

TSI HOLDINGS

## Results Briefing: Q2ND(March to August 2017) Results of 2018 Ending February

2017.10.11





## I. Results Overview



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

# Consolidated Financial Highlights -Profit and Loss-

(Unit:Million yen)

	Q2ND 2017 Ending Feb.		Q2ND 2018 Ending Feb.			
	Results	Composition Rate (%)	Results	Composition Rate (%)	Y/Y Change	Y/Y (%)
Net Sales	77,181	100.0	73,831	100.0	-3,349	95.7
Gross Profit	42,214	54.7	40,125	54.3	-2,088	95.1
SG&A Expenses	41,383	53.6	40,029	54.2	-1,353	96.7
Employment Costs	17,008	22.0	16,317	22.1	-691	95.9
Business Strategy Costs	2,474	3.2	3,070	4.2	596	124.1
Store Rents	8,148	10.6	7,705	10.4	-443	94.6
Other Expenses	10,726	13.9	10,584	14.3	-142	98.7
SG&A Expenses(excl. Goodwill Amortization, Depreciation and Amortization)	38,359	49.7	37,678	51.0	-680	98.2
Goodwill Amortization	655	0.8	260	0.4	-394	39.8
Depreciation and Amortization	2,369	3.1	2,090	2.8	-278	88.3
Operating Income	830	1.1	95	0.1	-734	11.5
Ordinary Income	1,236	1.6	767	1.0	-468	62.1
Extraordinary Income	347	0.5	871	1.2	524	250.8
Extraoridnary Loss	651	0.8	1,061	1.4	410	163.0
Profit Before Taxes	932	1.2	577	0.8	-355	61.9
Profit Attributable to Owners of Parent	505	0.7	-8	0.0	-513	-1.6
EBITDA	3,854	5.0	2,447	3.3	-1,407	63.5

\*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

# Brands Overview

(Unit: Million yen)

	Q2ND 2017 Ending Feb.			Q2ND 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	11,240	14.6	52.9	10,671	14.5	51.3	94.9	-1.5pt
2. NATURAL BEAUTY BASIC	8,403	10.9	56.1	8,337	11.3	58.6	99.2	+2.4pt
3. MARGARET HOWELL	6,431	8.3	57.6	6,944	9.4	58.1	108.0	+0.5pt
4. PEARLY GATES	4,965	6.4	51.3	5,760	7.8	50.0	116.0	-1.3pt
5. ROSE BUD	4,657	6.0	48.9	3,675	5.0	47.5	78.9	-1.4pt
6. STUSSY	3,210	4.2	69.2	3,485	4.7	68.7	108.6	-0.6pt
7. HUMAN WOMAN	2,473	3.2	50.4	2,384	3.2	55.7	96.4	+5.3pt
8. PROPORTION BODY DRESSING	2,313	3.0	54.3	2,180	3.0	54.6	94.3	+0.2pt
9. Free's Mart	2,458	3.2	54.4	2,035	2.8	55.4	82.8	+1.0pt
10. Apuweiser-riche	1,824	2.4	60.1	1,964	2.7	63.7	107.6	+3.5pt
TOP10	47,978	62.2	54.9	47,438	64.3	55.4	98.9	+0.5pt
Other Brands	24,840	32.2	58.8	26,231	35.5	53.2	105.6	-5.6pt
Continuing Brands	72,818	94.3	56.2	73,670	99.8	54.6	101.2	-1.6pt
Closed Brands	4,362	5.7	28.9	161	0.2	28.0	3.7	-0.9pt
TOTAL	77,181	100.0	54.7	73,831	100.0	54.3	95.7	-0.3pt



## II. Progress of Growth Strategy



# Overview of Medium-Term Management Plan



## Progress of Medium-Term Management Plan 1 -Enhancement of Profitability Basis-

### Enhancement of Profitability Basis

#### Measures Implemented during Q2ND 2018 Ending Feb and Action Plans for Future

##### Improve Operational Processes

- 6 subsidiaries put into place a BPR-based gross profit improvement measure including trials.
- Began simulations of appropriate production quantities by using A.I. of COLORFUL BOARD INC.
- Initiated trial operation for efficient markdown at Natural Beauty Basic and Free's Mart. Planning to expand trials to measure effectiveness in brands of department stores.
- Aim to achieve higher direct trade ratio and lower logistics cost, which were reduced by 330 million yen in Q2ND.
- Continue to monitor low-profitability brands and formulate revenue improvement plans with subsidiaries through quarterly review processes.

