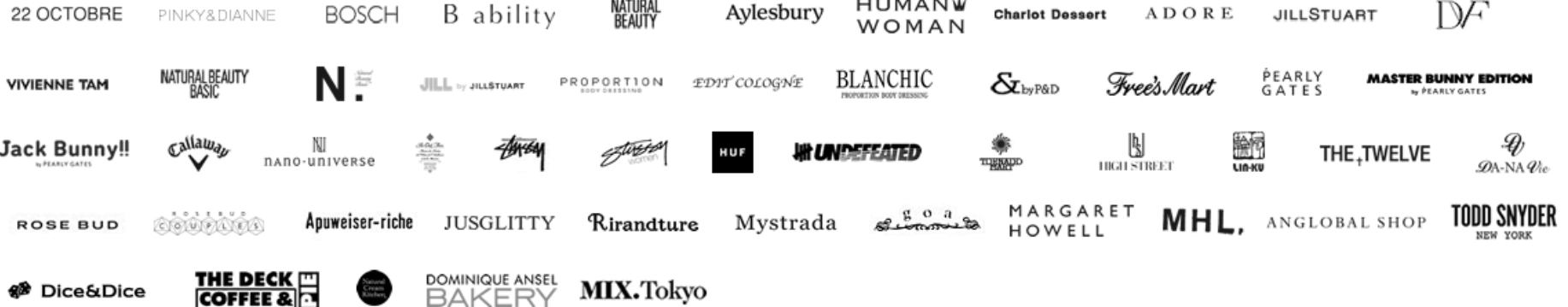




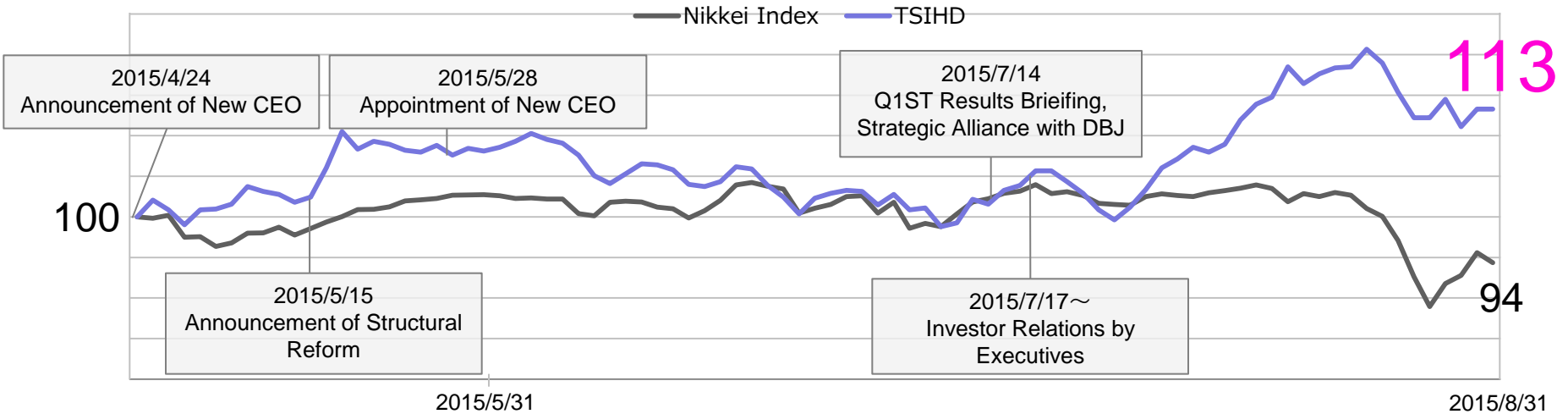
# TSI HOLDINGS

## Results Briefing: Consolidated Cumulative Q2ND (March to August 2015) Results of 2016 Ending February

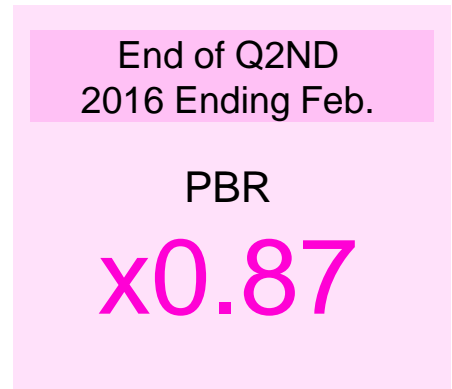
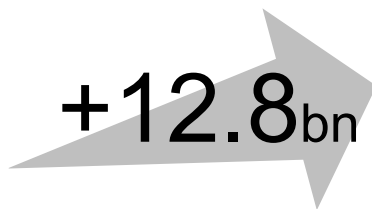
2015.10.15



After the announcement of the appointment of a new CEO,  
Nikkei Index dropped by 6% but TSI hovers at +13%



Market capitalization exceeded 100 billion yen



# I. Results Overview



While implementing the structural reform smoothly,  
ordinary profit result was close to the original forecast

(Unit: Million yen)

	Consolidated Cumulative Q2ND 2015 Ending Feb.		Consolidated Cumulative Q2ND 2016 Ending Feb.					
	Results	Composition Rate	Original Forecast	Results	Composition Rate	Y/Y Change	Y/Y	Against Plan
Net Sales	86,593	100.0%	86,800	83,573	100.0%	-3,020	96.5%	96.3%
Gross Profit	45,079	52.1%		44,782	53.6%	-297	99.3%	-
SG&A Expenses	44,760	51.7%		45,204	54.1%	+444	101.0%	-
Employment Costs	19,782	22.8%		19,468	23.3%	-313	98.4%	-
Business Strategy Costs	2,837	3.3%		2,870	3.4%	+33	101.2%	-
Store Rents	8,854	10.2%		8,858	10.6%	+4	100.0%	-
Goodwill Amortization	456	0.5%		713	0.9%	+257	156.4%	-
Depreciation and Amortization	2,204	2.5%		2,587	3.1%	+382	117.4%	-
SG&A Expenses(exc. Goodwill Amortization, Depreciation and Amortization)	42,099	48.6%		41,903	50.1%	-195	99.5%	-
Operating Profit	319	0.4%	-200	-422	-	-741	-	-
Ordinary Profit	1,017	1.2%	700	613	0.7%	-403	60.3%	87.7%
Extraordinary Profit	191	-		2,997	-	+2,805	1562.7%	-
Extraordinary Loss	419	-		4,426	-	+4,007	1055.5%	-
Profit Before Taxes	790	0.9%		-815	-	-1,605	-	-
Net Profit	-465	-	-400	-1,462	-	-997	-	-
EBITDA	2,980	3.4%		2,878	3.4%	-101	96.6%	-

\*EBITDA=Operating Profit + Goodwill Amortization + Depreciation and Amortization

\*The original forecast represents the business results forecast released on April 13, 2015

\*Because the method of calculating the profit in the profit categories was changed during this Q2ND, ordinary profit after new calculation, 613 million yen , has been recorded as the result for consolidated cumulative Q2ND of 2016 Ending Feb (Before change: 949 million yen)

Project large profit improvement in 2<sup>nd</sup> half through the structural reform

## Detail

Closure of 12 brands,  
including liquidation of  
2 subsidiaries and  
transfer of 1 brand

