TSI HOLDINGS

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.

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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 Goodwill Amortization & 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 indicating 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)

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Consolidated Financial Highlight –SG&A Expenses-

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(Unit: Million yen)

	Q1ST 2015 Ending Feb.		-	Q1ST 2015 Ending Feb. (Withdrawed Businesses)		=	Q1ST 2015 Ending Feb. (Continued Businesses)		2016 Ending Feb. Q1ST		Continued Business Y/Y	
	Results	Sales Comparison		Results	Sales Comparison		Results	Sales Comparison	Results	Sales Comparison	Change	%
SG&A Expenses	23,457	50.7%		1,077	64.8%		22,380	50.2%	23,727	54.0%	+1,348	106.0%
Employment Expenses	10,108	21.9%		463	27.9%		9,645	21.6%	10,094	23.0%	+449	104.7%
Strategic Expenses	1,865	4.0%		86	5.2%		1,779	4.0%	1,906	4.3%	+127	107.1%
Other Expenses	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 Expenses = Personnel Expenses + Subcontracting Cost + Sales Commission

*Strategic Expenses = Advertising Expense + Promotion Expense

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Gross profit ratio of 6 brands improved Y/Y

(Unit: Million yen)

Brand	Q1ST 2015 Ending Feb. Sales	Composition	Gross Profit Ratio	Q1ST 2016 Ending Feb. Sales	Composition	Gross Profit Ratio	Y/Y 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 is the consolidated net sales of ROSE BUD CO., LTD. and Elephant Co., Ltd.

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Market Overview

- Last year, before the consumption tax hike, the number of customers increased as a result of events and fairs held at the department stores and fashion centers, but the number of customers has decreased this year due in part to a rebound the last year.
- Casual pants are currently the major trend, thus elegant brands (ex. PROPORTION BODY DRESSING) are having difficult time.
- E-commerce sales growed 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
nano･universe CO.,LTD. nano･universe	Given the high hurdle from the previous year, net sales have decreased bu marked 126.9% growth from the year before last. E-Commerce sales remained strong (103.5% Y/Y) Gross profit ratio improved by 0.7%pt due to reduction in discount sales, etc. and achieved the same level of gross margin from last year. Will launch a new Italian casual select shop brand "nano･universe frammento quore" in H2. Will be opening a 300-tsubo(≈991㎡) freestanding store in Shinjuku to enhance brand's omni-channeling strategy.
SANEI bd CO.,LTD. NATURAL BEAUTY BASIC PROPORTION BODY DRESSING &byP&D Free's Mart	The number of customers decreased due to a lack of proposals responding to the need for casual styling. Gross profit margin increased 3.5%pt Y/Y due to planned production increase in ASEAN counties and stricter control of price dicscount rate. NATURAL BEAUTY BASIC will work on the following 4 important issues going forward: 1. Introduc new indexes to measure customer loyalty ->Intorduce 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. Brush up item categories

