



Results Briefing: Q1ST(March to May 2015) Results of 2016 Ending February

2015.7.17

I. Results Overview

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

Net Sales 43,977 million yen (Y/Y 95.1%), Operating Profit 1,596 million yen (Y/Y 65.0%)

(Unit: Million yen)

	Q1ST 2015 Ending Feb.		Q1ST 2016 Ending Feb.			
	Results	Composition Rate	Results	Composition Rate	Y/Y Change	Y/Y
Net Sales	46,261	100.0%	43,977	100.0%	-2,284	95.1%
Gross Profit	25,913	56.0%	25,323	57.6%	-589	97.7%
SG&A Expenses	23,457	50.7%	23,727	54.0%	+270	101.2%
Depreciation of Goodwill	228	0.5%	359	0.8%	+131	157.5%
Depreciation	1,097	2.4%	1,250	2.8%	+152	113.9%
SG&A Expenses (exc Depreciation of Goodwill & Depreciation)	22,131	47.8%	22,118	50.3%	-13	99.9%
Operating Profit	2,456	5.3%	1,596	3.6%	-860	65.0%
Ordinary Profit	2,776	6.0%	2,142	4.9%	-634	77.2%
Profit Before Taxes	2,762	6.0%	1,260	2.9%	-1,502	45.6%
Net Profit	1,589	3.4%	851	1.9%	-738	53.5%
EBITDA	3,781	8.2%	3,205	7.3%	-575	84.8%

*EBITDA = Operating Profit + Depreciation of Goodwill + Depreciation

*Because the method for calculating the profit in the profit categories was changed during this Q1ST, ordinary profit after a change of 2,776 million yen has been recorded for 1Q of Q1ST of 2015 Ending February (ordinary profit before change: 2,733 million yen)

Consolidated Financial Highlight –SG&A Expenses-

(Unit: Million yen)

	Q1ST 2015 Ending Feb.		-	Q1ST 2015 Ending Feb. (Closed Businesses)		=	Q1ST 2015 Ending Feb. (Ongoing Businesses)		2016 Ending Feb.			
	Results	Sales Comparison		Results	Sales Comparison		Results	Sales Comparison	Q1ST		Ongoing Businesses Y/Y	
									Results	Sales Comparison	Results	Sales Comparison
SG&A Expenses	23,457	50.7%		1,077	64.8%		22,380	50.2%	23,727	54.0%	+1,348	106.0%
Employment Costs	10,108	21.9%		463	27.9%		9,645	21.6%	10,094	23.0%	+449	104.7%
Business Strategy Costs	1,865	4.0%		86	5.2%		1,779	4.0%	1,906	4.3%	+127	107.1%
Others	10,157	22.0%		493	29.7%		9,663	21.7%	10,117	23.0%	+453	104.7%
Subtotal	22,131	47.8%		1,043	62.8%		21,088	47.3%	22,118	50.3%	+1,029	104.9%
Depreciation of Goodwill	228	0.5%		0	-		228	0.5%	359	0.8%	+131	157.5%
Depreciation	1,097	2.4%		34	2.1%		1,063	2.4%	1,250	2.8%	+187	117.6%

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

*Business Strategy Costs = Advertising Expenses + Sales Promotion Expenses

Gross profit ratio of 6 brands improved Y/Y

(Unit: Million yen)



Brand	Q1ST 2015 Ending Feb.			Q1ST 2016 Ending Feb.			Y/Y	
	Sales	Composition	Gross Profit Ratio	Sales	Composition	Gross Profit Ratio	Sales	Gross Profit Ratio
1 nano· universe	5,940	12.8%	58.8%	5,859	13.3%	59.5%	98.6%	+0.7pt
2 NATURAL BEAUTY BASIC	4,952	10.7%	60.9%	4,430	10.1%	63.6%	89.5%	+2.7pt
3 MARGARET HOWELL	3,118	6.7%	58.4%	3,237	7.4%	59.5%	103.8%	+1.0pt
4 ROSE BUD	2,834	6.1%	50.5%	2,858	6.5%	50.2%	100.8%	-0.3pt
5 PEARLY GATES	1,979	4.3%	54.0%	2,265	5.2%	41.6%	114.4%	-12.3pt
6 m.tsubomi	1,261	2.7%	65.2%	1,442	3.3%	80.6%	114.4%	+15.5pt
7 PROPORTION BODY DRESSING	1,517	3.3%	57.9%	1,346	3.1%	53.9%	88.8%	-4.0pt
8 STUSSY	1,127	2.4%	62.9%	1,340	3.0%	66.7%	118.9%	+3.9pt
9 & by P&D	1,433	3.1%	60.4%	1,295	2.9%	59.9%	90.4%	-0.4pt
10 Free's Mart	1,074	2.3%	56.6%	1,293	2.9%	63.8%	120.4%	+7.3pt
Top 10 Total	25,239	54.6%	58.3%	25,369	57.7%	59.1%	100.5%	+0.8pt
Others	21,021	45.4%	53.4%	18,607	42.3%	55.6%	88.5%	+2.2pt
Total	46,261	100.0%	56.0%	43,977	100.0%	57.6%	95.1%	+1.6pt

