



TSI HOLDINGS

Results Briefing: Q1ST(March to May 2017) Results of 2018 Ending February

2017.7.11





I. Results Overview



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

Consolidated Financial Highlights -Profit and Loss-

Operating income landed as nearly as planned

(Unit: Million Yen)

	Q1ST 2017 Ending Feb.		Q1ST 2018 Ending Feb.			
	Results	Composition Rate (%)	Results	Composition Rate (%)	Y/Y Change	Y/Y (%)
Net Sales	41,356	100.0	38,867	100.0	-2,488	94.0
Gross Profit	24,019	58.1	22,389	57.6	-1,630	93.2
SG&A Expenses	21,615	52.3	20,687	53.2	-928	95.7
Employment Costs	8,841	21.4	8,261	21.3	-579	93.4
Business Strategy Costs	1,199	2.9	1,727	4.4	528	144.1
Store Rents	4,254	10.3	4,009	10.3	-245	94.2
Other Expenses	5,780	14.0	5,490	14.1	-290	95.0
SG&A Expenses(excl. Goodwill Amortization, Depreciation and Amortization)	20,075	48.5	19,489	50.1	-585	97.1
Goodwill Amortization	335	0.8	130	0.3	-205	38.8
Depreciation and Amortization	1,204	2.9	1,067	2.7	-137	88.6
Operating Income	2,403	5.8	1,702	4.4	-701	70.8
Ordinary Income	2,678	6.5	1,958	5.0	-720	73.1
Extraordinary Income	332	0.8	107	0.3	-225	32.2
Extraordinary Loss	466	1.1	345	0.9	-120	74.1
Profit Before Taxes	2,544	6.2	1,720	4.4	-824	67.6
Profit Attributable to Owners of Parent	1,777	4.3	1,137	2.9	-640	64.0
EBITDA	3,944	9.5	2,900	7.5	-1,044	73.5

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

*Business Strategy Costs = Advertising and Sales Promotion Expenses + cross-border E-Commerce + Moving cost

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

5 brands' net sales increased and 4 brands' gross profit ratio improved Y/Y

(Unit: Million Yen)

	Q1ST 2017 Ending Feb.			Q1ST 2018 Ending Feb.			Y/Y	
	Sales	Composition Rate (%)	Gross Profit Ratio (%)	Sales	Composition Rate (%)	Gross Profit Ratio (%)	Sales (%)	Gross Profit Ratio (pt)
1. nano·universe	5,455	13.2	57.2	5,247	13.5	54.4	96.2	-2.7pt
2. NATURAL BEAUTY BASIC	4,753	11.5	62.8	4,713	12.1	63.2	99.2	+0.4pt
3. MARGARET HOWELL	3,215	7.8	61.5	3,426	8.8	60.6	106.6	-0.9pt
4. PEARLY GATES	2,576	6.2	50.3	2,946	7.6	50.8	114.4	+0.5pt
5. ROSE BUD	2,466	6.0	55.2	1,986	5.1	55.1	80.5	-0.1pt
6. STUSSY	1,563	3.8	68.7	1,675	4.3	67.4	107.1	-1.2pt
7. HUMAN WOMAN	1,256	3.0	57.0	1,287	3.3	59.1	102.5	+2.2pt
8. PROPORTION BODY DRESSING	1,313	3.2	59.3	1,249	3.2	58.6	95.1	-0.8pt
9. Apuweiser-Riche	1,047	2.5	59.6	1,240	3.2	62.0	118.5	+2.4pt
10. Free's Mart	1,313	3.2	60.6	1,143	2.9	59.4	87.1	-1.2pt
TOP10	24,960	60.4	59.0	24,917	64.1	58.5	99.8	-0.5pt
Other Brands	13,703	33.1	58.6	13,863	35.7	56.3	101.2	-2.3pt
Continuing Brands	38,664	93.5	58.9	38,780	99.8	57.7	100.3	-1.1pt
Closed Brands	2,692	6.5	47.3	86	0.2	52.0	3.2	+4.7pt
TOTAL	41,356	100.0	58.1	38,867	100.0	57.6	94.0	-0.5pt



