TSI HOLDINGS

TSI HOLDINGS CO., LTD.

Q2 Financial Results Briefing for the Fiscal Year Ending February 2022

October 6, 2021

Event Summary

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[Participants]	64
[Number of Speakers]	2 Tsuyoshi Shimoji — President and CEO Norihiro Ishihara — Manager of Corporate Strategy

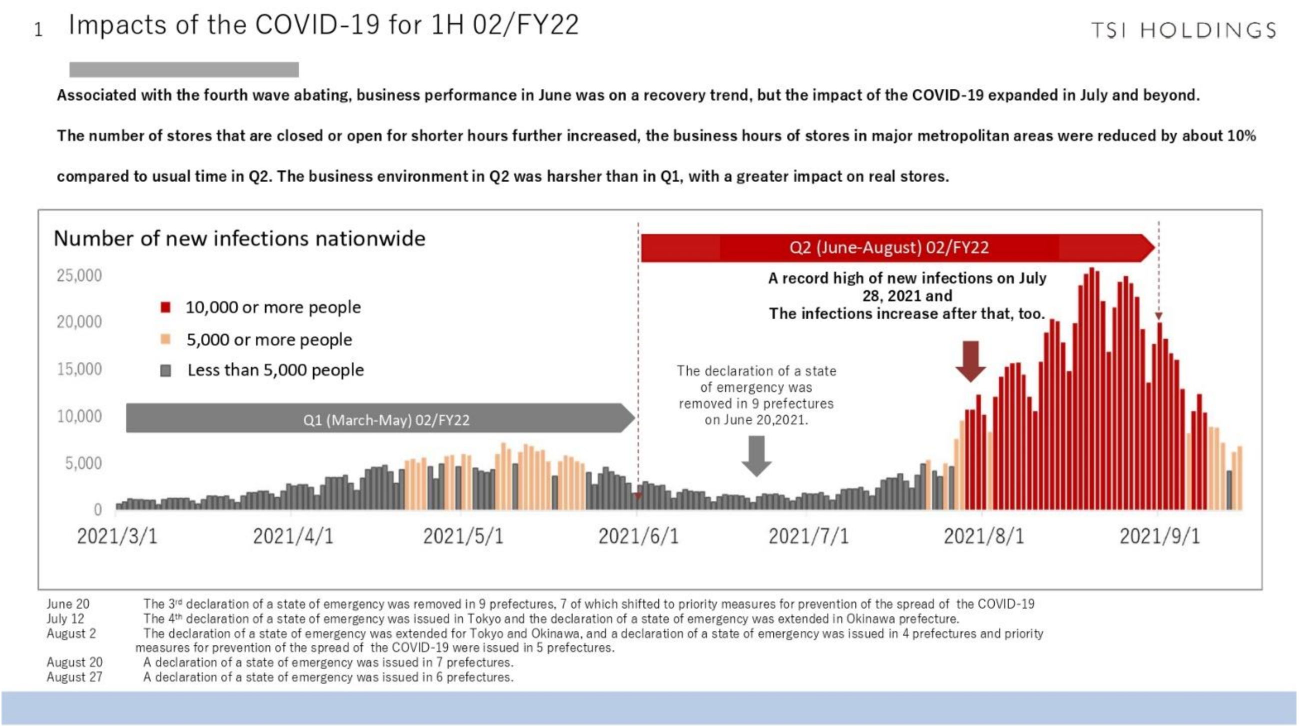
Presentation

Moderator: Good morning. Thank you very much for participating in our financial results briefing today. I would now like to hold a briefing session on the financial results for the 2Q based on the financial statements released yesterday.

First, President and CEO Shimoji will explain the presentation materials that we have prepared, followed by a question-and-answer session.

President Shimoji, thank you very much for your time.

Shimoji: Thank you all for your continued support. We will now hold a briefing on the financial results for the first half of the FY2022.



Now, let me explain the impact of the coronavirus on the market and the state of our business.

In June, the emergency declaration had been lifted, so we were on a slight recovery trend, but from July onward, the emergency declaration was resumed. Thus, the business environment was greatly affected by the coronavirus.

As you can see in the graph, the number of patients per day exceeded 25,000 in August due to the restrictions on the flow of people caused by the Olympics. Naturally, the number of stores that are either closed or open on shortened hours has further expanded, and stores in major metropolitan areas have seen their business hours decrease by about 10%. In the first half of the year, the total sales increased by about 115% compared to the previous year, but in August, the single month sales rate was 82.8%. The business environment has become severe.

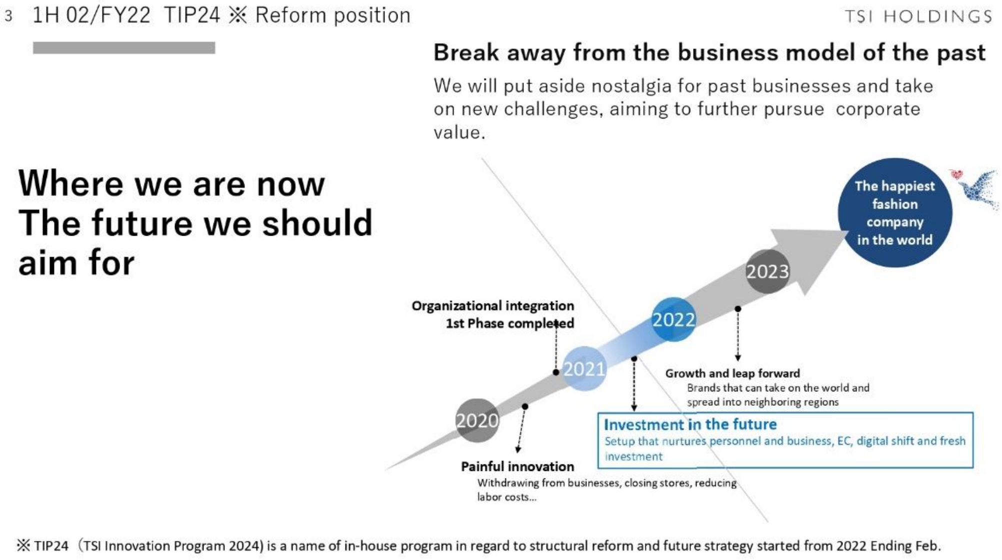
This will be the review of the first half.

As long as this market condition continues, we are aware that there is no excuse for not generating sales because of the coronavirus.

In the first half of the year, we faced an extremely difficult environment, but we are moving forward with reforms that emphasize thorough agility, saying goodbye to the conventional wisdom in everything from management to store floor operations.

As I will explain later, I believe that we have achieved certain numerical results that we should aim for in the first half of this fiscal year.

As for the future, the business model of mass-producing clothing in quantities that are not required by the market, while putting a burden on the environment, and then selling the remaining items at reduced prices, cannot be a sustainable business. In order to break away from this, we are trying to shift to a highly profitable structure that does not require discounting or excess inventory.