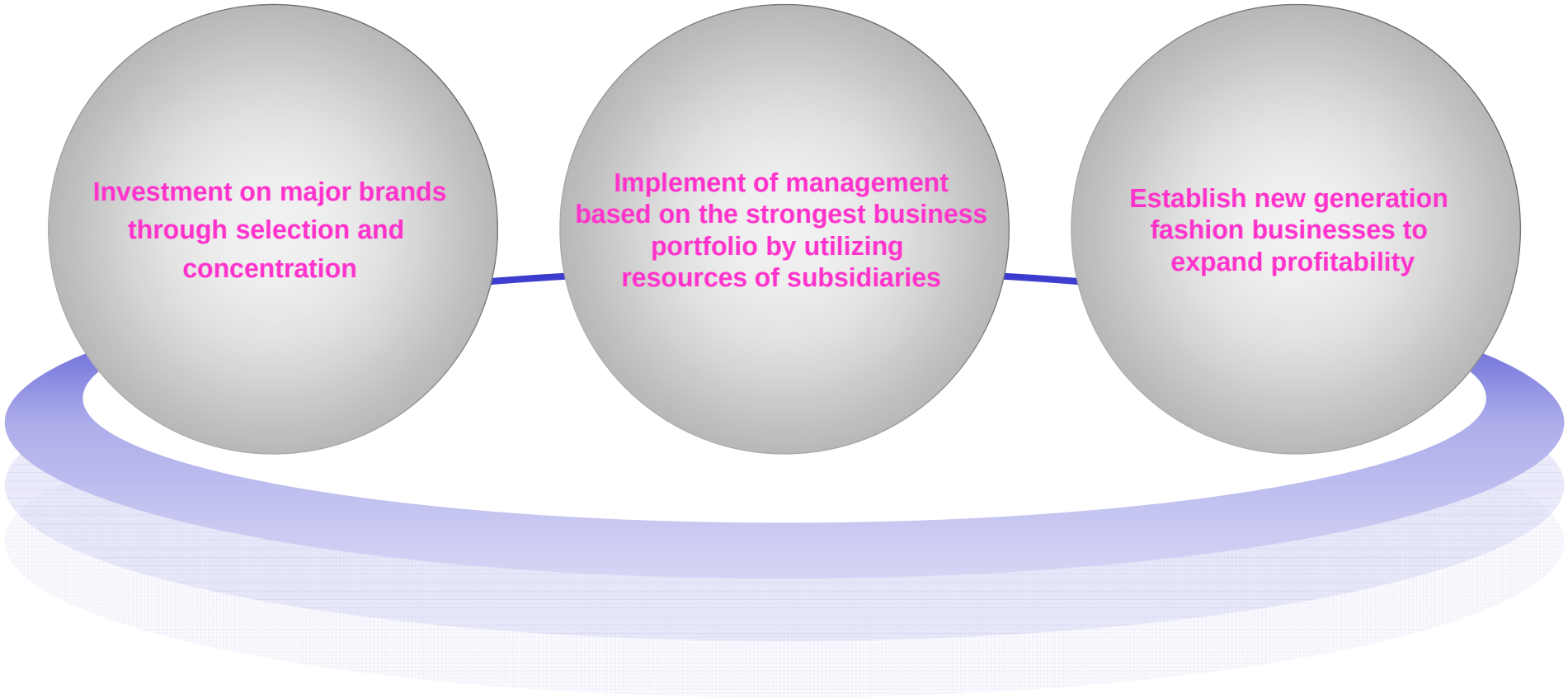
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II. Further Details of Medium-Term Management Plan From 2016 to 2018 Ending February

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

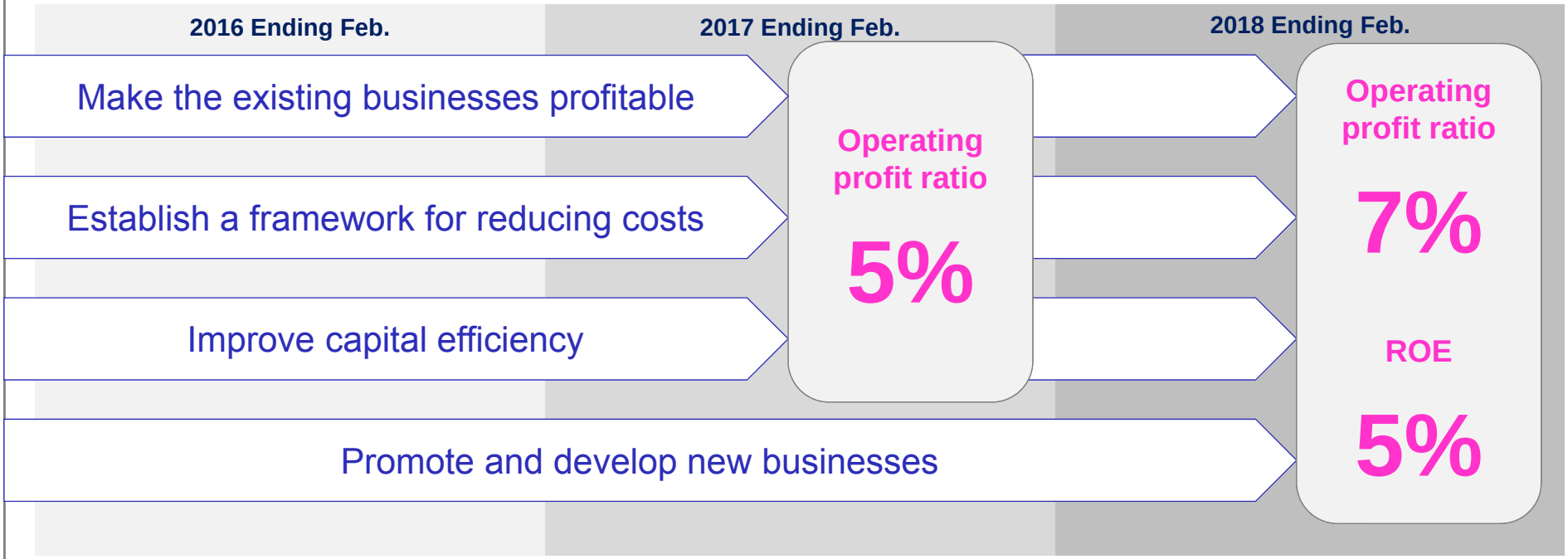
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Basic Principles



