TSI HOLDINGS CO., LTD.

Q3 Financial Results Briefing for the Fiscal Year Ending February 2024

January 15, 2024

Event Summary

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Tsuyoshi Shimoji	President and CEO
Mitsuru Naito	Operating Officer, Head of Corporate Headquarters
Shunsuke Hasegawa	Investor Relations & Corporate PR Assistant Manager

Presentation

Hasegawa: Good morning. Thank you for joining us today. We will begin a briefing on the financial results of TSI HOLDINGS CO., LTD for Q3 of the fiscal year ending February 28, 2024.

Thank you for your corporation.

4 Q3RD Results of 2024 Ending Feb. : Executive summary TSI HOLDINGS

[Summary of operations during the third quarter]

■ Change in Market environment

Due to the reclassification of COVID-19 into Class 5 in May 2023, demand for outing recovered. With the subsequent lifting of the ban on group tours to Japan and depreciation of the yen, the number of visitors to Japan from overseas grew, recovering demand for inbound tourism substantially.
Although the overseas business environment remained unstable, economic and social activities in Japan moved toward normalization.

■ Business conditions

The recovery of the market supplied a favorable tailwind, boosting the number of customers who visited fashion buildings and street outlets in urban areas.
The product policy for men's brands bore fruit, and sufficient measures were taken for them in areas such as the bulk purchase of products that were marketed over a long period of time, and therefore, the Company achieved steady growth without losing opportunities.
On the other hand, the Company was cautious about purchasing merchandise for ladies' brands taking the previous circumstances into consideration, and as a result, it failed to take actions that corresponded with the pace of market recovery. For this reason, it was unable to increase sales significantly.

■ Fallout from the loss of COVID-related special demand

The COVID-related special demand such as demand for golf in Japan and that for athletic leisure in the United States ran its course, and the market began to decline.
Excessive inventories piled up because the placement of orders for the current term's purchases and the delivery of wholesale products to clients had been completed by the previous term. This significantly affected financial results partly because the Company had actively invested in the growth areas in the previous years.

Shimoji: Thank you for your support always and joining us today. I will now start the financial results for Q3 of the fiscal year ending February 28, 2024.

Executive summary. This is our activity summary for Q3. As for changes in the market environment, the flow of the people going-out recovered after COVID-19 moved to Class 5 in May 2023. With the lifting ban on group travel to Japan as well as the weakening of the yen, a very large number of foreign visitors were coming to Japan. Therefore, the inbound demand has recovered significantly. Our company has also benefited from this. Despite the unstable environment abroad, we see that the domestic economic and social activities are moving toward normalcy.

When looking at the business situation, there were negative factors. The market recovery was a tailwind, resulting in an increase in customer traffic at buildings for boutiques and apparel shops and stores on the street in urban areas. As for the men's brands, we were able to achieve steady growth without opportunity losses due to strong product initiatives and sufficient response through bulk purchases of long-term sales products.

On the other hand, we were cautious in purchasing for ladies brands from the past experiences. As a result, we were not able to respond enough to the speed of recovery, and sales did not grow significantly.

Also, there is a reaction to the special demand of COVID-19. The market for golf in Japan and athleisure demand in the US have run their course, and the market has started to see a decline slightly.

The order for procurement and advance deliveries to wholesalers in the current fiscal year have put the brakes on the commercial products that we had ordered in the previous fiscal year. Although we have invested in growth areas up to now, we have been greatly affected.

5 Highlights of Results for Q3RD of Fiscal Year Ending in February 2024 TSI HOLDINGS

In addition to the fallout from the loss of the COVID-related special demand, the initial marketing of autumn/winter merchandise did not advance as initially planned because of the lingering summer heat and the warm winter, and as a result, the Company struggled.
The Company aimed at recovery starting from the second half of October but failed to achieve the quarterly plan.
Operating income was lower than initially planned for two reasons. One was that the Company reported greater valuation losses than initially planned due to excessive inventories. The other was that profitability deteriorated as the Company gave priority to inventory clearance.

Q3RD Net Sales	Q3RD Operating Profit	Q3RD Net Income
41.57 Billion Yen	1.69 Billion Yen	1.81 Billion Yen
vs. Budget −4.61 billion yen	vs. Budget −1.94 billion yen	YoY Change −0.55 billion yen
YoY Change −1.73 billion yen	YoY Change −1.44 billion yen	YoY 76.7%
YoY 96.0%	YoY 53.9%	

These are the non-consolidated financial highlights for Q3. Following the executive summary, the initial sales of fall and winter merchandise did not proceed as planned due to extended summer and warm winter. We tried to rewind from the latter half of October but failed to achieve the plan. There was a valuation loss recorded which was higher than planned due to excess inventory and deteriorating profitability due to prioritized digestion. As a result, operating income fell short of plan.

First, sales. Sales were JPY41.57 billion, operating income was JPY1.69 billion, and net income was JPY1.81 billion.

6 Highlights of Results for Q3RD of Fiscal Year Ending in February 2024

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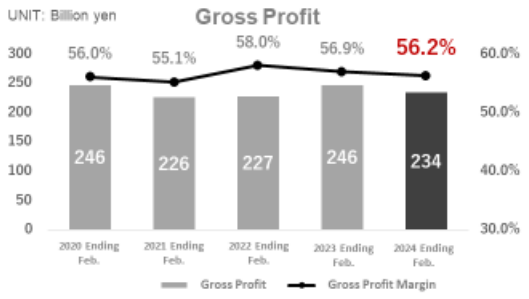
Q3RD Gross Profit

23.36 Billion Yen

YoY 94.8%

YoY Change -1.27 Billion Yen



> Gross Profit

- Foreign exchange fluctuations and sharp rises in the prices of raw materials
- Increase in price reductions due to growth in remaining inventories and increase in valuation loss

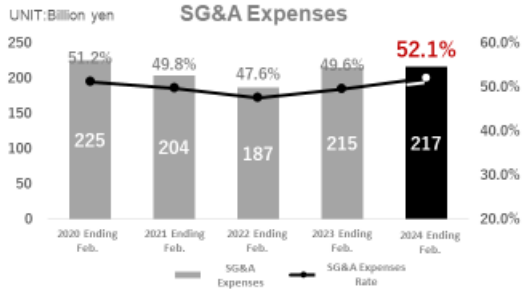
⇒ The struggle for sales growth and slow-moving inventories became a heavy burden on the Company.
Gross profit became worse by 0.7 percentage points compared to the previous term.

