



TSI HOLDINGS

**TSI HOLDINGS CO., LTD.**

Q1 Financial Results Briefing for the Fiscal Year Ending February 2022

July 5, 2021

## Event Summary

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[Company Name]	TSI HOLDINGS CO., LTD.	
[Company ID]	3608-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q1 Financial Results Briefing for the Fiscal Year Ending February 2022	
[Fiscal Period]	FY2021 Q1	
[Date]	July 5, 2021	
[Number of Pages]	24	
[Time]	10:00 – 10:55 (Total: 55 minutes, Presentation: 29 minutes, Q&A: 26 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]	68	
[Number of Speakers]	3	
	Tsuyoshi Shimoji	President and CEO
	Hiroyuki Watanabe	Executive Officer, General Manager of Digital Business Department
	Kohei Yamada	Manager of Corporate Communications & Investor Relations Office

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# Presentation

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**Yamada:** Good morning. Now that it is time, I would like to start the Company's first quarter financial results briefing.

First of all, we will present the financial results briefing from Shimoji. This will last a little over 25 minutes. After that, we would like to take your questions. I know many people are familiar with Zoom, but this time we would like to hold the question-and-answer session using the platform's Q&A function.

Now, I would like to begin the presentation of the financial results briefing first from Shimoji.

## 1 Market Trends for Q1ST Results of 2022 Ending Feb.

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### Market movements are still unclear.

Amidst the prolonged Covid-19 pandemic, risks, such as states of emergency and store closures/shortening of open hours, could yet directly impact business performance

### Prospects for a gradual market recovery

Nevertheless, the effects of various measures, including the commencement of inoculation, are expected, and the economy will recover from here on.

Yet, the speed of recovery will be gradual in the apparel industry and severe environment will continue for a while.

### Our strategy

Existing management approach of just waiting the situation leads to further predicament. With this in mind, we will keep on creating a business foundation and challenging new businesses.

**Shimoji:** Hello everyone. I would like to hold the financial results briefing for the first quarter of the fiscal year ending February 2022.

Let's take a look at market trends.

At present, the outlook is still unclear. In the prolonged effects of the novel coronavirus infection, there are still risk factors that are directly linked to business results, such as the state of emergency, store closures, and shortened hours.

In the recovery, we believe that it will not be easy, but in the future, we are expecting various measures, such as the start of vaccinations, to be effective. Although the economy is definitely expected to recover in the future, the pace of market recovery in the apparel industry is fairly moderate, and we expect the severe environment to continue for the time being.

If we simply maintain a passive attitude based on existing management methods, we will face further difficulties, so we will continue to create a stronger management foundation and take on new business challenges with this in mind.

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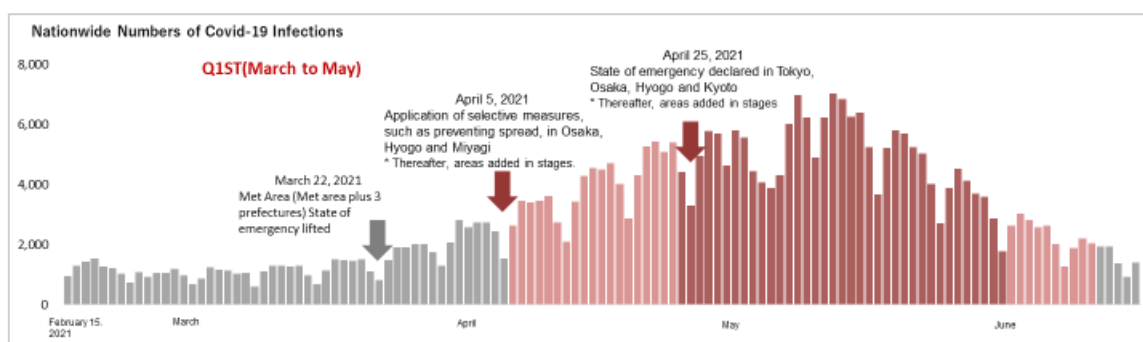
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March results were strong. After April, the effects of Covid-19 infections expanded. It gave a big impact on our management such as over 300 stores (about 30% of all stores) forced to close and most of the stores had to shorten business hours because we open stores mainly in metropolitan areas.



April 25: Emergency declared in Tokyo, Osaka, Hyogo and Kyoto ⇒ Some 30% of apparel stores closed across Japan

May 12: Aichi and Fukuoka prefectures added to state of emergency

May 16: Hokkaido, Okayama and Hiroshima prefectures added to state of emergency

May 23: Okinawa prefecture added to state of emergency ⇒ Some 10% of stores closed on weekdays, and some 20% closed on weekends

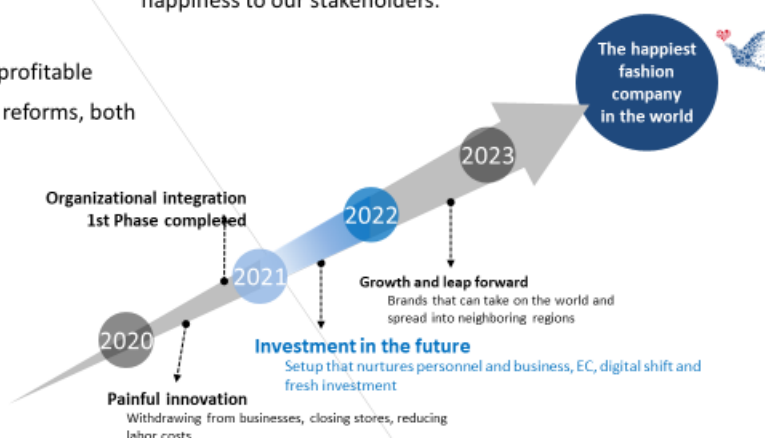
### The impact of COVID-19.

