TSI HOLDINGS

TSI HOLDINGS CO., LTD.

Q2 Financial Results Briefing for the Fiscal Year Ending February 2020

October 3, 2019

Event Summary

[Company Name]	TSI HOLDINGS CO., LTD.
[Event Type]	Earnings Announcement
[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending February 2020
[Fiscal Period]	FY2019 Q2
[Date]	October 3, 2019
[Number of Pages]	15
[Time]	9:59 – 10:48 (Total: 49 minutes, Presentation: 45 minutes, Q&A: 4 minutes)
[Venue]	Aoyama Building, 6F 1-2-3 Kita-Aoyama, Minato-ku, Tokyo 107-0061
[Venue Size]	
[Participants]	74
[Number of Speakers]	4

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Presentation

Moderator: Good morning. It is now time to start the briefing of the Q2 financial results of our Company, which was released yesterday.

In line with the presentation material you have on hand, Uetadani, CEO, who is sitting on your left, will present first, followed by a question-and-answer session. During the question-and-answer session, Oishi, the Director, will also join.

Now, the CEO will present.

Uetadani: Good morning. As we usually do, I would like to explain the entire picture first, and after that, you can ask questions during the question-and-answer session.

Consolidated Financial Highlights -Profit and Loss-

Unit:Million Yen

	Q2ND 2019 Ending Feb.		Q2ND2020 Ending Feb.			
	Results	Composition Rate (%)	Results	Composition Rate (%)	Y/Y Change	Y/Y (%)
Net Sales	75,194	100.0	81,847	100.0	6,652	108.8
Gross Profit	40,503	53.9	43,908	53.6	3,405	108.4
SG&A Expenses	40,689	54.1	44,072	53.8	3,383	108.3
SG&A Expenses(excl. Goodwill Amortization, Depreciation and Amortization)	38,425	51.1	41,426	50.6	3,000	107.8
Goodwill Amortization	408	0.5	581	0.7	173	142.5
Depreciation and Amortization	1,855	2.5	2,065	2.5	209	111.3
Operating Income	-186	-0.2	-164	-0.2	22	-
Ordinary Income	713	0.9	769	0.9	55	107.8
Extraordinary Income	109	0.1	1,894	2.3	1,784	1722.8
Extraordinary Loss	383	0.5	372	0.5	-10	97.3
Profit Before Taxes	440	0.6	2,290	2.8	1,850	520.2
Profit Attributable to Owners of Parent	-362	-0.5	1,053	1.3	1,415	-
EBITDA ※	2,077	2.8	2,482	3.0	404	119.5

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

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Please open to page two of the presentation material. This is the income summary. This page explains the year-on-year changes from sales to final profit. I will also discuss the influences, excluding the acquisition of UENO-SHOKAI.

Net sales increased 108.8% year-on-year. Excluding UENO-SHOKAI and last year's withdrawal, the existing businesses is 102.1%, which is a slight increase.

Below that, the gross profit is 108.4% year-on-year, and the percentage decreased slightly. The biggest reason for this decline is UENO-SHOKAI. It is not that they have poor business performance, but that around half of their entire business is made up of select shops. This is a business model that buys and sells imported brands and other products, and with its gross profit not so high, it seems that this pushes down the gross profit margin of the entire Company slightly.

UENO-SHOKAI's performance is healthy, and they sell out with list prices, which is our strategy.

We will explain later by brand, but it was nano・universe that was the most unsuccessful part of our overall strategy of selling products at list prices and keeping profits steady without making too much. Nano・universe's gross profit margin fell 2.8%, and without this, the gross profit margin would have totally improved. The current situation is that nano has dragged down significantly. Nano will also be discussed by brand and by major brand on the following page.

In this fiscal year, in general, it was difficult during the non-bargaining periods partly due to — after the start of this fiscal year in spring — the continuation of weekend rains and the weather staying cool after Golden Week. It was not that everything else except nano was smooth sailing. The truth is that we struggled in the summer because of less sales for summer items during non-bargaining periods.

