



TSI HOLDINGS

TSI HOLDINGS CO., LTD.

Q2 Financial Results Briefing for the Fiscal Year Ending February 2024

October 16, 2023

Event Summary

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[Venue]	Webcast	
[Venue Size]		
[Participants]	45	
[Number of Speakers]	7	
	Tsuyoshi Shimoji	President and CEO
	Masanori Maekawa	Director, Platform Headquarters
	Mitsuru Naito	Director, Corporate Headquarters
	Genya Oshiki	Director, General Manager of Business Headquarters
	Hiroyuki Watanabe	Operating Officer, Deputy General Manager of Platform Division
	Shunsuke Hasegawa	Investor Relations & Corporate PR Assistant Manager
	Manami Shiraishi	Investor Relations & Corporate PR

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North America 1.800.674.8375
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Presentation

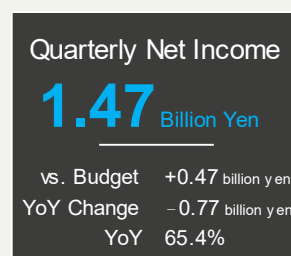
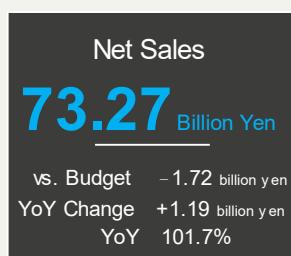
Moderator: Good morning. Thank you for joining us today. It's time to hold a briefing on the financial results of TSI HOLDINGS CO., LTD. for H1 of the fiscal year ending February 28th, 2024.

First, I would like to show you a video of the earnings presentation, and then I will begin the Q&A session. Now, please run the video of the financial results presentation.

4 Highlights of Results for 1st Half of Results of 2024 Ending Feb.

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Net sales exceeded those for the previous year, but the sales plan was not achieved as the major brands and the overseas business struggled. The operating income plan was not achieved, either due to the effects of slow-moving inventories in some businesses which resulted from the failure to achieve the sales plan.



- Due to the effects of the previous year's withdrawal from some businesses and American subsidiaries which continued to struggle, net sales were ¥73.27 billion, 101.7% of the previous year's level. Net sales continued to recover slowly, but there were still issues which remained to be addressed.
- Affected by the depreciation of the yen and sharp rises in the prices of raw materials as well as valuation losses due to slow-moving inventories, operating income was ¥530 million, ¥50 million lower than in the previous year.
- Net income was ¥1.47 billion, ¥770 million lower than in the previous year due to the effects of income taxes deferred.

Shimoji: Good morning. I am pleased to report the details of our financial results for H1 of the fiscal year ending February 2024.

Here is a summary of the financial results for H1 of the fiscal year ending February 2024. Consolidated net sales were JPY73.27 billion, operating income was JPY530 million, and net income for H1 was JPY1.47 billion.

Sales exceeded the previous year's record but fell short of the sales goal due to the struggles of large brands and overseas business. Operating profit also fell short of the plan as a result of inventory backlogs caused by sales plan shortfalls having a negative impact on some businesses.

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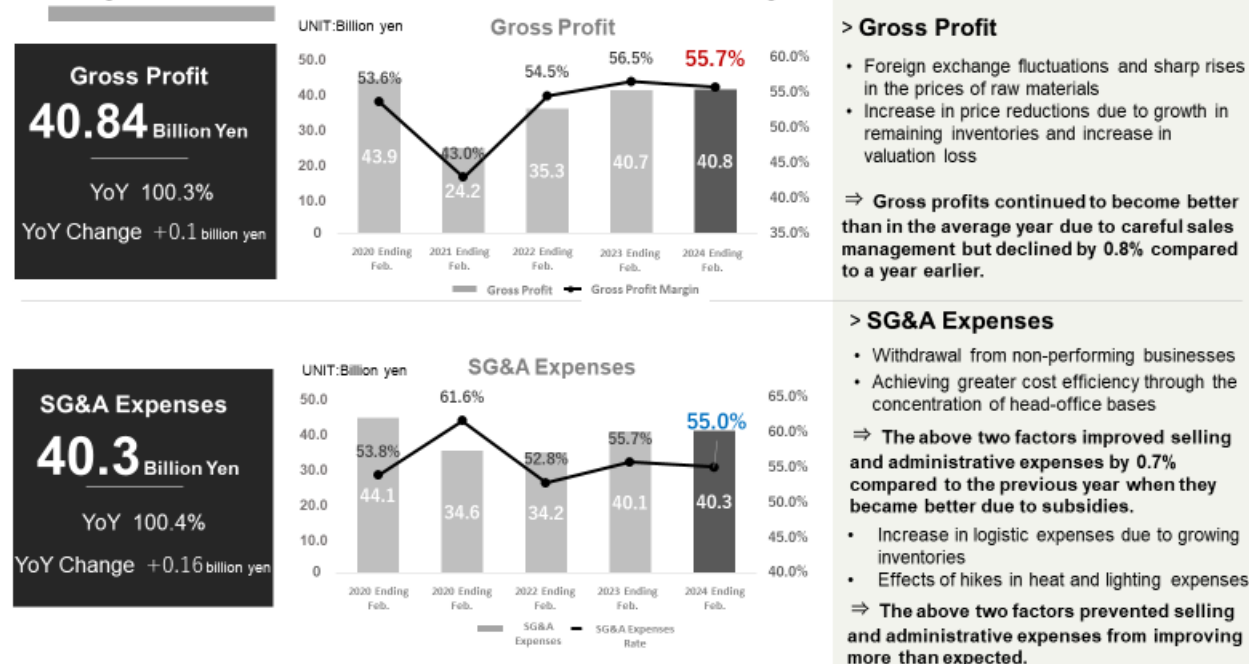
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5 Changes in financial results for the 1st Half of Results of 2024 Ending Feb

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Consolidated financial results. Gross profit was JPY40.84 billion, 100.3% of the previous year's level. In terms of gross profit, our careful sales management is showing a better trend than in past years, though little by little.

On the other hand, costs have increased due to the weak Japanese yen, impacted by exchange rate fluctuations and raw material price hikes, as well as an increase in remaining inventories. This led to an increase in discounts and write-offs, which caused gross profit to deteriorate by 0.8% from the previous period.

SG&A expenses totaled JPY40.3 billion, 100.4% of the previous year's level. We withdrew unprofitable brands. In addition, the Company carried out the consolidation and relocation of the headquarters last year to improve cost efficiency by 0.7% over the previous year, which was already in good shape thanks to subsidies. However, the deterioration of distribution costs due to increased inventories and the impact of utility costs, among other factors, prevented the improvement from exceeding our expectations.