In March our results were very strong, but since April, the effects of COVID-19 expanded and more than 300 of our stores, mainly in metropolitan areas, were closed. Along with that, there were many stores that shortened business hours, so it had a great impact on us management-wise.

### What should we be doing and where should we be going right now ?

In order to keep on changing and become a profitable business entity, we have pushed ahead with reforms, both thoroughly and carefully in Q1.

We will not stagnate, but instead continue to confront our challenges in order to create new value that will bring future happiness to our stakeholders.



※ TIP24 (TSI Innovation Program 2024) is a name of in-house program in regard to structural reform and future strategy started from 2022 Ending Feb.

This makes us think about what we should be doing in this harsh environment, and where we should be aiming for?

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In order for us to evolve and continue to change, we have been carefully and thoroughly reforming in the first quarter to become a profitable corporate body despite a harsh management environment.

Having integrated management and completed the first phase, from March we have developed human resources and our businesses in a manner of investment for the future, ecommerce, digital shift, and new investments.

In order to enhance the future happiness of our stakeholders, we will continue to take on challenges without staying stagnant here in order to create new value.

## 6 Highlights of Results for Q1 of Fiscal Year Ending in February 2022

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**Under the current severe market conditions, we will make thorough withdrawals from business, and cut labor costs and selling and administration expenses (SG&A). Accumulation of detailed actions gave us to reach net sales of YoY 157.8% and operating profit of 2.27 billion yen.**



First of all, I would like to present a general report of our financial results for the first quarter.

Here are our performance highlights.

Under severe market conditions, we have thoroughly withdrawn from our business and reduced labor and SG&A expenses. We have achieved sales of 157.8% YoY and an operating income of JPY2.27 billion through the accumulation of detailed actions.

In addition, the YoY profit difference was plus JPY8.71 billion, which is a significant increase in operating income from the previous fiscal year.

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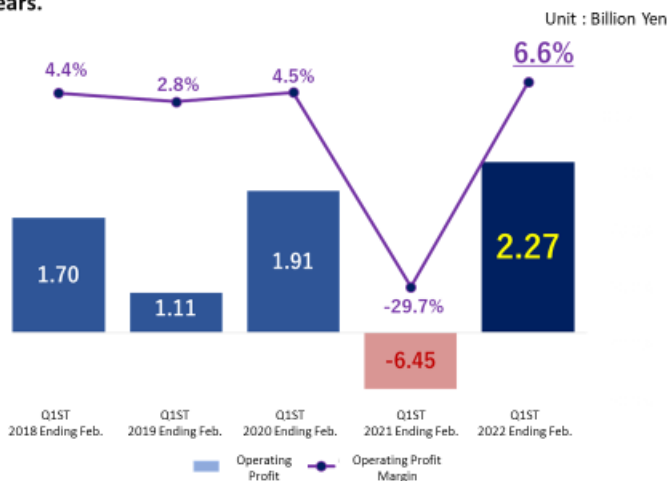
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## 7 Operating Profit Transition of 2022 Ending Feb.

What with the organizational efficiency by structural reform and what with the refinement of management control, the earnings improved. The operating performance has reached the highest profit in the last 5 years.



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### > Operating Profit

Operating profit has reached **2.27 billion** yen, a profit ratio of **6.6%** against the plan of operating profit was 1.8 billion yen, a profit ratio of 4.8%.

### > Major Factors

- ❶ Expansion of strong business such as golf, athleisure and street casual.
- ❷ Improvement of past year inventory  
→ reduction of inventory while maintaining yield.
- ❸ Suppression of purchasing and reduction of SG&A.

Next is operating profit transition.

We are improving profits by streamlining the organization through structural reforms and refining management controls. In the first quarter, we recorded the highest profit in the last 5 years.

As I mentioned earlier, operating profit is JPY2.27 billion and the profit ratio is 6.6%.

As a major factor, the Company's strong businesses such as golf, athleisure, and street casual have expanded further. Second, we have promoted selling old products at reasonable discounts. I think that we were able to sell appropriately by reducing inventory while maintaining yield. The third is the suppression of purchasing. While reducing SG&A expenses, we have been developing a system that allows us to sell firmly in a very compact purchase.

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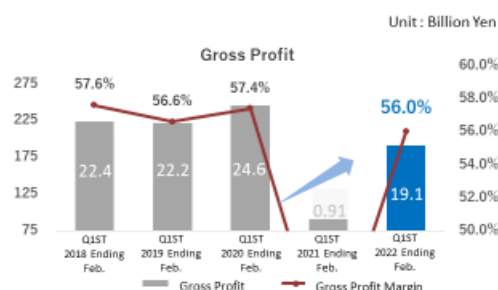
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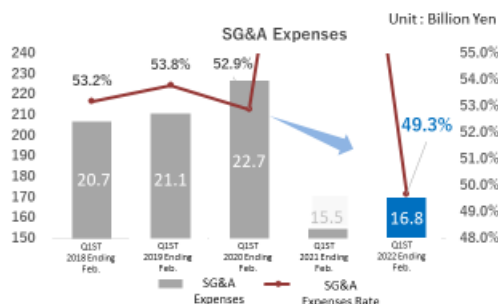
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## 8 Gross Profit/SG&A Expenses for Q1ST Results of 2022 Ending Feb.