However, each operating company was implementing the Group's strategy of keeping stock down and selling them at list prices. Those that did not have excessive stock — and could not be sold during the non-bargaining periods — were sold out at restricted yields and discount rates, including during bargaining periods, which made it even in the end. Overall, the business environment was challenging, but we hung on and somehow made it. This is the truth.

SG&A expenses were kept under control both in comparison with the forecast and the previous fiscal year.

Another factor here is restructuring charges. In this fiscal year, in addition to the operating expenses of the so-called ordinary businesses, there are still expenses for businesses that withdrew from last year through this year. They were able to be reduced more than originally anticipated by negotiation or by somehow recovering their performance before the sale. We were able to control expenses to a certain extent, and operating income has improved slightly comparing with the previous year, and comparing with the budget, it is a big improvement. Operating income exceeded initial forecasts for the first half of the fiscal year.

However, this is not an optimistic view, but the business itself was largely in line with the plan. It is not that we made a lot of savings with business, and we will remain vigilant. The restructuring has not yet been completed in its entirety. Although there are some uncertainties due to other parties involved, the Company's policy continues to be no postponement at all. We will make steady progress as planned.

Regarding ordinary income, there is no significant point, and there is a slight increase or decrease due to the inclusion as operating expenses, and non-operating expenses. There are no noteworthy or bad stories about ordinary income.

There were no extraordinary losses. Regarding special gains, we sold Callaway Apparel, a joint venture with Callaway Golf Co., Ltd., based on the original contract. As we explained at the briefing for Q1, the profit from the sale is about 1 billion yen. The gain on the sale of other cross-shareholdings and other factors contributed to a year-on-year increase in net income of about 0.52 billion yen.

No major impairment is currently planned. Structural reforms are scheduled to proceed as planned from the end of last year and are to be completed.

There is one risk here, which is HUF in the US We acquired the company two years ago, but our policy has changed from the strategy when we acquired it. With the change in presidency, we have changed from a wholesale business for mass retailers to a brand strategy based on directly-managed stores. Although there is a divergence from the initial plan that could result in impairment depending on the opinion of the auditing firm, the business is steadily rebranding.

This is the overview of the whole. Although we have achieved the plan, we are neither optimistic nor pessimistic.

Brands Overview

Unit:Million Yen

	Q2ND 2019 Ending Feb.			Q2ND 2020 Ending Feb.			Y/Y	
	Sales	Composition Rate (%)	Gross Profit Ratio (%)	Sales	Composition Rate (%)	Gross Profit Ratio (%)	Sales (%)	Gross Profit Ratio (pt)
1. nano・universe	11,453	15.2	47.9	12,130	14.8	45.1	105.9	-2.8
2. NATURAL BEAUTY BASIC	8,083	10.7	58.2	7,889	9.6	59.0	97.6	+0.8
3. MARGARET HOWELL	7,002	9.3	58.7	6,887	8.4	57.5	98.4	-1.2
4. PEARLY GATES	5,825	7.7	51.4	6,270	7.7	51.2	107.6	-0.2
5. AVIREX ※1	-	-	-	3,764	4.6	61.4	-	-
6. ROSE BUD	3,526	4.7	46.4	3,108	3.8	49.5	88.1	+3.1
7. STUSSY	2,730	3.6	70.3	2,520	3.1	70.7	92.3	+0.4
8. HUMAN WOMAN	2,456	3.3	56.3	2,382	2.9	55.7	97.0	-0.6
9. UNDEFEATED	1,687	2.2	43.6	2,305	2.8	44.6	136.6	+1.0
10. HUF	2,316	3.1	49.7	2,022	2.5	51.4	87.3	+1.7
TOP10	45,082	60.0	53.5	49,281	60.2	53.4	109.3	-0.1
Other Brands	25,915	34.5	56.1	32,429	39.6	54.2	125.1	-1.9
Continuing Brands	70,997	94.4	54.5	81,711	99.8	53.7	115.1	-0.7
Closed Brands	4,197	5.6	43.9	136	0.2	5.0	3.2	-38.9
TOTAL	75,194	100.0	53.9	81,847	100.0	53.6	108.8	-0.3