Early Retirement  
528 Employees

Closure  
292 shops

Extraordinary Loss  
2.4bn yen  
include early retirement  
1.3bn yen

## Results

Rejuvenation of creative personnel

Replaced 64 shops with continuing brands  
->Commission rate improved by 5.8pt

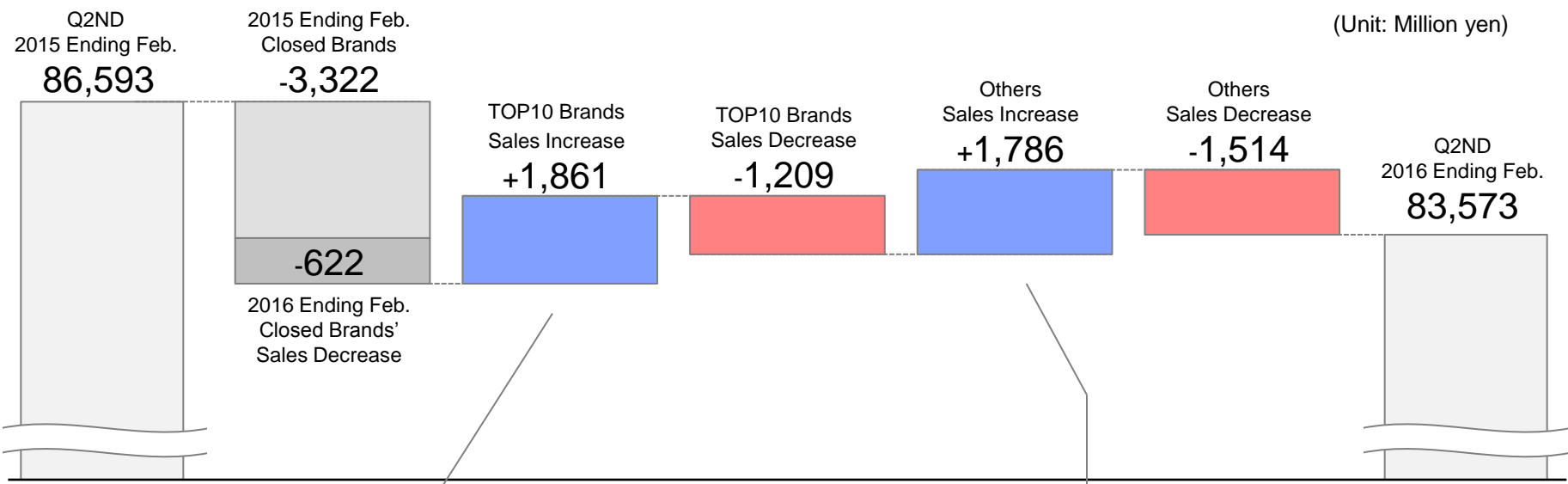
Personnel costs reduction  
approximately 2.3bn yen a year

## H2 Improvement Prospects

TOKYO STYLE, SANEI-INTERNATIONAL Total	FY2015 (2014.9~2015.2)	Composition (%)	FY2016 Prospect (2015.9~2016.2)	Composition (%)	(Unit: Billion yen) Improvement
Net Sales	26.3	100	14.4	100	-11.8
Gross Profit	11.8	45	7.2	50	-4.5
SG&A Expenses	14.2	54	7.2	50	-6.9
Operating Profit	-2.3	-9	-0.0	-0	+2.3

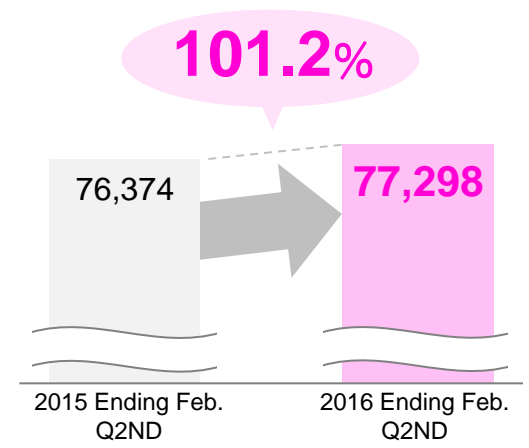
\*FY2015 includes results of FREE'S INTERNATIONAL, FIT,  
TOKYOSTYLE ImpressLine, Planet Blue Japan

## Selection and Concentration: Invest on concentrated brands for sales growth



- **MARGARET HOWELL**(Shop# 93(Y/Y +9))
- **PEARLY GATES**(Shop# 63 (Y/Y +13))
- **STUSSY**(Shop# 51(Y/Y +5))
- **Free's Mart**(Shop# 39(Y/Y +14))
- **HUMAN WOMAN**(Shop# 79(Y/Y +10))
- **Callaway Apparel**(Shop# 21(Y/Y +9))
- **m.tsubomi**(Shop# 115(Y/Y +9))
- **Apuweiser-riche**(Shop# 17(Y/Y -1))
- **JILL by JILLSTUART**(Shop# 22(Y/Y +6))
- **ANGLOBAL SHOP**(Shop# 30(Y/Y +3))
- **PINKY&DIANNE**(Shop# 35(Y/Y +7))
- **DIANE von FURSTENBERG**(Shop# 19(Y/Y +6))
- **UNDEFEATED**(Shop# 4(Y/Y +4))
- **VIVIENNE TAM**(Shop# 14(Y/Y +0))
- **Jack Bunny!!**(Shop# 9(Y/Y +3))
- **Mystrada**(Shop# 6(Y/Y +6))
- **TODD SNYDER**(Shop# 3(Y/Y +2))
- **Dice&Dice**(Shop# 2(Y/Y +2))

### Continuing Brands Comparison



Brands in TOP10 continue to mark high growth rate



YY  
**114.9%**



- Year 2015 is the 35<sup>th</sup> anniversary of the brand
- Brand's iconic logo and graphics T-shirts continue to be sought-after items
- Sneaker boom and foreign tourists inbound effect from the last year is also the following wind
- In addition to above, hats and caps are hit items



MARGARET  
HOWELL

YY  
**109.0%**



- While established reputation of its branding continues to be favored by existing customers, the brand successfully offered items with originality
- O2O site which started from March 2014 is growing rapidly: YY 140.9%
- Opened its first store in Florence, Italy and opened the second store in Marais, France