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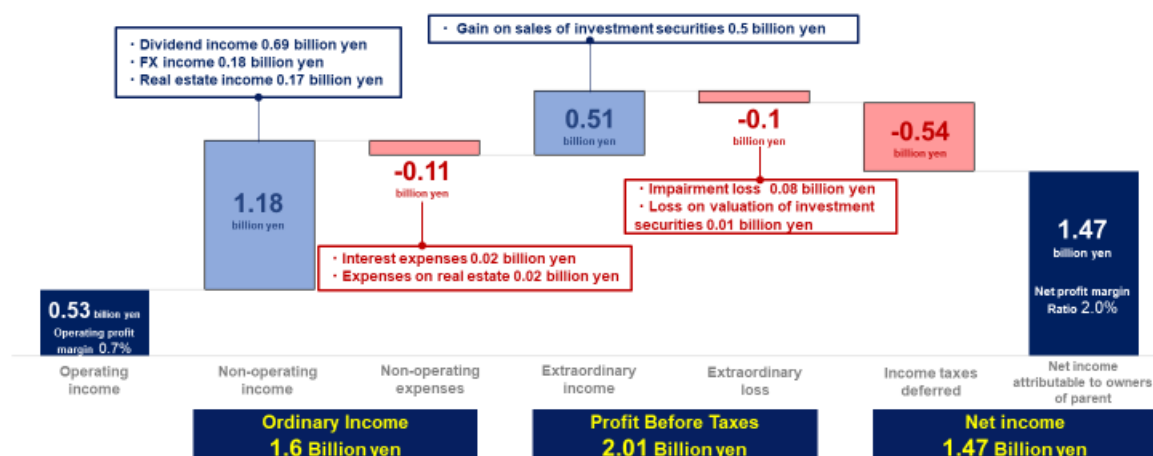
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6 Net Income Impact Items for 1st Half Results of 2024 Ending Feb.

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Ordinary income, including non-operating income/loss such as dividend income and real estate revenue, was **¥1.6 billion**.

Net income for the first half of the term, including ¥410 million in extraordinary income/loss such as gains on sale of investment securities and impairment losses as well as income taxes deferred, was **¥1.47 billion**, and the **profit ratio** was **2.0%**.



Next, I would like to look at net profit and impacting factors. Adding non-operating profit and loss such as dividend profit and real estate profit, ordinary profit is JPY1.6 billion.

Adding extraordinary gains and losses of JPY410 million, including gains on sales of investment securities and impairment losses, and income tax adjustments, net income for H1 was JPY1.47 billion with a profit margin of 2%.

7 About Balance Sheet

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	1ST Half 2023 Ending Feb.		Cumulative Q1ST 2024 Ending Feb.		1ST Half 2024 Ending Feb.					
	Results	Composition Rate (%)	Results	Composition Rate (%)	Results	Composition Rate (%)	Y/Y Change	Y/Y (%)	Q2/Q1 Change	Q2/Q1 (%)
Current Assets	74,661	54.1%	72,096	53.0%	67,566	49.7%	-7,095	90.5%	-4,530	93.7%
(of Cash and Deposits)	37,069	26.8%	28,498	21.0%	24,660	18.1%	-12,409	66.5%	-3,838	86.5%
(of which, Inventory)	21,780	15.8%	27,269	20.0%	27,792	20.4%	6,012	127.6%	523	101.9%
Non-current Assets	63,434	45.9%	63,930	47.0%	65,149	47.9%	1,715	102.7%	1,219	101.9%
(of Investment Securities)	27,684	20.0%	27,805	20.4%	27,792	20.4%	108	100.4%	-13	100.0%
(of Investment Real estate)	4,722	3.4%	4,701	3.5%	4,695	3.5%	-27	99.4%	-6	99.9%
Total Assets	138,095	100.0%	136,027	100.0%	136,027	100.0%	-5,380	98.5%	-3,311	100.0%
Current Liabilities	26,481	19.2%	27,665	20.3%	23,963	18.1%	-2,518	90.5%	-3,702	86.6%
(of Short-term borrowings)	121	0.1%	-	0.0%	-	0.0%	-121	0.0%	-	#DIV/0!
(of Current portion of long-term borrowings)	5,262	3.8%	4,553	3.3%	4,203	3.2%	-1,059	79.9%	-350	92.3%
Non-current Liabilities	12,475	9.0%	9,281	6.8%	9,444	7.1%	-3,031	75.7%	163	101.8%
(of Long-term borrowings)	7,313	5.3%	4,175	3.1%	3,047	2.3%	-4,266	41.7%	-1,128	73.0%
Total Liabilities	38,957	28.2%	36,946	27.2%	33,399	25.2%	-5,549	85.7%	-3,539	90.4%
Total Net Assets	99,138	71.8%	99,080	72.8%	99,280	74.8%	142	100.1%	200	100.2%
(of Treasury stock(-))	-4,759	-3.4%	-3,774	-2.8%	-4,537	-3.4%	222	95.3%	-763	120.2%
Total Liabilities and Net Assets	138,095	100.0%	136,027	100.0%	132,679	100.0%	-5,416	96.1%	-3,348	97.5%

> Cash and Deposits

【Comparison with the previous term】

Affected by increases in inventory assets and the repayment of borrowings totaling ¥5.4 billion, cash and deposits decreased by ¥12.4 billion.

> Inventory

【Comparison with the previous term】

Inventory assets were 127.6% of the previous year's level, or ¥6 billion higher than a year earlier, due to the bulk purchasing of products such as those for long-term sales and sluggish sales of spring and summer products in some businesses.

> Treasury stock

【Comparison with the previous term】

As part of its efforts to implement capital policy and take measures for shareholder returns, the company continued to acquire treasury stock. The value of the treasury stock increased by ¥760 million.

Starting from October 16, the Company plans to acquire new treasury stock worth ¥5 billion.

Next, balance sheet. First, cash and cash equivalents decreased by JPY12.4 billion from the previous period, reflecting a JPY5.4 billion increase in inventories and repayment of loans.

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Inventories differed from the previous period, with bulk purchases of long-term sales goods and others, which are treated as standard items, but there was a lack of digestion of spring/summer merchandise in some businesses. This resulted in 127.6% from the previous year's level, or an increase of JPY6 billion over the previous year. However, we have built a plan to dissolve these inventories and are currently in the process of doing so. In addition, it's getting cooler under my feet, in fall and winter selling is much easier. It is the season that we can fully exhibit our expertise, and we will make a strong effort to sell our products during the period from October to December.

With regard to treasury stock, the Company continues to purchase treasury stock as part of its capital policy implementation and shareholder return policy. In addition, a new share buyback of JPY5 billion is scheduled to begin on October 16.

9 Sale Trends by Channel for 1st Half Results of 2024 Ending Feb.

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Cumulative net sales continued to grow, but while some channels performed well, others did not. We will strive to secure profits while balancing between aggressive and defensive sales.

- Department stores and non-department stores (FB and street): Sales made rapid progress mainly among street brands thanks to growth in the traffic of people and the recovery of inbound tourism. They were **103.4%** of the previous year's level though the number of outlets decreased by 41 compared to a year earlier.
- Domestic EC: The withdrawal of some brands and price reductions restrained by other companies' EC sites, etc. affected sales, causing them to remain at **93.5%** of the previous year's level though profitability improved.
- Overseas sales: Overseas wholesaling and European sales were strong, but because of backlash against sales in the anniversary year of America's HUF and decline in demand on the consumer side due to rapid inflation, the overall overseas sales stagnated, and these were the reason they remained at **93.6%** of the previous year's level.

