



TSI HOLDINGS

Results Briefing: Q3RD(March to November 2016) Results of 2017 Ending February

2017.1.16



I. Results Overview



□ The amounts given in this material are rounded down to the nearest million yen

Achieved about 2.3x operating profit Y/Y by improving gross profit and driving down SG&A expenses

(Unit: Million Yen)













	Cumulative Q3RD 2016 Ending Feb.		Cumulative Q3RD 2017 Ending Feb.			
	Results	Composition Rate	Results	Composition Rate	Y/Y Change	Y/Y
Net Sales	125,404	100.0%	117,819	100.0%	-7,584	94.0%
Gross Profit	68,106	54.3%	65,876	55.9%	-2,230	96.7%
SG&A Expenses	66,533	53.1%	62,268	52.9%	-4,265	93.6%
Employment Costs	27,894	22.2%	25,493	21.6%	-2,401	91.4%
Business Strategy Costs	4,484	3.6%	3,949	3.4%	-534	88.1%
Store Rents	13,388	10.7%	11,319	9.6%	-2,068	84.5%
Other Expenses	15,815	12.6%	17,006	14.4%	+1,191	107.5%
SG&A Expenses(exc. Goodwill Amortization, Depreciation and Amortization)	61,583	49.1%	57,769	49.0%	-3,813	93.8%
Goodwill Amortization	1,072	0.9%	882	0.7%	-190	82.2%
Depreciation and Amortization	3,877	3.1%	3,616	3.1%	-261	93.3%
Operating Income	1,573	1.3%	3,608	3.1%	+2,034	229.3%
Ordinary Income	3,033	2.4%	4,658	4.0%	+1,625	153.6%
Extraordinary Income	5,012	4.0%	398	0.3%	-4,613	7.9%
Extraordinary Loss	4,773	3.8%	986	0.8%	-3,786	20.7%
Profit Before Taxes	3,272	2.6%	4,070	3.5%	+798	124.4%
Profit Attributable to Owners of Parent	1,783	1.4%	2,766	2.3%	+983	155.1%
EBITDA	6,523	5.2%	8,106	6.9%	+1,583	124.3%

*Employment Costs = Personnel Expenses + Subcontract Costs + Commission

*Business Strategy Costs = Advertising + Sales Promotion Expenses + Digital/Cross border EC investment

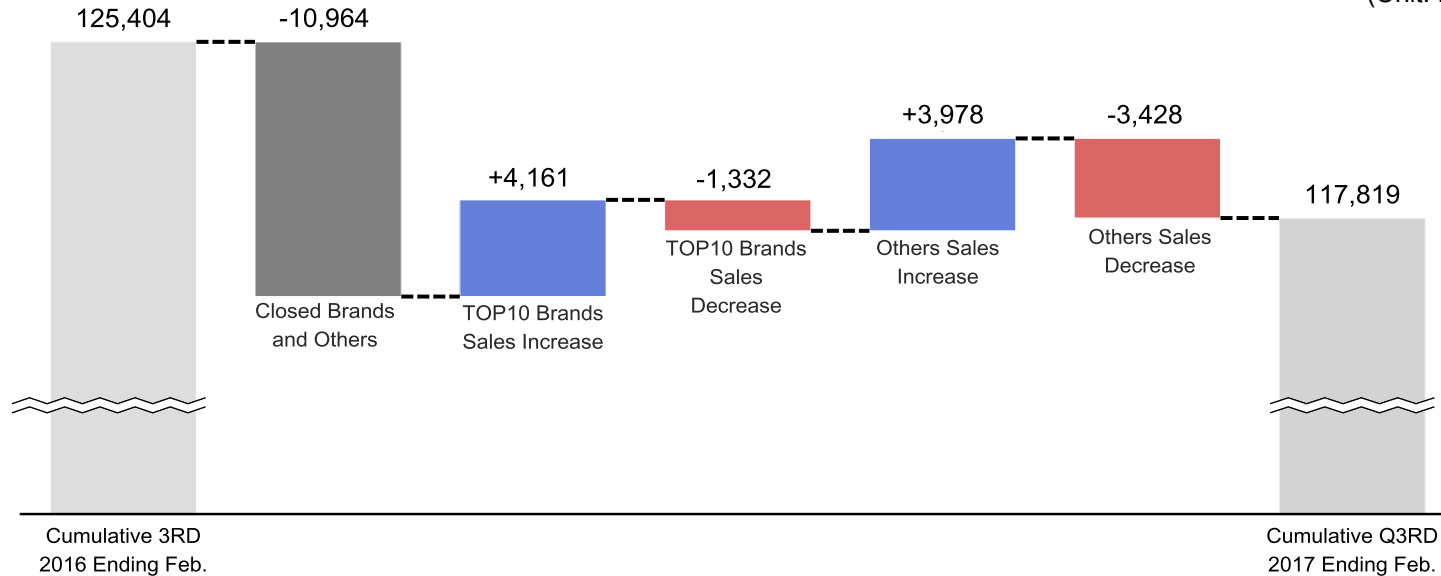
*EBITDA = Operating Income + Goodwill Amortization + Depreciation and Amortization