II. Progress of Growth Strategy



Overview of Medium-Term Management Plan

TSI at present



Enhancement of Profitability Basis

- (1) Improve Operational Processes**
 - BPR, SCM, structural reform of low profitability companies, Introduction of RFID, Introduction of core system to subsidiaries
- (2) Marketing Evolution**
 - Optimize marketing budget through Big Data, A.I. and IoT
- (3) Strengthen Sales Skill**
 - Expand NPS to the entire group, Improve employee satisfaction through eNPS, Efforts to secure sales staff
- (4) Enhancement of Creation**
 - Enhancement of designer education, Bolster manufacturing through research and development

Acceleration of Growth Strategy

- (1) E-Commerce**
 - Promotion of BPR and thorough PDCA, Enhance cross-border e-commerce, Accelerate digital investments to support E-commerce business expansion
- (2) Overseas**
 - Overseas expansion of domestic brands, Strengthening China subsidiaries, acquire new sales channels including e-commerce
- (3) M&A**
 - Seek to discover next-generation seeds, Accelerate overseas business expansion through M&A involving foreign companies and partnership to penetrate further in South East Asia
- (4) Investments in New Business**
 - Expansion of organic cosmetics and cafe business, Expansion of sports apparel market, Investment in next-generation garment factory

**Measures Implemented during Q1ST 2018 Ending Feb and
Action Plans for Future**

Enhancement of Profitability Basis

**Improve
Operational
Processes**

- Introduced gross profit improvement measures through BPR in 6 subsidiaries including trial
- Started simulation of the appropriate production volume using A.I. of COLORFUL BOARD.INC.
- Set a reduction target of 630 million yen for SCM compared with the preceding year by improving the direct trade ratio and reduce the logistics cost. The reduction result of Q1ST is 170 million yen
- ROSE BUD LTD. transferred its logistics center at the end of May and exchanged the core system to “TERRA” from June 1st
- Continue to monitor low profitability brands and formulate revenue improvement plans with subsidiaries through quarterly review processes

**Marketing
Evolution**

- Preparation work toward full-scale execution of development and introduction of a program to effectively implement brand marketing strategies using big data(The statistical analysis of brand recognition is described in page 8)

**Strengthen
Sales Skill**

- Conducted trials toward systematization of NPS/eNPS in 3 subsidiaries
- Conducted eNPS survey in Nano·Universe Co., Ltd.
- Structural reorganization will take place in order to reconstruct the sales function of the group on Sept.1st 2017 by establishing a sales subsidiary ES Groove Co., Ltd.(Former Forall Co., Ltd., the job-search services which TSI acquired in Sept. 2016) . Integrate the sales departments and store sales staff of Tokyo Style Co., Ltd., Sanei-International Co., Ltd. and TSI Groove & Sports Co., Ltd. into ES Groove and trust sales operations of the 3 subsidiaries. ES Groove becomes the company composed of about 1,500 employees in total

**Enhancement
of Creation**

- Conducted "17FW/Creative Direction II" seminars from March to April. 281 employees of 10 subsidiaries participated
- Conducted training for 24 designers from 17 brands.

Measures Implemented during Q1ST 2018 Ending Feb and Action Plans for Future

Acceleration of Growth Strategy

E-Commerce

- Sales of Q1ST is 111.9% Y/Y. One of the main brands Nano·Universe sales is 93.1%Y/Y due to the digestion of preceding seasons'products but other brands total is marking healthy growth of 124.1% Y/Y.
- Execution of e-commerce sales reinforcement measures by BPR. Execute an improvement project to establish operation processes in 6 subsidiaries. (PDCA tools are described in page 9 and 10)
- Launched 17 brand apps for smartphone in the Q1ST
- Completed coordination with 15 3rd Party malls by the end of the last fiscal year ; coordinate with 2 more malls in Q1ST
- Continue to deploy the marketing automation service provided by Salesforce.com in O2O site from Q2ND, which started from the last fiscal year

M&A/Overseas

- Formulated a medium-term plan for each of the overseas apparel business, domestic apparel business, and lifestyle business in order to accelerate M&A of the brands with affinity for the existing business (See page 13 for details)
- Concluded business and capital contracts with COLORFUL BOARD
- Examination of the overseas business strategy