*1 As we acquired the stock of UENO-SHOKAI Co., LTD. on October 26, 2018, we regarded the deemed acquisition date on November 30, 2018.
Therefore we only count UENO-SHOUKAI CO., LTD on this fiscal year.

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Page 3 explains the background per brand. As I mentioned earlier, nano・universe fell the most in gross profit ratio among the other brands. This caused a large impact because their sales as a single brand are the largest in our group.

While overall sales have been increasing, and improvements in merchandising and others have been progressing, they failed in terms of the accumulation of summer stock. Reflecting on the shortage of summer items last summer due to sudden heat, they prepared large stock of summer items in spring, resulting in excessive stock due to the cool summer. In the end, they were forced to sell at discount prices in August and to write down the surplus stock, lowering the gross profit ratio.

Nano・universe is a young company that is very energetic and is taking on new challenges one after another. Their management team is also very young, and in that sense, they are aggressively pursuing new digital strategies. However, compared to the other seasoned brands of our Company, the accuracy of merchandising and the pace of brakes and accelerators were slightly too loose, and they prepared too much stock with the intention of competing on summer items, which was the reason for the loss this time.

Weather conditions vary in many ways, and there is nothing to do but to merchandise carefully. The on-site team considerably regrets this and modifies merchandising of winter items without increasing stock. We will prevent the same from happening in the second half of the fiscal year. We regret that this happened in the first half of the fiscal year.

Also, as for nano, they have their main warehouse in Narita, and there are the impacts of typhoons. Employees were unable to come to work for about half a month though the warehouse wasn't flooded.

In such circumstances, while nano's overall sales certainly have been increasing, they must improve the accuracy of merchandising.

Moving on to the next brand, NATURAL BEAUTY BASIC saw a slight decline in sales, but the contents are very healthy. Gross profit ratio rose 0.8% as a result of an improvement of around 2% in non-bargaining sales.

More growth in sales would have been much better, but they are a mature brand in our Company. They have become a cash cow that steadily maintains profits. Their strategy is to secure profits by keeping the non-bargaining sales rates to secure profit rather than forcing the taking of risks. This was implemented as planned.

NATURAL BEAUTY BASIC is owned by SANEI bd, an operating company centered on SPA brands for railway station buildings and fashion buildings, and their strategy is to grow with the brands such as N.NATURAL BEAUTY BASIC, and FREE'S MART and JILL by JILLSTUART, while earning profits with NATURAL BEAUTY BASIC.

Next is MARGARET HOWELL. This is the leading global brand among the other brands of our Company, but both their sales and gross profit struggled slightly.

The first reason, which seems to be the least relevant, is that until now, they had been selling at list prices in ZOZO, but when it started offering discount services, they suspended the sales of all of their products and refrained from sales on it until it returned to its original state. This led to a large amount of stock, and selling through other channels did not catch up, which resulted in a slight decline in both sales and gross profit ratio.

In addition, regarding the gross profit ratio, there are two main product lines, which are MARGARET HOWELL and MHL for work wear or more casual. MHL had performed strongly, especially with logo bags and logo T-shirts, up to the beginning of this year. However, in order to appeal the power of brand, they sold a large number of products with logos at discount prices. This was carried out as a policy and this is the reason why gross profit has been reduced slightly.

There is a bigger challenge. This brand has a two-season system, as it is a complete collection brand of London and is selling in Japan in parallel with the local market. They carry out a two-season business in which spring/summer products are disclosed in the beginning of the year and fall/winter products are disclosed in summer in collection, and the released products are sold accordingly. Considering the business of selling at list prices and avoiding unnecessary stock, it is a long-term challenge that they need to create more detailed merchandising for each season. We are starting discussion on this with the team in the United Kingdom.