Q3RD SG&A Expenses

21.66 Billion Yen

YoY 100.8%

YoY Change -0.17 Billion Yen



> SG&A Expenses

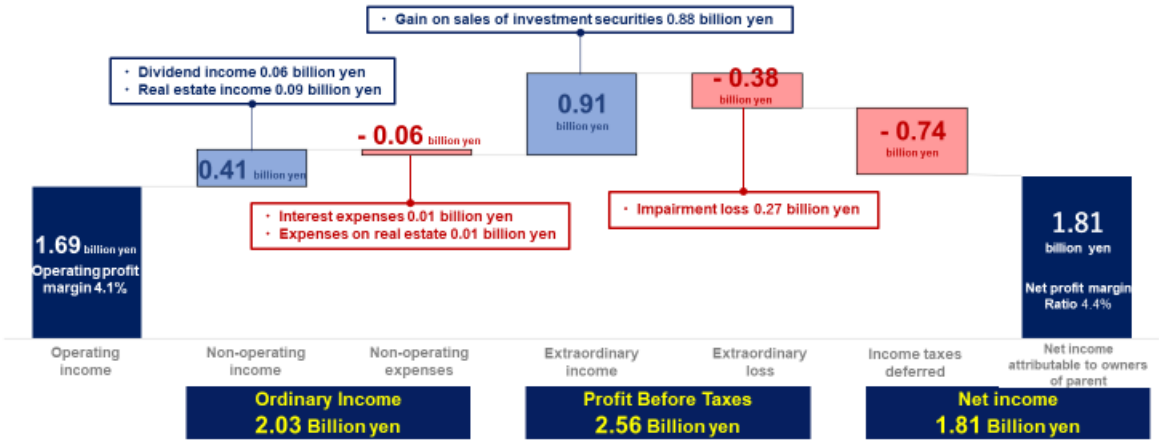
- Due to subsidies, personnel expenses for the previous term decreased.
- Growth in sales promotion and advertising expenses

⇒ During the previous term, personnel expenses improved due to subsidies, and in this quarter, the Company failed to manage sales promotion and advertising expenses efficiently. For these two reasons, selling, general & administrative expenses deteriorated by 2.5 percentage points compared to the previous term.

Next, performance trends. Gross profit for Q3 was JPY23.36 billion, burdened by struggling sales growth and backlogged inventory. Gross profit margin was 0.7 percentage points worse than the previous period. SG&A expenses were 2.5 percentage points worse than the previous year, at JPY21.66 billion. This is because of the inability to effectively manage promotional advertising expenses, despite the fact that personnel expenses had improved due to subsidies.

7 Net Income Impact Items for Q3RD Results of 2024 Ending Feb. TSI HOLDINGS

Ordinary income, including ¥340 million in non-operating income/loss such as dividend income and real estate revenue, was **¥2.03 billion**.
Net income for the first half of the term, including ¥520 million in extraordinary income/loss such as gains on sale of investment securities and impairment losses as well as income taxes deferred, was **¥1.81 billion**, and the **profit ratio** was **4.4%**.



Next are the items affected by net income. Adding non-operating income of JPY340 million, including dividend income and real estate income, ordinary income was JPY2.03 billion. Adding extraordinary income of JPY520 million, including gain on sales of investment securities and impairment loss, and income tax adjustments, net income was JPY1.81 billion, with a profit margin of 4.4%.

8 About Balance Sheet

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	Cumulative Q3RD 2023 Ending Feb.		1ST Half 2024 Ending Feb.		Cumulative Q3RD 2024 Ending Feb.					
	Results	Composition Rate (%)	Results	Composition Rate (%)	Results	Composition Rate (%)	Y/Y Change	Y/Y (%)	Q2/Q3 Change	Q2/Q3 (%)
Current Assets	80,805	55.4%	67,566	50.9%	74,499	53.4%	-6,306	92.2%	6,933	110.3%
(of Cash and Deposits)	32,139	22.0%	24,660	18.6%	23,111	16.6%	-9,028	71.9%	-1,549	93.7%
(of which, Inventory)	28,280	19.4%	27,792	20.9%	32,753	23.5%	4,473	115.8%	4,961	117.9%
Non-current Assets	65,155	44.6%	65,113	49.1%	65,091	46.6%	-64	99.9%	-22	100.0%
(of Investment Securities)	28,122	19.3%	27,792	20.9%	27,944	20.0%	-178	99.4%	152	100.5%
(of Investment Real estate)	4,713	3.2%	4,695	3.5%	4,688	3.4%	-25	99.5%	-7	99.9%
Total Assets	145,961	100.0%	132,679	100.0%	139,591	100.0%	-6,370	95.6%	6,911	105.2%
Current Liabilities	32,059	22.0%	23,963	18.1%	32,342	23.2%	283	100.9%	8,379	135.0%
(of Short-term borrowings)	17	0.0%	-	0.0%	5,045	3.6%	5,028	29676.5%	5,045	0.0%
(of Current portion of long-term borrowings)	4,987	3.4%	4,203	3.2%	3,853	2.8%	-1,134	77.3%	-350	91.7%
Non-current Liabilities	12,177	8.3%	9,435	7.1%	8,807	6.3%	-3,370	72.3%	-628	93.3%
(of Long-term borrowings)	6,478	4.4%	3,047	2.3%	2,562	1.8%	-3,916	39.5%	-485	84.1%
Total Liabilities	44,236	30.3%	33,399	25.2%	41,149	29.5%	-3,087	93.0%	7,751	123.2%
Total Net Assets	101,724	69.7%	99,280	74.8%	98,441	70.5%	-3,283	96.8%	-839	99.2%
(of Treasury Stock(-))	-5,388	-3.7%	-4,537	-3.4%	-5,604	-4.0%	-216	104.0%	-1,067	123.5%
Total Liabilities and Net Assets	145,961	100.0%	132,679	100.0%	139,591	100.0%	-6,370	95.6%	6,912	105.2%

> **Cash and Deposits**

【 Comparison with the previous term 】

Affected by increases in inventory assets and the repayment of Long-term borrowings totaling , cash and deposits decreased by ¥9 billion.

> **Inventory**

【 Comparison with the previous term 】

In the businesses that performed well, bulk purchasing was implemented to reduce costs. In some businesses, meanwhile, inventories moved slowly because sales slowed down due to the lingering summer heat and the warm winter. Inventory assets were 115.8% of the previous term's level, growing by ¥4.4 billion from the previous term.

> **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 ¥1.06 billion.

Next is the balance sheet. Cash and deposits and difference from the previous year. Since inventories increased, while repayment of long-term debt decreased, cash and deposit decreased approximately JPY9 billion. As for inventories, some of our strong businesses are purchasing in bulk to reduce costs, and some of our businesses are holding inventories due to stalled sales caused by extended summer heat and warm winter.

In addition, there was an increase in some ladies' wear and golf wear, especially inventory of the golf business for the last spring and summer as well as for new season. The increase in inventory is 115.8% YoY, or an increase of JPY4.4 billion. We are in the process of steadily completing selling them, at events and such at this moment.

10 Sale Trends by Channel for Q3RD Results of 2024 Ending Feb.

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The number of customers who visited real stores rose as demand for outing and inbound tourism grew. Sales for non-department stores were 102.9% of the previous term's level.
On the other hand, sales for department stores, EC, and overseas businesses faced difficulties due to the fallout from the loss of COVID-related special demand and withdrawals from business.

