



TSI HOLDINGS

TSI HOLDINGS CO., LTD.

Financial Results Briefing for the Fiscal Year Ended February 2020

April 14, 2020

Event Summary

[Company Name]	TSI HOLDINGS CO., LTD.	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Briefing for the Fiscal Year Ended February 2020	
[Fiscal Period]	FY2019 Annual	
[Date]	April 14, 2020	
[Number of Pages]	18	
[Time]	10:00 – 10:28 (Total: 28 minutes, Presentation: 28 minutes, Q&A: 0 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	1	
	Shinichi Uetadani	Chief Executive Officer

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



Presentation

Uetadani: Good morning. My name is Uetadani, and I'm the CEO of TSI HOLDINGS. Let's start the financial results briefing over video.

Consolidated Financial Highlights -Profit and Loss-

Unit: Million Yen

	FY Ending Feb. 2019		FY Ending Feb. 2020					
	Results	Composition Rate (%)	Results	Composition Rate (%)	Y/Y Change	Y/Y (%)	Against Plan (Change)	Against Plan (%)
Net Sales	165,009	100.0	170,068	100.0	5,058	103.1	▲932	99.5
Gross Profit	87,093	52.8	89,382	52.6	2,288	102.6	-	-
SG&A Expenses	84,812	51.4	89,312	52.5	4,499	105.3	-	-
SG&A Expenses(excl. Goodwill Amortization, Depreciation and Amortization)	79,935	48.4	83,863	49.3	3,927	104.9	-	-
Goodwill Amortization	886	0.5	1,024	0.6	137	115.5	-	-
Depreciation and Amortization	3,990	2.4	4,424	2.6	434	110.9	-	-
Operating Income	2,280	1.4	70	0.0	-2,210	3.1	▲930	7.0
Ordinary Income	3,902	2.4	1,851	1.1	-2,051	47.4	▲649	74.0
Extraordinary Income	365	0.2	6,289	3.7	5,923	1719.6	-	-
Extraordinary Loss	3,208	1.9	4,281	2.5	1,072	133.4	-	-
Profit Before Taxes	1,059	0.6	3,859	2.3	2,800	364.3	-	-
Profit Attributable to Owners of Parent	-185	-0.1	2,181	1.3	2,367	-1173.2	▲1,118	66.1
EBITDA ※	7,157	4.3	5,518	3.2	-1,638	77.1	-	-

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

Please turn to page two. This is an overview of the profit and loss. First of all, I would like to sincerely apologize for revising our results again after we did so in January. Even in January, we were rather conservative. But from the end of January, our results further deteriorated, and until February, our forecasted results changed on a weekly basis.

As I mentioned in 3Q, sales fell considerably below initial forecasts, as the fall/winter sales strategy had not worked well, and ultimately, sales fell considerably compared to initial forecasts due to COVID-19 making things worse.

The reason of the increased revenue is due to the full-year contribution from the acquisition of Ueno Shokai. In fact, in terms of sales and purchasing budget in that period, the sales dropped considerably. That directly affected gross profit and loss, and results were, unfortunately, hampered.

In terms of gross profit, from a while back, we curtailed purchasing. But that wasn't enough, and SG&A expenses were expected to be more of an issue by summer. Therefore, we have worked to reduce SG&A by nearly JPY2 billion compared to the initial level at TSI HOLDINGS and our operating companies. But we have not been able to do that. I'm sorry that, in spite of trying, we were unable to do that.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

SCRIPTS
Asia's Meetings, Globally

Those items were reflected almost as is in the ordinary income. In terms of net income, extraordinary gains, which are the sum of gains on the sale of real estate and gains on the sale of securities, totaled about JPY6 billion. At the end of the fiscal year, impairment loss at HUF in the US of approximately JPY2 billion was ultimately recorded as a result of adjustments with an auditing firm, resulting in a net income of JPY2.2 billion.

That concludes the overview.