(Unit: Million Yen)

Accounting Item	Content	Result	Cumulative Q3RD 2017 Ending Feb.	
Net Sales 	E-Commerce 	E-commerce sales growth +26.8% Y/Y	117,819(94.0% Y/Y)	
Cost of Goods Sold 	Direct Trading Ratio 	Last FY results 11.8% →12.6% at Q3RD 2017 Ending Feb.	51,942(90.7% Y/Y)	
Gross Profit 	<ul style="list-style-type: none"> Set KPI for yield ratio and digestion ratio 7 measures of BPR 		Gross profit ratio improved 1.6%pt Y/Y	65,876(96.7% Y/Y)
Business Strategy Costs 	Digital Cross border EC IoT 	300 million yen increase Y/Y	3,949(88.1% Y/Y)	
Other Expenses 	Sales Personnel Incentive 	Approx. 970 million yen cut Y/Y	58,611 (94.5% Y/Y)	
	Procurement Project 			
Operating Income 	TERRA/Integration of warehouses 	Expand the unified core system to group companies, integration of logistics centers of subsidiaries	3,608 (229.3% Y/Y)	

Net sales of continuing brands(excluding closed brands and others) was 103.1% Y/Y

(Unit: Million Yen)

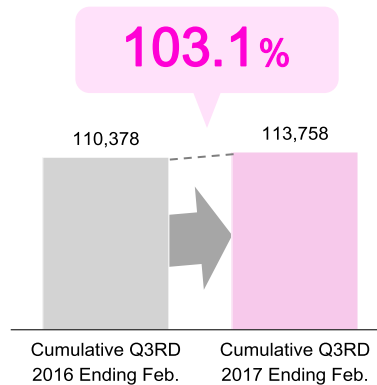


Net Sales Increased Brands

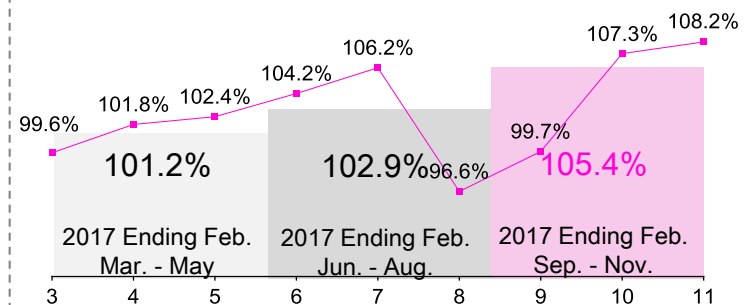
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|--------|---|
| TOP10 | <ul style="list-style-type: none"> nano· universe NATURAL BEAUTY BASIC PEARLY GATES STUSSY Apuweiser-riche |
| Others | <ul style="list-style-type: none"> JILL by JILLSTUART JUSGLITTY enchainement mignon N. Natural Beauty Basic |

Continuing Brands Comparison

① Financial Net Sales



② Monthly Revenue(All Stores)