Investments in New Business

- Started deployment of "New Balance Golf" in full-scale
- Started the cafe business by Urth Caffé JAPAN on March 1st
- Opened two stores of organic cosmetics "Laline" in Q1ST



Urth Caffé Omotesando

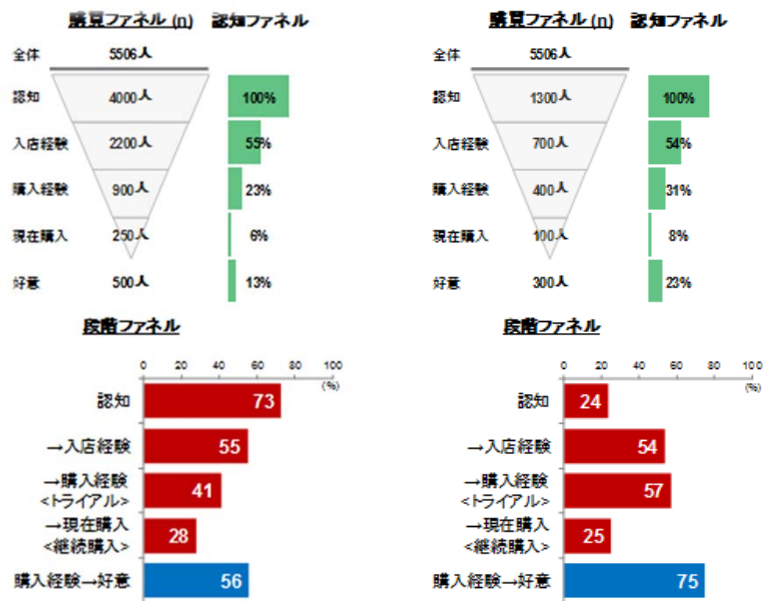


Laline Nagoya Takashimaya Gate Tower Mall

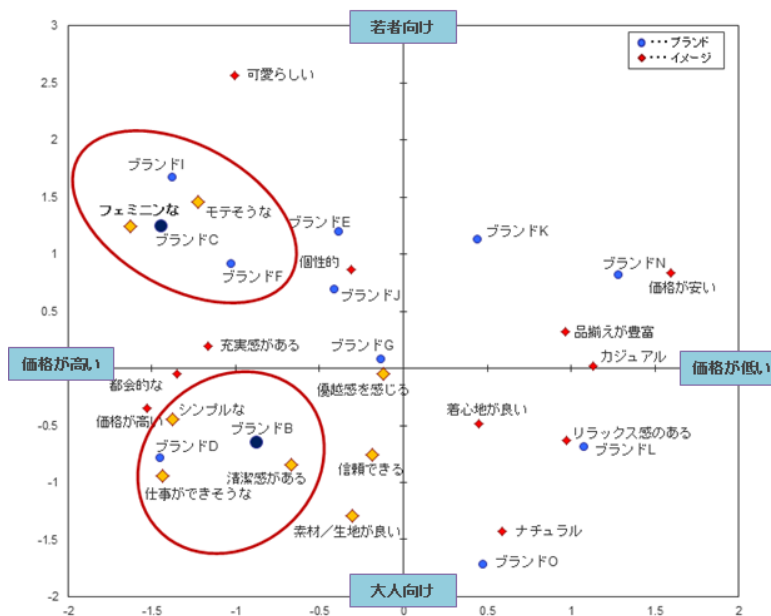


New Balance Golf

Consumers' buying behavior analysis



Brand awareness / recognition analysis



Growth Strategy -E-Commerce 1- Check sheet for BPR promotion

タスクスケジュール					※○=メイン、△=サブ					
Task/Activity Lv1	Task/Activity Lv2	Detail	In Charge							
			XX	XX	XX	XX	その他			
1 店舗客のECへの送客										
1-1 店舗でのアプリ登録促進(キャンペーン)										
1-1-1	キャンペーン(トライアル)詳細設計	XXXXXX	・送客店舗の識別方法把握 ・印刷方法・コスト把握	○						
		クーポン提供方法・金額設計	・紙ベース/店頭でのQR等の提供方法検討 ・1回あたりクーポン金額設計(540~1,000円)	○						
		店舗へのインセンティブ制度・金額設計	・店舗規模に応じた目標送客人数設定 ・インセンティブ手法の設計(上位3店舗/1送客あたりインセンティブ等)	○						
		効果検証方法設計	・送客顧客の識別方法設計(QRへのタグ埋め) ・対象指標の設定	○	△	△				
			・館・テナント契約確認・対象店舗設定							
4-5 メルマガ・アプリ通知の質・量強化										