Brands Overview

Unit: Million Yen

	FY Ending Feb. 2019			FY Ending Feb. 2020			Y/Y	
	Sales	Composition Rate (%)	Gross Profit Ratio (%)	Sales	Composition Rate (%)	Gross Profit Ratio (%)	Sales (%)	Gross Profit Ratio (pt)
1. nano・universe	28,349	17.2	47.1	27,185	16.0	43.7	95.9	-3.4
2. NATURAL BEAUTY BASIC	15,583	9.4	57.7	15,191	8.9	57.5	97.5	-0.2
3. MARGARET HOWELL	14,361	8.7	58.4	14,034	8.3	58.0	97.7	-0.4
4. PEARLY GATES	12,173	7.4	51.0	12,582	7.4	50.3	103.4	-0.7
5. AVIREX ※1	2,438	1.5	60.5	8,495	5.0	60.7	348.4	+0.2
6. ROSE BUD	6,869	4.2	43.7	5,949	3.5	48.5	86.6	+4.8
7. STUSSY	5,607	3.4	69.2	5,263	3.1	70.3	93.9	+1.1
8. UNDEFEATED	3,904	2.4	41.1	4,791	2.8	43.3	122.7	+2.2
9. HUF	5,159	3.1	47.9	4,678	2.8	46.0	90.7	-1.9
10. HUMAN WOMAN	4,849	2.9	55.8	4,557	2.7	55.1	94.0	-0.7
TOP10	99,296	60.2	52.4	102,729	60.4	52.1	103.5	-0.3
Other Brands	59,377	36.0	54.6	67,130	39.5	53.4	113.1	-1.1
Continuing Brands	158,674	96.2	53.2	169,860	99.9	52.6	107.0	-0.6
Closed Brands	6,335	3.8	41.3	207	0.1	4.4	3.3	-36.9
TOTAL	165,009	100.0	52.8	170,068	100.0	52.6	103.1	-0.2

*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 count UENO-SHOKAI CO., LTD on this sheet from December 1, 2018.

Next, please turn to page three. I will explain the details by looking at each major brand. Rather than the cause being specific unprofitable brands bringing us down, as was the case in the past, this time, almost all brands were suffered from a significant decrease in profit. This is not a temporary issue, and I think that this is an issue for our entire group, not just specific companies.

There is something noteworthy about the brand at the very top, Nano Universe, and the number nine brand, HUF. Each has specific circumstances, and for the past two years or so, the strategy of Nano Universe was to sell at full price and secure gross profit. The business had been recovering with both store sales and e-commerce sales doing well over the past two years. This time, we had reduced purchasing of fall and winter goods, but in essence, we were unable to free ourselves from the sales supremacy, and we sank because we held a large amount of inventory.

To address this issue, we have replaced the management team, including the president. And we have entrusted a president of operating companies, with much experience in areas of similar sales channels and sales, to rebuild the framework of merchandising, in particular. And the management team has been switched, and now, they are tackling remaking the framework. They have already started to do this.

Regarding brand number nine, HUF, business in Japan had proceeded smoothly so far. However, under a new

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

CEO appointed two years ago, a branding strategy was taken in which a switch was made from selling wholesale to retailers to directly managing stores in the US. But that didn't go well, and results worsened.

Accordingly, at the beginning of this year, we renewed our management structure, including the president, and under the new CEO, we have decided to restructure. We changed our Production Products Team, and in particular in EC, we have completed an acquisition.

This superb Company is an EC specialist for skateboards and action sports called Tactics. Their digital team has been stationed at HUF to strengthen HUF's digital marketing and our EC. This work has already started, including the restructuring. Of course, the situation for us is similar to that of the US lockdown, so we are working to minimize expenditure, including making temporary layoffs.

Sales Figures for e-commerce

3rd party sales worsened substantially from October 2019 onward. As a result, EC sales, which until now had continued to grow by double-digit, remained at 106.4% YoY. However, in-house EC sales, which has been strategically incorporating omnichannel, remained robust at 114.2% YoY, due to the strategic enticement of customers to our website.

	FY Ending Feb. 2018	FY Ending Feb. 2019	FY Ending Feb. 2020	Y/Y
EC sales (million Yen)	28,932	34,139	36,337	106.4%
EC ratio (%)	18.6	20.7	21.4	+0.7pt
In-house EC sales (million Yen)	7,547	10,019	11,442	114.2%
In-house EC ratio (%)	26.1	29.3	31.5	+2.2pt

● Favorable factors of in-house EC sales

Number of Omnichannel members **110.4% YoY**
Omnichannel sales **114.6% YoY**

● Factors making the move to Omnichannel favorable

Sales through the app for the whole term **163.0% YoY**
App profitability for the whole term **103.0% YoY**

Page four shows the status of e-commerce. Over the past few years with a full-price strategy, we have focused our efforts on increasing in-house e-commerce sales, and as a result, in-house e-commerce sales increased by 14% and the composition rate of EC sales reached by 21.4%. In particular, we achieved growth in our in-house e-commerce.