PEARLY  
GATES

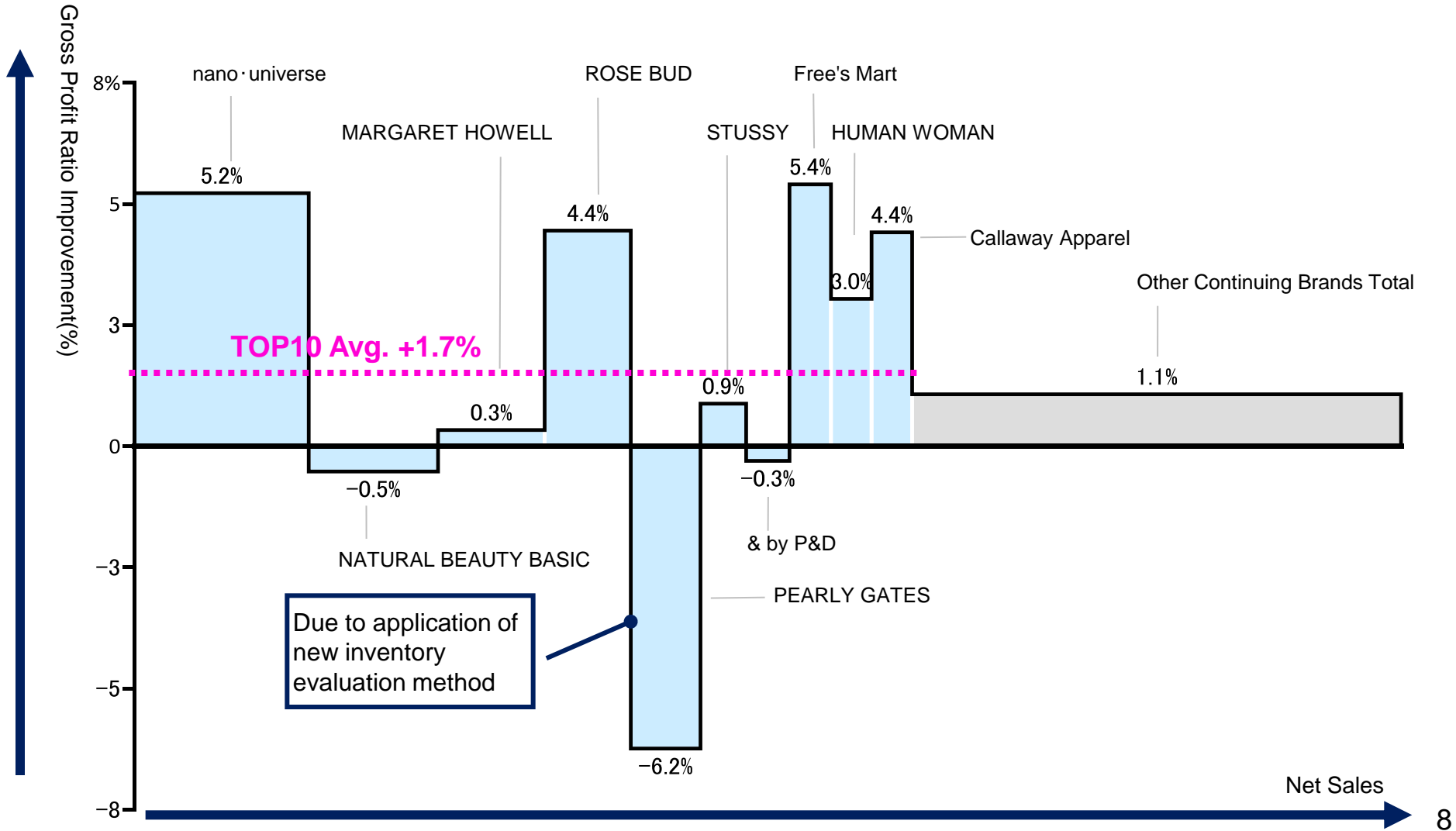
YY  
**108.5%**



- Functional Polo shirts (UV cut, super-absorbent & quick-dry, touch-cool material) aiming for professional use drive the sales growth
- Original Camouflage print items became hit. Fun and fashionable golfwear were favored by existing customers and resulted to gain new customers as well.



At the same time, putting strong emphasis on improving gross profit ratio





(Unit: Million yen)

Brand	Consolidated Cumulative Q2ND 2015 Ending Feb.			Consolidated Cumulative Q2ND 2016 Ending Feb.			Y/Y	
	Sales		Gross Profit Ratio	Sales		Gross Profit Ratio	Sales	Gross Profit Ratio
	Composition			Composition				
1 nano· universe	11,058	12.8%	53.2%	10,647	12.7%	58.4%	96.3%	+5.2pt
2 NATURAL BEAUTY BASIC	8,346	9.6%	58.0%	7,890	9.4%	57.4%	94.5%	-0.5pt
3 MARGARET HOWELL	5,967	6.9%	54.2%	6,505	7.8%	54.6%	109.0%	+0.3pt
4 ROSE BUD	5,314	6.1%	45.1%	5,256	6.3%	49.5%	98.9%	+4.4pt
5 PEARLY GATES	3,917	4.5%	49.5%	4,251	5.1%	43.3%	108.5%	-6.2pt
6 STUSSY	2,426	2.8%	66.3%	2,788	3.3%	67.2%	114.9%	+0.9pt
7 & by P&D	2,927	3.4%	52.0%	2,643	3.2%	51.7%	90.3%	-0.3pt
8 Free's Mart	2,148	2.5%	48.2%	2,531	3.0%	53.6%	117.8%	+5.4pt
9 HUMAN WOMAN	2,396	2.8%	43.7%	2,477	3.0%	46.7%	103.4%	+3.0pt
10 Callaway Apparel	2,311	2.7%	33.8%	2,475	3.0%	38.2%	107.1%	+4.4pt
Top 10 Total	46,815	54.1%	51.9%	47,467	56.8%	53.6%	101.4%	+1.7pt
Others	29,558	34.1%	55.0%	29,830	35.7%	56.1%	100.9%	+1.1pt
Closed Brands	10,219	11.8%	44.2%	6,274	7.5%	41.4%	61.4%	-2.9pt
Total	86,593	100.0%	52.1%	83,573	100.0%	53.6%	96.5%	+1.5pt

\*Net sales of ROSE BUD is consolidated net sales of ROSE BUD CO.,LTD. and Elephant Co., Ltd.

Will continue to invest on concentrated brands but  
gain profit through stricter SG&A control towards 2<sup>nd</sup> half

(Unit: Million yen)

	Consolidated Cumulative Q2ND 2015 Ending Feb.		-	Consolidated Cumulative Q2ND 2015 Ending Feb. (Closed Businesses)		=	Consolidated Cumulative Q2ND 2015 Ending Feb. (Continuing Businesses)		2016 Ending Feb.			
	Results	Composition Rate		Results	Composition Rate		Results	Composition Rate	Consolidated Cumulative Q2ND		Continuing Businesses Y/Y	
									Change	%		
Net Sales	86,593	100.0%		10,219	100.0%		76,374	100.0%	77,298	100.0%	+924	101.2%
SG&A Expenses	44,760	51.7%		5,853	57.3%		38,906	50.9%	41,387	53.5%	+2,481	106.4%
Employment Costs	19,782	22.8%		3,035	29.7%		16,746	21.9%	17,637	22.8%	+890	105.3%
Business Strategic Costs	2,837	3.3%		351	3.4%		2,485	3.3%	2,696	3.5%	+210	108.5%
Store Rents	8,854	10.2%		949	9.3%		7,904	10.3%	8,379	10.8%	+475	106.0%
Others	10,626	12.3%		1,314	12.9%		9,311	12.2%	9,436	12.2%	+124	101.3%
Subtotal	42,099	48.6%		5,650	55.3%		36,448	47.7%	38,150	49.4%	+1,701	104.7%
Goodwill Amortization	456	0.5%		0	-		456	0.6%	713	0.9%	+257	156.4%
Depreciation and Amortization	2,204	2.5%		203	2.0%		2,001	2.6%	2,524	3.3%	+522	126.1%

\*Employment Costs = Personnel Expenses + Subcontracting Costs + Sales Commission

\*Business Strategic Costs = Advertising Expenses + Sales Promotion Expenses

FY2015 Q2ND Store Opening   92  
 FY2016 Q2ND Store Opening   177

Downward revision of sales by 11bn yen,  
but keep the original forecast for operating profit, ordinary profit and net income

(Unit: Million yen)

Results	FY 2015 Ending Feb.	FY 2016 Ending Feb.					
		Original Forecast	Revised Forecast	Against FY 2015 Ending Feb.		Against Original Forecast	
				Difference	%	Difference	%
Net Sales	180,819	181,000	170,000	-10,819	94.0%	-11,000	93.9%
Operating Profit	924	2,400	2,400	+1,475	259.5%	±0	100.0%
Ordinary Profit	2,627	4,000	4,000	+1,373	152.3%	±0	100.0%
Net Income	2,294	1,400	1,400	-895	61.0%	±0	100.0%

\*The original forecast represents the business results forecast released on April 13, 2015