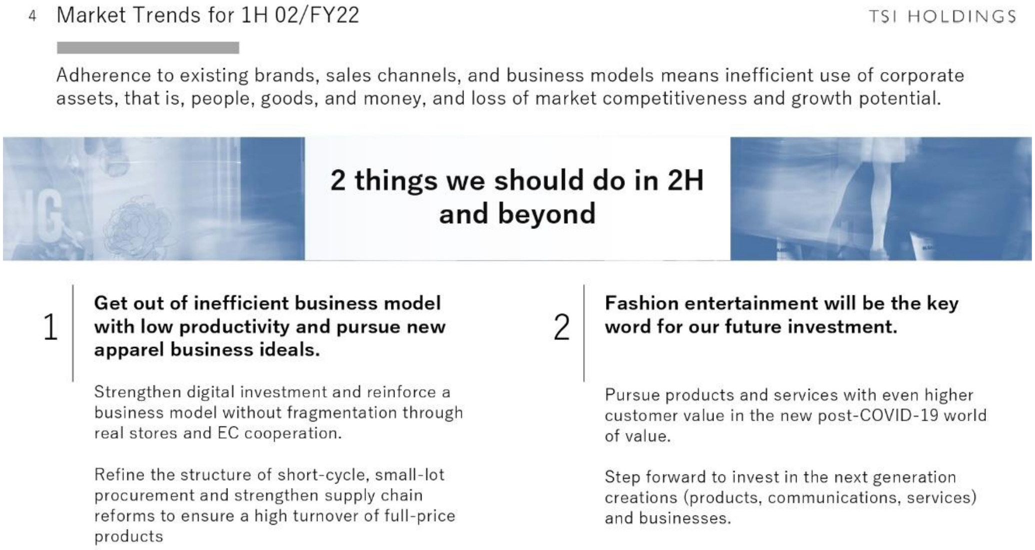
Next, let me explain the reform position of TIP24.

TIP24 is the name of the internal program for structural reform and future strategy that was launched in FY2021. The diagram illustrates where we are now and where we want to be in the future.

The blue area in the middle of the arrow represents our current position. As we have reported in the past, we have carried out painful reforms in the previous fiscal year. We withdrew from business, withdrew from stores, and firmly implemented personnel cost reductions.

In the current fiscal year, we are entering the phase of investing in the future. We will be making new investments, including in human resources and business development systems, EC, and the digital shift, and from the second half of the fiscal year, we will be saying goodbye to our past business model.

As I mentioned earlier, we will aim to pursue corporate value, including brand value, by producing unique products in appropriate quantities, rather than mass-producing and consuming products. We recognize that this will be our mission, and we will proceed with this reform program with the hope that we will ultimately be the happiest fashion company in the world.



Next, I would like to explain our mission for the future.

We believe that attachment and adherence to existing brands, sales channels, and business models mean that corporate assets; people, goods, and money; will be laid down inefficiently and that we will lose market competitiveness and growth potential.

With this in mind, here are 2 things we should do in the second half of the year.

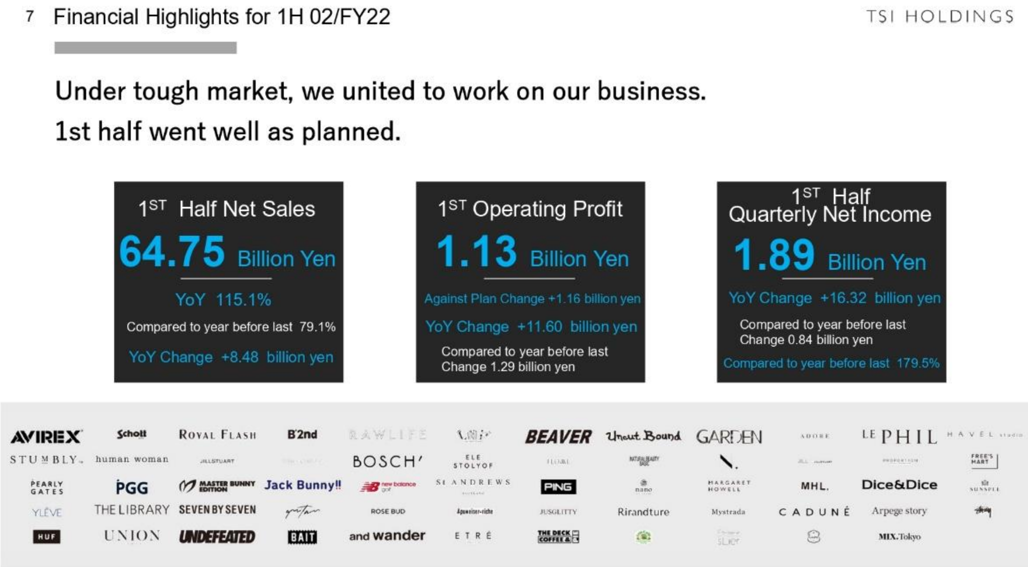
The first is to get rid of inefficient business models with low productivity. We will then pursue the ideal of the apparel business.

In other words, by further strengthening OMO, we will reinforce a business model that is undivided among customers, stores, and EC, and create a system that eliminates barriers and allows us to make presentations and proposals for customers in various places. In this context, we will continue to refine the system by using short cycles, small lots, and our own factories for production, to achieve a high-digestion system for non-discounted products. By doing so, we will strengthen the reform of our supply chain.

It also means that we will use the power of digital to shorten the supply chain as much as possible, minimize risk, and maximize the use of capital.

Secondly for us, fashion entertainment will be the key word for future investment in the TSI Group.

Aligned to the new values of the post-coronavirus era, we will pursue exciting products and services with even higher customer value. In the future, we will aggressively invest in businesses that will create new creations for the next generation.

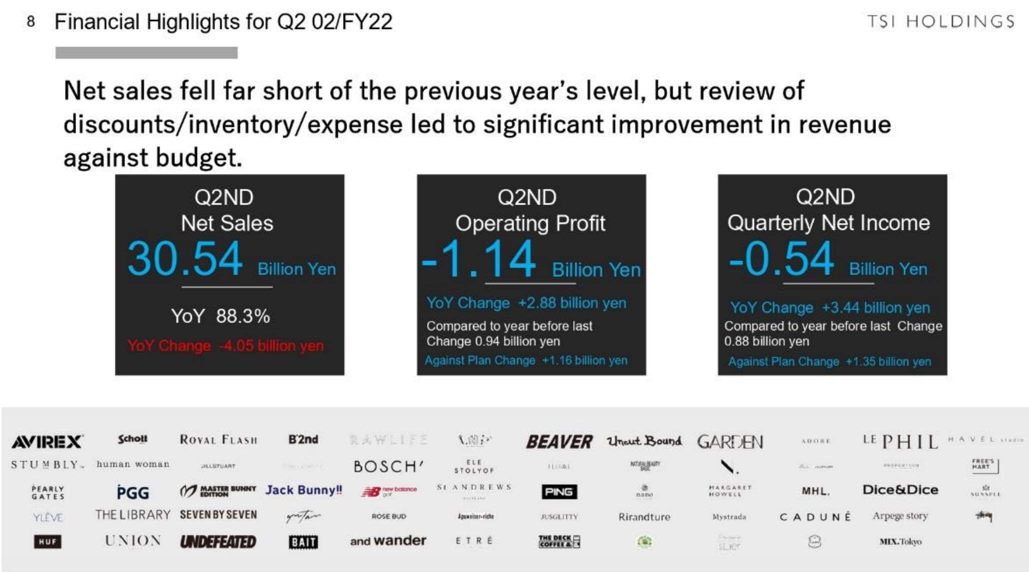


I would like to report on the financial results of the first half.

