



TSI HOLDINGS

TSI HOLDINGS CO., LTD.

Financial Results Briefing for the Fiscal Year Ended February 2024

April 15, 2024

Event Summary

[Company Name]	TSI HOLDINGS CO., LTD.	
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[Event Name]	Financial Results Briefing for the Fiscal Year Ended February 2024	
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[Venue]	Webcast	
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[Participants]		
[Number of Speakers]	2	
	Tsuyoshi Shimoji	Representative Director and President
	Mitsuru Naito	Director, Head of Corporate Headquarters

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



Question & Answer

Moderator [M]: Thank you very much. Now, I would like to move on to the question-and-answer session.

Thank you very much. We have received three questions from Daiwa Securities. The first question.

Daiwa Securities [Q]: In your plan for this fiscal year, could you share the outlook for the golf business and the US streetwear business, which faced challenges in the previous fiscal year?

Shimoji [A]: Thank you for your question.

First, in the golf business, we believe we can achieve lasting stability. The market itself is existing, peaking, or [inaudible] stable. Our golf business is also very stable. In the domestic golf market and the U.S. streetwear business, the tailwind of the demand during the pandemic has subsided, and the market itself has reached its peak.

Our core business, PEARLY GATES, which has been the driving force, has been shrinking slightly due to the push-back from the special demand during the pandemic. Despite this, we've opened a new concept store in Marunouchi and maintained strong communication channels with our customers, including loyal customers there. Furthermore, golf products such as PING and New Balance Golf are performing well, indicating a more stable growth trajectory.

As for the overseas streetwear business, wholesale for skateboarding saw poor sales and required clearance, but it is now showing signs of stabilization. The spring and summer collections have improved slightly. On the other hand, the sales of TACTICS and snowboard-related products did not grow due to considerably less snowfall in the US this season. We are planning to create new demand through tourism, including guided tours to Hokkaido.

That is all.

Daiwa Securities [Q]: Secondly, regarding the five items of the profit structure reforms you mentioned, I would like to know about the details of your initiatives for this fiscal year. What kind of measures will be taken to achieve this effect?

Naito [A]: I will answer your question.

In the explanation earlier, we mentioned the five items for profit structure reform. However, there are some items that will inevitably take time before their effects emerge. One of the main things we expect to do in the current fiscal year is to optimize supply-demand management, in other words, to review prices, including sales, in a more detailed manner.

We also expect some of the store reforms to be completed this fiscal year. The fifth factor, which is SG&A cost reduction is expected to have the greatest impact. We have set several items that will have an immediate effect on reducing SG&A costs. We plan to achieve them during the current fiscal year, thereby realizing JPY3 billion in structural reforms during the first phase of the current fiscal year.

That is all.

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Daiwa Securities [Q]: Regarding the medium-term business strategy, I believe there have been issues with the feasibility of the past medium-term strategy. Could you tell me what you had in mind while developing the latest medium-term business strategy and the effectiveness of the reforms in the profit structure?

Naito [A]: I will answer the third question as well.

Several challenges were unable to be overcome in the past, particularly in achieving growth. It was difficult to create new brands, including domestic and overseas, that would support our growth. Some existing brands are performing well, while others are performing worse, so overall growth has not been achieved as planned.

As mentioned during our reflection on previous structural reforms, one of the main regrets is that while we emphasized developing the individuality of our brands, structural reforms, including cost reductions across brands, were not prioritized. In the current plan, our initial emphasis will be on the foundational structural reform of the business. The project is now advancing in a manner that involves the entire company more extensively than ever before. This is the direction in which we are directing our efforts this time, based on our past reflections.

That is all.

Shimoji [A]: I would like to add that the latest medium-term strategy is really focused on feasibility, and we have clearly defined the structure and responsibilities of the project. In addition, we have created more than 10 subcommittees, which we have never had before, and we are working on a relationship to produce solid results in each category.

As I have already mentioned, our management team is determined to make a concerted company-wide effort to achieve the goals. We will work on areas where TSI has not been able to make inroads and where we have not yet been able to achieve our goals. I am confident that our efforts will be highly effective.

That is all.

Moderator [M]: Next question, from Tokai Tokyo Intelligence Laboratory. We have received two questions, so I will start with the first one.

Tokai Tokyo Intelligence Laboratory [Q]: You have set a DOE of 4% for the final fiscal year ending February 2027. Could the 4% DOE be lowered if the improvement in profitability is delayed or advanced?

Naito [A]: I think your concern is valid based on our history of profitability. On the other hand, we are resolute in our commitment to reform our profit structure and achieve the set targets within three years. In this regard, we have clearly established a dividend policy of 4% DOE, and we are determined to achieve this objective at all costs.

That's all for the explanation.

Tokai Tokyo Intelligence Laboratory [Q]: The target profit for the fiscal year ending February 2027 is JPY7.7 billion. Considering the current level of shareholders' equity, you have factored in JPY10 billion share buybacks to achieve a DOE of 4%, but wouldn't that mean that the dividend payout ratio would be 30% or higher?

Naito [A]: As you pointed out, a payout ratio of 30% does not reach a DOE of 4%. Said ratio of 30% is a lower limit. We are aiming for a dividend payout ratio of 30% or more that will ultimately allow us to reach a DOE of 4%.

That is all.

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Shimoji [A]: Shareholder return is an important issue, so we are aiming for a higher return. We would like to achieve a minimum shareholder return of 30%.

That is all.

Amundi Japan [Q]: With the DOE of 4% for the fiscal year ending February 2027, the annual dividend would be about JPY50 per share for the fiscal year ending February 2027. I calculated that the planned dividend for the current fiscal year ending February 2025, is JPY19. So, the annual dividend is expected to be JPY36, which is the difference between the planned dividend and the dividend for the current fiscal year ending February 2025. Is my understanding correct?

Naito [A]: I will answer your question.

There is a slight difference from our calculations, but the basic idea is to acquire treasury stock and cancel the acquired shares.

We have provided our estimates of the final profit level, taking into account gains from the sale of assets other than operating income, etc., so we think the figures will be close to those you have mentioned. In any case, we will achieve an operating income of JPY10 billion and a DOE of 4% in the final fiscal year of the business strategy. We expect to be close to the level you have just mentioned depending, of course, on the number of shares at that point in time.

Amundi Japan [M]: Okay. Thank you very much.

Shimoji [M]: Thank you very much.

[END]

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