		Old profit standards	New profit standards	New profit standards	
		Cumulative Q2ND 2022 Ending Feb.	Cumulative Q2ND 2023 Ending Feb.	Cumulative Q2ND 2024 Ending Feb.	YoY (%)
Domestic	Department Stores	6.31 Billion Yen (Composition Rate : 9.8%)	9.56 Billion Yen (Composition Rate : 13.3%)	9.40 Billion Yen (Composition Rate : 12.8%)	98.3%
	Commercial Facilities(*1)	27.35 Billion Yen (Composition Rate : 42.3%)	31.37 Billion Yen (Composition Rate : 43.5%)	32.93 Billion Yen (Composition Rate : 44.9%)	105.0%
	E-Commerce	18.78 Billion Yen (Domestic E-Commerce ratio : 35.8%)	17.82 Billion Yen (Domestic E-Commerce ratio : 30.3%)	16.66 Billion Yen (Domestic E-Commerce ratio : 28.2%)	93.5%
	Domestic Others(*2)	7.43 Billion Yen (Composition Rate : 11.5%)	7.18 Billion Yen (Composition Rate : 10.0%)	8.54 Billion Yen (Composition Rate : 11.7%)	118.9%
	Overseas	4.85 Billion Yen (Composition Rate : 7.5%)	6.13 Billion Yen (Composition Rate : 8.5%)	5.73 Billion Yen (Composition Rate : 7.8%)	93.6%

*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.

Next is the sales overview by channel. Cumulative sales are on a growing trend. Obviously, some channels are winning some are not, and we will strive to secure earnings by finding a balance between offense and defense.

As for the circumstance surrounding retail stores in Japan, we see a flux of visitors in towns, and we can expect abundant customer traffics. In addition, the recovery of inbound sales has led to a significant leap in sales, particularly in street fashion brands. However, we have closed 41 unprofitable stores since the previous year. Even under these circumstances, the result was 103.4% compared to the previous period.

In the domestic e-commerce business, there was an impact from the withdrawal of brands. Despite the improvement in profitability due to the impact of restrained discounting in other companies' e-commerce businesses, sales remained at 93.5% of the previous year's level.

In addition, overseas wholesale and Europe were strong, but the sales had some slump. I am under the impression that this may be a result of a reactionary trend to sales during the anniversary year of our US brand, HUF, as well as a drop in consumer demand due to rapid inflation. However, overall, I think consumption is rising. In the skateboarding segment, other activities are on revival while shopping centers are also making a comeback, so the decline in some of these particular segments has been intense, contributing to the factor of marking 93.6% compared to the previous year.

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EC sales for the first half of the term were ¥18.45 billion, or 93.4% of the previous year's level. They remained sluggish partly because of the effects of withdrawal of some businesses*1.

As consumer confidence declined due to rises in the prices of products and customers flowed to real stores, the Company failed to increase EC sales because there were issues to be addressed in expanding inventories of high-turnover products and creating new information content.

Plans call for the Company to take company-wide EC measures for future growth. By creating new marketing topics, the Company will strive to acquire new customers, thus maximizing EC sales.

Unit : Billion Yen	Old profit standards	New profit standards			
	Cumulative Q2ND 2022 Ending Feb.	Cumulative Q2ND 2023 Ending Feb.	Cumulative Q2ND 2024 Ending Feb.	Compared to year before last (%)	Y/Y(%)
In-House E-Commerce	8.99	8.73	7.84	87.2%	89.8%
(ratio(%))	(47.9%)	(49.0%)	(47.1%)	(-0.8pt)	(-1.9pt)
Domestic E-Commerce	18.78	17.82	16.66	88.7%	93.5%
(ratio(%))*	(35.8%)	(30.3%)	(28.2%)	(-7.6pt)	(-2.1pt)
Overseas E-Commerce	1.6	1.94	1.79	111.9%	92.3%
(ratio(%))*	(33.0%)	(31.7%)	(31.3%)	(-1.7pt)	(-0.4pt)
E-Commerce TOTAL	20.38	19.77	18.45	90.5%	93.4%
(ratio(%))*	(35.6%)	(30.5%)	(28.5%)	(-7.1pt)	(-2.0pt)

*1 The amount of EC sales shrank due to the effects of withdrawal from the "BOSCH" business and the termination of agency contracts for "SUNSPEL" and "UNDEFEATED" (¥1.05 billion)

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

Proposed plan: Yes, let's go to festivals!



MANASTASH | NANO universe | NBB WEEKEND ROSE BUD

The Company made proposals for fashion coordinates across the boundaries of brands on its own EC site "MIX.Tokyo." By continuing to make total TSI brand proposals, it will raise the overall recognition level for its brands and acquire new fans of TSI brands.

E-commerce sales results. E-commerce sales in H1 were JPY18.45 billion, 93.4% of the previous year's level, and ended weak partly due to the withdrawal of three brands: BOSCH, SUNSPEL, and UNDEFEATED.

There was a decline in consumer confidence due to higher commodity prices. Customer traffic shifted to retail stores and the retail sales grew, on the other hand, we were unable to thoroughly prepare inventories of high-turnover products, and we fell short of offering new content. We were unable to increase our e-commerce sales as a result, which I think is a point of reflection.

Moving forward, we will keep in mind that the entire company will be cross-functional. First of all, we will begin to build a mall that will offer coordination proposals that transcend brand boundaries and consolidate the women's category on our own e-commerce site MIX.Tokyo. We will take action to maximize the growth of e-commerce sales by acquiring new customers and adding measures to ensure that no sales are left undone.

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Net sales for eight of the top ten brands in terms of sales exceeded those for the previous year. Among those brands, "MARGARET HOWELL", "AVIREX", and "STUSSY" continued to perform well as in the previous year, achieving two-digit growth.

In general, brands other than the major ones also performed well though they struggled in some channels. In particular, the ladies apparel business (such as "LE PHIL" and "ADORE") and the street business (such as "BAIT" and "BEAVER") made rapid progress in sales.

■ Top 10 brands in sales		Unit: Million Yen				
		1ST Half 2023 Ending Feb.		1ST Half 2024 Ending Feb.		YoY
		Sales	Composition Rate (%)	Sales	Composition Rate (%)	
1.	PEARLY GATES	8,369	11.6	7,941	10.8	94.9
2.	MARGARET HOWELL	5,978	8.3	6,705	9.2	112.2
3.	NANO universe	6,165	8.6	6,251	8.5	101.4
4.	NATURAL BEAUTY BASIC	5,377	7.5	5,594	7.6	104.0
5.	HUF	4,686	6.5	4,066	5.5	86.8
6.	AVIREX	2,805	3.9	3,321	4.5	118.4
7.	STUSSY	2,039	2.8	2,481	3.4	121.6
8.	new balance golf	2,196	3.0	2,429	3.3	110.6
9.	human woman	2,131	3.0	2,203	3.0	103.4
10.	Jack Bunny!!	1,630	2.3	1,647	2.2	101.0
TOP10		41,380	57.4	42,642	58.2	103.0

・ PEARLY GATES YoY : 94.9%

Sales continued to far exceed those of the pre-COVID level but Growth is slowing down. We will strive to secure sales and profits while selling inventories.