Financial Highlights.

Sales for the first half were JPY64.75 billion, 115% of the previous year's level, or up JPY8.48 billion from the previous year. Operating income for the first half was JPY1.13 billion, up JPY1.63 billion from the plan, and up JPY11.6 billion from the previous year. Net income for the first half was JPY1.89 billion, up JPY16.3 billion from the previous year, or 179% compared to the fiscal year before the previous one.

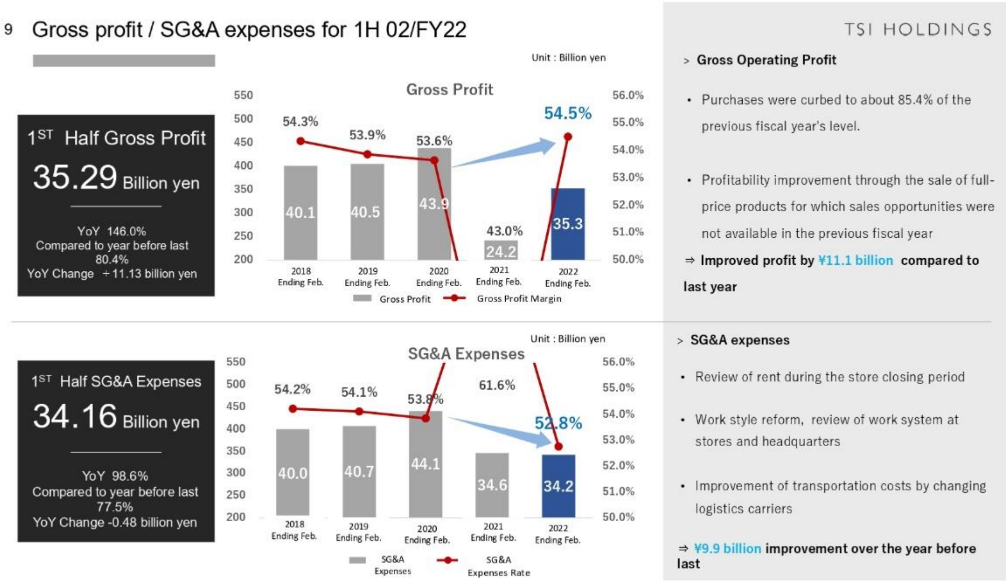
Although the market conditions were very severe, all the employees of the Group worked together on the business, and I believe that we were able to deliver solid results against the plan in the first half. On top of that, we were able to achieve operating income of JPY1.13 billion.



I would like to report the highlights of our non-consolidated business results for the 2Q.

Sales for the 2Q totaled JPY30.54 billion, a decrease of JPY4.05 billion from the previous quarter. Operating income for the 2Q was minus JPY1.14 billion, up JPY2.88 billion from the previous quarter, and up JPY1.16 billion from the plan. Net income for the 2Q was a minus JPY540 million, up JPY3.44 billion from the previous year, and up JPY1.35 billion from the plan.

Although sales fell far short of the previous year's level by JPY4.05 billion, we were able to make a significant improvement in profitability by reducing the deficit in the 2Q through a comprehensive review of price discounts, inventory, and expenses.



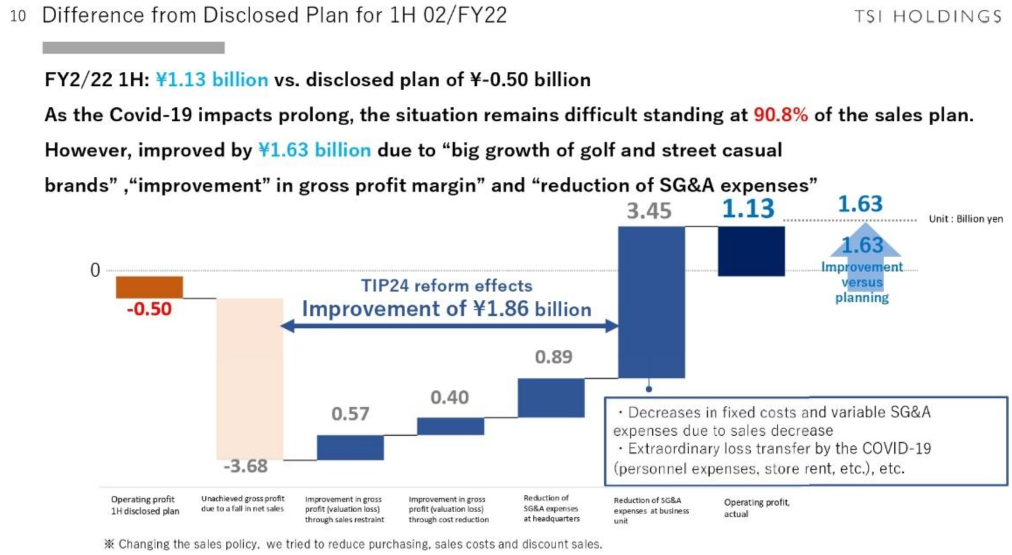
Now, let me explain gross profit and SG&A expenses.

Gross profit for the first half was JPY35.29 billion, and SG&A expenses for the first half was JPY34.16 billion.

Gross profit improved by 0.9% this fiscal year to 54.5%, compared to 53.6% in the FY2020 before the pandemic. As a result, gross profit improved by JPY11.1 billion compared to the previous fiscal year. This was due to the fact that we were able to control inventory at 85.4% of the previous fiscal year's level, and also due to the improvement in earnings from the sales of non-discounted products that did not receive a sales period in the previous fiscal year.

SG&A expenses improved to 52.8%, compared to 53.8% in the FY2020, which is a 1% reduction in SG&A expenses this fiscal year. The main reasons for this were rent revisions during the holidays, a change in work style, a revision of the work system at stores and headquarters, and an improvement in transportation costs through a change in logistics carriers. As a result, we were able to reduce SG&A expenses by JPY9.9 billion compared to the fiscal year before the previous one.

Our annual budget was to reduce SG&A expenses by approximately JPY10 billion, so we are on track in terms of expenses.