1-1-2	トライアル実施準備	4-5-1	メルマガの質向上	現状配信状況の確認・検証	・配信頻度・配信時刻・内容等メルマガ配信状況確認 ・メルマガに対するセッション数・CVR・売上等検証 ・自社内成功事例・競合ブランド比較				○	△
				配信計画作成	・商品計画・プロモーションプランと連動したメルマガ配信計画立案(△90日)					○
1-1-3	キャンペーン実施			最適フォーマット検討	・セール案内/商品入荷/特集紹介等、コンテンツ毎のフォーマット・文章例作成					○
				改善着手	・配信時刻・形式・文章等随時変更してメルマガ送付					○
1-1-4	効果検証・今後の									
9 注力モールにおける売上拡大										
9-1 注力モールに対する販促・広告施策の徹底										
9-1-1	注力モール施策の方針策定			現状他社EC関連業務概要把握・課題精査	・各事業部における他社EC担当者・実施業務				○	△
				実施施策の決定	・商品検索設定/在庫送り込み/人員・業務体制整備/広告・販促強化から実施可能な施策を決定					○
9-1-2	商品検索設定強化(マスターデータ整備)			各モールでのカテゴリ要件整理	・各モールの商品カテゴリにおける共通カテゴリを抽出 ・マスターとして保有する共通カテゴリを定義				○	△
				システム改修	・カテゴリマスター・テーブル設計 ・各モールとのデータ連携				○	
				カテゴリデータ入力	・新テーブルへのカテゴリデータ入力					○
				各モールとのデータ連携・モニタリング	・各モールとデータ連携の上、実施前後の効果を検証 ・連携時の課題等は適宜情シスで対応				△	○
9-1-3	商品検索設定強化(詳細条件入力徹底)			トライアル対象範囲設定・工数洗い出し	・対象モール・商品の設定 ・対象モール・商品に基づく必要工数の精査					○

Manual for PDCA

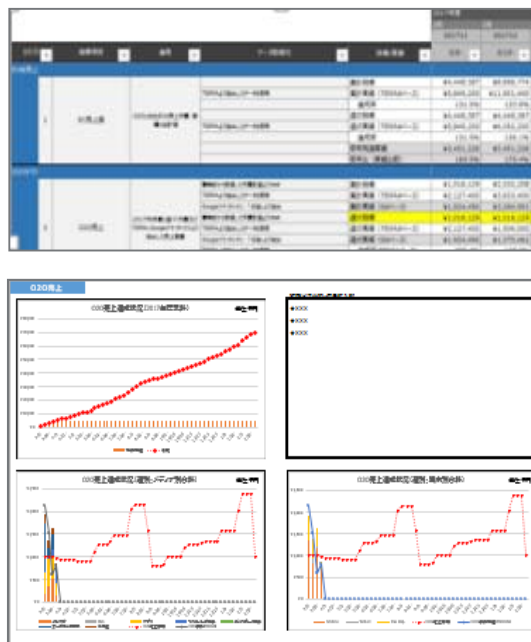
- Describe how to use “PDCA tool” and to analyze data
- Use data management for person in charge of E-commerce