・ MARGARET HOWELL YoY : 112.2%

Both real stores and EC sites increased sales. "MHL" saw casual lines planned in Japan perform well with their EC sales achieving substantial growth, at 137.9% of the previous year's level.

・ NANO universe YoY : 101.4%

Sales from real stores recovered. EC sales fell due to restrained excessive price reductions, but EC profitability improved. The brand will continue to use appropriate sales strategy for sales growth while maintaining profitability.

・ HUF YoY : 86.8%

Domestic sales continued to be strong, but overseas sales struggled due to the backlash against sales from the previous year's 20th anniversary project as well as sharp price rises and changes in the post-COVID market environment. The brand aims for recovery by developing new categories of products.

Eight of the top 10 sales brands in exceeded the previous year's sales.

However, the mainstay brand PEARLY GATES was the major negative factor, at 94.9% of the total compared to the previous quarter. As for HUF, sales in the US were sluggish at 86.8%, a significant downfall.

First, regarding the two brands, the negative performance of PEARLY GATES does not mean the demand for golf has declined, rather, the demand has settled after the peak. We believe that we can further improve the sales floor design and methods of developing business.

Domestic demand for the HUF brand remains extremely high, and the growth rate of our two main street brands, HUF and STUSSY, has been tremendous. Therefore, we are planning on coupling these two brands.

MARGARET HOWELL's sales are recovering. AVIREX and STUSSY continued their strong performance from the previous year with double-digit growth.

In the new brand and women's apparel category, LE PHIL is doing very well, and we are preparing to open a new store. ADORE is producing hit merchandise and the brand's products are gaining customers' favor, reviving once again as a strong brand.

In the street fashion category, BAIT and BEAVER, although still small in size, have been very popular for their casual feel and are making great strides.

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Announced on April 14, 2022 Medium-term management plan materials reposted

Hence, to leap toward 2025, we have updated TIP24,
to turn it into the TSI Innovation Program 2025 (TIP25).

TIP25 formulation policy

1

Capture changes in the social environment and market to express and embody **our existence and purpose**

2

Align the direction of the entire company with the direction of business domains to develop business in **new growth domains**

3

Achieve sufficiency in **digital engagement, ESGs and high profit**, all areas that the stock market holds dear

TIP25 and the initiatives of each division will be discussed.

Creating attractive communities

Sublimating apparel brands into community brands.

Developing entertainment business closely linked to lifestyles.

Net sales YoY change

¥23.67
Billion

104.2
%

¥23,679 million
32.8%
Ratio to total sales

Popular golf brands gather at the newly established press room

A new press room that focused on golf brands opened. Each of TSI's nine golf brands had its own exclusive booth with their diverse attractions condensed in a single space.

Previously, the Company had organized exhibitions and carried out Think Golf and other initiatives with sustainability in mind, but this project featured a press room that, while introducing such elements, made the parties concerned feel like visiting it in spite of themselves.



▲ Sofa that used B products and sample wear

"SEVEN BY SEVEN" First time participating in a runway show

The brand presented its 2024 SS collection at the Rakuten Fashion Week TOKYO, one of the five major fashion weeks. The runway show held at the National Stadium lived up as many visitors attended it.



Furthermore, in October, the brand's flagship store opened in Yoyogiuehara. This outlet will sell old clothes purchased by designers themselves, selected special items, and other products and implement projects it works out on its own.

PEARLY GATES PGG ALBERTO KUHNO Jack Bunnyll ST ANDREWS PING new balance HIN WICKEND MARGARET HOWELL MHL. Dice&Dice SEVEN BY SEVEN garten and wander YLÉVE THE LIBRARY

In the wellness & lifestyle category, we will create an attractive community. Net sales were JPY23.67 billion, or 104.2% of the previous year's total. As a percentage of sales, it accounts for 32.8% of the Company's total sales.

First, we were built a new press room in the basement of our headquarters, which will house a collection of popular golf brands. We would like to use the power of digital technology to create a new communication tool here.

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In the lifestyle category, our brand SEVEN BY SEVEN was participated at the Tokyo Collection at the Rakuten Fashion Week TOKYO. The response has been so positive that we would like to continue the program in an even more aggressive manner.

Furthermore, we opened a Shinjuku Isetan store in August, and a roadside store in Yoyogi (Yahata) in October. Customers have responded well, and we have high expectations that we will be able to grow well.

Platform for play rooted in the street spirit

By extending to the keyword "play," the platform aims at spreading itself to neighboring lifestyles, reinventing gears, and offering new experiences.

Net sales YoY change

¥25.65
Billion

100.2
%

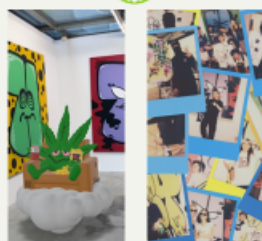


"HUF" hosts its first NFT event

"HUF" held the HUF SET NFT, the TSI Group's first NFT project.

This was the event that allowed only holders of NFT cards, which were distributed when they purchased products covered by the project, to participate in it. In this first project, among other features, HUF ambassador REMIO was invited as the main guest, live paint events were held, and limited products were sold.

By introducing new technology actively, the brand aims at creating new types of fashion entertainment.



▲ In addition to real works, those which used AR were presented.

▲ Many fans visited the event site.

"Forget-me-nots" project to support women

In July, "Forget-me-nots" whose sales were strong, at 171.8% of the previous year's level, launched the project "Hello, World!" to support young female artists. The event offered the store space to female artists aged 35 or younger free of charge, a new trial to assist them mainly in organizing an exhibition of their works.

The brand will work to empower women according to the phases of their career by not only providing the store space but also offering diverse opportunities to express themselves, including collaborative projects and content production.

Hello, World!



▲ At the launch party, the first pop-up store was held.



Street & culture. We will create a platform for play rooted in the spirit of the street. Net sales were JPY25.65 billion, 100.2% of the previous year's level. The sales composition is 35.6% of the total sales.

HUF held its first NFT event. The design was originated in the US and conducted in Japan as a trial. It was designed by HUF ambassador REMIO, and live painting was done with main guests from the US. We would also like to inform you that a very large number of our customers who participated in the event owned NFT cards and have participated in this new endeavor.

In addition, although it still has only a small number of stores, "Forget-me-nots" is performing well with a 171% increase over the previous quarter. The brand is also always involved in events and social contributions, including sustainable and material development. In particular, this brand often collaborates with Nike, but last year they also developed materials and held an exhibition in cooperation with Tama Art University.

