



TSI HOLDINGS

**TSI HOLDINGS CO., LTD.**

Q3 Financial Results Briefing for the Fiscal Year Ending February 2022

January 17, 2022

## Event Summary

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<b>[Company Name]</b>	TSI HOLDINGS CO., LTD.	
<b>[Company ID]</b>	3608-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Q3 Financial Results Briefing for the Fiscal Year Ending February 2022	
<b>[Fiscal Period]</b>	FY2021 Q3	
<b>[Date]</b>	January 17, 2022	
<b>[Number of Pages]</b>	6	
<b>[Time]</b>	10:00 – 10:42 (Total: 42 minutes, Presentation: 30 minutes, Q&A: 12 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>	75	
<b>[Number of Speakers]</b>	2	
	Tsuyoshi Shimoji	President and CEO
	Hiroyuki Watanabe	Operating Officer, General Manager of Digital Business Department

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## Question & Answer

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**Moderator [Q]:** Thank you. Now, I would like to move on to the Q&A session.

Now for the first question.

We are not optimistic about the Q4 plan, partly due to the impact of the Omicron variant. Therefore our sales forecast is expected to land between 82.2% and 85.3% compared to the same quarter 2 years ago.

In terms of profitability, it is included in our announcement, taking the factors like structural reforms and partial business withdrawal into consideration.

As far as the next fiscal year's goals go, the specifics will be incorporated into the Mid-term Management Plan; therefore, I would like to refrain from commenting on specific details until April.

That said, I would like to ask Mr. Shimoji to add a few words about the current goals and room for improvement.

**Shimoji [A]:** Regarding the goals for the next fiscal year, while we are aiming for steady growth, we believe that we can expect to actively grow golf, athleisure, and street fashion businesses, and I would like to set new goals in these areas.

In addition, we created some measures to address some of our unprofitable businesses, especially the womenswear category. We have formed a team to improve the organizational structure and to produce sample products since last year.

The timing of these products becoming available in stores and bringing a large change to the market will be the next fiscal quarter. Any room for improvement that was mentioned in the question varies depending on many factors, and we [inaudible].

**Moderator [Q]:** Mr. Suzuki did that answer your question? Thank you. Let us take the next question, please go ahead.

The next question is from Mr. Ichikawa . The question is, there was a remark on e-commerce performance in a temporary lull: do you anticipate that physical stores will become the key channel again?

Our strategy for OMO has been announced, nonetheless, I would like to ask Mr. Shimoji to reiterate our plan for physical stores.

**Shimoji [A]:** Thank you very much, Mr. Ichikawa.

We believe that physical stores will be very important. I have shared my thoughts on how e-commerce and physical store operations are merging. We call it OMO. The linked structure involving a digital environment, e-commerce, and stores, can advance customer services to our customers and in that context, I position physical stores at a higher priority.

**Moderator [M]:** Mr. Ichikawa, was that brief comment all you need? Thank you.

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Mr. Watanabe, who manages our e-commerce business, is present today. I would like to ask him for additional remarks.

**Watanabe [A]:** Hello, this is Watanabe, in charge of digital business. I would like to add that the phrase “temporary lull” may give a negative connotation, but, we do not see the situation in an excessively negative context.

The solid operating profit this quarter is partially due to the introduction of the e-commerce business model, which helped us shift our balance from top-line-centric to a net profitability focus. In other words, the quality of our business transformed.

Moving forward, we aim to devise tactics to further advance collaboration between e-commerce and store operations. As Mr. Shimoji mentioned, we want to see a boost in OMO without dumping the current high profit margin too much.

Traditionally we have been emphasizing gross profit. We want to swing to a growth-focus organization by rebalancing sales.

**Moderator [Q]:** Thank you for the additional remarks. Now, let us move on to the next question.

The question is about the current impact of the Omicron variant, and about any specific measures that are planned for store operations.

We are aware of reports on infection cases at storefronts, which have been on a steady rise since last week or so. The number of cases and the speed of spread we are internally aware of is basically the same as what has been reported by the media.

We have not yet received the numbers from this Saturday and Sunday, and we expect to grasp how that 10,000-people-a-day infection rate nationwide means to our business, right after this weekend. I am going to ask Mr. Shimoji to comment based on the assumption that we do not have the most recent number.

**Shimoji [A]:**

The number of people who were infected with the virus is rising to a similar level we saw at the end of last August during the peak of the pandemic. As for the question of current impact, we believe that there has been some, but not much.

However, since last year, we have shifted the gear to e-marketing by deploying digital tools, such as live commerce events held at the storefront for our customers.

We assess that those operations are going well on both sides and that the introduction of new technologies is an improvement to how we serve and collaborate with the customers.

The coronavirus will impact consumption volume to some extent; however, we are seeing this opportunity as an experiment period to take on an enormous trial run or something of that nature, to find out how we continue to serve our customers given the situation.

**Moderator [M]:** Thank you.

With that, I would like to conclude the presentation of our Q3 financial results. Thank you very much.

**Shimoji [M]:** Thank you very much.

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