**Gross Profit**  
**19.14Billion Yen**  
 YoY 211.4%  
 compared to year before last  
 77.8%  
 YoY Change +10.08 billion yen



**SG&A Expenses**  
**16.87Billion Yen**  
 YoY 108.8%  
 compared to year before last  
 74.3%  
 YoY Change +13.6 billion yen



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### > Gross Profit

- Purchasing was suppressed to about 82% compared to the previous quarter.
  - We promoted the sale of products which was lost sales opportunities in the previous fiscal year at a fixed price.
  - Inventory digestibility was improved owing to sales with proper yield.
- ⇒ **10 billion yen** has improved compared to last year.

### > SG&A Expenses

- Unprofitable businesses were withdrawn on the basis of structural reforms.
  - We reduced fixed costs and reviewed variable costs.
- Thorough cost reduction
- Bonuses were cut in proportion to the last business performance.
- ⇒ **5.9 billion** has improved compared to year before last.

This is the breakdown of gross profit and SG&A expenses.

Gross profit was JPY19.14 billion in the first quarter. Purchases were reduced to around 82% compared to the previous fiscal year. First of all, we promoted the sale of products that were not available for sale in the previous fiscal year at a fixed price. We sold at proper yield to improve the digestibility of our inventory. A profit improvement of JPY10 billion was made compared to last year.

Next, SG&A expenses. JPY16.87 billion. We withdrew unprofitable businesses through structural reforms, reducing fixed costs, and reviewing variable costs. Unfortunately, we have also made reductions in employee performance bonuses, and we saw an improvement by JPY5.9 billion compared to the previous year. Until now, the SG&A expense ratio has not been able to cut 50%, but with this measure, we have been able to improve to 49.3%.

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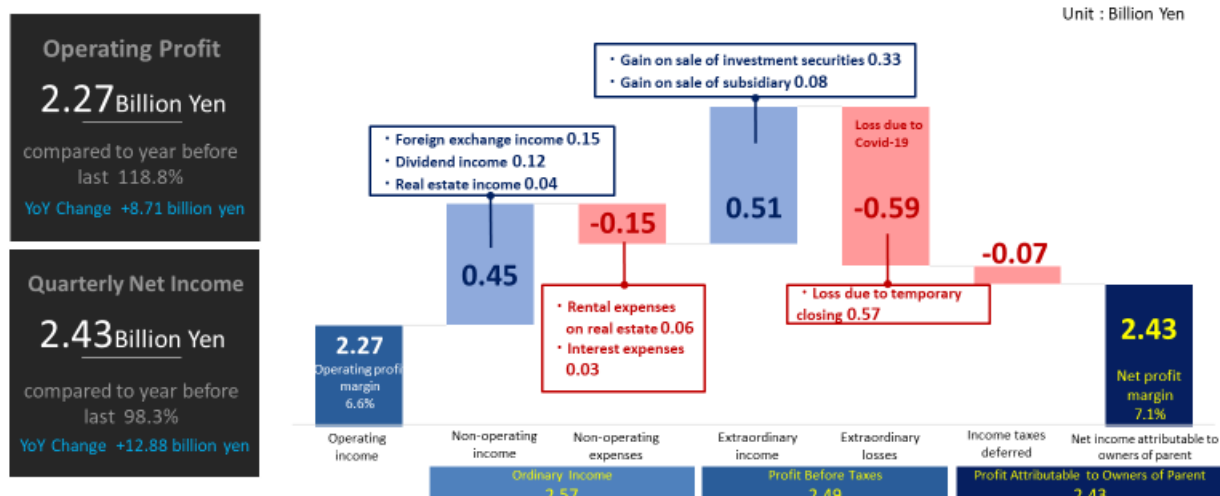
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Non-operating income is 0.45 billion yen due to foreign exchange gains, dividend income, real estate income and others.

As extraordinary income, fair sale of securities and gain on sale of businesses are 0.51 billion yen, whereas Covid-19 impact causing loss due to temporary closing is 0.59 billion yen, but quarterly net income is 2.43 billion yen, amounting to a profit margin of 7.1%.



Next, net income impact items.

Operating income was JPY450 million, due to foreign exchange gains, dividend income, real estate income, et cetera. Extraordinary income was JPY510 million, mainly due to gains on securities sales and business sales. Temporary loss due to the impact of COVID-19 was minus JPY590 million. The net profit was JPY2.43 billion with a profit margin of 7.1%

Strong brands such as golf, athleisure and street-casual drove profits.

Conversely, brands with a focus on occasion demand and brands which located in metropolitan area continued to be sluggish.

	Results	Against Plan (Change)
<b>Net Sales</b>	13.86 Billion Yen	+1.45 Billion Yen
<b>Operating Income</b>	2.04 Billion Yen	+1.41 Billion Yen

	Results	Against Plan (Change)
<b>Net Sales</b>	12.62 Billion Yen	-3.88 Billion Yen
<b>Operating Income</b>	-0.36 Billion Yen	-1.08 Billion Yen

※ These data are based on excerpting some of our main businesses.

**Strong businesses are pillars of profit.**

Next we will report on the business situation in the first quarter.

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This is operating income, revenue structure by segment.

Strong brands such as golf, athleisure, and street-casual drove profits. On the other hand, the demand for occasions, commuter clothes, and urban brands are still in a harsh environment.