In addition, we are providing free store space to female artists to support them in holding art exhibitions, and we are communicating and collaborating with them for everyone's enjoyment.

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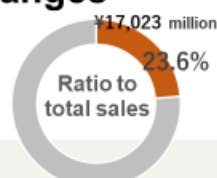
Services that respond constantly to market trends and changes

Being flexible enough to continue changing gracefully, granting the wishes of customers, and extending a circle of happiness.

Net sales YoY change

¥17.02
Billion

103.9
%



"Arpege", a new business type whose strength is to communicate information and offer experience value

A new format, Arpege Salone opened at Shinjuku Marui. This is a multi-function store that offers a full array of Arpege brands and has a studio. In addition to livestreaming, it functions as a place to hold various events.

Arpege Salone will play not only an existing role as an outlet for selling clothes but a new role as a place to communicate information and offer experience value.



▲ Many customers visited the store for the opening event.



Livestreaming from 12:00 p.m. each day

Collaboration among different industries within "human woman"

"human woman", which celebrates the 25th anniversary this year and is implementing a wide range of projects, offered collaborative items with "Urth Caffé", a restaurant business.

One example of collaboration was to use usually discarded coffee grounds for dyeing to produce items that had a natural color.

Part of the sales was directed to environmental protection projects.

human woman
X
UrthCaffé



Apuweiser-riche JUSGLITTY Rirandture Mystrada CADUNÉ Arpege story NATURAL BEAUTY BASIC PROPORTION ADORE human woman LE PHIL PINKY&DIANNE

Fashion capital. We will provide services that actively respond to the changing times. Net sales were JPY17.02 billion, 103.9% of the previous year's level. Sales accounted for 23.6% of total sales.

First, Arpege is a new business model whose strength lies in information dissemination and experiential value and has opened in Shinjuku Marui. In addition to selling, we have created a studio with an assortment of Arpege brands, which serves as a live-streaming and event space. It is not only a sales floor, but also a commercial facility that serves as a base for information dissemination.

For the human woman brand we developed the product in collaboration with Urth Caffé, a café we operate in-house. The products are sold at human woman stores and the café, and are very SDGs and ecological aware products. We sold these and donated a portion of the proceeds to environmental protection projects.

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Continuously expanding content to win over the next generation of customers

Obtaining a favorable response and generating strong excitement through tangible and intangible content that expands infinitely.

Net sales YoY change

¥5.74
Billion

96.3
%

¥5,744 million

8.0%

Ratio to
total sales

hueLe Museum's exhibition combines fashion and art

Under the concept "Immersive Art Museum—Dive into art," hueLe Museum's 2023 FW exhibition invited guests from the general public for the first time and had them enjoy the Fashion x Flower x Art experience the brand emphasized.

As exemplified by the display of digital content and works of art as well as clothing, the event had programs that deserved to be called a "museum." The brand will continue to offer its unique attractions by combining fashion with art.



JILL by JILL STUART's Popular products are reprinted

"JILL by JILL STUART", which celebrated its 15th anniversary in August of this year, launched the COME BACK PROJECT to express its appreciation to customers. Under the theme "Continuing to offer those lovely items in the future," the brand will sell popular products from its archives for a limited period of time.

"JILL by JILL STUART" will create products full of its attractions while maintaining its history carefully so that the brand will be long loved in the years to come.



▲ A total of ten items are planned to be revived.

ETRÉ MECRE CHAROL FREE'S MART

JILLSTUART

JILL by JILLSTUART

ROSE BUD

hueLe Museum

STU MBLY.

Next is another digital generation brand. First, we will create content that will capture the ever-expanding next generation. Net sales were JPY5.74 billion, 96.3% of the previous year's level. The sales composition is 8%.

First, let me introduce the hueLe Museum. It started as a pop-up event and now, grew to be a regular storefront at GINZA SIX. Extremely positive feedback slowly came in. We have high expectations that the new store will be ready in the next fiscal year.

At the 2023 FW exhibition, for the first time, we invited customers who support the hueLe Museum to come to our store and visit us. We created a museum space with clothes that would allow visitors to enter the world of art and experience fashion, flowers, and art within this concept. We were very pleased with the turnout and hope to launch more of these events in the future.

As for JILL by JILL STUART, the brand celebrated its 15th anniversary. We brought back some of the fan favorite products to launch the COME BACK PROJECT as a token of appreciation.

In addition, bags and accessories are also very popular and have been transitioning, and we intend to continue to develop JILL by JILL STUART, which is rich in appeal, while incorporating new digital transmissions, for a brand that will be loved for a long time to come.

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Acquiring SBTi certification for GHG emissions reduction targets

SBT Initiative (SBTi) certified TSI Holdings' greenhouse gas (GHG) emissions reduction targets as those based on the scientific grounds established by the Paris Agreement.

In accordance with the purpose "Using the power of fashion entertainment, we create empathy and social value around the world," the Company will continue to push forward with initiatives to realize a sustainable society and step up efforts to disclose relevant information according to the framework of TCFD.



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Science Based Targets (SBTs)

SBTs refer to greenhouse gas emissions reduction targets conforming to the levels of reduction targets required by the Paris Agreement, which are set by businesses with five to ten years ahead as their target years.

Science Based Targets initiative (SBTi)

The SBTi was established in 2015 jointly by four organizations: CDP, the United Nations Global Compact, the World Resources Institute (WRI), and the World Wildlife Fund (WWF).

In order to help achieve the targets established by the Paris Agreement, it is promoting businesses' efforts to set GHG emissions reduction targets based on scientific grounds.

As mentioned in the press release of October 12, 2022 "Announcement of support for TCFD recommendations and submission of commitment letter to SBT initiative," the Company submitted its commitment letter to the SBT initiative and announce its GHG emissions reduction targets.

CO2 emissions and reduction targets

	Results for the term ended February 2020	Reduction targets for the term ending February 2030	Level of reduction targets set by SBTi
Scope 1/2	9,000 t	-48% (-4,000 t)	1.5°C target 4.2% reduction each year
Scope 3	295,000 t	-35% (-103,000 t)	WB2°C target 2.5% reduction each year

* The Scope 1 and 2 reduction targets aim at achieving a level of reductions that keeps a temperature rise below 1.5°C. The Scope 3 reduction targets aim at achieving a level of reductions that keeps a temperature rise well below 2.0°C, a level of reductions equivalent to those for achieving the carbon neutrality in 2050. Emissions are indicated by discarding fractions less than 1,000 tons.

Next, I would like to discuss our efforts regarding the SDGs.

Our greenhouse gas emission reduction targets have received SBT certification. It was certified by the SBT Initiative as a scientifically based goal as defined by the Paris Agreement.

We will continue to work toward a sustainable society with the purpose that is: to create global empathy and social value through the power of fashion entertainment. And, in line with the TCFD framework, we will further enhance the time of information disclosure and take action.

