



TSI HOLDINGS

## Results Briefing: Q3RD(March to November 2017) Results of 2018 Ending February

2018.1.12



## 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)

	Q3RD 2017 Ending Feb.(Cumulative)		Q3RD 2017 Ending Feb. (3 months)		Q3RD 2018 Ending Feb.(Cumulative)				Q3RD 2018 Ending Feb.(3 months)			
	Results	Composition Rate (%)	Results	Composition Rate (%)	Results	Composition Rate (%)	Y/Y Change	Y/Y (%)	Results	Composition Rate (%)	Y/Y Change	Y/Y (%)
Net Sales	117,819	100.0	40,638	100.0	115,211	100.0	-2,608	97.8	41,379	100.0	741	101.8
Gross Profit	65,876	55.9	23,662	58.2	64,304	55.8	-1,572	97.6	24,178	58.4	516	102.2
SG&A Expenses	62,268	52.9	20,884	51.4	61,125	53.1	-1,143	98.2	21,095	51.0	210	101.0
Employment Costs	25,493	21.6	8,484	20.9	24,799	21.5	-693	97.3	8,482	20.5	▲2	100.0
Business Strategy Costs	3,949	3.4	1,474	3.6	4,830	4.2	881	122.3	1,759	4.3	285	119.3
Store Rents	12,242	10.4	4,093	10.1	11,681	10.1	-560	95.4	3,976	9.6	▲116	97.2
Other Expenses	16,084	13.7	5,357	13.2	16,378	14.2	294	101.8	5,794	14.0	436	108.1
SG&A Expenses(excl. Goodwill Amortization, Depreciation and Amortization)	57,769	49.0	19,410	47.8	57,690	50.1	-78	99.9	20,012	48.4	602	103.1
Goodwill Amortization	882	0.7	226	0.6	341	0.3	-540	38.7	80	0.2	▲146	35.6
Depreciation and Amortization	3,616	3.1	1,247	3.1	3,092	2.7	-523	85.5	1,001	2.4	▲245	80.3
Operating Income	3,608	3.1	2,778	6.8	3,179	2.8	-428	88.1	3,083	7.5	305	111.0
Ordinary Income	4,658	4.0	3,422	8.4	4,417	3.8	-241	94.8	3,649	8.8	227	106.6
Extraordinary Income	398	0.3	50	0.1	1,851	1.6	1,452	464.9	979	2.4	928	1931.0
Extraordinary Loss	986	0.8	335	0.8	1,176	1.0	190	119.3	115	0.3	▲220	34.3
Profit Before Taxes	4,070	3.5	3,137	7.7	5,091	4.4	1,021	125.1	4,514	10.9	1,376	143.9
Profit Attributable to Owners of Parent	2,766	2.3	2,260	5.6	2,891	2.5	124	104.5	2,899	7.0	638	128.2
EBITDA	8,106	6.9	4,252	10.5	6,613	5.7	-1,493	81.6	4,166	10.1	▲85	98.0

\*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

\* Since some of the subsidiaries had changed account items, we needed to make adjustments for a year-on-year comparison.