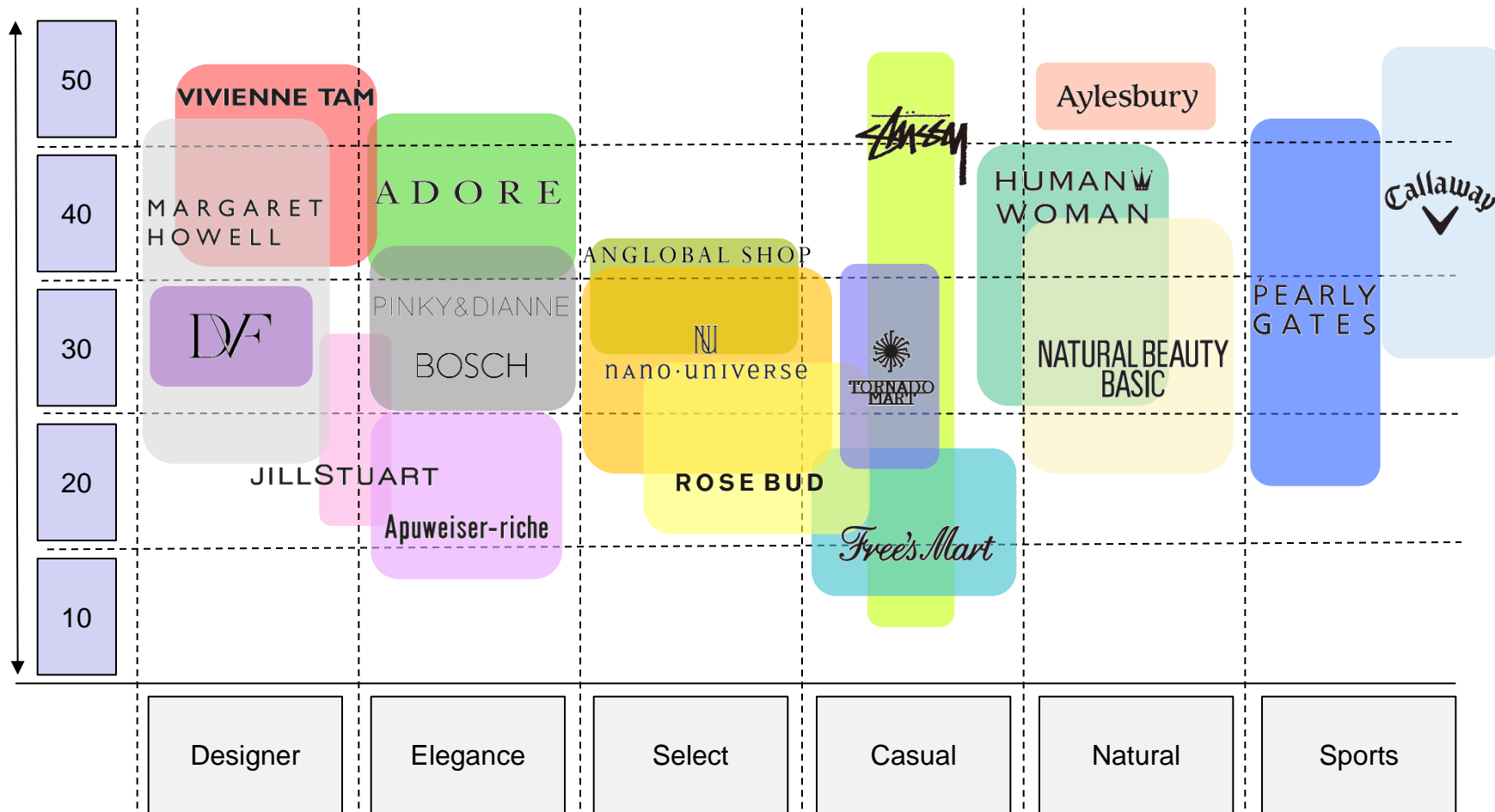
## II. Future Growth Strategy





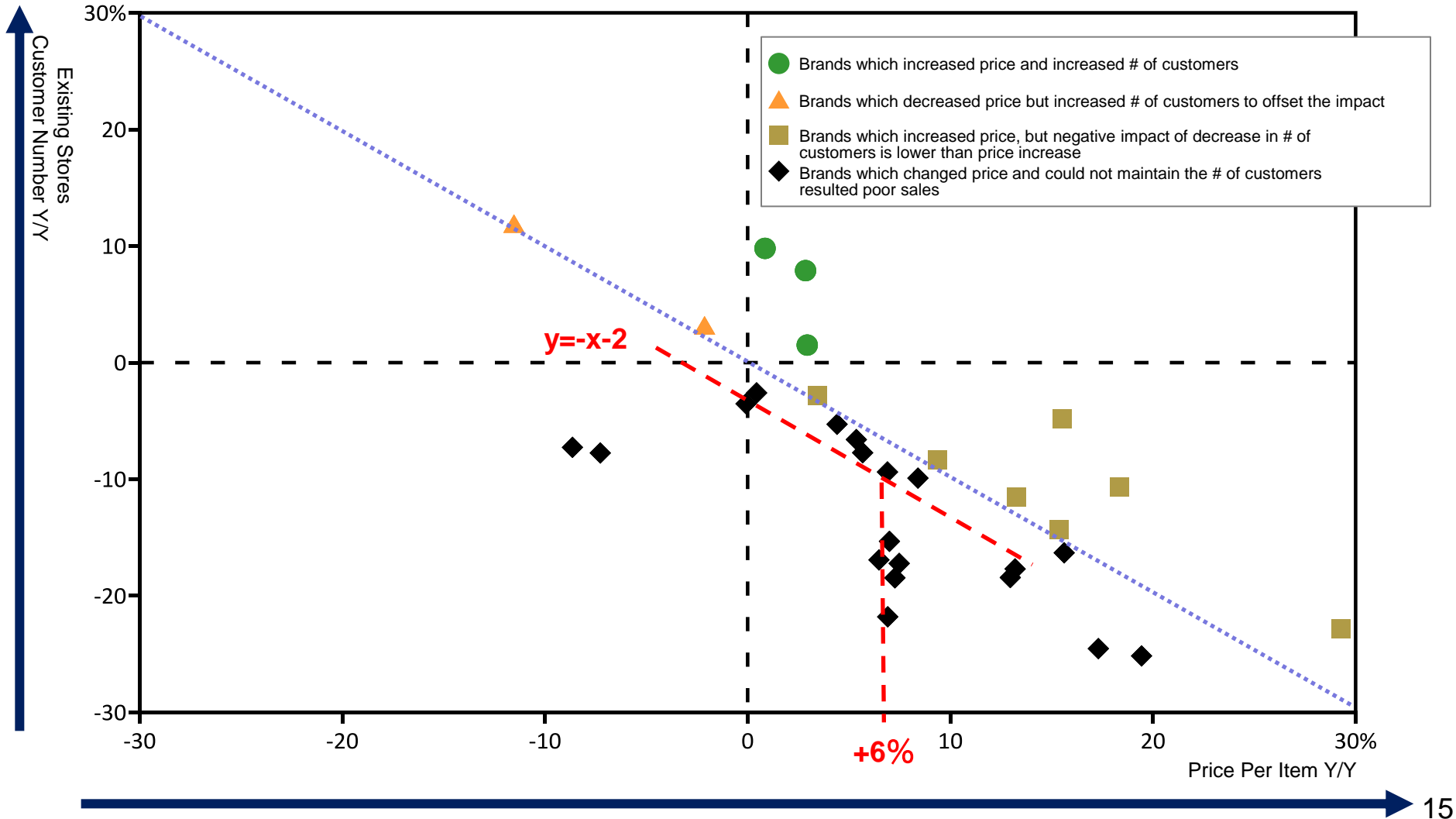
Diversified brand portfolio to meet sophisticated needs of Japanese consumer