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Making progress in sustainable innovation

In order to achieve its GHG emissions reduction targets, the Company is carrying out a wide variety of initiatives such as promoting business models with less environmental impacts and educating employees. It will strive to create sustainable innovation by conducting various activities on a continuous basis.



Organic cotton development project



In a joint project with SynCom Agritech, an agricultural venture, the Company completed for the first time the spinning of yarn from cotton grown in the Indian state of Tamil Nadu on a trial basis.

The use of this cotton for product development under TSI's brands is under way.



Making effective use of recycled, environmentally conscious materials



With the cooperation of Seni-Ikueikai, the Company is collecting used clothes at its stores and developing new products using recycled materials made from such collected clothes for the part of the products.

The T shirts recently developed based on unisex specifications can be worn irrespective of gender.



Educating employees in sustainability through internal exhibitions

The Company expanded the scope of exhibits related to sustainable manufacturing at the Quality Information Exhibition it held to ensure that information on quality was shared internally.

By providing opportunities for even employees who were usually less interested in the environment and human rights to think about them again, the Company urged each and every one of them to deepen their knowledge of these subjects.

Progress in sustainable innovation. We have been introducing this organic cotton development project for some time.

Organic cotton is grown from soil or seeds, the cotton flowers bloom, and the yarn is completed. We are now going to do the braiding. We are pleased to report that we are in the process of commercializing the product under our brand. When the product is finished, we will also work on this kind of video and present it to you to tell its story.

Arpege story also utilizes environmentally friendly recycled materials.

And, we are educating our employees about quality, quality, trouble, and various information exhibitions. Among other things, we are expanding the exhibition on sustainable manufacturing for all employees, including those in charge of the SDGs, are taking action to deepen each employee's knowledge.

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Initiative for sustainable community development with Hokkaido's Kamikawa Town

Since it entered into a comprehensive community agreement in October 2021, the Company has carried out community development initiatives on a continuous basis.

The town government and TSI are promoting co-creation with the aim of creating new attractions for Kamikawa Town and developing more people connected with the town.



Ishikari River clean-up campaign

In order to help protect the natural environment, TSI employees took part in the Ishikari River clean-up campaign on which the town government was working.

The Company contributed to realizing a sustainable town that pays attention to the circular flow of economy, natural settings, and biological diversity.



Daisetsu Wildlife Encyclopedia Project 2023

TSI Holdings is supporting the Daisetsu Wildlife Encyclopedia Project, a demonstrative experiment that aims at promoting tourism in Kamikawa Town, coexisting with the natural environment of Mt. Daisetsu, and protecting its biological diversity.

"MANASTASH", operated by a TSI Group company, produced and provided T shirts.



上川町
HOKKAIDO KAMIKAWA

Corporate version of hometown tax donation program

For Kamikawa Town's SDGs project to protect the natural environment and biological diversity of the Daisetsuzan National Park, the Company donated taxes under the regional revitalization support tax system.

This is an initiative to create a sustainable community with the town of Kamikawa, Hokkaido. Since the signing of the comprehensive regional agreement in October 2021, we have been implementing ongoing initiatives. We continue to work together on new projects such as the Ishikari River Cleanup Operation, the Taisetsu Ikimono Zukan project, and the corporate version of the hometown tax.

We will also continue to introduce the SDGs on our website. We would like to expand this nationwide, so that we, our employees, and the local community can enjoy ourselves, create new products, and build new relationships.

The SDGs website was newly established this July. We will be disclosing more and more information there that we are unable to introduce here, so we hope you will take a look.

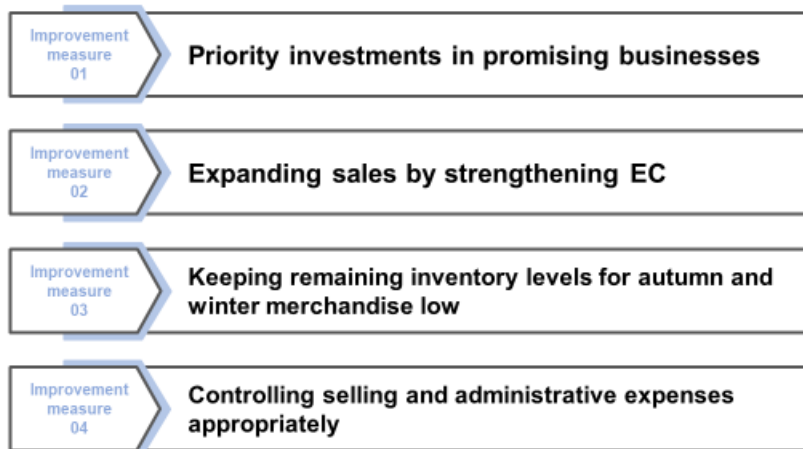
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At present, the operating income and net income plans for the entire term are not changed.

During the first half of the term, the Company was forced to struggle with its operating income ¥470 million less than initially planned, but by taking the measures listed below during the second half, it aims at bringing results as previously projected.



Operating income plan
for the entire term

¥4.7 billion

Net income plan for the
entire term

¥3.5 billion

Next, I would like to discuss the full-year forecast. The full-year operating profit plan and net profit plan remain unchanged at this stage.

As for improvement measures, the select business category of the UENO SHOKAI business, which is a strong business, is performing well, supported by inbound sales. We will also invest intensively in advertising, store openings, and pop-ups for strong businesses such as street brands HUF and STUSSY, and men-friendly brands AVIREX and Schott.

Second, we will expand sales by strengthening our e-commerce business. We will consolidate as much as possible the e-commerce business types that we have been doing individually and concentrate on attracting new customers and expanding our new sales network.

The third improvement measure, we would like to carefully control our inventory for the fall and winter and sell all of our products carefully by holding events and special events.

The fourth improvement measure is to control SG&A expenses. We will visualize and coordinate how human resources are moving in the right place at the right time in their roles more than ever. In this way, we will control SG&A expenses, including personnel and store management costs.

Through these efforts, we are determined to achieve our full-year operating profit target of JPY4.7 billion and net profit target of JPY3.5 billion.

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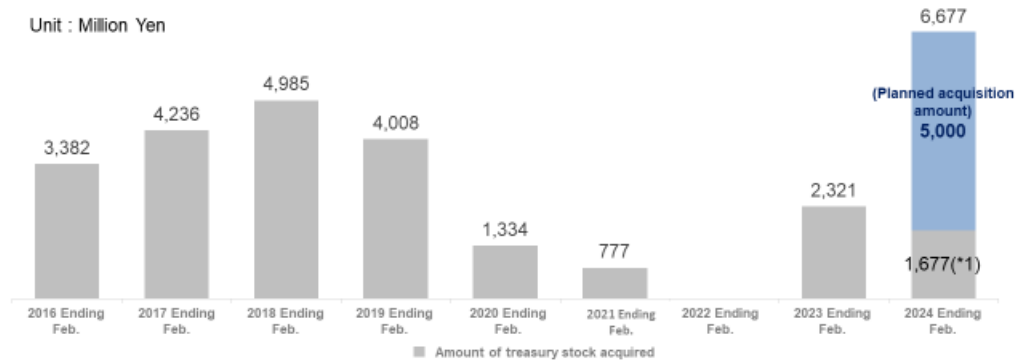
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27 Shareholder returns

TSI HOLDINGS

The acquisition of treasury stocks, which had been done since January 2023, was completed in September. The 3,069,100 shares thus acquired are planned to be written off at the end of October. TSI Holdings has announced that it will acquire additional treasury stocks as part of its capital policy as it aims at stepping up its efforts to return profits to shareholders and improving capital efficiency.