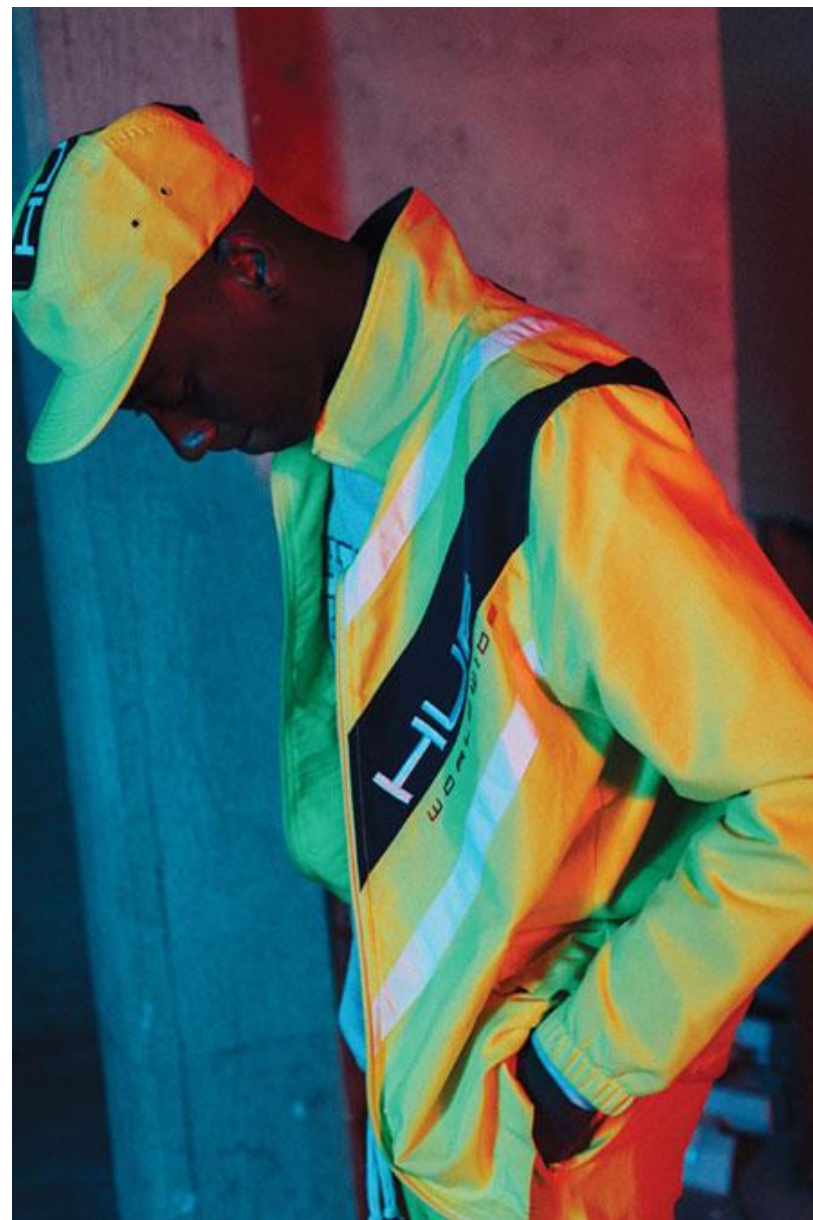
For this reason, we transferred 922 million yen from Other Expenses to Store Rents in the third quarter of the fiscal year ended February 2017 to enable the comparison based on the current fiscal year's standard.

# Brands Overview

(Unit: Million yen)

		Q3RD 2017 Ending Feb.			Q3RD 2018 Ending Feb.			Y/Y	
		Sales	Composition Rate (%)	Gross Profit Ratio (%)	Sales	Composition Rate (%)	Gross Profit Ratio (%)	Sales (%)	Gross Profit Ratio
1.	nano・universe	18,701	15.9	55.6	17,712	15.4	52.9	94.7	-2.8pt
2.	NATURAL BEAUTY BASIC	12,311	10.4	59.2	12,531	10.9	59.4	101.8	+0.2pt
3.	MARGARET HOWELL	9,655	8.2	59.7	10,621	9.2	59.8	110.0	+0.1pt
4.	PEARLY GATES	7,795	6.6	52.0	8,997	7.8	50.7	115.4	-1.3pt
5.	ROSE BUD	7,055	6.0	51.7	5,683	4.9	49.9	80.6	-1.8pt
6.	STUSSY	4,926	4.2	68.2	5,351	4.6	68.3	108.6	+0.1pt
7.	HUMAN WOMAN	3,757	3.2	52.3	3,707	3.2	56.5	98.7	+4.2pt
8.	PROPORTION BODY DRESSING	3,637	3.1	56.7	3,518	3.1	57.0	96.7	+0.3pt
9.	Apuweiser-riche	3,101	2.6	61.8	3,391	2.9	64.4	109.3	+2.6pt
10.	JILL by JILLSTUART	2,626	2.2	62.8	3,262	2.8	63.4	124.2	+0.6pt
TOP10		73,570	62.4	57.2	74,777	64.9	56.9	101.6	-0.3pt
Other Brands		39,924	33.9	54.4	40,210	34.9	54.0	100.7	-0.4pt
Continuing Brands		113,494	96.3	56.2	114,988	99.8	55.9	101.3	-0.3pt
Closed Brands		4,325	3.7	59.2	223	0.2	41.4	5.2	-17.8pt
TOTAL		117,819	100.0	55.9	115,211	100.0	55.8	97.8	-0.1pt