- Real stores: While sales for street outlets and fashion buildings continued to expand, benefiting from the recovery of the traffic of people, those for department stores leveled off as demand for golf ran its course. Sales for real stores were 101.2% of the previous term's level.
- Overseas business: The overall street industry in the U.S. remained sluggish. In particular, sales for HUF stagnated as its clients refrained from ordering merchandise due to increased inventories.

		Old profit standards	New profit standards	New profit standards	
		Q3RD 2022 Ending Feb.	Q3RD 2023Ending Feb.	Q3RD 2024 Ending Feb.	YoY (%)
Domestic	Department Stores	4.22 Billion Yen (Composition Rate : 10.8%)	5.64 Billion Yen (Composition Rate : 13.0%)	5.40 Billion Yen (Composition Rate : 13.0%)	95.7%
Domestic	Commercial Facilities(*1)	17.59 Billion Yen (Composition Rate : 44.9%)	18.55 Billion Yen (Composition Rate : 42.8%)	19.09 Billion Yen (Composition Rate : 45.9%)	102.9%
Domestic	E-Commerce	9.60 Billion Yen (Domestic E-Commerce ratio : 30.6%)	10.31 Billion Yen (Domestic E-Commerce ratio : 29.9%)	8.97 Billion Yen (Domestic E-Commerce ratio : 26.8%)	87.0%
Domestic Others(*2)		4.79 Billion Yen (Composition Rate : 12.2%)	4.77 Billion Yen (Composition Rate : 11.0%)	4.53 Billion Yen (Composition Rate : 10.9%)	95.2%
Overseas		2.94 Billion Yen (Composition Rate : 7.5%)	4.02 Billion Yen (Composition Rate : 9.3%)	3.56 Billion Yen (Composition Rate : 8.6%)	88.4%

*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.

Sales by channel.

As for physical stores, stores on streets and in fashion buildings have benefited from a recovery in the flow of people, and sales are on an upward trend, with 102.9% of the previous year, excluding department stores. On the other hand, department store sales fell below the previous year's level, due to the peak of the golf special demand and the impact of withdrawal from the business. As for physical stores, the sales ratio was 101.2% YoY.

Overseas. The street wear market in the US as a whole is in a slump. This led to severe results. Sales of HUF in particular have stagnated as wholesalers have held off on placing orders due to increased inventories, and also lowering prices from sales at wholesalers.

11 E-commerce in Q3RD Results of 2024 Ending Feb.

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In the third quarter alone, with EC sales at ¥9.88 billion, or 87.5% of the previous term's level, the Company failed to expand sales in this sector, leaving certain issues unsolved.
The Company will review its sales strategy and digital marketing methods again with the aim of expanding sales again while maintaining profitability.

Domestic EC: In TSI's EC, popular products were in short supply as real stores attracted more customers and inventories were consequently concentrated, and this reduced EC sales substantially. Partly because of the fallout from the loss of COVID-related special demand and withdrawals from business*1, the overall domestic EC sales were 87.0% of the previous term's level.
Overseas EC: Affected by discount sales which prevailed due to excessive inventories in America's street industry, overseas EC sales slowed down, remaining at 92.4% of the previous term's level.

Unit : Billion Yen	Old profit standards	New profit standards			
	Q3RD 2022 Ending Feb.	Q3RD 2023 Ending Feb.	Q3RD 2024 Ending Feb.	Compared to year before last (%)	Y/Y(%)
In-House E-Commerce	4.33	4.51	3.59	82.8%	79.6%
(ratio(%))	(45.2%)	(43.7%)	(40.0%)	(-5.1pt)	(-3.7pt)
Domestic E-Commerce	9.60	10.31	8.97	93.4%	87.0%
(ratio(%))*	(30.6%)	(29.9%)	(26.8%)	(-3.8pt)	(-3.1pt)
Overseas E-Commerce	0.76	0.97	0.90	117.7%	92.4%
(ratio(%))*	(26.1%)	(24.3%)	(25.4%)	(-0.7pt)	(+1.1pt)
E-Commerce TOTAL	10.37	11.29	9.88	95.2%	87.5%
(ratio(%))*	(30.2%)	(29.3%)	(26.7%)	(-3.5pt)	(-2.6pt)

*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" (¥0.61 billion)
*2 Domestic E - Commerce ratio excluding domestic and other sales (wholesale, company sales, etc.)

Plan across the brands

In this plan, at TSI's EC site "MIX.Tokyo," three athletes wore fashionable clothes different from those which they usually did, presenting a new aspect of their fashion life. The Company will continue to carry out plans to convey the power and joy of fashion to customers.

EC sales results. In the non-consolidated results of Q3, EC sales is JPY9.88 billion, or 87.5% of the previous year's level, failed to expand. This is a very disappointing result. We would like to review our sales strategy and marketing methods and make more profit.

Now let's look at domestic and overseas separately. In the domestic market, a large number of customers visited our physical stores, rather than EC-stores, which in a sense contributed to the sales from hot-selling products, but it caused inventory shortages and loss of sales in the e-commerce business.

Also, there were three brands that withdrew from the business. That being said, the ratio of a domestic EC was 87% YoY. In overseas EC, sales slowed down to 92.4% of the previous year due to on-going discounting sales caused by overstocking in the street wear industry in the US.

13 Individual Overview of Major Brands in Q3RD Results of 2024 Ending Feb. TSI HOLDINGS

Due to the effects of the lingering summer heat and the warm winter, most of the major brands struggled, but among them, sales for MARGARET HOWELL, AVIREX, and STUSSY continued to be strong.
Other than the major brands, brands focusing on street outlets (such as ROYAL FLASH and Schott) **benefited from growing inbound tourism and the recovery of the traffic of people, continuing to grow.**

■ **Top 10 brands in sales**

Unit:Million Yen

		Q3RD 2022 Ending Feb.	Q3RD 2023 Ending Feb.		Q3RD 2024 Ending Feb.		Y/Y
		Sales	Sales	Composition Rate (%)	Sales	Composition Rate (%)	Sales (%)
1.	PEARLY GATES	4,668	5,060	11.7	4,106	9.9	81.2
2.	MARGARET HOWELL	3,016	3,521	8.1	3,670	8.8	104.2
3.	NANO universe	4,853	4,143	9.6	3,859	9.3	93.1
4.	NATURAL BEAUTY BASIC	2,897	3,056	7.1	3,010	7.2	98.5
5.	HUF	1,891	3,058	7.1	2,657	6.4	86.9
6.	AVIREX	1,767	2,043	4.7	2,246	5.4	109.9
7.	STUSSY	1,280	1,295	3.0	1,424	3.4	110.0
8.	new balance golf	1,051	1,331	3.1	1,232	3.0	92.5
9.	human woman	900	1,218	2.8	1,120	2.7	91.9
10.	Jack Bunny!!	926	1,031	2.4	965	2.3	93.5
TOP10		23,254	25,761	59.5	24,293	58.4	94.3

- **PEARLY GATES YoY : 81.2%**
  The market normalized as demand for golf ran its course.
  Sales continued to grow, reaching 125.0% of the pre-COVID level (term ended February 2020), but went below those for the previous year.
  The brand is going to reduce purchasing and continue inventory clearance, including overseas sales.
- **HUF YoY : 86.9%**
  Domestic real stores achieved two-digit sales growth, at 118.9% of the previous term's level, but the brand struggled as sales for the overall street industry in the U.S. remained sluggish.
  As a result, the overall sales for HUF went below those for the previous year.
- **AVIREX YoY : 109.9%**
  In addition to expanding sales for regular items, collaborations with MLB and Disney were well received, maintaining strong sales. Its store opened at the Komatsu Base aviation festival and the Inazuma Festival 2023 also ended as they gained public favor.
- **STUSSY YoY : 110.0%**
  The number of stores decreased, but the existing stores made up for more than the loss of sales for closed stores, improving sales per store significantly.