*The net sales of ROSE BUD are consolidated net sales of ROSE BUD CO., LTD. and Elephant Co., Ltd.

Market Overview

- Last year, before the consumption tax increase, the number of customers increased following events and fairs held at department stores and shopping centers therefore the number of customers decreased this year.
- Casual pants are currently the major trend, thus elegant brands (ex. PROPORTION BODY DRESSING) are having difficult time.
- E-commerce sales are growing steadily as many directly-managed websites doubled in sales from last year and an increased number of brands have strengthened their initiatives in conjunction with the third party websites.

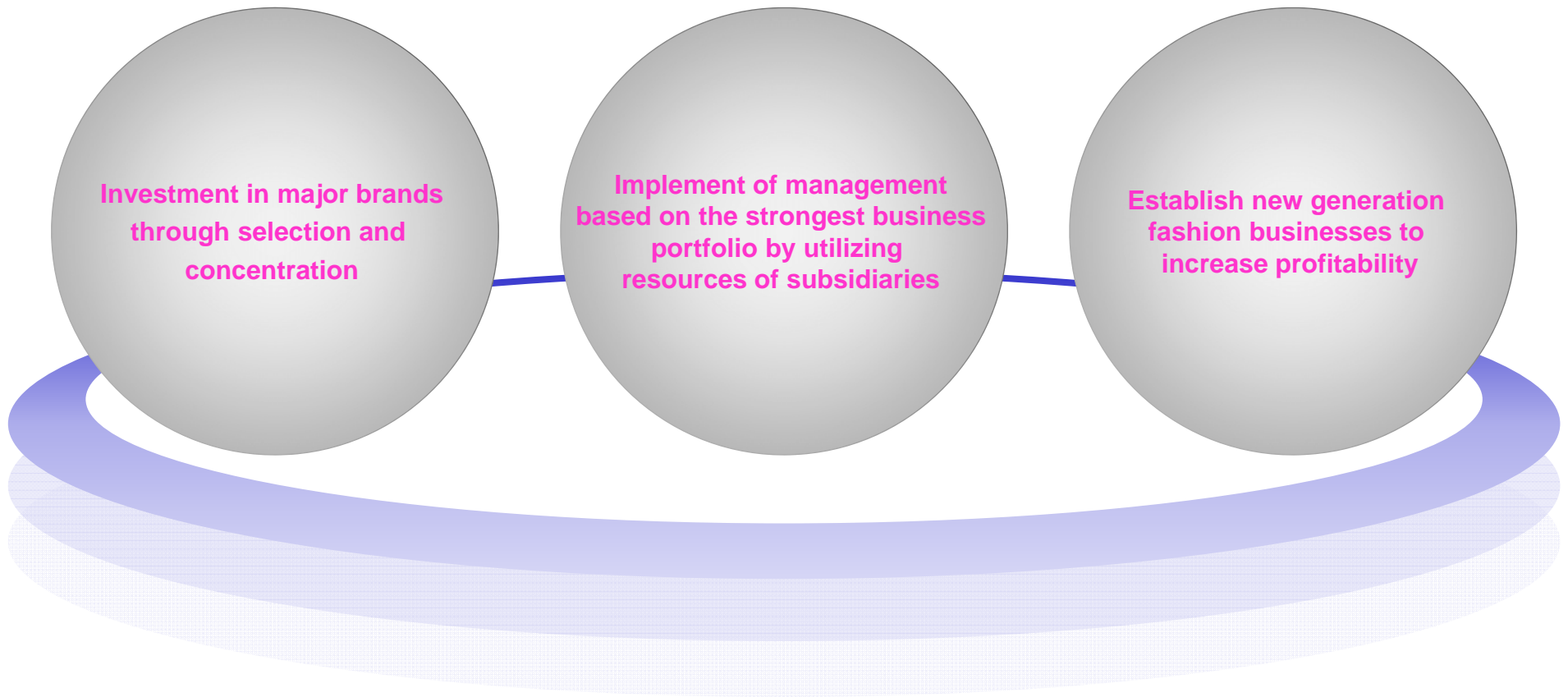
Major Subsidiaries Overview

Company/Brand	Qualitative Data
<p>nano·universe CO.,LTD.</p> 	<p>Given the high hurdle from the previous year, net sales have decreased but marked 126.9% growth from the year before last.</p> <p>E-Commerce sales remained strong (103.5% Y/Y)</p> <p>Gross profit ratio improved by 0.7%pt due to reduction in discount sales, etc. and achieved the same level of gross margin as last year.