



TSI HOLDINGS

**TSI HOLDINGS CO., LTD.**

Q1 Financial Results Briefing for the Fiscal Year Ending February 2023

July 14, 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>	Q1 Financial Results Briefing for the Fiscal Year Ending February 2023	
<b>[Fiscal Period]</b>	FY2022 Q1	
<b>[Date]</b>	July 14, 2022	
<b>[Number of Pages]</b>	6	
<b>[Time]</b>	10:00 – 10:44 (Total: 44 minutes, Presentation: 30 minutes, Q&A: 14 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>	76	
<b>[Number of Speakers]</b>	2	
	Tsuyoshi Shimoji	President and CEO
	Jun Imaizumi	Senior Executive Officer/TIP Promotion, Department Manager and TSI TIP Promotion, Division Manager and Division Innovation Section Manager

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## Question & Answer

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**Hasegawa [Q]:** Let us get into the Q&A session. Thank you for your cooperation.

Thank you, Nagamatsu of Senken Shimbun Co., Ltd. The question is, can you tell us a little more about working with Sitateru? Which do you prioritize in this effort at first? Are you going to upgrade production infrastructure network for Shitateru, or aim to create a new business for TSI?

Jun Imaizumi, will answer first. After that, if there is anything to add, President and CEO, Tsuyoshi Shimoji, will answer. Thank you.

**Imaizumi [A]:** This is Imaizumi. As for your question [A], regarding the conversion of Yonezawa into a mother factory and the production networking of Sitateru, Yonezawa has been a smart factory in the past, and we have been trying to introduce digital sewing machines and automatic cutting machines and have accumulated knowledge there.

On the other hand, what Sitateru has in mind is that by connecting the so-called ERP-like linkage function that connects the factory and the manufacturer, We think the Yonezawa factory itself can first of all be utilized in TSI's new business. Beyond that, we are currently envisioning that the Yonezawa factory itself will be used as a network to accept work from other companies using the Sitateru factory.

**Hasegawa [M]:** Thank you. Shimoji, if you have anything to add.

**Shimoji [A]:** This is Shimoji. First of all, we have a feeling of expectation about this alliance. Until now, it's not just from the awareness of the apparel side of things, where the apparel side has a factory at the production site. We are very much working on the possibility of creating new products through the use of various networks. We will continue to create with an overall view from now on, but we will start from a small place and work on the branding and the link between our customers and our factories. Meanwhile, one of the first trials is to assemble a single brand. We will do this so that we can deliver products that meet the needs of our customers, with a greater sense of urgency and quality, and that fit their needs in terms of size and fitting.

**Hasegawa [Q]:** Thank you. Nagamatsu, is that all? Thank you.

Now, we have two questions from Nozawa of Daiwa Securities Co., Ltd. First, regarding the rebranding of the NANO universe. What are the specific initiatives for the NANO universe price review, EC strategy, and in-store sales structure? We were also asked to provide a sense of a timeline for the price review, in terms of whether it will be reflected and take effect starting with this fiscal year's fall/winter products.

The second question is the impact of the yen's depreciation and raw material price hikes since Q2. Compared to the plan at the beginning of the period, I believe there are many effects including yen depreciation, COVID-19, and price increases, but we were asked about future measures and ideas for price revisions.

Shimoji will answer this question.

**Shimoji [A]:** Thank you for your question. This is regarding the rebranding of NANO universe. In fact, NANO universe has a fairly wide range of price points, and the balance of these price points has not yet been sorted out, so we intend to further improve the precision of the balance of price points to meet market needs.

Therefore, we will deepen and increase the volume of products that people need on a daily basis, including in the shape of EC. And prices were still very much lacking in terms of the volume of the product mix at somewhat

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affordable prices. Also, there were delays in delivery from overseas, so we are making very detailed corrections in those areas.

We also provide more detailed support for high-unit-price purchased products and domestically produced items that are rebranded from within Japan. We have redesigned the organization as a more pleasant viewing experience, with the top products related to those products narrowed down. Simply put, we are changing the zoning and balance of each price range, with the first step being to increase the volume of low-priced items. I hope you can accept this imagining.

Regarding the revision of product prices, there is the depreciation of the yen. I believe that an increase in raw material prices is unavoidable, and that the impact of the exchange rate is still quite large. We naturally see the possibility of the rate coming in around the JPY140 level, so the impact of price will be substantial.

However, we do not believe that we should charge prices that are not appropriate for our products, so we will concentrate on how we can provide service and add to the design quality of our products while maintaining a price range that is acceptable to our customers. Therefore, we have the idea that we will respond, in part, by product by product, rather than by an overall increase in price. That is all.

**Hasegawa [M]:** Thank you. Nozawa, how was the answer? Are there any additions?

**Nozawa [Q]:** Thank you for your detailed answer. I would like to know some additional information regarding NANO universe in the first question. In detail, in Q1, regarding NANO universe, do you see any excess in the current inventory levels after struggling a bit? Since NANO universe has a high sales-composition ratio, let me just confirm here whether there is a possibility that in the future, Q2 or later, if there is a sense of overstocking, the gross profit margin will be hurt by consuming it with discounts. Thank you.

**Shimoji [A]:** With regard to inventory, since last year and the year before, we have been working to narrow down the contents of the inventory by preparing it considerably, so there has not been a major impact. In this sense, we are trying to avoid a situation where we end up with a large valuation loss, so the situation is being scrutinized very closely. We are in the process of making improvements where the balance of the price system was very ineffective.

**Nozawa [M]:** I see. Thank you.

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

**Hasegawa [Q]:** Thank you. Are there any other questions? Thank you, Obayashi from The Nihon Keizai Shimbun. How do you see the sales impact of the current re-spread of COVID-19? This is also for Shimoji.

**Shimoji [A]:** We are naturally concerned about the impact of COVID-19, but we are also of the view that this is not a situation that will be halted in any way as a matter of national policy. Naturally, we need to increase EC sales as well, so we are in the process of preparing for the enjoyment of new fashions while developing sufficient measures to deal with COVID-19.

Therefore, for the fall and winter, we are working on a way to give a good look of the inexpensive items earlier in the year. Basically, we expect the lingering summer heat to continue for a long time, and at that time, we would like to gradually enter the fall/winter season starting with items that are still easy to purchase.

**Hasegawa [M]:** Thank you. Now, are there any additional questions?

**Nagamatsu [Q]:** Excuse me, this Nagamatsu from Senken Shimbun. I had a little trouble hearing you, but were you talking about creating a specific brand in collaboration with Sitateru?

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**Imaizumi [A]:** This is Imaizumi. In our collaboration with Sitateru, we envision an F2C trial first. We are currently selecting brands to be converted to F2C, and we believe that F2C using these brands will be our first initiative.

**Nagamatsu [Q]:** Does that mean existing brands?

**Imaizumi [A]:** Yes, that is correct.

**Nagamatsu [M]:** I understand. Thank you.

**Hasegawa:** Thank you. Are there any other questions?

The one-on-one meeting in IR will start later, so please contact Yamada or me, Hasegawa, in the Public Relations/IR office.

With that, I would like to conclude the financial results briefing. Thank you.

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

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

[END]

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