TSI HOLDINGS

TSI HOLDINGS CO., LTD.

Q2 Financial Results Briefing for the Fiscal Year Ending February 2023

October 13, 2022

Event Summary

[Company Name]	TSI HOLDINGS CO., LTD.
[Company ID]	3608-QCODE
[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending February 2023
[Fiscal Period]	FY2022 Q2
[Date]	October 13, 2022
[Number of Pages]	24
[Time]	10:00 – 11:01 (Total: 61 minutes, Presentation: 35 minutes, Q&A: 26 minutes)
[Venue]	Webcast
[Participants]	64
[Number of Speakers]	4

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
Hiroyuki Watanabe	Operating Officer, General Manager of Digital Business Department
Takahiro Ishihara	Operating Officer

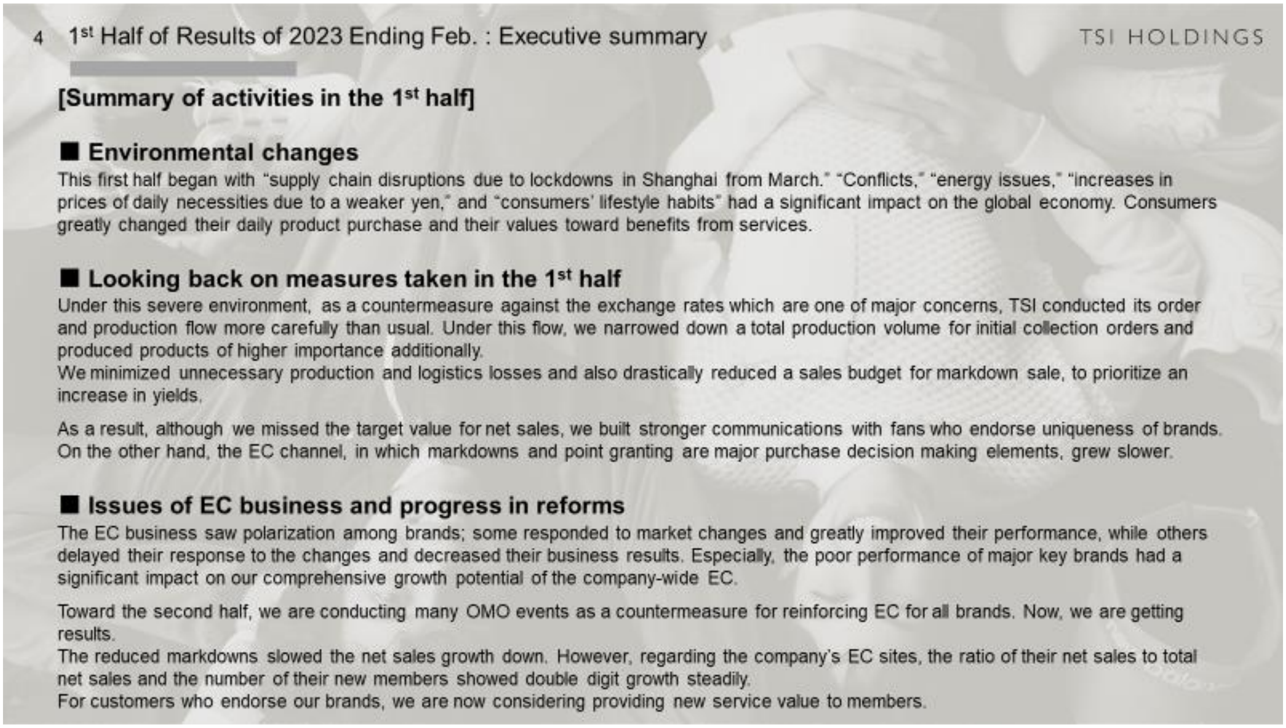
Presentation

Moderator: Good morning. Thank you for joining us today. It's at the appointed time, so we will hold a briefing on the financial results for Q2 of FY2023.

First, you will watch the video for about 33 minutes, and then we will go into the Q&A. Now, please take a look at the video.

[Video Begins]

Shimoji: Good morning. We will start the presentation of financial results for H1 of FY2023. Thank you for your cooperation.



This is the executive summary. A summary of H1 activities will be provided.

Changes in the market environment had a very large impact. As you know, the lockdown in Shanghai began in March, and many of our brands were affected by supply chain problems in the form of late deliveries and delays.

In the meantime, the conflict in Ukraine, energy issues, and price hikes of daily necessities in response to the weak yen, have had a major impact on our lives.

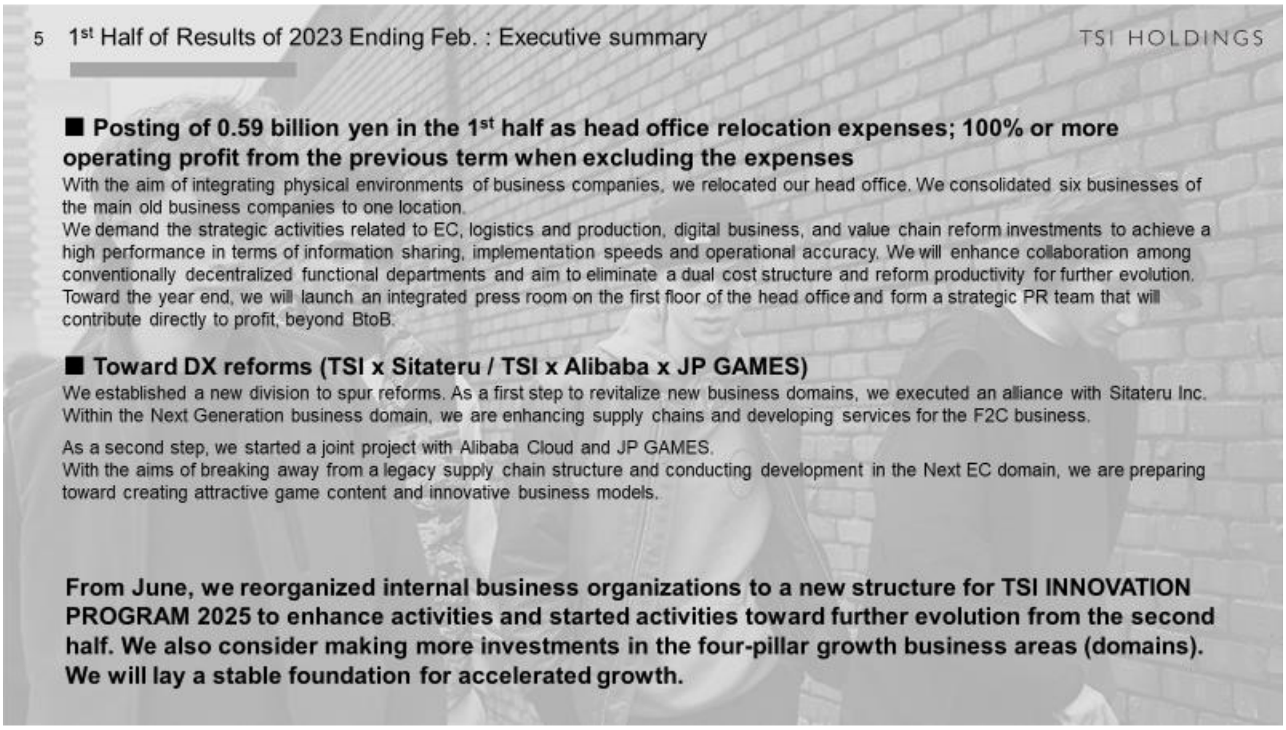
In this context, I believe that consumers', or customers', sense of value toward product purchases and services is changing dramatically.

In this environment, one of the major measures we are taking is to narrow down the total volume of initial orders for the collection to products of high importance. Thereby, we carefully implemented the flow of additional production and production on order. We concentrated on eliminating waste and losses to the greatest extent possible, and by doing so, we were able to obtain a large budget for the project.

As a result, sales did not reach our target, but the communication link to the customers who support each brand became very strong, and we were able to get a good gross profit as a result.

One of the challenges is that the e-commerce business has not yet fully grown. Although the sluggish performance of major mainstay brands has overshadowed the growth potential of EC, we are still holding numerous OMOs and events for all brands toward H2 as EC countermeasures. Although sales are still slowing down due to reducing price discounts, which is now showing results, the Company's e-commerce site, sales composition, and the number of new members are growing by double digits or more.

We will continue to try new measures, and we expect this area to recover in the near future.



As explained to you at the beginning of the fiscal year, we have recorded JPY590 million in head office relocation expenses. Excluding relocation expenses, H1 operating income exceeded 100% YoY. As a result, we have increased our earning power and profitability. We are proud to say that this is a situation in which one of our reforms has been very effective strategically, but we would also like to examine it more closely and improve it in terms of content.