</p> <p>Will launch a new Italian casual select shop brand "nano·universe frammento quore" in H2.</p> <p>Will be opening a 300-tsubo(≈991㎡) freestanding store in Shinjuku to enhance brand's omni-channeling strategy.</p>
<p>SANEI bd CO.,LTD.</p> 	<p>The number of customers decreased due to a lack of proposals responding to the need for casual styling.</p> <p>Gross profit margin increased 3.5%pt Y/Y due to planned production increase in ASEAN countries and stricter control of discounts.</p> <p>NATURAL BEAUTY BASIC will work on the following 4 important issues going forward:</p> <ol style="list-style-type: none"> 1. Introduce new indexes to measure customer loyalty ->Introduce a scheme that enables employees to raise awareness of improving customer loyalty, and implement PDCA cycle to manage their performance. 2. Product quality refinement 3. Promotion of younger generation in the team 4. Restructure item categories

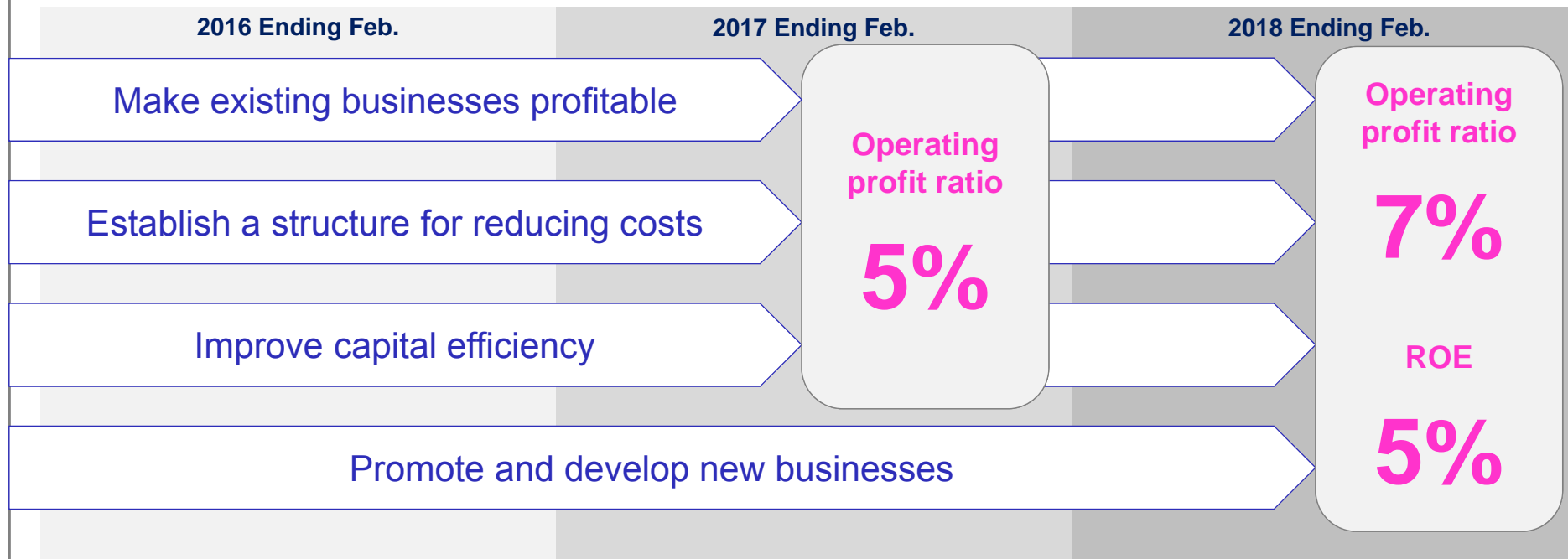
II. Further Details of Medium-Term Management Plan From 2016 to 2018 Ending February