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Basic Strategy



1. Aim to achieve **5% as an operating profit ratio** by 2017 Ending Feb. by placing top priority on making the existing businesses profitable, and establishing a framework 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

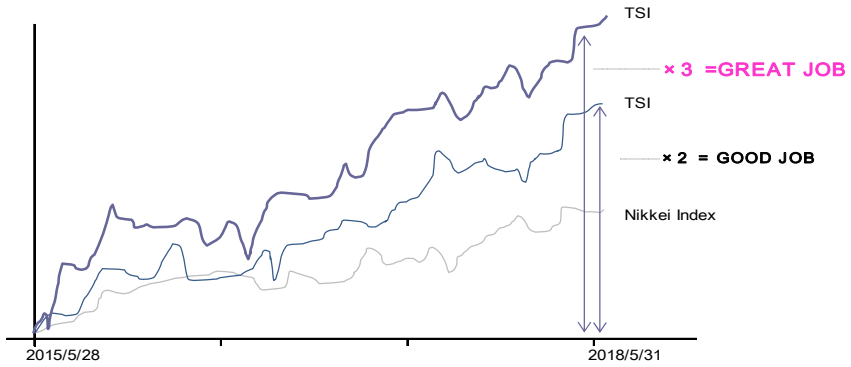
→Drive forward the medium-term management plan with capital tie-up and business partnership with Development Bank of Japan

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Upmost KPI as the president = 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 optimize the brand portfolio and selection and concentration of management resources