## II. Progress of Growth Strategy



# Overview of Medium-Term Management Plan



## Measures Implemented during Q3RD 2018 Ending Feb and Action Plans for Future

### Enhancement of Profitability Basis

#### Improve Operational Processes

- Continue the pilot test for actual introduction of a markdown optimization program.
- Began to estimate the optimized production volume by using the artificial intelligence A.I. simulation program developed by SENSY Inc.
- Aim to achieve higher direct trade ratio and lower logistics cost, which were reduced by 600 million yen in Q3RD.
- Introduced a new core system to Spic International Co., Ltd. on November 1.
- Started the operational test of RFID at the subsidiary which has introduced the core system.
- 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

- ES Groove Co., Ltd., responsible for the sales sections of three subsidiaries—Tokyo Style Co., Ltd., Sanei-International Co., Ltd. and TSI Groove & Sports Co., Ltd.—started trusting sales operations on September.
- Conducted NPS e-commerce website in Q3RD.

#### Enhancement of Creation

- Implementation of 18SS / Creative Direction II (October) with the attendance of 214 employees from 9 subsidiaries.

## Measures Implemented during Q3RD 2018 Ending Feb and Action Plans for Future

### Acceleration of Growth Strategy

#### E-Commerce

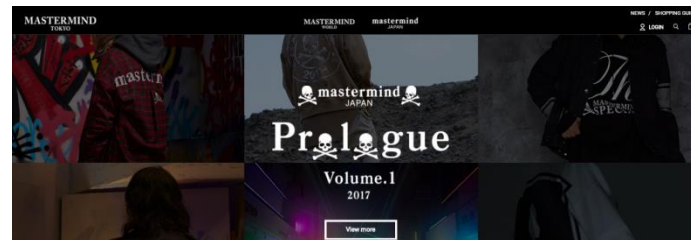
- Q3RD sales was 114.9% Y/Y and e-commerce ratio rose from 14.6% to 17.2%.
- The introduction of smartphone apps contributed to a considerable increase in the ratio of the sales via the E-Commerce strategy management company from 6.1% in FY2017 Ending Feb to 19.2% in the Q3RD.
- Smartphone apps will continue to increase in the second half.
- Completed coordination with 23 3rd party malls by the end of Q3RD.
- Deployed the marketing automation service provided by SALESFORCE.COM at seven O2O sites.
- Commercially launched native applications in December.

#### M&A/Overseas

- Acquired a 90% stake in HUF Holdings, LLC on December 15.  
→ Will form plans, aiming to increase the overseas sales ratio to 10% in FY2022 Ending Feb as stipulated by the Medium-term Management Plan.

#### Investments in New Business

- Launched MASTERMIND TOKYO's website, which is available for both domestic and cross-border shopping.
- Will open the first MASTERMIND TOKYO's store under our direct management at Tokyo Midtown Hibiya on March 29, 2018.



**MASTERMIND**  
TOKYO

## About acquisition of HUF Holdings, LLC interests



Main visual in this fall&winter



Flagship shop in L.A.



Creative Office in L.A.

In December 2017, we acquired a 90% stake in HUF, a streetwear company conducting business in 30 nations globally, mainly in the U.S. and Europe.