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

Basic Principles



Basic Strategy



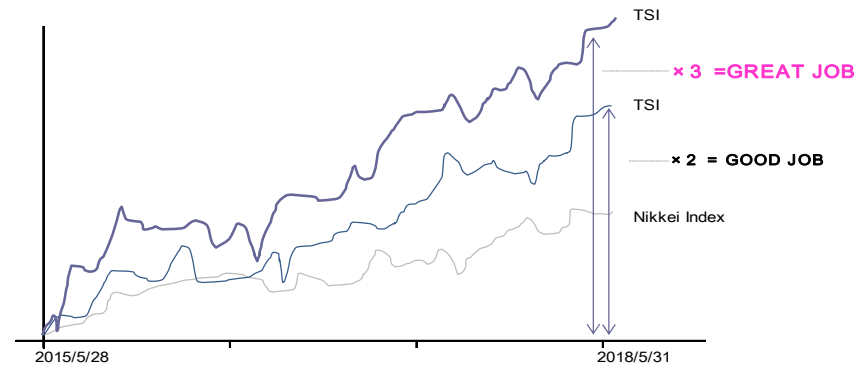
1. Aim to achieve **5% as an operating profit ratio** by 2017 Ending Feb. by placing top priority on making existing businesses profitable, and establishing a structure for reducing costs and improving capital efficiency

2. Aim to achieve **7% as an operating profit ratio and 5% for ROE** by 2018 Ending Feb. by promoting and developing new businesses in addition to the above

→Drive forward the medium-term management plan with capital tie-up and business partnership with Development Bank of Japan

President's Key KPI = Maximize Market Capitalization

x2 of Nikkei Index growth ⇒GOOD JOB
x3 of Nikkei Index growth ⇒GREAT JOB



Objectives for 3 years up to 2018 Ending February

Aim to accomplish following objectives by optimizing the brand portfolio and selection and concentration of management resources

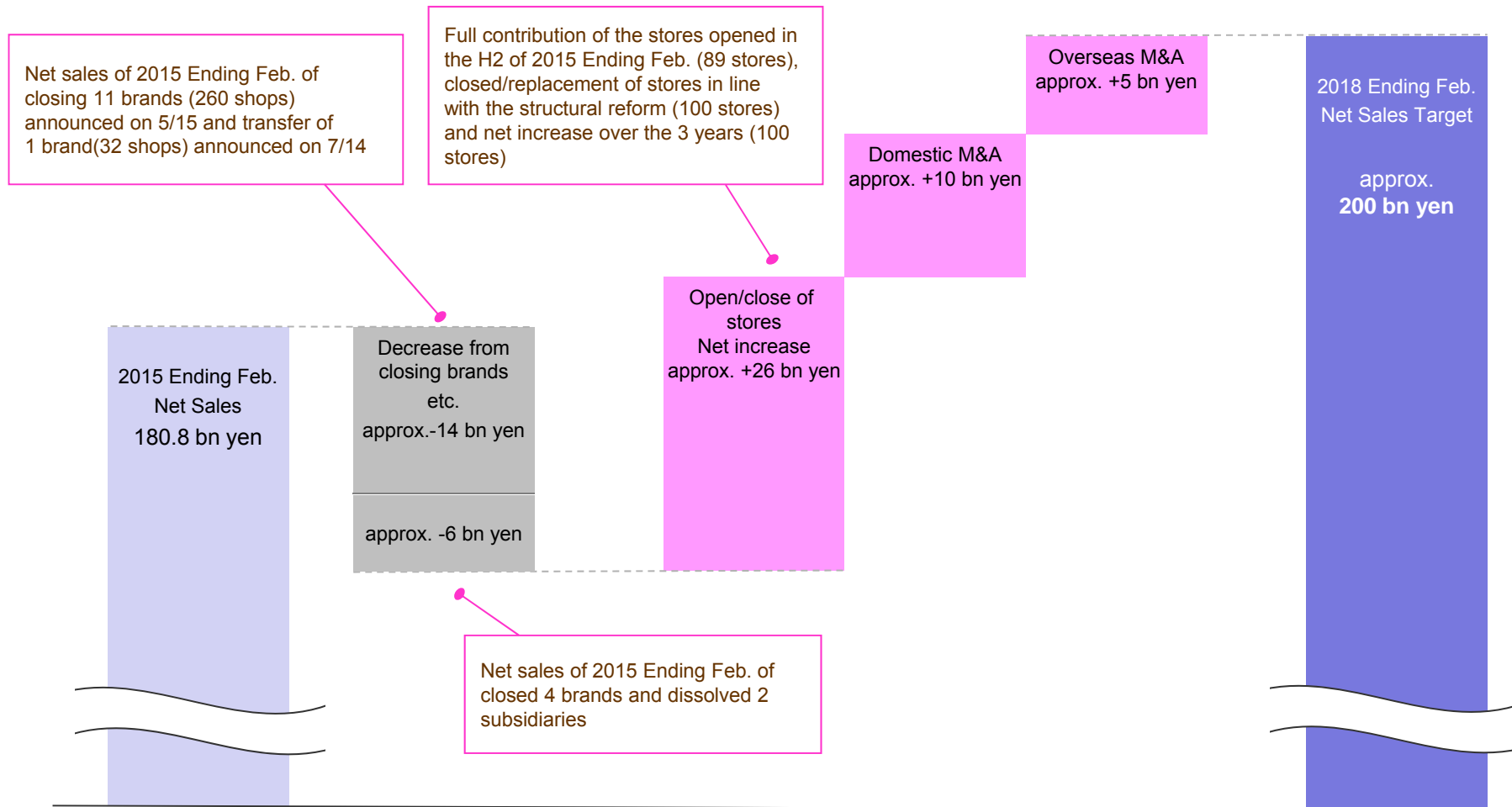
- **PBR x1.1**
- **Operating Profit Ratio 7%**
- **ROE 5%**