ブランド担当者におけるPDCAの作業手順としては、一部データの更新、分析・考察、週次会議用資料の作成となっています

020サイトについての情報が変更になっているかを確認して下さい

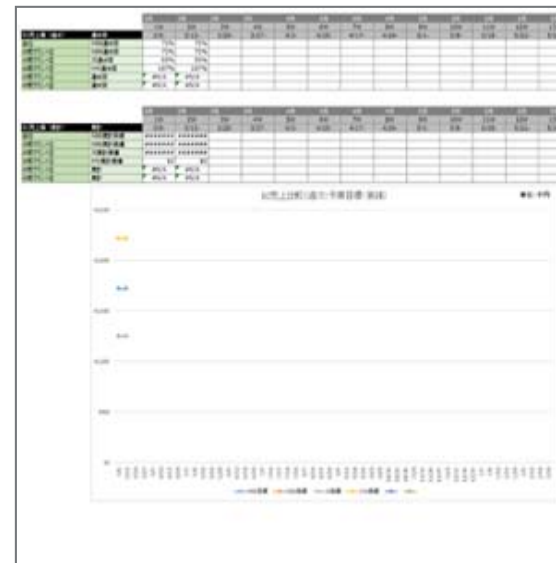
Document for PDCA per brand

- Check weekly KPI results of each brand's e-commerce
- Use briefing paper for brands' weekly meeting

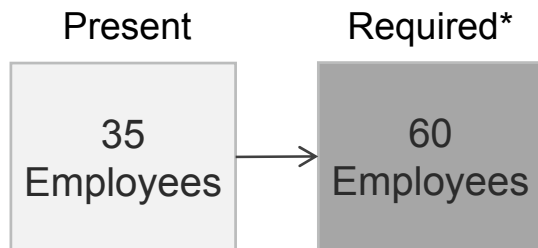


Brand Comparison Documents

- Extract and check comparable weekly KPI results of e-commerce
- Utilize for comparison with other brands and discussion of tasks of own brand



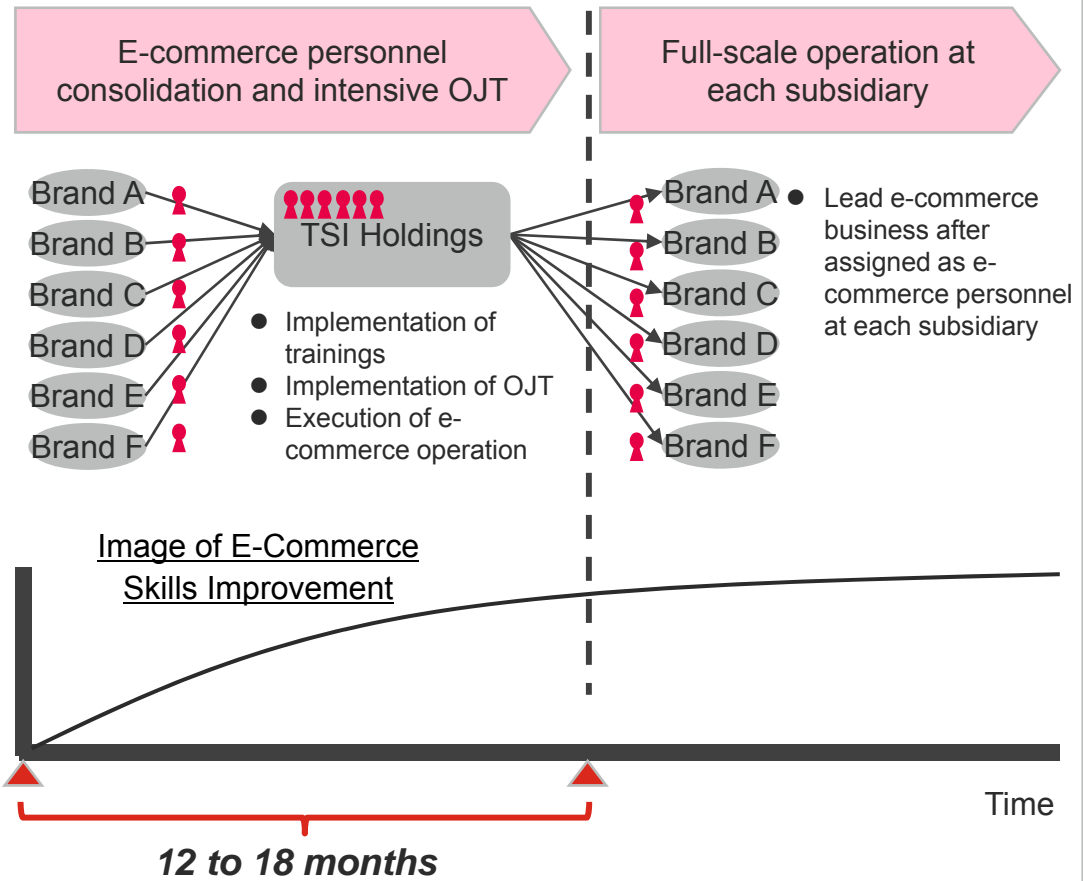
Increase e-commerce personnel through internal recruitment