As for DX reform, we invested in Sitateru Inc. as a new initiative. We are also looking forward to forming an alliance with Alibaba and JP GAMES to create new attractive games, content, and innovative business models.

In addition, since June, we have further strengthened our internal business organization under the new structure of the TSI Innovation Program 2025 and have begun activities for further evolution in H2 and beyond.

In particular, we have started by dividing our business into four domains. We will reinvest this in each of our domains, including the losses we have incurred up to now, to determine which businesses to focus on, as each will be a system that can run on its own, and we hope to make the foundation of the system solid.

6 Highlights of Results for 1st Half of Results of 2023 Ending Feb. TSI HOLDINGS

- Net sales were **111.3%** (105.4% based on the old accounting standards) and **+7.33 billion yen** from the previous term. Real stores showed a steady recovery. The EC channel increased the ratio of its net sales to total net sales significantly in the previous term, but showed a poor performance. Therefore, we did not achieve budgetary goals.
- Actual operating profit was **0.58 billion yen** and **+1.57 billion yen** from the budget. The result significantly improved mainly due to passing a weaker yen risk of cost of goods purchased on to prices and improving the ratio of the yields for selling products at regular prices. We reduced SG&A expenses carefully and was able to fall below the budget.
- Net income was 119.0% from the previous term and +2.49 billion yen from the budget mainly because of a positive impact of a significant exchange gain from foreign-currency assets and sale of cross-held stocks. We achieved the highest net income for first half ever.

	New profit standards				Old profit standards
	Results for the 1st Half	YoY	YoY Change	vs. Budget	YoY
Net Sales	72.08 Billion Yen	111.3%	+7.33 Billion Yen	-4.38 Billion Yen	105.4%
Operating Profit	0.58 Billion Yen	*) 51.9%	-0.54 Billion Yen	+1.57 Billion Yen	64.8%
Quarterly Net Income	2.24 Billion Yen	119.0%	+0.35 Billion Yen	+2.49 Billion Yen	119.0%

* While operating profit was 1.13 billion yen in the previous first half, operating profit in this term includes ▲0.59 billion yen of the accelerated depreciation cost for the head office relocation, resulting in the reduced profit

Performance highlights.

The H1 results are: net sales of JPY72.08 billion, operating income of JPY580 million, and net income of JPY2.24 billion. Net sales for H1 were 111.3% YoY, or JPY7,330 million in terms of value.

However, the sales budget for the e-commerce side, which greatly expanded its sales composition in the previous fiscal year, has fallen short of its target. Operating income was JPY580 million, an improvement of JPY1.57 billion from the previous year.

One factor is that we were able to pass on the risk of worsening procurement costs due to the weak yen to our customers, including some brands. Second, the yield ratio in full price sales improved more than planned, which was the main factor.

As for SG&A expenses, we have carefully reduced them, and have been able to achieve the budgeted level or lower.

Net income was 119% YoY and JPY2.49 billion higher than the budget due to the positive impact of large foreign exchange gains on foreign currency denominated assets and the elimination of cross shareholdings, achieving a record high for H1 of a fiscal year.

7 Operating Profit Transition for 1st Half Results of 2023 Ending Feb. TSI HOLDINGS

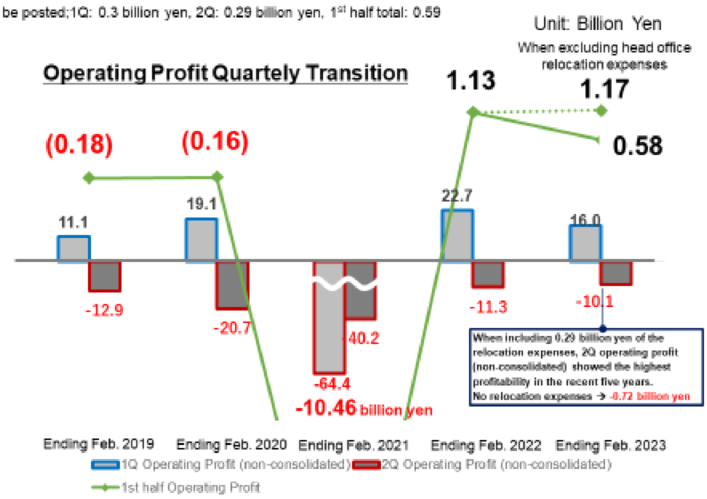
As with the first quarter, the well-performing golf and street businesses grew in the second quarter to achieve higher-than-forecasted, significant sales and profit growth.
In the ladies' domain, the business units which evolved sales approaches in businesses such as OMO enhancement and D2C achieved higher-than-budgeted yields.
When excluding the head office relocation expenses, the business profitability in the first half was 103.9% from the previous term and showed the highest as the recent results.

* As the temporary head office relocation expenses, the following amounts will be posted;1Q: 0.3 billion yen, 2Q: 0.29 billion yen, 1st half total: 0.59 billion yen / 2nd half total: 0.35 billion yen / full year: 0.94 billion yen

Main factors for improved operating profit in the first half

- ✓ The growth of the golf/street businesses which are strong in summer reduced the sales composition ratios of the business brands which overemphasize heavy clothing for fall and winter, resulting in a structure that is easier to generate profit throughout a year.
- ✓ We reviewed schemes for additionally producing products in well-performing businesses and expanded sales significantly.
- ✓ We reduced a sales budget for sale periods, and enhanced content to focus on selling products at regular prices. We were particular about controlling SA&G expenses in lower profitable months and decreased a deficit in the loss-making season (2Q).

Operating Profit 0.58 Billion Yen
EBITDA 2.81 Billion Yen



The following is a summary of operating income trends.

Operating income is JPY580 million, and EBITDA is JPY2.81 billion. This is due to the strong performance of our strong performing businesses, golf and street, which have generated significant sales and revenue growth that exceeded expectations in Q2 following the previous quarter.

As for the ladies' wear area, business units that have evolved their sales methods, such as the OMO enhancement business and the D2C business, have improved their yields beyond expectations.

Excluding head office relocation expenses, business profitability in H1 was 103.9% YoY, the highest result in the recent past.

As you can see in the chart on the right, the red graph shows Q2, and the blue graph shows Q1. The profitability of Q2 has improved the most in the last five years, including the transfer cost of JPY290 million on a non-consolidated basis. Without relocation expenses, the figure is minus JPY720 million. Until now, TSI was very heavily weighted toward winter wear, but with the growth of the golf and street businesses, which are strong in summer, the sales composition ratio of the business brands that are heavily weighted toward heavy fall and winter wear has decreased, resulting in a structure that can easily generate earnings throughout the full fiscal year.

9 Sale Trends by Channel for 1st Half Results of 2023 Ending Feb. TSI HOLDINGS

Sales of real stores was 121.6% and +7.26 billion yen (based on new profit standards) from the previous term and recovered reliably.
Outside Japan, business results were solid. Currency-exchange gain/loss expanded an impact on the amount of sales. As a result, the poor performance of the EC business became a bottleneck of the company-wide sales growth in the first half.
From the previous term, the respective sales of department stores, non-department stores (FB/streetside stores), overseas and EC were 151.5%, 114.7%, 126.4% and 94.9%. EC is a factor for delayed sales recovery.

		Old profit standards Cumulative Q2ND 2021 Ending Feb.	Old profit standards Cumulative Q2ND 2022 Ending Feb.	New profit standards Cumulative Q2ND 2023 Ending Feb.	New profit standards Growth by Channel compared to year before last (%)	 YoY (%)	Old profit standards Cumulative Q2ND 2023 Ending Feb.
Domestic	Department Stores	5.10 Billion Yen (Composition Rate :9.1%)	6.31 Billion Yen (Composition Rate :9.8%)	9.56 Billion Yen (Composition Rate :13.3%)	187.3%	151.5%	6.79 Billion Yen (Composition Rate :10.0%)
Domestic	Commercial Facilities(*1)	22.76 Billion Yen (Composition Rate :40.5%)	27.35 Billion Yen (Composition Rate :42.3%)	31.37 Billion Yen (Composition Rate :43.5%)	137.8%	114.7%	31.49 Billion Yen (Composition Rate :46.2%)
Domestic	E-Commerce	18.55 Billion Yen (Domestic E-Commerce ratio:40.0%)	18.78 Billion Yen (Domestic E-Commerce ratio:35.8%)	17.82 Billion Yen (Domestic E-Commerce ratio:30.3%)	96.1%	94.9%	16.93 Billion Yen (Domestic E-Commerce ratio:30.7%)
Domestic Others(*2)		6.21 Billion Yen (Composition Rate :11.1%)	7.43 Billion Yen (Composition Rate :11.5%)	7.18 Billion Yen (Composition Rate :10.0%)	115.6%	96.6%	6.88 Billion Yen (Composition Rate :10.1%)
Overseas(*3)		3.61 Billion Yen (Composition Rate :6.4%)	4.85 Billion Yen (Composition Rate :7.5%)	6.13 Billion Yen (Composition Rate :8.5%)	169.5%	126.4%	6.12 Billion Yen (Composition Rate :9.0%)

*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.

