	A fair cost amount based on a comparison of the analysis/unit cost investigation of all the cost items including paper media, and that of competitors and in markets.

- ❑ The amounts given in this material are rounded down to the nearest million yen
- ❑ The forecast performance 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.