Amount of shares that can be acquired	¥5,000 million
Period of acquisition	October 16, 2023 to March 29, 2024



Let me now discuss shareholder returns. An additional JPY5 billion in share repurchases will be made as part of a capital policy aimed at enhancing shareholder returns and improving capital efficiency.

29 Understanding of the present condition (1) (Analysis of PBR and comparison with other companies in the industry)

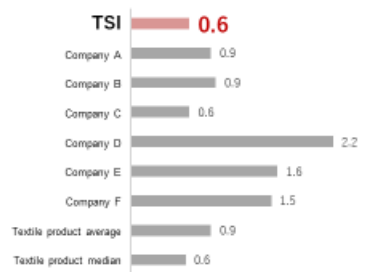
TSI HOLDINGS

TSI Holdings goes below the average in the valuation of PBR and ROE.

» The issue to be addressed is ROE

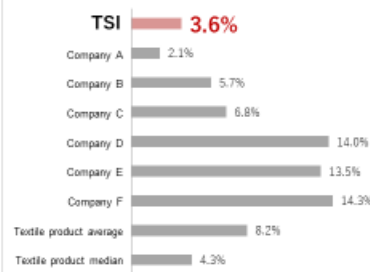
$$\text{PBR} \left(\frac{\text{Market capitalization}}{\text{Net assets}} \right) = \text{ROE} \left(\frac{\text{Net income}}{\text{Net assets}} \right) \times \text{PER} \left(\frac{\text{Market capitalization}}{\text{Net income}} \right)$$

PBR: Comparison with other companies in the industry

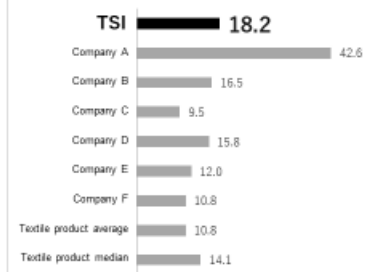


All figures for TSI are as of October 3, 2024.

ROE: Comparison with other companies in the industry



PER: Comparison with other companies in the industry



It is about management with an awareness of the cost of capital and stock price.

To understand the current situation, a breakdown of PBR and a comparison with other companies in the same industry are shown in the table. The Company's level of variation is below average for PBR and ROE. Obviously, the issue here is ROE, and we will focus on measures to raise ROE.

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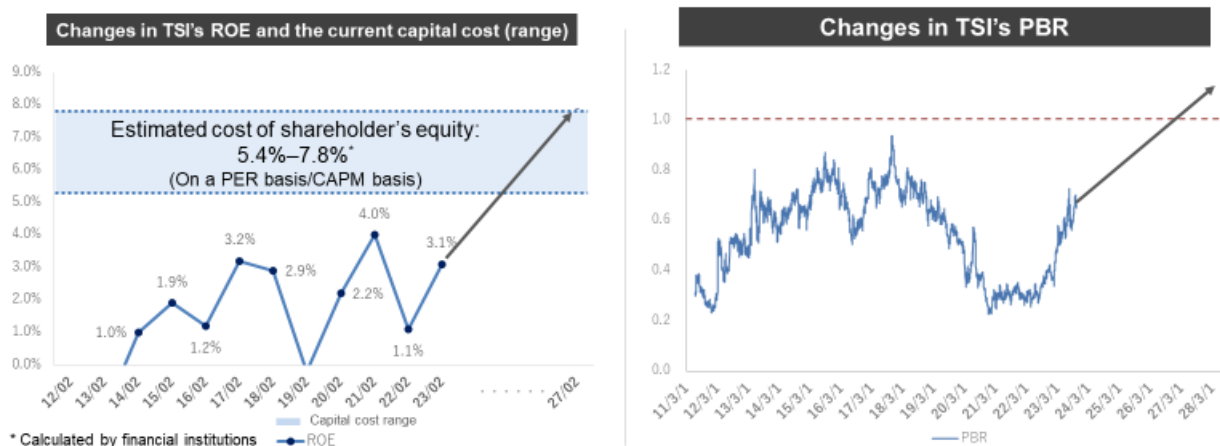
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30 Understanding of the present condition (2) (Changes in and the current status of TSI's ROE and PBR)

TSI HOLDINGS

Since ROE was low compared to the level of shareholder's equity cost TSI recognized, PBR has continued to be 1.0 or less. As indicated in the comparison on the previous page "Understanding of the present condition (1)," the average of ROE for the textile industry is 8%, and in terms of PBR, the average is nearly 1.0. TSI will strive to increase PBR to 1.0 by reducing the cost of shareholder's equity to a lower level than the current one, achieving an ROE that exceeds the cost of shareholder's equity, and expanding equity spreads.



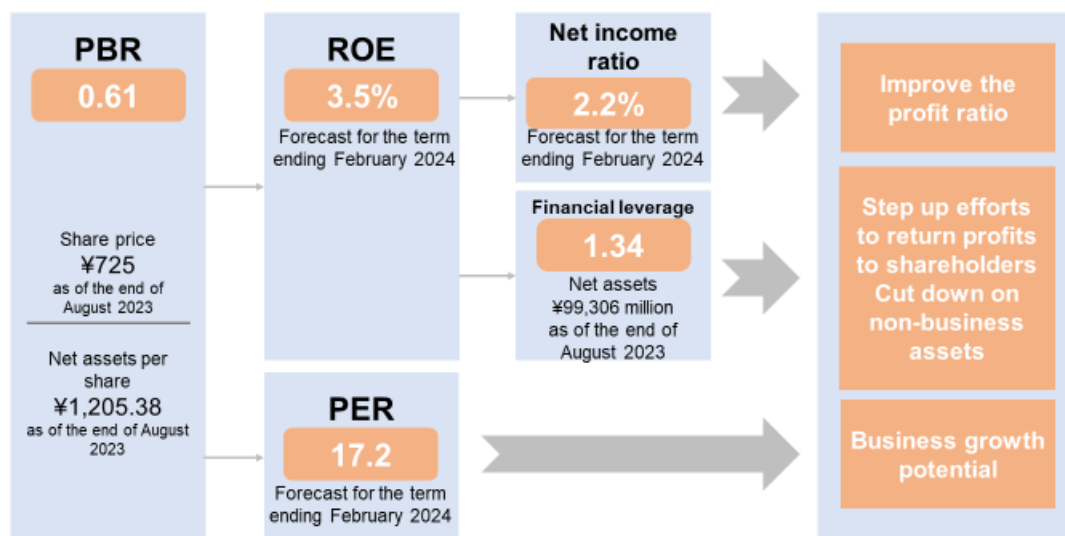
Current situation two. Due to the low ROE compared to our company's perceived cost of equity capital level, the P/B ratio has remained below 1x. As shown in the comparison in the previous section of the table, which shows the current situation, ROE is 8% in the textile products industry, and the P/B ratio is generally 1x.