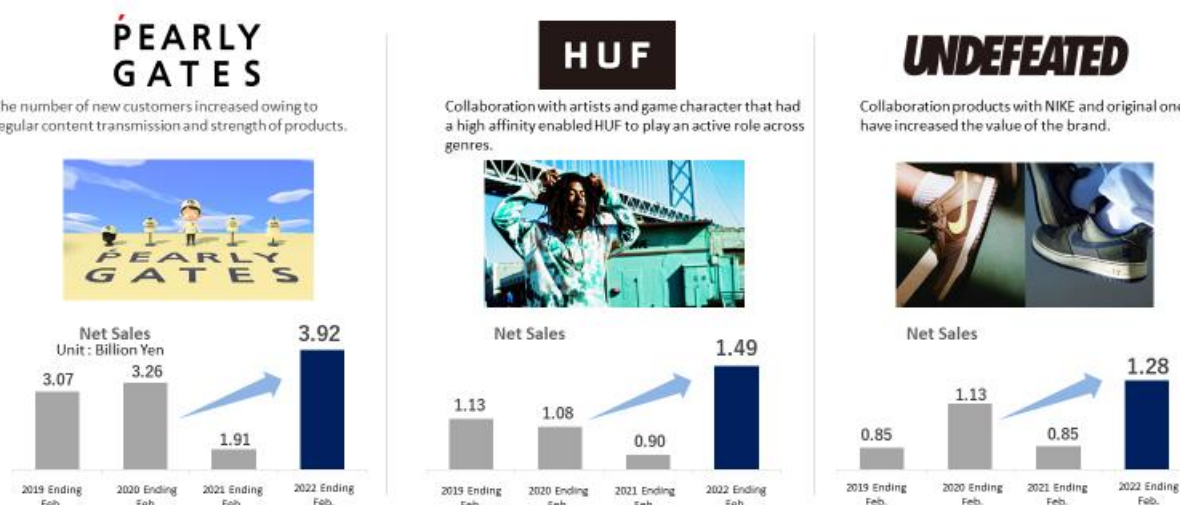
Looking at the performance of golf, street-casual, and athleisure, sales increased to JPY13.86 billion and operating income of JPY2.04 billion. In addition, other occasion select and sluggish brands have actual sales of JPY12.62 billion and an operating income of minus JPY360 million.

As you can see from this, strong businesses are the key to earnings in Company-wide profits.

## 12 Initiatives in Strong Business Domains of Golf, Athleisure and Street

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**The brands with uniqueness and high customer engagement were very strong. Sales of 3 brands have grown significantly compared to the year before last and drove profits.**



We will explain operating income and strong businesses.

Brands with uniqueness and high customer engagement are doing very well. All 3 brands have experienced significant sales growth compared to the year before last, driving the Company's performance. The brands that are very strong are "PEARLY GATES", "HU" F and "UNDEFEATED", businesses related to athleisure, street-casual and outdoors, so please take a look at the number graphs.

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**We will send out new customer value without stagnating by creating new brands and fusing music, art and culture.**

### MARGARET HOWELL



Exhibition to mark 50<sup>th</sup> anniversary

The exhibition that looks back on the firm trajectory of manufacturing for 50 years. It was exhibited a wealth of materials that were rarely published with MARGARET HOWELL's own comment.

### hueLe Museum



TV CM of "Nozomi Iijima x Harami-chan" shown for the first time

New brand named "hueLe Museum" started on this March made TV CM for the first time. A unique collaboration between Nozomi Iijima who is a world-class ballet dancer and Harami-chan of a pop pianist got a hot topic.

### ROSE BUD



Debut of new brand [mag.by.c]

New store brand has launched. It proposes items that can be a favorite in customer's wardrobe without being too caught up in trends.

We will explain new initiatives in other domains.

We want to create new brands, merge music, art, and culture, and avoid stagnation by continuing to create new customer value.

"MARGARET HOWELL" held exhibitions in Tokyo's Daikanyama and Kyoto for the 50th anniversary of its establishment. It's the 50th year the brand has been supported by its customers, and more than 3,000 customers enjoyed it.

In addition, "hueLe Museum" has created TV advertisements as a new business development, and "ROSE BUD" debuted a new brand, "mag.by c".

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While shrinking compared to year before last, 9.6% of domestic business came from department stores and 41.8% from non-department stores (flagship shops and street-level stores), whereas EC channels and non-apparel products found solidity. Meanwhile, in overseas business, sales in the USA and Europe compensated for withdrawals and shifted to a regrowth phase.

		Cumulative Q1ST 2020 Ending Feb.	Cumulative Q1ST 2021 Ending Feb.	Cumulative Q1ST 2022 Ending Feb.	Growth by channel	
					compared to year before last (%)	YoY (%)
Do mes tic	Department Stores	<b>6.02 Billion Yen</b> (Composition Rate (%) : 14.0)	<b>1.75 Billion Yen</b> (Composition Rate (%) : 8.1)	<b>3.30 Billion Yen</b> Composition Rate (%) : 9.6	<b>54.8</b>	<b>188.3</b>
	Commercial Facilities(*1)	<b>22.51 Billion Yen</b> (Composition Rate (%) : 52.5)	<b>7.03 Billion Yen</b> (Composition Rate (%) : 32.4)	<b>14.31 Billion Yen</b> Composition Rate (%) : 41.8	<b>63.6</b>	<b>203.3</b>
	E-Commerce	<b>7.95 Billion Yen</b> (Domestic E-Commerce ratio(%) : 21.8)	<b>9.18 Billion Yen</b> (Domestic E-Commerce ratio(%) : 51.1)	<b>9.48 Billion Yen</b> Domestic E-Commerce ratio(%) : 35.0	<b>119.3</b>	<b>103.3</b>
Domestic Others(*2)		<b>4.22 Billion Yen</b> (Composition Rate (%) : 9.8)	<b>2.51 Billion Yen</b> (Composition Rate (%) : 11.6)	<b>4.93 Billion Yen</b> Composition Rate (%) : 14.4	<b>116.9</b>	<b>196.6</b>
Overseas(*3)		<b>2.18 Billion Yen</b> (Composition Rate (%) : 5.1)	<b>1.21 Billion Yen</b> (Composition Rate (%) : 5.6)	<b>2.19 Billion Yen</b> Composition Rate (%) : 6.4	<b>100.3</b>	<b>181.2</b>

\*1 Fashion buildings, shopping centers, railroad station buildings, individual stores, outlet shops etc. except for department stores.