Here is an individual overview of the major brands.

Even though most major brands struggled due to the extended summer and mild winter, MARGARET HOWELL, AVIREX, and STUSSY performed well. In addition to the mainstay brands, the brands such as ROYAL FLASH, LHP, and Schott which are mainly available at stores on street benefited from the recovery of inbound and flow of people that could maintain growth.

When looking at top brands that contribute sales, the sales of PEARLY GATES, which has grown by 125% compared to fiscal year ending February 28, 2020, before the pandemic, although it was below last year's sales and has peaked out, as the special demand for golf related products has flattened. Since it is a popular and mainstay brand, we will balance and restrain purchases and promote selling including overseas sales in the future.

HUF. In Japan, sales at physical stores grew by double-digits at 118.9% YoY. However, there has been a slowdown in sales in the US street wear industry. As a result, HUF sales fell below the previous year's level.

AVIREX. Compared to the previous fiscal year, it was 109.9%. In addition to the sales expansion of standard products, collaborations with MLB and Disney have been well received and continue to perform well. The events that we had were also well received by our customers, and it is very popular in that sense.

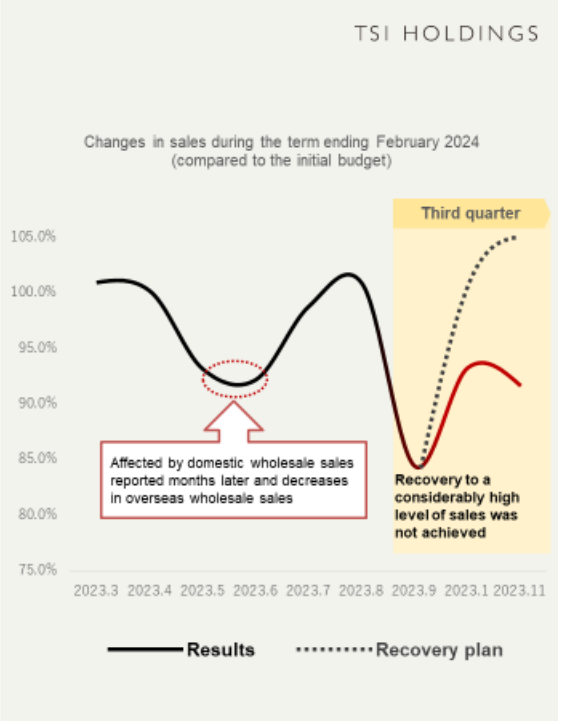
STUSSY. The number of stores has decreased. We are strategically narrowing it down. We do so based on the concept of increasing the size and image of each store to increase sales per store. So far existing stores have exceeded the sales of the stores that have closed. Sales per store are large and have improved enormously.

15 Recent situation (cumulative results for the third quarter)

Cumulative Q3RD Net Sales	Cumulative Q3RD Operating Profit
114.85 Billion Yen	2.22 Billion Yen
vs. Budget −6.33 billion yen	vs. Budget −2.41 billion yen
YoY Change −0.54 billion yen	YoY Change −1.50 billion yen

The Company aimed at recovery during the second half of the year and thereafter but was forced to struggle

- The recovery measures announced at the end of the first half of the year fell through.
  - The Company failed to expand EC sales.
  - The Company expected to recover sales in the autumn/winter sales campaign but was not able to reduce its inventories.
  - The Company's actions such as expanding the purchasing of merchandise for brands that performed well were too late.
- The initiatives for executing budgets and implementing the medium-term plan both did not make much progress.
  - During the second term, the Company expected that it could put its performance back on track within the current term.
  - Financial results became even worse during the third quarter, and the Company will take further steps for drastic reforms. (described later)



Now, I would like to discuss our full year forecast in light of the current situation.

Cumulative sales for Q3 are JPY114.85 billion, and operating income is JPY2.22 billion. We tried to recover them in H2 and beyond, but we have been struggling.

One of the first factors was the failure of the recovery measures mentioned at the end of H1. Specifically, EC sales didn't grow well. We focused on recovering sales in the fall and winter season, but were unable to promote sales, due to the weather environment and such. In addition, we could not follow enough to catch up demands in terms of procurements for the selling items in strong brands.

Another primary reason is the need for more progress in balancing the budget plan and taking initiatives in the medium-term management plan. Specifically, we had anticipated that we would be able to recover by the end of this fiscal year as of Q2, but conditions in Q3 have beenunfavorable. We will make company-wide efforts to implement fundamental reforms, including procurement, logistics, stores, and operations.

16 Revision of forecasts of financial results for the entire term ending February 2024 TSI HOLDINGS

Following the consolidated cumulative financial results for the third quarter, we hereby announce that we decided to revise the forecasts of consolidated financial results for the entire term ending February 2024, which were published on April 12, 2023, as follows:

	Forecasts for the entire term ending February 2024		Adjusted Forecast			
	Unit Billion Yen	Composition Rate (%)	Unit Billion Yen	Composition Rate (%)	Increase / decrease amount Billion Yen	Rate of change (%)
Net Sales	162.00	100.0	154.40	100.0	−7.60	−4.6
Operating Income	4.70	2.9	1.40	0.9	−3.30	−70.2
Ordinary Income	5.50	3.4	3.00	1.9	−2.50	−45.4
Profit Attributable to Owners of Parent	3.50	2.2	2.80	1.8	−0.70	−20.0
Net income per share	41.54 Yen		34.06 Yen			

The golf market, which had driven the performance of the Company until last year, and the growth of the street casual market in the United States settled down, and in addition, excessive inventories due to focused brands' failure to achieve sales goals prompted the Company to reduce prices more often and increased valuation losses, and this deteriorated profitability, leading to the revision of the forecasts for the whole year.

Revision of full-year forecasts. Based on the consolidated financial results for the first nine months of fiscal year ending February 28, 2024, we have decided to revise our full-year consolidated earnings forecast for the current fiscal, which was announced on April 12, 2023, as follows.

The revised forecast amounts. Net sales will be JPY154.4 billion, operating income JPY1.4 billion, ordinary income JPY3 billion, and net income attributable to the parent company JPY2.8 billion.