##### Marketing Evolution

- Development of programs that can effectively carry out branding and marketing strategy by utilizing big data and preparatory work for full-scale introduction is proceeding.
- Listen to the voice of consumers and share objectively measured data about status of brands, consumer image etc. with apparel subsidiaries.

##### Strengthen Sales Skill

- Implemented 4th survey of eNPS at SANEI bd → Significant improvement of the score from the last survey.
- Conducted NPS on the HUMAN WOMAN e-commerce website. Will increase applicable brands in Q3RD.

##### Enhancement of Creation

- Implementation of 18SS / Creative Direction I (June and September) with the attendance of 253 employees from 10 subsidiaries.
- Hold internal workshops on designer training method from Europe and the U.S.



## Progress of Medium-Term Management Plan 2 -Acceleration of Growth Strategy-

### Measures Implemented during Q2ND 2018 Ending Feb and Action Plans for Future

#### Acceleration of Growth Strategy

##### E-Commerce

- Q2ND sales was 112.9% Y/Y and e-commerce ratio rose from 14.2% to 16.8%.
- nano universe marked 94.3% Y/Y due to digestion of old inventory but growth rate excluding nano universe is 125.8%.
- Implementation measures to bolster e-commerce sales through BPR .
- Smartphone apps will continue to increase in the second half.
- Completed coordination with 17 3rd party malls by the end of Q2ND.
- Deployed the marketing automation service provided by SALESFORCE.COM O2O sites.

##### M&A/Overseas

- Continued to engage in negotiations based on the formulation of a medium-term policy.
- Concluded business and capital contracts with COLORFUL BOARD INC.
- Deliberate overseas strategy.

##### Investments in New Business

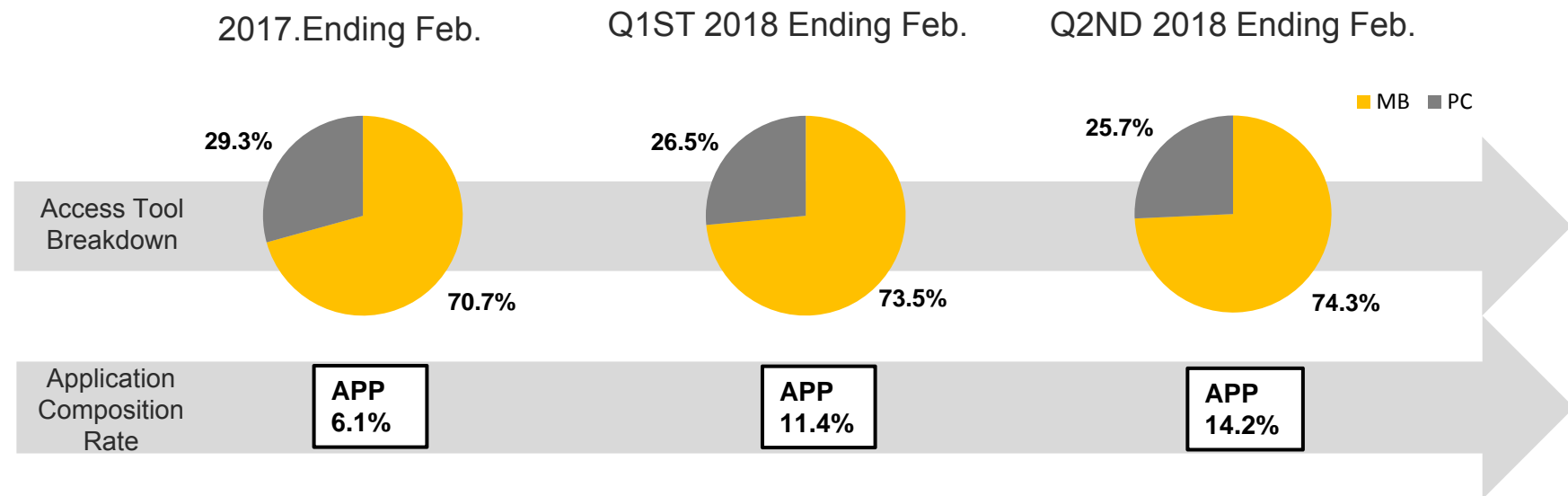
- Opened New Balance Golf and St Andrews standalone stores.
- Opened MASTERMIND TOKYO pop-up store.