MARGARET HOWELL also has businesses in the UK, Europe, and the home country, connected to one another. The scale in the UK is smaller than that in Japan, but it is very strong. An impact from Brexit was expected, but so far, there has been little impact. Sales to inbound tourists are growing, mainly by e-commerce, and the business in the UK is going well.

As a measure against Brexit, they hold stock slightly earlier in each region, as it may become difficult to exchange stock between European countries and the UK. This doesn't mean excessive stock, but they are now working to ensure that their business is not affected for the foreseeable future.

Although it fell slightly, I believe that this is recoverable within this fiscal year. Comparing with the plan, the MARGARET HOWELL group is currently expected to move forward as planned.

Let's move on to the one below that, PEARLY GATES. This is our signature golf brand. This brand had a significant increase in sales of 107.6%. The gross profit ratio seems to decline slightly, but this is due to the 30th anniversary of PEARLY GATES this fiscal year. This brand supports professionals, runs tours as a sponsor, and makes extensive promotions. As expected, these went well, and the sales grew significantly. It is not because the number of new stores has increased.

Currently, however, they are conducting various promotions, and thus they have made a lot of samples and such. As a result, the gross profit margin declined slightly due to a slight impact on cost of sales. PEARLY GATES business itself ended favorably in the first half of the fiscal year.

In particular, they have a main product line, PEARLY GATES, and another product line, MASTER BUNNY, for professionals. MASTER BUNNY, the line for professionals, was slightly struggling in the first half of the year, but by replacing merchandising and teams, it began to show double-digit growth beginning with fall/winter. This may become a backbone.

PEARLY GATES has performed well so far, and it has no problems with launching the fall/winter season. It also makes profit from non-bargaining sales.

Number five is AVIREX, a brand from UENO-SHOKAI that has been fully consolidated starting this year. This is a brand of military items. Although the year-on-year comparison is not shown here, it is generally strong. Sales grew 103% and gross profit grew 102% year-on-year, respectively. The percentage of non-bargaining sales improved slightly by about 0.2%. Operating income also rose 20%.

The reason for the success was the "air race," which is an obstacle race with airplanes. AVIREX sponsored the event again in Chiba this year, and fans bought new AVIREX items for early spring to wear at the event. This is typical of AVIREX. They make fans properly, communicate with them properly, and sell during non-bargaining periods properly. Such efforts went well.

This company can make a solid customer base, and their stores are extremely strong. It is an excellent brand. Regardless of the weather, the customers make reservations for autumn and winter items from July to September and purchase them ahead in August and September. And profits for the first half of the fiscal year have been secured.

AVIREX also does business in Shanghai with the annual sales of about 1.1 billion yen. This is a joint venture with a local partner. The actual consolidated amount is small, but the business is struggling slightly today. The Chinese fashion economy itself is extremely sluggish, and thus, it made a slight deficit, but the overall figure is in the range of being able to absorb it.

I don't think that this will have a significant impact on the consolidated base because this deficit can be absorbed by the profits in Japan and can be improved in the second half. However, the situation in China remains weak.

Among the other UENO-SHOKAI businesses apart from AVIREX, there are also strong select-base businesses such as ROYAL FLASH and LHP and other select-base businesses that are slightly struggling such as B'2nd. I think that there is no problem as a whole because they are selling at list prices and are making profits as planned. AVIREX, the signature brand, performed well in the first half of the fiscal year.

The next one below that is ROSE BUD. This was the largest structural reform brand, but they achieved profitability in the first half of the fiscal year as planned. They closed unprofitable stores and narrowed down stock to make the business healthy. However, there sometimes missed the sales opportunities, and the individuality of the product has become a little unclear. They have begun to rebuild with the lineup of autumn and winter items and products with prints or a slightly stronger edge.