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

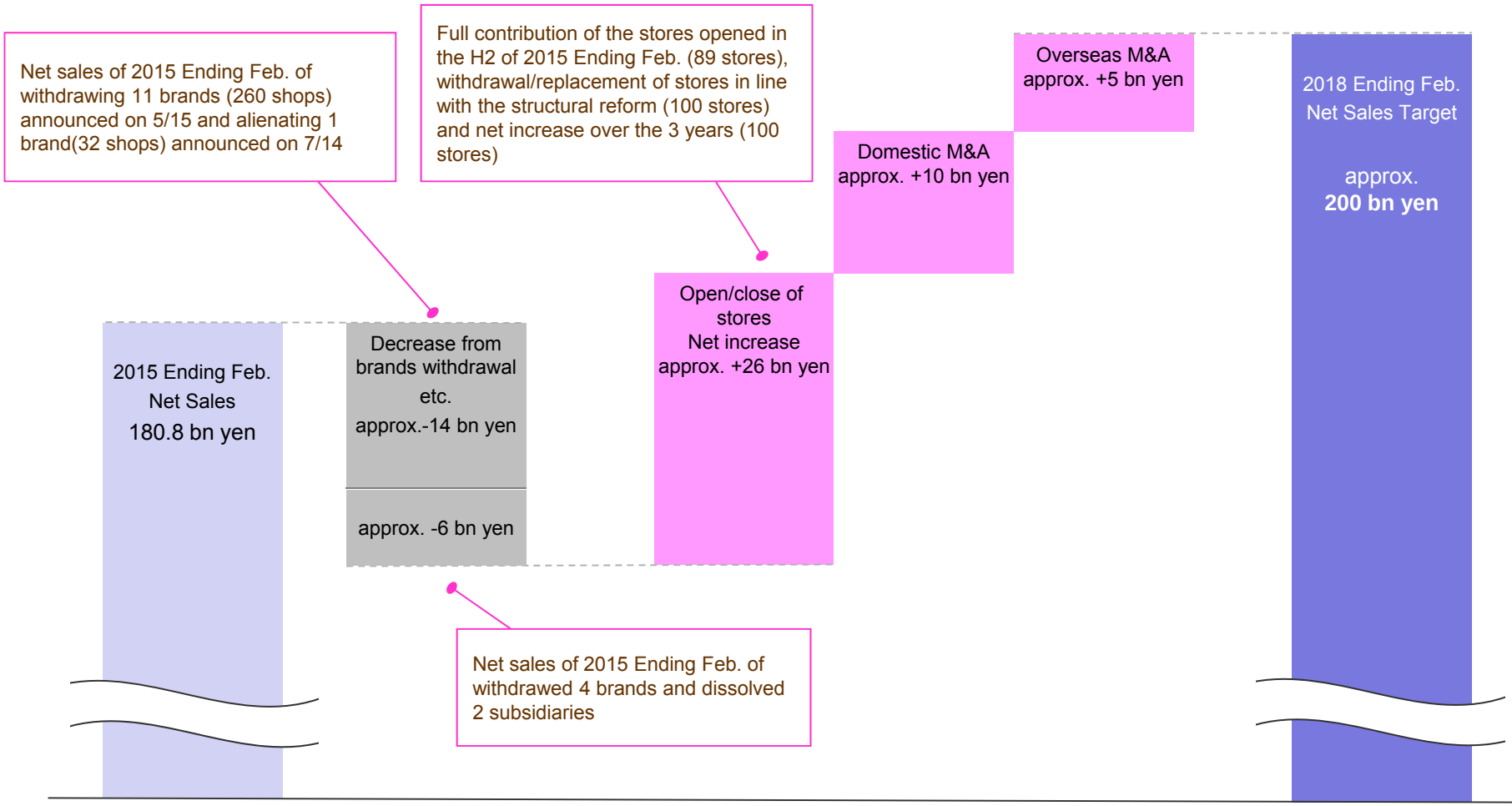
Net Sales ： 200bn yen

Operating Profit ：14bn yen

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Image of Net Sales Increase

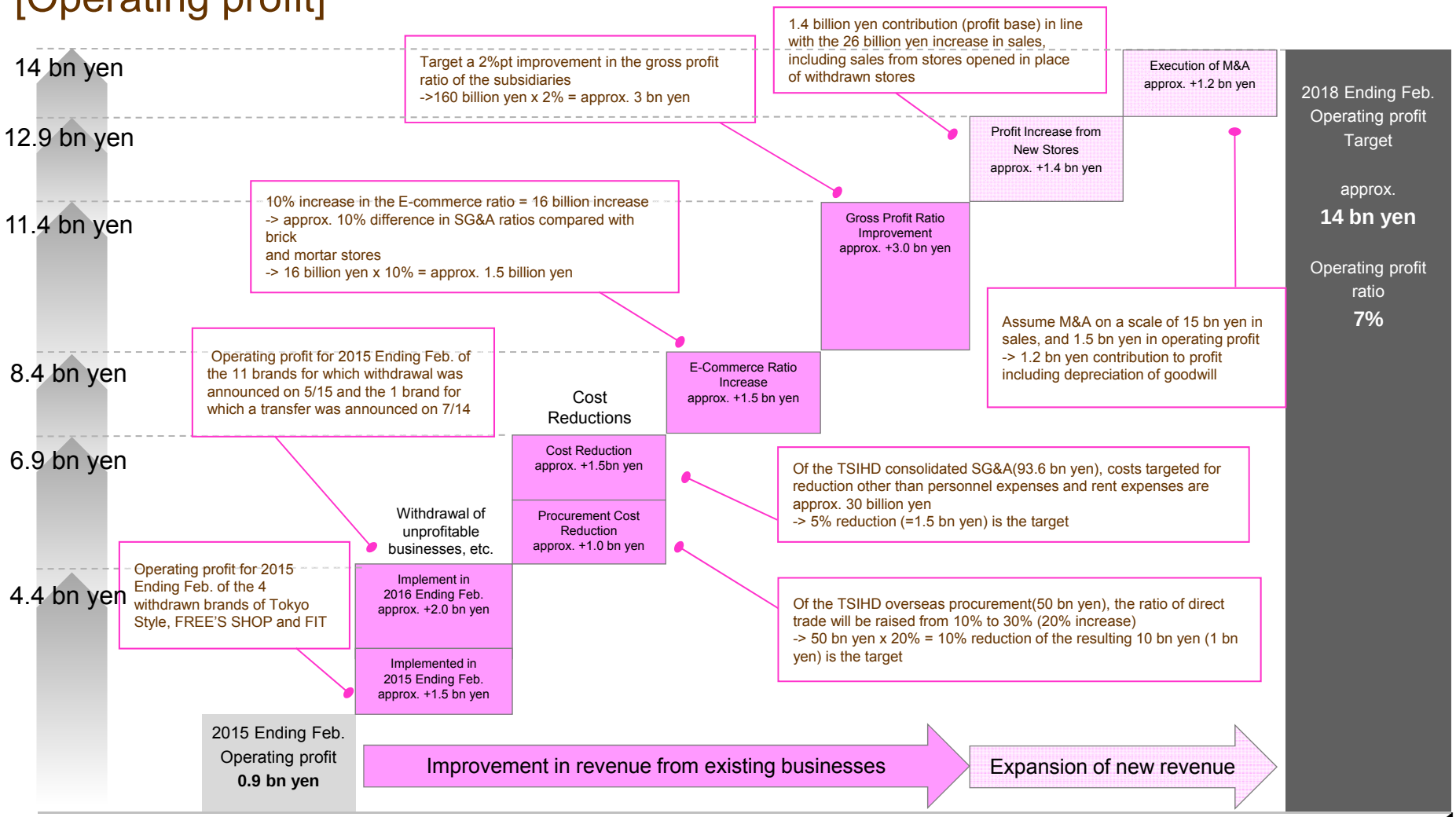
[Net Sales]



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Image Operating Profit Increase

[Operating profit]



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Image of Profit and Loss reformation

(Unit: Billion yen)

1. Business Withdrawal	2015 Ending Feb. Consolidated PL	-	2015 Ending Feb. Withdrawed Business	-	2016 Ending Feb. Withdrawal Business	=	Existing Business Consolidated PL
Net Sales	180.8		6.2		14.0		160.5
Gross Profit	94.6		2.2		6.4		85.8
GP Ratio	52.3%		36.6%		46.2%		53.5%
SG&A Expenses	93.6		3.7		8.5		81.4
SG&A Ratio	51.8%		60.1%		60.7%		50.7%