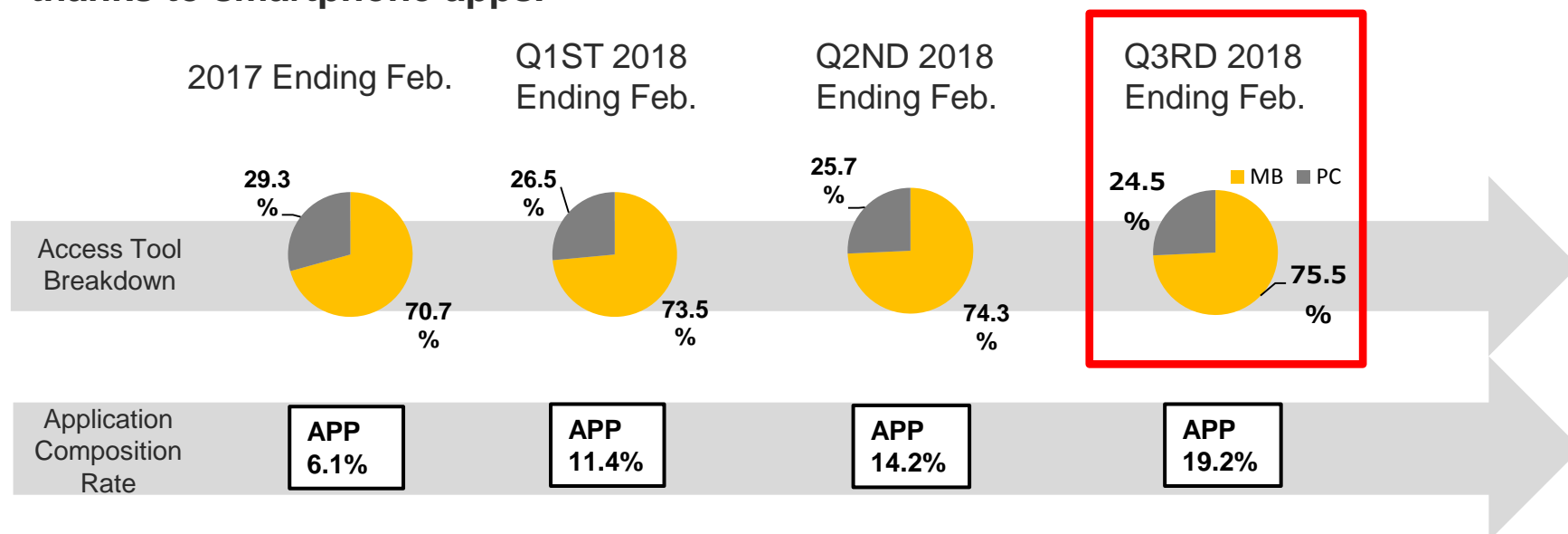
One of our subsidiaries, Jack INC., has been a sales agent of HUF in Japan since 2015. This experience helped us decide that HUF had the potential for further growth.

We intend to develop HUF into one of our core brands by expanding both our Japan business and overseas projects centered in Asia.

We will make sure to thoroughly implement the Post Merger Integration (PMI) process; and make effective use of our Group's assets and know-how.

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

- **The Internet access via mobile devices (MB) continues to grow in percentage thanks to smartphone apps.**



- **Redesigning of applications increases the MB ratio further.**

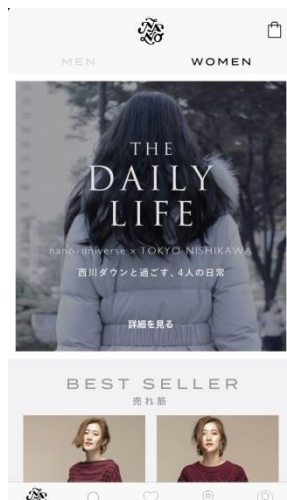
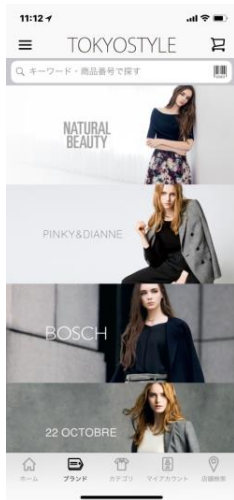
- We are introducing native applications at the subsidiaries one by one, beginning with Nano Universe Co., Ltd. and Tokyo Style Co., Ltd. in December.