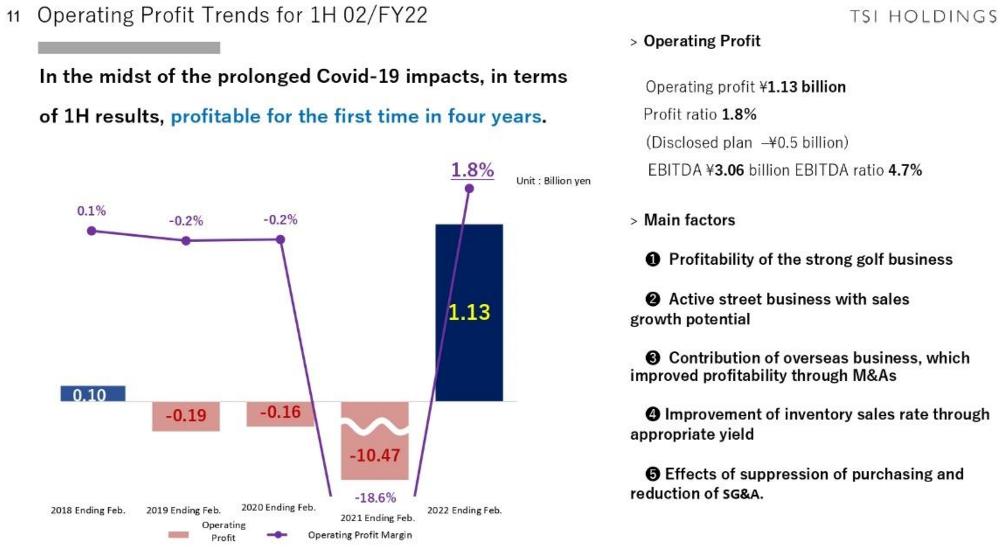


We will report on the disclosure plan differences.

The operating income plan for the first half of the FY2022 was disclosed as minus JPY500 million, but we have landed at JPY1.13 billion in terms of operating income. Operating income improved by JPY1.63 billion compared to the plan due to significant growth in the Golf and Street Businesses and improved gross profit margins as well as reduced SG&A expenses, despite the prolonging effects of the pandemic and the subsequent severe situation of a 90.8% sales rate compared to the plan.

For the profit structure, please refer to the waterfall chart. First of all, the market was tough, so we had a gross profit shortfall of JPY3.7 billion as a launch pad. As a result, gross profit related to the control of sales improved to JPY570 million. Gross profit improved to JPY400 million due to cost reduction. Reduction of SG&A expenses in the head office division by JPY890 million. In addition, there was a decrease in variable costs of JPY3.45 billion due to the decrease in sales, the transfer of pandemic-induced extraordinary losses, personnel costs, store rents, and other factors. This in turn resulted in JPY1.13 billion in profits.

As a result of these efforts, we were able to improve the budget variance by JPY1.63 billion.

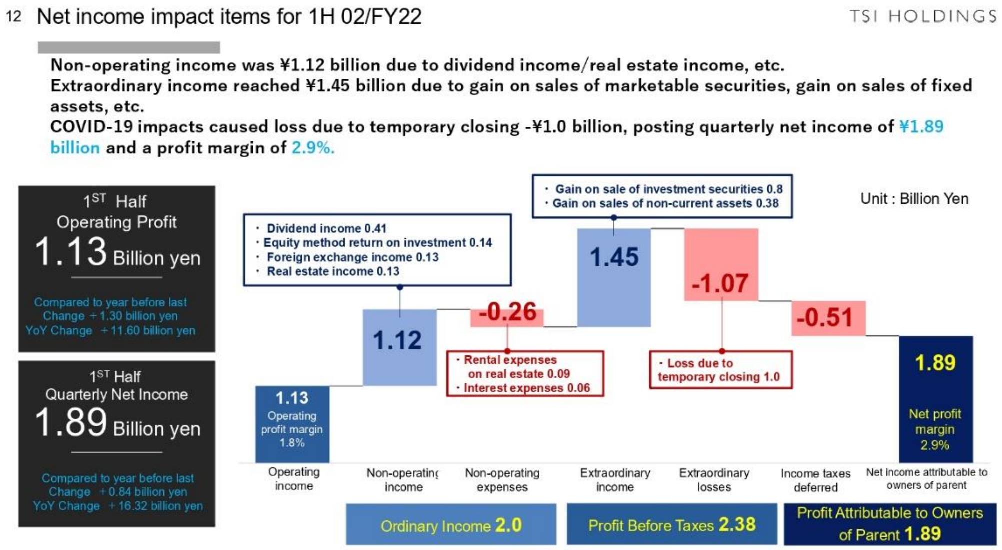


This is the transition of operating income.

Despite the prolonged impact of the pandemic, we achieved a positive operating income for the first time in 4 years in the first half of the fiscal year.

Operating income was JPY1.13 billion. Profit margin was 1.8%. EBITDA was JPY3.06 billion. EBITDA ratio was 4.7%. From now on, we will gradually enter the investment phase, but we will also be aware of EBITDA as a corporate evaluation.

The main reason for the increase in operating income is the improvement in earnings from the Golf Business, which is performing very well. In addition, the Street Business, which has the potential for sales growth, was active. In addition, the Overseas Business, which has improved its profitability through M&A, contributed greatly, as did the improvement in the inventory clearance rate through appropriate yield. Lastly, we have been able to achieve these operating income figures due to the significant effects of restrained purchasing and reductions in SG&A expenses.



Next, the net income impact items. For net income impact items, please refer to the waterfall chart.

Non-operating income was JPY1.12 billion due to dividend income and real estate income, while ordinary income was JPY2 billion. Extraordinary income was JPY1.45 billion due to gain on sales of securities, gain on sales of fixed assets, etcetera. Loss due to temporary closing was minus JPY1 billion. Net income of JPY1.89 billion and a profit margin of 2.9% were recorded in the first half.

Next, I would like to report on the status of business in the first half of the fiscal year.

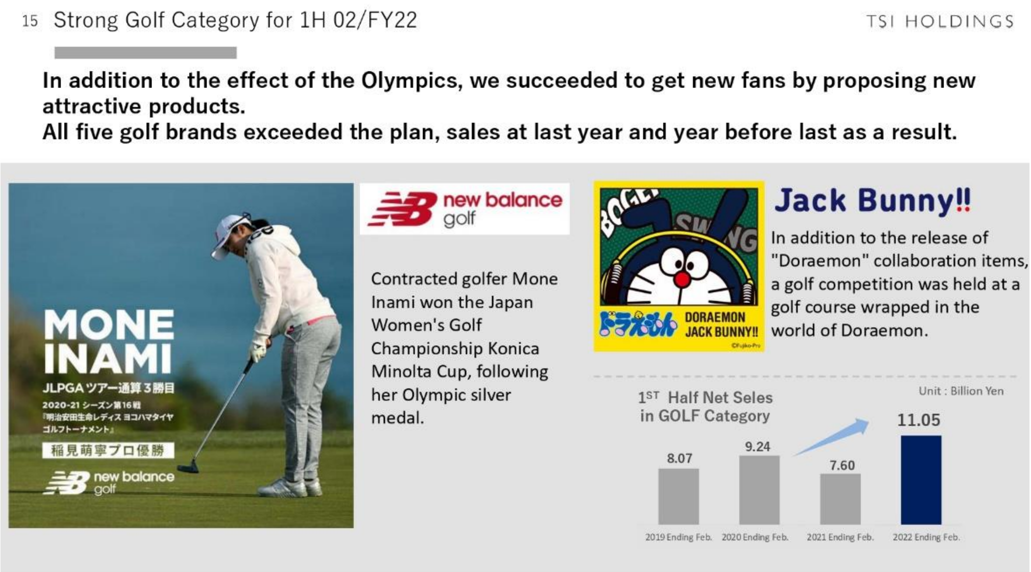
First, I will report on operating income and the revenue structure by segment.