Operating Profit	0.9		-1.5		-2.0		4.4
OP Ratio	0.5%		-23.5%		-14.6%		2.8%

2. Business Structure Reform	Existing Business Consolidated PL	+	Direct Trade Ratio Increment	Expenses Reduction	E-Commerce ratio Increment	Gross Profit Margin Improvement (2%pt)	=	Structure Reformed Consolidated PL
Net Sales	160.5		-	-	-	-		160.5
Gross Profit	85.8		+1.0	-	-	+3.0		89.8
GP Ratio	53.5%		-	-	-	-		56.0%
SG&A Expenses	81.4		-	-1.5	-1.5	-		78.4
SG&A Ratio	50.7%		-	-	-	-		48.8%
Operating Profit	4.4		+1.0	+1.5	+1.5	+3.0		11.4
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	160.5		26.0	15.0	-	41.0		201.5
Gross Profit	89.8		14.5	8.3	-	22.9		112.7
GP Ratio	56.0%		56.0%	56.0%	-	56.0%		56.0%
SG&A Expenses	78.4		13.1	6.8	0.3	20.2		98.7
SG&A Ratio	48.8%		50.4%	46.0%	-	49.5%		49.0%
Operating Profit	11.4		1.4	1.5	-0.3	2.6		14.0
OP Ratio	7.1%		5.6%	10.0%	-	6.5%		7.0%