Age of Target Consumer



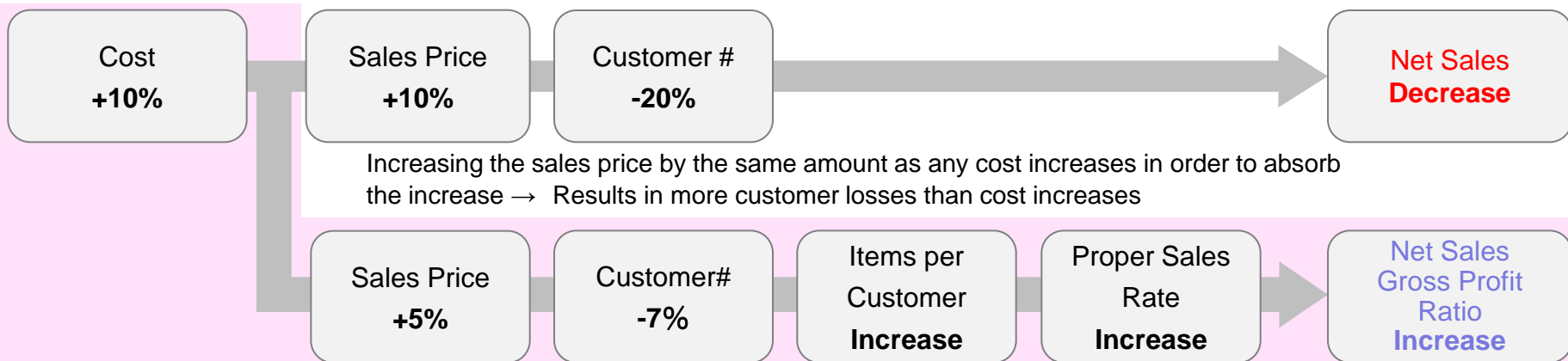
Scientific approach to analyze item price of brands

Price elasticity occurs from +5% of price per item, where customer number declines significantly



Improve gross profit ratio through optimizing sales pricing, proper(full price) sales rate and the number of items per customer

## Basic Principles



Even if costs increase by 10%, increase the sales price by an amount that results in only a small decrease in customers (5% in the illustration above). In addition, by improving the proper sales rate and the number of items purchased per customer, aim to secure sales and gross profit ratio

## Numerical Image

	Item					Sales Detail			Sales	Sales per Customer	Sales per Item	Gross Profit	
	Cost	Price	Customer Number	Items Per Customer	# of Sales	Proper Sales Ratio	Discount Sales Ratio	Disposal Ratio				Ratio	
<b>Previous Year</b>	3,000	10,000	100	1.00	100.00	70.0%	20.0%	10.0%	800,000	8,000	8,000	62.5%	500,000
<b>Bad Case</b>	3,300	11,000	80	1.00	80.00	65.0%	20.0%	15.0%	660,000	8,250	8,250	60.0%	396,000
Y/Y	110.0%	110.0%	80.0%	100.0%	80.0%	-5.0 pt	-	+5.0pt	82.5%	103.1%	103.1%	-2.5 pt	79.2%
<b>Ideal Case</b>	3,300	10,500	93	1.10	102.30	75.0%	20.0%	5.0%	913,028	9,818	8,925	63.0%	575,438
Y/Y	110.0%	105.0%	93.0%	110.0%	102.3%	+5.0pt	-	-5.0 pt	114.1%	122.7%	111.6%	+0.5pt	115.1%

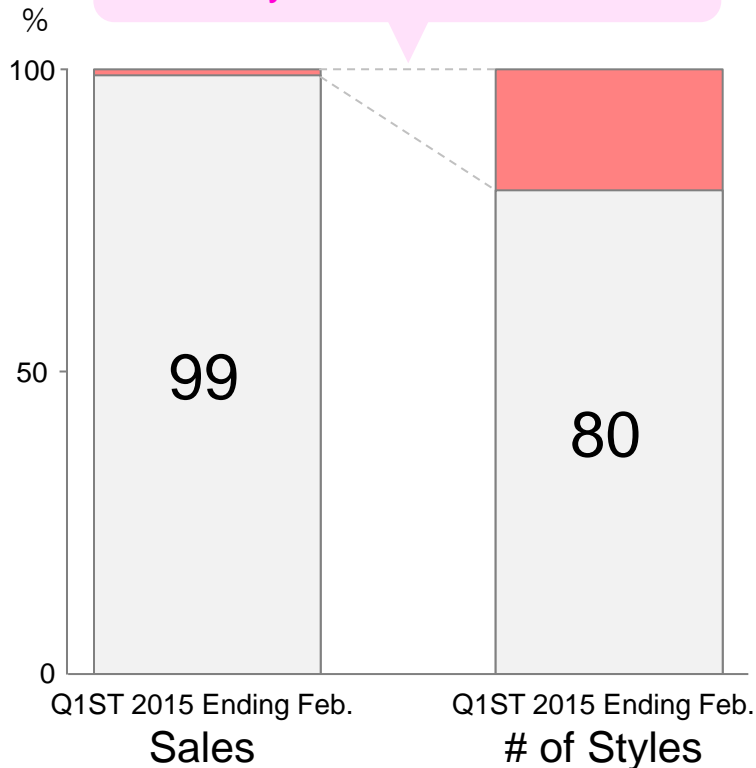


Sharpen item originality and narrow down the number of styles

Through analysis conducted at the end of Q1ST, top 80% styles make up 99% of total sales

Sales/Style Analysis

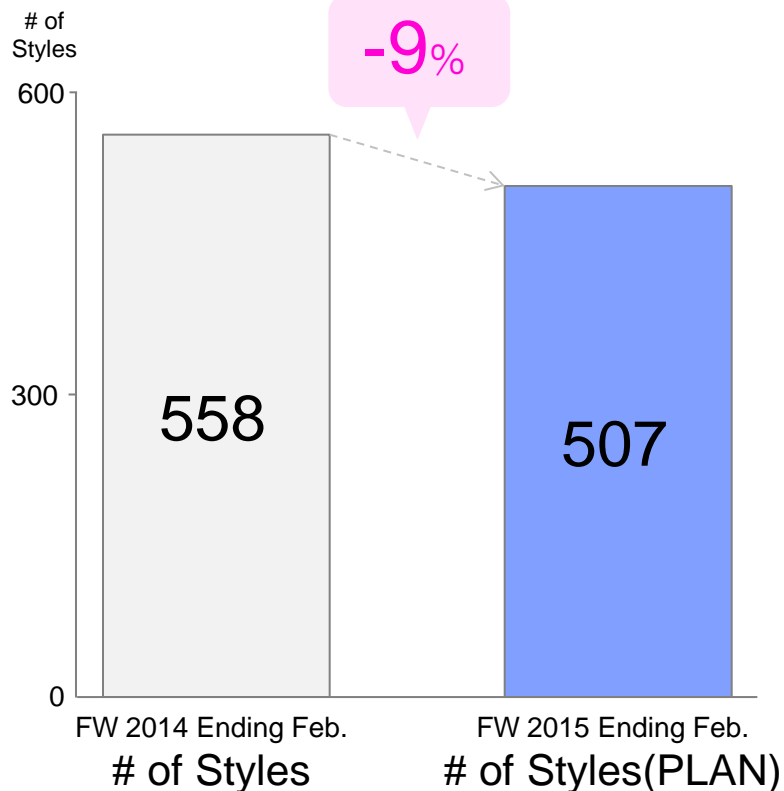
20% of styles contribute only 1% of total sales



Narrowing down # of styles



2015FW # of Styles (avg. of 1 brand)



\*Exclude select brands 17

Leverage the three factors of “customer, products, and sales” to develop customer loyalty



- Introduce the NPS® customer-loyalty index... listen to customers’ opinions, and reflect them in the products and sales
- Revise the loyalty program based on customer analysis

## Results up to the present

- Sales for Q1ST (March-May) for the entire brand was 88.7% vs. previous term
- 101.9% for Q2ND (June-August)
- 102.3% for September
- Results improved at 80% of the pilot stores subject to enhanced PDCA

- Brush up the products
- Redefine the product categories
- Utilize young personnel in the projects

- Introduce eNPS and revise the incentive system for sales personnel
- Enhance PDCA by strengthening communication between stores and the head office



**Sequentially expand to all brands and all stores**

- Set sales targets by day and hour
- Analyze the factors for good/bad sales on a daily basis
- Propose a plan to recover the unachieved budget
- Immediate development of best practices
  - Real-time improvement of VMD
  - Best item description by customer segment
  - “Best Sales Talk”

## Growth and new store strategy based on optimum scale and maximum room for growth of each brand is being formulated and promoted

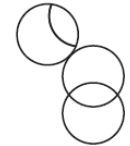
### Background

- Have realized super-high revenue and rapid growth to date
- Sales CAGR: 45%
- Operating profit CAGR: 23% (FY2012 to FY2014)
- Operating profit rate: Over 20% (2014)
- Fiercer competition in the accessible luxury market
- Competitor brands that are doing well in both the southern and northern regions are gaining strength



### Leverage the existing businesses

- Strengthen response to “individual customers,” introduce NPS/eNPS
- Daily management of store performance, and enhance method for developing best practices
- PR and branding measures (both southern and northern regions)



m.tsubomi

### How to win in the south

- Projects targeting the south, and hunt for MD personnel
- Clarify the competitors to watch in the south, values to be pursued for winning, and project aimed at creating original items
- Open multiple stores in the south while maintaining the brand value of m.tsubomi
- Establish the framework necessary for opening multiple stores in the south (store development, SV, etc.)