As for the businesses that are doing well in Japan, first of all, please take a look at the table. In terms of Golf, Pearly Gates, Jack Bunny!!, and St. Andrews are doing well. In terms of street, Stussy, Union, Undefeated, and HUF are doing well. Golf and street brands continue to be the core drivers of the Company's revenue.

In addition, Arpege story, Etre Tokyo, Mystrada, and Apuweiser-riche, which are all part of the ladies' brand business and have shifted their channels to EC from an early stage, have contributed to earnings. We are aiming to further expand our business domain in the future by focusing on our strong business groups.

With regard to the underperforming businesses in Japan, there are several entities that are struggling to change their business models due to various factors, such as the high sales composition ratio of physical stores or the strong occasional trend.

As for such low-profit businesses, we will fundamentally review our own business structure and organizational system. We would like to focus on rapid business reform with such an exit strategy in mind.



I would like to report on the strong golf category.

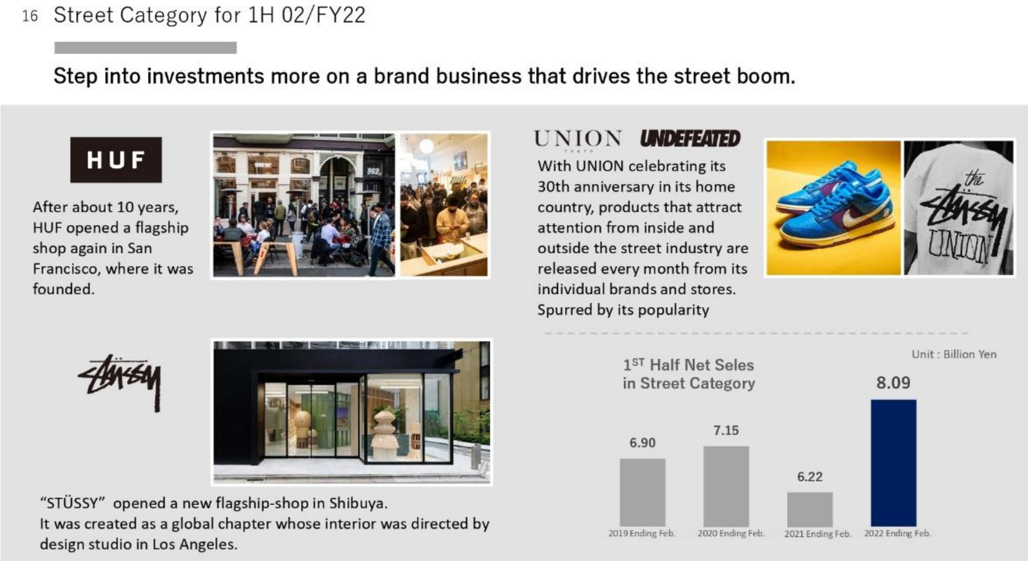
Our TSI Golf Business brand offers our customers highly unique content products. In addition, we have been successful in gaining fans, as the Tokyo Olympics has boosted the market.

As for the results for the first half of the year, we have achieved the sales of 2 years ago, when all 5 brands of the Golf Business were not influenced by the pandemic yet. Furthermore, the operating income exceeded the plan for the current year by far.

As a topic, the player Inami, who wears New Balance golf wear, won a silver medal, and also won the Japan Women's Golf Championship, which were very effective appeals.

In addition, Jack Bunny!! has been able to hold fun golf competitions, collaborating with Doraemon to add items to the golf course.

As for the Golf Business, we had challenged to exceed JPY10 billion in the first half of the fiscal year, but we cleared the target and achieved JPY11 billion.



The following is an introduction to the street category.

The brand business, the driving force of street brands, has made significant progress. In this category, the TSI Group will strengthen its investment globally as its uniqueness and strength.

As for HUF, we opened a new flagship store in San Francisco, the place where HUF was founded, and we had a lot of visitors.

As for Stussy, a flagship store has opened in Shibuya Jingumae as a new global chapter, with a Los Angeles design studio directing the interior.

Next, starting with Union and Undefeated that have been around for more than 30 years in their home countries, collaborative and strategic products that attract attention from inside and outside the industry are released every month and are very popular.

We at TSI recognize that the opening of 2 flagship stores for a well-performing brand is a step towards the future, even under these market conditions.

18 Sales Trends by Channel for 1H 02/FY22 TSI HOLDINGS

Both composition rates of department stores and commercial facilities has decreased, but their sales has improved over 20% compared to the last year. EC channel went well. EC channels remained strong performance at 114.3% compared to year before last and at 101.2% compared to last year.

Meanwhile, overseas business was at 134.1% compared to last year and shifted to a re-growth phase due to strong performance of TACTICS of the U.S.

		1ST Half 2020 Ending Feb.	1ST Half 2021 Ending Feb.	1ST Half 2022 Ending Feb.	Growth by channel	
					compared to year before last (%)	YoY (%)
Domestic	Department Stores	10.84 Billion yen (Composition Rate (%): 13.2)	5.10 Billion yen (Composition Rate (%): 9.1)	6.31 Billion yen (Composition Rate (%): 9.8)	58.2	123.6
Domestic	Commercial Facilities(*1)	41.96 Billion yen (Composition Rate (%): 51.3)	22.76 Billion yen (Composition Rate (%): 40.5)	27.35 Billion yen (Composition Rate (%): 42.3)	65.2	120.2
Domestic	E-Commerce	16.44 Billion yen (Domestic E-Commerce ratio(%): 23.7)	18.55 Billion yen (Domestic E-Commerce ratio(%): 40.0)	18.78 Billion yen (Domestic E-Commerce ratio(%): 35.8)	114.3	101.2
Domestic Others(*2)		9.06 Billion yen (Composition Rate (%): 11.1)	6.21 Billion yen (Composition Rate (%): 11.1)	7.43 Billion yen (Composition Rate (%): 11.5)	82.0	119.6
Overseas(*3)		3.52 Billion yen (Composition Rate (%): 4.3)	3.61 Billion yen (Composition Rate (%): 6.4)	4.85 Billion yen (Composition Rate (%): 7.5)	137.6	134.1

*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.

The following is an overview of our business by channel.

Sales trends by channel.

Although the composition of department stores, fashion-oriented buildings, and street stores has been shrinking, sales in both channels improved significantly by more than 20% compared to the previous fiscal year.

The EC channel is growing steadily at 114% compared to 2 fiscal years ago and 101% compared to the previous fiscal year, while the Overseas Business is growing at 134% compared to the previous fiscal year and has shifted to the growth phase again, triggered by the strong performance of TACTICS in the United States.

19 E-Commerce for 1H 02/FY22 TSI HOLDINGS

EC Business: 101.2% year on year

TSI, which has a high ratio of EC, is at a plateau, but we will reinforce investments in systems and mechanisms for further growth.

Meanwhile, looking at the content of the revenue structure, the highly profitable in-house EC ratio is 47.9%.