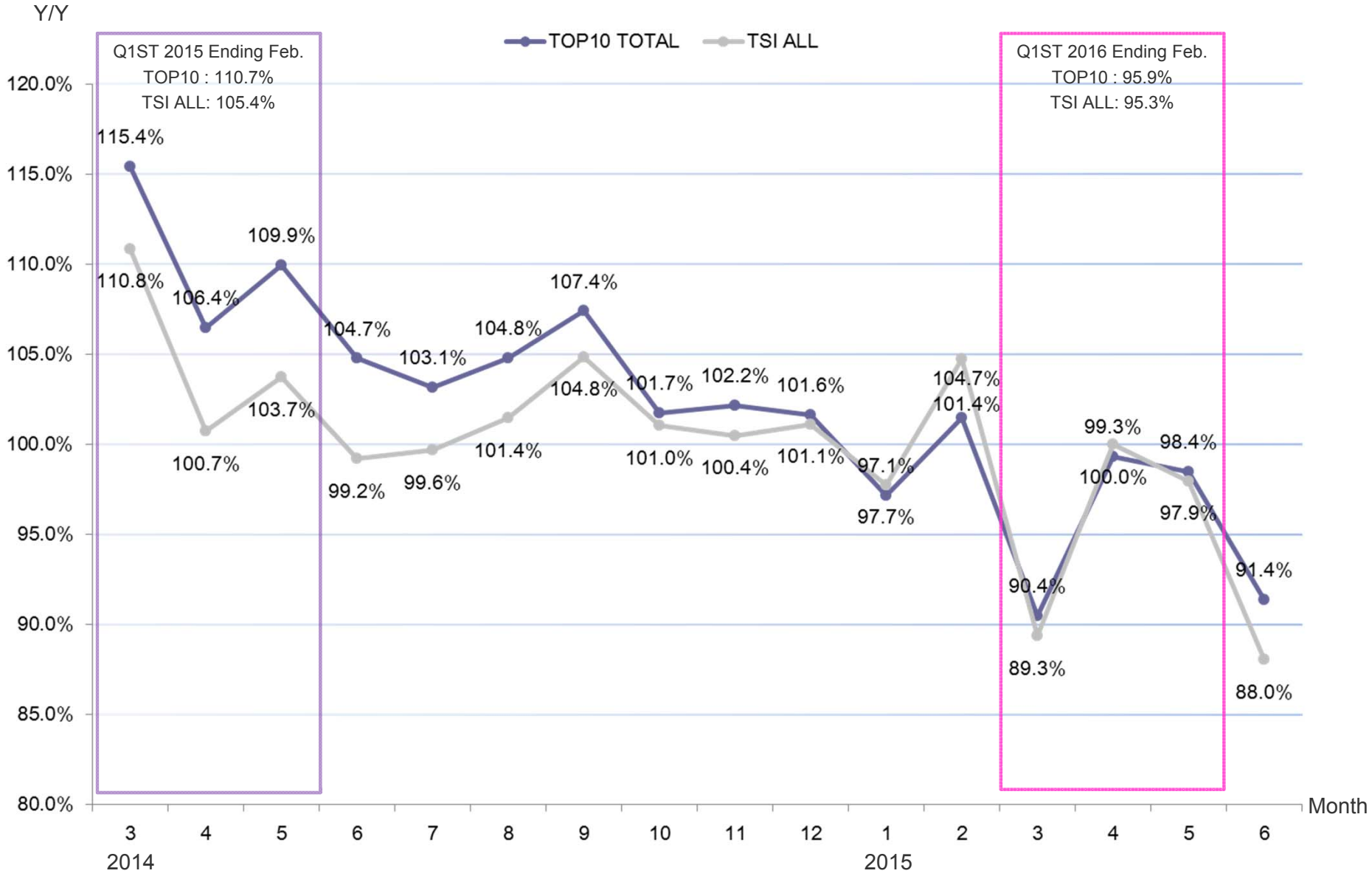
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III. Reference Data

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Domestic Comparable-Store Sales Rate

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

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Net Sales Per Channel

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(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 Store	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 business such as whole sale, in-company sales and non-apparel business of the group companies

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		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

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- 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.

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