\*2 Apparel businesses such as wholesale, intercompany sales and non-apparel businesses of the group companies.

\*3 Results of Efuego Corp., which operates EC sites centering on Tactics.com in the U.S. is to be consolidated from the second quarter of 2021 and onward. The results are recorded in overseas sales.

We will now report on the business situation by channel.

Here are sales trends by channel.

The composition ratio of sales for department stores was 9.6% and commercial non-department stores was 41.8%, shrinking compared to last year and year before last, while the ecommerce channels and businesses other than apparel have been firm. On the other hand, in the overseas business, sales in the US and Europe compensated for the withdrawal and shifted to the phase of regrowth.

First of all, please take a look at the sales of department stores, at JPY6 billion in the fiscal year ended February 2020. At this stage, it is JPY3.3 billion for the fiscal year ending February 2022. Besides department stores, sales reached JPY22.5 billion in 2020 and JPY14.3 billion in the fiscal year ending February 2022, and ecommerce sales have grown to JPY9.4 billion in the fiscal year ending February 2022, compared to JPY7.95 billion in the year before last.

In addition, we are growing very effectively both overseas and in domestic others. Overseas, the profit margin has increased significantly, although sales is about same level as last year at JPY2.1 billion. Overall sales have fallen, but you can see that the content has improved significantly, the earnings structure has improved, and contributed increasing this operating income.

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In EC business, we focused on EC sales to take growth to 205.9% compared to year before last.

Overseas EC is charging hard thanks to “TACTICS” in USA and “MARGARET HOWELL” in Europe predicting that the battle on Covid-19 is being won.

For the first time in Q1, EC sales exceeded 10 billion yen.

	Cumulative Q1ST 2020 Ending Feb.	Cumulative Q1ST 2021 Ending Feb.	Cumulative Q1ST 2022 Ending Feb.	compared to year before last (%)	YoY (%)
<b>Domestic E-Commerce (ratio(%)) ※ 1</b>	<b>7.95 Billion Yen</b> (21.8)	<b>9.18 Billion Yen</b> (51.1)	<b>9.48 Billion Yen</b> (35.0)	<b>119.3</b> (+13.2pt)	<b>103.3</b> (-16.1pt)
<b>In-house EC (ratio(%))</b>	<b>2.16 Billion Yen</b> (27.1)	<b>3.89 Billion Yen</b> (42.3)	<b>4.44 Billion Yen</b> (46.8)	<b>205.9</b> (+19.7pt)	<b>114.3</b> (+ 4.5pt)
<b>Overseas E-Commerce (ratio(%)) ※ 2</b>	<b>0.11 Billion Yen</b> (5.1)	<b>0.19 Billion Yen</b> (16.0)	<b>0.86 Billion Yen</b> (39.4)	<b>769.6</b> (+34.3pt)	<b>446.6</b> (+23.4pt)
<b>E-Commerce TOTAL (ratio(%))※ 1</b>	<b>8.06 Billion Yen</b> (20.9)	<b>9.37 Billion Yen</b> (48.9)	<b>10.35 Billion Yen</b> (35.3)	<b>128.4</b> (+14.5pt)	<b>110.4</b> (-13.6pt)

※ 1 Domestic E-Commerce ratio excluding domestic and other sales (wholesale, company sales, etc.)

※ 2 Results of Efuego Corp. which operates EC sites centering on Tactics.com in the U.S. is to be consolidated from the second quarter of 2021 and onward. The results are recorded in overseas sales.

Next is ecommerce.

In particular, ecommerce is moving in a good direction, because we focused on in-house ecommerce. Sales are at 205.9% compared to the year before last. Overseas ecommerce was strong, and the US’s “TACTICS” and Europe’s “MARGARET HOWELL” are responding well to the forecasted end of COVID-19. In the first quarter, the first ecommerce sales exceeded JPY10 billion, so we would like to take this as an opportunity for things to take a positive turn.

## 17 Strengthening Approaches to New Hands-on Experiences, Services & OMO

### Benefits and improvements from digitalizing the work of shop staff



### Strengthening staff coordination content

#### You can always meet the staff you want to.

The number of posts and contents is up 311% compared to Q4 of previous FY – so, next, we will strengthen our sales platform.

### Expansion of online customer service

#### You can consult anytime, anywhere.

CVR via online customer service is about 30 times more than Normal EC. Depending on the brand, it accounts for 15% of our EC sales.



I would like to explain about the benefits and improvements from digitalizing the work of shop staff.

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First of all, we are strengthening staff coordination content. With 311% of posts compared to the previous quarter, we have expanded our content and are able to greatly strengthen our future sales base.

Also, we expanded our online customer service. The conversion rate of customers via online customer service is about 30 times or more compared to regular ecommerce, so it has grown to be carry some weight. For “MARGARET HOWELL” and other brands that have a particularly high customer rates, it has grown to account for about 15% of our ecommerce sales.


## 18 Strengthening Approaches to New Hands-on Experiences, Services & OMO

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### nano universe's style of DX efforts


Store evolution by utilizing digital.

#### Scoring Ability of Shop Staff



We are scoring staff ability in order to be able to give guidance to staff to help them develop. In this way, we will bring about change in the behavior of shop staff.

#### Directing customers from EC to stores and strengthening engagement



It's a service that reserves fittings at stores on EC. 55% of customers who applied for the fitting reservation service actually got customer service at the store. 80% of those customers bought after trying it on.

Continuing with new experiences, I would like to first introduce nano universe's style of DX efforts.