ROSE BUD turned profitable in the first half of the fiscal year. Naturally, the second half of the year will be a bigger business. If there are no major failures, of course, we expect the business to return to being profitable for the full fiscal year as well.

Although it does not appear in the Top 10, the cosmetics brand Laline also recovered completely in the first half of the fiscal year.

That was off topic. The next is number seven, STUSSY. This is the largest business among our street brands. This is a brand by a company named JACK. As I mentioned earlier, sales of the brand have dropped, but they have a global brand unification strategy and are following it. They discontinued plans that they had only for Japan until last year and changed to global products and promotions. Sales declined as planned, but as they planned merchandising considering the impact, both gross profit and operating profit exceeded our targets.

Gross profit margins are also rising in terms of the content of sales. In addition, the percentage of non-bargaining sales has risen by 1.1%. This is also a business that offers few discounts and sells more than 80% with list prices. The contents are healthy at present.

Next is number eight, HUMAN WOMAN. Net sales declined slightly, but this is a rebound from the 20th anniversary campaign of the brand last year, and was expected and planned.

The challenges here are how to acquire new customers and how to rejuvenate our customer base.

Sanei International CO.,LTD operates this brand, which continues to enjoy strong sales of ADORE, a fairly expensive women's clothing brand. They also opened a new LE PHIL brand shop at fashion bulding in Shinjuku, which also had a favorable start.

The Company as a whole has been healthy so far, and they generate profits that exceed the plans. NATURAL BEAUTY is in the midst of revitalization. Although it cannot be said that it has been revitalized yet, please understand that it is under control and is currently being revitalized. Including that, Sanei-International is a very profitable company.

Number nine is UNDEFEATED, a street brand centered on sneakers, which is steadily growing both in sales and gross profit. In addition to the increase in new store openings, the gross profit margin has risen by 1%. We believe that the contents are solid.

Now, in the field of sneakers, Nike is doing much more sophisticated promotions, including technology investments. UNDEFEATED is a brand based in the US, and as another American brand, they in the US are firmly involved with Nike, and in Japan, Nike Japan, and our team are also involved. Our relationships with Nike are extremely favorable. From their point of view, we are a partner with whom they want to deal first for new products and to promote together, and this works very well.

Another factor that supports our gross profit is our original apparel products. Not only do we sell valuable sneakers to customers who wait in line to buy them, but we also sell original apparel, so we believe that there are no problems at the moment.

Number 10 is HUF. This is the consolidation of Japan and the US I will explain separately. For businesses in the US, as I mentioned at the beginning, mass retailing is becoming much more difficult today. We adopted a strategy to restrict wholesaling and switch to directly-managed stores and e-commerce. Wholesale sales have declined by about 20%, which has been compensated for by local directly-managed stores, and Japan especially. I will talk about it later, but the sales in Japan are growing by around 150%. Covered by directly managed stores in Japan and the US, sales totaled more than 87% in comparison with the previous year.

As some wholesale sales have fallen systematically, this is not a particular concern. Gross profit margins have risen. This is because we are trying to take a higher brand position in Japan than in the US. We are also trying to drive the brand from Japan. Gross profit margins have risen, supported by Japanese business.

On the other hand, we are trying to switch the business in the US to directly-managed stores while maintaining a good balance, because a sudden reduction in wholesale sales results in a sharp decline. While wholesaling is becoming weaker than expected, California is said to have the world's most stringent restrictions on store openings. The impact of these restrictions has caused some delays, which is a cause for concern.

In any case, we are not thinking of changing this strategy. This is absolutely necessary for the future. For this fiscal year, we will strive for rebranding to switch to directly-managed stores. The portion of weakened wholesaling will be properly handled by using Tmall and outlets to maintain the overall balance.