### Basic Policy: Enhance mobile EC environment and pursue leading-edge digital marketing

- Introduction of smartphone applications → Increase from Mobile(MB) Access



- Share Best Practices

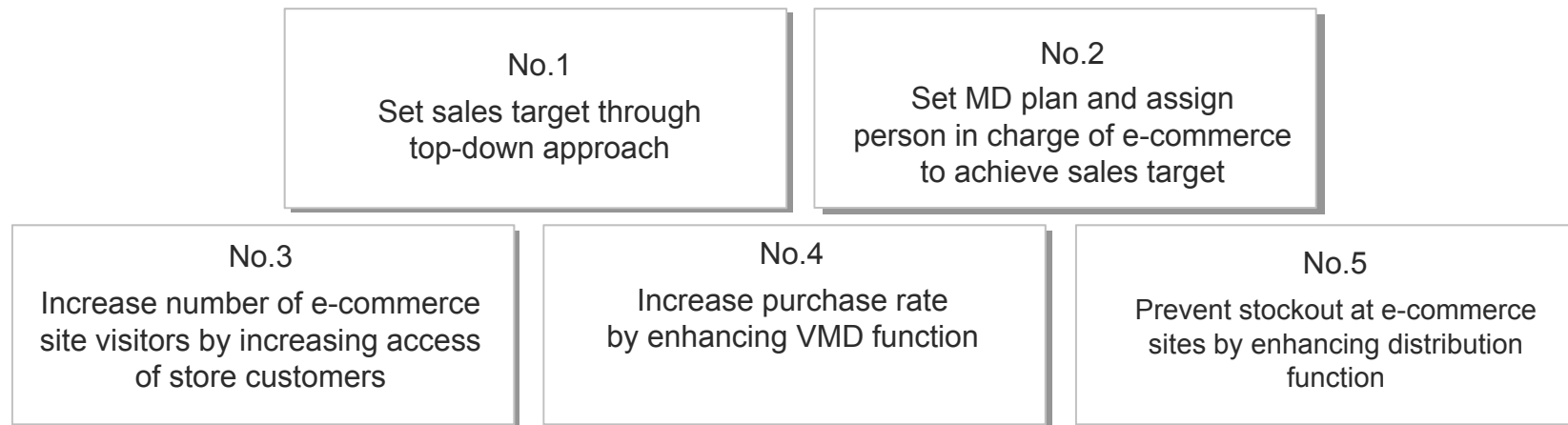
Share best practices within the group as well as information on specific initiatives at individual subsidiaries by checking various KPI ranking data

- Marketing Automation (MA)

Automate marketing by using e-mail and SNS services

※ The figures above are calculated only for brands under TSI EC strategy

# Implementation of Victory Formula for E-commerce Indicated through BPR



## Best Practice – Examples of Tokyo Style

### Application

Store staff are to actively encourage customers to download applications and use O2O site



### E-mail magazine

Actively deliver information on website-only offers, double-point campaign, pre-booked sales and staff coordination in collaboration with O2O site campaigns



### O2Osite Feature Articles

Upgrade appealing contents such as on web-magazine, double-point campaign, website-only products, pre-booked sales, styling solutions and top-choice items