- E-Commerce business operators, O2O sites management, 3rd party sites management and in-house shooting, measurement and text making of items
- Necessary personnel will be recruited through in-house recruitment processes, mainly those who have experiences at stores





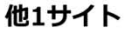












*The figure is the accumulated number of employees from 5 subsidiaries with "TERRA" the core system of TSI Holdings

Internal on-the-job training(OJT) for e-commerce personnel










Growth Strategy -E-Commerce 4- Acceleration of Digital Investment

Strengthen coordination with 3rd Party

2016 Ending Feb.	5 sites	    
2017 Ending Feb.	9 sites	         
2018 Ending Feb.	2 sites	  <p>※客注サービス</p>

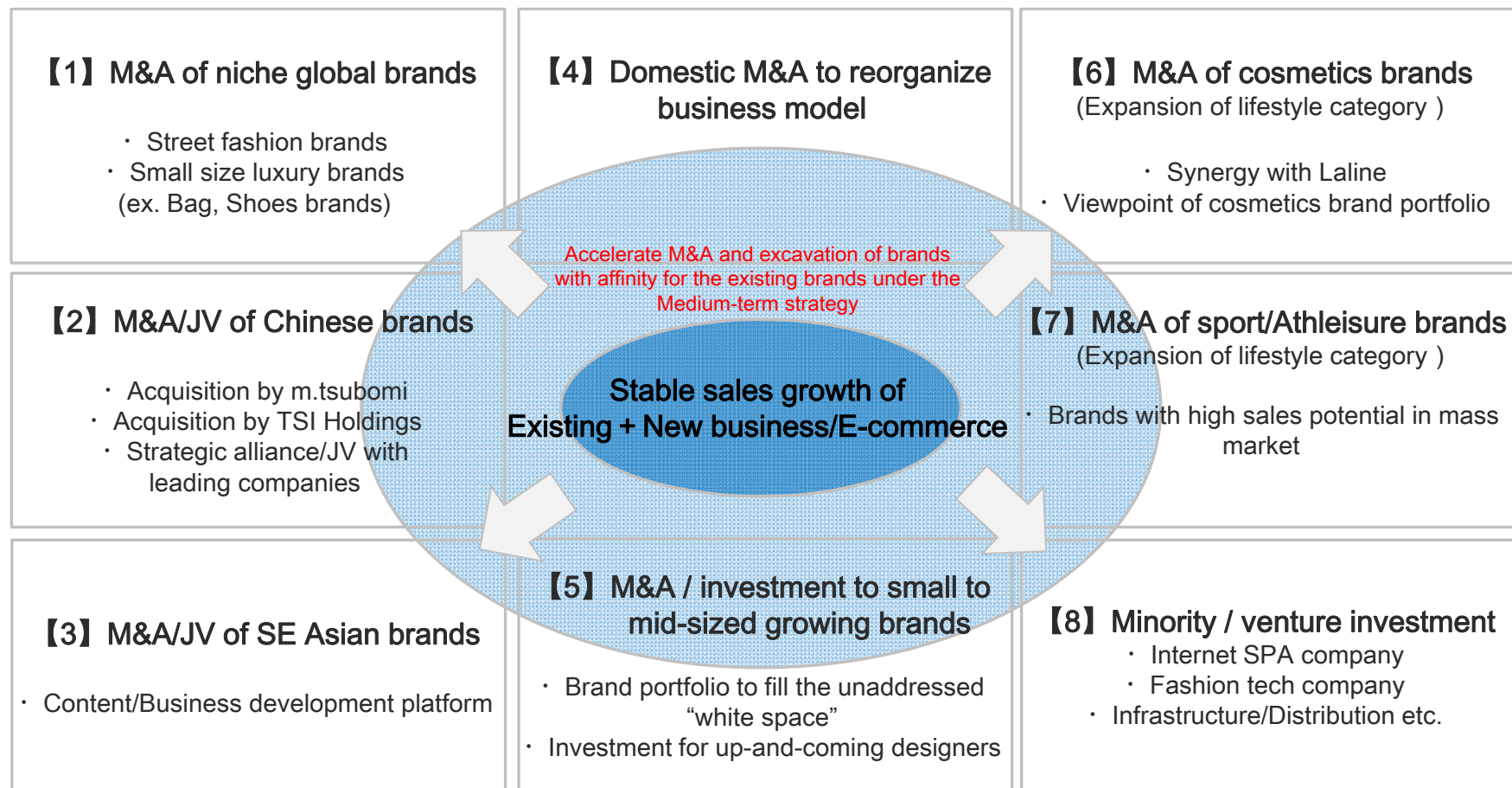
Accelerate release of smartphone apps of brands