First of all, we score the ability of sales staff and are trying to encourage more activity among the sales staff.

In addition, we are strengthening customer engagement and directing customers from ecommerce to stores. This mean that when customers make a reservation for a fitting at a store, sales staff can prepare for the products according to their customers preference at the store, and then sell the set. It is a service that can provide fun and enjoyment to the store visit by encouraging customers to see more than just what they were looking for.

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## Solving problems with fashion and technology

Developing products that benefit both the environment and customers



### Proposing ethical fashion using digital technology

"FLOML" collaborates with Shimaai Farm on Ishigaki-jima island to come up with ideas on natural plant dyeing, on the assumption that designs will be re-dyed after a few years. By using 3D data images when selling it, processes such as sample production are minimized. The sales method is also eco-friendly.



Orders received by "CLO" 3D data



### Challenge to control global warming

Collaboration between "SONY" and "PEARLY GATES" PEARLY GATES released a product compatible with the wearable thermo device "REON POCKET 2" from July 1st. By eliminating waste of air conditioning energy, we will help global warming.



I will talk about our environmentally friendly initiatives.

I will first report on the problem solving through fashion and technology.

We propose ethical manufacturing using digital technology. The brand "FLOML" will collaborate with a farm on Ishigaki island to propose natural plant dyes for dyeing. First, we make a design and wear it as white for a few years, and then dye it again. At that time, we will create 3D graphic data, re-proposing the dye, and then actually dye the product according to the customer's request and handing it back over. This way, the product is further reused.

Next is the challenge of curbing global warming. "SONY" and "PEARLY GATES" collaborated to create a wearable thermo device, which is compatible with "REON POCKET2". Since this was released on July 1, I would like everyone to buy it and experience temperature control so you can comfortably spend time both outside and inside. By suppressing the usage of energy for air conditioning, we hope to fight global warming.

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**Creator's responsibility****Reborn what is thrown away for future global environment.****Reusing waste ingredients for fashion**

"Human woman" uses FOOD TEXTILE of natural dyes that are made from thrown away ingredients, such as vegetable scraps.

**Environmentally Friendly Initiatives  
Improvement of soil and water quality**

The 100% cotton items in the "NATURAL BEAUTY BASIC" lineup have been changed to organic cotton 28 product number, switching over 30% of cut & sewn garments.



Next, the creator's responsibility. Reborn what is thrown away. We are make good choices for the future global environment.

Reusing discarded ingredients for fashion. This uses discarded foods to create a natural dye, and the products are dyed and made.

In addition, in addressing environmental issues and improving soil and water quality, "NATURAL BEAUTY BASIC" has switched 30% of its 100% cotton products to organic cotton.

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**Aiming to reduce CO2 throughout the supply chain**

Formed a sustainable project team, we will do our utmost to improve the internal environment that supports our business.



We aim to reduce CO2 emissions throughout the supply chain.

First, reduce plastic by reusing hangers. This is an idea that will start full-scale operation from this fiscal year, and by constantly reusing 5 million hangers for delivery, we will drastically reduce disposal.

In addition, we will reduce CO2 emissions by streamlining materials. By narrowing down the number of cardboard box models used in delivery to less than half and centrally managing the cardboard made by each operating company, we are working to reduce costs, reduce space, and reduce the environmental burden during production by consolidating.

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## 24 Balance sheet and Future Investment Strategies

The financial situation continues to be sound.

By activating investment in digital transformation (DX) infrastructure and new areas of business development, we will make effective use of funds .

Unit: Million Yen

	Cumulative Q1ST 2021 Ending Feb.		FY Ending Feb. 2021		Cumulative Q1ST 2022 Ending Feb.					
	Results	Composition Rate (%)	Results	Composition Rate (%)	Results	Composition Rate (%)	Y/Y Change	Y/Y (%)	Q1/Q4 Change	Q1/Q4 (%)
<b>Current Assets</b>	67,865	43.2	82,714	53.4	76,430	51.5	8,565	112.6	-6,284	92.4
(of Cash and Deposits)	25,681	16.3	49,871	32.2	42,817	28.9	17,136	166.7	-7,054	85.9
(of which, Inventory)	27,159	17.3	18,400	11.9	18,793	12.7	-8,366	69.2	393	102.1
<b>Non-current Assets</b>	89,278	56.8	72,237	46.6	71,899	48.5	-17,379	80.5	-338	99.5
(of Investment Securities)	25,724	16.4	28,873	18.6	29,440	19.8	3,716	114.4	567	102.0
(of Investment Real estate)	16,587	10.6	4,980	3.2	4,974	3.4	-11,613	30.0	-6	99.9
<b>Total Assets</b>	157,143	100.0	154,951	100.0	148,329	100.0	-8,814	94.4	-6,622	95.7
<b>Current Liabilities</b>	46,223	29.4	26,970	23.2	28,357	19.1	-17,866	61.3	-7,613	78.8
(of Short-term borrowings)	14,595	9.3	152	0.1	153	0.1	-14,442	1.0	1	100.5
(of Current portion of long-term borrowings)	8,878	5.6	8,915	5.8	8,699	5.9	-179	98.0	-216	97.6
<b>Non-current Liabilities</b>	29,577	18.8	21,551	13.9	19,624	13.2	-9,953	66.3	-1,927	91.1
(of Long-term borrowings)	23,046	14.7	16,082	10.4	14,390	9.7	-8,656	62.4	-1,692	89.5
<b>Total Liabilities</b>	75,799	48.2	57,521	37.1	47,981	32.3	-27,819	63.3	-9,540	83.4
<b>Total Net Assets</b>	81,344	51.8	97,430	62.9	100,348	67.7	19,004	123.4	2,918	103.0
<b>Total Liabilities and Net Assets</b>	157,143	100.0	154,951	100.0	148,329	100.0	-8,814	94.4	-6,622	95.7

### > Cash & Deposits

- 30 to 35 billion yen, which is the appropriate level of cash on hand under the corona wreck has been properly secured, so we will identify areas of market growth and invest.