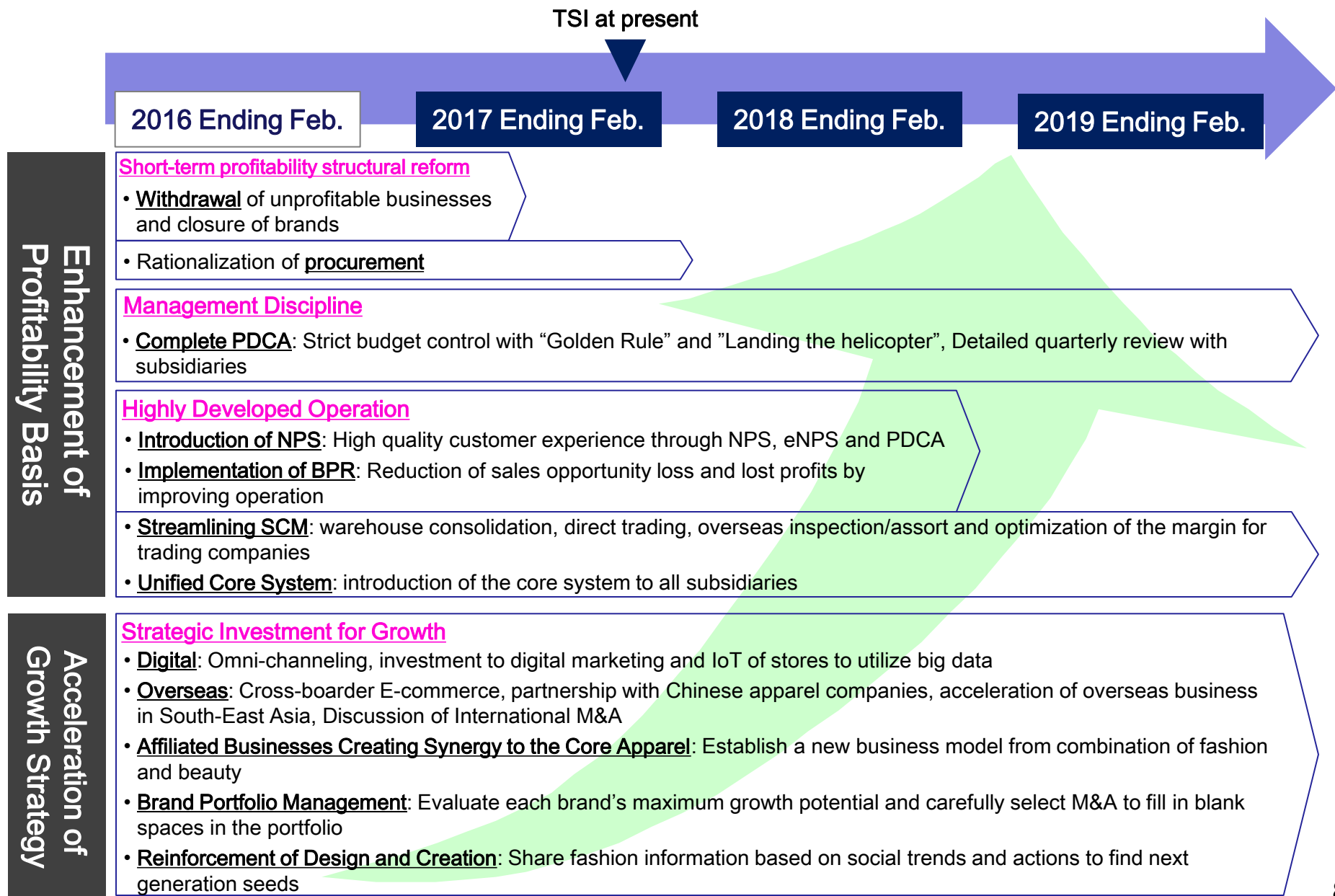
5 brands' net sales increased and 8 brands' gross profit ratio improved Y/Y

(Unit: Million Yen)