Sales trends by channel.

Physical store sales are steadily recovering at 121.6% YoY. Compared to the previous fiscal year, department stores accounted for 151.5% and fashion buildings for 114.7%, showing very strong performance.

In the overseas business, business performance has been strong, but the impact of foreign exchange rate differences on the amount of sales has also been significant. Overseas sales were JPY6.13 billion, an increase of 126.4% as a percentage of total sales.

In the EC market, which is the cause of the slump, shows 94.9%; but looking at the EC market as a whole, the recovery of large mainstay brands is still lagging. Other businesses are in a phase of growth, with growth rates exceeding 100% compared to the previous year, and we are now in a phase of concentrated recovery and correction of underperforming areas.

Trends by business segment.

In the physical store business, fashion buildings, as I mentioned, are up 114.7%, and the new line of our core ladies' brand, NATURAL BEAUTY BASIC, is performing well in city center fashion buildings. The average sales growth rate is 135%, which is a very high percentage of the total sales, and the yield rate is more than 10% higher than that of regular stores. The customers have been very receptive to the fact that things have changed. In H2, we will further expand the number of stores introducing the new line, aiming to acquire even more new customers and make a business leap forward.

In the overseas business, sales expanded steadily in both the US and Europe; with 120.1% for HUF USA, and 117.9% for MARGARET HOWELL in Europe, although there were some effects such as delivery delays due to supply chain disruptions. However, sales in H1 were favorable in the end. As for H2, we expect the economy to deteriorate due to inflation and cooling consumer spending due to conflicts other than the coronavirus, but we forecast that business will remain steady from overseas as a result of prudent activities and management.

11 E-commerce in 1st Half Results of 2023 Ending Feb.

TSI HOLDINGS

In the first half, sales of EC was 19.77 billion yen and 97.0% from the previous term, ending in a sluggish performance.
We increased product prices and conducted a currency exchange countermeasure for controlling markdowns on a company-wide basis. However, for the EC customers who have different consumption behavior from that of real store customers, we lacked price countermeasures, exclusive products, and planning and countermeasures for limited services and event strategies other than prices.
In the second half, all companies and all brands are holding events in the EC channel, preparing for measures such as planning limited products, and conducting countermeasures.
The new company building will increase many spaces dedicated to shooting live streaming on SNSs. We will make efforts to enhance the company-wide EC sales scheme and functions.

Unit : Billion Yen	Old profit standards		New profit standards			Old profit standards
	Cumulative Q2ND 2021 Ending Feb.	Cumulative Q2ND 2022 Ending Feb.	Cumulative Q2ND 2023 Ending Feb.	Compared to year before last (%)	Y/Y(%)	Cumulative Q2ND 2023 Ending Feb.
In-House EC Unit : Billion yen (ratio(%))	8.12 (43.8%)	8.99 (47.9%)	8.73 (49.0%)	107.5% (+5.2pt)	97.1% (+1.1pt)	8.73 (51.6%)
Domestic EC (ratio(%))*1	18.56 (40.0%)	18.78 (35.8%)	17.82 (30.3%)	96.1% (-9.7pt)	94.9% (-5.5pt)	16.93 (30.7%)
Overseas EC (ratio(%))*2	1.51 (41.7%)	1.60 (33.0%)	1.94 (31.7%)	128.8% (-10.0pt)	121.2% (-1.3pt)	1.94 (31.7%)
E-Commerce TOTAL (ratio(%))*1	20.07 (40.1%)	20.38 (35.6%)	19.77 (30.5%)	98.5% (-9.6pt)	97.0% (-5.1pt)	18.87 (30.8%)

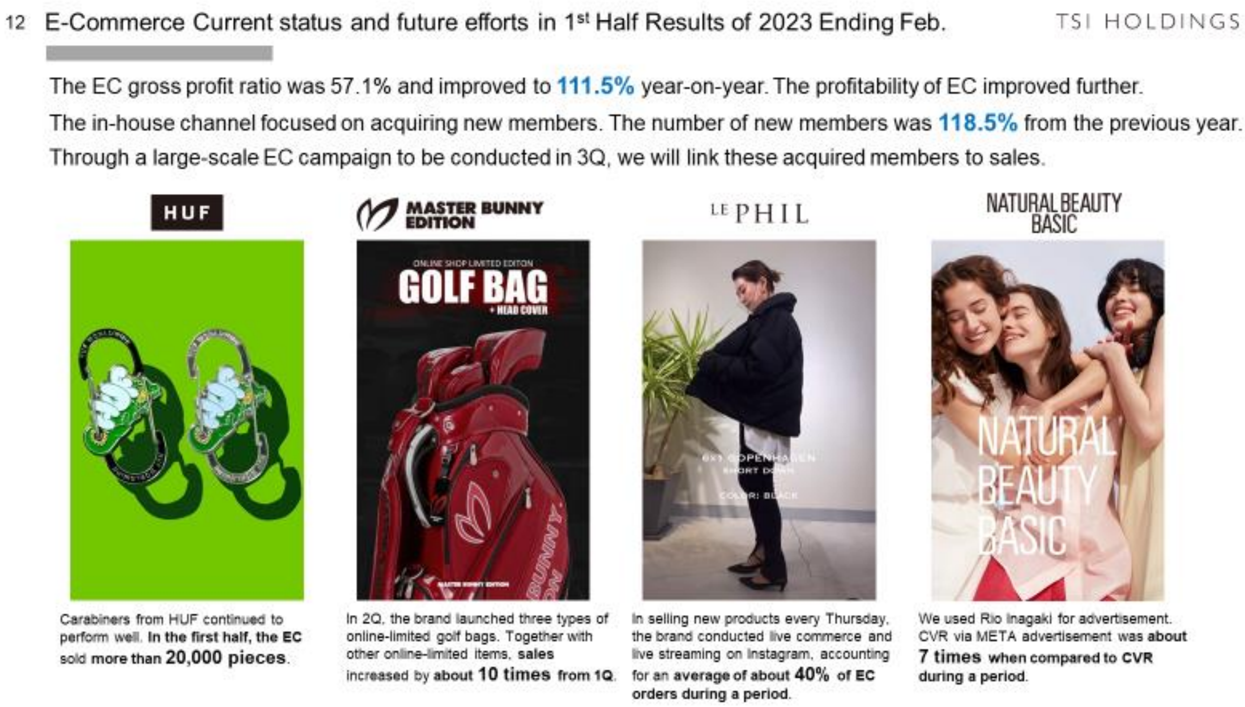
*1 Domestic E－Commerce ratio excluding domestic and other sales (wholesale, company sales, etc.)
*2 Results of EfuegoCorp. which operates EC sites centering on Tactics.com in the U.S. is to be consolidated from the second quarter of 2021 and onward. The results are recorded in overseas sales.

New company building after relocation [shooting studio image]

EC sales results.

H1 EC sales were weak, at JPY19.77 billion, 97% YoY. Whereas the existence of discount sales has been significant in the past, we have been selling in full price and have been curbing discounts. However, we believe that the lack of a speedy performance in developing products sold exclusively to EC customers, providing limited services other than price reductions, and the event strategy were the main reasons for the YoY decline.

In H2, we will be reinforcing our press system and building a new photo studio in our new building after the relocation. The entire company is implementing measures to improve product assortments, including the re-strengthening of events within the e-commerce channel for all brands and the development of limited-edition product plans. In addition, we will continue to redevelop new ways of presenting our products and strengthen our e-commerce sales system.



This is the current status of the EC channel and future initiatives.

It is not all bad, but there is a new aspect. The gross profit margin on EC sales was 57.1%, up 111.5% from the same period last year.

In our own channel, we focused on acquiring new customers and the number of new members increased 118.5%. In addition, we hope to link the number of members acquired to sales through our e-commerce campaigns and other new measures that we are planning for Q3.

First of all, we would like to reform our creations and make them easier to buy, by developing new products.

14 General situation of each brand in 1st Half Results of 2023 Ending Feb.

TSI HOLDINGS

Of the top 10 selling brands, **total sales of the seven well-performing brands** was **123.0% from the previous term**, largely exceeding the company-wide average.
The major brands steadily started business result growth and profit improvement. In the second half, they started new activities toward future growth domains such as developing services for the new customer segments who purchase products on EC channels.