Q1ST 2018 Ending Feb.

March	8 apps	   
		   
April	8 apps	   
		   
May	1 apps	

Growth Strategy -Medium-Term M&A Plan-

- 【1】 - 【3】 Overseas Apparel -Accelerate overseas business expansion through M&A involving foreign companies and partnership to penetrate further in South East Asia)
- 【4】 - 【5】 Domestic Apparel -M&A to reorganize the business model ,to fill the unaddressed “white space”and to seek to discover next-generation seeds
- 【6】 - 【8】 Expansion for Lifestyle category, especially Cosmetics and Athleisure. Minority investment for venture fashion brands.

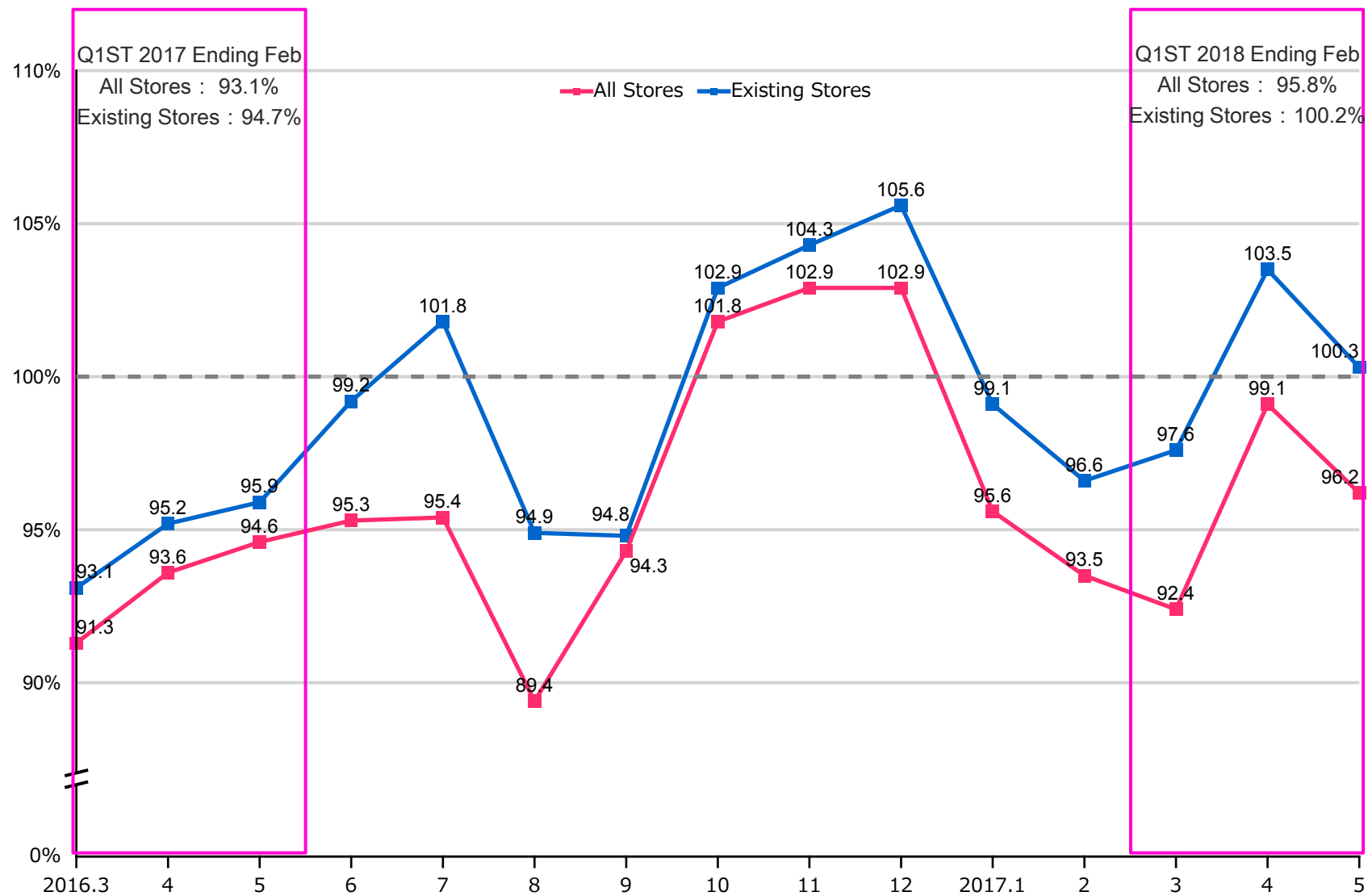




III Reference Data



Domestic Monthly Sales Information



Net Sales Per Channel

(Unit: Million Yen)

	Q1ST 2017 Ending Feb.		Q1ST 2018 Ending Feb.			
	Results	Composition Rate (%)	Results	Y/Y (%)	Composition Rate (%)	Composition Rate Y/Y Change
Department Stores	8,839	21.4	7,773	87.9	20.0	-1.4pt
Commercial Facilities(*1)	20,714	50.1	19,769	95.4	50.9	+0.8pt
E-Commerce	5,278	12.8	5,906	111.9	15.2	+2.4pt
Overseas	2,357	5.7	1,963	83.3	5.1	-0.6pt
Others(*2)	4,166	10.1	3,454	82.9	8.9	-1.2pt
TOTAL	41,356	100.0	38,867	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

Store Distribution

		Q1ST 2017 Ending Feb.	2017 Ending Feb.	Store Open	Store Close	Q1ST 2018 Ending Feb.
Domestic	# of Stores	1,381	1,143	+30	-17	1,156
	Change	+50	-88			+13
Overseas	# of Stores	222	195	+8	-26	177
	Change	-5	-2			-18
Total	# of Stores	1,603	1,338	+38	-43	1,333
	Change	+45	-90			-5

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

Glossary

Page	Word/Phrase	Definition
5	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.
	RFID	Stands for Radio-frequency identification, uses electromagnetic field to identify track tags attached to items, and communicate within peripheral field.
	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.