### Traditional & basic brand development

- New brands for SC
- Enter the semi-accessible luxury market

- Be the first to incorporate some lifestyle items

### Enter the select shop business

- Prepare for the rise of select shop business in China

### E-Commerce development

- Open a store on another company’s EC site in China -> O2O Site establishment
- Digital PR measures

Directed at further development of other brands in China and Southeast Asia, in order to reduce the difference between domestic and foreign prices, a drop-shipping system is being prepared.

E-Commerce ratio is increasing steadily through accelerating launch of O2O sites and overseas E-Commerce business

## E-Commerce Ratio

Q2ND  
2016 Ending Feb.

**10.4%**  
(Y/Y 104.1%)

9.6%

Q2ND  
2015 Ending Feb.

Actions to strengthen own E-Commerce sites

Launch and enhancement of O2O sites

PEARLY GATES

**Jack Bunny!!**  
by PEARLY GATES

Callaway

& by P&D

PROPORTION  
BODY DRESSING

Own E-Commerce grew 125.2% Y/Y

Actions to strengthen third party E-Commerce

Brands started in Zozotown this year are making good sales

NATURAL BEAUTY  
BASIC

PINKY&DIANNE

PROPORTION  
BODY DRESSING

HUMAN W  
WOMAN

NATURAL  
BEAUTY

BOSCH

& by P&D

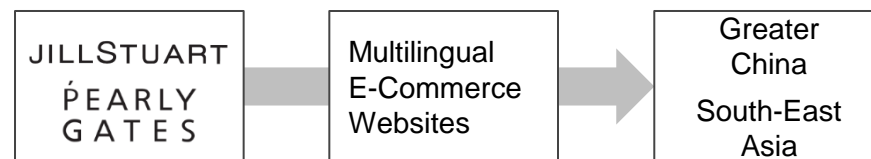
System affiliation with Shueisha in August and expand to others in 2<sup>nd</sup> half

## Expansion of E-Commerce Business Abroad

Free's Mart will be the first Japanese brand launched in Zalora, an E-Commerce site in SEA which is famous among younger generation



Expansion of business in Asian market through establishing multilingual(English,Chinese,Japanese) E-commerce sites

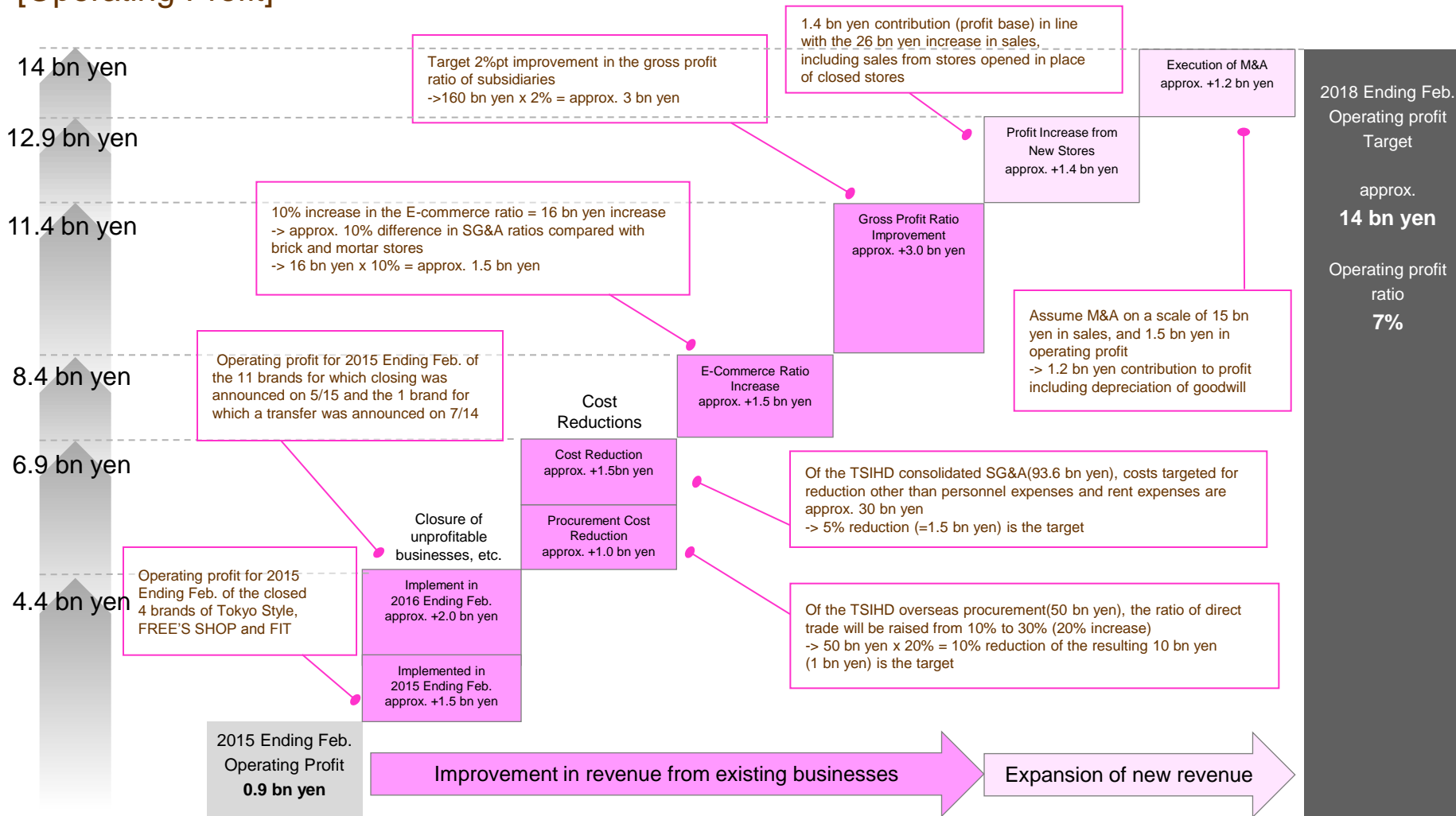


## Thorough procurement at the best market prices taking advantage of the purchase scale of the TSI Holdings Group as a whole