In fact, STUSSY broke off dramatically worldwide because we heightened the quality of STUSSY based on the Japanese standard, took care of branding in Japan, and stimulated inbound demand of China and other Asian countries. We have a track record in creating such cycles. We are thinking of branding HUF solidly in Japan as well. Sales in Japan are 150% year-on-year. Existing stores are also 113%. Gross profit grew 154%, and the gross profit margin in Japan rose 1.9%. Sales in Japan are expanding steadily.

We are creating stores that can compete even at higher prices with slightly higher retail prices. In any case, we have a system to support rebranding of the US market in Japan. A slight issue is that we were considering launching the women’s business in the US and in Japan at the same time, but it may take time in the US We are now planning to expand the women’s product line in Japan in advance and apply that to the US market. By expanding our women's product line in the second half of the year, we aim to support rebranding of the US market, which is to further expand the business in Japan.

As a whole, we are moving forward as planned. For the question of if there are any impairment losses of HUF, there are such risks as these. There is a discrepancy between the plan at the time of purchase and the current plan. Including the strategy change I made, there may be impairment losses depending on how the audit firm sees it.

Nothing has been determined. The reason why I explained that we firmly work on the business while there may be risks of impairment losses is not to control expectations, but I would like to let you know that such a gap exists.

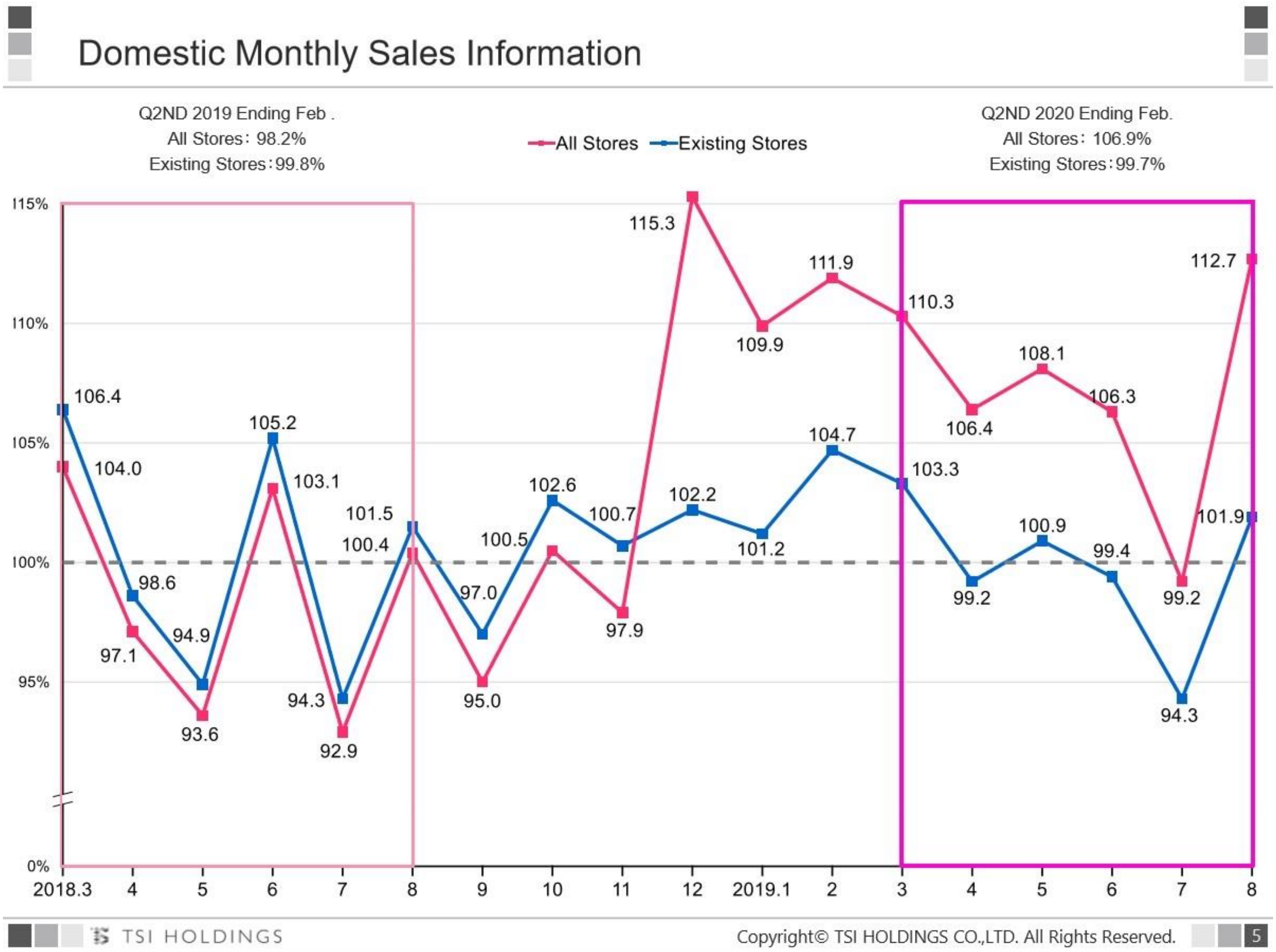
Of course, I would like to report such risks clearly once they are found to exist. However, it will not involve cash outflow, or it will not impact this business, but there is a certain level of risk.