	A.I.	Stands for "Artificial Intelligence", which attempts to make the same intelligence as human beings by computer or/and technology.
	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.
	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.
	PDCA	Stands for "Plan, Do, Check and Action", meaning a method of improving operations continuously by repeating these four phases.
	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.
	Organic Cosmetics	cosmetics which fuses natural origin as the main ingredient.
6	COLORFUL BOARD	An IT start-up venture company which develops the artificial intelligence "SENSY"
	Direct Trading Ratio	Ratio of manufacturers take up the trading business for imports/exports themselves against all the imports
	Creative Direction	In-house seminars to analyze social trends, translate them into fashion trends, and reflect them on actual manufacturing.
7	Salesforce.com	A tech company based in San Francisco providing cloud application and platforms to companies to enhance cloud, social, mobile technology.
	O2O	Measures to urge actions from online to offline and measures that affect online purchasing behavior with sales promotion activities.
10	KPI	Stands for "Key Performance Indicator", which is a major performance index for evaluating a company's achievement.
11	3rd party	Companies that sell and provide products that operate on specific hardware, OS, software, services, etc., at corresponding platforms
12	JV	Stands for Joint Venture, meaning joint creation of business by multiple companies.
	Brand Portfolio	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.
	Incubation	To provide and cultivate management skills, human resources, money, etc. to companies that have just established.
	Athleisure	A word combining athletics and leisure, which is a fashion style mainly composed with sportswear.