Actions aimed at realizing the financial results	Project cost	Room for reduction	Project <span style="float: right;">(Unit: Billion yen)</span>
Decision making by management, having a control using the budgets	2.2	<b>1.0</b>	<ul style="list-style-type: none"> <li>· Advertisements in magazines</li> <li>· Novelties</li> </ul>
Administrative Headquarters will centrally conduct negotiations	10.5	<b>0.6</b>	<ul style="list-style-type: none"> <li>· Property insurance</li> <li>· Copy machine counter fees</li> <li>· Standalone store credit fees</li> <li>· Transfer agent fees</li> <li>· Shopping mall credit card fees</li> <li>· External logistics</li> <li>· System maintenance and management</li> <li>· System investments</li> <li>· Hardware investments</li> <li>· Stationary/office supplies</li> <li>· Toner</li> <li>· Point-to-point communication fees</li> <li>· Exclusive communication line fees</li> </ul>
Group companies and Administrative Headquarters will jointly conduct negotiations	4.9	<b>0.3-0.6</b>	<ul style="list-style-type: none"> <li>· Web sales agents</li> <li>· Shoppers</li> <li>· Personnel staffing</li> </ul>
Administrative Headquarters will design rules and ensure thorough implementation company-wide	1.2	<b>0.2</b>	<ul style="list-style-type: none"> <li>· Bank transfer fees</li> <li>· Cable broadcasting contract fees</li> <li>· Various subscription fees</li> <li>· Domestic air tickets</li> <li>· Overseas air tickets</li> <li>· Accommodation expenses and allowances</li> <li>· Taxi fares</li> <li>· Conference and entertainment expenses</li> </ul>
Business Development Department and Administrative Headquarters will cooperate in conducting negotiations	13.5	<b>0.2-0.4</b>	<ul style="list-style-type: none"> <li>· Standalone store rent</li> <li>· Shopping mall rent</li> <li>· Common service fees</li> <li>· Parking lot rental fees at shopping malls</li> <li>· Electricity charges</li> </ul>
Business Development Department will set rules and ensure thorough implementation company-wide	4.0	<b>0.2</b>	<ul style="list-style-type: none"> <li>· Construction work</li> </ul>
		<b>2.5-3.0</b>	

## Strategy to Increase Operating Profit

### [Operating Profit]



Increase ROE by improving capital efficiency and seek further fulfillment of shareholder return policy

**Efficient Use of Capital**

Consolidated capital of TSI Holdings to seek efficiency of payment operation  
->e.g. Cash Management Service etc.

**Efficient Use of Investment Securities**

Clearly demonstrate the holding policy of investment securities by setting out the corporate governance code

**Buy Back Shares**

Set it as a constantly discussed topic and conduct share buyback flexibly and appropriate timing

**Shareholder Return Policy**

Continue the stable dividend and discuss further shareholder return plans from multiple perspectives