By brand, this is the overview. It’s not that there are many brands with successful results, but they keep gross profit by raising the percentage of sales at list prices if sales decline. If something is weak, we control that by keeping down the yields and discounts. We somehow secured the profit by balancing that, except for nano.

In terms of contributing to profits, UENO-SHOKAI is a company with strong outerwear. In principle, there was almost no contribution from them to profits in the first half of the fiscal year, including goodwill. Therefore, UENO-SHOKAI is not becoming a backbone, but it seems that we keep standing on our own, with a small amount of savings, by cutting expenses.

If asked if there was no last-minute demand (caused by increase in consumption tax) in September, I understand that was rarely the case for us. There was some during the last weekend and the 30th. It is true that there were some customers who decided to buy on September 29 or 30, rather than October 1, if they were to buy anyway, or who wanted to purchase outerwear. We believe it didn't significantly affect the overall result.

On the other hand, the reaction in October is uncertain. As a whole, we have formulated plans that are not particularly pessimistic or optimistic.



The remaining pages are supplementary materials. The fifth page shows existing stores and all-store sales. Existing stores graph goes up or down. This is because our overall strategy is to maintain gross profit by selling at listed prices rather than forcibly opening new stores or forcibly increasing sales.

As I mentioned earlier, we are introducing a customer care app for our brick-and-mortar stores and are starting to sell our e-commerce stock at stores, so we will cover all channels, including e-commerce.

Net Sales Per Channel

	Q2ND 2019 Ending Feb.		Q2ND 2020 Ending Feb.			
	Results (Million yen)	Composition Rate (%)	Results (Million yen)	Y/Y (%)	Composition Rate (%)	Composition Rate Y/Y Change
Department Stores	12,331	16.4	10,841	87.9	13.2	-3.2pt
Commercial Facilities(*1)	36,709	48.8	41,968	114.3	51.3	+2.5pt
E-Commerce	14,112	18.8	16,441	116.5	20.1	+1.3pt
Overseas	4,810	6.4	3,527	73.3	4.3	-2.1pt
Others(*2)	7,230	9.6	9,068	125.4	11.1	+1.5pt
TOTAL	75,194	100.0	81,847	108.8	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.

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Page six shows trends by channel. The percentage of department stores is declining. This is largely due to UENO-SHOKAI's lack of presence in department stores. In addition, some department store brands have withdrawn. This is due to such structural changes rather than poor performance at department stores. Instead, there were many UENO-SHOKAI brands in street-side shops or in station buildings, which led to an increase in non-department stores and an increase in e-commerce.