In-house EC sales grew steadily at 110.7 % year on year. Expansion of our own customer base is in good shape.

	1ST Half 2020 Ending Feb.	1ST Half 2021 Ending Feb.	1ST Half 2022 Ending Feb.	compared to year before last (%)	YoY (%)
Domestic E-Commerce (ratio(%)) ※1	16.44 Billion yen (23.7)	18.55 Billion yen (40.0)	18.78 Billion yen (35.8)	114.3 (+12.1pt)	101.2 (▲4.2pt)
In-house EC (ratio(%))	5.17 Billion yen (31.5)	8.12 Billion yen (43.8)	8.99 Billion yen (47.9)	173.8 (+16.4pt)	110.7 (+4.1pt)
Overseas E-Commerce (ratio(%)) ※2	0.22 Billion yen (6.3)	1.47 Billion yen (40.9)	1.60 Billion yen (33.0)	720.9 (+26.7pt)	108.5 (▲7.8pt)
E-Commerce TOTAL (ratio(%))※1	16.66 Billion yen (22.9)	20.03 Billion yen (40.0)	20.38 Billion yen (35.6)	122.4 (+12.7pt)	101.8 (▲4.5pt)

※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.

E-commerce.

The EC business is at 101% compared to the previous fiscal year. As the TSI Group has a high rate of conversion to EC, we are at a low point in terms of sales growth. However, we are considering various initiatives with a policy of strengthening investment for further growth.

Meanwhile, in terms of the content of our profit structure, the highly profitable in-house EC ratio is steadily expanding to 47.9%. We hope you can understand that the expansion of our own customers is going well.

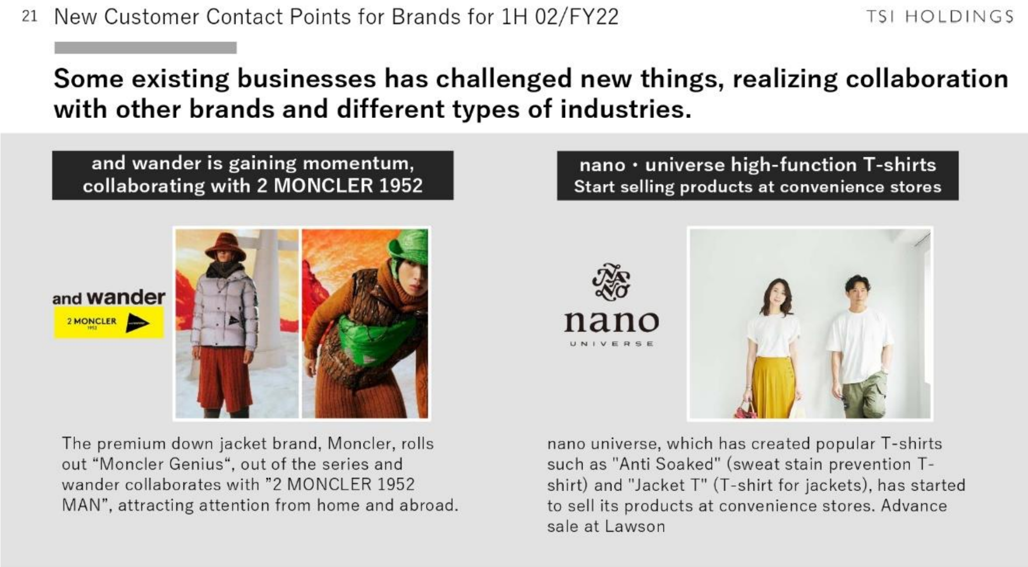
We will report on brand digital communication.

Brand actions and live commerce, which emphasize digital communication, have started to show results for D2C brands.

“Arpege story” has a very strong customer contact in live commerce. In addition, the Company's own EC sales increased to JPY1.83 billion, up 119% from the previous fiscal year.

“MECRE”, a D2C brand, made its full-scale debut this fall, and the order-taking session for its first collection has been more successful than expected.

The initial results of the D2C business have been limited in scale and have depended on the activities of each brand, but we recognize this as an area of significant growth and as a strategy that will spread to the entire TSI group in the future.

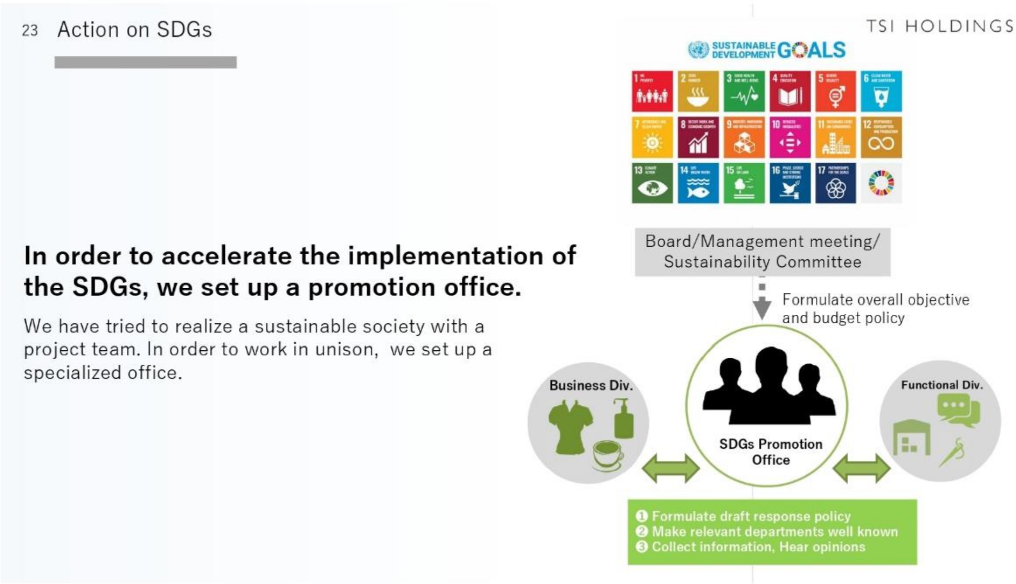


This is a new customer contact point for brands.

We are also activating collaborations with other brands and different industries to create new tricks and new challenges for existing businesses and to constantly challenge new channels.

"and wander"'s collaboration with "Moncler", a global brand, has attracted a great deal of attention, both domestically and abroad. In addition, "nano・universe" has produced high-functional T-shirts and started rolling them out at Lawson convenience stores.