Brand	Cumulative Q3RD 2016 Ending Feb.			Cumulative Q3RD 2017 Ending Feb.			Y/Y	
	Sales	Composition	Gross Profit Ratio	Sales	Composition	Gross Profit Ratio	Sales	Gross Profit Ratio
1 nano· universe	16,663	13.3%	58.0%	18,701	15.9%	55.6%	112.2%	-2.4pt
2 NATURAL BEAUTY BASIC	11,973	9.5%	59.3%	12,311	10.4%	59.2%	102.8%	-0.1pt
3 MARGARET HOWELL	9,702	7.7%	55.4%	9,655	8.2%	59.7%	99.5%	+4.3pt
4 PEARLY GATES	6,798	5.4%	48.9%	7,795	6.6%	52.0%	114.7%	+3.2pt
5 ROSE BUD	8,049	6.4%	49.2%	7,055	6.0%	51.7%	87.6%	+2.6pt
6 STUSSY	4,321	3.4%	66.3%	4,926	4.2%	68.2%	114.0%	+1.9pt
7 HUMAN WOMAN	3,781	3.0%	49.8%	3,757	3.2%	52.3%	99.4%	+2.4pt
8 PROPORTION BODY DRESSING	3,680	2.9%	53.0%	3,637	3.1%	56.7%	98.8%	+3.8pt
9 Free's Mart	3,807	3.0%	56.0%	3,582	3.0%	57.7%	94.1%	+1.7pt
10 Apuweiser-riche	2,917	2.3%	61.9%	3,101	2.6%	63.8%	106.3%	+1.9pt
Top10	71,696	57.2%	55.9%	74,525	63.3%	57.0%	103.9%	+1.2pt
Other Brands	38,682	30.8%	57.2%	39,232	33.3%	55.0%	101.4%	-2.2pt
Continuing Brands	110,378	88.0%	56.4%	113,758	96.6%	56.4%	103.1%	+0.0pt
Withdrew Brands and Others	15,025	12.0%	39.3%	4,060	3.4%	42.6%	27.0%	+3.3pt
Total	125,404	100.0%	54.3%	117,819	100.0%	55.9%	94.0%	+1.6pt

II. Progress of Growth Strategy





Measures Implemented during Q3RD 2017 Ending Feb. and action plans for future

Enhancement of Profitability Basis

Portfolio Management	<ul style="list-style-type: none"> Operating profits of 10 subsidiaries increased Y/Y (6 subsidiaries last FY) due to last FY's structural reform Implementing structural reform plans of nano-universe and ROSE BUD Keep monitoring low profitability brands through quarterly business review and discussing improvement plans with subsidiaries accordingly
Complete PDCA	<ul style="list-style-type: none"> 13 brands of 4 subsidiaries are implementing → In addition to Sanei bd, the subsidiary implemented from last year, pilot stores in 3 companies are sharing best practices Budget achievement rate of pilot stores of Adore(from Sept. to Nov.), a brand of Sanei International, outperformed 9%pt to those not implemented the project
Introduction of NPS	<ul style="list-style-type: none"> NPS survey: 13 brands from 3 subsidiaries are implementing eNPS survey: 16 brands from 5 subsidiaries completed
Implementation of BPR	<ul style="list-style-type: none"> Among 7 specific measures, "Realization of stock accommodation among stores" and "Establishment of sellout method that does not depend on markdowns by E-Commerce enhancement" have started in multiple brands
Rationalization of Procurement	<ul style="list-style-type: none"> Through the procurement project continuing from the last FY, approx. 970 million yen cost cut Y/Y was achieved in cumulative Q3RD 2017 Ending Feb.
Streamlining SCM	<ul style="list-style-type: none"> Aiming for 14.5% of direct trading ratio from 11.8% the result of last FY(12.6% in Q3RD 2017 Ending Feb.) Integration of logistics of 6 subsidiaries(Tokyo Style, Sanei International, Sanei bd, TSI groove&sports, Anglobal, d'un á dix) completed in Q3RD, and that of E-commerce inventories are planning to take place in Q4TH serially