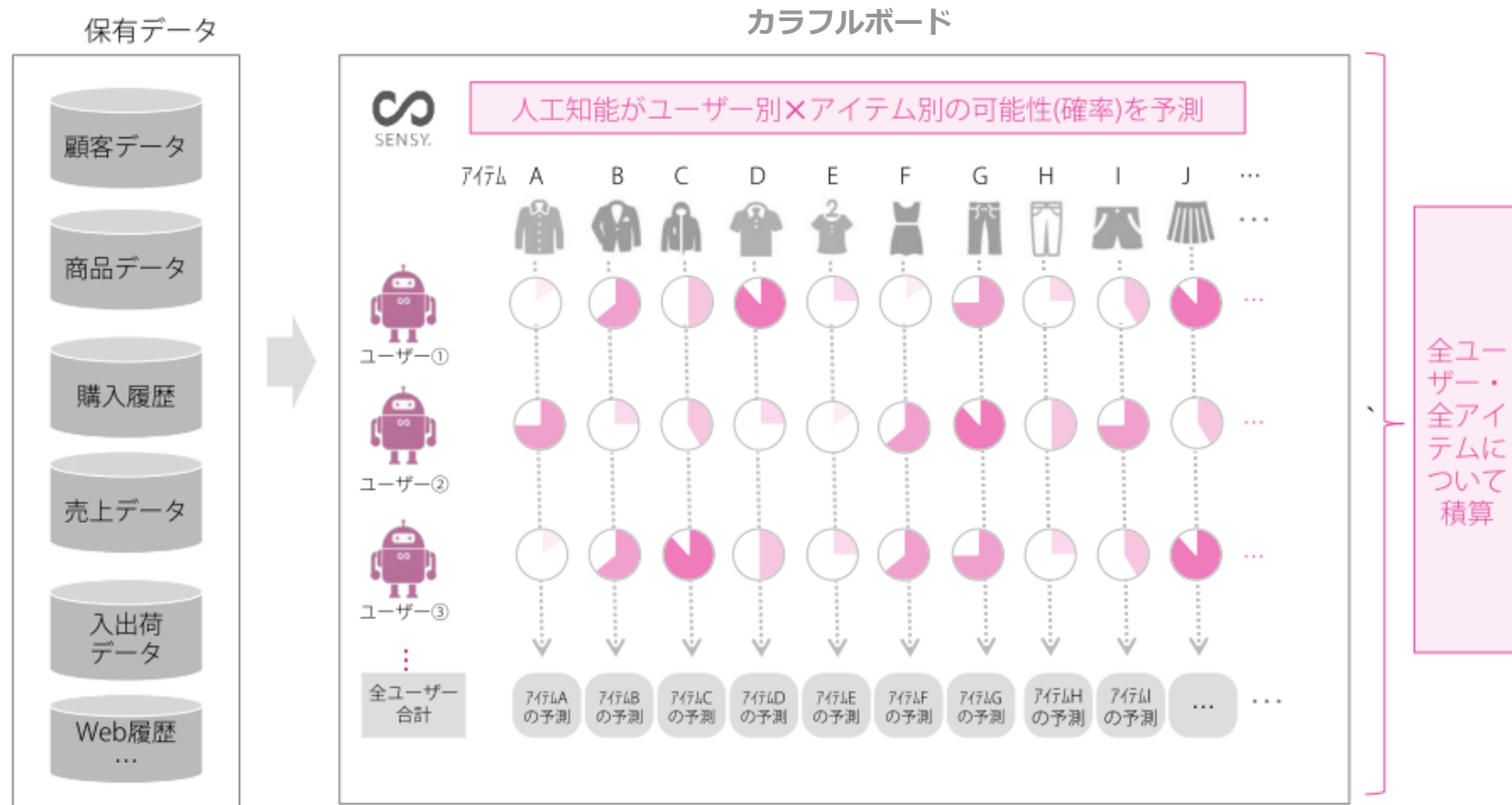
### Blog

Contents focused on store information such as new opening, ranking and staff coordination



## A.I. Based Demand Forecast : Joint Research with COLORFUL BOARD INC.

- Forecast demand by using external data such as on media and weather in addition to internally-held data on purchase histories and customer information, automatically computing optimal quantities of a first-time order placement and additional order placements.
- Contribute to achieve higher proper sales rate, final digestion rate and gross profit.