※ The reason why cash and deposits decreased is mainly due to payment of corporate tax of 2 billion yen and repayment of long-term borrowings of 1.7 billion yen.

### > Inventory

- By prioritizing the digestion of inventories from previous years, purchasing was curtailed and inventories were significantly reduced.
- Inventories were suppressed to about 69.2% compared to the previous quarter and improved 8.3 billion yen.

### > Loans

We will maintain the short-term line of credit of 15 billion yen as unused balance.

### > Capital adequacy ratio

- Capital adequacy ratio of 67%

We will report on the balance sheet and future investment strategies.

Our financial position remains in a healthy state. We will revitalize investments for DX infrastructure and new areas of business development. We will make effective use of our funds.

With regard to cash and deposits, we have secured JPY30 billion to JPY35 billion in appropriate cash on hand due to the pandemic without any problem, and we would like to implement investments while assessing market growth.

With regard to inventories, we were able to significantly reduce inventories based on purchase curtailing and prioritizing old product digestion. With regard to inventories, they were at 69.2% compared to the previous fiscal year and improved JPY8.3 billion in value YoY.

With regard to loans, we have maintained a short-term line of credit of JPY15 billion as unused balance, so we believe that there is sufficient leeway for future investments.

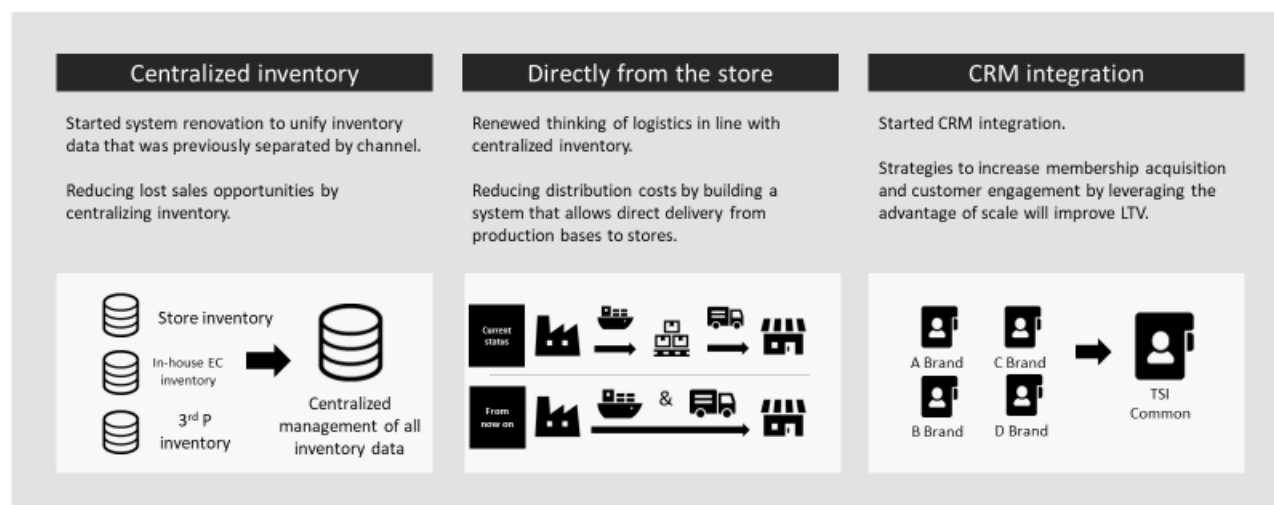
We have a capital adequacy ratio of 67%, and we will make strategic use of it in the future.

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**Strengthen SCM and CRM through digital investment.****We will increase profitability to deal with discontinuous markets.**

Next is our investment strategy from here on.

We will strengthen SCM and CRM through digital investments. Our idea is to increase profitability to deal with discontinuous markets. We would like to think of centralizing our inventory, direct store sending, and CRM integration as our 3 major pillars.

When it comes to inventory centralization, we started a system to unify inventory data that was separated by channel.

With regard to direct delivery from stores, we will also reduce logistics costs by simplifying logistics in line with the centralized inventory, and by sending them from factories and shipping destinations directly to stores. We're going to transfer that to digital management.

We will start integrating CRM, but we will consider the acquisition of members and increasing customer engagement by utilizing the scale of the entire Group as a strategy, and we will further improve lifetime value.

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## Rethinking Global Strategy

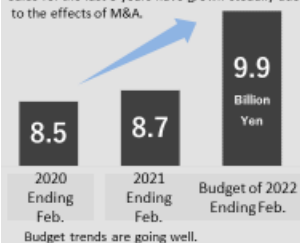
We will revise the strategy to be globally accepted and try it again.

Due to the influence of Covid-19, globalization was suddenly braked.

As some overseas countries are getting the glimpse of after-corona mood, We will review our global strategy again.

## Overseas Sales

Sales for the last 3 years have grown steadily due to the effects of M&A.



We will rethink our global strategy. We will revise our global strategy and try it again.

With regard to overseas sales, sales in the last 3 years have been growing steadily due to the effects of M&A. In the fiscal year ended February 2020, the Company's total was JPY8.5 billion. This will be JPY9.9 billion in the fiscal year ending February 2022, and we expect it to grow very effectively. In addition, the profit structure has become very promising, so the Group as a whole is increasing its contribution.