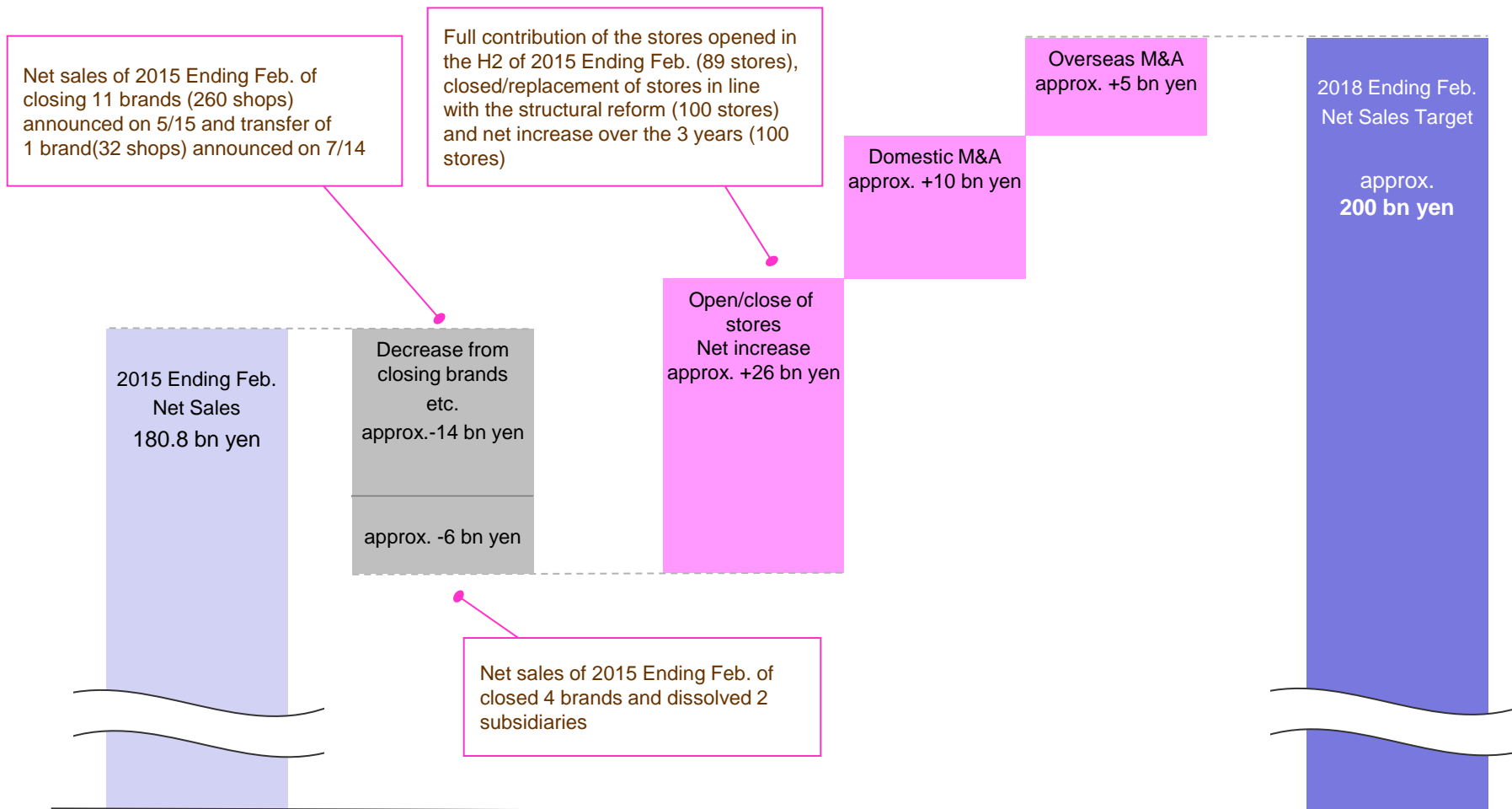
### III. Reference Data



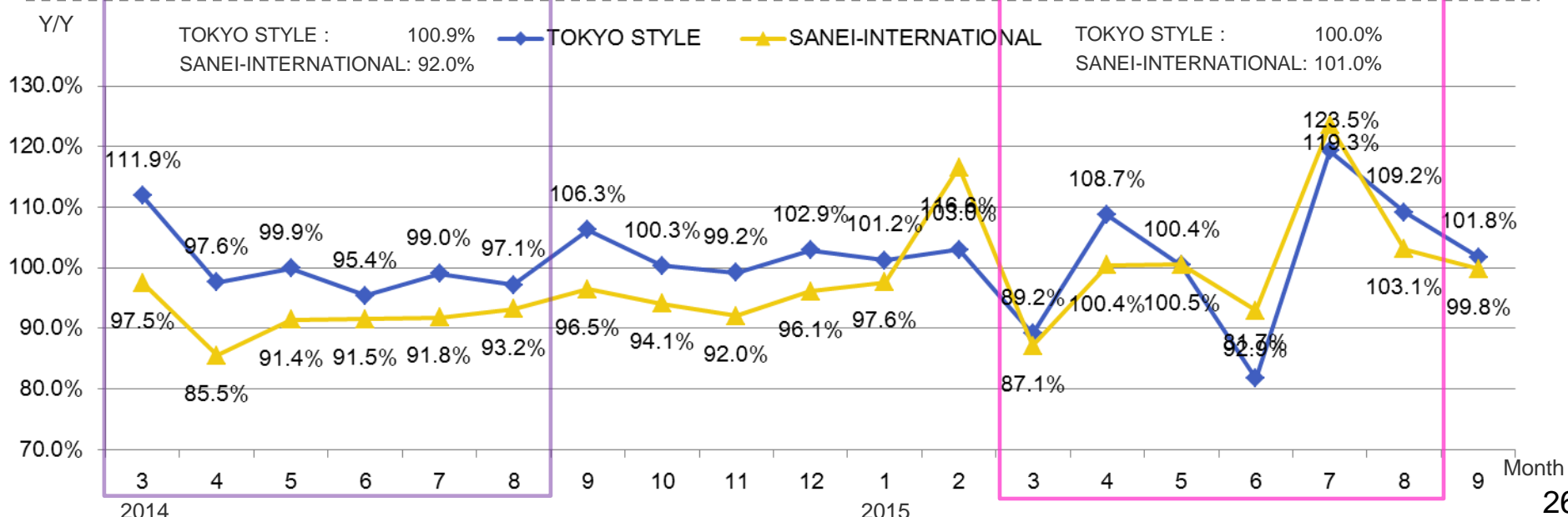
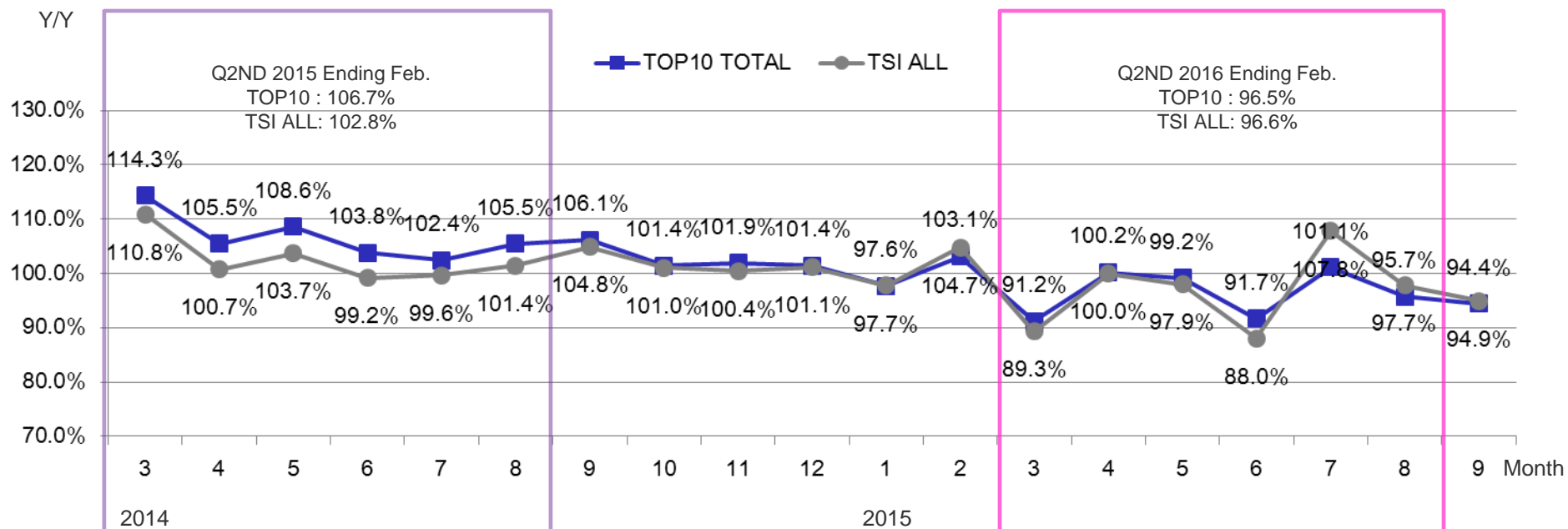


## Strategy to Increase Net Sales

[Net Sales]



# Domestic Comparable-Store Sales Rate



(Unit: Million yen)

	Consolidated Cumulative Q2ND 2015 Ending Feb.		Consolidated Cumulative Q2ND 2016 Ending Feb.			
	Results	Composition Rate	Results	Y/Y	Composition Rate	Composition Rate Y/Y Change
Department Stores	23,178	26.8%	20,520	88.5%	24.6%	-2.2pt
Commercial Facilities(*1)	41,626	48.1%	40,969	98.4%	49.0%	+1.0pt
E-Commerce	8,308	9.6%	8,652	104.1%	10.4%	+0.8pt
Overseas	4,812	5.6%	5,232	108.7%	6.3%	+0.7pt
Others(*2)	8,667	10.0%	8,198	94.6%	9.8%	-0.2pt
<b>Total</b>	<b>86,593</b>	<b>100.0%</b>	<b>83,573</b>	<b>96.5%</b>	<b>100.0%</b>	<b>-</b>

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

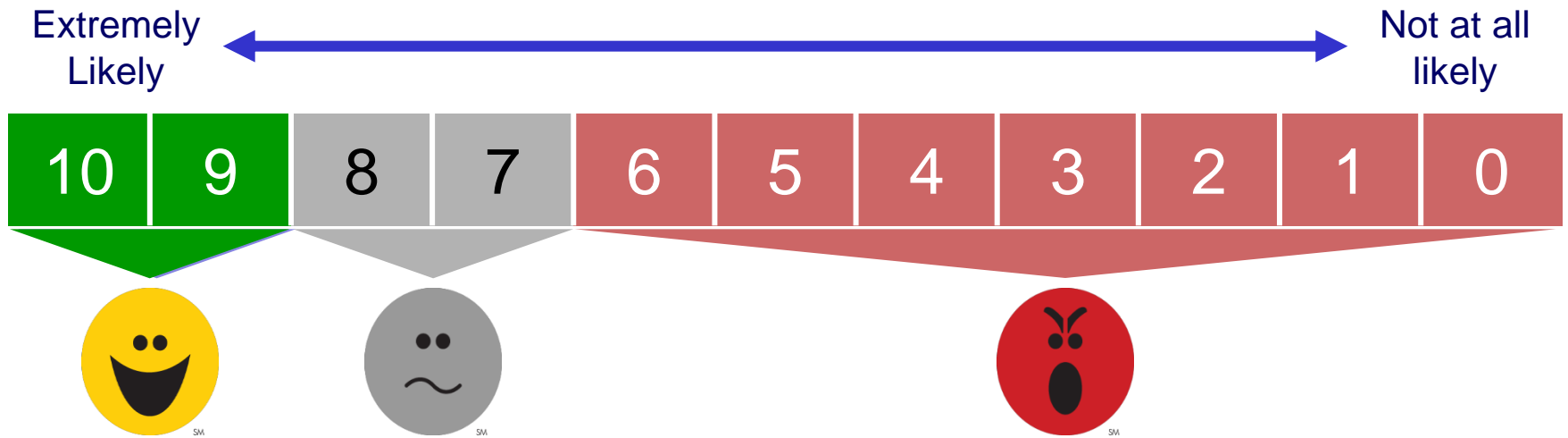
\*2 Apparel businesses such as wholesale, in-company sales and non-apparel businesses of the group companies

		Q2ND 2015 Ending Feb.	Q1ST 2016 Ending Feb.	Store Open	Store Close	Q2ND 2016 Ending Feb.
Domestic	# of Stores	1,765	1,623	88	349	1,362
	Change	-30	+53			-261
Overseas	# of Stores	231	230	11	16	225
	Change	-22	+7			-5
Total	# of Stores	1,996	1,853	99	365	1,587
	Change	-52	+60			-266

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

NPS® is a simple and excellent indicator to measure customer loyalty

***“How likely is it you would recommend [brand] to a friend or colleague?”***



$$\text{Yellow smiley face \%} - \text{Red angry face \%} = \text{NPS}$$

(Promoters)                      (Detractors)

\*Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. 29

- ❑ 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.