One KPI is to increase all-channel members, who use both stores and e-commerce. And our strategy of actively recommending apps for smartphones to stores has proved successful, and our e-commerce business is growing steadily. Going forward, we plan to continue expanding mainly through in-house e-commerce, which will include linking inventory with stores.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

The Previous Year Summary

Net Sales

Y/Y 97.7%, owing to the poor sales of existing apparel brands in Japan. Not to absorb capacity in overseas business was one of the causes of decrease.

Purchase Inventory

In spite of reducing purchase and inventory, the sales of winter clothes didn't work well because of disasters and warm winter.
Inventory Y/Y 96.0%

Profit

Gross profit ratio Y/Y -0.2%
Operating income Y/Y -2,210 Million Yen owing to giving priority to reducing inventory,

- Too much confidence in earning power of existing businesses
- Underestimating the change of our Business Environment

The fifth page is a summary of the previous fiscal year. This is the same as what I said in fall and winter of 3Q. We forecasted really difficult times and pared down our inventory and prioritized profits, but we still had too much confidence in our ability to earn more from existing businesses. We strongly regret that the pace of reforms was slow as a result of that.

Similarly, in essence, we did not have a good idea of the amount of time it would take for us to go digital and be able to completely sell at full-price with little inventory. Regardless of COVID-19, what we regret is that we need to change our corporate structure more quickly than we had expected, due to factors such as consumer awareness and environmental issues. In accordance with this, in a moment, I will explain our future initiatives.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

Regarding the Impacts of the Novel Coronavirus (COVID-19)

Impacts on production and at stores began to be felt from February.

The effects rapidly spread from March; by the end of the month, on the 28th (Sat.) and 29th (Sun.), many stores in central Tokyo had closed. For the present, the road ahead remains extremely uncertain.

- **Affected stores:** Based on the government's state of emergency, from April 8 to May 6, stores are due to be closed in the following prefectures: Tokyo, Saitama, Chiba, Kanagawa, Osaka, Hyogo, and Fukuoka. (As of the end of February, there were 607 stores operating in the above prefectures, **equivalent to around 60% of all apparel stores in Japan.**)
- **HQ:** From March, encourage teleworking and hold meetings via teleconferencing, etc.
- **Company-wide:** Provide all employees with 14 days of paid special leave (100% compensated).

Social contributions as TSI Holdings Group

Provision of hand cream to medical professionals by cosmetics retailer Laline JAPAN Co., Ltd. for free



From April 1 to April 30, all 27 Laline branches in Japan will provide all medical professionals fighting against the novel coronavirus with hand cream for free.

Production of washable masks at TSI Sewing Co., Ltd., which possesses factories in Yonezawa and Miyazaki

TSI Sewing is producing washable masks by reusing scrap fabric. It will donate these masks to group employees and the local municipalities where its factories are located.



Next, I would like to talk about the impact of COVID-19. Please turn to page six. At first, there was concern about the arrival of spring and summer goods because of the impact on production. However, sales started to stop around the world from February, including in Japan. Currently, the biggest issue is how much to control inventory, not because of concerns about receiving shipments but because we are unable to sell our products around the world.

Regarding Japan, in accordance with the emergency declaration on April 8, all areas to which a request was made to close were closed, including standalone location.. In addition to the seven prefectures to which the emergency declaration was made, stores in Nagoya and Kyoto were closed on a voluntary basis after consulting with retail facilities. At present, approximately 70% of our stores in Japan have stopped operations.

Due to that, support is being providing for, of course, EC and stores that remain open. And under such circumstances, EC sales activities continue. In addition, about Our employees are trying telework as much as possible. However, for employees who are unable to telework, including employees at warehouses, we continue to operate by using a minimum number of employees after ensuring their safety.

Regarding compensation for employees on leave, we have decided to grant a special leave of absence, in which all employees are paid a full 14-day 100% salary. As a result of this and public holidays, our closure period is until May 6. In this closure period, employees will receive nearly all of their salaries, and those who are unable to telework may take a leave of absence. If the closure period is extended further, we will consider what measures to take.

Moreover, in terms of what we can do to assist the COVID-19 situation, Laline, a cosmetics firm, will provide hand cream to healthcare professionals. We have two factories, and we have begun producing washable and reusable masks on production lines with spare capacity.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

In addition, after consulting with the government, we are currently considering what we can do as an apparel manufacturer and what we can do with our production facilities. I would like to report about this to you in the near future.