■ **Top 10 brands**

Unit:Million Yen

	1ST Half 2022 Ending Feb.			1ST Half 2023 Ending Feb.			Y/Y		compared to year before last	
	Sales	Composition Rate (%)	Gross Profit Ratio (%)	Sales	Composition Rate (%)	Gross Profit Ratio (%)	Sales (%)	Gross Profit Ratio (pt)	Sales (%)	Gross Profit Ratio (pt)
1. PEARLY GATES	7,136	11.0	63.6	8,369	11.6	63.3	117.3	-0.2	157.5	+16.1
2. NANO universe	7,598	11.7	46.2	6,165	8.6	52.1	81.1	+5.9	77.0	+16.0
3. MARGARET HOWELL	5,173	8.0	66.4	5,978	8.3	65.3	115.6	-1.2	170.4	+21.9
4. NATURAL BEAUTY BASIC	4,978	7.7	58.8	5,377	7.5	63.0	108.0	+4.2	106.1	+19.8
5. HUF	2,749	4.2	51.2	4,686	6.5	51.1	170.5	-0.1	263.5	+5.5
6. AVIREX	2,535	3.9	59.4	2,805	3.9	65.3	110.6	+5.9	118.9	+9.8
7. UNDEFEATED	2,493	3.9	41.7	2,314	3.2	39.8	92.8	-1.9	122.7	-0.7
8. new balance golf	1,646	2.5	57.8	2,196	3.0	51.7	133.4	-6.0	205.3	+14.6
9. human woman	1,431	2.2	59.4	2,131	3.0	65.0	148.8	+5.6	158.8	+20.7
10. STUSSY	2,076	3.2	70.1	2,039	2.8	65.6	98.2	-4.4	99.5	+2.8
TOP10	37,819	58.4	57.2	42,064	58.4	59.0	111.2	+1.8	129.9	+14.9
Other Brands	26,620	41.1	51.1	29,995	41.6	53.1	112.7	+2.0	138.4	+11.2
Continuing Brands	64,440	99.5	54.6	72,060	100.0	56.5	111.8	+1.9	133.3	+13.3
Closed Brands	311	0.5	26.7	27	0.0	73.9	8.8	+47.2	1.2	+37.3
TOTAL	64,751	100.0	54.5	72,087	100.0	56.5	111.3	+2.0	128.1	+13.6

・**HUF (total of Japan and overseas)**
The Global strategy (HUF PROJECT) started. Exclusive graphics and high-quality items that matched to the Japanese market performed very well. The brand increased endorsement by professional skaters and artists reliably and had great presence in the domestic market.

・**PEARLY GATES / new balance golf**
The golf business continued to perform well. New customers flowed into the brand due to the well-performing EC.

・**NATURAL BEAUTY BASIC**
Although the result did not reach the company-wide average, sales was 135.0% from the previous term at the urban-type stores such as LUMINE which are selling the Limited Line. The brand acquired sales and new customers steadily.

・**human woman**
Sales of existing stores was 148.8% and performed well. However, there are issues such as withdrawal of non-profitable stores and low EC growth. The brand will aim to take new actions such as reviewing customer profiles.

Overview by brand. Here are the top 10 brands in sales.

There are seven brands that are performing well. The sales growth rate of strong brands was 123% in total, well above the company average. In addition, our large brands are steadily growing their business performance, and we have been able to start improving their profitability. There are three brands that are underperforming.

I will introduce from the brands that are performing well. HUF for example, has achieved a 170% increase in sales both in Japan and overseas, thanks to the X Games event held at the beginning of the fiscal year, new specialized graphics, and high-quality items. Our presence both domestically and internationally is expanding significantly.

As for PEARLY GATES, together with new balance golf, the golf business has continued to perform well at 117.3%.

NATURAL BEAUTY BASIC's new line has been extremely effective, and the growth rate of urban stores such as LUMINE, where the Limited Line is being developed, is up 135% from the previous year. We also believe that this will spread to other stores as a new line of products, which will bring in new sales and new customers.

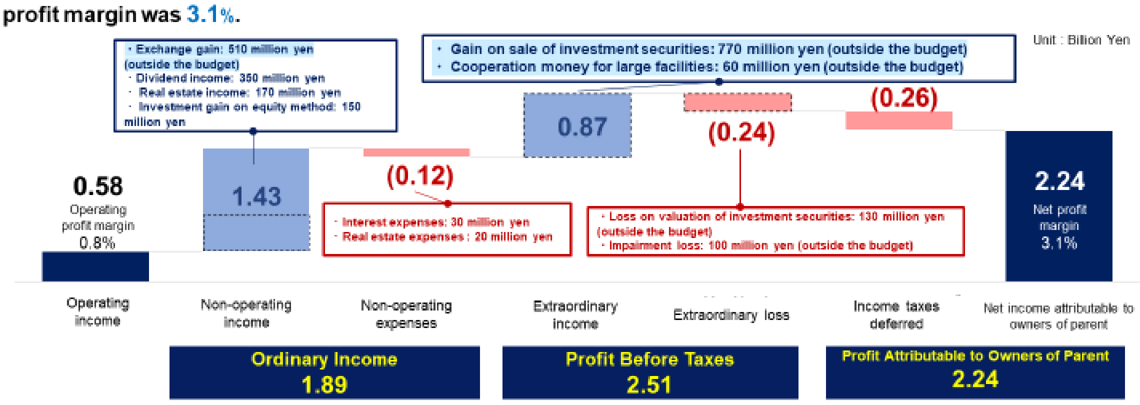
human woman is a department store brand, the rebranding has been very effective, with same-store sales at 148.8%. There are also issues such as the withdrawal of unprofitable stores and low growth in e-commerce. We would like to make new developments here, including another review of our clientele.

As for underperforming brands, NANO universe is still in the process of rebranding, and we would like to take a little more time to revive it. Since it is a large brand, it will take some time to rebrand the entire brand, but we will take every possible measure in H2 to revive the brand together again.

As for UNDEFEATED and STUSSY, the slump in sales is due to the delay in logistics, and we are confident that they will recover in H2.

16 Net Income Impact Items for 1st Half Results of 2023 Ending Feb. TSI HOLDINGS

It includes 0.51 billion yen of a non-budgetary gain from dollar-based assets of overseas subsidiaries and others
After adding 1.31 billion yen of non-operating revenue/loss, **ordinary income** was **1.89 billion yen**.
With regard to extraordinary income/loss*, we conducted the planned sale of investment securities in the first half ahead of schedule and posted 0.77 billion yen of gain on sale.
After adding income taxes deferred and others, **net income was 2.24 billion yen, the highest for first half ever. The net profit margin was 3.1%.**



Total of non-budgetary gain/loss +1.14 billion yen (non-operating revenue +0.51 billion yen, extraordinary income/loss + 0.63 billion yen)

* One billion yen of extraordinary loss due to temporary closing was posted in the previous term

I would like to come to the net income and balance sheet. Net income impact items.

Including foreign exchange gains of JPY510 million due to off-budget related to US dollar-denominated assets of overseas subsidiaries, etc., and adding other non-operating gains and losses of JPY800 million within the budget, ordinary income was JPY1,890 million. As for extraordinary income/loss, the Company sold investment securities ahead of schedule in H1, recording a gain of JPY770 million. After adding income taxes-deferred, net income was JPY2,240 million, the highest in H1, with a profit margin of 3.1%.

17 About Balance Sheet TSI HOLDINGS

We have been able to maintain healthy financial conditions.
We will invest strategies and management resources in businesses with growth potential.
We will offer attractive products/services and thereby improve our business value.