Net Sales: 200 bn yen
Operating Profit: 14 bn yen

Strategy to Increase Net Sales

[Net Sales]



Strategy to Increase Operating Profit

[Operating Profit]

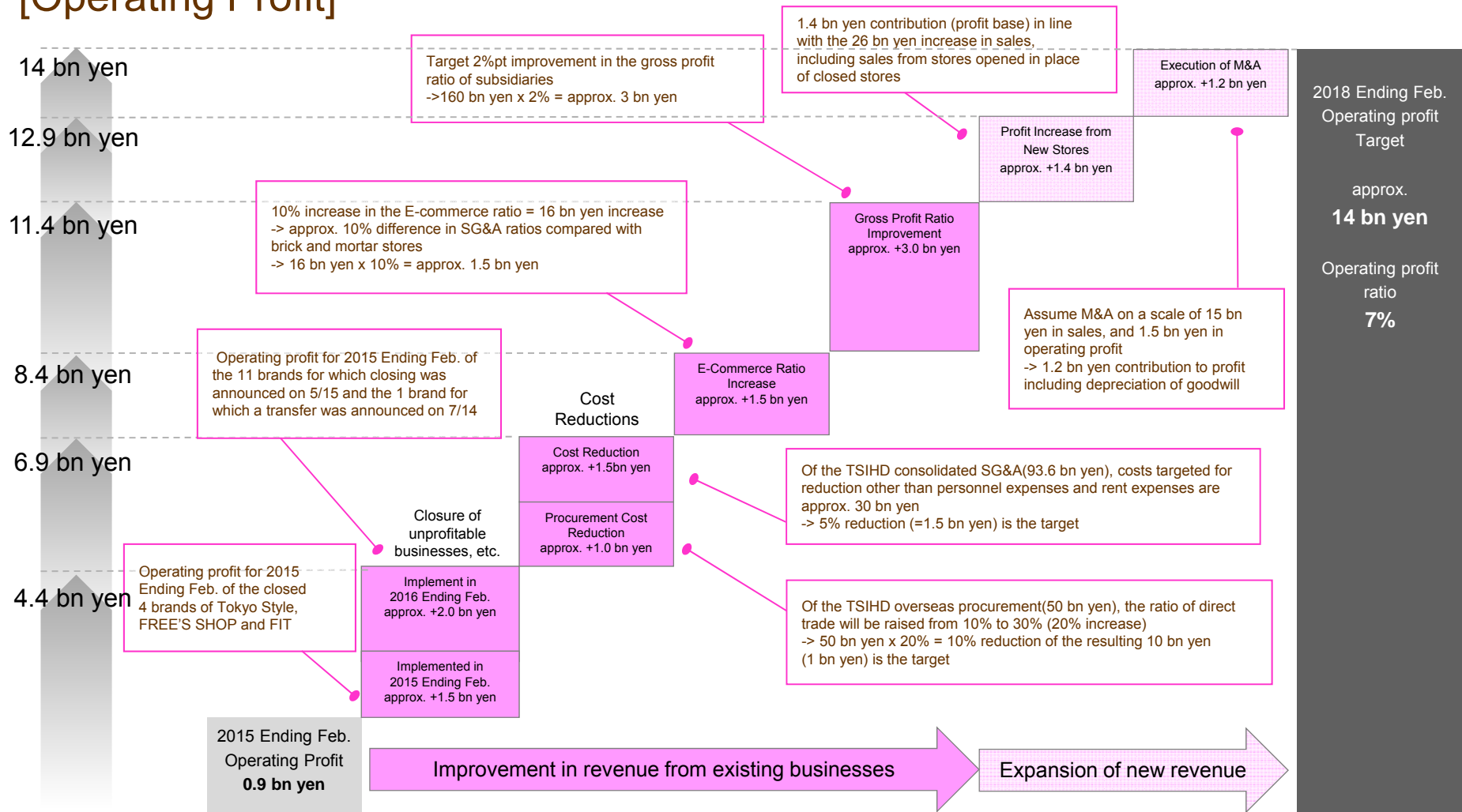


Image of Profit and Loss Reformation

(Unit: hundred million yen)

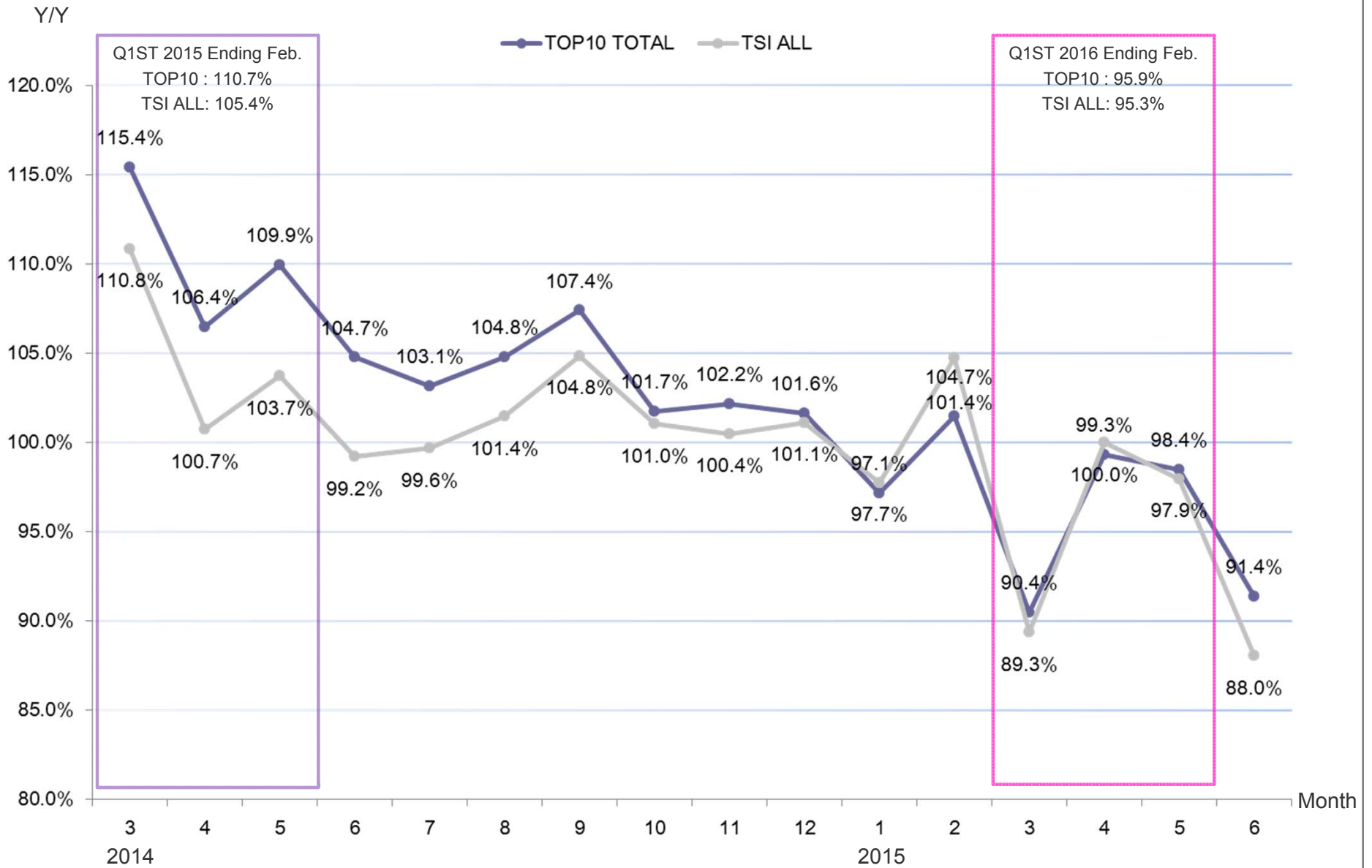
1. Business Closure	2015 Ending Feb. Consolidated PL	-	2015 Ending Feb. Closed Businesses	-	2016 Ending Feb. Closing Businesses	=	Ongoing Businesses Consolidated PL
Net Sales	1,808		62		140		1,605
Gross Profit	946		22		64		858
GP Ratio	52.3%		36.6%		46.2%		53.5%
SG&A Expenses	936		37		85		814
SG&A Ratio	51.8%		60.1%		60.7%		50.7%
Operating Profit	9		-15		-20		44
OP Ratio	0.5%		-23.5%		-14.6%		2.8%