→ Native applications enable an immediate display because they can work standalone in the smartphone terminal itself without using any browser.

We are planning to replace 6 of the current applications with native applications by next spring.

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

## Quicker Than Before



It is said that sales will fall by 1% if the display speed becomes slower by 0.1 second. Our new app enables a quicker display by over 1 second than conventional ones.



## Use of Bar Codes



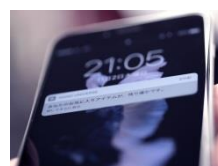
Just taking a photo of a product number allows users to bookmark the product.



## Advanced Push-based Information Delivery



When users come close to a store, the app informs them of their favorite product if the store carries it.



The app also notifies users when the stock of their favorite product is running out.



## Improved Payment Functions

By simply photographing a credit card, the card's information is registered. A further updated version will be capable of supporting Apple Pay by this year's spring.



## More User-friendly Inquiry Functions



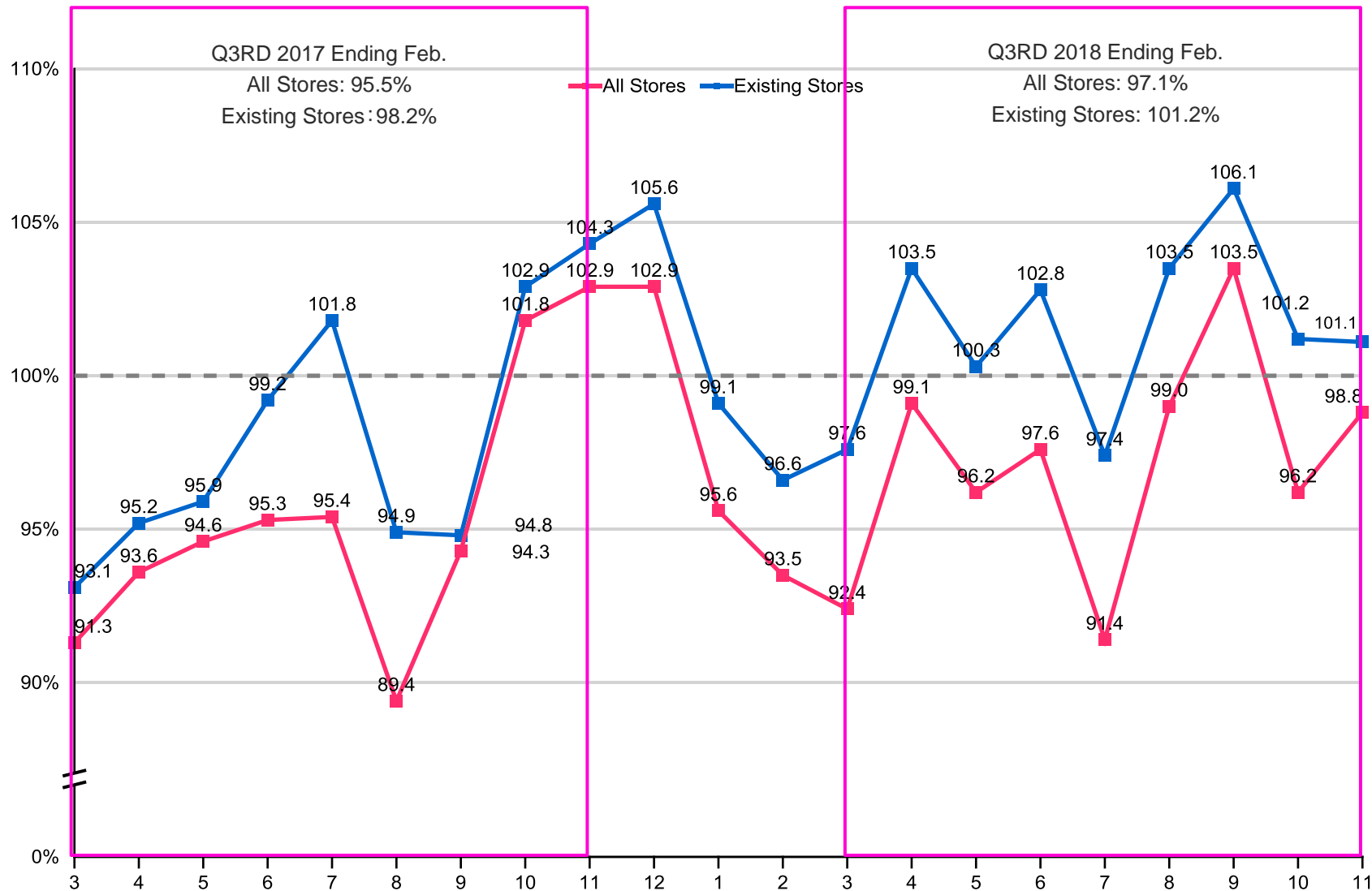
Inquiry functions have been upgraded to enable users to make inquiries through the product page so that they can use chatbot more easily.