17 Current challenges and response policy

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Current challenges

Basic profitability has not been improved

- As an OMO company, TSI Holdings has brought certain results, but its EC sales has fallen.
- Store efficiency improvement measures remain at the level of reorganizing nonperforming outlets.
- The U.S. business remains sluggish.
- It seems that the golf business has peaked out.
- Inventory efficiency deteriorated, making the adverse effects discount sales and valuation losses evident.

Commitment to investment policy and numerical goals

- Lack of the ability to promote investment measures in growth areas
- Lack of speed to take measures to achieve greater efficiency in the digital area
- The introduction of several new brands is progressing, but profitability has not been achieved yet.

Response policy

Review of the plan

The management plan with capital costs and stock prices taken into account, which is to be announced in April, should be updated. This includes updating the numerical goals and reviewing business strategy and others based on the recognition of current challenges. This will be published as a rolling plan for the medium-term management plan (TIP25).

▶ Examples of major points at issue

Improvement of profitability of existing businesses

- Making selling, general & administrative expenses more efficient by improving the profit structure of stores and EC
- Improving gross profit by maintaining inventories at reasonable levels and taking other measures for tighter manufacturing and sales control

Growth strategy

- Restructuring aimed at achieving EC/OMO growth again
- Redefining growth areas and setting quantitative goals for investment performance

Strengthening the operational foundation

- Strengthening and making effective use of human capital
- Evolving profit management methods and KPIs
- Promoting reform projects making the most of external specialist teams

Issues and counter measures. The current challenge is that basic profitability has not increased and the ability to earn money is not strong enough.

In terms of investment policy and commitment to numerical targets, I feel that the speed of measures to improve efficiency in the digital domain is insufficient, and that we do not have enough momentum to promote investment measures. In addition, several new brands are being introduced, they are not in the stage of making profit yet.

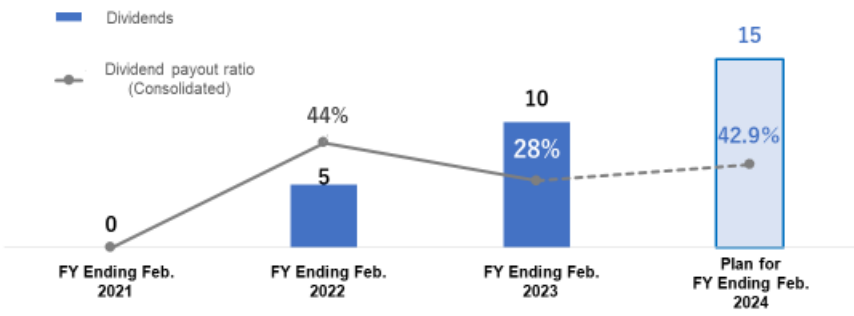
In response to this, we will update our management plan focusing on capital cost and stock price, which has planned to announce in April. We will promote it as a rolling mid-term management plan by comprehensively reviewing and updating our plan, mainly business strategy, including numerical targets with an awareness of current issues.

In addition, as part of the rolling plan based on this medium-term management plan, we have been working with external parties since last year as a reform project. We are promoting it with the aim of revitalizing and improving our internal structure.

18 Shareholder returns

TSI HOLDINGS

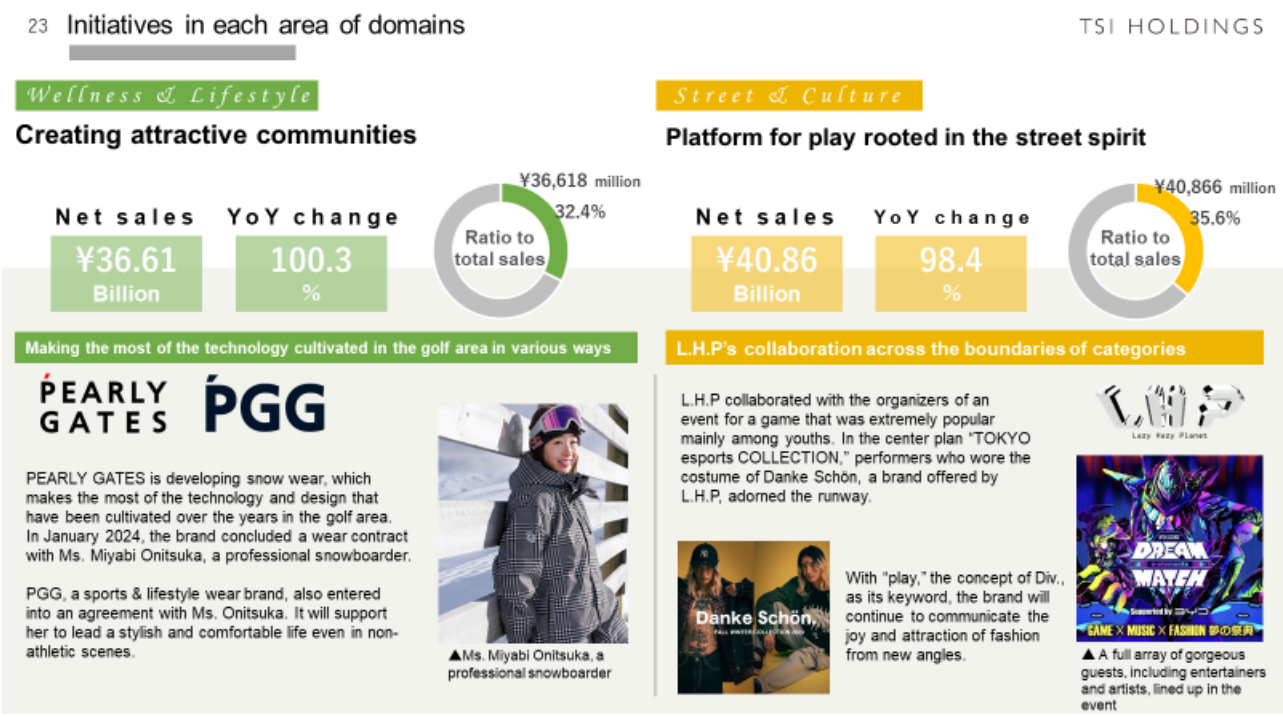
The amount of dividend for the term ending February 2024 will **remain** at the same level as previously forecast, **at ¥15 per share**.



Dividend	¥0	¥5	¥10	¥15
Payout ratio	-	44%	28%	42.9%

Regarding shareholder returns, we maintain our previous dividend forecast of JPY15 per share for the fiscal year ending February 28, 2024.

The dividend payout ratio is 42.9%.



Let me talk about each division.

We will continue to create attractive communities in the wellness & lifestyle segment, with sales of JPY36.61 billion, 100.3% YoY, and 32.4% of the total sales ratio.