Medium-Term Management Plan

■ **Although strategic direction remains unchanged, we will lower of the break-even point and boost our speed of restructuring.**

■ **The numerical targets will be revised during the current fiscal year while we leave the Medium to long term target of operating margin unchanged.**

継続

Group Structure Review

- Restructure common platform functions
- Improve efficiency and optimization of Group organizational system

→ Reorganize the structure in order to improve the efficiency of our organization by introducing company organization and establishing platform department on this March.

Enhancing the Full-price Sales Business

- Shift to full-price sales model
- Enhance premium nature of brands
- Turn own-brand customers into loyal customers

→ Implementing the strategy of enhancing branding, credibility and royalty.
In-house EC ratio 31.5%(Y/Y 114.2%)

Multinationalization

- Expand the number of countries with global brands
- Expand existing brands globally
- Develop new M&A/Brand

→ Expanding MARGARET HOWELL and PEARLY GATES to US. Planning to work with a Chinese company for HUF. We will develop after recovering their market.

Digitalization

- Expand brand E-Commerce/Omnichannel
- Develop E-Commerce native brands
- Develop new service models utilizing I.T.

→ Investing in Lyra 30 Fund LP
Starting e-commerce service by salesperson at a real shop, through "unified commerce".

TSI HOLDINGS
Copyright© TSI HOLDINGS CO.,LTD. All Rights Reserved. 8

Now, I would like to talk about our midterm management plan and what we need to do in the current fiscal year. Please turn to page eight. Some of the headings are written in blue. This doesn't indicate a change, though. The strategy of shifting to full price and becoming a multinational and digital enterprise remains the same. However, We think this situation is not temporary and very tough. Our main approach is to drastically lower the breakeven point by taking advantage of this opportunity. And another approach we are now using is to accelerate reforms faster than originally planned.

The medium-to-long-term operating income margin target of around 5% remains unchanged. However, as the YoY targets for achieving that percentage are unpredictable, we would like to revise our annual plan. We will report this to you as soon as it is finalized.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

In response to the novel coronavirus (COVID-19), the Japanese government has requested people to refrain from going outside for nonessential reasons, and to stop using certain facilities, etc., which has had a severe impact on personal consumption. What is more, further effects are being felt following the government's issuance of a state of emergency on April 7. The outlook for the future is at present extremely uncertain, and is dependent on factors such as the length of time it takes for infections to subside or the effectiveness of the government's largest ever emergency economic stimulus package. As it is extremely uncertain, our consolidated performance forecast has not been determined. From now on, we will announce it promptly when a reasonable estimate is available.

The policy for this term

1. We will **drastically restructure and change our business structure** aimed at all of our companies include a holding company.
2. We will **give priority to Medium to long-term improvement of the constitution** over annual balance.

With this in mind, please turn to page nine. Regarding our plan and policy for the fiscal year ending February 2021, as mentioned a moment ago, the plan's figures are, unfortunately, unclear. We would like to disclose our forecasts as soon as possible, but given that they are still unclear to us, we would like to leave the forecasts for our consolidated financial results undetermined. We will disclose the information as soon as it becomes clear, including for the second half of the fiscal year.

While the figures are unclear, we must reduce costs for at least the first half of this fiscal year to minimize cash outflows. A major point that must be addressed during this period is the opportunity for us to change in the face of such a severe situation. Because we cannot engage in sales activities, the biggest thing that we would like to do in this fiscal year is drastically reform our business structure.

We are taking this crisis very seriously. If we do not change, we cannot survive, so we are already taking action. We will thoroughly implement measures to change our business structure that we were unable to start implementing in the past, such as lowering the breakeven point and organizational restructuring. And we will create a business structure that will enable us to survive.

Another matter that I'd like to mention is the following. While we have been closing unprofitable businesses, we do not think that our sales will recover, even if the shock of COVID-19 wasn't here. Based on the assumption that the world will not completely return to its original state, we will select only those businesses that can survive in a digitized future, invest only in those businesses, and jettison old-style businesses.

Our two major policies are as follows. Drastically revise our business structure, lower the breakeven point, invest only in promising products, and be very strict in selecting businesses in which to engage.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com

Priority Measures for this term (1) Reorganization

The point of the reorganization

1. Reorganize subsidiaries into four groups

Each "Company president" in HD, manages the business of each group.

2. Form the new Platform department

Integrating four functions of SCM, e-commerce, IT system and marketing into one platform department.