## IV Reference Data



# Domestic Monthly Sales Information



# Net Sales Per Channel

(Unit: Million yen)

	Q3RD 2017 Ending Feb.		Q3RD 2018 Ending Feb.			
	Results	Composition Rate (%)	Results	Y/Y (%)	Composition Rate (%)	Composition Rate Y/Y Change
Department Stores	25,068	21.3	22,339	89.1	19.4	-1.9pt
Commercial Facilities(*1)	59,548	50.5	57,857	97.2	50.2	-0.3pt
E-Commerce	17,227	14.6	19,789	114.9	17.2	+2.6pt
Overseas	5,443	4.6	4,709	86.5	4.1	-0.5pt
Others(*2)	10,532	8.9	10,515	99.8	9.1	+0.2pt
<b>TOTAL</b>	<b>117,819</b>	<b>100.0</b>	<b>115,211</b>	<b>97.8</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

		Q3RD 2017 Ending Feb.	2017 Ending Feb.	Store Open	Store Close	Q3RD 2018 Ending Feb.
Domestic	# of Stores	1,231	1,143	+57	-73	1,127
	Change	-4	-88			-16
Overseas	# of Stores	197	195	+46	-59	182
	Change	-17	-2			-13
Total	# of Stores	1,428	1,338	+103	-132	1,309
	Change	-21	-90			-29

\*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.
6	Organic Cosmetics	cosmetics which fuses natural origin as the main ingredient.
	Markdown	Discount of the price.
	SENSY	An IT start-up venture company which develops the artificial intelligence "SENSY" (Former company name: Colorful board Co., Ltd.)
	Direct Trading Ratio	Ratio of manufacturers take up the trading business for imports/exports themselves against all the imports
7	Creative Direction	In-house seminars to analyze social trends, translate them into fashion trends, and reflect them on actual manufacturing.
	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.
9	Native application	A native application is a type of application operated by processing of a terminal device. The operating environment depends on the performance of the terminal device in use. In contrast, the conventional application is a type of application that operates on the Internet. The operating environment depends on the server.
	Chatbot	Chatbot is a term made by combining "chat" and "robot" and refers to an "automatic conversation program" that employs artificial intelligence.
10	PMI	PMI stands for Post Merger Integration, which refers to an integrated process after the finalization of M&A. To functionally integrate the strategies, sales and management schemes, employee awareness, information systems, and the like of the two parties to M&A, it is effective to set goals and perform progress management for achieving those goals.

### 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.