2. Business Structure Reform	Ongoing Businesses Consolidated PL	+	Direct Trade Ratio Increment	Expenses Reduction	E-Commerce ratio Increment	Gross Profit Margin Improvement (2%pt)	=	Structure Reformed Consolidated PL
Net Sales	1,605		-	-	-	-		1,605
Gross Profit	858		+10	-	-	+30		898
GP Ratio	53.5%		-	-	-	-		56.0%
SG&A Expenses	814		-	-15	-15	-		784
SG&A Ratio	50.7%		-	-	-	-		48.8%
Operating Profit	44		+10	+15	+15	+30		114
OP Ratio	2.8%		-	-	-	-		7.1%

3. New Business Investment	Structure Reformed Consolidated PL	+	New store opening	M&A	Depreciation of Goodwill	Subtotal	=	Mid-Term Objective Consolidated PL
Net Sales	1,605		260	150	-	410		2,015
Gross Profit	898		145	83	-	229		1,127
GP Ratio	56.0%		56.0%	56.0%	-	56.0%		56.0%
SG&A Expenses	784		131	68	3	202		987
SG&A Ratio	48.8%		50.4%	46.0%	-	49.5%		49.0%
Operating Profit	114		14	15	-3	26		140
OP Ratio	7.1%		5.6%	10.0%	-	6.5%		7.0%

III. Reference Data

Domestic Comparable-Store Sales Rate



*Net sales of m. tsubomi which operates in China is excluded from that of Top 10 total

(Unit: Million yen)

	Q1ST 2015 Ending Feb.		Q1ST 2016 Ending Feb.			
	Results	Composition Rate	Results	Y/Y	Composition Rate	Composition Rate Y/Y Change
Department Stores	12,506	27.0%	10,834	86.6%	24.6%	-2.4pt
Commercial Facilities(*1)	22,591	48.8%	21,732	96.2%	49.4%	+0.6pt
E-Commerce	4,216	9.1%	4,238	100.5%	9.6%	+0.5pt
Overseas	2,991	6.5%	3,026	101.2%	6.9%	+0.4pt
Others(*2)	3,955	8.5%	4,146	104.8%	9.4%	+0.9pt
Total	46,261	100.0%	43,977	95.1%	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

		2014 Ending Feb.	Q1ST 2015 Ending Feb.	2015 Ending Feb.	Q1ST 2016 Ending Feb.
Domestic	# of Stores	1,795	1,833	1,570	1,623
	Y/Y Change	- 329	+ 38	- 225	+ 53
Overseas	# of Stores	253	245	223	230
	Y/Y Change	- 10	- 8	- 30	+ 7
Total	# of Stores	2,048	2,078	1,793	1,853
	Y/Y Change	- 339	+ 30	- 255	+ 60

*Y/Y change of Q1STs are comparison with the end of their previous fiscal years

- ▣ 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.