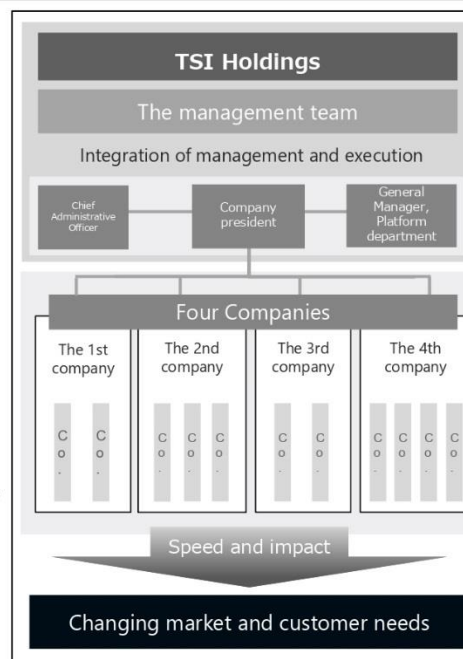
The purpose of the reorganization

1. Accelerate the decision-making and implement.

2. Improvement in profitability by utilizing common platform.

3. Slim down the headquarters and break off the overlapping function.

4. Improvement balance and transparency of functional subsidiaries.



Please turn to page 10. Let's look at a specific policy, first about our restructuring. The purpose of this restructuring is to lower our breakeven point and increase our implementation speed. Originally, we had a structure in which the companies were very separate. But we have rearranged our apparel businesses, which are our main businesses, into four groups, which we call companies. And these four companies reflect the nature of our business more closely. Naturally, we have restructured ourselves so that we can share infrastructures and have the heads of these four companies work together to create and implement strategies as well as work with myself. In this way, the restructuring has made TSI HOLDINGS and the operating companies very close to each other.

Rather than focusing on individual brands, for each field in which the entire group should come together, such as supply chains, production, procurement, logistics, digitalization (including e-commerce) information systems, and marketing, we will establish a single team, and we will strive to increase efficiency by having a platform department that digitizes everything across the group. The key points are shown at the bottom left of the chart. These are essentially increasing our speed and streamlining operations.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com

Lowering of the break-even point

Revisions to selling and administration costs in existing businesses

Over 3 years, aim to achieve SGA ratio of less than 50% (Previous term 52.5%)

Significant reduction in costs at HQ by revising the appropriate allocation of human resources

Initiate a project to cut selling and administration costs throughout the company

Reduction of procurement costs

Over 3 years, aim to achieve a 2.0% cut in procurement costs

*Includes partial selling and administration costs, such as logistics costs

Implementing operational reforms for whole existing supply chains

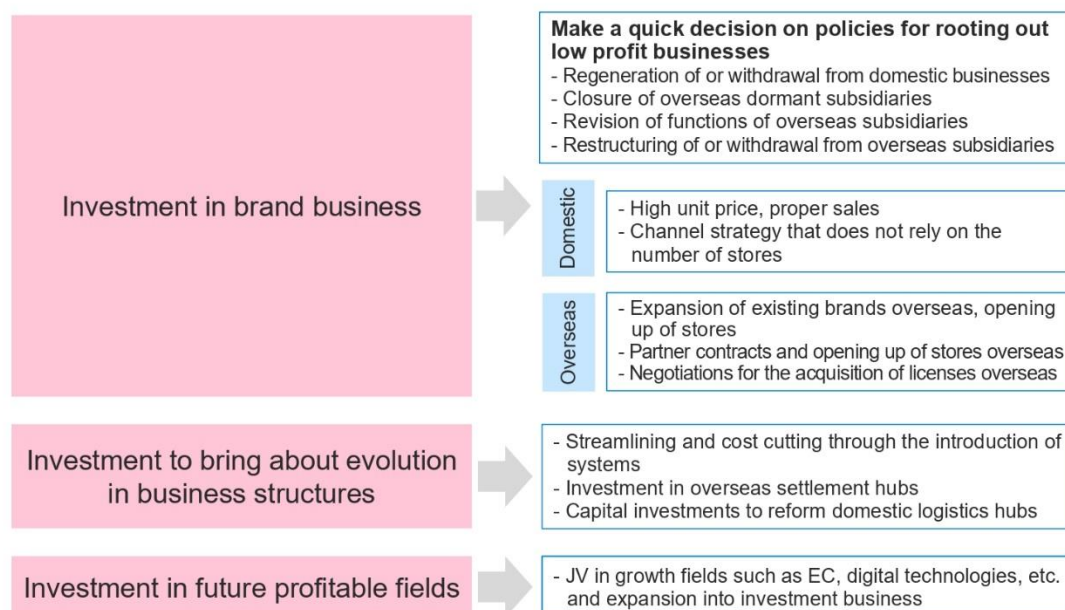
Please turn to page 11. We understand that SG&A expenses are high due to having many subsidiaries. I think that inefficiencies caused by the Company split-up as a whole are greater than the extreme inability to earn gross profit as individual brands. The same can be said about the effects of COVID-19 and the warm winter from two years back. I think that current sales will probably not be maintained in the future. Based on the assumption that the world wouldn't return to its previous state, even if the COVID-19 situation calmed down, with people transitioning to teleworking, the switch to digital is also progressing. We will take steps to drastically lower the breakeven point so that we can work efficiently with fewer employees than before.