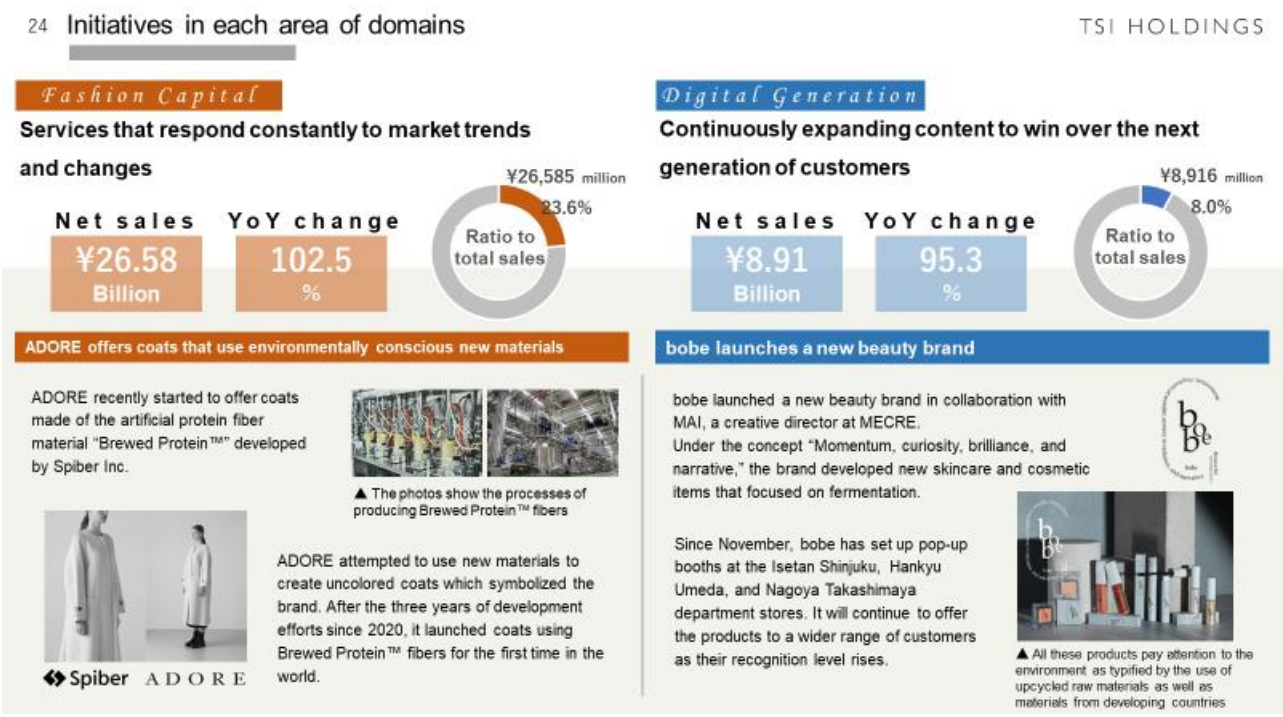
I think this is very noteworthy news that PEARLY GATES sells golf wear only for the long time, but we will start snowboard wear using the technology we have developed in golf wear.

We are pleased to announce that we have signed the apparel sponsorship with a professional snowboarder Miyabi Onizuka, who won silver and bronze medals at the World Championships last year. We are very much looking forward that PEARLY GATES will develop new design and products, not only for golf wear, but also for other new sports and fun activities, through interviews with professionals and hearing how it works. We are very much looking forward to and have high expectations for it.

We have two brands, PEARLY GATES and PGG, we would like to develop both urban and sportswear for each scene with those two.

In the street & culture segment, net sales were JPY40.86 billion, 98.4% YoY, and 35.6% of the total sales ratio.

Our small package selects stores, such as LHP, will participate in events and creating collaborative products in the game entertainment, which incorporates the elements of games, music, fashion, and other fun elements. We also participate in events and create collaborative products.



The fashion capital. We will provide services that respond to change. Net sales were JPY26.58 billion, 102.5% YoY, or 23.6% of the total sales ratio.

The brand ADORE has always been a strong coat brand using very high quality and natural materials, but we have started to develop coats made of Brewed Protein, an artificial protein material produced by Spiber Inc. Since it is environmentally conscious material and has the authentic and quality feel of cashmere, ADORE took on the challenge of expressing the brand's iconic coats in a new material.

We started working on the development of the product from 2020. And after three years of development, we have manufactured and realized the sale of products that are using the world's first double-woven fabric made of Brewed Protein. It also has potential for sportswear. So, in that sense, I believe that the luxury women's brand with a luxurious brand image is making a coat from sporty material, or from an environmentally friendly material similar to material for sport wear, will attract a lot of attention.

Digital Generation. Net sales were JPY8.91 billion, 95.3% YoY, or 8% of the total sales ratio. A new cosmetic brand will be launched. bobe. We have launched a new beauty brand with MAI, the creative director at MECRE.

bobe's theme is momentum. The theme is about curiosity, being brilliant, and narratives. We are also considerate of the global environment, and extract and upcycle active ingredients from raw materials that would otherwise be thrown away. In terms of materials, we have developed skin care and cosmetic items that focus on fermentation, using very interesting ingredients such as skin from blowfish.

We had pop-ups at Isetan and other department stores. Since customers show a lot of interests in our products, we will continue product development and expand it into creative and useful product manufacturing for our customers.

Promoting DX to lead the next generation of business

In an effort to make business processes more efficient and sophisticated, accelerate the pace of business, and achieve further growth and development, TSI Holdings has tied up with several businesses to advance projects in multiple areas.

Becoming the first company in Japan to introduce Alibaba Cloud smart logistic solutions

Aiming at innovation in DX and customer experience, the Company decided to participate in the Alibaba Cloud DX Lab for strategic alliance.

In addition, based on the strategic alliance between the two companies, TSI Holdings introduced Alibaba Cloud's warehouse management system into cross-dock warehouses in Shanghai and annexed ones in Japan as well as warehouses in Vietnam. This initiative enables real-time confirmation of inventories.

While applying the system to several other logistic bases, the Company will continue to build business processes and systems for greater operational efficiency, which involves the use of AI for leveling off workload and better inventory control by predicting the volume of cargo.

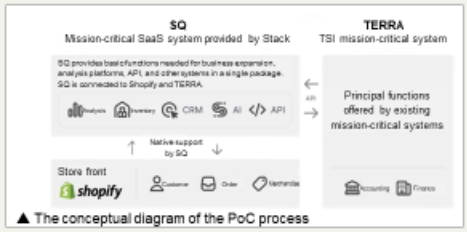
Alibaba Cloud

Starting the PoC verification process using SQ, a mission-critical system for major retailers, which is provided by Stack Inc.

TSI Holdings started the PoC verification process using the SQ beta version, which was released by Stack Inc.

In October 2022, the Company concluded a capital and business alliance contract with Stack in order to realize a next-generation OMO mission-critical platform based on a new concept which enabled it to respond flexibly and swiftly to changing customer services.

As part of this contract, this PoC process involves verification of the future applicability of SQ and the scope of its application in conjunction with the introduction of Shopify by some of the Company's brands.