Unit:Million Yen

	1ST Half 2022 Ending Feb.		Cumulative Q1ST 2023 Ending Feb.		1ST Half 2023 Ending Feb.					
	Results	Composition Rate (%)	Results	Composition Rate (%)	Results	Composition Rate (%)	Y/Y Change	Y/Y (%)	Q2/Q1 Change	Q2/Q1 (%)
Current Assets	73,438	51.0%	75,935	54.1%	74,661	54.1%	1,223	101.7%	-1,274	98.3%
(of Cash and Deposits)	40,440	28.1%	37,658	26.8%	37,069	26.8%	-3,371	91.7%	-589	98.4%
(of which, Inventory)	18,715	13.0%	19,985	14.2%	21,780	15.8%	3,065	116.4%	1,795	109.0%
Non-current Assets	70,511	49.0%	64,548	45.9%	63,434	45.9%	-7,077	90.0%	-1,114	98.3%
(of Investment Securities)	28,865	20.1%	27,994	19.9%	27,684	20.0%	-1,181	95.9%	-310	98.9%
(of Investment Real estate)	4,965	3.4%	4,728	3.4%	4,722	3.4%	-243	95.1%	-6	99.9%
Total Assets	143,950	100.0%	140,483	100.0%	138,095	100.0%	-5,854	95.9%	-2,388	98.3%
Current Liabilities	27,195	18.9%	27,798	19.8%	26,481	19.2%	-714	97.4%	-1,317	95.3%
(of Short-term borrowings)	202	0.1%	108	0.1%	121	0.1%	-81	59.9%	13	112.0%
(of Current portion of long-term borrowings)	7,835	5.4%	5,537	3.9%	5,262	3.8%	-2,573	67.2%	-275	95.0%
Non-current Liabilities	17,573	12.2%	13,459	9.6%	12,475	9.0%	-5,098	71.0%	-984	92.7%
(of Long-term borrowings)	12,657	8.8%	8,784	6.3%	7,313	5.3%	-5,344	57.8%	-1,471	83.3%
Total Liabilities	44,768	31.1%	41,257	29.4%	38,957	28.2%	-5,812	87.0%	-2,301	94.4%
Total Net Assets	99,181	68.9%	99,225	70.6%	99,138	71.8%	-43	100.0%	-87	99.9%
(of Treasury Stock(-))	-3,704	-2.6%	-4,269	-3.0%	-4,759	-3.4%	-1,055	128.5%	-490	111.5%
Total Liabilities and Net Assets	143,950	100.0%	140,483	100.0%	138,095	100.0%	-5,855	95.9%	-2,388	98.3%

> **Inventory assets**
・*Year on Year*
Sales was 111.3% from the previous term, while inventory was 116.4% and + three billion yen.
This was due to an impact of early purchase of merchandise for products sold at regular prices. From the second half sales budget, inventory status is proper.

> **Treasury stock**
・*Difference from the previous time*
As part of capital policy implementation and shareholder returns measures, we acquired treasury stocks, which were equivalent to 0.49 billion yen of an increase.
(an increase by +1.09 billion yen from the end of February 2022)

> **Equity ratio**
We kept 71.5% of a high-level equity ratio. In addition to investments in SDGs and the digital domain, we will also utilize money effectively for investing in our core business and enhancing supply chains.

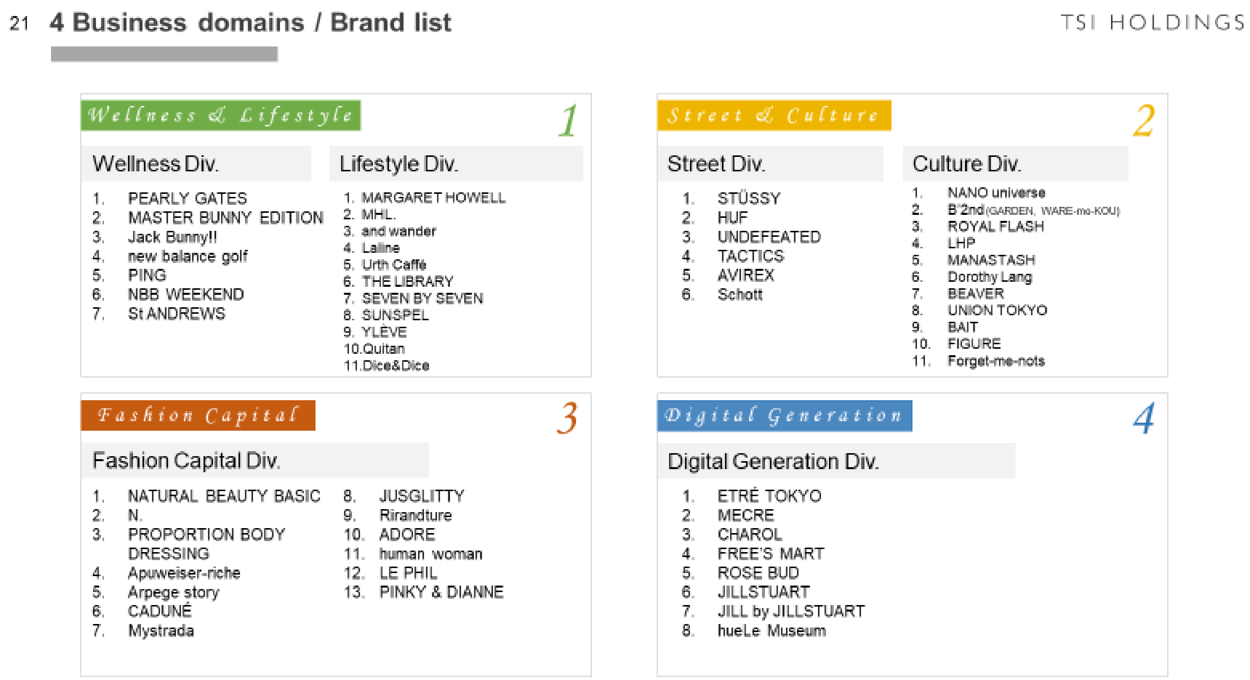
With regard to the balance sheet, we continue to maintain a sound financial position. We will invest our strategies and management resources in businesses with growth potential.

As for the inventory assets that we have, inventory increased by 116.4%, or JPY3 billion, compared to 111.3% in the previous fiscal year. This is due to the early introduction of full price sales products in consideration of the disruption of the supply chain.

In addition, our inventory situation is very good, as we are at an appropriate level based on our sales forecast for H2.

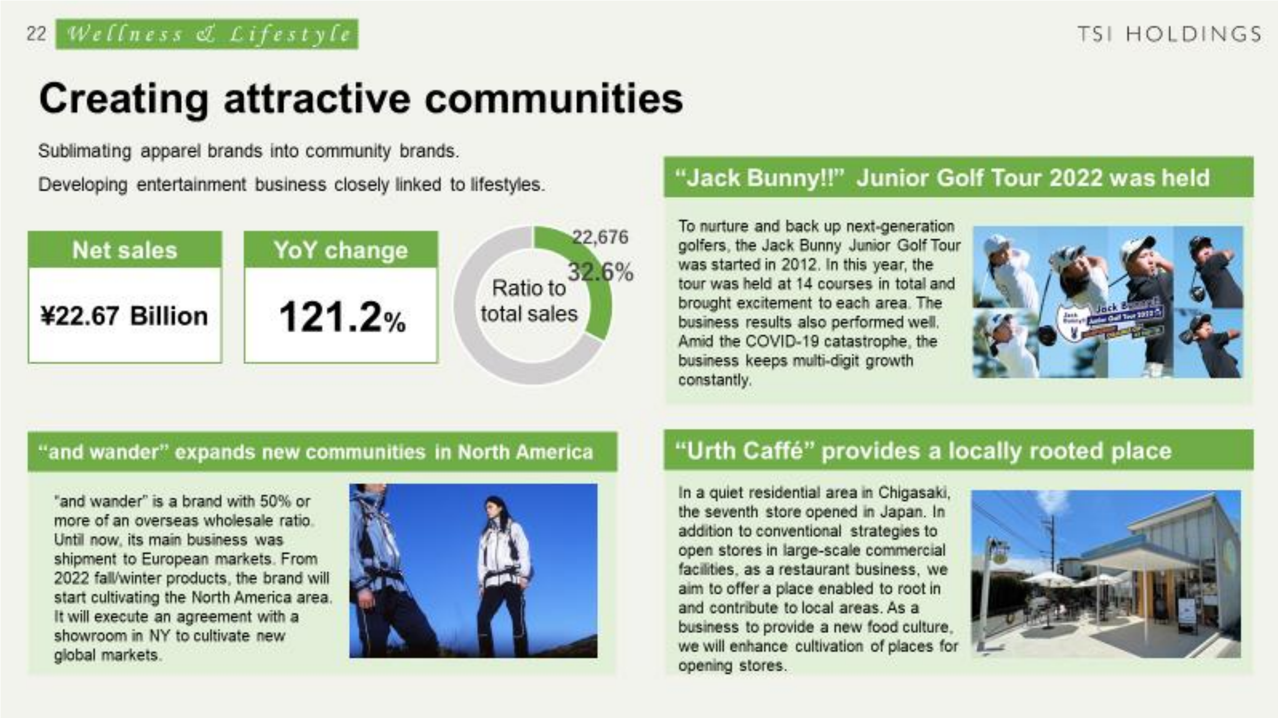
The Company's shares will be treasury stock. Previously, the Company repurchased treasury stock as part of its capital policy implementation and shareholder return policy. The increase is JPY490 million.

As for the capital adequacy ratio, it is at a high level at 71.5%, but we will continue to make effective use of funds by investing in our core business and strengthening our supply chain, in addition to investments in the SDGs and the digital domain.