As daily sales have been falling, the number may change. But we think there are two main issues for us to be tackled One is reducing the ratio of SG&A expenses to sales to 50 points or less within three years and another is decreasing procurement costs by around two points by reducing cross-organizational supply chains, logistics, and procurement activities across the group. The second policy is to thoroughly lower the breakeven point, especially by lowering our fixed costs, because we cannot really carry out sales activities in earnest.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com



The 12th page shows the third policy. This is the reversal of the lack of speed and a sense of urgency last year, but we understand that we were less able to think about our business, so we will take advantage of this opportunity to allocate our remaining and growing businesses and cutting out businesses more severely than ever before.

As shown in the materials, the standard is to specialize in businesses that can compete on the brand rather than in businesses that are forced to compete in price, particularly in terms of high unit prices and proper sales and then in businesses that are needed to open a large number of stores.

Regarding new businesses as well, we intend to focus our investments on businesses that are basically advancing digitalization and that can compete in overseas markets. I don't think we can continue to invest in the traditional, inefficient, physical apparel business. We intend to fully narrow down the scope of our efforts and make steady investments in digitalization and overseas expansion. The new business domains will be explained below.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com

Development of new businesses

Control the opening of real stores and launch new apparel brands centering on high unit price & proper sales which have prospects for overseas expansion.

BAIT



Founded in 2011 in California. Opened its first Japan store in Nov. 2019 in Shibuya Parco.

CADUNÉ



Launch in 2020 in SS. As of the end of Feb., had opened 2 stores: one in JR Nagoya Takashimaya and the other in LUMINE Shinjuku.

Ele NATURAL BEAUTY



Launch in 2020 in SS. Opened in JR Nagoya Takashimaya.

PING



Founded in 1959 as a golf club manufacturer. Will deal at the HOUSE in April 2020. decide to open a store in Odakyu Shinjuku.

STUMBLBY™
H A V E L studio

Expansion of FW wholesale in 2020

This is page 13. These are new businesses that we have already announced. Rather than being brands for which the number of stores will be increased for each of them, they are brands that operate with few stores at which a high percentage of items are sold at full price and that sell to wholesalers and with e-commerce. These are brands that basically focus on high prices. The aim for them is not selling in great volume.

Also, regarding the golfing business called PING apparel, which we also announced recently, we have officially signed a contract. This month, we were planning to start operations, but we won't open in some stores on schedule, so this business will start slowly. This new brand will be based on high unit prices, full-price commerce, and commerce that does not depend on the number of stores.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

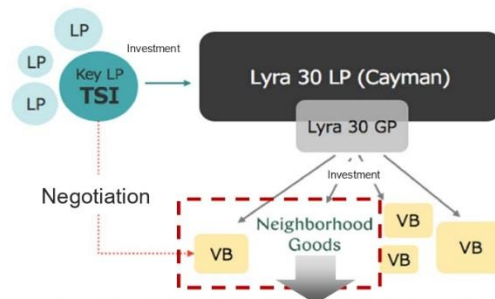
North America 1.800.674.8375
Email Support support@scriptsasias.com

Investment in future profitable fields

1. Investment in Lyra 30 Fund LP - Investment strategy aimed at creating business -

- ✓ In order to expand new businesses, there is a need to take initiatives with rising brands and tech companies with **business frameworks optimized in terms of IT/digital technologies**, and to build relationships with such companies that include investment.
- ✓ Targeting investment in global fashion tech, we decided to invest in Lyra 30LP, a fund which possesses an **investment scheme (Key LP Scheme)** that **apprehends items of strategic interest for our company** while being an LP investment.
- ✓ This will lead to the creation of new business values for us as TSI, such as the development of new collaborative ventures with funded companies.