Looking at the right side, "HUF", which was acquired, is rebuilding well. This is also expected to be profitable this fiscal year. We will put out our utmost efforts.

With regard to "TACTICS", EC is expanding very much, and we are currently working with the US to think about how to develop this brand itself in Japan.

Next, in the golf segment, which is performing well, we would like to expand into Hawaii and wholesale in the United States.

In addition, in the EU, we are considering the re-growth of "MARGARET HOWELL" and expansion including wholesale and cross-border ecommerce in Europe of "and Wander", which is a subsidiary under our own brand.

In addition, as for our business in China, we would like to change the functions of subsidiaries, and focus on ecommerce and procurement. In addition, as we should rethink strategy in ASEAN owing to withdrawal of

TSI-ASIA .

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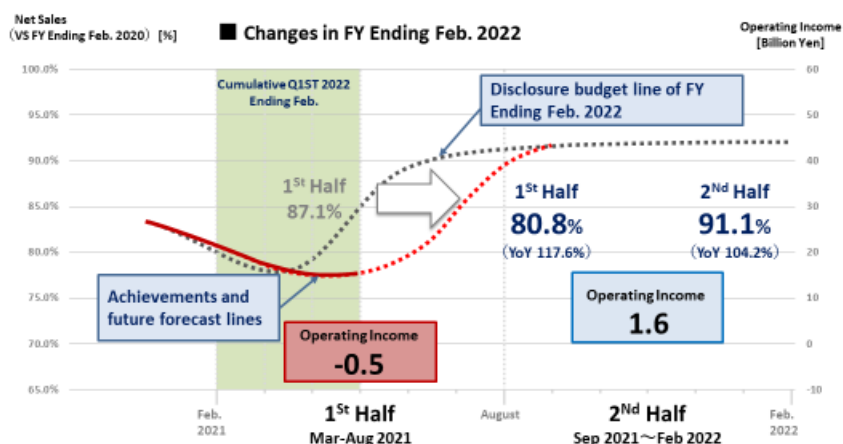
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## 28 Sales Performance and Forecast for Future

As the state of emergency remained in place longer than expected, the sales forecast for the first half of the FY is down from 87.1% to 80.8% compared to year before last. Nevertheless, Q1 got off to a good start thanks to the improvement in gross profit margin and restraint in SG&A expenses. Hence, **we expect to achieve operating profit in the first half of the FY.**



TSI HOLDINGS

Full-year sales budget  
(compared to year before last)

**89.6%**



Full-year sales forecast  
compared to year before last

**86.6%**

YoY 109.8%

Full-year operating income  
budget

**1.1Billion Yen**

I would like to report on our full-year forecasts.

The state of emergency was prolonged and has had a very big impact. Under these developments, sales recovered more slowly than expected. Though we planned the sales down would 87.1% compared to year before last, The results were 80.8%. However, we got off to a good start in the first quarter as a result of better gross profit and reduced SG&A expenses. For this reason, we expect to achieve operating profit in line with the disclosure budget.

First of all, although the top line is lower, we will recover toward the second half of the fiscal year, so we will aim to achieve our full-year operating income budget.

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Q2 tends to spit out profits since it is mainly discount-season and off-season.  
 Though we are supposed to make a complete transition to a profitable business model, it will take more times.  
 Therefore, we expect an operating income budget of -500 million yen in the first half by conducting the same polite management as in Q1

	Q1 Budget	Q1 Results	First Half Expectation
<b>Net Sales</b>	37.00 Billion Yen	34.21 Billion Yen	71.30 Billion Yen
<b>Gross Profit</b>	21.00 Billion Yen (Composition ratio: 55.9%)	19.14 Billion Yen (Composition ratio: 56.0%)	38.00 Billion Yen (Composition ratio: 53.3%)
<b>SG&amp;A Expenses</b>	19.20 Billion Yen (Composition ratio: 51.1%)	16.87 Billion Yen (Composition ratio: 49.3%)	38.50 Billion Yen (Composition ratio: 54.0%)
<b>Operating Profit</b>	1.80 Billion Yen (Profit margin: 4.8%)	2.27 Billion Yen (Profit margin: 6.6%)	-0.50 Billion Yen (Profit margin: -%)

This is the forecast for the first half of the fiscal year.

The second quarter is mainly about the discount season and the off-season period. Therefore, since it will be time to try to spit out profits by all means, it is amid a deficit budget. In order to change the current situation that has continued for many years, we are moving to a situation where we will reduce sales while strengthening profitable sales and reduce discount rates.

However, there are still some things that are likely to take more time. After all, we are preparing to shift the current business and creating a flow of it. As in the first quarter, we will continue to carefully manage, and we expect to achieve this with an operating profit budget of minus JPY500 million in the first half.

Of course, we hope you understand that we will take the greatest action to achieve a surplus.

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**We will improve the soundness of the business with a precise management controlling.**

**Besides, we will achieve advanced business through supply chain reform, digital store development, new services, new content development, etc.**

**We will start activities to create new businesses without staying in this market.**

Now, I will talk about Our WILL.

We will continue to improve the soundness of our business through precise management controlling. We will realize business evolution through supply chain reforms, digital store development, new services, and new content development.

In addition, we will continue to speed up our activities to create new businesses without staying in this market environment.

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## Striving to be the happiest fashion company in the world.

Becoming a company that creates  
**happiness** for our shareholders,  
customers, society and employees.



Based on this, we aim to be the happiest fashion company in the world.

Anyway, since there are products and it is our business with people, we will carefully make products one by one, create shops, nurture people, and operate businesses that can become the most beloved brands and companies, so please keep supporting us in the future.

Thank you very much.

[END]

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1. Portions of the document where the audio is unclear are marked with [Inaudible].
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