We are pleased to report on our efforts for TIP25 and each areas.

With TIP25 as a start, the four domains and investment business areas are summarized. We hope you will take the time to look at each brand.



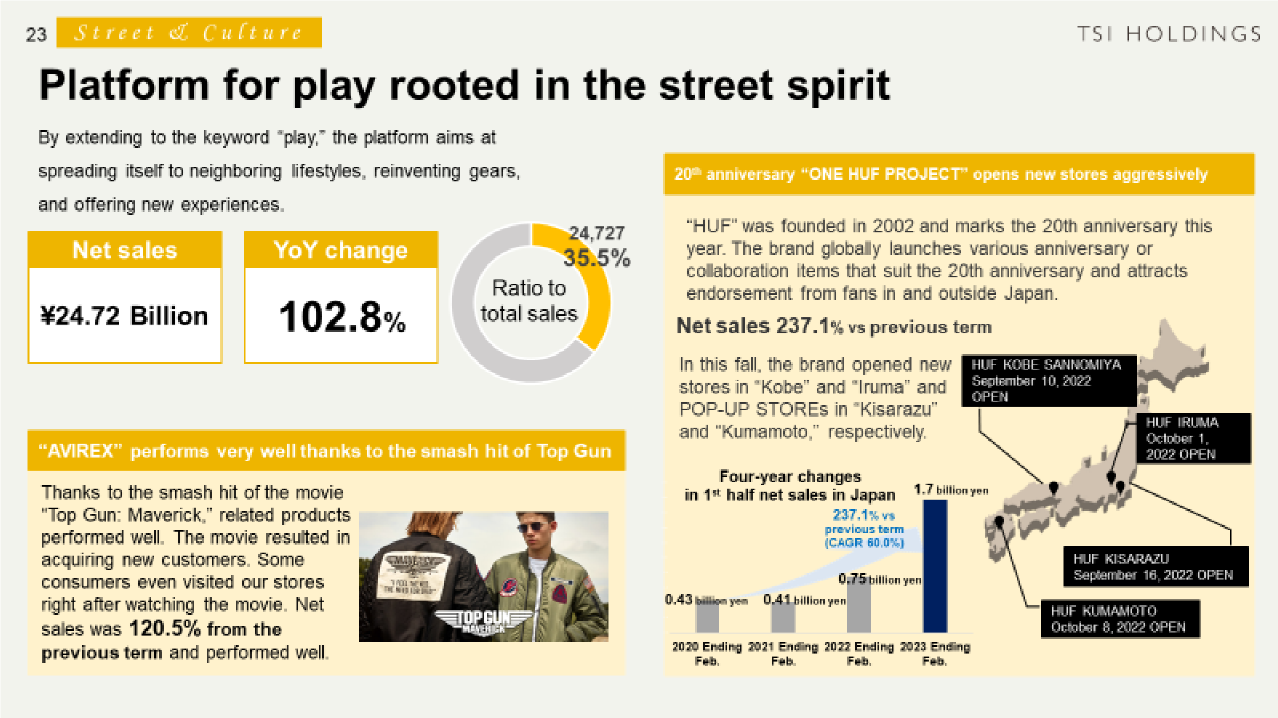
First is wellness and lifestyle.

Wellness and lifestyle will elevate itself from an apparel brand to a community brand under the theme of creating an attractive community. Sales were JPY22.67 billion, 121.2% YoY.

On topic, and wander is developing a new community in North America. The overseas wholesale ratio has exceeded 50%, and we have received very large orders for the next spring/summer season, so we will develop the global market, including North America, Europe, and the United States, for outdoor wear.

This time, we are going to introduce the Jack Bunny!! brand of golf. We will hold its junior golf tour again this year, which has been going on for more than 10 years and has produced a variety of new and promising female professional players since its inception. A typical example is Erika Hara, who is also from the Jack Bunny!! golf tour, I believe that our joint efforts to nurture these young players from a young stage of their development is having a positive effect.

In addition, Urth Caffé is proposing a new lifestyle in the residential area of Chigasaki in the Shonan district, with the image of California, where Urth Caffé will compose the goodness of Urth Caffé together with the community, creating a store with local-ism rooted in the community.



Street and culture.

Under the theme of "a platform for play rooted in the spirit of the street," we will continue to create new creations by expanding on the keyword "play" to seep into the surrounding lifestyle and reinventing gear. Net sales were JPY24,720 million, or 102.8% YoY.

AVIREX, which has been around since the 1970s, has enjoyed strong sales of related products following the blockbuster success of the movie, *Top Gun: Maverick*. We are also doing very well in pre-order sales, which has led to the acquisition of new customers. Sales also remained strong at 120.5% YoY.

In addition, we will launch an offensive to open new stores under the ONE HUF PROJECT, which celebrated its 20th anniversary. Established in 2002, HUF is celebrating its 20th anniversary this year. We are developing a variety of commemorative and collaborative items globally to celebrate our 20th anniversary.

Globally, the sales were 170% YoY, but in Japan, sales jumped 237.1% from the previous year. We would like to use this opportunity to open new stores in Kobe, Iruma, Kisarazu, and Kumamoto.

Fashion capital domain.

We will continue to provide services that constantly respond to trends and changes. Net sales totaled JPY16,060 million, 118.1% YoY.

Our new brand, LE PHIL, has received a great response from the market. Sales, compared to the previous year, were 177.2%. We have an established weekly installment live on Thursdays, that kind of thing. As for exhibition preorders, we have already doubled them to 200%. The quality and design are very high, and in this sense, the Company has earned a high reputation both internally and externally. In addition, trials of new physical stores will be initiated as a result of this.

One of the very strong points of the OMO strategy is the Arpege story. Sales growth is achieved through services that leverage the strengths of each channel, such as EC pre-sales, store layaway from EC, reservations, and other services that utilize EC inventory to serve in-store customers, leading to reciprocal customer transfers between EC and stores.

First, physical store sales were 225.6% YoY, and EC sales were 220.3% YoY. Both channels have grown and continue to perform well. We believe that this has created an environment where customers are very pleased with the rich content, attractive guests, and live commerce by such people, and we believe that we are transmitting our brand value and gaining support.

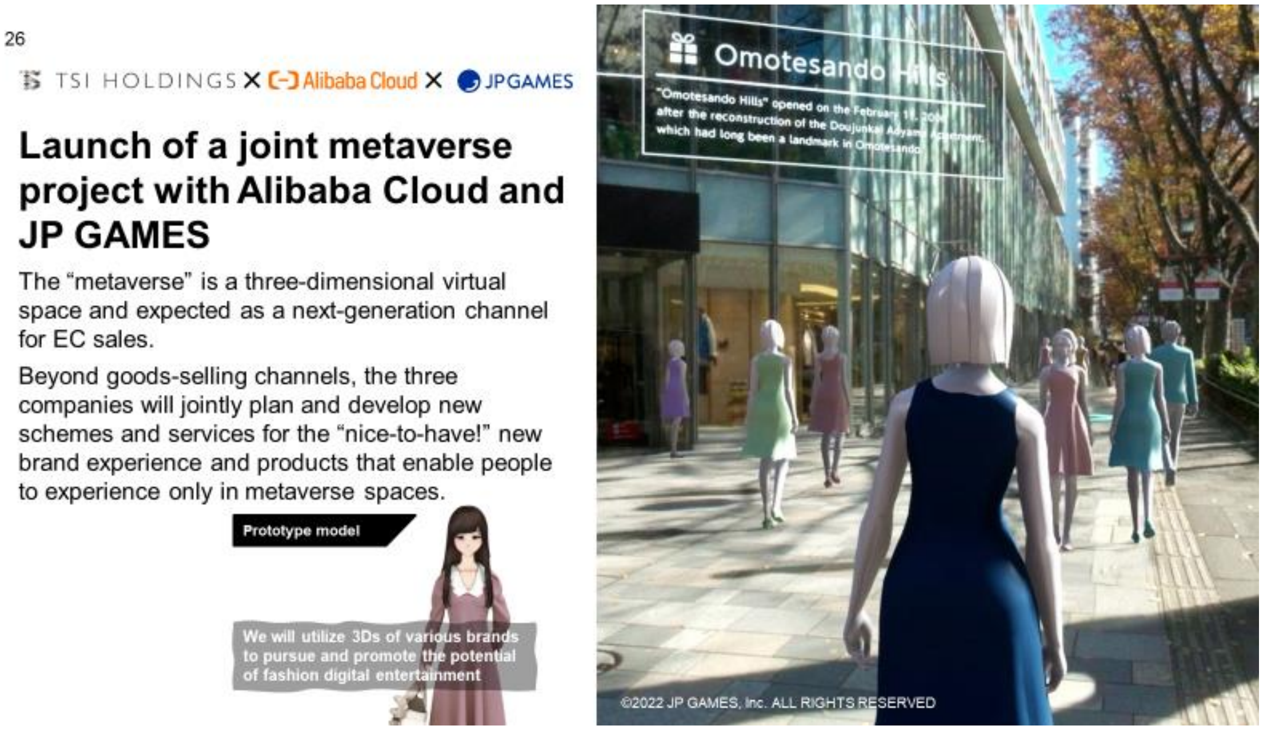
Digital generation.