TSI will cultivate prospective global ventures through this fund, and will create new business pillars utilizing our DNA, such as the fashion tech business.



Next, let's look at page 14. This is about future investment. As announced recently, as a key investor and as an anchor investor, we invested venture capital in a fashion-tech fund. As we push forward with digitization, the intention behind our investment is to incorporate leading-edge business models from overseas, not from Japan, and we made this financial commitment as a major investor to the Singapore fashion tech fund, which has a very proven track record as a means to develop an arm for information gathering and negotiation.

As is written on this slide, They are investing in D-to-C branding called Neighborhood as the first investment project.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

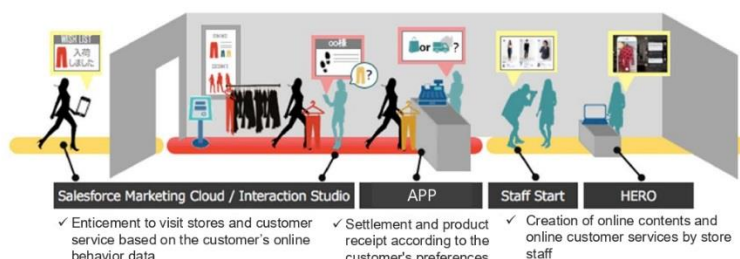
North America
Email Support

1.800.674.8375
support@scriptasia.com

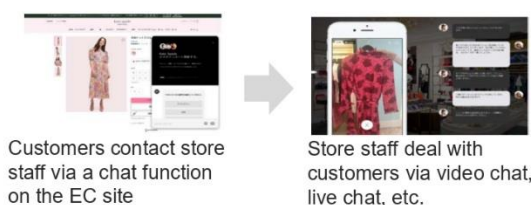
Investment in future profitable fields

2. Unified commerce - Stores and EC provide a unified customer service experience -

We aim to create systems in which sales staff take center stage in providing brand experiences and values through a range of channels, and create true engagement with customers.



Commencement of [HERO] test introduction



A solution that enables sales staff in real stores to deal with customers via EC. It allows staff to create engagement with customers, and for customers to also book a visit to the store. **The creation of new values by store staff is a tool for generating themes.**

Many famous overseas brands have introduced this solution, but TSI is the first to introduce it in Japan.

This is page 15, which show fields in which we should invest. We believe that one of our greatest strengths lies in our stores. Our strengths are our ability to serve customers and sell products at stores. In the future, stores will be more focused in urban centers, there will be less stores, and in-house EC sales will grow. And at that time, we intend to utilize our store salespeople on a digital basis. This is a unified commerce approach.

This is not an era in which a lot of inventory is made and a lot is left over, as in recent years. Therefore, we will ascertain customers' buying behavior in stores and e-commerce, and by fully linking the Company's EC inventory with the inventory of directly managed stores. In case we don't have suitable size for customers at stores, we will be able to order EC inventory at stores and deliver it to customers.

We will also introduce a system that allows shops to make suggestions about styling and the like through SNS and other means. We will introduce a new system in the UK called HERO that will enable us to serve customers, and it will include chats, movies, and videos on the web. Aside from HERO, we have also introduced domestic tools, such as Solairo, and the key to our unified commerce strategies is to make use of our directly managed stores and their salespeople digitally.

Our unified-commerce strategy involves upgrading our entire system, not just introducing tools. We will upgrade to half-digitized stores and salespeople, and this will include the training of salespeople.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

Environmental initiatives

We are working to reduce our environmental footprint by streamlining our business activities and constructing environmentally friendly supply chains.

In order to turn our vision into reality, we have set the following 3 core goals for the current term, which all sectors of our group will work towards achieving.

Stamping out the practice of sending products to waste

As one of our basic policies, from the current term our group has resolved to completely do away with the practice of sending products to waste, and to make more effective utilization of reusing, recycling, etc.

Transition to environmentally friendly shopping bags

We will make the transition to more environmentally friendly materials in all our plastic and paper shopping bags, including the use of materials made from biomass or FSC-certified materials. (Once our current stock has been depleted, we will gradually replace our bags with those made from more environmentally friendly materials, with the intention of making a total transition within the current fiscal year.)

Reuse of plastic hangers

We will promote the reuse of distributed plastic hangers, with the aim of cutting plastic hanger use by around 50% during the current fiscal year.