▲ The conceptual diagram of the PoC process

We will promote DX for the business for the next generation. We are teaming up with several companies in order to improve efficiency/advancement of operations, accelerate business speed which leads to further growth and development.

First, we introduced Alibaba Cloud's smart logistics solution for the first time in Japan. The Alibaba Cloud warehouse management system will be implemented for some portions of our business under the strategic alliance between the two companies.

This initiative has enabled us to realize real-time inventory status, and we are considering expanding the system to multiple distribution centers in the future. In doing so, we will promote the establishment of operations and mechanisms with a view to improving operational efficiency, such as work leveling through AI, cargo logistics forecasting, and improved inventory management.

Continuing on, we are working with Stack. Stack is a former Appify Technologies, and we have concluded a capital and business alliance in October 2022. We hope to realize a next-generation OMO and core platform with new ideas that can respond flexibly and quickly to changing customer services.

This PoC is part of such efforts, and we will verify the future applicability and scope of application.

Launching the testing of corporate product experience in the virtual space of the Japan Metaverse Economic Zone "Ryugukoku®"

The Company participated in the Ryugukoku® project as a fashion entertainment company to design new customer experience.

The world of Ryugukoku®, the RPG/Metaverse platform, enables use of various real products provided by businesses in the image of play.

The Company offers 3D costume worn by avatars, aiming to provide entertainment value brought by fashion.

JP UNIVERSE TAKENAKA TOPPAN

MITSUBISHI MOTORS SMBC YAMAHA Make Waves TSI HOLDINGS

— Illustration of 3D costume provided by TSI —

The Company provides three-dimensional AVIREX, PEARLY GATES, Jack Bunny!!, NANO universe, human woman, and JILL by JILL STUART clothes to be worn by avatars

We have also started a demonstration experiment of a corporate product experience in the economic sphere of the Metaverse, "Ryugukoku", a virtual space. AVIREX, PEARLY GATES, Jack Bunny!!, NANO universe, and JILL by JILL STUART, will provide 3D outfits.

We believe that the development of new 3D outfits will be interesting, because otherwise those brands are not seen in one place. We joined the project with Ryugukoku because we will be able to design new customer experiences as a fashion entertainment company.

We will provide 3D outfits for avatars to realize the value that fashion can bring, and we imagine that this will further enhance the value of entertainment.

27 TSI HOLDINGS

Putting a provider of SaaS recruitment services specializing in apparel business under the control of the TSI Holdings Group

The Company plans to put READY TO FASHION Inc. (representative: Satoshi Takano), which operates SaaS recruitment services specializing in apparel business, under the control of the TSI Group in March 2024.

Company name	READY TO FASHION. Inc.
Address	THE N3 502, 4-12 Aobadai 4-chome, Meguro-ku, Tokyo
Establishment	November 8, 2016
Representative	Representative director: Satoshi Takano
Business description	Planning for and operation of social media recruitment platforms as well as media and events in the fashion industry

Business overview

READY TO FASHION not only adopts the conventional style of registering those who wish to change jobs but also easily brings vertical connections to businesses by linking social media, owned media, apps, and real events. It also provides horizontal connections to make it easy to offer jobs to those who wish to change jobs. The company thus has established and operated approaches to recruitment not found in the past.

Services

READY TO FASHION
web

Social media for jobs in the fashion industry
Recruitment platform to seek jobs by registering Instagram postings and skills

Media that carry news and information on events and recruitment for young people interested in the fashion industry

READY TO FASHION MAG
web

fashion community 1.0
community

Real communities organized by more than 20 fashion circles existing in the Kanto and Kansai regions

Matching service to create "business meetings," enabling users to connect loosely to people in the fashion industry and those who wish to involve themselves in the industry

fatch
ios app, web

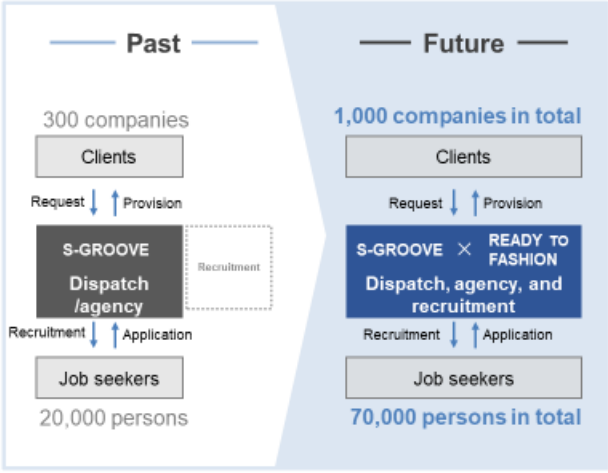
In March 2024, we will welcome READY TO FASHION, a company that runs SaaS-based recruiting service specializing in the apparel industry, into our company.

READY TO FASHION is not only providing a traditional registration for job seekers, but also a new approach to job search by linking SNS, owned media, apps, and real events to create vertical connections with companies and horizontal connections that make it easier for job seekers to be introduced to apparel companies. We have established and been running a new and unprecedented approach.

Providing comprehensive personnel solutions in the fashion industry

The TSI Holdings Group aims at creating opportunities for diverse human resources to play an active role in the fashion industry and enriching the lives of people who work in the fashion industry and those who enjoy fashion.

By linking personnel support services provided by S-Groove, a subsidiary engaged in pay job placement and manpower dispatching services, and READY TO FASHION's unique recruitment services, the TSI Holdings Group strives to expand its HR services, increase the profitability of the two subsidiaries, and develop these services into one of the pillars in the Group's businesses.



- Enabling the Group to provide comprehensive personnel solutions in the fashion industry
- Aiming at winning new contracts and new customers from among businesses that deal with S-Groove and READY TO FASHION
- Expecting to improve the matching rate for job placement by increasing the number of job seekers

The subsidiary S・GROOVE Co., Ltd, the subsidiary provides HR service, with unique recruiting services of READY TO FASHION, we aim to expand our HR business and strengthen the profitability of both companies. We would like to develop this business into one of the pillars of the group's operations.

In the apparel industry midst of severe labor shortage, we would like to design an environment in which we can approach outside by investing in this kind of network, grow our human resources more effectively, and enable them to work effectively both inside and outside of the company.

By bringing READY TO FASHION into our group, we aim to provide integrated human resource solutions in the fashion industry through such synergies, and to acquire new contracts and new acquisitions for our mutual business partners. We have also improved our referral matching rate with the increase in the size of our job seekers.

Initiatives for management that emphasizes human capital

TSI Holdings is providing support to improve the skills of employees and encourage their development.
The Company aims at developing independent human resources who support the future of TSI Holdings.

Designer development program

As part of its efforts to create corporate culture, the Company is carrying out a program to develop creators in-house.

With a workshop for designers in all brands of the Group as a start, the Company planned talk seminars as requested by many participants.
In each seminar, guests are invited from outside to speak about the theme chosen.