This domain will be enriched with content that captures the ever-expanding next generation. And we hope to create empathy and enthusiasm from our customers. Net sales of JPY6,110 million, 110.7% YoY.

As for topics, hueLe Museum, this is a D2C business with a focus on art, flowers, and fashion. We are continuing to hold POP UPs at GINZA SIX, and as a further development of our products, we will speed up production by using digital technology in collaboration between our own factory and the supporting production facility, Sitateru, and the storefront. We would also like to conduct trials to further enhance the design.

In addition, the D2C brand CHAROL has made its debut this year. We would like to propose a mode style that mixes relaxation with a moderately relaxed form.

ETRÉ TOKYO, our largest brand, has been collaborating with various major jeans makers, including EDWIN, which is shown here. In addition, the contents of the product have been very well received, and the planned quantity was sold out immediately. We are looking forward to proposing attractive products to you.



Now that I have finished explaining each domain, during this time, I would like to talk about Alibaba Cloud and JP GAMES, which we have just announced earlier.

Alibaba Cloud is one of the world's largest cloud computing companies, and JP GAMES is a company founded by Mr. Tabata, a member of the Final Fantasy production team. We will start a joint development project for the Metaverse with the three companies.

The 3D virtual space metaverse is expected to be the next-generation channel for e-commerce sales, and we would like to create a new metaverse space experience that is not limited to the physical sales channel.

We would also like to participate in a new platform in the Metaverse and propose fun and entertaining fashion.

28 SDGs TSI HOLDINGS

Information disclosure based on the TCFD recommendations

We agree with the recommendations by TCFD and disclose the four items; "governance," "risk management," "strategy," and "metrics and targets."

We visualized CO_2 emissions of Scopes 1, 2 & 3 and set the reduction targets with an eye to acquiring SBT certifications.

Governance

We established the Sustainability Committee as a function to enhance and promote governance.

Risk management

Based on scenarios of IEA and IPCC, we identified the business continuity/growth risks related to climate change. We will take measures toward growth.

*The reduction goal for Scope 1 and 2 coincides with the 1.5 degrees C target. The reduction goal for Scope 3 coincides with the 2050 carbon neutrality target.
As for CO_2 emissions, all numbers smaller than 1,000 are rounded down to the nearest 1,000 in the above list.

Indicator and Goal

Visualize CO2 emissions throughout the value chain and set specific reduction targets for 2030 with the aim of becoming carbon neutral by 2050.

CO2 Emissions and Reduction Goals

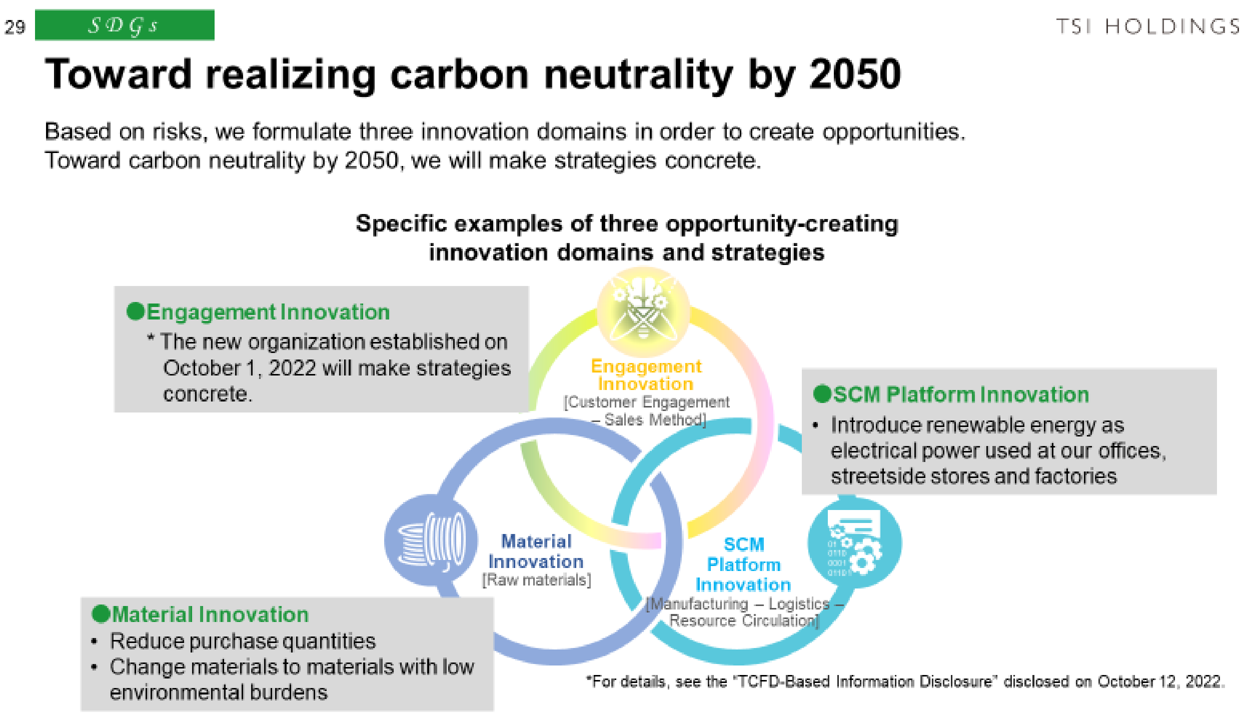
	Scopes 1 – 3 (total)	Scopes 1 and 2	Scope 3
CO2 emissions in February, 2020	305K tons	9K tons	295K tons
CO2 emissions reduction goals Feb 2030	-35% (-108K tons)	-48% (-4K tons)	-35% (-103K tons)
CO2 emissions reduction goals in line with SBT	—	1.5 degrees C (Target) 4.2% reduction every year	WB2 degrees C (Target) 2.5% reduction every year

Now, I would like to report on our efforts regarding the SDGs.

We will make disclosure based on the TCFD recommendations. We agree with the TCFD's recommendations and will disclose four items: governance, risk management, strategy, and indicators and targets.

As for indicators and targets, we will visualize CO_2 emissions throughout the value chain and aim to achieve carbon neutrality by 2050. Specific reduction targets have been established through 2030.

I would also like to show you the actual CO_2 emissions and reduction targets as this table. Scope I, II, and III are quite high as targets, and we are determined to meet these targets with the entire company.