Measures Implemented during Q3RD 2017 Ending Feb. and action plans for future

Acceleration of Growth Strategy

E-Commerce/ Digital

- Sequential release of smartphone apps of brands in the second half of FY2017 Ending Feb.
→ Planning to launch apps of 18 brands in Q4TH
- Stock linkage of 11 3rd party e-commerce websites were completed, planning to link 1 3rd party e-commerce websites by the end of this FY
- Using olapic, the US venture's service to link 4 brands' e-commerce websites and Instagram
- Soft launch of JILLSTUART and JILL by JILL STUART's DTC, T-MALL GLOBAL and TAOBAO in September
- Soft launch of Pearly Gates' DTC cross-border e-commerce websites in Asian market in October
- Data acquisition has started by utilizing the latest US store IoT platform.
- Marketing automation software offered by salesforce.com is applied to O2O websites of 3 brands

M&A/ Overseas

- M&A of forall co.,ltd. (Job-search services) on September 30th
→ Securement of sales personnel for basis enhancement
- Continuing consideration of M&A and partnership of Chinese and South East Asian companies

Reinforcement of Design and Creation

- Conducted creative direction seminars to review season trends and social movements for MDs and designers of subsidiaries
→ 2017 Autumn/Winter seminars have started from December 19th and 245 employees of 8 subsidiaries have already attended

Basic Principle Regrowth through group synergy and shift to a profitable company

Action plan for future

Enhancement of Profitability Basis

Implementation of Structural Reform

- Closure of low profitability stores and improve profitability of store operation
- Organizational Reform: integrate men's and ladies' departments together → a new organization where members of the team are easy to communicate
- Enhancement of promotion control

IT Infrastructure Consolidation

- Plan to install TERRA, the core system of TSI Holdings from Autumn 2017 or later

Streamlining SCM

- Reduction of management costs by streamlining logistics infrastructure and inspection of items from FY2018 Ending Feb.