Providing opportunities for career development

As part of its efforts to establish an environment for learning and career development, the Company has introduced the GLOBIS Manabi Hodai learning program for all persons in managerial positions and employees who wish to join it.

By backing up independent learning by employees, the Company aims at raising the level of employees' basic business knowledge and skills on a group-wide basis and making all information shared by all employees.

Self-development support system

TSI Holdings has established a self-development support system to stimulate and encourage employees' desire to develop themselves independently. The Company supports part of the expenses required to obtain or pass tests for any of the 39 licenses, which can be effectively used for business.

The aim is to secure and develop capable human resources in the Group.

Next, we would like to discuss human capital management initiatives.

We support our employees in developing their skills and growth. First of all, we are holding a workshop for all brand designers in our group, called the "Designer Development Program", presented by Mr. Murakami, the chief editor from WWD.

We invited designers, buyers, and creators who are very active in other companies, and held a talk seminar. Connections are likely to be limited within each brand, but we started this with a hope that this will allow them to create a horizontal connection, including those from other companies, to connect each other.

We have started the program four times so far, and I believe that all of our staff members are becoming clearer in their thinking and plans for the next phase.

Continuing on, we would like to start offering more and more growth opportunities. As part of creating a learning and growth environment, we have introduced and are promoting GLOBIS unlimited learning for all managers and other eligible employees who wish to learn.

In addition, we have a self-development support system in place, and will provide support for 39 qualifications and certifications required for work, as well as a portion of the costs associated with obtaining these certifications.

Initiatives for management that emphasizes human capital

TSI Holdings is striving to improve its systems to create a work environment that enables employees to work easily and comfortably.
In response to diversifying work styles, the Company aims at raising the level of employee engagement.

Promoting the self career dock system

The Personnel Department actively encourages its members to obtain a career consultant's license, and so far, five of them have acquired the license. This has enabled the department to implement the self career dock system in-house.

Currently, the Company is striving to promote the self career dock system focusing on sales representatives who have three years of service or more, and in the future, it plans to expand the system so that it covers its entire organization.

Establishing a section to contact for counseling

As an increasing number of businesspersons have tended to become mentally ill in recent years, the Company established an external section to contact for counselling in order to provide sufficient care to them as well as prevent, early detect, and treat mental illnesses.

Specialist counselors meet requests of not only employees but also their families for advice on mental health.

Encouraging employees to take child-care leave

At TSI Holdings, the percentage of women taking child-care leave has reached 100%, indicating that the Company essentially has an environment that enables women to obtain such leave easily. The Company has also launched an initiative to encourage men to obtain such leave, and during the past several years, the percentage for men has doubled each year.

The Company will strive to further increase the percentage of employees taking such leave.

We are striving to expand our systems to create a comfortable workplace. The promotion of self-career consulting. We actively encourage our employees to obtain career consultant certification within the human resources department, and to date, we have about five employees obtain this certification. With this the self-career consulting can now be available in-house. Currently, we are promoting self-career consulting focusing on sales personnel at their third year or more, and will expand it to the entire company in the future.

In addition, we opened a counselling room. We will provide advice through professional counseling on various mental health issues not only for the individual but also for his or her family members.

And we are promoting the use of parental leave. We believe that our work environment is pretty supportive to take parental leave as 100% of female employees are achieving taking it but we will continue to support and promote efforts to encourage men to take it as well.

Next is about our efforts regarding the SDGs.

We have entered into a capital and business alliance with SynCom Agritech. As I have touched this several times before, we have entered into a capital and business alliance with SynCom Agritech, a company that cultivates organic cotton, as part of raw materials strategy in material innovation and in consideration of human rights and the environment.

The first premise is that organic cotton is grown after soil improvement if its farmland had soil contamination. Also, since technology is very strong, we are working with SynCom Agritech to grow cotton together in India. Then, we harvested cotton, even if it was a small amount, this year.

We would like to increase the number of farmers and farmland in clean land and increase production while trying to make novelties or something new with this.

The high cost of organic cotton is inevitably due to low productivity and low yields, but this soil improvement will basically increase the yield of organic cotton compared to normal. We would like to work together to realize products with traceability and a system that takes human rights into consideration and improves farmers' income, while looking at cost reductions.

As a member of society, TSI Holdings contributes to it through business activities

In order to achieve its purpose "Through the power of fashion entertainment, we will create empathy and social value around the world," TSI Holdings is contributing to society through business activities.

Case 01 Support for women who need social protection

As part of its efforts to empower women who come to DV shelters or women protection facilities for help, the Company has provided some 200 clothes and sundry goods to eight such facilities nationwide through a corporation called Ichigokotohoginomori.

The Company emphasized the power of fashion for self-development by coordinating clothes it provided.

It plans to continuously provide such items twice a year.

Case 02 Inviting children who live in children's homes to a museum

TSI Holdings invited children from children's homes, who were supported by Ichigokotohoginomori, to the Mori Art Museum.

The Company has a corporate agreement with the Mori Art Museum as part of its employee welfare program. In this project, as part of its initiative for "quality education for all" as stated in the SDGs, it provided the children with an opportunity for the high-quality experience of seeing, listening, feeling, and thinking" with the cooperation of the Art Museum.

Case 03 Receiving visitors to the workplace

A group of junior high school students visited the head office and stores of TSI as part of their learning activities.

At various workplaces, they learned about a wide range of jobs and work types mainly through lectures, tours, and hands-on experiences in business operations.

Our purpose is "to create global empathy and social value through the power of fashion entertainment". We will contribute to society through our business activities in order to realize our mission.

First, as part of our efforts to empower women who live DV shelters or facilities to protect women. We provide clothing, sundries, and cosmetics to eight facilities nationwide. We also work with them to coordinate the clothing provided and witness the moment the women who wear made smiles through those opportunities.

Secondly, we invite children from the children's welfare center we support to the Mori Art Museum in our partnership. Their eyes change dramatically by seeing those arts. They look happy and get stimulated. We are thinking how we can provide opportunities for the children who spend day in the children's welfare center to change their view and provide quality education. We would like to continue to provide hands-on opportunities for them to experience, see, hear, feel and touch.

We also accept workplace tours from junior high school students at our headquarters and stores as part of their learning activities. We hope that they will be able to learn a wide range of things at each of our locations through classroom lectures, tours, and work experience.

We at TSI had to make a very large downward revision in Q3. The biggest reason for this is that we misjudged the speed of recovery and how the early purchases we had made would move forward after the pandemic.

In addition, we have not yet developed a structure that will earn money. Based on the fact that these reforms are still insufficient, we have embarked on one reform since last fall. We would like to include an outside knowledgeable person in the process of making changes in areas that we have not been able to change, and we would like to present a new medium-term management plan based on these changes. And as I said, we have begun to take action to create a new TSI that can stand up as a creative fashion entertainment company.

We would also like to announce the details of this policy in April when we make a policy announcement to you. Till then we will do our best in this term even though there are only a few months left. In the midst of another crouching situation, we will make every effort to make a solid breakthrough in the next fiscal year and the one after that. Thank you very much.

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