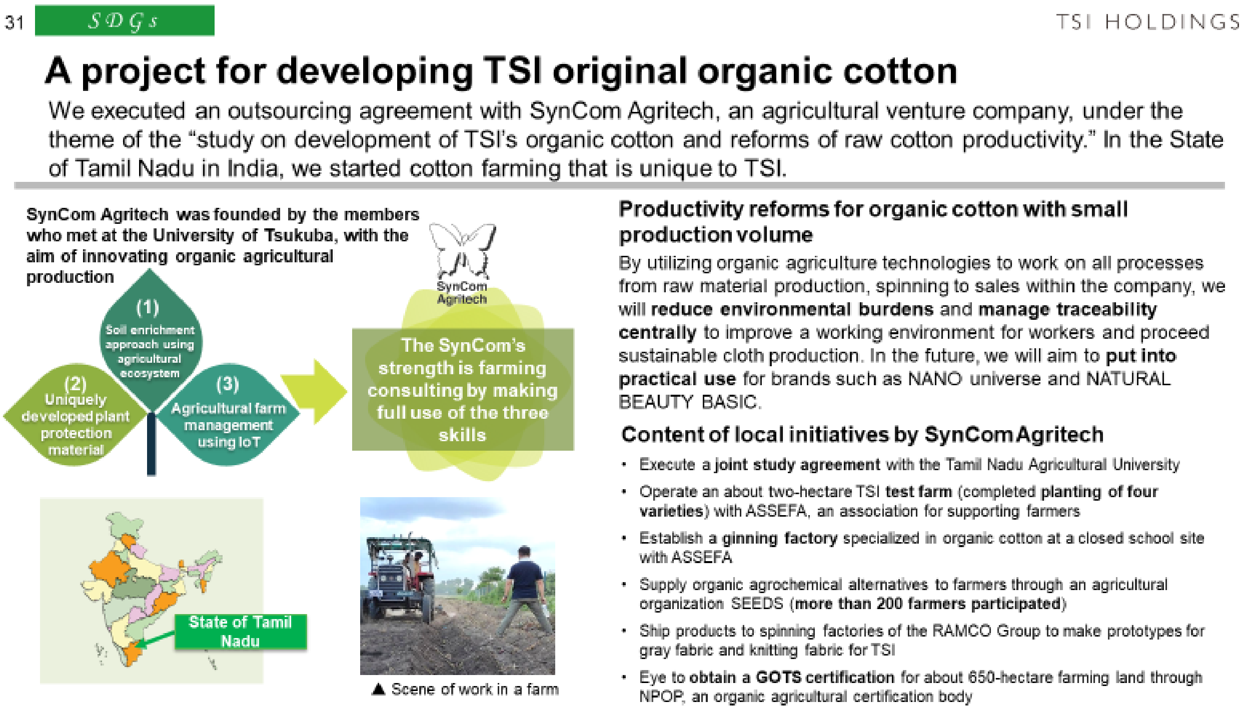


We have developed three areas of innovation to create opportunities based on the risks to achieve carbon neutrality in 2050. We will continue to materialize our strategy to become carbon neutral by 2050. We hope you will take a look at the three areas of innovation that will create this opportunity.

As for sustainable topics in H1, we will promote sustainable product manufacturing that takes into consideration the environment and human rights, from raw materials to manufacturing processes and sales methods.

One particular topic was the first sustainable exhibition at TSI ALL GOLF BRANDS. This was not only an exhibition, but also a presentation of our initiatives in concrete terms.

In addition, we have begun to use recycled materials for the interior of our new building, such as furniture made of upcycled materials from discarded clothing fibers, and flooring made of recycled waste tire materials. We are also in the process of developing a plan to use this more and more for our actual stores.



We have started a project to develop organic cotton. We have signed an outsourcing contract with SynCom Agritech Co., Ltd., an agricultural venture company, for the development of our own organic cotton and research on cotton productivity reform. TSI has started growing its own cotton in Tamil Nadu, India.

SynCom Agritech Co., Ltd. was founded by members who met at the University of Tsukuba with the goal of production innovation in organic agriculture. By reforming the productivity of organic cotton, which is produced in small quantities, we would like to reduce the environmental burden and achieve centralized traceability management by incorporating the production of raw materials, spinning, and sales using our own organic agriculture in a single integrated process.

In the future, we will aim for practical application in the NANO universe and NATURAL BEAUTY. In reality, we have rented a 600-acre farm and have already started growing cotton there.

33 Upward adjustment of full-year consolidated profit and loss plan for FY Ending Feb. 2023 TSI HOLDINGS

Based on the business results for the 2Q cumulative consolidated period, we decided to adjust the expected business results for full-year consolidated profit and loss for the fiscal year ending in February 2023, which were announced on April 13, 2022. For details, see the information below.

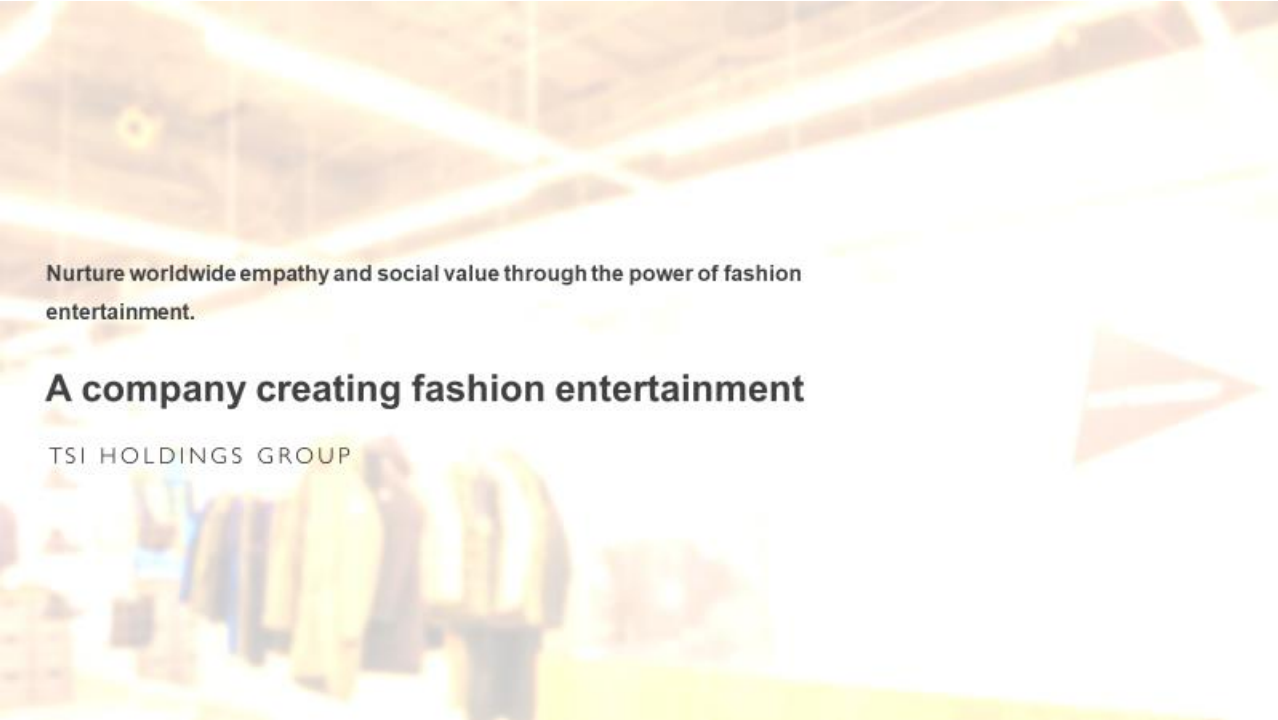
	Expected amount (previously announced)		Expected amount (adjusted this time)			
	Plan (Billion Yen)	Composition Rate (%)	Plan (Billion Yen)	Composition Rate (%)	Plan (Billion Yen)	Rate of change (%)
Net Sales	157.35	100%	**154.00**	**100%**	**-3.35**	**-2.1%**
Operating Profit	1.50	1.0%	**1.80**	**1.2%**	**+0.30**	**20.0%**
Ordinary Income	2.40	1.5%	**3.30**	**2.1%**	**+0.90**	**37.5%**
Profit Attributable to Owners of Parent	1.50	1.0%	**2.40**	**1.6%**	**+0.90**	**60.0%**
Net Income Per Share	¥16.59		**¥27.63**			

Regarding net sales, we reviewed the expected business results for the second half, in addition to actual results for the first half. Based on impacts of global inflation, a weaker yen and other elements, we conservatively evaluated factors such as an impact on sale in 4Q. After that, we estimate to increase the profit attributable to owners of parent by 0.9 billion yen than initially expected. Regarding operating profit and ordinary income, based on the actual results for the first half and the expected business results for the second half, we also made an upward adjustment of the previously announced, expected full-year business results.

Last but not least, I would like to report on our full-year forecast. Based on the results for Q2 and H1, we have decided to revise upward our full-year consolidated earnings forecast for FY2023.

The revised forecasts are net sales of JPY154 billion, operating income of JPY1.8 billion, ordinary income of JPY3.3 billion, and net income attributable to the parent company of JPY2.4 billion. The revised forecast for net income per share has been revised upward from the previously announced forecast of JPY16.59 to JPY27.63. With regard to net sales, we have revised our forecast for H2, in addition to the actual results for H1. Realistically, however, we expect net income attributable to shareholders of the parent company to increase by JPY0.9 billion compared to our initial forecast, after strictly evaluating the impact of Q4 sale sales and other factors due to global inflation and the weak yen.

We have also revised upward our previously announced full-year forecasts for operating income and ordinary income, based on H1 results and H2 earnings estimates. Although this is a rather firm announcement, we will do our utmost to exceed it and keep our promise.



Our goal is "to create sympathy for the world and social value through the power of fashion entertainment" and as a fashion entertainment creation company, we are committed to nurturing fashion brands that are fun and that delight our customers.

And in terms of the current situation, sales have been very strong in October, with a tailwind of favorable weather and a very enjoyable fashion environment. We are determined to fight hard and enjoy making proposals to please our customers, both on the sales floor and in the e-commerce market, through the remainder of the year. We would like to ask your support for our company.

Thank you very much for your time today.

[Video Ends]

[END]

____

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. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
4. *This document has been translated by SCRIPTS Asia.*

Disclaimer