We intend to achieve a P/B ratio of 1x by controlling the current cost of shareholders' equity, achieving ROE that exceeds the cost of shareholders' equity, and increasing the equity spread.

31 Understanding of the present condition (3)

TSI HOLDINGS

TSI aims at improving ROE by improving profitability, stepping up its efforts to return profits to shareholders, and cutting down on non-business assets to achieve greater asset efficiency.



Current situation three. We aim to improve ROE by increasing profitability, enhancing shareholder returns, and improving asset efficiency through the reduction of non-business assets.

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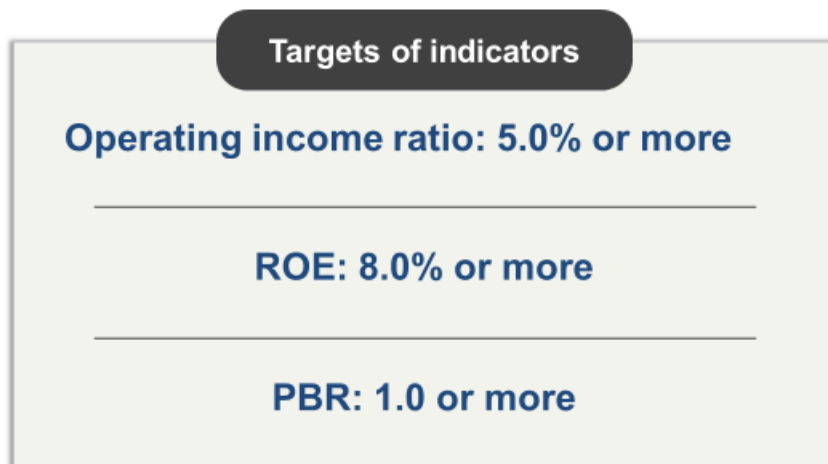
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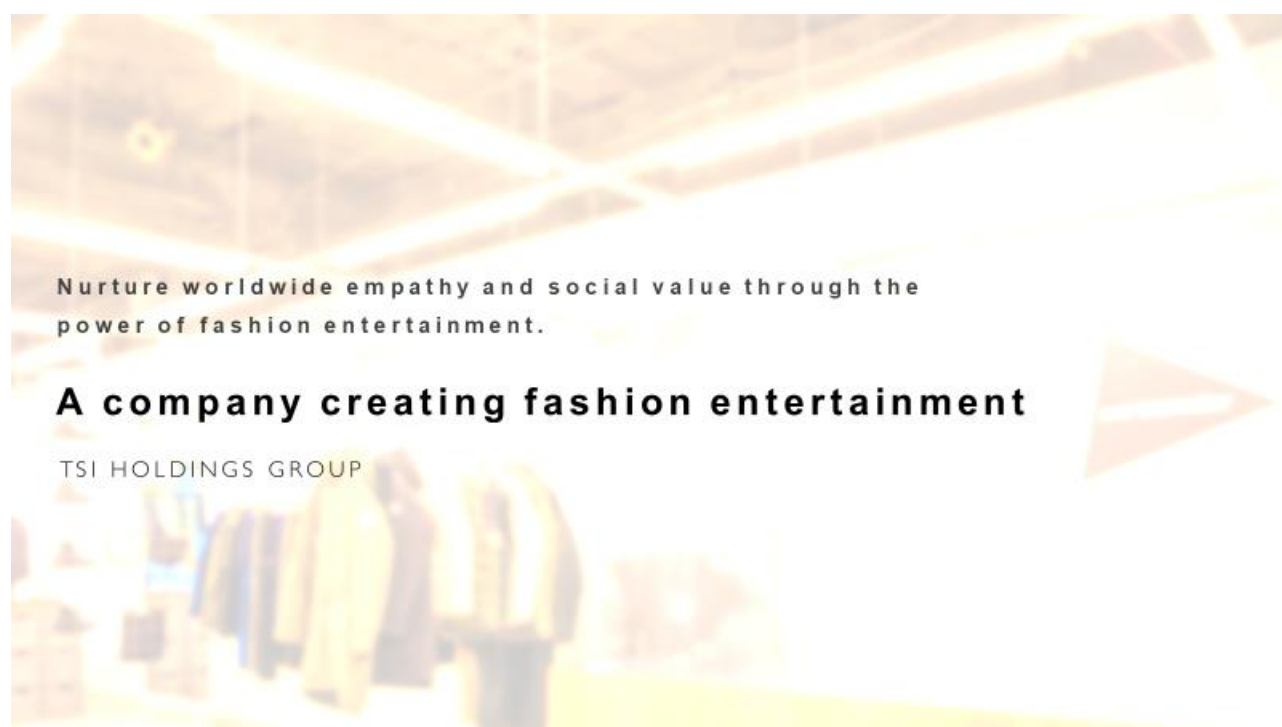
Based on the foregoing, TSI has set targets of indicators.

The Company is considering measures to achieve targets set for these indicators from various aspects: business processes, financial capital, and non-financial information.

It plans to disclose specific measures in April 2024.



Based on the above, we have established indicators that we should aim for in the future. We are considering measures to achieve the indicators in terms of business, financial capital, and non-financial information, and will disclose information on specific measures in April 2024.



Through the power of fashion entertainment, we will create empathy and social value around the world. We are committed to this mission as a fashion entertainment creation company, TSI HOLDINGS. We exist because of our customers, who guarantee our employment. We will not lose sight of this and will ensure every unit of the Company, storefronts, and e-commerce engage in the support framework.

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The coming fall and winter months of October, November, and December are our best months. With the autumn winds blowing, we are determined to make a thorough company-wide sales effort. We will also consider and execute numerous events and pop-ups.

In addition, we are preparing to create new market needs by developing new brands while downsizing and withdrawing from old brands. First of all, if we are asked what we want to do, we are a fashion company, and we want to develop new brands that will create the next generation and build interesting brands that can spread their wings around the world.

As a company capable of developing exciting and interesting brands, we are also committed to training the next generation of creators. We have already begun to work on developing new sensitivities. We will invest in talented creators and strive to create enjoyable products as an entertainment company that communicates the best creations.

We are constantly customizing and remodeling the sales floor to create a new and more enjoyable experience for customers and staff alike. I hope you will take another look at those areas and enjoy them.

Our game depends on how well we can create a brand with great value 5 or 10 years from now, a brand that can create fans who will love it for years to come. We would like to make a firm commitment to this and look forward to working with you in the future.

Thank you.

[END]

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