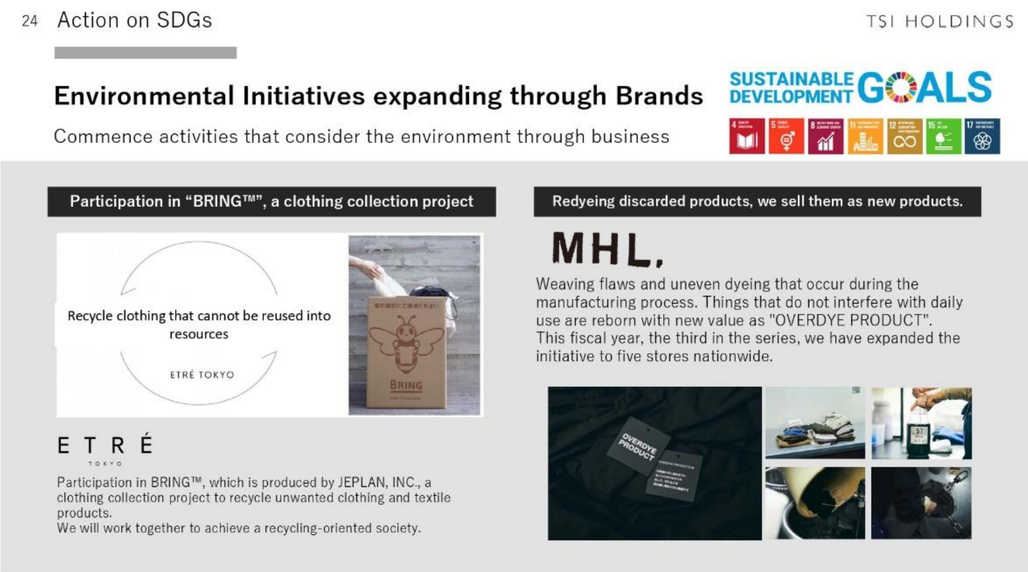
In the future, we will not only challenge our own sales channels but will also take on new challenges by incorporating a wide range of fields and knowledge.



We will report on our efforts related to the SDGs.

In order to accelerate the promotion of the SDGs, we have launched the Promotion Office. In the past, our project teams have taken the lead in promoting efforts to realize a sustainable society, but in the second half of this fiscal year, we launched a new department dedicated to this task.

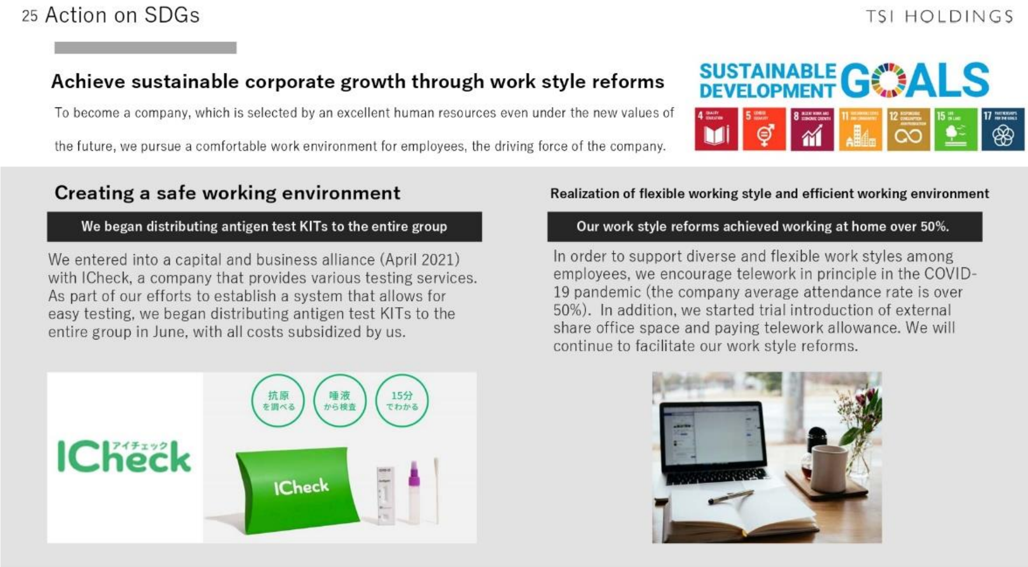
We are currently spending time on the blueprint of our internal organization, but we will be more proactive in this area in the future. We plan to report this information to people outside the Company through PR and IR as needed.



This is an example of an environmental initiative that spreads from a brand.

Etre Tokyo is working on a clothing collection project. This is a very effective stance to take towards a recycling-oriented society, and we intend to spread it throughout the Group.

MHL has also started a project to recycle and sell discarded products through processing, and we will continue to expand this project to other brands, where it can be used in the same way.



We are committed to achieving sustainable corporate growth by reforming the way we work.

In order to create a safe working environment, we have entered into a capital and business alliance with ICheck and have begun distributing antigen test kits to all employees of the entire group, with full subsidies.

Also, in order to realize a flexible work style and an efficient work environment, we have been promoting telework since the pandemic and have achieved a telework rate of over 50% at our head office.

Although times are very tough, our company has hired several new employees for the next fiscal year. In order to be a company that is worthy of welcoming new human resources who will compete in the new era, we will also make a strong effort to improve the working environment.

27 Balance Sheet and Future Investment Strategy

TSI HOLDINGS

Our financial position continues to be sound.

Stimulate investment in business investments for 02/FY23.

We will continue to make effective use of funds.

Unit:Million Yen

	1ST Half 2021 Ending Feb.		Cumulative Q1ST 2022 Ending Feb.		1ST Half 2022 Ending Feb.					
	Results	Composition Rate (%)	Results	Composition Rate (%)	Results	Composition Rate (%)	Y/Y Change	Y/Y (%)	Q1/Q4 Change	Q1/Q4 (%)
Current Assets	69,048	44.8	76,430	51.5	73,439	50.6	4,391	106.4	-2,992	96.1
(of Cash and Deposits)	31,477	20.4	42,817	28.9	40,440	27.9	8,963	128.5	-2,376	94.4
(of which, Inventory)	21,913	14.2	18,793	12.7	18,716	12.9	-3,197	85.4	-77	99.6
Non-current Assets	85,187	55.2	71,899	48.5	71,713	49.4	-13,474	84.2	-186	99.7
(of Investment Securities)	24,583	15.9	29,440	19.8	28,865	19.9	4,282	117.4	-575	98.0
(of Investment Real estate)	16,516	10.7	4,974	3.4	4,966	3.4	-11,550	30.1	-8	99.8
Total Assets	154,235	100.0	148,329	100.0	145,152	100.0	-9,083	94.1	-3,177	97.9
Current Liabilities	50,648	32.8	28,357	19.1	27,195	18.7	-23,452	53.7	-1,162	95.9
(of Short-term borrowings)	20,702	13.4	153	0.1	202	0.1	-20,500	1.0	49	132.1
(of Current portion of long-term borrowings)	8,854	5.7	8,699	5.9	7,835	5.4	-1,019	88.5	-864	90.1
Non-current Liabilities	26,909	17.4	19,624	13.2	18,775	12.9	-8,134	69.8	-849	95.7
(of Long-term borrowings)	20,514	13.3	14,390	9.7	12,657	8.7	-7,857	61.7	-1,733	88.0
Total Liabilities	77,557	50.3	47,981	32.3	45,970	31.7	-31,586	59.3	-2,010	95.8
Total Net Assets	76,678	49.7	100,348	67.7	99,181	68.3	22,504	129.3	-1,167	98.8
Total Liabilities and Net Assets	154,235	100.0	148,329	100.0	145,152	100.0	-9,083	94.1	-3,177	97.9

> **Cash & Deposits/Investment Securities**

- Cash and deposits increased of ¥8.9 billion YoY.The main difference from the previous forecast is ¥2.3 billion in loan repayment.
- We will use cash and deposits and investment securities to strengthen DX investments and new business development.（Overseas business/new brand development /M&A)

> **Inventory**

- Purchasing was curtailed and inventories were significantly reduced.
- Inventories were suppressed to about 85.4% compared to the previous quarter and improved 3.1 billion yen.