### III Topics for Corporate Management



In order to penetrate the management philosophy, TSI Holdings formulated a new “Company Group Vision” showing the direction of business realization and “Group Code of Conduct” summarizing the values and ways of thinking that all employees of the group must share.

## CORPORATE PHILOSOPHY

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We create value that shines the hearts of people through fashion and share the happiness of living tomorrow together with society.

## VISION

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We aim to become the world’s most beloved global group through the best and a step-ahead-of-the-times creation and lifestyle proposal.

## GROUP’S CODE OF CONDUCT

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1. We value our spirit of fairness/impartiality and work with passion and responsibility.
2. We always have problem consciousness, strive for self-study, and actively challenge with flexibility.
3. We respect each person’s individuality, communicate well, and contribute to the team by running own role.
4. We deliver excitement and pleasure to our customers with sincere hospitality and strive to improve customer satisfaction.
5. We respect each stakeholder’s position to realize the mutual benefit and contribute to sustainable growth of the company.
6. We sincerely appreciate society and the natural environment and contribute to social development through our business.

## ➤ Acquisition and Treasury Stock

Disclosed Date	Purchased Share	Total Amount Acquired	Acquired Date
2015/11/10	4,000,000	3,382 million yen	From 11/16 to 2/15
2016/4/13	2,000,000	1,403 million yen	From 4/14 to 5/16
2016/7/13	2,000,000	1,234 million yen	From 7/14 to 8/3
2017/1/13	1,968,200	1,599 million yen	From 1/16 to 4/13
2017/4/13	2,000,000	1,490 million yen	From 4/14 to 6/30
2017/7/10	2,000,000	1,616 million yen	From 7/11 to 10/6
2017/10/10	2,000,000	2,000 million yen	From 10/11 to 1/10

## ➤ Retirement of shares

10 million shares of treasury stock including 8 million shares held as of October 10, 2017 and 2 million shares resolved at the board of directors on the same day, will be retired on January 31, 2018.