Enhancement of Sales

- Introduction of NPS and eNPS

Implementation of BPR

- Establish the process of MD plan from styling perspective

Acceleration of Growth Strategy

Reinforcement of Design and Creation

- Strengthen the brand direction
- Establishment of the brand identity

Expansion of E-Commerce

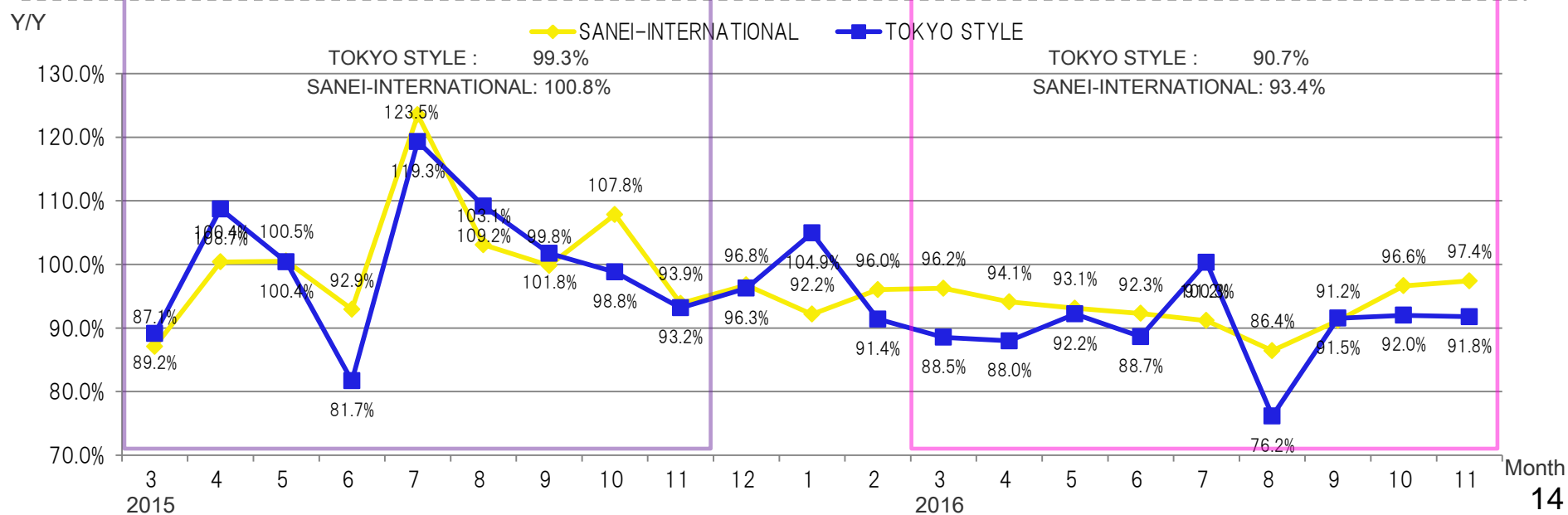
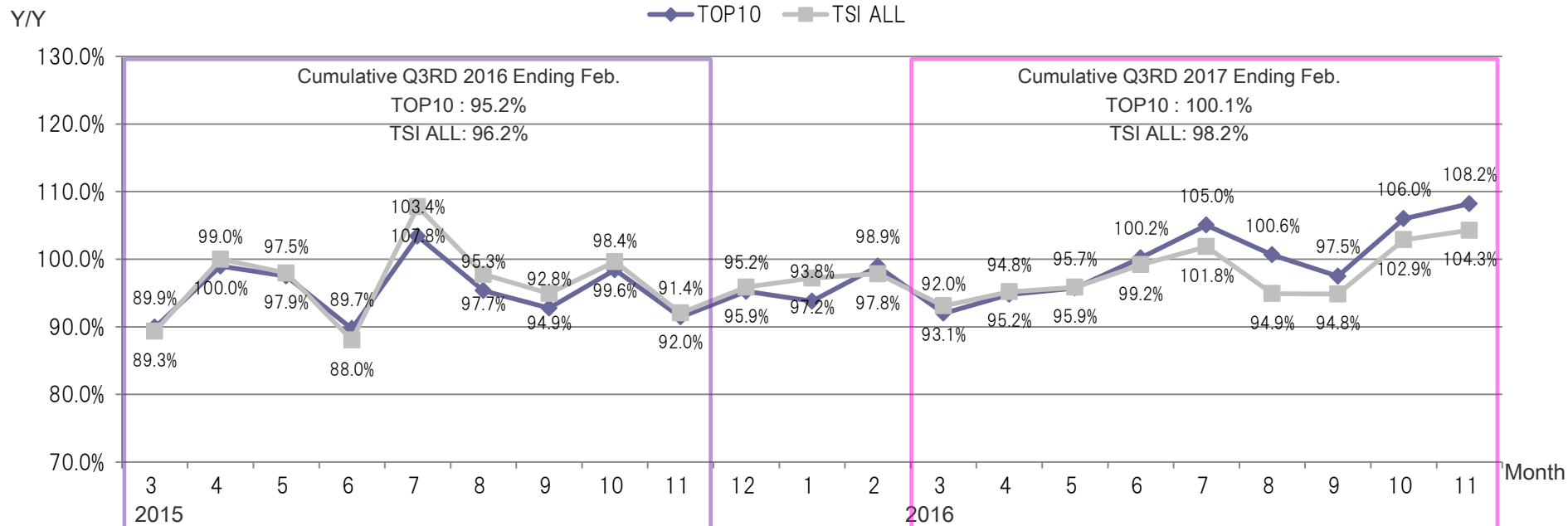
- Continuous and stable growth of e-commerce business

Basic Principle Improve profitability as quickly as possible by implementing measures and action plans below