Store Distribution

		Q2ND 2019 Ending Feb. ※1	FY Ending Feb. 2019	Store Open	Store Close※2	Q2ND 2020 Ending Feb.
Domestic	# of Stores	1,019	1,021	+28	-38	1,011
	Change	-54	-99			-10
Overseas	# of Stores	159	143	+7	-71	79
	Change	-8	-10			-64
Total	# of Stores	1,178	1,164	+35	-109	1,090
	Change	-62	-109			-74

*1 Number indicated on "Change" rows are comparison with the end of Q1ST 2019 Ending February.

*2 The number of the stores BEIJING TSUBOMI FASHION CO.,LTD. locates (50) is included.

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The reason for the decline in overseas sales is the Beijing brand Tsubomi, which was sold at the beginning of the fiscal year.

Our strategy to expand our e-commerce site is steadily progressing. In terms of increasing the number of customers who buy at shops and via website, and of making them loyal customers, the number of Omni-Channel members is 111.2% and their sales are 124% compared to the previous year. Loyal customers are steadily increasing.

Last year, the average unit price that the customers bought both at shops and online was around 80,000 yen, but this year, it has reached over 120,000 yen. We are progressing favorably in increasing loyal customers. This is supported by apps. Sales via apps rose from 20.5% last year to about 30%, i.e. 29.3%.

This concludes my presentation.

Question & Answer

Moderator: Thank you. The stories about Omni members and figures of sales via apps that he just mentioned are from the data aggregated for the operating companies in the scope of the TSI e-commerce strategy and do not cover all the companies. Please be aware of that.

Now we move to the questions. Please raise your hands if you have any questions.

Suzuki: I am Suzuki from SEN-I-NEWS.

I heard you've changed the strategy of HUF. I think there is a considerable gap between the current development of overseas businesses and the initial plan. Will you revise the targets for overseas businesses in the future, or are there any measures to be taken today?

Uetadani: I don't think there will be a significant decline in overseas sales specifically due to rebranding of HUF in the US We will expand HUF overseas. It's just that it is different from the plan when you bought it. It has not been changed that we would like to make about one third of our operations overseas over the medium term.

As for HUF, in addition to expanding the size of the Japanese market, China is important. I think we talked about this at the briefing for the first quarter, but now we are in the final stage with our partner candidate. We are in the process of negotiating the final phase of our business in China, considering that it may be dangerous to develop a large-scale business in China by opening shops just by ourselves. I would like to see this happening sometime in this period, but the market conditions in China are not so good recently. We are doing this carefully, without pushing too hard. There is no change in the plan.

In other overseas markets, we are also advancing golf brands into the US We're planning to develop a new brand. At present, our existing brands can be used or cannot be used due to trademark issues, but we are currently working to expand a golf brand into the US as well.

MARGARET HOWELL is also planning to open stores because inbound sales in the US are steadily increasing as planned. We are slightly cautious with that because rents in the US are unusual on both the West and East Coasts. As we hear the news that triggered a bankruptcy filing of Barney in the US, the price is currently abnormal. We would not like to sign a contract at such an abnormal price. Thus, this plan may be a little postponed, but we already identified a British person in charge and are preparing to be able to move forward at any time. We are considering expanding e-commerce first if opening a new store is postponed.

In fact, we are negotiating about expansion of some other brands, maybe two, into China. There is another brand we are planning to expand into the US We are still preparing for such events. We have not changed our policy of aggressively investing in brands that are expanding overseas.

Moderator: Released on September 11, the Global Business Strategic Department was launched on October 1. Plans for the next fiscal year and beyond will be made by this department.

Does anyone have a question? Anyone?

Now, we conclude the financial results briefing. Thank you for coming today.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked as follows: [Inaudible].*
2. *This document has been translated by SCRIPTS Asia.*

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