> **Capital adequacy ratio**

- Capital adequacy ratio of 68.6％

We will explain the balance sheet and our future investment strategy.

The Company's financial position is sound. We will stimulate business investment for FY2023. In addition, we will strategically strengthen and examine the effective use of funds.

Cash and deposits increased by JPY8.9 billion compared to the previous fiscal year and decreased by JPY2.3 billion compared to 1Q, mainly due to the repayment of loans. We intend to use our deposits and investment securities to strengthen our investment in DX and new business development.

In terms of inventories, we have significantly reduced inventories by curbing purchases. Compared to the previous fiscal year, inventories improved by 85.4%, or JPY3.1 billion. Our capital adequacy ratio is 68.6%, and while we are still investing with an emphasis on financing, we recognize that we are now in the investment phase from a business perspective. We would like to make new investments after careful consideration.

With regard to our future investment strategy, we will talk about our business in the US, which is performing well in terms of our global operations.

In order to organize a global strategy for our growing skate business, snowboard business, and street business, and to demonstrate the uniqueness of the TSI Group, we will strengthen ties and make profitable investments in the United States, Japan, and Asia.

Now, with sales of JPY1.3 billion, operating income of JPY140 million and an operating margin of 10.7% in the first half, TACTICS in the US has been experiencing very profitable growth since the acquisition.

In the Overseas Business, sales in the first half of FY2020 were JPY4.1 billion, but this fiscal year, sales are up to JPY4.9 billion. We are on track to achieve our annual sales plan of JPY9.9 billion.

29 Digital Transformation Promotion for 1H 02/FY22 TSI HOLDINGS

We will strengthen supply chain by digital transformation.

We will continue to strengthen efforts to innovate business models and systems using technology.

Started Smart Factory Custom-Made
We aim for profitability reform by small-lot production with short cycle.

TSI Sewing, which supports the Group's production, is developing custom-made production using the flexibility of the Yonezawa Smart Factory.
We began production of FABRIC TOKYO's women's order brand "INCEIN" on consignment in August.

Obtained DX certification from the Ministry of Economy, Trade and Industry. We aim to improve brand power and corporate value with DX

DX認定

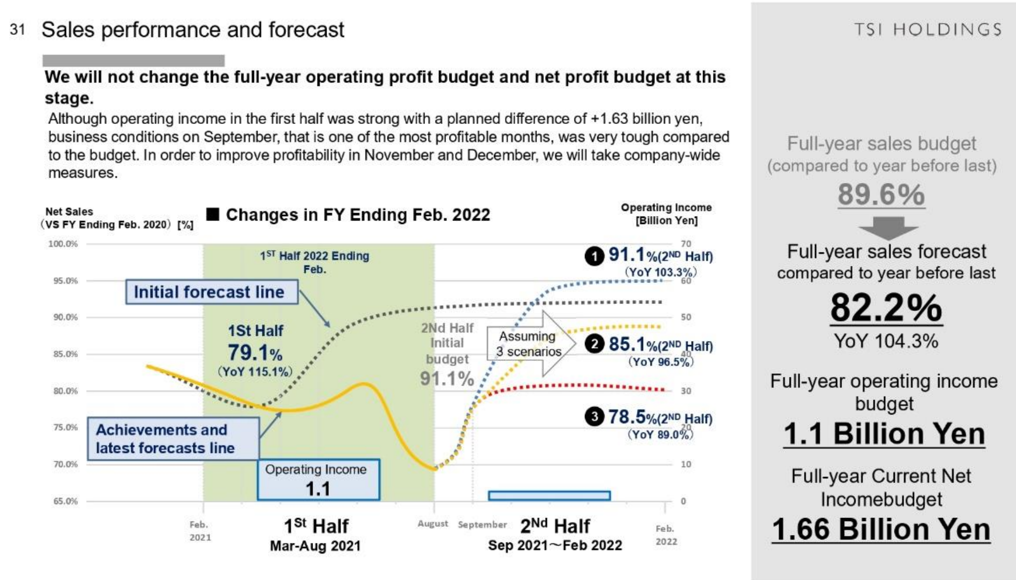
We came to obtain the DX certification due to the following reasons:
As a group-wide DX, we meet the certification standards set forth by the Ministry of Economy, Trade and Industry (METI) for the introduction of advanced technologies in Japan and abroad, such as 3D CAD systems and digital customer service tools, and for its industry-leading EC business initiatives, and appropriate information is disclosed to stakeholders.

(Reference) Regarding DX Certification System
https://www.meti.go.jp/policy/it_policy/investment/dx-nintei/dx-nintei.html

Regarding the promotion of digital transformation, we will first strengthen the digital transformation of the upstream supply chain and infrastructure and then reinforce new initiatives to innovate our business model using technology.

We have started smart factory testing at our own factory in Yonezawa. We will aim to reform our profitability with small lots and short cycles. In August, we were entrusted with the production of the Fabric Tokyo brand and started a demonstration experiment in small-lot, short-cycle production.

In addition, we have obtained DX certification from the Ministry of Economy, Trade, and Industry. We will aim to enhance our brand power and corporate value through digitalization.



I will now explain our full-year forecast.

Sales results and future projections.

We have not made any changes to our full-year operating income plan or current net income plan at this time. The reason for this is that although the operating income for the first half of the fiscal year was strong, with JPY1.63 billion exceeding the plan, the current business situation in September is expected to be very severe compared to the budget.

Our annual revenue is very much dependent on the 3 months of the 3Q. Currently, we are taking Company-wide measures to address the slump in September, while aiming to improve profitability in October and beyond. Once it is done, the forecast is as shown in the figure below.

The results for the first half of the fiscal year were 79.1% of the level 2 fiscal years ago, and 115.1% of the previous fiscal year's level. We are considering 3 scenarios for the top line in the second half.

In our initial plan, we expected the market to start recovering in the second half of the fiscal year, but based on the recent trend of the pandemic, we expect the top line to be between 85.1% and 78.5%.

However, regardless of the scenario, we will aim to achieve the full-year budget by further improving our profit structure, as we did in the first half. Of course, all employees will continue to work hard to achieve better financial results, but we ask for your understanding that the full-year forecast is as planned.

32 Our WILL

TSI HOLDINGS

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

Besides, we wil 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.

As I have explained so far, we were able to achieve very good results in the first half of the fiscal year. However, since this is a good result of the structural reform, I think it is very important for us to try new and interesting things in our business to make our customers happy.

Therefore, in order to further improve the soundness of our business through precise management control, we would like to realize advanced business through reforming our supply chain, developing digital stores, new services, and new contents.

In addition, we would like to start new activities in the area of business creation, not only limiting ourselves to this market.

This concludes the report on the financial results for the first half of the year. Thank you.

[END]

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Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *This document has been translated by SCRIPTS Asia.*

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