		Action plan for future
Enhancement of Profitability Basis	Implementation of Structural Reform	<ul style="list-style-type: none"> • Closure of low profitability stores • Reduce office space by effective utilization of store idle properties (e.g. transfer of the press room in the head office to the 2nd floor of ROSE BUD Shibuya store) • Reorganize into 2 headquarters to control merchandise and administration
	Enhancement of MD	<ul style="list-style-type: none"> • Shift to MD leading team from designer and buyer oriented team →Revise of MD frame plan, introduction of the ranking MD, production/sale balance control and others
	IT Infrastructure Consolidation	<ul style="list-style-type: none"> • Plan to install TERRA, the core system of TSI Holdings in April 2017
	Streamlining SCM	<ul style="list-style-type: none"> • Close the company owned logistics center and compress employment cost • Planning to introduce RFID from Autumn/Winter 2017
	Enhancement of Sales	<ul style="list-style-type: none"> • Introduction of NPS, eNPS, and PDCA
	Implementation of BPR	<ul style="list-style-type: none"> • Improvement of initial distribution accuracy of items to stores, revise store inventory restock rule, and MD plan from styling perspective
Acceleration of Growth Strategy	Reinforcement of Design and Creation	<ul style="list-style-type: none"> • Strengthen the brand direction, improvement of item quality
	Expansion of E-commerce	<ul style="list-style-type: none"> • Expand e-commerce sales by working with TSI EC Strategy to enhance digital x analog cooperation and initiate digital communication

III. Reference Data





(Unit: Million Yen)

	Cumulative Q3RD 2016 Ending Feb.		Cumulative Q3RD 2017 Ending Feb.			
	Results	Composition Rate	Results	Y/Y	Composition Rate	Composition Rate Y/Y Change
Department Stores	30,186	24.1%	25,068	83.0%	21.3%	-2.8pt
Commercial Facilities(*1)	61,554	49.1%	59,548	96.7%	50.5%	+1.5pt
E-Commerce	13,583	10.8%	17,227	126.8%	14.6%	+3.8pt
Overseas	7,927	6.3%	5,443	68.7%	4.6%	-1.7pt
Others(*2)	12,152	9.7%	10,532	86.7%	8.9%	-0.8pt
Total	125,404	100.0%	117,819	94.0%	100.0%	-

*1 Fashion buildings, shopping centers, railroad 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

		Q3RD 2016 Ending Feb.	Q2ND 2017 Ending Feb.	Store Open	Store Close	Q3RD 2017 Ending Feb.
Domestic	# of stores	1,401	1,235	20	24	1,231
	Change	+ 39	-146			-4
Overseas	# of Stores	228	214	4	21	197
	Change	+ 3	-8			-17
Total	# of Stores	1,629	1,449	24	45	1,428
	Change	+ 42	-154			-21

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

Page	Word/Phrase	Definition
4	Direct Trading Ratio	Ratio of manufacturers take up the trading business for imports/exports themselves against all the imports
	BPR	Stands for "Business Process Reengineering", which improves profitability by drastically revising and redesigning the existing operation flows and contents.
	Cross-border E-commerce	E-commerce that not only sells domestically, but also internationally via foreign languages sites for oversea consumers.
	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.
	Procurement Project	Project to streamline costs of purchase of materials, equipment and consumables that are not directly related to the manufacturing.
	TERRA	The name of the core system of TSI Holdings group.
8	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.
	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.
	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.
	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.
	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.	

9	Best Practice	Procedures, processes, measures etc. that are accepted as being correct or most effective.
	Styling	To create an effective style by combining one product with other products and items.
	Markdown	Deduction of the price.
10	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.
	DTC	Stands for "Direct to Consumer", which means selling products/items directly to consumers.
	T-Mall	The B2C e-commerce site operated by alibaba group.
	Taobao	The B2B e-commerce site operated by alibaba group.
	Soft Launch	Gradual initiation of new services and items.
	Salesforce.com	A tech company based in San Francisco providing cloud application and platforms to companies to enhance cloud, social, mobile technology.
	Marketing Automation	Refers to the software to automating digital marketing actions through communication with customers.
	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.
12	Creative Direction	In-house seminars to analyze social trends, translate them into fashion trends, and reflect them on actual manufacturing.
	Buyer	A job type in apparel companies who selects and buys items for brands.
	MD Frame Plan	Framing item sales plan by weekly basis.
	Ranking MD	Minimize sales opportunity losses of top selling items by clearly differentiate the amount of orders from information such as sales performance of the previous year and fashion trend.
	Production/Sales Balance Control	Setting sales plan for each item from the previous year's sales performance and control amount of orders by forecasting the final sales result.
	RFID	Stands for Radio-frequency identification, uses electromagnetic field to identify track tags attached to items, and communicate within peripheral.