Page 16 shows our CSR activities. We have been continually tackling these since last year. I think that the biggest thing is not to unnecessarily make items or carry items. First, we will strive to ensure that inventory is kept to a minimum and that we sell at full price, not leaving any surplus. If, despite these efforts, anything is left, we will not throw anything away.

In addition, we will switch all plastic bags, most of which are paper in our case, and paper shopping bags to environmentally-friendly ones. We will complete this transition during this fiscal year.

Regarding another issue that is unique to our industry, we will try to recycle plastic hangers for stores, aiming to recycle about half of them by the end of this fiscal year.

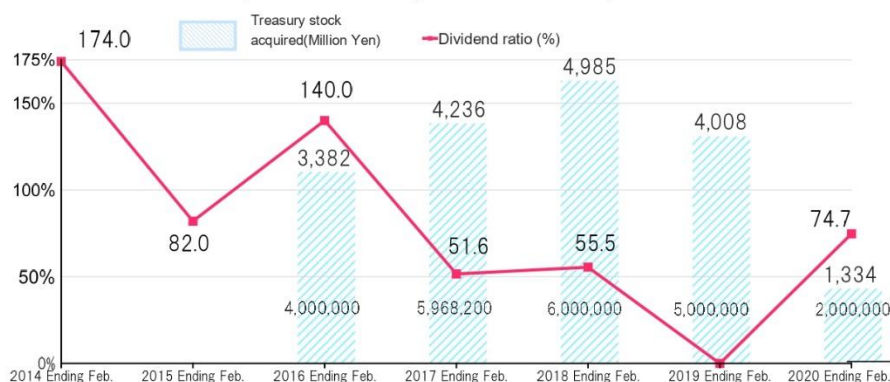
Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com

Dividend Policy

- We will disclose dividend payment during the current term as soon as we can reasonably estimate.
- We will continue to implement the acquisition of treasury shares in a flexible manner.



➤ Regarding treasury shares

Date	Number of shares	Content
1/31/2018	10,000,000	Disposition by cancellation
6/30/2020	*8,000,000 - 10,000,000	Disposition by cancellation

*8 million of the treasury shares currently owned and all of the treasury shares currently being acquired

This is the final page, page 17. It shows our policy of premium redemption to shareholders. As for the previous fiscal year, we will pay dividends as planned. However, as for the current fiscal year, we would like to withhold an announcement of dividend estimation, because it is extremely difficult to forecast the funds for the dividends. At present, we have negotiated with financial institutions and taken other such steps to ensure liquidity so that we can continue to operate, even if sales aren't generated over a long period. For the time being, there are no financing concerns.

That concludes my explanation.

[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.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

Disclaimer

SCRIPTS Asia reserves the right to edit or modify, at its sole discretion and at any time, the contents of this document and any related materials, and in such case SCRIPTS Asia shall have no obligation to provide notification of such edits or modifications to any party. This event transcript is based on sources SCRIPTS Asia believes to be reliable, but the accuracy of this transcript is not guaranteed by us and this transcript does not purport to be a complete or error-free statement or summary of the available data. Accordingly, SCRIPTS Asia does not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information contained in this event transcript. This event transcript is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal.

In the public meetings and conference calls upon which SCRIPTS Asia's event transcripts are based, companies may make projections or other forward-looking statements regarding a variety of matters. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the applicable company's most recent public securities filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are accurate and reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the anticipated outcome described in any forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE PUBLIC MEETING OR CONFERENCE CALL. ALTHOUGH SCRIPTS ASIA ENDEAVORS TO PROVIDE ACCURATE TRANSCRIPTIONS, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE TRANSCRIPTIONS. IN NO WAY DOES SCRIPTS ASIA OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BY ANY PARTY BASED UPON ANY EVENT TRANSCRIPT OR OTHER CONTENT PROVIDED BY SCRIPTS ASIA. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S PUBLIC SECURITIES FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS. THIS EVENT TRANSCRIPT IS PROVIDED ON AN "AS IS" BASIS. SCRIPTS ASIA DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, AND ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT.

None of SCRIPTS Asia's content (including event transcript content) or any part thereof may be modified, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of SCRIPTS Asia. SCRIPTS Asia's content may not be used for any unlawful or unauthorized purposes.

The content of this document may be edited or revised by SCRIPTS Asia at any time without notice.

Copyright © 2020 SCRIPTS Asia Inc. ("SCRIPTS Asia"), except where explicitly indicated otherwise. All rights reserved.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