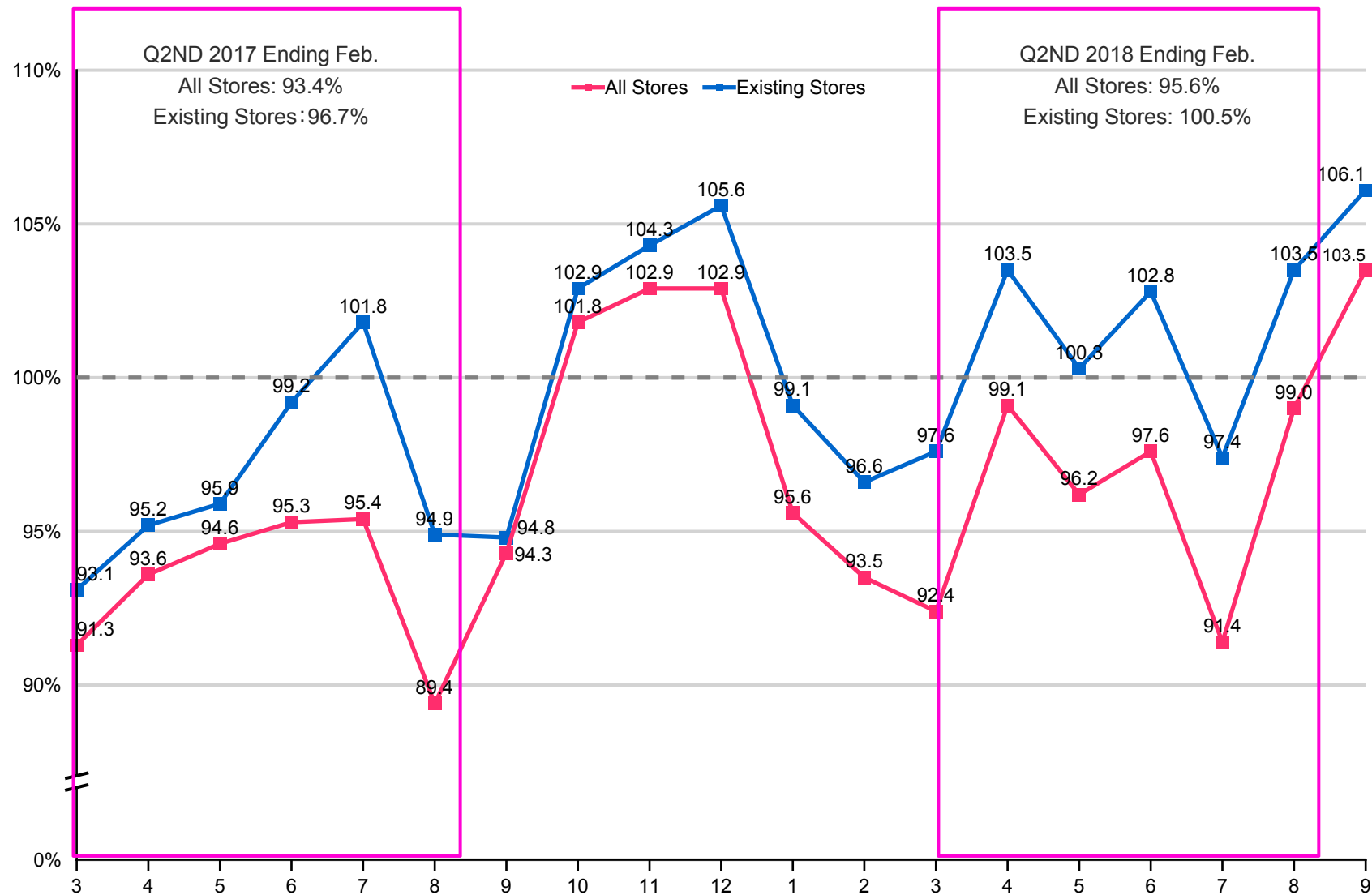


## IV Reference Data





# Domestic Monthly Sales Information



## Net Sales Per Channel

(Unit: Million yen)

	Q2ND 2017 Ending Feb.		Q2ND 2018 Ending Feb.			
	Results	Composition Rate (%)	Results	Y/Y (%)	Composition Rate (%)	Composition Rate Y/Y Change
Department Stores	16,385	21.2	14,390	87.8	19.5	-1.7pt
Commercial Facilities(*1)	39,414	51.1	37,217	94.4	50.4	-0.7pt
E-Commerce	10,971	14.2	12,385	112.9	16.8	+2.6pt
Overseas	3,685	4.8	2,870	77.9	3.9	-0.9pt
Others(*2)	6,723	8.7	6,968	103.6	9.4	+0.7pt
<b>TOTAL</b>	<b>77,181</b>	<b>100.0</b>	<b>73,831</b>	<b>95.7</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

## Store Distribution

		Q2ND 2017 Ending Feb.	2017 Ending Feb.	Store Open	Store Close	Q2ND 2018 Ending Feb.
Domestic	# of Stores	1,235	1,143	+34	-66	1,111
	Change	-146	-88			-32
Overseas	# of Stores	214	195	+19	-34	180
	Change	-8	-2			-15
Total	# of Stores	1,449	1,338	+53	-100	1,291
	Change	-154	-90			-47

\*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.
	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"
	Markdown	Discount of the price.
	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.
	Marketing Automation	Refers to the software to automating digital marketing actions through communication with customers.
	O2O	Measures to urge actions from online to offline and measures that affect online purchasing behavior with sales promotion activities.
8	Best Practice	Procedures, processes, measures etc. that are accepted as being correct or most effective.
	KPI	Stands for "Key Performance Indicator", which is a major performance index for evaluating a company's achievement.
9	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.
	VMD	Stands for "Visual Merchandising", which means a marketing method to promote and drive purchase of customers through visual presentation of items and stylings.
	DB	Stands for "Distribution", job type that distributes products ordered by buyers and MDs to stores, ECs, etc.



### Cautionary Statement

Descriptions about future within this document are based on the information that the company obtains on the date of this report and certain assumptions deemed to be reasonable. Actual earnings may differ materially from various future factors.